The Group concluded seven new credit facility agreements for a total amount of US$ 866 million. Proceeds under these agreements were used to finance the construction of new vessels and refinance existing credit liabilities. The Company also drew down funds under previously concluded credit facility agreements to finance the delivery of new vessels in the reporting year. In the reporting year, the Group's borrowers and guarantors fully complied with all requirements and terms ("covenants") of corresponding credit facility agreements.

The Group carefully monitors its capital structure and works to optimise it. The Company's credit metrics in the year under review were affected by an increase in credit exposure for financing the fleet construction programme and a fall in revenues amid negative tanker market conditions. Sovcomflot Group's leverage (net debt to capital ratio) at the end of 2018 was 48.6%, net debt to EBITDA ratio was 5.46[1].

Capital structure dynamics, USD million

Name	2018	2017	% Δ
Secured loans and finance lease liabilities	2,575.5	2,601.0	-1.0%
Eurobonds and other loans	902.7	905.9	-0.4%
Less: cash and bank deposits, including restricted cash	(307.4)	(434.9)	-29.3%
Net debt	3,170.8	3,072.0	3.2%
Equity	3,350.1	3,409.0	-1.7%
Total capital[2]	6,520.8	6,481.0	0.6%
Net debt/capital ratio	48.6%	47.4%	2.5%
Net debt/EBITDA ratio	5.46	5.63	-2.7%

The Group's current leverage corresponds to the industry average, which is traditionally impacted by high capital intensity of investments and volatility of the freight market.

Financial statements are available online:

[Consolidated Financial Statements in Roubles and Auditor's Report](#)
[Consolidated Financial Statements in U.S. Dollars and Auditor's Report](#)
[Accounting (Financial) Statements and Auditor's Report](#)

3.4.2. Income statement indicators

The historically low tanker market negatively affected SCF Group's results in 2018, but thanks to the recovery in freight rates in the conventional segment, which began in the fourth quarter, TCE revenues amounted to US$1,074.7 million, up 1.6 % from the previous period.

US$1,519.9 MILLION

the revenue generated in 2018 (up 5.9 % from 2017)

In 2018, the Group demonstrated the high stability of its industrial business model and recorded a US$6.9 million profit adjusted for impairment charges on vessels and non-operating expenses versus a loss of US$ 5.3 million in 2017. In accordance with IFRS, in 2018 the Company recognised impairment provisions of US$49.3 in relation to the fleet and other assets, resulting in a total net loss of US$45.6 million.

US$580.7 MILLION

the EBITDA for 2018 (6.5 % higher than in 2017)

Profit indicators (USD million)

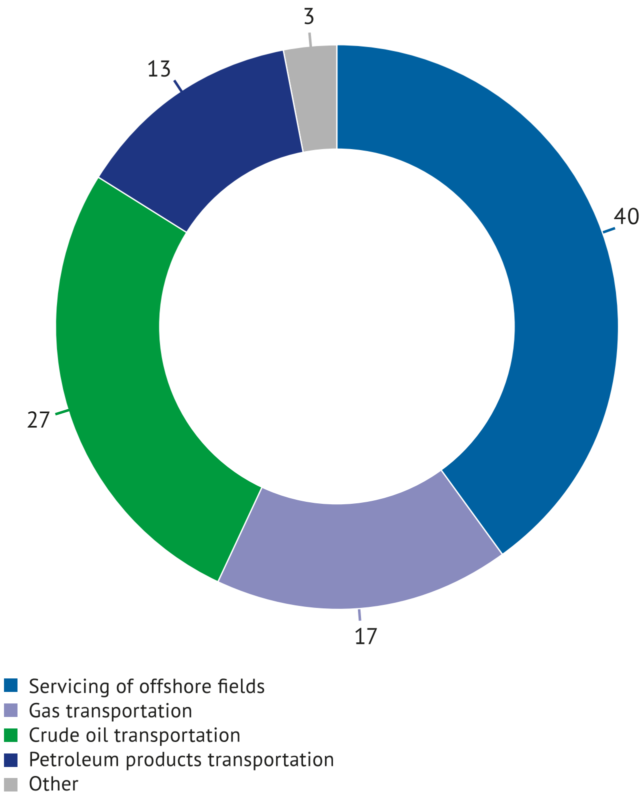
Name	2018	2017	% Δ
Revenue	1,519.9	1,435.4	5.9 %
TCE revenue	1,074.7	1,058.0	1.6 %
EBITDA	580.7	545.4	6.5 %
Adjusted operating profit / (loss)[3]	6.9	(5.3)	-
Net (loss) / profit	(45.6)	(113.0)	-

1. The figure indicated here and hereafter refers to adjusted EBITDA – see the definition in the glossary (Appendix to this Annual Report).
2. Total capital = net debt plus total equity
3. See the definition in the glossary.

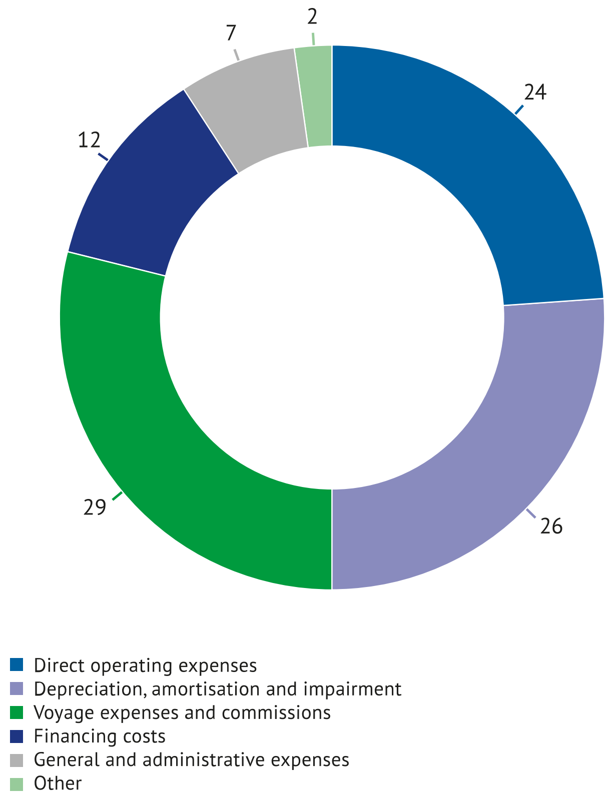
In the reporting year the Group continued to implement consistently its industrial development strategy aimed at expanding the offshore and gas business segments, whose share of time charter revenue reached 57 %, with revenues from the conventional fleet operations (transportation of crude oil and petroleum products) accounting for 40 %. The maximisation of income from the high-margin industrial business portfolio allowed for the negative impact of fleet performance in the conventional market to be minimised.

The implementation of a cost optimisation programme in 2018 allowed achieving 10 % reduction in direct operating expenses, which amounted to US$ 377.2 million. An 18 % increase in voyage expenses and commissions to US$445.2 million was due to a rise in bunker fuel prices and an increase in the number of vessels employed in the spot market. General and administrative expenses decreased by 4 % to US$111.8 million. Net financing expenses increased to US$192.2 million amid a general rise in the prime rate in USD and an increase in the Company's loan liabilities associated with the financing of new shipbuilding.

Structure of the time charter equivalent by operating segments, %



Structure of main expense items, %[1]



1. Direct operating expenses are the sum of operating and freight expenses.