



FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the Year Ended 31 December 2019

Moscow, 19 February 2020. PAO NOVATEK today released its audited consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

	FY 2019	FY 2018
Oil and gas sales	852,232	825,761
Other revenues	10,571	5,997
Total revenues	862,803	831,758
Operating expenses	(640,463)	(603,912)
Net gain on disposal of interests in subsidiaries and joint ventures	682,733	1,645
Other operating income (loss)	(35,484)	(2,307)
Normalized profit from operations*	221,398	225,539
Normalized EBITDA of subsidiaries*	253,552	259,370
Normalized EBITDA including share in EBITDA of joint ventures*	461,157	415,296
Finance income (expense)	(15,712)	38,608
Share of profit (loss) of joint ventures, net of income tax	149,238	(37,258)
Profit before income tax	1,003,115	228,534
Profit attributable to shareholders of PAO NOVATEK	865,477	163,742
Normalized profit attributable to shareholders of PAO NOVATEK*, excluding the effect of foreign exchange gains (losses)	245,002	232,930
Normalized basic and diluted earnings per share*, excluding the effect of foreign exchange gains (losses) (in Russian roubles)	81.35	77.29
Cash used for capital expenditures	162,502	94,038

* 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).

Revenues and EBITDA

In 2019, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, increased to RR 862.8 billion and RR 461.2 billion, or by 3.7% and 11.0%, respectively, as compared to 2018.

The increases in total revenues and Normalized EBITDA were largely due to an increase in our natural gas sales volumes primarily resulted from the production launch at the second and third LNG trains at Yamal LNG in July and November 2018, respectively, and an increase in our domestic average natural gas sales price. The impact of these factors was offset by a decrease in hydrocarbons sales prices on international markets in 2019.

Profit attributable to shareholders of PAO NOVATEK

Profit attributable to shareholders of PAO NOVATEK increased to RR 865.5 billion (RR 287.39 per share), or 5.3 times, as compared to 2018. The Group's profit in 2019 was significantly affected by the sale of a 40% participation interest in Arctic LNG 2 project and the reorganization of our joint venture Arcticgas. In addition, in both reporting periods, the Group's subsidiaries and joint ventures recognised substantial non-cash foreign exchange effects on foreign currency denominated loans and cash balances.

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 increased to RR 245.0 billion (RR 81.35 per share), or by 5.2%, as compared to 2018.

Cash used for capital expenditures

Our cash used for capital expenditures increased by RR 68.5 billion, or 72.8%, to RR 162.5 billion in 2019 as compared to RR 94.0 billion in 2018. A significant portion of our capital expenditures related to the development of our LNG projects (Arctic LNG 2 prior to March 2019, the LNG construction center located in the Murmansk region and the Obskiy LNG project), the North-Russkoye field, the Beregovoye field, crude oil deposits of the East-Tarkosalinskoye and the Yarudeyskoye fields, and exploratory drilling.

Hydrocarbon Production and Purchased Volumes

	FY 2019	FY 2018
Total hydrocarbon production, million barrels of oil equivalent (million boe)	589.9	549.1
<i>Total production (million boe per day)</i>	1.62	1.50
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	74,700	68,806
Natural gas production by subsidiaries	39,389	41,860
Natural gas purchases from joint ventures	31,296	24,892
Other purchases of natural gas	8,544	8,119
Total natural gas production by subsidiaries and purchases (mmcm)	79,229	74,871
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	12,148	11,800
Liquids production by subsidiaries	6,480	6,546
Liquids purchases from joint ventures	9,566	9,368
Other purchases of liquids	242	226
Total liquids production by subsidiaries and purchases (mt)	16,288	16,140

In 2019, our total natural gas and liquids production including our proportionate share in the production of joint ventures increased by 8.6% and 2.9%, respectively, as compared to 2018. The main factors positively affecting the production increase were the launch of LNG production at the second and third LNG trains at Yamal LNG in July and November 2018, respectively, and the commencement of crude oil commercial production at the Yaro-Yakhinskoye field of our joint venture Arcticgas in December 2018.

Hydrocarbon Sales Volumes

	FY 2019	FY 2018
Natural gas (mmcm)	78,452	72,134
<i>including:</i>		
Sales in the Russian Federation	65,653	66,073
Sales on international markets	12,799	6,061
Liquids (mt)	16,355	15,822
<i>including:</i>		
Stable gas condensate refined products	6,981	6,683
Crude oil	4,834	4,542
Liquefied petroleum gas	2,777	2,676
Stable gas condensate	1,739	1,908
Other oil products	24	13

In 2019, our natural gas sales volumes totaled 78.5 billion cubic meters (bcm), representing an increase of 8.8% as compared to 2018, due to an increase in LNG sales volumes purchased mainly from our joint ventures OAO Yamal LNG and OOO Cryogas-Vysotsk. As at 31 December 2019, we recorded 1.2 bcm of natural gas in inventory balances compared to 2.2 bcm at 31 December 2018 relating mainly to natural gas in the Underground Gas Storage Facilities. Natural gas inventory balances depend on the Group's demand for natural gas withdrawals for the sale in the subsequent periods.

In 2019, our liquid hydrocarbons sales volumes totaled 16.4 million tons, representing an increase of 3.4%, as compared to 2018. The increase was mainly due to crude oil purchases from our joint venture Arcticgas resulting from the commencement of crude oil production at the Yaro-Yakhinskoye field in December 2018. As at 31 December 2019, we recorded 801 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 1,069 mt at 31 December 2018. 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)

	31 December 2019	31 December 2018
ASSETS		
Non-current assets	1,516,371	923,050
Property, plant and equipment	556,798	408,201
Investments in joint ventures	585,340	244,500
Long-term loans and receivables	231,898	232,922
Current assets	496,496	293,320
Total assets	2,012,867	1,216,370
LIABILITIES AND EQUITY		
Non-current liabilities	228,678	222,752
Long-term debt	139,852	170,043
Current liabilities	117,113	107,023
Total liabilities	345,791	329,775
Equity attributable to		
PAO NOVATEK shareholders	1,647,509	868,254
Non-controlling interest	19,567	18,341
Total equity	1,667,076	886,595
Total liabilities and equity	2,012,867	1,216,370

The full set of audited consolidated IFRS financial statements for the year ended 31 December 2019, 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).

For further information, please visit 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. The Company's upstream activities 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».