IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR (2) PERSONS WHO ARE OUTSIDE OF THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the listing particulars (in preliminary or final form) following this page (the "**Listing Particulars**"), whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. The Listing Particulars have been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY EXCEPT (1) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S; (2) IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS (EACH A "**QIB**") AS DEFINED IN RULE 144A; OR (3) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view these Listing Particulars or make an investment decision with respect to the securities, you must either: (i) be outside the United States investing in the securities in an offshore transaction in reliance on Regulation S; or (ii) be a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act). These Listing Particulars are being sent at your request and by accepting the e-mail and accessing these Listing Particulars, you shall be deemed to have represented to us that (1) you understand and agree to the terms set out herein; (2) in respect of securities being offered in an offshore transaction pursuant to Regulation S, you are outside the United States, and that the e-mail address to which, pursuant to your request, the Listing Particulars have been delivered by electronic transmission is not located in the United States for the purposes of Regulation S under the Securities Act; (3) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB; (4) you consent to delivery by electronic transmission of these Listing Particulars; (5) you will not transmit the Listing Particulars (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with our consent; and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

These Listing Particulars have been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of ING Bank N.V., London Branch, J.P. Morgan Securities plc, Raiffeisen Bank International AG, SIB (Cyprus) Limited, UniCredit Bank AG or VTB Capital plc (together, the "**Managers**"), Global Ports (Finance) PLC (the "**Issuer**"), or any of their respective subsidiaries, nor any person who controls either of them or any director, officer, employee nor agent of either of them, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Listing Particulars distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are reminded that these Listing Particulars have been delivered to you on the basis that you are a person into whose possession these Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver these Listing Particulars to any other person. You may not transmit the attached Listing Particulars (or any copy of them or part thereof) or disclose, whether orally or in writing, any of their contents to any other person except with the consent of the Managers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

Restrictions: The attached Listing Particulars are being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States. Recipients of these Listing Particulars who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in these Listing Particulars.

Securities to be issued will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States (as such terms are defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

These Listing Particulars are being distributed only to and directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) those persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons together being referred to as relevant persons). The Listing Particulars are directed only to relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relates is available only to relevant persons and will be engaged in only with relevant persons.

GLOBAL PORTS (FINANCE) PLC

(incorporated under the laws of Cyprus)

as issuer of

U.S.$350,000,000 6.872 per cent. guaranteed notes due 2022
initially unconditionally and irrevocably guaranteed on a joint and several basis by

GLOBAL PORTS INVESTMENTS PLC

(incorporated under the laws of Cyprus)

and

First Container Terminal Incorporated
Joint-stock company "Petrolesport"
Vostochnaya Stevedoring Limited Liability Company

(each incorporated under the laws of the Russian Federation)

Issue price of Notes: 100 per cent.

Global Ports (Finance) PLC (the "**Issuer**"), a wholly owned subsidiary of Global Ports Investments PLC (the "**Company**") is issuing U.S.$350,000,000 aggregate principal amount of 6.872 per cent. guaranteed notes due 2022 (the "**Notes**"). The Notes are initially unconditionally and irrevocably guaranteed (the "**Guarantees**") by the Company, First Container Terminal Incorporated ("**FCT**"), Joint-stock company "Petrolesport" ("**PLP**") and Vostochnaya Stevedoring Limited Liability Company ("**VSC**" and, together with the Company, FCT and PLP, the "**Initial Guarantors**" and each an "**Initial Guarantor**") under a deed of guarantee between the Guarantors and the Trustee (as defined below) dated on or about the date of the Trust Deed (as defined below) (the "**Deed of Guarantee**"). Pursuant to the Terms and Conditions of the Notes (the "**Conditions**"), the Company has undertaken to procure that any of its Subsidiaries upon becoming a Material Subsidiary after the Issue Date (and subject to certain conditions) gives an Additional Guarantee (all as defined, and in the manner prescribed, in the Conditions) in favour of the Trustee no later than 180 calendar days upon becoming a Material Subsidiary (the "**Additional Guarantees**" and, together with the Initial Guarantees, the "**Guarantees**" and each a "**Guarantee**") substantially in the form of the deed of accession to the Deed of Guarantee set out in the Schedule to the Deed of Guarantee (an "**Additional Guarantor**"). Initial Guarantors and, to the extent that they have executed and delivered a deed of accession to the Deed of Guarantee, any Additional Guarantor are jointly referred to as the "**Guarantors**" and each a "**Guarantor**".

Interest on the Notes will accrue from 18 April 2016 at a rate of 6.872 per cent. per annum of their outstanding principal amount payable semi-annually in arrear on 25 January and 25 July of each year, commencing on 25 July 2016. The Notes will be subject to, and have the benefit of, a trust deed between BNY Mellon Corporate Trustee Services Limited as trustee for the Noteholders (the "**Trustee**") and the Issuer to be dated 18 April 2016 (the "**Trust Deed**").

Payments on the Notes will be made free and clear of any withholding taxes imposed by Cyprus or the Russian Federation to the extent described in "*Terms and Conditions of the Notes*" herein. The Notes may be redeemed by the Issuer in whole but not in part at 100 per cent. of their principal amount, plus accrued and unpaid interest, if the Issuer (or, if the Guarantees are called, a Guarantor) has or will become obliged to pay certain additional amounts and otherwise as described under "*Terms and Conditions of the Notes—Redemption and Purchase-Redemption for tax reasons*". The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time, but on one occasion only, on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus the Make Whole Premium (as defined in "*Terms and Conditions of the Notes*" herein) plus any accrued and unpaid interest and additional amounts (if any) to (but excluding) the date of redemption. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of the Issuer*". The Notes may be redeemed at the option of the Noteholders at 100 per cent. of their principal amount, plus accrued and unpaid interest and additional amounts (if any) to the date of redemption, upon the occurrence of a Change of Control Put Event (as defined in "*Terms and Conditions of the Notes*" herein). Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 January 2022.

An investment in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 10.

The Notes are expected to be rated "BB+" by Fitch Ratings Limited ("**Fitch**"). The rating of the Notes is expected to be confirmed and published after the date of settlement. **A rating is not a recommendation to buy,**

sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and to trading on the Global Exchange Market of the Irish Stock Exchange plc (the "**Global Exchange Market**"). The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This document constitutes listing particulars for the purpose of such application and has been approved by the Irish Stock Exchange. Admission of the Notes to the Official List and trading on the Global Exchange Market is not an indication of the merits of the Issuer, the Guarantors, the Notes or the Guarantees. There can be no assurance that a trading market in the Notes will develop or be maintained.

The Notes and the Guarantees (the "**Securities**") have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Securities are being offered and sold by ING Bank N.V., London Branch, J.P. Morgan Securities plc, Raiffeisen Bank International AG, SIB (Cyprus) Limited, UniCredit Bank AG or VTB Capital plc (the "**Managers**") outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of the Listing Particulars. Any representation to the contrary is a criminal offence in the United States. For a description of these and certain further restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Securities that are being offered and sold in accordance with Regulation S (the "**Regulation S Notes**") will initially be represented by beneficial interests in an unrestricted global note certificate (the "**Unrestricted Global Note Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for and will be deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on or about the Issue Date. The Notes that are being offered and sold in reliance on Rule 144A will initially be represented by beneficial interests in one or more restricted global note certificates (the "**Restricted Global Note Certificate**" and, together with the Unrestricted Global Note Certificate, the "**Global Note Certificates**") in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their account holders. Definitive notes in respect of beneficial interests in the Unrestricted Global Note Certificate and the Restricted Global Note Certificate ("**Unrestricted Individual Note Certificates**" and "**Restricted Individual Note Certificates**", respectively, and together, the "**Individual Note Certificates**") will not be issued except as described under "*Book Entry, Delivery and Form*".

The Notes will be offered and sold in the minimum denomination of U.S. $200,000 (or integral multiples of U.S. $1,000 in excess thereof).

Joint Lead Managers and Joint Bookrunners

ING	**J.P. Morgan**	**Raiffeisen Bank International**	**Sberbank CIB**	**UniCredit Bank**	**VTB Capital**

The date of these Listing Particulars is 14 April 2016.

NOTICES

This document comprises listing particulars for the purpose of giving information with regard to the Issuer, the Company, the other Guarantors and the Company's consolidated subsidiaries and interests in joint ventures (the "**Group**") and the Securities, which, according to the particular nature of the Issuer, the Guarantors, the Group and the Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantors and the Group, and the rights attaching to the Securities. The Issuer and the Company accept responsibility for the information contained in the Listing Particulars. To the best of the knowledge of the Issuer and the Company (which have taken all reasonable care to ensure that such is the case), the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information. Each Guarantor accepts responsibility for the information contained in these Listing Particulars relating to itself and to its Guarantee. To the best of the knowledge of each Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars in relation to the information relating to itself and its Guarantee is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained under "*Presentation of Financial and Other Information—Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While the Issuer accepts responsibility for accurately summarising the information concerning exchange rate information, the Issuer accepts no further responsibility in respect of such information.

Any information sourced from such third parties contained in the Listing Particulars has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in these Listing Particulars is stated where such information appears in these Listing Particulars.

No person is or has been authorised to give any information or to make any representation other than those contained in the Listing Particulars, and any information or representation not contained herein must not be relied upon as having been authorised by or on behalf of the Company, the Issuer, the other Guarantors, the Trustee or the Managers. Neither the delivery of these Listing Particulars nor any sale or allotment made in connection with the offering of any of the Notes shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Guarantors or the Group or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof. Neither the Issuer nor any other person assumes any obligation (and expressly declares that it has no such obligation) to update or change any information contained in these Listing Particulars.

No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers or the Trustee as to the accuracy or completeness of the information contained in the Listing Particulars or any other information supplied in connection with the Securities. Each person receiving the Listing Particulars acknowledges that such person has not relied on any of the Managers or the Trustee in connection with its investigation of the accuracy of such information or its investment decision, and each person must rely on its own examination of the Issuer, the Guarantors and the Group and the merits and risks involved in investing in the Securities. To the fullest extent permitted by law, none of the Managers accepts any responsibility whatsoever for the contents of the Listing Particulars or for any other statement made or purported to be made by it, or on its behalf, in connection with the Issuer, the Guarantors, the Group or the Securities. Each of the Managers accordingly disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of the Listing Particulars or any such statement.

For a more complete description of restrictions on offers, sales and transfers, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Listing Particulars do not constitute an offer to sell or an invitation to subscribe for or purchase, by or on behalf of the Issuer, any Guarantor, any Manager or any other person, any of the Securities in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of the Listing Particulars and the offer and sale of the Securities in certain jurisdictions is restricted by law. Persons into whose possession the Listing Particulars or any of the Securities are delivered are required to inform themselves about and to observe any such restrictions. Each prospective purchaser of the Securities must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes the Listing Particulars. In addition, each prospective purchaser must obtain any consent, approval or permission required under the regulations in force in any jurisdiction to which it is subject or in which it purchases, offers or sells the Securities. The Issuer and the Guarantors shall not have any responsibility for obtaining such consent, approval or permission. In particular, there are restrictions on the distribution of the Listing Particulars and the offer and sale of Securities in the United States and the United Kingdom. For a description of these further restrictions on offers and sales of the Securities and distribution of the Listing Particulars, see "*Subscription and Sale*".

The Listing Particulars have been filed with and approved by the Irish Stock Exchange.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

Each of the Issuer and the Guarantors have agreed that, so long as any Securities are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer and the Guarantors will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of any such restricted securities, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

The Listing Particulars are being furnished by the Issuer and the Guarantors in connection with an offering exempt from the registration requirements of the Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of the Securities described herein. The information contained in the Listing Particulars has been provided by the Issuer, the Guarantors and other sources identified herein. Any reproduction or distribution of the Listing Particulars, in whole or in part, in the United States and any disclosure of their contents or use of any information herein in the United States for any purpose, other than considering an investment by the recipient in the Securities offered hereby, is prohibited. Any websites referred to herein do not form part of the Listing Particulars. Each potential investor in the Securities, by accepting delivery of the Listing Particulars, agrees to the foregoing.

NOTICE TO U.S. INVESTORS

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE SECURITIES OR THE ACCURACY OR ADEQUACY OF THE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S AND BY THE MANAGERS THROUGH THEIR RESPECTIVE REGISTERED BROKER-DEALER AFFILIATES INSIDE THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (SEE "*SUBSCRIPTION AND SALE*"). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF ANY RULE 144A GLOBAL NOTE OR OF BENEFICIAL INTERESTS THEREIN MAY BE RELYING UPON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

TO COMPLY WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF

FEDERAL TAX ISSUES IN THE LISTING PARTICULARS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO RUSSIAN INVESTORS

The Listing Particulars and the information contained herein is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity and does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in these materials is not intended for any persons in the Russian Federation who are not “qualified investors” within the meaning of Article 51.2 of the Federal Law no. 39-FZ “On the Securities Market” dated 22 April 1996, as amended (“**Russian QIs**”) and must not be distributed or circulated into the Russian Federation or made available in the Russian Federation to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Notes have not been and will not be registered in the Russian Federation and are not intended for “offering”, “placement” or “circulation” in the Russian Federation (each as defined in Russian securities laws), unless and to the extent otherwise permitted under Russian law.

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OVERVIEW

OVERVIEW OF THE GROUP

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with the entire Listing Particulars, including the more detailed information regarding the Group's business and the Annual Consolidated Financial Statements included elsewhere or incorporated by reference in these Listing Particulars. Certain statements in this overview include forward-looking statements that also involve risk and uncertainties as described under "Forward-Looking Statements".

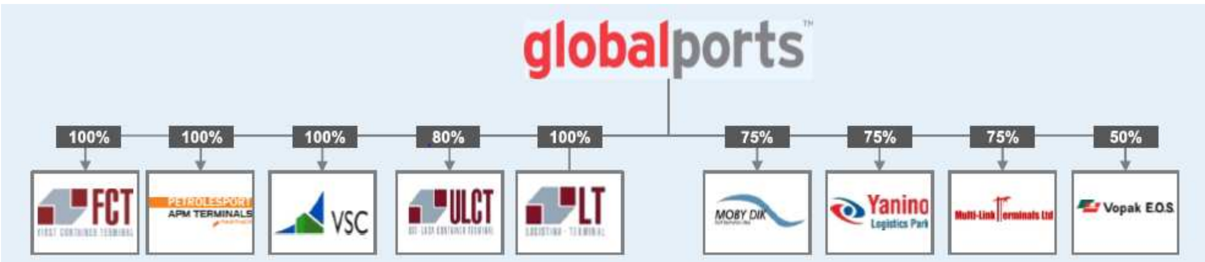
Introduction

The Group is the leading container terminal operator serving Russian cargo flows as measured by container throughput, according to the Association of Sea Commercial Ports ("**ASOP**").

The Group's terminals are located in the Baltic and Far East Basins, key regions for foreign trade cargo flows. The Group operates or has joint venture interests in five container terminals in Russia (Petrolesport ("**PLP**"), First Container Terminal ("**FCT**"), Ust-Luga Container Terminal ("**ULCT**") and Moby Dik ("**Moby Dik**") in the Russian Baltics, and Vostochnaya Stevedoring Company ("**VSC**") in the Russian Far East) (collectively, the "**Russian Ports**") and two container terminals in Finland (Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka (together, the "**Finnish Ports**")). The Group also owns or has joint venture interests in two inland container terminals, Logistika-Terminal ("**LT**") and Yanino Logistics Park ("**Yanino**"), both located in the vicinity of St. Petersburg. Additionally, the Group has a joint venture interest in an independent oil products terminal (Vopak E.O.S. ("**VEOS**")) in the Baltic Sea Basin, a major gateway for fuel oil exports from Russia and other CIS countries.

The Group's main business is container handling. In addition, the Group handles a number of other types of cargo, including cars and other types of roll-on roll-off cargo, bulk cargoes and oil products. The Group's marine container terminals referred to above had a total container throughput of approximately 1,834 thousand Twenty-Foot Equivalent Units ("**TEUs**") in 2015, including 1,562 thousand TEUs at marine terminals in Russia and 272 thousand TEUs at terminals in Finland.

The Group's revenue for 2015 was USD 405.7 million. Its Adjusted EBITDA for the same period was USD 291.0 million.



Strengths

The Group believes that it has a number of key competitive strengths which have enabled it to become the leading container terminal operator handling Russian cargo flows. The Group believes it can use the following strengths to implement its strategy:

Market leader in containers

The Group is the leading container terminal operator serving Russia cargo flows by container throughput, according to ASOP. Its container facilities are situated in key locations and generated gross container throughput of approximately 1,834 thousand TEUs in 2015 (of which approximately 1,562 thousand TEUs was handled by its Russian Ports and approximately 272 thousand TEUs was handled by its Finnish Ports). The Group's throughput and total container terminals capacity has been increasing over the last decade, from throughput of approximately 270 thousand TEUs in 2004 to approximately 1,834 thousand TEUs in 2015 and capacity of approximately 550 thousand TEUs in 2004 to approximately 4,160 thousand TEUs in 2015.

The acquisition of NCC Group Limited, a company incorporated in Cyprus, together with its consolidated subsidiaries (the "**NCC Group**") in 2013 further strengthened the Group's leading position in Russia, allowing greater operating efficiency, and enabling shipping line and freight forwarder customers to benefit from network savings. The Group now has an established port cluster of brokers, freight forwarders, trucking and other communities, as well as key on-site infrastructure such as warehousing, dedicated customs zones and road and railway access, that, along with terminal capacity, give it operational flexibility and the ability to handle unscheduled container traffic and provide faster turnaround of throughput.

Operates in an undercontainerised market

Containerisation levels in Russia have grown over the last 15 years and are still very low compared to international benchmarks, supporting a continued long-term growth outlook. Despite significant drops in throughput levels in 2009 and 2015 of approximately 34% and 26%, respectively, the Russian container market has experienced overall growth since 2000, with volumes increasing from approximately 461 thousand TEUs in 2000 to approximately 3,784 thousand TEUs in 2015. Furthermore, despite the market decline in 2015, there has been ongoing containerisation of trade in Russia. This is especially true in containerised exports, which increased approximately 1.8% in 2015 alone and approximately 22% since the beginning of 2012. In addition, in 2015 approximately 71 thousand TEUs of empty containers were imported into Russia to support such laden export, which also contributes to overall container throughput volumes. Containerisation in Russia (measured in TEU per capita) is still well behind other more developed countries, with only approximately 26 TEUs per 1,000 capita in 2015, which is 3.6 times lower than the rate for the global market, 5.5 times lower than in the United States and 4.2 times lower than in Europe, according to Drewry. In addition, compared to other main emerging markets, Russian container penetration per capita is 1.7 times lower than that of Brazil and 4.0 times lower than that of Turkey, according to Drewry.

Diversified customer base

The Group has a diverse and extensive customer base. The Group’s customers include main-line operators, feeder lines, and freight forwarders as well as end-customers.

The Group believes that through regular and multi-layered interaction with its customers it is able to offer differentiated services, including IT and web solutions, tailored to its customers’ needs. The Group also seeks to promote its terminals as a network rather than as individual operations, and offers value-added services, such as the stuffing and unstuffing of containers and sophisticated cross-docking.

Strong and secure asset base

The Group’s terminals have been in operation for a number of years. The Group, including its joint venture interests, has in total 669 hectares of land and owns the freehold on 63% of its terminals’ total land and 68% of the land of its container and inland terminals in Russia (PLP, FCT, VSC, LT, ULCT, Moby Dik and Yanino). The rest of the Group’s land is held under long-term leases. In addition, the Group has access to quays with a total aggregate length of 7,838 metres, including 680 metres of dedicated containers quays at PLP and 440 metres at ULCT that are owned by the Group. In addition, unlike terminal operators in other jurisdictions, the Group’s terminals are not subject to concession or profit sharing arrangements.

Well-invested assets ensuring available capacity and low capital expenditure requirements

The Group has invested in the upgrade and expansion of its facilities in the past. As a result of these investments, the Group’s terminals have significant spare operating capacity sufficient to cover additional demand in the case of recovery of the Russian container market.

The existing assets of the Group require only limited maintenance capital expenditure. Approximately 70% of the Group’s main equipment is less than 10 years old, and its modern fleet includes top brands such as Kone, Liebherr and Kalmar. The Group has decreased its cash capital expenditures (defined as purchases of property, plant and equipment for the year) by approximately 83% from 2013 to 2015, with Group capital expenditures of USD 11.7 million and USD 23.6 million in 2015 and 2014, respectively, compared to combined Group and NCC Group capital expenditure in 2013 of USD 70.0 million.

High Adjusted EBITDA margin and strong free cash flow generation

The Group has shown a consistent ability to generate strong free cash flow and high Adjusted EBITDA margins. Despite weakened economic conditions, the Adjusted EBITDA margin of the Group has increased over the last few years, from 59.5% in 2013 to 66.8% in 2014 and 71.7% in 2015. The increase from 2013 to 2014 was partially due to the acquisition and consolidation of results of NCC Group. The increase from 2014 to 2015 was partially due to Group's continued focus on efficiency and cost control, supported by the depreciation of the Russian rouble.

The Group’s Adjusted EBITDA margins are supported by several factors, including the Group’s strong pricing power and US denominated market-based and unregulated pricing for the majority of its services, strong land use rights allowing both long-term leases and ownership of terminal land and quays, as well as a no concession model, and market-based unregulated tariffs on services provided, container throughput being almost 100%

Origin & Destination ("**O&D**") traffic (i.e., import and export traffic) and high barriers to entry into the market due to the high capital requirements necessary to build container terminal capacity and limited land availability. The Group's focus on efficiency improvements and cost controls in the last few years has also contributed to the Group's high Adjusted EBITDA margins. Such efficiency and cost control initiatives include staff optimisation, including a reduction of 9% of total headcount in the last 12 months, cost reduction for outsourced services and tracking every cost item, reduction of operational peaks to optimise container handling flows, optimisation of repair and maintenance for equipment and centralisation of procurement to maximise synergies within the Group's portfolio.

Free cash flows, which is cash flows from operating activities less capital expenditures, was USD 236 million, USD 312 million and USD 189 million in 2015, 2014 and 2013, respectively. The Group's strong free cash flow generation is primarily due to the Group's high Adjusted EBITDA margins, low capital expenditure requirements, reliable customer base with timely collection of receivables and strong dividend flow from the Group's joint ventures.

Strong and committed strategic shareholders

In November 2012, APM Terminals B.V. ("**APMT**"), a global leading port, terminal and inland services operator (part of A.P. Moller-Maersk A/S) became a major shareholder of the Company by acquiring a 37.5% (currently 30.75%) stake in the Group from Transportation Investments Holding Limited ("**TIHL**"), the Group's then controlling shareholder. This transaction has strengthened the Group's leading position by providing it with access to APMT's global expertise, know-how and experience in terminal development and operations, which has further strengthened the Group's value proposition to clients. The Group's management team has also been strengthened by the addition of APMT's professional support and management and the Group has benefited from the implementation of world class corporate governance standards.

Strategy

The key elements of the Group's strategy are:

Utilisation of existing assets with available capacity and existing infrastructure

The Group intends to focus on its core (maritime) container activity and maximise the use of the Group's capacity (approximately 4,160 thousand TEUs in 2015) and value of existing assets by maintaining and allocating equipment where best suited and capitalising on the Group's optimal terminal characteristics, layout and good sea and hinterland access and connections.

Continued efficiency improvements and cost control

The Group intends to continue to adjust to the new macroeconomic environment in Russian and worldwide container markets by analysing all expenses and processes with heightened scrutiny. It intends to continue to focus on improving efficiency, productivity and cost controls in a similar manner as discussed above. See "—*Strengths—High Adjusted EBITDA margin and strong free cash flow generation*".

Cash flow maximisation and deleveraging the Group

Given the Group's capacity across its portfolio and strong existing assets and infrastructure, the Group expects decreased capital expenditures over the next few years of between USD 25 million and USD 30 million per annum, with a focus on maintaining its current reliability, safety and quality of services.

The Group has made deleveraging a priority going forward in order to reach its long-term target range of a 1.5-2.0 net debt to EBITDA ratio. The Group's net debt as at 31 December 2015 decreased by USD 302 million since the acquisition of the NCC Group in 2013, from USD 1,350 million as at 31 December 2013, to USD 1,208 million as at 31 December 2014 and USD 1,048 million as at 31 December 2015. The Group has committed to defer the payments of dividends, and will on-loan the proceeds of the Notes to other members of the Group to be used by them to refinance existing indebtedness.

Recent developments and outlook

Since the beginning of 2016, the Russian rouble has appreciated against the US dollar. The average rate of the Russian rouble against the US dollar for the first two months of 2016 amounted to 77.61, however, this is equal to a devaluation of 16% against the US dollar compared to the same period in the previous year.

During the first two months of 2016, monthly container throughput in the Russian Federation amounted on average to approximately 294 thousand TEUs (down 7% compared to the fourth quarter of 2015). The Group's average monthly marine container throughput in Russia during the first two months of 2016 decreased by 11% compared to the fourth quarter of 2015, amounting on average to approximately 104 thousand TEUs per month.

The Group's market share of container throughput in the Russian Federation amounted to 35% during the first two months of 2016. The Group expects 2016 to be another challenging year. As of the date of these listing particulars, there have been no signs of recovery in the Russian container market.

In February and March 2016, FCT, the Company's wholly-owned Russian subsidiary, issued two 5-year Russian rouble denominated non-convertible bonds for a total amount of RUB 10 billion at a fixed coupon rate of 13.1% and 12.5% per annum, respectively. Proceeds from the bond issuance were swapped using cross currency swap instruments into US dollars and used for the refinancing of the Group's existing debt.

OVERVIEW OF THE OFFERING

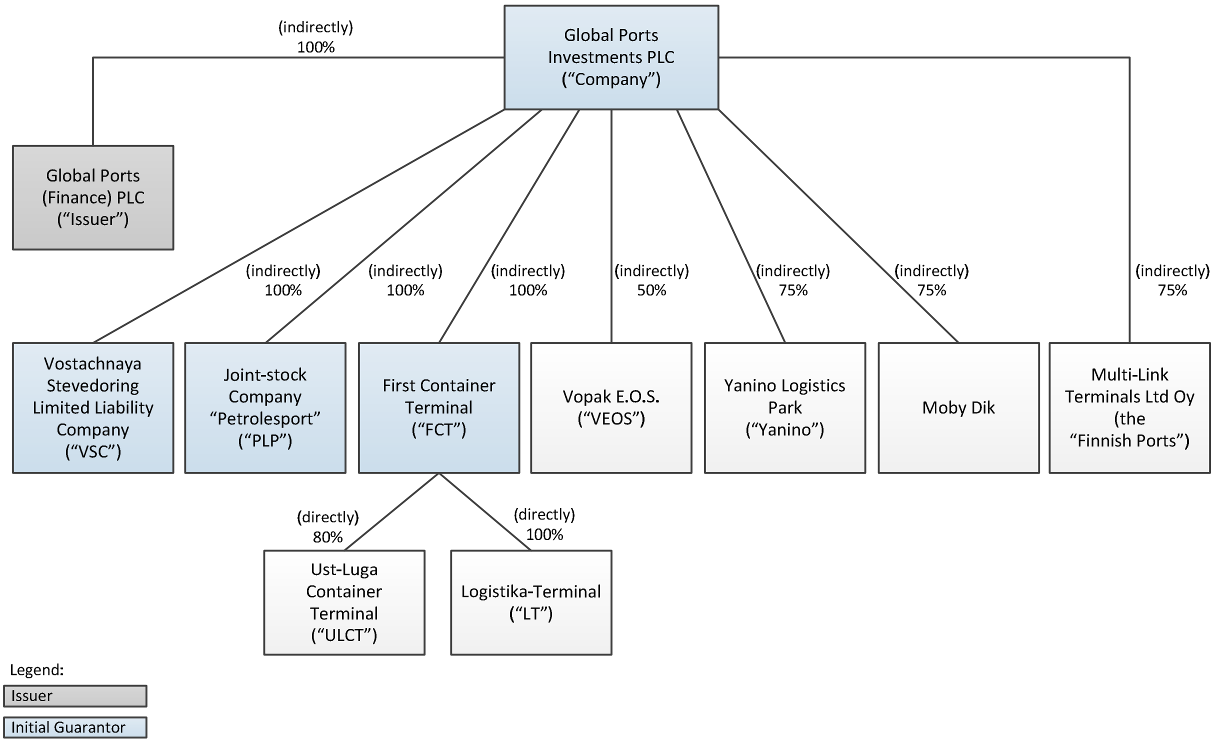
The following is an overview of the terms of the Securities. This overview is derived from, and should be read in conjunction with, the full text of the Conditions, the Guarantees and the Trust Deed constituting the Notes, which prevail to the extent of any inconsistency with the terms set out in this overview. Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the relevant Conditions.

Notes being offered	U.S.$350,000,000 6.872 per cent. guaranteed notes due 2022.
Issuer	Global Ports (Finance) PLC.
Initial Guarantors	Global Ports Investments PLC, First Container Terminal Incorporated, Joint-stock company “Petrolesport” and Vostochnaya Stevedoring Limited Liability Company. As at 31 December 2015, the Guarantors’ pledged property, plant and equipment represented 8.6% of the consolidated Group’s property, plant and equipment. Following application of the proceeds of the Offering, the Group expects the Guarantors’ pledged property, plant and equipment to represent 6.4% of the consolidated Group’s property, plant and equipment.
Additional Guarantors	The Company has undertaken in the Conditions to procure that any of its Subsidiaries upon becoming a Material Subsidiary after the Issue Date (and subject to certain conditions) gives an Additional Guarantee (all as defined, and in the manner prescribed, in the Conditions) in favour of the Trustee no later than 180 calendar days upon becoming a Material Subsidiary.
Managers	ING Bank N.V., London Branch, J.P. Morgan Securities plc, Raiffeisen Bank International AG, SIB (Cyprus) Limited, UniCredit Bank AG and VTB Capital plc
Issue price	100 per cent.
Maturity date	25 January 2022
Interest	The Notes will bear interest at the rate of 6.872 per cent. per annum from and including 18 April 2016.
Interest payment dates	Interest on the Notes will be payable semi-annually in arrear on 25 January and 25 July of each year.
Ranking of the Notes and Guarantees	The Notes constitute direct, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. Each Guarantee constitutes direct, unsubordinated and unsecured obligations of the relevant Guarantor. Each of the Issuer and the Guarantors shall ensure that at all times the claims of the Noteholders against them under the Notes and the Guarantees, respectively, rank in right of payment at least *pari passu* with the claims of all their other present and future unsecured and unsubordinated creditors, save those whose claims are preferred by any mandatory operation of law.
Use of proceeds	The proceeds of the issue of the Notes (USD 350 million before taking into account commissions, fees and expenses) will be on-loaned to other members of the Group to be used by them to refinance existing indebtedness, including approximately USD 239 million of outstanding borrowings under PLP’s credit facility with ING Bank N.V., Raiffeisen Bank International AG and AO Raiffeisenbank maturing in 2020 and approximately USD 100 million of outstanding borrowings under VSC’s credit facilities with VTB Bank (Austria) AG maturing in 2020, as well as repay other smaller Group credit facilities as they come due. VTB Bank (Austria) AG is an affiliate of VTB Capital plc, ING Bank N.V. is an affiliate of ING Bank N.V., London Branch and AO Raiffeisenbank is an affiliate of Raiffeisen Bank International AG.

Further issues	The Issuer may from time to time, without the consent of the Noteholders, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to be consolidated and form a single series with the outstanding Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed. See "*Terms and Conditions of the Notes—Further Issues*".
Additional amounts	In the event that withholding taxes are required to be withheld or deducted from payments on any of the Notes or pursuant to the Guarantees, as the case may be, the Issuer or the relevant Guarantor, as the case may be, will, subject to certain exceptions described in "*Terms and Conditions of the Notes*" herein, pay such additional amounts as will result, after deduction or withholding of such taxes, in the receipt by Noteholders of such amounts which would have been received by them if no such withholding or deduction had been required. See "*Terms and Conditions of the Notes—Taxation*".
Optional redemption for tax reasons	Subject to the Conditions and as further described in "*Terms and Conditions of the Notes*" herein, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at the principal amount thereof, together with interest accrued to the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or if the Guarantees are called, a Guarantor) has or will become obliged to pay certain additional amounts as provided or referred to in Condition 5 as a result of any change in, or amendment to, the laws, treaties or regulations of any Relevant Jurisdiction (as defined in "*Terms and Conditions of the Notes*" herein), or any change in the published application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 April 2016 in relation to the Guarantors and on or after the date on which any Additional Guarantor accedes to the Deed of Guarantee and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it.
Optional redemption upon a change of control	The Notes may be redeemed early at the option of the Noteholders, at 100 per cent. of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date fixed for such early redemption, following the occurrence of a "Change of Control Put Event" as described under "*Terms and Conditions of the Notes-Redemption and Purchase—Redemption upon a change of control*".
Make-whole call option	The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time, but on one occasion only, on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus the Make Whole Premium (as defined in "*Terms and Conditions of the Notes*" herein) plus any accrued and unpaid interest and additional amounts, if any, up to but excluding the date of redemption. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of the Issuer*".
Form and denomination	The Notes will be in registered form, without interest coupons attached, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be issued in the form of the Unrestricted Global Note Certificate and the Restricted Global Note Certificate, each in registered form without interest coupons. The Unrestricted Global Note Certificate will be deposited with a common depositary for, and registered in the name of a nominee for, Euroclear and Clearstream, Luxembourg. The Restricted Global Note Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for, DTC. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC,

	Euroclear, Clearstream, Luxembourg and their respective participants. Notes in definitive form will be issued only in limited circumstances.
Listing and Trading	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and to trading on the Global Exchange Market.
Events of Default and certain covenants	The terms and conditions of the Notes contain events of default and covenants (including a cross default provision and a negative pledge) as described further in "*Terms and Conditions of the Notes—Events of Default*" and "*Terms and Conditions of the Notes —Covenants*". For more information, see "*Terms and Conditions of the Notes*".
Trustee	BNY Mellon Corporate Trustee Services Limited
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent	The Bank of New York Mellon acting through its London branch
Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Governing law	The Notes, the Guarantees and the Trust Deed and any non-contractual obligations arising out of or in connection therewith shall be governed by and construed in accordance with English law.
Risk factors	Prospective purchasers of the Notes should consider carefully all of the information set forth in the Listing Particulars and, in particular, the information set forth under "*Risk Factors*" before making an investment in the Notes.
Selling restrictions	The Notes are subject to selling restrictions in the United States, the United Kingdom, Cyprus and the Russian Federation. See "*Subscription and Sale*".
Security codes	Regulation S ISIN: XS1319813769 Regulation S Common Code: 131981376 Rule 144A ISIN: US37955KAA07 Rule 144A Common Code: 098266291
Expected Rating of the Notes	BB+ Fitch The rating of the Notes is expected to be confirmed and published after the date of settlement. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The following simplified chart sets forth certain aspects of the Group's corporate structure, including the Initial Guarantors and other primary operating companies and joint venture interests of the Group.



Global Ports Investments PLC ("Company")
(indirectly) 100%
Global Ports (Finance) PLC ("Issuer")
(indirectly) 100%
(indirectly) 100%
(indirectly) 100%
(indirectly) 50%
(indirectly) 75%
(indirectly) 75%
(indirectly) 75%
Vostachnaya Stevedoring Limited Liability Company ("VSC")
Joint-stock Company "Petrolesport" ("PLP")
First Container Terminal ("FCT")
Vopak E.O.S. ("VEOS")
Yanino Logistics Park ("Yanino")
Moby Dik
Multi-Link Terminals Ltd Oy (the "Finnish Ports")
(directly) 80%
(directly) 100%
Ust-Luga Container Terminal ("ULCT")
Logistika-Terminal ("LT")
Legend:
Issuer
Initial Guarantor

RISK FACTORS

Any investment in the Notes involves a high degree of risk. Prospective investors should carefully consider, among other matters, the risks set forth below and the other information contained elsewhere in these Listing Particulars, in light of their own financial circumstances and investment objectives, before making an investment decision with respect to the Notes. If any of the following risks actually occurs, they could have a material adverse effect on the Group's business, results of operations and financial condition, and its ability to make payments on the Notes and the Guarantees and the market value of the Notes may be adversely affected.

This section describes the material risks that are known to the Group as at the date of the Listing Particulars. The description of the risks set forth below does not purport to be an exhaustive description of all risks that the Group faces. 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, results of operations or financial condition. The order in which the following risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.

Words and expressions defined in the section headed "Terms and Conditions of the Notes" shall have the same meanings in this section.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

The Group is dependent on trade volumes, in particular container volumes, and on economic growth in Russia.

A macro-economic driven decrease in consumer purchasing power and demand and consequently imports, caused by, among other factors, a weakening Russian rouble and the imposition of sanctions, can, and over the past two years has, negatively impacted container volumes along with imports and exports. Throughput at container terminals in Russia declined by 26% in 2015 compared to 2014, according to ASOP. Russian domestic and global trade volumes, and in particular container volumes, are an important determinant of the Group's cargo volumes and, consequently, its revenue and profits. Russian container market throughput has historically demonstrated a very strong correlation with the volume of imports of goods in Russia, which in turn is driven by economic growth in Russia and Russian consumer demand. The decrease in volumes in 2015 and 2014 has contributed to intensified competition in the Group's market, which has had a negative impact on utilisation for the Group and the Russian container market in general and consequently on revenue and profits. A continuation of this trend could have a material adverse effect on the Group's business, results of operations or financial condition.

In addition, slowing economic growth (due to factors such as sanctions, changes in economic conditions, decreasing oil prices, wars, natural disasters or internal developments such as political realignments) or the imposition of new or additional trade barriers (such as further sanctions; rail, road and other tariffs; minimum prices; export subsidies and import restrictions or duties) in Russia or globally could lead to lower growth or a decline in the volume of Russian trade and, consequently, to declines in Russian container handling. Given the Group's dependence on the volume of container traffic to, from and within Russia, such developments could have a material adverse effect on the Group's business, results of operations or financial condition. For further details see "*—Risks relating to Russia*".

The Group may be subject to increasing competition from other existing or newly developed container terminals through the introduction of new capacity or consolidation between container terminal operators and container shipping companies, which could result in intensified price competition, lower utilisation and a potential reduction of profitability.

In recent years, both competitors and new market entrants have introduced or announced that they plan to introduce significant new container handling capacity to the Russian market. For example, a new port development is being constructed in the Port of Bronka which commenced commercial operations in January 2016 and will compete with the Group's ports – FCT, PLP, Moby Dik and ULCT – in the Baltic Sea Basin. In particular, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and lure customers and cargoes away from the Group. For example, DP World, an operator of 70 container terminals in 31 countries (across six continents) worldwide, has recently announced a potential purchase with the Russian Direct Investment Fund of a 49% stake in OOO Container Terminal NUTEP, one of the Group's competitor container terminal operators in Novorossiysk Sea Port on the Black Sea. Given the historically high margins in the Russian container handling industry, this trend may continue. Certain of the Group's competitors have become more experienced and professional in recent years, which has enabled them to compete more effectively with the Group than they have in the past. They also may have greater resources or different capacities than the Group, which could enable them to accommodate customers more effectively than the Group's terminals. For example, terminals in different locations, such as the Port of Bronka have greater channel depth (14 metres) and thus the ability to accommodate large modern ships, which terminals located in St. Petersburg (depth of 11.5 metres) are unable to accommodate as effectively, including FCT, PLP and Moby Dik. In addition, "brownfield" projects may continue to be developed into container handling terminals further increasing container handling capacity in the Russian market. Furthermore, development of alternative logistics solutions, such as rail delivery of containers from the point of origin to the point of destination, could in the future present a competitive threat to the Group. Such increases in capacity and increasingly more professional and experienced competition, in conjunction with decreasing demand and volumes, has resulted in lower utilisation and intensified price competition in the Russian market.

In addition, while the Group's smaller competitors have less developed infrastructure than the Group, and thus cannot offer a comparable range of services or efficiencies in processing, they opt to provide services at lower prices than the Group. If customers were to choose lower prices over, or simply do not require, the Group's larger infrastructural advantages, it could impact the Group's ability to compete and its corresponding profitability.

Furthermore, the container shipping industry has in recent years experienced, and continues to experience, significant consolidation among container shipping companies. Such consolidation has the effect of reducing the number of shipping customers available to the Group and increases the access that competing ports have to the major shipping lines. Such consolidation can result in fewer customers utilizing the Group's services and intensified price competition.

The increases in capacity, improved competitor expertise and industry consolidation, particularly at a time of lower demand and volumes and the willingness of competitors to compete on pricing, could have a substantial negative impact on the Group's utilisation and pricing. In addition, the Group competes in an environment dependent upon state provided services and licenses issued by governmental agencies. Preferential treatment by the relevant government department or agency of a competitor would make it more difficult for the Group to compete, and the willingness of competitors to leverage any relationships with such government authorities could also negatively impact the Group's ability to compete. All of these competitive factors could have a material adverse effect on the Group's business, results of operations or financial condition.

Further consolidation or alliances among container shipping companies could also enable the Group's customers to exercise greater bargaining power when negotiating with the Group.

Cost pressures, partially caused by low cargo shipping rates due to substantial increases in capacity, are factors that may contribute to the trend towards consolidation among shipping companies. For example, if the Group's customers participate in future market concentration or increases in their market share, the market power and the bargaining power of the surviving larger shipping companies vis-à-vis the Group would increase. If the Group experiences a reduction in its market power vis-à-vis shipping companies, it may be forced to lower its prices, which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's ability to maintain or increase throughput volumes depends on better railway and road infrastructure at, or connected to, its terminals than those of its competitors, as well as the ability of private and state-controlled rail and truck operators to arrange inbound and outbound transportation of sufficient cargo flow.

The Group's customers depend in large part on the rail freight network operated by the Russian state-owned railway to transport cargoes between the Group's facilities and Russian and other CIS exporters and importers. The Russian railway system is subject to risks of disruption as a result of the declining physical condition of its rail tracks and facilities, the poor maintenance and propensity for breakdowns of rolling stock and temporary brown-outs of electric current to rail lines, and may, potentially, be subject to disruptions, for example due to train collisions or derailments.

The Group's customers also depend on Russia's highway system for the transport of cargoes to and from the Group's Russian facilities by road. The Russian highway system is likewise subject to risks of disruption as a result of its deteriorating physical condition resulting from increasingly heavy use, adverse weather conditions and poor quality and insufficient maintenance. There can be no assurance that infrastructure modernisation will take place.

Any failure of the Russian railway infrastructure operators to upgrade rolling stock and expand rail lines, or of the federal, regional and local governments to carry out necessary road repair, maintenance and expansion, could adversely affect the cargo volumes that are or can be delivered to or from the Group's facilities, which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's operations depend on the dredging 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 operate depends on the dredging of quays and access channels and the continuous maintenance of its quay drafts. The maintenance of quays, access channels and drafts and any necessary increases in the depth of drafts and access channels to accommodate larger vessels are outside the control of the Group and depend, in part, on whether port and other governmental authorities are willing to make necessary investments. Any failure of the port and other governmental authorities to make such investments could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business.

The Group's major customers are shipping lines and freight forwarders with whom it enters into contracts that typically have a term of one year. The Group's container terminals business is dependent on a limited number of shipping lines calling at its terminals, which subjects it to the risk that one or more of the lines may opt to have its containers handled at a competitor's terminal or reduce its throughput at the Group's terminals. In 2012, Mediterranean Shipping Company ("**MSC**"), currently the second largest shipping company in the world, through its post investment subsidiary, Terminal Investment Limited SA ("**TIL**"), purchased a stake in Container Terminal Saint Petersburg, which resulted in container volumes from MSC moving away from the Group. There is a risk that other large global shipping lines may make similar investments, either directly or through long-term cooperation agreements, and redirect further volumes away from the Group. Consolidation among shipping lines and between shipping lines and terminal operators could further affect current customers' use of the Group's container terminals. See "*—Further consolidation or alliances among container shipping companies could also enable the Group's customers to exercise greater bargaining power when negotiating with the Group*".

Overall, the Group's ten largest customers by revenue accounted for 62%, and the single largest customer by revenue accounted for 26%, of its revenue in the year ended 31 December 2015. As a result, the Group's revenues are vulnerable to the loss of or difficulties experienced by such customers. The loss of, difficulties experienced by, or any failure to pay for services rendered for any reason by important customers could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is subject to a wide variety of regulations, standards and licensing requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses.

The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety. The Group's ability to operate its container terminals business is contingent on its ability to comply with these laws and regulations and to obtain, maintain and renew as necessary related permits and licences from governmental agencies and authorities in the countries in which the Group operates.

The Group's failure to comply with all applicable regulations and obtain and maintain requisite certifications, permits and licences could lead to substantial penalties, including criminal or administrative penalties, other punitive measures and/or increased regulatory scrutiny; trigger a default under one or more of its financing agreements or invalidate or increase the cost of the insurance that it maintains. Additionally, its failure to comply with regulations that affect its staff, such as health and safety regulations, could affect its ability to attract and retain staff. The Group could also incur civil liabilities, such as abatement and compensation for loss, in amounts in excess of, or that are not covered by, its insurance. For the most serious violations, the Group could also be forced to suspend operations until it obtains such certifications, permits or licences or otherwise bring its operations into compliance.

In addition, changes to existing regulations or tariffs or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any such regulations, tariffs and licensing requirements could adversely affect its business by reducing its revenue, increasing its operating costs or both, and it may be unable to mitigate the impact of such changes.

Finally, any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats. An inability to control the costs involved in complying with these and other laws and regulations, or recover the full amount of such costs from its customers, could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group leases a significant amount of the land and quays required to operate its business. Any alteration or termination of these leases or changes to the underlying property rights under these leases could adversely affect the Group's business.

The Group's container terminals in Russia lease the majority or, in the case of VSC, all their quays, from Rosmorport and the St. Petersburg Committee on Property Management, as applicable, under lease arrangements that are subject to the Federal Law "On Seaports in the Russian Federation and Introduction of Amendments to Certain Acts of Legislation of the Russian Federation" No. 261-FZ dated 8 November 2007, as amended (the "**Seaports Law**"). The agreements that govern these arrangements contain provisions that allow the lessor to terminate the agreement in certain circumstances, such as negligence in maintenance of quay development or failure to meet health, safety and environmental regulations. A number of other properties on which the Group operates are under short-term lease arrangements. If these short-term lease agreements are terminated, the plots could be leased out to third parties, including potential competitors.

There can be no assurance that each relevant member of the Group will be able to renew its lease agreements with the relevant lessors upon their expiration on commercially reasonable terms, if at all, or that where required, it would be the winning bidder in any competitive process of one or more of the existing concessions. Further, even if the lease agreements are renewed, there can be no assurance that the rent will not be increased or other terms of the leases will not become more onerous or less attractive to the Group. Any loss of or failure to renew a lease agreement, an increase in rental fees or changes in terms could have a material adverse effect on the Group's business, results of operations or financial condition.

In addition, the Group may face risks arising from uncertainties with respect to, or disputes about the nature or establishment of, property rights and rights under its lease agreements. Such rights may be subject to modification under, or vulnerable to changing interpretations of, Russian law. Furthermore, the rights of lessors like the Group can be curtailed or defeated if there are changes in the nature of the registration or characterisation of property. Any of the above could have a material adverse effect on the Group's business, results of operations or financial condition.

Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian federal government and, as a result, the tariffs charged for such services were subject to a maximum tariff rate. There is a risk that the Russian federal government may reintroduce such tariff regulation or new tariff regulation and that they may set the maximum allowed tariffs in Russian roubles.

PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law and Moby Dik and ULCT may be similarly classified in the future. As a matter of Russian law, tariffs for stevedoring services, including cargo handling and storage services, rendered by natural monopolies, are subject to regulation by the Federal Antimonopoly Service (the "**FAS**"). The FAS has the power to regulate the maximum tariff rates that terminal operators may charge for regulated services. The FAS is not currently imposing tariff regulation with respect to cargo handling and storage services at the Group's terminals. However, there can be no assurance that various tariff regulations will not be reintroduced and that, if a maximum tariff is reintroduced, such maximum allowed tariffs will not be set in Russian roubles. Maximum tariffs could have an adverse impact on the Group's US dollar prices it receives for its services and this effect would be exacerbated if the maximum tariff were set in Russian roubles and the Russian rouble continued to depreciate after such prices are set. The imposition of tariff regulation on the Group's container terminals could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's insurance policies may be insufficient to cover certain losses.

The Group carries insurance for all of its operations in line with market practice in the countries in which it operates, but does not carry insurance policies to a similar extent as may be common in some of the more developed market economies of North America and Western Europe. Although the Group's contracts generally provide that the Group is liable for damage to or loss of cargo it handles, its liability is limited to the cargo value stated on the applicable customs declaration. The Group's contractual liability for export cargo handling begins when the railcar or truck enters its territory at the port and ends when the consignment is issued after having loaded the cargo on board the vessel, and vice versa for import cargo handling. The Group's insurance against such liabilities is limited to third party liability insurance against damage to or destruction of the cargo up to its replacement value. Risks which are typically insurable in North America and Western Europe but for which the Group does not have separate insurance coverage includes major accidents. If an uninsured event were to occur and the Group were liable for it or if the Group experiences difficulty collecting insurance compensation that is due to it, the Group could experience significant disruption in its operations and/or requirements to make significant payments for which it would not be compensated, which in turn could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's competitive position depends on the expertise and experience of its key managers and its ability to continue to attract, retain and motivate qualified personnel.

The Group's business is dependent on retaining the services of, or in due course promptly obtaining equally qualified replacements for, key members of its management team. Competition in Russia and the other countries in which the Group operates for personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the container ports and oil products terminal industries. Although the Group has employment agreements with these key managers, the retention of their services cannot be guaranteed. Should they decide to leave the Group, it may be difficult to replace them promptly with other managers of sufficient expertise and experience or at all. Furthermore, changes in the Group's management and culture and a lack of well-developed succession planning could have a destabilising effect on personnel and a negative effect on retention of key employees. The Group does not have key-man insurance in place in respect of its senior managers. Should the Group lose any of its key senior managers without prompt and equivalent replacement or if the Group is otherwise unable to attract or retain such qualified personnel for its requirements, this could have a material adverse effect on the Group's business, results of operations or financial condition.

Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results.

The Group's operations depend on employees who are parties to national or local collective bargaining arrangements or benefit from local applicable law, regulation or custom regarding employee rights and benefits. If the Group is unable to maintain satisfactory employee relations or negotiate acceptable labour agreements in future, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) at any or all of its facilities in Russia, Estonia and Finland. Any such adverse labour situations could have a material adverse effect on its business, results of operations or financial condition.

Failure of the operational information and technology systems at the Group's terminals could result in disruptions to the services it provides.

The operational information and technology systems at each of the Group's terminals are designed to enable the terminal to use its infrastructure resources as efficiently as possible and monitor and control all aspects of its operations and terminal management. Although each of the Group's terminals, based on the nature of its business, is configured to keep its systems operational, including with respect to business processes and procedures, any failure or breakdown in these systems could interrupt its normal business operations and result in a significant slowdown in operational and management efficiency for the duration of the failure or breakdown. Any prolonged failure or breakdown could dramatically affect its ability to offer its transportation services to its customers. Similarly, any significant delays or interruptions in its loading or unloading of a customer's cargo could negatively affect its reputation as an efficient and reliable terminal operator. Furthermore, the Group is heavily dependent upon independent third-party external systems providers in running its terminal operations, which involves complex systems that have a long lead time to implement. If any of the Group's third-party systems providers were to fail or cease to operate the Group's systems effectively, and the Group was unable to timely replace such systems providers, it could significantly impact the Group's operations and business. Additionally, if the Group decided to roll-out new systems, for example a single integrated IT platform supporting all the Group's terminals, it would be subject to risks and costs associated with the integration of such systems. Any of the above factors could have a material adverse effect on the Group's business, results of operations or financial condition.

In the ordinary course of its business, the Group stores sensitive data, including its proprietary business information and that of its customers, suppliers and joint venture partners, and personally identifiable information of employees, in the Group's data centres and on its networks. Despite the Group's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise the Group's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, and regulatory penalties, disrupt the Group's operations and damage its reputation, which could have a material adverse effect on the Group's business, results of operations or financial condition.

Accidents involving the handling of hazardous materials at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities.

Accidents in the handling of hazardous materials at the Group's terminals could disrupt its business and operations during any repair or remediation period. There can be no assurance that the Group's compliance with EU and Russian environmental regulations will prevent any such accident or oil spill or resolve such incidents without damage to its facilities, contamination or other environmental damage or reputational damage. Any failure to avoid, mitigate or resolve such incidents successfully or any such damage or contamination could reduce gross throughput and revenue, lead to reputational damage and/or subject the Group to liability in connection with environmental damage, any or all of which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to risks in connection with its interests in joint venture businesses and other businesses in which it has a strategic partner.

The Group conducts a portion of its business via joint venture and strategic partnership companies (and their affiliates) in which it holds an interest. In particular, the Group holds a 50% joint venture interest in VEOS pursuant to a strategic partnership with Royal Vopak and a 75% joint venture interest in each of Moby Dik, Yanino and the Finnish Ports pursuant to joint venture arrangements with Container Finance. The Group also has an 80% interest in ULCT with the balance held by its strategic partner Eurogate International GmbH ("**Eurogate**").

The cash resources of each of the above entities are not available for use by other Group entities, including the issuer and the Company, except to the extent that the entity pays a dividend to its shareholders. In general, such dividends require the approval of the strategic partner. Joint ventures are also limited in their ability to finance growth opportunities as Group-wide financing is not available and each joint venture must obtain finance separately on the basis of the assets it holds at its operating company level.

The Group also is subject to contractual and fiduciary non-compete and shared opportunity obligations to its joint venture and strategic partners, which could prevent or impede the Group's ability to expand in a business or region in which such a joint venture company or such an associated company operates. For example, each of the joint venture and shareholder agreements requires that certain business opportunities be offered to the joint venture or shareholder partner for joint development before any Group company can pursue that opportunity. Such agreements also contain rights of first refusal, pre-emption rights, tag-along rights and shoot-out rights in favour of both parties which have the effect of limiting the Group's ability to increase or divest its interests in the joint ventures or otherwise realise value from them.

The foregoing limitations and relationships could have a material adverse effect on the Group's business, results of operations or financial condition and result in the cash flows of those entities not being available to pay interest or principal on the Notes.

Inflation could increase the Group's cost base and the Group may be adversely affected by wage increases in Russia.

The Russian economy has recently experienced relatively high rates of inflation. The consumer price index was 6.8% in 2013, 7.8% in 2014 and 15.5% in 2015, according to Rosstat. Most of the Group's costs, such as utilities costs and, in particular, wages, are sensitive to rises in general price levels in Russia.

Wage costs currently represent the Group's single most significant cost item, accounting for a substantial portion of the Group's total costs. Wage costs in Russia have historically been significantly lower than wage costs in some of the more developed market economies of North America and Western Europe for similarly skilled employees, which until recently, provided Russian businesses with a significant labour cost advantage. However, the Group's wage costs have increased significantly in recent years as wage costs have increased generally in Russia, at times at a rate in excess of the rate of inflation. In addition, most of the Group's Russian employees are members of labour unions, and PLP, VSC, FCT and the Finnish Ports have collective bargaining agreements covering most of their employees which are renegotiated from time to time. There can be no assurance that the renegotiation of collective bargaining agreements will not result in a material increase in wages for employees at those terminals.

Due to increasing levels of competition in the Russian container terminal ports industry, the Group has experienced challenges in recruiting and retaining employees with appropriate skills. The Group may need to increase the levels of its employee compensation more rapidly than in the past to remain competitive. There can be no assurance that the Group will be able to effect commensurate increases in the efficiency and productivity of its employees, or to pass on the extra costs to customers through increases in its prices.

If the Group's costs continue to increase, the Group may not be able to pass along the costs to its customers. Accordingly, if high rates of inflation continue and wage costs increase, there can be no assurance that the

Group will be able to maintain or increase its margins, given the effect of such cost increases, which could have a material adverse effect on its business, results of operations or financial condition.

Possible expansions through acquisition could entail certain risks, and the Group may be exposed to unexpected risks and experience problems realising the intended benefits of potential acquisitions.

The Group has expanded its operations through acquisitions and may, in the future, expand its operations through further acquisitions. Any future acquisitions that the Group may undertake entail certain risks, including the failure to realise the expected benefits of the acquisitions and the incurrence of unexpected risks and obligations. The Group conducts due diligence in preparation for acquisitions, however it is possible that legal, tax and operational risks, some of which may be unknown to the Company at the time of the acquisition, may materialise or have more severe consequences than expected, which are not covered by contractual indemnities from the sellers. Acquisitions are also subject to the risk that the target is overvalued and thus the Group could pay consideration that is greater than the acquired entity's actual value.

Acquiring additional businesses could also place increased pressure on the Group's cash flows, the incurrence of significantly higher than anticipated financing-related risks and operating expenses, especially if the acquisition is paid for in cash. Further, if an acquisition is not completed, this may adversely impact the Group's strategic objectives.

In addition, the Group may experience problems in integrating acquisitions into its business and managing them optimally and such integration may place a strain on management and financial resources or sales, logistics, dispatching, administrative and technical capabilities. The acquisition of operations located outside of the areas in which the Group currently operates can expose the Group to the risks of operating in new geographies.

If any of the above risks were to materialise, they could have a material adverse effect on the Group's business, results of operations or financial condition.

Changes in costs in any part of the logistics chain in which the Group operates could affect the Group's competitive position.

The Group operates as part of a logistics chain. The Group's customers, who rely on this logistics chain, are affected by factors outside of the control of the Group, including the cost of fuel and road, rail and terminal tariffs, which influence their choice of transport means and which, consequently, can have an impact on the Group's competitive position. For example, Russian container terminals located in the Far East, while being more expensive transportation gateways to Moscow, are viable because they have the distinct advantage of offering shorter transit times from Asia to Moscow. Significant increases in Russian railway tariffs could result in customers determining the premium required for the shorter transit time via VSC or other ports in the Far East is not justified, which could have an adverse effect on throughput at VSC. These types of changes to other parts of the logistics chain can adversely affect the Group's business.

Similarly, reductions in costs associated with transporting cargo from ports in countries near Russia, such as Poland, could result in cargo volumes moving away from Russian ports to those ports, adversely affecting the Group's container terminals in the Baltic Sea Basin. In particular, through agreements concluded with the World Trade Organisation ("**WTO**") member countries, Russia has undertaken certain commitments concerning a number of industries. These agreements contemplate an equalisation of the regulated freight rail tariffs charged by the Russian state-owned railway relating to domestic and export transportation via Russian seaports and export transportation via Russian land borders. If such equalisation is implemented in full, it could potentially have an impact on the Group's business. Such changes may make shipping via terminals in the Russian Baltics less competitive than alternative routes utilising rail or truck transportation through Poland, Finland, Latvia, Lithuania or Estonia, for example.

The Group primarily generates its revenues from loading and unloading the vessels in its terminals. The remaining part of the Group's revenues is generated by additional services, including storage and transportation of cargoes to the customs inspection. The Group expects that, in line with the current market trend, the volume of the additional services offered might decrease in the foreseeable future. Any such decrease is likely to proportionately reduce the Group's revenues. There may be no assurance that Group will be able to offset the reduction of its revenues attributable to the loss of additional services by a proportionate increase in the prices charged for the primary services.

Any of these changes could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.

The Group's business operations could be adversely affected or disrupted by terrorist attacks, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events, including changes to predominant natural weather, sea and climatic patterns such as piracy, sabotage, insurrection, military conflict or war, riots or civil disturbance, radioactive or other material environmental contamination, an outbreak of a contagious disease, or changes to sea levels, which may adversely affect global or regional trade volumes or customer demand for cargo transported to or from affected areas, and denial of the use of any railway, port, airport, shipping service or other means of transport and disrupt customers logistics chains. In addition, the Group may be exposed to extreme weather conditions such as severe cold periods and ice conditions disrupting activities at its terminals and in the ports in which it operates. Furthermore, many of these events may not be covered by the Group's insurance or any applicable insurance may not adequately cover any resulting losses. See "*—The Group's insurance policies may be insufficient to cover certain losses*".

The occurrence of any of these events at one or more of the Group's terminals or in the regions in which it operates may reduce the Group's business volumes, cause delays in the arrival and departure of vessels or disruptions to its operations in part or in whole, may increase the costs associated with dredging activities, may subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of its terminals, which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group relies on security procedures carried out at other port facilities and by its shipping line customers, which are outside of its control.

The Group inspects cargo that enters its terminals in accordance with the inspection procedures prescribed by, and under the authority of, the governmental body charged with oversight of the relevant port. The Group also relies on the security procedures carried out by its shipping line customers and the port facilities that such cargo has previously passed through to supplement its own inspection to varying degrees. The Group cannot guarantee that its own security measures and procedures, which comply with the International Ship and Port Facility Security Code ("**ISPS**"), will prevent all of the cargo that passes through its terminals from being affected by breaches in security or acts of terrorism either directly against the Group or indirectly in other areas of the supply chain that will impact the Group. A security breach or act of terrorism that occurs at one or more of its facilities, or at a shipping line or other port facility that has handled cargo before the Group, could subject the Group to significant liability, including the risk of litigation, adverse publicity and loss of goodwill. In addition, a major security breach or act of terrorism that occurs at one of its facilities or one of its competitors' facilities may result in a temporary shutdown of the container terminal or oil products terminal industry and/or the introduction of additional or more stringent security measures and other regulations affecting businesses within these industries, including the Group. The costs associated with any such outcome could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's co-controlling beneficial shareholders may have interests that have an adverse impact on the Group and the Noteholders.

Mr. Nikita Mishin, Mr. Konstantin Nikolaev and Mr. Andrey Filatov (through their controlling interest in TIHL) control approximately 30.75% of the Company's issued share capital and APMT controls approximately 30.75% of the Company's issued share capital.

As such, the co-controlling beneficial shareholders exercise significant control over the Group. While the Company believes that the interests of TIHL and APMT will remain consistent with those of the Company, there can be no assurance that such interests will always be consistent or that their rights will be exercised for the Group's benefit or for the benefit of the Noteholders. Both TIHL and APMT may also pursue other interests which conflict with the interests of the Group. In addition, Maersk Line is a 100% subsidiary of AP Møller-Maersk A/S and as such is an affiliate of APMT. Maersk Line is the largest customer of the Group and may have commercial interests conflicting with those of the Group's.

There are no agreements in place between the Company, TIHL, APMT or the controlling beneficial shareholders to ensure that the latter will not abuse their control of the Company. In addition, the controlling beneficial shareholders of TIHL beneficially own interests in transportation and other businesses that are not part of the Group. These businesses include Globaltrans Investment PLC, a large Russian freight rail operator ("**Globaltrans**"), and may, from time to time, have dealings with the Group.

TIHL and APMT have agreed in the APMT-TIHL shareholders' agreement to offer storage and handling cargoes in the sea ports and inland terminals located within 100 kilometres from the sea in Russia, the CIS and certain other countries to the Group first, however, if the controlling beneficial shareholders were to exercise their control over the Group in a manner that favoured one of these other businesses over the Group, this could have a material adverse effect on the Group's business, results of operations or financial condition. In addition, if these other businesses were to develop poor relations with any governmental authorities or entities, service providers, or customers that are important to the Group, such poor relationships could, by virtue of being associated with the Group through the controlling beneficial shareholders of TIHL, have a negative impact on the Group's relations with such governmental authorities or entities, service providers, or customers, which could have a material adverse effect on the Group's business, results of operations or financial condition and, thereby could have a detrimental effect or the interests of the Noteholder.

The competitive advantages of the Group's terminals depend on the stable functioning of all participants in the logistics chain, including customs inspections, supervisory authorities and others. Delays in customs and other inspections may materially and adversely affect the flow of trade at the Group's terminals and the Group's container throughput volume.

The efficiency of the Group's operations depends upon, among other things, efficient customs inspections. Customs inspections may be delayed for a series of reasons, including: (i) strikes by customs officials, (ii) a sharp increase in foreign trade at the terminal in excess of the processing capacity of the terminal's customs officials, (iii) insufficient funding to modernise customs operations or hire additional customs officials or (iv) changes in either customs regulations or the implementation of such regulations that increase the bureaucracy involved in customs inspections or require greater scrutiny of goods flowing through the terminal. If customs operations become substantially slower, the flow of trade at the Group's terminals would be reduced and the resulting revenues the Group might earn from providing additional storage and other services would be unlikely to offset the revenues the Group would lose from the reduced flow of trade. In addition, the delivery of the Group's customers' products would be delayed, which would encourage them to seek other alternatives to import and export these products more efficiently. Any of these factors could cause the Group's container throughput volume to decrease significantly and could have an adverse effect on the Group's business, results of operations or financial condition.

The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.

Any reduction in global demand for oil products or Russian refined products output, any restrictions imposed by Russian state owned railway, any increases in trade barriers between Russia and Estonia, any restrictions placed on Russian trade, any changes in the Russian fiscal regime for refined and/or crude oil products, any changes in the Russian government's oil export policy or further reductions in oil prices could result in a reduction in oil products supplied from Russia to the international markets through the VEOS terminals. Additionally, any new regulations in destination countries limiting the sulphur content of fuel oils could result in a decrease in demand for Russian fuel oil (as it has a high sulphur content) and thus for VEOS's services for shipping to particular countries. Changes in oil refining technology and further investment in refinery assets and technology may make it possible for Russian refineries to crack fuel oil further, thereby reducing the supply of fuel oil available for export. Any such reductions in demand or supply or changes in trade barriers, regulations or policy could have a material adverse effect on the Group's business, results of operations or financial condition.

See also "*—Instability in the Russian economy could negatively impact the Group's business.*"

RISKS RELATING TO THE GROUP'S FINANCIAL CONDITION

The Group is subject to foreign exchange risk arising from various currency exposures primarily with respect to the Russian rouble and the US dollar. Foreign exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign exchange rates due to inability to appropriately plan for and react to fluctuations in foreign exchange rates. Risk also arises from revaluation of assets and liabilities (mainly debt) denominated in foreign currency.

Currently, a significant part of the Group's revenue, and most of the Group's borrowings are denominated in US dollars, whereas most of the Group's operating expenses are and will be denominated and settled in Russian roubles. Although from time to time the Group uses interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk, it generally does not hedge its foreign exchange risk, and the Group is therefore exposed to the effects of currency fluctuations between the US dollar and the Russian rouble. As a result, depreciation of the Russian rouble decreases the Group's costs expressed in US dollars and appreciation of the Russian rouble increases the costs expressed in US dollars. Furthermore, as the Group's US dollar borrowings have been made by subsidiaries based in Russia, for which the Russian rouble is the functional currency, US dollar/Russian rouble exchange rate fluctuations result in foreign exchange rate gains and losses in the profit and loss accounts of such subsidiaries, which in turn are consolidated into the Group's profit and loss account. The Group's net foreign exchange loss on financial activities in 2015 and 2014 was USD 151.0 million and USD 418.5 million, respectively. Accordingly, any future appreciation of the US dollar against the Russian rouble will have the effect of decreasing the Group's results presented in US dollars. In recent years, the value of the Russian rouble has significantly depreciated against the US dollar, which has resulted in decreases in the Group's operating costs expressed in US dollars. However, there can be no guarantee this trend will continue, and further fluctuations in the value of the Russian rouble against the US dollar could have a material adverse effect on the Group's business, results of operations or financial condition. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key factors affecting the Group's financial condition and results of operations—Exchange rates*" and Note 3 (*Financial risk management*) to the Group's Annual Consolidated Financial Statements.

Government regulation and currency restrictions could also impact the Group's revenue and borrowings and have a material adverse effect on the Group's business, results of operations or financial condition. See "*—The introduction or maintenance of currency restrictions may limit the Group's ability to execute its strategy or operate its business or could otherwise adversely affect the markets in which the Group operates.*"

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 my adversely affect the Group's financial condition.

As at 31 December 2015, the Group's total floating rate debt comprised approximately 70% of its outstanding debt. Following application of the proceeds of the Offering, the Group expects floating rate liabilities will account for approximately 37% of the Group's borrowings. As a result, the Group is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. The Group's fixed rate borrowings subject the Group to the risk that interests rates have increased at the time the relevant debt is due to be refinanced, if not repaid. Consequently, any increase in such interest rates will result in an increase in the Group's interest rate expense. The Group does not generally, and currently does not, hedge the majority of its interest rate risk and even if it were to do so in the future, there can be no assurance that the Group will be able to do so on commercially reasonable terms or that these agreements, if entered into, will protect the Group fully against the Group's interest rate risk in the future.

The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants which could be breached.

The total interest-bearing loans and borrowings of the Group's companies, including VSC, PLP, FCT and PLP-Mineral (excluding intercompany indebtedness and including applicable accrued interest), as at 31 December 2013, 2014 and 2015 were USD 1,437.3 million, USD 1,183.6 million and USD 1,165.4 million, respectively. Furthermore, as at 31 December 2015, the Group was highly leveraged with a net debt to Adjusted EBITDA ratio of 3.6. This ratio has been negatively impacted by decreasing container volumes due to the difficult market conditions in the Russian container market and an increase in debt as a result of the acquisition of the NCC Group at the end of 2013. Although the Group has been seeking to deleverage, it will remain subject to fluctuations in Adjusted EBITDA as a result of the market conditions and other factors described under "*—Risks Relating to the Group's Business and Industry—The Group is dependent on trade volumes, in particular container volumes, and on economic growth in Russia*".

Most of the Group's borrowings were borrowed by the Subsidiary Guarantors and are guaranteed by the Company. To secure these borrowings, the Subsidiary Guarantors have pledged some of their property, plant and equipment and equity interests. As of the date of these Listing Particulars, 25% plus one of PLP's shares are pledged to secure PLP's obligations under the Group's credit facility with ING Bank N.V., Raiffeisen Bank International AG and AO Raiffeisenbank, and 65% of FCT's shares are pledged in favour of Sberbank of Russia with the remaining 35% pledged in favour of VTB Bank (Austria) AG. As at 31 December 2015, 15.0% of the Subsidiary Guarantors' property, plant and equipment was pledged to secure the Group's borrowings and the Group expects that after giving effect to the issuance and use of proceeds of the Notes, 11.1% of the Subsidiary Guarantors' property, plant and equipment will continue to be pledged. The Group's borrowings include various financial covenants, including covenants requiring the Group and the borrowers to maintain net debt to EBITDA ratios. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital resources*" and "*Significant Shareholders and Other Interests—APMT and TIHL Shareholders' Agreement*". A breach of such ratios or other covenants could cause a cross default under the terms of the Group's other financing arrangements, causing all the debt under those other financing arrangements, including the Notes, to become due. No assurance can be given that if the indebtedness under the Notes were to be accelerated, the assets of the Group would be sufficient to generate the funds necessary to satisfy its obligations under the Notes, particularly as the secured creditors of the Subsidiary Guarantors would have prior claims against the assets of those Guarantors.

In addition, the Group's debt instruments, contain certain restrictions limiting its flexibility in operating its business. Such restrictions limit the Group's ability to:

- create liens;
- borrow money;
- sell or otherwise dispose of assets;
- engage in mergers or consolidation; and
- transfer assets and pay dividends to other members of the Group.

While the Group believes it is currently in compliance with its debt obligations, the Group's debt service and compliance obligations under these and future financings and the associated risks of breaching these obligations as well as any difficulties in obtaining financing in the future could have a material adverse effect on its business, results of operations or financial condition and its ability to pay its obligations under the Notes.

RISKS RELATING TO RUSSIA

Emerging markets such as the Russian Federation are subject to greater risks than more developed markets, including significant economic, political, legal and legislative risks.

Because a substantial amount of the Group's assets are located in Russia, it has significant exposure to risks relating to the country. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. In particular, investors should be aware that emerging markets such as Russia are subject to greater risk than more developed markets, including significant political, economic and legal risks. Prospective investors should also note that emerging economies are subject to rapid change and that some or all of the information set out in this document may become outdated relatively quickly. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets, as investors move their money to more stable, developed markets. In case of a global economic downturn, resultant financial problems and increases in the perceived risks associated with investing in emerging economies could dampen foreign investment in emerging markets such as Russia, resulting in an outflow of capital and an adverse effect on the Russian economy. Similarly, decisions by central banks of developed countries, such as the Federal Reserve System, to increase their lending rates may have a negative impact on emerging markets, prompting investors to sell their assets in countries such as Russia to invest in developed countries' securities and assets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide whether, in light of those risks, their investment is appropriate.

Additionally, there are generally higher levels of corruption in emerging markets, including the bribing of officials for the purpose of obtaining licences or other permissions, for the purpose of obtaining a right to supply goods or services to the state or major purchasers or for the purpose of initiating investigations by government agencies. A proliferation of organised or other crime, corruption and other illegal activities that disrupted the Group's ability to conduct its business effectively, or any claims that the Group was involved in corruption or illegal activities (even if false) that generated negative publicity, could have a material adverse effect on the Group's business, results of operations or financial condition.

As with any investment, there exists the risk of adverse political or regulatory developments, including, but not limited to, nationalisation, appropriation without fair compensation, terrorism, war or currency restrictions, which could have a material adverse effect on the Group's business, results of operations or financial condition. This risk is compounded where political instability has been an inherent part of a country's development.

The Group is exposed to social and political factors that could create an uncertain operating environment and may affect the Group's operations.

The Russian Federation is a federation of sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts, some of which have the right to manage their internal affairs pursuant to agreements with the federal government and in accordance with applicable laws. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in some instances, unclear, and a lack of consensus between the federal government and local or regional authorities in Russia could result in the enactment of conflicting legislation at various levels. Some laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts in Russia and such challenges may occur in the future. Such a lack of consensus could create uncertainties in the Group's operating environment, which may prevent the Group from effectively and efficiently carrying out its business strategy.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, acts of terrorism and military conflict. If existing conflicts remain unresolved, new disturbances or hostilities arise or violence intensifies, it may affect the Group's operations and have a material adverse effect on its business, results of operations or financial condition.

The Russian Law "On Special Economic Measures" grants the President of Russia, acting only upon recommendation of the Russian Security Council, authority to both (i) impose restrictions or prohibit dealings with foreign states and/or foreign citizens and (ii) impose obligations to perform specific activities in furtherance of adopted economic measures. If Russia were to adopt a similar embargo or adopt any of the restrictive economic measures contemplated by the Law "On Special Economic Measures" with respect to the countries within which the Group currently operates or plans to operate in the future, the Group's business, financial condition and results of operations could be materially adversely affected. Similarly, if other countries were to impose similar measures on Russia, including, for example, restrictions on financing transactions, it could have a material adverse effect on the Group's business, financial condition or results of operations.

These uncertainties, tensions and conflicts have a negative impact on the investment climate, trading conditions and liquidity in Russia and on the ability for Russian companies to raise financing on commercially acceptable terms and, as a result, could have a material adverse effect on the Group's business, results of operations or financial condition.

Political instability in Ukraine and other states and the imposition of various sanctions by the United States, the European Union, Russia and other countries against Russian, Ukrainian or other nations' individuals and legal entities may adversely affect those states' economies and the Group's operations.

The political instability and armed conflict in Ukraine, heightened levels of tension between Russia and other states, imposition by the United States, the European Union and other countries of sanctions and other restrictive measures, and the imposition by Russia of sanctions, including import and travel restrictions, has had in the past, and may continue to have in the future, an adverse effect on the Russian economy and demand for commodities.

The United States, the European Union and a number of other jurisdictions and authorities have imposed sanctions on a number of Russian officials and individuals, former Ukrainian officials, and several Russian companies, banks and businessmen, with the consequence that entities and individuals in the United States and European Union cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to seizure and the individuals to visa bans. In addition, the United States and European Union have applied "sectoral" sanctions, whose principal consequences are that several leading Russian banks have been restricted from accessing Western capital. Such factors have affected Russian trade volumes, had a negative impact on the Group's business and could adversely affect the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.

The economic sanctions described above have adversely affected the Russian economy and Russia's financial markets, increased the cost of capital and capital outflows, and worsened the investment climate in Russia. In the course of 2014 and 2015, each of Standard & Poor's ("**S&P**"), Moody's Investors Service Ltd. ("**Moody's**") and Fitch downgraded the Russian sovereign rating, most recently S&P lowered Russia's long-term foreign currency sovereign bond rating to "BB+" with negative outlook in January 2015, Moody's cut its sovereign rating for the Russian Federation to "Ba1" with negative outlook in February 2015 and Fitch downgraded Russia's long-term foreign and local currency rating to "BBB-" with negative outlook in January 2015, resulting in two out of three ratings of the big three rating agencies falling below investment grade.

A significant escalation in hostilities in Eastern Ukraine or elsewhere in the world would be likely to cause substantial economic disruption to the countries involved. This also could result in the imposition of a sanctions regime that would seek to isolate Russia or other countries in which the Group operates from the world economy. Even without such an escalation, there may well be a further strengthening and broadening of sanctions. If Russia were barred from using the international SWIFT payment system, ordinary banking services in Russia and cross-border trade would be disrupted. An introduction of sanctions targeting container terminals companies, the Group specifically, or a broader segment of the Russian economy could interfere with the Group's operations, which would have a material adverse effect on the Group's ability to conduct business with its customers, suppliers, agents and other third parties, including the Trustee, as well as the Group's ability to service its payments under its debt obligations (including the Notes).

Certain government policies, or the selective and arbitrary enforcement of such policies, could have an adverse effect on the Group's business, results of operations or financial condition, as well as investments in the emerging markets more generally.

Major policy shifts could hinder or reverse political, economic and regulatory reforms. Government authorities may adopt policies that could adversely affect private sector companies generally or in any particular sector, or in which there is significant foreign ownership. If Russia were to adopt restrictive economic measures against countries that are important to the Group's business, or if trade between Russia and such countries were otherwise to be interrupted for political reasons, the Group's business, results of operations or financial condition could be materially and adversely affected.

Moreover, regulatory authorities in emerging markets countries often tend to have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice. Such arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Furthermore, government authorities have the power in certain circumstances to interfere with the performance of, nullify or terminate contracts and, through their tax, environmental and prosecutorial arms, may engage in selective investigations and prosecutions of particular companies or persons. In this environment, the Group's competitors may receive preferential treatment from certain governmental authorities, which could give the Group's competitors a competitive advantage. Unlawful, selective or arbitrary government action, if directed at the Group's operations, could have a material adverse effect on its business, results of operations or financial condition.

Instability in the Russian economy could negatively impact the Group's business.

Russia is a developing economy, with a large portion of its GDP being supported by strong export activity. This makes it particularly vulnerable to global market downturns or slowdowns.

The Russian economy has been subject to abrupt downturns in the past. At the onset of the global financial and economic crisis in the latter part of 2008 and the early part of 2009, commodity prices on the world market plunged, with the price of crude oil, for example, decreasing by more than 70% between July 2008 and the beginning of 2009. Prices subsequently partly recovered over the first half of 2009. While from 2010 to the beginning of 2014 commodity prices generally continued to recover, oil prices started to decline rapidly and substantially in mid-2014, with the global benchmark Brent crude falling from over U.S.$110/bbl in June 2014 to less than U.S. $27/bbl in February 2016. Correspondingly, in 2014, as a consequence of the Ukrainian crisis and the falling oil prices, Russia's real GDP growth slowed down 0.8%, decreased by 3.8% in 2015 and is likely to continue to decrease in 2016, according to the World Bank.

As a major oil producer, Russia is particularly vulnerable to such price fluctuations. Russia is also a major producer and exporter of metal products and its economy is vulnerable to fluctuations in world commodity prices and the imposition of tariffs and/or anti-dumping measures by the United States, the European Union or by other principal export markets. The sustained decline in the prices of crude oil, natural gas and other commodities has had a substantial adverse impact on the Russian economy. Any further decrease or volatility in world commodity prices in the future would have a materially adverse impact on the Russian economy, which, in turn, could have a material adverse effect on the Group's Russian operations, affecting its business, results of operations or financial condition.

The Russian banking system remains underdeveloped, and another banking crisis in Russia could place severe liquidity constraints on, and negatively impact the Group's business.

Russia's banking and other financial systems are not well developed or regulated, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent applications.

There are currently a limited number of creditworthy Russian banks, most of which are headquartered in Moscow. Although the CBR has the mandate and authority to suspend banking licences of insolvent banks, many insolvent banks still operate. Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still does not meet internationally accepted norms.

The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. For example, during the financial and economic crisis in 2008 and 2009, Russian banks suffered from a deterioration in the credit quality of borrowers and their assets and a lack of liquidity which resulted in intervention by the Russian government and the central bank (as occurred in many other jurisdictions throughout the world) so as to stabilise the sector and prevent the occurrence of a banking crisis. A prolonged or serious banking crisis or the bankruptcy of a number of Russian banks could, should they occur in the future, have a material adverse effect on the Group's business and its ability to complete banking transactions in Russia.

Further, the Group relies to a significant extent on debt financing from Russian banks. Accordingly, if a prolonged or serious banking crisis were to occur in Russia, our ability to access this source of financing may be limited, which in turn, could have a material adverse effect on the Group's business, results of operations or financial condition.

Russia's physical infrastructure is in poor condition, which could disrupt or impair the Group's normal business activity, and efforts by the Russian government to improve the country's infrastructure may increase the Group's costs.

The physical infrastructure in Russia, including rail and road networks, power generation and transmission, communication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained. Electricity and heating shortages in some regions of Russia have seriously disrupted the local economies. For example, in August 2009, an accident at the Sayano Shushenskaya hydroelectric power plant in Russia resulted in a significant portion of the supply to the local power grid being lost, which led to widespread power failure in the region and forced all major users of electric power, such as aluminium smelters, to switch to generators. Road conditions throughout Russia are also poor, with many roads not meeting modern quality requirements. The Russian Government is actively pursuing the reorganisation of the nation's rail, electricity and telephone systems. Any such reorganisation may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The poor condition or further deterioration of Russia's physical infrastructure may harm both nations' economies, disrupt access to communications, increase the cost of doing business in Russia or disrupt business operations, any or all of which could have a material adverse effect on the Group's business, results of operations or financial condition.

The introduction or maintenance of currency restrictions may limit the Group's ability to execute its strategy or operate its business or could otherwise adversely affect the markets in which the Group operates.

During the 1990s, Russian currency regulation and control regimes severely limited, and, at times, prohibited, certain hard currency payments and operations. The liberalisation of this regime was followed by approximately 10 years of generally stable currency climate in the countries where the Group operates. However, with the onset of financial instability in certain countries such as Cyprus or Greece, the introduction of restrictions or prohibitions in currency regulation and control regimes in these or other countries facing financial or budget difficulties cannot be excluded. There can be no assurance that, as a result of financial instability, new restrictions or prohibitions in currency regulation and control regimes will not be imposed. For example, as a result of the political, financial and economic crisis in Ukraine that emerged in 2014 and continued in 2015, certain currency controls were reintroduced in Ukraine to prevent further outflow of capital.

Restrictions or prohibitions on hard currency payments and operations could limit the Group's ability to invest in its capital improvement programmes, pursue attractive acquisition opportunities or purchase necessary materials. Such restrictions or prohibitions may limit the Group's ability to repatriate earnings from securities of its subsidiaries located in the country where such restrictions or prohibitions apply, or otherwise have a negative impact on the capital markets of that country. Furthermore, because a significant part of the Group's revenue, and most of the Group's borrowings are denominated in US dollars and euro, whereas most of the Group's expenses and a significant portion of its revenue are and will be denominated and settled in Russian roubles, the consequences of any new restrictions or prohibitions in Russia in particular, or other countries, could have a material adverse effect on the Group's business, results of operations or financial condition as well as the Group's ability to service its payments under its debt obligations (including the Notes).

Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and business activity.

At the heart of a successful transition to a market economy is a comprehensive and well-developed legal system. Russia's legal framework is still under development and large portions of this framework have only recently become operational. The relatively recent enactment of many laws and the lack of consensus about the aims, scope, content and pace of economic and political reforms have resulted in ambiguities, inconsistencies and anomalies in the Russian legal system. The enforceability and underlying constitutionality of more recently enacted laws are in doubt, and many new laws remain untested. Any or all of these weaknesses could affect the Group's ability to determine whether, for example, the Group has adequate property rights, or whether the Group can enforce its legal rights in Russia, including rights under its contracts, or to defend against claims by others in Russia.

Furthermore, the independence of the Russian judicial system remains largely untested. The court system is understaffed and underfunded and not immune to external influences. Judges and the courts are often inexperienced in interpreting and applying many aspects of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all court decisions are readily available to the public. Enforcement of court judgments can, in practice, be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict, and effective redress uncertain. Additionally, court claims and prosecutions are sometimes influenced by, or used in furtherance of, private interests. The Group may be subject to such claims and may not be able to receive a fair trial.

In addition, the current status of the Russian legal system makes it uncertain whether the Group would be able to enforce its rights in disputes with its contractual partners or other parties. The Budget Code sets additional requirements for enforcing rights against the federal budget, which may potentially delay the payment of sums due to the Group from the federal budget. Furthermore, the dispersion of regulatory power among a number of government agencies in Russia has resulted in inconsistent or contradictory regulations and unpredictable enforcement. The Group's ability to operate in Russia could thus be adversely affected by difficulties in protecting and enforcing the Group's rights and by future changes to local laws and regulations.

The risks of the current legal system in Russia include, but are not limited to:

- inconsistencies between and among the constitution, laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- limited judicial and administrative guidance on interpreting legislation;
- gaps in the regulatory structure due to the absence of or delay in implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of Russian law, particularly in relation to business and commercial law;
- bankruptcy procedures that are still under development;
- a lack of judicial independence from political, social and commercial forces;
- problematic and time-consuming enforcement of both domestic and foreign judicial orders and international arbitration awards;
- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary government action; and
- a tendency to formalism in interpreting procedural requirements.

All of the above risks could affect the Group's ability to ascertain its rights or to seek or obtain effective redress in the Russian courts, which could have a material adverse effect on the Group's business, financial condition or results of operations.

The state of the judiciary and the difficulty of enforcing court decisions could prevent investors in the Notes from obtaining effective redress in a court proceeding.

Judgments rendered by a court in any jurisdiction outside Russia are likely to be recognised by courts in Russia only if: (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered; and/or (ii) a federal law of Russia providing for the recognition and enforcement of foreign court judgments is adopted. No such federal law has been passed and no such treaty exists between the United Kingdom or the United States and Russia for the reciprocal enforcement of foreign courts' judgments. In the absence of an applicable treaty or convention providing for the recognition and enforcement of judgments in civil and commercial matters between the United Kingdom or the United States and Russia, a judgment of an English or U.S. court may be recognised and enforced in Russia only on the grounds of reciprocity. In each case, reciprocity must be established and, in the absence of a developed court practice, it is difficult to predict whether a Russian court will be inclined to recognise and enforce an English or U.S. court judgment on the grounds of reciprocity in any particular instance. See "*Enforceability of Judgments*".

Russian legislation may not adequately protect against expropriation and nationalisation.

The Russian government has enacted legislation to protect foreign investment and other property against expropriation and nationalisation. If any property is expropriated or nationalised, legislation provides for fair compensation. However, there can be no assurance that such protections would be enforced due to lack of experience in enforcing these provisions or due to political pressure. In addition, land may be subject to compulsory purchase by the State for its own needs or as a sanction for the inappropriate use of that land. It is not clear from Russian law how losses from nationalised assets would be calculated nor whether there would be any way to seek to challenge (and therefore to prevent) the confiscation of such assets. Losses from the expropriation or nationalisation of all or a portion of the Group's business, potentially with little or no compensation, would have a material adverse effect on its business, results of operations or financial condition.

Shareholder liability under Russian legislation could cause the Group to become liable for the obligations of its Russian subsidiaries.

Under Russian law, the Company and Subsidiary Guarantors (as the case may be) may be jointly and severally liable for the obligations of their Russian subsidiaries or joint venture entities together with such entities if: (i) the Company and/or the Subsidiary Guarantor has the ability to make, or exert influence on, decisions for such Russian subsidiaries or joint venture entities as a result of its equity interest, the terms of a binding contract with such Russian subsidiary or joint venture entity or in any other way; and (ii) the relevant Russian subsidiary or joint venture entity concluded the transaction giving rise to the obligations pursuant to the Company's and Subsidiary Guarantors' (as the case may be) instructions or consent. In addition, the Company and Subsidiary Guarantors (as the case may be) may have secondary liability for the obligations of their Russian subsidiaries or joint venture entities in a situation where the respective Russian subsidiary or joint venture entity becomes insolvent or bankrupt and this is a result of, or is otherwise attributable to, actions of the Company and/or the Subsidiary Guarantor (i.e., the Company and/or the Subsidiary Guarantor has issued its instructions or given its consent knowing that this would result in insolvency or bankruptcy of the relevant Russian subsidiary or joint venture entity). This type of liability could result in significant losses, and could have a material adverse effect on the Group's business, results of operations or financial condition.

Weaknesses and changes in the Russian tax system could negatively impact the Group's business.

A significant part of the Group's assets and operations is located in Russia and, therefore, weaknesses in the Russian tax system could adversely affect the Group. The Russian subsidiaries of the Group are subject to a broad range of Russian taxes and charges imposed at the federal, regional and local levels, including, but not limited to, corporate income tax, value added tax ("**VAT**"), property tax and payroll related social security contributions.

The Russian Tax Code has been in force for a short period relative to tax laws and regulations in more developed market economies. Moreover, provisions of Russian tax law applicable to financial instruments (including securities) may be subject to more rapid and unpredictable changes than similar tax laws in jurisdictions with more developed financial markets or more developed taxation systems. The implementation of Russian tax laws and regulations is often unclear or inconsistent.

Historically, the system of tax collection in Russia has been relatively ineffective, resulting in continual changes in the tax legislation, which sometimes occur on short notice and apply retrospectively, and in the interpretation and application of existing laws and regulations by various authorities. Although Russia's tax climate and the quality of Russian tax legislation have generally improved with the introduction of the Russian Tax Code, there can be no assurance that the Russian Tax Code will not be changed or interpreted in the future in a manner adverse to the stability and predictability of the Russian tax system. The possibility exists that the Russia may impose arbitrary or onerous taxes, levies, fines and penalties in the future, which could adversely affect the Group's business.

Since Russian federal, regional and local tax laws and regulations have been subject to frequent change and some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, the interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Differing interpretations of tax laws and regulations may exist both among and within government bodies at federal, regional and local levels, increasing the amount of uncertainty and tax risks and leading to the inconsistent enforcement of these laws and regulations. Furthermore, taxpayers, the Russian Ministry of Finance and the Russian tax authorities often interpret tax laws and regulations differently. In some instances, the Russian tax authorities have applied new interpretations of tax laws and regulations retroactively. Private clarifications to specific taxpayers' queries in respect of particular situations issued by the Russian Ministry of Finance are not binding on the Russian tax authorities. There can be no assurance, therefore, that the representatives of the local Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Russian Ministry of Finance. Moreover, there can be no assurance that Russian legislation and regulations will not be altered, in whole or in part, or that Russian tax authorities and/or Russian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in these Listing Particulars would be subject to different tax treatment than the treatment described herein, whether retroactively or otherwise, or would be adversely affected in some other way.

During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of Russian companies operating in various industries. In practice, taxpayers often have to resort to court proceedings to defend their position against the tax authorities. In the absence of binding precedent, court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Tax declarations, together with related documentation are subject to review and investigation by a number of Russian authorities, which are empowered by Russian law to impose fines and penalties on taxpayers. Generally, tax declarations together with the related documentation remain subject to inspection by the Russian tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. Tax audits can however go beyond this general three-year term to cover the tax period for which an amended tax return (if any) has been filed. The fact that a particular year has been reviewed by the Russian tax authorities does not prevent further review and investigation by the Russian tax authorities of any tax declarations and other documentation relating to that year during the three-year limitation period. In particular, a repeated tax audit may be conducted (i) by a higher-level tax authority as a measure of control over the activities of lower-level tax authorities, or (ii) in connection with the reorganisation/liquidation of a taxpayer, or (iii) as a result of the filing by such taxpayer of an amended tax return decreasing the tax payable to the revenue. Therefore, previous tax audits may not preclude subsequent claims relating to the audited period.

Additionally, the Russian Tax Code provides for possible extension of the three-year statute of limitations for liabilities for tax offences if the taxpayer has actively obstructed the performance of the tax audit and such obstruction has become an insurmountable obstacle for the tax audit. As the terms "obstructed" and "insurmountable obstacles" are not specifically defined in Russian tax law or any other branches of Russian law, the Russian tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced by them in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year limitation period. Therefore, the statute of limitations is not entirely effective with respect to liability for tax offences in Russia. Such extended tax audit, if it is concluded that the Group had significant tax underpayments relating to previous tax periods, may have a material adverse effect on the Group's business, financial condition and results of operations. Tax audits may also impose additional administrative burden on the Group by diverting the attention of its management and financial personnel and requiring resources for defending the Group's tax filing position, including for any tax litigation.

In its Decision No. 138-O of 25 July 2001 the Constitutional Court of the Russian Federation introduced the concept of "a taxpayer acting in a bad faith" without clearly stipulating the criteria for its interpretation and application. Similarly, this concept is not defined in the Russian tax legislation or other branches of Russian legislation. Nevertheless, in practice this concept has been used by the Russian tax authorities in order to deny, for instance, the taxpayer's right to rely on the letter of the tax law. Based on available practice the Russian tax authorities and courts often exercise significant discretion in interpreting this concept in a manner that is at times unfavourable to taxpayers.

On 12 October 2006 the Plenum of the Supreme Arbitration Court of the Russian Federation issued ruling No. 53 ("**Ruling No. 53**") which introduced a concept of "unjustified tax benefit" defined mainly by reference to specific examples of such tax benefits (for example, tax benefits obtained as a result of a transaction that has no reasonable business purpose) which may lead to disallowance of their application. The "unjustified tax benefit" concept is aimed to prohibit taxpayers from deducting expenses for profit-tax purposes and the relevant amount of input VAT in cases where a business transaction was primarily aimed at tax avoidance, the primary documents were signed by an unauthorised or unidentified person or signed on behalf of the entity that does not sell goods (perform work or render services) or transfer property rights. Based on the available court practice relating to Ruling No. 53, it is apparent that the Russian tax authorities have been actively seeking to apply this concept when challenging tax positions taken by taxpayers. Although the intention of this ruling was to combat the abuse of tax law, based on the available judicial interpretations relating to Ruling No. 53, the Russian tax authorities have started applying the "unjustified tax benefit" concept in a broader sense than may have been intended by the Russian Supreme Arbitration Court. The available court practice is contradictory. Importantly, the Group is aware of cases where this concept has been applied by the Russian tax authorities in order to disallow benefits granted by double tax treaties. In many cases where this concept has been applied, the courts have ruled in favour of taxpayers, however, recent trends demonstrate the tendency for the courts to support the position of tax authorities. In May 2015, a new draft law introducing a concept of unjustified tax benefit in the Russian Tax Code passed first reading in the state Duma of the Russian Federation. Although this draft law has not been fully adopted yet it signifies the intent of the lawmakers to incorporate this concept into the tax legislation.

In addition, according to the legal position expressed by the Plenum of the Supreme Arbitration Court of the Russian Federation in Resolution No. 57, dated 30 July 2013, Russian taxes which were not withheld on payments to foreign recipients and respective penalties may be collected from a Russian taxpayer who failed to act as a tax agent.

The concept of consolidated taxpayer (the "**Tax Group**") was incorporated into the Russian Tax Code and became effective 1 January 2012. These rules introduce consolidated tax reporting that enables the consolidation of the financial results of Russian companies for corporate tax purposes which form one group. There are several requirements which should be met for consolidated group creation. The Group believes that its Russian companies do not satisfy these requirements and thus new consolidation rules in their current version are unlikely to apply to the Group and thus the Russian subsidiaries of the Group cannot use the benefits envisaged by the consolidated taxpayer regime and tax losses incurred by any Russian subsidiary of the Group cannot be surrendered to reduce the tax liability of any other Russian subsidiary of the Group, which complicates tax planning within the Group.

The Group includes companies incorporated and operating outside of Russia. Russian tax laws currently in effect are not well developed as far as taxation of foreign companies in Russia or operations of Russian companies abroad is concerned. The Russian Tax Code contains a concept of permanent establishment in Russia as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities. However, the practical application of the concept of a permanent establishment under Russian law is not well developed and foreign companies having even limited operations in Russia, which would not normally satisfy the conditions for creating a permanent establishment under international rules, may be at a risk of being treated as having a permanent establishment in Russia and be liable to Russian taxation and have obligations to withhold Russian taxes from payments to foreign individuals and legal entities as a tax agent. Recently there have been a few precedents where the Russian tax authorities sought to challenge the Russian tax status of foreign companies and some of their attempts were successful. It is possible that with the evolution of these rules or changes in the approach of the Russian tax authorities and/or courts to their interpretation and application, the Group might become subject to additional taxation in Russia in respect of its operations outside Russia.

There is also a new law addressing various aspects of taxation of foreign legal entities (the "**Anti-Offshore Law**") which came into force starting 1 January 2015.

The Anti-Offshore Law introduced into the Russian Tax Code "controlled foreign companies" rules, pursuant to which undistributed profits of organizations as well as foreign structures not being legal entities (such as funds or partnerships), which do not fall within the exemptions envisaged by the Anti-Offshore Law, controlled by Russian tax residents (both legal entities and individuals) should be subject to taxation in Russia provided certain criteria are met.

Furthermore, the Anti-Offshore Law introduced the concept of tax residency for legal entities, whereby foreign legal entities would be deemed Russian tax residents if their place of management is located in Russia. Such foreign legal entity as a Russian tax resident would be liable to Russian taxation in a manner similar to taxation of Russian legal entities, including the obligations to withhold Russian taxes from payments to foreign individuals and legal entities.

A beneficial ownership concept, which is broadly in line with the concept developed by the Organisation for Economic Co-operation and Development (the "**OECD**"), has also been added to the Russian Tax Code by the Anti-Offshore Law. In particular, the Anti-Offshore Law establishes that the treaty relief should be available to foreign legal entities provided they have the actual right to receive income (i.e., they qualify as a "**beneficial owner of income**").

Introduction of these new rules and concepts by the Anti-Offshore Law is likely to impose additional administrative burden on the Group. No assurance can currently be given as to how the above concepts will be applied in practice, their potential interpretation by the Russian tax authorities and the possible impact (including additional tax liability, if any) on the Group.

In addition, on 1 July 2015, the Convention on Mutual Administrative Assistance in Tax Matters developed by the Council of Europe and the OECD came into effect. This convention enables the Russian tax authorities to obtain information for tax purposes from foreign countries, including certain offshore jurisdictions. The procedures for exchange of information established by the Convention are to be used by the Russian tax authorities in addition to application of the procedures of the exchange of information established by the applicable double tax treaties.

Each of the foregoing factors creates tax risks in Russia that may be substantially more significant than those typically found in countries with more developed tax systems. These tax risks impose additional burdens and costs on the Group's operations, including management resources. Although the Group undertakes measures aimed at minimising tax risk, there can be no assurance that the Group will not be required to make substantially larger tax payments in the future that would affect the financial results of the Group. Furthermore, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to significant fines, penalties and enforcement measures, and could materially adversely affect the Group's business, results of operations or financial condition.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise. Additional tax exposures could have a material adverse effect on the Group's business, results of operations or financial condition.

Russian transfer pricing rules may affect the Group's results of operations.

Russian transfer pricing legislation in place before 1 January 2012 was broad in scope and vaguely drafted, leaving broad scope for interpretation at the discretion of the Russian tax authorities and courts, and there was limited guidance as to how these rules should have been applied. Moreover, in the event that a transfer pricing adjustment was made by the Russian tax authorities, the transfer pricing rules did not provide for an offsetting adjustment to the related counterparty in the relevant transaction.

The Russian transfer pricing legislation effective starting from 1 January 2012 allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities with respect to "controlled" transactions. The list of "controlled" transactions under the transfer pricing legislation includes transactions performed with related parties and certain types of cross-border transactions. This legislation has considerably increased the compliance burden for taxpayers compared to the law which had been in effect before 1 January 2012 due to, among other things, shifting the burden of proving market prices from the Russian tax authorities to the taxpayer. Although this legislation has been modelled on the basis of the transfer pricing principles developed by the OECD, there are some peculiarities as to how the OECD transfer pricing principles are reflected in the local rules. Moreover, special transfer pricing rules continue to apply to transactions with securities and derivatives. Accordingly, due to uncertainties in the interpretation of Russian transfer pricing legislation and the absence of court practice, no assurance can be given that the Russian tax authorities will not challenge prices of transactions of the Group and make adjustments which could adversely affect the Group's tax position. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's business, results of operations or financial condition.

See also "*—Weaknesses and changes in the Russian tax system could negatively impact the Group's business*".

The ownership structure of VSC and certain other Russian companies within the Group is prohibited under Russian law.

VSC and certain other entities within the Group incorporated in Russia have sole participants or shareholders that, in their turn, are wholly owned by sole participants or shareholders. Under Russian law a Russian company is generally prohibited from having as its sole participant or shareholder an entity that is wholly owned by another entity ("**Prohibited Ownership Structure**"). The Civil Code provides that a legal entity can be liquidated by a court order in the following cases: (i) if the state registration of the legal entity is declared invalid on the grounds of a severe violation of law committed during incorporation of that legal entity and such violation cannot be remedied; or (ii) if the legal entity carries out its activity with multiple or severe violations of law. Therefore, there is a risk that a competent Russian authority could file a petition with a Russian court for the liquidation of VSC or any other Russian company within the Group which is subject to the Prohibited Ownership Structure on the basis of the above grounds. While there is an argument that, to the extent the relevant entities would be prepared to remedy the Prohibited Ownership Structure, the risk of their liquidation on the basis of the above grounds is remote, in the absence of consistent court practice, it may not be excluded that Russian courts may take a different view. Should this risk materialise, it could have a material adverse effect on the Group's business, results of operations or financial condition as well as result in an Event of Default (as defined in the Trust Deed) under the Notes.

RISKS RELATING TO THE NOTES

The Issuer's ability to fulfil its obligations under the Notes will depend upon the receipt of intercompany loan repayments from other members of the Group.

The Issuer is a wholly-owned subsidiary of the Company and will on-loan the net proceeds from the issuance of the Notes to other Group members, which they will use to refinance existing indebtedness of the Group. The Issuer is a newly incorporated company established as a financing vehicle and does not conduct any operational activity. The Issuer would, therefore, in the absence of other funding sources, have to rely on the Company or other members of the Group providing sufficient funds to meet such obligations. Accordingly, the Issuer's ability to make payments under the Notes depends on the receipt of intercompany loan repayments and other payments from the Company or its subsidiaries.

Payments under the Guarantees are effectively subordinated to secured indebtedness of the Guarantors.

A portion of the Group's indebtedness is secured by the property, plant and equipment of the Guarantors (other than the Parent). Accordingly, a portion of the assets of each such Guarantor is encumbered by liens securing such indebtedness. See "*—Risks Relating to the Group's Financial Condition— The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants which could be breached*". The secured creditors of such Guarantors will have priority over the Noteholder's with respect to claims against such assets, including any shares of subsidiaries subject to liens, in the event of a default or event of bankruptcy, liquidation or insolvency.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in these Listing Particulars;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Payments under the Guarantees may be subject to Russian withholding tax.

Payments on the Guarantees to be made by the Guarantors to the Trustee acting on behalf of the Noteholders should be subject to the Russian withholding tax at a rate of 20% unless the exemption established for the "issued bonds" is applied or the Russian withholding tax is reduced or eliminated based on the applicable double tax treaty (see "*Taxation—Russian Federation*"). However, there can be no assurance that the double tax treaty relief (or refund of any taxes withheld) will be available for Non-Resident Noteholder-Legal Entities (as defined in "*Taxation—Russian Federation*") or the Russian tax exemption established for the "issued bonds" will be available in practice. See "*Taxation—Russian Federation*".

If payments under the Guarantees become subject to Russian withholding tax (as a result of which the Guarantors would have to reduce payments made under the Guarantees by the amount of tax withheld), the Guarantors will be obligated (subject to certain conditions) to increase payments under the Guarantees as may be necessary so that the net payments received by the Trustee acting on behalf of the Noteholders will be equal to the amounts they would have received in the absence of such withholding. It is currently unclear whether the provisions obliging the Guarantors to gross up payments under the Guarantees will be enforceable under Russian laws. There is a risk that the tax gross up for withholding tax will not take place and that the payments made by the Guarantors will be reduced by the amount of the Russian income tax withheld by the Guarantor at a rate of 20% (in the case of applicability of the rate established for Non-Resident Noteholder-Legal Entities) or at a rate of 30% (in the case of applicability of the rate established for Non-Resident Noteholders-Individuals), or such other rate as may be in force at the time of payment.

Tax might be withheld on disposals by individuals of the Notes in Russia, reducing their value.

Where proceeds from disposition of the Notes are received from a source within Russia by a non-resident Noteholder who is an individual, tax should be charged at the rate of 30% on the gross amount of proceeds from disposition of the Notes (including accrued and paid interest) less any available duly documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and sale or other disposal of the Notes), provided that the documentation supporting cost deductions is made available in a timely manner to the tax agent that is required to calculate and withhold Russian personal income tax. For personal income tax purposes deductible costs and proceeds from disposition of the Notes are converted into Russian roubles at the exchange rate of the Central Bank of Russia as of the date when the costs were incurred and proceeds were received. This may result in taxable income in Russian rouble terms due to devaluation of the Russian rouble (whereas in foreign currency terms there might be no gain or even a capital loss).

Although tax on proceeds from disposition of the Notes may be reduced or eliminated under provisions of an applicable double tax treaty subject to compliance with the treaty clearance formalities, in practice individuals may not always be able to obtain advance treaty relief in respect of receipt of proceeds or interest income received from a source within Russia, whilst obtaining a refund of taxes withheld can be difficult, or impossible in some cases. Further, even though the Russian Tax Code requires only a Russian professional asset manager or broker, or another person (including an economically autonomous subdivision of a foreign company in Russia or an individual entrepreneur located in Russia) acting in a similar capacity to withhold the tax from payment to an individual associated with disposition of securities, there is no guarantee that other Russian companies or foreign companies operating in Russia or an individual entrepreneur located in Russia would not seek to withhold the tax.

In the event that proceeds from a redemption, sale or other disposition of the Notes are received from a source within the Russian Federation, a Non-Resident Noteholder—Legal Entity should not be subject to any Russian withholding tax on any gain on sale or other disposition of the Notes, although there is some residual uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest on the relevant Notes. The risk of withholding tax was substantially mitigated by the changes to the Russian Tax Code introduced in 2012. However, there remains a possibility that, notwithstanding these favourable changes, a Russian buyer or intermediary may seek to assess withholding tax on the accrued interest portion of the disposal proceeds.

In addition, while certain Noteholders might be eligible for an exemption from, or a reduction in, Russian withholding tax under applicable double tax treaties, there is no assurance that such exemption or reduction will be available in practice under such circumstances.

The imposition or possibility of imposition of this withholding tax, as applicable, under such circumstances could adversely affect the value of the Notes. See *"Taxation—Russian Federation"*.

If there is a change of control, Noteholders may require the Issuer to redeem the Notes.

Following the occurrence of a "Change of Control Put Event", as described under "*Terms and Conditions of the Notes*", the Noteholders may, at their option, require the Issuer to redeem the Notes at a price equal to 100 per cent. of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, up to but excluding the date of redemption. No assurance can be given that the Issuer, failing which the Guarantors, will have sufficient funds to satisfy such redemption obligations in the event the Noteholders exercise this option.

The Notes may be redeemed at the option of the Issuer in certain circumstances.

The Issuer may at its option redeem the Notes if, as a result of any change in or amendment to the laws, treaties and regulations of any Relevant Jurisdiction (as defined in "*Terms and Conditions of the Notes*") or any change in published application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 April 2016 in relation to the Initial Guarantors and on or after the date on which any Additional Guarantor accedes to the Deed of Guarantee, the Issuer (or any Guarantor as the case may be) becomes obliged to pay additional amounts in order that every net payment made after deduction or withholding for any taxes levied in the Issuer's or Guarantor's jurisdiction is not less than the full amount then due and payable. If the Issuer redeems the Notes in such circumstances, the redemption price will be equal to 100 per cent. of the principal amount of the Notes plus any interest and additional amounts due. The Issuer may also at its option redeem the Notes in whole, but not in part, at any time prior to the Maturity Date but on one occasion only, on giving not less than 30 and not more than 60 days irrevocable notice to the Noteholders, at a price equal to the aggregate of the principal amount thereof, plus the Make Whole Premium (as defined in "*Terms and Conditions of the Notes*"), plus any accrued and unpaid interest and additional amounts (if any) to (but excluding) the date of redemption, as described under "*Terms and Conditions of the Notes*". The early redemption may occur at times when prevailing interest rates may be relatively low. In such circumstances, a Noteholder may not be able to reinvest the redemption proceeds in comparable securities at an effective interest rate equal to or higher than that of the Notes.

Additional Guarantors may fail to obtain the approvals required to provide Additional Guarantees.

The Company has undertaken in the Conditions to procure that any of its Subsidiaries upon becoming a Material Subsidiary after the Issue Date (and subject to certain conditions) gives an Additional Guarantee (all as defined, and in the manner prescribed, in the Conditions) in favour of the Trustee no later than 180 calendar days upon becoming a Material Subsidiary. The provision of Additional Guarantees may require corporate approvals for some or all of the Additional Guarantors. In particular, the provision of Additional Guarantees by certain Russian subsidiaries of the Company may require approval as 'interested party transactions' by disinterested members of the board of directors or shareholders, as the case may be. There can be no assurance that the disinterested directors or shareholders will approve the issuance of the Additional Guarantees. Accordingly, the failure by the Company to procure the giving of the Additional Guarantees, will constitute an Event of Default (as defined in "*Terms and Conditions of the Notes*") under the Notes and will, subject to the conditions set out in the Conditions result in the Notes becoming due and payable. There can be no assurance that the Issuer or Guarantors will have, or will be able to obtain, the funds required to make such payments to redeem the Notes.

Noteholders may face difficulties in enforcing their rights under the Guarantees or the Notes.

The Issuer is incorporated in Cyprus, and the Guarantors are incorporated in Russia and Cyprus. The enforceability of the Notes or the Guarantees issued in connection with the Notes may be subject to numerous legal defences, some of which could be based upon the fact that there may be no recognition and enforcement of foreign court judgments in Russia or Cyprus or on specific statutory protections afforded to guarantors under Cyprus law. See "*Enforceability of Judgments*".

The protection afforded by the negative pledge contained in the Conditions of the Notes is limited, which may adversely affect the value of investments in the notes.

Pursuant to Condition 3, the Issuer and the Guarantors shall not, and the Company shall procure that its Subsidiaries shall not, directly or indirectly, create, incur or suffer to exist any Liens (as defined in "*Terms and Conditions of the Notes*"), other than Permitted Liens (as defined in "*Terms and Conditions of the Notes*"), on any of its or their property or assets, now owned or hereafter acquired, or any income, revenue or profits therefrom, securing any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Notes or the Guarantors' obligations under the Deed of Guarantee, as the case may be, (a) are secured equally and rateably with such other Indebtedness or (b) has the benefit of such other security or other arrangement as the Trustee, in its absolute discretion, shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

The application of this negative pledge and the protection that it affords to holders of the Notes, however, is limited. A substantial portion of the Group's assets are already encumbered by Liens securing indebtedness other than the Notes. In addition, the definition of Permitted Liens permits such Liens and the assets subject to such Liens to be pledged to secure indebtedness refinancing such indebtedness. Such definition also permits any other Lien or Liens where the aggregate value of the assets subject to such Lien or Liens does not exceed 20 per cent of consolidated total assets as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with Accounting Standards (all as defined in "*Terms and Conditions of the Notes*"). These and other Permitted Liens may adversely affect the value of an investment in the Notes and will result in the Noteholders to rank in terms of priority behind such secured creditors.

There is no active trading market for the Notes.

Prior to their issue, there was no public market for the Notes. The Notes are expected to be admitted to the official list of the Irish Stock Exchange and traded on the Global Exchange Market. However, there can be no assurance that a liquid market will develop for the Notes, that holders of the Notes will be able to sell their Notes or that such holders will be able to sell their Notes for a price that reflects their value. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's and its competitors' operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts, the actual or anticipated sale of a large number of Notes or other securities and other factors.

In addition, securities markets, in recent periods, have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited.

Except in limited circumstances, the Notes will be issued only in global form with interests therein held through the facilities of Euroclear, Clearstream, Luxembourg and DTC. Ownership of beneficial interests in the Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and DTC or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear, Clearstream, Luxembourg and DTC can only act on behalf of their participants, which in turn act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear, Clearstream, Luxembourg or DTC systems may be impaired. See "*Book Entry, Delivery and Form*".

The Notes are subject to restrictions on transfer.

The Notes are being offered and sold in the United States in reliance on Rule 144A (the "**Rule 144A Offering**") to purchasers who are QIBs. The Notes also may be offered and sold outside the United States (the "**Regulation S Offering**") in reliance on Regulation S. Each purchaser of Notes pursuant to the Rule 144A Offering will be deemed to have represented to the Issuer that it is a QIB and that Notes are "restricted securities" under the Securities Act. Each purchaser of the Notes pursuant to the Regulation S Offering will be deemed to have represented to the Issuer that it is located outside the United States (within the meaning of Regulation S) and is acquiring Notes in an offshore transaction as defined in, and in compliance with, Regulation S. See "*Transfer Restrictions*".

The Notes are subject to risks relating to exchange rate and exchange controls.

The Issuer will pay principal and interest on the Notes in US dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or current unit (the "**Investor's Currency**") other than the US dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (i) the Investor's Currency's equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Changes to the credit ratings of the Group or the Notes may adversely affect the value of the Notes.

The Company expects the Notes to be publicly rated by Fitch after the date of settlement. Based upon other recognised international rating agencies' indicative ratings being lower than Fitch's, and other ratings feedback received from them, the Company decided not to procure a public rating from these other agencies. The Notes are expected to be rated "BB+" by Fitch. The foregoing credit rating does not mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. The significance of each rating should be analysed independently from any other rating. Any changes in the credit ratings of the Group or the Notes could adversely affect the value of the Notes and the price that a subsequent purchaser will be willing to pay for the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or to the review by, or regulation of, certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments to it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

The Issuer may issue further Notes with identical terms that may have a negative impact on the market value of the original Notes.

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue further Notes with identical terms to the Notes (any such further Notes, "**Additional Notes**"). Additional Notes, if any, may be issued with original issue discount ("**OID**") unless such Additional Notes are treated as fungible with the original Notes issued in the offering for U.S. federal income tax purposes. Whether Additional Notes, if any, will be so treated depends on factors such as the date when the Additional Notes are issued, the yield of the outstanding Notes at that time and whether any outstanding Notes are publicly traded or quoted at that time. If Additional Notes, if any, are not treated as fungible with the original Notes for U.S. federal income tax purposes, are issued with OID and are not distinguishable from the previously outstanding Notes (e.g., by issuance with a separate ISIN or

CUSIP), the issuance of such Additional Notes may adversely affect the market value of all of original Notes. (See "*Taxation—United States Federal Income Taxation—Additional Notes*").

The claims of Noteholders may be limited where insolvency proceedings are brought against the Issuer or the Guarantors.

The obligations of the Issuer and the Guarantors to make payments pursuant to the Notes and the Deed of Guarantee, respectively, will be subject to any laws from time to time in effect relating to bankruptcy, liquidation, examinership, insolvency or administration or any other laws or other legal procedures or any moratorium affecting creditors' rights generally.

Without prejudice to the generality of the foregoing, in the event of the Issuer's or any of the Guarantors' insolvency, the ability of the Issuer or the relevant Guarantor, as the case may be, to make payments to Noteholders would be materially affected, as would the ability of the Noteholders to enforce their rights under the Notes and the Deed of Guarantee. In the event of winding up of the Issuer or a Guarantor, the claims of the Issuer's or the relevant Guarantors', as the case may be, preferred creditors (including, for example, government and local authority taxes) would, so far as the assets of the Issuer or the relevant Guarantor, as the case may be, available for payment of general creditors are insufficient to meet them, have priority over the claims of the Noteholders, who would be treated as general creditors of the Issuer or the relevant Guarantor, as the case may be. Secured creditors of the Issuer or the Guarantors would also have priority over the claims of the Noteholders.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including 'secondary' market transactions) in certain circumstances. In addition, under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States (and additional Member States may decide to participate).

The FTT proposal remains subject to negotiation between participating Member States (although Estonia no longer wishes to be involved in that process). Following a meeting of the Council of the European Union on 8 December 2015, decisions are proposed to be made on open issues by the end of June 2016. However, the scope and timing for implementation of any such tax is uncertain.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Modification, waivers and substitution.

The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trust Deed also provides that the Trustee may, without the consent or sanction of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Trust Deed, the Deed of Guarantee or the Notes (other than in respect of Reserved Matters, where applicable, as defined in the Trust Deed) or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, in each case in the circumstances and subject to the conditions set out in the Trust Deed.

The Trust Deed also provides that any Guarantor or any other company which is a member of the Group may, without the consent of Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, provided that certain conditions specified in the Trust Deed are fulfilled.

ENFORCEABILITY OF JUDGMENTS

Each of the Issuer and the Company is a public limited liability company incorporated under the laws of Cyprus. FCT and PLP are joint stock companies and VSC is a limited liability company incorporated in the Russian Federation. Most of the assets of the Issuer, the Company and the other Guarantors are located outside the United States and the United Kingdom. In addition, most of the officers and directors of the Issuer, the Company and the other Guarantors reside outside the United States and the United Kingdom, and a substantial part of the assets of such persons are located outside the United States and the United Kingdom. As a result, it may not be possible for Noteholders and the Trustee to effect service of process within the United Kingdom or the United States upon any of the Issuer, the Company or the other Guarantors or the officers and directors of the Issuer, the Company and the other Guarantors or to enforce against any of them court judgments obtained in English or U.S. courts.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will generally be recognised by courts in the Russian Federation only if (a) an international treaty exists between the Russian Federation and the country where the judgment was rendered providing for the recognition of judgments in civil cases and/or (b) a federal law of the Russian Federation providing for the recognition and enforcement of foreign court judgments is adopted and/or (c) on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. No such federal law has been passed, and no such treaty exists, between the Russian Federation, on the one hand, and the United States or the United Kingdom, on the other hand.

The Company is aware of at least two instances in which Russian courts have recognised and enforced a foreign court judgment (including the judgment of an English court). The basis for this was the principle of reciprocity and (in the case of the enforcement of an English court judgment) the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. Nevertheless, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy. Therefore, foreign judgments against Russian companies or Russian assets may not be enforced or their enforcement may require completion of the complicated procedures specified above. In addition, in the absence of established court practice, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce an English (or U.S.) court judgment on these grounds. Furthermore, Russian courts have limited experience in the enforcement of foreign court judgments (see "*Risk Factors—Risks Related to Russia— The state of the judiciary and the difficulty of enforcing court decisions could prevent the Group or investors in the Notes from obtaining effective redress in a court proceeding*").

The Notes and the Guarantees will be governed by English law and will provide that any dispute between the parties thereto may be finally settled by arbitration in accordance with the Rules of the LCIA (formerly the London Court of International Arbitration), with the seat of such arbitration being in London, England. The United Kingdom and the Russian Federation are parties to the New York Convention on the Enforcement and Recognition of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, an arbitral award from an arbitral tribunal in London, England should generally be recognised and enforced in the Russian Federation on the basis of the rules of the New York Convention, subject to qualifications set out therein and in compliance with applicable Russian legislation. However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the inexperience of the Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors;
- the difficulties of existing mechanisms for enforcement of such awards in the Russian Federation; and
- corruption.

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") establishes the procedure for Russian courts to refuse to recognise and enforce such arbitral award. The Arbitrazh Procedural Code and other Russian procedural legislation could change; therefore, *inter alia*, other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may be met with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Under current Russian law, state duty may be payable upon the initiation of any action or proceeding (including any proceeding for enforcement) arising out of the Notes or the Guarantees in any court of the Russian Federation.

A judgment given in an European Union state (other than Denmark) (a "**Regulation State**") and enforceable in that state is enforceable in Cyprus without any re-examination of its substance subject to the provisions of Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December, 2012. If the country where the judgment was rendered is not a Regulation State, the judgment will generally be enforced in Cyprus if (a) there is a bilateral treaty or convention for reciprocal enforcement of judgments between Cyprus and such country or (b) by bringing an action at common law.

A final and conclusive judgment of a foreign court may be enforced in Cyprus by an action at common law if it is a judgment for a debt, or definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty), provided (1) the court giving the judgment had jurisdiction to give that judgment in the view of Cyprus law and (2) the judgment is not impeachable (a) for fraud, (b) on the ground that its enforcement would be contrary to public policy or (c) on the ground that the proceedings in which the judgment was obtained were opposed to natural justice.

Cyprus has concluded a bilateral treaty with the USSR on legal assistance in civil and criminal matters (the "**Treaty**"). The Treaty was signed on 19 January, 1984 and ratified in Cyprus by Law No. 172 of 1986. All rights and obligations of the USSR under the Treaty have been assumed by the Russian Federation as from 24 December 1991.

Cyprus is a party to the New York Convention. An arbitration award made pursuant to an arbitration agreement in the territory of a state, other than Cyprus, which is a party to the New York Convention and arising out of differences which are considered as "commercial" as well as an arbitration award which is the outcome of "international commercial arbitration" should generally be recognised as binding in Cyprus and a Cyprus court should, on submission of the relevant application to it, issue an order for its enforcement subject to the qualifications set out in the New York Convention and Cyprus law.

FORWARD-LOOKING STATEMENTS

The Listing Particulars contain forward-looking statements, including statements regarding strategies, business plans, targets, forecasts, projections, possible future results of operations and other statements that are not statements of historical fact. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document, including the sections entitled "*Overview*", "*Risk Factors*", "*Capitalisation*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*", "*Description of the Business of the Group*", "*Regulation*" and "*Taxation*", and include statements regarding the intentions, beliefs or current expectations of the Company concerning among other things, market and containerisation volumes, capital expenditures, revenues, loss, financial indebtedness or ratios.

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. Forward-looking statements are not guarantees of future performance. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Guarantors and the environment in which the Issuer, the Guarantors or the Group will operate in the future, and many of the factors that will determine the actual results, performance and achievements of the Issuer, the Guarantors or the Group are beyond their control. The Company's actual performance, results of operations, internal rate of return, financial condition, distributions to shareholders and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the Company's actual performance, results of operations, financial condition and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors should carefully review the section entitled "*Risk Factors*" of this document for a discussion of factors that could cause the Company's actual results to differ materially from those expected before making an investment decision.

Forward-looking statements contained in this document apply only as at the date of this document and are not subject to any continuing obligations under the listing rules of the Irish Stock Exchange. To the extent required by applicable law and regulation, the Company will update or revise the information in this document. Otherwise, the Issuer, the Company and the Guarantors expressly disclaim any obligation or undertaking to release publicly after listing of the Notes any updates or revisions to any forward-looking statement contained herein, whether as a result of new information, future developments or otherwise.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

FINANCIAL INFORMATION

These Listing Particulars include or incorporate by reference (as described in "*Documents Incorporated by Reference*") the following financial information (the "**Annual Consolidated Financial Statements**"):

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 (the "**2015 Annual Consolidated Financial Statements**") prepared in accordance with EU IFRS and Cyprus Companies Law, Cap 113 (included in these Listing Particulars); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014 (the "**2014 Annual Consolidated Financial Statements**") prepared in accordance with EU IFRS and Cyprus Companies Law, Cap 113 (incorporated by reference).

The Group's consolidated financial information as of and for the years ended 31 December 2015, 2014 and 2013 included or incorporated by reference in these Listing Particulars is presented on a consistent and comparable basis. The Group's consolidated financial information as at and for the years ended 31 December 2015 and 2014 was extracted from the 2015 Annual Consolidated Financial Statements and the Group's consolidated financial information as at and for the year ended 31 December 2013 was extracted from the 2014 Annual Consolidated Financial Statements. In 2014, the Group adopted IFRS 11 "Joint Arrangements" ("**IFRS 11**") and changed its accounting policy for accounting in joint ventures as described below, and therefore the comparative information for 2013 was restated in the 2014 Annual Consolidated Financial Statements.

Financial information that does not appear in the Annual Consolidated Financial Statements has been derived from such financial statements or the accounting records of the Group.

The "Group" means the Company, its consolidated subsidiaries and interests in joint ventures. In accordance with IFRS, the Group does not consolidate joint ventures, but accounts for its interests in joint ventures using the equity method of accounting, which requires presentation of interests in joint ventures as the line item "Investments in joint ventures" on the consolidated balance sheet and the line item "Share of profit/(loss) of joint ventures accounted for using the equity method" on the consolidated income statement. For a detailed description of the Group's method of accounting for joint ventures please see below and refer to Note 2 and Note 26 of the Group's 2015 Annual Consolidated Financial Statements.

Change in accounting for joint ventures

Prior to 1 January 2014, the Group's interests in jointly controlled entities (VEOS, Moby Dik, the Finnish Ports and Yanino) were accounted for by using the proportionate method of consolidation.

In 2014, as a result of application of IFRS 11, the Group changed its method of accounting for joint ventures from the proportional method of consolidation to the equity method of accounting. Management has concluded that all of its joint ventures qualify as joint ventures and not as joint operations. The Group recognised its investments in joint ventures as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the carrying amount of the Group's investments in joint ventures when applying equity accounting.

This change in accounting required a retrospective restatement of the consolidated balance sheet as of 31 December 2013 and consolidated income statement, consolidated other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2013 (see Note 2 of the 2014 Annual Consolidated Financial Statements).

Therefore, the accounting treatment in the Annual Consolidated Financial Statements of the Group's major subsidiaries and joint ventures during the period under review, beginning 1 January 2013, is as follows:

FCT, ***PLP***, ***LT***, ***ULCT*** and ***VSC***. The Group has a 100% effective ownership interest in FCT, a 100% effective ownership interest in PLP, a 100% effective ownership interest in VSC, an 80% effective ownership interest in ULCT and a 100% effective ownership interest in LT. The results of PLP and VSC are fully consolidated in the Group's Annual Consolidated Financial Statements for the period under review and the results of FCT, ULCT and LT are fully consolidated from 27 December 2013. Although Eurogate holds a 20% ownership interest in ULCT, Eurogate has only protective, not participatory rights, and no control over or ability to determine the operational, investment or financial policy of ULCT, and as a result, ULCT is treated as a subsidiary of the Group and is fully consolidated in the Group's results. For further information see "*Description of Joint Venture Arrangements and Other Shareholder Agreements—ULCT shareholders' agreement*".

Moby Dik, the Finnish Ports and Yanino. The Group has a 75% effective ownership interest in each of Multi-Link Terminals Limited (Ireland), which holds Moby Dik and Multi-Link Terminals Oy, which operates the two

Finnish Ports terminals in Vuosaari, Finland (near Helsinki) and Kotka, Finland, and CD Holding Oy ("**CD Holding**"), which holds Container Depot, which holds Yanino. These entities are jointly controlled with Container Finance Ltd OY ("**Container Finance**"). During the period under review, Moby Dik, the Finnish Ports and Yanino have been accounted for using the equity method.

VEOS. The Group's effective ownership of VEOS has been 50% during the period under review and is accounted for using the equity method. VEOS is jointly controlled with Royal VOPAK.

For summary information on the financial results of the joint ventures referred to above, see Note 26 to the 2015 Annual Consolidated Financial Statements and Note 27 to the 2014 Annual Consolidated Financial Statements.

New accounting pronouncements

As at the date of approval of the 2015 Annual Consolidated Financial Statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2016 or later and which the Group has not early adopted. These include certain standards and interpretations which may have an impact on the Group (the Group has not yet assessed their full impact). For further details see Note 2 "New standards and interpretations not yet adopted by the Group—(a) Adopted by the European Union" and "New standards and interpretations not yet adopted by the Group—(b) Not yet adopted and not yet endorsed by the European Union" to the 2015 Annual Consolidated Financial Statements.

Non-IFRS financial information

These Listing Particulars include certain non-IFRS measures. 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. In addition to gross profit margin, the following non-IFRS financial information is used:

- Adjusted EBITDA;
- Adjusted EBITDA margin;
- Cost of sales adjusted for impairment;
- Total operating cash costs;
- Operating profit adjusted for impairment;
- Profit for the period adjusted for impairment;
- Cash costs of sales
- Net debt; and
- Free cash flow (collectively, the "**Supplemental Non-IFRS Measures**").

Adjusted EBITDA is defined as profit for the period before income tax expense, finance costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of (loss)/profit of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment. Adjusted EBITDA margin and gross profit margin are calculated by dividing gross profit or Adjusted EBITDA (as applicable) by revenue, expressed as a percentage. Cost of sales adjusted for impairment is defined as cost of sales less impairment of goodwill and property, plant and equipment. Total operating cash costs is defined as cost of sales plus administrative, selling and marketing expenses, less depreciation of property, plant and equipment, less amortisation of intangible assets, less impairment of goodwill and property, plant and equipment. Operating profit adjusted for impairment is defined as revenue less cost of sales adjusted for impairment of goodwill and property, plant and equipment, less administrative, selling and marketing expenses, less other gains/(losses)–net. Profit for the period adjusted for impairment is defined as profit for the period less impairment of goodwill and property, plant and equipment and plus deferred tax credit related to the impairment. Cash cost of sales is defined as cost of sales, adjusted for impairment of goodwill and property, plant and equipment less depreciation of property, plant and equipment, amortisation of intangible assets. Net debt is defined as the sum of current borrowings, non-current borrowings and derivative financial instruments less cash and cash equivalents and bank deposits with maturity over 90 days. Free cash flow is defined as cash flows from operating activities less capital expenditures, which is defined as purchases of property, plant and equipment.

The Supplemental Non-IFRS Measures are presented as supplemental measures of the Group's operating performance, which the Group believes are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Russian market and global ports sector. The Supplemental Non-

IFRS Measures are measures of the Group's operating performance that are not required by, or prepared in accordance with, IFRS. All of these supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results as reported under IFRS and should not be considered as alternatives to revenues, profit, operating profit, or any other measures of performance derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of the Group's liquidity. In particular, the Supplemental Non-IFRS Measures should not be considered as measures of discretionary cash available to the Group businesses.

Some of these limitations are as follows:

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of finance costs, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of income taxes on the Group's operating performance;
- Adjusted EBITDA, Adjusted EBITDA margin, total operating cash costs and cash cost of sales do not reflect the impact of depreciation and amortisation on the Group's performance. The assets of the Group which are being depreciated, depleted and/or amortised will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of replacing these assets in the future. By excluding this expense from Adjusted EBITDA and Adjusted EBITDA margin, such measures do not reflect the Group's future cash requirements for these replacements. Moreover, Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of loss on disposal of properly, plant and equipment, where relevant;
- Adjusted EBITDA and Adjusted EBITDA margin exclude items that the Group considers to be one-offs or unusual items, but such items may in fact recur;
- Adjusted EBITDA does not include share of profit (loss) of joint ventures;
- Adjusted EBITDA and Adjusted EBITDA margin exclude other gains/(losses); and
- Adjusted EBITDA, Adjusted EBITDA margin, cost of sales adjusted for impairment, total operating cash costs, operating profit adjusted for impairment, profit for the period adjusted for impairment and cash cost of sales do not reflect the impact of impairment of property, plant and equipment and impairment of goodwill.

Other companies that operate in the Group's industry may calculate the Supplemental Non-IFRS Measures differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures.

For a reconciliation of the Supplemental Non-IFRS Measures to the Annual Consolidated Financial Statements, see "*Selected Consolidated Financial and Other Information—Reconciliation of Additional data (Non-IFRS) to the Annual Consolidated Financial Statements*".

Capital investment budgets

In the Listing Particulars, all amounts described as budgeted or planned for capital investment programmes represent the estimates of future costs, based on nominal costs taking into account the Group's estimates of inflation.

Gross container throughput and annual container handling capacity

References in these Listing Particulars to the total gross container throughput and total annual capacity of the Group exclude the gross container throughput and total annual capacity at Yanino and LT (the inland container terminals).

Rounding

Some numbers in this document have been rounded and, as a result, the numbers shown as totals in this document may vary slightly from the exact arithmetic aggregation of the numbers that precede them.

Currency presentation

The Group operates in a number of countries and earns money and makes payments in different currencies. All references in this document to "£", "pounds", "pounds sterling", "sterling", "pence" or "p" are to the lawful currency of the United Kingdom. All references to "E", "€" or "euro" are to the single currency of the member states of the European Communities that adopt or have adopted the euro as their lawful currency under the legislation of the EU or European Monetary Union. All references to "RUB" and "Russian rouble" are to the currency of the Russian Federation. All references to "U.S. dollar", "US dollar", "USD" and "U.S.$" are to the currency of the United States of America.

EXCHANGE RATE INFORMATION

The official currency of Russia, where the majority of the Group's assets and operations are located, is the Russian rouble ("**RUB**"), which is the functional currency of the Company's Russian operating subsidiaries. The presentation currency of the Annual Consolidated Financial Statements is the US dollar ("**USD**"), which is also the functional currency of the Company and its Cyprus registered subsidiaries. The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Russian rouble and the US dollar. This information is based on the official exchange rate quoted by the CBR (the "**CBR Rate**"), which is set by the CBR, as defined below, without the CBR assuming any obligations to buy or sell the foreign currency at the exchange rate. Fluctuations in the exchange rate between the Russian rouble and the US dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the rates used in the preparation of the Annual Consolidated Financial Statements and other information presented in these Listing Particulars.

	High	**Low**	**Period average**(1)	**Period end**
		(RUB per USD1.00)		
Year ended 31 December				
2010	31.7798	28.9310	30.3765	30.4769
2011	32.6799	27.2625	29.3948	32.1961
2012	34.0395	28.9468	31.0742	30.3727
2013	33.4656	29.9251	31.8063	32.7292
2014	67.7851	32.6587	38.6025	56.2584
2015	72.8827	49.1777	61.3194	72.8827
Month ended				
31 January 2016	83.5913	72.9299	77.9344	75.1723
29 February 2016	79.4951	75.0903	77.3285	75.0903
31 March 2016	75.8994	67.6076	70.4183	67.6076

Source: Based on CBR data

(1) The period average in respect of a year or a period is calculated as the average of the exchange rates on each day for the relevant period on which the CBR published an exchange rate.

The CBR Rate per USD1.00 published by the CBR on 11 April 2016 was RUB 67.4662.

No representation is made that the Russian rouble or US dollar amounts referred to herein could have been or could be converted into Russian roubles or US dollars, as the case may be, at any particular rate or at all.

See "*Risk Factors—Risks Relating to the Group's Financial Condition—The Group is subject to foreign exchange risk arising from various currency exposures primarily with respect to the Russian rouble and the US dollar. Foreign exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign exchange rates due to inability to appropriately plan for and react to fluctuations in foreign exchange rates. Risk also arises from revaluation of assets and liabilities (mainly debt) denominated in foreign currency*" for a description of the foreign exchange risk faced by the Group.

INDUSTRY AND MARKET DATA

The Group has obtained certain statistical and market information that is presented in these Listing Particulars on such topics as Russian and Baltic Sea container and cargo terminals, shipping, transportation and logistics, Baltic Sea Basin oil handling and transport and the Russian economy in general and, in some instances, the Group's competitors from the following third-party sources:

- the CBR;
- Rosstat;
- ASOP;
- the World Bank; and
- Drewry.

The information in the Listing Particulars obtained from these sources is described by a phrase "according to", or, in the context of tables, by identifying the particular source of the information.

Where information contained in the Listing Particulars has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. In addition, the official data published by the Russian governmental agencies is substantially less complete or researched than that of more developed countries. Official statistics, including data published by the CBR, may also be produced on different bases than those used in more developed countries. Any discussion of matters relating to Russia in the Listing Particulars must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

CERTAIN REFERENCES

In these Listing Particulars, unless the context otherwise requires, references to the "Issuer" are to Global Ports (Finance) PLC, references to the "Company" are to Global Ports Investments PLC and references to the "Group" are to the Company, its consolidated subsidiaries and interests in joint ventures.

All references to:

- "CIS" are to the Commonwealth of Independent States and its member and associate member states as at the date of the Listing Particulars: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
- "EU" are to the European Union, and "EU Member State" means any member state of the European Union;
- "Russia" are to the Russian Federation, and "Region" means any of the constituent territories of the Russian Federation;
- "U.K." and "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland; and
- "U.S." and "United States" are to the United States of America.

Unless otherwise stated, all references to time in this document are to the time in London, United Kingdom.

CERTAIN DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined in "*Glossary of Selected Terms*" of this document.

NO INCORPORATION BY REFERENCE OF WEBSITE INFORMATION

Unless otherwise indicated in "*Documents Incorporated by Reference*", neither the content of the Group's website, nor the content of any website accessible from hyperlinks on the Group's website, is incorporated into, or forms part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document, which will be made available on the Group's website.

USE OF PROCEEDS

The proceeds of the issue of the Notes (USD 350 million before taking into account commissions, fees and expenses) will be on-loaned to other members of the Group to be used by them to refinance existing indebtedness, including approximately USD 239 million of outstanding borrowings under PLP's credit facility with ING Bank N.V., Raiffeisen Bank International AG and AO Raiffeisenbank maturing in 2020 and approximately USD 100 million of outstanding borrowings under VSC's credit facilities with VTB Bank (Austria) AG maturing in 2020, as well as repay other smaller Group credit facilities as they come due.

VTB Bank (Austria) AG is an affiliate of VTB Capital plc, ING Bank N.V. is an affiliate of ING Bank N.V., London Branch and AO Raiffeisenbank is an affiliate of Raiffeisen Bank International AG.

CAPITALISATION

The following table sets forth the Group's cash and cash equivalents, total borrowings and capitalisation as at 31 December 2015.

This table should be read in conjunction with "*Presentation of Financial and Other Information*", "*Use of Proceeds*", "*Selected Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and the 2015 Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

	As at 31 December 2015
	(USD in millions)
Cash and cash equivalents	**123.1**
Current borrowings	
Bank loans	98.3
Interest payable on bank loans	1.4
Finance lease liabilities	2.5
Interest payable on finance lease liabilities	0.5
Interest payable on non-convertible unsecured bonds	0.2
Total current borrowings	**103.0**
Non-current borrowings	
Bank loans	981.5
Non-convertible unsecured bonds	68.5
Finance lease liabilities	11.1
Interest payable for finance lease liabilities	0.6
Loans from third parties	0.6
Interest payable on loans from third parties	0.1
Total non-current borrowings	**1,062.4**
Total borrowings	**1,165.4**
Total equity	**171.9**
Total capitalisation	**1,337.3**

Other than the issuance of RUB 5,000 million 13.1% fixed-rate bonds on the Moscow Exchange in February 2016 and RUB 5,000 million 12.5% fixed-rate bonds on the Moscow Exchange in March 2016, there has been no material change in total capitalisation and indebtedness (including in respect of contingent liabilities and guarantees) of the Group since 31 December 2015.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The selected financial information set forth below as at and for the years ended 31 December 2015, 2014 and 2013, has been extracted from the Annual Consolidated Financial Statements included or incorporated by reference in these Listing Particulars. See "Documents Incorporated by Reference". The financial information as of and for the years ended 31 December 2015 and 31 December 2014 is extracted or derived from the 2015 Annual Consolidated Financial Statements. The financial information as of and for the year ended December 31, 2013 is extracted or derived from the 2014 Annual Consolidated Financial Statements. The other information set forth below shows Supplemental Non-IFRS Measures and operating information as at and for the years ended 31 December 2013, 2014 and 2015.

This information should be read in conjunction with "Presentation of Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the Annual Consolidated Financial Statements included or incorporated by reference in these Listing Particulars.

Selected Consolidated Income Statement Data

	Years ended 31 December		
	2013	**2014**	**2015**
		(USD in millions)	
Revenue	332.2	562.4	405.7
Cost of sales	(137.0)	(231.5)	(176.4)
Gross profit	**195.3**	**330.9**	**229.3**
Administrative, selling and marketing expenses	(45.6)	(55.2)	(42.3)
Share of (loss)/profit of joint ventures accounted for using the equity method	16.9	(7.7)	3.8
Other gains/(losses)—net	2.8	10.5	(6.0)
Operating profit	**169.4**	**278.6**	**184.8**
Finance income	4.4	1.3	1.6
Finance costs	(15.5)	(90.5)	(60.1)
Change in fair value of derivative	-	-	(5.5)
Net foreign exchange losses on financial activities	(8.8)	(418.5)	(151.0)
Finance costs—net	**(19.9)**	**(507.7)**	**(215.1)**
Profit/(loss) before income tax	149.5	(229.1)	(30.3)
Income tax (expense)/credit	(35.4)	31.8	(3.4)
Profit/(loss) for the year	**114.1**	**(197.3)**	**(33.7)**
Attributable to:			
Owners of the Company	114.1	(193.1)	(25.1)
Non-controlling interest	(0.05)	(4.2)	(8.5)
	114.1	**(197.3)**	**(33.7)**

Selected Consolidated Balance Sheet Data

	As at 31 December		
	2013	2014	2015
		(USD in millions)	
Assets			
Non-current assets	**3,024.9**	**1,780.0**	**1,360.3**
Property, plant and equipment	1,326.3	732.2	499.1
Intangible assets	1,441.1	822.2	622.7
Investments in joint ventures	231.0	188.3	167.8
Prepayments for property, plant and equipment	11.0	4.4	3.4
Deferred tax assets	0.5	30.7	66.0
Trade and other receivables	14.9	2.1	1.3
Current assets	**252.0**	**133.5**	**159.5**
Inventories	7.6	5.0	3.8
Trade and other receivables	126.7	41.3	29.8
Income tax receivables	3.5	8.5	2.7
Bank deposits with maturity over 90 days	1.0	-	-
Cash and cash equivalents	113.2	78.8	123.1
Total assets	**3,276.8**	**1,913.6**	**1,519.8**
Equity and liabilities			
Equity attributable to the owners of the Company	**1,208.0**	**366.3**	**158.7**
Share capital	57.3	57.3	57.3
Share premium	923.5	923.5	923.5
Capital contribution	101.3	101.3	101.3
Translation reserve	(155.8)	(686.8)	(834.9)
Cash flow hedge reserve	-	(84.5)	(118.8)
Transactions with non-controlling interest	(210.4)	(209.1)	(209.1)
Retained earnings	492.1	264.6	239.4
Non-controlling interest	**(15.4)**	**25.4**	**13.2**
Total equity	**1,192.7**	**391.7**	**171.9**
Non-current liabilities	**1,679.3**	**1,376.3**	**1,217.6**
Borrowings	1,230.9	1,073.7	1,062.4
Derivative financial instruments	26.1	102.8	5.4
Deferred tax liabilities	422.3	199.8	149.9
Current liabilities	**404.9**	**145.6**	**130.2**
Borrowings	206.4	110.0	103.0
Trade and other payables	197.0	24.7	26.9
Current income tax liabilities	1.5	10.9	0.3
Total liabilities	**2,084.1**	**1,521.8**	**1,347.8**
Total equity and liabilities	**3,276.8**	**1,913.6**	**1,519.8**

Additional data (Supplemental Non-IFRS Measures)*

	Year ended 31 December		
	2013	2014	2015
	(USD in millions, except for percentages and ratios)		
Gross profit margin(1) (3)	58.8%	58.8%	56.5%
Adjusted EBITDA(2) (3)	197.8	375.9	291.0
Adjusted EBITDA margin(1) (3)	59.5%	66.8%	71.7%
Cost of sales adjusted for impairment(3) (4)	137.0	231.5	129.7
Total operating cash costs(3) (5)	134.4	186.5	114.7
Operating profit adjusted for impairment(3) (6)	169.4	278.6	231.4
Profit/(loss) for the period adjusted for impairment(3) (7)	114.1	(197.3)	13.0
Cash cost of sales(3) (8)	89.5	132.5	73.1
Net debt(9)	1,350.2	1,207.7	1,047.6
Net debt to Adjusted EBITDA ratio(10)	3.7x	3.2x	3.6x
Free cash flow(11)	188.8	311.6	236.3

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

(1) Gross profit margin and Adjusted EBITDA margin are calculated by dividing gross profit or Adjusted EBITDA (as applicable) by revenue, expressed as a percentage.

(2) Adjusted EBITDA is defined as profit for the period before income tax expense, finance costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of (loss)/profit of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment.

(3) Gross profit margin, Adjusted EBITDA, Adjusted EBITDA margin, costs of sales adjusted for impairment, total operating cash costs, operating profit adjusted for impairment, profit for the period adjusted for impairment and cash cost of sales (the "**Supplemental Non-IFRS Measures**") are additional non-IFRS financial measures. The Supplemental Non-IFRS Measures are presented as supplemental measures of the Group's operating performance, some of which the Group believes are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Russian market and global ports sector. The Supplemental Non-IFRS Measures have limitations as analytical tools, 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 operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of financing costs, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance;
- Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of income taxes on the Group's operating performance;
- Adjusted EBITDA, Adjusted EBITDA margin, total operating cash costs and cash cost of sales do not reflect the impact of depreciation and amortisation on the Group's performance. The assets of the Group which are being depreciated, depleted and/or amortised will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of replacing these assets in the future. By excluding this expense from Adjusted EBITDA and Adjusted EBITDA margin, such measures do not reflect the Group's future cash requirements for these replacements. Moreover, Adjusted EBITDA and Adjusted EBITDA margin do not reflect the impact of loss on disposal of properly, plant and equipment, where relevant;
- Adjusted EBITDA and Adjusted EBITDA margin exclude items that the Group considers to be one-offs or unusual, but such items may in fact recur;
- Adjusted EBITDA does not include share of profit (loss) of joint ventures;
- Adjusted EBITDA and Adjusted EBITDA margin do not include other gains/(losses); and
- Adjusted EBITDA, Adjusted EBITDA margin, cost of sales adjusted for impairment, total operating cash costs, operating profit adjusted for impairment, profit for the period adjusted for impairment and cash cost of sales do not reflect the impact of impairment of property, plant and equipment and impairment of goodwill.

Other companies in the Group's industry may calculate the Supplemental Non-IFRS Measures differently or may use them for different purposes than the Group, limiting their usefulness as comparative measures.

The Group relies primarily on its IFRS operating results and uses the Supplemental Non-IFRS Measures only supplementally. See the Annual Consolidated Financial Statements incorporated by reference or included elsewhere in these Listing Particulars. The Supplemental Non-IFRS Measures are not defined by, or presented in accordance with, IFRS. The Supplemental Non-IFRS Measures are not measurements of the Group's operating performance under IFRS and should not be considered as alternatives to revenues, profit, operating profit, net cash provided by operating activities or any other measures of performance under IFRS or as alternatives to cash flow from operating activities or as measures of the Group's liquidity. In particular, Adjusted EBITDA and Adjusted EBITDA margin should not be considered as measures of discretionary cash available to the Group to invest in the growth of its business.

(4) Cost of sales adjusted for impairment is defined as cost of sales less impairment of goodwill and property, plant and equipment.

(5) Total operating cash costs is defined as cost of sales plus administrative, selling and marketing expenses, less depreciation of property, plant and equipment, less amortisation of intangible assets, less impairment of goodwill and property, plant and equipment.

(6) Operating profit adjusted for impairment is defined as revenue less cost of sales adjusted for impairment, less administrative, selling and marketing expenses, less share of (loss)/profit of joint ventures and less other gains/(losses)–net.

(7) Profit for the period adjusted for impairment is defined as profit for the period less impairment of goodwill and property, plant and equipment and plus deferred tax credit related to the impairment.

(8) Cash cost of sales is defined as cost of sales adjusted for impairment less depreciation of property, plant and equipment, less amortisation of intangible assets.

(9) Net debt is defined as the sum of current borrowings, non-current borrowings and derivative financial instruments less cash and cash equivalents and bank deposits with maturity over 90 days.

(10) Net debt to Adjusted EBITDA ratios are calculated as the sum of current borrowings, non-current borrowings and derivative financial instruments less cash and cash equivalents and bank deposits with maturity over 90 days, divided by Adjusted EBITDA. The 2013 figure has been adjusted for comparability purposes to take into account the results of the NCC Group prior to its acquisition.

(11) Free cash flow is defined as cash flows from operating activities less capital expenditures, which is defined as purchases of property, plant and equipment for the year.

Reconciliation of Additional data (Non-IFRS) to the Annual Consolidated Financial Statements

Reconciliation of Adjusted EBITDA to profit for the year

	Years ended 31 December		
	2013	**2014**	**2015**
		(USD in millions)	
Profit/(loss) for the year	**114.1**	**(197.3)**	**(33.7)**
Adjusted for			
Income tax expense/(credit)	35.4	(31.8)	3.4
Finance costs—net	19.9	507.7	215.1
Amortisation of intangible assets	5.7	24.3	14.5
Depreciation of property, plant and equipment	42.4	75.9	42.8
Impairment of goodwill and property, plant and equipment	-	-	46.7
Share of loss/(profit) of joint ventures accounted for using the equity method	(16.9)	7.7	(3.8)
Other losses/(gains)—net	(2.8)	(10.5)	6.0
Adjusted EBITDA*	**197.8**	**375.9**	**291.0**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

Reconciliation of cost of sales adjusted for impairment to cost of sales

	Years ended 31 December		
	2013	**2014**	**2015**
		(USD in millions)	
Cost of sales	**137.0**	**231.5**	**176.4**
Adjusted for			
Impairment of goodwill and property, plant and equipment	-	-	(46.7)
Cost of sales adjusted for impairment*	**137.0**	**231.5**	**129.7**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

Reconciliation of operating cash costs to cost of sales and administrative, selling and marketing expenses

	Years ended 31 December		
	2013	2014	2015
		(USD in millions)	
Cost of sales	137.0	231.5	176.4
Administrative, selling and marketing expenses	45.6	55.2	42.3
Total	**182.6**	**286.7**	**218.7**
Adjusted for			
Impairment of goodwill and property, plant and equipment	-	-	(46.7)
Depreciation of property, plant and equipment	(42.4)	(75.9)	(42.8)
Amortisation of intangible assets	(5.7)	(24.3)	(14.5)
Total operating cash costs*	**134.4**	**186.5**	**114.7**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

Reconciliation of operating profit adjusted for impairment to revenue

	Years ended 31 December		
	2013	2014	2015
		(USD in millions)	
Revenue	**332.2**	**562.4**	**405.7**
Adjusted for			
Cost of sales adjusted for impairment	(137.0)	(231.5)	(129.7)
Administrative, selling and marketing expenses	(45.6)	(55.2)	(42.3)
Share of (loss)/profit of joint ventures accounted for using the equity method	16.9	(7.7)	3.8
Other gains/(losses) - net	2.8	10.5	(6.0)
Operating profit adjusted for impairment*	**169.4**	**278.6**	**231.4**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

Reconciliation of profit for the period adjusted for impairment to profit for the year

	Years ended 31 December		
	2013	2014	2015
		(USD in millions)	
Profit/(loss) for the year	**114.1**	**(197.3)**	**(33.7)**
Adjusted for			
Impairment of goodwill and property, plant and equipment	-	-	46.7
Deferred tax credit relating to impairment	-	-	-
Profit/(loss) for the period adjusted for impairment*	**114.1**	**(197.3)**	**13.0**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

Reconciliation of cash cost of sales to cost of sales

	Years ended 31 December		
	2013	2014	2015
		(USD in millions)	
Cost of sales	**137.0**	**231.5**	**176.4**
Adjusted for			
Impairment of goodwill and property, plant and equipment	-	-	(46.7)
Depreciation of property, plant and equipment	(41.9)	(74.7)	(42.1)
Amortisation of intangible assets	(5.7)	(24.2)	(14.5)
Cash cost of sales*	**89.5**	**132.5**	**73.1**

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements..

Selected operating information

The Group's container terminals primarily handle containerised cargo. In addition, the Group's terminals in Russia handle other types of cargo including roll-on/roll-off ("ro-ro"), cars and other bulk cargo. The table below sets out the total gross throughput for each terminal in which the Group has an ownership interest for the periods indicated. Gross throughput is shown on a 100% basis for each terminal, including terminals held through joint ventures and accounted for using the equity method. The footnotes to the table describe the Group's effective ownership interest in each such terminal for such periods. For more information about the Group's historic and current effective ownership interest in each terminal, see "*Presentation of Financial and Other Information—Financial Information*".

	Gross throughput		
	Years ended 31 December		
Terminal	**2013**	**2014**	**2015**
Marine Terminals			
Containerised cargo (thousands TEUs)			
Russian Ports			
PLP(1)	711.4	657.8	376.3
VSC(1)	474.6	474.7	353.2
Moby Dik(2)	219.3	227.5	168.8
FCT (1)	1,083.9	940.8	577.6
ULCT(3)	61.6	103.5	85.9
Finnish Ports (2)	223.6	250.8	272.3
Non-containerised cargo			
Ro-ro (thousands units)	24	23	13
Cars (thousands units)	108	114	101
Other bulk cargo(4) (thousands tonnes)	894.6	750.6	1,364.0
Inland Terminals			
Yanino(2)			
Containerised cargo (thousands TEUs)	63	89	107
Bulk cargo throughput (thousands tonnes)	304.2	319.4	308.5
LT(1)			
Containerised cargo (thousands TEUs)	95	89	110
Bulk cargo throughput (thousands tonnes)	240.1	285.2	273.2
VEOS(5) (millions tonnes)	9.7	6.9	4.9

(1) 100% effective ownership interest, results fully consolidated for the period under review, except for the results of FCT and LT, which are fully consolidated from 27 December 2013.
(2) 75% effective ownership interest, accounted for using the equity method.
(3) 80% effective ownership interest, results fully consolidated from 27 December 2013.
(4) Other bulk cargo handled includes coal, timber, steel, scrap metal and other types of cargo.
(5) 50% effective ownership interest in VEOS, accounted for using the equity method.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Group's results of operations and financial condition as of and for the years ended 31 December 2013, 2014 and 2015. Unless otherwise specified or the context otherwise requires, the financial information set forth and discussed herein is based on the Group's Annual Consolidated Financial Statements. The Russian market figures set forth and discussed herein are sourced from ASOP.

Prospective investors should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Selected Consolidated Financial and Other Information" and "Capitalisation" and the Group's Annual Consolidated Financial Statements included in or incorporated by reference into this document.

In addition to historical information, the following discussion and other parts of the Listing Particulars contain forward-looking information that involves risks and uncertainties. The Group's actual results could differ materially from those anticipated by such forward-looking statements due to various factors, including those discussed under "Risk Factors" and "Forward-Looking Statements".

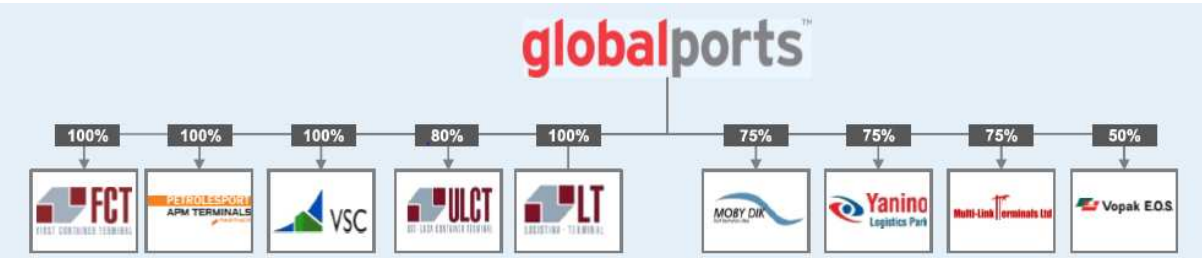
OVERVIEW

The Group is the leading container terminal operator serving Russian cargo flows as measured by container throughput, according to ASOP.

The Group's terminals are located in the Baltic and Far East Basins, key regions for foreign trade cargo flows. The Group operates or has joint venture interests in five container terminals in Russia (PLP, FCT, ULCT and Moby Dik in the Russian Baltics, and VSC in the Russian Far East) and the two Finnish Ports in Finland. The Group also owns or has joint venture interests in two inland container terminals, LT and Yanino, both located in the vicinity of St. Petersburg. Additionally, the Group has a joint venture interest in an independent oil products terminal (VEOS) in the Baltic Sea Basin, a major gateway for fuel oil exports from Russia and other CIS countries.

The Group's main business is container handling. In addition, the Group handles a number of other types of cargo, including cars and other types of roll-on roll-off cargo, bulk cargoes and oil products. The Group's marine container terminals referred to above had a total container throughput of approximately 1,834 thousand TEUs in 2015, including 1,562 thousand TEUs at marine terminals in Russia and 272 thousand TEUs at terminals in Finland.

The Group's revenue for 2015 was USD 405.7 million. Its Adjusted EBITDA for the same period was USD 291.0 million.



KEY FACTORS AFFECTING THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Group's financial results have been affected, and may be affected in the future, by a variety of factors, including those set out below.

Throughput volumes

The Group's revenue is affected by the throughput volumes at each of its terminals. These volumes are in turn, to a large extent, affected by the total volume of containerised cargo in the relevant markets, in particular Russia.

Container handling generates the most significant part of the Group's revenues. The total throughput of marine container terminals in Russia in 2013, 2014 and 2015 was approximately 5,180 thousand TEUs, 5,110 thousand TEUs and 3,784 thousand TEUs, respectively, according to ASOP. The decreases in 2014 and 2015 in the total Russian container market throughput reflect Russian macroeconomic slowdown and a sharp devaluation of the Russian rouble, which, among other things, had a negative impact on the Russian population's purchasing power and consequently on imports. Gross marine container throughput at the Group's container terminals in

Russia in 2013, 2014 and 2015 was approximately 2,551 thousand TEUs, 2,404 thousand TEUs and 1,562 thousand TEUs, respectively. The reduction in container throughput of the Group over the period was largely the result of the overall decrease in the Russian container market described above. Throughput at the Group's terminals is described in more detail under "*—Operating Information*".

Revenue per TEU

Revenue per TEU as a compounded measure also impacts the Group's revenue and profitability and is affected by the contract prices the Group charges for its services, the type of containers handled and the services its customers use. The maximum prices the Group charges for cargo handling and storage services are currently unregulated and primarily driven by market demand. The prices for the Group's container handling services are set out in the relevant contract with the customer and are typically set towards the end of the calendar year for the following year. Such prices were generally increased in each of 2013, 2014 and 2015.

The mix of cargo handled at the Group's terminals and the extent to which its customers purchase additional services also affects the Group's revenue per TEU. For example, an increase of the share of laden export containers compared with empty containers, which generally yield lower rates, has a positive effect on the Group's revenue per TEU, while a reduction in the average period containers are stored at the Group's terminals would have a negative effect on revenue per TEU. Further, reefer containers generate higher revenue per container.

Operating leverage

Some of the Group's expenses fluctuate in line with changes in the Group's throughput volume, while others remain relatively fixed and tend to increase or decrease as the Group's cargo handling capacity is expanded or contracted. The expenses that fluctuate in line with changes in throughput volume include transportation expenses and fuel, electricity and gas. Conversely, the expenses that remain relatively constant in comparison include staff costs, depreciation of property, plant and equipment, repair and maintenance of property, plant and equipment, and amortisation of intangible assets. Accordingly, the Group's gross profit margin and Adjusted EBITDA margin increase as the Group utilises available capacity and decrease when the Group's throughput volume decreases. Fluctuations in the US dollar to Russian rouble exchange rate also have an impact on operating leverage. See *"—Exchange rates*" below.

Exchange rates

Most of the Group's revenues are denominated in US dollars whereas most of the Group's operating costs are denominated in Russian roubles. Depreciation of the Russian rouble therefore decreases the Group's costs expressed in US dollars and the appreciation of the Russian rouble increases the costs expressed in US dollars. See "*Presentation of Financial and Other Information—Exchange Rate Information*". The Russian rouble devalued by 37% in 2015 and 17% in 2014 (based on the average US dollar per Russian rouble rate), which has consequently decreased the Group's operating costs as expressed in US dollars for the years 2015 and 2014.

The Group's Annual Consolidated Financial Statements are presented in US dollars, which is the functional currency of the Company and certain other Cyprus registered entities in the Group. The functional currency of the Group's Russian subsidiaries is the Russian rouble. The results and financial position of the Group's Russian subsidiaries are translated into US dollars as follows: assets and liabilities are translated into US dollars at the closing rate at the balance sheet date, and income and expense items are translated into US dollars at the exchange rates prevailing at the date of the transaction or using average rates as a reasonable approximation. All resulting exchange rate differences are recognised directly in other comprehensive income/(loss). For further information see Note 2 (Foreign currency translation) to the 2015 Annual Consolidated Financial Statements included herein.

Other than for those Group entities for which the US dollar is their functional currency, the monetary assets and liabilities denominated in US dollars are initially translated into the functional currency, the Russian rouble, at the exchange rate prevailing at the dates of the transactions. Such monetary assets and liabilities are then retranslated at the exchange rate prevailing at each balance sheet date or at the date of settlement. The Group recognises the resulting exchange rate difference between the date such assets or liabilities were originally recorded and such subsequent balance sheet date or date of settlement as foreign exchange losses or gains in the Group's consolidated income statement. Foreign exchange gains and losses that relate to borrowings, loans receivable, cash and cash equivalents and other financial items are presented in the consolidated income statement under finance income/(costs)—net. All other foreign exchange gains and losses are presented in the consolidated income statement within other gains/(losses)—net.

The following table sets out the rates for this conversion for the periods under review.

	Year ended 31 December		
	2013	2014	2015
	(Foreign currency rate for USD1)		
Russian rouble[(1)]			
Period end rate	32.73	56.26	72.88
Average period rate	31.91	38.60	61.32

(1) Source: CBR.

The Russian rouble has continued to depreciate against the US dollar in January and February 2016. See "*Presentation of Financial and Other Information—Exchange Rate Information*".

In the periods under review, a significant portion of the Group's borrowings were denominated in US dollars and the Group expects that the majority of its borrowings will continue to be US dollar denominated. As the US dollar borrowings have been made by subsidiaries based in Russia, for which the Russian rouble is the functional currency, US dollar/Russian rouble exchange rate fluctuations result in foreign exchange rate gains and losses in the profit and loss accounts of such subsidiaries, which gains and losses are consolidated into the Group's profit and loss account. Accordingly, any future appreciation of the US dollar against the Russian rouble will result in foreign exchange losses being consolidated into the Group's results. The Group's net foreign exchange loss on financial activities in 2015 and 2014 was USD 151.0 million and USD 418.5 million, respectively.

Staff costs

A large portion of the Group's expenses are related to its personnel. In 2013, 2014 and 2015 staff costs were 29.8%, 27.3% and 20.9% of the Group's cost of sales, respectively, and 62.9%, 63.8% and 61.3% of the Group's administrative, selling and marketing expenses, respectively. The overall decrease is primarily due to the devaluation of the Russian rouble against the US dollar in 2013-2015 and, to a lesser extent, the favourable impact of cost reduction initiatives undertaken by the Group and resulting decrease in number of employees. See "*—Exchange rates*" and "*Presentation of Financial and Other Information—Exchange Rate Information*".

Acquisition of NCC Group

In December 2013, the Group acquired NCC Group, the second largest container terminal operator in Russia by container throughput according to ASOP, which secured the Group's leadership position in the Russian container handling market. NCC Group's key assets include FCT in St. Petersburg and ULCT, a green-field development in the port of Ust-Luga, as well as LT, an inland container terminal close to St. Petersburg. The results of NCC Group are consolidated in the Group's results from 27 December 2013.

Joint venture interests

The Group has the following investments in joint ventures – VEOS, MLT group and CD Holding group.

VEOS and its subsidiaries is a joint venture with Royal Vopak, the world's largest independent tank terminal provider by capacity, according to Royal Vopak, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has 50% effective ownership interest. VEOS facilities are located in Estonia.

MLT and CD Holding groups are joint ventures with Container Finance OY where the Company has 75% effective ownership interest. Moby Dik (a terminal in the vicinity of St. Petersburg) and Multi-Link Terminals Oy (terminal operator in Vuosaari (near Helsinki, Finland) and Kotka, Finland) and some other entities constitute MLT group.

Yanino Logistics Park (an inland terminal in the vicinity of St. Petersburg), CD Holding and some other entities constitute CD Holding group.

Joint venture results are reported based on equity method and are presented in the line item "Share of profit/(loss) of joint ventures accounted for using the equity method" in the consolidated income statement. Joint venture results are not included into the non-IFRS measure "Adjusted EBITDA". Summarised financial results for the Group's joint venture interests are set out in Note 26 to the 2015 Annual Consolidated Financial Statements.

RECENT DEVELOPMENTS AND OUTLOOK

Since the beginning of 2016, the Russian rouble has appreciated against the US dollar. The average rate of the Russian rouble against the US dollar for the first two months of 2016 amounted to 77.61, however, this is equal to a devaluation of 16% against the US dollar compared to the same period in the previous year.

During the first two months of 2016, monthly container throughput in the Russian Federation amounted on average to approximately 294 thousand TEUs (down 7% compared to the fourth quarter of 2015). The Group's average monthly marine container throughput in Russia during the first two months of 2016 decreased by 11% compared to the fourth quarter of 2015, amounting on average to approximately 104 thousand TEUs per month. The Group's market share of container throughput in the Russian Federation amounted to 35% during the first two months of 2016. The Group expects 2016 to be another challenging year. As of the date of these listing particulars, there have been no signs of recovery in the Russian container market.

In February and March 2016, FCT, the Company's wholly-owned Russian subsidiary, issued two 5-year Russian rouble denominated non-convertible bonds for a total amount of RUB 10 billion at a fixed coupon rate of 13.1% and 12.5% per annum, respectively. Proceeds from the bond issuance were swapped using cross currency swap instruments into US dollars and used for the refinancing of the Group's existing debt.

OPERATING INFORMATION

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

	Gross throughput		
	Years ended 31 December		
Terminal	**2013**	**2014**	**2015**
Marine Terminals			
Containerised cargo (thousands TEUs)			
Russian Ports			
PLP(1)	711.4	657.8	376.3
VSC(1)	474.6	474.7	353.2
Moby Dik(2)	219.3	227.5	168.8
FCT (1)	1,083.9	940.8	577.6
ULCT(3)	61.6	103.5	85.9
Finnish Ports (2)	223.6	250.8	272.3
Non-containerised cargo			
Ro-ro (thousands units)	24	23	13
Cars (thousands units)	108	114	101
Other bulk cargo(4) (thousands tonnes)	894.6	750.6	1,364.0
Inland Terminals			
Yanino(2)			
Containerised cargo (thousands TEUs)	63	89	107
Bulk cargo throughput (thousands tonnes)	304.2	319.4	308.5
LT(1)			
Containerised cargo (thousands TEUs)	95	89	110
Bulk cargo throughput (thousands tonnes)	240.1	285.2	273.2
VEOS(5) (millions tonnes)	9.7	6.9	4.9

(1) 100% effective ownership interest, results fully consolidated for the period under review, except for the results of FCT and LT, which are fully consolidated from 27 December 2013.
(2) 75% effective ownership interest, accounted for using the equity method.
(3) 80% effective ownership interest, results fully consolidated from 27 December 2013.
(4) Other bulk cargo handled includes coal, timber, steel, scrap metal and other types of cargo.
(5) 50% effective ownership interest in VEOS, accounted for using the equity method.

2015 versus 2014

The reduction of container throughput for the Group in 2014 and 2015 was mainly driven by the decrease in container throughput in the Russian market in those years.

Primarily as a result of changes in the macroeconomic environment, the throughput at container terminals in Russia declined by 26% in 2015 compared to 2014. However the throughput of laden export containers at Russian container terminals increased by 1.8% in 2015 compared to 2014. This growth in laden export was due to the increased use of containers in Russia and increased exports driven by the depreciation of the Russian rouble.

The decline of throughput in the Russian Baltic Basin, where four of the Group's five marine container terminals in Russia are located, in 2015 was 29.3% year-on-year. The throughput in the Russian Far Eastern Basin, where the other Group marine terminal is located, declined by 26.6% in the same period.

The Group's gross marine container throughput in Russia declined by 35% to 1,562 thousand TEU in 2015 compared to 2,404 thousand TEU in 2014. The decline in throughput was largely driven by the decline of overall market volumes, as well as the Group's commercial strategy of prioritising pricing over volume. The Group's market share in the fourth quarter of 2015 amounted to 37%.

The Group's car handling volumes decreased by 11.5% in 2015 to 101 thousand cars. Traditional ro-ro handling declined by 42% to 13 thousand units in 2015 compared to 23 thousand units in 2014.

In order to improve the utilisation of the available space at its terminals the Group focused on increasing bulk cargo volumes in its terminals in 2015. As a result, the handling of bulk cargo at marine terminals increased in 2015 by 613 thousand tonnes, or 81.7%, to 1,364 thousand tonnes, compared to 751 thousand tonnes in 2014.

Container cargo throughput at the Group's inland terminals increased in 2015 by 21.3% year on year to 217 thousand TEU, due to ongoing containerisation in Russia and increased exports.

2014 versus 2013

Container throughput in Russia declined 1.3% in 2014 as growth of 1.6% during the first half of 2014 was offset by a macro-economic driven decline of 4.2% during the second half of 2014.

The throughput of laden export containers at Russian container terminals increased by 20.4% in 2014 compared to 2013. The growth in laden export was driven by ongoing containerisation in Russia and the growth in exports from Russia mentioned above.

Throughput in the Russian Baltic basin declined by 3.2% in 2014 compared to 2013, while throughput in the Russian Far East Basin grew by 3% in 2014 compared to 2013.

Gross container throughput in the Russian terminals of the Group declined 5.7% to 2,404 thousand TEU in 2014 compared to 2,551 thousand TEU in 2013. Flat container throughput in VSC and the active ramp-up of ULCT (68% increase year on year) were offset by the throughput decline in both PLP and FCT (combined decline of 11% year on year). The decline in throughput of PLP and FCT was largely driven by decreasing volumes in the Baltic Basin along with loss of volumes to low cost competitors.

Car handling volumes increased by 5% in 2014 compared to 2013 to 114 thousand cars due to an increase of car throughput by the terminal's key clients at PLP. Traditional ro-ro handling declined by 4.3% to 23 thousand units in 2014 compared to 24 thousand units in 2013.

Container throughput at inland terminals increased by 12.5% in 2014 compared to 2013 to 179 thousand TEU driven by ongoing containerisation in Russia and growth in export mentioned above.

Bulk cargo throughput in marine terminals declined by 144 thousand tonnes, or 16.1%, to 751 thousand tonnes in 2014 from 895 thousand tonnes in 2013, largely driven by the decline in coal handling volumes at VSC.

DESCRIPTION OF INCOME STATEMENT LINE ITEMS

The following discussion provides a description of the composition of the principal line items on the Group's income statement for the periods presented.

Revenue

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 VAT, returns, rebates and discounts and after eliminating sales within the Group.

Cost of sales

Cost of sales consists of: staff costs relating to staff employed at the Group's facilities; depreciation of property, plant and equipment; amortisation of intangible assets; impairment charge for property, plant and equipment; impairment charge for goodwill; transportation expenses; fuel, electricity and gas; repair and maintenance of property, plant and equipment; taxes other than on income; operating lease rentals; purchased services; insurance; and other expenses.

Gross profit

Gross profit is calculated by subtracting cost of sales from revenue.

Administrative, selling and marketing expenses

Administrative, selling and marketing expenses consist of: staff costs relating to the Group's administrative personnel; depreciation of property, plant and equipment; amortisation of intangible assets; fuel, electricity and gas; repair and maintenance of property, plant and equipment; taxes other than on income; legal, consulting and other professional services; auditors' remuneration; operating lease rentals; insurance; and other expenses.

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

Includes interest in VEOS, MLT group and CD Holding group accounted for using equity method.

Other gains/(losses)—net

Other gains/(losses)—net consists of: foreign exchange gains/(losses) on non-financial activities—net; amortisation of guarantee issued to the parent company; non-recurring donation to a charity which is a related party; non-recurring donation to a charity and other gains/(losses) —net.

Operating profit

Operating profit is calculated by subtracting from gross profit administrative, selling and marketing expenses, share of (loss)/profit of joint ventures accounted for using the equity method and other gains/(losses)—net.

Finance costs—net

Finance costs—net consists of finance costs less finance income, change in fair value of derivative and net foreign exchange gains or losses on financial activities. Finance costs include interest expenses on bank borrowings, bonds, finance leases, and loans from third parties. Finance income includes interest income on bank balances, short-term bank deposits and loans to related parties.

Profit/(loss) before income tax

Profit/(loss) before income tax is calculated by subtracting finance costs—net from operating profit.

Income tax (expense)/credit

Income tax expense represents the sum of current and deferred income taxes, including withholding tax on dividends received by the Company and its subsidiaries individually.

The companies within the Group pay income tax at different rates. The Group's Russian subsidiaries are usually subject to a corporate income tax rate of 20%. The Company and its Cypriot subsidiaries are subject to Cypriot corporations tax on taxable profits at the rate of 12.5%. See also Note 10 to the Group's Annual Consolidated Financial Statements and "*—Results of Operations—Results of operations for the Group for 2013, 2014 and 2015—Income tax expense*".

Profit/(loss) for the year

Profit/(loss) for the year is calculated by subtracting income tax expense from profit before income tax.

RESULTS OF OPERATIONS

Results of operations for the Group for 2013, 2014 and 2015

The following table sets out the principal components of the Group's consolidated income statement and certain additional non-IFRS data of the Group for 2013, 2014 and 2015.

	Years ended 31 December		
	2013	**2014**	**2015**
	(USD in millions, except for percentages)		
Revenue	332.2	562.4	405.7
Cost of sales	(137.0)	(231.5)	(176.4)
Gross profit	**195.3**	**330.9**	**229.3**
Administrative, selling and marketing expenses	(45.6)	(55.2)	(42.3)
Share of (loss)/profit of joint ventures accounted for using the equity method	16.9	(7.7)	3.8
Other gains/(losses)—net	2.8	10.5	(6.0)
Operating profit	**169.4**	**278.6**	**184.8**
Finance income	4.4	1.3	1.6
Finance costs	(15.5)	(90.5)	(60.1)
Change in fair value of derivative	-	-	(5.5)
Net foreign exchange losses on financial activities	(8.8)	(418.5)	(151.0)
Finance costs—net	**(19.9)**	**(507.7)**	**(215.1)**
Profit/(loss) before income tax	149.5	(229.1)	(30.3)
Income tax (expense)/credit	(35.4)	31.8	(3.4)
Profit/(loss) for the year	**114.1**	**(197.3)**	**(33.7)**
Attributable to:			
Owners of the Company	114.1	(193.1)	(25.1)
Non-controlling interest	(0.05)	(4.2)	(8.5)
	114.1	**(197.3)**	**(33.7)**
Additional data* (Supplemental Non-IFRS Measures) [1]			
Gross profit margin	58.8%	58.8%	56.5%
Adjusted EBITDA	197.8	375.9	291.0
Adjusted EBITDA margin	59.5%	66.8%	71.7%
Cost of sales adjusted for impairment	137.0	231.5	129.7
Total operating cash costs	134.4	186.5	114.7
Operating profit adjusted for impairment	169.4	278.6	231.4
Profit/(loss) for the period adjusted for impairment	114.1	(197.3)	13.0
Cash cost of sales	89.5	132.5	73.1
Net debt	1,350.2	1,207.7	1,047.6
Net debt to Adjusted EBITDA ratio	3.7x	3.2x	3.6x
Free cash flow	188.8	311.6	236.3

* The information presented in this table is unaudited and is calculated based on information extracted from the Annual Consolidated Financial Statements.

(1) Gross profit margin, Adjusted EBITDA, Adjusted EBITDA margin, Cost of sales adjusted for impairment, Total operating cash costs, Operating profit adjusted for impairment, profit for the period adjusted for impairment, cash cost of sales, net debt, net debt to Adjusted EBITDA ratios and free cash flow are non-IFRS financial measures that are calculated by the Group as described in footnotes (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11) in "*Selected Consolidated Financial and Other Information— Reconciliation of Additional data (Non-IFRS) to the Annual Consolidated Financial Statements*", respectively. They are presented as supplemental measures of the Group's operating performance. They have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results as reported under IFRS. For further information on these limitations, see footnote (3) in "*Selected Consolidated Financial and Other Information— Reconciliation of Additional data (Non-IFRS) to the Annual Consolidated Financial Statements*", and for information on a reconciliation of Adjusted EBITDA to profit for the period, see "*Selected Consolidated Financial and Other Information— Reconciliation of Additional data (Non-IFRS) to the Annual Consolidated Financial Statements—Reconciliation of Adjusted EBITDA to profit for the year*".

Revenue

Revenue decreased by USD 156.7 million, or 27.9%, from USD 562.4 million in 2014 to USD 405.7 million in 2015. This decrease was primarily due to a decrease in key cargoes throughput, which was partially offset by an increase in revenue per TEU in container handling, driven by an increase in pricing underpinned by positive changes in the mix of services.

Revenue increased by USD 230.1 million, or 69.3%, from USD 332.2 million in 2013 to USD 562.4 million in 2014. This increase was primarily due to the acquisition of NCC Group, whose results were consolidated with those of the Group effective from 27 December 2013. Revenue was negatively impacted by lower container throughput in each of the Group's continuing and NCC Group businesses, which was partially offset by an increase in revenue per TEU primarily driven by an increase in pricing.

Cost of sales

Cost of sales decreased by USD 55.1 million, or 23.8%, from USD 231.5 million in 2014 to USD 176.4 million in 2015, principally due to decreases in most components of cost of sales, partially offset by an increase in impairment of property, plant and equipment of USD 46.7 million in connection with ULCT due to lower growth estimates for the overall market and ULCT. See "*—Significant Accounting Policies, Critical Accounting Estimates and Judgments—Impairment*" below. Depreciation of property, plant and equipment also decreased by USD 32.6 million, or 43.7%, and amortisation of intangible assets decreased by USD 9.8 million, or 40.3%.

The decrease in cost of sales was driven by a 41.7% decrease in staff costs of USD 26.3 million, a 48.5% reduction in fuel, electricity and gas expenses of USD 5.9 million, a 44.7% decrease in repair and maintenance of property, plant and equipment of USD 5.2 million, a 41.8% decrease in transportation costs of USD 4.5 million as well as a 67.7% decrease in other operating expenses of USD 8.3 million. These decreases were driven by a combination of depreciation of the Russian rouble, efficiency improvements, strong cost control and an overall decline in throughput.

Cost of sales increased by USD 94.5 million, or 69.0%, from USD 137.0 million in 2013 to USD 231.5 million in 2014. This increase was primarily due to consolidation of the results of NCC Group, partially offset by depreciation of the Russian rouble, lower throughput for the Group's continuing businesses, efficiency improvements, and strong cost control. The efficiency improvements and strong cost control mentioned above and below include headcount reduction and optimisation of outsourced personnel, cost reduction for the majority of outsourced services, optimisation of repair and maintenance, including utilisation-based scheduled maintenance, centralisation of procurement and other measures.

Gross profit

Gross profit decreased by USD 101.6 million, or 30.7%, from USD 330.9 million in 2014 to USD 229.3 million in 2015. This decrease was due to the factors described above.

Gross profit increased by USD 135.6 million, or 69.5%, from USD 195.3 million in 2013 to USD 330.9 million in 2014. This increase was primarily due to the addition of gross profit from the consolidation of the NCC Group.

Administrative, selling and marketing expenses

Administrative, selling and marketing expenses decreased by USD 12.8 million, or 23.2%, from USD 55.2 million in 2014 to USD 42.3 million in 2015. This decrease was primarily due to a decrease of USD 9.2 million, or 26.3%, in staff costs. See "*—Key Factors Affecting the Group's Financial Condition and Results of Operations—Staff costs*".

Administrative, selling and marketing expenses increased by USD 9.6 million, or 21.0%, from USD 45.6 in 2013 to USD 55.2 in 2014. This increase was primarily due to consolidation of the results of NCC Group, offset in part by efficiency improvements, and cost controls.

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

Share of profit/(loss) of joint ventures accounted for using the equity method amounted to a profit of USD 3.8 million in 2015 compared to a loss of USD 7.7 million in 2014. This change was primarily driven by a change in the Group's share of results of CD Holding from a loss of USD 23.7 million in 2014 to a loss of USD 8.7 million in 2015, mainly due to writing off additional funding in 2014 provided by the Group through CD Holding to Yanino to service its bank debt, offset by a decline in the Group's share of profits of VEOS from USD 8.8 million in 2014 to USD 3.9 million in 2015. VEOS' profits decreased due to the decline in total volume of Russian oil products exports, in particular fuel oil exports, which was partially offset by an increase in revenue per tonne handled due to the increase in storage services per tonne of cargo.

Share of profit/(loss) of joint ventures accounted for using the equity method amounted to a loss of USD 7.7 million in 2014 compared to a profit of USD 16.9 million in 2013. The change was primarily driven by a decline in the Group's share of profits of VEOS from USD 29.6 million in 2013 to USD 8.8 million in 2014 and increase in the Group's share of loss of CD Holding from USD 16.5 million in 2013 to USD 23.7 million in 2014. This change was mainly driven by an impairment charge taken in respect of Yanino in 2014 due to lower than expected returns on the Group's investment.

For further details of the Group's interests in its joint ventures see Note 26 to the 2015 Annual Consolidated Financial Statements.

Other gains/(losses)—net

Other gains/(losses)—net changed from a profit of USD 10.5 million in 2014 to a loss of USD 6.0 million in 2015. This change was primarily due to a change in foreign exchange gains on non-financing activities—net from a profit of USD 12.5 million in 2014 to a loss of USD 5.7 million in 2015 as a result of less depreciation of the Russian rouble in 2015 than in 2014.

Other gains/(losses)—net in 2014 amounted to a gain of USD 10.5 million compared to a gain of USD 2.8 million in 2013. This change was largely due to an increase in currency exchange gains on non-financing activities.

Operating profit

Operating profit decreased by USD 93.9 million, or 33.7%, from USD 278.6 million in 2014 to USD 184.8 million in 2015. This decrease was due to the factors described above.

Operating profit increased by USD 109.3 million, or 64.5%, from USD 169.4 million in 2013 to USD 278.6 million in 2014. This increase was primarily due to the factors described above.

Finance costs—net

Finance costs—net decreased by USD 292.7 million, or 57.6%, from a loss of USD 507.7 million in 2014 to a loss of USD 215.1 million in 2015. This decrease was primarily due to the decrease in foreign exchange losses on financing activities from USD 418.5 million in 2014 to USD 151.0 million in 2015, resulting mostly from the revaluation on consolidation of US dollar denominated borrowings in the Group's subsidiaries. See Note 9 to the 2015 Annual Consolidated Financial Statements and "*—Key Factors Affecting the Group's Financial Condition and Results of Operations—Exchange rates*".

Finance costs—net changed from a loss of USD 19.9 million in 2013 to a loss of USD 507.7 million in 2014. This change was primarily due to the revaluation of US dollar denominated borrowings in the Group's subsidiaries and the additional debt incurred to fund the acquisition of the NCC Group. See "*—Key Factors Affecting the Group's Financial Condition and Results of Operations—Exchange rates*".

Profit/(loss) before income tax

Profit/(loss) before income tax changed from a loss of USD 229.1 million in 2014 to a loss of USD 30.3 million in 2015 due to the factors described above.

Profit/(loss) before income tax changed from a profit of USD 149.5 million in 2013 to a loss of USD 229.1 million in 2014 due to the factors described above.

Income tax (expense)/credit

In 2013, 2014 and 2015, income tax expense/(credit) was USD 35.4 million, USD (31.8) million and USD 3.4 million, respectively. The Group's effective tax rate, calculated as income tax expense divided by profit before income tax, was 23.7%, 13.9% and (11.1)%, in 2013, 2014 and 2015, respectively. The differences in the effective tax rate from the normal applicable Russian statutory tax rate of 20% were largely driven by the tax effect of expenses not deductible for tax purposes and withholding tax on undistributed profits, as well as the effect of reduced rates for one of the Russian Ports entities.

Profit/(loss) for the year

Profit/(loss) for the year amounted to a loss of USD 33.7 million in 2015 compared to a loss of USD 197.3 million in 2014 due to the factors described above.

Profit/(loss) for the year amounted to a loss of USD 197.3 million in 2014 compared to a profit of USD 114.1 million in 2013 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

General

As at 31 December 2015, the Group had USD 123.1 million in cash and cash equivalents.

The Group's liquidity needs arise primarily in connection with the repayments of principal and interest payments, and capital investment programmes of each of its operations as well as their operating costs. In the period under review, the Group's liquidity needs were met primarily by cash flows generated from operating activities as well as through 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 and borrowings.

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

As at 31 December 2015, the Group had USD 1,165.4 million of total borrowings, of which USD 103.0 million comprised current borrowings and USD 1,062.4 million comprised non-current borrowings. As at 31 December 2015, the Group had no undrawn borrowing facilities. See also "—*Capital resources*".

Cash flows for 2013, 2014 and 2015

The following table sets out the principal components of the Group's consolidated cash flow statement for 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
	(USD in millions)		
Net cash from operating activities	251.6	335.2	248.0
Net cash used in investing activities	(256.6)	(93.3)	(9.8)
Net cash (used in)/from financing activities	43.5	(233.6)	(192.4)
Net increase in cash and cash equivalents	**38.5**	**8.3**	**45.8**
Cash and cash equivalents at beginning of the year	77.9	113.2	78.8
Exchange losses on cash and cash equivalents	(3.2)	(42.7)	(1.5)
Cash and cash equivalents at end of the year	**113.2**	**78.8**	**123.1**

Net cash from operating activities

Net cash from operating activities decreased by USD 87.2 million, or 26.0%, from USD 335.2 million in 2014 to USD 248.0 million in 2015. The decrease in net cash from operating activities was primarily due to a USD 91.1 million, or 23.4%, decline in the cash generated by operations in 2015 compared to 2014.

Net cash from operating activities increased by USD 83.6 million, or 33.2%, from USD 251.6 million in 2013 to USD 335.2 million in 2014. The increase in net cash from operating activities was primarily due to consolidation of the results of NCC Group.

The following table sets out net cash from operating activities for 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
	(USD in millions)		
Operating cash flows before working capital changes	**202.3**	**409.8**	**292.2**
Inventories	(0.7)	(0.05)	0.04
Trade and other receivables	(1.9)	(2.9)	6.4
Trade and other payables	19.0	(18.5)	(1.4)
Net change in working capital	**16.4**	**(21.5)**	**5.1**
Cash generated from operations	**218.8**	**388.4**	**297.3**
Dividends received from joint ventures	70.3	9.5	10.4
Tax paid	(37.5)	(62.7)	(59.7)
Net cash from operating activities	**251.6**	**335.2**	**248.0**

Net cash used in investing activities

Net cash used in investing activities in 2015 was USD 9.8 million. This consisted primarily of purchases of property, plant and equipment of USD 11.7 million and other cash flow used in investing activities of USD 6.8 million, offset in part by proceeds from sale of property, plant and equipment of USD 8.7 million.

Net cash used in investing activities in 2014 was USD 93.3 million. This consisted primarily of contingent consideration paid of USD 61.6 million and purchases of property, plant and equipment of USD 23.6 million. The contingent consideration paid to the previous owners of NCC Group as part of the total consideration in connection with the acquisition of NCC Group was withheld and paid in 2014, when the previous owners of NCC Group fulfilled certain conditions related to the conversion of the Eurogate (a 20% shareholder in ULCT) loan to ULCT into equity.

Net cash used in investing activities in 2013 was USD 256.6 million. This consisted primarily of USD 177.6 million of cash outflow for the acquisition of NCC Group as part of the consideration for the acquisition and purchases of property, plant and equipment in the amount of USD 62.8 million.

Net cash (used in)/from financing activities

Net cash used in financing activities in 2015 amounted to cash outflow of USD 192.4 million. This consisted primarily of net decrease in borrowings of USD 118.0 million (including USD 125.6 million related to the termination of an interest rate and cross-currency exchange rate swap linked to a bank loan repaid) with finance leases and interest paid of USD 74.4 million.

Net cash used in financing activities in 2014 amounted to cash outflow of USD 233.6 million. This consisted primarily of net decrease in borrowings of USD 105.8 million with finance leases, interest paid of USD 92.2 million and dividends paid to the owners of the Company of USD 48.5 million.

Net cash from financing activities in 2013 was USD 43.5 million. This consisted primarily of net increase in borrowings of USD 210.3 million with finance leases, interest paid of USD 15.0 million and dividends paid to the owners of the Company of USD 150.4 million.

Capital resources

The Group's financial indebtedness consists of bank borrowings, bonds, loans from related and third parties, finance leases liabilities and derivative financial instruments and was USD 1,170.8 million as at 31 December 2015. As at 31 December 2015, all of the Group's bank borrowings were secured by pledges on property, plant and equipment, equity interests in certain Group members, assignments of certain contractual rights and by guarantees and suretyships granted by certain Group members. As at 31 December 2015, the Group's significant bank borrowings include an outstanding loan to VSC in the amount of USD 365.3 million which will mature in 2020, an outstanding loan to FCT in the amount of USD 45.9 million which will mature in 2017, an outstanding loan to FCT in the amount of USD 403.5 million which will mature in 2020 and an outstanding loan to PLP in the amount of USD 238.7 million which will mature in 2020. The Group also has a number of other smaller bank borrowings. The weighted average interest rates of the Group's debt portfolio is 6.1%. As at 31 December 2015, the Group was highly leveraged with a net debt to Adjusted EBITDA ratio of 3.6 (compared to a ratio of 3.2 as at 31 December 2014 and 3.7 as at 31 December 2013 (adjusted for comparability purposes to take into account the results of the NCC Group prior to its acquisition)). Certain of the Group's borrowings contain covenants requiring the Group and the borrower to maintain specified indebtedness to EBITDA and other ratios as well as covenants having the effect of restricting the ability of the borrower to create liens, transfer assets, borrow money and make loans and pay dividends to other members of the Group. For more information concerning these borrowings see "*Risk Factors—Risks Relating to the Group's Financial Condition—The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants which could be breached*" and Note 22 to the 2015 Annual Consolidated Financial Statements.

The following table sets out the maturity profile and other characteristics of the Group's non-current borrowings (excluding finance leases) as at 31 December 2015.

	As at 31 December 2015
	(USD in millions)
Between 1 and 2 years	129.5
Between 2 and 5 years	921.2
Over 5 years	-
Total	**1,050.7**

The following table sets out the maturity profile of the Group's total borrowings (including finance leases) and derivative financial instruments as at 31 December 2015.

	As at 31 December 2015
	(USD in millions)
H1 2016	44.5
H2 2016	54.8
2017	129.4
2018	249.0
2019	348.2
2020	337.4
2021	7.5
Total	**1,170.8**

As at 31 December 2015, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	As at 31 December 2015
	(millions)
US dollar	1,087.4
Russian rouble	78.0
Euro	-
Total	**1,165.4**

As at 31 December 2015, the carrying amounts of all of the Group's borrowings denominated in Russian roubles, in the amount of USD 68.7 million, were swapped into US dollars so that at the date of these Listing Particulars all of the Group's borrowings (except for certain finance lease balances) were effectively denominated in US dollars.

As at 31 December 2015, the Group had no undrawn borrowing facilities.

The weighted average effective interest rates of the Group's borrowings are set out in Note 22 to the 2015 Annual Consolidated Financial Statements included herein.

The following table sets out the Group's expected debt repayment schedule as at 31 December 2015, its expected debt repayment schedule following its Russian rouble denominated bond issuances totalling RUB 15 billion since 31 December 2015 and its expected debt repayment schedule following the Russian rouble denominated bond issuances and the issue of the Notes (data other than as at 31 December 2015 is based on management estimates and assumes USD 350 million Notes will be issued).

	2016	**2017**	**2018**	**2019**	**2020 and after**	**Total**
At 31 December 2015	99.3	129.4	249.0	348.2	344.9	1,170.8
Following issue of RUB bonds	99.3	129.4	223.1	237.6	481.5	1,170.8
Following issue of RUB bonds and issue of the Notes (USD 350 million)	85.4	73.7	167.5	182.0	675.9	1,184.5

Contractual commitments and contingent liabilities

Capital commitments

The following table summarises the capital expenditure contracted for at the balance sheet dates indicated, but not yet incurred as at that date.

	As at 31 December		
	2013	**2014**	**2015**
		(USD in millions)	
Property, plant and equipment	13.9	8.7	7.0

Other contractual obligations

The following table summarises the minimum lease payments under non-cancellable operating leases, mainly consisting of port infrastructure.

	As at 31 December 2015
	(USD in millions)
Not later than 1 year	2.2
Later than 1 year and not later than 5 years	8.8
Later than 5 years	45.2
Total	**56.2**

Debt

See "*Quantitative and Qualitative Disclosure on Market and Other Risks—Liquidity Risk*" for a breakdown of the maturities of our outstanding debt.

Capital expenditures

The Group's capital expenditures for the years ended 2013, 2014 and 2015 were USD 62.8 million, USD 23.6 million and USD 11.7 million, respectively, and were made primarily to purchase and renovate property, plant and equipment and in connection with maintenance expenditures and investments in safety of operations.

The Group expects capital expenditures over the next few years of between USD 25 million and USD 30 million per annum, with a focus on maintaining its current reliability, safety and quality of services. For details of the Group's current contractually committed capital expenditure, see "*—Contractual commitments and contingent liabilities*".

QUANTITATIVE AND QUALITATIVE DISCLOSURE ON MARKET AND OTHER RISKS

The Group's activities expose it to market risks, including foreign exchange risk, credit risk, interest rate risk and liquidity risk.

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. Foreign exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign exchange rates due to inability to appropriately plan for and react to fluctuations in foreign exchange rates. Risk also arises from revaluation of assets and liabilities (mainly debt) denominated in foreign currency.

As of the date of these Listing Particulars, all of the Group's borrowings (except for certain finance lease liabilities) were effectively denominated in US dollars. See also "*Risk Factors—Risks relating to the Group's financial condition—The Group is subject to foreign exchange risk arising from various currency exposures primarily with respect to the Russian rouble and the US dollar. Foreign exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign exchange rates due to inability to appropriately plan for and react to fluctuations in foreign exchange rates. Risk also arises from revaluation of assets and liabilities (mainly debt) denominated in foreign currency*".

In the periods under review the value of the Russian rouble has fluctuated against the US dollar. See "*—Key Factors Affecting the Group's Financial Condition and Results of Operations—Exchange rates*".

The following table sets out the carrying amounts of financial assets and liabilities of the Group's Russian operations in US dollars as at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	(USD in millions)		
Assets	79.2	66.5	110.0
Liabilities	1,156.9	1,056.6	1,174.5
Capital commitments	-	-	-

Had the US dollar exchange rate strengthened or weakened by 30% against the Russian rouble and all other variables remained unchanged, the post-tax profit of the Group would have increased or decreased for 2015 by USD 255.5 million. This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, capital commitments and accounts receivable denominated in US dollars.

The Group partly restructured its debt portfolio at the end of 2015, which resulted in the termination of its cross-currency interest rate swap arrangement inherited in the acquisition of NCC Group. At that time the Group also entered into a new US dollar swap arrangement wherein the Group exchanged its Russian rouble-denominated liabilities relating to the issuance of RUB 5,000 million fixed-rate bonds for USD 68.7 million debt with a fixed US dollar rate. Furthermore, in February 2016 the Group entered into another US dollar swap arrangement in connection with a second issuance of RUB 5,000 million fixed-rate bonds for USD 65.1 million debt with a fixed US dollar rate, and in March 2016 the Group entered into another US dollar swap arrangement in connection with a third issuance of RUB 5,000 million fixed rate bonds for USD 73.4 million debt with a fixed US dollar rate. For further details see Note 23 and Note 31 to the 2015 Annual Consolidated Financial Statements. Although the Group does from time to time use such interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk, it generally does not hedge its foreign exchange risk.

Credit risk

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

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 dependent on several key customers. In 2015, 2014 and 2013, 62%, 56% and 53% of the Group's revenue, respectively, was attributable to these several large key customers. The Group has policies in place to ensure that loans are granted to counterparties with which it has long-standing trading relationships and that cash balances are deposited with high credit quality financial institutions.

The following table summarises trade and accounts receivable under contractual terms of settlement at the balance sheet date.

	As at 31 December		
	2013	**2014**	**2015**
	(USD in millions)		
Fully performing	101.8	29.4	19.4
Past due	3.2	2.4	4.0
Impaired	-	-	-
Impairment provision	-	-	-
Total trade and other receivables	**105.0**	**31.8**	**23.4**

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 borrowings. As at 31 December 2015, the Group's total floating rate debt comprised approximately 70% of its outstanding debt. The Group expects that this will decrease to approximately 37% after giving effect to the issuance and use of proceeds of the Notes. 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 interest 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 maximising 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 dollar denominated floating interest bearing financial assets and liabilities increased by 100 basis points and all other variables remained unchanged, the post-tax profit of the Group would have decreased by USD 8.4 million for 2015.

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

Liquidity risk

The Group manages its liquidity based on its 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 Group believes that it is successfully managing its exposure to liquidity risk.

The following tables summarise the analysis of financial liabilities of the Group by maturity as at 31 December 2013, 2014 and 2015. The amounts in the tables 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.

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

	As at 31 December		
	2013	**2014**	**2015**
	(USD in millions)		
Between 1 and 2 years	102.9	120.4	129.5
Between 2 and 5 years	652.0	727.8	921.2
Over 5 years	445.4	209.0	-
Total	**1,200.3**	**1,057.2**	**1,050.7**

Finance lease liabilities – minimum lease payments:

	As at 31 December		
	2013	**2014**	**2015**
	(USD in millions)		
Under 1 year	13.7	5.9	3.6
Between 1 and 2 years	7.5	3.8	3.5
Between 2 and 5 years	14.2	7.1	3.8
Over 5 years	101.3	57.5	44.1
Total	**136.8**	**74.4**	**55.0**
Future finance charges of finance leases	(94.1)	(52.8)	(40.3)
Present value of finance lease liabilities	**42.7**	**21.6**	**14.7**

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

	As at 31 December		
	2013	**2014**	**2015**
	(USD in millions)		
Under 1 year	12.1	5.1	3.0
Between 1 and 2 years	6.0	3.2	3.1
Between 2 and 5 years	7.9	3.6	1.1
Over 5 years	16.7	9.7	7.5
Total	**42.7**	**21.6**	**14.7**

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group believes its most significant accounting policies and its critical accounting estimates and judgments are set out in Note 2 and Note 4 to the 2015 Annual Consolidated Financial Statements included herein.

New accounting pronouncements

As at the date of approval of the 2015 Annual Consolidated Financial Statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2016 or later and which the Group has not early adopted. These include certain standards and interpretations which may have an impact on the Group (the Group has not yet assessed their full impact). For further details see Note 2 "*New standards and interpretations not yet adopted by the Group—(a) Adopted by the European Union*" and "*New standards and interpretations not yet adopted by the Group—(b) Not yet adopted and not yet endorsed by the European Union*" to the 2015 Annual Consolidated Financial Statements.

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 preparation of the 2015 Annual Consolidated Financial Statements, forecasts used for estimating discounted future cash flows for impairment testing purposes have been updated.

Based on the results of the impairment tests carried out, the Board of Directors believes that, for all units except ULCT, there is no requirement for further impairments or indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill. For ULCT, an impairment charge of USD 46.7 million was recognised, which was fully allocated to property, plant and equipment, as described under "—*Results of Operations—Results of operations for the Group for 2013, 2014 and 2015—Cost of sales*".

INDUSTRY OVERVIEW

The following information includes extracts from publicly available information, data and statistics and has been extracted from third-party sources, including the World Bank, Drewry and ASOP, which the Company believes to be reliable. The Group has accurately reproduced this information, and so far as the Company and the Directors are aware and have been able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or use rounded numbers. Unless otherwise specified or the context otherwise requires, the container figures and data set forth and discussed herein has been extracted from ASOP.

THE GLOBAL CONTAINER MARKET

Container shipping was first introduced in the 1950s and since the late 1960s has become the most common method for transporting many industrial and consumer products by sea. Container shipping is performed by container shipping companies that operate frequent scheduled or liner services, similar to a passenger airline, with pre-determined port calls, using a number of owned or chartered vessels of a particular size in each service to achieve an appropriate frequency and utilisation level.

Container shipping has a number of advantages compared with other shipping methods, including:

- Less cargo handling. Containers provide a secure environment for cargo. The contents of a container, once loaded into the container, are not directly handled until they reach their final destination.
- Efficient port turnaround. With specialised cranes and other terminal equipment, container ships can be loaded and unloaded in significantly less time and at lower cost than other cargo vessels.
- Highly developed intermodal network. Onshore movement of containerised cargo, from points of origin, around container terminals, staging or storage areas and to final destinations, benefits from the physical integration of the container with other transportation equipment such as road chassis, railcars and other means of hauling the standard sized containers. A sophisticated port and intermodal industry has developed to support container transportation.
- Reduced shipping time. Container ships can travel at speeds of up to 25 knots, even in rough seas, thereby transporting cargo over long distances in relatively short periods of time.

Growth in global containerisation

In 2015, world container traffic comprised 687,309 thousand TEUs, according to Drewry. The compound average growth rate ("**CAGR**") of world container traffic from 2005 to 2015 is estimated at 6% compared with a global real GDP CAGR of 2.4% for the same period, according to the World Bank. Key drivers that contributed to the growth in global container throughput over this period were growth in global trade, increased global sourcing and manufacturing, a shift from transporting cargo in bulk to transporting cargo in containers and growth in transhipment volumes. In 2015, world container traffic growth was lower than historical average representing only 1.1%, due to an overall slowdown in global economy.

Container terminal market overview

The key drivers that contribute to global container throughput traffic include changes in global trade, the dynamics of global sourcing and manufacturing, a shift from transporting cargo in bulk to transporting cargo in containers and growth in transhipment volumes.

The container terminal market features high barriers to entry due to the high capital requirements necessary to build container terminal capacity, regulatory requirements and limited land availability. The construction of new ports or terminals is capital intensive. The cost of infrastructure construction is highly dependent on the region and the type of construction required. The cost of a new container terminal construction using existing infrastructure may be several tens of million US dollars, whereas the construction of an offshore port may cost several billion US dollars. Many projects involve local governments providing terminal infrastructure, such that a long term concession is handed over to the most attractive terminal operator, who places the terminal equipment. The development of new terminals is often constrained by local planning procedures and regulations. The involvement of many stakeholders in the local planning process contributes to long lead times and can result in significant delays in the implementation and execution of projects. This constraint tends to favour incumbent operators and large players.

The container terminal market is also characterised by certain price inelasticity because port handling costs are a small portion of transport costs and, subsequently, of the delivered value of goods. Furthermore, the container terminal market is usually characterised by limited competition partially due to geographical constraints. Local container handling markets are often served by only a few players.

O&D vs. transhipment

The two main categories of container throughput are O&D, which is also often referred to as import and export, and transhipment. Every container shipped by sea is, by definition, an export container at the origination terminal and an import container at the destination terminal. A container that is transferred from one ship to another at some point during the journey is referred to as transhipped, which gives rise to transhipment throughput at an intermediate terminal somewhere between the load terminal and the discharge terminal. O&D throughput is often preferred by container terminal operators as they typically earn more revenue per quay crane lift from O&D throughput than transhipment throughput, and they have the opportunity to generate additional revenue from ancillary services, such as, among others, storage, stuffing and unstuffing. Additionally, shipping lines are able to transfer transhipment throughput to other ports in the same region relatively easily, while O&D throughput is usually more cost-effectively handled by only one terminal, preferably close to the point of consumption.

Hinterland transportation

A container terminal is a crucial link in a logistics chain. The water, rail and road hinterland connections and logistical services available at a terminal, including warehousing and customs processing, comprise the logistics chain in which the ports operate. Additionally, the presence of high quality inland transport links is a key element in the success of a container terminal.

THE RUSSIAN CONTAINER MARKET

Russian container market overview

According to ASOP and Drewry, in 2000-2013, the Russian container market was characterised by one of the highest growth rates globally, supported by the growth in the Russian economy, growth in consumer demand and growth in imports. The total volumes, handled by Russian marine container terminals grew from approximately 500 thousand TEUs in 2000 to 5,180 thousand TEUs in 2013 demonstrating a CAGR of 20.5%, based on ASOP data. The following table shows Russian annual container volume in 2010-2015:

	2010	2011	2012	2013	2014	2015
Thousand TEUs	3,496	4,508	4,920	5,180	5,110	3,784

Source: ASOP.

Primarily as a result of changes in the macroeconomic environment, including depreciation of the Russian rouble exchange rate and a decrease of imports, the throughput of container terminals in Russia declined by 1.3% in 2014 and 26.0% in 2015.

Against this background, however, the structure of Russian container trade has become more balanced. In spite of decreasing imports, the throughput of laden export containers at Russian container terminals increased 20.4% from 764 thousand TEUs in 2013 to 920 thousand TEUs in 2014 and a further 1.8% to 937 thousand TEUs in 2015, according to ASOP. This growth in laden export was due to the increased use of containers in Russia and increased exports driven by the depreciation of the Russian rouble.

The relative level of containerisation in Russia still remains low. According to Drewry, container penetration in the United States and Europe in 2015 amounted to 145 TEUs and 111 TEUs per thousand people, respectively. In Turkey and Brazil, container penetration in 2015 was 106 TEUs and 45 TEUs per thousand people, respectively. By comparison, containerisation ratio in Russia was significantly below these levels and amounted to 26 TEUs per thousand people in 2015.

Russian market breakdown by basins

Russia has three major maritime gateways: the Baltic Sea Basin, the Far East Basin and the Black Sea Basin. In 2015, the total throughput of Russian container terminals was 3,784 thousand TEUs, according to ASOP. Each Russian maritime basin has its unique characteristics which are relevant to different groups of customers when servicing such areas as central Russia or Moscow, depending on their logistics requirements.

Ports of the Baltic Sea Basin handled the largest volumes of Russian container traffic, with throughput of 1,984 thousand TEUs in 2015, according to ASOP. This is approximately two times higher than the Far East Basin throughput of 1,054 thousand TEUs in 2015 and more than three times higher than the Black Sea Basin throughput of 607 thousand TEUs in 2015, according to the same source.

In addition to the Russian ports, Russia's inbound and outbound containers are also handled at container terminals located in neighbouring countries.

Baltic Sea Basin

The Baltic Sea Basin processes the majority of Russia's inbound and outbound container volumes. The Baltic Sea Basin accounted for 52% of the total Russian container terminals throughput in 2015, according to ASOP. The terminals of the Baltic basin provide year-round service, although icebreaker service is required during the winter navigation period for most of the terminals.

Container terminals of the Baltic Sea Basin are located in proximity to the key transhipment hubs serving Russia's inbound and outbound containers, such as Hamburg and Rotterdam. Using those transhipment hubs for Russian dedicated cargo originated in Asia has proved to be economically efficient in view of significant economies of scale that can be achieved via this transportation route.

The three largest container terminals in the Baltic Sea Basin are located in what is referred to as "Big port St. Petersburg", the largest container handling port in Russia and the Baltic Sea Basin. These terminals are:

- FCT with gross container throughput of 578 thousand TEUs in 2015, controlled by the Group;
- Container Terminal St. Petersburg ("**CTSP**") with gross container throughput of 398 thousand TEUs in 2015; and
- PLP with gross container throughput of 376 thousand TEUs in 2015, controlled by the Group.

The other big player in the Big port St. Petersburg is Moby Dik, one of the Group's joint venture operations, with total container throughput of 169 thousand TEUs in 2015

There are a number of smaller container terminals in the Big port St. Petersburg with combined throughput of 195 thousand TEUs in 2015.

In late 2011, the Group commissioned ULCT, a new container handing facility in the port of Ust-Luga, located approximately 140 kilometres westward from the St. Petersburg city ring road, with a capacity of 440 thousand TEUs. In 2015, ULCT's gross container throughput was 86 thousand TEUs.

A new port development in the Baltic Sea Basin is being constructed in the Port of Bronka utilising the private public partnership structure. In January 2016, the Port of Bronka commenced commercial operations with estimated initial container handling capacity around 500 thousand TEUs.

The port of Kaliningrad, located more than one thousand kilometres away from St. Petersburg, had a gross container throughput of 179 thousand TEUs in 2015.

Far East Basin

Historic demand for containers to and from Russian ports on the Pacific coast included only cargo for Russia and the CIS countries. Competition for these volumes with foreign ports is minimal. Significant volumes are bound for the Urals region, but an increasing percentage of cargo is shipped for regions as distant as the Moscow region via the Trans-Siberian Railway. Increases in the reliability and frequency of block-train dispatches from major container terminals in the Far East observed in recent years have contributed to container volume growth in this region.

Container volume handled in the Russia's Far East ice-free ports totalled approximately 1,054 thousand TEUs in 2015, according to ASOP. This corresponds to 28% of Russian container terminals throughput in 2015.

Two largest container terminals in the Far East are:

- Vostochnaya Stevedoring Company ("**VSC**") with gross container throughput of 353 thousand TEUs in 2015, controlled by the Group; and
- Commercial Port of Vladivostok ("**VMTP**"), with gross container throughput of 345 thousand TEUs in 2015, controlled by the Fesco Group

The two terminals have somewhat different hinterlands. In addition to usual import and export operations, VMTP also serves the local market, while most of VSC import volumes are bound to central and western regions of Russia, including Moscow and St. Petersburg, as well as to countries in Central Asia.

Black Sea Basin

Current demand for Russia bound container traffic in the Black Sea Basin is primarily served by Russian terminals. Russia's ports throughput in the ice-free Black Sea Basin totalled 607 thousand TEUs in 2015. This corresponds to 16% of the Russian container terminals throughput in 2015.

Novorossiysk is Russia's largest and most important Black Sea container port with a throughput of approximately 584 thousand TEUs in 2015, which accounted for 15% of Russian container traffic in 2015, according to ASOP. This port's main strength is its ability to service the hinterland regions close to the port. However, transportation from the Novorossiysk port to Moscow and central parts of Russia generally involves higher inland transportation costs.

Two container terminals are located in the port of Novorossiysk:

- Novorossiysk Commercial Sea Port ("**NCSP**") with gross container throughput of 381 thousand TEUs in 2015; and
- Novorossiysk Container Terminal ("**NUTEP**") with gross container throughput of 203 thousand TEUs in 2015.

Both container terminals have announced plans for capacity expansion. In addition, the Russian government is considering the development of a new port cluster in the port of Taman.

DESCRIPTION OF THE BUSINESS OF THE GROUP

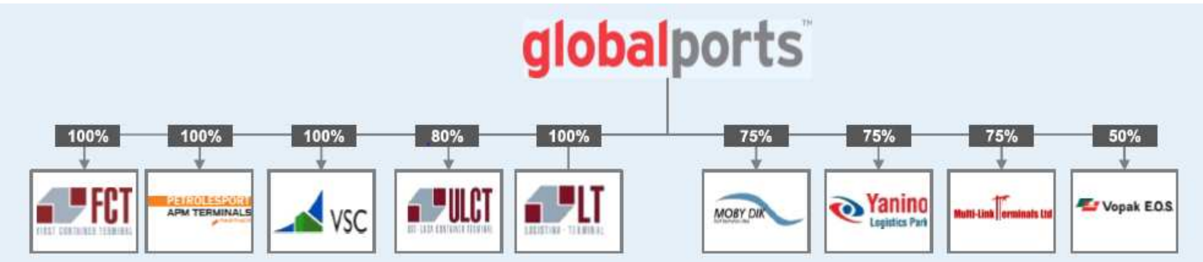
OVERVIEW

The Group is the leading container terminal operator serving Russian cargo flows as measured by container throughput, according to ASOP.

The Group's terminals are located in the Baltic and Far East Basins, key regions for foreign trade cargo flows. The Group operates or has joint venture interests in five container terminals in Russia (PLP, FCT, ULCT and Moby Dik in the Russian Baltics, and VSC in the Russian Far East) and the two Finnish Ports in Finland. The Group also owns or has joint venture interests in two inland container terminals, LT and Yanino, both located in the vicinity of St. Petersburg. Additionally, the Group has a joint venture interest in an independent oil products terminal (VEOS) in the Baltic Sea Basin, a major gateway for fuel oil exports from Russia and other CIS countries.

The Group's main business is container handling. In addition, the Group handles a number of other types of cargo, including cars and other types of roll-on roll-off cargo, bulk cargoes and oil products. The Group's marine container terminals referred to above had a total container throughput of approximately 1,834 thousand TEUs in 2015, including 1,562 thousand TEUs at marine terminals in Russia and 272 thousand TEUs at terminals in Finland.

The Group's revenue for 2015 was USD 405.7 million. Its Adjusted EBITDA for the same period was USD 291.0 million.



STRENGTHS

The Group believes that it has a number of key competitive strengths which have enabled it to become the leading container terminal operator handling Russian cargo flows. The Group believes it can use the following strengths to implement its strategy:

Market leader in containers

The Group is the leading container terminal operator serving Russia cargo flows by container throughput, according to ASOP. Its container facilities are situated in key locations and generated gross container throughput of approximately 1,834 thousand TEUs in 2015 (of which approximately 1,562 thousand TEUs was handled by its Russian Ports and approximately 272 thousand TEUs was handled by its Finnish Ports). The Group's throughput and total container terminals capacity has been increasing over the last decade, from throughput of approximately 270 thousand TEUs in 2004 to approximately 1,834 thousand TEUs in 2015 and capacity of approximately 550 thousand TEUs in 2004 to approximately 4,160 thousand TEUs in 2015.

The acquisition of NCC Group Limited, a company incorporated in Cyprus, together with its consolidated subsidiaries (the "**NCC Group**") in 2013 further strengthened the Group's leading position in Russia, allowing greater operating efficiency, and enabling shipping line and freight forwarder customers to benefit from network savings. The Group now has an established port cluster of brokers, freight forwarders, trucking and other communities, as well as key on-site infrastructure such as warehousing, dedicated customs zones and road and railway access, that, along with terminal capacity, give it operational flexibility and the ability to handle unscheduled container traffic and provide faster turnaround of throughput.

Operates in an undercontainerised market

Containerisation levels in Russia have grown over the last 15 years and are still very low compared to international benchmarks, supporting a continued long-term growth outlook. Despite significant drops in throughput levels in 2009 and 2015 of approximately 34% and 26%, respectively, the Russian container market has experienced overall growth since 2000, with volumes increasing from approximately 461 thousand TEUs in 2000 to approximately 3,784 thousand TEUs in 2015. Furthermore, despite the market decline in 2015, there has been ongoing containerisation of trade in Russia. This is especially true in containerised exports, which increased approximately 1.8% in 2015 alone and approximately 22% since the beginning of 2012. In addition, in

2015 approximately 71 thousand TEUs of empty containers were imported into Russia to support such laden export, which also contributes to overall container throughput volumes. Containerisation in Russia (measured in TEU per capita) is still well behind other more developed countries, with only approximately 26 TEUs per 1,000 capita in 2015, which is 3.6 times lower than the rate for the global market, 5.5 times lower than in the United States and 4.2 times lower than in Europe, according to Drewry. In addition, compared to other main emerging markets, Russian container penetration per capita is 1.7 times lower than that of Brazil and 4.0 times lower than that of Turkey, according to Drewry.

Diversified customer base

The Group has a diverse and extensive customer base. The Group's customers include main-line operators, feeder lines, and freight forwarders as well as end-customers.

The Group believes that through regular and multi-layered interaction with its customers it is able to offer differentiated services, including IT and web solutions, tailored to its customers' needs. The Group also seeks to promote its terminals as a network rather than as individual operations, and offers value-added services, such as the stuffing and unstuffing of containers and sophisticated cross-docking.

Strong and secure asset base

The Group's terminals have been in operation for a number of years. The Group, including its joint venture interests, has in total 669 hectares of land and owns the freehold on 63% of its terminals' total land and 68% of the land of its container and inland terminals in Russia (PLP, FCT, VSC, LT, ULCT, Moby Dik and Yanino). The rest of the Group's land is held under long-term leases. In addition, the Group has access to quays with a total aggregate length of 7,838 metres, including 680 metres of dedicated containers quays at PLP and 440 metres at ULCT that are owned by the Group. In addition, unlike terminal operators in other jurisdictions, the Group's terminals are not subject to concession or profit sharing arrangements.

Well-invested assets ensuring available capacity and low CAPEX requirements

The Group has invested in the upgrade and expansion of its facilities in the past. As a result of these investments, the Group's terminals have significant spare operating capacity sufficient to cover additional demand in the case of recovery of the Russian container market.

The existing assets of the Group require only limited maintenance capital expenditure. Approximately 70% of the Group's main equipment is less than 10 years old, and its modern fleet includes top brands such as Kone, Liebherr and Kalmar. The Group has decreased its cash capital expenditures (defined as purchases of property, plant and equipment for the year) by approximately 83% from 2013 to 2015, with Group capital expenditures of USD 11.7 million and USD 23.6 million in 2015 and 2014, respectively, compared to combined Group and NCC Group capital expenditure in 2013 of USD 70.0 million.

High Adjusted EBITDA margin and strong free cash flow generation

The Group has shown a consistent ability to generate strong free cash flow and high Adjusted EBITDA margins. Despite weakened economic conditions, the Adjusted EBITDA margin of the Group has increased over the last few years, from 59.5% in 2013 to 66.8% in 2014 and 71.7% in 2015. The increase from 2013 to 2014 was partially due to the acquisition and consolidation of results of NCC Group. The increase from 2014 to 2015 was partially due to Group's continued focus on efficiency and cost control, supported by the depreciation of the Russian rouble.

The Group's Adjusted EBITDA margins are supported by several factors, including the Group's strong pricing power and US denominated market-based and unregulated pricing for the majority of its services, strong land use rights allowing both long-term leases and ownership of terminal land and quays, as well as a no concession model, and market-based unregulated tariffs on services provided, container throughput being almost 100% O&D traffic (i.e., import and export traffic) and high barriers to entry into the market due to the high capital requirements necessary to build container terminal capacity and limited land availability. The Group's focus on efficiency improvements and cost controls in the last few years has also contributed to the Group's Adjusted EBITDA margins. Such efficiency and cost control initiatives include staff optimisation, including a reduction of 9% of total headcount in the last 12 months, cost reduction for outsourced services and tracking every cost item, reduction of operational peaks to optimise container handling flows, optimisation of repair and maintenance for equipment and centralisation of procurement to maximise synergies within the Group's portfolio.

Free cash flows, which is cash flows from operating activities less capital expenditures, was USD 236 million, USD 312 million and USD 189 million in 2015, 2014 and 2013, respectively. The Group's strong free cash flow generation is primarily due to the Group's high Adjusted EBITDA margins, low capital expenditure requirements, reliable customer base with timely collection of receivables and strong dividend flow from the Group's joint ventures.

Strong and committed strategic shareholders

In November 2012, APMT, a global leading port, terminal and inland services operator (part of A.P. Moller-Maersk A/S) became a major shareholder of the Company by acquiring a 37.5% (currently 30.75%) stake in the Group from TIHL, the Group's then controlling shareholder. This transaction has strengthened the Group's leading position by providing it with access to APMT's global expertise, know-how and experience in terminal development and operations, which has further strengthened the Group's value proposition to clients. The Group's management team has also been strengthened by the addition of APMT's professional support and management and the Group has benefited from the implementation of world class corporate governance standards.

STRATEGY

The key elements of the Group's strategy are:

Utilisation of existing assets with available capacity and existing infrastructure

The Group intends to focus on its core (maritime) container activity and maximise the use of the Group's capacity (approximately 4,160 thousand TEUs in 2015) and value of existing assets by maintaining and allocating equipment where best suited and capitalising on the Group's optimal terminal characteristics, layout and good sea and hinterland access and connections.

Continued efficiency improvements and cost control

The Group intends to continue to adjust to the new macroeconomic environment in Russian and worldwide container markets by analysing all expenses and processes with heightened scrutiny. It intends to continue to focus on improving efficiency, productivity and cost controls in a similar manner as discussed above. See "—*Strengths—High Adjusted EBITDA margin and strong free cash flow generation*".

Cash flow maximisation and deleveraging the Group

Given the Group's capacity across its portfolio and strong existing assets and infrastructure, the Group expects decreased capital expenditures over the next few years of between USD 25 million and USD 30 million per annum, with a focus on maintaining its current reliability, safety and quality of services.

The Group has made deleveraging a priority going forward in order to reach its long-term target range of a 1.5-2.0 net debt to EBITDA ratio. The Group's net debt as at 31 December 2015 decreased by USD 302 million since the acquisition of the NCC Group in 2013, from USD 1,350 million as at 31 December 2013, to USD 1,208 million as at 31 December 2014 and USD 1,048 million as at 31 December 2015. The Group has committed to defer the payments of dividends until its target ratio is reached, and will on-loan the proceeds of the Notes to other members of the Group to be used by them to refinance existing indebtedness.

HISTORY AND DEVELOPMENT

The Company was established as the holding company of the Group in 2008. Previously, the Group's operations were held directly or indirectly by the Group's now co-controlling shareholder, TIHL, which acquired them in the years preceding the Group's formation. Following the initial acquisition of the Group's businesses, the Group focused on integrating the businesses and ongoing improvement in their operational efficiency. This included acquiring additional land necessary for the development of PLP's and VEOS's operations and commencing a significant capital investment programme to modernise and expand its terminals and related facilities. The Group has also sought to implement higher standards of corporate governance and improve its financial controls, reporting and risk management procedures.

In June 2011, the Company became public upon placing GDRs representing approximately 25% of its shares on the London Stock Exchange. In 2012, the Group increased its ownership interest in VSC from 75% to 100%, acquiring the 25% stake held by DP World.

In November 2012, APMT became a major shareholder of the Company by acquiring a 37.5% (currently 30.75%) stake in the Group from TIHL.

In December 2013, the Group acquired the NCC Group. The NCC Group's key assets included FCT in St. Petersburg and ULCT, a green-field development in the port of Ust-Luga, as well as LT, an inland container terminal close to St. Petersburg. At that time Ilibrinio Establishment Limited and Polozio Enterprises Limited became shareholders of the Group, each holding a 9% stake.

SERVICES

The Group offers a wide range of customised services for import and export logistics operations. The core services of the Group's container terminals are container loading, unloading and storage. In addition to containers, the Group's Russian container terminals also handle a range of other types of cargo. To improve the attractiveness of the Group's services to its customers, in recent years, the Group has taken steps to improve transportation options to and from its terminals. The Group arranges for scheduled trains (referred to as block trains) to operate to/from VSC, Yanino and PLP, and VSC has purchased and leased flatcars.

The core services of the Group's joint venture, VEOS, are ship and rail unloading and storage of oil products and the loading of those products into tankers for export. It also offers additional services, including the blending of the oil products to particular specifications. VEOS has the capability to accept VLCC tankers with a deadweight size of up to 300,000 metric tonnes. To facilitate more efficient throughput at its terminals, through a subsidiary, VEOS provides its own rail transport services for customers, transporting cargo from the Estonian border to the terminals.

PRICING

Prices for the Group's services are currently unregulated and are primarily driven by market demand. Contract prices are typically set at the end of the preceding year for the following year. Maximum prices the Group charged for cargo handling and storage services of PLP and VSC were, in the past, regulated by the FTS.

Prices for the services provided by the Group at Moby Dik, Yanino and LT, as well as for the services at VEOS and the Finnish Ports, are not currently, nor have they been in the past, regulated.

THE GROUP'S OPERATIONS

The operations controlled by the Group are described below by terminal.

FCT

Overview

FCT was the largest container terminal in Russia by gross throughput for 2015, according to ASOP. It is located in the St. Petersburg harbour, Russia's primary gateway for container cargo. The terminal has good railway and road connections.

The Group has a 100% effective ownership interest in FCT.

Annual capacity and throughput

FCT's gross container throughput was 1,084 thousand TEUs, 941 thousand TEUs and 578 thousand TEUs in 2013, 2014 and 2015 respectively. FCT's annual container handling capacity remained unchanged throughout 2013, 2014 and 2015 and was 1,250 thousand TEUs.

Customers and contract terms

FCT's key global carrier customers are Maersk, CMA CGM, APL, OOCL, Hapag Lloyd, Evergreen, China Shipping, YANG MING, COSCO and Hamburg Sued. FCT also serves a number of feeder lines, including Unifeeder, Samskip, Sea Connect, Team Lines, Swan and FESCO.

FCT's contracts entered into with the Russian agents of international main-line operators are typically priced in US dollars and settled in Russian roubles. Contracts entered into with the international main-line operators directly are entered into for cargo handling services only and typically priced and settled in US dollars. FCT's contracts with main-line operators generally require payment to be made within a period varying from 15 to 30 business days after the date of the invoice, which is typically issued two days after the date of shipping.

FCT's customer base also includes approximately 600 freight forwarders. FCT's contracts with forwarders typically have a one-year term and require payment within 10 business days after the date of the invoice. The invoice is typically issued one day after the date of shipping.

FCT's storage operations and other services are priced primarily in US dollars and settled in Russian roubles.

Property and equipment

FCT covers a total area of 89 hectares, with its four operating container quays totalling approximately 780 metres in length and a depth of up to 11.0 metres (excluding bank protection). FCT leases the site (other than the quays) from the City Property Management Committee of St. Petersburg pursuant to leases that will expire over the period between 2048-2056 or are for an indefinite term. FCT leases three of its operating quays from

Rosmorport under a long-term lease agreement which is currently due to expire in 2022, and one quay from the Arctic and Antarctic Research Institute under long term lease which is expires in December 2028).

FCT has 3.3 kilometres of internal railway tracks, which can accommodate up to 114 flatcars. The terminal has a container yard with 2,905 electrical reefer plugs for refrigerated containers. FCT predominantly uses straddle carrier and RTG technology for yard container handling operations.

Hinterland connectivity

FCT has good railway connections and direct access to major city roads with a proximity to the Western High-Speed Diameter road. The Group has arranged for regularly scheduled trains (referred to as block trains) to operate between FCT and LT, as well as to other destinations, to improve the rail transport options available to its customers.

PLP

Overview

PLP was the third largest container terminal in Russia by gross throughput in 2015, according to ASOP. It is located in the St. Petersburg harbour, Russia’s primary gateway for container cargo. In addition to container cargo, PLP also handles ro-ro cargo and bulk cargo.

Annual capacity and throughput

The table below sets out the gross throughput by cargo type for the periods indicated.

	Gross throughput			
	Years ended 31 December			Annual capacity as
Cargo type	2013	2014	2015	of 31 December 2015
Containers (thousand TEUs)	711	658	376	1,000
Cars (thousand units)	108	114	101	190
Ro-ro (thousand units)	24	23	13	20
Other bulk cargo (thousand tonnes)	458	520	662	900

PLP currently has significant capacity to increase annual throughput. In addition PLP operates the first large scale ro-ro facility in St. Petersburg.

Customers and contract terms

PLP’s key customers for container cargo include such main-line operators as Maersk, OOCL, COSCO, HANJIN, YANG MING, Hapag Lloyd, CMA CGM, Hamburg Sued and Evergreen and feeder lines, including Unifeeder, Samskip, Sea Connect and Team Lines.

PLP’s contracts entered into with the Russian agents of international main-line operators are typically priced in US dollars and settled in Russian roubles. Contracts entered into with the international main-line operators directly are entered into for cargo handling services only and typically priced and settled in US dollars. The Group’s contracts with main-line operators generally require payment to be made within a period varying from 9 to 30 business days after the date of the invoice, which is typically issued 3 days after the date of shipping.

As at 31 December 2015, PLP’s customer base also included more than 400 freight forwarders. PLP’s contracts with forwarders typically have a one-year term and require full upfront prepayment for any shipments. PLP’s storage operations and other services are priced primarily in US dollars and settled in Russian roubles. A relatively limited number of freight forwarders also pay in US dollars.

PLP’s significant customers for ro-ro cargo are Wallenius Wilhelmsen, DFDS, K Line, Transfennica and Mann Lines.

Property and equipment

The PLP terminal covers a total area of approximately 123 hectares, with 13 quays totalling 2,201 metres in length (excluding bank protection). The terminal has three dedicated container berths with a total length of approximately 680 metres and a depth of up to 11.5 metres. PLP owns 114.7 hectares and leases from the City of St. Petersburg the remaining 8.1 hectares of land underlying the terminal (pursuant to leases that will expire over the period between 2046-2056 or are for an indefinite term) and owns three dedicated container quays, with the remaining 10 quays leased from Rosmorport pursuant to leases that will expire over the period between 2053 and 2057. PLP has 7.0 kilometres of internal railway tracks, which can accommodate up to 162 flatcars at once. As at 31 December 2015, PLP had 3,630 reefer container plugs.

For yard operations, PLP relies predominantly on RTG technology, with 31 RTG units owned by PLP as of 31 December 2015.

Hinterland connectivity

The PLP terminal has good railway connections, direct access to major city roads, and has a direct access to the Western High-Speed Diameter road, which opened in October 2012. This road provides direct access to the St. Petersburg ring road and enables PLP's customers to avoid transporting cargo through inter-city traffic congestion. Since February 2011, the Group has arranged for regular scheduled trains (referred to as block trains) to operate between PLP and Yanino, as well as to other destinations, to improve the rail transport options available to its customers.

VSC

Overview

As at 31 December 2015, VSC was the largest container terminal in the Russian Far East Basin by container throughput, according to ASOP. It is located in the deep-water port of Vostochny near Nakhodka on the Russian Pacific coast, approximately eight kilometres from the Nakhodka Vostochnaya railway station, which is connected to the Trans-Siberian Railway. VSC was originally developed in Soviet times as Russia's primary eastern container shipping gateway and was one of only two purpose-built container terminals that were built in the Soviet Union.

Annual capacity and throughput

VSC's annual capacity as at 31 December 2015 was approximately 650 thousand TEUs. The terminal's gross container throughput in 2013, 2014 and 2015 was approximately 475 thousand TEUs, 475 thousand TEUs and 353 thousand TEUs, respectively.

In addition to containers, VSC handles coal. VSC operates a bulk coal cargo handling facilities with an annual capacity of approximately 1,000 thousand tonnes.

Customers and contract terms

VSC's main customers include FESCO, Sinokor, CMA CGM, Maersk, APL, HMM and Kamchatka Lines. Its customer base also includes more than 100 freight forwarders. With access to its terminal mainly by rail, VSC's contracts with forwarders typically have one-year term and require full upfront prepayment for any shipments. Invoices are settled in Russian roubles based on US dollar tariffs at the exchange rate effective as at the date of the invoice. Customers who dispatch import containers on block trains organised by VSC to railway stations within Russia enjoy longer free storage terms compared to the other customers. VSC's contracts with main-line operators for handling are standardised in all significant respects except for prepayments in certain cases. Contracts with a limited number of those customers require 100% and, in certain cases, 60% prepayment, with the remaining 40% to be paid 5 to 10 days after the invoicing date. Invoices are issued and settled in US dollars based on the US dollar denominated tariffs except for coastal main-line operators (cabotage), invoices for which are issued and settled in Russian roubles based on the Russian rouble denominated tariffs.

Property and equipment

The VSC terminal covers a total area of 72.2 hectares, with four dedicated container quays totalling 1,284 metres in length and a depth of up to 13.5 metres. VSC owns the freehold to the land underlying 68.7 hectares of its terminals and leases the quays from Rosmorport. The lease term is 49 years and started in 2012. VSC has 6.3 kilometres of internal railway tracks, which can accommodate up to 550 flatcars at once. As at 31 December 2015, VSC had 394 reefer container plugs.

For yard operations, VSC relies on a combination of RMG rail mounted gantry cranes and straddle carriers technology.

Hinterland connectivity

The VSC terminal has direct access to the Trans-Siberian Railway and more than 80% of cargo transported through VSC is delivered to and from the terminal by rail. The terminal also has access to all major highways in the region, providing it with road connections to Vladivostok and Khabarovsk. VSC's proximity to the Trans-Siberian Railway enables cargo to be delivered to the Central and Western parts of Russia, as well as to Europe and elsewhere in the CIS.

In recent years, VSC has taken a number of measures aimed at improving the transportation options available to its customers, including operating block-trains to service the terminal and increasing the total number of flatcars operated by VSC to 414, 394 of which were owned by the Group and 20 were leased as at 31 December 2015.

ULCT

Overview

ULCT is located in the large multi-purpose Ust-Luga port cluster on the Baltic Sea, approximately 100 kilometres westward from the St. Petersburg city ring road. ULCT began operations in December 2011 and, as at 31 December 2015, had annual gross container throughput capacity of 440 thousand TEUs.

The Ust-Luga port cluster is the most western port in the Russian hinterland. It is estimated to be the largest transportation infrastructure project in post-Soviet Russia and consists of several marine terminals and related infrastructure, providing the location for a critical mass of shipping related operations. The project has attracted significant state support, including for the development of the offshore navigational infrastructure as well as onshore infrastructure and utilities. ULCT is the only dedicated container terminal in the cluster. It is also well-positioned to service industrial cargo flows to/from the central region of Russia, providing shorter hinterland connections and better railway connectivity compared to other ports in the Baltic states.

The Group has an 80% effective ownership interest in ULCT. The remaining 20% ownership interest is owned by Eurogate, the international container terminal operator.

Annual capacity and throughput

ULCT's annual container handling capacity in 2015 was 440 thousand TEUs. ULCT's gross container throughput was 62 thousand TEUs, 104 thousand TEUs and 86 thousand TEUs in 2013, 2014 and 2015, respectively. ULCT has the potential to expand its annual container handling capacity to 2,600 thousand TEUs.

Customers and contract terms

ULCT's principal customers are main-line operators. It also serves a limited number of freight forwarders. ULCT's key customers include Maersk, APL, CMA CGM, Hapag Lloyd, Unifeeder, Team Lines, OOCL, FESCO and China Shipping.

ULCT's contracts entered into with the Russian agents of international main-line operators are typically priced in US dollars and settled in Russian roubles. Contracts entered into with the international main-line operators directly are entered into for cargo handling services only and typically priced and settled in US dollars. ULCT's contracts with main-line operators generally require payment to be made within a period varying from 15 to 30 business days after the date of the invoice, which is typically issued shortly after the date of shipping.

Property and equipment

ULCT covers a total area of 50.4 hectares, with two container dedicated quays totalling 440 metres in length and a depth of up to 13.5 metres. ULCT leases 50.4 hectares under long-term leases expiring between 2057-2061. ULCT has 4.6 kilometres of internal railway tracks. The terminal is designed to have 1,700 reefer plugs, of which 420 have been commissioned. ULCT relies substantially on the railway transportation of containers.

LT

Overview

LT is an inland container terminal near St. Petersburg providing a wide range of container freight station and dry port services. LT was launched in 2010 at a time of storage capacity constraints at FCT. LT is located approximately 17 kilometres from FCT and was primarily intended to provide an off-dock facility for FCT customers and increase its service offering, including stuffing and un-stuffing longer-term storage, and the ability to temporarily store large volumes of goods. LT has good road and railway connections.

LT's service offering includes off dock storage of laden and empty containers, dry port services, cleaning for both dry and reefer equipment as well as stuffing and un-stuffing containerised cargoes. LT also offers arrangements for block-trains deliveries both to and from the terminal.

The Group has a 100% effective ownership interest in LT.

Annual capacity and throughput

LT's gross container throughput in 2013, 2014 and 2015 was 95 thousand TEUs, 89 thousand TEUs and 110 thousand TEUs, respectively. LT's annual container handling capacity in 2013, 2014 and in 2015 was 200 thousand TEUs. Bulk cargo throughput for the same periods was approximately 240 thousand tonnes, 285 thousand tonnes and 273 thousand tonnes, respectively.

Customers

In addition to servicing FCT, LT independently serves both agents of shipping lines and forwarding companies. LT's key customers include Rhinotrans, Yusen Logistics, Translogistics, IBS, Sea Express, Bertschi, Silmar, Fintrans, MSC, CMA CGM, OOCL and Maersk.

Property and equipment

LT owns 90 hectares of land, of which approximately two-thirds is currently utilised. The terminal comprises container yards with an annual container handling capacity of 200 thousand TEUs, 50 reefer container plugs, one heated warehouse of approximately 10,000 square metres, and one unheated warehouse of approximately 6,000 square metres. LT has a customs office which enables import laden containers to be transported between FCT and LT prior to customs clearance.

The Group's joint venture interests

Moby Dik

Overview

Moby Dik is located on the St. Petersburg ring road, approximately 30 kilometres from St. Petersburg, at the entry point of the St. Petersburg channel. It is the only container terminal in Kronstadt and is located approximately 70 kilometres from the inland terminal in Yanino, to which it is connected by the St. Petersburg city ring road.

Annual capacity and throughput

Moby Dik's annual container handling capacity as at 31 December 2015 was approximately 400 thousand TEUs. The terminal's gross container throughput in 2013, 2014 and 2015 was approximately 219 thousand TEUs, 228 thousand TEUs and 169 thousand TEUs, respectively.

The Group believes that Moby Dik can expand its annual container handling capacity to approximately 500 thousand TEUs with relatively small additional capital investment, depending on the market demand for container handling services.

Customers and contract terms

Moby Dik's largest customers are Containerships, a subsidiary of the Group's strategic partner, Container Finance (see "*—Strategic partner*"), Maersk and CMA CGM.

Moby Dik's contracts with shipping lines have one-year terms with automatic renewal provisions and require payment for cargo handling two weeks after the date of invoice, which is typically issued 12 days after the date of shipping. Payment for storage and additional services is required each month. For most customers services are priced and settled in Russian roubles, however, services are priced and settled in US dollars for Container Finance.

Property and equipment

The Moby Dik terminal covers a total area of 15.1 hectares, of which 8.1 hectares are leased from state authorities pursuant to several long-term lease agreements, some of which expire in years 2053 - 2062, and the remaining 6.9 hectares is owned by Moby Dik. It has two dedicated container berths totalling 321 metres in length with a depth of approximately 10 metres. Moby Dik's berths are currently leased under long-term leases from the Committee for Property Management of St. Petersburg and expire in 2055 and 2062. As at 31 December 2015, Moby Dik had 504 reefer container plugs.

For yard operations, Moby Dik predominantly relies on RTG technology.

Hinterland connectivity

The Moby Dik terminal has a direct link with the St. Petersburg city ring road offering easy access to St. Petersburg and the Group's inland terminal, Yanino. Although Moby Dik has no direct rail link, its customers can gain access to rail transport via the Yanino inland terminal, located approximately 70 kilometres away by road.

Strategic partner

The Group holds a 75% effective ownership interest in Moby Dik pursuant to a strategic partnership with Container Finance, which owns the remaining 25% ownership interest. Container Finance is a Finnish business that, through its subsidiary Containerships, operates a leading inter European line business in the Baltic and has an extensive knowledge of container market trends in that region. This strategic partnership also governs the operation of the Finnish Ports. Containerships is also Moby Dik's most significant customer. Moby Dik was formerly wholly-owned by Container Finance and is used by Containerships as a base to distribute its intra-European door-to-door services.

Yanino

Overview

Yanino is one of the few multi-purpose container logistics complexes in Russia providing a broad range of container and logistics services at one location. The terminal has good road and railway connections, being connected to the St. Petersburg city ring road and having access to an existing railway spur. Yanino is located approximately 70 kilometres from the Moby Dik terminal in Kronstadt and approximately 50 kilometres from PLP and FCT.

Yanino provides access to containerisation for small and medium sized producers of export goods, which is intended to increase container volumes at the Group's other terminals in the region, because smaller lots of goods can be handled at Yanino, without having to transport the goods first to a port terminal for container stuffing.

Yanino offers both container storage and unstuffing services for importers. Because of Yanino's rail and road connectivity, these customers are able to dispatch their products to the distribution network straight from the Yanino Logistics Park, without having to transport the goods to any intermediaries.

Annual capacity and throughput

Yanino has a total annual container handling capacity of approximately 200 thousand TEUs and a total annual general cargo handling capacity of approximately 400 thousand tonnes. The Group estimates that, currently, Yanino has potential to develop an annual container handling capacity of approximately 400 thousand TEUs and a total annual general cargo handling capacity of approximately 1,000 thousand tonnes.

Yanino commenced full operations in 2010. Its gross container throughput in 2013, 2014 and 2015 was approximately 63 thousand TEUs, 89 thousand TEUs and 107 thousand TEUs respectively, and bulk cargo throughput for the same periods was approximately 304 thousand tonnes, 319 thousand tonnes and 309 thousand tonnes, respectively.

Customers

Yanino's major customers include CMA CGM, Containerships, Unifeeder, Hapag Lloyd, APL, MSC, as well as other logistics companies and end-customers, including Hyundai Merchant Marine and Nissan.

Property and equipment

The terminal has a total area of 51.2 hectares, of which it holds the freehold title to 49.8 hectares with the remainder leased. The terminal comprises container yards with 120 reefer container plugs, a 38,000 square metre open storage area for bulk cargo, and a 23,205 square metre Class C unheated warehouse. Yanino has approximately 4 kilometres of internal railway tracks.

Yanino primarily relies on RTG technology for containers and on fork lifts and loaders for other cargo.

Hinterland connectivity

The Yanino terminal has a direct link to the St. Petersburg city ring road and a railway spur, connecting it to the Russian rail network. Since 2011, the Group has arranged for a regular block train service to operate between Yanino and PLP, as well as to / from several destinations in the European part of Russia. Typically, Yanino uses these trains to receive cargo directly from its customers' facilities and to transport cargo on to PLP.

Strategic partner

The Group holds a 75% effective ownership interest in Yanino pursuant to a strategic partnership with Container Finance, which holds the remaining 25% effective ownership interest.

VEOS

Overview

VEOS is an oil products terminal located in Estonia. VEOS handles mainly Russian, Belorussian and Kazakh fuel oil and vacuum gas oil directed by railway, as well as accommodates deliveries by ships from various destinations in the Baltic, and is the largest independent oil products terminal in the Baltic Sea Basin.

To improve transportation options for its customers, VEOS, through one of its subsidiaries, transports cargo by railway from the Russian Estonian border to the terminal.

Storage capacity, throughput and receiving capacity

The VEOS terminals had a combined storage capacity of approximately 1,026 thousand cbm as at 31 December 2015, comprising 78 tanks, of which 821 thousand cbm is heated and can be used to store dark oil products and 205 thousand cbm can be used to store light oil products. The terminals provide segregated storage of different types of light and dark oil products, which allows for blending to create custom products required by customers.

VEOS's gross throughput in 2013, 2014 and 2015 was approximately 9.7 million tonnes, 6.9 million tonnes and 4.9 million tonnes, respectively.

Customers and contract terms

VEOS's customers include the major CIS oil suppliers and international oil trading companies.

Contracts for throughput and storage typically have a one year term. Rates for throughput (per metric tonne of oil products handled) typically depend on product, throughput volumes, delivery method and seasonality, with payments to be effected within seven to 15 days from the bill of lading date. Rates for storage (per cubic metre of rented storage capacity) are to be paid monthly over the period between the 30th day of the month preceding the rental month and the 15th day of the rental month. The actual storage payment schedule varies depending on the customer.

Property and equipment

The VEOS terminals span a land area of 131.2 hectares, of which 67.6 hectares are owned by VEOS, and the remaining 63.6 are used under long-term building title agreements expiring between 2032 and 2061. VEOS also uses the quays at the port of Muuga under three cooperation agreements and personal right of use agreements with Tallinna Sadam AS (the port of Tallinn), the operator of the port of Muuga, expiring in 2020 (with an option to extend for an additional ten years), 2032 and 2034. Under these arrangements, VEOS pays fixed building title fees semi-annually and monthly fees based on its throughput volumes.

VEOS owns 39 kilometres of internal rail tracks, which can accommodate up to 2,300 rail tank cars. The terminal infrastructure includes 442 advanced unloading positions, with capacity to unload over 1,000 rail tank cars (60,000 metric tonnes) per day in the winter season and over 1,500 rail tank cars (90,000 metric tonnes) per day in the summer season.

Customers' rail tank cars are transported between the Estonian border and the VEOS terminals by one of VEOS's subsidiaries. This subsidiary operates a fleet of its own locomotives, and uses railway infrastructure under a general terms contract with Eesti Raudtee AS (Estonian Railways), a company operating the Estonian railway infrastructure. Eight main-line locomotives are owned and locomotives are rented from third parties when required.

Heavy fuel oil requires specialised handling and heating equipment, including insulated tanks and pipelines to liquefy fuel oil or vacuum gas oil. VEOS operates several steam boilers for the heating of railcars and shore tanks, which allows for one or two boilers to be taken offline for repair if necessary without disrupting service. At low ambient temperatures, particularly in winter, discharging fuel oil is more challenging and requires more time than at higher ambient temperatures.

Hinterland connectivity

VEOS has access to railway system delivery and has significant railcars unloading capacity. Its terminals also include good road connections.

Competition

VEOS can offer customers equal treatment and trading opportunities not available at terminals associated with particular traders or vertically integrated oil companies.

The Group believes that the combination of the largest storage capacity for dark petroleum products together with the advanced port infrastructure provides VEOS with a strong platform to provide its services in the Baltic basin.

Strategic partner

The Group holds a 50% effective ownership interest in VEOS pursuant to a strategic partnership with Royal Vopak, which holds the remaining 50% ownership interest. Royal Vopak is a global market leader in independent storage and handling of liquid, oil products, chemicals, vegetable oils and liquefied gases and currently has 74 terminals in 26 countries worldwide with a combined storage capacity of more than 34.4 million cubic meters.

The Finnish Ports

Overview

The Group's interests in MLT Kotka and MLT Helsinki were acquired in 2007, together with its interest in the Moby Dik terminal.

MLT Kotka operates in the port of Kotka in Finland and mainly serves Russian import and Finnish export cargo flows. MLT Helsinki operates in the port of Vuosaari in Finland and focuses primarily on Finnish import and export cargo flows.

Annual capacity and throughput

Annual capacity for MLT Kotka and MLT Helsinki as at 31 December 2015 was approximately 150 thousand TEUs and 270 thousand TEUs, respectively. The Group believes that there is a potential to expand MLT Kotka's annual container handling capacity further, subject to market demand for container handling services. The gross container throughput for the Finnish Ports in 2013, 2014 and 2015 was approximately 224 thousand TEUs, 251 thousand TEUs and 272 thousand TEUs, respectively.

Customers and contract terms

The Finnish Ports' significant customers include Containerships, Hapag Lloyd and CYKH Alliance.

The Finnish Ports' contracts with their customers typically remain in force until they are terminated by either party upon three months' notice and include provisions for the annual renegotiation of rates. These contracts do not include volume guarantees and do not provide for spot pricing. Payments are made in euro.

Property and equipment

The MLT Kotka terminal covers a total area of approximately six hectares, with two quays of 500 metres in length and a depth of 10 metres. MLT Kotka leases the land underlying the terminal from the port of Kotka under a lease agreement that runs indefinitely, subject to any party giving six months' notice to terminate.

The MLT Helsinki terminal covers a total area of seven hectares, with two quays totalling 300 metres in length and with a depth of 11 metres. MLT Helsinki can use the land underlying this terminal for the period of the agreement between MLT and the port of Helsinki, initially for a fixed term of five years, expiring in 2018, with an additional five-year renewal period subject to the approval of the port of Helsinki. As at 31 December 2015, MLT Helsinki had a reefer container yard with 108 plugs and MLT Kotka had a small reefer container yard with eight plugs.

Hinterland connectivity

The Finnish Ports have good road and rail connections in Helsinki and Kotka, including two railway lines for use by MLT in Vuosaari and one in Kotka.

Competition

Together, the MLT Finnish Ports comprise the second largest operator amongst three competitors in the same region, including Steveco Oy and Finnsteve Oy. Steveco Oy has close relationships with the paper industry in Finland, and Finnsteve Oy is controlled by Grimaldi, an Italian shipping company, through Finnlines Plc. Finnsteve Oy operates in Helsinki (Vuosaari) and in Turku, but not in Kotka.

Strategic partner

The Group holds a 75% effective ownership interest in the Finnish ports pursuant to the strategic partnership agreement with Container Finance, which holds the remaining 25% effective ownership interest.

EMPLOYEES

The table below sets out the total number of employees in each of the Group's terminals, excluding joint venture terminals, as at 31 December 2013, 2014 and 2015.

Terminal	As at 31 December 2013	2014	2015
FCT	940	890	797
PLP	1,232	1,014	893
VSC	631	626	619
ULCT	212	250	212
LT	157	123	125
Group holding companies	40	78	98
Total	**3,212**	**2,981**	**2,744**

The Group's employees are engaged under a variety of employment arrangements, including as direct hires pursuant to collective bargaining agreements. Because the companies in the Group are separate legal entities, each relevant Group company enters into collective bargaining arrangements with trade unions separately.

More than 40% of the employees of the Group are members of a trade union. The Group is not party to any collective employment disputes and there have been no strikes or other cases of industrial action at the Group's facilities during the last five years that have caused material disruption of the Group's business.

Certain low-skilled routine works are outsourced to third parties. In addition, certain security services to related parties.

The Group offers training programmes for employees in safety engineering, fire safety and first aid, as well as equipment training on new and existing equipment and administrative training for accounting, bookkeeping and English language skills. The Group encourages its technical staff to become multi-skilled, which has also allowed the Group to further optimise the size of its workforce.

In addition to wages, the Group typically incentivises workers through bonus programmes. Bonuses are based on various criteria, including the employee's job performance, length of service and the financial and operational performance of the terminal.

INFORMATION TECHNOLOGY

The Group uses several different IT systems at its terminals due to operational differences and the history of the Group's development. In general, at each terminal, the IT systems consist of terminal operating systems and accounting applications, which provide the terminal with data for general management and container handling, strategic planning and analysis, management decision making and financial reporting.

INSURANCE

The insurance industry in the Russian Federation is in the process of development, and many forms of insurance coverage common in developed markets are not yet generally available or not available on commercially acceptable terms. The Group's general policy is to procure the mandatory insurance amounts and policies required by applicable law as well as certain other non-mandatory types of insurance. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's insurance policies may be insufficient to cover certain losses*".

Industrial companies in Russia must maintain mandatory liability insurance for damages caused as a result of exploitation of dangerous industrial objects, hydrotechnical infrastructure, and certain other similar types of insurance. The Group currently has all insurance policies it is required to have by applicable law. These insurance policies include cover for third party liability arising out of the operation of certain of the Group's facilities in Russia, mandatory motor vehicle insurance, and certain other types of insurance. In addition to mandatory insurance, the Group has insurance cover in respect of risk of damage to or loss of its owned and leased property, such as buildings, facilities and equipment, against events such as fire, lightning, gas explosions, natural disasters, damage caused by water, theft and malicious acts of third parties. The Group also maintains business interruption insurance policies for VEOS and the Finnish Ports. The Group maintains insurance policies with some of the leading Russian insurance companies such as Sogaz, Voenno Strakhovaya Kompaniya (VSK), Reso-Garantiya, ERGO-RUS and AlfaStrakhovanie. The Group renews its insurance policies annually in the ordinary course of business on commercially reasonable terms, conditions and rates.

SAFETY AND ENVIRONMENT

Safety

Protection of the environment and the safety and health of the Group's employees, customers and suppliers is an integral part of the Group's activities. The Group is committed to continuous improvement in processes to manage safety, health and environmental performance. The Group uses best practices and applies international safety standards for checks, controls and follow-up procedures on accident reporting, recommendations and action plans.

Employee safety and fire prevention are key objectives of the Group. The Group monitors its activities to ensure strict compliance with applicable safety requirements and proper qualification and certification of all personnel involved in handling dangerous and hazardous cargo. Fire control instructions are distributed to all employees, who also undergo ongoing fire control training. The management of each terminal has put in place emergency action plans, and fire control departments check equipment at each terminal on a continual basis.

While the Group endeavours to maintain high standards of health and safety, accidents at the Group's facilities occur from time to time with very few of them found to have occurred at the Group's fault. Since the beginning of 2010, 104 accidents have been reported one of which resulted in a fatality for which the terminal of the Group was found not to be at fault.

Environment

The Group aims to be a market leader in environmental control by reducing pollution and maximising efficiency of energy consumption. Its key environmental initiatives include building sewage water treatment plants, frequent chemical analysis of wastewater, regular clearing of terminal water areas, implementing emergency action plans at each terminal, energy consumption control and energy saving initiatives, including replacing older equipment with new more environmentally friendly and energy efficient equipment.

The Group is subject to environmental laws and regulations in Russia and certain of its joint ventures are subject to such laws in Estonia and Finland. The Group believes that it is in material compliance with all environmental laws and regulations to which it is subject. The Group believes that it holds all necessary environmental licences and permits, including licences for the use of water resources, permits for water discharges, air emissions, waste disposal and waste management, and other licences for operations at its facilities.

The Group also believes that it holds all necessary licences required for loading and off-loading hazardous cargo in sea ports, loading and off-loading hazardous cargo onto and from railway vehicles, sea towing and handling hazardous waste and gathering, utilisation, disposing, transportation and distribution of hazardous wastes. See "*Regulation—Licensing*".

LICENCES

The Group believes that it has all necessary licences and permits required for its activities relating to sea port operations and oil handling, including licences concerning safety, security and handling hazardous materials, permits for ambient air pollution, the special use of water for sewage and the gathering, utilisation, disposal, transportation and distribution of waste, and licences for certain other corresponding services performed by the Group's companies. See "*Regulation—Licensing*".

INTELLECTUAL PROPERTY

The Group has registered the "Global Ports" logo as a trademark in Russia, Armenia, Georgia, Kyrgyzstan, Turkmenistan, Ukraine, Belarus, Moldova, China, the countries of the European Community, the United States, Cyprus and the Republic of Korea in respect of a number of classes of goods and services. It has also filed the "Global Ports" logo as a trademark in the Democratic People's Republic of Korea, Turkey and certain other countries in respect of a number of classes of goods and services. The "Petrolesport" logo has been registered as a trademark in Russia in respect of Class 39 of International Classification of Goods and Services with the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation on 6 September 2004 with a trademark priority commencing on 23 March 2004. The registration is valid until 23 March 2024. Other logos identifying operational subsidiaries have not been registered. The Group maintains the registration of the internet domain name globalports.com.

The Group does not hold any proprietary patents or patent applications, although as is common in the container ports and oil handling industry, the Group relies on a number of relevant trade secrets and know-how concerning its business and operations. The Group also uses multiple electronic systems allowing it to monitor warehousing, location and movement of cargoes.

LITIGATION AND OTHER PROCEEDINGS

In the ordinary course of business, the Group has been, and continues to be, the subject of legal and arbitration proceedings and adjudications from time to time, which may result in damage awards, settlements or administrative sanctions including fines. There are no, and in the previous 12 months, have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), which individually or in the aggregate may have, or have had in the recent past, a significant effect on the Group, its financial position or profitability.

DESCRIPTION OF JOINT VENTURE ARRANGEMENTS AND OTHER SHAREHOLDER AGREEMENTS

Container Finance Shareholders Agreements

Overview

The Company is party to two shareholders agreements with Container Finance Ltd Oy ("**Container Finance**"), each entered into on 19 August 2008, as amended. The first is an agreement between the Company, Container Finance and Multi-Link Terminals Limited (Ireland) ("**Multi-Link**"). The second is an agreement between the Company, Container Finance and CD Holding Oy (Finland), formerly known as Container Depot Ltd Oy ("**CD Holding**", and, together with Multi-Link the "**CF-JVCs**", each a "**CF-JVC**"). These agreements were amended by a Deed entered into on 23 May 2013. These agreements replaced two previous shareholders agreements entered into on 23 October 2007.

Multi-Link is the holding company for Multi-Link Terminals Ltd Oy (Finland), a company that operates port terminals in Helsinki and Kotka, Finland; for Moby Dik OOO, a company that operates a port terminal in St. Petersburg; for Kran-1 OOO, Kran-2 OOO and Kran-3 OOO, which own container handling cranes and lease them to Moby Dik; and for a 50% interest in Niinisaaren Portti Osakeyhtiö Oy ("**NiPO**"), which leases a gate facility to Multi-Link Terminals Ltd Oy in the port of Helsinki, Finland. The other 50% of NiPO is held by Steveco Oy, a competitor in Finland.

CD Holding is a holding company for Yanino Logistics Park OOO, which owns, develops and operates a logistics park in the Yanino village near St. Petersburg, Container Depot East OOO and Cargo Connexion East OOO, which currently have no operations.

Contribution of shareholders

Each of the agreements provides that each of Multi-Link and CD Holding is owned as to 75% by the Company and as to 25% by Container Finance.

Under the agreements, Container Finance has granted a call option exercisable by the Company at any time from 1 January 2012 to 31 December 2018 to purchase 25% of the shares in each of Multi-Link and CD Holding, as the case may be, for a price determined in accordance with the agreement, provided that as a result of the exercise of, and completion under such option, the Company will be the owner of 100% of the shares in Multi-Link and CD Holding, as the case may be.

Conduct of business

Except in relation to matters specifically reserved for each of the board and the shareholders under the agreements, the managing director of each of Multi-Link and CD Holding is responsible for the day-to-day activities of the business, while the overall business is supervised and under the direction of the board, except as required by applicable law.

The shareholders agreements provide that each board is to consist of three directors appointed by the Company and two directors appointed by Container Finance, and neither shareholder can remove a director appointed by the other. The quorum for board meetings is four directors (including at least one director appointed by each of the Company and Container Finance) present when the relevant business is transacted.

The managing director is appointed and shall only be dismissed based on instructions given by the Company. The chief financial officer of each of Multi-Link and CD Holding is appointed by a unanimous decision of both the Company and Container Finance from the candidates proposed by Container Finance only. Each party has the right to dismiss the chief financial officer of each of Multi-Link and CD Holding at any time.

In each shareholders agreement certain matters are reserved to the board and require its unanimous consent in respect of Multi-Link or CD Holding, as the case may be, including:

- borrowing, lending, raising money; incurring capital expenditure; entering into any contract, liability, commitment or other transactions or arrangements by or in respect of the CF-JVC; in an amount or with a value (i) in excess of USD3,000 thousand if based on a specific provision of the business plan or the budget or (ii) in excess of USD300 thousand if not based on a specific provision of the business plan or the budget;

- approving and modifying the terms and conditions for the delegation of authorities of the managing director, chief financial officer or chief accountant or adopting or varying material policies in respect of employees' remuneration, employment terms and/or pension schemes of the CF-JVC that result or are reasonably likely to result in an expenditure in excess of USD300 thousand unless based on a specific provision of the business plan or the budget;

- establishing or closing any branches or representative offices or incorporating any subsidiaries of the CF-JVC resulting in an expenditure in excess of USD300 thousand unless based on a specific provision of the business plan or the budget;
- the CF-JVC entering into any contract, liability or commitment which continues for more than one year;
- major decisions relating to the conduct (including the initiation or settlement) of any legal proceedings to which the CF-JVC is a party, where the amount claimed (either against or by the CF-JVC) in such proceedings exceeds USD300 thousand;
- approving the budgets and business plans for the CF-JVC and the CF-JVC entities;
- any transaction by the CF-JVC with any of its shareholders or any of their affiliates including without limitation any distribution of funds whether as group contribution or otherwise by the CF-JVC to any of its shareholders or any of their affiliates;
- creating any encumbrances of any nature in respect of the CF-JVC's undertaking, property or assets (i) if not based specifically on the business plan or the budget in an amount in excess of USD300 thousand or (ii) if based specifically on the business plan or the budget in an amount in excess of USD3,000 thousand;
- making any material decision relating to the business of the CF-JVC being outside the ordinary course of business and not reflected in the business plan or the budget; and
- the CF-JVC entering into transaction, contract or arrangement not being at arm's length terms.

In addition, certain matters in each CF-JVC shareholders agreement are reserved to the vote of the shareholders and require unanimous shareholder approval, including:

- altering the memorandum and articles of association or other constitutional documents of the CF-JVC;
- changing the authorised or issued share capital of the CF-JVC, splitting and/or consolidating the shares, altering any of the rights attaching to the shares, repaying any amount standing to the credit of any share premium account or capital redemption reserve fund or capitalising any reserves;
- merging or consolidating the CF-JVC with another entity or demerging the CF-JVC;
- materially changing the nature or scope of the business of the CF-JVC;
- the CF-JVC declaring or paying any dividend or distribution;
- election or removal of members of the board;
- election and removal of management of the CF-JVC entities;
- appointing or removing the CF-JVC auditors;
- any proposal to wind up the CF-JVC or commence any other voluntary proceeding seeking liquidation, examinership, reorganisation, readjustment or other relief under any bankruptcy, insolvency or similar law or the consent by the CF-JVC to a decree or order for relief or any filing of a petition under such law or to the appointments of a trustee, examiner, receiver or liquidator or any other voluntary action by the CF-JVC in furtherance of its bankruptcy, reorganisation, examinership, liquidation, dissolution or termination of its corporate status;
- borrowing, lending or raising money; incurring any capital expenditure; entering into any contract, liability or commitment; acquiring or disposing of or entering into any transaction or arrangement that may lead to acquiring or disposing of any undertaking, property (including real estate) or assets; creating any encumbrances of any nature in respect of all or any material part of the CF-JVC's undertaking, property or assets; acquiring or disposing of any business (or any material part of any business) or of any securities or participatory interests in any company in excess of USD10,000 thousand;
- the CF-JVC entering into (or terminating) any partnership, joint venture, profit-sharing agreement, material technology licence or collaboration;

- the CF-JVC issuing bonds or other securities;
- approving the CF-JVC's statutory accounts;
- adjusting or altering the accounting policies, the way the accounting policies are adopted by the CF-JVC and the basis upon which the annual profit and loss account and balance sheet of the CF-JVC and CF-JVC entities is prepared except (i) as required by applicable laws and regulations and (ii) the change of accounting principles agreed in business plan and in the CF-JVC shareholders' agreement itself;
- material financial assistance, interest-bearing or interest-free loans and other related assistance by the CF-JVC to shareholders, directors of the management of the CF-JVC entities or members of their groups; and
- exercising the voting rights in respect of the CF-JVC entities in which the CF-JVC directly holds an interest on the matters set out in the first eleven bullets above (save that for this purpose references in such paragraphs to the CF-JVC shall be construed as references to the relevant CF-JVC entity).

Distribution of dividends

Subject to the restrictions approved by Container Finance and the Company imposed by the external debt financing of Multi-Link and CD Holding, as the case may be, if Multi-Link and/or its entities or CD Holding and/or its entities at any time in the year 2012 or thereafter has profits available for distribution relating to the preceding financial year, Container Finance and the Company shall cause, at the request of Container Finance, Multi-Link and/or its entities or CD Holding and/or its entities, as the case may be, to distribute to the shareholders dividends in their respective equity proportions, up to 75% of the annual profit in aggregate, as requested by Container Finance.

Except for as set out above, any payment of dividends, and any other decisions relating to the dividends or distribution of profit by Multi-Link or its entities or CD Holding or its entities, as the case may be, shall be subject to the approval of all shareholders of Multi-Link or CD Holding to the fullest extent permitted by applicable laws.

Change of control

Acquisition of a controlling interest in any shareholder by a third party which is not a member of the shareholder's group requires that shareholder to notify the other shareholder of the change of control.

Under the shareholders agreements, controlling interest is defined as meaning the acquisition of more than 50% of the voting share capital of the relevant undertaking; the ability to cast more than 50% of votes exercisable at general meetings of the relevant undertaking on all or substantially all, matters; the right to appoint or remove directors holding a majority of voting rights at meetings of the board of the relevant undertaking on all, or substantially all, matters; or any other power to exercise a dominant influence over the relevant undertaking.

Transfers

The agreement permits sale of all (but not some) of a party's interest to a third party, subject to the right of first refusal and tag along rights described below as well as the third party agreeing to be bound by the agreement. If a party proposes to sell to a third party, then each other party to the agreement has a right of first refusal to acquire the selling party's interests at the third party price. In addition, such other party, if it does not exercise its right of first refusal, has tag along rights to require, as a condition to the sale to the third party, that such third party also acquire its interest on the same terms. The agreement also includes a "shoot out" provision under which, if one party offers to buy out the other party's interest at a specified price, such other party has the option of either accepting that offer or acquiring the offering party's interest at the same price as provided in the initial offering party's offer.

Duration

Each agreement will remain in full force and effect for so long as at least two shareholders not of the same group continue to hold the Multi-Link or CD Holding shares, as the case may be.

VEOS shareholders agreement

Overview

The VEOS strategic partnership is governed by a shareholders agreement entered into on 23 April 2008, as amended and restated on 30 July 2008, by TIHL, its then wholly-owned subsidiary Intercross Investments B.V. ("**Intercross**"), the Company, Vopak Holding International B.V. ("**VHI**"), Tankmaatschappij Dipping B.V.

(“**Vopak**”) and VEOS. Each of Intercross and Vopak is a holding company with a direct 50% interest in VEOS. The obligations of Vopak under the shareholders agreement are guaranteed by VHI.

The VEOS strategic partnership was first created pursuant to a previous shareholders agreement and related framework agreement, both entered into on 23 April 2008 by TIHL, Intercross, VHI and Vopak, among others. Pursuant to these agreements, VEOS was controlled by TIHL as to 75% and by Royal Vopak as to 25%. This was effected by Vopak’s contribution to EOS of a 100% interest in Pakterminal, a wholly-owned subsidiary of Royal Vopak, in exchange for consideration consisting of EOS shares issued to Royal Vopak and representing 25% of the share capital of EOS (now VEOS). Pursuant to Royal Vopak’s concurrent exercise of its call option under the shareholders agreement, the Group sold an additional 10% interest in EOS to Royal Vopak for USD31.7 million. Following these transactions, the Group and Royal Vopak held 65% and 35%, respectively, of EOS. In July 2008, Royal Vopak exercised an additional call option and purchased a 15% interest in VEOS from the Group, thereby reducing the Group’s interest in VEOS to 50%. See “*Presentation of Financial and Other Information*” and “*Description of the Business of the Group—History and development*”.

Purpose of agreement and contribution of shareholders

The agreement provides that VEOS is owned by Intercross and Vopak in equal 50% shares.

The business of VEOS and of its subsidiaries is to undertake terminal activities for liquid and gas products (but excluding container transportation and/or container transhipment) with respect to Estonia and the Russian Baltic coastline.

The agreement does not require the Company or Vopak to contribute funds to the VEOS business or participate in any guarantee or similar undertaking.

Conduct of VEOS business

Under the agreement, the management board is responsible for the day-to-day activities of the business, while the overall business is supervised and under the direction of the council and the Company and Royal Vopak, except as required by applicable law.

The agreement provides that the council shall consist of six members, and in any event a minimum of three, divided into a certain number of members appointed by the Company and by Royal Vopak, according to a sliding scale of each party’s interest in VEOS. With each of the Company and Vopak holding a 50% interest in VEOS, the council currently consists of three members appointed by each of the Company and Royal Vopak. Members are appointed for a term of three years and may be re-elected.

The quorum for council meetings is a simple majority of council members, with at least one council member nominated by each shareholder being present.

Certain matters are reserved to the council and require its unanimous consent, including:

- adoption and amendment of the accounting principles of the companies of VEOS group;
- cessation of any business activity that generates in excess of USD500 thousand turnover, or winding-up, or participation in any reorganisation or amalgamation;
- lending of any money to or acquiring of any securities from (A) a subsidiary of VEOS, or (B) third parties (for these purposes being a party that is not a subsidiary of VEOS) in each case in excess of USD500 thousand;
- giving of any guarantees, suretyships or indemnities (A) if in respect of the obligations of a VEOS entity, in excess of USD500 thousand for the same matter or related matters, and (B) if in respect of the obligations of a third party, in excess of USD500 thousand for the same matter or related matters;
- entering into of any financing arrangement (other than a guarantee, suretyship or indemnity), including any borrowing of money, finance lease or operating lease, in excess of USD500 thousand and less than USD10,000 thousand;
- entering into, amendment, or termination of any commercial storage contracts or other contracts, obligations and undertakings with a total value (A) in excess of USD10,000 thousand, unless in the ordinary course of business, and (B) in excess of USD30,000 thousand, if in the ordinary course of business;
- expansion outside the tank terminal business, except for development of railway operations;

- formation of any VEOS subsidiary or the opening or establishing of any branch office or representative of VEOS;
- appointment, suspension and dismissal of the directors and their successors, and their remuneration;
- adoption of an annual business plan and any material amendment thereof;
- adoption of the annual capital and operating budgets and any material changes therein (with exception to the 2008 capital and operating budget);
- taking of decisions of single items in the approved annual capital budget exceeding USD3,000 thousand;
- undertaking of any specific project not covered by a plan or a budget approved by the council;
- providing for any charities, grants, gifts, sponsorship or concluding other transactions of such nature;
- any change in the functional currency of VEOS or any VEOS entity;
- entering into, amendment or termination of any related party transaction, other than at arm's length in the ordinary course of business;
- taking of any decision to the extent that the matter to which the decision relates meets both of the following criteria: (A) is not covered by a respective budget and/or business plan approved by the council, and (B) involves an amount in excess of USD5 thousand in aggregate;
- drawing, acceptance or endorsement of any bill of exchange other than a cheque drawn by VEOS in the ordinary course of business;
- unbudgeted acquiring of assets, property (including real estate) or equity interests in another person for any consideration, or granting any option for such acquisition;
- unbudgeted disposal of assets with any book value;
- any unbudgeted borrowing of money (with or without security);
- approval of interim and annual financial statements of VEOS;
- incurring of any capital expenditure of VEOS in respect of any item or project in an amount from USD100 thousand up to and including USD10,000 thousand;
- any decision relating to the conduct (including the settlement) of any legal proceedings to which VEOS is a party, where the amount claimed in such proceedings exceeds USD100 thousand;
- approving and modifying of the terms and conditions for the delegation of authorities of the directors of VEOS;
- adopting (or varying) of material policies in respect of employees' remuneration, employment terms and/or pension schemes of VEOS;
- forming of policies in relation to the environment and health and safety issues for VEOS;
- making of any acquisition or disposal (including any acquisition or grant of any licence) of or relating to any material intellectual property rights;
- creating of any encumbrance of any nature in respect of all or any material part of the VEOS's undertaking, property or assets;
- resolving of any other matter (other than any reserved shareholders matter) that the council considers appropriate; and
- acquiring or disposing of any undertaking, property or assets by VEOS in an amount in excess of USD500 thousand and no more than USD10,000 thousand.

In addition, certain matters are reserved to the vote of the shareholders and require unanimous shareholder approval, including, among other matters:

- alteration of the articles of association or authorised or issued share capital of any VEOS group member;
- steps in relation to winding up, insolvency or other similar proceedings;

- restructuring of any VEOS group members;
- appointment, re-appointment or removal of the auditors; and
- approving or varying the business plan.

Distribution of dividends

Any payment of dividends and any other decisions relating to the dividends or distribution of profits, by VEOS and its subsidiaries shall be subject to the approval of a duly convened general meeting of the shareholders to the fullest extent permitted by applicable laws.

Unless it has the prior written consent of the Company and Royal Vopak, VEOS shall not declare any dividends until all amounts owed under certain shareholder loans are repaid. By December 2010, these shareholder loans were repaid in full.

Subject to relevant restrictions under applicable law and financing arrangements, the parties to the shareholder agreement, unless they otherwise agree in writing, shall also take all steps to ensure that, in each financial year, VEOS distributes to the Company and Royal Vopak, proportionate to their respective equity stakes at the time of distribution, 100% of its net profit that is available for distribution in accordance with applicable law for the respective financial year.

To the extent possible, VEOS's net profit that is available for distribution in accordance with applicable law for a financial year will be distributed four months after the end of that financial year, but in any event immediately after approval of the relevant annual accounts.

Change of control

In the case of a change of control of any shareholder to an entity not in the same group as that shareholder, that shareholder must notify the other parties to the agreement of the change of control.

Transfers

The agreement permits sale of all (but not some) of a party's interest to a third party, subject to the right of first refusal and tag along rights described below as well as the third party agreeing to be bound by the agreement. If a party proposes to sell to a third party, then each other party to the agreement has a right of first refusal to acquire the selling party's interests at the third party price. In addition, such other party, if it does not exercise its right of first refusal, has tag along rights to require, as a condition to the sale to the third party, that such third party also acquire its interest on the same terms. The agreement also includes a "shoot out" provision under which, if one party offers to buy out the other party's interest at a specified price, such other party has the option of either accepting that offer or acquiring the offering party's interest at the same price as provided in the initial offering party's offer.

Right of first refusal

The shareholders agreement provides for that TIHL or Royal Vopak, as applicable, or their respective affiliates, has a right of first refusal in respect of entering into any terminal activities for liquid and gas products (excluding container transportation and/or container transhipment) with respect to Estonia and the Russian Baltic Coastline. According to the shareholders agreement, the party considering commencement of such activities must offer the other party the opportunity to participate in the activities in equal proportion and on the same conditions.

Duration

The agreement will remain in full force and effect for so long as at least two shareholders not of the same group continue to hold VEOS shares.

ULCT shareholders' agreement

Overview

On 16 November 2007, Belvo Establishment Limited ("**Belvo**"), an indirect subsidiary of the Group through FCT entered into a shareholders' agreement (the "**ULCT SHA**") with Eurogate in relation to Ust-Luga Container Terminal JSC ("**ULCT JSC**"), a company operating ULCT. As at the date of the ULCT SHA, ULCT JSC was known as OJSC Baltic Container Terminal.

Contribution of shareholders

The ULCT SHA provides that ULCT is owned 60% less one share by Belvo, 20% plus one share by the managing company of ZPIF Magistral ("**ZPIF**") and 20% by Eurogate. In July 2009, ZPIF sold its shares in

ULCT JSC to Alocasia Co. Ltd ("**Alocasia**"), a subsidiary of FCT, and indirectly the Group. Currently, direct interests in ULCT are held 77.827% by FCT, 1.63% by Belvo, 0.543% by Alocasia and 20% by Eurogate.

Conduct of business

The ULCT SHA provides that the board of ULCT JSC shall consist of six directors. Eurogate has the right to appoint at least one director and Belvo has the right to appoint at least four directors. The board is responsible for the overall direction, supervision and management of ULCT JSC's business, to the extent permitted by applicable law.

The quorum for board meetings is five directors. At board meetings, each director has one vote and all resolutions must be passed by at least five votes. The ULCT SHA does not give the chairman a casting vote. To the extent permitted by applicable law, each of Belvo and Eurogate shall cause the directors they nominated to vote and to take all other actions that shall be necessary to fulfil the terms and conditions of the ULCT SHA.

Under the ULCT SHA, certain matters are reserved to the board. No resolution approving a reserved matter may be passed unless approved by the Eurogate-nominated director. These matters include:

- recommendations to the general shareholder meeting with respect to certain amendments to ULCT JSC's charter affecting, among other matters, the Eurogate-nominated director as well as the matters reserved to the board and the shareholders;
- approving the annual budget to the extent it requires a shareholder to pay in additional equity beyond the amount of equity provided for in ULCT JSC's business plan for the development of ULCT (in which case the business plan must be amended accordingly);
- recommendations to the general shareholder meeting as to winding up or otherwise terminating ULCT JSC;
- recommendations to the general shareholder meeting as to merger of ULCT JSC with another company or entity, in full or in part;
- recommendations to the general shareholder meeting as to appointment of ULCT JSC's auditors;
- approval or amendment of the ULCT JSC business plan;
- recommendations to the general shareholder meeting as to dividend payments; and
- entering by ULCT JSC into any profit-sharing or service arrangements (other than direct commercial contracts with customers), to the extent the board is authorised decide upon these issues under Russian law; where such arrangement(s) are implemented through an entity different from ULCT JSC, Belvo and Eurogate will become shareholders/partners of that entity and will hold the same percentage of shares as they hold in ULCT JSC without restriction of any kind. This provision does not apply to direct commercial contracts with customers.

In addition, certain matters are reserved to the vote of the shareholders. No resolution on these matters can be passed unless approved by Eurogate. These matters include:

- amendment to the charter of ULCT JSC affecting, among other matters, the director nominated by Eurogate as well as the matters reserved to the board and the shareholders;
- winding up or otherwise terminating ULCT JSC;
- merger of ULCT JSC with another company or entity in whole or in part;
- appointment of auditors;
- dividend payments; and
- entering by ULCT JSC into any profit-sharing or service arrangement (other than direct commercial contracts with customers), to the extent the shareholders are authorised to decide on these issues under Russian law; where such arrangement(s) are implemented through an entity different from ULCT JSC, Belvo and Eurogate will become shareholders/partners of that entity and will hold the same percentage of shares as they hold in ULCT JSC without restriction of any kind.

Distribution of dividends

Unless Belvo and Eurogate agree unanimously otherwise, 30% of ULCT JSC's profits will be reinvested in ULCT JSC and 70% will be distributed as dividends. This distribution is subject to repayment of the shareholder loans in full to any restrictions imposed by applicable laws or regulations.

Investment commitment

The ULCT SHA imposes an investment commitment on the shareholders, aimed at the development of certain stages of ULCT. As of the date of these Listing Particulars, the investment commitment has been fulfilled and the terminal has been launched.

Transfers

Under the ULCT SHA, Belvo and Eurogate have agreed that prior to the fourth anniversary of the ULCT SHA (which occurred in 2011), neither party may, without the express written consent of the other party, dispose of, in any manner, or create encumbrances over, all or part of its shares in ULCT JSC to any third party. There is a caveat allowing Eurogate to transfer its shares in the ULCT JSC share capital to a third party upon the completion of a certain phase of ULCT development. A further caveat permits Belvo to transfer its shares in the ULCT JSC share capital to NCCGL at any time, as part of the corporate reorganisation or otherwise. Following such a transfer, NCCGL shall succeed in all respects to Belvo's rights and obligations under the ULCT SHA.

Any transfer of ULCT JSC's shares under the ULCT SHA is subject to the right of first refusal. However, the right of first refusal does not apply to any transfers of ULCT JSC's shares to the existing shareholders' affiliates (subject to compliance with certain provisions of the ULCT SHA).

In 2012, the parties to the ULCT SHA agreed that the consent of the other shareholders will not be required for the pledge of shares in ULCT provided that all shareholders are notified of the proposed pledge.

Change of control

Eurogate must notify Belvo of any situation which would lead to a change of control over Eurogate and certain members of its group. Any such change of control over Eurogate, to which Belvo did not consent, entitles Belvo, within six months of becoming aware of the change of control, to serve a notice on Eurogate requiring the transfer of all of ULCT JSC's shares to Belvo at fair value, as determined by an independent appraiser.

Pre-emption rights

In the event of a further issue of shares by ULCT JSC, each shareholder shall have the right to subscribe for the amount of newly issued shares that prevents its existing percentage shareholding from being diluted.

Non-assignment

Neither Belvo nor Eurogate are allowed to assign their rights under the ULCT SHA (otherwise than pursuant to a transfer of shares to a third party in accordance with the terms of the ULCT SHA).

Duration

Unless the parties agree otherwise, the ULCT SHA lasts until the earlier of:

- the winding up or dissolution of ULCT JSC;
- one shareholder becomes the sole owner of ULCT JSC's shares; or
- all of ULCT JSC's shares become listed on a recognised investment exchange.

REGULATION

Set forth below are certain provisions of Russian legislation relating to the sea ports and stevedoring operations that apply to the Group's business activities.

The activity of port operators in Russia that handle seaborne trade cargo flows is subject to a wide variety of federal and regional laws and acts of secondary legislation, including civil and commercial law, law regulating seaports, licensing, water and land use, anti-monopoly matters, environmental, health and safety concerns, employment and other issues, as well as the regulatory supervision of a number of federal, regional and local authorities.

Applicable law

The regulation of seaport and stevedoring operations in Russia is primarily based on the following laws and regulations.

The Civil Code of the Russian Federation (the "**Civil Code**"). The Civil Code establishes the general legal framework for commercial relations between persons and entities. In particular, the Civil Code (i) regulates property relations between commercial parties, (ii) sets the rules for obtaining and transferring ownership to movable and immovable property and (iii) provides for the main rules for conducting negotiations, concluding, amending, performing and terminating contracts.

The Merchant Shipping Code of the Russian Federation No. 81-FZ dated 30 April 1999, as amended (the "**Merchant Shipping Code**"). The Merchant Shipping Code establishes the legal basis for commercial shipping along sea routes and inland waterways and regulates stevedoring operations.

The Water Code of the Russian Federation No. 74-FZ dated 3 June 2006, as amended (the "**Water Code**"). The Water Code regulates the use and protection of water bodies and establishes water use rights. In particular, the Water Code establishes the regime for use of the sea in connection with carrying out seaport operations (such as use of berths, fixed and floating sea platforms, as well as discharging waste and drainage waters into the sea) and specifies the procedure for provision of use rights to bodies of water. See also "*—Water use rights*".

The Land Code of the Russian Federation No. 136-FZ dated 25 October 2001, as amended (the "**Land Code**"). The Land Code regulates the use and protection of land and establishes the legal basis for creation, transfer and termination of title to land plots. In particular, the Land Code sets the rules for provision of land plots for various purposes, including allocation of seaports and facilities. See also "*—Land use rights*".

The Administrative Offences Code of the Russian Federation No. 195-FZ dated 30 December 2001, as amended (the "**Administrative Offences Code**"). The Administrative Offences Code sets up liability for violation of various types of regulations, including regulations in the sphere of, safety, anti-monopoly and natural monopolies rules.

Federal Law "On Seaports in the Russian Federation and Introduction of Amendments to Certain Acts of Legislation of the Russian Federation" No. 261-FZ dated 8 November 2007, as amended (the "**Seaports Law**"). The Seaports Law regulates commercial shipping in seaports. In particular, the Seaports Law establishes specific procedures for construction, opening and closing seaports, regulates operations performed in seaports and provides for governmental regulation of seaports and seaport activities.

Federal Law "On Inland Sea Waters, Territorial Sea and Contiguous Zone of the Russian Federation" No. 155-FZ dated 31 July 1998, as amended (the "**Law on Waters**"). The Law on Waters establishes the legal status and regime of inland sea waters, territorial sea and contiguous zone of the Russian Federation. In particular, the Law on Waters regulates the call procedure for foreign vessels in ports.

Federal Law "On the Procedure for Implementing Foreign Investment in Commercial Enterprises Having Strategic Importance for Securing the National Defence and Security of the State" No. 57-FZ dated 29 April 2008, as amended (the "**Law on Strategic Enterprises**"). The Law on Strategic Enterprises sets out certain restrictions for foreign investors to acquire control over entities that have strategic importance for the national defence and security of Russia.

Federal Law "On Protection of Competition" No. 135-FZ dated 26 July 2006, as amended (the "**Law on Protection of Competition**") imposes certain restrictions on business activities of legal entities holding a dominant position in a certain market, including natural monopoly entities. See also "*—Natural monopoly entity status*".

Federal Law "On Procurement of Goods, Works and Services by Certain Categories of Legal Entities" dated 18 July 2011 No. 223-FZ, as amended (the "**Law on Procurement**") requires the ports, being natural monopolies, to procure goods, works and services through special bidding procedures, which are aimed at making such procurement more transparent and competitive. However, compliance with the Law on Procurement results in extensive paperwork for the natural monopolies and their potential suppliers, making procurement procedures inflexible and time consuming.

Federal Law "On Natural Monopolies" No. 147-FZ dated 17 August 1995, as amended (the "**Natural Monopolies Law**"). The Natural Monopolies Law establishes the legal basis of state policy with respect to natural monopolies and sets out the natural monopoly spheres which include port services. See also "*—Natural monopoly entity status*".

The Customs Code of the Customs Union (being annex to the Agreement on the Customs Code of the Customs Union adopted by decision of Interstate Council of EuroAsian Economic Community dated 27 November 2009 No. 17), as amended (the "**Customs Code**") sets forth unified rules and procedures for customs clearing, customs control, goods declaration and collection of tax duties within the territory of the Customs Union, which is formed by Armenia, Belorussia, Kazakhstan, Kyrgyzstan and the Russian Federation. Further customs regulations applicable to the ports situated in Russia are set out in Federal Law "On Customs Regulation" No. 311-FZ dated 27 November 2010, as amended (the "**Law on Customs Regulation**").

Federal Law "On Licensing of Certain Activities" No. 99-FZ dated 4 May 2011, as amended (the "**Law on Licensing**"). The Law on Licensing regulates licensing in Russia. See "*—Licensing*".

Federal Law "On Environmental Protection" No. 7-FZ dated 10 January 2002, as amended (the "**Environmental Protection Law**"). The Environmental Protection Law establishes the state policy on environmental protection. See "*—Environmental matters*".

Federal Law "On Industrial Safety of Hazardous Industrial Facilities" No. 116-FZ dated 21 July 1997, as amended (the "**Industrial Safety Law**"). The Industrial Safety Law provides for the measures for safety protection on industrial hazardous objects. See "*—Health and safety*".

Federal Law "On Transport Safety" No. 16-FZ dated 9 February 2007, as amended (the "**Transport Safety Law**"). The Transport Safety Law regulates maintenance of the safety on transport facilities, including port terminals.

Resolution of the Government of the Russian Federation "On the State Regulation of Prices (Tariffs, Charges) for Services of Natural Monopoly Entities at Transport Terminals, Ports, Airports and the Exploitation of Domestic Waterways" No. 293 dated 23 April 2008, as amended. The resolution determines state regulation and supervision of the pricing for, amongst other things, seaport services and sets out the list of seaport services rendered by natural monopoly entities subject to state regulation.

Order of the Federal Tariff Service (the "**FTS**") "On the Procedure for Establishing (Revision) of Port Prices (Tariffs, Charges) or their Maximum Level for Services of Natural Monopoly Entities in Transport Terminals, Ports, Airports and Services for the Use of Internal Water Infrastructure, as well as Lists of Documents Provided in Relation to their Establishment (Revision)" No. 135-t/1 dated 24 June 2009 as amended. The Order regulates pricing for seaport services and sets the list of information and documents requisite for determination of port charges and tariffs or their maximum level. See also "*—Tariff regulation*".

Order of the FTS No. 214-t/2 dated 19 November 2013 "On Amendment to Regulation of activity of Natural Monopoly Entities in the sea ports Bolshoi Port St. Petersburg, Primorsk, Viborg, Visotsk, Ust-Luga, Kaliningrad" (the "**1-st Tariff Cancelation Order**"). The 1-st Tariff Cancelation Order countermanded the earlier applicable governmental price regulation with respect to services rendered by the port terminals located in the Big port St. Petersburg, including services rendered by PLP and FCT. See also "*—Tariff regulation*".

Order of the FTS No. 259-t/3 dated 27 December 2013 "On Amendment to Regulation of activity of Natural Monopolies` Entities in the sea ports Vladivistok, Zarubino, Poset, Nakhodka, Vostochniy, Vanino" (The "**2-nd Tariff Cancelation Order**", and together with the 1-st Tariff Cancelation Order – the "**Tariff Cancelation Orders**"). The 2-nd Tariff Regulation Order countermanded the earlier applicable governmental price regulation with respect to services rendered by the port terminals located in the Port Vostochniy, including services rendered by VSC. See also "*—Tariff regulation*".

"Workplace Safety Rules for Seaports POT PO-152-31.82.03-96", adopted by the Order of Ministry of Transport of the Russian Federation No. 2 dated 9 January 1996 (the Workplace Safety Rules). The Workplace Safety Rules provide requirements for workplace safety while loading and off-loading operations in commercial seaports, as well as during ancillary works for commuting in the territory of the port. See also "*—Health and safety*".

Regulatory authorities

Several governmental agencies participate in regulation of the Russian port industry and form a complex multi-tier system of regulation. Functions and authorities of these agencies are at times ambiguous and unclear. At present, the principal regulatory authorities that provide overall oversight of the Group's business include the following:

- The Government of the Russian Federation decides on construction, expansion and closing of seaports, sets the borders of seaports, establishes the special economic port zone in accordance with the Law on Special Economic Zones and sets the regime for crossing of the borders of the Russian Federation in accordance with the law of the Russian Federation "On the State Border of the Russian Federation" No. 4730-1 dated 1 April 1993, as amended; and

- The Ministry of Economic Development approves: (i) strategic plans for social and economic development; (ii) the list and order of determination of the indexes of economic efficiency for federal state unitary enterprises and joint-stock companies whose shares are owned by the Russian Federation; and (iii) opinions on drafts of the legal acts which regulate the relationships of business entities or their relationships with the Russian Federation and which also affect macroeconomic indicators of the Russian Federation.

Ports transportation activity is regulated by the Ministry of Transport of the Russian Federation ("**MinTrans**"), the Federal Service for Transport Supervision, the Federal Agency for Sea and River Transport ("**FASRT**") (reporting to the MinTrans), Seaports Authorities (reporting to the FASRT) and the Federal State Unitary Enterprise "Rosmorport" ("**Rosmorport**"):

- MinTrans generally regulates and supervises the transport industry and infrastructure in Russia. MinTrans has several agencies specialising in the regulation of specific types of transport. Moreover, in February 2016, MinTrans was vested with police and migration control functions in respect of foreign vessels calling at Russian ports, which functions were previously carried out by the abolished State Border Guard Service;

- The Federal Service for Transport Supervision, which is under the Ministry of Transport, oversees compliance with the laws and regulations governing, among other things, sea transport (including seaports), inland water transport, railway transport, motor and electric-powered city transport, civil aviation, industrial transport, and road transport, industrial transport and road facilities and issues licences for certain activities, including loading and unloading of hazardous cargo in seaports, and other authorisation documents, including quay operation permits;

- FASRT carries out state services and manages state-owned property in the area of seas and river transport, holds tenders and enters into government procurement contracts for goods supply, performance of work and provision of services for the agency's needs, and conduct of research for the state's needs;

- Seaport Authorities are state organisations that supervise and control seaport activities, including security, transport and environmental safety and are involved in rescue operations in seaports;

- Captain of a seaport is a public official supervising compliance by ports with the applicable Russian and international law, registering vessels operated by ports, controlling navigation within harbours;

- Rosmorport is a federal state unitary enterprise that manages and controls the use of state-owned infrastructure operated by seaports and quays, including hydrotechnical constructions, on behalf of the Federal Agency for State Property Management, save for infrastructure facilities managed by Seaport Authorities. Rosmorport is responsible for collection of port duties and directing them towards construction and modernisation of port infrastructure. Rosmorport also oversees implementation of certain governmental port development programme and regulates tariffs for the lease of quays lines;

- The Federal Customs Service defines the state customs policy, exercises legal regulation and supervisory powers in the customs sphere, provides customs clearance for all export and import goods, exercises the functions of a currency control agent and special functions to counter smuggling, other crimes, and administrative offences.

The pricing policy of port administrations is regulated by the Federal Antimonopoly Service of the Russian Federation (the "**FAS**"):

- The FAS supervises competition and pricing regulations and monitors compliance by the natural monopoly entities with anti-monopoly and natural monopoly law, including equal access of customers to the services provided by natural monopoly entities. The FAS also sets maximum tariff rates for the services rendered by natural monopoly entities, including seaport operators and acts as a regulatory authority for natural monopoly entities in certain other aspects of their activities. See "*—Tariff regulation*"

Employment and labour relations are generally supervised by:

- The Federal Service for Labour and Employment controls compliance with the labour legislation and collects statistics on workplace accidents;
- The Federal Labour Inspection supervises compliance with the labour rights and assists with their defence in case of violation.

Other activities are regulated by the following authorities:

- The Federal Service for Supervision over the Exploitation of Natural Resources monitors compliance with environmental law and supervises the use of water resources;
- The Federal Service for Environmental, Technological and Nuclear Supervision supervises pollutant discharge in the environment, monitors harmful impact on the atmosphere, maintains the register of hazardous industrial objects and controls compliance with environmental law and law on hazardous industrial objects;
- The Federal Service for Supervision over Consumer Rights Protection and People's Welfare monitors, among other things, compliance with sanitary and epidemiological regulations; and
- The Federal Service for Supervision over Telecommunications, Information Technologies and Mass Communication exercises supervisory powers in the radio broadcasting, performs frequency assignment on the basis of the resolution of the Federal Radio Frequency Committee and registers the frequency assignment.

The federal services and agencies listed above are directly involved in regulating and supervising the Russian seaport industry. Moreover, there are certain other government bodies which, together with their subdivisions, have authority over various general issues relating to the Russian seaport industry or otherwise relating to the Group's business, including emergency procedures, justice, tax and other matters.

Natural monopoly entity status

The Natural Monopolies Law regulates those markets in which "demand is more efficiently satisfied in the absence of competition due to the technological aspects of the production process and the products (including services) produced by the natural monopolies cannot be substituted by other products". The list of regulated activities is provided in the Natural Monopolies Law, which includes the services rendered in transport terminals and ports. The list of entities that are natural monopolies is maintained by the FAS. Starting from 21 May 1999, PLP and FCT, and from 20 July 2007, VSC, have been included in the List of Natural Monopolies in Transport and are classified as natural monopoly entities.

The key elements of the regime established by the Natural Monopolies Law are:

- natural monopoly entities are not entitled to refuse to enter into an agreement with consumers, provided that the relevant natural monopoly entities have the requisite capacity;
- the competent authorities can (i) regulate the prices for the natural monopoly entity's products and (ii) determine the categories of consumer who are entitled to require the natural monopoly entity to provide them with a certain level or volume of products;
- certain types of transactions, particularly (i) investments outside the regulated activity of a natural monopoly entity (in the Group's case its regulated activity is the services rendered in ports and stevedoring operations), (ii) any sale, lease or other transaction which results in another entity obtaining title to a part of natural monopoly's fixed assets used for regulated activity, in each case exceeding 10% of the natural monopoly's equity capital and revenue from activities in sphere of natural monopolies exceeds 1% of the total revenue, must be approved by the FAS;
- reporting requirements apply to the natural monopoly's regulated activity and projects on capital investments; and
- to provide free access to, among other, the following information about natural monopoly's activities: (i) appreciation of goods and services; (ii) key indicators of financial and business activities; (iii) investment programmes (including of project investment programmes) and their results.

In furtherance of the Natural Monopolies Law, the Ministry of Economic Development has prepared a draft Resolution "On Non-Discriminatory Access to the Services of Natural Monopolies in Sea and River Ports and Transport Terminals" which is expected to set out to focus on the business activities carried out by the ports being natural monopolies. However, the aforesaid draft resolution was prepared in 2013 and has not been adopted yet.

By virtue of the Law on Protection of Competition, natural monopolies are considered entities holding dominant position in the market in which such entity is considered a natural monopoly. Due to their position in the market entities holding a dominant position are prohibited from certain actions which lead or may lead to restriction of competition (e.g., setting monopoly high or low price for the goods/services in question or evasion from entering into contracts with particular customers without reasonable grounds).

Natural monopolies shall comply with the Law on Procurement by adopting internal procurement policy and following certain procurement procedures in their day-to-day activities. In particular, procurements should be conducted on public bidding procedures, ensuring transparency and non-discriminatory access for potential suppliers. Where the requirements of the Law on Procurement are not met by the natural monopoly, potential suppliers may file claims to the FAS.

Tariff regulation

As mentioned above, services rendered in transport terminals and ports are included in the list of activities of natural monopoly entities. For the purposes of tariff regulation, the Government of the Russian Federation adopted the list of services rendered by natural monopoly entities in seaports which are subject to tariff regulation.

Pursuant to the Tariff Cancelation Orders, tariff regulation with respect to stevedoring and storage services at terminals located in the Big Port of St. Petersburg, including such services rendered by PLP and FCT, and in Vostochniy Port, including such services rendered by VSC has been abolished. However, tariff regulation of these services may be reinstated in future by further decisions of FAS. Under the applicable regulation, natural monopolies should report to FAS (i) within 5 working days after any price (tariff) change or introduction of a new price (tariff) and (ii) quarterly and annually on their applicable prices.

Customs activities at the ports

All the goods imported into the territory of the Russian Federation are subject to customs procedures. Generally, before customs clearance the goods are stored in the customs warehouse. Pursuant to the Law on Customs Regulation, the goods may also be stored at the places of loading or transhipment within the territory of the seaport under a permit of customs authorities. Such permit can be issued for a specific one-time shipment or allow for safekeeping of an unlimited number of shipments during a certain period of time, which cannot exceed one year.

Due to the nature of the sea ports business, Russian customs service opens offices at the Group's terminals so the Group's customers can benefit from customs clearing of cargoes right at the terminals. However, this results in part of the terminals area being considered customs control zone, where business operations can be conducted only under a permit from customs authorities. Therefore, the terminals may from time to time apply for and hold certain permits from the Russian customs authorities.

Seaports Law status

The Seaports Law regulates commercial shipping in seaports, determines the procedures of construction, opening and closing of seaports, sets out certain rules applicable to seaport operations, including provision of the port services, and establishes the legal basis for the state regulation of seaports and port activities in the Russian Federation.

The Seaports Law regulates seaport operations and determines the property which may be owned only by the state, including certain port infrastructure and land plots within the port's territory. The Seaports Law provides that leasehold or other use rights to such property may be provided to legal entities on the basis of lease or concession agreements, respectively.

The maximum term of such leasehold is 49 years. If a lessee under such a lease agreement undertakes to perform capital repair of the respective leased real estate, the lease term shall be at least 15 years. A seaport infrastructural facility may be sublet upon a lessor's consent. Also, the Seaports Law provides for certain exceptions where the ownership title to land plots within the port's territory can be transferred to private legal entities, for example, if buildings owned by such legal entities are located on the land plots within the port's territory.

The Seaports Law determines the status and authority of seaport administration, sets requirements to, and obligations of, seaport operators, and regulates seaport services, including transhipment. According to the law, transhipment services are rendered pursuant to a transhipment agreement and are subject to tariff regulation. The law also regulates the receipt and pickup of cargo, determines the port operator's obligations and sets the one year limitation period for claims under a transhipment agreement.

Lease of quays under Russian law

Russian law defines a quay as real estate. In accordance with the Civil Code, real estate is an object which is closely connected with the land and cannot be moved without bringing damage to such object and to its further use. The quay is also a hydrotechnical object for the purposes of the Federal Law "On Safety of Hydrotechnical Constructions" No. 117-FZ dated 21 July 1997, as amended (the "**Hydrotechnical Safety Law**"). Lease of quays is primarily regulated by:

- the Civil Code;
- the Seaports Law;
- the Hydrotechnical Safety Law; and
- the Federal Law "On State Registration of Rights to and Transactions with Immovable Property" (the "**State Registration Law**").

Under the Seaport Law quays, subject to limited exemptions, are owned by the Russian Federation itself. It is generally possible, for an individual or a legal entity, to obtain leasehold to a quay on terms and conditions set by the Civil Code, the Seaports Law and the Hydrotechnical Safety Law. The term of a quay lease cannot exceed 49 years. If under a quay lease agreement a lessee undertakes to perform capital repair of the leased quay, the lease term shall be at least 15 years. The lessee has the right of first refusal to renew the leasehold, unless the lease agreement provides otherwise.

In accordance with the Seaports Law leasehold to state property in seaports may only be provided on the basis of a tender auction. However, the law contains an exemption from this rule whereby an owner or holder of real estate adjacent to the quay which is used for providing seaport services is by operation of law entitled to obtain leasehold to the respective quay without auction.

A quay lease agreement for a term of at least one year (a long term lease) must be registered in the Unified Register of Rights to and Transactions with Immovable Property. Accordingly, the lease rights to a quay arise only at the time of registration of the relevant quay lease agreement in the register.

A real estate lease with a term less than one year (a short term lease) does not require such registration.

Usually, rental rates for quay leases are not subject to state regulation. However, where the quays are owned by the Russian Federation, rental rates are required to be determined by an independent appraiser in accordance with Russian law.

In addition, pursuant to the Hydrotechnical Safety Law, a legal entity operating a quay is required to take various measures to ensure the safety of, and carry insurance for its civil liability for the harm caused by, the quay as a hazardous facility. See also "*—Health and safety*".

Licensing

The Russian-incorporated entities within the Group are required to obtain numerous licences from governmental authorities in the conduct of their operations. The Law on Licensing provides for a list of activities, which may only be performed on the basis of a licence issued by the relevant state authorities. This list includes seaport operations, such as loading and off-loading hazardous cargo in seaports, loading and off-loading hazardous cargo onto and from railway vehicles, sea towing, detoxification, collection, transportation, disposal and utilisation of hazardous wastes and exploitation of a source of ionizing radiation. Apart from those activities, the Russian incorporated entities within the Group render certain related services (such as operation of x-ray inspection complexes used for customs clearance of customers' cargoes) that are also subject to licensing.

Under the Law on Licensing, licences for the activities described above are issued for an unlimited period. A licence can be suspended if a licensee breaches the terms and conditions of such licence. Furthermore, if the licensee fails to rectify such breach within the established timeframe the licensing authority may initiate court proceedings aiming cancellation of the licence.

Water use rights

Seas or separate parts thereof (for example, straits, gulfs, harbours), which are of Russian territory, are state-owned. Pursuant to the Water Code, use of the sea in connection with carrying out seaport activities (such as use of berths, fixed and floating sea platforms, as well as discharging waste and drainage waters into the sea) requires a permit from the relevant regional state or municipal authorities. Normally, such permits are issued for certain period set forth therein and not exceeding 20 years.

A permit may be suspended by a court decision or an administrative order in certain cases, including occurrence of a risk to a person's life or health, a radiation accident or other emergency and inflicting harm on the environment. A permit may be cancelled by court if the activities carried out in the seaport fall outside the scope of permitted activities set out in the permit or otherwise violate Russian law.

Pursuant to the Water Code, if the activities in question cause harm to the sea (including pollution, water quality degradation, desiccation or depletion of water) the person responsible for inflicting such harm shall compensate for it. Methodology of compensation of the harm to the sea is set out in regulations of the Ministry of Natural Resources and Ecology.

Land use rights

Lands in Russia are categorised depending on the purpose of utilisation: (i) agricultural land; (ii) settlement land; (iii) industrial land; (iv) protected land; (v) forestry land; (vi) land associated with bodies of water; and (vii) reserve land (land which is owned by the state, which can be transferred to the other categories and may only be used after the category transfer has been completed). Land within each particular category is also subject to specific requirements established by federal, regional and local laws regarding the use of such land.

Land plots within a category are further divided on the basis of "permitted use", thus land plots within one category could have different types of permitted use assigned to each land plot.

The Land Code requires that each land plot must be used in accordance with its permitted use.

The main procedures for changing of the category of a land plot and/or permitted use of a land plot are set forth in the Land Code, the Town-building Code, the Federal Law "On Land Rezoning" and in regulations of local authorities.

A majority of land plots in the Russian Federation are owned by the Russian Federation itself, Russian regions and municipalities and, as a general rule, are sold or leased to persons or entities through a public auction or on an individual basis.

Companies may have a title of ownership or perpetual use of their plots, or enter into long-term lease agreements. The transfer of ownership title in relation to a land plot under a sale and purchase agreement and agreements on the lease of a land plot shall be registered if concluded for a term of one year or more and are subject to state registration.

As a general rule the lessee has a priority right to enter into a new land lease agreement with the lessor upon expiration of the land lease. In order to renew a land lease agreement, the lessee must apply to the lessor for a renewal prior to the expiration of the agreement. Where the land plot is leased from a state or municipal authority, the lessee does not have a priority right to renew the land lease and once it expires a new public auction to be held. However, the Land Code provides for numerous carve-outs, under which the lessee of a state or municipal land may renew the lease agreement without the auction. Such simplified procedure applies, for example, to the land plots used for a hydrotechnical objects (e.g., quays) according to the territory planning documentation or land plots located within the territory of a special economic zones.

Companies may also have a right of perpetual use of land provided that this right was obtained prior to the enactment of the Land Code. However, the Federal Law "On Enactment of the Land Code" No. 137-FZ dated 25 October 2001, as amended, with certain exceptions, requires companies possessing land under the right of perpetual use either to acquire ownership title or leasehold to such land by 1 July 2012. Failure to transfer the title by the period stated previously triggers administrative liability.

Land is subject to land tax. Land tax is regulated by the Tax Code and acts of municipal authorities. This tax is payable by individuals and legal entities holding title to land plots in the Russian Federation. The tax rates are 0.3% of the cadastre value of a land plot for agricultural land or land plots under residential housing and 1.5% of the cadastre value of a land plot for other land categories unless lower rates are established by municipal authorities.

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, discharge to the atmosphere, waste disposal and the clean-up of contaminated sites. Issues related to protection of the environment in Russia are regulated primarily by Environmental Protection Law, the Water Code, the Land Code, Federal Law "On Protection of Atmospheric Air" No.96- FZ dated 4 May 1999 and a number of other federal laws and regulations.

Generally, discharging, disposal of waste is allowed, provided that the volume does not exceed the established standards of admissible impact on the environment. At the same time, the Environmental Protection Law establishes a "pay-to-pollute" regime, which implies that companies need to pay for discharging waste depending on the type and the volume of such waste. However, the payments of such fees do not relieve a company from its obligation to comply with the environmental protection measures.

A "pay-to-pollute" regime is administered jointly by federal and local authorities. The Ministry of Natural Resources and Ecology has established environmental impact standards, such as limits on emissions and hazardous waste disposal. A company shall obtain a permit to exceed these limits from the federal or regional authorities, depending on the type and scale of the proposed environmental impact. As a condition to such a permit, the company must develop a plan for the reduction of emissions or hazardous waste disposals and submit it to the applicable government agency for approval.

Further to payments under the "pay-to-pollute" regime, if the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, environmental authorities may file a court action to suspend these operations or 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.

Health and safety

Due to the nature of the seaport business, much of the relevant activities are conducted at industrial facilities or sites by a large number of workers, and workplace safety issues are of significant importance to the operation of these sites. The principal law regulating industrial safety is the Industrial Safety Law. The Industrial Safety Law applies, in particular, to hazardous facilities where certain activities are conducted, including sites where lifting machines are used and where cargoes are handled.

Any construction, reconstruction, liquidation or other activities in relation to related industrial facilities are subject to a state industrial safety review. Companies that operate such industrial facilities have a wide range of obligations under the Industrial Safety Law. In particular, they must limit access to such facilities to qualified specialists, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating industrial sites.

Moreover, certain types of activities in the sphere of industrial safety are subject to licensing. For instance, under current legislation licences are required for operation of the fire explosive facilities of 1st, 2nd and 3rd classes of hazard. The class of hazard depends on the type and amount of hazardous substance involved in the activities.

In the event of an accident, a special commission, led by a representative of the relevant state authorities, conducts a technical investigation to establish the cause of the accident at the expense of the company operating the facility where the accident occurred. The relevant state officials have the right to access industrial facilities and may inspect documents to ensure a company's compliance with safety rules. Operations of the company may be suspended as a result of such inspections.

Any company or individual violating industrial safety rules may incur administrative or civil liability, or both, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for loss of earnings, as well as other health-related damages.

In addition to the Industrial Safety Law Workplace Safety Rules sets up mandatory safety requirements for loading off-loading operations, transferring of cargo and other operations in the territory of the ports. Violation of the Workplace Safety Rules may trigger administrative and criminal liability.

Transport Safety Law regulates the maintenance of safety at transport facilities, including port terminals, to ensure their normal operation. Under the Transport Safety Law, transport facilities are subject to assessment of the security vulnerability and are obliged to mitigate such vulnerability (if any). Captain of the seaport and the terminals shall ensure maintenance of safety at the seaport and carry out activities mitigating security vulnerability (if any).

Employment matters

Employment matters in Russia are primarily governed by the Employment Code of the Russian Federation No. 197-FZ, dated 30 December 2001, as amended (the "**Employment Code**").

As a general rule, employment agreements are concluded for an indefinite term. An employer may terminate an employment contract only on the basis of the specific grounds enumerated in the Employment Code, including, among other things:

- liquidation of the enterprise or redundancy;
- incompetence;
- systematic failure of the employee to fulfil their duties;
- any single material violation by the employee of his/her duties, including absence from work; and
- submitting false documents or misleading information prior to entry into the employment contract.

An employee dismissed from an enterprise due to redundancy or liquidation is entitled to receive compensation including a severance payment and, depending on the circumstances, average monthly salary payments for a certain period of time.

Additional benefits in terms of payments, protection from dismissal, reduced working hours and other are provided for some specific categories of employees (minor employees, employees working in the North and similar regions, employees working on difficult and hazardous works, etc.).

Also the additional benefits may be provided to the employees by the collective agreements on federal, regional, industrial and local level.

Any termination by an employer that is inconsistent with the Employment Code requirements may be invalidated by a court, and the employee may be reinstated. When an employee is reinstated by a court, the employer must compensate the employee for any unpaid salary for the period between the wrongful termination and reinstatement, as well as for moral damage.

The Employment Code generally sets the regular working week at 40 hours. Any time worked above and beyond the regular working week, as well as any work on public holidays or weekends, must be compensated at a higher rate. Annual paid vacation leave under the law is generally 28 calendar days.

The minimum salary in Russia, as established by federal law, is calculated on a monthly basis and is currently RUB 6,204 (ca. USD 80 as of 1 February 2016).

Although recent Russian employment regulations have curtailed the authority of trade unions, they still retain significant influence over employees and, as such, may affect the operations of large companies in Russia.

The activities of trade unions are generally governed by the Federal Law "On Trade Unions, Their Rights and Guaranties of Their Activity" No. 10-FZ dated 12 January 1996, as amended (the "**Trade Union Law**").

The Trade Union Law defines a trade union as a voluntary union of individuals with common professional and other interests that is incorporated for the purposes of representing and protecting the rights and interests of its members. National trade union associations, which coordinate activities of trade unions throughout Russia, are also permitted.

As part of their activities, trade unions may, among other things:

- negotiate collective contracts and agreements such as those between the trade unions and employers, federal, regional and local governmental authorities and other entities;
- monitor compliance with labour laws, collective contracts and other agreements;
- access work sites and offices, and request information relating to labour issues from the management of companies and state and municipal authorities;
- represent their members and other employees in individual and collective labour disputes with management;
- organise strikes; and

- monitor redundancy of employees and seek action by municipal authorities to delay or suspend mass layoffs.

Russian laws require that companies co-operate with trade unions and not interfere with their activities. Trade unions and their officers enjoy certain guarantees as well, such as:

- protection from disciplinary punishment or dismissal on the initiative of the employer without prior consideration of the reasonable opinion of the management of the trade union and, in certain circumstances, the opinion of the relevant trade union association;
- retention of job positions for those employees who stop working due to their election to the management of trade unions; and
- provision of the necessary equipment, premises and transportation vehicles by the employer for use by the trade union free of charge, if provided for by a collective bargaining contract or other agreement.

If a trade union discovers any violation of work condition requirements, notification is sent to the employer with a request to cure the violation and to suspend work if there is an immediate threat to the lives or health of employees. The trade union may also apply to state authorities and employment inspectors and prosecutors to ensure that an employer does not violate Russian employment laws. Trade unions may also initiate collective employment disputes, which may lead to strikes.

To initiate a collective employment dispute, trade unions present their demands to the employer. The employer is then obliged to consider the demands and notify the trade union of its decision. If the dispute remains unresolved, a reconciliation commission attempts to end the dispute. If this proves unsuccessful, collective employment disputes are generally referred to mediation or employment arbitration.

The Trade Union Law provides that those who violate the rights and guaranties provided to trade unions and their officers may be subject to disciplinary, administrative and criminal liability. Although neither the Code of Administrative Delinquencies of Russia No. 195-FZ dated 30 December 2001 as amended, nor the Criminal Code of the Russian Federation No. 63-FZ dated 13 June 1996, as amended, currently has provisions specifically relating to these violations, general provisions and sanctions may be applicable.

Negative Net Assets

Russian law requires a limited liability company or a joint-stock company to increase an amount of its net assets or, as the case may be, to reduce its charter capital to the amount of its net assets if the value of its net assets, as stated in its annual balance sheet prepared under Russian Accounting Standards ("RAS"), is lower than its charter capital as of the end of the second and each subsequent financial year following incorporation. If the value of the net assets of a Russian limited liability company or a joint-stock company (such as PLP), as stated in its annual balance sheet prepared under RAS, is lower than the minimum amount of the charter capital established by Russian law calculated as at the end of the second and each subsequent financial year, such company is obligated to be liquidated under Russian law. If a company (i) reduces its charter capital, or (ii) fails to comply with the requirement stated above within a reasonable period of time the company's creditors may accelerate their claims to the company. Besides that, if net assets of a limited liability company or a joint-stock company remain lower than the minimum requisite amount of the charter capital, governmental authorities may seek the involuntary liquidation of the company. Any such claim would generally take several months before the decision on liquidation is made by the relevant Russian court. Russian courts have, in the past, refused to satisfy the claims of Russian governmental authorities when they failed to prove that the breach is material and incurable, and the court determined that the company has taken effective measures to cure the breach and perform its obligations towards its creditors (including paying taxes as they fall due). To the extent that the breach has been cured and the net assets of the company are in excess of its charter capital, the Directors believe that a Russian court would refuse to uphold a creditor's claim.

PLP had negative net assets as at 31 December 2015, as stated in its relevant balance sheets prepared under RAS.

DESCRIPTION OF THE ISSUER AND GUARANTORS

See "*Description of the Business of the Group*", "*Overview*", and below for the principal activity of each guarantor entity within the Group. The principal activity of the Issuer will be the issue of debt securities (including bonds, notes and debentures) and other instruments, the proceeds of which will be lent to other members of the Group. The relationship between the Company and the Issuer is carried out in accordance with the applicable statutes and regulations of Cyprus. The Issuer and each Subsidiary Guarantor is a wholly-owned indirect subsidiary of the Company.

The business address of each director of the Issuer and the Company is the respective principal place of business of the relevant entity as set out below. The sole director of each of the Guarantors (other than the Company) is a management company, LLC Global Ports Management, the business address of which is Russia, 123317, Moscow, Testovskaya ulitsa, 10. As at the date of these Listing Particulars, neither the Issuer nor any of the Guarantors is aware of any potential conflict of interests between the duties their directors owe, on the one hand, and their private interests or the duties owed by any of them to any other person, on the other.

EBITDA and Net Assets

The Group's Annual Consolidated Financial Statements include both Subsidiary Guarantors and non-guarantor companies. For purposes of this section, EBITDA is calculated and defined as profit for the period before income tax expense, finance income/(costs)-net, share of profit/(losses) of joint ventures accounted for using the equity method, 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. Net assets is defined as total assets less investments in subsidiaries less total liabilities and less share of net assets attributable to non-controlling interests.

For the year ended 31 December 2015,

- the Issuer did not exist so therefore, represented 0% of the Group's consolidated EBITDA and 0% of its consolidated net assets:
- the Guarantors (including the Company) on a stand-alone basis but aggregated had USD 287.6 million of EBITDA, an amount equal to 98.9% of the Group's consolidated EBITDA, and the amount of their net assets (adjusted for investments) was USD 180.4 million, an amount which is equal to 113.7% of the Group's consolidated net assets; and
- the non-guarantor subsidiaries on a stand-alone basis but aggregated had EBITDA of USD 3.3 million, an amount equal to 1.1% of consolidated Group EBITDA, and the amount of their net assets (adjusted for investments) was negative USD (21.7) million, a negative amount which is equal to (13.7)% of the Group's consolidated net assets.

The Company accounted for USD (6.5) million, or -2.2%, of the Group's consolidated EBITDA and had net assets (adjusted for investments) of USD 56.3 million, or 35.5%, of the Group's consolidated net assets in 2015.

PLP accounted for USD 82.4 million, or 28.3%, of the Group's consolidated EBITDA and had negative net assets (adjusted for investments) of USD (704.8) million or negative (444.1)% of the Group's consolidated net assets as at 31 December 2015. PLP's negative net assets were largely caused by substantial unrealised currency exchange losses driven by the depreciation of the Russian rouble decreasing the US dollar value of PLP's assets whilst the value of its US dollar denominated borrowings remained unchanged. There are no risks specific to, or encumbrances on the assets of, PLP that could materially affect its ability to meet its obligations under the Guarantees.

FCT accounted for USD 120.7 million, or 41.5%, of the Group's consolidated EBITDA and had net assets (adjusted for investments) of USD 662.1 million, an amount equal to 417.2%, of the Group's consolidated net assets as at 31 December 2015. There are no risks specific to, or encumbrances on the assets of, FCT that could materially affect its ability to meet its obligations under the Guarantees.

VSC accounted for USD 90.9 million, or 31.3%, of the Group's consolidated EBITDA and had net assets (adjusted for investments) of USD 166.8 million, an amount equal to 105.1%, of the Group's consolidated net assets as at 31 December 2015. There are no risks specific to, or encumbrances on the assets of, VSC that could materially affect its ability to meet its obligations under the Guarantees.

Risks Relating to the Guarantors

The Notes will be fully, jointly, severally, wholly and unconditionally guaranteed by the Guarantors. For information on risks relating to the Guarantors, see "*Risk Factors—Risks Relating to the Notes—Payments under the Guarantees are effectively subordinated to secured indebtedness of the Guarantors*" and "*Risk*

Factors—Risks Relating to the Group's Financial Condition—The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants which could be breached".

Issuer

The Issuer was duly incorporated as a private limited liability company limited by shares and was registered in Cyprus on 8 February 2016 under the name Global Ports (Finance) Limited, pursuant to the certificate of incorporation issued by the Office of the Registrar of Companies in Cyprus. The principal legislation under which the Company operates, and under which the Ordinary Shares are created, is the Companies Law, Cap. 113 of Cyprus (as amended). The shareholders of the Issuer resolved by a special resolution on 12 February 2016 that Global Ports (Finance) Limited be converted into a public company and that its name be changed to Global Ports (Finance) PLC. The formal registration of the change of name with the Registrar of Companies in Cyprus occurred on 19 February 2016. The Issuer's registered number is HE352071, and its registered office is at 20 Omirou Ave., Agios Nikolaos, P.C. 3095, Limassol, Cyprus. The telephone number of the Issuer's registered office is +357 255 83 600. The Issuer's principal place of business is located at KIBC, Office 201, Profiti Ilia Street, 4, Germasogeia, Limassol, P.C. 4046, Cyprus, and the telephone number at the principal place of business is +357 25 312 588.

Share capital and ownership

The authorised share capital of the Issuer is EUR30,000 divided into 30,000 ordinary shares of par value EUR1.00 each (the "**Shares**"). The Issuer has issued all of its Shares, which are fully paid and are held by wholly-owned subsidiaries of the Company.

The Issuer is a wholly-owned indirect subsidiary of the Company.

Pursuant to the Articles of Association of the Issuer, the Board is responsible for the management of the Issuer. Under Cypriot law, for as long as the Issuer is solvent the Board is required to act in the best interests of the Issuer.

The relationship between the Issuer and its shareholders is governed by the memorandum and articles of association of the Issuer and Cypriot law, including the Companies Law, Cap. 113 of Cyprus (as amended) and regulations made thereunder.

Principal Activities

The principal objects of the Issuer are set forth in clause 3 of its memorandum of association (as currently in effect) and permit the Issuer, *inter alia*, to lend money and give credit, secured or unsecured, to issue debentures and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use amounts equal to the proceeds of each such issuance to advance loans or provide other financing to Group companies.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Law, Cap. 113 of Cyprus (as amended) and those related to the issue of the Notes. The Issuer has no employees.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Alexander Iodchin	KIBC, Office 201, Profiti Ilia Street, 4, Germasogeia, Limassol, P.C. 4046, Cyprus
Michalakis Thomaidis	KIBC, Office 201, Profiti Ilia Street, 4, Germasogeia, Limassol, P.C. 4046, Cyprus

The Company Secretary is Team Nominees Limited.

The Directors do not hold any direct, indirect, beneficial or economic interest in any of the Shares. There are no current or potential conflicts of interest between the private interests and/or other duties of any member of the Issuer's Board of Directors and the duties of the members of the Issuer's Board of Directors to the Issuer.

Save for the issues of Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations other than with respect to the issue and sale of the Notes, and no financial statements of the Issuer have been prepared as of the date of these Listing Particulars. The financial year of the Issuer ends on December 31 in each year. The Issuer will not prepare interim financial statements.

Each year the Issuer must file with the Registrar of Companies in Cyprus its annual return (the first annual return can be made for the period which begins from the date of incorporation of the Issuer and ends 18 months thereafter). There must be attached to each annual return the financial statements of the Issuer (including the reports of the directors and the auditors on the financial statements) that were presented to the annual general meeting of the Issuer for the relevant year. The annual returns, the financial statements and the reports of the directors and the auditors filed with the Registrar of Companies in Cyprus are available for inspection by the public. The financial statements will be obtainable free of charge from the registered office of the Issuer.

The auditors of the Issuer are PricewaterhouseCoopers Limited. PricewaterhouseCoopers Limited's registered office is Julia House, 3 Themistocles Dervis Street, CY-1066, Nicosia, Cyprus. PricewaterhouseCoopers Limited is a member of the Institute of Certified Public Accountants of Cyprus.

Guarantors

Global Ports Investments PLC

Legal and commercial name	Global Ports Investments PLC	
Registration number	224289	
Date and place of incorporation	Incorporated on 29 February 2008 under the name Global Ports Investments Ltd. Its name was changed to Global Ports Investments PLC on 7 October 2008.	
Duration of existence	Indefinite	
Place of domicile	Cyprus	
Legal form	Public limited liability company under the Cyprus Companies Law, Cap 113 (as amended) (converted from private limited liability company on 7 October 2008)	
Registered office	Omirou 20, Agios Nikolaos, P.C. 3095, Limassol, Cyprus Tel.: +357 255 83 600	
Principal place of business	KIBC, Office 201, Profiti Ilia Street, 4, Germasogeia, Limassol, P.C. 4046, Cyprus Tel: + 357 25 312 588	
Directors	*Name*	*Relevant other activities*
	Tiemen Meester	APM Terminals B.V. and certain subsidiary companies
	Nikita Mishin	SOLLERS PJSC
	Michalakis Christofides	None
	Constantinos Economides	None
	Kim Fejfer	A.P. Moller-Maersk A/S APM Terminals B.V.
	Alexander Iodchin	None
	Vadim Kryukov	Ilibrinio Establishment Limited Polozio Enterprises Limited
	Mikhail Loganov	None
	Laura Michael	Orangefield Group
	Alexander Nazarchuk	None
	Konstantin Shirokov	Globaltrans Investment PLC

	Bryan Smith	None
	Chrystalla Stylianou	Orangefield Group
	Siobhan Walker	ING Bank N.V., London Branch (UK Corporate Coverage Division)

Further information on each of the Directors and members of senior management of the Company is publicly available on the Company's website.

Statutory auditors	PricewaterhouseCoopers Limited
Principal activities	Holding company

First Container Terminal Incorporated

Legal and commercial name	First Container Terminal Incorporated	
Registration number	1027802712343	
Date and place of incorporation	23 July 1998, Russian Federation, 198035, Saint-Petersburg, Mezhevoy channel, h. 5, 3rd district	
Duration of existence	18 years	
Place of domicile	Russian Federation, 198035, Saint-Petersburg, Mezhevoy channel, h. 5, 3rd district	
Legal form	Joint Stock Company (*akcionernoye obshchestvo*)	
Registered office	Russian Federation, 198035, Saint-Petersburg, Mezhevoy channel, h. 5, 3rd district Tel: +7 (812) 335-79-01	
Principal place of business	Russian Federation, 198035, Saint-Petersburg, Mezhevoy channel, h. 5, 3rd district	
Director	*Name*	*Relevant other activities*
	LLC Global Ports Management (represented by Vladislav Baumgertner)	Management company
Statutory auditors	OOO Gross-Audit	
Principal activities	Owner and operator of container terminals	

Joint-stock company "Petrolesport"

Legal and commercial name	Joint-stock company "Petrolesport"	
Registration number	1027802726951	
Date and place of incorporation	15 December 1992, Russian Federation, 198095, Saint-Petersburg, Gladky Ostrov, 1	
Duration of existence	23 years	
Place of domicile	Russian Federation, 198095, Saint-Petersburg, Gladky Ostrov, 1	
Legal form	Joint Stock Company (*akcionernoye obshchestvo*)	
Registered office	Russian Federation, 198095, Saint-Petersburg, Gladky Ostrov, 1 Tel: +7 (812) 332-30-01	
Principal place of business	Russian Federation, 198095, Saint-Petersburg, Gladky Ostrov, 1	
Director	*Name*	*Relevant other activities*
	LLC Global Ports Management (represented by Vladislav Baumgertner)	Management company
Statutory auditors	OOO Gross-Audit	

Principal activities	Owner and operator of container terminals

Vostochnaya Stevedoring Limited Liability Company

Legal and commercial name	Vostochnaya Stevedoring Limited Liability Company	
Registration number	1042501609039	
Date and place of incorporation	10 August 2004, Russian Federation, 692900, Primorskiy Krai, Nakhodka, pgt Vrangel, ul. Vnutriportovaya, 14a	
Duration of existence	11 years	
Place of domicile	Russian Federation, 692900, Primorskiy Krai, Nakhodka, pgt Vrangel, ul. Vnutriportovaya, 14a	
Legal form	Limited Liability Company (*obshchestvo s ogranichennoi otvetstvennostiu*)	
Registered office	Russian Federation, 692900, Primorskiy Krai, Nakhodka, pgt Vrangel, ul. Vnutriportovaya, 14a Tel: +7 (423) 66-65-305	
Principal place of business	Russian Federation, 692900, Primorskiy Krai, Nakhodka, pgt Vrangel, ul. Vnutriportovaya, 14a	
Director	*Name*	*Relevant other activities*
	LLC Global Ports Management (represented by Vladislav Baumgertner)	Management company
Statutory auditors	OOO Gross-Audit	
Principal activities	Owner and operator of container terminals	

SIGNIFICANT SHAREHOLDERS AND OTHER INTERESTS

The following table sets forth the significant shareholders in the Company as at 30 March 2016. Except as noted, the Company has not been notified of any other direct or indirect substantial interest in the issued Ordinary Shares of the Company.

	Number of Shares	Percentage	Number of Ordinary Shares	Percentage
TIHL[(1)(2)]	176,250,000	30.75%	126,814,024	29.99%
APMT[(3)]	176,250,000	30.75%	126,814,024	29.99%
Ilibrinio Establishment Limited[(4)]	51,585,365	9.0%	25,792,683	6.1%
Polozio Enterprises Limited[(5)]	51,585,365	9.0%	25,792,683	6.1%
Float[(6)]	117,500,001	20.5%	117,500,001	27.8%
Total	**573,170,731**	**100%**	**422,713,415**	**100%**

(1) Represents the total number of shares owned by TIHL and its affiliates.

(2) TIHL is a company organised and existing under the laws of Cyprus with its registered office and principal place of business at 20 Omirou, Agios Nikolaos, P.C. 3095, Limassol, Cyprus. TIHL is ultimately controlled by a company the beneficial owners of which are Nikita Mishin, Konstantin Nikolaev and Andrey Filatov. These individuals are also co-founders and strategic shareholders of Globaltrans Investment Plc, a leading private freight rail transportation group with operation in Russia, the CIS and the Baltic countries.

(3) A.P. Møller - Mærsk A/S, a public company with shares traded on the OMX Nordic Exchange Copenhagen, beneficially owns 100% of the voting shares of APMT.

(4) Ilibrinio Establishment Limited is a company organised and existing under the laws of Cyprus with its registered office and principal place of business at 10, Parni, 3117 Limassol, Cyprus. Shavkat Kary-Niyazov beneficially owns 50% of the voting shares of Ilibrinio Establishment Limited, Ekaterina Grigorieva beneficially owns 25% of the voting shares of Ilibrinio Establishment Limited and Natalia Lapshina beneficially owns 25% of the voting shares of Ilibrinio Establishment Limited.

(5) Polozio Enterprises Limited is a company organised and existing under the laws of Cyprus with its registered office and principal place of business at 10, Parni, 3117 Limassol, Cyprus. Andrey Kobzar beneficially owns 100% of the voting shares of Polozio Enterprises Limited.

(6) Float describes remaining interests in the Ordinary Shares.

APMT and TIHL Shareholders' Agreement

TIHL and APMT are parties to a shareholders' agreement governing their joint control and management of the Company.

Board seats

The APMT and TIHL Shareholders' Agreement provides that the Board comprise 14 directors, two of whom are independent, two (one each) of whom are nominated, appointed, removed and replaced by Ilibrinio and Polozio, five of whom may be nominated, appointed, removed and replaced by TIHL and five of whom may be nominated, appointed, removed and replaced by APMT.

The agreement provides that nomination of the Chairman and vice-Chairman rotates between TIHL and APMT every two years. Quorum is established by a simple majority of directors, with one being a TIHL director, one an APMT director and one independent director. The agreement provides that certain key matters at the Company and subsidiary level require the affirmative vote of at least one TIHL and one APMT director.

Board Committees

TIHL and APMT agree that that board committees will comprise equal number of directors from both TIHL and APMT and at least one independent director. Quorum will be considered to be three directors, with one being a TIHL director, one an APMT director and one independent.

Senior Management

The APMT and TIHL Shareholders' Agreement provides that the Senior Management of the Company be appointed jointly, with the right to nominate rotating between the two parties.

Management matters

The APMT and TIHL Shareholders' Agreement also includes provisions agreeing an approach to the Company's dividend policy, maintenance of a target net debt to EBITDA ratio of 1.5 to 2 times after taking into account budgeted cash flows (including capital expenditure) and performance against budget as well as any debt financing to fund any dividend and, with respect to funding, that the Group satisfy its external funding needs with borrowings to the extent available on commercially reasonable terms.

Lock up

It provides for a lockup period expiring on 28 November 2017, during which a party can transfer shares provided the transfer does not result in either TIHL's or APMT's holdings of ordinary shares to fall below 25% plus 1 share of the total voting shares. The APMT and TIHL Shareholders' Agreement also contains rights of first refusal, tag along rights, and standard pre-emption rights apply.

Duration

The APMT and TIHL Shareholders' Agreement will remain effective for as long as the parties (or their connected persons) hold shares or GDRs, and it is subject to termination by either party if the other party holds less than 25% plus 1 share of the aggregate issued and outstanding Company's voting share capital.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see Note 30 to the 2015 Annual Consolidated Financial Statements included herein.

TERMS AND CONDITIONS OF THE NOTES

The following is the form of the terms and conditions of the Notes that will be endorsed on each definitive note (if and when issued) and that will be attached to, and in certain cases is amended by, the Global Note Certificates:

The U.S.$350,000,000 6.872 per cent. Guaranteed Notes due 2022 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Global Ports (Finance) PLC (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 18 April 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed). The Notes are guaranteed unconditionally and irrevocably, on a joint and several basis, by Global Ports Investments PLC (the "**Parent**"), First Container Terminal Incorporated, Joint-stock company "Petrolesport" and Vostochnaya Stevedoring Limited Liability Company (each an "**Initial Guarantor**" and, together, the "**Initial Guarantors**") under a deed of guarantee dated 18 April 2016 (as amended or supplemented from time to time, the "**Deed of Guarantee**") between the Initial Guarantors and the Trustee (the "**Initial Guarantees**"). Under the Deed of Guarantee, the terms of the Trust Deed and Conditions are incorporated by reference and the Parent undertakes that the Notes will be additionally so guaranteed (an "**Additional Guarantee**") by a Subsidiary (as defined below) of the Parent that becomes a Material Subsidiary (as defined below) after the Issue Date (as defined below) (an "**Additional Guarantor**" and, together with the Initial Guarantors, the "**Guarantors**") by executing a deed of accession to the Deed of Guarantee, substantially in the form set out in the Schedule to the Deed of Guarantee, provided that no Material Subsidiary shall be obliged to become an Additional Guarantor if it would (a)(i) result in any violation of applicable law or (ii) breach the provisions of any contract, require the consent of a party that is not a member of the Group or give rise to a contractual liability for the officers, directors or shareholders of such Material Subsidiary provided that the contractual provision giving rise to such breach, requirement for consent or liability was in effect on the Issue Date or at the time such Subsidiary became a Subsidiary of the Group and (b) in the case of either (i) or (ii) above, cannot be prevented or otherwise avoided or in the case of a consent, obtained through measures reasonably available to the Parent or such Material Subsidiary. The Initial Guarantees and any Additional Guarantee are together referred to as the "**Guarantees**" and each is a "**Guarantee**". The Notes are the subject of an agency agreement dated 18 April 2016 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Initial Guarantors, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed, the Deed of Guarantee and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of each of the Trust Deed, Deed of Guarantee and the Agency Agreement applicable to them. Copies of the Trust Deed, Deed of Guarantee and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination, Status and Guarantee**

(a) *Form and denomination*: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Notes*: Each Guarantor has or will (as applicable) in the Deed of Guarantee unconditionally and irrevocably guaranteed on a joint and several basis (with each other

Guarantor (present or future)) the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. Each Guarantee constitutes direct, general and unconditional obligations of such Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. **Register, Title and Transfers**

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Covenants**

(a) *Negative Pledge:* The Issuer and the Guarantors shall not, and the Parent shall procure that its Subsidiaries shall not, directly or indirectly, create, incur or suffer to exist any Liens, other than Permitted Liens, on any of its or their property or assets, now owned or hereafter acquired, or any income, revenue or profits therefrom, securing any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Notes or the Guarantors' obligations under the Deed of Guarantee, as the case may be, (a) are secured equally and rateably with such other Indebtedness or (b) has the benefit of such other security or other arrangement as the Trustee, in its absolute discretion, shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

(b) *Merger:* neither the Issuer nor any Guarantor shall enter into any reorganisation (by way of a merger, accession, division, separation or transformation, or other bases or procedures for reorganisation contemplated or as may be contemplated from time to time by Cypriot or Russian legislation (as the case may be), as these terms are construed by applicable Cypriot or Russian legislation) and any such reorganisation or other type of corporate reconstruction would result in a Material Adverse Effect.

(c) *Disposals:* The Issuer and the Guarantors shall not make any Asset Sale, except for Asset Sales where the consideration received in respect of such disposed assets is at least equal to the Fair Market Value of such assets or properties sold, disposed of or otherwise transferred in such Asset Sale and where such Asset Sale would not have a Material Adverse Effect.

(d) *Limitation on Indebtedness:*

(i) The Issuer and the Guarantors shall not, and the Parent shall not cause or permit any of its Subsidiaries to, incur, any Indebtedness except if: (A) no Event of Default has occurred and is continuing at the time, or would occur as a consequence of the incurrence of such Indebtedness; and (B) the Leverage Ratio is 3.5:1 or lower after giving effect to such incurrence on a pro forma basis, including a pro forma application of the net proceeds therefrom (as described under the definition of Leverage Ratio).

(ii) Notwithstanding the foregoing Condition 3(d)(i), the Issuer, each Guarantor and the Parent's Subsidiaries will be entitled to incur any or all of the following Indebtedness (each, "**Permitted Indebtedness**"):

(A) intercompany and intra-Group indebtedness owed to and held by the Parent or a Subsidiary of the Parent; provided, however, that any subsequent disposition, pledge or transfer of such Indebtedness (other than to the Parent or a Subsidiary of the Parent) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the obligor thereof;

(B) Indebtedness outstanding on the Issue Date;

(C) Indebtedness of the Parent or a Subsidiary of the Parent incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of the Parent (other than Indebtedness incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary of the Parent); provided, however, that on the date of such acquisition and after giving pro forma effect thereto, the Parent would have been entitled to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 3(d)(i) above;

(D) Refinancing Indebtedness incurred by the Parent or a Subsidiary of the Parent in respect of Indebtedness incurred by the Parent or a Subsidiary of the Parent pursuant to this Condition 3(d)(i) above or pursuant to Condition 3(d)(ii);

(E) Indebtedness under any hedging agreement of the Parent or any Subsidiary of the Parent entered into to limit interest rate, exchange rate or commodity price risks; provided that such hedging agreement is not for speculative purposes;

(F) obligations in respect of performance, bid and surety bonds, completion guarantees, letters of credit (other than any reimbursement obligations of the Parent or any

Subsidiary of the Parent to the issuing bank of the relevant letter of credit arising upon the payment by the issuing bank of the underlying obligation and such obligation remaining unpaid beyond any applicable grace period) or similar obligations provided by the Parent or any Subsidiary of the Parent in the ordinary course of business of the Group;

(G) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its incurrence;

(H) Indebtedness arising from agreements of the Parent or a Subsidiary of the Parent providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of the Parent or any Subsidiary of the Parent; provided that (A) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the net proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Indebtedness for later release to) the Parent and its Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) such Indebtedness is not reflected on the balance sheet of the Parent or any Subsidiary of the Parent (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this part (B) of this paragraph (H));

(I) (a) Purchase Money Indebtedness and (b) Capital Lease Obligations incurred to finance the acquisition, construction, development or improvement by the Parent or a Subsidiary of the Parent of assets used or useful in its Core Business, provided that the aggregate principal amount of such Indebtedness incurred under this paragraph (I) does not exceed U.S.$100 million at any time outstanding;

(J) Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(K) Indebtedness in respect of accrued discounts, customer deposits and advance payments received from customers for services provided or assets sold in the ordinary course of business; and

(L) other Indebtedness of the Parent and its Subsidiaries in an aggregate principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this paragraph (L) and then outstanding, will not exceed U.S.$100,000,000 at any time outstanding provided, however, that if an item of Indebtedness initially incurred pursuant to this paragraph (L) can subsequently be incurred pursuant to Condition 3(d)(i), such Indebtedness shall be deemed to have been incurred under Condition 3(d)(i) and not under this paragraph (L).

(iii) Notwithstanding the foregoing, the Issuer and the Guarantors will not incur any Indebtedness pursuant to this covenant if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of such entities unless such Indebtedness shall be subordinated to the Notes and the Guarantees to at least the same extent as such Subordinated Obligations.

(iv) For purposes of determining compliance with this covenant:

(A) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described in 3(d)(i) or (3)(d)(ii), the Parent, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of incurrence and will only be required to include the amount and type of such Indebtedness in one of the above sub-Clauses; and

(B) the Parent will be entitled to divide and classify and re-classify an item of Indebtedness in more than one of the types of Indebtedness described in Conditions 3(d)(i) or 3(d)(ii) and may change the classification of an item of Indebtedness (or any portion thereof) to any other type of Indebtedness described in Conditions 3(d)(i) or 3(d)(ii) at any time.

The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any guarantees, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted.

(v) For purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a currency hedging agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such currency hedging agreement. The principal amount of any Refinancing Indebtedness incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (A) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the principal amount of such Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is incurred. Notwithstanding any other provision of this covenant, the maximum amount that the Issuer, a Guarantor or a Subsidiary of the Parent may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to outstanding Indebtedness, due solely as a result of fluctuations in the exchange rates of currencies.

(e) *Transactions with Affiliates:* The Issuer and the Guarantors shall not, and the Parent shall ensure that none of its Subsidiaries, directly or indirectly, will, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to such entity, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefore) in a comparable arm's-length transaction with a Person that is not an Affiliate of such entity.

For the avoidance of doubt, this Condition 3(e) does not apply to: (i) any Affiliate Transaction between the Parent and its Subsidiaries and between or among Subsidiaries of the Parent; or (ii) compensation or employee benefit arrangements with any employee, officer or director of the Issuer, the Guarantor or any Subsidiary of the Parent arising as a result of their employment contract; or (iii) investments made after the Issue Date in the form of loans or other financial support to joint ventures of up to U.S.$25 million in aggregate or (iv) any other arrangement existing on the Issue Date and disclosed in the Listing Particulars.

(f) *Change of Business:* The Issuer and the Guarantors shall make no material change to the general nature of the Core Business.

(g) *Maintenance of Authorisations:* The Issuer and each Guarantor shall take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which in each case may at any time be required to be obtained or made in Cyprus or the Russian Federation (as the case may be) for the execution, delivery or performance of the Notes or the Guarantees, as the case may be, or for the validity or enforceability thereof.

(h) *Claims Pari Passu:* The Issuer and the Guarantors shall ensure that at all times the claims of Noteholders under the Notes and the Guarantees, as the case may be, rank at least pari passu with the claims of all their respective other present and future unsecured creditors, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application or any other mandatory provisions of applicable law.

(i) *Maintenance of Property:* The Issuer and the Guarantors shall cause all property that is used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgment of the Parent or the relevant Guarantor, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times provided that if any such failure to comply with the above is remedied within 90 days of such failure or any such failure relates to property with a value not exceeding US$50 million (or its U.S. Dollar Equivalent), this covenant will be deemed not to have been breached.

(j) *Payment of Taxes:* The Issuer and the Guarantors shall pay or discharge or cause to be paid or discharged, before the same shall become overdue all taxes, assessments and governmental charges levied or imposed upon, or upon its income, profits or property provided that this covenant will not require the payment or discharge of any tax, assessment or charge (i) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings (or has been the subject of such proceedings which have within the then preceding 30 days, resulted in a final, non-appealable determination of liability in a definitively ascertained amount) and for which adequate reserves or other appropriate provision has been made or (ii) the amount, together with all such unpaid or undischarged taxes, assessments, charges and claims, does not exceed US$50 million (or its U.S. Dollar Equivalent).

(k) *Maintenance of Insurance:* The Issuer and the Guarantors shall keep those of their assets used in the Core Business which are of an insurable nature insured with insurers of good standing against loss or damage to the extent that property of similar character and value is usually so insured by corporations operating in the same industry and in the same jurisdictions similarly situated and owning similar properties in the same jurisdictions provided that if any failure to comply with the above is remedied within 120 days or if such potential losses or damages (which may be assessed by reference to actual losses or damages borne over the preceding three years) do not exceed US$50 million (or its U.S. Dollar Equivalent), this covenant will not be deemed to have been breached.

(l) *Restricted Payments*: The Issuer and the Guarantor shall not and the Parent shall ensure that any of the Parent's other Subsidiaries will not, directly or indirectly:

(i)

(A) declare or pay any dividend or make any other payment or distribution on account of the Parent’s or any of its Subsidiaries’ Capital Stock (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Parent or any of its Subsidiaries) or to the direct or indirect holders of the Parent’s or any of its Subsidiaries’ Capital Stock in their capacity as such (other than dividends or distributions payable in Capital Stock of the Parent and other than dividends or distributions payable to the Parent or any of its Subsidiaries and, in the case of a Subsidiary, to other holders of its Capital Stock paid on a *pro rata* basis to all holders);

(B) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving the Parent) any Capital Stock of the Parent;

(C) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer, the Guarantors or any of the Parent's other Subsidiaries that constitutes a Subordinated Obligation (excluding any intercompany Indebtedness between or among the Parent and any of the Parent’s Subsidiaries), except (1) a payment of interest or principal at its Stated Maturity thereof or (2) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement,

(all such payments and other actions set forth in paragraphs (A) through (C) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment, the conditions specified in Condition 3(l)(ii) are satisfied or the Restricted Payment is permitted under Condition 3(l)(iii):

(ii) The conditions referred to in Condition 3(l)(i) are that at the relevant time:

(A) no Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(B) the Issuer and the Guarantors would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two-accounting periods, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Leverage Ratio test set forth in Condition 3(d)(i)(B); and

(C) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Parent and its Subsidiaries since the Issue Date, is equal to or less than the sum, without duplication, of:

(1) 50 per cent. of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the accounting period commencing after the Issue Date to the end of the Parent's most recently ended accounting period for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); *plus*

(2) 100 per cent. of the aggregate net cash proceeds, and the Fair Market Value of any Marketable Securities and other property, received by the Parent since the Issue Date as a contribution to its common capital or from the issue or sale of Capital Stock of the Parent or from the issue or sale of convertible or exchangeable securities of the Parent or a Subsidiary that have been converted into or exchanged for Capital Stock of the Parent (other than Capital Stock or debt securities) sold to a Subsidiary of the Parent) or from the issuance or sale of Subordinated Obligations (other than an issuance or sale to the Parent or a Subsidiary of the Parent).

(iii) Condition 3(l)(i) will not prohibit any of the following (collectively "**Permitted Payments**"):

(A) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have permitted by any provision of this Condition;

(B) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(C) the repurchase, redemption, defeasance or other acquisition or retirement for value of the Subordinated Obligations with the net cash proceeds from a substantially concurrent incurrence of subordinated Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

(D) the repurchase, redemption or other acquisition for value of Capital Stock of the Parent, the Guarantors or a Subsidiary representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Parent, the Guarantors or such Subsidiary or any other transaction permitted by these Conditions;

(E) payments of cash, dividends, distributions, advances or other Restricted Payments by the Parent or any of its Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(F) the making of any Restricted Payment by the Parent in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Parent) of, Capital Stock of the Parent or from the substantially concurrent contribution of common equity capital to the Parent; provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from Condition 3(l)(ii)(C)(2); and

(iv) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment, provided that, on the date of any such Restricted Payment the Leverage Ratio test set forth in Condition 3(d)(i) for the Parent and its Subsidiaries does not exceed 2.0 to 1.0 on a pro forma basis after giving effect thereto.

(m) *Covenant Fall-Away:* From and after the date on which the Parent has reached Investment Grade Status and so long as the Parent holds an Investment Grade Status, the Issuer and Guarantors will be released from their respective obligations to comply with Conditions 3(b) to (l) inclusive and, in each case, any related Events of Default under Condition 8.

(n) *Additional Guarantor(s)*: If an Additional Guarantor Event occurs, the Parent undertakes to have an Additional Guarantor, not later than 180 calendar days after such event and having given the Trustee at least 15 days' prior notice, to execute and deliver to the Trustee a Deed of Accession (as defined in the Deed of Guarantee), in the form set out in the schedule to the Deed of Guarantee, pursuant to which such Additional Guarantor will, jointly and severally and unconditionally and irrevocably guarantee the payment of all moneys payable under these Conditions and will become vested with all the duties and obligations of a Guarantor as if originally named a Guarantor under the Deed of Guarantee, provided that no Material Subsidiary shall be obliged to become an Additional Guarantor if it would (a)(i) result in any violation of applicable law or (ii) breach the provisions of any contract, require the consent of a party that is not a member of the Group or give rise to a contractual liability for the officers, directors or shareholders of such Material Subsidiary provided that the contractual provision giving rise to such breach, requirement for consent or liability was in effect on the Issue Date or at the time such Subsidiary became a Subsidiary of the Group and (b) in the case of either (i) or (ii) above, cannot be prevented or otherwise avoided or in the case of a consent, obtained through measures reasonably available to the Parent or such Material Subsidiary.

(o) *Financial Information:* The Issuer and Guarantors shall (i) make available on the Parent's website or (ii) so long as the Notes are listed on the Stock Exchange (or any alternative stock exchange), make available on the official website of the Stock Exchange (or such alternative stock exchange), to the extent and in the manner permitted by the rules of the Stock Exchange (or such alternative stock exchange):

(i) as soon as they become available, but in any event within 120 days after the end of each of its financial years, copies of the Accounts for such financial year, in each case audited by the Auditors and prepared in accordance with Accounting Standards consistently applied with the corresponding financial statements for the preceding period prepared in accordance with Accounting Standards; and

(ii) as soon as the same become available, but in any event within 90 days after 30 June in each year, the Accounts as at, and for the six month period ended, 30 June in each case reviewed by the Auditors and prepared in accordance with Accounting Standards consistently applied with the corresponding financial statements for the preceding period prepared in accordance with Accounting Standards,

provided that each set of Accounts delivered by it pursuant to this Condition 3(o) is accompanied by an audit report, in the case of paragraph (i) above and a review report, in the case of paragraph (ii) above, of the Auditors and accompanying notes and annexes.

For the purposes of these Conditions:

"**12-month Consolidated EBITDA**" means the aggregate Consolidated EBITDA for the two most recent Measurement Periods preceding any date of determination for which consolidated financial statements of the Group are available.

"**Accounting Standards**" means IFRS, or any other internationally recognised set of accounting standards deemed equivalent to IFRS by the relevant regulators for the time being; provided however, that where such term is used with respect to the financial statements of the Subsidiaries of the Parent, in these Conditions, it shall, where financial statements prepared in accordance with IFRS are not available, be deemed to include U.S. GAAP, Russian accounting standards or any other generally accepted accounting standards of the jurisdiction of incorporation of the relevant Subsidiary from time to time.

"**Accounts**" means the consolidated accounts of the Parent prepared in accordance with Accounting Standards.

"**Accounts Regulation**" means Article 3 of Regulation (EC) No. 1606/2002.

"**Additional Guarantor Event**" means after the Issue Date, any Subsidiary of the Parent becomes a Material Subsidiary of the Parent.

"**Approved Jurisdiction**" means, as at any date of determination, the United States of America, the Russian Federation, Switzerland, Canada and any member state of the European Union as constituted on such date.

"**Asset Acquisition**" means (i) an investment by the Parent or any Subsidiary of the Parent in any other Person pursuant to which such Person shall become a Subsidiary of the Parent, or shall be consolidated or merged with the Parent or any Subsidiary of the Parent or (ii) the acquisition by the Parent or any Subsidiary of the Parent, of assets of any Person which constitute all or substantially all of the assets of such Person or which comprise a division or line of business of such Person.

"**Asset Sale**" means any direct or indirect lease, sale, transfer or other disposition (in each case other than a sale and lease-back) either in one transaction or in a series of related transactions, by the Issuer, a Guarantor or any of the Parent's Subsidiaries to a Person that is not part of the Group, including any disposition by means of a merger, consolidation or similar transaction, of any of its properties or assets (including any shares of Capital Stock of a Subsidiary of the Parent (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Parent or a Subsidiary of the Parent), other than:

(a) a disposition of any cash or Cash Equivalent Items;

(b) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien) in compliance with Condition 3(a);

(c) any disposition constituting or resulting from the enforcement of a Lien incurred in compliance with Condition 3(a);

(d) the licensing or sub-licensing of rights to intellectual property or other intangibles in the ordinary course of business;

(e) the sale, lease or other disposition of obsolete, worn out, negligible, surplus or outdated equipment or machinery or raw materials or inventory or any other asset, in each case which is no longer used or usable in the ordinary course of business, such sale, lease or other disposition being in the ordinary course of business;

(f) the lease, assignment or sublease of any real or personal property in the ordinary course of business, including the sale of accounts receivable in factoring arrangements entered into in the ordinary course of business;

(g) sales or other dispositions of assets or property received by the Parent or any Subsidiary of the Parent upon the foreclosure on a Lien granted in favour of the Parent or any Subsidiary of the Parent or any other transfer of title with respect to any ordinary course secured investment in default;

(h) sales or other disposals of products or stock in trade on an arm's length basis in the ordinary course of business;

(i) the surrender or waiver of contract rights or the settlement, release, or surrender of contract, tort or other claims, in the ordinary course of business; and

(j) investments permitted by clause (iii) of the second paragraph of Condition 3(e).

"**Auditors**" means the auditors of the consolidated financial statements of the Group from time to time.

"**Business Day**" means a day on which (a) the London Interbank Market is open for dealings between banks generally and (b) if on that day a payment is to be made hereunder, commercial banks generally are open for business in New York City, Moscow, and in the city where the specified office of the Principal Paying Agent is located.

"**Capital Lease Obligation**" means an obligation that is required to be classified and accounted for as a finance or capital lease for financial reporting purposes in accordance with Accounting Standards, and the amount of Indebtedness represented by such obligation shall be the capitalised amount of such obligation determined in accordance with Accounting Standards; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation and any and all equivalent ownership interests in a Person other than a corporation, in each case whether now outstanding or hereafter used.

"**Cash and Cash Equivalents**" means, at any time, and without duplication, any amounts and investments shown as cash and cash equivalents in the most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards, in each case not subject to any security interest (other than pursuant to any customary bankers' liens arising by operation of law) and the proceeds of which are capable of being remitted to a member of the Group.

"**Cash Equivalent Items**" means:

(a) any investment in direct obligations of an Approved Jurisdiction or any Agency thereof or obligations guaranteed by an Approved Jurisdiction or any Agency thereof;

(b) investments in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by a bank or trust company which is organised under the laws of an Approved Jurisdiction, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.$500,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "BBB-" or "Baa3" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraph (a) above entered into with a bank meeting the qualifications described in paragraph (b) above;

(d) investments in commercial paper with a maturity of one year or less from the date of acquisition, issued by a corporation (other than an Affiliate of the Parent) organised and in existence under the laws of an Approved Jurisdiction with a rating at the time as of which any investment therein is made of "P1" (or higher) or "A1" (or higher), as the case may be, according to a Rating Agency;

(e) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of an Approved Jurisdiction or by any political subdivision or taxing authority thereof, and rated at least "BBB-" or "Baa3", as the case may be, by a Rating Agency; and

(f) investments in money market funds that invest substantially all their assets in securities of the types described in paragraphs (a) through (e) above.

"**Consolidated EBITDA**" means the consolidated pre-taxation profits of the Group for any Measurement Period as adjusted by:

(a) adding back Consolidated Interest Costs;

(b) excluding Consolidated Interest Income;

(c) taking no account of any non-monetary item, extraordinary item or exceptional item;

(d) adding back depreciation and amortisation;

(e) adding back foreign exchange loss;

(f) excluding foreign exchange gain;

(g) adding back impairment loss;

(h) excluding any share of (loss)/profit of joint ventures accounted for using the equity method;

(i) adding back dividends received in cash from joint venture and other interests accounted for using the equity method; and

(j) excluding any changes in the fair value of derivative instruments entered into for the purposes of hedging borrowing obligations or short term financial obligations as determined in good faith by the Parent, in each case, as calculated for the purposes of the preparation of the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; provided that:

(a) the net income (loss) of any Person that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or one of its Subsidiaries;

(b) any net income (loss) of any Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to the Parent (or any other Guarantor that holds Capital Stock of such Subsidiary, as applicable) by operation of the terms of such Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes, Deed of Guarantee or Trust Deed, or (iii) contractual restrictions in effect on the Issue Date with respect to the Subsidiary and other restrictions with respect to such Subsidiary that taken as a whole, are not materially less favourable to the Noteholders than such restrictions in effect on the Issue Date, except that the Parent's equity in the net income of any such Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of Cash and Cash Equivalents actually distributed or that could have been distributed by such Subsidiary during such period to the Parent or another Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Subsidiary (other than any Guarantor), to the limitation contained in this paragraph);

(c) any one-time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Parent or its Subsidiaries will be excluded;

(d) the cumulative effect of voluntary changes in accounting principles will be excluded, and the cumulative effect of changes in accounting principles caused by the adoption of new IFRS standards or by changes in the existing IFRS standards shall be excluded only for the period when such standard is adopted for the first time and shall not be excluded prospectively;

(e) any extraordinary, exceptional or nonrecurring gains or losses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance (in each case, as determined in good faith by the Parent) will be excluded;

(f) any unrealised gains or losses in respect of hedging agreements or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of hedging agreements will be excluded;

(g) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(h) any goodwill or other intangible asset impairment charges will be excluded;

(i) all deferred financing costs written off and premium paid or other expenses incurred in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;

(j) the impact of any capitalised interest (including accreting or pay-in-kind interest) on any Subordinated Obligations and any non-cash charges relating to Subordinated Obligations or Capital Stock of the Parent, will be excluded;

(k) any expenses, charges, reserves or other costs relating to the issuance and sale of the Notes and the repayment of Indebtedness with the proceeds therefrom, will be excluded; and

(l) foreign exchange gains (losses) will be excluded.

"**Consolidated Net Indebtedness**" means at any date of determination an amount equal to (a) (and without duplication) the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Indebtedness of the Group on a consolidated basis as calculated in accordance with the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards, reduced by (b) (x) the aggregate Cash and Cash Equivalents of the Group on a consolidated basis and (y) the amount of any assets arising from any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price with respect to Indebtedness as determined in good faith by the Parent (such amount to be disclosed in the Accounts), in each case, as calculated (to the extent applicable) in accordance with the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards.

"**Consolidated Interest Costs**" means all interest and other financing charges but not including any foreign exchange loss (whether, in each case, paid, payable or capitalised) payable in respect of Indebtedness incurred by the Group on a consolidated basis during a Measurement Period as calculated for the purposes of preparation of the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards.

"**Consolidated Interest Income**" means all interest and other financing charges but not including any foreign exchange gains (whether, in each case, paid or payable) received by the Group on a consolidated basis during a Measurement Period as calculated for the purposes of the preparation of the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards.

"**Core Business**" means maritime and inland terminal operations and any businesses, activities and services that are related, complementary, incidental, ancillary or similar to such operations or any of the foregoing or are extensions or developments thereof.

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

"**EBITDA**" of a Subsidiary of the Parent means the pre-taxation profits of the relevant Subsidiary for any Measurement Period as adjusted by:

(a) adding back Interest Costs;

(b) excluding Interest Income;

(c) taking no account of any non-monetary item, extraordinary item or exceptional item;

(d) adding back depreciation and amortisation;

(e) adding back foreign exchange loss;

(f) excluding foreign exchange gain;

(g) adding back impairment loss;

(h) excluding any share of (loss)/profit of joint ventures accounted for using the equity method;

(i) adding back dividends received in cash from joint venture and other interests accounted for using the equity method; and

(j) excluding any changes in the fair value of derivative instruments entered into for the purposes of hedging borrowing obligations or short term financial obligations as determined in good faith by the Parent,

in each case, as calculated for the purposes of the preparation of the then most recently published financial statements of the Parent prepared in accordance with Accounting Standards.

"**Fair Market Value**" means the consideration that would be provided in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined (in the case of (i) any disposal to an Affiliate of the Person making the disposal that is not a member of the Group or (ii) any disposal that is otherwise not on an arms-length basis) in good faith by the Board of Directors of the Parent or the relevant Subsidiary thereof whose determination shall be conclusive if evidenced by a resolution of such Board of Directors.

"**Group**" means the Parent and its Subsidiaries and interests in joint ventures taken as a whole.

"**guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for the payment of such Indebtedness.

"**IFRS**" means the International Financial Reporting Standards (formerly International Accounting Standards) as adopted by the European Union.

"**incur**" means issue, assume, guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be incurred or issued by such Subsidiary at the time it becomes or is so merged into a Subsidiary.

"**Indebtedness**" means without duplication, any liability for, or in respect of:

(a) moneys borrowed;

(b) amounts raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments or pursuant to any issue of shares which are expressed to be redeemable either on a compulsory basis or at the option of the shareholder;

(d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with Accounting Standards, be treated as finance or capital leases;

(e) any amount raised under any other transaction (including any forward sale or any purchase agreement) having the economic or commercial effect of a borrowing but excluding, for the avoidance of doubt, accounts payable or other liability to trade creditors, accrued discounts, advance payments by customer, obligations under operating leases or contingent obligations in respect of employee related and pension fund obligations;

(f) any amount raised pursuant to an arrangement whereby an asset sold or otherwise disposed of by the relevant Person may be leased or re-acquired by that Person or an Affiliate of that Person (whether following the exercise of an option or otherwise);

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuations in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account (after any applicable netting or set-off in accordance with Accounting Standards);

(h) any counter-indemnity obligation or any similar reimbursement obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution to the extent arising upon the payment by the bank or financial institution of the underlying obligation and such obligation remaining unpaid beyond any applicable grace period; and

(i) the book value of any liability in respect of any guarantee for any of the items listed above.

For the avoidance of doubt, an Intra-Group Transaction will not constitute "Indebtedness".

"**Interest Costs**" of a Subsidiary of the Parent means all interest and other financing charges but not including any foreign exchange loss (whether, in each case, paid, payable or capitalised) payable in respect of Indebtedness incurred by the relevant Subsidiary during a Measurement Period as calculated for the purposes of the preparation of the then most recently published financial statements of the Parent prepared in accordance with Accounting Standards.

"**Interest Income**" of a Subsidiary of the Parent means all interest and other financing charges but not including any foreign exchange gains (whether, in each case, paid or payable) received by the relevant Subsidiary during a Measurement Period as calculated for the purposes of the preparation of the then most recently published financial statements of the Parent prepared in accordance with Accounting Standards.

"**Intra-Group Transaction**" means (a) any loan, guarantee, surety, reorganisation and any other transaction solely between the Parent and/or a Subsidiary of the Parent on the one hand and the Parent and/or another Subsidiary of the Parent on the other hand; or (b) any transaction by the Parent and/or a Subsidiary of the Parent in favour of the Parent and/or another Subsidiary of the Parent, including the payment of dividends or the making of other distributions by a Subsidiary of the Parent to the Parent or another Subsidiary of the Parent.

"**Investment Grade Rating**" means a rating equal to or higher than (i) Baa3 (or the equivalent) by Moody's (ii) BBB- (or the equivalent) by Standard & Poor's and (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any duly approved substitute Rating Agency.

"**Investment Grade Status**" means that the Parent has an Investment Grade Rating from any two Ratings Agencies.

"**Issue Date**" means 18 April 2016.

"**Leverage Ratio**" means as of any date of determination the ratio of Consolidated Net Indebtedness to 12-month Consolidated EBITDA of the Group after giving effect on a pro forma basis to:

(a) the incurrence or repayment of any other Indebtedness after the Measurement Period most recently ended prior to the event giving rise to the need to make such calculation;

(b) the exclusion from the calculation of Consolidated Net Indebtedness of the aggregate Cash and Cash Equivalents of the Group associated with the incurrence of any Indebtedness the permissibility of which is then being measured; and

(c) the exclusion of Consolidated EBITDA associated with any Asset Sales or the inclusion of Consolidated EBITDA associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Indebtedness) occurring on or after the first day of the first Measurement Period used in the calculation of such 12-Month Consolidated EBITDA as if any such Asset Sales or Asset Acquisitions occurred on such first day,

in each case, as calculated in accordance with or (as applicable) on the same basis as the then most recently published consolidated financial statements of the Group prepared in accordance with Accounting Standards and in the case of any calculation of Consolidated EBITDA in respect of paragraph (c) above the pro forma calculations shall be determined in good faith based on such financial statements and information as are available and on reasonable assumptions and estimates by a responsible financial or accounting officer of the Parent whose determination will be conclusive (in the absence of manifest error).

"**Lien**" means any mortgage, pledge, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or other security interest or adverse claim of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof).

"**Marketable Securities**" means publicly traded debt or equity securities that are listed or admitted to trading on a national securities exchange in one or more of the G7 countries, Ireland, Luxembourg or the Russian Federation.

"**Material Adverse Effect**" means a material adverse effect on:

(a) the business, results of operations, assets, financial condition or prospects of the Group taken as a whole; or

(b) the Issuer or any Guarantor's ability to perform its payment or other material obligations under the Conditions, Trust Deed or Deed of Guarantee; or

(c) the validity, legality or enforceability of the Conditions, Trust Deed or Deed of Guarantee or the rights or remedies of the Noteholders or Trustee under the Conditions, Trust Deed or Deed of Guarantee.

"**Material Subsidiary**" at any time means a Subsidiary of the Parent:

(a) whose EBITDA (excluding intra-Group items) represents not less than 10 per cent. of the Consolidated EBITDA; or

(b) whose total assets (excluding intra-Group items) represents not less than 10 per cent of the consolidated total assets of the Group; or

(c) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Parent which immediately before the transfer was a Material Subsidiary.

In the case of (a) and (b), as calculated by reference to the latest consolidated annual or, as the case may be, interim financial statements of the Parent prepared in accordance with the Accounting Standards, consistently applied.

"**Measurement Period**" means a period of six-months ending on 30 June or 31 December for which consolidated financial statements of the Group (or the other relevant Person in respect of which the particular calculation is to be made, as the case may be) prepared in accordance with Accounting Standards are available. For the avoidance of doubt, any non-balance sheet financial information for a Measurement Period ending on 31 December of any year shall be calculated by subtracting (a) the relevant information for the Measurement Period ending on 30 June of that year from (b) the equivalent information for that year.

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project if the recourse of the Person or Persons providing such financing is limited to the project financed (and the direct or indirect owner of such project) and the revenues derived from such project as the principal source of repayment for the moneys advanced (it being acknowledged and agreed that equity contribution agreements (and related guaranties), subordinated debt obligations and equity pledges and similar arrangements, in each case, provided by or on behalf of the direct or indirect owners of such project shall not result in such financing being considered recourse to such owners).

"**Permitted Lien**" means:

(a) any Lien over or affecting any asset acquired by the Parent or any of its Subsidiaries after the date hereof and subject to which such asset is acquired, if:

  (i) such Lien was not created in contemplation of the acquisition of such asset by the Parent or such Subsidiary, as the case may be; and

  (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the Parent or such Subsidiary, as the case may be;

(b) any Lien over or affecting any asset of any company which becomes a Subsidiary of the Parent after the date hereof, where such Lien is created prior to the date on which such company becomes a Subsidiary of the Parent, if:

  (i) such Lien was not created in contemplation of the acquisition of such company; and

  (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such company;

(c) any netting or set-off arrangement entered into by the Parent or any of its Subsidiaries in the normal course of its banking arrangements and/or financial for the purpose of netting debit and credit balances;

(d) any Lien arising by operation of law;

(e) any Lien in existence on the Issue Date;

(f) any Lien granted by a Subsidiary of the Parent in favour of, or which secures obligations to, the Parent or a Subsidiary of the Parent;

(g) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

(h) Liens for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Parent has set aside in its books of account reserves to the extent required by Accounting Standards, as consistently applied;

(i) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances in each case not interfering in any material respect with the Core Business;

(j) (i) bankers' Liens in respect of deposit accounts, (ii) statutory landlords' Liens, (iii) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, in each case with respect to items described in (i), (ii) and (iii) above of this paragraph (j), such Liens are incurred in the ordinary course of business), and (iv) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;

(k) Liens arising pursuant to any title transfer or retention of title arrangement entered into by the Parent or any of its Subsidiaries in the ordinary course of business on the counterparty's standard or usual terms;

(l) Liens arising or created in connection with any Non-recourse Project Financing or arising or created in connection with any disposal permitted under Condition 3(c) provided that such Lien extends only to the assets being disposed of;

(m) any Lien on any property or assets of the Parent or any Subsidiary of the Parent securing Indebtedness incurred for the purpose of financing all or part of the acquisition, maintenance, repair, construction, development or improvement of such property or assets provided that (i) no such Lien shall extend to any other property or assets of the Parent or any of its Subsidiaries, (ii) the aggregate principal amount of all Indebtedness secured by Liens under this paragraph on such property or assets does not exceed the purchase price and cost of maintenance, repair, construction, development or improvement of such property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and improvements thereon and (iii) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 180 days after the acquisition or commencement of construction thereof, as the case may be;

(n) Liens upon, or with respect to, any present or future assets or revenues or any part thereof which are created pursuant to any repo transaction;

(o) any Lien in respect of obligations arising under hedging agreements so long as the related Indebtedness is permitted to be incurred under these Conditions and any such hedging agreement is not speculative;

(p) any Lien created in connection with the raising of any Indebtedness for working capital;

(q) any other Lien or Liens where the aggregate value of the assets subject to such Lien or Liens does not exceed 20 per cent of consolidated total assets as calculated by reference to the then latest consolidated accounts of the Group prepared in accordance with Accounting Standards (and for the avoidance of doubt, this paragraph (q) does not include any Lien created in accordance with paragraphs (a) to (p) above or (r) below); and

(r) any extension, renewal, replacement of or substitution for any Lien permitted by any of the preceding sub-Clauses (a) through (q); provided, however, that, (i) such extension, renewal, replacement or substitution shall be no more restrictive in any material respect than the original Lien, (ii) the principal amount of Indebtedness secured by such Lien (to the extent the Lien is permitted pursuant to this paragraph (r)) does not exceed the principal amount of

Indebtedness renewed or replaced, if any, and (iii) if the property, income or assets subject to such Lien are changed in connection with such extension, renewal, replacement of or substitution, the Fair Market Value of the property, income or assets subject to such replacement Lien is not greater than the Fair Market Value of the property, income or assets previously subject to the Lien replaced.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Purchase Money Indebtedness**" means Indebtedness (a) consisting of the deferred purchase price of property, its repair, refurbishment, upgrade, construction, addition, development or improvement, conditional sale obligations, obligations under any title retention agreement, other purchase money obligations and obligations in respect of industrial revenue bonds or similar Indebtedness, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (b) incurred (including under any export credit facility) to finance the acquisition, repair, refurbishment, upgrade, construction, additions and improvements by the Parent or a Subsidiary of the Parent of such asset (including the cost of design, development, construction, acquisition, transportation, installation, improvement and migration of assets); provided, however, that (i) any Lien arising in connection with any such Indebtedness shall be limited (a) in all cases to the specific asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property, fixtures, additions and improvements on which such asset is attached, and (b) in the case of export credit facilities, to any shares of any entity holding such assets, any revenues generated by such assets and any other Lien the lenders under the relevant export credit facility may request, provided such Liens are permitted under Condition 3(i), (ii) such Indebtedness is incurred (other than in respect of Indebtedness with respect to any export credit facility) within 180 days after such acquisition of such assets and (iii) the aggregate principal amount of Purchase Money Indebtedness at any one time outstanding shall not exceed (x) the Fair Market Value of the acquired or constructed asset or improvement so financed or (y) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Parent or the relevant Subsidiary of the Parent (including, in each case, any reasonable related fees and expenses incurred in connection with such acquisition, construction or development).

"**Rating Agency**" means Fitch Ratings Ltd., Standard & Poor's Credit Market Services Europe Limited (or any entities within the same group that assign ratings), or Moody's Investors Service Limited or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Parent, from time to time with the prior written approval of the Trustee.

"**Refinance**" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of the Parent or any Subsidiary of the Parent existing on the Issue Date or incurred in compliance with these Conditions, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(a) where the Indebtedness being Refinanced has a Stated Maturity that is later than the Stated Maturity of the Notes, such Refinancing Indebtedness has a Stated Maturity that is later than the Stated Maturity of the Notes;

(b) where the Indebtedness being Refinanced has a Weighted Average Life to Maturity that is later than the Weighted Average Life to Maturity of the Notes, such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is greater than the Weighted Average Life to Maturity of the Notes;

(c) in all cases, such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(d) where the Indebtedness being Refinanced is subordinated in right of payment to the Notes and the Guarantees, such Refinancing Indebtedness is subordinated in right of payment to the Notes and Guarantees at least to the same extent as the Indebtedness being Refinanced.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"**Stock Exchange**" means the Irish Stock Exchange.

"**Subordinated Obligation**" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes and the Guarantees pursuant to a written agreement to that effect.

"**Subsidiary**" of any specified Person means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organised or acquired, (a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the voting stock is held by such first-named Person and/or any of its Subsidiaries and such first-named Person and/or any of its Subsidiaries has the power to direct the management, policies and affairs thereof, and such power is not subject to any contractual consent or veto rights by any party that is not a member of the Group; (b) in the case of a partnership, joint venture, association, or other business/entity, with respect to which such first-named Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract, and such power is not subject to any contractual consent or veto rights by any party that is not a member of the Group; or (c) if in accordance with Accounting Standards such entity would be fully consolidated with the first-named Person for financial statement purposes and, for the avoidance of doubt, shall not include the Group's joint venture entities accounted for using the equity method, provided that the clauses regarding contractual consent or veto rights in (a) and (b) above, shall not apply if the relevant contractual consent or veto rights were entered into after the Issue Date.

"**U.S. Dollar Equivalent**" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates" or any replacement thereof.

"**U.S. GAAP**" means United States generally accepted accounting principles as in effect from time to time.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into:

(b) the sum of the products obtained by multiplying:

(i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by;

(ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

4. Interest

The Notes bear interest from 18 April 2016 (the "**Issue Date**") at the rate of 6.872 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 25 January and 25 July in each year (each, an "**Interest Payment Date**"), except that the first payment of interest shall be made on 25 July 2016 (also, an "**Interest Payment Date**") in respect of the period from (and including) the Issue Date to (but excluding) such first Interest Payment Date, all subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the

Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on the first Interest Payment Date shall be U.S.$3,703.24 in respect of each Note of U.S.$200,000 denomination and U.S.$18.52 in respect of each Note of U.S.$1,000 denomination. The amount of interest payable on each Interest Payment Date after the first Interest Payment Date shall be U.S.$6,872 in respect of each Note of U.S.$200,000 denomination and U.S.$34.36 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30".

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 January 2022, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Cyprus or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 14 April 2016; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures to it; or

(ii) (A) any Guarantor has or (if a demand was made under its Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or in the Trust Deed, as the case may be, as a result of any change in, or amendment to, the laws or regulations of such Guarantor's Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 14 April 2016 in relation to the Initial Guarantors and on or after the date on which any Additional Guarantor accedes to the Deed of Guarantee; and (B) such obligation cannot be avoided by such Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or such Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of such Guarantor were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two directors of the relevant Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption upon a change of control:* If a Change of Control Put Event (as defined below) shall have occurred, the holder of a Note will have the option (the "**Change of Control Put Option**") to require the Issuer to redeem such Note on the Change of Control Put Settlement Date (as defined below) at 100 per cent. of its principal amount together with accrued interest (if any) and any additional amounts or other amounts that may be due thereon, up to but excluding the Change of Control Put Settlement Date.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 5, the Trustee and Principal Paying Agent, specifying the details relating to the occurrence of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

In order to exercise the Change of Control Put Option, the holder of a Note must deliver no later than 30 days after the Change of Control Put Event Notice is given (the "**Change of Control Put Period**"), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed change of control put option notice (a "**Change of Control Put Option Notice**") specifying the principal amount of the Notes in respect of which the Change of Control Put Option is exercised, in the form obtainable from the Principal Paying Agent. The Principal Paying Agent will provide such Noteholder with a non-transferable receipt. On the Business Day following the end of the Change of Control Put Period, the Principal Paying Agent shall notify in writing the Issuer of the exercise of the Change of Control Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Change of Control Put Option. Provided that the Notes that are the subject of any such Change of Control Put Option Notice have been delivered to the Principal Paying Agent prior to the expiry of the Change of Control Put Period, then the Issuer shall redeem all such Notes on the date falling five Business Days after the expiration of the Change of Control Put Period (the "**Change of Control Put Settlement Date**"). No Change of Control Put Option Notice, once delivered to the Principal Paying Agent in accordance with this Condition 5, may be withdrawn.

For the purposes of these Conditions:

(i) a "**Change of Control**" shall occur at any time that any person and persons acting together and/or in concert, other than one or more of the Permitted Holders is or becomes the beneficial owner (directly or indirectly) of more than 50 per cent. of the issued and outstanding voting share capital of the Parent;

(ii) "**Change of Control Put Event**" means the occurrence of a Change of Control.

(iii) "**Permitted Holders**" means any of:

(A) Transportation Investments Holding Limited and APM Terminals B.V.;

(B) any direct or indirect beneficial owner of the Capital Stock of Transportation Investments Holding Limited and APM Terminals B.V. at the Issue Date;

(C) any Affiliate of a party described in (A) or (B) above;

(D) any spouse, family member or relative of any individual described in (B) above, any partnership or trust for the benefit of any such individual, family member or relative, or the estate, executor, administrator or beneficiaries of any such individual, family member or relative;

(E) any Subsidiary of any of the foregoing parties; or

(F) the legal representatives of any of the foregoing and the trustees of bona fide trusts of which any of the foregoing are the only beneficiaries.

(d) *Redemption at the option of the Issuer*: The Notes may be redeemed at the option of the Issuer in whole, but not in part on the date on which the call option is to be settled (the "**Call Settlement Date**") at a price equal to 100 per cent. of their principal amount, plus the Make Whole Premium on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).

For the purposes of these Conditions:

"**Make Whole Premium**" means, with respect to a Note at any time, the excess of (a) the present value of the Notes at the Call Settlement Date, plus any required interest payments that would otherwise be due to be paid on such Notes from the Call Settlement Date through to the Maturity Date calculated using a discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes at the Call Settlement Date, provided that if the value of the Make Whole Amount at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Amount will be equal to zero.

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Parent (on behalf of the Issuer) will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of the Issuer*) above.

(f) *Purchase*: The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Notes in the open market or by tender or by a private agreement at any price. Such Notes may, at the option of the Issuer, the Guarantors or any of their respective Subsidiaries, be held, reissued, resold or from time to time, be surrendered to any Paying Agent for cancellation. Any request for cancellation of such Notes shall be accompanied by evidence satisfactory to the Paying Agent that any of the Issuer, the Guarantor or any of their respective Subsidiaries is entitled to request cancellation.

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantors or any of their respective Subsidiaries and surrendered to any Paying Agent for cancellation, shall be cancelled and may not be reissued or resold.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or under the Guarantees by the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of its Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions:

"**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in New York by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

"**Relevant Jurisdiction**" means (in the case of payment by the Issuer) Cyprus or any political subdivision or any authority thereof or therein having power to tax or (in the case of payments by the Guarantors) Cyprus or the Russian Federation (as the case may be) or any political subdivision or any authority thereof or therein having power to tax or in any case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or any of the Guarantors becomes subject in respect of payments made by it of principal or interest on the Notes.

If the Issuer or any Guarantors become subject at any time to any taxing jurisdiction other than their Relevant Jurisdiction, references in these Conditions to Cyprus or the Russian Federation shall be construed as references to Cyprus or (as the case may be) the Russian Federation and/or such other jurisdiction.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

8. Events of Default

If any of the following events occurs then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of any of the Notes by no later than the seventh Business Day after the due date for payment thereof or fails to pay any amount of interest by no later than the tenth Business Day after the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or any Guarantor, as the case may be, defaults in the performance or observance of any of their respective other obligations under or in respect of the Notes, the Trust Deed or the Deed of Guarantee, as the case may be, and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the relevant Guarantor, as the case may be; or

(c) *Cross-default of Issuer, Guarantor or Subsidiary*:

(i) any Indebtedness of the Issuer or a Guarantor or any of the Parent's other Subsidiaries is not paid when due (or as the case may be) within any originally applicable grace period; or

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) a Guarantor or any of the Parent's other Subsidiaries or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer, a Guarantor or any of the Parent's other Subsidiaries fails to pay when due any amount payable by it under any guarantee of Indebtedness within any originally applicable grace period,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) and/or any amount payable by it under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of U.S.$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any Guarantor and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any Guarantor but for the avoidance of doubt, not if the value thereof individually or in the aggregate is not more than U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(f) *Insolvency and winding up, etc.*: the occurrence of any of the following events:

(i) any of the Issuer or any Guarantor ceases to have corporate existence or is seeking or consenting to the introduction of proceedings for its liquidation or the appointment of a liquidator or liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of such entity, as the case may be, or takes any other corporate action in relation to such entity for winding up;

(ii) the presentation or filing of a petition in respect of the Issuer or any Guarantor (in any court of competent jurisdiction, arbitration court or before any competent agency alleging, or for, the bankruptcy, insolvency, examinership, dissolution, administration, reorganisation or liquidation (or any analogous proceedings) including in the case of any entity in the Russian Federation the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoye ozdorovleniye*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) as such terms are defined in the Federal Law of the Russian Federation No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002 (as amended or replaced from time to time) (the "**Insolvency Law**")), of any such entity that has been accepted by such court or competent agency for review on its merits;

(iii) the institution in relation to, or entry into by, as the case may be, the Issuer or any Guarantor of, composition, compromise, assignment, arrangement, reprieve from payments, generally controlled management, fraudulent conveyance, reorganisation, or similar proceedings or measures affecting the rights of creditors generally which, in the case of any entity in the Russian Federation and without limitation, shall include implementation of recovery (*sanatsiya*, as defined in the Insolvency Law), entry into an amicable settlement (including *mirovoye soglasheniye*, as defined in the Insolvency Law) with its creditors generally;

(iv) any extra-judicial liquidation or analogous act in respect of the Issuer or any Guarantor by any governmental, regulatory or supervisory body; or

(v) the Issuer or any Guarantor is unable or admits inability to pay its debts as they fall due, generally suspends making payments on its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors generally with a view to rescheduling all or a material part of its Indebtedness; and/or a moratorium is declared in respect of all or a material part of Indebtedness of any of the Issuer or a Guarantor; or

(g) *Analogous event*: any event occurs which under the laws of Cyprus or the Russian Federation or the jurisdiction of incorporation of any Additional Guarantor has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (f) (*Insolvency and Winding up, etc.*) above; or

(h) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or a Guarantor lawfully to enter into and perform and comply with its obligations under and in respect of the Notes, the Trust Deed or the Deed of Guarantee, as the case may be, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Trust Deed and the Deed of Guarantee admissible in evidence in an arbitration court in London, is not taken, fulfilled or done and such circumstance continues for a period of more than 20 calendar days; or

(i) *Unlawfulness*: at any time it is or becomes unlawful for the Issuer or a Guarantor to perform or comply with any or all of its obligations under the Notes, the Trust Deed or the Deed of Guarantee or any of such obligations are not, or cease to be, legal, valid, binding and enforceable or the Issuer or a Guarantor contests the validity thereof or repudiates (or purports to repudiate) them and such event continues for a period of more than 20 calendar days; or

(j) *Guarantee not in force*: any Guarantee is not (or is claimed by any Guarantor not to be) in full force and effect in accordance with its terms; or

(k) *Government intervention*: (i) all or any substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or the Group is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, any Guarantor or any of the Parent's other Material Subsidiaries is prevented by any such person from exercising normal control over all or any substantial (in the opinion of the Trustee) part of the undertakings, assets and revenues of the Group.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Dublin, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantors and any entity relating to the Issuer or the Guarantors without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Trust Deed and the Deed of Guarantee, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantors reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantors shall at all times maintain (a) a principal paying agent and a registrar and (b) a paying agent and a transfer agent in Dublin.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. **Meetings of Noteholders; Modification and Waiver; Substitution**

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantors (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of not less than 90 per cent. of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed or the Deed of Guarantee (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Trust Deed or the Deed of Guarantee which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Deed of Guarantee (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) *Substitution:* The Trust Deed contains provisions under which any Guarantor or any other company that is a member of the Group may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes provided that certain conditions specified in the Trust Deed are fulfilled, including a requirement that the Deed of Guarantee (other than in respect of any Guarantor which is assuming the obligations of the Issuer) is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

15. Notices

Notices to Noteholders will be published on the date of such mailing in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. In case by reason of any other cause it shall be impracticable it shall be impracticable to publish any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given with the approval of the Trustee in accordance with the rules of the Stock Exchange shall constitute sufficient notice to such Noteholders for every purpose hereunder.

16. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

17. Governing Law and Arbitration

(a) *Governing law*: The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

(b) *Arbitration*: The Issuer has in the Trust Deed agreed that any dispute arising from or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out or in connection with the Notes) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"). The tribunal shall consist of three arbitrators. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the chairman of the tribunal, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments. The arbitration shall be seated in London, England with hearings to take place in London, England and conducted in the English language. Any award of the tribunal shall be binding from the day it is made and the parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996.

FORM OF THE DEED OF GUARANTEE

The following is the form of the deed of guarantee that the Initial Guarantors will enter into with the Trustee on or around the Issue Date:

THIS DEED OF GUARANTEE is made on 18 April 2016

BY

(1) **GLOBAL PORTS INVESTMENTS PLC** (the "**Parent**")**, FIRST CONTAINER TERMINAL INCORPORATED**, **JOINT-STOCK COMPANY "PETROLESPORT"** and **VOSTOCHNAYA STEVEDORING LIMITED LIABILITY COMPANY** (each an "**Initial Guarantor**" and together with the Parent, the "**Initial Guarantors**"); and

(2) **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED** (the "**Trustee**", which expression includes, where the context admits, all persons for the time being the trustee or trustees of this Deed of Guarantee).

WHEREAS

(A) Global Ports (Finance) Plc (the "**Issuer**") has authorised the creation and issue of U.S.$350,000,000 in aggregate principal amount of 6.872 per cent. Notes due 2022 (the "**Notes**").

(B) The Notes will be in registered form and in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be offered and sold outside the United States (as defined below) in reliance on Regulation S under the United States Securities Act of 1933 (the "**Securities Act**") and will also be offered and sold in the United States to qualified institutional buyers in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. The Notes will be represented by separate global certificates (the "**Restricted Global Note Certificate**" and the "**Unrestricted Global Note Certificate**" and, together, the "**Global Note Certificates**"). The Restricted Global Note Certificate will represent Notes which are offered and sold in the United States in reliance on Rule 144A and are restricted securities within the meaning of United States securities laws. Other Notes will be represented by the Unrestricted Global Note Certificate. Interests in the Restricted Global Note Certificate will be exchangeable for interests in the Unrestricted Global Note Certificate and *vice versa* in the circumstances specified therein. In addition, the Restricted Global Note Certificate and the Unrestricted Global Note Certificate will be exchangeable for individual note certificates ("**Individual Note Certificates**" and, together with the Global Note Certificates, "**Note Certificates**") in the circumstances specified therein.

(C) The Notes will be constituted by, be subject to and have the benefit of a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") to be entered into by the Issuer and the Trustee.

(D) The Issuer and each of the Initial Guarantors will, in relation to the Notes, enter into a paying agency agreement (the "**Agency Agreement**") with The Bank of New York Mellon (Luxembourg) S.A. (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as principal paying agent and the other paying agents and the transfer agents named therein and the Trustee.

(E) The Guarantors (as defined below) have agreed to unconditionally and irrevocably, jointly and severally guarantee (with each other Guarantor (present or future)) the payment of all sums expressed to be payable from time to time by the Issuer under the Notes and the Trust Deed.

NOW THIS DEED OF GUARANTEE WITNESSES as follows:

1. **INTERPRETATION**

1.1 **Definitions**

All terms and expressions which have defined meanings in the terms and conditions of the Notes (the "**Conditions**") shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated and except that, for the purposes of this Deed of Guarantee:

"**Guarantee**" shall have the meaning given to it in Clause 2.1 (*Guarantee*); and

"**Guarantor**" means any of the Initial Guarantors and, to the extent that they have executed and delivered a deed of accession to this Deed of Guarantee in the form set out in the Schedule to this Deed of Guarantee, any Additional Guarantor (and "**Guarantors**" shall mean each of them).

1.2 **Clauses**

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.3 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.

1.4 **Legislation**

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

1.5 **Dispute**

Where this Deed of Guarantee provides that the Trustee has the option to resolve that any "**Dispute**" be resolved by "**Arbitration**", the Trustee shall be entitled to rely and act on instructions received from Noteholders of at least one quarter in principal amount of the Notes then outstanding in exercising such option (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) which instructions shall be binding and conclusive on all Noteholders and the other parties.

2. **GUARANTEE; ADDITIONAL GUARANTOR(S)**

2.1 **Guarantee**

2.1.1 The Guarantors hereby unconditionally, irrevocably, jointly and severally guarantee (each a "**Guarantee**" and together the "**Guarantees**") to the Trustee the due and punctual payment by the Issuer of principal and/or interest and/or other amounts (if any) under the Notes (including any Further Notes under clause 4 of the Trust Deed) or payable under the Trust Deed in full when and as the same shall become due and payable whether on its scheduled date of payment, on acceleration, in connection with prepayment, or otherwise. In case of the failure of the Issuer punctually to make any such principal and/or interest payment and/or other amount (if any) on the Notes or payable under the Trust Deed, the Guarantors hereby agree to cause any such payment to be made punctually when and as the same shall become due and payable, whether on its scheduled date of payment, on acceleration, in connection with a prepayment, pursuant to the Trust Deed or otherwise. The Guarantors hereby further agree to pay any and all expenses (including counsel fees and expenses and any applicable value added tax, turnover or similar tax charged in respect thereof) properly incurred by the Trustee in enforcing any rights it has under the Guarantees given in this sub-Clause 2.1.1. For the avoidance of doubt, all payments under the Guarantees and under this Deed of Guarantee will be made subject to Condition 7 (*Taxation*) and any undertakings given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed and clause 10.1.13 (*Right to Deduct or Withhold*) of the Trust Deed.

2.1.2 As between the Guarantors, the Trustee and the Noteholders, but without affecting the Issuer's obligations under Notes, the Guarantors shall be liable under this Deed of Guarantee as if each Guarantor was the sole principal debtor and not merely a surety. Accordingly, each Guarantor shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person; (2) any amendment to any other provisions of this Deed of Guarantee, any Condition or any other provisions of the Trust Deed or to any security or other guarantee or indemnity; (3) the making or absence of any demand on the Issuer or any other person for payment; (4) the enforcement or absence of enforcement of this Deed of Guarantee, the Notes or of any security or other guarantee or indemnity; (5) the taking, existence or release of any security, guarantee or indemnity; (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person; (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Deed of Guarantee, the Notes or the Trust Deed or any of the Issuer's obligations under them; or (8) any rights to be discharged as surety that may be waived or otherwise excluded which arise under the Cypriot Contract Law, Cap. 149, under sections 86, 91, 92, 93, 97, 99(1) or 102).

2.1.3 Each of the Guarantors' obligations under this Deed of Guarantee are continuing and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, this Deed of Guarantee and the Trust Deed. Furthermore, those obligations of each Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from any Guarantor or otherwise and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity. Each Guarantor irrevocably waives all notices and demands of any kind.

2.1.4 So long as any sum remains payable under the Notes or the Trust Deed:

(a) any right of any Guarantor, by reason of the performance of any of its obligations under this Clause 2, to be indemnified by the Issuer or to take the benefit of or to enforce any security or other guarantee or indemnity shall be exercised and enforced by such Guarantor only in such manner and on such terms as the Trustee may require or approve; and

(b) any amount received or recovered by a Guarantor (i) as a result of any exercise of any such right under Clause 2.1.4(a) above; or (ii) in the dissolution, amalgamation, reconstruction, liquidation, bankruptcy, examinership, reorganisation or similar insolvency proceeding of the Issuer shall be held in trust for the Trustee and immediately paid to the Trustee or as it may direct.

2.1.5 Each Guarantor shall be subrogated to all rights of the Trustee against the Issuer and the other Guarantors in respect of any amounts paid by such Guarantor pursuant hereto; provided that any Guarantor shall not without the consent of the Trustee be entitled to enforce, or to receive any payments arising out of or based upon or prove in any insolvency, winding-up or similar insolvency proceeding of the Issuer or any other Guarantor in respect of, such right of subrogation until such time as the principal or interest outstanding on the Notes and all other amounts due under this Deed of Guarantee and the Trust Deed have been paid in full. Furthermore, until such time as aforesaid any Guarantor shall not take any security or counter-indemnity from the Issuer in respect of such Guarantor's obligations under this Clause 2. For the avoidance of doubt, nothing in this sub-Clause 2.1.5 shall prevent the Issuer from making intra-Group loans to other members of the Group, providing that any rights of the Guarantors' against the Issuer pursuant thereto will be subordinated to the Trustee's rights against the Issuer.

2.1.6 If any payment received by the Trustee pursuant to the provisions of this Deed of Guarantee shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar event affecting the Issuer or any Guarantor, be avoided, reduced, invalidated or set aside under any laws relating to bankruptcy, insolvency, corporate reorganisation or other similar events, such payment shall not be considered as discharging or diminishing the liability of any Guarantor whether as guarantor, principal debtor or indemnifier and the guarantee and indemnity contained in this Clause 2 shall continue to apply as if such payment had at all times remained owing by the Issuer or the Guarantors and the Guarantors shall indemnify and keep indemnified the Trustee on the terms of this Deed of Guarantee and indemnity contained in this Clause 2.

2.1.7 Any amount received or recovered by the Trustee (otherwise than as a result of a payment by the Issuer in accordance with the Conditions in respect of any sum payable by the Issuer under the Notes) may be placed in a suspense account and kept there for so long as the Trustee thinks fit. The Trustee will apply amounts in the suspense account as provided in clause 9 (*Application of Moneys*) of the Trust Deed.

2.1.8 Each Guarantor shall on demand indemnify the Trustee against any cost, loss, expense or liability sustained or incurred by the Trustee as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, examinership, dissolution, or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under the Notes or the Trust Deed or any other Guarantor under this Deed of Guarantee and shall in any event pay to the Trustee on demand the amount as refunded by it.

2.1.9 If any moneys become payable by any Guarantor under this Deed of Guarantee and a claim has been made by the Trustee against such Guarantor, the Guarantors shall not (except in the event of the liquidation of the Issuer) so long as any such moneys remain unpaid, pay any moneys for the time being due from the Guarantors to the Issuer.

2.1.10 As separate, independent and alternative stipulations, each Guarantor unconditionally and irrevocably agrees for so long as any of the Notes remain outstanding as a primary obligation to indemnify the Trustee against all losses, expenses, liabilities, actions, proceedings, costs, claims and demands incurred by it or by any Appointee (as defined in the Trust Deed) or by any other person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by the Trust Deed, suffered by it as a result of any sum expressed to be payable by the Issuer pursuant to the Conditions and/or the Trust Deed not being paid on the date and otherwise in the manner specified in the Conditions and/or the Trust Deed or any payment obligation of the Issuer pursuant to the Conditions and or the Trust Deed being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to the Trustee), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

2.1.11 The Guarantors further agree that, as between them, on the one hand, and the Trustee, on the other hand, (i) for the purposes of this Deed of Guarantee, the maturity of the obligations guaranteed by this Deed of Guarantee may be accelerated as provided in Condition 8 (*Events of Default*), notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed thereby; provided, however, that if a court of competent jurisdiction determines that the Notes were improperly accelerated pursuant to the terms thereof, then the maturity of such obligations may not be accelerated for the purposes of this Deed of Guarantee; and (ii) in the event of any acceleration of such obligations (whether or not due and payable), such obligations shall forthwith become due and payable by the Guarantors for the purposes of this Deed of Guarantee.

2.2 **Additional Guarantor(s)**

The Guarantors and the Trustee acknowledge that, pursuant to the Conditions, the Parent has undertaken to procure that any of its Subsidiaries upon becoming a Material Subsidiary after the Issue Date, provided that no Material Subsidiary shall be obliged to become an Additional Guarantor if it would (a)(i) result in any violation of applicable law or (ii) breach the provisions of any contract, require the consent of a party that is not a member of the Group or give rise to a contractual liability for the officers, directors or shareholders of such Material Subsidiary provided that the contractual provision giving rise to such breach, requirement for consent or liability was in effect on the Issue Date or at the time such Subsidiary became a Subsidiary of the Group and (b) in the case of either (i) or (ii) above, cannot be prevented or otherwise avoided or in the case of a consent, obtained through measures reasonably available to the Parent or such Material Subsidiary, gives an Additional Guarantee (as defined, and in the manner prescribed, in the Conditions) in favour of the Trustee no later than 180 calendar days upon becoming a Material Subsidiary. Upon not less than 15 days' prior notice from the Parent to the Trustee of the intention to appoint an Additional Guarantor, the Trustee will execute a deed of accession in the form set out in the Schedule to this Deed of Guarantee, *provided that*:

2.2.1 the Trustee will have the benefit of a guarantee from such Additional Guarantor, on substantially the same terms as this Deed of Guarantee as certified in writing by the requisite number of Authorised Signatories of the Parent, upon which the Trustee may rely without liability to any person for so doing;

2.2.2 an opinion of counsel or tax advisors acceptable and in a form and substance satisfactory to the Trustee is provided and addressed to the Trustee, to the effect that the Noteholders will not recognise any income, gain or loss for tax purposes as a result of the addition of the Additional Guarantor, subject to customary exceptions, qualifications and limitations; and

2.2.3 an opinion of counsel acceptable to the Trustee, in form and substance satisfactory to the Trustee is provided and addressed to the Trustee, stating that the intended Additional Guarantor has the requisite capacity and authority to enter into this Deed of Guarantee and that any Additional Guarantee constitutes legal, valid and binding obligations of such Additional Guarantor, enforceable in accordance with its terms, subject to customary exceptions, qualifications and limitations.

3. **COMPLIANCE WITH CONDITIONS AND TRUST DEED**

3.1 The provisions of the Trust Deed and the Conditions are incorporated by reference and shall be enforceable as if expressly set out herein.

3.2 Each party hereto undertakes that it shall comply with and perform and observe all the provisions of the Trust Deed and the Conditions which are applicable to it as if such party had been made an original party to the Trust Deed. The Trustee shall be entitled to enforce the obligations expressed to be imposed upon the Guarantors under the Trust Deed, the Notes and the Conditions as if such Guarantor had been made an original party to the Trust Deed.

4. PARI PASSU

Each Guarantor undertakes that its obligations hereunder will at all times rank at least *pari passu* with all other present and future unsecured obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. FILING OF THIS DEED

Each Guarantor shall file this Deed of Guarantee with any authority in the Russian Federation and Cyprus, as may be required by applicable law and shall pay and bear all costs, expenses, fees and stamp duty payable on or in connection with such filing.

6. NO DOUBLE RECOVERY

In no circumstance shall any Guarantor be liable under this Deed of Guarantee for any loss that the Trustee has recovered in relation to or under the Trust Deed.

7. FURTHER ASSURANCES

In the event that any Guarantor is required to make any payment under or in respect of this Deed of Guarantee, such Guarantor shall, at its own expense, at the time of making such payment, obtain any consents, approvals, authorisations or licences issued by the government of the country in which the Guarantor is incorporated or any political subdivision thereof or therein or any bank in such country necessary to make any such payment.

8. GUARANTEE JOINT AND SEVERAL

Each Guarantor acknowledges and agrees that all its obligations under or in relation to this Deed of Guarantee shall be joint and several with the obligations of all other Guarantors under this Deed of Guarantee.

9. STAMP DUTIES

The Guarantors will pay all stamp duties, registration taxes, capital duties and other similar duties or taxes (if any) payable on (a) the issue of the Guarantees, (b) the initial delivery of the Guarantees (c) any action taken by the Trustee (or any Noteholder where permitted or required under this Deed of Guarantee so to do) to enforce the provisions of the Guarantees or this Deed of Guarantee and (d) the execution of this Deed of Guarantee. If the Trustee (or any Noteholder where permitted under this Deed of Guarantee so to do) shall take any proceedings against any Guarantor in any other jurisdiction and if for the purpose of any such proceedings this Deed of Guarantee is taken into any such jurisdiction and any stamp duties or other duties or taxes become payable thereon in any such jurisdiction, the Guarantors will pay (or reimburse the person making payment of) such stamp duties or other duties or taxes (including penalties).

10. BENEFIT OF DEED OF GUARANTEE

10.1 Benefit

This Deed of Guarantee shall enure to the benefit of the Trustee and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against each Guarantor.

10.2 Assignment

Each Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. The Trustee may not assign or transfer, in whole or part, any of its rights or obligations under this Deed of Guarantee, unless a successor to the Trustee is appointed pursuant to clause 12 (*Appointment and Retirement*) of the Trust Deed or otherwise in connection with action taken under clause 8 (*Enforcement*) of the Trust Deed.

11. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

12. **NOTICES**

12.1 **Address for notices**

12.1.1 All notices, including any notices in relation to any arbitration proceedings, and other communications hereunder shall be made in writing and in English (by letter or fax) (and shall be deemed to have been duly given or made at the time of delivery) and shall be sent as follows:

(a) **Initial Guarantors:** if to the Initial Guarantors, to each of them at:

(i) Global Ports Investments PLC at:

Omirou 20
Agios Nikalaos
Limassol
P.C. 3095
Cyprus

Fax: +357 25 312 585
E-mail: iodchin@globalports.com
Attention: Board of Directors

(ii) First Container Terminal Incorporated at:

Russian Federation
198035
Saint-Petersburg
Mezhevoy channel
h. 5, 3rd district

Fax: +7 812 335 79 07
E-mail: mail@fct.ru
Attention: Alexander Tikhov, Managing Director

(iii) Joint-stock company "Petrolesport" at:

Russian Federation
198095
Saint-Petersburg
Gladky Ostrov

Fax: +7 812 332 30 22
E-mail: port@petrolesport.ru
Attention: Eduard Chovushyan, Managing Director

(iv) Vostochnaya Stevedoring Limited Liability Company:

Russian Federation
692900
Primorskiy Krai
Nakhodka
pkt Vrangel
ul. Vnutriportovaya 14a

Fax: +7 423 666 55 50
E-mail: vsc@vscport.ru
Attention: Alexander Dudko, Managing Director

(b) **Trustee:** if to the Trustee, to it at:

BNY Mellon Corporate Trustee Services Limited,
One Canada Square
London E14 5AL
United Kingdom

Fax:	+44 (0)20 7964 6399
Attention:	Corporate Trust Administration

or to such other address or fax number as any party may hereafter specify in writing to the other.

12.1.2 Any such communication shall take effect, in the case of a letter or email, at the time of delivery, in the case of a fax, when the relevant delivery receipt is received by the sender; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Deed of Guarantee which is to be sent by fax will be written legal evidence.

13. CURRENCY INDEMNITY

13.1 Currency of Account and Payment

U.S. dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantors under or in connection with this Deed of Guarantee, including damages.

13.2 Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of any Guarantor or otherwise), by the Trustee or any Noteholder in respect of any sum expressed to be due to it from any Guarantor will only discharge the Guarantors to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

13.3 Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Deed of Guarantee, the Guarantors will indemnify it against any Liability sustained by it as a result. In any event, the Guarantors will indemnify the recipient against the cost of making any such purchase.

13.4 Indemnities separate

The indemnities in this Deed of Guarantee constitute separate and independent obligations from the other obligations in this Deed of Guarantee, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted by the Trustee and/or any Noteholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Deed of Guarantee or any other judgment or order. Any such Liability as referred to in Clause 13.3 (*Indemnity*) shall be deemed to constitute a Liability suffered by the Trustee, the Noteholders and no proof or evidence of any actual Liability shall be required by any Guarantor or its respective liquidator or liquidators.

14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Deed of Guarantee has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed of Guarantee.

15. LAW AND JURISDICTION

15.1 Governing law

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by English law.

15.2 **Arbitration**

If any party considers that there is a dispute arising out of or in connection with this Deed of Guarantee, including a dispute as to the validity, existence or termination of this Deed of Guarantee or the consequences of its nullity and/or this Clause 15.2 (*Arbitration*) (or any non-contractual obligation arising out of or in connection with this Deed of Guarantee) (a "**Dispute**"), it may notify the other parties in writing of the existence of such Dispute (a "**Notice of Dispute**"). The parties irrevocably agree that any Dispute shall be referred to and finally resolved by arbitration, in accordance with the rules set down by the LCIA (formerly the London Court of Arbitration) (the "**LCIA Rules**"), which rules are deemed to be incorporated by reference into this Clause. The tribunal shall consist of three arbitrators. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the chairman of the tribunal, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments. The arbitration shall be seated in London, England with hearings to take place in London, England and conducted in the English language. Any award of the tribunal shall be binding from the day it is made and the parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996.

16. **SEVERABILITY**

In case any provision in or obligation under this Deed of Guarantee shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

17. **COUNTERPARTS**

This Deed of Guarantee may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when so executed shall constitute one and the same binding agreement between the parties hereto.

18. **MODIFICATION**

The Trust Deed contains provisions for the Trustee from time to time and at any time without the consent or sanction of the Noteholders to concur with the Issuer and the Guarantors to make modifications to this Deed of Guarantee, which in the opinion of the Trustee it may be proper to make provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interest of the Noteholders or if such modification is of a formal, minor or technical nature or made to correct a manifest error or to convene meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by a supplemental deed if sanctioned by an Extraordinary Resolution and shall be binding on all Noteholders.

SCHEDULE 1

FORM OF GUARANTOR DEED OF ACCESSION

To: **BNY Mellon Corporate Trustee Services Limited**

From: **[*insert name of Additional Guarantor*]** (the "**Additional Guarantor**")

Dated:

Dear Sirs,

U.S.$350,000,000 6.872 per cent. Guaranteed Notes due 2022 (the "Notes") issued by Global Ports (Finance) PLC

We refer to the following documents:

"**Conditions**" means the terms and conditions of the Notes;

"**Deed of Guarantee**" mean the deed of guarantee dated as of 18 April 2016 under which the terms of the Trust Deed and the Conditions are incorporated by reference and made between BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") and the Initial Guarantors named therein;

"**Paying Agency Agreement**" means the paying agency agreement dated 18 April 2016 and made between the Issuer, the Trustee and the agents named therein; and

Terms defined in the Deed of Guarantee shall bear the same meaning herein.

The Additional Guarantor wishes to become an Additional Guarantor as envisaged by Condition 3(n) (*Additional Guarantor(s)*).

The Additional Guarantor is a [*insert corporate form*] duly organised under the laws of the [*insert jurisdiction of incorporation*]. The Additional Guarantor confirms that it has received from the Issuer a true and up-to-date copy of the Deed of Guarantee, Trust Deed, Conditions and Paying Agency Agreement as at the date hereof.

The Additional Guarantor undertakes, to perform and observe all the obligations expressed to be undertaken under the Deed of Guarantee, Trust Deed, Conditions and Paying Agency Agreement by a Guarantor and agrees that it shall be bound by the Deed of Guarantee, Trust Deed, Conditions and Paying Agency Agreement in all respects as if it had been an original party thereto.

The Additional Guarantor administrative details are as follows:

Address:

Fax.:

Telephone:

Contact Name:

This Deed of Accession and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, English law.

If any party considers that there is a dispute arising out of or in connection with this Deed of Accession, including a dispute as to the validity, existence or termination of this Deed of Accession or the consequences of its nullity and/or this paragraph (or any non-contractual obligation arising out of or in connection with this Deed of Accession) (a "**Dispute**"), it may notify the other parties in writing of the existence of such Dispute (a "**Notice of Dispute**"). The parties irrevocably agree that any Dispute shall be referred to and finally resolved by arbitration, in accordance with the rules set down by the LCIA (formerly the London Court of Arbitration) (the "**LCIA Rules**"), which rules are deemed to be incorporated by reference into this paragraph. The tribunal shall consist of three arbitrators. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the chairman of the tribunal, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments. The arbitration shall be seated in London, England with hearings to take place in London, England and conducted in the English language. Any award of the tribunal shall be binding from the day it is made and the parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996.

BOOK ENTRY, DELIVERY AND FORM

The Global Note Certificates

The Notes will be evidenced on issue by (i) in the case of Regulation S Notes, the Unrestricted Global Note Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, the Restricted Global Note Certificate deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Beneficial interests in the Unrestricted Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book-Entry Procedures for the Global Note Certificates*". Beneficial interests in the Restricted Global Note Certificate may only be held through DTC at any time. See "*—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Restricted Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Paying Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Paying Agency Agreement, and with respect to the Restricted Global Note Certificate, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Unrestricted Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note Certificate in denominations greater than or equal to the minimum denominations applicable to interests in the Restricted Global Note Certificate only, and only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Restricted Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulation S.

Any beneficial interest in the Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Restricted Global Note Certificate will, upon transfer, cease to be an interest in the Unrestricted Global Note Certificate, and become an interest in the Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note Certificate, will, upon transfer, cease to be an interest in the Restricted Global Note Certificate and become an interest in the Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Individual Note Certificates**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note Certificate contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made to the person who appears at the Record Date on the register of Noteholders. So long as the relevant Global Note Certificate is held by or on behalf of a common depositary for Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System, "**Record Date**" shall mean the Clearing System Business Day before the relevant due date for payment, where "**Clearing System Business Day**" means a day when Euroclear, Clearstream, Luxembourg and DTC are open for business.

Notices

So long as any Notes are evidenced by a Global Note Certificate and such Global Note Certificate is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes.

Meetings

The holder of each Global Note Certificate and any proxy appointed by it will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 in principal amount of Note represented by the Global Note Certificates.

Trustee's Powers

In considering the interests of Noteholders while the relevant Global Note Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note Certificate and may consider such interests as if such accountholders were the holders of such Global Note Certificate.

Exchange for Individual Note Certificates

Exchange

The relevant Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if: a Global Note Certificate is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, (B) in the case of an Unrestricted Global Note only, Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent or (C) any of the circumstances described in Condition 8 occurs.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Individual Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Restricted Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of an Individual Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Restricted Individual Note Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Restricted Individual Note Certificate, the Issuer will deliver only Restricted Individual Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Book-Entry Procedures for the Global Note Certificates

For each series of Notes evidenced by both the Unrestricted Global Note Certificate and the Restricted Global Note Certificate, custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See *"—Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note Certificate representing the Regulation S Notes will have an ISIN and Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Note Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

The Restricted Global Note Certificate representing the Rule 144A Notes will have an ISIN, Common Code and CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Restricted Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Restricted Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*—Exchange for Individual Note Certificates*", DTC will surrender the Restricted Global Note Certificate for exchange for individual Restricted Individual Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Restricted Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S.

Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note Certificate, as the case may be (subject to the certification procedures provided in the Paying Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the relevant Restricted Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Restricted Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Unrestricted Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Restricted Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Unrestricted Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee nor any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Issue Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Issue Date should consult their own advisors.

TAXATION

The following is a general description of the material Russian, Cypriot and United States tax considerations relating to the Notes issued. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the Guarantees and the consequences of such actions under the tax laws of those countries in light of their particular circumstances. This summary is based upon the law as in effect on the date of the Listing Particulars and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

RUSSIAN FEDERATION

General

The following is a general summary of certain Russian tax considerations relevant to the acquisition, ownership and disposition of the Notes, as well as taxation of payments under the Guarantees.

This summary is based on the laws of the Russian Federation as in effect on the date of these Listing Particulars (these laws are subject to changes, which could occur frequently, at short notice and may have retroactive effect). The summary does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia or tax implications arising for the Noteholders applying special tax regimes available under Russian tax legislation. Similarly this summary does not seek to address the availability of double tax treaty relief to or the eligibility of double tax treaty relief of any Noteholder in respect of income payable under the Notes, or practical difficulties involved in obtaining such double tax treaty relief.

The analysis set out herein does not include any comments on tax implications which could arise for the Noteholders in connection with entering into REPO or stock lending transactions with the Notes or into term deals, derivatives or any similar types of transactions with the Notes.

Prospective investors should consult their own tax advisors regarding the tax consequences of investing in the Notes in their own particular circumstances. No representation with respect to the Russian tax consequences pertinent to any particular Noteholder is made hereby.

Many aspects of Russian tax laws and regulations are subject to significant uncertainty and lack of interpretive guidance resulting in different interpretations and inconsistent application thereof by the various authorities in practice. Further, the substantive provisions of the Russian Tax Code applicable to financial instruments may be subject to more rapid and unpredictable changes (possibly with retroactive effect) than in jurisdictions with more developed capital markets and more developed taxation systems.

In practice, the interpretation and application of tax laws and regulations by different tax inspectorates may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. The interpretation and application of such provisions will in practice rest substantially with local tax inspectorates. Furthermore, in the absence of binding precedent, court rulings on tax or other related matters taken by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this summary, the term “**Resident Noteholder**” means:

- a Noteholder (the “**Resident Noteholder–Legal Entity**”) who is (1) a Russian legal entity or an organization; or (2) a legal entity or an organization, in each case organized under a non-Russian law, which acquires, holds and disposes of the Notes through its permanent establishment in Russia (as defined by Russian tax law); or (3) a foreign organization recognized as Russian tax resident in accordance with the requirements set out in the Russian Tax Code. A foreign organisation shall be deemed to be a tax resident of the Russian Federation for purposes of the Russian Tax Code if (1) it is deemed to be tax resident of the Russian Federation in accordance with an applicable double tax treaty and (2) its place of management is in the Russian Federation, unless a different conclusion follows from an applicable double tax treaty; and

- a Noteholder who is an individual and who satisfies the criteria for being a Russian tax resident (the “**Resident Noteholder–Individual**”). A “**Russian tax resident**” is an individual who is present in the Russian Federation in aggregate for 183 calendar days or more in any period comprised of 12 consecutive months. Presence in Russia for Russian personal income tax residency purposes is not considered interrupted if an individual departs from Russia for short periods of time (less than six months) for medical treatment, education purposes or completion of employment or other duties related to work (rendering services) at offshore hydrocarbon fields.

For the purposes of this summary, a "**Non-Resident Noteholder**" means:

- a Noteholder which is a legal entity or an organization, in each case not organized under Russian law which acquires, holds and disposes of the Notes otherwise than through its permanent establishment in Russia and does not satisfy the criteria for being a Russian tax resident as defined above (the "**Non-Resident Noteholder–Legal Entity**"); and
- a Noteholder who is an individual and does not satisfy the criteria for being a Russian tax resident as defined above (the "**Non-Resident Noteholder–Individual**").

For purposes of this summary, the definitions of "Resident Noteholder" and "Non-Resident Noteholder" in respect of individuals are taken at face value based on the wording of Russian tax law as written as at the date of these Listing Particulars. In practice, however, the application of the above formal residency definition may differ based on the position of the Russian tax authorities. The law is currently worded in a way that implies the potential for a split year residency for individuals. However, both the Russian Ministry of Finance and the Russian tax authorities have expressed the view that an individual should be either tax resident or non-resident in the Russian Federation for the full calendar year and consequently even where the travel pattern dictates a differing tax residency status for a part of the tax year, the application of the residency tax rate may in practice be disallowed.

Although, the Russian Tax Code states that tax residency for individuals depends exclusively on the number of days spent in Russia, the Federal Tax Service has issued several private clarifications promulgating a view that besides number of days of physical presence such factors as permanent home and central of vital interest (country where family, business are located) must be taken into account for the purposes of determination of tax residency. Although there are insufficient legislative grounds for this position, we may not exclude the risk of challenge of non-resident status for individuals who do not meet the physical presence test for residents but have ties (property, family, business, etc.) to Russia.

Tax residency rules and the Russian Federation's rights with regard to taxation may be affected by the applicable double tax treaty. The Russian tax treatment of payments under the Guarantees made by the Guarantors to the Trustee, acting on behalf of the Noteholders, may affect the Noteholders. See "*—Taxation of Payments under the Guarantees*" below.

Taxation of the Notes

Resident Noteholders

Resident Noteholders will be subject to all applicable Russian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposition of the Notes.

Resident Noteholders should consult their own tax advisors with respect to the effect that the acquisition, holding and disposition of the Notes may have on their tax position.

Non-Resident Noteholders

A Non-Resident Noteholder should not be subject to any Russian taxes in respect of payments of interest and repayments of principal on the Notes received from the Issuer. A Non-Resident Noteholder also generally should not be subject to any Russian taxes in respect of any gains or other income realized on redemption, sale or other disposition of the Notes outside Russia, provided that the proceeds from such redemption, sale or other disposition of the Notes are not received from a source within the Russian Federation. However, in the absence of a clear definition of what constitutes income from sources within Russia in case of sale of securities, there is a risk that the income from disposition of the Notes (including any accrued and paid interest) may be considered as received from Russian sources for Non-Resident Noteholders.

Taxation of Non-Resident Noteholders—Legal Entities

Acquisition of the Notes

The acquisition of the Notes by Non-Resident Noteholder–Legal Entities (whether upon their issue or in the secondary market) should not constitute a taxable event under Russian tax law. Consequently, the acquisition of the Notes should not trigger any Russian tax implications for the Non-Resident Noteholder–Legal Entities.

Disposition of the Notes

In the event that proceeds from a redemption, sale or other disposition of the Notes are received from a source within the Russian Federation, a Non-Resident Noteholder–Legal Entity should not be subject to any Russian withholding tax on any gain on sale or other disposition of the Notes. Although there is some residual uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest on the relevant Notes. The risk of withholding tax was substantially mitigated by the changes to the Russian Tax Code introduced in 2012. There remains a possibility that notwithstanding these favourable changes a Russian buyer or intermediary may seek to assess withholding tax on the accrued interest portion of the disposal proceeds.

Taxation of a Non-Resident Noteholders—Individuals

Acquisition of the Notes

The acquisition of the Notes by Non-Resident Noteholders–Individuals, may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of acquisition of securities (in case the Notes are initially issued at par, these provisions are likely to be relevant for the acquisitions of the Notes in the secondary market only). In particular, if the acquisition price of the Notes is below the lower margin of the fair market value of the Notes calculated under a specific procedure for the determination of market prices of securities for tax purposes, the difference may become subject to the Russian personal income tax at the rate of 30 per cent. (or such other tax rate as may be effective at the time of acquisition), arguably subject to reduction or elimination under the applicable double tax treaty.

Under the Russian tax legislation, taxation of income derived by Non-Resident Noteholders–Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Since the Russian Tax Code does not contain any provisions in relation to how the related material benefit should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income, if the Notes are purchased “in Russia”. In the absence of any additional guidance as to what should be considered as a purchase of securities “in Russia”, the Russian tax authorities may apply various criteria to determine the source of the related material benefit, including looking at the place of conclusion of the acquisition transaction, the location of the Issuer, or other similar criteria. There is no assurance therefore that as a result any material benefit received by the Non-Resident Noteholders–Individuals in connection with the acquisition of the Notes will not become taxed in Russia.

Interest on the Notes

The Non-Resident Noteholders–Individuals generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes may however be affected by the taxation treatment of income from sale of the Notes and payments under the Guarantee. See “Sale or other Disposal of the Notes by Non-Resident Noteholders–Individuals” and “Taxation of Payments under the Guarantee” below.

Disposition of the Notes

Non-resident Noteholder–Individuals should not be subject to any Russian taxes in respect of gains or other income realized on a redemption, sale or other disposal of the notes outside of Russia, provided that the proceeds of such sale, redemption, or disposal are not received from a source within Russia.

Subject to any available tax treaty relief, if the receipt of any proceeds from the disposition of the Notes by a Non-Resident Noteholder–Individual, is classified as income from a source within the Russian Federation for Russian personal income tax purposes and, as such, will be subject to Russian personal income tax at the rate of 30 per cent (or such other tax rate as may be effective at the time of payment) on the gross amount of proceeds from disposition of the Notes (including accrued and paid interest on the Notes) less any available duly documented cost deductions..

Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources, in practice the Russian tax authorities may assert that such income should be considered as Russian source income if the Notes are sold or disposed “in Russia”. In absence of any additional guidance as to what should be considered as a sale or other disposal of securities “in Russia”, the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the purchaser, or other similar criteria. There is no assurance therefore that as a result sales or disposal proceeds received by the Non-Resident Noteholders–Individual will not become taxed in Russia.

The tax will apply to the gross amount of sales or disposal proceeds received upon the disposition of the Notes (including accrued and paid interest on the Notes) decreased by the amount of any available duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and sale or other disposal of the Notes) provided that such documentation is duly executed. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities, the immediate deduction will be disallowed and Russian personal income tax will apply to the gross amount of sales or disposal proceeds.

In certain circumstances if sales or other disposal proceeds (including accrued and paid interest on the Notes) are paid to a Non-Resident Noteholder–Individual by a licensed broker or an asset manager that is a Russian legal entity or organization, carrying out operations under an asset management agreement, a brokerage service agreement, an agency agreement, a commission agreement or a commercial mandate agreement for the benefit of the Non-Resident Noteholder–Individual, the applicable personal income tax at the rate of 30 per cent (or such other tax rate as may be effective at the time of payment) should be withheld at source by such person who will be considered as the tax agent.

The amount of tax withheld will be calculated after taking into account available documented deductions for the original acquisition costs and related expenses on the acquisition, holding and sale or other disposal of the Notes to the extent such deductions and expenses can be determined by the entity making the payment of income to a Non-Resident Noteholder–Individual. If the costs were born in connection with the acquisition of the Notes within the relationship with the party other than tax agent who is obliged to calculate and withhold Russian personal income tax under this agreement, original duly documented acquisition costs may be taken into account by the tax agent upon written application of the Noteholder and presentation of the documents confirming the costs.

Where a sale is made to other to legal entities, organizations (other than licensed brokers or asset managers mentioned in the preceding paragraph) or individuals, generally no Russian personal income tax should be withheld at source by these persons. The Non-Resident Noteholder–Individual would be then required to file a personal income tax return individually, report on the amount of income realized to the Russian tax authorities and apply for a deduction in the amount of acquisition and other expenses related to the acquisition, holding and the sale or other disposal of the Notes confirmed by the supporting documentation. The applicable personal income tax would then have to be paid by the Non-Resident Noteholder–Individual on the basis of the filed personal income tax return.

Under certain circumstances, gains received and losses incurred by a Non-Resident Noteholder–Individual as a result of the sale or other disposal of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for the Russian personal income tax purposes, which would affect the total amount of income of a Non-Resident Noteholder–Individual subject to taxation in Russia.

There is also a risk that any gain derived by a Non-Resident Noteholder–Individual from the sale or other disposal of the Notes may be affected by changes in the exchange rate between the currency of acquisition of the Notes, the currency of the sale or other disposal of the Notes and Russian roubles. For personal income tax purposes deductible costs and proceeds from disposition of the Notes are converted into Russian roubles at the exchange rate of the Central Bank of Russia as of the date when the costs were incurred and proceeds were received. This may result in taxable income in Russian rouble terms due to devaluation of the Russian rouble (whereas in foreign currency terms there might be no gain or even capital loss).

Non-Resident Noteholders–Individuals should consult their own tax advisors with respect to tax consequences arising in connection with the disposal of the Notes, including the receipt of sales or other proceeds from a source within Russia upon the sale or other disposal of the Notes.

Tax Treaty Relief

The Russian Federation has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions that allow to reduce or eliminate Russian income tax due with respect to income received by Non-Resident Noteholders from Russian sources, including income relating to acquisition, holding, sale and disposal of the Notes (if this income is treated as income from Russian sources). To the extent double tax treaty benefits are available, in order to obtain them such Non-Resident Noteholders must comply with the certification, information and reporting requirements in force in the Russian Federation (relating, in particular, to the confirmation of the entitlement and eligibility to treaty benefits).

In order to utilise the double tax treaty benefits, a Non-Resident Noteholder–Legal Entity which has the actual right to receive income (i.e., who qualifies as a "beneficial owner of income") should provide the tax agent with a tax residency certificate before the date of the income payment.

Starting 2016 in order to apply for tax exemption or payment of tax at a reduced tax rate under the respective double tax treaty a Non-Resident Noteholder–Individual should provide to the tax agent a passport of a foreign citizen in order to prove his/ her tax residency status in the foreign jurisdiction. If this document is not sufficient to prove the residency status, the tax agent will request the Non-Resident Noteholder–Individual to provide a tax residency certificate issued by the competent authorities in his/ her country of residence for tax purposes. It is not explicit whether under the new law Russian citizens may enjoy exemption from taxation at source under the respective double tax treaty.

It is not clear from the law how the tax agent shall determine whether a passport is sufficient to confirm the individual's eligibility to double tax treaty benefits.

Within 30 days upon payment of income subject to tax exemption or withholding at a reduced tax rate under the respective double tax treaty the tax agent is obliged to submit information to the tax authorities on foreign individuals (passport details and citizenship) and income (type of income, amount of income and date of payment).

It is also not clear whether under the new law Russian citizens may enjoy exemption from taxation at source under the respective double tax treaty.

The procedure of elimination of double taxation of Non-Resident Noteholders–Individuals in case of absence of a tax agent is not explicitly indicated in the Russian Tax Code.

Non-resident Noteholders should consult their own tax advisers regarding possible tax treaty relief and procedures required to be fulfilled for obtaining such relief with respect to any Russian taxes imposed in respect of income received in connection with the acquisition, holding and the sale or other disposal of the Notes as well as interest income and payments under the Guarantee.

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder–Legal Entity was withheld at source, a claim for a refund of the Russian income tax that was excessively withheld at source can be filed by that Non-Resident Noteholder–Legal Entity with the Russian tax authorities within three years following the year in which the tax was withheld, provided such Non-Resident Noteholder–Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income. There is no assurance that such refund will be possible in practice.

If Russian personal income tax applicable to income derived from Russian sources by a Non-Resident Noteholder–Individual for whom double tax treaty relief is available was withheld at source despite the right of this Non-Resident Noteholder–Individual to rely on benefits of the applicable double tax treaty allowing not to pay the tax in Russia or allowing to pay the tax at the reduced rate in relation to this income, a claim for a refund of Russian personal tax which was excessively withheld at source and application of the benefits of the applicable double tax treaty together with a passport of a foreign individual/tax residency certificate issued by the competent authorities in his/ her country of residence may be filed by that Non-Resident Noteholder-Individual with the tax agent within three years following the tax year when the corresponding income was received. In the absence of a tax agent who withheld the Russian personal income tax under consideration (e.g., in case of a liquidation of the tax agent), such an application for a refund may be filed with the Russian tax authorities within the same period (three years from the date when the tax was paid) accompanied by the Russian tax return, a tax residency certificate and documents proving tax withholding to the Russian tax authorities. There can be no assurance that the tax agent and/ or the Russian tax authorities will refund this tax in practice.

Although the Russian Tax Code arguably contains an exhaustive list of documents and information which has to be provided by a foreign person to the Russian tax authorities for tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming a right of a Non-Resident Noteholder–Individual to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may to a large extent depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian taxes that were excessively withheld at source is likely to be a time consuming process and no assurance can be given that such refund will be granted to a Non-Resident Noteholder which is an individual in practice.

Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures required to be fulfilled in order to obtain treaty relief in practice with respect to any Russian taxes imposed on income received by a Non-Resident Noteholder upon the acquisition, holding and sale or other disposal of the Notes as well as payments under the Guarantee.

Taxation of Payments under the Guarantees

Resident Noteholders will be subject to all applicable Russian taxes in respect of income realized by them in connection with payments received pursuant to fulfilment of the obligations of the Guarantors established by the Guarantee. Resident Noteholders should consult their own tax advisers with regards to the effect that the recipient of such payments may have on their tax position.

Withholding tax

Pursuant to the Russian Tax Code, payments made by a Russian entity to a Non-Resident–Legal Entity should be subject to Russian withholding tax to the extent such payments represent Russian source income. The Russian Tax Code provides an open list of Russian source income, referring to “other similar income” that could include any income similar to specific examples of types of Russian source income provided in the Russian Tax Code (e.g., dividends, interest, royalties, fines, penalties, etc.), including guarantee payments. The Russian Tax Code provides that the exemption established for the “issued bonds” (as discussed below) is applicable with regard to payments made under the guarantee.

Therefore, payments under the Guarantee made by the Guarantors to or to the order of the Trustee acting in favour of the Noteholders should be subject to the Russian withholding tax at a rate of 20 per cent. unless the criteria for application of the exemption established for the “issued bonds” are all met or the Russian withholding tax is reduced or eliminated based on the applicable double tax treaty.

In particular the Russian Tax Code envisages that the Russian companies which make payments in favour of foreign legal entities upon the execution of a guarantee or suretyship should be released from the obligation to withhold Russian income tax from such payments provided that the following conditions are all met (i.e., exemption established for the “issued bonds”):

(1) Payments under a guarantee or suretyship relate to “issued bonds”, where “**issued bonds**” are defined as bonds or other debt obligations (a) listed and/ or admitted to trading on one of the qualifying foreign exchanges and/ or (b) that are cleared through foreign depository/ clearing organisations.

The lists of qualifying foreign stock exchanges and foreign depository/ clearing organisations were approved by the Federal Financial Markets Service of the Russian Federation in its Order № 12-91/pz-n dated 25 October 2012.

The Notes are to be admitted to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is a market of the Irish Stock Exchange for listed securities aimed at professional investors and the Irish Stock Exchange is the competent authority for the review, approval, listing and admission to trading.

The Notes are to be cleared through Clearstream, Luxembourg and Euroclear. The Notes that are being offered and sold in reliance on Rule 144A, if any, will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, the DTC.

The Irish Stock Exchange, Clearstream, Luxembourg and Euroclear are included in the above-mentioned lists. DTC is not expressly mentioned in the lists, but its holding company, the Depository Trust & Clearing Corporation that provides clearance, settlement, and information services for securities and derivative transactions through its subsidiaries, including DTC, is mentioned in the list of qualifying foreign depository/ clearing organisations. One can argue, albeit it is not free from doubt, that reference to the Depository Trust & Clearing Corporation in the list should cover its subsidiaries, including DTC.

(2) Payments under a guarantee or suretyship relate to “issued bonds” which were placed by a foreign entity in order to fund a debt to a Russian entity.

Debt obligations of a Russian legal entity towards a foreign legal entity should be recognized as arising in connection with the issuance by a foreign legal entity of “issued bonds” if reference to this fact is made in the agreement governing the debt obligation and/or in the terms and conditions of the issuance of the respective "issued bonds" and/or in the prospectus, or the connection is verified by the actual movement of funds.

Pursuant to the section "*Use of Proceeds*" of these Listing Particulars, the Issuer intends to use the net proceeds of the Notes to refinance and repay existing indebtedness of certain companies of the Group.

Therefore, if any amounts of the net proceeds would not be used to finance existing indebtedness of the Russian companies the Group (including the Guarantors) this condition will not be satisfied and the abovementioned tax release could not be applied in practice with respect to corresponding amounts of Guarantee payments. In this case, there is a risk that respective payments under the Guarantee may be subject to Russian withholding tax unless the Russian withholding tax is reduced or eliminated based on the applicable double tax treaty.

(3) There is a double tax treaty between Russia and the jurisdiction of tax residence of (i) the issuer of the "issued bonds", (ii) the foreign entity authorized to receive interest income payable on the "issued bonds", or (iii) the foreign entity to which rights and obligations under bonds issued by another foreign entity have been assigned which can be confirmed by a tax residency certificate of such person.

The Trustee is incorporated under the laws of the United Kingdom, therefore, the Guarantors should not be required to deduct Russian withholding tax from Guarantee payments made to the Trustee acting on behalf of the Noteholders, provided the Guarantors have received from the Trustee a tax residency certificate and the Trustee is deemed to be a "foreign entity authorized to receive interest income payable on the issued bonds" for Russian taxation purposes.

There is a risk that the Trustee could not be viewed as a "foreign entity authorized to receive interest income payable on the issued bonds" for Russian taxation purposes. In this case, one can argue that the Non-Resident Noteholder–Legal Entity can be viewed as a "foreign entity authorized to receive interest income payable on the issued bonds". In this respect if the Non-Resident Noteholder–Legal Entity provides the Guarantors with the tax residency certificate confirming that it resides in the jurisdiction having a double tax treaty with Russia, the above exemption on the "issued bonds" could be applicable with the regard to payments under the Guarantee payable to such Noteholders.

In case the above exemption on the "issued bonds" is not applicable with the regard to payments under the Guarantee (either because the conditions 2 and/or 3 are not met) there is a risk that respective payments under the Guarantee may be subject to Russian withholding tax unless the Russian withholding tax is reduced or eliminated based on the applicable double tax treaty.

Pursuant to the Tax Code the double tax treaty benefits could be applied only by a non-resident income recipient who has the actual right to receive income (i.e., who qualifies as a "beneficial owner of income"). A non-resident income recipient claiming double tax treaty benefits which has the actual right to receive income should provide the tax agents that pay Russian source income with a tax residency certificate before the date of the income payment. A tax agent that pays Russian source income has the right (and starting from 1 January 2017 an obligation) to request from a non-resident income recipient a confirmation that it has an actual right to receive the income in question. There is no list of the particular documents which can be supplied by the non-resident income recipient for this purpose. Further, there is no explicit guidance or list of the structures which can jeopardize the beneficial owner status of the non-resident income recipient. Beneficial ownership status is determined under a very broad facts-and-circumstances test and should be analysed on a case-by-case basis.

It is unlikely that the Trustee will be deemed as beneficial owner of payments under the Guarantee and, consequently, its tax residency certificate (if it will be provided to the Guarantors) could arguably not be relied upon for purpose of application of the double tax treaty benefits.

In this respect if the Non-Resident Noteholder–Legal Entity is a beneficial owner of income payable under the Guarantee and provides the Guarantors with the tax residency certificate and a relevant confirmation that it is a beneficial owner of income, the Russian withholding tax on Guarantee payments payable to such Non-Resident Noteholder–Legal Entity could be reduced or eliminated based on the applicable double tax treaty. However, there can be no assurance that the double tax treaty relief (or refund of any taxes withheld) will be available for Non-Resident Noteholder–Legal Entities with respect to payments under the Guarantee in practice.

There can be no assurance that the Russian withholding tax would not be imposed on the payments made under the Guarantee to Non-Resident Noteholders–Legal Entities not residing for tax purposes in countries which have concluded a double tax treaty with Russia. In such case there is a risk that

Russian withholding tax would be imposed on the full amount of the payment under the Guarantee, including the principal amount of the Notes.

In case the payments under the Guarantee are deemed to be made to the Non-Resident Noteholder-Individual, a Non-Resident Noteholder–Individual may be subject to Russian personal income tax as such income may be treated as a Russian source income. In this case, depending on how these payments would be effected, either the full amount of payments, or a part of such payments covering the interest on the Notes, could be subject to Russian personal income tax at the rate of 30 per cent., which may be withheld at source or payable on a self-assessed basis. The tax may be reduced or eliminated pursuant to the provisions of any applicable double tax treaty.

The treaty relief and refund procedures should generally be similar to the tax relief and refund procedures described above with respect to proceeds from disposal of the Notes.

Importantly, the above-mentioned exemption established for the "issued bonds" that envisages the release from the obligation to deduct Russian withholding tax from payments made upon the execution of a guarantee or suretyship (provided the above conditions are all simultaneously met) does not provide for the exemption of the foreign interest income recipients from Russian withholding tax, although currently there is no requirement and mechanism in the Russian tax legislation for foreign income recipients which are the legal entities to self-assess and pay the tax to the Russian tax authorities. There can be no assurance that such rules will not be introduced in the future or that the Russian tax authorities would not make attempts to collect the tax from the foreign income recipients including the Non-Resident Noteholders–Legal Entities and/or the Trustee.

If payments under the Guarantees become subject to the Russian withholding tax (as a result of which the Guarantors would have to reduce payments made under the Guarantees by the amount of tax withheld), the Guarantors will be obliged (subject to certain conditions) to increase payments under the Guarantees as may be necessary so that the net payments received by the Trustee acting on behalf of the Noteholders will be equal to the amounts it would have received in the absence of such withholding.

The Russian Tax Code provides that taxpayers, including foreign persons who receive Russian source income, must pay legally established taxes. To the extent Russian courts interpret the provisions obliging the Guarantors to gross up payments under the Guarantees as an arrangement providing for payment by one party of taxes imposed on another party, the relevant gross-up provisions will not be enforceable under Russian laws. Accordingly, there is a risk that gross up for withholding tax will not take place and that the payments made by the Guarantors under the Guarantees will be reduced by the amount of the Russian income tax withheld by the Guarantors at the rate of 20 per cent. (in the case of applicability of the rate established for Non-Resident Noteholders–Legal Entities) or at a rate of 30 per cent. (in the case of applicability of the rate established for Non-Resident Noteholders–Individuals), or such other rate as may be in force at the time of payment.

VAT on Payments under the Guarantee

The Russian Tax Code specifically exempts payments under guarantees from VAT if they are made by banking entities. However, it does not provide a similar exemption with respect to payments made by non-banking entities. Therefore, it is not entirely clear if payments made under the Guarantees made by the Guarantors should be subject to VAT.

There is an argument that payments made by the Guarantors under the Guarantees should not be subject to Russian VAT because they are outside the scope of Russian VAT as there is no supply of goods, works or services by the recipients of payments under the Guarantees (i.e., the Trustee or the Noteholders) to the Guarantors.

However, there is a residual risk that a portion of payments made by the Guarantors to the Trustee representing reimbursement of fees for such services as legal, advertising and accounting services incurred by the Trustee may be subject to Russian VAT withheld by the Guarantors at the rate of 18/118 pursuant to sub-item 4 of Item 1 of Article 148 of the Russian Tax Code.

CYPRIOT TAXATION OF NOTEHOLDERS

The following is a summary based on the laws and practices currently in force in the Republic of Cyprus regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Definition of tax residency for corporate tax purposes

The Cypriot income tax laws define the term "resident", when applied to a company, as a company whose management and control is exercised from Cyprus. There is no definition in the Cypriot income tax laws as to what constitutes "management and control" and no detailed guidelines have been issued by the Cypriot tax authorities. However, as per Circular 2015/19, issued by the Cypriot Tax Department on 30 October 2015, a company applying for a tax residency certificate should complete a questionnaire which requires the applicant to provide certain information on the areas which the Cypriot tax authorities take into account in assessing the tax residency status of a company.

Definition of tax residency for personal tax purposes

The Cypriot income tax laws define the term "resident", when applied to an individual, as an individual who is physically present in Cyprus for a period or periods exceeding in aggregate more than 183 days in any tax year (tax year being the same as the calendar year).

The Special Contribution for the Defence Fund of the Republic Law defines the term ''resident'', when applied to an individual, as an individual who is a resident as per the provisions of the Cypriot Income Tax Law and who additionally has his/her domicile in Cyprus. An individual is considered to have his/her domicile in Cyprus if he/she has a Cypriot domicile of origin as defined in the Wills and Succession Law, but it does not include:

- An individual who has obtained and maintained a domicile of choice outside Cyprus in accordance with the Wills and Succession Law, provided that such an individual has not been a tax resident of Cyprus, as this is defined in the Cypriot income tax laws, for a period of twenty consecutive years preceding the tax year; or

- An individual who has not been a tax resident of Cyprus for a period of twenty consecutive years prior to 16 July 2015.

Notwithstanding the above, an individual Noteholder who has been a tax resident of Cyprus for at least seventeen years out of the last twenty years prior to the relevant tax year, is deemed to have his/her domicile in Cyprus.

Withholding tax

On the basis of the current provisions of the Cypriot income tax laws, Cyprus levies withholding tax at the rate of 30 per cent. on interest payments made to individuals who are resident for tax purposes of Cyprus and in addition have a Cypriot domicile (as defined in the Special Contribution for the Defence of the Republic Law).

Cyprus does not levy any withholding tax on interest payments made to persons not being resident for tax purposes of Cyprus or to individuals who are tax residents of Cyprus but do not have a Cypriot domicile (as defined in the Special Contribution for the Defence of the Republic Law).

Stamp duty

Cyprus levies stamp duty on every instrument if:

(a) it relates to any property situated in Cyprus; or

(b) it relates to any matter or thing which is performed or done in Cyprus.

The stamp duty obligation arises irrespective of whether the document is executed in Cyprus or abroad.

There are instruments which are subject to stamp duty at a fixed fee (ranging from 5 cents to EUR 35) and instruments which are subject to stamp duty based on the value of the instrument (0.15% for amounts exceeding EUR 5,000 and 0.20% for amounts exceeding EUR 170,000) with a maximum stamp duty payable of EUR 20,000 per instrument.

Taxation of Cypriot tax resident Noteholders

The Special Contribution for the Defence of the Republic ("**Defence Tax**") Law imposes tax on certain categories of income received by or credited to persons (both individuals and companies) who are considered to be residents for tax purposes of Cyprus, subject to any available exemptions. As of 16 July 2015, an individual is subject to Defence Tax if he/she is both considered to be a resident for tax purposes of Cyprus and has a Cypriot domicile (as defined in the Special Contribution for the Defence of the Republic Law).

Interest income accruing on the Notes

In case the interest accruing to the Noteholders on the Notes is considered to arise in the ordinary course of their business or closely connected therewith, it should be subject to Income Tax in Cyprus. Such interest should not be subject to Defence Tax.

In case the Noteholder is an individual, the Personal Income Tax rates applicable in 2016 on the aggregated taxable income derived in the year of assessment (less any allowable deductions, allowances and exemptions) are as follows:

(a) 0 per cent. on taxable income equal to €0 to €19,500;

(b) 20 per cent. on taxable income equal to €19,501 to €28,000;

(c) 25 per cent. on taxable income equal to €28,001 to €36,300;

(d) 30 per cent. on taxable income equal to €36,301-€60,000; and

(e) 35 per cent. on taxable income equal to €60,001 and above.

In case the Noteholder is a legal entity, the Corporate Income Tax rate in 2016 is 12.50% (less any allowable business expenditure).

In case the interest accruing on the Notes held by the Noteholders tax residents in Cyprus is considered to arise neither in the ordinary course of their business nor closely connected therewith, it should be exempt from Income Tax. However, the gross amount of such interest should be subject to the Defence Tax at a rate of 30 per cent. An individual Noteholder should be subject to Defence Tax unless it can be demonstrated that the investment in the Notes is made in the course of carrying on a business.

Payments made to the Noteholders under the Guarantee

It is not entirely clear as to how payments made under the Guarantee (including Additional Amounts) to be paid by the Company to the Noteholders could be legally characterized for Cypriot withholding tax purposes. To the extent that payments made under the Guarantee (including Additional Amounts) represent interest payments, such payments should be subject to withholding tax in Cyprus, as explained above. If payments made under the Guarantees become subject to withholding tax in Cyprus (as a result of which the Company would have to reduce payments made under the Guarantees by the amount of tax withheld), the Company will be obliged (subject to certain conditions) to increase payments made under the Guarantees as may be necessary so that the net payments received by the Trustee acting on behalf of the Noteholders will be equal to the amounts it would have received in the absence of such withholding. Although there is no official guidance in Cyprus, it is expected that gross-up provisions should be applicable in practice with regard to payments made under the Guarantees.

Sale or other disposal of the Notes

In case the investment in the Notes, made by Noteholders tax residents in Cyprus, is considered to be made in the course of carrying on a business, the resulting profit or loss arising upon future sale or other disposal (including early redemption) of the Notes should be exempt or non-deductible (as the case may be) for Income Tax purposes regardless of whether the investor is an individual or a legal entity. This conclusion is made on the basis that the Notes should meet the definition of a "security" as this is defined in the Cypriot income tax laws.

In case the investment in the Notes is not considered to be made in the course of carrying on a business, the future sale or other disposal of the Notes should not be subject to the provisions of the Cypriot income tax laws regardless of whether the investor is an individual or a legal entity, since such sale or other disposal of the Notes should be considered as a capital transaction in nature. In such a case the sale or other disposal of the Notes should be outside the scope of the Capital Gains Tax in Cyprus.

However, any accrued interest/coupon reflected in the sale/redemption price should be subject to tax (as explained above under "—*Interest income accruing on the Notes*") to the extent that the seller is a Cypriot tax resident person.

Taxation of non-Cypriot tax resident Noteholders

Interest income accruing on the Notes (including Additional Amounts received by Noteholders)

Persons (individuals or legal persons) who are non-Cypriot tax residents should not be liable to the provisions of the Cypriot income tax laws (assuming they do not have a fixed place of business in Cyprus).

Sale or other disposal of the Notes

Any gain from the sale or other disposal (including early redemption) of the Notes realised by non-Cypriot tax residents (both individuals and legal persons who have no permanent establishment in Cyprus) should not be subject to the provisions of the Cypriot income tax laws.

Value Added Tax considerations

Interest income accruing on the Notes

As per the VAT legislation, interest income is exempt from VAT.

Cypriot VAT considerations exist only for the Noteholders resident or established in Cyprus, which are registered or have an obligation to register for Cypriot VAT purposes. Such Noteholders may have an obligation to restrict input VAT recoverable on their expenses which relate either directly or indirectly to the interest income earned on the Notes.

Any payments to be made under the Guarantee

Any payments made by the Guarantors to the Trustee acting on behalf of the Noteholders should not be subject to Cypriot VAT on the basis that they fall outside the scope of the Cypriot VAT legislation. Such payments cannot be regarded as constituting consideration for any supply provided in exchange for the payments. The same should be the case if such payments are regarded as additional interest.

U.S. FEDERAL INCOME TAXATION

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to the Notes. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold the Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal estate or gift taxes, U.S. state or local tax matters or non-U.S. tax considerations. The Notes are debt in form and, if required, the Issuers intend to report the Notes as debt for U.S. tax purposes. Accordingly, this disclosure assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF CYPRUS, THE RUSSIAN FEDERATION, THE UNITED STATES, THEIR CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The tax treatment of a partner in a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) that acquires, owns or disposes of the Notes generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership should consult its own advisors about the tax consequences for its partners of the acquisition, ownership or disposition of the Notes.

Characterisation of the Notes

Although the proper characterisation of the Notes for U.S. federal income tax purposes is not entirely free from doubt, the Issuer and the Company intend to treat the Notes as indebtedness for U.S. federal income tax purposes. This characterisation is binding on all U.S. Holders unless the holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with the Issuer's characterisation. However, the Issuer's characterisation is not binding on the U.S. Internal Revenue Service (the "**IRS**") or the courts, and no ruling is being requested or could be obtained from the IRS with respect to the proper characterisation of the Notes for U.S. federal income tax purposes. No assurance can be given that the IRS will not assert that the Notes should be treated as equity interests in the Issuer rather than indebtedness nor that a court would not sustain that position if asserted. If the Notes were treated as equity interests in the Issuer for U.S. federal income tax purposes, then U.S. Holders of Notes would likely be treated as owning an equity interest in a passive foreign investment company ("**PFIC**"). If the PFIC rules were to apply to the Notes, a U.S. Holder could be subject to additional U.S. federal income taxes on gain recognized with respect to the sale or disposition of a Note or on certain increased interest payments with respect to a Note. The following discussion assumes that the Notes will be characterized as indebtedness for U.S. federal income tax purposes. Prospective purchasers of the Notes should consult their own tax advisors regarding the consequences in the event that the Notes are treated as equity for U.S. federal income tax purposes.

Interest

A U.S. Holder must include stated interest on the Notes (and additional amounts paid on account of foreign withholding tax, if any) in gross income in accordance with its regular method of tax accounting. Interest on the Notes and Additional Amounts, if any, will be ordinary income from sources outside the United States. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

If the Notes are issued at an original issue discount ("**OID**"), a U.S. Holder must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. Generally, the Notes will have been issued with OID if their stated redemption price exceeds their issue price by as much as 0.25% multiplied by the number of complete years to maturity. The OID will be the amount by which the stated redemption price at maturity exceeds the issue price. The issue price of the Notes is the initial offering price at which a substantial amount of the Notes are sold to the public (excluding sales to brokers or similar persons). The stated redemption price at maturity is the sum of all payments due on a Note other than payments of stated interest.

A U.S. Holder generally must include in income the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such holder held that Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a debt instrument issued with OID may be of any length and may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period.

The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of: (i) the product of the Note's "adjusted issue price" at the beginning of the accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over (ii) the aggregate of all qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, and reduced by any payments previously made on the note other than a payment of qualified stated interest. Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all yield on a Note (including *de minimis* OID) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

Interest and OID received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Disposition

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid for the Note reduced by any payments other than stated interest.

Gain or loss on disposition of a Note will generally be U.S. source capital gain or loss except to the extent of any exchange gain or loss. Payments that are attributable to accrued interest or OID will be treated as interest or OID for U.S. federal income tax purposes and will be treated in accordance with the rules applicable to interest and OID discussed above. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder's long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Capital gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Additional Notes

The Issuer may issue Additional Notes in additional offerings and these Additional Notes may not be fungible with the Notes for U.S. federal income tax purposes. Whether Additional Notes would be fungible depends on whether the issuance of Additional Notes would be treated as a qualified reopening of the Offering. This determination will depend on the date when the Additional Notes are issued, the yield of the Notes at that time (based on their fair market value), whether the Notes were issued with OID and whether the Notes are publicly traded or quoted at the time of the Additional Notes issuance. Additional Notes will be part of the same issue as the Notes if (i) they are issued within six months of the Notes when the yield on the Notes is no more than 110% of their original yield or (ii) they are issued at a *de minimis* discount from par. A discount is *de minimis* if it is less than 0.25% multiplied by the number of complete years remaining to the maturity of the Additional Notes. If issuance of the Additional Notes is not a qualified reopening, the Additional Notes may have OID (or a different amount of OID), which may adversely affect the market value of the Notes, unless the Additional Notes can be distinguished from the Notes.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain rules may require individual U.S. Holders to report to the IRS information with respect to Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of these rules for their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

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TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes. Investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes.

144A Notes

Each purchaser of the Securities within the United States pursuant to Rule 144A, by accepting delivery of the Listing Particulars, will be deemed to have represented, agreed and acknowledged that:

(a) It is (i) a QIB, (ii) acquiring such Securities for its own account or for the account of one or more QIBs, (iii) not acquiring such Securities with a view to further distribute such Securities, and (iv) aware, and each beneficial owner of such has been advised, that the sale of such Securities to it is being made in reliance on Rule 144A.

(b) It will provide notice of these transfer restrictions to any subsequent transferees.

(c) It understands that such Securities have not been and will not be registered under the Securities Act and agrees on its own behalf and on behalf of any investor account for which it is investing in the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Rule 144A Notes prior to the date that is one year after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Rule 144A Notes (or any predecessor thereto) only (i) pursuant to a registration statement that has been declared effective under the Securities Act; (ii) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of another QIB; (iii) in an offshore transaction in accordance with Regulation S; (iv) pursuant to Rule 144 under the Securities Act (if available); or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(d) It acknowledges that the Securities offered and sold hereby in the manner set forth in paragraph (a) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of such Notes.

(e) It understands that any offer, sale, pledge or other transfer of the Securities made other than in compliance with the above-stated restrictions may not be recognised by the Issuer.

(f) It understands that such Securities, unless otherwise agreed between the Issuer, the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES, OTHER THAN (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME OR BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE

UNITED STATES, AND WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE TRUST DEED.

(g) If it is acquiring any Securities for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account. The Issuer, the Company, the Guarantors, the Registrar, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(h) It understands that the Notes offered in reliance on Rule l44A will be represented by the Restricted Global Note Certificate. Before any interest in the Restricted Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

(i) It understands that the Issuer, the Company, the Guarantors, the Registrar, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The purchaser or transferee and any fiduciary causing it to acquire an interest in any of the Notes agrees to indemnify and hold harmless the Issuer, the Principal Paying Agent, the Joint Lead Managers and their affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

Prospective purchasers are hereby notified that the sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Securities outside the United States pursuant to Regulation S by accepting delivery of these Listing Particulars and the Securities, will be deemed to have represented, agreed and acknowledged that:

(a) It is, or at the time Securities are purchased will be, the beneficial owner of such Notes and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(b) It understands that such Securities have not been and will not be registered under the Securities Act and such Securities are being offered and sold in accordance with Regulation S.

(c) It will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the Securities Act and any applicable securities laws of any state of the United States.

(d) It understands that such Securities, unless otherwise agreed between the Issuer, the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OT OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS.

(e) It understands that the Issuer, the Company, the Guarantors, the Registrar, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

SUBSCRIPTION AND SALE

ING Bank N.V., London Branch, J.P. Morgan Securities plc, Raiffeisen Bank International AG, SIB (Cyprus) Limited, UniCredit Bank AG and VTB Capital plc (together, the "**Managers**") have, pursuant to a Subscription Agreement dated 14 April 2016, severally agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount in the following amounts:

Managers	Principal Amount of Notes (U.S.$)
ING Bank N.V., London Branch	58,333,000
J.P. Morgan Securities plc	58,335,000
Raiffeisen Bank International AG	58,333,000
SIB (Cyprus) Limited	58,333,000
UniCredit Bank AG	58,333,000
VTB Capital plc	58,333,000
Total	350,000,000

The Issuer, failing whom the Guarantors, has agreed to pay to the Managers certain commissions on the principal amount of the Notes. In addition, the Issuer shall (failing whom the Guarantors have agreed to on a joint and several basis) reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer and the Guarantors have in the Subscription Agreement agreed to indemnify the Managers against any loss, liability, cost, claim, damages, expense or demand incurred in connection with the issue of the Notes.

The Managers and their respective affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Company and its affiliates (including its shareholders, the Issuer and the Guarantors) and for which they may have received or may in the future receive customary fees.

Each of the Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Company and its affiliates (including its shareholders, the Issuer and the Guarantors) in the ordinary course of their respective businesses. Certain Managers are not broker-dealers registered with the SEC, and therefore, may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that such Managers intend to effect sales of the Notes in the United States, they will do so only through an affiliate which is a U.S. registered broker-dealer or otherwise as permitted by applicable U.S. law.

United States

Each Manager understands that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In relation to each tranche of Notes, each Manager agrees that (i) it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 144A or any Notes constituting part of its allotment outside of the United States except in accordance with Regulation S and (2) neither it nor any of its affiliates (nor any person acting on behalf of such Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Manager has severally represented, warranted and agreed that:

i. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

ii. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Cyprus

The Notes may not be offered to persons in Cyprus.

Russian Federation

Neither the Notes, nor the Listing Particulars nor any other document relating to them have been or are intended to be registered in Russia with the Central Bank of the Russian Federation or with any other state bodies or stock exchanges that may from time to time be responsible for such registration.

The Notes have not been and will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

General

Each Manager has severally acknowledged that no representation is made by the Issuer, the Guarantors or any Manager that any action has been or will be taken in any jurisdiction by the Issuer, the Guarantors or any Manager that would permit a public offering of the Notes, or possession or distribution of the Listing Particulars or in any country or jurisdiction where action for that purpose is required. Each Manager has agreed to comply to the best of its knowledge and belief in all material respects with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Listing Particulars, in all cases at its own expense unless agreed otherwise.

The Managers and their respective affiliates may provide various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with the Issuer, the Guarantors and their affiliates and for which they will receive customary fees.

The net proceeds of the issue of the Notes will be on-loaned to other members of the Group to be used by them to refinance existing indebtedness, including approximately USD 239 million of outstanding borrowings under PLP's credit facility with ING Bank N.V., Raiffeisen Bank International AG and AO Raiffeisenbank maturing in 2020, approximately USD 100 million of outstanding borrowings under VSC's credit facilities with VTB Bank (Austria) AG maturing in 2020 and other smaller Group credit facilities.

VTB Bank (Austria) AG is an affiliate of VTB Capital plc, ING Bank N.V. is an affiliate of ING Bank N.V., London Branch and AO Raiffeisenbank is an affiliate of Raiffeisen Bank International AG.

INDEPENDENT AUDITORS

The Annual Consolidated Financial Statements have been audited by PricewaterhouseCoopers Limited, independent auditors, as stated in their audit reports included or incorporated by reference (as described in "*Documents Incorporated by Reference*") in these Listing Particulars (the "**Independent Auditor's Reports**"). PricewaterhouseCoopers Limited has registered offices at Julia House, 3 Themistocles Dervis Street, CY-1066, Nicosia, Cyprus. PricewaterhouseCoopers Limited is a member of the Institute of Certified Public Accountants of Cyprus.

GENERAL INFORMATION

Authorisations, Approvals and Consents

The Issuer and Guarantors have each obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantees. The issue of the Notes was authorised and the Listing Particulars approved by a resolution passed on 30 March 2016 by the Board of Directors of the Issuer. The correspondence to the market value of the Guarantee provided by FCT was determined by a resolution of the Board of Directors of FCT passed on 26 February 2016 and the Guarantee was authorised by a shareholders' resolution of FCT passed on 11 March 2016. The correspondence to the market value of the Guarantee provided by PLP was determined by a resolution of the Board of Directors of PLP passed on 1 March 2016 and the Guarantee was authorised by a shareholders' resolution of PLP passed on 9 March 2016. The Guarantee provided by VSC was authorised by a resolution of participants of VSC passed on 9 March 2016 and a resolution of the Board of Directors of the Company passed on 4 March 2016.

Additional Guarantees

The Company has undertaken in the Conditions to procure that any of its Subsidiaries upon becoming a Material Subsidiary after the Issue Date (and subject to certain conditions) gives an Additional Guarantee (all as defined, and in the manner prescribed, in the Conditions) in favour of the Trustee no later than 180 calendar days upon becoming a Material Subsidiary.

Listing

Application has been made for the Notes to be listed on the Irish Stock Exchange by the Issuer, through the listing agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the official list of the Irish Stock Exchange or to trading on the Global Exchange Market.

It is expected that listing of the Notes will be granted on or about 18 April 2016, subject to the issuance of the Global Note Certificates. Transactions will normally be effected for delivery on the third business day after the transaction.

Yield and total expenses

The yield of the Notes is 6.875 per cent. on an annual basis. Total expenses related to the admission to trading of the Notes are expected to be EUR 6,500.

Clearing systems

The Notes have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream, Luxembourg. For the Regulation S Notes, the International Security Identification Number (ISIN) is XS1319813769 and the Common Code is 131981376. For the Rule 144A Notes, the ISIN is US37955KAA07, the Common Code is 098266291 and the CUSIP number is 37955KAA0. The address of DTC is 55 Water Street, New York, New York 10041-10099, United States of America. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210, Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855, Luxembourg.

No significant or material change

There has been no significant change in the financial or trading position of either the Company or the Group since 31 December 2015, the end of the last financial period for which financial information has been published. There has been no significant change in the consolidated financial or trading position of the Issuer since its date of incorporation on 8 February 2016.

Except as set forth in "*Overview—Recent developments and outlook*", there has been no material adverse change in the prospects of either the Company or the Group since 31 December 2015, the date of the most recent annual audited financial information for the Company and the Group. There has been no material adverse change in the prospects of the Issuer since 8 February 2016, the date of its incorporation.

Legal proceedings

None of the Issuer, the Guarantors or any member of the Group is or has been engaged in nor, so far as the Issuer, the Guarantors or any member of the Group is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of the Listing Particulars, a significant effect on the Issuer's, the Guarantors' or the Group's financial position or profitability.

Documents available for inspection

For the life of the Listing Particulars, copies of the following documents may be inspected free of charge in physical form at the registered office of the Issuer and the office of the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

(a) the memorandum and articles of association of the Issuer;

(b) the memorandum and articles of association of the Company;

(c) the charter of each other Guarantor;

(d) the Deed of Guarantee;

(e) the Listing Particulars;

(f) the Annual Consolidated Financial Statements and the Independent Auditor's Reports thereon;

(f) the Trust Deed; and

(g) the Agency Agreement.

Trustee

BNY Mellon Corporate Trustee Services Limited is a professional trustee company, which is providing its services in relation to the Notes on an arm's length basis in consideration of a fee. Under the terms of the Trust Deed, the power of appointing new trustees is vested in the Issuer but a trustee so appointed must in the first place be approved by an Extraordinary Resolution of Noteholders. The Noteholders have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees. The removal of any trustee is only effective if following the removal there remains a trustee (being a trust corporation) in office after such removal. In addition, BNY Mellon Corporate Trustee Services Limited, or any other trustee duly appointed, may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer and the Guarantors. The retirement of any trustee is only effective if, following the retirement, there remains a trustee (being a trust corporation) in office after such retirement.

Issuer's activity

Since the date of incorporation, the Issuer has not commenced operations other than with respect to the issue and sale of the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

These Listing Particulars incorporate by reference audited consolidated financial statements of the Group as at and for the year ended 31 December 2014 prepared in accordance with EU IFRS and Cyprus Companies Law, Cap 113, which can be found at http://asp-gb.secure-zone.net/v2/index.jsp?id=666/3579/10033&lng=en.

GLOSSARY OF SELECTED TERMS

The following business and industry terms used in these Listing Particulars have the meaning assigned to them below (unless the context requires otherwise):

"**ASOP**" refers to the Association of Sea Commercial Ports;

"**Big port St. Petersburg**" refers to "Administration of seaport the Big port St. Petersburg", the state enterprise providing the organisation of trading navigation in sea port Saint Petersburg and behind its limits in established zones of responsibility of the Russian Federation;

"**CBR**" refers to the Central Bank of the Russian Federation;

"**CBR Rate**" refers to the official exchange rate quoted by the CBR;

"**Drewry**" refers to Drewry Shipping Consultants Ltd;

"**FAS**" refers to the Russian Federal Antimonopoly Service;

"**ISPS**" refers to the International Ship and Port Facility;

"**O&D**" refers to Origin & Destination traffic, also often referred to as import and export;

"**ro-ro**" refers to roll-on/roll-off cargo;

"**Rosstat**" refers to the Russian Federal State Statistics Service, the governmental statistics agency in Russia; and

"**TEUs**" or "**TEU**" refers to Twenty-Foot Equivalent Unit, used to measure a ship's cargo carrying capacity and equal in dimension to a standard 20' shipping container (20 feet long and 8 feet tall).

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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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"), its subsidiaries and joint ventures (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, 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.

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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 2015, 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 additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of these books.
- 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 Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 10 March 2016

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)

	Note	For the year ended 31 December 2015	2014
Revenue	5	405,692	562,382
Cost of sales	6	(176,367)	(231,476)
incl. impairment of property, plant and equipment		*(46,686)*	-
Gross profit		229,325	330,906
Administrative, selling and marketing expenses	6	(42,343)	(55,169)
Share of profit/(loss) of joint ventures accounted for using the equity method	26	3,812	(7,653)
Other (losses)/gains – net	7	(6,039)	10,539
Operating profit		184,755	278,623
Finance income	9	1,560	1,276
Finance costs	9	(60,146)	(90,481)
Change in fair value of derivative	9	(5,488)	-
Net foreign exchange losses on financial activities	9	(150,995)	(418,543)
Finance costs – net	9	(215,069)	(507,748)
Loss before income tax		(30,314)	(229,125)
Income tax (expense)/credit	10	(3,365)	31,803
Loss for the year		(33,679)	(197,322)
Attributable to:			
Owners of the Company		(25,138)	(193,140)
Non-controlling interest		(8,541)	(4,182)
		(33,679)	(197,322)
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	(0.04)	(0.34)

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)	Note	For the year ended 31 December 2015	2014
Loss for the year		(33,679)	(197,322)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(123,463)	(478,746)
Share of currency translation differences of joint ventures accounted for using the equity method	26	(24,711)	(52,213)
Fair value losses on cash flow hedge		(20,577)	(84,088)
Reclassification to income statement of realised gains on cash flow hedge	23	(235)	(391)
Reclassification to income statement of a gain on cash flow hedge termination	23	(13,491)	-
Total items that can be reclassified subsequently to profit or loss		(182,477)	(615,438)
Items that may not be subsequently reclassified to profit or loss			
Share of currency translation differences attributable to non-controlling interest		(3,639)	(12,756)
Total items that cannot be reclassified subsequently to profit or loss		(3,639)	(12,756)
Other comprehensive loss for the year, net of tax		(186,116)	(628,194)
Total comprehensive loss for the year		(219,795)	(825,516)
Total comprehensive loss attributable to:			
Owners of the Company		(207,615)	(808,578)
Non-controlling interest		(12,180)	(16,938)
Total comprehensive loss for the year		(219,795)	(825,516)

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 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

(in thousands of US dollars)

	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets		1,360,300	1,780,039
Property, plant and equipment	14	499,145	732,235
Intangible assets	15	622,686	822,247
Investments in joint ventures	26	167,815	188,340
Prepayments for property, plant and equipment	14	3,357	4,431
Deferred tax assets	24	66,021	30,701
Trade and other receivables	19	1,276	2,085
Current assets		159,478	133,523
Inventories	18	3,825	4,996
Trade and other receivables	19	29,800	41,258
Income tax receivable		2,718	8,461
Cash and cash equivalents	20	123,135	78,808
TOTAL ASSETS		1,519,778	1,913,562
EQUITY AND LIABILITIES			
Total equity		171,932	391,727
Equity attributable to the owners of the Company		158,701	366,316
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(834,935)	(686,761)
Cash flow hedge reserve	23	(118,782)	(84,479)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		239,412	264,550
Non-controlling interest		13,231	25,411
Total liabilities		1,347,846	1,521,835
Non-current liabilities		1,217,605	1,376,266
Borrowings	22	1,062,371	1,073,668
Derivative financial instruments	23	5,360	102,840
Deferred tax liabilities	24	149,874	199,758
Current liabilities		130,241	145,569
Borrowings	22	103,029	109,975
Trade and other payables	25	26,897	24,675
Current income tax liabilities		315	10,919
TOTAL EQUITY AND LIABILITIES		1,519,778	1,913,562

On 10 March 2016 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Alexander Iodchin, Director

Konstantin Shirokov, Director

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2014		57,317	923,511	101,300	(155,802)	-	(210,376)	492,080	1,208,030	(15,353)	1,192,677
Total other comprehensive loss		-	-	-	(530,959)	(84,479)	-	-	(615,438)	(12,756)	(628,194)
Loss for the year		-	-	-	-	-	-	(193,140)	(193,140)	(4,182)	(197,322)
Total comprehensive loss for the year ended 31 December 2014		-	-	-	(530,959)	(84,479)	-	(193,140)	(808,578)	(16,938)	(825,516)
Transactions with non-controlling interest	29	-	-	-	-	-	1,254	-	1,254	(1,257)	(3)
Conversion of borrowings to share capital in a subsidiary with non-controlling interest	29	-	-	-	-	-	-	-	-	58,959	58,959
Distributions to shareholders	13	-	-	-	-	-	-	(34,390)	(34,390)	-	(34,390)
Total transactions with owners for the year ended 31 December 2014		-	-	-	-	-	1,254	(34,390)	(33,136)	57,702	24,566
Balance at 31 December 2014		57,317	923,511	101,300	(686,761)	(84,479)	(209,122)	264,550	366,316	25,411	391,727
Total other comprehensive loss		-	-	-	(148,174)	(34,303)	-	-	(182,477)	(3,639)	(186,116)
Loss for the year		-	-	-	-	-	-	(25,138)	(25,138)	(8,541)	(33,679)
Total comprehensive loss for the year ended 31 December 2015		-	-	-	(148,174)	(34,303)	-	(25,138)	(207,615)	(12,180)	(219,795)
Balance at 31 December 2015		57,317	923,511	101,300	(834,935)	(118,782)	(209,122)	239,412	158,701	13,231	171,932

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

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)		For the year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Loss before income tax		(30,314)	(229,125)
Adjustments for:			
Depreciation of property, plant and equipment	14	42,794	75,902
Impairment of property, plant and equipment	14	46,686	-
(Profit)/loss on sale of property, plant and equipment	14	(2,722)	323
Write off of property, plant and equipment	14	950	2,413
Amortisation of intangible assets	15	14,498	24,268
Interest income	9	(1,560)	(1,276)
Interest expense	9	60,146	90,481
Share of (profit)/loss in jointly controlled entities	26	(3,812)	7,653
Change in fair value of swap	9	5,488	
Foreign exchange differences on non-operating activities		160,354	438,029
Other non-cash items		(289)	1,170
Operating cash flows before working capital changes		292,219	409,838
Changes in working capital			
Inventories		38	(49)
Trade and other receivables		6,421	(2,924)
Trade and other payables		(1,362)	(18,495)
Cash generated from operations		297,316	388,370
Dividends received from joint ventures		10,406	9,535
Income tax paid		(59,699)	(62,690)
Net cash from operating activities		248,023	335,215
Cash flows from investing activities			
Contingent consideration paid		-	(61,603)
Purchase of shareholdings from non-controlling interests	29	-	(3)
Purchases of intangible assets	15	(100)	(211)
Purchases of property, plant and equipment	14	(11,733)	(23,568)
Proceeds from sale of property, plant and equipment	14	8,708	1,743
Loans granted to related parties	30(h)	(8,690)	(12,486)
Loan repayments received from related parties		477	504
Interest received		1,528	1,308
Cash from bank deposits with maturity over 90 days		-	989
Net cash used in investing activities		(9,810)	(93,327)
Cash flows from financing activities			
Proceeds from borrowings		285,061	367,308
Repayments of borrowings		(398,624)	(460,812)
incl. payment under interest rate and cross-currency exchange rate swap linked to the bank loan repaid		*(125,580)*	-
Interest paid		(74,406)	(92,151)
Proceeds from the issue of shares by a subsidiary to non-controlling interest	29	-	12,827
Finance lease principal payments (third parties)		(4,426)	(12,288)
Dividends paid to the owners of the Company	13	-	(48,490)
Net cash used in financing activities		(192,395)	(233,606)
Net increase in cash and cash equivalents		45,818	8,282
Cash and cash equivalents at beginning of the year		78,808	113,219
Exchange losses on cash and cash equivalents		(1,491)	(42,693)
Cash and cash equivalents at end of the year	20	123,135	78,808

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

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

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

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

On 27 December 2013, GPI completed the acquisition of 100% of the share capital of NCC Group Limited, (together with its subsidiaries, "NCC Group").

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 10 March 2016.

Principal activities

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

Composition of the Group and its joint ventures

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

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

See also Note 5 for the description of segmental information of the Group.

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

- MLT and CD Holding groups are joint ventures with Container Finance OY where the Company has 75% effective ownership interest (Note 26). Moby Dik (a container terminal in the vicinity of St. Petersburg) and Multi-Link Terminals (a container terminal in Vuosaari (near Helsinki, Finland) and a container terminal in Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg), CD Holding and some other entities constitute the CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 26). VEOS facilities are located in Estonia.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest (Note 29).

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are effective as at 1 January 2015 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 as modified by the revaluation of derivatives.

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

New and amended standards adopted by the Group

The Group adopted all the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. The adoption did not have a material effect on the accounting policies of the Group.

New standards and interpretations not yet adopted by the Group

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, 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

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the new standard on its financial statements.
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the new standard on its financial statements.

  Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016; EU effective date 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the new standard on its financial statements.

Notes to the consolidated financial statements (continued)

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

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

(a) Adopted by the European Union (continued)

- Annual Improvements to IFRSs 2012-2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016; EU effective date 1 February 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of these changes on its financial statements.
- Annual Improvements to IFRSs 2010-2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below; EU effective date 1 January 2016). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of these changes on its financial statements.

Notes to the consolidated financial statements (continued)

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

New standards and interpretations not yet adopted (continued)

(b) Not yet adopted and not yet endorsed by the European Union

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
  - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Notes to the consolidated financial statements (continued)

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

New standards and interpretations not yet adopted (continued)

(b) Not yet adopted and not yet endorsed by the European Union (continued)

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

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

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

Basis of consolidation

(a) Subsidiaries

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

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

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

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

Notes to the consolidated financial statements (continued)

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

Basis of consolidation (continued)

(b) Transactions with non-controlling interests

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

(c) Joint arrangements

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

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

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

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

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

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.

Notes to the consolidated financial statements (continued)

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

Revenue recognition

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

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

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

(a) Sales of services

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

(b) Sales of goods

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

(c) Rental income

See accounting policy for leases below.

(d) Interest income

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

(e) Dividend income

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Notes to the consolidated financial statements (continued)

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

Foreign currency translation (continued)

(c) Group companies

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

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

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

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

Property, plant and equipment ("PPE")

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

Land is not depreciated.

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

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

Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

(c) Client base

Client base (mainly customer relationships) acquired as a result of business combinations is at the cost of acquisition. 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 (11 years).

(d) Contractual rights

Contractual rights acquired as a result of business combinations are shown at the cost of acquisition. Contractual rights relate primarily to quay and land lease agreements. These contractual rights are renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (being up to 57 years as of 31 December 2015) which are in accordance with the underlying agreements, including renewal periods whenever renewal is at no significant cost and the Group has evidence, based on past experience that the contract will be renewed.

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 (refer to accounting policy for intangible assets in relation to the impairment of goodwill) An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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.

Notes to the consolidated financial statements (continued)

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

Loans and receivables (continued)

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.

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 original effective interest rate. The amount of the provision is recognised in the income statement against 'administrative, selling and marketing expenses'.

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

Cash flow statement

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

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

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

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

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

Trade payables

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

Provisions and contingent liabilities

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

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

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.

Notes to the consolidated financial statements (continued)

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

Provisions and contingent liabilities (continued)

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

Borrowings

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

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

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

Dividend distribution

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

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

Financial guarantee contracts

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

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

Income taxes

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

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

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

Notes to the consolidated financial statements (continued)

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

Income taxes (continued)

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.

Offsetting financial instruments

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

Notes to the consolidated financial statements (continued)

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.

The Group uses from time to time interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk. The Group may designate such derivatives as hedges of probable forecasted sales.

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.

The below tables demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion. Currently the long-term debt of the Group is denominated in US dollars and Russian Roubles. The US dollar and Euro interest rates are relatively more attractive compared to the Russian Rouble interest rate. The whole amount of the long-term debt of the Group originates from companies operating in Russia (Russian operations). The revenues of Russian operations are mainly priced in US Dollars and Russian Roubles, whereas most of expenses are denominated and settled in Russian Roubles.

The analysis below does not cover borrowings in joint ventures as they are not included in the financial position of the Group.

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Assets	110,001	66,461
Liabilities	1,174,513	1,056,599
Capital commitments	-	-

Had US dollar exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2015, would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$237,633 thousand) and the equity would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$266,950 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.

(i) Foreign exchange risk (continued)

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2015 and 31 December 2014 are as follows:

(in thousands of US dollars)	As at 31 December	
	2015	2014
Assets	3,654	372
Liabilities	-	-
Capital commitments	6,717	7,870

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

Had Euro exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit and the equity of the Group for the year ended 31 December 2015, would have (decreased)/increased by US$877 thousand (2014: 30% change, effect US$89 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group'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.

Had market interest rates on US dollars, Euro and Russian Rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post tax profit of the Group would have decreased by US$8,412 thousand for the year ended 31 December 2015 (2014: US$10,042 thousand).

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

Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible 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) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 62% and 56% of the Group's revenue for the year ended 31 December 2015 and 2014, respectively.

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

(in thousands of US dollars)

	Fully performing	Past due	Impaired	Impairment provision	Total
As at 31 December 2015					
Trade receivables	14,798	3,997	-	-	18,795
Loans receivable	1,638	174	-	-	1,812
Other receivables	4,559	-	-	-	4,559
Total	20,995	4,171	-	-	25,166
As at 31 December 2014					
Trade receivables	22,061	2,411	-	-	24,472
Loans receivable	2,464	-	-	-	2,464
Other receivables	7,366	-	-	-	7,366
Total	31,891	2,411	-	-	34,302

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk

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

Cash flow forecasting is performed at the level of operating entities of the group and at consolidated level by group finance. Group finance monitors forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the group's debt repayments and covenant compliance. Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US$123,135 thousand (31 December 2014: US$78,808 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2015 and 2014. 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 2015								
Borrowings	4,983	22,787	53,392	92,205	198,617	1,037,709	44,062	1,453,755
Trade and other payables	3,273	15,444	-	1,019	-	-	-	19,736
Derivative financial instruments	-	-	(1,982)	(1,792)	(3,116)	12,250	-	5,360
Total	8,256	38,231	51,410	91,432	195,501	1,049,959	44,062	1,478,851
As at 31 December 2014								
Borrowings	6,081	32,195	36,134	70,224	157,016	805,729	272,410	1,379,789
Trade and other payables	4,533	9,694	-	-	-	-	-	14,227
Derivative financial instruments	-	(5,248)	(3,756)	(6,074)	55,176	62,742	-	102,840
Total	10,614	36,641	32,378	64,150	212,192	868,471	272,410	1,496,856

(d) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Total borrowings	1,165,400	1,183,643
Total capitalisation	1,337,332	1,575,370
Total borrowings to total capitalisation ratio (percentage)	87%	75%

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.

Financial instruments carried at fair value are valued by the following valuation methods:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's only financial instrument carried at fair value is disclosed in Note 23. It is valued using Level 2 from the table above.

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 and intangible assets

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$499,145 thousand (31 December 2014: US$732,235 thousand). If depreciation rates were increased by 10%, the carrying amount of property, plant and equipment would decrease by around US$4,279 thousand (2014: US$7,590 thousand).

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

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

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

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, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period. Based on the current world-wide economic circumstances and also taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value.

In the course of the preparation of the interim condensed financial information for the six month period ended 30 June 2015 forecasts used for estimating discounted future cash flows for impairment testing purposes as of 31 December 2014 have been updated.

Based on the results of the impairment tests carried out an impairment charge of US$46,686 thousand for ULCT CGU was recognised resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment charge was fully allocated to property, plant and equipment (Note 14).

In the course of the preparation of the current consolidated financial statements the impairment test models have been revised.

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 a nine year period reflecting the fact that this terminal started its operations recently and still remains in its ramp-up stage. Cash flows beyond that five-year (nine-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments a terminal growth rate of 3 % has been applied (2014: 3%). For projections prepared for VEOS CGU as at 31 December 2015 a terminal growth rate of 2% was applied (2014: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2015 is 12.1% (2014: 12.9%) and for VEOS the discount rate is 9.1% (2014: 10.1%).

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. The growth rates for VEOS revenues are conservatively estimated to be very moderate in view of the competitive environment. For CGUs in the Russian ports segment volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

Based on the results of the impairment tests carried out in 2015, the Board of Directors believes that there is no requirement for further impairments or indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all units except for 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. For ULCT CGU minor changes in any of the abovementioned parameters may lead to substantial changes in the recoverable amount of this CGU.

For ULCT CGU, if the estimated volumes handled each year are 20% lower, or the revenue per TEU each year 5% lower, then a further impairment of property, plant and equipment would arise amounting to US$4 million and US$19 million respectively. Reasonable changes in discounting rate and terminal rate do not lead to significant additional impairment.

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Determination of useful lives of contractual rights

The estimation of the useful lives of lease contractual rights is a matter of judgement based on experience with similar occasions. The remaining useful lives of contractual rights is up to 57 years as at 31 December 2015. In determining the useful lives management takes into account several factors such as applicable laws and regulations, the ability of renewal of such contractual rights and the date of expiration of the contractual agreements. If the amortisation period was reduced by 10% the carrying amount would decrease by around US$1,450 thousand (2014: US$2,427 thousand).

(iv) Tax legislation

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

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 with the exclusion of joint ventures and the netting off of deferred tax assets and liabilities. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis. Therefore there are no changes in the basis of measurement of segment profit or loss compared to prior years.

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

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

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

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Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

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

Finnish ports

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

VEOS

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

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

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate 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 transactions between other segments which mainly relate to management and financing activities.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2015 are as follows:

(in thousands of US dollars)

						Reconciliation adjustments		
	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Sales to third parties	439,095	86,285	19,546	544,926	-	(56,388)	-	488,538
Inter-segment revenue	65	-	45	110	-	(11)	(99)	-
Total revenue	439,160	86,285	19,591	545,036	-	(56,399)	(99)	488,538
Cost of sales	(190,721)	(66,949)	(17,223)	(274,893)	-	41,374	34	(233,485)
incl. impairment of property, plant and equipment	*(46,686)*	-	-	*(46,686)*	-	-	-	*(46,686)*
Administrative, selling and marketing expenses	(18,889)	(8,504)	(1,027)	(28,420)	(25,380)	4,961	65	(48,774)
Other (losses)/gains – net	(4,668)	73	(612)	(5,207)	8,816	125	(10,220)	(6,486)
Operating profit	224,882	10,905	729	236,516	(16,564)	(9,939)	(10,220)	199,793
Finance costs – net	(220,496)	(1,189)	(272)	(221,957)	970	2,011	71	(218,905)
incl. interest income	*2,317*	*31*	-	*2,348*	*4,198*	*(38)*	*(4,922)*	*1,586*
incl. interest expenses	*(65,861)*	*(1,208)*	*(261)*	*(67,330)*	*(1,772)*	*1,544*	*4,922*	*(62,636)*
incl. net foreign exchange losses on financing activities	*(151,464)*	*(11)*	*(11)*	*(151,486)*	*(1,457)*	*457*	*119*	*(152,367)*
Profit/(loss) before income tax	4,386	9,716	457	14,559	(15,594)	(7,928)	(10,149)	(19,112)
Income tax expense	(8,244)	(1,946)	(336)	(10,526)	(759)	2,469	-	(8,816)
Profit/(loss) after tax	(3,858)	7,770	121	4,033	(16,353)	(5,459)	(10,149)	(27,928)
CAPEX* on cash basis	12,073	2,073	3,483	17,629	66	(2,013)	-	15,682

*CAPEX represents 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 reconciliation of results for the year ended 31 December 2015 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	488,538	(82,846)	405,692
Inter-segment revenue	-	-	-
Total revenue	488,538	(82,846)	405,692
Cost of sales	(233,485)	57,118	(176,367)
incl. impairment of property, plant and equipment	*(46,686)*	-	*(46,686)*
Administrative, selling and marketing expenses	(48,774)	6,431	(42,343)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	3,812	3,812
Other (losses)/gains – net	(6,486)	447	(6,039)
Operating profit	199,793	(15,038)	184,755
Finance costs - net	(218,905)	3,836	(215,069)
incl. interest income	*1,586*	*(26)*	*1,560*
incl. interest expenses	*(62,636)*	*2,490*	*(60,146)*
incl. net foreign exchange losses on financing activities	*(152,367)*	*1,372*	*(150,995)*
Loss before income tax	(19,112)	(11,202)	(30,314)
Income tax (expense)/credit	(8,816)	5,451	(3,365)
Loss for the year	(27,928)	(5,751)	(33,679)
CAPEX on cash basis	15,682	(3,949)	11,733

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2015 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	46,582	20,537	2,610	69,729	44	(11,878)	-	57,895
Amortisation of intangible assets	14,698	1,042	-	15,740	-	(570)	-	15,170
Impairment of property, plant and equipment	46,686	-	-	46,686	-	-	-	46,686
Staff costs	50,319	16,503	7,323	74,145	17,576	(11,377)	-	80,344
Transportation expenses	7,386	15,810	2,496	25,692	-	(8,801)	-	16,891
Fuel, electricity and gas	7,601	12,388	689	20,678	7	(6,643)	-	14,042
Repair and maintenance of property, plant and equipment	9,086	3,105	1,456	13,647	69	(2,379)	-	11,337
Total	182,358	69,385	14,574	266,317	17,696	(41,648)	-	242,365
Other operating expenses	27,252	6,068	3,676	36,996	7,684	(4,687)	(99)	39,894
Total cost of sales, administrative, selling and marketing expenses	209,610	75,453	18,250	303,313	25,380	(46,335)	(99)	282,259

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2015 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	57,895	(15,101)	42,794
Amortisation of intangible assets	15,170	(672)	14,498
Impairment of property, plant and equipment	46,686	-	46,686
Staff costs	80,344	(17,628)	62,716
Transportation expenses	16,891	(10,591)	6,300
Fuel, electricity and gas	14,042	(7,538)	6,504
Repair and maintenance of property, plant and equipment	11,337	(4,034)	7,303
Total	242,365	(55,564)	186,801
Other operating expenses	39,894	(7,985)	31,909
Total cost of sales, administrative, selling and marketing expenses	282,259	(63,549)	218,710

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2015 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
Property, plant and equipment (including prepayments for PPE)	535,067	171,912	8,913	715,892	92	(96,349)	-	619,635
Investments in joint ventures	-	-	-	-	165,844	-	(165,844)	-
Intangible assets	645,249	55,758	3,723	704,730	-	(8,981)	-	695,749
Other non-current assets	1,151,126	-	115,644	1,266,770	1,156,437	(30,893)	(2,390,471)	1,843
Inventories	4,430	2,304	-	6,734	-	(1,303)	-	5,431
Trade and other receivables (including income tax prepayment)	72,282	26,947	3,203	102,432	18,005	(14,083)	(58,861)	47,493
Cash and cash equivalents	117,883	4,248	2,934	125,065	9,944	(4,028)	-	130,981
Total assets	2,526,037	261,169	134,417	2,921,623	1,350,322	(155,637)	(2,615,176)	1,501,132
Long-term borrowings	1,145,352	12,052	4,178	1,161,582	144,852	(11,154)	(216,455)	1,078,825
Other long-term liabilities	93,634	1,957	327	95,918	-	(1,940)	(904)	93,074
Trade and other payables	21,403	21,051	2,436	44,890	18,899	(10,381)	(16,413)	36,995
Short-term borrowings	130,954	13,623	1,751	146,328	29,119	(10,632)	(43,829)	120,986
Other short-term liabilities	278	2,557	98	2,933	310	(1,373)	-	1,870
Total liabilities	1,391,621	51,240	8,790	1,451,651	193,180	(35,480)	(277,601)	1,331,750
Non-controlling interest	13,231	-	-	13,231	-	-	-	13,231

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$1,004,924 thousand, US$115,484 thousand and US$1,082,211 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'Other non-current assets', 'Trade and other receivables' and 'Borrowings' in the total amount of US$175,240 thousand which are fully eliminated on consolidation.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2015 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	619,635	(117,133)	502,502
Investments in joint ventures	-	167,815	167,815
Intangible assets	695,749	(73,063)	622,686
Other non-current assets	1,843	65,454	67,297
Inventories	5,431	(1,606)	3,825
Trade and other receivables (including income tax prepayment)	47,493	(14,975)	32,518
Cash and cash equivalents	130,981	(7,846)	123,135
Total assets	1,501,132	18,646	1,519,778
Long-term borrowings	1,078,825	(16,454)	1,062,371
Other long-term liabilities	93,074	62,160	155,234
Trade and other payables	36,995	(10,098)	26,897
Short-term borrowings	120,986	(17,957)	103,029
Other short-term liabilities	1,870	(1,555)	315
Total liabilities	1,331,750	16,096	1,347,846
Non-controlling interest	13,231	-	13,231

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2014 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	602,112	116,522	24,028	742,662	-	(74,210)	-	668,452
Inter-segment revenue	125	-	102	227	-	(25)	(202)	-
Total revenue	602,237	116,522	24,130	742,889	-	(74,235)	(202)	668,452
Cost of sales	(274,697)	(87,043)	(21,992)	(383,732)	-	59,834	77	(323,821)
Administrative, selling and marketing expenses	(30,615)	(9,864)	(1,115)	(41,594)	(29,156)	6,317	122	(64,311)
Other (losses)/gains – net	12,053	253	166	12,472	8,058	(388)	(8,692)	11,450
Operating profit	308,978	19,868	1,189	330,035	(21,098)	(8,472)	(8,695)	291,770
Finance costs – net	(572,133)	(2,352)	(4,926)	(579,411)	(5,961)	20,267	78	(565,027)
incl. interest income	*7,057*	*38*	*-*	*7,095*	*6,470*	*(63)*	*(12,158)*	*1,344*
incl. interest expenses	*(98,383)*	*(2,470)*	*(1,699)*	*(102,552)*	*(8,679)*	*3,605*	*12,158*	*(95,468)*
incl. net foreign exchange losses on financing activities	*(480,808)*	*80*	*(3,227)*	*(483,955)*	*(3,752)*	*16,781*	*21*	*(470,905)*
Profit/(loss) before income tax	(263,155)	17,516	(3,737)	(249,376)	(27,059)	11,795	(8,617)	(273,257)
Income tax expense	25,631	-	(172)	25,459	(1,391)	1,935	-	26,003
Profit/(loss) after tax	(237,524)	17,516	(3,909)	(223,917)	(28,450)	13,730	(8,617)	(247,254)
CAPEX* on cash basis	25,183	6,768	325	32,276	74	(3,888)	-	28,462

*CAPEX represents 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 reconciliation of results for the year ended 31 December 2014 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Sales to third parties	668,452	(106,070)	562,382
Inter-segment revenue	-	-	-
Total revenue	668,452	(106,070)	562,382
Cost of sales	(323,821)	92,345	(231,476)
Administrative, selling and marketing expenses	(64,311)	9,142	(55,169)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(7,653)	(7,653)
Other (losses)/gains – net	11,450	(911)	10,539
Operating profit	291,770	(13,147)	278,623
Finance costs - net	(565,027)	57,279	(507,748)
incl. interest income	1,344	(68)	1,276
incl. interest expenses	(95,468)	4,987	(90,481)
incl. net foreign exchange losses on financing activities	(470,905)	52,362	(418,543)
Loss before income tax	(273,257)	44,132	(229,125)
Income tax (expense)/credit	26,003	5,800	31,803
Loss for the year	(247,254)	49,932	(197,322)
CAPEX* on cash basis	28,462	(4,894)	23,568

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2014 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	82,900	25,606	2,844	111,350	53	(15,277)	-	96,126
Amortisation of intangible assets	24,614	1,284	-	25,898	-	(729)	-	25,169
Impairment of property, plant and equipment	17,960	-	-	17,960	-	(4,490)	-	13,470
Staff costs	84,236	20,589	8,478	113,303	22,092	(14,426)	-	120,969
Transportation expenses	12,665	22,878	3,632	39,175	-	(12,807)	-	26,368
Fuel, electricity and gas	14,506	15,848	1,011	31,365	12	(8,677)	-	22,700
Repair and maintenance of property, plant and equipment	14,914	3,093	1,649	19,656	6	(2,536)	-	17,126
Total	251,795	89,298	17,614	358,707	22,163	(58,942)	-	321,928
Other operating expenses	53,517	7,609	5,493	66,619	6,993	(7,209)	(199)	66,204
Total cost of sales, administrative, selling and marketing expenses	305,312	96,907	23,107	425,326	29,156	(66,151)	(199)	388,132

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2014 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	96,126	(20,224)	75,902
Amortisation of intangible assets	25,169	(901)	24,268
Impairment of property, plant and equipment	13,470	(13,470)	-
Staff costs	120,969	(22,689)	98,280
Transportation expenses	26,368	(15,542)	10,826
Fuel, electricity and gas	22,700	(10,183)	12,517
Repair and maintenance of property, plant and equipment	17,126	(4,513)	12,613
Total	321,928	(87,522)	234,406
Other operating expenses	66,204	(13,965)	52,239
Total cost of sales, administrative, selling and marketing expenses	388,132	(101,487)	286,645

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2014 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
Property, plant and equipment (including prepayments for PPE)	781,718	206,985	12,291	1,000,994	89	(117,851)	-	883,232
Investments in joint ventures	-	-	-	-	165,836	-	(165,836)	-
Intangible assets	851,618	63,144	4,152	918,914	-	(10,878)	-	908,036
Other non-current assets	1,097,253	-	16,656	1,113,909	1,157,975	(6,176)	(2,248,146)	17,562
Inventories	5,454	2,316	-	7,770	-	(1,272)	-	6,498
Trade and other receivables (including income tax prepayment)	71,868	40,826	3,841	116,535	7,979	(21,128)	(33,353)	70,033
Cash and cash equivalents	80,099	4,687	1,467	86,253	10,367	(5,624)	-	90,996
Total assets	2,888,010	317,958	38,407	3,244,375	1,342,246	(162,929)	(2,447,335)	1,976,357
Long-term borrowings	1,208,059	43,473	5,723	1,257,255	26,899	(53,441)	(94,514)	1,136,199
Other long-term liabilities	306,977	-	296	307,273	(808)	(966)	(30,704)	274,795
Trade and other payables	22,586	27,154	2,831	52,571	30,155	(14,221)	(30,346)	38,159
Short-term borrowings	137,369	19,457	1,985	158,811	16,200	(13,915)	(29,183)	131,913
Other short-term liabilities	11,502	2,365	1	13,868	53	(1,310)	(130)	12,481
Total liabilities	1,686,493	92,449	10,836	1,789,778	72,499	(83,853)	(184,877)	1,593,547
Non-controlling interest	25,411	-	-	25,411	-	-	-	25,411

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$1,004,924 thousand, US$16,550 thousand and US$1,247,285 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'trade and other receivables' and 'borrowings' in the total amount of US$147,661 thousand which are fully eliminated on consolidation.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2014 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	883,232	(146,566)	736,666
Investments in joint ventures	-	188,340	188,340
Intangible assets	908,036	(85,789)	822,247
Other non-current assets	17,562	15,224	32,786
Inventories	6,498	(1,502)	4,996
Trade and other receivables (including income tax prepayment)	70,033	(20,314)	49,719
Cash and cash equivalents	90,996	(12,188)	78,808
Total assets	1,976,357	(62,795)	1,913,562
Long-term borrowings	1,136,199	(62,531)	1,073,668
Other long-term liabilities	274,795	27,803	302,598
Trade and other payables	38,159	(13,484)	24,675
Short-term borrowings	131,913	(21,938)	109,975
Other short-term liabilities	12,481	(1,562)	10,919
Total liabilities	1,593,547	(71,712)	1,521,835
Non-controlling interest	25,411	-	25,411

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

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

Revenue attributable to domestic and foreign customers for the year ended 31 December 2014 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	
	2015	2014
Revenue from domestic customers - Cyprus	21,234	32,527
Revenue from foreign customers by countries:		
Russia	237,404	306,777
Denmark	45,970	49,643
UK	28,937	49,927
France	20,393	23,876
Other	51,754	96,632
Revenue from foreign customers total	384,458	529,855
Total revenue	405,692	562,382

In 2015 and 2014 there were two customers representing more than 10% of consolidated revenue. Both customers originated from Russian ports segment and were domiciled in Russia.

Notes to the consolidated financial statements (continued)

6 EXPENSES BY NATURE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Staff costs (Note 8)	62,716	98,280
Depreciation of property, plant and equipment (Note 14)	42,794	75,902
Amortisation of intangible assets (Note 15)	14,498	24,268
Impairment of property, plant and equipment (Note 14)	46,686	-
Transportation expenses	6,300	10,826
Fuel, electricity and gas	6,504	12,517
Repair and maintenance of property, plant and equipment	7,303	12,613
Taxes other than on income	6,190	9,234
Legal, consulting and other professional services	3,126	3,615
Auditors' remuneration	1,848	1,763
Operating lease rentals	5,368	7,570
Purchased services	4,564	7,624
Insurance	1,389	2,249
Other expenses	9,424	20,184
Total cost of sales, administrative, selling and marketing expenses	218,710	286,645

The auditors' remuneration stated above includes fee of US$452 thousand (2014: US$666 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$31 thousand (2014: US$30 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	
	2015	2014
Staff costs	36,779	63,109
Depreciation of property, plant and equipment	42,080	74,709
Amortisation of intangible assets	14,473	24,237
Impairment of property, plant and equipment	46,686	-
Transportation expenses	6,300	10,826
Fuel, electricity and gas	6,263	12,162
Repair and maintenance of property, plant and equipment	6,454	11,669
Taxes other than on income	4,829	8,522
Operating lease rentals	3,015	4,805
Purchased services	4,564	7,624
Insurance	973	1,583
Other expenses	3,951	12,230
Total cost of sales	176,367	231,476

Notes to the consolidated financial statements (continued)

6 Expenses by nature (continued)

Administrative, selling and marketing expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Staff costs	25,937	35,171
Depreciation of property, plant and equipment	714	1,193
Amortisation of intangible assets	25	31
Fuel, electricity and gas	241	355
Repair and maintenance of property, plant and equipment	849	944
Taxes other than on income	1,361	712
Legal, consulting and other professional services	3,126	3,615
Auditors' remuneration	1,848	1,763
Operating lease rentals	2,353	2,765
Insurance	416	666
Other expenses	5,473	7,954
Total administrative, selling and marketing expenses	42,343	55,169

7 OTHER (LOSSES)/GAINS – NET

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Foreign exchange (losses)/gains on non-financing activities – net (Note 11)	(5,702)	12,450
Non-recurring donation to a charity which is a related party (Note 30(c), within "other related parties")	-	(1,410)
Non-recurring donation to a charity	-	(736)
Other (losses)/gains – net	(337)	235
Total	(6,039)	10,539

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Wages and salaries	49,935	78,059
Social insurance costs	11,381	18,489
Other staff costs	1,400	1,732
Total	62,716	98,280

Included within 'Social insurance costs' for 2015 are contributions made to the state pension funds in the total amount of US$8,805 thousand (2014: US$15,141 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE COSTS - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Included in finance income:		
Interest income on bank balances	451	502
Interest income on short-term bank deposits	1,036	668
Interest income on loans to related parties (Note 30(h))	73	106
Total finance income	1,560	1,276
Included in finance costs:		
Interest expenses on bank borrowings - including gains on derivatives used for hedging (see note 23)	(58,277)	(87,377)
Interest expenses on bonds	(245)	-
Interest expenses on finance lease	(1,577)	(1,805)
Interest expenses on loans from third parties	(47)	(1,299)
Total finance costs	(60,146)	(90,481)
Included in the change in fair value of derivatives:		
Interest component	121	-
Foreign currency exchange component	(5,609)	-
Total change in fair value of derivatives (Note 23)	(5,488)	-
Net foreign exchange losses on financing activities	(150,995)	(418,543)
Finance costs – net	(215,069)	(507,748)

Notes to the consolidated financial statements (continued)

10 INCOME TAX EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Current tax	52,109	68,365
Deferred tax credit – origination and reversal of temporary differences (Note 24)	(48,744)	(100,168)
Total	3,365	(31,803)

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	
	2015	2014
Loss before tax	(30,314)	(229,125)
Tax calculated at the applicable tax rates – 20% (1)	(6,063)	(45,825)
Tax effect of expenses not deductible for tax purposes	14,299	14,497
Tax effect of share of profit in jointly controlled entities	(762)	1,531
Withholding tax on undistributed profits	(1,616)	(2,006)
Tax effect of reduced tax rates of an entity in Russian ports segment(2)	(2,493)	-
Tax charge/(credit)	3,365	(31,803)

(1) The applicable tax rate used for 2015 and 2014 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) In 2015 the statutory tax rate in an entity within Russian ports was 18.5% instead of normal tax rate of 20%.

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

The Company is subject to corporation tax on taxable profits at the rate of 12,5%. Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

Notes to the consolidated financial statements (continued)

11 NET FOREIGN EXCHANGE (LOSSES)/GAINS

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

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Included in 'finance costs - net' (Note 9)	(150,995)	(418,543)
Included in 'other gains/(losses) – net' (Note 7)	(5,702)	12,450
Total	(156,697)	(406,093)

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	
	2015	2014
Profit attributable to the owners of the parent of the Company - in thousands of US dollars	(25,138)	(193,140)
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US$ per share)	(0.04)	(0.34)

13 DIVIDEND DISTRIBUTION

During 2015 the Company did not declare or pay dividends to the equity holders of the Company. During 2015 there were no dividend payments from Group companies to non-controlling interests.

During 2014 the Company has declared dividends to the equity holders of the Company amounting to US$34,390 (US$0.06 per share) thousand and paid out of this dividends in the amount of US$48,490 thousand including US$14,100 thousand dividends declared in 2013 and paid in 2014.

During 2014 there were no dividend payments from Group companies to non-controlling interests.

Notes to the consolidated financial statements (continued)

14 PROPERTY, PLANT AND EQUIPMENT

(in thousands of US dollars)

	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2014							
Cost	334,850	676,098	72,061	365,353	67,065	3,128	1,518,555
Accumulated depreciation and impairment	-	(88,777)	-	(84,920)	(16,195)	(2,325)	(192,217)
Net book amount	334,850	587,321	72,061	280,433	50,870	803	1,326,338
Additions	-	7,579	(176)	9,260	5,563	539	22,765
Transfers	-	22,676	(30,333)	3,044	4,614	(1)	-
Disposals	-	(125)	(1,777)	(30)	(2,396)	(151)	(4,479)
Depreciation charge (Note 6)	-	(37,109)	-	(28,279)	(10,049)	(465)	(75,902)
Translation reserve	(140,044)	(243,893)	(18,736)	(112,948)	(20,570)	(296)	(536,487)
Closing net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235
At 31 December 2014							
Cost	194,806	456,206	21,039	257,874	48,637	3,354	981,916
Accumulated depreciation and impairment	-	(119,757)	-	(106,394)	(20,605)	(2,925)	(249,681)
Net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235

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 2015							
Cost	194,806	456,206	21,039	257,874	48,637	3,354	981,916
Accumulated depreciation and impairment	-	(119,757)	-	(106,394)	(20,605)	(2,925)	(249,681)
Net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235
Additions	861	4,574	2,141	4,127	1,095	102	12,900
Transfers	-	139	(526)	82	283	22	-
Disposals	(465)	(9)	(68)	(6,184)	(209)	(1)	(6,936)
Depreciation charge (Note 6)	-	(21,918)	-	(15,945)	(4,684)	(247)	(42,794)
Impairment charge (Note 6)	-	(45,443)	(1,243)	-	-	-	(46,686)
Translation reserve	(44,449)	(62,975)	(4,714)	(31,514)	(5,847)	(75)	(149,574)
Closing net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145
At 31 December 2015							
Cost	150,753	285,330	16,629	163,451	31,856	1,539	649,558
Accumulated depreciation and impairment	-	(74,513)	-	(61,405)	(13,186)	(1,309)	(150,413)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment (continued)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Net book amount	6,936	4,479
Less: Non-cash items - write-offs of property, plant and equipment	(950)	(2,413)
	5,986	2,066
Profit/(loss) on sale of property, plant and equipment (1)	2,722	(323)
Proceeds from sale of property, plant and equipment	8,708	1,743

(1) Profit/(loss) 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	
	2015	2014
Buildings and constructions	6,529	8,654
Loading equipment	8,588	20,423
Total	15,117	29,077

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	
	2015	2014
Buildings and constructions	11,150	30,288
Loading equipment and machinery	29,038	70,211
Other production equipment	4,307	5,825
Total	44,495	106,324

Depreciation expense amounting to US$42,080 thousand in 2015 (2014: US$74,709 thousand) has been charged to 'cost of sales' and US$714 thousand in 2015 (2014: US$1,193 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

The amount of the borrowing costs capitalised during the period was US$nil thousand (2014: US$88 thousand), the average capitalisation rate was nil (2014: 4.4%).

Lease rentals relating to the lease of machinery and property amounting to US$3,015 thousand in 2015 (2014: US$4,805 thousand) have been charged to 'cost of sales' and US$2,353 thousand in 2015 (2014: US$2,765 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2015 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$3,357 thousand (2014: US$4,431 thousand).

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)

	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2014					
Cost	17,861	1,434,031	27,953	1,418	1,481,263
Accumulated amortisation and impairment	-	(19,020)	(20,350)	(753)	(40,123)
Net book amount	17,861	1,415,011	7,603	665	1,441,140
Additions	-	-	-	211	211
Amortisation charge (Note 6)	-	(21,833)	(2,236)	(199)	(24,268)
Translation reserve	(7,470)	(584,665)	(2,418)	(283)	(594,836)
Closing net book amount	10,391	808,513	2,949	394	822,247
At 31 December 2014					
Cost	10,391	833,192	24,191	920	868,694
Accumulated amortisation and impairment	-	(24,679)	(21,242)	(526)	(46,447)
Net book amount	10,391	808,513	2,949	394	822,247
Additions	-	-	-	100	100
Amortisation charge (Note 6)	-	(13,001)	(1,364)	(133)	(14,498)
Translation reserve	(2,370)	(182,262)	(447)	(84)	(185,163)
Closing net book amount	8,021	613,250	1,138	277	622,686
At 31 December 2015					
Cost	8,021	636,441	11,949	643	657,054
Accumulated amortisation and impairment	-	(23,191)	(10,811)	(366)	(34,368)
Net book amount	8,021	613,250	1,138	277	622,686

As at 31 December 2015 the remaining useful lives for contractual rights and client base were up to 57 years and 1 year respectively (2014: up to 58 years and 2 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	
	2015	2014
PLP (Russian ports segment)	3,469	4,494
VSC (Russian ports segment)	4,552	5,897
Total	8,021	10,391

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)(ii) for details of assumptions used.

Notes to the consolidated financial statements (continued)

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables (1)	25,166	34,302
Cash and cash equivalents	123,135	78,808
Total	148,301	113,110
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	1,165,400	1,183,643
Trade and other payables (2)	19,736	14,227
Total	1,185,136	1,197,870
Derivatives		
Financial liabilities as per balance sheet:		
Derivatives used for hedging	-	102,840
Other derivative financial instruments	5,360	-
Total	5,360	102,840

(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	
	2015	2014
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	787	165
Core customers - existing (more than one year of working history with the Group)	10,260	16,290
Related party loans	1,629	2,259
Loans to third parties	9	205
Trade and other receivables from other customers (third parties)	715	1,215
Trade and other receivables from related parties	7,595	11,757
Total	20,995	31,891

Loans granted to the third parties, trade and other receivables 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 (Note 20):

(in thousands of US dollars)

Agency	Rating	As at 31 December 2015	2014
International rating agency Moody's Investors Service	A1 - Aa3	164	1,431
International rating agency Moody's Investors Service	B1 - Baa2	105,484	74,964
International rating agency Moody's Investors Service	Caa2	75	183
Fitch Ratings	AAA	12,064	2,149
Standard & Poor's	A-	5,219	-
* No rating	No rating	129	81
Total		123,135	78,808

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

18 INVENTORIES

(in thousands of US dollars)	As at 31 December 2015	2014
Spare parts	3,825	4,996
Total	3,825	4,996

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December 2015	2014
Trade receivables - third parties	14,032	19,189
Trade receivables - related parties (Note 30(e))	4,763	5,283
Total trade receivables	18,795	24,472
Other receivables	569	892
Other receivables - related parties (Note 30(e))	3,990	6,474
Prepayments for goods and services	4,251	6,404
Prepayments for goods and services - related parties (Note 30(e))	106	161
Loans to third parties	183	205
Loans to related parties (Note 30(h))	1,629	2,259
VAT and other taxes recoverable	1,553	2,476
Total trade and other receivables	31,076	43,343
Less non-current portion:		
Loans to related parties	(1,193)	(1,791)
Other receivables	(83)	(294)
Total non-current portion	(1,276)	(2,085)
Current portion	29,800	41,258

Notes to the consolidated financial statements (continued)

19 Trade and other receivables (continued)

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

The effective interest rate on loans receivable from third parties and related parties were 4.2% (2014: 3.8%).

Trade and other receivables amounting to US$19,357 thousand (31 December 2014: US$29,427 thousand), were fully performing.

Trade and other receivables amounting to US$3,997 thousand (31 December 2014: US$2,411 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

The analysis of past due trade and other receivables is as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Less than 1 month overdue	3,736	2,254
From 1 to 3 months overdue	171	155
From 3 to 6 months overdue	80	2
Over 6 months overdue	10	-
Total	3,997	2,411

During 2015 trade receivables amounting to US$32 thousand (2014: US$895 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which are in a difficult economic situation.

None of loans to third parties (31 December 2014: none) were past due or 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.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy. The fair value is based on discounting of cash flows using 8% (2014: 8%) discount rate.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Currency:		
US dollar	8,513	13,514
Russian Rouble	16,406	20,867
Euro	6,157	8,962
Total	31,076	43,343

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.

Notes to the consolidated financial statements (continued)

20 CASH AND CASH EQUIVALENTS

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Cash at bank and in hand	15,844	19,219
Short term bank deposits (less than 90 days)	107,291	59,589
Total	123,135	78,808

The effective average interest rate on short-term deposits was 0.8% in 2015 (2014: 3.6%) and these deposits have an average maturity of 21 days in 2015 (2014: 8 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	
	2015	2014
Cash and cash equivalents	123,135	78,808
Total	123,135	78,808

In 2014 the principal non-cash transaction was the netting off of the amount held in escrow account within trade debtors amounting to US$61,100 thousand (Note 19) with the corresponding contingent consideration included in trade payables (Note 25).

21 SHARE CAPITAL, SHARE PREMIUM

Authorised share capital

In 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each

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

Issued share capital

The issued share capital of the Company amounts to US$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US$0.10 each.

The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

(in thousands of US dollars)

	Number of shares '000	Share capital	Share premium	Total
At 31 December 2014/ 31 December 2015	573,171	57,317	923,511	980,828

Notes to the consolidated financial statements (continued)

22 BORROWINGS

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Non-current borrowings		
Bank loans	981,489	1,056,296
Non-convertible unsecured bonds	68,497	-
Finance lease liabilities	11,058	15,789
Interest payable for finance lease liabilities	584	672
Loans from third parties	628	814
Interest payable on loans from third parties	115	97
Total non-current borrowings	1,062,371	1,073,668
Current borrowings		
Bank loans	98,343	102,369
Interest payable on bank loans	1,429	2,511
Finance lease liabilities	2,514	4,426
Interest payable on finance lease liabilities	521	664
Loans from third parties	-	2
Interest payable on loans from third parties	-	3
Interest payable on non-convertible unsecured bonds	222	-
Total current borrowings	103,029	109,975
Total borrowings	1,165,400	1,183,643

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Between 1 and 2 years	129,546	120,379
Between 2 and 5 years	921,183	727,850
Over 5 years	-	208,978
Total	1,050,729	1,057,207

Bank borrowings mature until 2020 (31 December 2014: 2020) and loans from other third parties mature until 2018 (31 December 2014: 2018).

In the end of 2015 the Group partly restructured its debt portfolio with the aim of facilitating greater financial flexibility and diversification of the debt portfolio of the Group.

For this purposes the Group has repaid certain bank facilities before their maturity dates, terminated the exiting swap arrangement, issued RUR-denominated bonds and entered in to the new swap agreement (see Note 23). These non-convertible unsecured RUR- denominated bonds in the total amount of RUR 5,000 million were issued on the Moscow Exchange with maturity of 5 years and with fixed coupon rate of 13.1%. Proceeds from the bond issue were effectively swapped to a USD-denominated liability (see Note 23) and used for refinancing of the Group's debt subject to higher interest rates.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

Finance lease liabilities - minimum lease payments:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Under 1 year	3,607	5,860
Between 1 and 2 years	3,513	3,843
Between 2 and 5 years	3,824	7,133
Over 5 years	44,060	57,535
Total	55,004	74,371
Future finance charges of finance leases	(40,327)	(52,820)
Present value of finance lease liabilities	14,677	21,551

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Under 1 year	3,035	5,090
Between 1 and 2 years	3,098	3,186
Between 2 and 5 years	1,055	3,568
Over 5 years	7,489	9,707
Total	14,677	21,551

According to the management's estimates the fair value of bank loans as at 31 December 2015 and as at 31 December 2014 amounts to US$1,088,939 thousand and US$1,126,657 thousand respectively. As at 31 December 2015 the fair value of bonds amounted to US$68,784 thousand and is within Level 1 of the fair value hierarchy. The fair value of other financial liabilities as at 31 December 2015 and as at 31 December 2014 approximates the carrying values. The fair values of bank loans and other financial liabilities are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates and are within Level 2 of the fair value hierarchy.

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	
	2015	2014
6 months or less	842,161	1,121,024
6-12 months	1,808	-
1-5 years	311,056	48,953
Over 5 years	7,504	9,719
Total	1,162,529	1,179,696

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Russian Rouble	78,045	127,394
US Dollar	1,087,355	1,056,249
Total	1,165,400	1,183,643

From the above amount of borrowings denominated in RUR, US$68,719 thousand (2014: US$115,163 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 6.5% (2014: 8.0%). The weighted average effective interest rate on borrowings which includes the effect of the swap would be 6.1% (2014: 6.0%).

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

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 2015 of US$44,495 thousand (31 December 2014: US$106,324 thousand) (see Note 14).
- some bank loans given to a group entities in Russian ports segment are secured also by the pledge of shares of certain group entities.

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

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2015 and 2014.

23 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2015 and as of 31 December 2014 the fair value of derivatives was negative - US$(5,360) thousand and US$(102,840) thousand.

The fair value of derivative is classified as a non-current asset or liability if the remaining maturity of the hedging relationship is more than 12 months and, as a current asset or liability, if the maturity of the hedging relationship is less than 12 months.

(i) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group has designated an acquired derivative as a cash flow hedge instrument where it was hedging the variability of the interest rate on an external borrowing of a Group entity and the highly probable forecasted revenues of the same Group entity which were expected to occur in USD (due to USD/RUR exchange rate). According to this derivative, payments under a Rouble-denominated loan are swapped into US dollars and MosPrime based floating interest rate under this loan is swapped to a fixed rate (7%).

At the end of 2015 the Group partly restructured its debt portfolio (see Note 22). This resulted in the termination of cross-currency interest rate swap arrangement explained above.

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan has lead to the cancellation of the related interest rate cash flow hedge; and therefore the amount of USD 13,491 thousand was recycled from other comprehensive income to the income statement within finance costs.

In addition in 2015 realised gains related to interest component of the terminated swap (included within interest costs under finance costs) amounted to US$10,810 thousand (2014: US$3,554 thousand) and realised losses related to currency component of the swap (included within currency exchange gains under other gains/losses (net)) amounted to US$10,575 thousand (2014: US$(3,163) thousand).

Notes to the consolidated financial statements (continued)

23 Derivative financial instruments (continued)

(i) Derivatives used for hedging (continued)

As at 31 December 2015 an amount of US$ 118,782 thousand of derivative losses recognised through other comprehensive income in relation to the cash flow hedge on forecasted sales remained in equity and will be recycled through profit and loss based on the forecasted sales expected to occur during 2016 and 2017.

There was no ineffectiveness to be recorded from cash flow hedges in 2014-2015.

(ii) Other derivatives

At the end of 2015 an entity of the Group entered into a cross-currency swap arrangement. According to this arrangement the Group exchanged it's RUR-denominated liabilities related to the newly issued bonds with fixed interest rate of 13.1% in the amount RUR 5,000 million (see Note 22) to USD-denominated debt. The Group decided not to apply hedge accounting rules to the new swap. As a result the change in fair value is presented in the income statement under "change in fair value of derivative" as part of "finance costs – net".

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	
	2015	2014
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	66,021	30,701
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(149,874)	(199,758)
Deferred tax liabilities (net)	(83,853)	(169,057)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
At the beginning of the year	(169,057)	(421,761)
Income statement charge:		
Deferred tax credit	48,744	100,168
Other movements:		
Currency translation differences	36,460	152,536
At the end of the year	(83,853)	(169,057)

The movement on the deferred tax assets (+) and liabilities (-) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of US dollars)

	Property, plant and equipment	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Subtotal	Other assets and liabilities	Grand total
At 1 January 2014	(130,639)	(13,384)	(280,713)	(1,970)	420	(426,286)	4,525	(421,761)
Income statement (Note 10)	1,909	3,223	4,816	(1,542)	93,072	101,478	(1,310)	100,168
Translation differences	54,013	2,107	116,038	2,105	(19,911)	154,352	(1,816)	152,536
At 31 December 2014	(74,717)	(8,054)	(159,859)	(1,407)	73,581	(170,456)	1,399	(169,057)
Income statement (Note 10)	2,503	2,318	2,485	(287)	39,844	46,863	1,881	48,744
Translation differences	16,682	26	36,074	352	(15,964)	37,170	(710)	36,460
At 31 December 2015	(55,532)	(5,710)	(121,300)	(1,342)	97,461	(86,423)	2,570	(83,853)

Notes to the consolidated financial statements (continued)

24 Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Such deferred income tax assets amounting to US$97,430 thousand at 31 December 2015 and US$73,581 thousand at 31 December 2014 and expire in 2025 and 2024 respectively. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$130,303 thousand (2014: US$108,106 thousand).

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Trade payables - third parties	3,296	2,984
Trade payables - related parties (Note 30(f))	69	232
Payables for property, plant and equipment	-	4
Other payables - third parties	361	692
Other payables - related parties (Note 30(f))	1,193	921
Payroll payable	1,091	2,245
Accrued expenses and deferred gains	13,726	7,149
Advances received	3,817	5,669
Taxes payable (other than income tax)	3,344	4,779
Total trade and other payables - current	26,897	24,675

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

26 JOINT VENTURES

The Group has the following investments in joint ventures – VEOS, MLT group and CD Holding group. These entities are an integral part of operations of the Group. See Note 1 and Note 5 for more details.

There are no contingent liabilities or commitments relating to the Group's interest in the joint ventures.

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2015 and 31 December 2014 are as follows:

(in thousands of US dollars)

	VEOS	MLT	CD Holding	Total
At 1 January 2015	135,686	52,654	-	188,340
Recognised share of profit/(loss)	3,913	8,569	(8,670)	3,812
Translation differences (through other comprehensive income/(loss))	(14,035)	(10,676)	-	(24,711)
Dividends declared by joint venture	-	(8,296)	-	(8,296)
Share of losses of joint ventures applied against other long-term interests (Note 30(h))	-	-	8,670	8,670
At 31 December 2015	125,564	42,251	-	167,815

As of 31 December 2015 the cumulative unrecognised losses in relation CD Holding group amounted to US$(44,181) thousand (2014: US$(49,932) thousand) and the cumulative unrecognised other comprehensive income amounted to US$41,631 thousand (2014: US$41,015 thousand).

Notes to the consolidated financial statements (continued)

26 Joint ventures (continued)

(in thousands of US dollars)

	VEOS	MLT	CD Holding	Total
At 1 January 2014	144,876	86,143	-	231,019
Recognised share of profit/(loss)	8,786	7,292	(23,731)	(7,653)
Translation differences (through other comprehensive income/(loss))	(17,976)	(34,472)	235	(52,213)
Dividends declared by joint venture	-	(6,309)	-	(6,309)
Share of losses of joint ventures applied against other long-term interests (Note 30(h))	-	-	23,496	23,496
At 31 December 2014	135,686	52,654	-	188,340

Set out below are the selected summarised financial information for joint ventures that are accounted for using the equity method.

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2015		
	VEOS	MLT	CD Holding
Revenue	86,285	45,269	7,710
Depreciation and amortisation	(21,579)	(5,624)	(1,016)
Interest income	31	90	-
Interest expense	(1,208)	(687)	(3,266)
Profit before income tax	9,781	16,589	(4,432)
Income tax expense	(1,956)	(5,163)	(802)
Profit after tax	7,825	11,426	(5,234)
Other comprehensive income/(loss)	(18,740)	(7,450)	329
Total comprehensive income/(loss)	(10,915)	3,976	(4,905)
Dividends declared by joint venture	-	11,061	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2015		
	VEOS	MLT	CD Holding
Total non-current assets	186,477	34,096	14,426
Cash and cash equivalents (including current deposits with maturity over 90 days)	17,644	6,991	642
Other current assets	13,855	6,214	806
Total current assets	31,499	13,205	1,448
Total assets	217,976	47,301	15,874
Non-current financial liabilities	12,052	5,371	15,145
Other non-current liabilities	1,957	3,168	675
Total non-current liabilities	14,009	8,539	15,820
Current financial liabilities excluding trade and other payables	13,623	5,018	10,263
Other current liabilities including trade and other payables	21,604	3,399	401
Total current liabilities	35,227	8,417	10,664
Total liabilities	49,236	16,956	26,484
Net assets	168,740	30,345	(10,610)

Notes to the consolidated financial statements (continued)

26 Joint ventures (continued)

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2014		
	VEOS	MLT	CD Holding
Revenue	116,522	54,065	9,730
Depreciation and amortisation	(26,890)	(7,562)	(2,680)
Interest income	38	177	-
Interest expense	(2,470)	(1,141)	(8,115)
Profit before income tax	17,571	13,811	(96,131)
Income tax expense	-	(4,088)	(3,647)
Profit after tax	17,571	9,723	(99,778)
Other comprehensive income/(loss)	(23,673)	(25,630)	54,920
Total comprehensive income/(loss)	(6,102)	(15,907)	(44,858)
Dividends declared by joint venture	-	8,407	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2014		
	VEOS	MLT	CD Holding
Total non-current assets	224,271	47,060	19,546
Cash and cash equivalents (including current deposits with maturity over 90 days)	27,993	11,149	1,979
Other current assets	17,606	6,830	928
Total current assets	45,599	17,979	2,907
Total assets	269,870	65,039	22,453
Non-current financial liabilities	43,473	10,519	116,299
Other non-current liabilities	-	3,863	-
Total non-current liabilities	43,473	14,382	116,299
Current financial liabilities excluding trade and other payables	19,457	6,352	10,393
Other current liabilities including trade and other payables	27,285	6,875	670
Total current liabilities	46,742	13,227	11,063
Total liabilities	90,215	27,609	127,362
Net assets	179,655	37,430	(104,909)

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the group and the joint ventures.

Notes to the consolidated financial statements (continued)

26 Joint ventures (continued)

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group interest in joint ventures.

(in thousands of US dollars)

	For the year ended 31 December 2015			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	179,655	37,430	(104,909)	112,176
Profit/(loss) for the period	7,825	11,426	(5,234)	14,017
Conversion of loans to equity	-	-	99,204	99,204
Dividends declared	-	(11,061)	-	(11,061)
Other comprehensive income/(loss)	(18,740)	(7,450)	329	(25,861)
Closing net assets at the end of the year	168,740	30,345	(10,610)	188,475
Ownership interest	50%	75%	75%	
Interest in joint venture	84,370	22,759	(7,958)	99,171
Goodwill	41,194	19,492	-	60,686
Share of losses of joint ventures applied against other long-term interests	-	-	7,958	7,958
Carrying value on 31 December 2015	125,564	42,251	-	167,815

(in thousands of USD)

	For the year ended 31 December 2014			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	185,758	61,743	(72,697)	174,804
Profit/(loss) for the period	17,571	9,723	(99,778)	(72,484)
Conversion of loans to equity	-	-	12,646	12,646
Dividends declared	-	(8,412)	-	(8,412)
Other comprehensive income/(loss)	(23,674)	(25,624)	54,920	5,622
Closing net assets at the end of the year	179,655	37,430	(104,909)	112,176
Ownership interest	50%	75%	75%	
Interest in joint venture	89,828	28,072	(78,682)	39,218
Goodwill	45,858	24,582	-	70,440
Share of losses of joint ventures applied against other long-term interests	-	-	78,682	78,682
Carrying value on 31 December 2014	135,686	52,654	-	188,340

Notes to the consolidated financial statements (continued)

27 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

During 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2015:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between RUB 49.1777 and RUB 72.8827 per USD and between RUB 52.9087 and RUB 81.1533 per EUR;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and in February 2015 Moody's Investors Service downgraded it to Ba1,
- putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index fluctuated between 708 points and 1,092 points;
- capital outflows increased compared to prior years;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates; and
- the CBRF key interest rate decreased from 17% p.a. to 11% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included 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 differed 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 that transfer pricing legislation in practice.

Notes to the consolidated financial statements (continued)

27 Contingencies (continued)

Tax legislation in Russia (continued)

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that 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 2015 and as of 31 December 2014 management believes that no additional tax liability has to be accrued in the financial statements.

Environmental matters

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of waste water and the clean-up of contaminated sites.

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

Notes to the consolidated financial statements (continued)

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	
	2015	2014
Property, plant and equipment	7,046	8,661
Total	7,046	8,661

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	
	2015	2014
Not later than 1 year	2,225	2,935
Later than 1 year and not later than 5 years	8,833	10,856
Later than 5 years	45,150	59,080
Total	56,208	72,871

29 TRANSACTIONS WITH NON-CONTROLLING INTEREST

Pursuant to the provisions of NCC Acquisition in 2013, the Group has agreed, subject to Eurogate's consent and assistance, to procure that, during the period beginning on the closing of the NCC Acquisition and ending on 1 January 2015, the shareholder loans payable by ULCT to Eurogate International Gmbh ("Eurogate"), a 20% shareholder in ULCT, will be converted into the equity of ULCT.

In the course of 2014 the loans mentioned above were converted into the equity of ULCT. In 2014 Eurogate loans in the amount of US$58,959 thousand have been converted to ULCT equity (from that amount, US$12,827 thousand has been repaid by ULCT to Eurogate and then paid in by the later into the equity and US$46,132 thousand have been paid in as a non-monetary contribution).

The GPI Group's effective 80% ownership interest in ULCT has not been affected by the actions described above.

At the end of 2014 the Group acquired the remaining 25% stake in a company whose only assets were several land plots, for cash consideration of US$ 3 thousand. After the acquisition the Group's stake in this company is 100%. The transaction have been accounted for as an acquisition of assets. The difference of US$1,254 thousand between the consideration paid and the carrying value of non-controlling interest was accounted through the 'transactions with non-controlling interest' reserve in equity.

Notes to the consolidated financial statements (continued)

30 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Transportation Investments Holding Limited ("TIHL"), and APM Terminals B.V. ("APM Terminals").

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

The following transactions were carried out with related parties:

(a) Sale of services

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	107,363	116,916
Joint ventures in which GPI is a venture	48	50
Other related parties	57	91
Total	107,468	117,057

(b) Notes to the consolidated financial statements (continued) Sales of property, plant and equipment

Net book amount of sold property, plant and equipment

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	561	-
Total	561	-

Profit on sales of property, plant and equipment

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	40	-
Total	40	-

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(c) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	2,630	1,910
Other related parties	2,237	5,115
Total	4,867	7,025

(d) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	73	106
Total	73	106

(e) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	4,867	5,437
Joint ventures in which GPI is a venturer	3,992	6,480
Other related parties	-	1
Total	8,859	11,918

(f) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	1,193	921
Other related parties	69	232
Total	1,262	1,153

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	12,022	15,513
Directors' remuneration (included also above):		
Fees	384	391
Emoluments in their executive capacity	343	456
Total	727	847

(h) Loans to related parties

The details of loans provided mainly to joint ventures in which GPI is a venturer are presented below (see also Note 19):

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
At the beginning of the year	2,259	14,705
Loans advanced during the year	8,690	12,486
Interest charged	73	106
Loan and interest repaid during the year	(550)	(622)
GPI's share of losses of joint ventures applied against other long-term interests (Note 26)	(8,670)	(23,496)
Foreign exchange differences	(173)	(920)
At the end of the year (Note 19)	1,629	2,259

The loans are not secured, bear average interest at 4.6% (2014: 3.8%) and are repayable in 2017.

Notes to the consolidated financial statements (continued)

31 EVENTS AFTER THE BALANCE SHEET DATE

From the end of 2015 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies. As of the middle of the March 2016 the Russian Rouble has depreciated against the US Dollar from 72.88 as of 31 December 2015 to approximately 72.38 Russian Roubles (0.7% devaluation). For the period from January 2016 to the middle of March 2016 the lowest values of Russian Rouble to US Dollar and the Euro were 85.59 and 91.18 respectively.

In February 2016 First Container Terminal ("FCT"), the Company's 100% Russian subsidiary, issued another 5-year Russian rouble denominated non-convertible bond for a total amount of RUB 5 billion at a fixed coupon rate of 13.1% per annum. Proceeds from the bond issuance were swapped using cross currency swap instrument into USD and used for the refinancing of the Group's existing debt.

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 12-13.

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