

**PAO SOVCOMFLOT**

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

**30 June 2021**

## PAO Sovcomflot

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## PAO Sovcomflot

**Consolidated Income Statement**  
**For the periods ended 30 June 2021**  
**(unaudited)**

|  | Note   | Six months ended<br>(unaudited) |            | Three months ended<br>(unaudited) |            |
|--|--------|---------------------------------|------------|-----------------------------------|------------|
|  |        | 30/06/2021                      | 30/06/2020 | 30/06/2021                        | 30/06/2020 |
|  |        | \$'000                          | \$'000     | \$'000                            | \$'000     |
| <b>Revenue</b>   | 2      | 759,818                         | 951,305    | 396,962                           | 458,006    |
| Voyage expenses and commissions  |        | (199,879)                       | (168,605)  | (112,085)                         | (64,765)   |
| <b>Time charter equivalent revenues</b>  | 2      | 559,939                         | 782,700    | 284,877                           | 393,241    |
| <b>Direct operating expenses</b>   |        |                                 |            |                                   |            |
| Vessels' running costs   |        | 170,126                         | 170,525    | 84,839                            | 86,481     |
|  |        | (170,126)                       | (170,525)  | (84,839)                          | (86,481)   |
| <b>Net earnings from vessels' trading</b>  |        | 389,813                         | 612,175    | 200,038                           | 306,760    |
| Other operating revenues   |        | 12,999                          | 10,585     | 7,342                             | 5,490      |
| Other operating expenses   |        | (8,007)                         | (5,755)    | (4,464)                           | (2,738)    |
| Depreciation, amortisation and impairment  |        | (241,685)                       | (228,957)  | (139,743)                         | (129,331)  |
| General and administrative expenses  |        | (44,304)                        | (46,048)   | (23,409)                          | (21,841)   |
| Loss on sale of non-current assets   |        | (867)                           | (449)      | (785)                             | (36)       |
| Gain on lease modification   | 16     | 1,933                           | -          | -                                 | -          |
| Allowance for expected credit losses   |        | (2,055)                         | (229)      | 2                                 | 261        |
| Share of (losses) / profits in investments in joint ventures and associates                      | 7      | (10,380)                        | 13,133     | 2,490                             | 5,961      |
| <b>Operating profit</b>  |        | 97,447                          | 354,455    | 41,471                            | 164,526    |
| <b>Other (expenses) / income</b>   |        |                                 |            |                                   |            |
| Financing costs  | 15     | (104,280)                       | (99,229)   | (61,908)                          | (49,334)   |
| Gain on modification of financial liabilities  | 14, 15 | 12,918                          | -          | 12,918                            | -          |
| Interest income  |        | 6,800                           | 5,325      | 3,438                             | 2,438      |
| Other non-operating expenses   |        | (2,996)                         | (951)      | (1,415)                           | (591)      |
| Hedge ineffectiveness  |        | (61)                            | 487        | 46                                | 381        |
| Gain on derecognition of dividend liability  |        | 381                             | 19         | 381                               | 19         |
| Foreign exchange gains   |        | 14,125                          | 4,253      | 15,814                            | 12,714     |
| Foreign exchange losses  |        | (5,555)                         | (15,847)   | -                                 | (5,783)    |
| <b>Net other expenses</b>  |        | (78,668)                        | (105,943)  | (30,726)                          | (40,156)   |
| <b>Profit before income taxes</b>  |        | 18,779                          | 248,512    | 10,745                            | 124,370    |
| Income tax expense   | 4      | (13,140)                        | (22,142)   | (3,435)                           | (14,067)   |
| <b>Profit for the period</b>   |        | 5,639                           | 226,370    | 7,310                             | 110,303    |
| <b>Profit / (loss) attributable to:</b>  |        |                                 |            |                                   |            |
| Shareholders of PAO Sovcomflot   |        | 11,795                          | 224,915    | 11,660                            | 111,744    |
| Non-controlling interests  |        | (6,156)                         | 1,455      | (4,350)                           | (1,441)    |
|  |        | 5,639                           | 226,370    | 7,310                             | 110,303    |
| <b>Earnings per share</b>  |        |                                 |            |                                   |            |
| Basic and diluted profit per share for the period attributable to shareholders of PAO Sovcomflot |        | \$0.005                         | \$0.114    | \$0.006                           | \$0.057    |

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

## PAO Sovcomflot

**Consolidated Statement of Comprehensive Income**  
**For the periods ended 30 June 2021**  
**(unaudited)**

|  | Note | Six months ended<br>(unaudited) |                 | Three months ended<br>(unaudited) |                |
|--|------|---------------------------------|-----------------|-----------------------------------|----------------|
|  |      | 30/06/2021                      | 30/06/2020      | 30/06/2021                        | 30/06/2020     |
|  |      | \$'000                          | \$'000          | \$'000                            | \$'000         |
| <b>Profit for the period</b>   |      | 5,639                           | 226,370         | 7,310                             | 110,303        |
| <b>Other comprehensive income:</b>   |      |                                 |                 |                                   |                |
| <i>Items to be reclassified to profit or loss in subsequent periods (net of tax):</i>                    |      |                                 |                 |                                   |                |
| Share of associates' other comprehensive income  |      | 3                               | (12)            | 6                                 | 13             |
| Share of joint ventures' other comprehensive income  | 7    | 2,227                           | (3,517)         | (197)                             | 301            |
| Exchange (loss) / gain on translation from functional currency to presentation currency                  |      | (551)                           | (4,065)         | (1,466)                           | 3,384          |
| Net gain / (loss) on derivative financial instruments credited / (debited) to other comprehensive income | 8    | 24,852                          | (52,906)        | (4,928)                           | (6,227)        |
|  |      | <u>26,531</u>                   | <u>(60,500)</u> | <u>(6,585)</u>                    | <u>(2,529)</u> |
| <i>Items not to be reclassified to profit or loss in subsequent periods:</i>                             |      |                                 |                 |                                   |                |
| Remeasurement gains / (losses) on retirement benefit obligations   |      | 166                             | 18              | (21)                              | (86)           |
|  |      | <u>166</u>                      | <u>18</u>       | <u>(21)</u>                       | <u>(86)</u>    |
| <b>Other comprehensive income for the period, net of tax</b>   |      | <u>26,697</u>                   | <u>(60,482)</u> | <u>(6,606)</u>                    | <u>(2,615)</u> |
| <b>Total comprehensive income for the period</b>   |      | <u>32,336</u>                   | <u>165,888</u>  | <u>704</u>                        | <u>107,688</u> |
| <b>Total comprehensive income attributable to:</b>   |      |                                 |                 |                                   |                |
| Shareholders of PAO Sovcomflot   |      | 38,493                          | 164,376         | 5,103                             | 109,162        |
| Non-controlling interests  |      | (6,157)                         | 1,512           | (4,399)                           | (1,474)        |
|  |      | <u>32,336</u>                   | <u>165,888</u>  | <u>704</u>                        | <u>107,688</u> |

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

## PAO Sovcomflot

**Consolidated Statement of Financial Position – 30 June 2021**  
(unaudited)

|   | Note | 30/06/2021<br>(unaudited)<br>\$'000 | 31/12/2020<br>\$'000 |
|---|------|-------------------------------------|----------------------|
| <b>Assets</b>   |      |                                     |                      |
| <b>Non-current assets</b>   |      |                                     |                      |
| Fleet   | 5    | 6,002,452                           | 6,176,675            |
| Right of use assets   | 16   | 18,330                              | 27,568               |
| Vessels under construction  | 6    | 139,405                             | 177,810              |
| Intangible assets   |      | 2,714                               | 2,926                |
| Other property, plant and equipment                                 |      | 36,427                              | 38,612               |
| Investment property   |      | 3,463                               | 3,523                |
| Other non-current assets  |      | 2,968                               | 1,883                |
| Investments in associates   |      | 96                                  | 111                  |
| Investments in joint ventures                                       | 7    | 201,144                             | 164,908              |
| Equity instruments at fair value through profit or loss             |      | 227                                 | 360                  |
| Loans to joint ventures   | 7    | 10,800                              | 52,162               |
| Derivative financial instruments                                    | 8    | 13,581                              | 10,266               |
| Trade and other receivables   | 9    | 9,813                               | 10,002               |
| Deferred tax assets   |      | 3,777                               | 5,231                |
| Bank deposits   | 10   | 12,500                              | 12,500               |
|   |      | <u>6,457,697</u>                    | <u>6,684,537</u>     |
| <b>Current assets</b>   |      |                                     |                      |
| Inventories   |      | 65,644                              | 44,228               |
| Loans to joint ventures   |      | 1,000                               | 2,000                |
| Trade and other receivables   | 9    | 104,011                             | 78,109               |
| Prepayments and other current assets                                | 9    | 15,843                              | 14,820               |
| Contract assets   | 9    | 19,816                              | 26,697               |
| Current tax receivable  |      | 8,007                               | 8,302                |
| Bank deposits   | 10   | 17,864                              | 18,263               |
| Cash and cash equivalents   | 10   | 851,301                             | 849,446              |
|   |      | <u>1,083,486</u>                    | <u>1,041,865</u>     |
| Non-current assets held for sale                                    | 11   | 140,197                             | 16,685               |
|   |      | <u>1,223,683</u>                    | <u>1,058,550</u>     |
| <b>Total assets</b>   |      | <u>7,681,380</u>                    | <u>7,743,087</u>     |
| <b>Equity and liabilities</b>                                       |      |                                     |                      |
| <b>Equity</b>   |      |                                     |                      |
| Share capital   |      | 410,252                             | 410,252              |
| Reserves  |      | 3,392,826                           | 3,571,879            |
| <b>Equity attributable to shareholders of PAO Sovcomflot</b>        |      | <u>3,803,078</u>                    | <u>3,982,131</u>     |
| <b>Non-controlling interests</b>                                    |      | 109,558                             | 116,266              |
| <b>Total equity</b>   |      | <u>3,912,636</u>                    | <u>4,098,397</u>     |
| <b>Non-current liabilities</b>                                      |      |                                     |                      |
| Trade and other payables  | 13   | 14,722                              | 15,485               |
| Other non-current liabilities                                       | 13   | 15,307                              | 12,878               |
| Secured bank loans  | 14   | 1,998,199                           | 2,049,293            |
| Other loans   | 15   | 910,785                             | 895,585              |
| Lease liabilities   | 16   | 15,688                              | 27,656               |
| Derivative financial instruments                                    | 8    | 27,852                              | 42,233               |
| Retirement benefit obligations                                      |      | 2,135                               | 2,324                |
| Deferred tax liabilities  |      | 3,868                               | 1,024                |
|   |      | <u>2,988,556</u>                    | <u>3,046,478</u>     |
| <b>Current liabilities</b>  |      |                                     |                      |
| Trade and other payables  | 13   | 386,335                             | 185,503              |
| Other current liabilities   | 13   | 55,953                              | 71,872               |
| Contract liabilities  |      | 12,714                              | 17,746               |
| Secured bank loans  | 14   | 288,013                             | 282,075              |
| Other loans   | 15   | 1,762                               | 3,631                |
| Lease liabilities   | 16   | 11,568                              | 13,955               |
| Current tax payable   |      | 658                                 | 137                  |
| Derivative financial instruments                                    | 8    | 22,637                              | 20,799               |
| Provisions  |      | -                                   | 2,494                |
|   |      | <u>779,640</u>                      | <u>598,212</u>       |
| Liabilities directly associated to non-current assets held for sale | 11   | 548                                 | -                    |
|   |      | <u>780,188</u>                      | <u>598,212</u>       |
| <b>Total liabilities</b>  |      | <u>3,768,744</u>                    | <u>3,644,690</u>     |
| <b>Total equity and liabilities</b>                                 |      | <u>7,681,380</u>                    | <u>7,743,087</u>     |

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

**PAO Sovcomflot**  
**Consolidated Statement of Changes in Equity**  
**For the period ended 30 June 2021**  
**(unaudited)**

|   | Share<br>capital<br>\$'000 | Share<br>premium<br>\$'000 | Treasury<br>shares<br>\$'000 | Group<br>reconstruction<br>reserve<br>\$'000 | Hedging<br>reserve<br>\$'000 | Currency<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Equity<br>attributable to<br>shareholders<br>of PAO<br>Sovcomflot<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>\$'000  |
|---|----------------------------|----------------------------|------------------------------|--|------------------------------|-------------------------------|--------------------------------|---|--|------------------|
| <b>At 1 January 2020</b>  | <b>405,012</b>             | <b>818,845</b>             | -                            | <b>(834,490)</b>                             | <b>(32,062)</b>              | <b>(46,457)</b>               | <b>3,062,024</b>               | <b>3,372,872</b>  | <b>131,709</b>                             | <b>3,504,581</b> |
| Profit for the period   | -                          | -                          | -                            | -  | -                            | -                             | 224,915                        | 224,915   | 1,455                                      | 226,370          |
| Other comprehensive income  |                            |                            |                              |  |                              |                               |                                |   |  |                  |
| Share of associates' other comprehensive income   | -                          | -                          | -                            | -  | -                            | (12)                          | -                              | (12)  | -  | (12)             |
| Share of joint ventures' other comprehensive income                                     | -                          | -                          | -                            | -  | (3,517)                      | -                             | -                              | (3,517)   | -  | (3,517)          |
| Exchange (loss) / gain on translation from functional currency to presentation currency | -                          | -                          | -                            | -  | -                            | (4,120)                       | -                              | (4,120)   | 55   | (4,065)          |
| Net loss on derivative financial instruments debited to other comprehensive income      | -                          | -                          | -                            | -  | (52,906)                     | -                             | -                              | (52,906)  | -  | (52,906)         |
| Remeasurement gains on retirement benefit obligations                                   | -                          | -                          | -                            | -  | -                            | -                             | 16                             | 16  | 2  | 18               |
| Total comprehensive income  | -                          | -                          | -                            | -  | (56,423)                     | (4,132)                       | 224,931                        | 164,376   | 1,512                                      | 165,888          |
| Dividends (Note 12)   | -                          | -                          | -                            | -  | -                            | -                             | -                              | -   | (814)                                      | (814)            |
| <b>At 30 June 2020 (unaudited)</b>  | <b>405,012</b>             | <b>818,845</b>             | -                            | <b>(834,490)</b>                             | <b>(88,485)</b>              | <b>(50,589)</b>               | <b>3,286,955</b>               | <b>3,537,248</b>  | <b>132,407</b>                             | <b>3,669,655</b> |
| <b>At 1 January 2021</b>  | <b>410,252</b>             | <b>1,342,803</b>           | <b>(48,428)</b>              | <b>(834,490)</b>                             | <b>(68,442)</b>              | <b>(52,033)</b>               | <b>3,232,469</b>               | <b>3,982,131</b>  | <b>116,266</b>                             | <b>4,098,397</b> |
| Profit / (loss) for the period  | -                          | -                          | -                            | -  | -                            | -                             | 11,795                         | 11,795  | (6,156)                                    | 5,639            |
| Other comprehensive income  |                            |                            |                              |  |                              |                               |                                |   |  |                  |
| Share of associates' other comprehensive income   | -                          | -                          | -                            | -  | -                            | 3                             | -                              | 3   | -  | 3                |
| Share of joint ventures' other comprehensive income                                     | -                          | -                          | -                            | -  | 2,227                        | -                             | -                              | 2,227   | -  | 2,227            |
| Exchange loss on translation from functional currency to presentation currency          | -                          | -                          | -                            | -  | -                            | (532)                         | -                              | (532)   | (19)                                       | (551)            |
| Net gain on derivative financial instruments credited to other comprehensive income     | -                          | -                          | -                            | -  | 24,852                       | -                             | -                              | 24,852  | -  | 24,852           |
| Remeasurement gains on retirement benefit obligations                                   | -                          | -                          | -                            | -  | -                            | -                             | 148                            | 148   | 18   | 166              |
| Total comprehensive income  | -                          | -                          | -                            | -  | 27,079                       | (529)                         | 11,943                         | 38,493  | (6,157)                                    | 32,336           |
| Dividends (Note 12)   | -                          | -                          | -                            | -  | -                            | -                             | (217,546)                      | (217,546)   | (551)                                      | (218,097)        |
| <b>At 30 June 2021 (unaudited)</b>  | <b>410,252</b>             | <b>1,342,803</b>           | <b>(48,428)</b>              | <b>(834,490)</b>                             | <b>(41,363)</b>              | <b>(52,562)</b>               | <b>3,026,866</b>               | <b>3,803,078</b>  | <b>109,558</b>                             | <b>3,912,636</b> |

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

## PAO Sovcomflot

**Consolidated Statement of Cash Flows**  
**For the period ended 30 June 2021**  
(unaudited)

|   | Note | Six months ended (unaudited) |                      |
|---|------|------------------------------|----------------------|
|   |      | 30/06/2021<br>\$'000         | 30/06/2020<br>\$'000 |
| <b>Operating Activities</b>                               |      |                              |                      |
| Cash received from vessels' operations                    |      | 703,529                      | 976,886              |
| Other cash receipts                                       |      | 12,835                       | 9,371                |
| Cash payments for voyage and running costs                |      | (378,498)                    | (324,802)            |
| Other cash payments                                       |      | (65,197)                     | (65,752)             |
| Cash generated from operations                            |      | 272,669                      | 595,703              |
| Interest received   |      | 6,344                        | 4,082                |
| Income tax paid   |      | (7,979)                      | (14,694)             |
| Net cash from operating activities                        |      | 271,034                      | 585,091              |
| <b>Investing Activities</b>                               |      |                              |                      |
| Expenditure on fleet                                      | 5    | (20,931)                     | (26,372)             |
| Expenditure on vessels under construction                 | 6    | (139,855)                    | (158,939)            |
| Interest capitalised                                      | 6    | (567)                        | (1,932)              |
| Expenditure on other non-current assets                   |      | (1,453)                      | (531)                |
| Equity contributions in joint ventures                    | 7    | (9,057)                      | -                    |
| Loan repayments by joint ventures                         |      | 3,674                        | 11,861               |
| Proceeds from disposal of investments                     |      | -                            | 289                  |
| Proceeds from sale of vessels                             | 11   | 15,803                       | 38,256               |
| Proceeds from sale of other property, plant and equipment |      | 13                           | 1,860                |
| Dividends received from joint ventures                    | 7    | 3,500                        | -                    |
| Return of bank term deposits                              | 10   | 45                           | 308                  |
| Net cash used in investing activities                     |      | (148,828)                    | (135,200)            |
| <b>Financing Activities</b>                               |      |                              |                      |
| Proceeds from borrowings                                  |      | 534,844                      | 139,768              |
| Repayment of borrowings                                   |      | (538,412)                    | (164,522)            |
| Other financing costs                                     | 15   | (32,159)                     | (1,786)              |
| Repayment of lease liabilities                            | 16   | (7,802)                      | (7,371)              |
| Repayment of liquidated damages                           |      | (985)                        | (901)                |
| Release of funds in retention bank accounts               | 10   | 354                          | 3,827                |
| Interest paid on borrowings                               |      | (73,297)                     | (90,552)             |
| Interest paid on lease liabilities                        | 16   | (1,982)                      | (3,026)              |
| Interest paid on liquidated damages                       |      | (515)                        | (608)                |
| Dividends paid to non-controlling interests               |      | (8,514)                      | (4,065)              |
| Net cash used in financing activities                     |      | (128,468)                    | (129,236)            |
| <b>(Decrease) / increase in Cash and Cash Equivalents</b> |      | (6,262)                      | 320,655              |
| <b>Cash and Cash Equivalents at 1 January</b>             | 10   | 849,446                      | 374,821              |
| Net foreign exchange difference                           |      | 8,117                        | (22,958)             |
| <b>Cash and Cash Equivalents at 30 June</b>               | 10   | 851,301                      | 672,518              |

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

## PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021**  
(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. Following an initial public offering of the Company's ordinary shares and listing on the Moscow Stock Exchange in October 2020, the Russian Federation directly owns 82.81% of the issued shares of the Company and remains the ultimate controlling party of PAO Sovcomflot.

The Company's registered office address is 3A Moika River Embankment, Saint Petersburg 191186, Russian Federation and its head office is located at 6 Gashеka 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 131 vessels at the period end, comprising 55 crude oil carriers, 34 oil product carriers, 17 shuttle tankers, 12 gas carriers, 10 ice breaking supply vessels, 2 dry bulk carriers and 1 chartered in seismic research vessel. The Group also charters in from time to time seismic research vessels, on short-term lease, for the execution of seismic exploration contracts, and supply vessels for the support of the seismic operations (see also Note 16). 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 2020 which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Operating results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2021.

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

**Presentation currency and currency translation**

These condensed consolidated interim financial statements are presented in U.S. Dollars ("\$"), which is also the currency of the Group's primary economic environment and the functional currency of the major and majority of the Group's subsidiaries. For the purposes of these financial statements, the exchange rates used for translating significant transaction amounts and significant monetary assets and liabilities are as follows:

|                       | <b>30/06/2021</b> | <b>30/06/2021</b> | <b>31/12/2020</b> | <b>30/06/2020</b> |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
|                       | <b>Closing</b>    | <b>Average</b>    | <b>Closing</b>    | <b>Average</b>    |
|                       | <b>\$1</b>        | <b>\$1</b>        | <b>\$1</b>        | <b>\$1</b>        |
| Russian Roubles (RUR) | 72.3723           | 74.2781           | 73.8757           | 69.3714           |
| Pounds Sterling       | 0.7223            | 0.7204            | 0.7384            | 0.7936            |
| Euro                  | 0.8396            | 0.8295            | 0.8147            | 0.9074            |

**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 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. 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 amendments that were effective as of 1 January 2021 and are relevant to the Group's operations is described below:

IFRS 7 ("Financial Instruments: Disclosures"), IFRS 9 ("Financial Instruments"), IAS 39 ("Financial Instruments: Recognition and Measurement"), IFRS 4 ("Insurance contracts") and IFRS 16 ("Leases") – "Amendments regarding replacement issues in the context of the IBOR reform – Phase 2". The amendments address issues that affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. The Group has engaged in discussions with its lenders to amend the U.S. Dollar LIBOR secured bank loan agreements so that the reference benchmark interest rate will change to SOFR, which will be further aligned with the corresponding Group's hedging instruments.

**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, albeit the normal seasonality was affected by COVID-19 driven restrictions that continued to depress demand for crude oil, oil products and natural gas.

**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 2020.



## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 1. Organisation, Basis of Preparation and Accounting Policies (Continued)

## Coronavirus (COVID-19)

The spread of COVID-19 and the 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 Group remains focussed on the safety and well-being of its staff, the ability to perform crew changes, lockdowns and delays in ports and at shipyards.

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, further actions to contain the virus or treat its impact, including the speed of roll-out of vaccines and their effectiveness, and the duration, timing and severity of the impact on global financial markets and the condition of the Russian economy, all of which are still highly uncertain and cannot be predicted.

## 2. Time Charter Equivalent Revenues

| Revenue                                 | Six months ended     |                      |
|---|----------------------|----------------------|
|   | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
| Lease revenue from time charters        | 318,095              | 362,972              |
| Service revenue from time charters      | 137,398              | 147,969              |
| Total revenue from time charters        | 455,493              | 510,941              |
| Service revenue from voyage charters    | 274,417              | 394,332              |
| Service revenue from marine services    | 29,908               | 46,032               |
|   | <u>759,818</u>       | <u>951,305</u>       |
| <b>Voyage expenses and commissions</b>  |                      |                      |
| Bunkers                                 | (107,086)            | (97,510)             |
| Port costs                              | (70,894)             | (51,631)             |
| Commissions                             | (3,849)              | (5,850)              |
| Seismic exploration and data processing | (9,314)              | (4,488)              |
| Other voyage costs                      | (8,736)              | (9,126)              |
|   | <u>(199,879)</u>     | <u>(168,605)</u>     |
| <b>Time charter equivalent revenues</b> | <u>559,939</u>       | <u>782,700</u>       |

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

## Six months ended 30 June 2021

| Segment                               | Service revenue |                |                 |                | Lease revenue from time charters<br>\$'000 | Revenue<br>\$'000 |
|---------------------------------------|-----------------|----------------|-----------------|----------------|--|-------------------|
|                                       | Voyage charters | Time charters  | Marine services | Total          |  |                   |
|                                       | \$'000          | \$'000         | \$'000          | \$'000         |  |                   |
| Offshore services                     | -               | 64,700         | -               | 64,700         | 167,301                                    | 232,001           |
| Gas transportation                    | -               | 35,609         | -               | 35,609         | 96,262                                     | 131,871           |
| Crude oil transportation              | 194,136         | 19,586         | -               | 213,722        | 36,489                                     | 250,211           |
| Oil products transportation           | 80,281          | 15,578         | -               | 95,859         | 15,232                                     | 111,091           |
| Other                                 | -               | 1,925          | 29,908          | 31,833         | 2,811                                      | 34,644            |
| <b>Revenue from vessel operations</b> | <u>274,417</u>  | <u>137,398</u> | <u>29,908</u>   | <u>441,723</u> | <u>318,095</u>                             | <u>759,818</u>    |

## Other operating revenues from contracts with customers

Other operating revenues 10,637

## Total revenue from contracts with customers

452,360

## Six months ended 30 June 2020

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

## Other operating revenues from contracts with customers

Other operating revenues 7,770

## Total revenue from contracts with customers

596,103

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 3. Segment Information

For management purposes, the Group's operations are split between two core businesses: industrial and conventional shipping. These businesses are each divided into two segments, with the industrial business comprising the offshore services and gas transportation segments, and conventional shipping comprising the crude oil transportation and oil products transportation segments. Activities not falling within either of the Group's two core businesses are represented by the other segment. Management considers the global market as one geographical segment and does not therefore analyse geographical segment information on revenue from customers or non-current segment assets.

## Six months ended 30 June 2021

|  | Offshore<br>\$'000 | Gas<br>\$'000    | Crude Oil<br>\$'000 | Oil Product<br>\$'000 | Other<br>\$'000 | Total<br>\$'000  |
|--|--------------------|------------------|---------------------|-----------------------|-----------------|------------------|
| <b>Revenue</b>   | 232,001            | 131,871          | 250,211             | 111,091               | 34,644          | 759,818          |
| Voyage expenses and commissions  | (352)              | (181)            | (131,609)           | (49,514)              | (18,223)        | (199,879)        |
| <b>Time charter equivalent revenues</b>                                    | 231,649            | 131,690          | 118,602             | 61,577                | 16,421          | 559,939          |
| <b>Direct operating expenses</b>   |                    |                  |                     |                       |                 |                  |
| Vessels' running costs   | (41,895)           | (20,897)         | (61,777)            | (37,002)              | (8,555)         | (170,126)        |
| <b>Net earnings from vessels' trading</b>                                  | 189,754            | 110,793          | 56,825              | 24,575                | 7,866           | 389,813          |
| Other operating revenues   | 1,179              | -                | -                   | -                     | -               | 1,179            |
| Other operating expenses   | (864)              | -                | -                   | -                     | -               | (864)            |
| Vessels' depreciation  | (69,750)           | (24,417)         | (54,512)            | (24,311)              | (1,253)         | (174,243)        |
| Vessels' drydock cost amortisation   | (5,144)            | (5,128)          | (6,283)             | (3,605)               | (134)           | (20,294)         |
| Vessels' impairment provision  | -                  | -                | (29,755)            | (900)                 | (11,307)        | (41,962)         |
| Vessels' reversal of impairment provision                                  | -                  | -                | 962                 | -                     | -               | 962              |
| Right of use assets' depreciation  | -                  | -                | -                   | -                     | (2,642)         | (2,642)          |
| Loss on sale of vessels  | -                  | -                | (68)                | (790)                 | -               | (858)            |
| Gain on lease modification   | -                  | -                | -                   | -                     | 1,933           | 1,933            |
| Allowance for expected credit losses                                       | 19                 | (2,036)          | (48)                | 10                    | -               | (2,055)          |
| Share of profits / (losses) in investments in joint ventures               | -                  | 9,815            | -                   | (20,216)              | -               | (10,401)         |
| Net foreign exchange gains   | 65                 | -                | -                   | -                     | 1               | 66               |
| <b>Segment operating profit / (loss)</b>                                   | <u>115,259</u>     | <u>89,027</u>    | <u>(32,879)</u>     | <u>(25,237)</u>       | <u>(5,536)</u>  | <u>140,634</u>   |
| <b>Unallocated</b>   |                    |                  |                     |                       |                 |                  |
| General and administrative expenses  |                    |                  |                     |                       |                 | (44,304)         |
| Financing costs  |                    |                  |                     |                       |                 | (104,280)        |
| Gain on modification of financial liabilities                              |                    |                  |                     |                       |                 | 12,918           |
| Other income and expenses (net)  |                    |                  |                     |                       |                 | 5,307            |
| Net foreign exchange gains   |                    |                  |                     |                       |                 | 8,504            |
| <b>Profit before income taxes</b>  |                    |                  |                     |                       |                 | <u>18,779</u>    |
| <b>Carrying amount of fleet in operation including right of use assets</b> | <u>1,789,401</u>   | <u>1,635,321</u> | <u>1,808,885</u>    | <u>766,588</u>        | <u>7,428</u>    | <u>6,007,623</u> |
| <b>Carrying amount of non-current assets held for sale</b>                 | <u>-</u>           | <u>-</u>         | <u>98,568</u>       | <u>-</u>              | <u>39,801</u>   | <u>138,369</u>   |
| <b>Deadweight tonnage of fleet used in operations ('000)</b>               | <u>1,376</u>       | <u>848</u>       | <u>7,216</u>        | <u>2,047</u>          | <u>157</u>      | <u>11,644</u>    |

## Six months ended 30 June 2020

|  | Offshore<br>\$'000 | Gas<br>\$'000    | Crude Oil<br>\$'000 | Oil Product<br>\$'000 | Other<br>\$'000 | Total<br>\$'000  |
|--|--------------------|------------------|---------------------|-----------------------|-----------------|------------------|
| <b>Revenue</b>   | 246,724            | 96,626           | 377,109             | 179,945               | 50,901          | 951,305          |
| Voyage expenses and commissions  | (876)              | (183)            | (91,401)            | (57,263)              | (18,882)        | (168,605)        |
| <b>Time charter equivalent revenues</b>                                    | 245,848            | 96,443           | 285,708             | 122,682               | 32,019          | 782,700          |
| <b>Direct operating expenses</b>   |                    |                  |                     |                       |                 |                  |
| Vessels' running costs   | (37,790)           | (20,871)         | (64,832)            | (37,332)              | (9,700)         | (170,525)        |
| <b>Net earnings from vessels' trading</b>                                  | 208,058            | 75,572           | 220,876             | 85,350                | 22,319          | 612,175          |
| Other operating revenues   | 1,067              | -                | -                   | -                     | -               | 1,067            |
| Other operating expenses   | (891)              | -                | -                   | -                     | -               | (891)            |
| Vessels' depreciation  | (68,468)           | (19,925)         | (53,843)            | (24,767)              | (2,854)         | (169,857)        |
| Vessels' drydock cost amortisation   | (4,822)            | (2,797)          | (5,629)             | (3,485)               | (136)           | (16,869)         |
| Vessels' impairment provision  | -                  | -                | (1,577)             | (867)                 | (6,180)         | (8,624)          |
| Intangible assets impairment provision                                     | -                  | -                | -                   | -                     | (2,094)         | (2,094)          |
| Right of use assets' depreciation  | -                  | -                | -                   | -                     | (7,519)         | (7,519)          |
| Right of use assets' impairment provision                                  | -                  | -                | -                   | -                     | (18,746)        | (18,746)         |
| Loss on sale of vessels  | -                  | -                | (466)               | -                     | -               | (466)            |
| Allowance for expected credit losses*                                      | -                  | (78)             | (42)                | (259)                 | 168             | (211)            |
| Share of profits in investments in joint ventures*                         | -                  | 6,531            | -                   | 6,572                 | -               | 13,103           |
| Net foreign exchange losses  | (3,276)            | -                | -                   | -                     | (957)           | (4,233)          |
| <b>Segment operating profit</b>  | <u>131,668</u>     | <u>59,303</u>    | <u>159,319</u>      | <u>62,544</u>         | <u>(15,999)</u> | <u>396,835</u>   |
| <b>Unallocated</b>   |                    |                  |                     |                       |                 |                  |
| General and administrative expenses  |                    |                  |                     |                       |                 | (46,048)         |
| Financing costs  |                    |                  |                     |                       |                 | (99,229)         |
| Other income and expenses (net)  |                    |                  |                     |                       |                 | 4,315            |
| Net foreign exchange losses  |                    |                  |                     |                       |                 | (7,361)          |
| <b>Profit before income taxes</b>  |                    |                  |                     |                       |                 | <u>248,512</u>   |
| <b>Carrying amount of fleet in operation including right of use assets</b> | <u>1,963,880</u>   | <u>1,326,591</u> | <u>1,978,976</u>    | <u>813,192</u>        | <u>53,857</u>   | <u>6,136,496</u> |
| <b>Carrying amount of non-current assets held for sale</b>                 | <u>-</u>           | <u>-</u>         | <u>11,760</u>       | <u>18,620</u>         | <u>-</u>        | <u>30,380</u>    |
| <b>Deadweight tonnage of fleet used in operations ('000)</b>               | <u>1,593</u>       | <u>662</u>       | <u>7,106</u>        | <u>2,143</u>          | <u>156</u>      | <u>11,660</u>    |

\* included in the measurement of segment operating profit in order to be consistent with the current period's presentation

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 4. Income Taxes

|                                 | Six months ended     |                      |
|---------------------------------|----------------------|----------------------|
|                                 | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
| Current income tax expense      | 8,795                | 11,037               |
| Deferred tax expense            | 4,345                | 11,105               |
| <b>Total income tax expense</b> | <b>13,140</b>        | <b>22,142</b>        |

## 5. Fleet

|  | Vessels<br>\$'000 | Drydock<br>\$'000 | Total Fleet<br>\$'000 |
|--|-------------------|-------------------|-----------------------|
| <b>Cost</b>  |                   |                   |                       |
| <b>At 1 January 2020</b>                               | 8,673,606         | 162,769           | 8,836,375             |
| Expenditure in period                                  | 17,969            | 11,055            | 29,024                |
| Transfer from vessels under construction (Note 6)      | 172,594           | 6,050             | 178,644               |
| Write-off of fully amortised drydock cost              | -                 | (8,350)           | (8,350)               |
| <b>At 30 June 2020</b>                                 | <b>8,864,169</b>  | <b>171,524</b>    | <b>9,035,693</b>      |
| <b>At 1 January 2021</b>                               | 9,071,486         | 172,306           | 9,243,792             |
| Expenditure in period                                  | 7,177             | 12,778            | 19,955                |
| Transfer from vessels under construction (Note 6)      | 172,732           | 6,050             | 178,782               |
| Transfer to non-current assets held for sale (Note 11) | (412,183)         | (6,500)           | (418,683)             |
| Write-off of fully amortised drydock cost              | -                 | (10,562)          | (10,562)              |
| Exchange adjustment                                    | 48                | -                 | 48                    |
| <b>At 30 June 2021</b>                                 | <b>8,839,260</b>  | <b>174,072</b>    | <b>9,013,332</b>      |
| <b>Depreciation, amortisation and impairment</b>       |                   |                   |                       |
| <b>At 1 January 2020</b>                               | 2,631,268         | 83,373            | 2,714,641             |
| Charge for the period                                  | 169,857           | 16,869            | 186,726               |
| Impairment provision                                   | 6,180             | -                 | 6,180                 |
| Write-off of fully amortised drydock cost              | -                 | (8,350)           | (8,350)               |
| <b>At 30 June 2020</b>                                 | <b>2,807,305</b>  | <b>91,892</b>     | <b>2,899,197</b>      |
| <b>At 1 January 2021</b>                               | 2,991,084         | 76,033            | 3,067,117             |
| Charge for the period                                  | 174,243           | 20,294            | 194,537               |
| Impairment provision                                   | 41,062            | -                 | 41,062                |
| Reversal of impairment provision                       | (962)             | -                 | (962)                 |
| Transfer to non-current assets held for sale (Note 11) | (275,688)         | (4,626)           | (280,314)             |
| Write-off of fully amortised drydock cost              | -                 | (10,562)          | (10,562)              |
| Exchange adjustment                                    | 2                 | -                 | 2                     |
| <b>At 30 June 2021</b>                                 | <b>2,929,741</b>  | <b>81,139</b>     | <b>3,010,880</b>      |
| <b>Net book value</b>                                  |                   |                   |                       |
| At 30 June 2021  | 5,909,519         | 92,933            | 6,002,452             |
| At 31 December 2020                                    | 6,080,402         | 96,273            | 6,176,675             |
|  |                   | <b>30/06/2021</b> | <b>31/12/2020</b>     |
| Market value (\$'000)                                  |                   | 5,405,500         | 5,390,000             |
| Current insured values (\$'000)                        |                   | 6,903,852         | 6,907,331             |
| Total deadweight tonnage (dwt)                         |                   | 10,547,807        | 11,544,231            |

The impairment provision recognised in the period ended 30 June 2021 in relation to five crude oil aframax tankers (crude oil segment) and two panamax dry bulk carriers (other segment), as well as the reversal of impairment provision in relation to one crude oil suezmax tanker (crude oil segment), were based on fair value less costs of disposal and resulted from management's intention to dispose of these vessels before the end of their useful lives.

These vessels, but one crude oil aframax tanker, together with two additional crude oil suezmax tankers, were classified as non-current assets held for sale as at 30 June 2021 (Note 11).

## 6. Vessels Under Construction

|                                | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
|--------------------------------|----------------------|----------------------|
| <b>At 1 January</b>            | 177,810              | 179,579              |
| Expenditure in period          | 140,377              | 160,678              |
| Transfer to fleet (Note 5)     | (178,782)            | (178,644)            |
| <b>At 30 June</b>              | <b>139,405</b>       | <b>161,613</b>       |
| Total deadweight tonnage (dwt) | 595,102              | 395,800              |

The following vessel was delivered during the period:

| <u>Vessel Name</u> | <u>Vessel Type</u> | <u>Segment</u> | <u>DWT</u> | <u>Delivery Date</u> |
|--------------------|--------------------|----------------|------------|----------------------|
| SCF Timmerman      | LNG carrier        | Gas            | 92,970     | 15 January 2021      |

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 6. Vessels Under Construction (Continued)

On 8 January 2021, the Group entered into a shipbuilding contract for the construction of one 174,000 cubic metre LNG carrier at a total contracted cost of \$182.8 million. The vessel is backed up by a time charter agreement for a firm period of 5 years, with a two year extension option attached in favour of the charterer. The Group has also entered into an option agreement with the shipyard for up to two additional LNG carriers at the same construction cost. Each of the optional vessels are backed up by a time charter agreement, exercisable at the option of the charterer (see also Note 19).

Vessels under construction at 30 June 2021 comprised two aframax crude oil shuttle tankers, three ice-breaking LNG carriers and one LNG carrier scheduled for delivery between February 2022 and August 2023 at a total contracted cost to the Group of \$1,213.8 million. As at 30 June 2021, \$137.3 million of these contracted costs had been paid for.

## 7. Investments in Joint Ventures

|  | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
|--|----------------------|----------------------|
| <b>At 1 January</b>                                      | 164,908              | 152,255              |
| Loans receivable from joint ventures converted to equity | 38,853               | -                    |
| Equity contributions during the period                   | 9,057                | -                    |
| Share of (losses) / profits in joint ventures            | (10,401)             | 13,103               |
| Share of joint ventures' other comprehensive income      | 2,227                | (3,517)              |
| Dividends received                                       | (3,500)              | -                    |
| Currency retranslation difference                        | -                    | (21)                 |
| <b>At 30 June</b>  | <u>201,144</u>       | <u>161,820</u>       |

During the period ended 30 June 2021, the Group made a cash contribution of \$8.2 million and \$0.9 million respectively to equity of two of its joint ventures. On 1 February 2021, loans to one of its joint ventures of \$39.3 million, including interest capitalised, were contributed to equity at their carrying value of \$38.9 million, net of expected credit losses.

During the period ended 30 June 2021, the Group's joint ventures disposed of two Panamax oil product tankers.

## 8. Derivative Financial Instruments

|                       | Interest Rate Swaps<br>("IRS") |                      | Cross Currency Interest<br>Rate Swaps ("CCIRS") |                      | Total                |                      |
|-----------------------|--------------------------------|----------------------|---|----------------------|----------------------|----------------------|
|                       | 30/06/2021<br>\$'000           | 31/12/2020<br>\$'000 | 30/06/2021<br>\$'000                            | 31/12/2020<br>\$'000 | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
| Non-current asset     | 6,380                          | 74                   | 7,201   | 10,192               | 13,581               | 10,266               |
| Non-current liability | (19,912)                       | (35,503)             | (7,940)   | (6,730)              | (27,852)             | (42,233)             |
| Current liability     | (15,665)                       | (14,744)             | (6,972)   | (6,055)              | (22,637)             | (20,799)             |

During the period ended 30 June 2021, the Group entered into a seven year interest rate swap transaction to hedge the Group's future cash outflows resulting from the exposure to interest rate fluctuations associated with the interest payable on a loan facility of \$148.5 million in connection with the financing of a Group's vessel, by converting 3-month U.S. Dollar LIBOR floating interest rate payable on the loan to fixed.

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

|  | IRS                  |                      | CCIRS                |                      | Total                |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
| Amount recognised in hedging reserve   | 11,270               | (45,250)             | (9,511)              | (17,758)             | 1,759                | (63,008)             |
| Reclassified from hedging reserve and debited to financing costs               | 9,706                | 4,840                | 5,284                | 6,105                | 14,990               | 10,945               |
| Reclassified from hedging reserve and debited / (credited) to foreign exchange | -                    | -                    | 8,103                | (843)                | 8,103                | (843)                |
| <b>Total in other comprehensive income</b>                                     | <u>20,976</u>        | <u>(40,410)</u>      | <u>3,876</u>         | <u>(12,496)</u>      | <u>24,852</u>        | <u>(52,906)</u>      |

## 9. Receivables and Other Assets

## Trade and other receivables

|  | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
|--|----------------------|----------------------|
| <b>Non-current assets</b>                    |                      |                      |
| Other receivables                            | 186                  | 695                  |
| Receivables under High Court judgement award | 2,700                | 2,700                |
| Liquidated damages receivable from shipyard  | 6,927                | 6,607                |
|  | <u>9,813</u>         | <u>10,002</u>        |

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 9. Receivables and Other Assets (Continued)

*Trade and other receivables (continued)*

|                                      | <u>30/06/2021</u> | <u>31/12/2020</u> |
|--------------------------------------|-------------------|-------------------|
|                                      | <u>\$'000</u>     | <u>\$'000</u>     |
| <b>Current assets</b>                |                   |                   |
| Amounts due from charterers          | 81,944            | 46,102            |
| Allowance for expected credit losses | <u>(7,534)</u>    | <u>(4,069)</u>    |
|                                      | 74,410            | 42,033            |
| Casualty and other claims            | 13,678            | 21,387            |
| Agents' balances                     | 2,058             | 2,843             |
| Other receivables                    | 9,284             | 9,590             |
| Amounts due from joint ventures      | 524               | 907               |
| Accrued income                       | <u>4,057</u>      | <u>1,349</u>      |
|                                      | <u>104,011</u>    | <u>78,109</u>     |

*Prepayments and other current assets*

|  | <u>30/06/2021</u> | <u>31/12/2020</u> |
|--|-------------------|-------------------|
|  | <u>\$'000</u>     | <u>\$'000</u>     |
| Prepayments                                      | 10,804            | 10,320            |
| Contract acquisition and voyage fulfilment costs | 2,665             | 1,750             |
| Non-income based taxes receivable                | <u>2,374</u>      | <u>2,750</u>      |
|  | <u>15,843</u>     | <u>14,820</u>     |

*Contract assets*

|                 | <u>30/06/2021</u> | <u>31/12/2020</u> |
|-----------------|-------------------|-------------------|
|                 | <u>\$'000</u>     | <u>\$'000</u>     |
| Contract assets | <u>19,816</u>     | <u>26,697</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.

## 10. Cash and Bank Deposits

|                                      | <u>30/06/2021</u> | <u>31/12/2020</u> |
|--------------------------------------|-------------------|-------------------|
|                                      | <u>\$'000</u>     | <u>\$'000</u>     |
| <b>Non-current assets</b>            |                   |                   |
| Restricted deposits                  | 12,500            | 12,500            |
| Bank deposits                        | <u>12,500</u>     | <u>12,500</u>     |
| <b>Current assets</b>                |                   |                   |
| Bank deposits accessible on maturity | 415               | 460               |
| Retention accounts                   | 17,449            | 17,803            |
| Bank deposits                        | 17,864            | 18,263            |
| Cash and cash equivalents            | 851,301           | 849,446           |
| Cash and bank deposits               | <u>869,165</u>    | <u>867,709</u>    |

## 11. Non-Current Assets Held for Sale

|  | <u>Fleet</u>    | <u>Other</u>  | <u>Total</u>    |
|--|-----------------|---------------|-----------------|
|  | <u>\$'000</u>   | <u>\$'000</u> | <u>\$'000</u>   |
| <b>Assets held for sale</b>  |                 |               |                 |
| <b>At 1 January 2020</b>   | 69,061          | -             | 69,061          |
| Impairment provision   | (2,444)         | -             | (2,444)         |
| Disposals in period  | <u>(36,237)</u> | <u>-</u>      | <u>(36,237)</u> |
| <b>At 30 June 2020</b>   | <u>30,380</u>   | <u>-</u>      | <u>30,380</u>   |
| <b>At 1 January 2021</b>   | 16,685          | -             | 16,685          |
| Transfer from fleet (Note 5)   | 138,369         | -             | 138,369         |
| Transfer from investment property  | -               | 19            | 19              |
| Transfer from other property plant and equipment                           | -               | 1,286         | 1,286           |
| Transfer from right of use assets (Note 16)                                | -               | 523           | 523             |
| Impairment provision   | (900)           | -             | (900)           |
| Disposals in period  | <u>(15,785)</u> | <u>-</u>      | <u>(15,785)</u> |
| <b>At 30 June 2021</b>   | <u>138,369</u>  | <u>1,828</u>  | <u>140,197</u>  |
| <b>Liabilities directly associated to non-current assets held for sale</b> |                 |               |                 |
| <b>At 30 June 2020 / 1 January 2021</b>                                    | -               | -             | -               |
| Transfer from lease liabilities (Note 16)                                  | <u>-</u>        | <u>(548)</u>  | <u>(548)</u>    |
| <b>At 30 June 2021</b>   | <u>-</u>        | <u>(548)</u>  | <u>(548)</u>    |

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 11. Non-Current Assets Held for Sale (Continued)

The two MR chemical oil product tankers classified as held for sale as at 31 December 2020 were disposed of and delivered to their new owners in February 2021 and June 2021 respectively, realising a loss on disposal of \$0.8 million. During the period ended 30 June 2021, the Group classified as held for sale two panamax dry bulk carriers, three crude oil suezmax tankers and four crude oil aframax tankers. The vessels were actively marketed for sale at a price approximate to their market values (see also Note 19).

During the period ended 30 June 2021, the Group also classified as held for sale a disposal group, the Moryak recreation centre in Novorossiysk, Russia ("Moryak disposal group"). Moryak disposal group comprises of various assets, investment property, other property and equipment, right of use assets and lease liabilities and was actively marketed for sale at a price approximate to its market value.

## 12. Dividends

The Group declares and pays dividends in Russian roubles. Dividends declared during the period ended 30 June 2021 and paid to the shareholders of PAO Sovcomflot were as follows:

|                                     | Date of<br>declaration | Date of<br>payment | Dividend<br>per share<br>RUR | Total<br>dividend*<br>RUR'000 | Total<br>dividend*<br>\$000 |
|-------------------------------------|------------------------|--------------------|------------------------------|-------------------------------|-----------------------------|
| Dividends declared in 2021 for 2020 | 15 June 2021           | 16 July 2021       | 6.67                         | 15,593,633                    | 217,546                     |

\*excluding dividends relating to shares held by a subsidiary company (treasury shares), representing 1.56% of the issued shares of the Company.

No dividends were paid or declared to the shareholders of PAO Sovcomflot during the period ended 30 June 2020.

The dividends are presented in U.S. Dollars at the exchange rate on the date of declaration.

## 13. Payables and Other Liabilities

*Trade and other payables*

|  | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
|--|----------------------|----------------------|
| <b>Non-current liabilities</b>                                       |                      |                      |
| Liquidated damages for late delivery of vessels payable to charterer | 14,722               | 15,485               |
|  | <u>14,722</u>        | <u>15,485</u>        |
| <b>Current liabilities</b>   |                      |                      |
| Trade payables   | 65,560               | 49,504               |
| Other payables   | 37,767               | 49,792               |
| Liquidated damages for late delivery of vessels payable to charterer | 2,201                | 2,113                |
| Dividends payable to shareholders of PAO Sovcomflot                  | 215,464              | -                    |
| Dividends payable to non-controlling interests                       | 9,887                | 18,160               |
| Accrued liabilities  | 38,419               | 51,945               |
| Interest payable   | 17,037               | 13,989               |
|  | <u>386,335</u>       | <u>185,503</u>       |
| <i>Other liabilities</i>   |                      |                      |
|  | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
| <b>Non-current liabilities</b>                                       |                      |                      |
| Employee benefit obligations   | 9,441                | 6,776                |
| Deferred lease revenue   | 5,866                | 6,102                |
|  | <u>15,307</u>        | <u>12,878</u>        |
| <b>Current liabilities</b>   |                      |                      |
| Deferred lease revenue   | 29,684               | 49,355               |
| Non-income based taxes payable                                       | 26,269               | 22,517               |
|  | <u>55,953</u>        | <u>71,872</u>        |

## 14. Secured Bank Loans

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

|  | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
|--|----------------------|----------------------|
| Within twelve months after the end of the reporting period | 288,013              | 282,075              |
| Between one to two years                                   | 307,560              | 313,263              |
| Between two to three years                                 | 345,920              | 304,965              |
| Between three to four years                                | 349,601              | 319,418              |
| Between four to five years                                 | 293,448              | 351,702              |
| More than five years                                       | 701,670              | 759,945              |
|  | <u>2,286,212</u>     | <u>2,331,368</u>     |
| Less current portion                                       | (288,013)            | (282,075)            |
| Non-current balance  | <u>1,998,199</u>     | <u>2,049,293</u>     |

In April 2021, the Group signed addendums to two secured bank loan agreements, with two Russian State controlled financial institutions, with outstanding balances of \$218.7 million and \$191.7 million, gross of direct issue costs, as of the date of the addendums, reducing the fixed interest rate payable on these loans by 0.7% and 0.5% respectively. The amendments to these loan agreements represent loan modifications resulting in the recognition of \$9.3 million gain on modification of financial liabilities in the consolidated income statement.

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 15. Other Loans

|  | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
|--|----------------------|----------------------|
| \$900 million 5.375% Senior Notes due in 2023 (amount outstanding \$498.4 million) | 497,044              | 895,585              |
| \$430 million 3.85% Senior Notes due in 2028                                       | 413,741              | -                    |
| Other loan from related party  | 1,762                | 3,631                |
|  | 912,547              | 899,216              |
| Less current portion   | (1,762)              | (3,631)              |
| Non-current balance  | 910,785              | 895,585              |

On 26 April 2021, the Group, through its subsidiary SCF Capital Designated Activity Company ("SCF Capital"), issued \$430 million of Senior Notes (the "New Notes"), redeemable at par value, maturing on 26 April 2028. The New Notes are unsecured and guaranteed by Sovcomflot. Interest accrues at 3.85% from 26 April 2021 and is payable semi-annually in arrears on 26 April and 26 October of each year, commencing on 26 October 2021. There are no equity conversion rights or options attached to the New Notes. The New Notes were used to partly refinance the \$900 million 5.375% Senior Notes (the "Old Notes") due in 2023. A total amount of \$401,573 thousand of the Old Notes was tendered back to the company at a price of \$107.125 per \$100 par value. Of the \$28.6 million premium paid on the tendered bonds, \$19.4 million was expensed to profit or loss and included in financing costs in the consolidated income statement, together with \$1.7 million of unamortised financing costs relating to Old Notes tendered but not refinanced with New Notes. The balance of \$9.2 million relating to refinancing of the Old Notes with New Notes has been netted off against the proceeds raised from the New Notes. The refinancing of the Old Notes with the New Notes represents loan modification resulting in the recognition of \$3.6 million gain on modification of financial liabilities in the consolidated income statement.

## 16. Leases

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

|  | Fleet<br>\$'000 | Land and<br>buildings<br>\$'000 | Miscellaneous<br>\$'000 | Total right<br>of use<br>assets<br>\$'000 |
|--|-----------------|---------------------------------|-------------------------|---|
| <b>At 1 January 2020</b>                               | 28,600          | 15,605                          | 1,690                   | 45,895                                    |
| Lease modification                                     | (2,372)         | (14)                            | 595                     | (1,791)                                   |
| Additions in period                                    | -               | 511                             | -                       | 511                                       |
| Depreciation charge for the period                     | (7,519)         | (1,835)                         | (34)                    | (9,388)                                   |
| Impairment provision in period                         | (18,746)        | (111)                           | (789)                   | (19,646)                                  |
| Exchange differences                                   | 37              | (273)                           | (194)                   | (430)                                     |
| <b>At 30 June 2020</b>                                 | -               | 13,883                          | 1,268                   | 15,151                                    |
| <b>At 1 January 2021</b>                               | 14,390          | 11,730                          | 1,448                   | 27,568                                    |
| Lease modification                                     | (4,320)         | 81                              | 8                       | (4,231)                                   |
| Additions in period                                    | -               | -                               | 40                      | 40  |
| Lease termination                                      | -               | (9)                             | -                       | (9)                                       |
| Transfer to non-current assets held for sale (Note 11) | -               | (523)                           | -                       | (523)                                     |
| Depreciation charge for the period                     | (2,642)         | (1,925)                         | (33)                    | (4,600)                                   |
| Exchange differences                                   | -               | 57                              | 28                      | 85  |
| <b>At 30 June 2021</b>                                 | 7,428           | 9,411                           | 1,491                   | 18,330                                    |

In March 2021, the Group agreed with the lessor of the chartered-in seismic research vessel to reduce the charter period by one year, to November 2022, with extension options in favour of the Group. The lease modification (shortening of the lease term) has been accounted for as a reduction in the carrying value of the right of use asset (fleet) and the lease liability by \$3.8 million and \$5.7 million, respectively. The resultant gain on lease modification of \$1.9 million has been recognised in the consolidated income statement.

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

|  | 30/06/2021<br>\$'000 | 30/06/2020<br>\$'000 |
|--|----------------------|----------------------|
| <b>At 1 January</b>                                    | 41,611               | 60,300               |
| Lease modification                                     | (5,632)              | (1,791)              |
| Additions in the period                                | 40                   | 511                  |
| Accretion of interest                                  | 1,401                | 3,141                |
| Payment of lease instalments                           | (9,784)              | (10,397)             |
| Lease termination                                      | (10)                 | -                    |
| Exchange differences                                   | 178                  | (1,162)              |
| Transfer to non-current assets held for sale (Note 11) | (548)                | -                    |
| <b>At 30 June</b>                                      | 27,256               | 50,602               |
| <b>Less current portion</b>                            | (11,568)             | (16,356)             |
| <b>Non-current balance</b>                             | 15,688               | 34,246               |

During the period ended 30 June 2021, the Group had total cash outflows for leases of \$11.6 million (including payments for short-term leases of \$1.8 million) (30 June 2020 – \$14.6 million including payments for short-term leases of \$4.2 million). As at 30 June 2021 the Group has \$3.0 million of commitments under short-term leases (30 June 2020 - \$Nil) in relation to its seismic operations.

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
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## 17. Financial Assets and Financial Liabilities

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

|   | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
|---|----------------------|----------------------|
| <b>Cash and debt instruments at amortised cost</b>                            |                      |                      |
| Trade and other receivables   | 113,824              | 88,111               |
| Loans to joint ventures   | 11,800               | 54,162               |
| Cash and bank deposits  | 881,665              | 880,209              |
| <b>Financial assets at fair value through OCI</b>                             |                      |                      |
| Derivative financial instruments in designated hedge accounting relationships | 13,581               | 10,266               |
| <b>Equity instruments at fair value through profit or loss</b>                |                      |                      |
| Investments in non-listed companies   | 227                  | 360                  |
| <b>Total financial assets</b>   | <u>1,021,097</u>     | <u>1,033,108</u>     |
| <b>Financial liabilities at fair value through OCI</b>                        |                      |                      |
| Derivative financial instruments in designated hedge accounting relationships | 50,489               | 63,032               |
| <b>Financial liabilities at amortised cost</b>                                |                      |                      |
| Secured bank loans  | 2,286,212            | 2,331,368            |
| Other loans   | 912,547              | 899,216              |
| Lease liabilities   | 27,256               | 41,611               |
| Trade and other payables  | 401,057              | 200,988              |
| <b>Total financial liabilities</b>  | <u>3,677,561</u>     | <u>3,536,215</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           |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |                      | 30/06/2021<br>\$'000 | 31/12/2020<br>\$'000 |
| <b>Financial assets</b>                       |                      |                      |                      |                      |                      |
| Loans to joint ventures                       | 11,800               | 54,162               | Level 2              | 11,005               | 53,492               |
| <b>Total financial assets</b>                 | <u>11,800</u>        | <u>54,162</u>        |                      | <u>11,005</u>        | <u>53,492</u>        |
| <b>Financial liabilities</b>                  |                      |                      |                      |                      |                      |
| Secured bank loans at fixed interest rates    | 628,233              | 670,211              | Level 2              | 639,517              | 673,221              |
| Secured bank loans at floating interest rates | 1,657,979            | 1,661,157            | Level 2              | 1,621,646            | 1,625,283            |
| Other loans (Senior Notes due in 2023)        | 497,044              | 895,585              | Level 1              | 531,448              | 958,500              |
| Other loans (Senior Notes due in 2028)        | 413,741              | -                    | Level 1              | 442,900              | -                    |
| Other loans                                   | 1,762                | 3,631                | Level 2              | 1,771                | 3,660                |
| <b>Total financial liabilities</b>            | <u>3,198,759</u>     | <u>3,230,584</u>     |                      | <u>3,237,282</u>     | <u>3,260,664</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.

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

The following table provides an analysis of financial instruments as at 30 June 2021 and 31 December 2020 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.



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**Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)**  
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**17. 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

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|---|----------------|----------------|----------------|---------------|
|   | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| <b>At 30 June 2021</b>  |                |                |                |               |
| <b>Assets</b>   |                |                |                |               |
| Derivative financial instruments in designated hedge accounting relationships | -              | 13,581         | -              | 13,581        |
|   | -              | 13,581         | -              | 13,581        |
| <b>Liabilities</b>  |                |                |                |               |
| Derivative financial instruments in designated hedge accounting relationships | -              | 50,489         | -              | 50,489        |
|   | -              | 50,489         | -              | 50,489        |
| <b>At 31 December 2020</b>  |                |                |                |               |
| <b>Assets</b>   |                |                |                |               |
| Derivative financial instruments in designated hedge accounting relationships | -              | 10,266         | -              | 10,266        |
|   | -              | 10,266         | -              | 10,266        |
| <b>Liabilities</b>  |                |                |                |               |
| Derivative financial instruments in designated hedge accounting relationships | -              | 63,032         | -              | 63,032        |
|   | -              | 63,032         | -              | 63,032        |

There were no transfers between Level 1 and 2 during the periods ended 30 June 2021 and 31 December 2020.

**18. 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.

In June 2021, the Group signed time charter agreements with a Russian State controlled entity for the chartering out of two ice-class LNG fuelled Aframax crude oil tankers, to be converted into shuttle tankers, for a firm period of ten years, with various extension options attached in favour of the charterer, commencing in early 2024. The aggregate hire receivable over the firm period of the charters is estimated at \$214.8 million.

There were no other material related party transactions entered into during the financial reporting period which are not mentioned in any of the preceding notes. The Group's cross currency derivative financial instruments with a Russian State controlled financial institution are presented in Note 8 to these condensed consolidated interim financial statements.

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.

|  | <b>Consolidated Income Statement (income) / expense</b> |                   | <b>Consolidated Statement of Financial Position asset / (liability)</b> |                   |
|--|---|-------------------|---|-------------------|
|  | <b>30/06/2021</b>                                       | <b>30/06/2020</b> | <b>30/06/2021</b>   | <b>31/12/2020</b> |
|  | <b>\$'000</b>   | <b>\$'000</b>     | <b>\$'000</b>   | <b>\$'000</b>     |
| <b>Transactions with Russian State controlled entities</b>                               |   |                   |   |                   |
| Revenue <sup>1</sup>   | (213,835)   | (236,055)         | (27,040)  | (21,965)          |
| Voyage expenses and commissions  | 19,759  | 13,316            | (6,282)   | (2,064)           |
| Bond issue costs   | -   | -                 | 602   | -                 |
| Other operating revenues   | (5,039)   | (3,542)           | (1,601)   | (1,604)           |
| Other loans <sup>2</sup>   | 69  | 133               | (1,764)   | (3,637)           |
| Secured bank loans <sup>2</sup>  | 20,790  | 23,735            | (621,521)   | (650,525)         |
| Lease liabilities <sup>2</sup>   | 516   | 506               | (7,312)   | (7,785)           |
| Liabilities directly associated to non-current assets held for sale                      | -   | -                 | (548)   | -                 |
| Receivables from shipyard (liquidated damages for late delivery of vessels) <sup>2</sup> | (320)   | (292)             | 6,927   | 6,607             |
| Payables to charterer (liquidated damages for late delivery of vessels) <sup>2</sup>     | 825   | 889               | (16,923)  | (17,598)          |
| Cash at bank <sup>2</sup>  | (6,285)   | (2,921)           | 566,156   | 583,233           |
| <b>Transactions with Joint Ventures</b>  |   |                   |   |                   |
| Other operating revenues   | (2,549)   | (1,810)           | 524   | 907               |
| Loans due from joint ventures  | (136)   | (849)             | 11,826  | 54,197            |
| <b>Compensation of Key Management Personnel</b>  |   |                   |   |                   |
| Short-term benefits  | 4,430   | 4,650             | (2,033)   | (3,723)           |
| Post-employment benefits   | 40  | 36                | (5)   | (4)               |
| Long-term service benefits   | 305   | 608               | (2,104)   | (1,805)           |
|  | 4,775   | 5,294             | (4,142)   | (5,532)           |

<sup>1</sup>Consolidated Statement of Financial Position includes deferred lease revenues and contract liabilities.<sup>2</sup>Consolidated Income Statement includes interest income and interest expense recognised in the period.

**PAO Sovcomflot****Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2021 (Continued)  
(unaudited)****19. Events After the Reporting Period**

Subsequent to the period end, the Group signed agreements for the sale of two panamax dry bulk carriers, two crude oil suezmax tankers and one crude oil aframax tanker classified as held for sale as at 30 June 2021 (see Note 11), and for the sale of a crude oil aframax tanker classified as fleet. All vessels but one panamax dry bulk carrier were delivered to their new buyers between 5 and 18 August 2021.

In July 2021, the Group exercised its available options, and signed shipbuilding contracts, for the construction of two 174,000 cubic metre LNG carriers referred to in Note 6. The vessels are scheduled for delivery in July and August 2024.

Total dividends of RUR15,841,209 thousands declared on 15 June 2021 to the shareholders of PAO Sovcomflot, including to treasury shareholders, were fully paid on 16 July 2021 (Note 12).

**20. Date of Issue**

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 24 August 2021.