

Sovcomflot Group cooperates with both foreign and Russian customers. In the reporting year the Group continued to meet Russian foreign trade requirements: its vessels participated in transportation of oil and petroleum products from different Russian ports, including Novorossiysk, Murmansk, Primorsk, Ust-Luga, Prigorodnoye, and others. In addition, the Group's vessels were used as floating storage units to facilitate the transshipment of export oil and petroleum products from river tanker vessels to sea tankers.

In 2020 the Group carried 64 million tonnes of Russian export and transit cargo exported through Russia, which is 2.6% more than in 2019.

## Key competitive strengths

Sovcomflot Group has a number of competitive strengths that have enabled it to expand significantly the business horizons over the last several years and provided the foundation for strategic directions of its further development.

### Global leadership across industrial marine transportation

SCF Group is the world's leading diversified energy shipping company that provides services to its customers in different market segments around the world that meet quality requirements of its blue-chip clients, including Russian and international oil and gas companies, and has ongoing or completed long-term projects in Russia, Canada, Indonesia, Brazil and Argentina. The Group is a leader in crude oil, oil products and liquefied gas transportation as well as support services for offshore oil and gas production and has particular expertise in challenging ice-water conditions. The Group's reputation as a first-class service provider, together with the scale, quality and complexity of its operations, enables Sovcomflot to strengthen its market positions.

### A diversified business integrated into the energy value chain, with significant expertise in large-scale, harsh environment projects

SCF Group's business is diversified across industrial projects (offshore services and gas transportation), conventional shipping (crude oil transportation and oil products transportation) and other marine services. A diversified business portfolio provides the Group with additional opportunities to expand its existing client relationships. For example, in the offshore services segment the Group operates a specialised fleet consisting of high

ice-class vessels for which no alternatives exist. Accordingly, charter contracts for these vessels tend to be for longer durations with fewer termination-for-cause provisions than contracts for conventional vessels. The skills and experience accumulated by SCF crews and shore-based personnel represent a compelling argument for customers along with the high-tech fleet.

### Predictable, long-term and growing infrastructure cash flows through industrial projects

The Group actively manages its vessel employment mix with a strong focus on increasing time charter equivalent revenues from long-term fixed rate contracts within industrial projects. This approach makes the Group's cash flows highly predictable. Most gas carriers, supply vessels and shuttle tankers are employed on long-term time charter contracts. Participation of the Company's fleet in industrial projects enhances business potential and ensures business stability going forward, in particular owing to their long term nature and potential for time charter extension in case of project expansion.

### Long-established relationships with leading "blue-chip" international and national energy companies

SCF Group has developed partner relationships with a broad group of blue-chip clients, including

major Russian, national and international oil, energy and utility companies, such as BP, Chevron, ExxonMobil, Gazprom, Lukoil, Novatek, Rosneft, Petrochina, Shell, Repsol, Total and ENI. The Group's clients appreciate the high quality of its services, its ability to handle problems of any complexity on a guaranteed basis, its unique subject matter expertise, and financial stability.

### **Strong financial profile built on high standards of doing business, resilient financial performance, appropriate profitability level and business portfolio development**

The Group has been operationally resilient during the COVID-19 pandemic, as demonstrated by the lack of delays to existing projects and a high fleet utilisation rate, which was 95% in 2020. The resilience of the Group's business to external factors was further demonstrated by the Group's operating profit of US\$491.4 million for 2020 compared to US\$436.4 million for 2019 and time charter equivalent revenues of US\$1,350.6 million for 2020 compared to US\$ 1,265.5 million for 2019. The Group's strong cash flow generation, high liquidity and relatively low leverage ratio provide it with strategic flexibility to allocate capital for future growth and pay dividends. See the **Financial results section** for additional information.

### **Resilient business model with high upside potential in industrial segments and stable tanker market outlook**

The Group's growth stems from the expansion of its fleet employed on long-term industrial oil and gas projects and additional advantages gained by developing energy projects in harsh environments. Given the Russian Federation's commitment to maintaining its leading role in the global oil and gas industry and the IEA's expectations that crude oil production will remain stable, the Group is well positioned to maintain its leading position in servicing seaborne trade in Russian hydrocarbons.

### **Culture of safety, environmental responsibility and innovation**

The Group, on its own and in collaboration with its partners, consistently develops and implements advanced engineering solutions and masters new technologies to enhance the safety of navigation, improve working conditions for the crews, increase the energy efficiency, and comply with environmental standards. In addition to investing in innovative technology, the Group pays continuous attention to training, developing and retaining personnel with extensive seafaring experience, including expertise in navigating in ice water conditions. As a result of a strong culture of innovation and a careful attitude to

human capital, the Group is an industry leader in safety management. The diversity of the Group's fleet, combined with its broad technological and operational expertise, enables the Group to offer customers a comprehensive range of tailored, high quality and safe energy transportation services at a competitive cost.

### **Highly regarded management team and strong governance**

Sovcomflot adheres to strong corporate governance standards (for more details see the **Corporate governance** section of this report). The Company is led by a highly skilled management team that focus on high standards of doing business and emphasise safe, quality and cost-effective operations, with senior management ensuring direct control over the key processes in the commercial and technical management of the Group's fleet.