2018 Operational and Financial Results Conference Call

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Moscow, Russian Federation
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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.

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Summary Operational Highlights – 2018

- **Hydrocarbons production** totaled 549,1 mmboe, representing an increase of 7.0% compared to 2017.

- **Revenue** was RR 831.8 bln representing an increase of 42.6% compared to 2017.

- **Normalized EBITDA** was RR 415.3 bln representing an increase of 61.9% compared to 2017.

- NOVATEK’s **share in LNG production** was 5,152 mt.

- **6,061 mmcm of natural gas** were sold on international markets.

- **Total SEC proved reserves**, including the Company’s proportionate share in joint ventures, aggregated 15,789 mmboe, representing an increase of 4.4% compared to the year-end 2017.
Key Events 2018

- The Yamal LNG project reached its full capacity of 16.5 million tons per annum from the three LNG trains: the second and the third trains were launched six months and more than a year ahead of the initial schedule, respectively.

- NOVATEK and TOTAL agreed on terms of entry into Arctic LNG 2.

- We patented the Arctic Cascade proprietary natural gas liquefaction process for the construction of Train 4 in Yamal LNG.

- We discovered a new gas condensate field within the North-Obskiy license area in the Ob Bay, one of the largest discoveries globally in 2018.

- We acquired licenses for Beregovoy, Ust-Yamsoveyskiy, Payutskiy, Palkurotskiy, Centralno-Nadoyakhskiy, South-Leskinskiy and Chernichniy license areas.
Operational Overview
In 2018, our operational results were significantly impacted by the production launch of the first three LNG trains at Yamal LNG, as well as the acquisitions of new production assets at the end of 2017 and during the first quarter of 2018. As a result, our total natural gas and liquids production increased by 8.5% and by 0.2%, respectively.
Purovsky Plant and Ust-Luga Complex

**Purovsky Plant**
- Total volumes delivered in 2018: 11,018 mt
  - Yurkharovskoye field: 1,249 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 461 mt
  - Other fields: 132 mt
  - Purchases from our joint ventures: 9,176 mt
- Total output of marketable products: 10,953 mt
  - Stable gas condensate: 8,501 mt
  - LPG: 2,452 mt

**Ust-Luga Complex**
- Total volumes delivered in 2018: 6,950 mt
- Total output of marketable stable gas condensate refined products: 6,807 mt
  - Naphtha: 4,244 mt
  - Other products: 2,563 mt
- Stable gas condensate refined products sold: 6,683 mt
  - to Europe: 3,624 mt
  - to the Asian Pacific Region: 2,116 mt
  - to North America: 687 mt
  - Other: 256 mt
Financial Overview – 2018 to 2017
In 2018, our financial results were positively affected by the commencement of LNG production at the first three LNG trains at Yamal LNG, an increase in natural gas sales volumes in the Russian domestic market, and an increase in average realized liquid hydrocarbons and natural gas prices.
## Performance Summary 2018/2017

### Macroeconomic
- Brent US$/bbl: 71.3 (17.1% increase)
- RR depreciation/(appreciation) to US$: 62.7 (4.4%)

### Financial (in millions of Russian roubles)
- Total revenues: 831,758 (248,572 increase)
- Total operating expenses: 603,912 (184,053 increase)
- EBITDA including share in EBITDA of JVs: 416,941 (160,477 increase)
- PP&E, net: 408,201 (48,150 increase)
- Total assets: 1,216,370 (172,208 increase)
- Total liabilities: 329,775 (61,272 increase)
- Total equity: 886,595 (110,936 increase)
- Operating cash flow: 216,349 (35,950 increase)
- Cash used for capital expenditures: 94,038
- Free cash flow: 122,311 (-28,217)

### Operational
- Natural gas production (bcm): 68.81 (5.41 increase)
- Liquids production (mmt): 11.80 (0.03 increase)

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)

Change due to price
Change due to volume

Mainly due to increases in the underlying benchmark prices for these products excluding export duties.

The commencement of sales of LNG purchased primarily from our joint venture Yamal LNG to international markets from December 2017, as well as increases in sales prices and volumes in the Russian domestic market resulted in an increase in our aggregate average price by 36.5% and sales volumes by 11.0%.
Our total natural gas sales volumes increased primarily due to sales of LNG purchased from our joint venture Yamal LNG to international markets, as well as an increase in volumes sold in the Russian Federation.

Our liquids sales volumes changed marginally.
The commencement of sales of LNG purchased primarily from our joint venture Yamal LNG to international markets, as well as increases in sales prices and volumes in the Russian domestic market resulted in an increase in our total revenues from natural gas sales by RR 127,535 million, or 51.5%, compared to 2017.

The chart shows the percentage breakdown of total revenues for 2017 and 2018, with natural gas, including LNG, being the largest component of revenue. The increase in natural gas revenue is highlighted in the chart.
Our total operating expenses increased 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 three LNG trains at Yamal LNG), as well as an increase in the average purchase prices for hydrocarbons.

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>% of TR</th>
<th>2018</th>
<th>% of TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation expenses</td>
<td>137,192</td>
<td>23.5%</td>
<td>145,664</td>
<td>17.5%</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>49,494</td>
<td>8.5%</td>
<td>58,768</td>
<td>7.1%</td>
</tr>
<tr>
<td>Non-controllable expenses</td>
<td>186,686</td>
<td>32.0%</td>
<td>204,432</td>
<td>24.6%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>34,523</td>
<td>5.9%</td>
<td>33,094</td>
<td>4.0%</td>
</tr>
<tr>
<td>Materials, services &amp; other</td>
<td>20,768</td>
<td>3.6%</td>
<td>22,675</td>
<td>2.7%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>17,170</td>
<td>2.9%</td>
<td>22,282</td>
<td>2.7%</td>
</tr>
<tr>
<td>Exploration expenses</td>
<td>1,819</td>
<td>0.3%</td>
<td>7,012</td>
<td>0.8%</td>
</tr>
<tr>
<td>Net impairment expenses (reversals)</td>
<td>52</td>
<td>n/a</td>
<td>287</td>
<td>n/a</td>
</tr>
<tr>
<td>Change in natural gas, liquids and WIP</td>
<td>-2,602</td>
<td>n/a</td>
<td>-5,860</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Subtotal operating expenses</strong></td>
<td>258,416</td>
<td>44.3%</td>
<td>283,922</td>
<td>34.1%</td>
</tr>
<tr>
<td>Purchases of natural gas and liquid hydrocarbons</td>
<td>161,443</td>
<td>27.7%</td>
<td>319,990</td>
<td>38.5%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>419,859</td>
<td>72.0%</td>
<td>603,912</td>
<td>72.6%</td>
</tr>
</tbody>
</table>
Mainly due to an increase in the proportion of sales to our end-customers located at more distant regions from our production fields in the current reporting period as compared to the previous year.

Primarily due to the commencement of sales of LNG purchased mainly from Yamal LNG to international markets from December 2017.
Our unified natural resources production tax expense increased by 20.2% 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)

- **2017 Employee compensation**: 20,768
- **2017 Repair & maintenance**: 783
- **2017 Rent expenses**: 95
- **2017 Preparation, transportation and processing of hydrocarbons**: 108
- **2017 LPG volumes reservation expenses**: 95
- **2017 Electricity and fuel**: 237
- **2017 Security expenses**: 90
- **2017 Transportation expenses**: 227
- **2017 Other**: 95
- **2018**: 177
- **2018 Total**: 22,675

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

**Increased due to the acquisition of new production assets at the end of 2017 and in the first quarter of 2018, an indexation of base salaries effective from 1 July 2018 and the related increase in social contributions for medical and social insurance and to the Pension Fund.**

**Increased due to a growth in LPG volumes sold through our subsidiary in Poland and a 12.1% depreciation of the average exchange rate of the Russian rouble relative to the Polish zloty.**
General and Administrative Expenses (RR million)

- Increased primarily due to an increase in information services related to the expansion of the Group’s activities.

- Social expenses and compensatory payments fluctuate period-on-period depending on the implementation schedules of specific programs we support.

Increase due to:
- an increase in accrued provision for bonuses to key management;
- an indexation of base salaries effective from 1 July 2018;
- 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 primarily due to an increase in information services related to the expansion of the Group’s activities.
In 2018, the Group’s profit was significantly impacted by the recognition of substantial non-cash foreign exchange effect on foreign currency denominated loans of the Group and its joint ventures (in 2017, foreign exchange effect was less significant). Excluding the effect of foreign exchange gains (losses), as well as the one-time effect from the disposal of interests in joint ventures, our profit attributable to shareholders of PAO NOVATEK increased by RR 76,764 million, or 49.2%, and amounted to RR 232,930 million in 2018 compared to RR 156,166 million in 2017.
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 31 December 2019 – Loan from the Silk Road Fund
- Up to 31 December 2020 – Loan from the Silk Road Fund and Other loans
- Up to 31 December 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln)
- Up to 31 December 2022 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)
- After 31 December 2022 – Loan from the Silk Road Fund

### Available Liquidity

<table>
<thead>
<tr>
<th>Period</th>
<th>Cash</th>
<th>Available credit lines</th>
<th>Current portion of long-term debt</th>
<th>Long-term debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2019 - 31 December 2019</td>
<td>245,336</td>
<td>69,260</td>
<td>176,076</td>
<td>27,000</td>
</tr>
<tr>
<td>1 January 2020 - 31 December 2020</td>
<td>13,193</td>
<td>49,334</td>
<td>13,193</td>
<td>69,260</td>
</tr>
<tr>
<td>1 January 2021 - 31 December 2021</td>
<td>73,599</td>
<td>4,240</td>
<td>29,677</td>
<td>176,076</td>
</tr>
<tr>
<td>1 January 2022 - 31 December 2022</td>
<td>4,240</td>
<td>29,677</td>
<td>176,076</td>
<td>27,000</td>
</tr>
<tr>
<td>1 January 2023 - 31 December 2023</td>
<td>29,677</td>
<td>245,336</td>
<td>176,076</td>
<td>27,000</td>
</tr>
<tr>
<td>After 30 December 2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendices
Liquids in Tankers

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

“Goods in transit”
31.12.2017 ~ 314 thousand tons

- Asia-Pacific Region (Naphtha)

“Goods in transit”
30.09.2018 ~ 245 thousand tons

- Middle East (SGC)
- Asia-Pacific Region (Naphtha)

“Goods in transit”
31.12.2018 ~ 313 thousand tons

- Asia-Pacific Region (Naphtha)
Internally Funded Investment Program

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