

PAO NOVATEK

First Quarter 2020

Financial and Operational Results – Earnings Conference Call

30 April 2020

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our First Quarter 2020 earnings conference call. We would like to thank everyone for taking your valuable time to join us this evening.

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

We are living in an unprecedented time in history.

The health impact of COVID-19 has placed enormous economic and financial stress on many countries around the world. On our annual conference call, we briefly discussed the Coronavirus as a "Black Swan" event, unpredictable to forecast and difficult to gauge the extent and duration of this pandemic. More than two months have passed since our last call and we now see the economic and societal damage caused by COVID-19. More than 93 countries are in some state of economic and/or societal lockdown, impacting more than three billion people. Trillions of equivalent US dollars in economic stimulus have already been announced and these amounts will surely rise. It has touched all aspects of our lives in unimaginable ways, and will continue to do so for the foreseeable future.

Many of the main gas importing regions are negatively impacted by these lockdowns, and the question many people are pondering is the reopening of economic activities and how markets will recover. Answering these questions will determine the impact on energy demand and the eventual recovery of hydrocarbon prices.

We also discussed the primary issues leading to weaker natural gas prices – mainly, warmer than normal winter weather and high storage volumes. These factors dramatically impacted gas prices at key gas hubs, and the situation has not notably improved despite colder spring temperatures. Inventory levels are still tracking above five-year averages in key markets. This supply glut will need to subside through increased industrial demand and a reversion back to normal seasonal

weather patterns before we can realistically expect stronger prices. Nevertheless, we are beginning to see early signs of renewed LNG import activities.

China has begun to reopen its economy and thus increasing energy consumption. This represents a positive development, as China is a major importing market for natural gas and crude oil. Over the reporting period, a positive recovery of LNG imports into China was reported in March, and it will be important over the next several months to track this development on a week-to-week basis as this fact reversed negative import trends in January and February. We also saw very strong LNG imports in Europe and India during the first quarter, but these numbers began to decrease in the latter part of the quarter with the announced lockdowns and subsequent slowdown in economic activities from COVID-19. We need a few more months or even quarters to see how this economic slowdown impacts energy consumption, especially as we shift seasonal consumption patterns and see how production shut-ins reduce excess supplies.

Besides the pandemic, the OPEC+ production disagreement came at a bad time as supplies drastically exceeded demand due to the global economic slowdown. Subsequent to the balance sheet date, OPEC+ agreed to a series of production cuts aggregating ~ 10 million barrels per day, but unfortunately, this action has not stopped the downward spiraling of benchmark crude oil prices. Most likely, more supply cuts will be needed in the short term as storage availability is being stretched to the maximum. Similarly to the natural gas markets, this present over-supply situation will need time to work through the excess supplies before we see a more sustainable price recovery. We may have already hit the floor on both global natural gas and benchmark crude oil prices, but recent events – like the negative WTI May contracts and now cancellations of US LNG cargos is a sign of how severe the economic slowdown is today from the negative consequences of the pandemic.

Fortunately, the situation is not all bleak. We have faced various economic crises in the past although nothing compares to the extent of this pandemic. NOVATEK has historically operated on the low end of the cost spectrum, and our ability to remain solvent and generate positive cash flows has been discussed many times in the past. This resiliency is extremely important in these extreme, stress market conditions, as we are able to sell our hydrocarbon production profitably, sustain production output, and generate above industry returns, while comparatively many of our global peers are substantially reducing capital expenditures, generating negative cash flows and slashing dividend payments. Our financial position is very strong and it's a direct result of our conservative financial policies and our strict focus on cost control and project execution. We manage what we can control and focus our efforts where we can make a positive impact to our business and society.

Two Thousand and Twenty (2020) will be a difficult year for many companies in all sectors, not just the oil and gas industry. We are confronted with many unforeseen challenges as economies eventually emerge from these lockdowns, but we are resolved to maintain our strategic focus and invest capital to become one of the largest LNG producers globally. In our opinion, the present market imbalance does not represent a structural shift in our future gas demand forecast. As we mentioned on our annual conference call, we remain very optimistic that the strategy we have adopted to become a leader in delivering low-cost LNG to key consuming global markets is the right strategic decision despite these present challenges. We have a balanced portfolio of projects that allows us to make short-cycle investments like the North Russkoye Cluster that will sustain our production profile domestically, and we have long-cycle investments, like Arctic LNG 2, Arctic LNG 1, Obskiy LNG and our other LNG projects, which will meet future global gas needs. We remain committed to our vision and our strategy.

The First Quarter 2020 (1Q) was challenging but we achieved reasonably good financial and operational results despite the precipitous declines in crude oil and natural gas prices globally, a reduction in spot LNG volumes sold as Yamal LNG sold more volumes under long-term contracts, and the tremendous financial and economic stress on global economics caused by the pandemic.

Global LNG imports were approximately 101 million tons, or roughly 13% higher than in the first quarter 2019. China imported approximately 15 million tons, representing a decline of 5% as compared to the prior year, but more importantly, we have seen a recent increase in Chinese LNG imports with the country's economic activities slowly reopening. The EU imported 28 million tons of LNG representing a solid 57% year-on-year (Y/y) increase, but lockdowns in key importing markets are beginning to slowdown economic activities as well as high inventory levels, which limits this important region's flexibility to import more volumes. This situation has led to recent announcements of US LNG cancellations for cargo deliveries in the June time slots, but more may follow in the upcoming months.

Overall, COVID-19 will impact natural gas demand globally in 2020 but to varying degrees. Chinese gas demand is forecasted to remain relatively flat Y/y with the industrial and transport sectors most affected. We believe the floor in LNG imports was achieved in February and March, and we do not believe LNG demand to decrease further. For Japan and South Korea the LNG import situation is relatively the same although these two key markets have seen relative declines over the past several years. Nonetheless, these three markets remain key LNG importing nations and it's important that economic activities resume pre-COVID-19 levels.

It's probably sensible to discard all forecast in 2020, as the market is too volatile and too uncertain at this moment. We need to see more tangible signs of global economic recovery and more consistent data on energy consumption to get a realistic sense of the demand destruction and its impact on energy prices. Currently, natural gas prices in key gas hubs are weak and trading at less than \$2.00 per mmbtu, with the forward curves for the upcoming months not very encouraging. We see LNG prices completely decoupled from crude oil prices as a result of increased spot trading and short-term contracts, where the oil price linkage is minimal or non-existent.

In Europe, we believe the TTF (Title Transfer Facility) price will remain low throughout the summer months, but possible reach price stability with gas injections and air conditioning (A/C) usage. We also expect the JKM price to remain low this summer based on recent tenders from China and India. LNG prices in key Asian importing countries should stabilize, however, with massive A/C usage and as economic activities slowly recovers from shutdowns, with a slight rebound in prices during the upcoming winter season. Although there is a present oversupply of LNG, the underlying market fundamentals impacting consumption are quite different from oil products.

We had two abnormally warm winter seasons, which significantly curtailed gas demand during the traditional peak heating season. This fact combined with new LNG supplies of ~ 41 million tons in 2019 exacerbated the oversupply situation. For instance, EU gas storage in April was approximately 55% full at roughly 53 billion cubic meters (BCM), while the region's five-year average (2013 – 2018) levels were 31%. The situation in the US is no different. US gas storage in Spring 2020 was approximately 47 BCM, while the five-year average was 33 BCM. The market can temporarily use LNG tankers as storage but this situation is not ideal due to boil off gas.

Another major factor was the huge new supplies of LNG that came to market in 2019. Approximately 43 million tons of new liquefaction capacity was commissioned last year and more capacity will be launched from the US in 2020, albeit at a lower growth rate. We should see some curtailment of LNG output over the next several quarters, especially the marginal projects, but we see the most profound impact of lower prices and oversupply on Final Investment Decisions (FIDs) that were planned for 2020. Most of the major LNG FIDs have been postponed to 2021 or after. In our opinion, these delays will rebalance the market around the time we expect to commission Arctic LNG 2 in 2023, which is very positive for our project's marketing efforts.

Our Yamal LNG project loaded and dispatched 67 cargos or approximately five (5) million tons of LNG in the first quarter 2020, of which 48 cargos or 72% were long-term contracts and the remaining 19 cargos or 28% were spot sales. This represents an increase in long-term contract sales from 58% in the fourth quarter 2019 to 72% during the current period, and we expect spot sales will not exceed 25% of total delivered volumes in 2020. Yamal LNG also dispatched seven (7) cargos of gas condensate totaling 290 thousand tons.

Yamal LNG is currently working at full capacity, and all cargos were offloaded and delivered to customers, including those in Asia, without delays or disruptions in accordance with contractual agreements. The facility's liquefaction trains continued to operate above its nameplate capacity at 122%, which is extraordinary. Equally important, all counterparties fulfilled their respective obligations within the agreed contractual timeframe. At the balance sheet date, there were no force majeure notification events with our customers. All cargos are offloaded and delivered to our customers, including full commitments to China, without delays or disruptions. So far in April 2020, we have dispatched 23 cargos of LNG.

Another important milestone was reached recently as we have successfully completed our final shipping tests to release the DSU imposed by international banks financing the Yamal LNG project. We have received positive confirmation from the lenders and can now reconsider our dividend payouts as promised, although we have some remaining procedural paperwork that needs to be completed. Obviously, our profitability will depend on the macro-environment, but nonetheless we finalized our completion tests and will increase the dividend payout based on the financial results of the first half 2020. Our financial position is strong, and we reiterate that the increase in our dividend payment is one of our key priorities.

We have received many questions recently on LNG pricing and the impact on our prices due to the significant drop in crude oil and spot gas prices on main gas hubs. We stated previously that LNG contractual terms are commercial secrets respected by all industry players and our counterparties. We also respect this industry practice and do not disclose our price formula, including the mechanisms of the S-Curves. However, thanks to the S-Curves embedded in our contracts, our LNG prices are not as volatile as crude oil prices. The S-Curves effectively decreases price volatility, protecting both the buyers and seller with price ceilings and floors, respectively. More significantly, we believe the era of high gas prices linked to crude oil indices is over, and we welcome a relative period of lower gas prices to stimulate gas demand in price sensitive markets.

We know this statement on relatively lower gas prices is probably at odds with most of our competitors largely due to the differences in our operating cash costs, where we have a distinct competitive advantage, but this price competitiveness makes our LNG platform attractive to buyers. We have received strong interest from prospective customers on future Arctic LNG 2 volumes. Buyers are reasonably comfortable in our ability to deliver some of the lowest cost LNG

in the market. As previously reported, we signed Heads of Agreements with all project shareholders, with terms FOB Murmansk and FOB Kamchatka, including agreed pricing formulas. We expect first LNG produced from Train 1 in 2023.

We expect a more balanced LNG market after the cancelations and delays in FIDs as well as completing the recent wave of project commissioning. It's very important that Arctic LNG 2 is being realized despite massive delays and cancelations of global LNG projects as these other projects were initially scheduled to commence commercial production at roughly the same time as Arctic LNG 2. We see no major delays in our marketing efforts although the current market environment is more competitive, and the inability to have direct meetings complicates these discussions.

There are presently 11 thousand construction workers from more than 20 different companies working at the LNG Construction Yard in Murmansk. Unfortunately, a series of recent news stories reported an outbreak of viruses at the construction site. At the request of the contractors, NOVATEK-Murmansk organized the general testing of staff from all contractors. As a result of this testing, a number of employees at one of the contractors, Velesstroy, tested positive. The Velesstroy camp, where its employees live and work, is located separately at a significant distance from other contractors' living and working camps. Velesstroy's employees do not cross paths with other contractors' workers.

The requirements and precautions mandated by the authorities (Rospotrebnadzor) have been met and implemented. This outbreak, although serious and unfortunate, will not impact the construction progress at the site, nor impact the ongoing construction works for Arctic LNG 2. We remain committed to ensuring the safety of our workers and contractors and endeavor to promote a virus-free environment at our work sites.

We received the official permissions from the applicable authorities on completing Dry Dock #1. At this site, concrete casting of the bottom slabs of the LNG tanks and GBS platform are underway. We estimate that approximately 57 thousand cubic meters representing 34% of the work related activities has been completed so far. We are proceeding with rock blasting at Dry Dock #2 as well as other work activities for main office construction, topside module workshops and hydro-technical structural works for berth and bank protection. Berths nos. 1 and 2 for receiving and offloading materials were completed in the fourth quarter.

We presently have almost 5,200 people working at the Utrenneye field. We completed the backfilling of the Gas Treatments Unit-1 for the first dome, well pads 1, 2, and 3 for production drilling, as well as ongoing backfilling works at the gas power turbine site and other onshore facilities. Work was completed on the construction of high-voltage power lines – 21 kilometers, utilities pipe racks – 10 kilometers, roads – 27 kilometers, and the installation of steel structures for four (4) fuel tanks of 5,000 cubic meters each.

Work also proceeded as planned on the Utrenneye terminal. We completed the fillings for the technological dams for pile installation of the quay embankment and we started installing anchor rods for the first GBS platform. We will continue to provide more updates as activities progress on Arctic LNG 2.

Overall progress at Yamal LNG's Train 4 is 79% complete (versus 73% as of 2 February), with more than 2,700 people working at the site. Presently, we see no major schedule impact or delays due to COVID-19. All major purchase orders were placed and items delivered. Each site shift has been extended to 90 days to reduce rotation rate and keep required mobilization levels. We

are forecasting construction completion in the Third Quarter 2020, with Train 4 commissioning by the end of the year.

Last week, President Putin signed into law the additional amendments to the export law for LNG, and this finalizes one of the outstanding questions relating to our Obskiy LNG project. The other remaining question is receiving a patent on the modified design of the “Arctic Cascade” liquefaction technology as we expand the liquefaction capacity from 900 thousand tons as used on Yamal LNG’s Train 4 to 2.5 million tons for Obskiy LNG, including some additional technical modifications and solution enhancements.

We have always maintained a conservative approach to our financial policy and weigh project decisions based on rigorous and prudent economic analysis. We are presently considering a decision to delay FID on the Obskiy LNG project but a final decision has not been made at this time. We will consider this question more thoroughly during the next several months after reviewing various financing options, but may consider delaying the start of the first train by one year to 2024. We believe that the project will remain highly competitive in a growing LNG market from 2024 onwards. This delay will not impact our long-term strategic goals to produce 57 to 70 million tons per annum of LNG by 2030.

At Cryogas-Vysotsk, we produced 120 thousand tons of LNG during the reporting period, or roughly 64% capacity utilization. The market for bunkering fuel in the Baltic Region has been impacted by COVID-19 and this situation will most likely remain stagnant for several quarters. The impact from the economic shutdowns and lack of tourism impacted regional sales but we remain confident that this market will expand and we will eventually link our LNG marketing strategy with the construction of the Rostock Terminal in Germany, and the build out of retail LNG stations in Poland and Germany.

We had three retail stations operating in Poland and Germany, and we just successfully commissioned our fourth retail station, Potsdam LNG, in Germany in March. NOVATEK Green Energy manages this business segment and purchased 195 truckloads of LNG, or three thousand tons, from Cryogas-Vysotsk during the first quarter.

We are not reducing our exploration activities significantly in 2020, as this aspect of our business is important to support our future LNG platform. We may postpone some exploration works, mainly relating to crude oil activities, but no major works will be delayed. There were no negative impacts from COVID-19 as seismic activities were performed in the winter season 2019/2020, and our drilling program remains unchanged. We increased our 2D and 3D seismic runs at our subsidiaries; as well as significantly increased the meters drilled as compared to the prior year.

We achieved very good drilling results at Arctic LNG 2’s Utrenneye field during the quarter. We drilled six (6) production wells, all of them successful, with average well flow rates ranging from 1.0 to 1.5 million cubic meters per day. These well flows were higher than originally expected, which is positive for the field’s development plans.

We maintained our development-drilling program throughout the reporting period. We drilled and completed 27 production wells that were consistent with the number of wells drilled in prior year period, with our focus remaining on developing the North Russkoye Cluster. We have more than 3,100 people working on various activities at the North-Russkoye Cluster, and good progress is being made to implement the various fields’ commissioning over the next two years.

We remain committed to our previously announced production guidance with natural gas production increasing by 2% to 3%, and our liquids production remaining relatively flat. We will

plan our liquid production in compliance with the recent OPEC+ production agreement, by decreasing our crude oil production starting on May 1st. It's important to note that our gas condensate production is not impacted and will increase this year, offsetting some of the declines in crude oil output. Our primary goal is to ensure adequate liquid volumes are delivered to our processing facilities to run at 100% of their respective operating capacities. We will maintain plateau levels at both our Purovsky Processing Plant and the Ust-Luga Complex.

It should be obvious that our first quarter results were negatively impacted by weaker commodity prices. This should not be a surprise to anyone as it has been well reported in the press. The first quarter 2020 was a period of weak commodity prices across the whole range of hydrocarbon products, as well as declining demand from the economic shutdowns beginning in China and then slowly affecting most economies as the quarter progressed. Despite these facts, we still achieved decent financial and operational results during the quarter. We also experienced a period of significant depreciation of the Russian ruble against the US dollar and Euro of 26% and 24%, respectively, which resulted in large foreign exchange effects on our results that were normalized at both the EBITDA and Net Profit lines. In the First Quarter 2019, we also reported a large gain on the sale of our participation interests in Arctic LNG 2 that impacts the comparability of Y/y results.

Brent crude oil prices declined by 21% year-on-year (Y/y) from an average of \$63 per barrel to \$50 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) and TTF (Title Transfer Facility (Netherlands)) both declined by 49%, respectively, during the quarter. On the other hand, the Russian domestic gas tariffs increased Y/y by approximately 3%, and this increase positively impacts our revenues and netbacks achieved for gas sold domestically via the Unified Gas Supply System.

We mentioned on our annual conference call that our Russian domestic gas business was still a critical part of our revenues and operating cash flows, and we want to stress again tonight that despite everyone's primary focus on our global LNG business and future LNG prospects, we should not overlook the importance of our Russian domestic business. It is less volatile, it has relatively stable sales volumes, and it generates substantial free cash flows on minimal maintenance capital. During the reporting quarter, sales of natural gas domestically accounted for 74% of our revenues as compared to 59% in the prior year. The change between reporting periods was mainly attributable to the drop in our spot LNG volumes sold as Yamal LNG commenced more long-term contracts, and to a lesser extent, the corresponding decrease in average global LNG prices.

There are strong headwinds impacting LNG demand globally, but we believe a period of relatively lower gas prices will spur opportunities for additional demand growth as this pandemic will eventually pass. Key importing countries will transition from coal to natural gas supporting future scenarios showing absolute growth in natural gas consumption. We believe LNG remains a key driver in future global natural gas demand growth, and our cost-competitive LNG platform positions us to play a leading role in this energy transition.

Our total natural gas revenues declined 21% Y/y and 3% quarter-on-quarter (Q/q), which were largely impacted by declines in international gas revenues of 51% and 11%, respectively. We sold 17.1 billion cubic meters of natural gas on the Russian domestic market and 2.5 billion cubic meters in equivalent LNG sales during the reporting period, accounting for a combined net decrease of 1.5 billion cubic meters, or by almost 7%. On a Q/q basis, our volumes sold on the

domestic market decreased by less than one-half of one percent, but declined by almost 9% internationally.

Our LNG revenues declined Q/q by RR 3.0 billion, which resulted mainly from a reduction in offtakes from Yamal LNG as the project shifted to more long-term contracts, and accordingly, we reduced our offtake of spot volumes from early start-up. Domestically, our combined sales volumes from end-customers and wholesale traders increased marginally by 131 million cubic meters, while our domestic gas revenues remained relatively flat from the fourth quarter.

LNG sales on international markets represented 12% of our total natural gas volumes sold and accounted for 26% of our natural gas revenues in the first quarter 2020. Our average netback remained more than 3.5 times higher for LNG volumes sold internationally than netbacks received on the domestic market. This netback ratio remained relatively consistent between the quarters. Even with weak spot prices, LNG volumes sold internationally contributed positively to our revenues and netbacks for natural gas. It's important again to remind everyone that spot LNG sales, although increasing in importance, still represented about one-third of the total global LNG volumes sold internationally.

We sold 4.0 million tons of liquids in the reporting period, representing an Y/y increase of less than one percent, and a Q/q decrease of 6%. We exported 58% of our total liquid volumes during the quarter, which is consistent over the comparative reporting periods. Our total liquid sales decreased Y/y and Q/q by 21%, and 28%, respectively, driven mainly by decreases in essentially all of our liquid hydrocarbon prices and a decrease in liquids volumes sold Q/q by ~ 246 thousand tons. Underlying benchmark crude oil prices are forecasted to remain somewhat depressed throughout the year, largely resulting from an excess of global oil supplies and lower transport demand from the virus.

Our operating expenses during the reporting periods declined largely due the reduction in LNG purchases as more volumes were sold via long-term contract as well as the lower prices we paid to our joint ventures for liquids. This expense trend was no surprise during the quarter. Our overall operating expenses declined 16% Y/y and 12% Q/q. Purchases again were the most significant expense item and decreased by RR 30 billion and RR 17 billion, respectively. Most of the remaining operating expenses, including G&A, were consistent with our expectations for the reporting periods and seasonal adjustments.

We spent RR 41 billion in cash on our capital program, representing a decrease of RR 1.5 billion, or 4% versus prior year, and a decline of RR 9 billion, or 18% Q/q. The majority of our capital program remained focused 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 on the North-Russkoye license area and to complete our ongoing administrative projects. We allocated the remaining capital spent over a range of development projects across our project portfolio.

More than 60% of our capital expenditure program based on our prior guidance of RR 250 billion will be completed in 2020. Considering the present macro-environment, we will revise our capital expenditure guidance downward and may reduce this amount by up to 20%, or RR 50 billion, of our planned investment program. We will maintain our investment commitment to our LNG program and key domestic-related production projects.

Our normalized EBITDA totaled RR 101 billion for the first quarter 2020, decreasing by 15% over the prior year, despite good contributions from our joint ventures. We had very strong EBIDTA

contributions from Yamal LNG on the back of relatively strong financial results as LNG sales moved towards long-term contracts. EBITDA contributions from subsidiaries were lower mainly on liquids sales impacted by lower commodity prices. Our operating cash flows exceeded our cash used to finance capital expenditures by 1.4 times, despite the 5% decrease operating cash generated that was partially offset by a 4% decrease in cash spent on our capital program. Despite this fact, we generated sufficient operating cash flows to fund our capital program, service any debt payment or liabilities, as they become due, and disburse semi-annual dividends to shareholders. We remained free cash positive for the reporting period.

Our balance sheet remained very strong during the first quarter 2020. We again improved our credit metrics, and demonstrated without question an exceptionally strong balance sheet to support our international and domestic credit ratings. A sound financial position is important in these tough economic times.

In closing, the first quarter 2020 was a difficult period for the oil and gas industry. Unfortunately, the second quarter does not look better with continued low commodity prices and weakness in global demand due to the economic shutdowns. A prolonged period of economic stagnation will further exacerbate this situation as global markets are currently oversupplied with crude oil and natural gas, and this fact negatively impacts spot commodities prices. Even with the announced historic production cuts by OPEC+ starting in May 2020, crude oil prices have not stabilized as storage capacity has essentially reached full capacity levels.

NOVATEK has fared much better than our global oil and gas peers in times of economic stress due to our low cost structure, conservative approach to our balance sheet and flawless project execution. Moreover, we have delivered exceptional returns on invested capital as well as raised our absolute dividend payment each period.

We have faced various economic crises in the past although nothing compares to the extent of this pandemic. NOVATEK is one of the lowest cost producers in the global oil and gas industry, and our ability to remain solvent and generate positive cash flows is our strength. This resiliency is extremely important in these stressful market conditions, as we are able to sell our hydrocarbon production profitably, sustain production output, and generate above industry returns, while many of our global competitors are substantially reducing capital expenditures, cancelling or delaying projects, generating negative cash flows and slashing dividend payments.

Our financial position is very strong and it's a direct result of our conservative financial policies and our strict focus on cost control. This was again reconfirmed recently by our external credit rating agencies. We control what we can and focus our attention where we can make an impact to our business, and minimize the external events that are non-controllable by management. We will emerge from this pandemic in a very strong position both operationally and financially.

One of our core pillars is our financial stability due largely to our domestic natural gas business. We still produce and deliver a significant volume of natural gas on the Russian domestic market that is stable and gas pricing is not volatile. Eighty-eight percent (88%) of our total sales volumes, or 18 billion cubic meters, was sold on the Russian domestic market that was not negatively impacted by the decrease in global spot gas prices. This element of our business resiliency should not be underestimated.

Although lower underlying benchmark crude oil prices impacts our liquids business, as a low cost producer we still generate sufficient free cash flows. Excluding our LNG sales, our domestic gas business provided us with about half of our income and is stable, less volatile, despite the slight

decrease in first quarter sales volumes due to warmer winter weather. Our global LNG business is important and exciting to the future growth and profitability of NOVATEK, but our Russian domestic business is equally important, remains highly profitable and generates solid operating cash flows.

COVID-19 lockdowns has put short- to medium-term pressure on all of our core markets, but in recent weeks LNG imports in key consuming countries like China has resumed. Since the last week in March to the last week in April, LNG imports into China has increased by 70% to 1.4 million tons. India also increased imports of LNG in the first quarter by 20% from the fourth quarter, so these are positive indicators. A relative period of lower gas prices is not bad. Lower prices will stimulate gas demand in price sensitive countries. We look at these recent developments as positive signs and focus on lowering our cost of delivered LNG such as our ship-to-ship transfers that we recently resumed in Norway, and the eventual construction of the transshipment complexes in Murmansk Region and Kamchatka.

Resuming economic growth is obviously front and center for most governments, but the energy transition is still a key policy agenda. Addressing the question of climate change is still critical as COVID-19 is having a positive impact on carbon emissions, and most likely will be a rallying call from the “Green Movement”. As an affordable, secure and reliable energy source, we must promote the benefits of natural gas and position ourselves as one of leaders in this energy transition movement. We must not let outside influences dictate our message.

The remainder of 2020 will be a tough year for the oil and gas industry, but the negative impact is not consistent across all companies. We have built a robust business model that generates resilient cash flows from our core domestic business, and which also provides substantial upside with improving global LNG pricing and a reversion back to sustainable crude oil prices. We have a strong pipeline of value accretive LNG projects that offers high returns to our partners and we have successfully demonstrated that we can deliver one of the lowest landed LNG costs to key consuming countries.

We will get through this unprecedented time in our history as a much more determined company – more resilient, more resolved. A strong financial position, a low cost operating model and a strong sustainable cash generative domestic business define our resiliency. Our unwavering commitment to be one of the largest LNG producers globally, and achieve the goals and objectives set forth in our corporate strategy defines our resolve. Natural gas will play a vital role towards an environmentally sustainable future, and our strategic aim is to be a leader in this energy transition.

And finally, we will increase our dividend payout, deliver top-tier total shareholder returns and remain steadfast to our ESG (Environmental, Social and Governance) commitments. These pledges define our proposition to our valued stakeholders. Stakeholder and sustainability issues remain important despite the COVID-19 crisis. Our shareholders recently approved our second half 2019 dividend recommendation at the virtual AGM. We increased our full year dividend by 24%, and by doing so we sent a positive signal about our financial health and our commitment to shareholders. We now ask you to remain patient in your investment decisions, as we navigate through these unprecedented, turbulent times.

We would like to thank everyone again for attending tonight’s conference call and for your continued support of NOVATEK, and most importantly, to remain safe and vigilant to do your part in stopping the spread of this virus.

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

Thank you.

Operator: If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again press star one to ask a question. We'll go to our first question from Ekaterina Smyk with Bank of America.

Ekaterina Smyk: Yes, good evening. Thank you so much for the presentation. I have a couple of questions. One of them is on the oil product sales. You mentioned that you plan to keep your processing plant at full capacity utilization. Do you see any risks of potential challenges with placing these products to the market, how your sales have been affected so far, for example in April to date?

And the second question is on the Yamal LNG contract pricing. I mean I fully understand that the terms are commercial, but how do the Yamal prices look versus spot currently? Is that significantly higher than spot which like have recently collapsed to below \$2 per MMBtu?

Mark Gyetvay: Liquids remains relatively strong, but obviously, the macro environment will impact them. We have no problem selling our liquids volumes. However, if we look at some of the market today and we look at the individual components, because we don't sell just stable gas condensate. We sell a basket of hydrocarbon products. We have concerns about what's going to happen to jet fuel as that market is somewhat weak right now. But I think generally speaking, we don't have a really major problem selling our liquids. And prices will obviously be dependent on the underlying benchmark prices, okay.

Mark Gyetvay: On the LNG pricing, I mean as we talked about this topic before, we have said we're moving away from spot sales. You can see that spot prices are somewhat weak right now, and as I mentioned, we're moving away from spot volumes. So in April of this year, we have essentially moved away from most of our spot sales at Yamal LNG, and should be at full contractual sales for 96% of the plant's output. Spot sales will still be traded on 4% of the output, which were the normal initial projection as well as anything above the nameplate capacity. We produced 122% of nameplate capacity in the first quarter. That obviously is not sustainable throughout the whole year. We generally guide the market at least probably 10% higher than nameplate capacity.

These additional volumes will be sold via spot sales. Obviously, those sales will be impacted to a greater extent than what would be the oil linkage prices which has the S-Curves. Unfortunately, we cannot disclose what the S-Curves are. But as I mentioned in the text, it's not as volatile as we see the pricing in crude oil markets. And, more importantly, the prices we received so far in the first quarter were stronger than what we see generally in the marketplace.

Ekaterina Smyk: Understood, thank you. And just to get back to the liquids sales volumes. I mean looking at April for example gas oil, jet fuel sales have been placed without any problems and you don't see any decline in sales volumes on that front?

Mark Gyetvay: No, when I said earlier I've said as we speak right now, it's obviously transport fuels such as jet fuels that have been a problem. We produce about 14% of our output from Ust-Luga as jet fuel. Now, we have a weaker market for jet fuel. So we just need to see how airlines, etc., resume operations, but that is obviously a weak spot in the liquids sales.

Ekaterina Smyk: Understood, and the last one – You mentioned the potential delay in Obskiy LNG for until 2024 startup. Is it mainly driven by this delay in FIDs which is postponed for several months because of this current situation?

Mark Gyetvay: I think it's more of a function of essentially our decision to look at what the market will be at 2023 and beyond, and we believe that it's prudent at this particular time to consider a delay, but we have not made it. Let me be absolutely clear. We have not made a final decision yet. But most likely, we believe that it will be more prudent given where the market is evolving and the commissioning of projects that are already happening, that it's probably best to postpone this project's commissioning by one year. We were planning to launch Obskiy LNG in the same year as we were going to launch the first train of Arctic LNG 2.

And so now we're just thinking that it may be more prudent given where the potential demand situation will occur that we should look at 2024 and possibly a one-year delay in commissioning. But again, a decision has not been finalized as of this time. I think we'll address this question more on the next conference call as we know whether or not we'll make that decision.

Ekaterina Smyk: Okay, clear. Thank you so much.

Mark Gyetvay: Okay, you are more than welcome.

Operator: We'll go to our next question from Thomas Adolff with Crédit Suisse.

Thomas Adolff: Hi, Mark. A few questions from me as well. If we kind of contrast price and volumes, and, obviously, we can all see the prices and how weak the prices are for spot. And we don't really see the volumes until you report. And the volumes have held up quite well in the first quarter, five million tons for Yamal LNG.

Can you just remind us on the cash cost of Yamal LNG on a dollar per MMBtu basis after shipping and after also taking into account the condensate credit? Just want to get a better sense for the profitability of your spot cargos?

And then I guess secondly linked to the volumes as we go into the summer months, when seasonally demand is also lower, are you cutting back utilization rates also because of what's going on in the world? And then I've got another follow up.

Mark Gyetvay: On the first question as we mentioned on many calls and many discussions with investors, we basically look at the cash costs at about \$0.10 for the feedstock gas. So that's \$0.10 from the field to the plant. We add another \$0.40 roughly to get to liquefaction cash cost. So we're at a cash cost, so we're about \$0.50 in that neighborhood to reach an FOB Sabetta. Then it depends on where the product goes. If it goes to the European markets dependent on transshipments, etc., we could add another dollar, dollar and a half depending on the shipment size and destination. If we go to the Asian markets, we're talking about another \$2 plus to get it to the Asian market. We don't look at the condensate credit as an adjustment to our cash costs. Okay, so I don't have that number to be able to say that look our feedstock gas, liquefaction, plus shipping, minus condensate credit is our cash cost. We don't report it that way. So we're talking about probably in the neighborhood of about a \$1.5 to \$1.75 to the European markets in that neighborhood, and \$2.50 plus to get it to the Chinese markets as an example. That's all I can talk about it at this time.

Thomas Adolff: Yeah, so on a spot basis, it doesn't really make much sense to be producing now with spot prices where they are.

Mark Gyetvay: I mean, how are we're going to – we're going to shut down the plant? Is that what you're recommending?

Thomas Adolff: Or just – no, reduce utilization rates or –

Mark Gyetvay: It's operating – at that amount of cash cost, we're still making money because Yamal is making money. And, Yamal then contributes back on to our profitability via pick up on EBITDA from the joint ventures. So we're able to sell our products profitably in these current pricing markets. And that's what I alluded to in my text. So there's no plan to curtail and stop producing at Yamal LNG.

Let me understand you on the other question, Thomas. Are you talk about the summer months? I assume that you're talking about summer months in terms of LNG output cuts or domestic production cuts or what are you specifically referring to in this specific question?

Thomas Adolff: LNG.

Mark Gyetvay: I don't believe we have any plans to reduce output from Yamal LNG in 2020. Like I said, we have contractual obligations that we fulfill. We are offtakers committed to offtaking our respective volumes. As I mentioned, we had no problem selling our LNG so far to date. I just told you today – even in these difficult times we now have 23 cargos that were delivered already in the month of April. So I don't foresee given our cost advantage that we're going to sit there and decide whether or not we're going to curtail production. Now that may be slightly different for Cryogas-Vysotsk, but not Yamal LNG.

I think what you're alluding to Thomas, we're not a marginal producer. What I alluded before, I said what we're going to start seeing is curtailment from marginal producers. So you're going to start curtailments from higher cost LNG projects around the world, and Yamal LNG is not one of them. We're going to keep producing throughout the year. I've seen no plan that has been presented to me as of today's conference call that talks about reducing the output at Yamal LNG.

And you have a follow-up question?

Thomas Adolff: Yes. On the contract volumes and the pricing of that, and obviously you talked about the S-curves and you don't want to discuss where the lower kink point is. But when I speak to other companies, they always talk about this three-months lag, six-months lag. Is it fair to assume the same for Yamal LNG? Is there a lag or is it essentially more responsive to where prices are today?

Mark Gyetvay: There is a lag and it's not a short lag. But it's more on the six-month lag.

Thomas Adolff: Okay, perfect. Thank you.

Mark Gyetvay: Okay. You are welcome.

Operator: Our next question is from Igor Kuzmin with Morgan Stanley.

Igor Kuzmin: Hi, everyone. I've a couple of questions please. The first question is in regards to the assessment of how the domestic sales volumes potentially may change in 2020 year-on-year given the negative effect from the coronavirus on the domestic consumption. That's question number one.

And question number two, I'm not quite sure I understood and apologies if I missed it. Is it possible to provide an absolute number or an estimate for the total investment plan for 2020 including all the commitments on a working interest basis for NOVATEK? Thank you.

Mark Gyetvay: Let me get to the second one first because that's the easier one. Our guidance for 2020 was RUB 250 billion. I said that we could reduce that up to 20%. So if you take that number as being the maximum, you're looking at roughly RUB 50 billion being reduced to the CAPEX program. So it could be anywhere from RUB 200 billion to RUB 250 billion. Most likely, it will be at the RUB 200 billion range with a 20% cut.

Your first question is more difficult because as I tried to say throughout the text, I mean we're operating in a time that nobody's ever experienced with a total shutdown of global activity. And Russia's shutdown is no different. I mean we're in a period of time where it's hard to project or forecast because we don't know exactly what are the reopening plans and what the economic return will look like when things reopen. For example, Russia just prolonged its shutdown to after the May holidays. So presumably, we might see some reopening up of activity after 12th May, right? Now that doesn't necessarily mean that we're going to have a full reopening. So we really don't know with 100% certainty. That's why I said it's going to take a couple of more quarters or months or whatever timeframe that's going to be when we start seeing whether or not we're going to resume activities, and how quickly we can resume back to a pre-COVID-19 economic activity.

I would just be pulling numbers out of the air to try to give you some kind of assessment of what the impact will be in Russia. Now we know certain parts of the economy are not going to be impacted. If we resume back to a normal winter weather, etc., we're going to use natural gas and demand will be normal. Right now, we haven't adjusted our guidance. As a matter of fact, we said we're going to increase our gas production by 2% to 3%. And

we haven't really changed dramatically our assessment of what the domestic market sales will look like. I think we need a couple of more quarters or a few more months to come back to you, and this may be a better question to address on the second quarter conference call when we're in the month of July. We can see how economies including Russia are starting to roll out of this lockdown. Right now, I don't think anybody can tell you that answer. That's the same thing with pricing. Actually nobody can give us an idea of what prices will be. So let's just wait a few more periods, and then we'll see what happens.

Igor Kuzmin: That makes sense. Thanks so much.

Mark Gyetvay: Okay. You're more than welcome.

Operator: We'll go to our next question from Henri Patricot with UBS.

Henri Patricot:– Mark, thank you for the update. I have a couple of follow-ups on the financial framework, and the first one on the CAPEX budget for 2020. I was wondering if you could give us a breakdown of that 20% cut to the RUB 250 billion figure, where would that come from?

And then secondly on the shareholder returns and the dividend increase in payout that you're thinking about for the rest of the year. I'm conscious that there's a lot of uncertainty at the moment. But can you give us some sort of indication as to where that payout could be if we were to keep in mind the level of free cash flow generation, the level that you'd be at? Any indication would be helpful. Thank you.

Mark Gyetvay: You're welcome. Thank you Henri. On the CAPEX right now it looks like most of the cuts will relate to future oil related projects. So things like Kharbeyskoye oil field oil program may be cut slightly. East-Tarkosalinskoye oil program most likely will be cut. Things that we know that we're going to contribute production into the OPEC+ agreement, most likely those things that are not crucial to the core part of our business will be cut. Anything related to our LNG platform will continue. Everything related to sustain the domestic gas business will continue. So it's mostly crude oil related.

The payout question, first of all it should be good news that we finally got everything done on the completion test, and we can confirm that we will increase. But it's like if you had RUB 100, and I had a normal payout of 30% and you got RUB 30, but if my net profit goes down to RUB 50 because of the economic decreases due to lower profitability on crude oil price, and I raise it to 50% payout, you get RUB 25. It's important to look at this question realistically.

It's going to be a function of just like we've done in the past. We looked at our profitability based on macroeconomics events, and you can see already we have adjusted our net profit not to negatively impact our shareholders. So our first quarter profits obviously have gone down year on year, but not to a significant extent with the adjustments for forex and other non-cash items. We need to see what the net profit in the second quarter will be before we decide. But the main point is, that we are going to raise the dividend payout. We've already said that, I don't know what the payout number will be as of right now. We need to speak amongst the respective parties in our Group to decide what our debt position looks like as you rightly said, what's going to be the cash flow for the remainder of the year, how

we're going to fund our CAPEX program, etc. And we'll make that decision, but we're not cutting the dividend per se. And that's the positive message that I wanted to get out today. The DSU shipment tests have been completed and confirmed. We promised everybody that once we got these completion tests done, we will raise the dividend payout and that's a key strategic priority for management. But to give you an absolute number in terms of will it go from to 50% or not, I don't have that answer right now. But you'll know soon enough and that's a positive signal.

We're not cutting dividends. We understand that the market is looking for more returns in an environment where we have drops in equity prices, etc. Fixed income people are looking for more returns, and we'll try to accommodate that. I think that's the positive message that I wanted to get out today is that we will increase the payout. But I can't tell you right now what that number will be.

Henri Patricot: Understood, thank you.

Mark Gyetvay: You are welcome.

Operator: We'll take our next question from Ildar Khaziev with HSBC.

Ildar Khaziev: Thank you. Hi, Mark. Hi, everyone. So my question is about North Russkoye project and the oil blocks. And is my understanding correct that these blocks will probably be developed with a delay? And so we shouldn't expect a ramp-up maybe next year?

Mark Gyetvay: No. I basically said that North Russkoye cluster will be launched over the next couple of years as we planned. We're moving forward. But as a question was asked before about the type of impact on our CAPEX program, obviously, we're going to adjust some of the CAPEX related to the oil program. And obviously one of the oil elements of the program is the Kharbeyskoye field. But no, it should not delay the overall commitment to move this field forward because we are working diligently to launch these particular fields over the next two years as we planned.

We just may prolong a little bit on the capital being spent currently in this environment today related to solely the crude oil part of it until we get a better understanding of how this OPEC+ agreement will impact obviously pricing and supplies in the marketplace. But it doesn't mean that we're going to delay the launch of these projects. They may just be spread out a little bit further on the ramp-up. But it should not be a negative impact on the launch or commissioning of these fields.

Ildar Khaziev: Thank you very much.

Mark Gyetvay: You are welcome.

Operator: We'll take our next question from Alex Comer with JP Morgan.

Alex Comer: I've got a couple of quick questions. Just one in terms of the financing on Artic LNG 2 and bank financing, etc.; obviously, liquidity is going to be an issue going forward. I just wondered how that was progressing. And then just in terms of your longer-term strategic positioning, if I look at it, it looks like US gas production is going to come under

pressure with associated production falling down. So therefore, they're going to move up the cost curve. There's probably going to be some CAPEX cuts across your competitors. I mean it looks to me like your longer-term competitive position and your potential to grow going forward has been increased by the crisis. Would you kind of concur with that?

Mark Gyetvay: I will start with the second part of your question before I get on the financing part. I mean that was part of the message, Alex. It basically looks that given our low-cost competitive advantage and now the ability to successfully shift into these key markets and have one of the lowest landed costs in the global LNG, that's going to help position ourselves stronger as we roll out of this pandemic. I think the response we've received so far from potential interest has been positive. In Arctic LNG 1, for example, the interest as we start moving forward with some of these other LNG projects has been quite strong. I think that's a recognition of the fact that we have built and will continue to build a platform, an LNG platform in the Arctic zone that's unique. I don't know many plants in the world that have been able to say they're operating at 122% of its nameplate capacity or our sustainable nameplate capacity with last year of 111%+. This provided us with almost two million free tons of LNG as a result of the ambient temperature.

So given the dynamics of our fields, given the fact that we can produce low cost gas, given the fact that we do have liquids to support our revenue stream, it's made our LNG platform extremely attractive to potential buyers. And that's why I said we are in a stronger position. I believe what I really was trying to get across to everybody was in terms of the LNG world – our competitive advantage is attractive to potential partners. We'll definitely be able to meet our strategic goal, and be able to deliver these big, value accretive projects. Whereas our competitors as you're already seeing, both on the cancellations and delays, we can go through the whole list of delays, but I think you can read about it, it's been well published in the press. The current economics is negatively impacting their projects. Yeah, that's going to give us a distinct competitive advantage. And that's why I also said when we start to commission Arctic LNG 2, it's actually better for us because we were anticipating some of these other project volumes to come on stream about the same time.

Now they're not going to come on stream at the same time. That's why we're seeing interest and people talking to us again about the volumes coming out of Arctic LNG 2 because they're looking at their own LNG portfolios, and they're trying to say to themselves that they have to fulfill their obligations in terms of their customers etc., in their markets. Arctic LNG 2 looks extremely attractive to them.

In terms of financing, good progress has been made throughout the last 12 months on Arctic LNG 2 financing. We have enough capital from the shareholders contribution so far to continue with the program, but obviously, it is a little more difficult right now to discuss financing with the pandemic. I hope to address this a little bit more at the second quarter conference call as we start seeing a reopening in markets. It's difficult to do all this stuff remotely. People want to have face-to-face meetings – people want to sit down and go over all these discussions on the finance in person. But we have enough financing to continue with our capital expenditure program through the partner contributions. And we believe that we'll get the financial package completed. We're planning to get it completed by the end of this year 2020.

Alex Comer: Thanks, Mark. That's very helpful.

Operator: We'll go to our next question from Olga Danilenko with Prosperity.

Olga Danilenko: Hi, Mark. Hi Sasha, everyone. I have a follow-up question on the dividend and your comments. Do I understand you correctly that the management will try to keep the absolute dividend at the level not less than the previous one if circumstances will allow or do you have some other meaning with what you're saying?

Mark Gyetvay: I mean Olga, quite honestly management's intention is to raise the dividends, to raise the absolute dividend each and every period and we have done that over the years. But we're in a macro environment right now that's extraordinary, unprecedented. We don't know the impact, what's going to happen throughout the year. But the goal has always been the same in terms of our dividend policy because we always felt that the sign of an excellent company was its ability to raise the dividend each year. And that's what we've done. I mean, we paid dividends ever year since we went public in 2005. Every year, we embarked on our goal to increase the dividend based on the profitability and growth of the company. And that's the same goal we have in place today. Now, we just got to see what the macro environment is like in these extraordinary times. I can't commit to you that that will be the case, but I can commit to you that that's the goal and objective. And, most importantly, that's the priority of management to keep raising the dividend in its absolute terms.

Olga Danilenko: Thank you, clear. You're welcome.

Operator: There are no further questions at this time. Mark, I'll turn it back to you for any additional or closing remarks.

Mark Gyetvay: Well, first of all, thank you very much. And I apologize for the slight delay at the onset of this call. It's been an extremely difficult time I think for everybody working remotely. I think it's a strong tribute to our team for our ability to produce the financial statements in a timely basis when everybody is working remotely including myself.

So I just want to say that these are unprecedented times. We have demonstrated through our annual dividend that we just approved that the company's goal is to continue its focus on delivering top-tier total shareholder returns. We are committed to build an LNG platform that's second to none globally. The overriding theme today for this call was really the resiliency of our business and our resolve to move forward. I believe we have clearly demonstrated these themes.

I'd like to thank everybody again and hopefully everybody remain safe. We look forward to address you at the upcoming second quarter conference call. But, in the meantime, if you'd like to have individual one-on-one meetings over the next few weeks, please feel free to contact us directly at ir@novatek.ru, or contact your respective sales broker at the investment firms you use and they'll arrange for us to have a follow-up session to have a more one-on-one discussion.

Again, thank you and we look forward to addressing you again in the future.