



FOR IMMEDIATE RELEASE

## NOVATEK Announces Consolidated IFRS Results for the Third Quarter and the Nine Months 2020

*Moscow, 28 October 2020.* PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three and nine months ended 30 September 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

### IFRS Financial Highlights (in millions of Russian roubles except as stated)

3Q 2020	3Q 2019		9M 2020	9M 2019
161,211	187,258	Oil and gas sales	484,447	634,231
2,560	1,904	Other revenues	7,825	7,550
<b>163,771</b>	<b>189,162</b>	<b>Total revenues</b>	<b>492,272</b>	<b>641,781</b>
<b>(125,570)</b>	<b>(140,604)</b>	<b>Operating expenses</b>	<b>(388,344)</b>	<b>(473,251)</b>
-	366,390	Net gain on disposal of interests in subsidiaries and joint ventures	-	674,968
352	173	Other operating income (loss)	(46,961)	(988)
<b>38,553</b>	<b>48,731</b>	<b>Normalized profit from operations*</b>	<b>104,790</b>	<b>167,542</b>
<b>51,260</b>	<b>56,415</b>	<b>Normalized EBITDA of subsidiaries*</b>	<b>134,298</b>	<b>191,332</b>
<b>93,883</b>	<b>104,519</b>	<b>Normalized EBITDA including share in EBITDA of joint ventures*</b>	<b>265,821</b>	<b>338,296</b>
88,487	5,740	Finance income (expense)	179,037	(558)
(86,804)	18,714	Share of profit (loss) of joint ventures, net of income tax	(160,028)	112,969
40,236	439,575	Profit before income tax	75,976	954,921
<b>13,172</b>	<b>369,959</b>	<b>Profit attributable to shareholders of PAO NOVATEK</b>	<b>24,056</b>	<b>820,930</b>
<b>35,720</b>	<b>48,539</b>	<b>Normalized profit attributable to shareholders of PAO NOVATEK*, excluding the effect of foreign exchange gains (losses)</b>	<b>110,487</b>	<b>178,565</b>
11.89	16.12	Normalized basic and diluted earnings per share*, excluding the effect of foreign exchange gains (losses) (in Russian roubles)	36.77	59.29
39,821	36,519	Cash used for capital expenditures	142,304	110,198

\* 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*

The spread of the COVID-19 virus in 2020 and the mandated shutdowns by many governments have caused financial and economic stress to the global markets. 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.

Global economic activity had begun a gradual recovery during the second quarter following the partial removals of restrictions aimed at preventing the epidemic spread, as well as a partial recovery in benchmark crude oil prices following the new OPEC+ production agreement reached and the compliance to the target cuts. This recovery has continued throughout the third quarter. Nevertheless, hydrocarbon benchmark prices remain much lower than their pre-crisis levels. In addition, the ongoing volatility in hydrocarbon commodity benchmark prices significantly influences the dynamics of the Russian rouble relative to foreign currencies. As a result, in each quarter 2020, we recognized substantial foreign exchange effects on foreign currency denominated loans by the Group's subsidiaries and joint ventures.

These exogenous events are outside of the Group's management control, and their scale and duration are difficult to assess. 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 will take appropriate actions if deemed necessary.

## *Revenues and EBITDA*

In the third quarter 2020, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, amounted to RR 163.8 billion and RR 93.9 billion, respectively, representing decreases of 13.4% and 10.2% as compared to the prior year corresponding period. In the nine months ended 30 September 2020, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, amounted to RR 492.3 billion and RR 265.8 billion, respectively, representing decreases of 23.3% and 21.4%, as compared to the corresponding period in 2019.

The decreases in total revenues and Normalized EBITDA were largely due to a decline in global benchmark prices for hydrocarbons. Our revenues also decreased due to a reduction 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 corresponding decrease in our spot LNG volumes purchased from Yamal LNG.

### *Profit attributable to shareholders of PAO NOVATEK*

Profit attributable to shareholders of PAO NOVATEK amounted to RR 13.2 billion (RR 4.39 per share) in the third quarter 2020 and to RR 24.1 billion (RR 8.01 per share) in the nine months 2020 as compared to RR 370.0 billion and RR 820.9 billion, respectively, in the corresponding periods in 2019.

The Group's financial results in 2020 were significantly impacted by a weak macroeconomic environment noted above that resulted in a decrease in our hydrocarbon sales prices and a recognition of substantial foreign exchange effects. Moreover, in both years, we recorded the effects from the disposal of interests in the Arctic LNG 2 project by recognizing a gain in the aggregate amount of RR 675.0 billion from the disposal of a 10% and a 30% participation interests in the Arctic LNG 2 project in March and July 2019, and recognizing a loss of RR 47.8 billion in the first half 2020 related to the subsequent non-cash revaluation of contingent consideration on the sale of the 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 totaled RR 35.7 billion (RR 11.89 per share) in the third quarter 2020 and RR 110.5 billion (RR 36.77 per share) in the nine months 2020, representing decreases of 26.4% and 38.1%, respectively, as compared to the corresponding periods in 2019.

### *Cash used for capital expenditures*

Our cash used for capital expenditures amounted to RR 39.8 billion in the third quarter 2020 and to RR 142.3 billion in the nine months 2020 as compared to RR 36.5 billion and RR 110.2 billion, respectively, in the prior year corresponding periods. A significant portion of our capital expenditures was attributable to the ongoing development of our LNG projects (the Arctic LNG 2 project prior to March 2019, the LNG construction center located in the Murmansk region and the Obskiy LNG project). In addition, we invested capital in the development and launch of the fields within the North-Russkiy cluster (the North-Russkoye, the East-Tazovskoye and the Dorogovskoye fields), the development of our producing fields (the Beregovoye, the Yurkharovskoye, the West-Yurkharovskoye and others), the development of crude oil deposits of the East-Tarkosalinskoye and Yarudeyskoye fields, and capital spent on exploratory drilling.

## Hydrocarbon Production

3Q 2020	3Q 2019		9M 2020	9M 2019
150.4	145.2	<b>Total hydrocarbon production (million boe)</b>	445.9	441.3
1.63	1.58	<i>Total production (million boe per day)</i>	1.63	1.62
<b>19,131</b>	<b>18,313</b>	<b>Natural gas production including proportionate share in the production of joint ventures (mmcm)</b>	<b>56,710</b>	<b>55,883</b>
10,167	9,679	Natural gas production by subsidiaries	29,508	29,713
8,964	8,634	Group's proportionate share in the natural gas production of joint ventures	27,202	26,170
<b>3,023</b>	<b>3,041</b>	<b>Liquids production including proportionate share in the production of joint ventures (mt)</b>	<b>8,992</b>	<b>9,063</b>
1,611	1,632	Liquids production by subsidiaries	4,665	4,839
1,412	1,409	Group's proportionate share in the liquids production of joint ventures	4,327	4,224

Our total natural gas production including our proportionate share in the production of joint ventures increased by 4.5% and 1.5% for the third quarter and the nine months 2020, respectively, compared to the corresponding periods in 2019. The main factors positively impacting our production growth were the launch of the fields within the North-Russkiy cluster at the end of 2019 and in the third quarter 2020 (the Cenomanian and Valanginian horizons of the North-Russkoye field, the East-Tazovskoye and Dorogovskoye fields), as well as an increase in hydrocarbon production from the Achimov horizons at Arcticgas's Urengoyevskoye field due to the expansion of the gas condensate treatment facility in January 2020.

Our total liquids production including our proportionate share in the production of joint ventures marginally decreased by 0.6% and 0.8% in the third quarter and the nine months 2020, respectively, compared to the corresponding periods in 2019. An increase in the production due to the expansion of the gas condensate treatment facility at Arcticgas and the commencement of gas condensate extraction at the North-Russkiy cluster (see above) mostly offset production declines at mature fields of our subsidiaries and joint ventures.

## Hydrocarbon Sales Volumes

3Q 2020	3Q 2019		9M 2020	9M 2019
<b>16,563</b>	<b>16,700</b>	<b>Natural gas (mmcm)</b>	<b>54,149</b>	<b>57,659</b>
		<i>including:</i>		
14,359	13,660	Sales in the Russian Federation	47,029	47,548
2,204	3,040	Sales on international markets	7,120	10,111
<b>3,771</b>	<b>4,000</b>	<b>Liquids (mt)</b>	<b>11,940</b>	<b>12,106</b>
		<i>including:</i>		
1,348	1,551	Stable gas condensate refined products	4,937	5,189
1,093	1,265	Crude oil	3,347	3,606
723	684	Liquefied petroleum gas	2,135	2,035
603	489	Stable gas condensate	1,508	1,257
4	11	Other petroleum products	13	19

In the third quarter and the nine months 2020, our natural gas sales volumes totaled 16.6 billion and 54.1 billion cubic meters (bcm), representing decreases of 0.8% and 6.1%, respectively, as compared to the corresponding periods in 2019. The declines were mainly due to a decrease in LNG sales volumes purchased 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 corresponding decrease in LNG spot sales to shareholders, including the Group.

Our natural gas volumes sold on the domestic market increased in the third quarter 2020 compared to the prior year corresponding period due to the launch of additional production facilities. Our sales volumes for the nine months 2020 changed marginally as a result of the lower natural gas demand from end-customers in the first half 2020 primarily due to warmer weather conditions.

As at 30 September 2020, we recorded 1.5 bcm of natural gas in inventory balances compared to 1.8 bcm at 30 September 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.

In the third quarter and the nine months 2020, our liquid hydrocarbons sales volumes totaled 3.8 million and 11.9 million tons (mt), representing decreases of 5.7% and 1.4%, respectively, as compared to the corresponding periods in 2019. The decreases were primarily due to changes in stable gas condensate refined products inventory balances. As at 30 September 2020, we recorded 945 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 938 mt at 30 September 2019. Our liquid hydrocarbon inventory balances tend to fluctuate period on period and are usually realized in the following reporting period.

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

	30 September 2020	31 December 2019
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,623,463</b>	<b>1,516,371</b>
Property, plant and equipment	677,463	556,798
Investments in joint ventures	433,981	585,340
Long-term loans and receivables	382,126	231,898
<b>Current assets</b>	<b>394,020</b>	<b>496,496</b>
<b>Total assets</b>	<b>2,017,483</b>	<b>2,012,867</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Non-current liabilities</b>	<b>235,865</b>	<b>228,678</b>
Long-term debt	144,845	139,852
<b>Current liabilities</b>	<b>193,347</b>	<b>117,113</b>
<b>Total liabilities</b>	<b>429,212</b>	<b>345,791</b>
<b>Equity attributable to</b>		
PAO NOVATEK shareholders	1,570,063	1,647,509
<b>Non-controlling interest</b>	<b>18,208</b>	<b>19,567</b>
<b>Total equity</b>	<b>1,588,271</b>	<b>1,667,076</b>
<b>Total liabilities and equity</b>	<b>2,017,483</b>	<b>2,012,867</b>

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](http://www.novatek.ru)).

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**For further information, please visit [www.novatek.ru](http://www.novatek.ru) or contact:**

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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».