16 November 2021

Media Release

SCF grows its fixed income industrial business further. The conventional tanker market shows signs of an upturn

---

16 November 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 September 2021.

FINANCIAL HIGHLIGHTS

- During 9M 2021, SCF grew its fixed income industrial business portfolio with nine new contracts – seven new contracts for LNG carrier new buildings and two new contracts for shuttle tankers. The Group's contract backlog rose by further USD 1.3 billion over the reporting period and the total contract backlog[i] stood at USD 24 billion as of 30 September 2021.
- Conventional tanker market began to show initial signs of recovery with a seasonal uplift in charter rates since October 2021.
- Q3 2021 time-charter equivalent (TCE) revenue was USD 269.8 million (5.3 per cent decrease on Q2 2021). 9M 2021 revenue was USD 829.7 million (22.4 per cent down year-on-year).
- Q3 2021 EBITDA was USD 170.1 million (6.2 per cent decrease on Q2 2021). The EBITDA margin remained flat at 63 per cent. 9M 2021 EBITDA declined 32.2 per cent year-on-year to USD 507.3 million.
- Q3 2021 net income adjusted for impairment provisions, foreign exchange gains and losses and gains and losses related to the revaluation of financial assets[ii] reached USD 28.4 million (21.4 per cent decrease compared with Q2 2021). 9M 2021 adjusted net income was USD 87.4 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 66 per cent of SCF Group's TCE revenue in 9M 2021 and continued to provide a long-term fixed income revenue stream.
    - Industrial business segments contributed USD 544.3 million to 9M 2021 TCE revenue, delivering 8.6 per cent year-on-year growth due to the input from three new LNG carriers delivered in 2020 and 2021, which are employed under long-term contracts with Shell and TotalEnergies. Q3 2021 revenue for the industrial segment of USD 180.9 million remained unchanged comparing to Q2 2021.
    - 9M 2021 (Net Earnings from Vessels Trading (NEVT[iii]) increased to USD 445.9 million (up 10.5 per cent year-on-year). In Q3 2021 NEVT reached USD 145.4 million (down 2.3 per cent on Q2 2021) due to scheduled maintenance in the gas segment.

- SCF Group's **conventional tanker business** (crude and oil products transportation business segments) contributed 30 per cent to 9M 2021 TCE revenue.
    - 9M 2021 performance of the conventional tanker business remained under pressure, as spot tanker rates troughed at historical low levels during the reporting period. Revenue for the period declined to USD 252.5 million (52.5 per cent down year-on-year). Q3 2021 revenue was USD 72.3 million, a 19.7 per cent decline QoQ. Results were impacted not only by the depressed state of the tanker market but also by vessel disposals during 9M 2021 and scheduled maintenance.
    - 9M 2021 NEVT in the conventional tanker business reached USD 103.6 million. Q3 2021 NEVT was USD 22.2 million, reflecting a decline in the segment's revenue.

OPERATIONAL UPDATE

INDUSTRIAL BUSINESS

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

SCF Group focuses on the development of its liquefied gas transportation services. In January and July 2021 contracts for three newbuilding 174,000-cbm LNG carriers were concluded with TotalEnergies. 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 2023 and 2024.

In September 2021 SCF Group, through a joint venture with NYK, signed long-term time-charter contracts with NOVATEK Gas and Power Asia, a subsidiary of PAO NOVATEK, for four newbuildings 174,000-cbm Ice 1A LNG carriers. The vessels will be chartered for a period of up to fifteen years and SCF's share adds a further USD 700 million to its contract backlog. Delivery of the vessels is scheduled for 2023 and 2024.

As a part of SCF's offshore business development, two LNG-fuelled tankers will be retrofitted to shuttle crude oil and serve the Sakhalin-2 project under up to thirteen years contracts (signed in June 2021) starting from 2024, providing an additional contract backlog of USD 215 million.

CONVENTIONAL TANKER BUSINESS

Q3 2021 continued to be challenging for SCF's conventional tanker business with ongoing COVID-19 restrictions impacting international trade and economies. SCF is cautiously optimistic that the market is coming through the trough of the cycle, as the Group's expectations of a seasonal uplift in rates begins to materialise.

Demand for oil transportation is recovering as oil product consumption heads towards pre-pandemic levels. At the same time, high steel prices are both encouraging an increase in vessel demolitions and discouraging owners from adding further newbuildings to the supply side.

As a part of SCF's ongoing fleet modernisation and optimisation programme, the Group disposed of some aging vessels. During 9M 2021, four oil products vessels (two of which were partly owned through equity-accounted JVs), four oil tankers and two Panamax dry bulk carriers were sold. By selling the two Panamax dry bulk carriers, Sovcomflot has completed its exit from this non-core segment. Total net sale proceeds of USD 132.6 million, arising from these disposals, will further strengthen the Group's liquidity position and will be applied towards financing SCF's new projects.

CAPITAL AND FINANCING

Three leading international rating agencies upgraded PAO Sovcomflot's credit ratings to investment grade level during the reporting period: 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 per cent. 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 the smoothing out and extension of the Company's debt repayment profile and a reduction in the pricing of its unsecured debt.

After the reporting period, in November 2021, Sovcomflot (SCF Group) signed a new USD 110 million credit facility, for ten years, with three leading international banks: ING BANK N.V., SMBC BANK EU AG and UNICREDIT BANK AG. The facility will be used towards financing two ice-class shuttle tankers to be delivered in Q1 2022 to serve the Sakhalin 1 project. Exxon Neftegas Ltd. (an affiliate of Exxon Mobil) is the project's operator and acts as the charterer of the vessels.

In November 2021, Seatrade Maritime International Association in association with Lloyd's List recognised SCF's IPO on the Moscow Exchange in October 2020, as the 'Deal of the Year'. The award-winning sizable transaction happened in an all-virtual format and was long awaited both by the industry and by the Russian capital market. The company successfully raised total gross proceeds of RUB 42.9 billion (equivalent to USD 550 million, as of the date of issue). Following the transaction, the Group's shares were included in the FTSE Global and MSCI Russia Small Cap international indices.

DIVIDENDS UPDATE

On 15 June 2021, SCF's Annual General Meeting of Shareholders (AGM) approved the payment of dividends on the 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 dividend payments of not less than 50 per cent of net profit adjusted for non-monetary items (impairment provisions, foreign exchange gains and losses and revaluation of financial assets)[ii], subject to the approval of the Board of Directors and shareholders.

Commenting on the 9M and Q3 2021 results, **Igor Tonkovidov**, President and Chief Executive Officer of PAO Sovcomflot, said:

"Our industrial business segment performed strongly, consistently and in line with previous guidance. New additions to SCF's contract backlog will further strengthen our industrial business, giving us confidence in the long-term visibility, stability and growth of cash flow from infrastructure projects.

"With the addition of new time-charter contracts with TotalEnergies and NOVATEK for LNG carriers and with Sakhalin Energy for shuttle tankers, the cumulative increase in our contract backlog in the first nine months of 2021 came at USD 1.3 billion. Following these new additions, our total contract backlog stood at USD 24 billion as of the reporting date.

"We continue to grow our business, considering all available innovative technologies to reinforcement of our fleet's safety and efficiency, whilst reducing vessel emissions, as we have done with our recent orders, all of which will use LNG as their primary fuel – the most efficient fuel type currently available.

"We are also pleased to note that our assumptions of a recovery in the tanker market are starting to materialise. The combination of a rebound in demand and tightening supply should lead to an improvement in freight rates."

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

"The recent completion of a USD 110 million credit facility with three international banks allows us to address in full the Group's funding requirements for 2022 new vessel deliveries. Earlier in the year we accomplished a partial refinancing of bonds with 2023 maturity through a new unsecured USD 430 mn 2028 bond issue. The Company is well capitalised with a net debt to EBITDA ratio of 3.5 times as at the end of the reporting period and has no imminent financing or refinancing needs.

"On the first anniversary for Sovcomlfot's IPO, on 7 October 2021, with the support of the Moscow Exchange, we hosted the Company's first Capital Markets Day which was well attended by the investment community."

CONFERENCE CALL DETAILS

The Company plans to host a presentation via a webcast on Tuesday, 16 November 2021 at 4:00 PM (Moscow) / 1:00 PM (London) / 8:00 AM (New York) to discuss its results for Q3 and 9M 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): 2399 478 4461
Meeting password (case-sensitive): Sovcomflot
Webcast link:
https://scf.webex.com/scf/j.php?MTID=mf7b8713fab0ca5029ed19dff89a7cc7e
Microsoft Lync or Microsoft Skype for Business: 23994784461@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	9M 2021	9M 2020	%	Q3 2021	Q2 2021	%
Revenue	1,160.0	1,298.3	-10.7	400.2	397.0	0.8
Time charter equivalent (TCE) revenues	**829.7**	**1 069.8**	**-22.4**	**269.8**	**284.9**	**-5.3**
Vessels' running costs	-259.6	-272.1	-4.6	-89.5	-84.8	5.5
Net earnings from vessels trading	**570.1**	**797.6**	**-28.5**	**180.3**	**200.0**	**-9.9**
Net other operating revenue	14.2	7.0	NM	9.2	2.9	NM
Depreciation, amortization and impairment	-347.1	-312.3	11.1	-105.4	-139.7	-24.6
General and administrative expenses	-67.9	-67.1	1.1	-23.6	-23.4	0.6
Operating profit	**163.5**	**436.0**	**-62.5**	**66.0**	**41.5**	**59.2**
Financing costs	-144.4	-146.0	-1.1	-40.1	-61.9	-35.2
Profit before income taxes	**43.8**	**277.9**	**-84.2**	**25.0**	**10.7**	**132.7**
Income tax expense	-23.6	-28.4	NM	-10.5	-3.4	NM
Adjusted profit/loss for the period*	**87.4**	**282.1**	**-69.0**	**28.4**	**36.1**	**-21.4**
Profit/loss for the period	20.2	249.5	NM	14.6	7.3	99.0
EBITDA**	**507.3**	**748.3**	**-32.0**	**170.1**	**181.2**	**-6.2**
Debt	3,114.9	3,492.5	-10.8			
Cash and deposits	736.1	639.5	15.1			
Book value of equity	3,932.3	3,601.2	9.2			
Net debt***	2,378.8	2,852.0	-16.6			
Net debt/ LTM EBITDA	3.5	2.8				

** 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.*

-End-

Investor Relations:

ir@scf-group.ru

Media Relations:

pr@scf-group.ru

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 135 vessels with a total deadweight of 11.67 million tonnes, including vessels owned through joint ventures. About 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.

---

[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.