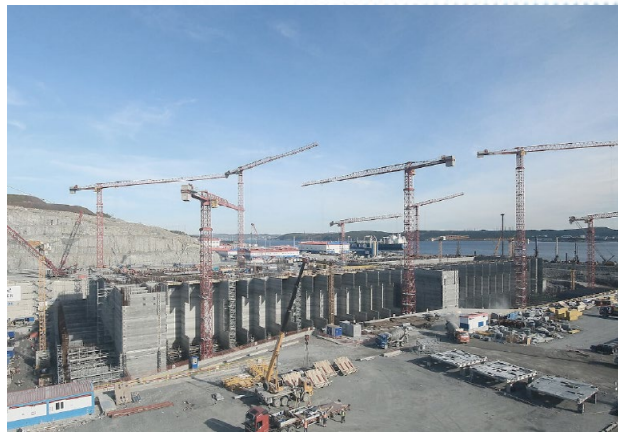


# Third Quarter 2020 Operational and Financial Results Conference Call



Mark A. Gyetvay, Deputy Chairman of the Management Board

29 October 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, Europe, and Asia;
- 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 event, among other factors, of restrictions on the Company 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, including changes in the foreign countries' and their governments' policy towards the Russian Federation and Russian companies;
  - 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 review and are subject to change without notice. In order to avoid inconsistency, any person who made themselves acquainted with any information provided in this presentation shall rely on their own analysis of factors and figures that may be related to or may be linked with the facts, phenomena or events described, and shall be guided by their own conclusions when making any decisions, including whether any investments are justified or not. 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 – 3Q20

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**Total revenues** amounted to RR 163.8 bln, representing a **decrease of 13.4%** compared to 3Q19

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**Normalized EBITDA of subsidiaries\*** totaled RR 51.3 bln, representing a **decrease of 9.1%** compared to 3Q19

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**Hydrocarbons production** totaled 150.4 mmboe, representing an **increase of 3.6%** compared to 3Q19

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**Total LNG production** including share in JVs **was 2,744 mt**, representing a marginal **decrease of 0.9%** compared to 3Q19

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\*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 3Q20

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Debt service guarantees on Yamal LNG limiting dividends removed from NOVATEK

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NOVATEK Launched Small-Scale LNG Plant in Magnitogorsk

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NOVATEK commenced exploitation of Valanginian horizons at the North-Russkiy cluster (North-Russkoye and East-Tazovskoye fields), which increased natural gas and gas condensate production of the Group

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Arctic LNG 2 Chartered 15 Arc7 Tankers to be Built at Zvezda Shipyard

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NOVATEK's board of directors approved environmental and climate change targets for the period up to 2030

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NOVATEK Joins the Methane Guiding Principles Initiative

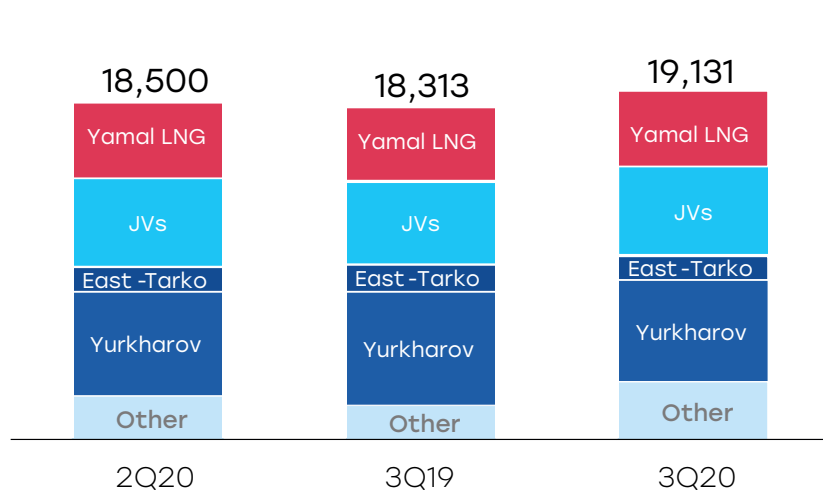
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# Operational Overview

# Hydrocarbon Production

## NATURAL GAS PRODUCTION

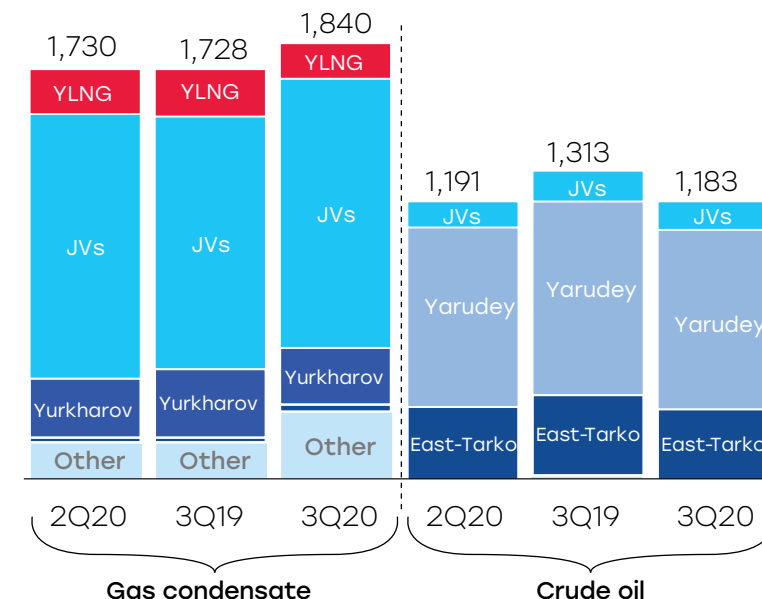
mmcm



Total natural gas production increased due to the launch of the fields within the North-Russkiy cluster at the end of 2019 and in the third quarter 2020 (the Cenomanian and Valanginian horizons of the North-Russkoye field, the East-Tazovskoye and Dorogovskoye fields), as well as an increase in hydrocarbon production from the Achimov horizons at Arcticgas's Urengoyevskoye field.

## LIQUIDS PRODUCTION

mt



Total liquids production marginally decreased Y-o-Y by 0.6%. An increase in the production due to the expansion of the gas condensate treatment facility at Arcticgas and the commencement of gas condensate extraction at the North-Russkiy cluster mostly completely offset a decrease in production at mature fields of our subsidiaries and joint ventures.

# Purovsky Plant and Ust-Luga Complex

## Purovsky Plant

**Total volumes delivered in 3Q20: 2,940 mt**

- Yurkharovskoye field: 248 mt
- East-Tarkosalinskoye and Khancheykoye fields: 109 mt
- Other fields: 233 mt
- Purchases from our joint ventures: 2,350 mt

**Total output of marketable products: 2,914 mt**

- Stable gas condensate: 2,239 mt
- LPG: 675 mt

## Ust-Luga Complex

**Total volumes delivered in 3Q20: 1,643 mt**

**Total output of marketable stable gas condensate refined products: 1,590 mt**

- Naphtha: 1,029 mt
- Other products: 561 mt

**Stable gas condensate refined products sold: 1,348 mt**

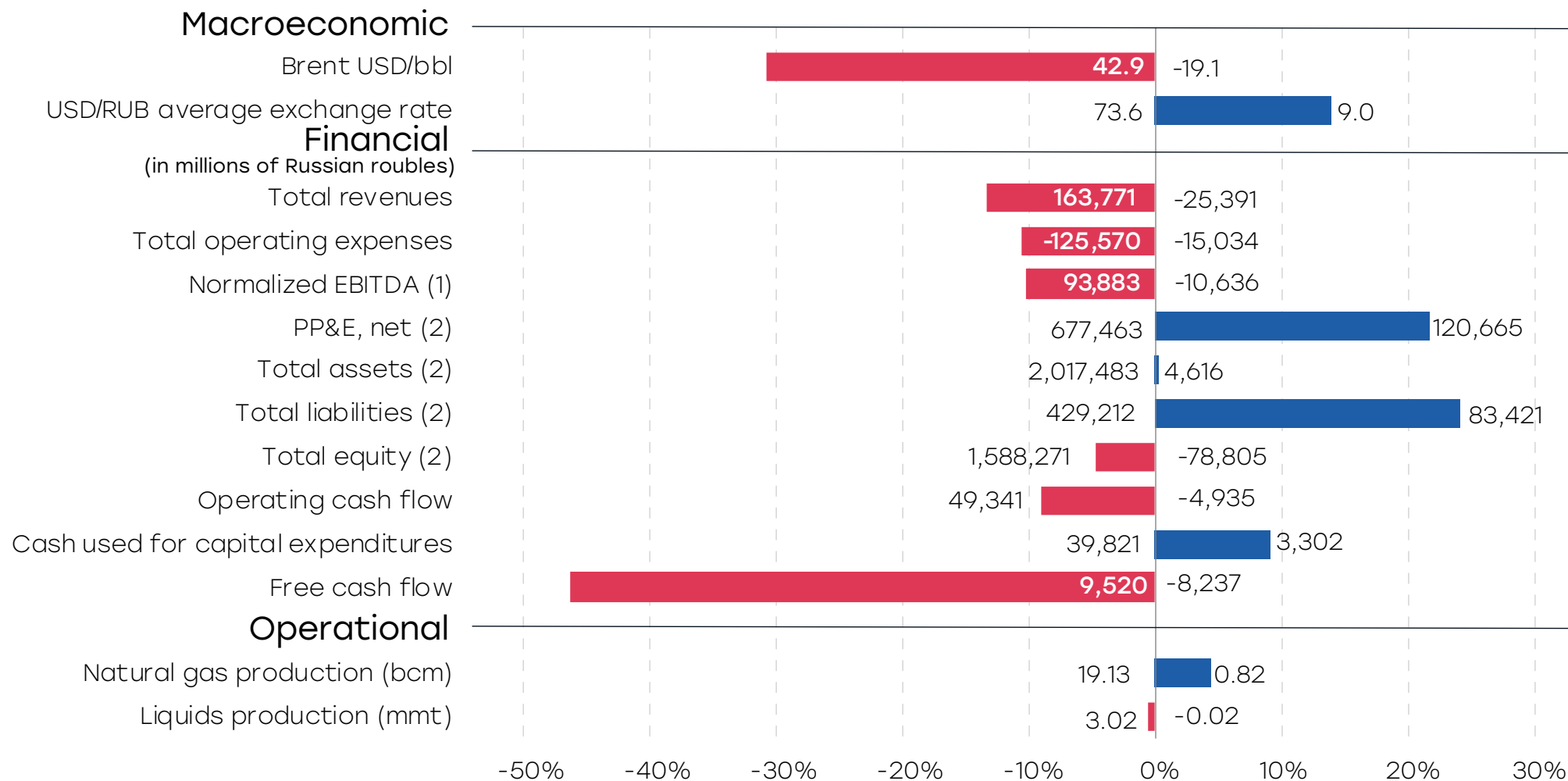
- to Europe: 646 mt
- to the Asian Pacific Region: 422 mt
- to North America: 196 mt
- Other: 84 mt



# Financial Overview – 3Q20 to 3Q19



# Performance Summary 3Q20/3Q19

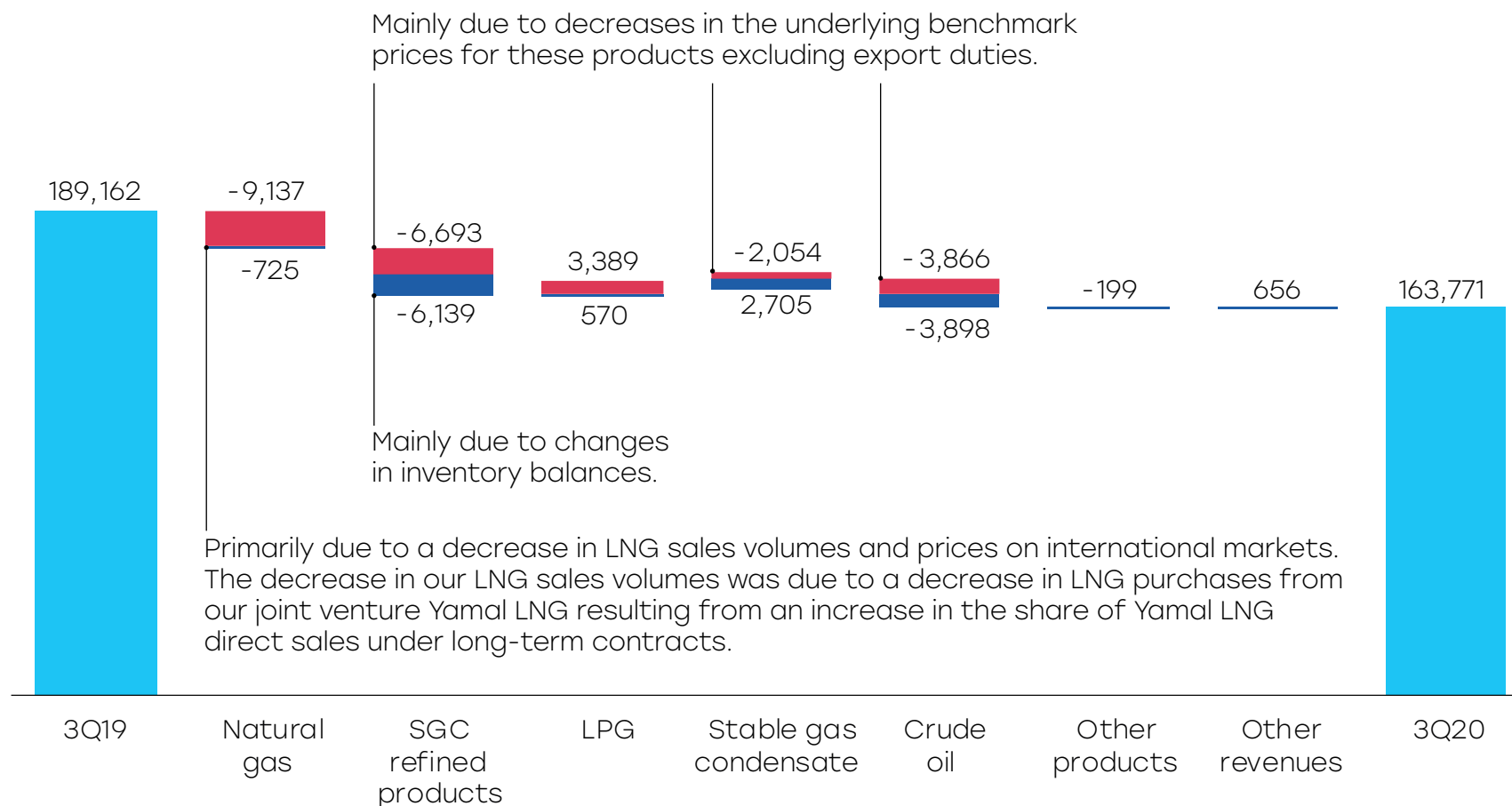


(1) Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration)

(2) 30.09.2020 to 31.12.2019

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)

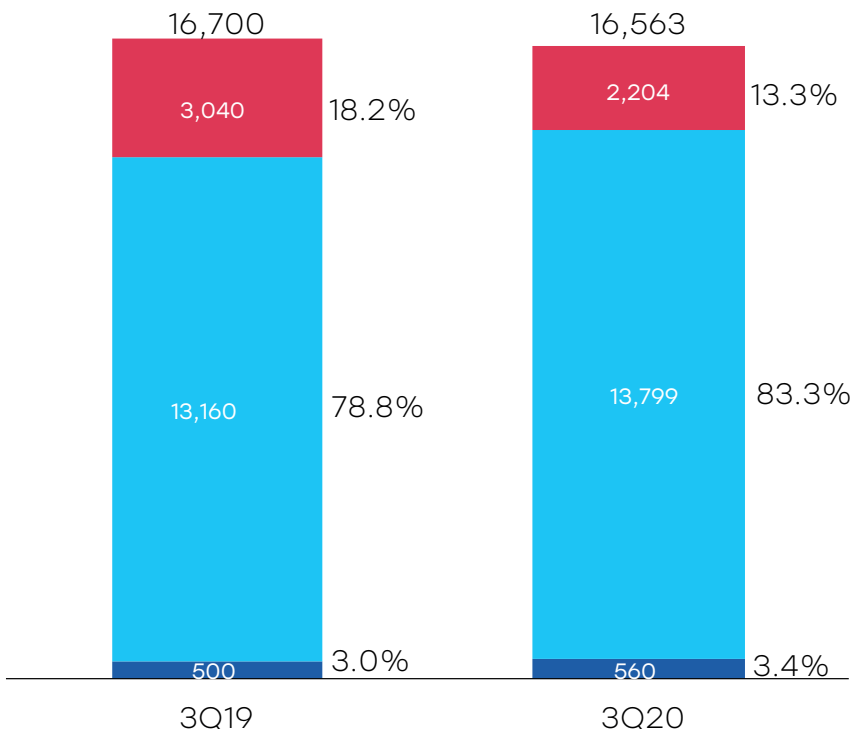


■ Change due to volume ■ Change due to price

# Market Distribution - Sales Volumes

## NATURAL GAS SALES VOLUMES

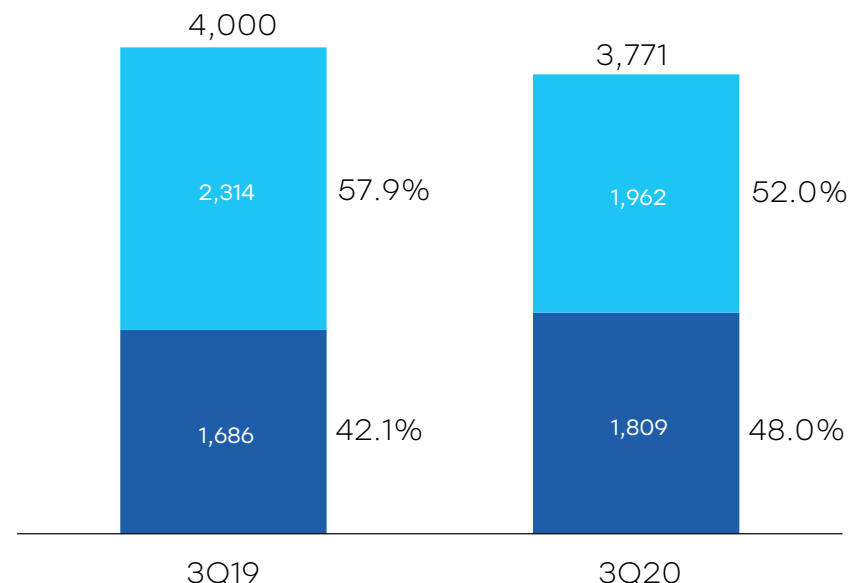
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■ Ex-field ■ End-customers ■ International markets

## LIQUIDS SALES VOLUMES

mt

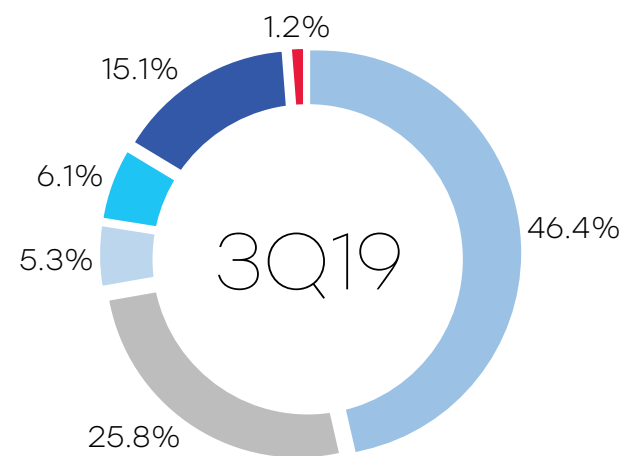
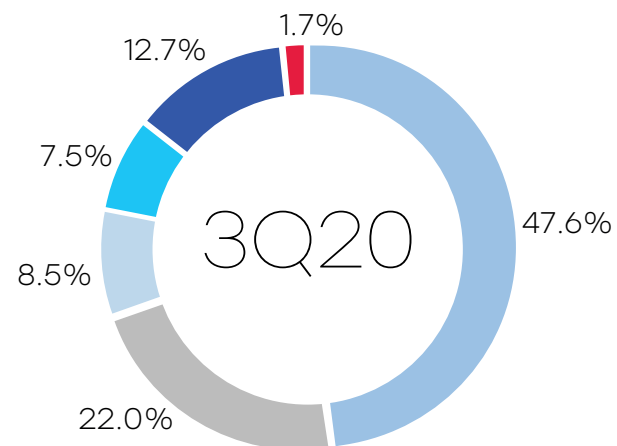


■ Domestic ■ Export

Natural gas sales volumes decreased by 0.8% primarily due to a decrease in LNG sales volumes purchased mainly from our joint venture OAO Yamal LNG for subsequent sale on international markets. We reduced our purchases of spot LNG volumes as Yamal LNG increased direct sales under long-term contracts. Natural gas volumes sold on the domestic market increased by 5.1% in the third quarter 2020 as compared to the corresponding period in the prior year due to the launch of additional production facilities. Liquids sales volumes decreased by 5.7% mainly due to changes in inventory balances that vary period-to-period depending on shipping schedules and final destinations of our liquid hydrocarbons shipments.

# Total Revenues Breakdown (RR billion)

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



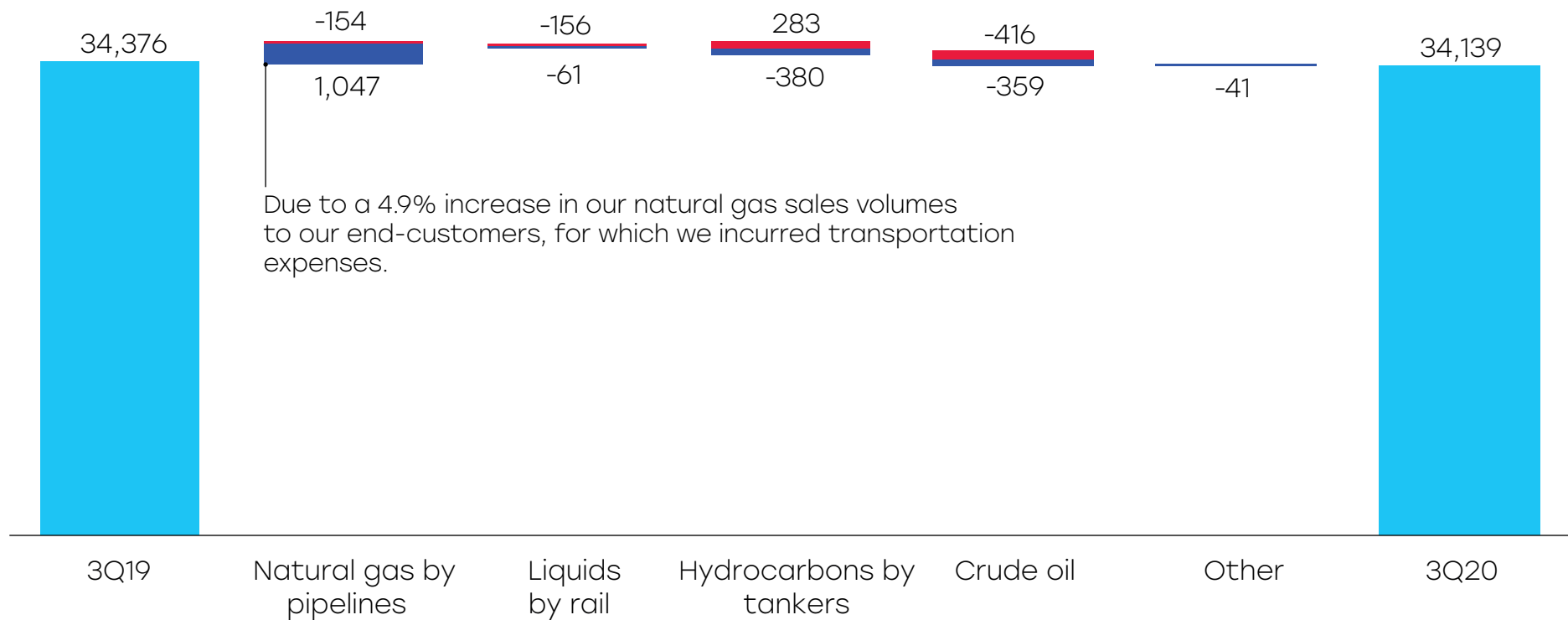
# Operating Expenses

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

3Q19	% of TR	3Q20	% of TR		2Q20	% of TR	3Q20	% of TR
34,376	18.2%	34,139	20.8%	Transportation expenses	35,903	24.9%	34,139	20.8%
15,098	8.0%	14,121	8.6%	Taxes other than income tax	9,865	6.9%	14,121	8.6%
49,474	26.2%	48,260	29.4%	<b>Non-controllable expenses</b>	45,768	31.8%	48,260	29.4%
8,183	4.3%	9,733	5.9%	Depreciation and amortization	8,975	6.2%	9,733	5.9%
6,331	3.3%	7,593	4.6%	Materials, services & other	7,176	5.0%	7,593	4.6%
6,622	3.5%	8,424	5.1%	General and administrative	4,326	3.0%	8,424	5.1%
384	0.2%	2,415	1.5%	Exploration expenses	3,345	2.3%	2,415	1.5%
-7	n/a	-5	n/a	Net impairment expenses (reversals)	-26	n/a	-5	n/a
-2,564	n/a	-3,726	n/a	Change in natural gas, liquids and WIP	1,435	1.0%	-3,726	n/a
68,423	36.1%	72,694	44.4%	<b>Subtotal operating expenses</b>	70,999	49.4%	72,694	44.4%
72,181	38.2%	52,876	32.3%	Purchases of natural gas and liquid hydrocarbons	45,240	31.4%	52,876	32.3%
140,604	74.3%	125,570	76.7%	<b>Total operating expenses</b>	116,239	80.8%	125,570	76.7%

Our total operating expenses decreased mainly due to a decrease in average purchase prices for hydrocarbons resulted from a decline in commodity prices on international markets and a decrease in volumes of LNG purchased from our joint venture Yamal LNG due to the reallocation of Yamal LNG sales volumes in favor of long-term contracts sales. In addition, our taxes other than income tax also decreased as a result of a decrease in UPT rates which are linked to benchmark crude oil prices.

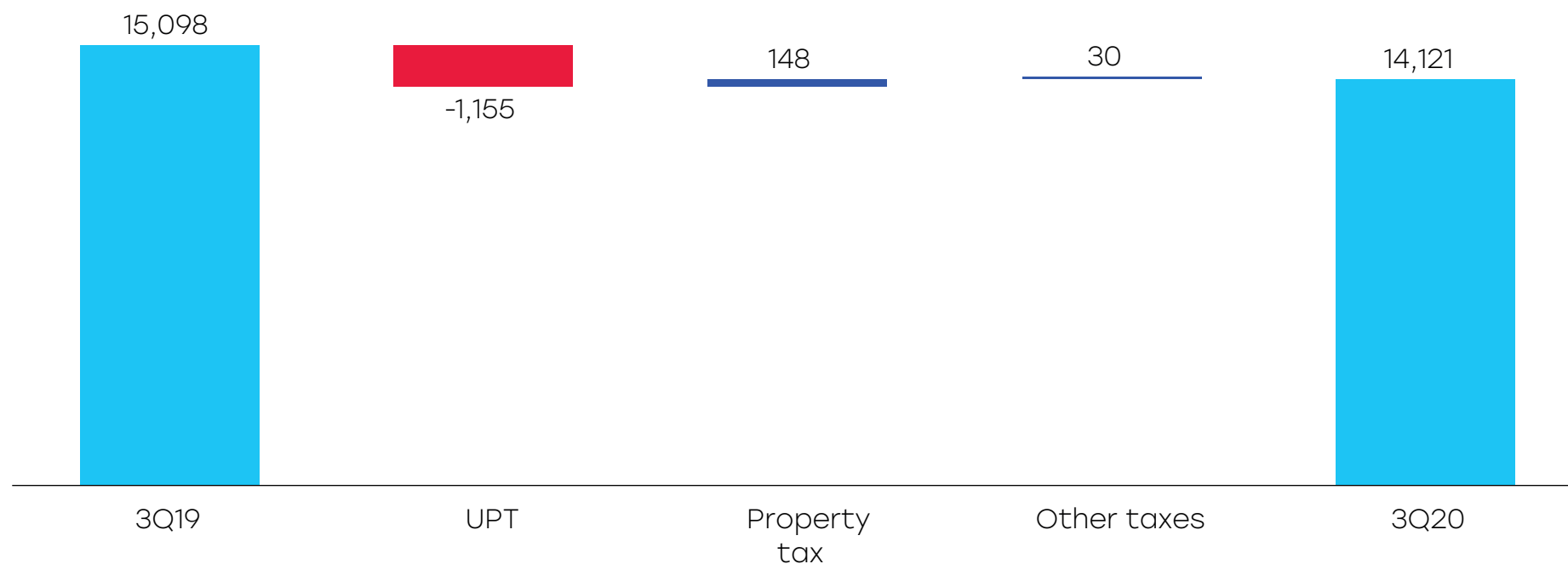
# Transportation Expenses (RR million)



■ Change due to volume   ■ Change due to tariff/geography

# Taxes Other Than Income Tax Expense

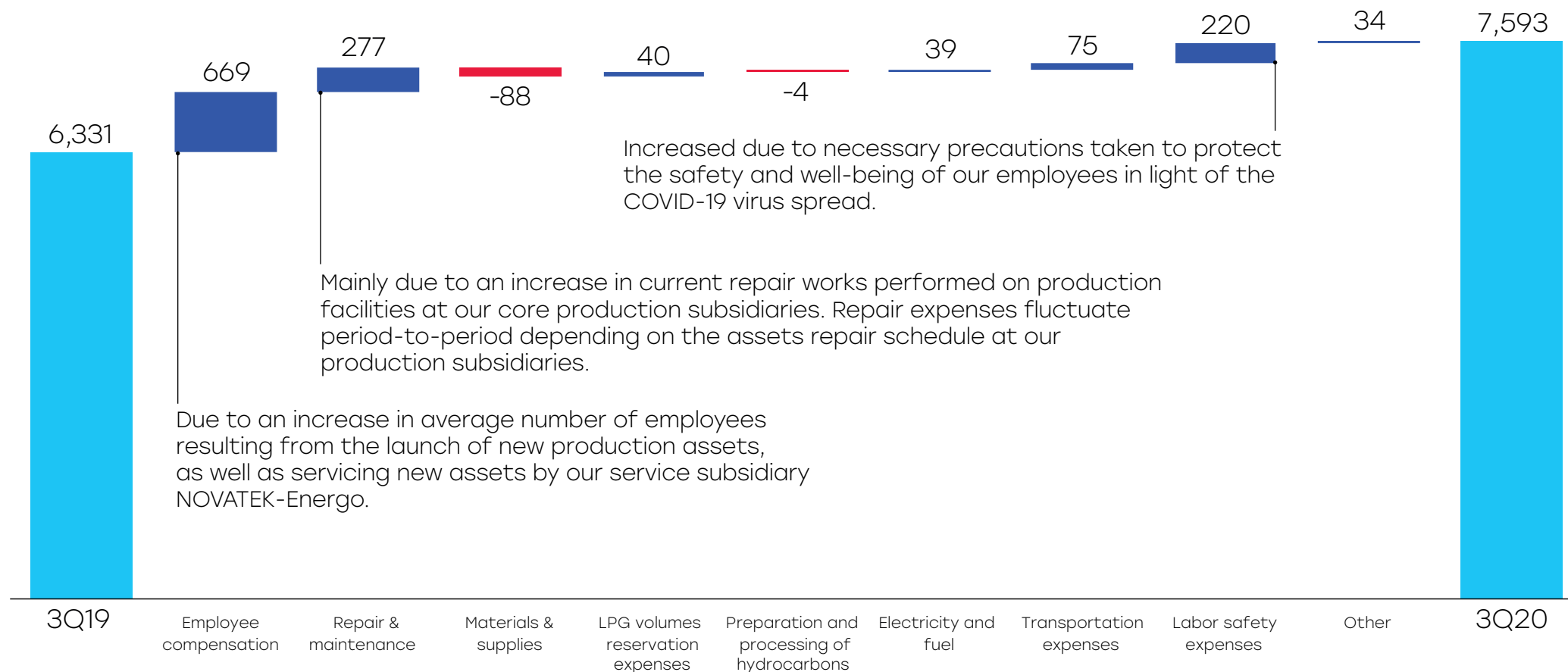
(RR million)



Our UPT expense decreased primarily due to a decline in benchmark crude oil prices, which are used for UPT rates calculation.

# Materials, Services and Other Expenses

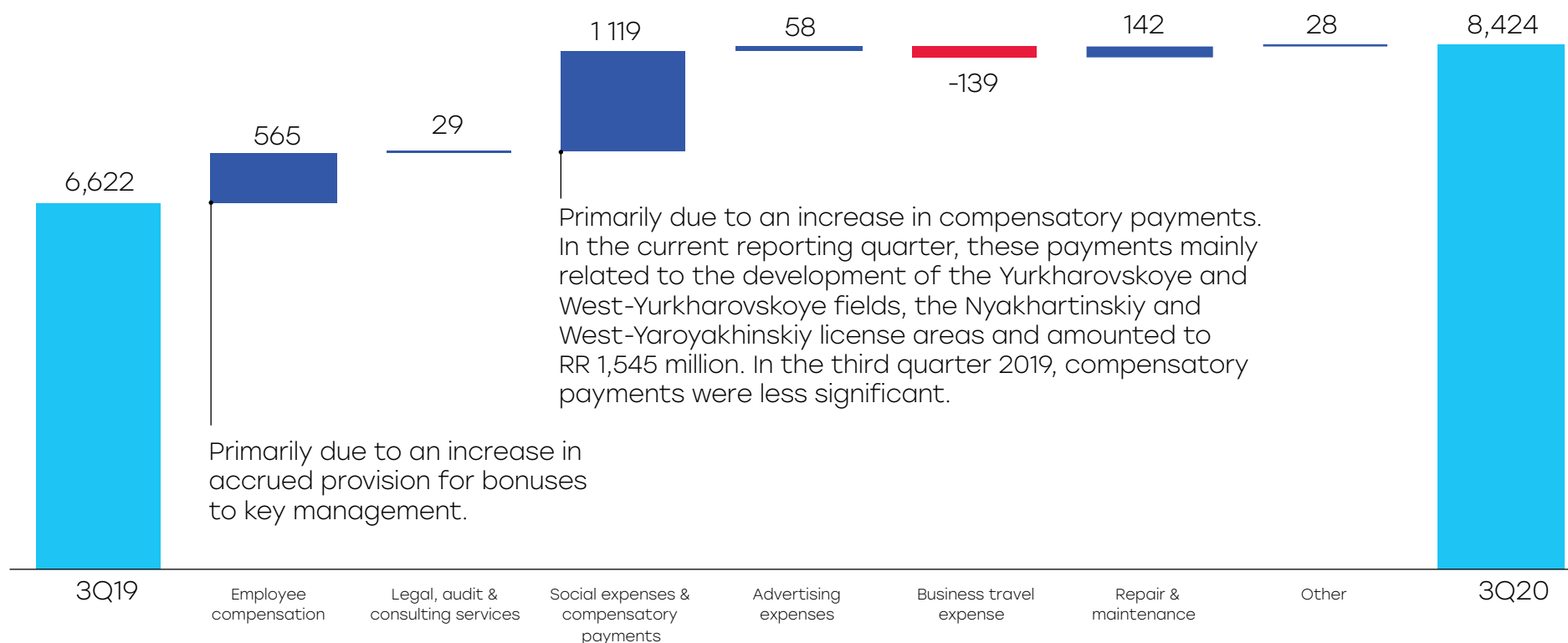
(RR million)



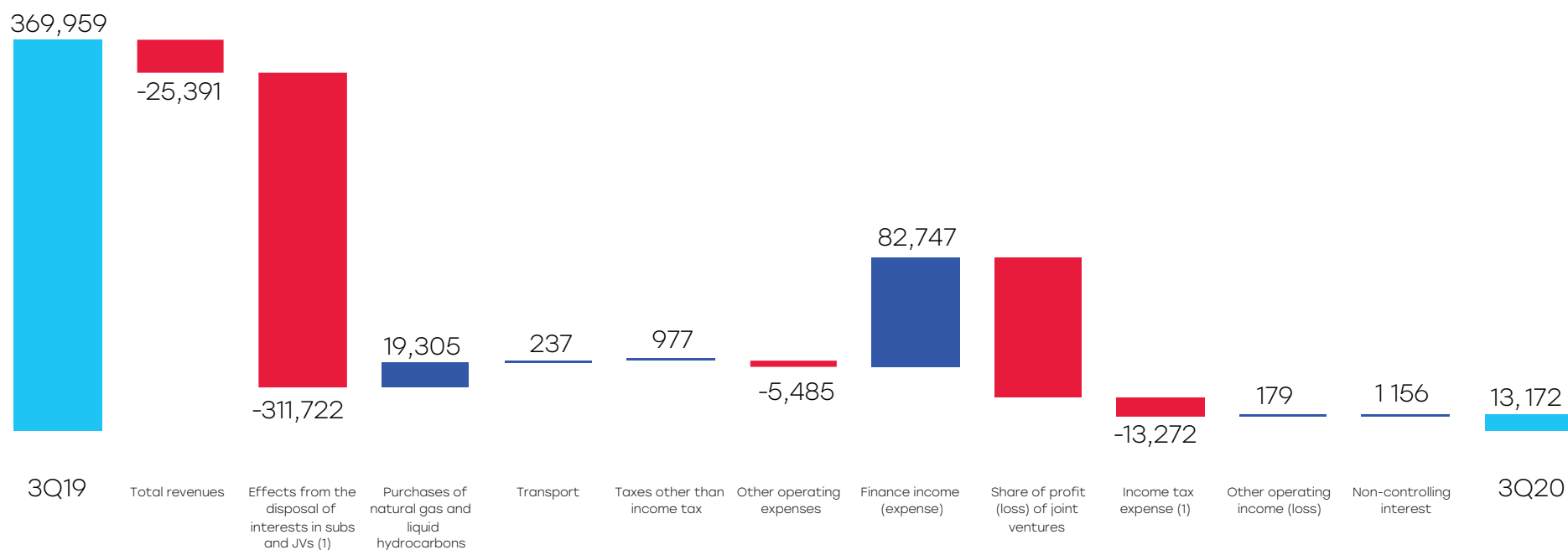


# General and Administrative Expenses

(RR million)



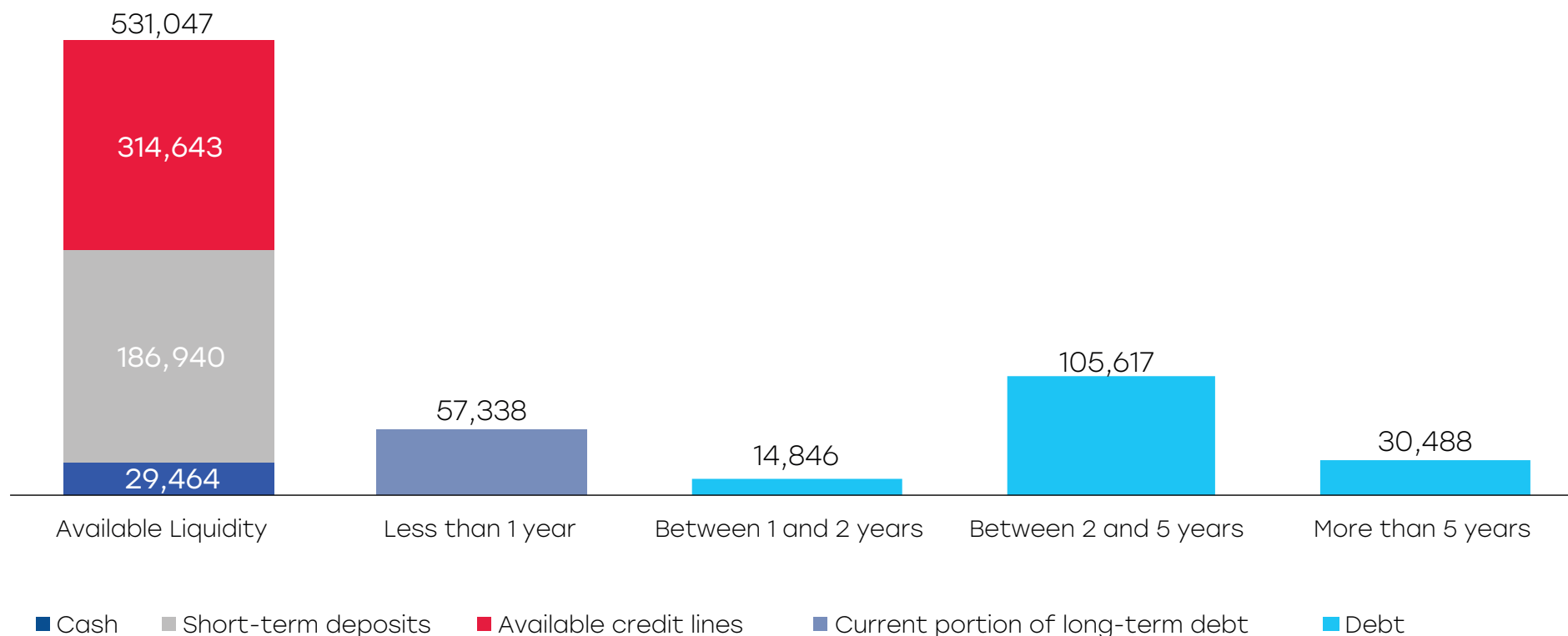
# Profit Attributable to NOVATEK Shareholders (RR million)



The Group's financial results in the current reporting period were significantly impacted by unfavorable macroeconomic conditions, which led to a decrease in our hydrocarbons sales prices and a recognition of substantial foreign exchange effects. In addition, in the third quarter 2019, we recognized a gain on the disposal of a 30% participation interest in the Arctic LNG 2 project in the amount of RR 311.7 billion net of income tax.

(1) Net of income tax of RR 54,668 million associated with the disposal of 30% interest in Arctic LNG 2 in July 2019.

# Total Debt Maturity Profile (RR million)



## DEBT REPAYMENT SCHEDULE:

UP TO 30 SEPTEMBER 2021 – LOAN FROM THE SILK ROAD FUND AND EURO BONDS TEN-YEAR (USD 650 MLN)

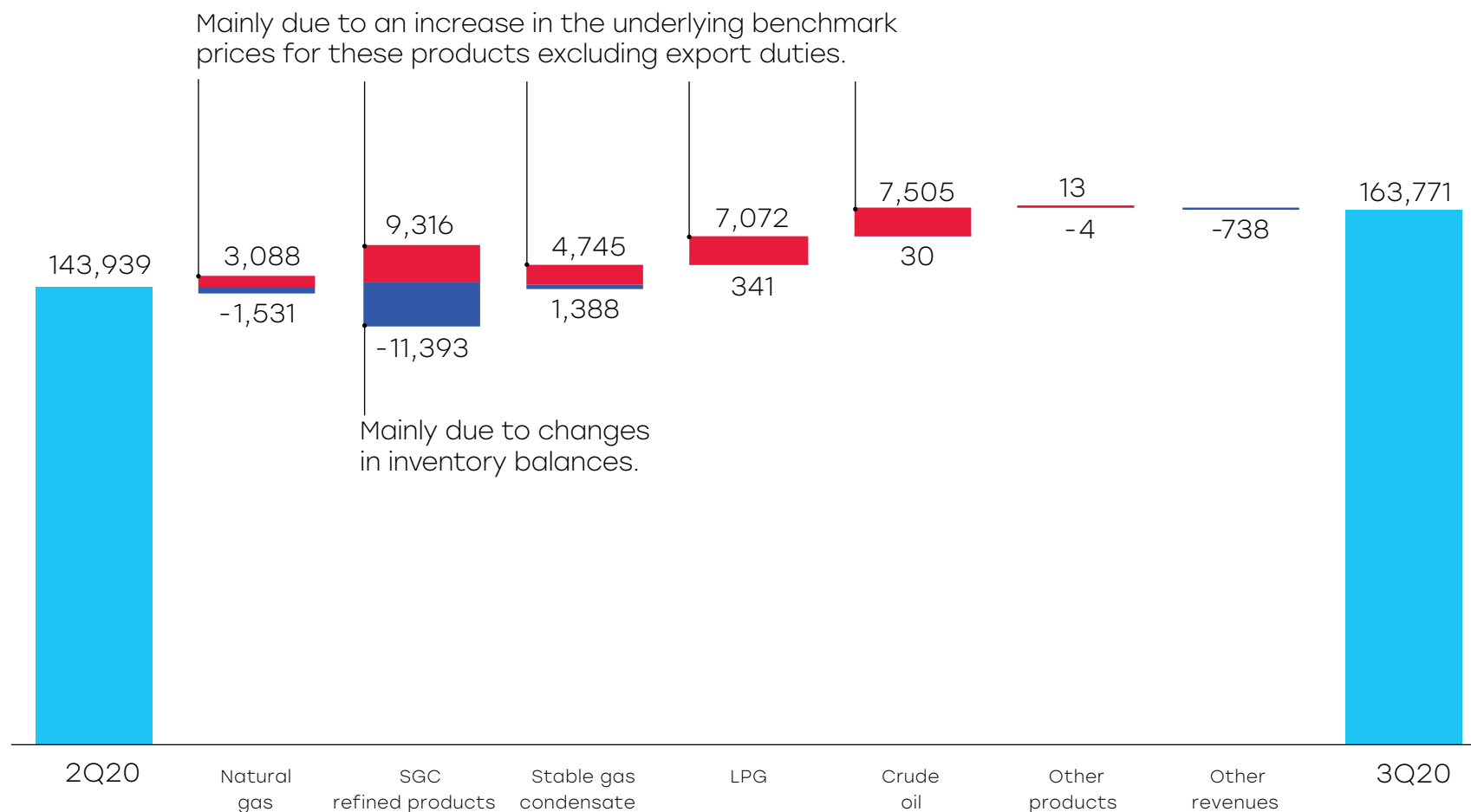
UP TO 30 SEPTEMBER 2022 – LOAN FROM THE SILK ROAD FUND AND OTHER LOANS

UP TO 30 SEPTEMBER 2023 – LOAN FROM THE SILK ROAD FUND AND EURO BONDS TEN-YEAR (USD ONE BLN)

AFTER 30 SEPTEMBER 2024 – LOAN FROM THE SILK ROAD FUND AND OTHER LOANS

# Financial Overview – 3Q20 to 2Q20

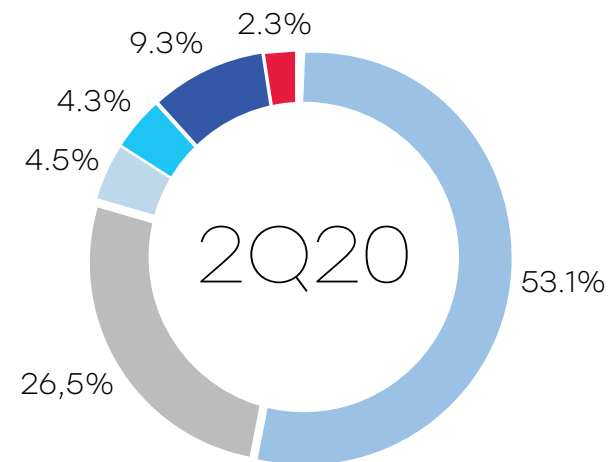
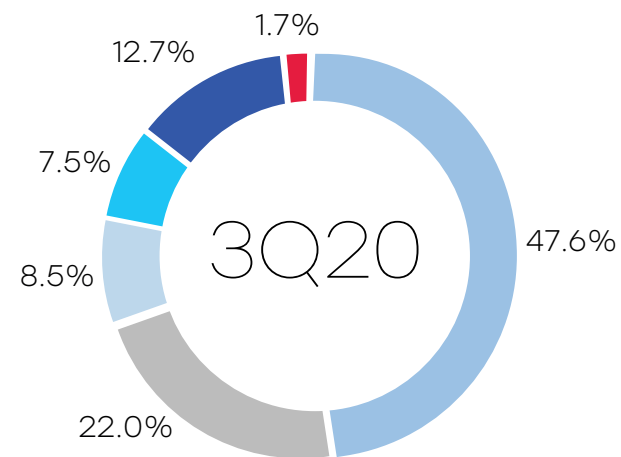
# Total Revenues (RR million)



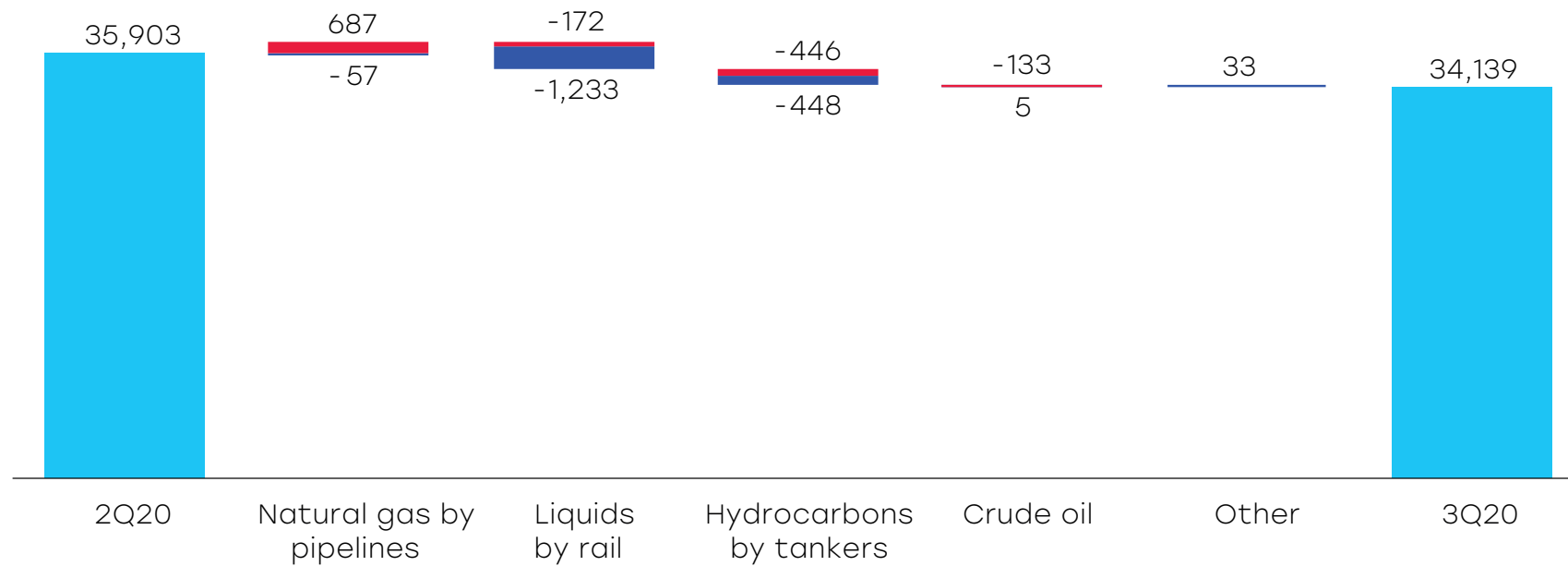
■ Change due to volume ■ Change due to price

# Total Revenues Breakdown

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



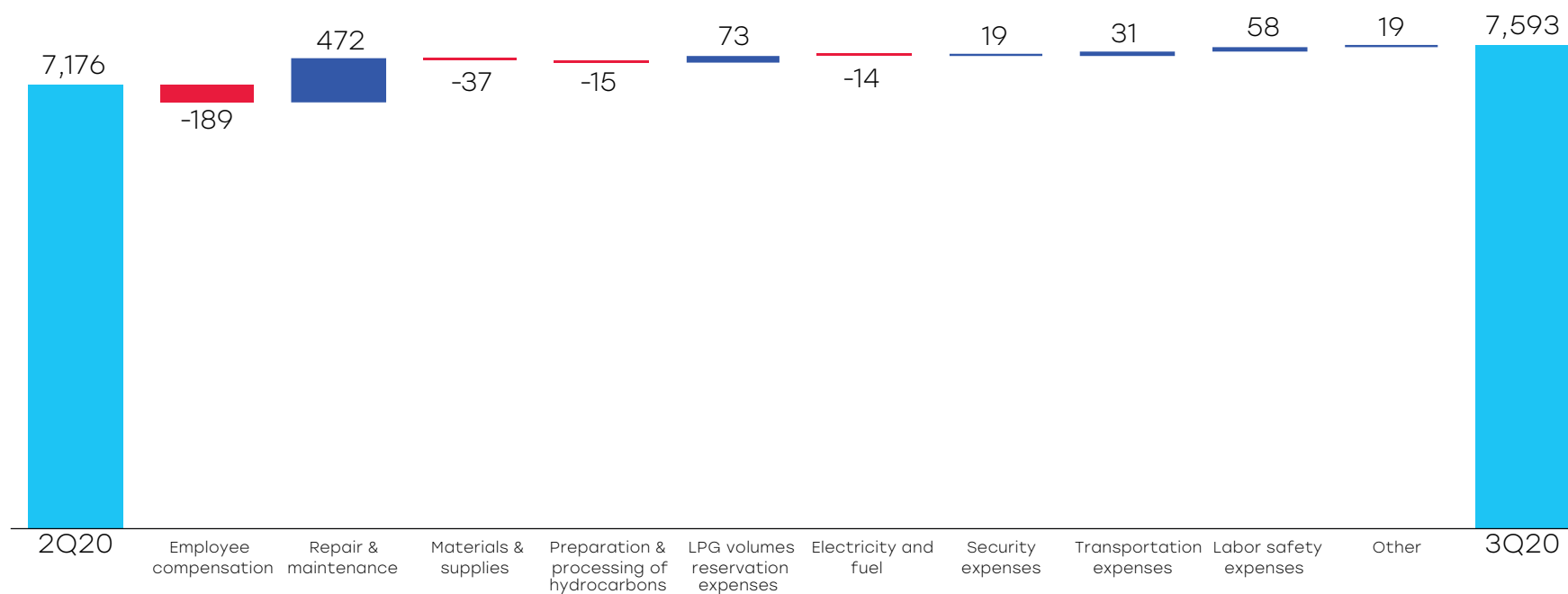
# Transportation Expenses (RR million)



■ Change due to volume
 ■ Change due to tariff/geography

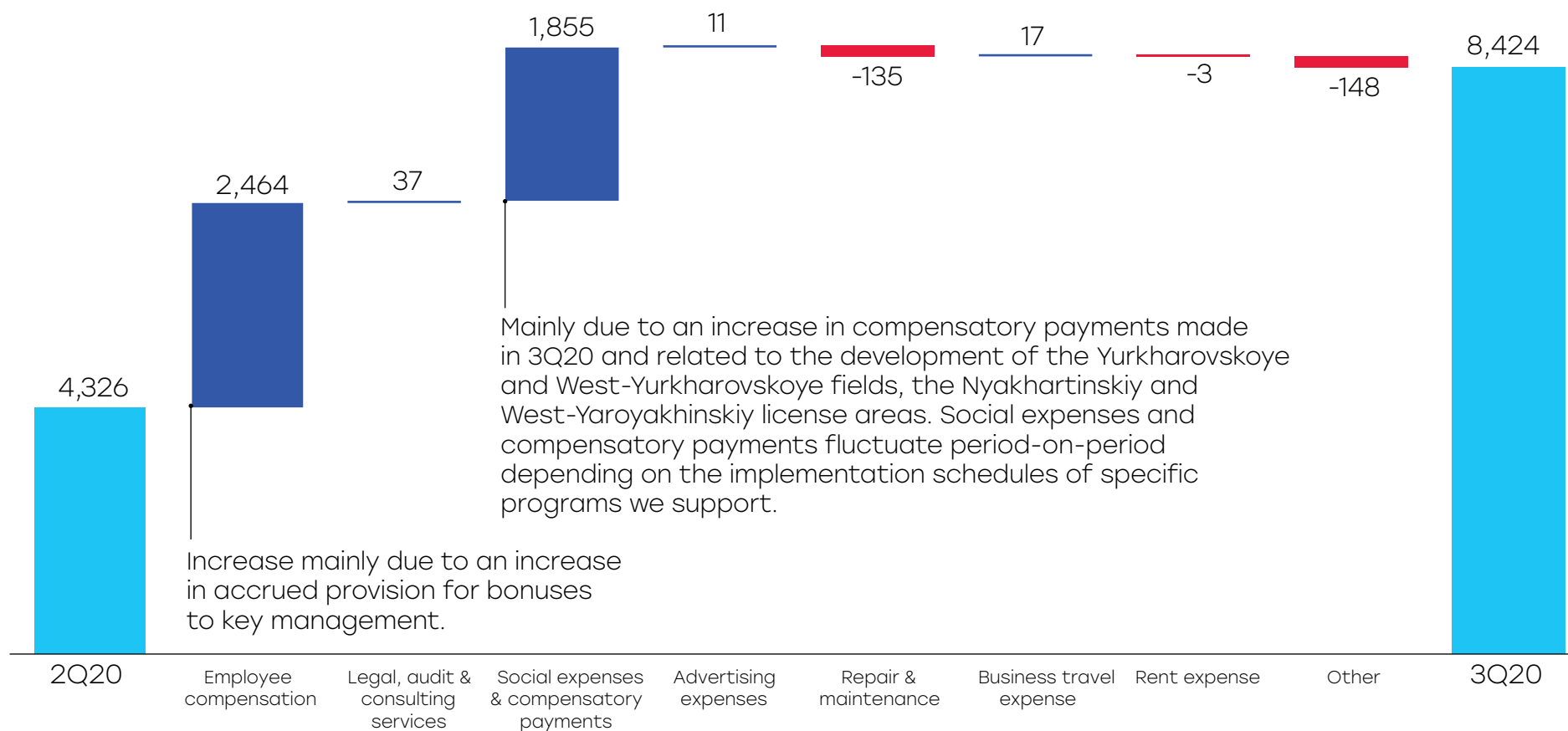
# Materials, Services and Other Expenses

(RR million)





# General and Administrative Expenses (RR million)

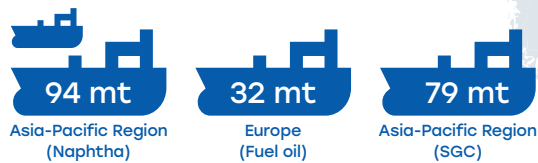


# Appendices

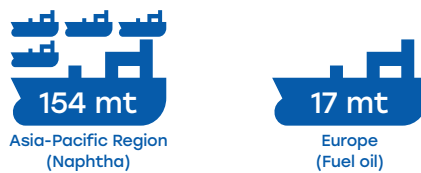
# Liquids in Tankers



“Goods in transit” 30.09.2019  
~ 205 thousand tons



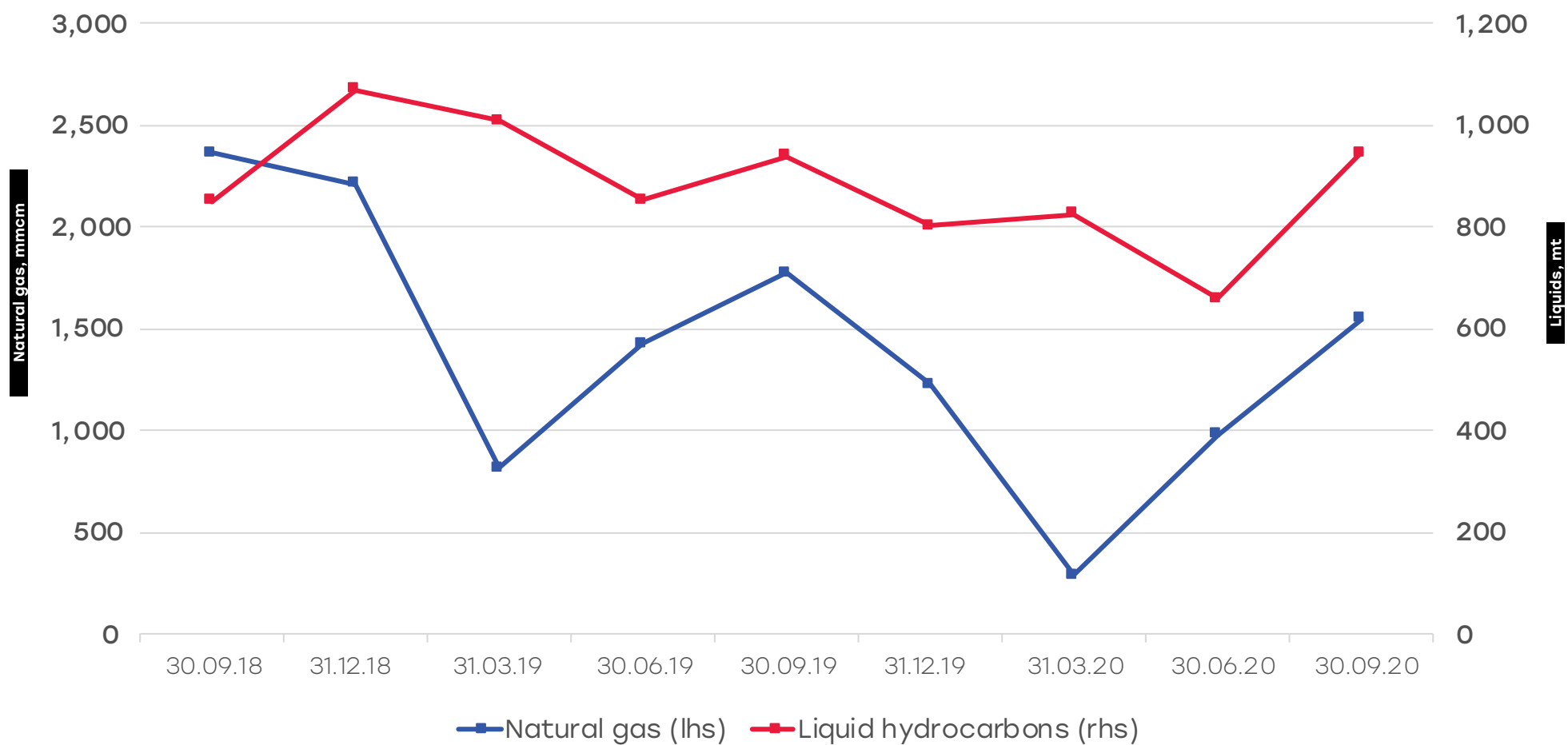
“Goods in transit” 31.12.2019  
~ 171 thousand tons



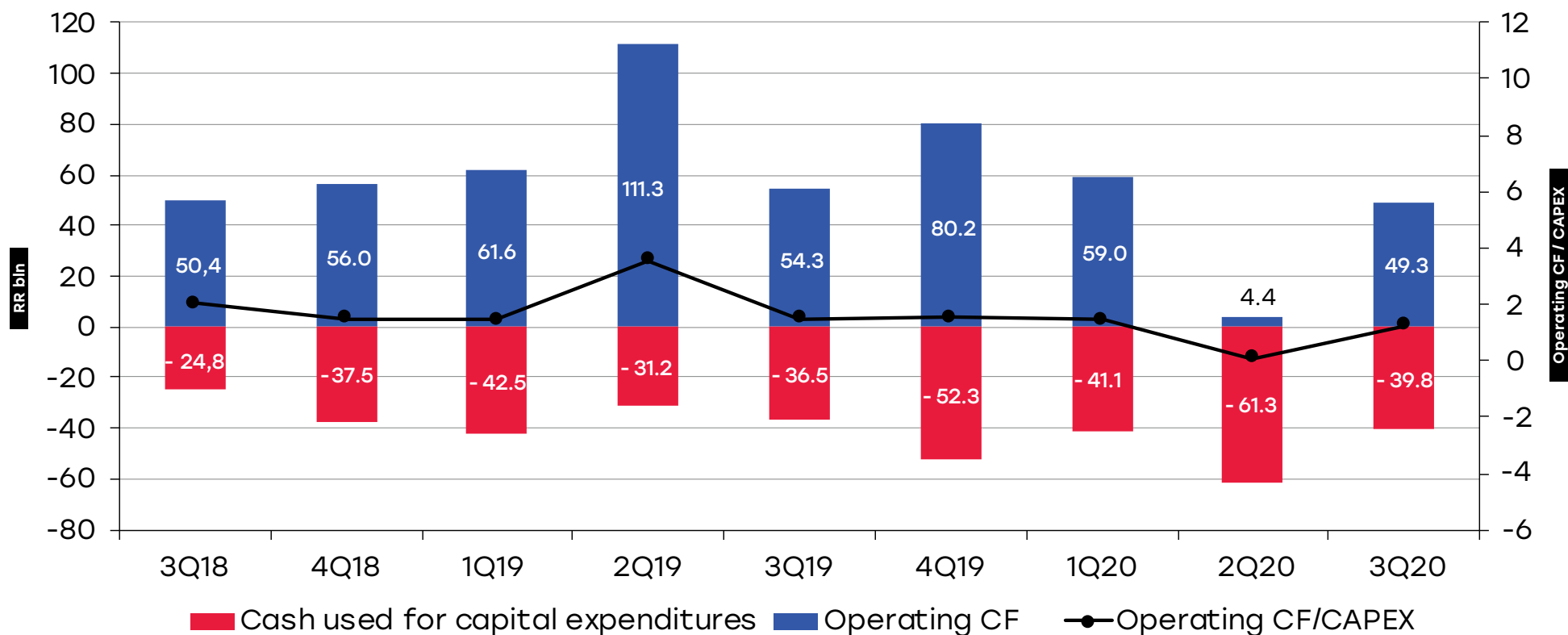
“Goods in transit” 30.09.2020  
~ 308 thousand tons



# Change in Inventories



# Internally Funded Investment Program



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

# Questions and Answers