



Age characteristic of the Group's fleet as of 31 December 2019

| Vessels by type | Average age in years |
|--|----------------------|
| Crude oil tankers | 13.7 |
| Product tankers | 11.7 |
| Shuttle tankers | 10.1 |
| LNG and LPG carriers | 8.4 |
| Bulk carriers | 7.0 |
| Multifunctional icebreaking vessels | 7.9 |
| Research vessels and chartered vessels | 8.1 |
| SCF Group fleet | 10.8 |

3.1.2. OPERATION OF THE FLEET

The system covers all key regions for Sovcomflot. The head office is located in Dubai (UAE) and provides the management of foreign-flagged vessels. The division in St. Petersburg is responsible for the management of Russian-flagged vessels.

Main functions of the companies belonging to the SCF Management Services system: organising fleet operations, controlling the technical condition of ships, repairs and modernisation, equipment service support as well as engineering support for new projects, supervision of ship construction and crewing services. Companies operating under the SCF Management Services brand also provide technical management services for ships of third-party owners.

The SCF fleet operates in accordance with the Integrated Safety Management System (the ISMS) in effect at Sovcomflot Group.

SCF Group manages the operation of the fleet based on the provisions of the Technical Policy. This policy is a set of measures and actions that enable the Group to achieve operational advantages in the maritime transportation and service market sectors.

In accordance with the ISMS, Sovcomflot Group strives to optimise the system of providing vessels with the required financial and material resources to maintain them in good working order, and also applies advanced methods to monitor and analyse the technical condition of each vessel and its equipment.



Technical operation of SCF Group's own and chartered fleet is carried out by companies integrated into a single system under the umbrella brand SCF Management Services.

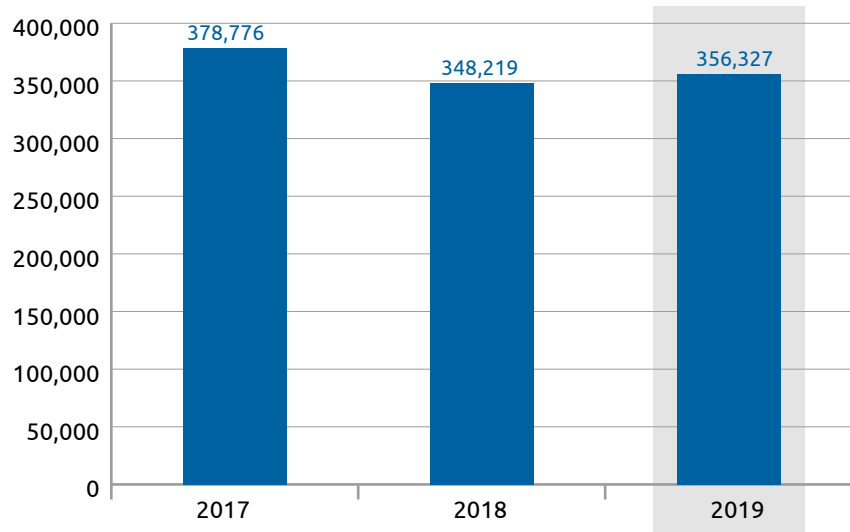


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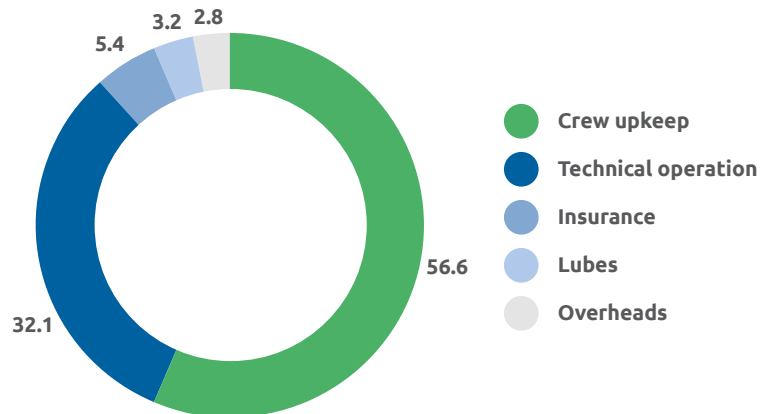
US\$ MILLION

the amount of vessel's running costs in 2019, which is 4.1 % below the approved 2019 budget

Dynamics of actual operating expenses for 2017-2019 ('000 USD)



Structure of operating expenses in 2019, %



Within the structure of operating expenses the majority are attributable to crew upkeep (56.6 %), while technical operation and modernisation account for 32.1 %, insurance for 5.4 %, lubes for 3.2 %, and other operating expenses for 2.8 %.

The SCF Group's Technical Policy stipulates:

- A five-year classification survey period in docks that facilitates optimising maintenance and repair work;
- A scheduled preventive maintenance plan for each vessel, approved in accordance with the class of vessel.
- Monitoring the technical condition of individual types of vessels and critical equipment to make sure that they comply with PAO Sovcomflot requirements.
- Maintaining the external appearance of each ship at a high level.

Under the ISMS the Group carries out regular maintenance and repairs of vessels, which is an essential precondition for their safe and reliable operation.



The Technical Policy also prescribes the following actions to ensure the high quality of maintenance and repair work on vessels and their equipment:

- Competitive selection of the most effective and qualified shipyards.
- Using certified spare parts from original manufacturers when replacing worn-out or faulty components of equipment.
- Inspection of ships by classification societies, which ensures a high degree of supervision over the technical condition of vessels.
- Implementation of a modernisation programme for vessels and shipboard equipment to comply with the requirements of flag administrations and international conventions, and improve ship merchantability.

Maintenance and repair of vessels, 2017-2019

| Indicator | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Dry dock repairs (number of vessels) | 32 | 24 | 38 |
| In-water inspections (number of vessels) | 15 | 30 | 20 |
| Actual expenses for dry docking and repair of vessels ('000 USD) | 64.129 | 51.519 | 64.593 |

In 2019 32 vessels were dry docked and repaired (vs. 24 vessels a year earlier). One of the goals of SCF Group under the Technical Policy is to increase the interdocking period. In 2019 the intermediate survey for 15 vessels was carried out afloat - without dry-docking.

During the reporting period there were seven operational accidents, which resulted in damage to hull structures and vessel equipment, and required the decommissioning of vessels for repairs. SCF Group works proactively to reduce the number of accidents, and performs detailed analyses of them to prevent any repeats of incidents.