PAO NOVATEK

Third Quarter and Nine Months 2020

Financial and Operational Results – Earnings Conference Call

29 October 2020

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Third Quarter and Nine Months 2020 earnings conference call. We would like to thank everyone for participating in tonight's call.

DISCLAIMER

Before we begin with the specific conference call details, I would like to refer you to our Disclaimer Statement, as is our normal practice. During this conference call, we may refer to forward-looking statements by using words such as our plans, objectives, goals, strategies, and other similar words, which are other than statements of historical facts. Actual results may differ materially from those implied by such forward-looking statements due to known and unknown risks and uncertainties and reflect our views as of the date of this presentation. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Please refer to our regulatory filings, including our Annual Review for the year ended 31 December 2019, as well as any of our earnings press releases and documents throughout the past year for more description of the risks that may influence our results.

CONFERENCE CALL TEXT

It's been an unprecedented year so far and one for the history books. We are sure that everyone will be happy when we can put this pandemic behind us, and we can finally revert back to some sense of normalcy.

Unfortunately, we are seeing signs of a "second wave" of the coronavirus spread throughout Europe, the Americas, and to a lesser extent, the Asian Pacific region. How this second wave impacts economic activities is hard to predict at this point. Most governments have stated that they will not revert back to economics lockdowns as experienced earlier this year, but the spread of the virus combined with the traditional flu season will hinder some economic activities and a reversion back to growth.

The Group's management will continue to remain vigilant and take all of the necessary precautions to protect the safety and wellbeing of our employees, our contractors and their families against the further spread of COVID-19 and disruptions to our operations, while maintaining our commitment to deliver clean-burning natural gas to our domestic and international customers. We will place the health, wellbeing and safety of our employees above profits.

The first nine months of 2020 has been an extremely volatile period for the oil and gas industry. It will be a year bifurcated into two distinct parts – the precipitous crash in commodity prices and the steady recovery.

During the first half 2020 we saw significant volatility in both natural gas and crude oil prices with the onset of the global pandemic and the economic lockdowns. We reached the lows in energy commodity prices in the second quarter but have since seen a steady recovery in benchmark crude oil prices and natural gas prices at key gas hubs in Asia and Europe, and more recently a recovery in Henry Hub prices in the US. Although global gas prices remain lower than pre-COVID period, the recovery in the forward curve prices for the upcoming peak winter season reflect an expectation of colder weather as well as the impact from supply disruptions in Australia and Norway, offset by a gradual recovery in US LNG exports after a very active hurricane season in the Gulf of Mexico.

We have always remained optimistic during this extraordinary year. We have stated many times that low gas prices were not sustainable and were more reflective of the unseasonably warm winter weather over the past two winter seasons, higher than normal five-year average storage volumes, and, to a lesser extent, the unprecedented lockdowns and economic stagnation caused by the coronavirus pandemic. Moreover, we saw significant new LNG volumes come to market over the past several years from the completion of global projects. It takes time for the markets to absorb these new LNG volumes as supply and demand is never matched perfectly.

No new Final Investment Decisions, or FIDs, have been announced so far in 2020. This marks the first time in the past decade or so that no FIDs have been made to add new liquefaction capacity. It is unlikely that any significant new capacity decisions will be made this year, although we still have two months remaining in 2020. The lack of new FIDs will have future implications to the supply side post-2025. Future LNG supplies will depend on successfully and timely completing the projects already under construction or delayed as well as the operational capacity utilization of LNG plants (typically between 80% to 90% globally). These factors raise concerns that we will have potential tightening in LNG supplies if demand remains consistent with industry forecasts.

This past year also saw the first series of significant cargo cancellations from the US, when buyers elected to pay the liquefaction fee instead of lifting LNG cargos. It's important to note that this represented a buyer induced scenario rather than a supply side problem. There have been around 165 cargos cancelled so far in 2020, but it became readily evident that with recovering global gas prices buyers would revert back to lifting these cargos for the upcoming winter peak season. Essentially, the US mainly served to balance the global LNG markets combined with the supply outages as previously noted.

We remain absolutely committed to our portfolio strategy to deliver up to 70 million tons of LNG by 2030. Equally important, our long-term views on LNG demand doubling by 2040 to more than 700+ million tons per annum are consistent with that of our major industry colleagues and forecasting firms. We do not see any structural changes to the

long-term LNG demand forecasts from the pandemic. The Energy Transition combined with growing economic activities in the Asian Pacific region will remain the significant contributing factors to future LNG demand growth as well as supporting natural gas as the primary clean burning fossil fuel within the future total energy mix.

Global LNG imports were approximately 86 million tons, representing roughly 3.5 million tons or 3.9% lower than the third quarter 2019. For the first nine months 2020, total LNG imports aggregated 275 million tons, or approximately 4% higher than the comparative 2019 period. The Asian-Pacific region as a whole imported about 188 million tons, or 2.4% higher than the prior nine-month period as there was good import growth in both China and India as they took advantage of the lower spot prices throughout this period.

In the third quarter, China imported approximately 17 million tons, representing an increase of 12% as compared to the prior year, and we saw reasonable strength in Chinese LNG imports throughout the nine months ended 30 September as the country's economic activities steadily improved since the initial lockdowns in early 2020. China imported approximately 49 million tons, or roughly four (4) million more tons than imported in nine months of 2019.

So far, the COVID-19 pandemic has had a limited impact on natural gas demand in China in 2020, despite the country's severe lockdown at the start of the outbreak. As we noted on our last conference call, LNG imports declined by 7.2% Y/y in February, but by mid-March LNG imports were restored and volumes of LNG imports began to steadily rise. Overall, Chinese gas demand is forecasted to increase by about 4% Y/y, with LNG imports expected to reach approximately 65 million tons.

In contrast, the EU (European Union) imported 16.9 million tons of LNG in the 3Q 2020 representing a decline of 9% year-on-year (Y/y), as the lockdowns and stagnant economic growth in key importing markets as well as historically higher storage volumes relative to five-year averages limited the region's flexibility to import more LNG cargos.

We saw a significant number of LNG cargo cancellations during the months of July and August, and to a lesser extent in September, as weak European gas prices, negative margins and high storage volumes kept the market fully supplied. This market situation has recently improved with stronger seasonal gas prices as we enter the upcoming winter season. We have already seen a drastic drop in cargo cancellations for the months of October and November.

Europe remains a very liquid market and an important gas region for both pipeline gas and LNG imports. For the first nine months of 2020, Europe imported slightly more than 67 million tons of LNG, representing a 6.8% growth. We expect full year 2020 LNG imports into Europe will be at least comparable to prior year volumes of about 80 million tons, or potentially slightly higher.

In view of the above, we believe overall global LNG consumption can potentially reach around 365 million tons in 2020, which is about 2% or eight (8) million tons higher than

2019. A positive development considering the global pandemic and the economic impact from the COVID-19 lockdowns.

Natural gas prices in key gas hubs rebounded from the lows in second quarter, with gas trading around $2.70 per mmbtu in Europe during the third quarter. Forward curves for the upcoming winter months are above $7.00 mmbtu in Asia and around $5.00 to $5.50 per mmbtu in Europe. As a quick reminder, TTF traded at its lowest price point at $1.18 per mmbtu and is now trading at $5.08 per mmbtu; JKM lowest price point was $2.00 per mmbtu and is now trading at around $7.00 per mmbtu; and Henry Hub's lowest price point was $1.48 per mmbtu and now trading at more than $3.00 per mmbtu. This represents solid price recoveries at major gas hubs as we enter the upcoming winter peak season.

This seasonal rebound in natural gas prices will be limited by the speed of production recovery (more supplies) and the resumption of US LNG exports. The upcoming winter weather will play a key role in price recovery and storage drawdowns; however, we believe the price arbitrage between the Atlantic and Pacific basins will remain tight range-bound from historical norms.

Yamal LNG loaded and dispatched 61 cargos or 4.34 million tons of LNG in the third quarter 2020, of which 39 cargos or 64% were sold under long-term contracts and the remaining 22 cargos or 36% of the volumes dispatched were spot sales. Although we increased our percentage of long-term contracts in the reporting period, we did not achieve our targeted split between long-term contracts and spot sales in both the second and third quarters of 2020. We had some seasonal divergence of long-term offtake contracts to the upcoming winter months. In addition, Yamal LNG's liquefaction trains operated at 107% of its nameplate capacity during the third quarter and roughly 113% of its nameplate capacity over the first nine months of 2020. Yamal LNG also dispatched six (6) cargos of gas condensate totaling 249 thousand tons.

During 2020 we have seen about a two-percent drop in the Brent slope indexation, which means that today LNG spot prices are trading higher than crude indexed contracts. For example, with the average Brent oil-indexation at roughly 10.2%, oil indexed contracts are selling lower than spot prices to the Asian Pacific markets. Selling more spot cargos today is actually okay in this current environment. Looking forward at long term forecasts, the 10% indexation slope is not sustainable and is trending upwards to the 12.5% level due to the lack of new LNG projects coming online in the 2023 to 2026 time period, which corresponds to the formal launch of our Arctic LNG 2 project.

The number of Yamal LNG shipments since inception as at 30 September 2020 totaled 558 cargos of LNG for roughly 41 million tons along with 91 shipments of stable gas condensate totaling slightly more than 2.7 million tons. Yamal LNG has been a resounding success!!

We are actively working on optimizing our logistical model to improve our netback margins, reduce transit cost and time, and deliver some of the lowest landed LNG to the growing Asian Pacific region. We achieved a couple of significant milestones during the reporting period – Yamal LNG became the fastest LNG project globally to reach its 500th

cargo on 5th July and we officially opened up the 2020 navigational season on the Northern Sea Route (NSR) one month ahead of traditional start of the summer navigation season.

We sent four (4) Eastbound cargoes in 2018, 17 cargoes in 2019 and for the 2020 season we initially planned to send at least 25 cargos across the NSR. We now believe we will reach about 30 voyages this year. We completed 20 voyages so far this season and already surpassed the number of voyages from last summer's navigational season. We plan to complete the last voyage this navigational season by the end of December.

We rely on our Arc7 ice-class tanker fleet to transit the NSR during the summer navigational season. However, in September, a new MOL-owned conventional LNG tanker named "Phecda" (pronounced – Fekda - named after the stars of the Ursa Major) transited the ice-free waters along the Russian coast in the eastern part of the NSR. The LNG carrier is a non-ice class vessel and recently followed an Arc7 ice-class tanker from Asia back to the Sabetta port to complete its maiden voyage on the 8th October.

Another important voyage recently occurred using an Arc4 ice-class tanker called "Clean Planet" that passed the NSR on the 26th October and is headed to a port in China under a long-term cargo for Total. This marks the first Yamal LNG cargo headed eastbound to the Asian Pacific region using an Arc4 LNG tanker.

While on the topic of shipping we would like to make some comments on the tanker fleet for the Arctic LNG 2 project. We signed construction contracts for 15 Arc7 ice-class tankers from the Zvezda Shipyard in Russia and six (6) more Arc7 ice-class tankers from DSME in South Korea for a complement of 21 Arc7 ice-class tankers for Arctic LNG 2. We require more Arc7 ice-class tankers for Arctic LNG 2 than the 15 ice-class tankers used at Yamal LNG because we will produce more LNG and we plan to ship around 80% of the LNG volumes to the important Asian Pacific region. The new ice-class tankers will have a narrower width, a hull form optimized for ice breaking and increased propulsion output. The first of the tankers will be commissioned by the beginning of 2023 and ready for the first cargos of LNG from Arctic LNG 2.

We also contracted with DSME to build two (2) floating gas storage units of 360,000 cubic meters capacity each for our Murmansk and Kamchatka transshipment terminals expected to start-up in the 2022 – 2023 period. Each floating storage unit will be able to store two (2) Arc7 tankers. The boil-off gas from the floating storage units will be captured at the time of transshipment operations for liquefaction – approximately 190,000 tons per annum for use in Murmansk and Kamchatka. In November, we plan to perform the first Ship-to-Ship (STS) transshipment from an Arc7 ice-class tanker to a conventional tanker in the Murmansk Region. Previously, this STS operations were conducted in open waters in Northern Norway and are performed to minimize the number of roundtrip days traveled between our Sabetta port and the transshipment complex.

We would also like to mention that the world's most powerful nuclear ice breaker "Arktika" officially joined the Russian nuclear fleet on the 21st October and will commence ice-breaking services along the NSR commencing in December 2020. The "Arktika" ice

breaker is capable of breaking through ice up to 3 meters thick, or 9 feet. It's estimated service life is 40 years.

Many investors have asked about the LNG contracting environment considering the current situation of market oversupply and weak commodity prices. We would like to make a few comments on our marketing efforts for Arctic LNG 2. First of all, Arctic LNG 2 has lower capital costs then the Yamal LNG project, and after completing the transshipment complexes we will also lower our transport cost to market. This supports the project sponsors in their contract negotiations as well as improving slope indexation.

Today, there is an expectation gap between buyers and sellers and, as a result, fewer long-term contracts have been concluded. The buyers see a market with low prices and try to secure long-term volumes at such prices. In contrast, sellers do not want to commit to these low prices for long term volumes. Thus, it has become a challenge to come to mutually satisfactory terms. The example on the Brent slope indexation highlights this challenge.

Between 2015 and 2019, 63 long-term supply contracts were signed on average each year. This was not unusual as new volumes were coming online, FIDs were being secured by contracts and prices were not extremely volatile. In 2020, only 32 long-term contracts, or roughly 50% of the average yearly contracts have been signed. Moreover, not only the number of long-term contracts has been impacted but the quantity of LNG volumes secured is also lower. In 2018, 70 million tons were contracted, in 2019, about 55 million tons, and in 2020 to date, only about 26 million tons. It's a challenging market for those companies trying to secure long-term contracts to make FIDs and/or get financing to move construction forward.

We have been active discussing long-term supply contracts, and we believe this expectation gap between buyers and sellers will be overcome with a more balanced market as we launch Arctic LNG 2. To us, it's only a matter of time.

As a reminder, our Arctic LNG 2 project has already sold 100% of its output to the project sponsors as equity offtake, and the project participants' marketing entities have entered into binding Heads of Agreements (HOAs) to offtake their respective share either FOB Murmansk or FOB Kamchatka with agreed pricing formula. We are finalizing the Sales and Purchase Agreements (SPAs) for these long-term offtake volumes with our partners based on the executed HOAs. We are confident that we will soon announce some of our concluded SPAs.

We plan to complete the construction works at Train 4 at Yamal LNG by the end of the year but will start the facility's commissioning over the upcoming weeks. At Obskiy LNG, we are working on the Pre-FEED engineering work but are more focused on closing the Arctic LNG 2 financing at this time. We will consider the Obskiy LNG in more detail in 2021 as we consider some changes to the project parameters based on the engineering works performed to date. We will keep everyone apprised of any changes or further progress.

At the end of September 2020, the overall construction progress for Arctic LNG 2 is estimated at 27%, up from 21% at the end of June. The first train's overall progress, including platform construction, module fabrication, and facilities on site, is roughly 39% completed. We began installing the steel structures that are used for the module installations on top of the GBS. We also continued concrete works for the second GBS platform at Dry Dock #2 as well as the concrete bottom slab for the LNG tanks. Overall, approximately 3,300 construction workers are mobilized at the Murmansk LNG Construction Yard.

Equally important, we expect no delays in deliveries of LNG modules as about 7,000 workers are mobilized at the module construction sites in China. These yards are producing at full capacity and preventative measures have been taken to reduce and/or eliminate the impact of COVID-19 virus on specific work schedules. The first modules for GBS #1 are expected to arrive in Murmansk around September 2021. Accordingly, the launch of GBS #1 is scheduled for 2023 and we see no delays in meeting this target. We also see no delays in launching GBS #2 and GBS #3 in 2024 and 2026, respectively, according to our commissioning schedule.

We also made good progress on the production drilling program at the Utrenneye field. We drilled six (6) production wells in the third quarter, for a combined total of 17 production wells drilled to date. This represents approximately one-quarter of the field's development drilling plan to meet the launch schedule of the first GBS unit. Work at the field is being performed by three (3) drilling rigs for production drilling, as well as one (1) drilling rig for exploration drilling. As mentioned on prior conference call, two (2) additional drilling rigs are being mobilized for production drilling commencing from the beginning of 2021 and an additional two (2) drilling rigs will be deployed for drilling exploratory wells for the upcoming 2020 – 2021 exploration program.

There are about 6,500 people working at the Utrenneye field and we estimate the completion rate on the field's infrastructure facilities for the 1st stage at approximately 34%. Construction progress at the Utrenniy Terminal at the end of September is approximately 68% completed, including ongoing construction works on the administrative area and completing Berth #1 for the first GBS structure. Work activities for dredging the Ob bay and for the construction of the terminal's ice protection structures, under the State contract, is underway without delays. We are presently on schedule for all construction activities at both the Utrenneye field and the Utrenniy Terminal.

As of 30 September, about 28% of the total project's capital program has been already financed by the shareholders, and we contracted more than 84% of the project's total capital expenditures. We made good progress to secure the project's external financing, and we are confident that this important phase will be completed by mid-2021 or earlier.

During the third quarter, we ran 245 square kilometers of three-dimensional (3D) seismic on the part of the Utrenneye license area located in shallow waters of the Ob bay (essentially part of the South Dome), but by the end of the quarter we had not processed

this seismic. We maintained our development-drilling program throughout the reporting period and completed 37 production wells in the quarter versus 38 wells in the prior year. Post the reporting period in October, we completed the first three-bore Valanginian production well (well no. 7102) at the Ust-Yamsoveyskoye field with a record total penetration through three horizontal drill bores reaching across 4,500 meters of productive formations. This field was part of the Alrosa gas asset acquisition and is considered a greenfield development project.

We drilled and completed 99 production wells in the nine-month period as compared to 109 in the prior period. The decline was largely focused on reducing wells drilled for crude oil at the East-Tarkosalinskoye field and some slowdown in work activities due to the coronavirus. We remained focused on developing the North Russkiy Cluster and made good progress to ready commissioning of the Kharbeyskoye field over the next two years.

So far, our natural gas production is trending slightly higher than initial guidance, but we remain committed to our prior forecast of increasing natural gas production by approximately 2% or slightly higher, while remaining relatively flat with our liquids production as in 2019. We complied with the OPEC+ production agreement by decreasing our crude oil production, and we remain committed to adhering to the prescribed production targets. Our gas condensate production is not impacted by the OPEC+ production agreements and we will increase our gas condensate output this year, namely at Arcticgas and the North-Russkoye cluster, essentially offsetting the declines in crude oil output. As always, our primary goal is to ensure that our processing facilities run at 100% of their respective operating capacities. We will maintain plateau levels at both our Purovsky Processing Plant and the Ust-Luga Complex.

The third quarter and nine months 2020 financial results were reasonably good considering the tough external macro environment and relative weakness in hydrocarbon prices, although we did see improvements in commodity prices in the reporting period as well as stronger prices based on the forward curve for the upcoming winter months (fourth quarter 2020 and first quarter 2021).

Brent crude oil prices declined by 31% year-on-year (Y/y) from an average of $62 per barrel to $43 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) declined by 21% and TTF (Title Transfer Facility (Netherlands)) by 18%, respectively, during the quarter. Conversely, the average Russian domestic gas tariffs increased Y/y by approximately 2.8%; thus, reiterating our previous message that we have a very resilient domestic gas business generating positive revenues and cash flows.

During the reporting periods, sales of natural gas domestically accounted for 79% and 77% of our revenues in the third quarter and nine months 2020, respectively, as compared to 66% and 62% in the prior reporting year. The change is largely attributable to the drop in our spot LNG volumes sold as Yamal LNG commenced more long-term contract sales and the significant decrease in average global LNG prices in 2020.

Total natural gas revenues declined 11% Y/y but increased 2% quarter-on-quarter (Q/q). The Y/y drop in gas revenues were largely driven by declines in international gas revenues of 46% as a result of the sharp decrease in international gas prices at major gas hubs. Our Q/q gas revenues increased as we had a 3% domestic tariff increase, more ex-field sales as well as a roughly one-percent increase in international gas sales as global LNG prices improved.

We sold 14.4 billion cubic meters of natural gas on the Russian domestic market and 2.2 billion cubic meters in equivalent LNG sales during the reporting period, accounting for a combined net decrease of 137 million cubic meters, or by less than 1%. During the nine-month period, our combined natural gas sales volumes declined by 6%, which were mostly impacted by the change in spot LNG volumes sold by us directly to long-term volumes sold directly by Yamal LNG under contractual commitments. Our Q/q combined gas sales volumes declined by 338 million cubic meters, or by 2%, which was mainly driven by an 11% decline in international gas sales volumes but by a marginal decline in domestic sales.

Our total LNG revenues declined Y/y by RR 13.8 billion, mainly from a 28% reduction in volumes sold and a 34% reduction in average LNG prices. Domestically, our combined sales volumes from end-customers and wholesale traders increased by 699 million cubic meters, or by 5.1%, resulting in our domestic gas revenues increasing by RR 3.9 billion, or by 6.8%.

LNG sales on international markets represented 13% of our total natural gas volumes sold and accounted for 21% of our natural gas revenues in the third quarter 2020 (13% and 23%, respectively, in the nine months 2020). Our average netback remained more than 2.7 times higher for LNG volumes sold internationally than netbacks received on the domestic market. This netback ratio improved slightly in the third quarter over that reported in the second quarter as we had relative improvements in gas hub prices in the current reporting period. Accordingly, LNG volumes sold internationally contributed positively to our revenues and netbacks for natural gas despite weaker pricing and lower volumes sold and complimented the resiliency and stability of our domestic gas business. We see improving LNG prices for the remainder of 2020 and in the first quarter 2021 as we approach the peak winter season.

We sold 3.8 million tons of liquids in the reporting period, representing Y/y and Q/q declines of 5.7% and 9.5%, respectively. The declines in liquid volumes were largely the result of increasing volumes in storage and transit during the period. For the nine months 2020 we sold 11.9 million tons, representing a decrease of 1.4% as compared to the prior period, with the decline mostly related to us reducing crude oil sales to meet the OPEC+ commitments.

We exported 52% of our total liquid volumes during the quarter versus 58% Y/y and 60% Q/q. Our liquid revenues for the reporting period totaled RR 83.3 billion, representing a decrease Y/y of 16% but a strong increase Q/q by 30%, which mainly reflects the volatility of liquid prices over the reporting periods and to a lesser extent the decline in volumes sold.

We had stronger prices for all of our liquid hydrocarbon products in the third quarter than the second quarter.

Our operating expenses during the reporting periods declined by RR 15 billion, or by 11%, due to the reduction in purchases from joint ventures as a result of lower commodity prices but were offset by increases in G&A expenses, materials and services, DD&A and exploration expenditures. Purchases declined by approximately RR 19 billion or by 27% as this trend has been consistent throughout 2020 with lower benchmark prices. Our other operating categories were relatively consistent with our expectations for the reporting period and represented some seasonal adjustments, salary indexations and bonus accruals.

We spent RR 39.8 billion in cash on our capital program, representing an increase of RR 3.3 billion, or 9% versus prior year, and a decrease of RR 20 billion, or 33% Q/q. Our capital projects remained consistent throughout the year with the majority of our capital spent on our future LNG projects – Murmansk LNG construction yard, Obskiy LNG as well as capital spent to prepare future LNG fields. We also allocated investment capital to the North-Russkoye license area and to complete our ongoing administrative projects. There are no more changes to our capital guidance for the remainder of 2020.

Our normalized EBITDA totaled RR 94 billion for the third quarter 2020, decreasing by 10% over the prior year, but significantly improved Q/q by RR 23 billion, or 32%. In general, our financial results improved over the second quarter 2020, which was one of the weakest quarters we had since we went public in 2005 due to the factors noted. We had reasonable EBIDTA contributions from Yamal LNG despite the weaker global LNG prices, and despite having sold more LNG volumes on the spot market during the quarter. Moreover, the EBITDA contributions from both subsidiaries and joint ventures improved Q/q as we had stronger overall liquid commodity prices.

We generated positive free cash flows of RR 9.5 billion, which was down by 46% Y/y but a significant reversal of the negative free cash flows in the second quarter of RR 57 billion, which represented our first quarter of negative free cash flows since 2013. The net cash provided from our operating activities decreased by 9% during the reporting period, reflecting the decrease in our liquid sales volumes and lower commodity prices than the pre-COVID period.

Our balance sheet remained very strong during the first nine months 2020. Our fundamental credit metrics supports our international and domestic credit ratings, and we continue to believe that a sound and conservative financial position is important in these tough economic times, particularly when we see a significant increase in bankruptcies and debt defaults. We ended the third quarter 2020 in a net cash position as we received the second tranche of $2.1 billion in July from the prior sale of 30% to our partners in Arctic LNG 2.

It became quite evident over this past year that the energy markets remain extremely volatile and commodity price swings, both positive and negative, will have profound impacts on our financial results as well as the general stability and profitability in the oil

and gas industry. Bankruptcies and impairment write-downs remained significant in 2020, and most likely, we will see some structural shifts in long-term strategies and further industry consolidations. Moreover, the FOREX movements have also become more extreme which impacts our reported Net Profit and requires many adjustments below the operating profit line.

The COVID-19 pandemic has had a negative impact on the global economy and a devastating effect on the lives of many people. This pandemic remains with us today as we are seeing a second wave across many regions of the world. How this will impact the energy markets in the upcoming quarters remains unknown. Moreover, the natural gas market would benefit by a return to normalized winter weather to reduce excess storage and revert back to normalized seasonal fluctuations patterns of inventory fill and draws.

Over the last several quarters we discussed the importance of our Russian domestic gas business in terms of stable volumes sold and less volatile prices. The domestic gas business remains an important cornerstone of our business strategy, and in July, we successfully launched our first 40 thousand ton per annum small-scale LNG project in Magnitogorsk to create incremental gas demand for modal transport. **We are now selling more than six tons of LNG per day versus one tons at the beginning of 2020 and zero in 2019.** (CORRECTED)

In the third quarter, 87% of our total sales volumes, or 14.4 billion cubic meters, was sold on the Russian domestic market, whereas the remaining 13% was sold internationally as LNG. Our domestic sales were not negatively impacted by the overall decrease in global spot gas prices, although international gas hub prices improved Q/q from their lows this past spring. Our Russian domestic gas business insulates us from both price and volume volatility in global markets and, more importantly, remains quite stable and cash generative.

Despite the COVID-19 lockdowns, we saw global LNG demand increase during the first nine months of 2020 by 4%, and important import markets like China by almost 10% and India by 21%. We are confident that the Asian Pacific region will serve as the cornerstone for LNG imports for many decades, and our future LNG projects are focused on serving these growing markets.

We made great progress with our Arctic LNG 2 project and we are confident that we will deliver another world class LNG project at a time when the market will require more LNG supplies. Our ability to lower our transport cost by constructing the Kamchatka terminal as well as establishing a benchmark FOB price will increase our LNG trading activities in the Asian Pacific region.

We know there are many challenges ahead as global markets transition to more clean-burning energy and governmental mandates to reduce CO2 and methane emissions play a larger role in determining the future winners and losers in this Energy Transition. Issues such as the proposed Carbon Tax in the European Union need to be addressed. But we are

confident that natural gas will play a major role in the Energy Transition and remain a viable energy source to power the world economies for many decades.

We have fielded many questions from investors about hydrogen and its future role in the energy mix. We stated previously that hydrogen was an interesting prospect for us and that we are currently studying its commercial and economic viability. This process is ongoing and will take some time before any firm investment decision is made. Many of our industry colleagues are also studying hydrogen – whether "blue" or "green" hydrogen – but the consensus is the same as many have commented that a transition to a hydrogen-based economy is not likely in the short- or mid-term.

We understand that renewables and hydrogen will play a significant role in the future energy mix. We already use some renewables for our own needs and will eventually produce some hydrogen for internal consumption once the Ust-Luga's hydrocracker unit is completed. Today, we are studying several new projects including Carbon Capture and Storage at Yamal LNG as well as additional renewable energy projects. We are also considering the most economically and environmentally efficient projects for commercial scale hydrogen production, and we fully support and look forward to participating in the Russian Government's new hydrogen initiative.

Our focus is to become a leader during this "Energy Transition" by implementing our future LNG projects and increasing our LNG output to up to 70 million tons by 2030. Our strategy alone will contribute positively to reducing CO2 emissions. We estimate that we can reduce more than 170 million tons of CO2 emissions by replacing coal with our LNG output. This represents a notable contribution to the climate change for many years.

We have lofty ambitions to grow beyond 70 million tons with future LNG projects as our vast hydrocarbon resource base in the Yamal and Gydan peninsulas support additional growth opportunities. Moreover, our corporate strategy favors cleaner-burning natural gas and this environmentally friendly fuel already accounts for 83% of NOVATEK's combined hydrocarbon production. We have no doubts that the future of natural gas looks promising.

We will participate actively in this future growth of natural gas by delivering some of the lowest landed LNG costs to key importing market. Natural gas is the only fossil fuel that is projected to grow with increasing demand across all projected scenarios for upcoming decades, and this fact was again confirmed recently by the IEA's new energy outlook. LNG will serve as the key driver in future global gas demand growth as the developing economies shift away from coal consumption.

We strive to be a leader in providing affordable, secure and sustainable energy to key consuming nations for many decades. Our LNG is already one of the greenest in the world and we are developing measures to further reduce our emissions. Unlike most of our competitors, we control the full LNG value chain – from upstream to end-customer delivery – but ultimately price is the determining factor in contract awards. There is a perception that "Green LNG" may be seen as a premium product but very few customers

are willing to pay a premium for this product. This may change in the future, but this represents the reality of the market as we see it today.

We recently published our 13th Sustainability Report at the end of August and, at the same time, approved a number of ecology and climate change goals within our long-term business strategy. At the beginning of October, we joined the Methane Guiding Principles initiative, which is a voluntary, international multi-stakeholder partnership between industry and non-industry organizations. Yamal LNG is already one of the cleanest LNG plants in the world in terms of greenhouse gases and CO2 emissions. We are now considering a CO2 capture and storage project at Yamal LNG, making the project even cleaner and greener. This new project may be realized as soon as in 2022. We have determined that we have enough good reservoirs to inject and store CO2 as we fully understand the geology of the area, but the question remains, as usual, the volumes to be injected and economics of the process.

The principles of ESG are an important element embedded into our corporate ethos. We were once again reconfirmed as part of the FTSE4Good index.

And finally, we received all the necessary approvals and documentation from the financial institutions to formally release us from our DSU commitments. We can now adjust our dividend policy and increase our dividend payout as promised. Our dividend payout in the first half 2020 was 48% of our normalized IFRS net profit, which contradicted the trend of many of our industry competitors who either cut or eliminated their dividend distributions. We are committed to increasing our dividend payout for the full year 2020 results and beyond, and this question will be on the agenda at our upcoming Board of Directors meeting in December.

We would like to thank everyone again for attending tonight's conference call and for your continued support of NOVATEK. We hope everyone remains safe and healthy.

We are now ready to open tonight's session to questions and answers.

Thank you!!