

# Second Quarter 2021 Operational and Financial Results

(incl. 2020 Sustainability Report Highlights)



Mark A. Gyetvay, Deputy Chairman of the Management Board  
29 July 2021





# 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 – 2Q21

- **Total revenues** amounted to RR 264.5 bln, representing **an increase of 83.7%** compared to 2Q20
- **Normalized EBITDA\*** totaled RR 163.2 bln, representing **an increase of 129.0%** compared to 2Q20
- **Normalized profit\*** excluding the effect of foreign exchange gain (losses) totaled RR 89.0 bln, representing **an increase of 319.2%** compared to 2Q20
- **Free Cash Flow** totaled RR 104.1 bln
- **Hydrocarbons production** totaled 156.7 mmboe, representing **an increase of 7.8%** compared to 2Q20

\*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 2Q21

- Share Purchase Agreement was signed with TotalEnergies on the sale of a 10% participation interest in Arctic Transshipment LLC
- Arctic LNG 2 signed a loan agreement with a syndicate of Russian banks
- Arctic LNG 2 participants concluded long-term offtake agreements
- Heads of Agreement on LNG Supply were signed with Glencore and Zhejiang Energy
- NOVATEK and Gazprom Neft signed an agreement to create a JV to develop the North-Vrangelevskiy license area

🌱 2020 Sustainability Report was released on 15 July

🌱 Board of Directors established a Subcommittee on Climate and Alternative Energy

- NOVATEK signed:

- Cooperation Agreement with Rostekhnadzor
- Cooperation Agreement with Leningrad Region

🌱 MOU with Sberbank and Gazprombank on financing the construction of a gas chemical plant

🌱 MOU with Severstal on hydrogen and GHG emission reduction

🌱 MOU with Sberbank on “green financing”

🌱 MOU with TotalEnergies on decarbonization, hydrogen and renewables

🌱 MOU with Fortum on renewable power

# Sustainability Reports Since 2005



## 14<sup>th</sup> Sustainability Report

Downloadable at  
<https://www.novatek.ru/en/development/>



ONE OF THE LONGEST HISTORY OF SUSTAINABILITY REPORTING IN THE RUSSIAN O&G

# Our New Sustainability Metrics in 2020

## FIRST EVER DISCLOSURE

<b>Scope 3</b> emissions	<b>UN SDGs</b> Internal targets	<b>LTIFR,</b> contractors injuries	<b>Scope 1</b> emissions by source	Progress on achieving <b>Environmental and Climate Change Targets</b>
<b>Innovations</b> section	<b>COVID-19</b> impact on strategy	<b>Cybersecurity</b> issues	<b># of Security Hotline reports</b>	<b>Independent audit of GHG emissions</b>

## EXPANDED DISCLOSURE

<b>Permafrost section</b>	<b>Sustainability strategy</b>	<b>Methane emissions</b>	<b>Waste management</b>	<b>Climate change management, risks and opportunities</b>
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WE ARE 100% COMPLIANT WITH GRI, SASB AND TCFD REPORTING STANDARDS  
AND RECOMMENDATIONS

# Scorecard of our Environmental and Climate Change Targets

	2019	2020	2030	Y-o-Y
Methane emissions per unit of production	10.44 TONS / MMBOE	14.44 TONS / MMBOE	9.96 TONS / MMBOE	↑
Air pollutant emissions per unit of production	0.128 TONS / MMBOE	0.143 TONS / MMBOE	0.102 TONS / MMBOE	↑
GHG emissions per unit of production in upstream	12.58 tons of CO2 equivalent per 1 mboe	8.65 tons of CO2 equivalent per 1 mboe	11.7 tons of CO2 equivalent per 1 mboe	↓
GHG emissions per ton of LNG produced	0.263 tons of CO2 equivalent per ton of LNG	0.244 tons of CO2 equivalent per ton of LNG	0.249 tons of CO2 equivalent per ton of LNG	↓
APG utilization rate	95%	96.2%	99%	↑
Waste directed to utilization and disposal	75%	69%	90%	↓

# Sustainable Development Highlights (Y-o-Y)

COVID-19 anti-epidemic measures <b>RUB 4.8 bln</b>	NUMBER OF FATALITIES <b>0 ✓</b>	REDUCTION OF LTIFR <b>- 29% ↓</b>
GHG intensity in upstream <b>- 31% ↓</b>	GHG INTENSITY <b>- 1% ↓</b>	SCOPE 1 DIRECT EMISSIONS <b>- 19% ↓</b>
Environmental costs <b>+ 67% ↑</b>	APG utilization <b>+ 13 p.p. ↑</b>	Waste generation <b>- 41% ↓</b>

NOVATEK is continuously improving the quality and transparency of its non-financial reporting with a view to enhance the confidence between the Company and its stakeholders

In seeking to meet stakeholder expectations, NOVATEK made additional disclosures in Sustainability Report 2020 on a range of topics (100+ new ESG metrics vs. 2018)

**POSITIVE TREND IN REDUCING GHG EMISSIONS PROVES OUR LOW-CARBON INTENSITY POSITION**



# Our Contribution to Relevant UN SDGs\*

## CLIMATE



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- By 2030, increase our LNG production up to 70 MTPA
- By 2025, use energy-efficient LNG technologies to increase LNG and reduce GHG emissions
- Established Environmental and Climate Change targets up to 2030
- Produce hydrogen, methane-hydrogen mixtures, ammonia and other low-carbon fuels
- Construct technologically innovative LNG projects in the Arctic Circle

## NATURE



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- Constant environmental monitoring and operational control
- Commitment to sustainable water use and efficient wastewater treatment
- Effective pollution and waste management processes to gradual reduce emissions and waste
- Integrated monitoring of marine ecosystems
- Artificial reproduction of aquatic biological resources by releasing fish into important fishing water bodies
- Significantly expand the reforestation geography
- Preserve the genotypes of rare and endangered plant species listed in the Red Data Books

## PEOPLE



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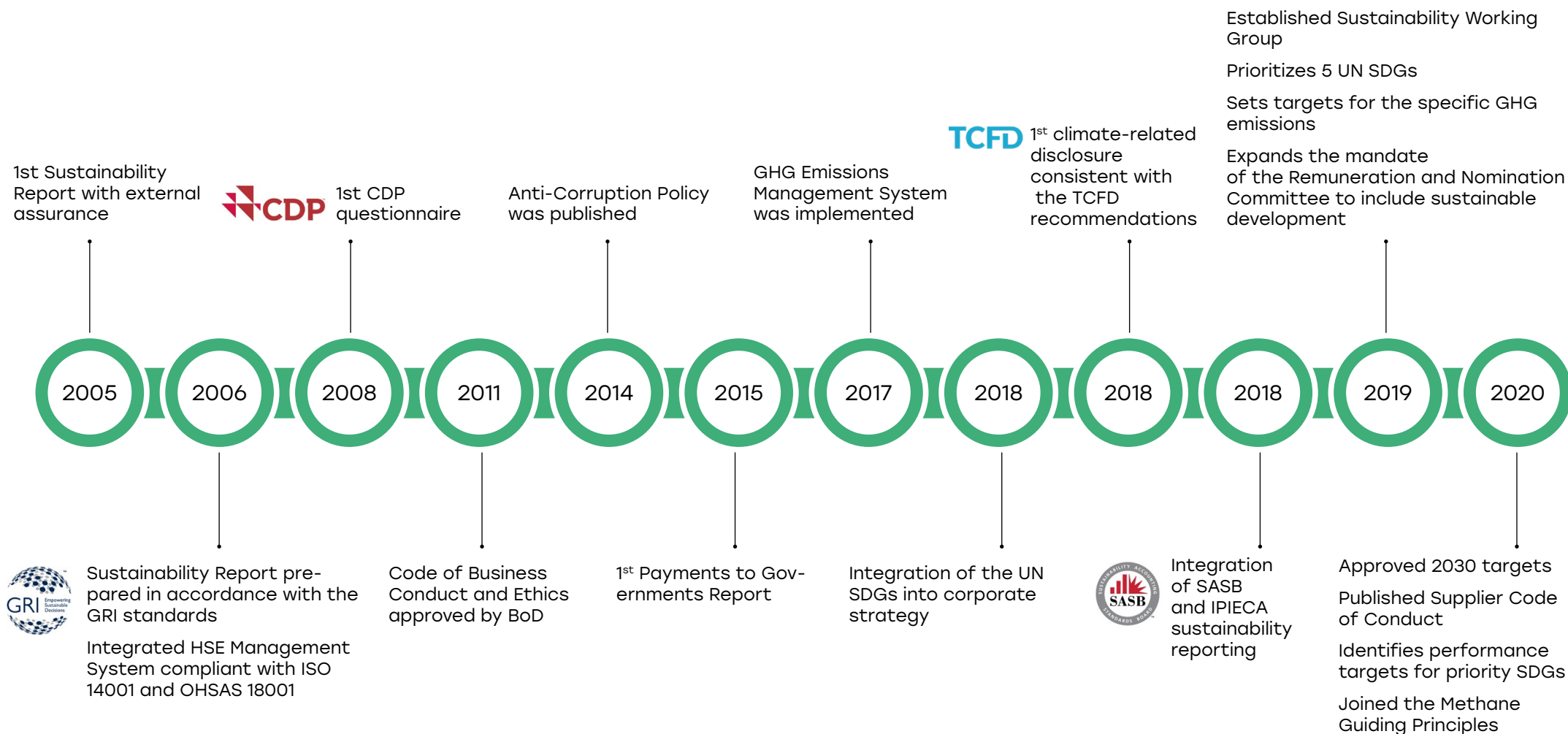


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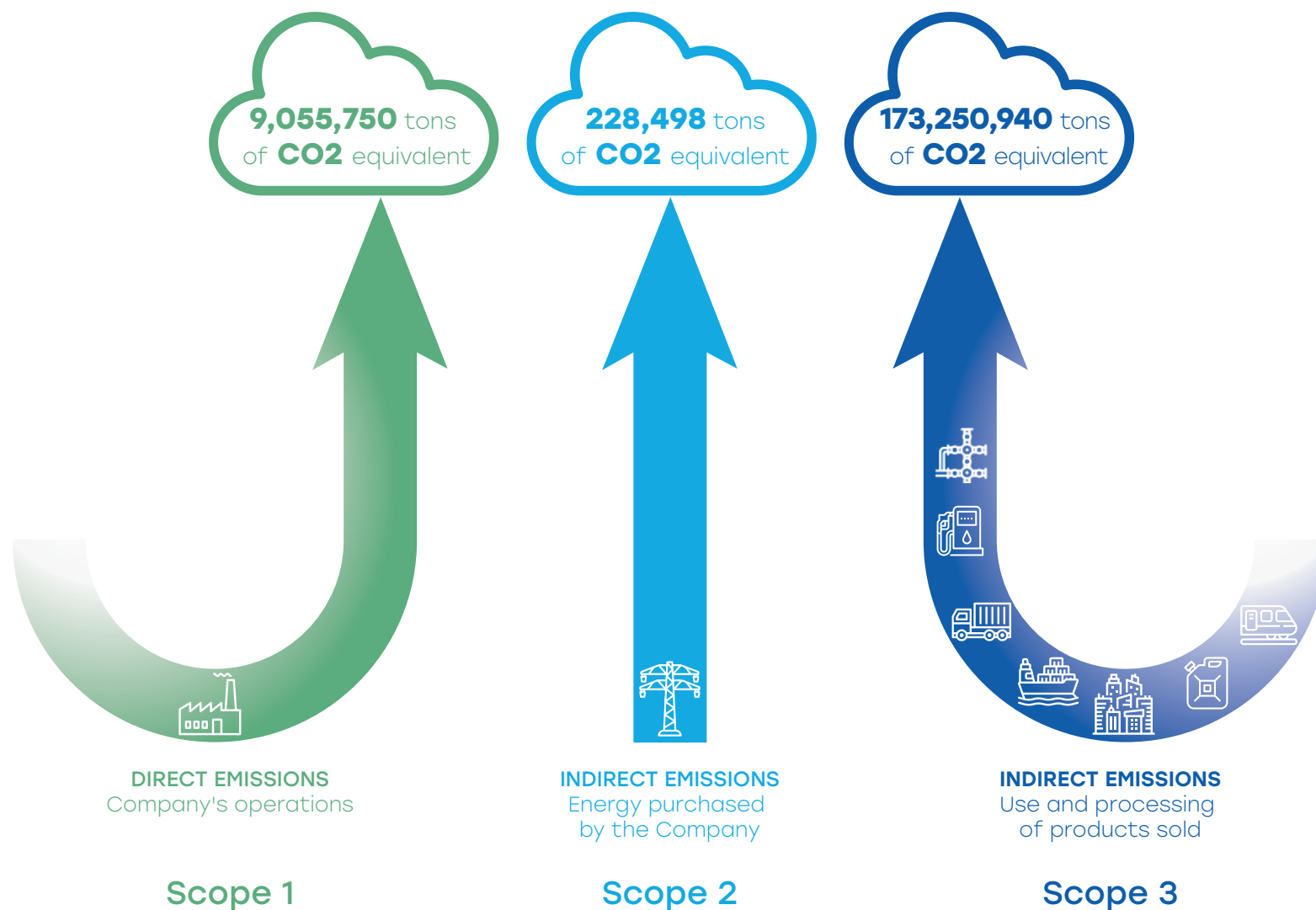
- Contribute to regional development through new jobs creation, better infrastructure, and programs aimed at improving living standards for local communities
- Deliver a 5% reduction in LTIFR among our employees every year
- Assist severely ill children in desperate need and children with disabilities in the regions of operation
- Engage public consultations when planning projects with potential environmental impact

\* Based on IPIECA SDG Roadmap for the oil and gas sector, April 2021

# Our Sustainability Timeline



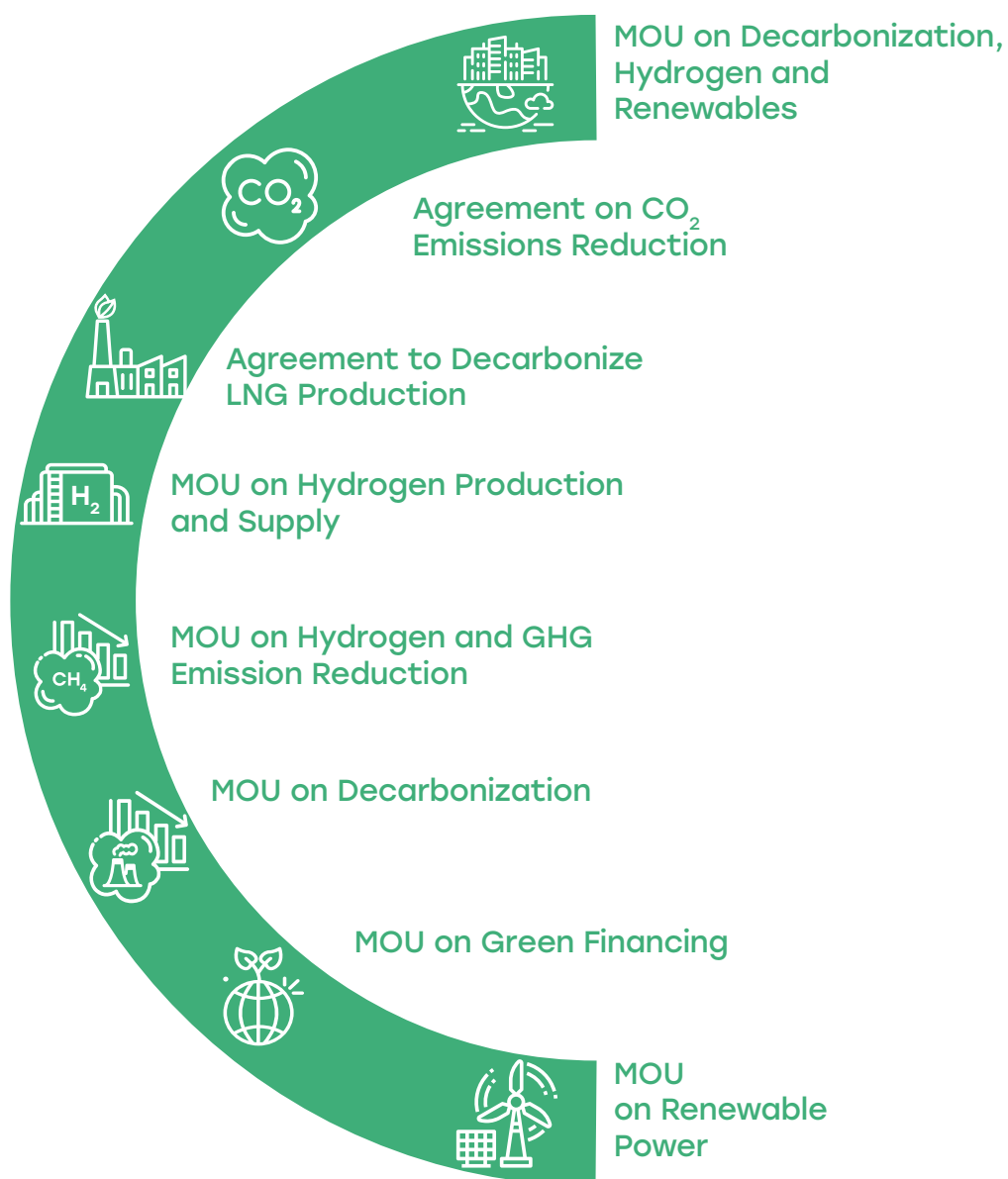
# Reporting on All Scope Emissions



**OUR SCOPE 1 + 2 EMISSIONS ARE ONLY 5% OF ALL SCOPE EMISSIONS**

Scope 3 is calculated under Accounting and Reporting Standard of the GHG Protocol  
"Use of sold products" subcategory

# Our Cooperation on Decarbonization



Reduction of GHG emissions by implementing CCS technologies and utilizing renewable energy sources

Converting gas turbines to hydrogen-based fuel gas mix

Replacing fuel natural gas used in the production of electricity and LNG with carbon-neutral hydrogen

Developing an integrated hydrogen production, transportation and supply chain

Producing “blue” hydrogen from natural gas and by using technologies for CCS

CCUS solutions, hydrogen production technologies and the use of hydrogen as a clean-burning fuel

Secure “green financing” on projects relating to environmental protection and climate change mitigation

Cryogas-Vysotsk LNG project will purchase electricity produced by Fortum’s renewable power facilities

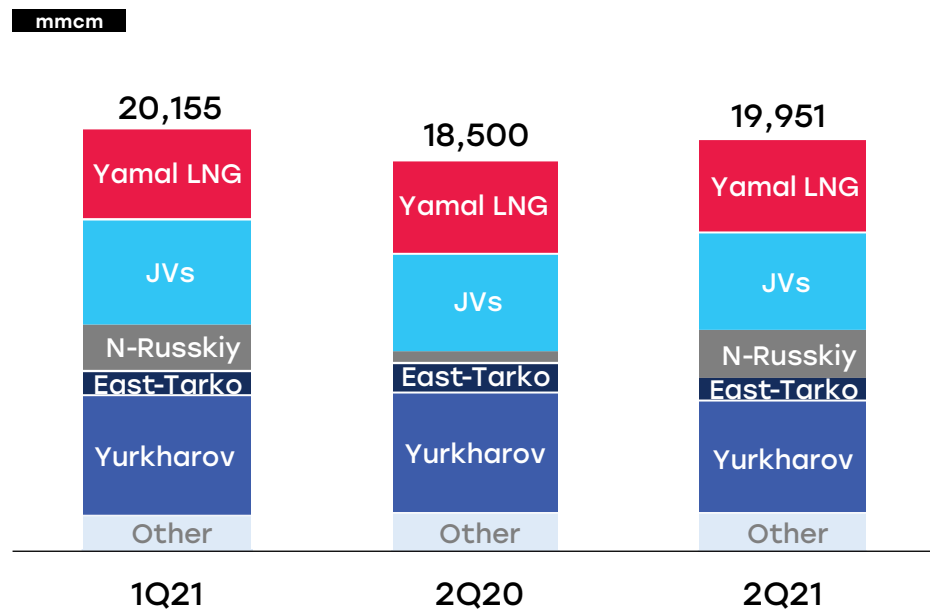




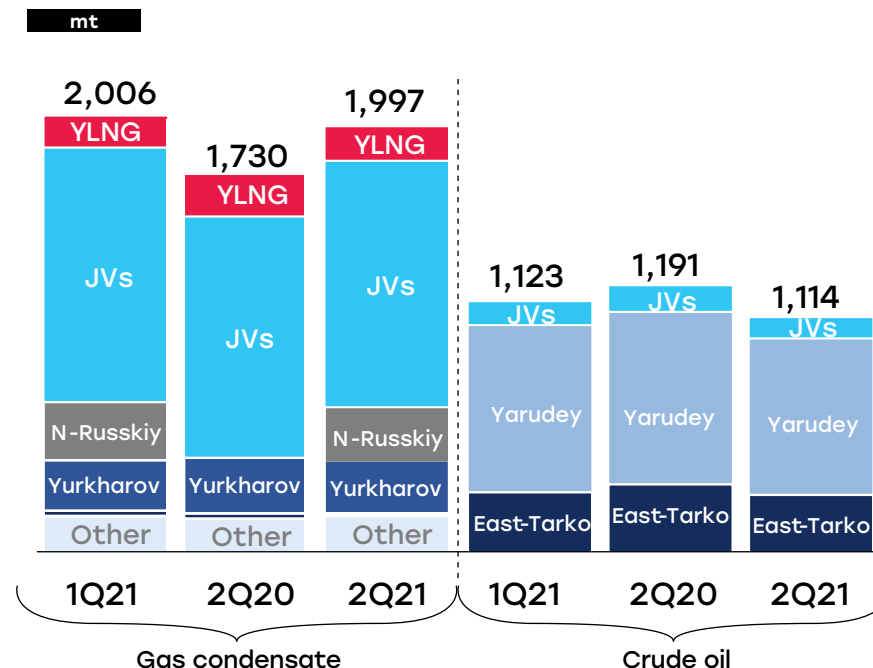
# OPERATIONAL OVERVIEW

# Hydrocarbon Production

## NATURAL GAS PRODUCTION



## LIQUIDS PRODUCTION



N-Russkiy includes production at the North-Russkoye, East-Tazovskoye and Dorogovskoye fields

Our total natural gas and liquids production including the proportionate share in the production of our joint ventures increased by 7.8% and 6.5%, respectively, mainly due to the commissioning of gas condensate deposits within the fields of the North-Russkiy cluster (the North-Russkoye and East-Tazovskoye) in the third quarter 2020. The increase in the production at these fields completely offset the declines in production at mature fields of our subsidiaries and joint ventures.

# Purovsky Plant and Ust-Luga Complex

## Purovsky Plant

**Total volumes delivered in 2Q21: 3,109 mt**

- North-Russkiy cluster: 259 mt
- Yurkharovskoye field: 242 mt
- East-Tarkosalinskoye and Khancheyskoye fields: 103 mt
- Other fields: 127 mt
- Purchases from our joint ventures: 2,378 mt

**Total output of marketable products: 3,093 mt**

- Stable gas condensate: 2,267 mt
- LPG: 826 mt

## Ust-Luga Complex

**Total volumes delivered in 2Q21: 1,784 mt**

**Total output of marketable stable gas condensate refined products: 1,738 mt**

- Naphtha: 1,103 mt
- Other products: 635 mt

**Stable gas condensate refined products sold: 1,912 mt**

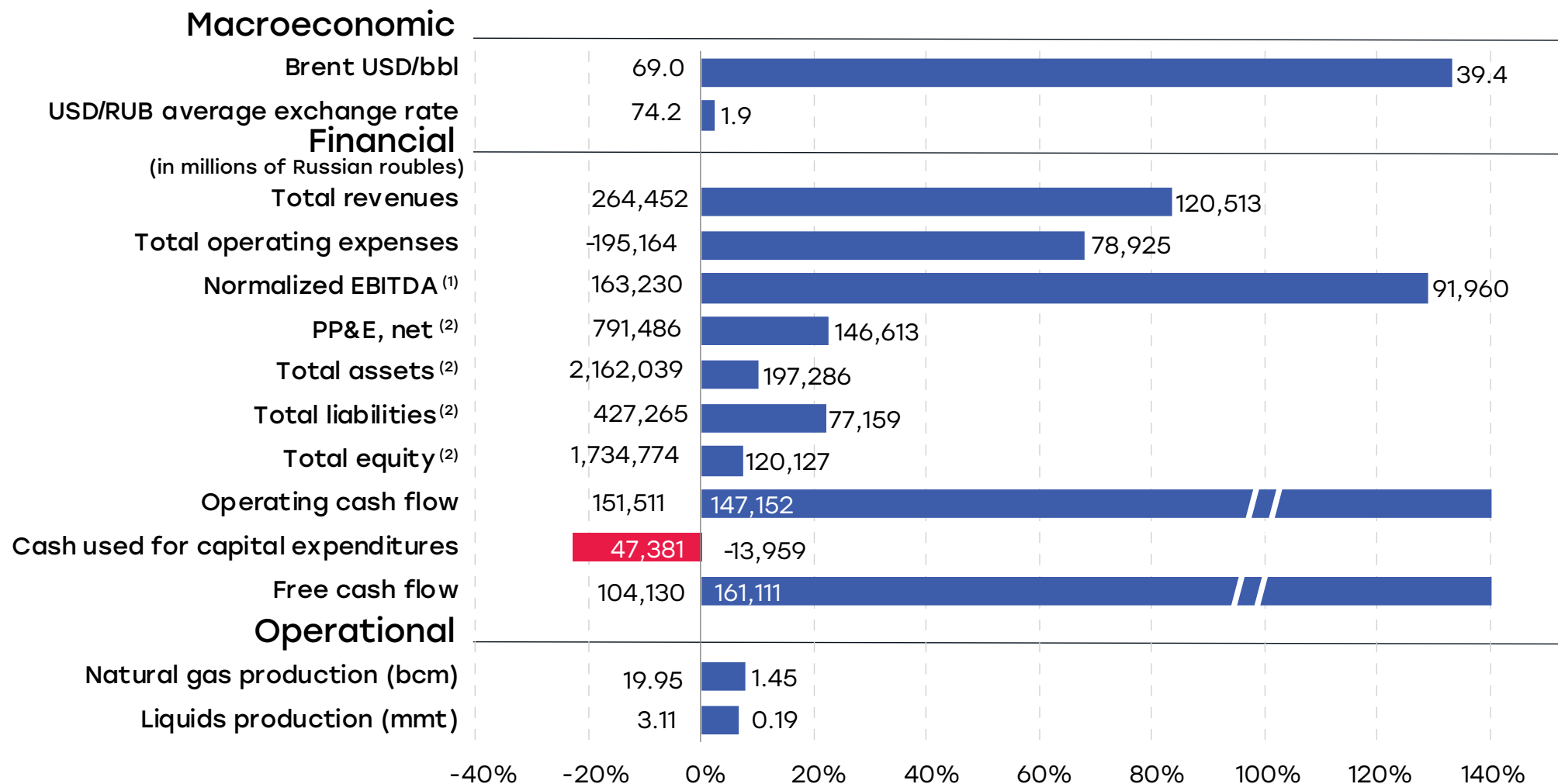
- to Europe: 764 mt
- to the Asian Pacific Region: 691 mt
- to North America: 231 mt
- Other: 226 mt



# FINANCIAL OVERVIEW – 2Q21 TO 2Q20



# Performance Summary 2Q21/2Q20

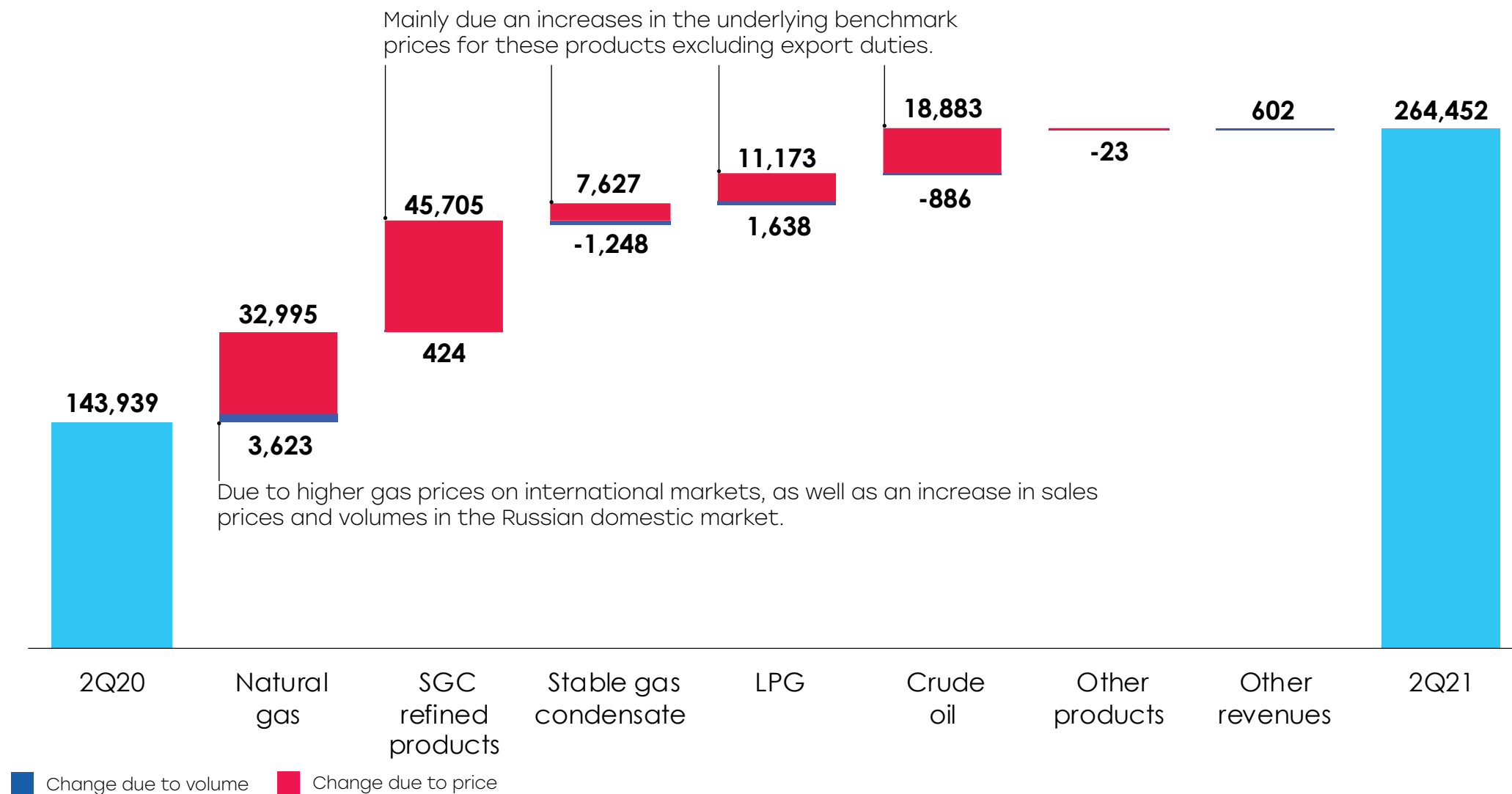


<sup>(1)</sup> Excluding the effects from the disposal of interests in subsidiaries and joint ventures (recognition of a net gain on disposal and subsequent non-cash revaluation of contingent consideration)

<sup>(2)</sup> 30.06.2021 to 30.06.2020

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

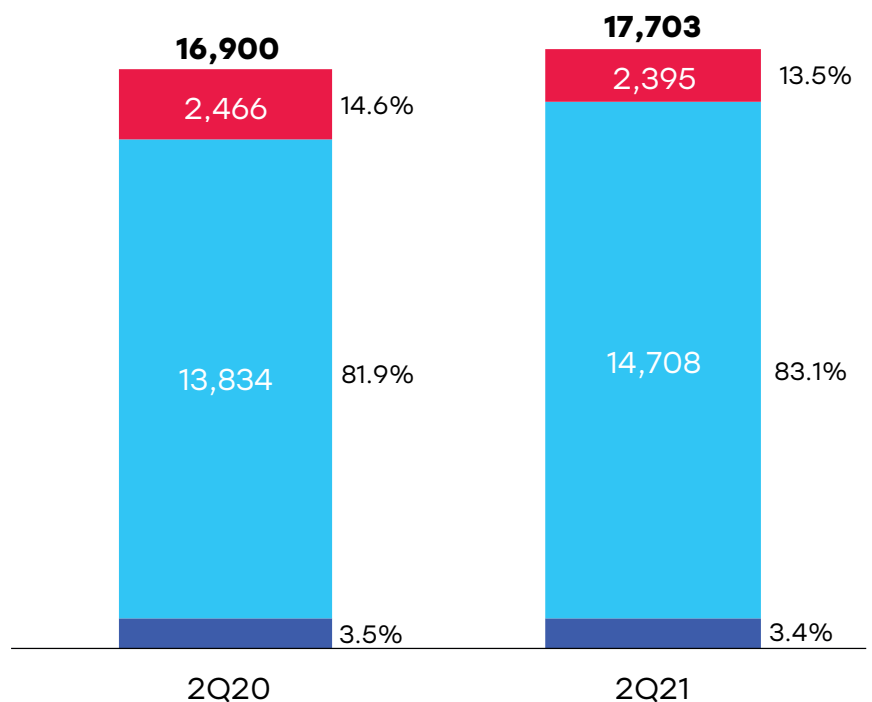
# Total Revenues (RR million)



# Market Distribution - Sales Volumes

## NATURAL GAS SALES VOLUMES

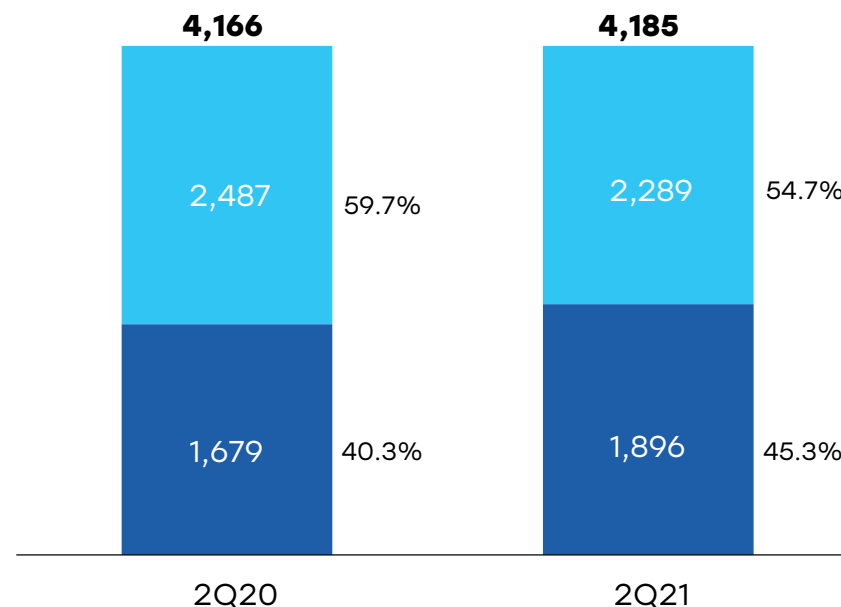
mmcm



■ Ex-field ■ End-customers ■ International markets

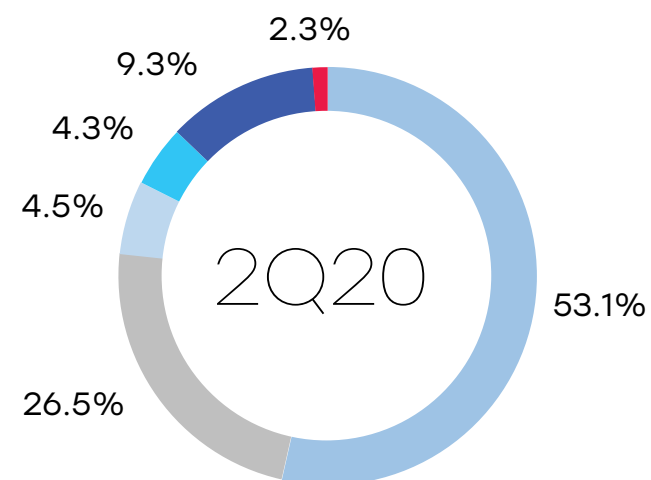
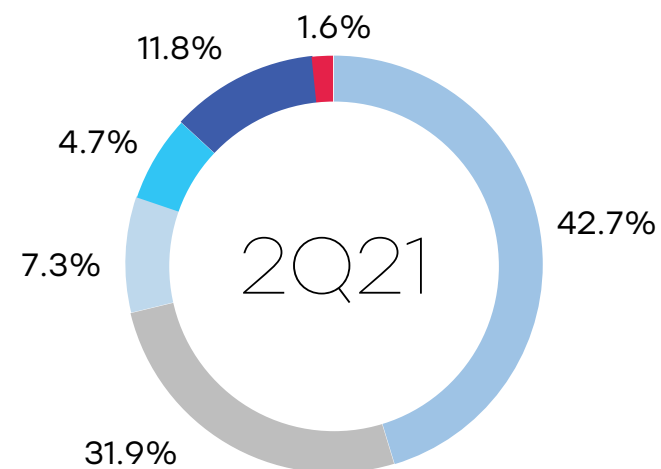
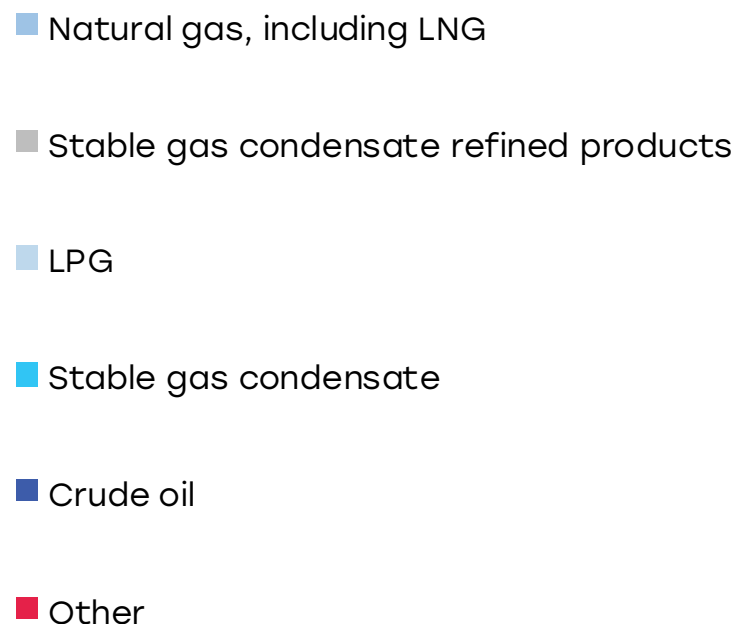
## LIQUIDS SALES VOLUMES

mt



■ Domestic ■ Export

# Total Revenues Breakdown (RR billion)





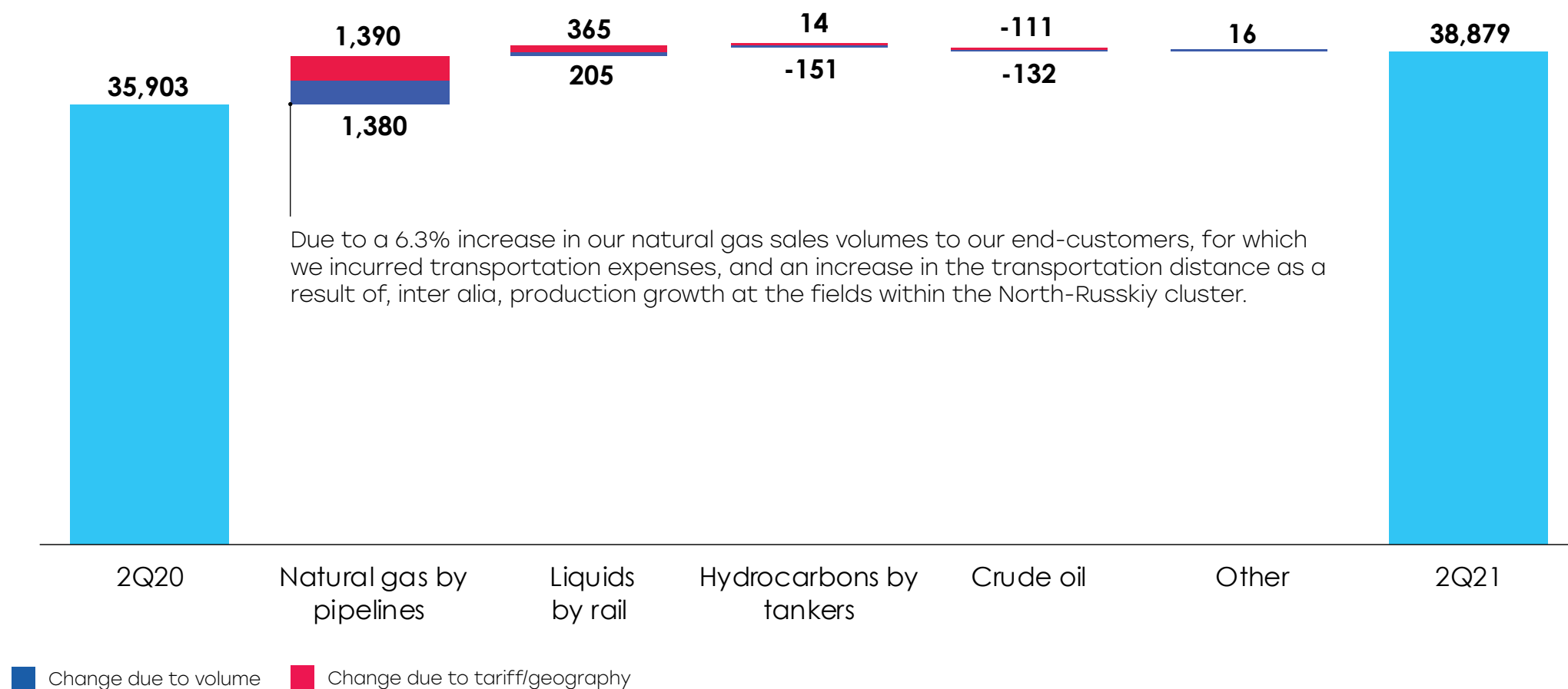
# Operating Expenses

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

2Q20	% of TR	2Q21	% of TR		1Q21	% of TR	2Q21	% of TR
35,903	24.9%	38,879	14.7%	Transportation expenses	43,319	17.7%	38,879	14.7%
9,865	6.9%	21,926	8.3%	Taxes other than income tax	19,904	8.1%	21,926	8.3%
<b>45,768</b>	<b>31.8%</b>	<b>60,805</b>	<b>23.0%</b>	<b>Non-controllable expenses</b>	<b>63,223</b>	<b>25.8%</b>	<b>60,805</b>	<b>23.0%</b>
8,975	6.2%	13,012	4.9%	Depreciation and amortization	12,420	5.1%	13,012	4.9%
7,176	5.0%	8,443	3.2%	Materials, services & other	8,264	3.4%	8,443	3.2%
4,326	3.0%	7,630	2.9%	General and administrative	6,034	2.5%	7,630	2.9%
3,345	2.3%	871	0.3%	Exploration expenses	2 473	1.0%	871	0.3%
-26	n/a	-6	n/a	Net impairment expenses (reversals)	-23	n/a	-6	n/a
1,435	1.0%	-122	n/a	Change in natural gas, liquids and WIP	-6,549	n/a	-122	n/a
<b>70,999</b>	<b>49.4%</b>	<b>90,633</b>	<b>34.3%</b>	<b>Subtotal operating expenses</b>	<b>85,842</b>	<b>35.1%</b>	<b>90,633</b>	<b>34.3%</b>
45,240	31.4%	104,531	39.5%	Purchases of natural gas and liquid hydrocarbons	92,977	38.0%	104,531	39.5%
<b>116,239</b>	<b>80.8%</b>	<b>195,164</b>	<b>73.8%</b>	<b>Total operating expenses</b>	<b>178,819</b>	<b>73.1%</b>	<b>195,164</b>	<b>73.8%</b>

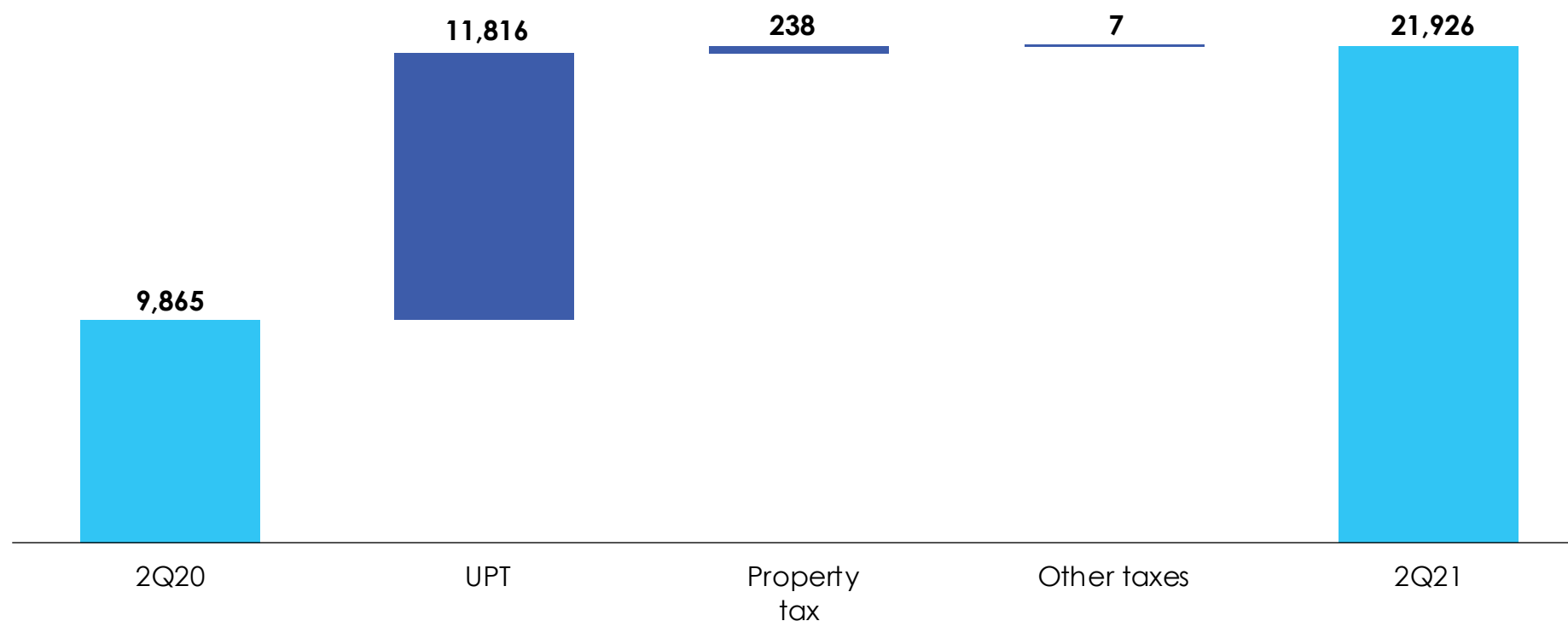
Our total operating expenses increased by 67.9% mainly due to an increase in global hydrocarbon commodity prices, which resulted in an increase in average hydrocarbon purchase prices and UPT rates.

# Transportation Expenses (RR million)



# Taxes Other Than Income Tax Expense

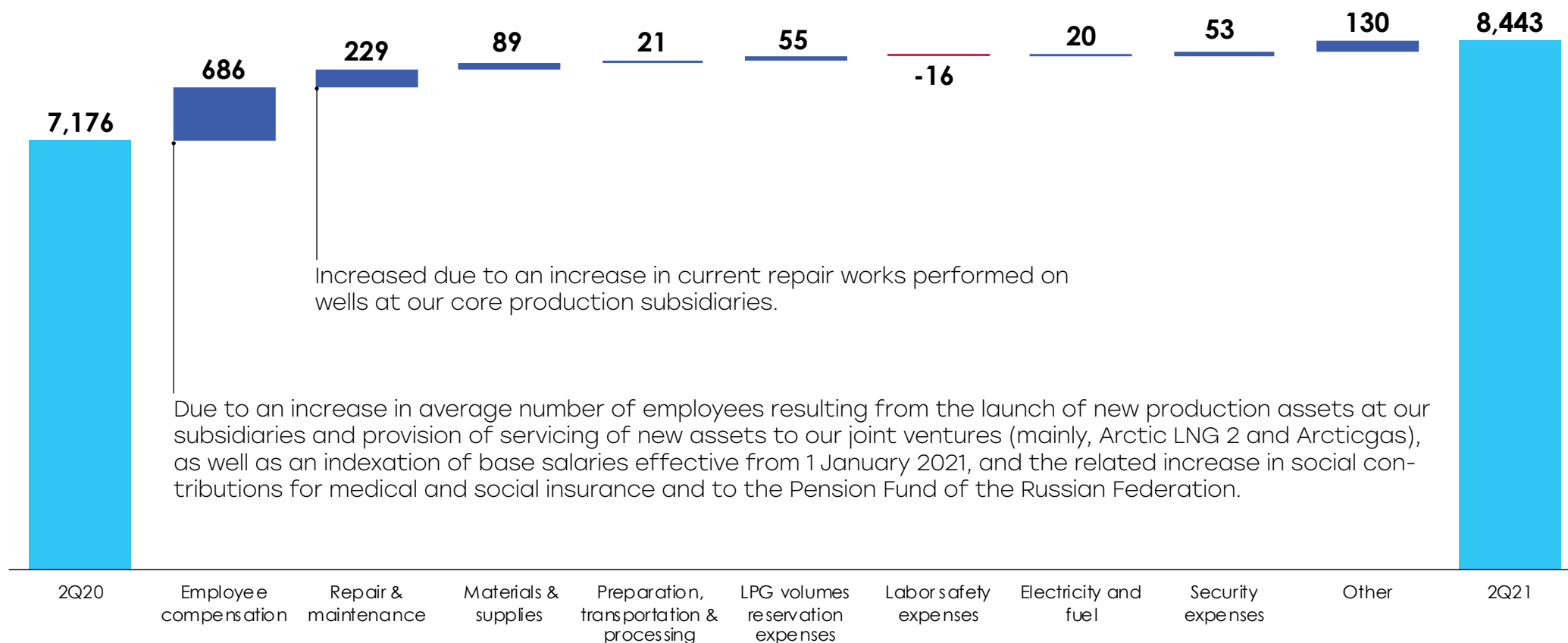
(RR million)



Our UPT expense increased primarily due to an increase in UPT rates, as well as an increase in gas condensate and natural gas production volumes. The increase in UPT rates was due to an increase in benchmark crude oil prices and changes in the UPT rates formulas caused by the completion of the tax maneuver in the oil and gas industry.

# Materials, Services and Other Expenses

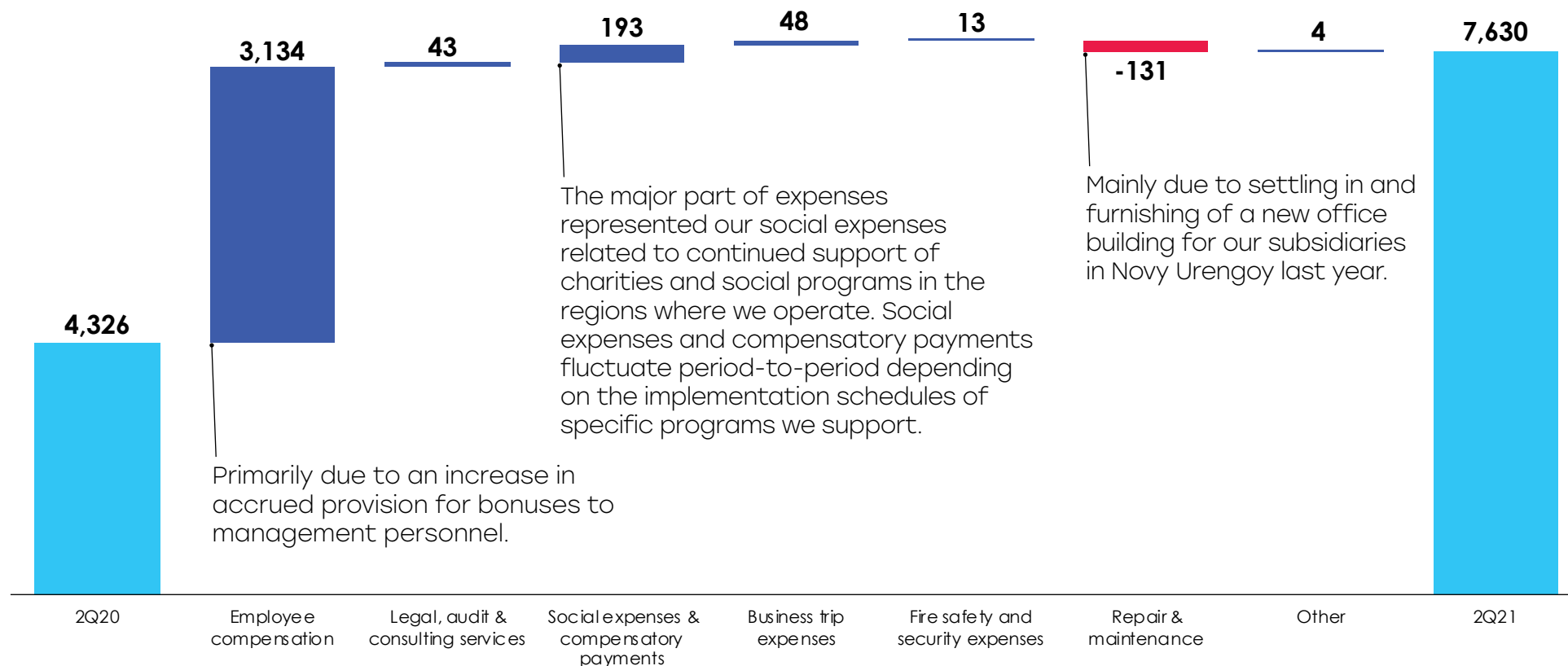
(RR million)



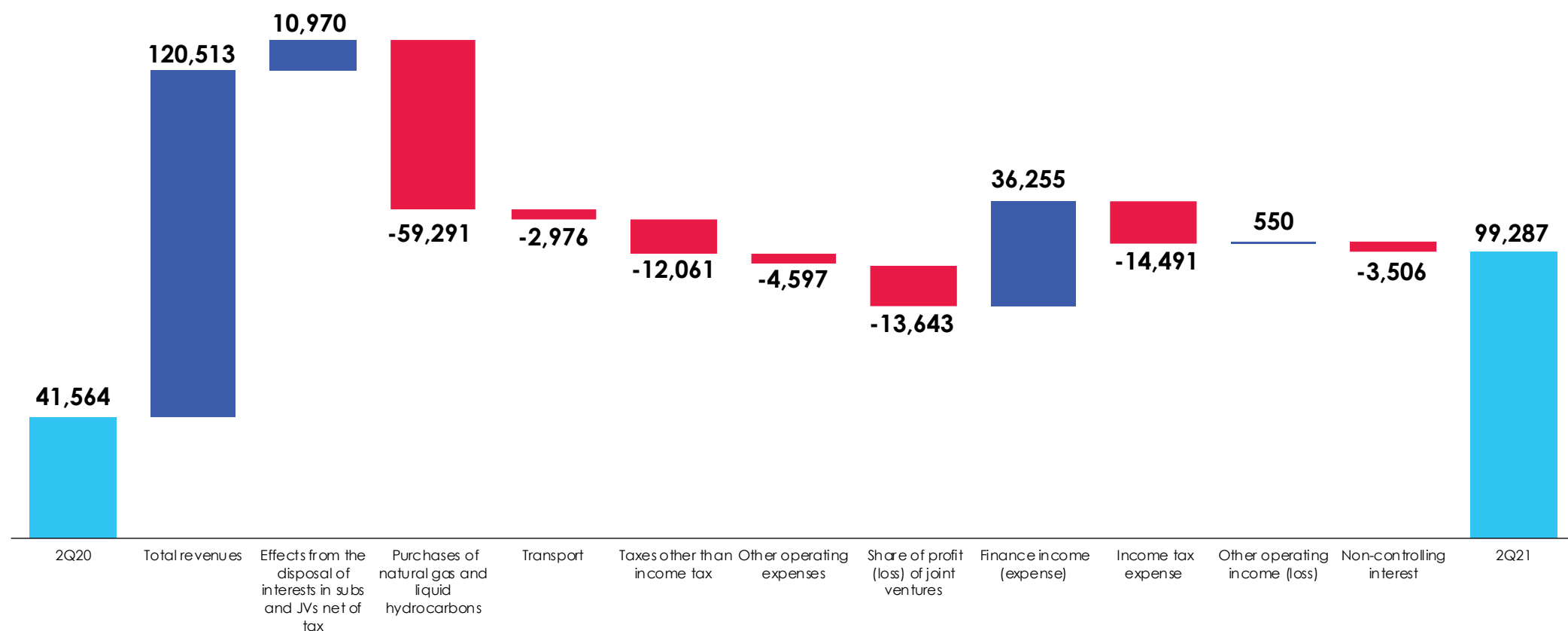


# General and Administrative Expenses

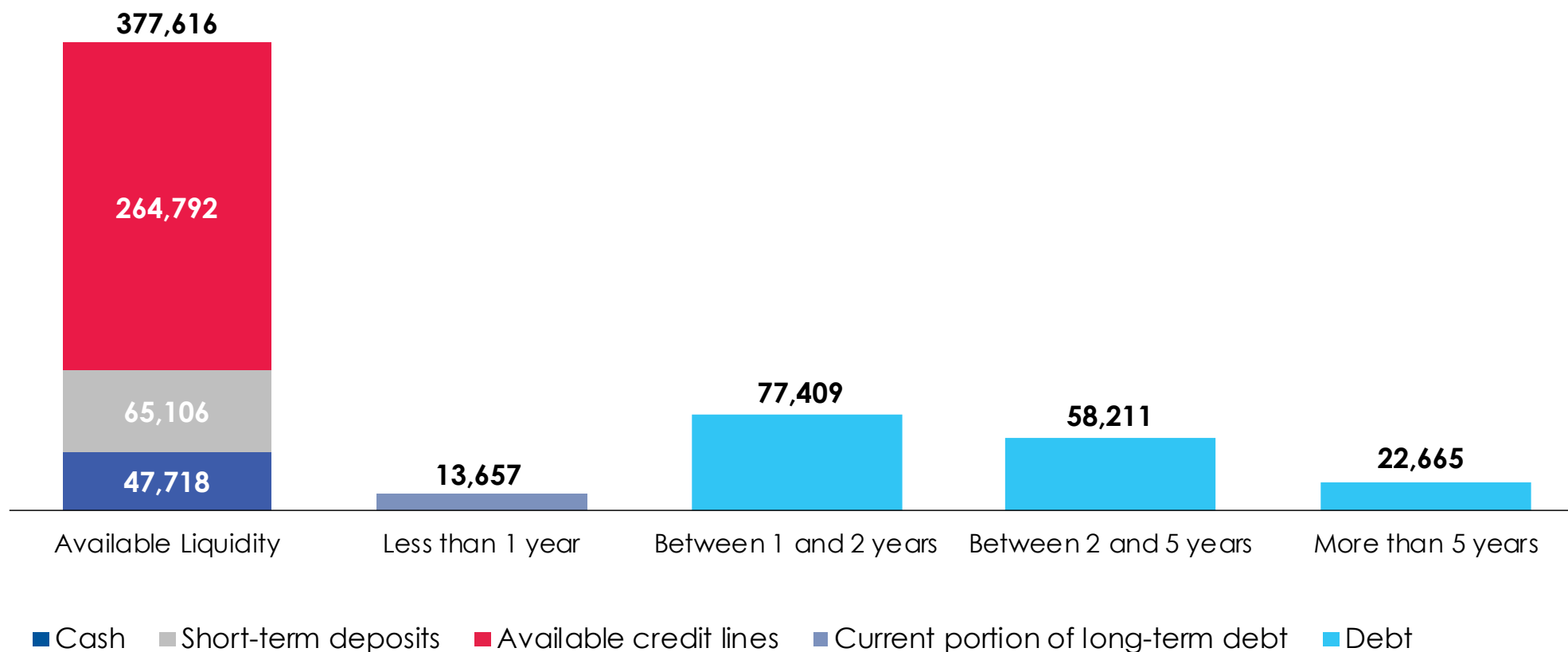
(RR million)



# Profit Attributable to NOVATEK Shareholders (RR million)



# Total Debt Maturity Profile (RR million)



## DEBT REPAYMENT SCHEDULE:

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

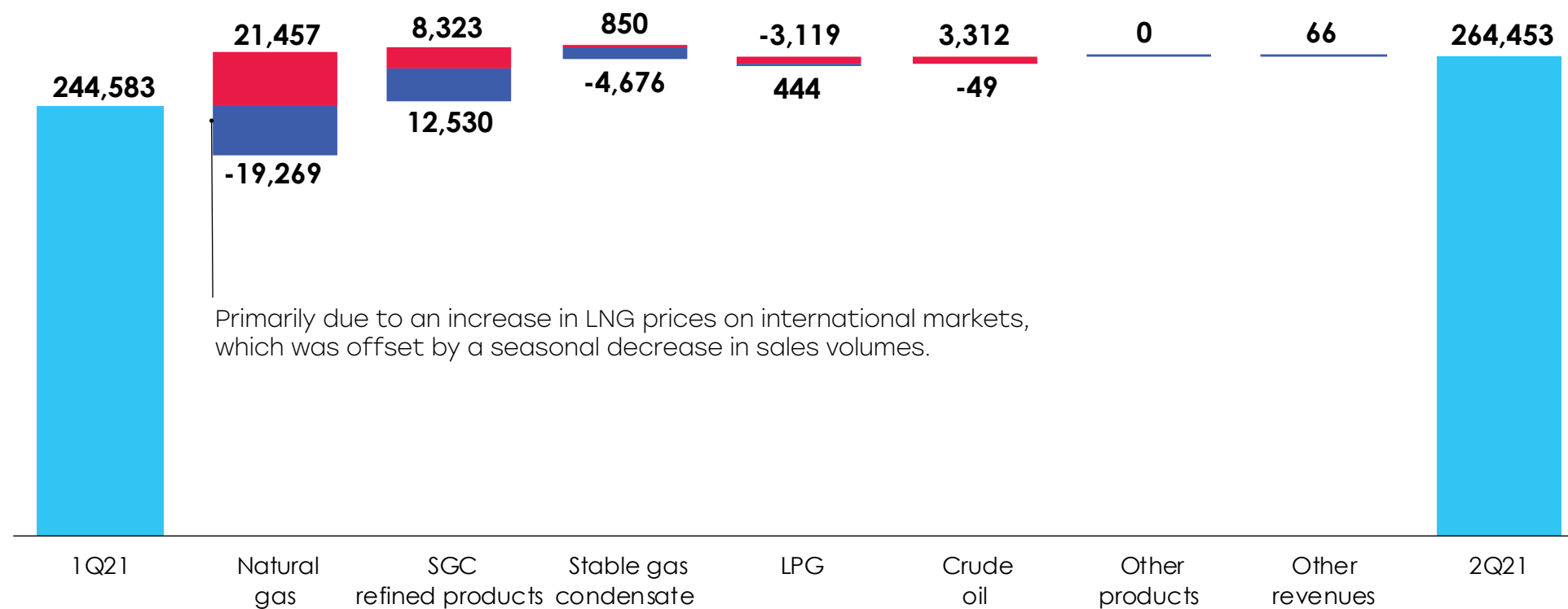
Up to 30 June 2023 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)

After 30 June 2023 – Loan from the Silk Road Fund and Other loans

# FINANCIAL OVERVIEW – 2Q21 TO 1Q21

# Total Revenues

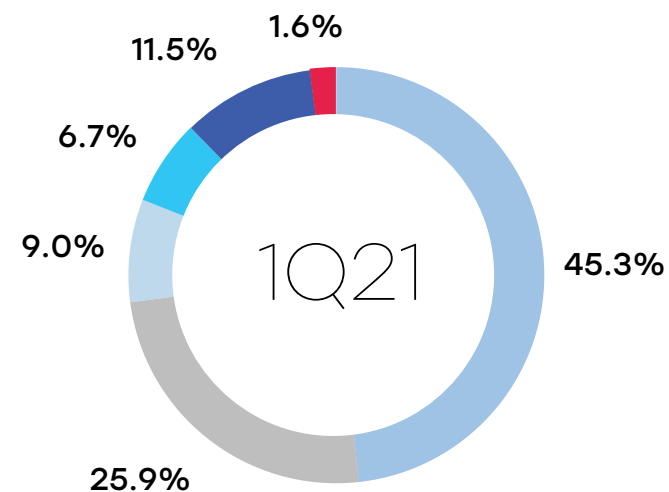
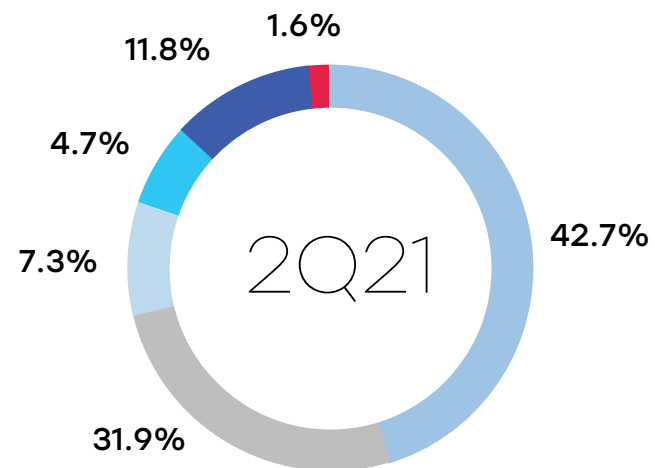
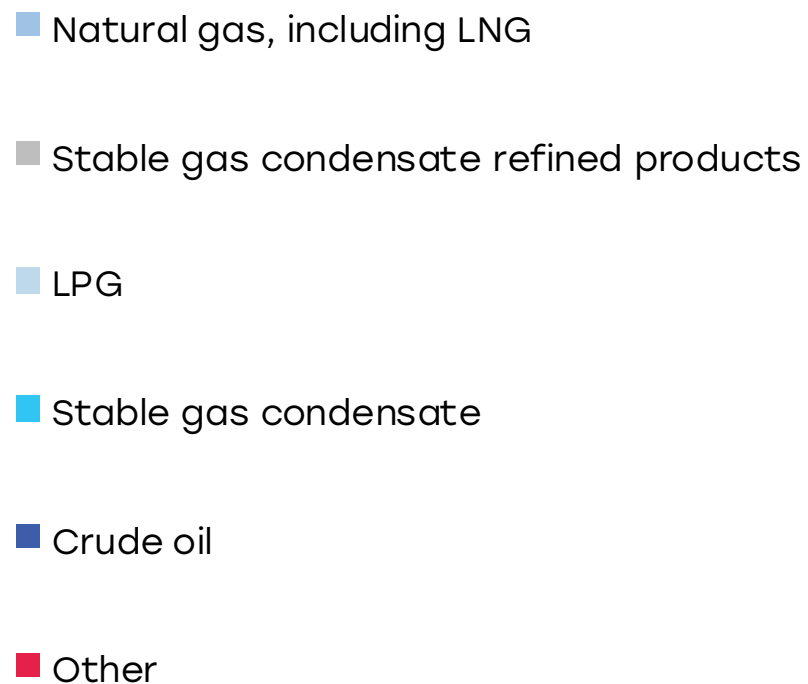
(RR million)



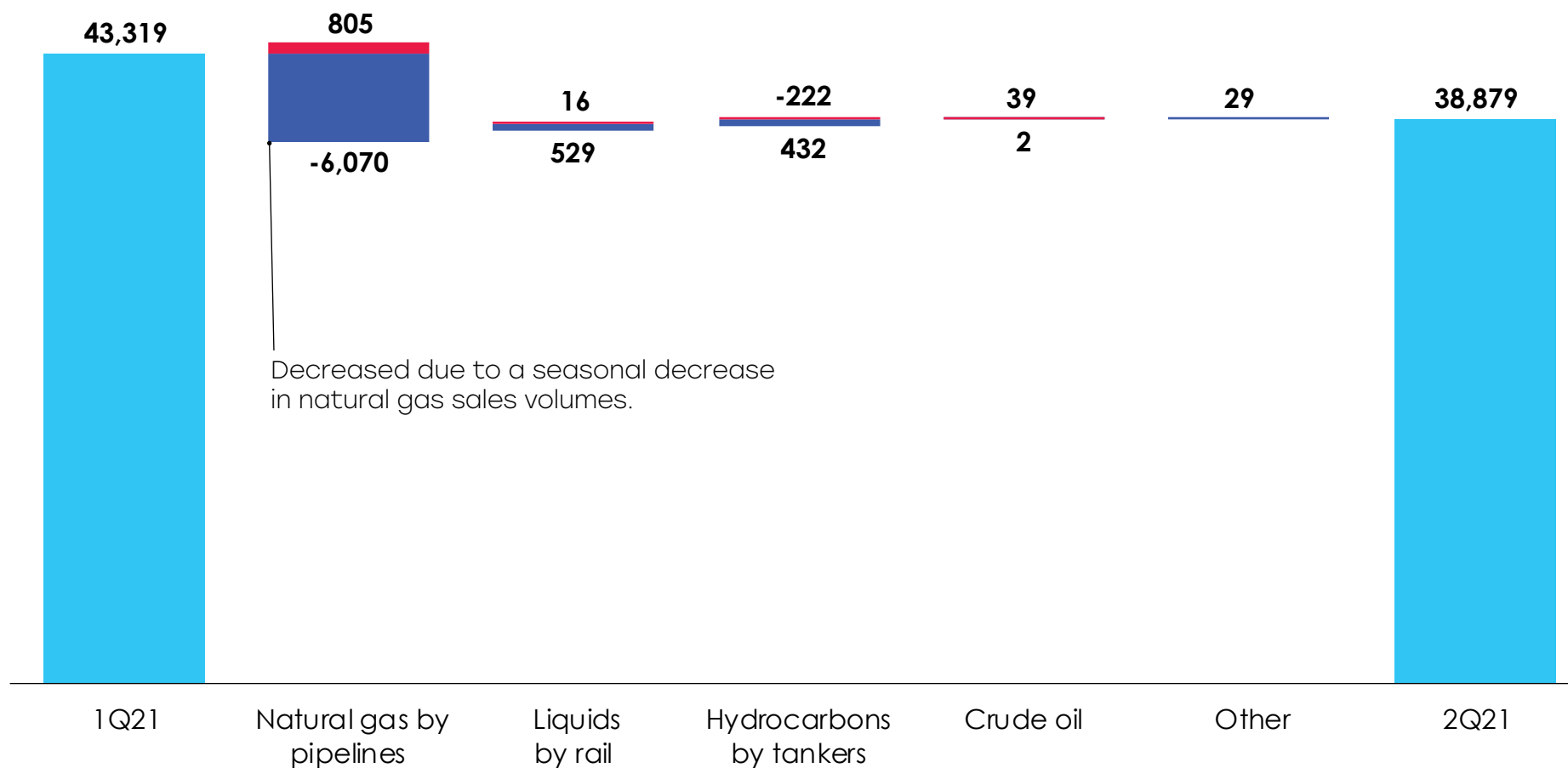
■ Change due to volume ■ Change due to price



# Total Revenues Breakdown

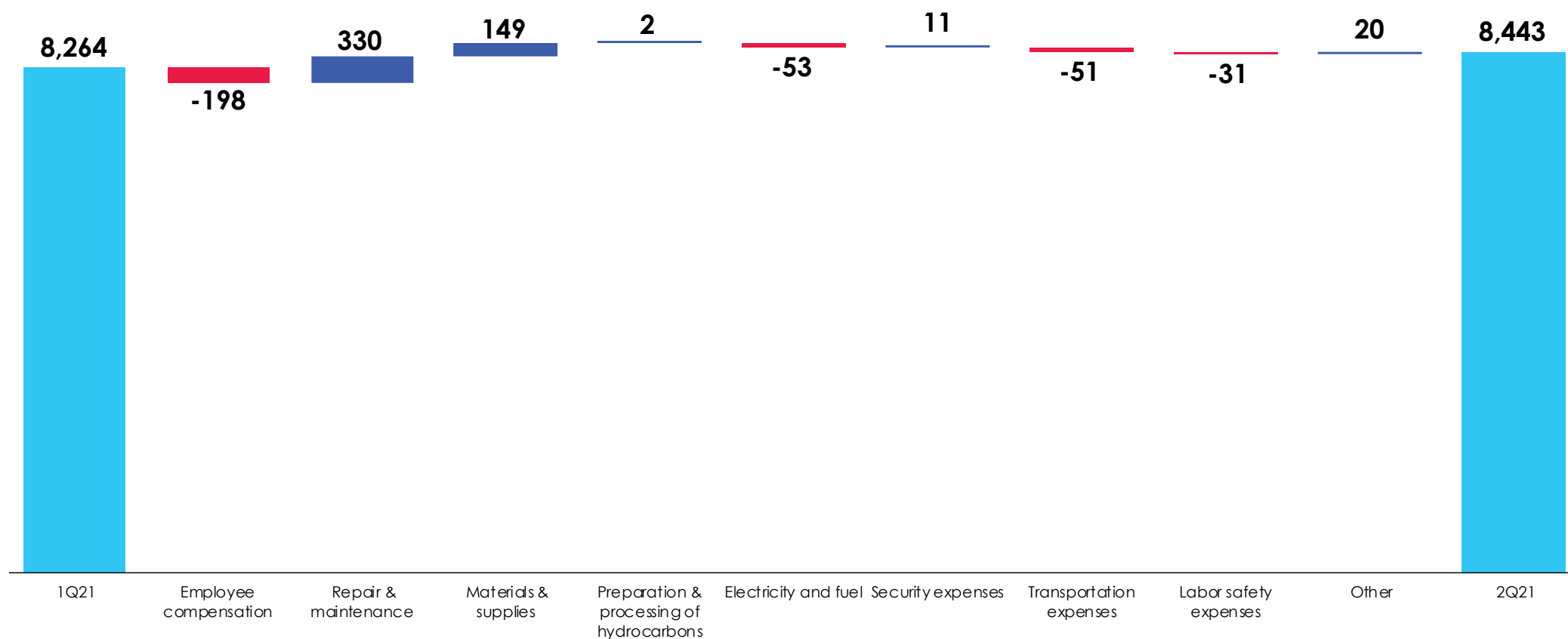


# Transportation Expenses (RR million)



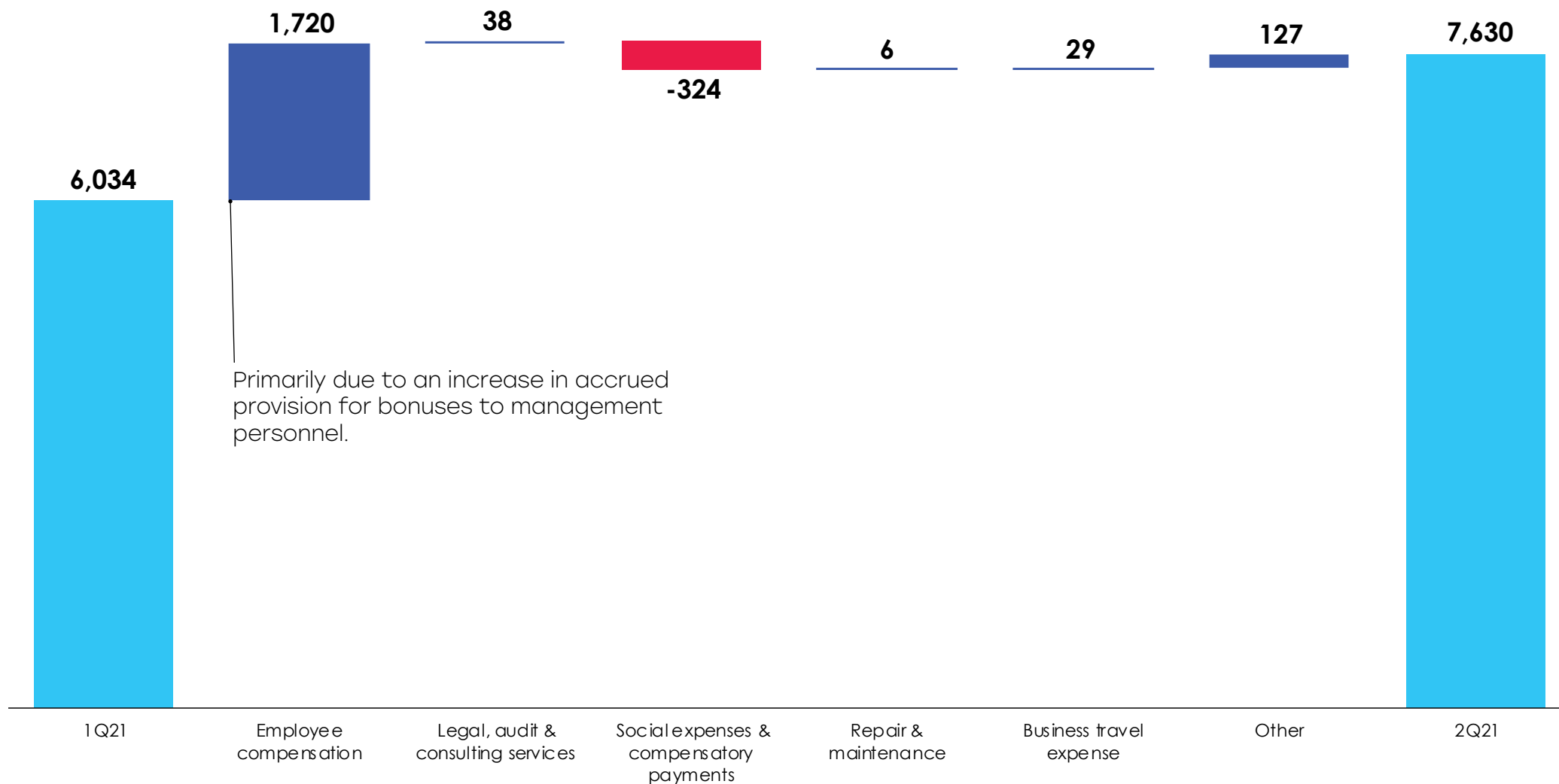
■ Change due to volume
 ■ Change due to tariff/geography

# Materials, Services and Other Expenses (RR million)



# General and Administrative Expenses







(RR million)



# APPENDICES

# Liquids in Tankers

## Liquids sales

-  Naphtha
-  Jet fuel
-  Gasoil and fuel oil
-  LPG
-  Crude oil
-  Stable gas condensate

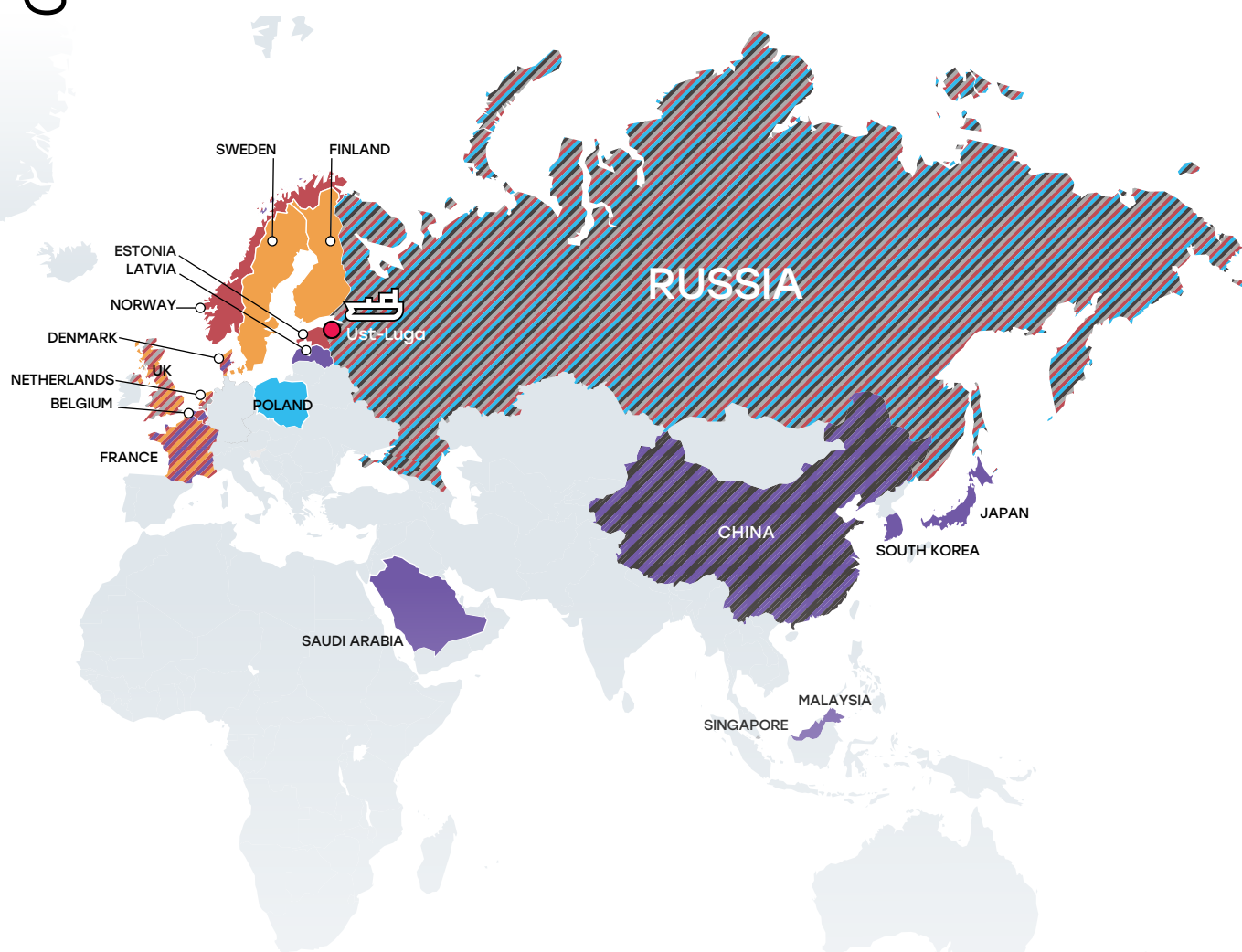
“Goods in transit” 30.06.2020  
~ 119 thousand tons



“Goods in transit” 31.12.2020  
~ 190 thousand tons

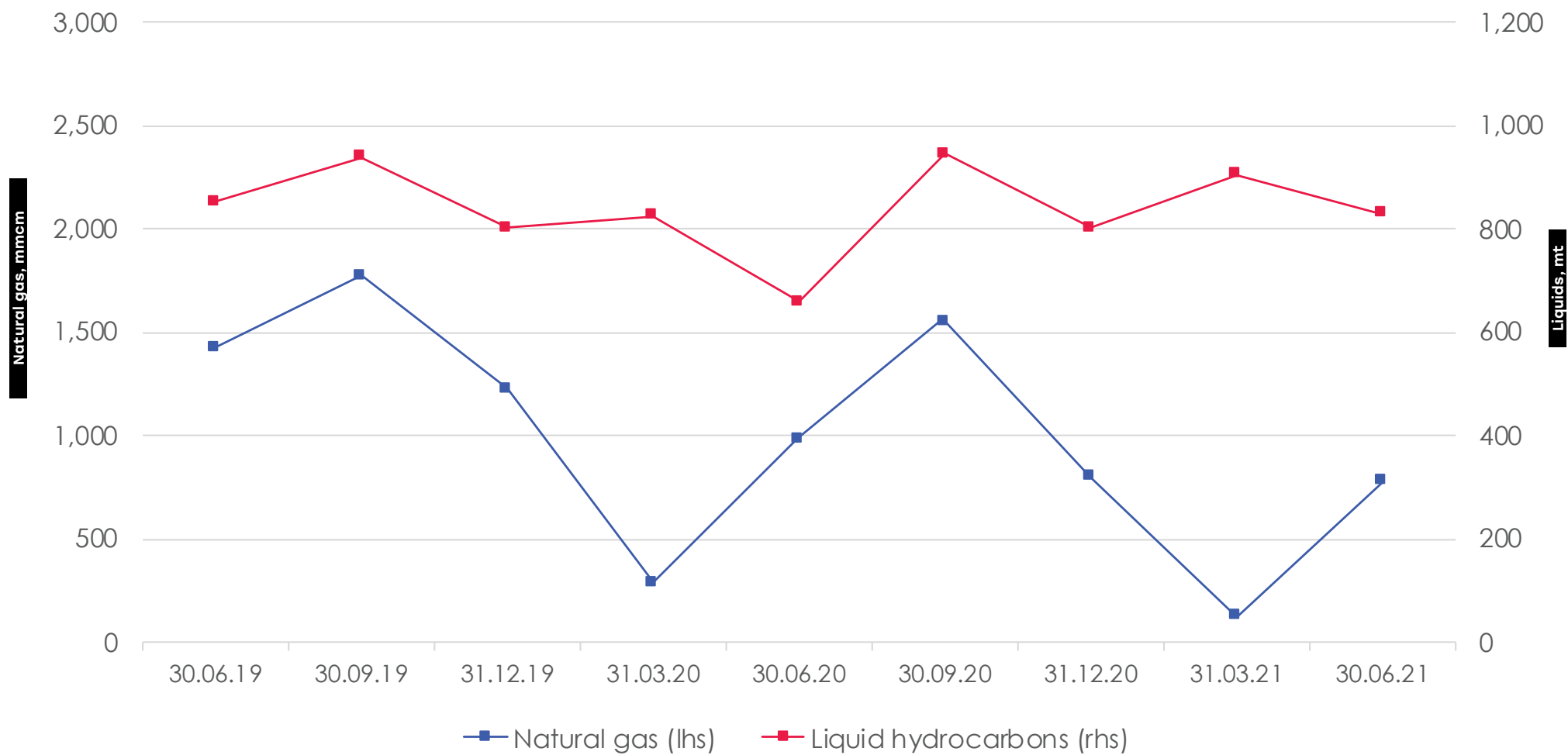


“Goods in transit” 30.06.2021  
~ 267 thousand tons

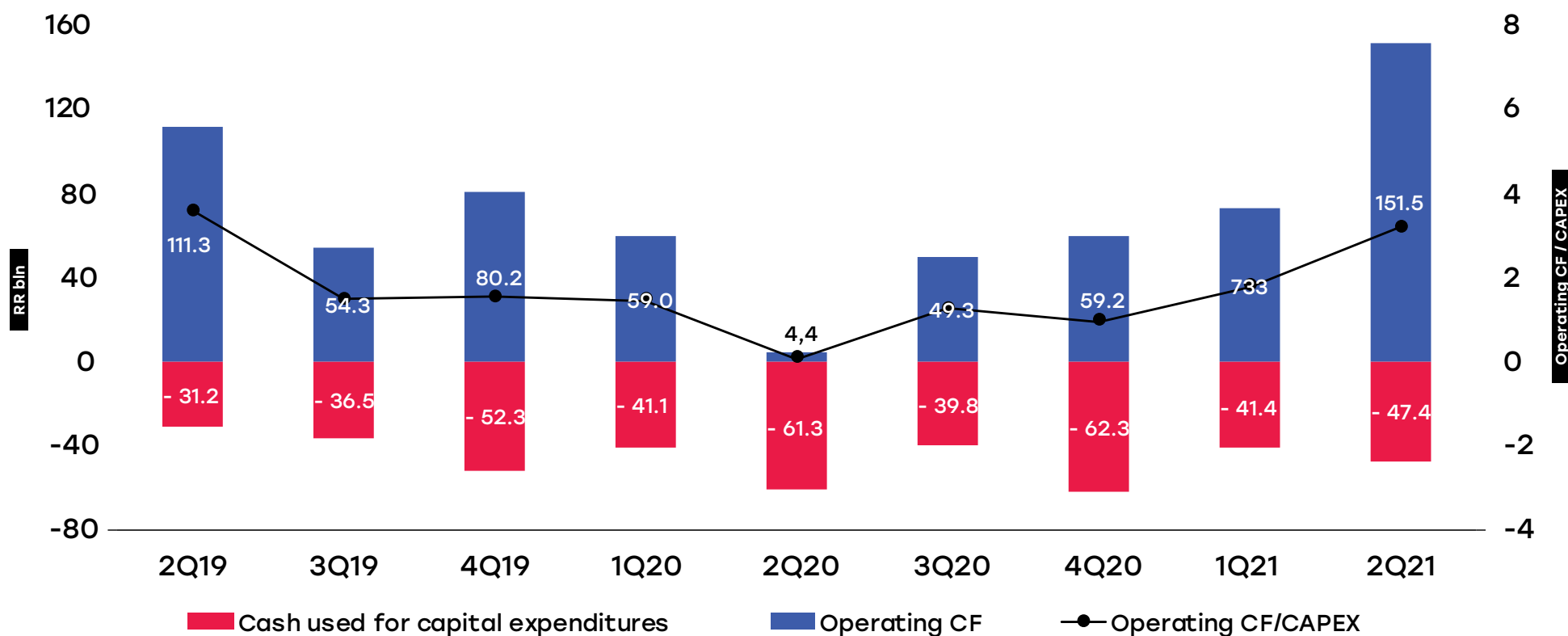




# Change in Inventories



# Internally Funded Investment Program



# QUESTIONS AND ANSWERS