

## Message from the President and Chief Executive Officer



In 2019, SCF Group operated against the backdrop of a gradual recovery in conventional tanker freight rates, after nearly three years of depressed tanker markets. Despite the market volatility remaining high, conventional tanker shipowners benefited from a positive trend in freight rates over the year, something that was especially evident in the fourth quarter.

In this context, SCF Group achieved steady growth in its key operating and financial metrics, many of which rose in 2019 close to their historic record levels. Time charter equivalent (TCE) revenues increased by 17.8 per cent to over USD 1.27 billion, whilst EBITDA rose by 41.7 per cent to reach USD 823 million and net profit exceeded USD 225 million. Significantly, our conventional crude oil transportation operations increased their revenues.

In 2019, the Board of Directors approved SCF Group's strategy for the period to 2025, which mandates the Group to focus its further development on maintaining business stability and the sustainability of our results. We will continue to pay special attention to expanding our participation in long-term industrial projects, primarily shipping liquefied gas and servicing offshore energy production, with a special emphasis on operations in challenging climatic and ice conditions.

Against this background, SCF Group continued to successfully develop its strategic partnership with NOVATEK. During the year, the two companies established SMART LNG, a joint venture that will own and operate a fleet of LNG carriers for the Arctic LNG-2 project. Five such LNGCs have been ordered at Zvezda Shipyard in Russia's Far East, whilst associated lease

finance agreements have been signed with VEB.RF Group, and time charters have been concluded with the project's operator.

The prior experience of operating Christophe de Margerie, the world's first icebreaking LNG carrier that serves the Yamal LNG project, led to the integration of various advanced engineering solutions into the design of new LNGCs for Arctic LNG-2, which will provide these new carriers with high icebreaking capabilities and manoeuvrability when operating in the challenging ice conditions of the Arctic.

We continued to renew our fleet during 2019, with an emphasis on improving its efficiency and introducing innovations, including those reducing the fleet's environmental impact. 2019 marked the first year of successfully operating the pioneering 'Green Funnel' series of LNG-fuelled Aframax crude oil tankers, and the resulting data is very encouraging. It confirmed that the use of LNG fuel enables a significant reduction in emissions, with carbon dioxide (CO<sub>2</sub>) emissions reduced by 30 per cent, nitrogen oxides (NO<sub>x</sub>) emissions cut by 94 per cent, and both sulphur oxides (SO<sub>x</sub>) and particulate matter emissions eliminated altogether. Currently, SCF has six LNG-fuelled tankers in operation and a further five under construction.

Over the year, the global professional community recognised SCF's accomplishments in developing and adopting advanced technologies and engineering solutions on numerous occasions. SCF was named 'Company of the Year' at the Lloyd's List Europe Awards 2019, while Gagarin Prospect, the lead vessel in the 'Green Funnel' series, was named 'Ship of the Year' at the 2019 Marine Propulsion Awards and won the Nor-Shipping Next Generation Ship Award.

SCF Group is consistently introducing environmentally friendly LNG fuel in the Arctic shipping operations. In September-October 2019, three 'Green Funnel' LNG-fuelled Aframax tankers completed commercial voyages along the Northern Sea Route.

Overall, the positive results achieved in 2019 were only possible through the concerted efforts of all our employees: the masters and crews of SCF's vessels, shipbrokers and technical managers, as well as other onshore units. On behalf of the Executive Board, I extend my gratitude to all SCF team members for their work and dedication. We value the contribution of each and every one of you.

**Igor Tonkovidov**  
President  
and Chief Executive Officer,  
Chairman  
of the Executive Board  
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