

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the Year Ended 31 December 2020

Moscow, 17 February 2021. PAO NOVATEK today released its audited consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights

(in millions of Russian roubles except as stated)

	FY 2020	FY 2019
Oil and gas sales	699,750	852,232
Other revenues	12,062	10,571
Total revenues	711,812	862,803
Operating expenses	(552,062)	(640,463)
Net gain on disposal of interests in subsidiaries and joint ventures	69	682,733
Other operating income (loss)	(46,807)	(35,484)
Normalized profit from operations*	160,766	221,398
Normalized EBITDA of subsidiaries*	201,947	253,552
Normalized EBITDA including share in EBITDA of joint ventures*	392,008	461,157
Finance income (expense)	160,565	(15,712)
Share of profit (loss) of joint ventures, net of income tax	(143,981)	149,238
Profit before income tax	129,596	1,003,115
Profit attributable to shareholders of PAO NOVATEK	67,832	865,477
Normalized profit attributable to shareholders of PAO NOVATEK*, excluding the effect of foreign exchange gains (losses)	169,020	245,002
Normalized basic and diluted earnings per share*, excluding the effect of foreign exchange gains (losses) (in Russian roubles)	56.26	81.35
Cash used for capital expenditures	204,577	162,502

* *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 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 began a gradual recovery during the second quarter following the partial removals of restrictions aimed at preventing the epidemic virus 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 economic and commodity price recovery continued throughout the second half of 2020 and was notable on our sequential quarter-on-quarter financial results. Nevertheless, crude oil benchmark prices are still 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 achieved strong operating results and implemented 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 takes appropriate actions if deemed necessary.

Revenues and EBITDA

In 2020, our total revenues and Normalized EBITDA, including our share in the EBITDA of joint ventures, amounted to RR 711.8 billion and RR 392.0 billion, respectively, representing decreases of 17.5% and 15.0%, as compared to 2019.

The decreases in total revenues and Normalized EBITDA were largely due to a decline in global commodity 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.

Profit attributable to shareholders of PAO NOVATEK

Our profit attributable to shareholders of PAO NOVATEK amounted to RR 67.8 billion (RR 22.58 per share) as compared to RR 865.5 billion in 2019.

The Group's financial results in 2020 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 years, we recorded effects from the disposal of interests in the Arctic LNG 2 project by recognizing a gain of RR 675.0 billion from the disposal of a 40% participation interest in the Arctic LNG 2 project in 2019, and recognizing in 2019 and 2020 losses in the amount of RR 34.5 billion and RR 47.8 billion, respectively, related to the subsequent non-cash revaluation of contingent consideration on these sales. In 2019, we also recognized a gain from the reorganization of our joint venture AO Arcticgas in the amount of RR 7.8 billion.

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 169.0 billion (RR 56.26 per share), representing a decrease of 31.0% as compared to 2019.

Cash used for capital expenditures

Our cash used for capital expenditures aggregated RR 204.6 billion as compared to RR 162.5 billion in 2019. 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

	FY 2020	FY 2019
Total hydrocarbon production (million boe)	608.2	589.9
<i>Total production (million boe per day)</i>	1.66	1.62
Natural gas production including proportionate share in the production of joint ventures (mmcm)	77,367	74,700
Natural gas production by subsidiaries	40,647	39,389
Group's proportionate share in the natural gas production of joint ventures	36,720	35,311
Liquids production including proportionate share in the production of joint ventures (mt)	12,237	12,148
Liquids production by subsidiaries	6,433	6,480
Group's proportionate share in the liquids production of joint ventures	5,804	5,668

Our total natural gas production including our proportionate share in the production of joint ventures increased by 3.6% as compared to 2019. The main factors positively impacting our production growth were the launch of 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 Urengoyskoye 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 increased by 0.7% compared to 2019 mainly due to an increase in the production at Arcticgas and the commencement of gas condensate extraction at the North-Russkiy cluster (see above), which completely offsets declines in production at mature fields of our subsidiaries and joint ventures, and allows to maintain full capacity utilization at our processing facilities in the long term.

Hydrocarbon Sales Volumes

	FY 2020	FY 2019
Natural gas (mmcm)	75,620	78,452
<i>including:</i>		
Sales in the Russian Federation	66,692	65,653
Sales on international markets	8,928	12,799
Liquids (mt)	16,387	16,355
<i>including:</i>		
Stable gas condensate refined products	6,773	6,981
Crude oil	4,468	4,834
Liquefied petroleum gas	2,959	2,777
Stable gas condensate	2,169	1,739
Other oil products	18	24

Our natural gas sales volumes totaled 75.6 billion cubic meters (bcm), representing a decrease of 3.6% as compared to 2019. The decline was 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 due to the launch of additional production facilities.

As at 31 December 2020, we recorded 0.8 bcm of natural gas in inventory balances compared to 1.2 bcm at 31 December 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 16.4 million tons, representing a marginal increase of 0.2% as compared to 2019. As at 31 December 2020 and 2019, our cumulative liquid hydrocarbons inventory balances, recognized as inventory in transit or in storage, did not change and amounted to 801 thousand tons (mt).

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

	31 December 2020	31 December 2019
ASSETS		
Non-current assets	1,696,244	1,516,371
Property, plant and equipment	729,407	556,798
Investments in joint ventures	450,632	585,340
Long-term loans and receivables	391,053	231,898
Current assets	362,934	496,496
Total assets	2,059,178	2,012,867
LIABILITIES AND EQUITY		
Non-current liabilities	260,755	228,678
Long-term debt	168,988	139,852
Current liabilities	159,996	117,113
Total liabilities	420,751	345,791
Equity attributable to		
PAO NOVATEK shareholders	1,619,964	1,647,509
Non-controlling interest	18,463	19,567
Total equity	1,638,427	1,667,076
Total liabilities and equity	2,059,178	2,012,867

The full set of audited consolidated IFRS financial statements for the year ended 31 December 2020, 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. 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».