

PAO SOVCOMFLOT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

PAO Sovcomflot

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Condensed Consolidated Income Statement
For the period ended 30 June 2015

	Note	Six months ended		Three months ended		Year ended
		30/06/2015	30/06/2014	30/06/2015	30/06/2014	2014
		\$'000	\$'000	\$'000	\$'000	\$'000
Freight and hire revenue		754,882	675,161	395,860	310,094	1,387,366
Voyage expenses and commissions		(137,315)	(184,480)	(67,808)	(89,975)	(343,390)
Time charter equivalent revenues		<u>617,567</u>	<u>490,681</u>	<u>328,052</u>	<u>220,119</u>	<u>1,043,976</u>
Direct operating expenses						
Vessels' running costs		171,824	168,883	87,983	82,660	349,116
Charter hire payments		26,562	18,565	19,279	11,551	52,675
		<u>(198,386)</u>	<u>(187,448)</u>	<u>(107,262)</u>	<u>(94,211)</u>	<u>(401,791)</u>
Net earnings from vessels' trading		419,181	303,233	220,790	125,908	642,185
Other operating revenues		10,115	16,056	5,261	8,183	31,907
Other operating expenses		(5,734)	(11,987)	(2,681)	(6,490)	(24,553)
Depreciation, amortisation and impairment		(149,388)	(143,742)	(72,881)	(70,349)	(321,533)
General and administrative expenses		(51,160)	(51,510)	(31,253)	(27,768)	(104,010)
Gain on sale of assets		8,151	10,564	8,151	6,217	9,904
Gain / (loss) on sale of investments		4,823	-	4,614	-	(356)
Release of allowance for credit losses		124	1,188	58	1,076	1,848
Provisions		-	(52)	-	-	(52)
Share of profits in equity accounted investments		7,825	4,700	2,531	1,167	12,874
Operating profit		<u>243,937</u>	<u>128,450</u>	<u>134,590</u>	<u>37,944</u>	<u>248,214</u>
Other (expenses) / income						
Financing costs		(69,769)	(70,714)	(35,554)	(34,980)	(138,325)
Interest income		8,681	8,052	4,367	4,110	16,672
Other non-operating income	17	40,559	32	14,226	32	3,402
Other non-operating expenses	17	(2,314)	(4,330)	(676)	(2,746)	(8,620)
Gain / (loss) on ineffective hedging instruments		341	110	374	(24)	442
Gain on derivative financial instruments held for trading		-	5,197	-	2,012	6,164
Foreign exchange differences		(597)	1,282	4,473	1,842	(36,970)
Net other expenses		<u>(23,099)</u>	<u>(60,371)</u>	<u>(12,790)</u>	<u>(29,754)</u>	<u>(157,235)</u>
Profit before income taxes		220,838	68,079	121,800	8,190	90,979
Income tax expense	15	(4,532)	(4,478)	(2,446)	(2,735)	(7,085)
Profit for the period		<u>216,306</u>	<u>63,601</u>	<u>119,354</u>	<u>5,455</u>	<u>83,894</u>
Profit attributable to:						
Owners of the parent		205,274	60,481	113,429	5,221	80,058
Non-controlling interests		11,032	3,120	5,925	234	3,836
		<u>216,306</u>	<u>63,601</u>	<u>119,354</u>	<u>5,455</u>	<u>83,894</u>
Earnings per share						
Basic earnings per share for the period attributable to equity holders of the parent		<u>\$0.104</u>	<u>\$0.031</u>	<u>\$0.058</u>	<u>\$0.003</u>	<u>\$0.041</u>

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

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Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2015

Note	Six months ended		Three months ended		Year ended
	30/06/2015 \$'000	30/06/2014 \$'000	30/06/2015 \$'000	30/06/2014 \$'000	2014 \$'000
Profit for the period	216,306	63,601	119,354	5,455	83,894
Other comprehensive income:					
Share of associates' other comprehensive income	3	(8)	6	11	(84)
Share of joint ventures' other comprehensive income	5 2,774	(405)	3,974	(1,104)	2,703
Exchange differences on translation of foreign operations	(2,288)	(2,332)	(1,599)	4,399	(27,954)
Reclassification adjustment relating to foreign investment disposed of during the period	1,834	-	1,834	-	-
Derivative financial instruments recycled and debited to the income statement	14,993	11,844	6,051	4,866	20,081
Fair value movement of derivative financial instruments (debited) / credited to other comprehensive income	(5,542)	(15,695)	12,487	(9,770)	(23,265)
Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	11,774	(6,596)	22,753	(1,598)	(28,519)
Remeasurement (losses) / gains on retirement benefit obligations	(167)	665	(150)	(108)	1,252
Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods	(167)	665	(150)	(108)	1,252
Total other comprehensive income for the period, net of tax	11,607	(5,931)	22,603	(1,706)	(27,267)
Total comprehensive income for the period	227,913	57,670	141,957	3,749	56,627
Total comprehensive income attributable to:					
Owners of the parent	216,630	54,738	135,752	2,945	55,819
Non-controlling interests	11,283	2,932	6,205	804	808
	227,913	57,670	141,957	3,749	56,627

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

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Condensed Consolidated Statement of Financial Position – 30 June 2015

	Note	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Assets				
Non-current assets				
Fleet	3	5,564,329	5,304,961	5,278,983
Vessels under construction	4	298,216	170,255	237,250
Other property, plant and equipment		70,505	85,283	74,646
Investment property		10,238	15,830	10,341
Other assets under construction		-	10,574	-
Investments in associates		116	1,053	118
Investments in joint ventures	5	90,028	74,975	82,430
Available-for-sale investments		1,012	1,012	1,012
Loans to joint ventures		57,493	65,232	59,942
Finance lease receivables	6	69,246	75,269	71,469
Derivative financial instruments		16,100	8,444	7,438
Trade and other receivables	7	17,337	17,669	17,363
Deferred tax assets		5,708	2,741	3,575
		<u>6,200,328</u>	<u>5,833,298</u>	<u>5,844,567</u>
Current assets				
Inventories		53,109	58,597	45,825
Loans to joint ventures		4,750	6,280	4,750
Derivative financial instruments		56	-	-
Trade and other receivables	7	206,318	156,809	161,351
Finance lease receivables	6	4,525	3,893	4,193
Current tax receivable		2,397	1,482	593
Cash and bank deposits	8	<u>333,143</u>	<u>301,147</u>	<u>284,516</u>
		604,298	528,208	501,228
Non-current assets held for sale	9	<u>63,253</u>	<u>27,681</u>	<u>93,163</u>
		<u>667,551</u>	<u>555,889</u>	<u>594,391</u>
Total assets		<u><u>6,867,879</u></u>	<u><u>6,389,187</u></u>	<u><u>6,438,958</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		<u>2,792,167</u>	<u>2,594,999</u>	<u>2,596,080</u>
Equity attributable to owners of the parent		<u>3,197,179</u>	<u>3,000,011</u>	<u>3,001,092</u>
Non-controlling interests		<u>166,317</u>	<u>158,513</u>	<u>156,389</u>
Total equity		<u><u>3,363,496</u></u>	<u><u>3,158,524</u></u>	<u><u>3,157,481</u></u>
Non-current liabilities				
Secured bank loans	12	1,755,820	1,591,623	1,587,956
Finance lease liabilities	13	178,837	188,614	183,810
Derivative financial instruments		34,110	40,899	37,808
Employee benefit obligations		12,540	6,243	3,390
Other loans	14	918,611	798,339	842,882
Provisions		1,009	5,140	3,244
Deferred tax liabilities		<u>3,773</u>	<u>4,014</u>	<u>1,258</u>
		<u>2,904,700</u>	<u>2,634,872</u>	<u>2,660,348</u>
Current liabilities				
Trade and other payables	11	213,794	189,087	190,507
Secured bank loans	12	348,241	371,749	394,652
Finance lease liabilities	13	9,777	9,159	9,481
Current tax payable		411	1,079	1,653
Derivative financial instruments		<u>27,460</u>	<u>24,717</u>	<u>24,836</u>
		<u>599,683</u>	<u>595,791</u>	<u>621,129</u>
Total equity and liabilities		<u><u>6,867,879</u></u>	<u><u>6,389,187</u></u>	<u><u>6,438,958</u></u>

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

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2015

	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 2014	405,012	818,845	(834,490)	(81,319)	(6,082)	2,652,261	2,954,227	157,045	3,111,272
Profit for the period	-	-	-	-	-	60,481	60,481	3,120	63,601
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(8)	-	(8)	-	(8)
Share of joint ventures' other comprehensive income	-	-	-	(405)	-	-	(405)	-	(405)
Exchange differences on translation of foreign operations	-	-	-	-	(2,073)	-	(2,073)	(259)	(2,332)
Derivative financial instruments recycled and debited to the income statement	-	-	-	11,844	-	-	11,844	-	11,844
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(15,695)	-	-	(15,695)	-	(15,695)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	594	594	71	665
Total comprehensive income	-	-	-	(4,256)	(2,081)	61,075	54,738	2,932	57,670
Dividends (Note 10)	-	-	-	-	-	(8,954)	(8,954)	(1,464)	(10,418)
At 30 June 2014	405,012	818,845	(834,490)	(85,575)	(8,163)	2,704,382	3,000,011	158,513	3,158,524
Profit for the period	-	-	-	-	-	19,577	19,577	716	20,293
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(76)	-	(76)	-	(76)
Share of joint ventures' other comprehensive income	-	-	-	3,108	-	-	3,108	-	3,108
Exchange differences on translation of foreign operations	-	-	-	-	(22,719)	-	(22,719)	(2,903)	(25,622)
Derivative financial instruments recycled and debited to the income statement	-	-	-	8,237	-	-	8,237	-	8,237
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(7,570)	-	-	(7,570)	-	(7,570)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	524	524	63	587
Total comprehensive income	-	-	-	3,775	(22,795)	20,101	1,081	(2,124)	(1,043)
At 31 December 2014	405,012	818,845	(834,490)	(81,800)	(30,958)	2,724,483	3,001,092	156,389	3,157,481
Profit for the period	-	-	-	-	-	205,274	205,274	11,032	216,306
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	3	-	3	-	3
Share of joint ventures' other comprehensive income	-	-	-	2,774	-	-	2,774	-	2,774
Exchange differences on translation of foreign operations	-	-	-	-	(2,457)	-	(2,457)	169	(2,288)
Reclassification adjustment relating to foreign investment disposed of during the period	-	-	-	-	1,734	-	1,734	100	1,834
Derivative financial instruments recycled and debited to the income statement	-	-	-	14,993	-	-	14,993	-	14,993
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(5,542)	-	-	(5,542)	-	(5,542)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(149)	(149)	(18)	(167)
Total comprehensive income	-	-	-	12,225	(720)	205,125	216,630	11,283	227,913
Dividends (Note 10)	-	-	-	-	-	(20,543)	(20,543)	(1,355)	(21,898)
At 30 June 2015	405,012	818,845	(834,490)	(69,575)	(31,678)	2,909,065	3,197,179	166,317	3,363,496

Notes

Hedging reserve: The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date of the Group including its joint arrangements and associates.

Currency reserve: The currency reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries, joint arrangements and associates.

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

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Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2015

	Note	Six months ended		Year ended
		30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Operating Activities				
Cash received from freight and hire of vessels		705,040	670,124	1,372,592
Other cash receipts		52,756	20,317	44,556
Cash payments for voyage and running costs		(331,296)	(400,672)	(749,611)
Other cash payments		(62,881)	(80,338)	(168,633)
Cash generated from operations		363,619	209,431	498,904
Interest received		1,824	1,235	2,455
Income tax paid		(7,149)	(3,541)	(10,259)
Net cash inflow from operating activities		358,294	207,125	491,100
Investing Activities				
Expenditure on fleet		(17,178)	(12,901)	(26,888)
Expenditure on vessels under construction		(469,322)	(225,504)	(492,434)
Expenditure on assets held for sale		-	(419)	(419)
Interest capitalised		(2,952)	(3,345)	(6,945)
Expenditure on other property, plant and equipment		(542)	(2,375)	(3,971)
Loan repayments from joint ventures		2,628	-	7,030
Loans issued to joint ventures		-	(1,020)	(1,020)
Proceeds from sale of investments net of cash disposed		7,532	-	-
Proceeds from sale of vessels		34,316	113,619	123,298
Proceeds from sale of other property, plant and equipment		8,485	6,829	8,711
Capital element received on finance leases		1,988	2,038	4,108
Interest received on finance leases		6,868	9,314	17,593
Dividends received from joint ventures	5	-	600	2,531
Bank term deposits	8	1,442	1,238	391
Other receipts		-	285	285
Net cash outflow used in investing activities		(426,735)	(111,641)	(367,730)
Financing Activities				
Proceeds from borrowings		408,722	193,150	425,634
Repayment of borrowings		(214,120)	(190,745)	(361,824)
Financing costs		(4,297)	(4,381)	(7,269)
Repayment of finance lease liabilities		(4,796)	(4,492)	(9,098)
Restricted deposits	8	(624)	(1,400)	(4,215)
Funds in retention bank accounts	8	(4,797)	1,275	(2,062)
Interest paid on borrowings		(57,558)	(60,158)	(116,643)
Interest paid on finance leases		(6,323)	(6,628)	(13,141)
Dividends paid		(1,315)	(1,412)	(10,192)
Net cash inflow / (outflow) from financing activities		114,892	(74,791)	(98,810)
Increase in Cash and Cash Equivalents		46,451	20,693	24,560
Cash and Cash Equivalents at 1 January	8	253,840	256,750	256,750
Net foreign exchange difference		(1,803)	27	(27,470)
Cash and Cash Equivalents at 30 June / 31 December	8	298,488	277,470	253,840

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

PAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 June 2015

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 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 130 vessels at the period end, comprising 113 tankers, 2 chartered in seismic vessels, 8 gas carriers, 3 bulk carriers and 4 ice breaking supply vessels. For major changes in the period in relation to the fleet see also Notes 3, 4 and 9. In addition the Group through its subsidiaries owns 9 escort tug vessels which have been chartered out on bareboat charter to a former associate undertaking (see Note 6).

Statement of compliance

The condensed consolidated 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 2014.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature of each new standard or amendment is described below. Although these new standards and amendments apply for the first time in 2015, they do not have an impact on the condensed consolidated financial statements of the Group.

IAS 19 (“Employee Benefits”) - These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment is not relevant to the Group, since none of the entities of the Group have defined benefit plans with contributions from employees or third parties.

Annual Improvements to IFRSs 2010–2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in the current period. None of these amendments however impact the Group. They include:

- IFRS 2 “Share-Based Payment” – “Definition of vesting condition”;
- IFRS 3 “Business Combinations” – “Accounting for contingent consideration in a business combination”;
- IFRS 8 “Operating Segments” – “Aggregation of operating segments”;
- IFRS 8 “Operating Segments” – “Reconciliation of the total of the reportable segments’ assets to the entity’s assets”;
- IFRS 13 “Fair Value Measurement: Short-term receivables and payables”;
- IAS 16 “Property, Plant and Equipment” – “Revaluation method—proportionate restatement of accumulated depreciation”;
- IAS 24 “Related Party Disclosures” – “Key management personnel”; and
- IAS 38 “Intangible Assets” – “Revaluation method – proportionate restatement of accumulated amortisation”.

Annual Improvements to IFRSs 2011–2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in the current period. None of these amendments however impact the Group. They include:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” – “Meaning of ‘effective IFRSs’”;
- IFRS 3 “Business Combinations” – “Scope exceptions for joint ventures”;
- IFRS 13 “Fair Value Measurement” – “Scope of paragraph 52 (portfolio exception)”; and
- IAS 40 “Investment Property” – “Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property”.

Seasonality of Operations

Although some of the Group’s operations may sometimes be affected by seasonal factors such as general weather conditions, management does not feel this has a material effect on the performance of the Group when comparing the interim results to those achieved in the second half of the previous year.

Changes in estimates

The preparation of the condensed consolidated 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 2014.

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Notes to the Condensed Consolidated Financial Statements – 30 June 2015
(Continued)

2. 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 2015

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	361,773	172,961	63,849	115,214	41,085	754,882
Voyage expenses and commissions	(81,259)	(46,340)	(295)	(842)	(8,579)	(137,315)
Time charter equivalent revenues	280,514	126,621	63,554	114,372	32,506	617,567
Direct operating expenses						
Vessels' running costs	(78,673)	(49,746)	(9,896)	(23,262)	(10,247)	(171,824)
Charter hire payments	-	-	-	-	(26,562)	(26,562)
Net earnings from vessels' trading	201,841	76,875	53,658	91,110	(4,303)	419,181
Vessels' depreciation	(56,155)	(22,807)	(11,976)	(28,614)	(1,424)	(120,976)
Vessels' drydock cost amortisation	(9,605)	(3,340)	(2,233)	(2,508)	(460)	(18,146)
Vessels' impairment provision (net)	-	(5,367)	-	-	(1,934)	(7,301)
Loss on sale of vessels	-	(206)	-	-	-	(206)
Foreign exchange differences	-	1,089	-	(645)	3,095	3,539
Segment operating profit / (loss)	136,081	46,244	39,449	59,343	(5,026)	276,091
Unallocated						
General and administrative expenses						(51,160)
Financing costs						(69,769)
Other income and expenses						69,812
Foreign exchange differences						(4,136)
Profit before income taxes						220,838
Carrying amount of fleet in operation	2,382,464	965,772	990,311	1,151,494	74,288	5,564,329
Carrying amount of non-current assets held for sale	-	57,503	-	-	5,750	63,253
Deadweight tonnage of fleet used in operations ('000)	7,811	2,062	471	1,196	228	11,768

Period ended 30 June 2014

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	335,070	163,624	39,844	110,191	26,432	675,161
Voyage expenses and commissions	(114,155)	(61,933)	(1,596)	(423)	(6,373)	(184,480)
Time charter equivalent revenues	220,915	101,691	38,248	109,768	20,059	490,681
Direct operating expenses						
Vessels' running costs	(70,902)	(58,190)	(8,378)	(22,219)	(9,194)	(168,883)
Charter hire payments	-	-	-	-	(18,565)	(18,565)
Net earnings from vessels' trading	150,013	43,501	29,870	87,549	(7,700)	303,233
Vessels' depreciation	(53,886)	(26,023)	(5,610)	(28,156)	(1,809)	(115,484)
Vessels' drydock cost amortisation	(9,300)	(5,437)	(1,435)	(2,448)	(659)	(19,279)
Vessels' impairment provision (net)	-	(4,633)	-	-	-	(4,633)
Gain / (loss) on sale of vessels	4,737	(211)	(33)	-	-	4,493
Foreign exchange differences	-	(19)	-	(219)	14	(224)
Segment operating profit / (loss)	91,564	7,178	22,792	56,726	(10,154)	168,106
Unallocated						
General and administrative expenses						(51,510)
Financing costs						(70,714)
Other income and expenses						20,691
Foreign exchange differences						1,506
Profit before income taxes						68,079
Carrying amount of fleet in operation	2,492,223	1,114,489	398,459	1,207,093	92,697	5,304,961
Carrying amount of non-current assets held for sale	-	27,681	-	-	-	27,681
Deadweight tonnage of fleet used in operations ('000)	7,811	2,145	232	1,196	228	11,612

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3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2014	6,671,203	155,838	6,827,041
Expenditure in period	1,614	10,190	11,804
Transfer from vessels under construction (Note 4)	296,708	6,470	303,178
Transfer to non-current assets held for sale (Note 9)	(29,446)	(1,086)	(30,532)
Disposals in period	(89,082)	(2,636)	(91,718)
Write-off of fully amortised drydock cost	-	(10,430)	(10,430)
At 30 June 2014	6,850,997	158,346	7,009,343
Expenditure in period	2,217	13,101	15,318
Transfer from vessels under construction (Note 4)	203,790	4,000	207,790
Transfer to non-current assets held for sale (Note 9)	(244,153)	(6,169)	(250,322)
Write-off of fully amortised drydock cost	-	(9,624)	(9,624)
At 31 December 2014	6,812,851	159,654	6,972,505
Expenditure in period	583	14,951	15,534
Transfer from vessels under construction (Note 4)	408,618	8,000	416,618
Transfer to non-current assets held for sale (Note 9)	(18,864)	(1,602)	(20,466)
Write-off of fully amortised drydock cost	-	(16,513)	(16,513)
At 30 June 2015	<u>7,203,188</u>	<u>164,490</u>	<u>7,367,678</u>
Depreciation, amortisation and impairment			
At 1 January 2014	1,555,334	65,557	1,620,891
Charge for the period	115,484	19,279	134,763
Impairment provision	1,456	-	1,456
Transfer to non-current assets held for sale (Note 9)	(14,346)	(346)	(14,692)
Eliminated on disposal	(25,448)	(2,158)	(27,606)
Write-off of fully amortised drydock cost	-	(10,430)	(10,430)
At 30 June 2014	1,632,480	71,902	1,704,382
Charge for the period	116,477	20,514	136,991
Impairment provision	28,798	-	28,798
Transfer to non-current assets held for sale (Note 9)	(162,605)	(4,420)	(167,025)
Write-off of fully amortised drydock cost	-	(9,624)	(9,624)
At 31 December 2014	1,615,150	78,372	1,693,522
Charge for the period	120,976	18,146	139,122
Impairment provision	1,496	-	1,496
Transfer to non-current assets held for sale (Note 9)	(12,788)	(1,490)	(14,278)
Write-off of fully amortised drydock cost	-	(16,513)	(16,513)
At 30 June 2015	<u>1,724,834</u>	<u>78,515</u>	<u>1,803,349</u>
Net book value			
At 30 June 2015	<u>5,478,354</u>	<u>85,975</u>	<u>5,564,329</u>
At 30 June 2014	<u>5,218,517</u>	<u>86,444</u>	<u>5,304,961</u>
At 31 December 2014	<u>5,197,701</u>	<u>81,282</u>	<u>5,278,983</u>
	30/06/2015	30/06/2014	31/12/2014
Market value (\$'000)	<u>5,141,750</u>	<u>4,688,167</u>	<u>4,777,500</u>
Current insured values (\$'000)	<u>5,887,869</u>	<u>5,789,872</u>	<u>5,856,922</u>
Total deadweight tonnage (dwt)	<u>11,508,546</u>	<u>11,582,213</u>	<u>11,390,550</u>

Included in the Group's fleet are 2 vessels (2014 – 2) held under finance leases with an aggregate carrying value as at 30 June 2015 of \$197.8 million (31 December 2014 – \$199.9 million).

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4. Vessels Under Construction

	<u>30/06/2015</u> <u>\$'000</u>	<u>30/06/2014</u> <u>\$'000</u>	<u>31/12/2014</u> <u>\$'000</u>
At 1 January	237,250	244,584	244,584
Expenditure in period	477,584	228,849	503,634
Transfer to fleet (Note 3)	(416,618)	(303,178)	(510,968)
At 30 June / 31 December	<u>298,216</u>	<u>170,255</u>	<u>237,250</u>
Total deadweight tonnage (dwt)	<u>233,800</u>	<u>391,900</u>	<u>423,200</u>

Vessels delivered during the period comprised the following:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
SCF Melampus	LNG carrier	Gas	93,508	3 January 2015
SCF Mitre	LNG carrier	Gas	93,586	23 April 2015

Vessels under construction at 30 June 2015 comprised one ice breaking LNG carrier, one multifunctional ice breaking ("MIB") supply vessel, three MIB standby vessels and three Arctic shuttle tankers scheduled for delivery between June 2016 and April 2017 at a total contracted cost to the Group of \$1,279.0 million. As at 30 June 2015, \$282.5 million of the contracted costs had been paid for.

5. Joint Ventures

Investments in joint ventures are analysed as follows:

	<u>30/06/2015</u> <u>\$'000</u>	<u>30/06/2014</u> <u>\$'000</u>	<u>31/12/2014</u> <u>\$'000</u>
At 1 January	82,430	72,507	72,507
Share of profits in joint ventures	7,809	4,687	12,861
Share of joint ventures' other comprehensive income	2,774	(405)	2,703
Dividends receivable	(750)	(600)	(2,531)
Release of provision for share in net liabilities of joint ventures	(2,235)	(1,214)	(3,110)
At 30 June / 31 December	<u>90,028</u>	<u>74,975</u>	<u>82,430</u>

6. Finance Lease Receivables

	<u>30/06/2015</u> <u>\$'000</u>	<u>30/06/2014</u> <u>\$'000</u>	<u>31/12/2014</u> <u>\$'000</u>
Gross finance lease receivable			
At 1 January	85,518	89,136	89,136
Finance lease interest receivable	6,305	6,581	13,137
Finance lease instalments received	(8,308)	(8,308)	(16,755)
At 30 June / 31 December	<u>83,515</u>	<u>87,409</u>	<u>85,518</u>
Allowance for credit losses			
At 1 January	(9,856)	(6,572)	(6,572)
Release of / (allowance for) credit losses	112	(1,675)	(3,284)
At 30 June / 31 December	<u>(9,744)</u>	<u>(8,247)</u>	<u>(9,856)</u>
Receivable net of provision	73,771	79,162	75,662
Less current finance lease receivables (current assets)	(4,525)	(3,893)	(4,193)
Non-current finance lease receivables (non-current assets)	<u>69,246</u>	<u>75,269</u>	<u>71,469</u>

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7. Trade and Other Receivables

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Non-current assets			
Other receivables	153	486	180
Security deposits	17,184	17,183	17,183
	<u>17,337</u>	<u>17,669</u>	<u>17,363</u>
Current assets			
Amounts due from charterers	101,833	65,509	82,272
Allowance for credit losses	(4,253)	(4,300)	(4,214)
	<u>97,580</u>	<u>61,209</u>	<u>78,058</u>
Casualty and other claims	6,538	1,610	3,887
Agents' balances	2,804	5,020	4,807
Other receivables	22,345	25,434	24,736
Amounts due from joint ventures	1,019	947	280
Security deposits	6,123	9,789	6,060
Amounts due from lessee for finance leases	1,377	1,710	1,869
Receivables under High Court judgement award	2,708	2,708	2,708
Prepayments	19,348	18,165	17,315
Voyages in progress	27,419	17,025	16,601
Accrued income	19,057	13,192	5,030
	<u>206,318</u>	<u>156,809</u>	<u>161,351</u>

8. Cash and Bank Deposits

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Cash and bank deposits	333,143	301,147	284,516
Bank deposits accessible on maturity	-	(595)	(1,442)
Retention accounts	(21,716)	(13,582)	(16,919)
Restricted deposits	(12,939)	(9,500)	(12,315)
Cash and cash equivalents	<u>298,488</u>	<u>277,470</u>	<u>253,840</u>

9. Non-Current Assets Held for Sale

	Building \$'000	Fleet \$'000	Total \$'000
At 1 January 2014	15,792	58,460	74,252
Transfer from fleet (Note 3)	-	15,840	15,840
Expenditure in period	-	419	419
Impairment provision	-	(4,000)	(4,000)
Reversal of impairment provision	-	823	823
Exchange adjustment	(777)	-	(777)
Disposals in period	(15,015)	(43,861)	(58,876)
At 30 June 2014	-	27,681	27,681
Transfer from fleet (Note 3)	-	83,297	83,297
Impairment provision	-	(8,504)	(8,504)
Disposals in period	-	(9,311)	(9,311)
At 31 December 2014	-	93,163	93,163
Transfer from fleet (Note 3)	-	6,188	6,188
Impairment provision	-	(6,955)	(6,955)
Reversal of impairment provision	-	1,150	1,150
Disposals in period	-	(30,293)	(30,293)
At 30 June 2015	-	63,253	63,253

As at 31 December 2014, non-current assets held for sale, comprised five chemical oil product tankers, two asphalt chemical tankers and four MR product tankers.

During the period ended 30 June 2015 the Group disposed of two chemical oil product tankers and one MR product tanker held for sale at 31 December 2014. It also entered into an agreement for the sale of one chemical oil product tanker.

In addition, during the period ended 30 June 2015 the Group classified one of its bulk carriers as held for sale. The vessel is actively marketed for sale at a price approximate to its fair value.

10. Dividends

Dividends of Rouble 0.57 per share totalling Roubles 1,126.0 million, equivalent to \$20.5 million were declared on 29 June 2015 and paid on 13 July 2015 (2014 – 0.15 Rouble per share totalling Roubles 300.0 million, equivalent to \$9.0 million).

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(Continued)

11. Trade and Other Payables

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Trade payables	68,541	58,146	61,924
Other payables	50,197	43,035	44,441
Dividends payable	21,508	10,918	1,235
Accrued liabilities	33,537	41,985	41,763
Deferred income	18,639	19,594	24,072
Accrued interest	21,372	15,409	17,072
	<u>213,794</u>	<u>189,087</u>	<u>190,507</u>

12. Secured Bank Loans

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

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Repayable			
- within twelve months after the end of the reporting period	348,241	371,749	394,652
- between one to two years	306,682	347,741	297,782
- between two to three years	251,282	244,130	242,370
- between three to four years	211,889	220,048	240,886
- between four to five years	275,727	150,613	270,927
- more than five years	710,240	629,091	535,991
	<u>2,104,061</u>	<u>1,963,372</u>	<u>1,982,608</u>
Less current portion (current liabilities)	(348,241)	(371,749)	(394,652)
Long-term balance (non-current liabilities)	<u>1,755,820</u>	<u>1,591,623</u>	<u>1,587,956</u>

13. Finance Lease Liabilities

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Repayable			
- within twelve months after the end of the reporting period	9,777	9,159	9,481
- between one to two years	10,506	9,777	10,120
- between two to three years	168,331	10,506	173,690
- between three to four years	-	168,331	-
	<u>188,614</u>	<u>197,773</u>	<u>193,291</u>
Less current portion (current liabilities)	(9,777)	(9,159)	(9,481)
Long-term balance (non-current liabilities)	<u>178,837</u>	<u>188,614</u>	<u>183,810</u>

14. Other Loans

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
5.375% Senior Notes	798,838	798,339	798,591
Other loans from related party	119,773	-	44,291
	<u>918,611</u>	<u>798,339</u>	<u>842,882</u>

15. Income taxes

	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Russian Federation profit tax	3,786	3,740	9,565
Overseas income tax expense	416	188	565
Current income tax expense	4,202	3,928	10,130
Deferred tax	330	550	(3,045)
Total income tax expense	<u>4,532</u>	<u>4,478</u>	<u>7,085</u>

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16. Financial Risk Management

(a) Categories of financial assets and financial liabilities

	30/06/2015 \$'000	31/12/2014 \$'000
Financial assets		
Derivative financial instruments in designated hedge accounting relationships	16,156	7,438
Cash and bank deposits (Note 8)	333,143	284,516
Available-for-sale investments	1,012	1,012
Loans and other receivables	168,642	136,874
Loans to joint ventures	62,243	64,692
Finance lease receivables (Note 6)	73,771	75,662
Total financial assets	<u>654,967</u>	<u>570,194</u>
Financial liabilities		
Derivative financial instruments in designated hedge accounting relationships	61,570	62,644
Secured bank loans (Note 12)	2,104,061	1,982,608
Finance lease liabilities (Note 13)	188,614	193,291
Other loans (Note 14)	918,611	842,882
Other liabilities measured at amortised cost	181,404	156,670
Total financial liabilities	<u>3,454,260</u>	<u>3,238,095</u>

(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	
	30/06/2015 \$'000	31/12/2014 \$'000	30/06/2015 \$'000	31/12/2014 \$'000
Financial assets				
Loans to joint ventures	62,243	64,692	59,948	61,347
Finance lease receivables	73,771	75,662	73,771	75,662
Total financial assets	<u>136,014</u>	<u>140,354</u>	<u>133,719</u>	<u>137,009</u>
Financial liabilities				
Secured bank loans at fixed interest rates	129,921	144,091	131,195	145,658
Secured bank loans at floating interest rates	1,974,140	1,838,517	1,982,223	1,826,076
Other loans	918,611	842,882	955,228	716,778
Finance lease liabilities	188,614	193,291	184,698	183,508
Total financial liabilities	<u>3,211,286</u>	<u>3,018,781</u>	<u>3,253,344</u>	<u>2,872,020</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 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, are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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 2015 and 31 December 2014 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

At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	16,156	-	16,156
	-	16,156	-	16,156
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	61,570	-	61,570
	-	61,570	-	61,570

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16. Financial Risk Management (Continued)

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

Recurring fair value measurements recognised in the statement of financial position (continued)

At 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	7,438	-	7,438
	-	7,438	-	7,438
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	62,644	-	62,644
	-	62,644	-	62,644

There were no transfers between Level 1 and 2 during the periods ended 30 June 2015 and 31 December 2014.

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

At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Non-current assets held for sale	-	63,253	-	63,253
	-	63,253	-	63,253
At 31 December 2014				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Fleet	-	7,920	-	7,920
Non-current assets held for sale	-	93,163	-	93,163
	-	101,083	-	101,083

Assets and liabilities not measured at fair values for which fair values are disclosed

At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Loans to joint ventures	-	59,948	-	59,948
Finance lease receivables	-	73,771	-	73,771
	-	133,719	-	133,719
Liabilities				
Secured bank loans at fixed interest rates	-	131,195	-	131,195
Secured bank loans at floating interest rates	-	1,982,223	-	1,982,223
Other loans	774,320	180,908	-	955,228
Finance lease liabilities	-	184,698	-	184,698
	774,320	2,479,024	-	3,253,344
At 31 December 2014				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Loans to joint ventures	-	61,347	-	61,347
Finance lease receivables	-	75,662	-	75,662
	-	137,009	-	137,009
Liabilities				
Secured bank loans at fixed interest rates	-	145,658	-	145,658
Secured bank loans at floating interest rates	-	1,826,076	-	1,826,076
Other loans	648,520	68,258	-	716,778
Finance lease liabilities	-	183,508	-	183,508
	648,520	2,223,500	-	2,872,020

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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17. Contingent Assets and Liabilities

On 13 March 2015 the Group received \$25.6 million from one of the defendants in the Novoship (UK) Ltd claims, who has not appealed, as partial recovery under the December 2012 judgment. On 15 April 2015 the High Court in London construed a settlement agreement concluded with this defendant in September 2013 so that it restricts the Group's ability to recover more than the settlement sum of \$40.0 million. On 21 April 2015 the Group received a further \$15.0 million from this defendant, following the judgment of 15 April 2015. The Group is seeking leave to appeal that judgment.

In relation to the Novoship (UK) Ltd claims which received judgment in December 2012, in prior periods the Group provided security of \$4.0 million in Court to fortify cross-undertakings in damages in respect of \$90.0 million of security provided by the defendants during the claim. The defendants indicated an intention to pursue a claim in damages and as a result the Group may face liability of up to or in excess of the \$4.0 million secured. No claim has yet been filed.

On 12 December 2014 some of the defendants in the 2010 London proceeding served their Points of Claim in respect of recovery of damages caused by the freezing orders made against them in the course of the London proceedings. They have subsequently been given permission to amend their Points of Claim increasing the primary claim from \$224.6 million to \$387.6 million. The trial of this claim has been fixed to commence on 4 July 2016. Management is of the opinion that the defendants will more likely than not fail in their claim against the Group. The Group will defend its position vigorously. Accordingly, no provision has been made.

A total amount of \$2.3 million (2014 – \$8.6 million), relating to legal costs and provisions for the costs of certain of the defendants in the unsuccessful claims, has been expensed in the income statement and is included in the line other non-operating expenses.

18. Related Party Transactions

The Group enters into related party transactions with other Russian State owned and State controlled organisations in the normal course of business. There were no new, other than the below, related party transactions than the ones presented in the audited consolidated financial statements of the Group for the period ended 31 December 2014.

During the period ended 30 June 2015 the Group drew down, from available credit facilities granted by a related party as disclosed in Note 14, an amount of \$71.9 million to finance the shipyard instalments of three Arctic shuttle tankers under construction (Note 4).

In addition during the period ended 30 June 2015 the Group introduced a long-term incentive plan for a selected number of shore based employees and seafarers. The charge to profit in respect of key management personnel is disclosed in the table below.

The following table provides the total amount of 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)		
	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000	30/06/2015 \$'000	30/06/2014 \$'000	31/12/2014 \$'000
Transactions with Russian State owned entities						
Freight and hire of vessels	(100,937)	(48,800)	(124,241)	23,663	1,742	1,368
Other loans	-	-	-	(122,329)	-	(45,252)
Finance leases payable	6,272	6,576	13,109	(188,614)	(197,773)	(193,291)
Cash at bank	(1,554)	(673)	(1,426)	64,683	43,329	50,742
Disposal of associate ¹	(5,402)	-	-	-	-	-
Transactions with Associates¹						
Finance leases receivable	(6,308)	(6,607)	(13,140)	84,892	89,119	87,442
Allowance for credit losses on finance lease receivables	(166)	(1,390)	(1,836)	(9,744)	(8,247)	(9,911)
Rental of investment property	(74)	(234)	(437)	1	50	31
Transactions with Joint Ventures						
Freight and hire of vessel	(4,485)	(4,485)	(9,045)	-	-	-
Other operating revenues (Management fees, accounting and treasury fees)	(1,610)	(1,612)	(3,541)	268	896	249
Loans due from joint ventures	(513)	(534)	(1,066)	64,184	72,796	66,299
Transactions with Key Management Personnel						
Employee benefit obligations	4,653	-	-	(4,653)	-	-

¹ The associate was disposed of in June 2015

19. Events After the Reporting Period

On 2 July 2015, the Group delivered to her new owner one of the chemical oil product tankers classified as held for sale as at 30 June 2015.

On 9 July 2015, the Group signed a supplemental agreement, with existing lenders, to extend the maturity of a loan with a balance of \$31.5 million as at 30 June 2015, currently maturing in August 2015.

On 13 July 2015, dividends of 0.57 Rouble per share (totalling Roubles 1,126.0 million, equivalent to \$20.5 million) were paid.

In July and August 2015 the Group signed agreements for the sale of two asphalt chemical tankers and three MR product tankers classified as held for sale as at 30 June 2015, and one Suezmax crude oil carrier. One of the two asphalt chemical tankers and the Suezmax crude oil carrier were delivered to their new owners on 3 August 2015 and 26 August 2015 respectively. The remaining vessels are expected to be delivered to their new owners by the middle of September 2015.

On 4 August 2015, the Group drew down \$14.4 million from the available credit facility granted by a related party to finance the third shipyard instalment of one of the Arctic shuttle tankers under construction (Note 4).

On 14 August 2015, the Group entered into a new bank term loan and revolving loan facility of a total of \$100.0 million with two financial institutions, maturing in seven years. The Group has not made any drawdown up to the date of these financial statements.

20. Date of Issue

These condensed consolidated financial statements were approved by the Executive Board and authorised for issue on 27 August 2015.