

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the Third Quarter and the Nine Months 2019

Moscow, 30 October 2019. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three and nine months ended 30 September 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

3Q 2019	3Q 2018		9M 2019	9M 2018
187,258	217,934	Oil and gas sales	634,231	591,237
1,904	1,432	Other revenues	7,550	3,354
189,162	219,366	Total revenues	641,781	594,591
(140,604)	(156,903)	Operating expenses	(473,251)	(423,546)
366,390	-	Net gain on disposal of interests in subsidiaries and joint ventures	674,968	1,645
173	(485)	Other operating income (loss)	(988)	(1,004)
48,731	61,978	Normalized profit from operations*	167,542	170,041
56,415	70,744	Normalized EBITDA of subsidiaries*	191,332	196,123
104,519	118,091	Normalized EBITDA including share in EBITDA of joint ventures*	338,296	295,736
5,740	14,560	Finance income (expense)	(558)	27,342
18,714	(11,942)	Share of profit (loss) of joint ventures, net of income tax	112,969	(28,994)
439,575	64,596	Profit before income tax	954,921	170,034
369,959	45,900	Profit attributable to shareholders of PAO NOVATEK	820,930	121,062
48,539	65,522	Normalized profit attributable to shareholders of PAO NOVATEK**	178,566	166,721
16.12	21.75	Normalized basic and diluted earnings per share** (in Russian roubles)	59.29	55.31
36,519	24,783	Cash used for capital expenditures	110,198	56,547

* Excluding the effect from disposal of interests in subsidiaries and joint ventures.

** Excluding the effects from the disposal of interests in subsidiaries and joint ventures, as well as foreign exchange gains (losses).

Revenues and EBITDA

In the third quarter of 2019, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, amounted to RR 189.2 billion and RR 104.5 billion, respectively, representing decreases of 13.8% and 11.5% as compared to the prior year corresponding period. The decreases were primarily due to lower hydrocarbons sales prices on international markets in 2019, which were largely offset by an increase in our natural gas sales volumes due to the production launch at the second and third LNG trains at Yamal LNG in July and November 2018, respectively.

In the nine months ended 30 September 2019, our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, increased to RR 641.8 billion and RR 338.3 billion, respectively, or by 7.9% and 14.4%, as compared to the corresponding period in 2018. This was largely due to an increase in LNG sales volumes and our domestic average natural gas sales price, which 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 370.0 billion (RR 122.86 per share), or eight-fold, in the third quarter of 2019 and to RR 820.9 billion (RR 272.59 per share), or nearly seven-fold, in the nine months of 2019 as compared to the corresponding periods in 2018. Our profit was significantly impacted by the recognition of a net gain on disposal of a 10% and a 30% participation interests in Arctic LNG 2 project in March and July 2019, respectively, taken together amounting to RR 675.0 billion. In addition, our profit was impacted by the recognition of non-cash foreign exchange effects on foreign currency denominated loans of the Group and its joint ventures in both reporting periods.

Excluding the effect from the disposal of interests in subsidiaries and joint ventures, as well as foreign exchange differences, Normalized profit attributable to shareholders of PAO NOVATEK totalled RR 48.5 billion (RR 16.12 per share) in the third quarter of 2019 and RR 178.6 billion (RR 59.29 per share) in the nine months of 2019. This represented a decrease of 25.9% and an increase of 7.1%, respectively, as compared to the corresponding periods in 2018.

Cash used for capital expenditures

Our cash used for capital expenditures increased to RR 36.5 billion, or by 47.4%, in the third quarter of 2019 and to RR 110.2 billion, or by 94.9%, in the nine months of 2019 as compared to the prior year corresponding periods. A significant portion of our capital expenditures related to the development of our LNG projects (Arctic LNG 2 project prior to March 2019 and the LNG construction center located in the Murmansk region), 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

3Q 2019	3Q 2018		9M 2019	9M 2018
145.2	138.0	Total hydrocarbon production, million barrels of oil equivalent (million boe)	441.3	402.2
1.58	1.50	<i>Total production (million boe per day)</i>	1.62	1.47
18,313	17,386	Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	55,883	50,312
9,679	10,524	Natural gas production by subsidiaries	29,713	31,449
5,668	4,133	Natural gas purchases from joint ventures	22,498	16,140
2,137	2,439	Other purchases of natural gas	6,327	5,876
17,484	17,096	Total natural gas production by subsidiaries and purchases (mmcm)	58,538	53,465
3,041	2,911	Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	9,063	8,775
1,632	1,631	Liquids production by subsidiaries	4,839	4,909
2,434	2,333	Liquids purchases from joint ventures	7,113	6,955
70	65	Other purchases of liquids	177	165
4,136	4,029	Total liquids production by subsidiaries and purchases (mt)	12,129	12,029

Total natural gas production, including our proportionate share in the production of joint ventures, for the third quarter and the nine months of 2019 increased by 5.3% and 11.1%, respectively, and our total liquids production increased by 4.5% and 3.3%, respectively, as compared to the corresponding periods in 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

3Q 2019	3Q 2018		9M 2019	9M 2018
16,700	15,589	Natural gas (mmcm)	57,659	51,001
		<i>including:</i>		
13,660	13,766	Sales in the Russian Federation	47,548	47,567
3,040	1,823	Sales on international markets	10,111	3,434
4,000	3,934	Liquids (mt)	12,106	11,984
		<i>including:</i>		
1,551	1,552	Stable gas condensate refined products	5,189	5,146
1,265	1,134	Crude oil	3,606	3,405
684	679	Liquefied petroleum gas	2,035	1,986
489	566	Stable gas condensate	1,257	1,438
11	3	Other petroleum products	19	9

In the third quarter and the nine months of 2019, our natural gas sales volumes totaled 16.7 billion and 57.7 billion cubic meters (bcm), representing increases of 7.1% and 13.1%, respectively, as compared to the corresponding periods in 2018, due to an increase in LNG sales volumes purchased mainly from our joint ventures OAO Yamal LNG and OOO Cryogas-Vysotsk. As at 30 September 2019, we recorded 1.8 bcm of natural gas in inventory balances compared to 2.4 bcm at 30 September 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 the third quarter and the nine months of 2019, our liquid hydrocarbons sales volumes totaled 4.0 million and 12.1 million tons, representing increases of 1.7% and 1.0%, respectively, as compared to the corresponding periods in 2018. The increases were 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 30 September 2019, we recorded 938 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 850 mt at 30 September 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)

	30 September 2019	31 December 2018
ASSETS		
Non-current assets	1,493,735	923,050
Property, plant and equipment	488,254	408,201
Investments in joint ventures	563,535	244,500
Long-term loans and receivables	269,058	232,922
Current assets	502,368	293,320
Total assets	1,996,103	1,216,370
LIABILITIES AND EQUITY		
Non-current liabilities	232,083	222,752
Long-term debt	147,830	170,043
Current liabilities	147,481	107,023
Total liabilities	379,564	329,775
Equity attributable to		
PAO NOVATEK shareholders	1,598,467	868,254
Non-controlling interest	18,072	18,341
Total equity	1,616,539	886,595
Total liabilities and equity	1,996,103	1,216,370

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).

For further information, please visit www.novatek.ru or contact:

Press Service
+7 (495) 721 2207
press@novatek.ru

Investor Relations
+7 (495) 730 6013
IR@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».