

# Seaborne Energy Solutions

**SCF**  
Sovcomflot



2010

SCF Group - the winner of three prestigious international awards in 2010:

- Lloyd's List Global Awards –  
“Company of the Year”
- Seatrade Awards –  
“Seatrade Global Performer 2010” in recognition of its pioneering work with Arctic icebreaking tanker operations in harsh weather and ice conditions
- Marine Money Awards –  
“European Public Debt Deal of the Year”

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## Russia's largest shipping company and a world leader in seaborne transportation:

- The Joint-Stock Company Sovcomflot was set up in 1988 following the Government Resolution of 23 March 1973 granting the USSR Ministry of Merchant Marine the right to acquire vessels via long-term lease to work at the world freight market
- SCF's fleet comprises 147 vessels (as at 31 December 2010) of some 11 million tonnes (dwt) in total. The current shipbuilding portfolio includes 20 ships representing an aggregate of 2.2 million tonnes (dwt)
- SCF is one of the world's leaders by deadweight tonnage in the product carrier, Aframax and Suezmax tanker segments
- The Group owns the world's largest ice-class fleets, being the No.1 operator in the Arctic shuttle tanker and ice-class LNG tanker market segments
- The average age of the fleet is around seven years
- More than 8,500 seafarers and shore-based personnel are employed
- The Group's services include seaborne energy transportation, transshipping crude oil via offshore floating storage facilities (FSO); offshore tugging operations; developing effective logistics for transporting energy in the harsh climate conditions of the Arctic and the Far Eastern seas; providing hydrocarbons shuttle tanker transportation and offering supply vessels to offshore production platforms and port tugs
- SCF's head office is in St. Petersburg; the Group also has offices and subsidiaries in Moscow; Novorossiysk; Murmansk; Vladivostok; Yuzhno-Sakhalinsk; London; Limassol; Madrid and Singapore

Sovcomflot – a leader  
of the world's seaborne  
energy transportation  
market







**Sergey Naryshkin**  
**Sovcomflot (SCF) Board Chairman**

The Sovcomflot (SCF) Board of Directors notes with satisfaction that the company fulfilled its tasks for 2010, set by the Development Strategy, in full.

Still faced by an unfavourable situation in the tanker industry's freight market, Sovcomflot strengthened its leading position in the sphere of seaborne energy transportation. The company finished the year with its profit above forecast and demonstrated steady growth, confirming that the choice of an industrial business model was the right one. Such a model envisages the maintenance of high quality results from the company's fixed assets, i.e. its fleet; the implementation of a well-balanced freight policy with a priority put on long-term projects, and the application of most advanced technical and technological solutions.

In far from auspicious market conditions Sovcomflot expanded its fleet, increased its sales volume, finished the year with its profit above forecast, broadened the range of services offered to its customers and entered new market segments. The Group achieved great success in addressing the strategic task of setting up a national contractor to provide comprehensive servicing for offshore oil and gas development projects, and specialist operations in harsh climatic and ice conditions. The share of the company's fleet in the existing offshore energy projects of Sakhalin Island has grown extensively. Good conditions exist for the Group's participation in the development of the Shtokman gas condensate field and Yamal LNG. Amongst the unique projects implemented by the company in 2010, one should note the Arctic voyage of the tanker *SCF Baltica*. This confirmed the technical possibility and economic expediency of transporting large shipments of hydrocarbons along the Northern Sea Route, from the ports of the Arctic and Sub-Arctic regions of Russia to the countries of the Asia Pacific region.

The current Development Strategy, approved by the Board of Directors in December 2009, envisages

as one of its priorities, a significant growth of the Group's share in servicing Russia's foreign trade. This includes the development and introduction of comprehensive logistical solutions, for the Russian Federation's existing and future promising offshore oil and gas field projects. Changes to the previously announced timetable for the implementation of a number of Russia's major industrial offshore projects, stipulated by the Energy Strategy of the Russian Federation and the decision to partially privatise SCF in 2011-2013, demanded that we start working on the updating of our development strategy. We expect that this work will be completed in the first half of 2011.

The Board of Directors considers it expedient to maintain the company's orientation towards an industrial business-model of development, and will consistently follow the route of being a leader in its industry and providing for its further institutional development.

While implementing the development strategy, the company will pay special attention to enhancing energy efficiency and the environmental safety of its fleet; to innovative technologies and to investing in the ongoing training of its personnel. We will work to improve SCF Group's corporate governance, enhancing its efficiency and quality of service in accordance with the best international standards.



A photograph of an offshore supply vessel, likely an FPSO, with the company name 'SCF' and the slogan 'Safety Comes First' prominently displayed on its white hull. The ship features a red stripe above the bridge area. In the foreground, there is a deck with a brown metal grating and large yellow industrial valves. A yellow crane hook is visible on the right side. The background shows a clear blue sky and the sea.

Fleet expansion and renovation  
programme, envisaged by the  
Group's Development Strategy,  
implemented in full





## Sergey Frank Sovcomflot (SCF) President and CEO

Last year the world economy began to recover gradually, following a deep decline in 2008-2009. Renewed activity in the volume of world trade, however, failed to have any significant positive impact on the freight market. Despite some minor improvements in a few market segments, freight markets overall remained in a stagnation phase and did not recover to their pre-crisis positions. Against such a difficult market background, SCF Group continued to develop steadily.

The programme of fleet renovation and expansion, identified in the company's development strategy, was implemented in full. Last year, 13 vessels of a total deadweight of 1.2 million tonnes joined the Group's fleet. The aggregate deadweight of the owned fleet exceeded 10.4 million tonnes (dwt). Meanwhile our tanker fleet remains one of the youngest and most technically advanced in the world. By the end of the year the Group's order book included 20 vessels, representing an aggregate of 2.2 million tonnes (dwt).

In order to satisfy customers' demands to the full, the scale of services offered by SCF Group has been broadened in the sphere of energy transportation, and in servicing oil and gas production at Russia's offshore fields. Delivering liquefied natural gas and providing shuttle tankers, for oil transportation in the extreme conditions of the Arctic and the Sub-Arctic seas, have also been developed successfully. At the same time SCF Group has been paying special attention to: improving the quality of its transportation services; ensuring the safety of navigation; facilitating protection of the marine environment and reducing environmental risks; investing in employees, in their ongoing training and development.

SCF Group contributed significantly to the development of Russia's maritime cluster. The company is the major customer for large-capacity vessels ordered at Russian shipyards. In 2010 unique Arctic shuttle tankers, built at the Admiralty Shipyards (St. Petersburg), were put into operation. A large contract for the construction of a series of Aframax tankers at the joint Russian-Korean enterprise Zvezda-DSME (Primorskiy Region) was signed. Also an order for building multi-functional

icebreaking vessels, for servicing the production platform at the Arkutun-Dagi offshore oil field, was placed at the Russian-Finnish joint venture of United Shipbuilding Corporation (USC) - STX Finland (Exxon Neftegaz Limited is the operator of the project).

During 2010, SCF Group maintained a stable financial position with the required reserves of liquidity. This was confirmed by the investment level credit ratings assigned to the Group by Moody's and Fitch Ratings. Last year, for the first time, the Group attracted additional resources from the public capital markets. This followed a successful placement of USD 800 million of unsecured seven year term Eurobonds on the London Stock Exchange. The bonds had the lowest coupon for a Russian corporate issuer at the time of their placement.

Owning and operating a fleet comprising 147 vessels, SCF Group managed to increase gross revenue to USD 1.3 billion (a 7.4 per cent increase on 2009). Time charter equivalent (TCE) revenue exceeded the previous year by 1.2 per cent, reaching USD 943.7 million. Net profit was USD 164.28 million (a 11.3 per cent decrease on 2009). SCF's net assets grew by 3.7 per cent up to USD 3.12 billion. The results for the year allow SCF Group to continue paying dividends in accordance with the dividend policy adopted by the Board of Directors.

On behalf of the company's Executive Board, I should like to express my appreciation and gratitude to our shareholders, to our customers and partners, to the employees of the Group – to the masters and crews of our ships, to our shore personnel, for their loyalty and support which helped us make progress throughout the year.

# 2010: Important events







*Timofey Guzhenko*, 70,000 tonnes dwt Arctic shuttle tanker, at the Fixed Offshore Ice-resistant Off-loading Terminal (FOIROT) at Varandey, Barents Sea, January 2010

## January

Jan  
24

Shipment was completed of the first 10 million tonnes of crude oil, transported by the Arctic shuttle tankers of the *Vasily Dinkov* type, from the Fixed Offshore Ice-resistant Offloading Terminal (FOIROT) at Varandey, situated 22 km offshore in the Barents Sea. The tankers *Vasily Dinkov*, *Kapitan Gotsky* and *Timofey Guzhenko*, classified as ice class LU-6, can break ice of up to 1.7 metres thick and operate safely as well as effectively in the harsh climatic and complicated navigational conditions of the Arctic seas. This month sees SCF Group enhance its leadership in seaborne energy transportation in the Arctic.

Jan  
28

The tanker *Grand Aniva* carried the 100th shipment of Russia's liquefied natural gas (LNG) from the production complex in Prigorodnoye (Sakhalin-2 Project, Sakhalin Island). Initiation of this project saw Russia become a full member of the elite club of LNG exporting countries, meanwhile SCF Group became the first Russian shipping company to enter the LNG seaborne transportation market. As part of Sakhalin-2 project, SCF Group operates two ice class LNG tankers of 145,000 m<sup>3</sup> capacity each (*Grand Aniva* and *Grand Elena*) jointly with its Japanese partners, and independently operates three Aframax ice class oil shuttle tankers (*Sakhalin Island*, *Zaliv Aniva* and *Governor Farkhutdinov*) and icebreaking platform supply vessel *Pacific Endurance*.

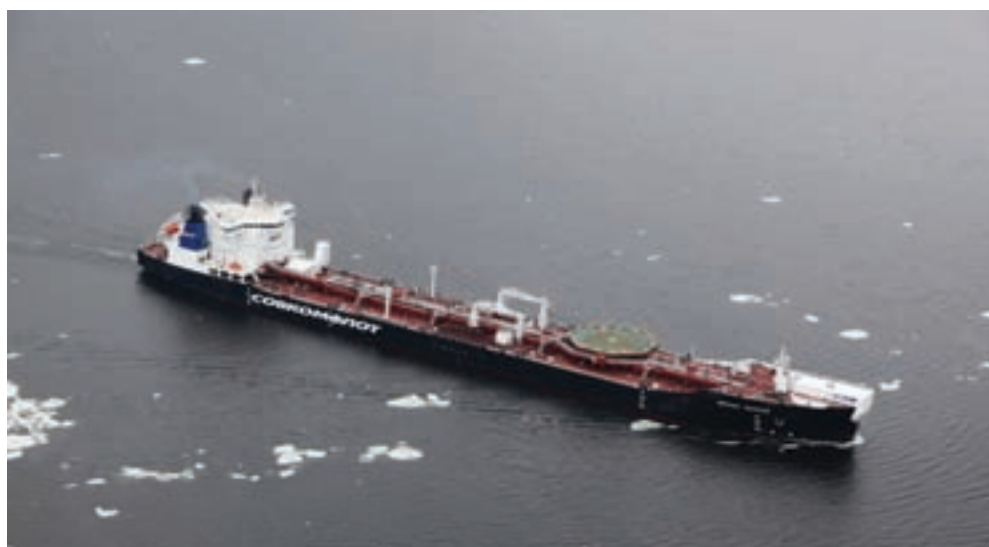
## February

Feb  
25

SCF Group's fleet was expanded by the addition of *SCF Samotlor*, a technologically advanced large Suezmax tanker, which was named at a ceremony which took place at the Korean ship yard Daewoo Marine Shipbuilding Engineering – a foreign partner of Russia's OAO United Shipbuilding Corporation (USC).

Feb  
27

*Mikhail Ulyanov*, 70,000 tonnes dwt Arctic shuttle tanker, Baltic Sea, April 2010



SCF Group's fleet was expanded with the delivery of the tanker *Mikhail Ulyanov* – the first ship in a series of Panamax Arctic shuttle tankers of 70,000 tonnes dwt, ordered by the company from the Admiralty Shipyards and specially designed to operate at Russia's Arctic offshore fields. For the first time, such unique vessels are being constructed at Russia's shipbuilding yards.

## March

Mar  
10

Discussions took place in Beijing, between the senior management of SCF Group and PetroChina International (China), on ways to further develop mutually beneficial cooperation in seaborne energy transportation. SCF Group is a leader in servicing the seaborne transportation needs of PetroChina Group's oil. The cooperation between the two groups is based on long-term contracts.

Mar  
24

A delegation from SCF Group participated in a ceremony aboard HMS *Belfast* in London, to honour Arctic convoys (PQs) veterans – the so-called “flamy voyages”, arranged to deliver by sea arms, food supplies and medicines from the countries of the anti-Nazi coalition to the USSR. The event was arranged by the Embassy of the Russian Federation in the UK. It was part of wider celebrations of the 65th anniversary of victory in WWII, and took place on board the cruiser HMS *Belfast* (a war museum).





Naming ceremony for *Leonid Loza*, 157,000 tonnes dwt tanker, Nantong (China), December 2010

Mar  
31

The SCF fleet was expanded by the delivery of two technologically advanced large-capacity Suezmax tankers. The tankers *SCF Baikal* and *NS Bora* were subsequently accepted for operation. Both ships fully comply with the highest safety standards of international classification societies. The tankers are equipped with the most advanced navigational systems. They can be operated in any part of the world, including sea areas with extra high requirements for the protection of the marine environment. The Groups is the world's second largest owner and operator of Suezmax tankers, ranked by deadweight tonnage.

## April

Apr  
02

SCF Group and PDV Marina, a subsidiary of one of the world's largest national oil and gas companies – Petroleos de Venezuela S.A. (PDVSA), signed a cooperation agreement in Caracas (Venezuela). The Agreement addresses the development of mutually beneficial cooperation between the two companies, in arranging seaborne transportation of the Venezuelan oil and, in the future, gas too.

Apr  
30

Tug *Dobrynya* with engine power of some 3,000 kW, St. Petersburg, August 2010



The naming ceremony took place for a new tug at the Leningrad Shipyard Pella. The tug was named *Dobrynya*, in honour of a famous Russian hero. The vessel was ordered by SCF Group as part of its programme for the development of terminal management.

## May

May  
06

*Moscow University* crew after their release, 350 miles to the East of the Gulf of Aden, May 2010



The Navy operation for the release of the tanker *Moscow University* was completed. The vessel was seized the day before by pirates, 350 miles off the coast of the Aden Bay, whilst on passage eastbound. Due to professional and timely actions of the crew, the pirates failed to take hostages and to get the ship underway. The actions of the seafarers from *Moscow University* led to the success of the rescue operation executed by the naval strike team from the Russian Navy destroyer Marshal Shaposhnikov. Starting from June 2010, all SCF vessels transiting pirate-risk zones are being escorted by onboard armed security personnel.

May  
25

Seatrade Awards prize presentation ceremony, London, May 2010



SCF Group was named a winner at the annual Seatrade Awards of the eponymous British company – one of the world's largest maritime publishing houses. The company was presented with the prestigious award "Seatrade Global Performer 2010". The award was made "In recognition of its pioneering work with Arctic icebreaking tanker operations in harsh weather and ice conditions".





Signing of a memorandum with Finnish companies, Lappeenranta (Finland), May 2010

May  
27

During the visit of Russia's Prime Minister Vladimir Putin to Finland, SCF Group and FGUP Rosmorport signed a Memorandum of Cooperation with Finnish enterprises. The document envisages the designing and the construction of a highly innovative new generation ice salvage-oil combating icebreaker capable of fighting accidental oil spills in open sea and in ice conditions. SCF's participation in the projects, aimed at improving the safety of navigation system, is based upon the principles of the state-private partnership.

## June

May  
18

Alexey Miller and Sergey Frank at a signing ceremony for the Gazprom – SCF cooperation agreement, St. Petersburg, June 2010



During the XIV St. Petersburg International Economic Forum, Gazprom and SCF Group signed a cooperation agreement covering the seaborne transportation of liquefied natural gas (LNG) from the Shtokman gas field.

Sergey Naryshkin, Vladimir Dmitriev and Sergey Frank at a signing ceremony for an agreement between Vnesheconombank, VEB-Leasing and SCF Group, St. Petersburg, June 2010



June  
19

SCF Group, the State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)', OAO VEB-Leasing signed two Leasing agreements for a total of USD 230 million as a part of financing programme for acquiring Arctic shuttle tankers built at the Admiralty Shipyards and designed to operate within Gazprom's oil and gas project.

An official opening ceremony for the Sovcomflot auditorium – a study hall equipped with modern multimedia appliances for arranging lectures, conferences and seminars – took place at the Makarov State Maritime Academy in St. Petersburg.

## July

July  
13

A meeting of the OAO Sovcomflot Board of Directors took place in Moscow. Sergey Naryshkin, the Chief of Staff of the Presidential Executive Office of the Russian Federation, was elected as the Chairman of the Board. The number of Board members increased from seven to nine. The Board of Directors formed three Committees: Strategy Committee; Audit Committee, and HR and Compensation Committee, headed by Elena Titova, Charles Ryan and Marlen Manasov, respectively.

July  
26

The President of the Russian Federation, Dmitry Medvedev, awards Yury Tulchinsky, Captain of the tanker *Moscow University*, with the Order of Courage, Moscow, July 2010



The President of the Russian Federation, Dmitry Medvedev, awarded Yury Tulchinsky, Captain of the tanker *Moscow University* (OAO Novoship, SCF Group), with the Order of Courage. The Captain received this high award "For his resolution and professionalism", demonstrated during a pirate attack against his ship in the Indian Ocean. Earlier Sergey Naryshkin, Chief of Staff of the Presidential Executive Office and Chairman of the Sovcomflot Board, presented all the tanker's crew members with a Bravery Medal.





Tanker *SCF Baltica*, 117,000 tonnes (dwt), underway in the Northern Sea Route, East-Siberian Sea, August 2010

## August

Aug  
14

The Aframax 1A Super ice class tanker *SCF Baltica*, of 117,000 tonnes dwt, began her unique Arctic voyage with a cargo of gas condensate of Purovskiy ZPK (Yamalo-Nenetskiy Region) from the port of Murmansk along the Northern Sea Route (NSR) – the shortest route between the European part of Russia and the countries of South East Asia. For the first time in the history of shipping, a large tanker of this size was able to navigate along the NSR.

Aug  
31



The SCF fleet increased further with the delivery of a supply vessel, named *SCF Sakhalin*, for offshore oil producing platforms. *SCF Sakhalin* is a supply vessel of enhanced ice class and is on long-term charter to Exxon Neftegas Ltd., to meet the demands of the Sakhalin-1 project's production platform.

Supply vessel *SCF Sakhalin*, 4,298 tonnes (dwt), servicing the oil production platform "Orlan", Okhotsk Sea, September 2010

## September

Sep  
06

Tanker *SCF Baltica*, 117,000 tonnes (dwt), and icebreaker *Rossiya* approaching the port of Pevek, East-Siberian Sea, August 2010



The high-latitude voyage of the tanker *SCF Baltica* along the Northern Sea Route (NSR) ended successfully. The total voyage time from Murmansk to Ningbo (China) amounted to some 22 days, which even taking into account that the voyage was experimental, meant it was twice as fast as the traditional route for ships using the Suez Canal. The voyage of *SCF Baltica* proved the possibility and economic feasibility of a regular delivery of energy from the basin of the Barents and the Kara Seas, along the Northern Sea Route (NSR), to the markets of South East Asia.

Sep  
13

Tanker *Moskovsky Prospect*, 114,100 tonnes (dwt), at sea trials, Sea of Japan, September 2010



SCF Group added *Moskovsky Prospect*, a modern and technologically advanced Aframax tanker, to its fleet. Aframax vessels are in high demand both for the international oil trade, and the Russian market. Tankers of this type operate in the Baltic, Northern seas, Caribbean, East China Sea and the Mediterranean. Accepted for operation in 2010, the ships were designed and built with special reference to their work in the Baltic Sea and Russia's Far East. They will be also used to transport oil from the port of Primorsk, Ust-Luga (Leningrad Region) and Kozmino (Far East). SCF Group is the leader in Aframax tankers by deadweight.



Sep  
14

The fleet of SCF Group was expanded with the delivery of the Arctic shuttle tanker *Kirill Lavrov*. Advanced technologies were used in the construction of the tanker, which significantly enhances the level of operational safety whilst operating in environmentally sensitive areas in the seas of the Arctic and the Far East.

Sep  
17

Victor Olersky, Deputy Minister of Transport of the Russian Federation; Sang-Tae Nam, DSME's CEO and President; Roman Trotsenko, President of USC; Sergey Frank and Igor Tonkovidov, President of Novoship, at the SCF exhibition stand, Sochi, September 2010



SCF Group took part in the 9th International Investment Forum "Sochi-2010". Traditionally the company was represented by Novoship. During the Forum the agreements were reached to place orders for the construction of a series of Aframax and LR2 tankers at the joint Russian-Korean enterprise "Zvezda-DSME".

Sep  
28

Wang Lihua, President of PetroChina International, and Sergey Frank on board the sailing ship *Nadezhda*, Shanghai, September 2010



On the initiative of SCF Group and the Nevelsky Maritime State University (Vladivostok), with sponsorship assistance from Sovcomflot, the Russian sail training ship *Nadezhda* took part in the programme of the World Universal Exhibition EXPO-2010, also becoming part of the events arranged by the Russian stand in Shanghai (China). An exhibition demonstrating the innovative achievement of SCF Group was organized onboard *Nadezhda*. The sailing ship also hosted the negotiations between the senior management of Russia's SCF Group and the Chinese oil corporation PetroChina International.

Award ceremony for the winners of the Lloyd's List Global Awards - created by a leading maritime publishing house, London, September 2010



Sep  
29

The annual award ceremony celebrating winners of the prestigious Lloyd's List Global Awards – created by a leading specialised maritime publishing house – took place in London. SCF Group was named a winner in the category “Company of the Year”. The Lloyd's List Global Awards are presented annually to the companies which are recognized as having achieved significant success in maritime shipping.

## October

Oct  
15

An Agreement on setting up a joint venture between OAO Novoship (member of SCF Group) and the Venezuelan shipping company PDV Marina S.A. (a subsidiary of PDVSA Group) was signed in Moscow's Kremlin in the presence of the Presidents of the Russian Federation and Venezuela. The Agreement envisages the arrangement of a joint commercial fleet management and joint studying of transportation projects, related to the development of offshore fields.





The official opening ceremony for the renovated war museum – cruiser HMS *Belfast*, London, October 2010

Oct  
19

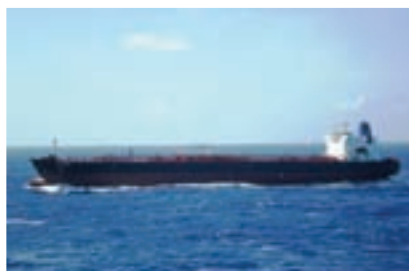
A delegation from SCF Group participated in a ceremony dedicated to the reopening of the renovated war museum – cruiser HMS *Belfast*. The reconstruction of the masts of the legendary war ship, which participated in the Arctic convoys during WWII, was supported by SCF Group in terms of providing financing and organizational assistance. The SCF delegation was headed by the Chairman of Sovcomflot's Board and Chief of Staff of the Presidential Executive Office of the Russian Federation Sergey Naryshkin and included Anatoliy Lifshits, a retired first grade captain, an actual participant of salvage operations for the seamen of the PQ17 Arctic convoy. The ceremonial events were followed by St. George flag hoisting on board the British cruiser and by a festive salute.

Oct  
28

SCF Group and Zvezda-DSME, a Joint Venture between OAO United Shipbuilding Corporation(USC) and Daewoo Shipbuilding & Marine Engineering Co. Ltd (DSME), signed agreements for the construction between 2012 and 2014 of a series of tankers designed for the transportation of crude oil and oil products comprising: two product tankers of LR2 type and ice class 1C and four Aframax tankers. The Agreement envisages a stage by stage increase in the level of shipbuilding undertaken at the Russian shipbuilding complex.

## November

Nov  
16



LR1 tanker *SCF Alpine*, 74 000 tonnes (dwt), Indian Ocean, December 2010

SCF Group took delivery of the first product tanker – *SCF Alpine* – under a joint project between SCF Group and Glencore International AG. The project, which will be undertaken by a joint venture of Sovcomflot and Glencore, provides for the acquisition and commercial management of five coated Panamax products tankers (LR1 type). SCF Group's entry into this new segment of LR1 type product tankers reflects the changing geography and structure of the world's oil trade.

Meeting of SCF and China National  
Petroleum Corporation (CNPC)  
representatives, St. Petersburg, November  
2010



Nov  
22

SCF Group and China National Petroleum Corporation (CNPC) signed a strategic long-term cooperation agreement.

Nov  
25

SCF Group added a modern and technologically advanced large-capacity Aframax tanker to its fleet. The vessel is named *Primorsky Prospect*. The tanker is of ice class 1B and was designed for the specific operating conditions of the Baltic Sea and the Russian Far East. In the winter navigational period of 2010-2011, the tanker was the first large-capacity ship to load at Russia's new oil terminal in the port of Ust-Luga.

*During a single voyage, tanker Primorsky Prospect can carry sufficient oil to illuminate Primorsky Avenue in St. Petersburg for more than a year and a half.*

## December

Dec  
16

SCF Group and Exxon Neftegas Limited (a subsidiary of ExxonMobil) signed long-term agreements for two icebreaking supply vessels, to service the oil platform at Sakhalin-1's offshore oil field project - Arkutun-Dagi.

Dec  
20

SCF Group and the Chinese shipyard Bohai Shipbuilding Heavy Industry Co. Ltd. signed shipbuilding contracts in Beijing, for the construction of two VLCC tankers of 320,000 tonnes dwt each. For SCF Group it will be the first experience of operating tankers in the VLCC segment. The operation of the tankers will be secured by long-term time-charter agreements for the transportation of cargoes for CNPC corporation – Chinese largest and one of the world's leading oil and gas companies. The first vessel is expected to be delivered for operation in the fourth quarter of 2012.





The signing of a long-term agreement between SCF Group and Exxon Neftegas Limited, for two icebreaking supply vessels to service the oil platform at the Sakhalin-1 Project Arkutun-Dagi offshore oil field, Moscow, December 2010



## SCF Group offers a full range of services for the safe and reliable energy transportation

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### Companies of the Group

#### **SCF (Sovcomflot) Group, St. Petersburg**

Group's strategy and corporate development, project management, transportation solutions and related logistics for long-term industrial energy projects

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E-mail: [info@scf-group.ru](mailto:info@scf-group.ru)  
Internet: [scf-group.com](http://scf-group.com)

#### **OAo Novoship, Novorossiysk**

Technical management and operation of conventional (crude oil / product) tankers and dry cargo fleet, crewing and training of seafarers

Address: 1 Svobody Square, Novorossiysk, 353900 Russian Federation  
Tel.: +7 (8617) 601602  
Fax: +7 (8617) 601963  
E-mail: [novoship@novoship.ru](mailto:novoship@novoship.ru)  
Internet: [novoship.ru](http://novoship.ru)

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

Technical management and operation of LNG / LPG fleet, shuttle tankers, crude oil, product and chemical fleet, special projects in harsh environment, crewing and training of seafarers

Address: Unicom Tower, Maximos Plaza, 18 Maximos Michaelides Str., 3106 Limassol, Cyprus  
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#### **Sovcomflot (UK) Ltd, London**

Commercial management of SCF Group's fleet

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[dry@scf-group.com](mailto:dry@scf-group.com) (bulker cargoes)  
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### **OOO Sovcomflot Varandey, St. Petersburg**

Implementing long-term project for the transportation of oil from the Varandey terminal

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St. Petersburg, 191186  
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Tel.: +7 (812) 334 5132  
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### **ZAO Rosnefteflot, Moscow**

Port services and tug fleet technical and commercial management, including the management of oil terminals, and the provision of agency and pilotage services

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121165 Russian Federation  
Tel.: +7 (495) 225 5995  
Fax: +7 (495) 225 5997  
E-mail: msc-office@rosnefteflot.ru

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

Chemical tanker and asphalt carrier fleet operations

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Madrid, Spain  
Tel.: +34 (91) 5988900  
Fax: +34 (91) 5546823  
E-mail: marpetrol@scf-group.com

### **SCF Swire Offshore Pte Ltd, Singapore**

Technical management and operation of offshore supply vessels for Sakhalin-2 Project

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Concourse  
Singapore 199555  
Russian branch office: 30 Pobedy Avenue,  
Yuzhno-Sakhalinsk, 693007, Russian Federation  
Tel.: +7 (4242) 499 130  
Fax: +7 (4242) 499 131  
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Internet: scfswire.com.sg

### **Sovcomflot (Cyprus) Ltd, Limassol**

SCF Group accounting, payments and public financial statements

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13 vessels of an aggregate  
1.2 million tonnes (dwt) were put  
into operation.

For the first time in history the  
Group's owned fleet exceeded  
10 million tonnes (dwt)



*Kirill Lavrov, 70,000 tonnes dwt Arctic shuttle tanker, at the Admiralty Shipyards, St.Petersburg, October 2010*





**According to SCF Senior Executive Vice-President Evgeny Ambrosov,**  
*"Implementing the SCF Investment Programme, renovating and expanding our fleet with modern high-tech vessels, applying innovative technologies, we discover new opportunities: we are entering the premium and perspective segments of the seaborne transportation market, we participate in sophisticated industrial energy projects for the development of offshore oil and gas fields, we widen our customers' basis and trade geography, we increase the efficiency and enhance energy transportation safety."*

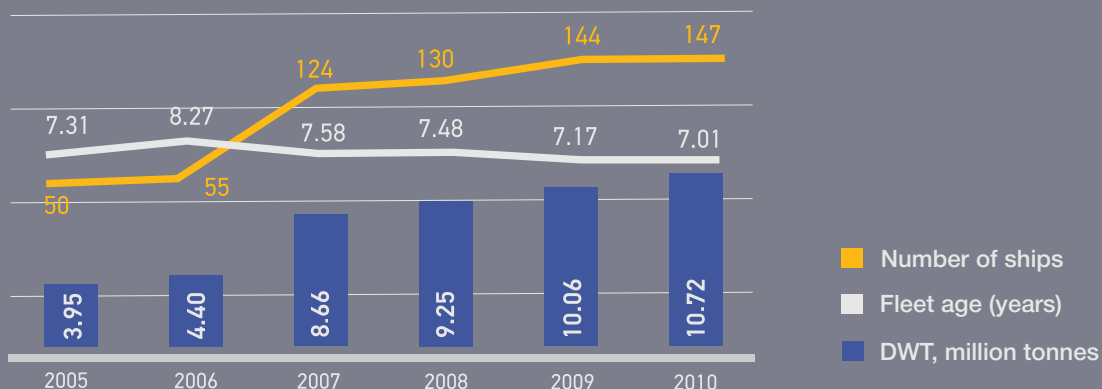
## Fleet expansion and renovation

The SCF fleet's deadweight increased by 6 per cent (with reference to vessels sold) as at 31 December 2010 as compared to the similar period of 2009. Thirteen vessels, built at Russian and foreign shipyards of total deadweight amounting to 1.2 tonnes dwt, were put into operation:

Name	Type	Year of Build	Place of Build	Tonnes DWT	Ice class	Delivery date
Mikhail Ulyanov	Arctic shuttle tanker	2010	Admiralty shipyards	69830	LU6	26.02.2010
SCF Samotlor	Suezmax tanker	2010	Daewoo, Korea	157340		26.02.2010
SCF Baikal	Suezmax tanker	2010	HHI, Korea	157340		25.03.2010
NS Bora	Suezmax tanker	2010	RSHI, China	156572		29.03.2010
Olympiysky Prospect	Aframax tanker	2010	HHI, Korea	114371	1B	06.07.2010
SCF Sakhalin	Icebreaking supply vsl	2005	Aker, Finland	4200	Ice-10 ASV	22.07.2010
Dobrynya	Tug	2010	Pella, Russia	230	Arc 4	29.07.2010
Kirill Lavrov	Arctic shuttle tanker	2010	Admiralty shipyards	70053	LU6	10.09.2010
Moskovsky Prospect	Aframax tanker	2010	HHI, Korea	114371	1B	13.09.2010
Dunai	Tug	2010	Pella, Russia	230	Arc 4	07.10.2010
NS Bravo	Suezmax tanker	2010	RSHI, China	156572		14.10.2010
SCF Alpine	Product tanker LR1	2010	HMD, Korea	37962		16.11.2010
Primorsky Prospect	Aframax tanker	2010	HHI, Korea	114371	1B	22.11.2010



*A new tug Dobrynya has managed to justify the ship's name by good deeds soon after the delivery. On 9 December 2010, near Kotlin Island (Gulf of Finland), the tug's crew rescued nine fishermen carried away to the open sea on an ice floe, which broke away from the shore.*



The average age of the Group's fleet at the end of 2010 was about 7 years (7.17 years – at the end of 2009), which is supported by the company's rating as owning one of the youngest fleets in the world.

## Oil and gas majors take us into their confidence

In its commercial work SCF Group focused on the cooperation with oil and gas majors and with big trading companies and continued to develop relations with Russia's energy exporters and importers.

In June 2010 SCF Group and OAO Gazprom signed an agreement on cooperation in the transportation of liquefied natural gas (LNG) from the Shtokman gas field. The agreement involves the cooperation of both companies in resolving the necessary logistics for LNG transportation and optimizing the technical parameters of LNG tankers, as well as fleet configuration, required

for implementing the Shtokman project. When placing orders for the construction of ships, these will be on a competitive basis under equal terms, with priority being given to Russia's shipbuilding enterprises. The innovative solutions securing highly efficient and safe seaborne transportation of cargo are in the centre of Sovcomflot's offers to its partners.. In particular SCF apply the Green Ship Technology principle, which helps to significantly reduce the tankers' negative impact on the environment.

During 2010 negotiations with the top management of oil and gas companies of China



*The tankers of P-70046 project (Mikhail Ulyanov and Kirill Lavrov) of 70,000 tonnes dwt each, are the largest ships ever built at the Admiralty Shipyards, and are among the largest in the world constructed on the inclined stocks.*



Gerhard Schroeder, Chancellor of Germany from 1998 to 2005; Alexey Miller, Chairman of Gazprom; and Sergey Frank at the XIV St. Petersburg International Economic Forum, St. Petersburg, June 2010

on widening of SCF Group's participation in servicing the constantly growing energy import took place in Beijing, Shanghai, Moscow and St. Petersburg. In November 2010 SCF Group and China National Petroleum Corporation (CNPC) signed a strategic long-term cooperation agreement. In addition to the existing contracts with PetroChina International (a subsidiary of CNPC) the parties agreed upon the format for coordination in utilizing the transportation potential of the Northern Sea Route (NSR) both for delivering transit shipments of hydrocarbons to China, and for the transportation of oil and gas from Russia's developing Arctic offshore fields. Long-term agreements were signed with the Chinese corporation on the transportation of cargoes by VLCC tankers (more than 300,000 tonnes dwt). This is a new segment of seaborne transportation market for SCF Group. Besides, the Group will provide training of maritime specialists from China on the basis of utilizing SCF's vessels, using first-class corporate training and simulators centres, and the facilities of maritime academies.

The Venezuelan company Petroleos de Venezuela S.A. (PDVSA) – one of the leading suppliers of hydrocarbons to the world markets – has become a serious object for the Group's interests in the Western hemisphere. An agreement on setting up a joint venture

concluded with the company PDV Marina (a subsidiary of PDVSA) envisages a joint operation of a pool of up to ten Aframax vessels. The pool will include the existing vessels and the ships under construction with enhanced operational characteristics. The agreement also envisages the development of maritime cluster as the potential of the JV will be used for acquiring vessels, built by the United Shipbuilding Corporation (USC) and for training Venezuelan seafarers in Russia's maritime academies.

In accordance with the current freight policy of SCF Group all the charterers enjoy equal terms and the chartering off is carried out exclusively on a competitive basis.



# Serving offshore oil and gas fields – is one of our priorities



## 2010: opening new horizons

In 2010 SCF Group successfully implemented the projects of entering the segment of servicing offshore oil and gas production – one of the priority directions of the company's activities stipulated by the Group's Development Strategy.

In July 2010 an icebreaking supply vessel *SCF Sakhalin* joined the Sovcomflot fleet. The vessel is in a long-term time charter with

Exxon Neftegas Limited and is servicing a production platform of the Sakhalin-1 Project. For SCF it is the second ship of a similar class, engaged in servicing Russia's offshore projects. The first one – Pacific Endurance – joined the SCF fleet in September 2009 and is being operated for the Sakhalin-2 Project.

In September 2010 SCF Group in a partnership with the Dutch company Van



**SCF Vice-President Alexandr Kurtynin said:**

*"The share of the offshore oil and gas production including operations in harsh climate and weather conditions is constantly growing in the total world volume of hydrocarbons production. In a limited period of time SCF Group has made a serious breakthrough in fulfilling its strategic task – becoming a national leader in servicing projects for Russia's offshore oil and gas production. Similar to tankers operation, we are acknowledged in this segment by Russia's and international customers as a professional and reliable partner."*

Oord won a tender for the transportation and the installation of the lower basis of a production platform for the Arkutun-Dagi offshore oil field (Sakhalin-1 Project). The company Exxon Neftegas Limited (a subsidiary of ExxonMobil Corporation and the operator of the Sakhalin-1 Project) is the final customer. The main work phase will be executed in summer of 2012. The platform itself of 120,000 tonnes in weight will be one of the world's largest. The project is the SCF's pioneer enterprise in a promising segment of engineering services offered to oil and gas companies working on Russia's offshore fields. The sum of the contract exceeded 100 million dollars.

On 16 December 2010 in Moscow SCF group and Exxon Neftegas Limited signed long-term agreements for the delivery of two icebreaking supply vessels for the servicing of an oil production platform at the offshore oil field Arkutun-Dagi. The agreements were preceded by a tender, announced by Exxon

Neftegas Limited in 2009. The terms of the signed agreements stipulate a long-term charter for two, enhanced ice class supply vessels of 4000 tonnes carrying capacity each, which will commence operations at the offshore zones of Sakhalin Island in the first half of 2013. Both vessels will be manned by Russian crews, will be registered in Russia and will fly the Russian flag. These vessels will represent the next generation of multifunctional icebreaking supply vessels. They have been specially designed to provide for delivery of supplies, emergency response with salvage and firefighting capabilities, icebreaking, towing and escorting ships at the Arkutun-Dagi platform. Relevant contracts for the construction of these supply vessels have been signed between SCF Group and Arctech Helsinki Shipyard Oy, a joint venture between the United Shipbuilding Corporation (USC) and STX Finland.

The signing of a long-term agreement between SCF Group and Exxon Neftegas Limited, for two icebreaking supply vessels to service the oil platform at the Sakhalin-1 Project Arkutun-Dagi offshore oil field, Moscow, December 2010







## Our first priorities: Safety and Quality

### In 2010 we continued to invest in safety of navigation and quality of service

Safety and a high quality of our services have always been and remain our priority. Unconditional meeting the international safety standards, maintaining our leading position in the industry in respect of safety and quality, introducing modern innovative solutions are our basic principles.

In 2010 we successfully fulfilled a comprehensive Safety Programme SCF-2005-2010 ("Safety Comes First" and managed to significantly improve the operational results for our tanker fleet. Last year there was not a single accident in SCF Group resulting in an oil spill. The number of navigational and technical incidents was reduced by one third.

In 2010 the company completed the introduction (in a test mode) of the SCF unified safety management system. Substantial increase of the volume of cargo transportation in the Arctic and the Sub-Arctic seas due to the Group's participation in major energy offshore projects required a completely new level of fleet management in ice conditions. Ice management became an independent direction of our technical managers' work. We have elaborated a new Programme for improving safety of navigation and quality of services for 2011-2015 (SCF-2015). It is focused on navigation safety for ships with a high ice class, for icebreaking supply vessels serving drilling platforms, for floating drilling installations. We have come to





**SCF Senior Executive Vice-President Sergey Popravko noted:**

*"Safety of navigation has always been and remains one of our priorities. We are constantly taking measures aimed at enhancing the leading positions of SCF in quality of service. Our ships deliver hundreds thousand tonnes of oil and gas, operating in harsh climate and weather conditions with minus temperatures, in the Arctic ice and in ecologically sensitive areas of the world ocean. We just must not fail in our work. Our slogan is very simple – Safety Comes First!"*



a new quality level for selecting and training crews: "The League for ice captains" have been established composed of the best specialists in the world for navigating in the Arctic and Sub-Arctic seas.

In 2010 we continued to invest in the protection of the marine environment. The SCF Board of Directors approved the Programme of enhancing energy efficiency, aimed at applying ecological developments for the reduction of fleet energy consumption and for cutting down the impact of seaborne transportation upon marine environment. The programme was developed jointly together with Russia's leading research institutes and maritime academies. It is expected that up to USD one million annually will be invested in it.



The new generation fleet requires a high management level. Last year the Group once again got an excellent mark for fulfilling one of its main tasks – improving the quality of the fleet technical management, and reconfirmed its capability of safe transportation of cargo for its first-rate customers.



OAQ Novoship (a member of SCF Group) has successfully passed the certification of compliance for the company's integrated management system with the requirements of international standards. For the first time the company's 45-year history the

prestigious classification society Det Norske Veritas (DNV) carried out of the Safety management system for its compliance with the international standard. Before that the company passed the audits for its Quality management system (ISO standard 9001), for the Environmental management system (ISO standard 14001) and the Occupational health and safety management system (OHSAS standard 18001). During the audit the work on risks evaluation, incidents investigation and professional training of crews was highly commended.

ZAO Port Prigorodnoye (Sakhalin Region) – a joint venture between Sakhalin Energy Investment Co. Ltd. and SCF Group for servicing gas carriers and oil tankers under the Sakhalin-2 Project – received the certificate of compliance of the Quality management system with the international standard ISO 9001:2008. The document confirms the high level of services offered by the company in the sphere of agency operations, dispatch and pilotage services and ships loading operations. Certification was carried out on a voluntary basis.



*In 2010 the tankers NS Bora and NS Bravo received the international certificate of a prestigious classification society Lloyd's register – Green Passport. The document confirms that all the mechanisms and materials applied for constructing the vessels are ecologically safe and will not inflict any damage upon the environment while utilized in future. The experts of Lloyd's Register supervising the tankers' construction gave the ships of the Russian company the highest class of ecological safety – Environment Protection.*



An opening ceremony for the "SCF" auditorium at the Admiral Makarov State Maritime Academy, St. Petersburg, June 2010

## Personnel is our main asset

We respect maritime traditions: most of our captains and chief engineers of SCF have been working for the company from their youth. The seafarers professionally employed by the Group, are inspired by the company's spirit in a wide sense of the word. Such professionals are given preference when making a career.

Selection of crews' members for SCF ships is carried out at an early stage at the Academy, when young cadets are just starting their maritime training. SCF specialists meet with the best students and have individual discussions with them. Starting from the second or the third year such cadets are being supervised. They have a possibility to undergo practical training on board the SCF vessels. The State Maritime Academy named after Admiral Makarov in St. Petersburg is the core educational institution for training seamen. SCF Group allocates financing to the Academy for various directions, including technical equipment.

On 19 June 2010, an official opening ceremony for the auditorium "Sovcomflot" took place at the Admiral Makarov State Maritime Academy (St.

Petersburg). The event was attended by SCF's President and CEO Sergey Frank. The auditorium is equipped to the highest technological standards and makes the use of advanced multimedia appliances possible for arranging seminars, lectures and conferences.

SCF Group is a long-term partner of the Academy. The company renders assistance with the employment of graduates; finances the sail training vessel *Mir* – the symbol of St. Petersburg – on board which the cadets practice. Repairing and equipping one of the Academy's auditoria is a new project for SCF, aimed at supporting young seamen, helping them to get a high-quality education, which is in the interests of the company too, as many graduates wish to work for SCF Group.

Addressing the cadets, Sergey Frank called upon them to keep fit, to refrain from bad habits, to learn foreign languages and to master the new ideology of maritime business based on safety and proper approach to nature.

"Sometimes we complain that our national



Wang Lihua, President of PetroChina International, and Sergey Frank on board the sailing ship *Nadezhda*, Shanghai, September 2010

training system is not perfect”, said Sergey Frank. “But we must acknowledge that Russia’s system of higher maritime education, with its history going back centuries and with the government’s support, to date remains one of the best systems in the world. So, it is not surprising that our foreign competitors show great interest in it.”

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## New sources for financing

Despite the negative impact of external factors, the balance sheet ratios in 2010 remained stable. The company's assets growth amounted to 8.5 per cent and was stipulated by the fleet expansion due to purchasing new tonnage.

The implementation of the investment programme, the existing fleet renovation, the construction of new generation vessels are impossible without getting an excess to financial resources. Due to global economic crisis this factor became a serious problem for many shipowners, but that was not a case for SCF Group. Financing of the Investment Programme was carried out both by means of the earlier arranged secured loan facilities and by the newly attracted financing. Last

year we made a serious step towards the diversification of financing sources:

- in June 2010 SCF Group, Vnesheconombank and VTB-Leasing signed two leasing agreements for the total amount of USD 230 million for the financing the purchase of the Arctic shuttle tankers (*Mikhail Ulyanov* and *Kirill Lavrov*) built at the Admiralty Shipyards in St. Petersburg as part of the *Prirazlomnoye* project implemented at Russia's offshore fields of the Barents Sea. The signed deal is the largest national project ever for arranging leasing of marine facilities and equipment.

- In October 2010, SCF Group saw a well-received debut for its seven year term



**SCF Executive Vice-President Nikolay Kolesnikov stated:**

*"We adhere to the conservative financial policy and are striving for maintaining the status of a first-rate borrower at capital markets, having access to the capital on all the stages of the industry cycle."*

## We have maintained a steady financial position and have made a serious step towards the diversification of our business

Eurobond (USD) placement, registered at the London Stock Exchange. The demand for the company's securities exceeded supply by four times, which allowed the issue of securities to be increased to USD 800 million and to secure the lowest coupon in the market's history, for a Russian issuer, of 5.375 per cent p.a. for the seven year funds. International experts gave high praise to the SCF Eurobond issue. The Group won the Marine Money magazine award in the category "Public Debt Award Europe 2010".

The company has a significant resource of current liquidity, enough to finance the existing shipbuilding programme and to provide a proper level of financial independence for the Group. SCF Group maintained an investment grade credit rating with Moody's at Baa3, with a

stable outlook. A similar rating was assigned to the SCF Eurobond issue. The Russian rating agency Moody's Interfax confirmed the highest rating, according to a national scale, of Aaa.ru. In 2010, after a credit analysis had been performed, Fitch ratings agency assigned a corporate rating to SCF Group and an investment grade credit rating BBB- (stable outlook) to the Eurobond issue.



Sovcomflot (SCF) – is a socially responsible company







**SCF Executive Vice-President – Administrative Director Vladimir Mednikov stated:**

*"Of course, being a commercial enterprise, we have the main aim: to obtain profit as a basic result of our activity. However, we consider our contribution to the development of Russia's maritime cluster and to the setting up of favourable social environment to be an important result too. The formula for our company's steady growth includes all these elements of social responsibility and provides for their consistent implementation".*

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## Developing a favourable social environment is the guarantee of our success

We highly appreciate the work done by our employees – by our captains, crew members and shore personnel. We are striving to provide our staff with secure welfare, decent conditions of work and recreation benefits. For a major part of their work time, our crews experience difficult voyage conditions, and so we take this into account when arranging their working conditions. SCF Group also provides access to non-governmental pension schemes; voluntary medical insurance and other material incentives for its personnel.

We consider it vital for contemporary Russian society to support maternity and childhood, so we set relevant economic and social conditions in the company, which are favourable to expectant mothers or those on nursing leave.

We consider charity directed at supporting the less socially protected groups of society, first and foremost: children; students and veterans, to be an integral part of our activities.

Our company advocates a healthy lifestyle and supports sporting activities at all levels, related to the maritime profession. SCF's ships are equipped with fitness rooms, whilst seafarers and shore personnel can enjoy recreation visits to rest homes on the Black Sea coast.

The future is in the hands of our professionals. Taking into account the demand for high-quality specialists, we support higher and mid-level maritime training institutions in Russia. We encourage the improvement of our employees, including the retraining of SCF crews. The company looks for young and talented specialists. Within SCF Group there are people we are particularly proud of, for example dynasties of Captains that cover four generations.

Sovcomflot operates an effective communications system. We are open to the mass media and we try to inform our employees and external audiences promptly about the company's news and about key aspects of our activities.

In 2010 we continued our charity programmes for supporting WWII veterans, the students of maritime academies and sportsmen. These are the basic charity projects in which the Group is involved, although not the only ones.



SCF Group helped to restore the cruiser *Belfast* – the last remaining battle ship which provided safety for the convoys during WWII

### Meetings of WWII veterans who participated in the Arctic convoys

Last year the 65th Anniversary of victory against Nazism was celebrated. Soviet seafarers made a great contribution to that victory. In spring 2010, SCF Group honoured veterans from Russia and Great Britain who participated in the Arctic convoys. As part of the “Last Witness” charity project, SCF Group assisted in restoring the cruiser HMS *Belfast* – the last remaining warship which escorted WWII merchant vessel convoys.

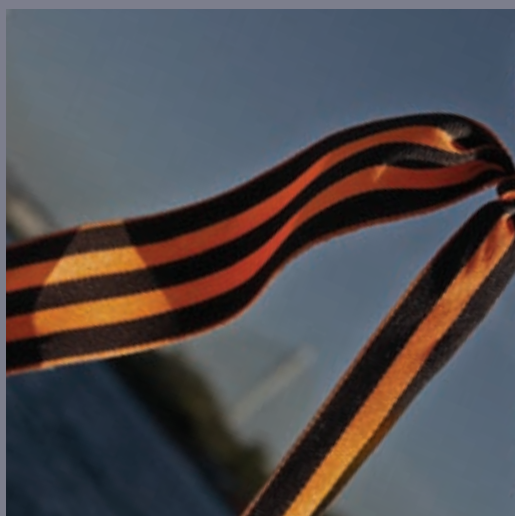
“For me it is a great honour to attend this ceremony on board the renovated cruiser-museum HMS *Belfast* – a legendary ship which escorted the Arctic convoys” - said the Chairman of SCF’s Board and Chief of Staff of the Presidential

Executive Office of the Russian Federation Sergey Naryshkin. “The people of Russia pay tribute to those who fought our common enemy – Nazism. We are grateful to Russian companies participating in preserving our common historical heritage and the truth about the difficult days of WWII.” SCF Group’s role in the historical charity project was praised by the participants of a ceremony devoted to the 15th Anniversary of the establishment of the public organisation “Arctic Convoy”, which took place in St. Petersburg on 16 December 2010.

*The Arctic convoys during WWII were sent from Great Britain and the United States to the Northern ports of the USSR – Arkhangelsk and Murmansk. During the four years of war, around 1,400 merchant ships participated in the convoys. 85 merchant vessels and 16 war ships were lost in attacks from the German air force and navy.*



The official opening ceremony for the renovated war museum – cruiser HMS *Belfast*, London, October 2010





Award ceremony for the winners of international swimming competitions for the Vladimir Salnikov Cup, St. Petersburg, December 2010



## Winning in sport - winning all round

Supporting water sports is an important part of the sponsorship activities of SCF Group. Every year the company sponsors the Vladimir Salnikov Cup international swimming competition.

The competition was named in the honour of the eponymous legend of Russian sport – the four-times Olympic champion. The best swimmers from Russia and their colleagues from many countries of the world take part in the competition annually. Traditionally, cadets of the Makarov Maritime Academy attend to view this festive and exciting contest.

The initiative to arrange the tournament was supported by the Governor of St. Petersburg, Valentine Matviyenko, by the Swimming Federation of St. Petersburg and by the All Russian Swimming Federation.

Beginning in 2009, SCF Group became an official partner of the Russian Yachting Federation (VFPS).

The Group also participates in the financing of Russia's children's and youth yachting, including the training of the youth team for the Youth Olympic Games 2010 in Singapore – the first summer Youth Olympic Games in the history of sport.



International swimming competitions for the Vladimir Salnikov Cup, St. Petersburg, December 2010



*On 27 June, Russia's women's team won the Kiel Sailing Regatta in Germany in the Olympic discipline of match race. The Kiel Sailing Regatta – a stage of the World Cup – is the largest yachting competition with up to 5,000 sportsmen participating in various classes of yachts. Competing with the strongest sports women from around the Globe three Russian ladies won first place, confirming their claim to the highest world ranking in Women's yachting. The winning team expressed their gratitude to SCF Group for its support during all the stages of the training of Russia's team.*

# A good society is one in which corporations recognise their responsibilities



The Valaam Monastery, Valaam Island, May 2010

## Look around - give a helping hand

The Unified State Programme for supporting maternity and childhood, and several regional programmes, are being implemented in Russia. Implementing its own sponsorship and charity projects, SCF Group is orientated towards the State Programme, keeping in mind that success is stipulated by joint, coordinated steps made by the State and by socially responsible businesses. SCF Group's projects cover children's homes, children's hospitals and churches, as the moral transformation of society is not possible without a spiritual basis.

We support the Valaam monastery complex (Lake Ladoga). Some time ago it was one of Russia's leading centres of spirituality. The monastery was also a port and harbor for the masters of ships sailing in the sometimes stormy waters of Lake Ladoga. Shipping traditions were always strong here. During Soviet times, the monastery fell into decay. Today restoration works are being carried out here.

SCF Group is helping the Safonovskaya boarding school in Smolensk region. This is a leading social institution in the area, where children without parental care and orphans are being educated. The school is a large complex with a complex and wide-spread technical infrastructure, which requires continual maintenance and support.

"Smolensk area is far from the sea", says Oleg Leontiy, Director of the Safonovskaya boarding school. "So it's even more pleasing that Sovcomflot, whose interests would not appear

to coincide with those of our region, do not leave us without its care and assistance. Our children know representatives of the company well, those who come to visit us not just as formal sponsor, but as people sincerely interested in our life. We have children here who are dreaming to tie their future with the sea, with the fleet. I know that SCF Group will help their dreams to come true."

For many years the Group has been supporting the children's hospital of St. Olga in St. Petersburg. Valeriya Parshina, Head of the hospital's intensive care department, became the Godmother of the tanker *Primorsky Prospect* which joined the company's fleet in November 2010.



## Summary consolidated financial data (audited prepared under IFRS in USD'000)

### Consolidated Income Statement Data

	31 December 2010	31 December 2009*
Hire and freight receivable	1,312,930	1,222,065
Voyage expenses and commissions	(369,219)	(290,101)
Time charter equivalent revenues	943,711	931,964
Direct operating expenses	(364,000)	(345,676)
Profit on vessels' trading	579,711	586,288
Depreciation and amortisation	237,467	226,481
Allowance for credit losses	222	158
General and administrative expenses	(86,399)	(78,943)
Total other operating expenses	324,088	305,582
Profit from vessels' operations	255,623	280,706
Other operating income/(expenses)	11,936	42,036
Net other (expenses) / income	(79,604)	(121,429)
Profit before income taxes	187,955	201,313
Income taxes	(23,670)	(16,005)
<b>Profit for the year</b>	<b>164,285</b>	<b>185,308</b>
Attributable to:		
Equity holder of the parent	163,148	171,725
Minority interest	1,137	13,583
<b>Profit for the year</b>	<b>164,285</b>	<b>185,308</b>



## Statement of Financial Position

	31 December 2010	31 December 2009*
<b>Non-current assets</b>	<b>5,649,858</b>	<b>5,419,123</b>
Fleet	5,229,773	4,758,134
Tonnage under construction	231,341	503,585
Other fixed assets and investment property	67,928	54,444
Intangible assets	19,256	25,654
Finance lease receivables	94,859	69,692
Other assets	6,701	7,614
<b>Current assets</b>	<b>816,562</b>	<b>551,649</b>
Other current assets	304,480	215,954
Cash and bank deposits	512,172	335,695
Non-current assets held for sale	46,622	31,446
<b>Total assets</b>	<b>6,513,042</b>	<b>6,002,218</b>
Shareholders' Funds	3,123,021	3,012,722
Long-term debt	2,730,328	2,392,430
Other non-current liabilities	100,320	85,327
Current liabilities	559,373	511,739
<b>Total equity and liabilities</b>	<b>6,513,042</b>	<b>6,002,218</b>

\* Figures for 2009 restated in accordance with IAS8 standards

## Fleet (as at 31 December 2010)

Vessel's type	Number of vessels (units)	Total DWT ('000 tonnes)
Gas fleet (LNG) * /(LPG)	8	283
Arctic / Ice Shuttles	7	556
Oil Tankers (Suezmax, Aframax, Panamax)	56	6 976
Product Carriers (LR2, LR1 *, MR)	45	2 303
Chemical and Asphalt Carriers	12	127
Dry Cargo Fleet	4	98
Specialized fleet	11	11
Chartered in vessels		
Aframax Tankers	3	320
Product Carriers	1	51
<b>TOTAL</b>	<b>147</b>	<b>10 724</b>

\* with reference to SCF ownership share

## Newbuilding programme (as at 31 December 2010)

Ship's name	Type	Shipyard	DWT	Ice class	Delivery
Leonid Loza	Suezmax	RSHI	156 000		04.01.2011
Suvorovsky Prospect	Aframax	HHI	114 000	1B	09.02.2011
SCF Pioneer	LR1	HMD	74 000		25.02.2011
SCF Provider	LR1	HMD	74 000		08.03.2011
SCF Prime	LR1	HMD	74 000		28.03.2011
SCF Progress	LR1	HMD	74 000		06.02.2012
Aframax Tanker	Aframax	DSME-Zvezda	120 600		23.05.2012
VLCC	VLCC	BSHI	320 000		31.12.2012
Aframax Tanker	Aframax	DSME-Zvezda	120 600		04.09.2012
Aframax LR2 Tanker	LR2	DSME-Zvezda	117 800	1C	15.01.2013
NS Energy	Panamax	HMD	74 000	1B	29.03.2013
MIB Supply Vessel	Supple Vessel	ATHS	3 950	ICE-10	02.04.2013
MIB Supply Vessel	Supple Vessel	ATHS	3 950	ICE-10	09.04.2013
VLCC	VLCC	BSHI	320 000		30.04.2013
Aframax LR2 Tanker	LR2	DSME-Zvezda	117 800	1C	20.05.2013
NS Yakutia	Panamax	HMD	74 000	1B	31.05.2013
NS Ust Luga	Panamax	HMD	74 000	1B	13.06.2013
NS Vanino	Panamax	HMD	74 000	1B	13.08.2013
Aframax Tanker	Aframax	DSME-Zvezda	120 600		05.11.2013
Aframax Tanker	Aframax	DSME-Zvezda	120 600		15.12.2013
TOTAL			2 227 900		





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