

The image features the Novatek logo on the left, which consists of a stylized blue 'N' with three horizontal bars. To the right of the logo, the word 'NOVATEK' is written in large, bold, blue capital letters. The background is a light blue gradient with a faint image of an oil rig structure.

# NOVATEK

## *“Harnessing the Energy of the Far North”*

**Mark Gyetvay, Deputy Chairman of the Management Board**  
**Alexander Nazarov, Head of Investor Relations**

**Moscow Exchange and UBS Forum**

**New York City, NY**  
**16 November 2016**

# Four Pillars Supporting Sustainable Growth



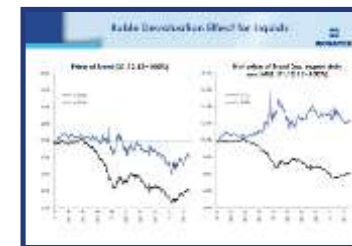
**High Quality  
Long Life  
Reserves**



**Strong  
Production  
Growth**



**Low Cost  
Producer**



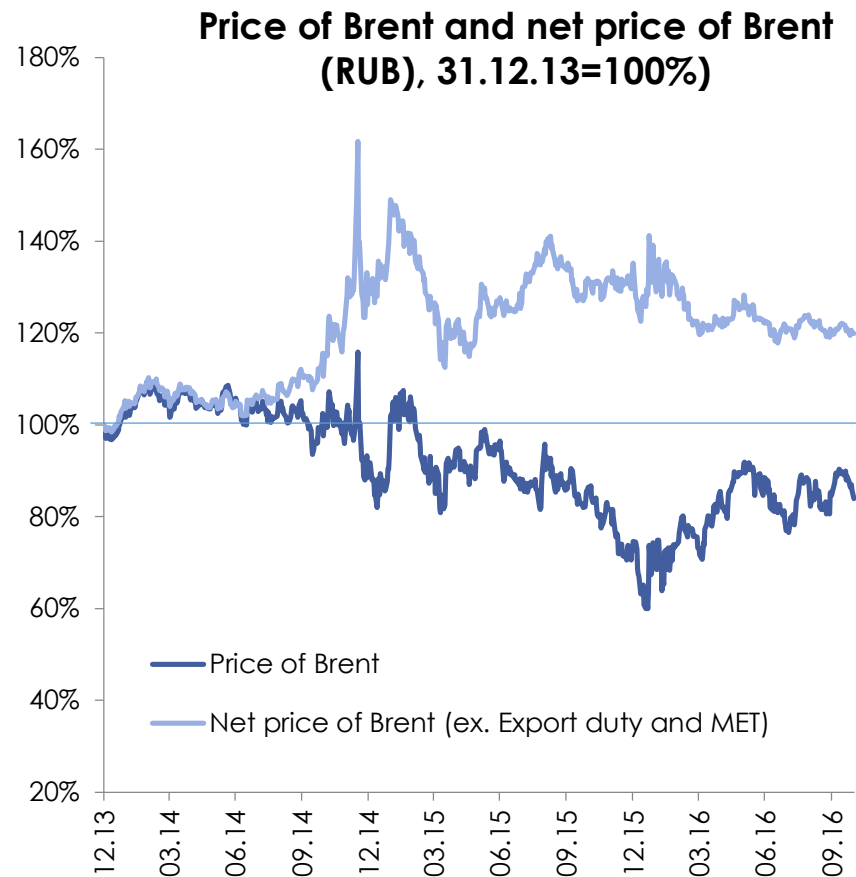
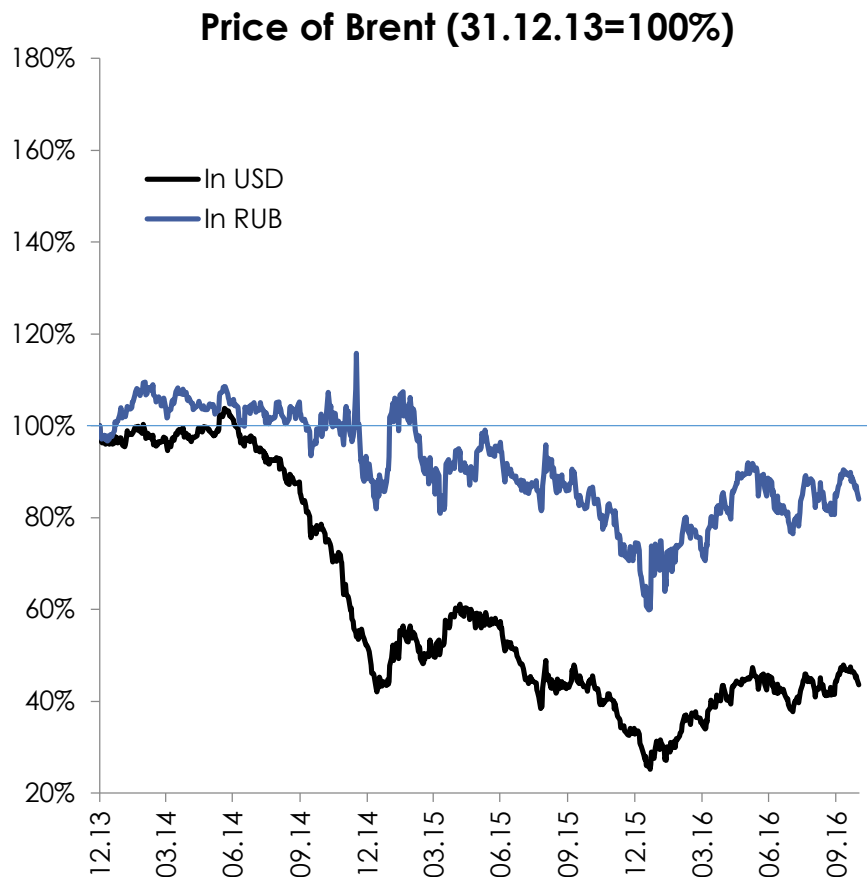
**Low risk to  
commodity price  
movements**

# Compelling Investment Case: Solid Performance in Negative Macroeconomic Environment



- **We are one of the Lowest Cost Producers in the world**, making us very resilient in the current negative macroeconomic environment
- **Our volume growth has not been affected**: we continue growing our hydrocarbon production at industry leading rates and increasing the share of more profitable liquids in the overall volumes mix
- **Our margins have not been affected**: we have Russian ruble denominated cost base and our gas business benefits from stable regulated price environment, while margins for liquids business are supported by the devaluation of the Russian ruble
- **We had no impairment losses**: another proof of the high quality and stable profitability of our asset base, resulting in our high resilience to the macro shocks
- **Our longer-term growth has not been affected**: we continue progressing successfully with the construction works at our major Yamal LNG project and evaluation of new opportunities

# Rouble Devaluation Effect for Liquids

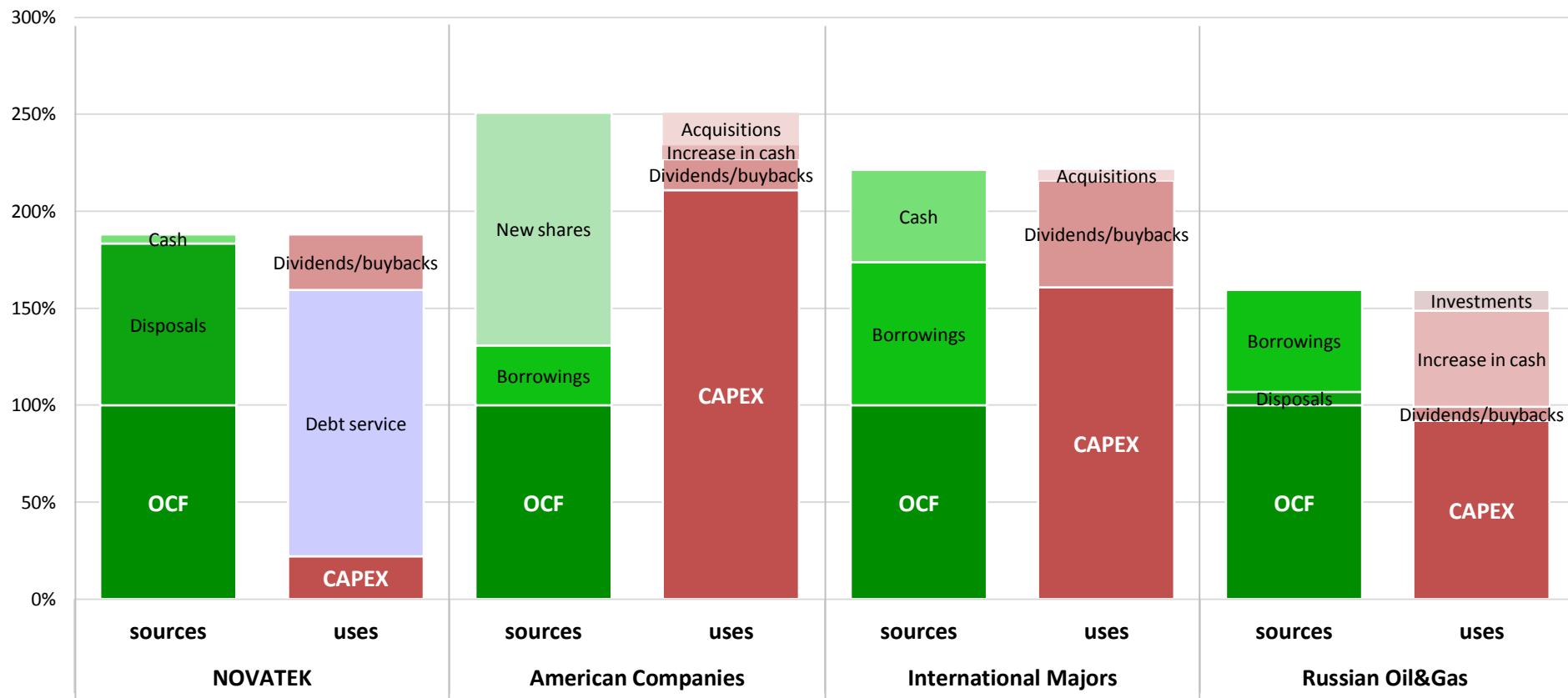


**Limited sensitivity to oil price fluctuations provided by rouble devaluation and taxation system**

# Cash Flow Structure in 1H 2016



% of Operating cash flow



**Our operating cash flow significantly exceeds capex**

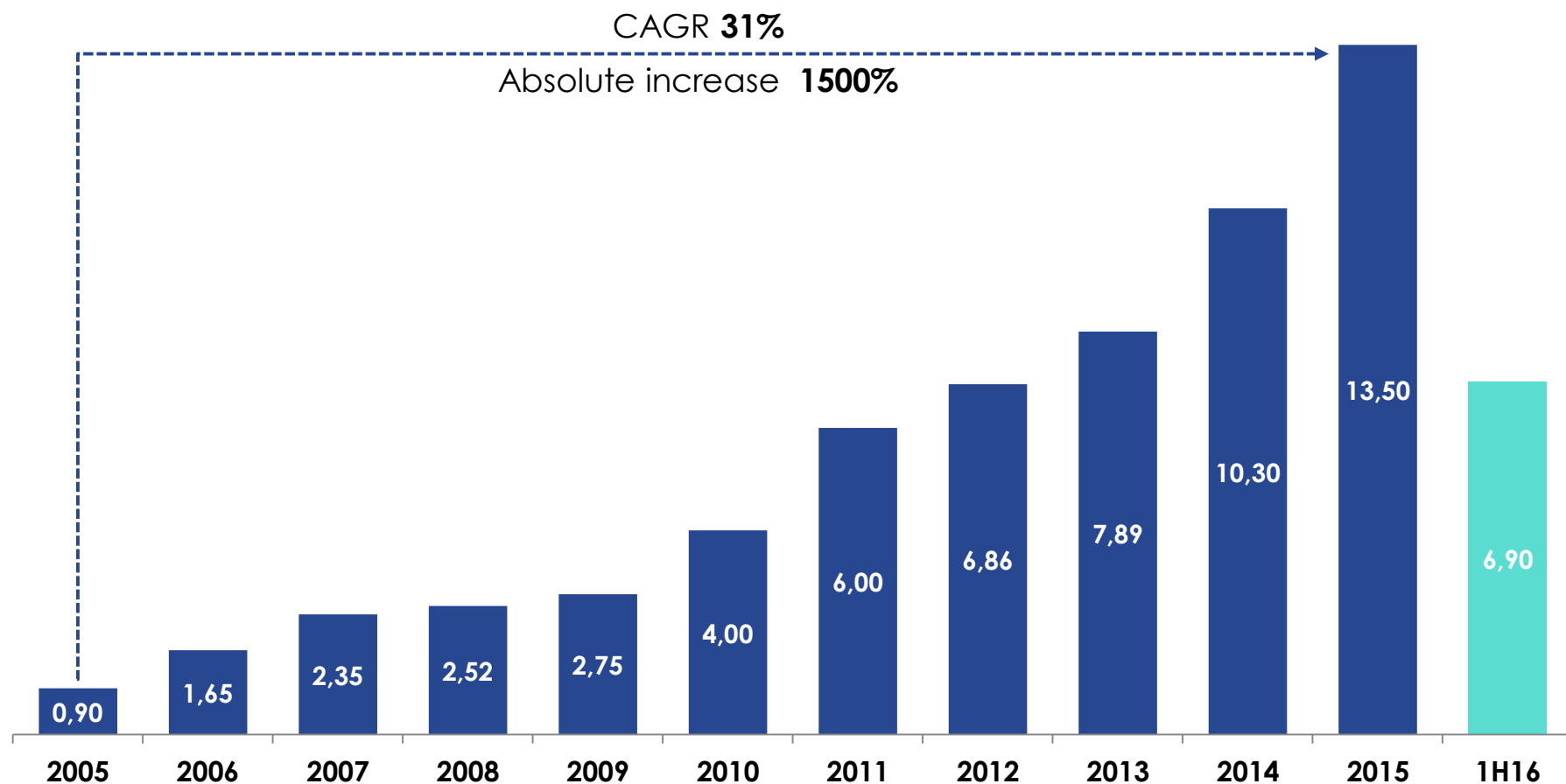
Note: American Companies include: Chesapeake, Devon, Apache, Encana, Anadarko, EOG, Pioneer, SWE.

International Majors include: ExxonMobil, Shell, BP, PetroChina, Total, Chevron, Statoil, Eni.

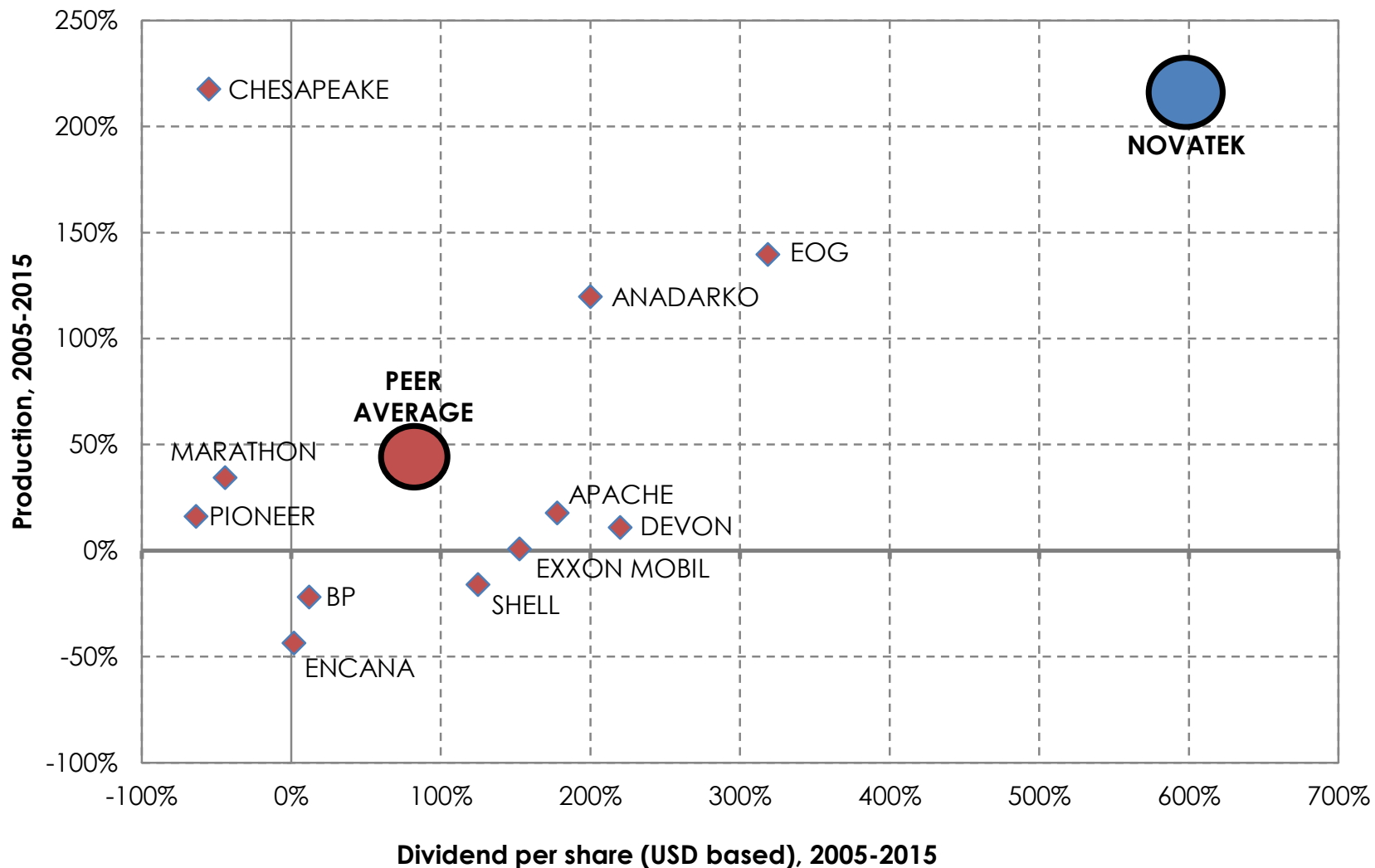
Russian Oil & Gas companies include: Rosneft, Lukoil.

# Dividends: Continuous growth

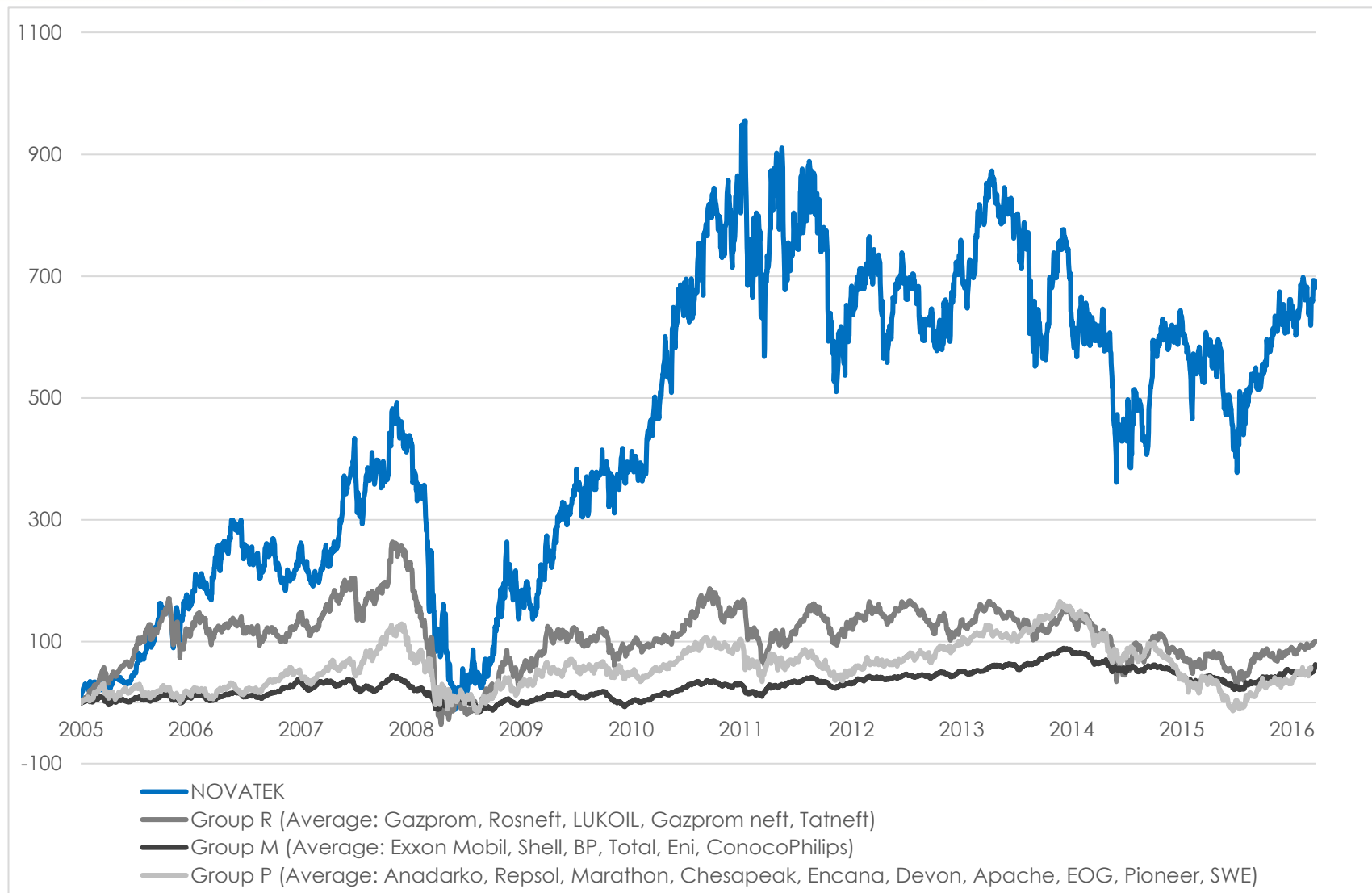
## Dividend Payment History (RR per ordinary share)



# Dividend and Production Growth Simultaneously



# Cumulative Total Shareholder Return (%)





# Delivering on Core Strategy (mid-term review)



## Strategic Goals

## Results: 2010 – 2015

### Increasing Resource Base

- Total P1 reserves increased by 58%
- Increased our stake in the SeverEnergiya JV and acquired a 50% stake in the Nortgas JV
- Acquired the Trekhbugorny license area and the East-Tazovskoye field

### Increasing Production

- Increased gas production by 82% and liquids production by 2.5 times to 68 bcm and 9 mmt respectively
- Expanded processing capacity of the Purovsky plant from 5 to 11 mmt

### Maintaining Low Cost Structure

- #1 lowest cost producer according to IHS Herold
- Lifting costs per boe – \$0.49 in 2015 vs. \$0.53 in 2010
- Optimized cost structure through infrastructure investments

### Maximizing Margins

- The share of end-customers in gas sales increased from 64% to 93%
- Launched the Ust-Luga gas condensate fractionation facility
- The share of liquids in the Company's EBITDA exceeded 55%

### Creating Shareholder Value

- Total Revenue CAGR 32.4%
- EBITDA CAGR 30.7%
- FCF CAGR 34.3%

# Fields and License Areas

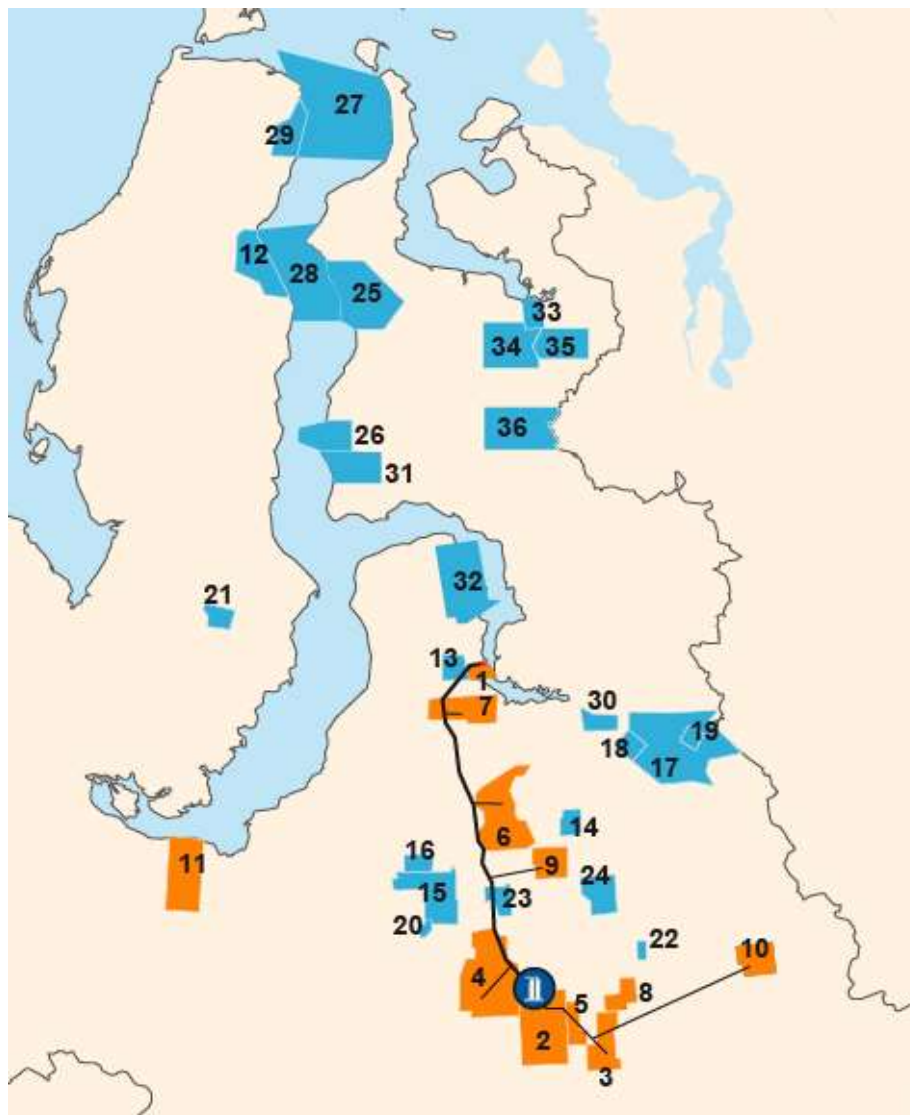


## Producing fields:

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyenskoye field
4. Olimpiyskiy license area
5. Yumantilskiy license area
6. Samburgskiy license area
7. North-Urengoyenskoye field
8. North Khancheyenskoye field
9. Yaro-Yakhinskiy license area
10. Termokarstovoye field
11. Yardeyskoye field

## Prospective fields:

12. South-Tambeyskoye field
13. West-Yurkharovskoye field
14. Raduzhnoye field
15. West-Urengoiyskiy license area
16. North-Yubileynoye field
17. North-Russkiy license area
18. North-Russkoye field
19. Dorogovskoye field
20. Ukrainsko-Yubileynoye field
21. Malo-Yamalskoye field
22. West-Chaselskoye field
23. Yevo-Yakhinskoye field
24. North-Chaselskiy license area
25. Utrenneye field
26. Geofizicheskoye license area
27. North-Obsskiy license area
28. East-Tambeyskiy license area
29. North-Tasiyskiy license area
30. East-Tazovskiy license area
31. Trekhbugorniyy license area
32. Nyakharfinskiy license area
33. Ladertoyskiy license area
34. Nyavuyahskiy license area
35. West-Solpatinskiy license area
36. North-Tanamskiy license area



*Yamal-Nenets Autonomous Region – one of the world's largest natural gas producing regions, which accounts for approximately 80% of Russia's gas production and approximately 16% of the world's gas production.*

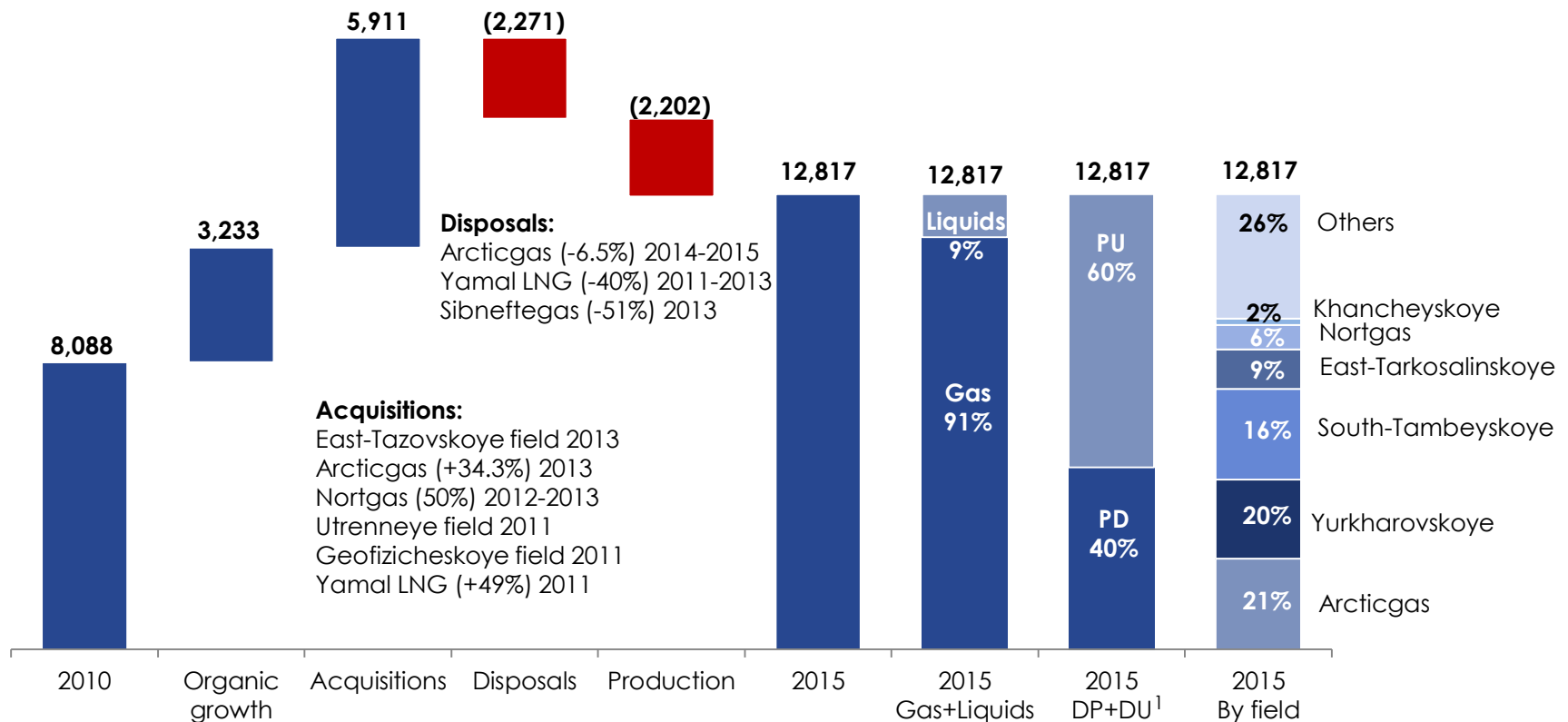
- NOVATEK producing fields
- Other NOVATEK fields
- Purovsky Plant
- Gas condensate pipeline from the Yurkharovskoye field to the Purovsky plant

# High Quality Long Life Reserves



**Reserve replacement ratio in 2011-2015 – 315%  
(247% on an organic basis)**

mmboe

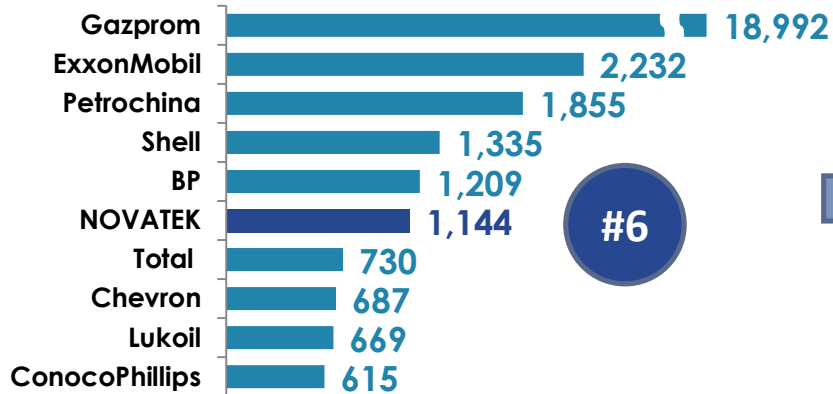


Note:

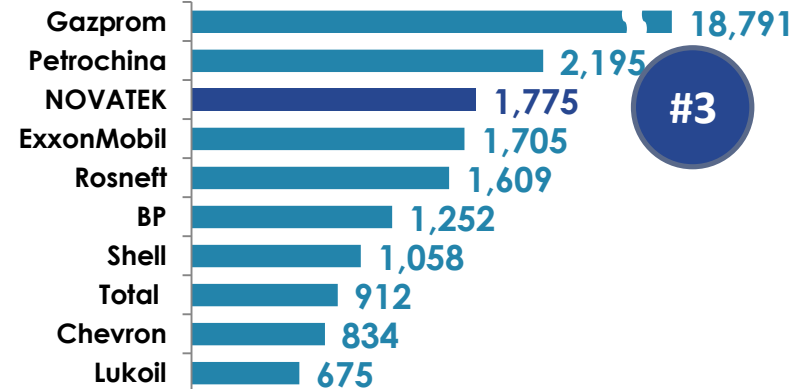
1. Proved developed and proved undeveloped reserves

# Positions in the World

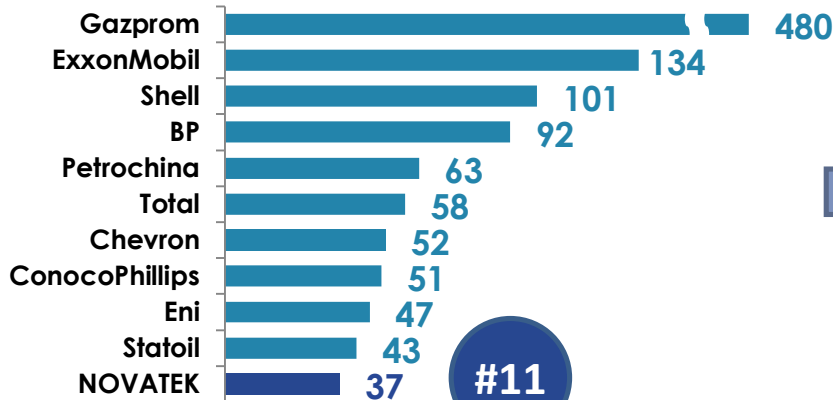
Proved gas reserves as at 31.12.10 (SEC), bcm



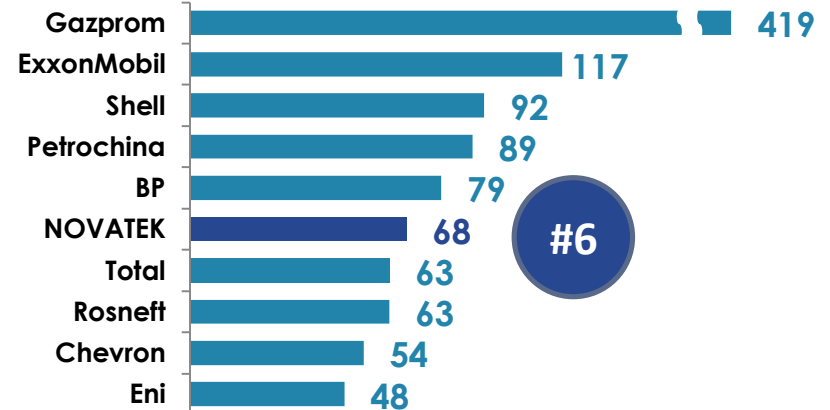
Proved gas reserves as at 31.12.15 (SEC), bcm



Gas production in 2010, bcm

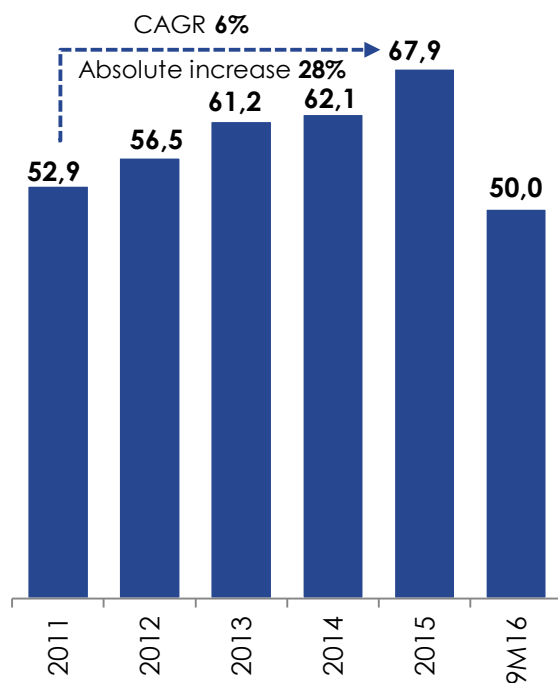


Gas production in 2015, bcm

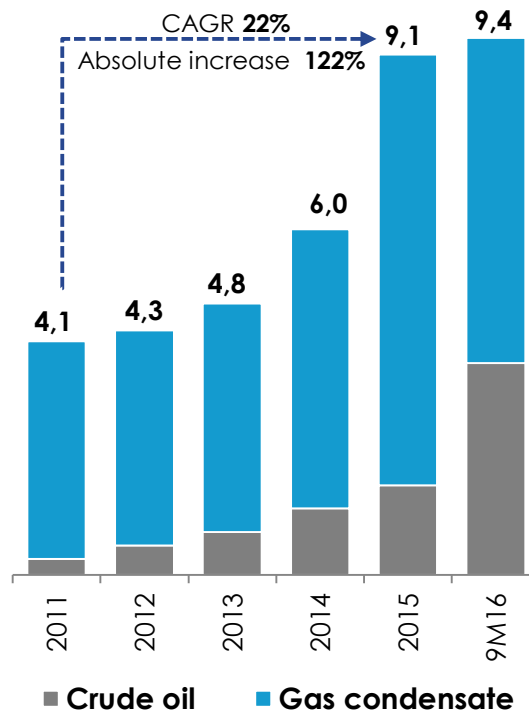


# Strong Production Growth

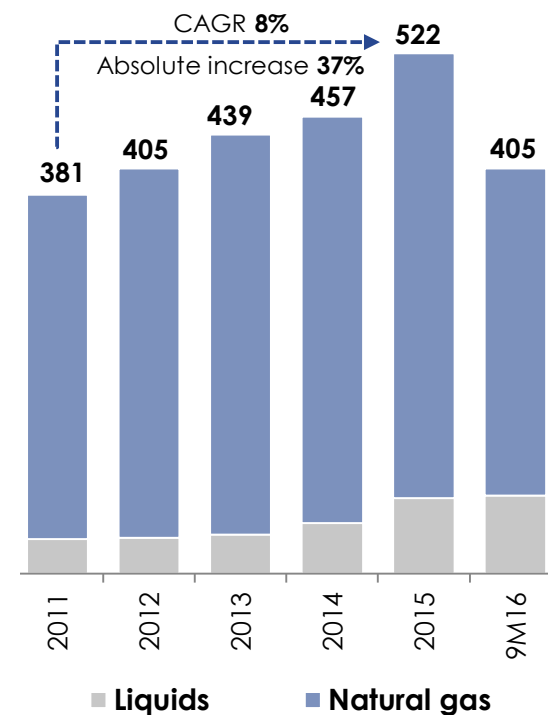
**Natural Gas Marketable  
Production, bcm**



**Liquids Marketable  
Production, mmt**

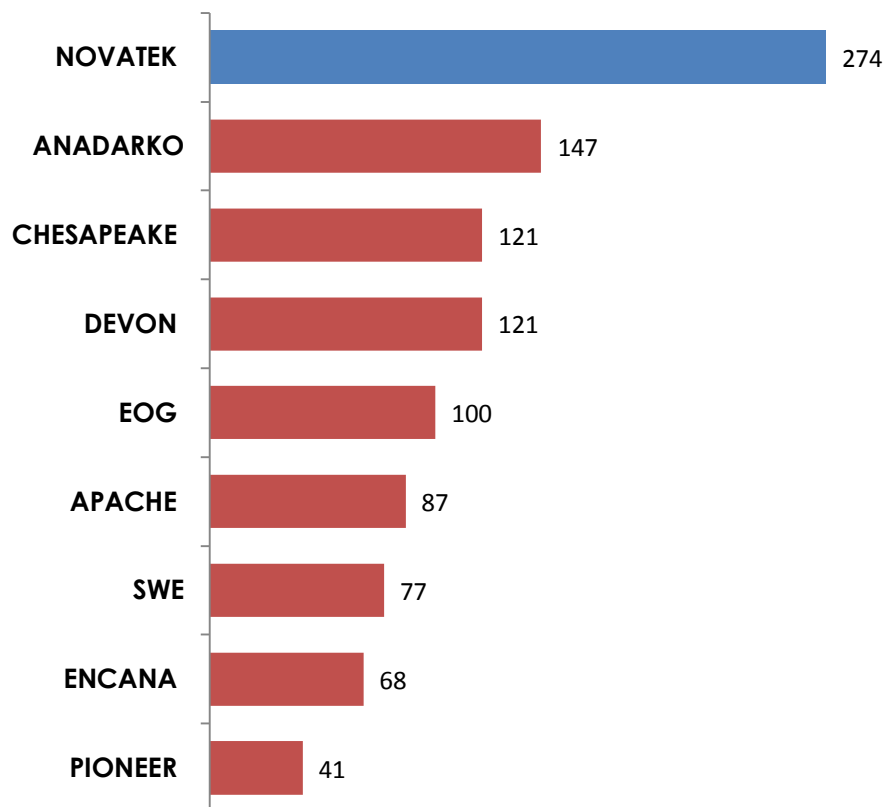


**Total Hydrocarbon  
Marketable Production, mmboe**

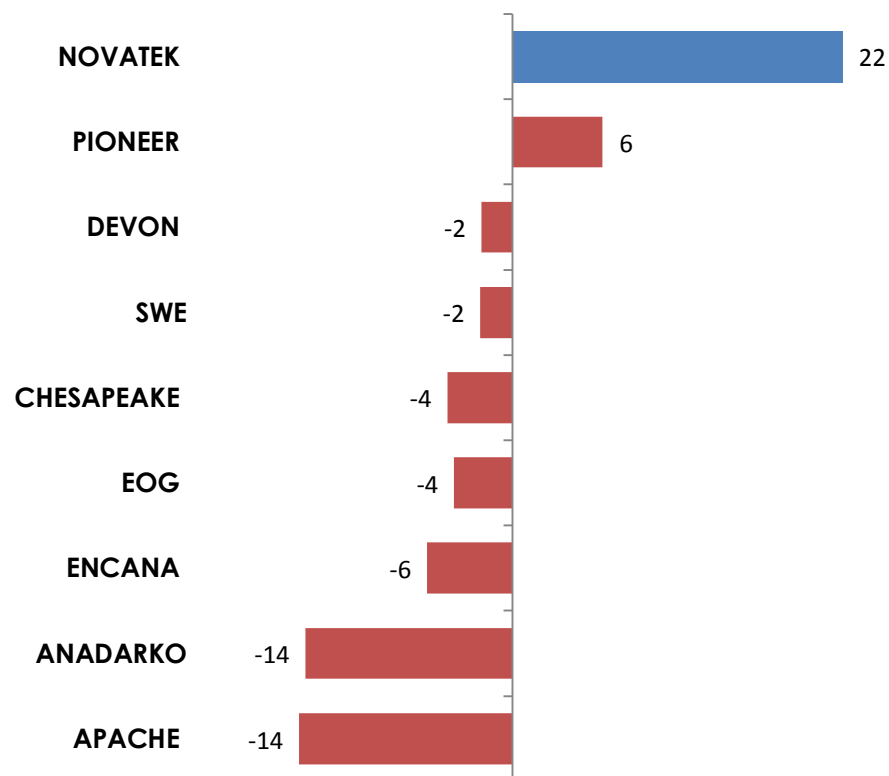


# Production vs Peers in 1H 2016

1H 2016 production, mmboe



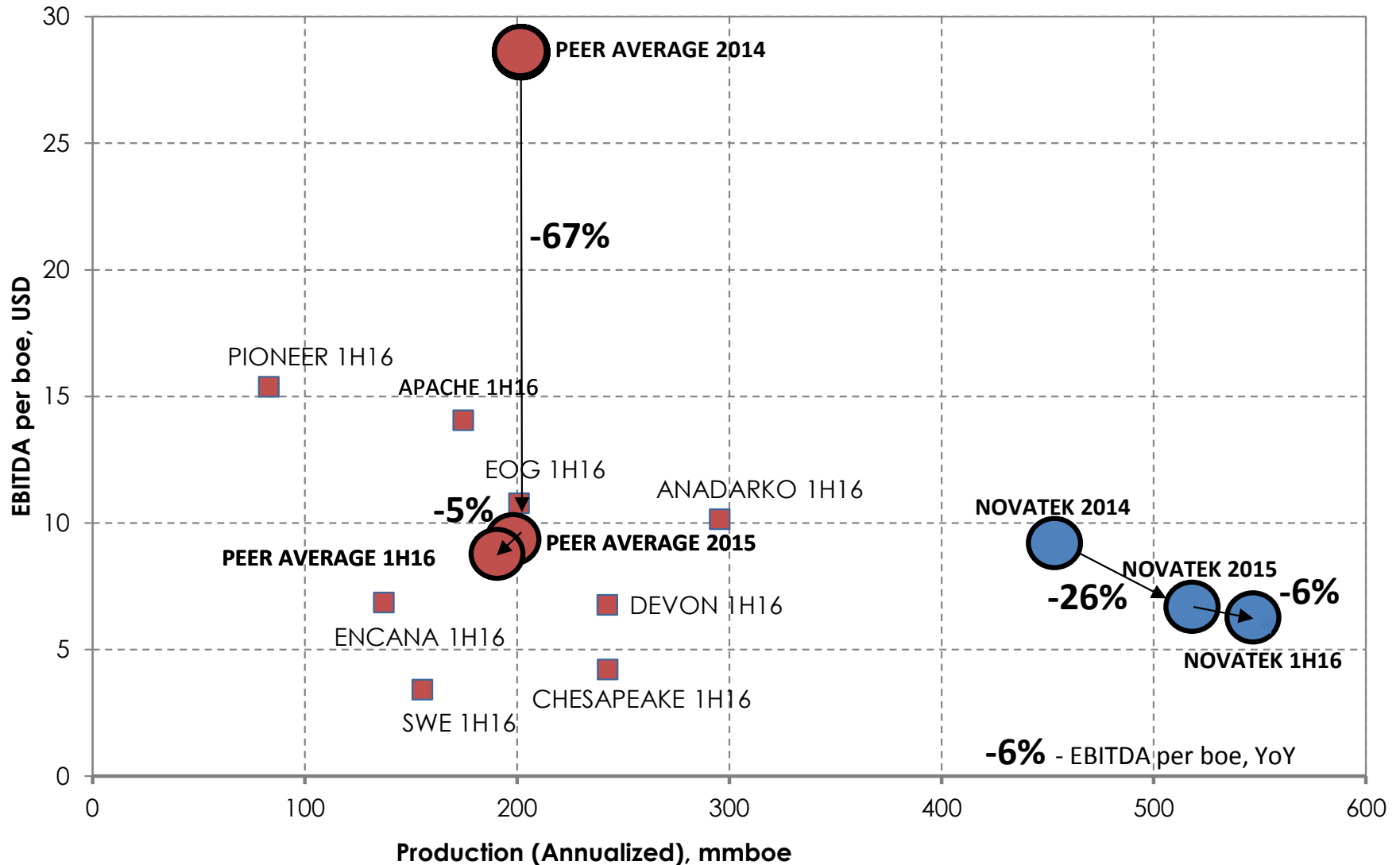
1H 2016 production vs 1H 2015 production, mmboe



Source: Company data, Bloomberg

Note 1: Peer group include Anadarko, Apache, EOG, SWE, EnCana, Chesapeake, Pioneer and Devon.

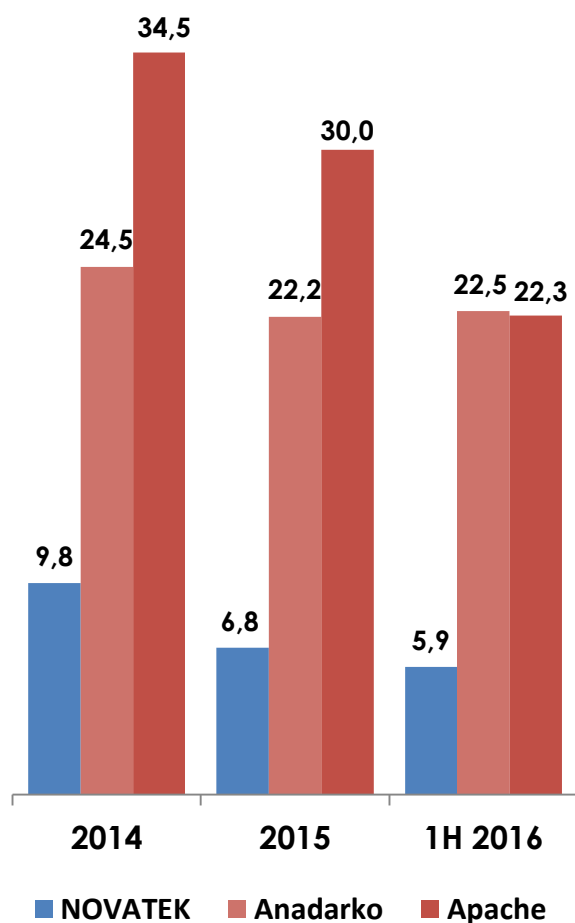
# EBITDA per boe Dynamics (in USD terms)



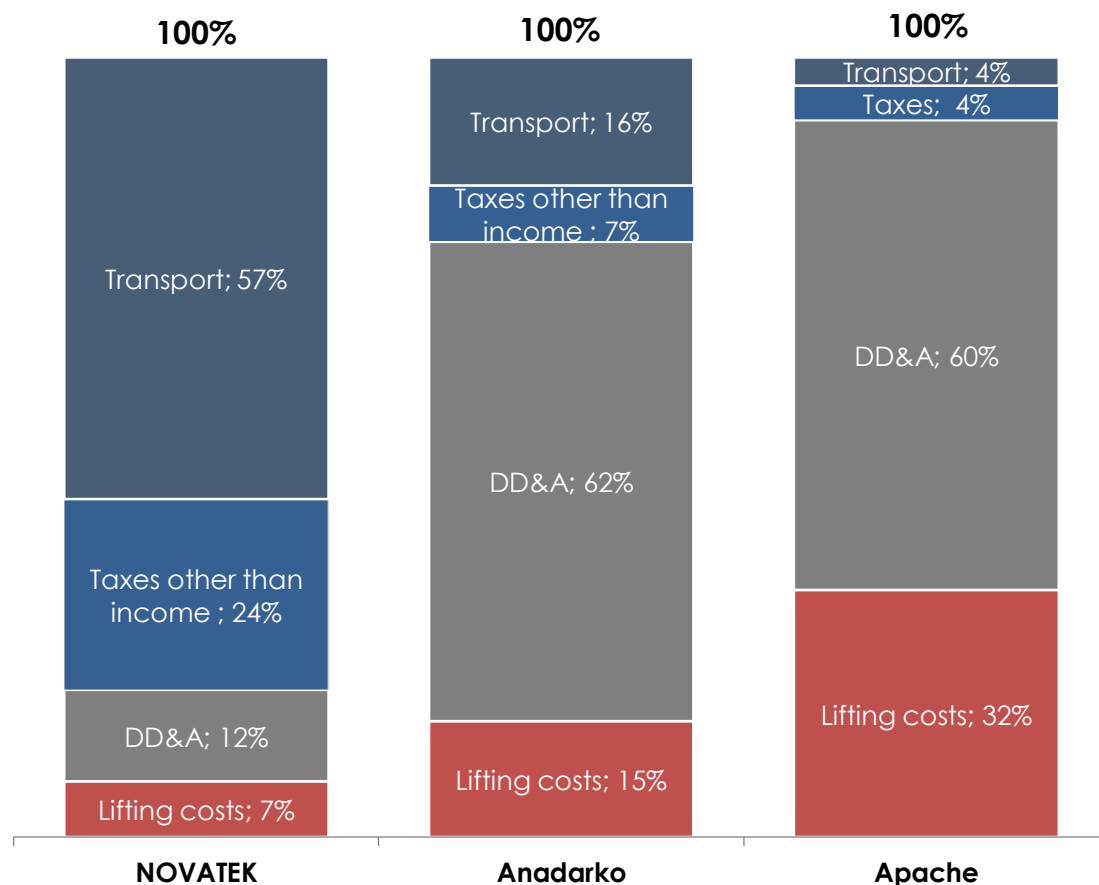
# Low Cost Producer



Production costs, USD/boe



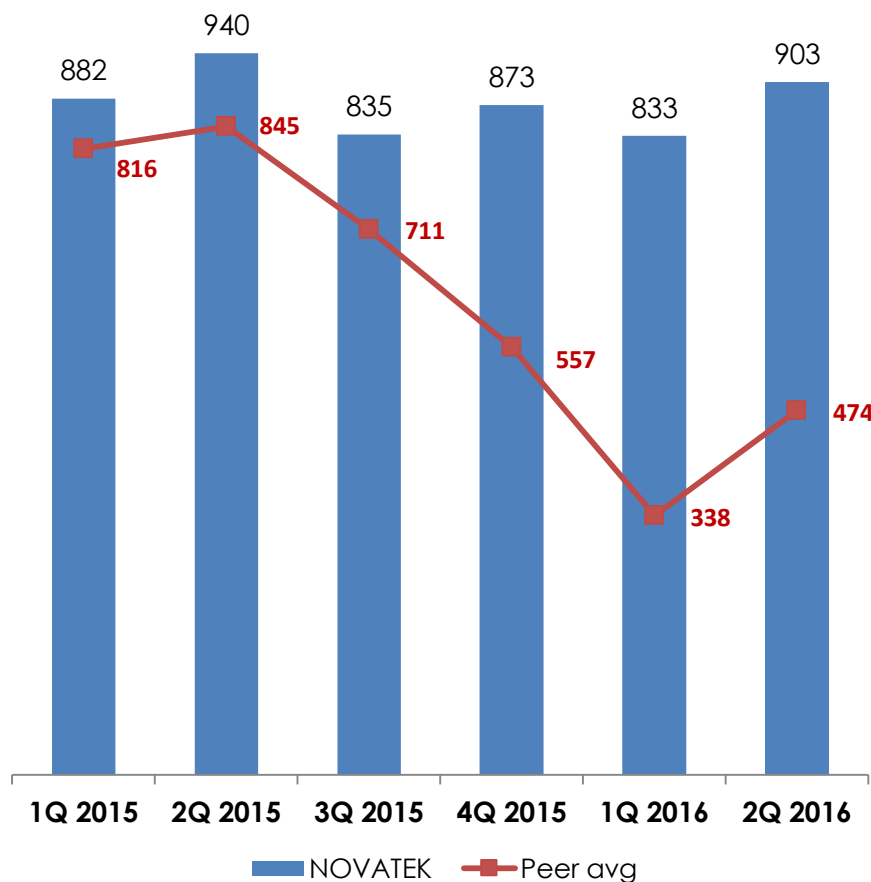
Production costs structure (2015), %



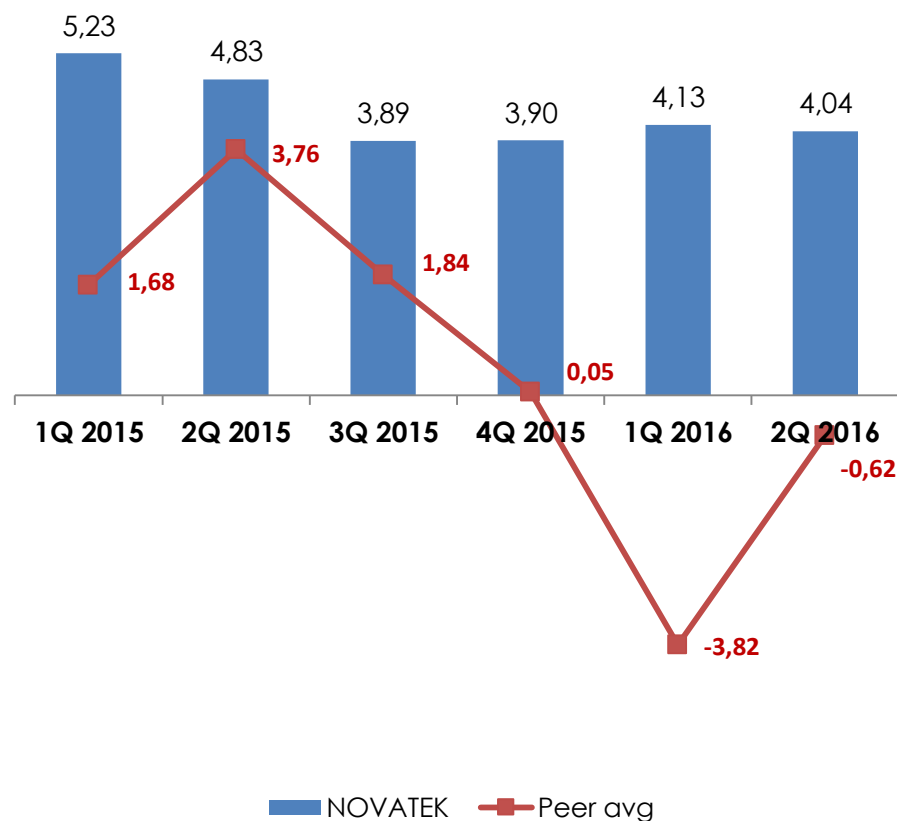


# Strong Operational and Financial Performance

EBITDA, USD mln



EBIT per boe, USD



Source: Company data, Bloomberg

Note 1: Peer group include Anadarko, Apache, EOG, SWE, EnCana, Chesapeake, Pioneer and Devon.

# Yaro-Yakhinskoye Gas and Gas Condensate Field

- **Launched in April 2015**
- License for the field is held by Arcticgas (NOVATEK's share – 53,3%)
- Overall capacity  
~7.7 bcm of gas and >1.3 mmt of gas condensate per annum
- Gas reserves – 149 bcm, liquids reserves – 14 mmt (under the SEC standards)

## Marketable production:

	Gas (mmcm)	Liquids (mt)
2015	5,049	1,253
9M16	5,711	1,280

# Termokarstovoye Gas and Gas Condensate Field



- **Launched in May 2015**
- License for the field is held by Terneftegas (NOVATEK's share – 51%)
- Overall capacity  
– ~2.4 bcm of gas and 0.8 mmt of gas condensate per annum
- Gas reserves – 30 bcm, liquids reserves – 8,5 mmt (under the SEC standards)

## Marketable production:

	Gas (mmcm)	Liquids (mt)
2015	1,400	505
9M16	1,686	626

# Yarudeyskoye Crude Oil Field

- **Launched in December 2015**
- License for the field is held by Yargeo (NOVATEK's share – 51%)
- Overall capacity  
– 3.5 mmt of crude oil and about 1 bcm of associated petroleum gas per annum
- Gas treatment unit was launched in June 2016
- Crude oil – 46 mmt, gas reserves – 28 bcm, (Russian ABC1+C2 classification)

## Marketable production:

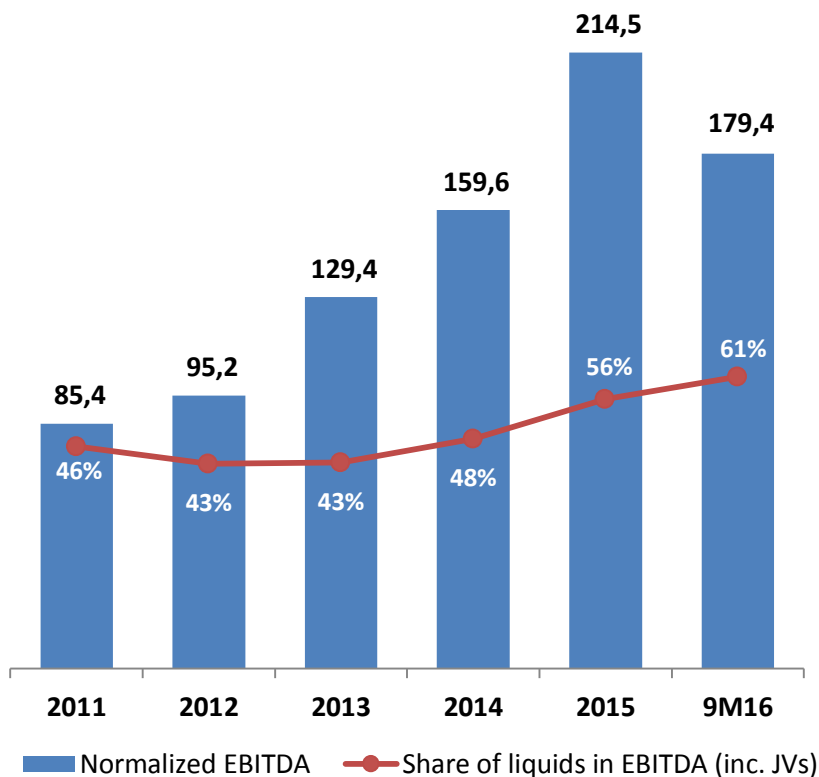
	Crude oil (mt)	Gas (mmcm)
2015	183	-
9M16	2,657	228



# Consolidated Financial Results



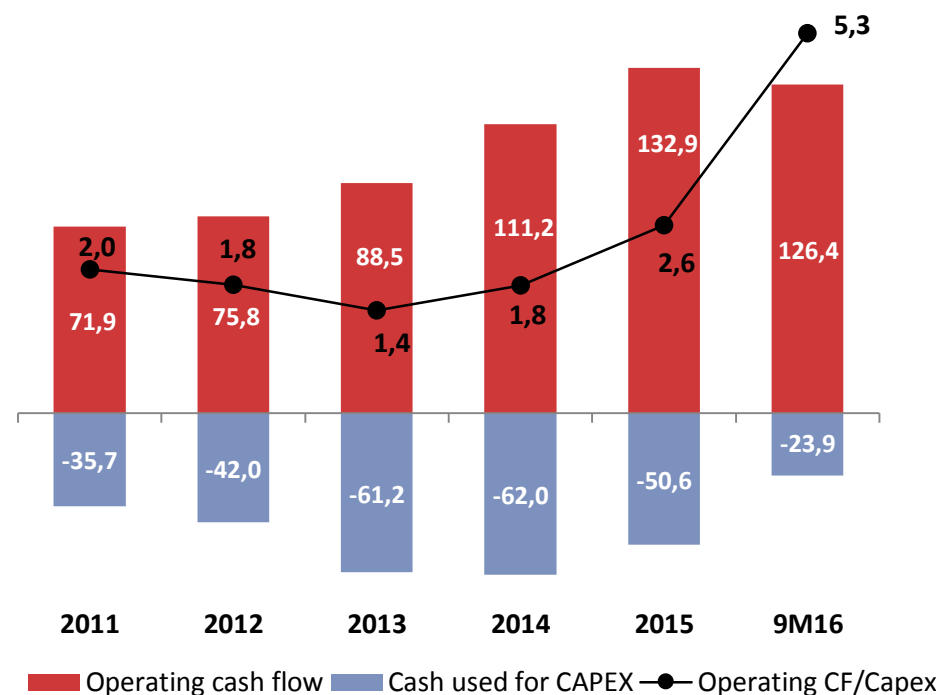
## Normalized EBITDA, RR bln



Note: Excluding net gain on disposal of interests in joint ventures.

Source: IFRS financials (2011 – 2015, 9M16)

## Internally Funded Investment Program

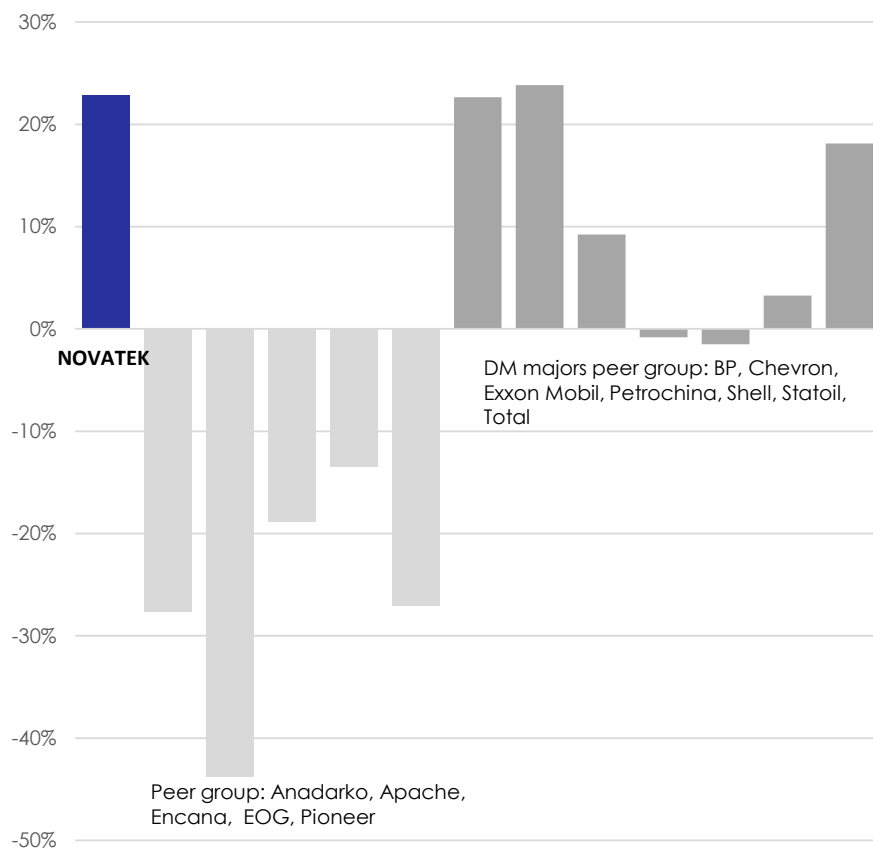


Note: For 1H 2016, Normalized Operating Cash Flow is used, excluding advance income tax payments of RR 9,932 million in the second quarter of 2016 based on the gain on the disposal of the 9.9% equity stake in OAO Yamal LNG

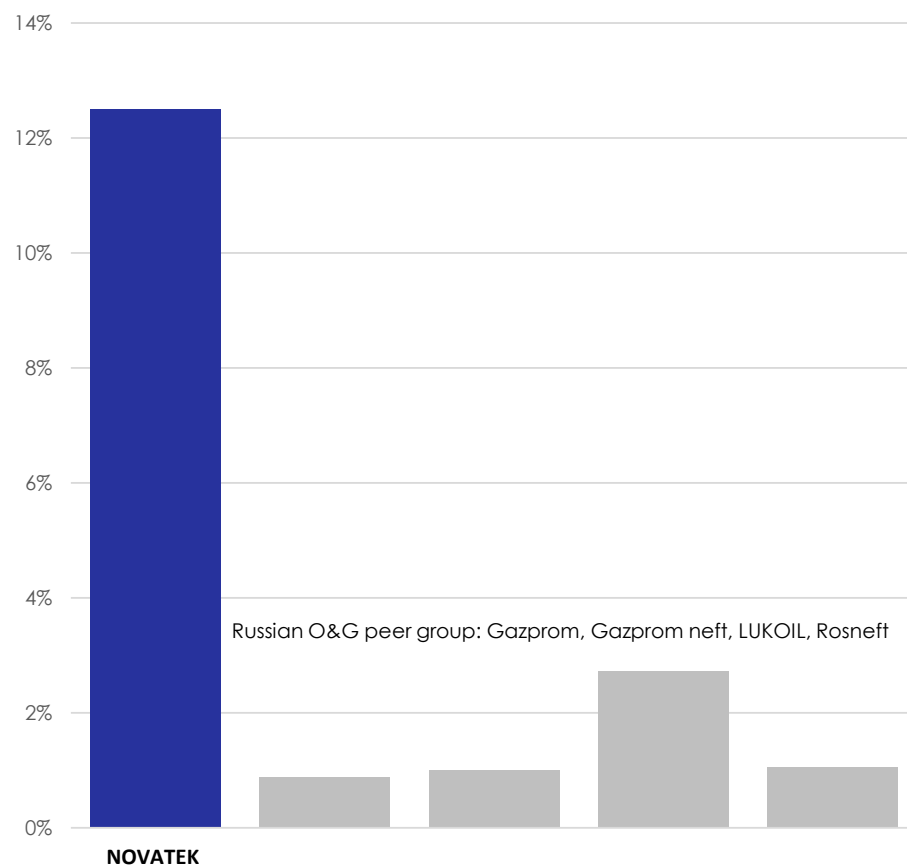
# Outstanding FCF Generation Ability



**FCF to Market Capitalization (USD based)  
2011-2015**



**FCF to Market Capitalization (RUB based)  
2011-2015**



# Yamal LNG

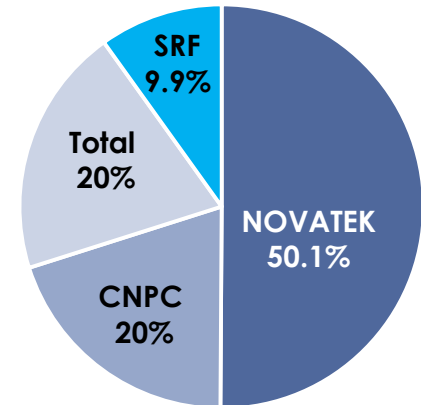
# Yamal LNG Project



## Project for construction of an LNG plant on the Yamal Peninsula:

- ☐ 2P PRMS gas reserves of the South-Tambeyskoye onshore conventional field at 31.12.15 - **926 bcm**
- ☐ Liquefaction capacity - **16.5 mmt** of LNG per annum (3 trains)
- ☐ FID date - **December 2013**
- ☐ Capex estimate - **USD 27 bln**
- ☐ First production is scheduled for **2017**
- ☐ **External Financing Package** closed in April 2016

## Shareholders





# Selected Contractors



#	Equipment	Contractor	Contract signed
1.	EPC – LNG plant	Technip/JGC/Chiyoda	✓
2.	Cryogenic Heat Exchangers	APCI	✓
3.	Turbine Cryogenic Compressors	General Electric	✓
4.	Boil-Off Gas Compressors	Siemens	✓
5.	Integrated Control & Safety System	Yokogawa	✓
6.	Gas Turbines for the Power Plant	Siemens	✓
7.	LNG Tanks	Entrepose/Vinci	✓
8.	Power Plant	Technopromexport	✓
9.	Acid Gas Removal System	BASF	✓
10.	Arc-7 LNG Carriers	Daewoo Shipbuilding & Marine Engineering	✓

**EPC contract Train 1 progress as at the end of 2Q 2016 - 76%**

# Drilling Program

## Onshore Conventional Gas



- **Seven** out of **19** well pads prepared for drilling
- **Four (4)** rigs on-site
- **65** production wells drilled exceeding **58** wells stock required for the first train, of which **59** wells tested and confirmed geology
- Avg. wells are **3-4** thousand meters long, of which the horizontal sections are **600-1,000** meters
- Average estimated initial flow rate – **>0.5** mmcm per day per well

# Equipment Delivery

Main equipment for Train 1 already on site.

## Equipment delivered:

- cryogenic heat exchanger
- full equipment package for compressor lines of Train 1 and Train 2
- boil-off gas compressors
- backup heater
- power plant turbines
- packages of steel work pipe racks
- packages of piping spools

Oversized equipment unloading in the port and its transportation to the installation site have been successfully streamlined.

Cryogenic heat exchanger being installed inside the liquefaction module





# Yamal LNG Onsite



Sabetta airport



Living camp



Well pad



Port facility



# Yamal LNG Onsite

**LNG tanks**



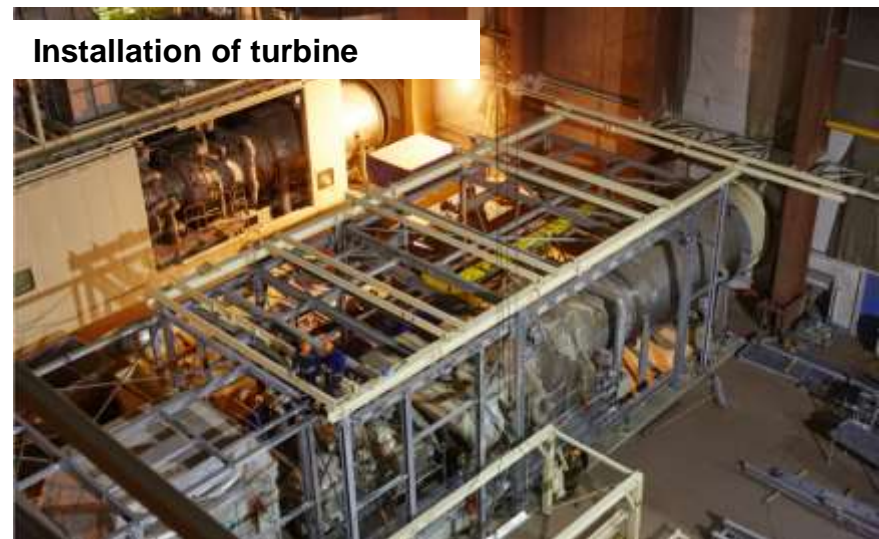
**Roofing works**



**Power plant**



**Installation of turbine**





# Yamal LNG Onsite

**First module transportation**



**First module installed**



**Plant heater transportation**

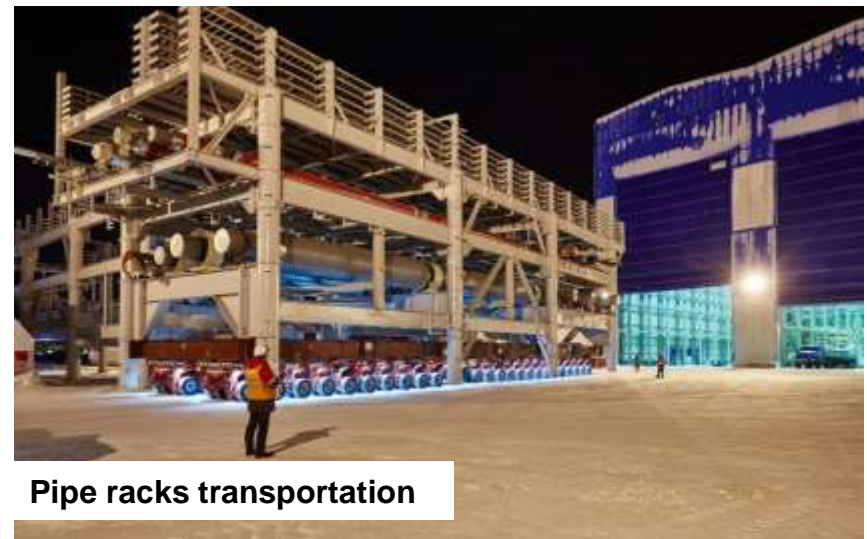


**Plant heater installed**



# Yamal LNG Onsite

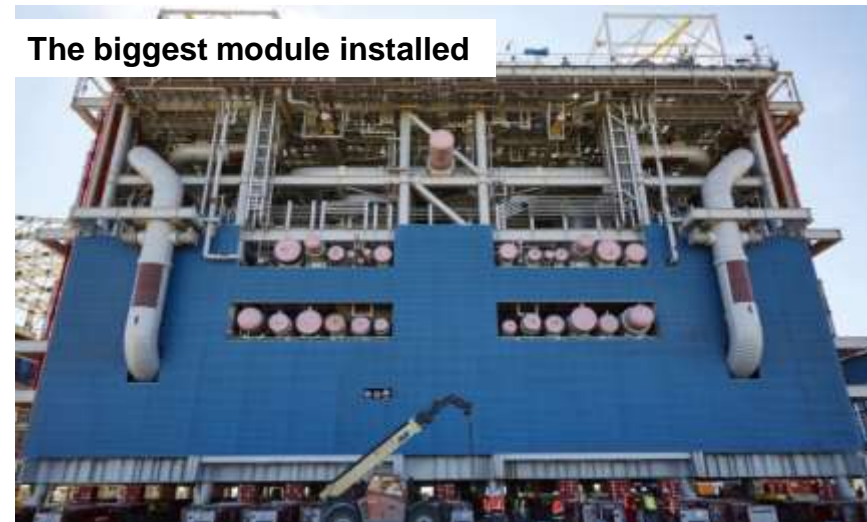
**Pipe racks assembly**



**Western pipe rack installed**



**The biggest module installed**





# Yamal LNG Onsite

**Train 1 equipment being installed**



**Installation of compressors**



**Electric substation**



**Condensate stabilization unit**

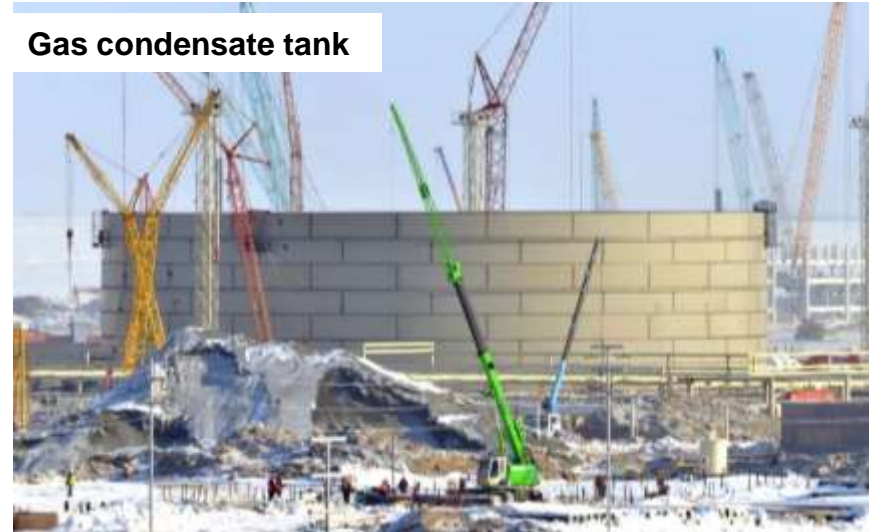


# Yamal LNG Onsite

**Gas separation unit**



**Gas condensate tank**



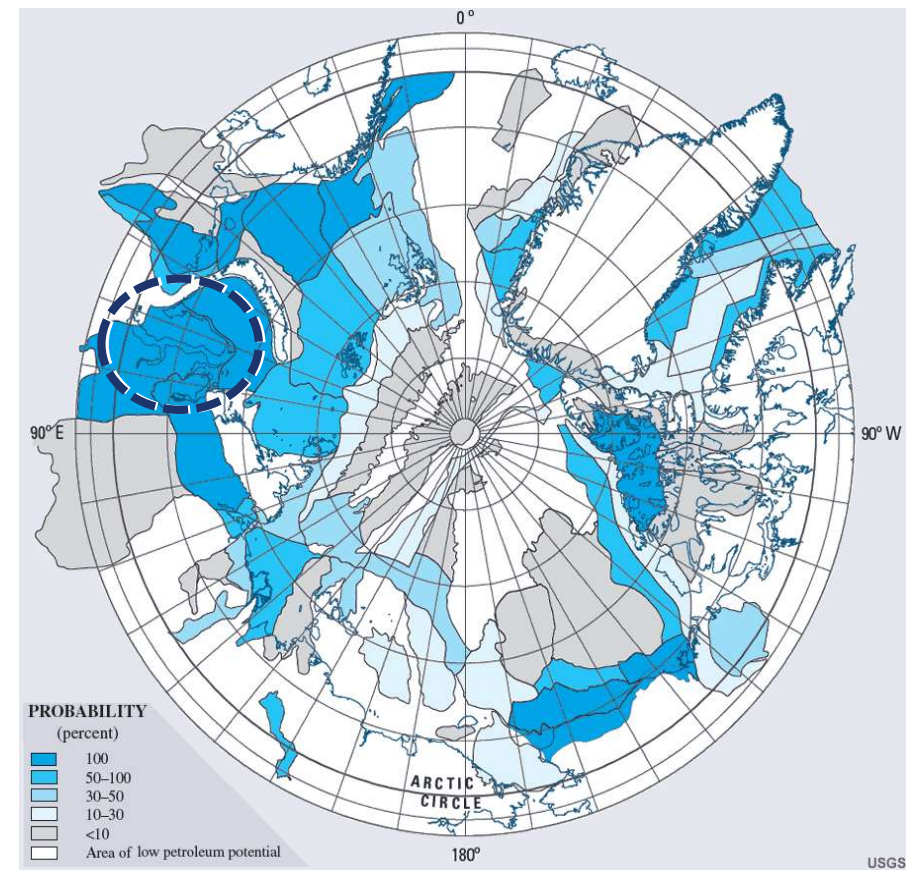
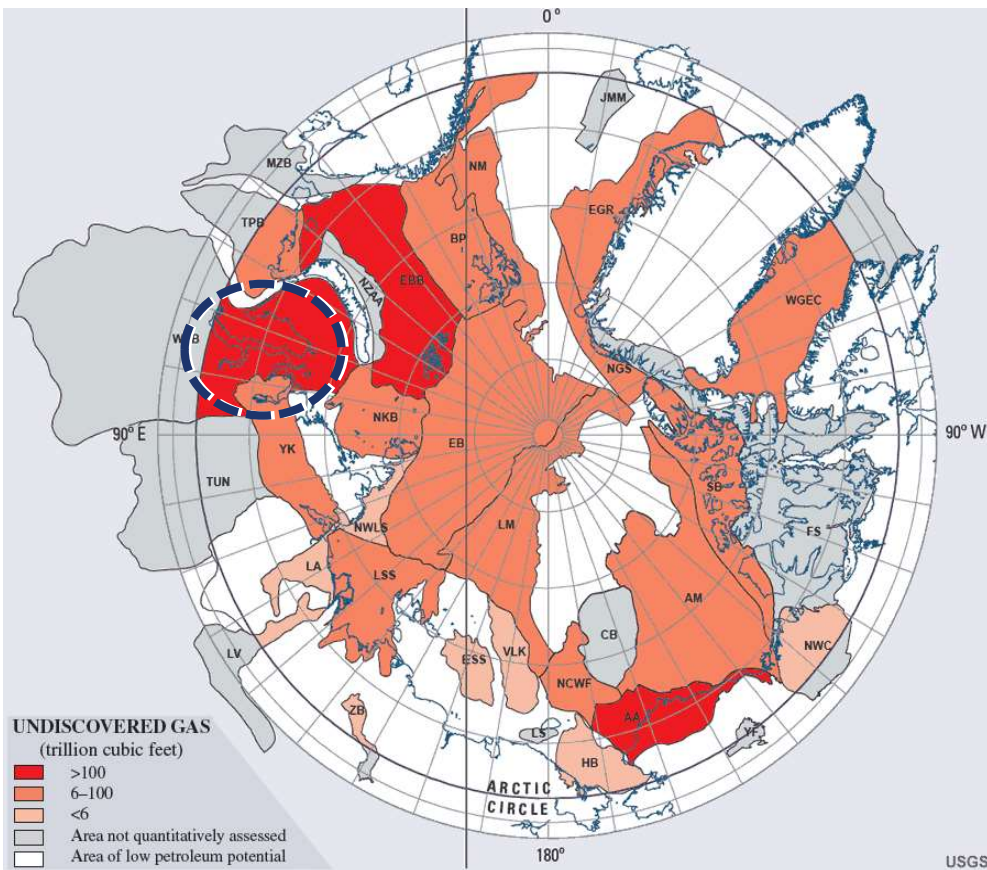
**Ice barrier with loading pipe rack**



**First Arc7 ice class LNG carrier**



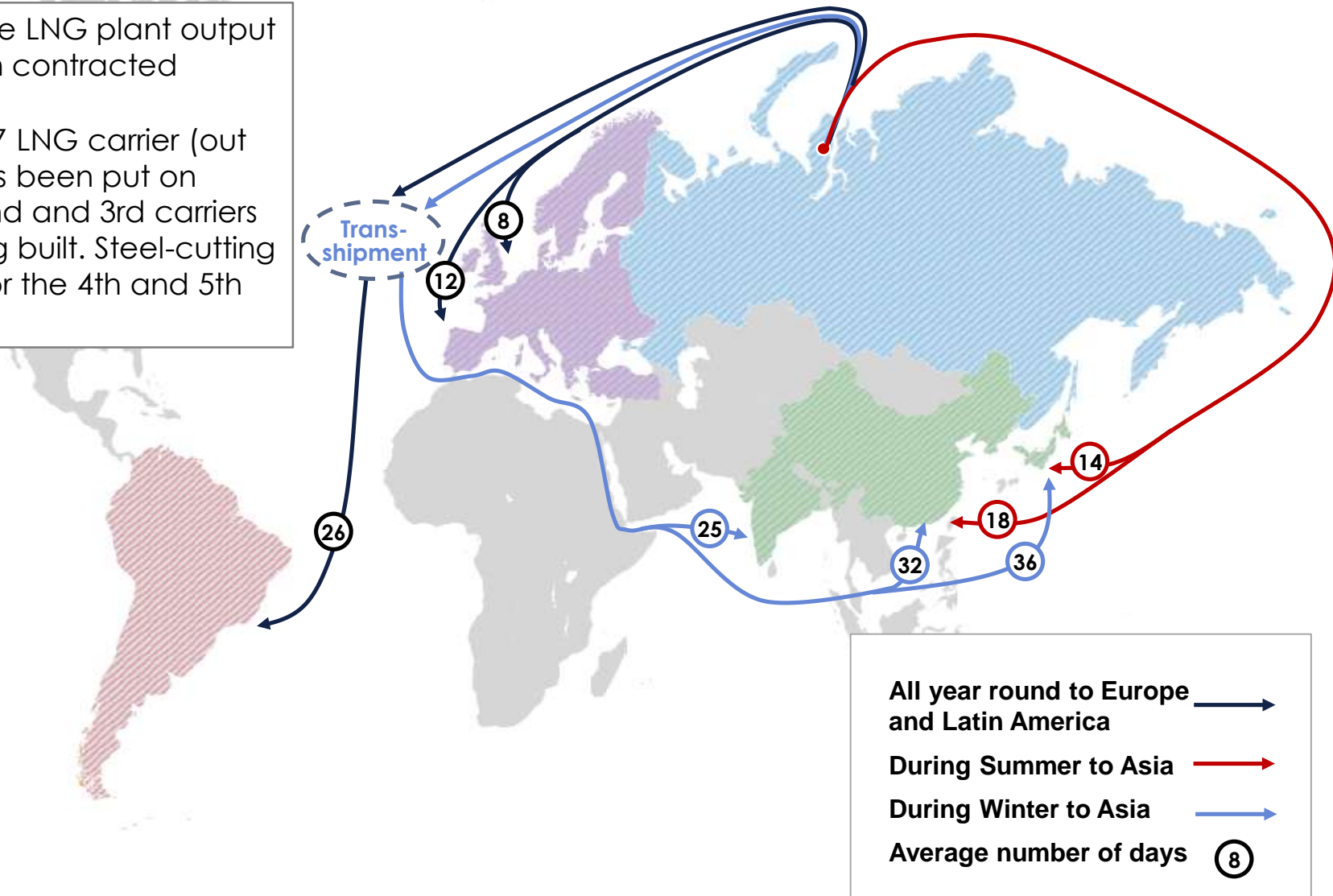
# Unrivalled Resource Potential of the Yamal Peninsula





# LNG Transportation Routes from the Yamal Peninsula

- 96% of the LNG plant output has been contracted
- First ARC7 LNG carrier (out of 15) has been put on water. 2nd and 3rd carriers are being built. Steel-cutting began for the 4th and 5th carriers



# Key Project Advantages



- **Low-cost, long-lived feedstock**

- Large onshore conventional reserve base with high concentration of reserves
- Well known geology and proven development technologies
- Very low F&D and lifting costs

- **Convenient location**

- Reserves are located at the coast line and highly concentrated – minimal capital expenditures on gas transportation from the wells to the LNG plant
- High efficiency factor of gas liquefaction process due to sub-zero temperatures – relatively low liquefaction capital expenditures per unit of LNG production
- Access to both European and Asian markets

- **Strong Russian State support**

- Tax concessions – 12 years
- Financing of new strategic arctic port infrastructure

# Appendix

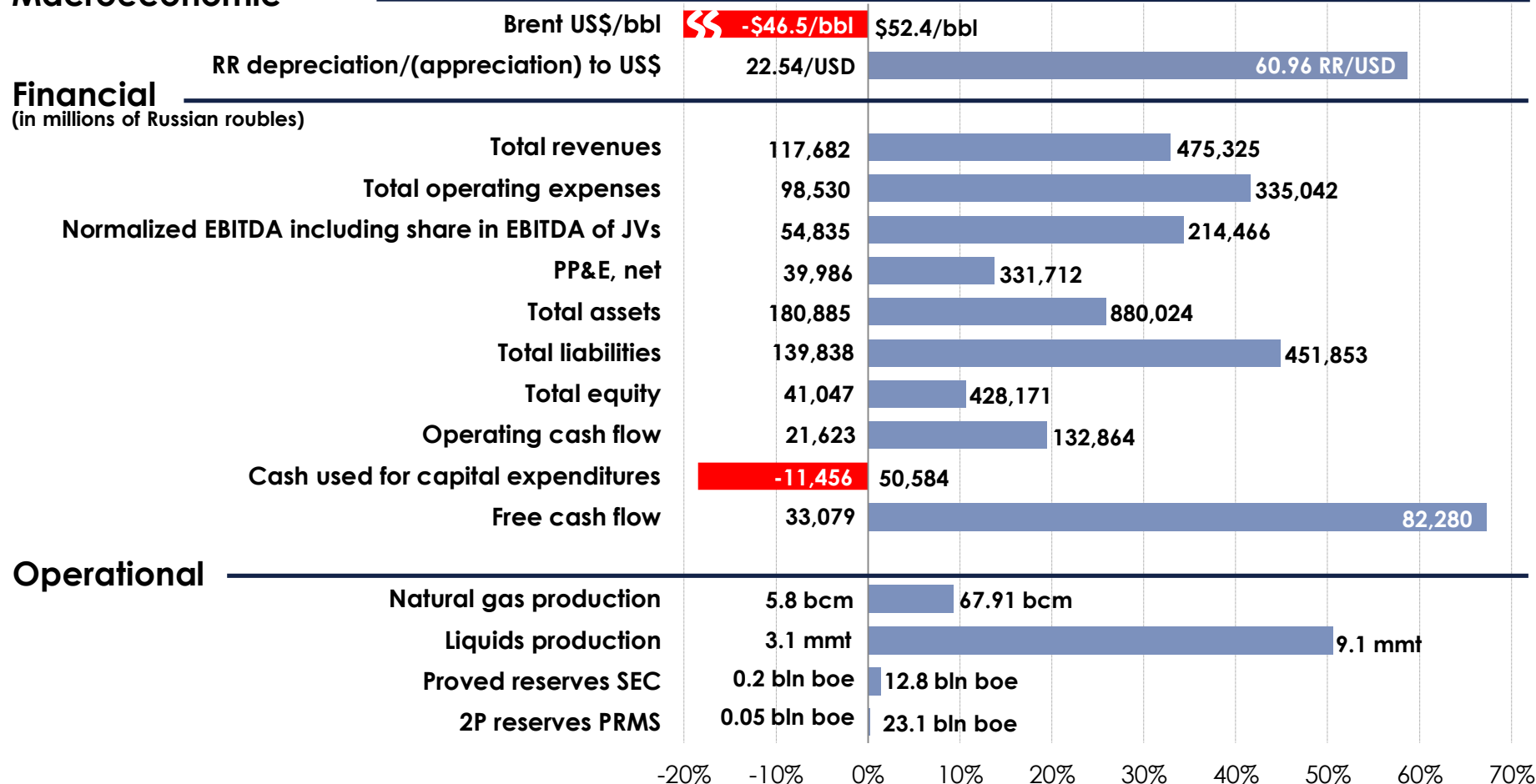
# 2015/2014 Performance Summary



## Macroeconomic

## Financial

(in millions of Russian roubles)



## Operational

Note: Number on the left is the absolute change, number on the right is the value for the reporting period, size of bar is % change

# 9M16/9M15 Performance Summary



## Macroeconomic

Brent US\$/bbl	SS -\$13.6/bbl	\$41.8/bbl
RR depreciation/(appreciation) to US\$	1.37/USD	67.61 RR/USD

## Financial

(in millions of Russian roubles)

Total revenues	49,869	393,222
Total operating expenses	42,103	280,636
Normalized EBITDA including share in EBITDA of JVs	22,447	179,369
PP&E	7,806	329,870
Total assets	120,412	922,861
Total liabilities	-61,835	327,898
Total equity	182,247	594,963
Operating cash flow	29,572	116,508
Cash used for capital expenditures	SS -13,055	23,925
Normalized free cash flow	52,559	SS 102,515

## Operational

Natural gas production	-0.15 bcm	49.95 bcm
Liquids production	2.85 mmt	9.39 mmt
Proved reserves SEC		n/a
2P reserves PRMS		n/a

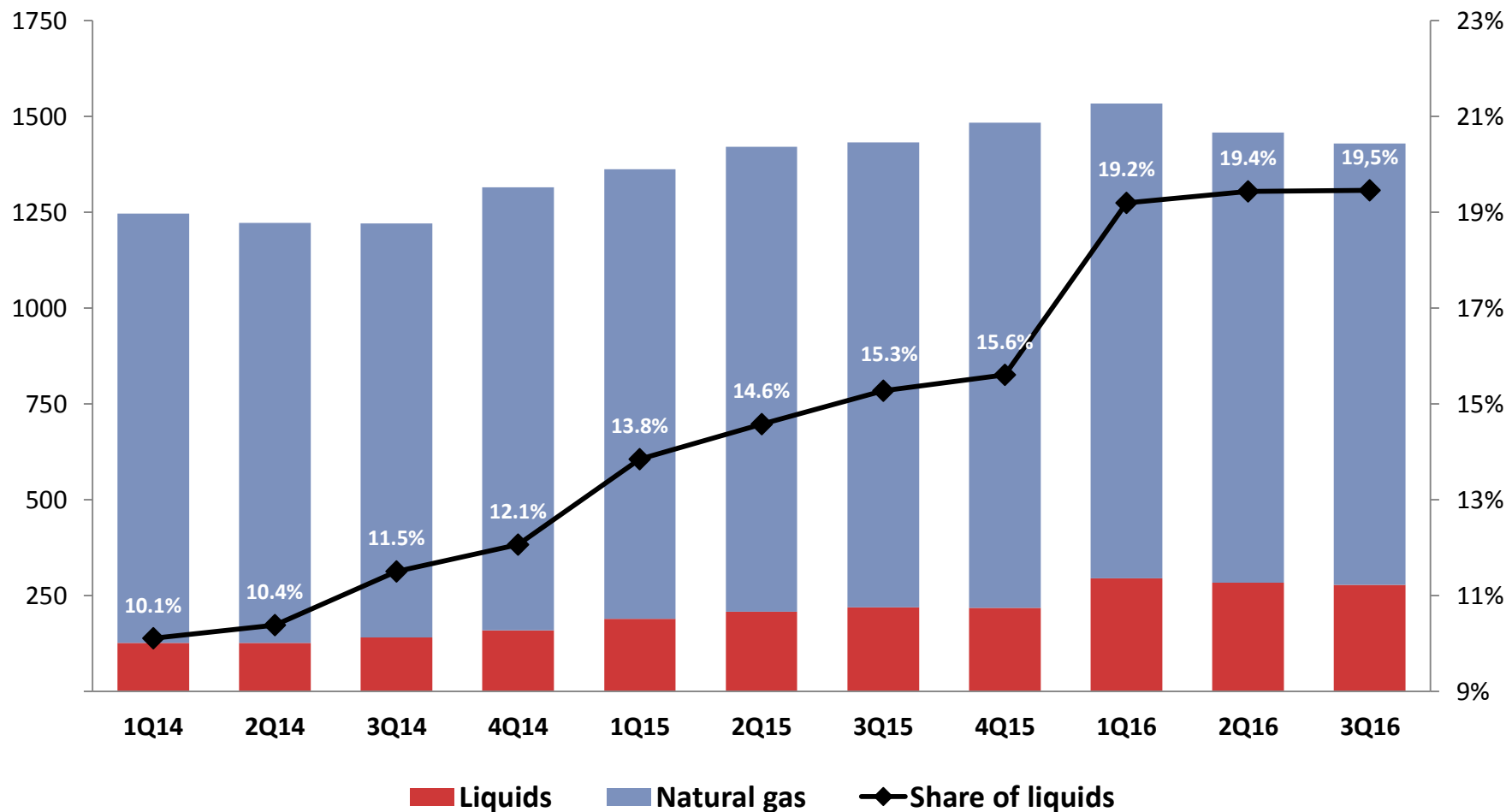
-20% -10% 0% 10% 20% 30% 40% 50% 60%

# Growing Share of More Profitable Barrels



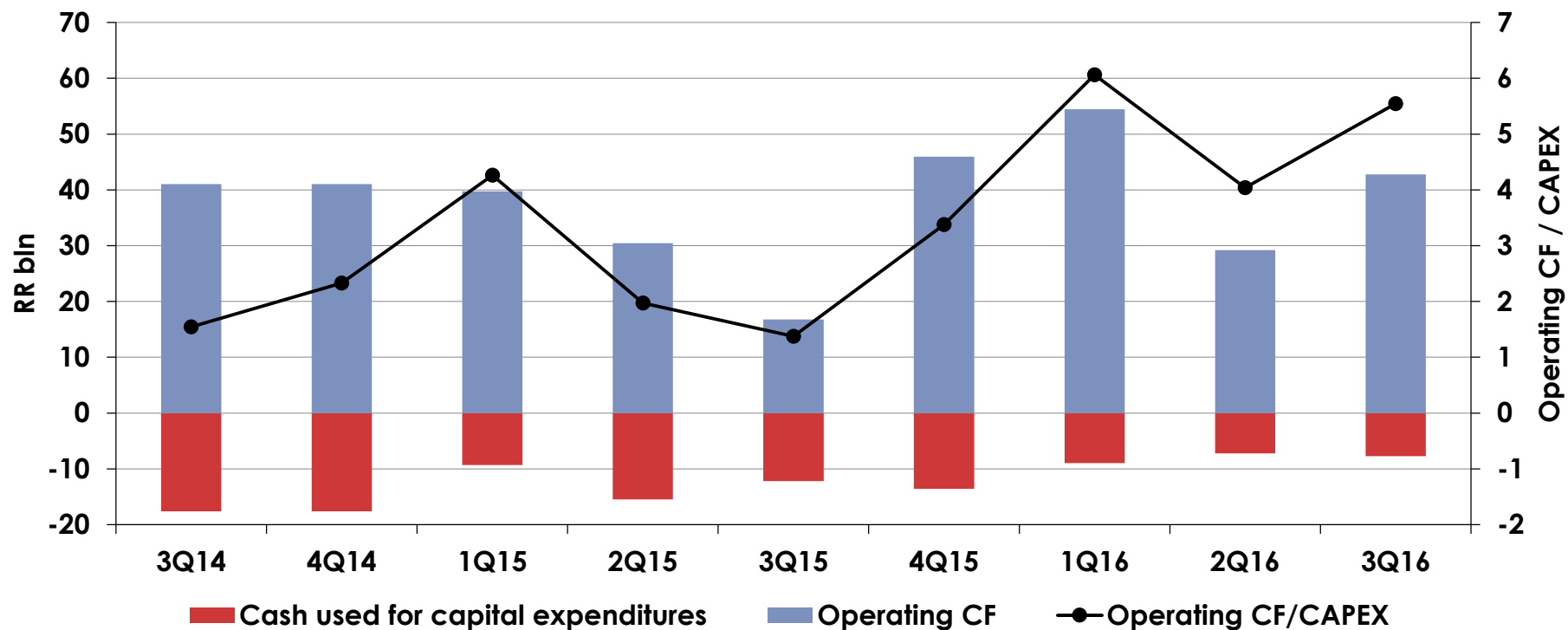
Production,  
mboe/day

Share  
of liquids





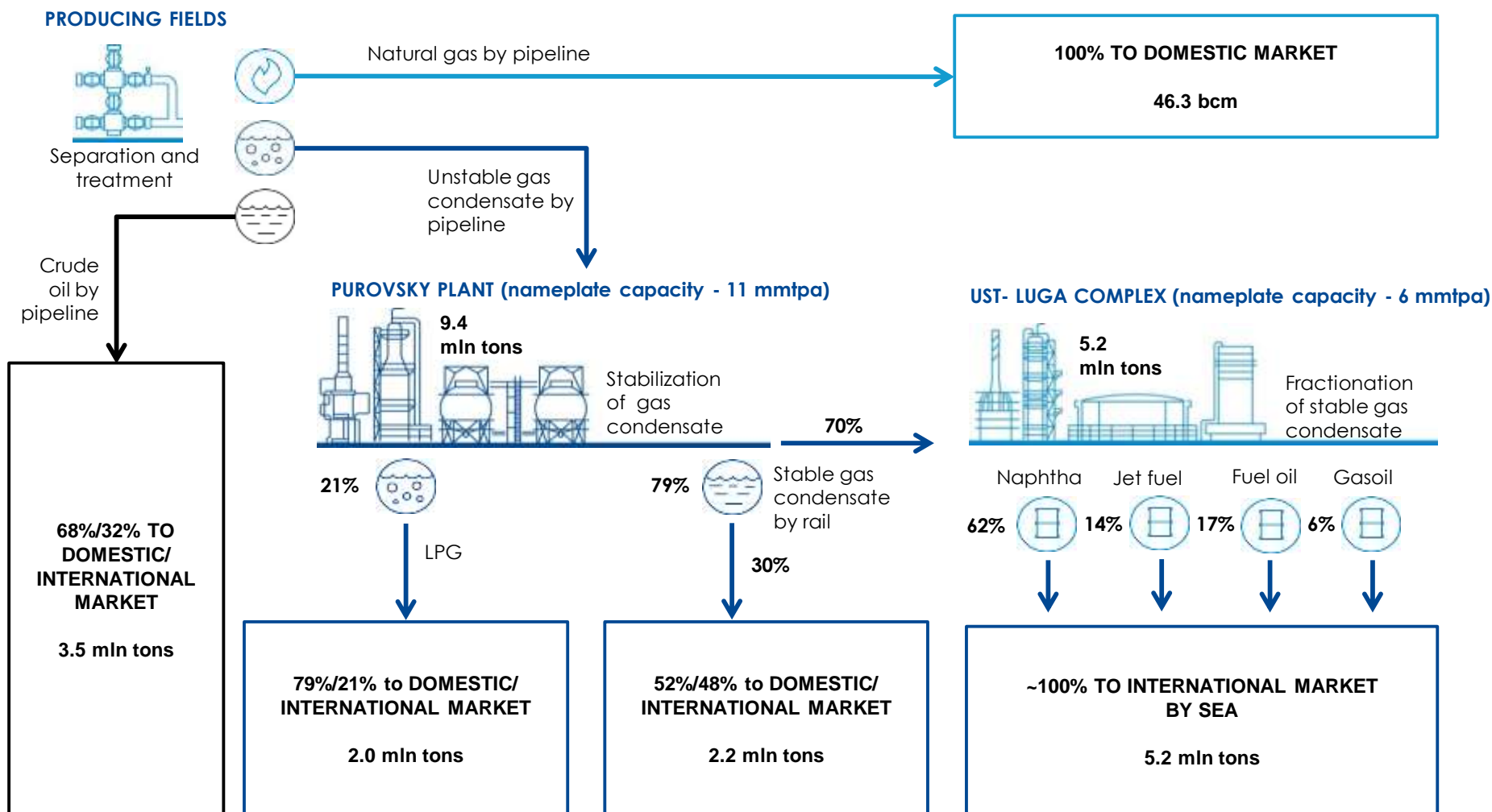
# Internally Funded Investment Program



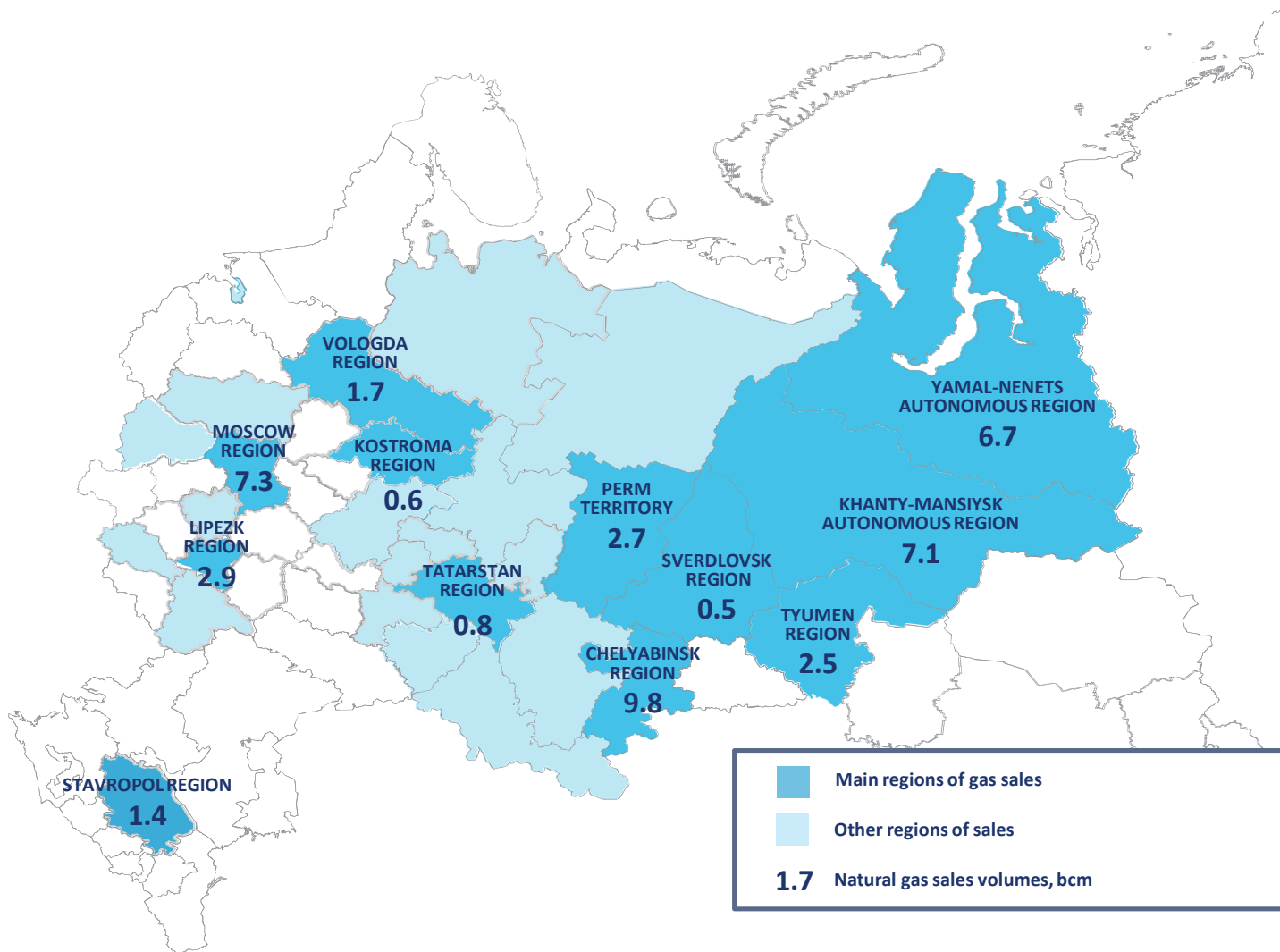
Note: for 2Q 2016 Normalized Operating Cash Flow is used, excluding advance income tax payments of RR 9,932 million based on the gain on the disposal of the 9.9% equity stake in OAO Yamal LNG.

# Monetizing Our Resource Base

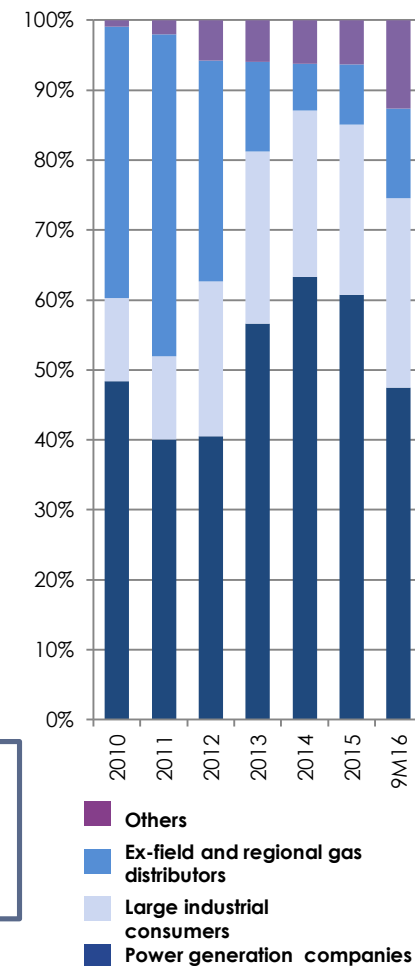
## 9M16



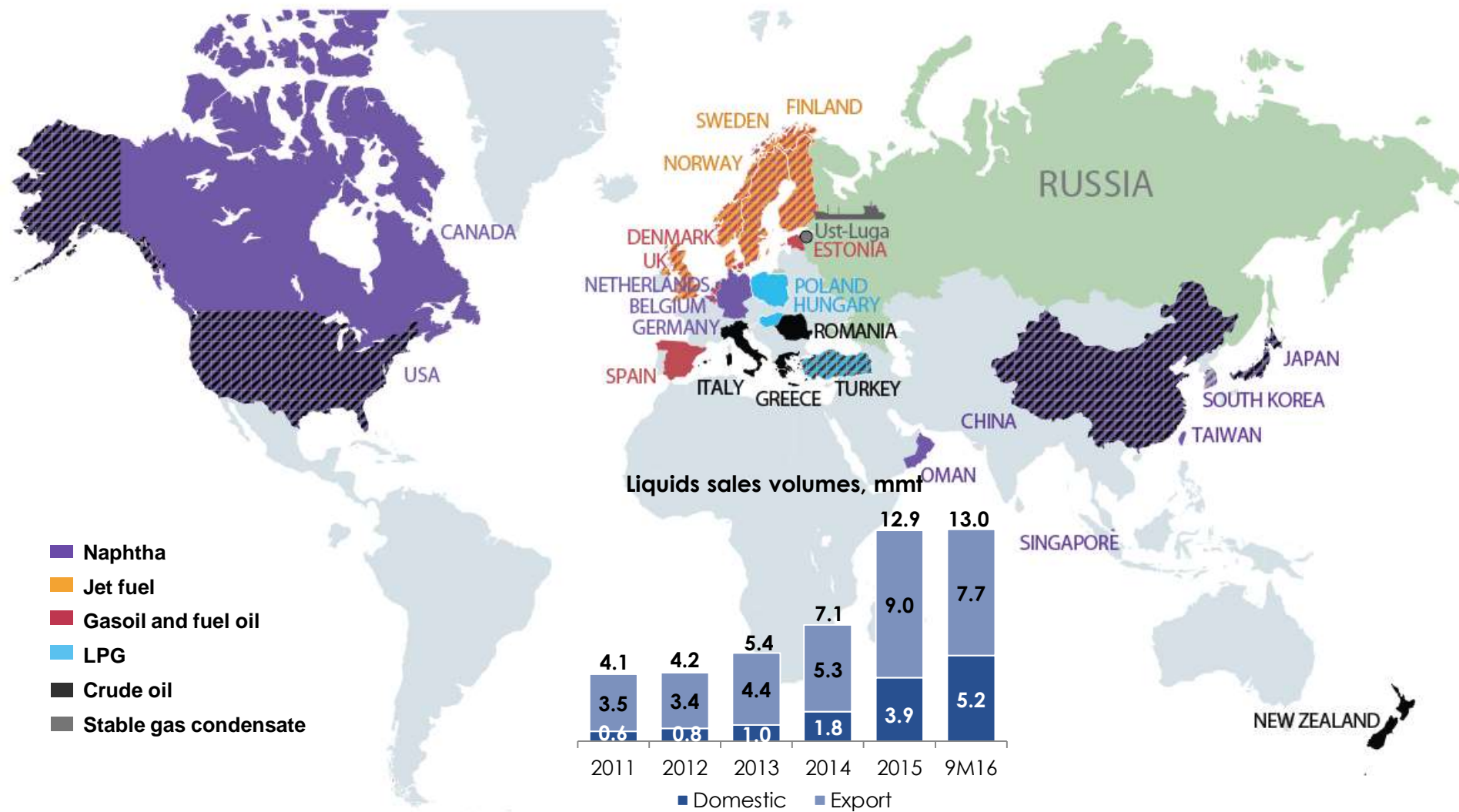
# Natural Gas Sales in 9M16



**Gas Sales Breakdown**



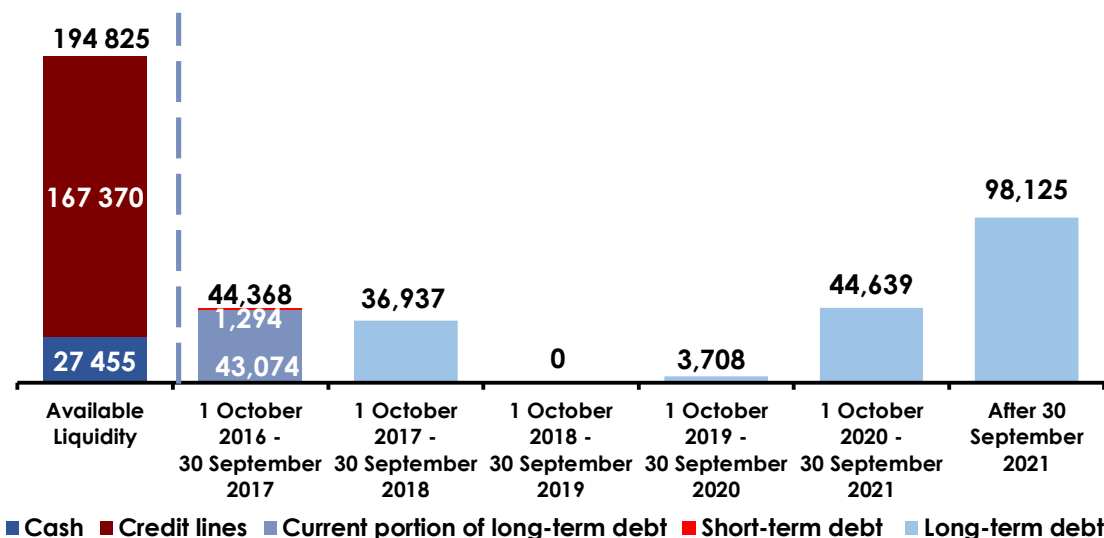
# Liquids Sales



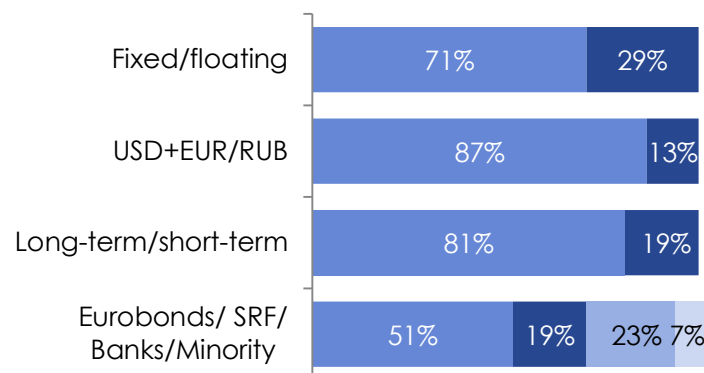
# Debt Composition as at 30 September 2016



**Total Debt Maturity Profile (RR million)**



**Debt Structure (Total Debt = RR 227.9 billion)**



**Established track record of adhering to financial policies**

Metric	Policy Target	2010	2011	2012	2013	2014	2015	9M16
Debt/Normalized EBITDA, (x)	~1.0x	1.3	1.1	1.4	1.3	1.5	1.7	1.0
Net debt/Normalized EBITDA, (x)	<1.0x	1.1	0.8	1.2	1.2	1.3	1.5	0.8
Cash Balance, million \$	\$100 - \$150	336	740	607	241	734	400	435
Lines of credit, million \$	\$300 - \$500	500	1,592	1,538	569	733	986	2,650

Source: IFRS financials (2010– 2015, 9M16)

# Forward-Looking Statements



- ❑ Certain statements in this presentation are not historical facts and are “forward-looking”. Examples of such forward-looking statements include, but are not limited to:
  - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
  - statements of our plans, objectives or goals, including those related to products or services;
  - statements of future economic performance; and
  - statements of assumptions underlying such statements
- ❑ Words such as “believes”, “anticipates”, “expects”, “estimates”, “intends”, “plans”, “outlook” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements
- ❑ By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements
- ❑ 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, and 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



# NOVATEK

## Questions and Answers

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