19 May 2021

Media Release

SCF Group continues to implement its industrial business strategy

19 May 2021, Moscow, Russia: PAO Sovcomflot (SCF Group, the Company; MOEX: FLOT), a global leader in marine energy transportation services, releases its Condensed Consolidated Interim Financial Statements for the period ending 31 March 2021.

FINANCIAL HIGHLIGHTS

- For 3 months ending 31 March 2021, SCF Group's time-charter equivalent (TCE) revenue declined by 29.4 per cent year on year to USD 275.1 million. EBITDA was down 46.1 per cent to USD 156.0 million. While performance in the industrial segment demonstrated a steady growth, conventional segment performance remained under pressure from unfavourable market conditions in the spot tanker markets.
- For 3 months ending 31 March 2021, adjusted for the impairment, net income came at USD 14.2 million. A USD 15.9 million impairment charge on three tankers resulted in a USD 1.7 million net loss for the reporting period.
- SCF Group's **industrial business** portfolio, comprising gas transportation (LNG and LPG vessels) and harsh environment offshore services (shuttle tankers and ice-breaking supply vessels) accounted for 66% of SCF Group TCE revenue in Q1 2021 and continued to provide a long-term fixed income revenue stream.
  - Industrial business segments contributed USD 182.7 million to Q1 2021 TCE revenue, delivering 5.8 per cent YoY growth and a 1.6 per cent increase compared to Q4 2020. Gas transportation business grew with the addition of one new LNG carrier in January 2021, employed under a long-term contract with energy major Shell.
  - In Q1 2021 NEVT increased to USD 151.8 million, up 5.5 per cent YoY and 7.0 per cent compared to Q4 2020.
  - The contract backlog[i] stood at USD 24 billion as of 31 March 2021, including contracted revenues above USD 900 for FY 2021.
- SCF Group's **conventional tanker business** (crude and oil products transportation business segments) contributed 33% to Q1 2021 TCE revenue.
  - Q1 2021 performance of the conventional tanker business remained under pressure in a low spot rates market environment, which resulted in a revenue decline to USD 90.1 million (55.4 per cent down YoY and 5.5 per cent down compared to Q4 2020) reflecting not only the continued negative impact of the Covid-19 pandemic on tanker freight market dynamics but also the strong base effect of Q1 2020 numbers.
  - Q1 2021 NEVT in conventional tanker business reached USD 39.4 million with the NEVT margin of 44 per cent comparable to the Q4 2020 level.

OPERATIONAL UPDATE

INDUSTRIAL BUSINESS

SCF Group continued to grow its long-term industrial business portfolio, with a focus on implementation of the most advanced green technologies. Over the course of Q1 2021 SCF added one vessel to its fleet – the LNG carrier *SCF Timmerman* - and operated a fleet of 45 industrial vessels as of 31 March 2021.

SCF Group continues to focus on the development of its liquefied gas transportation services. In January 2021, SCF and Total concluded a long-term time charter agreement for a newbuilding 174,000-cbm Atlanticmax LNG carrier with options for up to two further vessels. Delivery of the vessel is scheduled for Q3 2023.

As at 31 March 2021, the contract backlog reached USD 24 billion. The industrial segment contract backlog for 2021 stood at over USD 900 million.

In January-February 2021, SCF's ice-breaking LNG carrier *Christophe de Margerie* completed a round voyage between Sabetta (Russia) and Jiangsu (China) across the Northern Sea Route (NSR). For the first time in history, a large-capacity cargo vessel crossed the eastern sector of the Arctic in February (transit navigation along this segment traditionally ends in November and resumes again only in July).

CONVENTIONAL TANKER BUSINESS

The COVID-19 pandemic continued to impact negatively upon seaborne demand for crude oil and oil products over Q1 2021 and the conventional tanker freight market experienced continued weakness as a result. Whilst seasonal factors brought temporary relief to the Aframax sector over March, in particular, it was insufficient to balance the loss of demand for oil and oil products resulting from governmental restrictions imposed to counter the global pandemic.

The tanker newbuilding order book stays at a 30 year low and with the shipyards almost full until 2024 with orders for other types of vessels. SCF's management remains optimistic that there is now a reduced likelihood that further tanker supply will be available to meet the recovery in tanker freight markets, once industrial production normalises and standard travel practices resume as the pandemic related restrictions ease.

CAPITAL AND FINANCING

CREDIT RATINGS UPGRADES

On 12 April 2021 Sovcomflot's credit ratings were upgraded to investment grade level by Fitch (BBB-/stable) and by S&P Global (BBB-/stable).

SCF SUCCESSFULLY COMPLETED A EUROBOND ISSUE

On 26 April 2021 PAO Sovcomflot completed a USD 430 million 7-year unsecured Reg S/144A Eurobond issue with a coupon of 3.85%.

SCF has utilized the proceeds to fund a concurrent capped tender offer for the Company's outstanding Eurobonds maturing in 2023. The deal is debt neutral for SCF Group, whilst allowing it to smooth out and extend its debt repayment profile.

DIVIDENDS UPDATE

SCF Board of Directors recommended its Annual General Meeting of Shareholders (AGM) to pay dividends on ordinary registered shares of PAO Sovcomflot, based on the results of 2020, in the total amount of 15.8 billion rubles, which is 6.67 rubles per share.

Commenting on Q1 2021 results, **Igor Tonkovidov**, President and Chief Executive Officer of PAO Sovcomflot, said:

"Despite historically low spot charter rates in the reporting period, Sovcomflot managed to generate strong operational profitability with EBITDA margin in excess of 55% thanks to the diversified nature of our business with more than half of our revenue coming from long-term fixed-rate contracts.

"SCF's strategy with its focus on industrial contracts, which we continue to implement using green technologies and advanced marine engineering solutions, was a clear success, as our contract backlog stands at more than USD 900 million for the year 2021 and more than USD 24 billion in total. It makes us confident in our ability to continue generating solid cash flows and deliver further growth in our high margin industrial business segments."

Nikolay Kolesnikov, Executive Vice President & Chief Financial Officer of PAO Sovcomflot added:

"Following our credit ratings upgrade to investment grade level by S&P Global and Fitch, in April 2021, we successfully accomplishment an issue of new USD 430 million unsecured 7-year Eurobonds to finance the buyback of bonds with a 2023 maturity, thus smoothing out the debt repayment profile. Solid demand from Russian and international investors allowed us to fix the coupon on the new bonds at a historically low level for SCF's unsecured debt. This is the second capital markets transaction executed by Sovcomflot within the past seven months, following the IPO of Sovcomflot's shares on the Moscow Exchange in October 2020. The Company is well capitalized and has ample liquidity to weather the headwinds in the conventional tanker markets and pursue new projects."

CONFERENCE CALL DETAILS

The Company plans to host a presentation via a webcast on Wednesday, 19 May 2021 at 4:00 pm (Moscow) / 2:00 PM (London) / 9:00 AM (New York) to discuss its results for Q1 2021.

Dial in numbers:
Russia: +7 495 228 4392 (Local access)
UK: +44 (0)207 660 8149 (Local access)
US: +1 650 215 5226 (Local access)
Meeting number (access code): 137 444 5780
Meeting password (case-sensitive): Sovcomflot
Webcast link:
https://scf.webex.com/scf/j.php?MTID=m330eb041e2aa5c4bf10f6b2951f5a3d2
Microsoft Lync or Microsoft Skype for Business: 1374445780@scf.webex.com

An accompanying presentation for the conference call and the webcast replay will be available on our web site http://www.sovcomflot.ru/en/investors/

FINANCIAL HIGHLIGHTS

USD million	**Q1 2021**	**Q4 2020**	**%**	**Q1 2020**	**%**
Revenue	362.9	354.2	2.4	493.3	-26.4
Time charter equivalent (TCE) revenues	**275.1**	**280.9**	**-2.1**	**389.5**	**-29.4**
Vessels' running costs	-85.3	-94.8	-10.0	-84.0	1.5
Net earnings from vessels trading	**189.8**	**186.1**	**2.0**	**305.4**	**-37.9**
Net other operating revenue	2.1	2.3	-6.5	2.1	1.7
Depreciation, amortization and impairment	-101.9	-109.0	-6.5	-99.6	2.3
General and administrative expenses	-20.9	-23.6	-11.5	-24.2	-13.7
Operating profit	**56.0**	**55.3**	**1.2**	**189.9**	**-70.5**
Financing costs	-42.4	-44.6	-4.9	-49.9	-15.1
Profit before income taxes	**8.0**	**17.5**	**-54.2**	**124.1**	**-93.5**
Income tax expense	-9.7	-0.2	NM	-8.1	20.2
Adjusted profit/loss for the period*	14.2	23.4	-39.2	116.7	-87.8
Profit/loss for the period	**-1.7**	**17.4**	**NM**	**116.1**	**NM**
EBITDA**	**156.0**	**164.3**	**-5.1**	**289.6**	**-46.1**
Debt	3 286.5	3 272.2	0.4	3 532.0	-7.0
Cash and deposits	833.4	880.2	-5.3	576.5	44.6
Book value of equity	4 130.0	4 098.4	0.8	3 562.8	15.9
Net debt***	2 453.1	2 392.0	2.6	2 955.5	-17.0
Net debt/ EBITDA	3.2	2.6		3.2	

** Adjusted profit/loss for the period – Profit/loss for the period adjusted for impairment charge.*
*** EBITDA - Earnings before interest, tax, depreciation and amortisation adjusted for other non-operating expenses; hedge ineffectiveness and termination of hedge; gain on derecognition of dividend liability; loss on sale and dissolution of subsidiaries; foreign exchange gains; foreign exchange losses and gain/loss on sale of equity accounted investments.*
**** Net debt includes total secured bank loans, other loans and finance lease liabilities after deducting cash and bank deposits and restricted cash.*

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About SCF Group

Sovcomflot (SCF Group) is one of the world's leading marine energy transportation companies, specialising in the transportation of liquefied gas, crude oil, and petroleum products, as well as the servicing of offshore upstream energy production. The Group's fleet comprises 145 vessels with a total deadweight of 12.6 million tonnes, including vessels owned through joint ventures. More than 80 vessels have an ice class.

SCF is involved in servicing large oil and gas projects in Russia and around the world: Sakhalin-1; Sakhalin-2; Varandey; Prirazlomnoye; Novy Port; Yamal LNG, and Tangguh (Indonesia). The Group is headquartered in St. Petersburg, with offices in Moscow, Novorossiysk, Murmansk, Vladivostok, Yuzhno-Sakhalinsk, London, Limassol, and Dubai.

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i Contract backlog - is the total amount receivable by the Group under the Group's currently outstanding time-charter agreements, including arising from the Group's share in the joint ventures. It is presented for the total term of such agreements, in each case excluding extension options. It is based on the applicable time-charter-equivalent rate and management's estimate of the total trading days in the period for which it is presented (calculated as the total number of days for which the vessel is in possession of the owner less any scheduled or unscheduled maintenance or repairs during such period). The calculation of contract backlog (an operational measure) involves management judgment, and is subject to a number of risks and uncertainties.