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NOVATEK Announces Consolidated IFRS Results for the Second Quarter and the First Half 2021

Moscow, 28 July 2021. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three and six months ended 30 June 2021 prepared in accordance with International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights

(in millions of Russian roubles except as stated)

2Q 2021	2Q 2020		1H 2021	1H 2020
260,552	140,641	Oil and gas sales	501,301	323,236
3,900	3,298	Other revenues	7,734	5,265
264,452	143,939	Total revenues	509,035	328,501
(195,164)	(116,239)	Operating expenses	(373,983)	(262,774)
186	(14,077)	Other operating income (loss)	(436)	(47,313)
69,474	27,336	Normalized profit from operations*	134,616	66,237
83,247	37,655	Normalized EBITDA of subsidiaries*	159,872	83,038
163,230	71,270	Normalized EBITDA including share in EBITDA of joint ventures*	307,066	171,938
(14,648)	(50,903)	Finance income (expense)	(13,040)	90,550
58,364	72,007	Share of profit (loss) of joint ventures, net of income tax	73,211	(73,224)
113,190	34,727	Profit before income tax	194,787	35,740
99,287	41,564	Profit attributable to shareholders of PAO NOVATEK	164,439	10,884

88,958	21,220	Normalized profit attributable to shareholders of PAO NOVATEK*, excluding the effect of foreign exchange gains (losses)	164,731	74,767
29.63	7.07	Normalized basic and diluted earnings per share*, excluding the effect of foreign exchange gains (losses) (in Russian roubles)	54.86	24.87
47,381	61,340	Cash used for capital expenditures	88,827	102,483

* 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 global economic activity began a gradual improvement during the first half of 2021 from the negative influence of the COVID-19 virus, but questions remain on the sustainability of this recovery. Various countries have reported rising infection rates, the emergence of new virus strains (Delta and Lambda variants) and differing degrees of vaccination penetration. These have all led to stricter lockdown measures in some countries and growing uncertainties on the pace of global economic recovery.

Under these factors, the OPEC+ participants maintained restricted crude oil production targets that, together with the severe cold weather in Europe, Asia, and North America in the beginning of the year, has led to significant increases in benchmark hydrocarbons prices in the first quarter 2021. Starting from May 2021, OPEC+ began to gradually lift the restrictions on crude oil production targets due to the increased mobility of the population, signs of renewed economic activities and the recovery of crude oil demand in the major consumer countries. Nevertheless, benchmark hydrocarbons prices continued to increase in the second quarter 2021 and this increase has positively affected our sales prices in the reporting period.

Further developments surrounding the COVID-19 virus spread remain uncertain and are outside of the Group's management control, and the scale and duration of these developments are difficult to assess. Despite these uncertainties, the Group continues to demonstrate strong operating results and implement its 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 the second quarter 2021, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, amounted to RR 264.5 billion and RR 163.2 billion, respectively, representing increases of 83.7% and 129.0% as compared to the prior year period. In the six months ended 30 June 2021, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, amounted to RR 509.0 billion and

RR 307.1 billion, respectively, representing increases of 55.0% and 78.6%, as compared to the corresponding period in 2020.

The increases in total revenues and Normalized EBITDA were largely due to an increase in global commodity prices for hydrocarbons, as well as an increase in natural gas and gas condensate production from the launch of gas condensate deposits of the North-Russkiy cluster in the third quarter 2020.

Profit attributable to shareholders of PAO NOVATEK

Profit attributable to shareholders of PAO NOVATEK increased to RR 99.3 billion (RR 33.07 per share) in the second quarter 2021 and to RR 164.4 billion (RR 54.76 per share) in the six months 2021 as compared to RR 41.6 billion and RR 10.9 billion, respectively, in the corresponding periods in 2020.

Normalized profit attributable to shareholders of PAO NOVATEK (excluding the effects from foreign exchange differences and the disposal of interests in subsidiaries and joint ventures) totaled RR 89.0 billion (RR 29.63 per share) in the second quarter 2021 and RR 164.7 billion (RR 54.86 per share) in the six months 2021, representing increases of 4.2 and 2.2 times, respectively, as compared to the corresponding periods in 2020.

The main factors positively impacting the Group's Normalized profit in the second quarter and the first half 2021 were improved macroeconomic conditions, which resulted in an increase in our hydrocarbons sales prices, as well as an increase in natural gas and gas condensate production volumes.

Cash used for capital expenditures

Our cash used for capital expenditures amounted to RR 47.4 billion in the second quarter 2021 and to RR 88.8 billion in the six months 2021 as compared to RR 61.3 billion and RR 102.5 billion, respectively, in the prior year corresponding periods. A significant portion of our capital expenditures was attributable to the development of our LNG projects, the ongoing development and launch of the fields within the North-Russkiy cluster (the North-Russkoye, East-Tazovskoye, Dorogovskoye and Kharbeyskoye fields), the development of the Verhnetiuteyskiy and West-Seyakhinskiy license area, crude oil deposits of the East-Tarkosalinskoye and Yarudeyskoye fields, as well as capital spent on exploratory drilling.

Hydrocarbon Production

2Q 2021	2Q 2020		1H 2021	1H 2020
156.7	145.3	Total hydrocarbon production (million boe)	314.8	295.5
1.72	1.60	<i>Total production (million boe per day)</i>	1.74	1.62
19,951	18,500	Natural gas production including proportionate share in the production of joint ventures (mmcm)	40,106	37,579
10,797	9,567	Natural gas production by subsidiaries	21,608	19,341

9,154	8,933	Group's proportionate share in the natural gas production of joint ventures	18,498	18,238
3,111	2,921	Liquids production including proportionate share in the production of joint ventures (mt)	6,240	5,969
1,702	1,483	Liquids production by subsidiaries	3,400	3,054
1,409	1,438	Group's proportionate share in the liquids production of joint ventures	2,840	2,915

Our total natural gas and liquids production including our proportionate share in the production of joint ventures increased by 7.8% and 6.5% in the second quarter and by 6.7% and 4.5% in the six months 2021, respectively, mainly due to the commissioning of gas condensate deposits within the fields of the North-Russkiy cluster (the North-Russkoye and East-Tazovskoye) in the third quarter 2020. The increase in production from these new fields completely offset declines in production at mature fields of our subsidiaries and joint ventures in both reporting periods.

Hydrocarbon Sales Volumes

2Q 2021	2Q 2020		1H 2021	1H 2020
17,703	16,900	Natural gas (mmcm)	39,132	37,586
<i>including:</i>				
15,308	14,434	Sales in the Russian Federation	34,864	32,670
2,395	2,466	Sales on international markets	4,268	4,916
4,185	4,166	Liquids (mt)	8,213	8,169
<i>including:</i>				
1,912	1,893	Stable gas condensate refined products	3,525	3,589
1,018	1,090	Crude oil	2,038	2,254
860	688	Liquefied petroleum gas	1,703	1,412
391	491	Stable gas condensate	939	905
4	4	Other petroleum products	8	9

In the second quarter and the six months 2021, our natural gas sales volumes totaled 17.7 billion and 39.1 billion cubic meters (bcm), representing increases of 4.8% and 4.1%, respectively, as compared to the corresponding periods in 2020, mainly resulting from an increase in natural gas volumes sold on the domestic market due to the launch of additional production facilities, as well as higher demand from end-customers due to weather conditions. This positive effect was partially offset by a decline in natural gas volumes sold on the international markets due to a decrease in LNG sales volumes purchased primarily 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.

As at 30 June 2021, we recorded 775 mmcm of natural gas in inventory balances compared to 978 mmcm at 30 June 2020. 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 second quarter and the six months 2021, our liquid hydrocarbons sales volumes totaled 4.2 million and 8.2 million tons (mt), respectively, representing a marginal increase of 0.5% as compared to the corresponding periods in 2020. As at 30 June 2021, we recorded 829 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 659 mt at 30 June 2020. 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 June 2021	31 December 2020
ASSETS		
Non-current assets	1,712,007	1,696,244
Property, plant and equipment	791,486	729,407
Investments in joint ventures	459,293	450,632
Long-term loans and receivables	337,755	391,053
Current assets	450,032	362,934
Total assets	2,162,039	2,059,178
LIABILITIES AND EQUITY		
Non-current liabilities	243,336	260,755
Long-term debt	153,330	168,988
Current liabilities	183,929	159,996

Total liabilities	427,265	420,751
Equity attributable to PAO NOVATEK shareholders	1,717,488	1,619,964
Non-controlling interest	17,286	18,463
Total equity	1,734,774	1,638,427
Total liabilities and equity	2,162,039	2,059,178

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).

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".

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Press-secretary

+7 (495) 721-2207

press@novatek.ru

Mark Gyetvay

Deputy Chairman of the Management Board

Alexander Nazarov

Head of IR

+7 (495) 730-6013

ir@novatek.ru

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