

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the First Quarter 2020

Moscow, 29 April 2020. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three months ended 31 March 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights

(in millions of Russian roubles except as stated)

	1Q 2020	1Q 2019
Oil and gas sales	182,595	231,184
Other revenues	1,967	2,922
Total revenues	184,562	234,106
Operating expenses	(146,535)	(175,140)
Net gain on disposal of interests in subsidiaries	-	308,578
Other operating income (loss)	(33,236)	(914)
Normalized profit from operations*	38,901	58,052
Normalized EBITDA of subsidiaries*	45,383	65,724
Normalized EBITDA including share in EBITDA of joint ventures*	100,668	117,942
Finance income (expense)	141,453	(6,021)
Share of profit (loss) of joint ventures, net of income tax	(145,231)	70,973
Profit before income tax	1,013	431,582
Profit (loss) attributable to shareholders of PAO NOVATEK	(30,680)	381,796
Normalized profit attributable to shareholders of PAO NOVATEK*, excluding the effect of foreign exchange gains (losses)	53,547	65,730
Normalized basic and diluted earnings per share*, excluding the effect of foreign exchange gains (losses) (in Russian roubles)	17.80	21.82
Cash used for capital expenditures	41,143	42,476

* Excluding the effects from disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).

COVID-19 and Macro-Economic Environment

Global markets have experienced financial and economic disruptions caused by the spread of COVID-19, and the mandated shutdowns by many governments. This negative economic impact has lowered demand for crude oil, natural gas and oil products, which combined with the increase in the supply of crude oil due to the cancellation of the OPEC+ production agreement in the first quarter 2020, resulted in a decline in global hydrocarbon commodity prices. As of 31 March 2020, the Russian rouble significantly depreciated relative to the US dollar and the Euro that resulted in the recognition of substantial foreign exchange effects on foreign currency denominated loans by the Group's subsidiaries and joint ventures. Many of these events are out of the control of the Group's management.

Despite the economic instability on the global markets, the Group continues to achieve strong operating results and implement its main investment projects in accordance with the Group's approved corporate strategy. The Group's management continues to assess the current situation and present macro-economic environment and take appropriate actions if deemed necessary.

Revenues and EBITDA

Our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, decreased to RR 184.6 billion and RR 100.7 billion, or by 21.2% and 14.6%, respectively, as compared to the corresponding period in 2019.

The decreases in total revenues and Normalized EBITDA were largely due to a decline in world prices for hydrocarbons. Our revenues also decreased due to a decrease in LNG sales volumes on international markets resulted from an increase in the share of our joint venture OAO Yamal LNG direct sales under long-term contracts and a respective decrease in our spot LNG volumes purchased from Yamal LNG.

Profit (loss) attributable to shareholders of PAO NOVATEK

In the first quarter 2020, we recorded a loss attributable to shareholders of PAO NOVATEK in the amount of RR 30.7 billion (RR 10.20 per share) as compared to a profit of RR 381.8 billion in the corresponding period in 2019.

The Group's financial results in the current reporting period were significantly impacted by the unfavorable macroeconomic conditions noted above, which resulted in a decrease in our hydrocarbons sales prices and a recognition of substantial foreign exchange effects. Moreover, in both reporting periods, we recorded effects from the disposal of interests in the Arctic LNG 2 project by recognizing RR 308.6 billion of gain from the disposal of a 10% participation interest in the Arctic LNG 2 project in the first quarter 2019, and recognizing RR 34.1 billion of loss in the first quarter 2020 related to the subsequent non-cash revaluation of contingent consideration on the sale of a 40% participation interest in 2019.

Excluding the effects from the disposal of interests in subsidiaries and joint ventures, as well as foreign exchange differences, Normalized profit attributable to shareholders of PAO NOVATEK amounted to RR 53.5 billion (RR 17.80 per share), representing a decrease of 18.5% as compared to the first quarter 2019.

Cash used for capital expenditures

Our cash used for capital expenditures aggregated RR 41.1 billion as compared to RR 42.5 billion in the corresponding period in 2019. A significant portion of our capital expenditures was attributable to the ongoing developments of our LNG projects (the LNG construction center located in the Murmansk region, the Obskiy LNG project and the Arctic LNG 2 project prior to March 2019). In addition, we invested capital in the ongoing development of the North-Russkoye and Beregovoye fields, the preparation for production commencement at our new fields (the West-Yurkharovskoye and East-Tazovskoye), development of crude oil deposits of the East-Tarkosalinskoye and Yarudeyskoye fields, and exploratory drilling.

Hydrocarbon Production Volumes

	1Q 2020	1Q 2019
Total hydrocarbon production, million barrels of oil equivalent (million boe)	150.2	147.1
<i>Total production (million boe per day)</i>	1.65	1.63
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	19,079	18,660
Natural gas production by subsidiaries	9,774	10,099
Group's proportionate share in the natural gas production of joint ventures	9,305	8,561
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	3,048	2,987
Liquids production by subsidiaries	1,571	1,600
Group's proportionate share in the liquids production of joint ventures	1,477	1,387

Our total natural gas production including our proportionate share in the production of joint ventures increased by 2.2% as compared to the corresponding period in 2019. The main factors were the launch of the North-Russkoye field at the end of 2019 and an increase in hydrocarbon production from the Achimov horizons at the Arcticgas's Urengoyskoye field due to the expansion of the gas condensate treatment facility in the current period.

Our total liquids production including our proportionate share in the production of joint ventures increased by 2.0% compared to the corresponding period in 2019 due to an increase in the production at Arcticgas (see above), as well as the commissioning of new wells at the Beregovoye field.

Hydrocarbon Sales Volumes

	1Q 2020	1Q 2019
Natural gas (mmcm)	20,686	22,195
<i>including:</i>		
Sales in the Russian Federation	18,236	18,774
Sales on international markets	2,450	3,421
Liquids (mt)	4,003	3,976
<i>including:</i>		
Stable gas condensate refined products	1,696	1,797
Crude oil	1,164	1,127
Liquefied petroleum gas	724	677
Stable gas condensate	414	372
Other oil products	5	3

Our natural gas sales volumes totaled 20.7 billion cubic meters (bcm), representing a decrease of 6.8% as compared to the corresponding period in 2019. The decrease was mainly due to a decrease in LNG sales volumes purchased mainly from our joint venture OAO Yamal LNG, as a result of an increase in the share of Yamal LNG's direct LNG sales under long-term contracts and the respective decrease in LNG spot sales to shareholders, including the Group. Our natural gas volumes sold on the domestic market decreased by 0.5 bcm, or 2.9%, as a result of the lower demand from end-customers due to warmer winter weather conditions.

As at 31 March 2020, we recorded 0.3 bcm of natural gas in inventory balances compared to 0.8 bcm at 31 March 2019. Natural gas inventory balances fluctuate period on period and depend on the Group's demand for natural gas withdrawals for the sale in subsequent periods.

Our liquid hydrocarbons sales volumes totaled 4.0 million tons, representing a marginal increase of 0.7% as compared to the corresponding period in 2019. As at 31 March 2020, we recorded 824 thousand tons (mt) of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 1,007 mt at 31 March 2019. Our liquid hydrocarbon inventory balances tend to fluctuate period on period and are usually realized as sales in the following reporting period.

Selected Items of Consolidated Statement of Financial Position
(in millions of Russian roubles)

	31 March 2020	31 December 2019
ASSETS		
Non-current assets	1,495,616	1,516,371
Property, plant and equipment	595,933	556,798
Investments in joint ventures	438,699	585,340
Long-term loans and receivables	319,549	231,898
Current assets	548,658	496,496
Total assets	2,044,274	2,012,867
LIABILITIES AND EQUITY		
Non-current liabilities	223,253	228,678
Long-term debt	133,944	139,852
Current liabilities	197,197	117,113
Total liabilities	420,450	345,791
Equity attributable to		
PAO NOVATEK shareholders	1,605,501	1,647,509
Non-controlling interest	18,323	19,567
Total equity	1,623,824	1,667,076
Total liabilities and equity	2,044,274	2,012,867

The full set of consolidated interim condensed IFRS financial statements, the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations are available on the Company's web site (www.novatek.ru).

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PAO NOVATEK is the largest independent natural gas producer in Russia, and in 2017, entered the global LNG market by successfully launching the Yamal LNG project. Founded in 1994, the Company is engaged in the exploration, production, processing and marketing of natural gas and liquid hydrocarbons. Upstream activities of the Company's subsidiaries and joint ventures are concentrated mainly in the prolific Yamal-Nenets Autonomous Region, which is the world's largest natural gas producing area and accounts for approximately 80% of Russia's natural gas production and approximately 15% of the world's gas production. NOVATEK is a public joint stock company established under the laws of the Russian Federation. The Company's shares are listed in Russia on Moscow Exchange (MOEX) and the London Stock Exchange (LSE) under the ticker symbol «NVTK».