

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the First Quarter 2019

Moscow, 25 April 2019. PAO NOVATEK today released its consolidated interim condensed financial statements as of and for the three months ended 31 March 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

	1Q 2019	1Q 2018
Oil and gas sales	231,184	178,485
Other revenues	2,922	918
Total revenues	234,106	179,403
Operating expenses	(175,140)	(131,037)
Net gain on disposal of interests in subsidiaries and joint ventures	308,578	1,645
Other operating income (loss)	(914)	102
Normalized profit from operations*	58,052	48,468
Normalized EBITDA of subsidiaries*	65,724	56,421
Normalized EBITDA including share in EBITDA of joint ventures*	117,942	76,306
Finance income (expense)	(6,021)	5,402
Share of profit (loss) of joint ventures, net of income tax	70,973	1,163
Profit before income tax	431,582	56,678
Profit attributable to shareholders of PAO NOVATEK	381,796	43,121
Normalized profit attributable to shareholders of PAO NOVATEK**	65,730	46,910
Normalized basic and diluted earnings per share** (in Russian roubles)	21.82	15.56
Cash used for capital expenditures	42,476	9,712

* 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 first quarter of 2019, our total revenues amounted to RR 234.1 billion and Normalized EBITDA, including our share in EBITDA of joint ventures, totalled RR 117.9 billion, representing quarter-on-quarter increases of 30.5% and 54.6%, respectively.

The increases in total revenues and Normalized EBITDA were largely due to the production launch at the second and third LNG trains at Yamal LNG in the second half of 2018, as well as increases in our sales volumes and net realized prices in Russian roubles terms for the majority of our liquids.

Profit attributable to shareholders of PAO NOVATEK

Profit attributable to shareholders of PAO NOVATEK increased to RR 381.8 billion (RR 126.74 per share), or 8.9 times, as compared to the corresponding period in 2018. The increase was primarily due to the recognition of a net gain on disposal of a 10% participation interest in the Arctic LNG 2 project in March 2019 in the amount of RR 308.6 billion, as well as 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 effects from the disposal of interests in subsidiaries and joint ventures and foreign exchange differences, Normalized profit attributable to shareholders of PAO NOVATEK increased to RR 65.7 billion (RR 21.82 per share), or by 40.1%, as compared to the corresponding period in 2018.

Cash used for capital expenditures

Our cash used for capital expenditures in the first quarter of 2019 increased by RR 32.8 billion, or 337.4%, to RR 42.5 billion compared to RR 9.7 billion in the corresponding period in 2018. In both reporting periods, a significant part of our capital expenditures related to the development of our LNG projects (Arctic LNG 2 and the center to build and fabricate large-scale marine facilities located in the Murmansk region) and the North-Russkoye field.

Hydrocarbon Production and Purchased Volumes

	1Q 2019	1Q 2018
Total hydrocarbon production, million barrels of oil equivalent (million boe)	147.1	132.5
<i>Total production (million boe per day)</i>	1.63	1.47
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	18,660	16,508
Natural gas production by subsidiaries	10,099	10,363
Natural gas purchases from joint ventures	8,921	7,587
Other purchases of natural gas	2,219	1,729
Total natural gas production by subsidiaries and purchases (mmcm)	21,239	19,679
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	2,987	2,936
Liquids production by subsidiaries	1,600	1,628
Liquids purchases from joint ventures	2,313	2,300
Other purchases of liquids	56	44
Total liquids production by subsidiaries and purchases (mt)	3,969	3,972

Our total natural gas and liquids production including our proportionate share in the production of joint ventures increased by 13.0% and 1.7%, respectively. The main factor positively impacting the production increase was the launch of LNG production at the second and third LNG trains at Yamal LNG in the second half of 2018.

Hydrocarbon Sales Volumes

	1Q 2019	1Q 2018
Natural gas (mmcm)	22,195	20,263
<i>including:</i>		
Sales in the Russian Federation	18,774	19,305
Sales on international markets	3,421	958
Liquids (mt)	3,976	3,777
<i>including:</i>		
Stable gas condensate refined products	1,797	1,566
Crude oil	1,127	1,123
Liquefied petroleum gas	677	649
Stable gas condensate	372	436
Other oil products	3	3

In the first quarter of 2019, our natural gas sales volumes totaled 22.2 billion cubic meters (bcm), representing a 9.5% increase as compared to the corresponding period in 2018, due to an increase in LNG sales volumes purchased primarily from our joint venture Yamal LNG and sold on international markets. As at 31 March 2019, we recorded 0.8 bcm of natural gas in inventory balances relating mainly to natural gas in the Underground Gas Storage Facilities, compared to 0.1 bcm at 31 March 2018. Natural gas inventory balances tend to fluctuate period-to-period depending on the Group's demand for natural gas withdrawal from the UGSF for the sale in the subsequent periods.

In the first quarter of 2019, our liquid hydrocarbons sales volumes aggregated 4.0 million tons, representing a 5.3% increase as compared to the corresponding period in 2018. The increase was primarily due to a decrease in our liquid hydrocarbons inventory balance by 62 thousand tons (mt) in the first quarter of 2019 compared to an increase by 140 mt in the first quarter of 2018. As at 31 March 2019, we recorded 1,007 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 1,102 mt at 31 March 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)

	31 March 2019	31 December 2018
ASSETS		
Non-current assets	1,236,923	923,050
Property, plant and equipment	423,545	408,201
Investments in joint ventures	464,987	244,500
Long-term loans and receivables	279,244	232,922
Current assets	380,791	293,320
Total assets	1,617,714	1,216,370
LIABILITIES AND EQUITY		
Non-current liabilities	230,900	222,752
Long-term debt	158,363	170,043
Current liabilities	120,268	107,023
Total liabilities	351,168	329,775
Equity attributable to		
PAO NOVATEK shareholders	1,247,614	868,254
Non-controlling interest	18,932	18,341
Total equity	1,266,546	886,595
Total liabilities and equity	1,617,714	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).

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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».