

**PAO SOVCOMFLOT**

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

**30 September 2021**

## PAO Sovcomflot

## Contents

<b>Consolidated Income Statement</b>	2
<b>Consolidated Statement of Comprehensive Income</b>	3
<b>Consolidated Statement of Financial Position</b>	4
<b>Consolidated Statement of Changes in Equity</b>	5
<b>Consolidated Statement of Cash Flows</b>	6
<b>Notes to the Condensed Consolidated Interim Financial Statements</b>	
1. Organisation, Basis of Preparation and Accounting Policies	7
2. Time Charter Equivalent Revenues	8
3. Segment Information	9
4. Income Taxes	10
5. Fleet	10
6. Vessels Under Construction	10
7. Investments in Joint Ventures	11
8. Derivative Financial Instruments	11
9. Receivables and Other Assets	12
10. Cash and Bank Deposits	12
11. Non-Current Assets Held for Sale	12
12. Dividends	13
13. Payables and Other Liabilities	13
14. Secured Bank Loans	14
15. Other Loans	14
16. Leases	14
17. Financial Assets and Financial Liabilities	15
18. Related Party Transactions	16
19. Events After the Reporting Period	17
20. Date of Issue	17

## PAO Sovcomflot

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

	Note	Nine months ended (unaudited)		Three months ended (unaudited)	
		30/09/2021 \$'000	30/09/2020 \$'000	30/09/2021 \$'000	30/09/2020 \$'000
<b>Revenue</b>	2	1,159,978	1,298,270	400,160	346,965
Voyage expenses and commissions		(330,254)	(228,513)	(130,375)	(59,908)
<b>Time charter equivalent revenues</b>	2	<u>829,724</u>	<u>1,069,757</u>	<u>269,785</u>	<u>287,057</u>
<b>Direct operating expenses</b>					
Vessels' running costs		259,645	272,142	89,519	101,617
		<u>(259,645)</u>	<u>(272,142)</u>	<u>(89,519)</u>	<u>(101,617)</u>
<b>Net earnings from vessels' trading</b>		570,079	797,615	180,266	185,440
Other operating revenues		26,777	17,165	13,778	6,580
Other operating expenses		(12,569)	(10,206)	(4,562)	(4,451)
Depreciation, amortisation and impairment		(347,054)	(312,282)	(105,369)	(83,325)
General and administrative expenses		(67,860)	(67,100)	(23,556)	(21,052)
(Loss) / gain on sale of non-current assets		(816)	(2,380)	51	(1,931)
Gain on lease modification	16	1,933	-	-	-
Effect of dissolution of subsidiary		1,348	-	1,348	-
Allowance for expected credit losses		(2,219)	(602)	(164)	(373)
Share of (losses) / profits in investments in joint ventures and associates	7	<u>(6,130)</u>	<u>13,818</u>	<u>4,250</u>	<u>685</u>
<b>Operating profit</b>		<u>163,489</u>	<u>436,028</u>	<u>66,042</u>	<u>81,573</u>
<b>Other (expenses) / income</b>					
Financing costs	15	(144,388)	(145,977)	(40,108)	(46,748)
Gain on modification of financial liabilities	14, 15	12,918	-	-	-
Interest income		8,269	7,558	1,469	2,233
Other non-operating expenses		(3,837)	(1,325)	(841)	(374)
Hedge ineffectiveness		(156)	838	(95)	351
Gain on derecognition of dividend liability		381	19	-	-
Foreign exchange gains		14,488	8,106	363	3,853
Foreign exchange losses		(7,381)	(27,344)	(1,826)	(11,497)
<b>Net other expenses</b>		<u>(119,706)</u>	<u>(158,125)</u>	<u>(41,038)</u>	<u>(52,182)</u>
<b>Profit before income taxes</b>		43,783	277,903	25,004	29,391
Income tax expense	4	<u>(23,591)</u>	<u>(28,430)</u>	<u>(10,451)</u>	<u>(6,288)</u>
<b>Profit for the period</b>		<u>20,192</u>	<u>249,473</u>	<u>14,553</u>	<u>23,103</u>
<b>Profit / (loss) attributable to:</b>					
Shareholders of PAO Sovcomflot		27,558	248,879	15,763	23,964
Non-controlling interests		<u>(7,366)</u>	<u>594</u>	<u>(1,210)</u>	<u>(861)</u>
		<u>20,192</u>	<u>249,473</u>	<u>14,553</u>	<u>23,103</u>
<b>Earnings per share</b>					
Basic and diluted profit per share for the period attributable to shareholders of PAO Sovcomflot		<u>\$0.012</u>	<u>\$0.127</u>	<u>\$0.007</u>	<u>\$0.012</u>

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

## PAO Sovcomflot

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

	Note	Nine months ended (unaudited)		Three months ended (unaudited)	
		30/09/2021 \$'000	30/09/2020 \$'000	30/09/2021 \$'000	30/09/2020 \$'000
<b>Profit for the period</b>		20,192	249,473	14,553	23,103
<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		2	(27)	(1)	(15)
Share of joint ventures' other comprehensive income	7	2,656	(2,266)	429	1,251
Exchange (loss) / gain on translation from functional currency to presentation currency		(305)	(6,993)	246	(2,928)
Currency reserve reclassification adjustment relating to subsidiary dissolved during the period		(1,348)	-	(1,348)	-
Net gain / (loss) on derivative financial instruments credited / (debited) to other comprehensive income	8	30,565	(46,019)	5,713	6,887
		<u>31,570</u>	<u>(55,305)</u>	<u>5,039</u>	<u>5,195</u>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement gains on retirement benefit obligations		199	74	33	56
		<u>199</u>	<u>74</u>	<u>33</u>	<u>56</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>31,769</u>	<u>(55,231)</u>	<u>5,072</u>	<u>5,251</u>
<b>Total comprehensive income for the period</b>		<u>51,961</u>	<u>194,242</u>	<u>19,625</u>	<u>28,354</u>
<b>Total comprehensive income attributable to:</b>					
Shareholders of PAO Sovcomflot		59,309	193,546	20,816	29,170
Non-controlling interests		(7,348)	696	(1,191)	(816)
		<u>51,961</u>	<u>194,242</u>	<u>19,625</u>	<u>28,354</u>

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

## PAO Sovcomflot

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

	Note	30/09/2021 (unaudited) \$'000	31/12/2020 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	5	5,915,545	6,176,675
Right of use assets	16	15,934	27,568
Vessels under construction	6	232,057	177,810
Intangible assets		2,579	2,926
Other property, plant and equipment		36,107	38,612
Investment property		3,394	3,523
Other non-current assets		3,667	1,883
Investments in associates		100	111
Investments in joint ventures	7	201,582	164,908
Equity instruments at fair value through profit or loss		227	360
Loans to joint ventures	7	10,842	52,162
Derivative financial instruments	8	12,002	10,266
Trade and other receivables	9	9,981	10,002
Deferred tax assets		4,225	5,231
Bank deposits	10	12,500	12,500
		<u>6,460,742</u>	<u>6,684,537</u>
<b>Current assets</b>			
Inventories		65,613	44,228
Loans to joint ventures		1,000	2,000
Trade and other receivables	9	81,988	78,109
Prepayments and other current assets	9	12,654	14,820
Contract assets	9	21,280	26,697
Current tax receivable		6,458	8,302
Bank deposits	10	17,365	18,263
Cash and cash equivalents	10	706,197	849,446
		<u>912,555</u>	<u>1,041,865</u>
Non-current assets held for sale	11	51,332	16,685
		<u>963,887</u>	<u>1,058,550</u>
<b>Total assets</b>		<u><u>7,424,629</u></u>	<u><u>7,743,087</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		410,252	410,252
Reserves		3,413,642	3,571,879
<b>Equity attributable to shareholders of PAO Sovcomflot</b>		<u>3,823,894</u>	<u>3,982,131</u>
<b>Non-controlling interests</b>		<u>108,367</u>	<u>116,266</u>
<b>Total equity</b>		<u>3,932,261</u>	<u>4,098,397</u>
<b>Non-current liabilities</b>			
Trade and other payables	13	14,323	15,485
Other non-current liabilities	13	18,336	12,878
Secured bank loans	14	1,877,784	2,049,293
Other loans	15	911,524	895,585
Lease liabilities	16	12,911	27,656
Derivative financial instruments	8	26,181	42,233
Retirement benefit obligations		2,065	2,324
Deferred tax liabilities		9,962	1,024
		<u>2,873,086</u>	<u>3,046,478</u>
<b>Current liabilities</b>			
Trade and other payables	13	221,065	185,503
Other current liabilities	13	51,153	71,872
Contract liabilities		10,108	17,746
Secured bank loans	14	301,178	282,075
Other loans	15	-	3,631
Lease liabilities	16	11,486	13,955
Current tax payable		358	137
Derivative financial instruments	8	22,686	20,799
Provisions		700	2,494
		<u>618,734</u>	<u>598,212</u>
Liabilities directly associated to non-current assets held for sale	11	548	-
		<u>619,282</u>	<u>598,212</u>
<b>Total liabilities</b>		<u>3,492,368</u>	<u>3,644,690</u>
<b>Total equity and liabilities</b>		<u><u>7,424,629</u></u>	<u><u>7,743,087</u></u>

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

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

	Share capital \$'000	Share premium \$'000	Treasury shares \$'000	Group reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Equity attributable to shareholders of PAO Sovcomflot \$'000	Non- controlling interests \$'000	Total \$'000
<b>At 1 January 2020</b>	<b>405,012</b>	<b>818,845</b>	<b>-</b>	<b>(834,490)</b>	<b>(32,062)</b>	<b>(46,457)</b>	<b>3,062,024</b>	<b>3,372,872</b>	<b>131,709</b>	<b>3,504,581</b>
Profit for the period	-	-	-	-	-	-	248,879	248,879	594	249,473
Other comprehensive income										
Share of associates' other comprehensive income	-	-	-	-	-	(27)	-	(27)	-	(27)
Share of joint ventures' other comprehensive income	-	-	-	-	(2,266)	-	-	(2,266)	-	(2,266)
Exchange (loss) / gain on translation from functional currency to presentation currency	-	-	-	-	-	(7,087)	-	(7,087)	94	(6,993)
Net loss on derivative financial instruments debited to other comprehensive income	-	-	-	-	(46,019)	-	-	(46,019)	-	(46,019)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	-	66	66	8	74
Total comprehensive income	-	-	-	-	(48,285)	(7,114)	248,945	193,546	696	194,242
Dividends (Note 12)	-	-	-	-	-	-	(96,833)	(96,833)	(814)	(97,647)
<b>At 30 September 2020 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>-</b>	<b>(834,490)</b>	<b>(80,347)</b>	<b>(53,571)</b>	<b>3,214,136</b>	<b>3,469,585</b>	<b>131,591</b>	<b>3,601,176</b>
<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	-	-	-	-	-	-	27,558	27,558	(7,366)	20,192
Other comprehensive income										
Share of associates' other comprehensive income	-	-	-	-	-	2	-	2	-	2
Share of joint ventures' other comprehensive income	-	-	-	-	2,656	-	-	2,656	-	2,656
Exchange loss on translation from functional currency to presentation currency	-	-	-	-	-	(302)	-	(302)	(3)	(305)
Reclassification adjustment relating to subsidiary dissolved during the period	-	-	-	-	-	(1,348)	-	(1,348)	-	(1,348)
Net gain on derivative financial instruments credited to other comprehensive income	-	-	-	-	30,565	-	-	30,565	-	30,565
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	-	178	178	21	199
Total comprehensive income	-	-	-	-	33,221	(1,648)	27,736	59,309	(7,348)	51,961
Dividends (Note 12)	-	-	-	-	-	-	(217,546)	(217,546)	(551)	(218,097)
<b>At 30 September 2021 (unaudited)</b>	<b>410,252</b>	<b>1,342,803</b>	<b>(48,428)</b>	<b>(834,490)</b>	<b>(35,221)</b>	<b>(53,681)</b>	<b>3,042,659</b>	<b>3,823,894</b>	<b>108,367</b>	<b>3,932,261</b>

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

## PAO Sovcomflot

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

	<b>Note</b>	<b>Nine months ended (unaudited)</b> <b>30/09/2021</b> <b>\$'000</b>	<b>30/09/2020</b> <b>\$'000</b>
<b>Operating Activities</b>			
Cash received from vessels' operations		1,118,862	1,326,846
Other cash receipts		24,534	15,762
Cash payments for voyage and running costs		(592,754)	(492,802)
Other cash payments		(95,128)	(94,794)
Cash generated from operations		455,514	755,012
Interest received		7,624	5,863
Income tax paid		(11,976)	(14,914)
Net cash from operating activities		451,162	745,961
<b>Investing Activities</b>			
Expenditure on fleet	5	(40,425)	(56,278)
Expenditure on vessels under construction	6	(195,615)	(265,407)
Interest capitalised	6	(892)	(2,620)
Expenditure on other non-current assets		(718)	(824)
Equity contributions in joint ventures	7	(9,985)	-
Return of equity contributions from joint ventures	7	2,520	-
Repayment of long term interest by joint ventures	7	2,644	-
Loan repayments by joint ventures		3,674	11,887
Proceeds from disposal of investments		-	289
Proceeds from sale of vessels	5, 11	116,881	48,464
Proceeds from sale of other property, plant and equipment		489	7,214
Dividends received from equity accounted investments	7	3,539	17
Return of bank term deposits	10	460	377
Net cash used in investing activities		(117,428)	(256,881)
<b>Financing Activities</b>			
Proceeds from borrowings		534,844	244,613
Repayment of borrowings		(643,636)	(249,400)
Other financing costs	15	(32,822)	(2,649)
Repayment of lease liabilities	16	(10,587)	(14,065)
Repayment of liquidated damages		(1,500)	(1,366)
Release of restricted deposits under loan and lease agreements	10	-	3,000
Release of funds in retention bank accounts	10	438	2,884
Interest paid on borrowings		(100,301)	(121,476)
Interest paid on lease liabilities	16	(2,530)	(4,152)
Interest paid on liquidated damages		(758)	(899)
Dividends paid to non-controlling interests		(8,901)	(4,676)
Dividends paid to shareholders of PAO Sovcomflot		(212,950)	(98,080)
Net cash used in financing activities		(478,703)	(246,266)
<b>(Decrease) / increase in Cash and Cash Equivalents</b>		(144,969)	242,814
<b>Cash and Cash Equivalents at 1 January</b>	10	849,446	374,821
Net foreign exchange difference		1,720	(14,222)
<b>Cash and Cash Equivalents at 30 September</b>	10	706,197	603,413

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

**PAO Sovcomflot**

**Notes to the Condensed Consolidated Interim Financial Statements – 30 September 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 Gashka 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 125 vessels at the period end, comprising 51 crude oil carriers, 34 oil product carriers, 17 shuttle tankers, 12 gas carriers, 10 ice breaking supply vessels 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 nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2021.

**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>30/09/2021 Closing \$1</b>	<b>30/09/2021 Average \$1</b>	<b>31/12/2020 Closing \$1</b>	<b>30/09/2020 Average \$1</b>
Russian Roubles (RUR)	72.7608	74.0073	73.8757	70.7778
Pounds Sterling	0.7396	0.7220	0.7384	0.7874
Euro	0.8573	0.8357	0.8147	0.8902

**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 continues to be affected by COVID-19 driven restrictions that cause supply chain disruptions and inconsistencies in 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 September 2021 (Continued)  
(unaudited)

## 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 and logistics 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, including performing contactless port calls, the ability to perform crew changes, lockdowns and delays in ports and at shipyards.

The extent to which COVID-19 may further impact the Group still remains uncertain and 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, availability of treatment medication, 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

	Nine months ended (unaudited)	
	30/09/2021 \$'000	30/09/2020 \$'000
<b>Revenue</b>		
Lease revenue from time charters	461,019	534,515
Service revenue from time charters	205,902	215,180
Total revenue from time charters	666,921	749,695
Service revenue from voyage charters	431,446	496,166
Service revenue from marine services	61,611	52,409
	<u>1,159,978</u>	<u>1,298,270</u>
<b>Voyage expenses and commissions</b>		
Bunkers	(177,984)	(128,522)
Port costs	(110,340)	(75,934)
Commissions	(5,905)	(7,684)
Seismic exploration and data processing	(21,051)	(5,656)
Other voyage costs	(14,974)	(10,717)
	<u>(330,254)</u>	<u>(228,513)</u>
<b>Time charter equivalent revenues</b>	<u>829,724</u>	<u>1,069,757</u>

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

## Nine months ended 30 September 2021

Segment	Service revenue				Lease revenue from time charters \$'000	Revenue \$'000
	Voyage charters \$'000	Time charters \$'000	Marine services \$'000	Total \$'000		
Offshore services	-	94,664	-	94,664	245,595	340,259
Gas transportation	-	60,628	-	60,628	144,355	204,983
Crude oil transportation	295,021	28,114	-	323,135	47,436	370,571
Oil products transportation	136,425	19,970	-	156,395	18,023	174,418
Other	-	2,526	61,611	64,137	5,610	69,747
<b>Revenue from vessel operations</b>	<u>431,446</u>	<u>205,902</u>	<u>61,611</u>	698,959	<u>461,019</u>	<u>1,159,978</u>
<b>Other operating revenues from contracts with customers</b>				18,581		
Other operating revenues				<u>18,581</u>		
<b>Total revenue from contracts with customers</b>				<u>717,540</u>		

## Nine months ended 30 September 2020

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

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 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.

## Nine months ended 30 September 2021

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
<b>Revenue</b>	340,259	204,983	370,571	174,418	69,747	1,159,978
Voyage expenses and commissions	(491)	(488)	(205,718)	(86,779)	(36,778)	(330,254)
<b>Time charter equivalent revenues</b>	339,768	204,495	164,853	87,639	32,969	829,724
<b>Direct operating expenses</b>						
Vessels' running costs	(63,864)	(34,461)	(92,832)	(56,046)	(12,442)	(259,645)
<b>Net earnings from vessels' trading</b>	275,904	170,034	72,021	31,593	20,527	570,079
Other operating revenues	2,402	-	-	-	-	2,402
Other operating expenses	(1,642)	-	-	-	-	(1,642)
Vessels' depreciation	(104,815)	(36,627)	(77,425)	(35,610)	(1,286)	(255,763)
Vessels' drydock cost amortisation	(7,717)	(7,730)	(9,023)	(5,409)	(134)	(30,013)
Vessels' impairment provision	-	(6,223)	(34,427)	(900)	(11,445)	(52,995)
Vessels' reversal of impairment provision	-	-	962	-	-	962
Right of use assets' depreciation	-	-	-	-	(3,998)	(3,998)
(Loss) / profit on sale of vessels	-	-	(727)	(799)	281	(1,245)
Gain on lease modification	-	-	-	-	1,933	1,933
Allowance for expected credit losses	11	(2,028)	(56)	(80)	(66)	(2,219)
Share of profits / (losses) in investments in joint ventures	-	15,105	-	(21,261)	-	(6,156)
Net foreign exchange gains	181	-	-	-	81	262
<b>Segment operating profit / (loss)</b>	164,324	132,531	(48,675)	(32,466)	5,893	221,607
<b>Unallocated</b>						
General and administrative expenses						(67,860)
Financing costs						(144,388)
Gain on modification of financial liabilities						12,918
Other income and expenses (net)						14,661
Net foreign exchange gains						6,845
<b>Profit before income taxes</b>						43,783
<b>Carrying amount of fleet in operation including right of use assets</b>	1,766,043	1,619,032	1,773,157	755,103	6,072	5,919,407
<b>Carrying amount of non-current assets held for sale</b>	-	-	49,523	-	-	49,523
<b>Deadweight tonnage of fleet used in operations ('000)</b>	1,376	848	6,674	2,047	2	10,947

## Nine months ended 30 September 2020

	Offshore \$'000	Gas \$'000	Crude Oil \$'000	Oil Product \$'000	Other \$'000	Total \$'000
<b>Revenue</b>	362,292	141,504	497,077	237,821	59,576	1,298,270
Voyage expenses and commissions	(1,975)	(567)	(128,922)	(74,956)	(22,093)	(228,513)
<b>Time charter equivalent revenues</b>	360,317	140,937	368,155	162,865	37,483	1,069,757
<b>Direct operating expenses</b>						
Vessels' running costs	(65,069)	(32,672)	(99,743)	(58,660)	(15,998)	(272,142)
<b>Net earnings from vessels' trading</b>	295,248	108,265	268,412	104,205	21,485	797,615
Other operating revenues	2,164	-	-	-	-	2,164
Other operating expenses	(1,767)	-	-	-	-	(1,767)
Vessels' depreciation	(103,640)	(30,587)	(82,568)	(37,800)	(3,501)	(258,096)
Vessels' drydock cost amortisation	(6,856)	(4,646)	(8,464)	(5,258)	(204)	(25,428)
Vessels' impairment provision	-	-	(1,577)	(1,838)	(6,180)	(9,595)
Intangible assets impairment provision	-	-	-	-	(2,094)	(2,094)
Right of use assets' depreciation	-	-	-	-	(8,132)	(8,132)
Right of use assets' impairment provision	-	-	-	-	(1,792)	(1,792)
Loss on sale of vessels	-	-	(2,380)	-	-	(2,380)
Allowance for expected credit losses*	-	(116)	(30)	(182)	(274)	(602)
Share of profits in investments in joint ventures*	-	9,658	-	4,109	-	13,767
Net foreign exchange losses	(2,871)	-	-	-	(1,380)	(4,251)
<b>Segment operating profit</b>	182,278	82,574	173,393	63,236	(2,072)	499,409
<b>Unallocated</b>						
General and administrative expenses						(67,100)
Financing costs						(145,977)
Other income and expenses (net)						6,558
Net foreign exchange losses						(14,987)
<b>Profit before income taxes</b>						277,903
<b>Carrying amount of fleet in operation including right of use assets</b>	1,940,716	1,497,413	1,956,959	801,351	69,856	6,266,295
<b>Carrying amount of non-current assets held for sale</b>	-	-	-	17,649	-	17,649
<b>Deadweight tonnage of fleet used in operations ('000)</b>	1,593	755	6,999	2,143	152	11,642

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

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 4. Income Taxes

	Nine months ended	
	30/09/2021	30/09/2020
	\$'000	\$'000
Current income tax expense	13,597	16,130
Deferred tax expense	9,994	12,300
<b>Total income tax expense</b>	<b>23,591</b>	<b>28,430</b>

## 5. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
<b>Cost</b>			
<b>At 1 January 2020</b>	8,673,606	162,769	8,836,375
Expenditure in period	31,389	28,764	60,153
Acquisitions during the period	2,084	-	2,084
Transfer from vessels under construction (Note 6)	345,285	12,100	357,385
Write-off of fully amortised drydock cost	-	(28,457)	(28,457)
<b>At 30 September 2020</b>	<b>9,052,364</b>	<b>175,176</b>	<b>9,227,540</b>
<b>At 1 January 2021</b>	9,071,486	172,306	9,243,792
Expenditure in period	8,471	34,831	43,302
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)
Disposals in period	(44,725)	(1,007)	(45,732)
Write-off of fully amortised drydock cost	-	(24,941)	(24,941)
Exchange adjustment	35	-	35
<b>At 30 September 2021</b>	<b>8,795,816</b>	<b>180,739</b>	<b>8,976,555</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	258,096	25,428	283,524
Impairment provision	6,180	-	6,180
Write-off of fully amortised drydock cost	-	(28,457)	(28,457)
<b>At 30 September 2020</b>	<b>2,895,544</b>	<b>80,344</b>	<b>2,975,888</b>
<b>At 1 January 2021</b>	2,991,084	76,033	3,067,117
Charge for the period	255,763	30,013	285,776
Impairment provision	47,285	-	47,285
Reversal of impairment provision	(962)	-	(962)
Transfer to non-current assets held for sale (Note 11)	(275,688)	(4,626)	(280,314)
Disposals in period	(32,306)	(655)	(32,961)
Write-off of fully amortised drydock cost	-	(24,941)	(24,941)
Exchange adjustment	10	-	10
<b>At 30 September 2021</b>	<b>2,985,186</b>	<b>75,824</b>	<b>3,061,010</b>
<b>Net book value</b>			
At 30 September 2021	5,810,630	104,915	5,915,545
At 31 December 2020	6,080,402	96,273	6,176,675
		<b>30/09/2021</b>	<b>31/12/2020</b>
Market value (\$'000)		5,425,500	5,390,000
Current insured values (\$'000)		6,876,281	6,907,331
Total deadweight tonnage (dwt)		10,439,729	11,544,231

The impairment provision recognised in the period ended 30 September 2021 in relation to five crude oil aframax tankers (crude oil segment), two LPG carriers (gas 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.

Four of the five crude oil aframax tankers, the two panamax dry bulk carriers and the crude oil suezmax tanker, referred to above, together with two additional crude oil suezmax tankers, were classified as non-current assets held for sale as at 30 June 2021 (Note 11). The other crude oil aframax tanker was disposed of and delivered to her new owner in August 2021, realising an insignificant loss on disposal.

## 6. Vessels Under Construction

	30/09/2021 \$'000	30/09/2020 \$'000
<b>At 1 January</b>	177,810	179,579
Expenditure in period	233,029	267,821
Transfer to fleet (Note 5)	(178,782)	(357,385)
<b>At 30 September</b>	<b>232,057</b>	<b>90,015</b>
Total deadweight tonnage (dwt)	779,506	302,774

The following vessel was delivered during the period:

Vessel Name	Vessel Type	Segment	DWT	Delivery Date
SCF Timmerman	LNG carrier	Gas	92,970	15 January 2021

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 6. Vessels Under Construction (Continued)

In 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. In July 2021, the Group exercised its available options, and signed shipbuilding contracts, for the construction of a further two 174,000 cubic metre LNG carriers at the same construction cost. The vessels are backed up by time charter agreements for a firm period of 5 years each, with a two year extension option attached to each time charter agreement in favour of the charterer.

Vessels under construction at 30 September 2021 comprised two aframax crude oil shuttle tankers, three ice-breaking LNG carriers and three LNG carriers scheduled for delivery between March 2022 and March 2024 at a total contracted cost to the Group of \$1,579.4 million. As at 30 September 2021, \$192.6 million of these contracted costs had been paid for.

## 7. Investments in Joint Ventures

	30/09/2021	30/09/2020
	\$'000	\$'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	9,985	-
Return of equity contributions in the period	(2,520)	-
Repayment of long term interest	(2,644)	-
Share of (losses) / profits in joint ventures	(6,156)	13,767
Share of joint ventures' other comprehensive income	2,656	(2,266)
Dividends received	(3,500)	-
Currency retranslation difference	-	(21)
<b>At 30 September</b>	<u>201,582</u>	<u>163,735</u>

During the period ended 30 September 2021, the Group made a cash contribution of \$8.5 million and \$1.5 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.

In June 2021, the Group's joint ventures disposed of two Panamax oil product tankers. Consequently, equity contributions of \$2.5 million and loans representing long term interest in the joint ventures of \$2.6 million were returned/repaid to the Group.

In September 2021, the Group set up four joint ventures equally owned (50/50) with a third party. The joint ventures entered into agreements for the construction of four 174,000 cubic metre LNG carriers at a total contracted cost of \$811.6 million. In October 2021, the Group has guaranteed with its joint venture partner the liabilities and responsibilities under the abovementioned shipbuilding contracts. The vessels are backed up by time charter agreements for a firm period of 13 years each, with a two year extension option attached to each time charter agreement in favour of the charterer, commencing on delivery of the vessels, between October 2023 and March 2024. The total aggregate hire receivable over the firm period of the charter is estimated at \$1,391.1 million.

## 8. Derivative Financial Instruments

	Interest Rate Swaps ("IRS")		Cross Currency Interest Rate Swaps ("CCIRS")		Total	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020	30/09/2021	31/12/2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current asset	7,281	74	4,721	10,192	12,002	10,266
Non-current liability	(15,940)	(35,503)	(10,241)	(6,730)	(26,181)	(42,233)
Current liability	(15,087)	(14,744)	(7,599)	(6,055)	(22,686)	(20,799)

In January 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 nine months ended as indicated below.

	IRS		CCIRS		Total	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount recognised in hedging reserve	13,089	(41,122)	(17,192)	(8,857)	(4,103)	(49,979)
Reclassified from hedging reserve and debited to financing costs	13,338	6,766	7,860	8,991	21,198	15,757
Reclassified from hedging reserve and debited / (credited) to foreign exchange	-	-	13,470	(11,797)	13,470	(11,797)
<b>Total in other comprehensive income</b>	<u>26,427</u>	<u>(34,356)</u>	<u>4,138</u>	<u>(11,663)</u>	<u>30,565</u>	<u>(46,019)</u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 9. Receivables and Other Assets

*Trade and other receivables*

	<b>30/09/2021</b>	<b>31/12/2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Other receivables	186	695
Receivables under High Court judgement award	2,700	2,700
Liquidated damages receivable from shipyard	7,095	6,607
	<u>9,981</u>	<u>10,002</u>
<b>Current assets</b>		
Amounts due from charterers	61,645	46,102
Allowance for expected credit losses	(5,730)	(4,069)
	55,915	42,033
Casualty and other claims	12,002	21,387
Agents' balances	2,226	2,843
Other receivables	7,218	9,590
Amounts due from joint ventures	297	907
Accrued income	4,330	1,349
	<u>81,988</u>	<u>78,109</u>

*Prepayments and other current assets*

	<b>30/09/2021</b>	<b>31/12/2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	8,423	10,320
Contract acquisition and voyage fulfilment costs	2,067	1,750
Non-income based taxes receivable	2,164	2,750
	<u>12,654</u>	<u>14,820</u>

*Contract assets*

	<b>30/09/2021</b>	<b>31/12/2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract assets	<u>21,280</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

	<b>30/09/2021</b>	<b>31/12/2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<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	-	460
Retention accounts	17,365	17,803
Bank deposits	17,365	18,263
Cash and cash equivalents	706,197	849,446
Cash and bank deposits	<u>723,562</u>	<u>867,709</u>

## 11. Non-Current Assets Held for Sale

	<b>Fleet</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets held for sale</b>			
<b>At 1 January 2020</b>	69,061	-	69,061
Impairment provision	(3,415)	-	(3,415)
Disposals in period	(47,997)	-	(47,997)
<b>At 30 September 2020</b>	<u>17,649</u>	-	<u>17,649</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	(5,710)	-	(5,710)
Disposals in period	(99,821)	(19)	(99,840)
<b>At 30 September 2021</b>	<u>49,523</u>	<u>1,809</u>	<u>51,332</u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 11. Non-Current Assets Held for Sale (Continued)

	Fleet \$'000	Other \$'000	Total \$'000
<b>Liabilities directly associated to non-current assets held for sale</b>			
<b>At 30 September 2020 / 1 January 2021</b>	-	-	-
Transfer from lease liabilities (Note 16)	-	(548)	(548)
<b>At 30 September 2021</b>	-	(548)	(548)

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.

As at 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. All vessels except one crude oil suezmax tanker and three crude oil aframax tankers were disposed of and delivered to their new owners within the reporting period, realising a loss on disposal of \$0.3 million. The vessels remaining as held for sale as at 30 September 2021 were actively marketed for sale at a price approximate to their market values (see also Note 19).

As at 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, other property and equipment, right of use assets and lease liabilities and was actively marketed for sale during the reporting period, at a price approximate to its market value (see also Note 19).

## 12. Dividends

The Group declares and pays dividends in Russian roubles. Dividends declared during the period ended 30 September 2021 and 30 September 2020 and paid to the shareholders of PAO Sovcomflot were as follows:

	Date of declaration	Date of payment	Dividend per share RUR	Total dividend* RUR'000	Total dividend* \$000
Dividends declared in 2021 for 2020	15 June 2021	16 July 2021	6.67	15,593,633	217,546
Dividends declared in 2020 for 2019	4 August 2020	17 August 2020	3.65	7,181,000	96,833

\*dividends declared in 2021 for 2020 exclude dividends relating to shares held by a subsidiary company (treasury shares), representing 1.56% of the issued shares of the Company.

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*

	30/09/2021 \$'000	31/12/2020 \$'000
<b>Non-current liabilities</b>		
Liquidated damages for late delivery of vessels payable to charterer	14,323	15,485
	14,323	15,485
<b>Current liabilities</b>		
Trade payables	61,328	49,504
Other payables	39,356	49,792
Payables to shipyards for vessels under construction	36,566	-
Liquidated damages for late delivery of vessels payable to charterer	2,249	2,113
Dividends payable to non-controlling interests	9,445	18,160
Accrued liabilities	45,833	51,945
Interest payable	26,288	13,989
	221,065	185,503
<i>Other liabilities</i>		
	30/09/2021 \$'000	31/12/2020 \$'000
<b>Non-current liabilities</b>		
Employee benefit obligations	11,088	6,776
Deferred lease revenue	7,248	6,102
	18,336	12,878
<b>Current liabilities</b>		
Deferred lease revenue	28,882	49,355
Non-income based taxes payable	22,271	22,517
	51,153	71,872

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 14. Secured Bank Loans

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

	30/09/2021 \$'000	31/12/2020 \$'000
Within twelve months after the end of the reporting period	301,178	282,075
Between one to two years	314,273	313,263
Between two to three years	327,172	304,965
Between three to four years	326,808	319,418
Between four to five years	239,754	351,702
More than five years	669,777	759,945
	<u>2,178,962</u>	<u>2,331,368</u>
Less current portion	(301,178)	(282,075)
Non-current balance	<u>1,877,784</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.

## 15. Other Loans

	30/09/2021 \$'000	31/12/2020 \$'000
\$900 million 5.375% Senior Notes due in 2023 (amount outstanding \$498.4 million)	497,259	895,585
\$430 million 3.85% Senior Notes due in 2028	414,265	-
Other loan from related party	-	3,631
	<u>911,524</u>	<u>899,216</u>
Less current portion	-	(3,631)
Non-current balance	<u>911,524</u>	<u>895,585</u>

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.

During the period ended 30 September 2021, the Group prepaid the other loan from related party, which was due on 15 December 2021.

## 16. Leases

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

	Fleet \$'000	Land and buildings \$'000	Miscellaneous \$'000	Total right of use assets \$'000
<b>At 1 January 2020</b>	28,600	15,605	1,690	45,895
Lease modification	12,921	(14)	584	13,491
Additions in period	-	511	-	511
Lease termination	(16,954)	-	-	(16,954)
Depreciation charge for the period	(8,132)	(2,867)	(54)	(11,053)
Impairment provision	(18,746)	(408)	(492)	(19,646)
Reversal of impairment provision	16,954	-	-	16,954
Exchange differences	-	(282)	(369)	(651)
<b>At 30 September 2020</b>	<u>14,643</u>	<u>12,545</u>	<u>1,359</u>	<u>28,547</u>
<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	(3,998)	(2,899)	(49)	(6,946)
Exchange differences	-	13	22	35
<b>At 30 September 2021</b>	<u>6,072</u>	<u>8,393</u>	<u>1,469</u>	<u>15,934</u>

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.

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 16. Leases (Continued)

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

	30/09/2021 \$'000	30/09/2020 \$'000
<b>At 1 January</b>	41,611	60,300
Lease modification	(5,632)	19,039
Additions in the period	40	511
Accretion of interest	1,989	4,417
Payment of lease instalments	(13,117)	(18,217)
Lease termination	(10)	(22,427)
Exchange differences	64	(2,093)
Transfer to non-current assets held for sale (Note 11)	(548)	-
<b>At 30 September</b>	24,397	41,530
<b>Less current portion</b>	(11,486)	(11,489)
<b>Non-current balance</b>	12,911	30,041

During the period ended 30 September 2021, the Group had total cash outflows for leases of \$16.7 million (including payments for short-term leases of \$3.6 million) (30 September 2020 – \$25.2 million including payments for short-term leases of \$7.0 million). As at 30 September 2021 the Group has \$0.5 million of commitments under short-term leases (30 September 2020 - \$0.4 million) in relation to its seismic operations.

## 17. Financial Assets and Financial Liabilities

(a) Categories of financial assets and financial liabilities

	30/09/2021 \$'000	31/12/2020 \$'000
<b>Cash and debt instruments at amortised cost</b>		
Trade and other receivables	91,969	88,111
Loans to joint ventures	11,842	54,162
Cash and bank deposits	736,062	880,209
<b>Financial assets at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	12,002	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>	852,102	1,033,108
<b>Financial liabilities at fair value through OCI</b>		
Derivative financial instruments in designated hedge accounting relationships	48,867	63,032
<b>Financial liabilities at amortised cost</b>		
Secured bank loans	2,178,962	2,331,368
Other loans	911,524	899,216
Lease liabilities	24,397	41,611
Trade and other payables	235,388	200,988
<b>Total financial liabilities</b>	3,399,138	3,536,215

(b) Fair value of financial assets and financial liabilities

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Value		Fair value hierarchy	Fair Value	
	30/09/2021 \$'000	31/12/2020 \$'000		30/09/2021 \$'000	31/12/2020 \$'000
<b>Financial assets</b>					
Loans to joint ventures	11,842	54,162	Level 2	11,108	53,492
<b>Total financial assets</b>	11,842	54,162		11,108	53,492
<b>Financial liabilities</b>					
Secured bank loans at fixed interest rates	610,785	670,211	Level 2	621,455	673,221
Secured bank loans at floating interest rates	1,568,177	1,661,157	Level 2	1,534,325	1,625,283
Other loans (Senior Notes due in 2023)	497,259	895,585	Level 1	530,825	958,500
Other loans (Senior Notes due in 2028)	414,265	-	Level 1	447,200	-
Other loans	-	3,631	Level 2	-	3,660
<b>Total financial liabilities</b>	3,090,486	3,230,584		3,133,805	3,260,664

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.



## PAO Sovcomflot

**Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)**  
(unaudited)

**17. Financial Assets and Financial Liabilities (Continued)**

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

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 September 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.

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

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>At 30 September 2021</b>				
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	12,002	-	12,002
	-	12,002	-	12,002
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	48,867	-	48,867
	-	48,867	-	48,867
<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 September 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.

In September 2021, the Group signed a time charter agreement with a Russian State controlled entity for the chartering out of an ice breaking supply vessel for a firm period of three years, with extension options attached in favour of the charterer, with estimated aggregate hire receivable over the firm period of the charter of \$35.1 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.

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2021 (Continued)  
(unaudited)

## 18. Related Party Transactions (Continued)

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.

	Consolidated Income Statement (income) / expense		Consolidated Statement of Financial Position asset / (liability)	
	30/09/2021	30/09/2020	30/09/2021	31/12/2020
	\$'000	\$'000	\$'000	\$'000
<b>Transactions with Russian State controlled entities</b>				
Revenue <sup>1</sup>	(320,149)	(347,126)	(25,867)	(21,965)
Voyage expenses and commissions	33,722	14,691	(3,353)	(2,064)
Bond issue costs	-	-	602	-
Other operating revenues	(9,065)	(5,284)	(963)	(1,604)
Other loans <sup>2</sup>	87	186	-	(3,637)
Secured bank loans <sup>2</sup>	30,643	35,315	(601,938)	(650,525)
Lease liabilities <sup>2</sup>	779	765	(7,246)	(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>	(488)	(445)	7,095	6,607
Payables to charterer (liquidated damages for late delivery of vessels) <sup>2</sup>	1,232	1,328	(16,572)	(17,598)
Cash at bank <sup>2</sup>	(7,508)	(3,861)	329,682	583,233
<b>Transactions with Joint Ventures</b>				
Other operating revenues	(4,033)	(2,756)	297	907
Loans due from joint ventures	(156)	(1,147)	11,847	54,197
<b>Compensation of Key Management Personnel</b>				
Short-term benefits	6,412	6,509	(2,585)	(3,723)
Post-employment benefits	59	54	(5)	(4)
Long-term service benefits	694	1,005	(2,475)	(1,805)
	7,165	7,568	(5,065)	(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.

## 19. Events After the Reporting Period

Subsequent to the period end, the Group signed agreements for the sale of one crude oil aframax tanker, classified as held for sale as at 30 June 2021 (see Note 11), and for the sale of one LPG carrier classified as fleet (see Note 5), at a price approximate to their carrying value. The crude oil aframax tanker was delivered to her new owners on 11 November 2021. The LPG carrier is expected to be delivered to her new owners in November 2021.

In October 2021, the Moryak recreation centre in Novorossiysk, Russia, classified as held for sale as at 30 June 2021 (see Note 11) was sold for RUR 208.3 million, net of value added tax of 20%, (equivalent to \$3.0 million on the date of the transaction) resulting in a gain of RUR 121.7 million (equivalent to \$1.7 million).

On 12 November 2021, the Group entered into a secured bank loan agreement totalling \$110.0 million, to finance the construction of two aframax crude oil shuttle tankers referred to in Note 6, at an interest rate of U.S. Dollar LIBOR plus 1.45% margin per annum. The loan is repayable in 40 quarterly instalments, commencing three months after the delivery of each vessel by the shipyard, with a final balloon payment of 37.5% of the loan drawdown amount.

## 20. Date of Issue

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 15 November 2021.