

**OAO SOVCOMFLOT  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 March 2013**

## OAO Sovcomflot

## Contents

<b>Condensed Consolidated Income Statement</b>	2
<b>Condensed Consolidated Statement of Comprehensive Income</b>	3
<b>Condensed Consolidated Statement of Financial Position</b>	4
<b>Condensed Consolidated Statement of Changes in Equity</b>	5
<b>Condensed Consolidated Statement of Cash Flows</b>	6
<b>Notes to the Condensed Consolidated Financial Statements</b>	
1. Organisation, Basis of Preparation and Accounting Policies	7
2. Segment Information	8
3. Fleet	10
4. Vessels Under Construction	11
5. Joint Ventures	11
6. Finance Lease Receivables	11
7. Trade and Other Receivables	12
8. Cash and Bank Deposits	12
9. Dividends	12
10. Trade and Other Payables	12
11. Secured Bank Loans	12
12. Finance Lease Liabilities	13
13. Derivative Financial Instruments	13
14. Income Taxes	13
15. Financial Risk Management	14
16. Contingent Asset	15
17. Related Party Transactions	15
18. Comparatives	15
19. Events After the Reporting Period	16
20. Date of Issue	16

## OAO Sovcomflot

**Condensed Consolidated Income Statement**  
For the period ended 31 March 2013

Note	Three months ended		Year ended
	31/03/2013	31/03/2012	31/12/2012
	\$'000	\$'000	\$'000
		Restated-Note 18	Restated-Note 18
<b>Freight and Hire revenue</b>	313,163	373,509	1,352,983
Voyage expenses and commissions	(111,329)	(132,183)	(493,608)
<b>Time charter equivalent revenues</b>	201,834	241,326	859,375
<b>Direct operating expenses</b>			
Vessels' running costs	80,058	76,540	320,794
Charter hire payments	6,574	10,645	32,369
	(86,632)	(87,185)	(353,163)
<b>Profit on vessels' trading</b>	115,202	154,141	506,212
<b>Other operating expenses</b>			
Depreciation, amortisation and impairment	68,527	63,947	291,156
(Reversal of) / allowance for credit losses	(383)	232	677
General and administrative expenses	22,528	20,992	100,075
<b>Total other operating expenses</b>	90,672	85,171	391,908
<b>Profit from vessels' operations</b>	24,530	68,970	114,304
Gain / (loss) on sale of assets	363	(50)	(6,722)
Gain on disposal of investments	-	21	60
Other operating revenues	7,831	14,067	96,933
Other operating expenses	(6,016)	(11,631)	(79,656)
(Increase) in / release of provision	(120)	-	32
Share of profits in associated undertakings	33	1,684	16,620
Share of profits in joint ventures	5	2,574	3,565
Reversal of / (allowance for) credit losses on other operating activities	1,691	-	(15,808)
<b>Operating profit</b>	30,886	74,527	129,328
<b>Other (expenses) / income</b>			
Interest expense	(32,506)	(30,091)	(118,855)
Financing costs	(629)	(919)	(2,914)
Interest income	5,259	6,216	23,042
Other non-operating income	621	11	7,796
Other non-operating expenses	(2,498)	(2,461)	(8,121)
Gain / (loss) on ineffective hedging instruments	13	450	372
Gain on derivative financial instruments held for trading	13	4,434	2,287
Foreign exchange differences	(2,077)	(1,331)	(2,406)
<b>Net other expenses</b>	(26,946)	(25,916)	(88,134)
<b>Profit before income taxes</b>	3,940	48,611	41,194
Income taxes	14	(1,988)	(3,204)
<b>Profit for the period</b>	1,952	45,407	32,901
<b>Profit attributable to:</b>			
Owners of the parent	1,990	44,478	32,377
Non-controlling interest	(38)	929	524
	1,952	45,407	32,901
<b>Earnings per share</b>			
Basic earnings per share for the period attributable to equity holders of the parent	\$0.001	\$0.023	\$0.016

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 31 March 2013**

	Note	Three months ended		Year ended
		31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
			Restated-Note 18	Restated-Note 18
<b>Profit for the period</b>		1,952	45,407	32,901
<b>Other comprehensive income:</b>				
Share of associates' other comprehensive income		(6)	(1,311)	15
Share of joint ventures' other comprehensive income	5	4,839	3,945	(1,445)
Exchange differences on translation of foreign operations		(2,493)	10,646	5,569
Derivative financial instruments recycled and debited to the income statement	13	6,265	6,452	18,629
Fair value movement of derivative financial instruments credited / (debited) to other comprehensive income	13	735	(1,836)	(15,788)
<b>Other comprehensive income, net of tax to be reclassified to profit or loss in subsequent periods</b>		9,340	17,896	6,980
Actuarial (losses) / gains on retirement benefit obligations		(80)	104	604
<b>Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods</b>		(80)	104	604
<b>Total other comprehensive income for the period net of tax:</b>		9,260	18,000	7,584
<b>Total comprehensive income for the period, net of tax</b>		11,212	63,407	40,485
<b>Total comprehensive income attributable to:</b>				
Owners of the parent		11,487	61,309	39,268
Non-controlling interest		(275)	2,098	1,217
		11,212	63,407	40,485

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

## OAO Sovcomflot

## Condensed Consolidated Statement of Financial Position – 31 March 2013

	Note	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
			Restated-Note 18	Restated-Note 18
<b>Assets</b>				
<b>Non-current assets</b>				
Fleet	3	5,102,136	4,987,932	5,047,029
Vessels under construction	4	404,068	452,029	447,321
Other fixed assets		73,572	67,373	73,556
Investment property		3,489	4,437	3,723
Other fixed assets under construction		26,382	11,848	23,254
Intangible assets		-	5,509	-
Investments in associates		1,193	1,314	1,187
Investments in joint ventures	5	71,636	67,418	67,799
Loans to joint ventures	5	75,051	63,844	69,517
Available-for-sale investments		1,380	1,381	1,380
Finance lease receivables	6	88,293	91,435	89,137
Derivative financial instruments	13	895	-	108
Trade and other receivables	7	9,533	25,429	9,621
Deferred tax assets		4,292	2,895	4,731
		<u>5,861,920</u>	<u>5,782,844</u>	<u>5,838,363</u>
<b>Current assets</b>				
Inventories		75,901	79,683	70,487
Loans to joint ventures	5	4,803	11,087	4,803
Trade and other receivables	7	213,566	254,384	213,656
Finance lease receivables	6	3,239	2,790	3,124
Current tax receivable		2,533	1,471	2,951
Cash and bank deposits	8	237,237	334,139	308,453
		<u>537,279</u>	<u>683,554</u>	<u>603,474</u>
Non-current assets held for sale		11,519	9,800	17,824
		<u>548,798</u>	<u>693,354</u>	<u>621,298</u>
<b>Total assets</b>		<u><u>6,410,718</u></u>	<u><u>6,476,198</u></u>	<u><u>6,459,661</u></u>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital		405,012	405,012	405,012
Reserves		2,556,661	2,580,041	2,545,174
<b>Equity attributable to owners of the parent</b>		<u>2,961,673</u>	<u>2,985,053</u>	<u>2,950,186</u>
<b>Non-controlling interest</b>		<u>158,594</u>	<u>161,915</u>	<u>158,869</u>
<b>Total equity</b>		<u><u>3,120,267</u></u>	<u><u>3,146,968</u></u>	<u><u>3,109,055</u></u>
<b>Non-current liabilities</b>				
Trade and other payables	10	32,684	33,851	36,260
Secured bank loans	11	1,651,570	1,653,694	1,685,813
Finance lease liabilities	12	199,939	208,340	202,141
Derivative financial instruments	13	65,233	70,482	71,808
Retirement benefit obligations		9,112	10,132	9,183
Other loans		797,717	797,139	797,593
Deferred tax liabilities		3,242	7,011	3,762
		<u>2,759,497</u>	<u>2,780,649</u>	<u>2,806,560</u>
<b>Current liabilities</b>				
Trade and other payables	10	218,391	236,059	204,192
Secured bank loans	11	267,573	240,353	276,394
Finance lease liabilities	12	8,401	20,415	19,547
Current tax payable		518	1,053	3,320
Derivative financial instruments	13	36,071	50,701	40,593
		<u>530,954</u>	<u>548,581</u>	<u>544,046</u>
<b>Total equity and liabilities</b>		<u><u>6,410,718</u></u>	<u><u>6,476,198</u></u>	<u><u>6,459,661</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 31 March 2013

	Share capital \$'000	Share premium \$'000	Reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non-controlling interest \$'000	Total \$'000
<b>As at 1 January 2012</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(142,442)</b>	<b>(4,852)</b>	<b>2,681,671</b>	<b>2,923,744</b>	<b>159,817</b>	<b>3,083,561</b>
Profit for the period	-	-	-	-	-	44,478	44,478	929	45,407
Other comprehensive income	-	-	-	8,561	8,177	93	16,831	1,169	18,000
Total comprehensive income	-	-	-	8,561	8,177	44,571	61,309	2,098	63,407
<b>As at 31 March 2012</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(133,881)</b>	<b>3,325</b>	<b>2,726,242</b>	<b>2,985,053</b>	<b>161,915</b>	<b>3,146,968</b>
Profit for the period	-	-	-	-	-	(12,101)	(12,101)	(405)	(12,506)
Other comprehensive income	-	-	-	(7,165)	(3,221)	446	(9,940)	(476)	(10,416)
Total comprehensive income	-	-	-	(7,165)	(3,221)	(11,655)	(22,041)	(881)	(22,922)
Dividends (Note 9)	-	-	-	-	-	(12,826)	(12,826)	(2,165)	(14,991)
<b>At 31 December 2012</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(141,046)</b>	<b>104</b>	<b>2,701,761</b>	<b>2,950,186</b>	<b>158,869</b>	<b>3,109,055</b>
Profit for the period	-	-	-	-	-	1,990	1,990	(38)	1,952
Other comprehensive income	-	-	-	11,839	(2,271)	(71)	9,497	(237)	9,260
Total comprehensive income	-	-	-	11,839	(2,271)	1,919	11,487	(275)	11,212
<b>At 31 March 2013</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(129,207)</b>	<b>(2,167)</b>	<b>2,703,680</b>	<b>2,961,673</b>	<b>158,594</b>	<b>3,120,267</b>

**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.

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 31 March 2013

Note	Three months ended		Year ended
	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
		Restated-Note 18	Restated-Note 18
<b>Operating Activities</b>			
Cash received from freight and hire of vessels	295,352	351,389	1,376,398
Other cash receipts	10,522	9,292	58,546
Cash payments for voyage and running costs	(194,679)	(225,550)	(863,012)
Other cash payments	(22,012)	(31,605)	(148,572)
Cash generated from operations	89,183	103,526	423,360
Interest received	1,761	2,296	8,693
Income tax refunded / (paid)	694	(7,046)	(16,522)
Net cash inflow from operating activities	91,638	98,776	415,531
<b>Investing Activities</b>			
Acquisition of joint venture	5	(26,867)	(26,867)
Additional investment in joint venture	5	-	(2,600)
Expenditure on fleet	(2,994)	(685)	(2,933)
Expenditure on drydock	(7,663)	(3,392)	(23,460)
Expenditure on vessels under construction	(68,248)	(135,210)	(397,951)
Interest capitalised	(3,605)	(1,122)	(13,310)
Expenditure on other fixed assets	(5,912)	(3,461)	(29,116)
Net loan advances to joint ventures	(5,406)	(7,311)	(6,514)
Proceeds from sale of vessels	6,500	-	17,174
Proceeds from sale of other fixed assets	608	192	7,747
Proceeds from disposal of investments	-	-	331
Capital element received on finance leases	918	90	1,495
Interest received on finance leases	4,460	459	10,765
Dividends received from joint ventures	5	-	1,336
Bank term deposits	8	932	932
Blocked funds	8	-	-
Security deposits	8	-	-
Other receipts	-	-	133
Net cash outflow used in investing activities	(102,783)	(176,375)	(462,838)
<b>Financing Activities</b>			
Proceeds from borrowings	14,000	125,000	974,320
Repayment of borrowings	(56,797)	(51,044)	(824,523)
Financing costs	(2,272)	(782)	(12,564)
Repayment of finance lease liabilities	(13,412)	(2,365)	(9,633)
Restricted deposits	8	(3,260)	898
Funds in retention bank accounts	8	(1,384)	(43)
Interest paid on borrowings and other loans	(16,611)	(14,505)	(100,577)
Interest paid on finance leases	(3,566)	(3,811)	(15,176)
Dividends paid	(16)	(19)	(14,802)
Buy back of shares	-	(3,171)	(3,171)
Net cash (outflow) / inflow from financing activities	(78,237)	44,659	(5,271)
<b>Decrease in Cash and Cash Equivalents</b>	(89,382)	(32,940)	(52,578)
<b>Cash and Cash Equivalents at 1 January</b>	8	271,807	319,007
Net foreign exchange difference	(2,838)	5,926	5,378
<b>Cash and Cash Equivalents at 31 March / 31 December</b>	8	179,587	271,807

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

**OAO Sovcomflot****Notes to the Condensed Consolidated Financial Statements – 31 March 2013****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 Gashheka 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 137 vessels at the period end, comprising 125 tankers, 1 chartered in seismic vessel, 1 chartered in ice breaking supply vessel, 4 gas carriers, 3 bulk carrier and 3 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 6).

**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 2012.

**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 2012.

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 2013. The adoption of the Standards and Interpretations issued by the IASB has led to changes in the Group's accounting policy on investments in joint arrangements and the policy on retirement benefit costs following the adoption of IFRS 11 "Joint Arrangements" and IAS 19 revised ("Employee Benefits"). These changes have been accounted for in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Note 18).

**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. As a result of the adoption of IFRS 11 "Joint Arrangements", judgement is exercised by management on the classification of investments as joint ventures or joint operations. All other 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 2012.



## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(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 31 March 2013**

	<b>Crude Oil \$'000</b>	<b>Oil Product \$'000</b>	<b>Gas \$'000</b>	<b>Offshore \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Freight and hire revenue</b>	160,725	85,700	11,100	48,120	7,518	313,163
Voyage expenses and commissions	(74,405)	(33,579)	(126)	(168)	(3,051)	(111,329)
<b>Time charter equivalent revenues</b>	86,320	52,121	10,974	47,952	4,467	201,834
<b>Direct operating expenses</b>						
Vessels' running costs	(36,409)	(29,098)	(2,562)	(9,382)	(2,607)	(80,058)
Charter hire payments	-	-	-	-	(6,574)	(6,574)
<b>Profit on vessels' trading</b>	49,911	23,023	8,412	38,570	(4,714)	115,202
Vessels' depreciation	(26,211)	(14,204)	(1,335)	(12,201)	(836)	(54,787)
Vessels' drydock cost amortisation	(3,978)	(2,701)	(547)	(1,217)	(333)	(8,776)
Vessels' impairment provision	-	(3,600)	-	-	-	(3,600)
	<u>19,722</u>	<u>2,518</u>	<u>6,530</u>	<u>25,152</u>	<u>(5,883)</u>	<u>48,039</u>
<b>Unallocated</b>						
Other operating expenses						(23,509)
<b>Profit from vessels' operations</b>						24,530
Other expenses						(20,590)
<b>Profit before income taxes</b>						<u>3,940</u>

<b>Carrying amount of fleet in operation</b>	<u>2,493,270</u>	<u>1,237,063</u>	<u>106,612</u>	<u>1,168,083</u>	<u>97,108</u>	<u>5,102,136</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>11,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,519</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,487</u>	<u>2,368</u>	<u>134</u>	<u>1,190</u>	<u>223</u>	<u>11,402</u>

**Period ended 31 March 2012**

	<b>Crude Oil \$'000</b>	<b>Oil Product \$'000</b>	<b>Gas \$'000</b>	<b>Offshore \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Freight and hire revenue</b>	189,751	104,448	11,232	50,810	17,268	373,509
Voyage expenses and commissions	(84,166)	(42,453)	(86)	(2,553)	(2,925)	(132,183)
<b>Time charter equivalent revenues</b>	105,585	61,995	11,146	48,257	14,343	241,326
<b>Direct operating expenses</b>						
Vessels' running costs	(33,021)	(28,891)	(3,062)	(8,737)	(2,829)	(76,540)
Charter hire payments	-	(3,602)	-	-	(7,043)	(10,645)
<b>Profit on vessels' trading</b>	72,564	29,502	8,084	39,520	4,471	154,141
Vessels' depreciation	(24,358)	(14,641)	(1,467)	(11,804)	(209)	(52,479)
Vessels' drydock cost amortisation	(3,660)	(2,526)	(661)	(1,113)	(220)	(8,180)
Intangible assets amortisation	-	-	(2,022)	-	-	(2,022)
	<u>44,546</u>	<u>12,335</u>	<u>3,934</u>	<u>26,603</u>	<u>4,042</u>	<u>91,460</u>
<b>Unallocated</b>						
Other operating expenses						(22,490)
<b>Profit from vessels' operations</b>						68,970
Other expenses						(20,359)
<b>Profit before income taxes</b>						<u>48,611</u>

<b>Carrying amount of fleet in operation</b>	<u>2,465,423</u>	<u>1,282,911</u>	<u>110,023</u>	<u>1,112,159</u>	<u>17,421</u>	<u>4,987,937</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,800</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,243</u>	<u>2,412</u>	<u>134</u>	<u>1,186</u>	<u>73</u>	<u>11,048</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

## 2. Segment Information (Continued)

Period ended 31 December 2012

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
<b>Freight and hire revenue</b>	675,281	381,950	43,848	196,454	55,450	1,352,983
Voyage expenses and commissions	(316,242)	(159,120)	(373)	(9,715)	(8,158)	(493,608)
<b>Time charter equivalent revenues</b>	359,039	222,830	43,475	186,739	47,292	859,375
<b>Direct operating expenses</b>						
Vessels' running costs	(138,534)	(123,457)	(14,243)	(35,044)	(9,516)	(320,794)
Charter hire payments	-	(5,729)	-	-	(26,640)	(32,369)
<b>Profit on vessels' trading</b>	220,505	93,644	29,232	151,695	11,136	506,212
Vessels' depreciation	(105,221)	(60,738)	(5,854)	(48,402)	(1,096)	(221,311)
Vessels' drydock cost amortisation	(15,137)	(10,439)	(2,380)	(4,778)	(915)	(33,649)
Vessels' impairment provision	-	(22,732)	-	-	-	(22,732)
Intangible assets' amortisation	-	-	(8,086)	-	-	(8,086)
	100,147	(265)	12,912	98,515	9,125	220,434
<b>Unallocated</b>						
Other operating expenses						(106,130)
<b>Profit from vessels' operations</b>						114,304
Other expenses						(73,110)
<b>Profit before income taxes</b>						41,194
<b>Carrying amount of fleet in operation</b>	2,523,065	1,179,487	108,495	1,073,782	57,120	4,941,949
<b>Carrying amount of non-current assets held for sale</b>	-	17,824	-	-	-	17,824
<b>Deadweight tonnage of fleet used in operations ('000)</b>	7,487	2,257	134	1,186	148	11,212

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

## 3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
<b>Cost</b>			
<b>At 1 January 2012</b>	6,257,447	150,484	6,407,931
Expenditure in period	530	3,207	3,737
Write-off of fully amortised drydock cost	-	(2,082)	(2,082)
<b>At 31 March 2012</b>	6,257,977	151,609	6,409,586
Expenditure in period	2,241	31,295	33,536
Transfer from vessels under construction (Note 4)	272,882	5,212	278,094
Transfer to non-current assets held for sale	(37,396)	(2,378)	(39,774)
Disposals in period	(26,372)	(442)	(26,814)
Write-off of fully amortised drydock cost	-	(34,290)	(34,290)
<b>At 31 December 2012</b>	6,469,332	151,006	6,620,338
Expenditure in period	2,994	4,170	7,164
Transfer from vessels under construction (Note 4)	112,786	2,320	115,106
Write-off of fully amortised drydock cost	-	(4,265)	(4,265)
<b>At 31 March 2013</b>	<u>6,585,112</u>	<u>153,231</u>	<u>6,738,343</u>
<b>Depreciation and amortisation</b>			
<b>At 1 January 2012</b>	1,286,838	76,239	1,363,077
Charge for the period	52,479	8,180	60,659
Write-off of fully amortised drydock cost	-	(2,082)	(2,082)
<b>At 31 March 2012</b>	1,339,317	82,337	1,421,654
Charge for the period	168,832	25,469	194,301
Impairment provision	22,732	-	22,732
Transfer to non-current assets held for sale	(20,872)	(1,078)	(21,950)
Eliminated on disposal	(8,860)	(278)	(9,138)
Write-off of fully amortised drydock cost	-	(34,290)	(34,290)
<b>At 31 December 2012</b>	1,501,149	72,160	1,573,309
Charge for the period	54,787	8,776	63,563
Impairment provision	3,600	-	3,600
Write-off of fully amortised drydock cost	-	(4,265)	(4,265)
<b>At 31 March 2013</b>	<u>1,559,536</u>	<u>76,671</u>	<u>1,636,207</u>
<b>Net book value</b>			
At 31 March 2013	<u>5,025,576</u>	<u>76,560</u>	<u>5,102,136</u>
At 31 March 2012	<u>4,918,660</u>	<u>69,272</u>	<u>4,987,932</u>
At 31 December 2012	<u>4,968,183</u>	<u>78,846</u>	<u>5,047,029</u>
	<b>31/03/2013</b>	<b>31/03/2012</b>	<b>31/12/2012</b>
Market value (\$'000)	<u>3,910,500</u>	<u>4,225,666</u>	<u>4,011,562</u>
Current insured values (\$'000)	<u>5,713,590</u>	<u>5,896,554</u>	<u>6,113,276</u>
Total deadweight tonnage (dwt)	<u>11,380,559</u>	<u>10,901,520</u>	<u>11,187,685</u>

Included in the Group's fleet are 2 vessels (2012 – 4) held under finance leases with an aggregate carrying value of \$232.9 million (31 March 2012 – \$250.2 million / 31 December 2012 – \$238.9 million).

OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

4. **Vessels Under Construction**

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>Cost</b>			
<b>At 1 January</b>	447,321	313,839	313,839
Expenditure for the period	71,853	138,190	411,576
Transfer to fleet (Note 3)	(115,106)	-	(278,094)
<b>At 31 March / 31 December</b>	<u>404,068</u>	<u>452,029</u>	<u>447,321</u>
Total deadweight tonnage (dwt)	<u>1,186,150</u>	<u>1,699,100</u>	<u>1,378,950</u>

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>
NS Yakutia	Panamax bulk carrier	Other	74,559	22 January 2013
Anatoly Kolodkin	Aframax tanker	Oil Product	118,316	23 January 2013

Vessels under construction at 31 March 2013 comprised one Multifunctional ice breaking vessel, two Very Large Crude Carriers ("VLCC"), one oil product Aframax tanker (LR2 type), two LPG carriers and four LNG carriers scheduled for delivery between April 2013 and October 2014 at a total contracted cost to the Group of \$1,265.1 million. As at 31 March 2013, \$377.8 million of the contracted costs had been paid for.

5. **Joint Ventures**

Investments in joint ventures are analysed as follows:

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>At 1 January</b>	67,799	38,544	38,544
Acquisition of joint venture	-	26,867	26,867
Additional cost of investment in joint venture	-	-	2,600
Share of profits in joint ventures	2,574	1,466	3,565
Share of joint ventures' other comprehensive income	4,839	3,945	(1,445)
Dividends received	-	-	(1,336)
Release of provision for share in net liabilities of joint ventures	(3,576)	(3,404)	(996)
<b>At 31 March / 31 December</b>	<u>71,636</u>	<u>67,418</u>	<u>67,799</u>

Loans due from joint ventures are analysed as follows:

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Interest free loans due from joint ventures	5,912	4,731	5,912
Floating rate loans due from joint ventures at Libor plus margins between 0.5%-3.0% per annum	73,942	70,200	68,408
	79,854	74,931	74,320
Less current portion (current assets)	(4,803)	(11,087)	(4,803)
Non-current portion (non-current assets)	<u>75,051</u>	<u>63,844</u>	<u>69,517</u>
Interest income during the period on loans due from joint ventures	274	215	910
Interest receivable at period end on loans due from joint ventures	<u>540</u>	<u>279</u>	<u>394</u>

6. **Finance Lease Receivables**

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>At 1 January</b>	92,261	94,859	94,859
Finance lease interest receivable	3,402	3,543	14,203
Finance lease instalments received	(4,131)	(4,177)	(16,801)
<b>At 31 March / 31 December</b>	91,532	94,225	92,261
Less current finance lease receivables	(3,239)	(2,790)	(3,124)
Non-current finance lease receivables	<u>88,293</u>	<u>91,435</u>	<u>89,137</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

## 7. Trade and Other Receivables

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>Non-current assets</b>			
Other receivables	9,533	10,152	9,621
Accrued income	-	15,277	-
	<u>9,533</u>	<u>25,429</u>	<u>9,621</u>
<b>Current assets</b>			
Amounts due from charterers	70,633	74,610	57,671
Allowance for credit losses	(4,880)	(5,186)	(5,435)
	65,753	69,424	52,236
Casualty and other claims	9,537	10,760	7,996
Agents' balances	14,560	11,289	14,271
Other receivables	23,578	27,917	25,053
Security deposits	26,998	37,920	33,103
Amounts due from lessee for finance leases	1,423	15,902	1,165
Receivables under High Court judgement award	3,236	2,000	9,321
Prepayments	22,857	16,359	18,023
Voyages in progress	12,726	24,770	18,674
Accrued income	32,898	38,043	33,814
	<u>213,566</u>	<u>254,384</u>	<u>213,656</u>

## 8. Cash and Bank Deposits

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Cash and bank deposits	237,237	334,139	308,453
Retention accounts	(15,809)	(17,587)	(16,246)
Security deposits held as counter security for claims	(7,000)	(10,400)	(10,400)
Restricted deposits	(10,000)	(14,159)	(10,000)
Blocked funds	(24,841)	-	-
Cash and cash equivalents	<u>179,587</u>	<u>291,993</u>	<u>271,807</u>

## 9. Dividends

No dividends were declared or paid during the period (2012 – 0.21 Rouble per share totalling Roubles 420.6 million, equivalent to \$12.8 million).

## 10. Trade and Other Payables

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>Non-current liabilities</b>			
Provision for share in net liabilities of joint ventures	32,684	33,851	36,260
<b>Current liabilities</b>			
Trade payables	69,494	61,980	53,357
Other payables	39,535	66,443	31,624
Dividends payable	1,834	1,924	1,893
Accrued liabilities	67,432	63,914	77,824
Deferred income	13,781	15,895	24,475
Accrued interest	26,315	25,903	15,019
	<u>218,391</u>	<u>236,059</u>	<u>204,192</u>

## 11. Secured Bank Loans

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

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Repayable			
- within twelve months after the end of the reporting period	267,573	240,353	276,394
- between one to two years	324,330	630,803	259,817
- between two to three years	333,117	199,309	350,265
- between three to four years	208,810	297,400	249,887
- between four to five years	184,526	100,250	196,166
- more than five years	600,787	425,932	629,678
	1,919,143	1,894,047	1,926,207
Less current portion (current liabilities)	(267,573)	(240,353)	(276,394)
Long-term balance (non-current liabilities)	<u>1,651,570</u>	<u>1,653,694</u>	<u>1,649,813</u>

## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

## 12. Finance Lease Liabilities

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Repayable			
- within twelve months after the end of the reporting period	8,401	20,415	19,547
- after one year but not more than five years	199,939	37,338	202,141
- more than five years	-	171,002	-
	<u>208,340</u>	<u>228,755</u>	<u>221,688</u>
Less current portion (current liabilities)	<u>(8,401)</u>	<u>(20,415)</u>	<u>(19,547)</u>
Long-term balance (non-current liabilities)	<u>199,939</u>	<u>208,340</u>	<u>202,141</u>

## 13. Derivative Financial Instruments

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

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Non-current asset	895	-	108
Non-current liability	(65,233)	(70,482)	(71,808)
Current liability	(36,071)	(50,701)	(40,593)
	<u>(100,409)</u>	<u>(121,183)</u>	<u>(112,293)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>At 1 January</b>	90,901	93,587	93,587
Recycled during the period and credited to the income statement	(6,265)	(6,452)	(18,629)
Fair value movement during the period shown in other comprehensive income	(735)	1,836	15,788
Fair value movement during the period (credited) / debited to the income statement	(450)	(372)	155
<b>At 31 March / 31 December</b>	<u>83,451</u>	<u>88,599</u>	<u>90,901</u>

Classified at fair value through profit or loss

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>At 1 January</b>	21,392	34,871	34,871
Fair value movement during the period credited to the income statement	(4,434)	(2,287)	(13,479)
<b>At 31 March / 31 December</b>	<u>16,958</u>	<u>32,584</u>	<u>21,392</u>

## 14. Income Taxes

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Russian Federation profits tax	1,993	1,013	9,424
Overseas income tax expense	63	87	1,778
Income tax expense	2,056	1,100	11,202
Deferred tax	(68)	2,104	(2,909)
<b>Total income tax expense</b>	<u>1,988</u>	<u>3,204</u>	<u>8,293</u>

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

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
Profit before income taxes	3,940	48,611	41,194
Income tax using Russian Federation income tax rate of 20%	788	9,722	8,239
Effect of tax on profits taxable under income tax in other jurisdictions	5,668	3,268	16,641
Effect of tax on profits taxable in other jurisdictions under other tax regimes	(6,104)	(9,549)	(22,376)
Tax effect of intercompany dividends	242	-	4,415
Tax effect of intercompany fees	871	1,514	2,491
Tax effect of non-deductible expenses and non-taxable income	562	(1,277)	(365)
Difference in tax rate of dividends received	-	-	(11)
Tax arising from the utilisation of prior and current period unused tax losses	(28)	4	30
Tax overprovision related to previous years	(11)	(478)	(771)
Income tax expense	<u>1,988</u>	<u>3,204</u>	<u>8,293</u>

OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

15. Financial Risk Management

(a) Categories of financial instruments

	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>Financial assets</b>			
Hedging instruments (Note 13)	895	-	108
Cash and bank deposits (Note 8)	237,237	334,139	308,453
Investments in associates	1,193	1,314	1,187
Investments in joint ventures (Note 5)	71,636	67,418	67,799
Available-for-sale investments	1,380	1,381	1,380
Loans and other receivables	265,210	312,091	256,184
Finance lease receivables (Note 6)	91,532	94,225	92,261
<b>Total financial assets</b>	<u>669,083</u>	<u>810,568</u>	<u>727,372</u>
<b>Financial liabilities</b>			
Hedging instruments (Note 13)	84,346	88,599	91,009
Financial liabilities at fair value through profit or loss (Note 13)	16,958	32,584	21,392
Secured bank loans (Note 11)	1,919,143	1,894,047	1,962,207
Finance lease liabilities (Note 12)	208,340	228,755	221,688
Other loans	797,717	797,139	797,593
Financial liabilities measured at amortised cost	232,208	245,328	211,209
<b>Total financial liabilities</b>	<u>3,258,712</u>	<u>3,286,452</u>	<u>3,305,098</u>

(b) Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Carrying Value			Fair Value		
	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000	31/03/2013 \$'000	31/03/2012 \$'000	31/12/2012 \$'000
<b>Financial assets</b>						
Derivative financial instruments	895	-	108	895	-	108
Cash and bank deposits	237,237	334,139	308,453	237,237	334,139	308,453
Investments	74,209	70,113	70,366	74,209	70,113	70,366
Loans and receivables	356,742	406,316	348,445	356,742	406,316	348,445
<b>Total financial assets</b>	<u>669,083</u>	<u>810,568</u>	<u>727,372</u>	<u>669,083</u>	<u>810,568</u>	<u>727,372</u>
<b>Financial liabilities</b>						
Derivative financial instruments	101,304	121,183	112,401	101,304	121,183	112,401
Financial liabilities measured at amortised cost	232,208	245,328	211,209	232,208	245,328	211,209
Borrowings at fixed interest rates	113,038	134,830	118,487	111,693	133,456	117,193
Borrowings at floating interest rates	1,806,105	1,759,217	1,843,720	1,702,304	1,663,117	1,892,568
Other loans	797,717	797,139	797,593	823,000	764,000	826,480
Finance lease liabilities	208,340	228,755	221,688	175,758	195,312	184,092
<b>Total financial liabilities</b>	<u>3,258,712</u>	<u>3,286,452</u>	<u>3,305,098</u>	<u>3,146,267</u>	<u>3,122,396</u>	<u>3,343,943</u>

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

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

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

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

The following table provides an analysis of financial instruments as at period end 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 is observable.

- Level 1: fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 31 March 2013

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	895	-	895
	-	895	-	895
<b>Financial liabilities</b>				
Derivative financial instruments classified at fair value through profit or loss	-	16,958	-	16,958
Derivative financial instruments in designated hedge accounting relationships	-	84,346	-	84,346
	-	101,304	-	101,304

OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

15. **Financial Risk Management (Continued)**

(b) Fair value of financial instruments (continued)

At 31 March 2012

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	-	-	-
	-	-	-	-
<b>Financial liabilities</b>				
Derivative financial instruments classified at fair value through profit or loss	-	32,584	-	32,584
Derivative financial instruments in designated hedge accounting relationships	-	88,599	-	88,599
	-	121,183	-	121,183

At 31 December 2012

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	108	-	108
	-	108	-	108
<b>Financial liabilities</b>				
Derivative financial instruments classified at fair value through profit or loss	-	21,392	-	21,392
Derivative financial instruments in designated hedge accounting relationships	-	91,009	-	91,009
	-	112,401	-	112,401

There were no transfers between Level 1 and 2 during the periods shown above.

16. **Contingent Asset**

In relation to the NOUK claims, the Defendants had until 1 June 2013 to put \$138 million as security in place. The deadline has now been extended by 14 days. It is anticipated that the Defendants' appeal will be heard by the Court of Appeal in London sometime in late 2013 or during 2014.

17. **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 2012.

18. **Comparatives**

During the period the Group adopted IFRS 11 "Joint Arrangements" and IAS 19 revised ("Employee Benefits"), effective for annual periods beginning on or after 1 January 2013 which resulted in a change in the accounting policies of the Group in respect of interests in joint arrangements and retirement benefit obligations respectively. These changes have been accounted for in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

IFRS 11 replaced IAS 31 "Investments in Joint Ventures". The new standard removed the option to proportionately recognise the assets and liabilities of jointly controlled entities and equity accounting is now the only accounting treatment for joint ventures. Joint operations can still be proportionately consolidated if the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

The amendments made to IAS 19 removed the accounting options available under the previous standard. The actuarial gains and losses are now required to be recognised in other comprehensive income (OCI) and excluded permanently from profit or loss. Unvested past service costs can no longer be deferred and recognised over the future vesting period. There are also a number of other changes, including modification to the timing of recognition of termination benefits and disclosures of defined benefit plans.

The effect of the adoption of the new and revised standards on the comparative figures is presented below

**Income Statement**

	As previously reported 01/01/2012- 31/03/2012 \$'000	Restatement 01/01/2012- 31/03/2012 \$'000	Restated 01/01/2012- 31/03/2012 \$'000	As previously reported 01/01/2012- 31/12/2012 \$'000	Restatement 01/01/2012- 31/12/2012 \$'000	Restated 01/01/2012- 31/12/2012 \$'000
Freight and Hire revenue	394,945	(21,436)	373,509	1,443,362	(90,379)	1,352,983
Profit on vessels' trading	166,233	(12,092)	154,141	558,420	(52,208)	506,212
Profit from vessels' operations	76,035	(7,065)	68,970	142,206	(27,902)	114,304
Operating profit	80,011	(5,484)	74,527	152,585	(23,257)	129,328
Profit before income taxes	48,733	(122)	48,611	41,946	(752)	41,194
Profit for the period	45,431	(24)	45,407	33,183	(282)	32,901
<b>Earnings per share</b>						
Basic earnings per share for the period attributable to equity holders of the parent	\$0.023	-	\$0.023	\$0.017	(\$0.001)	\$0.016



## OAO Sovcomflot

Notes to the Condensed Consolidated Financial Statements – 31 March 2013  
(Continued)

## 18. Comparatives (Continued)

**Statement of Comprehensive Income**

	As previously reported 01/01/2012- 31/03/2012 \$'000	Restatement 01/01/2012- 31/03/2012 \$'000	Restated 01/01/2012- 31/03/2012 \$'000	As previously reported 01/01/2012- 31/12/2012 \$'000	Restatement 01/01/2012- 31/12/2012 \$'000	Restated 01/01/2012- 31/12/2012 \$'000
Other comprehensive income for the period, net of tax	17,896	104	18,000	6,980	604	7,584
Total comprehensive income for the period	63,327	80	63,407	40,163	322	40,485

**Statement of Financial Position**

	As previously reported 31/03/2012 \$'000	Restatement 31/03/2012 \$'000	Restated 31/03/2012 \$'000	As previously reported 31/12/2012 \$'000	Restatement 31/12/2012 \$'000	Restated 31/12/2012 \$'000
<b>Assets</b>						
Total non-current assets	6,193,756	(410,912)	5,782,844	6,227,612	(389,249)	5,838,363
Total current assets	749,776	(56,422)	693,354	663,344	(42,046)	621,298
Total assets	6,943,532	(467,334)	6,476,198	6,890,956	(431,295)	6,459,661
<b>Equity and liabilities</b>						
Capital and reserves						
Total equity	3,148,499	(1,531)	3,146,968	3,110,344	(1,289)	3,109,055
<b>Non-current liabilities</b>						
Total non-current liabilities	3,161,374	(380,725)	2,780,649	3,190,372	(383,812)	2,806,560
<b>Current liabilities</b>						
Total current liabilities	633,659	(85,078)	548,581	590,240	(46,194)	544,046
Total equity and liabilities	6,943,532	(467,334)	6,476,198	6,890,956	(431,295)	6,459,661

## 19. Events After the Reporting Period

On 19 April 2013 and 20 May 2013 the Group took delivery from two shipyards a Multifunctional ice breaking vessel, the m/v Aleksey Chirikov and an Aframax oil product tanker (LR2), the m/v Viktor Bakaev respectively.

In April 2013 the Group executed an interest rate swap at a fixed rate of 0.89% per annum compared to US Dollar three month LIBOR to hedge the Group's exposure to interest rate fluctuations arising from an existing term loan facility of \$490.0 million. The swap effectively hedges 71.0% of the term loan amount outstanding at the date of the swap transaction and expires in December 2019.

## 20. Date of Issue

These condensed consolidated financial statements were issued on 10 June 2013.