

PAO NOVATEK

Second Quarter 2018

Financial and Operational Results – Earnings Conference Call

26 July 2018

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Second Quarter and First Half 2018 earnings conference call. I would like to thank everyone for joining 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 make reference 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 2017, 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 had an exceptionally strong second quarter and first half 2018 by any objective measure aided by a strong macro-environment, a long, cold winter, and robust natural gas and liquids production. Collectively, these crucial factors positively impacted our financial results as reported, and underscore the dynamics and leverage of our business operating model.

With the World Cup formally ended here in Moscow with France's 4-2 victory over Croatia, it is safe to say it was a very successful event by the host nation Russia. It was an extraordinary month of surprises and shocks that will go down in history as one of the best World Cup's in recent memory. We would also like to congratulate our longstanding partner Total for the championship, but it is also befitting to congratulate

the Russian national team and their valiant efforts and the rallying of a nation to raise their spirits on such a large global event.

Despite the very positive sentiments following the World Cup the realities of geopolitics continued to rear its ugly head. Geopolitics played a leading role throughout the first half of 2018 with heightened tension around global trade wars, the impositions of additional punitive sanctions, the re-emergence of OPEC+ on production and pricing discussions as well as a myriad of other topics that create market tension and uncertainty. These geopolitical factors combined with a very cold end to winter and some untimely supply disruptions in Libya and Venezuela led to higher hydrocarbon demand and upward pressure on crude oil prices. These actions led many market commentators to forecast much stronger crude oil prices throughout the remainder of the year, which precipitated further calls on OPEC+ to increase production to ease commodity prices to more sustainably acceptable levels. It is safe to say that the macro environment was front and center during our reporting period.

Liquefied natural gas, or LNG, was also prominently spotlighted in the media as it has become quite evident that the so-called “LNG glut” has not materialized and a renewed focus on much stronger demand has prompted calls for new projects to reach final investment decision, or FID. We had stated many times on our prior conference calls, during our recent corporate strategy day, as well as during many one-on-one investor meetings, that we felt the market would reassess upward demand for LNG by the end of this decade. Obviously, even our own market demand assessment – although directionally correct – was too conservative, and we stand to correct ourselves that the stronger demand realization led by China and other emerging LNG consuming nations is materializing as we speak. This fact bodes very well for our LNG platform, which we would now discuss.

Global demand for LNG remained strong in the first half of 2018 increasing by approximately 8.5% to 159 million tons, led primarily by the continued growth in Chinese natural gas consumption. China imported approximately 25 million tons during this period, representing a year-on-year (Y/y) increase of 49%. The global LNG market (besides China) also remained robust throughout the second quarter as more countries entered the market for the first time, most notably Panama and Bangladesh, and, as a result, there are now 42 LNG importing nations and growing.

What was most notable this quarter was the strength in LNG prices in the Asian Pacific region as we transitioned between the peak and trough seasons of traditional gas demand. Strong demand from China influenced purchasing decisions of Chinese companies to purchase more large spot volumes in the

second quarter, maintenance works at several LNG plants at roughly the same period in the US, Malaysia and Nigeria, as well as decreased LNG production forecast in Australia, led to stronger LNG prices and a tightness of supplies. With prices easing recently this present situation supports the need to undertake additional LNG projects to meet growing LNG demand as consumers' transition from coal to natural gas as the predominant fuel for industrial, electrical and residential consumption globally.

Unfortunately, a large number of future LNG projects are not competitive because of their high costs. This point is also complicated by the fact that seasonal variability or fluctuation in LNG prices is not acceptable to many existing producers. We do not support a sharp increase in LNG prices. We believe the current prices provide acceptable rates of return for our current LNG project, but more importantly, supports stable demand growth. We believe this point is crucial to make future FID decisions, and this position we support – stable, steady growth in global LNG demand. Longer term, we believe our projects represent some of the most cost competitive LNG projects globally; thus we will be able to secure acceptable LNG contracts for our output as well as sufficient partner interests to enter our future LNG projects

In this regard, Yamal LNG has been a standout project in a LNG world characterized by project delays and cost overruns. As of today, we remain on target to deliver this world class facility on budget and actually ahead of schedule, something that very few, if any; of our global competitors can claim for a large, green-field LNG project. Success obviously garners recognition and both the media and oil and gas industry have taken note of the Russian Arctic zone as a cost-effective way to enter the next wave of LNG projects. This becomes especially crucial as we select potential partners for Arctic LNG 2, and build out the necessary logistical model and LNG construction center for our future LNG projects.

As of 30 June, the overall construction progress at Yamal LNG was 94.3%, up from 92.5% at the end of the first quarter. More specifically, LNG train #2 is approximately 97% completed (versus 93% - 1Q 2018) and LNG train #3 is approximately 83% completed. We are on target to meet our revised guidance of completing and launching LNG train #2 in the near-term and LNG train #3 in early 2019. Moreover, we are still committed to deliver LNG train #4, based on our proprietary "Arctic Cascade" liquefaction process by the end of 2019. Approximately 50% of the equipment for LNG train #4 has already been contracted. Although the output of this additional train will be less than one million tons per annum, it has a low capital cost for liquefaction and will reduce the per unit cost of all of our Yamal LNG volumes

All modules for all three LNG trains are installed and commissioning activities for the second and third trains are currently underway. Tests on both compressor stations for LNG train #2 have been completed and the integrated control and security system has been installed in the Central Control Building. Moreover, first gas has been injected into the unit and we anticipate first LNG output in early August as announced at Mr. Mikhelson's recent press conference. For LNG train #3, initial commissioning works on the first compressor has begun and we are presently on track to launch this LNG train in early 2019, significantly ahead of its original time schedule as well as the revised timeframe. NOVATEK has clearly demonstrated our ability to deliver large-scale strategic projects on time and on budget, creating sustainable shareholder value despite the complexity and remoteness of our projects.

We have already drilled and completed 118 production wells, exceeding the number of wells required to for both LNG trains #1 and #2 by 25 production wells (118 production wells drilled less 93 wells required). Overall, we need 124 production wells to successfully launch all three LNG trains, and the total well stock for the project remains at 208 production wells. While on this topic of drilling, we commenced drilling of our first well #172 targeting the deeper Jurassic layers at the South Tambayskoye field. As of today's call, we have reached the Achimov horizon, and anticipate that all drilling, fracking and well testing will be completed in the fourth quarter 2018. We will provide additional updates as the drilling and testing activities proceed.

So far, as of the end of the second quarter, Yamal LNG dispatched 38 LNG cargoes, representing more than 2.8 million tons of LNG, along with 15 cargoes of stable gas condensate (more than 250 thousand tons) since the commencement of the project in December 2017.

In the first half 2018, Yamal LNG produced approximately 2.6 million of LNG and 234 thousand tons of stable gas condensate. Despite the recent maintenance work at the facility in the second quarter (2Q), Yamal LNG produced approximately 1.3 million tons of LNG and continued to deliver cargoes to our customers without disruption. This was accomplished because we were able to load cargoes from our storage tanks as all four (4) cryogenic LNG storage tanks were built and ready for operations.

One of the metrics we monitor is the annualized LNG capacity relative to each of the LNG trains nameplate capacity. Unfortunately, due to the maintenance work at LNG train #1 in May, we felt it is better to run the facility for the full year during various seasonal temperature changes to get a better assessment of the plant's overall operating performance. Moreover, we believe it is not proper to extrapolate one period versus another period as a proxy for overall plant performance; thus getting a full

year operating performance history is a better indicator of the sustainable performance rather than taking isolated points of time.

We have operated LNG train #1 above its nameplate capacity of 5.5 million tons per annum on an annualized basis since it was commissioned in December 2017. This fact was noted on the prior conference call and is still applicable today. Overall, this represents exceptional operating performance based on the ambient temperatures of the Arctic region and supports our assertions that we maintain a competitive advantage over our competitors' vis-à-vis our geographical location and the colder ambient temperatures. We believe these advantageous operating conditions support our future LNG projects on the Yamal and Gydan peninsulas, thus making our overall LNG platform extremely attractive for potential and existing partners based on favorable operating statistics, lower capital intensity per ton of LNG produced, and optional transport routes to East and West consuming markets.

We would like to make a few brief comments on the present shipping environment as there seems to be much confusion in this area. There is presently a draft law in the State Duma that supports Russian shipbuilding yards. We have already executed signed agreements with Russian shipbuilders and we support this initiative but it is crucial that ships are built and delivered on time. Our Yamal LNG project is being realized within the approved Russian governmental decree, and the law passed on regarding the "flag of ship" did not negatively impact our logistics and/or shipments. Moreover, we believe the new law being proposed will not negatively impact our Arctic LNG project from the vantage point of future LNG fleet and logistics. It is best the Russian government focus on supporting the Russian shipbuilding industry, and less so on the specific flag of the ship.

We would like to provide a few words on the current state of Yamal LNG's shipping fleet. In 2018, we will receive four (4) more Arc7 ice-class tankers, and at the beginning of 2019, we will receive another tanker. All 15 Arc7 ice-class tankers will be ready by the time Train #4 is launched, and, in the meantime, we also charter Arc4 LNG tankers to support our logistical model. We don't believe shipping and the number of tankers available will impede our progress. However, as reported, we did have some minor shipping delays when ice melt recirculated back in the Ob channel, which for the sake of clarity is a common occurrence, but this fact was negatively reported by the media.

The extreme cold weather experienced during the latter part of this past winter kept ice levels in the Ob Bay at higher levels than the past several seasons. This meant that we slightly delayed the use of the Northern Sea Route (NSR) to deliver LNG cargoes eastbound to the Asian Pacific market. We recently

announced, however, that two Arc7 ice class tankers – the “Vladimir Rusanov” and the “Eduard Toll” successfully completed their maiden voyages through the Northern Sea Route and passed the ice-covered portion of the route in just nine (9) days without ice breaking support, thus confirming the outstanding ice-breaking capabilities of the Arc7 ice-class tankers. This formally opened the navigational season eastbound.

The two LNG tankers landed at their final destination at the Chinese port of Rudong on the 19<sup>th</sup> July with a welcome celebration attended by Russian energy minister Alexander Novak and our CEO Leonid Mikhelson. The total eastbound voyage through the NSR was completed in just 19 days versus the 35 days it would have taken to navigate through the Suez Canal and the Strait of Malacca to this same final destination. Two way transports through the NSR will become a reality, and we are proud of our role to pioneer this navigational route – first with gas condensate in 2010, and now with the first cargoes of Russian produced LNG from our Yamal LNG project.

This completes my update on Yamal LNG and we would now like to briefly discuss our other LNG projects. We mentioned on our last earnings conference call that Arctic LNG 2 launched a series of tenders for long-lead items (LLI) such as gas turbines and refrigerants compressors, coiled wound heat exchangers, LNG pumps and other LLI items. This process is more or less completed and the capital costs savings identified through our value engineering process are now confirmed. This essentially means that the design and engineering process proposed for the Arctic LNG 2 project based on the gravity based structures (GBS) will allow us to build a low cost liquefaction platform with more than a 30% reduction in CAPEX per ton of LNG produced as compared to our flagship Yamal LNG project. This confirmation supports our strategic premise that we will be able to build a LNG model utilizing the GBS platform that is cost competitive, and that our strategic market objective of delivering low-cost LNG to consuming nations is achievable.

The second round of tenders for Topside modules fabrication has been launched allowing us to complete the final module fabrication strategy by the end of the FEED work. In conjunction, we also launched the tender for GBS fabrication in our NOVATEK-Murmansk yard, and we aim to complete this process and award the contract by the end of FEED when we intend to launch the detailed engineering work for the gravity based structures. In summary, our FEED is progressing as per our plan, and that all technical findings, engineering optimizations and market value tenders are confirming our stated goal of achieving a low-cost per ton liquefaction project. We anticipate a final investment decision in the second half of 2019. We will obviously keep everyone informed of this important development.

During the quarter, we announced the signing of a binding agreement with our partner, Total, for the purchase of a 10% equity stake in the Arctic LNG 2 project. The transaction will be closed no later than 31 March 2019, and reflects a valuation commensurate with the project's economic parameters, the field's vast hydrocarbon resource base and the cost competitiveness of our proposed GBS liquefaction platform. The Arctic LNG 2 transaction now establishes a valuation threshold for potential partners to enter the project as NOVATEK plans to divest another 30% with at least the same terms and conditions of the announced transaction.

We recently signed a Memorandum of Understanding, or MOU, with KOGAS, stipulating our mutual interest for KOGAS to enter into the Arctic LNG 2 project, the Kamchatka Transshipment Terminal and possible LNG offtake contracts, as well as developing cooperation in LNG trading and logistics optimization. This announcement is the latest in a series of expressed interest in NOVATEK's LNG platform. The Arctic LNG 2 project has received strong expressions of interest from potential partners who are still quite active in the data room finalizing their respective due diligence work. We are confident that the divestiture of additional equity stakes in Arctic LNG 2 will unlock more economic value to NOVATEK and hence our shareholders. It's hard to predict the exact timing of these sales, but we would like to have this process completed prior to making our FID decision. Moreover, by selling these stakes in Arctic LNG 2, we will essentially cover all of our financing needs for the project.

We would also like to provide a brief update on our construction activities in Murmansk. As we previously mentioned, primary infrastructure and civil engineering work activities at the LNG construction center are progressing according to our project schedule. More than 6.5 million cubic meters of dirt and rock has been removed as part of our heavy earth work activities. All contracts with construction contractors were executed and we began the construction of building the workers' rotating village. In addition, the initial cargo of goods and material was delivered to the first existing berth of the project. We anticipate that we can begin the construction of the GBS platform fabrication in the summer of 2019 as per our plan.

We also made notable progress towards the initial launch of our mid-scale Cyrogas-Vysotsk LNG project expected by end of 2018 or sometime in the beginning of 2019. We will keep you apprised of the launch timetable on upcoming conference calls. After the start of first LNG train of roughly 600 thousand tons, we will consider making another FID decision for the second LNG train with a LNG capacity ranging from 600 thousand tons to one million tons of LNG output per annum. The LNG will be marketed for bunkering services as well as potential mid- to small-scale business consumers in the European markets, such as

those consuming markets off the main pipeline grid. We believe that bunkering services offers us a good niche market, and will be supported by the impending changes to the IMO regulations in 2020.

As of today, we completed the construction of the energy station, gas pipeline link, and the LNG loading berth. Ongoing construction activities include work on the pipeline racks, the LNG plant modules and the LNG loading arms.

In other operational news, we significantly increased our exploration funding to support future development activities and get license areas ready for reserve appraisals. Our first half of the year activities provides a good assessment of our increased expenditures and the level of works performed as exploration activities tend to be longer in duration and span multiple reporting periods. Three-dimensional (3D) seismic activities more than doubled at our subsidiary companies and increased by 38% at our joint ventures. We ran and processed a total of 2,634 square kilometers of 3D seismic as well as conducted 2,766 linear kilometers of two-dimensional seismic during the first half of 2018. Most of this geological and geophysical works were performed on our recently acquired license acreage on the Yamal and Gydan peninsulas, which supports future LNG projects, as well as at some of our domestic core areas of interest.

Exploration drilling also progressed during the first half of the year, but most of the increase was drilled during the second quarter and at our joint ventures. Exploration drilling totaled approximately 16 thousand meters, with more than half of this drilling done at our joint ventures, namely the Samburgskiy license area. The combination of G&G activities and increased exploration drilling is a precursor for future development activities. We increased our exploration spending by three-fold to RR 3.7 billion during the first half of 2018. We stated previously that this was our strategic objective to significantly invest in exploration activities.

On 20<sup>th</sup> July the drilling rig left the port of Yamburg destined to drill the initial exploration well at the North-Obskiy license area in shallow waters of roughly 10 to 15 meters in depth using a floating rig leased from "Gazflot". We expect to spud the first exploration well at the North-Obskiy field any day now, and this license area along with other assets in our portfolio located on the Yamal and Gydan peninsulas will serve as one of our potential future LNG projects. The exploration well will have a projected vertical depth of 2,800 meters and will test all productive zones identified by the running and processing of 3D seismic. We believe the geological structure is quite similar to the South Tambayskoye field, and we anticipate that the drilling and testing will be completed during the fourth quarter. In parallel, we will also



run 3D seismic at the northern portion of the license area, and, based on the combined exploration drilling and seismic activities, we will be in a better position to assess the reserves potential at this license area, which we believe could be substantial.

Our core development drilling program targeting fields within the reach of the UGSS increased during the first six months of 2018. We drilled 45 production wells during the period versus 27 production wells in the comparable prior period, representing an increase in the total number of wells drilled by 67%. We drilled approximately 97 thousand meters of new wells with most of activities performed at our NOVATEK-Tarkosaleneftegaz subsidiary and our Arcticgas joint venture. More specifically, in the second quarter, we completed a new record well at the Urengoykoye field of Arcticgas at well #5003 in just 78 drilling days. The total length of this well is approximately 5.9 thousand meters with a horizontal run of 1.4 thousand meters and a vertical deviation of 3.5 thousand meters. The well will be completed using an 8-stage hydro-fracturing design at the Achimov producing layer. We expect considerable reserve additions thanks to this project.

At the West Yurkharovskoye field there will be three (3) drilling well pads consisting of 6, 5 and 4 wells being drilled at each pad, respectively. We drilled the initial well #135 on the first drilling pad and well #147 on the third drilling pad. We commenced drilling of well #11 at the first drilling pad and combined with the ongoing drilling of well #147, we will assess the results of the drilling program before commencing drilling activities at the second pad. We expect to make some definitive decisions sometime in October on the direction and timing of the overall development program at this field. In July, we commenced initial test production at well #135 at the West Yurkharovskoye field targeting the lower Jurassic layer.

Since many of these projects are ongoing and cross multiple reporting periods we wanted to provide some exploration and production highlights that we felt were relevant to mention; therefore, for sake of brevity we didn't want to repeat some of the other ongoing activities but will continue to discuss important progress throughout the remainder of the year on future earnings conference calls. We would like to reiterate our current production guidance for 2018 at 5% to 6% growth in natural gas production and to sustain liquids output at 2017 levels. We believe we have accomplished many of the remedial activities and well stimulation works that was somewhat delayed while we focused on launching Yamal LNG, as well as strategically complimented our current production portfolio with timely acquisitions in late 2017 and the Alrosa acquisition in the first quarter of 2018. We managed to achieve positive production

dynamics for liquids year-on-year (Y/y) recently and this important fact supports our assertion to stabilize liquids production as quickly as possible.

At the Bergovoye field, we reassessed the prior development model and will make some fundamental changes to the development program to boost production output. In the third quarter, we plan to install a booster compressor station at the field and perform some remedial measure that will allow us to upgrade our production guidance from this field in 2019 by about 6% to approximately 1.7 billion cubic meters (BCM) of natural gas production per annum. We will connect the field to our existing condensate infrastructure to monetize gas condensate through our liquids value chain, thus achieving synergies to boost liquid revenues.

We plan to commence the crude oil program at the Yaro-Yakhinshoye field of the Arcticgas joint venture in the fourth quarter, as we are currently testing the oil pipeline link to the field. Moreover, we will start production as planned at our North-Russkoye cluster in 2019 (more information on this later in the year), which will help us restore the production output within the UGSS area.

During the second quarter we spent approximately RR 22 billion on total capital costs, comprised of costs attributable for exploration and production projects, and some minor costs relating to mineral licenses and right-of-use assets, mainly leased tankers. Approximately 42% of our capital program was spent on the Arctic LNG project and infrastructure for future LNG projects, while approximately RR 9.5 billion or about 43% was spent on the North Russkoye license area, the Yurkharovskoye and West Yurkhavorskoye fields, the Yarudeyskiy license area and the East Tarkosalinskoye oil program. The remaining 15% was spent on a variety of other capital related activities.

Our capital program represents a significant increase Y/y by roughly RR 13 billion, or by 135%, and higher quarter-on-quarter (Q/q) by RR 11 billion, or by 106%. The increase in our Q/q capital expenditures reflect a step-up in development drilling activities and was driven largely by expenditures at the North-Russkiy license area and the East Tazovskoye field, as well as significant quarterly changes in capital spent on the Arctic LNG 2 project and related LNG infrastructure.

As noted in our capital spending distribution we have increased our capital program to reflect the next wave of growth for NOVATEK. This organic growth will ensure sustainable domestic natural gas production to offset our more mature fields combined with increased liquids production to ensure our processing facilities are fully loaded and operating at 100% throughput capacity. Equally important, is the capital spent on preparing for the next wave of LNG projects and the building of the LNG construction

yard to achieve our strategic goals of becoming one of the largest LNG producers in the world. All of these aims are consistent with our long-term strategy. We would like again to reconfirm our 2018 capital expenditure guidance at RR 90 billion.

The financial and operational results were quite strong Y/y but weaker **operationally** Q/q due to the traditional seasonal fluctuations in our domestic natural gas demand between the first and second quarters. The quarterly seasonality impact was somewhat mitigated by LNG sales and strong liquid commodity prices as well as the positive revenue affect from the realization of liquid volumes in transit. The macro environment was also very supportive this quarter as liquid prices were strong across all product categories Y/y and Q/q reflecting higher underlying benchmark crude oil prices during the current reporting period.

Our total oil and gas revenues in the second quarter (2Q) 2018 were relatively strong against both the Y/y and Q/q comparatives. We increased our oil and gas revenues Y/y by 52% and Q/q by 9% mainly by increases in our domestic natural gas sales volumes Y/y due to the launch of LNG sales at our Yamal LNG project and stronger commodity prices for liquids. Our natural gas sales volumes were down by more than five (5) BCM, or 25%, Q/q reflecting the seasonal variations in consumption despite a longer winter period. Moreover, in the 2Q we had lower LNG sales attributable to our equity interest as compared to the 1Q 2018. This fact was fully anticipated as we moved from spot sales based on our equity interest to long-term contractual sales.

Significant inventory movements between the comparative periods also supported our oil and gas revenues as we realized prior period goods in transit for liquids as well as variations in injections and withdrawals of natural gas. Movements in inventory balances impact each period as the subsequent realization of these volumes generally depend on the date of dispatch and the final destination for liquids and the seasonality of demand for natural gas. Our liquid revenues accounted for 65% of our total revenues versus 57% Y/y and 50% Q/q. The large disparity between the reporting periods is reflective of the strong liquids prices realized in both Russian roubles and US dollars due to positive crude oil dynamics.

We sold approximately 15.2 billion cubic meters (bcm) of natural gas in the reporting period versus 14.4 bcm Y/y and 20.3. bcm Q/q, representing an increase of 5.3% Y/y and a seasonal decline of 25.2% Q/q, respectively. Our combined natural gas netbacks (domestic and international) were strong in the reporting period reflecting the blending of domestic and international gas sales during the quarter;

however, the comparability of information with prior year periods is difficult because of the startup of LNG sales in late 2017. Our sales volumes don't quite compare to those in the first quarter 2017 as there were no LNG volumes sold, which will impact period netbacks. Moreover, the difference between the realizations of ramp-up LNG volumes in the first quarter 2018 prior to contractual sales does not easily compare to LNG sales volumes in the current reporting period, which is a mix of some spot sales and contract volumes. This disparity will continue through the respective ramp-ups of LNG trains # 2 and #3 as we will market a combination of ramp-up volumes at our equity interest as well as direct contractual sales via NOVATEK Gas & Power as an off-taker. The net impact however should positively support revenues.

Weather also plays a major role in our natural gas sales volumes as this impacts injections and withdrawals from underground storage facilities. During the current reporting period we increased our injections of natural gas in storage by approximately 1.2 bcm versus 481 million cubic meters in the prior year. The Q/q impact was much more dramatic as we had a complete reversal of withdrawal in the first quarter of 954 million cubic meters versus the injection of 1.2 bcm in the current reporting period as this usually reflects the general nature of seasonal patterns. Underground storage is used to balance production and sales as well as to ensure we have access to natural gas in certain geographical regions during the peak season to meet contractual sales commitments.

Since the commissioning of Yamal LNG in December 2017 there have been 38 LNG shipments from the plant, representing more than 2.8 million tons of LNG. We just announced the shipment of the 41<sup>st</sup> cargo this week and the new milestone achieved of three (3) million tons of LNG produced from LNG train #1. The ramp-up of LNG train #1 has gone according to our expectations and we believe silenced some of the skeptics who felt this may represent a potential risk area for the Company.

NOVATEK sold 16 cargoes of LNG during the first half of the year, including six (6) cargoes in the second quarter. The decrease Q/q was partly due to the maintenance work on LNG train #1 during the month of May, but primarily due to the start of LNG sales under long-term contracts. In the 2Q 2018, eight (8) cargoes under long-term contracts were delivered, including one (1) under long-term contract with NOVATEK Gas & Power, which represented the first shipment of LNG to Spain and represented a new milestone for Russian gas deliveries to this country where there is no pipeline connection. We sold approximately 653 million cubic meters (mmcm) of natural gas by the end of the quarter as compared to 958 million cubic meters in the first quarter. The primary difference in volumes sold relates directly to our

proportionate share in equity volumes during the ramp-up phase relative to our contractual offtake volumes.

We anticipate the number of cargoes sold under long-term contracts will increase in the upcoming third quarter, which will be partially supported by the early ramp-up volumes from the launch of LNG train #2. . This same combination pattern of ramp-up (or spot sales) and long-term contractual volumes will occur when we launch LNG #3 and will persist until all three LNG trains are operating at full capacity.

We sold 4.3 million tons of liquids representing a 5% increase over the prior year and a 13% increase relative to the first quarter 2018. We exported 60% of our total liquid volumes, which was consistent Y/y but higher by approximately 5% Q/q. The average price received in dollar terms was higher across our product range (except small volumes of domestic oil product sales) because of the significant increase in international commodity reference prices, which was partially offset by a weaker Russian rouble as well as a mix between higher and lower export duties. Despite the partial offsets, our overall netbacks increased in the second quarter for the majority of our products sold.

Our second quarter liquids sales were also positively impacted by the realization of inventory balances classified as "goods in transit". We realized through revenues approximately 296 thousand tons of liquids, representing a Y/y and Q/q increase of 160% and 311%, respectively. We had 196 thousand tons of liquids in transit at quarter end and these volumes will be realized in the subsequent reporting period. This compares to 92 thousand tons at the end of the second quarter 2017 and 400 thousand tons at the end of the first quarter.

At the end of the second quarter 2018, we had 806 thousand tons of liquids in various stages of inventory and 1.3 billion cubic meters of natural gas in underground storage, both of which ultimately will be realized during the year. Our financial and operational results will always be impacted Y/y and Q/q by relative inventory movements and the ultimate timing event to realize these balances as revenues.

Our operating expenses increased by 44% Y/y and roughly 4% Q/q in the reporting period as compared to prior periods, which reflects the growing and evolving nature of our business activities. Our purchases of hydrocarbons increased substantially Y/y largely due to the commencement of LNG purchased from Yamal LNG as well as purchasing liquids from our joint ventures at higher commodity prices. Our purchases increased by RR 33 billion and RR 1.8 billion Y/y and Q/q, respectively, which were impacted by higher unit costs for both liquids and natural gas.

Hydrocarbon purchases as a percent of our total operating costs has essentially changed the dynamics of our cost structure, mainly due to the volatility of the underlying cost basis (i.e., movements in crude oil prices). Besides purchases, the most significant cost components in our operating expenses are both transportation and taxes other than income as is traditionally the case. Otherwise, our cost trends have been reasonably consistent over the past several years as operating expenses support our business operations as well as fluctuate periodically due to increases in personnel (new hires as we expand or through recent acquisitions), accruals of bonus payments and the corresponding adjustments to salary indexation and social payments.

Our balance sheet and liquidity position is extremely strong and this strength has clearly been reflected over many quarters, as we generate sufficient operating cash flows to fund our business operations, internally finance our capital program and service all of liabilities and debt obligations as they become due. In the current reporting period we generated robust free cash flows of RR 40 billion in a traditionally slower seasonal period, which was roughly 29% and 4% higher Y/y and Q/q, respectively, despite higher capital spent in the current reporting period. Our total free cash flows for the six months ended 30 June was slightly more than RR 78 billion, or about 4% higher than comparable prior period.

Moreover, we achieved an EBITDA of RR 101 billion, which were 81% higher than prior year and 33% relative to the first quarter 2018. Our operating cash flows exceeded our cash used to finance capital expenditures by almost three times, despite the fact that we significantly increased our cash spent on our capital program Y/y by 173%. This also applies Q/q as we increased capital spend by 128% but were able to fund this entire capital program through internally generated cash flows. We improved all of our credit metrics during the period, and again demonstrated a solid balance sheet to support our international and domestic credit ratings.

Our transformation into a world class global gas company has begun. The first half of 2018 represented a pivotal move for NOVATEK into the global gas arena as we demonstrated the operational and commercial success of Yamal LNG's train #1 as well as our ability to bring to market a large scale LNG project on time and on budget. With the imminent launch of LNG train #2 forthcoming in early August, we once again have demonstrated our capabilities to bring forth a major phase of a very complex project ahead of schedule. This fact is unprecedented in today's environment of project delays and massive cost overruns that has characterized many of the LNG projects from our global competitors. Furthermore, we again reconfirm to our shareholders that LNG train #3 is on schedule for launch in early 2019, a time window in which we will narrow down over the next several months. There should be no more doubters,

skeptics or critics as we exceeded all expectations and have overcome all obstacles and challenges, but we understand that there will remain those who will continue to scrutinize and criticize our each and every move.

Our next LNG project – Arctic LNG 2 – will also be a global LNG game-changer. We are in the process of developing a new technological LNG platform based on gravity based structures that will reduce liquefaction cost per ton of LNG produced and unlock our massive low-cost, long-lived resource base on the Yamal and Gydan peninsulas. The geographical zone where our LNG platform will emerge is endowed with an enormous resource potential that is cost-effective to exploit and provides the long-lived natural gas feedstock necessary to build scalable LNG projects to meet growing LNG demand. This fact combined with our ability to monetize the liquids component of our wet gas reserves represents a massive competitive advantage to us vis-à-vis our global competitors.

As mentioned earlier today and in Mr. Mikhelson's interview yesterday, we are about to commence exploratory drilling at the North-Obskiy license area, representing one of the next potential LNG projects to emerge from our asset portfolio alongside the Gydansky License area and the Shtromovoye field. Our strategic target is to produce between 55 million to 60 million tons of LNG by 2030 as outlined on Corporate Strategy Day in December. Our asset base combined with Gazprom's assets and non-allocated license areas on the Yamal and Gydan peninsulas allows for the production of approximately 130 million tons to 140 million tons of LNG, or about 1-1/2 times the LNG volumes produced by Qatar. This makes the Arctic region of Russia generally, and NOVATEK specifically, a serious contender in the global LNG arena. The cost competitiveness of our LNG platform will attract potential partners to our future projects as they realize the enormity of our resource base, the commerciality of the GBS platforms and the optionality to deliver LNG to both the Atlantic and Pacific basins.

Besides LNG news, we have offset some of the declining production at our more mature fields with the recent acquisitions and the ongoing remedial work activities we implemented. The North Russkiy and East Tazovski license areas represent the next wave of domestic development activities for the Company and, accordingly, received the largest share of development drilling funding. We expect the commencement of the initial phase of natural gas production from the North Russkoye cluster in 2019, with full scale ramp-up of the cluster by around 2021. We are absolutely confident that we will have sufficient gas production through our subsidiaries and joint ventures to meet our contractual obligations as well as produce sufficient quantities of gas condensate to fully load our processing facilities at Purovsky and Ust-Luga. Our liquids business remains a significant contributor of operating cash flows

and bottom line profitability. We also believe the current discussions on changing the tax regime for oil and gas producers will not negatively impact our business.

There has been substantial negative global news post the Helsinki Summit between President Trump and President Putin, despite the positive statements made by the respective presidents on improving relations between Russia and the United States. We have said many times in the past that we are not interested in dealing with geopolitics but rather focus on what we do best and that is delivering cost-competitive, clean burning natural gas to the consuming markets. Our prior focus was mainly on the Russian domestic market but now we have a broader agenda of delivering the most competitively priced LNG to key gas importing countries. Our Yamal LNG project began this process and we have successfully begun marketing LNG through our wholly owned trading entities, but the Yamal LNG project is only the beginning.

Our next step is Arctic LNG 2. With the recent announcement by Total to acquire a 10% in this key project we have established a credible market valuation for our project which is commensurate to other global LNG projects. Ironically, it was somewhat surprising to read that many analysts questioned the validity of this valuation, yet at the same time they see nothing unusual about the high market valuations paid to enter the Mozambique LNG project or similarly related non-Russian projects. We have changed this calculus and now have established the threshold for potential partners to enter this important project as well as our future LNG projects. We will not sell our valuable LNG projects at ridiculously low Russian market valuations. We have earned our right to stand alongside our global oil and gas peers, and the value we receive for our future LNG projects will be commensurate with the projects economics, not some arbitrary country risk discount.

We mentioned on our last earnings conference call that the global gas markets welcome the emergence of multiple sources of supplies as a means to ensuring security of supplies for many years to come. Our core hydrocarbon asset base in the Yamal and Gydan peninsulas provides affordable, secure and sustainable supplies of natural gas to meet the growing future gas needs of consuming markets. The recent announcements by the global super majors to focus on their natural gas assets, particularly in the form of LNG, confirms our belief that the market is growing at a much more robust rate than originally forecasted and will be revised upwards. The cornerstone of our LNG success will depend on delivering affordable energy to key consuming markets, on developing our long-lived resource base to bring security of supplies to these markets, and on our ability help consuming nations transition from coal to clean



burning natural gas to facilitate climate change initiative and sustainability agendas. Our LNG asset portfolio sufficiently addresses these three (3) core themes in the affirmative.

It's ironic that with all of the positive news flows emanating from our Company – the successful launch and ramp-up of LNG train #1, the imminent early launch of LNG train #2, the reconfirmation of our commitment to launch LNG train #3 in early 2019, the strong commodity macro environment, our consistently strong financial and operational results, the early sale of the 10% stake in Arctic LNG 2 project at an attractive valuation, and now, Mr. Mikhelson's positive comments in yesterday's interview that our share price is still highly volatile based on speculative comments in the market and rumors. NOVATEK continues to represent one of the most compelling and unique investment case in a global oil and gas industry with very limited value-accretive investment options.

When you compare our investment case as a growth story with strong free cash flow generation and a value accretive asset portfolio second to none, you truly understand our ability to massively unlock valuation upside to create sustainable shareholder value. We are a great success under any objective criteria.

Ladies and gentlemen, dear shareholders, we would like to thank everyone for attending tonight's conference call and for your continued support of NOVATEK. We would encourage you to read Mr. Mikhelson's extensive interview in yesterday's edition of Kommersant as it covers a substantial range of topics that are extremely relevant to our business and investment case.

Thank you very much. We are now ready to open tonight's call to our question and answer session.

Operator: Thank you. If you would like to ask a question at this time, please press the star or asterisk key followed by the digit one on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing star two. Again, please press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for questions.

Our first question today comes from Ron Smith from Citi. Please go ahead.

Ron Smith: Yeah, good afternoon, Mark. Thank you for the presentation. I got a few questions. I'll ask a couple and we can circle back around later potentially. On LNG, did I read correctly in the interview with Mr Mikhelson that you're looking at potentially doing year-round deliveries via the Northern Route in addition to potentially speeding up the speed of the tankers? That's one.

Second, on Train 4, you've mentioned that you're looking to get – have quite competitive unit costs. Do you have a number for that? I mean, is it 1,000, 700, something in between in terms of dollars per ton? Thank you.

Mark Gyetvay: Ron, to answer your first question, as Mr Mikhelson discussed yesterday, obviously, it's important for us to work with Atomflot, Sovcomflot, etc, to try to see if we can use the Northern Sea Route for a full year. If you look at the way the logistical model is built today, we roughly use the Northern Sea Route for about five to seven months a year, and, . it depends on, obviously, the weather and our ability to enter the NSR.

Longer-term, we would like to increase our usage of the NSR to nine months and eventually up to 12 months, but that requires other people (or organizations) such as nuclear icebreakers, the "lider" icebreakers, etc., to be launched into commission. So that's our aim. The aim is essentially to enter the Ob Bay and eventually be able to utilise the Northern Ship Route on a full-year basis.

This question alone will obviously make our LNG projects much more competitive to be able to deliver all these LNG volumes to the Asian-Pacific market because if you look forward, the

projection on Arctic LNG 2 is to basically deliver the majority – I think greater than 80% of the volume will be directed in the future to the Asian-Pacific market. And that's where we see the growing demand.

So the ability to utilise the Northern Sea Route for 12 months will actually facilitate this process and also help with the overall cost, because if you look at the voyage days, etc., and what we presented in our Strategy Presentation, we said it was about an \$0.80 difference by going through the Suez Canal and the Strait of Malacca versus going directly across the Northern Sea Route. So I think this is an important development, but it's – obviously, not in our control at this particular point in time.

The second question, when you talk about Train Number 4, as we showed in the Strategy Presentation, we were looking at roughly about \$450 million of capital costs per million tons of LNG capacity added. So if we combine Train number 4 and add this project to the total project costs, it looks like we can probably reduce the costs by about 3% to 4% of all LNG produced from Yamal LNG. So it's about 3% to 4%.

Ron Smith: Okay, but it's 300 to 400 per ton for the small Train 4. Did I understand that?

Mark Gyetvay: \$450 million is the target. And there is a slide on our Strategy Presentation that shows this amount.

Ron Smith: Appreciate it. Okay. Excellent. Thanks.

Mark Gyetvay: Okay. You're welcome.

Operator: Thank you. Our next question today comes from Ekaterina Smyk from Bank of America. Please go ahead.

Ekaterina Smyk: Hello, Mark. Thanks very much for the presentation. I have a couple of questions. The first one is related to the early comment by Mr Mikhelson that cash flow from

Yamal LNG will start already in 2019. Does it mean that Yamal may start paying dividends to shareholders along with repayment of shareholder loans? And if yes, what's the expected split? And generally, how Yamal will use additional cash flow from an early start-up of the second and third trains? Is it possible that the project will not draw its external credit lines in full?

And my second question is on dividends. At this point of time, do you have an understanding by how much you will be able to increase dividends? Is it a 5% increase similar to your previous amendments to the dividend policy or we may see a 10%, 20% rise in line with the industry trend? Thank you.

Mark Gyetvay: On your first question, you had two parts. I didn't quite get the second part of your question. Could you repeat? I know you talked about the cash flow in the first one. What was the second part of your question again, please?

Ekaterina Smyk: Yeah, the second part is, is it possible that – I mean, do you plan to draw your external credit lines in full, or is it possible that some of your initial investments for, for example, Train 4, will be financed from your own funds given early start-up of first and second trains? Thank you.

Mark Gyetvay: Okay. It's – the first part of your question, the cash flow, I would say that it's probably a little premature at this point to discuss the cash flow. I mean, obviously we should start receiving interest payments from Yamal LNG for repayment of debt that starts in 2019, but I think that we need is to see the timing of each of these trains before we can make the assessment. So I think it's better – let's wait a little bit to answer your first question on expected cash flow.

The second part is that if we draw – I think if we do anything on a finance and related, I think we might not – we will probably look at the most expensive finance and reduce a portion of it, and that's the finance that's coming from China and would probably will not – will not need it, and we probably will not draw down on that particular financing part.

On the other question, again, it's one of these questions, you know, it's hard to say exactly when the dividends will change. Let me go back, because I think it's going to be an important question

for everybody tonight because Mr Mikhelson talked about it in his interview, and dividends and I think has been an interesting topic for many people over this past year, some of the companies decided to raise their dividend pay-outs or dividend policy to 50%, etc. So let's take it from our perspective, okay.

Most importantly for us, we need to see the full ramp up of Yamal LNG all the trains in 2019, including – we need to see a confirmation of the operations – the complete operations across the full value chain, shipment, logistics, etc. That needs to be confirmed, right.

Then we need to look at – on top of that, we then need to look at taking the FID decision on Arctic LNG 2, which we are expecting to take some time in the second half of 2019, and maybe – maybe, you know, from the end of 2019, we will be in the better position to make a decision on increasing our dividend, alright.

So there are factors that need to be taken into consideration first before we make that decision. And in larger relationship, to make sure that we want to be absolutely certain that the full ramp up of Yamal LNG, the logistical models, all that's confirmed across the whole value chain, as well as our ability to sell the interest in the Arctic LNG 2 projects, as well as making the FID decision, and then at that time, we'll consider probably towards the latter part of 2019 or sometime in early 2020. Okay, that's one part of the financial idea, all right.

The second part of my answer is,, our dividend policy, as it's written today, says that we can issue dividends at least 30% of our adjusted net profit. I want to make that absolutely clear, it doesn't say at most, which restricts our dividends to only 30%. It says that at least 30%. So it's not – it's not a question that do we have to change the policy per se, it's more of a question that when we make this decision based on these factors, you know, Yamal LNG and the review of the whole value chain, and the Arctic LNG 2, FID decisions, etc., we have the capability through the policy as it's written to raise the pay-out, and that is our intention.

We never had the intention of building up this big cash “war chest”, (i.e., hold an excessive amount of cash) on our balance sheet, but the idea is let us finish these steps that are absolutely critical to our future development, and these projects are also critical for us to generate all this

cash flow. So we need to finish that first, and then only at that point in time, then we can make this decision. But I don't want to speculate it's going to be 5% or 10% or something like that. I think that's kind of foolish to even think about that, because the policy as written, gives us the ability and flexibility to raise the pay-out above 30%.

If you say at most 30%, you know, which limited that 30%, then I think you have a valid argument to talk about this, then I think – then it would be upon ourselves to change the policy to increase the actual dividend, but we're already pretty set, at least 30%. So I think right now, let us finish this process, the goal of the Group is to increase or eventually increase our dividend pay-out, and let us finish the stuff (ramp up. FID, etc) by end of 2019, so we'll be in a better position to make that decision, and at that point in time, obviously, we'll let everybody know.

We know it's an important element of total shareholder returns. We know that in the Russian market, the analysts have been promoting the idea of increased dividend pay-outs, we can see it, we talk to investors all the time, we read all the analysts' reports talking about dividends payments so we know it's important and we will address this question after these events have been settled for us because those are what we would call critical events to ensure that we have enough cash generated to make these commitments.

I hope – and it's a longer answer, but I hope you all understand tonight that there's these issues that we need to address and I think, we will not be in a position until the latter part of 2019 to make that decision on the dividend pay outs.

Ekaterina Smyk: Thanks, great. Thank you.

Operator: Thank you. We'll now go to our next question from Nikita Blokhin from JP Morgan. Please go ahead.

Nikita Blokhin: Hi, Mark. Congratulations with strong results and thanks for the opportunity to ask a question. My question first to the sale of 10% stake in Arctic LNG 2; the project was valued at \$25.5 billion. So the 10% stake should be worth \$2.55 billion, respectively. My question is, will

this amount be paid in cash, in one year or over a period of time? If you could, kindly elaborate on that. That would be grateful. So thanks in advance.

Mark Gyetvay: First of all, we appreciate that you acknowledged the valuation and what it represents to us from the sale of the 10% equity stake. But quite frankly, we don't disclose the confidential nature of these transactions and so you'll see when it's finally reported into the financial statements, but we're not going to disclose in terms until this transaction until is formally closed by 31<sup>st</sup> March 2019.

Nikita Blokhin: Alright, thanks. Thanks.

Operator: Thank you. Our next question comes from Henri Patricot from UBS. Please go ahead.

Henri Patricot: Hey there, Mark. Thank you for the update. A question on the liquids business and I was wondering if you can give us an update on the progress of the upgrade project at the Ust-Luga and what are your latest expectations in terms of the improved margin and the returns for this project? Thank you.

Mark Gyetvay: We're at the contracting stage right now so that's why we don't have much to report – that's all I can really provide at this time. I will address it on a later call with a little more detail. I think we will address that question a little later in the year but especially right now we're in the contracting stage, so I think it's best to wait and then we'll be back to address that question.

Henri Patricot: Okay. Any indication perhaps on the likely started date, as estimate?

Mark Gyetvay: Sometime in 2019 I think we scheduled. I think towards the fourth quarter up by 2019 we know – let us finish the contracting stage, get it in, start the construction phase. Once the construction phase begins, then we can get a better assessment on the status and we'll report that as we do everything else and give you an update when the actual launch is expected.

Henri Patricot: Okay. Thank you.

Mark Gyetvay: Okay. Thank you.

Operator: Thank you. We have a question now from Igor Kuzmin from Morgan Stanley. Please go ahead.

Igor Kuzmin. Hi. Mark, thanks very much for all the information so far. I have a couple of questions here for you. One is in regards to the Arctic LNG 2. So probably you have started already engaging into the discussions of the potential contracts with the off-takers or interested parties, of the volumes, potentially come from that project.

If possible – maybe can you comment on what sorts of contractual terms that the off-takers are looking for, are we talking about – what I'm particularly referring to is the longevity of the contracts – just trying to understand whether we are talking again about the 15 to 20-year contracts, or the longevity, you know, more like five to ten or it's too early to talk about it.

And the second question I've got is more on Yamal LNG. So prices that – or the formulas that are being used to sort of sell the volumes from Yamal LNG, I'm assuming there is some sort of formula behind it. And if it's, for example, an S curve or some other mechanism, is it fair to say that there is still upside left at the current level of oil prices and now let's assume if oil prices are going higher, is there some upsides left if, for example, it's an S curve?

Or there's a – a bit of a full stop level – so I'm trying to understand the sensitivity of the pricing of Yamal LNG contracts in current oil price alignment. Thank you.

Mark Gyetvay: Yes. How do I address the first one? I think it's not quite easy to address the first question, you know, we know – we know that the industry is changing in terms of its contractual relationship, but at the same time we also see other LNG producers execute long-term contracts. So we're kind of in this mixed bag of a situation where we know that given some of the major consumer nations, some of the major buyers, some of the portfolio buyers, want to see more flexibility in terms of tender, destination, pricing, etc., volumes and quantity, it's really too early to discuss this. I mean it's really, really too early to discuss this at this point in time.



Because as I mentioned, we know directionally, you also know, where people are talking where the market is moving. But just recently, we're seeing China sign 20, 25-year contracts, which contradict the trend.. Whether or not that is – whether or not that's term is symbolic of the fact that there's strong demand at this particular point in time, they want to lock up a supply contract.

But, we see whether some of the LNG projects – like Mozambique or some of the other projects that are out there, I mean people are tending to look at maybe the 15-year tenor, as a good term. And then the other question - we don't know at that particular point in time when Arctic LNG is finally up and running, you know, what the level of spot trading will be, etc.

So as it turns out right now,, if we get long-term contract– if we have that announcement we'll make that announcement like we did on Yamal when we had executed contracts, etc. But I think like at this point it's too early to discuss.

Your second question, again, we have commercials – commercials and confidential agreements with our off-takers. I mean it's something we don't disclose – we've already disclosed prior discussions that, you know, yes we have – we have some Asian contracts that priced as Asia basis which is basically JCC Index and we have a European market which is Brent Index and NBP etc. And, now we have spot sales.

So it's a combination. So again, then you know we have an S curve because that's the index part and we've already indicated – but, you know, the S curve – the S curve implies a floor and a ceiling projecting the seller on the floor and the buyer on the ceiling. But these are things we just don't disclose. Nobody discloses the nature of their contracts in any particular detail. And so I know, and I understand that it's of interest for you to understand our contractual terms but, you know, these are confidential and form part of our commercial trading secrets and stuff like this we just don't disclose, I'm sorry.

Igor Kuzmin: And that's it. Thank you so much. It's very helpful.

Mark Gyetvay: You're welcome.

Operator: Thank you. As a reminder, ladies and gentlemen, if you wish to ask a question at this time, please press star one. We will take our next question today from Ron Smith from Citi. Please go ahead.

Ron Smith: Hey Mark, one last quick question. On Train 3 from Yamal LNG, at one point you seem to indicate that it could be launched as early as January or even December of this year. Is that still potentially possible? It seemed on the call you're really talking more, again, about first quarter of next year.

Mark Gyetvay: I think I said, – we confirm that it could be end of year or early first quarter or I'd actually be honest, I said early 2019. So I guess it's almost probably saying when people interpret what does it mean by imminent -early 2019 could be January.

But I think – but I think, again, at this particular point, Ron, we'll all let people know, the investors will know through the conference call, about the state of progress as we go to at least our next conference call, okay?

Ron Smith: Sounds good. Thank you.

Mark Gyetvay: But I think the most important thing – I think the most important thing is that the market signals that we've been able to not only increase it from the original term, but we're able to even subsequently expedite the launch from our revised schedules. And this is completely unheard of. And I hope that everybody listening on the call tonight, understands the magnitude of that accomplishment because, you know, to be able to deliver this project not only on time is the challenge for most people, but to expedite the project – to say then that we are able to deliver even quicker, is an enormous accomplishment to NOVATEK and our partners.

And, I just hope everybody on this conference call understands that fact.

Operator: Thank you. As we have no further questions at this time.

Mark Gyetvay:

I think more importantly – these upcoming summer months, the third quarter, there is a lot of activity coming out of NOVATEK. We've been extremely busy. I think Mr.Mikhelson's interview yesterday with Kommersant was pretty instructive about the level of activities we're dealing with today across the whole spectrum of questions. And I think you'll hear a little bit more about those activities as they start to materialize and we can discuss them in more detail. And I also think it is important to say that Arctic LNG 2, as I mentioned, is a game changer and I believe that it has established a completely new benchmark of projects in the Yamal and Gydan peninsulas, which will no doubt unlock massive economic value to NOVATEK and its shareholders. I think it is important we will focus on this project and we will absolutely inform everyone on the status of these projects and on the partner selection process. So I wish everybody a good remainder of the summer wherever you are, and on good holidays. We will update you again at the end of October for the 9 months and 3 quarter results conference call. Thank you very much for attending tonight's call.