

17 November 2020

Media Release



SCF Group increases net profit and contract backlog by more than double in first 9 months of 2020

17 November 2020, Moscow, Russia: PAO Sovcomflot (SCF Group, the Company; MOEX: FLOT), a global leader in marine energy transportation services, releases its Condensed Consolidated Financial Statements for the third quarter (Q3) and nine months (9M) ended 30 September 2020.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

- For 9M ended 30 September 2020, SCF Group's time-charter equivalent (TCE) revenue increased by 22.1% YoY to USD 1,069.8 mln, EBITDA was up 37.5% to USD 741.4 mln, maintaining LTM EBITDA at above USD 1 bn. EBITDA margin improved 8pp to 69.3%. Net profit more than doubled to USD 249.5 mln. Positive dynamics were driven by continued and sustainable growth of the industrial business segments, as well as a strong performance of the conventional tanker fleet in the first half of the year.
- Q3 2020 TCE revenue was up 1.6% to USD 287.1 mln, with Q3 2020 EBITDA declining 1.6% to USD 162.8 mln and a decline in net profit of 10.9% to USD 23.1 mln (as compared to Q3 2019), reflecting a weaker conventional tanker market over the quarter and some one-off maintenance expenses.
- SCF Group's industrial business portfolio, which provides a long-term fixed income revenue stream, contributed USD 501.3 mln to 9M 2020 TCE revenue, delivering 7.5% YoY growth. It came as a result of two new LNG carriers employed under long-term contracts with international energy majors, delivered and put into operation.
- Conventional tanker fleet TCE revenue increased 44.6% to USD 531.0 mln in 9M 2020, on the back of strong freight market dynamics in the first six months of 2020. The market has started to adjust in the third quarter, which is seasonally the lowest quarter due to the summer decline in crude oil and oil products demand. This year seasonality effect was more pronounced due to COVID-19 pandemic-driven impacts on demand.
- SCF Group continued to take all necessary measures to protect its seafarers and shore-based personnel from the COVID-19 and to prevent the pandemic from affecting its operations.

RECENT BUSINESS EVENTS AND DEVELOPMENTS

INDUSTRIAL BUSINESS UPDATE

SCF Group continued to grow its long-term industrial business portfolio, with a special focus on operations in harsh environments and ice conditions. The current contract backlog has reached USD 24 bn compared with USD 10 bn as at 31 December 2019.

Over 2020, SCF Group has, either directly or through its SMART LNG JV with NOVATEK, time chartered 17 icebreaking LNG carriers to Arctic LNG 2, the operator of the eponymous project. 14 of these vessels were time chartered through SMART LNG during 9M 2020: four in January 2020 and ten in September 2020. Further three vessels were time chartered directly by SCF in October 2020. Combined, these 17 time charters add approximately USD 14 bn of contract backlog attributable to SCF Group.

In September 2020, SCF Group took delivery of *SCF Barents*, a new 174,000 cbm LNG carrier. *SCF Barents* is chartered to Shell under a long-term time-charter agreement. A further LNG carrier, *SCF Timmerman*, is scheduled to be delivered and start operations under a long-term time-charter with Shell in Q1 2021.

CONVENTIONAL TANKER SEGMENTS BUSINESS UPDATE

After reaching record highs in the first half of 2020, the tanker markets came under pressure in Q3 2020. This mainly reflects seasonal volatility: demand in the tanker markets has historically tended to be softer in the summer period and firmer in the winter period, as a result of increased oil consumption in the Northern hemisphere. In addition, this seasonal downswing was further aggravated by a slowdown in demand for oil products on the back of the COVID-19 pandemic, coupled with producers simultaneously cutting oil supply to support prices.

With the newbuilding order book at historic lows, management considers the tanker sector is well positioned for a recovery and that freight rates will respond positively and quickly to any increase in the refining output of oil products, and the return of crude production and shipping to healthy levels.

CAPITAL AND FINANCING UPDATE

IPO UPDATE

In October 2020, SCF Group conducted an initial public offering of 408,296,691 newly issued ordinary shares of a nominal value of RUB 1 each, at a price of RUB 105 per ordinary share and listed them on the Moscow Exchange. The total net proceeds of the IPO, after expenses and stabilisation-related buy-back, are RUB 38 bn (equivalent to USD 480 mln as of the date of issue). The free float of SCF Group amounts to 15.6%, and the Russian Federation retains an 82.8% stake. The proceeds of the IPO will be used for general corporate purposes, including investments in new assets, with a focus on industrial projects, decarbonisation and further deleveraging.

LIQUIDITY POSITION MANAGEMENT

In October, the Group repaid secured bank loans with an outstanding balance as of the date of prepayment of USD 137.7 mln with scheduled maturity within twelve months from 30 September 2020.

In November 2020, the Group refinanced maturing loan obligations of USD 67.3 mln with existing lenders and further raised a USD 155.0 mln, in an up to eight years project finance facility, for its JV companies with partners NYK and Samudera, established to own and operate two LNG carriers.

SCF credit ratings affirmed in May-July 2020 at current levels by Fitch Ratings (BB+/stable), by Moody's (Ba1/stable), and by S&P (BB+/positive (rating outlook changed from stable)).

DIVIDEND GUIDANCE

Dividends for the 2019 year of RUB 7,181.0 mln (equivalent to USD 96.8 mln), were declared and paid in August 2020.

SCF targets paying dividends of 50% of its IFRS net profit, and reconfirms its dividend guidance for the year ended 31 December 2020 of USD 225 mln, subject to the Board of Directors and shareholders' approval.

Commenting on the 9M 2020 results, **Igor Tonkovidov**, President and CEO of SCF Group, said:

“SCF demonstrated an exceptionally strong performance with 9 months net profit doubling, compared with last year. Furthermore, the Group was able to secure new industrial business with an additional USD 14 bn of future contracted revenues, booked in the LNG segment just over the past couple of months, fully in line with the Group's strategy. This clearly shows the resilience of Sovcomflot's business model to the pandemic-related operational challenges and to adverse and volatile market conditions. We are on track to achieve the budgetary targets for the full year 2020 and are well equipped to grow the business going forward, with the proceeds from the recent IPO of Sovcomflot shares, maintaining our strong focus on decarbonisation and innovations. I am deeply grateful to the whole of Sovcomflot team at sea and on shore for their efforts and perseverance during these challenging times.”

CONFERENCE CALL DETAILS

The Company plans to host a conference call on Tuesday, 17 November 2020 at 4:00 pm (Moscow) / 1:00 PM (London) / 8:00 AM (New York) to discuss its results for 9M and Q3 2020.

Dial in numbers:

Russia:

- +7 495 646 9190 (Local access)
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- +44 (0)330 336 9411 (Local access)
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US:

- +1 646 828 8193 (local access)
- 888 220 8451 (Toll free)

Conference ID: 1129200

Webcast link <https://www.webcast-egs.com/sovcomflot20201117>

The webcast replay will be available on our web site www.scf-group.ru

An accompanying 9M and Q3 2020 presentation will be made available on the Company's web site www.scf-group.ru

FINANCIAL HIGHLIGHTS FOR 9M 2020 AND Q3 2020

Unaudited, USD mln						
	9M 2020	9M 2019	%	Q3 2020	Q3 2019	%
Revenue	1 298.3	1 170.5	10.9	347.0	376.5	-7.8
Time charter equivalent (TCE) revenues	1 069.8	876.4	22.1	287.1	282.5	1.6
Vessels' running costs	-272.1	-265.0	2.7	-101.6	-94.1	8.0
Net earnings from vessels trading	797.6	611.5	30.4	185.4	188.3	-1.5
Net other operating revenue	7.0	22.3	-68.6	2.1	11.3	-81.4
Depreciation, amortization and impairment	-312.3	-289.0	8.1	-83.3	-97.5	-14.6
General and administrative expenses	-67.1	-80.8	-17.0	-21.1	-26.3	-19.8
Operating profit	436.0	272.6	59.9	81.6	79.2	3.0
Financing costs	-146.0	-155.0	-5.8	-46.7	-51.4	-9.1
Profit before income taxes	277.9	136.8	103.1	29.4	30.4	-3.3
Income tax expense	-28.4	-19.9	42.7	-6.3	-4.5	40.0
Profit/loss for the period	249.5	116.9	113.4	23.1	25.9	-10.8
EBITDA*	741.4	539.3	37.5	162.8	165.4	-1.6
Debt	3 492.0	3 552.0	-1.7			
Cash and deposits	640.0	341.0	87.7			
Book value of equity	3 601.0	3 391.0	6.2			
Net debt**	2 852.0	3 211.0	-11.2			
Net debt/Adjusted LTM EBITDA	2.9	4.5				

* Earnings before interest, tax, depreciation and amortisation, calculated on the corrected basis.

** 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.