



2016 Operational and Financial Results Conference Call



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Moscow, Russian Federation
22 February 2017

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 – 2016

- ❑ **Natural gas production** (including our proportionate share in JVs) was 66.1 bcm in 2016, representing a **decrease of 2.7%** compared to 2015
- ❑ **Liquids production** (including our proportionate share in JVs) was 12.4 mmt in 2016, representing an **increase of 36.8%** compared to 2015
- ❑ **Share of liquids** in overall hydrocarbon production **increased to 19%** in 2016 from **15%** in 2015
- ❑ In 2016 **Purovsky Plant throughput increased** by **3.1%** Y-o-Y (annualized throughput was 12.4 mmt)
- ❑ In 2016 **Ust-Luga Complex throughput increased** by **2.8%** Y-o-Y (annualized throughput was 6.9 mmt)

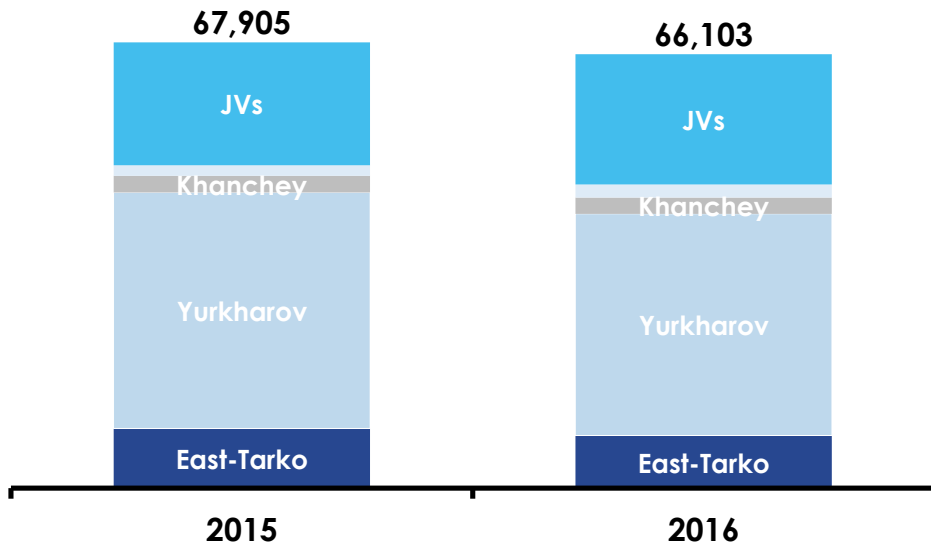
Key Events 2016

- ❑ Finalization of external financing package for the total amount of USD 19 bln for Yamal LNG
- ❑ Conclusion of Memorandums of Understanding with the Mitsubishi Corporation, Mitsui, Marubeni Corporation and PTT, and a Memorandum of Understanding for Strategic Partnership with the Japan Bank for International Cooperation (JBIC)
- ❑ Closing of the sale of a 9.9% equity stake in the Yamal LNG project to China's Silk Road Fund
- ❑ Obtaining the rights for the Nyakhartinskiy, Ladertoyskiy, Nyavuyahskiy, West-Solpatinskiy, Syadorskiy, North-Tanamskiy and Tanamskiy license areas as well as for the Kharbeyskoye field
- ❑ Successfully reaching the Yarudeyskoye crude oil field's full production capacity (more than 3.5 mmt of oil production in 2016) and launching an associated petroleum gas treatment unit at the field
- ❑ Conclusion of a concession contract with the State of Montenegro for the exploration and production of hydrocarbons on four offshore blocks in the Adriatic Sea

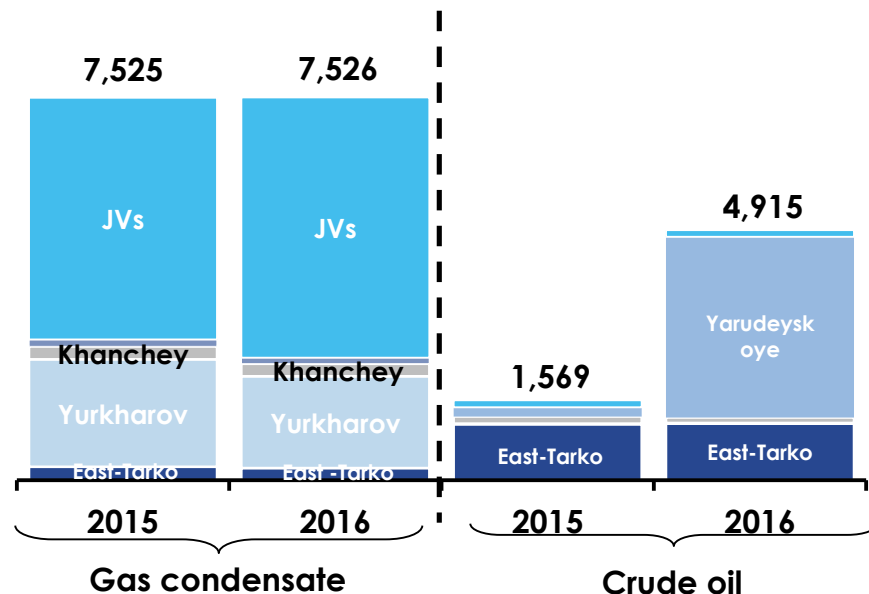
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



- Natural gas production decreased due to natural declines in the reservoir pressure at the current gas producing horizons at our mature fields (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye). The decrease was partially offset by the launch of the Yarudeyskoye field in December 2015.
- The production of SeverEnergiya increased due to reaching the nameplate production capacity of the second phase of the Urengoyevskoye field in February 2015, as well as the launch of the Yaro-Yakhinskoye field in April 2015.
- In addition, effective May 2015, our joint venture Terneftegas commenced production at the Termokarskovoye field.

- The volumes of liquids produced by our subsidiaries significantly increased due to the commencement of commercial production at the Yarudeyskoye field in December 2015.
- Gas condensate production decrease at subsidiaries due to the natural declines in the concentration of gas condensate at our mature fields was compensated by growth in output at JV's.

Purovsky Plant

- ❑ **Total volumes delivered in 2016: 12,397 mt**
 - Yurkharovskoye field: 1,812 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 657 mt
 - Other fields: 119 mt
 - Purchases from our joint ventures: 9,809 mt
- ❑ **Total output of marketable products: 12,265 mt**
 - Stable gas condensate: 9,667 mt
 - LPG: 2,598 mt



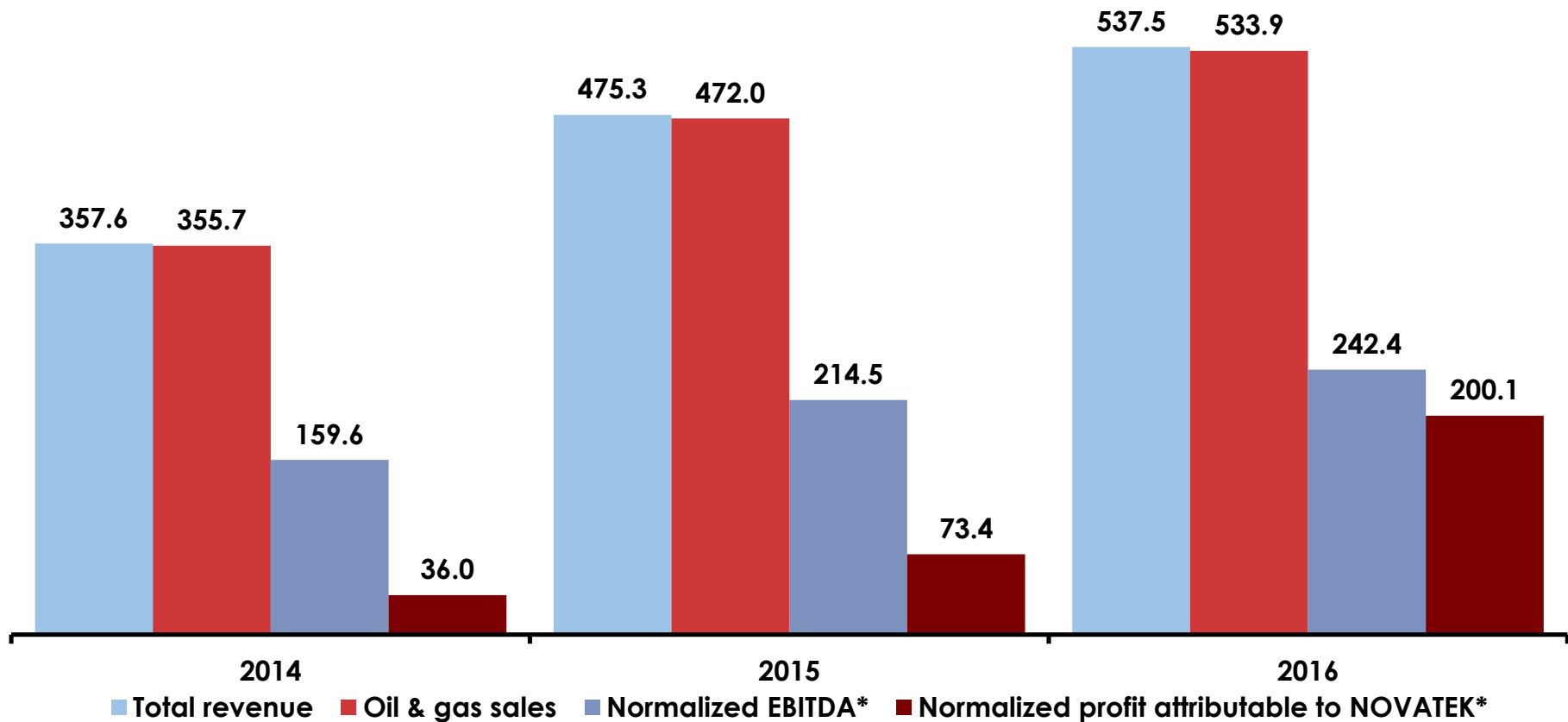
Ust-Luga Complex

- ❑ **Total volumes delivered in 2016: 6,899 mt**
- ❑ **Total output of marketable gas condensate refined products: 6,784 mt**
 - Naphtha: 4,195 mt
 - Other products: 2,589 mt
- ❑ **Gas condensate refined products sold: 6,662 mt**
 - to Europe: 3,482 mt
 - to the Asian Pacific Region: 1,909 mt
 - to North America: 913 mt
 - Other: 358 mt



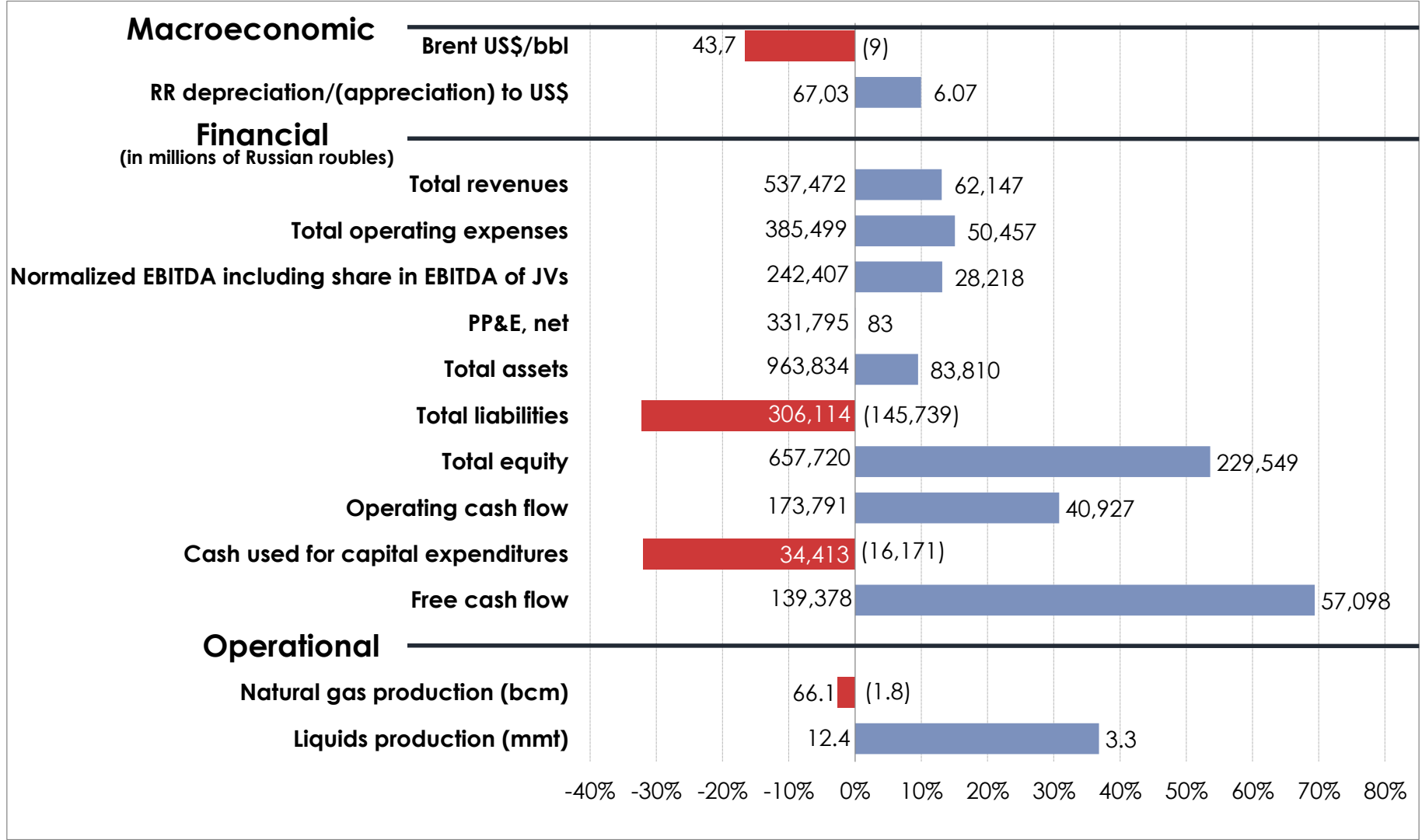
Financial Overview – 2016 to 2015

Summary Financial Results (RR billion)



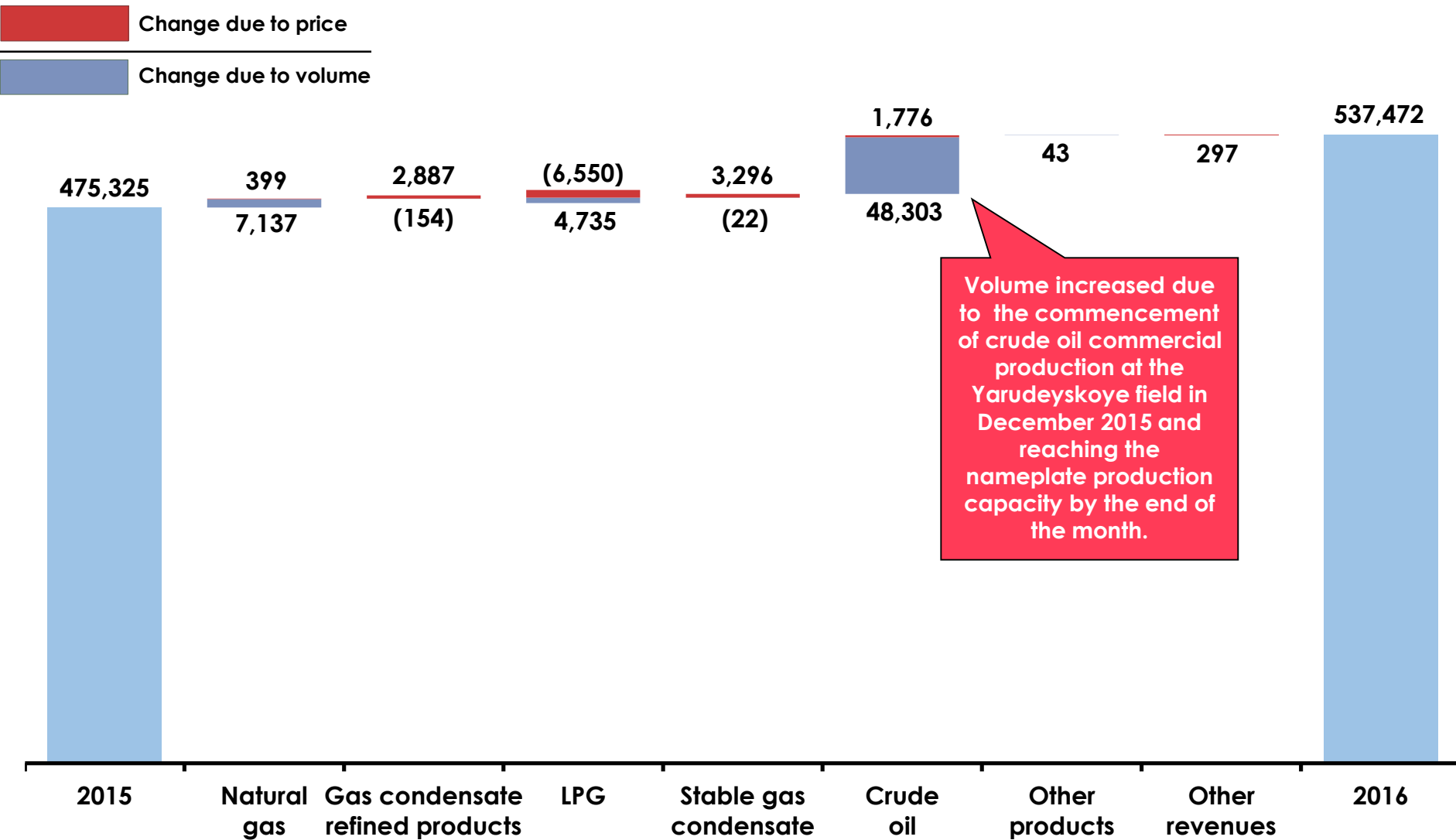
* Excluding the effect from the disposal of interests in joint ventures.

Performance Summary 2015/2016



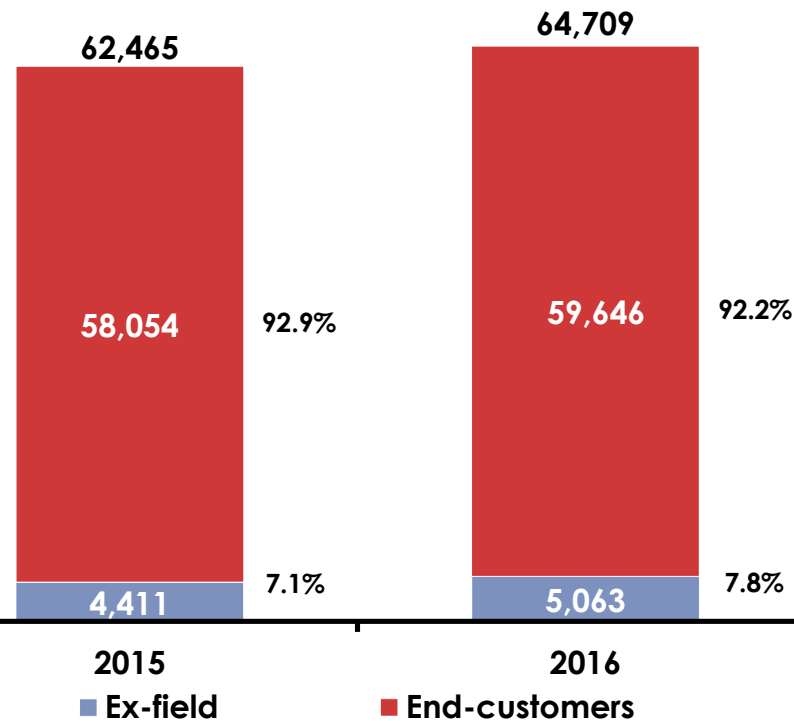
Note: Number on the left is the absolute change, number on the right is the value for the reporting period, size of bar is % change

Total Revenues (RR million)

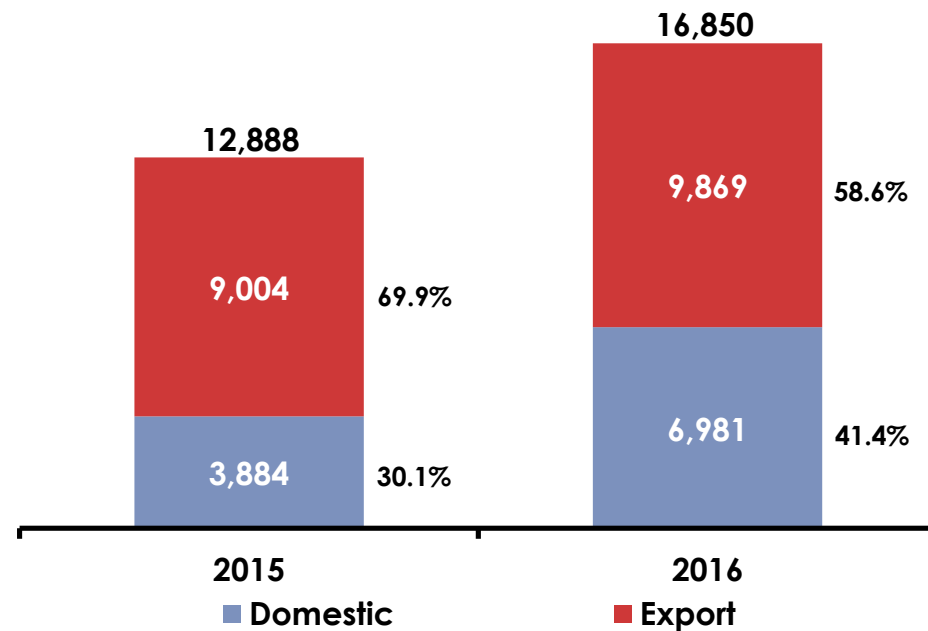


Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



Liquids Sales Volumes, mt



Natural gas sales volumes increased as a result of sales of additional natural gas volumes to our end-customers and wholesale traders, as well as restoring sales to one of our major customers who did not take full contracted volumes in 2015 due to technical reasons.

Our total liquids sales volumes increased mainly due to an increase in the production of crude oil in our subsidiaries, as well as an increase in gas condensate production of our joint ventures.

Total Revenues Breakdown

■ Natural gas

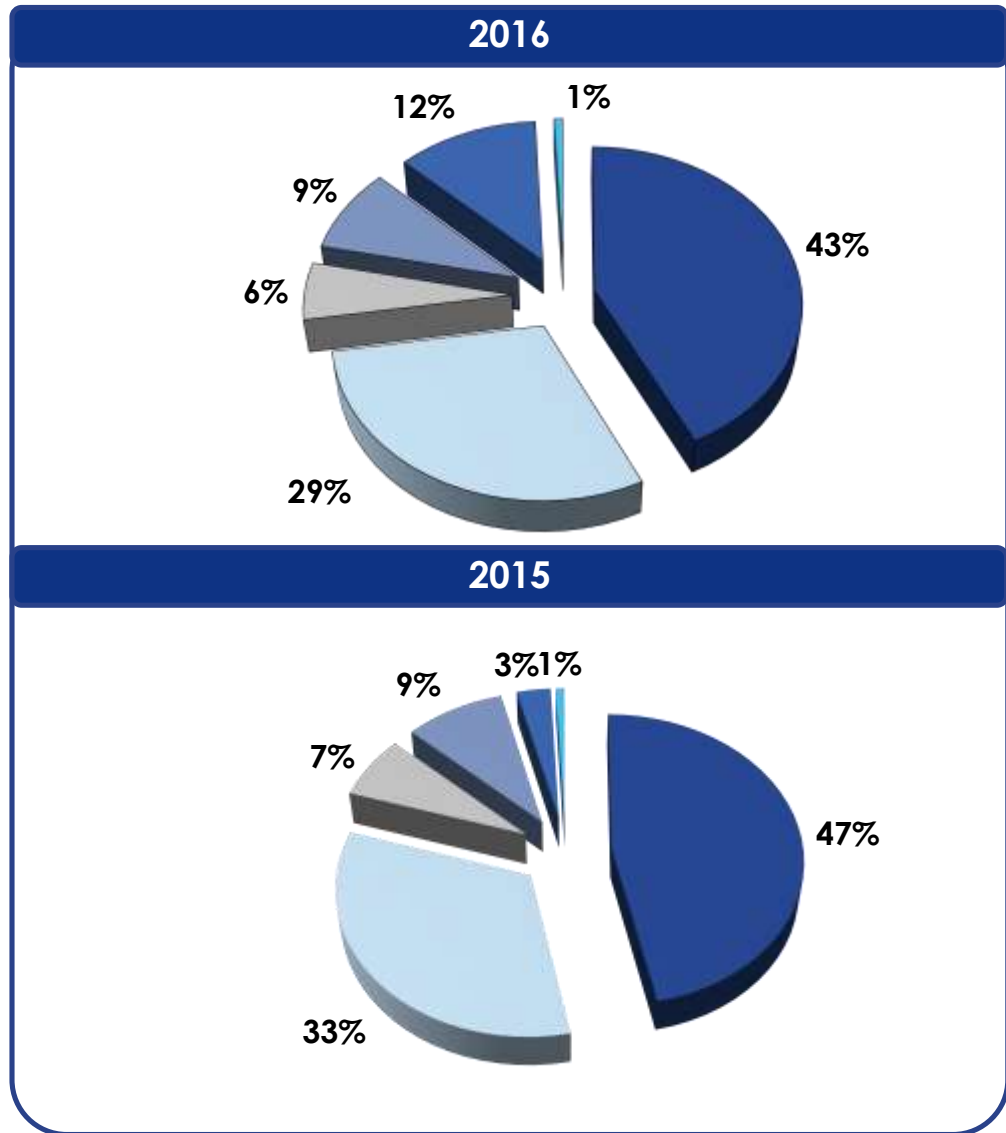
■ Gas condensate refined products

■ LPG

■ Stable gas condensate

■ Crude oil

■ Other

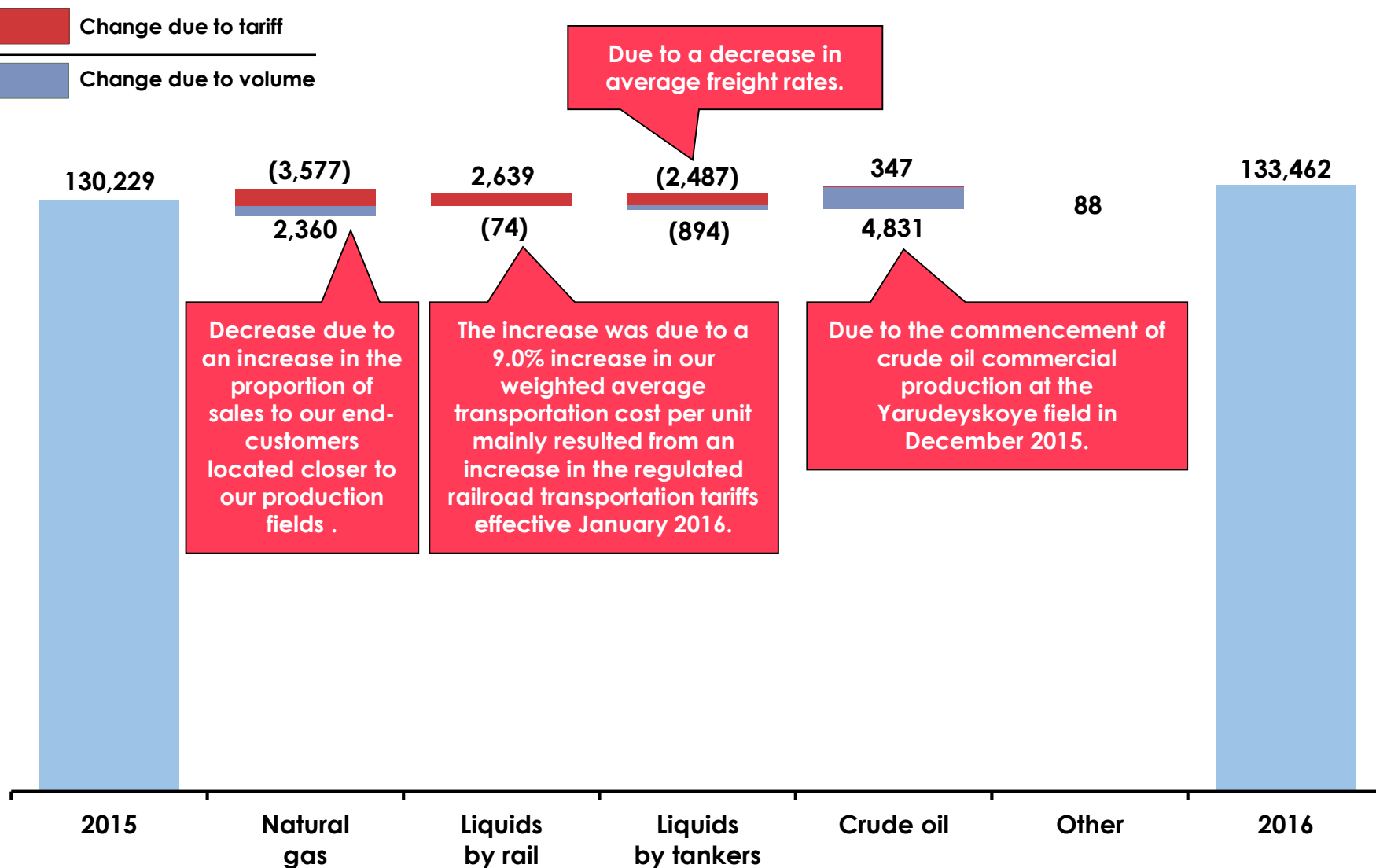


Operating Expenses (RR million and % of Total Revenues (TR))

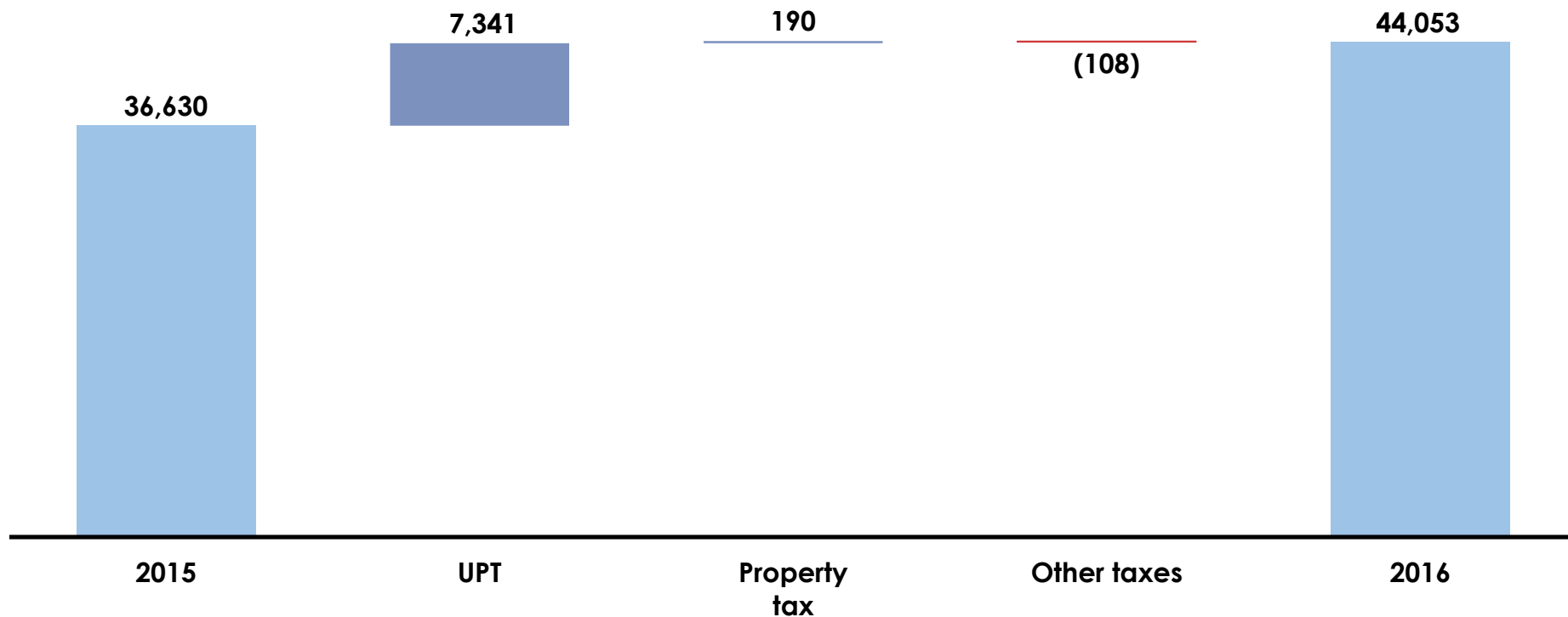
	2015	% of TR	2016	% of TR
Transportation expenses	130,229	27.4%	133,462	24.8%
Taxes other than income tax	36,630	7.7%	44,053	8.2%
Non-controllable expenses	166,859	35.1%	177,515	33.0%
Depreciation and amortization	19,980	4.2%	34,631	6.4%
Materials, services & other	14,551	3.0%	19,133	3.6%
General and administrative	14,356	3.0%	18,126	3.4%
Exploration expenses	1,109	0.2%	2,087	0.4%
Net impairment expenses (reversals)	-204	0.0%	178	0.0%
Change in natural gas, liquids and WIP	-2,113	-0.4%	-439	-0.1%
Subtotal operating expenses	214,538	45.1%	251,231	46.7%
Purchases of natural gas and liquid hydrocarbons	120,504	25.4%	134,268	25.0%
Total operating expenses	335,042	70.5%	385,499	71.7%

- Total operating expenses increased mainly due to the launch of the Yarudeyskoye field in December 2015 and the respective increase of certain items in transportation, taxes other than income tax expenses, depreciation, depletion and amortization, and materials, services and other expenses;
- Depreciation, depletion and amortization expense increased mainly due to the launch of the Yarudeyskoye field in December 2015, as well as additions of property, plant and equipment at our production subsidiaries;

Transportation Expenses (RR million)

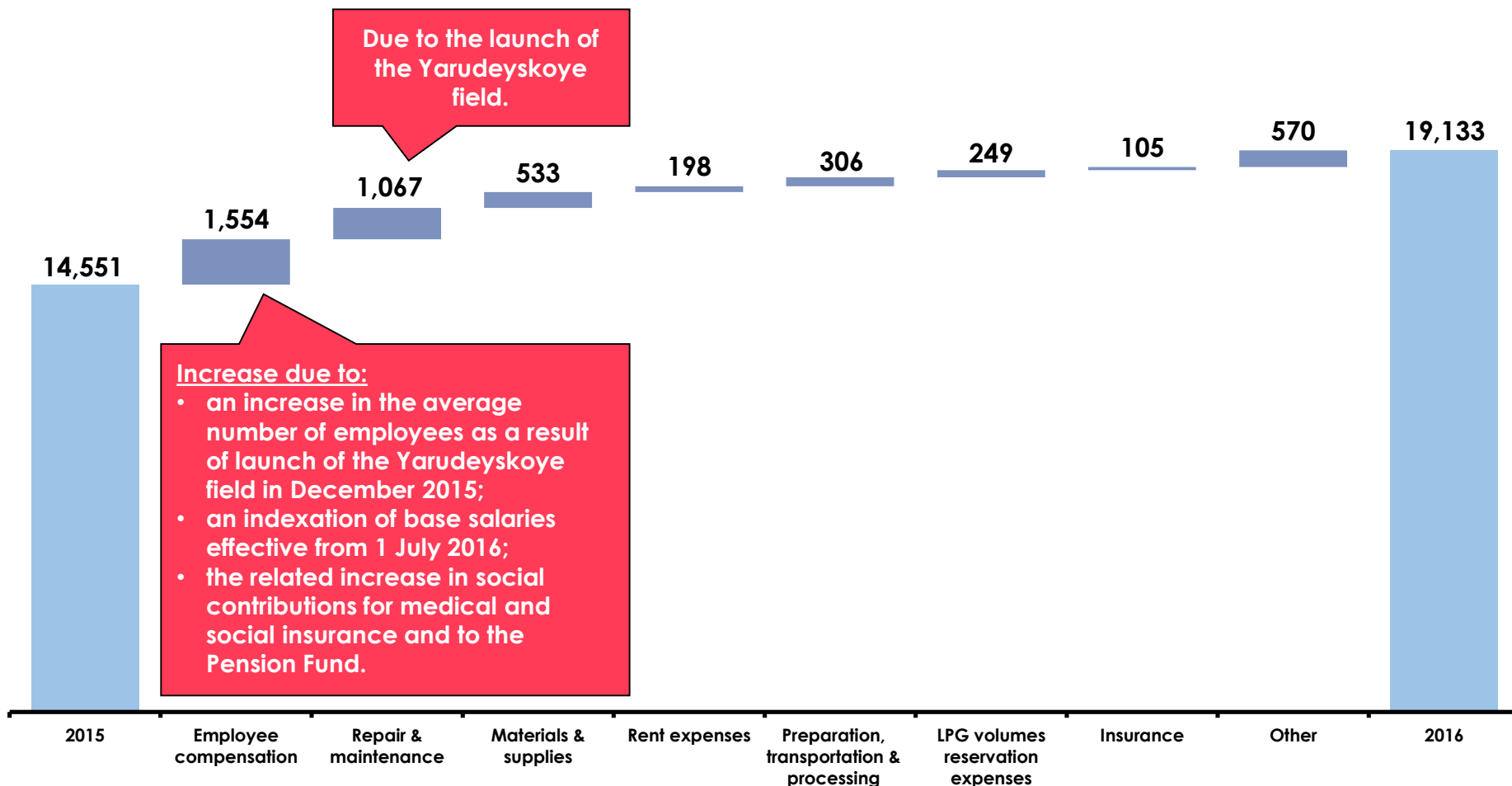


Taxes Other Than Income Tax Expense (RR million)

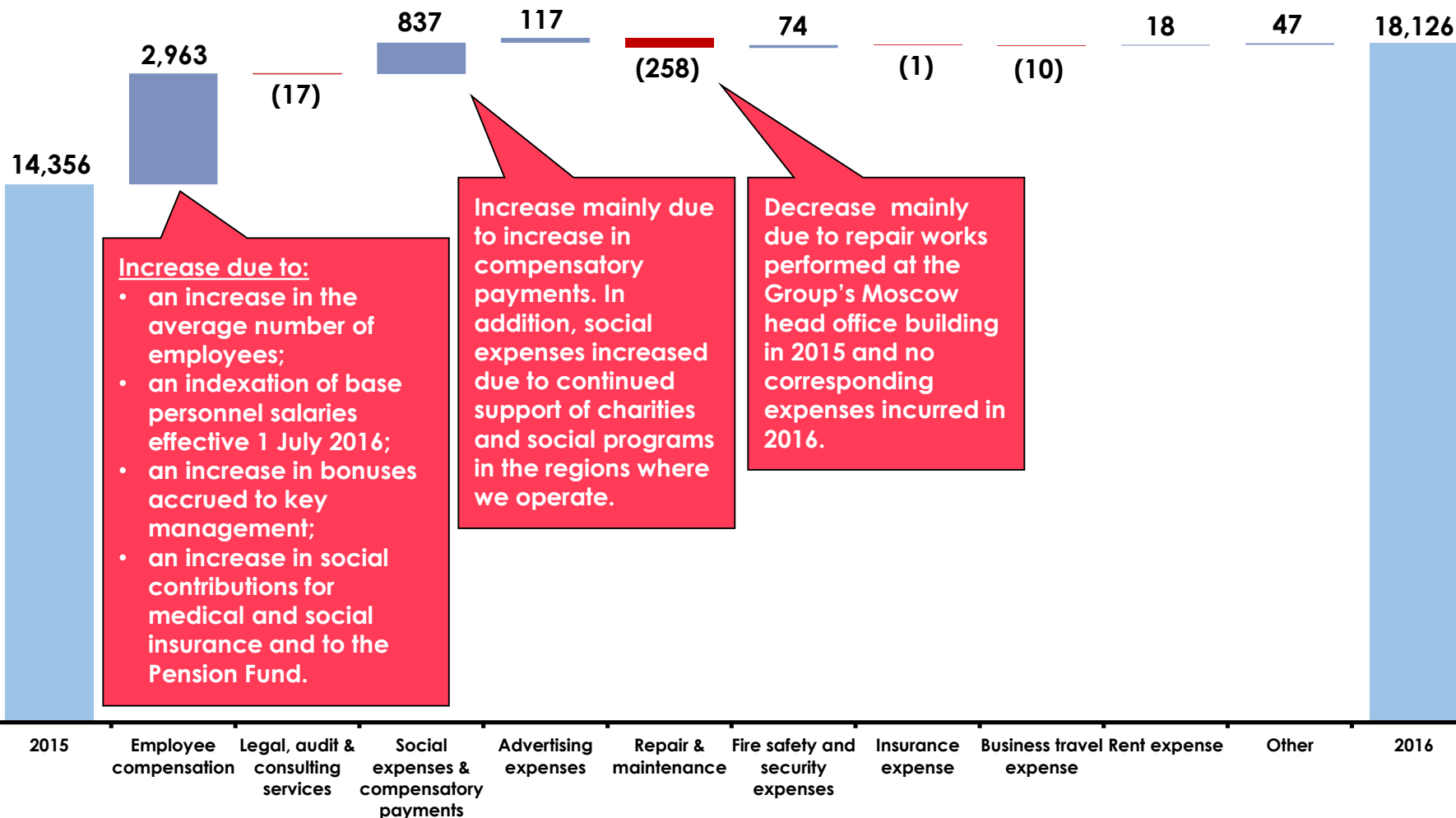


- Y-o-Y increase in UPT expense was primarily due to a significant increase in crude oil production as a result of the commercial production commencement at the Yarudeyskoye field in December 2015.
- In addition, as a part of the tax maneuver in the oil and gas industry, the adjusting coefficient that is applied in the calculation of the UPT rate for gas condensate was increased by 25.0% from 1 January 2016 in relation to 2015, thus also leading to an increase in our UPT expense.

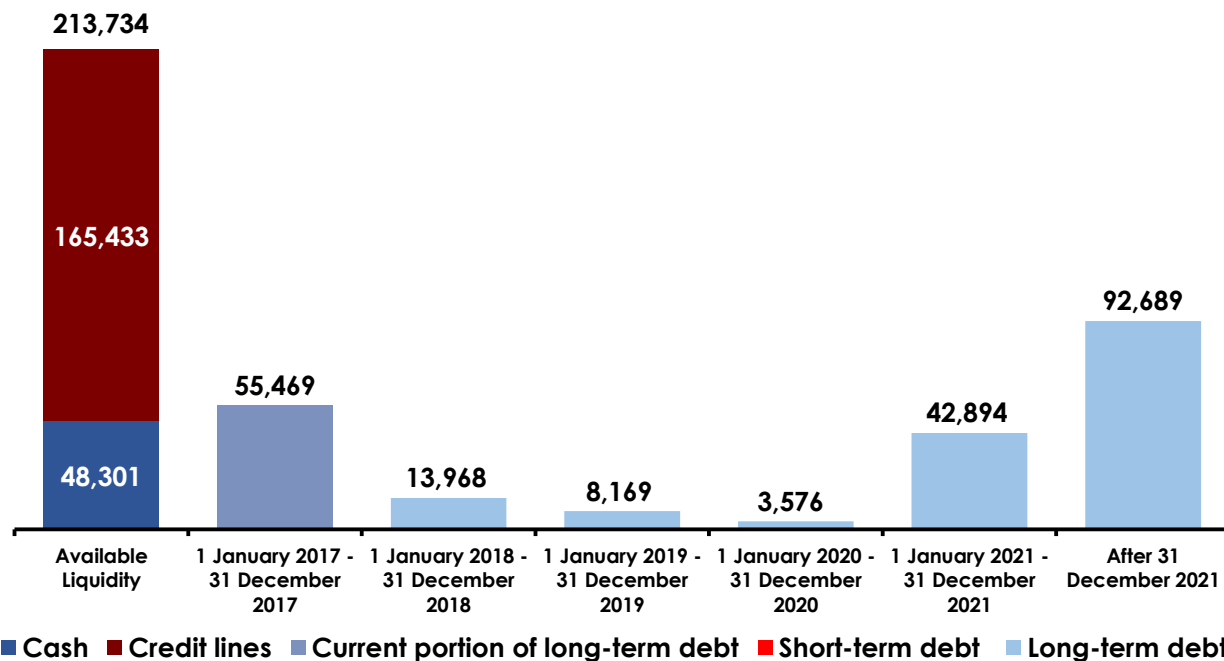
Materials, Services and Other Expenses (RR million)



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.

Debt repayment schedule:

Up to 31 December 2017 – Eurobonds Four-Year (RR 14 bln) (repaid on 21 February 2017),
Syndicated term credit line and Other loans

Up to 31 December 2018 – Loan from the Silk Road Fund

Up to 31 December 2019 – Loan from the Silk Road Fund and Other loans

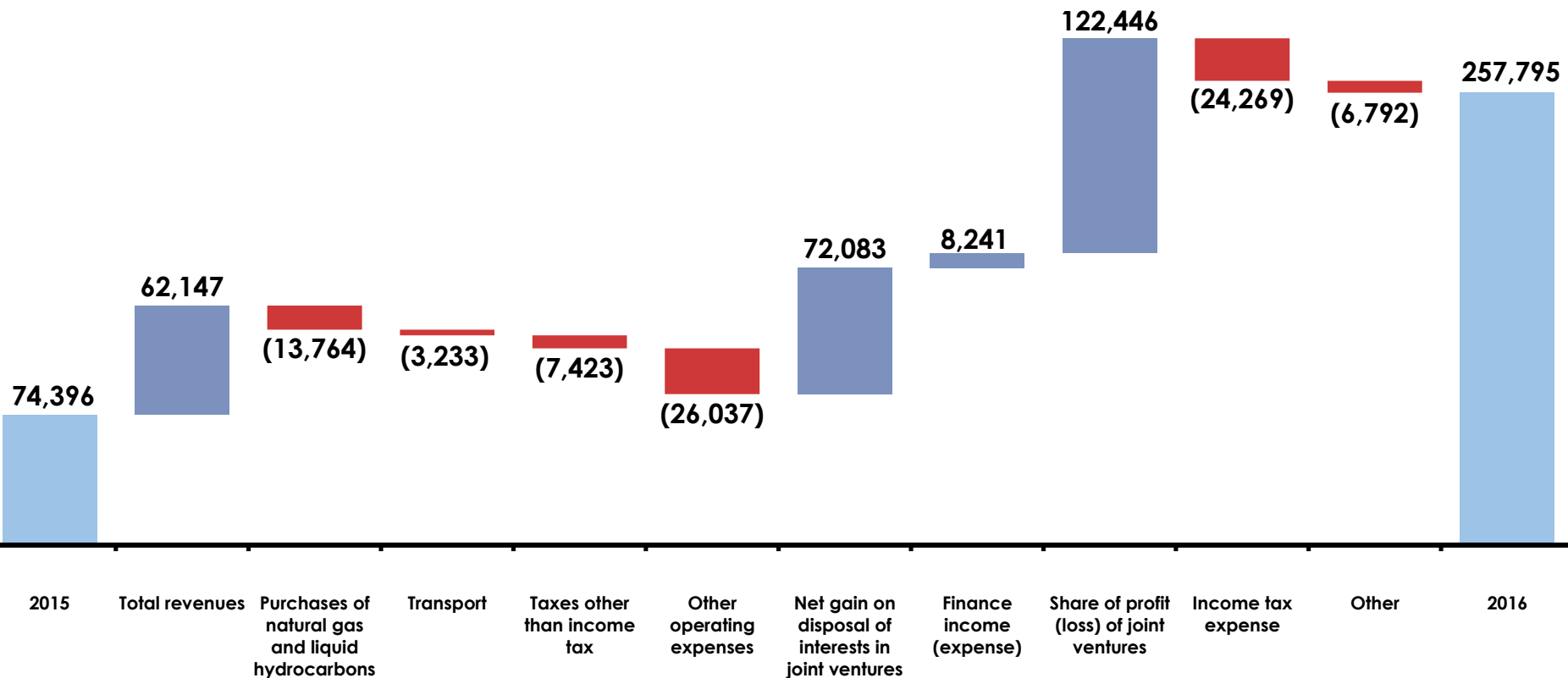
Up to 31 December 2020 – Loan from the Silk Road Fund

After 31 December 2020 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln and USD one bln)

Questions and Answers

Appendices

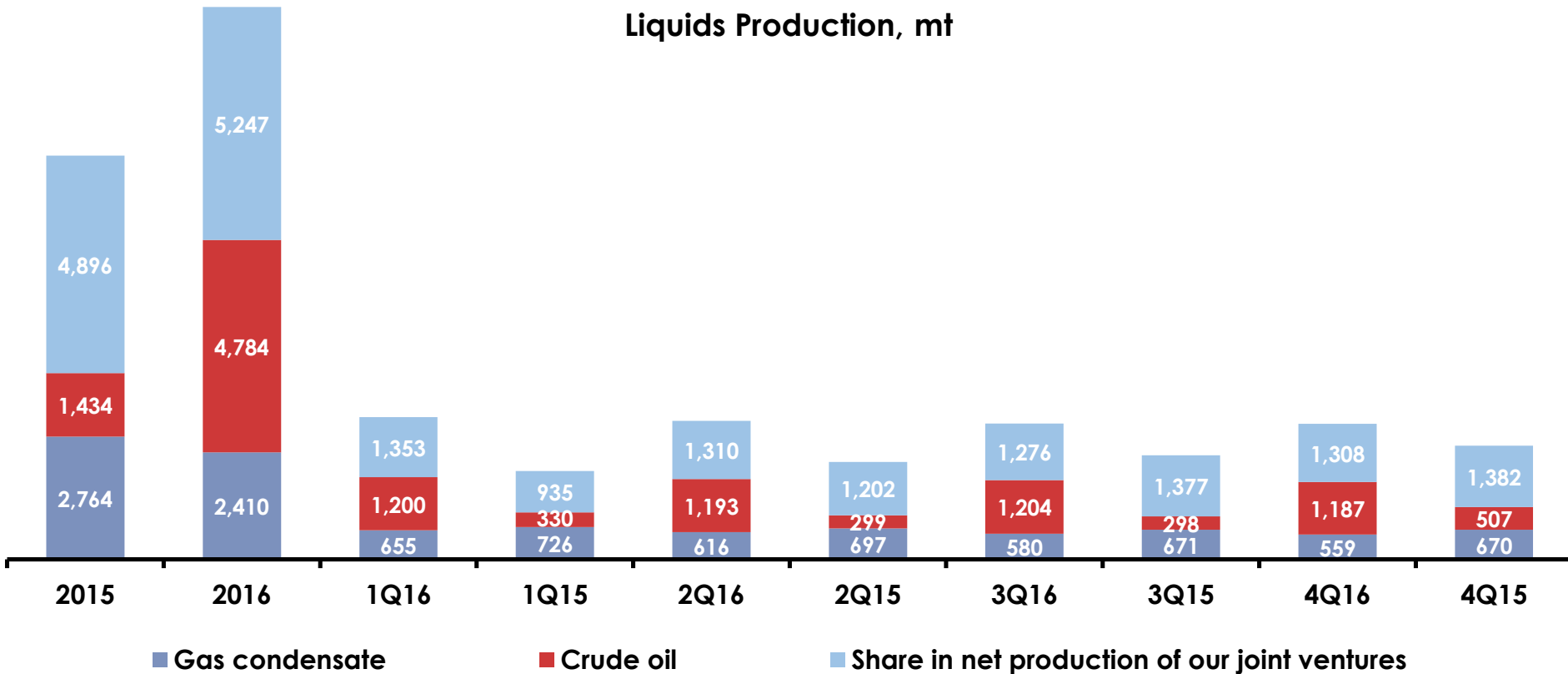
Profit Attributable to NOVATEK Shareholders (RR million)



The major factors that had an effect on the Group's financial result were the recognition of significant non-cash foreign exchange gains (losses) on foreign currency denominated loans of the Group and its joint ventures in both reporting periods, as well as the recognition of a gain on the disposal of interests in joint ventures in 2016. Excluding the one-time effect from the disposal of interests in joint ventures and the effect of foreign exchange gains and losses, our profit attributable to shareholders of PAO NOVATEK changed insignificantly.

Net Production YoY and 2015/2016 Quarterly

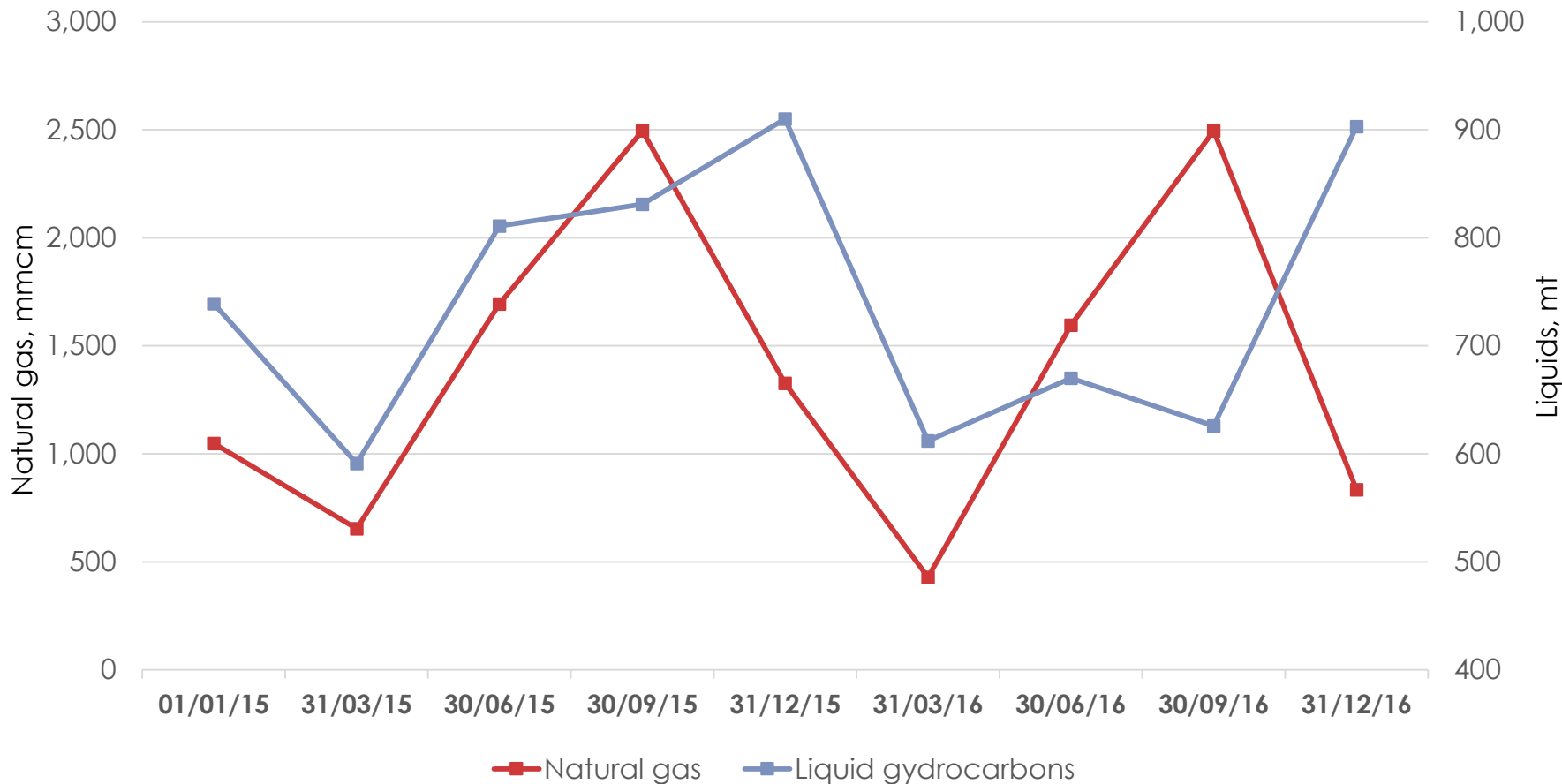
Liquids Production, mt



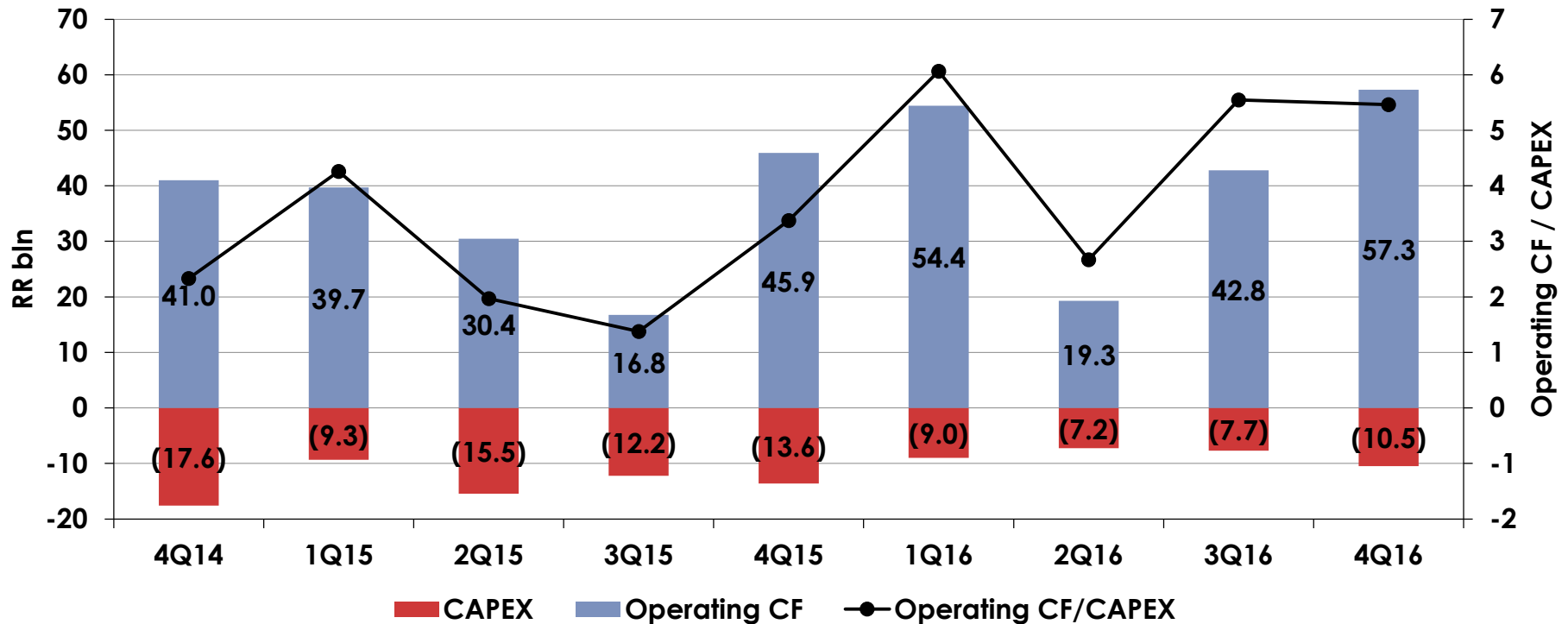
The volumes of liquids produced by our subsidiaries significantly increased YoY and QoQ due to the commencement of commercial production at the Yarudeyskoye field in December 2015.

At the same time gas condensate production decreased due to the natural declines in the concentration of gas condensate at our mature fields (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye) as a result of decreasing reservoir pressure at the current gas condensate producing horizons.

Change in Inventories



Internally Funded Investment Program



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