A Major New Player: Expanding Our Global LNG Footprint From 2018 to 2030

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Alexander Nazarov, Head of Investor Relations

Sberbank CIB - “Russia: The Inside Track” Conference
Moscow
22-23 May 2018
Why Invest to NOVATEK?

- World-class resource base – one of the largest globally
- Low-cost production – one of the lowest in the industry
- Close proximity to infrastructure – gas/liquids transportation & processing
- Experienced management team – excellent project delivery track record
- Exceptional financial results – among the highest returns on capital employed
- Strong FCF generation – self-funded investment program at any commodity price
- Capacity to grow shareholder returns – growth-oriented business model with balanced dividend policy
- Sustainable development principles – recognized by stakeholders
- Scalable LNG projects – create new market opportunities

Transforming into a Global Gas Company
## Monetizing Our Resource Base (1Q18)

### PRODUCING FIELDS

**Unstable gas condensate by pipeline**

- **LPG**
- **Stable gas condensate by rail**

**Fractionation of stable gas condensate**

- 100% TO INTERNATIONAL MARKET BY SEA
  - 1.0 bcm

#### Purovsky Plant (nameplate capacity - 11 mmtpa)

- 1.1 mln tons

<table>
<thead>
<tr>
<th>Natural gas by pipeline</th>
<th>66%/34% TO DOMESTIC/INTERNATIONAL MARKET</th>
<th>~100% TO INTERNATIONAL MARKET BY SEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil by pipeline</td>
<td>1.1 mln tons</td>
<td>19.3 bcm</td>
</tr>
</tbody>
</table>

#### Ust-Luga Complex (nameplate capacity - 6 mmtpa)

- 7.1 mln tons

<table>
<thead>
<tr>
<th>Fractionation of stable gas condensate</th>
<th>79%/21% TO DOMESTIC/INTERNATIONAL MARKET</th>
<th>100% TO DOMESTIC MARKET</th>
<th>100% TO INTERNATIONAL MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoil</td>
<td>11.0 mln tons</td>
<td>0.4 mln tons</td>
<td>0.6 mln tons</td>
</tr>
<tr>
<td>Naphtha</td>
<td>7.1 mln tons</td>
<td>0.6 mln tons</td>
<td>0.4 mln tons</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>7.1 mln tons</td>
<td>0.6 mln tons</td>
<td>0.4 mln tons</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>7.1 mln tons</td>
<td>0.6 mln tons</td>
<td>0.4 mln tons</td>
</tr>
<tr>
<td>Gasoil</td>
<td>7.1 mln tons</td>
<td>0.6 mln tons</td>
<td>0.4 mln tons</td>
</tr>
</tbody>
</table>

### Yamal LNG

**Yamal LNG** (nameplate capacity - 16.5 mmtpa)

- 100% TO INTERNATIONAL MARKET BY SEA
  - 1.0 bcm
Performance Summary 1Q18/1Q17

**Macroeconomic**

- Brent US$/bbl: 66.8 (13.10% increase)
- RR depreciation/(appreciation) to US$: 56.88 (1.96% decrease)

**Financial** (in millions of Russian roubles)

- Total revenues: 179,403 (24,775 increase)
- Total operating expenses: 131,037 (21,673 decrease)
- PP&E, net*: 402,713 (74,381 increase)
- Total assets*: 1,088,008 (817,647 increase)
- Total liabilities*: 270,361 (4,949 decrease)
- Total equity*: 817,647 (76,306 decrease)
- Operating cash flow: 48,125 (-717 decrease)
- Cash used for capital expenditures: 9,712 (4,974 decrease)
- Free cash flow: 38,413 (-5,691 decrease)

**Operational**

- Natural gas production (bcm): 16.51 (0.36 increase)
- Liquids production (mmt): 2.94 (-0.03 decrease)

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

Reserve replacement rate in 2017 – 435%, (134% on an organic basis)

mmboe

- 2016: 13,402
- Organic growth: 688
- Acquisitions: 1,543
- Production: (513)
- 2017: 15,120
  - Gas + Liquids: 15,120
    - Liquids: 1,543
    - Gas: 13,577
  - PD + PU: 15,120
    - PD: 3,660
    - PU: 11,460

By field:
- Utrenneeye: 18%
- Khancheyskoye: 1%
- Nortgas: 4%
- East-Tarkosalinskoye: 6%
- Verhneliuteyskiy: 7%
- Yorkharovskoye: 10%
- Arcticgas: 17%
- South-Tambeyskoye: 18%
- Others: 19%

Note:
1. Proved developed and proved undeveloped reserves.
## Positions in the World – Top Ten

### Proved gas reserves as at 31.12.10 (SEC), bcm

<table>
<thead>
<tr>
<th>Company</th>
<th>Reserves, bcm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom</td>
<td>18,992</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>730</td>
</tr>
<tr>
<td>Petrochina</td>
<td>687</td>
</tr>
<tr>
<td>Shell</td>
<td>669</td>
</tr>
<tr>
<td>BP</td>
<td>615</td>
</tr>
<tr>
<td>NOVATEK</td>
<td>1,144</td>
</tr>
<tr>
<td>Total</td>
<td>730</td>
</tr>
<tr>
<td>Chevron</td>
<td>687</td>
</tr>
<tr>
<td>Lukoil</td>
<td>669</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>615</td>
</tr>
</tbody>
</table>

### Proved gas reserves as at 31.12.17 (SEC), bcm

<table>
<thead>
<tr>
<th>Company</th>
<th>Reserves, bcm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom*</td>
<td>18,597</td>
</tr>
<tr>
<td>Petrochina</td>
<td>18,570</td>
</tr>
<tr>
<td>NOVATEK</td>
<td>2,098</td>
</tr>
<tr>
<td>Rosneft*</td>
<td>1,717</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>1,562</td>
</tr>
<tr>
<td>BP</td>
<td>1,276</td>
</tr>
<tr>
<td>Shell</td>
<td>1,145</td>
</tr>
<tr>
<td>Total</td>
<td>920</td>
</tr>
<tr>
<td>Chevron</td>
<td>870</td>
</tr>
<tr>
<td>Lukoil</td>
<td>670</td>
</tr>
</tbody>
</table>

### Gas production in 2010, bcm

<table>
<thead>
<tr>
<th>Company</th>
<th>Production, bcm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom</td>
<td>480</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>134</td>
</tr>
<tr>
<td>Shell</td>
<td>92</td>
</tr>
<tr>
<td>BP</td>
<td>58</td>
</tr>
<tr>
<td>Petrochina</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
</tr>
<tr>
<td>Chevron</td>
<td>52</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>47</td>
</tr>
<tr>
<td>Eni</td>
<td>43</td>
</tr>
<tr>
<td>Statoil</td>
<td>43</td>
</tr>
<tr>
<td>NOVATEK</td>
<td>37</td>
</tr>
</tbody>
</table>

### Gas production in 2017, bcm

<table>
<thead>
<tr>
<th>Company</th>
<th>Production, bcm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom</td>
<td>472</td>
</tr>
<tr>
<td>Shell</td>
<td>118</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>113</td>
</tr>
<tr>
<td>Petrochina</td>
<td>97</td>
</tr>
<tr>
<td>BP</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
</tr>
<tr>
<td>Rosneft</td>
<td>68</td>
</tr>
<tr>
<td>NOVATEK</td>
<td>63</td>
</tr>
<tr>
<td>Chevron</td>
<td>62</td>
</tr>
<tr>
<td>Eni</td>
<td>50</td>
</tr>
</tbody>
</table>

* As at 31.12.16
Source: Company data, Bloomberg
Critical Year 2019: All Things Converge

- Yamal LNG first payment
- Possible early satisfy DSU requirements
- Yamal LNG startup
- Arctic LNG 2 FID
- Arcticgas dividends
- Kamchatka transshipment FID
- 20% CNPC acquired stake
- Possible early satisfy DSU requirements
- Yamal LNG 4th train start-up
- Arctic LNG 2 possible equity stake sale
- Kamchatka transshipment possible equity stake sale
- LNG construction center in Murmansk
- North-Russian field startup
- Ust-Luga Hydrocracker

2018

2019

2020
Key Questions to Answer

- How to successfully monetize over 3.3 trillion cubic meters of natural gas into commercially competitive LNG?
- How to reduce capital cost to a construct liquefaction plant in the $650 million to $750 million per million ton range?
- How to develop a viable logistical model to deliver LNG to key consumer gas importing regions?
- How to satisfy the changing dynamics of LNG trade?

✔ Energy Affordability  ✔ Energy Security  ✔ Energy Sustainability
Global LNG Demand

Asia and Europe will account for 79% of incremental LNG demand

Source: NOVATEK Interpretation of IHS Markit Global Energy Outlook 2040
Four Main LNG Production Centers

Qatar 2017: 77 mmtpa, 2030: 90+ mmtpa
Russia 2017: 16.3 mmtpa, 2030: 80+ mmtpa
USA 2017: 14 mmtpa, 2030: 90+ mmtpa
Australia 2017: 64 mmtpa, 2030: 90+ mmtpa

Year 2030:
Potential demand increase: 210+ mmtpa
Expiring 2017 contracts: 80+ mmtpa

Assessment | Qatar | Russia | USA | Australia
--- | --- | --- | --- | ---
Production | + | + | - | -
Liquefaction | + | + | + | -
Transportation | + | - | + | +

Source: NOVATEK, interpretation of IHS Markit Global Energy Outlook 2040
# Strengths in LNG Production

<table>
<thead>
<tr>
<th>Resource base</th>
<th>Prolific conventional hydrocarbon resources located onshore in the Yamal and Gydan peninsulas and in the Ob Bay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Low cost of production</td>
</tr>
<tr>
<td>Experience</td>
<td>Experience in implementing large-scale LNG projects in the Arctic region</td>
</tr>
<tr>
<td></td>
<td>Experience in exploring, developing and marketing production in the Arctic climate</td>
</tr>
<tr>
<td>Technologies</td>
<td>Develop new technology to construct GBS platforms for LNG trains</td>
</tr>
<tr>
<td></td>
<td>Pilot plant based on our proprietary technology for liquefaction of natural gas</td>
</tr>
<tr>
<td>Logistics</td>
<td>Experience of transporting cargoes along the Northern Sea Route</td>
</tr>
<tr>
<td></td>
<td>Project of constructing transshipment facility in Kamchatka</td>
</tr>
</tbody>
</table>
Yamal and Gydan Reserves

PRMS Reserves at 31.12.2017

<table>
<thead>
<tr>
<th></th>
<th>Gas, bcm 100% / share(1)</th>
<th>Condensate, mmt 100% / share(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL for LNG:</td>
<td>2,021 / 1,624</td>
<td>81 / 68</td>
</tr>
</tbody>
</table>

including:

<table>
<thead>
<tr>
<th>Field</th>
<th>Gas, bcm</th>
<th>Condensate, mmt</th>
</tr>
</thead>
<tbody>
<tr>
<td>South-Tambeyskoye</td>
<td>992 / 595</td>
<td>32 / 19</td>
</tr>
<tr>
<td>Utrenneye</td>
<td>1,029 / 1,029</td>
<td>49 / 49</td>
</tr>
</tbody>
</table>

Potential PRMS reserves addition through 2030

<table>
<thead>
<tr>
<th></th>
<th>Gas, bcm 100% / share(1)</th>
<th>Condensate, mmt 100% / share(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,599 / 1,493</td>
<td>102 / 95</td>
</tr>
</tbody>
</table>

(1) Includes NOVATEK proportionate share in JVs
Arctic LNG 2

<table>
<thead>
<tr>
<th></th>
<th>Utrennye</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gas, bcm</td>
<td>Liquids, mmt</td>
</tr>
<tr>
<td>PRMS Reserves at 31.12.2017</td>
<td>1,029</td>
<td>49</td>
</tr>
</tbody>
</table>

### Jurassic layers development may increase gas reserves by 40%

#### Concept
- Utrennye feeder field for Arctic LNG 2
- New concept of LNG trains based on GBS platforms
- Three LNG trains at 6.6 mtpa each utilizing Linde liquefaction license
- GBS platforms built at LNG construction center (Murmansk)
- FEED in progress (expected completion late 2018)

#### Advantages
- Tax concessions approved per RF legislation, the same as for Yamal LNG
- Optimize and reduce CAPEX per ton of LNG liquefaction
- Low cost, onshore conventional natural gas
- Leverage existing infrastructure
- Minimize environmental impact

### Natural gas production at Utrennye field, bcm

### Gas condensate production at Utrennye field, mmt
GBS LNG Plant Concept

Parameters for each GBS train
- GBS dimensions: 300 m x 152 m
- GBS weight: 440 thousand tons
- Overall LNG tanks volume: 213 thousand m³
- Mixed Fluid Cascade (MFC) process by Linde
- 4 gas turbine drives x 55 MW,
- 3 gas turbine drives the power plant 165 MW

<table>
<thead>
<tr>
<th>Concept of the future plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct LNG trains based on gravity-based structures (GBS)</td>
</tr>
<tr>
<td>GBS platforms will be fabricated and assembled at LNG construction center</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implementation stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-FEED stage completed; FEED stage commenced in Q2 2017</td>
</tr>
<tr>
<td>FEED stage will define optimal layout of the LNG train</td>
</tr>
<tr>
<td>FEED estimated to be completed by the end of 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advantages of the chosen concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce construction and logistical costs as main LNG equipment is built and installed at the LNG construction center</td>
</tr>
<tr>
<td>High local content; reduced construction schedule risks; and minimized external risk exposure</td>
</tr>
<tr>
<td>Minimize scope of work in the Arctic area</td>
</tr>
</tbody>
</table>

GBS LNG concept will significantly reduce overall liquefaction cost
### Factor Analysis: Lowering Liquefaction Costs

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Landscape preparation, including land works, piles and thermal stabilizers installation</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Construction of living modules</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>LNG train modules logistics, including the construction of special vessels for large scale modules</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Logistics and testing of large scale modules</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Construction in Arctic climatic conditions</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Yards supervision</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Contingency costs</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Decrease of cost of metal construction, pipelines and infrastructure due to localization</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Increase of LNG train capacity</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

**Targeted decrease of Arctic LNG 2 plant construction cost compared to Yamal LNG by at least 30%**

Additional costs reduction potential through the scalable construction of GBS platforms
LNG Construction Center: Develop LNG Expertise

LNG construction center is the world's first complex to build GBS-based LNG trains

Construction commenced in August 2017

- Process module fabrication shops – 50 HA (up to 100,000 tons per annum)
- Accommodation camp up to 15,000 people
- Concrete batch plant 180,000 m³ per annum
- Reinforced concrete structures fabrication shops
- TOTAL AREA OVER 150 HA

LNG construction center to provide scalable construction of LNG trains on GBS platforms
**LNG Transshipment Complex: Kamchatka Peninsula**

<table>
<thead>
<tr>
<th>Planned transshipment capacity</th>
<th>▪ 20 million tons per annum</th>
</tr>
</thead>
</table>
| Location                      | ▪ In close proximity to Petropavlovsk-Kamchatskiy  
▪ 4,000 nautical miles from Sabetta |
| Concept                       | ▪ Moored LNG storage ship  
▪ Option to sell FOB Kamchatka |
| Project status                | ▪ Pre-FEED to be completed by year-end 2017  
▪ FEED to be completed in 2018  
▪ Launch – 2022 and 2023 |
Yamal LNG Sales Cargoes

Shipped inception to 1Q18: 20 cargoes*

* Pre-contracted cargos during ramp-up phase
Future LNG Project Logistics

Western route to Asia(2)
- 36 days
- 2.49 $/mmBtu

Eastern route to Asia (via transshipment on Kamchatka)
- 19 days
- 1.65 $/mmBtu

- Decrease costs by ~ 0.8 $/mmBtu for volumes delivered via the Suez Canal
- Increase LNG sales volumes due to lower boil-off gas volumes from the shorter transport distance
- Direct access to premium markets and full control of the supply chain

(1) Including costs for passage through the Suez Canal
(2) NOVATEK
ARC7 Ice-Class LNG Tankers

CAPACITY
170,000 m³

LENGTH
299 m

WIDTH
50 m

HEIGHT
60 m

POWER
45 MWt

DISPLACEMENT
144,000 t
Northern Sea Route Navigation

LNG transit via Northern Sea route subject to icebreakers commissioning

Icebreaking fleet is being renewed: three new icebreaker types are being designed

**LK-60 nuclear icebreakers:**
- The ARKTIKA nuclear icebreaker was put afloat on June 6, 2016 (to be brought into operation in 2019)
- The SIBIR nuclear icebreaker was put afloat on September 22, 2017 (to be brought into operation in 2020)
- The URAL nuclear icebreaker (to be brought into operation in 2022)

**The LD nuclear icebreaker** – development of design documentation is underway. Expected completion date – December 2017

**ARC 130-type LNG-fueled icebreaker** – at the design stage

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**The LD nuclear icebreaker** – development of design documentation is underway. Expected completion date – December 2017

**ARC 130-type LNG-fueled icebreaker** – at the design stage
Expiring contracts create marketing opportunities for low costs and flexible LNG supplies.

Source: IHS Markit Long-term LNG Market Outlook, Shell interpretation of IHS (Energy LNG Sales Contracts Database)
LNG Pricing at Old and New Paradigm

<table>
<thead>
<tr>
<th>Terms</th>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration</td>
<td>average 20 years</td>
<td>average 10 years</td>
</tr>
<tr>
<td>Formula and indexation</td>
<td>oil linked</td>
<td>mixed: oil, gas, hub</td>
</tr>
<tr>
<td>Flexibility</td>
<td>limited</td>
<td>by offtake, direction, usage</td>
</tr>
<tr>
<td>Volumes</td>
<td>large (2-3 mtpa)</td>
<td>small - medium (0.5-1.5 mtpa)</td>
</tr>
<tr>
<td>Price level</td>
<td>Europe and Asia arbitrage</td>
<td>no arbitrage</td>
</tr>
</tbody>
</table>

LNG trading by the contract length

LNG demand: Japan

Gas share in total energy balance

- Natural gas
- LNG
- Crude oil
- Coal
- Hydro
- Nuclear
- Renewables
- Other

2017

- 23% LNG, 99%

2030

- 21% LNG, 99%

LNG consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>LNG consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>81 mtpa</td>
</tr>
<tr>
<td>2030</td>
<td>71 - 85 mtpa</td>
</tr>
</tbody>
</table>

JAPAN GAS DEMAND DRIVERS:
- Nuclear energy uncertainty
- Aging population
- Increase in renewables
- Expiring LNG long-term contracts replacement
- Developed port infrastructure

Source: NOVATEK Interpretation of IHS Markit Global Energy Outlook 2040
Country Assessment: Japan

Yamal LNG / Arctic LNG
RUSSIAN FEDERATION

LNG NOVATEK Kamchatka

TOTAL REGASIFICATION CAPACITY
200 mtpa (2016)
LNG demand: China

Gas share in total energy balance

- Natural gas
- LNG
- Crude oil
- Coal
- Hydro
- Nuclear
- Renewables
- Other

2017

- LNG – 19%

2030

- LNG – 20%

CHINA GAS DEMAND DRIVERS:
- “Green” policy
- Population and economy growth
- Indigenous gas production uncertainty
- Increasing gas usage

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNG consumption</td>
<td>30</td>
<td>67 - 120</td>
</tr>
<tr>
<td>mtpa</td>
<td>mtpa</td>
<td>mtpa</td>
</tr>
</tbody>
</table>

Source: NOVATEK Interpretation of IHS Markit Global Energy Outlook 2040
# LNG Strategic Goals

| Low cost provider of LNG | • Low upstream costs  
| | • Low liquefaction costs  
| | • Competitively priced LNG at all key-consuming markets  
| Adopt LNG marketing strategy | • Flexible duration terms  
| | • Flexible pricing formulas  
| | • Flexible volume sizes  
| | • Flexible destination clause  
| Build Kamchatka transshipment terminal | • Establish Russian hub price  
| | • Provide shorter delivery time to reach perspective LNG market  
| | • Attractive for potential partners  
| Scalable LNG projects | • Adopt projects to market demand  
| | • Opportunity to create fully integrated projects (upstream, liquefaction, transport, marketing)  
| Lower logistic costs | • Build new tankers with lower costs  
| | • More efficient usage of NSR with longer navigation period  
| | • Lower usage of icebreakers  
| | • Use reloading terminals (Kamchatka, Zeebrugge etc.)  

✔ Energy Affordability   ✔ Energy Security   ✔ Energy Sustainability
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, Europe, and Asia;
- 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 event, among other factors, of restrictions on the Company 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, including changes in the foreign countries' and their governments' policy towards the Russian Federation and Russian companies;
- 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.

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