

NOVATEK

2017 Operational and Financial Results Conference Call



**Mark A. Gyetvay, Deputy Chairman of the Management Board
Moscow, Russian Federation
22 February 2018**

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.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.

By participating in this presentation or by accepting any copy of this document, you agree to be bound by the foregoing limitations.

Summary Operational Highlights – 2017

- ❑ **Natural gas production** (*including our proportionate share in JVs*) was 63.4 bcm, representing a **decrease of 6.3%** compared to 2016
- ❑ **Liquids production** (*including our proportionate share in JVs*) was 11.8 mmt, representing a **decrease of 5.4%** compared to 2016
- ❑ **Natural gas sales volumes** was 65.0 bcm, representing an **increase of 0.5%** compared to 2016
- ❑ **Total proved SEC reserves increased by 12.8%** (to 15,120 mln boe) compared to the year-end 2016, representing an organic reserve replacement rate of 134% for the year

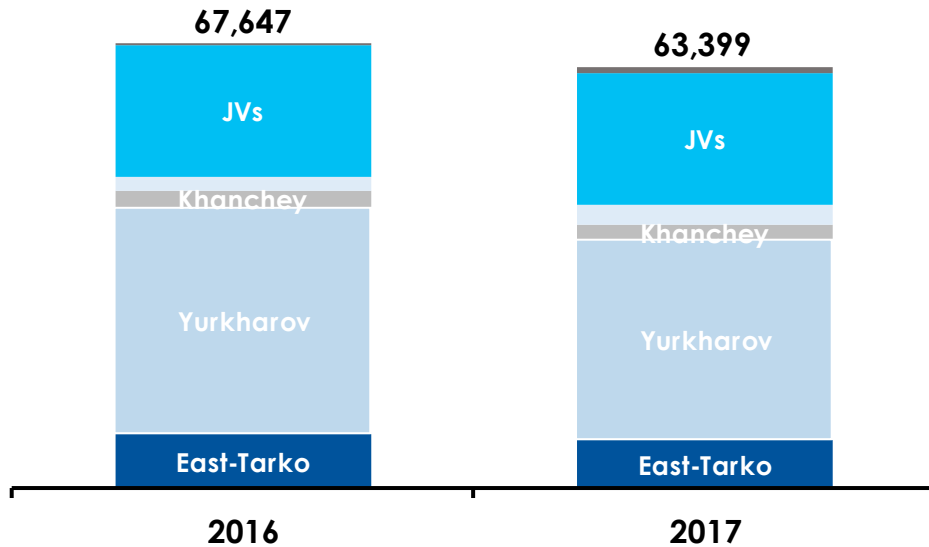
Key Events 2017

- ❑ The first liquefaction train of the Yamal LNG project successfully commenced producing LNG and the first LNG tanker shipment was made using the Arc7 ice-class tanker “Christophe de Margerie”.
- ❑ We held our Corporate Strategy Day that comprehensively outlined our long-term strategy covering the period up to 2030.
- ❑ We obtained the new licenses on the Yamal and Gydan peninsulas winning the auctions for Gydanskoye, Verhnetiuteyskoye, West-Seyakhinskoye and Shormovoye fields and acquired South-Khadyryakhinskoye, Syskonsynyinskoye fields and West-Yaroyakhinskiy license area.
- ❑ We signed a Memorandum of Understanding with the Ministry of industry and trade and the Murmansk Region Government on creating a center for the construction of large-scale marine facilities.
- ❑ We signed a Cooperation Agreement with the Kamchatka Territorial Government on building a sea terminal facility for reloading liquefied natural gas (LNG).
- ❑ We signed a Memorandum of Understanding (MOU) with the China Development Bank, a Strategic Cooperation Agreement with the Chinese National Petroleum Company (CNPC), a trilateral MOU with Marubeni Corporation and Mitsui O.S.K. Lines, Ltd. and MOU with Total and Siemens on cooperation in Vietnam.

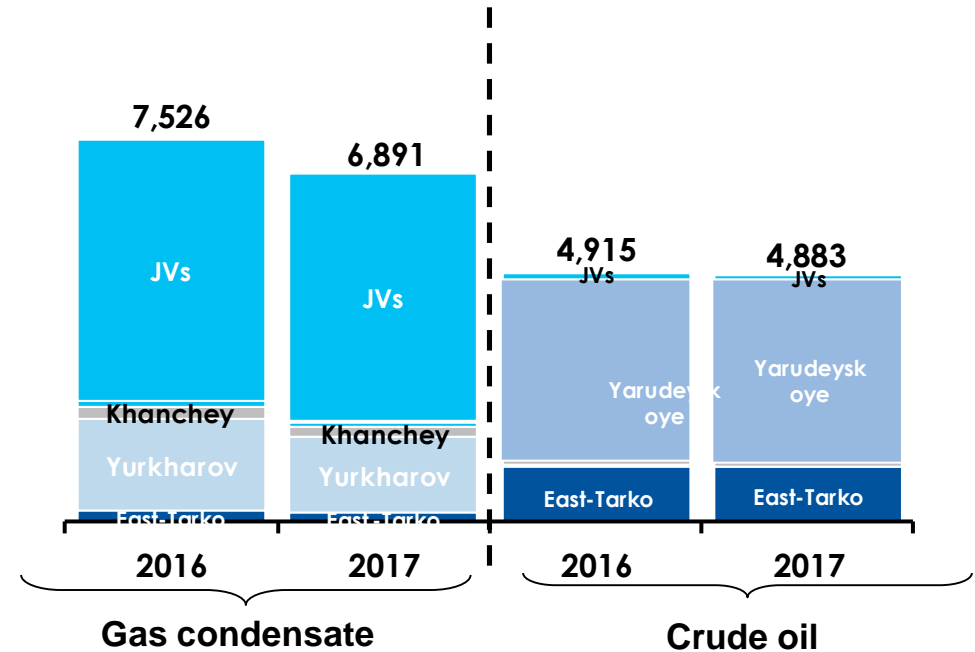
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



Natural gas volumes produced at mature fields of our subsidiaries (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye) and our joint venture Nortgas decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons. The decrease was partially offset by the improved efficiency of associated petroleum gas utilization at our Yarudeyskoye field, as well as the commencement of LNG production at the first LNG train at Yamal LNG in the fourth quarter of 2017.

The volumes of liquids produced by subsidiaries and joint ventures decreased as a result of a decrease in gas condensate production mainly at mature fields of our subsidiaries (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye) and at our joint ventures due to the natural declines in the concentration of gas condensate as a result of decreasing reservoir pressure at the current gas condensate producing horizons. Crude oil production changed insignificantly.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- ❑ **Total volumes delivered in 2017: 11,443 mt**
 - Yurkharovskoye field: 1,489 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 539 mt
 - Other fields: 100 mt
 - Purchases from our joint ventures: 9,315 mt
- ❑ **Total output of marketable products: 11,346 mt**
 - Stable gas condensate: 8,853 mt
 - LPG: 2,493 mt

Ust-Luga Complex

- ❑ **Total volumes delivered in 2017: 6,974 mt**
- ❑ **Total output of marketable gas condensate refined products: 6,826 mt**
 - Naphtha: 4,223 mt
 - Other products: 2,603 mt
- ❑ **Gas condensate refined products sold: 6,626 mt**
 - to Europe: 3,808 mt
 - to the Asian Pacific Region: 1,949 mt
 - to North America: 869 mt



Liquids in Tankers

Liquids sales

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

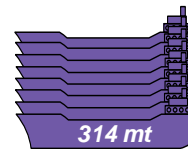


“Goods in transit”
31.12.2016
 ~ 33 thousand tons



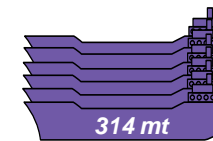
Asia-Pacific Region
 (Naphtha)

“Goods in transit”
30.09.2017
 ~ 314 thousand tons



Asia-Pacific Region
 (Naphtha)

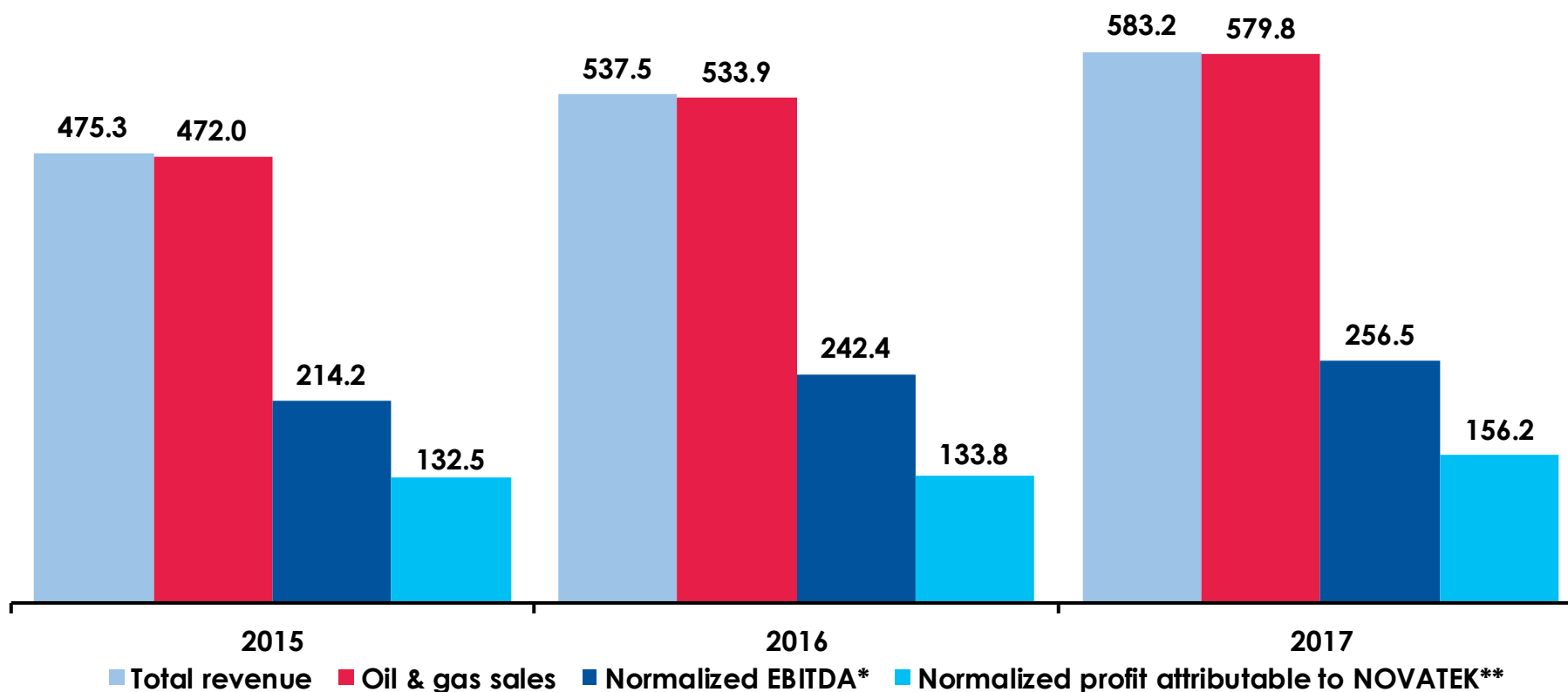
“Goods in transit”
31.12.2017
 ~ 314 thousand tons



Asia-Pacific Region
 (Naphtha)

Financial Overview – 2017 to 2016

Summary Financial Results (RR billion)

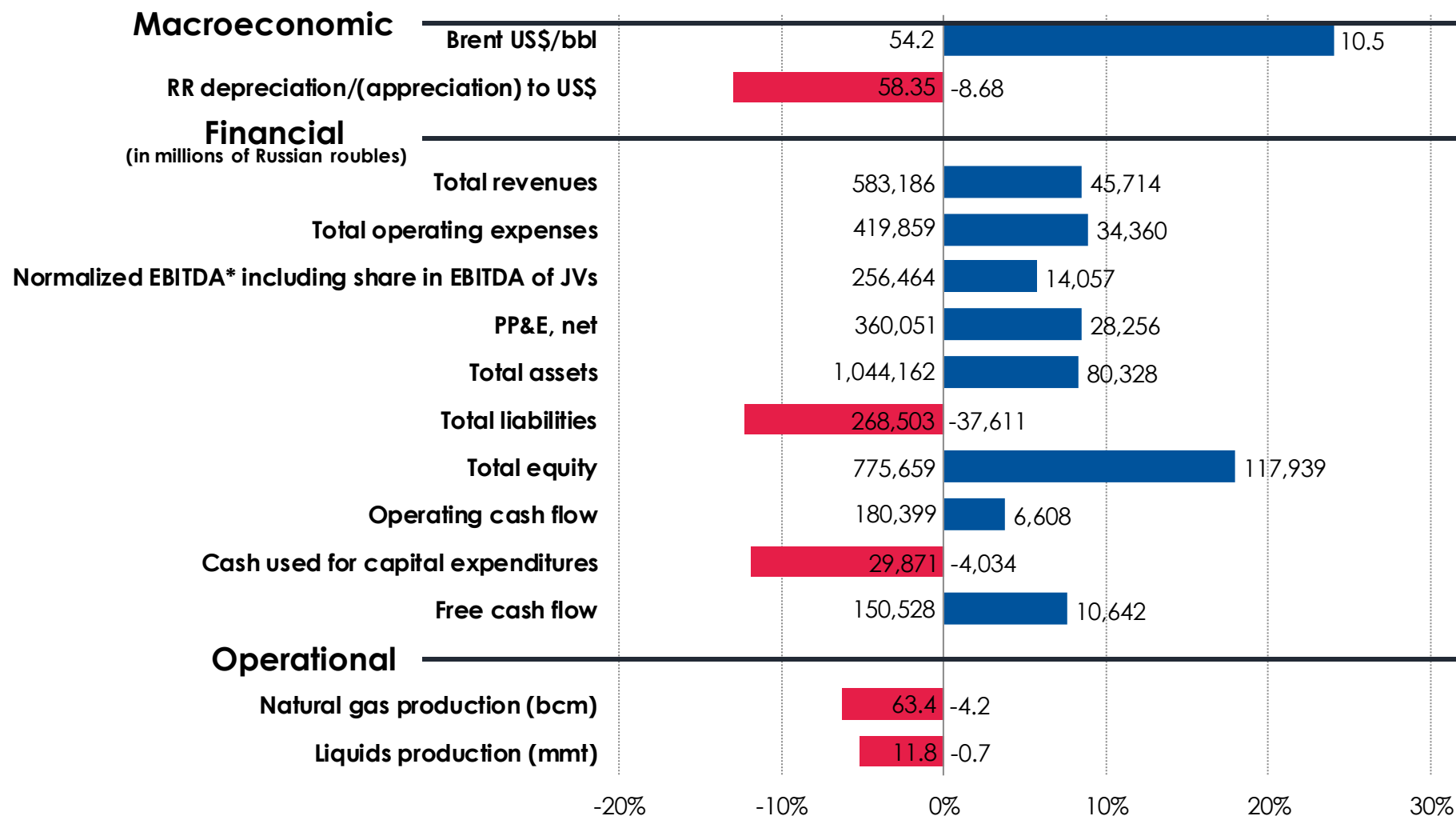


* Excluding the effect from the disposal of interests in joint ventures.

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

The Group's financial results in 2017 were positively impacted by increases in average realized net prices of natural gas and liquid hydrocarbons.

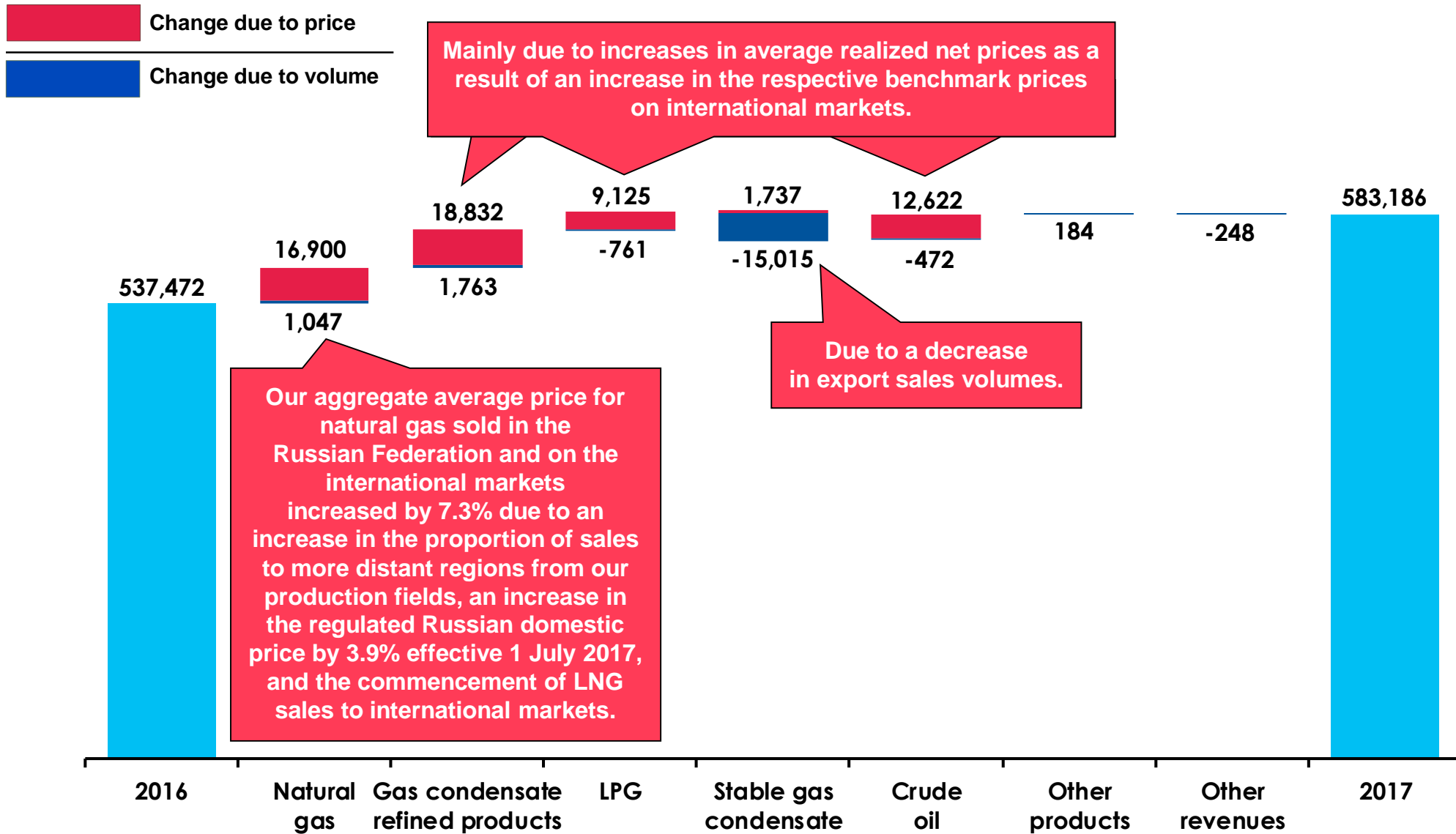
Performance Summary 2017/2016



* Excluding the effect from the disposal of interests in joint ventures.

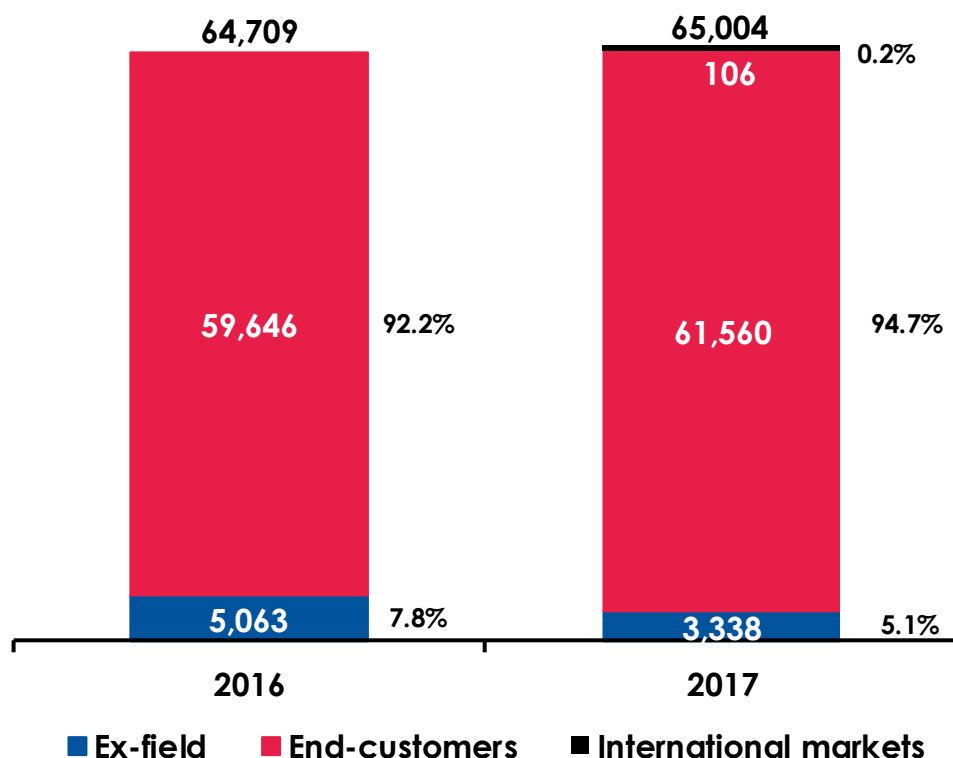
Note: Number on the right is the absolute change, number on the left is the value for the reporting period, size of bar is % change

Total Revenues (RR million)



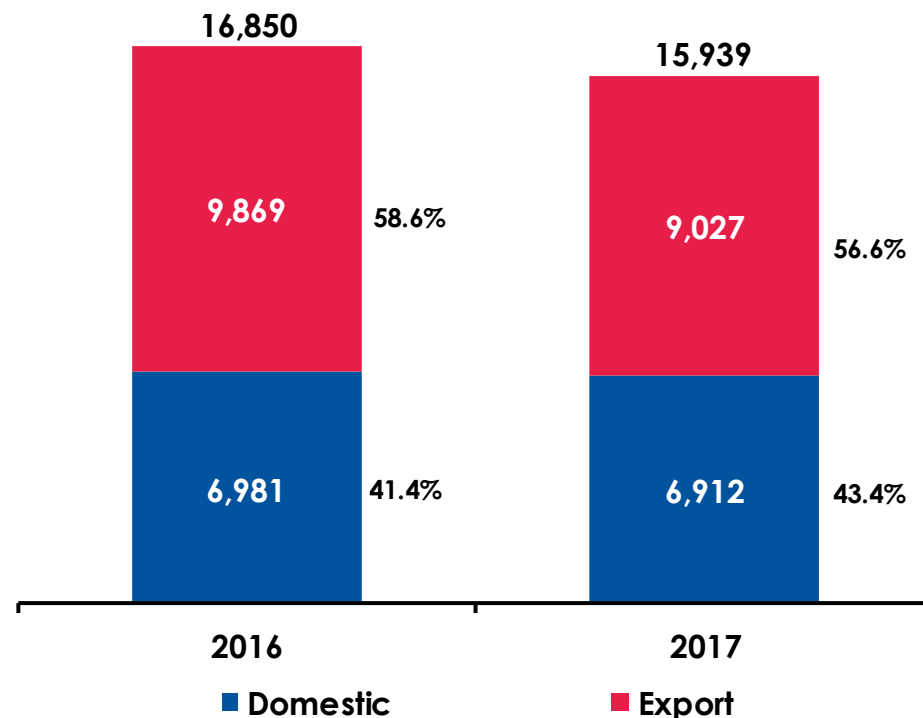
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



Our total natural gas sales volumes increased as a result of a slight increase in volumes sold in the Russian Federation, as well as the commencement of LNG sales, purchased from Yamal LNG, to international markets.

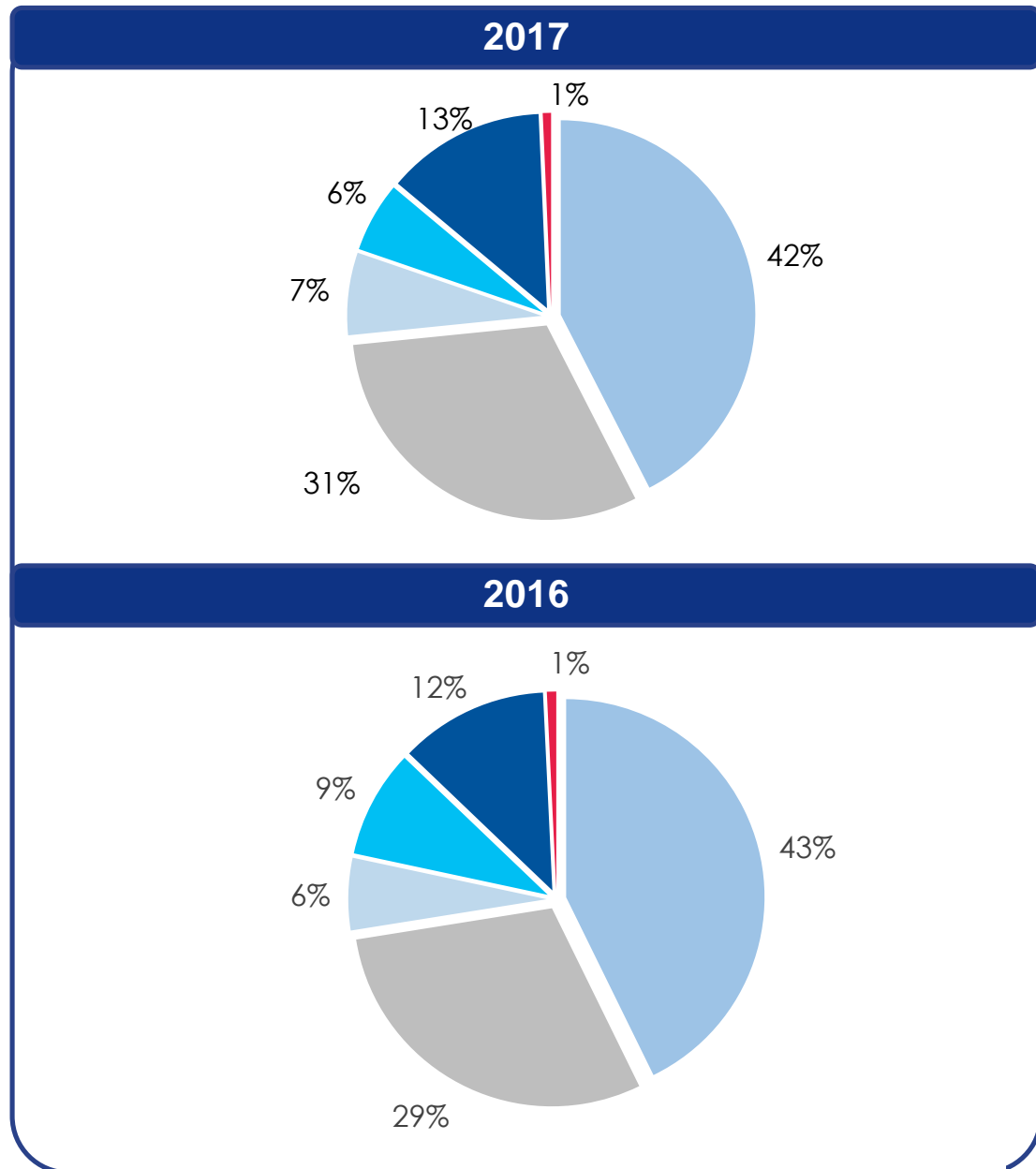
Liquids Sales Volumes, mt



Our total liquids sales volumes decreased mainly due to a decrease in gas condensate production at mature fields of our subsidiaries and joint ventures.

Total Revenues Breakdown

- Natural gas, including LNG
- Gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other

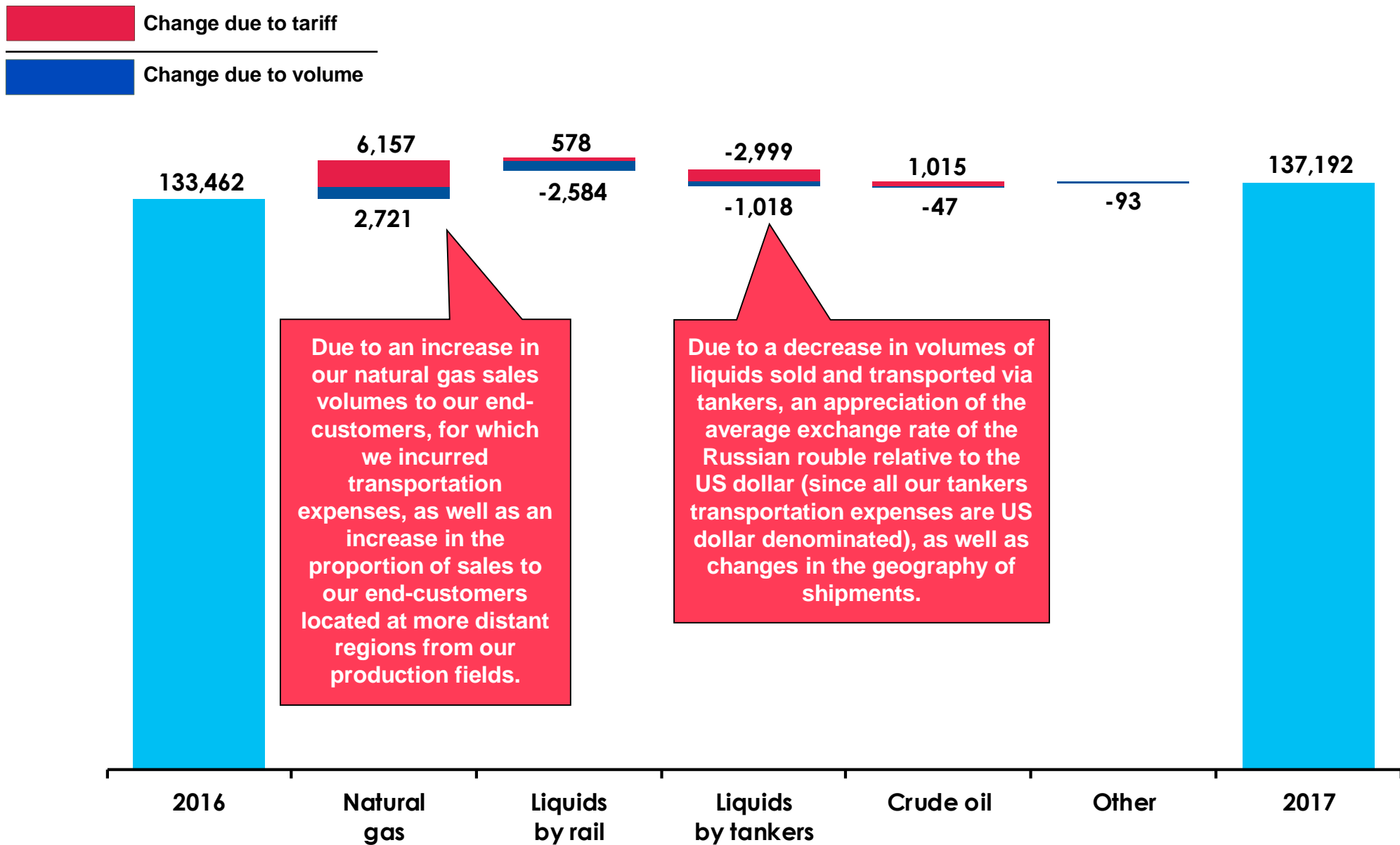


Operating Expenses (RR million and % of Total Revenues (TR))

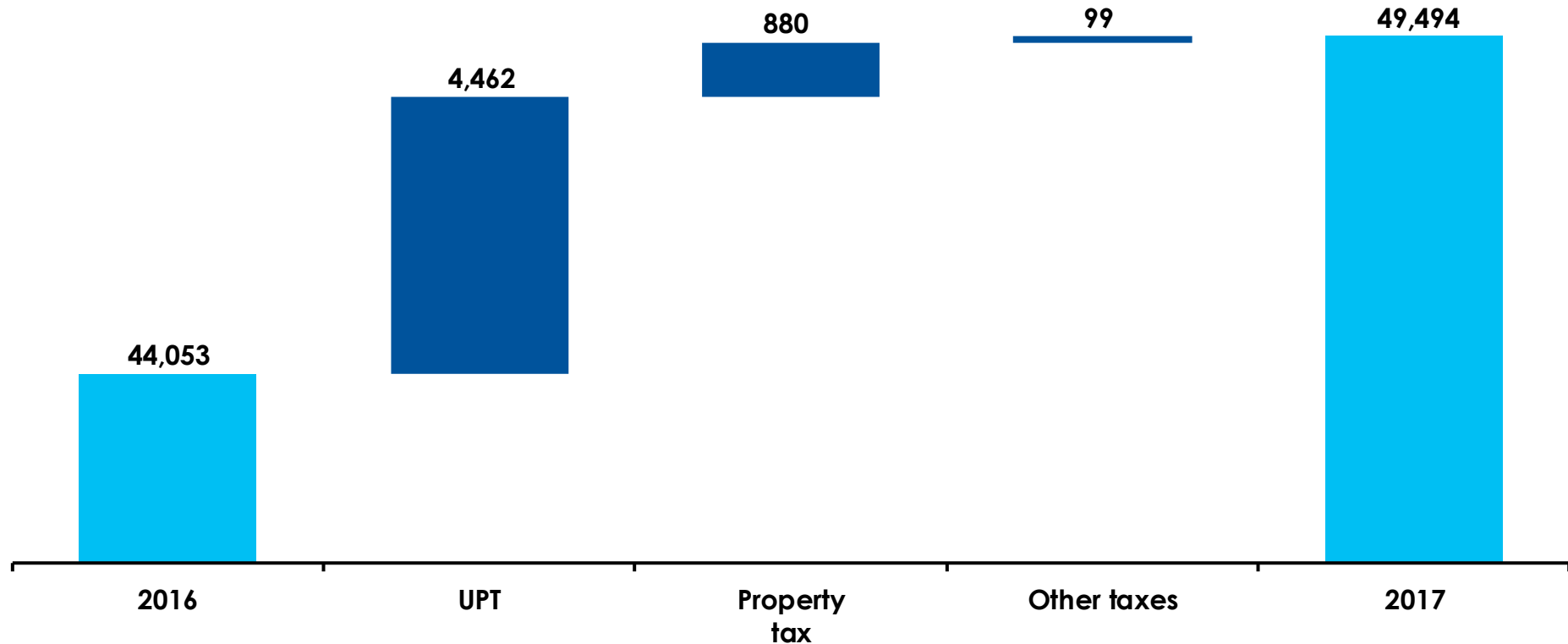
	2016	% of TR	2017	% of TR
Transportation expenses	133,462	24.8%	137,192	23.5%
Taxes other than income tax	44,053	8.2%	49,494	8.5%
Non-controllable expenses	177,515	33.0%	186,686	32.0%
Depreciation and amortization	34,631	6.4%	34,523	5.9%
Materials, services & other	19,133	3.6%	20,768	3.6%
General and administrative	18,126	3.4%	17,170	2.9%
Exploration expenses	2,087	0.4%	1,819	0.3%
Net impairment expenses (reversals)	178	0.0%	52	0.0%
Change in natural gas, liquids and WIP	-439	-0.1%	-2,602	-0.4%
Subtotal operating expenses	251,231	46.7%	258,416	44.3%
Purchases of natural gas and liquid hydrocarbons	134,268	25.0%	161,443	27.7%
Total operating expenses	385,499	71.7%	419,859	72.0%

- ❑ Our total operating expenses as a percentage of total revenues increased marginally;
- ❑ Our purchases of natural gas and liquid hydrocarbons increased by 20.2% mainly due to an increase in liquids purchase prices (which are impacted by international crude oil prices excluding export duties), as well as natural gas purchase volumes and prices;
- ❑ In 2017, we recorded a reversal of RR 2,602 million to changes in inventory expense due to an increase in gas condensate refined products and natural gas inventory balances as of 31 December compared to 1 January, and an increase in the cost of liquid hydrocarbons mainly resulted from the increase in UPT rates for gas condensate and crude oil.

Transportation Expenses (RR million)

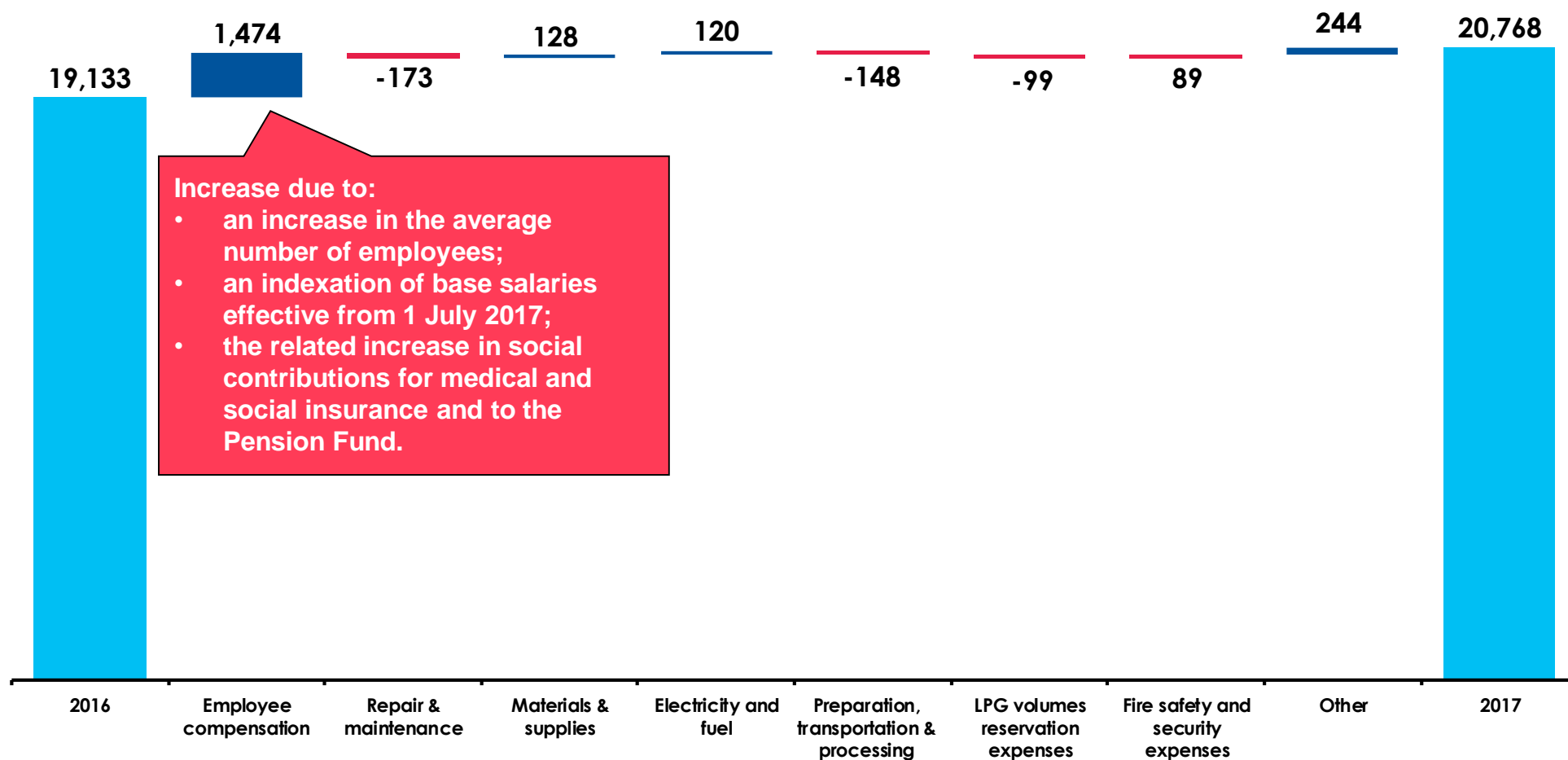


Taxes Other Than Income Tax Expense (RR million)

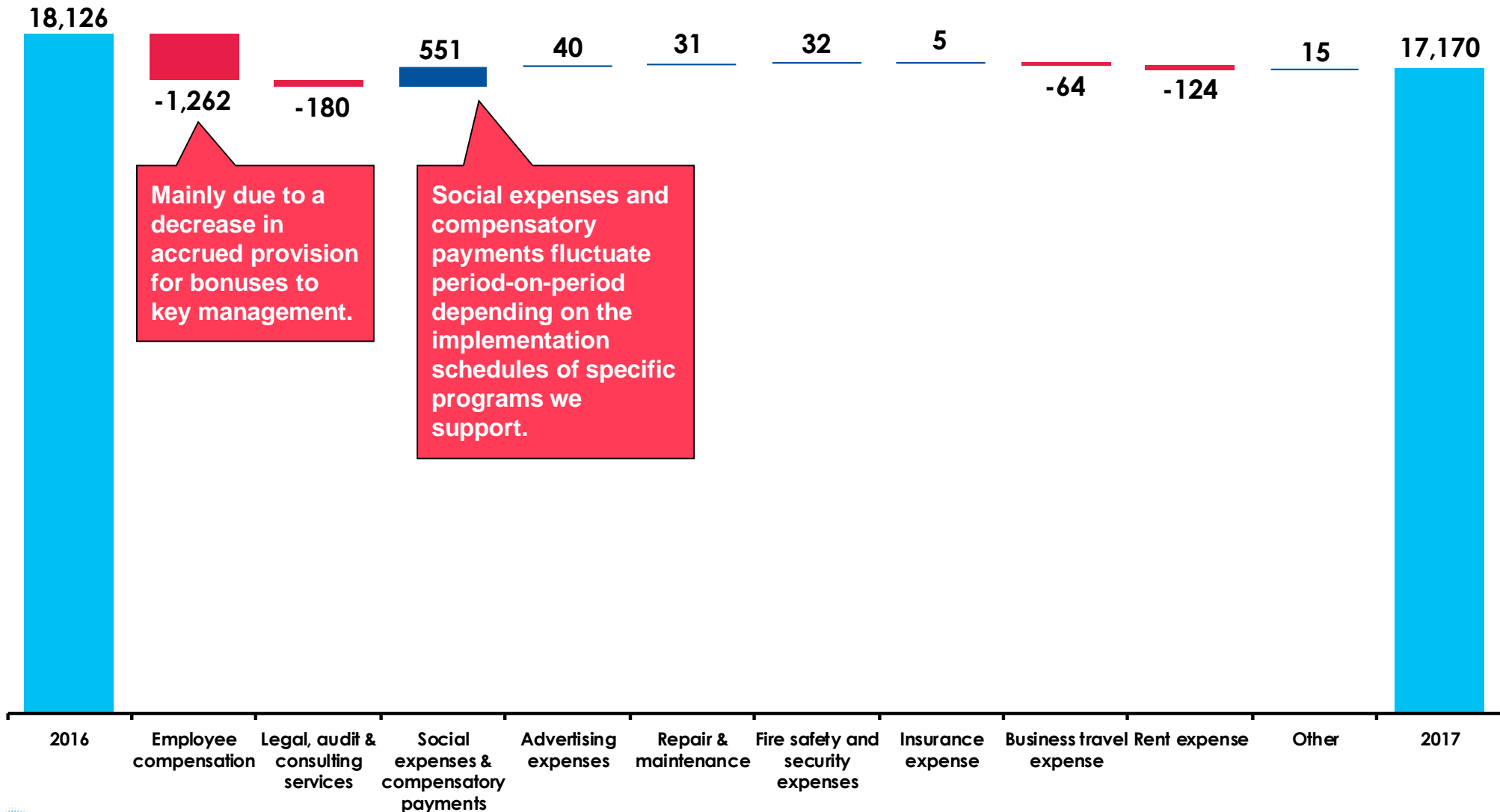


- ❑ Our unified natural resources production tax expense increased mainly due to an increase in UPT rates for crude oil and gas condensate effective 1 January 2017 as part of the tax maneuver in the oil and gas industry.
- ❑ Our property tax expense increased due to the termination of a property tax relief at one of our processing subsidiaries effective from January 2017, as well as a result of additions to property, plant and equipment at our production subsidiaries.

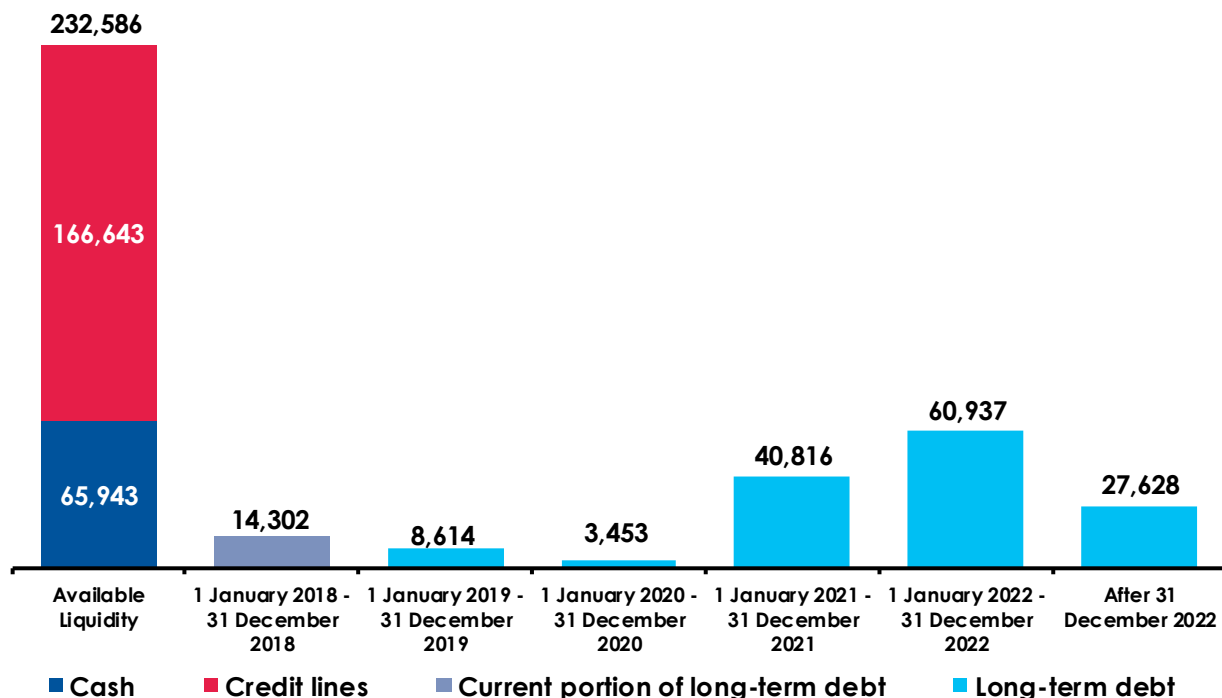
Materials, Services and Other Expenses (RR million)



General and Administrative Expenses (RR million)



Total Debt Maturity Profile (RR million)



The Group has available credit line facilities from Russian banks with credit limits in the amount of RR 120 billion and the equivalent of USD 750 million and EUR 50 million.

Debt repayment schedule:

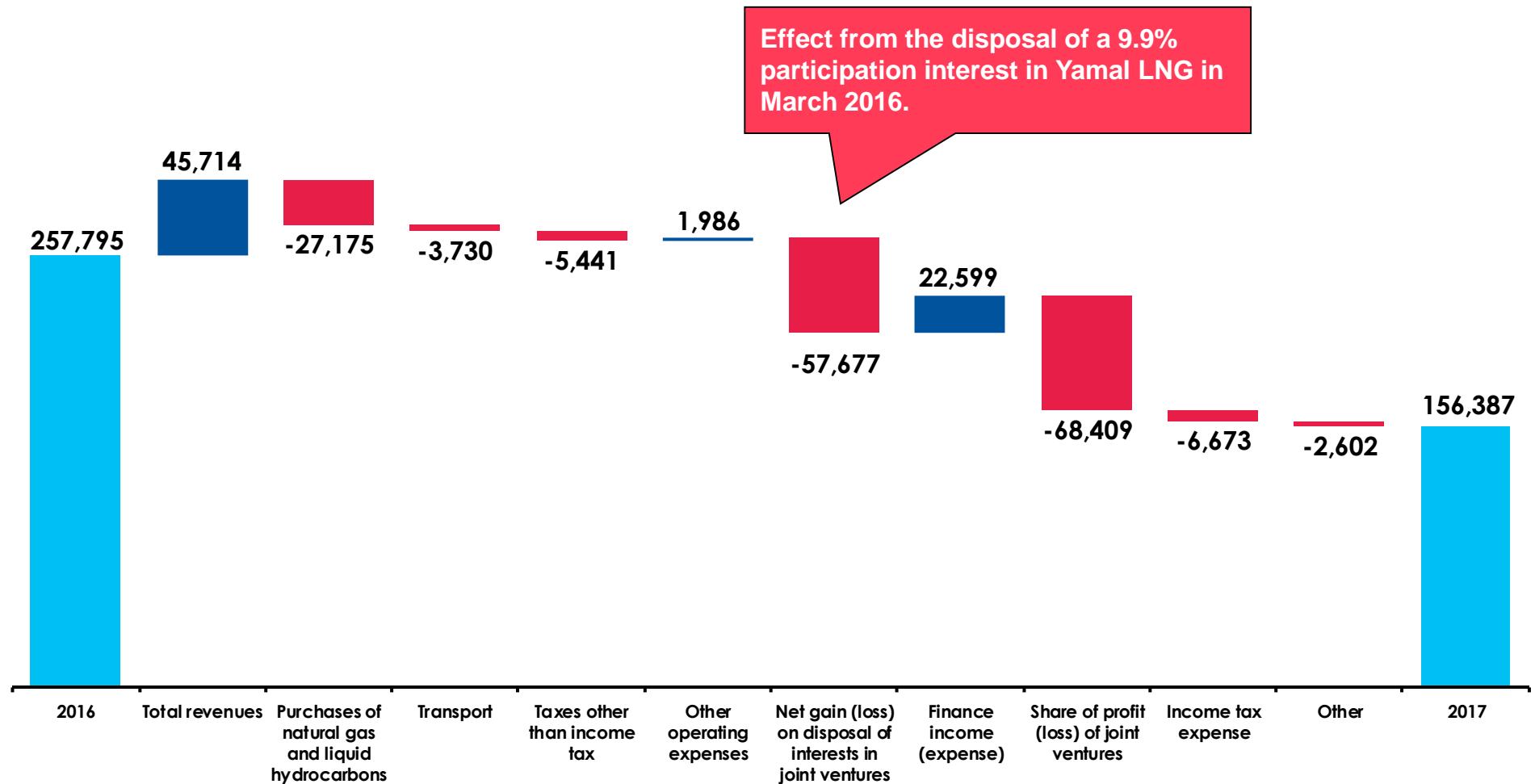
- Up to 31 December 2018 – Syndicated loan (repaid in February 2018) and Other loans
- Up to 31 December 2019 – Loan from the Silk Road Fund and Other loans
- Up to 31 December 2020 – Loan from the Silk Road Fund
- Up to 31 December 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln)
- Up to 31 December 2022 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)
- After 31 December 2022 – Loan from the Silk Road Fund

Questions and Answers

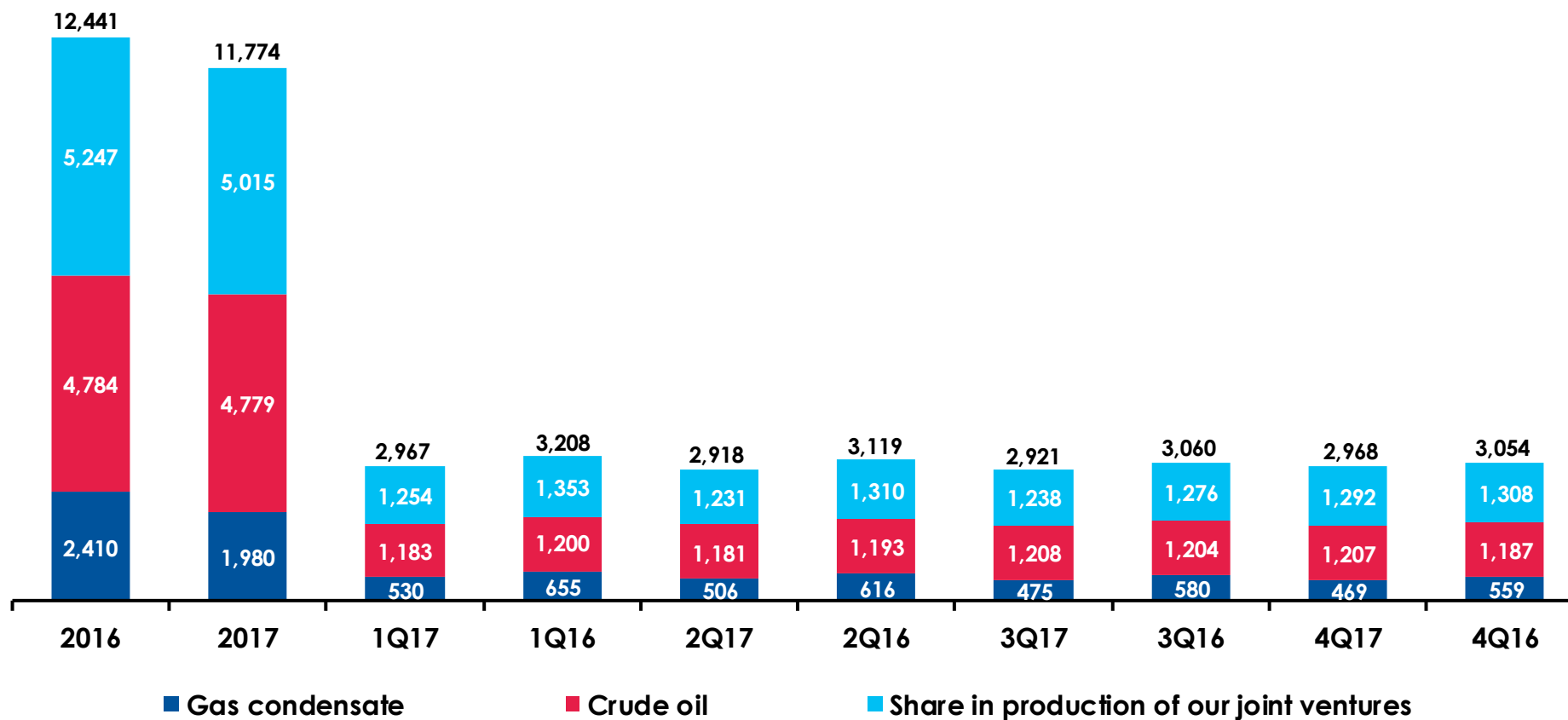
Appendices

Profit Attributable to NOVATEK Shareholders

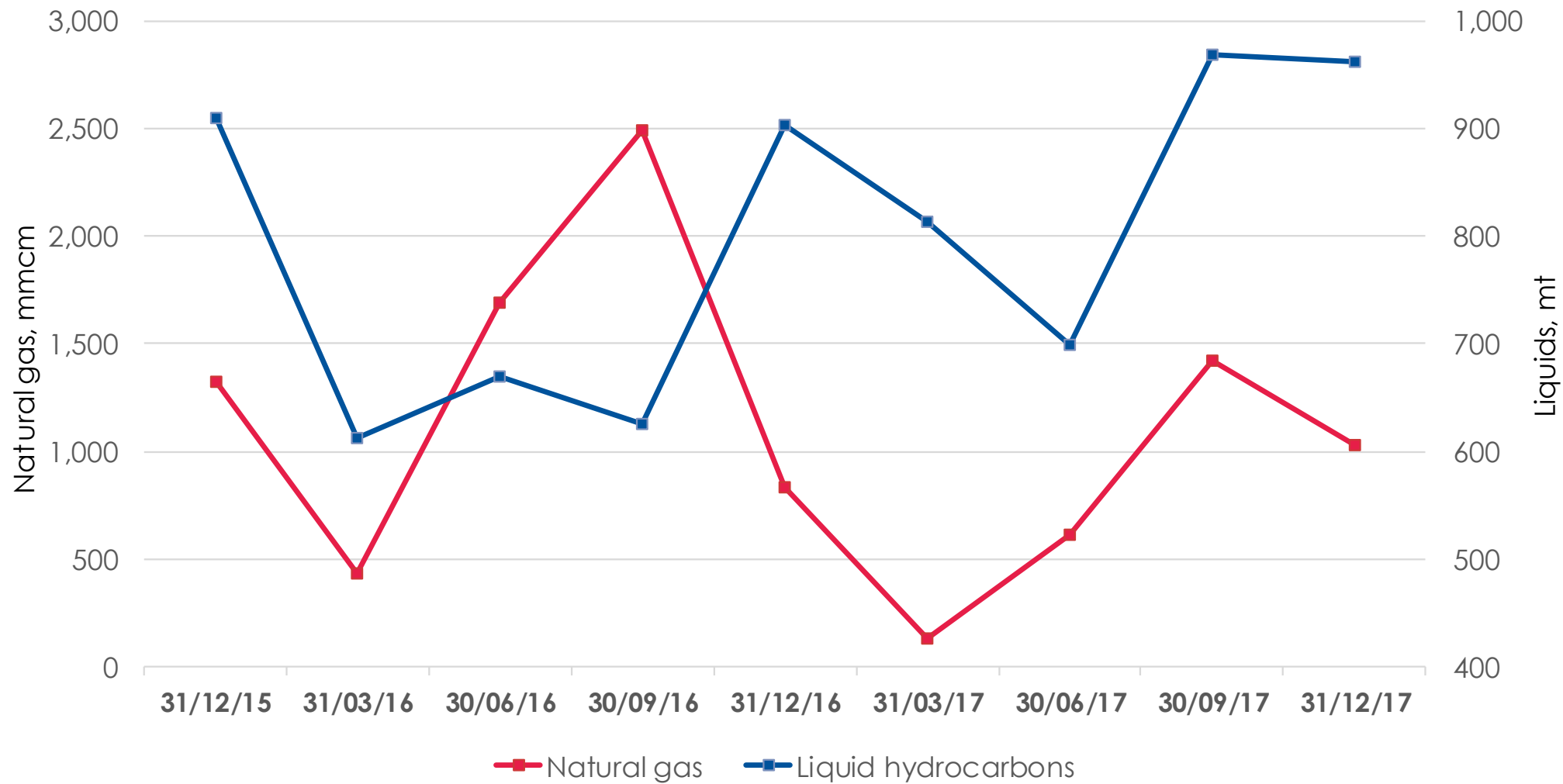
(RR million)



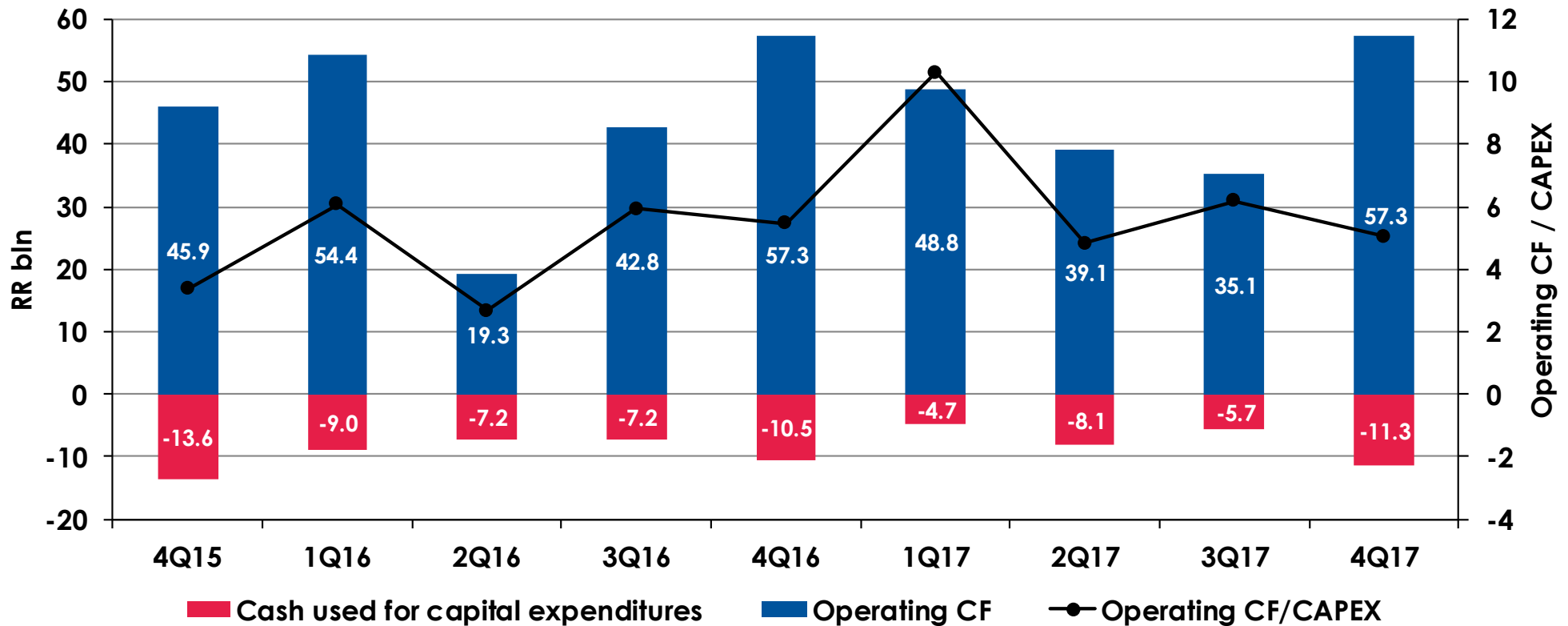
Liquids Production YoY and 2016/2017 Quarterly (mt)



Change in Inventories



Internally Funded Investment Program



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

Note: for 2Q 2016 Normalized Operating Cash Flow is used, excluding advance income tax payments of RR 9,932 million based on the gain on the disposal of the 9.9% equity stake in OAO Yamal LNG.