

# ANNUAL REPORT 2013



**SCF**<sup>®</sup>  
Safety Comes First

In 1988 Sovcomflot became one of modern Russia's first joint-stock companies and its first domestic shipping enterprise, established in accordance with international standards and practice. Since then the company's fleet has grown almost eightfold and today Sovcomflot enjoys leadership positions in new and highly demanding market segments. The average fleet age at the end of 2013 was eight years.

**JUNE 1988**

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**122**

**diversified  
vessels**

**JUNE 2013**

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**158**

**specialised  
vessels**

**1.6**

**mln tonnes dwt**

**12.6**

**mln tonnes dwt**

#### **OAD SOVCOMFLOT**

Russia's largest and one of the world's leading shipping companies specialising in crude oil, petroleum products and liquefied gas transportation and the servicing of offshore upstream oil and gas projects. Provides a full range of services – from traditional seaborne energy transportation to complex engineering solutions for offshore oil and gas transportation in harsh ice conditions, the servicing of oil platforms, geological offshore exploration and towage.

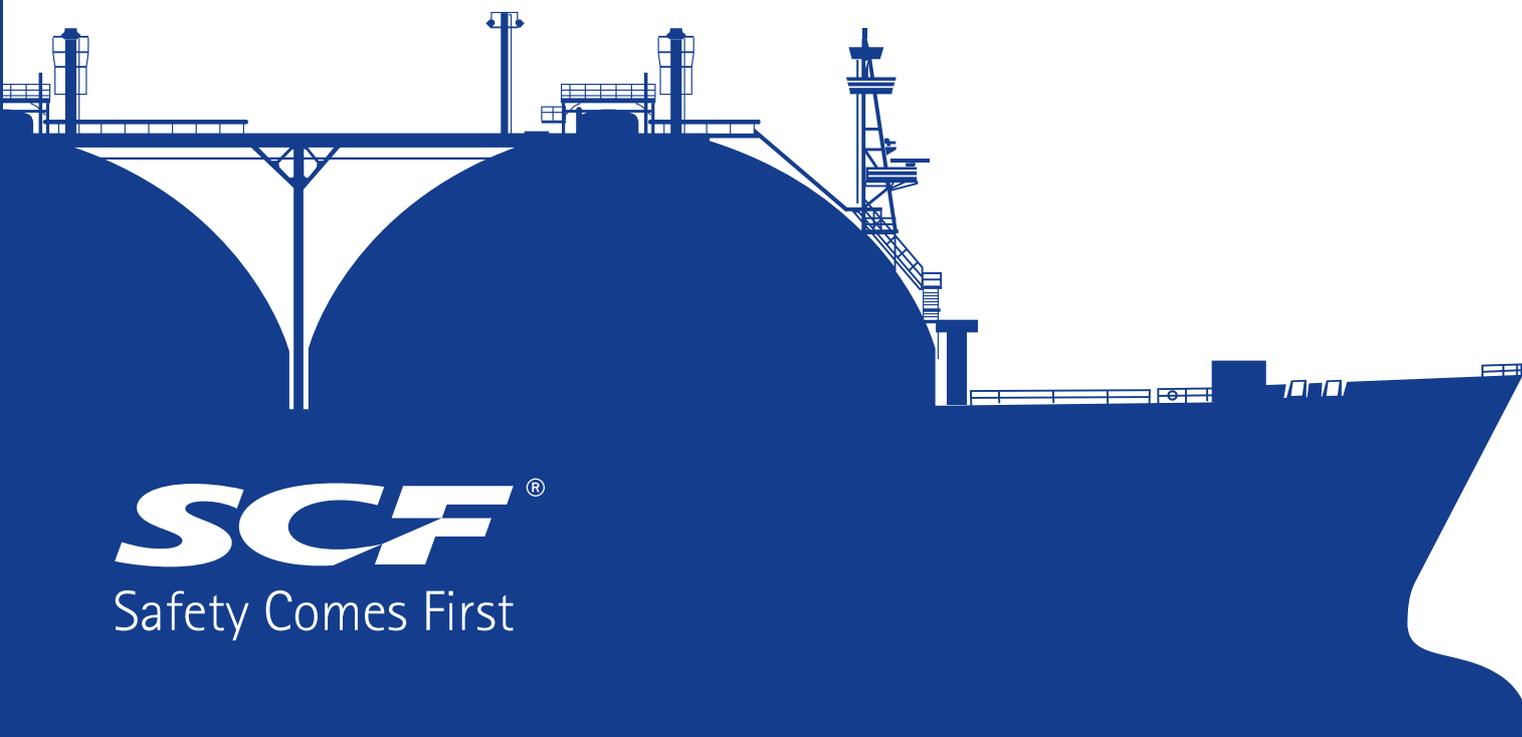
A reliable team of experienced professionals counts over 9,300 people at sea and ashore. The company has a fully integrated corporate structure:

from ship-owning to commercial and technical management, with offices and subsidiaries in St. Petersburg, Moscow, Novorossiysk, Murmansk, Vladivostok, Yuzhno-Sakhalinsk, London, Madrid, Singapore, Limassol and Dubai.

Sovcomflot services some of the largest energy projects in Russia and beyond: Sakhalin-1; Sakhalin-2; Varandey; Prirazlomnoye; Tangguh (Indonesia); Peregrino (Brazil); Escobar (Argentina).

In 2013 OAO Sovcomflot ("SCF Group") celebrated its silver jubilee – 25 years since its foundation as an independent joint-stock company.

# ANNUAL REPORT 2013



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Safety Comes First

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Today Sovcomflot is Russia's largest shipping company and one of the world leaders in energy transportation by sea.



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# Company profile

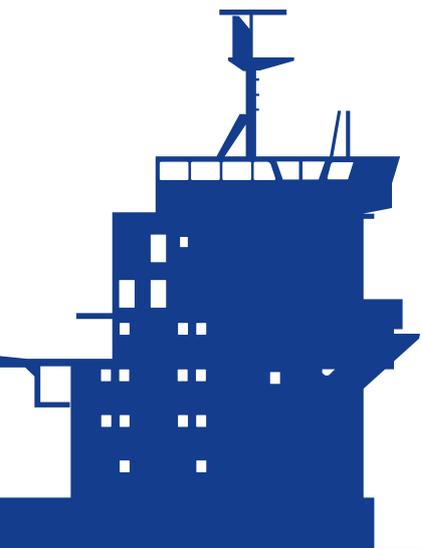
Today, OAO Sovcomflot is Russia's largest shipping company and one of the world leaders in energy transportation by sea.

## CRUDE OIL DIVISION

This is the company's largest sub-division, serving the maritime transportation needs of Russian and international clients for oil and dark oil products. As of 31 December 2013, the division's fleet had 63 tankers with a total deadweight of over 7.5 million tonnes. Revenue from crude tanker operations was USD 603.7 million. During the year, the fleet expanded further with the arrival of the largest vessel in the history of the Russian merchant marine – the VLCC tanker Svet.

## OIL PRODUCT DIVISION

This division provides hydrocarbon transportation services for light and dark oil products as well as bulk cargo. These include: petroleum, diesel fuel, fuel oils, iron ore and coal. At the end of 2013 the division had 58 vessels with a combined deadweight of 2.96 million tonnes. Revenue from operations totalled USD 347.5 million. The fleet gained three new vessels over the past year. The vessels played an active role in the implementation of the program of exploration of the high-latitude Arctic routes, and also worked in joint enterprises with the world's leading oil-traders.



# 63

**tankers of over 7.5 million tonnes dwt in total.**

# 58

**vessels of nearly 3 million tonnes dwt in total.**



VLCC tankers



Aframax tankers



LR/II tankers



Suezmax tankers



LR tankers



Towage operations for platform substructures

MR tankers

## GAS DIVISION

Sovcomflot's gas division provides shipping services for liquefied natural gas and liquefied petroleum gas (LNG and LPG). At the end of 2013 the divisional fleet consisted of 10 gas carriers, with a further four vessels under construction and due to join the fleet in 2014-2015. Gas shipping represents one of the key segments in Sovcomflot's development strategy. The division is committed to working under long-term agreements with the world's leading charterers. Over the past year, the fleet has gained two new LPG carriers. Revenue from gas carrier operations totalled USD 48.7 million during 2013.

## OFFSHORE DIVISION

This fleet division supports offshore oil & gas production, providing a wide range of services, including: platform supply and servicing; terminal management and safe oil transportation via shuttle tankers from offshore fields located within challenging climatic conditions. The offshore division works on long-term contracts, providing the transportation component for projects such as Sakhalin-I, Sakhalin-II and Varandey. The divisional fleet consists of 16 vessels, including 12 ice class shuttle tankers and four icebreaking platform supply vessels. The division's revenue in 2013 totalled USD 207.7 million, and the fleet expanded with the addition of the multi-purpose supply vessel *Aleksey Chirikov*.

## SEISMIC DIVISION

The division was established in 2013 and represents a developing business unit. SCF Group's state-of-the-art seismic exploration vessel *Vyacheslav Tikhonov* became the first vessel of its kind in the Russian fleet. During the year, the vessel successfully completed a range of seismic exploration projects for the giant oil & gas companies Rosneft and Gazprom.

# 10

gas carriers with a combined 800,000 cubic metres of cargo capacity.

# 16

vessels of over million tonnes dwt in total.

# 3D

seismic exploration.



Ultra-modern Atlanticmax LNG carriers



IBSV's



Seismic vessel  
Vyacheslav Tikhonov



Conventional LNG carriers



Shuttle tankers for offshore shipping



LPG carriers

# 158 VESSELS 12.6 MILLION TONNES DWT

## Areas of operation





# OAQ Sovcomflot (SCF Group) Board of Directors

Elected at the shareholders' meeting of 13 August 2013.



**Marlen Manasov**  
Independent Director,  
Member of the Board of Directors  
of OAO "Aeroflot"

**Mikhail Poluboyarinov**  
Management Board Member,  
First Deputy Chairman of State  
Corporation "Vnesheconombank"

**Alexey Klyavin**  
President of the National  
Chamber of Shipping

**Sergey Frank**  
Chairman of SCF Executive  
Board, President & CEO  
of Sovcomflot

**Ilya Klebanov**  
Chairman of the Board  
of Directors

**David Moorhouse**  
Independent Director

**Charles Ryan**  
Independent Director,  
Chairman and Managing Director  
of UFG Asset Management



**Nikolay Tokarev**  
President  
of AK "Transneft" OAO

**Viktor Olerskiy**  
Deputy Minister  
of Transport of  
the Russian Federation

# Address from Chairman of Sovcomflot Board of Directors Ilya Klebanov



# In market segments associated with the servicing and support of large-scale offshore oil & gas projects in challenging climatic conditions, Sovcomflot holds absolute leadership.

## DEAR FRIENDS!

The year 2013 marked the 25th anniversary of Sovcomflot as a joint stock company – one of the first JSCs in the history of modern Russia. Over what has been a challenging quarter of a century for our country, Sovcomflot has evolved from a mid-sized shipping line to become Russia's largest shipping company. Today, Sovcomflot is among the world's top five energy transporters and provides first class shipping services for over five per cent of all global oil and petrochemical consignments. In market segments associated mostly with the servicing and support of large-scale offshore oil & gas projects in the challenging conditions of the Arctic and Subarctic seas, Sovcomflot holds absolute leadership.

The company is systematically implementing its development strategy for the period until 2018, which is closely connected with the Energy and Transport Strategy of the Russian Federation. The company's main goal is to diversify and expand its business project portfolio – focusing on long-term contracts to provide energy shipping and other services to oil & gas companies engaged in the offshore development and production of hydrocarbon resources in Russia and overseas. Its balanced development strategy means that SCF Group can maintain its stable financial position, fully implement its current initiatives and programmes - especially those connected with safety at sea and fleet expansion, and successfully withstand the ongoing negative trends

and challenges that have been affecting the global tanker industry for the past five years.

Sovcomflot holds leading positions in global energy shipping segments and is committed to expanding the share of Russian projects in its business portfolio – primarily focusing on offshore project support. The company is one of the largest clients for Russia's domestic shipbuilding industry and in recent years has placed orders for the construction of 14 vessels at a total cost of over USD 700 million. These vessels include unique state-of-the-art ships designed for operations in the Russian Arctic. Sovcomflot is systematically increasing the number of Russian-registered vessels in its fleet. At present, SCF Group has 18 vessels of this type with a combined value of over USD 1 billion. OAO Sovcomflot provides work to 8,500 Russian sailors, conducts wide-ranging programmes to support Russian maritime education and makes a significant contribution to the development of the country's coastal regions.

During Sovcomflot's anniversary year, a large number of SCF employees – both shipboard and shore-based personnel – were presented with state and industry awards.

On behalf of the SCF Board of Directors I would like to thank the award recipients for their significant contribution to the development of the company and were presented with state, industry and regional awards. On behalf of the

SCF Board of Directors, I would like to congratulate the recipients once again, as well as all current serving personnel and veterans of OAO Sovcomflot Group. We would also like to express our sincere gratitude to our clients and partners for their constant support.

**Chairman  
of Sovcomflot Board of Directors  
Ilya Klebanov**

# Address from Sovcomflot President & CEO Sergey Frank



The company has taken systematic steps to implement its development strategy and increase revenue from high-yield segments, such as liquefied gas transportation and offshore project support.

#### DEAR FRIENDS!

During the reporting period, OAO Sovcomflot continued its activities in the global tanker market, which faced its fifth consecutive year in cyclical recession. According to the Clarksea Index, freight rates in the tanker sector remained 20 per cent lower than the average level of the past 20 years. This can be explained by the fundamental disbalance between supply and demand for tonnage, which was influenced by a slower global economic recovery.

Working in these uneasy conditions, Sovcomflot succeeded in preserving its operating margin despite the financial crisis across the global tanker industry, which has been made worse by slow progress in the decommissioning of older vessels. Gross revenue totalled USD 1,262.8 million, net profit (time-charter equivalent) was USD 872.6 million (growth of 1.5 per cent), EBITDA was USD 382.1 million, and adjusted net profit came to USD 11.6 million.

During the year the company made systematic steps for the implementation of a development strategy, which led to a significant rise in profits from high-yield segments, such as liquefied gas transportation and offshore project support.

Operating one of the youngest and most technically advanced tanker fleets on the planet, Sovcomflot retained its positions as one of the world's largest tanker companies while consolidating its leadership in a range of market segments.

During this fiscal period, Sovcomflot Group added seven new vessels with a combined deadweight of around 700,000 tonnes. The company entered new energy shipping segments: VLCC tanker and ice class LPG carrier shipping. Sovcomflot's new vessels were primarily deployed under long-term time-charter agreements with leading Russian and international oil and petrochemical companies.

Sovcomflot Group continued to invest in the development of cutting-edge engineering solutions and innovative technologies used in both vessel construction and operation. These measures have helped to improve the quality of service for clients and ensure navigational and environmental safety. This fiscal year saw the introduction of VLCC tanker *Svet* – the first vessel of its size in the history of the Russian merchant fleet. *Svet* was included in the "Outstanding Vessels of 2013" list published by the Royal Institution of Naval Architects (United Kingdom). The vessel was named after the first Russian tanker *Svet*, which started to ship oil across the Black Sea at the end of the 19th century.

The company made concerted efforts to enhance professional training programmes for its shipboard personnel and provide better working and leisure conditions for SCF crews. In 2013, all Sovcomflot Group vessels received certificates of compliance with the International Maritime Organization's Maritime Labour Convention (2006).

In preparation for further company participation in offshore oil & gas projects in the Arctic, Sovcomflot continued to implement its programme to develop high-latitude tanker routes across the Arctic. Several company vessels completed Northern Sea Route crossings in 2013, including: MR tanker *SCF Yenisei*, LR2 tanker *Viktor Bakaev* (which brought the summer 2013 navigational period to a close) and Panamax bulk tanker *NS Yakutia*.

During the fiscal year, Sovcomflot celebrated the 25th anniversary of its formation as a joint stock company. In 1988 Sovcomflot became one of the first joint stock companies in Russia and the first Russian shipping company to be created in line with international standards. A great deal has been achieved over this period: the company's fleet has grown eightfold and numerous of significant and unique projects have been implemented. For this we are grateful to the company's founders and shareholders, industry veterans, our distinguished clients and partners, serving captains and crews, and our shore-based personnel. Today, Sovcomflot holds strong market positions and has every possibility of ensuring long-term stable growth. This is your achievement and we salute you for it!

**Sovcomflot**  
**President & CEO**  
**Sergey Frank**

# A salute in honour of the fleet

Ever since Russia's northern capital was founded on the banks of the River Neva, gun salvos have always marked important events in the life of St. Petersburg – the cradle of the Russian fleet. Today the people of St. Petersburg check the time by the midday salute from the Naryshkin bastion at the Peter and Paul Fortress.

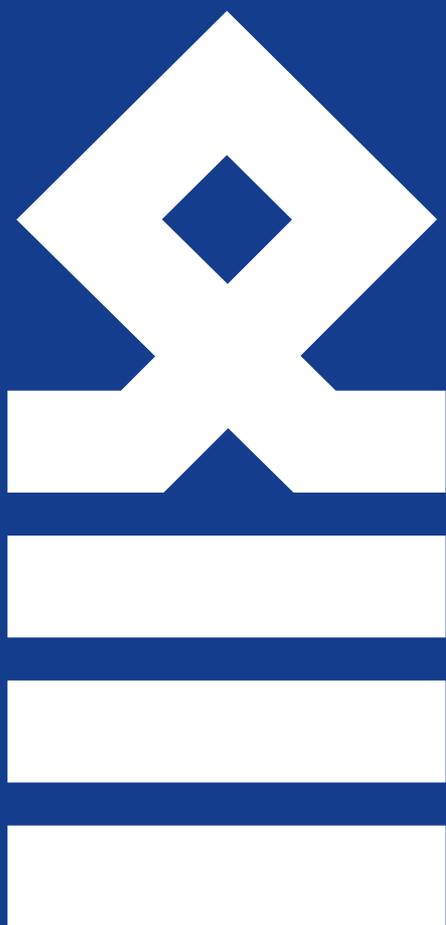


Senior management from SCF Group, Peter and Paul Fortress, June 2013.

Sovcomflot is proud to work in St. Petersburg – the city which is the guardian of the traditions of the Russian fleet. The company honours these traditions, dating back to the times when there was no wireless communication and ships still used sails. To underline this close connection with the past, and to pay tribute to a great tradition, at midday on 5 June 2013 Sovcomflot was honoured to fire a cannon salute in recognition of the Russian fleet.



# History of Sovcomflot



In June 2013 Sovcomflot celebrated its' "silver" jubilee – 25 years since its foundation as an independent joint-stock company.

**SCF**

A shipping company's vessels represent its historical milestones. This section presents the past, present and future of Sovcomflot through its ships. These vessels have all been hallmarks of SCF Group at one time or another and form the backbone of the present-day fleet. There are also new and exciting projects on the horizon.

# 1989

## SIGULDA

Type: LPG Carrier  
Ice class: L3  
Capacity (m<sup>3</sup>): 15,096

The first gas carrier ordered by and built for SCF Group – designed for the transportation of liquefied petroleum gas.



# 1991

## TROMSO CONFIDENCE

Type: Oil tanker (Suezmax)  
Deadweight (t): 154,970

One of the first Suezmax tankers in the Russian domestic fleet with a high-tensile steel double hull – for the transportation of crude oil.





# 2003

## TROITSKY BRIDGE

**Type:** Products tankers (MR)  
**Ice class:** ICE-1A  
**Deadweight (t):** 47,199

The first MR class products carrier to be built at a Russian yard (Admiralty Shipyard, St. Petersburg). Capable of transporting five different types of oil products simultaneously in its 10 cargo tanks. Between 2001-2008 other vessels of the same series were built at this shipyard, including: *Tuchkov Bridge*; *Tower Bridge*; *Torgoviy Bridge*; *Tverskoy Bridge*; *Teatralny Bridge*; *Tavrichesky Bridge* and *Transsib Bridge*.

# 2005

## VICTOR KONETSKY

**Type:** Shuttle tanker (Aframax)  
**Ice class:** ICE-1C  
**Deadweight (t):** 101,018

An Aframax shuttle tanker with enhanced ice class. Specially designed and built for year-round oil transportation as part of the Sakhalin-I project. This series of vessels also include tankers: *Yury Senkevich*; *Viktor Titov*; *Pavel Chernysh* and *Captain Kostichev*.

# 1993

## SOVCOMFLOT SENATOR

**Type:** Container carrier (Panamax)  
**Ice class:** ICE-1C  
**Capacity:** 3,005 TEU

A megaslot container carrier with a cargo capacity of 3,005 TEU – this was the first vessel of its size in the Russian fleet.



# 2005

## SCF BALTICA

Type: Oil tanker (Aframax)  
Ice class: ICE-1A  
Deadweight (t): 117,153

In August 2010 the tanker *SCF Baltica* became the first large capacity vessel in history to cross the Northern Sea Route, from Cape Zhelania (Novaya Zemlya island) to Cape Dezhnev. The tanker sailed via the traditional Northern Sea Route, covering nearly 2,500 nautical miles in the process and so earning her place in global maritime history.



# 2006

## VLADIMIR TIKHONOV

Type: Oil tanker (Suezmax)  
Ice class: ICE-1A  
Deadweight (t): 162,362

A Suezmax tanker rated ice class ICE-1A – designed for the year-round transportation of crude oil from ports in the northern Baltic region. In August 2011, the tanker delivered a shipment of gas condensate from Murmansk to Map Ta Phut (Thailand); making a new deep water Northern Sea Route crossing north of the New Siberian Islands Archipelago and becoming the largest vessel to ever transit the Northern Sea Route.



# 2008

## GRAND ANIVA

Type: Gas carrier  
Ice class: ICE-2  
Capacity (m<sup>3</sup>): 145,000

A gas carrier equipped with a Moss-type spherical tank cargo system – ordered for the year-round transportation of liquefied natural gas (LNG) from the Prigorodnoye terminal (part of Sakhalin-II – Russia's first LNG project). In February 2009, *Grand Aniva* delivered its first trial shipment of LNG from the Prigorodnoye terminal and in April 2012 completed her 500th consignment. This vessel series also includes the gas carrier *Grand Elena*.



# 2009

## TIMOFEY GUZHENKO

Type: Shuttle tanker (Panamax)  
Ice class: ARC6  
Deadweight (t): 71,294

An Arctic shuttle tanker with enhanced ice class ARC6 – designed for the year-round transportation of oil from the Varandey fixed offshore ice-resistant off-loading terminal (FOIROT) in the Barents Sea. In 2011, Sovcomflot won a Russian State Science and Technology Award for its role in the Varandey project. This vessel series also includes tankers *Vasily Dinkov* and *Captain Gotskiy*.



# 2010

## KIRILL LAVROV

Type: Shuttle tanker (Panamax)  
Ice class: ARC6  
Deadweight (t): 70,053

An Arctic shuttle tanker with enhanced ice class ARC6 – used for transporting oil from the Prirazlomnoye offshore ice-resistance platform. Together with its sistership *Mikhail Ulyanov*, this is the largest vessel built by Russia's Admiralty Shipyard in St. Petersburg. *Kirill Lavrov* is one of the largest tankers in the world to be built on a sloping slipway (hull launching weight of approx. 25,000 tonnes).



# 2011

## VYACHESLAV TIKHONOV

Type: Geophysical exploration vessel  
Ice class: ICE-1A  
Deadweight (t): 2,053

A state-of-the-art X-bow 3D geophysical scientific-research exploration vessel – designed for continuous operation in the low temperatures of the Arctic seas.

*Svet* – the largest tanker in the history of the Russian merchant fleet, with a deadweight of 320,000 tonnes.



# 2012

## VITUS BERING

Type: Multi-purpose icebreaking supply vessel  
Ice class: ICE-10  
Deadweight (t): 3,950

The lead ship in the Vitus Bering series of multi-purpose icebreaking supply vessels – intended for the year-round servicing of the Berkut oil platform on Sakhalin's continental shelf (Sakhalin-I project). This series of vessels also includes *Aleksey Chirikov*.



# 2013

## SVET

Type: VLCC tanker  
Deadweight (t): 321,075

The largest tanker in the history of the Russian merchant fleet, with a deadweight of 321,075 tonnes. *Svet* was ordered by SCF Group for the exportation of large consignments of oil to global markets. The vessel was named in honour of Russia's first oil tanker (*Svet*), which had a deadweight of 1,700 tonnes and was built in 1885 – ordered by the firm Nobel Brothers for the transportation of oil and kerosene between the Black Sea and the Mediterranean. The series also includes the tanker *SCF Shanghai*.

A state-of-the-art  
membrane-type gas carrier  
with an ice class of ICE-2.

# 2014

## VELIKIY NOVGOROD

Type: gas carrier (Atlanticmax)

Ice class: ICE-2

Capacity (m<sup>3</sup>): 170,200

A state-of-the-art membrane-type gas carrier with an ice class of ICE-2 – capable of transporting liquefied natural gas on a year-round basis from all existing LNG terminals in the world. In 2014 the series will see another gas carrier added – Pskov.



# 2016

## YAMAL LNG

Type: gas carrier (Yamalmax)

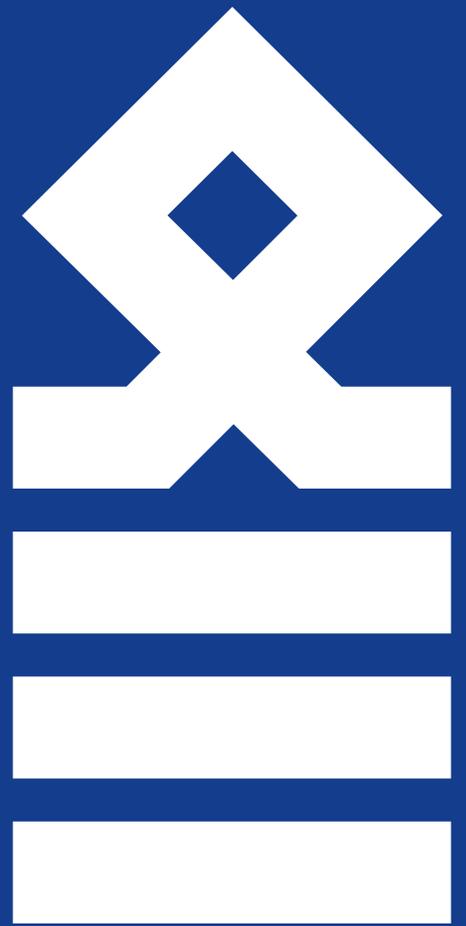
Ice class: ARC7

Capacity (m<sup>3</sup>): 172,600

“Yamalmax” LNG carrier with a unique set of technical specifications not found anywhere else in the world. With its cargo capacity of over 170,000m<sup>3</sup>, length of 300m and beam of 50m, this tanker will have one of the highest ice classes in the world (ARC7), which will allow it to operate in ice of up to 2.1m thick. The gas carrier’s propulsion system includes three azipods with a combined power of 45MW, which is comparable to the power of a Rossiya series atomic icebreaker (55MW). The reinforced membrane-type



cargo system ensures that gas can be transported safely in the challenging icy conditions of the Arctic. These gas carriers are intended to make crossings of the Northern Sea Route.



# Calendar of events – 2013

## JANUARY

Naming ceremony for lead ship in *Vitus Bering* series is held in St. Petersburg.

New LR-II product carrier receives name *Anatoly Kolodkin*.

Bulker Panamax *NS Yakutia* joins SCF Group fleet.

## FEBRUARY

Keel-laying ceremony held for state-of-the-art LNG carrier *Pskov*.

## MARCH

Keel-laying ceremony held for LPG carrier *Sibur Voronezh*.

## APRIL

New SCF LR-II product carrier named *Viktor Bakaev*.

Multi-purpose IBSV is named in honour of Aleksey Chirikov.

## MAY

LPG carrier *Sibur Voronezh* and first VLCC tanker *Svet* are launched.

## JUNE

Sovcomflot annual business partners meeting is held as part of the company's 25th year anniversary.

Further cooperation agreements signed with OAO Gazprom, OAO OSK, OAO Novatek and GK Vnesheconombank as part of the St. Petersburg International Economic Forum – 2013.

## JULY

Naming ceremonies held for two LPG carriers – *Sibur Voronezh* and *Sibur Tobol*.

## AUGUST

MR product carrier *SCF Yenisei* commences Arctic Northern Sea Route crossing.

## SEPTEMBER

SCF Panamax bulker *NS Yakutia* begins Arctic Northern Sea Route crossing.

## OCTOBER

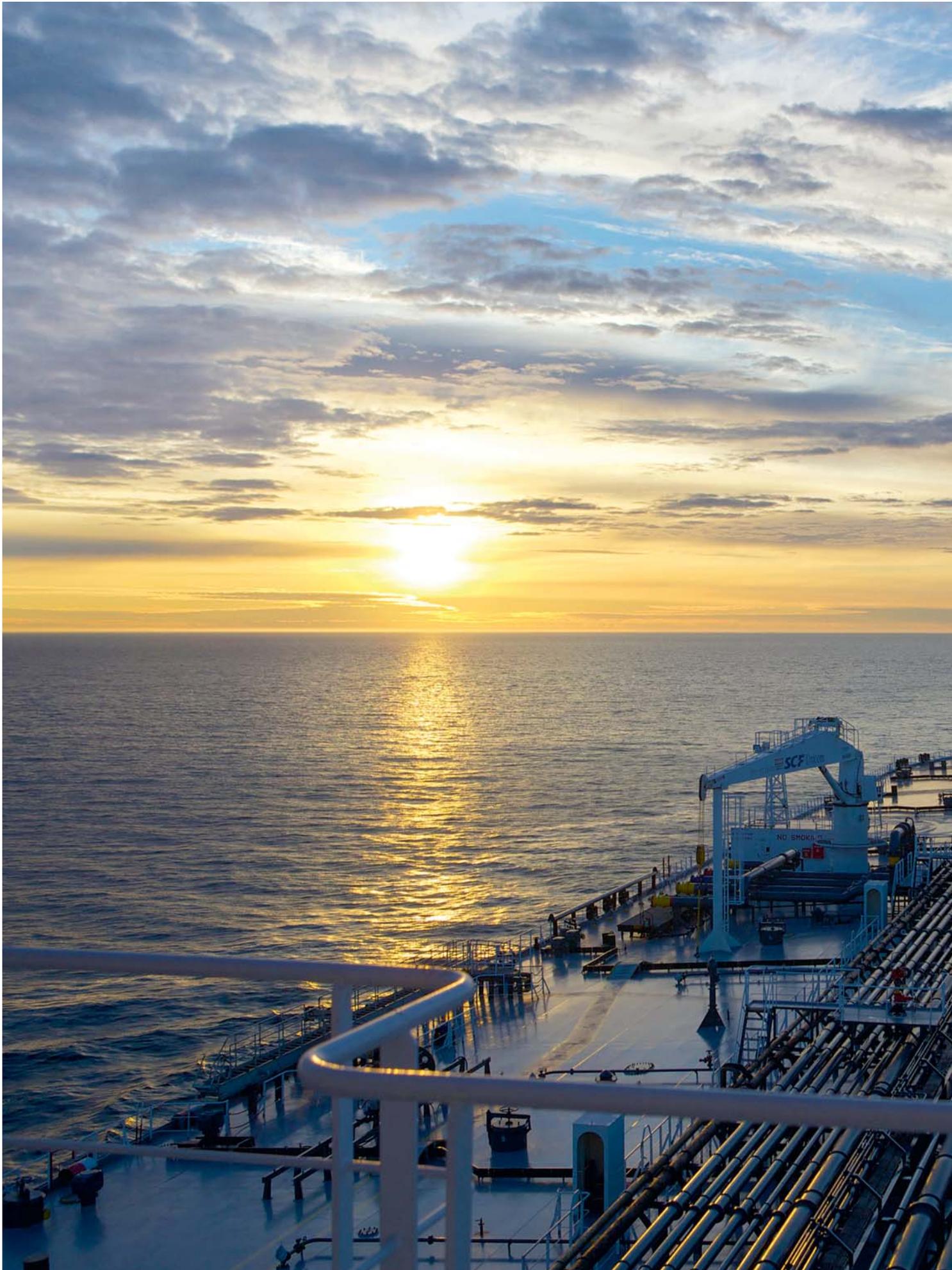
LR-II product carrier *Viktor Bakaev* completes east-to-west Northern Sea Route crossing, marking the end of summer navigation for 2013.

## NOVEMBER

Naming ceremony for VLCC *Svet* – the largest tanker in the Russian merchant fleet (321,075 tonnes dwt).

## DECEMBER

Signing of a new USD 316 million, 10 year credit facility with consortium of three leading international banks for the construction of two new LNG-carriers *Velikiy Novgorod* and *Pskov*.





**Vladimir Emelyanov**  
Vice President and Chief Strategy  
Officer of OAO Sovcomflot,  
Member of the Executive Board

# SCF GROUP STRATEGY

Maintaining its leadership position in the global tanker market, for crude oil and petroleum products transportation, SCF Group is actively developing new market segments within the shipping industry.

**– What strategic course is set for the group of companies in the near future perspective?**

– Using all of our operational experience, gained over the past 25 years, Sovcomflot is now plotting its course into the future. 2013 marked the latest year in the progressive implementation of the Group's development strategy. One of the most important priorities within this strategy is to expand the company's activities in support of large-scale industrial projects on the continental shelf; adding further state-of-the-art vessels to the fleet and enhancing our work in the challenging climatic conditions of the Arctic.



IBSV's Vitus Bering and Aleksey Chirikov mooring at the port of Kholmsk.

## LEADERSHIP IN THE TANKER SEGMENT AND GROWTH IN THE LNG AND OFFSHORE SECTORS

OAO Sovcomflot's development strategy provides for the gradual transformation and expansion of the company's business. The company intends to retain its status as one of the leading conventional tanker fleet owners and operators, whilst keeping pace with industry trends and seeking opportunities to upgrade the company's fleet. Meanwhile, Sovcomflot is expanding its gas carrier fleet operating under long-term contracts with leading Russian and international LNG producers,

whilst promoting itself as a partner in prospective projects to export Russian LNG. Simultaneously the strategy envisages an increase in the size of the shuttle tanker fleet, serving offshore projects in Russia and overseas and it aims to consolidate its position amongst the top three global operators in this segment. The development strategy foresees a further expansion of business areas connected with the support and servicing of hydrocarbon fields on the continental shelf (production and drilling platform supply, seismic exploration, offshore drilling operations), with the aim of securing 25 to 50 per cent of the Russian market for these services. Our goal is to consolidate Sovcomflot's position as a world leader in the sphere of marine services involving work in challenging climatic conditions.



*In commemoration of its 25th anniversary, OAO Sovcomflot is awarded a Certificate of Merit for its contribution to the development of the shipping and transport industry.*

**D. A. Medvedev,**  
Prime Minister  
of the Russian Federation



## FINANCIAL STABILITY

The Group's development strategy focuses on a two-fold growth in net revenue (up to USD 2.0 billion), with a target profit margin of 50 per cent (EBITDA), and 25 per cent - clean profit and an 8-10 per cent return on investment capital. Sovcomflot's strategy assumes an investment of around USD 3.0 billion up until 2017-2018. This development capital will come from a number of sources, including: profits from the company's main activities; the injection of additional share capital and an expansion in loan agreements as part of the company's conservative financing policy.

## SAFETY AND FIRST CLASS OPERATIONS

Sovcomflot's commitment to safety is summed up in its motto: "SCF – Safety Comes First". The company also offers world class shipping services. For many years, SCF Group has maintained high standards of safety, being ranked amongst the top 20 shipping companies in the world in this field. Large oil and gas companies conduct rigorous inspections of their shipping company partners and their vessels, often having their own safety standards. Passing an inspection of this type gives the shipping company the right to render its services to the client. Sovcomflot has been successfully doing this for many years. Safety at sea is the responsibility of all those working within the shipping business – from seafarers to senior corporate managers. Everyone must adhere to set roles in accordance with the procedures laid out in the company's safety management system.

## STATE-OF-THE-ART ENGINEERING SOLUTIONS

Today the success of the company rests upon its ability to compete in the technical sphere. Sovcomflot is committed to innovation and the use of state-of-the-art technologies. In recent years, SCF Group's fleet has acquired new vessels that are unique and unrivalled in their class – truly the best of the best. The vast majority of the Group's projects demand unique technical and engineering solutions, using the very latest technologies. For this reason, the company has created its own engineering centre, situated within the corporate headquarters of Sovcomflot in St. Petersburg.

## TRAINING PROFESSIONAL PERSONNEL

Sovcomflot is first of all a people business: captains and chief engineers; navigators; boatswains and other seafarers; engineers and managers of various specialisations across Russia and around the world, as well as other highly qualified specialists. Professionalism and the congruence of work within SCF Group's teams is a key factor behind the success of the company, and a guarantee of the future progressive development of Russia's maritime industry. The maritime transportation business requires strict compliance with international standards regarding safe vessel operations and protection of the environment. Providing quality shipping services in this field depends upon the professionalism of the fleet's crews as well as shore personnel. The team at Sovcomflot has always been and remains known for its professionalism, which represents an important competitive advantage for SCF Group.

## PUTTING THE ENVIRONMENT FIRST

OAO Sovcomflot implements a complex matrix of organisational and technical measures, intended to sustain a high level of environmental safety for the fleet. This work is largely determined by a series of national and international legislation and regulations in the sphere of environmental protection.

## DEVELOPING THE ARCTIC

In the twentieth century, spaceflight was an historic event but today it is an everyday reality. The time will come when tankers crossing the Northern Sea Route will be seen as nothing out of the ordinary. For now, however, this still remains a challenging route and the Group sees every Arctic crossing as an important milestone. Sovcomflot has 158 ships, of which over 50 are ice class vessels – this is the largest, youngest and most technically advanced tanker fleet in the world. The company has extensive experience of operating tankers in Arctic conditions and is a pioneering force in Northern Sea Route shipping. SCF Group has highly experienced Arctic crews and its own simulator to train them.

# OPERATIONAL RESULTS



On 10 January 2013 at St. Petersburg, in the presence of the Russian President Vladimir Putin, a naming ceremony took place for the new IBSV *Vitus Bering*.



#### **Evgeniy Ambrosov**

Senior Executive  
Vice-President of SCF Group,  
Member of The Executive Board

#### **– What is your evaluation of the Group's operational results for 2013?**

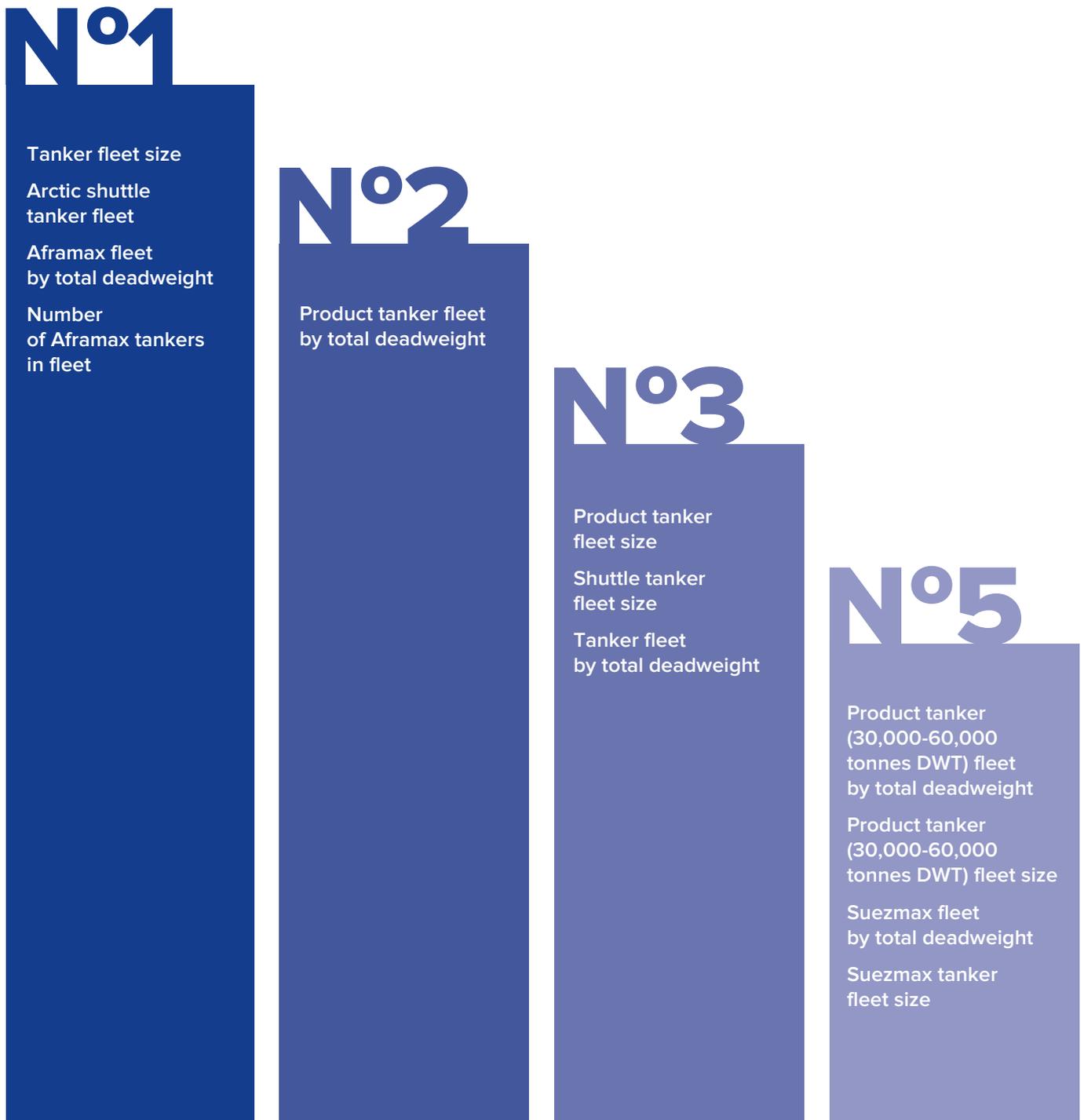
– The results in 2013 demonstrate the extent to which Sovcomflot is evolving as an integrated provider of energy transportation, as well as offshore exploration and production support services. The Group has developed as a global leader in the provision of transportation logistics for energy in the harsh environments of the Arctic and Subarctic seas, making access possible to Russia's hydrocarbon resources in northern latitudes and connecting these to world markets.

#### **– What have been Sovcomflot's latest achievements during the year?**

– The company has strengthened its position in the offshore oil and gas services segment, serving the continental shelf area of Russia's far eastern region. We also accepted delivery of the largest vessel in the history of the Russian merchant fleet – our first VLCC tanker – and took part in tenders for a range of industrial projects, such as Yamal-LNG and Sakhalin II. At the beginning of 2014 we took delivery of a new LNG-carrier which has begun operations under contract to Gazprom.

# SOVCOMFLOT'S RANKING IN THE MAIN GLOBAL TANKER SHIPPING SEGMENTS

According to Clarksons Research\* at the end of 2013, Sovcomflot held the following positions in the global rankings of tanker owners:



\* World's largest shipbroking and consultancy company, specialising in global shipping market research.

## MAIN CHARTERERS

When chartering out vessels during the year, SCF Group's chartering department concentrated on its work with oil companies and large oil traders, and looked to strengthen further its relationships with Russian importers and exporters. Each charterer presented different terms and opportunities and vessel leasing was conducted on a competitive basis. Collaboration of this type is mutually beneficial for both parties: on the one hand guaranteeing a stable revenue flow and vessel employment, and on the other hand ensuring cargo is delivered safely and to deadline. In 2013, there were no requests to alter or reconsider contractual agreements, either on the part of the ship-owner or that of the charterer.












## VESSELS DELIVERED IN 2013

	Vessel type	DWT	Delivery
<i>NS Yakutia</i>	Panamax	74,559	22.01.2013
<i>Anatoly Kolodkin</i>	Aframax	118,316	23.01.2013
<i>Aleksey Chirikov</i>	Icebreaking supply vessel	3,950	19.04.2013
<i>Viktor Bakaev</i>	Aframax	118,175	20.05.2013
<i>Sibur Voronezh</i>	LPG carrier	22,780	29.07.2013
<i>Sibur Tobol</i>	LPG carrier	22,765	30.09.2013
<i>Svet</i>	VLCC	321,038	18.11.2013
<b>TOTAL</b>		<b>681,824</b>	



On 10 January, the state flag of the Russian Federation was hoisted in a ceremony aboard *Vitus Bering*. Port of registration: St. Petersburg.

## VLADIMIR PUTIN VISITS VITUS BERING

*Vitus Bering* carries the name of the great Russian seafarer and explorer-navigator and is the lead ship in a new series of supply vessels to join the Russian fleet over the coming years. On 11 April 2013, a naming ceremony took place in Helsinki for the second vessel in the series – the icebreaking supply vessel *Aleksey Chirikov*. The new ship was named in honour of Vitus Bering’s comrade – Captain-Commodore Chirikov. Today, the vessels in the Vitus Bering series are some of the finest in their class around the world. The hulls of these ships have been specially built for navigation in challenging ice conditions. Their design and hardware enable them to supply all the necessary equipment and supplies to platform personnel on a year-round basis.

Amongst the other guests onboard *Vitus Bering* for her naming were: Maxim Sokolov – Minister of Transport, Denis Manturov – Minister of Trade and Industry, Georgiy Poltavchenko – Governor of St. Petersburg, as well as the heads of Sovcomflot, Gazprom, USC, Novatek, Exxon Neftegas, and Transas.

“It is remarkable, that this ship will be operating in the Far East, where Vitus Bering and his crew were fulfilling the task of Peter I, exploring the north, the scope of the Pacific Ocean” – noted the President of Russia

# BERING AND CHIRIKOV AGAIN IN THE FAR EAST

## DMITRY POPOV, CAPTAIN OF VITUS BERING COMMENTS:

I first set eyes upon *Vitus Bering* at the Port of Singapore from the deck of a boat that was taking me to her. One's gaze is immediately drawn to her modern design – you can feel the power and character of the ship. She is a beauty! Wherever *Vitus Bering* goes, she invariably attracts a great deal of attention – this ship makes you want to examine every minute detail.

I especially remember our first call at the Port of Kholmsk and arrival at the Orlan Platform. Many people came out to have a look at this new vessel. The ship seems to share the character and charisma of her namesake – the great explorer of the northern seas – *Vitus Bering*.

The icebreaking supply vessel (IBSV) *Vitus Bering* is capable of carrying out a range of different functions, the most important of which is supplying drilling platforms. The ship can transport both liquid cargo (diesel fuel, water, base oil, drilling fluid) and bulk cargo (cement, barite, bentonite). She also carries deck cargo: containers, drill pipes and equipment.

*Vitus Bering* can be used to clear up oil slicks and petrochemical spills. The ship is equipped with hardware, including: 600m heavy duty booms; two Arctic skimmers for collecting surface oil; a work boat for deploying heavy duty booms; equipment for deploying light- and ultra-light booms, and a dispersant system.

The vessel is used to ensure platform safety and she has powerful fire-fighting equipment, a high-speed boat for rescuing those in the water, and can accommodate 195 persons aboard in the event of an emergency platform evacuation.

*Vitus Bering* can also act as a tugboat with her 18,000 kWt propulsion system. In accordance with the ship's technical characteristics, she can travel at a speed of eight knots in 90cm thick compact ice, with a snow covering of 20cm or at three knots in 1.5m thick compact ice, with a snow covering of 20cm. All systems and equipment aboard the

vessel have been designed and built to operate in a temperature range from -35 to +30 degrees Celsius, which suits the challenging climatic conditions in the Sea of Okhotsk.

Despite the large number of systems and monitoring devices concentrated on the bridge and the central control station, this hardware takes up little space. The entire systems control suite is computerised and uses the very latest technology. For instance, the dynamic positioning system (made in Russia) and distress system (made in Denmark) are controlled using touch screens.

Using hardware of this kind places special demands on crew members. Besides the main professional skills, additional training is needed to ensure staff can use the complex on-board equipment. Sovcomflot pays special attention to this issue and sends crew members on additional training courses using simulators.



## VESSEL TECHNICAL SPECIFICATIONS:

**Deadweight: 3,950 t**  
**Length: 99.2 m**  
**Beam size: 21.7 m**  
**Draught: 7.9 m**  
**Crew: 22**



## VITUS BERING

The outstanding seafarer, captain-commandor Vitus Bering was Danish by origin. Nevertheless, he devoted all his life to serving the Russian flag and fulfilled one of the greatest undertakings of the Emperor Peter the Great – oceanic charting, as well as studying the geography of Russia and her adjacent territories. Under the direct command of Peter, Bering headed the Kamchatka expeditions, with the aim of studying the coast of this semi-island, and to discover the strait between Asia and North America. Later he went on to explore the North American coast towards the south, having completed the first marine scientific expedition in Russian history.



VLCC Svet

2013 was a historic year for the entire Russian merchant fleet with the introduction of its largest vessel and the country's first ever Very Large Crude Carrier (VLCC).

**TECHNICAL CHARACTERISTICS OF SVET:**

- Length: 332 m
- Beam size: 60 m
- Depth: 16.40 m
- Draught: 22.6 m
- Deadweight: 320,000 tonnes
- Operational speed: 16 knots

## THE HISTORY OF THE TANKER SVET CONTINUES.

On vessels of the Svet series, a new company standard was launched. This standard raised significantly the living and working conditions of the crew onboard. Thanks to innovative design and technical solutions fuel consumption is low. The cost per barrel of oil moved by a VLCC is half that of a smaller Suezmax tanker. These vessels are the most fuel efficient across the entire SCF tanker fleet.



**Yury Tsvetkov**  
President of OAO Novoship,  
Member of Sovcomflot Executive Board

Svet was built at the Bohai Shipbuilding Heavy Industry shipyard (Huludao, China) and is the first in a series of VLCCs ordered by Sovcomflot Group for the shipping of large oil consignments to global markets. At present, it is not possible to build vessels of this class in Russia. Sovcomflot's development strategy provides for the company's expansion into the VLCC segment (deadweight: over 300,000 tonnes) and the construction of the two tankers in the Svet series will help achieve this goal. Svet complies fully with all of the national and international safety requirements of the Norwegian classification society DNV-GL, and can operate in all navigational areas without restriction. The tanker is currently engaged in crude oil shipping operations under a long-term time-charter agreement with Petro China International (a subsidiary of one of the industry leaders – China National

Petroleum Corporation). In December 2011, Sovcomflot and PetroChina signed agreements, under which the SCF Group fleet will provide oil shipping services from the Middle East, West Africa and Venezuela to China.



#### HIGH SCORE BY RINA

At the end of 2013 tanker Svet was included in the list "Significant Ships of 2013", annual edition of the Royal Institution of Naval Architects – RINA.

#### THE FIRST OIL TANKER ON THE BLACK SEA

Sovcomflot's new VLCC vessel was named in honour of Russia's first oil tanker Svet (deadweight: 1,700 tonnes), which was built in 1885 and ordered by the Nobel Brothers company for the exportation of oil and kerosene via the Black Sea and Mediterranean. The tanker was 89.5m long and had a beam of 11.6m, her sailing rig area was 240m<sup>2</sup> and she travelled at a maximum speed of 7.5 knots. The crew of the first Black Sea tanker consisted of 50 sailors.





Signing of the agreement between Sovcomflot and the Vyborg Shipyard, St. Petersburg, June 2013.

## PARTNERSHIP WITH RUSSIAN SHIPBUILDERS

OAO Sovcomflot is one of the largest clients for Russia’s commercial shipbuilding industry. The company maintains close mutually-beneficial partnerships with the country’s leading shipbuilding enterprises – OAO United Shipbuilding Corporation, OAO Admiralty Shipyard and the Vyborg Shipyard (VSY).

In recent years, the company has placed orders with Russian shipyards for the construction of 14 vessels at a total cost of over USD 700 million. In June 2013, under the auspices of the St. Petersburg International Economic Forum, Sovcomflot signed a cooperation agreement with the Vyborg Shipyard. As one of the largest tanker fleet operators in the world, specialising in shipping in challenging climatic conditions, SCF will facilitate a strengthening of relations with Russian shipyards in the sphere of new vessel construction and ice class provision. The Vyborg Shipyard

is one of Russia’s leading shipbuilding enterprises and specialises in the production of: seagoing vessels for civil use; multipurpose supply ships; floating production facilities and drilling rigs for offshore fields in the Arctic. VSY previously took part in the construction of the first two vessels in the Vitus Bering series, ordered by Sovcomflot for work on the Sakhalin-I project, and produced 90 per cent of the structural components for the ships. The parties have agreed to continue their fruitful collaboration.

*Sovcomflot is the largest shipping company with a state-of-the-art fleet which operates in accordance with international standards and global best practices. I wish the company continuing growth and prosperity!*

**A. A. Davydenko,**  
*President of the Federal Marine and River Transport Agency (Rosmorrechflot)*



## COLLABORATION WITH THE WORLD'S LEADING SHIPYARDS

OAO Sovcomflot continues to maintain its partnerships with the world's leading shipyards, including Korean shipbuilders. When ordering new vessels from overseas shipyards, the company secures agreements on the transfer of technologies to Russia and the training of Russian specialists at foreign shipbuilding facilities. One example of this type of mutually-beneficial partnership was the construction of a series of four oil tankers at Daewoo Shipbuilding & Marine Engineering in South Korea. *Georgiy Maslov, Nikolay Zuyev, Anatoliy Kolodkin* and *Viktor Bakaev* were named in honour of distinguished figures in the Russian maritime industry. They were constructed by Korean and Russian shipbuilders as part of agreements between OAO Sovcomflot and Zvezda-DSME shipyard – a joint venture involving United Shipbuilding Corporation (Russia) and Daewoo Shipbuilding & Marine Engineering (South Korea). The first tanker

in the series was highly praised by the International Chamber of Shipping. The Royal Institution of Naval Architects (United Kingdom) recognised the Aframax tanker *Nikolay Zuyev* as one of the best vessels of 2012. The LR2 tankers *Anatoliy Kolodkin* and *Viktor Bakaev* joined SCF Group's fleet in 2013 and comply with all existing domestic and international standards regarding navigational safety, energy-efficiency and environmental protection.

*Congratulations on the 25th anniversary of OAO Sovcomflot. May I wish Sovcomflot, your great team a great anniversary and look forward to continuing our very successful business relationship.*

**Ron Cochrane,**  
**Russia Country Commercial**  
**General Manager**  
**Shell Exploration & Production**  
**Services (RF) B.V.**



Visiting Russian delegation at Daewoo Shipbuilding & Marine Engineering shipyard. South Korea, November 2013.



# BULKER NS YAKUTIA

On 21 January, OAO Novoship (part of SCF Group) accepted delivery of the new ice class 1B Panamax bulk carrier *NS Yakutia*. This ship (deadweight: 74,000 tonnes) is part of a series of vessels ordered by SCF Group in the summer of 2010. The first ship in the series – *NS Energy* – joined the Group’s fleet on 19 November 2012. Novoship oversaw the construction of the vessels and is now responsible for their operation.

The addition of the high-tech bulkers *NS Energy* and *NS Yakutia* has strengthened SCF Group’s position in the bulk shipping segment. These new vessels are primarily intended for operations in the Baltic (Port of Ust-Luga) and the Far East (Port of Vanino). *NS Yakutia* is currently working under a time-charter agreement with OAO SUEK, providing coal shipping in the Far East. Besides coal, *NS Yakutia* is capable of transporting bulk cargo such as grain, iron ore, potash, cement and non-toxic fertiliser.

*NS Energy* and *NS Yakutia* were built under the supervision of two classification societies: the Russian Register of Shipping

and the American Bureau of Shipping. These ships have also been classified as ENVIRO vessels, indicating a higher level of environmental protection and safety. They have reinforced double-skin fuel tanks and a modernised fuel-supply system, which ensures the failsafe operation of electricity generators running on light distillate diesel fuel. These new bulk carriers are also equipped with an approved ballast water management system, in full accordance with the new D2 standards from the International Convention for the Control and Management of Ships’ Ballast Water and Sediments, which will soon come into force. Each cargo hold has been individually fitted with an additional internal temperature control system, a gas analysis system, a CO2 fire-extinguishing system, and a hull stress monitoring system for loading operations. *NS Yakutia* has a crew of 20 Russian seafarers.



Bulker *NS Yakutia*.

Participants of the naming ceremony of bulker *NS Yakutia*, Republic of Korea, January 2013.





The technical characteristics of *Viktor Bakaev* make her not only one of the most technically advanced vessels in her class, but also one of the most commercially effective.

## NEW TANKERS ANATOLY KOLODKIN AND VIKTOR BAKAEV

"In 2013, Sovcomflot named its new Aframax in honour of the distinguished Russian maritime lawyer Anatoly Lazarevich Kolodkin. On 16 January, a naming ceremony was held for the new tanker in South Korea. Immediately after her delivery the vessel commenced her first voyage bound for Singapore".



**Andrey Babakhanov**  
Head of Sovcomflot  
Oil Product Division

*Anatoly Kolodkin* was built in accordance with all existing international and Russian standards governing navigational safety, fuel consumption and environmental protection. The vessel's characteristics show that not only is she one of the most modern, high-tech tankers in her class, she is also one of the most commercially effective. In particular, the energy efficiency of the new vessel is significantly lower than the base level set for ships of her class. The tanker is also designed to run for a long period on low-sulphur (0.1 per cent) fuel. The vessel has

a draught of 14.9m. Her beam has been increased to 46m to provide maximum cargo capacity when navigating through the Baltic Straits, and optimal compliance with the requirements and demands of energy shipping from oil terminals at the ports of Primorsk and Ust-Luga. The tanker's cargo-pumping system enables her to simultaneously transport and transfer (pump) three different types of cargo stored in 12 cargo tanks, including crude oil and dark-oil products. A specially designed rudder provides the vessel with improved propulsion

efficiency and better manoeuvrability. The bottom of the ship is coated in special paint to prevent fouling of the hull. High-tech equipment has been installed aboard the vessel to continually monitor and regulate her speed, draught and pitch, depending on the cargo load and sailing conditions. Working and living conditions aboard the ship are fully in line with corporate standards and crew members enjoy comfortable individual cabins. The technical management of the tanker is performed by OAO Novoship (part of SCF Group).

## GAS CARRIERS: NEW SHIPS ON THE HORIZON

"The strategically high priority gas carrier division at Sovcomflot is actively developing, and the fleet of gas carriers continues to grow. In January 2013, the state-of-the-art gas carrier *Velikiy Novgorod* was launched. This new vessel was ordered by OAO Sovcomflot for operations under a long-term agreement with Gazprom. In February of 2013, the keel was laid for the second ship in the series – the gas carrier *Pskov*. The ships will comply with all the relevant safety requirements and will provide many years of safe transportation of LNG to the benefit of Gazprom".



**Dmitry Rusanov**  
Head of Sovcomflot  
Gas Carrier Division

Eight years ago, SCF Group began to use its own gas carriers for the transportation of liquefied natural gas (LNG); successfully breaking into a new market segment that was previously inaccessible to Russian companies. Meanwhile, LPG shipping represents a robust, stable market segment, in which activities are conducted under long-term contracts with leading oil and gas companies. Partnerships of this kind entail a high degree of engagement in the client's business, due to the fact that transport costs account for a substantial portion (up to 25-30 per cent) of the cargo value. Russia possesses up to a third of the world's gas reserves. Therefore, SCF Group's strategy remains committed to the provision of LPG shipping services to Russian oil and gas companies. The Group's gas carriers operate all over the world, including all main regions of LNG production and consumption. Its vessels are engaged in operations serving various Russian and international projects involving LNG transportation and transshipment (including ship-to-ship).

In 2013, SCF Group introduced two state-of-the-art LPG carriers and construction work continued on a further four vessels, which are due to join SCF Group's fleet in 2014-2015.

In January 2013, state-of-the-art gas carrier *Velikiy Novgorod* was launched. This new vessel was ordered by OAO Sovcomflot for operations under a long-term agreement with Gazprom. In February of 2013, the keel was laid for the second ship in the series – the gas carrier *Pskov*.

These state-of-the-art ICE-2 (C1) Atlanticmax class gas carriers have a cargo capacity of around 170,000 cubic tonnes, and are designed and equipped for navigation in challenging ice conditions. This makes them capable of transporting gas on a year-round basis from practically any existing LNG terminal in the world, including Russia's first LNG project Sakhalin-II.

The expansion of Sovcomflot's participation in gas transportation is one of the priority targets set out in the company's development strategy, which envisages SCF Group's growth in the oil & gas production support services segment both in Russia and overseas. In July 2013, Sovcomflot's gas carrier fleet received two state-of-the-art vessels ordered by the company for operations under long-term contracts with SIBUR. The LPG carriers *Sibur Voronezh*

### TECHNICAL FEATURES OF THE LNG CARRIER VELIKIY NOVGOROD:

Vessel type – Atlanticmax  
Capacity – 170 200 m<sup>3</sup>  
Length – 299,9 m  
Beam – 45,8 m

LNG-carrier *Velikiy Novgorod*.



and *Sibur Tobol* were built at Hyundai Mipo Dockyard Co. Ltd. (South Korea) and are intended for year-round transportation of liquefied petroleum gas. These vessels are currently engaged in exporting LPG from SIBUR's new terminal at the Port of Ust-Luga.

The ships were named after the rivers Voronezh and Tobol, which flow through SIBUR's regional areas of operation. The new LPG carriers were designed in collaboration with SCF Group experts, according to SIBUR requirements and are equipped with the latest technological advances in the shipbuilding industry. The cargo-pumping system consists of four type-C tanks with a combined capacity of 20,600m<sup>3</sup>, capable of transporting cargo under a pressure of 540kPa.

The structural design of the vessels includes a ballast water treatment system (a compulsory prerequisite for ships from the end of 2013) and a reinforced hull for year-round operations over a 25-year period in the harsh conditions of the North Atlantic. In normal operating conditions, the vessels' service life will be significantly longer. These 1B ice class vessels (ICE-3 in the Russian Maritime Register of Shipping) will be able to operate effectively in the low temperatures of the Baltic Sea during their winter passages.



LPG carrier *Sibur Tobol*.

These ships have been equipped with navigational hardware and software produced by Russian manufacturers.

#### TECHNICAL PARAMETERS OF SIBUR TOBOL LPG CARRIER:

Cargo capacity – 20 600 m<sup>3</sup>  
 Length – 159 m  
 Beam – 25,60 m  
 Draught – 16,4 m

## YAMAL LNG PROJECT

In accordance with the decree of the President of the Russian Federation, OAO Sovcomflot provided consulting servicing to OAO Yamal LNG covering gas carrier design and the optimisation of logistical costs for the Yamal project. Following the announcement of an international tender to order and build the vessels, Sovcomflot entered its bid and was shortlisted. The official results of the tender are due to be announced at the end of the first quarter of 2014.



# CURRENT WORK WITH NEW AND EXISTING OFFSHORE PROJECTS

Sovcomflot provides transportation services for Russia’s most important offshore projects – Sakhalin-I, Sakhalin-II, Varandey and Prirazlomnoye. This shipping segment is steadily growing both in Russia and overseas and we are able to cater fully for the latest market demands. Our fleet contains unique vessels not found anywhere else in the world.



**Roman Almakaev**  
Head of Sovcomflot's Offshore Division.

On 7 March 2013 a new multifunctional icebreaking supply vessel (IBSV) *Vitus Bering* began her first voyage from the Port of Kholmsk, serving the Sakhalin I project under a longstanding agreement with Exxon Neftegas Ltd. In mid-January, *Vitus Bering* left St. Petersburg for a voyage of some 13,000 nautical miles, completed in 45 days. On 1 March she arrived at her operational base in the Sea of Okhotsk. After loading and bunkering operations at the Port of Vanino, the ship sailed to the Orlan drilling platform, situated in the northern part of Okhotsk Sea, on the coastal shelf of Sakhalin Island. The duration of voyage to the platform was 2.5 days.

On 11 April 2013, a naming ceremony took place for the multifunctional icebreaking supply vessel *Aleksey Chirikov* in Helsinki. Immediately after the ceremony, the ship sailed for Sakhalin, where she joined *Vitus Bering*, operating in the region.

around  
**90%**  
of the structural components for vessels *Vitus Bering* and *Aleksey Chirikov* were manufactured at domestic shipyards.

# COLLABORATION WITH SAKHALIN ENERGY

As part of the joint venture between OAO Sovcomflot and Swire Pacific Offshore, a Memorandum of Cooperation was agreed and signed with Sakhalin Energy – operator of the production-sharing project Sakhalin-II. This agreement provides for the construction of four multi-purpose icebreaking vessels, that will serve the charterer under a long-term deal. Two of the four vessels will belong to Sovcomflot and all four ships will be operated by the joint venture SCF Swire Offshore.



Multifunctional icebreaking supply vessel *Aleksey Chirikov*.





## PREPARATIONS FOR PRIRAZLOMNAYA PROJECT

During 2013 Sovcomflot began preparatory work for the regular transportation of oil from the first Arctic Russian project Prirazlomnaya. Two Sovcomflot tankers will serve this project, *Mikhail Ulyanov* and *Kirill Lavrov*, under long-term oil transportation agreements between Sovcomflot and Gazprom Neft Shelf (the project operator, part of Gazprom). The offshore ice-resistant stationary platform Prirazlomnaya and two unique Arctic shuttle tankers, together with the supply vessels, represent a unique extraction and transportation offering, capable of providing safe and reliable delivery for up to six million tonnes of crude oil to the world market, with year-round navigation in the extremely low temperatures and thick ice of the Arctic. The Arctic tankers *Mikhail Ulyanov* and *Kirill Lavrov*, with a deadweight of 70,000 tonnes each and enhanced ice class 1A SUPER (Russian ARC6), use the “double action” principle: they have an ice-resistant stern for navigating in ice and a seagoing bow for sailing on clear water.

*Mikhail Ulyanov* approaching IOFP Prirazlomnoye during a training exercise.

*Mikhail Ulyanov*  
has a deadweight of

# 70,000

TONNES

Can operate without  
icebreaker support  
in ice of up to

# 1.2

METRES

## NORTHERN SEA ROUTE: CROSSING THE ARCTIC

"The company has long standing experience of tanker operations in Arctic sea conditions and is a pioneering force in the development of the Northern Sea Route. Sovcomflot has experienced Arctic crews and its own training centre for shipboard personnel. The Arctic can only be entrusted to those who know it well. This why, I believe that we have good prospects of success when competing for tenders to provide transport and logistics services to oil and gas companies implementing large scale industrial projects in the Russian Arctic. Today, over 50 of Sovcomflot's 158 vessels have an ice class rating. Collectively they represent the largest, youngest and most technically advanced tanker fleet in the world".



**Mikhail Suslin**  
Executive Vice-President  
and Head of Safety Department

The development of the Northern Sea Route is one of Sovcomflot's most important priorities. Since 2010, the company has been working with relevant state ministries and departments to develop different northern sea routes – regularly sending its vessels on Arctic crossings.

In 2013, three Sovcomflot tankers made passages across the Northern Sea Route. The first crossing was made by *SCF Yenisei*. On 6 August 2013, at 14.00 Moscow time, the MR ice class ICE-1A (ARC4) tanker, with a deadweight of 47,000 tonnes, set out on her Northern Sea Route crossing from the Port of Murmansk carrying a cargo of light oil products for Glencore. OAO Sovcomflot is building a mutually-beneficial, long-term partnership with Glencore, as part of a joint venture to create and manage a products tanker fleet. *SCF Yenisei* crossed the Northern Sea Route to the discharge Port of Chiba (Japan). The voyage from Murmansk to Chiba covered a distance of 5,767 nautical miles – 56 per cent less than via the Suez Canal route (12,840 nautical miles). The transit time for the crossing was three weeks, eight days of which the tanker spent on the Northern Sea Route.

On 21 September, at 07.30 Moscow time, SCF Group's bulk carrier *NS Yakutia* set sail from the port of Murmansk with a cargo of 67,000 tonnes of iron-ore concentrate bound for the Chinese port of Lanshan. The crossing took 40 days, eight of which were spent on the Northern Sea Route under icebreaker escort from FGUP Atomflot's *Yamal* and *Taymir*.

On 28 October 2013, at 12:20 Moscow time, the ICE-2 (1C) tanker *Viktor Bakaev* set sail on a westerly Northern Sea Route crossing during a period of intensive ice formation. The tanker spent 14 days on the Northern Sea Route (including the time taken to form an ice convoy). *Viktor Bakaev* crossed the Northern Sea Route at an average speed of 6.4 knots.

This passage proved that it is possible for a lower ice class tanker to perform a high-latitude crossing with the help of enhanced ice navigation methods, improved cooperation with icebreaker escorts and the right choice of route. It was also concluded that further study is required into icebreaker escort for tankers with limited manoeuvrability.

*Company's leadership in the shipbuilding/offshore and energy industries has been demonstrated by the extensive experiences focused on operations in the Arctic and other harsh environments, and will greatly contribute to growing Sovcomflot Group into the world's strongest shipping company. We are proud with the strong relationship we share with Sovcomflot Group and trust this relationship will only continue to strengthen.*



**D. Park,**  
Samsung Heavy  
Industries Co., Ltd.  
President & CEO



*NS Yakutia.*

# 7

high-latitude Northern  
Sea Route crossings  
have been completed

# 400,000

tonnes of cargo shipped

**TECHNICAL SPECIFICATIONS:**

Deadweight – 74,559 t  
Ice class – 1B  
Length – 225 m  
Beam – 32 m  
Draught – 14 m

## DEVELOPING SEISMIC EXPLORATION

"In 2013, Sovcomflot established a separate division to develop and expand the company's activities in the seismic exploration market segment. Two interchangeable teams of geophysicists were created for operations aboard the seismic exploration vessel *Vyacheslav Tikhonov* and new experts were recruited to Sovcomflot's shore-based office".



**Alexander Kurtynin**  
Vice-President of Sovcomflot,  
Member of The Executive Board

In 2013, the company's seismic fleet was expanded with the addition of the Russian-registered geophysical exploration vessel *Vyacheslav Tikhonov*. During 2013, the new vessel carried out 3D survey activities on the Black Sea shelf for Sovcomflot's partner OAO Sevmorneftegeofizika, and conducted work for ONGC on India's western shelf in the first six months of the year. In 2013, two interchangeable teams of geophysicists were created for operations aboard *Vyacheslav Tikhonov*, and new experts were recruited to Sovcomflot's shore-based office and SCF GEO. The new division has already completed a range of contracts, including the most challenging project in the last 15 years on Russia's continental shelf, for Gazprom Global LNG (the licensed areas of Kirinsky and Ayashsky, Sea of Okhotsk). This involved two seismic exploration vessels (one of which was the research vessel *VT*) and four auxiliary and supply ships.

*Vyacheslav Tikhonov* is currently engaged in work on India's eastern shelf for Cairn India. Once this project is completed, the vessel will immediately travel to the Port of Murmansk to commence work on Russia's Kara Sea shelf for Gazprom Global LNG. In 2013, further efforts were made to expand SCF Group's business in the seismic segment, through an agreement with France's CGG (the largest geophysical exploration company in the world) on the creation of a joint venture to develop the Arctic niche. This newly created seismic exploration company will be staffed by both Russian and overseas experts, specialise in Arctic and sub-Arctic operations, and will have access to the latest available seismic data, and

experience of operating seismic vessels on the Russian continental shelf gained over the past three years.



Seismic vessel *Vyacheslav Tikhonov*



## DEVELOPING THE COASTAL INFRASTRUCTURE AT SOCHI SEAPORT

In accordance with the decree N° 991 of the President of the Russian Federation, dated 29 December 2007: “On a programme to construct Olympic facilities and develop the city of Sochi as an alpine resort”, SCF Group took on responsibility for work on: “The coastal infrastructure of Sochi Seaport, with the aim of creating an international passenger terminal and cruise harbour”.

In 2013, the project was successfully completed. Construction work included a multi-purpose coastal complex, modern yachting marina and restoration of the historic sea terminal building. As part of preparations for the Winter Olympics, Sovcomflot participated in the construction of a passenger terminal at the new cruise harbour. Thanks to the efforts of OAO Commercial

Seaport of Sochi (part of SCF Group), in active collaboration with the Novoship management team and Sovcomflot, all sections of the project were successfully completed on time and to a high standard.

The new facilities were highly praised by experts and visitors to the Winter Olympics, as well as by the country’s leaders. They will form a focal point for tourism and sporting activities in Sochi for many years to come, and will provide a good return on investment for SCF Group.

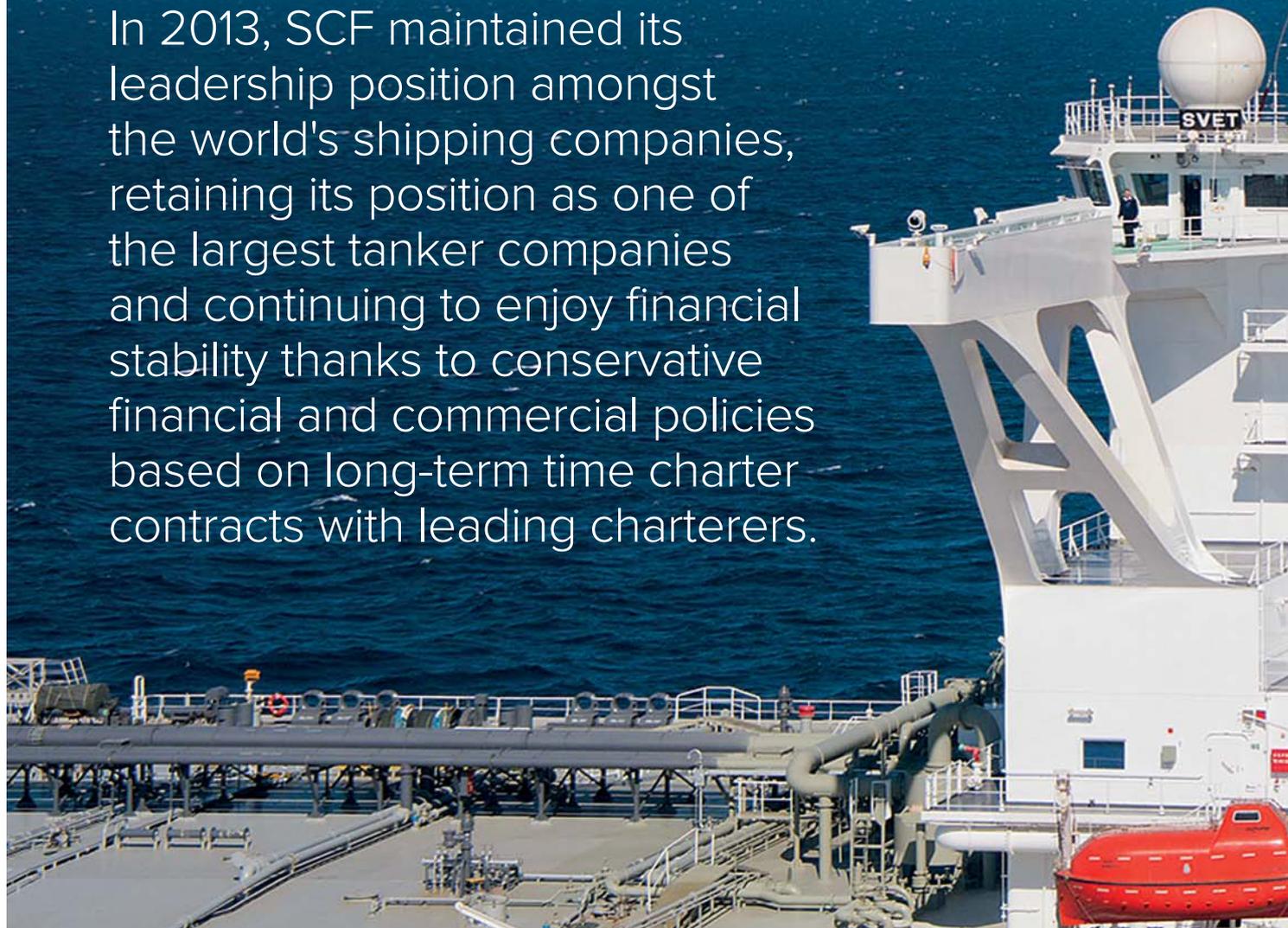
Liners moored at Sochi Seaport’s new cruise harbour. Sochi’s modern yachting marina and passenger terminal building, 2013

Modern yacht-marina and the building of the Sochi seaport, 2013.



# FINANCIAL RESULTS

In 2013, SCF maintained its leadership position amongst the world's shipping companies, retaining its position as one of the largest tanker companies and continuing to enjoy financial stability thanks to conservative financial and commercial policies based on long-term time charter contracts with leading charterers.





**Nikolay Kolesnikov**

Senior Executive Vice-President  
and CFO of Sovcomflot,  
Member of The Executive Board

**– How do you see  
OAO Sovcomflot's financial  
results for 2013?**

– In 2013, the company demonstrated growth in its financial resources despite the challenging situation of the freight market and the Group's significant ongoing investment programme. During the financial year we took steps towards a further consolidation of the company's liquidity. As a result of two transactions with leading international financial organisations, we raised around USD 400 million on favourable terms, as part of long-term credit lines to finance the construction of new gas carriers. Sovcomflot's stable financial position and high levels of contracted revenues mean that the Group can secure loan capital at every stage of the shipping industry's cycle.

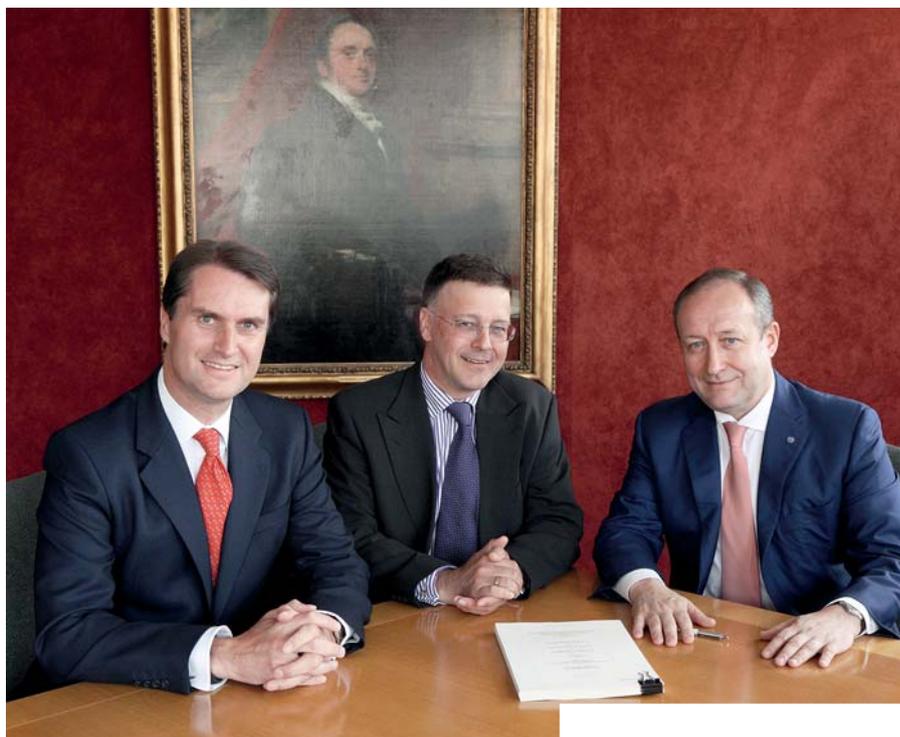
**– What were the significant financial  
events for the Group in 2013?**

– During the year we signed three credit agreements on favourable terms for the company. Successfully attracting loan capital to finance our shipbuilding programme allows the company to retain its favourable position, whilst reducing the negative impact of factors such as freight market volatility and poor overall market performance.

For the financial year, the company's gross revenue totalled USD 1,262.8 million and adjusted net profit was USD 11.6 million. SCF Group retained its position as one of the largest tanker companies in the world and maintained its stable economic standing, thanks to its conservative financial and commercial policy based on the use of long-term time charters with the world's leading charterers. Our clients include the largest international oil and gas companies, as well as leading Russian oil companies and global oil traders.

In July 2013, OAO Sovcomflot and ING Bank N. V. signed a 10-year credit agreement worth USD 75 million. This loan will be used to finance the construction of two new gas carriers (of the Sibur Voronezh series). These vessels are intended for the transportation of liquefied natural gas and are under construction at Hyundai Mipo Dockyard Co. Ltd. Sovcomflot already has new tankers in operation; providing year-round LNG transportation from the terminal at the seaport of Ust-Luga, under a long-term contract with the Russian petrochemical holding company OAO SIBUR. ING Bank acted as the single designated arranger for the deal; securing favourable terms for the borrower regarding the discharge of its long-term loan liabilities. The competitive loan pricing reflects the reliability and security of the commercial agreement, as well as the positive financial standing of the Russian charterer OAO SIBUR. The gas carriers *Sibur Voronezh* and *Sibur Tobol* both form a part of Sovcomflot's vessel holding company SCF Gas Carriers Ltd.

In December 2013, OAO Sovcomflot signed a 10-year project financing agreement worth USD 316 million with a consortium of three leading international banks – ING Bank, KfW IPEX-Bank and Sumitomo Mitsui Banking Corporation. This loan will be used to finance the construction of two new LNG gas carriers – *Velikiy Novgorod* and *Pskov*, which will be deployed under long-term time-charter agreements with Gazprom. These vessels will join the SCF Group vessel holding subsidiary SCF Gas Carriers Ltd, which was created this year as part of the Group's plans to expand its share of the LNG shipping segment within the company's overall business portfolio. The favourable terms of the loan agreement – including its structure, long-term credit profile and attractive cost – reflect the solidity of the deal, cash-flow stability and the positive



The signing of the financial agreement between Sovcomflot and ING Bank N.V., London, July 2013.

financial standing of the charterer. This agreement has strengthened Sovcomflot's position in the gas segment and facilitated the expansion of its gas fleet – one of the key targets set out in SCF Group's Development Strategy-2018. The Japanese bank SMBC helped SCF Group break into the LNG shipping segment back in 2006, meanwhile the Dutch bank ING has been a partner of Sovcomflot for two decades, and the German bank KfW has now renewed its partnership with SCF that began in 1988, when the company was founded. This deal marked the third successful international finance agreement signed by SCF Group in 2013, in spite of the challenging conditions on the global financial and shipping markets. These agreements significantly improve the liquidity of SCF Group.

*I would like to express my wholehearted congratulations to the entire Sovcomflot team on the company's 25th anniversary. I can say in all honesty that today Sovcomflot is a genuine flagship of the Russian shipping industry. This is a leading Russian company that holds strong positions within its segment on the global market.*

**G. O. Gref,**  
President and Chairman  
of Sberbank Russia



## SOVCOMFLOT TOPS MARINE MONEY'S "DEAL OF THE YEAR" RATING FOR THE PROJECT FINANCING FOR THE CONSTRUCTION OF ITS LNG CARRIERS

Sovcomflot's USD 316m project financing transaction, implemented by a consortium of international banking partners: ING Bank; KfW IPEX-Bank and Sumitomo Mitsui Banking Corporation, was recognised by the international shipping magazine *Marine Money* as one of the best financial transactions in 2013.

The 10 year non-recourse project facility will finance two ice-class LNG carriers that will operate under long-term charters with Gazprom Group. The pairing of Sovcomflot with Gazprom provided one of the best structured and most competitive deals of the year, writes *Marine Money*. The transaction was very well received by the banking market, with

an initial oversubscription of more than 2.5 times.

"On the back of Sovcomflot's reputation and the cash flows from the Gazprom charters, the borrowers obtained highly favorable non-recourse financing with a long tenor and high gearing. The facility is a 10 year post-delivery term loan financing 80 per cent of the contract price of the vessels, which fully covers payment for the delivery installments under the shipbuilding contracts. The repayment profile is 15 years to zero, in line with the committed period of the time charter contracts, resulting in a 33 per cent balloon at the end of the 10 year tenor".

**STEPHEN FEWSTER, GLOBAL HEAD OF SHIPPING FINANCE AT ING BANK**

"We are pleased to have been supporting SCF Group's activities for over two decades. Today, Sovcomflot is one of the world's leading energy carriers and is an important strategic client for us. At the present time, ING Bank is expanding its credit portfolio in the shipping sector, focusing on the most promising segments of the shipping market and on strong clients like Sovcomflot. We support the SCF Group development strategy aimed at expanding the company's transport and logistics services in the gas and offshore energy segments, and we are pleased to be party to the deal with SIBUR, which is also an important client for us. We look forward to furthering our fruitful partnership with Sovcomflot and anticipate new business development opportunities in the future".

THE SHIP FINANCE PUBLICATION OF RECORD

# MARINE MONEY

INTERNATIONAL

NEW YORK ♦ LONDON ♦ OSLO ♦ PIRAEUS ♦ HONG KONG

Signing of the agreement on project financing with ING Bank, KfW IPEX-Bank and Sumitomo Mitsui Banking Corporation. London, December 2013.



# CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013, USD 00.0 million	2012, USD 00.0 million
<b>Freight and Hire revenue</b>	<b>1,262,816</b>	<b>1,352,983</b>
Voyage expenses and commissions	(390,167)	(493,608)
<b>Time charter equivalent revenues</b>	<b>872,649</b>	<b>859,375</b>
<b>Direct operating expenses</b>		
Vessels' running costs	336,644	320,794
Charter hire payments	46,032	32,369
	(382,676)	(353,163)
<b>Net earnings from vessels' trading</b>	<b>489,973</b>	<b>506,212</b>
Other operating revenues	33,390	96,933
Other operating expenses	(25,551)	(79,656)
Depreciation, amortisation and impairment	(314,335)	(291,156)
General and administrative expenses	(107,873)	(100,075)
Gain / (loss) on sale of assets	1,401	(6,662)
Allowance for credit losses	(4,614)	(16,485)
(Increase) in / release of provision	(382)	32
Share of profits in equity accounted investments	9,629	20,185
<b>Operating profit</b>	<b>81,638</b>	<b>129,328</b>
<b>Other (expenses) / income</b>		
Financing costs	(136,187)	(121,769)
Interest income	19,073	23,042
Other non-operating income	2,756	7,796
Other non-operating expenses	(10,558)	(8,121)
Gain / (loss) on ineffective hedging instruments	2,054	(155)
Gain on derivative financial instruments held for trading	15,228	13,479
Foreign exchange differences	(1,517)	(2,406)
<b>Net other expenses</b>	<b>(109,151)</b>	<b>(88,134)</b>
<b>(Loss) / profit before income taxes</b>	<b>(27,513)</b>	<b>41,194</b>
Income tax expense	(11,713)	(8,293)
<b>(Loss) / profit for the period</b>	<b>(39,226)</b>	<b>32,901</b>

	2013, USD 00.0 million	2012, USD 00.0 million
<b>(Loss) / profit attributable to:</b>		
Owners of the parent	(39,815)	32,377
Non-controlling interests	589	524
	(39,226)	32,901
<b>Earnings per share</b>		
Basic earnings per share for the period attributable to equity holders of the parent	(0.020)	0.016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013, USD 00.0 million	2012, USD 00.0 million
<b>(Loss) / profit for the period</b>	<b>(39,226)</b>	<b>32,901</b>
<b>Other comprehensive income:</b>		
Share of associates' other comprehensive income	(15)	(767)
Share of joint ventures' other comprehensive income	23,344	(1,445)
Exchange differences on translation of foreign operations	(6,906)	6,351
Derivative financial instruments recycled and debited to the income statement	19,246	18,629
Fair value movement of derivative financial instruments credited / (debited) to other comprehensive income	17,137	(15,788)
<b>Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</b>	<b>52,806</b>	<b>6,980</b>
Remeasurement (losses) / gains on retirement benefit obligations	(632)	604
<b>Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods</b>	<b>(632)</b>	<b>604</b>
<b>Total other comprehensive income for the period, net of tax</b>	<b>52,174</b>	<b>7,584</b>
<b>Total comprehensive income for the period</b>	<b>12,948</b>	<b>40,485</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	13,162	39,268
Non-controlling interests	(214)	1,217
	12,948	40,485

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2013

	2013, USD 00.0 million	2012, USD 00.0 million	2011, USD 00.0 million
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	5,206,150	5,047,029	5,044,854
Vessels under construction	244,584	447,321	313,839
Other fixed assets	87,847	73,556	64,110
Investment property	16,973	3,723	4,565
Other fixed assets under construction	11,992	23,254	9,866
Intangible assets	-	-	7,346
Investments in associates	1,130	1,187	1,273
Investments in joint ventures	72,507	62,156	35,799
Available-for-sale investments	1,012	1,380	1,381
Loans to joint ventures	65,526	65,696	54,797
Finance lease receivables	78,908	89,137	92,162
Derivative financial instruments	10,356	108	-
Trade and other receivables	17,765	9,621	33,525
Deferred tax assets	2,228	3,213	3,200
	5,816,978	5,827,381	5,666,717
<b>Current assets</b>			
Inventories	64,719	70,487	74,813
Loans to joint ventures	4,750	4,803	11,140
Trade and other receivables	160,121	213,656	215,539
Finance lease receivables	3,656	3,124	2,697
Current tax receivable	2,017	2,951	940
Cash and bank deposits	281,540	308,453	357,440
	516,803	603,474	662,569
Non-current assets held for sale	74,252	17,824	9,800
	591,055	621,298	672,369
<b>Total assets</b>	<b>6,408,033</b>	<b>6,448,679</b>	<b>6,339,086</b>

	2013, USD 00.0 million	2012, USD 00.0 million	2011, USD 00.0 million
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	405,012	405,012	405,012
Reserves	2,549,215	2,545,174	2,518,732
<b>Equity attributable to owners of the parent</b>	<b>2,954,227</b>	<b>2,950,186</b>	<b>2,923,744</b>
<b>Non-controlling interests</b>	<b>157,045</b>	<b>158,869</b>	<b>159,817</b>
<b>Total equity</b>	<b>3,111,272</b>	<b>3,109,055</b>	<b>3,083,561</b>
<b>Non-current liabilities</b>			
Secured bank loans	1,598,257	1,685,813	1,576,164
Finance lease liabilities	193,291	202,141	221,688
Derivative financial instruments	42,266	71,808	74,966
Retirement benefit obligations	7,405	9,183	9,607
Other loans	798,092	797,593	797,005
Provisions	6,354	26,796	48,742
Deferred tax liabilities	2,477	2,244	5,354
	2,648,142	2,795,578	2,733,526
<b>Current liabilities</b>			
Trade and other payables	246,586	204,625	209,792
Secured bank loans	363,259	276,394	243,631
Finance lease liabilities	8,850	19,547	9,363
Current tax payable	3,206	2,887	5,721
Derivative financial instruments	26,718	40,593	53,492
	648,619	544,046	521,999
<b>Total equity and liabilities</b>	<b>6,408,033</b>	<b>6,448,679</b>	<b>6,339,086</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

	Share capital, USD 00.0 million	Share premium, USD 00.0 million	Reconstruction reserve, USD 00.0 million
<b>At 1 January 2012</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>
Restatement (Note 4)	-	-	-
At 1 January 2012 (restated)	405,012	818,845	(834,490)
Profit for the period	-	-	-
Other comprehensive income			
Share of associates' other comprehensive income	-	-	-
Share of joint ventures' other comprehensive income	-	-	-
Exchange differences on translation of foreign operations	-	-	-
Derivative financial instruments recycled and debited to the income statement	-	-	-
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-
Remeasurement gains on retirement benefit obligations	-	-	-
Total comprehensive income	-	-	-
Dividends (Note 33)	-	-	-
<b>At 31 December 2012</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>
(Loss) / profit for the period	-	-	-
Other comprehensive income			
Share of associates' other comprehensive income	-	-	-
Share of joint ventures' other comprehensive income	-	-	-
Exchange differences on translation of foreign operations	-	-	-
Derivative financial instruments recycled and debited to the income statement	-	-	-
Fair value movement of derivative financial instruments credited to other comprehensive income	-	-	-
Remeasurement losses on retirement benefit obligations	-	-	-
Total comprehensive income	-	-	-
Dividends (Note 33)	-	-	-
<b>At 31 December 2013</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>

Hedging reserve, USD 00.0 million	Currency reserve, USD 00.0 million	Retained earnings, USD 00.0 million	Attributable to owners of the parent, USD 00.0 million	Non-controlling interests, USD 00.0 million	Total, USD 00.0 million
<b>(142,442)</b>	<b>(4,852)</b>	<b>2,683,110</b>	<b>2,925,183</b>	<b>159,989</b>	<b>3,085,172</b>
-	-	(1,439)	(1,439)	(172)	(1,611)
(142,442)	(4,852)	2,681,671	2,923,744	159,817	3,083,561
-	-	32,377	32,377	524	32,901
-	(767)	-	(767)	-	(767)
(1,445)	-	-	(1,445)	-	(1,445)
-	5,723	-	5,723	628	6,351
18,629	-	-	18,629	-	18,629
(15,788)	-	-	(15,788)	-	(15,788)
-	-	539	539	65	604
1,396	4,956	32,916	39,268	1,217	40,485
-	-	(12,826)	(12,826)	(2,165)	(14,991)
<b>(141,046)</b>	<b>104</b>	<b>2,701,761</b>	<b>2,950,186</b>	<b>158,869</b>	<b>3,109,055</b>
-	-	(39,815)	(39,815)	589	(39,226)
-	(15)	-	(15)	-	(15)
23,344	-	-	23,344	-	23,344
-	(6,171)	-	(6,171)	(735)	(6,906)
19,246	-	-	19,246	-	19,246
17,137	-	-	17,137	-	17,137
-	-	(564)	(564)	(68)	(632)
59,727	(6,186)	(40,379)	13,162	(214)	12,948
-	-	(9,121)	(9,121)	(1,610)	(10,731)
<b>(81,319)</b>	<b>(6,082)</b>	<b>2,652,261</b>	<b>2,954,227</b>	<b>157,045</b>	<b>3,111,272</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2013

	2013, USD 00.0 million	2012, USD 00.0 million
<b>Operating Activities</b>		
Cash received from freight and hire of vessels	1,279,885	1,376,398
Other cash receipts	56,886	58,546
Cash payments for voyage and running costs	(741,872)	(863,012)
Other cash payments	<b>(157,918)</b>	<b>(137,521)</b>
Cash generated from operations	436,981	434,411
Interest received	7,170	8,002
Income tax paid	(9,447)	(16,522)
Net cash inflow from operating activities	434,704	425,891
<b>Investing Activities</b>		
Acquisition of joint venture	-	(26,867)
Additional investment in joint venture	-	(2,600)
Long term interest in joint venture	-	(2,244)
Expenditure on fleet	(49,807)	(37,153)
Expenditure on vessels under construction	(287,683)	(397,951)
Expenditure on assets held for sale	(4,990)	-
Interest capitalised	(12,366)	(13,310)
Expenditure on other fixed assets	(45,444)	(29,116)
Loan repayments from joint ventures	6,604	3,692
Loan advances to joint ventures	(5,865)	(7,562)
Proceeds from sale of vessels	50,814	17,174
Proceeds from sale of other fixed assets	3,449	7,747
Proceeds from disposal of investments	-	331
Advances for sale of assets	16,032	-
Capital element received on finance leases	4,897	1,495
Interest received on finance leases	22,158	10,765
Dividends received from joint ventures	2,112	1,336
Bank term deposits	(1,833)	932
Security deposits	10,400	-
Other receipts	39	133
Net cash outflow used in investing activities	(291,483)	(473,198)

	2013, USD 00.0 million	2012, USD 00.0 million
<b>Financing Activities</b>		
Proceeds from borrowings	286,355	974,320
Repayment of borrowings	(284,740)	(824,523)
Financing costs	(6,518)	(12,564)
Repayment of finance lease liabilities	(19,806)	(9,633)
Restricted deposits	3,900	898
Funds in retention bank accounts	(611)	(43)
Interest paid on borrowings and other loans	(114,143)	(100,577)
Interest paid on finance leases	(13,868)	(15,176)
Dividends paid	(9,830)	(14,802)
Buy back of own shares by subsidiary	-	(3,171)
Net cash outflow from financing activities	(159,261)	(5,271)
<b>Decrease in Cash and Cash Equivalents</b>	<b>(16,040)</b>	<b>(52,578)</b>
<b>Cash and Cash Equivalents at 1 January</b>	<b>271,807</b>	<b>319,007</b>
Net foreign exchange difference	983	5,378
<b>Cash and Cash Equivalents at 31 December</b>	<b>256,750</b>	<b>271,807</b>



Sovcomflot works with top class charterers. To meet their expectations, the Group must go beyond just the standard requirements.

# SAFETY AND QUALITY



**Igor Tonkovidov**  
Senior Executive  
Vice-President of Sovcomflot,  
Member of The Executive Board

**– What are the founding principles of Sovcomflot’s safety policy?**

– The presence of an effective safety management system is central to the success of any shipping company. As an industry leader, Sovcomflot follows the principles of sustainable development; placing emphasis on navigational safety, environmental protection and maintaining a high level of service. Sovcomflot fully acknowledges its responsibility to the international community and is a firm believer in its motto: *Safety Comes First*. This commitment is evident from the results of SCF Group’s technical management in 2013.

# The safety culture developed at SCF is founded upon the retention and consolidation of Russia’s maritime traditions.

Sovcomflot works with top class charterers who are careful in protecting their own reputations and meticulous in their choice of carrier. To meet their expectations, the Group must go beyond just the standard requirements. Independent inspections are regularly conducted at Sovcomflot’s offices and within the company fleet. The willingness of key clients to sign long-term contracts with Sovcomflot is evidence of the company’s high level of expertise and reliability. Today, most of the world’s leading oil and gas companies use SCF Group vessels on time-charter agreements. In 2013, there was an average of only four observations per oil company inspection for the various different types of the Group’s vessels. At the same time, the figure for the tanker fleet was almost half that of the industry average (according to Intertanko), and the number of observations regarding navigational safety was under half the industry average.

The safety culture developed at Sovcomflot is founded upon the retention and consolidation of Russian maritime traditions. This takes on a special significance in today’s unstable market conditions, with growing pressure from charterers and tightening regulations. While the epicentre of the global shipping industry is gradually shifting from Europe to Asia, and traditional approaches are losing ground, careful consideration of the knowledge and experience accumulated over decades will undoubtedly become a competitive advantage for the Group. Sovcomflot’s engineering and training centres in St. Petersburg and Novorossiysk accumulate and spread this expertise – regularly providing educational courses and advanced training to SCF crews. The use of state-of-the-art training facilities and decades of accumulated corporate experience have been combined to provide a unique environment for the professional development of maritime personnel.

In 2013, Statoil – a leading oil company and established Sovcomflot partner – provided further proof that SCF Group really does stand for: “Safety Comes First”. Our company was presented with a special award as part of Statoil’s “Working safely with suppliers, WSWS” programme, which rewards carriers with high safety standards. In order to receive the Statoil award, a company must: demonstrate a high standard of service over a prolonged period; strive towards industry leadership; clearly understand its liabilities and stand firm in the face of competition. Several shipping companies were in contention for the award but Sovcomflot was recognised as the worthy winner. SCF Group was singled out for its “Professionalism and reliability, commitment to high standards of fleet management, a proactive approach to crew preparation and good results in the TMSA programme”. Statoil also referred to SCF Group as: “A safe, reliable and effective partner on the Peregrino project.”



**Cadets from Admiral Nevelsky Maritime State University onboard tall ship *Nadezhda***

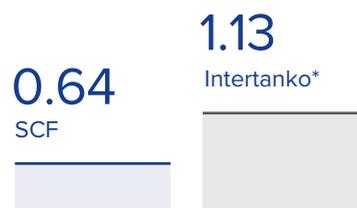




In October 2013, SCF Group introduced uniform, company-wide guidelines for its safety management system. The unification process began in 2009, at the policy and general practice level. At subsequent stages, the companies within the Group were brought together under a single set of standards with structural flowcharts. As a result, OOO SCF Novoship Technical Management started work midway through the financial year. This new SCF Group company was created on the foundations of the OAO Novoship Maritime Safety & Quality Management Department. Despite this transition, all working processes related to safety and operational quality within the fleet remained constant and uninterrupted. By the end of 2013, Shell had already given the company top spot in its ratings for conventional fleet operators and third place in its main list of leading fleet managers.

Sovcomflot’s safety and quality management experts conduct scientific research into Arctic shipping issues, collaborate on innovative projects and play an active role in the formation of industry regulations. In 2013, SCF Group representatives participated in the formation of the Polar Code regulations, as part of a task group at the Russian Ministry of Transport. In the interests of improving the safety and efficiency of icebreaker escorts in the Arctic, Sovcomflot and FGUP Atomflot joined forces to conduct a seminar entitled: “Interaction between captains aboard transport and icebreaker fleet vessels during icebreaker escort in NSR waters”. Sovcomflot specialists also regularly take part in meetings of the Maritime Safety Committee at the Russian National Chamber of Shipping.

**LTIF – Lost Time Injury Frequency**



**TRCF – Total Recordable Cases Frequency**



\* International Association of Independent Tanker Owners.

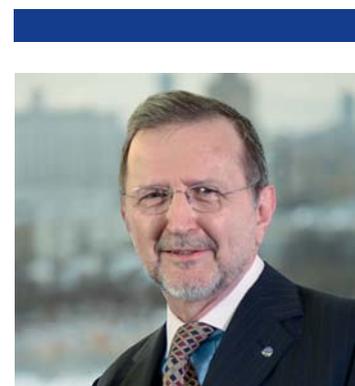


OAO Sovcomflot's environmental protection policy forms an integral part of its general safety system governing vessel operations and pollution prevention, in accordance with the International Safety Management Code.

# GREEN POWER AND ENERGY-SAVING INITIATIVES

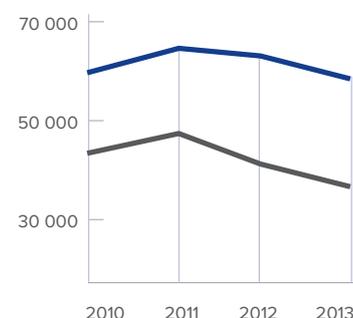
## THESE MEASURES INCLUDE:

- Use of a slow steaming mode aboard the Group's vessels to reduce fuel consumption and gas emissions. Results show that switching to lower speeds (7-9 knots) with an engine load of below 40 per cent MCR increases vessels' energy-efficiency and makes them environmentally safer. The S3ES-Novoship programme includes a section on: "Slow steaming monitoring & analysis", which helps vessel operators plan and monitor operational modes aboard ship.
- Identification and use of the optimal pitch for each vessel during in-ballast passages, with the aim of reducing main engine fuel consumption to a minimum. The optimal load was calculated for each series of vessels, by conducting thermo-technical trials at various pitches. SCF Group has been performing this practice on its vessels since 2009.
- Control and optimisation of energy consumption on the heating and ventilation of shipboard quarters.
- The optimisation of power plant load in transit and stationary modes.
- The promotion of a culture of energy-saving aboard the Group's vessels
- Regular checks of shipboard fuel and oil meters.
- Hull monitoring and timely cleaning. The full-load (propeller) characteristics of the main engine are monitored as part of the S3ES-Novoship programme. Each day, a vessel's speed is adjusted in relation to land and water, weather conditions and propeller slip. In some cases, underwater footage is collected to measure the accumulation of fouling on the ship's hull.
- Strict maintenance of the main engine cylinder lubrication, no higher than recommended levels. When implementing this requirement, Sovcomflot adheres to the guidelines provided by the engine manufacturer and Flame Diagnostic, which conducts checks on cylinder oil consumption, and provides recommendations on the optimisation of oil injection based on the results of tests on used cylinder oil.
- Determine the level of preparedness of the ship's power plant, depending on its stationary condition with the minimal use of energy (constant preparedness and preparedness by a set time).
- Use of innovative low-friction paint for ship hulls, with the aim of increasing inter-docking periods, the reduction



**David Moorhouse**  
Chairman of Maritime London,  
Independent director of  
OAO Sovcomflot

## SOX AND NOX EMISSIONS (TONNES)



of hull fouling and the need for underwater cleaning during inter-docking periods.

- The planned replacement of incandescent light bulbs with their energy-saving equivalents (luminescent, including compact luminescent and photodiode bulbs) and the optimisation of light-fitting placement (localised lighting, directional lighting). Raising the light efficiency of existing sources (replacing lamp shades, removing dirt from shades, using more efficient reflectors). Use of light management devices (movement sensors, light sensors, timers).
- Since 2006, the S3ES-Novoship programme has been employed on SCF Group vessels to gather and process data on fuel and oil consumption.

**THIS PROGRAMME MAKES IT POSSIBLE TO:**

- Control all of the important operational parameters of the ship (fuel and oil consumption, main engine power and rotational speed, distance travelled, vessel speed, etc).

- Conduct daily analysis of fuel and oil consumption and produce corresponding graphs.
- Manage the operational parameters of every shipboard fuel consumer over an extended period, to identify the possible causes of excess usage.
- Assess the efficiency of organisational and technical measures aimed at optimising fuel and oil consumption.
- Detect inefficient (in terms of fuel consumption) engine modes and develop new ways of increasing their energy-saving potential.
- Generate automated Energy Efficiency Operation Indicator (EEOI) reports for a given passage or time period, to assess CO2 emissions (in accordance with IMO MEPC.1/Circ 684). This was introduced to assess the greenhouse gas emissions and energy-efficiency of existing vessels.

The programme can be adapted to perform various tasks associated with the optimisation of shipboard oil and fuel consumption.

*I warmly congratulate you and your colleagues on the quarter-century anniversary of your company as a JSC. During this time, Sovcomflot has become one of the largest tanker fleet operators in the world that actively develops technologies for the transportation of challenging cargoes such as oil, petrochemicals and liquefied gas. I trust that Sovcomflot Group will prove to be a reliable partner.*

**A. I. Medvedev,**  
CEO of Gazprom Export





Sovcomflot conducts energy inspections aboard its vessels. These involve gathering and processing data on energy use: accurate information on oil and fuel consumption, energy-efficiency figures for main engine/auxiliary boiler/diesel generator operations, detection of energy-saving opportunities and ways to increase the productivity and environmental safety of the ship's power plant.

Ensuring the rational use of fuel and energy resources through shipboard energy-saving measures has led to a reduction in fuel consumption on completed passages: In 2011, fuel consumption per nautical mile was 110 kg/mile, in 2012 it was 109 kg/mile, and in 2013 it totalled 106 kg/mile.

## SOVCOMFLOT ENVIRONMENTAL MANAGEMENT SYSTEM

OAO Sovcomflot's environmental management system has been developed in accordance with the principles, targets and tasks laid out in the company's environmental protection policy, as set out in: "The guide to safe vessel operation and pollution prevention".

Consumption has decreased by 2.7 per cent during this period alone.

### FOLLOWING THE INTRODUCTION OF THE FOREGOING MEASURES, OIL AND FUEL ECONOMY ON COMPANY VESSELS IMPROVED IN 2012:

- Average cylinder oil consumption across the fleet fell from 1.09g/kWh in 2011 to 1.05g/kWh in 2012 (or by 3.8 per cent). In 2013, oil consumption fell once again from 1.05g/kWh to 1.02g/kWh (or by 2.9 per cent).

fuel consumption  
fell by

**2.7%**

oil consumption  
dropped by

**2.9%**

although the fleet  
grew by

**4.3%**

in 2013

The environmental management system covers all the company's sub-divisions – from individual ships to the senior management level.



# TEAM SOVCOMFLOT

Our people make Sovcomflot what it is today: captains and chief engineers, navigators, engineers, bosuns, crew, engineers and managers of different specialisations across Russia and the globe.



**Sergey Popravko**  
Managing Director  
of Unicom Management  
Services (Cyprus) Ltd.,  
Member of The Executive Board

**– In your opinion, what is the key success factor in the shipping business?**

– Despite the enormous technological progress that the maritime industry has made over recent years, at the end of the day the success of the shipping business depends on its people. Our dedicated individuals operate high-tech equipment; sail ships across challenging Arctic routes; work in unison within their team; take responsibility for their work and demonstrate their endurance, fortitude and professionalism day in, day out.



In February 2013 Sovcomflot's flag was placed at the South Pole. In this way OAO Sovfracht congratulated our current Group on its 25-year anniversary. At the very start of its work, Sovcomflot was subdivision of Sovfracht and the company now has the right to be called its successor.

## HR AND SOCIAL POLICY

Shipping demands strict compliance with operational safety and environmental protection standards. The ability to provide quality services in this area depends directly upon the professionalism of fleet staff and shore-based personnel. The Sovcomflot team has always been a valuable asset that has given the company an important competitive advantage.

Over the last financial year, Sovcomflot has pursued an active HR policy aimed at retaining, consolidating and developing the potential of its workforce. The Group has particularly focused on providing a high level of social welfare for the many thousands of staff within its team.

A non-financial incentive scheme has been in place at Sovcomflot for many years, the focus of which is to recognise employees' professional achievements and personal contributions to the success of the company. In 2013, five members of the SCF Group team were presented with state awards, 179 staff received industry-sponsored, regional and city awards, and 365 company

employees were given corporate awards.

SCF Group takes great care in guiding and assisting the career growth and professional development of its staff. In 2013, 630 of the Group's fleet personnel received promotions: 152 senior officers, 226 junior officers and 215 rank and file staff. The company has also introduced a staff "rejuvenation" scheme for senior command personnel, which promotes promising first mates to captain and second engineers to chief engineer. At the same time, its high personnel retention rate demonstrates that Sovcomflot is viewed as an attractive employer, and is able to retain professional staff. In 2013, the retention rate for shipboard personnel reached 96 per cent and this figure was two per cent higher for senior command staff.



The Novorossiysk Shipping Company museum is home to a unique relic – a Distinguished Service Cross issued by the United Kingdom – belonging to the family of Chief Engineer Mefody Fedorov, who served aboard tanker Donbass. In 1943, King of England George VI awarded this medal to the Russian seaman for his participation in the Transatlantic Convoys, including the famously tragic PQ-17. The holder of this award has the honorary right to sit in the presence of the Royal Family. Fedorov's son and both of his grandsons have followed in his footsteps; becoming captains and continuing this glorious maritime dynasty.

## WORKING TOGETHER WITH ACADEMIC INSTITUTIONS

Sovcomflot continues to collaborate with Russia's leading maritime schools – the main providers of young specialists to the Group's fleet. In the last financial year, a total of 187 cadets from the Ushakov State Maritime University, Makarov State Maritime Academy and Nevelsky Maritime State University were sent for practical training with SCF Group, along with a further 30 crew-interns and trainee engineers. Sovcomflot's HR specialists then select the most promising cadets for future positions based on: their performance during pre-graduation training aboard company vessels: their average marks during the degree course and the respective specialties associated with their maritime school.

There is also an ongoing joint programme with maritime academies to provide training to a special target groups of cadets. At the end of 2013, the target group from the Makarov Academy consisted of 15 navigators, nine ship engineers and six electricians. The first graduates from the target group have all

been given positions aboard SCF Group vessels.

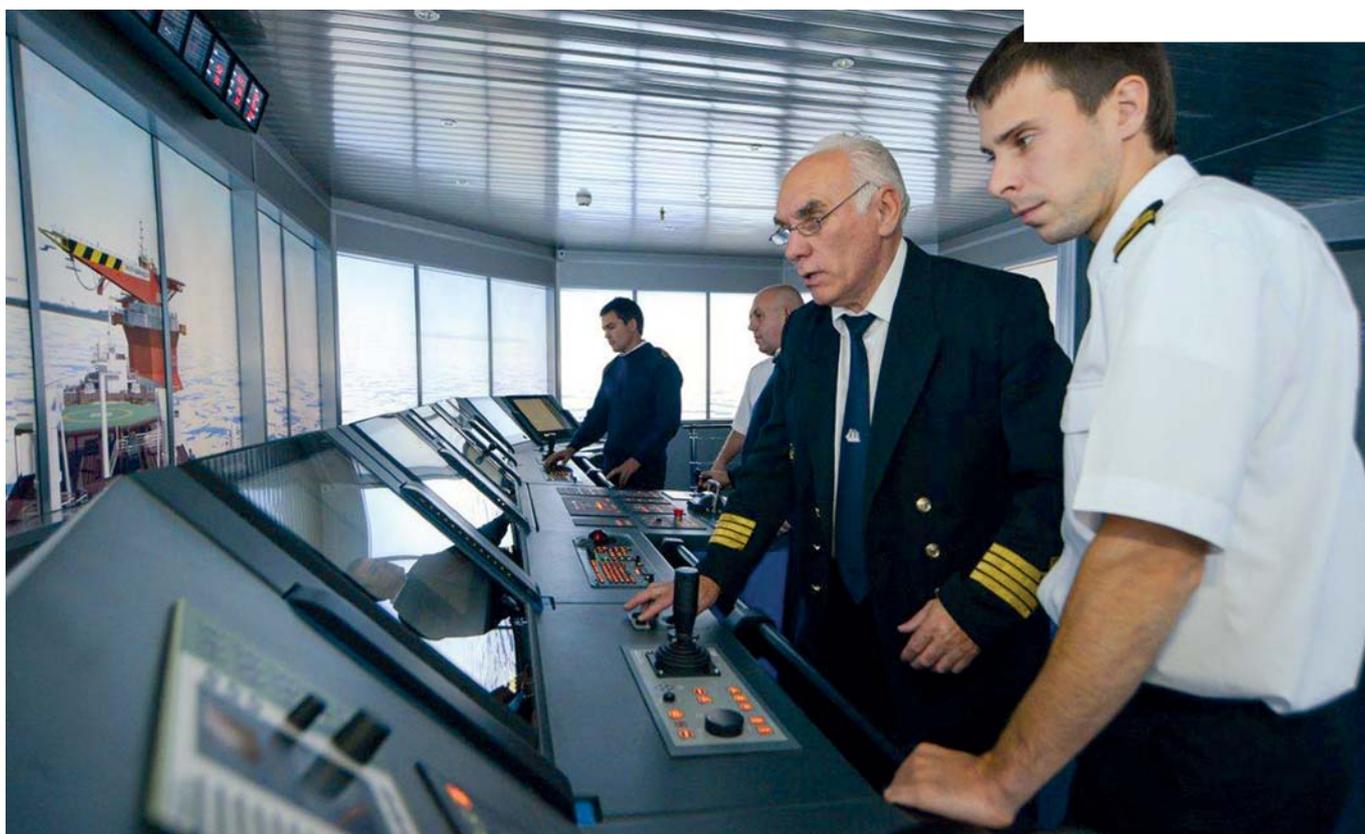
Today, there is a critical shortage of professional crews for the global fleet. This is why Sovcomflot pays special attention to the training of qualified fleet personnel. In 2013, training continued at the Novorossiysk College of Civil Engineering and Economics for actively serving crews in the fields of electric-gas welding and lathe operation. Over the last financial year, 43 staff were successfully trained, including 16 lathe operators and 27 electric-gas welders. The company continues to train and promote the best technically qualified engineers and crewmen to the position of pump operator. In 2013 alone, 10 staff from the Group's fleet became professional of pump operators.

*The longstanding and fruitful partnership between the academy and Sovcomflot is worthy of the highest praise and is an example of collaboration between the education system and a large employer within the shipping industry. The organisation of shipboard training for cadets, internships for academy tutors aboard SCF vessels and the development of a resource base are just some of the many achievements made possible through our partnership.*

**President of Admiral Makarov  
State Maritime Academy  
I. I. Kostilyev**



**Captain's bridge simulator at the  
Sovcomflot TEC at the company's  
headquarters on the Moyka river  
embankment, St. Petersburg.**



# SCF GROUP TRAINING AND EDUCATIONAL CENTRES

"Together with the shore personnel of the managing companies, we encourage staff to gain additional qualifications and provide ongoing training for shipboard personnel to work in the new segments of the shipping industry and especially in the Arctic shelf of Russia, attracting talented young specialists to the company. We are proud that the Sovcomflot shipping dynasty now spans four generations!"



**Igor Pankov**  
Head of Sovcomflot's Training and Educational Centre in St. Petersburg

Sovcomflot is developing its own shipboard personnel training system in Russia, in compliance with the very highest international standards. At the heart of this system are the Sovcomflot Training & Engineering Centre (TEC) in St. Petersburg and the Novoship Training Centre in Novorossiysk.

SCF TEC became a licensed educational centre and became operational in 2013. This marked an important stage in the implementation of the Group's development strategy, which provides for an expansion of the company's participation in oil and gas projects in the Arctic and sub-Arctic. Sovcomflot's TEC training facilities provide a valuable means of practising a whole range of Arctic maritime operations, including: servicing of oil platforms; navigation at northern latitudes; navigation in icy waters, with and without icebreaker escort; approaching ice-resistant terminals and vessel positioning during loading operations, and the organisation of complex towing operations.

Between July and December 2013, 763 seafarers completed training courses across seven disciplines at SCF TEC in St. Petersburg. At present, experts at the centre are working on an updated course entitled: "Navigation in Arctic ice conditions using superships fitted with azipod propulsion systems", which will be of great value for the promising Yamal LG project. The course is being developed on the basis of DNV-GL standards regarding navigator training for operations in icy waters. The classification society has stated its intention to amend its standards in the future, based on research conducted by SCF Group specialists at the centre.

In 2013 TEC Novoship Training celebrated its tenth anniversary, although its work really began around 25 years ago as an education and training centre, created for the Novorossiysk shipping line. This was one of the first centres in the country for retraining professional seafarers. Today it is one of Russia's leading maritime training centres. Novoship Training is certified by the DNV-GL international classification society, in compliance with the ISO 9001 standard (Quality Management).

In 2013, TEC Novoship Training provided courses to a record 8,000 people. The centre is equipped with a state-of-the-art navigation suite and GMDSS simulator, which form part of the TEC "virtual ship".

**In 2013, Novoship Training Centre provided courses to**

# 8,000

**visitors.**



**Russian Minister of Transport Maxim Sokolov at SCF TEC, St. Petersburg.**





Svet's crew, Gibraltar Strait, February 2013.

Sovcomflot has developed its own training centre, which is in line with the highest international standards.

# SOCIAL RESPONSIBILITY

The company promotes a healthy lifestyle and sponsors water sports events for children and young people.



The Russian Championship in the Olympic class of yachts,  
September 2013, Kuybyshevskoye reservoir, Togliatti.



**Vladimir Mednikov**  
Vice President and Administrative  
Director of Sovcomflot  
Member of The Executive Board

**– What are the SCF Group priorities in the field of social investments?**

– Supporting charities is an integral part of the work we do at SCF Group – helping the least socially protected groups in society; first and foremost, children, students and veterans. The company promotes a healthy lifestyle and sponsors water sports events for children and other young people. The future belongs to the professionals and to acknowledge the need for top class specialists in the maritime industry, we support Russia's colleges and maritime academies.

OAO Sovcomflot is committed to a socially responsible approach to business. The Group’s charitable and sponsorship activities are conducted in accordance with orders approved by the company’s Board of Directors. These are aimed at assisting children and other young people’s institutions in the spheres of: education and healthcare; providing care for industry veterans; raising the prestige of the maritime profession and levels of professional education in Russia, and preserving the country’s cultural, historical and spiritual heritage. In the past financial year, the company’s largest charity and sponsorship projects have been as follows: providing charitable assistance to Safonovsky Residential School for Orphans and Children Left without Parental Care (Smolensk

Region); funding medical equipment for the St. Olga City Children’s Hospital (St. Petersburg); providing charitable assistance to the Komsomolsk-on-Amur Orphanage N°14 following flood damage; continuing support for the Russian Geographical Society project: “Eurasian Centre for the protection of the Amur leopard”; sponsorship of the Russian Yachting Federation; sponsorship of the International Vladimir Salnikov Cup-2013 swimming tournament; sponsorship of meetings between Russian and British veterans and events to commemorate Victory Day, aboard cruiser *HMS Belfast*; helping with the transportation and installation of a monument to Yury Gagarin at the Greenwich Observatory (United Kingdom), and charitable assistance to the Fort Ross project (USA).



SCF Group became one of the sponsors of the relocation of a monument to cosmonaut Yuri Gagarin at the Greenwich Royal Observatory (United Kingdom). In the photo – the daughter of the first man in Space, Y. Gagarin Elena.



## GAGARIN IN LONDON

In 2013, Sovcomflot Group became one of three Russian sponsors of a project to relocate and install a monument to the cosmonaut Yuri Gagarin at the Greenwich Royal Observatory (United Kingdom). The opening ceremony, which took place on 8 March, was attended by: Elena Gagarina – daughter of the great cosmonaut; the Head of the Museums of the Russian Kremlin, Alexander Yakovenko; the Russian Ambassador to Great Britain; representatives from Roscosmos and the British Royal Family.

The monument to the world’s first ever cosmonaut was installed in London in July 2012 to mark the 50th anniversary of the first manned spaceflight. Previously, the statue of Gagarin has stood on the Mall leading up to Buckingham Palace. However, this was a temporary location and several leading British museums fought to secure the statue for their collections.

Following discussions, the British Council and Roscosmos chose the Greenwich Royal Observatory as the permanent home for the Gagarin monument. The statue now overlooks the Prime Meridian – the conventional dividing line between the eastern and western hemispheres. This spot is illustrative of the close link between the centuries-old traditions of the observatory (where scientists studied celestial bodies in the Middle Ages) and the first man in space. The Head of Sovcomflot Holding Overseas Corporation Lord Fairfax made the following statement at the ceremony: “Yuri Gagarin was a truly outstanding figure. It is a great honour for Sovcomflot to be sponsoring the placement ceremony for his monument at Greenwich Royal Observatory – in this way immortalising the name of the first man in space.”



Monument to the first man in Space Yury Gagarin at Greenwich Royal Observatory.



## ARCTIC CONVOY VETERANS MEET

On 9 May, a ceremony was held in London to mark the 72th anniversary of the first Arctic Convoy during the Second World War.

Russian and British veterans of the convoy gathered aboard the legendary cruiser *HMS Belfast* – one of the last remaining ships that provided safe passage for the Arctic Convoys during WWII. Queen Elizabeth II sent a special address to those who had gathered for the occasion. According to tradition, a minute of silence was held for those who lost their lives during the Second World War.

The Victory Day in London project, dedicated to the Arctic Convoy veterans, symbolises the combined efforts of the British Royal Navy and the Soviet Fleet, which made an invaluable contribution to the victory over Fascism. Every year,

Russian convoy veterans visit London to meet with their British comrades during commemorative festivities aboard the ship-museum. In 1943, *HMS Belfast* was among the ships that sank the German battle cruiser *Scharnhorst*, which had been regarded as a threat to the Arctic Convoys. The crew of *HMS Belfast* helped save the lives of hundreds of Soviet and British seamen.

### THE ARCTIC CONVOYS OF THE SECOND WORLD WAR.

The Arctic Convoys made the perilous journey from Britain and the USA to the northern Soviet ports of Archangel and Murmansk. In four years of war, around 1,400 merchant ships joined the convoys. 85 merchant vessels and 16 naval ships were lost as a result of attacks by the German Navy and Air Force. The Arctic Convoys have been described in countless works of fiction, including the novel "Bitter Mists of the Atlantic" by K. Kudievsky, which inspired the film "Seventeenth Transatlantic".

Participants of the Arctic convoys.



## SUPPORTING YOUTH AND CHILDREN'S SPORT

Sponsoring water sports represents an important aspect of Sovcomflot's charity work. Each year, the company sponsors the International Vladimir Salnikov Cup. This swimming competition is named in honour of the Russian sporting legend and four-time Olympic champion V. Salnikov. This annual contest is attended by the best swimmers from Russia and around the world. Traditionally, spectators at this exciting sports event include cadets from Admiral Makarov State Maritime Academy. 2013 was no exception – Sovcomflot was once again the title sponsor of the event, which was held in St. Petersburg and again proved to be a great success as in previous years.

SCF Group has been an official partner of the Russian Yachting Federation since 2009. The company provides sponsorship for youth and children's sailing activities in Russia, including training provision for the country's youth Olympic sailing team.

*The Russian Yachting Federation expresses its deep respect and gratitude for the constant support and promotion of sailing sports in Russia and overseas.*

**V. N. Silkin,**  
RYF President



## SUPPORTING ORPHANAGES AND HOSPITALS

SCF Group charity projects also include work with orphanages, children's hospitals and churches. Each year, Safonovsky Residential School in the Smolensk region receives assistance from Sovcomflot. This outstanding social institution raises and educates orphans and children left without parental care. The school is large in size, has a complex design with scattered facilities and requires constant maintenance.

SCF Group is also a long-term supporter and sponsor of the St. Olga Children's Hospital in St. Petersburg. Valeriya Parshina – head of the hospital's emergency and intensive care unit is Ship's Godmother to tanker Primorsky Prospekt.

In 2013, SCF Group provided charitable assistance to Komsomolsk-on-Amur Orphanage N°14 following flood damage.



Visit of Sovcomflot representatives to Safonovsky Residential School, Smolensk region.

## LEOPARD IN WHITE GLOVES

Our company is committed to environmental protection in all our areas of operation and SCF Group is proud to be a sponsor of the “Leopard Land” project, to create a national park. This is currently the only protected nature reserve in Primorsky Krai and it is home to around 50 Amur leopards – an animal included in the IUCN Red List of Threatened Species. The support of Sovcomflot helps to research and photograph these rare cats.



Lord – one of the many success stories at Leopard Land national park, Primorsky Krai.

*The Eurasian Centre for the Protection and Conservation of the Amur Leopard would like to thank OAO Sovcomflot for its support and interest in the study, conservation and protection of the Amur leopard in Russia. The company is a longstanding partner of autonomous non-profit organisation “Eastern Leopards”. I would like to express our gratitude to the company for all of our*

*collaboration to date. We trust our joint efforts will be ongoing.*

**S. B. Ivanov**  
**Chairman of the Supervisory  
Committee at Eastern Leopards**



## FORT ROSS, CALIFORNIA

Every year, under a joint sponsoring project together with Transneft and Chevron, Sovcomflot provides financial support to the heritage site of Fort Ross – a unique remnant of Russian culture in America. Fort Ross is a former Russian settlement and wooden fort on the northern coast of California (80km north of San Francisco) that was founded by a Russo-American company in 1812, as a fur trading post. In 1841 the company sold the site to wealthy landowner John Satter. Fort Ross was the most southerly Russian settlement in North America. Today, it is a historical park in the state

of California. The original fort has been preserved to this day and the house of the last commandant (Rotchev) has been made into a national heritage site. To mark the 200th year anniversary of Fort Ross, a Sovcomflot sponsored documentary was filmed dedicated to the site’s history. The film was well received by audiences in both Russia and abroad.



Holy Trinity Chapel, Fort Ross, California, USA

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Photo on the front cover: multifunctional icebreaking supply vessel *Aleksey Chirikov*, delivered to SCF in 2013.

[www.scf-group.ru](http://www.scf-group.ru)



