

**OAO SOVCOMFLOT
AND ITS SUBSIDIARY CORPORATIONS**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

OAO Sovcomflot**Contents**

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Condensed Consolidated Statement of Financial Position – 30 June 2011

	Note	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Assets				
Non-current assets				
Fleet	2	5,569,504	4,939,826	5,229,773
Vessels under construction	3	269,636	349,611	231,341
Other fixed assets		63,933	45,693	55,149
Investment property		5,138	6,064	5,487
Other fixed assets under construction		8,425	3,681	7,292
Intangible assets		15,765	22,469	19,256
Investments in associates		1,363	2,396	1,464
Other investments		1,646	1,645	1,646
Finance lease receivables	4	93,566	71,748	94,859
Derivative financial instruments	11	1,119	-	1,542
Deferred tax assets	12	2,131	4,592	2,049
		<u>6,032,226</u>	<u>5,447,725</u>	<u>5,649,858</u>
Current assets				
Inventories		72,002	49,107	51,025
Trade and other receivables	5	246,041	190,574	249,738
Finance lease receivables	4	2,506	924	182
Current tax receivable		3,061	3,084	2,798
Other investments		6,345	3,100	647
Cash and bank deposits	6	<u>319,442</u>	<u>400,413</u>	<u>512,172</u>
		649,397	647,202	816,562
Non-current assets held for sale	7	41,579	-	46,622
		<u>690,976</u>	<u>647,202</u>	<u>863,184</u>
Total assets		<u><u>6,723,202</u></u>	<u><u>6,094,927</u></u>	<u><u>6,513,042</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		<u>2,571,617</u>	<u>2,432,925</u>	<u>2,531,685</u>
Equity attributable to owners of the parent		<u>2,976,629</u>	<u>2,837,937</u>	<u>2,936,697</u>
Non-controlling interest		<u>171,852</u>	<u>201,616</u>	<u>186,324</u>
Total equity		<u><u>3,148,481</u></u>	<u><u>3,039,553</u></u>	<u><u>3,123,021</u></u>
Non-current liabilities				
Trade and other payables		5,258	4,908	5,084
Secured bank loans	9	1,842,408	2,406,144	1,702,779
Finance lease liabilities	10	226,445	13,787	231,051
Derivative financial instruments	11	82,144	100,577	77,253
Retirement benefit obligations		8,600	7,350	8,240
Other loans		796,678	-	796,498
Tax payable		3,189	1,926	1,508
Deferred tax liabilities	12	9,818	7,475	8,235
		<u>2,974,540</u>	<u>2,542,167</u>	<u>2,830,648</u>
Current liabilities				
Trade and other payables		256,661	208,423	253,803
Secured bank loans	9	257,243	161,285	173,231
Finance lease liabilities	10	9,046	48,365	52,248
Current tax payable		5,424	7,332	5,348
Provision for onerous contracts		-	11,795	-
Derivative financial instruments	11	<u>71,807</u>	<u>76,007</u>	<u>74,743</u>
		<u>600,181</u>	<u>513,207</u>	<u>559,373</u>
Total equity and liabilities		<u><u>6,723,202</u></u>	<u><u>6,094,927</u></u>	<u><u>6,513,042</u></u>

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

OAO Sovcomflot

Condensed Consolidated Income Statement
For the period ended 30 June 2011

Note	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Hire and freight revenue	732,582	678,279	1,312,930
Voyage expenses and commissions	<u>(248,370)</u>	<u>(181,964)</u>	<u>(369,219)</u>
Time charter equivalent revenues	<u>484,212</u>	<u>496,315</u>	<u>943,711</u>
Direct operating expenses			
Vessels' running costs	161,558	155,184	302,167
Vessels' drydock cost amortisation	17,649	20,019	40,220
Charter hire payments	14,255	7,372	21,613
	<u>(193,462)</u>	<u>(182,575)</u>	<u>(364,000)</u>
Profit on vessels' trading	<u>290,750</u>	<u>313,740</u>	<u>579,711</u>
Other operating expenses			
Depreciation and amortisation			
Vessel depreciation	2 108,147	102,469	204,020
Vessel impairment provision	2 & 7 4,344	7,588	18,620
Other depreciation	2,482	2,766	5,470
Investment property depreciation	439	487	935
Intangible asset amortisation	4,197	4,197	8,422
	<u>119,609</u>	<u>117,507</u>	<u>237,467</u>
Allowance for credit losses	64	139	222
General and administrative expenses	<u>45,533</u>	<u>41,659</u>	<u>86,399</u>
Total other operating expenses	<u>165,206</u>	<u>159,305</u>	<u>324,088</u>
Profit from vessels' operations	125,544	154,435	255,623
Reversal for impairment of vessels under construction	-	-	19,659
Reversal of onerous contract	-	-	2,808
Gain / (loss) on sale of assets	4,290	3,987	(10,064)
Gain on disposal of investments	(342)	-	1,229
Other operating income	21,259	15,036	35,377
Other operating expenses	(17,058)	(13,720)	(30,818)
Share of profits / (losses) in associated undertakings	927	(434)	(6,255)
Operating profit	<u>134,620</u>	<u>159,304</u>	<u>267,559</u>
Other (expenses) / income			
Interest expense	(71,664)	(49,648)	(113,832)
Financing costs	(2,411)	(1,395)	(3,305)
Bank and other interest receivable	10,645	8,249	39,159
Other non-operating (expenses) / income	(4,553)	(4,951)	7,527
Gain / (loss) on ineffective hedging instruments	(123)	(1,558)	(624)
Gain / (loss) on derivative financial instruments held for trading	2,983	(7,998)	(5,413)
Gain on investments held for trading	3	251	303
Foreign exchange differences	2,589	(877)	(3,419)
Net other expenses	<u>(62,531)</u>	<u>(57,927)</u>	<u>(79,604)</u>
Profit before income taxes	72,089	101,377	187,955
Income taxes	12 <u>(7,863)</u>	<u>(939)</u>	<u>(23,670)</u>
Profit for the period	<u>64,226</u>	<u>100,438</u>	<u>164,285</u>
Profit attributable to:			
Owners of the parent	63,247	96,641	163,148
Non-controlling interest	<u>979</u>	<u>3,797</u>	<u>1,137</u>
	<u>64,226</u>	<u>100,438</u>	<u>164,285</u>

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

OAO Sovcomflot

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

	30/06/2011	30/06/2010	31/12/2010
Note	\$'000	\$'000	\$'000
Profit for the period	<u>64,226</u>	<u>100,438</u>	<u>164,285</u>
Other comprehensive income:			
Share of associates' other comprehensive loss	(1,121)	(70)	(366)
Exchange differences on translation of foreign operations	7,903	(1,755)	(1,146)
Derivative financial instruments released during the period and debited to the income statement	11 18,587	17,199	32,075
Derivative financial instruments provided during the period and debited to other comprehensive income	11 (23,825)	(55,359)	(47,624)
Available for sale financial assets	<u>-</u>	<u>(597)</u>	<u>(1,280)</u>
Other comprehensive income for the period, net of tax	<u>1,544</u>	<u>(40,582)</u>	<u>(18,341)</u>
Total comprehensive income for the period	<u><u>65,770</u></u>	<u><u>59,856</u></u>	<u><u>145,944</u></u>
Total comprehensive income attributable to:			
Owners of the parent	63,847	56,264	144,980
Non-controlling interest	<u>1,923</u>	<u>3,592</u>	<u>964</u>
	<u><u>65,770</u></u>	<u><u>59,856</u></u>	<u><u>145,944</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 2011

	Share capital	Share premium	Reconstruction reserve	Hedging reserve	Fair value reserve	Currency reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2010	405,012	818,845	(834,490)	(82,070)	1,109	(445)	2,502,444	2,810,405	202,317	3,012,722
Total comprehensive income	-	-	-	(38,228)	(517)	(1,632)	96,641	56,264	3,592	59,856
Dividends (Note 8)	-	-	-	-	-	-	(29,712)	(29,712)	(1,481)	(31,193)
Repurchase of non-controlling interest in own shares by JSC Novoship	-	-	-	(1)	1	(15)	995	980	(2,812)	(1,832)
As at 30 June 2010	405,012	818,845	(834,490)	(120,299)	593	(2,092)	2,570,368	2,837,937	201,616	3,039,553
Total comprehensive income	-	-	-	22,547	(594)	256	66,507	88,716	(2,604)	86,112
Repurchase of non-controlling interest in own shares by JSC Novoship	-	-	-	(1)	1	(7)	10,051	10,044	(12,688)	(2,644)
As at 31 December 2010	405,012	818,845	(834,490)	(97,753)	-	(1,843)	2,646,926	2,936,697	186,324	3,123,021
Total comprehensive income	-	-	-	(5,238)	-	5,838	63,247	63,847	1,923	65,770
Dividends (Note 8)	-	-	-	-	-	-	(35,618)	(35,618)	(963)	(36,581)
Repurchase of non-controlling interest in own shares 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

Notes

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

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

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

<u>Note</u>	<u>30/06/2011</u> <u>\$'000</u>	<u>30/06/2010</u> <u>\$'000</u>	<u>31/12/2010</u> <u>\$'000</u>
Operating Activities			
Cash received from freights and hire of vessels	694,451	648,310	1,272,306
Other cash receipts	19,117	14,110	53,308
Cash payments for voyage and running costs	(433,801)	(346,552)	(704,680)
Other cash payments	(68,410)	(55,636)	(131,089)
Cash generated from operations	211,357	260,232	489,845
Interest received	19,431	1,572	3,902
Income tax paid	(6,788)	(7,587)	(32,297)
Net cash inflow from operating activities	224,000	254,217	461,450
Investing Activities			
Expenditure on fleet	(279,709)	(2,181)	(106,513)
Proceeds from cancelling shipbuilding contracts	-	-	20,617
Expenditure on drydock	(12,757)	(11,710)	(25,975)
Expenditure on vessels under construction	(263,900)	(189,810)	(536,702)
Interest capitalised	(2,485)	(5,371)	(2,811)
Purchase of other fixed assets	(8,654)	(7,431)	(27,042)
Proceeds from sale of vessels	15,351	49,514	112,739
Proceeds from sale of other fixed assets	2,199	321	3,272
Proceeds from disposal of investments	886	-	-
Capital element received on finance leases	-	458	952
Interest received on finance leases	2,408	5,436	5,964
Bank term deposits	6,562	21	(3,059)
Other receipts	37,909	-	-
Net cash outflow used in investing activities	(502,190)	(160,753)	(558,558)
Financing Activities			
Proceeds from borrowings	362,750	146,500	343,000
Repayment of borrowings	(138,591)	(111,758)	(1,000,841)
Proceeds from other loans	-	-	853,932
Repayment of other loans	(54,072)	-	-
Financing costs	(3,568)	(637)	(10,130)
Finance lease drawn down	-	-	230,000
Payment of finance lease liabilities	(4,937)	(6,294)	(13,472)
Restricted deposits	6 2,265	1,053	10,620
Funds in retention bank accounts	6 4,551	(949)	(3,088)
Interest paid on loans	(62,318)	(47,085)	(94,349)
Interest paid on finance leases	(8,218)	(3,560)	(7,058)
Dividends paid	-	-	(29,712)
Buy back of shares	(3,591)	(1,680)	(4,969)
Net cash inflow from financing activities	94,271	(24,410)	273,933
(Decrease) / increase in Cash and Cash			
Equivalents			
	(183,919)	69,054	176,825
Cash and Cash Equivalents at 1 January	6 443,428	265,711	265,711
Net foreign exchange difference	4,567	(3,394)	892
Cash and Cash Equivalents at 30 June / 31			
December	6 <u>264,076</u>	<u>331,371</u>	<u>443,428</u>

Non - cash transactions

During the period ended 30 June 2011 the Group did not exercise its option for the acquisition of one oil product Handymax tanker and consequently both the finance lease liability and the carrying value of the vessel were derecognised on expiry of the time charter agreements (see Notes 2 and 10).

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

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

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

The Company's registered office address is 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation and its head office is located at 6 Gashka 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 131 tankers, 6 chartered in tankers, 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 2 and 3.

Statement of compliance

The condensed consolidated financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standard (IFRS) - IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

Significant Accounting Policies

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

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

Seasonality of Operations

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

Changes in estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. The critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010.

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

2. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2010	5,787,297	155,418	5,942,715
Expenditure in period	3,294	11,653	14,947
Transfer from vessels under construction (Note 3)	347,169	6,800	353,969
Disposals	(97,847)	(2,440)	(100,287)
Eliminations	-	(17,312)	(17,312)
At 30 June 2010	6,039,913	154,119	6,194,032
Expenditure in period	1,635	13,117	14,752
Acquisition in the period	102,197	1,736	103,933
Transfer from vessels under construction (Note 3)	421,308	8,670	429,978
Transfer to non-current assets held for sale (Note 7)	(148,702)	(4,384)	(153,086)
Disposals	(156,548)	(5,625)	(162,173)
Eliminations	-	(16,883)	(16,883)
At 31 December 2010	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 3)	223,412	4,677	228,089
Transfer to non-current assets held for sale (Note 7)	(31,723)	(1,008)	(32,731)
Disposals	(59,300)	-	(59,300)
Eliminations	-	(11,074)	(11,074)
At 30 June 2011	<u>6,671,905</u>	<u>155,600</u>	<u>6,827,505</u>
Depreciation			
At 1 January 2010	1,114,440	70,141	1,184,581
Charge for the period	102,469	20,019	122,488
Impairment provision	7,588	-	7,588
Disposals	(42,001)	(1,138)	(43,139)
Eliminations	-	(17,312)	(17,312)
At 30 June 2010	1,182,496	71,710	1,254,206
Charge for the period	101,551	20,201	121,752
Impairment provision	26,033	-	26,033
Reversal of impairment provision of fleet	(15,001)	-	(15,001)
Impairment provision transferred from vessels under construction (Note 3)	16,850	-	16,850
Reversal of impairment provision	(16,850)	-	(16,850)
Transfer to non-current assets held for sale (Note 7)	(104,059)	(2,405)	(106,464)
Disposals	(79,147)	(3,716)	(82,863)
Eliminations	-	(16,883)	(16,883)
At 31 December 2010	1,111,873	68,907	1,180,780
Charge for the period	108,147	17,649	125,796
Impairment provision	1,517	-	1,517
Transfer to non-current assets held for sale (Note 7)	(21,559)	(954)	(22,513)
Disposals	(16,505)	-	(16,505)
Eliminations	-	(11,074)	(11,074)
At 30 June 2011	<u>1,183,473</u>	<u>74,528</u>	<u>1,258,001</u>
Net book value			
At 30 June 2011	<u>5,488,432</u>	<u>81,072</u>	<u>5,569,504</u>
At 30 June 2010	<u>4,857,417</u>	<u>82,409</u>	<u>4,939,826</u>
At 31 December 2010	<u>5,147,930</u>	<u>81,843</u>	<u>5,229,773</u>
	30/06/2011	30/06/2010	31/12/2010
Market value ¹ (\$'000)	<u>5,526,190</u>	<u>5,375,925</u>	<u>5,304,625</u>
Current insured values ¹ (\$'000)	<u>6,351,170</u>	<u>7,185,000</u>	<u>5,902,206</u>
Total deadweight tonnage ¹ (dwt)	<u>11,162,136</u>	<u>9,983,276</u>	<u>10,247,176</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 \$248.1 million (30 June 2010 - \$79.8 million / 31 December 2010 \$295.6 million).

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

3. **Vessels Under Construction**

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Cost			
At 1 January	231,341	513,134	513,134
Expenditure for the period	266,384	201,118	539,513
Transfer to vessels (Note 2)	(228,089)	(353,969)	(783,947)
Transfer to finance lease receivables (Note 4)	-	-	(19,035)
Cancellation of contract for vessels under construction	-	-	(18,324)
At 30 June / 31 December	<u>269,636</u>	<u>360,283</u>	<u>231,341</u>
Impairment provision			
At 1 January	-	9,549	9,549
Allocated to payments made during the period from provision for onerous contracts	-	1,123	10,110
Transfer to vessels (Note 2)	-	-	(16,850)
Released during the period	-	-	(2,809)
At 30 June / 31 December	<u>-</u>	<u>10,672</u>	<u>-</u>
Carrying amount			
At 30 June / 31 December	<u>269,636</u>	<u>349,611</u>	<u>231,341</u>
Total deadweight tonnage ¹ (dwt)	<u>1,893,040</u>	<u>850,860</u>	<u>1,438,960</u>

¹ Includes Group's share in Joint Ventures

Vessels delivered during the period comprised the following:

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

² Vessels jointly owned by joint ventures

Vessels under construction at 30 June 2011 comprised four crude oil Aframax tankers, four Panamax bulk carriers, two Multifunctional Ice breaking vessels, two VLCC, two oil product Aframax tankers (LR2 type), one oil product Panamax tanker (LR1 type) which is jointly owned with third parties and two LNG carriers scheduled for delivery between February 2012 and May 2014 at a total contracted cost to the Group of \$1,373.9 million. As at 30 June 2011 \$266.7 million of the contracted costs had been paid for.

4. **Finance Lease Receivables**

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
At 1 January	95,041	70,478	70,478
Transfer from vessels under construction (Note 3)	-	-	19,035
Finance lease interest receivable	7,141	5,436	12,002
Finance lease instalments received	(6,110)	(3,242)	(6,474)
At 30 June / 31 December	96,072	72,672	95,041
Less current finance lease receivables	(2,506)	(924)	(182)
Non-current finance lease receivables	<u>93,566</u>	<u>71,748</u>	<u>94,859</u>

5. **Trade and Other Receivables**

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Amounts due from charterers	84,711	68,106	69,703
Allowance for credit losses	(2,820)	(2,906)	(2,782)
	81,891	65,200	66,921
Casualty and other claims	25,150	32,536	33,243
Agents' balances	14,156	8,925	12,040
Other receivables	56,815	44,823	40,822
Receivables under High Court judgement award (Note 15)	-	-	55,675
Prepayments	17,940	13,907	8,506
Voyage suspense account	15,351	16,739	12,358
Accrued income	34,738	8,444	20,173
	<u>246,041</u>	<u>190,574</u>	<u>249,738</u>

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

6. Cash and Bank Deposits

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Cash and bank deposits	319,442	400,413	512,172
Bank deposits accessible on maturity	-	-	(6,562)
Retention accounts	(16,035)	(15,773)	(20,586)
Security deposits held as counter security for claims (Note 14)	(27,413)	(30,351)	(30,698)
Restricted deposits	(11,918)	(22,918)	(10,898)
Cash and cash equivalents	<u>264,076</u>	<u>331,371</u>	<u>443,428</u>

7. Non-Current Assets Held for Sale

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
At 1 January	46,622	31,446	31,446
Impairment provision	(2,827)	-	-
Transfer from fleet (Note 2)	10,218	-	46,622
Disposals	<u>(12,434)</u>	<u>(31,446)</u>	<u>(31,446)</u>
At 30 June / 31 December	<u>41,579</u>	<u>-</u>	<u>46,622</u>
Current insured value	<u>53,500</u>	<u>-</u>	<u>56,500</u>
Total deadweight tonnage (dwt)	<u>159,960</u>	<u>-</u>	<u>148,764</u>

As at 30 June 2011 the Group has four oil product Handymax tankers held for sale expected to be sold within 2011.

8. Dividends

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

9. Secured Bank Loans

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

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Repayable			
- within twelve months after the end of the reporting period	257,243	161,285	173,231
- between one to two years	364,691	162,572	214,593
- between two to three years	325,178	193,333	246,976
- between three to four years	239,727	803,367	213,609
- between four to five years	168,808	238,265	296,095
- more than five years	<u>744,004</u>	<u>1,008,607</u>	<u>731,506</u>
	2,099,651	2,567,429	1,876,010
Less current portion (current liabilities)	<u>(257,243)</u>	<u>(161,285)</u>	<u>(173,231)</u>
Long-term balance (non-current liabilities)	<u>1,842,408</u>	<u>2,406,144</u>	<u>1,702,779</u>

10. Finance Lease Liabilities

	30/06/2011 \$'000	30/06/2010 \$'000	31/12/2010 \$'000
Repayable			
- within twelve months after the end of the reporting period	9,046	48,365	52,248
- after one year but not more than five years	47,608	13,787	47,232
- more than five years	<u>178,837</u>	<u>-</u>	<u>183,819</u>
	235,491	62,152	283,299
Less current portion (current liabilities)	<u>(9,046)</u>	<u>(48,365)</u>	<u>(52,248)</u>
Long-term balance (non-current liabilities)	<u>226,445</u>	<u>13,787</u>	<u>231,051</u>

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

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

11. Derivative Financial Instruments

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

	<u>30/06/2011</u> \$'000	<u>30/06/2010</u> \$'000	<u>31/12/2010</u> \$'000
Non-current asset	1,119	-	1,542
Non-current liability	(82,144)	(100,577)	(77,253)
Current liability	<u>(71,807)</u>	<u>(76,007)</u>	<u>(74,743)</u>
	<u>(152,832)</u>	<u>(176,584)</u>	<u>(150,454)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	<u>30/06/2011</u> \$'000	<u>30/06/2010</u> \$'000	<u>31/12/2010</u> \$'000
At 1 January	107,017	90,844	90,844
Released during the period and credited to the income statement	(18,587)	(17,199)	(32,075)
Losses during the period shown in other comprehensive income	23,825	55,359	47,624
Provided during the period and debited to the income statement	<u>123</u>	<u>1,558</u>	<u>624</u>
At 30 June / 31 December	<u>112,378</u>	<u>130,562</u>	<u>107,017</u>

Classified at fair value through profit or loss

	<u>30/06/2011</u> \$'000	<u>30/06/2010</u> \$'000	<u>31/12/2010</u> \$'000
At 1 January	43,437	38,024	38,024
(Released) / provided during the period and (credited) /debited to the income statement	<u>(2,983)</u>	<u>7,998</u>	<u>5,413</u>
At 30 June / 31 December	<u>40,454</u>	<u>46,022</u>	<u>43,437</u>

12. Income Taxes

	<u>30/06/2011</u> \$'000	<u>30/06/2010</u> \$'000	<u>31/12/2010</u> \$'000
Russian Federation profits tax	4,961	6,622	25,475
Overseas income taxes	<u>891</u>	<u>1,226</u>	<u>1,714</u>
Income tax expense	5,852	7,848	27,189
Deferred tax	<u>2,011</u>	<u>(6,909)</u>	<u>(3,519)</u>
Total income tax expense	<u>7,863</u>	<u>939</u>	<u>23,670</u>

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

	<u>30/06/2011</u> \$'000	<u>30/06/2010</u> \$'000	<u>31/12/2010</u> \$'000
Profit before income taxes	<u>72,089</u>	<u>101,377</u>	<u>187,955</u>
Income tax using Russian Federation income tax rate of 20%	14,418	20,275	37,591
Effect of tax on profits taxable in other jurisdictions	(1,363)	(1,226)	(456)
Tax effect of intercompany dividends	(249)	(4,679)	(5,648)
Tax effect of non-deductible expenses and non-taxable income	(6,954)	(6,522)	(13,861)
Difference in tax rate of dividends received	-	-	(2,242)
Tax on exchange gain on repatriation of investment	-	-	11,805
Deferred tax expense / (income)	<u>2,011</u>	<u>(6,909)</u>	<u>(3,519)</u>
Income tax expense	<u>7,863</u>	<u>939</u>	<u>23,670</u>

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

12. Income Taxes (Continued)

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

	Opening balance \$'000	(Charged) / released to income \$'000	Exchange differences \$'000	Closing balance \$'000
<u>At 30 June 2011</u>				
Deferred tax assets	2,049	(11)	93	2,131
Deferred tax liabilities	(8,235)	(2,000)	417	(9,818)
	<u>(6,186)</u>	<u>(2,011)</u>	<u>510</u>	<u>(7,687)</u>
<u>At 30 June 2010</u>				
Deferred tax assets	3,103	2,401	(912)	4,592
Deferred tax liabilities	(12,898)	4,508	915	(7,475)
	<u>(9,795)</u>	<u>6,909</u>	<u>3</u>	<u>(2,883)</u>
<u>At 31 December 2010</u>				
Deferred tax assets	3,103	(1,736)	682	2,049
Deferred tax liabilities	(12,898)	5,255	(592)	(8,235)
	<u>(9,795)</u>	<u>3,519</u>	<u>90</u>	<u>(6,186)</u>

13. 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 2011

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Hire and Freight revenue	374,966	217,898	43,100	92,942	3,676	732,582
Voyage expenses and commissions	(155,223)	(89,169)	(94)	(3,884)	-	(248,370)
Time charter equivalent revenues	219,743	128,729	43,006	89,058	3,676	484,212
Direct operating expenses						
Vessels' running costs	(67,642)	(64,599)	(10,122)	(17,368)	(1,827)	(161,558)
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						(52,715)
Profit from vessels operations						125,544
Other expenses						(53,455)
Profit before income taxes						<u>72,089</u>
Carrying amount of fleet	<u>2,544,863</u>	<u>1,427,095</u>	<u>429,506</u>	<u>1,150,789</u>	<u>17,251</u>	<u>5,569,504</u>
Non-current assets held for sale	<u>-</u>	<u>41,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,579</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 2011
(Continued)

13. Segment Information (Continued)

Period ended 30 June 2010

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Hire and Freight revenue	342,446	227,466	43,043	56,073	9,251	678,279
Voyage expenses and commissions	(100,051)	(80,525)	(100)	(103)	(1,185)	(181,964)
Time charter equivalent revenues	242,395	146,941	42,943	55,970	8,066	496,315
Direct operating expenses						
Vessels' running costs	(62,409)	(69,440)	(9,127)	(8,801)	(5,407)	(155,184)
Vessels' drydock cost amortisation	(6,979)	(8,370)	(2,804)	(1,119)	(747)	(20,019)
Charter hire payments	(7,372)	-	-	-	-	(7,372)
Profit on vessels' trading	165,635	69,131	31,012	46,050	1,912	313,740
Vessels' depreciation	(42,054)	(37,179)	(8,502)	(13,573)	(1,161)	(102,469)
Vessels' impairment provision	-	(7,588)	-	-	-	(7,588)
	<u>123,581</u>	<u>24,364</u>	<u>22,510</u>	<u>32,477</u>	<u>751</u>	<u>203,683</u>
Unallocated						
Other operating expenses						(49,248)
Profit from vessels operations						154,435
Other expenses						(53,058)
Profit before income taxes						<u>101,377</u>
Carrying amount of fleet	<u>2,202,339</u>	<u>1,547,234</u>	<u>448,563</u>	<u>710,182</u>	<u>31,608</u>	<u>4,939,826</u>
Non-current assets held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deadweight tonnage of fleet used in operations ('000)	<u>6,963</u>	<u>2,639</u>	<u>283</u>	<u>487</u>	<u>98</u>	<u>10,470</u>

14. Contingent Asset

The Group will be seeking permission from the Court of Appeal to appeal some of the unsuccessful claims following the handing down of the judgement on 10 December 2010.

Principal and interest, at 3-month \$ LIBOR plus 2.5% at quarterly rests which were awarded to the Group in respect of the successful claims which resulted from fraudulent action has now been received, totalling \$56 million.

In relation to the transactions involving the former management of Novoship (UK) Ltd ("NOUK"), the Group has increased the quantum of the claims filed to \$135.0 million plus interest. The trial should take place in May 2012. If the Group is unsuccessful in its claim this may result in a costs liability to the Defendants of in excess of \$7.0 million. Further, the group has taken steps in various jurisdictions to locate and freeze assets of the Defendants and has put up security to fortify cross undertakings in damages in respect of the frozen assets in the sum of \$4.1 million, \$4 million of which was put up as security subsequent to the period end. If unsuccessful in its claims the Group may face liability of up to or in excess of this sum. In May 2011 NOUK obtained summary judgement against defendants in the related Nevis proceedings of approximately \$3.0 million plus interest of approximately \$0.7 million and is looking to enforce that judgement against assets previously frozen in Jersey and Guernsey.

15. Related Party Transactions

Related party transactions comprised:

- (i) Bank balances include \$34.3 million (2010 – \$62.3 million) held with State controlled banks. Interest received on those accounts during the period amounted to \$0.2 million (2010 – \$1.8 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 \$906.4 million (2010 – \$926 million). The charters are for 25 years, commenced in February and September 2010. The Group has obtained guarantees from the State controlled shareholders of the charterers in respect of the performance of the obligations of the charterers under the time charter agreements. In March 2010 the Group agreed with the charterers to reduce the time charter hire rate receivable under the agreements for the period from commencement of the charters until 31 December 2011 with a corresponding increase in the charter rate, plus interest for the period to 31 December 2011. Consequently this resulted in recognition of accrued income of \$26.6 million (2010 - \$12.9 million) for the period ended 30 June 2011.
- (iii) Included in the time charters entered by subsidiaries of the Company, is an agreement entered into with a subsidiary of a State controlled entity with aggregate hire receivable of \$127.5 million (2010 – \$134.0 million). The charter is for 15 years and has commenced in September 2006.

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

Related party transactions comprised:

- (iv) The time charter agreements entered into by the joint ventures, included two agreements entered into with a subsidiary of a State controlled entity with aggregate hires receivable as at the period end over the remaining firm period of the charters of \$719.0 million (2010 – \$744.0 million). The charters are for 20 years and have commenced in October 2007 and January 2008.
- (v) The Group sold and leased back two of its vessels to subsidiaries of a State controlled financial institution for an aggregate consideration of \$230.0 million on 7 September and 16 November 2010, respectively. The monthly hire is \$926,652 for each vessel, payable monthly in advance.
- (vi) The Group leases out part of the premises owned by Sovcomflot, located at 7 Dunayevskogo Street, Moscow 121165, Russian Federation, to JSC Rosneftflot (a Group Associate). The current lease term is for eleven months (2010 - eleven months) expiring on 31 January 2012 at lease rentals for the period of Roubles 17.81 million (2010 - Roubles 17.81 million).
- (vii) Included in vessels under construction are six newbuildings (2010 – six) with a total contracted cost of \$395.0 million (2010 – \$395.0 million) placed on order from a State controlled shipyard in 2010. As at 30 June 2011 instalments of \$341.3 million (2010 – \$368.1 million) were outstanding in respect of the shipbuilding agreements.
- (viii) Nine Escort tugs on bareboat charter to JSC Rosneftflot (a Group associate) for a period of 15 years.
- (ix) The Group signed agreements in May 2011 with a State controlled entity for the time charter of 15 years of two LNG carriers currently under construction for an aggregate consideration of approximately \$806.0 million. The time charter agreement will commence upon delivery of the vessels by the shipyards, estimated to be in December 2013 and May 2014.
- (x) The Group signed within the period a contract of affreightment with an associate undertaking, expiring in late June 2011. After the reporting period end the contract was extended to expire in December 2011. The freight income from the associated undertaking within the period under this contract was \$6.8 million.
- (xi) Included in amounts due from charterers are \$3.7 million (2010 – \$2.0 million) of amounts receivable from related parties not included above.
- (xii) The Group also receives services from State controlled bodies at prices comparable with other similar organisations, the total amounts of which are not material.

16. Events After the Reporting Period

On 10 August 2011 the Group signed an agreement to bareboat charter in a Seismic vessel for a fixed period of five years with the option to extend the charter for five additional periods of twenty four months each. The aggregate hire payable during the fixed period is \$127.0 million. The Group has the right to purchase the vessel on the third and each subsequent anniversary of its delivery date at predetermined prices. The vessel is expected to be delivered to the Group by 15 September 2011.

Subsequent to the reporting period end, the Group signed an agreement for the sale of three oil product Handymax tankers classified as held for sale as of 30 June 2011. The estimated profit on their disposal is \$1.1 million. The vessels are expected to be delivered to their new owners by the end of August 2011.

In addition, in August 2011 the Group signed an agreement for the sale of land and buildings located in Novorossiysk for \$5.4 million. The estimated profit on disposal from this transaction is \$5.2 million.

17. Date of Issue

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