

FOR IMMEDIATE RELEASE

## **NOVATEK Announces Consolidated IFRS Results for the Second Quarter and the First Half 2018**

**Moscow, 25 July 2018.** PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three and six months ended 30 June 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

<b>2Q 2018</b>	<b>2Q 2017</b>		<b>1H 2018</b>	<b>1H 2017</b>
194,818	128,030	Oil and gas sales	373,303	282,031
1,004	800	Other revenues	1,922	1,427
<b>195,822</b>	<b>128,830</b>	<b>Total revenues</b>	<b>375,225</b>	<b>283,458</b>
<b>(135,606)</b>	<b>(94,033)</b>	<b>Operating expenses</b>	<b>(266,643)</b>	<b>(203,397)</b>
-	-	Net gain on disposal of interests in joint ventures	1,645	-
(621)	351	Other operating income (loss)	(519)	625
<b>59,595</b>	<b>35,148</b>	<b>Profit from operations*</b>	<b>108,063</b>	<b>80,686</b>
<b>68,958</b>	<b>43,798</b>	<b>Normalized EBITDA of subsidiaries*</b>	<b>125,379</b>	<b>97,613</b>
<b>101,339</b>	<b>56,072</b>	<b>Normalized EBITDA including share in EBITDA of joint ventures*</b>	<b>177,645</b>	<b>124,252</b>
7,380	13,414	Finance income (expense)	12,782	4,812
(18,215)	(33,768)	Share of profit (loss) of joint ventures, net of income tax	(17,052)	9,858
48,760	14,794	Profit before income tax	105,438	95,356
<b>32,041</b>	<b>3,243</b>	<b>Profit attributable to shareholders of PAO NOVATEK</b>	<b>75,162</b>	<b>74,261</b>
<b>54,289</b>	<b>33,772</b>	<b>Normalized profit attributable to shareholders of PAO NOVATEK **</b>	<b>101,199</b>	<b>78,117</b>
18.01	11.20	Normalized basic and diluted earnings per share** (in Russian roubles)	33.57	25.89

\* 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 second quarter of 2018, our total revenues amounted to RR 195.8 billion and EBITDA, including our share in EBITDA of joint ventures, totaled RR 101.3 billion, representing increases of 52.0% and 80.7%, respectively, as compared to the corresponding period in 2017. Our total revenues and Normalized EBITDA, including our share in EBITDA of joint ventures, during the six months ended 30 June 2018 amounted to RR 375.2 billion and RR 177.6 billion, representing increases of 32.4% and 43.0%, respectively, as compared to the corresponding period in 2017. The increases in our total revenues and Normalized EBITDA were largely due to the production launch of the first LNG train at Yamal LNG at the end of 2017, as well as an increase in average realized liquids and natural gas prices.

In the second quarter and the first half of 2018, profit attributable to shareholders of PAO NOVATEK increased to RR 32.0 billion (RR 10.63 per share), or by approximately ten-fold, and to RR 75.2 billion (RR 24.93 per share), or by 1.2%, respectively, as compared to the corresponding periods in 2017. Our profit in the reporting periods was significantly impacted by the recognition of substantial non-cash foreign exchange effects on foreign currency denominated loans of the Group and its joint ventures. 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 totaled RR 54.3 billion (RR 18.01 per share) in the second quarter of 2018 and RR 101.2 billion (RR 33.57 per share) in the first half of 2018, representing increases of 60.8% and 29.5%, respectively, as compared to the corresponding periods in 2017.

#### **Hydrocarbon Production and Purchased Volumes**

<b>2Q 2018</b>		<b>2Q 2017</b>		<b>1H 2018</b>		<b>1H 2017</b>	
<b>131.8</b>	<b>127.5</b>	<b>Total hydrocarbon production, million barrels of oil equivalent (million boe)</b>		<b>264.3</b>	<b>258.0</b>		
1.45	1.40	<i>Total production (million boe per day)</i>		1.46	1.43		
<b>16,418</b>	<b>15,762</b>	<b>Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)</b>		<b>32,926</b>	<b>31,912</b>		
10,562	10,952	Natural gas production by subsidiaries		20,925	22,211		
4,420	2,356	Natural gas purchases from joint ventures		12,007	7,657		
1,708	1,936	Other purchases of natural gas		3,437	3,796		
<b>16,690</b>	<b>15,244</b>	<b>Total natural gas production by subsidiaries and purchases (mmcm)</b>		<b>36,369</b>	<b>33,664</b>		
<b>2,928</b>	<b>2,918</b>	<b>Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)</b>		<b>5,864</b>	<b>5,885</b>		
1,650	1,687	Liquids production by subsidiaries		3,278	3,400		
2,322	2,296	Liquids purchases from joint ventures		4,622	4,639		
56	41	Other purchases of liquids		100	78		
<b>4,028</b>	<b>4,024</b>	<b>Total liquids production by subsidiaries and purchases (mt)</b>		<b>8,000</b>	<b>8,117</b>		

### Hydrocarbon Sales Volumes

2Q 2018		2Q 2017		1H 2018	1H 2017
<b>15,149</b>		<b>14,380</b>		<b>Natural gas (mmcm)</b>	<b>35,412</b>
				including:	
14,496	14,380	Sales in the Russian Federation		33,801	33,132
653	-	Sales on international markets		1,611	-
<b>4,273</b>	<b>4,072</b>	<b>Liquids (mt)</b>		<b>8,050</b>	<b>8,185</b>
				including:	
2,028	1,763	Stable gas condensate refined products		3,594	3,600
1,148	1,211	Crude oil		2,271	2,283
658	645	Liquefied petroleum gas		1,307	1,322
436	450	Stable gas condensate		872	974
3	3	Other petroleum products		6	6

Our operational results for the second quarter and the first half 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 for the second quarter and the first half of 2018 increased by 4.2% and 3.2%, respectively, and our total liquids production changed insignificantly (increased by 0.3% and decreased 0.4%, respectively).

In the second quarter and the first half of 2018, our natural gas sales volumes totaled 15.1 billion and 35.4 billion cubic meters (bcm), representing increases of 5.3% and 6.9%, respectively, as compared to the corresponding periods 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 second 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 1.3 bcm as compared to 0.6 bcm at the end of the second quarter of 2017.

In the second quarter of 2018, our liquid hydrocarbons sales volumes amounted to 4.3 million tons, representing a 4.9% increase compared to the second quarter of 2017 mainly from the sale of stable gas condensate refined products in transit at the end of the first quarter of 2018. In the first half of 2018, our liquid hydrocarbon sales volumes totaled 8.1 million tons, representing a marginal decrease by 1.6% compared to the corresponding prior year period. As at 30 June 2018, we recorded 806 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 699 mt at 30 June 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)*

	30 June 2018	31 December 2017
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>954,363</b>	<b>890,726</b>
Property, plant and equipment	415,612	360,051
Investments in joint ventures	267,081	285,326
Long-term loans and receivables	235,237	211,901
<b>Current assets</b>	<b>157,416</b>	<b>153,436</b>
<b>Total assets</b>	<b>1,111,779</b>	<b>1,044,162</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Non-current liabilities</b>	<b>207,345</b>	<b>184,545</b>
Long-term debt	155,318	141,448
<b>Current liabilities</b>	<b>76,330</b>	<b>83,958</b>
<b>Total liabilities</b>	<b>283,675</b>	<b>268,503</b>
<b>Equity attributable to</b>		
PAO NOVATEK shareholders	808,299	757,839
Non-controlling interest	19,805	17,820
<b>Total equity</b>	<b>828,104</b>	<b>775,659</b>
<b>Total liabilities and equity</b>	<b>1,111,779</b>	<b>1,044,162</b>

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](http://www.novatek.ru)).

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**For further information, please visit [www.novatek.ru](http://www.novatek.ru) or contact:**

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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 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».