

NOVATEK

Third Quarter 2019 Operational and Financial Results Conference Call



Mark A. Gyetvay, Deputy Chairman of the Management Board
Moscow, Russian Federation
31 October 2019

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 – 3Q19

- ❑ **Hydrocarbons production** totaled 145.2 mmboe representing an **increase of 5.2%** compared to 3Q18
- ❑ **Revenue** was RR 189.2 bln representing a **decrease of 13.8%** compared to 3Q18
- ❑ **Normalized* EBITDA** was RR 104.5 bln representing a **decrease of 11.5%** compared to 3Q18
- ❑ **Normalized* profit** was RR 58.2 bln representing an **increase of 26.9%** compared to 3Q18
- ❑ **NOVATEK's share in LNG production** was **2,770 mt**
- ❑ **3,040 mmcm of natural gas** were sold on **international markets**

* Excluding the effect from the disposal of interests in subsidiaries and joint ventures

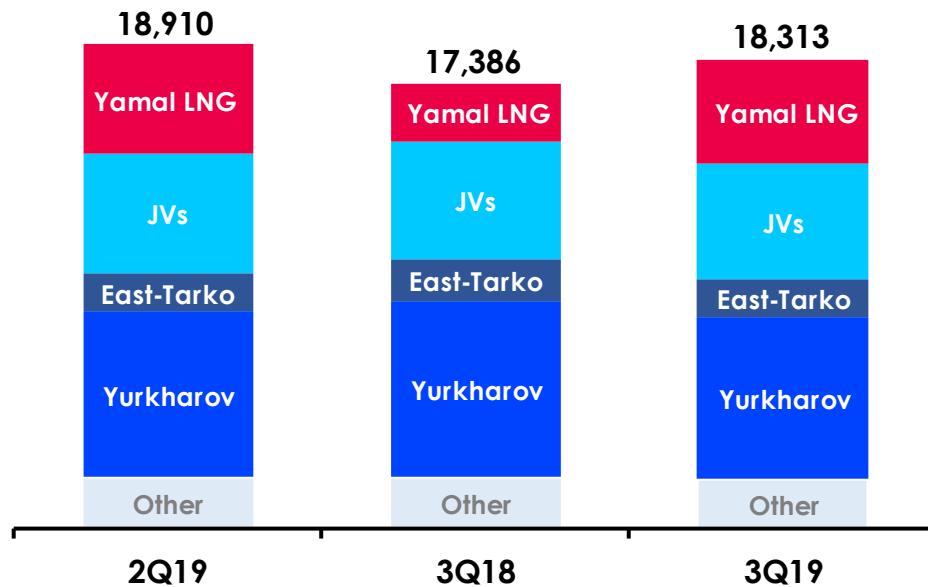
Key Events 3Q19

- ❑ NOVATEK sold a 30% participation interest in OOO Arctic LNG 2 to three new participants
- ❑ Final investment decision made on Arctic LNG 2 project
- ❑ South-Khadyryakhinskoye field launched
- ❑ NOVATEK obtained the Soletsko-Khanaveyskoye field
- ❑ Record oil flow rate well completed at the Yarudeyskoye field
- ❑ Agreed to create shipping joint venture with Sovcomflot

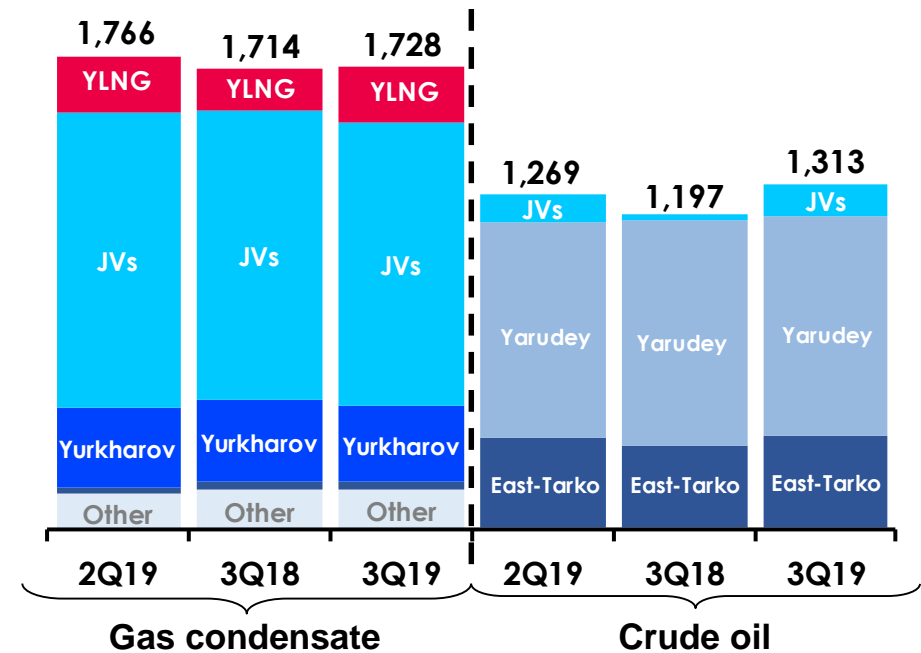
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



The main factor positively impacting our production growth was the increase of natural gas production at Yamal LNG resulting from the start of LNG production at the second and third LNG trains in July and November 2018, respectively. In addition, our production increased at the Beregovoye field due to the commissioning of new wells.

The increase was due to gas condensate production growth at Yamal LNG resulting from the production commencement at the second and third LNG trains in July and November 2018, respectively, the launch of crude oil deposits at the Yaro-Yakhinskoye field of Arcticgas in December 2018, as well as an increase in crude oil production at the East-Tarkosalinskoye field due to the commissioning of new wells.

Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- ❑ **Total volumes delivered in 3Q19: 2,621 mt**
 - Yurkharovskoye field: 288 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 109 mt
 - Other fields: 65 mt
 - Purchases from our joint ventures: 2,159 mt
- ❑ **Total output of marketable products: 2,611 mt**
 - Stable gas condensate: 1,997 mt
 - LPG: 614 mt

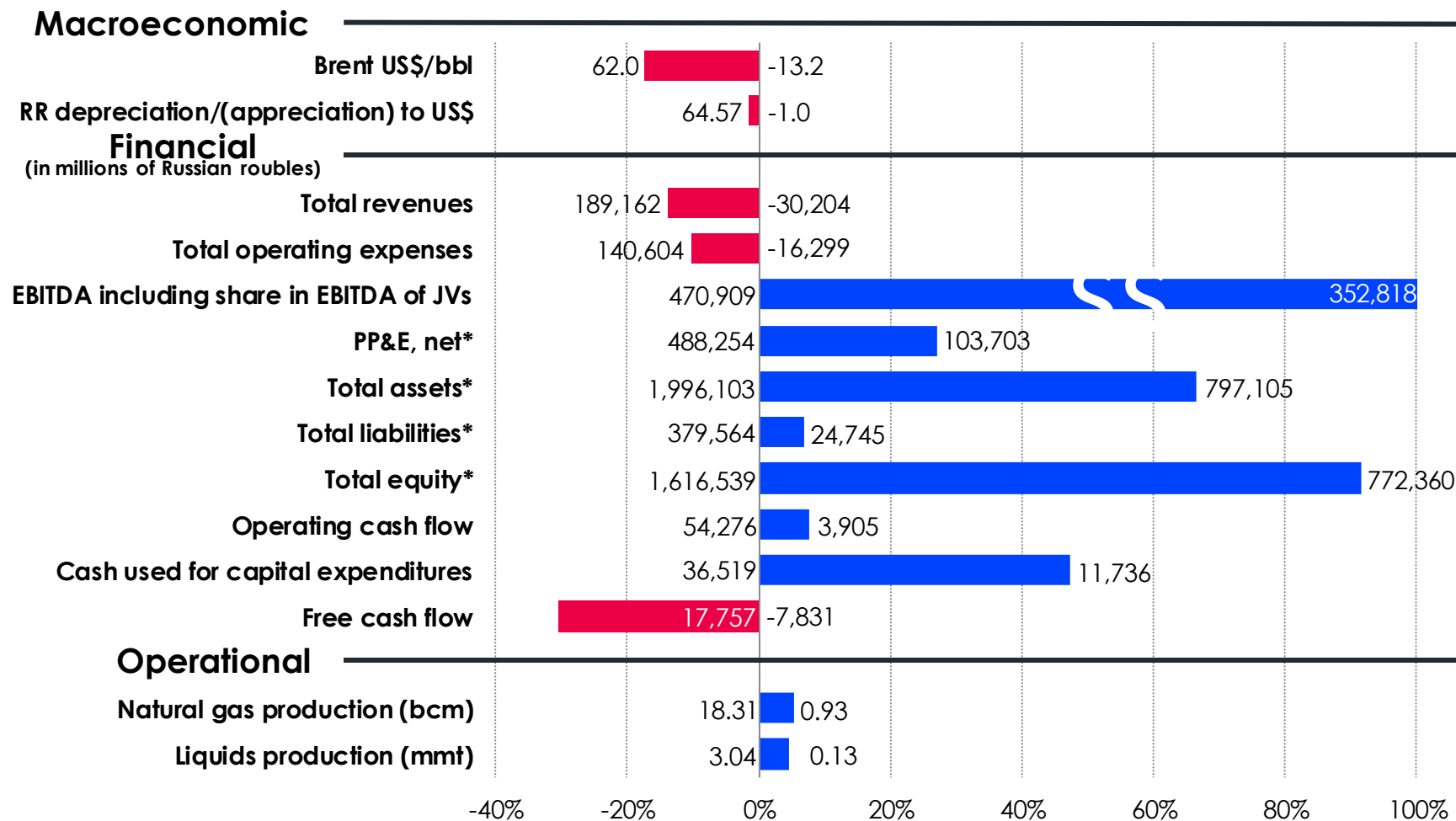
Ust-Luga Complex

- ❑ **Total volumes delivered in 3Q19: 1,651 mt**
- ❑ **Total output of marketable stable gas condensate refined products: 1,617 mt**
 - Naphtha: 1,029 mt
 - Other products: 588 mt
- ❑ **Stable gas condensate refined products sold: 1,551 mt**
 - to Europe: 730 mt
 - to the Asian Pacific Region: 372 mt
 - to North America: 406 mt
 - Other: 43 mt



Financial Overview – 3Q19 to 3Q18

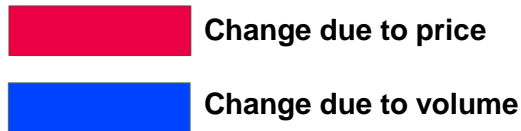
Performance Summary 3Q19/3Q18



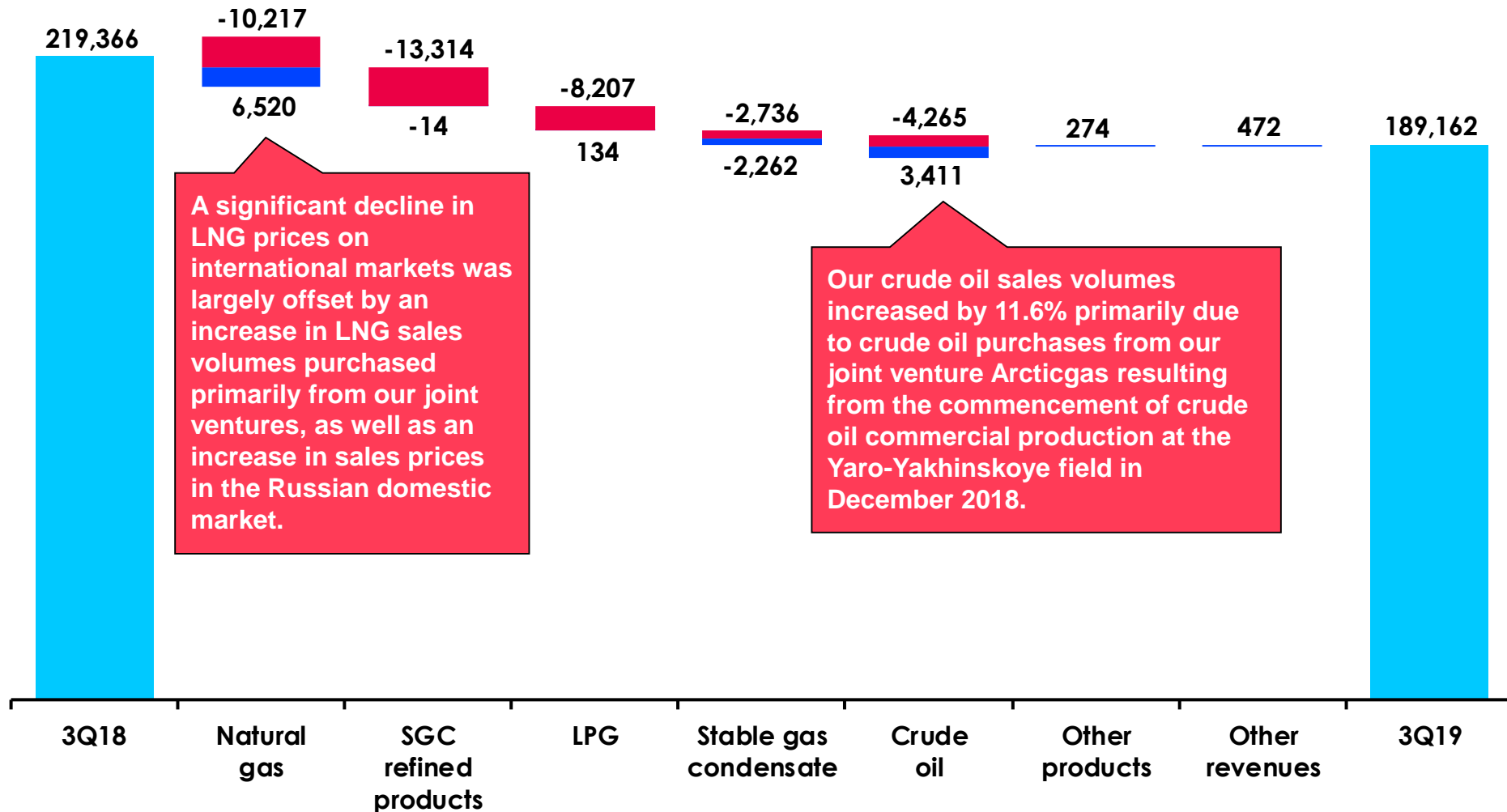
* 30 September 2019 to 30 September 2018.

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)

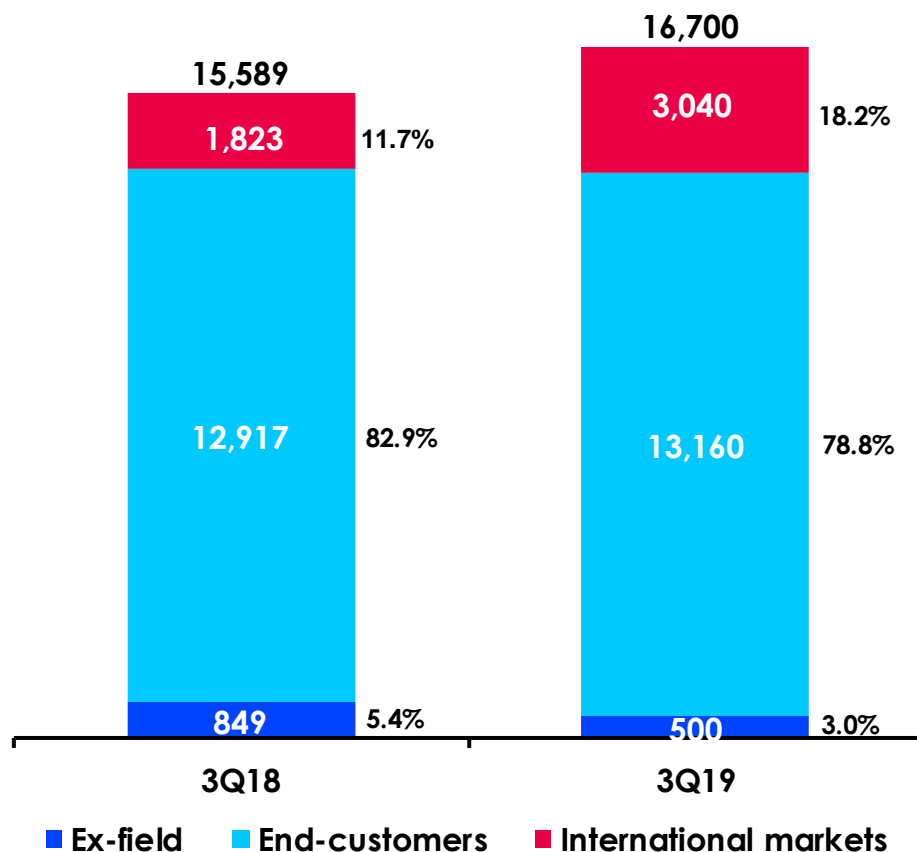


Our total revenues decreased compared to the corresponding period in 2018 mainly due to a significant decline in hydrocarbons prices on international markets.



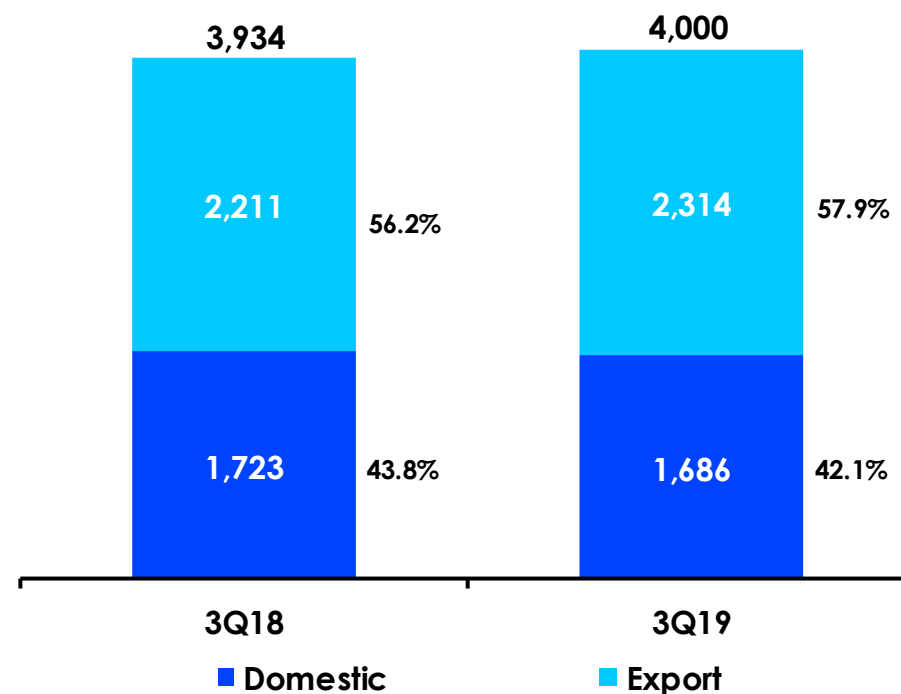
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



Our total natural gas sales volumes increased by 1,111 mmcm, or 7.1%, due to increased sales of LNG on international markets.

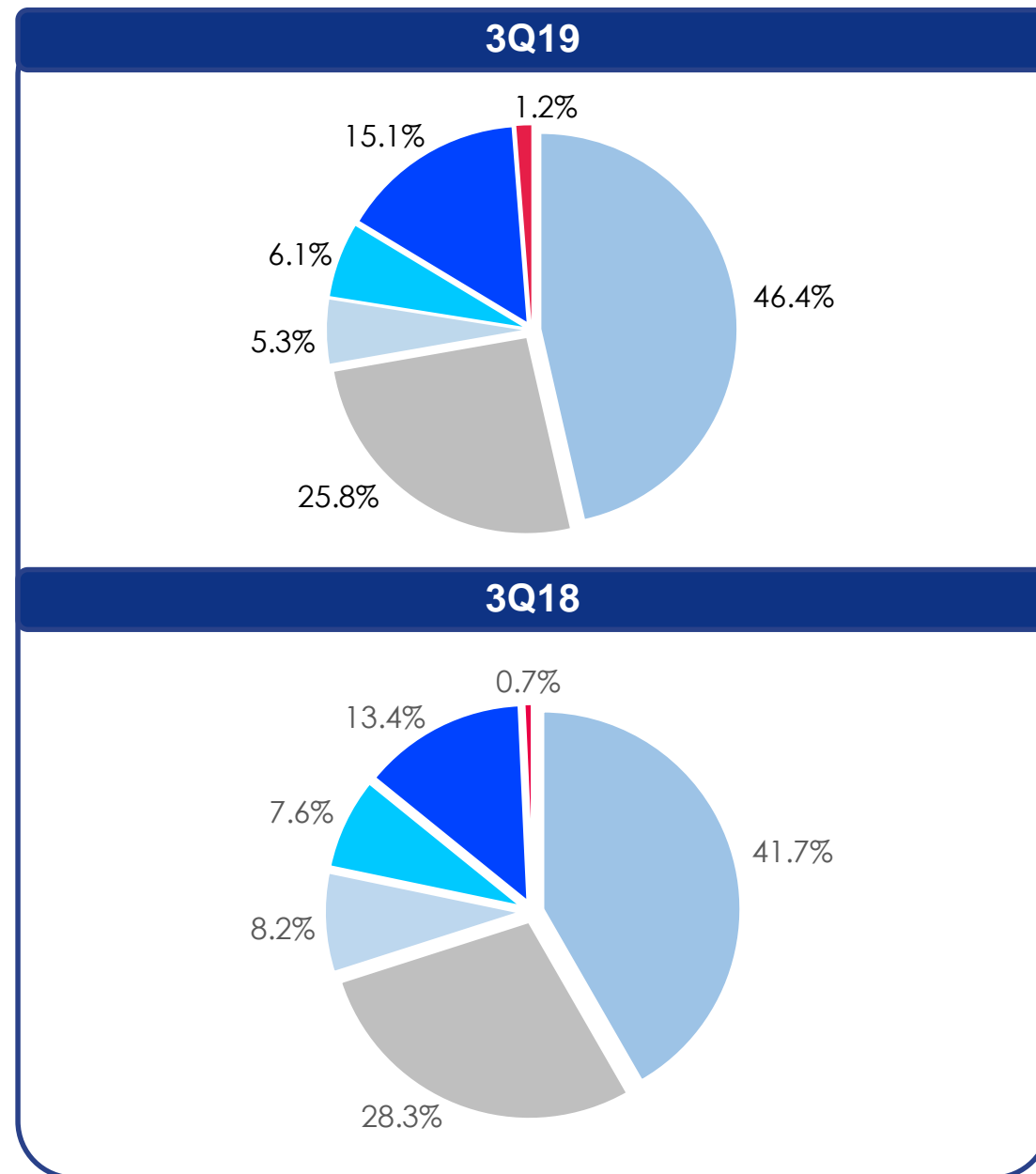
Liquids Sales Volumes, mt



Our liquids sales volumes increased by 66 mt, or 1.7%, mainly due to crude oil purchases from our joint venture Arcticgas resulting from the commencement of crude oil commercial production at the Yaro-Yakhinskoye field in December 2018.

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))

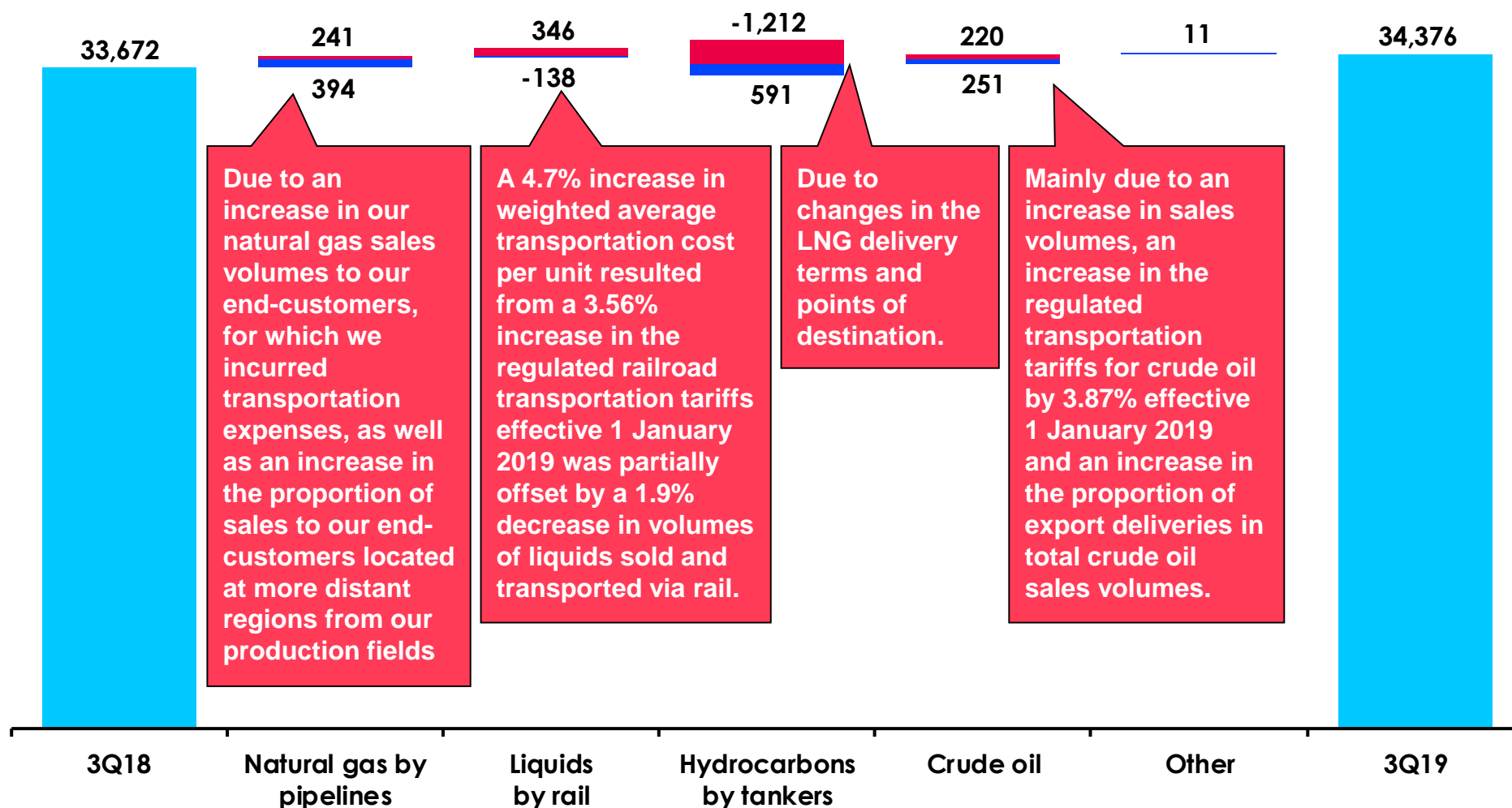
3Q18	% of TR	3Q19	% of TR		2Q19	% of TR	3Q19	% of TR
33,672	15.3%	34,376	18.2%	Transportation expenses	36,918	16.9%	34,376	18.2%
15,440	7.0%	15,098	8.0%	Taxes other than income tax	16,254	7.4%	15,098	8.0%
49,112	22.3%	49,474	26.2%	Non-controllable expenses	53,172	24.3%	49,474	26.2%
8,511	3.9%	8,183	4.3%	Depreciation and amortization	8,007	3.7%	8,183	4.3%
5,474	2.5%	6,331	3.3%	Materials, services & other	6,137	2.8%	6,331	3.3%
5,940	2.7%	6,622	3.5%	General and administrative	4,765	2.2%	6,622	3.5%
838	0.4%	384	0.2%	Exploration expenses	2,530	1.2%	384	0.2%
				Net impairment expenses				
30	n/a	-7	n/a	(reversals)	-10	n/a	-7	n/a
				Change in natural gas, liquids				
-7,160	-3.3%	-2,564	-1.4%	and WIP	1,092	0.5%	-2,564	-1.4%
62,745	28.6%	68,423	36.1%	Subtotal operating expenses	75,693	34.7%	68,423	36.1%
				Purchases of natural gas and				
94,158	42.9%	72,181	38.2%	liquid hydrocarbons	81,814	37.4%	72,181	38.2%
156,903	71.5%	140,604	74.3%	Total operating expenses	157,507	72.1%	140,604	74.3%

Our total operating expenses decreased YoY by RR 16,299 million, or 10.4%, mainly due to a decrease in average purchase prices for hydrocarbons resulted from a decline in hydrocarbons prices on international markets in 2019.

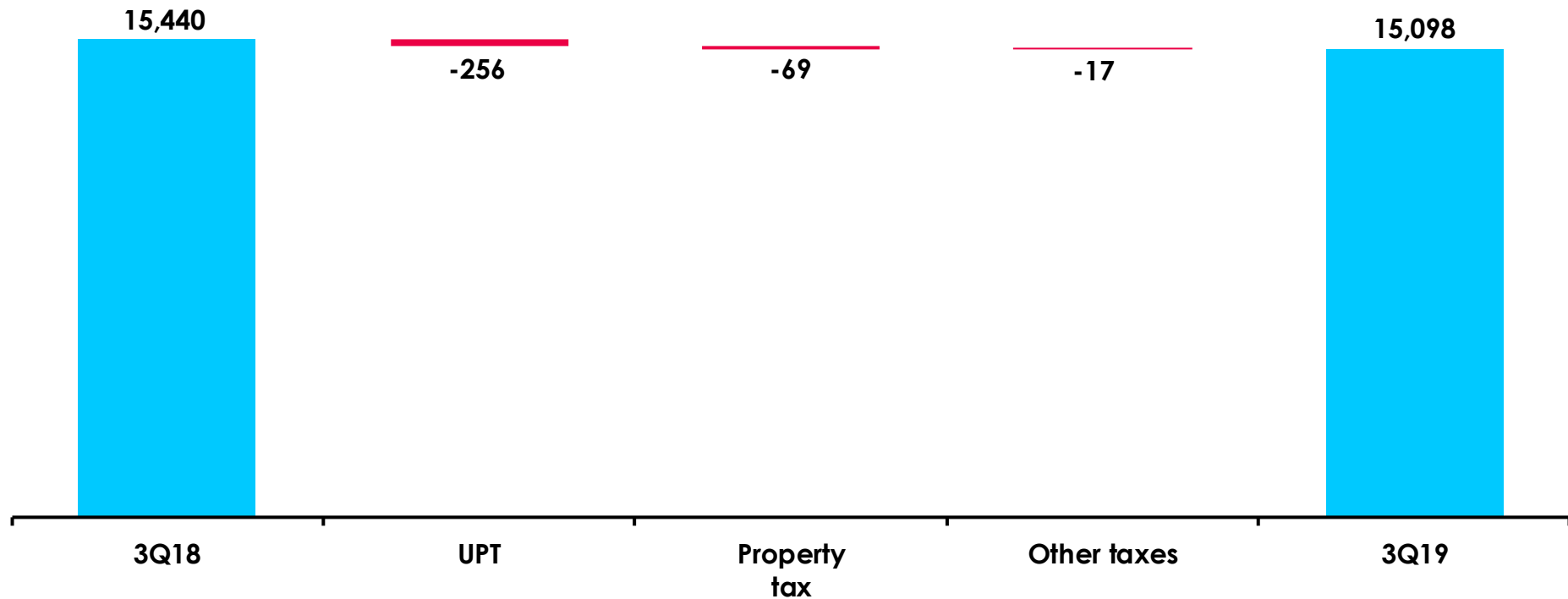
Transportation Expenses (RR million)

■ Change due to tariff/geography

■ Change due to volume

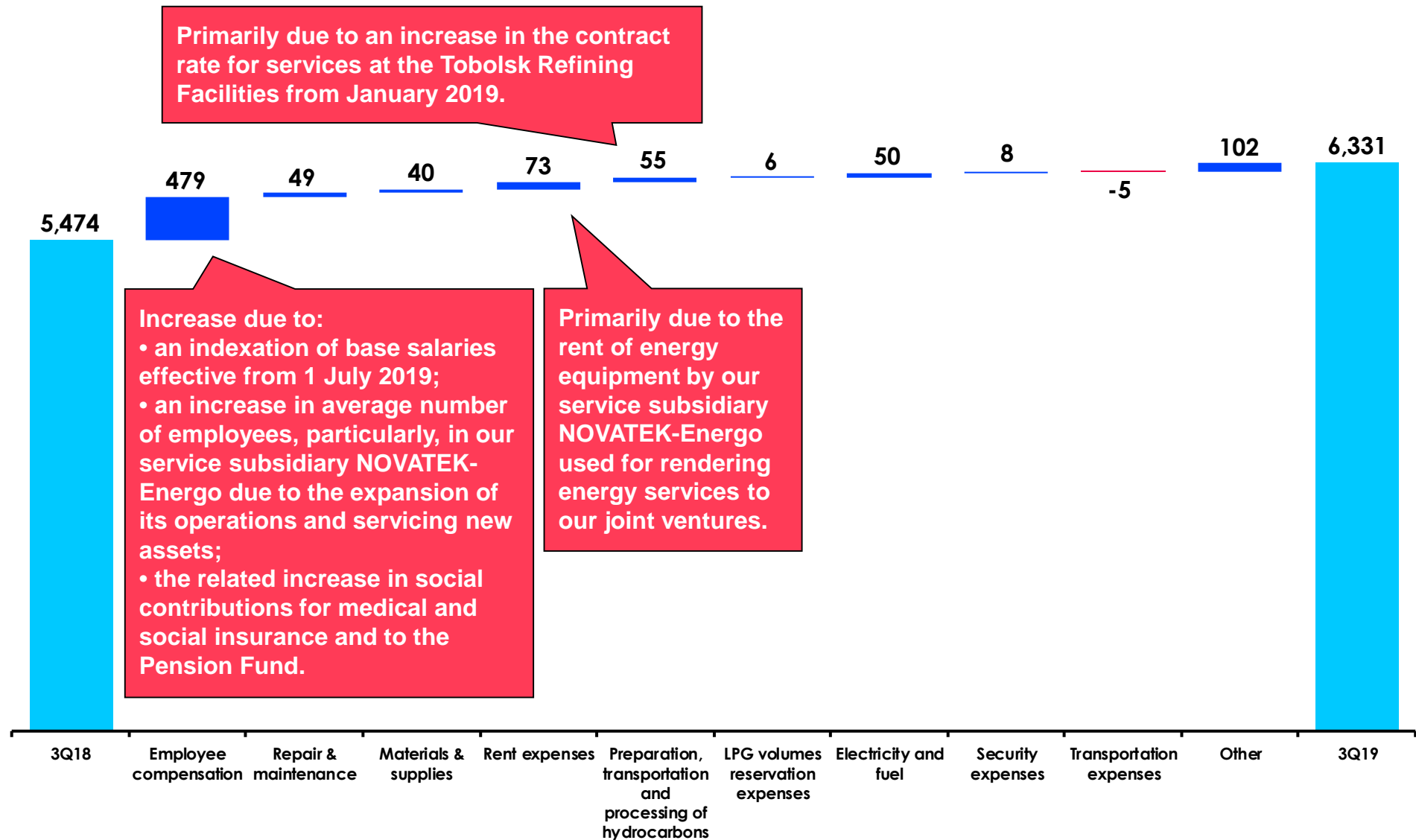


Taxes Other Than Income Tax Expense (RR million)

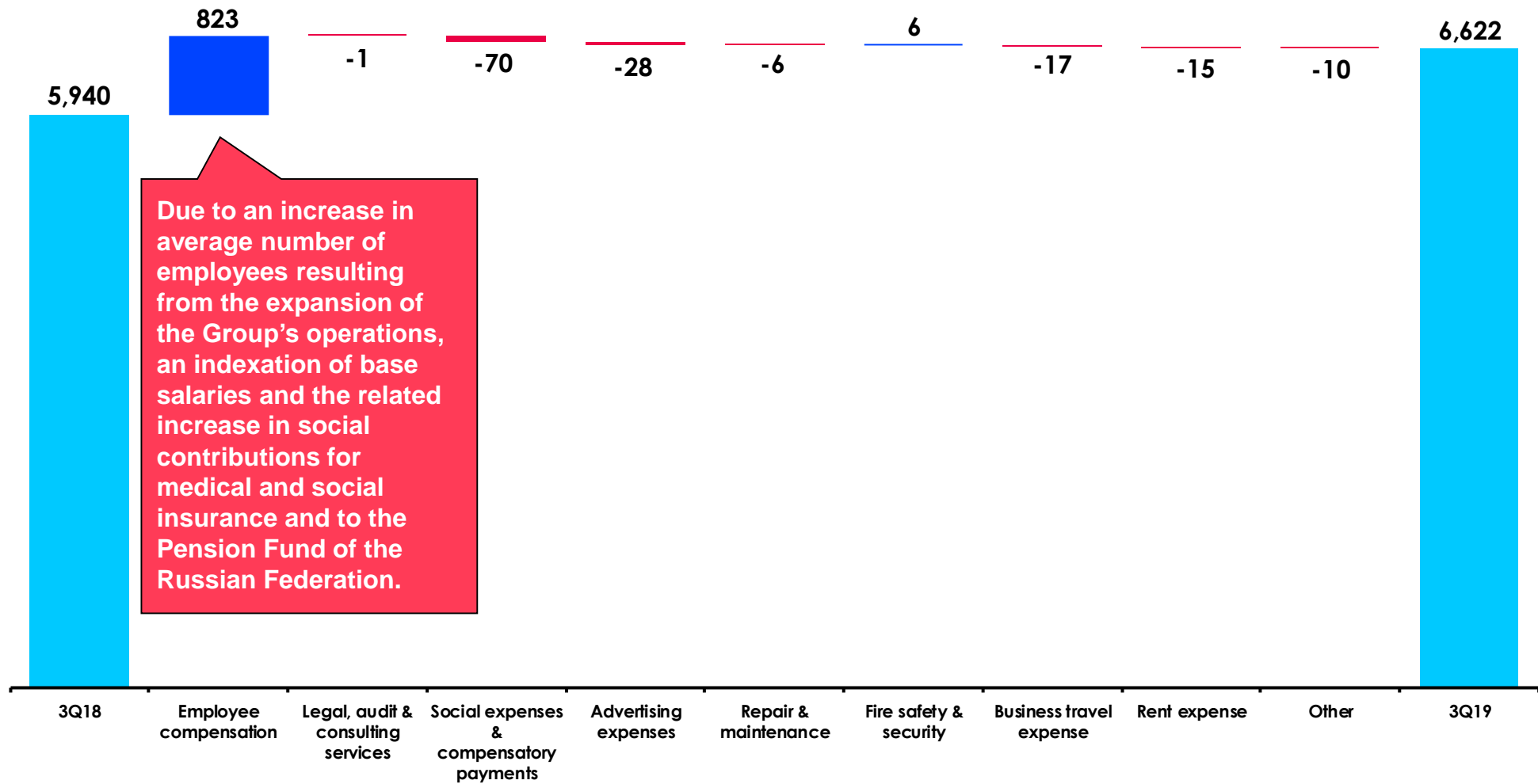


Our unified natural resources production tax expense decreased by 1.8% as a result of the offsetting effects of two factors: a decrease in natural gas production at mature fields of our subsidiaries, on the one hand, and an increase in UPT rates for crude oil and gas condensate resulting from changes in the UPT rates formulas effective 1 January 2019 caused by the completion of the tax maneuver in the oil and gas industry, on the other hand.

Materials, Services and Other Expenses (RR million)

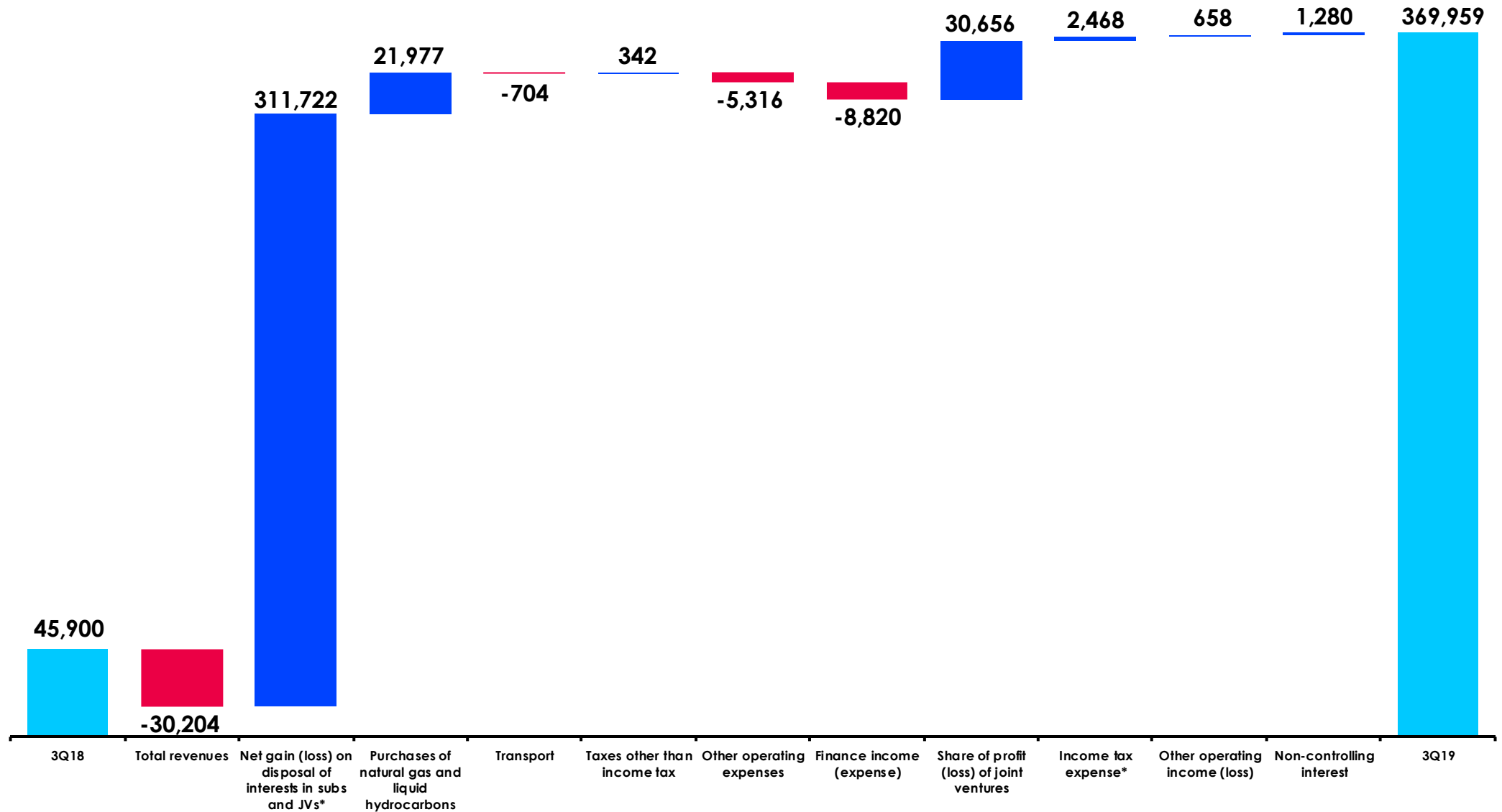


General and Administrative Expenses (RR million)



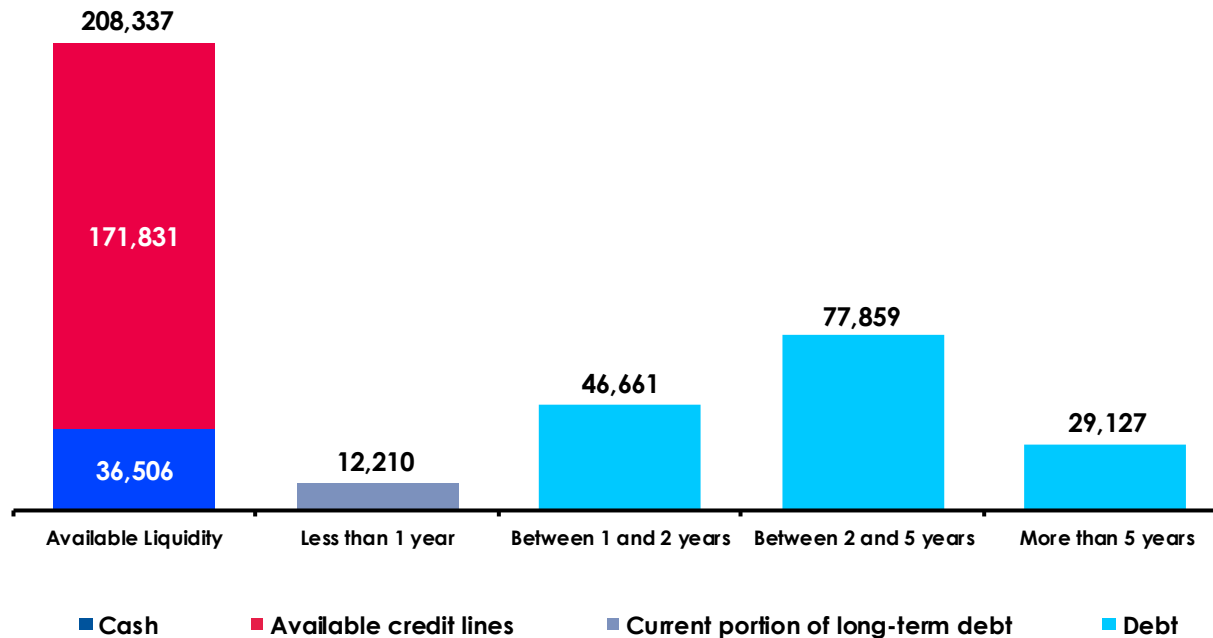
Profit Attributable to NOVATEK Shareholders

(RR million)



* 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)



At 30 September 2019, the Group had 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

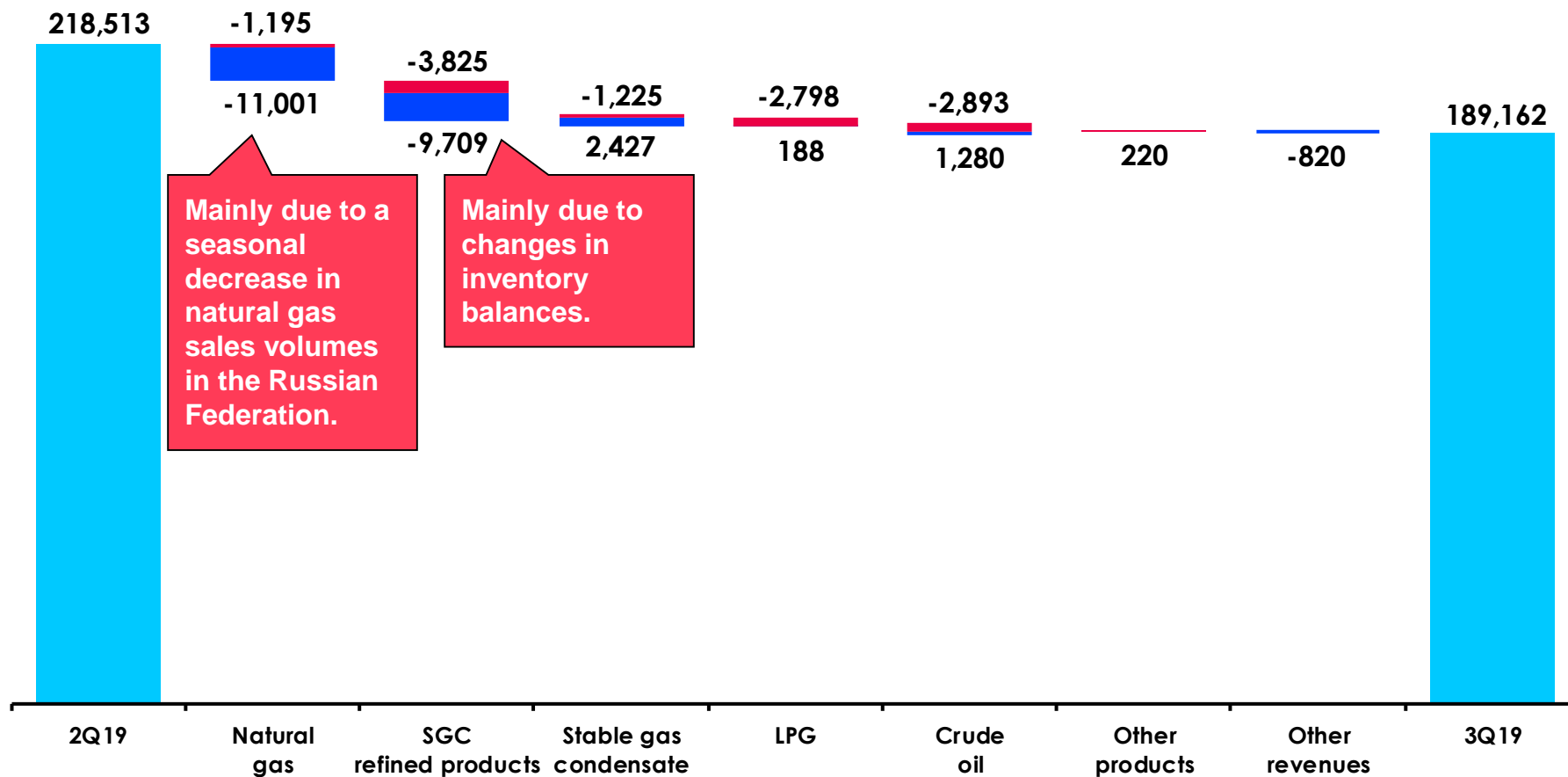
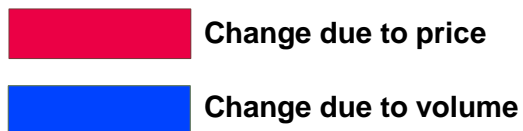
Up to 30 September 2022 – Loan from the Silk Road Fund

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

After 30 September 2024 – Loan from the Silk Road Fund

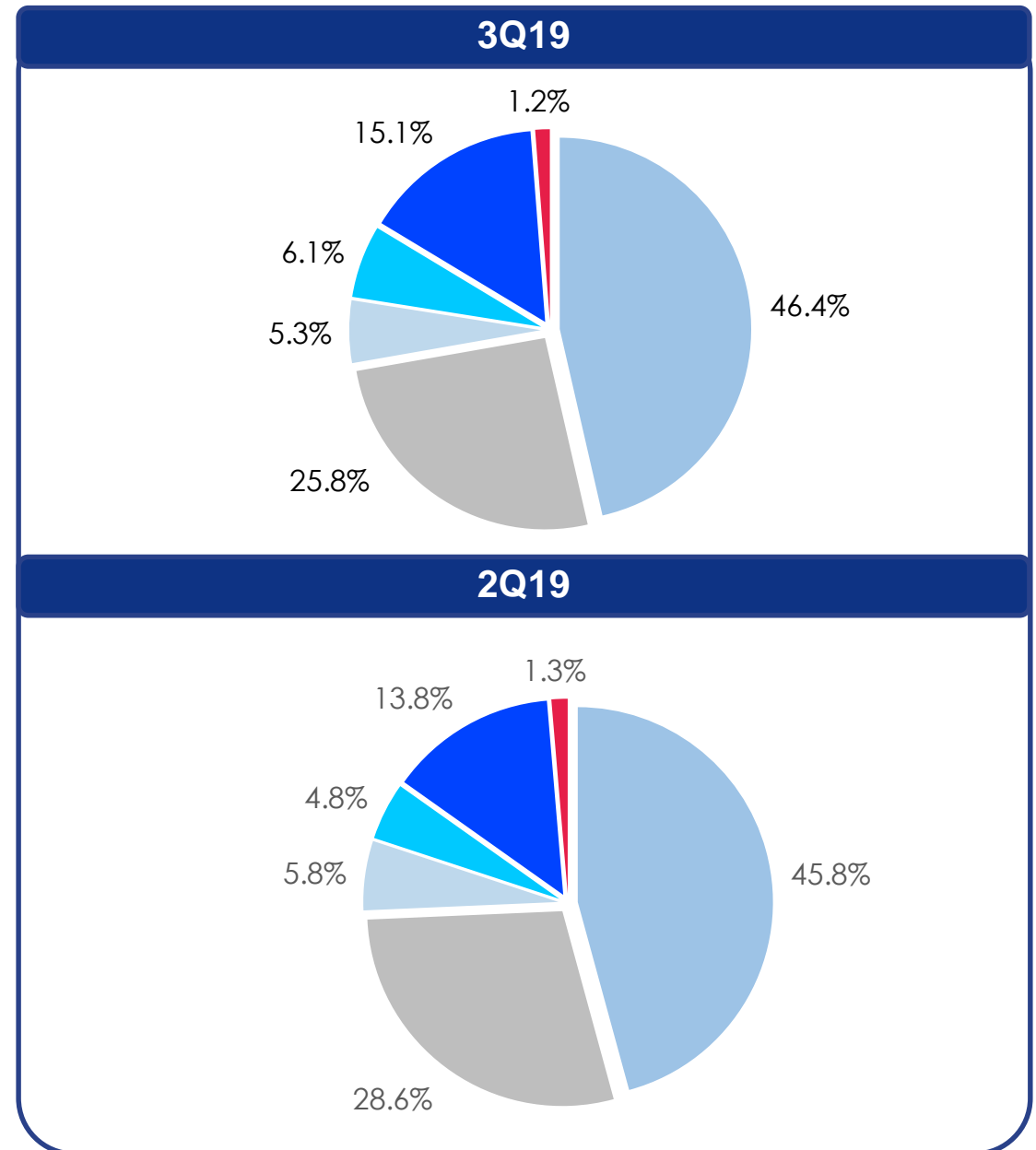
Financial Overview – 3Q19 to 2Q19

Total Revenues (RR million)

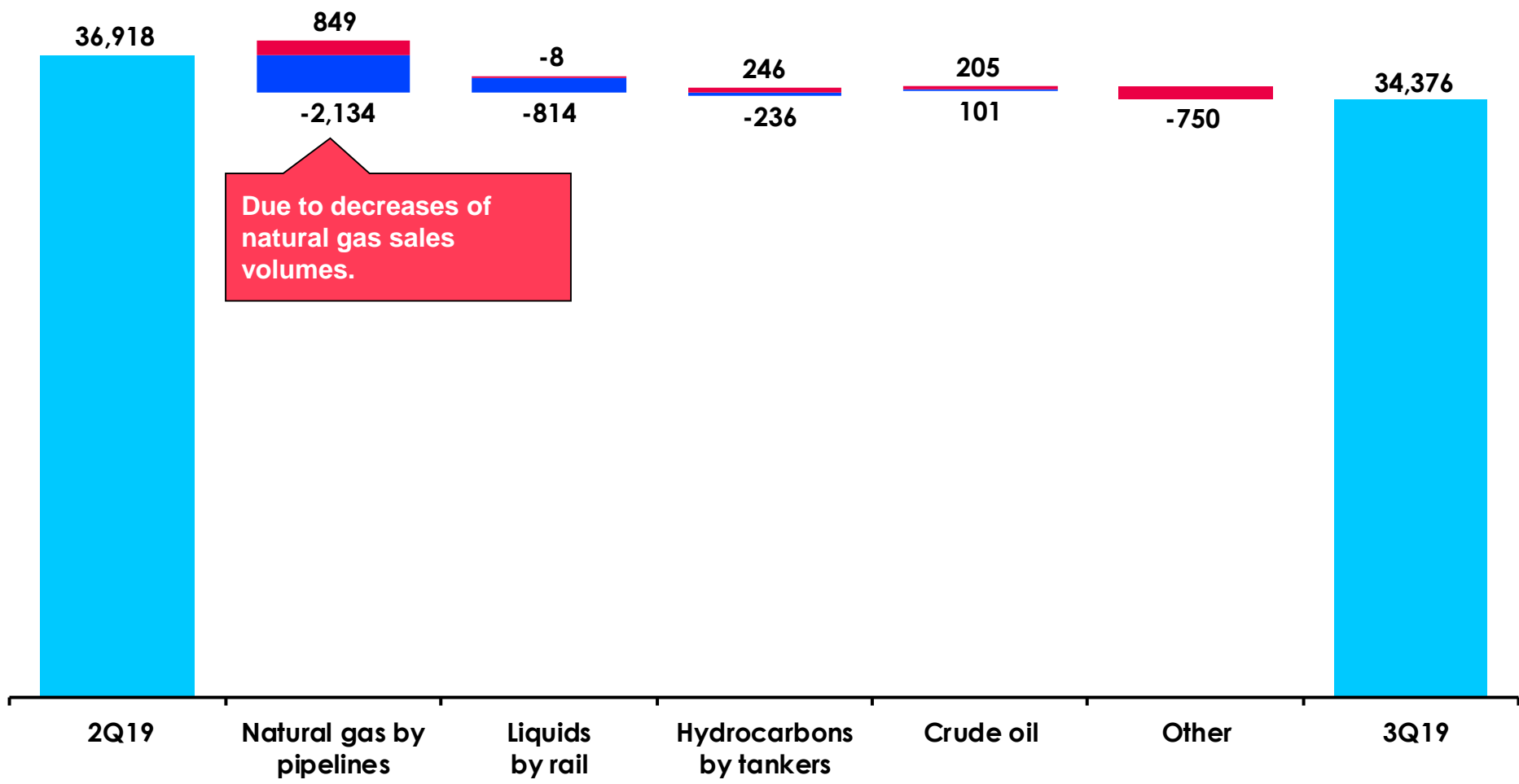
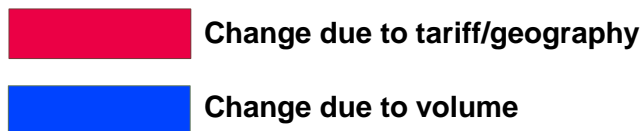


Total Revenues Breakdown

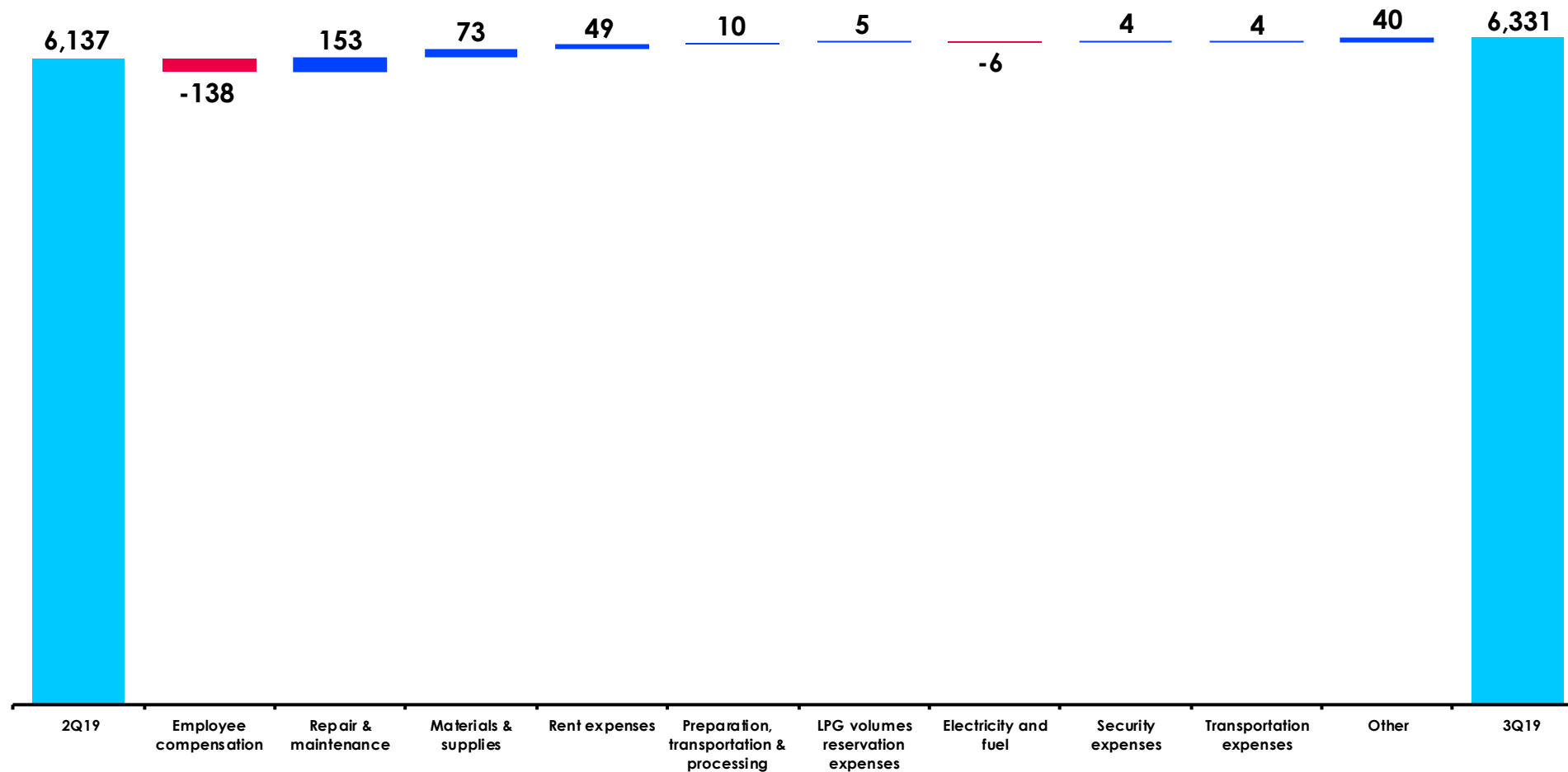
- Natural gas, including LNG
- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other



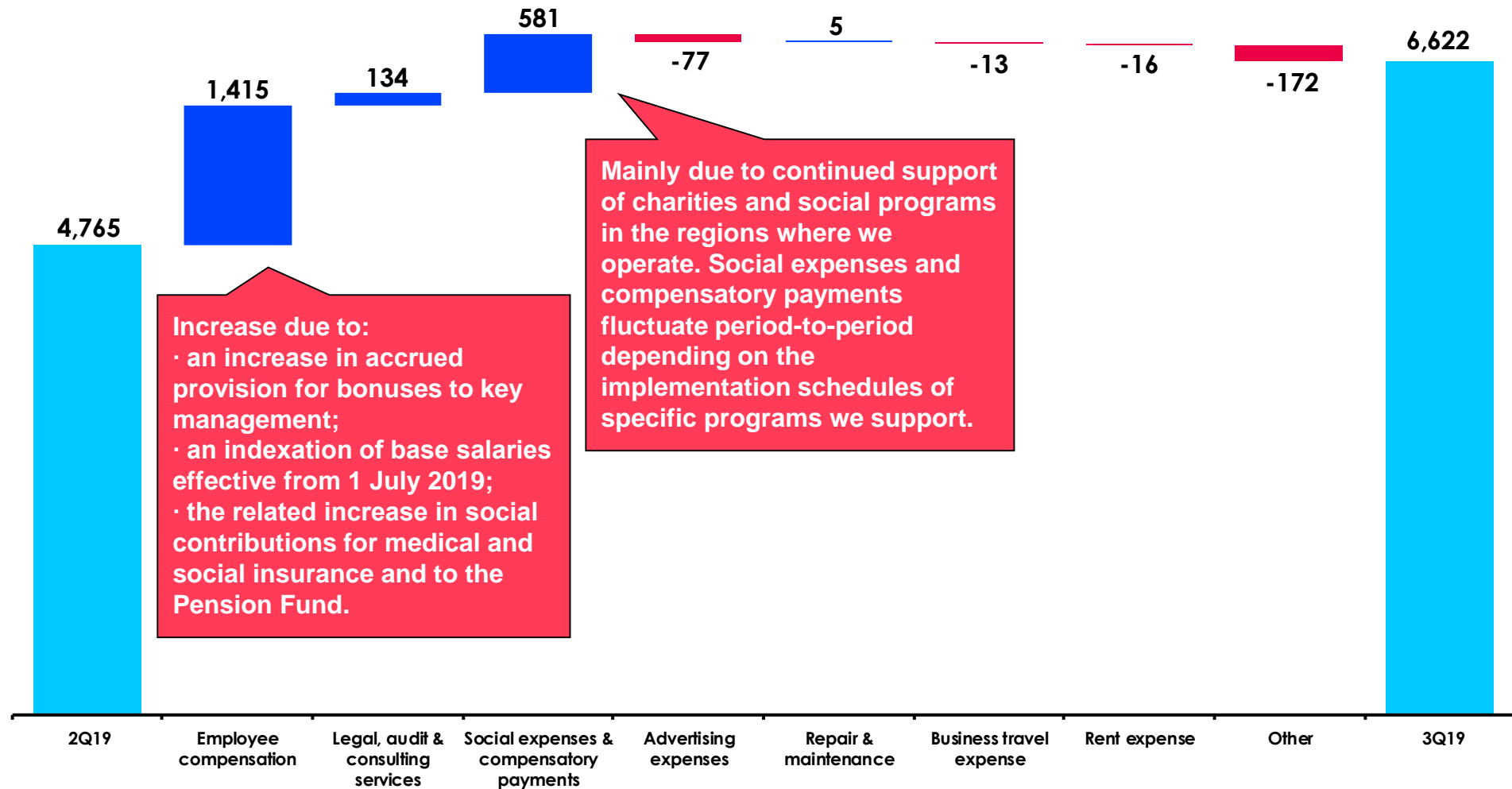
Transportation Expenses (RR million)



Materials, Services and Other Expenses (RR million)

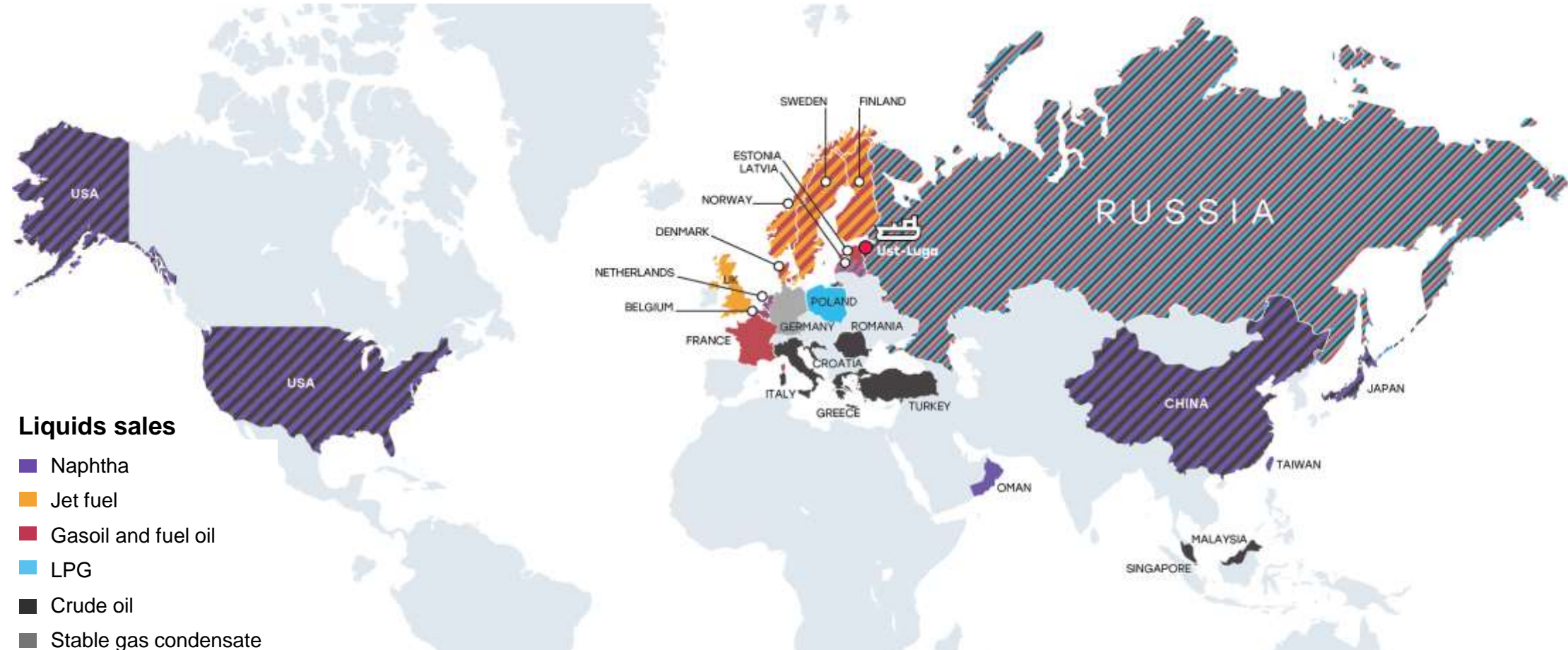


General and Administrative Expenses (RR million)

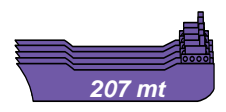


Appendices

Liquids in Tankers



“Goods in transit”
30.09.2018
 ~ 245 thousand tons

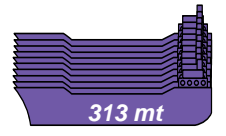


Asia-Pacific Region
(Naphtha)



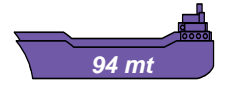
Middle East
(SGC)

“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)

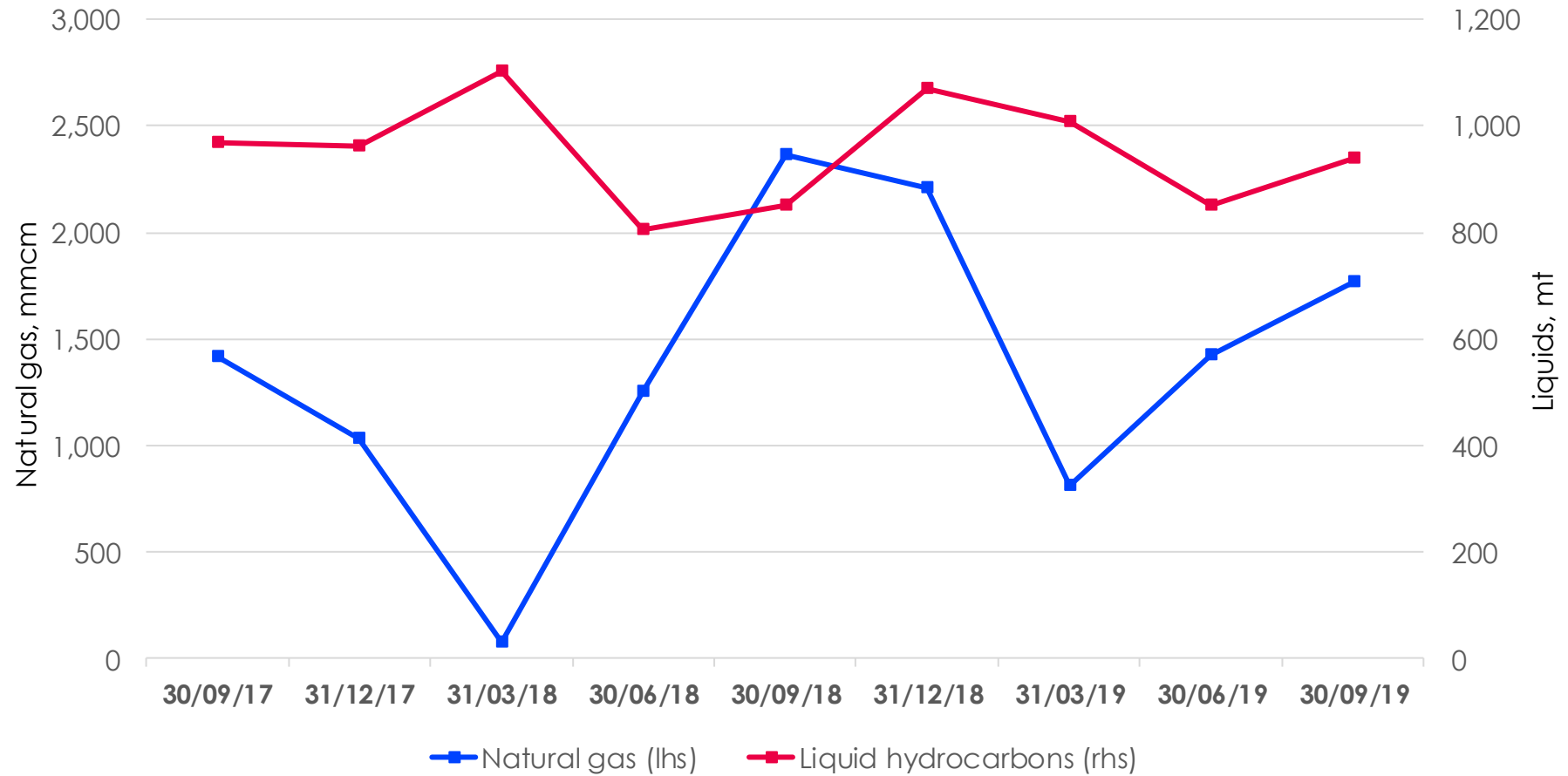


Europe
(Fuel oil)

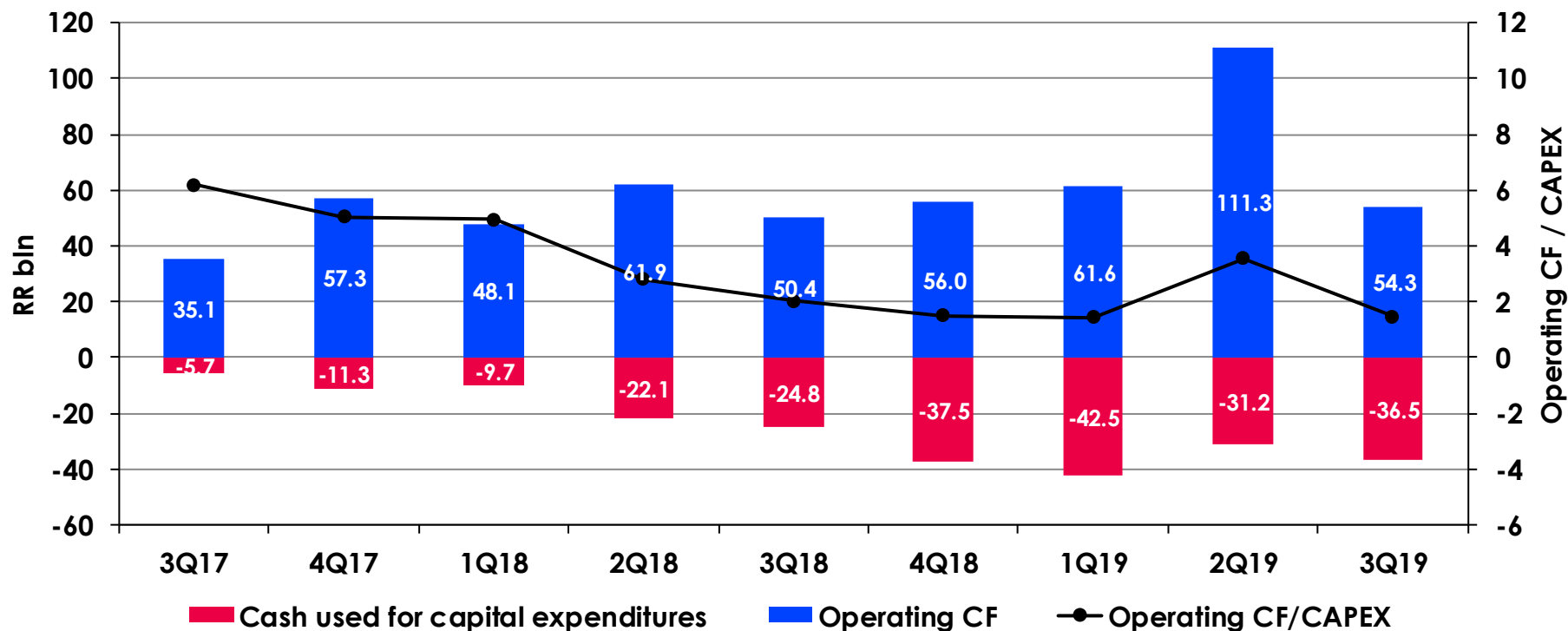


Asia-Pacific Region
(SGC)

Change in Inventories

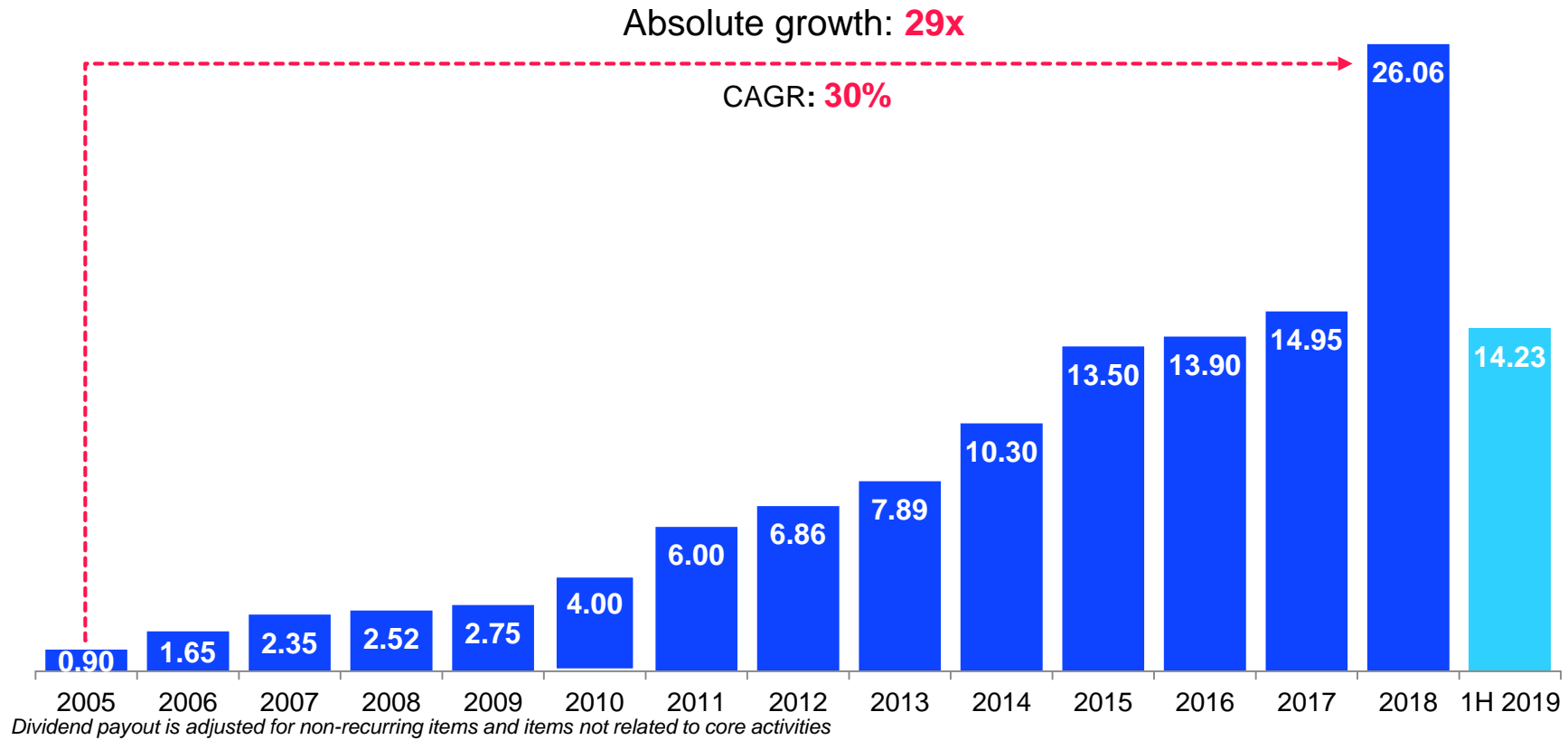


Internally Funded Investment Program



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

Dividend Payout (RR per ordinary share)



Committed to increasing shareholder returns

Questions and Answers