PAO NOVATEK

Full Year and Fourth Quarter 2016

Financial and Operational Results – Earnings Conference Call

22 February 2017

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Full Year and Fourth Quarter 2016 earnings conference call. I would like to thank everyone for joining us this evening.

Mr. Leonid Mikhelson, Chairman of the Management Board and a member of NOVATEK's Board of Directors will join me during the Q&A session, and at such time, we will revert to the dual languages of Russian and English, so please bear this in mind when asking questions for the convenience and respect of other investors. We have allotted sufficient time to address all of your questions.

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 2015, 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

Two thousand and sixteen was another difficult year for the oil and gas industry with volatile commodity prices and concerns about weakening global demand and an over-supply of crude oil. The cyclicality in benchmark commodity prices negatively impacted capital programs throughout the past year as well as caused the postponements or cancellations of many large-scale projects. Bankruptcies and credit defaults persisted and large asset and reserve impairments have already occurred and are expected to continue throughout this reporting season. As we look back, 2016 was a year of difficult head winds and a tough macro environment, so it's important to review our financial and operational results under these circumstances.

We heard many concerns voiced by shareholders and analyst throughout 2016, mostly capturing the general themes of price volatility and over-supply, especially as it related to LNG, and as we had stated many times in the past, we believe we have a robust operating model to withstand these cyclical downturns and actually thrive in these markets, and more importantly, as a low cost producer we are able to withstand these head winds and deliver hydrocarbon products to market that creates sustainable shareholder value to the Company. Our financial results demonstrate this robustness, and when compared to the broader global oil and gas results, we had a very solid year and delivered a strong set of financial and operational results despite operating in a challenging environment.

We achieved significant operational success in 2016 by effectively and efficiently monetizing our resource base and by expanding liquids production. Our Yarudeyskoye fields reached full production capacity in January 2016, and combined with the full year production run rates on launches commissioned in 2015, we reported another impressive year of 37% growth in liquids production over the corresponding year. Highlighting some of our successes in 2016, we increased our SEC proved reserves by 2.8% year-on-year (y/y) (excluding the decrease in the Company's proportional share in the Yamal LNG joint venture), and maintained a respectable reserve-to-production life of 24 years based on current year production.

We achieved an organic reserve replacement rate of 168% due to successful exploration works and drilling, and accordingly, our proved plus probable reserves under the PRMS reserves methodology, including our proportionate share in joint ventures, totaled 22.8 billion barrels of oil equivalent (BOE). We significantly increased our hydrocarbon resource base and obtained the exploration rights for seven (7) new licenses areas (Nyakhartinskiy, Ladertoyskiy, Nyavuyahskiy, West-Solpatinskiy, Syadorskiy, North-Tanamskiy and Tanamskiy license areas), which supports our strategic objective aimed at expanding our resource base in the hydrocarbon rich Yamal and Gydan peninsulas as we actively evaluate the region's vast geological potential for implementing future LNG projects.

Yamal LNG remains our flagship project and significant progress on many fronts was achieved throughout 2016. At year-end 2016, construction of the first LNG train was approximately 87% complete versus 45% at the end of 2015, putting us on track to launch the project on schedule in 2017. Overall project completion was 75% as at 31 December (versus 69% at Q3).

We successfully concluded the external financing package for Yamal LNG, achieving a very important milestone for the project. As we previously reported, loan agreements were signed with the Russian banks Sberbank and Gazprombank, China Development Bank and the Export-Import Bank of China, the Italian bank Intesa Sanpaolo with insurance coverage by the Italian export credit agency SACE and the French export credit agency COFACE, and with the Japan Bank for International Cooperation (JBIC). Participation by international banks and export credit agencies demonstrates the global significance of the Yamal LNG project, and also sends a strong message about their willingness to finance future LNG projects in this hydrocarbon rich area and their commitment and support for this project.

Another important event was the closing of a sale of a 9.9% equity stake in the Yamal LNG project to China's Silk Road Fund, allowing us to reach the targeted shareholding structure with NOVATEK retaining a 50.1% equity stake.

We actively drilled at the South-Tambeyskoye field throughout 2016 and have now completed 77 production wells (end of January) versus 44 production wells drilled by the end of 2015, substantially exceeding the 58 production wells required for the launch of the first LNG production train. Nine (9) out of 19 well pads are prepared for drilling (seven (7) well pads were prepared at Q3).

All 78 modules for LNG Train 1 were delivered to the project site and installed by year-end, and we have begun testing some of the modules and equipment. We reiterate our plans to start commissioning works in the first half 2017 and commence LNG production in the second half of 2017.

Twelve modules for LNG Trains 2 and 3 were completed and either shipped from the shipyards or delivered to the construction site. We expect all remaining modules for LNG Trains 2 and 3 to be delivered by approximately the third quarter 2017, providing us with the possibility to move forward the commissioning of the third LNG train earlier in 2019. The main LNG cryogenic heat exchangers for LNG Trains 2 and 3 are already onsite.

In 2016, we delivered approximately six (6) million tons of equipment and construction materials to the Sabetta port, representing a two-fold increase as compared to 2015. We have about 22 thousand construction workers onsite, and regular flight service at the Sabetta international airport served approximately 365,000 passengers during 2016.

The first Arc7 ice-class vessel named after Christophe de Margerie was commissioned for waterborne voyages and fully equipped and, by year-end 2016, the LNG vessel successfully passed sea acceptance tests and is prepared for navigation and ice tests in the Arctic.

During 2016, we conducted full-scale exploration works at our license areas located on the Gydan Peninsula and offshore in the Gulf of Ob to properly assess the resource potential of this strategically important region. The Gydan peninsula represents a significant growth area for us in the next decade and we are currently assessing various options to exploit and monetize these assets for future LNG projects

Exploration is key to discovering new sources of hydrocarbons and in 2016 we completed the running and processing of roughly 1,000 square kilometers of 3D seismic as well as drilled approximately 10 thousand meters of exploration drilling. We discovered one new gas condensate deposit in the mid Jurassic layer at the Kharbeyskoye gas condensate field, and nine (9) new gas condensate deposits at the Utrenneye, South-Tambeyskoye and Yevo-Yakhinskoye fields. We also expanded the gas condensate potential of the Achimov layer at the Urengoyskoye field of Arcticgas and confirmed the crude oil potential at the Yarudeyskoye and East-Tarkosalinskoye fields as well as confirmed the natural gas potential at the Malo-Yamalskoye field. Our geological assessments of the deeper Achimov and Jurassic layers are presently ongoing but not complete at this time; however, we remain optimistic that this geological testing will yield positive results.

We are also optimistic about the hydrocarbon resource potential of the Adriatic Sea offshore Montenegro and accordingly signed a concession contract with the government of Montenegro for the exploration and production of hydrocarbons on four offshore blocks in partnership with Italian energy company, Eni, who was subsequently designated as the operator of this joint venture. We are early in the exploration process but these are the types of international opportunities we seek, representing limited capital spending but huge upside potential.

On the Gydan peninsula, we drilled five (5) exploration wells at the Utrenneye field from 2014 to 2016, and the results of these exploration wells allowed us to increase our appraised reserves and confirm higher well flows at the field, thus confirming the production potential for our next LNG project - Arctic LNG 2.

Our prolific hydrocarbon resource base, the successful implementation of the Yamal LNG project and our experience in navigating the Northern Sea Route creates a great platform for developing mutually beneficial cooperation on future LNG projects. As a demonstration of these interests, in 2016, we concluded Memorandums of Understanding (MOU) with Japanese companies Mitsubishi, Mitsui and Marubeni aimed at establishing strategic cooperation for implementing LNG projects in Russia as well as supplying LNG and liquid hydrocarbons. We also signed a MOU for Strategic Partnership with JBIC confirming our joint intentions to cooperate in implementing NOVATEK's LNG projects, including financing and investment. A MOU was also signed with PTT of Thailand aimed at exploring and producing hydrocarbons, implementing LNG projects, supplying LNG and developing LNG markets, as well as supplying liquid hydrocarbons.

We were very busy in 2016 signing MOU's with mainly Asian Pacific companies and conducting very fruitful discussions centered on our plans to increase our LNG capacity in the Arctic region of Russia. To facilitate our future LNG ambitions, we also signed Strategic Cooperation Agreements with SAIPEM S.P.A., Nuovo Pignone and Linde AG, to localize the technical and technological solutions to a maximum extent, as well as constructing process modules and respective sourcing of equipment for future NOVATEK's LNG projects in Russia. LNG represents the largest share of future natural gas growth globally, and NOVATEK has the hydrocarbon resource base in the Yamal and Gydan peninsulas to capitalize on these opportunities and become a major player in the global LNG markets.

We have seen many forecasts and analysis of the potential LNG markets, and Shell this past week issued their first LNG Outlook highlighting that natural gas is expected to increase 2% per annum between 2015 and 2030, with LNG demand expected to rise at twice the rate at 4% to 5% annually. These projections support those of other LNG projections by major industry players and consulting groups as well as our own internal assessments of the future LNG demand. It's crucial to understand that this trend or shift toward LNG has already begun, and our assessments on demographic and population shifts, climate change initiatives, future energy mix, economic developments as well as shifts from coal to natural gas, transitioning of marine and transport fuels, renewables and other sources of energy, and the significant increase in new LNG markets around the world underscores our strategic pivot towards LNG and the future direction of NOVATEK.

We mentioned many times in the past that we essentially concluded the investment cycle on our core areas of operations, and that we were fast approaching the maintenance cycle of our capital program. After successfully launching several major projects, our capital expenditure program declined by 32% to approximately RR 34 billion on a strictly cash basis. We achieved our mid-term strategic goals in 2015 and, accordingly, we plan to further reduce our capital expenditures for our legacy assets in 2017. At the same time, we will enter a new phase of growth for the Company and we plan to start investing in new projects in 2017 and beyond. Our total capital expenditure program in 2017 is estimated at roughly RR 40 billion, but we are proactively evaluating new investment opportunities, and, as already confirmed in the press, we are negotiating on a number of potential mergers and acquisition (M&A) deals. The successful conclusion of any deals would obviously impact our capital expenditure guidance. I would like to reiterate that we don't provide commentary on ongoing deals before they are completed. If and when a M&A deal is consummated, we will make the appropriate announcement to the investment community.

Our total oil and gas revenues in the fourth quarter (4Q) 2016 were relative strong against both the y/y and quarter-on-quarter (q/q) comparatives. We increased our oil and gas revenues by 9.5% y/y and 14% q/q largely driven by seasonal increases in our natural gas sales volumes as well as increase in average prices for the majority of our liquids products consistent with the positive movements in benchmark reference prices.

Our liquid revenues accounted for 57% of our total revenues versus 53% in 2015.

We sold approximately 64.7 billion cubic meters (bcm) of natural gas versus 62.5 bcm in 2015. Despite changes in our customer base we increased both natural gas sales volumes and netbacks, reiterating our ability to market natural gas and generate sustainable margins. Weather played a crucial role in our natural gas sales volumes in the fourth quarter as colder winter temperatures across Russia supported robust volumes sold and significant inventory movements. Our fourth quarter natural gas volumes were especially strong increasing by 27% q/q, and to meet our customer demand we withdrew more than 1.7 bcm from underground gas storage facilities on the back of this strong seasonal demand.

We sold 16.9 million tons of liquids representing a 31% increase over the prior year. The average price we received in dollar terms was lower across our product range because of the decline in international commodity reference prices, but this decrease was partially compensated by the depreciation of the Russian rouble versus the US dollar. During the fourth quarter, we decreased our liquid sales volumes by 299 thousand tons (or 7%), largely due to the buildup of inventory balances, which will be released in early 2017. The volatility of benchmark commodity prices underlying our liquids sales was well published in 2016, but I would like to highlight that our average commodity prices received during the fourth quarter for our product range were relatively strong as compared to the third quarter 2016 on the back of positive international reference prices dynamics.

Our operating expenses continued to grow y/y and q/q relative to the growth in our business, increasing by 15% and 12%, respectively. This cost trend has been reasonable consistent over the past several years as operating expenses increased to support our business operations as well as increases in personnel and the corresponding adjustments to salary indexation and social payments. The most significant increase in our operating expenses y/y related to the purchases of hydrocarbons followed by increases in both transportation and taxes other than income. Our purchases of hydrocarbons increased by RR 6 billion and RR 8 billion y/y and q/q, respectively, largely driven by prices and volumes of purchased gas condensate from our joint ventures and to a lesser extent purchases of natural gas. All of our major cost trends remained relatively consistent with the q/q comparatives but we marginally increased salaries and bonuses paid in our general and administrative cost category during the fourth quarter. Overall, there were no major surprises in our operating expenses during the reporting periods..

Our balance sheet and liquidity position improved significantly in 2016 and remained very strong throughout the reporting year. We generated exceptionally strong free cash flow of RR 139 billion in 2016 versus RR 82 billion in the prior year, based on an increase in our operating cash flows of 31% and a corresponding reduction in our capital expenditures by 32%. We have sufficient cash flows to fund our operations and pay our obligations and debt service as they become due.

We announced last night that we repaid our RR 14 billion rouble-denominated Eurobond tranche according to the bonds maturity schedule. Our strong balance sheet and liquidity metrics as well as our strong operating cash flows was recognized by our credit rating agencies. In November 2016, we successfully restored our credit rating to investment grade from S&P (BBB minus).

In conclusion, we again demonstrated the robustness of our operating model in a challenging macro-environment largely due to our keen focus on cost control, successful project execution and our enviable position as one of the lowest cost producers in the global oil and gas universe. In the recent edition of the IHS Global Upstream Performance Review dated October 2016, NOVATEK ranked #2 under the Reserve Replace Cost category and #3 for lifting costs amongst global oil and companies, both results over the three-year period of 2013 to 2015.

We achieved a series of key milestones at our Yamal LNG project during the past year, reducing some of the perceived risk ascribed to this project by the analytical community, although we continue to argue that the risk ascribed to our cash flow stream is still way too high giving our demonstrable track record of successful project execution, substantial conventional gas reserves, our low cost vis-à-vis our global competitors and the export nature of this particular project.

I would like to end tonight's conference call as I began by reiterating that 2016 was a very challenging year for the oil and gas industry but with the recent stability in benchmark commodity prices and a renewed effort to balance supply and demand fundamentals, we remain committed to creating shareholder value while maintaining the highest standards of corporate governance and sustainable development practices. We are proud of what we have accomplished this past year and believe that our financial and operational results demonstrate our commitment to our strategic goals.

LNG is the future of NOVATEK and the main driver of growth for the natural gas industry. New markets for the delivery and consumption of LNG are opening at a rapid pace, and we aim to participate in this growth across the whole LNG value chain if we believe we can achieve meaningful market penetration and attractive, sustainable margins. It's also important to reiterate that we remain focused on securing our domestic market share, while considering other domestic investment opportunities to further enhance our margins and our business prospects.

NOVATEK is in a unique position to capitalize on our high quality resource base, our onshore conventional natural gas and our low cost position to further expand our operational footprint. We have focused our primary attention over the past several years on delivering our Yamal LNG on time and on budget. Now it's time to begin looking forward to next wave of value creating growth for the Company, and we are confident this next growth phase will be well received by the investment community and our shareholders.

I would like to thank everyone for attending tonight's conference call and for your continued support of NOVATEK. I would now like to up open up tonight's session to question and answers.

Thank you.

All answers in the Q&A session are attributable to Mr. Leonid Mikhelson, which were originally delivered in the Russian language and subsequently translated to English for the convenience of the conference call participants.

Karen Kostanian: Good morning, gentlemen. Thank you so much for the presentation and congratulations for good results. I have two questions. My first question is that in prior conference calls you mentioned fields of Dorogovskoye, North-Russkoye and East-Tazovskoye and the potential next phases of the domestic growth. I was wondering if you could, sort of, provide an update in terms of where you stand in the development of exploration of those fields.

And my second question is regarding the Arctic LNG 2, could you at this point in time provide any metrics in terms of the site, the financing structure and the potential output of Arctic LNG 2, or is it too early at this stage? Thank you.

Interpreter: [Russian 00.26.39 – 00.27.15]

Male: [Russian 00.27.18 – 00.27.36]

Interpreter: Hello, to all of the participants on this call, I would like to mention this upfront sometimes investors and analysts ask many questions altogether and I appreciate the fact that he only asked a couple; hence, we see a very good response to our concern

Male: [Russian 00.27.55 – 00.28.01]

Interpreter: Speaking on your first question, indeed we focused our opportunities in the North Russkoye i Block.

Male: [Russian 00.28.08 – 00.28.11]

Interpreter: With significant exploration already undertaken.

Male: [Russian 00.28.17 – 00.28.27]

Interpreter: We are finalising the development project for these fields and by the end of the year we'll move into the investment phase.

Male: [Russian 00.28.37 – 00.28.41]

Interpreter: The North Russkoye i Block is comprised of three fields.

Male: [Russian 00.28.45 – 00.28.48]

Interpreter: That's the Dorogovskoye, North-Russkoye and East-Tazovskoye fields.

Male: [Russian 00.28.53 – 00.29.08]

Interpreter: Once these three fields have achieved production plateaus we expect gas to reach 8 bcm, whereas liquids would be around 800,000 tons.

Male: [Russian 00.29.24 – 00.29.29]

Interpreter: Speaking of your second question, the company has the full title to Arctic LNG 2.

Male: [Russian 00.29.38 – 00.29.45]

Interpreter: We are undertaking a significant volume of exploration work in this area and this provides us significant volume growth opportunity.

Male: [Russian 00.29.55 – 00.29.59]

Interpreter: With five exploration wells already drilled.

Male: [Russian 00.30.03 – 00.30.09]

Interpreter: In 2016, the Utrenneye field has already contributed to an increase in our 2016 resource base.

Male: [Russian 00.30.18 – 00.30.30]

Interpreter: Our current reserves allow us to plan our potential LNG capacity by 10 – 15% larger than the capacity at Yamal LNG.

Male: [Russian 00.30.40 – 00.30.52]

Interpreter: Investment that's required into the development of the fields is pretty much on par, and the entire assessment, to the one required for South-Tambeyskoye field as part of Yamal LNG Project.

Male: [Russian 00.31.05 – 00.31.11]

Interpreter: At the same time we would like to significantly reduce our capital costs for the construction of liquefaction facilities per train.

Male: [Russian 00.31.21 – 00.31.26]

Interpreter: That's why the Kola subsidiary is considered for this project.

Male: [Russian 00.31.33 – 00.31.39]

Interpreter: We would like to undertake significant review and design into consideration before making any investment decison, and that's why we have no rush in making the final decision.

Male: [Russian 00.31.53 – 00.32.02]

Interpreter: I think it would be right to start with a full completion and launch of the Yamal LNG Project; then consider contracting future LNG volumes and identify partners for the new LNG project (Arctic LNG 2).

Male: [Russian 00.32.16 – 00.32.23]

Interpreter: However, we would like to reconfirm the commissioning timeframe lies between the years 2022 – 2024 (corresponds to our assessment of needed LNG volumes in the market)

Male: [Russian 00.32.33]

Interpreter: Thank you.

Karin Kostanian: Thank you.

Operator: As a reminder please press star one to ask a question. We'll now take our next question from Ron Smith from Citi. Please go ahead, your line is open.

Ron Smith: Yes. Good evening, gentlemen. Thank you for the call. Let's follow-up on Arctic LNG 2 first. Are you planning on using gas from the Gydan Peninsula regardless or in the event that NOVATEK should get the four gas fields would you look to substitute those for Arctic LNG and use Gydan for later or follow on projects? That's the first question.

And second, when might we see the strategic presentation? I know that you have talked about it at times in the past and it's been delayed a few times. We, I think the market would like to see it. Thank you very much.

Interpreter: [Russian 00.33.27 – 00.34.02]

Male: [Russian 00.34.06 – 00.34.20]

Interpreter: There is no link between the commencements of Arctic LNG 2 Project on the one hand and discussions around fields in the north of the Yamal Peninsula currently held by Gazprom.

Male: [Russian 00.34.34 – 00.34.45]

Interpreter: The Arctic LNG 2 Project is based on reserves within Utrenneye field, and we are implementing this project as part of the same governmental decree that endorses the Yamal LNG Project.

Male: [Russian 00.35.02 – 00.35.03]

Interpreter: Regarding our strategy now.

Male: [Russian 00.35.06 – 00.35.09]

Interpreter: I can tell you the following as of today.

Male: [Russian 00.35.12 – 00.35.13]

Interpreter: And I think you must know that yourself.

Male: [Russian 00.35.16 – 00.35.21]

Interpreter: Our strategy is going to be targeted at first and foremost an increase in our share in the LNG market.

Male: [Russian 00.35.28 – 00.35.37]

Interpreter: If you consider our second LNG project's contribution that would be on par in total output terms of their combined capacity as one half of total LNG capacity in Qatar.

Male: [Russian 00.35.51 – 00.35.52]

Interpreter: In volumes or in terms of scale that's pretty much a preliminary strategy already.

Male: [Russian 00.35.58 – 00.36.05]

Interpreter: At the same time our strategy is to keep our market share of natural gas in the domestic market.

Male: [Russian 00.36.14 – 00.36.19].

Interpreter: And also, as part of our strategy thoughts, I would like to increase the capacity and utilization on our liquid hydrocarbon processing facilities.

Male: [Russian 00.36.28 – 00.36.36].

Interpreter: At the same time, we are looking into or considering, yes, new processing projects for chemical product manufacturing as well as increasing the conversation ratio of our gas condensate.

Male: [Russian 00.36.51 – 00.36.54].

Interpreter: As you can understand, all these projects require a thorough analysis and also an analysis of the costs and markets.

Male: [Russian 00.37.03 – 00.37.09].

Interpreter: I believe that in the near future we will have completed this assessment and disclosed the results to the investment community.

Male: [Russian 00.37.18 - 00.37.19].

Interpreter: Thank you.

Male: Thank you.

Operator: We will now take our next question from Ildar Davletshin from RenCap. Please go ahead, your line is open.

Ildar Davletshin: [Russian 00.37.31 – 00.38.44]

Interpreter: Good afternoon and thank you for this opportunity to ask questions. I'll do that in Russian. I'll be brief as well with just a couple of questions. My first question refers to the dividend. You had some positive impact onto your earnings based on the sale of the Yamal LNG stake and FX (foreign exchange) movements as well. Are you going to include those two (sales proceeds and FXs) into your dividend base? And my second question concerns your Yamal LNG project financing side. I understand that financing has already been completed rather successfully, but at the same time should we consider if the geopolitical situation improved and sanctions removed against Russia or against some individual businesses? Would you envisage reducing your interest costs? Let's say should Russian bank loans be replaced or potential facilities extended? What's your vision?

Male: [Russian 00.39.43 – 00.39.49].

Interpreter: I believe that we have a well-balanced dividend policy.

Male: [Russian 00.39.53 – 00.40.00].

Interpreter: Not less than 30% of IFRS net, adjusted IFRS net income for one-off items and non-cash foreign exchange movements.

Male: [Russian 00.40.07 – 00.41.12].

Interpreter: This policy enables the company to develop its business on the one hand while increasing the dividend pay-out at the same time.

Male: [Russian 00.40.21 – 00.40.31].

Interpreter: I don't believe that the huge cash flow return in 2016 was a major benefit for the company. It could be somewhat of a hurdle as well.

Male: [Russian 00.40.41 – 00.40.53].

Interpreter: In fact, that could be related to the second part of your question. Indeed, it was very important to complete the financing of the project in full.

Male: [Russian 00.41.02 – 00.41.17].

Interpreter: I believe in more than that simple point. I am confident that we have obtained some very good financing facilities in terms of their maturity, interest rates as well as other terms.

Male: [Russian 00.41.28 – 00.41.34].

Interpreter: We have obtained the facilities in full with a little more than $10-12 billion.

Male: [Russian 00.41.44 – 00.41.48].

Interpreter: We have invested about $10-12 billion into the project.

Male: [Russian 00.41.51 – 00.41.57].

Interpreter: And to a significant degree that includes external financing.

Male: [Russian 00.42.01 – 00.42.11].

Interpreter: The project does not have any need to involve any extra loans on top of what we have already obtained.

Male: [Russian 00.42.18 – 00.42.26].

Interpreter: But then again, speaking on the dividend side, I'm a shareholder of NOVATEK myself and I am equally interested in increasing the dividend payoutl.

Male: [Russian 00.42.33 – 00.42.38].

Interpreter: I am confident that the dividend will continue to grow with NOVATEK with every year. Thank you.

Operator: Our next question comes from Pavel Kushnir from Deutsche Bank. Please go ahead your line is open.

Pavel Kushnir: [Russian 00.42.54 – 00.43.18].

Interpreter: Good day and thank you for this presentation. My question is very straight forward. Many LNG projects globally were commissioned with delays. What gives NOVATEK and its partner's confidence that your current project will have been commissioned by the end of 2017 with no significant delays? Thank you.

Male: [Russian 00.43.38 – 00.43.43].

Interpreter: It's somewhat challenging to answer your question.

Male: [Russian 00.43.46 – 00.43.50].

Interpreter: My confidence is boosted by what I see whenever I visit the site.

Male: [Russian 00.43.56 – 00.44.00].

Interpreter: I see how much progress is achieved in implementing the project, when it comes to the first LNG train in particular.

Male: [Russian 00.44.06 – 00.44.12].

Interpreter: Which gives me confidence and I'm sharing that with you that the first LNG train will be launched this year. Thank you.

Operator: Our next question comes from Ildar Khaziev from HSBC. Please go ahead, your line is open.

Ildar Khaziev: [Russian 00.44.30 – 00.44.45].

Interpreter: Thank you. I have a very quick question on Yamal LNG. What's the total investment expected this year? Do I understand correctly that the amount could exceed $27 billion?

Male: [Russian 00.44.57 – 00.45.09].

Interpreter: We have confirmed a number of times and we are reconfirming now that we are fully in line with the CAPEX budget which states $27 billion.

Male: [Russian 00.45.19 – 00.45.25].

Interpreter: I have already mentioned the number already invested by now.

Male: [Russian 00.45.32 – 00.45.38].

Interpreter: And the CAPEX budget for 2017 is around $6 billion.

Male: [Russian 00.45.43 – 00.46.07].

Interpreter: When we produced the number of $27 billion of CAPEX this did not include any interest payments on the loans and does not include maintenance of Yamal LNG per se. I would like to emphasize it yet again because it is so very important to us; we are completely in line with the budget originally approved in 2013.

Leonid Mikhetson: Spasibo.

Interpreter: Thank you.

Interpreter: Spasibo bol’shoye. (thank you very much

Operator: We will now take our next question. It comes from Karen Kostanian from Bank of America. Please go ahead. Your line is open.

Karen Kostanian: [Russian, 00.46.43–00.47.40].

Interpreter: Mr Mikhelson, thank you for this opportunity - apologies for getting back again with another question. I have a question on the financing side again. You have expressed confidence in the future of your new LNG projects. However, let’s take into account the fact that Yamal LNG’s success was based a great degree on your unique capability to attract financing in most difficult market conditions. Hopefully the sanctions will go away soon and the market conditions will improve. At the same time, while discussing with your partners, with potential creditors and other stakeholders to be involved in your projects, you cannot help but take into account the current environment and the current conditions. And one thing, what partners and other stakeholder’s think of the current situations, are they happy to be involved even with the sanctions in place and what do they think of the financing terms in this environment? Thank you.

Leonid Mikhelson: [Russian, 00.48.47–00.49.02].

Interpreter: Well, naturally we cannot base our strategy when it comes to new LNG projects on the assumption that some elements related to sanctions could be changed or the markets could have recovered.

Leonid Mikhelson: [Russian, 00.49.18–00.49.30].

Interpreter: Even though, all these factors were in place as we attracted financing for Yamal LNG, I would like to reiterate it and further emphasise the fact that we did manage to attract financing on very good market terms.

Leonid Mikhelson: [Russian, 00.49.45–00.49.54].

Interpreter: You could recollect yourself and think of how many people within the investment community, how many investors and broadly analysts believed in the possibility of successful implementation of Yamal LNG just a few years ago.

Leonid Mikhelson: [Russian, 00.50.10–00.50.22].

Interpreter: Whereas currently, I think, everyone believes that similar projects in the Arctic area with no infrastructure in place are still viable and can be implemented.

Leonid Mikhelson: [Russian, 00.50.35–00.50.46].

Interpreter: We have changed the structure of our new projects using liquefaction platforms which would further reduce the implementation risks.

Leonid Mikhelson: [Russian, 00.50.58– 00.51.15].

Interpreter: What's most important about these new LNG projects is the fact that we would like to reduce very significantly the CAPEX required to liquefy natura gas per se, thus making our new LNG projects competitive in any market.

Leonid Mikhelson: [Russian, 00.51.32–00.51.50].

Interpreter: And you heard what Mark already discussed some substantial elements with potential partners who would like to get involved on our new projects. And I don't expect significant difficulties as was the case with Yamal LNG for partners to be part of our future projects.

Leonid Mikhetson: Spasibo.

Interpreter: Thank you.

Karen Kostanian: Spasibo. (thank you)

Operator: Reminder, please press star one to ask a question. Our next question comes from Susan Wisialko from GMO. Please go ahead. Your line is open.

Susan Wisialko: Thank you very much for the call, gentlemen, and congratulations on the excellent results. I had a question, just one question, please, on the global LNG demand-supply balance. Your projections are for significant growth. Could you talk a little bit about how you see the global LNG demand-supply changing and/or the pricing trends with regard to potential new supply coming from Israeli gas fields, Iran and other parts of the Middle East to the new Egyptian fields that were founded and also North American supply, potential North American supply? Do you think that LNG market will converge from three different regional LNG markets to a more global price? Thank you.

Interpreter: [Russian, 00.53.14–00.53.56].

Leonid Mikhelson: [Russian, 00.53.57–00.54.14].

Interpreter: We're currently studying market opportunities regarding the particular plants available to the investment community when it comes to LNG market development.

Leonid Mikhelson: [Russian, 00.54.24–00.54.35].

Interpreter: If you consider the numbers, in 2015, the total consumption of LNG was approximately 248 million tons, whereas in 2016, just last year, that number stood at 266 million tons, which is more than a 7% increase.

Leonid Mikhelson: [Russian, 00.54.52–00.55.02].

Interpreter: Some believed that the LNG market today was excessively oversupplied and that the balancing of the market would require or may indicate a longer time to achieve this equilibrium.

Leonid Mikhelson: [Russian, 00.55.14–00.55.15].

Interpreter: And, you know, frankly we agree to that assessment.

Leonid Mikhelson: [Russian, 00.55.19–00.55.21].

Interpreter: But we don't see anything wrong about it.

Leonid Mikhelson: [Russian, 00.55.24–00.55.31].

Interpreter: In all confidence and considering the pricing dynamics of this particular market, the quicker this situation will generate new demand.

Leonid Mikhelson: [Russian, 00.55.38–00.55.49].

Interpreter: If you consider the global situation, no one is questioning the growth of China or India by the year of 2030. Some even believe there is more than twofold growth.

Leonid Mikhelson: [Russian, 00.56.02–00.56.07].

Interpreter: Other countries such as Malaysia and Indonesia are said to start importing LNG as well probably in significant volumes.

Leonid Mikhelson: [Russian, 00.56.16–00.56.25].

Interpreter: Thailand and Pakistan are said to see some demand growth whereas Bangladesh and the Philippines as well other new markets are also emerging.

Leonid Mikhelson: [Russian, 00.56.36–00.56.41].

Interpreter: Electric power is in demand in any location and the fastest phase of growth is to be expected from the developing countries.

Leonid Mikhelson: [Russian, 00.56.48–00.57.01].

Interpreter: New infrastructure in these developing countries is sure to create new demand for decades to come whereas construction of floating and small scaled facilities has definitely changed the access to these markets.

Leonid Mikhelson: [Russian, 00.57.17–00.57.29].

Interpreter: Another major driver is combating against pollution where in that regard the current pricing environment specially liquefied natural gas is going to take a major market share based on climate concerns.

Interpreter: If you consider ferries in Europe or cruise ships, they're moving to LNG bunkering to a significant degree whereas the global potential is just as immense.

Male: [Russian 00.58.09 – 00.58.20]

Interpreter: Woodside Energy estimates a big number of 200 million tons which is potential new demand should all sea vessels be converted to LNG bunkering.

Male: [Russian, 00.58.31 – 00.58.46]

Interpreter: I believe that's joint efforts by both suppliers and off-takers of gas in this market in the coming years is going to enable access to dozens of millions of people to gas and electric power.

Male: [Russian, 00.59.01 – 00.59.10]

Interpreter: I fully share your view of when you're saying that in the coming years the LNG market is going to become more global and that it more resembles that of the oil market.

Male: [Russian, 00.59.21 – 00.59.25].

Interpreter: NOVATEK sees its objective as follows. We would like to be competitive in that new global market at any price level.

Male: [Russian, 00.59.32 – 00.59.33]

Interpreter: Thank you.

Operator: We will now take our next question from from Gazprombank. Please go ahead. Your line is open.

Speaker: [Russian, 00.59.50 – 01.00.07]

Interpreter: Good day and thank you for the presentation. My question is related to strategy. And talking about your two JVs SeverEnergia and Nortgas when would these companies be likely to pay dividend to you and how significant would that dividend be in terms of your cash flow?

Male: [Russian, 01.00.31 – 01.00.42]

Interpreter: Speaking of Nortgas, we expect dividends to be paid based on the results of 2017 as early as that. And the amount will depend on the macro environment.

Male: [Russian, 01.00.53 – 01.00.58]

Interpreter: Speaking of SeverEnergia we are now looking into different possibilities to develop the company and looking into investment opportunities which may require financing.

Male: [Russian, 01.01.12 – 01.01.16]

Intepreter: Following that assessment exercise we will be in a much better position to make that dividend decision. Thank you.

Operator: Our next question comes from Igor Kuzmin from Morgan Stanley. Please go ahead. Your line is open. Please go ahead caller your line is open.

Male: [Russian, 01.01.41 – 01.01.43]

Interpreter: I think the questions have been exhausted. Mark's presentation was so detailed that it doesn't lead to any further questions based on that.

Igor Kuzmin: Hello. Can you hear me?

Interpreter:: Yes, we can hear you.

Igor Kuzmin: Okay sorry, I don't know why my line was blocked probably in the beginning. Igor Kuzmin Morgan Stanley. Thank you. [Russian 01.02.09 – 01.02.23].

Interpreter: Thank you. My question refers to the deregulation of prices on the domestic wholesale market. Discussions are ongoing as far as I understand so what's your position and what are your expectations? Thank you.

Male: [Russian 01.02.38 – 01.04.29]

Interpreter:: Our position remains unchanged, which is reflected in the present governmental decree. And the same position is also reflected in resolutions adopted in 2015 by the President's commission for fuel and energy markets. The domestic market is to have the same conditions put forth for all markets players with a fair transportation tariff. We have filed our proposal to the federal antimonopoly servicewhich is the tariff regulator at this time. We hope that the corresponding correct decisions will be made based on that. Once these decisions have been taken and a few years have passed with the new arrangements on the market it would be the time to say to speak of the deregulation. Thank you.

Operator: There are no further questions from the phone, but again as a reminder please press star one. We'll now take our next question from Evgenia Dyshlyuk from Gazprombank. Please go ahead. Your line is open.

Evgenia Dyshlyuk: [Russian, 01.04.49 – 01.05.08]

Interpreter: Thank you for this opportunity to ask questions. I would like to ask about your gas processing and further production of petrochemicals. I'm interested in the product lines potential integration. Is that only about gas processing or is it also about production of petrochemicals? Please explain.

Male: [Russian 01.05.30 – 01.06.52].

Interpreter:: When I commented on our strategy, I explained that as part of our strategy we are considering potential projects related to gas processing, petro-chemistry and higher conversion ratio in gas processing and higher processing depth. We're now looking into markets for a particular product, and we're also looking into technologies required to manufacture those specific products. I expect preliminary decisions to be made on some of those items. In the course of 2017, I would like to emphasise that those assessments are going to be preliminary, but so far I don't have anything further for you. Thank you.

Operator: Our next question comes from Henri Patricot from UBS. Please go ahead. Your line is open.

Henri Patricot: Yes hello gentlemen. Thank you for the presentation. Just one question to follow-up on the comments you made on LNG demand earlier. I was wondering if you would consider investing further down the chain in regasification capacity to accelerate this demand growth from new countries and infrastructure for transport demand as well. Thank you.

Male: [Russian 1.07.23 – 1.08.38]

Interpreter: I believe that is feasible for us. We are considering minor investments that would able NOVATEK to build up competencies within the global LNG market. We're interested to be involved in projects across the full value chain of LNG. This would enable us to have better access to regional markets in the world. Thank you.

Henri Patricot: Thank you.

Operator: There are no further questions from the phone. And again as a reminder it's star one to ask a question.

Male: [Russian 01.08.47 – 01.11.04]

Interpreter: I would like to thank all participants on this call which have been numerous today. Thank you for your interest in the developments of NOVATEK, to our plans and also our results. In fact, 2017 is going to be a very important year for NOVATEK. We will be penetrating into the global LNG market and we're going to base our strategy on that fact to a great degree. I believe it's our duty to make all the proper assessments on our strategy side, and then disclose that strategy to the investment community. But again we target not a major growth of our dividend side, but rather developing the company at large and we have all the capabilities to affect that decision. We're going to build up in our resource base, which we started already back in 2016. One of the main achievements of NOVATEK throughout the years is a very professional management team which has been put in place and which will help to drive the company further at the same pace. Thank you.

Operator: That will conclude today's call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

[00.36.00]