

## 3.4. Financial results

### 3.4.1. BALANCE SHEET INDICATORS

The financial statements of Sovcomflot Group were prepared according to IFRS and disclosed online. Below is a brief overview and analysis of the key financial indicators of the Group.

The book value of non-current assets increased by 0.5 % from US\$6,601.6 million at the end of 2018 to US\$6,636.3 million at the end of the reporting period. Total assets of the Group amounted to US\$7,335.9 million as at 31 December 2019, up 2.7 % year-on-year. Shareholders' equity increased by 4.6 % to US\$3,504.6 million.

The Group maintains a stable programme of capital investments during all phases of the shipping cycle. Investments in fleet construction and capital expenditure on fleet modernisation and repairs<sup>1</sup> in 2019 totalled US\$423.8 million (2018: US\$418.1 million), with the amount payable under current shipbuilding contracts in 2020-2022 at the end of 2019 being US\$508.3 million.

The investment programme and operating activities were financed through secured bank loans (as at 31 December 2019, total debt to banks amounted to US\$2,538.8 million), placement of unsecured Eurobonds amounting to US\$900 million, and operating cash flow. The company also entered into lease agreements providing for the delivery of vessels in 2022-2023 for a total amount of US\$1,140.6 million.

Despite the continued volatility in financial markets amid the unstable geopolitical and economic situation in the world, the Group retained access to both foreign and Russian debt capital markets.

The Group concluded two new credit facility agreements for a total amount of US\$473 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.

SCF Group carefully monitors capital structure and works on its optimisation. Sovcomflot Group's leverage (net debt to equity ratio) at the end of 2019 was 47 %, net debt to EBITDA ratio was 3.7<sup>2</sup>.



In 2019 the tanker market saw an increase in rates, which reached its peak in the fourth quarter of the reporting period, with the average annual freight rates exceeding average levels for the past 25 years for the first time since 2015. Against this background, the Group's balanced freight policy enabled the Group to optimise revenues from the conventional fleet in the reporting period. At the same time, measures taken to diversify the fleet with a focus on the development of industrial business continued to help maintain high long-term premium income and a stable financial position of the company.



**7,335.9**  
US\$ MILLION

*the amount of the SCF Group's assets at the end of 2019*

<sup>1</sup> Investments are as reported in the cash flow statement in the consolidated financial statements of PAO Sovcomflot prepared under IFRS, which includes expenditure on fleet and expenditure on vessels under construction.

<sup>2</sup> The figure indicated here and hereafter refers to adjusted EBITDA – see the definition in the glossary (Appendix to this Annual Report).

**Capital structure dynamics, USD million**

Name	2019	2018	Difference, %
Secured loans and finance lease liabilities	2,599.1	2,575.5	0.9
Eurobonds and other loans	900.4	902.7	-0.3
Less: cash and bank deposits, including restricted cash	(417.2)	(307.4)	35.7
Net debt	3,082.3	3,170.8	-2.8
Equity	3,504.6	3,350.1	4.6
Total capital <sup>1</sup>	6,586.9	6,520.8	1.0
Net debt/equity ratio, %	46.8	48.6	-1.8 p.p.
Net debt/EBITDA ratio	3.7	5.5	-31.3

The Group's current leverage is more favourable compared 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](#)

The positive situation in the tanker market and the consistently high share of industrial portfolio had a positive impact on the Group's operating results in 2019.

**1,665.2**

US\$ MILLION

*the revenue generated in 2019 (up 9.6 % from 2018)*

**3.4.2. INCOME STATEMENT INDICATORS**

The revenue amounted to US\$1,665.2 million, up 9.6 % on the previous period, with a 17.8 % increase in TCE revenue, which reached US\$1,265.5 million.

In 2019 Sovcomflot significantly improved its operating profitability and posted a net profit of US\$225.4 million versus a loss of US\$41.6 million in 2018. In accordance with IFRS, in 2019 the Company recognised impairment expenses of US\$23.6 million in relation to the fleet and other assets.

<sup>1</sup> Total capital = net debt plus total equity.