

**OAO SOVCOMFLOT  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 September 2011**

**OAO Sovcomflot****Contents**

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## OAO Sovcomflot

Condensed Consolidated Income Statement  
For the period ended 30 September 2011

	Note	Nine months ended		Three months ended		Year ended
		30/09/2011	30/09/2010	30/09/2011	30/09/2010	31/12/2010
		\$'000	\$'000	\$'000	\$'000	\$'000
Hire and freight revenue		1,075,619	997,323	343,037	319,044	1,312,930
Voyage expenses and commissions		(378,289)	(274,384)	(129,919)	(92,420)	(369,219)
<b>Time charter equivalent revenues</b>		<b>697,330</b>	<b>722,939</b>	<b>213,118</b>	<b>226,624</b>	<b>943,711</b>
<b>Direct operating expenses</b>						
Vessels' running costs		246,072	229,131	84,514	73,947	302,167
Vessels' drydock cost amortisation	3	26,960	30,114	9,311	22,742	40,220
Charter hire payments		25,088	15,085	10,833	(4,934)	21,613
		(298,120)	(274,330)	(104,658)	(91,755)	(364,000)
<b>Profit on vessels' trading</b>		<b>399,210</b>	<b>448,609</b>	<b>108,460</b>	<b>134,869</b>	<b>579,711</b>
<b>Other operating expenses</b>						
Depreciation and amortisation						
Vessel depreciation	3	163,786	153,237	55,639	50,543	204,020
Vessel impairment provision	3 & 8	15,998	24,436	11,654	16,848	18,620
Other depreciation		3,849	4,177	1,367	1,636	5,470
Intangible assets amortisation		6,297	6,322	2,100	2,125	8,422
		189,930	188,172	70,760	71,152	236,532
(Reversal) of / allowance for credit losses		(68)	312	(132)	173	222
General and administrative expenses		63,796	60,278	18,263	18,619	86,399
<b>Total other operating expenses</b>		<b>253,658</b>	<b>248,762</b>	<b>88,891</b>	<b>89,944</b>	<b>323,153</b>
<b>Profit from vessels' operations</b>		<b>145,552</b>	<b>199,847</b>	<b>19,569</b>	<b>44,925</b>	<b>256,558</b>
Reversal for impairment of vessels under construction		-	-	-	-	19,659
Reversal of onerous contract		-	-	-	-	2,808
Gain / (loss) on sale of assets		10,597	4,700	6,307	713	(10,064)
Gain on disposal of investments		286	293	628	293	1,229
Other operating income		38,994	25,683	17,735	10,647	35,377
Other operating expenses		(32,838)	(24,534)	(15,341)	(10,327)	(31,753)
Share of losses in associated undertakings		(7,020)	(8,341)	(7,947)	(7,907)	(6,255)
<b>Operating profit</b>		<b>155,571</b>	<b>197,648</b>	<b>20,951</b>	<b>38,344</b>	<b>267,559</b>
<b>Other (expenses) / income</b>						
Interest expense		(106,996)	(76,745)	(35,332)	(27,097)	(113,832)
Financing costs		(3,329)	(2,283)	(918)	(888)	(3,305)
Bank and other interest receivable		16,968	14,275	6,323	6,026	39,159
Other non-operating (expenses) / income		(2,620)	(8,448)	1,933	(3,497)	7,527
Loss on ineffective hedging instruments	12	(1,748)	(2,338)	(1,625)	(780)	(624)
Gain / (loss) on derivative financial instruments held for trading	12	3,113	(13,396)	130	(5,398)	(5,413)
(Loss) / gain on investments held for trading		(3)	254	(6)	3	303
Foreign exchange differences		(2,825)	(1,162)	(5,414)	(285)	(3,419)
<b>Net other expenses</b>		<b>(97,440)</b>	<b>(89,843)</b>	<b>(34,909)</b>	<b>(31,916)</b>	<b>(79,604)</b>
<b>Profit / (loss) before income taxes</b>		<b>58,131</b>	<b>107,805</b>	<b>(13,958)</b>	<b>6,428</b>	<b>187,955</b>
Income taxes	13	(11,493)	(7,565)	(3,630)	(6,626)	(23,670)
<b>Profit / (loss) for the period</b>		<b>46,638</b>	<b>100,240</b>	<b>(17,588)</b>	<b>(198)</b>	<b>164,285</b>
<b>Profit / (loss) attributable to:</b>						
Owners of the parent		45,731	98,300	(17,516)	1,659	163,148
Non-controlling interest		907	1,940	(72)	(1,857)	1,137
		<b>46,638</b>	<b>100,240</b>	<b>(17,588)</b>	<b>(198)</b>	<b>164,285</b>

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

## OAO Sovcomflot

**Condensed Consolidated Statement of Comprehensive Income**  
**For the period ended 30 September 2011**

	Note	Nine months ended		Three months ended		Year ended
		30/09/2011 \$'000	30/09/2010 \$'000	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>Profit / (loss) for the period</b>		46,638	100,240	(17,588)	(198)	164,285
<b>Other comprehensive income:</b>						
Share of associates' other comprehensive income / (loss)		1,275	(33)	2,396	37	(366)
Exchange differences on translation of foreign operations		(2,548)	(1,017)	(10,451)	738	(1,146)
Derivative financial instruments released during the period and debited to the income statement	12	24,271	23,950	5,684	6,751	32,075
Derivative financial instruments provided during the period and debited to other comprehensive income	12	(74,012)	(81,670)	(50,187)	(26,311)	(47,624)
Available for sale financial assets		-	(463)	-	134	(1,280)
<b>Other comprehensive loss for the period, net of tax</b>		<u>(51,014)</u>	<u>(59,233)</u>	<u>(52,558)</u>	<u>(18,651)</u>	<u>(18,341)</u>
<b>Total comprehensive (loss) / income for the period</b>		<u><u>(4,376)</u></u>	<u><u>41,007</u></u>	<u><u>(70,146)</u></u>	<u><u>(18,849)</u></u>	<u><u>145,944</u></u>
<b>Total comprehensive (loss) / income attributable to:</b>						
Owners of the parent		(5,020)	39,146	(68,867)	(17,118)	144,980
Non-controlling interest		644	1,861	(1,279)	(1,731)	964
		<u><u>(4,376)</u></u>	<u><u>41,007</u></u>	<u><u>(70,146)</u></u>	<u><u>(18,849)</u></u>	<u><u>145,944</u></u>

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

## OAO Sovcomflot

## Condensed Consolidated Statement of Financial Position – 30 September 2011

	Note	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Fleet	3	5,523,549	5,223,498	5,229,773
Vessels under construction	4	284,637	218,502	231,341
Other fixed assets		60,404	45,103	55,149
Investment property		4,792	5,830	5,487
Other fixed assets under construction		8,639	5,110	7,292
Intangible assets		14,019	20,850	19,256
Investments in associates		864	1,191	1,464
Other investments		1,646	1,646	1,646
Finance lease receivables	5	92,877	83,716	94,859
Derivative financial instruments	12	-	-	1,542
Deferred tax assets	13	1,823	2,811	2,049
		<u>5,993,250</u>	<u>5,608,257</u>	<u>5,649,858</u>
<b>Current assets</b>				
Inventories		73,213	50,112	51,025
Trade and other receivables	6	246,222	200,193	249,738
Finance lease receivables	5	2,600	-	182
Current tax receivable		3,551	3,675	2,798
Other investments		-	3,231	647
Cash and bank deposits	7	334,821	385,515	512,172
		<u>660,407</u>	<u>642,726</u>	<u>816,562</u>
Non-current assets held for sale	8	-	-	46,622
		<u>660,407</u>	<u>642,726</u>	<u>863,184</u>
<b>Total assets</b>		<u><u>6,653,657</u></u>	<u><u>6,250,983</u></u>	<u><u>6,513,042</u></u>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital		405,012	405,012	405,012
Reserves		2,503,266	2,415,978	2,531,685
<b>Equity attributable to owners of the parent</b>		<u>2,908,278</u>	<u>2,820,990</u>	<u>2,936,697</u>
<b>Non-controlling interest</b>		<u>170,764</u>	<u>199,888</u>	<u>186,324</u>
<b>Total equity</b>		<u><u>3,079,042</u></u>	<u><u>3,020,878</u></u>	<u><u>3,123,021</u></u>
<b>Non-current liabilities</b>				
Trade and other payables		5,346	4,996	5,084
Secured bank loans	10	1,834,766	2,387,496	1,702,779
Finance lease liabilities	11	224,107	123,043	231,051
Derivative financial instruments	12	128,135	118,510	77,253
Retirement benefit obligations		8,301	9,200	8,240
Other loans		796,756	-	796,498
Tax payable		3,990	1,977	1,508
Deferred tax liabilities	13	6,390	7,030	8,235
		<u>3,007,791</u>	<u>2,652,252</u>	<u>2,830,648</u>
<b>Current liabilities</b>				
Trade and other payables		221,724	180,718	253,803
Secured bank loans	10	258,042	250,865	173,231
Finance lease liabilities	11	9,201	51,068	52,248
Current tax payable		7,162	5,774	5,348
Provision for onerous contracts		-	5,616	-
Derivative financial instruments	12	70,695	83,812	74,743
		<u>566,824</u>	<u>577,853</u>	<u>559,373</u>
<b>Total equity and liabilities</b>		<u><u>6,653,657</u></u>	<u><u>6,250,983</u></u>	<u><u>6,513,042</u></u>

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

OAO Sovcomflot

**Condensed Consolidated Statement of Changes in Equity  
For the period ended 30 September 2011**

	Share capital	Share premium	Reconstruction reserve	Hedging reserve	Fair value reserve	Currency reserve	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 January 2010</b>	405,012	818,845	(834,490)	(82,070)	1,109	(445)	2,502,444	2,810,405	202,317	3,012,722
Total comprehensive income	-	-	-	(57,826)	(402)	(926)	98,300	39,146	1,861	41,007
Dividends (Note 9)	-	-	-	-	-	-	(29,712)	(29,712)	(1,457)	(31,169)
Repurchase of non-controlling interest in own shares by JSC Novoship	-	-	-	(1)	2	(3)	1,153	1,151	(2,833)	(1,682)
<b>As at 30 September 2010</b>	405,012	818,845	(834,490)	(139,897)	709	(1,374)	2,572,185	2,820,990	199,888	3,020,878
Total comprehensive income	-	-	-	42,145	(709)	(450)	64,848	105,834	(897)	104,937
Repurchase of non-controlling interest in own shares by JSC Novoship	-	-	-	(1)	-	(19)	9,893	9,873	(12,667)	(2,794)
<b>As at 31 December 2010</b>	405,012	818,845	(834,490)	(97,753)	-	(1,843)	2,646,926	2,936,697	186,324	3,123,021
Total comprehensive income	-	-	-	(49,741)	-	(1,010)	45,731	(5,020)	644	(4,376)
Dividends (Note 9)	-	-	-	-	-	-	(35,618)	(35,618)	(963)	(36,581)
Expiry of non-claimed dividends declared in 2007	-	-	-	-	-	-	644	644	86	730
Repurchase of non-controlling interest in own shares by JSC Novoship	-	-	-	-	-	(33)	11,608	11,575	(15,327)	(3,752)
<b>As at 30 September 2011</b>	<u>405,012</u>	<u>818,845</u>	<u>(834,490)</u>	<u>(147,494)</u>	<u>-</u>	<u>(2,886)</u>	<u>2,669,291</u>	<u>2,908,278</u>	<u>170,764</u>	<u>3,079,042</u>

**Notes**

Hedging reserve:	The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.
Fair value reserve:	The fair value reserve records fair value changes on available-for-sale financial assets.
Currency reserve:	The currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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

OAO Sovcomflot

**Condensed Consolidated Statement of Cash Flows**  
For the period ended 30 September 2011

Note	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>Operating Activities</b>			
Cash received from freights and hire of vessels	1,031,307	971,788	1,274,210
Other cash receipts	36,542	26,000	53,308
Cash payments for voyage and running costs	(667,221)	(527,993)	(704,680)
Other cash payments	(95,740)	(87,408)	(131,089)
Cash generated from operations	304,888	382,387	491,749
Interest received	20,351	3,848	3,902
Income tax paid	(14,576)	(15,448)	(32,297)
Net cash inflow from operating activities	<u>310,663</u>	<u>370,787</u>	<u>463,354</u>
<b>Investing Activities</b>			
Expenditure on fleet	(284,298)	(78,840)	(106,513)
Proceeds from cancelling shipbuilding contracts	-	-	20,617
Expenditure on drydock	(18,878)	(22,939)	(25,975)
Expenditure on vessels under construction	(276,570)	(362,975)	(537,554)
Interest capitalised	(4,742)	(1,436)	(1,959)
Purchase of other fixed assets	(12,262)	(11,193)	(27,042)
Proceeds from sale of vessels	37,802	49,514	112,739
Proceeds from sale of other fixed assets	8,634	1,809	3,272
Proceeds from disposal of investments	886	789	-
Capital element received on finance leases	550	210	393
Interest received on finance leases	3,216	3,466	4,619
Bank term deposits	6,562	25	(3,059)
Other receipts	41,218	-	-
Net cash outflow used in investing activities	<u>(497,882)</u>	<u>(421,570)</u>	<u>(560,462)</u>
<b>Financing Activities</b>			
Proceeds from borrowings	426,489	283,000	343,000
Repayment of borrowings	(209,707)	(176,584)	(1,000,841)
Proceeds from other loans	-	-	853,932
Repayment of other loans	(54,289)	-	-
Financing costs	(4,621)	(3,323)	(10,130)
Finance lease drawn down	-	115,000	230,000
Payment of finance lease liabilities	(7,190)	(8,471)	(13,472)
Restricted deposits	7 2,398	1,692	10,620
Funds in retention bank accounts	7 2,441	2,377	(3,088)
Interest paid on loans	(81,576)	(70,397)	(94,349)
Interest paid on finance leases	(12,171)	(4,104)	(7,058)
Dividends paid	(35,618)	(29,712)	(29,712)
Buy back of shares	(3,752)	(1,666)	(4,969)
Net cash inflow from financing activities	<u>22,404</u>	<u>107,812</u>	<u>273,933</u>
<b>(Decrease) / increase in Cash and Cash Equivalents</b>			
	(164,815)	57,029	176,825
<b>Cash and Cash Equivalents at 1 January</b>	7 443,428	265,711	265,711
Net foreign exchange difference	(1,135)	(3,140)	892
<b>Cash and Cash Equivalents at 30 September / 31 December</b>	7 <u>277,478</u>	<u>319,600</u>	<u>443,428</u>

Non - cash transactions

During the period ended 30 September 2011 the Group did not exercise its option for the acquisition of one oil product Handymax tanker and consequently both the finance lease liability and the carrying value of the vessel were derecognised on expiry of the time charter agreements (see Notes 3 and 11).

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

**OAO Sovcomflot****Notes to the Condensed Consolidated Financial Statements – 30 September 2011****1. Organisation, Basis of Preparation and Accounting Policies**

OAO Sovcomflot ("Sovcomflot" or "the Company") is an open joint stock company organised under the laws of the Russian Federation and was registered in Russia on 18 December 1995, as the successor undertaking to AKP Sovcomflot, in which the Russian Federation holds 100% of the issued shares.

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

The Company, through its subsidiaries and joint ventures (the "Group"), is engaged in ship owning and operating on a world-wide basis with a fleet of 147 vessels at the period end, comprising 129 tankers, 6 chartered in tankers, 1 chartered in seismic type vessel, 8 gas carriers, 1 bulk carrier and 2 ice breaking supply vessels. For major changes in the period in relation to the fleet see also Notes 3 and 4.

**Statement of compliance**

The condensed consolidated 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 2010.

**Significant Accounting Policies**

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2010.

During the period the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2011.

**Seasonality of Operations**

Although some of the Group's operations may sometimes be affected by seasonal factors such as general weather conditions, management does not feel this has a material effect on the performance of the Group when comparing the interim results to those achieved in the last quarter of the year.

**Changes in estimates**

The preparation of the condensed consolidated 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. The 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 2010.



## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 2. Segment Information

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

## Period ended 30 September 2011

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Hire and Freight revenue	536,498	327,591	65,464	140,643	5,423	1,075,619
Voyage expenses and commissions	(235,254)	(136,977)	(142)	(5,613)	(303)	(378,289)
<b>Time charter equivalent revenues</b>	301,244	190,614	65,322	135,030	5,120	697,330
<b>Direct operating expenses</b>						
Vessels' running costs	(100,602)	(99,114)	(15,013)	(26,935)	(4,408)	(246,072)
Vessels' drydock cost amortisation	(11,141)	(8,473)	(3,643)	(3,067)	(636)	(26,960)
Charter hire payments	(15,243)	(7,040)	-	231	(3,036)	(25,088)
<b>Profit on vessels' trading</b>	174,258	75,987	46,666	105,259	(2,960)	399,210
Vessels' depreciation	(71,765)	(46,197)	(11,539)	(33,675)	(610)	(163,786)
Vessels' impairment provision	-	(15,998)	-	-	-	(15,998)
Intangible assets amortisation	-	-	(6,297)	-	-	(6,297)
	<u>102,493</u>	<u>13,792</u>	<u>28,830</u>	<u>71,584</u>	<u>(3,570)</u>	<u>213,129</u>
<b>Unallocated</b>						
Other operating expenses						(67,577)
<b>Profit from vessels' operations</b>						145,552
Other expenses						(87,421)
<b>Profit before income taxes</b>						<u>58,131</u>
<b>Carrying amount of fleet</b>	<u>2,519,140</u>	<u>1,421,746</u>	<u>425,459</u>	<u>1,138,957</u>	<u>18,247</u>	<u>5,523,549</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,455</u>	<u>2,634</u>	<u>283</u>	<u>1,186</u>	<u>69</u>	<u>11,627</u>

## Period ended 30 September 2010

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Hire and Freight revenue	501,173	332,967	64,135	86,895	12,153	997,323
Voyage expenses and commissions	(154,647)	(118,265)	(146)	(153)	(1,173)	(274,384)
<b>Time charter equivalent revenues</b>	346,526	214,702	63,989	86,742	10,980	722,939
<b>Direct operating expenses</b>						
Vessels' running costs	(92,674)	(101,827)	(13,650)	(14,021)	(6,959)	(229,131)
Vessels' drydock cost amortisation	(10,513)	(12,596)	(4,230)	(1,713)	(1,062)	(30,114)
Charter hire payments	(14,286)	-	-	(799)	-	(15,085)
<b>Profit on vessels' trading</b>	229,053	100,279	46,109	70,209	2,959	448,609
Vessels' depreciation	(63,312)	(54,035)	(12,587)	(21,652)	(1,651)	(153,237)
Vessels' impairment provision	-	(24,436)	-	-	-	(24,436)
Intangible assets amortisation	-	-	(6,322)	-	-	(6,322)
	<u>165,741</u>	<u>21,808</u>	<u>27,200</u>	<u>48,557</u>	<u>1,308</u>	<u>264,614</u>
<b>Unallocated</b>						
Other operating expenses						(64,767)
<b>Profit from vessels' operations</b>						199,847
Other expenses						(92,042)
<b>Profit before income taxes</b>						<u>107,805</u>
<b>Carrying amount of fleet</b>	<u>2,316,050</u>	<u>1,530,099</u>	<u>444,292</u>	<u>901,646</u>	<u>31,411</u>	<u>5,223,498</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,024</u>	<u>2,639</u>	<u>283</u>	<u>564</u>	<u>98</u>	<u>10,608</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
<b>Cost</b>			
<b>At 1 January 2010</b>	5,787,297	155,418	5,942,715
Expenditure in period	3,269	22,275	25,544
Acquisitions in the period	75,879	1,200	77,079
Transfer from vessels under construction (Note 4)	626,773	12,400	639,173
Disposals	(97,847)	(2,704)	(100,551)
Eliminations	-	(30,002)	(30,002)
<b>At 30 September 2010</b>	6,395,371	158,587	6,553,958
Expenditure in period	1,660	2,495	4,155
Acquisition in the period	26,318	536	26,854
Transfer from vessels under construction (Note 4)	141,704	3,070	144,774
Transfer to non-current assets held for sale (Note 8)	(148,702)	(4,384)	(153,086)
Disposals	(156,548)	(5,361)	(161,909)
Eliminations	-	(4,193)	(4,193)
<b>At 31 December 2010</b>	6,259,803	150,750	6,410,553
Expenditure in period	2,634	18,376	21,010
Acquisitions in the period	277,451	4,213	281,664
Transfer from vessels under construction (Note 4)	223,340	4,676	228,016
Transfer from non-current assets held for sale (Note 8)	31,419	816	32,235
Disposals	(59,300)	-	(59,300)
Eliminations	-	(18,793)	(18,793)
<b>At 30 September 2011</b>	<u>6,735,347</u>	<u>160,038</u>	<u>6,895,385</u>
<b>Depreciation</b>			
<b>At 1 January 2010</b>	1,114,440	70,141	1,184,581
Charge for the period	153,237	30,114	183,351
Impairment provision	24,436	-	24,436
Impairment provision transferred from tonnage under construction (Note 4)	11,234	-	11,234
Disposals	(42,002)	(1,138)	(43,140)
Eliminations	-	(30,002)	(30,002)
<b>At 30 September 2010</b>	1,261,345	69,115	1,330,460
Charge for the period	50,783	10,106	60,889
Impairment provision	9,185	-	9,185
Reversal of impairment provision of fleet	(15,001)	-	(15,001)
Impairment provision transferred from vessels under construction (Note 4)	5,616	-	5,616
Reversal of impairment provision	(16,850)	-	(16,850)
Transfer to non-current assets held for sale (Note 8)	(104,059)	(2,405)	(106,464)
Disposals	(79,146)	(3,716)	(82,862)
Eliminations	-	(4,193)	(4,193)
<b>At 31 December 2010</b>	1,111,873	68,907	1,180,780
Charge for the period	163,786	26,960	190,746
Impairment provision	16,451	-	16,451
Reversal of impairment provision of fleet	(1,409)	-	(1,409)
Transfer from non-current assets held for sale (Note 8)	19,957	611	20,568
Disposals	(16,507)	-	(16,507)
Eliminations	-	(18,793)	(18,793)
<b>At 30 September 2011</b>	<u>1,294,151</u>	<u>77,685</u>	<u>1,371,836</u>
<b>Net book value</b>			
At 30 September 2011	<u>5,441,196</u>	<u>82,353</u>	<u>5,523,549</u>
At 30 September 2010	<u>5,134,026</u>	<u>89,472</u>	<u>5,223,498</u>
At 31 December 2010	<u>5,147,930</u>	<u>81,843</u>	<u>5,229,773</u>
	<u>30/09/2011</u>	<u>30/09/2010</u>	<u>31/12/2010</u>
Market value <sup>1</sup> (\$'000)	<u>5,474,360</u>	<u>5,563,125</u>	<u>5,304,625</u>
Current insured values <sup>1</sup> (\$'000)	<u>6,377,170</u>	<u>5,998,750</u>	<u>5,902,206</u>
Total deadweight tonnage <sup>1</sup> (dwt)	<u>11,242,116</u>	<u>10,287,983</u>	<u>10,247,176</u>

<sup>1</sup> Including Group's share in the joint ventures

Included in the Group's fleet are vessels held under finance leases with an aggregate carrying value of \$247.9 million (30 September 2010 - \$181.3 million / 31 December 2010 \$295.6 million).

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 4. Vessels Under Construction

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>Cost</b>			
<b>At 1 January</b>	231,341	513,134	513,134
Expenditure for the period	281,312	370,310	539,513
Transfer to fleet (Note 3)	(228,016)	(639,173)	(783,947)
Transfer to finance lease receivables (Note 5)	-	(9,280)	(19,035)
Cancellation of contract for vessels under construction	-	(10,872)	(18,324)
<b>At 30 September / 31 December</b>	<u>284,637</u>	<u>224,119</u>	<u>231,341</u>
<b>Impairment provision</b>			
<b>At 1 January</b>	-	9,549	9,549
Allocated to payments made during the period from provision for onerous contracts	-	7,302	10,110
Transfer to fleet (Note 3)	-	(11,234)	(16,850)
Released during the period	-	-	(2,809)
<b>At 30 September / 31 December</b>	<u>-</u>	<u>5,617</u>	<u>-</u>
<b>Carrying amount</b>			
At 30 September / 31 December	<u>284,637</u>	<u>218,502</u>	<u>231,341</u>
Total deadweight tonnage <sup>1</sup> (dwt)	<u>1,893,040</u>	<u>1,554,430</u>	<u>1,438,960</u>

<sup>1</sup> Includes Group's share in joint ventures

In December 2010 the Group signed agreements for the construction of two Very Large Crude Carriers ("VLCC") and two Multifunctional Ice-breaking vessels at a total contracted cost of \$197.6 million and \$200.0 million respectively. These agreements became effective in the first quarter of 2011.

In May 2011 the Group signed agreements for the construction of two Liquefied Natural Gas ("LNG") carriers at a total contracted cost of \$394.5 million. The Group has the option for the construction of two plus two additional LNG vessels declarable on or before 30 November 2011 and 31 March 2012 respectively.

Vessels delivered during the period comprised the following:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
Leonid Loza	Suezmax tanker	Crude oil	156,000	4 January 2011
Suvorovsky Prospect	Aframax tanker	Crude oil	113,860	15 February 2011
SCF Pioneer <sup>2</sup>	Panamax tanker (LR1)	Oil product	74,602	3 March 2011
SCF Provider <sup>2</sup>	Panamax tanker (LR1)	Oil product	74,548	21 March 2011
SCF Prime <sup>2</sup>	Panamax tanker (LR1)	Oil product	74,602	5 April 2011

<sup>2</sup> Vessels jointly owned by joint ventures

Vessels under construction at 30 September 2011 comprised four crude oil Aframax tankers, four Panamax bulk carriers, two Multifunctional Ice breaking vessels, two VLCC, two oil product Aframax tankers (LR2 type), one oil product Panamax tanker (LR1 type) which is jointly owned with third parties and two LNG carriers scheduled for delivery between February 2012 and May 2014 at a total contracted cost to the Group of \$1,373.9 million. As at 30 September 2011 \$278.8 million of the contracted costs had been paid for.

## 5. Finance Lease Receivables

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>At 1 January</b>	95,041	70,478	70,478
Transfer from vessels under construction (Note 4)	-	9,280	19,035
Finance lease interest receivable	10,768	8,483	12,002
Finance lease instalments received	(10,332)	(4,525)	(6,474)
<b>At 30 September / 31 December</b>	<u>95,477</u>	<u>83,716</u>	<u>95,041</u>
Less current finance lease receivables	(2,600)	-	(182)
Non-current finance lease receivables	<u>92,877</u>	<u>83,716</u>	<u>94,859</u>

## 6. Trade and Other Receivables

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
Amounts due from charterers	88,075	66,663	69,703
Allowance for credit losses	(2,660)	(3,016)	(2,782)
Casualty and other claims	85,415	63,647	66,921
Agents' balances	25,017	39,634	33,243
Other receivables	11,059	10,758	12,040
Receivables under High Court judgement award (Note 14)	60,728	52,739	40,822
Prepayments	-	-	55,675
Voyage suspense account	11,814	7,970	8,506
Accrued income	11,233	14,255	12,358
	40,956	11,190	20,173
	<u>246,222</u>	<u>200,193</u>	<u>249,738</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 7. Cash and Bank Deposits

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
Cash and bank deposits	334,821	385,515	512,172
Bank deposits accessible on maturity	-	-	(6,562)
Retention accounts	(18,145)	(15,121)	(20,586)
Security deposits held as counter security for claims (Note 14)	(27,280)	(30,896)	(30,698)
Restricted deposits	(11,918)	(19,898)	(10,898)
Cash and cash equivalents	<u>277,478</u>	<u>319,600</u>	<u>443,428</u>

## 8. Non-Current Assets Held for Sale

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
<b>At 1 January</b>	46,622	31,446	31,446
Impairment provision	(956)	-	-
Transfer (to) / from fleet (Note 3)	(11,667)	-	46,622
Disposals	(33,999)	(31,446)	(31,446)
<b>At 30 September / 31 December</b>	<u>-</u>	<u>-</u>	<u>46,622</u>
Current insured value	<u>-</u>	<u>-</u>	<u>56,500</u>
Total deadweight tonnage (dwt)	<u>-</u>	<u>-</u>	<u>148,764</u>

## 9. Dividends

During the period ended 30 September 2011, dividends of Rouble 0.51 per share totalling Roubles 1,000 million, equivalent to \$35.6 million were declared on 30 June 2011 and paid on 18 July 2011.

## 10. Secured Bank Loans

The balances of the loans at the period end which include the Group's share of loans of the joint ventures are summarised as follows:

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
Repayable			
- within twelve months after the end of the reporting period	258,042	250,865	173,231
- between one to two years	463,893	252,243	214,593
- between two to three years	211,312	723,089	246,976
- between three to four years	310,891	322,441	213,609
- between four to five years	122,456	329,976	296,095
- more than five years	726,214	759,747	731,506
	2,092,808	2,638,361	1,876,010
Less current portion (current liabilities)	(258,042)	(250,865)	(173,231)
Long-term balance (non-current liabilities)	<u>1,834,766</u>	<u>2,387,496</u>	<u>1,702,779</u>

## 11. Finance Lease Liabilities

	30/09/2011 \$'000	30/09/2010 \$'000	31/12/2010 \$'000
Repayable			
- within twelve months after the end of the reporting period	9,201	51,068	52,248
- after one year but not more than five years	47,805	30,319	47,232
- more than five years	176,302	92,724	183,819
	233,308	174,111	283,299
Less current portion (current liabilities)	(9,201)	(51,068)	(52,248)
Long-term balance (non-current liabilities)	<u>224,107</u>	<u>123,043</u>	<u>231,051</u>

The Group did not exercise its option for the acquisition of two ice class Handysize Product tanker and consequently both the outstanding finance lease liability and the carrying value of the vessels were derecognised on expiry of the time charter agreements on 17 June 2010 and 30 January 2011 respectively.

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 12. Derivative Financial Instruments

Derivative financial instruments are classified in the statement of financial position as follows:

	<u>30/09/2011</u> \$'000	<u>30/09/2010</u> \$'000	<u>31/12/2010</u> \$'000
Non-current asset	-	-	1,542
Non-current liability	(128,135)	(118,510)	(77,253)
Current liability	<u>(70,695)</u>	<u>(83,812)</u>	<u>(74,743)</u>
	<u>(198,830)</u>	<u>(202,322)</u>	<u>(150,454)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	<u>30/09/2011</u> \$'000	<u>30/09/2010</u> \$'000	<u>31/12/2010</u> \$'000
<b>At 1 January</b>	107,017	90,844	90,844
Released during the period and credited to the income statement	(24,271)	(23,950)	(32,075)
Losses during the period shown in other comprehensive income	74,012	81,670	47,624
Provided during the period and debited to the income statement	<u>1,748</u>	<u>2,338</u>	<u>624</u>
<b>At 30 September / 31 December</b>	<u>158,506</u>	<u>150,902</u>	<u>107,017</u>

Classified at fair value through profit or loss

	<u>30/09/2011</u> \$'000	<u>30/09/2010</u> \$'000	<u>31/12/2010</u> \$'000
<b>At 1 January</b>	43,437	38,024	38,024
(Released) / provided during the period and (credited) /debited to the income statement	<u>(3,113)</u>	<u>13,396</u>	<u>5,413</u>
<b>At 30 September / 31 December</b>	<u>40,324</u>	<u>51,420</u>	<u>43,437</u>

## 13. Income Taxes

	<u>30/09/2011</u> \$'000	<u>30/09/2010</u> \$'000	<u>31/12/2010</u> \$'000
Russian Federation profits tax	11,631	11,674	25,475
Overseas income taxes	<u>1,258</u>	<u>1,543</u>	<u>1,714</u>
Income tax expense	12,889	13,217	27,189
Deferred tax	<u>(1,396)</u>	<u>(5,652)</u>	<u>(3,519)</u>
Total income tax expense	<u>11,493</u>	<u>7,565</u>	<u>23,670</u>

The income tax expense for the period is reconciled to the expected tax expense based on the Russian Federation tax rate as follows:

	<u>30/09/2011</u> \$'000	<u>30/09/2010</u> \$'000	<u>31/12/2010</u> \$'000
Profit before income taxes	<u>58,131</u>	<u>107,805</u>	<u>187,955</u>
Income tax using Russian Federation income tax rate of 20%	11,626	21,561	37,591
Effect of tax on profits taxable in other jurisdictions	(1,915)	(1,794)	(2,479)
Tax effect of intercompany dividends	5,308	5,999	2,399
Tax effect of non-deductible expenses and non-taxable income	(2,018)	(10,069)	(19,885)
Difference in tax rate of dividends received	(112)	(2,480)	(2,242)
Tax on exchange gain on repatriation of investment	-	-	11,805
Income tax expense	<u>12,889</u>	<u>13,217</u>	<u>27,189</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
(Continued)

## 13. Income Taxes (Continued)

Deferred tax arises mainly on the activities of Marpetrol under the Spanish Corporate Tax Law as follows:

	Opening balance \$'000	(Charged) / released to income \$'000	Exchange differences \$'000	Closing balance \$'000
<u>At 30 September 2011</u>				
Deferred tax assets	2,049	(300)	74	1,823
Deferred tax liabilities	(8,235)	1,696	149	(6,390)
	<u>(6,186)</u>	<u>1,396</u>	<u>223</u>	<u>(4,567)</u>
<u>At 30 September 2010</u>				
Deferred tax assets	3,103	(473)	181	2,811
Deferred tax liabilities	(12,898)	6,125	(257)	(7,030)
	<u>(9,795)</u>	<u>5,652</u>	<u>(76)</u>	<u>(4,219)</u>
<u>At 31 December 2010</u>				
Deferred tax assets	3,103	(1,736)	682	2,049
Deferred tax liabilities	(12,898)	5,255	(592)	(8,235)
	<u>(9,795)</u>	<u>3,519</u>	<u>90</u>	<u>(6,186)</u>

## 14. Contingent Asset

Principal and interest, at 3-month \$ LIBOR plus 2.5% at quarterly rests which were awarded to the Group in respect of the successful claims which resulted from fraudulent action has now been received, totalling \$56.0 million.

On 2 November 2011 the London's Court of Appeal (Civil Division) granted the Group leave to appeal against certain important elements of the previous Judgement handed down on 10 December 2010. In particular the Court of Appeal granted the Group leave to appeal on the following issues:

- whether the law applicable to Mr Nikitin's bribery of Mr Skarga is Russian law as found by Mr Justice Andrew Smith, or as the Group contended, English law, the application of which would give rise, subject to succeeding to reversing the judge's finding in relation to dishonesty referred to below, to a claim in respect of the significant profits made by Mr Nikitin under various transactions with the Group;
- in relation to the finding of Mr Justice Andrew Smith that the above bribery (the provision of holidays and a credit card by Mr Nikitin to Mr Skarga whilst he was Director General of OAO Sovcomflot) did not establish dishonesty;
- the finding that a payment of \$100,000 by Mr Nikitin (through one of his companies) to the vendor of a property sold to Mrs Skarga, was not a further bribe paid by Mr Nikitin for the benefit of Mr Skarga; and
- the Judgement that awarded Intrigue Shipping Inc., one of the Group's subsidiaries, no costs in relation to its successful commission claims.

It is anticipated that the Claimants' appeal will be heard by the Court of Appeal in London sometime during 2012.

In addition to granting the Group leave to appeal, the Court of Appeal dismissed an application by Mr Yuri Nikitin for leave to appeal.

In relation to the transactions involving the former management of Novoship (UK) Ltd ("NOUK"), the Group has increased the quantum of the claims filed to \$135.0 million plus interest. The trial should take place in May 2012. If the Group is unsuccessful in its claim this may result in a costs liability to the Defendants of in excess of \$7.0 million. Further, the group has taken steps in various jurisdictions to locate and freeze assets of the Defendants and has put up security to fortify cross undertakings in damages in respect of the frozen assets in the sum of \$4.1 million, \$4 million of which was put up as security subsequent to the period end. If unsuccessful in its claims the Group may face liability of up to or in excess of this sum.

In May 2011 NOUK obtained summary judgement against defendants in the related Nevis proceedings of approximately \$3.0 million plus interest of approximately \$0.7 million. The Summary Judgment in the related Nevis proceedings has now been enforced and we have recovered approximately \$2.8 million.

Proceedings have also been brought by NOUK in Nevis against third parties in respect of claims for secret commissions for charters entered into between 2003 to 2006 in the amount of \$0.6 million plus interest. If unsuccessful, the Group may face a costs liability of \$0.5 million and a liability in respect of the counter security for damages given in respect of assets that have been frozen.

## 15. Related Party Transactions

Related party transactions comprised:

- Bank balances include \$31.1 million (2010 – \$62.3 million) held with State controlled banks. Interest received on those accounts during the period amounted to \$0.7 million (2010 – \$1.8 million).

**OAo Sovcomflot**

**Notes to the Condensed Consolidated Financial Statements – 30 September 2011  
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**15. Related Party Transactions (Continued)**

Related party transactions comprised:

- (ii) Included in the time charters entered by subsidiaries of the Company, are two agreements entered into with a State controlled entity with aggregate hires receivable of \$897.9 million (2010 – \$926 million). The charters are for 25 years, commenced in February and September 2010. The Group has obtained guarantees from the State controlled shareholders of the charterers in respect of the performance of the obligations of the charterers under the time charter agreements. In March 2010 the Group agreed with the charterers to reduce the time charter hire rate receivable under the agreements for the period from commencement of the charters until 31 December 2011 with a corresponding increase in the charter rate, plus interest for the period to 31 December 2013. Consequently this resulted in recognition of accrued income of \$33.6 million (2010 - \$12.9 million) for the period ended 30 September 2011.
- (iii) Included in the time charters entered by subsidiaries of the Company, is an agreement entered into with a subsidiary of a State controlled entity with aggregate hire receivable of \$124.3 million (2010 – \$134.0 million). The charter is for 15 years and has commenced in September 2006.
- (iv) The time charter agreements entered into by the joint ventures, included two agreements entered into with a subsidiary of a State controlled entity with aggregate hires receivable as at the period end over the remaining firm period of the charters of \$707.6 million (2010 – \$744.0 million). The charters are for 20 years and have commenced in October 2007 and January 2008.
- (v) The Group sold and leased back two of its vessels to subsidiaries of a State controlled financial institution for an aggregate consideration of \$230.0 million on 7 September and 16 November 2010, respectively. The monthly hire is \$926,652 for each vessel, payable monthly in advance.
- (vi) The Group leases out part of the premises owned by Sovcomflot, located at 7 Dunayevskogo Street, Moscow 121165, Russian Federation, to JSC Rosneftflot (a Group Associate). The current lease term is for eleven months (2010 - eleven months) expiring on 31 January 2012 at lease rentals for the period of Roubles 17.81 million (2010 - Roubles 17.81 million).
- (vii) Included in vessels under construction are six newbuildings (2010 – six) with a total contracted cost of \$395.0 million (2010 – \$395.0 million) placed on order from a State controlled shipyard in 2010. As at 30 September 2011 instalments of \$334.9 million (2010 – \$368.1 million) were outstanding in respect of the shipbuilding agreements.
- (viii) Nine Escort tugs on bareboat charter to JSC Rosneftflot (a Group associate) for a period of 15 years.
- (ix) The Group signed agreements in May 2011 with a State controlled entity for the time charter of 15 years of two LNG carriers currently under construction for an aggregate consideration of approximately \$806.0 million. The time charter agreement will commence upon delivery of the vessels by the shipyards, estimated to be in December 2013 and May 2014.
- (x) The Group signed within the period a contract of affreightment with an associate undertaking, expiring in December 2011. The freight income from the associated undertaking within the period under this contract was \$9.1 million.
- (xi) Included in amounts due from charterers are \$8.4 million (2010 – \$2.0 million) of amounts receivable from related parties not included above.
- (xii) The Group also receives services from State controlled bodies at prices comparable with other similar organisations, the total amounts of which are not material.

**16. Events After the Reporting Period**

In October 2011, at the Annual General Meeting of JSC Novoship, the shareholders resolved to launch a sixth buyback of ordinary and preference shares in late November 2011 to buy back a total of 5,484,895 ordinary shares and 26,331,499 preference shares at Roubles 89.7 and Roubles 24.7 per share respectively. The buyback is expected to be completed in January 2012.

**17. Date of Issue**

These condensed consolidated financial statements were issued on 18 November 2011.