

PAO SOVCOMFLOT

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

31 March 2020

PAO Sovcomflot

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Consolidated Income Statement
For the period ended 31 March 2020
(unaudited)

	Note	Three months ended (unaudited)	
		31/03/2020 \$'000	31/03/2019 \$'000
Revenue	2	493,299	410,732
Voyage expenses and commissions		(103,840)	(99,408)
Time charter equivalent revenues	2	<u>389,459</u>	<u>311,324</u>
Direct operating expenses			
Vessels' running costs		84,044	84,429
		<u>(84,044)</u>	<u>(84,429)</u>
Net earnings from vessels' trading		305,415	226,895
Other operating revenues		5,095	6,513
Other operating expenses		(3,017)	(5,367)
Depreciation, amortisation and impairment		(99,626)	(96,366)
General and administrative expenses		(24,207)	(25,650)
Loss on sale of non-current assets		(413)	-
Allowance for credit losses		(490)	251
Share of profits in equity accounted investments		7,172	5,345
Operating profit		<u>189,929</u>	<u>111,621</u>
Other (expenses) / income			
Financing costs		(49,895)	(51,654)
Interest income		2,887	3,032
Other non-operating expenses		(360)	(523)
Gain / (loss) on hedge ineffectiveness		106	(394)
Gain on derecognition of dividend liability		-	2,843
Foreign exchange gains		10,036	13,686
Foreign exchange losses		(28,561)	(4,552)
Net other expenses		<u>(65,787)</u>	<u>(37,562)</u>
Profit before income taxes		124,142	74,059
Income tax expense	4	(8,075)	(4,005)
Profit for the period		<u>116,067</u>	<u>70,054</u>
Profit attributable to:			
Owners of the parent		113,171	68,878
Non-controlling interests		2,896	1,176
		<u>116,067</u>	<u>70,054</u>
Earnings per share			
Basic and diluted profit per share for the period attributable to owners of the parent		<u>\$0.058</u>	<u>\$0.035</u>

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Consolidated Statement of Comprehensive Income
For the period ended 31 March 2020
(unaudited)

	Note	Three months ended (unaudited)	
		31/03/2020 \$'000	31/03/2019 \$'000
Profit for the period		116,067	70,054
Other comprehensive income:			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Share of associates' other comprehensive income		(25)	7
Share of joint ventures' other comprehensive income	7	(3,818)	898
Exchange loss on translation from functional currency to presentation currency		(7,449)	(3,241)
Net loss on derivative financial instruments debited to other comprehensive income	8	(46,679)	(12,674)
		<u>(57,971)</u>	<u>(15,010)</u>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains on retirement benefit obligations		104	-
		<u>104</u>	<u>-</u>
Other comprehensive income for the period, net of tax		<u>(57,867)</u>	<u>(15,010)</u>
Total comprehensive income for the period		<u>58,200</u>	<u>55,044</u>
Total comprehensive income attributable to:			
Owners of the parent		55,214	53,916
Non-controlling interests		2,986	1,128
		<u>58,200</u>	<u>55,044</u>

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

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Consolidated Statement of Financial Position – 31 March 2020
(unaudited)

	Note	31/03/2020 (unaudited) \$'000	31/12/2019 \$'000
Assets			
Non-current assets			
Fleet	5	6,218,370	6,121,734
Right of use assets	16	38,259	45,895
Vessels under construction	6	141,489	179,579
Intangible assets		5,467	5,891
Other property, plant and equipment		40,010	41,366
Investment property		3,600	4,435
Investments in associates		100	105
Investments in joint ventures	7	155,568	152,255
Equity instruments at fair value through profit or loss		630	480
Loans to joint ventures		50,270	50,341
Derivative financial instruments	8	-	4,718
Trade and other receivables	9	8,849	8,705
Deferred tax assets		5,208	5,250
Bank deposits	10	15,500	15,500
		<u>6,683,320</u>	<u>6,636,254</u>
Current assets			
Inventories		49,953	53,749
Loans to joint ventures		2,479	11,804
Derivative financial instruments	8	17	170
Trade and other receivables	9	89,833	100,739
Prepayments and other current assets	9	17,226	15,280
Contract assets		28,391	41,605
Current tax receivable		3,039	5,592
Bank deposits	10	27,023	26,865
Cash and cash equivalents	10	533,989	374,821
		<u>751,950</u>	<u>630,625</u>
Non-current assets held for sale	11	32,226	69,061
		<u>784,176</u>	<u>699,686</u>
Total assets		<u><u>7,467,496</u></u>	<u><u>7,335,940</u></u>
Equity and liabilities			
Capital and reserves			
Share capital		405,012	405,012
Reserves		3,023,074	2,967,860
Equity attributable to owners of the parent		<u>3,428,086</u>	<u>3,372,872</u>
Non-controlling interests		134,695	131,709
Total equity		<u>3,562,781</u>	<u>3,504,581</u>
Non-current liabilities			
Trade and other payables	13	16,568	16,905
Other non-current liabilities	13	5,535	3,663
Secured bank loans	14	2,072,964	2,159,854
Other loans	15	897,496	897,106
Lease liabilities	16	36,223	41,180
Derivative financial instruments	8	70,803	30,233
Retirement benefit obligations		1,952	2,599
Provisions		3,920	3,895
Deferred tax liabilities		6,023	6,297
		<u>3,111,484</u>	<u>3,161,732</u>
Current liabilities			
Trade and other payables	13	172,866	161,924
Other current liabilities	13	58,362	72,519
Contract liabilities		10,238	14,741
Secured bank loans	14	504,841	378,955
Other loans	15	3,263	3,314
Lease liabilities	16	17,241	19,120
Current tax payable		2,390	394
Derivative financial instruments	8	24,030	18,660
		<u>793,231</u>	<u>669,627</u>
Total liabilities		<u>3,904,715</u>	<u>3,831,359</u>
Total equity and liabilities		<u><u>7,467,496</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 31 March 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
At 1 January 2019	405,012	818,845	(834,490)	(2,359)	(46,876)	2,863,107	3,203,239	136,455	3,339,694
Profit for the period	-	-	-	-	-	68,878	68,878	1,176	70,054
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	7	-	7	-	7
Share of joint ventures' other comprehensive income	-	-	-	898	-	-	898	-	898
Exchange loss on translation from functional currency to presentation currency	-	-	-	-	(3,193)	-	(3,193)	(48)	(3,241)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(12,674)	-	-	(12,674)	-	(12,674)
Total comprehensive income	-	-	-	(11,776)	(3,186)	68,878	53,916	1,128	55,044
At 31 March 2019 (unaudited)	405,012	818,845	(834,490)	(14,135)	(50,062)	2,931,985	3,257,155	137,583	3,394,738
At 1 January 2020	405,012	818,845	(834,490)	(32,062)	(46,457)	3,062,024	3,372,872	131,709	3,504,581
Profit for the period	-	-	-	-	-	113,171	113,171	2,896	116,067
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(25)	-	(25)	-	(25)
Share of joint ventures' other comprehensive income	-	-	-	(3,818)	-	-	(3,818)	-	(3,818)
Exchange (loss) /gain on translation from functional currency to presentation currency	-	-	-	-	(7,528)	-	(7,528)	79	(7,449)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(46,679)	-	-	(46,679)	-	(46,679)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	93	93	11	104
Total comprehensive income	-	-	-	(50,497)	(7,553)	113,264	55,214	2,986	58,200
At 31 March 2020 (unaudited)	405,012	818,845	(834,490)	(82,559)	(54,010)	3,175,288	3,428,086	134,695	3,562,781

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

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Consolidated Statement of Cash Flows
For the period ended 31 March 2020
(unaudited)

	Note	Three months ended (unaudited)	
		31/03/2020 \$'000	31/03/2019 \$'000
Operating Activities			
Cash received from vessels' operations		507,712	402,099
Other cash receipts		2,910	3,380
Cash payments for voyage and running costs		(175,491)	(178,405)
Other cash payments		(35,153)	(30,133)
Cash generated from operations		299,978	196,941
Interest received		2,273	2,073
Income tax paid		(4,838)	(2,820)
Net cash from operating activities		<u>297,413</u>	<u>196,194</u>
Investing Activities			
Expenditure on fleet	5	(9,621)	(13,906)
Expenditure on vessels under construction		(139,268)	(133,135)
Interest capitalised		(1,031)	(846)
Expenditure on other property, plant and equipment		(211)	(351)
Loan repayments from joint ventures		9,369	-
Loans issued to joint ventures		-	(1,122)
Proceeds from dissolution of investments		-	237
Proceeds from sale of vessels		38,256	-
Proceeds from sale of other property, plant and equipment		19	355
Bank term deposits	10	115	149
Net cash used in investing activities		<u>(102,372)</u>	<u>(148,619)</u>
Financing Activities			
Proceeds from borrowings		122,306	113,262
Repayment of borrowings		(79,712)	(87,799)
Financing costs		(977)	(822)
Repayment of lease liabilities		(3,110)	(3,318)
Repayment of liquidated damages		(442)	(278)
Restricted deposits under loan agreements	10	-	(1,500)
Funds in retention bank accounts	10	(273)	1,334
Interest paid on borrowings		(33,334)	(36,400)
Interest paid on lease liabilities		(1,561)	(610)
Interest paid on liquidated damages		(308)	(475)
Dividends paid		(4,102)	(1,286)
Net cash used in financing activities		<u>(1,513)</u>	<u>(17,892)</u>
Increase in Cash and Cash Equivalents		193,528	29,683
Cash and Cash Equivalents at 1 January	10	374,821	267,571
Net foreign exchange difference		(34,360)	5,043
Cash and Cash Equivalents at 31 March	10	<u><u>533,989</u></u>	<u><u>302,297</u></u>

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

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 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 Gashheka 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 5, 6 and 11.

Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standard (IFRS) - IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2019. Operating results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

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:

	31/03/2020 Closing \$1	31/03/2020 Average \$1	31/12/2019 Closing \$1	31/03/2019 Average \$1
Russian Roubles	77.7325	66.3818	61.9057	66.1271
Pounds Sterling	0.8219	0.7807	0.7629	0.7686
Euro	0.9066	0.9064	0.8928	0.8798

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 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.

Seasonality of Operations

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

Changes in Estimates

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. All critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2020 (Continued)
(unaudited)

2. Time Charter Equivalent Revenues

Revenue	31/03/2020 \$'000	31/03/2019 \$'000
Lease revenue from time charters	178,872	143,186
Service revenue from time charters	72,869	63,481
Total revenue from time charters	251,741	206,667
Service revenue from voyage charters	221,212	182,091
Service revenue from marine services	20,346	21,974
	493,299	410,732
Voyage expenses and commissions		
Bunkers	(64,392)	(62,687)
Port costs	(30,421)	(27,746)
Commissions	(3,161)	(2,674)
Seismic exploration and data processing	(2,169)	(1,780)
Other voyage costs	(3,697)	(4,521)
	(103,840)	(99,408)
Time charter equivalent revenues	389,459	311,324

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

Segment	Service revenue				Lease revenue	Revenue
	Voyage charters	Time charters	Marine services	Total	from time charters	
	31/03/2020	31/03/2020	31/03/2020	31/03/2020	31/03/2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore services	1,478	35,088	-	36,566	87,217	123,783
Gas transportation	-	10,509	-	10,509	39,036	49,545
Crude oil transportation	133,910	19,748	-	153,658	43,704	197,362
Oil products transportation	85,824	6,548	-	92,372	7,317	99,689
Other	-	976	20,346	21,322	1,598	22,920
Revenue from vessel operations	221,212	72,869	20,346	314,427	178,872	493,299
Other operating revenues from contracts with customers						
Other operating revenues				3,836		
Total revenue from contracts with customers				318,263		

Segment	Service revenue				Lease revenue	Revenue
	Voyage charters	Time charters	Marine services	Total	from time charters	
	31/03/2019	31/03/2019	31/03/2019	31/03/2019	31/03/2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore services	-	31,460	-	31,460	78,256	109,716
Gas transportation	-	9,351	-	9,351	34,575	43,926
Crude oil transportation	105,423	17,238	-	122,661	24,651	147,312
Oil products transportation	76,668	4,451	-	81,119	4,245	85,364
Other	-	981	21,974	22,955	1,459	24,414
Revenue from vessel operations	182,091	63,481	21,974	267,546	143,186	410,732
Other operating revenues from contracts with customers						
Other operating revenues				5,106		
Total revenue from contracts with customers				272,652		

PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2020 (Continued)
(unaudited)

3. Segment Information

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

Period ended 31 March 2020

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	123,783	49,545	197,362	99,689	22,920	493,299
Voyage expenses and commissions	(599)	(75)	(57,517)	(37,535)	(8,114)	(103,840)
Time charter equivalent revenues	123,184	49,470	139,845	62,154	14,806	389,459
Direct operating expenses						
Vessels' running costs	(18,736)	(9,982)	(31,750)	(19,147)	(4,429)	(84,044)
Net earnings from vessels' trading	104,448	39,488	108,095	43,007	10,377	305,415
Other operating revenues	609	-	-	-	-	609
Other operating expenses	(499)	-	-	-	-	(499)
Vessels' depreciation	(34,157)	(9,698)	(26,734)	(12,299)	(1,392)	(84,280)
Vessels' drydock cost amortisation	(2,535)	(1,358)	(3,022)	(1,738)	(68)	(8,721)
Vessels' impairment provision	-	-	(598)	-	-	(598)
Right of use assets' depreciation	-	-	-	-	(4,102)	(4,102)
Loss on sale of vessels	-	-	(432)	-	-	(432)
Net foreign exchange losses	(3,883)	-	-	-	(1,125)	(5,008)
Segment operating profit	<u>63,983</u>	<u>28,432</u>	<u>77,309</u>	<u>28,970</u>	<u>3,690</u>	<u>202,384</u>
Unallocated						
General and administrative expenses						(24,207)
Financing costs						(49,895)
Other income and expenses (net)						9,377
Net foreign exchange losses						(13,517)
Profit before income taxes						<u>124,142</u>
Carrying amount of fleet in operation including right of use assets	<u>1,998,192</u>	<u>1,337,478</u>	<u>1,995,028</u>	<u>826,112</u>	<u>83,724</u>	<u>6,240,534</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>-</u>	<u>12,737</u>	<u>19,489</u>	<u>-</u>	<u>32,226</u>
Deadweight tonnage of fleet used in operations ('000)	<u>1,593</u>	<u>662</u>	<u>7,106</u>	<u>2,143</u>	<u>156</u>	<u>11,660</u>

Period ended 31 March 2019

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	109,716	43,926	147,312	85,364	24,414	410,732
Voyage expenses and commissions	(78)	(148)	(51,744)	(37,030)	(10,408)	(99,408)
Time charter equivalent revenues	109,638	43,778	95,568	48,334	14,006	311,324
Direct operating expenses						
Vessels' running costs	(15,929)	(9,896)	(31,965)	(21,676)	(4,963)	(84,429)
Net earnings from vessels' trading	93,709	33,882	63,603	26,658	9,043	226,895
Other operating revenues	588	-	-	-	509	1,097
Other operating expenses	(349)	-	-	-	(358)	(707)
Vessels' depreciation	(30,193)	(8,899)	(25,526)	(12,261)	(1,468)	(78,347)
Vessels' drydock cost amortisation	(2,487)	(1,110)	(3,070)	(1,579)	(127)	(8,373)
Vessels' impairment provision	-	-	-	(3,735)	-	(3,735)
Right of use assets' depreciation	-	-	-	-	(3,760)	(3,760)
Non-income based taxes	(1,675)	-	-	-	-	(1,675)
Net foreign exchange (losses) / gains	(1,039)	-	-	-	7,491	6,452
Segment operating profit	<u>58,554</u>	<u>23,873</u>	<u>35,007</u>	<u>9,083</u>	<u>11,330</u>	<u>137,847</u>
Unallocated						
General and administrative expenses						(23,975)
Financing costs						(51,654)
Other income and expenses (net)						9,159
Net foreign exchange gains						2,682
Profit before income taxes						<u>74,059</u>
Carrying amount of fleet in operation including right of use assets	<u>1,932,795</u>	<u>1,191,793</u>	<u>2,106,992</u>	<u>919,503</u>	<u>97,673</u>	<u>6,248,756</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,965</u>	<u>-</u>	<u>25,965</u>
Deadweight tonnage of fleet used in operations ('000)	<u>1,343</u>	<u>569</u>	<u>7,424</u>	<u>2,400</u>	<u>156</u>	<u>11,892</u>

4. Income Taxes

	31/03/2020 \$'000	31/03/2019 \$'000
Russian Federation profit tax expense	8,406	4,075
Overseas income tax expense	165	319
Current income tax expense	8,571	4,394
Deferred tax	(496)	(389)
Total income tax expense	<u>8,075</u>	<u>4,005</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2020 (Continued)
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5. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2019	8,483,615	157,642	8,641,257
Expenditure in period	5,688	9,164	14,852
Transfer from vessels under construction (Note 6)	122,323	2,000	124,323
Write-off of fully amortised drydock cost	-	(8,650)	(8,650)
Exchange adjustment	1,069	55	1,124
At 31 March 2019	<u>8,612,695</u>	<u>160,211</u>	<u>8,772,906</u>
At 1 January 2020	8,673,606	162,769	8,836,375
Expenditure in period	7,790	3,520	11,310
Transfer from vessels under construction (Note 6)	172,277	6,050	178,327
Write-off of fully amortised drydock cost	-	(4,242)	(4,242)
At 31 March 2020	<u>8,853,673</u>	<u>168,097</u>	<u>9,021,770</u>
Depreciation, amortisation and impairment			
At 1 January 2019	2,391,321	84,273	2,475,594
Charge for the period	78,347	8,373	86,720
Write-off of fully amortised drydock cost	-	(8,650)	(8,650)
Exchange adjustment	349	47	396
At 31 March 2019	<u>2,470,017</u>	<u>84,043</u>	<u>2,554,060</u>
At 1 January 2020	2,631,268	83,373	2,714,641
Charge for the period	84,280	8,721	93,001
Write-off of fully amortised drydock cost	-	(4,242)	(4,242)
At 31 March 2020	<u>2,715,548</u>	<u>87,852</u>	<u>2,803,400</u>
Net book value			
At 31 March 2020	<u>6,138,125</u>	<u>80,245</u>	<u>6,218,370</u>
At 31 December 2019	<u>6,042,338</u>	<u>79,396</u>	<u>6,121,734</u>
		31/03/2020	31/12/2019
Market value (\$'000)		<u>5,711,250</u>	<u>5,714,000</u>
Current insured values (\$'000)		<u>6,705,531</u>	<u>7,025,695</u>
Total deadweight tonnage (dwt)		<u>11,451,185</u>	<u>11,358,261</u>

As at 31 March 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.

6. Vessels Under Construction

	31/03/2020 \$'000	31/03/2019 \$'000
At 1 January	179,579	135,890
Expenditure in period	140,237	134,186
Transfer to fleet (Note 5)	(178,327)	(124,323)
At 31 March	<u>141,489</u>	<u>145,753</u>
Total deadweight tonnage (dwt)	<u>373,800</u>	<u>402,000</u>

The following vessel was delivered during the period:

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

Vessels under construction at 31 March 2020 comprised two LNG carriers and two Aframax crude oil shuttle tankers scheduled for delivery between August 2020 and March 2022 at a total contracted cost to the Group of \$508.2 million. As at 31 March 2020, \$138.1 million of these contracted costs had been paid for.

As at 31 March 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.

7. Investments in Joint Ventures

	31/03/2020 \$'000	31/03/2019 \$'000
At 1 January	152,255	132,926
Dissolution of joint ventures	-	(185)
Share of profits in joint ventures	7,152	5,332
Share of joint ventures' other comprehensive income	(3,818)	898
Currency retranslation difference	(21)	-
At 31 March	<u>155,568</u>	<u>138,971</u>

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8. Derivative Financial Instruments

	Interest Rate Swaps ("IRS")		Cross Currency Interest Rate Swaps ("CCIRS")		Total	
	31/03/2020 \$'000	31/12/2019 \$'000	31/03/2020 \$'000	31/12/2019 \$'000	31/03/2020 \$'000	31/12/2019 \$'000
Non-current asset	-	86	-	4,632	-	4,718
Current asset	17	170	-	-	17	170
Non-current liability	(48,047)	(16,194)	(22,756)	(14,039)	(70,803)	(30,233)
Current liability	(13,493)	(8,465)	(10,537)	(10,195)	(24,030)	(18,660)

On 3 February 2020, the Group entered into a seven year interest rate swap transaction to hedge the Group's future cash outflows resulting from the exposure to interest rate fluctuations associated with the interest payable on the secured bank loan facility of \$148.5 million, in connection with the financing of a Group's vessel, by converting 3-month US Dollar LIBOR floating interest rate payable on the loan 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.

	IRS		CCIRS		Total	
	31/03/2020 \$'000	31/03/2019 \$'000	31/03/2020 \$'000	31/03/2019 \$'000	31/03/2020 \$'000	31/03/2019 \$'000
Amount recognised in hedging reserve	(39,821)	(9,131)	(17,153)	(13,535)	(56,974)	(22,666)
Reclassified from hedging reserve and debited to financing costs	2,690	754	3,090	3,393	5,780	4,147
Reclassified from hedging reserve and debited to foreign exchange	-	-	4,515	5,845	4,515	5,845
Total in other comprehensive income	(37,131)	(8,377)	(9,548)	(4,297)	(46,679)	(12,674)

9. Receivables and Other Assets

Trade and other receivables

	31/03/2020 \$'000	31/12/2019 \$'000
Non-current assets		
Receivables under High Court judgement award	2,700	2,700
Liquidated damages on vessels under construction receivable from shipyard	6,149	6,005
	<u>8,849</u>	<u>8,705</u>
Current assets		
Amounts due from charterers	56,789	71,412
Allowance for credit losses	(2,130)	(2,357)
	54,659	69,055
Casualty and other claims	11,733	10,443
Agents' balances	2,978	3,111
Other receivables	17,256	15,637
Amounts due from joint ventures	744	-
Accrued income	2,463	2,493
	<u>89,833</u>	<u>100,739</u>
<i>Prepayments and other current assets</i>		
	31/03/2020 \$'000	31/12/2019 \$'000
Prepayments	12,559	8,944
Contract acquisition and voyage fulfilment costs	1,893	3,106
Non-income based taxes receivable	2,774	3,230
	<u>17,226</u>	<u>15,280</u>

10. Cash and Bank Deposits

	31/03/2020 \$'000	31/12/2019 \$'000
Non-current assets		
Restricted deposits	15,500	15,500
Bank deposits	<u>15,500</u>	<u>15,500</u>
Current assets		
Bank deposits accessible on maturity	450	565
Retention accounts	26,573	26,300
Bank deposits	27,023	26,865
Cash and cash equivalents	533,989	374,821
Cash and bank deposits	<u>561,012</u>	<u>401,686</u>

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11. Non-Current Assets Held for Sale

	31/03/2020 \$'000	31/03/2019 \$'000
At 1 January	69,061	29,700
Impairment provision	(598)	(3,735)
Disposals in period	(36,237)	-
At 31 March	<u>32,226</u>	<u>25,965</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. As at 31 March 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 price approximate to their market values.

12. Dividends

No dividends were paid or declared during the period ended 31 March 2020 and 31 March 2019.

13. Payables and Other Liabilities

Trade and other payables

	31/03/2020 \$'000	31/12/2019 \$'000
Non-current liabilities		
Liquidated damages for late delivery of vessels payable to charterer	16,568	16,905
	<u>16,568</u>	<u>16,905</u>
Current liabilities		
Trade payables	46,556	46,179
Other payables	41,196	38,776
Liquidated damages for late delivery of vessels payable to charterer	1,985	1,950
Amounts due to joint ventures	-	146
Dividends payable	4,587	9,970
Accrued liabilities	49,282	47,674
Interest payable	29,260	17,229
	<u>172,866</u>	<u>161,924</u>

Other liabilities

	31/03/2020 \$'000	31/12/2019 \$'000
Non-current liabilities		
Employee benefit obligations	2,575	646
Deferred lease revenue	2,960	3,017
	<u>5,535</u>	<u>3,663</u>
Current liabilities		
Deferred lease revenue	30,227	39,007
Employee benefit obligations	8,825	9,120
Non-income based taxes payable	19,310	24,392
	<u>58,362</u>	<u>72,519</u>

14. Secured Bank Loans

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

	31/03/2020 \$'000	31/12/2019 \$'000
Within twelve months after the end of the reporting period	504,841	378,955
Between one to two years	272,939	401,794
Between two to three years	292,000	293,355
Between three to four years	335,300	283,871
Between four to five years	292,010	297,051
More than five years	880,715	883,783
	2,577,805	2,538,809
Less current portion	(504,841)	(378,955)
Non-current balance	<u>2,072,964</u>	<u>2,159,854</u>

15. Other Loans

	31/03/2020 \$'000	31/12/2019 \$'000
\$900 million 5.375% Senior Notes due in 2023	894,233	893,792
Other loan from related party	6,526	6,628
	900,759	900,420
Less current portion	(3,263)	(3,314)
Non-current balance	<u>897,496</u>	<u>897,106</u>

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16. 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
At 1 January 2019	31,552	19,143	2,248	52,943
Lease modification	-	-	18	18
Depreciation charge for the period	(3,760)	(957)	(24)	(4,741)
Exchange differences	2,118	149	159	2,426
At 31 March 2019	<u>29,910</u>	<u>18,335</u>	<u>2,401</u>	<u>50,646</u>
At 1 January 2020	28,600	15,605	1,690	45,895
Lease modification	(2,333)	(14)	622	(1,725)
Depreciation charge for the period	(4,102)	(956)	(18)	(5,076)
Exchange differences	(1)	(410)	(424)	(835)
At 31 March 2020	<u>22,164</u>	<u>14,225</u>	<u>1,870</u>	<u>38,259</u>

As at 31 March 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. The assessment did not result in any such indication.

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

	31/03/2020 \$'000	31/03/2019 \$'000
At 1 January	60,300	69,403
Lease modification	(1,725)	-
Additions in the period	-	18
Accretion of interest	1,654	1,940
Payment of lease instalments	(4,671)	(3,928)
Exchange differences	(2,094)	599
At 31 March	<u>53,464</u>	<u>68,032</u>
Less current portion	<u>(17,241)</u>	<u>(17,816)</u>
Non-current balance	<u>36,223</u>	<u>50,216</u>

17. Financial Risk Management

(a) Categories of financial assets and financial liabilities

	31/03/2020 \$'000	31/12/2019 \$'000
Cash and debt instruments at amortised cost		
Trade and other receivables	98,682	109,444
Loans to joint ventures	52,749	62,145
Cash and bank deposits	576,512	417,186
Financial assets at fair value through OCI		
Derivative financial instruments in designated hedge accounting relationships	17	4,888
Equity instruments at fair value through profit or loss		
Investments in non-listed companies	630	480
Total financial assets	<u>728,590</u>	<u>594,143</u>
Financial liabilities at fair value through OCI		
Derivative financial instruments in designated hedge accounting relationships	94,833	48,893
Financial liabilities at amortised cost		
Secured bank loans	2,577,805	2,538,809
Other loans	900,759	900,420
Lease liabilities	53,464	60,300
Trade and other payables	189,434	178,829
Total financial liabilities	<u>3,816,295</u>	<u>3,727,251</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 hierarchy	Fair Value	
	31/03/2020 \$'000	31/12/2019 \$'000		31/03/2020 \$'000	31/12/2019 \$'000
Financial assets					
Loans to joint ventures	52,749	62,145	Level 2	53,200	61,891
Total financial assets	<u>52,749</u>	<u>62,145</u>		<u>53,200</u>	<u>61,891</u>
Financial liabilities					
Secured bank loans at fixed interest rates	723,969	739,620	Level 2	749,721	765,368
Secured bank loans at floating interest rates	1,853,836	1,799,189	Level 2	1,860,707	1,806,728
Other loans (Senior Notes due in 2023)	894,233	893,792	Level 1	902,250	964,125
Other loans	6,526	6,628	Level 2	6,643	6,777
Total financial liabilities	<u>3,478,564</u>	<u>3,439,229</u>		<u>3,519,321</u>	<u>3,542,998</u>

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17. Financial Risk Management (Continued)

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

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

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

The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Level 1 fair value measurements are based on actual selling price for vessels sold shortly after the period end, less costs of disposal. Level 2 fair value measurements are based on vessels' most recent sales, as provided by independent professional vessel brokers, less cost of disposal.

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 31 March 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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 31 March 2020				
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	17	-	17
	-	17	-	17
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	94,833	-	94,833
	-	94,833	-	94,833
At 31 December 2019				
Assets				
Derivative financial instruments in designated hedge accounting relationships	-	4,888	-	4,888
	-	4,888	-	4,888
Liabilities				
Derivative financial instruments in designated hedge accounting relationships	-	48,893	-	48,893
	-	48,893	-	48,893

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

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 31 March 2020				
Assets				
Non-current assets held for sale	-	32,226	-	32,226
	-	32,226	-	32,226
At 31 December 2019				
Assets				
Non-current assets held for sale	46,413	22,648	-	69,061
	46,413	22,648	-	69,061

18. Contingent Liabilities

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

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19. Related Party Transactions

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 8 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 31 March 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.

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		Statement of Financial Position asset / (liability)	
	31/03/2020	31/03/2019	31/03/2020	31/12/2019
	\$'000	\$'000	\$'000	\$'000
<u>Transactions with Russian State controlled entities</u>				
Revenue ¹	(120,069)	(101,402)	(22,936)	(18,641)
Voyage expenses and commissions	10,439	6,934	(4,280)	(4,704)
Other operating revenues	(1,630)	(1,532)	(494)	(354)
Other operating expenses	-	246	-	(258)
Other loans	66	99	(6,604)	(6,640)
Secured bank loans	12,005	11,402	(698,790)	(714,910)
Lease liabilities	255	243	(6,794)	(7,864)
Receivables from shipyard (liquidated damages for late delivery of vessels)	(144)	(130)	6,149	6,005
Payables to charterer (liquidated damages for late delivery of vessels)	448	471	(18,553)	(18,855)
Cash at bank	(1,340)	(782)	224,737	217,896
<u>Transactions with Joint Ventures</u>				
Other operating revenues	(819)	(826)	744	(146)
Loans due from joint ventures	(476)	(678)	53,731	62,624
<u>Compensation of Key Management Personnel</u>				
Short-term benefits	2,132	1,987	(4,736)	(4,576)
Post-employment benefits	18	16	(4)	(3)
Long-term service benefits	141	421	(4,539)	(4,530)
	2,291	2,424	(9,279)	(9,109)

¹Statement of Financial Position includes deferred lease revenues and contract liabilities

20. Date of Issue

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 14 May 2020.