

**PAO SOVCOMFLOT**

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

**31 March 2019**

## PAO Sovcomflot

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## PAO Sovcomflot

**Consolidated Income Statement**  
**For the period ended 31 March 2019**  
**(unaudited)**

	Note	Three months ended (unaudited)	
		31/03/2019 \$'000	31/03/2018 \$'000
<b>Revenue</b>	2	410,732	345,368
Voyage expenses and commissions		(96,855)	(96,485)
<b>Time charter equivalent revenues</b>	2	<u>313,877</u>	<u>248,883</u>
<b>Direct operating expenses</b>			
Vessels' running costs		84,429	86,472
Charter hire payments		2,553	6,669
		<u>(86,982)</u>	<u>(93,141)</u>
<b>Net earnings from vessels' trading</b>		226,895	155,742
Other operating revenues		9,356	5,707
Other operating expenses		(5,367)	(2,670)
Depreciation, amortisation and impairment		(96,366)	(93,394)
General and administrative expenses		(25,650)	(30,017)
Loss on sale of assets		-	(176)
Allowance for credit losses		251	242
Share of profits in equity accounted investments		5,345	1,467
<b>Operating profit</b>		<u>114,464</u>	<u>36,901</u>
<b>Other (expenses) / income</b>			
Financing costs		(51,654)	(49,150)
Interest income		3,032	2,768
Other non-operating expenses		(523)	(1,066)
(Loss) / gain on hedge ineffectiveness		(394)	321
Foreign exchange gains		13,686	2,250
Foreign exchange losses		(4,552)	(2,889)
<b>Net other expenses</b>		<u>(40,405)</u>	<u>(47,766)</u>
<b>Profit / (loss) before income taxes</b>		74,059	(10,865)
Income tax expense	4	(4,005)	(5,212)
<b>Profit / (loss) for the period</b>		<u>70,054</u>	<u>(16,077)</u>
<b>Profit / (loss) attributable to:</b>			
Owners of the parent		68,878	(15,166)
Non-controlling interests		1,176	(911)
		<u>70,054</u>	<u>(16,077)</u>
<b>Earnings per share</b>			
Basic profit / (loss) per share for the period attributable to equity holders of the parent		<u>\$0.035</u>	<u>(\$0.008)</u>

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

## PAO Sovcomflot

**Consolidated Statement of Comprehensive Income**  
**For the period ended 31 March 2019**  
**(unaudited)**

	Note	Three months ended (unaudited)	
		31/03/2019 \$'000	31/03/2018 \$'000
<b>Profit / (loss) for the period</b>		70,054	(16,077)
<b>Other comprehensive income:</b>			
Share of associates' other comprehensive income		7	1
Share of joint ventures' other comprehensive income	7	898	3,404
Exchange (loss) / gain on translation from functional currency to presentation currency		(3,241)	364
Net (loss) / gain on derivative financial instruments (debited) / credited to other comprehensive income	8	(12,674)	16,255
<b>Other comprehensive income for the period, net of tax, to be reclassified to profit or loss in subsequent periods</b>		(15,010)	20,024
Remeasurement losses on retirement benefit obligations		-	(24)
<b>Other comprehensive income for the period, net of tax, not to be reclassified to profit or loss in subsequent periods</b>		-	(24)
<b>Total other comprehensive income for the period, net of tax</b>		(15,010)	20,000
<b>Total comprehensive income for the period</b>		55,044	3,923
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		53,916	4,846
Non-controlling interests		1,128	(923)
		55,044	3,923

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

## PAO Sovcomflot

**Consolidated Statement of Financial Position – 31 March 2019**  
(unaudited)

	<b>Note</b>	<b>31/03/2019 (unaudited) \$'000</b>	<b>31/12/2018 \$'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	5	6,218,846	6,165,663
Right of use of assets	1	49,436	-
Vessels under construction	6	145,753	135,890
Intangible assets		6,620	6,772
Other property, plant and equipment		43,259	43,240
Investment property		5,542	545
Investments in associates		119	99
Investments in joint ventures	7	138,971	132,926
Equity instruments at fair value through profit or loss		754	754
Loans to joint ventures		67,811	66,069
Derivative financial instruments	8	11,051	20,899
Trade and other receivables	9	8,378	13,670
Deferred tax assets		4,560	4,089
Bank deposits	10	12,500	11,000
		<u>6,713,600</u>	<u>6,601,616</u>
<b>Current assets</b>			
Inventories		67,840	67,452
Derivative financial instruments	8	3,262	3,783
Trade and other receivables	9	114,928	108,210
Contract assets		23,830	31,020
Current tax receivable		3,309	4,032
Cash and bank deposits	10	329,676	296,433
		<u>542,845</u>	<u>510,930</u>
Non-current assets held for sale	11	25,965	29,700
		<u>568,810</u>	<u>540,630</u>
<b>Total assets</b>		<u><u>7,282,410</u></u>	<u><u>7,142,246</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		405,012	405,012
Reserves		2,852,672	2,808,596
<b>Equity attributable to owners of the parent</b>		<u>3,257,684</u>	<u>3,213,608</u>
<b>Non-controlling interests</b>		<u>137,583</u>	<u>136,455</u>
<b>Total equity</b>		<u><u>3,395,267</u></u>	<u><u>3,350,063</u></u>
<b>Non-current liabilities</b>			
Trade and other payables	13	25,696	24,777
Secured bank loans	14	2,276,587	2,261,672
Finance lease liabilities	1, 15	50,802	-
Derivative financial instruments	8	21,824	14,071
Retirement benefit obligations		2,397	2,293
Other loans	16	899,566	899,312
Deferred tax liabilities		3,903	3,823
		<u>3,280,775</u>	<u>3,205,948</u>
<b>Current liabilities</b>			
Trade and other payables	13	238,847	236,173
Contract liabilities		9,520	16,086
Other loans	16	3,323	3,384
Secured bank loans	14	318,559	313,842
Finance lease liabilities	1, 15	17,816	-
Current tax payable		1,975	1,124
Derivative financial instruments	8	16,328	15,626
		<u>606,368</u>	<u>586,235</u>
<b>Total liabilities</b>		<u><u>3,887,143</u></u>	<u><u>3,792,183</u></u>
<b>Total equity and liabilities</b>		<u><u>7,282,410</u></u>	<u><u>7,142,246</u></u>

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

**PAO Sovcomflot**  
**Consolidated Statement of Changes in Equity**  
**For the period ended 31 March 2019**  
**(unaudited)**

	Share capital \$'000	Share premium \$'000	Reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total \$'000
<b>At 1 January 2018</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(17,299)</b>	<b>(44,367)</b>	<b>2,934,656</b>	<b>3,262,357</b>	<b>143,573</b>	<b>3,405,930</b>
Loss for the period	-	-	-	-	-	(15,166)	(15,166)	(911)	(16,077)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	1	-	1	-	1
Share of joint ventures' other comprehensive income	-	-	-	3,404	-	-	3,404	-	3,404
Exchange gain / (loss) on translation from functional currency to presentation currency	-	-	-	-	373	-	373	(9)	364
Net gain on derivative financial instruments credited to other comprehensive income	-	-	-	16,255	-	-	16,255	-	16,255
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(21)	(21)	(3)	(24)
Total comprehensive income	-	-	-	19,659	374	(15,187)	4,846	(923)	3,923
<b>At 31 March 2018 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>2,360</b>	<b>(43,993)</b>	<b>2,919,469</b>	<b>3,267,203</b>	<b>142,650</b>	<b>3,409,853</b>
<b>At 1 January 2019</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(2,359)</b>	<b>(39,027)</b>	<b>2,865,627</b>	<b>3,213,608</b>	<b>136,455</b>	<b>3,350,063</b>
Adjustment on initial application of IFRS 16 (net of tax) (Note 1)	-	-	-	-	-	(9,840)	(9,840)	-	(9,840)
<b>Adjusted balance at 1 January 2019</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(2,359)</b>	<b>(39,027)</b>	<b>2,855,787</b>	<b>3,203,768</b>	<b>136,455</b>	<b>3,340,223</b>
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
<b>At 31 March 2019 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(14,135)</b>	<b>(42,213)</b>	<b>2,924,665</b>	<b>3,257,684</b>	<b>137,583</b>	<b>3,395,267</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 31 March 2019**  
(unaudited)

	Note	Three months ended (unaudited)	
		31/03/2019 \$'000	31/03/2018 \$'000
<b>Operating Activities</b>			
Cash received from vessels' operations		402,099	343,799
Other cash receipts		3,380	10,178
Cash payments for voyage and running costs		(183,924)	(193,150)
Other cash payments		(24,614)	(30,931)
Cash generated from operations		196,941	129,896
Interest received		2,073	2,140
Income tax paid		(2,820)	(6,840)
Net cash inflow from operating activities		196,194	125,196
<b>Investing Activities</b>			
Expenditure on fleet	5	(13,906)	(5,471)
Expenditure on vessels under construction		(133,135)	(148,946)
Interest capitalised		(846)	(895)
Expenditure on intangibles and other property, plant and equipment		(351)	(180)
Loans issued to joint ventures		(1,122)	(2,550)
Proceeds from dissolution of equity accounted investments		237	-
Proceeds from sale of vessels		-	26,892
Proceeds from sale of other property, plant and equipment		355	-
Bank term deposits	10	149	521
Net cash outflow used in investing activities		(148,619)	(130,629)
<b>Financing Activities</b>			
Proceeds from borrowings		113,262	174,010
Repayment of borrowings		(87,799)	(116,441)
Financing costs		(822)	(1,727)
Repayment of finance lease liabilities		(3,318)	-
Repayment of liquidated damages		(278)	(2,517)
Restricted deposits under loan agreements	10	(1,500)	-
Funds in retention bank accounts	10	1,334	(2,387)
Interest paid on borrowings		(36,400)	(32,844)
Interest paid on finance leases		(610)	-
Interest paid on liquidated damages		(475)	-
Dividends paid		(1,286)	(2,159)
Net cash (outflow) used in / inflow from financing activities		(17,892)	15,935
<b>Increase in Cash and Cash Equivalents</b>		29,683	10,502
<b>Cash and Cash Equivalents at 1 January</b>	10	267,571	321,334
Net foreign exchange difference		5,043	498
<b>Cash and Cash Equivalents at 31 March</b>	10	302,297	332,334

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

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
(unaudited)

## 1. Organisation, Basis of Preparation and Accounting Policies

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

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

The Company, through its subsidiaries (the “Group”), is engaged in ship owning and operating on a world-wide basis with a fleet of 133 vessels at the period end, comprising 110 tankers, 9 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 2018. Operating results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

**Currency translation**

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

	31/03/2019 Closing \$1	31/03/2019 Average \$1	31/12/2018 Closing \$1	31/03/2018 Average \$1
Russian Roubles	64.7347	66.1271	69.4706	56.8803
Pounds Sterling	0.7683	0.7686	0.7869	0.7193
Euro	0.8902	0.8798	0.8743	0.8141

**Significant Accounting Policies**

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

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

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

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

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

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

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



## PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
(unaudited)**

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

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

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

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

**Annual Improvements to IFRSs 2015–2017 Cycle**

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

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

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

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the commencement of the lease and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

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

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
(unaudited)

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

## Significant Accounting Policies (continued)

## IFRS 16 ("Leases") (continued)

The effect of adoption IFRS 16 as at 31 March 2019 and 1 January 2019 is as follows:

**Impact on the consolidated statement of financial position:**

	Amounts prepared under			Amounts prepared under		Effect 01/01/2019 \$'000
	IFRS 16	IAS 17	Effect	IFRS 16	IAS 17	
	31/03/2019 \$'000	31/03/2019 \$'000	31/03/2019 \$'000	01/01/2019 \$'000	01/01/2019 \$'000	
<b>Assets</b>						
<b>Non-current assets</b>						
Right of use assets	49,436	-	49,436	51,733	-	51,733
Investment property	5,542	532	5,010	5,280	545	4,735
Deferred tax asset	4,560	4,493	67	4,089	4,089	-
<b>Total non-current assets</b>	<u>6,713,600</u>	<u>6,659,087</u>	<u>54,513</u>	<u>6,658,084</u>	<u>6,601,616</u>	<u>56,468</u>
<b>Current assets</b>						
Trade and other receivables	114,928	115,947	(1,019)	107,281	108,210	(929)
<b>Total current assets</b>	<u>568,810</u>	<u>569,829</u>	<u>(1,019)</u>	<u>539,701</u>	<u>540,630</u>	<u>(929)</u>
<b>Total assets</b>	<u>7,282,410</u>	<u>7,228,916</u>	<u>53,494</u>	<u>7,197,785</u>	<u>7,142,246</u>	<u>55,539</u>
<b>Equity and liabilities</b>						
<b>Capital and reserves</b>						
Reserves	2,852,672	2,858,961	(6,289)	2,798,756	2,808,596	(9,840)
<b>Equity attributable to owners of the parent</b>	3,257,684	3,263,969	(6,285)	3,203,768	3,213,608	(9,840)
<b>Non-controlling interests</b>	137,583	137,587	(4)	136,455	136,455	-
<b>Total equity</b>	<u>3,395,267</u>	<u>3,401,556</u>	<u>(6,289)</u>	<u>3,340,223</u>	<u>3,350,063</u>	<u>(9,840)</u>
<b>Non-current liabilities</b>						
Finance lease liabilities	50,802	-	50,802	53,373	-	53,373
<b>Total non-current liabilities</b>	<u>3,280,775</u>	<u>3,229,973</u>	<u>50,802</u>	<u>3,259,321</u>	<u>3,205,948</u>	<u>53,373</u>
<b>Current liabilities</b>						
Finance lease liabilities	17,816	-	17,816	16,616	-	16,616
Trade and other payables	238,847	247,682	(8,835)	231,563	236,173	(4,610)
<b>Total current liabilities</b>	<u>606,368</u>	<u>597,387</u>	<u>8,981</u>	<u>598,241</u>	<u>586,235</u>	<u>12,006</u>
<b>Total liabilities</b>	<u>3,887,143</u>	<u>3,827,360</u>	<u>59,783</u>	<u>3,857,562</u>	<u>3,792,183</u>	<u>65,379</u>
<b>Total equity and liabilities</b>	<u>7,282,410</u>	<u>7,228,916</u>	<u>53,494</u>	<u>7,197,785</u>	<u>7,142,246</u>	<u>55,539</u>

**Impact on the consolidated income statement:**

	Amounts prepared under			IAS 17 31/03/2018 \$'000
	IFRS 16	IAS 17	Effect	
	31/03/2019 \$'000	31/03/2019 \$'000	31/03/2019 \$'000	
<b>Direct operating expenses</b>				
Charter hire payments	2,553	9,238	(6,685)	6,669
	<u>(86,982)</u>	<u>(93,667)</u>	<u>6,685</u>	<u>(93,141)</u>
<b>Net earnings from vessels' trading</b>	<u>226,895</u>	<u>220,210</u>	<u>6,685</u>	<u>155,742</u>
<b>Operating expenses</b>				
Other operating expenses	(5,367)	(5,318)	(49)	(2,670)
Depreciation, amortisation and impairment	(96,366)	(91,625)	(4,741)	(93,394)
General and administrative expenses	(25,650)	(27,032)	1,382	(30,017)
<b>Operating profit</b>	<u>114,464</u>	<u>111,187</u>	<u>3,277</u>	<u>36,901</u>
<b>Other (expenses) / income</b>				
Financing costs	(51,654)	(49,714)	(1,940)	(49,150)
Foreign exchange gains	13,686	10,511	3,175	2,250
Foreign exchange losses	(4,552)	(4,540)	(12)	(2,889)
<b>Net other expenses</b>	<u>(40,405)</u>	<u>(41,628)</u>	<u>1,223</u>	<u>(47,766)</u>
<b>Profit / (loss) before income taxes</b>	<u>74,059</u>	<u>69,559</u>	<u>4,500</u>	<u>(10,865)</u>
Income tax expense	(4,005)	(4,072)	67	(5,212)
<b>Profit / (loss) for the period</b>	<u>70,054</u>	<u>65,487</u>	<u>4,567</u>	<u>(16,077)</u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
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## 1. Organisation, Basis of Preparation and Accounting Policies (Continued)

## Significant Accounting Policies (continued)

## IFRS 16 ("Leases") (continued)

## Impact on the consolidated statement of comprehensive income:

	Amounts prepared under			
	IFRS 16 31/03/2019 \$'000	IAS 17 31/03/2019 \$'000	Effect 31/03/2019 \$'000	IAS 17 31/03/2018 \$'000
<b>Profit / (loss) for the period</b>	<u>70,054</u>	<u>65,487</u>	<u>4,567</u>	<u>(16,077)</u>
<b>Other comprehensive income:</b>				
Exchange (loss) / gain on translation from functional currency to presentation currency	<u>(3,241)</u>	<u>(2,225)</u>	<u>(1,016)</u>	<u>364</u>
<b>Other comprehensive income for the period, net of tax, to be reclassified to profit or loss in subsequent periods</b>	<u>(15,010)</u>	<u>(13,994)</u>	<u>(1,016)</u>	<u>20,024</u>
<b>Total other comprehensive income for the period, net of tax</b>	<u>(15,010)</u>	<u>(13,994)</u>	<u>(1,016)</u>	<u>20,000</u>
<b>Total comprehensive income for the period</b>	<u><u>55,044</u></u>	<u><u>51,493</u></u>	<u><u>3,551</u></u>	<u><u>3,923</u></u>

## a) Nature of the effect of adoption of IFRS 16

The Group, as a lessee, has lease contracts for vessels, land and buildings and miscellaneous other property plant and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

*Leases previously accounted for as operating leases*

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

The Group also applied the available practical expedients wherein it:

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

Based on the foregoing, as at 1 January 2019:

- Right of use assets of \$51.7 million (net of impairment of right of use asset as the date of initial application of \$2.1 million) and investment property of \$4.7 million were recognised and presented separately in the statement of financial position;
- Finance lease liabilities of \$70.0 million were recognised;
- Prepayments of \$0.9 million and trade and other payables of \$4.6 million related to previous operating leases were derecognised;
- The net effect of these adjustments of \$9.8 million had been charged to retained earnings.

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

<b>Operating lease commitments as at 31 December 2018</b>	<u>\$'000</u> 122,005
Discounted operating lease commitments at 1 January 2019 using a 12.7% weighted average incremental borrowing rate	74,020
Less:	
Commitments relating to short-term leases	(3,991)
Commitments relating to contract service element	(2,238)
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	<u>2,198</u>
<b>Lease liabilities as at 1 January 2019</b>	<u><u>69,989</u></u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
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## 1. Organisation, Basis of Preparation and Accounting Policies (Continued)

## Significant Accounting Policies (continued)

IFRS 16 ("Leases") (continued)

## b) Summary of new accounting policies

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

*Right-of-use assets*

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

*Lease liabilities*

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

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

*Short-term leases and leases of low-value assets*

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

*Subleasing*

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

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

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

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

## c) Amounts recognised in the statement of financial position and profit or loss

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

	Fleet	Land and buildings	Miscellaneous	Total right of use assets	Lease liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 January 2019</b>	30,064	19,396	2,273	51,733	69,989
Additions in period	-	-	18	18	18
Depreciation expense	(3,760)	(957)	(24)	(4,741)	-
Interest expense	-	-	-	-	1,940
Lease payments	-	-	-	-	(3,928)
Exchange differences	2,118	149	159	2,426	599
<b>As at 31 March 2019</b>	<u>28,422</u>	<u>18,588</u>	<u>2,426</u>	<u>49,436</u>	<u>68,618</u>

The Group recognised expense from short-term leases of \$2.6 million for the three months ended 31 March 2019.

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019  
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## 1. Organisation, Basis of Preparation and Accounting Policies (Continued)

## Significant Accounting Policies (continued)

## Seasonality of Operations

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

## Changes in Estimates

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. All critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

## 2. Time Charter Equivalent Revenues

	31/03/2019 \$'000	31/03/2018 \$'000
<b>Revenue</b>		
Lease revenue from time charters	143,186	139,022
Service revenue from time charters	85,455	64,739
Total revenue from time charters	228,641	203,761
Service revenue from voyage charters	182,091	141,607
	<u>410,732</u>	<u>345,368</u>
<b>Voyage expenses and commissions</b>		
Bunkers	(62,687)	(59,320)
Port costs	(27,746)	(32,883)
Commissions	(2,674)	(2,447)
Seismic exploration and data processing	(1,780)	(473)
Other voyage costs	(1,968)	(1,362)
	<u>(96,855)</u>	<u>(96,485)</u>
<b>Time charter equivalent revenues</b>	<u>313,877</u>	<u>248,883</u>

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

Segment	Service revenue			Lease revenue from time charters	Revenue
	Voyage charters	Time charters	Total	31/03/2019	31/03/2019
	31/03/2019	31/03/2019	31/03/2019	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore development 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	-	22,955	22,955	1,459	24,414
Revenue from vessel operations	<u>182,091</u>	<u>85,455</u>	<u>267,546</u>	<u>143,186</u>	<u>410,732</u>
<b>Other operating revenues from contracts with customers</b>					
Other operating revenues			5,106		
<b>Total revenue from contracts with customers</b>			<u>272,652</u>		

Segment	Service revenue			Lease revenue from time charters	Revenue
	Voyage charters	Time charters	Total	31/03/2018	31/03/2018
	31/03/2018	31/03/2018	31/03/2018	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Offshore development services	-	29,986	29,986	74,428	104,414
Gas transportation	608	8,751	9,359	35,985	45,344
Crude oil transportation	90,552	14,417	104,969	17,861	122,830
Oil products transportation	50,447	9,916	60,363	9,716	70,079
Other	-	1,669	1,669	1,032	2,701
Revenue from vessel operations	<u>141,607</u>	<u>64,739</u>	<u>206,346</u>	<u>139,022</u>	<u>345,368</u>
<b>Other operating revenues from contracts with customers</b>					
Other operating revenues			2,921		
<b>Total revenue from contracts with customers</b>			<u>209,267</u>		

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019 (Continued)  
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## 3. Segment Information

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

## Period ended 31 March 2019

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
<b>Revenue</b>	109,716	43,926	147,312	85,364	24,414	410,732
Voyage expenses and commissions	(78)	(148)	(51,744)	(37,030)	(7,855)	(96,855)
<b>Time charter equivalent revenues</b>	109,638	43,778	95,568	48,334	16,559	313,877
<b>Direct operating expenses</b>						
Vessels' running costs	(15,929)	(9,896)	(31,965)	(21,676)	(4,963)	(84,429)
Charter hire payments	-	-	-	-	(2,553)	(2,553)
<b>Net earnings from vessels' trading</b>	93,709	33,882	63,603	26,658	9,043	226,895
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 vessels' depreciation	-	-	-	-	(3,760)	(3,760)
Non-income based taxes	(1,675)	-	-	-	-	(1,675)
Net foreign exchange (losses) / gains	(1,039)	-	-	-	7,491	6,452
<b>Segment operating profit</b>	<u>58,315</u>	<u>23,873</u>	<u>35,007</u>	<u>9,083</u>	<u>11,179</u>	<u>137,457</u>
<b>Unallocated</b>						
General and administrative expenses						(23,975)
Financing costs						(51,654)
Other income and expenses (net)						9,549
Net foreign exchange gains						2,682
<b>Profit before income taxes</b>						<u>74,059</u>
<b>Carrying amount of fleet in operation including right of use vessels</b>	<u>1,932,795</u>	<u>1,191,793</u>	<u>2,106,992</u>	<u>919,503</u>	<u>96,185</u>	<u>6,247,268</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,965</u>	<u>-</u>	<u>25,965</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>1,340</u>	<u>552</u>	<u>7,262</u>	<u>2,401</u>	<u>156</u>	<u>11,711</u>

## Period ended 31 March 2018

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
<b>Revenue</b>	104,414	45,344	122,830	70,079	2,701	345,368
Voyage expenses and commissions	(235)	(585)	(60,460)	(33,521)	(1,684)	(96,485)
<b>Time charter equivalent revenues</b>	104,179	44,759	62,370	36,558	1,017	248,883
<b>Direct operating expenses</b>						
Vessels' running costs	(14,930)	(7,702)	(33,436)	(25,035)	(5,369)	(86,472)
Charter hire payments	-	-	-	-	(6,669)	(6,669)
<b>Net earnings / (losses) from vessels' trading</b>	89,249	37,057	28,934	11,523	(11,021)	155,742
Vessels' depreciation	(28,777)	(8,901)	(24,538)	(13,056)	(1,434)	(76,706)
Vessels' drydock cost amortisation	(2,348)	(1,427)	(3,914)	(2,082)	(127)	(9,898)
Vessels' impairment provision (net)	-	-	(2,900)	(2,550)	-	(5,450)
Loss on sale of vessels	-	-	(257)	-	-	(257)
Non-income based taxes	(1,507)	-	-	-	-	(1,507)
Net foreign exchange (losses) / gains	(164)	-	-	(10)	342	168
<b>Segment operating profit / (loss)</b>	<u>56,453</u>	<u>26,729</u>	<u>(2,675)</u>	<u>(6,175)</u>	<u>(12,240)</u>	<u>62,092</u>
<b>Unallocated</b>						
General and administrative expenses						(28,510)
Financing costs						(49,150)
Other income and expenses (net)						5,510
Net foreign exchange losses						(807)
<b>Loss before income taxes</b>						<u>(10,865)</u>
<b>Carrying amount of fleet in operation</b>	<u>2,056,698</u>	<u>1,226,219</u>	<u>1,970,760</u>	<u>1,014,330</u>	<u>75,574</u>	<u>6,343,581</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>1,340</u>	<u>552</u>	<u>7,227</u>	<u>2,448</u>	<u>156</u>	<u>11,723</u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019 (Continued)  
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## 4. Income Taxes

	31/03/2019 \$'000	31/03/2018 \$'000
Russian Federation profit tax	4,075	5,683
Overseas income tax expense	319	100
Current income tax expense	4,394	5,783
Deferred tax	(389)	(571)
<b>Total income tax expense</b>	<b>4,005</b>	<b>5,212</b>

## 5. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
<b>Cost</b>			
<b>At 1 January 2018</b>	8,491,703	177,268	8,668,971
Expenditure in period	2,637	2,971	5,608
Transfer from vessels under construction (Note 6)	137,589	1,000	138,589
Write-off of fully amortised drydock cost	-	(4,463)	(4,463)
Exchange adjustment	101	6	107
<b>At 31 March 2018</b>	<b>8,632,030</b>	<b>176,782</b>	<b>8,808,812</b>
<b>At 1 January 2019</b>	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
<b>At 31 March 2019</b>	<b>8,612,695</b>	<b>160,211</b>	<b>8,772,906</b>
<b>Depreciation, amortisation and impairment</b>			
<b>At 1 January 2018</b>	2,283,525	94,102	2,377,627
Charge for the period	76,706	9,898	86,604
Impairment provision	5,450	-	5,450
Write-off of fully amortised drydock cost	-	(4,463)	(4,463)
Exchange adjustment	8	5	13
<b>At 31 March 2018</b>	<b>2,365,689</b>	<b>99,542</b>	<b>2,465,231</b>
<b>At 1 January 2019</b>	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
<b>At 31 March 2019</b>	<b>2,470,017</b>	<b>84,043</b>	<b>2,554,060</b>
<b>Net book value</b>			
At 31 March 2019	6,142,678	76,168	6,218,846
At 31 December 2018	6,092,294	73,369	6,165,663
		<b>31/03/2019</b>	<b>31/12/2018</b>
Market value (\$'000)		5,343,000	5,264,000
Current insured values (\$'000)		6,887,835	6,747,835
Total deadweight tonnage (dwt)		11,560,749	11,334,207

As at 31 March 2019, management carried out an assessment of whether there is any indication that the fleet may have suffered an impairment loss in accordance with the Group's policy. The assessment did not result in any indication that fleet may have suffered an impairment loss.

## 6. Vessels Under Construction

	31/03/2019 \$'000	31/03/2018 \$'000
<b>At 1 January</b>	135,890	81,837
Expenditure in period	134,186	166,503
Transfer to fleet (Note 5)	(124,323)	(138,589)
<b>At 31 March</b>	<b>145,753</b>	<b>109,751</b>
Total deadweight tonnage (dwt)	402,000	808,000

The following vessels were delivered during the period:

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

Vessels under construction at 31 March 2019 comprised one ice-class LNG fuelled Aframax crude oil tanker, one Arctic shuttle tanker and three LNG carriers scheduled for delivery between April 2019 and February 2021 at a total contracted cost to the Group of \$700.3 million. As at 31 March 2019, \$140.7 million of the contracted costs had been paid for.

As at 31 March 2019, management carried out an assessment of whether there is any indication that the vessels under construction may have suffered an impairment loss in accordance with the Group's policy. The assessment did not result in any indication that vessels under construction may have suffered an impairment loss.

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## 7. Investments in Joint Ventures

Investments in joint ventures are analysed as follows:

	31/03/2019 \$'000	31/03/2018 \$'000
<b>At 1 January</b>	132,926	123,117
Dissolution of joint ventures	(185)	-
Share of profits in joint ventures	5,332	1,450
Share of joint ventures' other comprehensive income	898	3,404
<b>At 31 March</b>	<u>138,971</u>	<u>127,971</u>

## 8. Derivative Financial Instruments

	Interest Rate Swaps ("IRS")		Cross Currency Interest Rate Swaps ("CCIRS")		Total	
	31/03/2019 \$'000	31/12/2018 \$'000	31/03/2019 \$'000	31/12/2018 \$'000	31/03/2019 \$'000	31/12/2018 \$'000
Non-current asset	2,533	6,694	8,518	14,205	11,051	20,899
Current asset	3,262	3,783	-	-	3,262	3,783
Non-current liability	(11,542)	(8,268)	(10,282)	(5,803)	(21,824)	(14,071)
Current liability	(5,545)	(5,171)	(10,783)	(10,455)	(16,328)	(15,626)

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

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

	IRS		CCIRS		Total	
	31/03/2019 \$'000	31/03/2018 \$'000	31/03/2019 \$'000	31/03/2018 \$'000	31/03/2019 \$'000	31/03/2018 \$'000
Amount recognised in hedging reserve	(9,131)	10,302	(13,535)	9,355	(22,666)	19,657
Reclassified from hedging reserve and debited to financing costs	754	3,845	3,393	2,391	4,147	6,236
Reclassified from hedging reserve and debited / (credited) to foreign exchange	-	-	5,845	(9,638)	5,845	(9,638)
<b>Total in other comprehensive income</b>	<u>(8,377)</u>	<u>14,147</u>	<u>(4,297)</u>	<u>2,108</u>	<u>(12,674)</u>	<u>16,255</u>

## 9. Trade and Other Receivables

	31/03/2019 \$'000	31/12/2018 \$'000
<b>Non-current assets</b>		
<b>Financial assets</b>		
Other receivables	89	5,511
Receivables under High Court judgement award	2,700	2,700
Liquidated damages on vessels under construction receivable from shipyard	5,589	5,459
	<u>8,378</u>	<u>13,670</u>
<b>Current assets</b>		
<b>Financial assets</b>		
Amounts due from charterers	67,057	67,142
Allowance for credit losses	(2,254)	(2,500)
	64,803	64,642
Casualty and other claims	5,149	5,841
Agents' balances	3,103	2,710
Other receivables	19,416	10,455
Amounts due from joint ventures	1,124	761
Accrued income	1,730	5,556
<b>Non-financial assets</b>		
Prepayments	10,414	8,951
Contract acquisition and voyage fulfilment costs	2,525	2,502
Non-income based taxes receivable	6,664	6,792
	<u>114,928</u>	<u>108,210</u>



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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019 (Continued)  
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## 10. Cash and Bank Deposits

	31/03/2019 \$'000	31/12/2018 \$'000
<b>Non-current assets</b>		
Bank deposits	12,500	11,000
Restricted deposits	(12,500)	(11,000)
Cash and cash equivalents	-	-
<b>Current assets</b>		
Cash and bank deposits	329,676	296,433
Bank deposits accessible on maturity	(355)	(504)
Retention accounts	(26,024)	(27,358)
Restricted deposits	(1,000)	(1,000)
Cash and cash equivalents	302,297	267,571

## 11. Non-Current Assets Held for Sale

	31/03/2019 \$'000	31/03/2018 \$'000
<b>At 1 January</b>	29,700	25,719
Impairment provision	(3,735)	-
Disposals in period	-	(25,719)
<b>At 31 March</b>	25,965	-

As at 31 December 2018 and 31 March 2019, non-current assets held for sale, comprised three chemical oil product tankers (see also Note 20).

## 12. Dividends

No dividends were paid or declared during the period ended 31 March 2019 and 31 March 2018.

## 13. Trade and Other Payables

	31/03/2019 \$'000	31/12/2018 \$'000
<b>Non-current liabilities</b>		
<b>Financial liabilities</b>		
Liquidated damages for late delivery of vessels payable to charterer	17,896	18,203
<b>Non-financial liabilities</b>		
Employee benefit obligations	6,228	5,207
Provisions for drydocking	1,572	1,367
	25,696	24,777
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Trade payables	60,741	59,064
Other payables	30,865	33,527
Liquidated damages for late delivery of vessels payable to charterer	1,825	1,800
Dividends payable	7,338	10,742
Accrued liabilities	52,375	45,972
Accrued interest	30,379	19,330
<b>Non-financial liabilities</b>		
Deferred lease revenue	24,831	37,981
Employee benefit obligations	8,703	8,703
Non-income based taxes payable	21,790	19,054
	238,847	236,173

## 14. Secured Bank Loans

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

	31/03/2019 \$'000	31/12/2018 \$'000
Repayable		
- within twelve months after the end of the reporting period	318,559	313,842
- between one to two years	485,497	362,009
- between two to three years	254,215	382,540
- between three to four years	273,219	274,021
- between four to five years	316,459	264,461
- more than five years	947,197	978,641
	2,595,146	2,575,514
Less current portion	(318,559)	(313,842)
Non-current balance	2,276,587	2,261,672

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2019 (Continued)  
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## 15. Finance lease liabilities

	31/03/2019 \$'000	31/12/2018 \$'000
Repayable		
- within twelve months after the end of the reporting period	17,816	-
- between one to two years	13,286	-
- between two to three years	14,899	-
- between three to four years	11,792	-
- between four to five years	2,124	-
- more than five years	8,701	-
	68,618	-
Less current portion	(17,816)	-
Non-current balance	50,802	-

## 16. Other Loans

	31/03/2019 \$'000	31/12/2018 \$'000
\$900 million 5.375% Senior Notes due in 2023	892,919	892,545
Other loan from related party	9,970	10,151
	902,889	902,696
Less current portion	(3,323)	(3,384)
Non-current balance	899,566	899,312

## 17. Financial Risk Management

## (a) Financial assets and financial liabilities

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

	31/03/2019 \$'000	31/12/2018 \$'000
<b>Cash and debt instruments at amortised cost</b>		
Loans and other receivables	103,703	103,635
Loans to joint ventures	67,811	66,069
Cash and bank deposits	342,176	307,433
<b>Financial assets at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	14,313	24,682
<b>Equity instruments at fair value through profit or loss</b>		
Investments in non-listed companies	754	754
<b>Total financial assets</b>	528,757	502,573
<b>Financial liabilities at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	38,152	29,697
<b>Financial liabilities at amortised cost</b>		
Secured bank loans	2,595,146	2,575,514
Finance lease liabilities	68,618	-
Other loans	902,889	902,696
Other liabilities measured at amortised cost	201,419	188,638
<b>Total financial liabilities</b>	3,806,224	3,696,545

## (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	
	31/03/2019 \$'000	31/12/2018 \$'000		31/03/2019 \$'000	31/12/2018 \$'000
<b>Financial assets</b>					
Loans to joint ventures	67,811	66,069	Level 2	65,962	64,127
Liquidated damages on vessels under construction receivable from shipyard	5,589	5,459	Level 2	5,589	5,459
<b>Total financial assets</b>	73,400	71,528		71,551	69,586
<b>Financial liabilities</b>					
Secured bank loans at fixed interest rates	708,863	711,274	Level 2	735,177	737,091
Secured bank loans at floating interest rates	1,886,283	1,864,240	Level 2	1,890,682	1,867,212
Other loans (Senior Notes due in 2023)	892,919	892,545	Level 1	906,750	873,000
Other loans	9,970	10,151	Level 2	10,241	10,468
Finance lease liabilities	68,618	-	Level 2	68,618	-
Liquidated damages for late delivery of vessels payable to charterer	19,721	20,003	Level 2	19,721	20,003
<b>Total financial liabilities</b>	3,586,374	3,498,213		3,631,189	3,507,774

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## 17. Financial Risk Management

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

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

The fair values of derivative instruments, including interest rate swaps and currency swaps, are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest and currency rates, as adjusted for credit risk.

Derivatives are valued using valuation techniques with market observable inputs; they comprise interest rate swaps and cross currency interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. All interest rate swaps are fully cash collateralised, thereby mitigating both the counterparty and the Group's non-performance risk.

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

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

Recurring fair value measurements recognised in the statement of financial position

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>At 31 March 2019</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	14,313	-	14,313
	<u>-</u>	<u>14,313</u>	<u>-</u>	<u>14,313</u>
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	38,152	-	38,152
	<u>-</u>	<u>38,152</u>	<u>-</u>	<u>38,152</u>
<b>At 31 December 2018</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	24,682	-	24,682
	<u>-</u>	<u>24,682</u>	<u>-</u>	<u>24,682</u>
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	29,697	-	29,697
	<u>-</u>	<u>29,697</u>	<u>-</u>	<u>29,697</u>

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

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

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>At 31 March 2019</b>				
<b>Assets</b>				
Non-current assets held for sale	16,655	9,310	-	25,965
	<u>16,655</u>	<u>9,310</u>	<u>-</u>	<u>25,965</u>
<b>At 31 December 2018</b>				
<b>Assets</b>				
Non-current assets held for sale	-	29,700	-	29,700
	<u>-</u>	<u>29,700</u>	<u>-</u>	<u>29,700</u>

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**18. Contingent Liabilities**

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

**19. Related Party Transactions**

The following table provides the total amount of 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)	
	31/03/2019 \$'000	31/03/2018 \$'000	31/03/2019 \$'000	31/12/2018 \$'000
<b><u>Transactions with Russian State controlled entities</u></b>				
Revenue <sup>1</sup>	(101,402)	(91,403)	(20,123)	(21,684)
Voyage expenses and commissions	6,934	225	(2,745)	(3,080)
Other operating revenues	(1,532)	(560)	1,742	(1,948)
Other operating expenses	246	288	-	-
Other loans	99	147	(10,090)	(10,168)
Secured bank loans	11,402	12,411	(677,263)	(679,730)
Finance leases payable	243	-	(7,587)	-
Receivables from shipyard (liquidated damages for late delivery of vessels)	(130)	(118)	5,589	5,459
Payables to charterer (liquidated damages for late delivery of vessels)	471	496	(19,721)	(20,003)
Payments to related shipyards for vessels under construction, including vessels delivered during period	-	-	-	105,529
Cash at bank	(782)	(929)	118,608	111,343
Derivative financial instruments	(2,534)	12,807	(14,254)	(3,841)
<b><u>Transactions with Joint Ventures</u></b>				
Other operating revenues	(826)	(826)	1,124	761
Loans due from joint ventures	(678)	(458)	68,052	66,253
<b><u>Compensation of Key Management Personnel</u></b>				
Short-term benefits	1,987	2,127	(3,738)	(2,583)
Post-employment benefits	16	14	(3)	(3)
Long-term service benefits	421	508	(6,452)	(6,498)
	2,424	2,649	(10,193)	(9,084)

<sup>1</sup> includes deferred revenues and contract liabilities

**20. Events After the Reporting Period**

In April 2019, the Group signed agreements for the sale of two oil product tankers classified as held for sale as at 31 March 2019 at a price approximate to their carrying value (Note 11). One of the vessels was delivered to her new owner on 7 May 2019 and the second vessel is expected to be delivered in June 2019.

On 30 April 2019, the Group took delivery of an ice-class LNG fuelled Aframax crude oil tanker, the m/v Samuel Prospect. Effective on the same date, the Group entered into a seven year USD interest rate swap transaction with a financial institution to hedge the Group's cash flow exposure arising from interest rate fluctuations in respect of a \$42.0 million secured bank loan facility in connection with the financing of the vessel.

On 7 May 2019, the Group entered into a secured bank loan facility, totalling \$297.0 million to finance the construction of two of the LNG carriers referred to in Note 6.

**21. Date of Issue**

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 14 May 2019.