

PAO SOVCOMFLOT

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

30 June 2019

PAO Sovcomflot

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Consolidated Income Statement
For the period ended 30 June 2019
(unaudited)

Note	Six months ended (unaudited)		Three months ended (unaudited)		
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	
	\$'000	\$'000	\$'000	\$'000	
Revenue	2	828,002	710,115	417,270	364,747
Voyage expenses and commissions		(219,002)	(198,766)	(122,147)	(102,281)
Time charter equivalent revenues	2	609,000	511,349	295,123	262,466
Direct operating expenses					
Vessels' running costs		171,447	170,586	87,018	84,114
Charter hire payments	1	7,166	14,194	4,613	7,525
		(178,613)	(184,780)	(91,631)	(91,639)
Net earnings from vessels' trading		430,387	326,569	203,492	170,827
Other operating revenues		13,691	10,925	7,178	5,218
Other operating expenses		(9,849)	(5,956)	(4,482)	(3,286)
Depreciation, amortisation and impairment		(191,572)	(219,738)	(95,206)	(126,344)
General and administrative expenses		(54,538)	(58,204)	(28,888)	(28,187)
Loss on sale of assets		(136)	(1,345)	(136)	(1,169)
Allowance for credit losses		(41)	475	(292)	233
Share of profits / (losses) in equity accounted investments		5,529	248	184	(1,219)
Operating profit		193,471	52,974	81,850	16,073
Other (expenses) / income					
Financing costs		(103,570)	(99,507)	(51,916)	(50,357)
Interest income		5,513	4,663	2,481	1,895
Other non-operating expenses		(1,106)	(2,909)	(583)	(1,843)
(Loss) / gain on hedge ineffectiveness		(276)	506	118	185
Gain on extinguishment of dividend liability		3,861	422	1,018	422
Foreign exchange gains		15,428	7,981	1,742	5,731
Foreign exchange losses		(6,920)	(14,299)	(2,368)	(11,410)
Net other expenses		(87,070)	(103,143)	(49,508)	(55,377)
Profit / (loss) before income taxes		106,401	(50,169)	32,342	(39,304)
Income tax expense	4	(15,438)	(7,602)	(11,433)	(2,390)
Profit / (loss) for the period		90,963	(57,771)	20,909	(41,694)
Profit / (loss) attributable to:					
Owners of the parent		90,043	(55,466)	21,165	(40,300)
Non-controlling interests		920	(2,305)	(256)	(1,394)
		90,963	(57,771)	20,909	(41,694)
Earnings per share					
Basic profit / (loss) per share for the period attributable to equity holders of the parent		\$0.046	(\$0.028)	\$0.011	(\$0.020)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

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Consolidated Statement of Comprehensive Income
For the period ended 30 June 2019
(unaudited)

Note	Six months ended (unaudited)		Three months ended (unaudited)	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	\$'000	\$'000	\$'000	\$'000
Profit / (loss) for the period	90,963	(57,771)	20,909	(41,694)
Other comprehensive income:				
Share of associates' other comprehensive income	11	(13)	4	(14)
Share of joint ventures' other comprehensive income	7	5,386	114	1,982
Exchange (loss) / gain on translation from functional currency to presentation currency	(1,855)	290	1,386	(74)
Net (loss) / gain on derivative financial instruments (debited) / credited to other comprehensive income	8	22,962	(19,416)	6,707
Other comprehensive income for the period, net of tax, to be reclassified to profit or loss in subsequent periods	(32,922)	28,625	(17,912)	8,601
Remeasurement (losses) / gains on retirement benefit obligations	(98)	64	(98)	88
Other comprehensive income for the period, net of tax, not to be reclassified to profit or loss in subsequent periods	(98)	64	(98)	88
Total other comprehensive income for the period, net of tax	(33,020)	28,689	(18,010)	8,689
Total comprehensive income for the period	57,943	(29,082)	2,899	(33,005)
Total comprehensive income attributable to:				
Owners of the parent	57,078	(26,579)	3,162	(31,425)
Non-controlling interests	865	(2,503)	(263)	(1,580)
	57,943	(29,082)	2,899	(33,005)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

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Consolidated Statement of Financial Position – 30 June 2019
(unaudited)

	Note	30/06/2019 (unaudited) \$'000	31/12/2018 \$'000
Assets			
Non-current assets			
Fleet	5	6,211,173	6,165,663
Right of use assets	1	52,388	-
Vessels under construction	6	175,315	135,890
Intangible assets		6,253	6,772
Other property, plant and equipment		42,024	43,240
Investment property		5,649	545
Investments in associates		108	99
Investments in joint ventures	7	139,260	132,926
Equity instruments at fair value through profit or loss		1,004	754
Loans to joint ventures		68,544	66,069
Derivative financial instruments	8	9,023	20,899
Trade and other receivables	9	8,423	13,670
Deferred tax assets		3,477	4,089
Bank deposits	10	12,500	11,000
		<u>6,735,141</u>	<u>6,601,616</u>
Current assets			
Inventories		64,221	67,452
Derivative financial instruments	8	1,390	3,783
Trade and other receivables	9	120,985	108,210
Contract assets		17,116	31,020
Current tax receivable		4,016	4,032
Cash and bank deposits	10	340,405	296,433
		<u>548,133</u>	<u>510,930</u>
Non-current assets held for sale	11	18,620	29,700
		<u>566,753</u>	<u>540,630</u>
Total assets		<u><u>7,301,894</u></u>	<u><u>7,142,246</u></u>
Equity and liabilities			
Capital and reserves			
Share capital		405,012	405,012
Reserves		2,832,776	2,808,596
Equity attributable to owners of the parent		<u>3,237,788</u>	<u>3,213,608</u>
Non-controlling interests		<u>135,611</u>	<u>136,455</u>
Total equity		<u><u>3,373,399</u></u>	<u><u>3,350,063</u></u>
Non-current liabilities			
Trade and other payables	13	29,406	24,777
Secured bank loans	14	2,272,726	2,261,672
Lease liabilities	15	47,485	-
Derivative financial instruments	8	32,460	14,071
Retirement benefit obligations		2,520	2,293
Other loans	16	897,976	899,312
Deferred tax liabilities		9,245	3,823
		<u>3,291,818</u>	<u>3,205,948</u>
Current liabilities			
Trade and other payables	13	260,800	236,173
Contract liabilities		10,920	16,086
Other loans	16	3,368	3,384
Secured bank loans	14	322,042	313,842
Lease liabilities	15	20,520	-
Current tax payable		2,259	1,124
Derivative financial instruments	8	16,768	15,626
		<u>636,677</u>	<u>586,235</u>
Total liabilities		<u><u>3,928,495</u></u>	<u><u>3,792,183</u></u>
Total equity and liabilities		<u><u>7,301,894</u></u>	<u><u>7,142,246</u></u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

PAO Sovcomflot
Consolidated Statement of Changes in Equity
For the period ended 30 June 2019
(unaudited)

	Share capital \$'000	Share premium \$'000	Reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2018	405,012	818,845	(834,490)	(17,299)	(44,367)	2,934,656	3,262,357	143,573	3,405,930
Loss for the period	-	-	-	-	-	(55,466)	(55,466)	(2,305)	(57,771)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(13)	-	(13)	-	(13)
Share of joint ventures' other comprehensive income	-	-	-	5,386	-	-	5,386	-	5,386
Exchange gain / (loss) on translation from functional currency to presentation currency	-	-	-	-	495	-	495	(205)	290
Net gain on derivative financial instruments credited to other comprehensive income	-	-	-	22,962	-	-	22,962	-	22,962
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	57	57	7	64
Total comprehensive income	-	-	-	28,348	482	(55,409)	(26,579)	(2,503)	(29,082)
Dividends (Note 12)	-	-	-	-	-	(26,797)	(26,797)	(1,181)	(27,978)
At 30 June 2018 (unaudited)	405,012	818,845	(834,490)	11,049	(43,885)	2,852,450	3,208,981	139,889	3,348,870
At 1 January 2019	405,012	818,845	(834,490)	(2,359)	(39,027)	2,865,627	3,213,608	136,455	3,350,063
Adjustment on initial application of IFRS 16 (net of tax) (Note 1)	-	-	-	-	(7,849)	(2,520)	(10,369)	-	(10,369)
Adjusted balance at 1 January 2019	405,012	818,845	(834,490)	(2,359)	(46,876)	2,863,107	3,203,239	136,455	3,339,694
Profit for the period	-	-	-	-	-	90,043	90,043	920	90,963
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	11	-	11	-	11
Share of joint ventures' other comprehensive income	-	-	-	1,012	-	-	1,012	-	1,012
Exchange loss on translation from functional currency to presentation currency	-	-	-	-	(1,810)	-	(1,810)	(45)	(1,855)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(32,090)	-	-	(32,090)	-	(32,090)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(88)	(88)	(10)	(98)
Total comprehensive income	-	-	-	(31,078)	(1,799)	89,955	57,078	865	57,943
Effect of intragroup financing	-	-	-	-	-	419	419	(419)	-
Dividends (Note 12)	-	-	-	-	-	(22,948)	(22,948)	(1,290)	(24,238)
At 30 June 2019 (unaudited)	405,012	818,845	(834,490)	(33,437)	(48,675)	2,930,533	3,237,788	135,611	3,373,399

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

PAO Sovcomflot

Consolidated Statement of Cash Flows
For the period ended 30 June 2019
(unaudited)

	Note	Six months ended (unaudited)	
		30/06/2019 \$'000	30/06/2018 \$'000
Operating Activities			
Cash received from vessels' operations		814,975	716,948
Other cash receipts		12,626	12,110
Cash payments for voyage and running costs		(392,141)	(376,832)
Other cash payments		<u>(48,700)</u>	<u>(66,804)</u>
Cash generated from operations		386,760	285,422
Interest received		3,587	3,191
Income tax paid		<u>(7,838)</u>	<u>(13,237)</u>
Net cash inflow from operating activities		<u>382,509</u>	<u>275,376</u>
Investing Activities			
Expenditure on fleet	5	(32,489)	(15,325)
Expenditure on vessels under construction		(225,121)	(196,429)
Interest capitalised		(1,652)	(2,121)
Expenditure on intangibles and other property, plant and equipment		(803)	(735)
Loans issued to joint ventures		(1,122)	(4,482)
Proceeds from dissolution of equity accounted investments		277	-
Proceeds from sale of vessels		8,942	33,489
Proceeds from sale of other property, plant and equipment		1,208	146
Dividends received from investments		124	35
Bank term deposits	10	<u>(35)</u>	<u>521</u>
Net cash outflow used in investing activities		<u>(250,671)</u>	<u>(184,901)</u>
Financing Activities			
Proceeds from borrowings		184,524	206,797
Repayment of borrowings		(165,929)	(209,814)
Financing costs		(1,706)	(2,081)
Repayment of lease liabilities		(9,441)	-
Repayment of liquidated damages		(560)	(3,018)
Restricted deposits under loan agreements	10	(1,500)	1,000
Funds in retention bank accounts	10	(1,031)	(4,263)
Interest paid on borrowings		(94,866)	(90,971)
Interest paid on lease liabilities		(3,518)	-
Interest paid on liquidated damages		(952)	(762)
Dividends paid		<u>(1,243)</u>	<u>(2,108)</u>
Net cash outflow used in financing activities		<u>(96,222)</u>	<u>(105,220)</u>
Increase / (decrease) in Cash and Cash Equivalents		35,616	(14,745)
Cash and Cash Equivalents at 1 January	10	267,571	321,334
Net foreign exchange difference		7,290	(4,344)
Cash and Cash Equivalents at 30 June	10	<u>310,477</u>	<u>302,245</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019
(unaudited)**

1. Organisation, Basis of Preparation and Accounting Policies

PAO Sovcomflot (“Sovcomflot” or “the Company”) is a public joint stock company organised under the laws of the Russian Federation and was initially registered in Russia on 18 December 1995, as the successor undertaking to AKP Sovcomflot, in which the Russian Federation holds 100% of the issued shares.

The Company’s registered office address is 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation and its head office is located at 6 Gasheka Street, Moscow 125047, Russian Federation.

The Company, through its subsidiaries (the “Group”), is engaged in ship owning and operating on a world-wide basis with a fleet of 135 vessels at the period end, comprising 110 tankers, 9 gas carriers, 10 ice breaking supply vessels, 2 bulk carriers and 4 chartered in seismic vessels. For major changes in the period in relation to the fleet, see also Notes 5, 6 and 11.

Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standard (IFRS) - IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018. Operating results for the six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

Currency translation

For the purposes of these condensed consolidated financial statements, the exchange rates used for translating transaction amounts and monetary assets and liabilities are as follows:

	30/06/2019	30/06/2019	31/12/2018	30/06/2018
	Closing	Average	Closing	Average
	\$1	\$1	\$1	\$1
Russian Roubles	63.0756	65.3384	69.4706	59.3536
Pounds Sterling	0.7893	0.7733	0.7869	0.7269
Euro	0.8783	0.8850	0.8743	0.8262

Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and impact of each new standard or amendment is described below:

IFRS 9 (“Financial Instruments”) – “Amendments for prepayment features with negative compensation and modifications of financial liabilities”. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

IAS 19 (“Employee benefits”) – The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

IAS 28 (“Investments in Associates and Joint Ventures”) – “Amendments in relation to long term interests in associates and joint ventures”. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no material impact on the consolidated financial statements of the Group.

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
(unaudited)

1. Organisation, Basis of Preparation and Accounting Policies (Continued)**Significant Accounting Policies (continued)**

IFRIC 23 (“Uncertainty over Income Tax Treatment”) – The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2015–2017 Cycle

The “December 2017 Annual Improvements to IFRSs” is a collection of amendments to IFRSs in response to four standards. It includes the following amendments which, other than an insignificant impact relating to the amendment to IAS 23, did not have an impact on the consolidated financial statements of the Group:

- IFRS 3 – Business Combinations (re-measurement of previously held interest);
- IFRS 11 – Joint Arrangements (re-measurement of previously held interest);
- IAS 12 – Income Taxes (income tax consequences on dividends); and
- IAS 23 – Borrowing Costs (borrowing costs eligible for capitalisation).

IFRS 16 (“Leases”) – IFRS 16 was issued in January 2016 and it replaces IAS 17 (“Leases”), IFRIC 4 (“Determining whether an Arrangement contains a Lease”), SIC-15 (“Operating Leases-Incentives”) and SIC-27 (“Evaluating the Substance of Transactions Involving the Legal Form of a Lease”).

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 commencement of the lease and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation of the right of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

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 are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Therefore, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard permits either a full retrospective or a modified retrospective approach for application. The Group adopted IFRS 16 using the modified retrospective approach, which requires recognition of the cumulative effect of initial application at the date of the initial application i.e. 1 January 2019. The Group elected to apply the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group did not elect to use the recognition exemptions for lease contracts longer than twelve months that, on the date of transition, had a remaining lease term of 12 months or less.

a) Nature of the effect of adoption of IFRS 16*Leases previously accounted for as operating leases*

The Group recognised right of use assets, investment property and lease liabilities for those leases previously classified as operating leases. The right of use assets were recognised equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised with the exception of one leased in vessel for which the carrying amount of right of use asset was recognised as if the standard had been applied since the commencement date of the lease. Lease liabilities were recognised equal to the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right of use assets of \$52.9 million (net of impairment of right of use asset as at the date of initial application of \$2.1 million) and investment property of \$4.7 million were recognised and presented separately in the statement of financial position;
- Lease liabilities of \$69.4 million were recognised;
- Prepayments of \$0.8 million and trade and other payables of \$2.2 million were derecognised;
- The net effect of these adjustments of \$10.4 million had been charged to reserves.

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
(unaudited)

1. Organisation, Basis of Preparation and Accounting Policies (Continued)

Significant Accounting Policies (continued)

IFRS 16 ("Leases") (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<u>\$'000</u>
Operating lease commitments as at 31 December 2018	122,005
Discounted operating lease commitments at 1 January 2019 (weighted average incremental borrowing rate of 12.7%)	73,080
Less:	
Commitments relating to short-term leases	(3,991)
Other commitments in lease contracts	(1,977)
Add:	
Commitments for optional extension periods not included as at 31 December 2018	<u>2,291</u>
Lease liabilities as at 1 January 2019	<u><u>69,403</u></u>

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment testing in the same manner as other non-financial assets. Right of use assets that meet the definition of investment property under IAS40 are classified as investment property.

Accounting for drydocking and special survey costs of chartered in vessels

At initial recognition, the cost of the right of use asset for the chartered in vessels includes the estimated cost of planned drydockings for replacement of certain components and major repairs and maintenance of other components during the lease term. The capitalised drydocking and special survey costs are amortised on a straight line basis over the lease term. The corresponding provision is recorded at present value and is remeasured at each period end. The changes in the carrying amount of the provision resulting from the remeasurement are recognised in correspondence with relevant right of use asset.

Before transition to IFRS 16, provision was made for that proportion of future drydocking and special survey costs estimated to have arisen as a result of the operations during the period. Any difference between the provision and the actual cost of the drydock was expensed to profit or loss.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group does not have any leases of low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Subleasing

The Group enters into arrangements to sublease an underlying asset to a third party, as an intermediate lessor, while it retains the primary obligation under the original lease. In these arrangements, the Group acts as both the lessee and lessor of the same underlying asset. The Group accounts for the head lease and the sublease as two separate contracts by reference to the right of use asset arising from the head lease. All of the Group's subleases are operating leases.

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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1. Organisation, Basis of Preparation and Accounting Policies (Continued)

Significant Accounting Policies (continued)

IFRS 16 ("Leases") (continued)

b) Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

c) Amounts recognised in the statement of financial position, profit or loss and statement of other comprehensive income

Set out below, are the carrying amounts of the Group's right of use assets and lease liabilities (including lease liabilities in respect of leased in assets included in investment property) and the movements during the period:

	Fleet \$'000	Land and buildings \$'000	Miscellaneous \$'000	Total right of use assets \$'000	Lease liabilities \$'000
As at 1 January 2019	31,552	19,143	2,248	52,943	69,403
Lease modification	6,748	-	-	6,748	6,748
Additions in period	-	-	18	18	18
Depreciation expense	(7,978)	(1,900)	(50)	(9,928)	-
Interest expense	-	-	-	-	4,018
Lease payments	-	-	-	-	(12,959)
Exchange differences	2,273	116	218	2,607	777
As at 30 June 2019	<u>32,595</u>	<u>17,359</u>	<u>2,434</u>	<u>52,388</u>	<u>68,005</u>

The Group recognised expense and made payment in respect of short-term leases of \$7.2 million and \$3.6 million respectively for the six months ended 30 June 2019. As at 30 June 2019, lease commitments for short-term leases were \$2.8 million.

The effect of the adoption of IFRS 16 as at 30 June 2019 and 1 January 2019 is as follows:

Impact on the consolidated statement of financial position:

	Amounts prepared under			Amounts prepared under		
	IFRS 16 30/06/2019 \$'000	IAS 17 30/06/2019 \$'000	Effect 30/06/2019 \$'000	IFRS 16 01/01/2019 \$'000	IAS 17 01/01/2019 \$'000	Effect 01/01/2019 \$'000
Assets						
Non-current assets						
Right of use assets	52,388	-	52,388	52,943	-	52,943
Investment property	5,649	620	5,029	5,231	545	4,686
Deferred tax asset	3,477	3,377	100	4,089	4,089	-
Total non-current assets	<u>6,735,141</u>	<u>6,677,624</u>	<u>57,517</u>	<u>6,659,245</u>	<u>6,601,616</u>	<u>57,629</u>
Current assets						
Trade and other receivables	120,985	121,776	(791)	107,435	108,210	(775)
Total current assets	<u>566,753</u>	<u>567,544</u>	<u>(791)</u>	<u>539,855</u>	<u>540,630</u>	<u>(775)</u>
Total assets	<u>7,301,894</u>	<u>7,245,168</u>	<u>56,726</u>	<u>7,199,100</u>	<u>7,142,246</u>	<u>56,854</u>
Equity and liabilities						
Capital and reserves						
Reserves	2,832,776	2,838,244	(5,468)	2,798,227	2,808,596	(10,369)
Equity attributable to owners of the parent	3,237,788	3,243,256	(5,468)	3,203,239	3,213,608	(10,369)
Non-controlling interests	135,611	135,603	8	136,455	136,455	-
Total equity	<u>3,373,399</u>	<u>3,378,859</u>	<u>(5,460)</u>	<u>3,339,694</u>	<u>3,350,063</u>	<u>(10,369)</u>
Non-current liabilities						
Lease liabilities	47,485	-	47,485	52,850	-	52,850
Trade and other payables	29,406	27,338	2,068	27,206	24,777	2,429
Total non-current liabilities	<u>3,291,818</u>	<u>3,242,265</u>	<u>49,553</u>	<u>3,261,227</u>	<u>3,205,948</u>	<u>55,279</u>
Current liabilities						
Lease liabilities	20,520	-	20,520	16,553	-	16,553
Trade and other payables	260,800	268,687	(7,887)	231,564	236,173	(4,609)
Total current liabilities	<u>636,677</u>	<u>624,044</u>	<u>12,633</u>	<u>598,179</u>	<u>586,235</u>	<u>11,944</u>
Total liabilities	<u>3,928,495</u>	<u>3,866,309</u>	<u>62,186</u>	<u>3,859,406</u>	<u>3,792,183</u>	<u>67,223</u>
Total equity and liabilities	<u>7,301,894</u>	<u>7,245,168</u>	<u>56,726</u>	<u>7,199,100</u>	<u>7,142,246</u>	<u>56,854</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
(unaudited)

1. Organisation, Basis of Preparation and Accounting Policies (Continued)

Significant Accounting Policies (continued)

IFRS 16 (“Leases”) (continued)

c) Amounts recognised in the statement of financial position, profit or loss and statement of other comprehensive income (continued)

Impact on the consolidated income statement:

	Amounts prepared under IFRS 16 30/06/2019 \$'000	IAS 17 30/06/2019 \$'000	Effect 30/06/2019 \$'000	IAS 17 30/06/2018 \$'000
Direct operating expenses				
Vessels' running costs	171,447	171,857	(410)	170,586
Charter hire payments	7,166	20,621	(13,455)	14,194
	<u>(178,613)</u>	<u>(192,478)</u>	<u>13,865</u>	<u>(184,780)</u>
Net earnings from vessels' trading	430,387	416,522	13,865	326,569
Operating expenses				
Other operating expenses	(9,849)	(9,751)	(98)	(5,956)
Depreciation, amortisation and impairment	(191,572)	(181,644)	(9,928)	(219,738)
General and administrative expenses	(54,538)	(57,307)	2,769	(58,204)
Operating profit	<u>193,471</u>	<u>186,863</u>	<u>6,608</u>	<u>52,974</u>
Other (expenses) / income				
Financing costs	(103,570)	(99,503)	(4,067)	(99,507)
Foreign exchange gains	15,428	12,294	3,134	7,981
Foreign exchange losses	(6,920)	(6,916)	(4)	(14,299)
Net other expenses	<u>(87,070)</u>	<u>(86,133)</u>	<u>(937)</u>	<u>(103,143)</u>
Profit / (loss) before income taxes	106,401	100,730	5,671	(50,169)
Income tax expense	(15,438)	(15,538)	100	(7,602)
Profit / (loss) for the period	<u>90,963</u>	<u>85,192</u>	<u>5,771</u>	<u>(57,771)</u>

Impact on the consolidated statement of comprehensive income:

	Amounts prepared under IFRS 16 30/06/2019 \$'000	IAS 17 30/06/2019 \$'000	Effect 30/06/2019 \$'000	IAS 17 30/06/2018 \$'000
Profit / (loss) for the period	<u>90,963</u>	<u>85,192</u>	<u>5,771</u>	<u>(57,771)</u>
Other comprehensive income:				
Exchange (loss) / gain on translation from functional currency to presentation currency	(1,855)	(993)	(862)	290
Other comprehensive income for the period, net of tax, to be reclassified to profit or loss in subsequent periods	<u>(32,922)</u>	<u>(32,060)</u>	<u>(862)</u>	<u>28,625</u>
Total other comprehensive income for the period, net of tax	<u>(33,020)</u>	<u>(32,158)</u>	<u>(862)</u>	<u>28,689</u>
Total comprehensive income for the period	<u>57,943</u>	<u>53,034</u>	<u>4,909</u>	<u>(29,082)</u>

Seasonality of Operations

Some of the Group's operations may sometimes be affected by seasonal variations in demand and, therefore, in charter rates. This seasonality may result in quarter-to-quarter volatility in the results of operations of the conventional tankers operating in the crude oil and oil product segments. Tanker markets are typically stronger in the winter months. As a result, revenues have historically been weaker during the three months ended 30 June and 30 September and stronger in the three months ended 31 March and 31 December.

Changes in Estimates

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. All critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018 except for a change in the functional currency of SCF GEO LLC and its subsidiary, from the Russian Rouble to the US dollar, due to an increase in exposure to US dollar economic environment.

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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2. Time Charter Equivalent Revenues

	30/06/2019	30/06/2018
Revenue	\$'000	\$'000
Lease revenue from time charters	292,271	276,677
Service revenue from time charters	199,221	141,521
Total revenue from time charters	491,492	418,198
Service revenue from voyage charters	336,510	291,917
	<u>828,002</u>	<u>710,115</u>
Voyage expenses and commissions		
Bunkers	(128,199)	(120,051)
Port costs	(57,793)	(69,295)
Commissions	(5,031)	(4,825)
Seismic exploration and data processing	(25,192)	(2,133)
Other voyage costs	(2,787)	(2,462)
	<u>(219,002)</u>	<u>(198,766)</u>
Time charter equivalent revenues	<u>609,000</u>	<u>511,349</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Segment	Service revenue			Lease revenue from time charters 30/06/2019 \$'000	Revenue 30/06/2019 \$'000
	Voyage charters 30/06/2019 \$'000	Time charters 30/06/2019 \$'000	Total 30/06/2019 \$'000		
	Offshore development services	1,250	62,093		
Gas transportation	-	18,320	18,320	71,673	89,993
Crude oil transportation	194,063	35,368	229,431	51,539	280,970
Oil products transportation	140,583	8,318	148,901	7,950	156,851
Other	614	75,122	75,736	2,032	77,768
Revenue from vessel operations	<u>336,510</u>	<u>199,221</u>	535,731	<u>292,271</u>	<u>828,002</u>
Other operating revenues from contracts with customers					
Other operating revenues			10,773		
Total revenue from contracts with customers			<u>546,504</u>		

Segment	Service revenue			Lease revenue from time charters 30/06/2018 \$'000	Revenue 30/06/2018 \$'000
	Voyage charters 30/06/2018 \$'000	Time charters 30/06/2018 \$'000	Total 30/06/2018 \$'000		
	Offshore development services	-	60,873		
Gas transportation	608	18,222	18,830	72,288	91,118
Crude oil transportation	178,824	29,535	208,359	35,060	243,419
Oil products transportation	111,757	16,763	128,520	15,735	144,255
Other	728	16,128	16,856	2,025	18,881
Revenue from vessel operations	<u>291,917</u>	<u>141,521</u>	433,438	<u>276,677</u>	<u>710,115</u>
Other operating revenues from contracts with customers					
Other operating revenues			6,997		
Total revenue from contracts with customers			<u>440,435</u>		

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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3. Segment Information

For management purposes, the Group is organised into business units (operating segments) based on the main types of activities and has five reportable operating segments. Management considers the global market as one geographical segment and does not therefore analyse geographical segment information on revenue from customers or non-current segment assets.

Period ended 30 June 2019

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	222,420	89,993	280,970	156,851	77,768	828,002
Voyage expenses and commissions	(990)	(521)	(106,041)	(75,075)	(36,375)	(219,002)
Time charter equivalent revenues	221,430	89,472	174,929	81,776	41,393	609,000
Direct operating expenses						
Vessels' running costs	(36,167)	(17,409)	(61,021)	(47,006)	(9,844)	(171,447)
Charter hire payments	-	-	-	-	(7,166)	(7,166)
Net earnings from vessels' trading	185,263	72,063	113,908	34,770	24,383	430,387
Vessels' depreciation	(61,101)	(17,865)	(52,082)	(24,162)	(2,905)	(158,115)
Vessels' drydock cost amortisation	(4,977)	(2,445)	(6,473)	(3,164)	(258)	(17,317)
Vessels' impairment provision	-	-	-	(2,935)	-	(2,935)
Right of use assets' depreciation	-	-	-	-	(7,978)	(7,978)
Loss on sale of vessels	-	-	-	(188)	-	(188)
Non-income based taxes	(3,368)	-	-	-	-	(3,368)
Net foreign exchange (losses) / gains	(1,757)	-	-	-	376	(1,381)
Segment operating profit	114,060	51,753	55,353	4,321	13,618	239,105
Unallocated						
General and administrative expenses						(51,170)
Financing costs						(103,570)
Other income and expenses (net)						12,147
Net foreign exchange gains						9,889
Profit before income taxes						106,401
Carrying amount of fleet in operation including right of use assets	1,935,821	1,183,050	2,141,391	884,715	98,791	6,243,768
Carrying amount of non-current assets held for sale	-	-	-	18,620	-	18,620
Deadweight tonnage of fleet used in operations ('000)	1,448	569	7,424	2,247	165	11,853

Period ended 30 June 2018

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	212,442	91,118	243,419	144,255	18,881	710,115
Voyage expenses and commissions	(374)	(923)	(119,647)	(72,169)	(5,653)	(198,766)
Time charter equivalent revenues	212,068	90,195	123,772	72,086	13,228	511,349
Direct operating expenses						
Vessels' running costs	(33,953)	(15,403)	(64,248)	(46,532)	(10,450)	(170,586)
Charter hire payments	-	-	-	-	(14,194)	(14,194)
Net earnings / (losses) from vessels' trading	178,115	74,792	59,524	25,554	(11,416)	326,569
Vessels' depreciation	(58,875)	(17,827)	(48,502)	(25,976)	(2,808)	(153,988)
Vessels' drydock cost amortisation	(4,663)	(2,635)	(7,827)	(4,013)	(258)	(19,396)
Vessels' impairment provision	-	-	(20,778)	(21,411)	-	(42,189)
Loss on sale of vessels	-	-	(1,435)	-	-	(1,435)
Non-income based taxes	(3,031)	-	-	-	-	(3,031)
Net foreign exchange losses	(448)	-	-	(129)	(3,736)	(4,313)
Segment operating profit / (loss)	111,098	54,330	(19,018)	(25,975)	(18,218)	102,217
Unallocated						
General and administrative expenses						(55,173)
Financing costs						(99,507)
Other income and expenses (net)						4,299
Net foreign exchange losses						(2,005)
Loss before income taxes						(50,169)
Carrying amount of fleet in operation	2,027,360	1,215,448	1,919,355	986,025	72,757	6,220,945
Deadweight tonnage of fleet used in operations ('000)	1,344	569	7,171	2,447	156	11,687

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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4. Income Taxes

	30/06/2019 \$'000	30/06/2018 \$'000
Russian Federation profit tax	8,962	9,082
Overseas income tax expense	477	222
Current income tax expense	9,439	9,304
Deferred tax	5,999	(1,702)
Total income tax expense	15,438	7,602

The increase in income tax expense in the period relates to recognition of deferred tax liability on intercompany dividends.

5. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2018	8,491,703	177,268	8,668,971
Expenditure in period	7,416	8,763	16,179
Transfer from vessels under construction (Note 6)	136,438	1,000	137,438
Disposals in period	(45,304)	(573)	(45,877)
Write-off of fully amortised drydock cost	-	(16,714)	(16,714)
Exchange adjustment	(1,447)	(77)	(1,524)
At 30 June 2018	8,588,806	169,667	8,758,473
At 1 January 2019	8,483,615	157,642	8,641,257
Expenditure in period	16,221	16,361	32,582
Transfer from vessels under construction (Note 6)	184,632	3,000	187,632
Write-off of fully amortised drydock cost	-	(14,382)	(14,382)
Exchange adjustment	1,069	55	1,124
At 30 June 2019	8,685,537	162,676	8,848,213
Depreciation, amortisation and impairment			
At 1 January 2018	2,283,525	94,102	2,377,627
Charge for the period	153,988	19,396	173,384
Impairment provision	42,189	-	42,189
Disposals in period	(38,420)	(229)	(38,649)
Write-off of fully amortised drydock cost	-	(16,714)	(16,714)
Exchange adjustment	(262)	(47)	(309)
At 30 June 2018	2,441,020	96,508	2,537,528
At 1 January 2019	2,391,321	84,273	2,475,594
Charge for the period	158,115	17,317	175,432
Write-off of fully amortised drydock cost	-	(14,382)	(14,382)
Exchange adjustment	349	47	396
At 30 June 2019	2,549,785	87,255	2,637,040
Net book value			
At 30 June 2019	6,135,752	75,421	6,211,173
At 31 December 2018	6,092,294	73,369	6,165,663
		30/06/2019	31/12/2018
Market value (\$'000)		5,445,500	5,264,000
Current insured values (\$'000)		6,957,835	6,747,835
Total deadweight tonnage (dwt)		11,742,142	11,402,505

As at 30 June 2019, management carried out an assessment of whether there is any indication that the fleet may have suffered an impairment loss in accordance with the Group's policy. The assessment did not result in any such indication.

6. Vessels Under Construction

	30/06/2019 \$'000	30/06/2018 \$'000
At 1 January	135,890	81,837
Expenditure in period	227,057	191,824
Transfer to fleet (Note 5)	(187,632)	(137,438)
At 30 June	175,315	136,223
Total deadweight tonnage (dwt)	288,000	808,000

The following vessels were delivered during the period:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
Korolev Prospect	Ice-class LNG fuelled Aframax	Crude oil	113,232	20 February 2019
Vernadsky Prospect	Ice-class LNG fuelled Aframax	Crude oil	113,310	26 March 2019
Samuel Prospect	Ice-class LNG fuelled Aframax	Crude oil	113,095	30 April 2019

Vessels under construction at 30 June 2019 comprised one Arctic shuttle tanker and three LNG carriers scheduled for delivery between September 2019 and December 2020 at a total contracted cost to the Group of \$640.3 million. As at 30 June 2019, \$169.4 million of these contracted costs had been paid for.

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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6. Vessels Under Construction (Continued)

As at 30 June 2019, management carried out an assessment of whether there is any indication that the vessels under construction may have suffered an impairment loss in accordance with the Group's policy. The assessment did not result in any such indication.

7. Investments in Joint Ventures

Investments in joint ventures are analysed as follows:

	30/06/2019 \$'000	30/06/2018 \$'000
At 1 January	132,926	123,117
Dissolution of joint ventures	(185)	-
Share of profits in joint ventures	5,507	217
Share of joint ventures' other comprehensive income	1,012	5,386
At 30 June	<u>139,260</u>	<u>128,720</u>

8. Derivative Financial Instruments

	Interest Rate Swaps ("IRS")		Cross Currency Interest Rate Swaps ("CCIRS")		Total	
	30/06/2019 \$'000	31/12/2018 \$'000	30/06/2019 \$'000	31/12/2018 \$'000	30/06/2019 \$'000	31/12/2018 \$'000
Non-current asset	221	6,694	8,802	14,205	9,023	20,899
Current asset	1,390	3,783	-	-	1,390	3,783
Non-current liability	(22,144)	(8,268)	(10,316)	(5,803)	(32,460)	(14,071)
Current liability	(6,785)	(5,171)	(9,983)	(10,455)	(16,768)	(15,626)

On 20 February 2019, 26 March 2019 and 30 April 2019, the Group entered into three seven-year interest rate swap transactions with a financial institution, converting 3-month US LIBOR floating interest rates to fixed. The swaps hedge the Group's future cash outflows resulting from the exposure to interest rate fluctuations associated with the interest payable on the three secured bank loan facilities of \$42.0 million each, in connection with the financing of the Group's vessels.

The table below presents the effect of the Group's derivative financial instruments designated as cash flow hedges on the consolidated statement of other comprehensive income.

	IRS		CCIRS		Total	
	30/06/2019 \$'000	30/06/2018 \$'000	30/06/2019 \$'000	30/06/2018 \$'000	30/06/2019 \$'000	30/06/2018 \$'000
Amount recognised in hedging reserve	(25,440)	13,471	(16,083)	(15,561)	(41,523)	(2,090)
Reclassified from hedging reserve and debited to financing costs	1,075	5,752	6,645	5,900	7,720	11,652
Reclassified from hedging reserve and debited to foreign exchange	-	-	1,713	13,400	1,713	13,400
Total in other comprehensive income	<u>(24,365)</u>	<u>19,223</u>	<u>(7,725)</u>	<u>3,739</u>	<u>(32,090)</u>	<u>22,962</u>

9. Trade and Other Receivables

	30/06/2019 \$'000	31/12/2018 \$'000
Non-current assets		
Financial assets		
Other receivables	-	5,511
Receivables under High Court judgement award	2,700	2,700
Liquidated damages on vessels under construction receivable from shipyard	5,723	5,459
	<u>8,423</u>	<u>13,670</u>
Current assets		
Financial assets		
Amounts due from charterers	80,333	67,142
Allowance for credit losses	(2,546)	(2,500)
	<u>77,787</u>	<u>64,642</u>
Casualty and other claims	4,844	5,841
Agents' balances	2,008	2,710
Other receivables	17,041	10,455
Amounts due from joint ventures	682	761
Accrued income	2,373	5,556
Non-financial assets		
Prepayments	7,020	8,951
Contract acquisition and voyage fulfilment costs	2,656	2,502
Non-income based taxes receivable	6,574	6,792
	<u>120,985</u>	<u>108,210</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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10. Cash and Bank Deposits

	30/06/2019 \$'000	31/12/2018 \$'000
Non-current assets		
Bank deposits	12,500	11,000
Restricted deposits	(12,500)	(11,000)
Cash and cash equivalents	-	-
Current assets		
Cash and bank deposits	340,405	296,433
Bank deposits accessible on maturity	(539)	(504)
Retention accounts	(28,389)	(27,358)
Restricted deposits	(1,000)	(1,000)
Cash and cash equivalents	310,477	267,571

11. Non-Current Assets Held for Sale

	Property and other plant and equipment \$'000	Fleet \$'000	Total \$'000
At 1 January 2018	-	25,719	25,719
Transfer from investment property	6,642	-	6,642
Transfer from other property plant and equipment	993	-	993
Disposals in period	-	(25,719)	(25,719)
At 30 June 2018	7,635	-	7,635
At 1 January 2019	-	29,700	29,700
Expenditure in period	-	675	675
Impairment provision	-	(2,935)	(2,935)
Disposals in period	-	(8,820)	(8,820)
At 30 June 2019	-	18,620	18,620

One of the three chemical oil product tankers classified as non-current asset held for sale as at 31 December 2018, was disposed of and delivered to her new owner in May 2019.

12. Dividends

Dividends of Rouble 0.73 per share totalling Roubles 1,434.8 million, equivalent to \$22.9 million were declared on 26 June 2019 and paid on 8 July 2019 (2018 – 0.86 Rouble per share totalling Roubles 1,696.0 million equivalent to \$26.8 million).

13. Trade and Other Payables

	30/06/2019 \$'000	31/12/2018 \$'000
Non-current liabilities		
Financial liabilities		
Liquidated damages for late delivery of vessels payable to charterer	17,568	18,203
Non-financial liabilities		
Employee benefit obligations	7,443	5,207
Provisions for drydocking	4,395	1,367
	29,406	24,777
Current liabilities		
Financial liabilities		
Trade payables	59,644	59,064
Other payables	33,837	33,527
Liquidated damages for late delivery of vessels payable to charterer	1,865	1,800
Dividends payable	30,598	10,742
Accrued liabilities	54,957	45,972
Accrued interest	19,150	19,330
Non-financial liabilities		
Deferred lease revenue	26,373	37,981
Employee benefit obligations	8,704	8,703
Non-income based taxes payable	25,672	19,054
	260,800	236,173

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14. Secured Bank Loans

The balances of the loans at the period end, net of direct issue costs, are summarised as follows:

	30/06/2019	31/12/2018
	\$'000	\$'000
Repayable		
- within twelve months after the end of the reporting period	322,042	313,842
- between one to two years	475,804	362,009
- between two to three years	254,354	382,540
- between three to four years	277,091	274,021
- between four to five years	312,693	264,461
- more than five years	952,784	978,641
	<u>2,594,768</u>	<u>2,575,514</u>
Less current portion	(322,042)	(313,842)
Non-current balance	<u>2,272,726</u>	<u>2,261,672</u>

15. Lease liabilities

	30/06/2019	31/12/2018
	\$'000	\$'000
Repayable		
- within twelve months after the end of the reporting period	20,520	-
- between one to two years	13,543	-
- between two to three years	15,233	-
- between three to four years	8,655	-
- between four to five years	1,413	-
- more than five years	8,641	-
	<u>68,005</u>	<u>-</u>
Less current portion	(20,520)	-
Non-current balance	<u>47,485</u>	<u>-</u>

16. Other Loans

	30/06/2019	31/12/2018
	\$'000	\$'000
\$900 million 5.375% Senior Notes due in 2023	892,924	892,545
Other loan from related party	8,420	10,151
	<u>901,344</u>	<u>902,696</u>
Less current portion	(3,368)	(3,384)
Non-current balance	<u>897,976</u>	<u>899,312</u>

17. Financial Risk Management

(a) Financial assets and financial liabilities

Set out below, is an overview of financial assets and financial liabilities, held by the Group as at period end:

	30/06/2019	31/12/2018
	\$'000	\$'000
Cash and debt instruments at amortised cost		
Loans and other receivables	113,158	103,635
Loans to joint ventures	68,544	66,069
Cash and bank deposits	352,905	307,433
Financial assets at fair value through OCI		
Derivative financial instruments in designated hedge accounting relationships	10,413	24,682
Equity instruments at fair value through profit or loss		
Investments in non-listed companies	1,004	754
Total financial assets	<u>546,024</u>	<u>502,573</u>
Financial liabilities at fair value through OCI		
Derivative financial instruments in designated hedge accounting relationships	49,228	29,697
Financial liabilities at amortised cost		
Secured bank loans	2,594,768	2,575,514
Lease liabilities	68,005	-
Other loans	901,344	902,696
Other liabilities measured at amortised cost	217,619	188,638
Total financial liabilities	<u>3,830,964</u>	<u>3,696,545</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019 (Continued)
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17. Financial Risk Management (Continued)

(b) Fair value of financial assets and financial liabilities

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than lease liabilities and those with carrying amounts that are reasonable approximations of fair values:

	Carrying Value		Fair value hierarchy	Fair Value	
	30/06/2019 \$'000	31/12/2018 \$'000		30/06/2019 \$'000	31/12/2018 \$'000
Financial assets					
Loans to joint ventures	68,544	66,069	Level 2	66,718	64,127
Liquidated damages on vessels under construction receivable from shipyard	5,723	5,459	Level 2	5,723	5,459
Total financial assets	74,267	71,528		72,441	69,586
Financial liabilities					
Secured bank loans at fixed interest rates	703,143	711,274	Level 2	729,336	737,091
Secured bank loans at floating interest rates	1,891,625	1,864,240	Level 2	1,895,651	1,867,212
Other loans (Senior Notes due in 2023)	892,924	892,545	Level 1	930,375	873,000
Other loans	8,420	10,151	Level 2	8,650	10,468
Liquidated damages for late delivery of vessels payable to charterer	19,433	20,003	Level 2	19,433	20,003
Total financial liabilities	3,515,545	3,498,213		3,583,445	3,507,774

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The following methods and assumptions were used to estimate the fair values:

The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices (other than quoted prices included within Level 1) from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments, including interest rate swaps and currency swaps, are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest and currency rates, as adjusted for credit risk. Derivatives are valued using valuation techniques with market observable inputs; they comprise interest rate swaps and cross currency interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. All interest rate swaps are fully cash collateralised, thereby mitigating both the counterparty and the Group's non-performance risk.

Fair value measurements of financial instruments recognised in the statement of financial position

The following table provides an analysis of financial instruments as at 30 June 2019 and 31 December 2018 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value valuation inputs are observable.

Recurring fair value measurements recognised in the statement of financial position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2019				
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	10,413	-	10,413
	-	10,413	-	10,413
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	49,228	-	49,228
	-	49,228	-	49,228
At 31 December 2018				
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	24,682	-	24,682
	-	24,682	-	24,682
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	29,697	-	29,697
	-	29,697	-	29,697

There were no transfers between Level 1 and 2 during the periods ended 30 June 2019 and 31 December 2018.

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17. Financial Risk Management (Continued)

(b) Fair value of financial assets and financial liabilities (continued)

Non-recurring fair value measurements recognised in the statement of financial position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2019				
Assets				
Non-current assets held for sale	-	18,620	-	18,620
	-	18,620	-	18,620
At 31 December 2018				
Assets				
Non-current assets held for sale	-	29,700	-	29,700
	-	29,700	-	29,700

18. Contingent Liabilities

In relation to the Novoship (UK) Ltd claims which received judgment in December 2012, some of the defendants in the unsuccessful claims have indicated an intention to pursue the Group for damages in respect of \$90.0 million of security provided during the litigation. No claim for damages has been filed yet.

19. Related Party Transactions

The following table provides the total amount of significant transactions that have been entered into with related parties in the financial reporting period and outstanding balances as at the period end.

	Income Statement (income) / expense		Statement of Financial Position asset / (liability)	
	30/06/2019 \$'000	30/06/2018 \$'000	30/06/2019 \$'000	31/12/2018 \$'000
<u>Transactions with Russian State controlled entities</u>				
Revenue ¹	(203,533)	(199,941)	(23,503)	(21,684)
Voyage expenses and commissions	13,439	7,117	(2,283)	(3,080)
Administration expenses (pension contributions)	45	1,578	(9)	-
Other operating revenues	(3,355)	(1,255)	1,129	(1,948)
Other operating expenses	1,991	550	(1,983)	-
Other loans	199	278	(8,433)	(10,168)
Secured bank loans	22,680	24,620	(675,546)	(679,730)
Lease liabilities	501	-	(7,700)	-
Receivables from shipyard (liquidated damages for late delivery of vessels)	(264)	(240)	5,723	5,459
Payables to charterer (liquidated damages for late delivery of vessels)	942	992	(19,433)	(20,003)
Payments to related shipyards for vessels under construction, including vessels delivered during period	-	-	-	105,529
Cash at bank	(1,287)	(1,777)	139,072	111,343
Derivative financial instruments	8,284	20,120	(13,211)	(3,841)
<u>Transactions with Joint Ventures</u>				
Other operating revenues	(1,690)	(1,854)	682	761
Loans due from joint ventures	(1,356)	(934)	68,731	66,253
<u>Compensation of Key Management Personnel</u>				
Short-term benefits	4,420	4,378	(2,108)	(2,583)
Post-employment benefits	32	31	(4)	(3)
Long-term service benefits	980	950	(7,492)	(6,498)
	5,432	5,359	(9,604)	(9,084)

¹Statement of Financial Position includes deferred revenues and contract liabilities

20. Events After the Reporting Period

On 7 August 2019, the Group signed an addendum to the bareboat charter in agreement for one of its seismic vessels extending the period of the charter to 17 October 2021 with various early re-delivery options. The lease commitment over the non-cancellable lease term of \$6.1 million has been recognised as a lease modification to the right of use asset, with a corresponding lease liability, as of 30 June 2019.

21. Date of Issue

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 28 August 2019.