

PAO NOVATEK

Second Quarter and First Half 2021

Financial and Operational Results – Earnings Conference Call

29 July 2021

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders, and colleagues good evening and welcome to our Second Quarter and First Half 2021 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 2020, 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.

COVID-19 STATEMENT

With the recent concerns about the spike in COVID-19 and its variants, the Company has instituted a series of additional monitoring and safety protocols at our main operating facilities. The Group's management remains vigilant and will take necessary precautions to protect the safety and wellbeing of our employees, our contractors, and their families against the spread of COVID-19 and minimize any disruptions to our operations. We will always place the health, wellbeing, and safety of our employees above corporate profits.

This represents our commitment to our valued employees.

CONFERENCE CALL TEXT

We achieved a very good set of financial and operational results in the Second Quarter and First Half 2021 (2Q 2021 and 1H 2021) because of a strong commodity pricing environment and an extended cold winter season, as well as growth in sales volumes both domestically and internationally. Natural gas and crude oil benchmarks recovered significantly from their pandemic-driven lows and look poised to remain relatively strong throughout the remainder of 2021.

Brent crude oil prices increased by 133% year-on-year (Y/y) from an average of \$30 per barrel to \$69 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) and TTF (Title Transfer Facility (Netherlands)) increased more than five-fold, respectively, from the prior year pandemic-driven lows to slightly higher than \$9.00 per MMBtu. The Asian JKM price averaged slightly more than \$10 per MMBtu, or 370% higher Y/y, whereas the Russian domestic gas tariff increased on average by 3.0% in the reporting period.

Overall, it should be a very good financial reporting season for the oil and gas industry and a stark contrast to the lows in earnings from the prior year, particularly with the noted recovery in prices and a recovery in demand.

We issued our 14th Sustainability Report on the 15th of July that is available for online review or download on our corporate website. Today we will highlight some of the key messages from this report and introduce a new section to our quarterly conference calls covering the important topics of ESG and other relevant sustainability information, if available or relevant for discussion. We realize that ESG is an important topic for all corporates, and we, at NOVATEK, are committed to ensuring the highest level of transparency and governance in our reporting and communications with the investment community.

Most significantly, we expanded our sustainability disclosures to include information on our permafrost management, waste management and methane emissions, and we included a series of new disclosures on Scope 1 emissions by source, progress on achieving our 2030 targets and information on Scope 3 emissions to name a few. More than 100 new ESG metrics were introduced in the latest report (as compared to 2018) and we are 100% compliant with the GRI (Global Reporting Initiative) standards and for the first time, SASB (Sustainability Accounting Standard Board – O&G Exploration and Production Industry) and the TCFD (Task Force on Climate-Related Financial Disclosures) reporting standards and recommendations. We also introduced disclosures on our Contributions to the Relevant UN SDGs (Sustainable Development Goals) that align our work activities along the three main areas of Climate, Nature and People, as well as disclosing our Priority UN SDGs that we feel will create long-term stakeholder value.

Specifically, our Group's GHG intensity ratio decreased by 1% to 295 kg of CO₂e per BOE as compared to an industry average of 359 kg of CO₂e, even though we increased our annual hydrocarbons production by 3.1% in 2020, which again demonstrated our low-carbon position vis-à-vis our global oil and gas peers. During 2020, we reduced our Scope 1 GHG emissions by 19% largely due to an increase in APG (associated petroleum gas) utilization as well as implementing a series of energy efficiency measures. Our Scope 1 and Scope 2 emissions (essentially, direct emissions from the Company's operations (Scope 1) and indirect emissions from energy purchased (Scope 2) represented just 5% of our total Scope 1, 2 and 3 emissions. Therefore, 95% of the emissions we reported represented indirect emissions (Scope 3) from the combustion and processing of products sold.

NOTE: This was the first time that we reported our Scope 3 emissions, and this figure was calculated using the *Accounting and Reporting Standard of Greenhouse Gas Protocol, version 1.0*, with the calculation assumption for category 11 that assumes all products sold are combusted.

Our actual methane emissions per unit of production exceeded our 2020 forecast by 5%, largely due to the launch of new hydrocarbon production at the North Russkoye and East-Tazovskoye fields, representing additional sources of emissions, as well as not meeting our target for waste utilization by 8%, due to the inability of contractors to access our sites during the COVID-19 restrictions.

Climate change is not a new topic for us. We have discussed the changing climate landscape on past conference calls and throughout many of our investor meetings over the past several years. As the decarbonization question becomes more relevant for the investment community it's important that we share our perspective on this evolving topic, especially considering the global focus on the upcoming November COP 26 (Conference of Participants) event in Glasgow and the recently released IEA's Net Zero Roadmap 2050 (NZ 2050) special report.

The IEA's NZ 2050 Roadmap received much media, political, industry and investor attention as the special report raised some serious questions on the challenges facing industry and society to achieve this lofty ambition of net zero emissions, but it has also opened some serious debates on the credibility of its content and the cost to society to make such a radical shift to renewables. After the issuance of this report, the IEA also made additional comments on rising carbon emissions over the next couple of years, potential tightness in the crude oil markets, and rising coal consumption in power generation amongst other comments and analysis.

We clearly understand the challenges ahead of us and the need to focus on the energy transition, but we don't fully subscribe to some of the main points raised in the special report. As a large global gas producer, we don't see a future world where natural gas does not play a key role in the decarbonization process, or conversely, a world where 90% of the future electricity generation is powered by renewables as noted in the report.

Many of the key economic forecasts published today and used in the IEA's Roadmap expect a doubling of GDP growth, increasing global population by 2 billion people, a significant move towards higher urbanization, as well as different geographical growth patterns between developed and emerging economies by 2050. We believe it is unrealistic to think that all these profound societal and industrial changes can occur without the use of fossil fuels, particularly natural gas.

Considering these underlying forecasts, we would assume a growth in overall energy consumption, not a decline by 8% as noted in the IEA's Roadmap. We firmly believe that natural gas, generally, and LNG, specifically, will grow over this respective timeframe; therefore, investments in new oil and gas projects and infrastructure will be required to ensure hydrocarbons are available to meet growing energy needs.

Our pathway to decarbonizing society is through developing our hydrocarbon resources and bringing more natural gas to market. We will make the appropriate capital investments to successfully execute our long-term strategy to increase our LNG platform to up to 70 million tons per annum by 2030 and more beyond in an environmentally responsible manner. This represents our contribution to this quest, and we will focus our efforts on further decarbonizing our already low LNG value chain.

The LNG market remained strong in second quarter and throughout the first half of 2021 and will remain strong over the remaining 2021 with the tightness of gas supplies in the market. Slightly more than 195 million tons were delivered during the first six months of 2021, representing an increase in LNG volumes of approximately nine (9) million tons or 4.8%. Approximately 95 million tons were delivered in the 2Q 2021, or 10.3% more than the prior year.

LNG cargos were mostly delivered to the Asian Pacific region where strong seasonal demand and price arbitrage premiums favored more LNG cargos to be delivered to the Pacific Basin rather than to Europe. Both the Asian and European markets experienced strong growth in natural gas demand, but the decline in LNG imports to Europe were largely offset by increases in pipeline gas supplies. Moreover, a very dry season with low rainfall levels prompted a strong LNG import response from Brazil, where Hydro accounts for roughly 70% of Brazil's power generation.

Overall, China again led the growth in global LNG imports so far in 2021, with total volumes increasing by 27% to 40.1 million tons in the first half of 2021. The demand recovery in China following the fallout from the COVID pandemic has occurred faster than most forecaster expected. LNG imports in the 2Q 2021 aggregated 20.7 million tons or 23% higher than 2Q 2020 (19.9 million tons in 1Q 2021). China LNG imports outpaced Japan during the current period by 4.4 million tons and thus became the world's largest importer of LNG.

LNG imports to China are expected to remain strong throughout 2021 and could reach up to approximately 80 million tons, which will exceed the 69.1 million tons of LNG imported for the full year 2020. The expected demand growth will support spot prices throughout the summer months with strong seasonal air conditioning use, gas injection into underground storage as well as overall economic and industrial growth in the country. There are potential power shortages in five key provinces (Shandong, Guangdong, Jiangsu, Zhejiang, and Yunnan) over the course of the warmer summer months, which means that gas-fired power plants will be highly loaded, including gas volumes to balance peak demand.

LNG imports into the developed Asian markets of Japan, South Korea, and Taiwan during the 2Q 2021 aggregated approximately 31 million tons, representing a combined increase of about 10% as compared to the same period in 2020. Over the first half of 2021, their combined volumes totaled 72.6 million tons, or an increase of 8.2%. This increase was largely driven by the stronger regional demand and some curtailments of coal-fired and

nuclear power generation, especially in South Korea and Taiwan, as well as seasonal weather patterns shifting between colder and hotter temperatures in the region.

Overall, the main Asian Pacific consumers imported 113.1 million tons in the first half 2021, or 14.6% higher than the comparative 2020 period imports of 98.7 million tons. The Region's hotter-than-average seasonal temperatures has boosted power demand for air conditioning, and this combined with higher thermal coal prices, makes natural gas an attractive option in power generation. The Asian Pacific region, including India, is expected to remain relatively strong for the remainder of 2021, but the recent spikes in COVID-19 and the virus's variants, may have some negative impact on economic recovery in the broader region.

Natural gas demand in the European Union (EU) also remained relatively strong throughout the first half of 2021 aggregating 194 billion cubic meters, driven by colder temperatures in the first quarter and into parts of the second quarter (April and May) as well as declines in both nuclear power output and wind power generation. LNG imports in the 2Q 2021 totaled 22 million tons or 9% lower than the 2Q 2020. For comparative purposes, LNG imports in the first quarter 2021 decreased by 27% as compared to the prior year, so overall LNG imports during the first half of 2021 aggregated 42 million tons, representing a Y/y decline of roughly 19%.

The declines in LNG imports were offset by pipeline gas imports during the first half of 2021 and totaled 163 billion cubic meters, mainly due to increases in Russian and Algerian supplies, which compensated declines from Norwegian pipeline deliveries due to field maintenance in June. As a liquid market, the EU can adequately balance the Region's supply and demand requirements by importing both LNG and pipeline gas to compensate for declining indigenous production.

At the end of the reporting period, underground European gas storage were approximately 50 billion cubic meters (BCM), or 47% full, which is significantly lower than the five-average of 60% and well below the approximate 80% level in 2020 at this time of year. More natural gas will need to be reinjected through the summer and early fall months to replenish gas storage levels to avoid potential shortages in the upcoming winter season. This will support stronger gas hub prices through the summer season as well as higher forward curve prices for TTF and NBP.

Yamal LNG dispatched 67 cargoes in the 2Q 2021, of which 43 cargoes, or 64%, were sold under long-term contracts and the remaining 24 cargoes, or 36%, under spot transactions. A total of 4.9 million tons were dispatched in the 2Q 2021, which was marginally higher than the volumes dispatched quarter-on-quarter (Q/q). During the reporting quarter, Yamal LNG produced slightly more than 4.8 million tons of LNG and roughly 258 thousand tons of unstable gas condensate (stable gas condensate: 225 thousand tons).

Since inception, Yamal LNG has dispatched 757 cargoes for a total volume of 55.4 million tons, along with 107 shipments of stable gas condensate, or 3.4 million tons.

We have scheduled 40 cargo deliveries using the Northern Sea Route (NSR) this upcoming navigational season versus 34 deliveries in 2020, inclusive of 19 long-term cargos and 21 redirections. As of today's call, a total of seven (7) cargos have been shipped using the NSR, comprised of three (3) long-term cargos, one (1) redirected long-term cargo and three (3) spot cargos. There were no ship-to-ship transfers at Murmansk in the reporting period as compared to eight (8) transfers in the 1Q 2021.

In May, we successfully completed a 72-hour test at 80% of Train 4's liquefaction capacity, and we are now monitoring how the "Arctic Cascade" technology performs during the warmer summer period. We expect to reach 100% liquefaction capacity during the upcoming Autumn season, but to really give an accurate assessment of the Train's operating results we will need to study its performance over different climatic seasons. This will be monitored over the next 12 to 18 months. Overall, by the end of June, we have produced about 38 thousand tons of LNG from Train 4.

Cryogas-Vysotsk, had another strong operating quarter as the facility operated at 111% capacity and produced 182 thousand tons, or 10% higher Q/q. For the 1H 2021, we produced 348 thousand tons, representing a capacity utilization of 106%, or 50% higher than in the prior year period.

NOVATEK Gas and Power offloaded 24 vessel cargos for 106 thousand tons, while Novatek Green Energy took 264 cargos by truck for slightly less than five (5) thousand tons. During the first half of year, NOVATEK Gas and Power procured 41 vessel cargos for 185 thousand tons, while Novatek Green Energy took 555 truck cargos equating to roughly 10 thousand tons. The remaining LNG volumes during the 2Q and 1H 2021 were sold under a third-party off-take agreement.

Presently, Novatek Green Energy operates 14 LNG fueling stations with 10 in Germany and four (4) in Poland, and we plan to construct and open up to 30 LNG retail stations. In the 2Q we launched two (2) new stations with one each in Germany and Poland. We marketed approximately 13 thousand tons of LNG through our European retail stations during the 1H 2021, and sold 7.5 thousand tons in the current period, which represented a 34% increase Q/q.

We made good progress at Arctic LNG 2 on all work streams without any delays or any disruptions. As of 30 June 2021, about 44% of the total project's planned capital expenditures had already been financed. In May, we concluded the loan negotiations with a consortium of Russian banks for the US dollar equivalent of \$3.1 billion, and since this period the project's shareholders have not made any additional funding to the capital construction. We are in the final stages of the financing structure with a consortium of international banks, and we are working on closing this process in the nearest future.

The overall project completion rate is now estimated at 45% (vs. 1Q: 39%), with the progress on the construction of the first GBS estimated at 61% complete (vs. 1Q: 53%). Roughly 90% of the concrete casting, or 157 thousand cubic meters of concrete has already been poured for GBS #1 at Dry Dock #1. Steel structures are being prepared for installing

the LNG modules and we have also begun installing thermal insulation walls for the LNG tanks as well as constructing various pipe racks. A gantry crane for lifting heavy weight LNG modules is currently being erected as we anticipate the arrival of the first sets of modules to be installed on GBS #1 in September.

At the Utrenneye field, we drilled and completed another six (6) production wells for a total of 35 wells drilled to date for GBS #1, or roughly 48% progress for the first stage development. During the 2Q, production drilling was carried out by five (5) drilling rigs as rigs #4 and #5 were put into operation in April. Overall, we expect to drill 161 production wells according to the field's development plan, so we are now approximately 22% complete with our total drilling program.

Approximately 76% of the work activities at the Utrenneye Terminal is now completed, including works on the administrative areas and berths #1 and #2 for the first two GBS platforms. During the quarter, we commenced construction work on berth #3 for the third GBS platform, as well as commissioned the new airport runway and the facility started receiving regular flights at the new Airport Utrenniy. The construction of the ice barrier wall under State contract is still underway and all dredging works were completed according to the seasonal work plans.

At our domestic production sites, we completed 33 production wells during the reporting quarter, maintaining our prime development focus on the North Russkiy Cluster, particularly with the upcoming launch of the Kharbeyskoye field scheduled in the fourth quarter. We have effectively completed 100% of drilling wells at the Kharbeyskoye field to reach planned capacity, as well as completed various infrastructure works, such as power lines to well pads and the construction and laying of the gas and gas condensate pipelines. The field's Gas Treatment Unit is currently being constructed with all the main equipment already installed.

We also made the decision to proceed forward with the first phase of the Kharbeykoye field's crude oil development as per the license requirements. The first stage is planned with an annual capacity of just over one (1) million tons of crude oil, with the planned production to start in early 2023. We aim to reach first phase capacity during the second half of 2023 with the primary infrastructure existing at the North-Russkiy cluster. The tender process is underway for the oil treatment unit, crude oil pipeline and other field infrastructure works.

As part of the Kharbeyskoye field's crude oil development, a booster compressor station for the associated petroleum gas, or APG, will be launched in the first year of field operation; therefore, we plan to maintain our target APG utilization level of at least 95%, and eventually reach our 2030 goal of 99% APG utilization as reducing emissions from our hydrocarbon production is one of NOVATEK's strategic priorities.

During the first half of 2021, we drilled six (6) exploration wells out of a planned 13 wells this year for our LNG projects and we are currently drilling another five (5) wells. We also completed our full geophysical plan by running 2,600 square kilometers of three-

dimensional (3D) seismic work on our LNG license areas. For our domestic projects, we completed one (1) exploration well and are in the process of drilling five (5) additional wells. We completed the running of slightly more than 1,300 square kilometers of 3D seismic and 115 linear kilometers of 2D seismic on license areas associated with our domestic production. In addition, we are currently drilling one (1) of the two (2) offshore exploration wells as part of our exploration commitment in Montenegro with ENI as the operator. We will provide more information on all aspects of our exploration results later this year.

Our financial and operational results were very strong during the Second Quarter and First Half of 2021, with the very strong recovery in hydrocarbon prices and sustained demand in key consuming markets, including the Russian domestic market.

Our total natural gas revenues increased Y/y by RR 36.6 billion, or 48%, mainly driven by increases in both domestic gas sales and international LNG revenues of 11% and 181%, respectively. On a Q/q basis, our total natural gas revenues increased by 2.0%, or by RR 2.2 billion, largely due to stronger quarterly LNG prices that increased by 28.5% in Russian rouble terms per MCM, as well as a growth in volumes of 521 million cubic meters. However, our Q/q gas revenues were offset by traditional seasonal declines in domestic sales volumes of 4.3 billion cubic meters, or by RR 15.6 billion in revenues, despite the noted average 3% increase in the domestic tariff.

We sold 17.7 billion cubic meters in the second quarter, of which 15.3 billion cubic meters or 86.5% of our natural gas was sold on the Russian domestic market and 2.4 billion cubic meters in equivalent LNG sales during the reporting period. Our combined sales volumes increased by 803 million cubic meters, or by 4.8%, but was offset mainly due to a 3% reduction in spot sales from Yamal LNG as more volumes were sold directly under long-term contracts (64% sold long-term; 36% spot).

Our LNG sales on international markets represented 13.5% of our total natural gas volumes sold but accounted for 40% of our natural gas revenues (versus 21% and 25%, Y/y and Q/q, respectively). In the 2Q 2021, our average LNG netback was more than 5.7 times higher for LNG volumes sold internationally than the domestic netbacks we received for our volumes sold on the domestic market as compared to the 2.4 times in the prior year. In the 1Q 2021, the average LNG netback ratio we achieved was 4.3 times higher than our domestic netbacks.

Our liquid revenues for the reporting period totaled RR 147.6 billion, representing a significant increase Y/y of RR 83 billion, or by 130%, as well as a good increase Q/q by RR 17.6 billion, or by 14%. The growth in liquids revenues were largely attributable to strong commodity prices across all our liquid hydrocarbon products in both USD and RR terms, despite flat sales volumes Y/y, and an increase of 157 thousand tons, or by 4% Q/q. We had 267 thousand tons in transit at the period end as compared to 119 thousand tons Y/y and 190 thousand tons at year-end.

Our production forecasts for the remainder of 2021 remains largely unchanged with an expected annual increase of 3% for natural gas and a slight revision above the 1% liquids that we had previously guided. In the 1H 2021, we achieved production of 6.7% for gas, and 4.5% for liquids, mainly due to the launch of fields from the North-Russkoye cluster in the third quarter of 2020.

Our operating expenses increased by RR 79 billion, or by 68%, due to higher prices paid for purchases from joint ventures but offset by lower spot volumes purchased from Yamal LNG. Purchases significantly increased Y/y by RR 59 billion or by 131% with the strong recovery in benchmark prices and represented 75% of the total increase in our operating expenses between reporting periods. Our Q/q purchases also increased by RR 11.5 billion, or by 12%.

We also had increases Y/y in both transport and taxes other than income of 8.3% and 122%, respectively. Our transport expenses rose mainly due to increases in both tariff and volumes for natural gas, whereas our taxes other than income increased due to the changes in mineral extraction tax rates for gas condensate and crude oil. Overall, our remaining operating categories were relatively consistent with our expectations for the reporting periods and represented some seasonal adjustments, salary indexations and bonus accruals.

We spent RR 47.3 billion in cash on our capital program, representing a decrease of roughly 23% versus the prior year, but an increase of RR 5 billion, or 12% Q/q. Most of our capital spent this reporting quarter is consistent with prior year activities and mainly focused on our LNG projects and the Murmansk LNG construction yard, the Ust-Luga hydrocracker upgrade as well as developing the North Russkiy Cluster.

Our capital expenditure program guidance for 2021 is estimated at RR 200 billion and remains unchanged as of this conference call. As always, our CAPEX guidance is subject to periodic revisions depending on the macro-environment and changes to specific work programs.

Our normalized EBITDA totaled RR 163 billion for the second quarter 2021, increasing Y/y by RR 92 billion, or 43% and Q/q by 14%. The increase in our normalized EBITDA was largely due to the significant recovery in hydrocarbon prices and a stronger macro-environment that translated into strong performances from our subsidiaries, as well as good contributions from all joint ventures, particularly Yamal LNG and ArcticGas. In the 2Q 21, we received RR 67 billion in dividends from ArcticGas, as well as RR 252 million in cash distributed from our joint venture, Terneftegas.

We generated very strong positive free cash flows of RR 104 billion during the reporting period as compared to reporting negative free cash flows of RR 57 billion in the prior period and positive free cash flows of RR 32 billion in the first quarter 2021. Overall, we generated positive free cash flows of RR 136 billion for the first half 2021 as compared to negative free cash flows of RR 39 billion Y/y.

Our balance sheet remained very strong throughout the reporting period. As expected, our fundamental credit metrics support our international and domestic credit ratings, and we ascribe to the belief that a sound and conservative financial position is important during volatile economic times. Our investment grade ratings were reconfirmed by both Moody's and S&P during the first half of the year, and we fully expect that Fitch Rating will also reconfirm our investment grade rating when they issue their report in the fall.

CONCLUSION

The first half of 2021 demonstrated a stark contrast from the lows of the prior 2020 period for the oil and gas industry with the strong recovery in hydrocarbon prices, but uncertainties remain on the strength of the global economic recovery as well as increasing concerns on inflation. The continued spread of Covid-19 virus and the variants are forcing governments to rethink their restrictions and their decisions may directly impact the pace of economic recovery globally. Improving economic conditions support the fundamental drivers for energy consumption, so this statistic will be closely watched by policymakers, OPEC+ and the broader oil and gas industry, including ourselves.

The second half of 2021 looks very positive for our operations with relatively stronger commodity prices and an improving demand outlook for both crude oil and natural gas consumption. The surging gas prices in Asia and Europe, and recently in the US with Henry Hub at approximately \$4.00 MMBtu, highlights the real supply tightness for natural gas. Natural gas storage in the EU is low for this time of year and was approximately 55% as of today's call, which is 17 percentage points below the five-year average of 72% at this time of year. We see this same trend in other parts of the world, and low storage volumes should support underlying gas prices during the remaining reinjection season.

There is real competition between the Atlantic and Pacific basins for LNG cargos and this reflects the recent surge in spot prices these past couple of weeks. The short-term price outlook and the 12-month forward curves for both JKM and TTF look strong for improved netback margins in the second half of 2021, as well as the strength in benchmark crude oil prices despite the recent announcement by OPEC+ to raise production levels. The forward curve of NBP and TTF are trending in the \$12+ to \$13.5+ per MMBtu range for the remainder of 2021, whereas JKM is trending slightly higher in the \$14+ per MMBtu range for the same period.

There are also a series of planned maintenance works on pipelines and LNG facilities during the next several months, including our planned maintenance at Yamal LNG scheduled for 19 days commencing on the 1st of August. The focus of this maintenance work at Yamal LNG is the first scheduled 'Hot Gas Path' inspection on the two (2) main mechanical drive gas turbines after 32 thousand hours of operation and the replacement of the drier bed adsorbent material. The regular maintenance will be carried out in accordance with the approved annual schedule and will not impact planned LNG production and sales volumes for the year.

So, the overall market trends look very promising for the gas industry in 2021 and most likely will carry over into 2022.

The upcoming November COP 26 meeting in Glasgow will focus significant media and political attention on this major global issue, so it's safe to assume that much debate will be generated from these meetings, along with more climate declarations. Leading up to this event, the EU's "Fit to 55" (FT55) announced targets are quite ambitious and attempt to reduce EU's carbon emissions by 55% by 2030 from its 1990 targets. As a general policy statement, it was characterized as "fit, fair, and justifiable", but not everyone agrees with its assessment.

Some EU organizations are calling for more bolder action be taken by the EU to combat climate change. This debate is far from over and will surely intensify for many years, but the implications to a broader society will eventually mean higher energy costs, higher taxes, and some drastic behavioral changes. Unfortunately, this aspect of the net zero message has not been adequately conveyed to society.

NOVATEK will play a key role in this energy transition to a low-carbon society. We recently announced that our Obskiy LNG plant was renamed to the Obskiy Gas Chemistry Complex (GCC). We will consider producing "blue ammonia", hydrogen and other clean-burning fuels, like methanol. We just signed a Pre-FEED contract to understand the potential options of design, capacity, and the location of the GCC. We do not exclude the concept of some LNG being produced as part of a broader concept, but this study should be completed before year-end, and then, we will be able to share more information about the project's parameters.

We are analyzing the markets and talking with our Asian and European partners to understand their long-term perspectives. To us, ammonia represents a new market and not just for fertilizer consumption, as it could be used in ship transport, electricity generation and industrial consumption. Ammonia is a good way to transport hydrogen and we will consider options to produce hydrogen at downstream consumer sites rather than directly at our upstream processing site. We will use the same marketing principles as we do on our LNG projects and consider both the Atlantic and Pacific basins for consumer deliveries, using the NSR for Asian Pacific countries.

We also announced a series of MOUs on decarbonization, and so far, the most progress made has been with our partners, Baker Hughes, and Siemens. We are in close contact with them to transfer part of our Yamal LNG turbines to hydrogen. Preliminary analysis shows that at the current production sites, 20% to 30% of natural gas used in turbines can be replaced with hydrogen, and on future production sites it is estimated that we can replace up to 40% to 50% with hydrogen. These are important first steps and we will keep everyone apprised of future developments, including our continued work on carbon, capture and storage at Yamal LNG and other potential sites, as well as using renewables in power generation.

In closing, we would like to reiterate our strong position that natural gas will play a leading role in the energy transition towards a low-carbon society for many decades and will be an integral part of the future energy mix under any of the Net Zero or decarbonization scenarios. Natural gas provides stability and reliability to the power generation grids as the world significantly increases its use of electricity. It is also affordable and secure.

The recent release of our 14th Sustainability Report and our announcement to form a subcommittee on Climate and Alternative Energy at the Board level, demonstrates our commitment to the principles of ESG and our underlying support to build a low-carbon future for society in a responsible and environmentally friendly manner.

We were very pleased with the strength of our financial and operational results for the first six months of 2021 and look forward with optimism of delivering exceptional results and strong free cash flows through the remainder of this year.

We would like to thank everyone again for attending tonight's conference call and for your continued support of NOVATEK. We are now ready to open tonight's session to questions and answers.

Thank you!!

Operator: We will now take our first question from Ekaterina Smyk at Bank of America. Please go ahead.

Ekaterina Smyk: Yes. Good afternoon. Thank you very much for the presentation and congratulations on the strong results for the quarter. I have couple of questions. If I heard you correctly, on the share of spots sales that you're modeling above 30%, like 36% I was just wondering how you managed to achieve such high shares of spot sales that's not something that I would have expected and the question here is that, can you shift the contracted volumes between quarters within a particular year? And the second question is on the crude oil production at the North-Russkiy cluster. Your plan on the start-up of crude oil production is obviously affected by the OPEC+ agreement last year. So, what's the current update on that? When do you plan to launch crude production at the cluster? Thank you.

Mark Gyetvay: Thank you Katya for the three questions. Just to start off, let's say we can sit here and joke about the first question. We tried our best to increase our proportion of spot sales during this quarter with stronger spot prices, and I think we partially achieved this aim. But we must consider the annual schedule with LNG supplies already approved at the start of the year with all our customers. And this process depends on a huge number of factors, including, but not limited to, production and consumption forecast, tanker availability, maintenance schedules, both at the production

sites in Yamal and also at the receiving terminals. So, I think we did the best we can, given the circumstances that we operate under. I would say that we may adjust it as part of your second question, we may be able to adjust our volumes a little bit more in the second half of the year, but largely, it is really based on dealing and working with our offtakers and what they want to do in terms of their volumes. Are they willing to trade off some spot for long-term? I think this is the first full year that we had 100% of our Yamal LNG long-term contracts in place since the beginning of the year, and I think we'll see a more stable position in terms the split between long term and spot contracts over the upcoming period of time. It's really a function of working with our offtakers. But this question also gets addressed in the opposite way. It just really depends on price because in some periods where spot prices were lower and the slope on long-term contract was higher, people were asking us, can we increase the proportion of a long-term sales? I think we did the best we could under this current situation.

In terms of your other question and OPEC+, even as we look at today's operations, we're basically subject to the OPEC+ agreement for our current crude oil production. So depending on the particular date we launch and whether or not the OPEC+ agreement has been extended out beyond 2022, most obviously we would be subject to that agreement. So, it really depends on the timing of oil production we produce in our current fields. As it relates to our base point, we don't expect to produce until 2023. So, I think we have to see at that particular period of time what the commitment to the OPEC+ agreement will be. Will they be extended beyond 2022? At this point, I don't really have an answer for that question, but our current oil production is subject to the OPEC+ requirements. Our condensate production, as you know, is excluded from these discussions. So, I think we just need to wait to see if the agreement is extended beyond 2022. And if so, obviously our new production coming from the Kharbeyskoye crude oil development will also be subject to the same requirement.

Ekaterina Smyk: Understood. Thank you. And your gas production profile is not affected by the fact that you're postponing the launch of crude production at Kharbeyskoye?

Mark Gyetvay: No, it's a different layer, so it doesn't have anything to do with crude oil. What we're doing at the Kharbeyskoye field is targeting specific crude oil layers, so it won't have any impact on our gas production.

Ekaterina Smyk: Understood. Thank you so much.

Mark Gyetvay: You're welcome.

Operator: Thank you. We will now take our next question from Henri Patricot from UBS.

Henri Patricot: Thank you so much. Thank you for the presentation. I wanted to follow up on the comments you made on the Obskiy project and was wondering if you can give us some sort of sense of the timeline. You said the study should be completed by the end of the year. And when could we expect this project to start up at the earliest, do you think? And interesting to hear that there could be some LNG production as part of it, so could it be still as big as you initially envisaged, 5 million tons of capacity per annum. Any details would be interesting. Thank you.

Mark Gyetvay: Thank you very much. I would just say that we have spent significant money already on the two licenses (West-Seyakhnisky and Verkhne-Tiuteyskiy) and the field development. So, the fields that we're talking about that were originally scheduled to be used for Obskiy LNG are at very advanced stage. The size of resources and the quality of these two fields fixed our potential aim to look at a broader perspective between the gas chemistry project, as well as LNG. I think what you're really trying to ask is somewhat premature at this stage as we've already said we engaged contractors on the pre-FEED and that work is expected to be finalized by the end of the year. Maybe in the third quarter results as we report in October, or later we may have some updates to be able to provide, but I think honestly, that this will be something that we'll be able to talk only after the pre-FEED study is done. Will an LNG complex be the size of what we initially planned? Most likely not. I think we just need to wait for the parameters to come out and, only after that to be able to provide you with what the new concept looks like collectively.

You already know what we talked about regarding the LNG complex. How will the project look like in a gas chemistry world and how much of it will be LNG if we produce LNG? I will mention that one of the parameters we are considering is whether the new complex is going to be on site or will it be on a similar kind of GBS module? That is all being considered at this particular juncture. So, I think it's best to wait until the pre-FEED work is done. And once we get the parameters done, then it provides us with the optionality to decide on exactly how we want to move forward with the Obskiy project. At that time we can give you a better understanding of the expected timing for an FID decision. But I think right now, it's still a little premature because we need to get through this pre-FEED study.

Henri Patricot: Understood. Thank you.

Mark Gyetvay: You're welcome.

Operator: We will now take our next question from Ron Smith at BCS. Please go ahead.

Ron Smith: Hello everybody. Mark, I've got a question for you about Train 4 of the Yamal LNG. You know that the Arctic Cascade technology has been something of interest of mine lately. And it sounds like you're still debugging it. I was just curious, once you get that polished up and running correctly, what is the scope for using that technology in your next projects? Is there any chance that it will be adopted as the main technology at Arctic LNG 1 or 3, or what is the current thinking?

Mark Gyetvay: Ron, I'm sure we're not the only company in the world that had to go through tweaking processes with a new technology. I'm sure all the standard technologies like Air Products, Air Liquide, etc when they first were introduced also went through various changes and tweaks in their processing capabilities. So, this is not an unusual circumstance that we're experiencing as we're going through this same tweaking process with Arctic Cascade. I don't think this is an unusual situation that we're dealing with right now. When we go through this process and these tasks, it's going to give us a better understanding how this technology works. And I think a key factor, Ron, is also to understand how this technology works under various climatic conditions, because as you remember, Arctic Cascade was supposed to take advantage of the colder ambient temperature. It allowed us to change the fluid cascade system of processing LNG at the liquefaction plant. We just need to see how this operates over various climatic conditions and this is what we're doing now. This summer obviously will be a good indication to see how the plant works and whether or not any other modifications or adjustments need to be made.

Whether or not we'll use this technology in other sites remains a question. If you look at Arctic LNG 1, the plan is to continue using the liquefaction technologies of Linde (Multi-Fluid cascade) that we already have the license for. I don't think that considering the size and scale of Arctic LNG 1 being almost the equivalent size of Arctic LNG 2, it would use this new technology, but it may be possible to roll it out on a smaller scale again, to some of the satellite fields. But we need to understand its operating capacity,

and the more we work with it, the more we work with the Russian producers of equipment, the more comfortable we get with the quality of the equipment we're getting and the reliability. So, I think that the process we're going through right now is the logical process and we'll make that determination after we see how this operates over like I said, 12 to 18 months through various climatic conditions. Then I think we can come back to that question later.

But right now, we expect to be up to full capacity in the autumn and through the debugging process, so obviously we'll see if anything else comes out of it and what other modifications and changes that need to be made to the technology.

For the audience out there today, this is not an unusual situation as we bring forth a new technology, but we are extremely proud that we've been able to do this because now this allowed NOVATEK to work with various companies and various liquefaction technologies, like I said, Air Products, Air Liquide, Arctic Cascade and then even the cryogenic work we do on the small-scale LNG. We've been exposed to various liquefaction technologies in a very limited amount of time and in the scale of operations that we've done already. We just need to see how it operates and then make that determination if we can roll out the Arctic Cascade technology or modified version of the Arctic Cascade technology to other projects. But I think we just need more time for that, Ron.

Ron Smith: Thank you very much.

Mark Gyetvay: You're welcome.

Operator: At this time, we will now take our next question from Ildar Khaziev with HSBC Bank. Please, go ahead. Your line is open.

Ildar Khaziev: Thank you. Hi Mark. Can I ask you whether inflation in steel prices and the commodities have made any inputs on your financials yet, or whether we should expect any impact in the next few quarters? Thank you.

Mark Gyetvay: Thanks for that question, Ildar. We've been asked this question a few times already during our investor meetings. At this juncture right now, it doesn't impact dramatically our current projects that are already basically committed and already

locked in some of these prices for the existing projects that we're working on. Inflation, particularly steel, could have an impact on our future projects, but I think right now we're okay. We are insulated from many changes in the price at this particular point in time, but it's definitely a consideration that we have to think about. Inflation, not only with steel, but salary inflation, et cetera are things that we have to be concerned about, but I think for the current projects in place, it's not a major concern at this point.

Ildar Khaziev: I see. Thank you.

Mark Gyetvay: You're welcome.

Operator: And we'll now take our next question from Andrey Gromadin from Sberbank CIB. Please go ahead.

Andrey Gromadin: Yes, good day. Hi Mark. Thanks for the presentation. I have a small question about two deals the company just closed in second quarter financial statements. First on a 10% stake sale to TotalEnergies – the LNG transshipment terminals. My understanding was that it is going to be like CAPEX compensation deal more likely, and TotalEnergies paid just \$5 million. Is it an indication of low progress at this point on this project or that there's some sort of leverage may be involved? Not sure how to read it. And the second one, 49% stake acquisition from Gazpromneft Sakhalin in North-Vrangelevskiy license area, what sort of prospects are there? How will you be looking at this project and what's the exploration program under plan. Thanks a lot.

Mark Gyetvay: On the first question, what Andrey was alluding to was the 10% stake that we sold to TotalEnergies as part of our Kamchatka Transshipment complex. And, you are right that we did receive payment. It was closed in the quarter at roughly RR 368 million, or about \$5 million and there's a potential to earn up to another \$20 million on certain future events. The structure, it's not really recovering CAPEX, as you alluded to before. It's not like the traditional deal that we've done in the past because ultimately on this transaction we're not going to incur the capital expenditures to build this complex. This would be built and managed by another entity, a state-owned enterprise. And so, this is just the entrance cost into the concept with us and the upgrade to potentially earn additional funds, like I said, is something that we probably will earn through transit volumes going through the complex, but it's not a recovery of the CAPEX, like we've done on our Yamal LNG and Arctic LNG 2 projects. It's just an entrance cost to this project because the structure of the CAPEX will be managed by another entity, not the joint venture.

On the North-Vrangelevskiy license area where we acquired 49% stake for approximately RR 1.7 billion, for those who don't know, this is on the Eastern part of the East Siberian sea and the Western part of the Chukchi Sea. It's a new area for us, it's going to be exploration work at this stage on a parity basis with Gazpromneft.

We'll be looking for both gas and gas condensate, and oil, depending on what the formation produces, but the timing and scope of the exploration work, Andrey, at this particular time has not been determined. So, this is something that it's relatively new. We're going to work very closely with our partners, Gazpromneft, as you know, we work with them on the Arcticgas project. So, we work with them very closely and we'll just have to wait to see when we announce an exploration program, based on our mutual discussions with our partner, we will then come out and disclose what the plan looks like. But right now, there's been no discussion yet on the scope of work and the timing of work in this particular area. So, I think this is a future question.

Andrey Gromadin: Understood. Thank you.

Mark Gyetvay: You're welcome.

Operator: We'll take our next question from Kate O'Sullivan at Citi. Please go ahead.

Kate O'Sullivan: Hi, Mark. Just one question, please. Against the backdrop of the tight gas markets, would you be able to provide some color on LNG contracting discussions and maybe an update around your strategy for Arctic LNG 2 contracts?

Mark Gyetvay: It's obviously a very tight market as you see right now, and it's created spikes and, I mentioned the surge in the pricing, and I think every day we're seeing prices continue to rise, which is a concern for many of the consuming nations. I think we saw maybe a month ago some of the Chinese buyers have stepped away from buying spot sales because the price was high. And then now we're seeing more buyers step back into the market, both in Pakistan, Bangladesh, India, China, et cetera. And even some of the Japanese customers are now stepping back in when we look at sort of the upcoming tenders and processes and some of the contracts that have been signed, I think they're realizing that prices are going to continue to rise in the near term. So I think from

our perspective, fundamentally, we think that the high price environment so far has really not deterred gas consumption, which is an important element now because we have a longer-term perspective on what we think is a reasonable price for demand growth. But obviously these particular short term high prices have not deterred demand outlook. So, I think we're pretty pleased to see that.

Not a lot of new LNG complexes have been commissioned as you know. The biggest one, really the only major one is the Qatar expansion. So, in our estimation, and I think it's pretty consistent with the market's view. And I think you folks have also just recently issued some research report on the tightness of the market that we think that the 2023 to 2025 when, when Arctic LNG 2 commences its production there's a potential for the undersupply in the market. So, it's important that we launch this project on a timely basis.

The other thing we see is the discussions that are going on right now on long-term demand portfolios, expansion plans with companies. I don't know if you saw Taiwan just announced that they're going to build additional regasification terminals because they expect to significantly increase the amount of LNG imported into that region, which has very positive news for companies that are looking to sell LNG into this particular region.

Given where we are in the marketplace, we are talking to potential buyers. We did announce at the St Petersburg International Economic forum additional contracts, Heads of Agreements that we signed with off-takers for purchase of LNG from NOVATEK Gas and Power Asia because as you know, we've already said that the project itself has been de-risked by each of their respective partners taking their equity volumes from that project. So, we are now in this process of selling our proportionate share, and now I think they're in the stage of finalizing SPAs for those particular volumes.

And I think over the course of the year, we'll make some more announcements on that, but there is a lot of interest, and we are talking to off-takers. We've been very active on marketing our future volumes and we see that there is still demand in these discussions – maybe contrary to what people actually believe – there is demand in these discussions for having some crude oil link with S-curves.

And the reason why we're seeing this discussion, because as we saw over the last 12 months a huge volatility in the marketplace. The S-curve contracts actually limited the volatility. You see that buyers are also willing to look at this other particular options in terms of the pricing instead of just basically gas hub prices, which we ultimately believe

will be fundamental for hybrid-based type contracts. And I think the other thing we're seeing in these discussions is the tenor, the term of the contracts.

You know, as we saw recently, we see that now there's a shift in the composition and a higher proportion of LNG sales are being negotiated on the spot market. And then when you consider this comment, which represented more than 30% already, and then you look at the composition between spot market and what we considered to be midterm three to five-year contracts, you're probably over 50% of the LNG trading in the marketplace. So, I think we're well-positioned as a company to take advantage of this emerging situation with our volumes as well as with the shift in the construction of our transshipment terminals. What we talked about with the transshipment complexes in Murmansk and Kamchatka, this will allow us to work with our buyers particularly in the Asian Pacific market, if we look at sort of eastbound shipments we plan through the Northern Sea Route.

I think the other important thing too, is this whole idea of decarbonizing society and all these net zero commitments. Like I mentioned in the text, we believe more gas will be needed, not less gas. And I think one of the advantages that we demonstrate in the marketplace already is by controlling the value chain, we're able to look at our carbon footprint and as the world starts moving towards this energy transition and start asking for more green LNG contracts, this idea of certifying through monitoring and verification, reporting is going to become a much bigger issue and questions for companies that we must address. Given that we control the LNG value chain, we can answer this question affirmatively for many of our buyers.

It's not a question of whether or not we are we having difficulties. I think it's just a question that last year, as I mentioned we were not in a rush to sell LNG volumes. With the low prices, we had this huge buyer-seller expectation gap, and now we see that prices had firmed up, and we know, as you rightly said with the market tightness, yes, there are discussions going on right now. And I think we should be able to conclude more contracts. So, I think the overall market is evolving and I think we're well-positioned, and I don't think we really have any major concerns at this juncture in our ability to market natural gas from Arctic LNG 2. I believe we're in a good position and we'll make some announcements over the course of this year on some of the SPAs that we'll finalize. I know it was a long answer around many topics, but I hope that answers your question.

Kate O'Sullivan: Very clear. Thanks Mark.

Mark Gyetvay: Welcome, Kate.

Operator: Thank you. So, we will now take our next question from Kirill Bakhtin from Sinara. Please go ahead.

Kirill Bakhtin: Hello. Could you comment on the dividend pay-out ratio for 2021? So, given strong numbers in the first half of the year, should we expect a ratio of 50% or it can be higher and exceed 60%? Thank you.

Mark Gyetvay: Well, the policy's pretty firm. We changed the policy last year and approved it in December where we're going to issue at least 50% of the adjusted net profits according to our international accounts. And as you can see in the first half, we exceeded that. And that's what gives us the "at least" variant in our dividend policy. So, we're not saying we're going to distribute 50% when we're going to distribute at least 50%. And so, it really depends on the profitability over the second half of the year, which I believe will be strong and we'll consider what dividend payment will be for the full year, but the policy is set and we're not going to deviate from that policy. More importantly, I think it's written in a very investor-friendly manner where we can raise it up to any level, if we want above that 50% threshold. And I think it's just a question of waiting until we know what the dividend pay-out will be at our next dividend round. It's something you just need to wait until we make that announcement.

Kirill Bakhtin: Thank you.

Mark Gyetvay: You're welcome.

Operator: So, it looks like that is all the questions we have for today.

Mark Gyetvay: Well in closing, I just would like to again reiterate to everybody that if you have a chance, visit our website and, either download or review the sustainability report because a lot of effort was put into preparing this material. I know we've had a lot of questions over the past year on sustainability, ESG, and I think we put a lot of effort in this year report to continuously improve the amount of disclosures and the information that we provide to the marketplace. I also would like to just say, even on the presentation package that you got for the conference call, we included a series of new

slides that highlight sort of what we have achieved so far regarding our climate and environmental targets by 2030.

We look forward to seeing everybody after the summer holiday season. Again, I expect that we should have a strong second half of the year given where we are in terms of price in the marketplace. And we look forward to addressing everybody at the upcoming investor conferences and at our future conference calls. So again, I'd just like to say thank you to everybody for your support. And if you have any follow-up questions, feel free to contact us at IR@Novatek.ru, and we're sure that we'll get back to you on a timely basis. So again, thank you very much. Stay safe and we look forward to address you in the future.