NOVATEK

Third Quarter 2017
Operational and Financial Results
Conference Call

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Moscow, Russian Federation
26 October 2017

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 – 3Q17

- **Natural gas production** *(including our proportionate share in JVs)* was 15.0 bcm in 3Q17 representing a **decrease of 7.5%** compared to 3Q16
- **Liquids production** *(including our proportionate share in JVs)* was 2.9 mmt in 3Q17 representing a **decrease of 4.5%** compared to 3Q16
- Total **natural gas sales** volumes in 9M17 **increased by 1.6%** compared to 9M16
- Excluding the effect of foreign exchange gains and losses, **profit attributable to shareholders** in 3Q17 **increased by 11.7%** compared to the corresponding period in 2016
- **EBITDA including share in EBITDA of JVs** in 3Q17 **increased by 2.7%** compared to 3Q16

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Key Events 3Q17

- NOVATEK announced a Corporate Strategy Day on Tuesday, 12 December 2017.
- Extraordinary General Meeting of Shareholders of NOVATEK held on 29 September 2017 resolved to pay dividends for the first half 2017 in the amount of RR 6.95 per one ordinary share or RR 69.50 per one GDR.
- NOVATEK's subsidiaries obtained new license areas (the Shtormovoye field, the Verhnetiuteyskoye and the West-Seyakhinskoye fields) in the Yamal and Gydan peninsulas, which significantly expands the Company's resource base for implementing new LNG projects.
- NOVATEK has joined the Society for Gas as a Marine Fuel and the SEA\LNG Association to help promote liquefied natural gas as a marine fuel.
- FTSE Russell Ratings confirms that NOVATEK remains a constituent of the FTSE4Good Emerging Index following the June 2017 index review.

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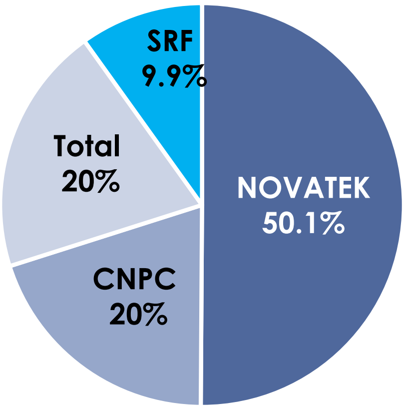
Yamal LNG Project

Main events in 3Q17:

- The **first LNG train** is 97% complete, and the whole project is 89% complete
- More than **30,000 construction workers** on site
- **95 production wells** already drilled, what is higher than the well stock required for Train 1 and Train 2
- Train 1 Gas-In started
- All **equipment and materials** for Trains 1-3 delivered to Sabetta
- First Arc7 tanker completed LNG delivery through Northern Sea route

Shareholders



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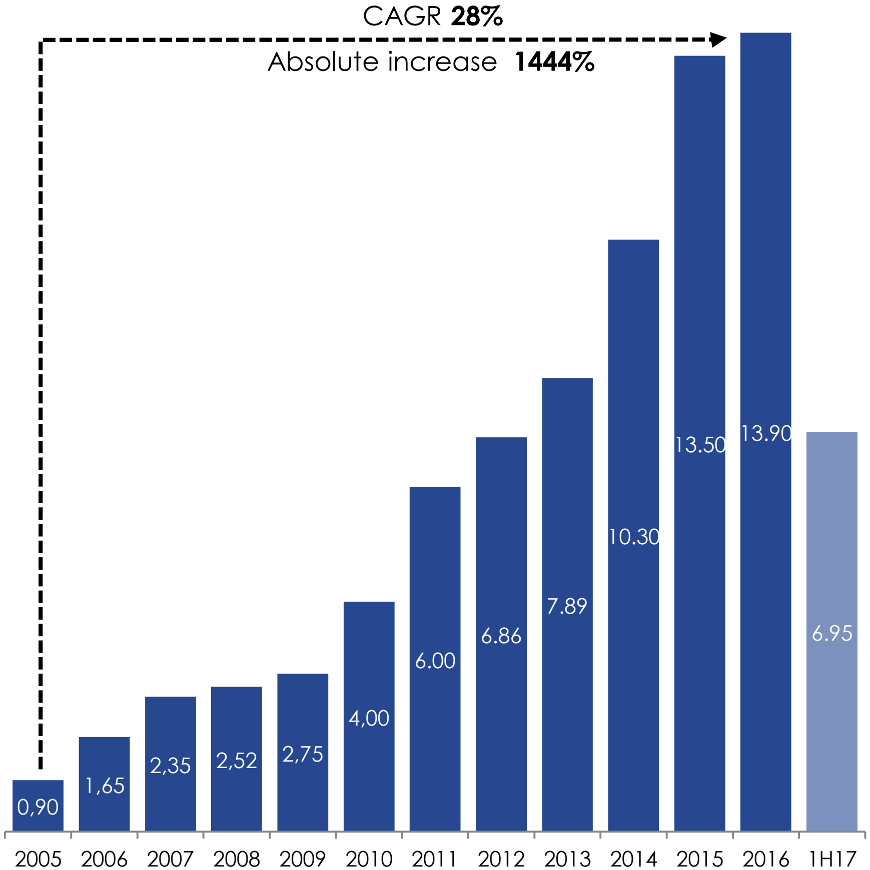
Shareholders Return

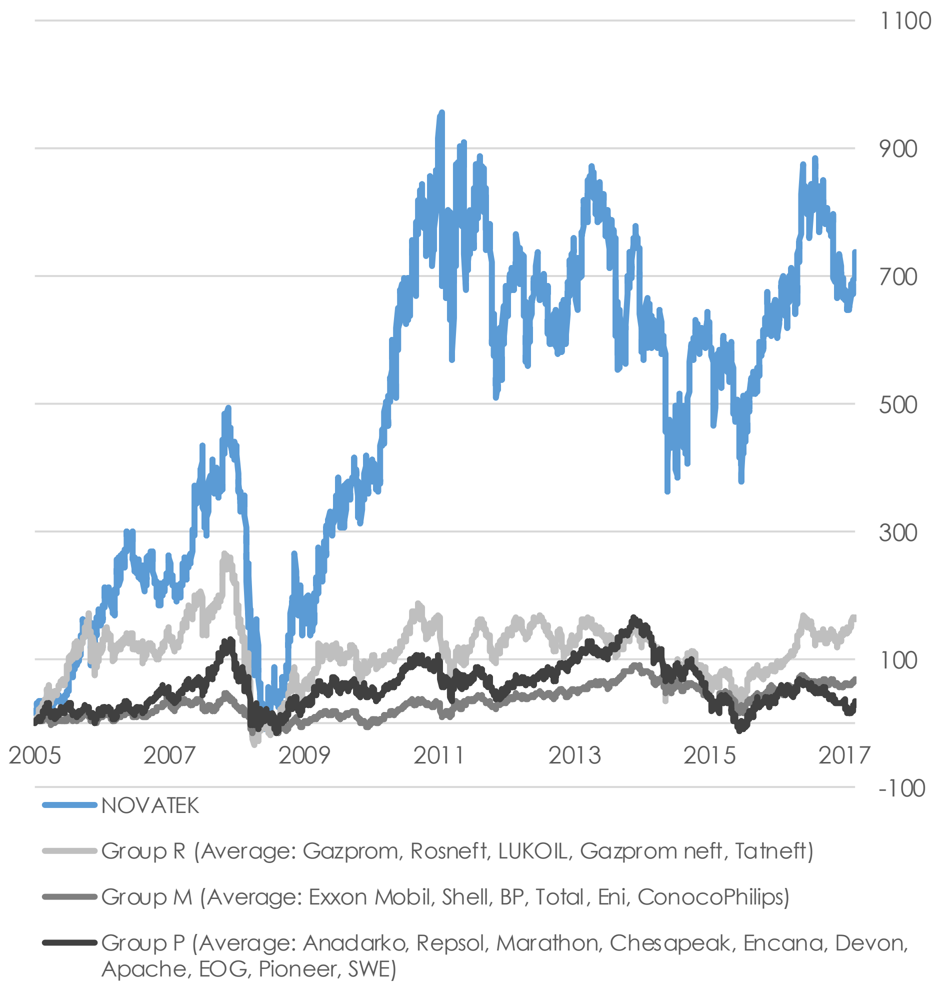
Dividend Payment History

(RR per ordinary share)



Cumulative Total Shareholder Return

(%)



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Operational Overview

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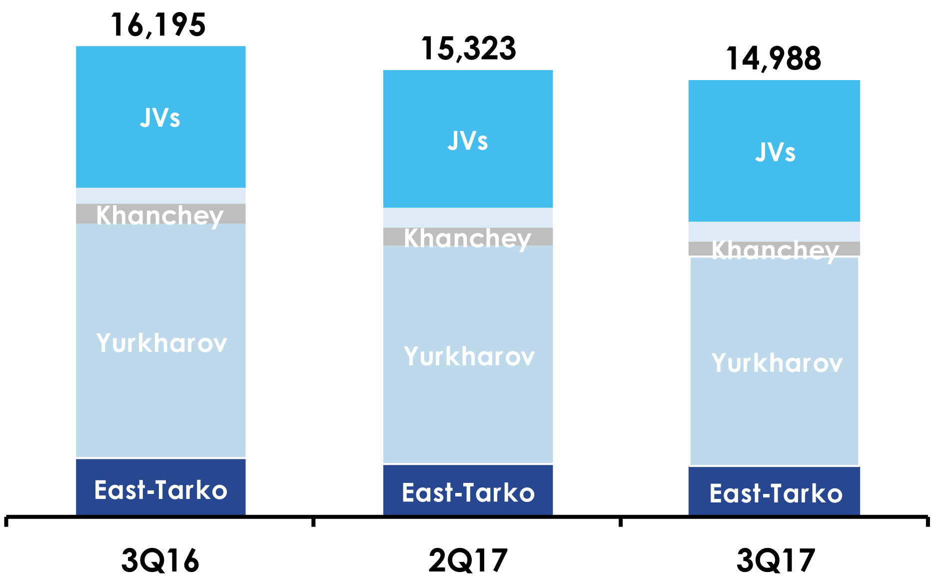
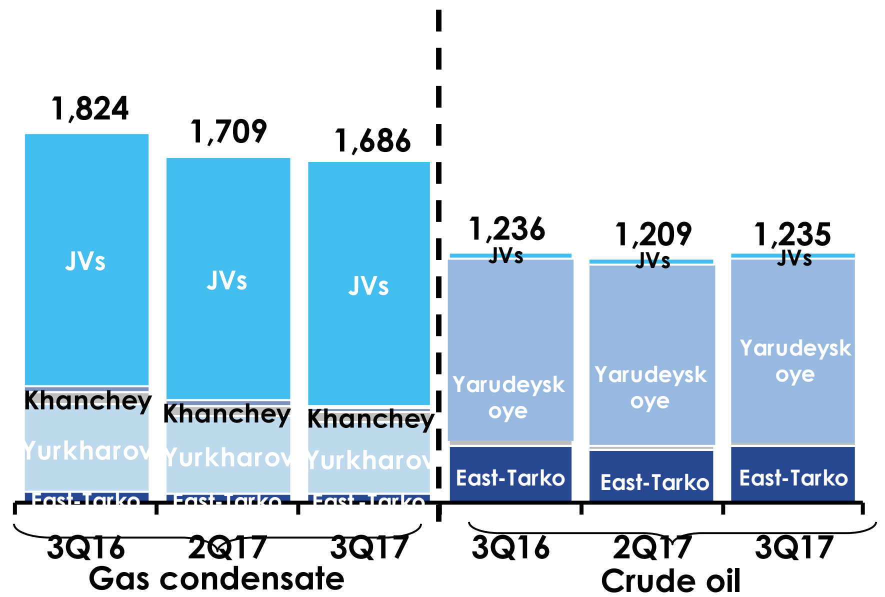
Hydrocarbon Production





Our natural gas volumes produced at mature fields of our subsidiaries and our joint venture Nortgas decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons. The decrease was partially offset by improved efficiency of associated petroleum gas utilization at our Yarudeyskoye field, as well as the launch of compressing facilities to maintain the production levels at the Samburgskoye field.

The volumes of liquids produced by subsidiaries and joint ventures decreased as a result of a decrease in gas condensate production mainly at mature fields of our subsidiaries and our joint venture Nortgas due to the natural declines in the concentration of gas condensate as a result of decreasing reservoir pressure at the current gas condensate producing horizons. Crude oil production changed insignificantly.

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Purovsky Plant

- **Total volumes delivered in 3Q17: 2,836 mt**
  - Yurkharovskoye field: 361 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 140 mt
  - Other fields: 23 mt
  - Purchases from our joint ventures: 2,312 mt
- **Annualized throughput volumes: 11.3 mmt**
- **Total output of marketable products: 2,813 mt**
  - Stable gas condensate: 2,198 mt
  - LPG: 615 mt

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Ust-Luga Complex

- **Total volumes delivered in 3Q17: 1,693 mt**
- **Annualized throughput volumes: 6.8 mmt**
- **Total output of marketable gas condensate refined products: 1,661 mt**
  - Naphtha: 1,023 mt
  - Other products: 638 mt
- **Gas condensate refined products sold: 1,477 mt**
  - to Europe: 820 mt
  - to the Asian Pacific Region: 342 mt
  - to North America: 293 mt
  - Other: 22 mt

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Liquids in Tankers

Liquids sales

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

"Goods in transit" 30.09.2016 ~72 thousand tons

27 mt — Europe (Other gas condensate products)

45 mt — Asia-Pacific Region (Naphtha)

"Goods in transit" 31.12.2016 ~ 33 thousand tons

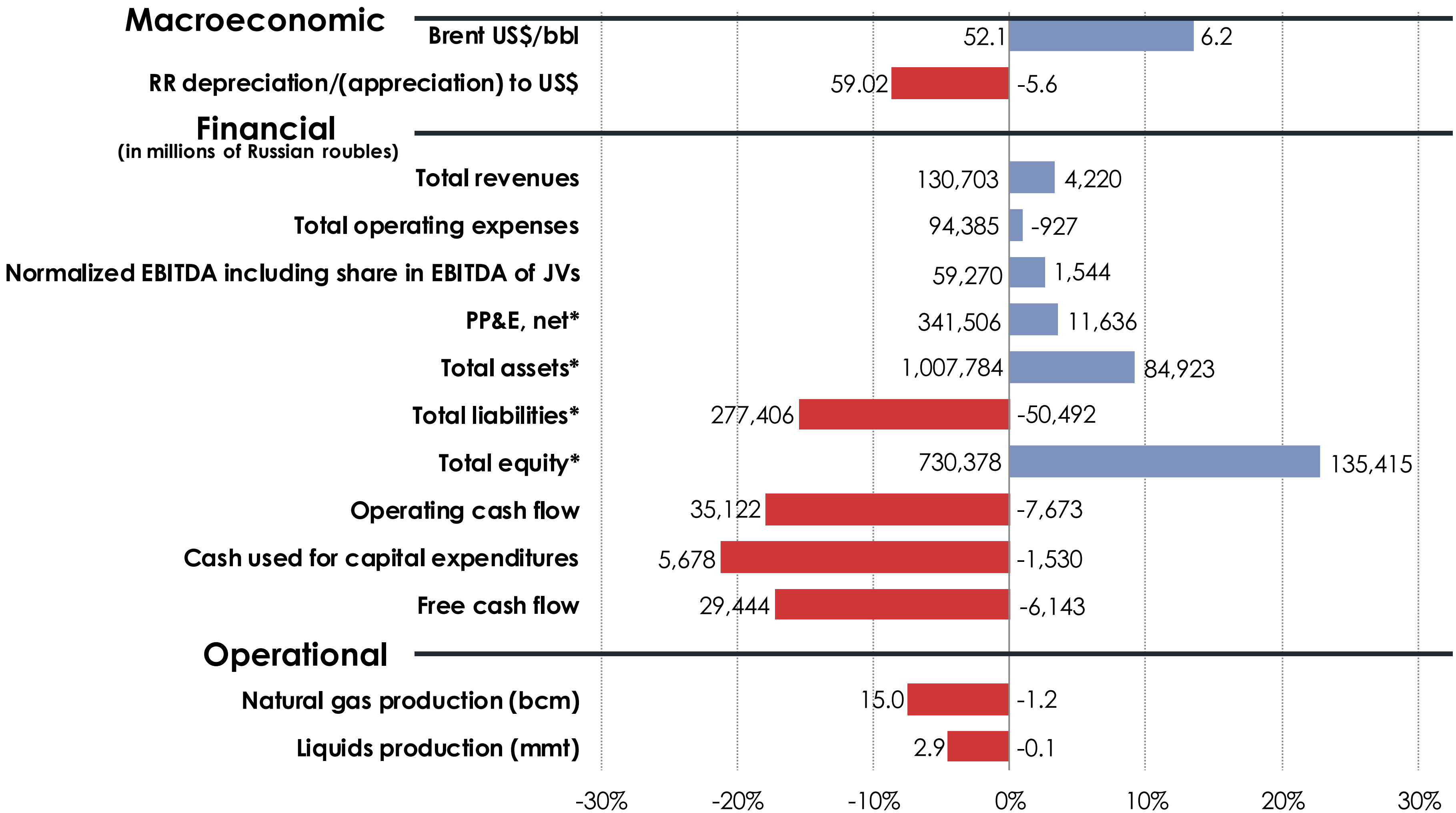
33 mt — Asia-Pacific Region (Naphtha)

"Goods in transit" 30.09.2017 ~314 thousand tons

314 mt — Asia-Pacific Region (Naphtha)

Financial Overview – 3Q17 to 3Q16

Performance Summary



* 30 September 2017 to 30 September 2016

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

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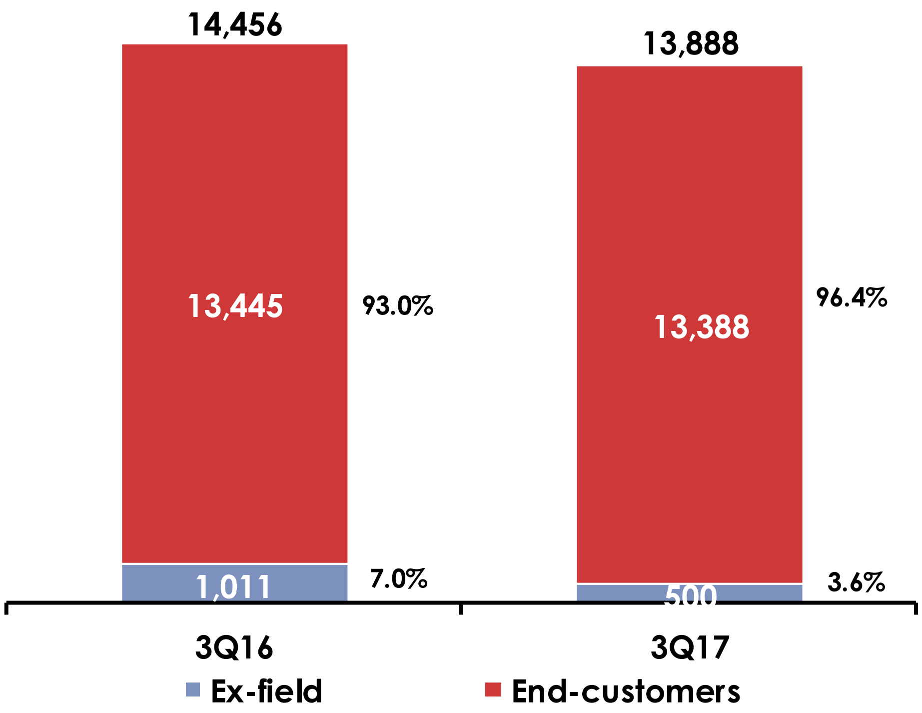
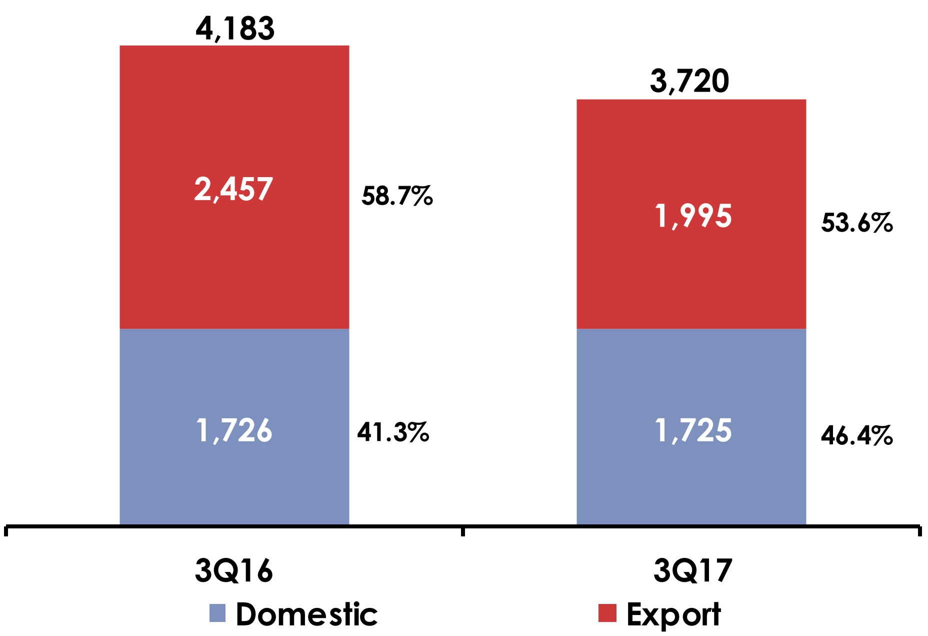
Market Distribution - Sales Volumes

Natural Gas Sales Volumes, mmcm



Liquids Sales Volumes, mt



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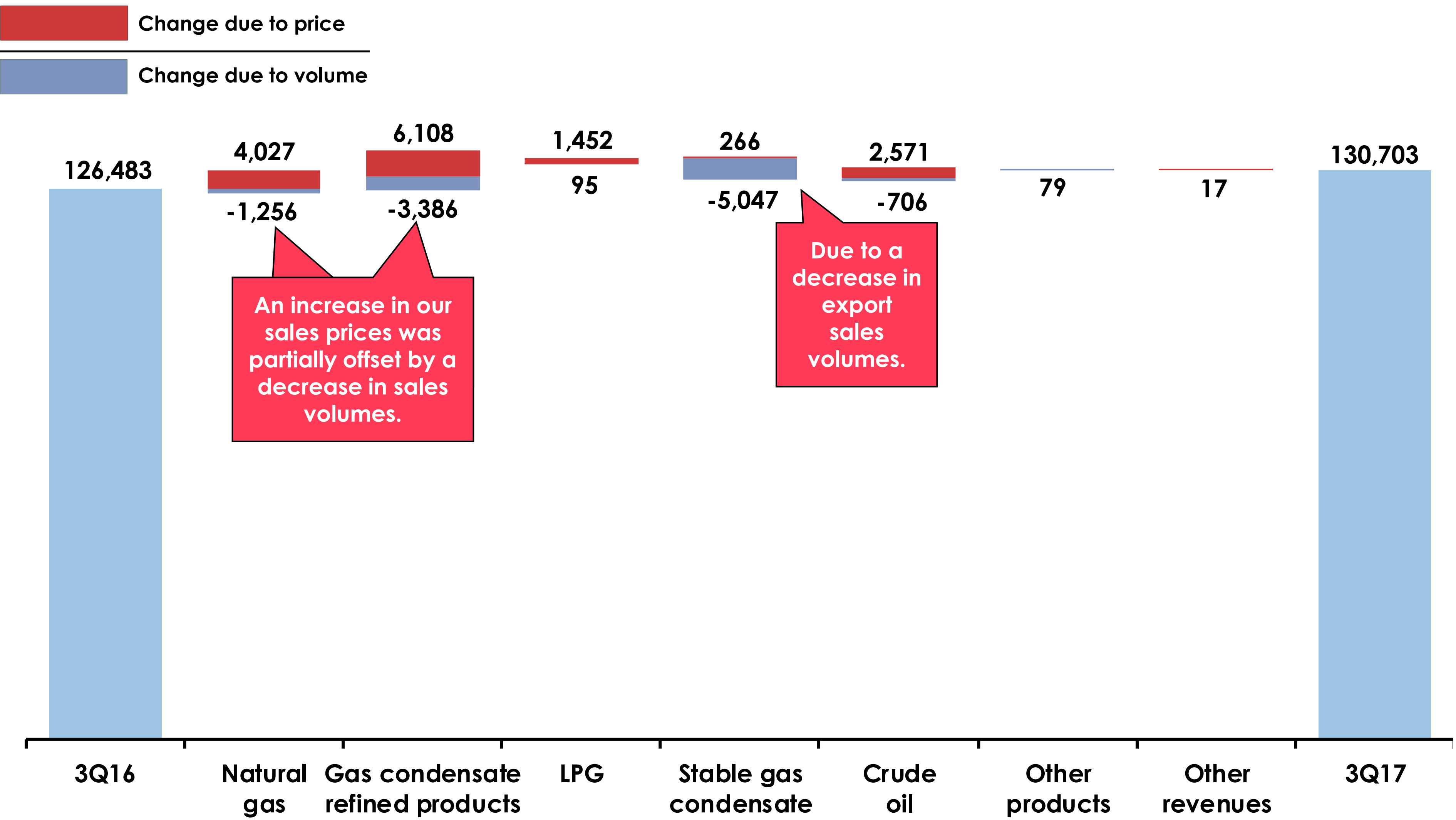
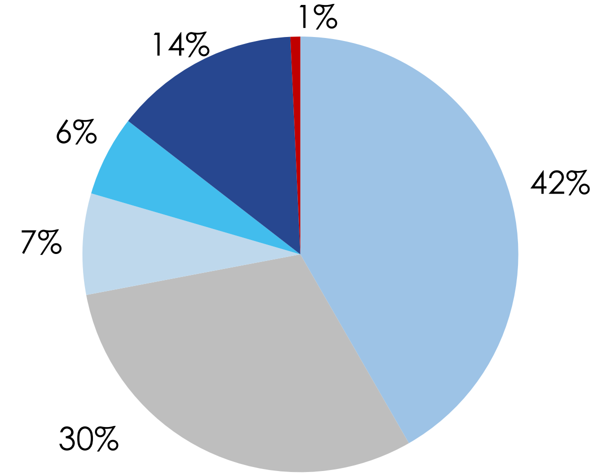
Total Revenues (RR million)



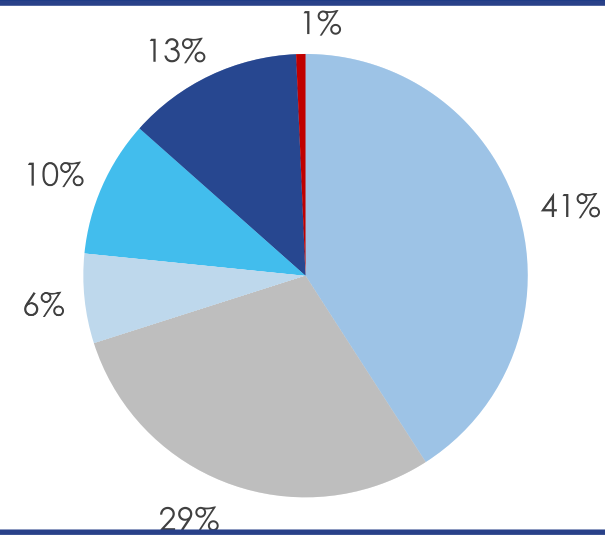
Total Revenues Breakdown

- Natural gas
- Gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other

3Q17



3Q16



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

3Q16	% of TR	3Q17	% of TR		2Q17	% of TR	3Q17	% of TR
30,929	*24.5%*	**30,246**	*23.1%*	Transportation expenses	**32,567**	*25.2%*	**30,246**	*23.1%*
10,872	*8.6%*	**12,024**	*9.2%*	Taxes other than income tax	**11,531**	*9.0%*	**12,024**	*9.2%*
41,801	*33.1%*	**42,270**	*32.3%*	**Non-controllable expenses**	**44,098**	*34.2%*	**42,270**	*32.3%*
10,233	*8.1%*	**8,997**	*6.9%*	Depreciation and amortization	**8,572**	*6.7%*	**8,997**	*6.9%*
5,153	*4.1%*	**5,208**	*4.0%*	Materials, services & other	**5,084**	*3.9%*	**5,208**	*4.0%*
3,561	*2.8%*	**3,872**	*3.0%*	General and administrative	**3,911**	*3.0%*	**3,872**	*3.0%*
1,019	*0.8%*	**297**	*0.2%*	Exploration expenses	**504**	*0.4%*	**297**	*0.2%*
-6	*n/a*	**9**	*0.0%*	Net impairment expenses (reversals)	**0**	*0.0%*	**9**	*0.0%*
-532	*n/a*	**-3,550**	*n/a*	Change in natural gas, liquids and WIP	**874**	*0.7%*	**-3,550**	*n/a*
61,229	*48.4%*	**57,103**	*43.7%*	**Subtotal operating expenses**	**63,043**	*48.9%*	**57,103**	*43.7%*
32,229	*25.5%*	**37,282**	*28.5%*	Purchases of natural gas and liquid hydrocarbons	**30,990**	*24.1%*	**37,282**	*28.5%*
93,458	*73.9%*	**94,385**	*72.2%*	**Total operating expenses**	**94,033**	*73.0%*	**94,385**	*72.2%*

- **Our purchases of natural gas and liquid hydrocarbons increased due to an increase in liquid hydrocarbons purchase prices (which are impacted by international crude oil prices excluding export duties) and an increase in natural gas purchase prices and volumes;**
- **The exploration expenses fluctuate period-to-period in accordance with the approved working schedule of exploration works at our production subsidiaries;**
- **In 3Q 17, we recorded a significant reversal to changes in inventory expense due to increases in our liquid hydrocarbons and natural gas inventory balances as of 30 September 2017 compared to 30 June 2017.**

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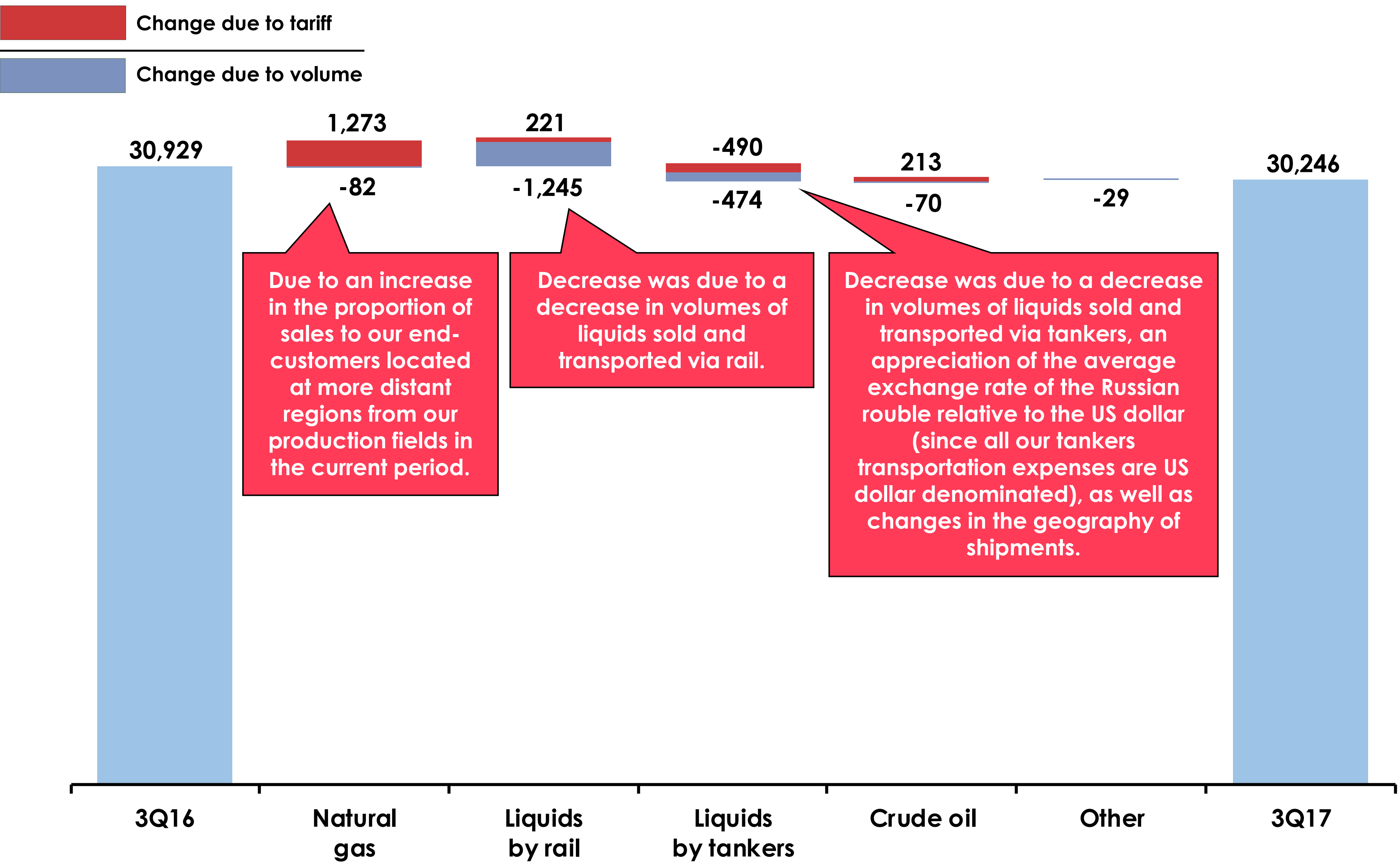
Transportation Expenses (RR million)



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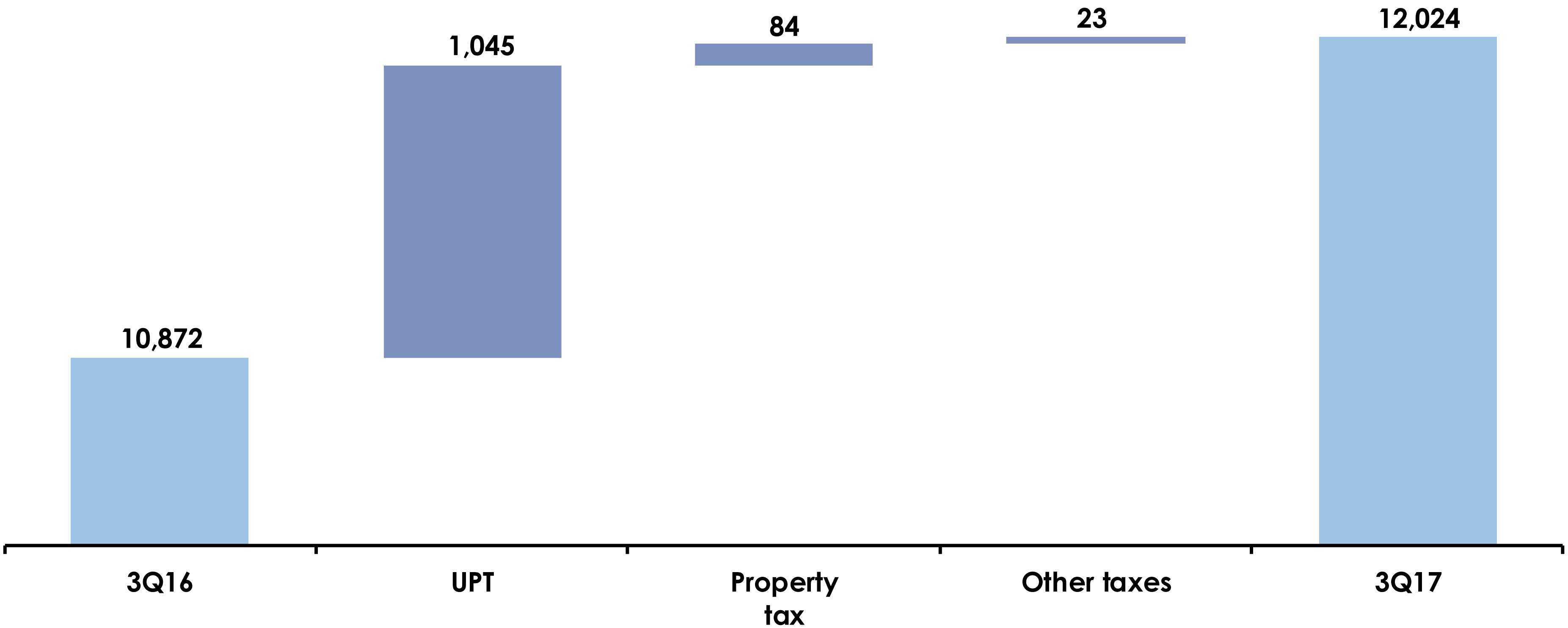
Taxes Other Than Income Tax Expense (RR million)



- Our unified natural resources production tax expense increased mainly due to an increase in UPT rates for crude oil and gas condensate effective 1 January 2017 as part of the tax maneuver in the oil and gas industry;
- Our property tax expense increased due to the termination of a property tax relief at one of our processing subsidiaries effective from January 2017, as well as a result of additions to property, plant and equipment at our production subsidiaries.

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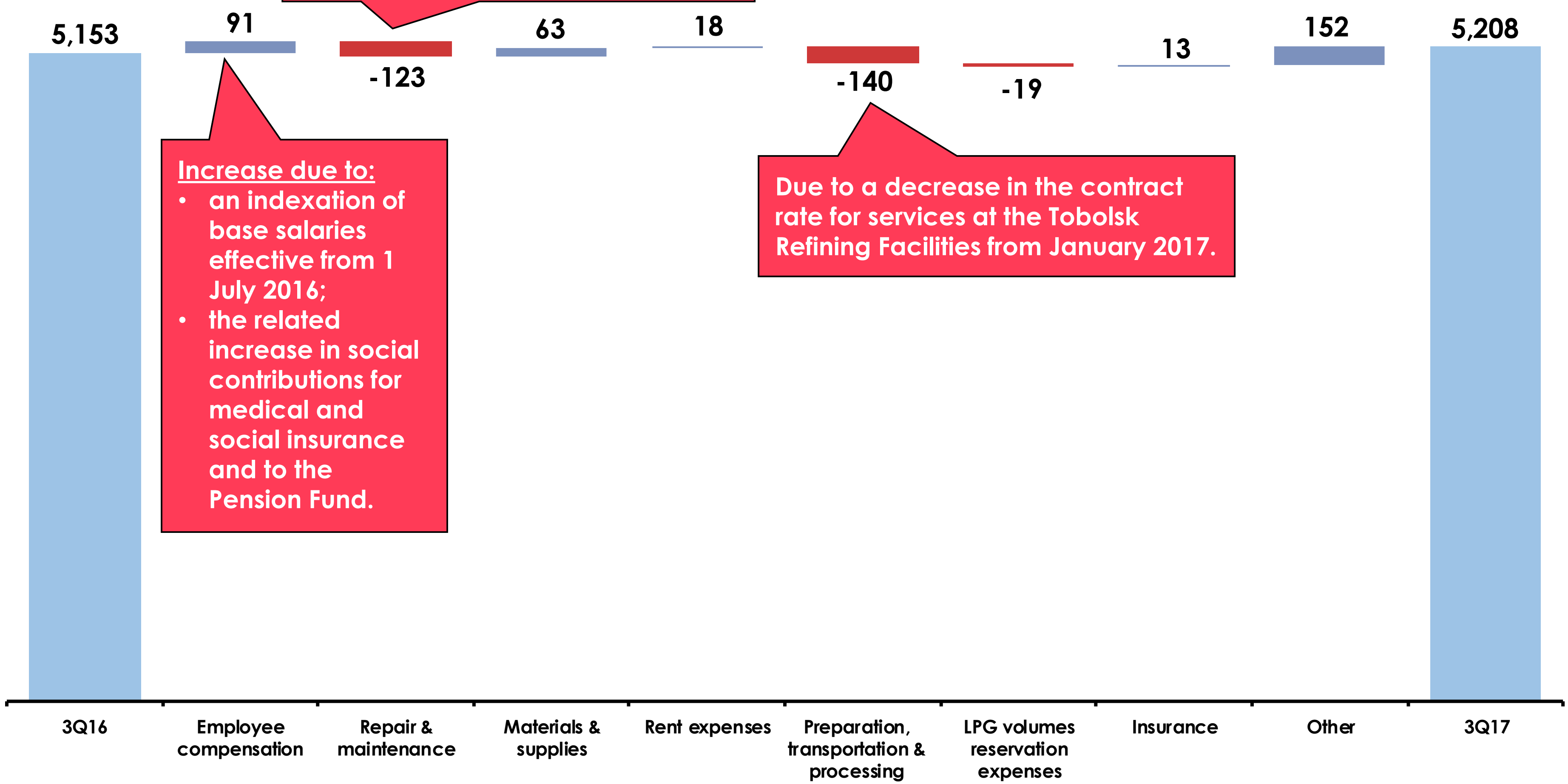
Materials, Services and Other Expenses (RR million)



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

Increase due to:

- an indexation of base salaries effective from 1 July 2016;
- the related increase in social contributions for medical and social insurance and to the Pension Fund.

Due to a decrease in the contract rate for services at the Tobolsk Refining Facilities from January 2017.

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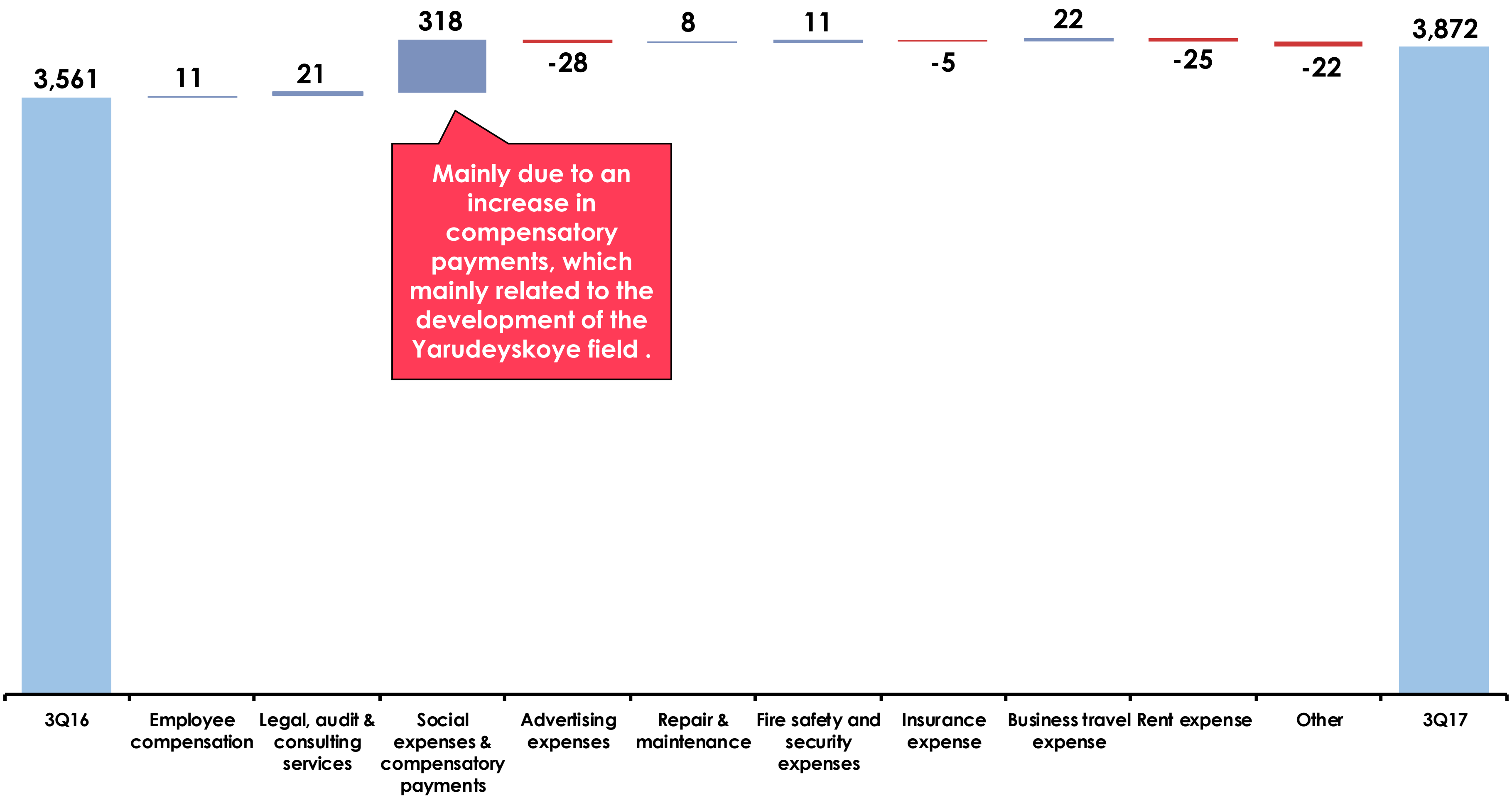
General and Administrative Expenses (RR million)



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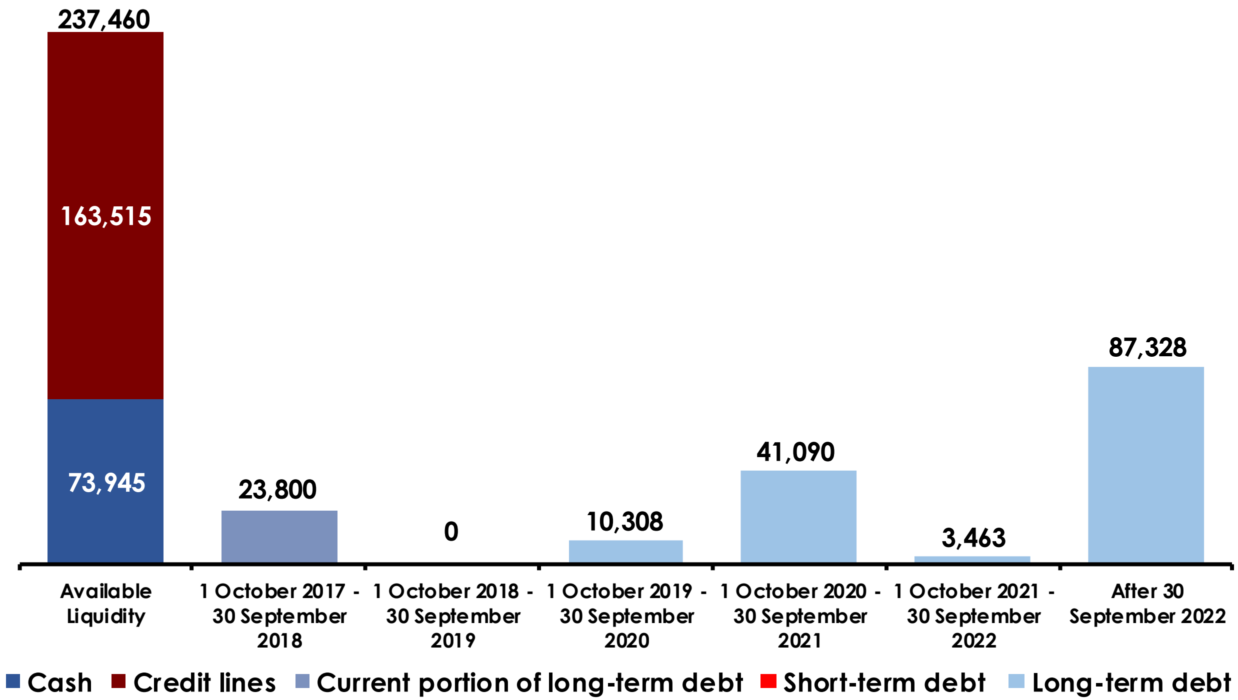
Total Debt Maturity Profile (RR million)



The Group has available credit line facilities from Russian banks with credit limits in the amount of RR 120 billion and equivalent of USD 750 million.

Debt repayment schedule:

Up to 30 September 2018 – Syndicated term credit line and Other loans

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 and Eurobonds Ten-Year (USD 650 mln)

After 30 September 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 1,000 mln)

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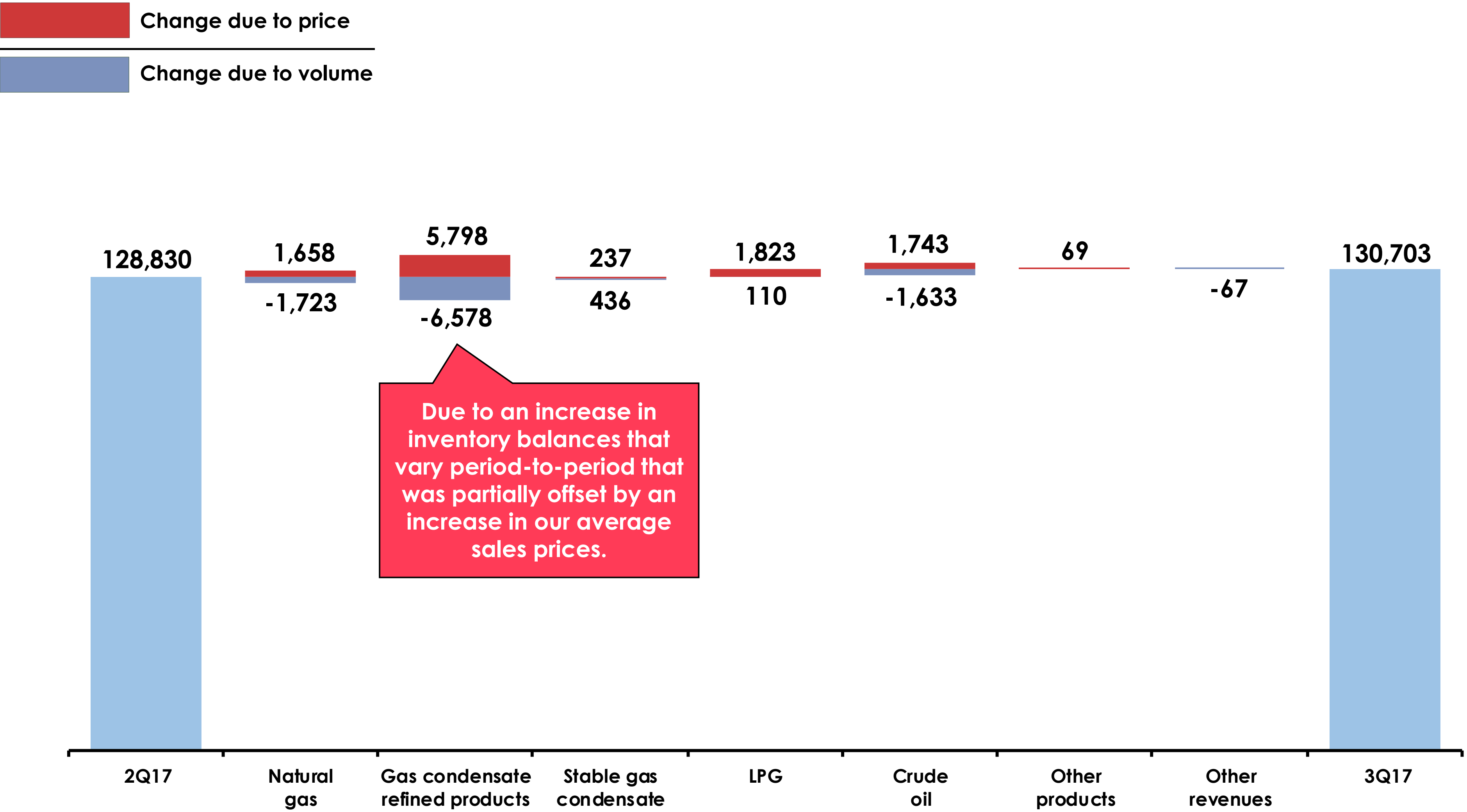
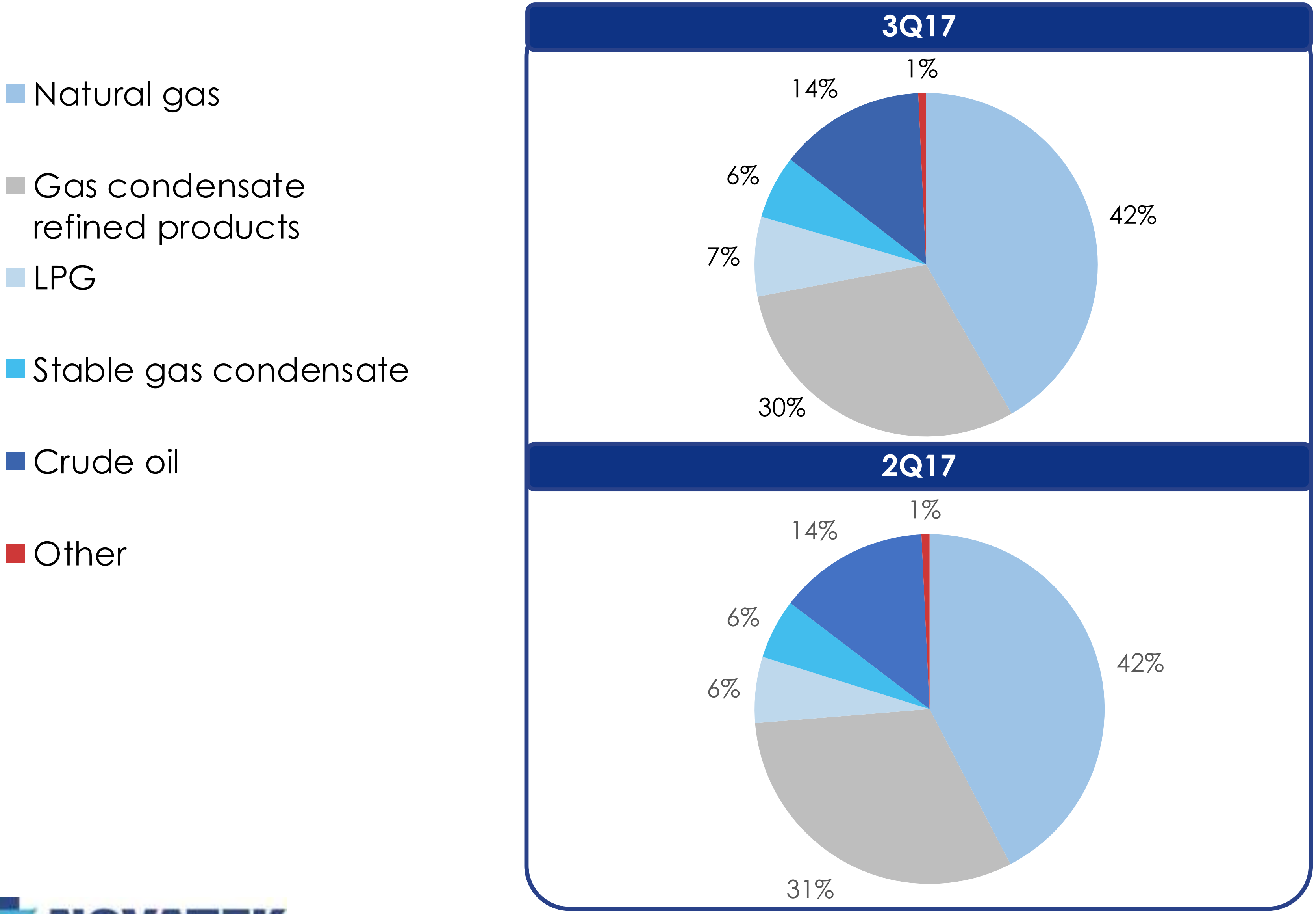
Financial Overview – 3Q17 to 2Q17

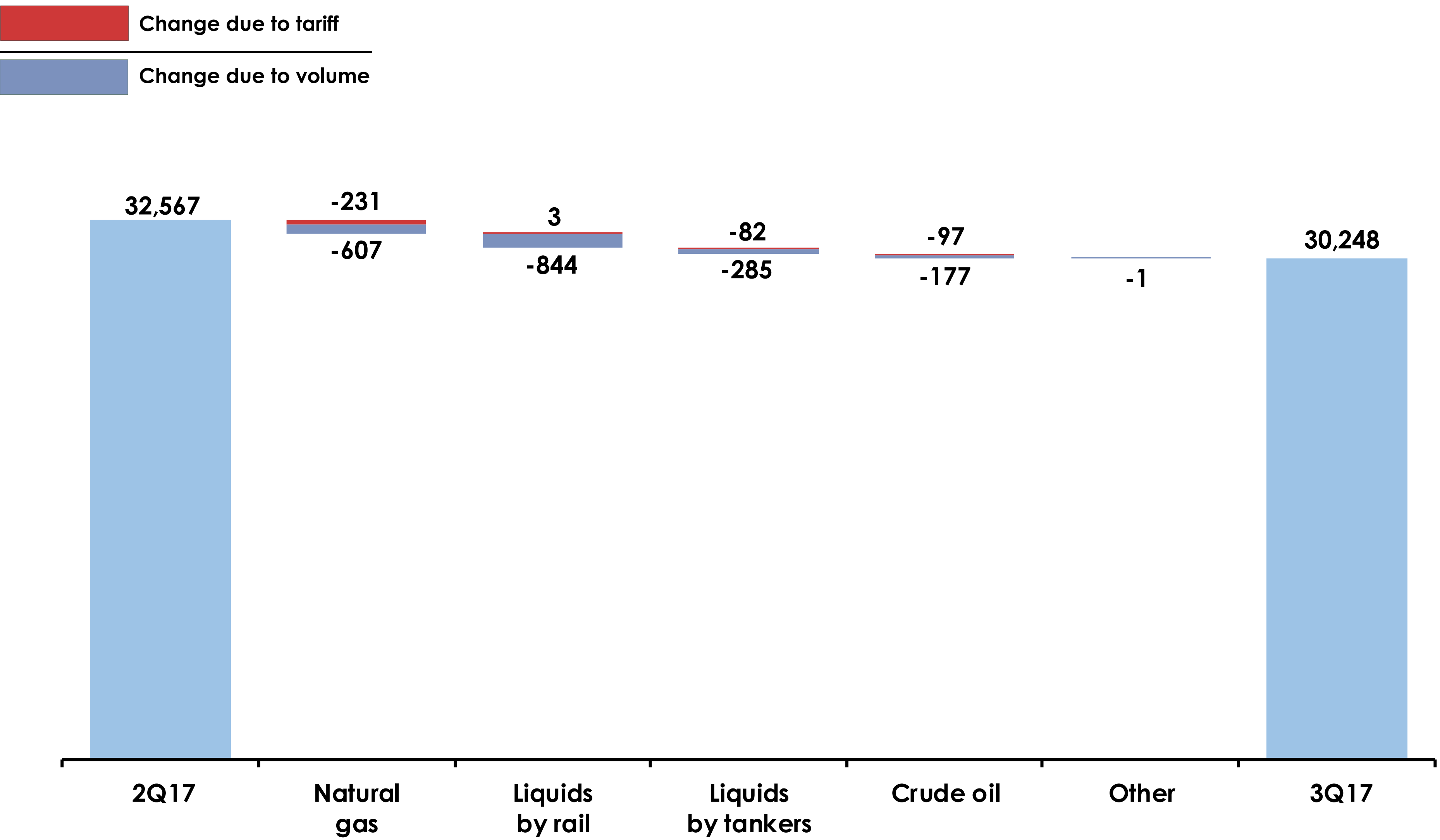
Total Revenues (RR million)



Total Revenues Breakdown



Transportation Expenses (RR million)



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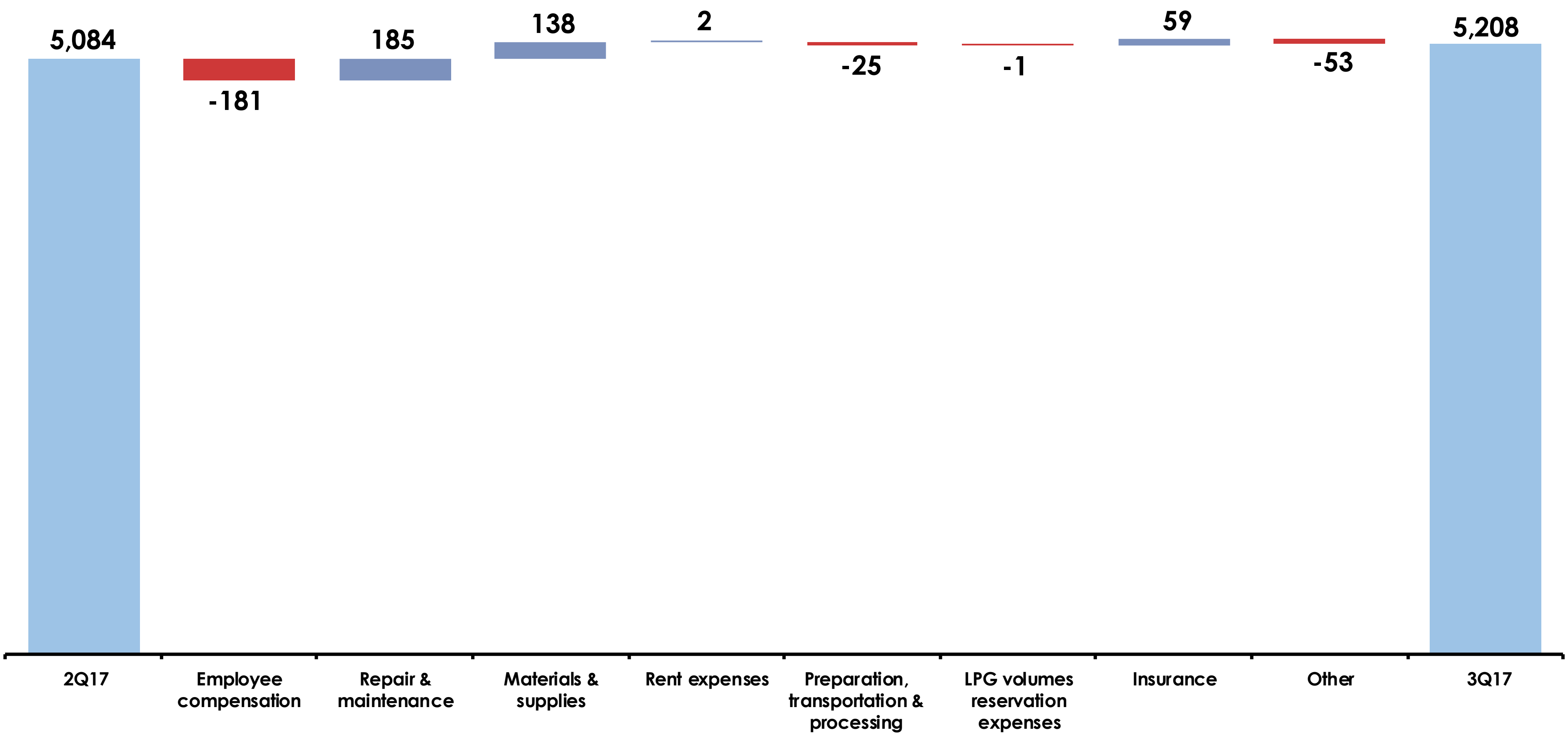
Materials, Services and Other Expenses (RR million)



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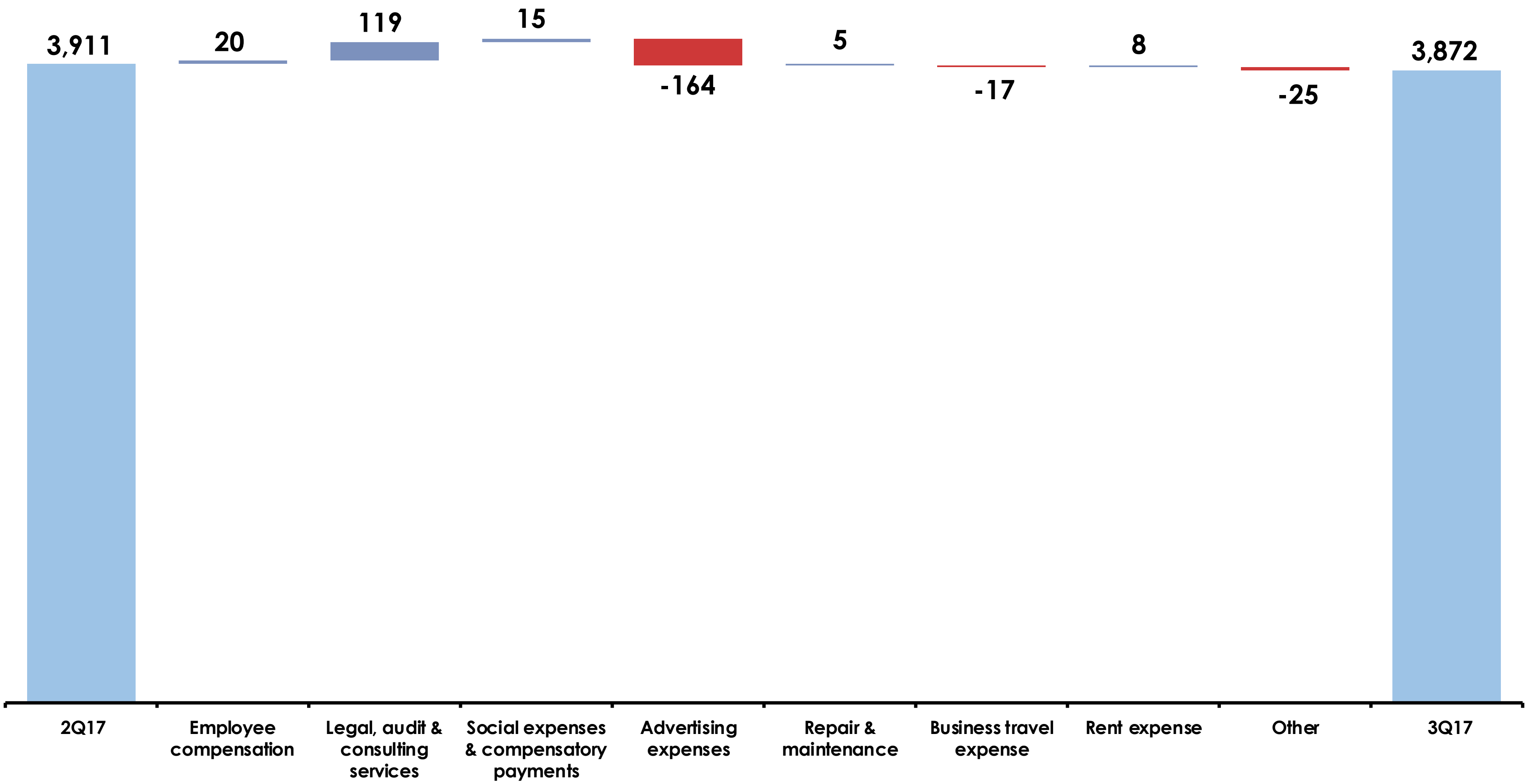
General and Administrative Expenses (RR million)



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Appendices

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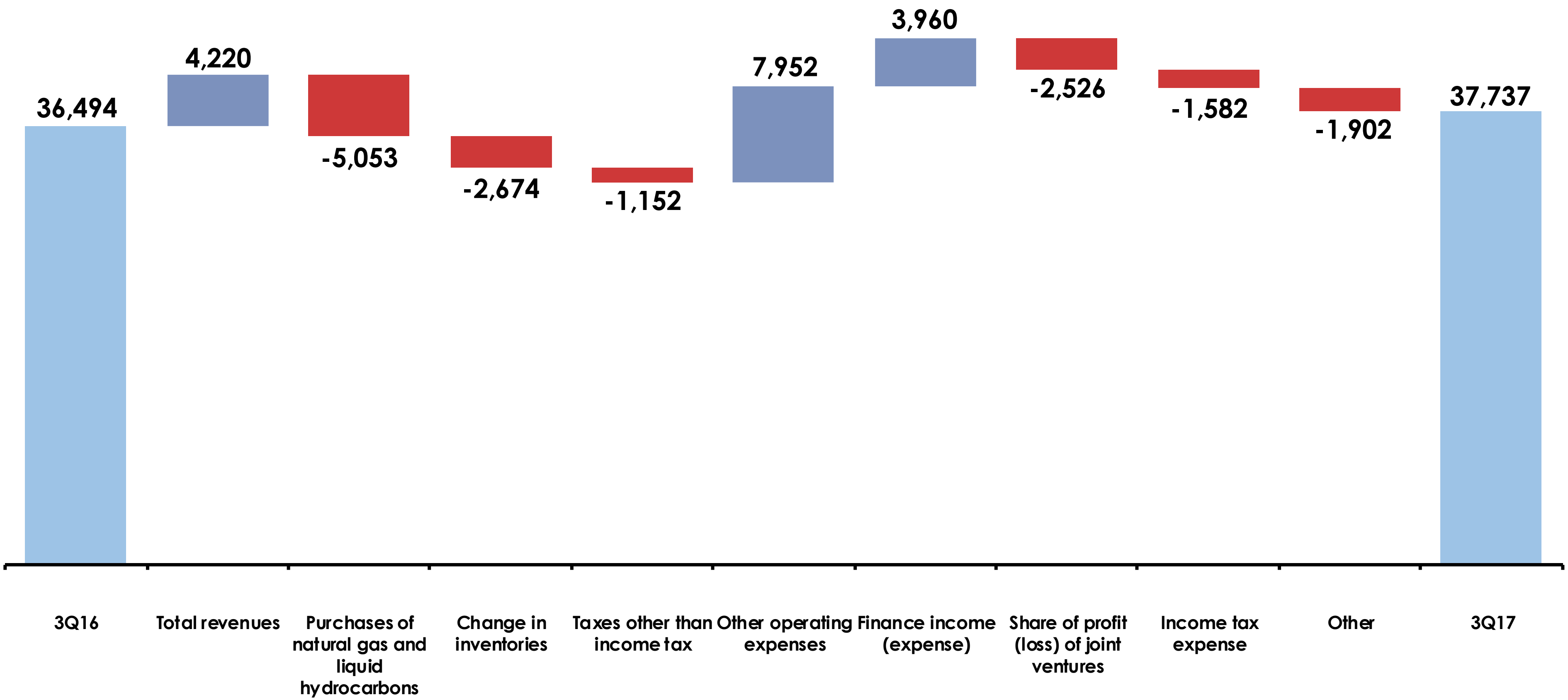
Profit Attributable to NOVATEK Shareholders (RR million)



Profit from operations increased due to an increase in average realized liquid hydrocarbons and natural gas prices. In each reporting period, as a result of currency exchange rates fluctuations, the Group records non-cash foreign exchange gains and/or losses primarily related to the revaluation of foreign currency denominated borrowings and loans provided in the Group and the joint ventures. Excluding the effect of foreign exchange gains and losses, our profit attributable to shareholders of PAO NOVATEK increased by 11.7%.

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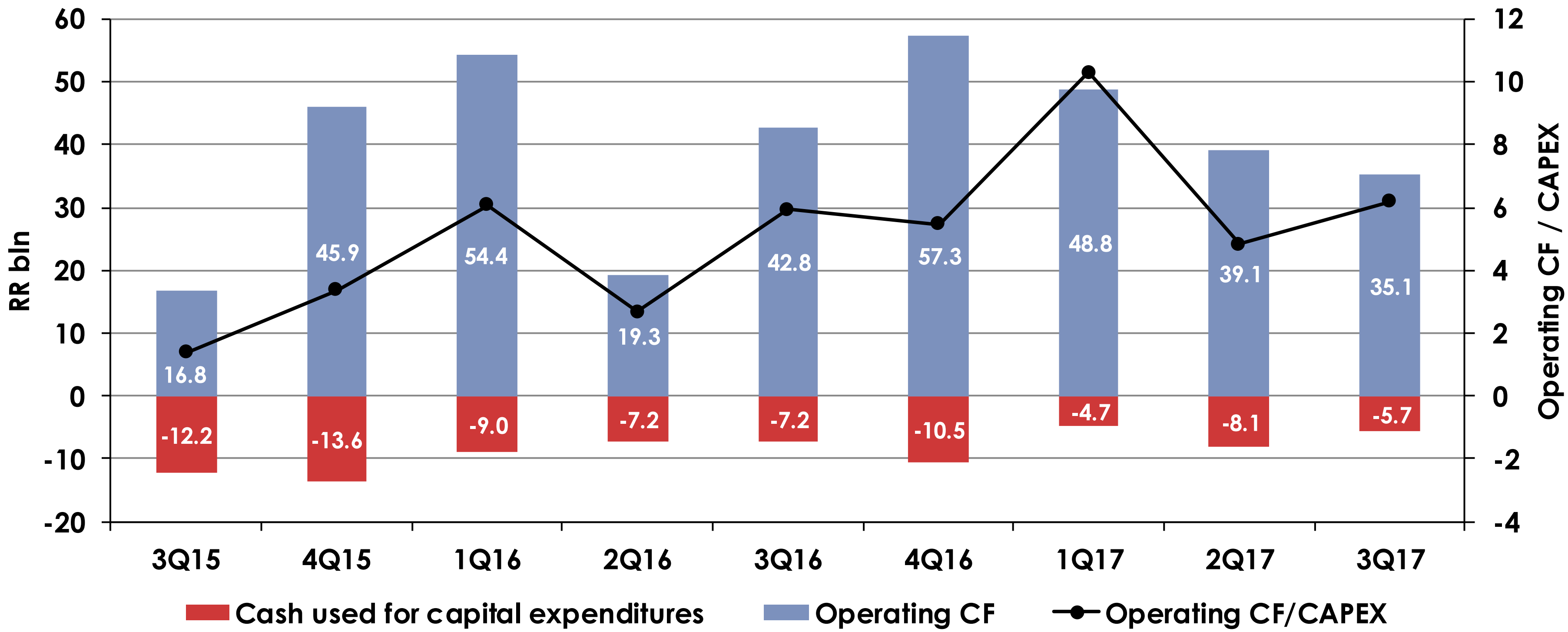
Internally Funded Investment Program



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.

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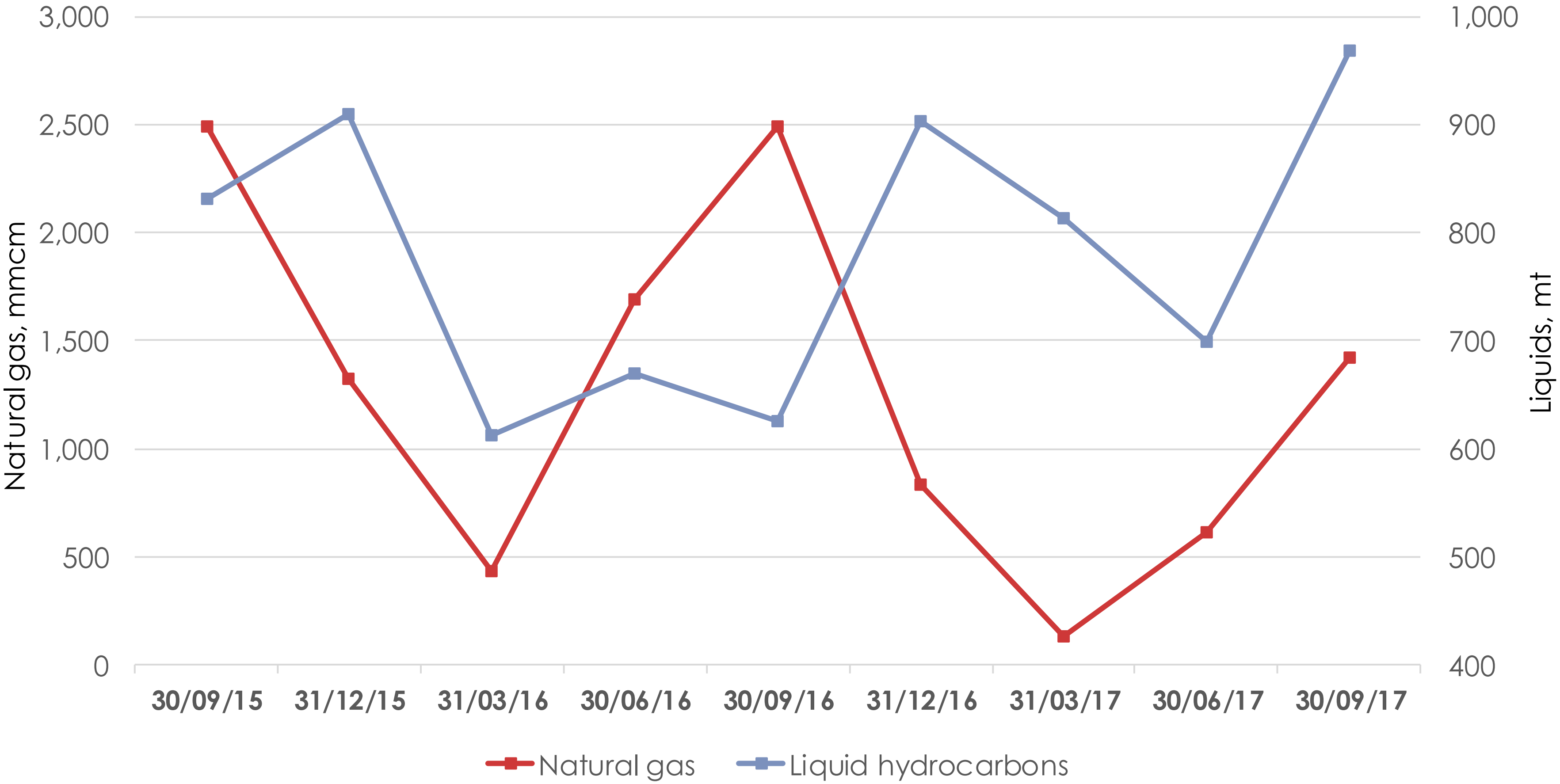
Change in Inventories



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Questions and Answers

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