

The commissioning of new tonnage and further development of industrial projects had a positive impact on the Company's results.

The decrease in TCE revenues and Net earnings from vessels' trading in the segment of crude oil and petroleum products transportation was due to the negative impact of a decline in freight rates in the global freight market.

57 % THE SHARE OF REVENUES

from the servicing of offshore oil and gas production by SCF vessels and maritime transportation of gas in total TCE revenue (vs. 51 % in 2017)

The increase in TCE revenues in the segment of offshore services was driven by the commissioning of new vessels.

The increase in TCE revenues in the segment of liquefied gas transportation occurred mainly due to the fact that the Company commenced servicing a new industrial project in 2017 and continued operations under the project in 2018.

In the "Others" segment, which in 2018 included two bulkers and two seismic research vessels, revenues declined by 27% compared to 2017, resulting in a loss from vessels' trading of US\$18.9 million. This result was due to unfavourable conditions in the global offshore seismic exploration market and the impact of certain other factors.

3.2. INVESTMENT ACTIVITIES

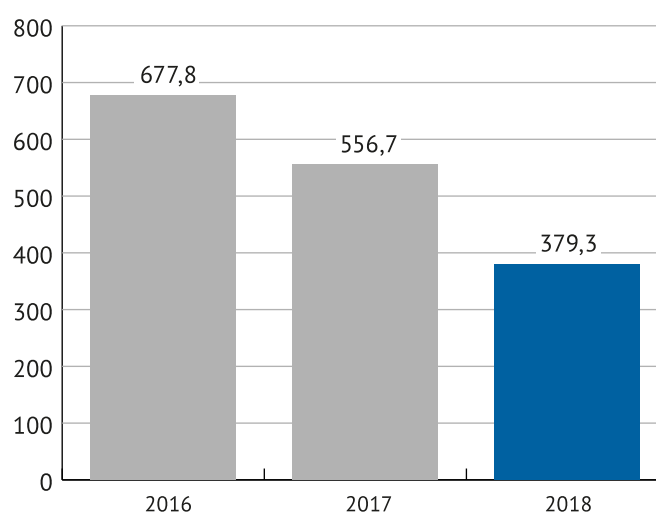
3.2.1. Dynamics of investments

The investment activities of Sovcomflot Group are performed as part of the Long-Term Development Strategy of the Group. Every specific project is developed and evaluated according to the Company's internal regulations.

With due regard for the Group's strategic priorities, the Investment Programme chiefly focuses on the implementation of highly profitable industrial projects in the field of transportation of liquefied gas and the servicing of offshore hydrocarbon fields. In 2018 most investments were directed to these segments. Investments were also made in the repair and modernisation of the existing fleet of the Group.

In 2018 investment projects financing amounted to US\$379.3 million, which is 32% less than in 2017.

Dynamics of Group investments, 2016-2018, USD million¹



Investment projects of Sovcomflot Group in 2018

Client / project	Target	Number	Implementation stage (as of 31 December 2018)
Total	Construction of an Atlanticmax LNG carrier	1	The vessel is under construction
Sakhalin Energy / Sakhalin-2	Construction of multifunctional ice-breaking vessels	4	The vessels have been put into operation ²
Gazprom Neft / Novy Port	Construction of an MR Arctic shuttle tanker	1	The vessel is under construction
Rosneft	Construction of dual-fuel Aframax tankers ³	2	The vessels are under construction
Shell ⁴	Construction of dual-fuel Aframax tankers	6	Three tankers have been put into operation, another three vessels are under construction
Shell	Construction of Atlanticmax LNG carriers	2	The vessels are under construction

1. Investments are as reported in the cash flow statement in the consolidated financial statements of PAO Sovcomflot prepared under IFRS.

2. Three vessels of the series were added to the fleet in 2017 and one in 2018.

3. The vessels were ordered by a VEB-Leasing Group company and are to be subsequently transferred to SCF Group for operation after completion of construction.

4. Sovcomflot Group and Shell entered into long-time charter contracts for two vessels of the series in February 2018.