

**OAO SOVCOMFLOT
AND ITS SUBSIDIARY CORPORATIONS**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

OAO Sovcomflot**Contents**

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Condensed Consolidated Income Statement
For the period ended 31 March 2012

	Note	Three months ended		Year ended
		31/3/2012 \$'000	31/3/2011 \$'000	31/12/2011 \$'000
Freight and Hire revenue		394,945	345,121	1,438,926
Voyage expenses and commissions		(137,373)	(114,445)	(511,651)
Time charter equivalent revenues		257,572	230,676	927,275
Direct operating expenses				
Vessels' running costs		80,694	80,984	332,317
Vessels' drydock cost amortisation	3	8,900	8,616	35,268
Charter hire payments		10,645	5,359	38,349
		(100,239)	(94,959)	(405,934)
Profit on vessels' trading		157,333	135,717	521,341
Other operating expenses				
Depreciation and amortisation				
Vessels' depreciation	3	56,129	53,008	223,726
Vessels' impairment provision	3 & 8	-	-	7,602
Other depreciation		1,284	1,317	5,092
Intangible assets' amortisation		2,551	2,098	8,397
		59,964	56,423	244,817
Allowance for credit losses		232	(92)	2,710
General and administrative expenses		21,102	19,968	93,125
Total other operating expenses		81,298	76,299	340,652
Profit from vessels' operations		76,035	59,418	180,689
(Loss) / gain on sale of assets		(50)	3,862	12,190
Gain on disposal of investments		21	-	283
Other operating revenues		13,791	8,551	52,423
Other operating expenses		(11,470)	(7,817)	(44,030)
Release of provision		-	-	3,317
Share of profits / (losses) in associated undertakings		1,684	1,229	(10,873)
Operating profit		80,011	65,243	193,999
Other (expenses) / income				
Interest expense		(35,108)	(35,659)	(142,117)
Financing costs		(995)	(1,505)	(4,400)
Interest income		6,009	4,807	22,027
Other non-operating income		11	1,182	8,565
Other non-operating expenses		(2,461)	(3,506)	(12,837)
Gain / (loss) on ineffective hedging instruments	12	372	266	(1,512)
Gain on derivative financial instruments held for trading	12	2,287	5,123	8,566
Loss on investments held for trading		-	(3)	(3)
Foreign exchange differences		(1,393)	2,635	(1,086)
Net other expenses		(31,278)	(26,660)	(122,797)
Profit before income taxes		48,733	38,583	71,202
Income taxes	13	(3,302)	(5,333)	(17,526)
Profit for the period		45,431	33,250	53,676
Profit attributable to:				
Owners of the parent		44,499	32,173	52,256
Non-controlling interest		932	1,077	1,420
		45,431	33,250	53,676

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 31 March 2012

	<u>Note</u>	Three months ended		Year ended
		31/3/2012	31/3/2011	31/12/2011
		\$'000	\$'000	\$'000
Profit for the period		<u>45,431</u>	<u>33,250</u>	<u>53,676</u>
Other comprehensive income:				
Share of associates' other comprehensive income		(1,311)	(925)	1,149
Exchange differences on translation of foreign operations		10,646	1,711	(4,570)
Derivative financial instruments recycled and debited to the income statement	12	11,688	8,640	30,709
Fair value movement of derivative financial instruments debited to other comprehensive income	12	<u>(3,127)</u>	<u>(1,821)</u>	<u>(75,398)</u>
Other comprehensive income for the period, net of tax		<u>17,896</u>	<u>7,605</u>	<u>(48,110)</u>
Total comprehensive income for the period		<u><u>63,327</u></u>	<u><u>40,855</u></u>	<u><u>5,566</u></u>
Total comprehensive income attributable to:				
Owners of the parent		61,237	39,578	4,629
Non-controlling interest		<u>2,090</u>	<u>1,277</u>	<u>937</u>
		<u><u>63,327</u></u>	<u><u>40,855</u></u>	<u><u>5,566</u></u>

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

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Condensed Consolidated Statement of Financial Position – 31 March 2012

	Note	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
Assets				
Non-current assets				
Fleet	3	5,515,473	5,610,106	5,460,390
Vessels under construction	4	452,029	157,362	334,977
Other fixed assets		68,624	57,956	65,380
Investment property		4,172	5,261	4,565
Other fixed assets under construction		11,848	8,250	9,866
Intangible assets		18,891	17,511	12,273
Investments in associates		1,314	1,425	1,273
Available-for-sale investments		1,381	1,646	1,381
Finance lease receivables	5	91,435	94,225	92,162
Derivative financial instruments	12	-	1,504	-
Trade and other receivables	6	25,429	18,723	33,525
Deferred tax assets		2,895	2,152	5,164
		<u>6,193,491</u>	<u>5,976,121</u>	<u>6,020,956</u>
Current assets				
Inventories		81,509	71,999	76,317
Trade and other receivables	6	281,459	278,708	237,563
Finance lease receivables	5	2,790	2,416	2,697
Current tax receivable		2,992	2,621	2,332
Other investments		-	644	-
Cash and bank deposits	7	<u>371,224</u>	<u>327,592</u>	<u>389,742</u>
		739,974	683,980	708,651
Non-current assets held for sale	8	<u>10,067</u>	<u>34,188</u>	<u>9,800</u>
		<u>750,041</u>	<u>718,168</u>	<u>718,451</u>
Total assets		<u><u>6,943,532</u></u>	<u><u>6,694,289</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>2,581,408</u>	<u>2,571,263</u>	<u>2,520,171</u>
Equity attributable to owners of the parent		<u>2,986,420</u>	<u>2,976,275</u>	<u>2,925,183</u>
Non-controlling interest		<u>162,079</u>	<u>187,601</u>	<u>159,989</u>
Total equity		<u><u>3,148,499</u></u>	<u><u>3,163,876</u></u>	<u><u>3,085,172</u></u>
Non-current liabilities				
Trade and other payables		-	5,170	-
Secured bank loans	10	2,027,456	1,827,021	1,903,423
Finance lease liabilities	11	208,340	228,755	221,688
Derivative financial instruments	12	112,826	70,294	120,826
Retirement benefit obligations		8,602	8,430	7,997
Other loans		797,139	796,498	797,005
Tax payable		-	1,618	-
Deferred tax liabilities		7,011	11,030	7,318
		<u>3,161,374</u>	<u>2,948,816</u>	<u>3,058,257</u>
Current liabilities				
Trade and other payables		278,822	243,792	245,276
Secured bank loans	10	260,033	255,512	258,776
Finance lease liabilities	11	20,415	8,879	9,363
Current tax payable		9,740	3,958	12,219
Derivative financial instruments	12	64,649	69,456	67,263
Amount due to non-controlling interest		-	-	3,081
		<u>633,659</u>	<u>581,597</u>	<u>595,978</u>
Total equity and liabilities		<u><u>6,943,532</u></u>	<u><u>6,694,289</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 31 March 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	-	-	-	-	-	32,173	32,173	1,077	33,250
Other comprehensive income	-	-	-	6,819	586	-	7,405	200	7,605
Total comprehensive income	-	-	-	6,819	586	32,173	39,578	1,277	40,855
As at 31 March 2011	405,012	818,845	(834,490)	(90,934)	(1,257)	2,679,099	2,976,275	187,601	3,163,876
Profit for the period	-	-	-	-	-	20,083	20,083	343	20,426
Other comprehensive income	-	-	-	(51,508)	(3,524)	-	(55,032)	(683)	(55,715)
Total comprehensive income	-	-	-	(51,508)	(3,524)	20,083	(34,949)	(340)	(35,289)
Dividends (Note 9)	-	-	-	-	-	(35,618)	(35,618)	(963)	(36,581)
Repurchase of non-controlling interest in JSC Novoship by JSC Novoship	-	-	-	-	(71)	19,546	19,475	(26,309)	(6,834)
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	-	-	-	-	-	44,499	44,499	932	45,431
Other comprehensive income	-	-	-	8,561	8,177	-	16,738	1,158	17,896
Total comprehensive income	-	-	-	8,561	8,177	44,499	61,237	2,090	63,327
As at 31 March 2012	405,012	818,845	(834,490)	(133,881)	3,325	2,727,609	2,986,420	162,079	3,148,499

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 31 March 2012

	Note	Three months ended		Year ended
		31/03/2012	31/03/2011	31/12/2011
		\$'000	\$'000	\$'000
Operating Activities				
Cash received from freight and hire of vessels		373,100	317,937	1,375,485
Other cash receipts		9,016	7,366	49,821
Cash payments for voyage and running costs		(236,632)	(204,851)	(883,438)
Other cash payments		(33,948)	(29,081)	(140,662)
Cash generated from operations		111,536	91,371	401,206
Interest received		950	852	20,725
Income tax paid		(7,143)	(4,534)	(17,666)
Net cash inflow from operating activities		105,343	87,689	404,265
Investing Activities				
Acquisition of joint ventures net of cash acquired		(25,727)	-	-
Expenditure on fleet		(664)	(278,536)	(284,481)
Expenditure on drydock		(3,402)	(6,122)	(25,310)
Expenditure on vessels under construction		(141,440)	(125,535)	(324,680)
Interest capitalised		(1,412)	(495)	(6,944)
Expenditure on other fixed assets		(3,461)	(4,772)	(17,235)
Proceeds from sale of vessels		-	15,333	36,956
Proceeds from sale of other fixed assets		192	1,093	9,952
Proceeds from disposal of investments		-	-	927
Capital element received on finance leases		90	226	709
Interest received on finance leases		459	1,369	4,355
Bank term deposits	7	932	3,256	5,630
Claims receipts		-	-	41,086
Other receipts		-	-	1,072
Net cash outflow used in investing activities		(174,433)	(394,183)	(557,963)
Financing Activities				
Proceeds from borrowings		131,884	290,947	551,229
Repayment of borrowings		(55,310)	(83,676)	(265,525)
Repayment to joint venture partner		-	(53,932)	(53,932)
Financing costs		(899)	(2,812)	(5,678)
Repayment of finance lease liabilities		(2,365)	(2,723)	(9,515)
Security and restricted deposits	7	(4,622)	(1,006)	19,278
Funds in retention bank accounts	7	1,895	1,799	(6,094)
Interest paid on borrowings and other loans		(20,731)	(21,134)	(122,880)
Interest paid on finance leases		(3,811)	(4,227)	(16,038)
Dividends paid		(19)	-	(35,618)
Buy back of shares		(3,171)	-	(3,753)
Net cash inflow from financing activities		42,851	123,236	51,474
Decrease in Cash and Cash Equivalents		(26,239)	(183,258)	(102,224)
Cash and Cash Equivalents at 1 January	7	339,812	443,428	443,428
Net foreign exchange difference		5,926	2,727	(1,392)
Cash and Cash Equivalents at 31 March / 31 December	7	319,499	262,897	339,812

Non – cash transactions

In February 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 – 31 March 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 149 vessels at the period end, comprising 134 tankers, 2 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).

In February 2012, the Group acquired, through a joint venture arrangement, joint control of four oil product Panamax tankers one of which was still under construction at the time of acquisition and delivered on 12 March 2012.

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 – 31 March 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 31 March 2012

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	189,750	113,877	22,191	51,859	17,268	394,945
Voyage expenses and commissions	(84,165)	(47,634)	(92)	(2,557)	(2,925)	(137,373)
Time charter equivalent revenues	105,585	66,243	22,099	49,302	14,343	257,572
Direct operating expenses						
Vessels' running costs	(33,021)	(30,892)	(4,713)	(9,239)	(2,829)	(80,694)
Vessels' drydock cost amortisation	(3,661)	(2,702)	(1,156)	(1,161)	(220)	(8,900)
Charter hire payments	-	(3,602)	-	-	(7,043)	(10,645)
Profit on vessels' trading	68,903	29,047	16,230	38,902	4,251	157,333
Vessels' depreciation	(24,358)	(16,105)	(3,653)	(11,804)	(209)	(56,129)
	44,545	12,942	12,577	27,098	4,042	101,204
Unallocated						
Other operating expenses						(25,169)
Profit from vessels operations						76,035
Other expenses						(27,302)
Profit before income taxes						48,733
Carrying amount of fleet	2,465,423	1,502,969	416,866	1,112,794	17,421	5,515,473
Non-current assets held for sale	-	9,802	-	-	-	9,802
Deadweight tonnage of fleet used in operations ('000)	7,243	2,749	282	1,186	73	11,533

Period ended 31 March 2011

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	180,808	98,921	21,002	42,064	2,326	345,121
Voyage expenses and commissions	(74,069)	(39,424)	(128)	(802)	(22)	(114,445)
Time charter equivalent revenues	106,739	59,497	20,874	41,262	2,304	230,676
Direct operating expenses						
Vessels' running costs	(33,983)	(32,526)	(5,211)	(8,022)	(1,242)	(80,984)
Vessels' drydock cost amortisation	(3,749)	(2,753)	(1,141)	(875)	(98)	(8,616)
Charter hire payments	(4,925)	(434)	-	-	-	(5,359)
Profit on vessels' trading	64,082	23,784	14,522	32,365	964	135,717
Vessels' depreciation	(23,804)	(14,966)	(3,886)	(10,149)	(203)	(53,008)
	40,278	8,818	10,636	22,216	761	82,709
Unallocated						
Other operating expenses						(23,291)
Profit from vessels operations						59,418
Other expenses						(20,835)
Profit before income taxes						38,583
Carrying amount of fleet	2,569,480	1,425,981	433,928	1,162,857	17,860	5,610,106
Non-current assets held for sale	-	34,188	-	-	-	34,188
Deadweight tonnage of fleet used in operations ('000)	7,564	2,580	282	1,186	69	11,681

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Notes to the Condensed Consolidated Financial Statements – 31 March 2012
(Continued)

3. Fleet

	<u>Vessels</u> <u>\$'000</u>	<u>Drydock</u> <u>\$'000</u>	<u>Total</u> <u>Fleet</u> <u>\$'000</u>
Cost			
At 1 January 2011	6,259,803	150,750	6,410,553
Expenditure in period	1,148	1,710	2,858
Acquisitions in the period	277,388	4,157	281,545
Transfer from vessels under construction (Note 4)	196,208	4,141	200,349
Derecognition of vessels under finance lease (Note 11)	(59,300)	-	(59,300)
Write-off of fully depreciated drydock cost	-	(1,717)	(1,717)
At 31 March 2011	<u>6,675,247</u>	<u>159,041</u>	<u>6,834,288</u>
Expenditure in period	1,785	21,750	23,535
Transfer from vessels under construction (Note 4)	27,104	536	27,640
Write-off of fully depreciated drydock cost	-	(22,666)	(22,666)
At 31 December 2011	<u>6,704,136</u>	<u>158,661</u>	<u>6,862,797</u>
Expenditure in period	663	3,207	3,870
Acquired on acquisition of joint venture	64,509	1,280	65,789
Transfer from vessels under construction (Note 4)	49,407	1,046	50,453
Write-off of fully depreciated drydock cost	-	(2,082)	(2,082)
At 31 March 2012	<u><u>6,818,715</u></u>	<u><u>162,112</u></u>	<u><u>6,980,827</u></u>
Depreciation and amortisation			
At 1 January 2011	1,111,873	68,907	1,180,780
Charge for the period	53,008	8,616	61,624
Derecognition of vessels under finance lease (Note 11)	(16,505)	-	(16,505)
Write-off of fully depreciated drydock cost	-	(1,717)	(1,717)
At 31 March 2011	<u>1,148,376</u>	<u>75,806</u>	<u>1,224,182</u>
Charge for the period	170,718	26,652	197,370
Impairment provision	9,701	-	9,701
Reversal of impairment provision of fleet	(6,180)	-	(6,180)
Write-off of fully depreciated drydock cost	-	(22,666)	(22,666)
At 31 December 2011	<u>1,322,615</u>	<u>79,792</u>	<u>1,402,407</u>
Charge for the period	56,129	8,900	65,029
Write-off of fully depreciated drydock cost	-	(2,082)	(2,082)
At 31 March 2012	<u><u>1,378,744</u></u>	<u><u>86,610</u></u>	<u><u>1,465,354</u></u>
Net book value			
At 31 March 2012	<u><u>5,439,971</u></u>	<u><u>75,502</u></u>	<u><u>5,515,473</u></u>
At 31 March 2011	<u><u>5,526,871</u></u>	<u><u>83,235</u></u>	<u><u>5,610,106</u></u>
At 31 December 2011	<u><u>5,381,521</u></u>	<u><u>78,869</u></u>	<u><u>5,460,390</u></u>
	31/03/2012	31/03/2011	31/12/2011
Market value ¹ (\$'000)	<u><u>4,792,286</u></u>	<u><u>5,460,480</u></u>	<u><u>5,050,570</u></u>
Current insured values ¹ (\$'000)	<u><u>6,498,988</u></u>	<u><u>6,337,075</u></u>	<u><u>6,364,170</u></u>
Total deadweight tonnage ¹ (dwt)	<u><u>11,392,278</u></u>	<u><u>11,164,079</u></u>	<u><u>11,202,127</u></u>

¹ 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 \$244.8 million (31 March 2011 - \$250.2 million / 31 December 2011 – \$247.5 million).

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Notes to the Condensed Consolidated Financial Statements – 31 March 2012
(Continued)

4. Vessels Under Construction

	31/03/2012 \$'000	31/03/2011 \$'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	150,455	126,370	331,625
Transfer to fleet (Note 3)	(50,453)	(200,349)	(227,989)
At 31 March / 31 December	<u>452,029</u>	<u>157,362</u>	<u>334,977</u>
Total deadweight tonnage ¹ (dwt)	<u>1,699,100</u>	<u>1,741,380</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

² Vessels jointly owned by joint ventures.

Vessels under construction at 31 March 2012 comprised two crude oil Aframax tankers, 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 May 2012 and January 2015 at a total contracted cost to the Group of \$1,643.0 million. As at 31 March 2012 \$429.1 million of the contracted costs had been paid for.

5. Finance Lease Receivables

	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
At 1 January	94,859	95,041	95,041
Finance lease interest receivable	3,543	3,531	14,373
Finance lease instalments received	(4,177)	(1,931)	(14,555)
At 31 March / 31 December	94,225	96,641	94,859
Less current finance lease receivables	(2,790)	(2,416)	(2,697)
Non-current finance lease receivables	<u>91,435</u>	<u>94,225</u>	<u>92,162</u>

6. Trade and Other Receivables

	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
Non-current assets			
Other receivables	10,152	2,967	10,004
Accrued income	15,277	15,756	23,521
	<u>25,429</u>	<u>18,723</u>	<u>33,525</u>
Current assets			
Amounts due from charterers	107,529	81,892	81,482
Allowance for credit losses	(5,186)	(2,756)	(4,975)
	102,343	79,136	76,507
Casualty and other claims	10,760	10,912	12,712
Agents' balances	11,249	13,069	14,459
Other receivables	31,207	26,908	22,610
Security deposits	37,920	35,235	31,279
Amounts due from lessee for finance leases	15,902	3,369	12,128
Receivables under High Court judgement award (Note 14)	-	55,675	-
Prepayments	16,649	16,739	13,457
Voyage suspense account	17,528	27,554	17,554
Accrued income	37,901	10,111	36,857
	<u>281,459</u>	<u>278,708</u>	<u>237,563</u>

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7. Cash and Bank Deposits

	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
Cash and bank deposits	371,224	327,592	389,742
Bank deposits accessible on maturity	-	(3,306)	(932)
Retention accounts	(24,785)	(18,787)	(26,680)
Security deposits held as counter security for claims (Note 14)	(10,400)	(30,698)	(10,400)
Restricted deposits	(16,540)	(11,904)	(11,918)
Cash and cash equivalents	<u>319,499</u>	<u>262,897</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
Disposals	-	(12,434)	(12,434)
At 31 March 2011	-	34,188	34,188
Expenditure in period	-	1,231	1,231
Impairment provision	-	(4,081)	(4,081)
Disposals	-	(21,538)	(21,538)
At 31 December 2011	-	9,800	9,800
Expenditure in period	-	2	2
Transfer from investment property	265	-	265
At 31 March 2012	<u>265</u>	<u>9,802</u>	<u>10,067</u>
Current insured value at 31 March 2012 (\$'000)	<u>205</u>	<u>13,000</u>	<u>13,205</u>
Total deadweight tonnage at 31 March 2012 (dwt)	<u>-</u>	<u>40,000</u>	<u>40,000</u>

9. Dividends

No dividends were declared or paid during the period (2011 - 0.51 Rouble per share totalling Roubles 1,000.0 million, equivalent to \$35.6 million).

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:

	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
Repayable			
- within twelve months after the end of the reporting period	260,033	255,512	258,776
- between one to two years	651,122	317,397	538,109
- between two to three years	220,264	246,900	169,390
- between three to four years	319,053	285,063	373,393
- between four to five years	122,645	220,834	112,415
- more than five years	714,372	756,827	710,116
	2,287,489	2,082,533	2,162,199
Less current portion (current liabilities)	(260,033)	(255,512)	(258,776)
Long-term balance (non-current liabilities)	<u>2,027,456</u>	<u>1,827,021</u>	<u>1,903,423</u>

11. Finance Lease Liabilities

	31/03/2012 \$'000	31/03/2011 \$'000	31/12/2011 \$'000
Repayable			
- within twelve months after the end of the reporting period	20,415	8,879	9,363
- after one year but not more than five years	37,338	47,427	47,998
- more than five years	171,002	181,328	173,690
	228,755	237,634	231,051
Less current portion (current liabilities)	(20,415)	(8,879)	(9,363)
Long-term balance (non-current liabilities)	<u>208,340</u>	<u>228,755</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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12. Derivative Financial Instruments

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

	<u>31/03/2012</u> \$'000	<u>31/03/2011</u> \$'000	<u>31/12/2011</u> \$'000
Non-current asset	-	1,504	-
Non-current liability	(112,826)	(70,294)	(120,826)
Current liability	(64,649)	(69,456)	(67,263)
	<u>(177,475)</u>	<u>(138,246)</u>	<u>(188,089)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	<u>31/03/2012</u> \$'000	<u>31/03/2011</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	(11,688)	(8,640)	(30,709)
Fair value movement during the period shown in other comprehensive income	3,127	1,821	75,398
Fair value movement during the period (credited) / debited to the income statement	(372)	(266)	1,512
At 31 March / 31 December	<u>144,891</u>	<u>99,932</u>	<u>153,218</u>

Classified at fair value through profit or loss

	<u>31/03/2012</u> \$'000	<u>31/03/2011</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	(2,287)	(5,123)	(8,566)
At 31 March / 31 December	<u>32,584</u>	<u>38,314</u>	<u>34,871</u>

13. Income Taxes

	<u>31/03/2012</u> \$'000	<u>31/03/2011</u> \$'000	<u>31/12/2011</u> \$'000
Russian Federation profits tax	1,025	2,427	19,492
Overseas income taxes	173	263	1,642
Income tax expense	1,198	2,690	21,134
Deferred tax	2,104	2,643	(3,608)
Total income tax expense	<u>3,302</u>	<u>5,333</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>31/03/2012</u> \$'000	<u>31/03/2011</u> \$'000	<u>31/12/2011</u> \$'000
Profit before income taxes	48,733	38,583	71,202
Income tax using Russian Federation income tax rate of 20%	9,747	7,717	14,240
Effect of tax on profits taxable in other jurisdictions	327	263	(42)
Tax effect of intercompany dividends	-	-	5,984
Tax effect of intercompany fees	1,514	1,544	1,919
Tax effect of non-deductible expenses and non-taxable income	(9,916)	(6,834)	(5,273)
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	4	-	726
Tax overprovision related to previous years	(478)	-	(16)
Income tax expense	<u>1,198</u>	<u>2,690</u>	<u>21,134</u>

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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 court proceedings 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.

15. Related Party Transactions

Related party transactions comprised:

- (i) Bank balances include \$85.1 million (2011 – \$91.8 million) held with State controlled banks. Interest received on those accounts during the period amounted to \$0.8 million (2011 – \$0.9 million).
- (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 \$914.7 million (2011 – \$920.1 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 from the commencement of the charter to 31 December 2013. Consequently this resulted in recognition of accrued income of \$40.6 million as at 31 December 2011 (2010 - \$12.9 million). The balance of accrued income as at 31 March 2012 was \$35.6 million.
- (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 \$117.9 million (2011 – \$121.1 million). The charter is for 15 years and has commenced in September 2006.
- (iv) Included in the time charters entered by subsidiaries of the Company, are three time charter agreements, attached to vessels acquired in 2011, with a subsidiary of a State controlled entity, with aggregate hire receivable over the remaining firm period of the charters, including any options exercised, of \$77.0 million (2011 – \$83.1 million). The period of the charters expire in October 2013, May 2015 and October 2017.
- (v) 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 hire receivable as at the period end over the remaining firm period of the charters of \$685.7 million (2011 – \$695.0 million). The charters are for 20 years and have commenced in October 2007 and January 2008.
- (vi) 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.
- (vii) 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 (2011 – eleven months expired 31 December 2011) expiring on 30 November 2012 at lease rentals for the period of Roubles 17.81 million equivalent to \$0.61 million (2011 – Roubles 17.81 million equivalent to \$0.53 million).
- (viii) Included in vessels under construction are four newbuildings (2011 – four) with a total contracted cost of \$268.1 million (2011 – \$268.1 million) placed on order from a State controlled shipyard in 2010. As at 31 March 2012 instalments of \$182.1 million (2011 – \$201.8 million) were outstanding in respect of the shipbuilding agreements.
- (ix) Included in vessels under construction are two newbuildings (2011 – two) with a total contracted cost of \$200.0 million placed on order in 2011 from a shipyard that is a joint venture between a State controlled entity and a third party. As at 31 March 2012 instalments of \$130.0 million (2011 – \$140.0 million) were outstanding in respect of the shipbuilding agreements.
- (x) The Group is engaged in a contract with the Federal Corporation "Olympstroy", a State controlled organisation, to construct and develop facilities of the port of Sochi in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi.
- (xi) Nine Escort tugs on bareboat charter to JSC Rosneftflot (a Group associate) for a period of 15 years. An amount of \$15.9 million (2011 – \$12.1 million) of bareboat hire payments was outstanding as at the period end.
- (xii) In May 2011 the Group signed time charter agreements with a State controlled entity for the chartering out of two LNG carriers currently under construction for a firm period of 15 years, with various extension options attached, with aggregate hire receivable over the firm period of \$806.0 million. The time charter agreement will commence upon delivery of the vessels by the shipyards. Delivery is scheduled for December 2013 and May 2014 respectively.
- (xiii) In September 2011 the Group entered into a time charter agreement with a State controlled entity for the chartering out of seismic vessel Vyacheslav Tikhonov for a period of five years, expiring on 18 August 2016, at a fixed rate of \$20,000 per day plus a variable rate, during the employment of the vessels on 3D seismic surveys, of 60% of the profits arising from the operation of the vessel, taking into account the expenses incurred both by the Group and the charterer and including the fixed rate payable by the charterer for the relevant period.
- (xiv) The rental and subsequent acquisition of the preserved office building situated at 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation under revenue and capital commitments.
- (xv) Included in amounts due from charterers are \$5.6 million (2011 – \$8.6 million) of amounts receivable from related parties not included above.

16. Events After the Reporting Period

The oil product Handymax tanker, the m/v "Tambov" held for sale at period end (Note 8), was delivered to her new owners on 23 April 2012.

17. Date of Issue

These condensed consolidated financial statements were issued on 22 May 2012.