PAO NOVATEK

Third Quarter and Nine Months 2019

Financial and Operational Results – Earnings Conference Call

31 October 2019

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Third Quarter 2019 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 2018, 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 generated another good set of financial and operational results in the Third Quarter 2019, despite weaknesses in the underlying commodity prices across our product range, particularly global LNG prices, as well as traditional seasonal fluctuations in demand. Underlying Brent crude oil prices declined by 18% year-on-year (Y/y) from an average of $75 per barrel to $62 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) and TTF (Title Transfer Facility (Netherlands)) declined by 60%, respectively, during the reporting period.

Despite these macro challenges, global LNG increased by 14% Y/y to approximately 268 million tons for the nine months ended 30 September, and by 15% in the third quarter 2019 to roughly 90 million tons. Growth in LNG demand continues unabated as these positive trends underscores demand forecasts for natural gas future role in the energy fuel mix. Moreover, this supports our belief that a prolonged period of low- to moderate LNG prices will stimulate demand growth across many regions of the world, facilitating the transition from coal to natural gas in price sensitive regions and meeting demands for cleaner burning fuels. It is crucial that we maintain our focus on developing our LNG platform to deliver cost-competitive LNG to all consuming markets at one of the lowest landed costs to market. 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 global transition.

With that said, the third quarter will be a tough reporting quarter for the oil and gas industry taken into consideration the commodity price declines. Although the LNG market remained stable during the reporting period, bearish signs have been evident for more than six months, with weaker Asian demand redirecting record volumes of LNG cargos to Northwest Europe, and prices acting accordingly. The spreads between the Atlantic and Pacific basins have narrowed significantly this past year, which has ultimately influenced trading and shipping patterns. We expect seasonal prices to strengthen this winter but unlikely we will see a significant price recovery in the near term due to supply/demand imbalances.

From a regional perspective, China remained resilient with a 19% increase Y/y with LNG imports reaching 44.6 million tons for the nine-month period 2019, as well as robust import growth in the third quarter of 15% or 15.2 million tons. Chinese gas demand is expected to grow on average by approximately 4% per annum, driven largely by industrial and building sectors and the “Blue Sky” transition from coal to natural gas. Japan, Taiwan, South Korea and China represent more than 54% of the global LNG demand, demonstrating the importance of the Asian Pacific region to LNG suppliers.

Europe also had a substantial increase in LNG imports in the third quarter 2019 of roughly eight (8) mtpa, or approximately by 74%, with anticipation of further increases of LNG imports on an annualized basis. Estimated natural gas storage utilization in the EU is approximately 97%, whereas the level of EU LNG storage utilization stood at approximately 80%. This potentially means a risk of limited demand pull to the Atlantic basin and potentially lower LNG prices in case of a warmer than normal winter season. We are cautiously optimistic that this present scenario will work itself through the storage buildup and LNG flows will continue unabated to the European markets during the peak winter season.

India is emerging, as an important LNG destination, as the country slowly transitions towards natural gas. This important transition to gas and away from coal is evident by recent news stories regarding India's investments in regasification terminals and pipeline infrastructure investments, as well as various announcements of project investments and supply agreements. India has announced its intention to increase gas use to 15% of its primary energy consumption, up from 6% currently. We believe this represents an enormous market opportunity but highly price sensitive.

As of today there are approximately 550 LNG carriers representing the global LNG fleet, with a new build order book of approximately 115 to 120 new LNG tankers. Spot LNG carrier prices spiked during the quarter with charter rates reaching over $130,000 per day, because of the unexpected US sanctions on subsidiaries of COSCO, but fortunately, this issue was resolved last week with OFAC. Yamal LNG received notification from TC LNG Shipping, the joint venture owning some of the Arc7 tankers, that the joint venture is no longer a blocked person under OFAC rules. The resolution means that Yamal LNG will utilize all of the Arc7 ice-class tankers owned and operated by TC LNG. We had no disruptions to our LNG shipments in the normal course of business, and we are glad that this issue was resolved in a timely manner between the respective parties.

There are 13 Arc7 ice-class tankers in operations. In addition, we have two (2) Arc7 condensate tankers in operation, and we supplement our ship fleet with seven (7) conventional tankers. The 14th Arc7 tanker named “Georgiy Ushakov” has completed all ship tests and will arrive in Sabetta by month-end. We expect this tanker to receive its first load during the first week in November. The 15th Arc7 tanker named “Yakov Gakkel” is presently in South Korea finalizing the vessels sea tests. We expect the final tanker to arrive onsite before year-end. This means that all 15 Arc7 tankers will be in operations by year-end. We will also use ship-to-ship (STS) transfers as we did this past year, as this process improves margins and the profitability of westbound shipments.

Yamal LNG loaded and dispatched 188 cargos or 13.6 million tons of LNG during the nine-month period, as well as 35 shipments of gas condensate totaling 939 thousand tons. In the reporting period, 62 shipments were dispatched totaling 4.5 million tons, as well as eight (8) cargos of gas condensate or 300 thousand tons. Since inception, the project dispatched 304 cargos for a total of 22.2 million tons, along with 65 shipments of gas condensate or 1.7 million tons. The project is dispatching a tanker about one every 35 hours, so this demonstrates the success and efficiency of the loading and dispatching operations.

The three liquefaction trains produced 13.6 million tons of LNG over the first nine-months of 2019, equating to roughly 110% of the facility's nameplate capacity, as well as 1,041 thousand tons of unstable gas condensate. All three liquefaction trains operated above nameplate capacity during this period, and we believe this will remain the case except during periods of planned maintenance. Globally, the LNG liquefaction utilization rate was roughly 85%, again highlighting the exceptional performance of Yamal LNG relative to global LNG projects.

We estimate the construction progress for Yamal LNG's fourth LNG train at approximately 61% as compared to 51% completed at the end of the second quarter. There are more than 2,200 workers on the construction site. The main work activities continue to center on the Gas Treatment and the Gas Liquefaction units. We provided a comprehensive update on the last conference call and there is nothing new to report at this time. Overall progress was good. We will start final commissioning activities during the first quarter 2020. With the projected low operating and capital costs of train #4, we will decrease the average cost of the whole Yamal LNG project by 3% to 4%. Our present tanker fleet is capable of serving all output from train #4 as well as the LNG output above nameplate capacity from the existing three (3) LNG trains.

The big corporate news in the third quarter centered on Arctic LNG 2. We successfully closed our partner consortium by selling 40% of Arctic LNG 2 to a partner group consisting of Total, CNPC, CNOOC and the consortium of Mitsui/JOGMEC. Each partner has a 10% participation interest in the project, and, in our third quarter results, we reported the financial impact of the final 30% transaction, excluding Total's stake. Equally important, on 5 September at the Eastern Economic Forum in Vladivostok, we made the final investment decision, or FID, to proceed forward with the project. Although a formality, Arctic LNG 2 is the largest LNG project globally to make an FID decision so far in 2019.

As a recap, Arctic LNG 2 will consist of three (3) liquefaction trains using gravity based structures, or GBS, with overall LNG capacity of 19.8 million tons per annum, or 6.6 million tons per GBS. The scheduled launch of the first GBS is 2023, with the second and third GBSs' launched in 2024 and 2026, respectively. The estimated capital expenditures to launch the project at full capacity is $21.3 billion equivalent. Participants will offtake long-term LNG in proportion to their respective ownership interests either FOB Murmansk or FOB Kamchatka. As of today, the consortium has financed approximately 10% of the total projects capital program.

More than 1,500 construction workers are currently onsite constructing well pads, road infrastructure, water and energy infrastructure, as well as the contractor's camp. We have two (2) drilling rigs on site and we have started production drilling. Currently, we are mobilizing two (2) more drilling rigs and these rigs will commence drilling in the first quarter 2020.

We received the main governmental approval to construct the Utrenneye Terminal and, accordingly, construction activities at the terminal have begun. Dredging works have begun and we have already completed about 90% of this activity as of early October. We have contracted more than 80% of the planned capital program as well as concluded the main EPC contract for this project. We will provide updates on future earning calls as work progresses.

Moving ahead, we presently have 1,900 construction workers at the Murmansk LNG construction yard. We installed eight (8) tower cranes at Dry Dock #1 and provided these cranes to the SAREN joint venture. Berths #1 and #2 are now completed. We will use Berth #1 to receive materials for the GBS construction site, and Berth #2 to offload materials used at the concrete batch plants.

We commenced construction works for the hydro-technical structures (both berth and bank protection) for the Topside module construction site. This work includes building foundations for all production workshops and warehouses. We have completed 14 living camps for 200 people each, of which six (6) were provided to SAREN.

Our exploration activities yielded good results. As you know, exploration drives future development activities but it is also crucial to prove-up our resource base on new licenses to support future LNG projects. We will continue to invest capital into our exploration program to achieve our long-term strategic goals.

We shifted our focus from geological and geophysical works to more exploration drilling over the first nine-months of 2019. Notably, we drilled, completed and tested well #65 at the Geophyzicheskoye field in shallow waters of the Ob River, with a vertical depth of 2,600 meters. We encountered three (3) production layers at depths between 1,000 meters to 2,600 meters, with well flows of 500 to 700 thousand cubic meters (mcm) of natural gas per day. The well allowed us to expand our knowledge of the field's production perspective and reserves, which ultimately should influence positively our year-end reserves at this field.

We also drilled well #450 at the Trekhbugornoye field to a depth of 3,100 meters, and we found three (3) production layers that were tested. The well flowed natural gas at more than 400 mcm per day.

We acquired a new license area on the Gydan peninsula via auction that includes the Soletsko-Khanaveyskoye field. As we previously reported, the license area has estimated hydrocarbon resources of 2.2 trillion cubic meters of natural gas and 212 million tons of liquids, or approximately 16 billion barrels of oil equivalent according to the Russian resource classification system. The license term is 27 years and we incurred a one-time payment of RR 2.6 billion. In 2020, we will perform three-dimensional, or 3D, seismic works at the field and drill one (1) exploration well.

We specifically highlight these three (3) exploration activities because they represent the future resource base for Arctic LNG 1, a project with the potential capacity equal to Arctic LNG 2. We will eventually connect the production fields via pipeline to the liquefaction trains located at the Utrenneye Terminal. This demonstrates one more example to monetize our massive hydrocarbon resource base on the Yamal and Gydan peninsulas and create shareholder value. Moreover, our future LNG projects are highly attractive to potential partners as we offer a scalable, low-cost LNG platform.

We maintained an active development-drilling program throughout the third quarter 2019. We drilled and completed 38 production wells in this reporting period versus 26 production wells in corresponding 2018 period, representing a 46% growth in drilling completions. We plan to drill approximately 161 wells in 2019 according to our development plans, and as of the first nine months of 2019, have completed 109 wells or 68% of our planned program. Our focus remained on the North-Russkoye field as we prepare this important field to commence initial production by year-end.

Despite weaker natural gas prices in Europe and Asia, our results for the nine-month period were reasonably strong as we increased natural gas revenues and netbacks by 27% and 37%, respectively. Seasonal volume adjustments affected our quarter-on-quarter (Q/q) results but overall we were satisfied with our financial and operation results in the third quarter and for the first nine months of 2019, as we see the positive margin expansion with the success of Yamal LNG.

The main story of the third quarter was the overall decline in global commodity prices. We managed to increase our natural gas and liquids sales volumes by 7.1% and 1.7%, respectively, but weaker prices offset our results. Our oil and gas revenues totaled RR 187 billion, or 14% lower than in third quarter 2018, with natural gas representing 46% of our total oil and gas revenues and liquids accounting for the remaining 54%. We produced 145 million barrels of oil equivalent in the third quarter 2019, or approximately 1.58 million barrel of oil equivalent per day. This represented a daily production increase of 5% year-on-year but a seasonal decline of 4% Q/q.

We sold 13.7 billion cubic meters (bcm) of natural gas on the Russian domestic market and slightly more than 3.0 billion cubic meters in equivalent LNG sales during the reporting period, accounting for a net Y/y increase of 1.1 billion cubic meters, or by 7%. Our combined average natural gas price of RR 5,257 per mcm decreased Y/y by about 10%. This reflected the higher mix of LNG sales in our gas portfolio, which had a significant decline in spot LNG prices during the quarter. As a result, our natural gas netbacks (domestic and international) decreased Y/y and Q/q by 12% and 4%, respectively.

Our international LNG sales revenues decreased Y/y by RR 6 billion, or by 16.5%, despite a significant increase in volumes sold by 1.2 billion cubic meters. Our volume growth was offset by a 50% decrease in the average realized price in RR terms. Our Q/q LNG revenues declined by RR 7.7 billion, which resulted from a combination of volume and price decreases and an increase in average transport costs. Domestically, we had a slight decrease in Y/y volumes sold but an average increase of 5% in our realized prices. Domestic gas revenues increased by 4% Y/y but declined 7% Q/q.

In the respective reporting periods, LNG sales on international markets represented 18% of our total natural gas volumes sold and 34% of our natural gas revenues. Our average netback was 3.7 times higher for LNG volumes sold internationally than netbacks received on the domestic market as compared to the prior year but was relatively consistent Q/q. Even with weak spot prices, LNG volumes sold internationally contributed significantly to our revenues and netbacks for natural gas. This demonstrates the importance of expanding our LNG platform despite increased volatility in pricing.

We sold four (4) million tons of liquids in the reporting period, representing a Y/y increase of 1.7% but a Q/q decrease of 3.1%. We exported 58% of our total liquid volumes, or 2.3 million tons, which was equivalent in percentage terms to the liquid volumes exported Y/y and Q/q. Our average commodity prices were lower for our product range due to weak underlying contract prices relatively to the prior year period and Q/q. Correspondingly, liquid revenues decreased Y/y and Q/q by 21% and 14%, respectively.

Our operating expenses during the reporting periods were consistent with our expectations, with overall costs declining by more than 10% Y/y and Q/q. Purchases declined both periods reflecting the lower commodity prices paid for our natural gas and liquids to joint ventures and third parties. Most of the remaining operating expenses, including G&A, was consistent with our expectations for the reporting period.

We generated RR 17.8 billion in positive free cash flows during the current reporting period despite the fact that we increased our cash used for capital expenditures by 47%. Our positive free cash flows for the nine months period totaled RR 117 billion.

We spent RR 36.5 billion in cash on our capital program, representing an increase of RR 11.7 billion, or 47% over the prior year period. The increase Y/y in capital expenditures related to two main projects – the LNG construction yard in Murmansk and the North-Russkoye license area. These main projects accounted for RR 20 billion, or 57%, of our total capital expenditures in the current reporting period. We allocated the remaining capital spent over a range of development projects across our project portfolio.

As of the end of the nine months 2019, out capital spent totaled RR 123 billion, inclusive of RR 115 billion for exploration and development projects, RR 4 billion on acquisition of mineral licenses, and RR 4 billion on right-of-use assets, namely vessel charter. Our capital program for 2019 was revised upward last quarter to approximately RR 200 billion based on the new work activities at Ob LNG. We will realize all of our investment projects as planned; however, there will be some seasonal shifts in spending, so it is most likely that we will have some carryover expenses in 2020.

Our normalized EBITDA totaled RR 105 billion for the third quarter 2019. This was lower than the prior year and the second quarter mainly due to a significant decline in commodity prices as already discussed. Our operating cash flows exceeded our cash used to finance capital expenditures by 1.5 times, despite the fact that we have increased our cash spent on our capital program Y/y by 47%. We generate 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.

Our balance sheet remained very strong during the nine months of 2019. We again improved all of our credit metrics during the period, and demonstrated without question an exceptional strong balance sheet to support our international and domestic credit ratings. Our net debt to EBITDA stood at 0.05 times, down from 0.40 times at year-end 2018.

We concluded another good quarter of operational and financial results in a period of weak natural gas prices in key consuming markets. The decrease in global gas prices, including spot LNG, represented the biggest new stories for the industry as concerns focused on the economic viability of future LNG projects and delays in FID decisions. We expect that the lower LNG prices will persist in the near term although the futures market indicates a seasonal recovery in the upcoming winter months. Global gas prices will remain the central topic in many of the ongoing industry discussions, but this present situation is not realistically sustainable if the industry plans to commission new projects and bring on-stream new gas supplies during the next LNG cycle. We already see delays and/or potential cancellations in projected LNG projects. Our low-cost position clearly demonstrated that we remain profitable despite the decline in underlying commodity prices.

Yamal LNG delivered above market expectations, as we most likely will produce around 18 million tons of LNG in 2019, or about 1.5 million tons above stated capacity. It is evident that the facility can produce even higher outputs than the 18 million tons per annum, but we must factor ongoing plant maintenance. We averaged around 110% of plant capacity and this compares to average utilization rate for global LNG plants in 2019 of around 85%. Yamal LNG is exceptional in this regards. We have dispatched 304 cargos representing more than 22 million tons since the commencement of LNG production in December 2017, with our gas molecules consumed in more than 26 countries.

We have concluded the Arctic LNG 2 target shareholder structure and reported the final transaction in the third quarter results. We are now discussing the financing structure and have begun construction and fabrication works. We continue working on optimizing our logistical model and will soon conclude eastbound shipments this season via the Northern Sea Route. We have made good progress on our potential partner discussions regarding the Murmansk and Kamchatka transshipment terminals, and we will use ship-to-ship (STS) transfers this upcoming season to support our marketing efforts and reduce transport cost. NOVATEK remains highly competitive in the Asian, Latin American and the European markets.

We understand that the present price volatility concerns many investors. It is equally frustrating for us as an operator of large-scale energy projects, but we understand that LNG prices will remain volatile throughout the lifecycle of our projects. This same volatility also holds true for benchmark crude oil prices and their underlying refined products. Commodity prices by their nature are volatile and cyclical. This represents the reality of our business.

The most important aspect we highlight with investors and the area where we can exert influence is our cost structure. We have built a natural gas platform both domestically and now internationally with our LNG projects that will be one of the most cost-competitive in the industry. This fact is crucial, as price volatility will remain a part of our business, and being a low-cost supplier means we can deliver one of the lowest landed costs to all consuming markets and generate sufficient cash flows, profitability and high project rates of returns. A high quality, long life resource base combined with a low cost operating model represents our biggest competitive advantage vis-à-vis our industry competitors.

LNG consumption has historically doubled every decade, and we believe this positive trend will remain in place for the near future. When we went public in 2005 there were 15 countries importing LNG. In 2018, there were 41 countries importing LNG and recent market forecasts predict this number will reach around 57 by 2030. We have an enormous opportunity to capture market share and emerge as one of the leading suppliers of global LNG. Our resource base supports this assertion and the scalability of our LNG model is highly attractive to potential industry partners. We want to be at the forefront of the next wave of global LNG projects.

Climate change is also important. It is the defining topic of this generation and we take this issue very seriously at the Company. We recently issued our twelfth sustainability report, and embedded ESG goals as an integral element of our corporate strategy. We believe that natural gas is an important part of the climate change solutions. We consider our long-term goal of increasing LNG production to 57 to 70 million tons per annum by 2030 is fully consistent with the Paris Climate Agreement, as it allows us to deliver affordable, secure and clean-burning natural gas for many decades ahead. Replacing coal with natural gas will be part of the solution to reduce greenhouse gas emissions. We will do our part and positively contribute to this goal.

The first nine-months of 2019 has been exciting for us as we made tremendous strides in our strategy to transform NOVATEK into a global gas player.

We are on schedule to launch the North Russkoye field before the end of year; we will continue our exploratory efforts to expand our resource base; we will commission Train 4 at Yamal

LNG utilizing our proprietary, patented “Arctic Cascade” liquefaction technology; and we have begun constructing of the first GBS unit at Arctic LNG 2.

These are exciting times for the Company. We have a tremendous future ahead of us at NOVATEK with our high-quality portfolio of projects. We would like to thank everyone for attending tonight’s conference call and for your continued support of NOVATEK.

Thank you.

Operator: And we'll take our first question here from Karen Kostanian with Bank of America.

Karen Kostanian: Thank you so much Mark for the presentation and of course congratulations on the decision on settling the issue with OFAC, we were worried about that issue. Since this issue is settled, I have actually two questions for you. First one, when do you anticipate that your dividend policy may change and when you anticipate you're going to be informing the market about that decision? And also, when do you think that Yamal LNG can start paying dividends as well? Thank you.

Mark Gyetvay: Thank you Karen. We will pass the final shipping and marketing tests when we have all the 15 Arc7 ice-class tankers in our possession, which we expect before the end of this year. Then we will work on removing the non-financial guarantees. After the withdrawal of these non-financial guarantees, we will reconsider the level of our dividend payments. The decision on increasing the payout ratio will probably be made in the second quarter of 2020.

As for Yamal LNG dividends, as you see from the financial results, we are already receiving repayment of cash for interest and we expect soon for the loan payments. Therefore, it looks like considering the cash flow estimates from Yamal LNG it looks like we should start receiving the payments of dividends from about 2021.

Karen Kostanian: Wonderful Mark, thank you so much.

Mark Gyetvay: You're welcome.

Operator: And we'll take our next question here from Alex Comer of JP Morgan.

Alex Comer: Hi, thanks for taking my question. Congratulations on a good quarter. Just looking at it, it looks like your JVs did quite well in the quarter relatively speaking, mostly a lot of that is going to be down to Yamal LNG. I'm just wondering, could you just say, how much in terms of volumes was on spot, how much was on contract in the quarter, and how will that progress in Q4? And maybe giving an indication of what slope those contracts are like to average?

Mark Gyetvay: Thank you, Alex. As for the last part of your question, we talked many times before that we do not disclose the commercial aspect of our trading business. So I won't be able to answer that question. But on the other questions, let me just give you a sense of what we're doing. As everybody knows, we successfully ramped up these projects earlier than planned, and so we had the early volumes to market.

The early volumes were being sold on the spot basis. Train #1 is essentially now on contract basis as well as Train #2 is also essentially on contract basis. If we look at the total nine months of the year and we looked at the volume sold, it represented about 38% of the output was sold under long-term contracts. But, if we look at specifically the third quarter, it's about 45% sold on long-term contracts.

So you can see the transition is already started to move towards more long-term contracts. As we go into Train #3, we have always advised the market that that early volume should come off around April of next year (2020). So we still have early volumes to market. So in terms of looking at the whole LNG output of Yamal LNG, it's important to understand that when we initially talked about the marketing aspect of this project, we said about 96% would be sold under long-term contracts and about 4% would be spot, so there is going to be, even when we go into the long-term contract, a large component of spot sales.

Train #4 comes on-stream sometime in the first quarter of next year. As we start commissioning work all of these additional volumes will be marketed on spot sales, as well as any volume that's sold over and above the nameplate capacity will also be considered spot volumes. So hopefully, we clarified that it is a combination of long-term and spots sales at Yamal LNG.

Alex Comer: Okay. So maybe in terms of Q4, is there an ongoing lift up in terms of the percentage of your 45% in Q3. What should we expect for Q4?

Mark Gyetvay: I don't have the number in front of me, but the answer should be yes, you should see, a continued move towards more long-term contractual sales.

Alex Comer: Okay, thank you.

Mark Gyetvay: Okay.

Operator: And we'll take our next question from Olga Danilenko with Prosperity.

Olga Danilenko: Hi, thank you very much for the presentation. I have a couple of follow-up questions. The first one on current macro environment and quite low gas prices, since you just mentioned that you made FID on Arctic LNG 2. How do you plan to get the marketing strategy for the gas in this environment? Do you plan to make any long-term arrangements now or will you wait? And on your existing Yamal LNG contracts, do you see any attempts by the customers to renegotiate the existing long-term contracts in terms of pricing or if you are aware if any attempts of renegotiations are present on the market, maybe not for you, but for some other players.

Mark Gyetvay: So let's start with the first part. How do we market the gas? As I mentioned in the text, partners will offtake a portion of LNG output respective to their ownership interest. It will be FOB Kamchatka or FOB Murmansk. So each party is going to be responsible for its own marketing of its natural gas.

We at NOVATEK, since we're taking 60%, we've already have started the process of discussing potential offtakes on what I would say long-term contracts now with some parties. And we've already pre-announced some of these earlier, so I don't want to repeat those again, but we have talked in the past about some of our marketing activities.

We initially thought we'd be about 50% spot, 50% long-term, and so that means 6 spot, 6 long-term, but I think we also now are looking at how do we bring gas into projects further downstream. So I don't have an exact mix for you, but we're working on what we plan to sell spot, what we would sell long-term, and potentially what we would bring into further downstream-type integrated projects. So I think it's a little premature to go into more depth on this topic at this particular point.

The second part of your question, you were asking me about, is any renegotiations coming on with Yamal LNG, etc. The answer is no. Is it affecting some of the market players? It had earlier but I don't think we're seeing much renegotiations as we speak today, but about a year, or 18 months ago, we saw some players in the market try to renegotiate some of their particular contracts, but I don't think we've seen any recently. Okay, I am ready for your second question.

Olga Danilenko: Thank you, I appreciate that answer. My second question is, can you in this environment get any additional discounts on equipment for Arctic LNG 2? And so, I would assume that some projects maybe delayed or even canceled too.

Mark Gyetvay: We've already executed over 80% of the contracts, so there's a possibility. We would not rule that possibility out, but definitively, we can't give you an exact answer today. But your logic is proper in thinking that projects are being canceled there might be some spare capacity and room to negotiate further. And if there is room to negotiate, just rest assured, we will do that.

Olga Danilenko: Okay, thank you.

Mark Gyetvay: You're welcome.

Operator: And we'll take our next question here from Patrick Sykes with ICIS. Please go ahead.

Patrick Sykes: Hi there, Mark. Thank you for the presentation. I had a quick question on the transshipments you mentioned for this winter. Does that mean they will continue as before Honningsvag, and therefore the previous contract, so that has been extended? And secondly, you mentioned production above nameplate capacity on the trains at Yamal LNG and also maintenance, has there been any maintenance on Train #2 or 3 since start-up?

Mark Gyetvay: Okay. Patrick, first of all, we generally don't take questions in this particular conference call from the press. But since I do know you, I will answer your questions.

Patrick Sykes: I appreciate it.

Mark Gyetvay: So in terms of your question on ship-to-ship transshipments, I would not say it's only in Norway. We basically say, we will consider options of using ship-to-ship transfers in both Norway and Murmansk. We have not finalized that process yet.

I assume what you're alluding in your question that the agreement we had a certain number of transshipments that were scheduled or planned, I think that number was like roughly 160, and we only completed about 123 ship-to-ship transfers. So, there's scope to extend that particular contract. We are considering both options, okay, as I can say right now.

And on your second part of your question, it's just hard to give you a definitive answer at this particular point in time. So I think I would rather not answer the second part of your question at this time, okay?

Patrick Sykes: Understood, thank you very much.

Operator: And we'll take our next question here from Alexander Burgansky with Renaissance Capital.

Alexander Burgansky: Hello Mark, and thank you very much for the presentation, and for the opportunity to ask questions. I have two questions please. So one, if you could possibly provide any outlook on production for 2020 for the company as a whole, and also if you could perhaps highlight your expectations for the North-Russkoye field for 2020, and how the ramp-up is planned?

And secondly, if you could possibly share your expectations for the CAPEX guidance for the next year, and kept separately as it is not included in the CAPEX guidance, your views on the overall amount of loans that you will be providing to your associated companies next year? Thank you very much.

Mark Gyetvay: Thanks for the question, but I think it's premature on this conference call. We generally provide guidance after we finish the business planning process, and the business planning process requires that we go to the Management Board for approval, and then the Board of Director for approval before we make any announcements in terms of production outlooks as well as CAPEX.

So I think it's a little early right now to make that guidance, and when we generally do make that announcement we'll make some statements towards the end of the year after the Board approves the upcoming 2020 business plan. We generally announce guidance sometime in the first quarter, but I want to refrain from answering any forecast for 2020 at this time.

Alexander Burgansky: Okay, I understand. Could you possibly talk about your expectations for the North-Russkoye field for the next year?

Mark Gyetvay: I said we're starting production, and I think we said previously that the field will launch and then ramped up over the next 3-4 years. The expectations, I don't have the exact launch date because if you remember the North-Russkoye cluster contains four fields. I believe the fields that will be launched in the near term will be the North-Russkoye field and the East-Tazovskoye field. I don't know exactly when the launch dates of the Kharbeyskoye field and Dorogovskoye field. I would just hold back on that question and we will address that after the field is launched this year and when we will come back in the first quarter, provide you some more guidance on the development plan.

Alexander Burgansky: Okay, thank you very much.

Operator: And we will take our next question here from Ildar Khaziev with HSBC. Please go ahead.

Ildar Khaziev: Yes, hi, thank you. This is Ildar Khaziev from HSBC. Mark, I have a question about the number of MOUs, which you signed with partners, possible partners in India and Japan to consider investments in the gas marketing, gas generation and bunkering. I was just curious how significant do you think these investments in demand could become for NOVATEK. Do you sort of target any particular coverage of your offtake volumes for Arctic LNG 2 or should we think differently about this? So that's my first question.

And the second one is about LNG bunkering. I know it's a tiny portion of global demand and business for you. But I was just curious what if you can share any observations of the market in the Baltics after you launch the first terminal? Is that market is growing so and what do you expect? Thank you.

Mark Gyetvay: On your first part of the question, I mean there is series of these projects that have been discussed, MOUs have been signed, like for example the one we signed recently with Petronet, and in our discussions with them there is a possibility to establish small-scale LNG operations inside of India. We talked about marketing arrangements with Sinopec in China. We have looked at terminal facilities, potentially one in Japan. So there's a whole series of what we call the integrated projects that we're looking at these days. But again, it's a little too premature. Once the MOU turns into a concrete project that we're going to actually invest, then we'll make that formal announcement, but right now, some of these are still in the early stages of discussion. So I really don't have anything concrete to tell you tonight on those other projects. A lot of those projects are being considered to further our push in LNG marketing as we move further downstream, but I think it's like I said it's a little premature to give you specifics on the projects that we announced.

On the second part of your question, the Cryogas-Vysotsk project, you know, in 2020 we start the IMO 2020 rules. We see that it's going to take a while to build up the marketing element of this regulation as vessels transition from diesel or fuel oil to LNG or a combination thereof depending on what the vessels are actually going to use. But, you can see from the ship build-out, there's more and more ships converting over to natural gas as the main primary fuel source. In the Baltics, I would say that it's going to take a little while to build up this business. And that's the reason why we basically have withheld the upgrades to the second phase of the Cryogas-Vysotsk project until we get a better understanding of what the full market demans are for LNG as bunkering fuel. I mean we're selling all our volumes; that's without question, but we need to make sure that the market keeps growing as we forecasted or as the industry forecasted before we make the investments to further expand the Cryogas-Vysotsk project.

Ildar Khaziev: Thank you very much.

Mark Gyetvay: You're welcome.

Operator: And at this time, we do not have any other questions.

Mark Gyetvay: I would like to end tonight's call on a personal note. Many of you may have had the pleasure of working with Oleg Maximov over the years, in his role as an oil and gas analyst for Troika Dialog and subsequently Sberbank. Oleg was an All Star analyst in Russia and one of the best oil and gas analysts globally. He has followed NOVATEK's story from pre-IPO through recently at his role investing in natural resource companies with the OppenheimerFunds in NY.

Oleg was a true professional in every sense of the word. His research work was insightful, informative and impactful. Everyone I have met over the years from the investment community referenced his research of NOVATEK, and he was a great supporter of our business operations and our future LNG platform. He truly understood the intrinsic value of our business, and I know he frequently discussed his views of NOVATEK with many of the analysts on the call tonight. Oleg and I communicated almost daily for more than 8 years, so I considered him a close friend as well as a trusted professional colleague to discuss and debate global gas topics.

Oleg unexpectedly passed away a few days before we made the FID decision on Arctic LNG 2. We talked about this event excessively and what it meant for NOVATEK, but I was only able to confirm this important event while I gave a eulogy at his funeral in NY.

We would like to dedicate tonight's conference call in his honor.