

**PAO SOVCOMFLOT**

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

**30 September 2020**

## PAO Sovcomflot

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## PAO Sovcomflot

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

	Note	Nine months ended (unaudited)		Three months ended (unaudited)	
		30/09/2020	30/09/2019	30/09/2020	30/09/2019
		\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	3	1,298,270	1,170,539	346,965	376,474
Voyage expenses and commissions		(228,513)	(294,099)	(59,908)	(94,009)
<b>Time charter equivalent revenues</b>	3	<u>1,069,757</u>	<u>876,440</u>	<u>287,057</u>	<u>282,465</u>
<b>Direct operating expenses</b>					
Vessels' running costs		272,142	264,953	101,617	94,142
		<u>(272,142)</u>	<u>(264,953)</u>	<u>(101,617)</u>	<u>(94,142)</u>
<b>Net earnings from vessels' trading</b>		797,615	611,487	185,440	188,323
Other operating revenues		17,165	35,544	6,580	13,985
Other operating expenses		(10,206)	(13,200)	(4,451)	(2,706)
Depreciation, amortisation and impairment		(312,282)	(289,048)	(83,325)	(97,476)
General and administrative expenses		(67,100)	(80,809)	(21,052)	(26,271)
Loss on sale of non-current assets		(2,380)	(169)	(1,931)	(33)
Allowance for credit losses		(602)	187	(373)	228
Share of profits in equity accounted investments	8	13,818	8,635	685	3,106
<b>Operating profit</b>		<u>436,028</u>	<u>272,627</u>	<u>81,573</u>	<u>79,156</u>
<b>Other (expenses) / income</b>					
Financing costs		(145,977)	(154,971)	(46,748)	(51,401)
Interest income		7,558	7,927	2,233	2,414
Other non-operating expenses		(1,325)	(1,444)	(374)	(338)
Gain / (loss) on hedge ineffectiveness		838	(163)	351	113
Gain on derecognition of dividend liability		19	3,861	-	-
Foreign exchange gains		8,106	15,932	3,853	504
Foreign exchange losses		(27,344)	(6,972)	(11,497)	(52)
<b>Net other expenses</b>		<u>(158,125)</u>	<u>(135,830)</u>	<u>(52,182)</u>	<u>(48,760)</u>
<b>Profit before income taxes</b>		277,903	136,797	29,391	30,396
Income tax expense	5	(28,430)	(19,901)	(6,288)	(4,463)
<b>Profit for the period</b>		<u>249,473</u>	<u>116,896</u>	<u>23,103</u>	<u>25,933</u>
<b>Profit attributable to:</b>					
Owners of the parent		248,879	116,314	23,964	26,271
Non-controlling interests		594	582	(861)	(338)
		<u>249,473</u>	<u>116,896</u>	<u>23,103</u>	<u>25,933</u>
<b>Earnings per share</b>					
Basic and diluted profit per share for the period attributable to owners of the parent		<u>\$0.127</u>	<u>\$0.059</u>	<u>\$0.012</u>	<u>\$0.013</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 September 2020**  
**(unaudited)**

	Note	Nine months ended (unaudited)		Three months ended (unaudited)	
		30/09/2020 \$'000	30/09/2019 \$'000	30/09/2020 \$'000	30/09/2019 \$'000
<b>Profit for the period</b>		249,473	116,896	23,103	25,933
<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		(27)	8	(15)	(3)
Share of joint ventures' other comprehensive income	8	(2,266)	2,139	1,251	1,127
Exchange loss on translation from functional currency to presentation currency		(6,993)	(1,930)	(2,928)	(75)
Net (loss) / gain on derivative financial instruments (debited) / credited to other comprehensive income	9	(46,019)	(41,304)	6,887	(9,214)
		<u>(55,305)</u>	<u>(41,087)</u>	<u>5,195</u>	<u>(8,165)</u>
<b><i>Items not to be reclassified to profit or loss in subsequent periods:</i></b>					
Remeasurement gains / (losses) on retirement benefit obligations		74	(112)	56	(14)
		<u>74</u>	<u>(112)</u>	<u>56</u>	<u>(14)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>(55,231)</u>	<u>(41,199)</u>	<u>5,251</u>	<u>(8,179)</u>
<b>Total comprehensive income for the period</b>		<u>194,242</u>	<u>75,697</u>	<u>28,354</u>	<u>17,754</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		193,546	75,092	29,170	18,014
Non-controlling interests		696	605	(816)	(260)
		<u>194,242</u>	<u>75,697</u>	<u>28,354</u>	<u>17,754</u>

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

## PAO Sovcomflot

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

	Note	30/09/2020 (unaudited) \$'000	31/12/2019 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	6	6,251,652	6,121,734
Right of use assets	17	28,547	45,895
Vessels under construction	7	90,015	179,579
Intangible assets		3,044	5,891
Other property, plant and equipment		38,456	41,366
Investment property		3,367	4,435
Investments in associates		112	105
Investments in joint ventures	8	163,735	152,255
Equity instruments at fair value through profit or loss		351	480
Loans to joint ventures		51,343	50,341
Derivative financial instruments	9	3,391	4,718
Trade and other receivables	10	9,336	8,705
Deferred tax assets		6,936	5,250
Bank deposits	11	12,500	15,500
		<u>6,662,785</u>	<u>6,636,254</u>
<b>Current assets</b>			
Inventories		41,535	53,749
Loans to joint ventures		-	11,804
Derivative financial instruments	9	-	170
Trade and other receivables	10	91,564	100,739
Prepayments and other current assets	10	13,023	15,280
Contract assets	10	21,077	41,605
Current tax receivable		3,880	5,592
Bank deposits	11	23,604	26,865
Cash and cash equivalents	11	603,413	374,821
		<u>798,096</u>	<u>630,625</u>
Non-current assets held for sale	12	17,649	69,061
		<u>815,745</u>	<u>699,686</u>
<b>Total assets</b>		<u><u>7,478,530</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		3,064,573	2,967,860
<b>Equity attributable to owners of the parent</b>		<u>3,469,585</u>	<u>3,372,872</u>
<b>Non-controlling interests</b>		131,591	131,709
<b>Total equity</b>		<u>3,601,176</u>	<u>3,504,581</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	15,851	16,905
Other non-current liabilities	14	8,667	3,663
Secured bank loans	15	2,055,246	2,159,854
Other loans	16	896,863	897,106
Lease liabilities	17	30,041	41,180
Derivative financial instruments	9	55,373	30,233
Retirement benefit obligations		1,862	2,599
Provisions		-	3,895
Deferred tax liabilities		20,143	6,297
		<u>3,084,046</u>	<u>3,161,732</u>
<b>Current liabilities</b>			
Trade and other payables	14	192,443	161,924
Other current liabilities	14	49,894	72,519
Contract liabilities		9,775	14,741
Secured bank loans	15	495,360	378,955
Other loans	16	3,454	3,314
Lease liabilities	17	11,489	19,120
Current tax payable		1,611	394
Derivative financial instruments	9	26,113	18,660
Provisions		3,169	-
		<u>793,308</u>	<u>669,627</u>
<b>Total liabilities</b>		<u>3,877,354</u>	<u>3,831,359</u>
<b>Total equity and liabilities</b>		<u><u>7,478,530</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 September 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	-	-	-	-	-	116,314	116,314	582	116,896
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	8	-	8	-	8
Share of joint ventures' other comprehensive income	-	-	-	2,139	-	-	2,139	-	2,139
Exchange (loss) / gain on translation from functional currency to presentation currency	-	-	-	-	(1,965)	-	(1,965)	35	(1,930)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(41,304)	-	-	(41,304)	-	(41,304)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(100)	(100)	(12)	(112)
Total comprehensive income	-	-	-	(39,165)	(1,957)	116,214	75,092	605	75,697
Effect of intragroup financing	-	-	-	-	-	404	404	(404)	-
Dividends (Note 13)	-	-	-	-	-	(22,948)	(22,948)	(1,290)	(24,238)
<b>At 30 September 2019 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(41,524)</b>	<b>(48,833)</b>	<b>2,956,777</b>	<b>3,255,787</b>	<b>135,366</b>	<b>3,391,153</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	-	-	-	-	-	248,879	248,879	594	249,473
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(27)	-	(27)	-	(27)
Share of joint ventures' other comprehensive income	-	-	-	(2,266)	-	-	(2,266)	-	(2,266)
Exchange (loss) / gain on translation from functional currency to presentation currency	-	-	-	-	(7,087)	-	(7,087)	94	(6,993)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	(46,019)	-	-	(46,019)	-	(46,019)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	66	66	8	74
Total comprehensive income	-	-	-	(48,285)	(7,114)	248,945	193,546	696	194,242
Dividends (Note 13)	-	-	-	-	-	(96,833)	(96,833)	(814)	(97,647)
<b>At 30 September 2020 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(80,347)</b>	<b>(53,571)</b>	<b>3,214,136</b>	<b>3,469,585</b>	<b>131,591</b>	<b>3,601,176</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 September 2020**  
**(unaudited)**

	Note	Nine months ended (unaudited)	
		30/09/2020 \$'000	30/09/2019 \$'000 <small>Restated-Note 2</small>
<b>Operating Activities</b>			
Cash received from vessels' operations		1,326,846	1,177,644
Other cash receipts		15,762	35,525
Cash payments for voyage and running costs		(492,802)	(542,690)
Other cash payments		(94,794)	(86,521)
Cash generated from operations		755,012	583,958
Interest received		5,863	5,062
Income tax paid		(14,914)	(14,666)
Net cash from operating activities		<u>745,961</u>	<u>574,354</u>
<b>Investing Activities</b>			
Expenditure on fleet	6	(54,194)	(63,779)
Fleet acquisitions in the period	6	(2,084)	-
Expenditure on vessels under construction	7	(265,407)	(334,327)
Interest capitalised	7	(2,620)	(2,724)
Expenditure on intangibles and other property, plant and equipment		(824)	(1,215)
Loan repayments by joint ventures		11,887	-
Loans issued to joint ventures		-	(1,122)
Proceeds from disposal and dissolution of investments		289	1,221
Proceeds from sale of vessels	12	48,464	8,942
Proceeds from sale of other property, plant and equipment		7,214	1,571
Dividends received from equity accounted investments		17	124
Return / (placement) of bank term deposits	11	377	(24)
Net cash used in investing activities		<u>(256,881)</u>	<u>(391,333)</u>
<b>Financing Activities</b>			
Proceeds from borrowings		244,613	289,197
Repayment of borrowings		(249,400)	(258,529)
Financing costs		(2,649)	(5,222)
Repayment of lease liabilities		(14,065)	(18,090)
Repayment of liquidated damages		(1,366)	(956)
Restricted deposits under loan and lease agreements	11	3,000	(3,500)
Release of funds in retention bank accounts	11	2,884	2,731
Interest paid on borrowings		(121,476)	(131,004)
Interest paid on lease liabilities		(4,152)	(5,557)
Interest paid on liquidated damages		(899)	(1,560)
Dividends paid to non-controlling interests		(4,676)	(2,102)
Dividends paid to owners of the parent		(98,080)	(22,565)
Net cash used in financing activities		<u>(246,266)</u>	<u>(157,157)</u>
<b>Increase in Cash and Cash Equivalents</b>		242,814	25,864
<b>Cash and Cash Equivalents at 1 January</b>	11	374,821	267,571
Net foreign exchange difference		(14,222)	6,620
<b>Cash and Cash Equivalents at 30 September</b>	11	<u><u>603,413</u></u>	<u><u>300,055</u></u>

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

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 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 held 100% of the issued shares. Following an initial public offering of the Company’s ordinary shares and listing on the Moscow Stock Exchange in October 2020, the Russian Federation currently holds 82.8% of the issued shares of the Company (see also Note 21).

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 132 vessels at the period end, comprising 53 oil tankers, 36 product tankers, 19 shuttle tankers, 11 gas carriers, 10 ice breaking supply vessels, 2 bulk carriers and 1 chartered in seismic vessel. 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 nine-month period ended 30 September 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:

	30/09/2020 Closing \$1	30/09/2020 Average \$1	31/12/2019 Closing \$1	30/09/2019 Average \$1
Russian Roubles (RUR)	79.6845	70.7778	61.9057	65.0789
Pounds Sterling (GBP)	0.7766	0.7874	0.7629	0.7861
Euro (EUR)	0.8566	0.8902	0.8928	0.8897

**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 September 2020 (Continued)  
(unaudited)

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

## Use of Estimates and Judgements

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)

	Nine months ended 30/09/2019			Three months ended 30/09/2019		
	As previously reported \$'000	Restatement \$'000	As currently reported \$'000	As previously reported \$'000	Restatement \$'000	As currently reported \$'000
<b>Revenue</b>	1,246,775	(76,236)	1,170,539	418,773	(42,299)	376,474
Voyage expenses and commissions	(343,895)	54,481	(289,414)	(124,893)	31,561	(93,332)
<b>Time charter equivalent revenues</b>	<u>902,880</u>	<u>(21,755)</u>	<u>881,125</u>	<u>293,880</u>	<u>(10,738)</u>	<u>283,142</u>
<b>Direct operating expenses</b>						
Vessels' running costs	266,291	(1,338)	264,953	94,844	(702)	94,142
Charter hire payments*	10,175	(5,490)	4,685	3,009	(2,332)	677
	<u>(276,466)</u>	<u>6,828</u>	<u>(269,638)</u>	<u>(97,853)</u>	<u>3,034</u>	<u>(94,819)</u>
<b>Net earnings from vessels' trading</b>	<u>626,414</u>	<u>(14,927)</u>	<u>611,487</u>	<u>196,027</u>	<u>(7,704)</u>	<u>188,323</u>
Other operating revenues	19,170	16,374	35,544	5,479	8,506	13,985
Other operating expenses	(11,753)	(1,447)	(13,200)	(1,904)	(802)	(2,706)
<b>Operating profit</b>	<u>272,627</u>	<u>-</u>	<u>272,627</u>	<u>79,156</u>	<u>-</u>	<u>79,156</u>

## Consolidated statement of cash flows (unaudited)

	Nine months ended 30/09/2019		
	As previously reported \$'000	Restatement \$'000	As currently reported \$'000
<b>Operating Activities</b>			
Cash received from vessels' operations	1,253,762	(76,118)	1,177,644
Other cash receipts	19,269	16,256	35,525
Cash payments for voyage and running costs	(602,497)	59,807	(542,690)
Other cash payments	(86,576)	55	(86,521)
Cash generated from operations	<u>583,958</u>	<u>-</u>	<u>583,958</u>

\*The Group has also reclassified charter hire payments of \$4.7 million and \$0.7 million for the nine months ended and three months ended 30 September 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	Nine months ended	
	30/09/2020 \$'000	30/09/2019 \$'000
Lease revenue from time charters	534,515	440,956
Service revenue from time charters	215,180	194,374
Total revenue from time charters	749,695	635,330
Service revenue from voyage charters	496,166	473,109
Service revenue from marine services	52,409	62,100
	<u>1,298,270</u>	<u>1,170,539</u>
<b>Voyage expenses and commissions</b>		
Bunkers	(128,522)	(183,749)
Port costs	(75,934)	(84,393)
Commissions	(7,684)	(7,260)
Seismic exploration and data processing	(5,656)	(10,877)
Other voyage costs	(10,717)	(7,820)
	<u>(228,513)</u>	<u>(294,099)</u>
<b>Time charter equivalent revenues</b>	<u>1,069,757</u>	<u>876,440</u>

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

## Nine months ended 30 September 2020

Segment	Service revenue			Total \$'000	Lease revenue from time charters \$'000	Revenue \$'000
	Voyage charters \$'000	Time charters \$'000	Marine services \$'000			
Offshore services	3,763	101,389	-	105,152	257,140	362,292
Gas transportation	-	29,685	-	29,685	111,819	141,504
Crude oil transportation	310,688	55,703	-	366,391	130,686	497,077
Oil products transportation	179,941	26,209	-	206,150	31,671	237,821
Other	1,774	2,194	52,409	56,377	3,199	59,576
<b>Revenue from vessel operations</b>	<u>496,166</u>	<u>215,180</u>	<u>52,409</u>	763,755	<u>534,515</u>	<u>1,298,270</u>
<b>Other operating revenues from contracts with customers</b>						
Other operating revenues				13,340		
<b>Total revenue from contracts with customers</b>				<u>777,095</u>		

## Nine months ended 30 September 2019

Segment	Service revenue			Total \$'000	Lease revenue from time charters \$'000	Revenue \$'000
	Voyage charters \$'000	Time charters \$'000	Marine services \$'000			
Offshore services	1,250	94,153	-	95,403	238,379	333,782
Gas transportation	-	29,431	-	29,431	105,152	134,583
Crude oil transportation	277,981	54,864	-	332,845	81,164	414,009
Oil products transportation	193,264	13,032	-	206,296	12,418	218,714
Other	614	2,894	62,100	65,608	3,843	69,451
<b>Revenue from vessel operations</b>	<u>473,109</u>	<u>194,374</u>	<u>62,100</u>	729,583	<u>440,956</u>	<u>1,170,539</u>
<b>Other operating revenues from contracts with customers</b>						
Other operating revenues				31,103		
<b>Total revenue from contracts with customers</b>				<u>760,686</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.

## Nine months ended 30 September 2020

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	362,292	141,504	497,077	237,821	59,576	1,298,270
Voyage expenses and commissions	(1,975)	(567)	(128,922)	(74,956)	(22,093)	(228,513)
Time charter equivalent revenues	360,317	140,937	368,155	162,865	37,483	1,069,757
<b>Direct operating expenses</b>						
Vessels' running costs	(65,069)	(32,672)	(99,743)	(58,660)	(15,998)	(272,142)
<b>Net earnings from vessels' trading</b>	295,248	108,265	268,412	104,205	21,485	797,615
Other operating revenues	2,164	-	-	-	-	2,164
Other operating expenses	(1,767)	-	-	-	-	(1,767)
Vessels' depreciation	(103,640)	(30,587)	(82,568)	(37,800)	(3,501)	(258,096)
Vessels' drydock cost amortisation	(6,856)	(4,646)	(8,464)	(5,258)	(204)	(25,428)
Vessels' impairment provision	-	-	(1,577)	(1,838)	(6,180)	(9,595)
Intangible assets impairment provision	-	-	-	-	(2,094)	(2,094)
Right of use assets' depreciation	-	-	-	-	(8,132)	(8,132)
Right of use assets' impairment provision	-	-	-	-	(1,792)	(1,792)
Loss on sale of vessels	-	-	(2,380)	-	-	(2,380)
Net foreign exchange losses	(2,871)	-	-	-	(1,380)	(4,251)
<b>Segment operating profit / (loss)</b>	<u>182,278</u>	<u>73,032</u>	<u>173,423</u>	<u>59,309</u>	<u>(1,798)</u>	<u>486,244</u>
<b>Unallocated</b>						
General and administrative expenses						(67,100)
Financing costs						(145,977)
Other income and expenses (net)						19,723
Net foreign exchange losses						(14,987)
<b>Profit before income taxes</b>						<u>277,903</u>
<b>Carrying amount of fleet in operation including right of use assets</b>	<u>1,940,716</u>	<u>1,497,413</u>	<u>1,956,959</u>	<u>801,351</u>	<u>69,856</u>	<u>6,266,295</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,649</u>	<u>-</u>	<u>17,649</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>1,593</u>	<u>755</u>	<u>6,999</u>	<u>2,143</u>	<u>152</u>	<u>11,642</u>

## Nine months ended 30 September 2019

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
Revenue	333,782	134,583	414,009	218,714	69,451	1,170,539
Voyage expenses and commissions	(1,107)	(896)	(160,493)	(105,093)	(26,510)	(294,099)
Time charter equivalent revenues	332,675	133,687	253,516	113,621	42,941	876,440
<b>Direct operating expenses</b>						
Vessels' running costs	(62,585)	(25,836)	(92,114)	(69,631)	(14,787)	(264,953)
<b>Net earnings from vessels' trading</b>	270,090	107,851	161,402	43,990	28,154	611,487
Other operating revenues	2,422	-	-	-	17,288	19,710
Other operating expenses	(1,601)	-	-	-	(2,057)	(3,658)
Vessels' depreciation	(92,807)	(26,962)	(79,462)	(35,970)	(4,364)	(239,565)
Vessels' drydock cost amortisation	(7,482)	(3,580)	(9,553)	(4,743)	(353)	(25,711)
Vessels' impairment provision	-	-	-	(2,935)	-	(2,935)
Right of use assets' depreciation	-	-	-	-	(13,514)	(13,514)
Loss on sale of vessels	-	-	-	(235)	-	(235)
Non-income based taxes	(4,287)	-	-	-	-	(4,287)
Net foreign exchange (losses) / gains	(1,563)	-	-	-	1,147	(416)
<b>Segment operating profit</b>	<u>164,772</u>	<u>77,309</u>	<u>72,387</u>	<u>107</u>	<u>26,301</u>	<u>340,876</u>
<b>Unallocated</b>						
General and administrative expenses						(76,522)
Financing costs						(154,971)
Other income and expenses (net)						18,038
Net foreign exchange gains						9,376
<b>Profit before income taxes</b>						<u>136,797</u>
<b>Carrying amount of fleet in operation including right of use assets</b>	<u>2,069,232</u>	<u>1,180,704</u>	<u>2,113,073</u>	<u>849,912</u>	<u>91,616</u>	<u>6,304,537</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,598</u>	<u>-</u>	<u>18,598</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>1,593</u>	<u>569</u>	<u>7,424</u>	<u>2,143</u>	<u>156</u>	<u>11,885</u>

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## 5. Income Taxes

	Nine months ended	
	30/09/2020	30/09/2019
	\$'000	\$'000
Russian Federation profit tax expense	15,722	12,641
Overseas income tax expense	408	598
Current income tax expense	16,130	13,239
Deferred tax	12,300	6,662
<b>Total income tax expense</b>	<b>28,430</b>	<b>19,901</b>

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

## 6. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
<b>Cost</b>			
<b>At 1 January 2019</b>	8,483,615	157,642	8,641,257
Expenditure in period	29,842	33,810	63,652
Transfer from vessels under construction (Note 7)	308,208	4,500	312,708
Write-off of fully amortised drydock cost	-	(27,534)	(27,534)
Exchange adjustment	1,069	57	1,126
<b>At 30 September 2019</b>	<b>8,822,734</b>	<b>168,475</b>	<b>8,991,209</b>
<b>At 1 January 2020</b>	8,673,606	162,769	8,836,375
Expenditure in period	31,389	28,764	60,153
Acquisitions during the period	2,084	-	2,084
Transfer from vessels under construction (Note 7)	345,285	12,100	357,385
Write-off of fully amortised drydock cost	-	(28,457)	(28,457)
<b>At 30 September 2020</b>	<b>9,052,364</b>	<b>175,176</b>	<b>9,227,540</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	239,565	25,711	265,276
Write-off of fully amortised drydock cost	-	(27,534)	(27,534)
Exchange adjustment	349	47	396
<b>At 30 September 2019</b>	<b>2,631,235</b>	<b>82,497</b>	<b>2,713,732</b>
<b>At 1 January 2020</b>	2,631,268	83,373	2,714,641
Charge for the period	258,096	25,428	283,524
Impairment provision	6,180	-	6,180
Write-off of fully amortised drydock cost	-	(28,457)	(28,457)
<b>At 30 September 2020</b>	<b>2,895,544</b>	<b>80,344</b>	<b>2,975,888</b>
<b>Net book value</b>			
At 30 September 2020	6,156,820	94,832	6,251,652
At 31 December 2019	6,042,338	79,396	6,121,734
		<b>30/09/2020</b>	<b>31/12/2019</b>
Market value (\$'000)		5,544,750	5,714,000
Current insured values (\$'000)		6,905,531	7,025,695
Total deadweight tonnage (dwt)		11,544,231	11,358,261

As at 30 September 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.

As at 30 June 2020, management 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 September 2020 in respect of the CGU, amounted to \$10.1 million, comprising impairment provision of seismic equipment of \$6.2 million, right of use assets of \$1.8 million (net of reversal of impairment loss, see Note 17) and intangible assets of \$2.1 million.

## 7. Vessels Under Construction

	30/09/2020 \$'000	30/09/2019 \$'000
<b>At 1 January</b>	179,579	135,890
Expenditure in period	267,821	337,486
Transfer to fleet (Note 6)	(357,385)	(312,708)
<b>At 30 September</b>	<b>90,015</b>	<b>160,668</b>
Total deadweight tonnage (dwt)	302,774	246,000

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## 7. Vessels Under Construction (Continued)

The following vessels were delivered during the period:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
SCF La Perouse	LNG carrier	Gas	92,924	10 February 2020
SCF Barents	LNG carrier	Gas	93,026	14 September 2020

Vessels under construction at 30 September 2020 comprised one LNG carrier and two Aframax crude oil shuttle tankers scheduled for delivery between January 2021 and March 2022 at a total contracted cost to the Group of \$333.6 million. As at 30 September 2020, \$85.7 million of these contracted costs had been paid for.

As at 30 September 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

	<u>30/09/2020</u>	<u>30/09/2019</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>At 1 January</b>	152,255	132,926
Dissolution of joint ventures	-	(185)
Share of profits in joint ventures	13,767	8,599
Share of joint ventures' other comprehensive income	(2,266)	2,139
Currency retranslation difference	(21)	-
<b>At 30 September</b>	<u>163,735</u>	<u>143,479</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 and 28 August 2020, to lease in four and ten ice breaking LNG carriers, respectively. The leases commence on delivery of the vessels from the shipyard, between September 2023 and December 2025, for lease terms of between 24.5 to 26.3 years. The total undiscounted commitments of the joint venture under the leases, including interest, are \$8,931.9 million. The lessor has a pledge over the shares of the joint venture in connection with the lease arrangements.

The leases are backed up by 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 \$19,536.0 million.

In addition, in August 2020, the Group issued guarantees to the abovementioned charterer in respect of the performance and obligations of the joint venture for services under the time charter agreements relating to the leasing arrangements for ten vessels which became effective on 28 August 2020, to the extent of the Group's participation interest in the joint venture.

## 9. Derivative Financial Instruments

	<b>Interest Rate Swaps</b>		<b>Cross Currency Interest</b>		<b>Total</b>	
	<b>("IRS")</b>		<b>Rate Swaps ("CCIRS")</b>			
	<u>30/09/2020</u>	<u>31/12/2019</u>	<u>30/09/2020</u>	<u>31/12/2019</u>	<u>30/09/2020</u>	<u>31/12/2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Non-current asset	-	86	3,391	4,632	3,391	4,718
Current asset	-	170	-	-	-	170
Non-current liability	(41,408)	(16,194)	(13,965)	(14,039)	(55,373)	(30,233)
Current liability	(18,199)	(8,465)	(7,914)	(10,195)	(26,113)	(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 (effective 9 September 2020), 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, 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 nine months ended as indicated below.

	<b>IRS</b>		<b>CCIRS</b>		<b>Total</b>	
	<u>30/09/2020</u>	<u>30/09/2019</u>	<u>30/09/2020</u>	<u>30/09/2019</u>	<u>30/09/2020</u>	<u>30/09/2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Amount recognised in hedging reserve	(41,122)	(30,691)	(8,857)	(36,621)	(49,979)	(67,312)
Reclassified from hedging reserve and debited to financing costs	6,766	1,352	8,991	9,946	15,757	11,298
Reclassified from hedging reserve and (credited) / debited to foreign exchange	-	-	(11,797)	14,710	(11,797)	14,710
<b>Total in other comprehensive income</b>	<u>(34,356)</u>	<u>(29,339)</u>	<u>(11,663)</u>	<u>(11,965)</u>	<u>(46,019)</u>	<u>(41,304)</u>

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## 10. Receivables and Other Assets

*Trade and other receivables*

	30/09/2020 \$'000	31/12/2019 \$'000
<b>Non-current assets</b>		
Other receivables	186	-
Receivables under High Court judgement award	2,700	2,700
Liquidated damages on vessels under construction receivable from shipyard	6,450	6,005
	<u>9,336</u>	<u>8,705</u>
<b>Current assets</b>		
Amounts due from charterers	60,069	71,412
Allowance for credit losses	(2,480)	(2,357)
	<u>57,589</u>	<u>69,055</u>
Casualty and other claims	23,025	10,443
Agents' balances	2,593	3,111
Other receivables	6,947	15,637
Amounts due from joint ventures	661	-
Accrued income	749	2,493
	<u>91,564</u>	<u>100,739</u>

*Prepayments and other current assets*

	30/09/2020 \$'000	31/12/2019 \$'000
Prepayments	9,140	8,944
Contract acquisition and voyage fulfilment costs	1,269	3,106
Non-income based taxes receivable	2,614	3,230
	<u>13,023</u>	<u>15,280</u>
	30/09/2020 \$'000	31/12/2019 \$'000
Contract assets	<u>21,077</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

	30/09/2020 \$'000	31/12/2019 \$'000
<b>Non-current assets</b>		
Restricted deposits	12,500	15,500
Bank deposits	12,500	15,500
<b>Current assets</b>		
Bank deposits accessible on maturity	188	565
Retention accounts	23,416	26,300
Bank deposits	23,604	26,865
Cash and cash equivalents	603,413	374,821
Cash and bank deposits	<u>627,017</u>	<u>401,686</u>

## 12. Non-Current Assets Held for Sale

	Property and other plant and equipment \$'000	Fleet \$'000	Total \$'000
<b>At 1 January 2019</b>	-	29,700	29,700
Transfer from other property plant and equipment	234	-	234
Expenditure in period	-	653	653
Impairment provision	-	(2,935)	(2,935)
Disposals in period	-	(8,820)	(8,820)
<b>At 30 September 2019</b>	<u>234</u>	<u>18,598</u>	<u>18,832</u>
<b>At 1 January 2020</b>	-	69,061	69,061
Impairment provision	-	(3,415)	(3,415)
Disposals in period	-	(47,997)	(47,997)
<b>At 30 September 2020</b>	<u>-</u>	<u>17,649</u>	<u>17,649</u>

The two crude oil suezmax tankers and one crude oil aframax tanker classified as held for sale as at 31 December 2019 were disposed of and delivered to their new owners in February 2020 and September 2020 respectively, realising a loss on disposal of \$2.4 million. As at 30 September 2020, non-current assets held for sale, comprised of two MR chemical oil product tankers. The vessels were actively marketed for sale at a price approximate to their market values.

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## 13. Dividends

Dividends for the financial year 2019, of RUR 7,181.0 million (RUR 3.65 per share), equivalent to \$96.8 million at the exchange rate on the date of declaration, were declared to owners of the parent on 4 August 2020. These dividends were paid to owners of the parent on 17 August 2020. Dividends, for the financial year 2018, of RUR 1,434.8 million (RUR 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.

## 14. Payables and Other Liabilities

*Trade and other payables*

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current liabilities</b>		
Liquidated damages for late delivery of vessels payable to charterer	15,851	16,905
	<u>15,851</u>	<u>16,905</u>
<b>Current liabilities</b>		
Trade payables	68,371	46,179
Other payables	36,665	38,776
Liquidated damages for late delivery of vessels payable to charterer	2,067	1,950
Amounts due to joint ventures	-	146
Dividends payable	4,642	9,970
Accrued liabilities	52,908	47,674
Interest payable	27,790	17,229
	<u>192,443</u>	<u>161,924</u>

*Other liabilities*

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current liabilities</b>		
Employee benefit obligations	5,820	646
Deferred lease revenue	2,847	3,017
	<u>8,667</u>	<u>3,663</u>
<b>Current liabilities</b>		
Deferred lease revenue	30,240	39,007
Employee benefit obligations	-	9,120
Non-income based taxes payable	19,654	24,392
	<u>49,894</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:

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Within twelve months after the end of the reporting period	495,360	378,955
Between one to two years	307,970	401,794
Between two to three years	305,983	293,355
Between three to four years	316,740	283,871
Between four to five years	318,502	297,051
More than five years	806,051	883,783
	2,550,606	2,538,809
Less current portion	(495,360)	(378,955)
Non-current balance	<u>2,055,246</u>	<u>2,159,854</u>

## 16. Other Loans

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>\$'000</b>	<b>\$'000</b>
\$900 million 5.375% Senior Notes due in 2023	895,136	893,792
Other loan from related party	5,181	6,628
	900,317	900,420
Less current portion	(3,454)	(3,314)
Non-current balance	<u>896,863</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	9	-	6,757
Additions in period	-	73	18	91
Depreciation charge for the period	(13,514)	(2,866)	(74)	(16,454)
Exchange differences	2,274	20	168	2,462
<b>At 30 September 2019</b>	<u>27,060</u>	<u>16,379</u>	<u>2,360</u>	<u>45,799</u>
<b>At 1 January 2020</b>	28,600	15,605	1,690	45,895
Lease modification	12,921	(14)	584	13,491
Additions in period	-	511	-	511
Lease termination	(16,954)	-	-	(16,954)
Depreciation charge for the period	(8,132)	(2,867)	(54)	(11,053)
Impairment provision in period	(18,746)	(408)	(492)	(19,646)
Reversal of impairment provision	16,954	-	-	16,954
Exchange differences	-	(282)	(369)	(651)
<b>At 30 September 2020</b>	<u>14,643</u>	<u>12,545</u>	<u>1,359</u>	<u>28,547</u>

As at 30 September 2020, management carried out an assessment of whether there is any indication that right of use assets may have suffered an impairment loss or a previously recognised impairment loss should be reversed in accordance with the Group's policy.

As of 30 June 2020, management concluded that the bareboat charter in respect of a chartered in seismic research vessel (the "Ivan Gubkin"), which was 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 rejection of the Ministry of Foreign Affairs of Norway of the Group's application for extension, and consequently had been impaired. The impairment recognised in the period ended 30 June 2020 in relation to the fleet related right of use assets amounted to \$18.7 million. The Group submitted an appeal in July 2020 and in late September 2020, the Ministry of Foreign Affairs of Norway accepted the Group's appeal and set out the conditions under which a new export license could be granted. As a result the previously recognised impairment loss of \$17.0 million was reversed increasing the fleet related right of use assets carrying amount to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior periods. Subsequently, the lease of the relevant vessel was terminated and the vessel was returned to its owner on 25 September 2020 under the terms of its charter. Concurrently with the termination of the lease for the Ivan Gubkin, as part of a linked transaction, the Group extended the bareboat charter-in arrangement for another seismic research vessel until November 2023 with aggregate undiscounted bareboat charter hire payments of \$24.3 million.

In addition, management concluded that right of use assets in relation to land and buildings forming part of two separate CGUs were impaired. The impairment recognised based on fair value less cost to sell amounted to \$0.1 million and based on value in use amounted to \$0.8 million.

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

	30/09/2020 \$'000	30/09/2019 \$'000
<b>At 1 January</b>	60,300	69,403
Lease modification	19,039	6,757
Additions in the period	511	91
Accretion of interest	4,417	5,959
Payment of lease instalments	(18,217)	(23,647)
Lease termination	(22,427)	-
Exchange differences	(2,093)	418
<b>At 30 September</b>	<u>41,530</u>	<u>58,981</u>
<b>Less current portion</b>	<u>(11,489)</u>	<u>(15,040)</u>
<b>Non-current balance</b>	<u>30,041</u>	<u>43,941</u>

## 18. Financial Assets and Financial Liabilities

## (a) Categories of financial assets and financial liabilities

	30/09/2020 \$'000	31/12/2019 \$'000
<b>Cash and debt instruments at amortised cost</b>		
Trade and other receivables	100,900	109,444
Loans to joint ventures	51,343	62,145
Cash and bank deposits	639,517	417,186
<b>Financial assets at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	3,391	4,888
<b>Equity instruments at fair value through profit or loss</b>		
Investments in non-listed companies	351	480
<b>Total financial assets</b>	<u>795,502</u>	<u>594,143</u>



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## 18. Financial Assets and Financial Liabilities (Continued)

## (a) Categories of financial assets and financial liabilities (continued)

	30/09/2020 \$'000	31/12/2019 \$'000
<b>Financial liabilities at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	81,486	48,893
<b>Financial liabilities at amortised cost</b>		
Secured bank loans	2,550,606	2,538,809
Other loans	900,317	900,420
Lease liabilities	41,530	60,300
Trade and other payables	208,294	178,829
<b>Total financial liabilities</b>	<u>3,782,233</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	
	30/09/2020 \$'000	31/12/2019 \$'000		30/09/2020 \$'000	31/12/2019 \$'000
<b>Financial assets</b>					
Loans to joint ventures	51,343	62,145	Level 2	50,597	61,891
<b>Total financial assets</b>	<u>51,343</u>	<u>62,145</u>		<u>50,597</u>	<u>61,891</u>
<b>Financial liabilities</b>					
Secured bank loans at fixed interest rates	689,222	739,620	Level 2	691,421	765,368
Secured bank loans at floating interest rates	1,861,384	1,799,189	Level 2	1,820,323	1,806,728
Other loans (Senior Notes due in 2023)	895,136	893,792	Level 1	967,500	964,125
Other loans	5,181	6,628	Level 2	5,221	6,777
<b>Total financial liabilities</b>	<u>3,450,923</u>	<u>3,439,229</u>		<u>3,484,465</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 September 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 of financial instruments recognised in the statement of financial position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 30 September 2020</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	3,391	-	3,391
	<u>-</u>	<u>3,391</u>	<u>-</u>	<u>3,391</u>
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	81,486	-	81,486
	<u>-</u>	<u>81,486</u>	<u>-</u>	<u>81,486</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2020 (Continued)  
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## 18. Financial Assets and Financial Liabilities (Continued)

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 31 December 2019</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	4,888	-	4,888
	-	4,888	-	4,888
<b>Liabilities</b>				
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 30 September 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.

## 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 September 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 (2020-2022) 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 nine months ended		Statement of Financial Position asset / (liability) as at	
	30/09/2020	30/09/2019	30/09/2020	31/12/2019
	\$'000	\$'000	\$'000	\$'000
<b>Transactions with Russian State controlled entities</b>				
Revenue <sup>1</sup>	(347,126)	(313,680)	(10,920)	(18,641)
Voyage expenses and commissions	14,691	28,271	(658)	(4,704)
Other operating revenues	(5,284)	(5,306)	(351)	(354)
Other operating expenses	-	1,984	-	(258)
Other loans	186	281	(5,181)	(6,640)
Secured bank loans	35,315	33,853	(666,563)	(714,910)
Lease liabilities	765	758	(7,248)	(7,864)
Receivables from shipyard (liquidated damages for late delivery of vessels)	(445)	(403)	6,450	6,005
Payables to charterer (liquidated damages for late delivery of vessels)	1,328	1,410	(17,918)	(18,855)
Cash at bank	(3,861)	(1,815)	159,728	217,896
<b>Transactions with Joint Ventures</b>				
Other operating revenues	(2,756)	(2,511)	661	(146)
Loans due from joint ventures	(1,147)	(2,007)	51,350	62,624
<b>Compensation of Key Management Personnel</b>				
Short-term benefits	6,509	6,984	(2,628)	(4,576)
Post-employment benefits	54	48	(5)	(3)
Long-term service benefits	1,005	1,174	(1,474)	(4,530)
Termination benefits	-	259	-	-
	7,568	8,465	(4,107)	(9,109)

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

**PAO Sovcomflot****Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2020 (Continued)  
(unaudited)****21. Events After the Reporting Period**

In October 2020, PAO Sovcomflot has conducted an initial public offering (the "Offering" or the "IPO") of 408,296,691 newly issued ordinary shares of nominal value of RUR 1 each at a price of RUR 105 per ordinary share and listed them on the Moscow Exchange. The total gross proceeds of the IPO are RUR 42,871.2 million (equivalent to \$550.2 million as of the date of issue). In November 2020, the underwriters of the shares have exercised the repurchase option in full, which was granted to them in connection with the Offering in respect of 37,117,881 shares of the Company, which were purchased by the underwriters on Moscow Exchange in the course of stabilisation activities. As a result, such shares were repurchased by OOO SCF Arctic ("SCF Arctic"), a wholly-owned subsidiary of the Company, at RUR 3,701.6 million (equivalent to \$47.2 million as of the date of exercise of the repurchase option). These shares are held by SCF Arctic in treasury. Following the settlement of the repurchase, the free float of PAO Sovcomflot amounts to 15.6%, and the Russian Federation retains an 82.8% stake. The transaction costs of the IPO are estimated at approximately \$22.0 million.

Effective on 28 October 2020, the Group entered into shipbuilding contracts for the construction of three icebreaking LNG carriers, scheduled for delivery between February 2023 to July 2023, at a total contracted cost of \$872.1 million. The vessels are backed up by time charter agreements for firm periods of 30 years, with extension options attached in favour of the charterer, with total receivable under contracts, over the firm period of the time charter agreements, of \$4,234.7 million.

On 30 October 2020, the Group prepaid secured bank loans with an outstanding balance as of the date of prepayment of \$137.7 million (\$143.3 million as at 30 September 2020) with scheduled maturity within twelve months from 30 September 2020. The interest rate swap hedging one of the loans with a fair value of \$3.8 million as at 30 September 2020 was terminated and settled on the same date.

On 6 November 2020, the Group refinanced obligations of \$67.3 million under a secured loan facility, maturing on 13 November 2020, with existing lenders, repayable in 20 equal quarterly instalments with a final balloon payment of 37.5% on maturity in November 2025.

**22. Date of Issue**

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 16 November 2020.