

NOVATEK

2019 Operational and Financial Results Conference Call



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Moscow, Russian Federation
20 February 2020

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.

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Summary Operational Highlights – 2019

- **Hydrocarbons production** totaled 589.9 mmboe, representing an **increase of 7.4%** compared to 2018
- **Revenue** was RR 862.8 bln representing an **increase of 3.7%** compared to 2018
- **Normalized* profit attributable to shareholders of PAO NOVATEK** was RR 302.4 bln representing an **increase of 86.6%** compared to 2018
- **NOVATEK's share in LNG production** was **11,228 mt** representing an **increase of 117.9%** compared to 2018
- **Total SEC proved reserves**, including the Company's proportionate share in joint ventures, aggregated 16.3 bboe, representing an **increase of 3.0%** compared to the year-end 2018

*Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).

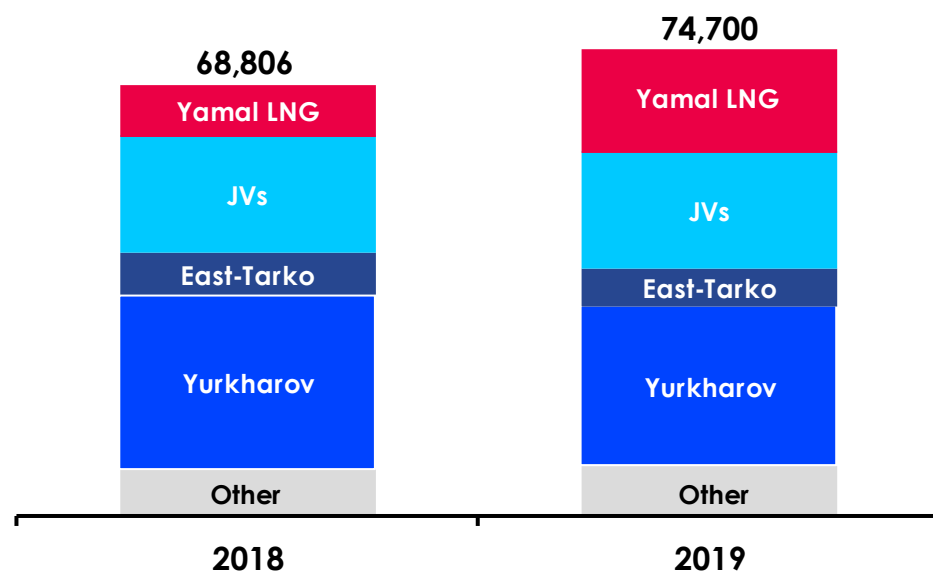
Key Events 2019

- ❑ NOVATEK closed the sales of participation interests (10% each) in Arctic LNG 2 project to TOTAL, CNPC, CNOOC and the consortium of Mitsui and JOGMEC
- ❑ Final Investment Decision made on Arctic LNG 2 project
- ❑ Cryogas-Vysotsk, first medium-scale LNG production project in Baltic region, was launched
- ❑ NOVATEK launched North-Russkoye and South-Khadyryakhinskoye fields and our JV Arcticgas launched East-Urengoyskoye+North-Esetinskoye field
- ❑ NOVATEK acquired mineral licenses for 9 (nine) license areas
- ❑ NOVATEK remained a constituent in the FTSE4Good Emerging Index published by FTSE Russell Ratings

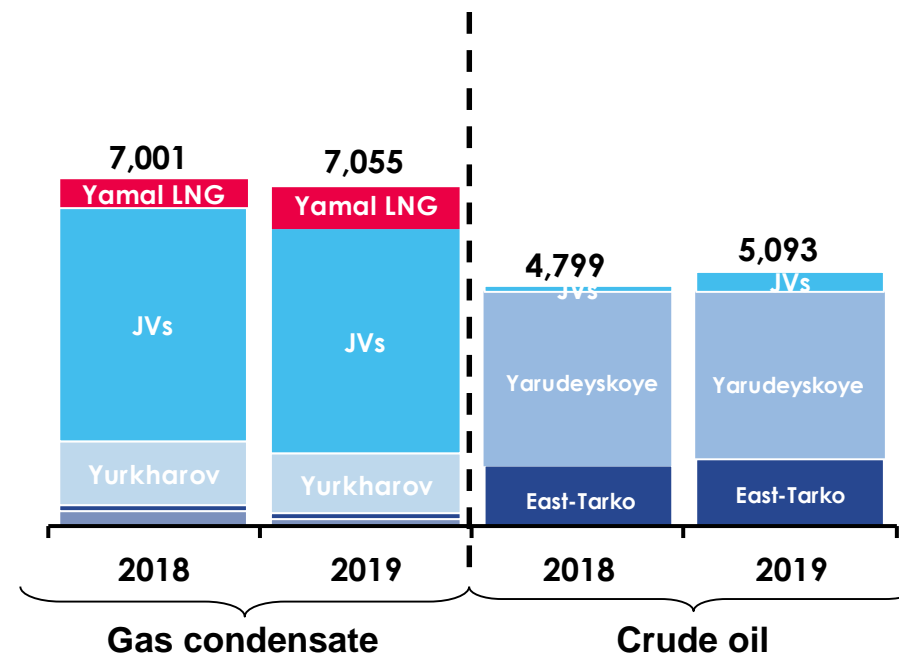
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



The main factors positively impacting our production growth were the commencement of LNG production at the second and third LNG trains at Yamal LNG in July and November 2018, respectively, and the launch of crude oil production at the Yaro-Yakhinskoye field of our joint venture AO Arcticgas in December 2018.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- ❑ **Total volumes delivered in 2019: 10,802 mt**
 - Yurkharovskoye field: 1,178 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 449 mt
 - Other fields: 247 mt
 - Purchases from our joint ventures: 8,928 mt
- ❑ **Total output of marketable products: 10,753 mt**
 - Stable gas condensate: 8,215 mt
 - LPG: 2,538 mt

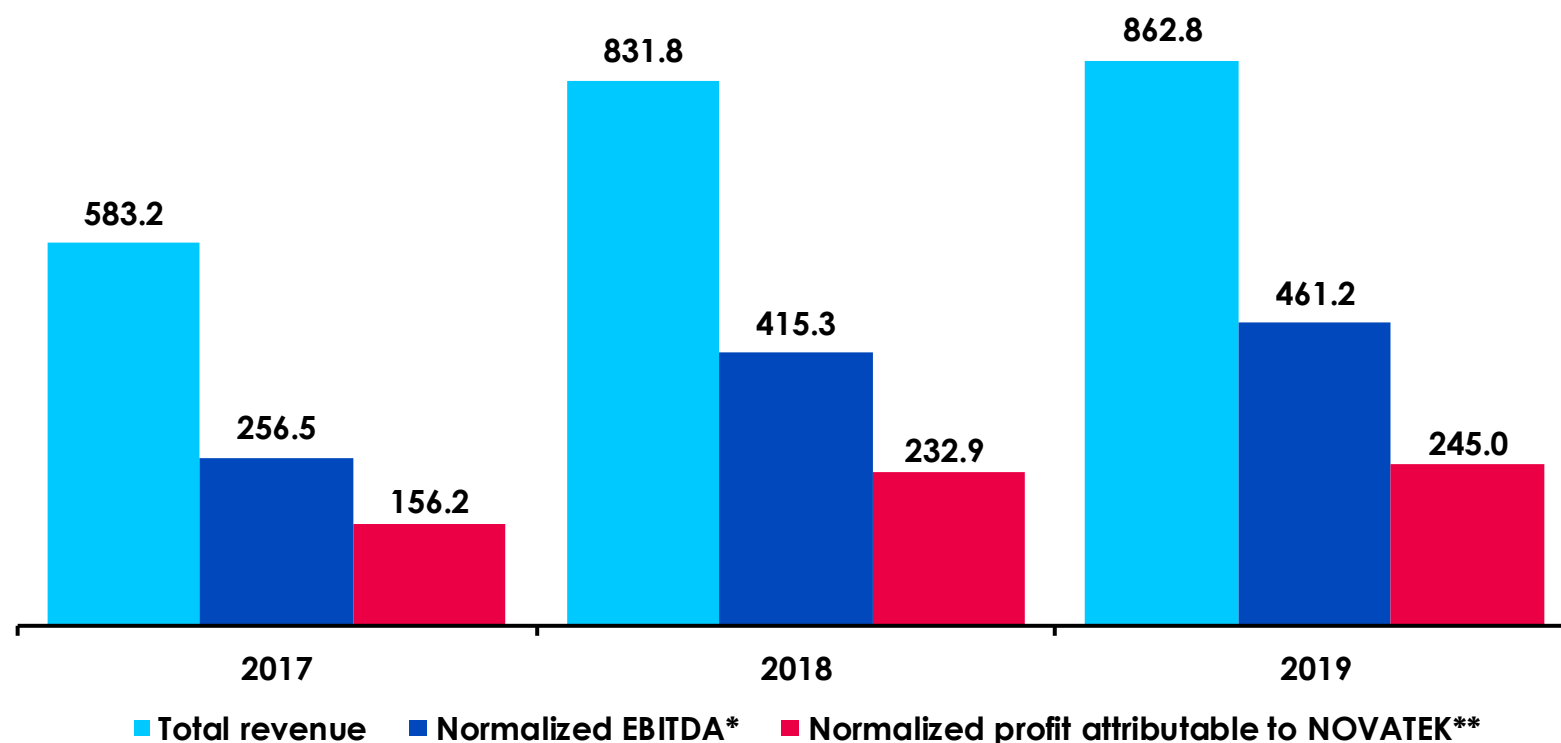
Ust-Luga Complex

- ❑ **Total volumes delivered in 2019: 6,907 mt**
- ❑ **Total output of marketable stable gas condensate refined products: 6,742 mt**
 - Naphtha: 4,299 mt
 - Other products: 2,443 mt
- ❑ **Stable gas condensate refined products sold: 6,981 mt**
 - to Europe: 3,704 mt
 - to the Asian Pacific Region: 1,741 mt
 - to North America: 1,113 mt
 - Other: 423 mt



Financial Overview – 2019 to 2018

Financial Overview

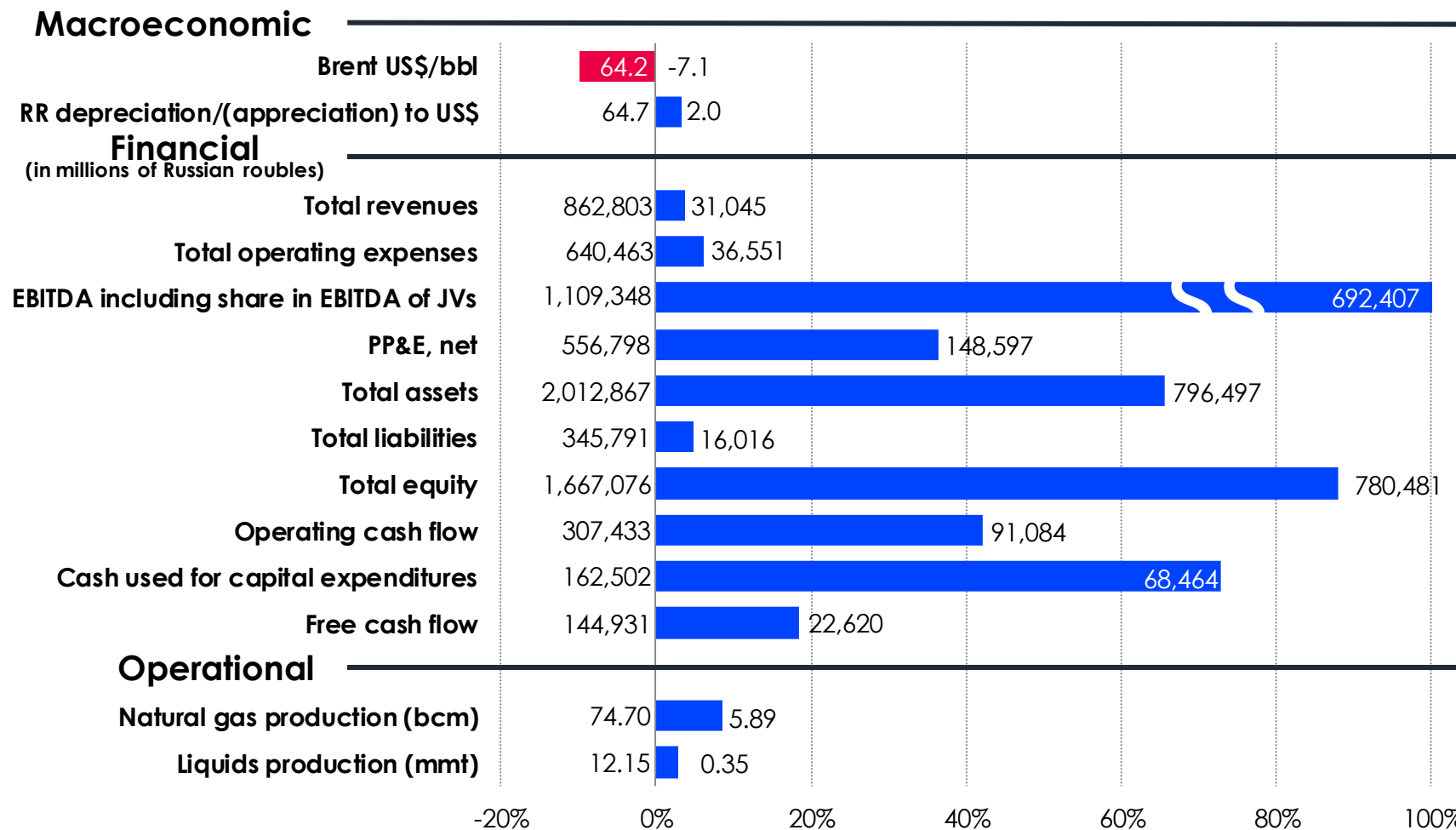


* Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration).

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

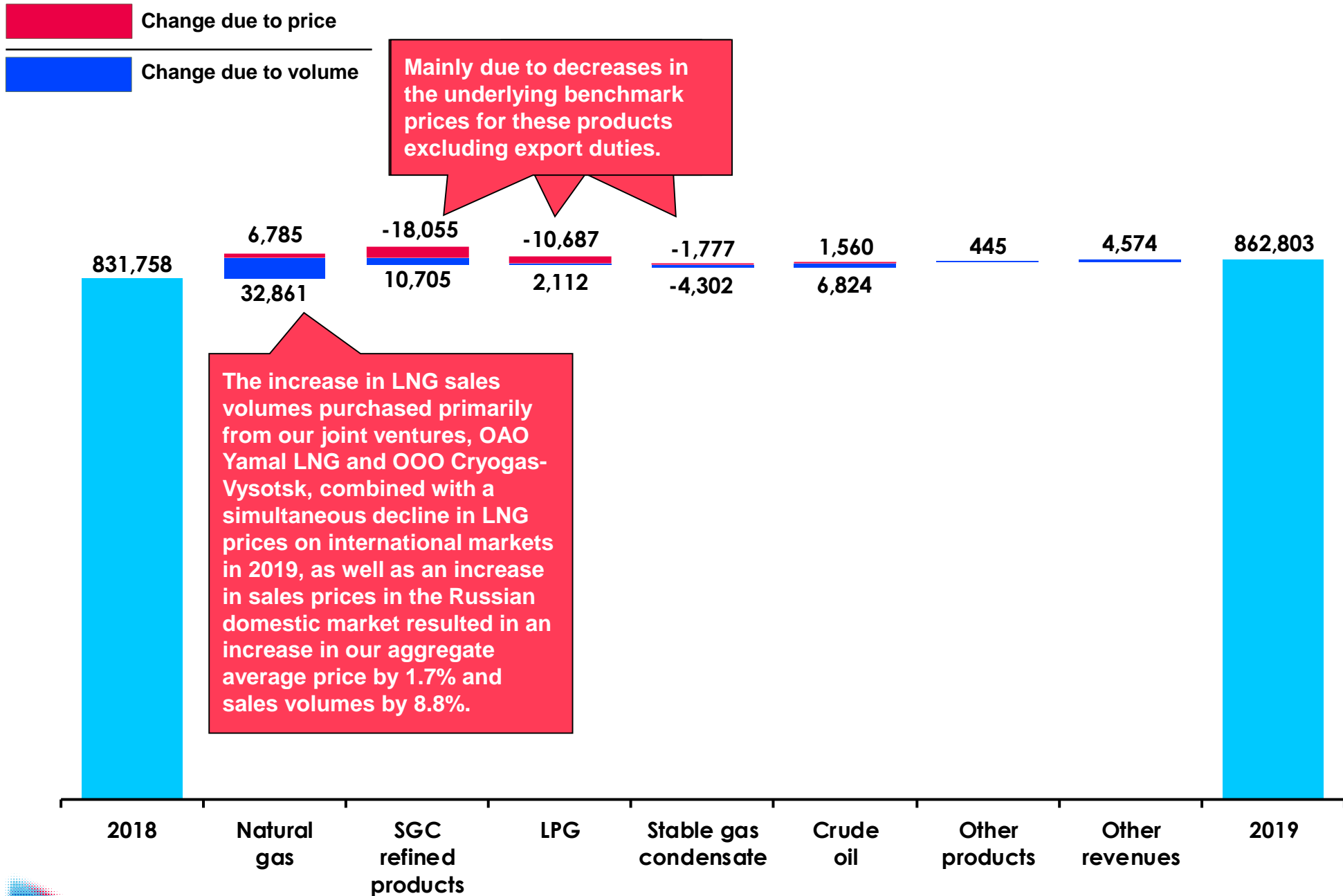
The increases were largely due to an increase in our natural gas sales volumes primarily resulted from the production launch at the second and third LNG trains at Yamal LNG in July and November 2018, respectively, and an increase in our domestic average natural gas sales price. The impact of these factors was offset by a decrease in hydrocarbons sales prices on international markets in 2019.

Performance Summary 2019/2018



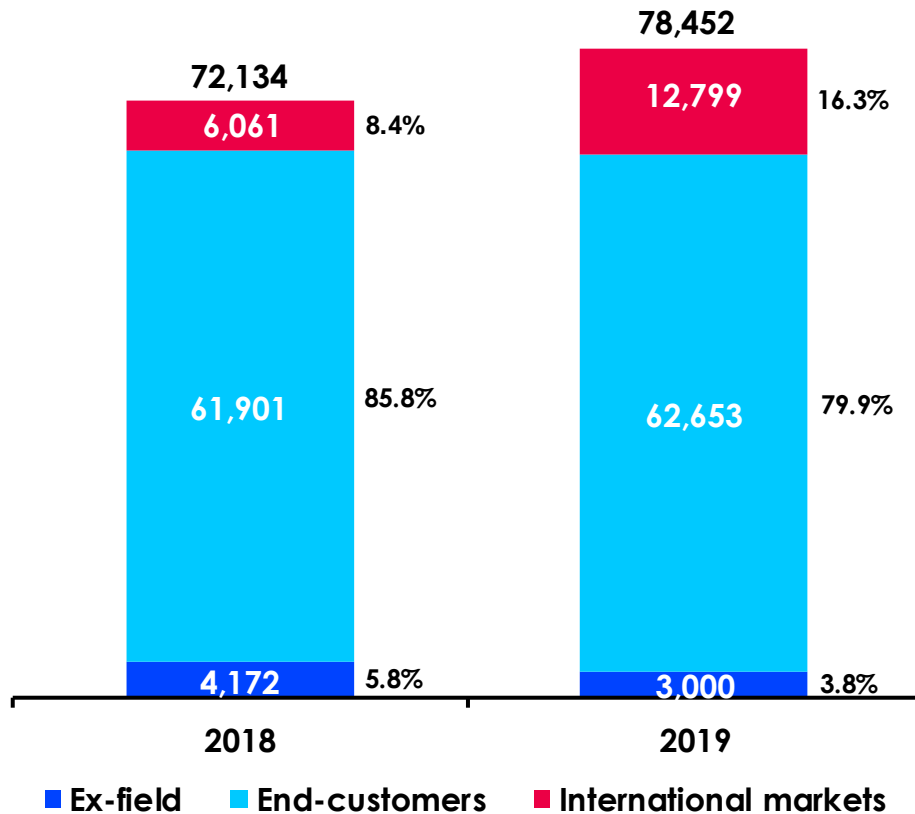
Note: Number on the right is the absolute change, number on the left is the value for the reporting period, size of bar is % change

Total Revenues (RR million)



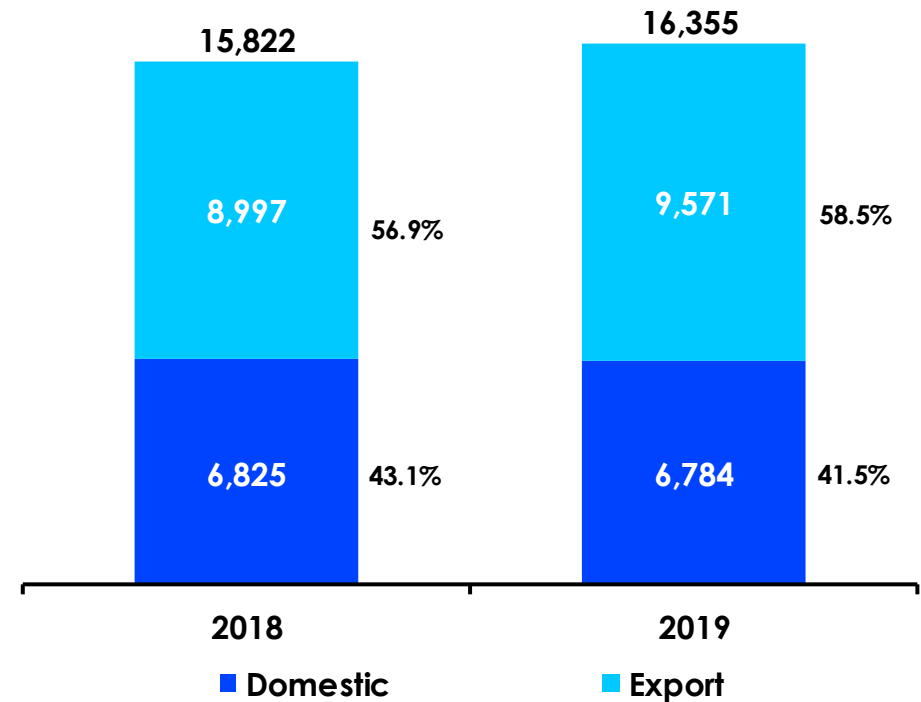
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



Our total natural gas sales volumes increased due to increased sales of LNG on international markets purchased primarily from our joint ventures OAO Yamal LNG and OOO Cryogas-Vysotsk.

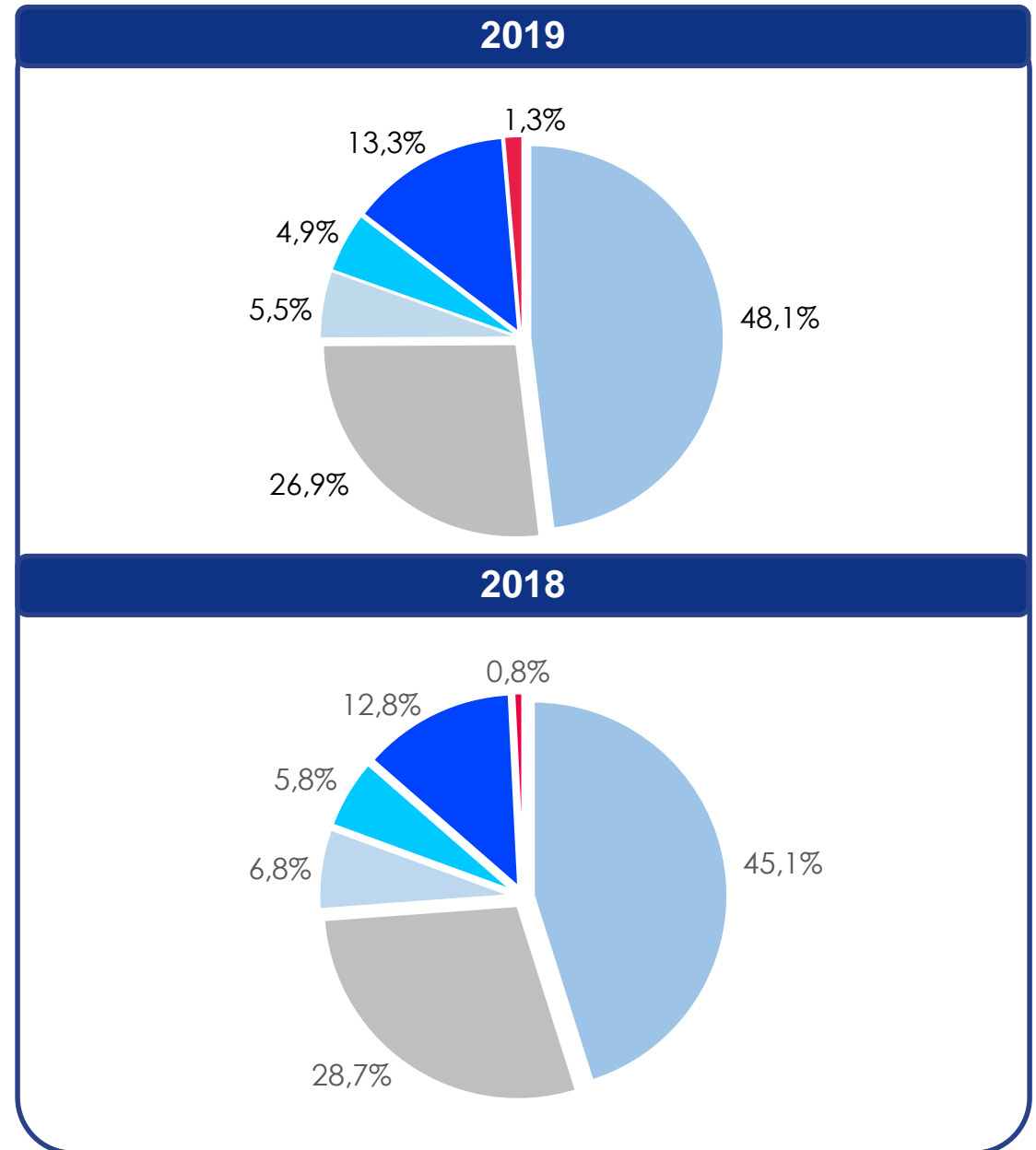
Liquids Sales Volumes, mt



Our liquids sales volumes increased mainly due to crude oil purchases from our joint venture Arcticgas.

Total Revenues Breakdown (RR billion)

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

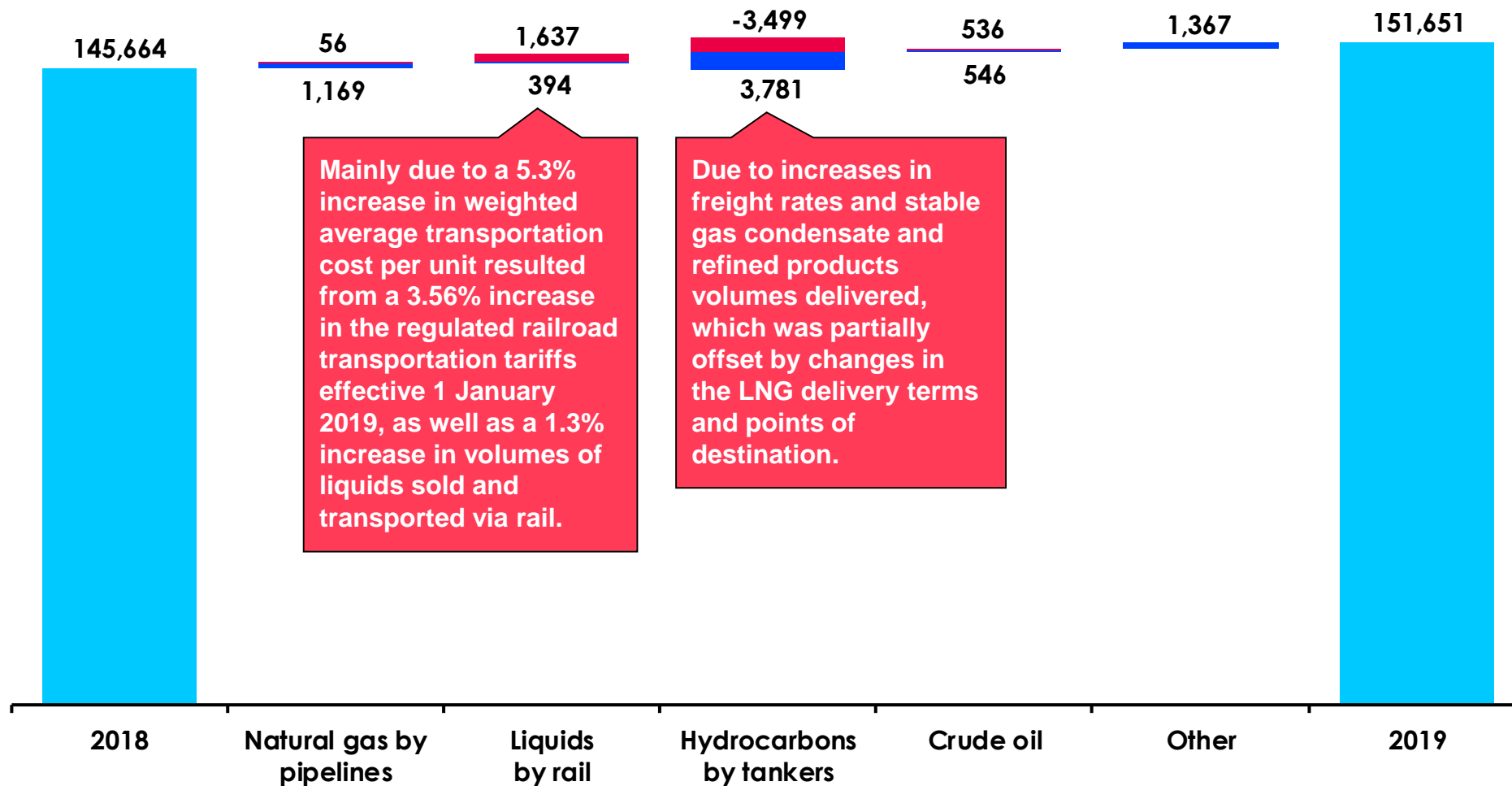
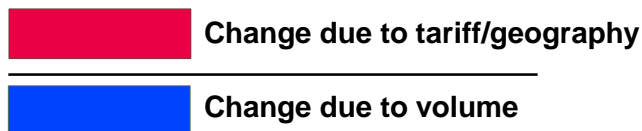


Operating Expenses (RR million and % of Total Revenues (TR))

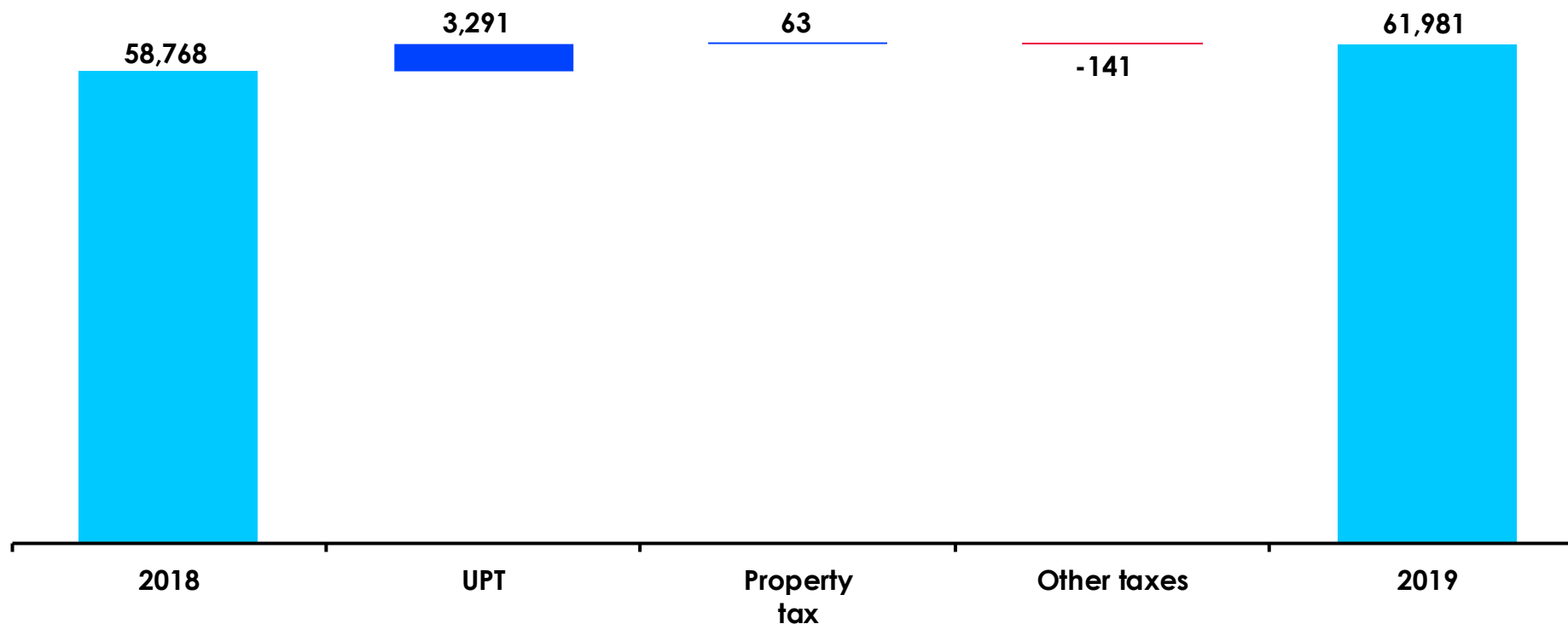
	2018		2019	
	RR million	% of TR	RR million	% of TR
Transportation expenses	145,664	17.5%	151,651	17.6%
Taxes other than income tax	58,768	7.1%	61,981	7.2%
Non-controllable expenses	204,432	24.6%	213,632	24.8%
Depreciation and amortization	33,094	4.0%	32,230	3.7%
Materials, services & other	22,675	2.7%	25,183	2.9%
General and administrative	22,282	2.7%	24,568	2.9%
Exploration expenses	7,012	0.8%	8,386	1.0%
Net impairment expenses (reversals)	287	n/a	162	n/a
Change in natural gas, liquids and WIP	-5,860	n/a	5,484	0.6%
Subtotal operating expenses	283,922	34.1%	309,645	35.9%
Purchases of natural gas and liquid hydrocarbons	319,990	38.5%	330,818	38.3%
Total operating expenses	603,912	72.6%	640,463	74.2%

Our total operating expenses increased mainly due to an increase in volumes of LNG purchased from our joint venture OAO Yamal LNG with the launch of LNG production at the second and third LNG trains in the second half of 2018 and due to changes in our hydrocarbons inventory balances.

Transportation Expenses (RR million)

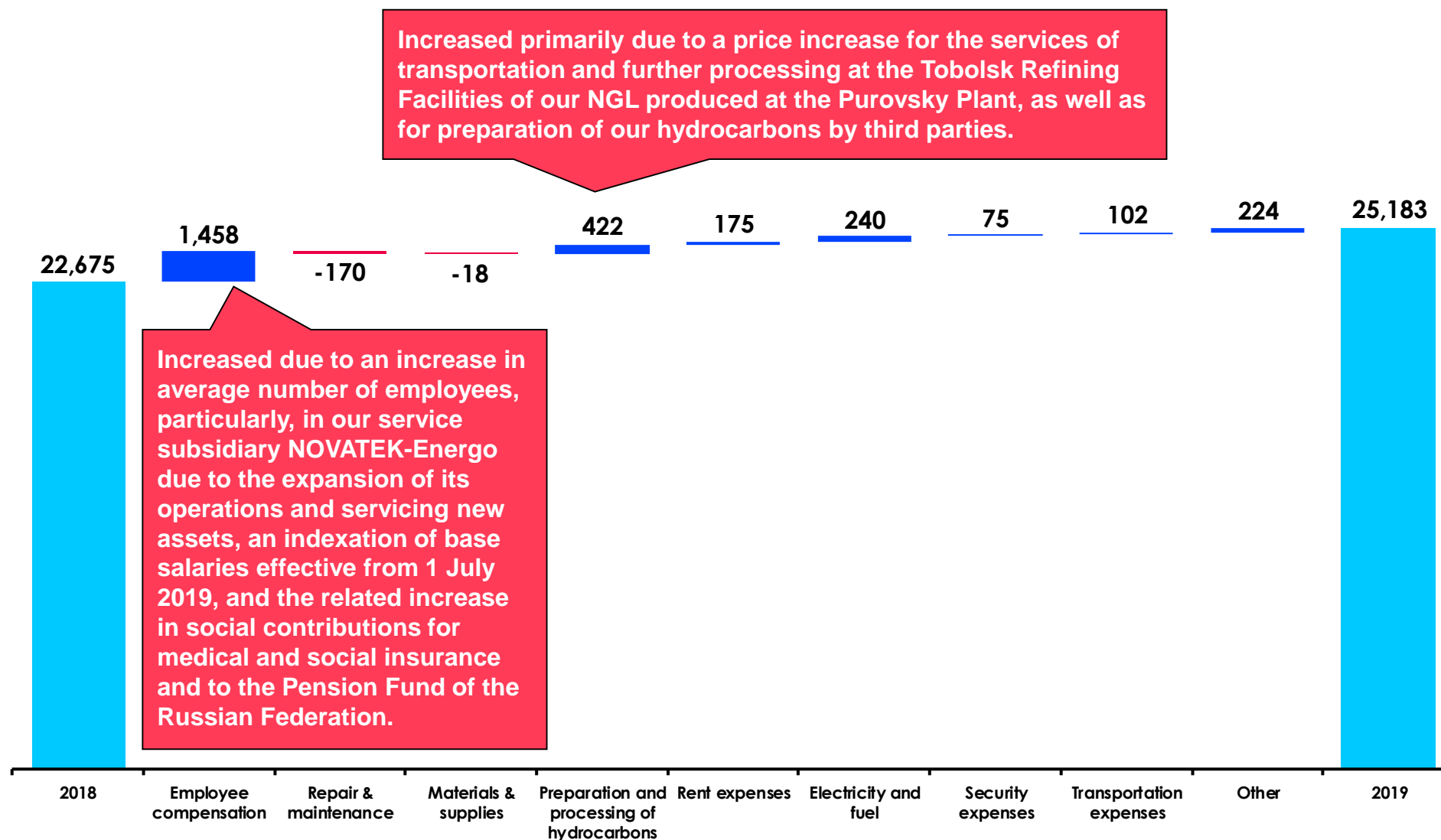


Taxes Other Than Income Tax Expense (RR million)



Our UPT expense increased as a result of the offsetting effects of the following factors: an increase in UPT rates for crude oil and gas condensate resulting from changes in the UPT rates formulas effective 1 January 2019 and a decrease in natural gas production at mature fields of our subsidiaries.

Materials, Services and Other Expenses (RR million)

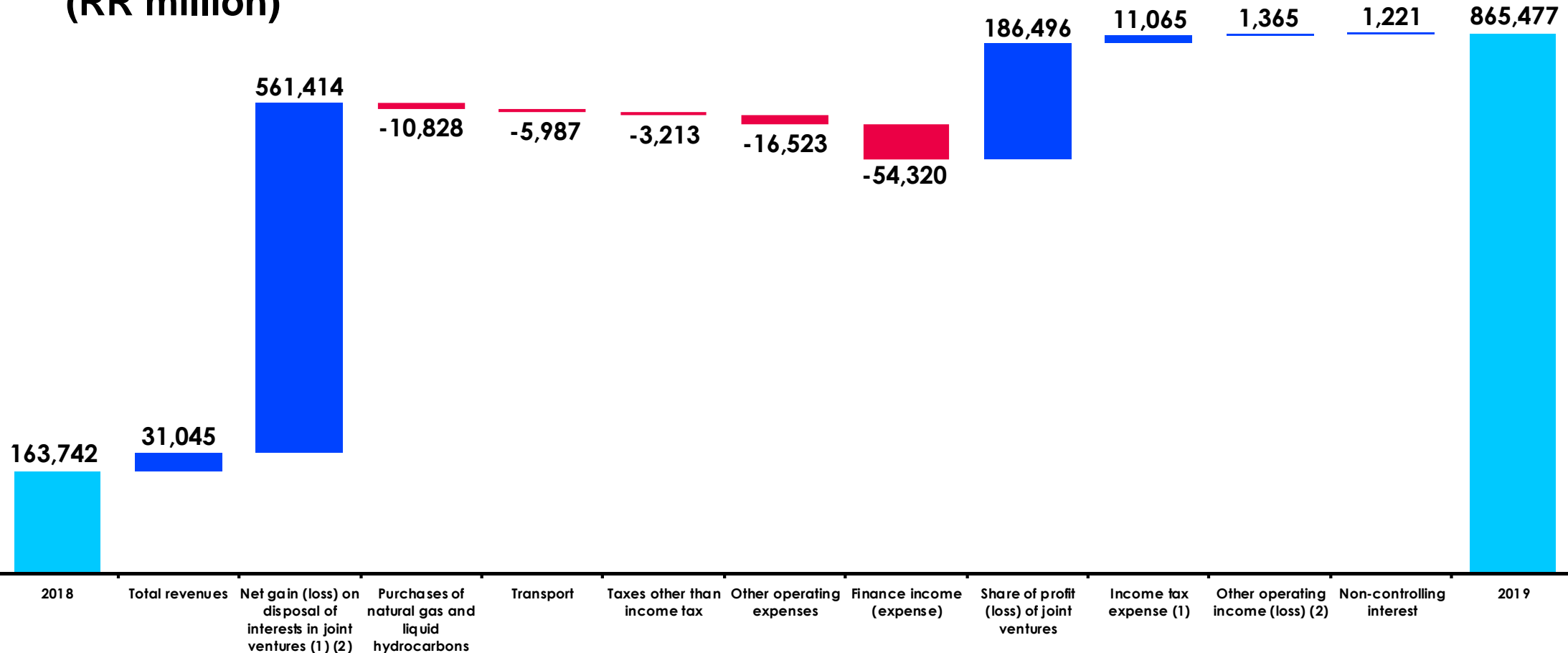


General and Administrative Expenses (RR million)



Profit Attributable to NOVATEK Shareholders

(RR million)

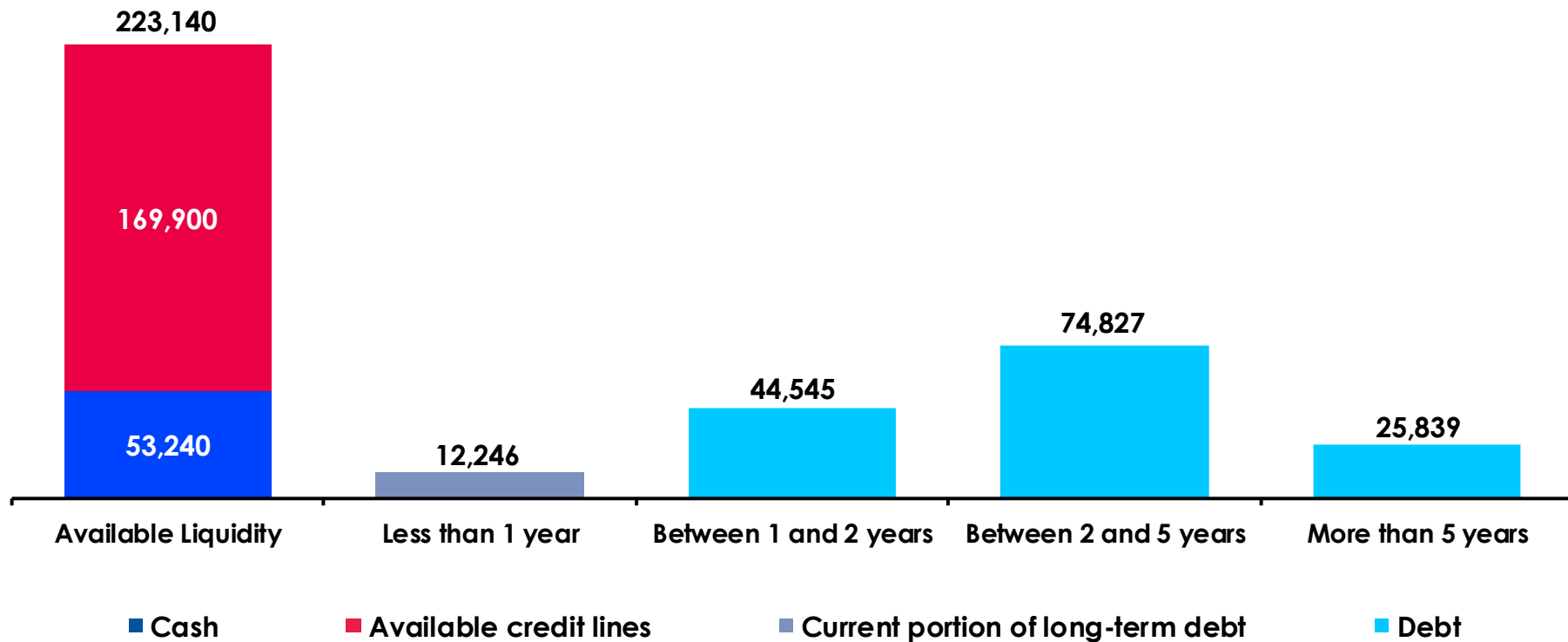


(1) Net of income tax of RR 92,040 million related to the disposal of interests in Arctic LNG 2 in 2019 and RR - 6,908 million related to changes in fair value of contingent consideration.

(2) Net of RR 34,542 million related to changes in fair value of contingent consideration reported within the "Other operating income (loss)".

The Group's financial results in 2019 were significantly impacted by a gain from the disposal of a 40% participation interest in OOO Arctic LNG 2 and the reorganization of our joint venture AO Arcticgas. In addition, in both reporting periods, the Group's subsidiaries and joint ventures recognized significant non-cash foreign exchange effects on foreign currency denominated loans and cash balances.

Total Debt Maturity Profile (RR million)



Debt repayment schedule:

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

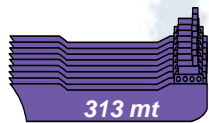
Liquids in Tankers



Liquids sales

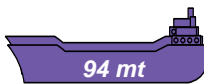
- Naphtha
- Jet fuel
- Gasoil and fuel oil
- LPG
- Crude oil
- Stable gas condensate

“Goods in transit”
31.12.2018
~ 313 thousand tons



Asia-Pacific Region
(Naphtha)

“Goods in transit”
30.09.2019
~ 205 thousand tons



Asia-Pacific Region
(Naphtha)

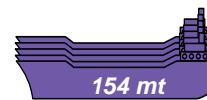


Europe
(Fuel oil)



Asia-Pacific Region
(SGC)

“Goods in transit”
31.12.2019
~ 171 thousand tons

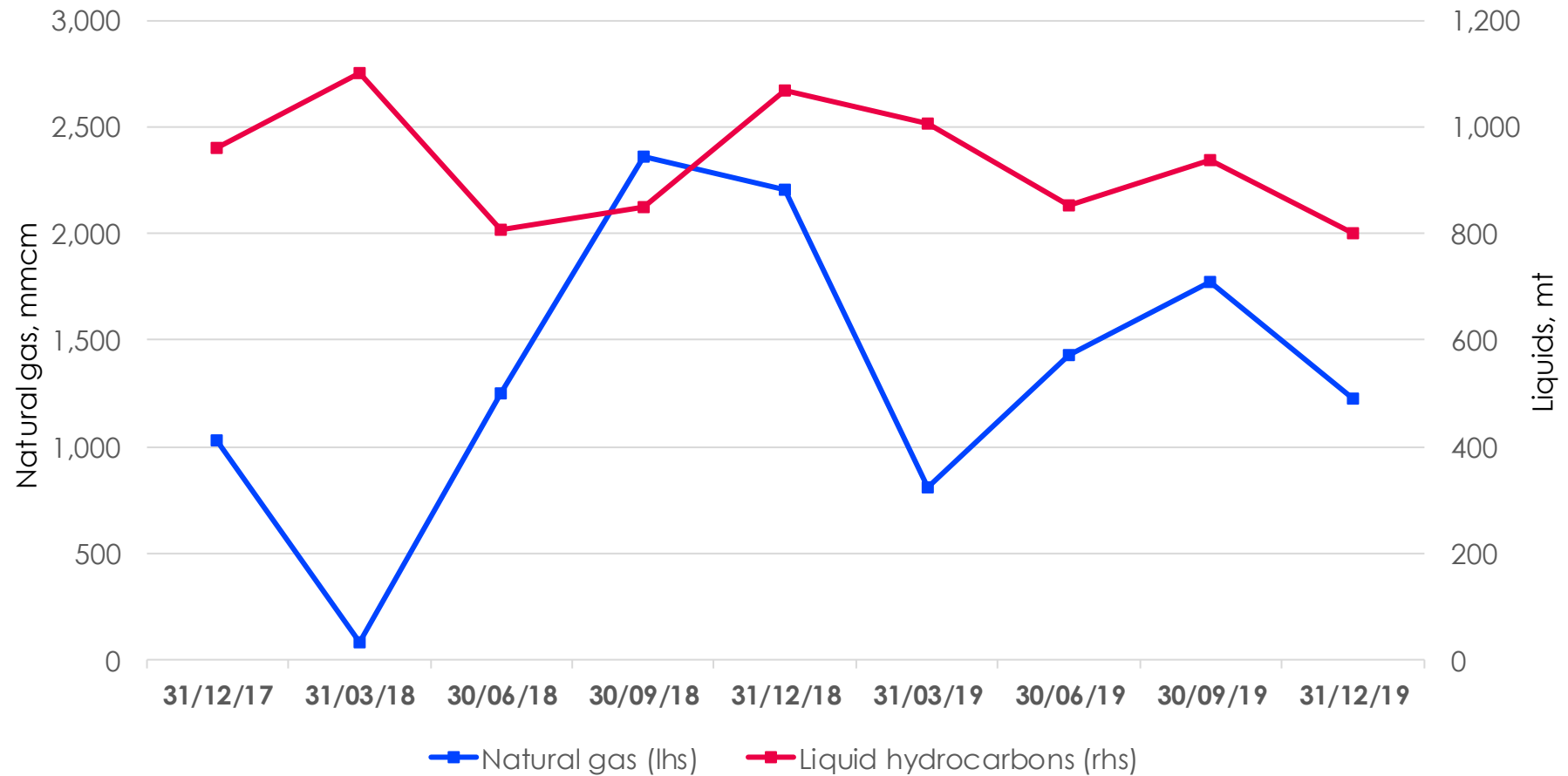


Asia-Pacific Region
(Naphtha)

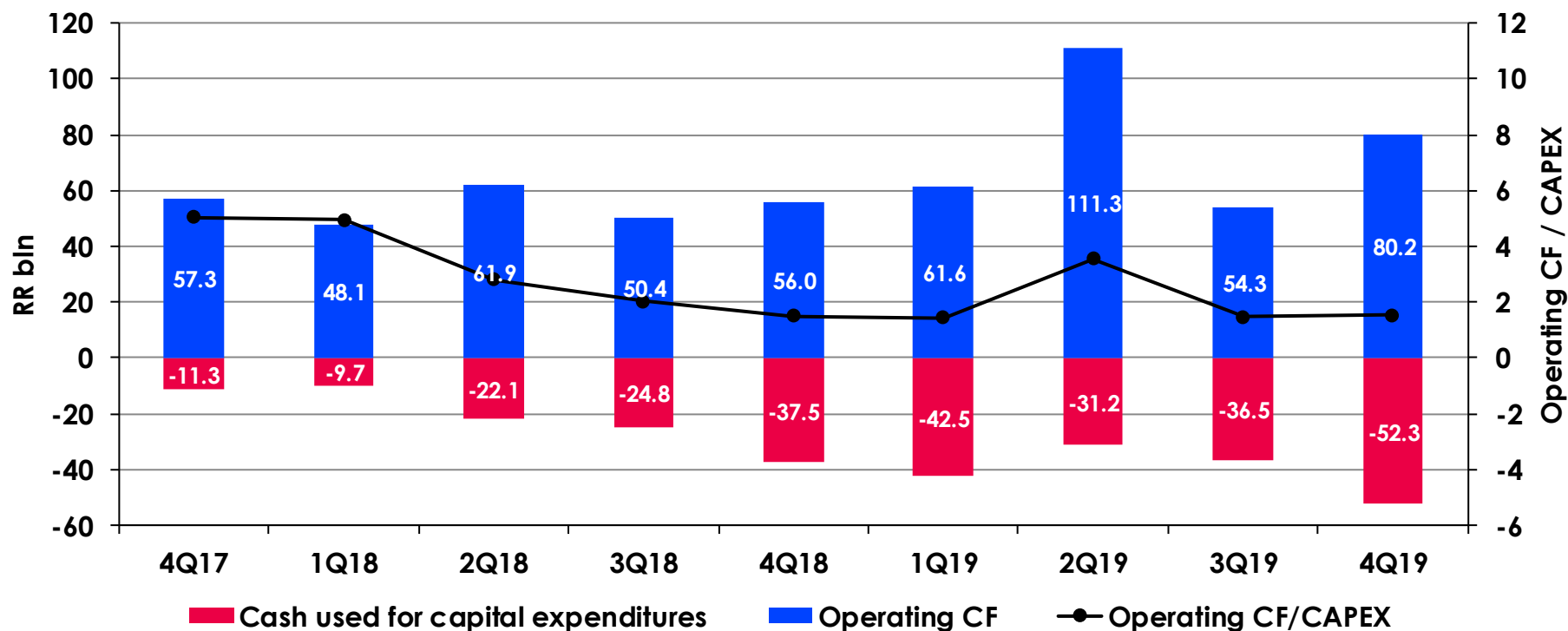


Europe
(Fuel oil)

Change in Inventories



Internally Funded Investment Program



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