

NOVATEK

Third Quarter 2018 Operational and Financial Results Conference Call



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Moscow, Russian Federation
25 October 2018

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 – 3Q18

- ❑ **Hydrocarbons production** totaled 138 mmboe, representing an **increase of 10.1%** compared to 3Q17
- ❑ **Revenue** was RR 219.4 bln representing an **increase of 67.8%** compared to 3Q17
- ❑ **EBITDA** was RR 118.1 bln representing an **increase of 99.2%** compared to 3Q17
- ❑ **Natural gas sales volumes** was 15.6 bcm, representing an **increase of 12.2%** compared to 3Q17
- ❑ NOVATEK's **share in LNG production** was 1,462 mt
- ❑ **1,823 mmcm of natural gas** were sold on **international markets**

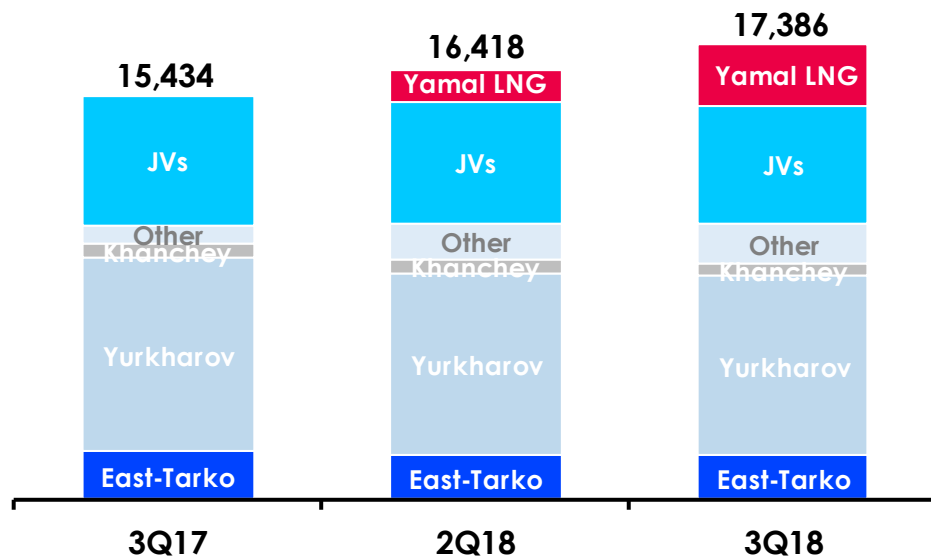
Key Events 3Q18

- ❑ Yamal LNG realized second LNG train commissioning in record time.
- ❑ NOVATEK shipped first LNG cargos to China and to Brazil.
- ❑ North-Obskoye field was discovered.
- ❑ Significant reserve growth confirmed at the Utrenneye field.
- ❑ FTSE4Good Index reconfirms NOVATEK.
- ❑ Extraordinary General Meeting of Shareholders was held and shareholders approved interim dividends of RR 9.25 per share.
- ❑ We signed Strategic Partnership Agreement with Siemens, MOU on LNG cooperation with JOGMEC and Agreement with the Ministry of the Russian Federation for development of the Far East and the Government of Kamchatka Territory, also JV with Rosatom was created.
- ❑ NOVATEK and Fluxys plan to build an LNG transshipment terminal in Rostock.

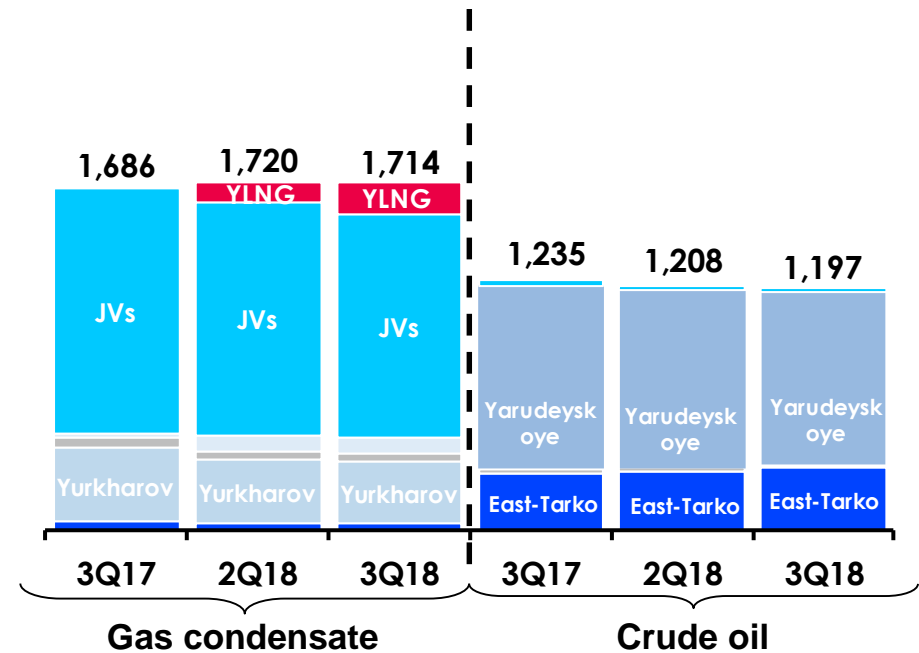
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



The main factors positively impacting our production growth were the commencement of natural gas and gas condensate production at Yamal LNG resulting from the start of LNG production at the first and second LNG trains of the LNG liquefaction plant at the end of 2017 and in July 2018, respectively, as well as the acquisition by the Group of new production fields. This allowed us to fully compensate the decrease in production at mature fields of our subsidiaries and our joint ventures.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

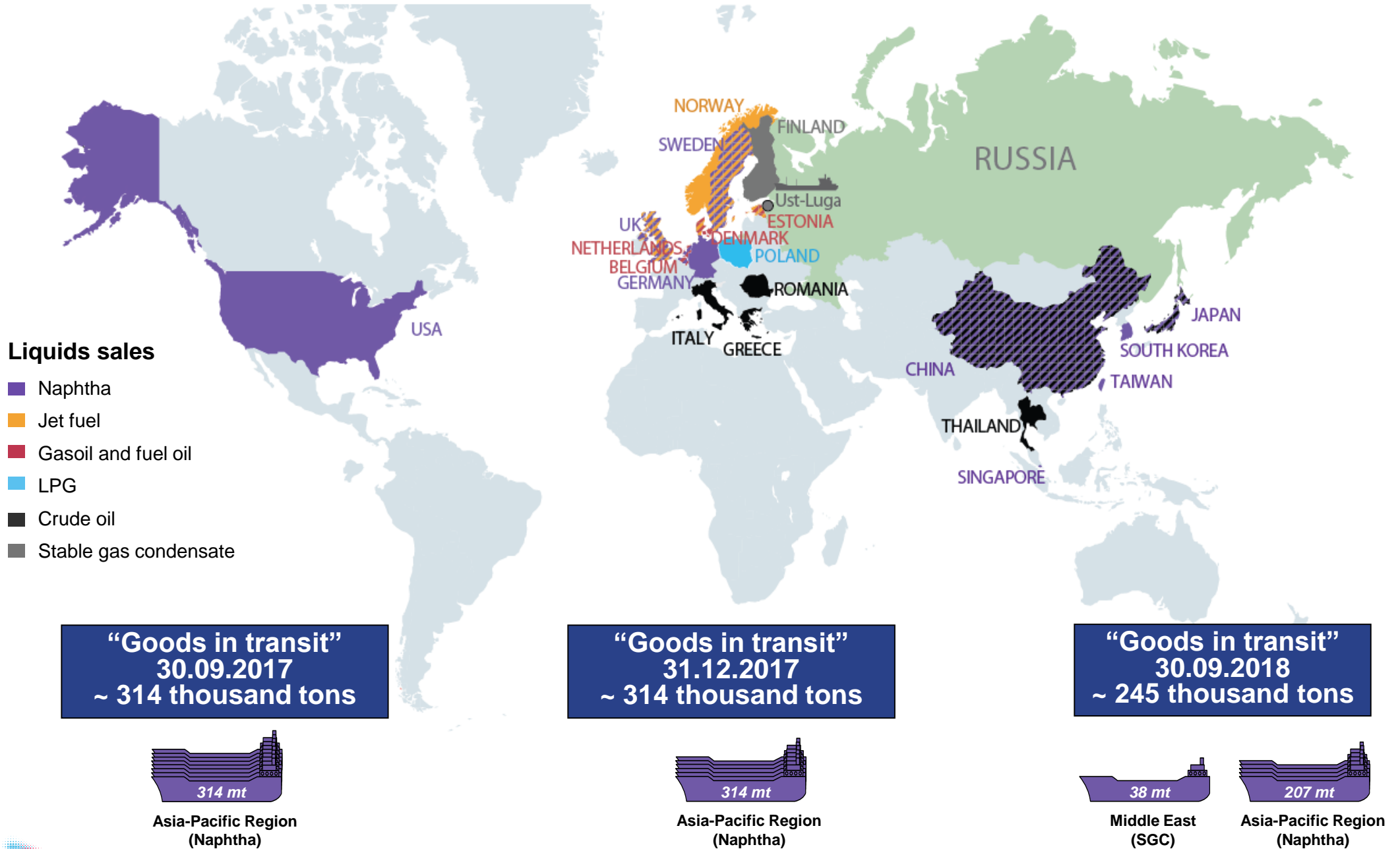
- ❑ **Total volumes delivered in 3Q18: 2,673 mt**
 - Yurkharovskoye field: 305 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 119 mt
 - Other fields: 29 mt
 - Purchases from our joint ventures: 2,220 mt
- ❑ **Total output of marketable products: 2,657 mt**
 - Stable gas condensate: 2,042 mt
 - LPG: 615 mt

Ust-Luga Complex

- ❑ **Total volumes delivered in 3Q18: 1,589 mt**
- ❑ **Total output of marketable stable gas condensate refined products: 1,565 mt**
 - Naphtha: 974 mt
 - Other products: 591 mt
- ❑ **Stable gas condensate refined products sold: 1,552 mt**
 - to Europe: 718 mt
 - to the Asian Pacific Region: 543 mt
 - to North America: 256 mt
 - Other: 35 mt

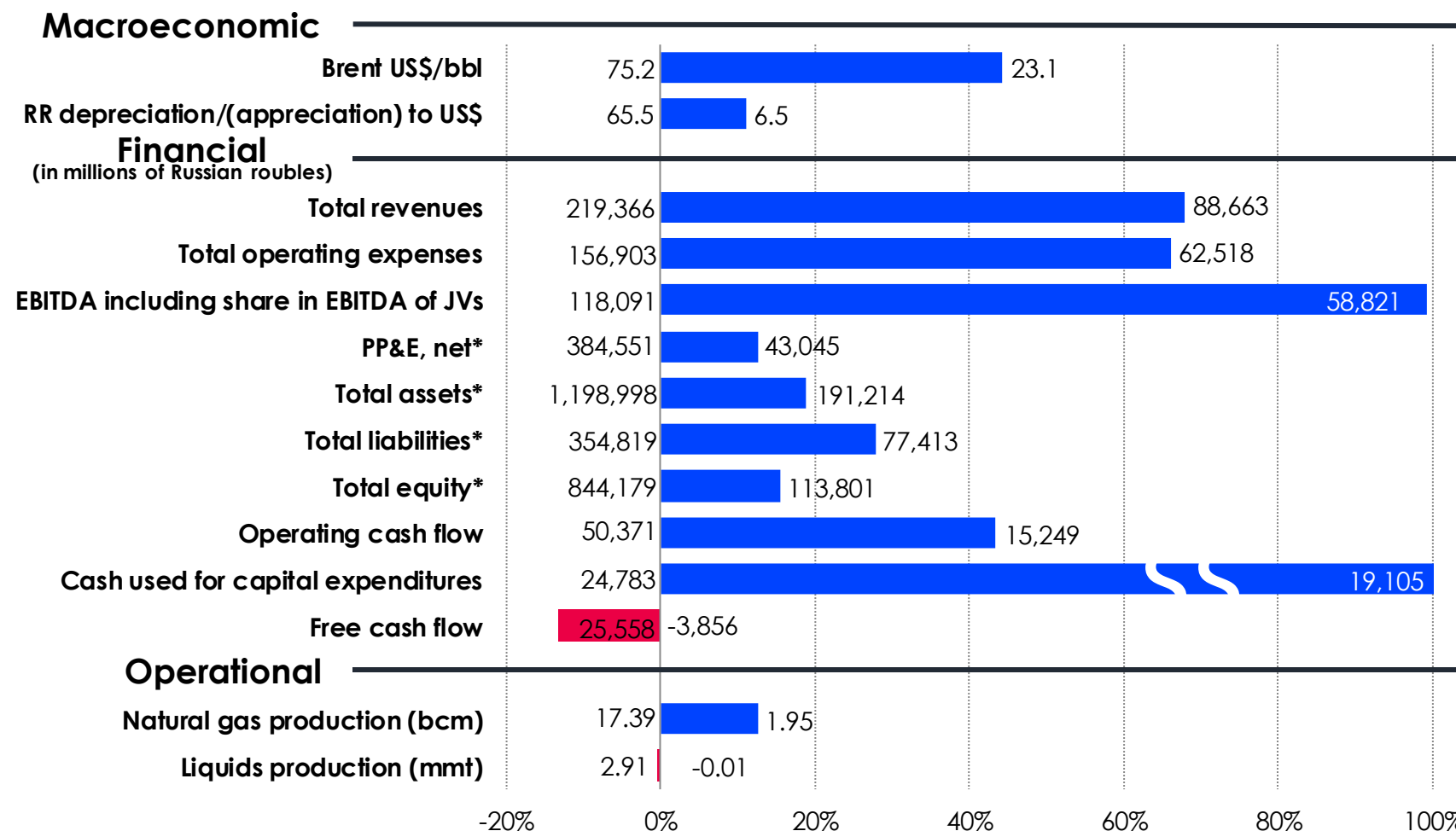


Liquids in Tankers



Financial Overview – 3Q18 to 3Q17

Performance Summary 3Q18/3Q17

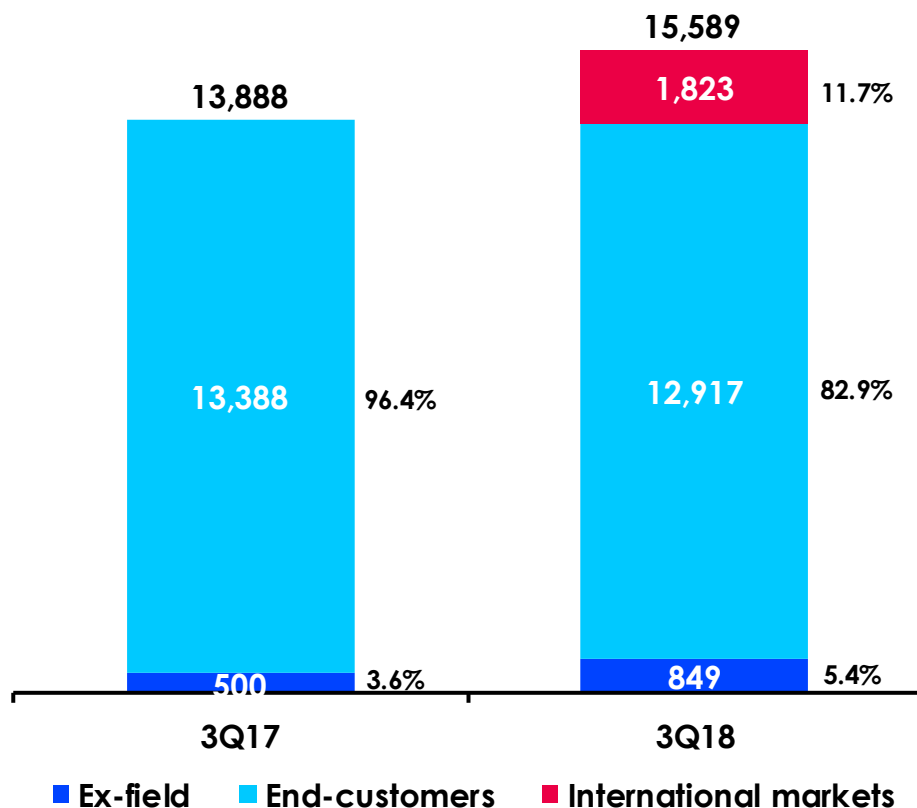


* 30 September 2018 to 30 September 2017.

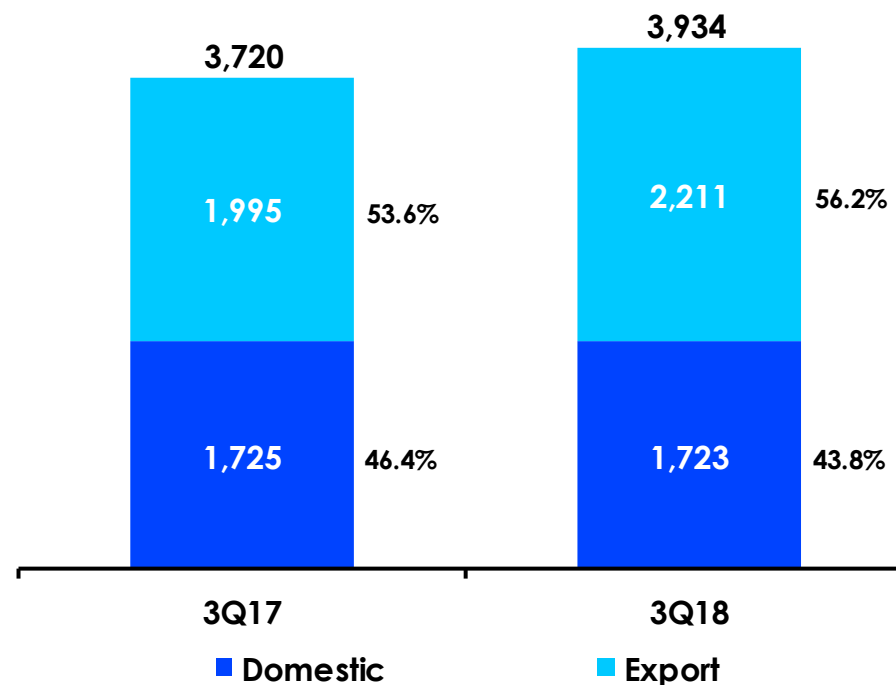
Note: Number on the right is the absolute change, number on the left is the value for the reporting period, size of bar is % change

Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



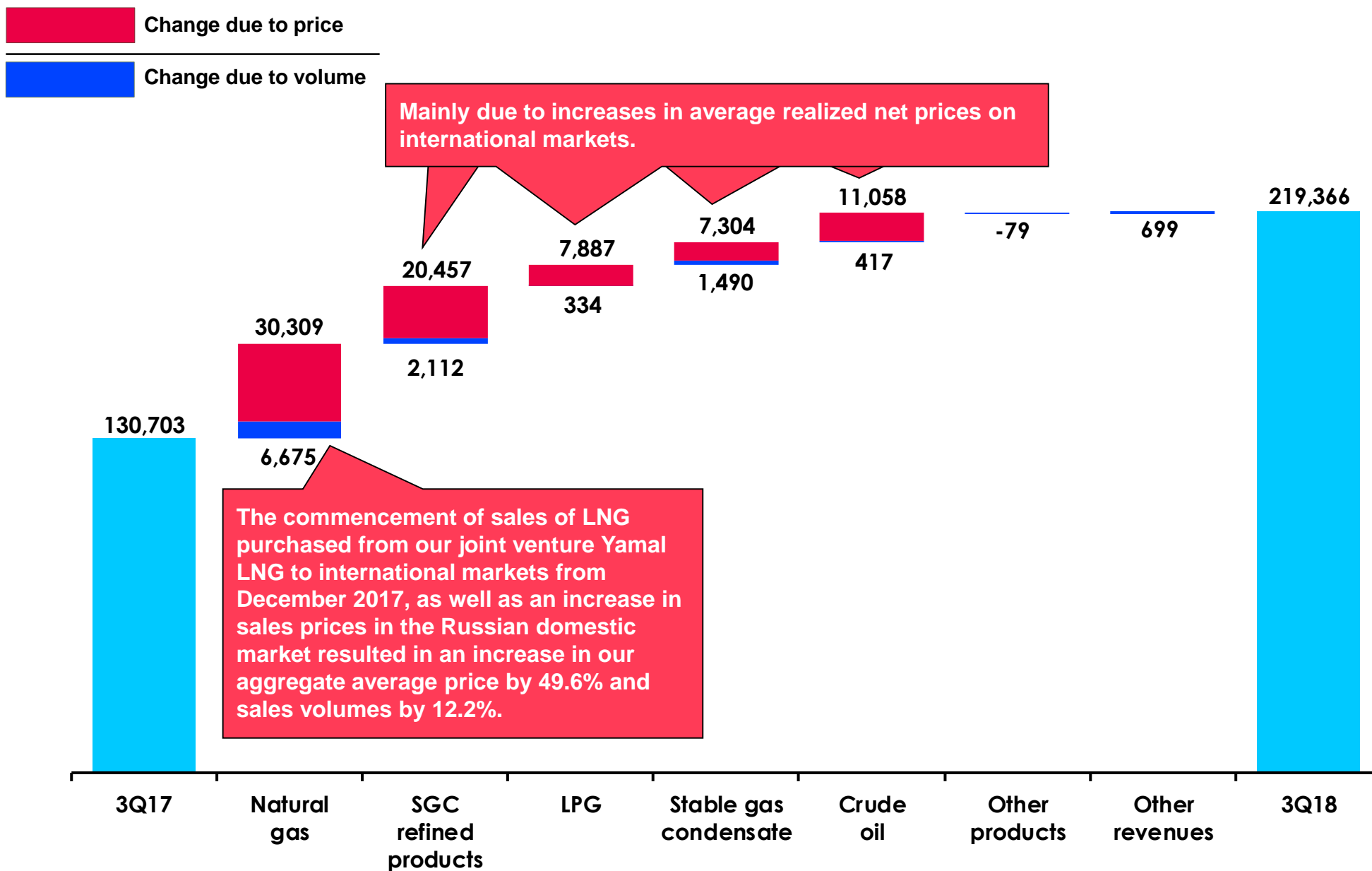
Liquids Sales Volumes, mt



Our total natural gas sales volumes increased due to sales of LNG purchased mainly from our joint venture Yamal LNG to international markets from December 2017, as well as an increase in purchases of natural gas from Arcticgas in order to fulfill our Russian domestic contractual sales obligations.

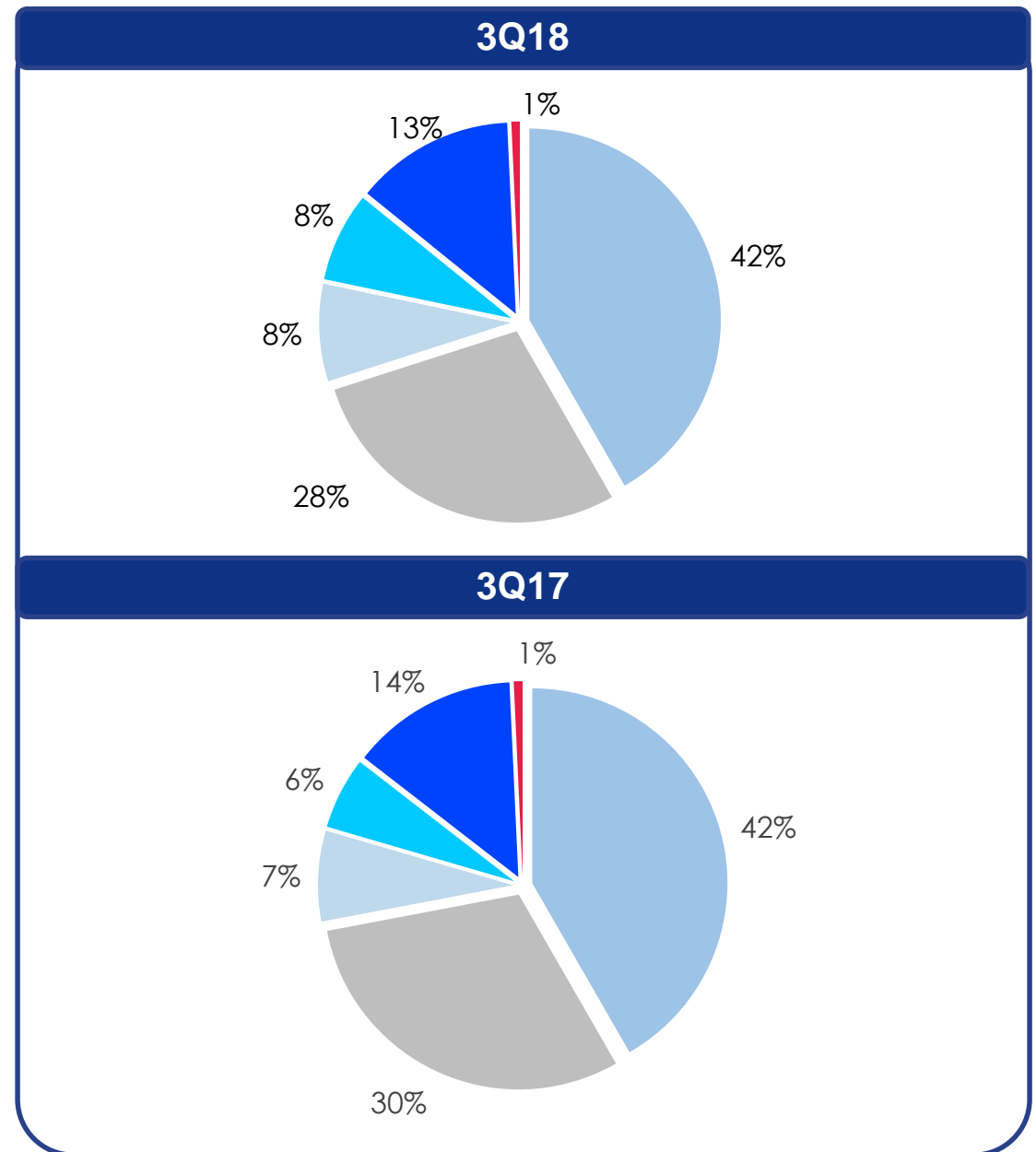
Our sales volumes of naphtha and other stable gas condensate refined products fluctuate from period-to-period depending on changes in inventory balances, with volumes of the products received from processing at the Ust-Luga Complex staying relatively flat.

Total Revenues (RR million)



Total Revenues Breakdown

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

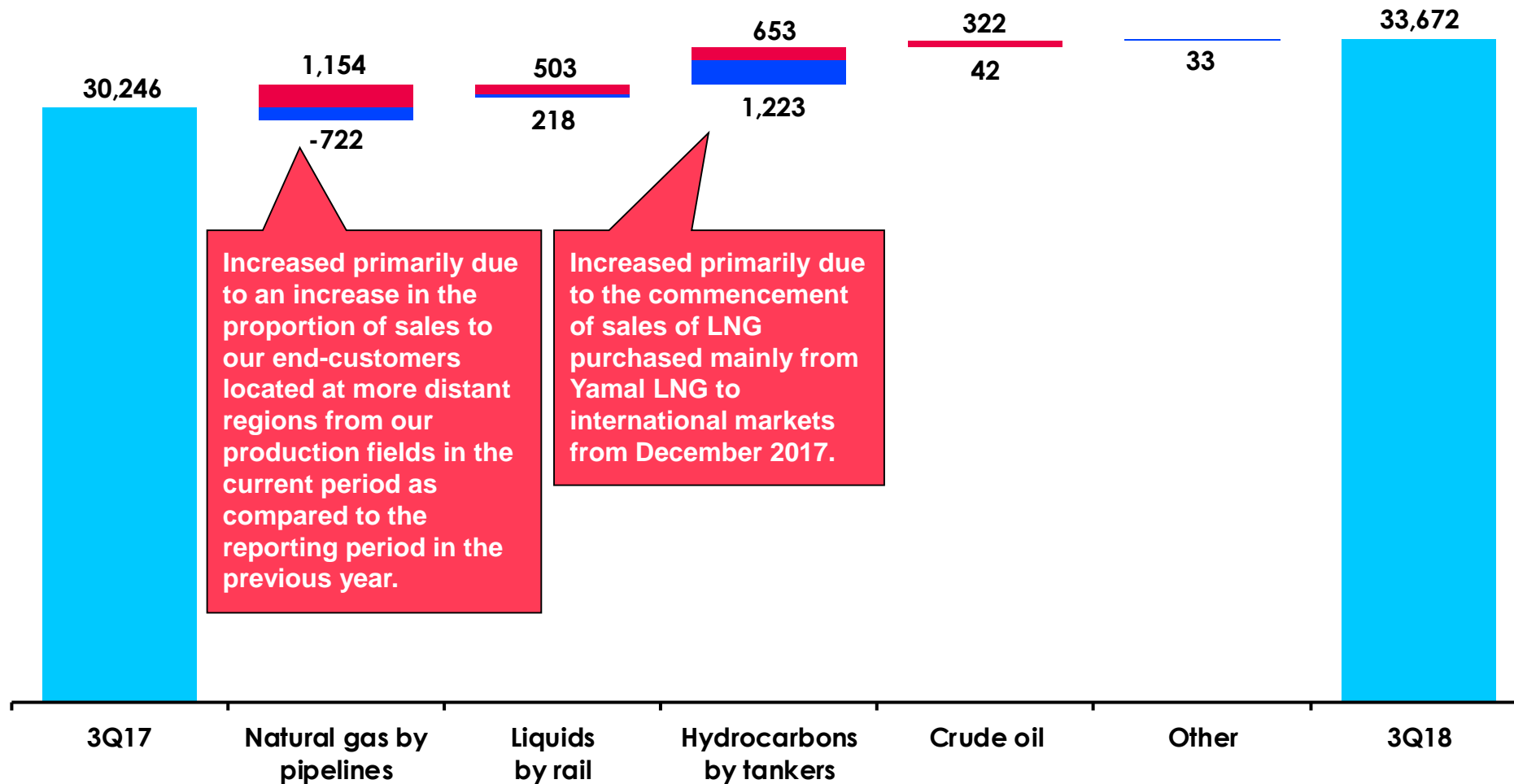
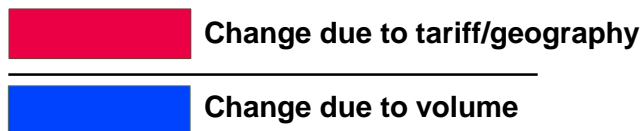


Operating Expenses (RR million and % of Total Revenues (TR))

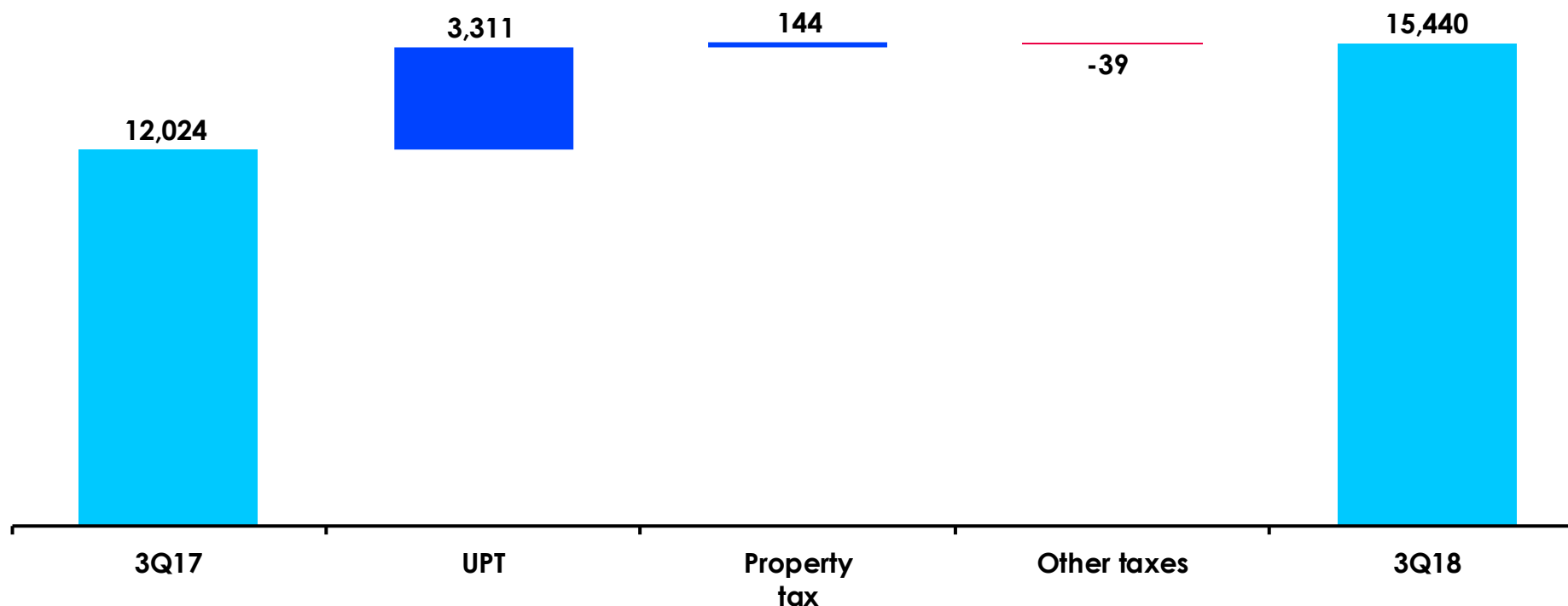
3Q17	% of TR	3Q18	% of TR		2Q18	% of TR	3Q18	% of TR
30,246	23.1%	33,672	15.3%	Transportation expenses	34,554	17.6%	33,672	15.3%
12,024	9.2%	15,440	7.0%	Taxes other than income tax	14,871	7.6%	15,440	7.0%
42,270	32.3%	49,112	22.3%	Non-controllable expenses	49,425	25.2%	49,112	22.3%
8,997	6.9%	8,511	3.9%	Depreciation and amortization	8,655	4.4%	8,511	3.9%
5,208	4.0%	5,474	2.5%	Materials, services & other	5,826	3.0%	5,474	2.5%
3,872	3.0%	5,940	2.7%	General and administrative	5,079	2.6%	5,940	2.7%
297	0.2%	838	0.4%	Exploration expenses	2,004	1.0%	838	0.4%
9	0.0%	30	0.0%	Net impairment expenses (reversals)	89	0.0%	30	0.0%
-3,550	n/a	-7,160	n/a	Change in natural gas, liquids and WIP	943	0.5%	-7,160	n/a
57,103	43.7%	62,745	28.6%	Subtotal operating expenses	72,021	36.8%	62,745	28.6%
37,282	28.5%	94,158	42.9%	Purchases of natural gas and liquid hydrocarbons	63,585	32.5%	94,158	42.9%
94,385	72.2%	156,903	71.5%	Total operating expenses	135,606	69.3%	156,903	71.5%

- Our total operating expenses increased by 66.2% 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 and second LNG trains at Yamal LNG at the end of 2017 and in July 2018, respectively, as well as an increase in the average purchase prices for hydrocarbons.

Transportation Expenses (RR million)

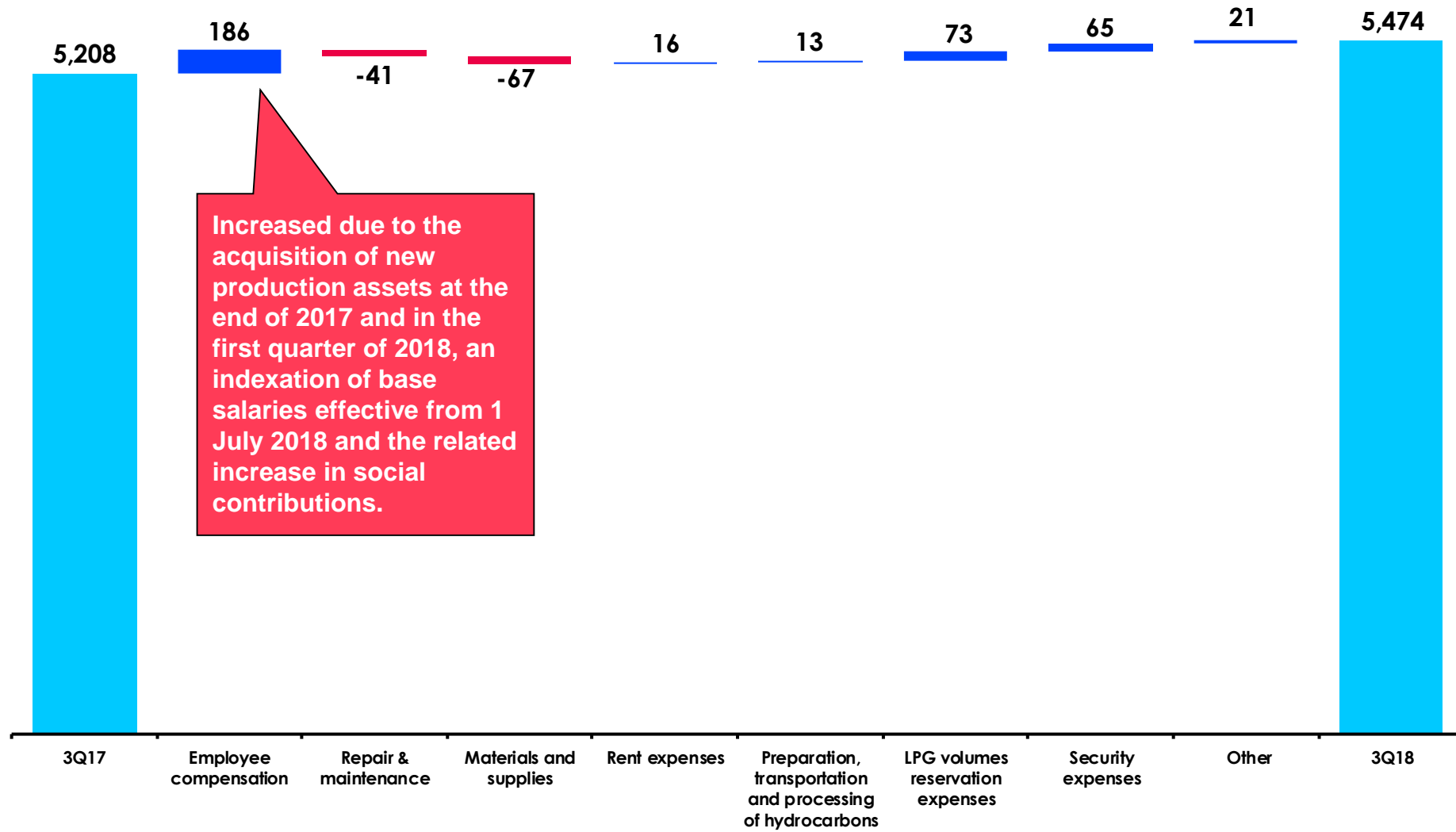


Taxes Other Than Income Tax Expense (RR million)

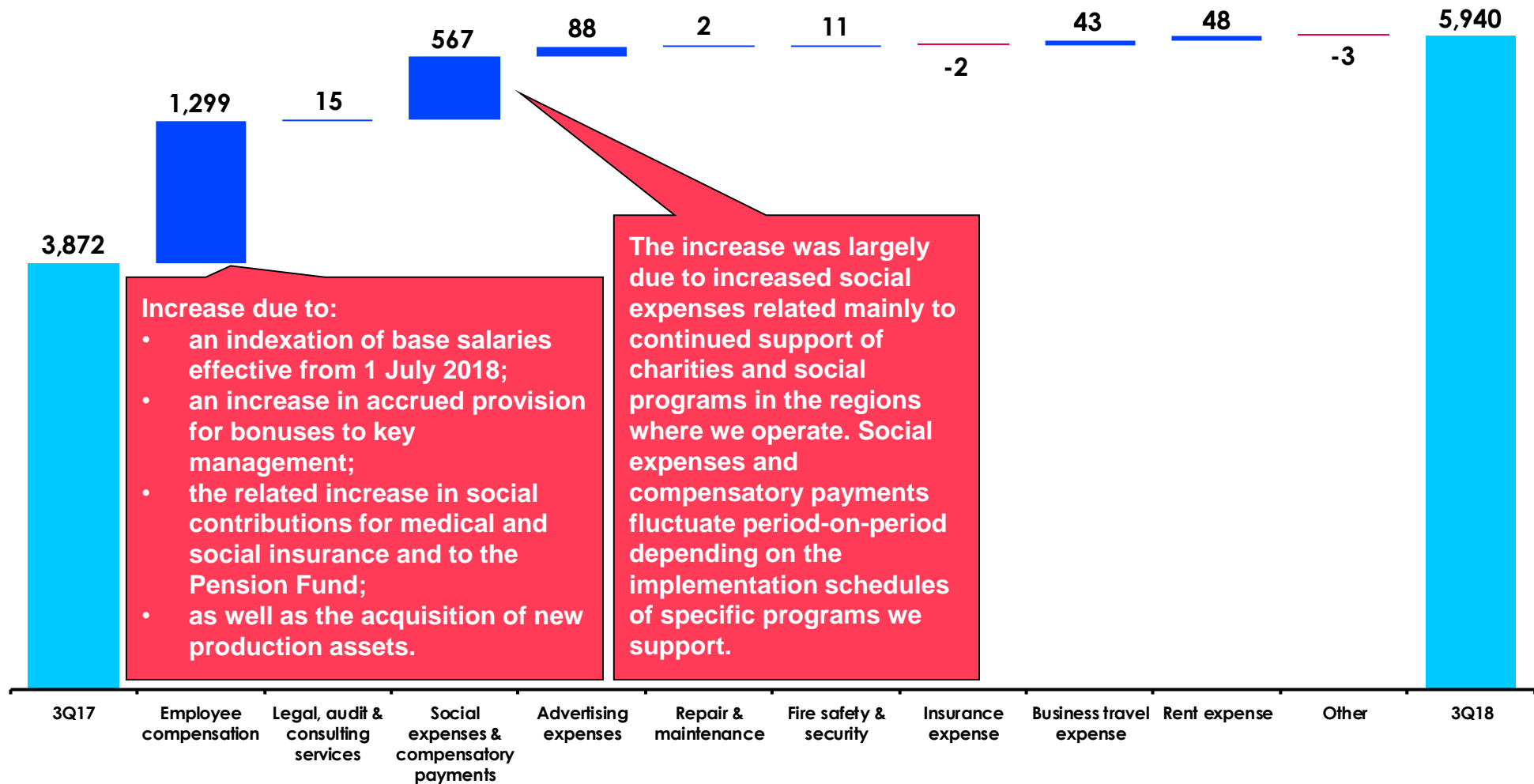


- Our unified natural resources production tax expense increased by 29.7% mainly due to an increase in UPT rates for crude oil and natural gas as a result of an increase in benchmark crude oil prices, as well as due to changes in the formula for crude oil UPT rate calculation effective 1 January 2018.

Materials, Services and Other Expenses (RR million)

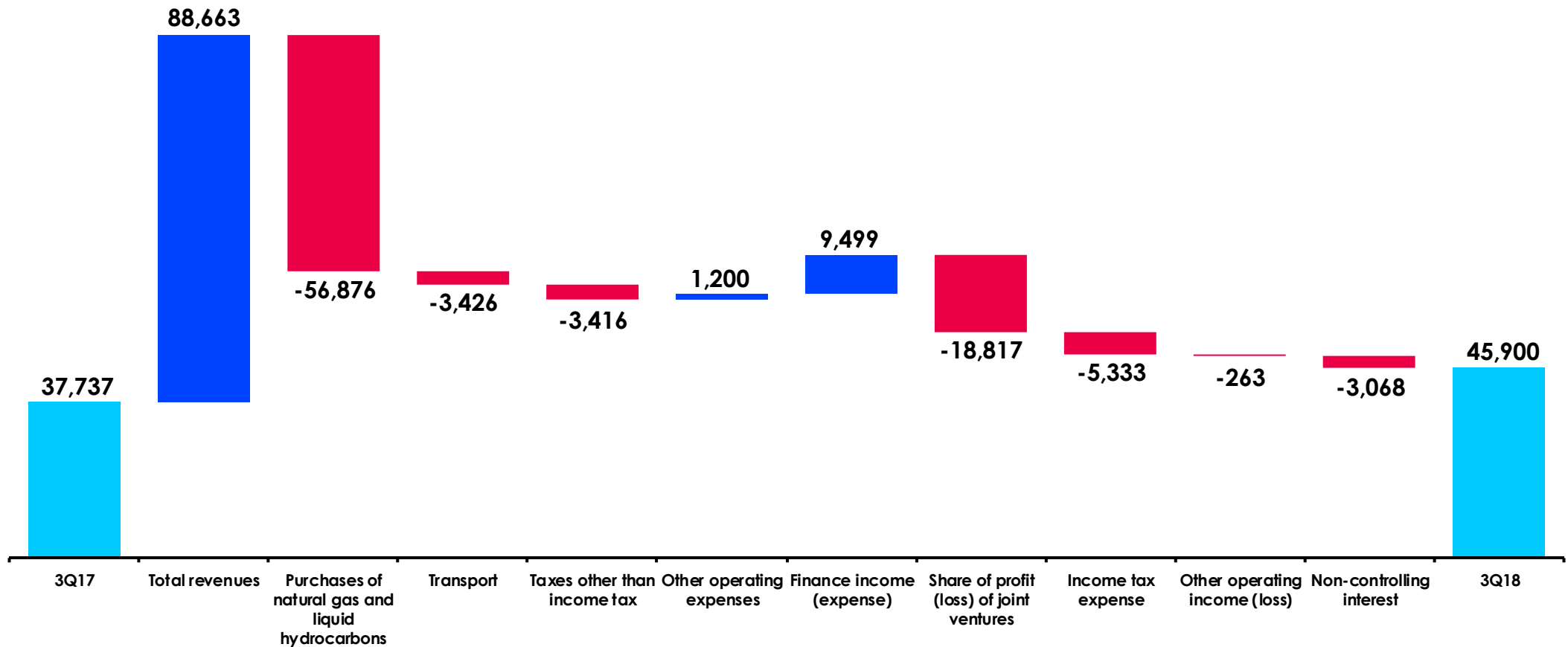


General and Administrative Expenses (RR million)



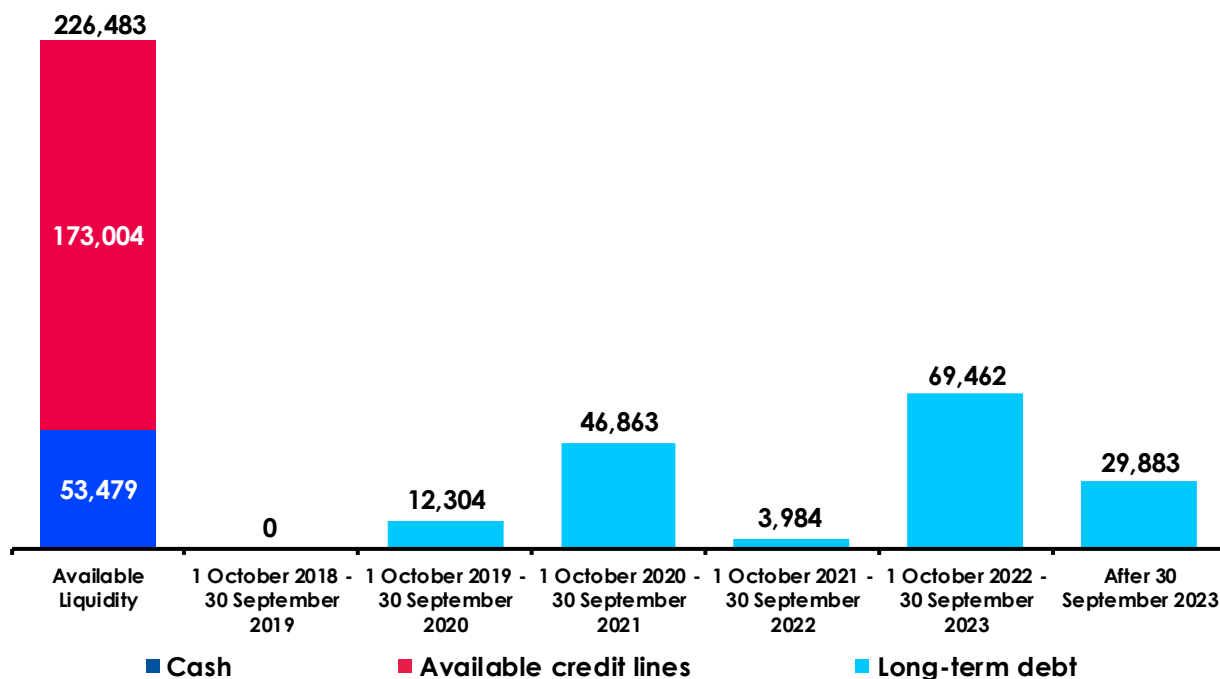
Profit Attributable to NOVATEK Shareholders

(RR million)



- Our purchases of natural gas increased 317.8% mainly due to the commencement of purchases of LNG produced at Yamal LNG for subsequent sale on international markets from December 2017, as well as an increase in volumes of natural gas purchased from Arcticgas in order to fulfill our contractual sales obligations on the domestic market.
- In each reporting period, as a result of currency exchange rates fluctuations, the Group records non-cash foreign exchange gains and/or losses primarily related to the revaluation of foreign currency denominated borrowings and loans provided in the Group and the joint ventures. Excluding the effect of foreign exchange gains and losses, our profit attributable to shareholders of PAO NOVATEK increased by RR 30,617 million, or 87.7%.

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 30 September 2020 – Loan from the Silk Road Fund and Other loans

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

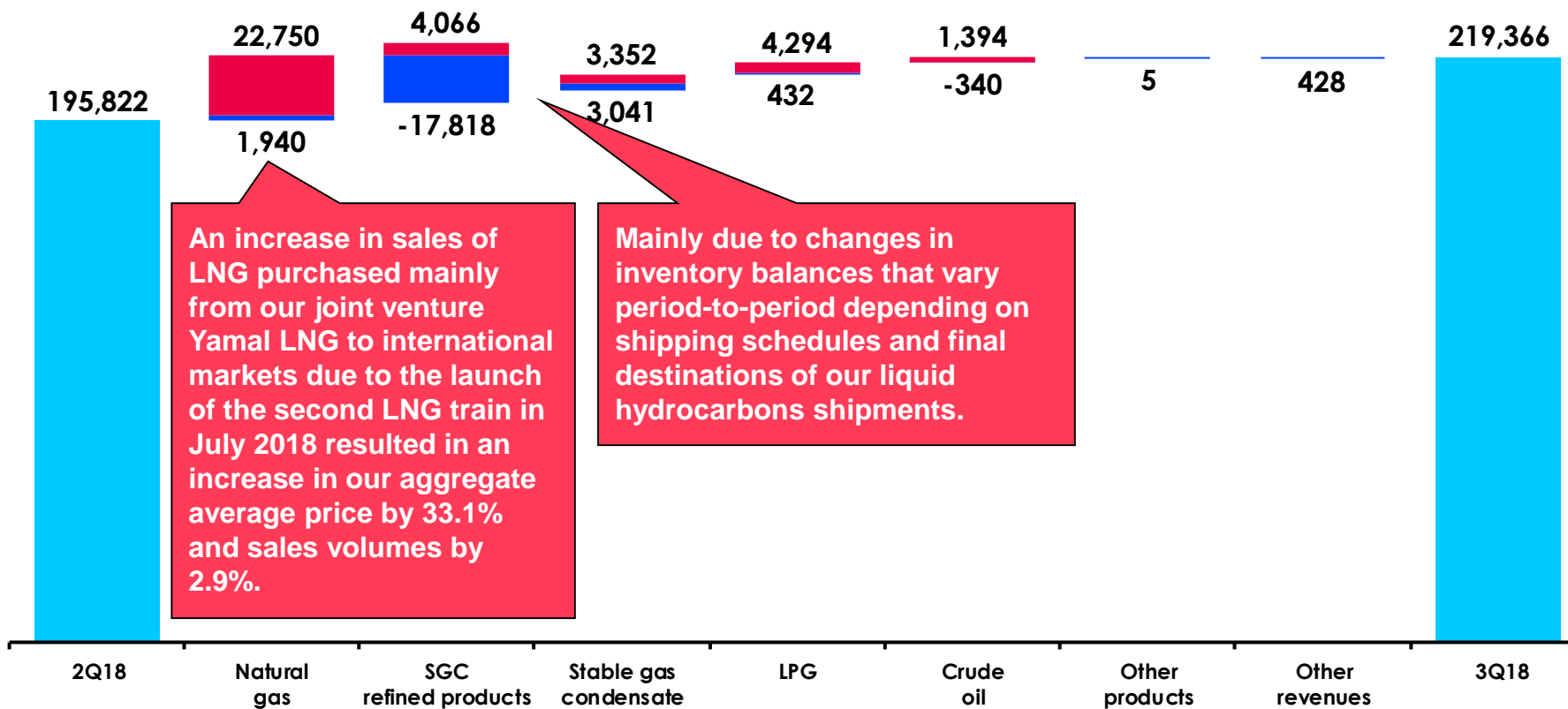
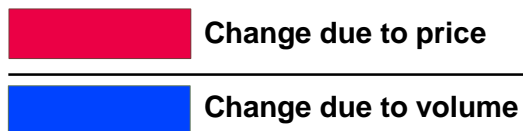
Up to 30 September 2022 – Loan from the Silk Road Fund

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

After 30 September 2023 – Loan from the Silk Road Fund

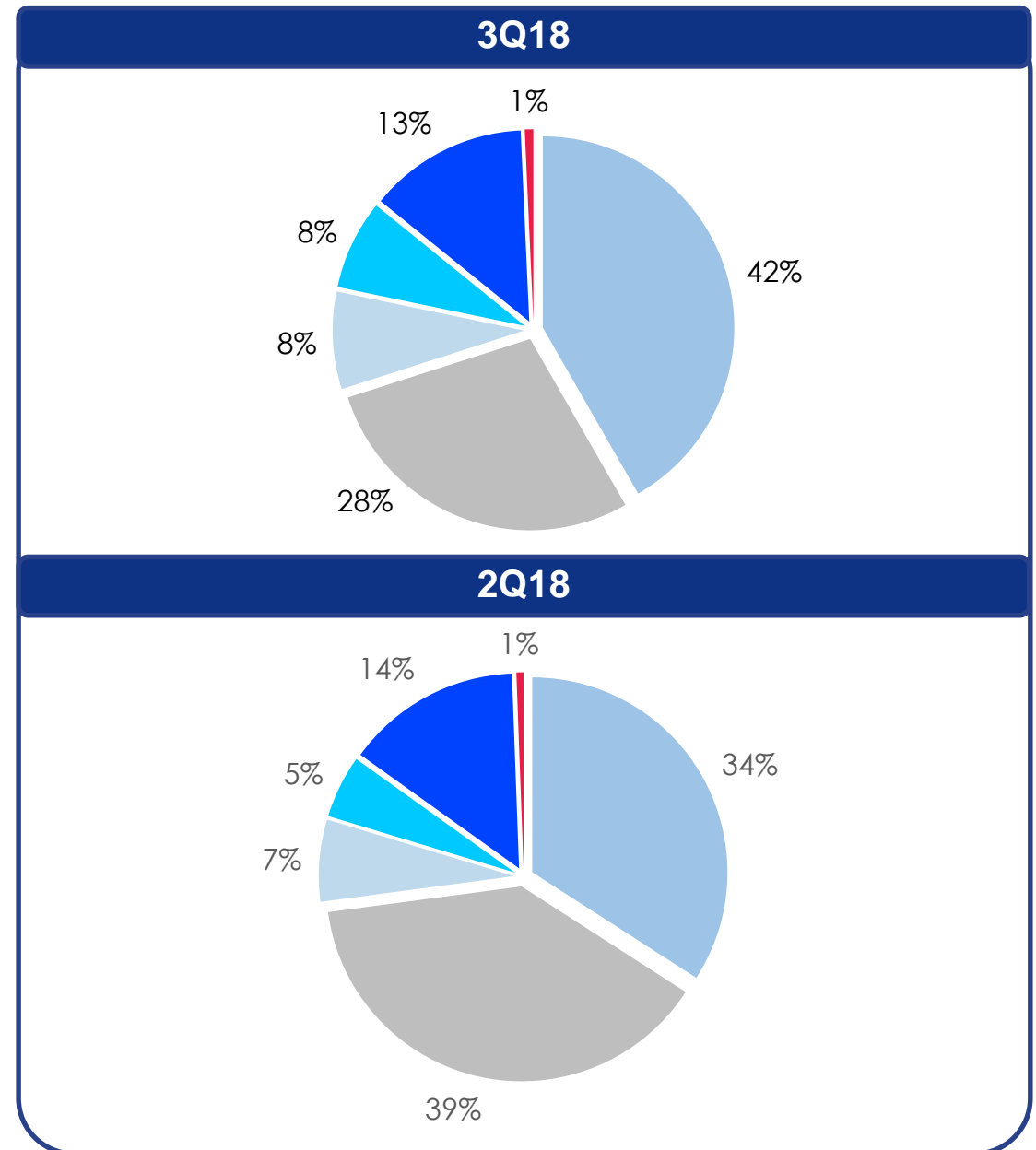
Financial Overview – 3Q18 to 2Q18

Total Revenues (RR million)

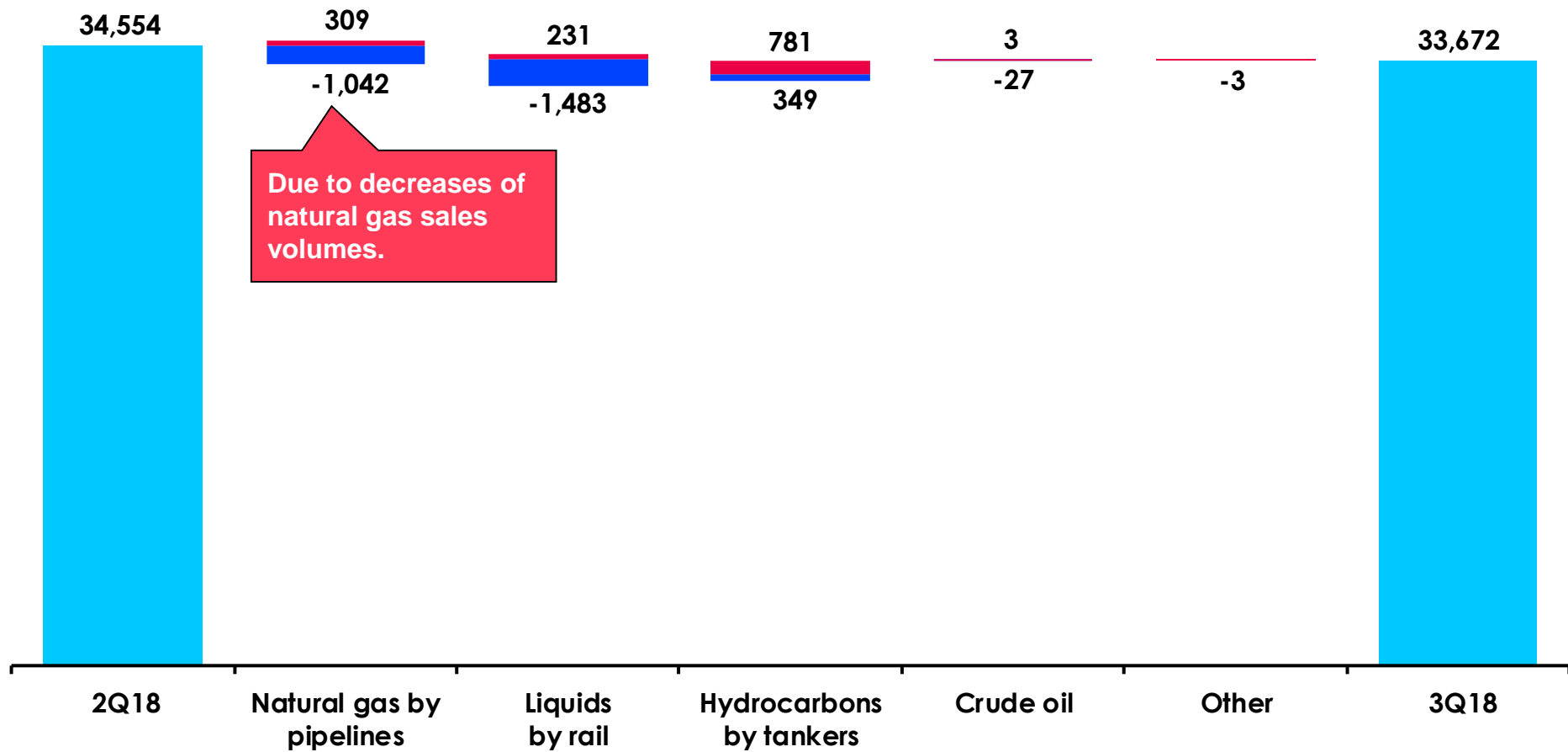
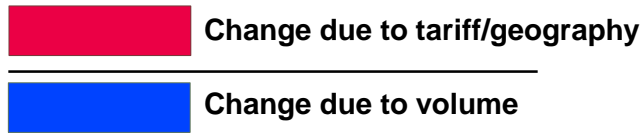


Total Revenues Breakdown

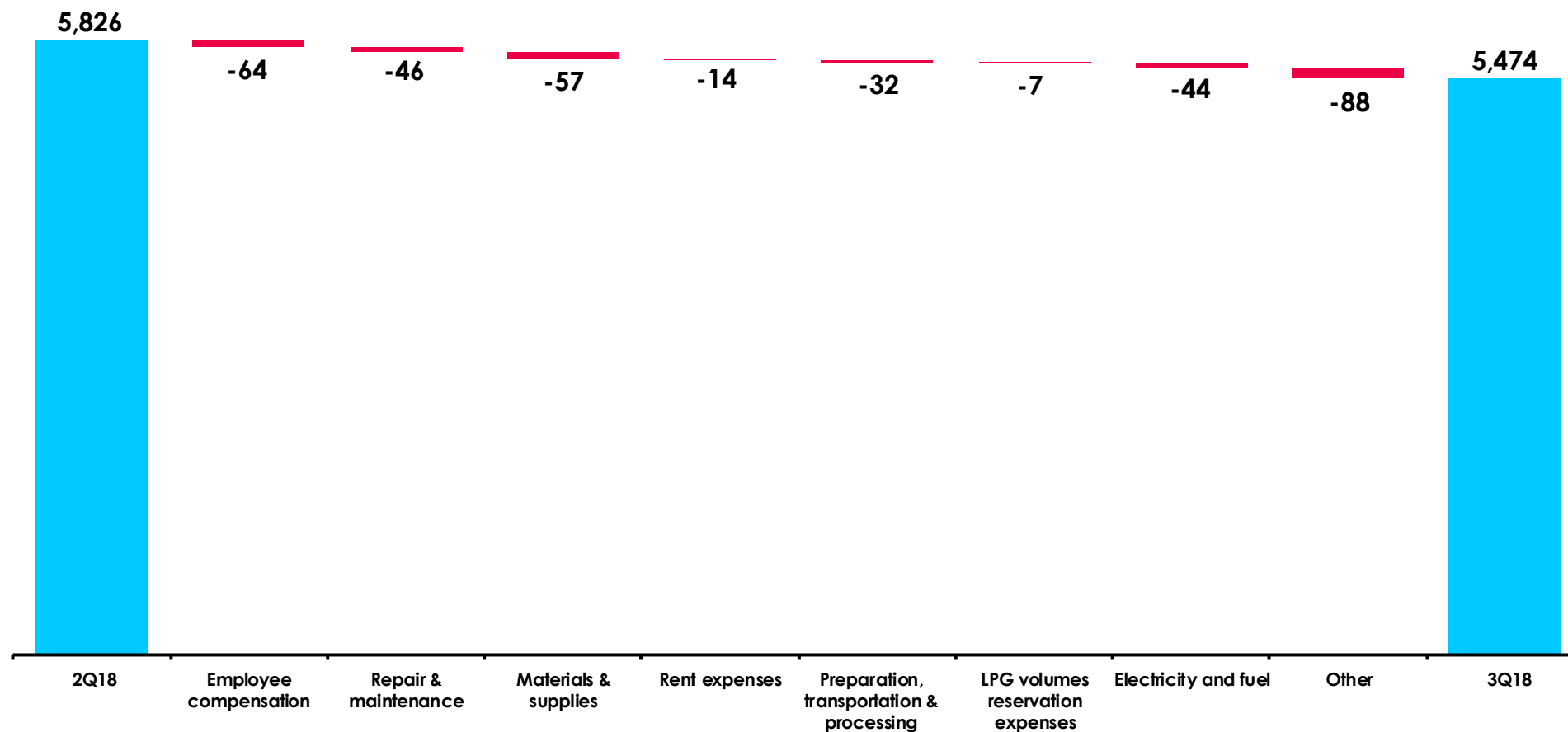
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- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other



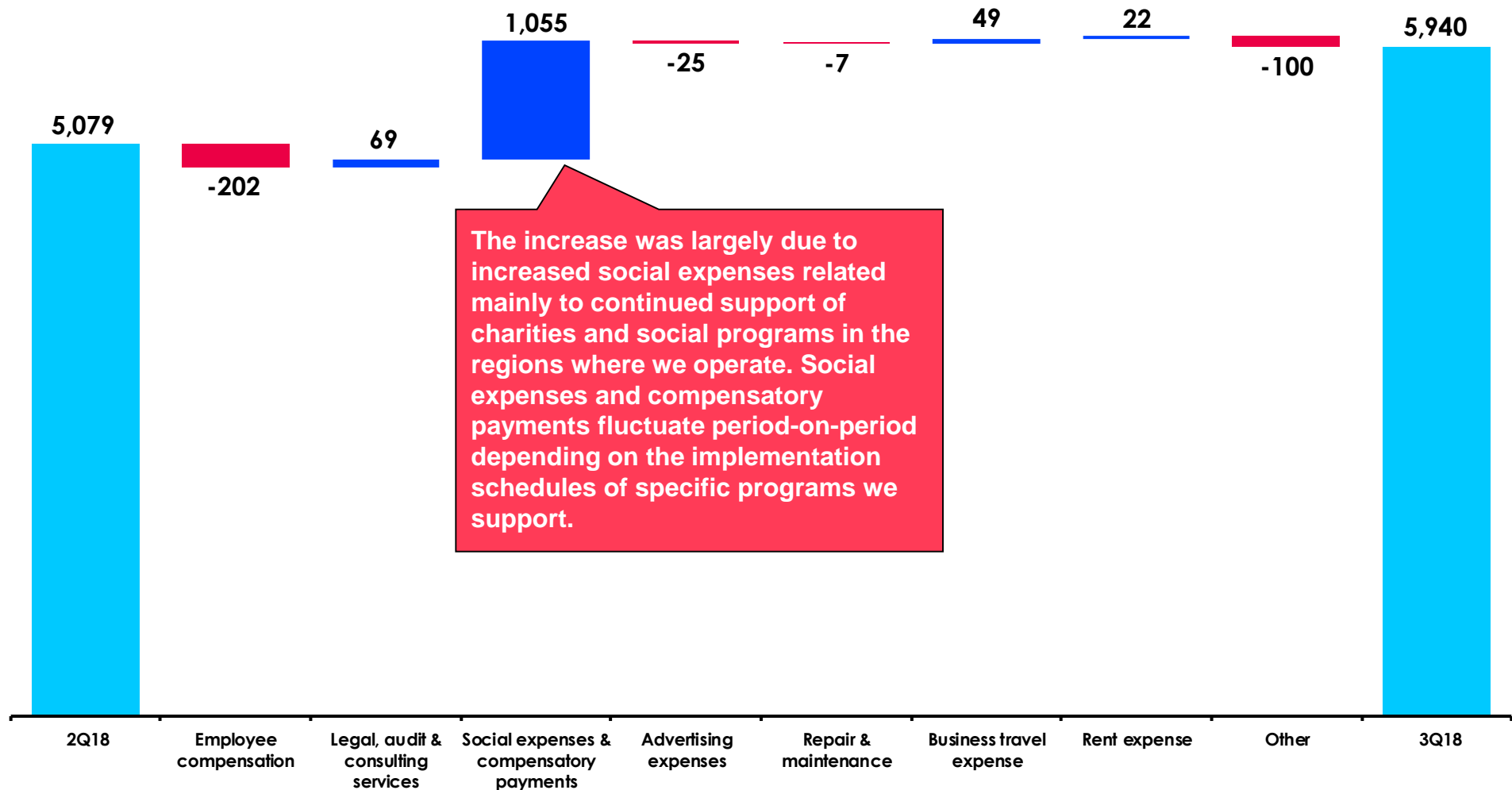
Transportation Expenses (RR million)



Materials, Services and Other Expenses (RR million)

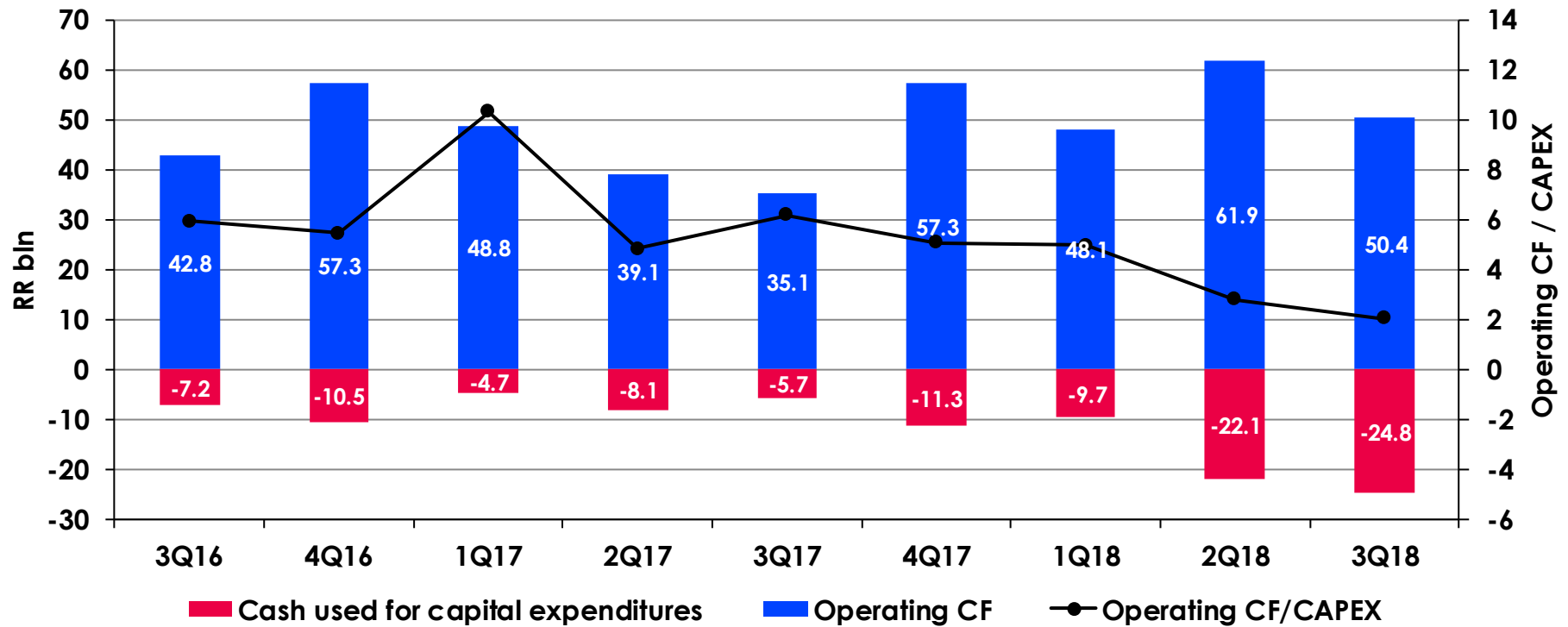


General and Administrative Expenses (RR million)



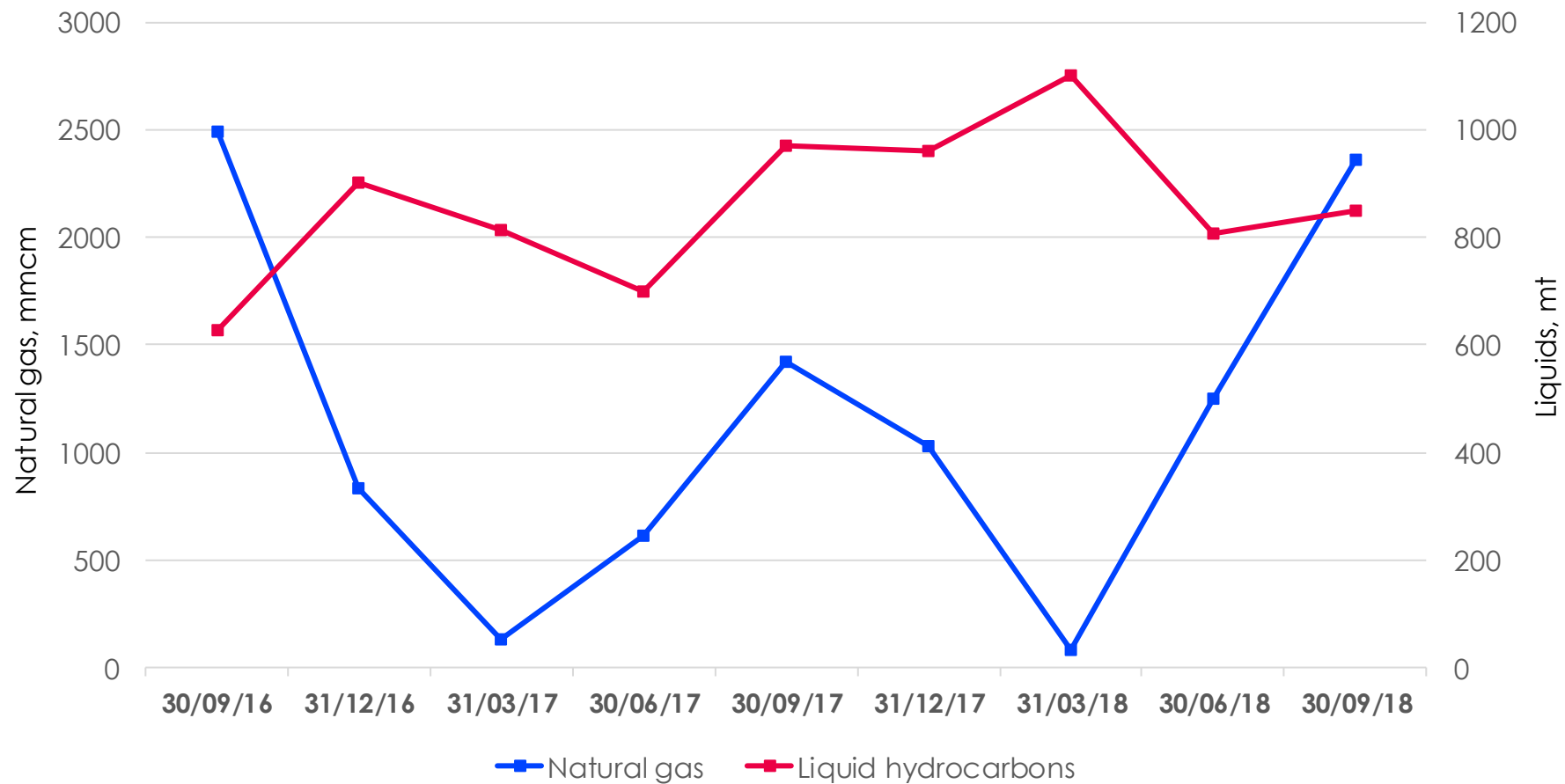
Appendices

Internally Funded Investment Program



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

Change in Inventories



Questions and Answers