

FOR IMMEDIATE RELEASE

NOVATEK Announces Consolidated IFRS Results for the Year Ended 31 December 2018

Moscow, 20 February 2019. PAO NOVATEK today released its audited consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights

(in millions of Russian roubles except as stated)

	FY 2018	FY 2017
Oil and gas sales	825,761	579,819
Other revenues	5,997	3,367
Total revenues	831,758	583,186
Operating expenses	(603,912)	(419,859)
Net gain on disposal of interests in joint ventures	1,645	-
Other operating income (loss)	(2,307)	424
Normalized profit from operations*	225,539	163,751
Normalized EBITDA of subsidiaries*	259,370	198,335
Normalized EBITDA including share in EBITDA of joint ventures*	415,296	256,464
Finance income (expense)	38,608	14,658
Share of profit (loss) of joint ventures, net of income tax	(37,258)	22,430
Profit before income tax	228,534	200,839
Profit attributable to shareholders of PAO NOVATEK	163,742	156,387
Normalized profit attributable to shareholders of PAO NOVATEK **	232,930	156,166
Normalized basic and diluted earnings per share** (in Russian roubles)	77.29	51.78

* *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 2018, our total revenues amounted to RR 831.8 billion and Normalized EBITDA, including our share in EBITDA of joint ventures, totaled RR 415.3 billion, representing year-on-year increases of 42.6% and 61.9%, respectively. The increases in total revenues and Normalized EBITDA were largely due to production launch at the first three LNG trains at Yamal LNG and a favourable macro-economic environment with increases in average realized liquids and natural gas prices.

Profit attributable to shareholders of PAO NOVATEK increased to RR 163.7 billion (RR 54.33 per share), or by 4.7%, as compared to 2017. In 2018, our profit 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 (the effect of foreign exchange differences in 2017 was less significant). 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 232.9 billion (RR 77.29 per share), or by 49.2%, as compared to 2017.

Hydrocarbon Production and Purchased Volumes

	FY 2018	FY 2017
Total hydrocarbon production, million barrels of oil equivalent (million boe)	549.1	513.3
<i>Total production (million boe per day)</i>	1.50	1.41
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	68,806	63,399
Natural gas production by subsidiaries	41,860	43,113
Natural gas purchases from joint ventures	24,892	15,297
Other purchases of natural gas	8,119	8,300
Total natural gas production by subsidiaries and purchases (mmcm)	74,871	66,710
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	11,800	11,774
Liquids production by subsidiaries	6,546	6,759
Liquids purchases from joint ventures	9,368	9,315
Other purchases of liquids	226	173
Total liquids production by subsidiaries and purchases (mt)	16,140	16,247

Hydrocarbon Sales Volumes

	FY 2018	FY 2017
Natural gas (mmcm)	72,134	65,004
including:		
Sales in the Russian Federation	66,073	64,898
Sales on international markets	6,061	106
Liquids (mt)	15,822	15,939
including:		
Stable gas condensate refined products	6,683	6,743
Crude oil	4,542	4,616
Liquefied petroleum gas	2,676	2,648
Stable gas condensate	1,908	1,918
Other oil products	13	14

Our operational results for 2018 were significantly impacted by the production launch at the first three LNG trains at Yamal LNG, 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 8.5%, and our total liquids production changed marginally (increased by 0.2%).

In 2018, our natural gas sales volumes totaled 72.1 billion cubic meters (bcm), representing an 11.0% increase as compared to 2017, due to sales of LNG purchased primarily from our joint venture Yamal LNG to international markets and an increase in volumes sold in the Russian Federation. As at 31 December 2018, we recorded 2.2 bcm of natural gas in inventory balances relating mainly to natural gas in the Underground Gas Storage Facilities, compared to 1.0 bcm at 31 December 2017. 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 2018, our liquid hydrocarbons sales volumes aggregated 15.8 million tons, representing a marginal decrease by 0.7% as compared to 2017. As at 31 December 2018, we recorded 1,069 mt of liquid hydrocarbons in transit or storage and recognized as inventory as compared to 962 mt at 31 December 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 December 2018	31 December 2017
ASSETS		
Non-current assets	923,050	890,726
Property, plant and equipment	408,201	360,051
Investments in joint ventures	244,500	285,326
Long-term loans and receivables	232,922	211,901
Current assets	293,320	153,436
Total assets	1,216,370	1,044,162
LIABILITIES AND EQUITY		
Non-current liabilities	222,752	184,545
Long-term debt	170,043	141,448
Current liabilities	107,023	83,958
Total liabilities	329,775	268,503
Equity attributable to		
PAO NOVATEK shareholders	868,254	757,839
Non-controlling interest	18,341	17,820
Total equity	886,595	775,659
Total liabilities and equity	1,216,370	1,044,162

The full set of audited consolidated IFRS financial statements for the year ended 31 December 2018, 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:

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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".