

# **NOVATEK**

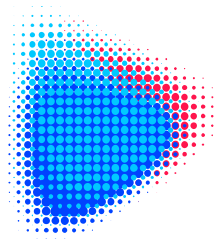
## **Expanding Our Global LNG Footprint From 2018 to 2030: Energy Affordability, Security & Sustainability**

**Mark Gyetvay, Deputy Chairman of the Management Board**

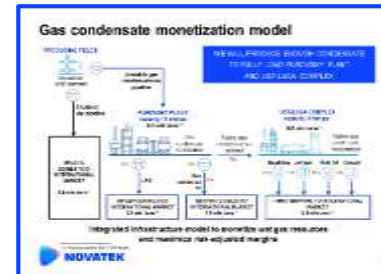
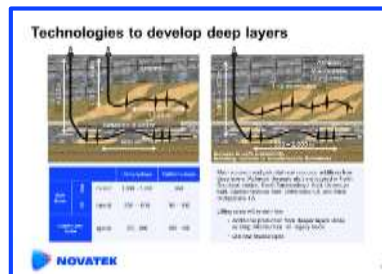
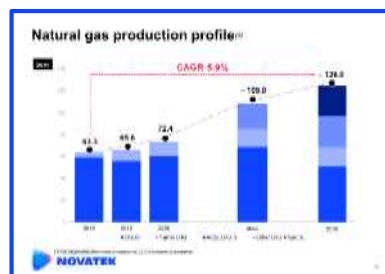
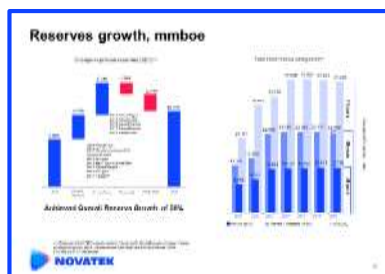
**Investor Meetings**

**June 2019**

# Five Pillars Supporting Sustainable Growth



# NOVATEK



**High Quality  
Long Life  
Reserves**

**Strong  
Production  
Growth**

**Low Cost  
Producer**

**Low Risk to  
Commodity Price  
Movements**

**Scalable  
LNG projects**

# 2018 Financial Highlights



<b>13.3</b>	<b>REVENUE</b> (US\$ bln)	<b>↑ 33%</b>
<b>6.6</b>	<b>NORMALIZED EBITDA</b> (US\$ bln)	<b>↑ 51%</b>
<b>3.7</b>	<b>NORMALIZED PROFIT</b> (US\$ bln)	<b>↑ 39%</b>
<b>2.0</b>	<b>FREE CASH FLOW</b> (US\$ bln)	<b>↓ 24%</b>
<b>1.5</b>	<b>CAPEX</b> (US\$ bln)	<b>↑ 193%</b>
<b>0.4</b>	<b>NET DEBT TO NORMALIZED EBITDA (x)</b>	<b>↓ 11%</b>

# 2018 Operational Highlights

## SALES VOLUMES in 2018

Natural Gas

**66** bcm

LNG

**4.0** mt

Crude Oil

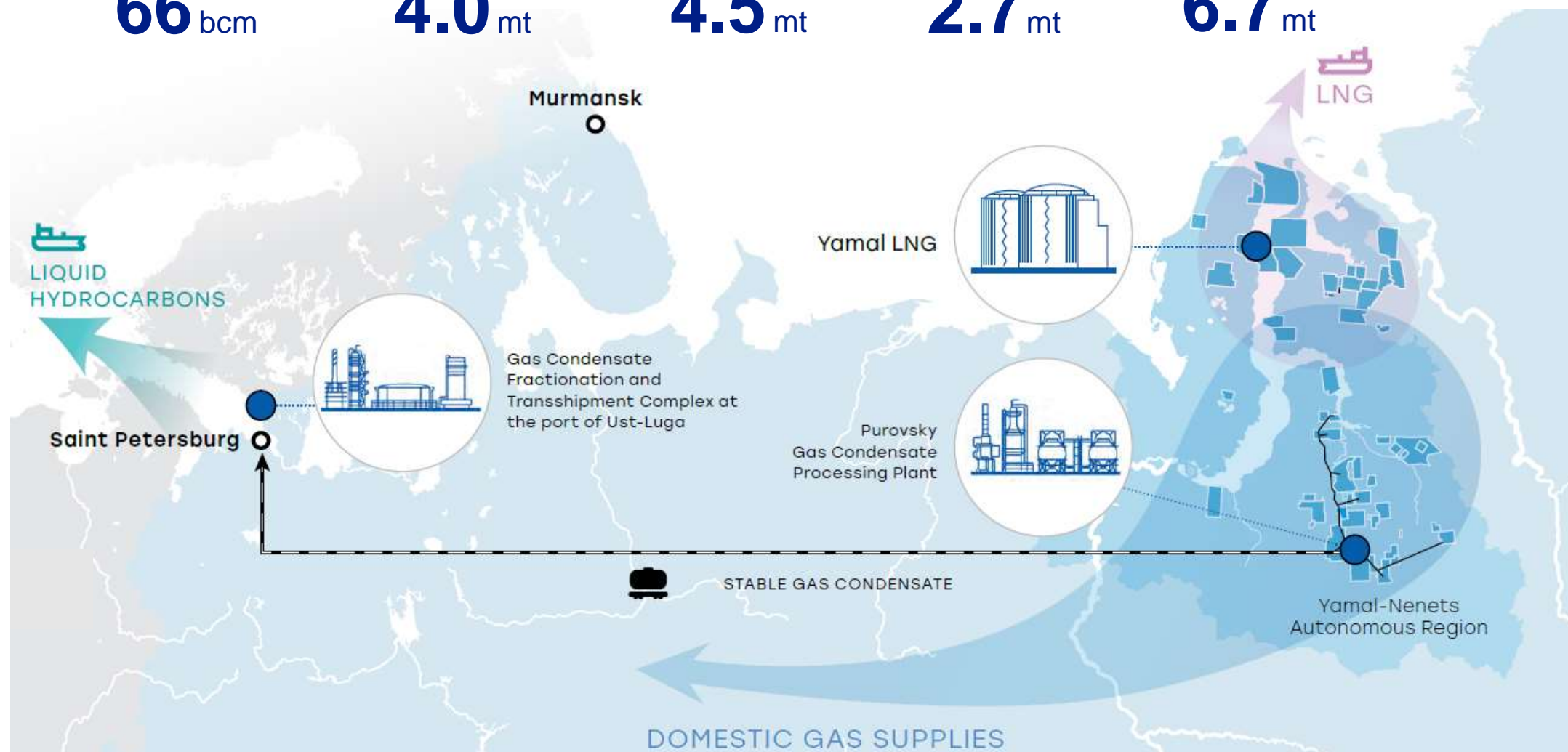
**4.5** mt

LPG

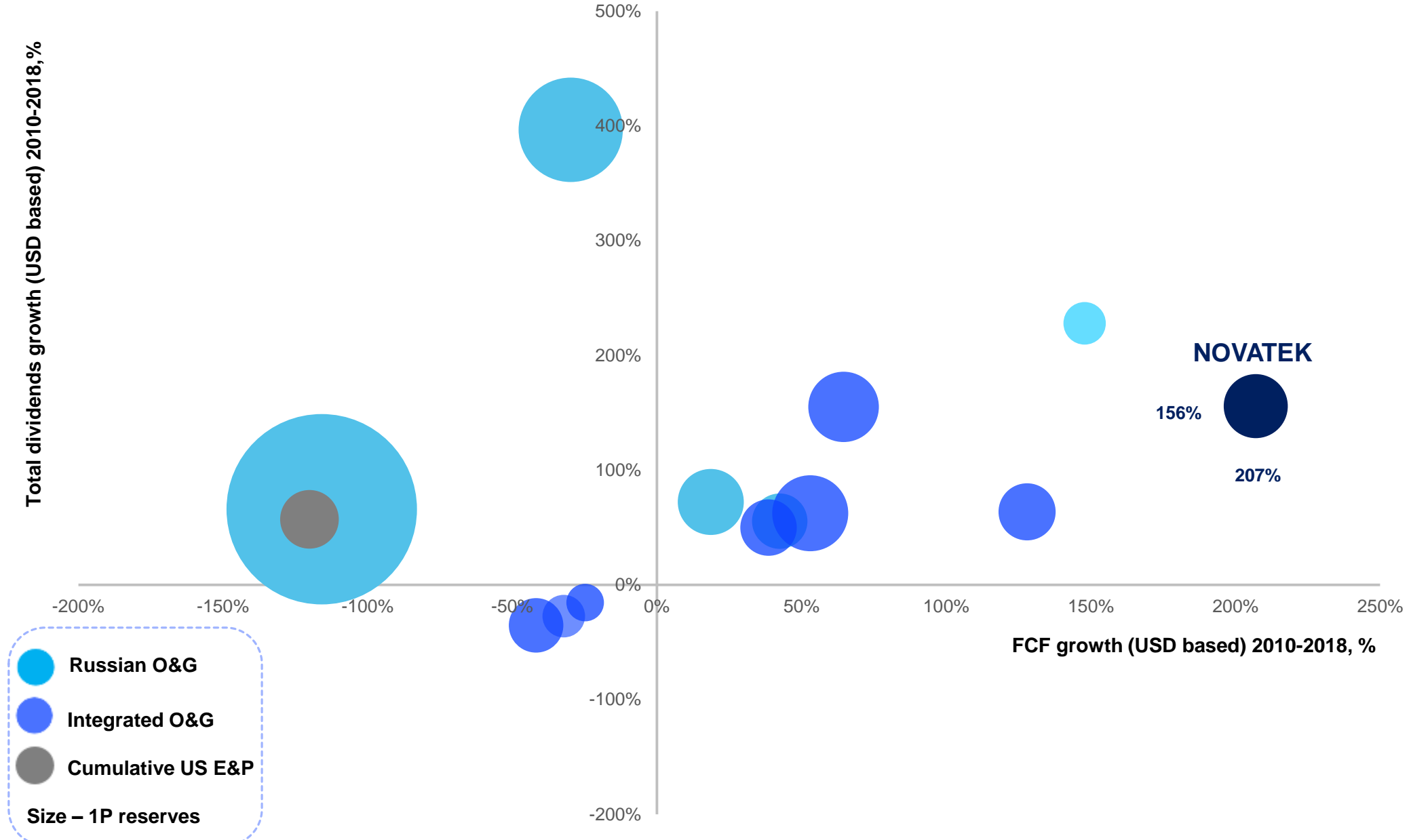
**2.7** mt

Oil Products

**6.7** mt



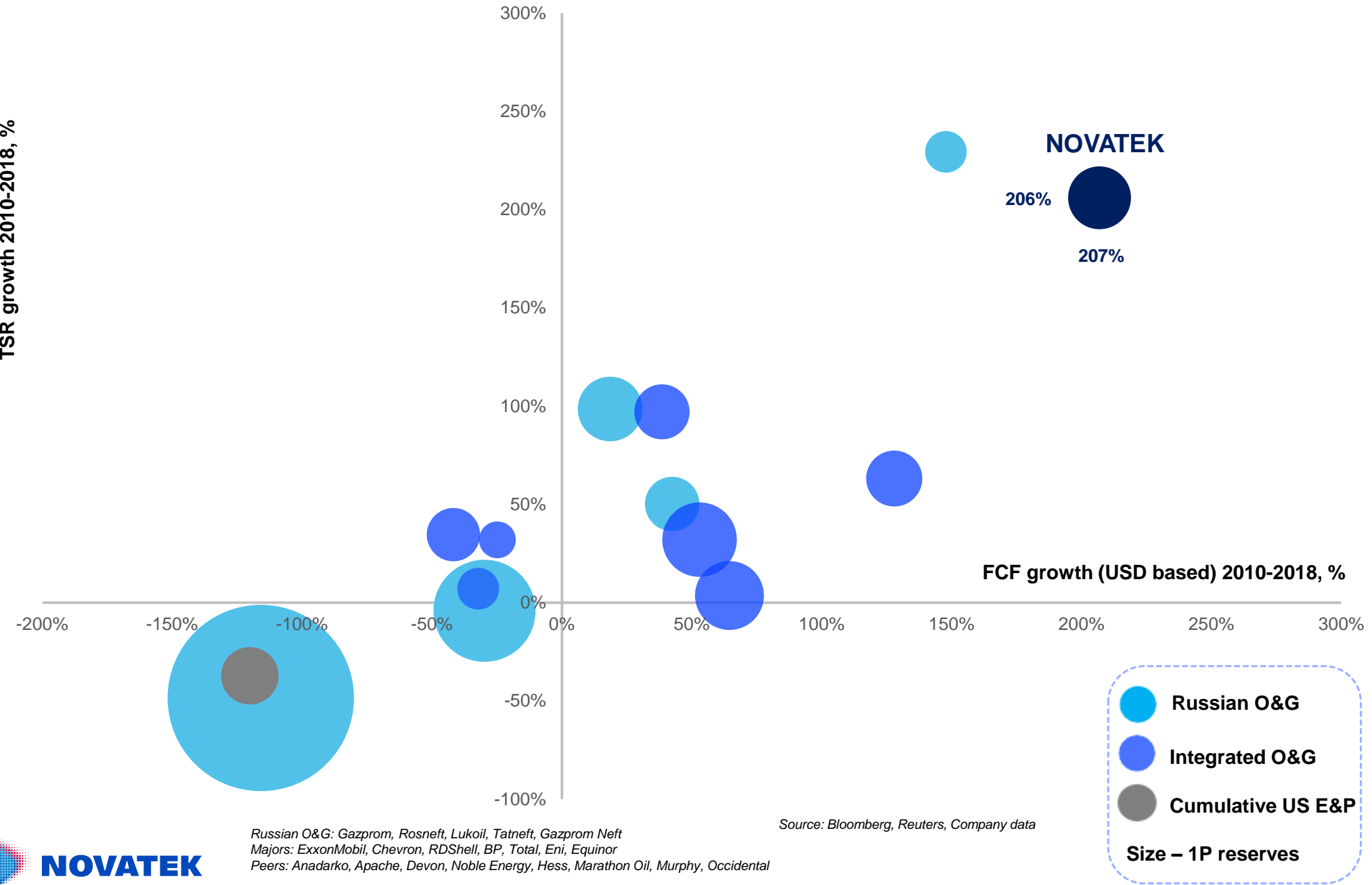
# Superior Dividends and FCF Generation Growth



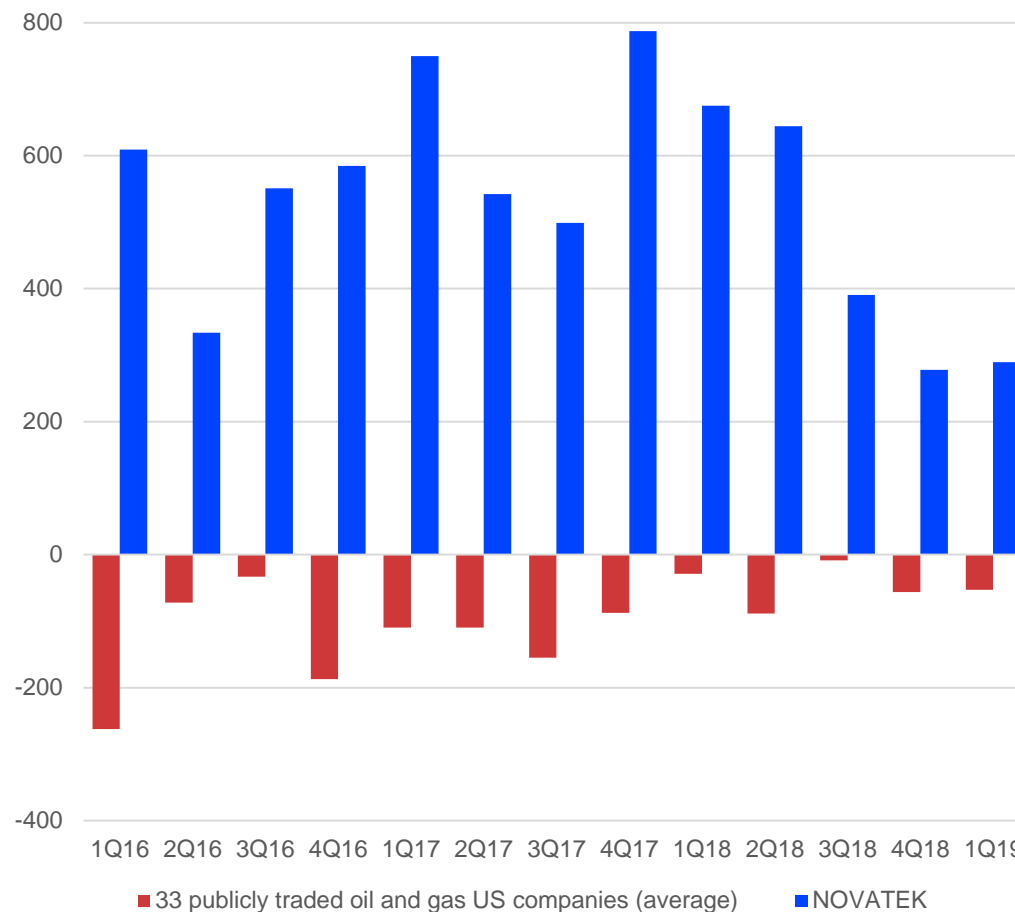
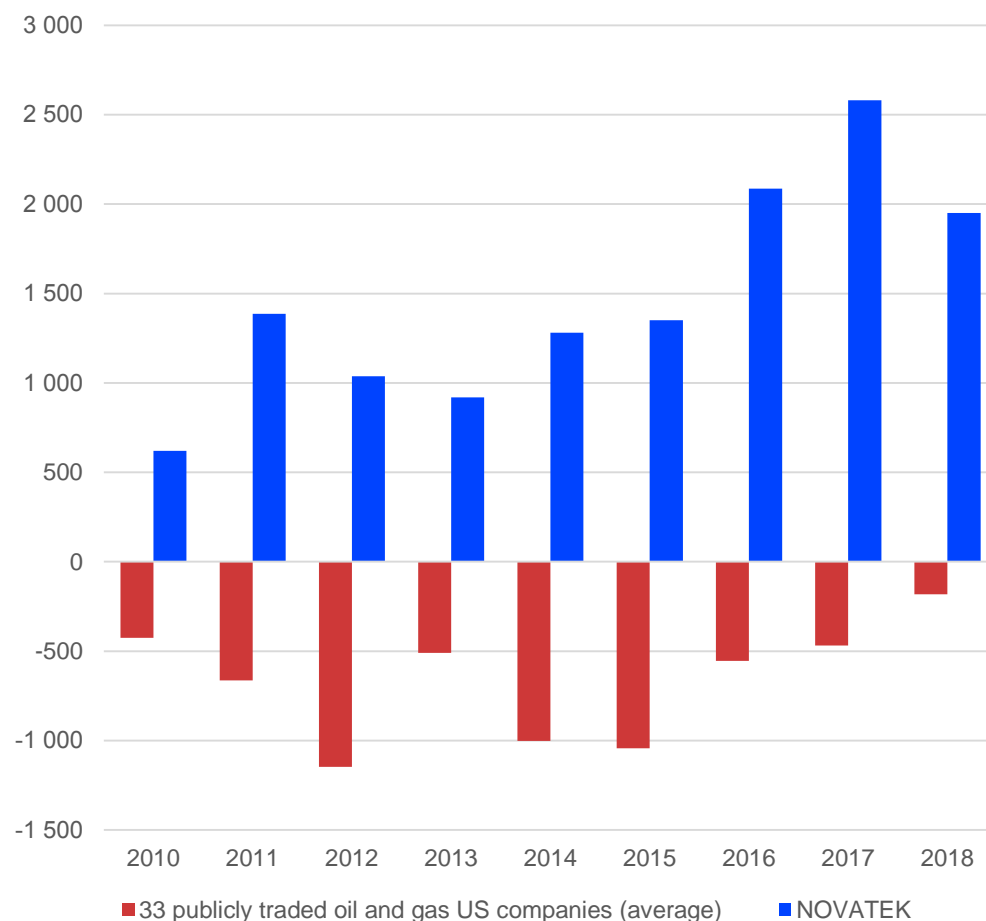
Russian O&G: Gazprom, Rosneft, Lukoil, Tatneft, Gazprom Neft  
Majors: ExxonMobil, Chevron, RDSHELL, BP, Total, Eni, Equinor  
Peers: Anadarko, Apache, Devon, Noble Energy, Hess, Marathon Oil, Murphy, Occidental

Source: Bloomberg, Reuters, Company data

# Shareholder Return and FCF Generation Growth

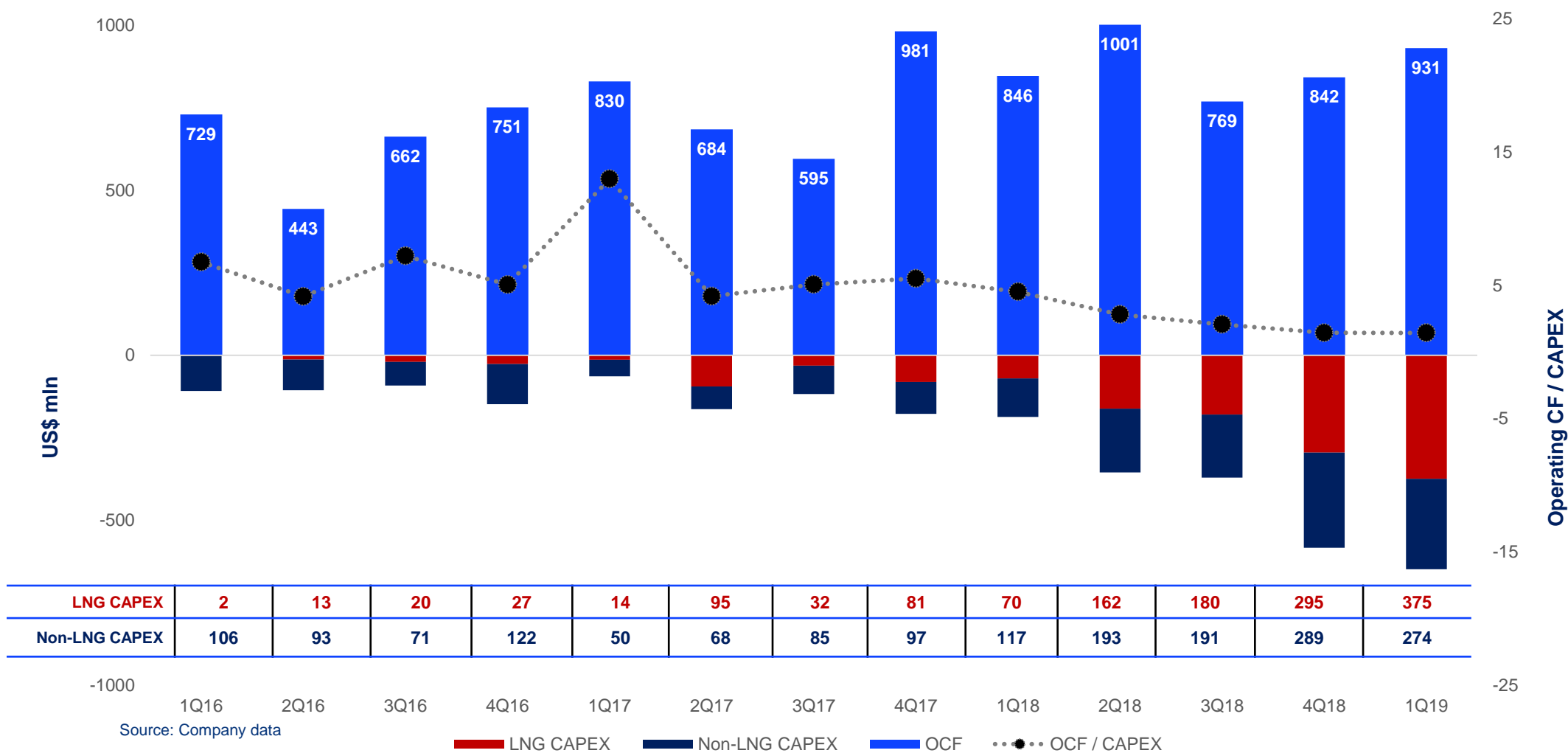


# Comparative FCF Analysis: US E&P vs. NOVATEK (USD mln)



**The U.S. oil boom together have spent \$265 bln more than they generated from operations since 2010\***

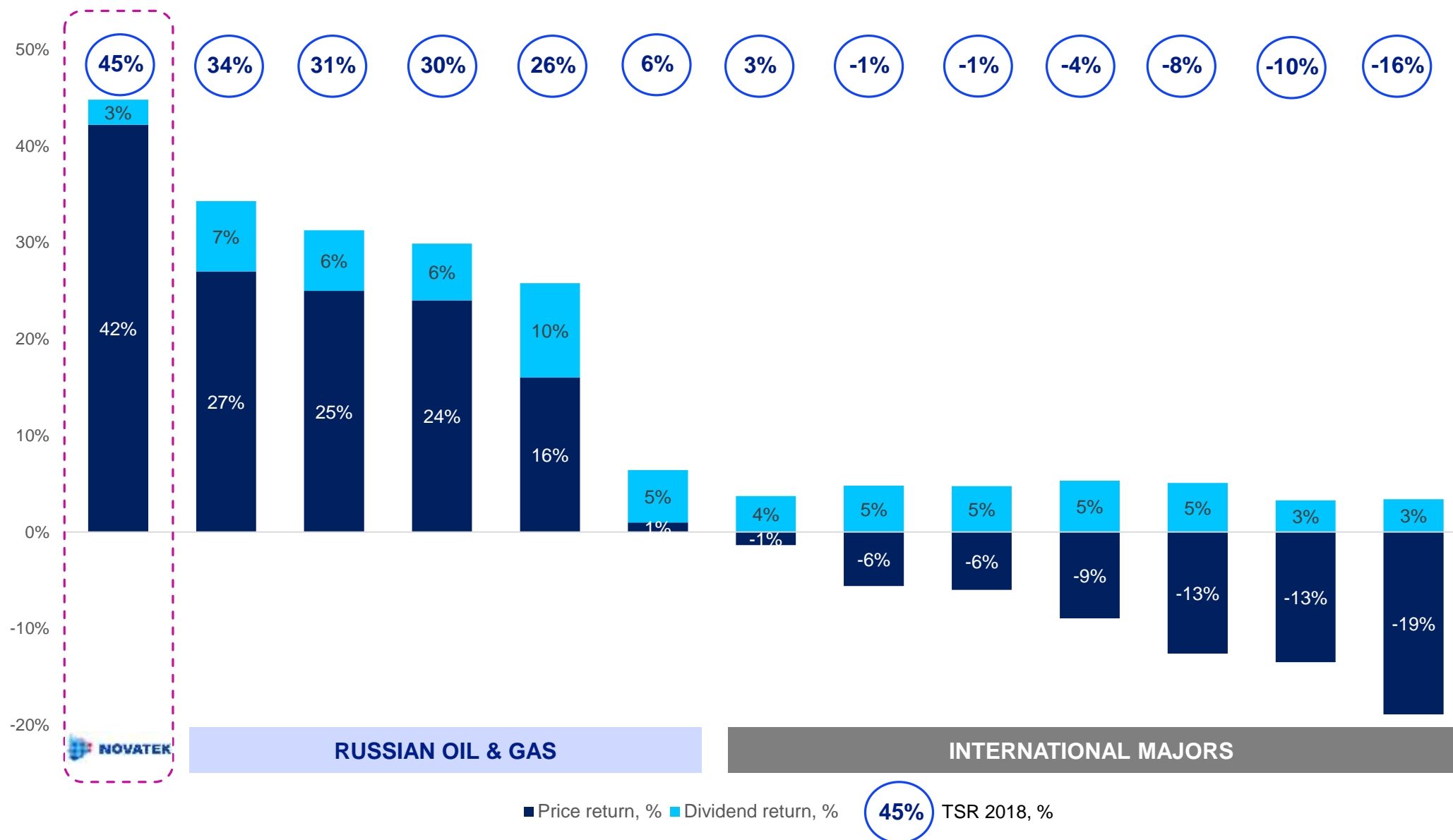
# Internally Funded Investment Program



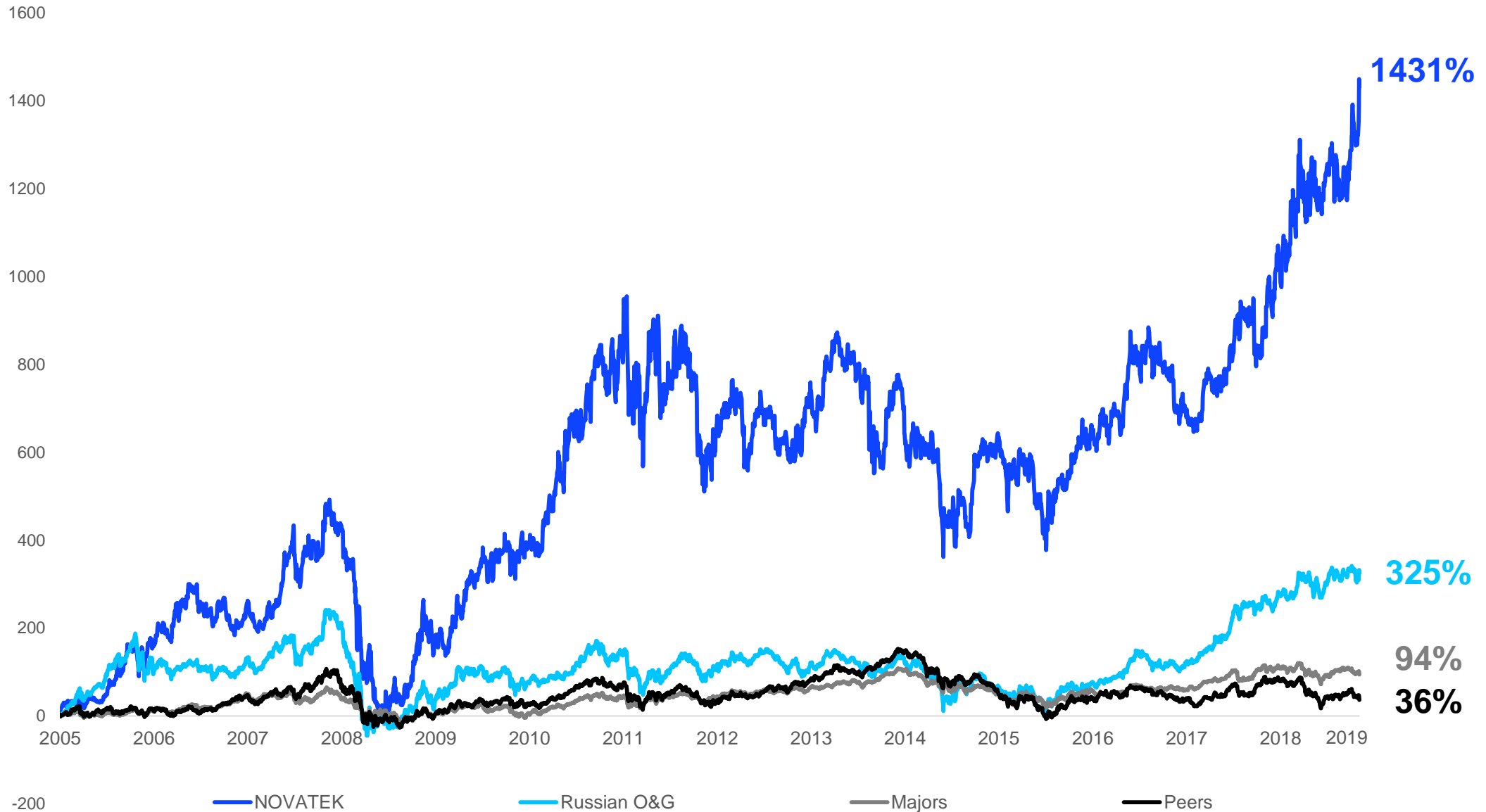
**Core investments funded primarily through internal cash flows**



# Total Shareholder Return in 2018



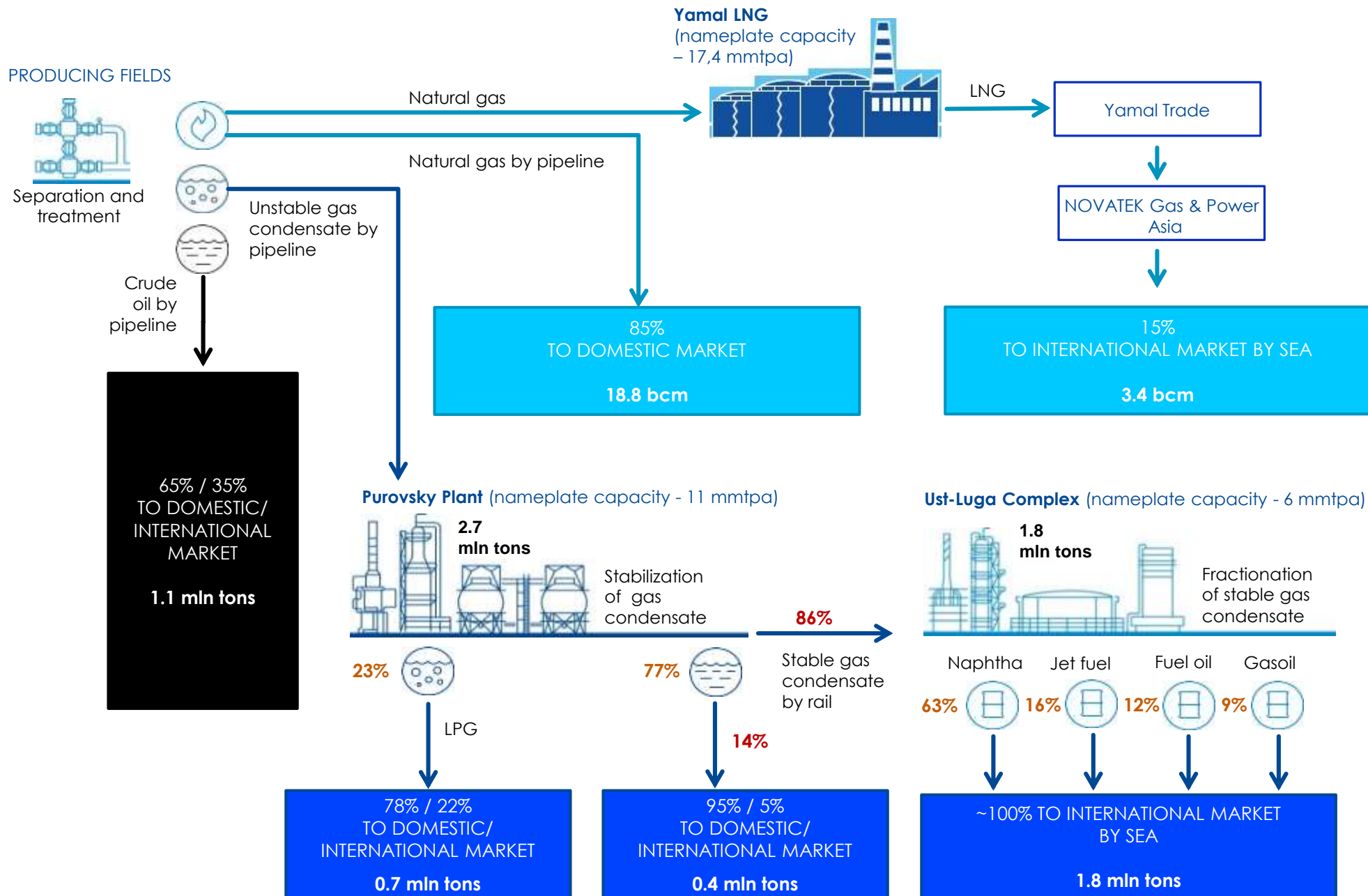
# Cumulative Total Shareholder Return, %



Russian O&G: Gazprom, Rosneft, Lukoil, Tatneft, Gazprom Neft  
 Majors: ExxonMobil, Chevron, RDS Shell, BP, Total, Eni, ConocoPhillips  
 Peers: Apache, Devon, Noble Energy, Hess, Marathon Oil, Repsol, Chesapeake, Encana, EOG, Pioneer Natural, Murphy, Occidental, Cheniere, Tellurian

Source: Bloomberg data as of 23 May 2019

# Monetizing Our Resource Base (1Q19)



# 2019-2020 Projects



Arctic LNG 2 equity  
stake sale to TOTAL



LNG construction  
center in Murmansk

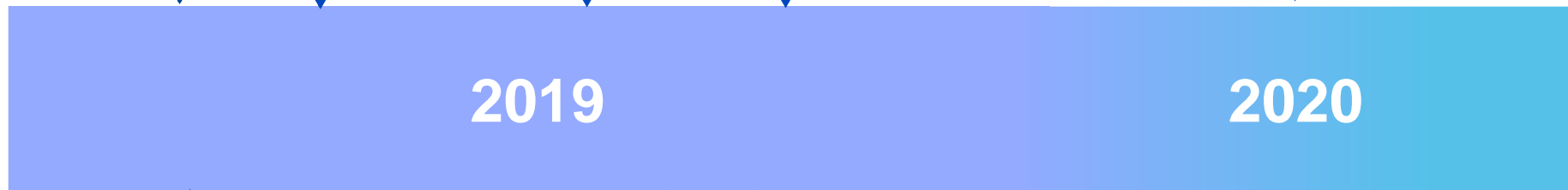


Arctic LNG 2  
FID



Ust-Luga  
Hydrocracker upgrade

North-Russkoye  
field startup



Cryogas-Vysotsk  
Train #1

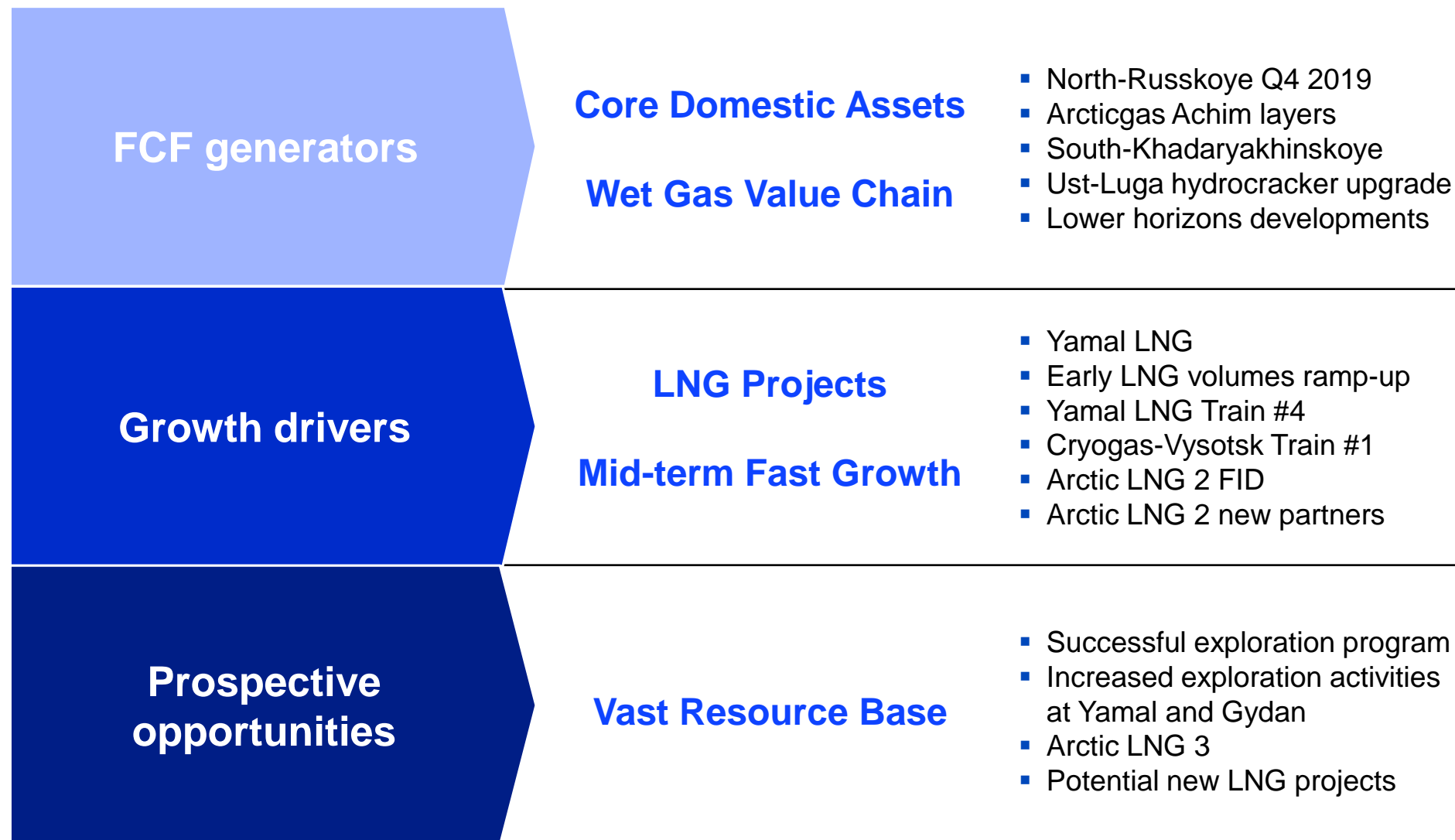
South-Khadyryakhinskoye  
field start-up

Production at the Achimov layers at  
the Samburskiy license area start-up

Yamal LNG  
Train #4 start-up



# Unique Assets to Combine FCF and Growth



# Reserves Growth

Reserve Replacement Rate (RRR), %

**222**

3-year average Reserve Replacement Rate, %

**250**

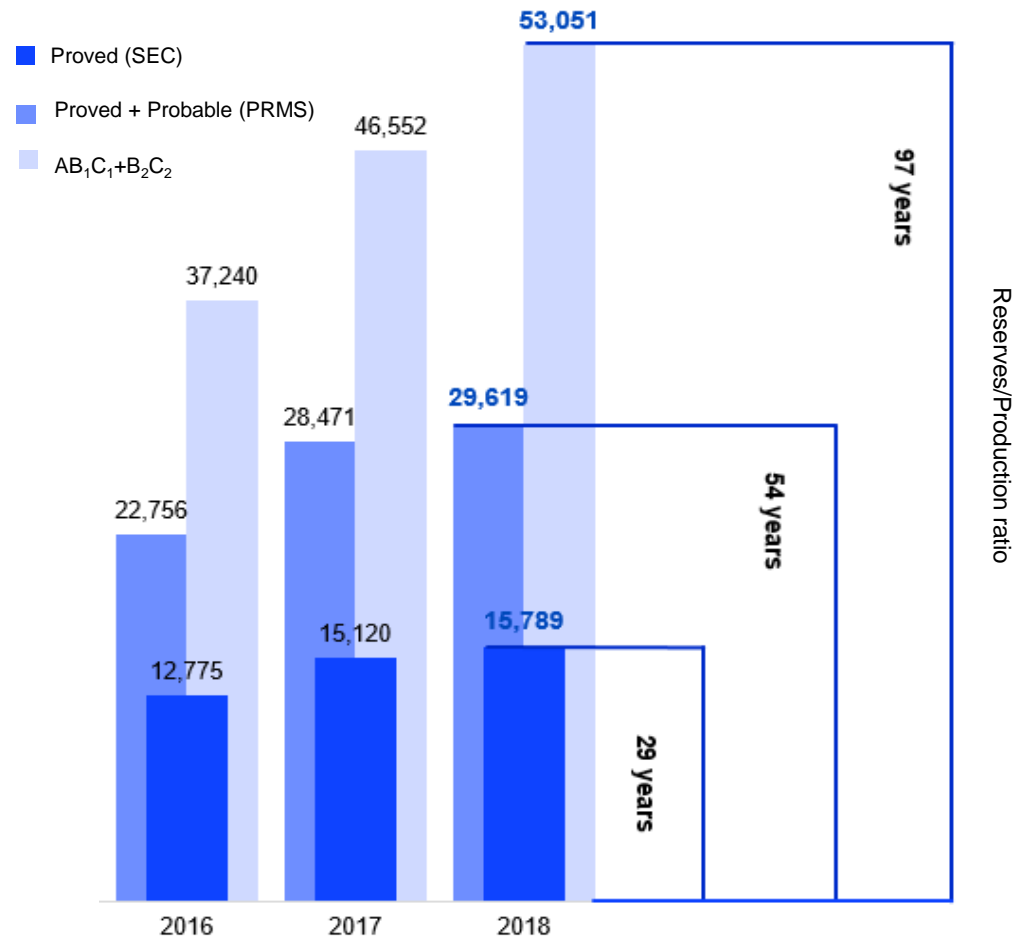
Reserve / Production ratio (PRMS), years

**54**

Reserve / Production ratio (SEC), years

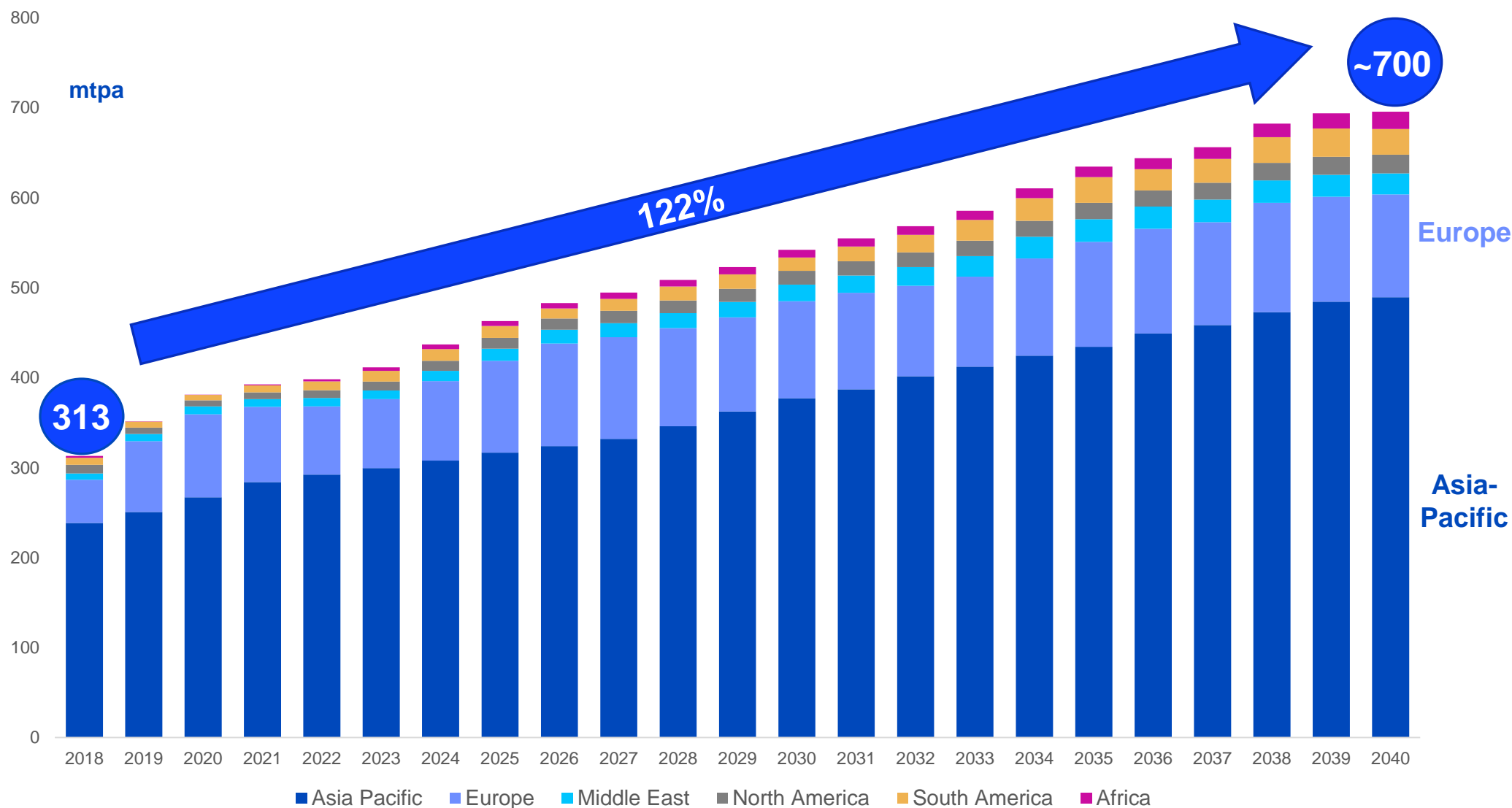
**29**

Total reserves by categories, mmboe



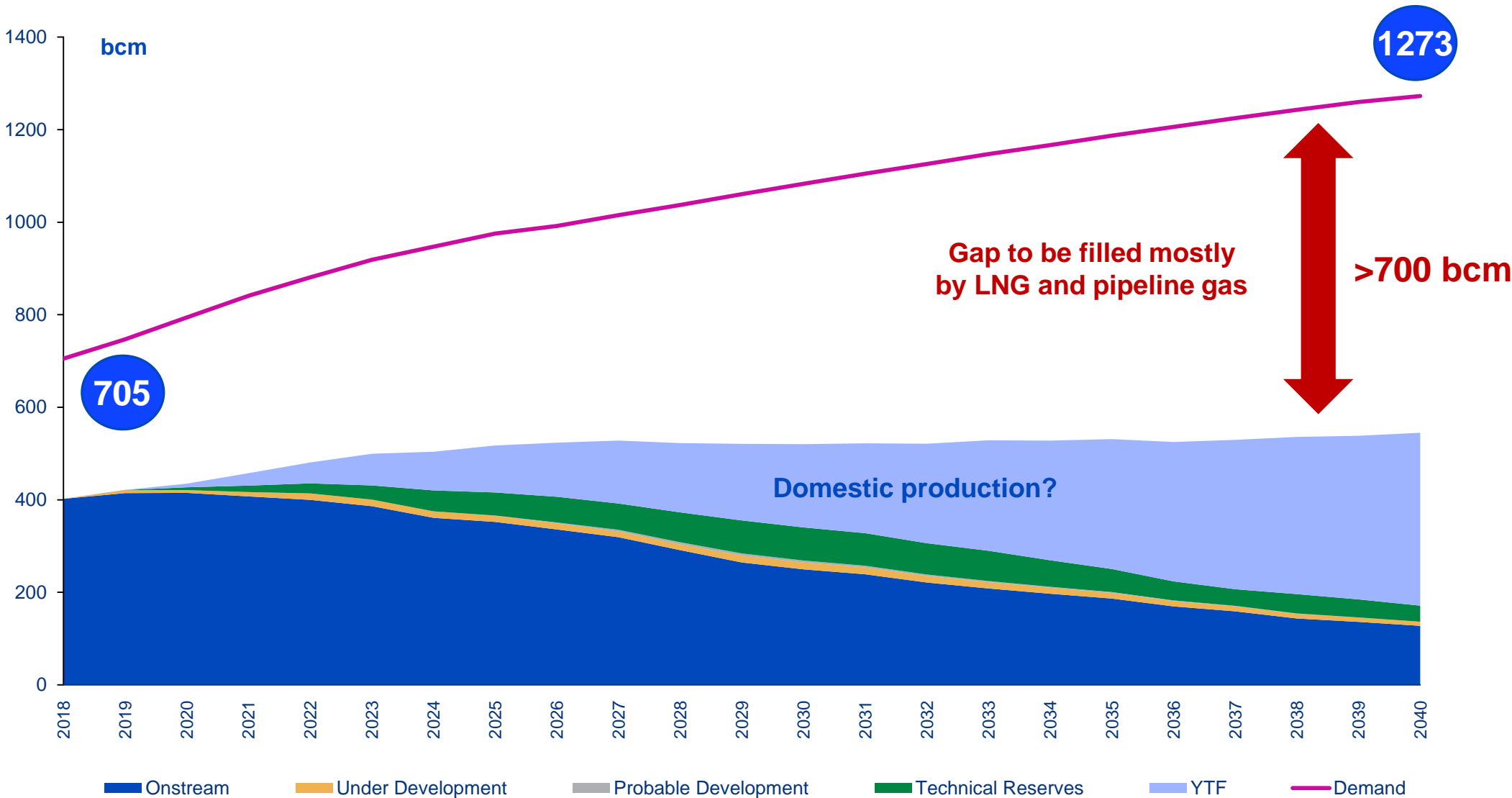
Our potential reserves for LNG production account for 48% of proved SEC gas reserves

# Global LNG Demand – Stronger than Expected



**Asia and Europe will account for 86% of incremental LNG demand**

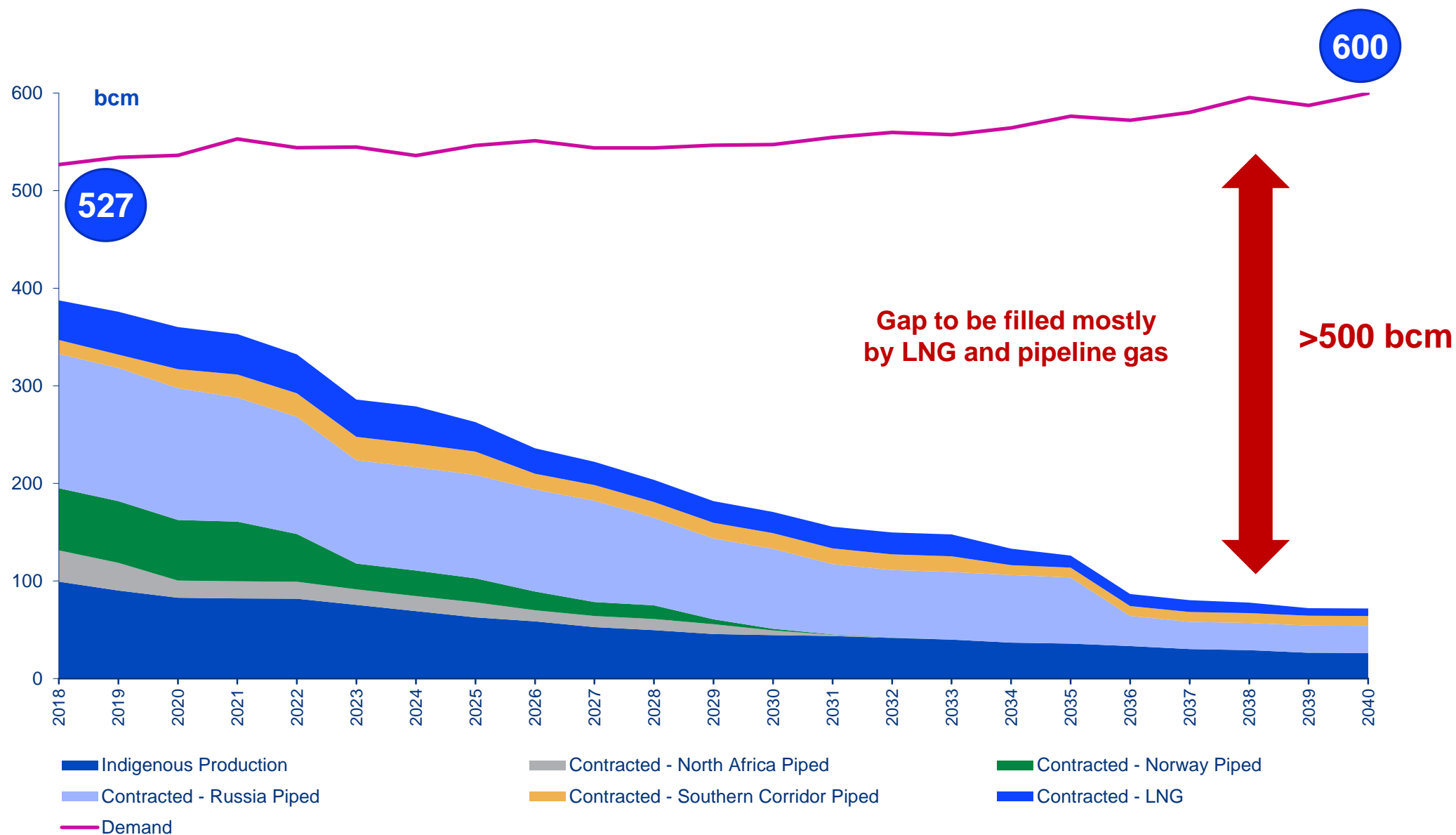
# Asian Gas Market Prospects



Source: Wood Mackenzie



# European Gas Market Prospects



Source: Wood Mackenzie

# LNG Pricing at Old and New Paradigm

Terms	Old	New
Duration	average 20 years	average 10 years
Formula and indexation	oil linked	mixed: oil, gas, hub
Flexibility	limited	by offtake, direction, usage
Volumes	large (2-3 mtpa)	small - medium (0.5-1.5 mtpa)
Price level	Europe and Asia arbitrage	no arbitrage

**We are comfortable with short- to medium-term LNG contracts**

# Yamal LNG Reached Full Capacity

YAMAL LNG



Yamal LNG ramp-up ahead of schedule and on budget

Train 1  
5.5 mtpa

completed on schedule

Train 2  
5.5 mtpa

completed 6 months ahead of schedule

Train 3  
5.5 mtpa

completed >12 months ahead of schedule

Train 4  
0.9 mtpa

start-up is expected in Q4 2019



...an aggregate share of the global LNG market  
The largest LNG project in Russia



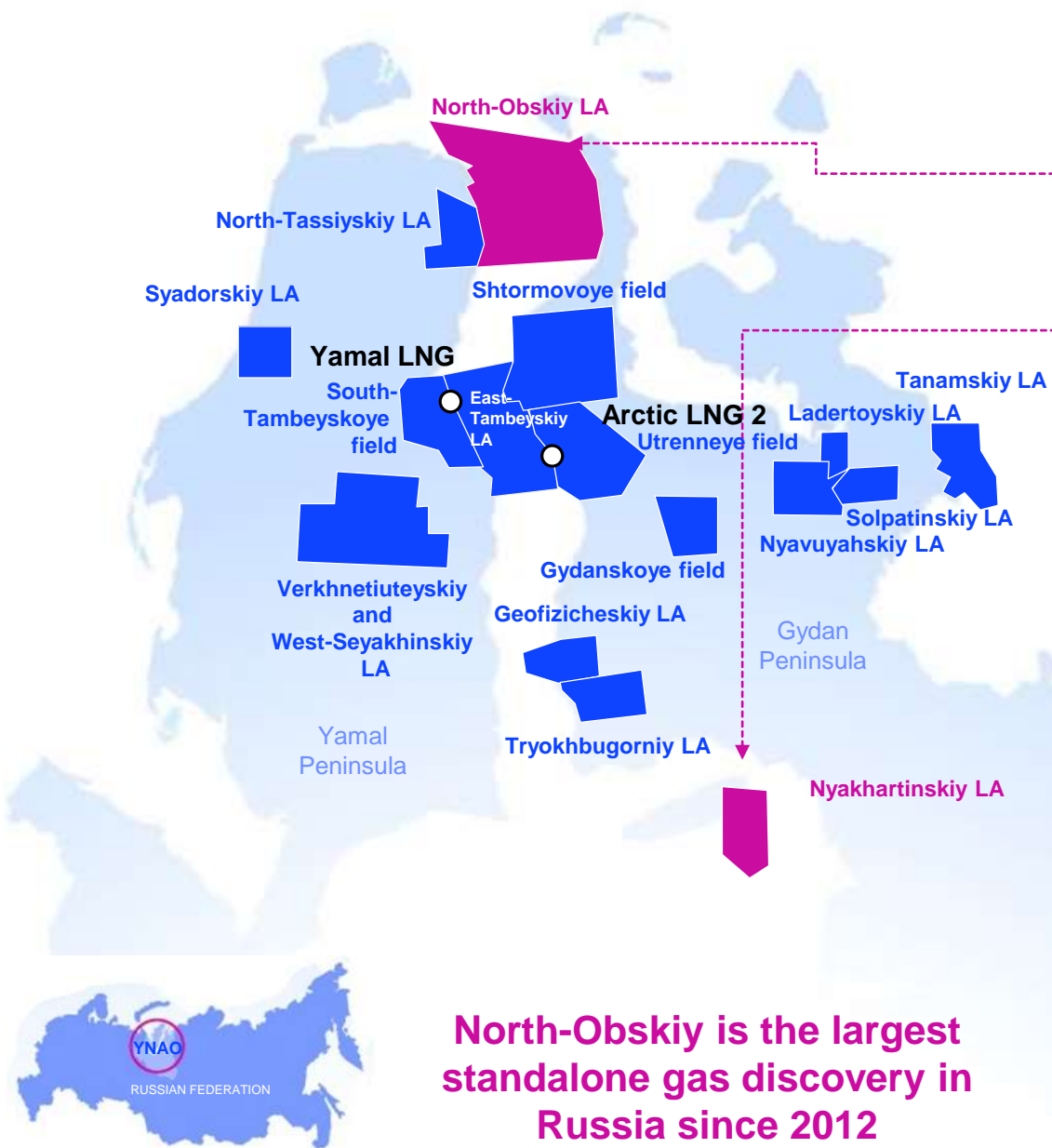
More than **200**  
LNG cargos have been offloaded

**>15** million tons of LNG produced



Earlier launch of Yamal LNG allows to off-take additional LNG volumes

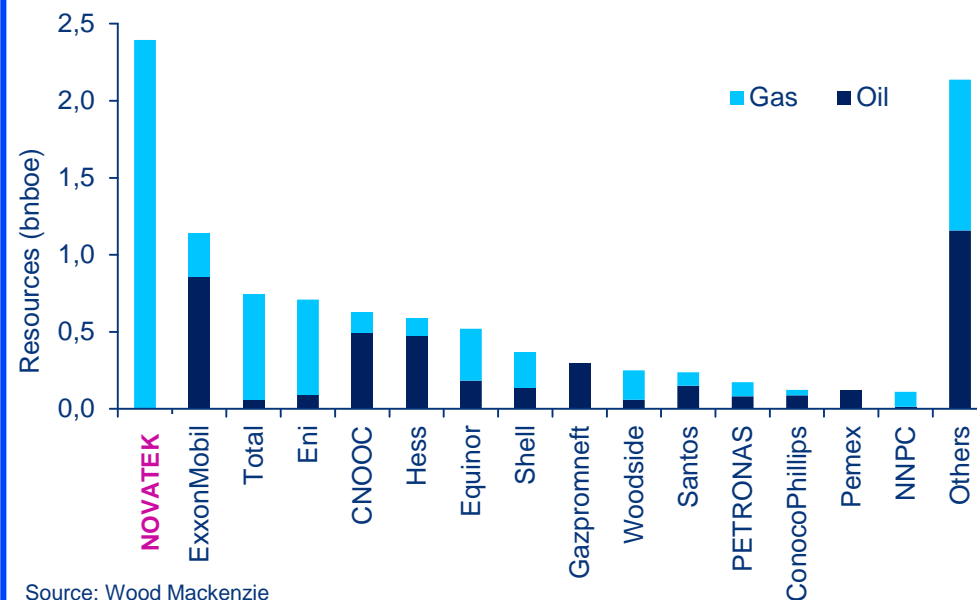
# Yamal and Gydan Reserves



## Top-5 gas discoveries in 2018, mmboe

<b>North-Obskiy</b>	Yamal, Russia	NOVATEK	<b>1 989</b>
<b>Calypso</b>	Cyprus		<b>1 126</b>
<b>Nyakhartinskiy</b>	Yamal, Russia	NOVATEK	<b>405</b>
<b>Pilipili</b>	Tanzania		<b>299</b>
<b>Hades Iris</b>	Norway		<b>191</b>

## Volumes discovered by company in 2018



# Arctic LNG 2



**NOVATEK closed the sale of 10% interest to TOTAL**

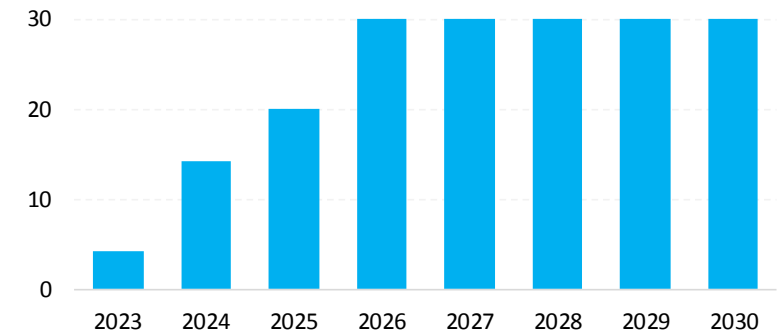
**Signed binding agreements to sell 10% interest to CNOOC and CNODC both**

**Contracted more than 75% of the equipment for the project**

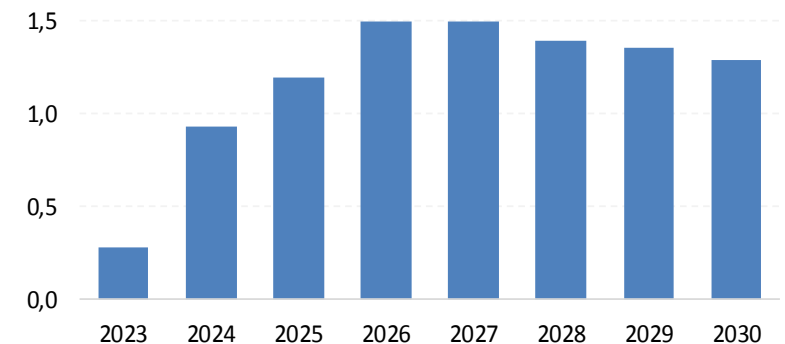
**Signed EPC Contract with TechnipFMC**

**FEED completed (October 2018)**

**Natural gas production at Utrenneye field, bcm**



**Gas condensate production at Utrenneye field, mmt**



## Significant Reserve Growth Confirmed

- 405 bcm of natural gas and 40 mmt of gas condensate were added in 2018
- Natural gas reserves – 2.0 tcm, Gas condensate reserves > 100 mmt



# GBS LNG Plant Concept



## Parameters for each GBS train

- GBS dimensions: 300 m x 152 m
- GBS weight: 440 thousand tons
- Overall LNG tanks volume: 213 thousand m<sup>3</sup>
- Mixed Fluid Cascade (MFC) process by Linde
- 4 gas turbine drives x 55 MW,
- 3 gas turbine drives the power plant 165 MW



**GBS LNG concept will significantly reduce overall liquefaction cost**



# LNG Construction Center: Develop Localized LNG Expertise

LNG construction center is the world's first complex to build GBS-based LNG trains

Construction commenced in August 2017

Process module fabrication shops – 50 HA  
(up to 100,000 tons per annum)

Accommodation camp  
up to 15,000 people

Concrete batch plant  
180,000 m<sup>3</sup> per annum

Reinforced concrete  
structures  
fabrication shops

TOTAL AREA OVER 150 HA



LNG construction center to provide scalable construction of LNG trains on GBS platforms



# Cryogas-Vysotsk



## Medium-tonnage LNG plant on the Baltic Sea



LNG production facility and  
a transshipment terminal

**660** thousand tons per annum –  
initial design capacity




designed to handle **30** mcm  
capacity LNG carriers

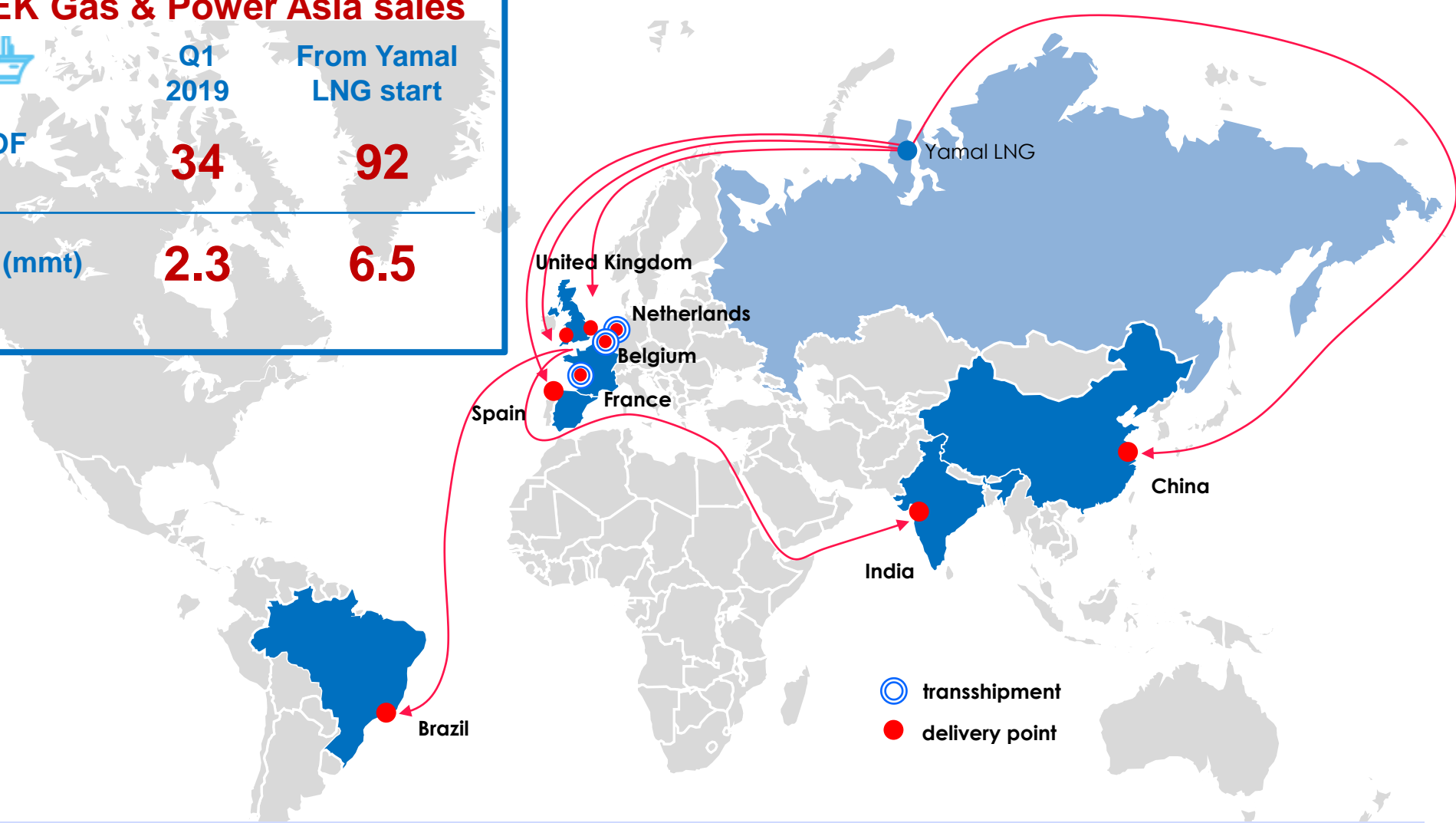
**51%** NOVATEK's participation interest

Small-scale LNG target niche markets and customer segments



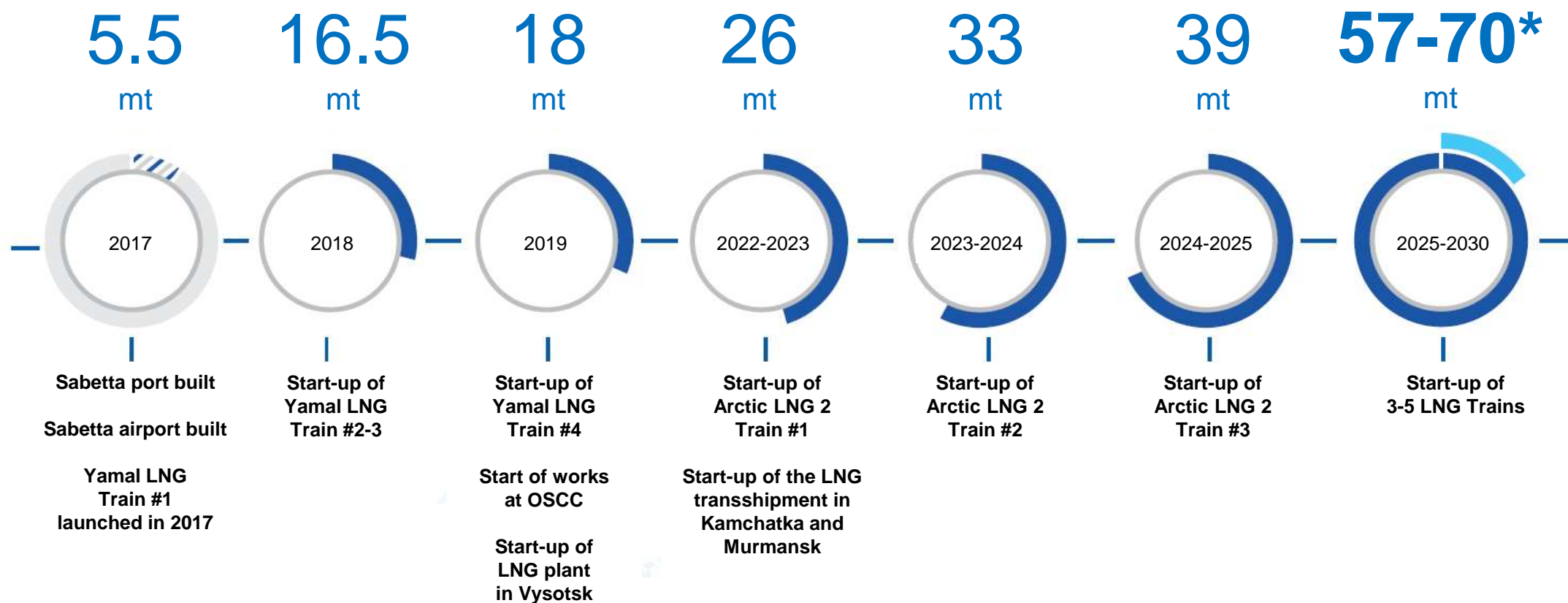
# LNG Sales

NOVATEK Gas & Power Asia sales		
	Q1 2019	From Yamal LNG start
	NUMBER OF CARGOS	34 92
	VOLUMES (mmt)	2.3 6.5



LNG sales to Atlantic and Pacific basins

# NOVATEK's LNG Production



\* based on assumptions not outlined in Corporate Strategy 2018-2030

# ARC7 Ice-Class LNG Tankers



CAPACITY  
**170,000 m<sup>3</sup>**

LENGTH  
**299 m**

WIDTH  
**50 m**

HEIGHT  
**60 m**

POWER  
**45 MWt**

DISPLACEMENT  
**144,000 t**

# LNG Shipping Fleet

Name	Operator	Commencement of operations
<b>Existing Arc7 fleet</b>		
Christophe de Margerie	SCF	November 2016
Boris Vilkitskiy	DYNAGAS	November 2017
Fyodor Litke	DYNAGAS	November 2017
Eduard Toll	Teekay / CLNG	December 2017
Vladimir Rusanov	MOL / CSLNG	January 2018
Rudolf Samoylovich	Teekay / CLNG	August 2018
Vladimir Vize	MOL / CSLNG	October 2018
Georgiy Brusilov	DYNAGAS	December 2018
Boris Davydov	DYNAGAS	January 2019
Nikolay Zubov	DYNAGAS	February 2019
Nikolay Evgenov	Teekay / CLNG	May 2019
<b>Supplemented by eleven (11) conventional LNG tankers</b>		

# Northern Sea Route Navigation



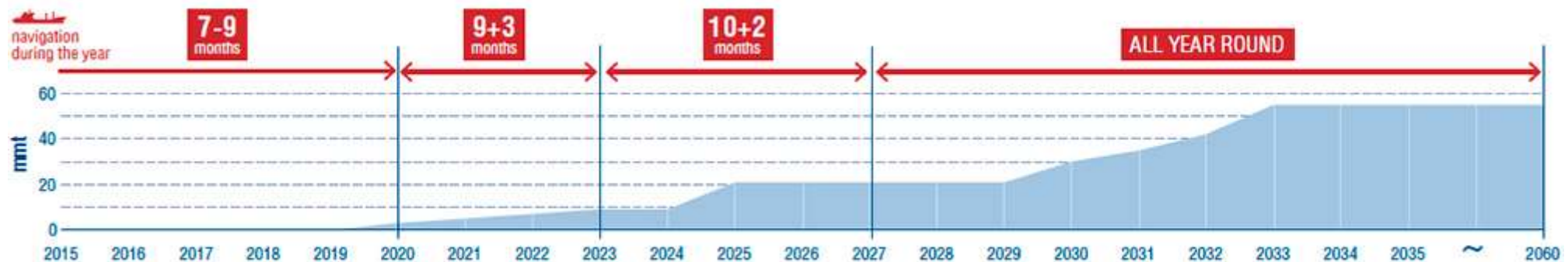
**“We are committed to jointly develop and explore sea routes, mainly the Northern Sea Route, to channel the Ice Silk Road”**

Xi Jinping, 3 July 2017



# Future Development of Northern Sea Route: infrastructure and ice-breakers fleet

## LNG transit via Northern Sea Route subject to icebreakers commissioning



LK-60 nuclear icebreaker (60 MW)



LD-type icebreaker (120 MW)



ARC 130-type LNG-fueled icebreaker  
(21 MW, 40 MW, 60 MW)

## Icebreaking fleet is being renewed: three new icebreaker types are being designed

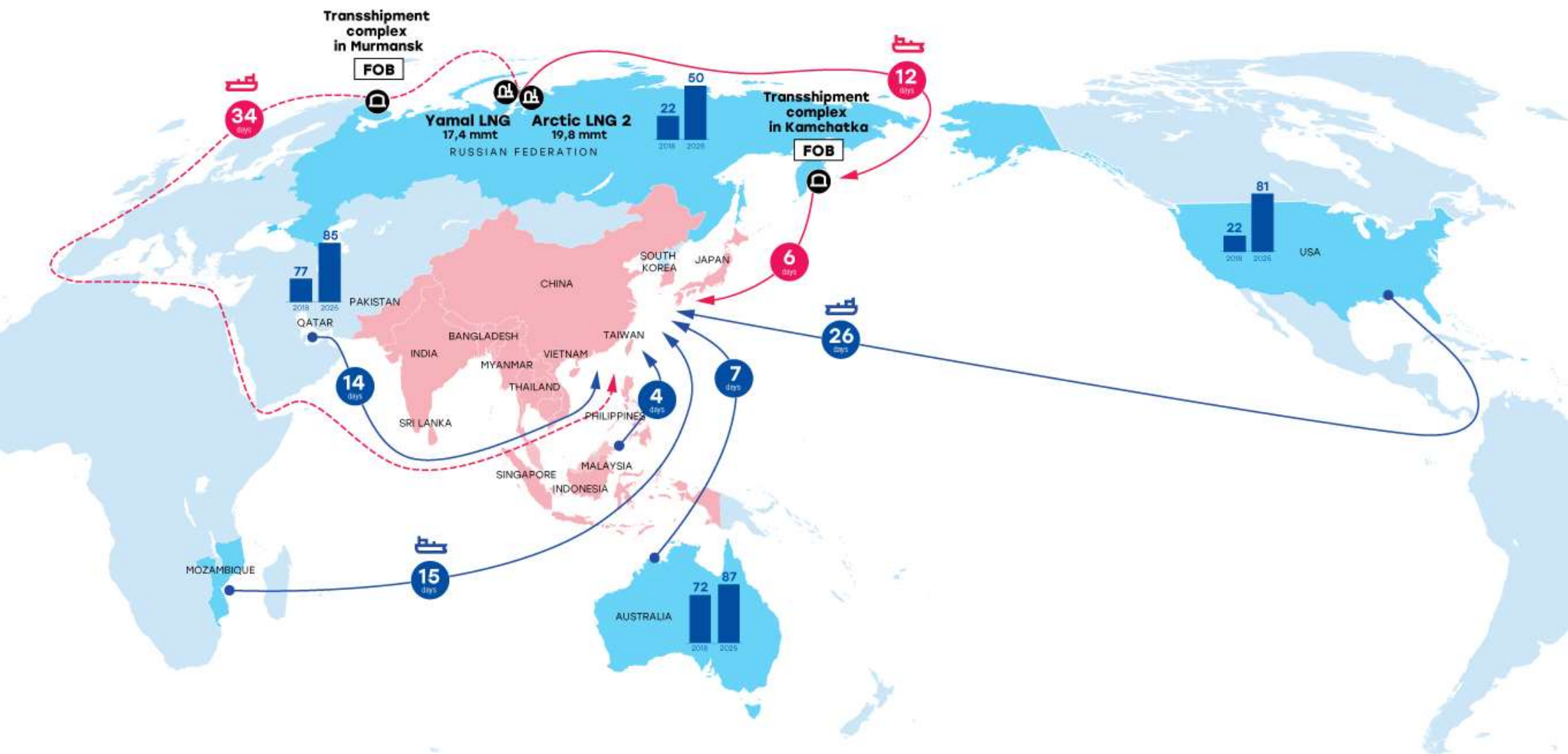
### LK-60 nuclear icebreakers:

- The ARKTIKA nuclear icebreaker was put afloat on 6 June 2016 (to be brought into operation in 2019)
- The SIBIR nuclear icebreaker was put afloat on 22 September 2017 (to be brought into operation in 2020)
- The URAL nuclear icebreaker (to be brought into operation in 2022)

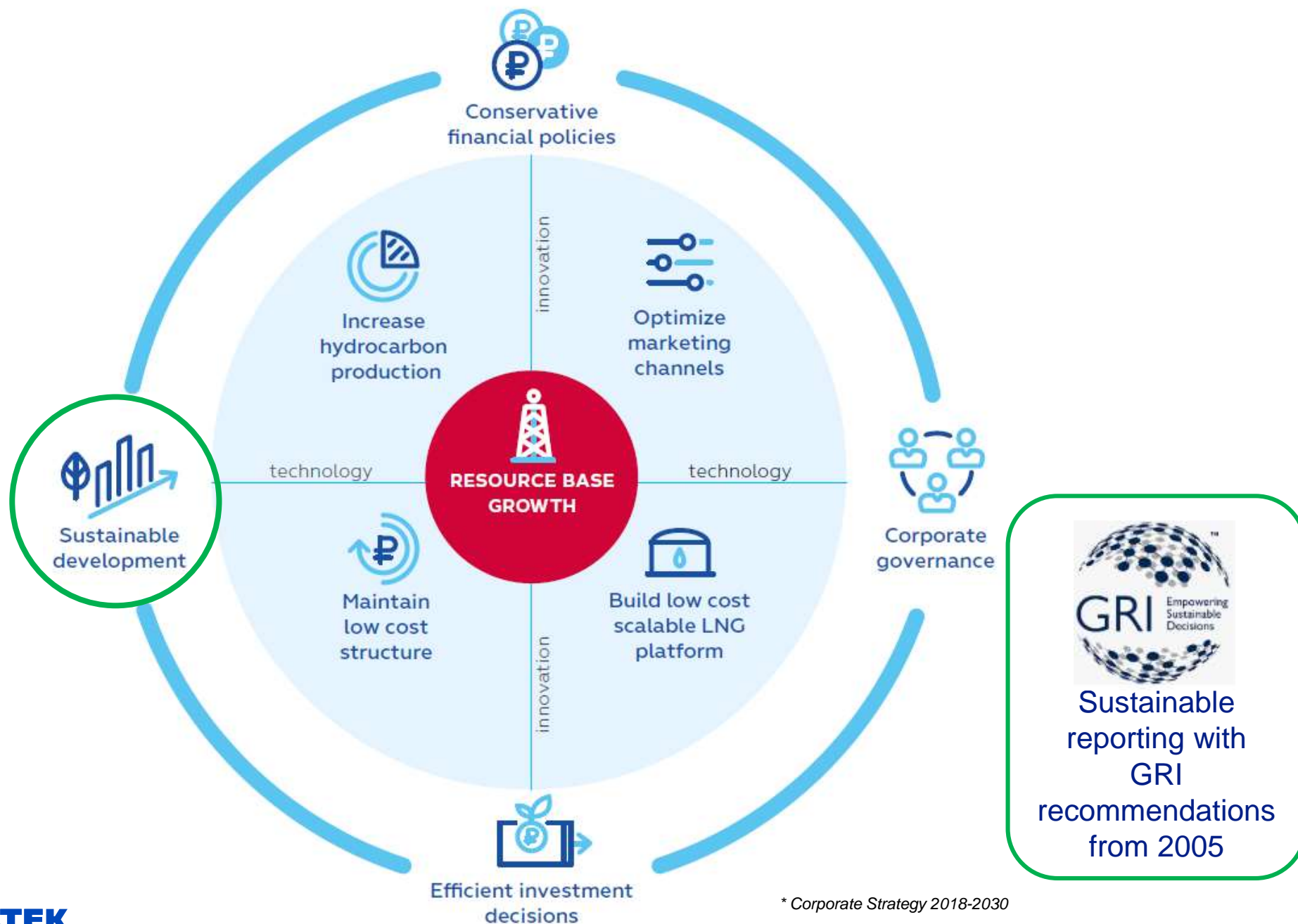
**The LD nuclear icebreaker** – development of design documentation is underway.  
Expected completion date – December 2017

**ARC 130-type LNG-fueled icebreaker** – at the design stage

# LNG Logistics to Asia



# Sustainable Development – Integral Part of Strategy\*





# Economic Value Distribution to Stakeholders\*

EMPLOYEES  
SALARIES AND  
SOCIAL BENEFITS

**20.1**

DIVIDENDS  
DECLARED

**45.4**

PAYMENTS TO  
GOVERNMENTS

**84.7**

RETAINED  
ECONOMIC VALUE

**126.2**





SOCIAL  
INVESTMENTS

**2.8**



\* bln RUB, 2017 data

# Commitment to Developing Sustainable Value

<p>NOVATEK is ranked among top ESG companies by Thomson Reuters ESG Scores in Russia across all industries</p>	<p>FTSE Russell Ratings confirms that NOVATEK remains a constituent of the FTSE4Good Emerging Index in 2018</p>
	
<p>NOVATEK maintained Average Performer by Sustainalytics in 2018</p>	<p>NOVATEK is assigned BBB rating by MSCI in 2018 - 5 consecutive years</p>
 <p><b>Average Performer</b></p> <p><b>64</b></p>	 <p><b>Rating BBB</b></p> <p><b>(5 consecutive years)</b></p>

# Sustainability Reports Since 2005



Longest history of sustainability reporting in the Russian O&G



# LNG Strategic Goals

Low cost provider of LNG	<ul style="list-style-type: none"> <li>▪ Low upstream costs</li> <li>▪ Low liquefaction costs</li> <li>▪ Competitively priced LNG at all key-consuming markets</li> </ul>
Adopt LNG marketing strategy	<ul style="list-style-type: none"> <li>▪ Flexible duration terms</li> <li>▪ Flexible pricing formulas</li> <li>▪ Flexible volume sizes</li> <li>▪ Flexible destination clause</li> </ul>
Build Kamchatka/Murmansk transshipment terminals	<ul style="list-style-type: none"> <li>▪ Establish Russian hub price</li> <li>▪ Provide shorter delivery time to reach perspective LNG market</li> <li>▪ Attractive for potential partners</li> </ul>
Scalable LNG projects	<ul style="list-style-type: none"> <li>▪ Adopt projects to market demand</li> <li>▪ Opportunity to create fully integrated projects (upstream, liquefaction, transport, marketing)</li> </ul>
Lower logistic costs	<ul style="list-style-type: none"> <li>▪ Build new tankers with lower costs</li> <li>▪ More efficient usage of NSR with longer navigation period</li> <li>▪ Lower usage of icebreakers</li> <li>▪ Use reloading terminals (Kamchatka, Murmansk, Zeebrugge etc.) and temporary transshipment in Norway</li> </ul>

✓ Energy Affordability

✓ Energy Security

✓ Energy Sustainability

# Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "may," "should" and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- changes in the balance of oil and gas supply and demand in Russia, Europe, and Asia;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the event, among other factors, of restrictions on the Company access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- inherent uncertainties in interpreting geophysical data;
- commercial negotiations regarding oil and gas sales contracts;
- changes to project schedules and estimated completion dates;
- potentially lower production levels in the future than currently estimated by our management and/or independent petroleum reservoir engineers;
- our ability to service our existing indebtedness;
- our ability to fund our future operations and capital needs through borrowing or otherwise;
- our success in identifying and managing risks to our businesses;
- our ability to obtain necessary regulatory approvals for our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of, and changes in, the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, the Cabinet and the Prosecutor General and his office;
- the effects of international political events, including changes in the foreign countries' and their governments' policy towards the Russian Federation and Russian companies;
- the effects of technological changes;
- the effects of changes in accounting standards or practices; and
- inflation, interest rate and exchange rate fluctuations.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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