



## Message from the Chairman of the Board of Directors

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**SCF**  
Safety Comes First

The Sovcomflot Board of Directors notes that the stable operating and financial performance of the Company was achieved amidst the continuing unfavourable conditions in the global market for maritime transportation of crude oil and petroleum products. The global conventional tanker market has experienced a protracted downturn over the last few years. In 2017-2018, freight rates for conventional vessels were steadily falling and by mid-2018 reached the lowest values since 1992.

Despite the objective difficulties, Sovcomflot fully accomplished the tasks set by the shareholder, having once again confirmed the effectiveness of the current business model, which contemplates the expansion of participation of the Company's fleet in industrial projects with high value added, primarily those associated with the servicing of offshore oil and gas production and transportation of liquefied natural gas.

The consistent implementation of the Strategy enabled the Company to achieve better financial results for the year than most competitors and record an operating profit of US\$187.3 million. The RAS net profit of PAO Sovcomflot amounted to RUB 2,870 million. The Company's stable financial position enables it to allocate RUB 1,434.8 million for dividend payments.

In 2018 the Company strengthened its position as the industry's technological leader by having successfully implemented the project for creating a Green Aframax tanker series. These vessels that use LNG as the primary fuel meet the highest global standards for environmental sustainability and energy efficiency. The Company's work in this area is in full accordance



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USD **187,3**  
million  
operating profit

RUB **2,870**  
million  
RAS net profit

RUB **1 434,8**  
million  
amount of recommended dividend

with the state programme of the Russian Federation that provides for the expansion of the use of gas engine fuel in the transport sector. Being one of the largest customers in the Russian civil shipbuilding industry, Sovcomflot contributes to localising the construction of these vessels in Russia at the Zvezda Shipbuilding Complex in Primorsky Krai.

Human capital is the most valuable asset of Sovcomflot. The Company is one of the most stable and attractive employers in the Russian shipping industry. The Company views support for the young generation and fostering future talents for the transport industry as an important element of social responsibility. As part of cooperation with the country's leading maritime universities and occupational guidance organisations, Sovcomflot is consistently implementing educational programmes in accordance with the priorities of the domestic maritime industry.

The Board of Directors expresses its deep gratitude to all partners and customers of Sovcomflot Group for mutually beneficial and fruitful cooperation. Thanks to your trust and support, the Company managed to achieve all the set goals and can look into the future with confidence.

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