



FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the Third Quarter and the Nine Months 2018

Moscow, 24 October 2018. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three and nine months ended 30 September 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

3Q 2018	3Q 2017		9M 2018	9M 2017
217,934	129,970	Oil and gas sales	591,237	412,001
1,432	733	Other revenues	3,354	2,160
219,366	130,703	Total revenues	594,591	414,161
(156,903)	(94,385)	Operating expenses	(423,546)	(297,782)
-	-	Net gain on disposal of interests in joint ventures	1,645	-
(485)	(222)	Other operating income (loss)	(1,004)	403
61,978	36,096	Profit from operations*	170,041	116,782
70,744	45,094	Normalized EBITDA of subsidiaries*	196,123	142,707
118,091	59,270	Normalized EBITDA including share in EBITDA of joint ventures*	295,736	183,522
14,560	5,061	Finance income (expense)	27,342	9,873
(11,942)	6,875	Share of profit (loss) of joint ventures, net of income tax	(28,994)	16,733
64,596	48,032	Profit before income tax	170,034	143,388
45,900	37,737	Profit attributable to shareholders of PAO NOVATEK	121,062	111,998
65,522	34,905	Normalized profit attributable to shareholders of PAO NOVATEK **	166,721	113,022
21.75	11.57	Normalized basic and diluted earnings per share** (in Russian roubles)	55.31	37.47

* 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 third quarter of 2018, our total revenues amounted to RR 219.4 billion and Normalized EBITDA, including our share in EBITDA of joint ventures, totalled RR 118.1 billion, representing increases of 67.8% and 99.2%, 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 nine months ended 30 September 2018 amounted to RR 594.6 billion and RR 295.7 billion, representing increases of 43.6% and 61.1%, respectively, as compared to the prior year reporting period. The increases in our total revenues and Normalized EBITDA were largely due to the production launches of the first and the second LNG trains at Yamal LNG at the end of 2017 and in July 2018, respectively, as well as a favourable macro-economic environment with increases in average realized liquids and natural gas prices.

In the third quarter and the nine months of 2018, profit attributable to shareholders of PAO NOVATEK increased to RR 45.9 billion (RR 15.23 per share), or by 21.6%, and to RR 121.1 billion (RR 40.17 per share), or by 8.1%, 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 65.5 billion (RR 21.75 per share) in the third quarter of 2018 and RR 166.7 billion (RR 55.31 per share) in the nine months of 2018, representing increases of 87.7% and 47.5%, respectively, as compared to the corresponding periods in 2017.

Hydrocarbon Production and Purchased Volumes

3Q 2018	3Q 2017		9M 2018	9M 2017
138.0	125.3	Total hydrocarbon production, million barrels of oil equivalent (million boe)	402.2	383.3
1.50	1.36	<i>Total production (million boe per day)</i>	1.47	1.40
17,386	15,434	Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	50,312	47,346
10,524	10,495	Natural gas production by subsidiaries	31,449	32,706
4,133	2,165	Natural gas purchases from joint ventures	16,140	9,822
2,439	2,407	Other purchases of natural gas	5,876	6,203
17,096	15,067	Total natural gas production by subsidiaries and purchases (mmcm)	53,465	48,731
2,911	2,921	Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	8,775	8,806
1,631	1,683	Liquids production by subsidiaries	4,909	5,083
2,220	2,312	Liquids purchases from joint ventures	6,842	6,951
178	53	Other purchases of liquids	278	131
4,029	4,048	Total liquids production by subsidiaries and purchases (mt)	12,029	12,165

Hydrocarbon Sales Volumes

3Q 2018	3Q 2017		9M 2018	9M 2017
15,589	13,888	Natural gas (mmcm)	51,001	47,020
		including:		
13,766	13,888	Sales in the Russian Federation	47,567	47,020
1,823	-	Sales on international markets	3,434	-
3,934	3,720	Liquids (mt)	11,984	11,905
		including:		
1,552	1,477	Stable gas condensate refined products	5,146	5,077
1,134	1,108	Crude oil	3,405	3,391
679	656	Liquefied petroleum gas	1,986	1,978
566	475	Stable gas condensate	1,438	1,449
3	4	Other petroleum products	9	10

Our operational results for the third quarter and the nine months of 2018 were significantly impacted by the production launches of the first and the second LNG trains at Yamal LNG at the end of 2017 and in July 2018, respectively, 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 third quarter and the nine months of 2018 increased by 12.6% and 6.3%, respectively, and our total liquids production decreased marginally by 0.3% and 0.4%, respectively.

In the third quarter and the nine months of 2018, our natural gas sales volumes totaled 15.6 billion and 51.0 billion cubic meters (bcm), representing increases of 12.2% and 8.5%, respectively, as compared to the corresponding periods in 2017. The increases were primarily due to sales of LNG purchased from our joint venture Yamal LNG to international markets. As at the end of the third quarter of 2018, we recorded 2.4 bcm of natural gas in inventory balances relating mainly to natural gas in the Underground Gas Storage Facilities and LNG in transit, compared to 1.4 bcm at the end of the third quarter of 2017.

In the third quarter and the nine months of 2018, our liquid hydrocarbons sales volumes amounted to 3.9 million and 12.0 million tons, representing increases of 5.8% and 0.7%, respectively, as compared to the corresponding periods in 2017, mainly due to changes in inventory balances. As at 30 September 2018, we recorded 850 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 969 mt at 30 September 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 September 2018	31 December 2017
ASSETS		
Non-current assets	933,138	890,726
Property, plant and equipment	384,551	360,051
Investments in joint ventures	253,949	285,326
Long-term loans and receivables	254,640	211,901
Current assets	265,860	153,436
Total assets	1,198,998	1,044,162
LIABILITIES AND EQUITY		
Non-current liabilities	214,870	184,545
Long-term debt	162,496	141,448
Current liabilities	139,949	83,958
Total liabilities	354,819	268,503
Equity attributable to		
PAO NOVATEK shareholders	824,380	757,839
Non-controlling interest	19,799	17,820
Total equity	844,179	775,659
Total liabilities and equity	1,198,998	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, and in 2017, entered the global gas 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».