



FOR IMMEDIATE RELEASE

**NOVATEK announces consolidated IFRS results
for the year ended 31 December 2016**

Moscow, 21 February 2017. PAO NOVATEK today released its audited consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the International Financial Reporting Standards (“IFRS”).

IFRS Financial Highlights
(in millions of Russian roubles)

	FY 2016	FY 2015
Oil and gas sales	533,857	472,007
Other revenues	3,615	3,318
Total revenues	537,472	475,325
Operating expenses	(385,499)	(335,042)
Net gain on disposal of interests in joint ventures	73,072	989
Other operating income (loss), net	221	(542)
Profit from operations*	152,194	139,741
Normalized EBITDA of subsidiaries*	188,781	160,523
Normalized EBITDA including share in EBITDA of joint ventures*	242,407	214,189
Finance expense	(7,941)	(16,182)
Share of profit (loss) of joint ventures, net of income tax	90,839	(31,607)
Profit before income tax	308,164	92,941
Profit attributable to shareholders of PAO NOVATEK	257,795	74,396
Normalized profit** attributable to shareholders of PAO NOVATEK	133,759	132,509
Normalized earnings per share** (in Russian roubles)	44.31	43.87

* *Before disposals of interests in joint ventures.*

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

For the twelve months ended 31 December 2016, total revenues increased by 13.1% year-on-year to RR 537.5 billion. We also recorded an increase of 13.2% in the Company’s Normalized EBITDA, including our respective share in the EBITDA of joint ventures, which totaled RR 242.4 billion. The growth in our revenues and EBITDA was largely

driven by the increase in natural gas and liquids sales volumes as well as an increase in the proportion of liquids sold in our total sales mix.

Profit attributable to NOVATEK shareholders increased by more than three-fold to RR 257.8 billion (RR 85.41 per share), as compared to RR 74.4 billion (RR 24.63 per share) in 2015. The amount of profit and its dynamics were significantly impacted by the foreign exchange effect (including at the joint ventures level), as well as the effect of the disposals of interests in joint ventures.

Our free cash flow increased significantly to RR 139.4 billion, or by 69.4%, as a result of operating cash flow growth by 30.8% and a decrease in cash used for capital expenditures by 32.0% as compared to 2015.

Production and Purchased Volumes

	FY 2016	FY 2015
Total production, million barrels of oil equivalent	537.0	521.6
Natural gas production including proportionate share in the production of joint ventures, million cubic meters (mmcm)	66,103	67,905
Natural gas production by subsidiaries, mmcm	46,235	49,172
Natural gas purchases from joint ventures, mmcm	10,058	7,152
Other purchases of natural gas, mmcm	8,108	6,626
Total natural gas production by subsidiaries and purchases, mmcm	64,401	62,950
Liquids production including proportionate share in the production of joint ventures, thousand tons (mt)	12,441	9,094
Liquids production by subsidiaries, mt	7,194	4,198
Liquids purchases from joint ventures, mt	9,809	9,045
Other purchases of liquids, mt	124	94
Total liquids production by subsidiaries and purchases, mt	17,127	13,337

Total marketable production including the Company's share in production of joint ventures aggregated at 537.0 million barrels of oil equivalent, representing a 3.0% increase as compared with 2015. The production growth was due to the successful launches of NOVATEK's new producing capacities, including joint ventures, in 2015.

Hydrocarbon Sales Volumes

	FY 2016	FY 2015
Natural gas, mmcm	64,709	62,465
including sales to end-users, mmcm	59,646	58,054
Liquids, mt	16,850	12,888
including:		
Gas condensate refined products	6,662	6,693
Crude oil	4,650	1,090
Stable gas condensate	2,812	2,786
Liquefied petroleum gas	2,713	2,306
Other oil products	13	13

In 2016, natural gas sales volumes increased to 64.7 billion cubic meters (bcm), or by 3.6%, as compared with 2015, due to restoring sales to one of our major customers who did not take full contracted volumes in 2015 due to technical reasons, as well as sales of additional natural gas volumes to our end-customers and wholesale traders.

Our liquid hydrocarbon sales volumes totaled 16.9 million tons, representing a significant increase of 30.7% as compared with 2015. The significant increase was due to the high growth in liquids production due to the successful launches of the Yarudeyskoye crude oil field in December 2015 and the Yaro-Yakhinskoye and the Termokarstovoye gas condensate fields in the first half 2015. As at 31 December 2016, 903 thousand tons of liquid hydrocarbons were in transit or storage and recognized as inventory.

Selected Balance Sheet Items
(in millions of Russian roubles)

	31 December 2016	31 December 2015
ASSETS		
Non-current assets	831,074	751,552
Property, plant and equipment	331,795	331,712
Investments in joint ventures	259,650	154,725
Long-term loans and receivables	209,145	230,799
Total current assets	132,760	120,485
Assets held for sale	-	7,987
Total assets	963,834	880,024
LIABILITIES AND EQUITY		
Non-current liabilities	197,323	282,178
Long-term debt	161,296	252,050
Current liabilities	108,791	169,675
Total liabilities	306,114	451,853
Equity attributable to		
PAO NOVATEK shareholders	648,350	426,079
Non-controlling interest	9,370	2,092
Total equity	657,720	428,171
Total liabilities and equity	963,834	880,024

The full set of audited consolidated IFRS financial statements for the year ended 31 December 2016 and the related notes thereto as well as Management's Discussion and Analysis of Financial Condition and Results of Operations are available on the Company's website (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. 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 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».