



2015 Operational and Financial Results Conference Call



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Moscow, Russian Federation
26 February 2016

Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- changes in the balance of oil and gas supply and demand in Russia and Europe;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the face of restrictions on our access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- inherent uncertainties in interpreting geophysical data;
- commercial negotiations regarding oil and gas sales contracts;
- changes to project schedules and estimated completion dates;
- potentially lower production levels in the future than currently estimated by our management and/or independent petroleum reservoir engineers;
- our ability to service our existing indebtedness;
- our ability to fund our future operations and capital needs through borrowing or otherwise;
- our success in identifying and managing risks to our businesses;
- our ability to obtain necessary regulatory approvals for our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of, and changes in, the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, the Cabinet and the Prosecutor General and his office;
- the effects of international political events;
- the effects of technological changes;
- the effects of changes in accounting standards or practices; and
- inflation, interest rate and exchange rate fluctuations.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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Summary Highlights – 2015

- ❑ **Successfully replaced** 133% of 2015 total production⁽¹⁾
- ❑ **Organic reserve replacement rate** - 148%⁽¹⁾
- ❑ **Total proved SEC reserves increased** by 1.4% to 12.8 bln boe⁽¹⁾
- ❑ **Average reserve replacement cost** for 2011-2015 – \$2.2 per boe
- ❑ **Natural gas production** *(including our proportionate share in JVs)* **increased** by 9.3%
- ❑ **Liquids production** *(including our proportionate share in JVs)* **increased** by 50.7%
- ❑ **Lifting costs decreased** to \$0.49 per boe (2014 – \$0.65 per boe)
- ❑ **Purovsky Plant throughput increased** by 82.1%
- ❑ **Ust-Luga Complex throughput increased** by 42.9%

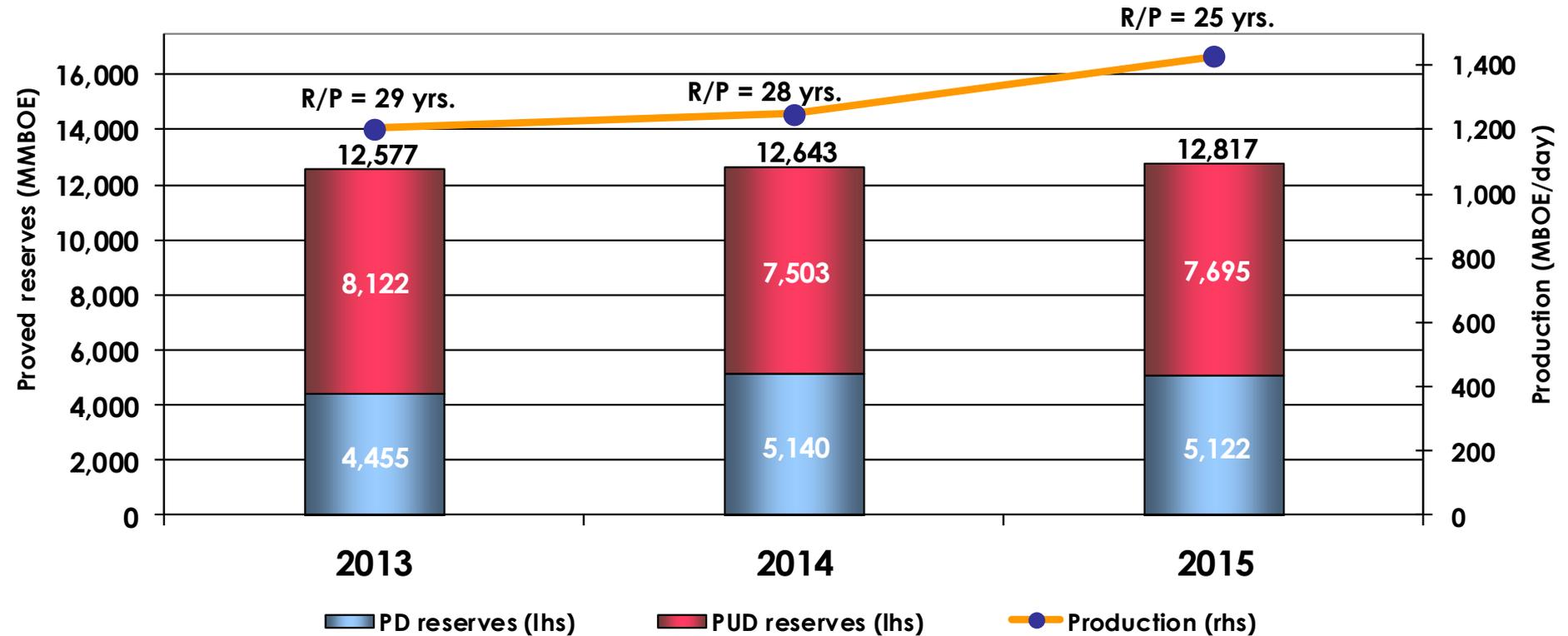
Note: Calculated based on SEC reserves attributable to all consolidated subsidiaries and joint ventures based on the Group's equity ownership interest in the respective fields

Summary Highlights – 2015

- ❑ **Increase in revenues** by 32.9% driven by a record increase in liquids sales volumes, growth in natural gas sales prices, as well as an increase in liquids net sales prices in rouble terms:
 - Liquids sales revenues increased by 99.5%
 - Natural gas sales revenues decreased by 3.6%
- ❑ **Normalized EBITDA** (including share in EBITDA of JVs) **increased** by 34.4% to RR 214.5 billion
- ❑ **Cash flow from operations increased** by 19.4% to RR 132.9 billion
- ❑ **Cash used for capital expenditures decreased** by 18.5% to RR 50.6 billion
- ❑ **Free cash flow increased** by 67.2% to RR 82.3 billion
- ❑ The **Russian rouble depreciated** by 29.5% against the US dollar in 2015 that resulted in significant non-cash foreign exchange loss on foreign currency denominated loans in the Groups' subsidiaries and joint ventures

Operational Overview

Proved Reserves Base at Year-End



**Our reserve replacement rate (RRR) for 2015 is 133%;
our organic RRR is 148% (excluding the effect of disposal of a 1.6% effective share in SeverEnergy)**

Note: NOVATEK production and reserves (reported under the SEC methodology) include 100% of reserves attributable to all consolidated subsidiaries (whether or not wholly owned), as well as the proportionate share in the reserves of our joint ventures for all periods, some fields do not have reserve appraisals

Net Hydrocarbon Production

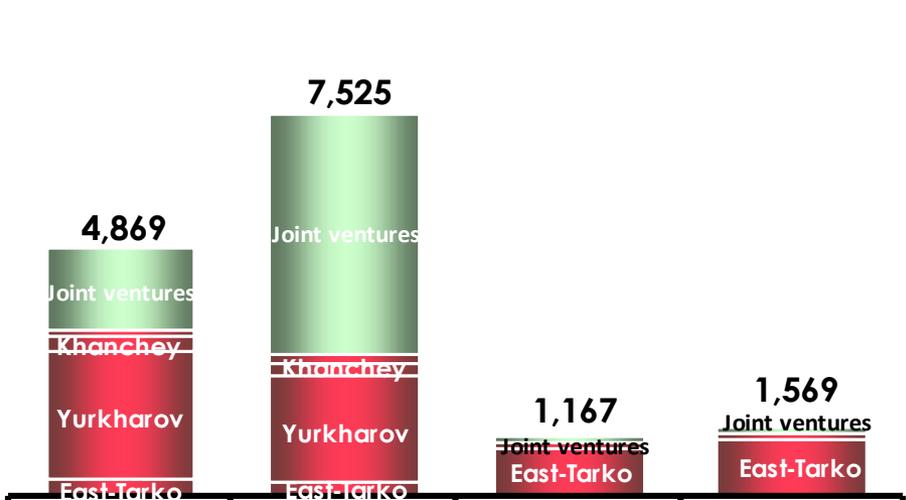
Natural Gas Production, mmcm



2014

2015

Liquids Production, mt



2014

2015

2014

2015

Gas condensate

Crude oil

Natural gas production increased Y-o-Y due to:

- Increase in JVs production due to the launch of additional production facilities at SeverEnergia
- The launch of the Termokarstovoye field in May 2015
- The launch of the North-Khanchey field at the end of 2014
- Increased production at Dobrovolskoye field (Olimpiyskiy license area) due to new wells drilled at the end of 2014

Liquids production increased Y-o-Y due to:

- Increase in our JVs production due to the launch of additional production facilities at SeverEnergia
- The launch of the Termokarstovoye field in May 2015
- Increase in crude oil production at our East-Tarko field resulting from new wells drilled and technological works performed
- The launch of the Yarudeyskoye field in December 2015

Purovsky Plant

- ❑ **Total volumes delivered: 12,021 mt**
 - Yurkharovskoye field: 2,113 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 518 mt
 - Other fields: 5,238 mt
 - Purchases from our joint ventures: 4,152 mt
- ❑ **Total output of marketable products: 11,903 mt**
 - Stable gas condensate: 9,664 mt
 - LPG : 2,228 mt
- ❑ **Capacity utilization in December 2015:** approximately 100%



Ust-Luga Complex

- ❑ **Total volumes delivered: 6,745 mt**
- ❑ **Total output of marketable gas condensate refined products: 6,593 mt**
 - Naphtha: 3,999 mt
 - Other products: 2,594 mt
- ❑ **6,693 mt of gas condensate refined products were sold**
 - to the Asia Pacific Region: 2,324 mt
 - to Europe: 3,702 mt
 - to North America: 504 mt
 - Other: 163 mt
- ❑ **Full capacity utilization since 1Q 15**



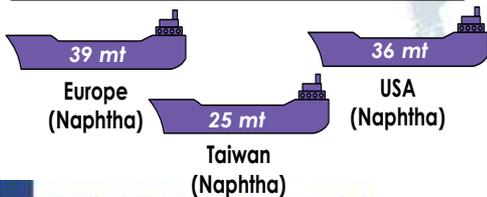
Liquids in Transit



Liquids sales

- Naphtha
- Jet fuel
- Gasoil and fuel oil
- LPG
- Crude oil
- Stable gas condensate

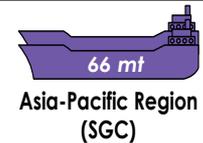
“Goods in transit”
31.12.2014
 ~ 100 thousand tons



“Goods in transit”
30.09.2015
 ~ 63 thousand tons

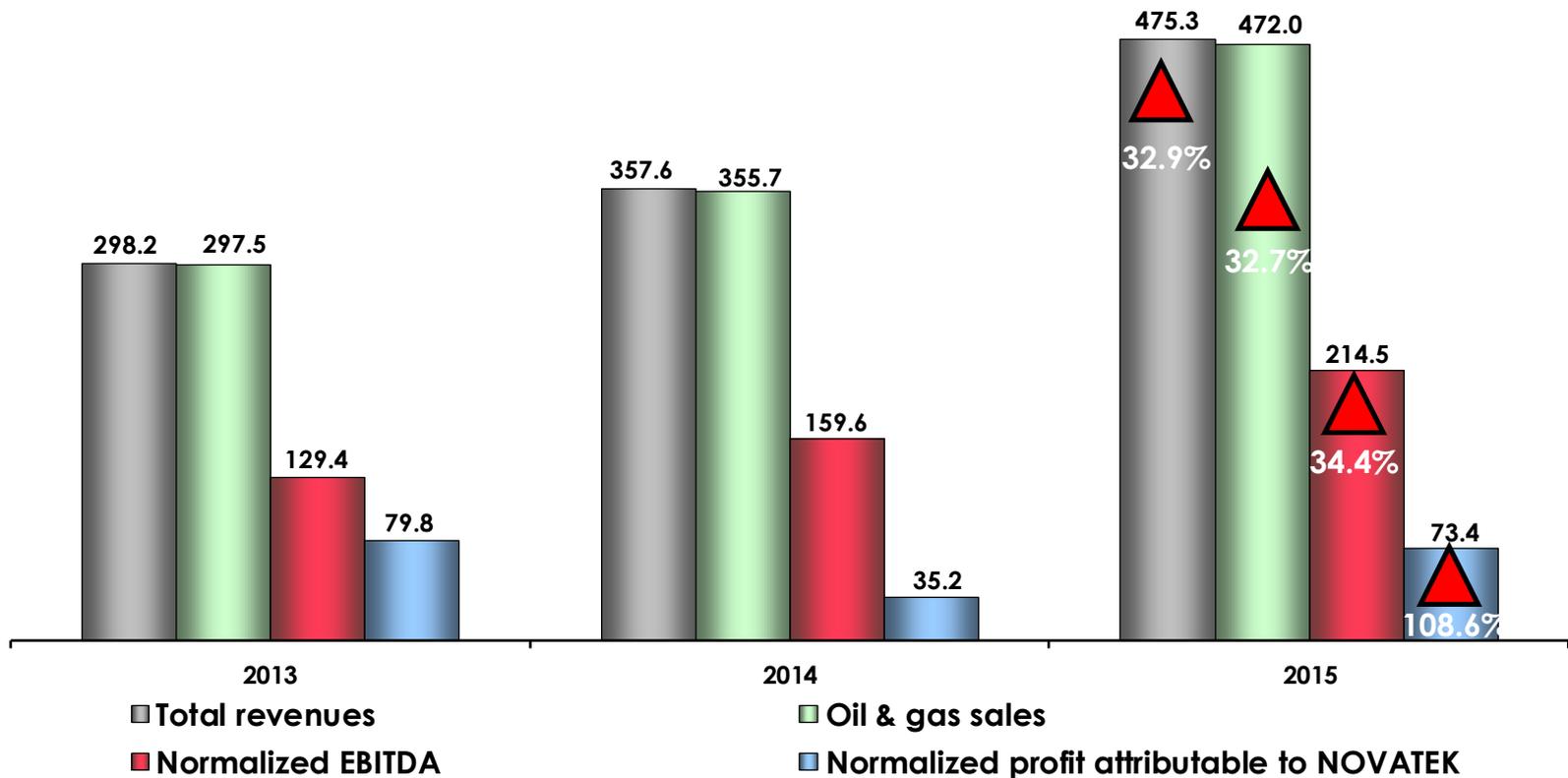


“Goods in transit”
31.12.2015
 ~ 66 thousand tons



Financial Overview – 2015 vs. 2014

Summary Financial Results (RR billion)



The amount of profit and its dynamics were significantly impacted by the foreign exchange effect and the change in fair value of non-commodity financial instruments (including at the joint ventures level), as well as the effect of disposal of interests in joint ventures

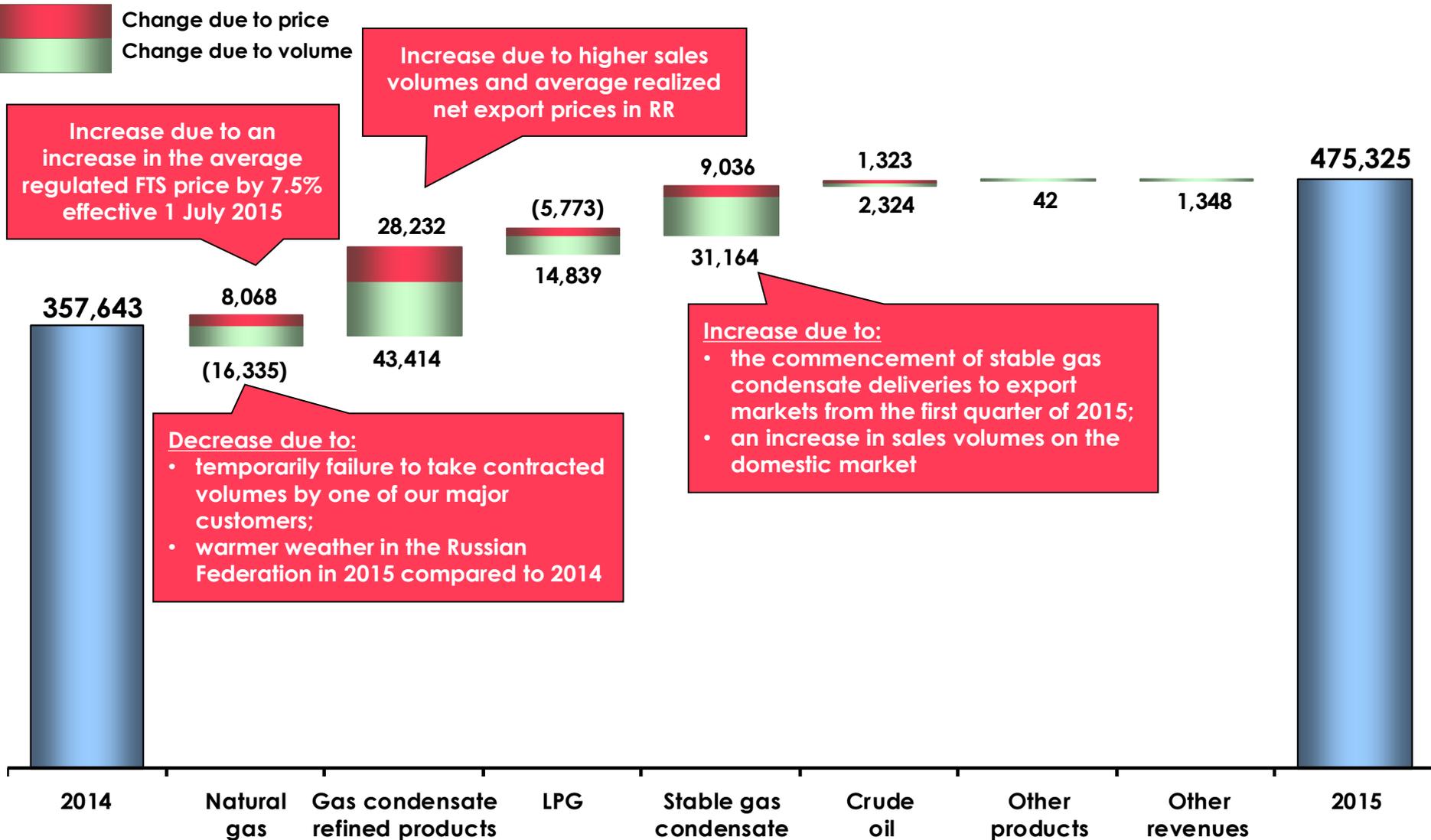
Another Record Year (RR million)

	2015	2014	+ / (-)	+ / (-)%
Oil and gas sales	472,007	355,673	116,334	32.7%
Total revenues	475,325	357,643	117,682	32.9%
Operating expenses	(335,042)	(236,512)	(98,530)	41.7%
EBITDA ⁽¹⁾	215,455	162,254	53,201	32.8%
Normalized EBITDA ⁽²⁾	214,466	159,631	54,835	34.4%
EBITDA margin	45.3%	45.4%		
Normalized EBITDA margin ⁽²⁾	45.1%	44.6%		
Effective income tax rate ⁽³⁾	20.3%	30.1%		
Profit attributable to NOVATEK	74,396	37,296	37,100	99.5%
Normalized profit attributable to NOVATEK ⁽²⁾	73,407	35,197	38,210	108.6%
Profit margin	15.7%	10.4%		
Normalized profit margin ⁽²⁾	15.4%	9.8%		
Earnings per share	24.63	12.34	12.29	99.6%
Normalized earnings per share ⁽²⁾	24.30	11.65	12.65	108.7%
Cash used for capital expenditures ⁽⁴⁾	50,584	62,040	(11,456)	-18.5%
Net debt ⁽⁵⁾	329,518	204,361	125,157	61.2%
Free cash flow ⁽⁶⁾	82,280	49,201	33,079	67.2%

Notes:

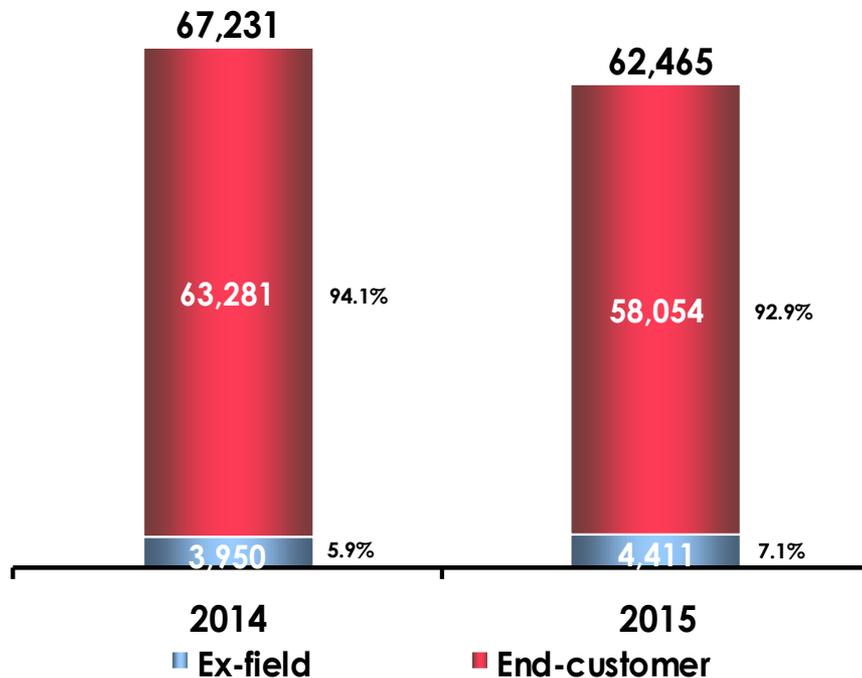
- EBITDA includes our proportionate share in the EBITDA of our joint ventures and represents profit (loss) attributable to shareholders adjusted for the add-back of depreciation, depletion and amortization, net impairment expenses (reversals), finance income (expense), income tax expense, as well as income (loss) from changes in fair value of derivative financial instruments
- Excluding the effect from the disposal of interests in joint ventures
- The effective income tax rate was impacted primarily by the effects of profit (loss) and dividends from joint ventures, as well as the classification of the 9.9% interest in Yamal LNG as held for sale in 2015
- Cash used for capital expenditures represents purchases of property, plant and equipment, materials for construction and capitalized interest paid per Consolidated Statement of Cash Flows net of payments for mineral licenses and acquisition of subsidiaries
- Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
- Free cash flow represents the difference between Net cash provided by operating activities and Cash used for capital expenditures

Total Revenues (RR million)

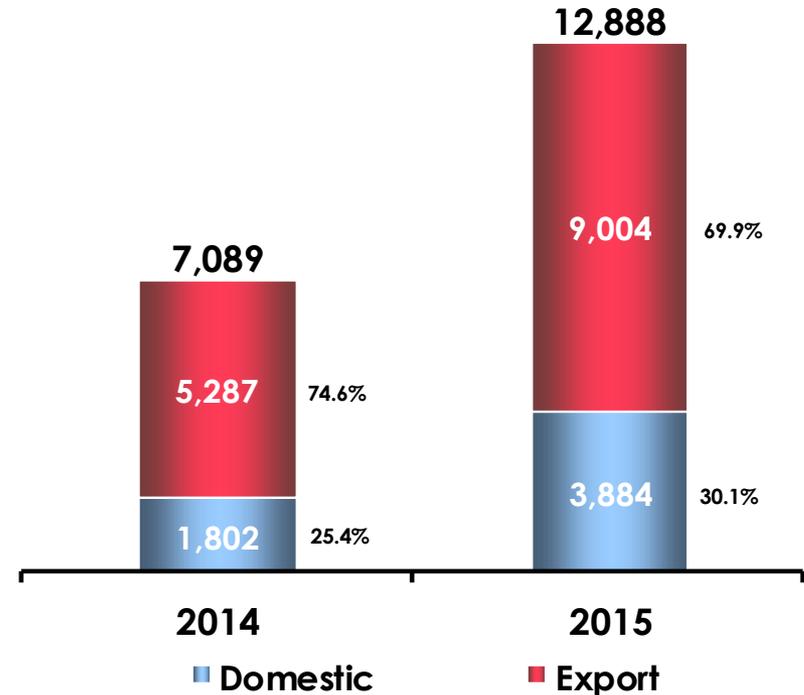


Market Distribution – Sales Volumes

Natural gas sales volumes, mmcm



Liquids sales volumes, mt



- Lower natural gas sales volumes were mainly a result of warmer weather conditions in 2015 compared to 2014, as well as one of our major customers not taking temporarily its full contracted volumes due to technical reasons
- The negative effect from the lower sales volumes was partially offset by the growth in regulated domestic tariffs by 7.5% effective from 1 July 2015

- Our liquids sales volumes record high increase was mainly due to an increase in unstable gas condensate production by our joint ventures and crude oil production by our subsidiaries
- Our export sales of liquids grew by 70% year-on-year to 9,004 mt

Total Revenues Breakdown

■ Natural gas

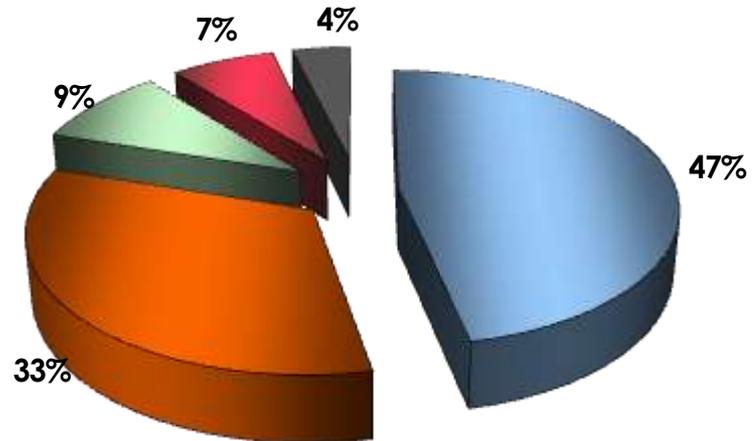
■ Gas condensate
refined products

■ Stable gas condensate

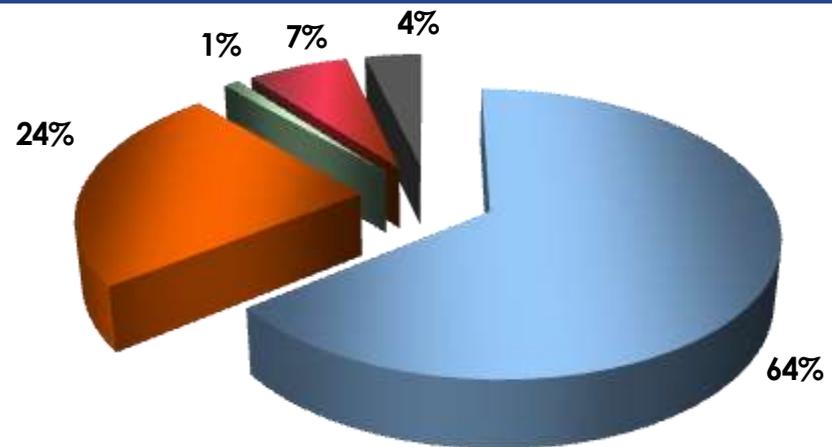
■ LPG

■ Other

2015



2014



Realized Hydrocarbon Prices (net of VAT and export duties)

	2015	2014	+ / (-)	+ / (-)%
<u>Domestic prices</u>				
Natural gas end-customers, RR/mcm	3,678	3,527	151	4.3%
Natural gas ex-field, RR/mcm	1,965	1,833	132	7.2%
Stable gas condensate, RR/ton	14,601	12,547	2,054	16.4%
Other gas condensate refined products, RR/ton	19,320	20,102	(782)	-3.9%
LPG, RR/ton	11,307	13,869	(2,562)	-18.5%
Crude oil, RR/ton	12,967	12,561	406	3.2%
<u>Export market</u>				
Stable gas condensate, RR/ton	16,842	-	n/a	n/a
Naphtha, RR/ton	23,203	18,767	4,436	23.6%
Other gas condensate refined products, RR/ton	24,064	20,692	3,372	16.3%
LPG, RR/ton	23,457	21,349	2,108	9.9%
Crude oil, RR/ton	14,922	12,183	2,739	22.5%

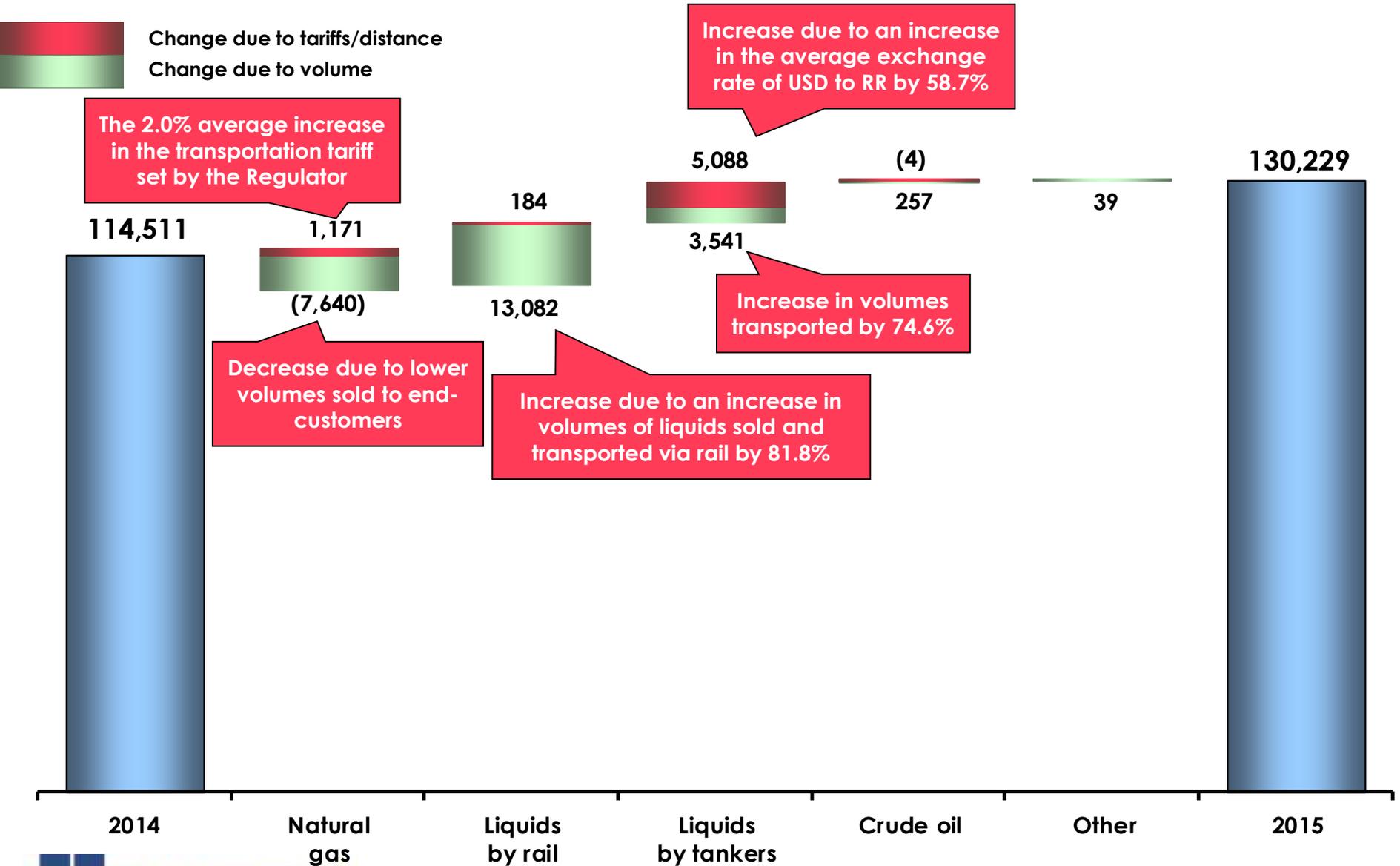
Note: Prices are shown excluding trading activities

Operating Expenses (RR million and % of Total Revenues (TR))

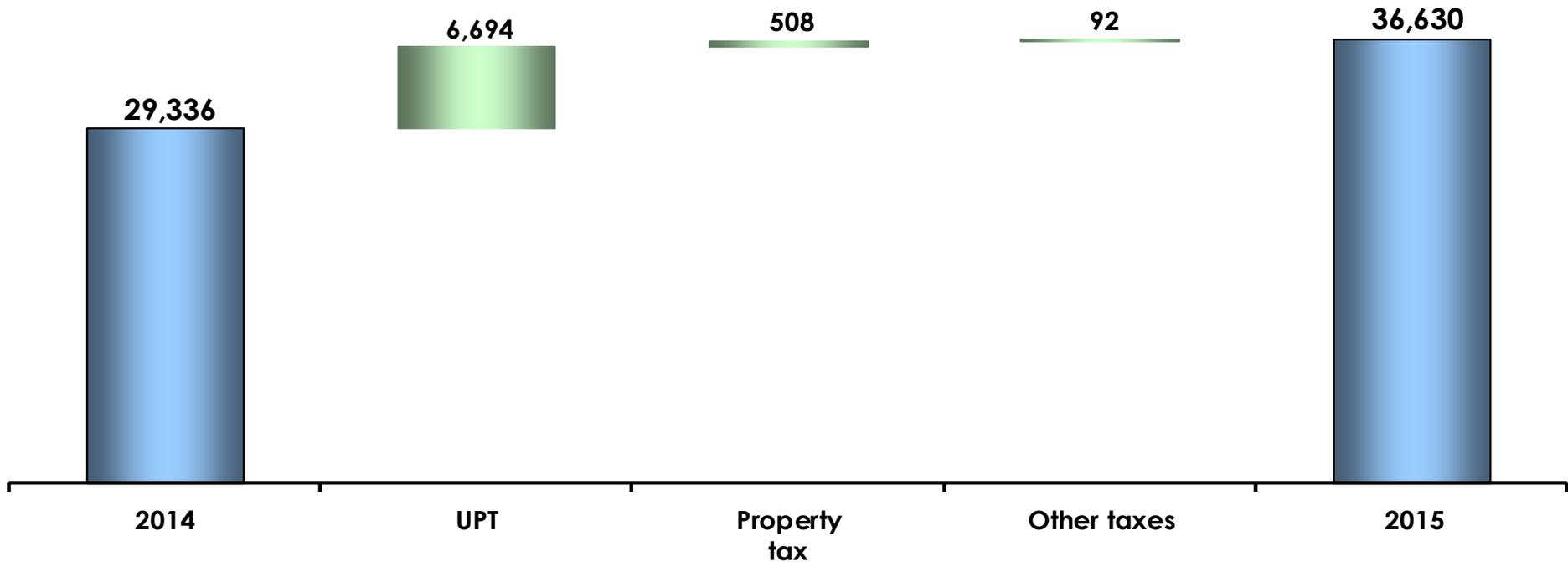
	2015	% of TR	2014	% of TR
Transportation expenses	130,229	27.4%	114,511	32.0%
Taxes other than income tax	36,630	7.7%	29,336	8.2%
Non-controllable expenses	166,859	35.1%	143,847	40.2%
Depreciation, depletion and amortization	19,980	4.2%	17,172	4.8%
General and administrative expenses	15,163	3.2%	11,831	3.3%
Materials, services & other	14,086	3.0%	11,442	3.2%
Exploration expenses	767	0.2%	112	0.0%
Net impairment expenses (reversals)	(204)	n/m	(229)	n/m
Change in natural gas, liquids and WIP	(2,113)	n/m	(259)	n/m
Subtotal operating expenses	214,538	45.1%	183,916	51.5%
Purchases of natural gas and liquid hydrocarbons	120,504	25.4%	52,596	14.7%
Total operating expenses	335,042	70.5%	236,512	66.1%

- ❑ Operating expenses increased by 41.7% primarily due to an increase in purchases of natural gas and liquid hydrocarbons from our joint ventures, transportation expenses and taxes other than income tax
- ❑ Our hydrocarbon purchases increased by 129.1% primarily due to an increase in purchases of unstable gas condensate from Arcticgas and Terneftegas
- ❑ Transportation expenses increased by 13.7% mainly due to increased liquid hydrocarbons volumes transported and to devaluation of rouble which impacted the shipping costs in rouble terms
- ❑ Taxes other than income tax increased primarily due to a significant increase in the MET rate for gas condensate: from 1 January 2015, as a part of the tax maneuver in the oil industry, the formula used for gas condensate UPT rate calculation applied from 1 July 2014 was adjusted by a coefficient that increased the rate by 4.4 times

Transportation Expenses (RR million)

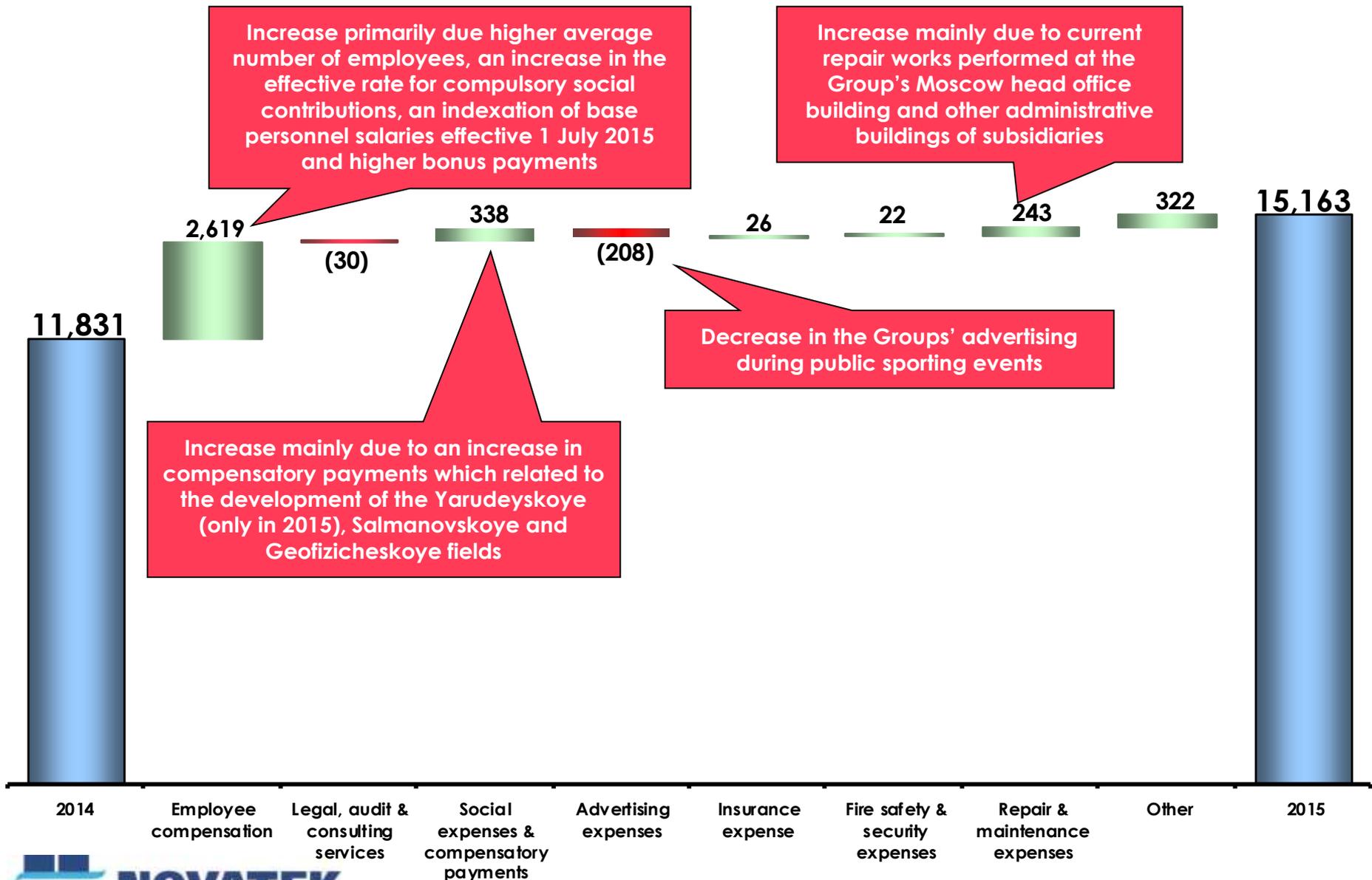


Taxes Other Than Income Tax Expense (RR million)

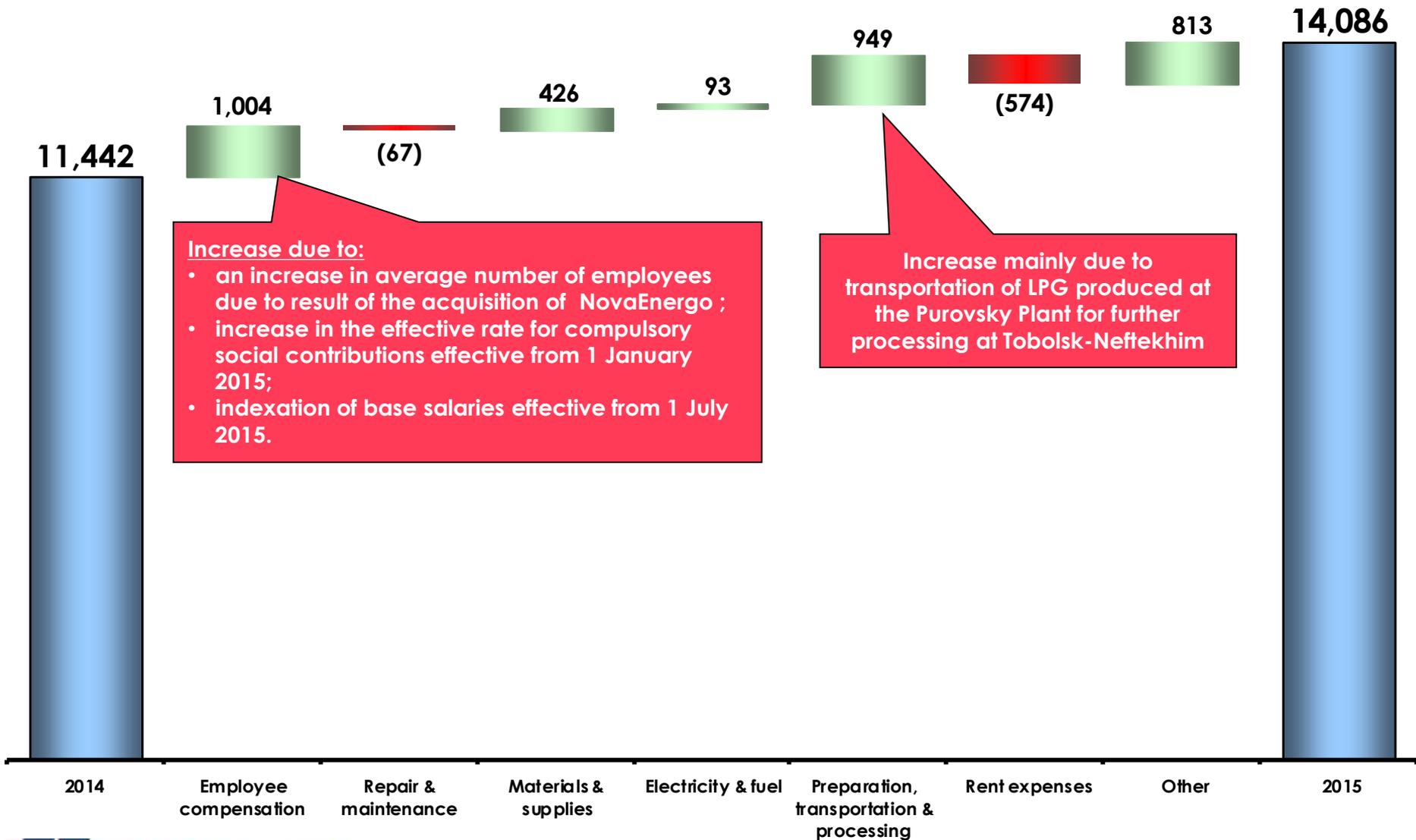


- ❑ Y-o-Y increase in UPT expense was primarily due to a significant increase in the UPT rate for gas condensate as a result of changes in the Tax Code of the Russian Federation
- ❑ From 1 January 2015, as a result of changes in the Tax code of the Russian Federation, production tax was levied on crude oil produced at our Yurkharov, East-Tarko and Khanchey fields as part of the tax maneuver in the oil industry. In 2014, we applied a zero UPT rate
- ❑ The increase in property tax expense was due to additions to property, plant and equipment at our production subsidiaries, as well as an insignificant additional tax charge for prior periods

General and Administrative Expenses (RR million)



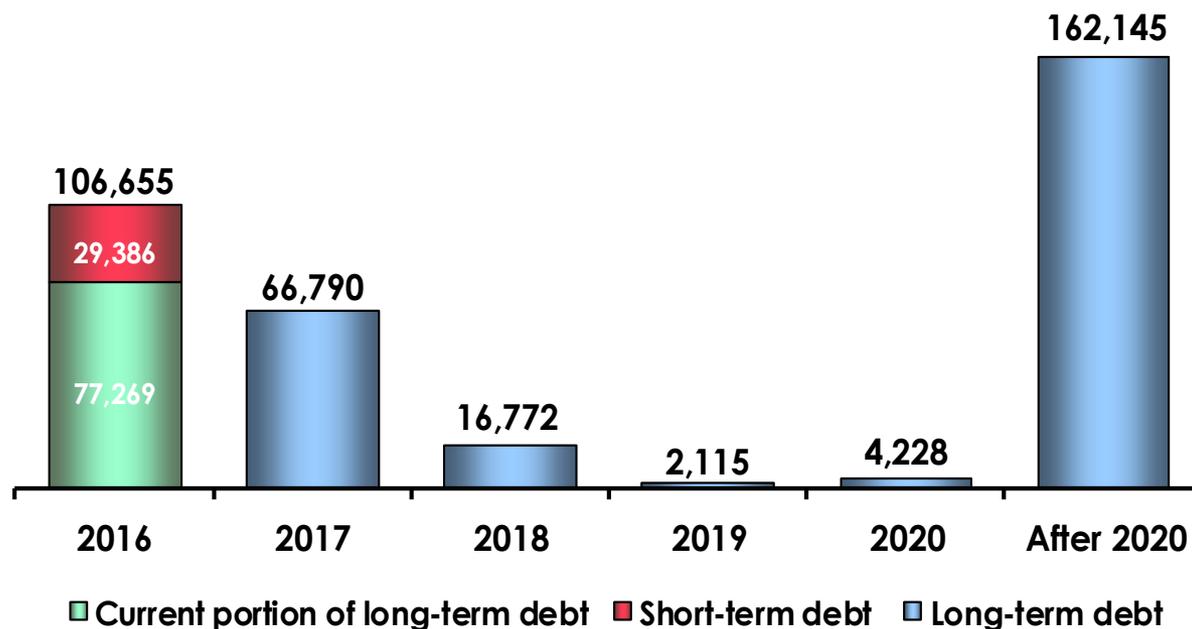
Materials, Services and Other Expenses (RR million)



Condensed Statement of Financial Position (RR million)

	31 December 2015	31 December 2014	+ / (-)	+ / (-)%
Total current assets	120,485	126,591	(6,106)	-4.8%
<i>Incl. Cash and cash equivalents</i>	29,187	41,318	(12,131)	-29.4%
Total non-current assets	751,552	572,548	179,004	31.3%
<i>Incl. Net PP&E</i>	331,712	291,726	39,986	13.7%
Assets held for sale	7,987	-	7,987	n/a
Total assets	880,024	699,139	180,885	25.9%
Total current liabilities	169,675	81,208	88,467	108.9%
<i>Incl. ST & current portion of LT debt</i>	106,655	40,980	65,675	160.3%
Total non-current liabilities	282,178	230,807	51,371	22.3%
<i>Incl. Deferred income tax liabilities</i>	23,706	21,063	2,643	12.5%
<i>Incl. LT debt</i>	252,050	204,699	47,351	23.1%
Total liabilities	451,853	312,015	139,838	44.8%
Total equity	428,171	387,124	41,047	10.6%

Total Debt Maturity Profile (RR million)



The Group has available revolving credit facility from Russian banks with credit limits in the amount of RR 50 billion and the equivalent of USD 300 million valid until September 2018 and March 2019, respectively

Debt repayment schedule:

2016 – Eurobonds Five-Year (USD 600 mln), Syndicated term credit line and short-term loans

2017 – Eurobonds Four-Year (RR 14 bln), Syndicated term credit line facility and other loans

2018 – Syndicated term credit line facility

2019 – Loan from the Silk Road Fund

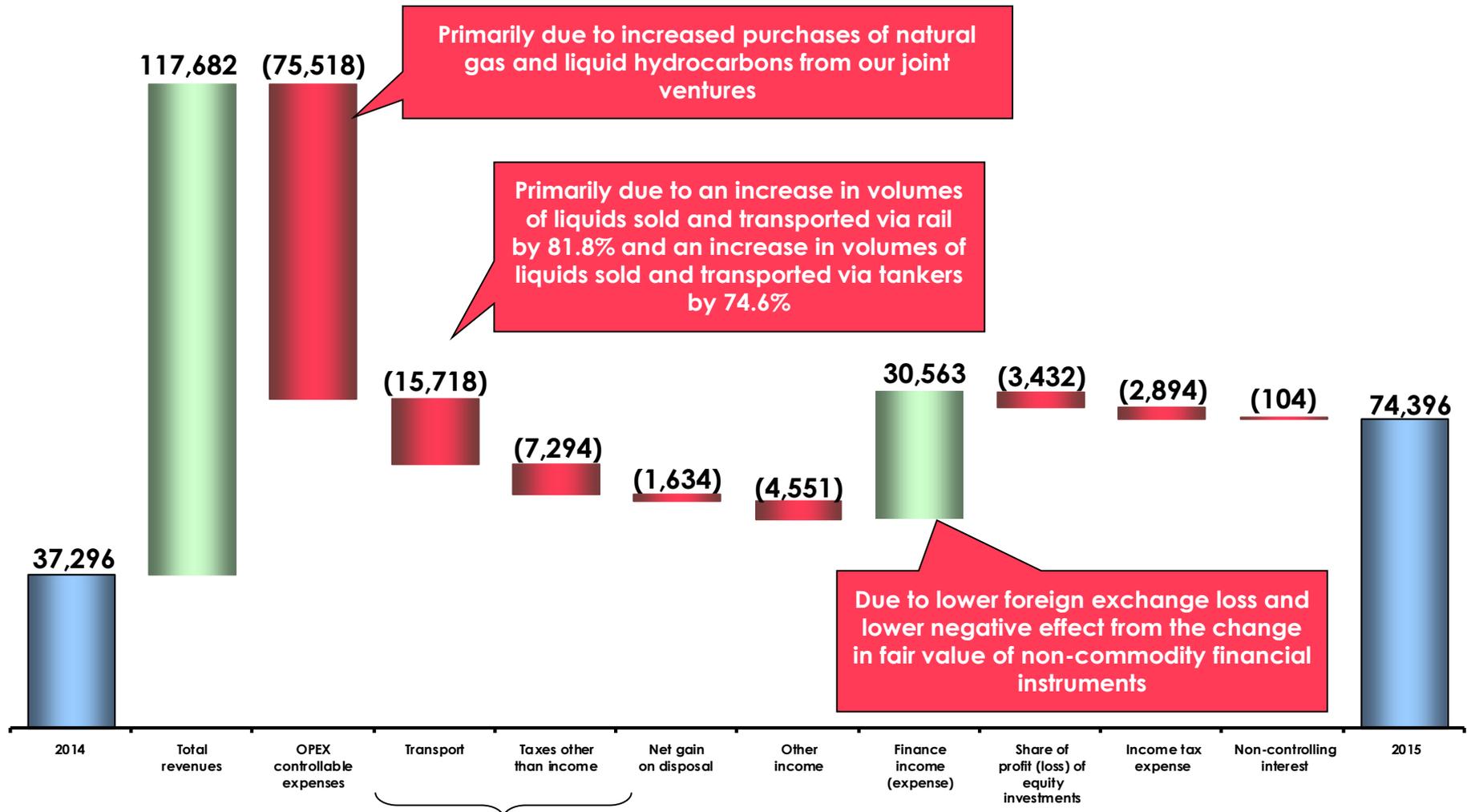
2020 – Loan from the Silk Road Fund

After 2020 – Eurobonds Ten-Year (USD 650 mln and USD one bln) and Loan from the Silk Road Fund

Questions and Answers

Appendices

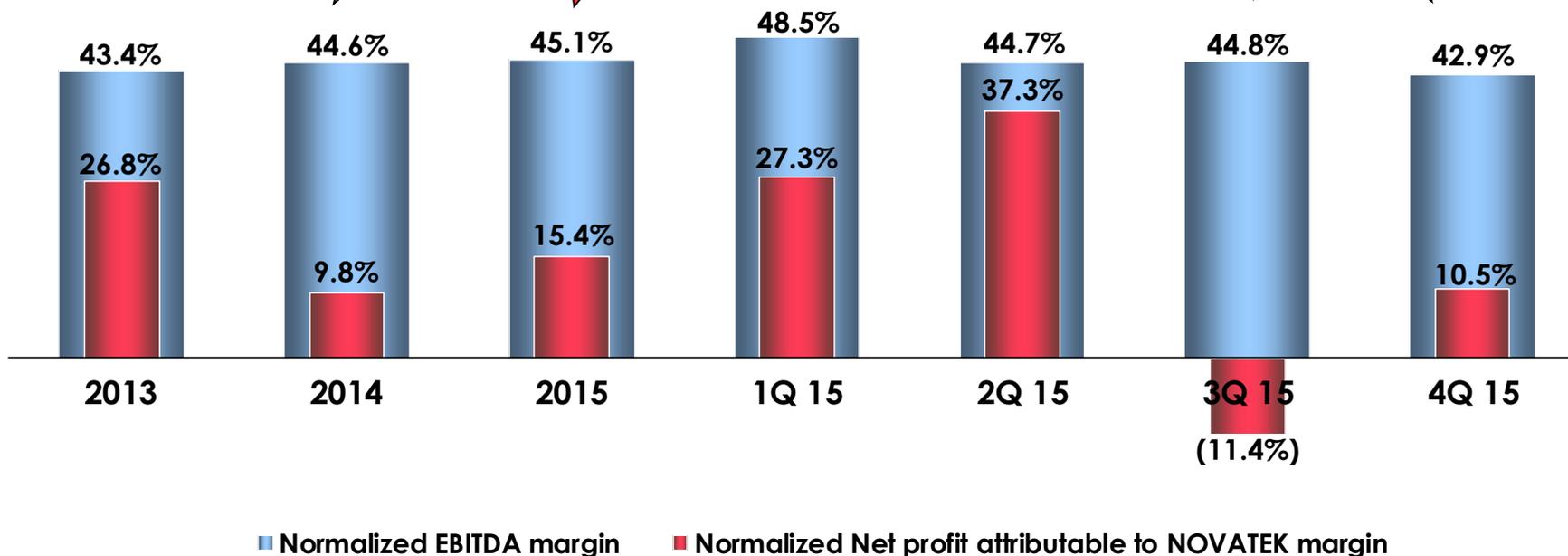
Profit Attributable to NOVATEK Shareholders (RR million)



Non-controllable

Maintaining Margins (% of total revenues)

Due to the recognition of a significant foreign exchange loss on foreign currency denominated loans of the Group and its JVs

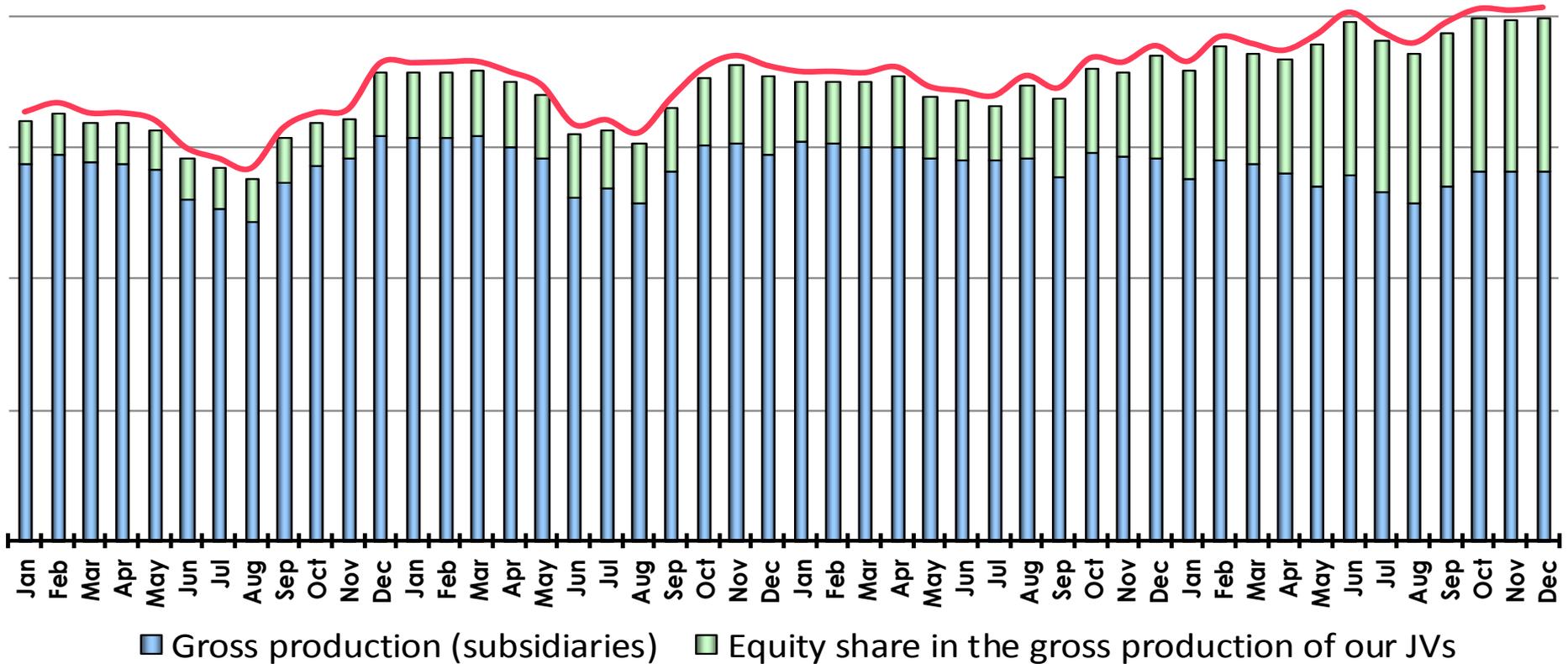


Margins in-line with Group's strategic guidance, but negatively impacted by the depreciation of Russian rouble in the second half of 2014 and 2015

Notes:

1. EBITDA margin and net profit attributable to NOVATEK margin exclude the effect from the disposal of interests in joint ventures
2. EBITDA includes our proportionate share in the EBITDA of our joint ventures and represents profit (loss) attributable to shareholders adjusted for the add-back of depreciation, depletion and amortization, net impairment expenses (reversals), finance income (expense), income tax expense, as well as income (loss) from changes in fair value of derivative financial instruments

Increasing Natural Gas Production (mmcm per day)



2012

2012 Avg.
157 mmcm/day
5,531 bcf/day

2013

2013 Avg.
170 mmcm/day
6,020 bcf/day

2014

2014 Avg.
174 mmcm/day
6,160 bcf/day

2015

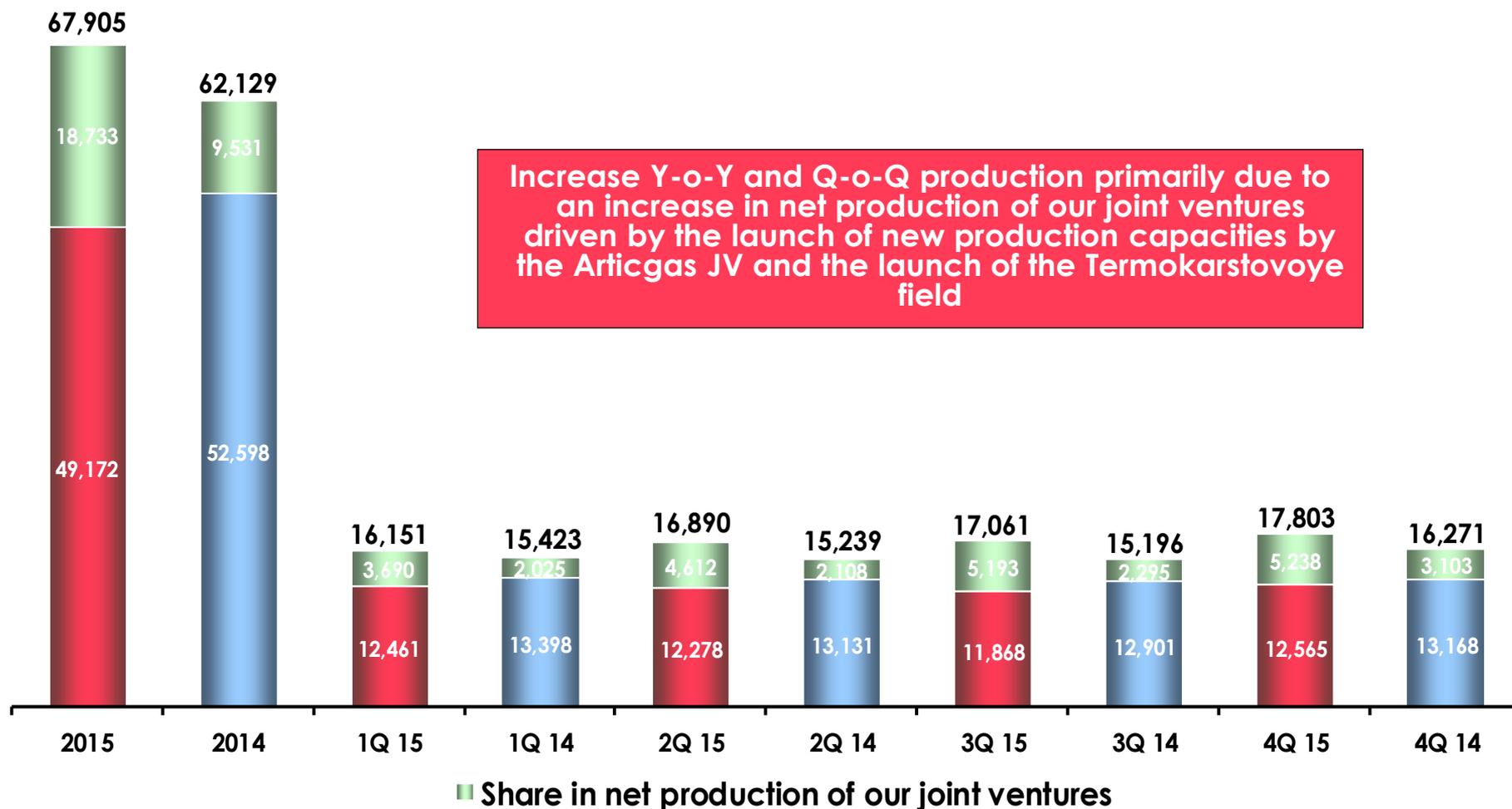
2015 Avg.
191 mmcm/day
6,745 bcf/day

4Q 14 Avg.
181 mmcm/day
6,409 bcf/day

4Q 15 Avg.
199 mmcm/day
7,032 bcf/day

Net Production Y-o-Y and 2014/2015 Quarterly

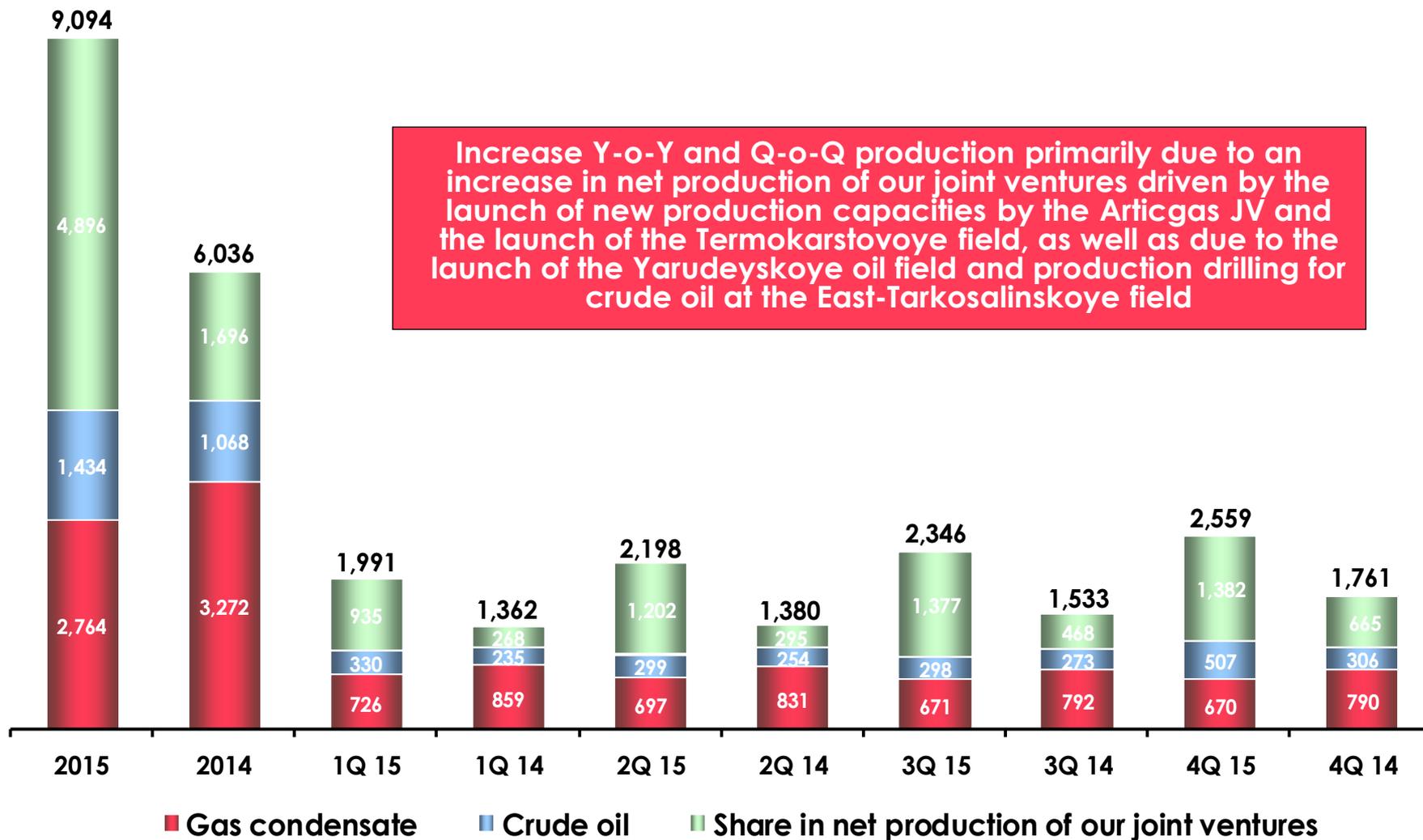
Natural gas production, mmcm



Note: Net hydrocarbon production includes our proportional share in the production of our joint ventures

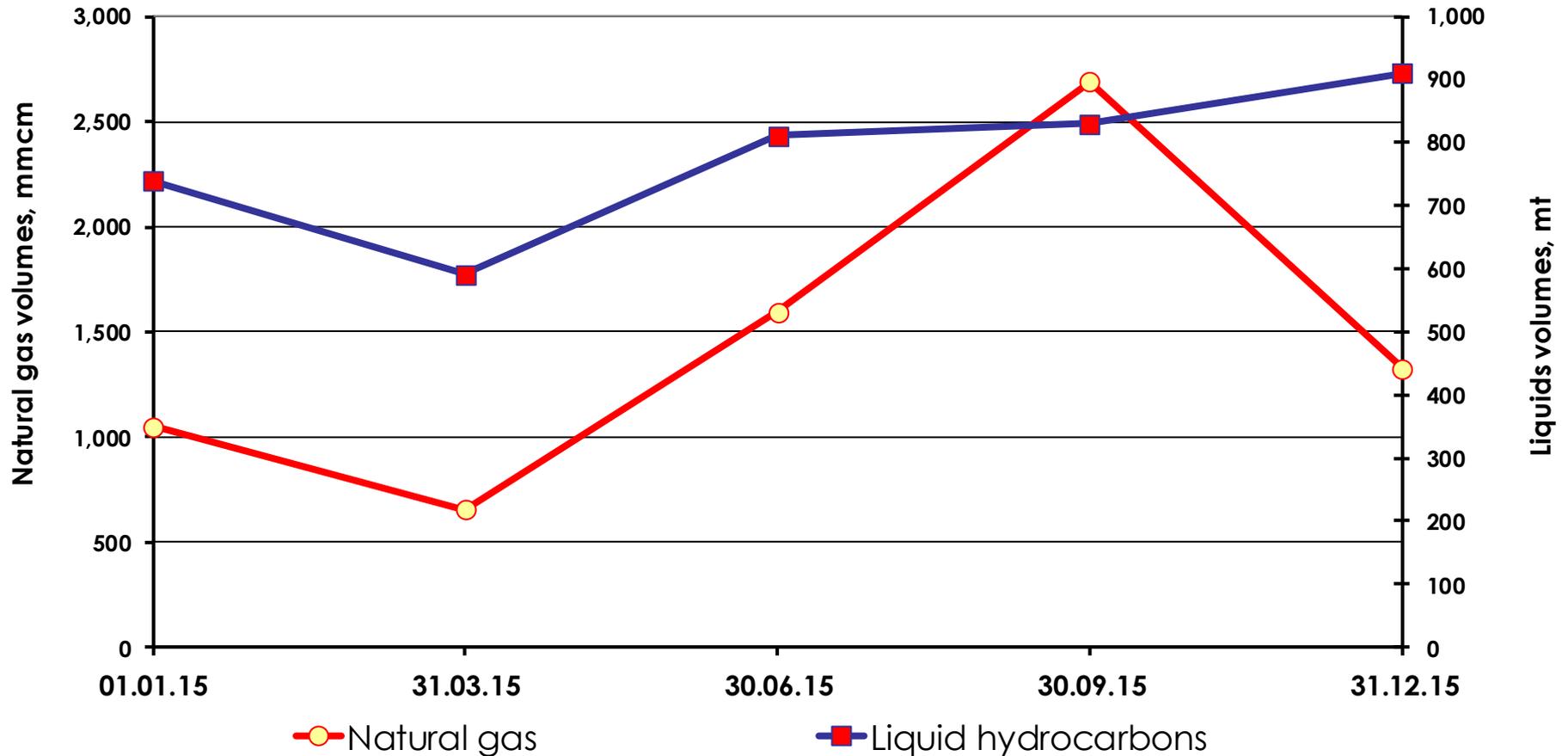
Net Production Y-o-Y and 2014/2015 Quarterly

Liquids production, mt



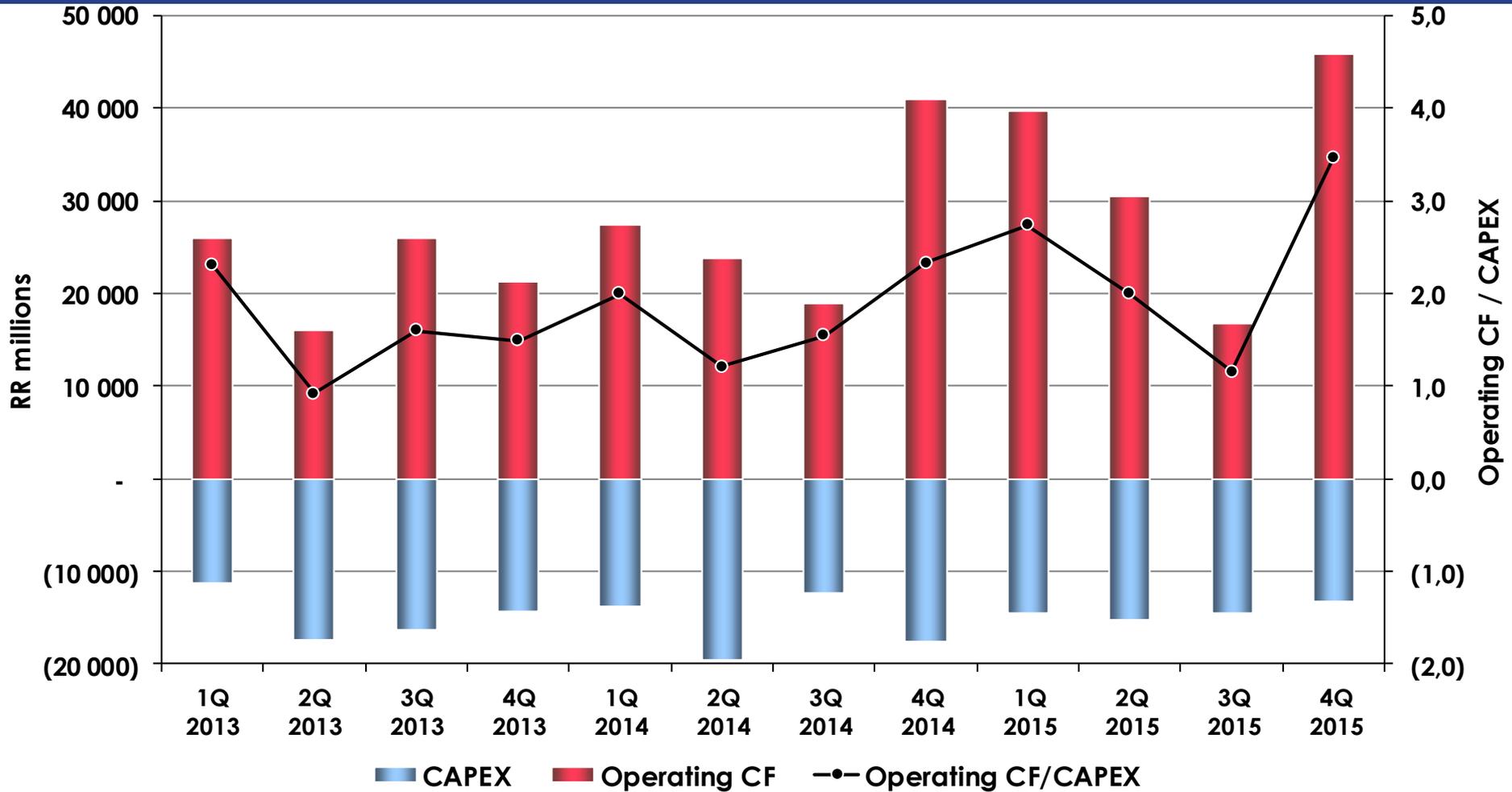
Note: Net hydrocarbon production includes our proportional share in the production of our joint ventures

Change in Inventories



Increase in liquids inventories in 2015 is driven by a material increase of liquids production and sales volumes

Internally Funded Investment Program



Core investments in upstream exploration, production and processing facilities funded primarily through internal cash flows