First Quarter 2018 Operational and Financial Results Conference Call

Mark A. Gyetvay, Deputy Chairman of the Management Board
Moscow, Russian Federation
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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.
Natural gas production (including our proportionate share in JVs) was 16.5 bcm, representing an increase of 2.2% compared to 1Q17.

Liquids production (including our proportionate share in JVs) was 2.9 mmt, representing a decrease of 1.0% compared to 1Q17.

Natural gas sales volumes was 20.3 bcm, representing an increase of 8.1% compared to 1Q17.

958 mmcm of natural gas were sold on international markets.
Key Events 1Q18

- Exploration and production agreements in Lebanon were signed.
- MOU was signed with Saudi Aramco.
- NOVATEK won bid for the gas assets of ALROSA.
- Patent for proprietary “Arctic Cascade” gas liquefaction technology was received.
- Payutskiy License Area on Gydan was obtained.
- NOVATEK and COSCO SHIPPING agreed to expand Arctic transportation collaboration.
- We shipped first LNG cargo to India.
- Yamal LNG has shipped the first million tons of LNG on 2 March 2018.
- A 72-hour performance test was conducted to confirm the design parameters of Phase 1 at the Yamal LNG plant. Average production rate exceeded the plant’s design capacity by 9%.
Operational Overview
The commencement of natural gas production for subsequent liquefaction at Yamal LNG at the end of 2017, as well as the acquisition by the Group of new production fields at the end of 2017 and during the first quarter of 2018 (the Beregovoye, the West-Yaroyakhinskoye and the Syskonsyninskoye) fully compensated the decrease in production at mature fields of our subsidiaries (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye) and our joint venture Nortgas, which resulted mainly from natural declines in the reservoir pressure at the current gas producing horizons.

The commencement of gas condensate production at Yamal LNG at the end of 2017, as well as the acquisition by the Group of new production fields almost compensated for the decrease in gas condensate production at mature fields of our subsidiaries (Yurkharovskoye, East-Tarkosalinskoye and Khancheyskoye) and our joint venture Nortgas mainly due to natural declines in the concentration of gas condensate as a result of decreasing reservoir pressure at the current gas condensate producing horizons.
Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- **Total volumes delivered in 1Q18: 2,763 mt**
  - Yurkharovskoye field: 328 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 114 mt
  - Other fields: 21 mt
  - Purchases from our joint ventures: 2,300 mt

- **Total output of marketable products: 2,748 mt**
  - Stable gas condensate: 2,146 mt
  - LPG: 602 mt

Ust-Luga Complex

- **Total volumes delivered in 1Q18: 1,765 mt**
- **Total output of marketable stable gas condensate refined products: 1,737 mt**
  - Naphtha: 1,081 mt
  - Other products: 656 mt

- **Stable gas condensate refined products sold: 1,566 mt**
  - to Europe: 679 mt
  - to the Asian Pacific Region: 469 mt
  - to North America: 395 mt
  - Other: 23 mt
Liquids in Tankers

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

“Goods in transit”
31.03.2017 ~ 93 thousand tons
Asian-Pacific Region
(Naphtha)

“Goods in transit”
31.12.2017 ~ 314 thousand tons
Asian-Pacific Region
(Naphtha)

“Goods in transit”
31.03.2018 ~ 400 thousand tons
Asian-Pacific Region
(Naphtha)
## Performance Summary 1Q18/1Q17

### Macroeconomic
- **Brent US$/bbl**: 66.8, Change: 13.10%
- **RR depreciation/(appreciation) to US$$**: 56.88, Change: -1.96%

### Financial (in millions of Russian roubles)
- **Total revenues**: 179,403, Change: 24,775 (13.10%)
- **Total operating expenses**: 131,037, Change: 21,673 (10%)
- **Normalized EBITDA** including share in EBITDA of JVs**: 76,306, Change: 8,126 (10%)
- **PP&E, net**: 402,713, Change: 74,381 (20%)
- **Total assets**: 1,088,008, Change: 92,947 (9.34%)
- **Total liabilities**: 270,361, Change: 4,949 (20%)
- **Total equity**: 817,647, Change: 87,998 (11.59%)
- **Operating cash flow**: 48,125, Change: -717 (0%)
- **Cash used for capital expenditures**: 9,712, Change: 4,974 (16.51%)
- **Free cash flow**: 38,413, Change: -5,691 (12.36%)

### Operational
- **Natural gas production (bcm)**: 16.51, Change: 0.36 (2.13%)
- **Liquids production (mmt)**: 2.94, Change: -0.03 (0.08%)

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** 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.
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm

- **1Q17**: 18,752 mmcm
  - Ex-field: 17,329 mmcm (92.4%)
  - End-customers: 1,423 mmcm (7.6%)
  - International markets: 1,423 mmcm (7.6%)
- **1Q18**: 20,263 mmcm
  - Ex-field: 18,063 mmcm (89.1%)
  - End-customers: 1,242 mmcm (6.1%)
  - International markets: 1,423 mmcm (7.6%)

Liquids Sales Volumes, mt

- **1Q17**: 4,113 mt
  - Domestic: 1,785 mt (43.4%)
  - Export: 2,328 mt (56.6%)
- **1Q18**: 3,777 mt
  - Domestic: 1,716 mt (45.4%)
  - Export: 2,061 mt (54.6%)

Our total natural gas sales volumes increased due to sales of LNG purchased from our joint venture Yamal LNG to international markets from December 2017, as well as an increase in volumes sold in the Russian Federation.

Our total liquids sales volumes decreased mainly due to changes in inventory balances that vary period-to-period depending on shipping schedules and final destinations of our liquid hydrocarbons shipments.
Total Revenues (RR million)

Change due to price
Change due to volume

Mainly due to increases in average realized net prices as a result of an increase in the respective benchmark prices on international markets.

Mainly due to changes in inventory balances

The commencement of sales of LNG purchased from our joint venture Yamal LNG to international markets from December 2017, as well as an increase in sales prices and volumes in the Russian domestic market resulted in an increase in our aggregate average price by 21.3% and sales volumes by 8.1%.

1Q17: 154,628
Gas: 15,543
Natural gas: -7,231
SGC refined products: 6,311
LPG: 885
Stable gas condensate: 753
Crude oil: 3,981
Other products: 28
Other revenues: 291
Total: 179,403

Change due to price: 5,439
Change due to volume: -7,231

Change due to price: -419
Change due to volume: -1,652
Change due to inventory balances: 846
Total Revenues Breakdown

- Natural gas, including LNG
- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other
Our total operating expenses increased by 19.8% as compared to the corresponding period in 2017 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, in connection with the commencement of LNG production at Yamal LNG at the end of 2017, as well as an increase in the average purchase prices for hydrocarbons, which in turn allowed us to earn higher revenues from hydrocarbons sales.

<table>
<thead>
<tr>
<th></th>
<th>1Q17 % of TR</th>
<th>1Q18 % of TR</th>
<th>4Q17 % of TR</th>
<th>1Q18 % of TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation expenses</td>
<td>36,782 23.8%</td>
<td>37,794 21.1%</td>
<td>37,597 22.2%</td>
<td>37,794 21.1%</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>12,341 8.0%</td>
<td>13,422 7.5%</td>
<td>13,598 8.0%</td>
<td>13,422 7.5%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>49,123 31.8%</td>
<td>51,216 28.6%</td>
<td>51,195 30.2%</td>
<td>51,216 28.6%</td>
</tr>
<tr>
<td>Non-controllable expenses</td>
<td>8,488 5.5%</td>
<td>8,097 4.5%</td>
<td>8,466 5.0%</td>
<td>8,097 4.5%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,800 3.1%</td>
<td>5,563 3.1%</td>
<td>5,676 3.4%</td>
<td>5,563 3.1%</td>
</tr>
<tr>
<td>Materials, services &amp; other</td>
<td>3,993 2.6%</td>
<td>4,593 2.6%</td>
<td>5,394 3.2%</td>
<td>4,593 2.6%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>388 0.3%</td>
<td>1,709 1.0%</td>
<td>630 0.4%</td>
<td>1,709 1.0%</td>
</tr>
<tr>
<td>Exploration expenses</td>
<td>602 0.4%</td>
<td>-1,952 n/a</td>
<td>43 0.0%</td>
<td>-4 n/a</td>
</tr>
<tr>
<td>Net impairment expenses (reversals)</td>
<td>0 n/a</td>
<td>-4 n/a</td>
<td>43 0.0%</td>
<td>-4 n/a</td>
</tr>
<tr>
<td>Change in natural gas, liquids and WIP</td>
<td>-528 n/a</td>
<td>-1,952 n/a</td>
<td>-528 n/a</td>
<td>-1,952 n/a</td>
</tr>
<tr>
<td>Subtotal operating expenses</td>
<td>67,394 43.6%</td>
<td>69,222 38.5%</td>
<td>70,876 41.9%</td>
<td>69,222 38.5%</td>
</tr>
<tr>
<td>Purchases of natural gas and liquid hydrocarbons</td>
<td>41,970 27.1%</td>
<td>61,815 34.5%</td>
<td>51,201 30.3%</td>
<td>61,815 34.5%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>109,364 70.7%</td>
<td>131,037 73.0%</td>
<td>122,077 72.2%</td>
<td>131,037 73.0%</td>
</tr>
</tbody>
</table>

- Our total operating expenses increased by 19.8% as compared to the corresponding period in 2017 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, in connection with the commencement of LNG production at Yamal LNG at the end of 2017, as well as an increase in the average purchase prices for hydrocarbons, which in turn allowed us to earn higher revenues from hydrocarbons sales.
Increased primarily due to a 4.2% increase in our natural gas sales volumes to our end-customers, for which we incurred transportation expenses.

Decreased due to a 14.8% decrease in volumes of liquids sold and transported via rail.

The increase was due to an increase in the proportion of crude oil sales to more distant regions from our production fields, a 4.8% increase in sales volumes compared to the corresponding period of the prior year, as well as a 3.9% increase in the regulated transportation tariffs effective 1 January 2018.
Our unified natural resources production tax expense increased mainly due to an increase in UPT rates for crude oil 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.

Our property tax expense increased due to acquisitions of new production assets at the end of 2017 and in the first quarter of 2018.
**Materials, Services and Other Expenses (RR million)**

<table>
<thead>
<tr>
<th>Category</th>
<th>1Q17</th>
<th>1Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>4,800</td>
<td>5,563</td>
</tr>
<tr>
<td>Repair &amp; maintenance</td>
<td></td>
<td>-63</td>
</tr>
<tr>
<td>Fire safety and security expenses</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Rent expenses</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>LPG volumes reservation expenses</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,563</td>
<td>5,563</td>
</tr>
</tbody>
</table>

Increase due to:
- the acquisition of new production assets;
- an indexation of base salaries effective from 1 July 2017;
- the related increase in social contributions for medical and social insurance and to the Pension Fund.
General and Administrative Expenses (RR million)

Increase due to:
- an indexation of base salaries effective from 1 July 2017;
- the related increase in social contributions for medical and social insurance and to the Pension Fund;
- as well as the acquisition of new production assets.

Increase due to increased social expenses related mainly to continued support of charities and social programs in the regions where we operate.
Profit Attributable to NOVATEK Shareholders (RR million)

1Q17
- Total revenues: 71,018
- Purchases of natural gas and liquid hydrocarbons: -19,845
- Transport: -1,012
- Taxes other than income tax: -1,081
- Other operating expenses: 265
- Net gain (loss) on disposal of interests in joint ventures: 1,645
- Finance income (expense): 14,004
- Share of profit (loss) of joint ventures: -42,463
- Income tax expense: -2,394
- Other operating income (loss): -172
- Non-controlling interest: -1,619
- 1Q18: 43,121
The Group has available credit line facilities from Russian banks with credit limits in the amount of RR 121 billion and the equivalent of USD 750 million and EUR 50 million.

Debt repayment schedule:
- Up to 31 March 2020 – Loan from the Silk Road Fund and Other loans
- Up to 31 March 2021 – Loan from the Silk Road Fund, Eurobonds Ten-Year (USD 650 mln) and Other loans
- Up to 31 March 2022 – Loan from the Silk Road Fund
- Up to 31 March 2023 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)
- After 31 March 2024 – Loan from the Silk Road Fund
Financial Overview – 1Q18 to 4Q17
### Total Revenues (RR million)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>4Q17</th>
<th>Change due to price</th>
<th>Change due to volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas</td>
<td>169,025</td>
<td>-3,151</td>
<td>-659</td>
</tr>
<tr>
<td>SGC refined products</td>
<td>8,388</td>
<td>-443</td>
<td>-289</td>
</tr>
<tr>
<td>Stable gas condensate</td>
<td>278</td>
<td>-363</td>
<td></td>
</tr>
<tr>
<td>LPG</td>
<td>-1,214</td>
<td>-1,947</td>
<td>-44</td>
</tr>
<tr>
<td>Crude oil</td>
<td>812</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other products</td>
<td>-44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>-289</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>179,403</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The commencement of sales of LNG purchased from our joint venture Yamal LNG to international markets from December 2017, as well as an increase in sales volumes in the Russian domestic market.
Total Revenues Breakdown

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

**1Q18**
- Natural gas, including LNG: 49%
- Stable gas condensate refined products: 27%
- LPG: 6%
- Stable gas condensate: 5%
- Crude oil: 12%
- Other: 1%

**4Q17**
- Natural gas, including LNG: 42%
- Stable gas condensate refined products: 31%
- LPG: 7%
- Stable gas condensate: 5%
- Crude oil: 14%
- Other: 1%
A 5.9% increase in our sales volumes to our end-customers, for which we incurred transportation expenses, was largely offset by an increase in the proportion of sales to our end-customers located closer to our production fields.
Materials, Services and Other Expenses (RR million)

Increased mainly due to acquisitions of new production assets at the end of 2017 and in 1Q18.

Due to a decrease in current repair works performed on wells at our core production subsidiaries.

Increased mainly due to acquisitions of new production assets at the end of 2017 and in 1Q18.

Due to a decrease in current repair works performed on wells at our core production subsidiaries.
Mainly due to a decrease in accrued provision for bonuses to key management.
Appendices
Internally Funded Investment Program

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

Note: for 2Q 2016 Normalized Operating Cash Flow is used, excluding advance income tax payments of RR 9,932 million based on the gain on the disposal of the 9.9% equity stake in OAO Yamal LNG.
Change in Inventories

- Natural gas, mmcm
- Liquid hydrocarbons, mt

Graph showing the change in inventories from 31/03/16 to 31/03/18.
Questions and Answers