

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the First Quarter 2018

Moscow, 25 April 2018. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three months ended 31 March 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights

(in millions of Russian roubles except as stated)

	1Q 2018	1Q 2017
Oil and gas sales	178,485	154,001
Other revenues	918	627
Total revenues	179,403	154,628
Operating expenses	(131,037)	(109,364)
Net gain on disposal of interests in joint ventures	1,645	-
Other operating income (loss)	102	274
Profit from operations*	48,468	45,538
Normalized EBITDA of subsidiaries*	56,421	53,815
Normalized EBITDA including share in EBITDA of joint ventures*	76,306	68,180
Finance income (expense)	5,402	(8,602)
Share of profit (loss) of joint ventures, net of income tax	1,163	43,626
Profit before income tax	56,678	80,562
Profit attributable to shareholders of PAO NOVATEK	43,121	71,018
Normalized profit attributable to shareholders of PAO NOVATEK **	46,910	44,345
Normalized basic and diluted earnings per share** (in Russian roubles)	15.56	14.70

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

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

In the first quarter of 2018, our total revenues amounted to RR 179.4 billion and Normalized EBITDA, including our share in EBITDA of joint ventures, totalled RR 76.3 billion, representing year-on-year increases of 16.0% and 11.9%, respectively. The increases in our total revenues and Normalized EBITDA were largely due to production launch at the first LNG train at Yamal LNG at the end of 2017 and an increase in average realized liquids and natural gas prices.

The Group's profits in both reporting periods were significantly impacted by the recognition of substantial non-cash foreign exchange effects on foreign currency denominated loans of the Group and its joint ventures. As a result, profit attributable to shareholders of PAO NOVATEK decreased to RR 43.1 billion (RR 14.30 per share), or by 39.3%, as compared to the corresponding period in 2017. Excluding the effect of foreign exchange differences, as well as the one-time effect from the disposal of interests in joint ventures, Normalized profit attributable to shareholders of PAO NOVATEK increased to RR 46.9 billion (RR 15.56 per share), or by 5.8%, as compared to the corresponding period in 2017.

Hydrocarbon Production and Purchased Volumes

	1Q 2018	1Q 2017
Total hydrocarbon production, million barrels of oil equivalent (million boe)	132.5	130.5
<i>Total production (million boe per day)</i>	1.47	1.45
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	16,508	16,150
Natural gas production by subsidiaries	10,363	11,259
Natural gas purchases from joint ventures	7,587	5,301
Other purchases of natural gas	1,729	1,860
Total natural gas production by subsidiaries and purchases (mmcm)	19,679	18,420
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	2,936	2,967
Liquids production by subsidiaries	1,628	1,713
Liquids purchases from joint ventures	2,300	2,343
Other purchases of liquids	44	37
Total liquids production by subsidiaries and purchases (mt)	3,972	4,093

Hydrocarbon Sales Volumes

	1Q 2018	1Q 2017
Natural gas (mmcm)	20,263	18,752
including:		
Sales in the Russian Federation	19,305	18,752
Sales on international markets	958	-
Liquids (mt)	3,777	4,113
including:		
Stable gas condensate refined products	1,566	1,837
Crude oil	1,123	1,072
Liquefied petroleum gas	649	677
Stable gas condensate	436	524
Other oil products	3	3

Our operational results for the first quarter of 2018 were significantly impacted by the production launch of the first LNG train at Yamal LNG at the end of 2017, as well as the acquisitions of new producing fields at the end of 2017 and in the first quarter of 2018 (the Beregovoye, the West-Yaroyakhinskoye and the Syskonsyninskoye fields). As a result, our total natural gas production increased by 2.2%, and our total liquids production declined marginally by 1.0%.

Our natural gas sales volumes totaled 20.3 billion cubic meters (bcm), representing an 8.1% increase as compared to the corresponding period in 2017, due to the commencement of sales of LNG purchased from our joint venture Yamal LNG to international markets from December 2017 and an increase in volumes sold in the Russian Federation. As at the end of the first quarter of 2018, our cumulative natural gas inventory balances mainly in the Underground Gas Storage Facilities, the Gas Transmission System and own pipeline infrastructure totaled 79 mmcm and decreased by 954 mmcm during the quarter as compared to a decrease by 704 mmcm in the corresponding period in 2017.

Our liquid hydrocarbon sales volumes aggregated 3.8 million tons, representing an 8.2% decrease as compared to the corresponding period in 2017. The decrease in our liquids sales volumes was mainly impacted by an increase in liquids inventories by 140 mt in the first quarter of 2018 compared to a decrease by 90 mt in the first quarter of 2017. As at 31 March 2018, we recorded 1,102 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 813 mt at 31 March 2017. 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 March 2018	31 December 2017
ASSETS		
Non-current assets	944,456	890,726
Property, plant and equipment	402,713	360,051
Investments in joint ventures	289,494	285,326
Long-term loans and receivables	217,179	211,901
Current assets	143,552	153,436
Total assets	1,088,008	1,044,162
LIABILITIES AND EQUITY		
Non-current liabilities	193,657	184,545
Long-term debt	142,018	141,448
Current liabilities	76,704	83,958
Total liabilities	270,361	268,503
Equity attributable to		
PAO NOVATEK shareholders	800,919	757,839
Non-controlling interest	16,728	17,820
Total equity	817,647	775,659
Total liabilities and equity	1,088,008	1,044,162

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 one of the largest independent natural gas producers in Russia. 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 16% 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».