26 August 2021

Media Release

SCF improves key financial metrics quarter over quarter and has contracted revenue of at least USD 1 billion in 2021.

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26 August 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 periods ended 30 June 2021.

FINANCIAL HIGHLIGHTS

- The industrial business performance maintained a stable upward trend, while the conventional segment's performance remained muted reflecting unfavourable market conditions in spot tanker markets.
- The contracted 2021 revenue is at least USD 1.0 billion in H1. Following new additions to the industrial business portfolio, the contract backlog[i] remained at USD 24 billion at the reporting date.
- Q2 2021 time-charter equivalent (TCE) revenue was USD 284.9 million (3.6 per cent increase on Q1 2021). H1 2021 revenue was USD 559.9 million (28.5 per cent down year-on-year).
- Q2 2021 EBITDA was USD 181.2 million (16.2 per cent increase on Q1 2021). EBITDA margin improved by 6.9 pp to 63.6 per cent. H1 2021 EBITDA declined 42.2 per cent year-on-year to USD 337.2 million.
- Q2 2021 net income adjusted for impairment provisions, foreign exchange gains and losses and gains and losses related to revaluation of financial assets[ii] reached USD 36.1 million (55.8 per cent increase compared with Q1 2021). H1 2021 adjusted net income was USD 59.2 million.
- SCF Group's **industrial business** portfolio, comprising liquefied gas transportation (LNG and LPG vessels) and harsh environment offshore services (ice-class shuttle tankers and ice-breaking supply and stand-by vessels) accounted for 65 per cent of SCF Group TCE revenue in H1 2021 and continued to provide a long-term fixed income revenue stream.
    - Industrial business segments contributed USD 363.3 million to H1 2021 TCE revenue, delivering 6.1 per cent year-on-year growth due to addition of three new LNG carriers added in 2020 and 2021, employed under long-term contracts with energy majors Shell and TotalEnergies. Q2 2021 revenue for the industrial segment of USD 180.6 million was down 1.2 per cent on Q1 2021, due to scheduled repair and maintenance works in the offshore segment.
    - H1 2021 (Net Earnings from Vessels Trading (NEVT[iii]) increased to USD 300.5 million (up 6.0 per cent year-on-year). In Q2 2021 NEVT reached USD 148.8 million (down 2.0 per cent on Q1 2021) following the revenue trend.

- SCF Group's **conventional tanker business** (crude and oil products transportation business segments) contributed 32 per cent to H1 2021 TCE revenue.
  - H1 2021 performance of the conventional tanker business remained under pressure, as spot tanker rates dropped 4 times year-on-year, which resulted in a revenue decline to USD 180.2 million (55.9 per cent down year-on-year) reflecting the continued negative impact of the Covid-19 pandemic on tanker freight market dynamics but also the strong base effect of H1 2020 numbers. Revenue remained stable quarter-on-quarter.
  - H1 2021 NEVT in the conventional tanker business reached USD 81.4 million. Q2 2021 NEVT improved to USD 42.0 million (6.4 per cent up on Q1 2021) - results reflecting fewer scheduled repairs in Q2 2021.

OPERATIONAL UPDATE

INDUSTRIAL BUSINESS

SCF Group continued to grow its long-term industrial business portfolio, with a focus on implementation of the most advanced and environmentally sound technologies. As of 30 June 2021, SCF operated a fleet of 43 industrial vessels with one vessel – the LNG carrier *SCF Timmerman* – added to the fleet in January 2021.

SCF Group continues to focus on the development of its liquefied gas transportation services. In addition to a contract for a newbuilding 174,000-cbm Atlanticmax LNG carrier concluded with TotalEnergies, in January 2021, in July 2021 SCF received confirmation from TotalEnergies to exercise its option for two more similar LNG carriers. The vessels will be chartered for a period of up to seven years and add USD 360 million to SCF's contract backlog. Delivery of the vessels is scheduled for Q3 2023 and H2 2024.

As a part of its offshore business development, two LNG-fuelled tankers will be equipped to shuttle crude oil and serve the Sakhalin-2 project under ten year contracts starting from 2024, with extension options for up to three years providing an additional contract backlog of USD 215 million.

CONVENTIONAL TANKER BUSINESS

A recovery in freight rates continued to be deferred during Q2 2021. The temporary seasonal relief in the Aframax sector, over March-April 2021, was insufficient to positively influence the first half results for the conventional tanker fleet. There are a number of developments creating a base for rates improvement.

Medium-term OPEC+ production rises, need to replenish depleting stockpiles as consumption picks up in line with easing of pandemic-related restrictions, and respective return of more normal refining activity should trigger additional demand for conventional tanker fleet while rising prices for newbuildings should limit supply of new fleet.

As a part of the ongoing fleet modernisation and optimisation programme, Sovcomflot disposed of some aging vessels. During H1 2021, two MR oil products vessels and two Panamax oil product tankers (partly owned through equity-accounted JVs) have been sold. In addition, two Aframax tankers, two Suezmax tankers and two Panamax dry bulk carriers were sold after the reporting date. By selling two Panamax dry bulk carriers, Sovcomflot has completed its exit from non-core dry bulk segment. A total net sale proceeds of USD 112 million will be used to finance Sovcomflot new projects.

CAPITAL AND FINANCING

Three leading international rating agencies upgraded Sovcomflot's credit ratings to investment grade level: Fitch (BBB-/stable) and S&P Global (BBB-/stable) in April 2021 and Moody's (Baa3/stable) in June 2021.

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

In April 2021, Sovcomflot reached agreements with lenders to reduce the fixed interest rate for two secured bank loans by an average of 0.6% for the total outstanding loan balances of USD 410 million.

Marine Money, an international maritime finance publication, recognised SCF's IPO on the Moscow Exchange in October 2020, as The IPO Deal of the Year. The award-wining transaction brought total gross proceeds of RUB 42.9 billion (equivalent to USD 550 million as of the date of issue). The Russian Federation, that owned 100 per cent of the company prior to the offering, lowered its stake to 82.8 per cent.

DIVIDENDS UPDATE

On 15 June 2021, SCF's Annual General Meeting of Shareholders (AGM) approved dividends on ordinary registered shares of PAO Sovcomflot, based on the results of 2020, in the total amount of RUB 15.8 billion, or RUB 6.67 per share. The dividend was paid in full to shareholders in July 2021.

SCF targets paying dividends of not less than 50% of net profit adjusted for non-monetary items (impairment provisions, foreign exchange gains and losses and revaluation of financial assets)[ii], subject to the Board of Directors and shareholders' approval.

Commenting on the H1 and Q2 2021 results, **Igor Tonkovidov**, President and Chief Executive Officer of PAO Sovcomflot, said:

"*Sovcomflot is proving the efficiency of its business model, with more than half of our revenue coming from long-term fixed-rate contracts and managed to generate positive returns, amidst an extremely unfavorable tanker market environment.*

"We are constantly working to increase our robust contract backlog. With the addition of new time-charter contracts with TotalEnergies, for two new generation Atlanticmax LNG carriers, and new contracts for two LNG-fuelled tankers for the Sakhalin-2 project, our total current contract backlog stays at USD 24 billion, while our contracted revenue for the current year 2021 reached USD one billion. In accordance with SCF-2025 strategy, we intend to continue to develop our high margin industrial business further, with its strong cash generating ability.

"We are continuing to experience the influence from the Covid-19 pandemic on our day-to-day operations, with several waves of the pandemic in various regions resulting in new restrictions and impacting operations. Our focus remains on the health and safety of our crew and shore personnel, as well as the efficiency of our fleet operations and providing uninterrupted services to our customers.

“I take this opportunity to invite you to our first Capital Markets Day, which we are hosting together with the Moscow Exchange on 7 October 2021, where we will discuss recent developments and our strategy.”

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

“Sovcomflot’s credit ratings have been upgraded to investment grade level by S&P Global, Fitch and Moody’s, reflecting the Group’s sustainably strong credit position, which allows us to work on our credit portfolio optimization. As a result, we partially refinanced our Eurobond at a lower coupon and negotiated better credit terms for two outstanding secured bank loans.

“Our financial and liquidity position allows us to meet our capital commitments and pay dividends to our shareholders, which will be calculated on the adjusted net profit basis starting from 2021.

“We are very pleased that our efforts towards sustainable development and strong corporate governance were recognised by Webber Research, which included Sovcomflot for the first time in its ESG Scorecard (comparable ranking within universe of maritime entities).

“Also during the reporting period Sovcomflot shares were included in mid cap section of FTSE Global Equity Index and MSCI Russia Small Cap index, which should further support liquidity of SCF shares.”

CONFERENCE CALL DETAILS

The Company plans to host a presentation via a webcast on Thursday, 26 August 2021 at 16:00 AM (Moscow) / 2:00 PM (London) / 9:00 AM (New York) to discuss its results for Q2 and H1 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): 174 423 1130
Meeting password (case-sensitive): Sovcomflot
Webcast link:
https://scf.webex.com/scf/j.php?MTID=mb2825162568b4a98a26ab7d1b8e9ca4c
Microsoft Lync or Microsoft Skype for Business: 1744231130@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	H1 2021	H1 2020	%	Q2 2021	Q1 2021	%
Revenue	759.8	951.3	-20.1	397.0	362.9	9.4
Time charter equivalent (TCE) revenues	**559.9**	**782.7**	**-28.5**	**284.9**	**275.1**	**3.6**
Vessels' running costs	-170.1	-170.5	-0.2	-84.8	-85.3	-0.5
Net earnings from vessels trading	**389.8**	**612.2**	**-36.3**	**200.0**	**189.8**	**5.4**
Net other operating revenue	5.0	4.8	3.3	2.9	2.1	36.2
Depreciation, amortization and impairment	-241.7	-229.0	5.6	-139.7	-101.9	37.1
General and administrative expenses	-44.3	-46.0	-3.8	-23.4	-20.9	12.0
Operating profit	**97.4**	**354.5**	**-72.5**	**41.5**	**56.0**	**-25.9**
Financing costs	-104.3	-99.2	5.1	-61.9	-42.4	46.1
Profit before income taxes	**18.8**	**248.5**	**-92.4**	**10.7**	**8.0**	**33.8**
Income tax expense	-13.1	-22.1	NM	-3.4	-9.7	-64.6
Adjusted profit/loss for the period*	59.2	266.9	-77.8	36.1	23.2	55.8
Profit/loss for the period	**5.6**	**226.4**	**NM**	**7.3**	**-1.7**	**NA**
EBITDA**	**337.2**	**583.4**	**-42.2**	**181.2**	**156.0**	**16.2**
Debt	3 226.0	3 468.9	-7.0			
Cash and deposits	881.7	710.7	24.0			
Book value of equity	3 912.6	3 669.7	6.6			
Net debt***	2 344.4	2 758.2	-15.0			
Net debt/ LTM EBITDA	3.5	2.6				

** Adjusted profit/loss for the period – calculated as a net profit attributed to shareholders of PAO Sovcomflot less impairment for fixed and intangible assets, foreign exchange gains and losses and gains and losses related to revaluation of financial assets.*
*** 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

PAO 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 137 vessels with a total deadweight of 11.8 million tonnes, including vessels owned through joint ventures. More than 78 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.

[ii] Adjusted net profit – calculated as a net profit attributed to shareholders of PAO Sovcomflot less impairment for fixed and intangible assets, foreign exchange gains and losses and gains and losses related to revaluation of financial assets.

[iii] NEVT – Net Earnings from Vessels Trading - means time-charter-equivalent revenues less vessels' running costs and charter hire payments.