

NOVATEK

Second Quarter 2020 Operational and Financial Results Conference Call



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30 July 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.

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 – 2Q20

- ❑ **Hydrocarbons production** totaled 145.3 mmboe, representing a **decrease of 2.5%** compared to 2Q19
- ❑ **Total revenues** amounted to RR 143.9 bln, representing a **decrease of 34.1%** compared to 2Q19
- ❑ **Normalized profit** attributable to shareholders of PAO NOVATEK* totaled RR 21.2 bln, representing a **decrease of 67.0%** compared to 2Q19
- ❑ NOVATEK's **share in LNG production** was **2,734 mt**, representing a **decrease of 6.1%** compared to 2Q19

*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) and excluding the effect of foreign exchange gains (losses) of subsidiaries and our proportionate share in foreign exchange gains (losses) of our joint ventures.

Key Events 2Q20

- ❑ CEOs met virtually to discuss status of Arctic LNG project
- ❑ LNG tanker “Christophe de Margerie” completed unique voyage along the Northern Sea Route in only 12 days
- ❑ NOVATEK signed cooperation agreement with Murmansk region and agreement with Far East Development Corporation
- ❑ NOVATEK registered license for Bukharinskiy license area

Our Response to the COVID-19 Pandemic

We are committed to putting the well-being of our valued employees above operational and financial results and implement the necessary measures to preserve our employees' health and ensure safe working conditions.



The Company organizes regular testing of its' employees, purchases personal protective equipment, and helps with the provision of diagnostic laboratories and hospitals in the Murmansk and Yamal-Nenets Autonomous Regions with necessary equipment, reagents, and medical supplies.

Murmansk Region

- 30 artificial ventilation units
- 30,000 protective suits
- 2,000 infrared thermometers
- equipped five laboratories to conduct 55,000 tests
- 200 additional beds with oxygen feeders

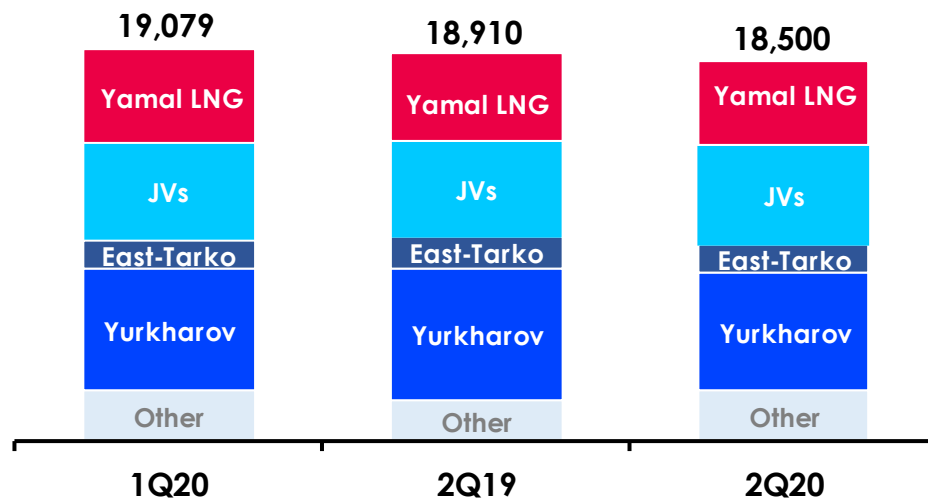
Yamal-Nenets Autonomous Region

- 25 artificial ventilation units
- 60,000 protective suits
- 2,000,000 masks

Operational Overview

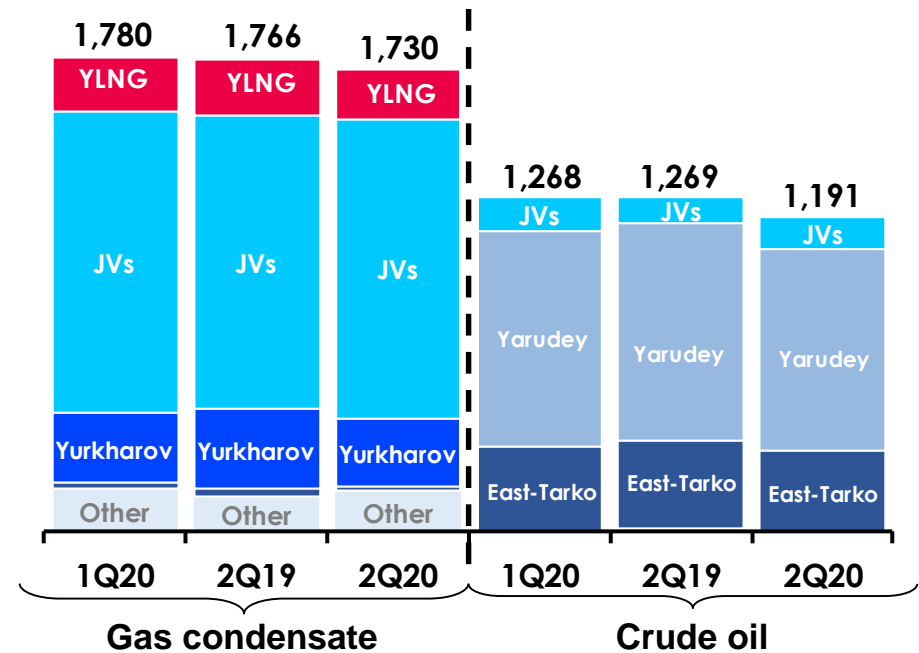
Hydrocarbon Production

Natural Gas Production, mmcm



Total natural gas production decreased mainly due to planned maintenance works performed on two LNG trains at our joint venture OAO Yamal LNG. The decrease in production at mature fields at our subsidiaries and joint ventures was almost offset by the launch of the North-Russkoye field at the end of 2019 and an increase in hydrocarbon production from the Achimov horizons at the Arcticgas's Urengoykoye field due to the expansion of the gas condensate treatment facility in 1Q20.

Liquids Production, mt



Total liquids production decreased primarily due to a decrease in production at mature fields of our subsidiaries and joint ventures, which was largely offset by an increase in the production at Arcticgas, as well as the commissioning of new wells at the Beregovoye field.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- ❑ **Total volumes delivered in 2Q20: 2,796 mt**
 - Yurkharovskoye field: 247 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 126 mt
 - Other fields: 94 mt
 - Purchases from our joint ventures: 2,329 mt
- ❑ **Total output of marketable products: 2,785 mt**
 - Stable gas condensate: 2,133 mt
 - LPG: 652 mt

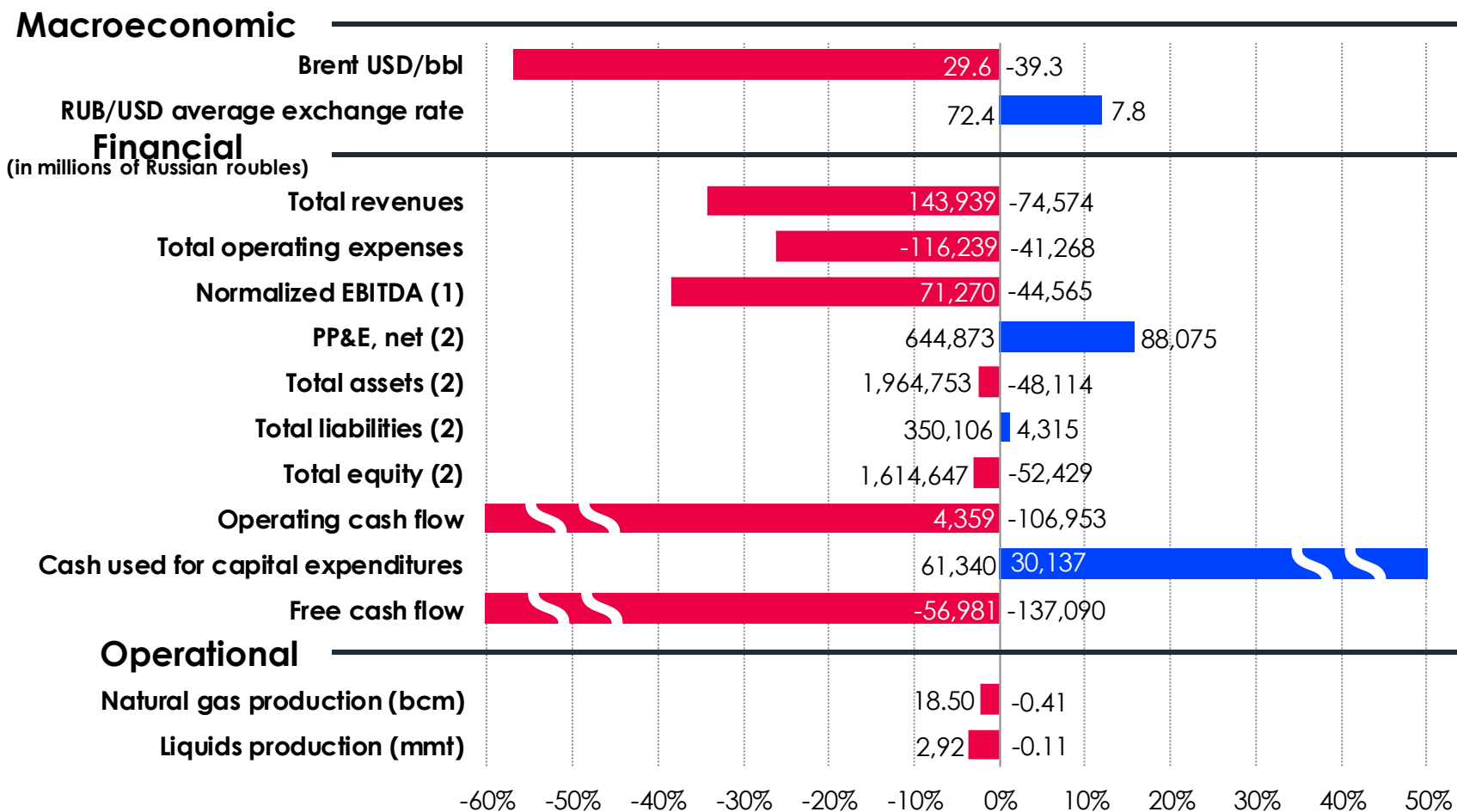
Ust-Luga Complex

- ❑ **Total volumes delivered in 2Q20: 1,768 mt**
- ❑ **Total output of marketable stable gas condensate refined products: 1,745 mt**
 - Naphtha: 1,107 mt
 - Other products: 638 mt
- ❑ **Stable gas condensate refined products sold: 1,893 mt**
 - to Europe: 892 mt
 - to the Asian Pacific Region: 784 mt
 - to North America: 54 mt
 - Other: 163 mt



Financial Overview – 2Q20 to 2Q19

Performance Summary 2Q20/2Q19

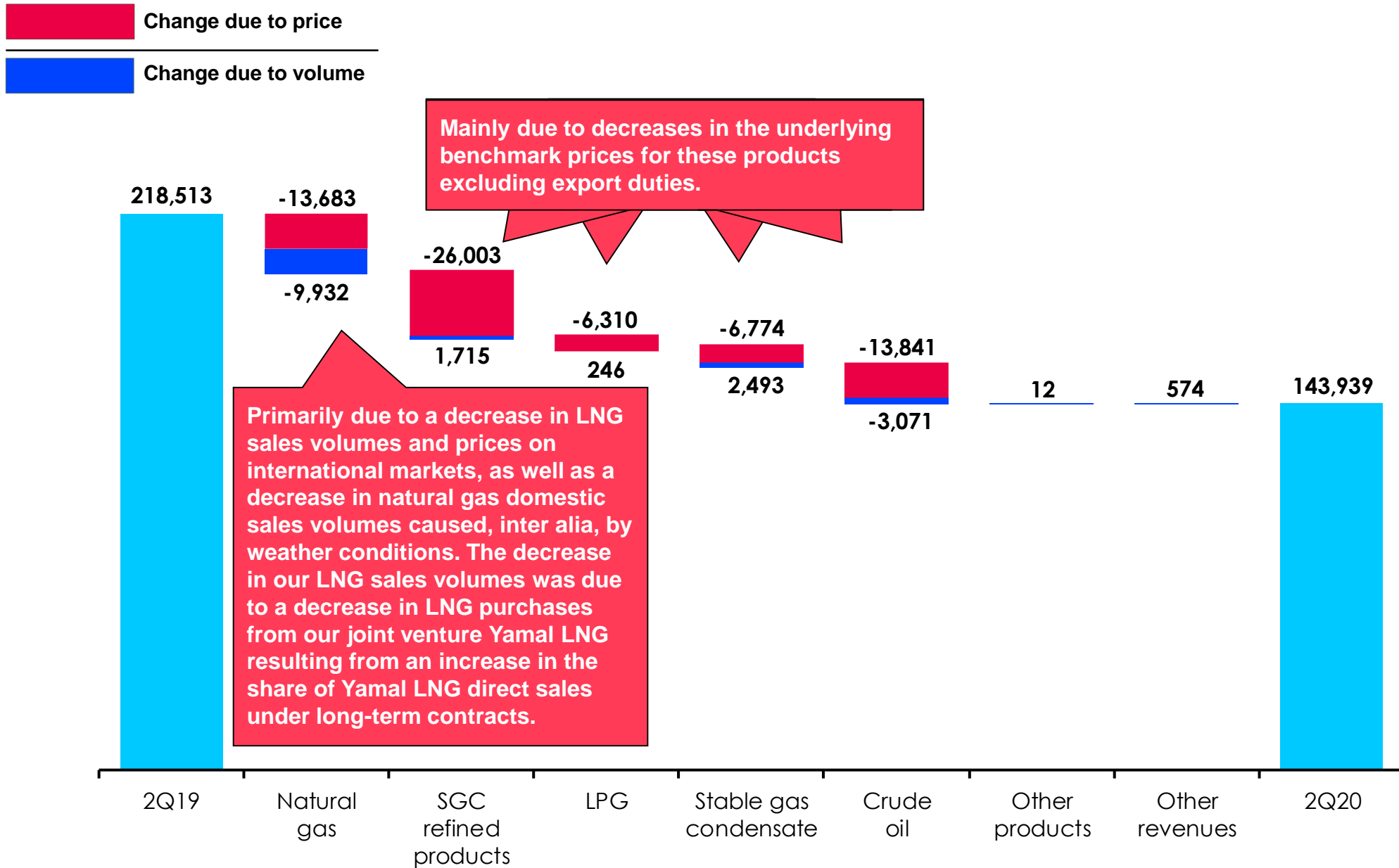


(1) Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration)

(2) 30.06.2020 to 31.12.2019

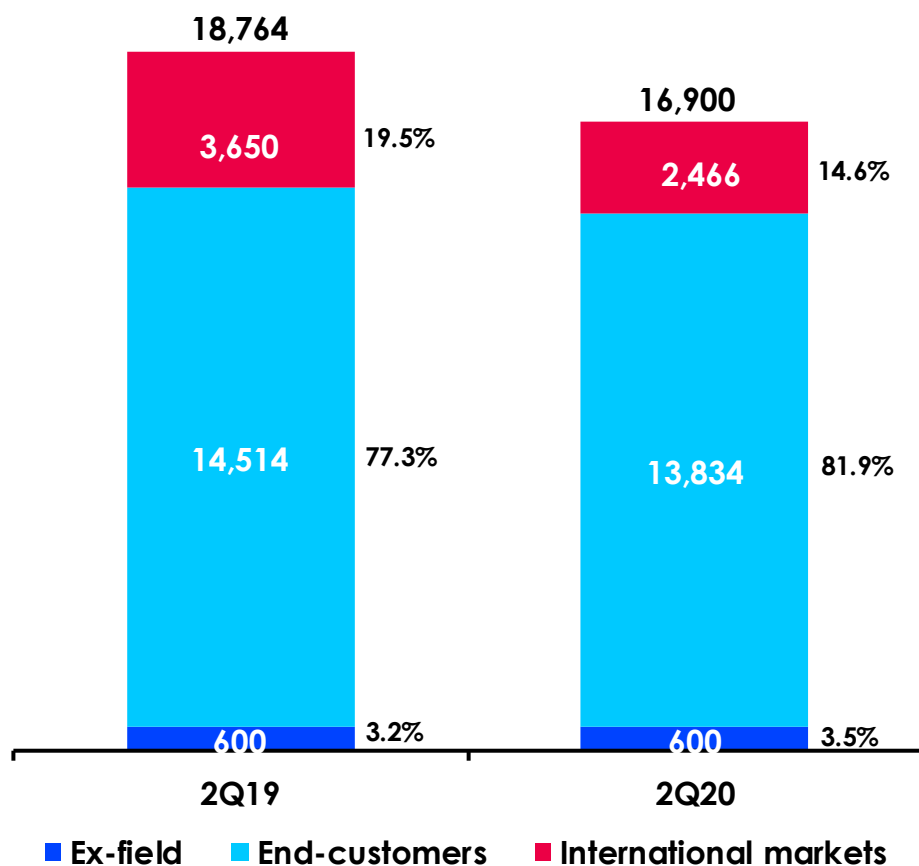
Note: Number on the right is the absolute change, number on the left is the value for the reporting period, size of bar is % change

Total Revenues (RR million)

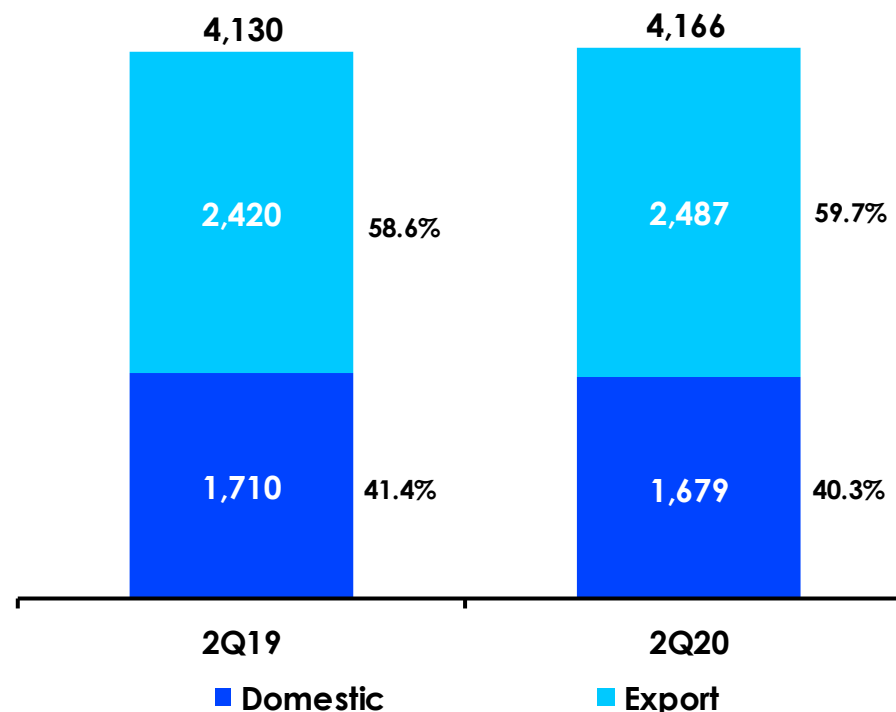


Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



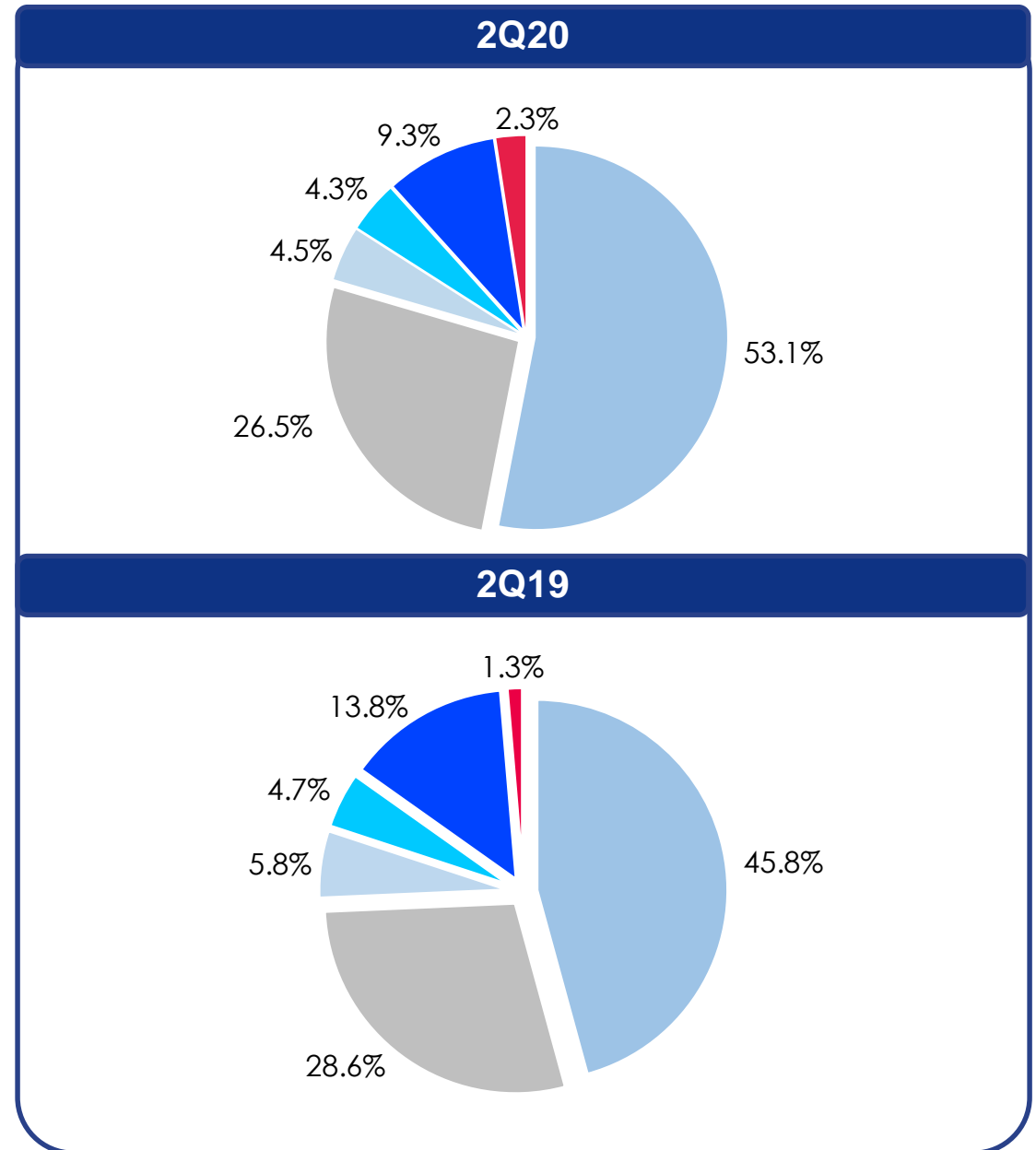
Liquids Sales Volumes, mt



Natural gas sales volumes decreased 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 domestic market also decreased as a result of lower demand from end-customers primarily due to warmer weather conditions. Our liquids sales volumes increased marginally by 0.9%.

Total Revenues Breakdown (RR billion)

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

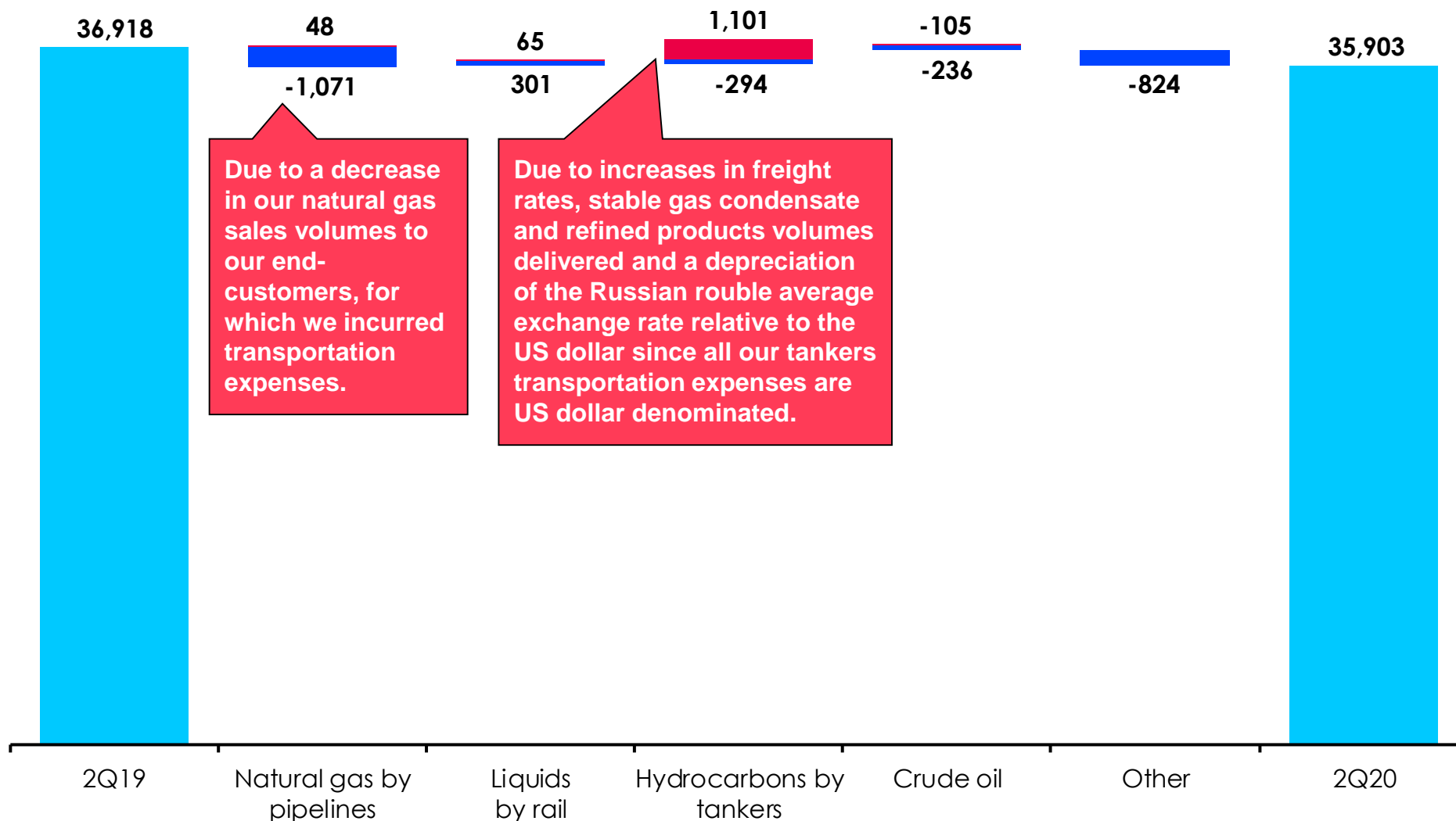
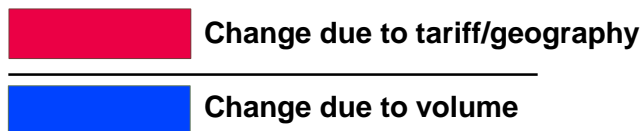


Operating Expenses (RR million and % of Total Revenues (TR))

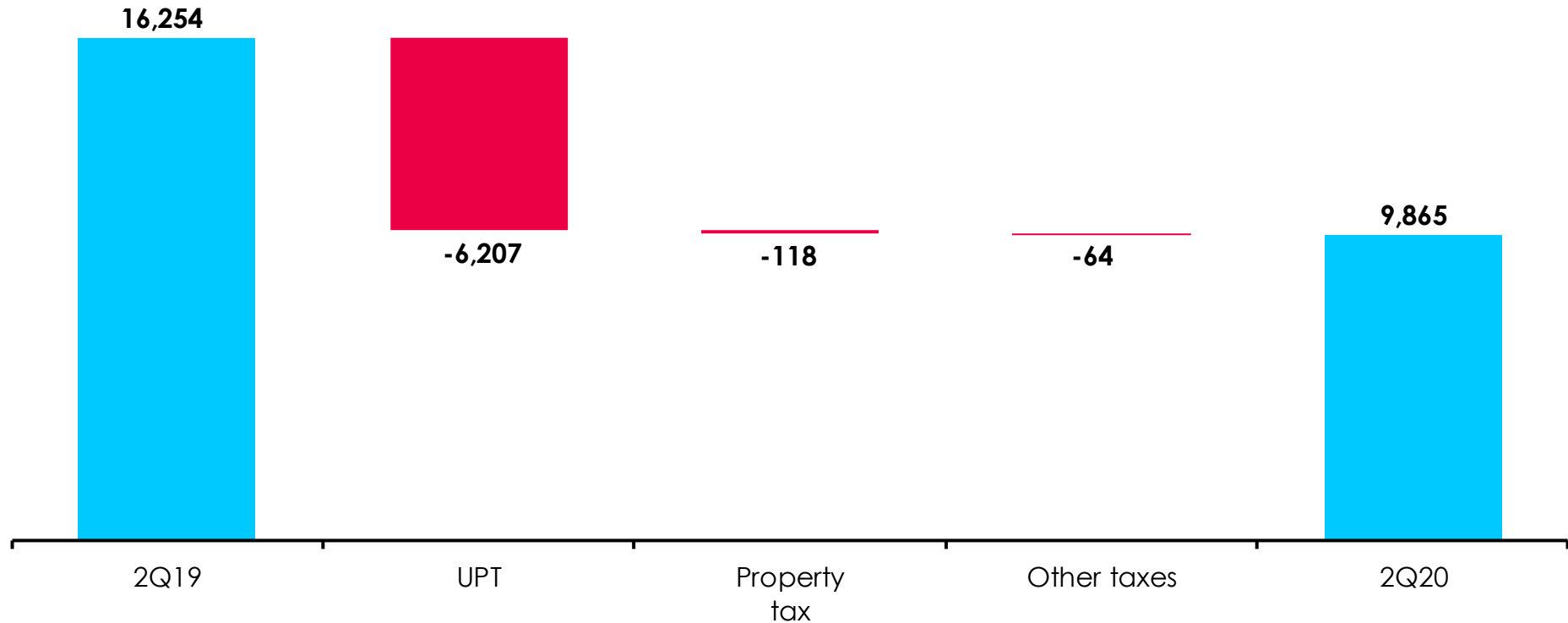
| 2Q19 | % of TR | 2Q20 | % of TR | | 1Q20 | % of TR | 2Q20 | % of TR |
|---------|---------|---------|---------|--|---------|---------|---------|---------|
| 36,918 | 16.9% | 35,903 | 24.9% | Transportation expenses | 39,506 | 21.4% | 35,903 | 24.9% |
| 16,254 | 7.4% | 9,865 | 6.9% | Taxes other than income tax | 14,530 | 7.9% | 9,865 | 6.9% |
| 53,172 | 24.3% | 45,768 | 31.8% | Non-controllable expenses | 54,036 | 29.3% | 45,768 | 31.8% |
| 8,007 | 3.7% | 8,975 | 6.2% | Depreciation and amortization | 8,871 | 4.8% | 8,975 | 6.2% |
| 6,137 | 2.8% | 7,176 | 5.0% | Materials, services & other | 6,812 | 3.7% | 7,176 | 5.0% |
| 4,765 | 2.2% | 4,326 | 3.0% | General and administrative | 5,664 | 3.1% | 4,326 | 3.0% |
| 2,530 | 1.2% | 3,345 | 2.3% | Exploration expenses | 2,788 | 1.5% | 3,345 | 2.3% |
| | | | | Net impairment expenses | | | | |
| -10 | n/a | -26 | n/a | (reversals) | 3 | n/a | -26 | n/a |
| | | | | Change in natural gas, liquids and WIP | | | | |
| 1,092 | 0.5% | 1,435 | 1.0% | | 3,299 | 1.8% | 1,435 | 1.0% |
| 75,693 | 34.7% | 70,999 | 49.4% | Subtotal operating expenses | 81,473 | 44.1% | 70,999 | 49.4% |
| | | | | Purchases of natural gas and liquid hydrocarbons | | | | |
| 81,814 | 37.4% | 45,240 | 31.4% | | 65,062 | 35.3% | 45,240 | 31.4% |
| 157,507 | 72.1% | 116,239 | 80.8% | Total operating expenses | 146,535 | 79.4% | 116,239 | 80.8% |

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)

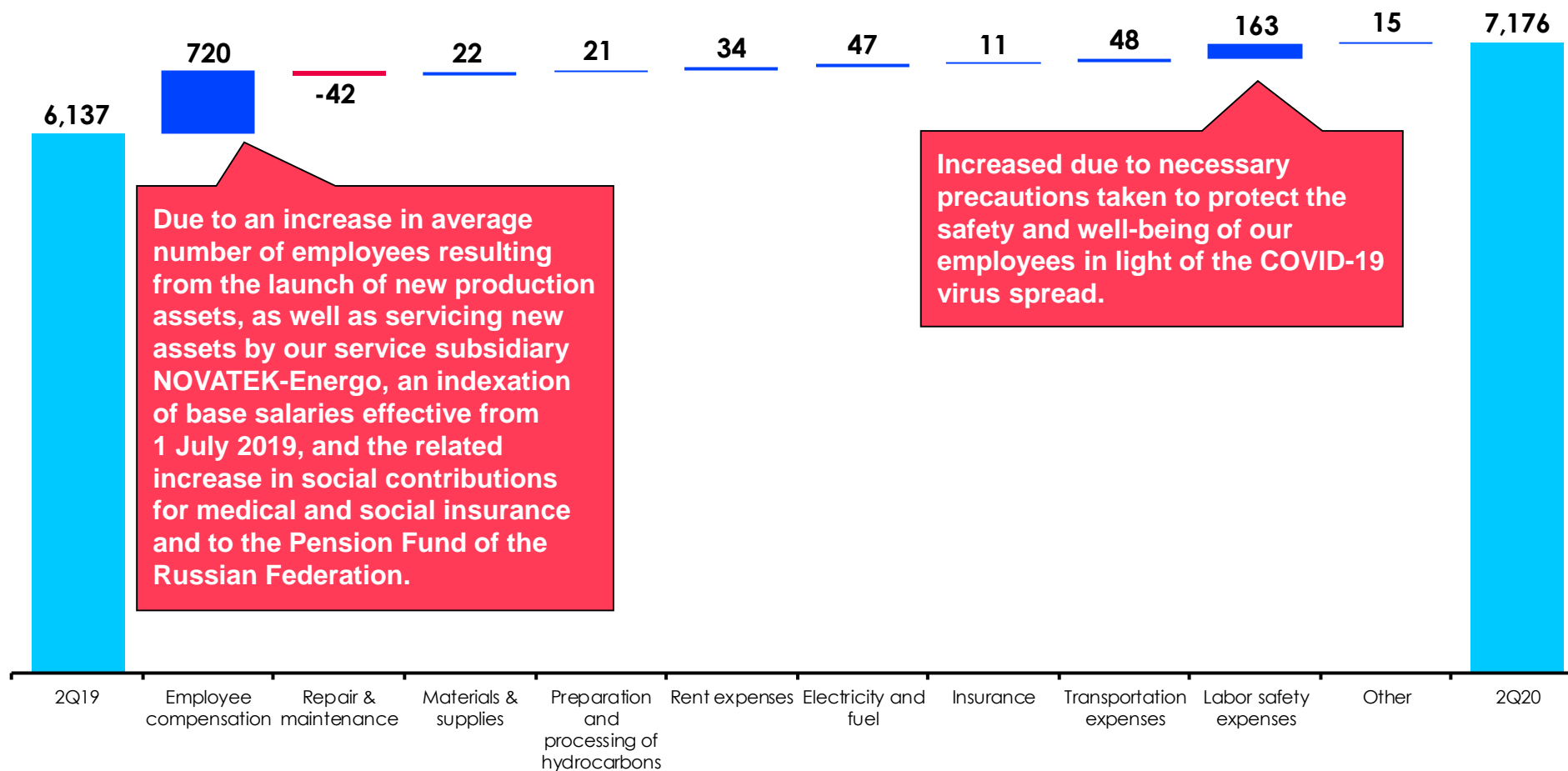


Taxes Other Than Income Tax Expense (RR million)

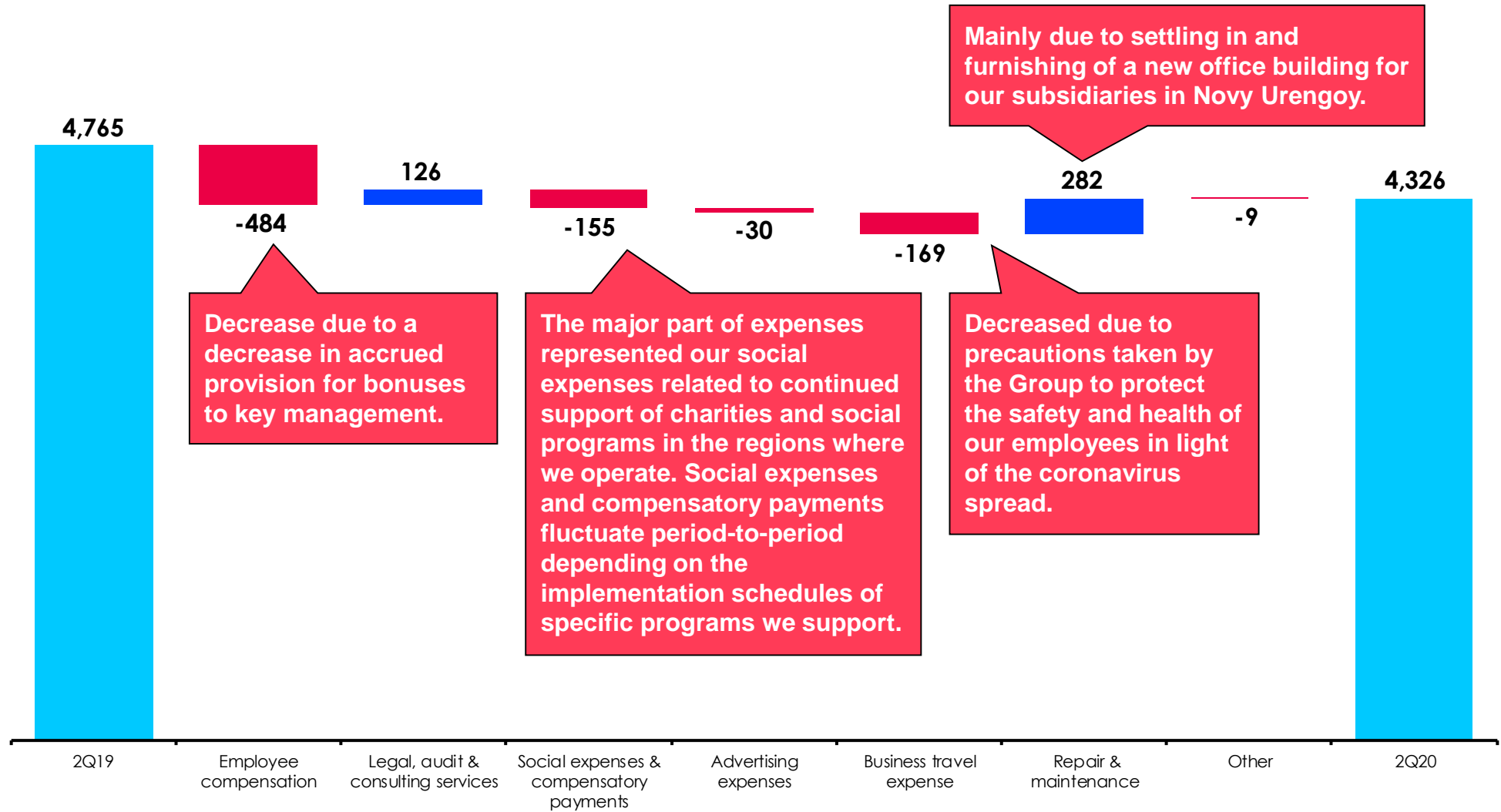


Our UPT expense decreased due to a decline in benchmark crude oil prices, which are used for UPT rates calculation, as well as a decrease in hydrocarbons production at mature fields of our subsidiaries.

Materials, Services and Other Expenses (RR million)

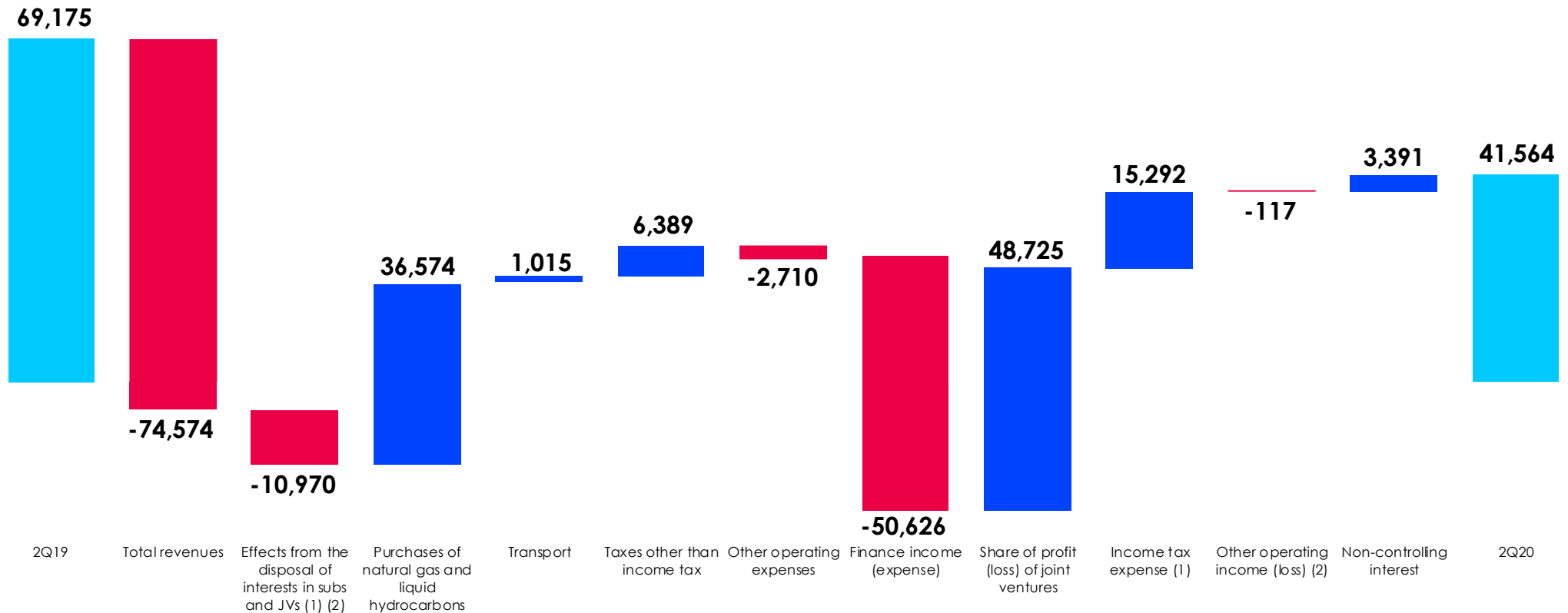


General and Administrative Expenses (RR million)



Profit Attributable to NOVATEK Shareholders

(RR million)

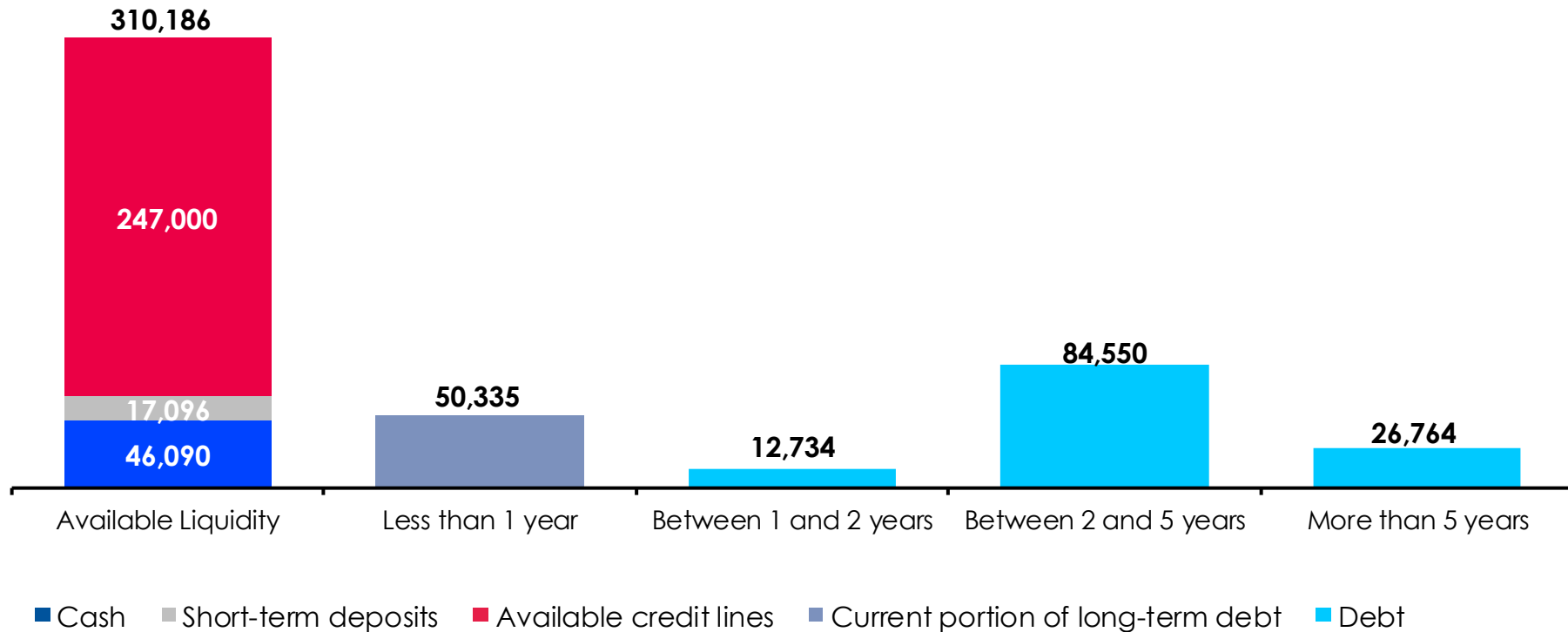


(1) Net of income tax effects related to non-cash revaluation in 2Q20 of contingent consideration on the sale of a 40% participation interest in 2019 (income tax benefit of RR 2,743 million).

(2) Effects from the disposal of interests include a loss of RR 13,713 million related to changes in fair value of contingent consideration on the sale of a 40% participation interest in 2019, which was reported in 2Q20 within the "Other operating income (loss)".

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 current reporting period, we recognized RR 13.7 billion of loss related to the non-cash revaluation of contingent consideration on the sale of a 40% participation interest in the Arctic LNG 2 project in 2019.

Total Debt Maturity Profile (RR million)



Debt repayment schedule:

Up to 30 June 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln)

Up to 30 June 2022 – Loan from the Silk Road Fund and other loans

Up to 30 June 2023 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)

After 30 June 2023 – Loan from the Silk Road Fund

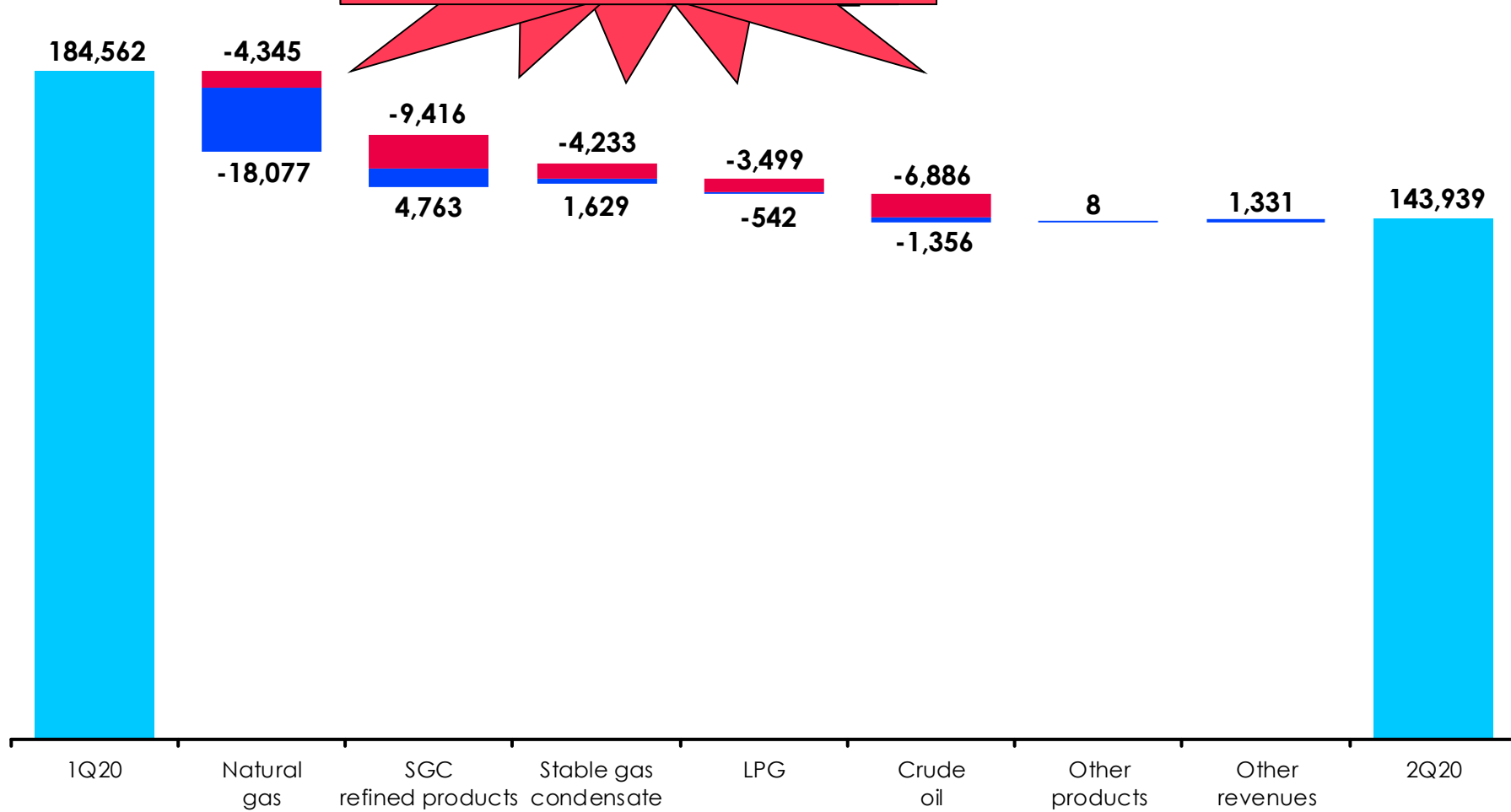
Financial Overview – 2Q20 to 1Q20

Total Revenues (RR million)

 Change due to price

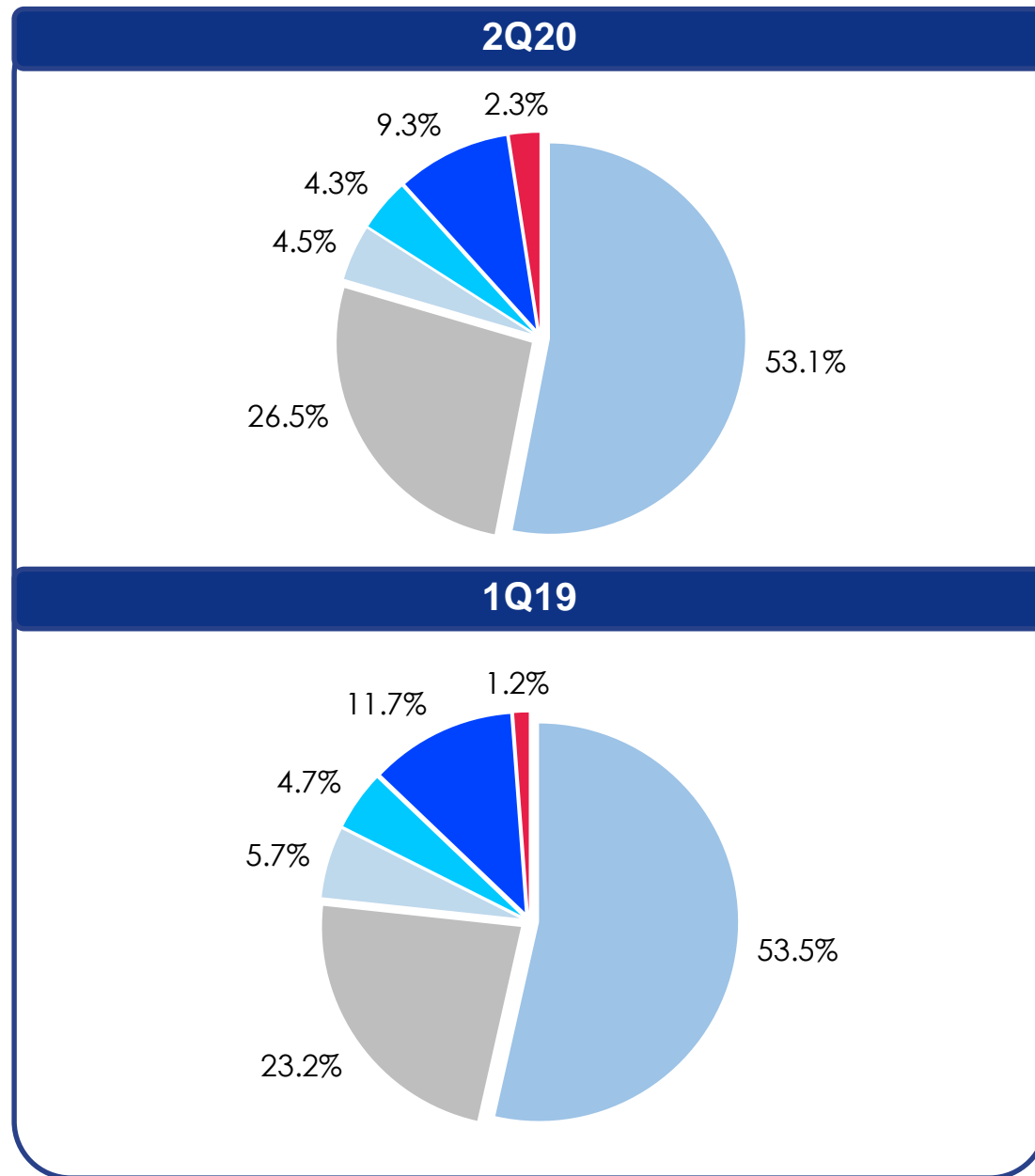
 Change due to volume

Mainly due to decreases in the underlying benchmark prices for these products excluding export duties.

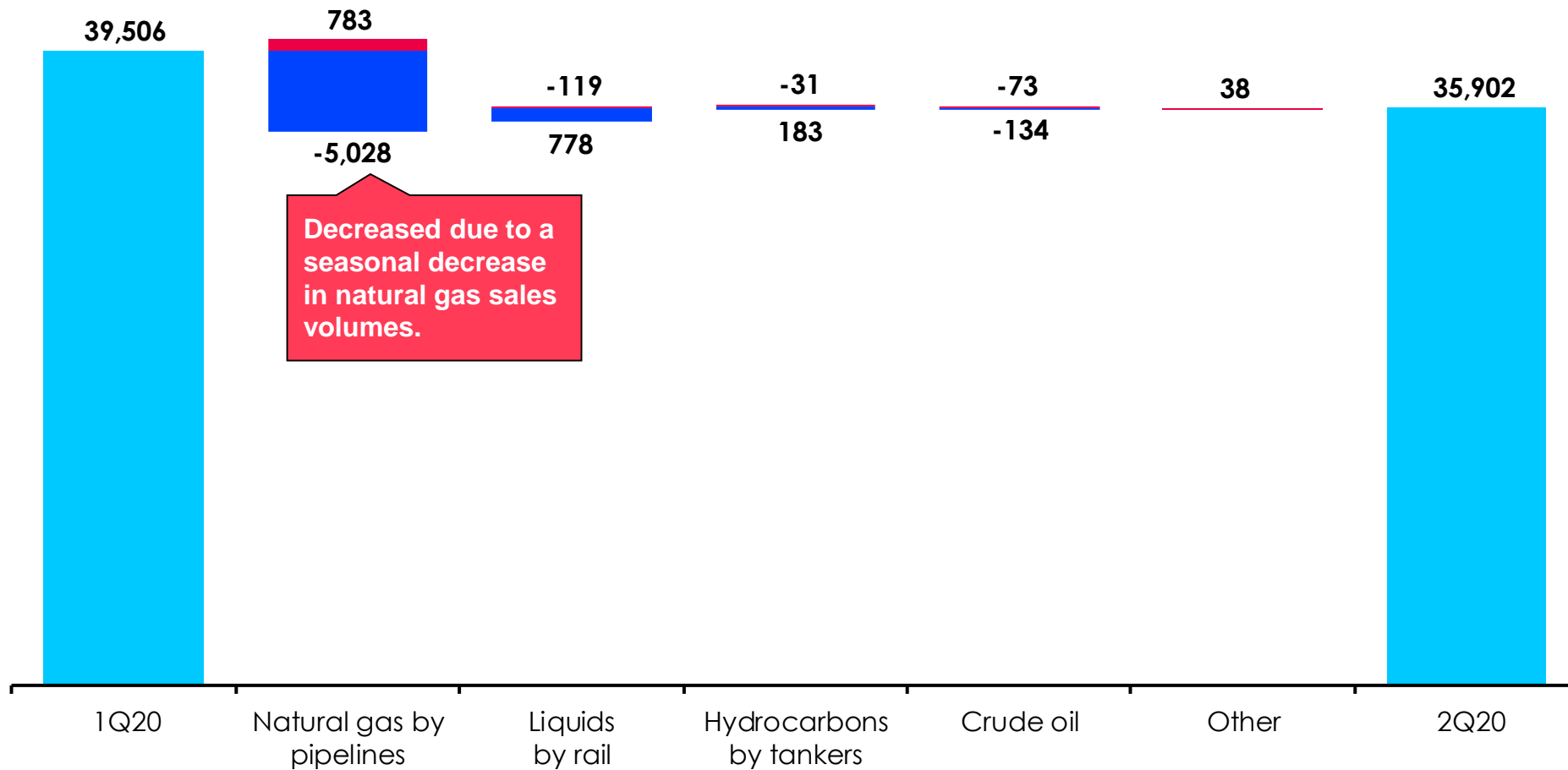
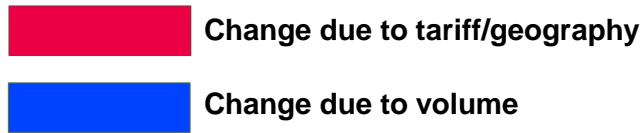


Total Revenues Breakdown

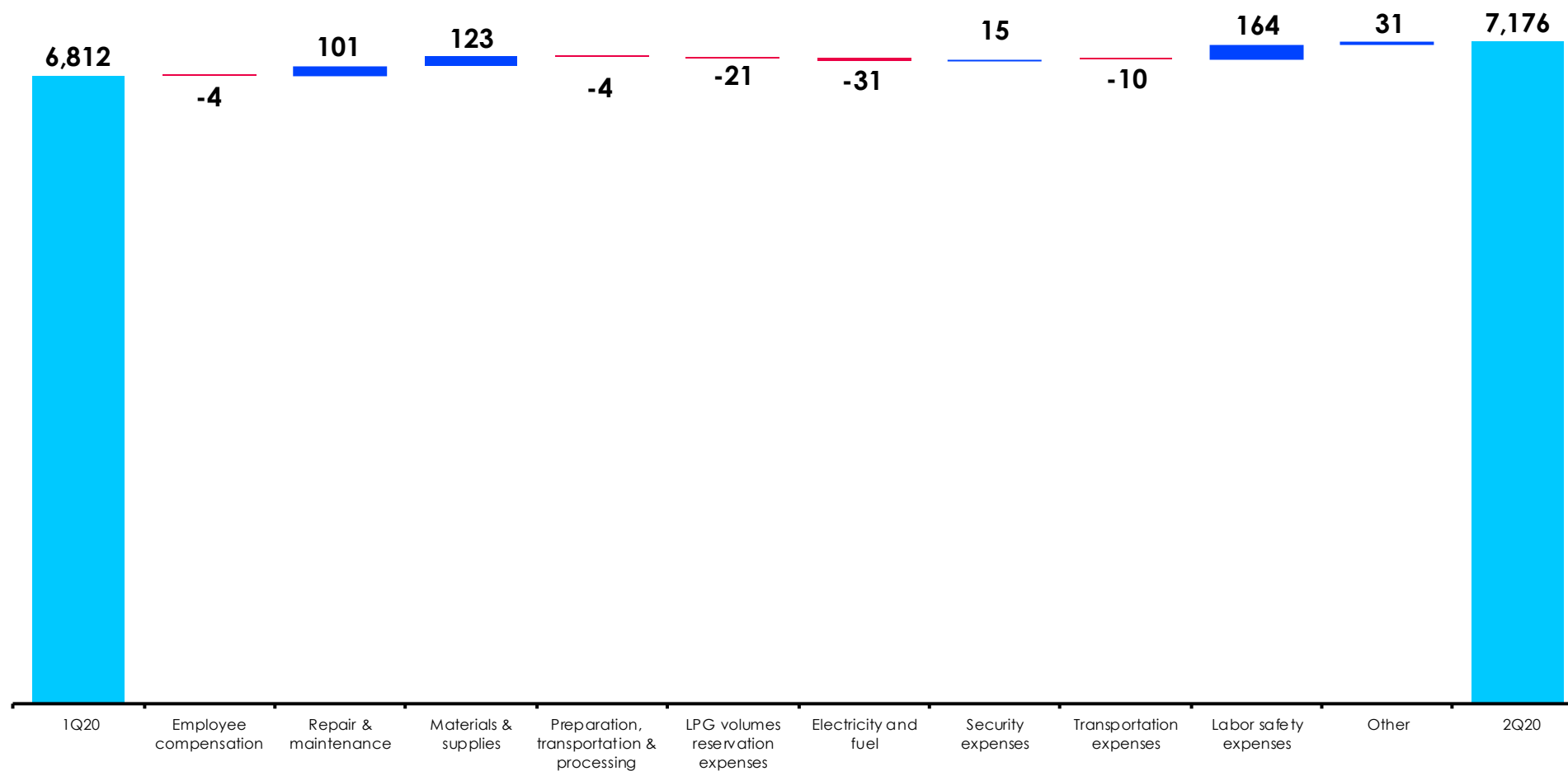
- Natural gas, including LNG
- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other



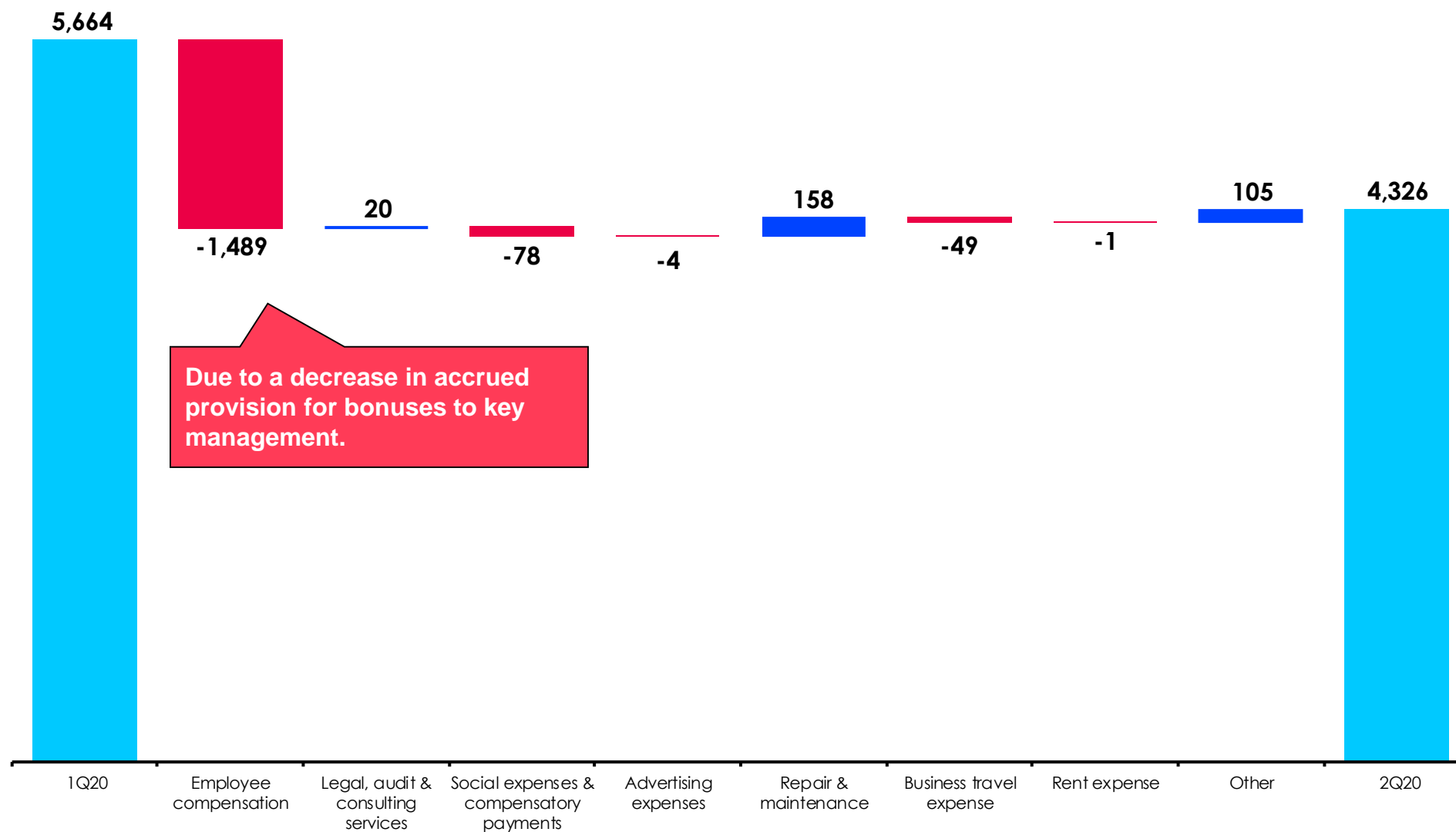
Transportation Expenses (RR million)



Materials, Services and Other Expenses (RR million)



General and Administrative Expenses (RR million)

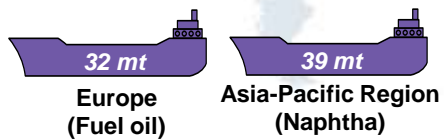


Appendices

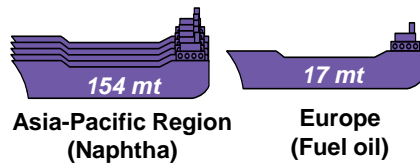
Liquids in Tankers



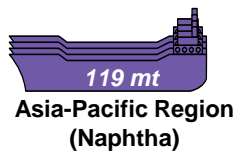
“Goods in transit”
30.06.2019
 ~ 71 thousand tons



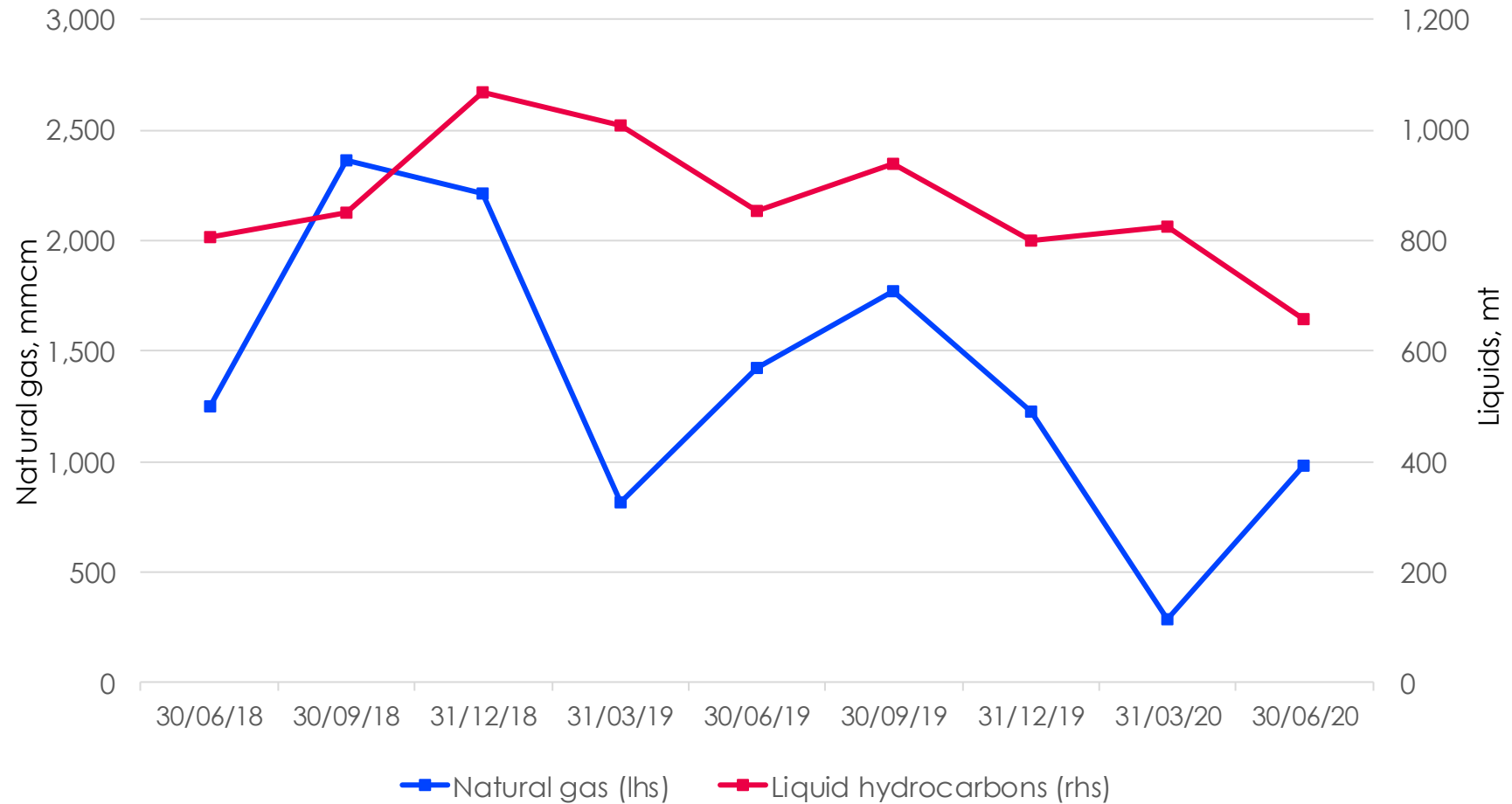
“Goods in transit”
31.12.2019
 ~ 171 thousand tons



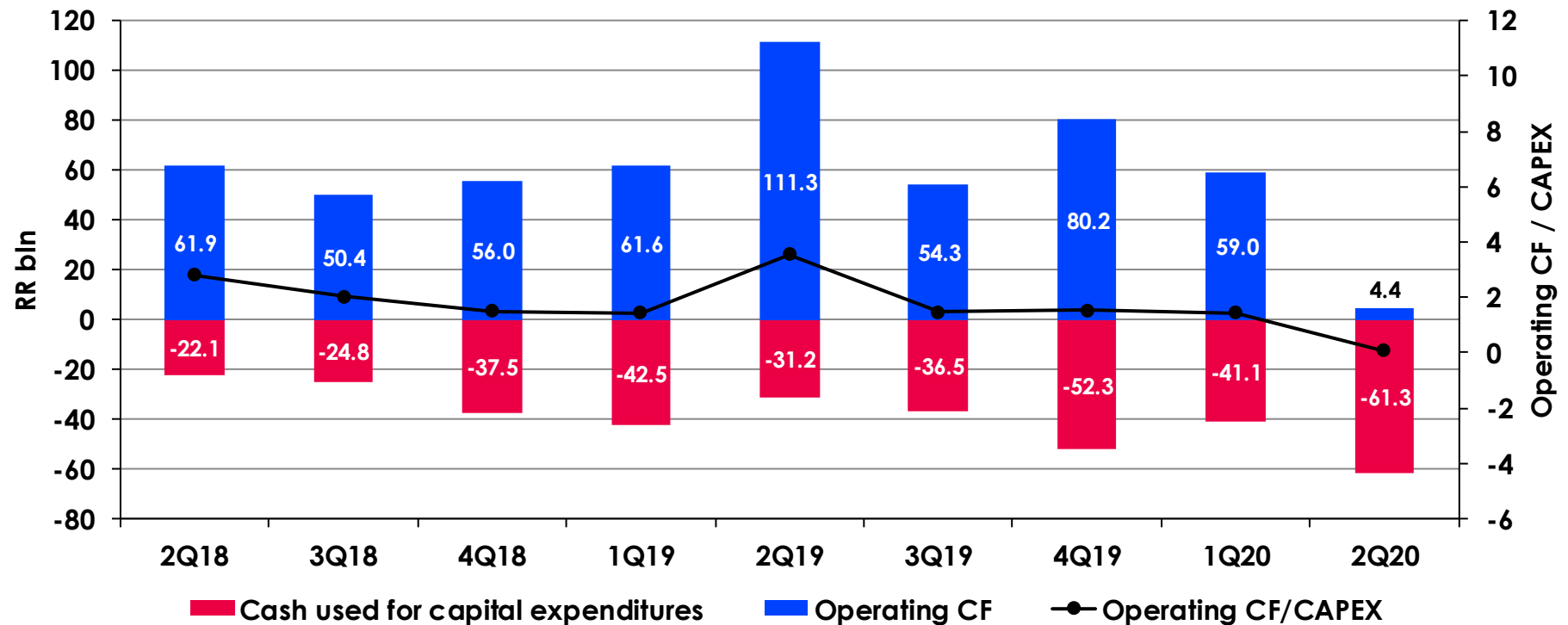
“Goods in transit”
30.06.2020
 ~ 119 thousand tons



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