NOVATEK

2018 Operational and Financial Results Conference Call

Mark A. Gyetvay, Deputy Chairman of the Management Board
Moscow, Russian Federation
21 February 2019

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 – 2018

- **Hydrocarbons production** totaled 549,1 mmboe, representing an **increase of 7.0%** compared to 2017
- **Revenue** was RR 831.8 bln representing an **increase of 42.6%** compared to 2017
- **Normalized EBITDA** was RR 415.3 bln representing an **increase of 61.9%** compared to 2017
- NOVATEK's **share in LNG production was 5,152 mt**
- **6,061 mmcm of natural gas** were sold on **international markets**
- **Total SEC proved reserves,** including the Company's proportionate share in joint ventures, aggregated 15,789 mmboe, representing an **increase of 4.4%** compared to the year-end 2017

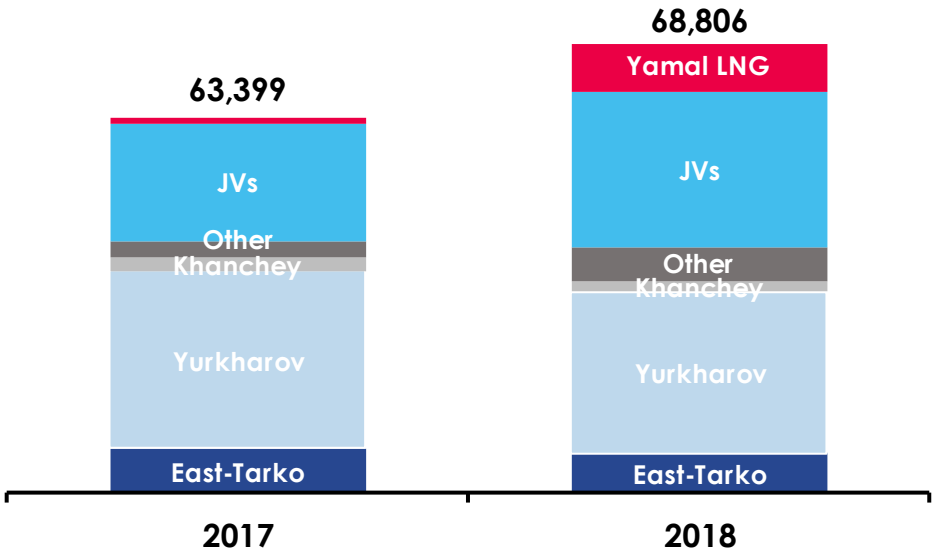
Key Events 2018

- The Yamal LNG project reached its full capacity of 16.5 million tons per annum from the three LNG trains: the second and the third trains were launched six months and more than a year ahead of the initial schedule, respectively.
- NOVATEK and TOTAL agreed on terms of entry into Arctic LNG 2.
- We patented the Arctic Cascade proprietary natural gas liquefaction process for the construction of Train 4 in Yamal LNG.
- We discovered a new gas condensate field within the North-Obskiy license area in the Ob Bay, one of the largest discoveries globally in 2018.
- We acquired licenses for Beregovoy, Ust-Yamsoveyskiy, Payutskiy, Palkurtoyskiy, Centralno-Nadoyakhskiy, South-Leskinskiy and Chernichniy license areas.

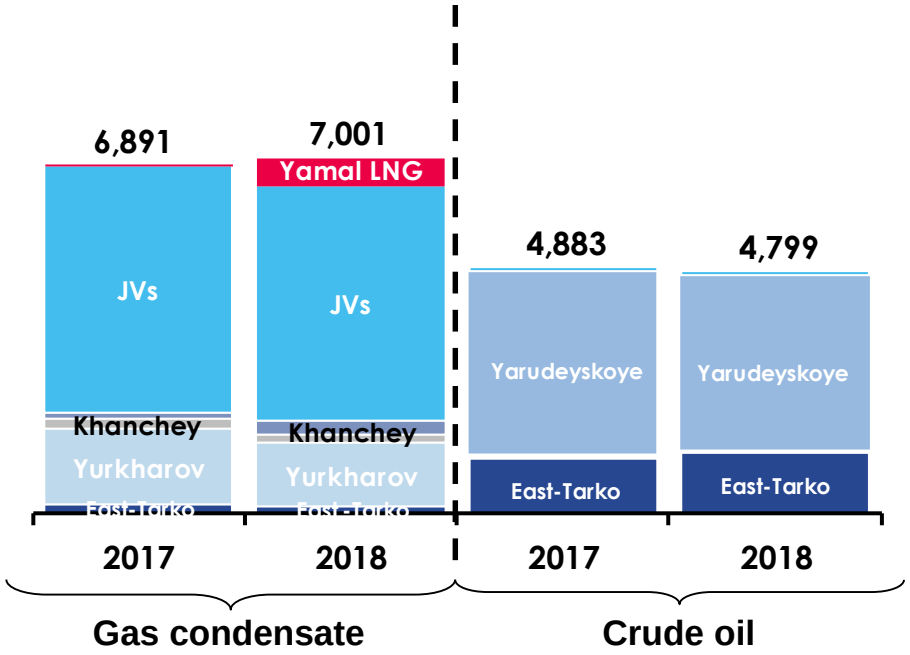
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



In 2018, our operational results were significantly impacted by the production launch of the first three LNG trains at Yamal LNG, as well as the acquisitions of new production assets at the end of 2017 and during the first quarter of 2018. As a result, our total natural gas and liquids production increased by 8.5% and by 0.2%, respectively.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- **Total volumes delivered in 2018: 11,018 mt**
  - Yurkharovskoye field: 1,249 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 461 mt
  - Other fields: 132 mt
  - Purchases from our joint ventures: 9,176 mt
- **Total output of marketable products: 10,953 mt**
  - Stable gas condensate: 8,501 mt
  - LPG: 2,452 mt

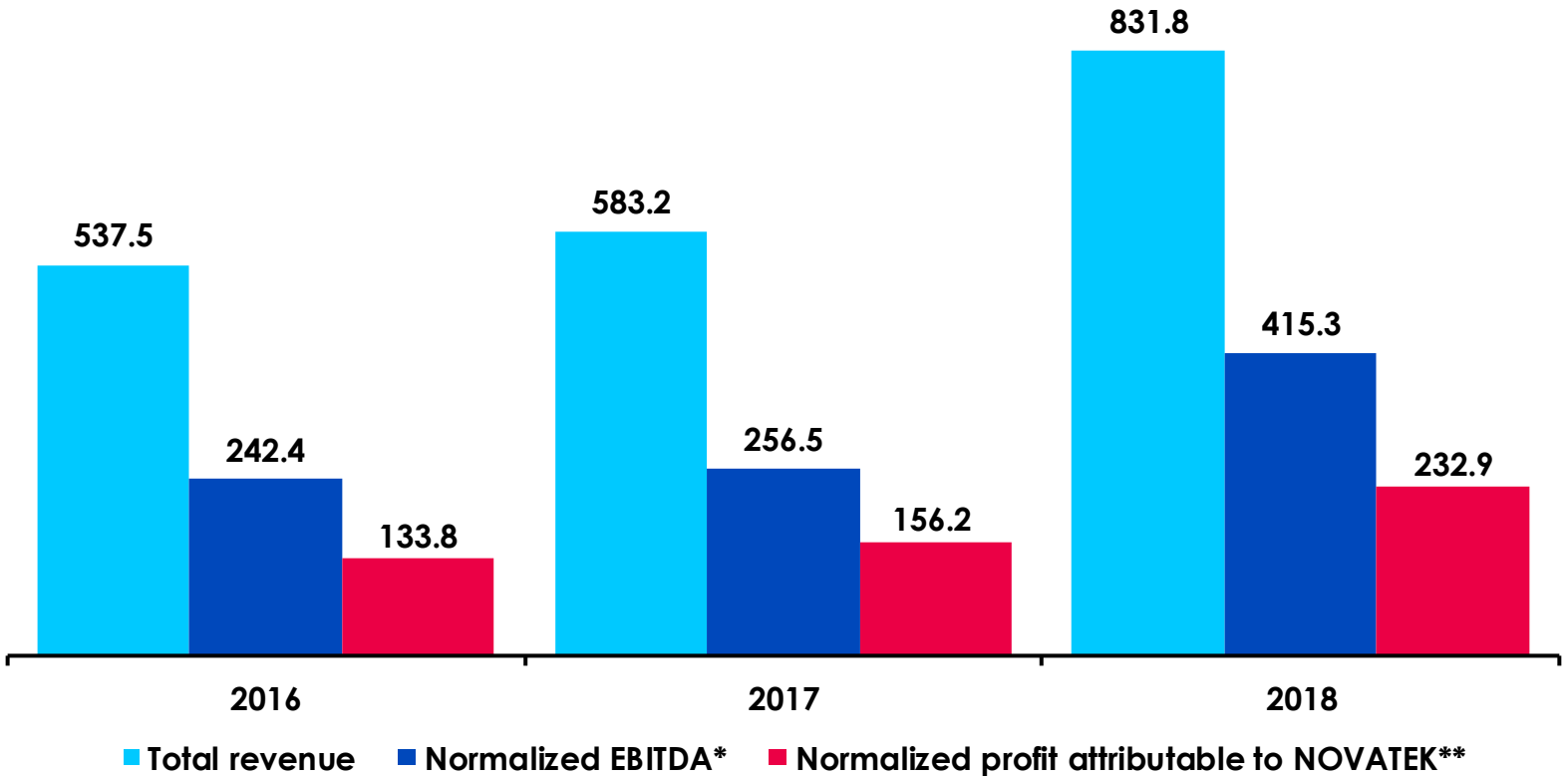
Ust-Luga Complex

- **Total volumes delivered in 2018: 6,950 mt**
- **Total output of marketable stable gas condensate refined products: 6,807 mt**
  - Naphtha: 4,244 mt
  - Other products: 2,563 mt
- **Stable gas condensate refined products sold: 6,683 mt**
  - to Europe: 3,624 mt
  - to the Asian Pacific Region: 2,116 mt
  - to North America: 687 mt
  - Other: 256 mt

NOVATEK

Financial Overview – 2018 to 2017

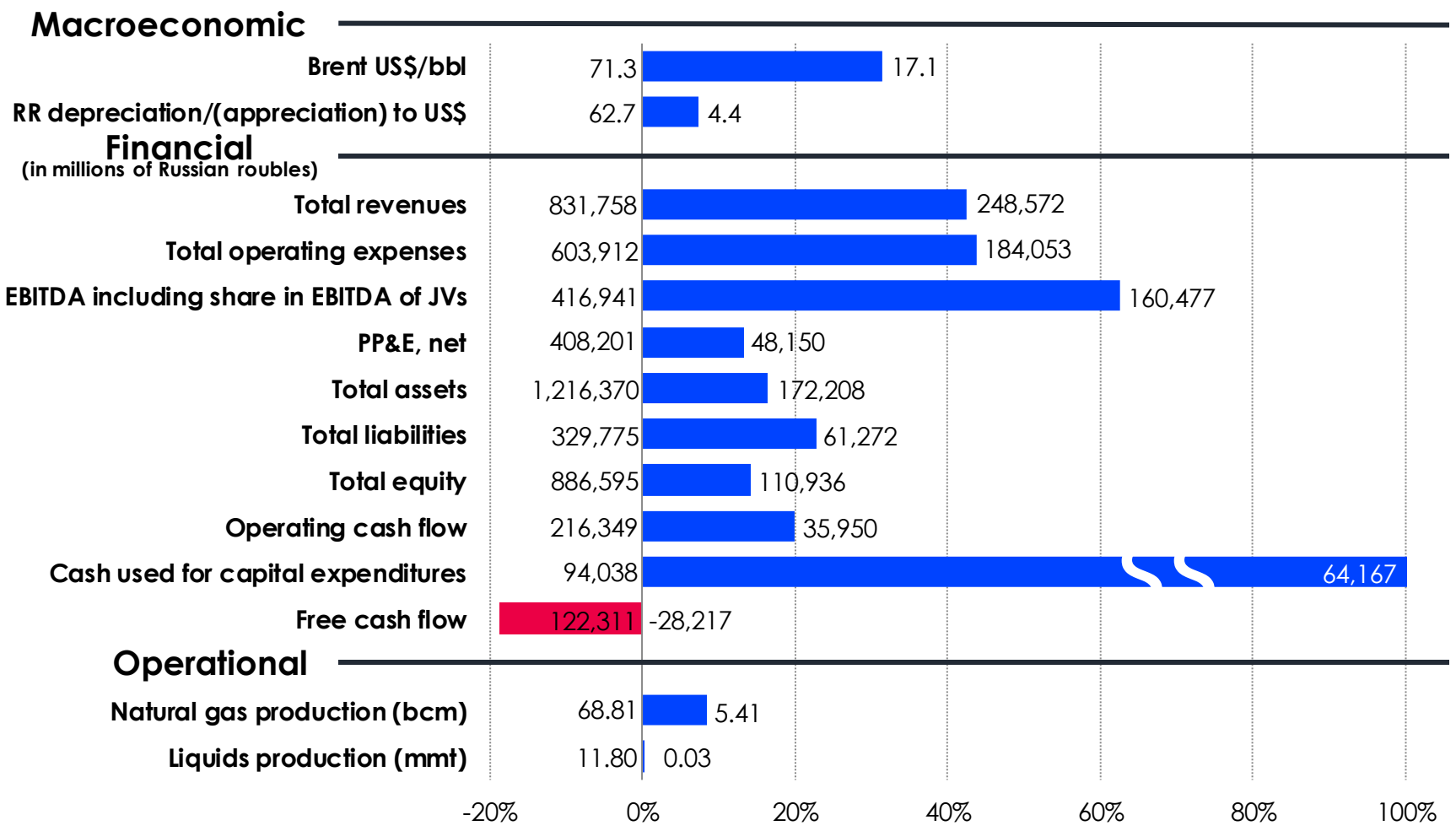
Financial Overview



* 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).

In 2018, our financial results were positively affected by the commencement of LNG production at the first three LNG trains at Yamal LNG, an increase in natural gas sales volumes in the Russian domestic market, and an increase in average realized liquid hydrocarbons and natural gas prices.

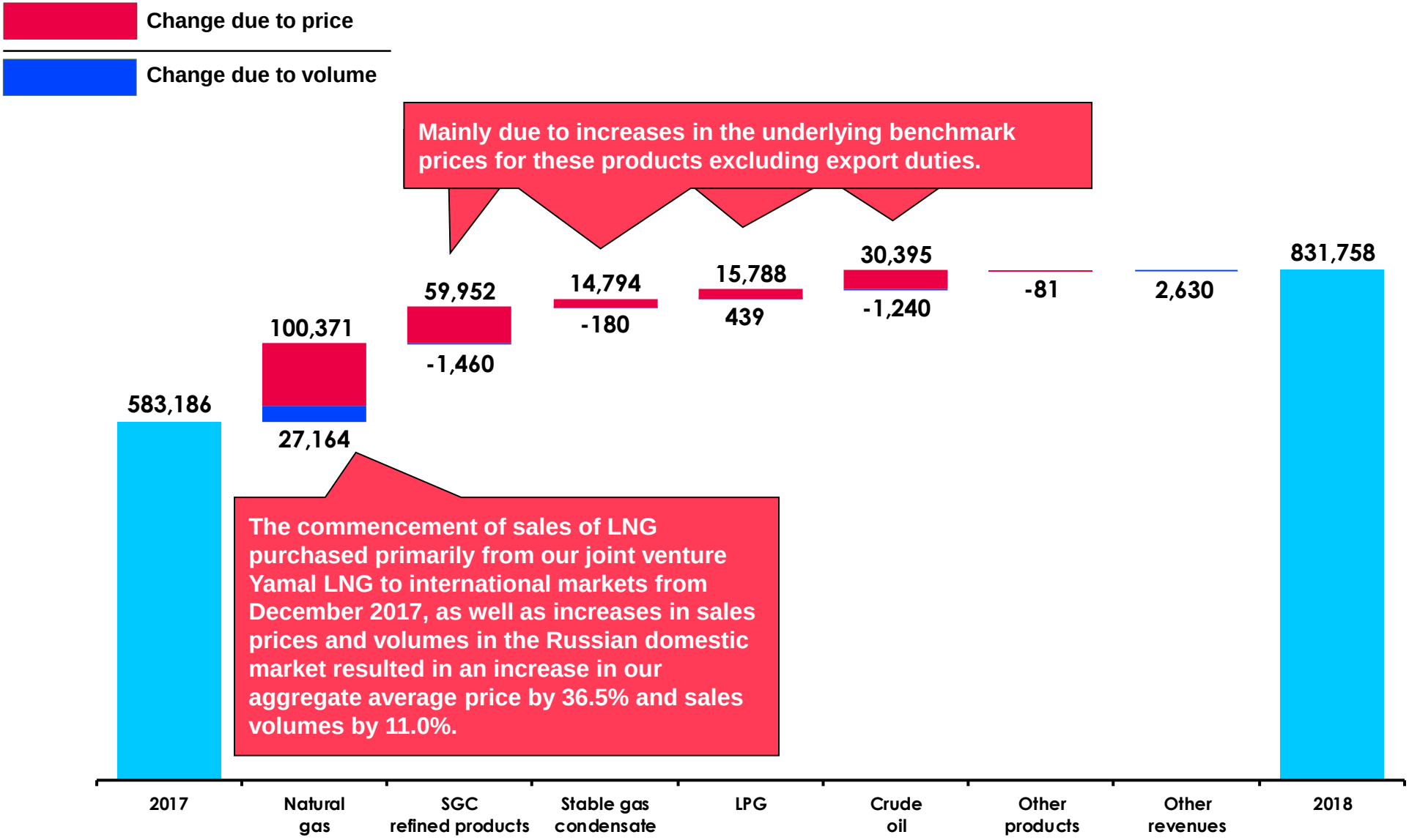
Performance Summary 2018/2017



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

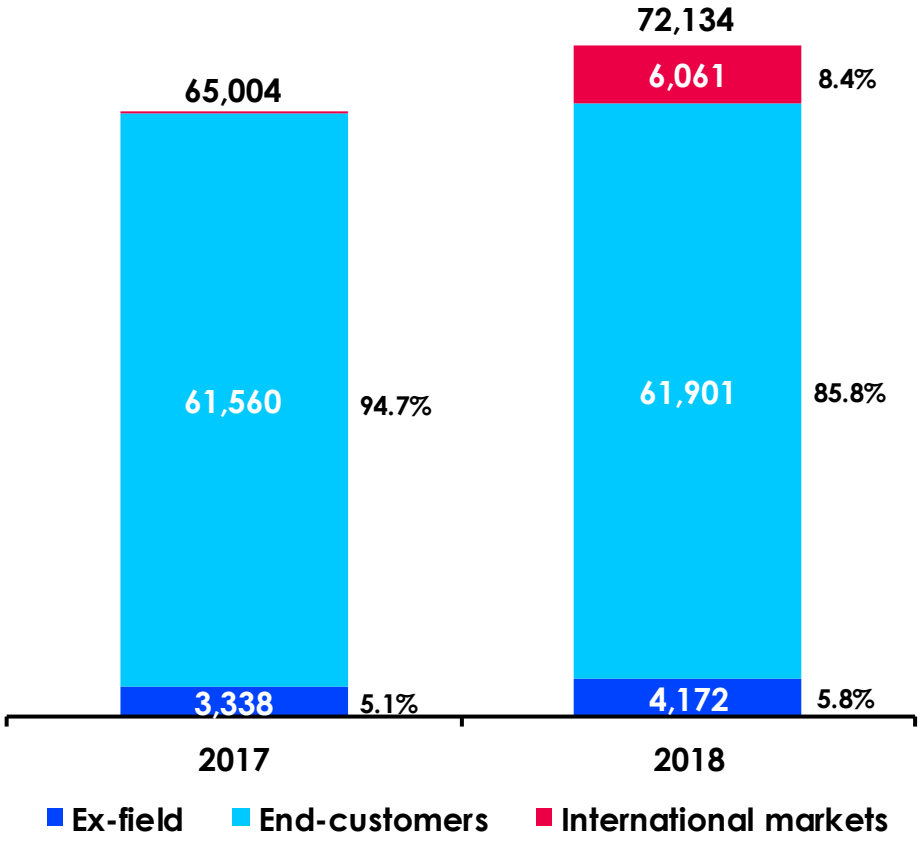
NOVATEK

Total Revenues (RR million)



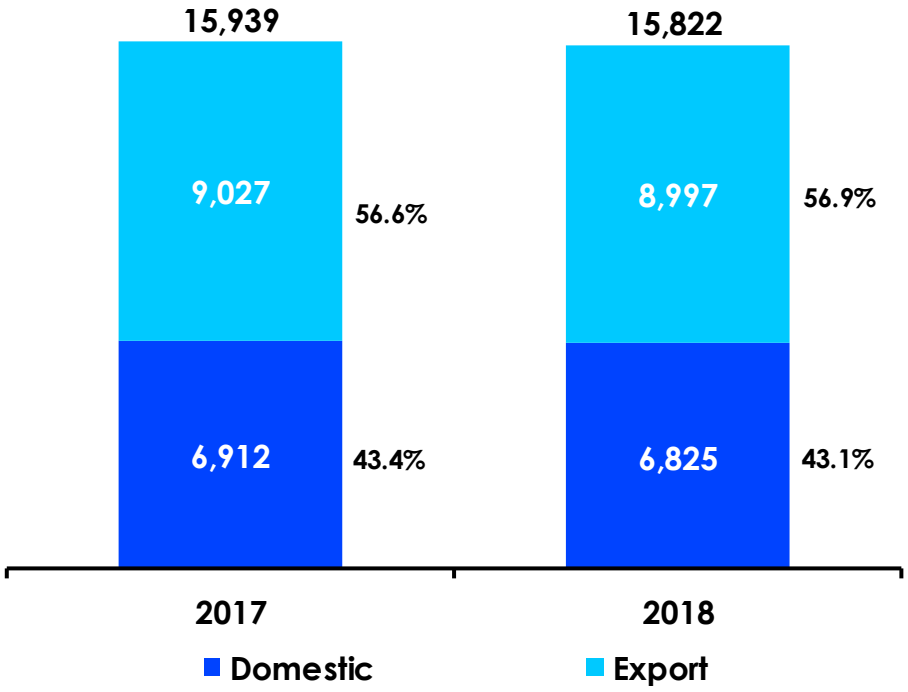
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



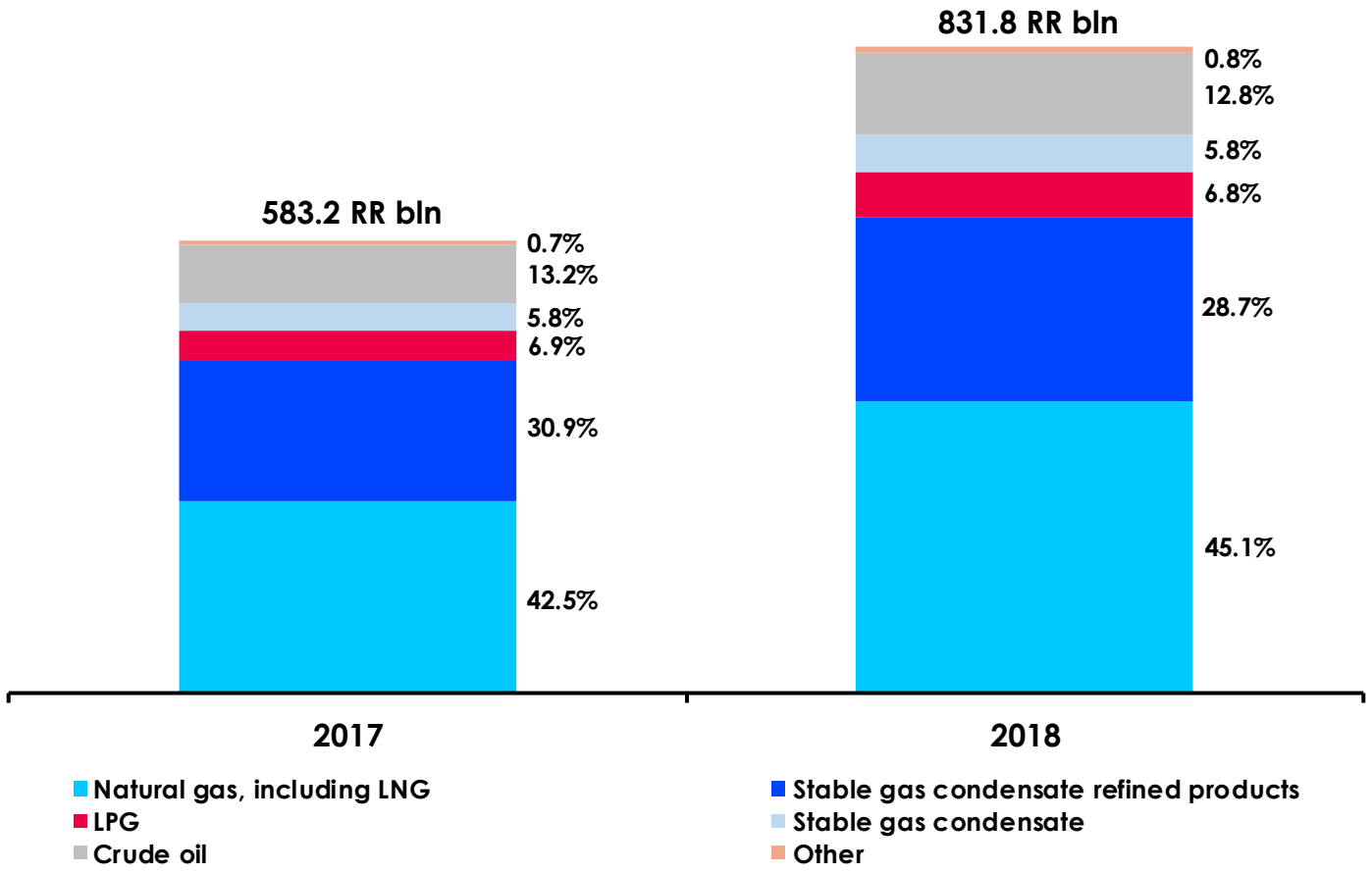
Our total natural gas sales volumes increased primarily due to sales of LNG purchased from our joint venture Yamal LNG to international markets, as well as an increase in volumes sold in the Russian Federation.

Liquids Sales Volumes, mt



Our liquids sales volumes changed marginally.

Total Revenues Breakdown



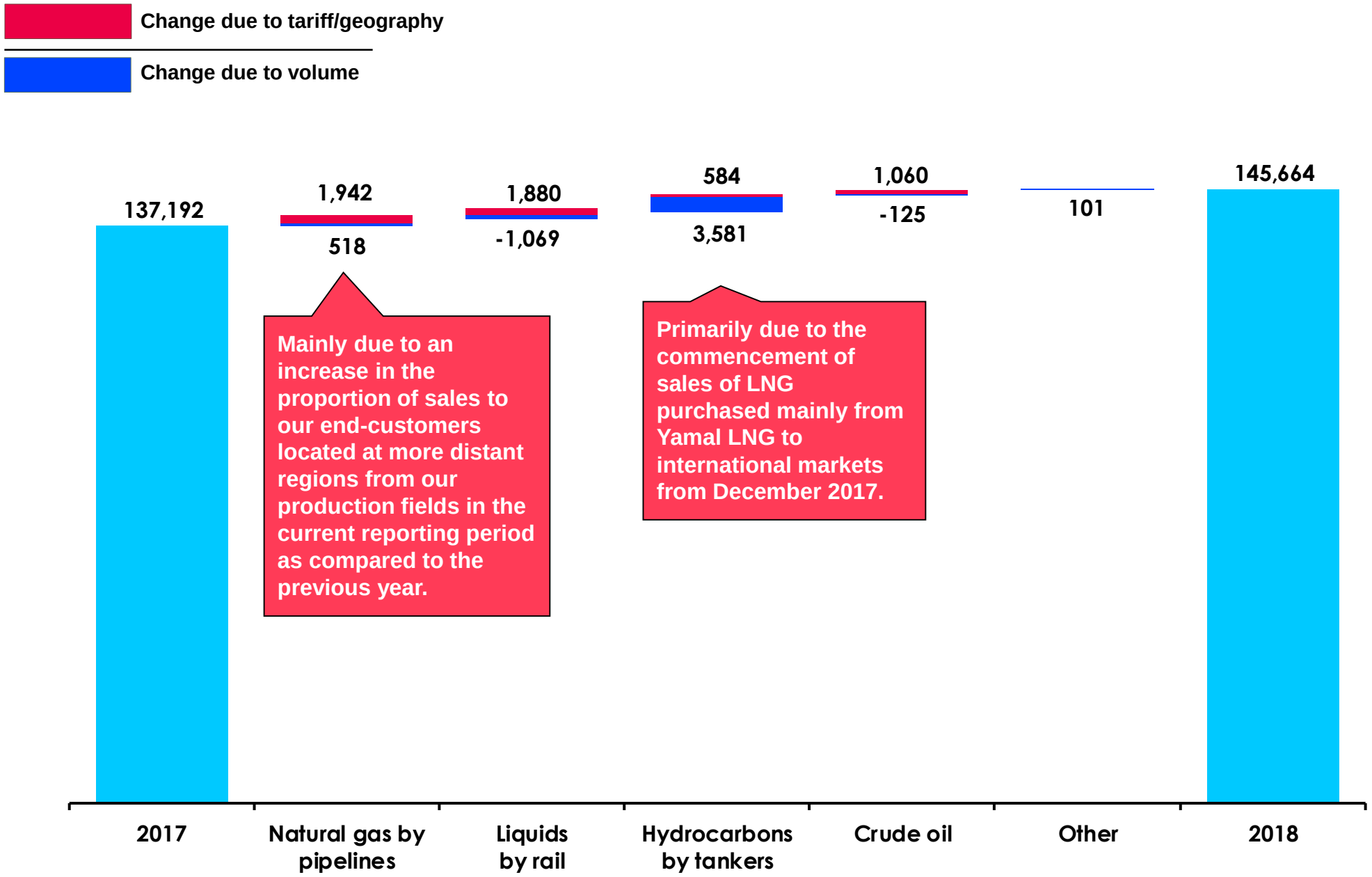
The commencement of sales of LNG purchased primarily from our joint venture Yamal LNG to international markets, as well as increases in sales prices and volumes in the Russian domestic market resulted in an increase in our total revenues from natural gas sales by RR 127,535 million, or 51.5%, compared to 2017.

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

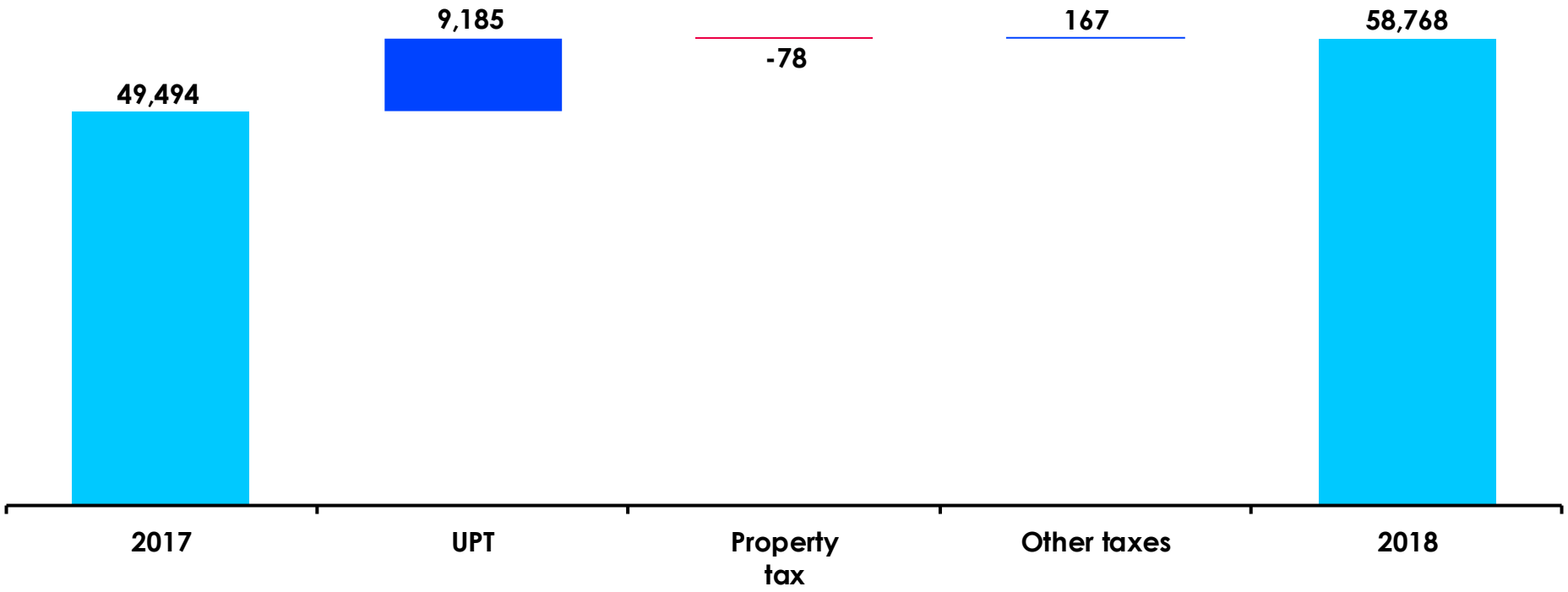
	2017	% of TR	2018	% of TR
Transportation expenses	**137,192**	*23.5%*	**145,664**	*17.5%*
Taxes other than income tax	**49,494**	*8.5%*	**58,768**	*7.1%*
Non-controllable expenses	**186,686**	*32.0%*	**204,432**	*24.6%*
Depreciation and amortization	**34,523**	*5.9%*	**33,094**	*4.0%*
Materials, services & other	**20,768**	*3.6%*	**22,675**	*2.7%*
General and administrative	**17,170**	*2.9%*	**22,282**	*2.7%*
Exploration expenses	**1,819**	*0.3%*	**7,012**	*0.8%*
Net impairment expenses (reversals)	**52**	*n/a*	**287**	*n/a*
Change in natural gas, liquids and WIP	**-2,602**	*n/a*	**-5,860**	*n/a*
Subtotal operating expenses	**258,416**	*44.3%*	**283,922**	*34.1%*
Purchases of natural gas and liquid hydrocarbons	**161,443**	*27.7%*	**319,990**	*38.5%*
Total operating expenses	**419,859**	*72.0%*	**603,912**	*72.6%*

- **Our total operating expenses increased mainly due to an increase in purchases of natural gas and liquid hydrocarbons as a result of an increase in volumes of natural gas purchased from our joint ventures (in particular, with the commencement of LNG production at the first three LNG trains at Yamal LNG), as well as an increase in the average purchase prices for hydrocarbons.**

Transportation Expenses (RR million)

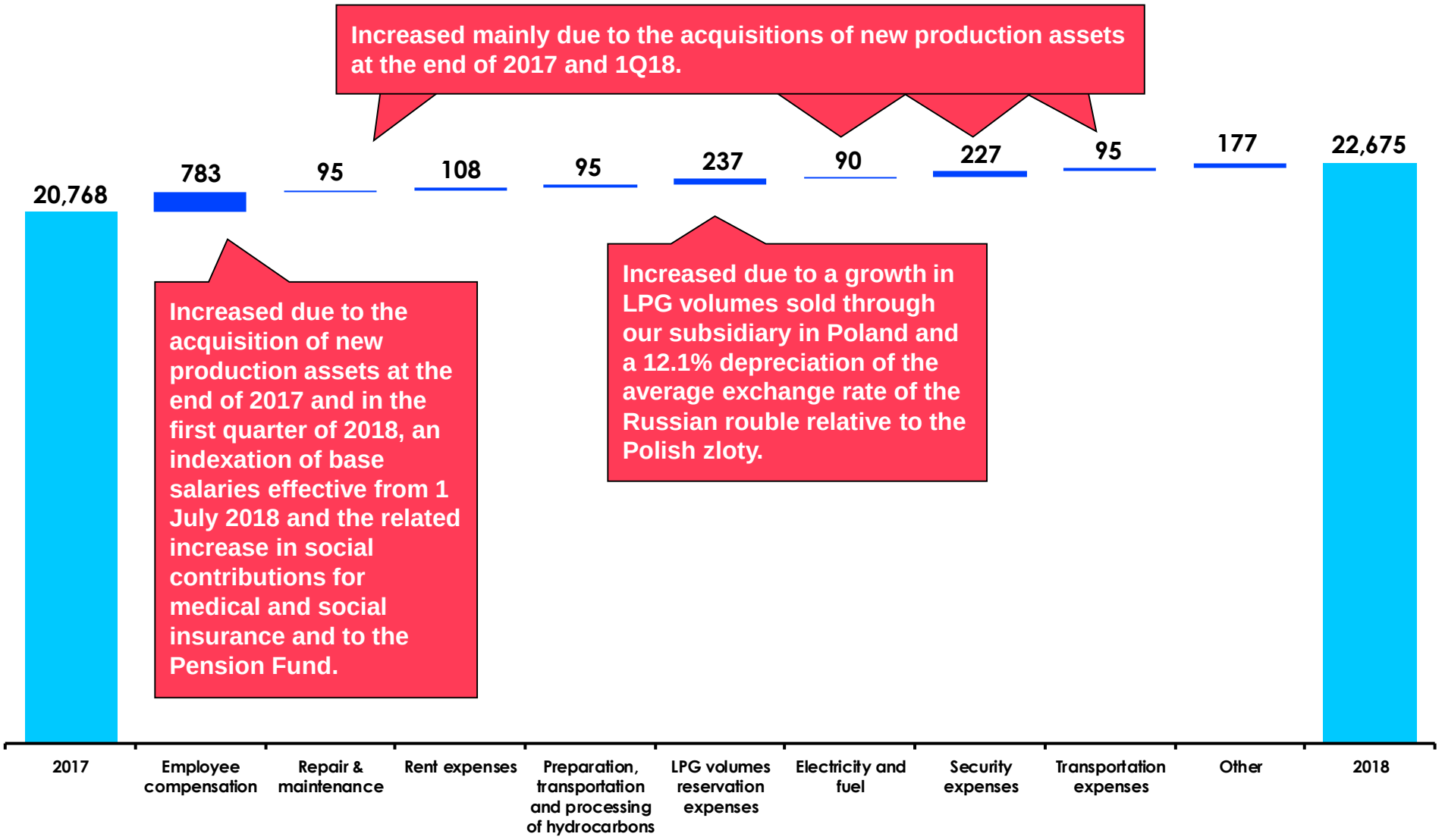


Taxes Other Than Income Tax Expense (RR million)

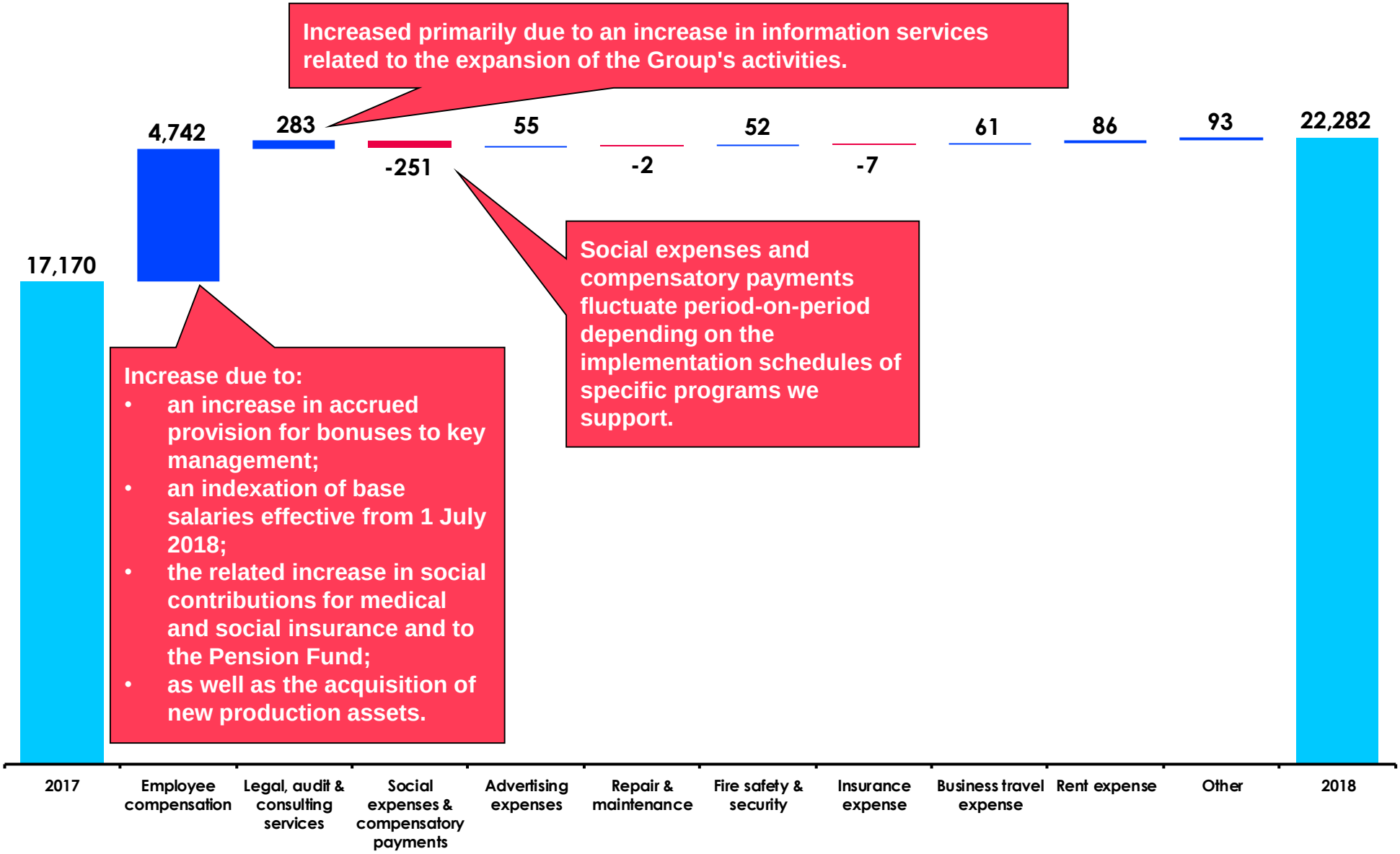


- Our unified natural resources production tax expense increased by 20.2% mainly due to an increase in UPT rates for crude oil and natural gas as a result of an increase in benchmark crude oil prices, as well as due to changes in the formula for crude oil UPT rate calculation effective 1 January 2018.

Materials, Services and Other Expenses (RR million)

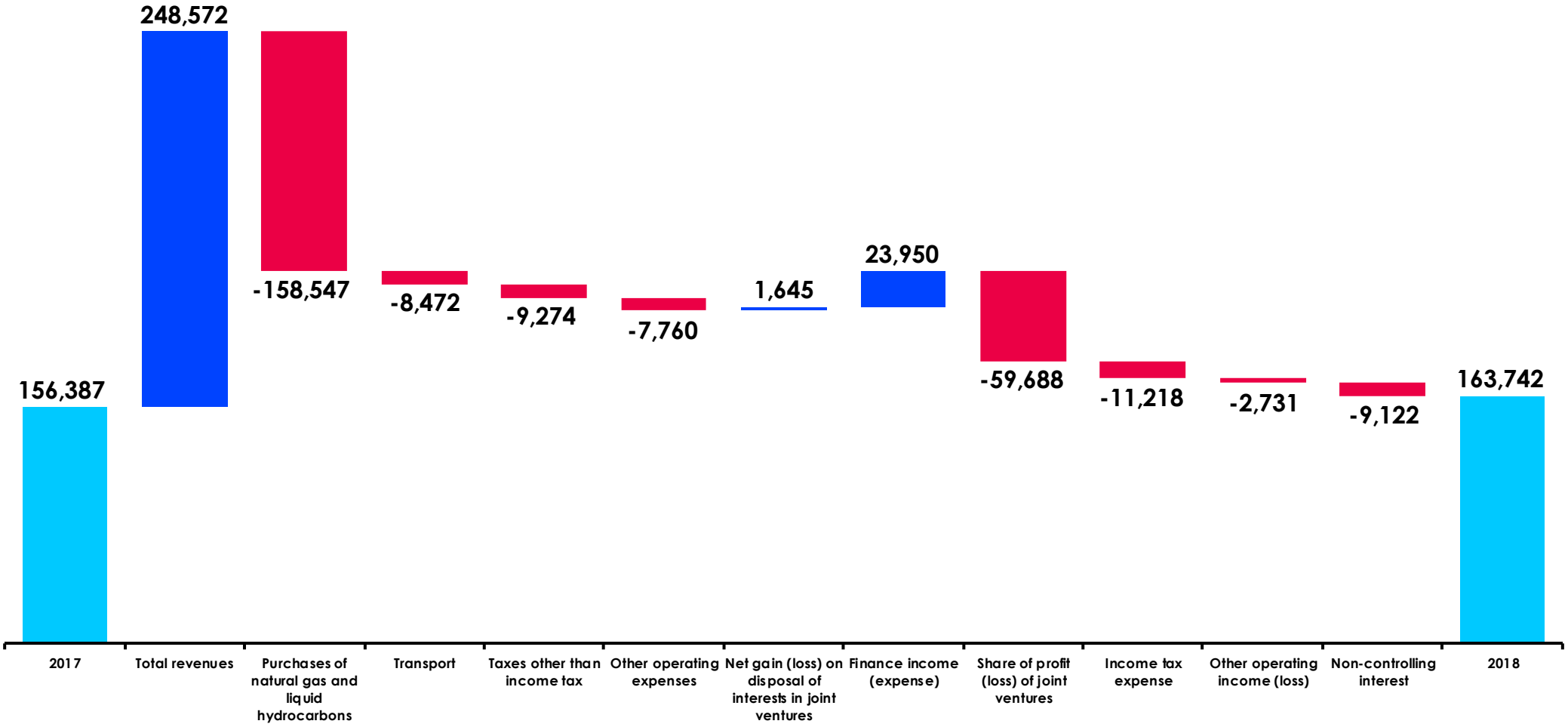


General and Administrative Expenses (RR million)



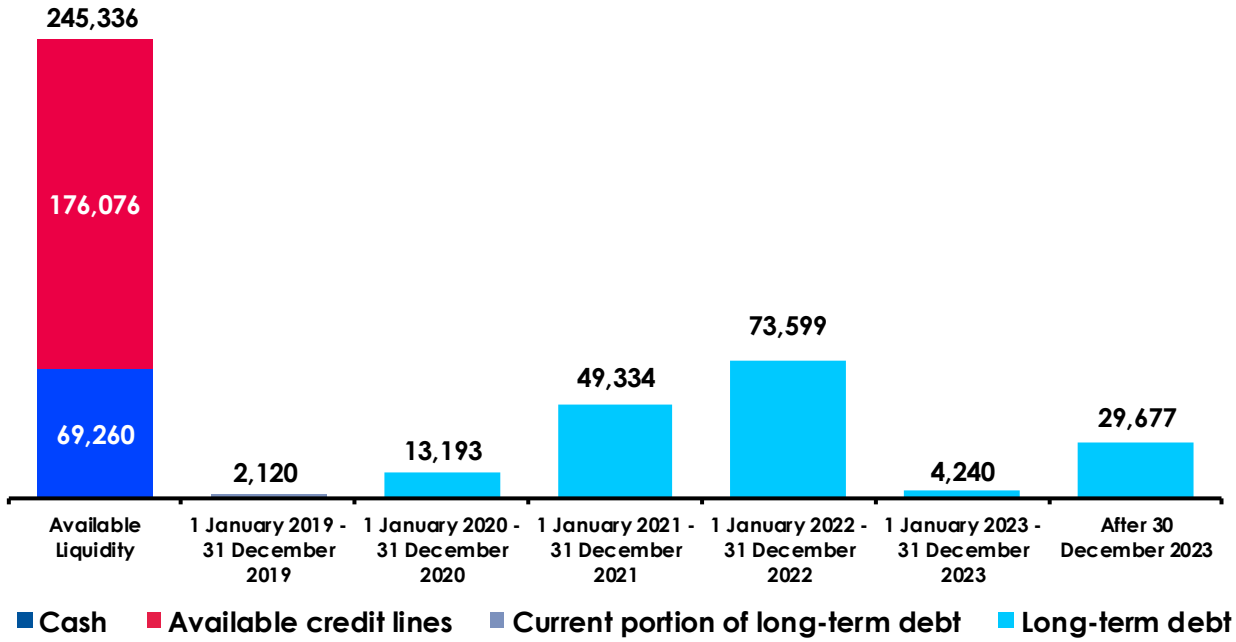
Profit Attributable to NOVATEK Shareholders

(RR million)



- In 2018, the Group's profit was significantly impacted by the recognition of substantial non-cash foreign exchange effect on foreign currency denominated loans of the Group and its joint ventures (in 2017, foreign exchange effect was less significant). Excluding the effect of foreign exchange gains (losses), as well as the one-time effect from the disposal of interests in joint ventures, our profit attributable to shareholders of PAO NOVATEK increased by RR 76,764 million, or 49.2%, and amounted to RR 232,930 million in 2018 compared to RR 156,166 million in 2017.

Total Debt Maturity Profile (RR million)



The Group has available credit line facilities from 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 2019 – Loan from the Silk Road Fund
Up to 31 December 2020 – Loan from the Silk Road Fund and Other loans
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

Liquids in Tankers

Liquids sales

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

"Goods in transit" 31.12.2017 ~ 314 thousand tons

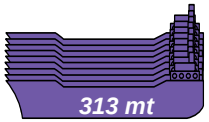
Asia-Pacific Region (Naphtha)

"Goods in transit" 30.09.2018 ~ 245 thousand tons

Middle East (SGC)

Asia-Pacific Region (Naphtha)

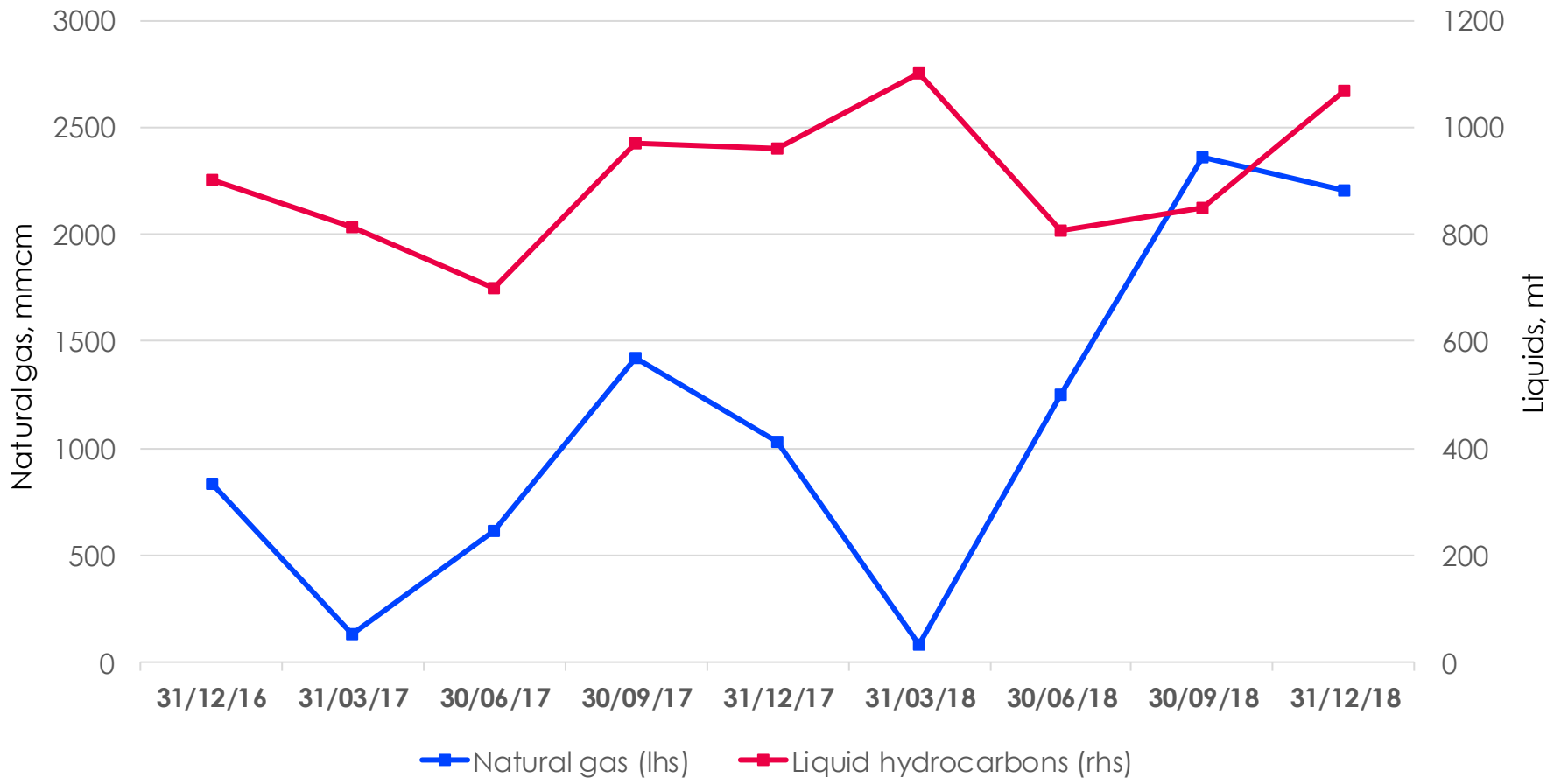
"Goods in transit" 31.12.2018 ~ 313 thousand tons



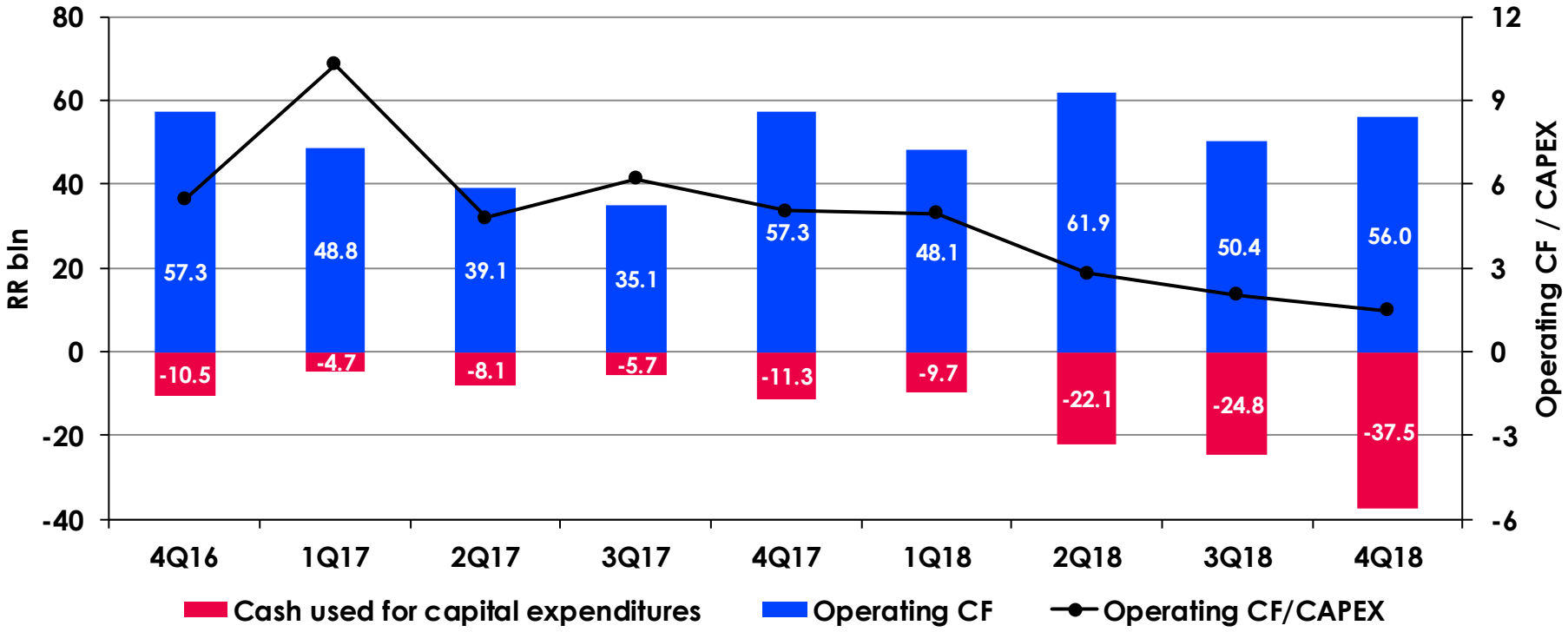
Asia-Pacific Region (Naphtha)

NOVATEK

Change in Inventories



Internally Funded Investment Program



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

NOVATEK