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Sovcomflot —  
Seaborne Energy Solutions



One of the first joint-stock shareholding companies of modern Russia. As at 31 December 2009, the Group's fleet comprised 144 vessels of above 10 million tonnes deadweight in total. The current newbuilding portfolio includes 15 more vessels amounting to 1.4 million tonnes deadweight.

- The average age of the tanker fleet is six years, compared to 12 years on the international index.
- It is the world's No.1 product carrier, No.2 Aframax and No.4 Suezmax tanker operator.
- The company owns the world's largest ice fleet, being No.1 Panamax Arctic ice-class shuttle tanker and ice-class liquefied natural gas carrier operator.
- The company's services are not limited to transportation of hydrocarbons but also include trans-shipments of crude oil via floating storage and offloading facilities, development of effective logistic solutions for energy transportation, as well as provision of specialised supply vessel services for drilling rigs and offshore platforms.
- Currently, the company employs over 7,000 people at sea.



Today Sovcomflot has become not only the largest Russian shipowner but also the flagship of the Russian shipping industry

## Address by Sergey Naryshkin, Chairman of the Board of Directors

For Sovcomflot 2009 was also the last year of its five-year development programme. The Board of Directors is satisfied with the results of our collective efforts. Everything we planned came into being.

Over the past five years the Group's fleet has increased by over three-fold and the book value of net assets has doubled. Today Sovcomflot has become not only the largest Russian shipowner but also the flagship of our national shipping industry.

In 2009, we adopted a new strategic programme for the development of the Group. Significantly, this plan is based on the transport and energy strategies of Russia and preserves an industrial model for the company's development.

The business model has successfully passed its practical test. Despite the global economic recession and substantial decline in the world freight market, the company has preserved its financial stability, fulfilled the task set by the Board of Directors to enter new market segments and fully implemented its investment programme.

Sovcomflot Group's development strategy, adopted by the Board of Directors, envisages: a doubling of its industrial and financial scale by 2015; a further increase in export transportation services, a substantial enhancement in the quality

of services, based on the continuing introduction of innovative and energy efficient technologies.

The strategy envisages the Group increasing significantly its share of servicing Russian foreign trade, supported by the development of multifunctional logistic programmes, as part of a framework of providing support to current and prospective projects on the continental shelf.

The achieved results are in full measure shared by the company's shareholders. For the 2009 results, the amount of dividends paid will be higher than the budgeted figure in accordance with the dividend policy approved by the Board of Directors. In the past two years, the annual dividend payments have exceeded the aggregate amount of dividends received by the State, from Sovcomflot and Novoship, over the previous five years.

On behalf of the Board of Directors, I should like to convey our gratitude to our customers and partners for their cooperation and support. I am sure that the company is strong enough to achieve consistent growth and to fulfill all the tasks we face outlined by our Strategy of Development for 2010-2015, enabling our positions in the tanker sector to be strengthened further.

**Sergey Naryshkin,**

Chairman of the Board of Directors,

Chief of Staff of the Presidential Executive Office





Sovcomflot demonstrated a high level of operational profitability, and ended the year with a substantial profit

## Address by Sergey Frank, President and CEO

The world economic crisis resulted in the global production decline, reduced energy demand, decline in global trade and the volume of seaborne transportation combined with massive deliveries of newbuildings, all these factors negatively affected market freight rates. In 2009, spot freight rates declined by over 60 per cent.

In the uneasy market environment, Sovcomflot demonstrated a high level of operational profitability, and ended the year with a substantial profit. Business highlights for 2009 include: net profit, in accordance with international accounting standards, of USD 216.8 million and EBITDA of USD 550 million.

The company continued to implement its newbuilding programme in full, enabling further fleet modernisation. Over the past year, 17 new vessels were delivered of an aggregate of some one million tonnes DWT. The total fleet deadweight increased for the first time to over 10 million tonnes, while the average age of vessel

in the fleet decreased. In 2009, a whole range of new transportation technologies were introduced, allowing the scope of services offered to our customers to be expanded. For the first time in the history of the Group, we started to operate drilling platform supply vessels and LR2 product carriers.

The deliberately low borrowings and stable income base made it possible for Sovcomflot to maintain a Moody's Baa2 international credit rating. The Group's current programme of capital investments is fully funded through internal and external sources of capital. The fleet's portfolio includes fifteen new vessels of an aggregate 1.4 million tonnes deadweight.

The stable financial position of the Group allowed us to focus on implementation of a programme designed to deliver a higher quality of service to our customers and to develop energy efficient innovative technologies.

The SCF Group's Development Strategy for 2010-2015, adopted by the Board of Directors in December 2009, sets very ambitious targets for the company.



**SCF Primorye**, 157 340  
tonnes dwt tanker, Cape Town,  
November 2009

Among them is the creation of a national integrated offshore upstream services provider, centered on Sovcomflot, with a specific focus on operating in the harsh environment and ice conditions of Russia's Far Eastern and Arctic seas. More than 30 per cent of the USD 5.5 billion investment programme is to be channeled to offshore upstream services. It is worth noting that a substantial part of this investment is destined for Russia, through greater cooperation with the country's shipbuilders.

We anticipate that the coming two years will remain quite challenging for the tanker sector: the oversupply of tonnage will continue, reflecting a decline in cargo volumes and significant deliveries of newbuildings. Negative trends in the world freight markets will be combined with limited access to traditional sources of bank finance for ship-owning companies. At the same time, the level of requirements of both market regulators and customers, regarding quality and safety in sea-borne transportation, will continue to increase. That said, the company has the resources and expertise to fulfill its obligations to shareholders, customers, and personnel in full measure and at a high quality.

On behalf of the Executive Board, I should like to convey our gratitude to our shareholders, customers, partners and Group employees — captains, crew members and shore-based personnel — for their continued support throughout the year.

**Sergey Frank,**  
President and CEO

# Business highlights 2009







Dmitry Medvedev, President of the Russian Federation, and Sergey Frank aboard the LNG tanker *Grand Aniva*, LNG terminal, Prigorodnoye (Sakhalin Island), February 2009

## February

**18/02/2009**

On 18 February the start of operations at Russia's first liquefied natural gas (LNG) plant was marked at the launch ceremony in Prigorodnoye, at the southern end of Sakhalin Island.

The event was attended by VIP guests aboard the LNG carrier *Grand Aniva*. This vessel is one of two owned by the international consortium comprising SCF Group and NYK Line of Japan, which is engaged in the transportation of LNG from Russia. The overall technical management of the LNG carrier *Grand Aniva* is undertaken by Sovcomflot.

**19/02/2009**

On 19 February a naming ceremony took place for SCF Group's new 70,000 tonne DWT Russian Arctic shuttle tanker. The tanker was named after Timofey Guzhenko, the USSR Minister for the Merchant Marine industry and a prominent figure in Russian maritime transport. This is the third vessel in a series of enhanced ice-class tankers designed for the seaborne transportation of oil from the Varandey offshore oil field.

The tanker meets all the current international requirements related to the safety of navigation and protection of the marine environment.

All Arctic shuttle tankers of SCF Group are registered in the Russian International Register of Shipping, and fly the flag of the Russian Federation, with their port of registry being St. Petersburg.

## March

**10/03/2009**

On 10 March a naming ceremony for Sovcomflot Group's new tug took place at the Sammar Denizcilik Shipyard in Tuzla, Turkey. The vessel is named after Vladimir Avdyukov, a distinguished Polar explorer and eminent personality in the Russian maritime transportation sector. This addition to the fleet forms part of SCF Group's strategy of developing its port terminal management business, in particular its provision of port, salvage and environmental protection services.

The tug *Kapitan Avdyukov* is the first in a series of three vessels designed to provide for the safe navigation of tankers in Kola Bay. The 3,660 kW tug, with a bollard



Irina Ivanova, the Godmother of the tanker "Timofey Guzhenko"; Igor Sechin, Deputy Prime Minister of the Russian Federation; Sergey Shmatko, Minister of Energy; Nikolay Tokarev, President of OAO «AK Transneft»; Sergey Bogdanchikov, President of OAO «NK «Rosneft»; Sergey Darkin, the Governor of the Primorsk region; and Sergey Frank at the naming ceremony of the ship, Republic of Korea, February 2009

pull of 60 tonnes, is capable of escorting large-capacity tankers and is adapted to the low temperatures of Northern latitudes. It is equipped with bow and stern winches and an external fire-fighting system. The new tug meets all the requirements of international conventions and leading shipping registers.

All the tugs will be included in the Russian Maritime Register of Shipping, with Murmansk as their port of registry. The vessels will fly the flag of the Russian Federation.

## April

**16/04/2009**

On 16 April, an award ceremony took place for the winners of the All-Russia's Competition "The best enterprises of Russia — Dynamics, effectiveness and responsibility". This was arranged by the Russian Union of Industrialists and Entrepreneurs (RSPP), in Moscow, as a part of the Russian Business Week. Sovcomflot (SCF) Group received an award in a special nomination "For adoption of innovative solutions in seaborne energy transportation, from the Arctic offshore oil and

gas fields". The award reflected the recognition of the company's contribution to the development of the seaborne transportation of hydrocarbons in the Arctic region, as well as the company's achievements in the use of advanced technologies and the application of unique equipment aboard the Arctic ice-class vessels engaged in shuttle energy shipping for the Varandey project.

## May

**29/05/2009**

The naming ceremony for two new tugs ordered by the Sovcomflot (SCF) Group and put into operation, took place in May 2009. The vessels form part of SCF Group's strategy to develop its terminals management business.

The first vessel, named *Sadko* after a Russian epic hero, is designed to facilitate the safe operation of tankers in the port of Ust-Luga. The tug *Sadko* meets all the requirements of the relevant international conventions and the leading classification societies. She is a modern, highly manoeuvrable, ice-class (Arc 4) tug of 3132 kW, equipped with Azimuth thrusters and with a bollard pull of 48 tonnes. The vessel has been designed to operate in



Vladimir Putin, Prime Minister of the Russian Federation, and Peter Voser, Chief Executive of Royal Dutch Shell, at the signing of a General Co-operation Agreement between Sovcomflot and Shell International Trading and Shipping Company Limited (STASCO), Novo-Ogaryovo, June 2009

the climatic conditions of the Gulf of Finland in the Baltic Sea. Equipped with a bow towing winch and an external fire-fighting system, she is capable of escorting large ocean-going tankers.

The tugs in this series will be registered in the Russian Maritime Register of Shipping, with St. Petersburg as their port of registry. The vessels will fly the flag of the Russian Federation.

The second vessel is named after Yuriy Lvovich Popov — a famous Arctic researcher and Russia's outstanding maritime transport manager.

The tug *Kapitan Popov* is the second in a trio of vessels designed to facilitate the safe operation of tankers in Kola Bay.

## June

### 09/06/2009

On 9 June SCF Group celebrated the first anniversary of the introduction of its *Vasily Dinkov* class of Arctic shuttle tankers. The vessels provide a unique system of seaborne transportation for oil in the Barents Sea, as part of the Varandey Project, loading from a fixed offshore ice resist-

ant oil terminal (FOIROT).

There are now three vessels successfully operating within the project. 2008 saw the tankers *Kapitan Gotsky* and *Timofey Guzhenko* delivered and put into service. Due to the unique technical solutions incorporated within the vessels of this series, they can be operated effectively in the harsh climatic conditions of the Arctic seas all year-round. They have an ice-breaking capacity when moving ahead or astern, which improves their manoeuvring time and enhances the safety of each vessel.

### 27/06/2009

On 27 June Sovcomflot and Shell International Trading and Shipping Company Limited (STASCO) signed a General Cooperation Agreement in Novo-Ogaryovo, near Moscow. The official signing ceremony followed negotiations between Russia's Prime Minister Vladimir Putin and the top management of Royal Dutch Shell.

The agreement covers Russia's future projects for the seaborne transportation of liquefied natural gas (LNG), including shipments from the Arctic offshore fields. It allows Shell's in-depth knowledge of the production and transportation of liquefied natural gas to be combined with Sovcomflot's expertise and technical capabilities in



Sovcomflot Board of Directors  
members on board of the sail ship  
*MIR*, St.Petersburg, July 2009

delivering cargoes by sea, in the harsh ice conditions of the Arctic and Far-Eastern seas. This long-term international project is designed to implement highly effective and ecologically safe transportation and logistical solutions for Russia's future oil and gas projects, implemented in the offshore fields of the country's Arctic and Far East.

## July

### 14/07/2009

On 14 July the Eighth Annual Meeting of SCF Group's Business Partners was held in St Petersburg, timed to coincide with the international sail training ships regatta, Tall Ships' Races Baltic — 2009.

The meeting was attended by representatives of leading Russian and international oil and gas companies, banks, investment, insurance, shipping and shipbuilding companies as well as industry analysts.

Addressing Sovcomflot's business partners Sergey Naryshkin, the SCF Board Chairman, noted that the company aspired not only to strengthen its position in the seaborne energy transportation market, but also to enter new business segments. Possible areas of interest include

providing an integrated service to meet the development needs of offshore oil and gas fields, as well as the operation of floating drilling units and supply vessels for drilling rigs.

### 29/07/2009

The naming ceremony for two tugs ordered by the Sovcomflot (SCF) Group and put into operation, took place in July 2009. The vessels form part of SCF Group's strategy to develop its terminals management business. This envisages, in particular, providing port, salvage and environmental protection vessels.

The first vessel named after Stavr, a Russian epical hero, is designed to facilitate the safe operation of tankers in the port of Ust-Luga.

The second tug is named after Aleksey Ilyich Reutov — one of the most famous captains of the merchant fleet. The tug *Kapitan Reutov* is the last in the trio of vessels, designed to facilitate the safe operation of tankers servicing the Belokamenka FSO.

All the tugs are registered in the Russian Maritime Register of Shipping. The vessels fly the flag of the Russian Federation.



*Timofey Guzhenko*, 70 000 tonnes dwt tanker, at the Fixed Offshore Ice-resistant Off-loading Terminal (FOIROT) at Varandey, Barents Sea, September 2009

## September

### 02/09/2009

On 2 September 2009 the hundredth shipment of crude oil was carried by an Arctic shuttle tanker of the *Vasily Dinkov* type, owned by the SCF Group, from the Fixed Offshore Ice-resistant Offloading Terminal (FOIROT) at Varandey, situated 22 km offshore in the Barents Sea. Today three ships are successfully serving this unique seaborne transportation project of oil from the Varandey FOIROT. These vessels are: *Vasily Dinkov*, which entered service in December 2007 and the tankers *Kapitan Gotsky* and *Timofey Guzhenko*, which joined the fleet in 2008 and 2009 respectively.

Due to the unique technical solutions incorporated within the ships of this series, they can be operated effectively in the harsh climate conditions of the Arctic seas all year-round. The ships have an ice-breaking capacity when moving ahead or astern, which improves their manoeuvring time and enhances the safety of each vessel.

On 24 January 2010 the shipment of the first 10 million tonnes of crude oil, transported by the Arctic shuttle tankers of the *Vasily Dinkov* type from the FOIROT at Varandey, was completed.

### 07/09/2009

On 7 September the SCF Group's fleet was expanded by the delivery of a technologically advanced large Suezmax tanker — *SCF Primorye*. The ship naming and delivery ceremony took place at the Daewoo Marine Shipbuilding Engineering (DMSE) Shipyards, Republic of Korea.

The 157,300-tonne DWT vessel has been designed for the transportation of crude oil. The vessel's length overall (LOA) is 274 metres, breadth (moulded) — 48 metres and draft (scantling) — 17 metres.

The tanker fully meets all the national and international safety requirements of the Norwegian classification society Det Norske Veritas and can be operated worldwide.

### 11/09/2009

On 11 September SCF Group successfully finalised its acquisition of *Pacific Endurance*, a specialised offshore supply vessel operating in the Russian Far East.

The *Pacific Endurance* is one of a trio of enhanced ice-class supply vessels servicing the Sakhalin-2 project production platform, and is operating under a long-term contract with the Sakhalin Energy Investment Company.

The commissioning of the new supply vessel to join the



**Pacific Endurance**, 4 482 tonnes dwt  
offshore supply vessel, Sea of Okhotsk,  
November 2009

Group's fleet is an important step in the implementation of Sovcomflot's development strategy targeted at expansion of the scope of services offered to key customers — oil and gas majors. SCF Group has entered a new market segment and intends to further expand its participation in servicing Russia's offshore upstream projects.

#### **21/09/2009**

On Monday 21 September 2009, the delivery ceremony took place for the product carrier *NS Africa*, ordered by JSC Novoship (Novorossiysk Shipping Company, part of the SCF Group) at Hyundai Heavy Industries Company, Ltd., Korea.

The 112,000 DWT tanker *NS Africa* was built with fully coated cargo tanks to carry up to four different grades of cargo simultaneously including clean petroleum products.

*NS Africa* is the fourth vessel in a series of four Aframax-type product carriers ordered by Novoship in accordance with the company's Fleet Renewal Programme. The first two ice-class vessels — *NS Arctic* and *NS Antarctic* — were delivered in the second quarter 2009 while *NS Asia* was delivered on 21 July.

The design and the operational characteristics of the

vessels are in compliance with the latest requirements of the Oil Majors, as well as the requirements set by international and national conventions related to the safety of navigation and the protection of marine environment. DNV has issued the 'Clean Notation' for *NS Africa*, which means conformity to the highest industry ecological standard.

The new tanker has been built with consideration of existing major oil companies' projects and is intended for transporting Russian cargoes.

#### **28/09/2009**

On 22-25 September SCF Group participated in the Tenth Jubilee International Exhibition on shipbuilding, shipping, port management and ocean and offshore exploration, Neva-2009, held in St. Petersburg. More than 600 companies from 37 countries took part in the exhibition. Particular attention during the event was given to the development of shipping and shipbuilding in Russia.

In Sovcomflot's presentation, the Group outlined its activities and described how it has kept at the forefront of the tanker industry. The presentation also covered the Group's successful implementation of a number of new business projects, including the operation of supply vessels servicing drilling production platforms, the seaborne



**Tangguh Towuti**, 73,300 tonnes dwt tanker, operating for the international gas project with Sovcomflot as a participant, going to the Tangguh terminal, Sulawesi Sea, July 2009

transportation of coal from the Far East, as well as providing port and towage services.

### 30/09/09

For the fourth year running SCF Group has become a finalist in the annual Platts Global Energy Awards, sponsored by the American energy agency Platts. In 2009 Sovcomflot was nominated for the Downstream Operations of the Year Award.

The jury, which has selected the finalists for this year's award from almost 200 nominees across 16 prize categories, comprised top managers from major energy companies, leading scientists and international experts from the energy sector.

When selecting the finalists the jury took account of the nature of a company activity and its financial performance. Sovcomflot was again the only Russian company which reached the finals of this prestigious international award.

## October

### 15/10/2009

On 15 October the naming ceremony took place for a new tug ordered by SCF Group at the Leningrad Ship-

building Yard Pella, Otradnoye, Leningrad Region.

The new vessel, named Radomir after a Russian hero, is the first in the series of four tugs, ordered by the Group to facilitate mooring operations in the Russian ports of the Baltic Sea.

The tug *Radomir* meets all the requirements of the relevant international conventions and the leading classification societies. The vessels of this project are modern ice-classed (Arc 4) highly manoeuvrable tugs with engine power of approximately 3,000 kW. They are equipped with Azimuth thrusters and each have a bollard pull of 47 tonnes. They have been designed to operate in the climatic conditions of the Gulf of Finland in the Baltic Sea. The tugs are equipped with an external fire-fighting system and are capable of escorting large ocean-going tankers.

Besides the mooring services for tankers, these ships can be used to fight oil spills, save lives at sea and will participate in salvage operations to rescue ships in distress.

The new tugs of this series will be registered in the Russian Maritime Register of Shipping, with St. Petersburg as their port of registry. They will fly the flag of the Russian Federation.



Nikolay Tokarev, President of Transneft, and Sergey Frank at the signing ceremony of the Agreement of intentions for the development of mutually beneficial cooperation and partnership with Trans-Balkan Pipeline B.V., Moscow, October 2009

### 23/10/2009

On 23 October Sovcomflot President and CEO Sergey Frank, Transneft President Nikolay Tokarev, Novoship President Igor Tonkovidov and Trans-Balkan Pipeline B.V. Director General Aleksandr Tarakanov signed The Intentions Agreement in Moscow. This agreement is a part of the Burgas-Alexandroupolis Pipeline Project. It represents the development of a mutually beneficial partnership and cooperation in stable and safe transshipment and transportation of liquid hydrocarbons via the Port of Novorossiysk/Port of Yuzhnaya Ozereyevka — Port of Burgas.

Under the agreement, all parties are committed to promoting co-operation in developing an effective and safe logistics scheme; developing technical and commercial terms for the transportation of liquid hydrocarbons along the Novorossiysk-Burgas route, as well as between other ports if required for the project implementation. The parties agreed to explore jointly appropriate draft agreements on the basis of technical and commercial conditions for the transportation process.

### 28/10/2009

On 28 October 2009, the delivery ceremony took place

for the tanker *NS Burgas*, ordered by JSC Novoship (Novorossiysk Shipping Company, part of the SCF Group) at Jiangsu Rongsheng Heavy Industries. The 156,600 DWT tanker *NS Burgas* is the largest of the 55 vessels operated by the Company.

It is the first vessel in a series of four Suezmax-type tankers ordered by Novoship in accordance with the company's Fleet Renewal Programme. The new tanker has been built with consideration of existing major oil companies' projects and is intended for the transportation of Russian cargoes. The vessels of this series meet the Burgas-Alexandroupoli project's requirements yet retain operational versatility. They can carry up to three different grades of cargo simultaneously.

The design and the operational characteristics of the vessels are in compliance with the latest requirements of Oil Majors, as well as the requirements set by international and national conventions related to safety of navigation and protection of marine environment. Lloyd's Register has granted the *NS Burgas* the Environmental Protection Class, which means conformity to the highest industry ecological standard. The vessel also has a 'Green Passport'.



Sergey Frank meeting with representatives of the Makarov State Maritime Academy at the Sovcomflot exhibit at the Transport of Russia 2009 exhibition, Moscow, November 2009

## November

**18/11/2009**

On 18 November SCF Group and United Shipbuilding Corporation signed a package of agreements to maximise the existing potential of Russia's shipyards in the Far-Eastern region, as well as joint new building programme, based on the newly created capacities in the Primorsk Region. The signing ceremony took place in the town of Bolshoy Kamen, Primorsk Region.

Taking into account the demands of Russian and international oil and gas companies, including Gazprom, Lukoil and TNK-BP, agreements were signed to make use of technical and commercial opportunities to build not less than six Suezmax tankers (160,000 dwt each) at the newly created facilities of United Shipbuilding Corporation in the Primorsky Region, as well as four LNG tankers (175,000 cubic metres capacity each). These and other vessels will be ordered by Sovcomflot on commercial terms and in conformity with the international procedures and standards.

**23/11/2009**

On 19-21 November SCF Group participated in the international exhibition Transport of Russia — 2009 which was held in Moscow, as part of a series of events devoted

to the 200th Anniversary of the national transport industry and higher education in this sector.

As a sponsor of the festivities arranged in Moscow, Sovcomflot presented its own exposition in the innovation zone of the exhibition. It was here that a tripartite agreement on a joint class was signed by Novoship (a member of the SCF Group), the American Bureau of Shipping and the Russian Maritime Register of Shipping. The agreement envisages the involvement of experts of the Russian Register in classification and statutory surveys of the Suezmax-type tanker *NS Burgas*.

## December

**02/12/2009**

On 2 December the fleet of SCF Group was expanded with the delivery of *SCF Surgut*, a modern high-tech large tanker of the Suezmax type.

The 157,300-tonne vessel has been designed to carry crude oil. Her length overall (LOA) is 274 metres, breadth (moulded) is 48 metres and draft (scantling) — 17 metres.

The ship fully complies with all national and inter-



**Kirill Lavrov,**  
70 000 tonnes dwt tanker, at the Admiralty  
Shipyards, St.Petersburg, December 2009



Vladimir Putin, Prime Minister of the Russian  
Federation, Alisa Freyndlikh, the "Godmother" of the  
tanker *Kirill Lavrov*, and Sergey Frank at the launch-  
ing ceremony, Admiralty Shipyards, St.Petersburg,  
December 2009

national safety requirements of the American Bureau of Shipping (ABS) and can operate area restrictions free.

The tanker is named after one of the oldest cities in Siberia — the centre of Russia's largest oil region and an unofficial oil-development capital of Russia.

The vessel has been chartered out to Chevron, one of the international oil and gas majors, and after completing all the formalities at the shipyard will start her maiden voyage at the port of loading.

#### **18/12/2009**

On 18 December the naming and launch ceremony for the tanker *Kirill Lavrov* took place at the Admiralty Shipyards. She is part of a series of Arctic shuttle tankers of 70,000 tonnes dwt ordered by SCF Group from the shipbuilders of St.Petersburg. This is the first time that a unique high-tech vessel of this type has been constructed at a Russian shipyard. The Arctic shuttle tankers have been specially designed to transport oil by sea from Russia's offshore oil fields in the Arctic.

The vessel has been named after a nationally outstanding theatre and cinema actor. It is also symbolic that a famous actress and USSR People's Artist — Alisa Freyndlikh became a Godmother of the tanker. She worked

for many years with Kirill Lavrov at the St.Petersburg-based Bolshoy Dramaticheskyy Theatre.

#### **21/12/2009**

At a regular meeting of the Sovcomflot (SCF Group) Board of Directors, the results of the implementation of the Principal Directions of Sovcomflot's Development for the period of 2004-2009 were reviewed and SCF Group's Strategy for 2010-2015 was approved.

In the last five years, Sovcomflot has not only become by far the largest Russian shipowner, but it has also achieved excellent commercial and financial results, in turn becoming the flagship of Russia's shipping industry. Fundamental changes to the SCF Group's structure and operational activities have taken place. Strategic tasks for SCF from 2010 to 2015 include further growth in the company's share of servicing Russia's seaborne exports, the provision of integrated logistical solutions for offshore upstream oil and gas projects, and the continuing expansion of traditional shipping services in the global market.

#### **26/12/2009**

On 26 December the Prime Minister of the Russian Federation, Vladimir Putin held a working meeting with



Vladimir Putin, Prime Minister of the Russian Federation, starts loading of the tanker *Moscow University*, Kozmino, December 2009



The height of the main building at the Moscow State University campus in the Lenin Hills, including the spire, is 240 metres. The length of the tanker *Moscow University* is 243 metres

Sovcomflot plans to invest at least \$1.6bn over the next six years to significantly expand its offshore and specialist upstream oil-and-gas shipping-service operations to complement its core tanker business. The state-owned Russian tanker giant intends to push ahead with development of a major new arm to serve the anticipated expansion of Russian oil-and-gas exploration and production in the Arctic and Far East.

*TradeWinds January 2010*



*Moscow University*, 106 552 tonnes dwt tanker, being loaded at the Kozmino oil terminal, December 2009



**Evgeniy Ambrosov, Senior Executive Vice-President and Chief Operating Officer, comments:**

*In 2009, the Group continued to pursue well-balanced and rather conservative freight policy. About 50% of the fleet was operating on time charters for blue chip clients. An important share of chartering activity has also arisen through our long-term industrial business, including such specialised services as seaborne LNG transportation, shuttle shipments of hydrocarbons from the continental shelf and offshore oil platforms services. The Group's development strategy envisages a further growth in the share of its Russian business in overall business volumes. First and foremost, through the Group's involvement in servicing new projects in the Arctic and the Far-Eastern regions, as well as stronger positions in the Pacific while maintaining a balanced portfolio of business with national and international companies.*

Sergey Frank, the Sovcomflot President and CEO.

Sergey Frank reported to the head of Russia's Government about the results of SCF Group's activities in 2005-2009 and its strategy for 2010-2015. Significant qualitative changes in SCF Group's activities have taken place. A whole range of new transportation technologies has been mastered, which has enabled the Group to widen the spectrum and improve the quality of services offered to customers. Seaborne transportation of liquefied natural gas (LNG) and the oil shuttle trade in the harsh climatic conditions of Arctic waters have been successfully developed. In 2009 the company started to operate supply vessels to serve drilling platforms. The Strategy approved by the Board of Directors aims at doubling the Group's operational and financial results by 2015.

An important element of this Strategy is the setting up of a national provider for the servicing of Russia's offshore fields and offshore oil and gas development on the basis of SCF Group, as a specialist in operating in the harsh ice conditions of the Far-Eastern and Arctic seas.

**28/12/2009**

On 28 December the tanker *Moscow University*, part of the Sovcomflot's Novoship fleet, was the first to anchor

for loading at Transneft's crude oil terminal at the Transneft's new specialized seaport of Kozmino. The port is at the end of the oil pipeline system running from Eastern Siberia — Pacific Ocean.

Those taking part in the ceremony devoted to the launch of the first oil through the system were Vladimir Putin, the Russian Prime Minister, Igor Levitin, Transport Minister, Nikolay Tokarev, President of Transneft, Sergey Frank, President of Sovcomflot, Igor Tonkovidov, President of Novoship.

The head of the Russian Government launched the oil system and started the loading of the tanker *Moscow University*.

# Strategy and mission





The basic principles of the company's development are aimed at strengthening its leading position in the world tanker market as regards quality of service, safety and environmental standards

## Our strategy

During the past five years the SCF Group's fleet has grown by more than three times and currently exceeds 10.4 million tonnes (dwt). The average age of the SCF Group's tankers has been reduced from 7.5 to 6 years.

By entering new transportation technologies such as the transportation of liquefied natural and petroleum gas, as well as the development of crude oil shuttle tanker operations in extremely harsh ice conditions of the Arctic and the Far-Eastern seas, the range of services offered to customers has been significantly broadened. Revenues have increased by more than three times and in 2009 amounted to USD 1.23 billion. The book value of net assets has doubled to USD 2.81 billion and dividends paid have been raised by 14 times.

The Board of Directors recognizes that the SCF Group's Strategy for 2010-2015 will be implemented in a challenging market environment, with the global economic crisis continuing to deepen. This will manifest, first and foremost, in the oversupply of tonnage as a result of the decline in global trade and transportation volumes and massive deliveries of new buildings. Negative trends in world freight markets will be combined with limited access to traditional sources of bank financing for ship-owning companies. At the same time, the

level of requirements of both market regulators and clients in respect of quality and safety in seaborne transportation will continue to increase.

Based on the positive results of the SCF Group's development and practical measures aimed at minimizing the crisis influence on its activity, the Board considers that it is desirable to maintain the industrial business model providing for deep integration in the oil and gas industry value chain as well as services offered for oil and gas companies at all phases of their production cycle from the wellhead to the end users of oil products. SCF Group is committed to the principles of maintaining its leading position on the world market as regards quality of service, safety and environmental standards on the basis of sophisticated energy efficient technologies.

The SCF Group's Strategy envisages wider expansion of shipping services in the Pacific, as well as further growth of its Russia-generated business, and all of which will be led by the company's involvement in servicing new projects in the Arctic and the Far-Eastern regions.

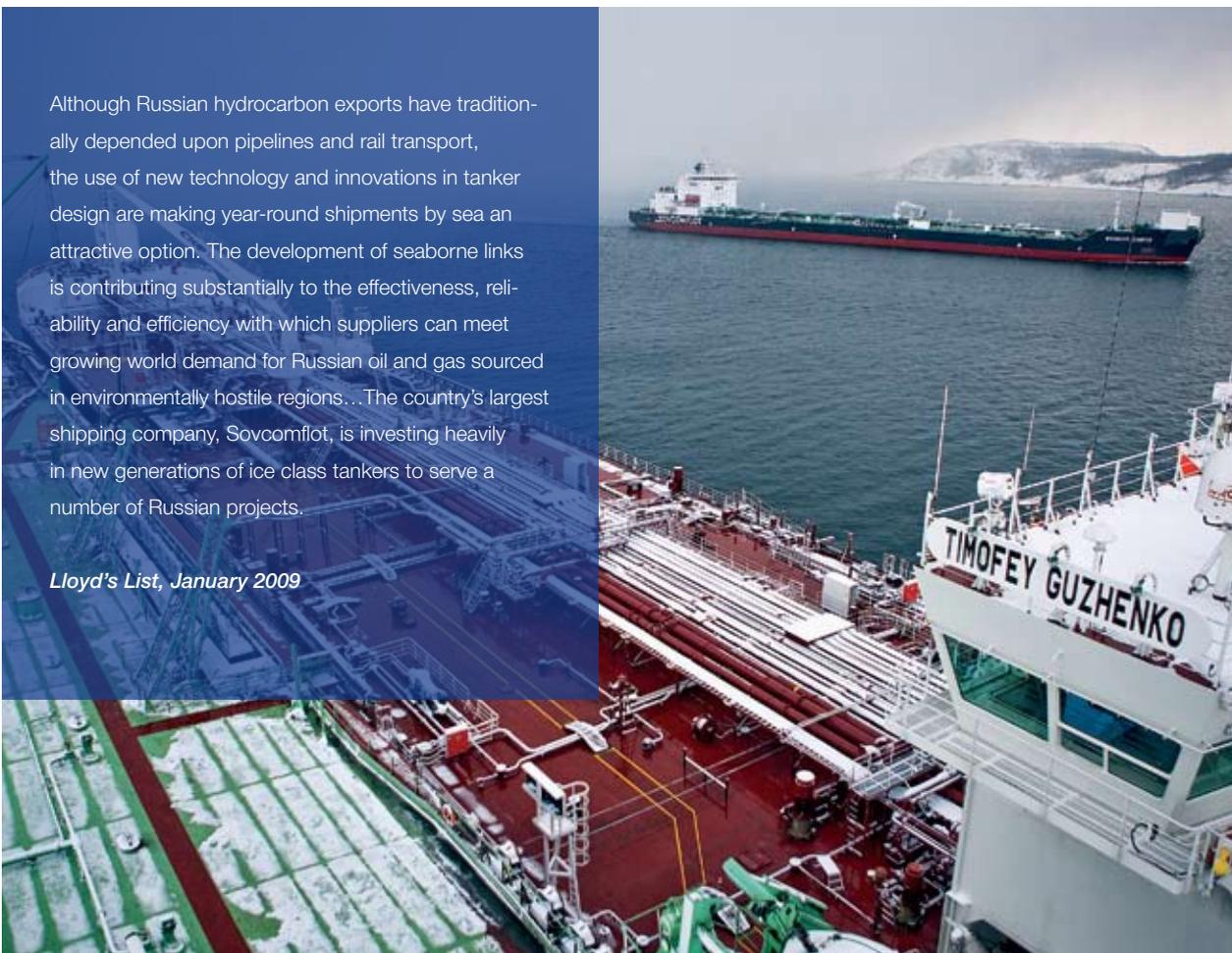
Strategic tasks for SCF Group also include further growth in its share of servicing Russia's seaborne exports, the elaboration and provision of integrated logistical solutions for offshore upstream oil and gas projects, and the continued extension of traditional shipping services in the global market.



**Nikolai Kolesnikov, Executive Vice-President, Chief Strategy & Financial Officer comments:**

*The Strategy supported by the Board envisages investments of up to USD5.5 billion in the course of the next six years. Although the tanker markets will likely remain weak throughout 2010-2011, the Group is well positioned for sustainable growth in line with its strategy.*

*With its committed newbuilding programme fully funded, and a net debt to capital ratio unchanged from last year at 42.9%, the Group is in a strong financial position and has the capacity to act as and when opportunities for new business deals and acquisitions arise. We will also seek to diversify our sources of finance, including accessing debt and equity capital markets.*



Although Russian hydrocarbon exports have traditionally depended upon pipelines and rail transport, the use of new technology and innovations in tanker design are making year-round shipments by sea an attractive option. The development of seaborne links is contributing substantially to the effectiveness, reliability and efficiency with which suppliers can meet growing world demand for Russian oil and gas sourced in environmentally hostile regions... The country's largest shipping company, Sovcomflot, is investing heavily in new generations of ice class tankers to serve a number of Russian projects.

*Lloyd's List, January 2009*

**Timofey Guzhenko,**  
70 000 tonnes dwt tanker, at the Belokamenka FSO,  
**Vasily Dinkov,** 70 000 tonnes dwt tanker, is waiting for berth,  
Kola Bay, April 2009



Tugs *Kapitan Avdyukov* and *Kapitan Popov*  
berth the tanker *Vasily Dinkov* at the Belokamenka  
FSO, Kola Bay, April 2009

With these tasks in view, target parameters for the SCF-Group's Strategy include:

- *maintaining the leading position in servicing Russian exports of hydrocarbons; the creation of a national integrated offshore upstream services provider centered on Sovcomflot with a specific focus on operating in the harsh environment and ice conditions of Russia's Arctic and Far-Eastern regions;*
- *strengthening Sovcomflot's status as a "preferred carrier" for Russian and international oil and gas majors and maintaining its position within the world's top three tanker companies;*
- *consolidating the Group's market positions by expanding its own fleet, operating chartering pools, as well as by executing commercial operation of third parties' vessels;*
- *focusing the investment policy on the needs of core Russian and international oil and gas clients counter to speculative market expectations;*
- *doubling key economic parameters of the SCF Group's activities by the end of 2015, maximizing the return on invested capital and achieving sustainable long-term growth of the company's equity value.*

The company will seek to diversify its sources of finance by way of accessing debt and equity capital markets, making

use of market conditions to stimulate the Group's industry through mergers and acquisitions.

The SCF Group's Strategy for 2010-2015 is also based on further improvement of its fleet technical management system, including socially responsible employment policy, maintaining competitive terms for officers, crew members and onshore personnel, so as to attract and retain the best Russian specialists in the trade.

A crucial part is played by the scientifically-verified technical policy aimed at the construction of highly efficient vessels based on innovative technologies and higher energy efficiency and ecologic security.

Naturally, the SCF Group's Strategy takes into account the priority tasks set by the transport and energy strategies of the Russian Federation, including employment of the existing oil and gas potential, provision of stable positions of the Russian energy companies internally and on the global market.



**Alexander Kurtynin, Vice-President, comments:**

*The SCF Group's development strategy is aimed at providing a wider scope of services for Russian and international oil majors. It envisages, for example, involvement in new sectors connected with servicing offshore oil development.*

*Now we look to even deeper integration in the creation of our value chain, from geological surveys to the transportation of oil and gas to our customers and servicing of offshore projects and offering the safe transshipment of oil and gas from developments and in ports. Such an approach creates the potential for solid growth in the Group's capitalisation and simultaneously decreases transportation costs and risks for our customers.*

Despite the challenging global financial and freight markets, Sovcomflot, Russia's largest shipping company is in an expansion mode. While most shipping companies have been forced to cancel newbuilding orders or sell at reduced prices, Sovcomflot argues that the credit crisis is having little or no sway on its expansion strategy. The company's strategy helps it to maintain its leading position, to develop its significant potential and to widen its customer network.

*Lloyd's Shipping Economist, February 2009*



**Mikhail Ulyanov,**  
70 000 tonnes dwt tanker, at the Admiralty Shipyards,  
St. Petersburg, November 2009

# Structure





**SCF**  
Safety Comes First

NO SMOKING

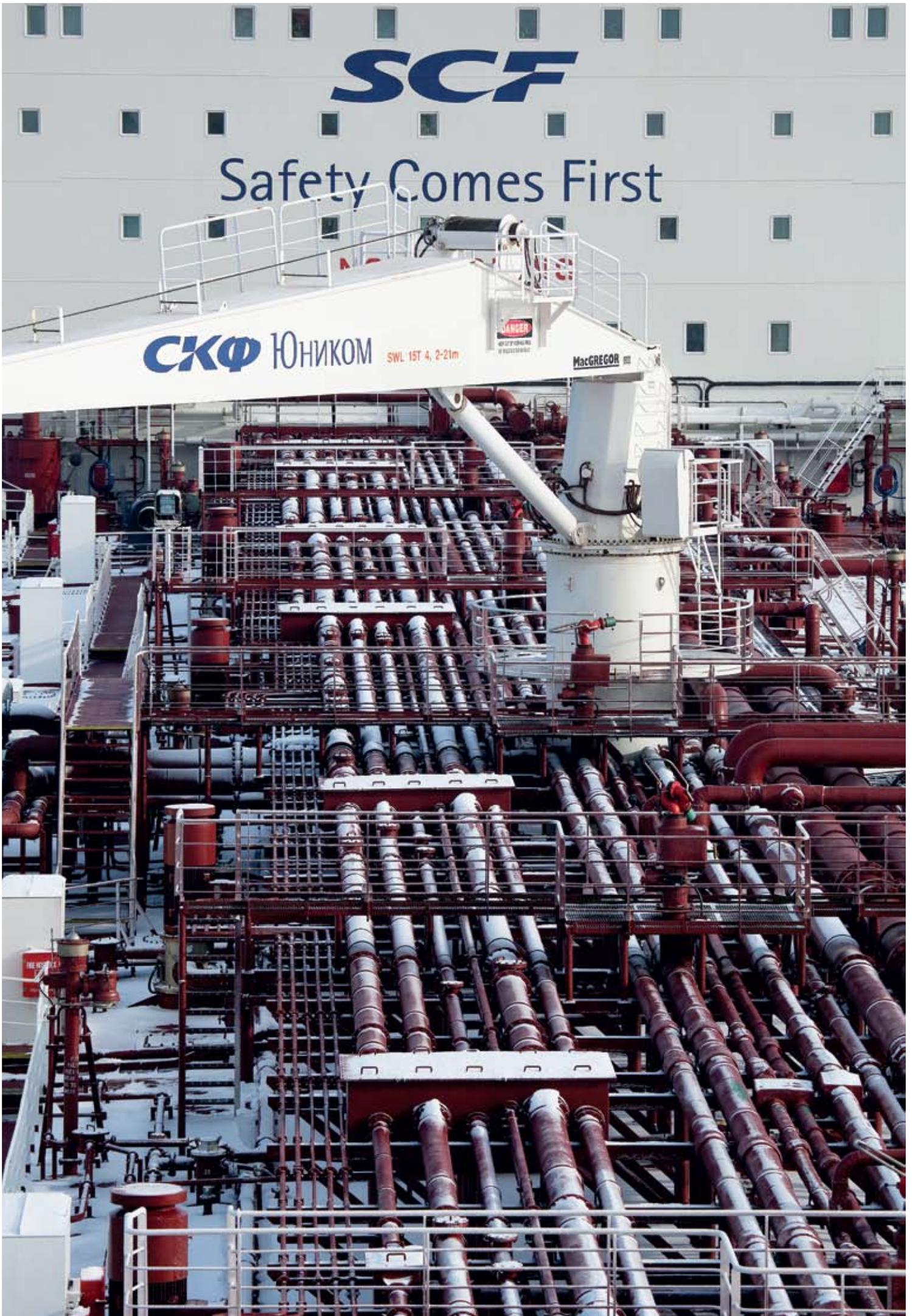


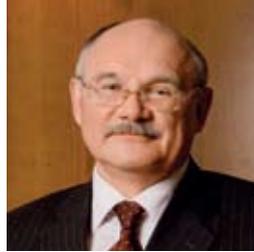
**SCF**

Safety Comes First

**СКФ ЮНИКОМ** SWL 15T 4, 2-21m

MacGREGOR





**Vladimir Mednikov, Executive Vice-President,  
Administrative Director :**

*Sovcomflot is a major transnational Group comprising about 300 companies. Its structure corresponds to the corporate arrangement of the world's leading shipping companies. Sovcomflot has a wide global presence: St.Petersburg, Moscow, London, Limassol, Novorossiysk, Madrid, Murmansk, Vladivostok, Yuzhno-Sakhalinsk.*

## Structure of SCF Group

SCF Group is a fully integrated shipping company which exercises commercial and technical management to provide safe and reliable energy transportation for its customers, including:

operation of a fleet of Suezmax tankers (120,000 — 200,000 tonnes dwt) and Aframax tankers (80,000 — 120,000 tonnes dwt);

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operation of a fleet of product carriers (17,000 — 47,000 tonnes dwt) and chemical carriers (5,000 — 20,000 tonnes dwt);

---

transportation of liquefied natural and petroleum gas;

---

operation of Arctic ice-class vessels;

---

logistics support for offshore oil and gas fields (shuttle shipments of oil in ice conditions and operating services for floating storage and offloading facilities), support vessel services, provision of a Shipboard Oil Pollution Emergency Plan (SOPEP);

---

port services, including management of oil terminals and tug operation;

---

technical management for Group and third party vessels.



Novoship offices, Novorossiysk,  
August 2009



Unicom Management Services (Cyprus)  
Limited offices, Limassol (Cyprus),  
July 2009



Rosneft offices (Sovcomflot's  
partner in JV Rosneftflot),  
Moscow, September 2009

**OAo Sovcomflot (Public Joint-Stock  
Company Modern Commercial Fleet),  
Moscow**

Managing the companies within SCF Group,  
developing long-term industrial projects  
in the sphere of seaborne transportation  
of energy and related logistics  
3a, Moyka River Embankment,  
St.Petersburg, 191186,  
Russian Federation  
[www.scf-group.ru](http://www.scf-group.ru)

**Moscow office:**

6 Gasheka St., Moscow, 125047,  
Russian Federation  
Tel.: +7 (495) 660 4000  
Fax: +7 (495) 660 4099  
E-mail: [info@scf-group.ru](mailto:info@scf-group.ru)  
[www.scf-group.ru](http://www.scf-group.ru)

**OAo Novoship (Public Joint-Stock  
Company Novorossiysk Shipping  
Company), Novorossiysk**

Tanker and dry cargo fleet technical  
management, including training of  
seagoing personnel and crewing  
1 Svobody Square, Novorossiysk,  
353900 Russian Federation

Tel.: +7 (8617) 601602  
Fax: +7 (8617) 601963  
E-mail: [novoship@novoship.ru](mailto:novoship@novoship.ru)  
[www.novoship.ru](http://www.novoship.ru)

**Unicom Management Services  
(Cyprus) Ltd, Limassol**

Technical management and fleet operations,  
including training of seagoing personnel  
and crewing  
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Maximos Michaelides St.,  
3106 Limassol, Cyprus  
Tel.: +357 (25) 89 0000  
Fax: +357 (25) 89 0089  
E-mail: [unicom@scf-group.com](mailto:unicom@scf-group.com)  
[www.scf-group.com/](http://www.scf-group.com/)

**Sovcomflot (UK) Ltd, London**

Commercial management of SCF Group's  
fleet of vessels.  
6th Floor, 1 Finsbury Square, London,  
EC2A 1AE United Kingdom  
Tel.: +44 (0) 20 7496 1800 (freight),  
+44 (0) 20 7496 1812 (general)  
Fax: +44 (0) 20 7496 1813  
E-mail: [sovcomflot@scf-group.com](mailto:sovcomflot@scf-group.com) (general),  
[tankers@scf-group.com](mailto:tankers@scf-group.com) (tankers and LNG carrier cargoes),



*NS Africa*, 112 000 tonnes dwt tanker



*Grand Aniva*, 71 200 tonnes dwt LNG tanker



*Belokamenka FSO*, 360 000 tonnes dwt

[dry@scf-group.com](mailto:dry@scf-group.com) (bulker cargoes)  
[www.scf-group.com](http://www.scf-group.com)

**ZAO Rosnefteflot, Moscow**

Port services and tug fleet technical and commercial management, including management of oil terminals, agency and pilotage services  
 7 Dunayevskogo St., Moscow,  
 121165 Russian Federation  
 Tel.: +7 (495) 225 5995  
 Fax: +7 (495) 225 5997  
 E-mail: [msc-office@rosnefteflot.ru](mailto:msc-office@rosnefteflot.ru)

**OOO Sovcomflot Varandey, St. Petersburg**

Operating the fleet of Arctic shuttle tankers to serve the long-term project of the transportation of oil from the Varandey terminal  
 3a Moyka River Embankment,  
 St. Petersburg, 191186  
 Russian Federation  
 Tel.: +7 (812) 334 5132  
 Fax: +7 (812) 334 5179

**W.W. Marpetrol, S.A., Madrid**

Chemical tanker and asphalt carrier fleet operations  
 C/.General Rodrigo, 6 - 1º, 28003 Madrid, Spain

Tel.: +34 (91) 598 8900  
 Fax: +34 (91) 554 6823  
 E-mail: [marpetrol@scf-group.com](mailto:marpetrol@scf-group.com)

**SCF Swire Offshore Pte Ltd, Singapore**

Technical management and operation of supply vessels  
 300 Beach Road #12-01, The Concourse  
 Singapore 199555  
 Russian branch office: 30 Pobedy Avenue,  
 Yuzhno-Sakhalinsk, 693007,  
 Russian Federation  
 Tel.: +7 (4242) 499 130  
 Fax: +7 (4242) 499 131  
 E-mail: [info@scfswire.com.sg](mailto:info@scfswire.com.sg)  
[www.scfswire.com.sg](http://www.scfswire.com.sg)

**Sovcomflot (Cyprus) Ltd, Limassol**

The Group's finance division, responsible for accounting, payments and public financial statements  
 Unicom Tower, Maximos Plaza, 18  
 Maximos Michaelides Street,  
 3106 Limassol, Cyprus  
 Tel.: +357 2589 0000  
 Fax: +357 2587 5818  
 E-mail: [scfcy@scf-group.com](mailto:scfcy@scf-group.com)  
[www.scf-group.com](http://www.scf-group.com)

# Fleet operations





To strengthen its leading position in the sphere of safe navigation, the company has targeted improvements to its quality service management system

## **Safety of navigation is Alpha and Omega of our business**

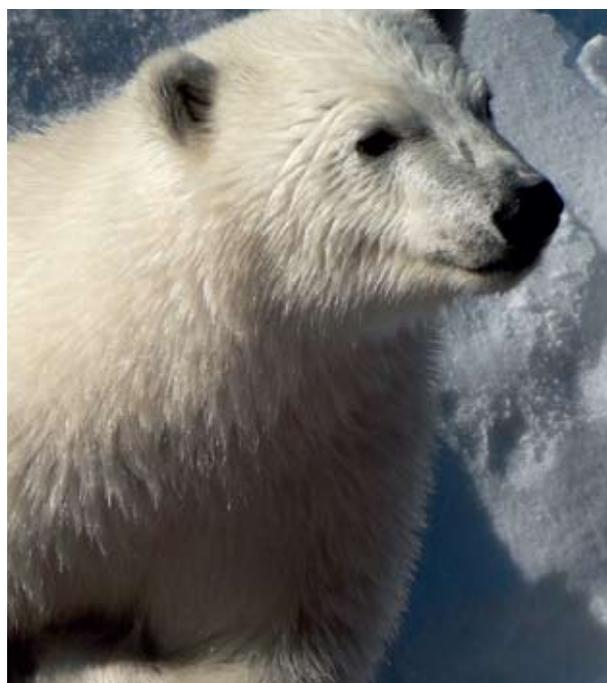
The safety of navigation is one of the key criteria for assessing the operating results of a shipping company. The safety of employees' lives, their ongoing good health and safe delivery of cargoes — is our objective.

“We cannot afford an accident” — that is the maxim of the Sovcomflot Group experts. In our company we understand that it is much better to prevent accidents, by investing significant funds, than to pay the exorbitant price of an accident.

The number of cargo operations undertaken by the Sovcomflot fleet in harsh climatic and complex navigation conditions has grown dramatically in recent years. The increase in Arctic traffic has resulted in a greater need to manage the risks inherent in the ice environment. Whilst the design of the new ice vessels can reduce the operational risk, these vessels require highly trained crews to operate them, which must also be factored in to the safety process.

The company is determined to implement all necessary measures which can minimise the risks to its vessels. To strengthen its leading position in this sphere, the company has embarked on unifying its quality service management system.

Of equal importance to Sovcomflot's investment in safety is the need to strengthen industry regulations, both nationally and internationally. The company is working with maritime institutions to pursue further ways of improving maritime safety.



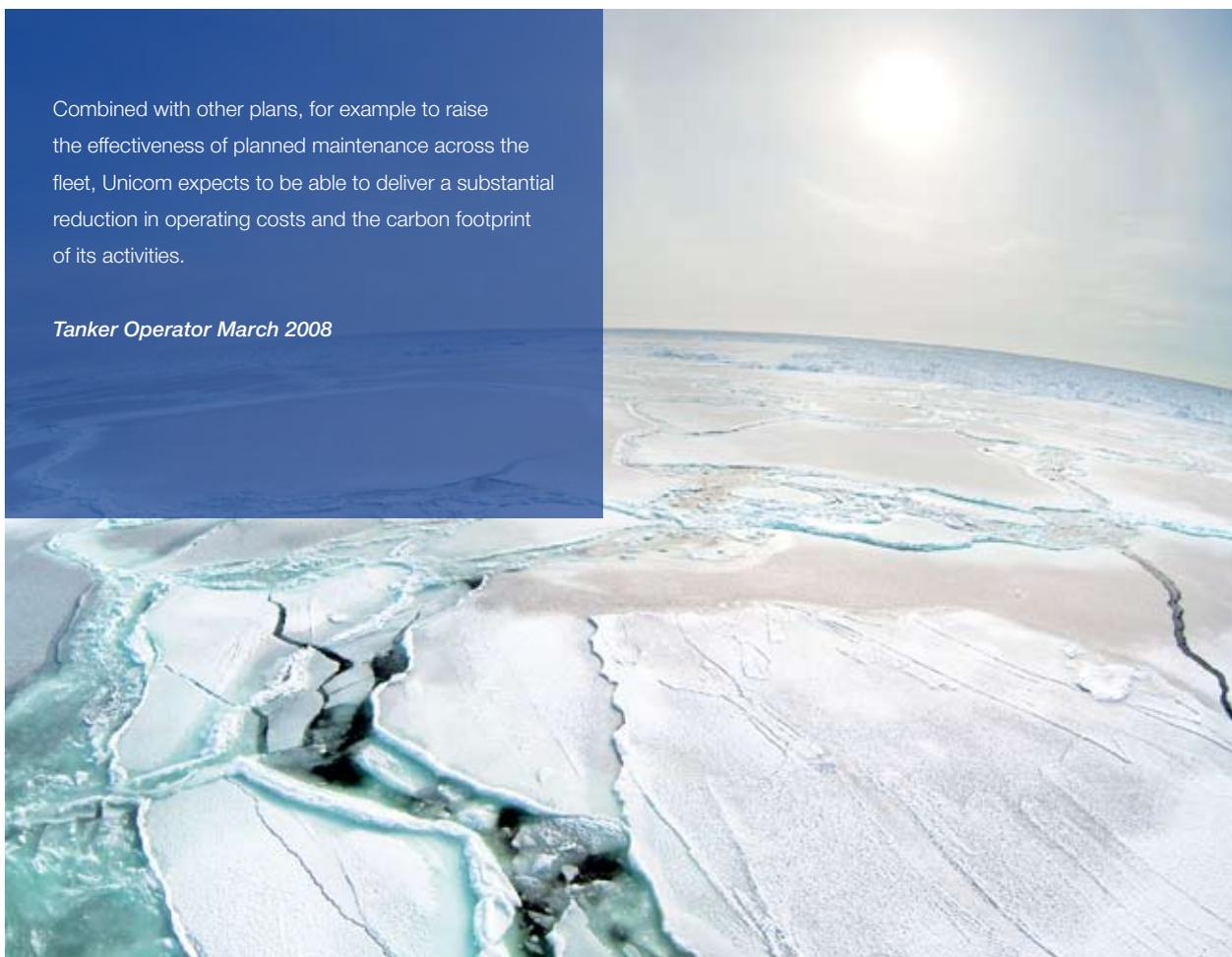


**Sergey Popravko, Managing Director of “Unicom Management Services (Cyprus) Ltd.”, Chief Operating Officer of SCF Group tanker fleet, comments:**

*The priority task for the company and each member of our team is to conserve our maritime environment for future generations. With this aim in mind, we take organisational and technological steps designed to strengthen Sovcomflot’s leading position as a provider of safe transportation for growing energy exports and other seaborne shipping market segments.*

Combined with other plans, for example to raise the effectiveness of planned maintenance across the fleet, Unicom expects to be able to deliver a substantial reduction in operating costs and the carbon footprint of its activities.

*Tanker Operator March 2008*



Barents Sea, April 2009

Today, special attention is focused on the design and building of environmentally and energy efficient vessels using innovative technological solutions

## Higher energy efficiency and environmental safety are our philosophy

Compared to all other modes of transport, maritime transportation has the lowest ecological impact. Shipments of one tonne of cargo per kilometre for maritime transportation produces 9 grammes of carbonic acid, while the same weight/distance ratio for automotive vehicles produces 80 grammes and 600 grammes for aircraft. Therefore, although 90 per cent of cargo is transported by sea, it only generates two or three per cent of the total CO<sub>2</sub> released into the atmosphere.

Nevertheless, energy efficiency and environmental protection remain of vital importance to Sovcomflot's management, which is committed to the:

- further reduction of carbonic acid and oxide emissions;
- introduction of the most advanced technology to diminish fuel consumption across the fleet and shore-based facilities;
- reduction of energy consumption at sea;
- reduction of energy losses ashore, via the use of hi-tech and renewable sources of energy;
- cooperation with freight companies to maximise the

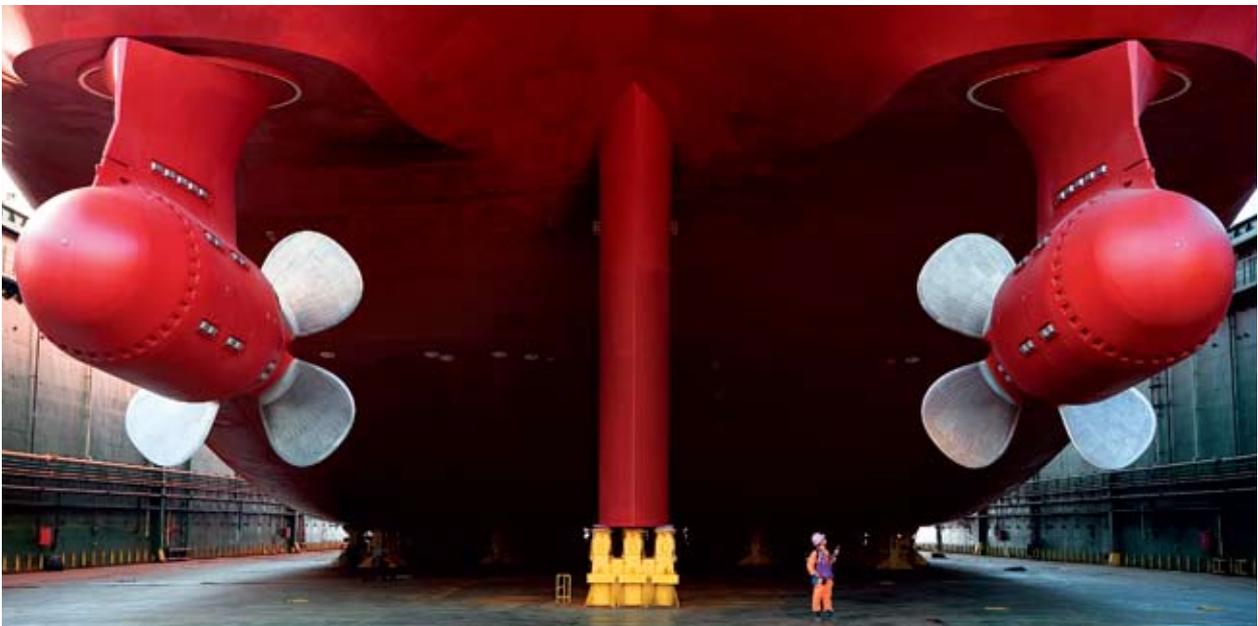
energy efficiency of vessels at sea.

The SCF Group has created a unified three-level system (vessel, manager, ship owner) to monitor energy consumption and CO<sub>2</sub> emissions, through the permanent monitoring of vessels' technical state, the parameters of their equipment and volumes of acid released. Furthermore, the Group is focusing the attention on designing and building environmentally friendly and energy efficient vessels. Through the use of progressive technologies, the improvement of specifications for power plants and reducing the weight of materials (e.g. using high carbonaceous steel which results in vessels weighing 20 per cent less), an overall energy reduction of nine per cent has already been achieved.

Sovcomflot is striving to improve the energy-saving techniques of its ice operations. The ambitious Arctic offshore project is already underway and involves the sophisticated monitoring of the shuttle tanker, *Timofey Guzhenko*. This vessel is equipped with a monitoring system to examine the tanker operations in ice conditions, determining the pressure exerted on the tanker hull in aggressive ice-bound waters. This information will assist in devising optimal speed and mode recommendations to maximise the efficiency of the vessels in these waters.



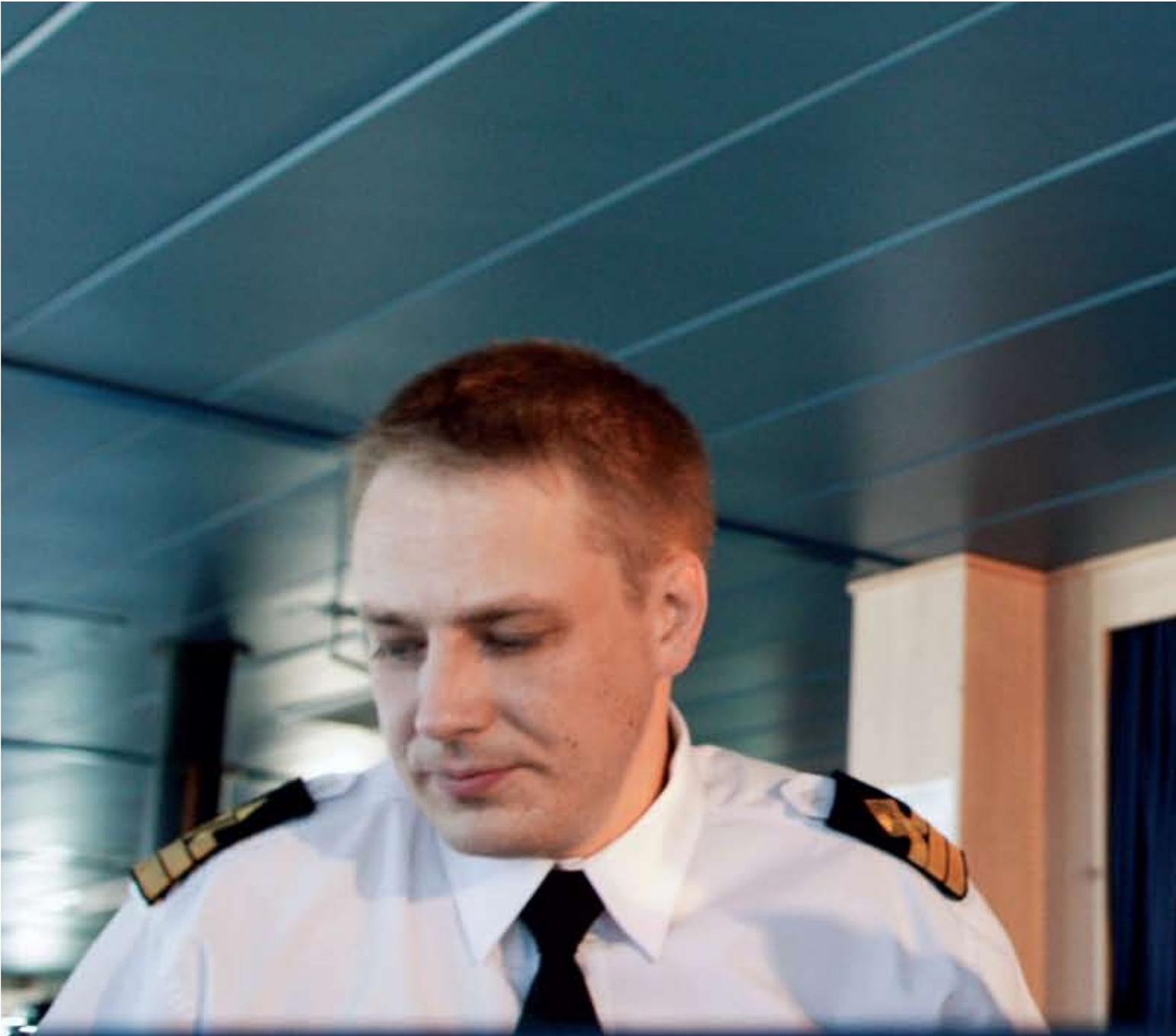
The SCF Group's Board of Directors considers the issues of improving energy efficiency and ecological safety of the fleet operations on a regular basis

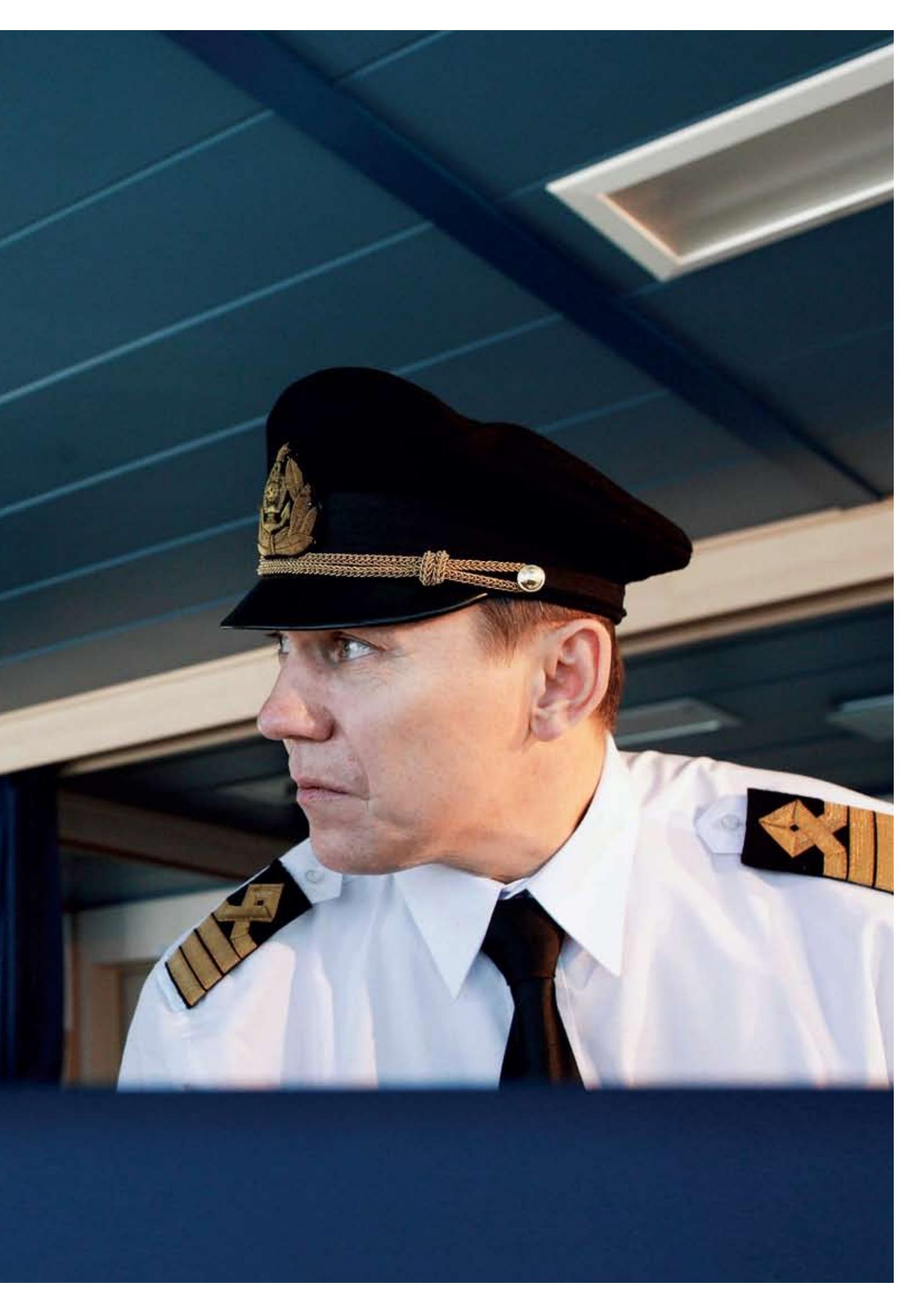


Azipod propulsion units, with a total power output equivalent to 20mW

Sovcomflot has allocated USD 100 million to fund the implementation of its environmental and energy efficiency policies up to 2015.

# Personnel management





For the company, manning doesn't just mean staffing; it requires the accurate selection of highly-skilled personnel, eager to become captains and aspire to be senior managers

## People are our best asset

The manning of the SCF Group's fleet is addressed from the moment that young people start to train as cadets at Russia's maritime educational establishments: the Admiral Makarov State Maritime Academy (St. Petersburg); the Admiral Nevelsky Maritime State University (Vladivostok); the Admiral Ushakov State Maritime Academy (Novorossiysk); the Maritime Technical College (St. Petersburg) and other specialised professional schools for aspiring seafarers. For the company, manning does not mean just staffing, but rather the precise selection of highly skilled personnel.

The company's specialists get acquainted with cadets long before they graduate. They interview them and, if agreed, they are chaperoned by Sovcomflot starting from the second or third grade until the last day of their training. As cadets they enjoy preference in undertaking practical training aboard the company's vessels. About 80 graduates from maritime educational establishments come to Sovcomflot annually. Subsequently, according to the company's career plan, as a rule they are appointed in 10-12 years to the position of captain or chief engineer, depending on their specialism, level of professional expertise, intellectual and personal traits.

Before their appointment, the candidates are involved in

training sessions as operators or technical superintendants in on-shore establishments. This practice helps them to experience the specifics of such functions and better understand what people ashore expect from them as captains or chief engineers.

The advanced maritime training continues through the whole period of their employment as crew members. Sovcomflot successfully co-operates with the maritime educational institutions, benefiting from their existing advanced training centres. The training sessions are held in Novorossiysk at the training centre belonging to Novoship, which is a part of SCF Group. The training of captains for large-capacity vessels is organised at simulator centres in France and Great Britain. Currently, the company is exploring the possibility of constructing its own simulator centres in St. Petersburg and Novorossiysk, involving the maritime academies based there. The level of their technical equipment and multipurpose functions would be of world class standard.

The improvement in professional training includes a number of additional measures, specifically the involvement of acting captains and chief engineers in the training process of the profile chairs of maritime academies, the foundation of an ice captains' corps, the introduction of mentor-captains and mentor-engineers in crewing offices, and the invitation



**SCF**

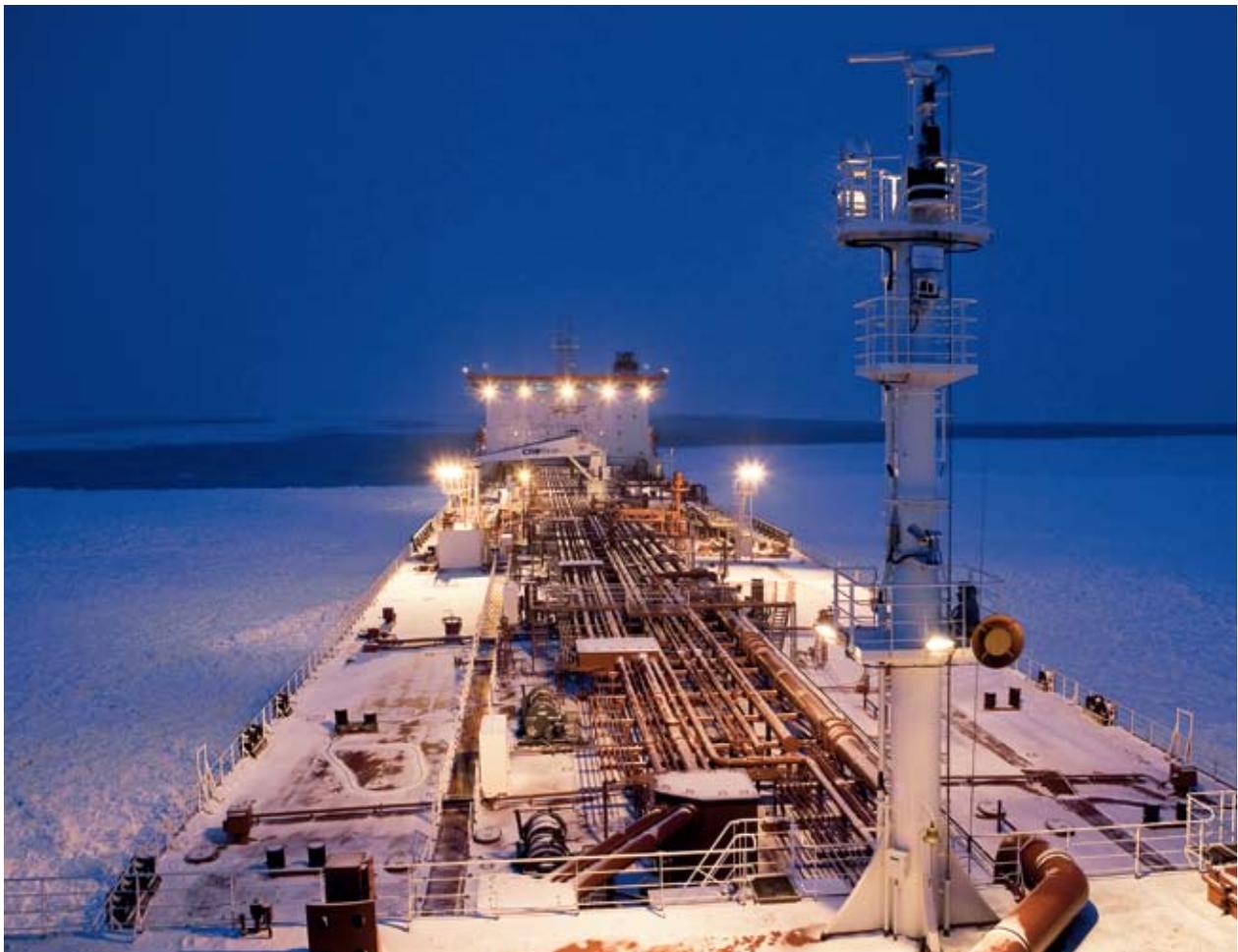
**Safety Comes First**

**NO SMOKING**



**Igor Pankov, Vice President,  
Safety and Quality**

*Today the overwhelming majority of our fleet's captains and chief engineers are individuals who have been working in the company from their early days. We have seen them growing as professionals in their trade, and as people imbued with the spirit of our human resources philosophy, in the broadest sense. That is what makes them special as far as their promotion is concerned.*



**Timofey Guzhenko**, 70 000 tonnes dwt tanker,  
at the Fixed Offshore Ice-resistant Off-loading Terminal  
(FOIROT) at Varandey, Barents Sea, April 2009



Cadets of the Makarov State Maritime Academy  
at the Sovcomflot lecture room,  
St.Petersburg, April 2010

of ‘competence-carriers’ in new sectors of the company’s activity, according to its development plans.

Sovcomflot’s personnel policy is aimed at personnel attraction and retention, supported by the steady rise in crewmen’s salaries. Even during the 1990s, a complex period in the history of modern Russia, Sovcomflot continued to pay its employees without delay, which was not the case for many industries at the time. The salary standards adopted by Sovcomflot today are the highest in the Russian shipping industry, and they are equal to those of a number of European states. Besides, substantial annual bonuses are also paid to the best captains and chief engineers reflecting their contribution. In coordination with the Russian Ministry of Transportation, specialists within the fleet are awarded orders and medals, as well as badges For Accident-Free Work (over periods of five, ten, 15 and 25 years of employment).

Taking into consideration the heavy physical and psychological burdens imposed on crews at sea, the company’s management introduced additional staff aboard its vessels, and now the shuttle tankers operating in Arctic seas enjoy two crews each going to sea on a shift basis. The duration of contracts for commanding officers has been shortened to four months at sea and four months ashore, with a part of their salary paid.

One subject of considerable attention, of course, is the moral and physical wellbeing of crews during their time at sea. It is now not surprising to find fitness facilities, saunas or even covered swimming pools aboard Sovcomflot’s vessels. The catering standards for seamen are amongst the best in the industry. There is also a sanatorium for the use of seafarers in Novorossiysk, plus accommodation and rehabilitation procedures are partially paid by the company.

The system of pension insurance for the commanding officers is well established and currently all senior officers are included in the pension fund. This will be rolled out to second assistants and third engineers, as well as other seafarers occupying key positions. Furthermore, an extraordinary grant is paid to those going on pension.

For the forgoing reasons, there is negligible turnover in the manpower of the company’s fleet. It is considered a good result in the shipping industry if about 20 per cent of personnel have left an organisation within two years. For Sovcomflot, this figure does not even exceed five per cent.

# Charity and sponsorship





The company's activity in this sphere is multifaceted, but priority is given to supporting educational and medical institutions for children; providing support for merchant fleet veterans; preserving the cultural, historic and spiritual heritage of Russia; and promoting professional maritime education

## Charity and sponsorship are our Contribution to social development

The company's activity in this sphere is multifaceted, with priority being given to the support of educational and medical institutions for children and veterans; the preservation of the cultural, historic and spiritual heritage of Russia; and to the promotion of professional maritime education. Representatives of Sovcomflot's top management are included in the boards of trustees at all three Russian maritime academies. Sovcomflot assists in the advancement of the material and technical bases of the maritime educational establishments and contributes to joint scientific research.

The company also supports the development of water-based sports that promote the maritime trade.

In July the first leg of the Sovcomflot-sponsored prestigious international regatta of the largest sail training ships, The Tall Ships' Races Baltic — 2009, was held in St. Petersburg. Over 100 sailing ships, with more than 2,000 cadets on board coming from maritime colleges and academies of over 50 countries, moored at the Angliyskaya Embankment and the Leytenant Shmidt Embankment of Vasilyevsky Island. The decision to support the regatta was taken in the context of company's efforts to promote professional

training, support seafaring trades and to involve young people in the industry.

In the course of the event, an agreement was signed between Sovcomflot and the All-Russia Federation of Sail Sports for the financing of children and youth sailing sports in Russia. This includes the training of Russia's youth national team for the Youth Olympic Games in Singapore in 2010.

The signing ceremony took place on board the sail training ship *Mir*. Even during the initial study phase of the preparation for the Olympics, two licenses for future participants were gained.

The same aim is promoted by the Sovcomflot-sponsored Vladimir Salnikov Cup international swimming competition. The tournament, held for the third year running, is named after the legendary swimmer and four-time Olympic swimming champion.

Two hundred of Russia's best swimmers and 50 famous sportsmen from 17 countries came to St. Petersburg in December 2009 to take part in the competition. One World record, one European and five Russian records were broken during the tournament. In accordance with tradition, cadets from the Admiral Makarov State Maritime Academy, invited to the competition by Sovcomflot, were among the spectators of this festive and fascinating event.



Sovcomflot is sponsoring the restoration of the Holy-Transfiguration Valaam Monastery, Valaam Island, September 2009



Sovcomflot is sponsor of the All-Russia Federation of Sail Sports, New Zealand, March 2010



The Vladimir Salnikov Cup international swimming competition, St. Petersburg, December 2009



**Nicholas Fairfax,**  
**Deputy Managing Director of SCF (UK) Ltd:**

*The company holds strong maritime traditions with great respect for history. It is an honour for us to participate in the HMS Belfast reconstruction project (The last witness project). This ship contributed greatly in the defeat of fascist Germany. We are grateful to all the veterans whose service was provided for the sake of future generations.*

*HMS Belfast is one of the projects in Sovcomflot's charity programme aimed at preserving maritime history. The largest project supported by the Group is the museum of the first atomic ice-breaker Lenin, established in Murmansk.*

## 65 Years of the Great Victory. We remember...



Having due consideration for the fleet's heritage, and taking care of the people who have done so much for Russia's maritime development are the traditions most cherished at Sovcomflot.

SCF Group delegation participated in a ceremony aboard *HMS Belfast* in London to honour veterans of the Arctic convoys held in the framework of the festive events devoted to the 65th anniversary of Victory in the Great Patriotic War (WWII). The SCF Group delegation included the Sovcomflot President and CEO Sergey Frank, the Novoship Executive Vice-President Evgeny Kostyuk, and the WWII veteran and participant in the Arctic convoys Kronid Oboyschikov. At the ceremony, 13 British veterans of the Arctic convoys were awarded anniversary medals bearing the inscription "65 years of Victory in the Great Patriotic War 1941-1945". Those attending the ceremony honoured the memory of seamen and pilots who served with the Arctic convoys and gave their lives in the victory over fascism. Some time ago four Russian merchant seamen, crew members of the vessels of the Sovtanker Shipping Company (succeeded by the Novorossiysk Shipping Company, now Novoship, an SCF Group

member), were awarded the British silver crosses "For Services in Battle" for their courage and heroism when escorting the convoys. Three crew members of the tanker *Azerbaydzhan* (participated in PQ-17 convoy in July 1942) were among them. Out of 37 ships of the convoy only 11 reached the port of Arkhangelsk. The seamen managed to navigate the tanker *Azerbaydzhan*, with a shot hole of 72 square metres and a broken main power plant, to the home shores. King George VI presented the British silver crosses to Captain Vladimir Izotov, chief engineer Fyodor Dumbrov and to second engineer Diamid Slauta in acknowledgment of their feat of arms. The fourth award was handed over to the family of Mefodiy Fyodorov, the chief engineer of the tanker *Donbass*, sunk by German aviation in November 1942.

Sovcomflot is participating in the *HMS Belfast* reconstruction project. This ship rendered support for our country during WWII and her operations saved the lives of hundreds of Soviet and British seamen and soldiers, fighting together against fascism.



1



2



3



4

- 1. The first nuclear icebreaker *Lenin*, Murmansk
- 2. Diamid Slauta, second engineer of the tanker *Azerbaydzhan*, awarded the British silver cross by King George VI of England
- 3. *HMS Belfast*, London, March 2010
- 4. Kronid Oboyshchikov, participant in the Arctic convoys, London, March 2010

# Consolidated Financial Statements

## Summary consolidated financial data (audited, prepared under IFRS, in US\$'000)

Consolidated Income Statement Data	Year Ended	
	December 31, 2009	December 31, 2008
Freight and Hire receivable	1 222 415	1 634 078
Voyage expenses and commissions	(290 101)	(397 162)
Net voyage revenues	932 314	1 236 916
Vessel running and drydock costs, charter hire payments	(344 558)	(337 081)
Profit on vessels' trading	587 756	899 835
Depreciation and amortisation	(226 500)	(242 873)
General and administrative expenses	(80 288)	(104 037)
Profit from vessels' operations	280 968	552 925
Gain / (loss) on disposal of assets	(1 989)	26 610
Net Interest expense	(88 107)	(87 302)
Net other (expenses) / income	41 971	(80 680)
Profit before income taxes	232 843	411 553
Income taxes	(16 005)	(5 313)
Profit for the year	216 838	406 240
Attributable to:		
Equity holder of the parent	202 921	340 680
Minority interest	13 917	65 560
	<b>216 838</b>	<b>406 240</b>



**Charles Ryan, Sovcomflot Independent Director,  
Chairman of the Audit Committee comments:**

*With the increase of the number of independent directors on the Board, the Company was able to form Board level committees (Strategy Committee, Audit Committee, HR Committee) chaired by these independent directors, which is another important step in developing corporate governance standards in line with best market practice. The institutional and corporate development of the company will be further aimed at achieving full compliance with the leading Stock Exchanges' requirements for public companies.*

Consolidated Balance Sheet Data	Year Ended	
	December 2009	December 2008
Non-current assets	5 433 604	5 186 072
<i>Fleet</i>	4 766 487	4 210 107
<i>Tonnage under construction</i>	506 405	880 079
<i>Other fixed assets and investments</i>	59 540	61 577
<i>Intangible assets</i>	25 654	28 663
<i>Finance lease receivables</i>	69 692	—
<i>Other assets</i>	5 826	5 646
Current assets	602 590	537 665
Non-current assets held for sale	31 446	3 259
<b>Total assets</b>	<b>6 067 640</b>	<b>5 726 996</b>
Shareholders' Funds	3 074 894	2 816 963
Long-term debt	2 392 430	2 197 765
Other non-current liabilities	83 982	196 038
Current portion of long-term debt	250 977	219 316
Current liabilities	265 357	296 914
<b>Total liabilities</b>	<b>6 067 640</b>	<b>5 726 996</b>

Cash Flow Statement	Year Ended	
	December 31, 2009	December 31, 2008
Cash at beginning of year	298 119	293 933
Net cash inflow from operating activities	513 991	853 517
Net cash outflow from investing activities	(489 324)	(702 707)
Net cash inflow / (outflow) from financing activities	14 512	(128 865)
Effect on FX rate changes on cash & cash equivalents	(1 603)	(17 759)
<b>Cash at end of year</b>	<b>335 695</b>	<b>298 119</b>

# Fleet/ Newbuilding programme

## Fleet

Vessels by Type	Number of vessels (units) 2009	Total DWT ('000 tonnes) 2009
LNG Gas Carriers	6	376
LPG Gas Carriers	2	53
Suezmax Tankers	15	2 381
Aframax Tankers	36	3 933
Arctic / Ice Shuttles	5	414
MR Product Carriers	46	2 064
LR2 Product Carriers	4	446
Panamax Bulkers	1	69
Multipurpose vessels	5	48
AHTS / Tug boats	8	6
Bulkers	1	26
Chemical/Asphalt Tankers	12	127
<b>Chartered in vessels:</b>		
Suezmax Tankers	1	167
Product Carriers	2	102
<b>TOTAL</b>	<b>144</b>	<b>10212</b>



*Kirill Lavrov*,  
70 000 tonnes dwt tanker, at the Admiralty  
Shipyards, St.Petersburg, December 2009

## Newbuilding Programme

Ship's Name	Shipyard	DWT	Ise Class	Delivery
SCF Samotlor	HHI	158 000		26/02/10
Mikhail Ulyanov	Admiralty	70 000	LU6	27/02/10
SCF Baikal	HHI	158 000		25/03/10
NS Bora	RSHI	156 000		31/03/10
Tug	Pella	230	Arc 4	30/04/10
Olimpiysky Prospect	HHI	114 000	1B/1C	30/06/10
Tug	Pella	230	Arc 4	18/07/10
Kirill Lavrov	Admiralty	70 000	LU6	27/08/10
NS Bravo	RSHI	156 000		31/08/10
Moskovsky Prospect	HHI	114 000	1B/1C	08/09/10
Leonid Loza	RSHI	156 000		30/09/10
Mar Huelva	Geo Marine	6 000		30/09/10
Primorsky Prospect	HHI	114 000	1B/1C	30/11/10
Mar Tarragona	Geo Marine	6 000		30/01/11
Suvorovsky Prospect	HHI	114 000	1B/1C	15/02/11

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