

**OAO SOVCOMFLOT
AND ITS SUBSIDIARY CORPORATIONS**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

OAO Sovcomflot**Contents**

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Condensed Consolidated Income Statement
For the period ended 30 June 2012

	Note	Six months ended		Year ended
		30/06/2012	30/06/2011	31/12/2011
		\$'000	\$'000	\$'000
Freight and Hire revenue		777,667	732,582	1,438,926
Voyage expenses and commissions		(277,207)	(250,969)	(511,651)
Time charter equivalent revenues		<u>500,460</u>	<u>481,613</u>	<u>927,275</u>
Direct operating expenses				
Vessels' running costs		167,576	158,959	332,317
Vessels' drydock cost amortisation	3	18,054	17,649	35,268
Charter hire payments		19,514	14,255	38,349
		<u>(205,144)</u>	<u>(190,863)</u>	<u>(405,934)</u>
Profit on vessels' trading		<u>295,316</u>	<u>290,750</u>	<u>521,341</u>
Other operating expenses				
Depreciation and amortisation				
Vessels' depreciation	3	118,694	108,147	223,726
Vessels' impairment provision	3 & 8	7,100	4,344	7,602
Other depreciation		2,529	2,482	5,092
Intangible assets' amortisation		5,625	4,197	8,397
		<u>133,948</u>	<u>119,170</u>	<u>244,817</u>
Allowance for credit losses		270	64	2,710
General and administrative expenses		45,189	45,533	93,125
Total other operating expenses		<u>179,407</u>	<u>164,767</u>	<u>340,652</u>
Profit from vessels' operations		115,909	125,983	180,689
(Loss) / gain on sale of assets		(68)	4,290	12,190
Gain on disposal of investments		24	(342)	283
Other operating revenues		47,547	21,259	52,423
Other operating expenses		(41,259)	(17,497)	(44,030)
Release of provision		(138)	-	3,317
Share of losses in associated undertakings		(4,224)	927	(10,873)
Operating profit		<u>117,791</u>	<u>134,620</u>	<u>193,999</u>
Other (expenses) / income				
Interest expense		(69,354)	(71,664)	(142,117)
Financing costs		(1,606)	(2,411)	(4,400)
Interest income		11,923	10,645	22,027
Other non-operating income		910	2,496	8,565
Other non-operating expenses		(5,707)	(7,043)	(12,837)
Loss on ineffective hedging instruments	12	(38)	(123)	(1,512)
Gain on derivative financial instruments held for trading	12	6,070	2,983	8,566
Loss on investments held for trading		-	(3)	(3)
Foreign exchange differences		(2,217)	2,589	(1,086)
Net other expenses		<u>(60,019)</u>	<u>(62,531)</u>	<u>(122,797)</u>
Profit before income taxes		57,772	72,089	71,202
Income taxes	13	(6,894)	(7,863)	(17,526)
Profit for the period		<u>50,878</u>	<u>64,226</u>	<u>53,676</u>
Profit attributable to:				
Owners of the parent		49,670	63,247	52,256
Non-controlling interest		1,208	979	1,420
		<u>50,878</u>	<u>64,226</u>	<u>53,676</u>

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

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Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2012

	Note	Six months ended		Year ended
		30/06/2012	30/06/2011	31/12/2011
		\$'000	\$'000	\$'000
Profit for the period		50,878	64,226	53,676
Other comprehensive income:				
Share of associates' other comprehensive income		492	(1,121)	1,149
Exchange differences on translation of foreign operations		(624)	7,903	(4,570)
Derivative financial instruments recycled and debited to the income statement	12	18,938	18,587	30,709
Fair value movement of derivative financial instruments debited to other comprehensive income	12	(23,000)	(23,825)	(75,398)
Other comprehensive income for the period, net of tax		(4,194)	1,544	(48,110)
Total comprehensive income for the period		<u>46,684</u>	<u>65,770</u>	<u>5,566</u>
Total comprehensive income attributable to:				
Owners of the parent		45,501	63,847	4,629
Non-controlling interest		1,183	1,923	937
		<u>46,684</u>	<u>65,770</u>	<u>5,566</u>

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

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Condensed Consolidated Statement of Financial Position – 30 June 2012

	Note	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Assets				
Non-current assets				
Fleet	3	5,513,967	5,579,722	5,460,390
Vessels under construction	4	458,388	269,636	334,977
Other fixed assets		68,006	63,933	65,380
Investment property		3,858	5,138	4,565
Other fixed assets under construction		11,384	8,425	9,866
Intangible assets		16,003	15,765	12,273
Investments in associates		1,046	1,363	1,273
Available-for-sale investments		1,381	1,646	1,381
Finance lease receivables	5	90,673	93,566	92,162
Derivative financial instruments	12	-	1,119	-
Trade and other receivables	6	20,139	19,710	33,525
Deferred tax assets		2,056	2,131	5,164
		<u>6,186,901</u>	<u>6,062,154</u>	<u>6,020,956</u>
Current assets				
Inventories		74,956	72,002	76,317
Trade and other receivables	6	277,729	226,331	237,563
Finance lease receivables	5	2,894	2,506	2,697
Current tax receivable		3,004	3,061	2,332
Other investments		-	6,345	-
Cash and bank deposits	7	<u>371,654</u>	<u>319,442</u>	<u>389,742</u>
		730,237	629,687	708,651
Non-current assets held for sale	8	<u>265</u>	<u>31,361</u>	<u>9,800</u>
		<u>730,502</u>	<u>661,048</u>	<u>718,451</u>
Total assets		<u><u>6,917,403</u></u>	<u><u>6,723,202</u></u>	<u><u>6,739,407</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		<u>2,552,846</u>	<u>2,571,617</u>	<u>2,520,171</u>
Equity attributable to owners of the parent		<u>2,957,858</u>	<u>2,976,629</u>	<u>2,925,183</u>
Non-controlling interest		<u>159,007</u>	<u>171,852</u>	<u>159,989</u>
Total equity		<u><u>3,116,865</u></u>	<u><u>3,148,481</u></u>	<u><u>3,085,172</u></u>
Non-current liabilities				
Trade and other payables		-	5,258	-
Secured bank loans	10	2,010,866	1,842,408	1,903,423
Finance lease liabilities	11	206,322	226,445	221,688
Derivative financial instruments	12	126,085	82,144	120,826
Retirement benefit obligations		8,104	8,600	7,997
Other loans		797,254	796,678	797,005
Tax payable		-	3,189	-
Deferred tax liabilities		5,188	9,818	7,318
		<u>3,153,819</u>	<u>2,974,540</u>	<u>3,058,257</u>
Current liabilities				
Trade and other payables		303,747	256,661	245,276
Secured bank loans	10	253,271	257,243	258,776
Finance lease liabilities	11	20,122	9,046	9,363
Current tax payable		8,939	5,424	12,219
Derivative financial instruments	12	60,640	71,807	67,263
Amount due to non-controlling interest		-	-	3,081
		<u>646,719</u>	<u>600,181</u>	<u>595,978</u>
Total equity and liabilities		<u><u>6,917,403</u></u>	<u><u>6,723,202</u></u>	<u><u>6,739,407</u></u>

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

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2012

	Share capital	Share premium	Reconstruction reserve	Hedging reserve	Currency reserve	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2011	405,012	818,845	(834,490)	(97,753)	(1,843)	2,646,926	2,936,697	186,324	3,123,021
Profit for the period	-	-	-	-	-	63,247	63,247	979	64,226
Other comprehensive income	-	-	-	(5,238)	5,838	-	600	944	1,544
Total comprehensive income	-	-	-	(5,238)	5,838	63,247	63,847	1,923	65,770
Dividends (Note 9)	-	-	-	-	-	(35,618)	(35,618)	(963)	(36,581)
Repurchase of non-controlling interest in JSC Novoship by JSC Novoship	-	-	-	-	41	11,662	11,703	(15,432)	(3,729)
As at 30 June 2011	405,012	818,845	(834,490)	(102,991)	4,036	2,686,217	2,976,629	171,852	3,148,481
Profit for the period	-	-	-	-	-	(10,991)	(10,991)	441	(10,550)
Other comprehensive income	-	-	-	(39,451)	(8,776)	-	(48,227)	(1,427)	(49,654)
Total comprehensive income	-	-	-	(39,451)	(8,776)	(10,991)	(59,218)	(986)	(60,204)
Repurchase of non-controlling interest in JSC Novoship by JSC Novoship	-	-	-	-	(112)	7,884	7,772	(10,877)	(3,105)
As at 31 December 2011	405,012	818,845	(834,490)	(142,442)	(4,852)	2,683,110	2,925,183	159,989	3,085,172
Profit for the period	-	-	-	-	-	49,670	49,670	1,208	50,878
Other comprehensive income	-	-	-	(4,062)	(107)	-	(4,169)	(25)	(4,194)
Total comprehensive income	-	-	-	(4,062)	(107)	49,670	45,501	1,183	46,684
Dividends (Note 9)	-	-	-	-	-	(12,826)	(12,826)	(2,165)	(14,991)
As at 30 June 2012	405,012	818,845	(834,490)	(146,504)	(4,959)	2,719,954	2,957,858	159,007	3,116,865

Notes

Hedging reserve: The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.
Currency reserve: The currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. During the period ended 31 December 2011 the Group's subsidiary company JSC Novoship changed its functional currency from the US dollar to the Russian Rouble, due to the cessation of US Dollar denominated operations.

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

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Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2012

	Note	Six months ended		Year ended
		30/06/2012	30/06/2011	31/12/2011
		\$'000	\$'000	\$'000
Operating Activities				
Cash received from freight and hire of vessels		769,073	701,863	1,375,485
Other cash receipts		35,329	19,994	49,821
Cash payments for voyage and running costs		(458,063)	(436,730)	(883,438)
Other cash payments		(65,571)	(73,910)	(139,139)
Cash generated from operations		280,768	211,217	402,729
Interest received		1,908	19,431	20,725
Income tax paid		(14,767)	(6,788)	(17,666)
Net cash inflow from operating activities		267,909	223,860	405,788
Investing Activities				
Acquisition of joint ventures net of cash acquired		(25,727)	-	-
Expenditure on fleet		(1,041)	(279,709)	(284,481)
Expenditure on drydock		(15,285)	(12,757)	(25,310)
Expenditure on vessels under construction		(215,459)	(263,900)	(324,680)
Interest capitalised		(2,847)	(2,485)	(6,944)
Expenditure on other fixed assets		(7,898)	(8,654)	(17,235)
Proceeds from sale of vessels		9,800	15,351	36,956
Proceeds from sale of other fixed assets		548	2,199	9,952
Proceeds from disposal of investments		-	886	927
Capital element received on finance leases		194	351	709
Interest received on finance leases		2,925	2,057	4,355
Bank term deposits	7	(4,068)	6,562	5,630
Claims receipts		-	37,909	41,086
Other receipts		89	-	1,072
Net cash outflow used in investing activities		(258,769)	(502,190)	(557,963)
Financing Activities				
Proceeds from borrowings		166,884	362,750	551,229
Repayment of borrowings		(114,252)	(138,591)	(265,525)
Repayment to joint venture partner		-	(53,932)	(53,932)
Financing costs		(1,436)	(3,568)	(5,678)
Repayment of finance lease liabilities		(4,747)	(4,937)	(9,515)
Security and restricted deposits	7	(4,622)	2,265	19,278
Funds in retention bank accounts	7	6,568	4,551	(6,094)
Interest paid on borrowings and other loans		(63,581)	(62,318)	(122,880)
Interest paid on finance leases		(7,665)	(8,218)	(16,038)
Dividends paid		(1,851)	-	(37,141)
Buy back of shares		(3,171)	(3,591)	(3,753)
Net cash (outflow) / inflow from financing activities		(27,873)	94,411	49,951
Decrease in Cash and Cash Equivalents		(18,733)	(183,919)	(102,224)
Cash and Cash Equivalents at 1 January	7	339,812	443,428	443,428
Net foreign exchange difference		(1,477)	4,567	(1,392)
Cash and Cash Equivalents at 30 June / 31 December	7	319,602	264,076	339,812

Non – cash transactions

During the period ended 31 December 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 agreement (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 June 2012****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 148 vessels at the period end, comprising 134 tankers, 1 chartered in tankers, 1 chartered in seismic vessel and 1 chartered in ice breaking supply 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. In addition the Group through its subsidiaries owns 9 escort tug vessels which have been chartered out on bareboat charter to an associate undertaking (see Note 5).

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 2011.

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 2011.

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 2012.

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 2011.

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Notes to the Condensed Consolidated Financial Statements – 30 June 2012
(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 June 2012

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	369,072	224,121	41,654	104,001	38,819	777,667
Voyage expenses and commissions	(170,266)	(94,631)	(270)	(6,274)	(5,766)	(277,207)
Time charter equivalent revenues	198,806	129,490	41,384	97,727	33,053	500,460
Direct operating expenses						
Vessels' running costs	(67,263)	(64,863)	(11,473)	(18,981)	(4,996)	(167,576)
Vessels' drydock cost amortisation	(7,409)	(5,628)	(2,241)	(2,342)	(434)	(18,054)
Charter hire payments	-	(5,652)	-	-	(13,862)	(19,514)
Profit on vessels' trading	124,134	53,347	27,670	76,404	13,761	295,316
Vessels' depreciation	(52,250)	(34,116)	(7,614)	(24,234)	(480)	(118,694)
Vessels' impairment provision	-	(7,100)	-	-	-	(7,100)
	<u>71,884</u>	<u>12,131</u>	<u>20,056</u>	<u>52,170</u>	<u>13,281</u>	<u>169,522</u>
Unallocated						
Other operating expenses						(53,613)
Profit from vessels operations						115,909
Other expenses						(58,137)
Profit before income taxes						<u>57,772</u>
Carrying amount of fleet	<u>2,503,287</u>	<u>1,476,967</u>	<u>417,590</u>	<u>1,099,188</u>	<u>16,935</u>	<u>5,513,967</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,365</u>	<u>2,659</u>	<u>282</u>	<u>1,186</u>	<u>73</u>	<u>11,565</u>

Period ended 30 June 2011

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	374,966	217,898	43,100	92,942	3,676	732,582
Voyage expenses and commissions	(156,734)	(89,935)	(263)	(4,019)	(18)	(250,969)
Time charter equivalent revenues	218,232	127,963	42,837	88,923	3,658	481,613
Direct operating expenses						
Vessels' running costs	(66,131)	(63,833)	(9,953)	(17,233)	(1,809)	(158,959)
Vessels' drydock cost amortisation	(7,269)	(5,466)	(2,453)	(1,952)	(509)	(17,649)
Charter hire payments	(11,631)	(2,624)	-	-	-	(14,255)
Profit on vessels' trading	133,201	56,040	30,431	69,738	1,340	290,750
Vessels' depreciation	(47,827)	(30,353)	(7,705)	(21,861)	(401)	(108,147)
Vessels' impairment provision	-	(4,344)	-	-	-	(4,344)
	<u>85,374</u>	<u>21,343</u>	<u>22,726</u>	<u>47,877</u>	<u>939</u>	<u>178,259</u>
Unallocated						
Other operating expenses						(52,276)
Profit from vessels operations						125,983
Other expenses						(53,894)
Profit before income taxes						<u>72,089</u>
Carrying amount of fleet	<u>2,544,863</u>	<u>1,437,313</u>	<u>429,506</u>	<u>1,150,789</u>	<u>17,251</u>	<u>5,579,722</u>
Non-current assets held for sale	<u>-</u>	<u>31,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,361</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,456</u>	<u>2,714</u>	<u>282</u>	<u>1,186</u>	<u>69</u>	<u>11,707</u>

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Notes to the Condensed Consolidated Financial Statements – 30 June 2012
(Continued)

3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2011	6,259,803	150,750	6,410,553
Expenditure in period	2,260	8,063	10,323
Acquisitions in the period	277,453	4,192	281,645
Transfer from vessels under construction (Note 4)	223,412	4,677	228,089
Derecognition of vessels under finance lease	(59,300)	-	(59,300)
Write-off of fully amortised drydock cost	-	(11,074)	(11,074)
At 30 June 2011	6,703,628	156,608	6,860,236
Expenditure in period	673	15,397	16,070
Acquisitions in the period	(65)	(35)	(100)
Transfer from vessels under construction (Note 4)	(100)	-	(100)
Write-off of fully amortised drydock cost	-	(13,309)	(13,309)
At 31 December 2011	6,704,136	158,661	6,862,797
Expenditure in period	1,041	14,865	15,906
Acquired on acquisition of joint venture	64,509	1,280	65,789
Transfer from vessels under construction (Note 4)	113,735	1,995	115,730
Write-off of fully amortised drydock cost	-	(16,812)	(16,812)
At 30 June 2012	<u>6,883,421</u>	<u>159,989</u>	<u>7,043,410</u>
Depreciation and amortisation			
At 1 January 2011	1,111,873	68,907	1,180,780
Charge for the period	108,147	17,649	125,796
Impairment provision	1,517	-	1,517
Derecognition of vessels under finance lease	(16,505)	-	(16,505)
Write-off of fully amortised drydock cost	-	(11,074)	(11,074)
At 30 June 2011	1,205,032	75,482	1,280,514
Charge for the period	115,579	17,619	133,198
Impairment provision	8,184	-	8,184
Reversal of impairment provision of fleet	(6,180)	-	(6,180)
Write-off of fully amortised drydock cost	-	(13,309)	(13,309)
At 31 December 2011	1,322,615	79,792	1,402,407
Charge for the period	118,694	18,054	136,748
Impairment provision	7,100	-	7,100
Write-off of fully amortised drydock cost	-	(16,812)	(16,812)
At 30 June 2012	<u>1,448,409</u>	<u>81,034</u>	<u>1,529,443</u>
Net book value			
At 30 June 2012	<u>5,435,012</u>	<u>78,955</u>	<u>5,513,967</u>
At 30 June 2011	<u>5,498,596</u>	<u>81,126</u>	<u>5,579,722</u>
At 31 December 2011	<u>5,381,521</u>	<u>78,869</u>	<u>5,460,390</u>
	30/06/2012	30/06/2011	31/12/2011
Market value ¹ (\$'000)	<u>4,659,086</u>	<u>5,536,190</u>	<u>5,050,570</u>
Current insured values ¹ (\$'000)	<u>6,562,399</u>	<u>6,364,170</u>	<u>6,364,170</u>
Total deadweight tonnage ¹ (dwt)	<u>11,514,317</u>	<u>11,202,136</u>	<u>11,202,127</u>

¹ Including Group's share in the joint ventures.

Included in the Group's fleet are 4 vessels held under finance leases (2011 – 4) with an aggregate carrying value of \$241.7 million (30 June 2011 - \$248.1 million / 31 December 2011 – \$247.5 million).

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Notes to the Condensed Consolidated Financial Statements – 30 June 2012
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4. Vessels Under Construction

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Cost			
At 1 January	334,977	231,341	231,341
Acquired on acquisition of joint venture	17,050	-	-
Expenditure for the period	222,091	266,384	331,625
Transfer to fleet (Note 3)	(115,730)	(228,089)	(227,989)
At 30 June / 31 December	<u>458,388</u>	<u>269,636</u>	<u>334,977</u>
Total deadweight tonnage ¹ (dwt)	<u>1,578,500</u>	<u>1,893,040</u>	<u>1,651,840</u>

¹ Includes Group's share in joint ventures

In January 2012 the Group terminated two crude oil Aframax tanker shipbuilding contracts without any financial loss to the Group. The Group had not paid for any of the contracted costs of the cancelled contracts.

In addition to the termination of the shipbuilding contracts referred to above, the Group entered into new optional agreements for the construction of two crude oil Aframax tankers, declarable by 31 December 2012. The contract price for the optional vessels will be agreed upon the declaration of the options.

In February 2012 the Group acquired through the acquisition of a joint venture the contract for the construction of an oil product Panamax tanker (LR1 type) scheduled for delivery in March 2012.

Moreover in February 2012 the Group signed agreements for the construction of two LNG carriers at a total contracted cost of \$398.4 million.

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>
SCF Progress ²	Panamax tanker (LR1)	Oil Product	74,588	18 January 2012
SCF Prudencia ²	Panamax tanker (LR1)	Oil Product	74,565	12 March 2012
Nikolay Zuyev	Aframax tanker	Crude Oil	122,039	31 May 2012

² Vessels jointly owned by joint ventures.

Vessels under construction at 30 June 2012 comprised one crude oil Aframax tanker, two Multifunctional Ice breaking vessels, two VLCCs, two oil product Aframax tankers (LR2 type), two Panamax bulk carriers, two LPG carriers and four LNG carriers scheduled for delivery between September 2012 and October 2014 at a total contracted cost to the Group of \$1,579.6 million. As at 30 June 2012 \$441.5 million of the contracted costs had been paid for.

5. Finance Lease Receivables

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
At 1 January	94,859	95,041	95,041
Finance lease interest receivable	7,063	7,141	14,373
Finance lease instalments received	(8,355)	(6,110)	(14,555)
At 30 June / 31 December	93,567	96,072	94,859
Less current finance lease receivables	(2,894)	(2,506)	(2,697)
Non-current finance lease receivables	<u>90,673</u>	<u>93,566</u>	<u>92,162</u>

6. Trade and Other Receivables

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Non-current assets			
Other receivables	9,917	1,462	10,004
Accrued income	10,222	18,248	23,521
	<u>20,139</u>	<u>19,710</u>	<u>33,525</u>
Current assets			
Amounts due from charterers	101,301	84,711	81,482
Allowance for credit losses	(4,607)	(2,820)	(4,975)
	96,694	81,891	76,507
Casualty and other claims	9,605	11,355	12,712
Agents' balances	12,582	14,156	14,459
Other receivables	23,107	33,609	22,610
Security deposits	37,534	27,485	31,279
Amounts due from lessee for finance leases	17,560	6,339	12,128
Receivables under High Court judgement award (Note 14)	-	-	-
Prepayments	21,289	17,940	13,457
Voyage suspense account	23,662	15,351	17,554
Accrued income	35,696	18,205	36,857
	<u>277,729</u>	<u>226,331</u>	<u>237,563</u>

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7. Cash and Bank Deposits

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Cash and bank deposits	371,654	319,442	389,742
Bank deposits accessible on maturity	(5,000)	-	(932)
Retention accounts	(20,112)	(16,035)	(26,680)
Security deposits held as counter security for claims (Note 14)	(10,400)	(27,413)	(10,400)
Restricted deposits	(16,540)	(11,918)	(11,918)
Cash and cash equivalents	<u>319,602</u>	<u>264,076</u>	<u>339,812</u>

8. Non-Current Assets Held for Sale

	Building \$'000	Fleet \$'000	Total \$'000
At 1 January 2011	-	46,622	46,622
Impairment provision	-	(2,827)	(2,827)
Disposals	-	(12,434)	(12,434)
At 30 June 2011	-	31,361	31,361
Expenditure in period	-	1,231	1,231
Impairment provision	-	(1,254)	(1,254)
Disposals	-	(21,538)	(21,538)
At 31 December 2011	-	9,800	9,800
Transfer from investment property	265	-	265
Disposals	-	(9,800)	(9,800)
At 30 June 2012	<u>265</u>	<u>-</u>	<u>265</u>
Current insured value at 30 June 2012 (\$'000)	<u>205</u>	<u>-</u>	<u>205</u>
Total deadweight tonnage at 30 June 2012 (dwt)	<u>-</u>	<u>-</u>	<u>-</u>

9. Dividends

Dividends of Rouble 0.21 per share totalling Roubles 420.6 million (2011 - 0.51 Rouble per share totalling Roubles 1,000.0 million), equivalent to \$12.8 million (2011 – \$35.6 million) were declared on 30 June 2012 and are outstanding as of the date of issue of these financial statements.

10. Secured Bank Loans

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

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Repayable			
- within twelve months after the end of the reporting period	253,271	257,243	258,776
- between one to two years	741,799	364,691	538,109
- between two to three years	222,504	325,178	169,390
- between three to four years	148,635	239,727	373,393
- between four to five years	218,977	168,808	112,415
- more than five years	678,951	744,004	710,116
	<u>2,264,137</u>	<u>2,099,651</u>	<u>2,162,199</u>
Less current portion (current liabilities)	<u>(253,271)</u>	<u>(257,243)</u>	<u>(258,776)</u>
Long-term balance (non-current liabilities)	<u>2,010,866</u>	<u>1,842,408</u>	<u>1,903,423</u>

11. Finance Lease Liabilities

	30/06/2012 \$'000	30/06/2011 \$'000	31/12/2011 \$'000
Repayable			
- within twelve months after the end of the reporting period	20,122	9,046	9,363
- after one year but not more than five years	37,991	47,608	47,998
- more than five years	168,331	178,837	173,690
	<u>226,444</u>	<u>235,491</u>	<u>231,051</u>
Less current portion (current liabilities)	<u>(20,122)</u>	<u>(9,046)</u>	<u>(9,363)</u>
Long-term balance (non-current liabilities)	<u>206,322</u>	<u>226,445</u>	<u>221,688</u>

The Group did not exercise its option for the acquisition of an ice class Handysize Product tanker and consequently both the outstanding finance lease liability and the carrying value of the vessel were derecognised on expiry of the time charter agreement in February 2011.

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Notes to the Condensed Consolidated Financial Statements – 30 June 2012
(Continued)

12. Derivative Financial Instruments

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

	<u>30/06/2012</u> \$'000	<u>30/06/2011</u> \$'000	<u>31/12/2011</u> \$'000
Non-current asset	-	1,119	-
Non-current liability	(126,085)	(82,144)	(120,826)
Current liability	(60,640)	(71,807)	(67,263)
	<u>(186,725)</u>	<u>(152,832)</u>	<u>(188,089)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	<u>30/06/2012</u> \$'000	<u>30/06/2011</u> \$'000	<u>31/12/2011</u> \$'000
At 1 January	153,218	107,017	107,017
Acquired on acquisition of joint venture	606	-	-
Recycled during the period and credited to the income statement	(18,938)	(18,587)	(30,709)
Fair value movement during the period shown in other comprehensive income	23,000	23,825	75,398
Fair value movement during the period debited to the income statement	38	123	1,512
At 30 June / 31 December	<u>157,924</u>	<u>112,378</u>	<u>153,218</u>

Classified at fair value through profit or loss

	<u>30/06/2012</u> \$'000	<u>30/06/2011</u> \$'000	<u>31/12/2011</u> \$'000
At 1 January	34,871	43,437	43,437
Fair value movement during the period credited to the income statement	(6,070)	(2,983)	(8,566)
At 30 June / 31 December	<u>28,801</u>	<u>40,454</u>	<u>34,871</u>

13. Income Taxes

	<u>30/06/2012</u> \$'000	<u>30/06/2011</u> \$'000	<u>31/12/2011</u> \$'000
Russian Federation profits tax	5,036	4,961	19,492
Overseas income taxes	840	891	1,642
Income tax expense	5,876	5,852	21,134
Deferred tax	1,018	2,011	(3,608)
Total income tax expense	<u>6,894</u>	<u>7,863</u>	<u>17,526</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>30/06/2012</u> \$'000	<u>30/06/2011</u> \$'000	<u>31/12/2011</u> \$'000
Profit before income taxes	57,772	72,089	71,202
Income tax using Russian Federation income tax rate of 20%	11,554	14,418	14,240
Effect of tax on profits taxable in other jurisdictions	(1,316)	(754)	(1,157)
Effect of tax on profits taxable in other jurisdictions under other tax regimes	(15,050)	(16,943)	(27,269)
Tax effect of intercompany dividends	1,093	486	5,984
Tax effect of intercompany fees	2,178	2,646	4,476
Tax effect of non-deductible expenses and non-taxable income	8,710	5,999	20,554
Difference in tax rate of dividends received	-	-	(113)
Tax on exchange gain on repatriation of investment	-	-	3,709
Tax arising from the utilisation of previously unrecognised and unused tax losses	(828)	-	726
Tax overprovision related to previous years	(465)	-	(16)
Income tax expense	<u>5,876</u>	<u>5,852</u>	<u>21,134</u>

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**Notes to the Condensed Consolidated Financial Statements – 30 June 2012
(Continued)****14. Contingent Asset**

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. The Claimants' appeal will be heard by the Court of Appeal in London starting on 4 March 2013.

The trial for the claims filed in London in December 2006 against former management of Novoship (UK) Ltd and joined further defendants, commenced at the Commercial Court in London on 16 May 2012 and concluded on 5 July 2012. Judgement is expected to be delivered in the last quarter of 2012.

15. Related Party Transactions

The Group enters into related party transactions with other Russian State owned and State controlled organisations in the normal course of business. There were no new or material changes to the related party transactions presented in the audited consolidated financial statements of the Group for the year ended 31 December 2011.

16. Events After the Reporting Period

In July 2012, a Group joint venture amended and restated an existing loan facility for an additional \$32.3 million repayable over 10 years. The additional exposure to interest rate fluctuations has been hedged through two new interest rate swaps expiring in April and May 2016. A drawdown was made in July from the above facility and was used to repay the amounts due to joint venture partners as at 30 June 2012.

17. Date of Issue

These condensed consolidated financial statements were issued on 17 August 2012.