

**PAO SOVCOMFLOT**

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

**30 June 2020**

## PAO Sovcomflot

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## PAO Sovcomflot

**Consolidated Income Statement**  
**For the periods ended 30 June 2020**  
**(unaudited)**

	Note	Six months ended (unaudited)		Three months ended (unaudited)	
		30/06/2020	30/06/2019	30/06/2020	30/06/2019
		\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>			Restated-Note 2		Restated-Note 2
	3	951,305	794,065	458,006	383,333
Voyage expenses and commissions		(168,605)	(200,090)	(64,765)	(100,682)
<b>Time charter equivalent revenues</b>	3	<u>782,700</u>	<u>593,975</u>	<u>393,241</u>	<u>282,651</u>
<b>Direct operating expenses</b>					
Vessels' running costs		170,525	170,811	86,481	86,382
		<u>(170,525)</u>	<u>(170,811)</u>	<u>(86,481)</u>	<u>(86,382)</u>
<b>Net earnings from vessels' trading</b>		612,175	423,164	306,760	196,269
Other operating revenues		10,585	21,559	5,490	15,046
Other operating expenses		(5,755)	(10,494)	(2,738)	(5,127)
Depreciation, amortisation and impairment		(228,957)	(191,572)	(129,331)	(95,206)
General and administrative expenses		(46,048)	(54,538)	(21,841)	(28,888)
Loss on sale of non-current assets		(449)	(136)	(36)	(136)
Allowance for credit losses		(229)	(41)	261	(292)
Share of profits in equity accounted investments	8	13,133	5,529	5,961	184
<b>Operating profit</b>		<u>354,455</u>	<u>193,471</u>	<u>164,526</u>	<u>81,850</u>
<b>Other (expenses) / income</b>					
Financing costs		(99,229)	(103,570)	(49,334)	(51,916)
Interest income		5,325	5,513	2,438	2,481
Other non-operating expenses		(951)	(1,106)	(591)	(583)
Gain / (loss) on hedge ineffectiveness		487	(276)	381	118
Gain on derecognition of dividend liability		19	3,861	19	1,018
Foreign exchange gains		4,253	15,428	12,714	1,742
Foreign exchange losses		(15,847)	(6,920)	(5,783)	(2,368)
<b>Net other expenses</b>		<u>(105,943)</u>	<u>(87,070)</u>	<u>(40,156)</u>	<u>(49,508)</u>
<b>Profit before income taxes</b>		248,512	106,401	124,370	32,342
Income tax expense	5	(22,142)	(15,438)	(14,067)	(11,433)
<b>Profit for the period</b>		<u>226,370</u>	<u>90,963</u>	<u>110,303</u>	<u>20,909</u>
<b>Profit attributable to:</b>					
Owners of the parent		224,915	90,043	111,744	21,165
Non-controlling interests		1,455	920	(1,441)	(256)
		<u>226,370</u>	<u>90,963</u>	<u>110,303</u>	<u>20,909</u>
<b>Earnings per share</b>					
Basic and diluted profit per share for the period attributable to owners of the parent		<u>\$0.114</u>	<u>\$0.046</u>	<u>\$0.057</u>	<u>\$0.011</u>

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

## PAO Sovcomflot

**Consolidated Statement of Comprehensive Income**  
**For the periods ended 30 June 2020**  
**(unaudited)**

	Note	Six months ended (unaudited)		Three months ended (unaudited)	
		30/06/2020 \$'000	30/06/2019 \$'000	30/06/2020 \$'000	30/06/2019 \$'000
<b>Profit for the period</b>		226,370	90,963	110,303	20,909
<b>Other comprehensive income:</b>					
<b><i>Items to be reclassified to profit or loss in subsequent periods:</i></b>					
Share of associates' other comprehensive income		(12)	11	13	4
Share of joint ventures' other comprehensive income	8	(3,517)	1,012	301	114
Exchange (loss) / gain on translation from functional currency to presentation currency		(4,065)	(1,855)	3,384	1,386
Net loss on derivative financial instruments debited to other comprehensive income	9	(52,906)	(32,090)	(6,227)	(19,416)
		<u>(60,500)</u>	<u>(32,922)</u>	<u>(2,529)</u>	<u>(17,912)</u>
<b><i>Items not to be reclassified to profit or loss in subsequent periods:</i></b>					
Remeasurement gains / (losses) on retirement benefit obligations		18	(98)	(86)	(98)
		<u>18</u>	<u>(98)</u>	<u>(86)</u>	<u>(98)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>(60,482)</u>	<u>(33,020)</u>	<u>(2,615)</u>	<u>(18,010)</u>
<b>Total comprehensive income for the period</b>		<u>165,888</u>	<u>57,943</u>	<u>107,688</u>	<u>2,899</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		164,376	57,078	109,162	3,162
Non-controlling interests		1,512	865	(1,474)	(263)
		<u>165,888</u>	<u>57,943</u>	<u>107,688</u>	<u>2,899</u>

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

## PAO Sovcomflot

**Consolidated Statement of Financial Position – 30 June 2020**  
(unaudited)

	Note	30/06/2020 (unaudited) \$'000	31/12/2019 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	6	6,136,496	6,121,734
Right of use assets	17	15,151	45,895
Vessels under construction	7	161,613	179,579
Intangible assets		3,219	5,891
Other property, plant and equipment		39,383	41,366
Investment property		3,834	4,435
Investments in associates		106	105
Investments in joint ventures	8	161,820	152,255
Equity instruments at fair value through profit or loss		361	480
Loans to joint ventures		50,902	50,341
Derivative financial instruments	9	762	4,718
Trade and other receivables	10	8,997	8,705
Deferred tax assets		3,848	5,250
Bank deposits	11	15,500	15,500
		<u>6,601,992</u>	<u>6,636,254</u>
<b>Current assets</b>			
Inventories		41,213	53,749
Loans to joint ventures		26	11,804
Derivative financial instruments	9	-	170
Trade and other receivables	10	103,106	100,739
Prepayments and other current assets	10	16,745	15,280
Contract assets	10	15,033	41,605
Current tax receivable		9,004	5,592
Bank deposits	11	22,730	26,865
Cash and cash equivalents	11	672,518	374,821
		<u>880,375</u>	<u>630,625</u>
Non-current assets held for sale	12	30,380	69,061
		<u>910,755</u>	<u>699,686</u>
<b>Total assets</b>		<u><u>7,512,747</u></u>	<u><u>7,335,940</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		405,012	405,012
Reserves		3,132,236	2,967,860
<b>Equity attributable to owners of the parent</b>		<u>3,537,248</u>	<u>3,372,872</u>
<b>Non-controlling interests</b>		132,407	131,709
<b>Total equity</b>		<u>3,669,655</u>	<u>3,504,581</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	16,213	16,905
Other non-current liabilities	14	7,201	3,663
Secured bank loans	15	2,028,602	2,159,854
Other loans	16	896,340	897,106
Lease liabilities	17	34,246	41,180
Derivative financial instruments	9	68,418	30,233
Retirement benefit obligations		2,209	2,599
Provisions		3,945	3,895
Deferred tax liabilities		16,099	6,297
		<u>3,073,273</u>	<u>3,161,732</u>
<b>Current liabilities</b>			
Trade and other payables	14	158,591	161,924
Other current liabilities	14	62,074	72,519
Contract liabilities		10,244	14,741
Secured bank loans	15	490,069	378,955
Other loans	16	3,327	3,314
Lease liabilities	17	16,356	19,120
Current tax payable		713	394
Derivative financial instruments	9	28,445	18,660
		<u>769,819</u>	<u>669,627</u>
<b>Total liabilities</b>		<u>3,843,092</u>	<u>3,831,359</u>
<b>Total equity and liabilities</b>		<u><u>7,512,747</u></u>	<u><u>7,335,940</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 2020**  
**(unaudited)**

	Share capital \$'000	Share premium \$'000	Group 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
<b>At 1 January 2019</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(2,359)</b>	<b>(46,876)</b>	<b>2,863,107</b>	<b>3,203,239</b>	<b>136,455</b>	<b>3,339,694</b>
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 13)	-	-	-	-	-	(22,948)	(22,948)	(1,290)	(24,238)
<b>At 30 June 2019 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(33,437)</b>	<b>(48,675)</b>	<b>2,930,533</b>	<b>3,237,788</b>	<b>135,611</b>	<b>3,373,399</b>
<b>At 1 January 2020</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(32,062)</b>	<b>(46,457)</b>	<b>3,062,024</b>	<b>3,372,872</b>	<b>131,709</b>	<b>3,504,581</b>
Profit for the period	-	-	-	-	-	224,915	224,915	1,455	226,370
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(12)	-	(12)	-	(12)
Share of joint ventures' other comprehensive income	-	-	-	(3,517)	-	-	(3,517)	-	(3,517)
Exchange (loss) /gain on translation from functional currency to presentation currency	-	-	-	-	(4,120)	-	(4,120)	55	(4,065)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(52,906)	-	-	(52,906)	-	(52,906)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	16	16	2	18
Total comprehensive income	-	-	-	(56,423)	(4,132)	224,931	164,376	1,512	165,888
Dividends (Note 13)	-	-	-	-	-	-	-	(814)	(814)
<b>At 30 June 2020 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(88,485)</b>	<b>(50,589)</b>	<b>3,286,955</b>	<b>3,537,248</b>	<b>132,407</b>	<b>3,669,655</b>

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 2020**  
**(unaudited)**

	Note	Six months ended (unaudited)	
		30/06/2020 \$'000	30/06/2019 \$'000
			Restated-Note 2
<b>Operating Activities</b>			
Cash received from vessels' operations		976,886	799,821
Other cash receipts		9,371	12,626
Cash payments for voyage and running costs		(324,802)	(373,076)
Other cash payments		(65,752)	(52,611)
Cash generated from operations		595,703	386,760
Interest received		4,082	3,587
Income tax paid		(14,694)	(7,838)
Net cash from operating activities		585,091	382,509
<b>Investing Activities</b>			
Expenditure on fleet	6	(26,372)	(32,489)
Expenditure on vessels under construction	7	(158,939)	(225,121)
Interest capitalised	7	(1,932)	(1,652)
Expenditure on intangibles and other property, plant and equipment		(531)	(803)
Loan repayments by joint ventures		11,861	-
Loans issued by joint ventures		-	(1,122)
Proceeds from disposal and dissolution of investments		289	277
Proceeds from sale of vessels	12	38,256	8,942
Proceeds from sale of other property, plant and equipment		1,860	1,208
Dividends received from equity accounted investments		-	124
Return / (placement) of bank term deposits	11	308	(35)
Net cash used in investing activities		(135,200)	(250,671)
<b>Financing Activities</b>			
Proceeds from borrowings		139,768	184,524
Repayment of borrowings		(164,522)	(165,929)
Financing costs		(1,786)	(1,706)
Repayment of lease liabilities		(7,371)	(9,441)
Repayment of liquidated damages		(901)	(560)
Restricted deposits under loan agreements	11	-	(1,500)
Release / (placement) of funds in retention bank accounts	11	3,827	(1,031)
Interest paid on borrowings		(90,552)	(94,866)
Interest paid on lease liabilities		(3,026)	(3,518)
Interest paid on liquidated damages		(608)	(952)
Dividends paid to non-controlling interests		(4,065)	(1,243)
Net cash used in financing activities		(129,236)	(96,222)
<b>Increase in Cash and Cash Equivalents</b>		320,655	35,616
<b>Cash and Cash Equivalents at 1 January</b>	11	374,821	267,571
Net foreign exchange difference		(22,958)	7,290
<b>Cash and Cash Equivalents at 30 June</b>	11	672,518	310,477

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 2020**  
(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 Gashka 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 133 vessels at the period end, comprising 54 oil tankers, 36 product tankers, 19 shuttle tankers, 10 gas carriers, 10 ice breaking supply vessels, 2 bulk carriers and 2 chartered in seismic vessels. For major changes in the period in relation to the fleet, see also Notes 6, 7 and 12.

**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 2019 which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Operating results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

The Group also prepares interim condensed consolidated financial statements in Russian Roubles as required by the Russian Federal Law No. 208 – FZ “On consolidated financial reporting” dated 27 July 2010.

**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:

	<b>30/06/2020</b> <b>Closing</b> <b>\$1</b>	<b>30/06/2020</b> <b>Average</b> <b>\$1</b>	<b>31/12/2019</b> <b>Closing</b> <b>\$1</b>	<b>30/06/2019</b> <b>Average</b> <b>\$1</b>
Russian Roubles	69.9513	69.3714	61.9057	65.3384
Pounds Sterling	0.8099	0.7936	0.7629	0.7733
Euro	0.8891	0.9074	0.8928	0.8850

**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 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. 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 effective as of 1 January 2020 that is relevant to the Group’s operations is described below:

Conceptual Framework – “Amendments to References to the Conceptual Framework in IFRS Standards”. The amendments introduce new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no material impact on the consolidated financial statements of the Group.

IFRS 3 (“Business Combinations”) – “Amendments to clarify the definition of a business”. The amendments enhance the definition of a business with the aim to make its application less complicated. In addition, they introduce an optional concentration test that, if met, eliminates the need for further assessment. Under this concentration test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. Since the amendments apply prospectively to transactions or other events after the date of first application, they will not have an impact on the Group’s consolidated financial statements on the date of transition.

IAS 1 (“Presentation of Financial Statements”) and IAS 8 (“Accounting Policies, Changes in Accounting Estimates and Errors”) – “Amendments regarding the definition of material”. These amendments had no material impact on the consolidated financial statements of the Group.

IFRS 7 (“Financial Instruments: Disclosures”), IFRS9 (“Financial Instruments”) and IAS 39 (“Financial Instruments: Recognition and Measurement”) – “Amendments regarding pre-replacement issues in the context of the IBOR reform”. The amendments provide relief from certain requirements of hedge accounting, as their fulfilment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The Group has applied the relevant reliefs and assumed that the US Dollar LIBOR interest rate on which the hedged cash flows are based is not altered as a result of IBOR reform; during the period of uncertainty arising from the reform, the “highly probable” requirement is met; and the hedges are expected to be highly effective and the Group will not discontinue hedge accounting if the retrospective effectiveness falls outside the required 80–125% range.

IFRS 16 (“Leases”) – “Amendment to provide lessees with an exemption from assessing whether a Covid-19-Related Rent Concession is a lease modification”. The amendment allows lessees to account for those rent concessions as if they were not lease modifications. This amendment had no material impact on the consolidated financial statements of the Group.

**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.



## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020 (Continued)  
(unaudited)

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

## 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 2019 except for the new significant judgements related to COVID-19.

## Coronavirus (COVID-19)

The novel strain of COVID-19 has now spread to nearly all regions of the world. The outbreak and measures taken to contain or mitigate it have had dramatic adverse consequences for the global economy, as well as regional and national economies. The continued spread of COVID-19 has led to supply chain destabilisation, facility closures, workforce disruption and volatility in the global economy, and its full impact is impossible to predict. The main areas of concern for the Group were the safety and well-being of its staff, the ability to perform crew changes, lockdowns and delays in ports and at shipyards. The Group responded by developing a COVID-19 task force, implementing new standards, which focus on the health and safety of its seafarers and shore based staff and sustaining safe and efficient operations, while minimising any disruptions.

The extent to which COVID-19 may impact the Group will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, and the duration, timing and severity of the impact on global financial markets and the condition of the Russian economy, all of which are highly uncertain and cannot be predicted.

## 2. Revision of Classification in Interim Financial Statements

During the preparation of the Group consolidated financial statements for the period ended 31 December 2019, the Group reconsidered the principal versus agents assessment of one of its contracts with customers, relating to the other segment, and concluded that this contract should be presented net as the Group acted as an agent rather than principal. Consequently, the Group revised the classification of line items of the comparatives presented in these condensed consolidated financial statements as presented below.

## Consolidated income statement (unaudited)

	Six months ended 30/06/2019			Three months ended 30/06/2019		
	As previously reported \$'000	Restatement \$'000	As currently reported \$'000	As previously reported \$'000	Restatement \$'000	As currently reported \$'000
<b>Revenue</b>	828,002	(33,937)	794,065	417,270	(33,937)	383,333
Voyage expenses and commissions	(219,002)	22,920	(196,082)	(122,147)	22,920	(99,227)
<b>Time charter equivalent revenues</b>	<u>609,000</u>	<u>(11,017)</u>	<u>597,983</u>	<u>295,123</u>	<u>(11,017)</u>	<u>284,106</u>
<b>Direct operating expenses</b>						
Vessels' running costs	171,447	(636)	170,811	87,018	(636)	86,382
Charter hire payments*	7,166	(3,158)	4,008	4,613	(3,158)	1,455
	<u>(178,613)</u>	<u>3,794</u>	<u>(174,819)</u>	<u>(91,631)</u>	<u>3,794</u>	<u>(87,837)</u>
<b>Net earnings from vessels' trading</b>	<u>430,387</u>	<u>(7,223)</u>	<u>423,164</u>	<u>203,492</u>	<u>(7,223)</u>	<u>196,269</u>
Other operating revenues	13,691	7,868	21,559	7,178	7,868	15,046
Other operating expenses	(9,849)	(645)	(10,494)	(4,482)	(645)	(5,127)
<b>Operating profit</b>	<u>193,471</u>	<u>-</u>	<u>193,471</u>	<u>81,850</u>	<u>-</u>	<u>81,850</u>

## Consolidated statement of cash flows (unaudited)

	Six months ended 30/06/2019		
	As previously reported \$'000	Restatement \$'000	As currently reported \$'000
<b>Operating Activities</b>			
Cash received from vessels' operations	814,975	(15,154)	799,821
Other cash receipts	12,626	-	12,626
Cash payments for voyage and running costs	(392,141)	19,065	(373,076)
Other cash payments	(48,700)	(3,911)	(52,611)
Cash generated from operations	<u>386,760</u>	<u>-</u>	<u>386,760</u>

\*The Group has also reclassified charter hire payments of \$4.0 million and \$1.5 million for the six months ended and three months ended 30 June 2019 respectively, on the face of the consolidated income statement from the line charter hire payments to voyage expenses and commissions in order to conform with this year's presentation.

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## 3. Time Charter Equivalent Revenues

Revenue	Six months ended	
	30/06/2020	30/06/2019
	\$'000	\$'000
Lease revenue from time charters	362,972	292,271
Service revenue from time charters	147,969	125,989
Total revenue from time charters	510,941	418,260
Service revenue from voyage charters	394,332	336,510
Service revenue from marine services	46,032	39,295
	<u>951,305</u>	<u>794,065</u>
<b>Voyage expenses and commissions</b>		
Bunkers	(97,510)	(126,944)
Port costs	(51,631)	(57,793)
Commissions	(5,850)	(5,031)
Seismic exploration and data processing	(4,488)	(3,527)
Other voyage costs	(9,126)	(6,795)
	<u>(168,605)</u>	<u>(200,090)</u>
<b>Time charter equivalent revenues</b>	<u>782,700</u>	<u>593,975</u>

Disaggregation of the Group's revenue from contracts with customers:

## Six months ended 30 June 2020

Segment	Service revenue				Lease revenue from time charters	Revenue
	Voyage charters	Time charters	Marine services	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore services	1,786	70,315	-	72,101	174,623	246,724
Gas transportation	-	20,219	-	20,219	76,407	96,626
Crude oil transportation	247,540	39,473	-	287,013	90,096	377,109
Oil products transportation	143,616	16,609	-	160,225	19,720	179,945
Other	1,390	1,353	46,032	48,775	2,126	50,901
<b>Revenue from vessel operations</b>	<u>394,332</u>	<u>147,969</u>	<u>46,032</u>	<u>588,333</u>	<u>362,972</u>	<u>951,305</u>
<b>Other operating revenues from contracts with customers</b>						
Other operating revenues				7,770		
<b>Total revenue from contracts with customers</b>				<u>596,103</u>		

## Six months ended 30 June 2019

Segment	Service revenue				Lease revenue from time charters	Revenue
	Voyage charters	Time charters	Marine services	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore services	1,250	62,093	-	63,343	159,077	222,420
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	1,890	39,295	41,799	2,032	43,831
<b>Revenue from vessel operations</b>	<u>336,510</u>	<u>125,989</u>	<u>39,295</u>	<u>501,794</u>	<u>292,271</u>	<u>794,065</u>
<b>Other operating revenues from contracts with customers</b>						
Other operating revenues				18,641		
<b>Total revenue from contracts with customers</b>				<u>520,435</u>		

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## 4. 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.

## Six months ended 30 June 2020

	Offshore	Gas	Crude Oil	Oil	Other	Total
	\$'000	\$'000	\$'000	Product	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	246,724	96,626	377,109	179,945	50,901	951,305
Voyage expenses and commissions	(876)	(183)	(91,401)	(57,263)	(18,882)	(168,605)
<b>Time charter equivalent revenues</b>	<b>245,848</b>	<b>96,443</b>	<b>285,708</b>	<b>122,682</b>	<b>32,019</b>	<b>782,700</b>
<b>Direct operating expenses</b>						
Vessels' running costs	(37,790)	(20,871)	(64,832)	(37,332)	(9,700)	(170,525)
<b>Net earnings from vessels' trading</b>	<b>208,058</b>	<b>75,572</b>	<b>220,876</b>	<b>85,350</b>	<b>22,319</b>	<b>612,175</b>
Other operating revenues	1,067	-	-	-	-	1,067
Other operating expenses	(891)	-	-	-	-	(891)
Vessels' depreciation	(68,468)	(19,925)	(53,843)	(24,767)	(2,854)	(169,857)
Vessels' drydock cost amortisation	(4,822)	(2,797)	(5,629)	(3,485)	(136)	(16,869)
Vessels' impairment provision	-	-	(1,577)	(867)	(6,180)	(8,624)
Intangible assets impairment provision	-	-	-	-	(2,094)	(2,094)
Right of use assets' depreciation	-	-	-	-	(7,519)	(7,519)
Right of use assets' impairment provision	-	-	-	-	(18,746)	(18,746)
Loss on sale of vessels	-	-	(466)	-	-	(466)
Net foreign exchange losses	(3,276)	-	-	-	(957)	(4,233)
<b>Segment operating profit / (loss)</b>	<b>131,668</b>	<b>52,850</b>	<b>159,361</b>	<b>56,231</b>	<b>(16,167)</b>	<b>383,943</b>
<b>Unallocated</b>						
General and administrative expenses						(46,048)
Financing costs						(99,229)
Other income and expenses (net)						17,207
Net foreign exchange losses						(7,361)
<b>Profit before income taxes</b>						<b>248,512</b>
<b>Carrying amount of fleet in operation including right of use assets</b>	<b>1,963,880</b>	<b>1,326,591</b>	<b>1,978,976</b>	<b>813,192</b>	<b>53,857</b>	<b>6,136,496</b>
<b>Carrying amount of non-current assets held for sale</b>	<b>-</b>	<b>-</b>	<b>11,760</b>	<b>18,620</b>	<b>-</b>	<b>30,380</b>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<b>1,593</b>	<b>662</b>	<b>7,106</b>	<b>2,143</b>	<b>156</b>	<b>11,660</b>

## Six months ended 30 June 2019

	Offshore	Gas	Crude Oil	Oil	Other	Total
	\$'000	\$'000	\$'000	Product	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	222,420	89,993	280,970	156,851	43,831	794,065
Voyage expenses and commissions	(990)	(521)	(106,041)	(75,075)	(17,463)	(200,090)
<b>Time charter equivalent revenues</b>	<b>221,430</b>	<b>89,472</b>	<b>174,929</b>	<b>81,776</b>	<b>26,368</b>	<b>593,975</b>
<b>Direct operating expenses</b>						
Vessels' running costs	(36,167)	(17,409)	(61,021)	(47,006)	(9,208)	(170,811)
<b>Net earnings from vessels' trading</b>	<b>185,263</b>	<b>72,063</b>	<b>113,908</b>	<b>34,770</b>	<b>17,160</b>	<b>423,164</b>
Other operating revenues	1,379	-	-	-	8,782	10,161
Other operating expenses	(909)	-	-	-	(1,244)	(2,153)
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)
<b>Segment operating profit</b>	<b>114,530</b>	<b>51,753</b>	<b>55,353</b>	<b>4,321</b>	<b>13,933</b>	<b>239,890</b>
<b>Unallocated</b>						
General and administrative expenses						(51,170)
Financing costs						(103,570)
Other income and expenses (net)						11,362
Net foreign exchange gains						9,889
<b>Profit before income taxes</b>						<b>106,401</b>
<b>Carrying amount of fleet in operation including right of use assets</b>	<b>1,935,821</b>	<b>1,183,050</b>	<b>2,141,391</b>	<b>884,715</b>	<b>98,791</b>	<b>6,243,768</b>
<b>Carrying amount of non-current assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,620</b>	<b>-</b>	<b>18,620</b>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<b>1,448</b>	<b>569</b>	<b>7,424</b>	<b>2,247</b>	<b>156</b>	<b>11,844</b>

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## 5. Income Taxes

	Six months ended	
	30/06/2020	30/06/2019
	\$'000	\$'000
Russian Federation profit tax expense	10,728	8,962
Overseas income tax expense	309	477
Current income tax expense	11,037	9,439
Deferred tax	11,105	5,999
<b>Total income tax expense</b>	<b>22,142</b>	<b>15,438</b>

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

## 6. Fleet

	Vessels	Drydock	Total Fleet
	\$'000	\$'000	\$'000
<b>Cost</b>			
<b>At 1 January 2019</b>	8,483,615	157,642	8,641,257
Expenditure in period	16,221	16,361	32,582
Transfer from vessels under construction (Note 7)	184,632	3,000	187,632
Write-off of fully amortised drydock cost	-	(14,382)	(14,382)
Exchange adjustment	1,069	55	1,124
<b>At 30 June 2019</b>	<b>8,685,537</b>	<b>162,676</b>	<b>8,848,213</b>
<b>At 1 January 2020</b>	8,673,606	162,769	8,836,375
Expenditure in period	17,969	11,055	29,024
Transfer from vessels under construction (Note 7)	172,594	6,050	178,644
Write-off of fully amortised drydock cost	-	(8,350)	(8,350)
<b>At 30 June 2020</b>	<b>8,864,169</b>	<b>171,524</b>	<b>9,035,693</b>
<b>Depreciation, amortisation and impairment</b>			
<b>At 1 January 2019</b>	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
<b>At 30 June 2019</b>	<b>2,549,785</b>	<b>87,255</b>	<b>2,637,040</b>
<b>At 1 January 2020</b>	2,631,268	83,373	2,714,641
Charge for the period	169,857	16,869	186,726
Impairment provision	6,180	-	6,180
Write-off of fully amortised drydock cost	-	(8,350)	(8,350)
<b>At 30 June 2020</b>	<b>2,807,305</b>	<b>91,892</b>	<b>2,899,197</b>
<b>Net book value</b>			
At 30 June 2020	6,056,864	79,632	6,136,496
At 31 December 2019	6,042,338	79,396	6,121,734
		<b>30/06/2020</b>	<b>31/12/2019</b>
Market value (\$'000)		5,607,250	5,714,000
Current insured values (\$'000)		6,705,531	7,025,695
Total deadweight tonnage (dwt)		11,451,185	11,358,261

As at 30 June 2020, 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.

Management also carried out an assessment of whether there is any indication that equipment on board one of the chartered in seismic vessels of the Group may have suffered an impairment loss. Management concluded that it was necessary to recognise an impairment provision of \$6.2 million, based on the value in use of the seismic vessel's cash generating unit ("CGU"), as the CGU's assets can no longer be used by the Group to generate revenues (the seismic vessel's CGU also includes right of use assets, disclosed in Note 17, and related intangible assets). Management estimates that fair value less cost to sell the equipment will not result in any net cash inflows. The total impairment provision recognised in the period ended 30 June 2020 in respect of the CGU, amounted to \$27.0 million, comprising impairment provision of seismic equipment of \$6.2 million, right of use assets of \$18.7 million and intangible assets of \$2.1 million.

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## 7. Vessels Under Construction

	30/06/2020 \$'000	30/06/2019 \$'000
<b>At 1 January</b>	179,579	135,890
Expenditure in period	160,678	227,057
Transfer to fleet (Note 6)	(178,644)	(187,632)
<b>At 30 June</b>	<u>161,613</u>	<u>175,315</u>
Total deadweight tonnage (dwt)	<u>395,800</u>	<u>319,936</u>

The following vessel was delivered during the period:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
SCF La Perouse	LNG carrier	Gas	92,924	10 February 2020

Vessels under construction at 30 June 2020 comprised two LNG carriers and two aframax crude oil shuttle tankers scheduled for delivery between September 2020 and March 2022 at a total contracted cost to the Group of \$508.2 million. As at 30 June 2020, \$155.6 million of these contracted costs had been paid for.

As at 30 June 2020, management carried out an impairment assessment of the carrying amounts of vessels under construction in accordance with the Group's policy. The assessment did not result in any such indication.

## 8. Investments in Joint Ventures

	30/06/2020 \$'000	30/06/2019 \$'000
<b>At 1 January</b>	152,255	132,926
Dissolution of joint ventures	-	(185)
Share of profits in joint ventures	13,103	5,507
Share of joint ventures' other comprehensive income	(3,517)	1,012
Currency retranslation difference	(21)	-
<b>At 30 June</b>	<u>161,820</u>	<u>139,260</u>

In October 2019, the Group set up a joint venture, SMART LNG LLC, equally owned (50/50) with a third party. The joint venture entered into lease arrangements with subsidiaries of a Russian State controlled financial institution, effective 30 January 2020, to lease in four ice breaking LNG carriers. The leases commence on delivery of the vessels from the shipyard, between September and December 2023, for lease terms of approximately 26 years. The total undiscounted commitments under the leases, including interest, are \$2,564.2 million. The leases are backed with time charter agreements, for firm periods of 30 years, with extension options attached in favour of the charterer, and with total receivable under contracts over the firm period of the time charter agreements, of \$5,581.7 million.

## 9. Derivative Financial Instruments

	Interest Rate Swaps ("IRS")		Cross Currency Interest Rate Swaps ("CCIRS")		Total	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current asset	-	86	762	4,632	762	4,718
Current asset	-	170	-	-	-	170
Non-current liability	(46,876)	(16,194)	(21,542)	(14,039)	(68,418)	(30,233)
Current liability	(18,941)	(8,465)	(9,504)	(10,195)	(28,445)	(18,660)

On 3 February 2020 and 19 June 2020, the Group entered into a seven year interest rate swap transaction and a seven year interest rate forward-start swap transaction, respectively, to hedge the Group's future cash outflows resulting from the exposure to interest rate fluctuations associated with the interest payable on two secured bank loan facilities of \$148.5 million each, in connection with the financing of two of the Group's vessels (one of which is under construction, scheduled for delivery in September 2020), by converting 3-month US Dollar LIBOR floating interest rate payable on the loans to fixed.

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 for the six months ended as indicated below.

	IRS		CCIRS		Total	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount recognised in hedging reserve	(45,250)	(25,440)	(17,758)	(16,083)	(63,008)	(41,523)
Reclassified from hedging reserve and debited to financing costs	4,840	1,075	6,105	6,645	10,945	7,720
Reclassified from hedging reserve and (credited) / debited to foreign exchange	-	-	(843)	1,713	(843)	1,713
<b>Total in other comprehensive income</b>	<u>(40,410)</u>	<u>(24,365)</u>	<u>(12,496)</u>	<u>(7,725)</u>	<u>(52,906)</u>	<u>(32,090)</u>

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## 10. Receivables and Other Assets

*Trade and other receivables*

	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Receivables under High Court judgement award	2,700	2,700
Liquidated damages on vessels under construction receivable from shipyard	6,297	6,005
	<u>8,997</u>	<u>8,705</u>
<b>Current assets</b>		
Amounts due from charterers	70,411	71,412
Allowance for credit losses	(2,039)	(2,357)
	<u>68,372</u>	<u>69,055</u>
Casualty and other claims	18,571	10,443
Agents' balances	2,520	3,111
Other receivables	11,261	15,637
Amounts due from joint ventures	606	-
Accrued income	1,776	2,493
	<u>103,106</u>	<u>100,739</u>

*Prepayments and other current assets*

	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	11,580	8,944
Contract acquisition and voyage fulfilment costs	747	3,106
Non-income based taxes receivable	4,418	3,230
	<u>16,745</u>	<u>15,280</u>
	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract assets	<u>15,033</u>	<u>41,605</u>

Contract assets vary from period to period and depend on the number of ongoing contracts with customers at the period end, the stage of progress towards satisfaction of a performance obligation and the level of service revenue associated with each contract.

## 11. Cash and Bank Deposits

	<b>30/06/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Restricted deposits	15,500	15,500
Bank deposits	<u>15,500</u>	<u>15,500</u>
<b>Current assets</b>		
Bank deposits accessible on maturity	257	565
Retention accounts	22,473	26,300
Bank deposits	22,730	26,865
Cash and cash equivalents	672,518	374,821
Cash and bank deposits	<u>695,248</u>	<u>401,686</u>

## 12. Non-Current Assets Held for Sale

	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January</b>	69,061	29,700
Expenditure in period	-	675
Impairment provision	(2,444)	(2,935)
Disposals in period	(36,237)	(8,820)
<b>At 30 June</b>	<u>30,380</u>	<u>18,620</u>

The two crude oil suezmax tankers classified as held for sale as at 31 December 2019 were disposed of and delivered to their new owners in February 2020, realising a loss on disposal of \$0.5 million. As at 30 June 2020, non-current assets held for sale, comprised of two MR chemical oil product tankers and one crude oil aframax tanker. The vessels were actively marketed for sale at a price approximate to their market values.

## 13. Dividends

No dividends were declared or paid to owners of the parent during the period ended 30 June 2020 (see also Note 21). Dividends, for the financial year 2018, of Roubles 1,434.8 million (Roubles 0.73 per share), equivalent to \$22.9 million at the exchange rate on the date of declaration, were declared on 26 June 2019. These dividends were paid on 8 July 2019.

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## 14. Payables and Other Liabilities

*Trade and other payables*

	<u>30/06/2020</u> <u>\$'000</u>	<u>31/12/2019</u> <u>\$'000</u>
<b>Non-current liabilities</b>		
Liquidated damages for late delivery of vessels payable to charterer	16,213	16,905
	<u>16,213</u>	<u>16,905</u>
<b>Current liabilities</b>		
Trade payables	51,367	46,179
Other payables	35,175	38,776
Liquidated damages for late delivery of vessels payable to charterer	2,024	1,950
Amounts due to joint ventures	-	146
Dividends payable	5,928	9,970
Accrued liabilities	48,126	47,674
Interest payable	15,971	17,229
	<u>158,591</u>	<u>161,924</u>

*Other liabilities*

	<u>30/06/2020</u> <u>\$'000</u>	<u>31/12/2019</u> <u>\$'000</u>
<b>Non-current liabilities</b>		
Employee benefit obligations	4,297	646
Deferred lease revenue	2,904	3,017
	<u>7,201</u>	<u>3,663</u>
<b>Current liabilities</b>		
Deferred lease revenue	30,734	39,007
Employee benefit obligations	8,794	9,120
Non-income based taxes payable	22,546	24,392
	<u>62,074</u>	<u>72,519</u>

## 15. Secured Bank Loans

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

	<u>30/06/2020</u> <u>\$'000</u>	<u>31/12/2019</u> <u>\$'000</u>
Within twelve months after the end of the reporting period	490,069	378,955
Between one to two years	270,856	401,794
Between two to three years	292,196	293,355
Between three to four years	327,085	283,871
Between four to five years	334,308	297,051
More than five years	804,157	883,783
	<u>2,518,671</u>	<u>2,538,809</u>
Less current portion	(490,069)	(378,955)
Non-current balance	<u>2,028,602</u>	<u>2,159,854</u>

## 16. Other Loans

	<u>30/06/2020</u> <u>\$'000</u>	<u>31/12/2019</u> <u>\$'000</u>
\$900 million 5.375% Senior Notes due in 2023	894,676	893,792
Other loan from related party	4,991	6,628
	<u>899,667</u>	<u>900,420</u>
Less current portion	(3,327)	(3,314)
Non-current balance	<u>896,340</u>	<u>897,106</u>

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## 17. Leases

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

	Fleet \$'000	Land and buildings \$'000	Miscellaneous \$'000	Total right of use assets \$'000
<b>At 1 January 2019</b>	31,552	19,143	2,248	52,943
Lease modification	6,748	-	-	6,748
Additions in period	-	-	18	18
Depreciation charge for the period	(7,978)	(1,900)	(50)	(9,928)
Exchange differences	2,273	116	218	2,607
<b>At 30 June 2019</b>	<u>32,595</u>	<u>17,359</u>	<u>2,434</u>	<u>52,388</u>
<b>At 1 January 2020</b>	28,600	15,605	1,690	45,895
Lease modification	(2,372)	(14)	595	(1,791)
Additions in period	-	511	-	511
Depreciation charge for the period	(7,519)	(1,835)	(34)	(9,388)
Impairment provision in period	(18,746)	(111)	(789)	(19,646)
Exchange differences	37	(273)	(194)	(430)
<b>At 30 June 2020</b>	<u>-</u>	<u>13,883</u>	<u>1,268</u>	<u>15,151</u>

As at 30 June 2020, management carried out an assessment of whether there is any indication that right of use assets may have suffered an impairment loss in accordance with the Group's policy. Management concluded that the bareboat charter in respect of a chartered in seismic vessel, included in fleet above, forming part of the CGU disclosed in Note 6, had become onerous as a result of expiration of the license to operate the equipment on board the vessel, and consequently had been impaired. The impairment recognised in the period in relation to the fleet related right of use assets amounted to \$18.7 million. In addition, management concluded that right of use assets in relation to land and buildings and miscellaneous assets forming part of two separate CGUs, were also impaired based on fair value less cost to sell by \$0.1 million and based on value in use by \$0.8 million respectively.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30/06/2020 \$'000	30/06/2019 \$'000
<b>At 1 January</b>	60,300	69,403
Lease modification	(1,791)	6,748
Additions in the period	511	18
Accretion of interest	3,141	4,018
Payment of lease instalments	(10,397)	(12,959)
Exchange differences	(1,162)	777
<b>At 30 June</b>	<u>50,602</u>	<u>68,005</u>
<b>Less current portion</b>	<u>(16,356)</u>	<u>(20,520)</u>
<b>Non-current balance</b>	<u>34,246</u>	<u>47,485</u>

## 18. Financial Risk Management

(a) Categories of financial assets and financial liabilities

	30/06/2020 \$'000	31/12/2019 \$'000
<b>Cash and debt instruments at amortised cost</b>		
Trade and other receivables	112,103	109,444
Loans to joint ventures	50,928	62,145
Cash and bank deposits	710,748	417,186
<b>Financial assets at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	762	4,888
<b>Equity instruments at fair value through profit or loss</b>		
Investments in non-listed companies	361	480
<b>Total financial assets</b>	<u>874,902</u>	<u>594,143</u>
<b>Financial liabilities at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	96,863	48,893
<b>Financial liabilities at amortised cost</b>		
Secured bank loans	2,518,671	2,538,809
Other loans	899,667	900,420
Lease liabilities	50,602	60,300
Trade and other payables	174,804	178,829
<b>Total financial liabilities</b>	<u>3,740,607</u>	<u>3,727,251</u>



## PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020 (Continued)**  
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**18. 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 those with carrying amounts that are reasonable approximations of fair values:

	Carrying Value		Fair value hierarchy	Fair Value	
	30/06/2020 \$'000	31/12/2019 \$'000		30/06/2020 \$'000	31/12/2019 \$'000
<b>Financial assets</b>					
Loans to joint ventures	50,928	62,145	Level 2	50,879	61,891
<b>Total financial assets</b>	<u>50,928</u>	<u>62,145</u>		<u>50,879</u>	<u>61,891</u>
<b>Financial liabilities</b>					
Secured bank loans at fixed interest rates	704,925	739,620	Level 2	729,387	765,368
Secured bank loans at floating interest rates	1,813,746	1,799,189	Level 2	1,819,243	1,806,728
Other loans (Senior Notes due in 2023)	894,676	893,792	Level 1	964,125	964,125
Other loans	4,991	6,628	Level 2	5,081	6,777
<b>Total financial liabilities</b>	<u>3,418,338</u>	<u>3,439,229</u>		<u>3,517,836</u>	<u>3,542,998</u>

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 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 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, the Group's non-performance risk, 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 2020 and 31 December 2019 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
<b>At 30 June 2020</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	762	-	762
	<u>-</u>	<u>762</u>	<u>-</u>	<u>762</u>
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	96,863	-	96,863
	<u>-</u>	<u>96,863</u>	<u>-</u>	<u>96,863</u>
<b>At 31 December 2019</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	4,888	-	4,888
	<u>-</u>	<u>4,888</u>	<u>-</u>	<u>4,888</u>
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	48,893	-	48,893
	<u>-</u>	<u>48,893</u>	<u>-</u>	<u>48,893</u>

There were no transfers between Level 1 and 2 during the periods ended 30 June 2020 and 31 December 2019.

**19. 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.

## PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020 (Continued)**  
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**20. Related Party Transactions**

The ultimate controlling party of PAO Sovcomflot is the Russian Federation. Any transactions with Russian State controlled entities are disclosed as transactions with related parties.

There were no material related party transactions entered into during the financial reporting period which are not mentioned in any of the preceding notes. The Group's cross currency derivative financial instruments with a Russian State controlled financial institution are presented in Note 9 to these condensed consolidated interim financial statements.

Effective 1 January 2020, the Group introduced a long-term employee benefit plan for a selected number of seafarers and shore based personnel. The total duration of the plan is three years with remuneration payable in years 2023, 2024 and 2025. The plan is unfunded.

Under the plan, employees will be eligible to receive remuneration subject to the fulfilment of target key performance indicators ("KPIs") set as part of the Company's strategy (long-term development programme).

The calculation for the period ended 30 June 2020 is based on the assumption that the performance vs. set KPI targets achieved as of period end will be sustained over the entire plan evaluation period (2020-2023) and the recipient's continued employment with the Group, as stipulated by the plan regulation. Should this estimation be proven inaccurate and the target KPIs not met, reversal of charges may arise.

These benefits are accounted for as other long-term employee benefits and are included in payables and other liabilities (Note 14).

The charge to profit and the corresponding liability in respect of key management personnel is disclosed in the table below.

The following table provides the total amount of material 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 for the six months ended		Statement of Financial Position asset / (liability) as at	
	30/06/2020	30/06/2019	30/06/2020	31/12/2019
	\$'000	\$'000	\$'000	\$'000
<b><u>Transactions with Russian State controlled entities</u></b>				
Revenue <sup>1</sup>	(236,055)	(203,533)	(21,605)	(18,641)
Voyage expenses and commissions	13,316	13,439	(1,371)	(4,704)
Other operating revenues	(3,542)	(3,355)	(290)	(354)
Other operating expenses	-	1,991	-	(258)
Other loans	133	199	(4,999)	(6,640)
Secured bank loans	23,735	22,680	(682,633)	(714,910)
Lease liabilities	506	501	(8,166)	(7,864)
Receivables from shipyard (liquidated damages for late delivery of vessels)	(292)	(264)	6,297	6,005
Payables to charterer (liquidated damages for late delivery of vessels)	889	942	(18,237)	(18,855)
Cash at bank	(2,921)	(1,287)	253,165	217,896
<b><u>Transactions with Joint Ventures</u></b>				
Other operating revenues	(1,810)	(1,690)	606	(146)
Loans due from joint ventures	(849)	(1,356)	50,993	62,624
<b><u>Compensation of Key Management Personnel</u></b>				
Short-term benefits	4,650	4,420	(2,140)	(4,576)
Post-employment benefits	36	32	(4)	(3)
Long-term service benefits	608	980	(5,083)	(4,530)
	5,294	5,432	(7,227)	(9,109)

<sup>1</sup>Statement of Financial Position includes deferred lease revenues and contract liabilities

**21. Events After the Reporting Period**

Dividends for the financial year 2019, of Roubles 7,180.0 million (Roubles 3.65 per share), equivalent to \$96.8 million at the exchange rate on the date of declaration, were declared on 4 August 2020. These dividends were paid on 17 August 2020.

**22. Date of Issue**

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 26 August 2020.