NOVATEK

Second Quarter 2019
Operational and Financial Results
Conference Call



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Moscow, Russian Federation
25 July 2019

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 and Europe;
- 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 face of restrictions on our 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;
- 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.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.

By participating in this presentation or by accepting any copy of this document, you agree to be bound by the foregoing limitations.

Summary Operational Highlights – 2Q19

- **Hydrocarbons production** totaled 149.0 mmboe representing an **increase of 13.1%** compared to 2Q18
- **Revenue** was RR 218.5 bln representing an **increase of 11.6%** compared to 2Q18
- **EBITDA** was RR 115.8 bln representing an **increase of 14.3%** compared to 2Q18
- **Profit** was RR 69.2 bln representing an **increase of 115.9%** compared to 2Q18
- NOVATEK’s **share in LNG production was 2,912 mt**
- **3,650 mmcm of natural gas** were sold on **international markets**

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Key Events 2Q19

- CNPC, CNOOC and the consortium of Mitsui and JOGMEC signed share purchase agreements for Arctic LNG 2 stakes, transactions were closed in July

- Arctic LNG 2 and TechnipFMC signed EPC contract for the LNG plant

- Cryogas-Vysotsk commenced full-scale LNG production

- Lower Achimov development at the Urengoyskoye field of our JV Arcticgas was confirmed

- NOVATEK won the Sustainability Impact Assessment award, FTSE4Good Index reconfirmed NOVATEK

Operational Overview

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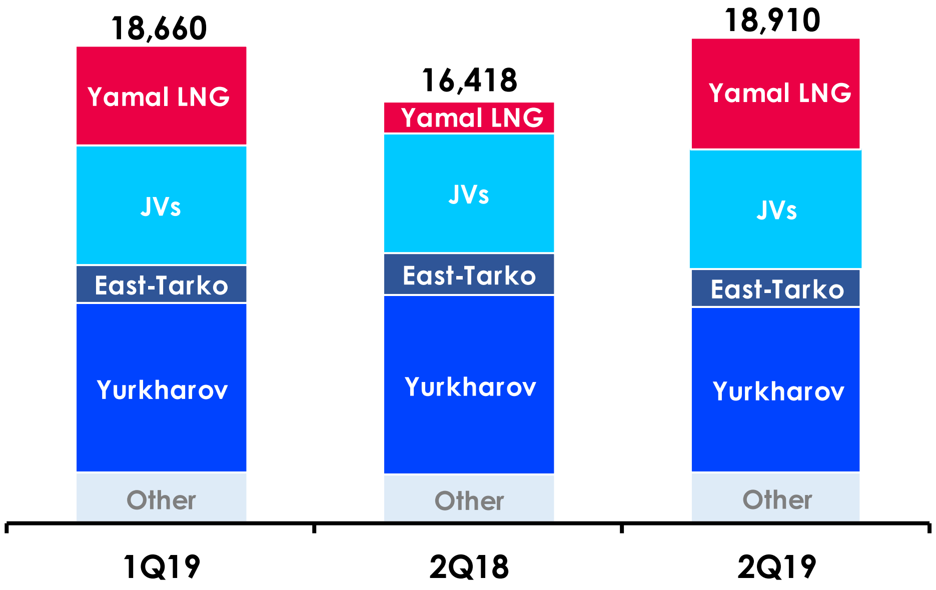
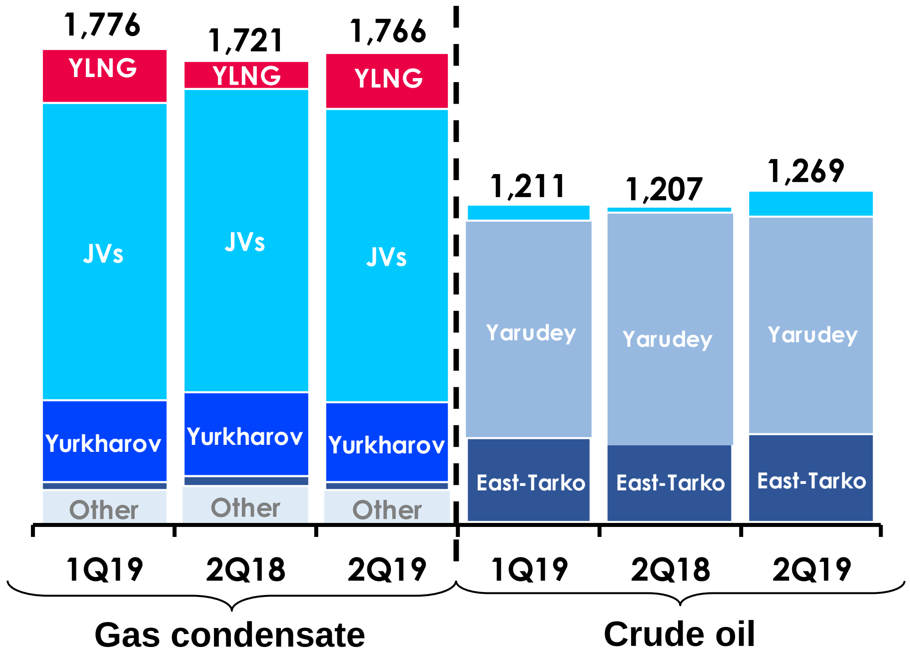
Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



The main factor positively impacting our production growth was the increase of natural gas production at Yamal LNG resulting from the start of LNG production at the second and third LNG trains of the LNG liquefaction plant in the second half of 2018. In addition, our production increased at the Beregovoye field due to the commissioning of new wells and at the Yarudeyskoye field as a result of natural gas treatment efficiency measures.

The increase was due to gas condensate production growth at Yamal LNG resulting from the launch of the second and third LNG trains of the LNG liquefaction plant in the second half of 2018 and the commencement of crude oil commercial production at the Yaro-Yakhinskoye field of Arcticgas in December 2018.

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Purovsky Plant and Ust-Luga Complex

Purovsky Plant

- **Total volumes delivered in 2Q19: 2,698 mt**
  - Yurkharovskoye field: 302 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 114 mt
  - Other fields: 41 mt
  - Purchases from our joint ventures: 2,241 mt
- **Total output of marketable products: 2,685 mt**
  - Stable gas condensate: 2,060 mt
  - LPG: 625 mt

Ust-Luga Complex

- **Total volumes delivered in 2Q19: 1,699 mt**
- **Total output of marketable stable gas condensate refined products: 1,660 mt**
  - Naphtha: 1,055 mt
  - Other products: 605 mt
- **Stable gas condensate refined products sold: 1,841 mt**
  - to Europe: 1,017 mt
  - to the Asian Pacific Region: 433 mt
  - to North America: 268 mt
  - Other: 123 mt

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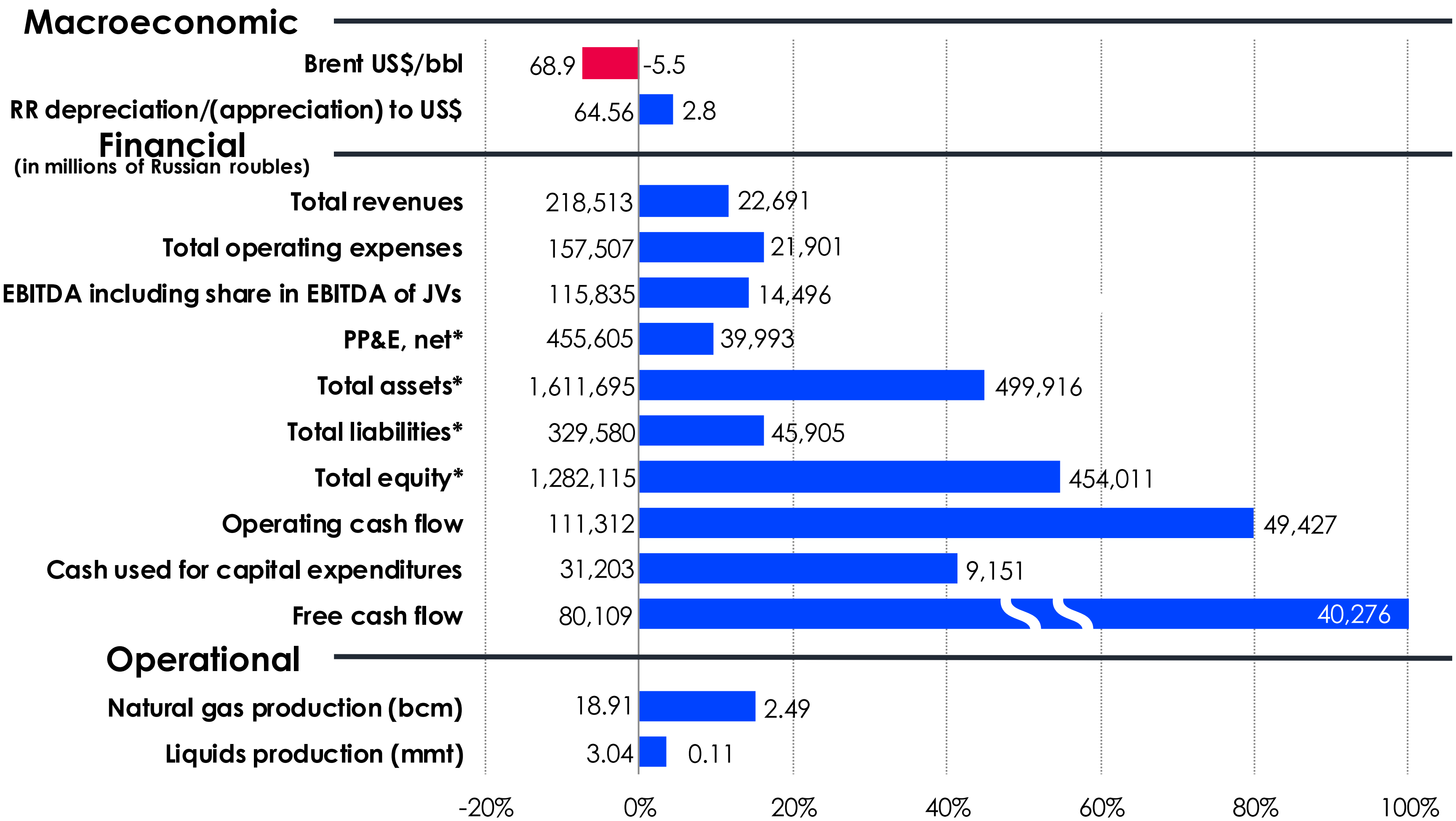
Financial Overview – 2Q19 to 2Q18

Performance Summary 2Q19/2Q18



* 30 June 2019 to 30 June 2018.
Note: Number on the right is the absolute change, number on the left is the value for the reporting period, size of bar is % change

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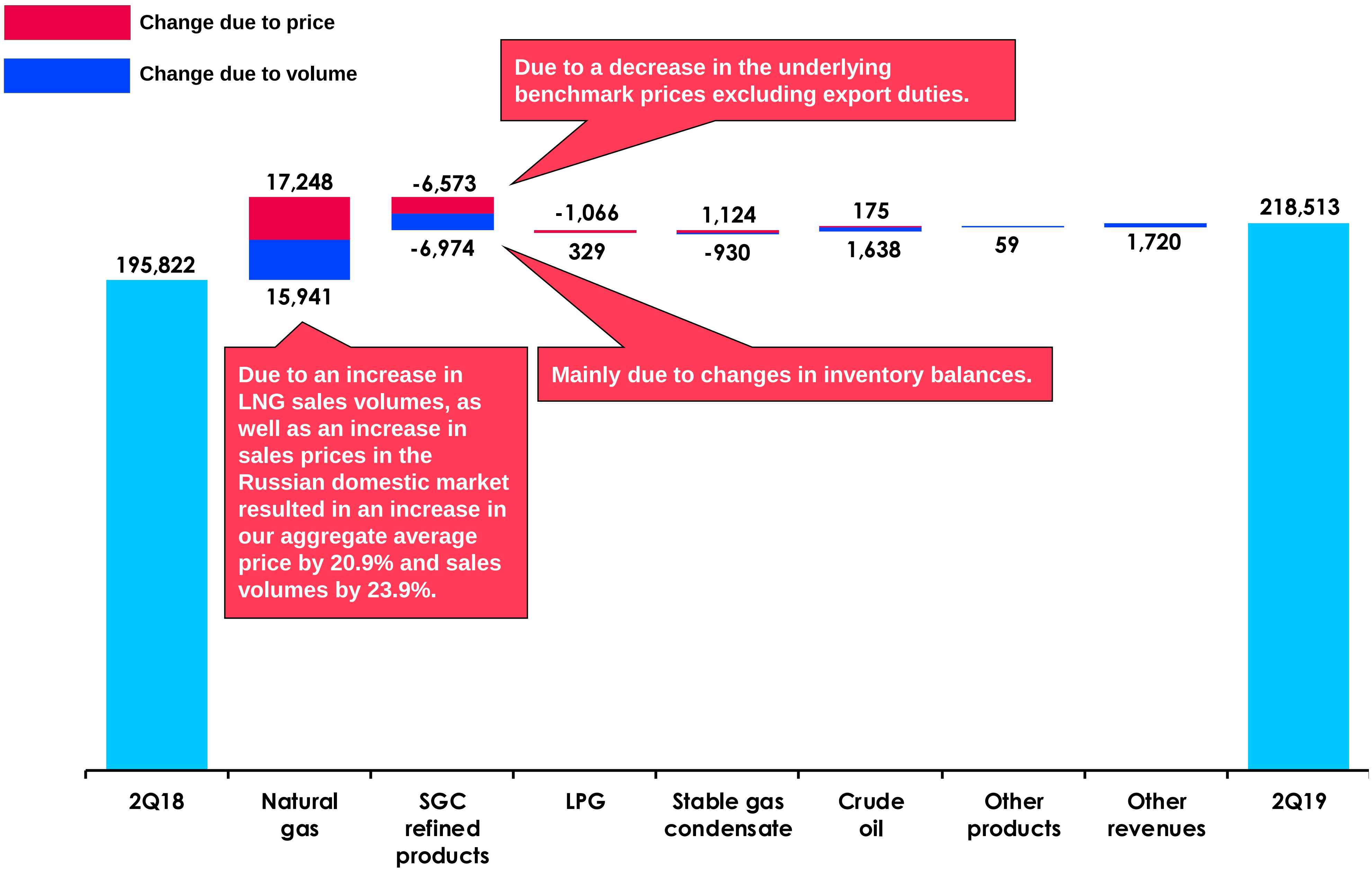
Total Revenues (RR million)



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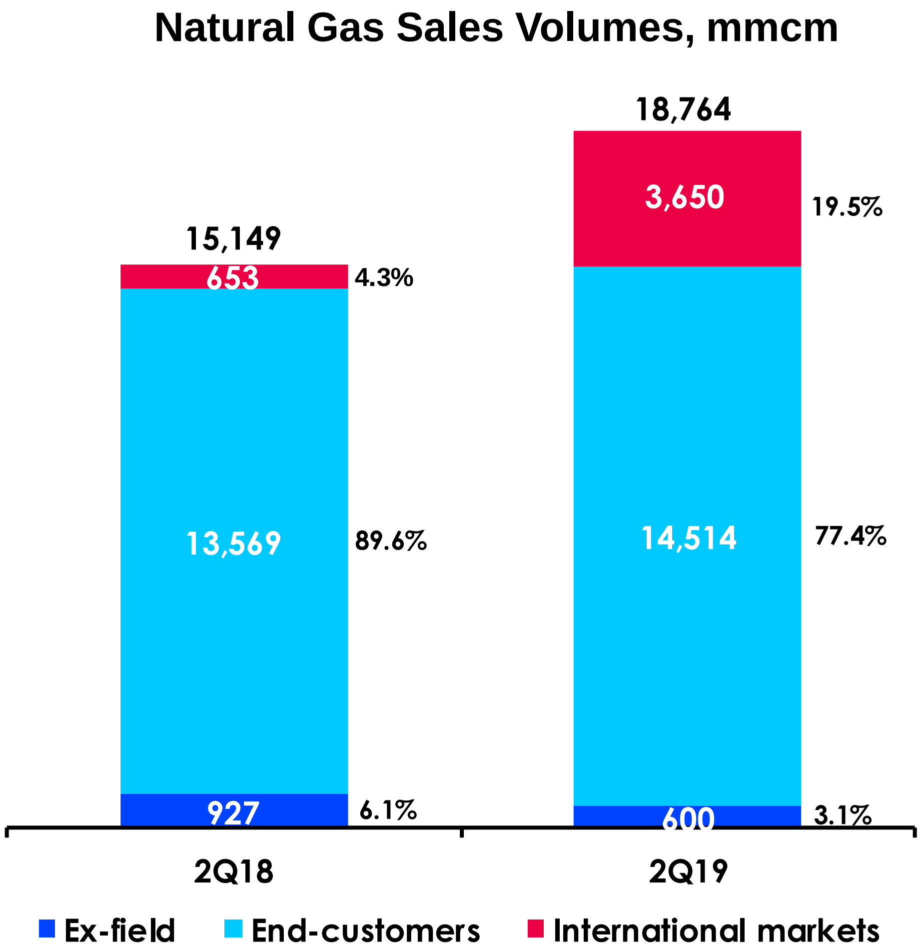
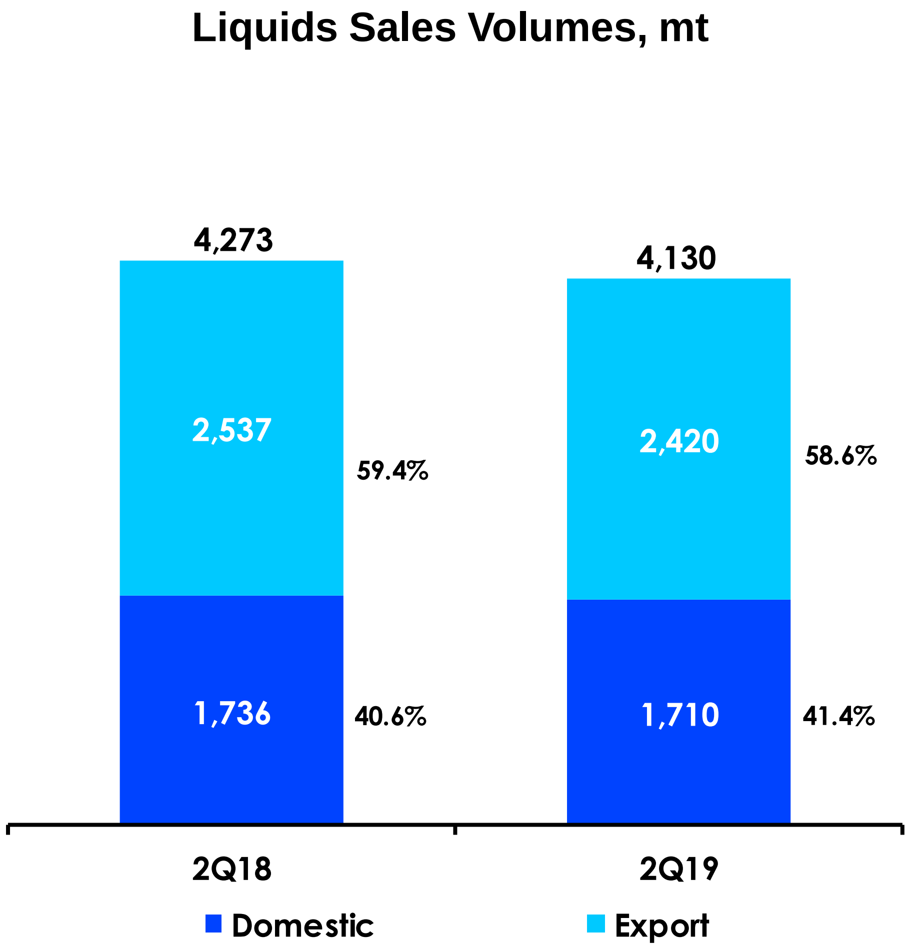
Market Distribution - Sales Volumes



Our total natural gas sales volumes increased by 3,615 mmcm, or 23.9%, due to increased sales of LNG.



Our liquids sales volumes decreased by 143 mt, or 3.3%, mainly due to changes in inventory balances that vary period-to-period depending on shipping schedules and final destinations of our liquid hydrocarbons shipments.

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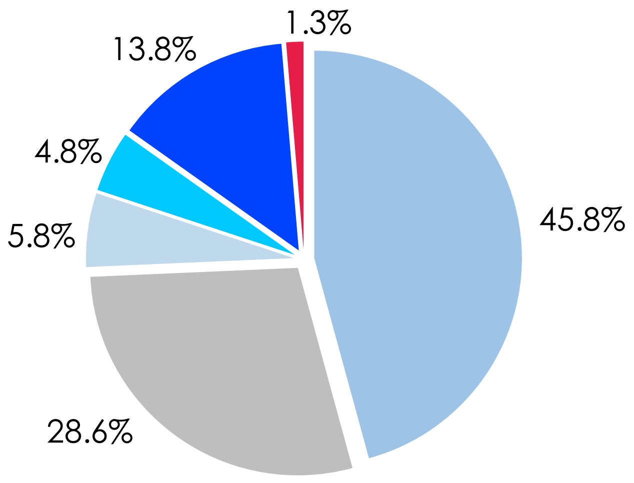
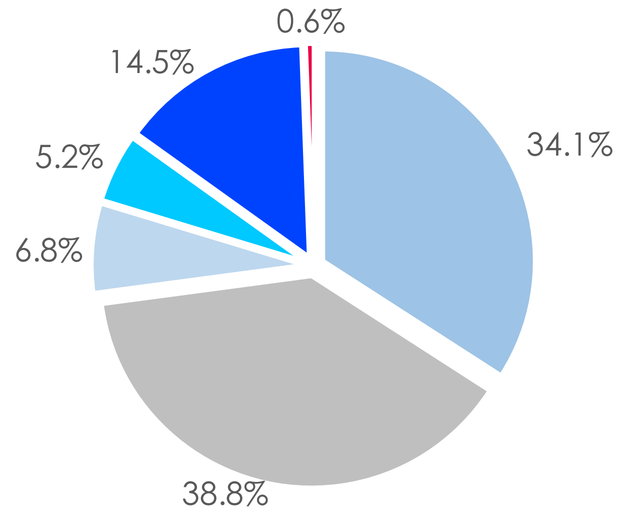
Total Revenues Breakdown

- Natural gas, including LNG
- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other

2Q19



2Q18



Operating Expenses (RR million and % of Total Revenues (TR))

2Q18	% of TR	2Q19	% of TR		1Q19	% of TR	2Q19	% of TR
34,554	17.6%	36,918	16.9%	Transportation expenses	40,103	17.1%	36,918	16.9%
14,871	7.6%	16,254	7.4%	Taxes other than income tax	15,542	6.6%	16,254	7.4%
49,425	25.2%	53,172	24.3%	**Non-controllable expenses**	55,645	23.7%	53,172	24.3%
8,655	4.4%	8,007	3.7%	Depreciation and amortization	7,487	3.2%	8,007	3.7%
5,826	3.0%	6,137	2.8%	Materials, services & other	6,030	2.6%	6,137	2.8%
5,079	2.6%	4,765	2.2%	General and administrative	5,033	2.1%	4,765	2.2%
2,004	1.0%	2,530	1.2%	Exploration expenses	3,377	1.4%	2,530	1.2%
89	n/a	-10	n/a	Net impairment expenses (reversals)	1	n/a	-10	n/a
943	0.5%	1,092	0.5%	Change in natural gas, liquids and WIP	2,807	1.2%	1,092	0.5%
72,021	36.8%	75,693	34.7%	**Subtotal operating expenses**	80,380	34.3%	75,693	34.7%
63,585	32.5%	81,814	37.4%	Purchases of natural gas and liquid hydrocarbons	94,760	40.5%	81,814	37.4%
135,606	69.3%	157,507	72.1%	**Total operating expenses**	175,140	74.8%	157,507	72.1%

Our total operating expenses increased YoY by 16.2% to RR 157,507 million mainly due to an increase in volumes of LNG purchased from our joint venture Yamal LNG with the launch of LNG production at the second and third LNG trains in the second half of 2018, which in turn allowed us to earn higher revenues from hydrocarbons sales.

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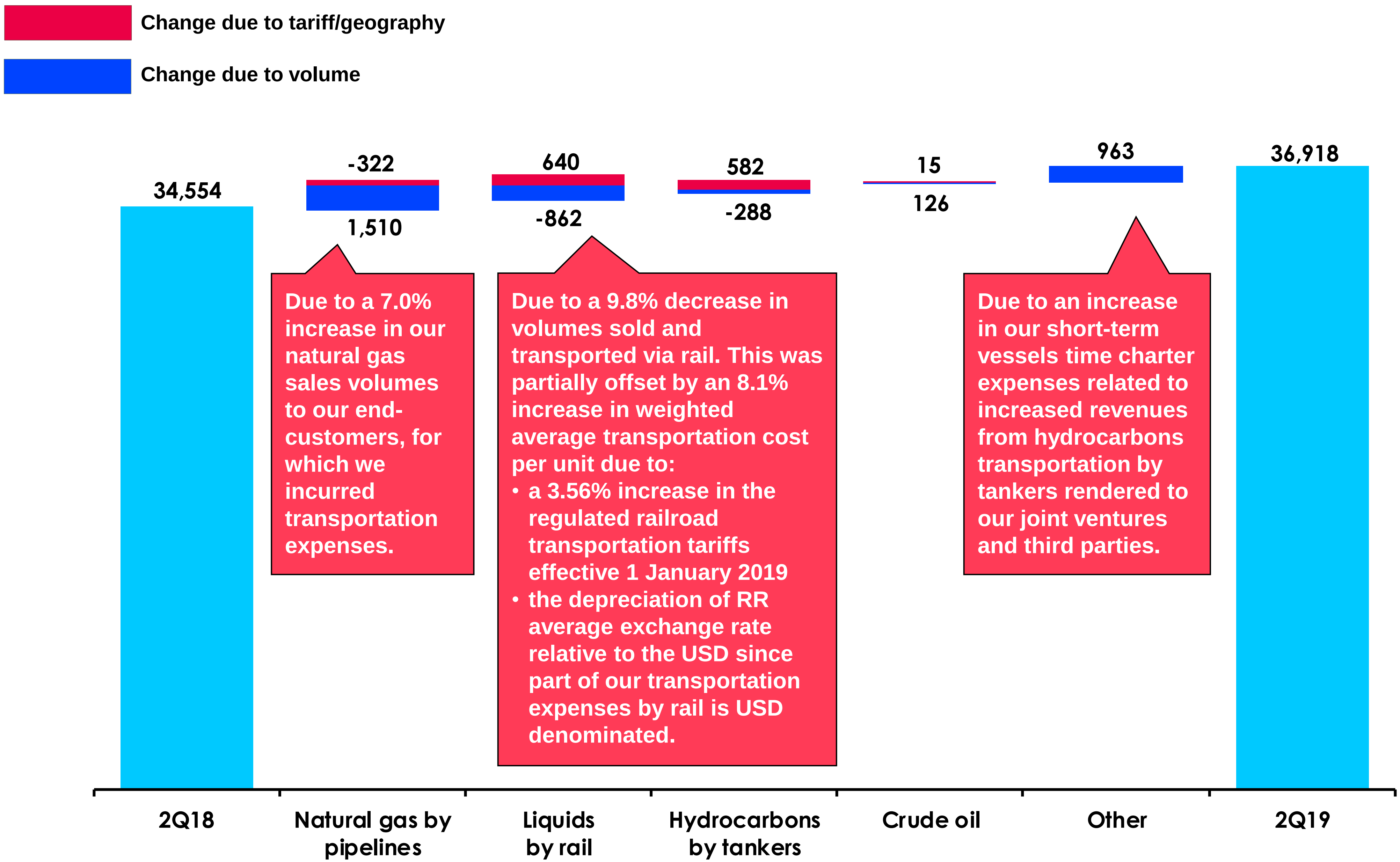
Transportation Expenses (RR million)



Due to a 7.0% increase in our natural gas sales volumes to our end-customers, for which we incurred transportation expenses.

Due to a 9.8% decrease in volumes sold and transported via rail. This was partially offset by an 8.1% increase in weighted average transportation cost per unit due to:
- a 3.56% increase in the regulated railroad transportation tariffs effective 1 January 2019
- the depreciation of RR average exchange rate relative to the USD since part of our transportation expenses by rail is USD denominated.

Due to an increase in our short-term vessels time charter expenses related to increased revenues from hydrocarbons transportation by tankers rendered to our joint ventures and third parties.

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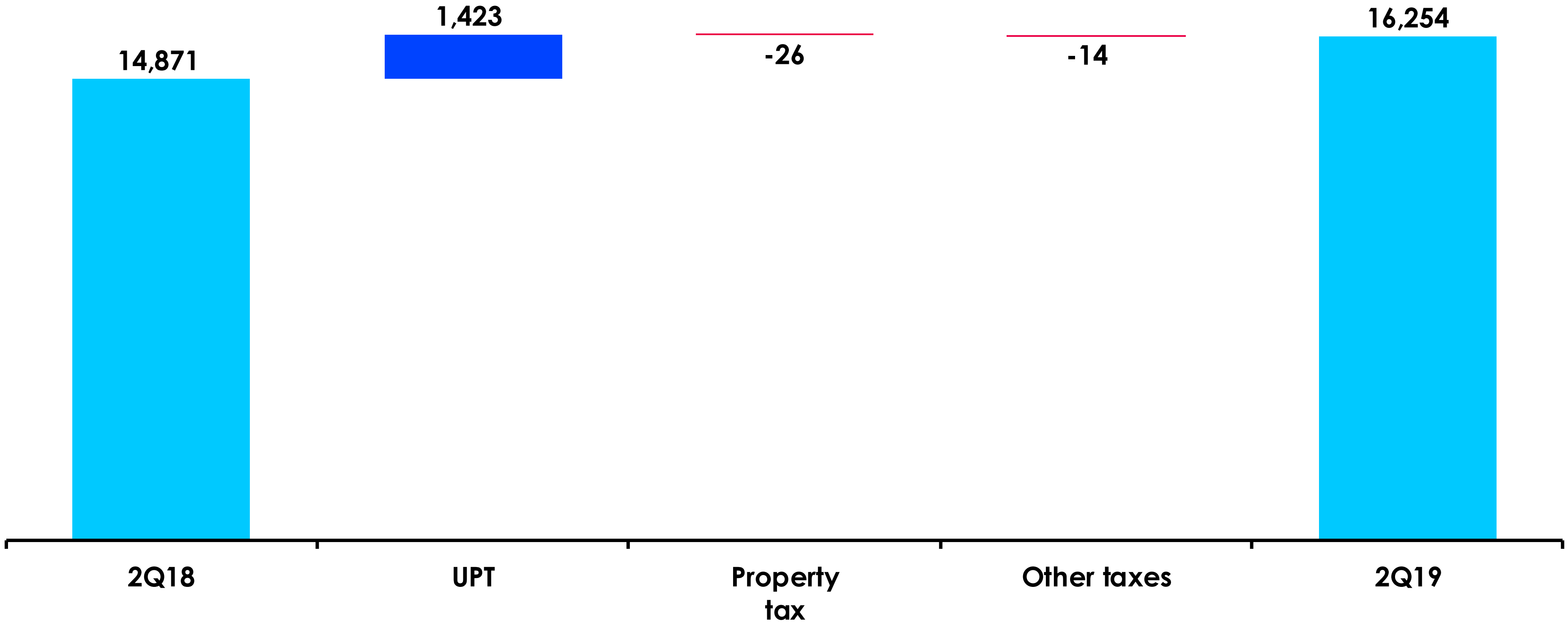
Taxes Other Than Income Tax Expense (RR million)



Our unified natural resources production tax expense increased by 10.4% mainly due to an increase in UPT rates for crude oil and gas condensate. The increase was mainly the result of changes in the UPT rates formulas effective 1 January 2019 caused by the completion of the tax maneuver in the oil and gas industry.

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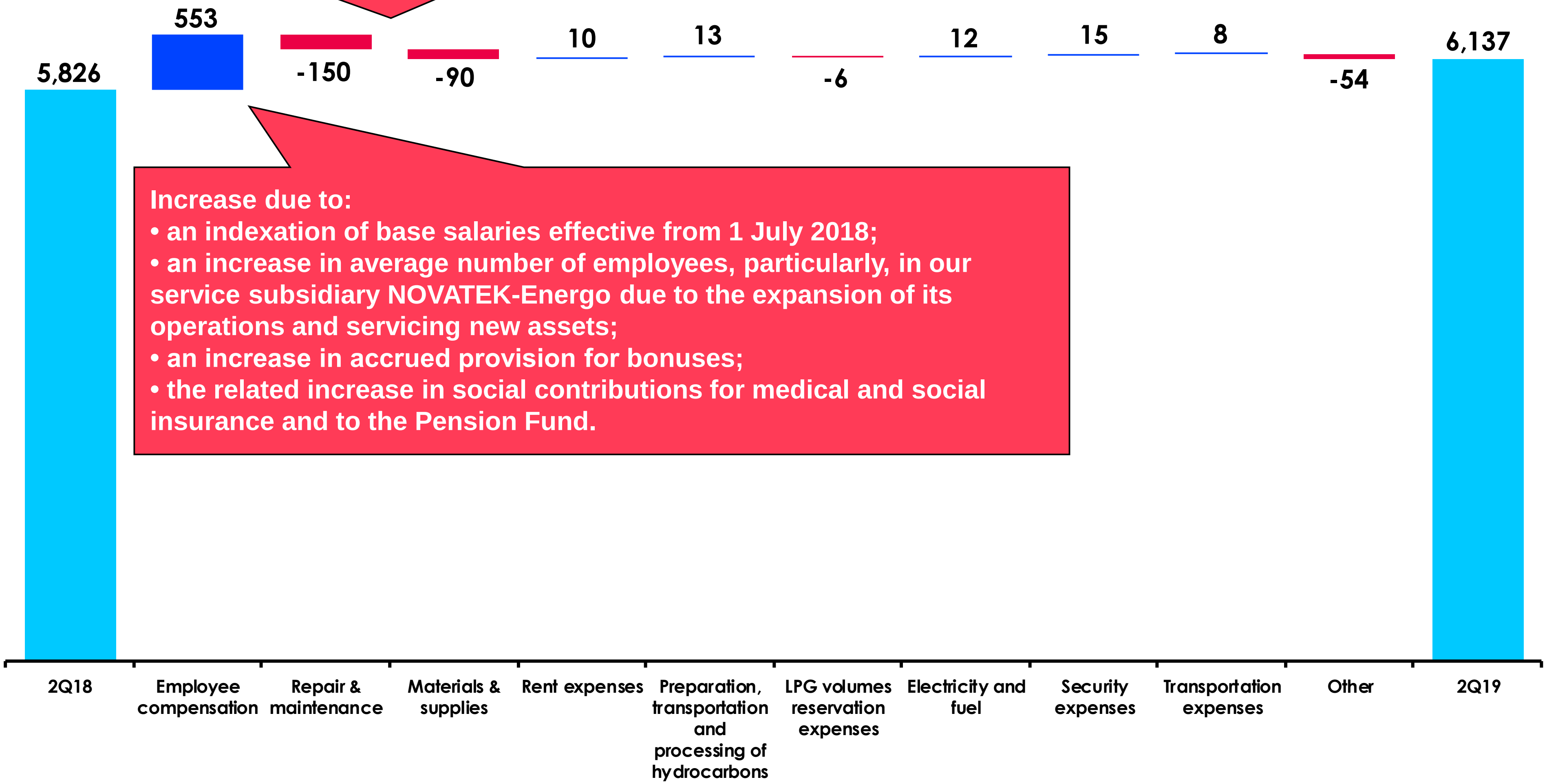
Materials, Services and Other Expenses (RR million)

Mainly due to a decrease in current repair and maintenance works performed on wells and production facilities at our core production subsidiaries and the related decrease in materials used for repair works.



Increase due to:
• an indexation of base salaries effective from 1 July 2018;
• an increase in average number of employees, particularly, in our service subsidiary NOVATEK-Energo due to the expansion of its operations and servicing new assets;
• an increase in accrued provision for bonuses;
• the related increase in social contributions for medical and social insurance and to the Pension Fund.

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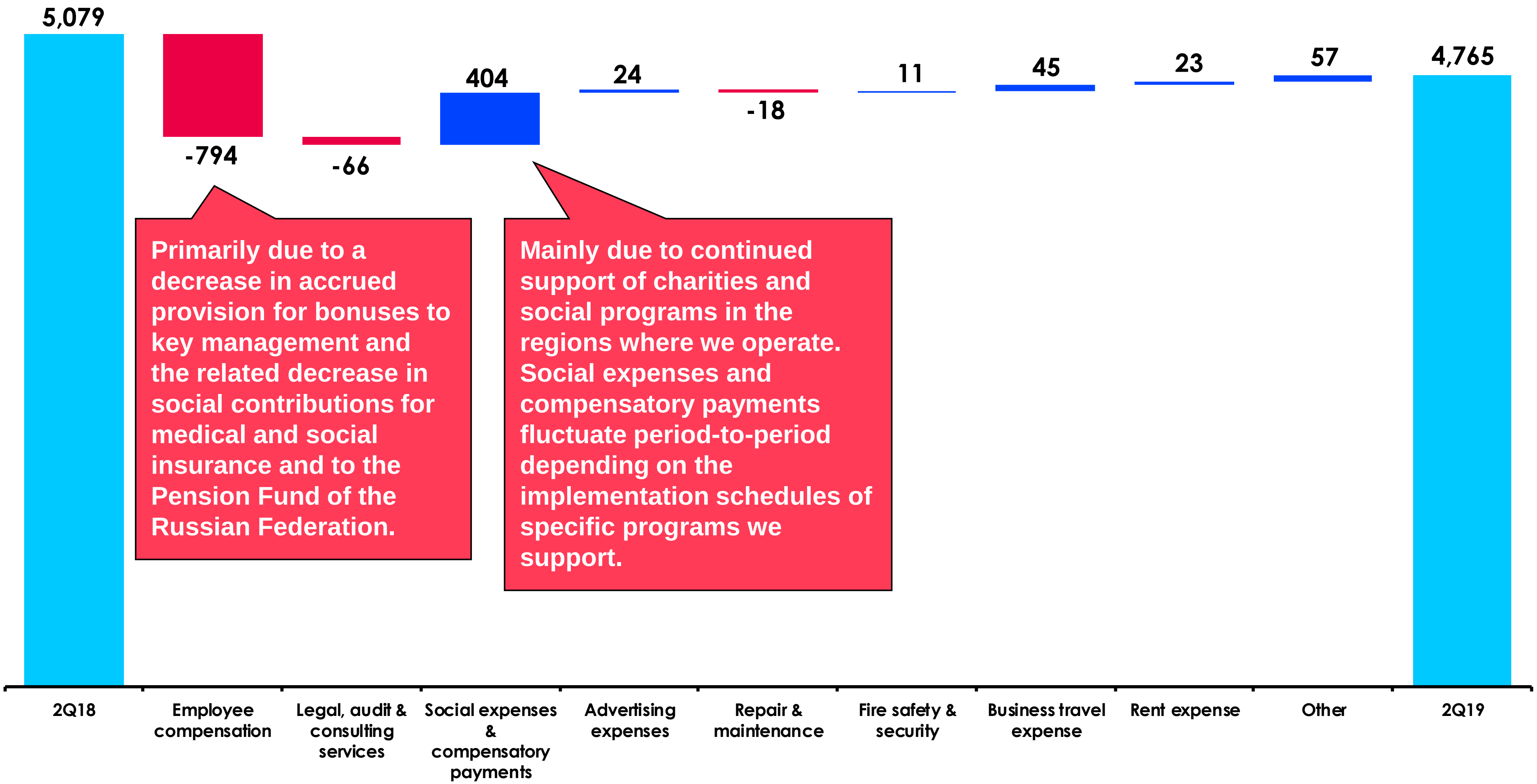
General and Administrative Expenses (RR million)



Primarily due to a decrease in accrued provision for bonuses to key management and the related decrease in social contributions for medical and social insurance and to the Pension Fund of the Russian Federation.

Mainly due to continued support of charities and social programs in the regions where we operate. Social expenses and compensatory payments fluctuate period-to-period depending on the implementation schedules of specific programs we support.

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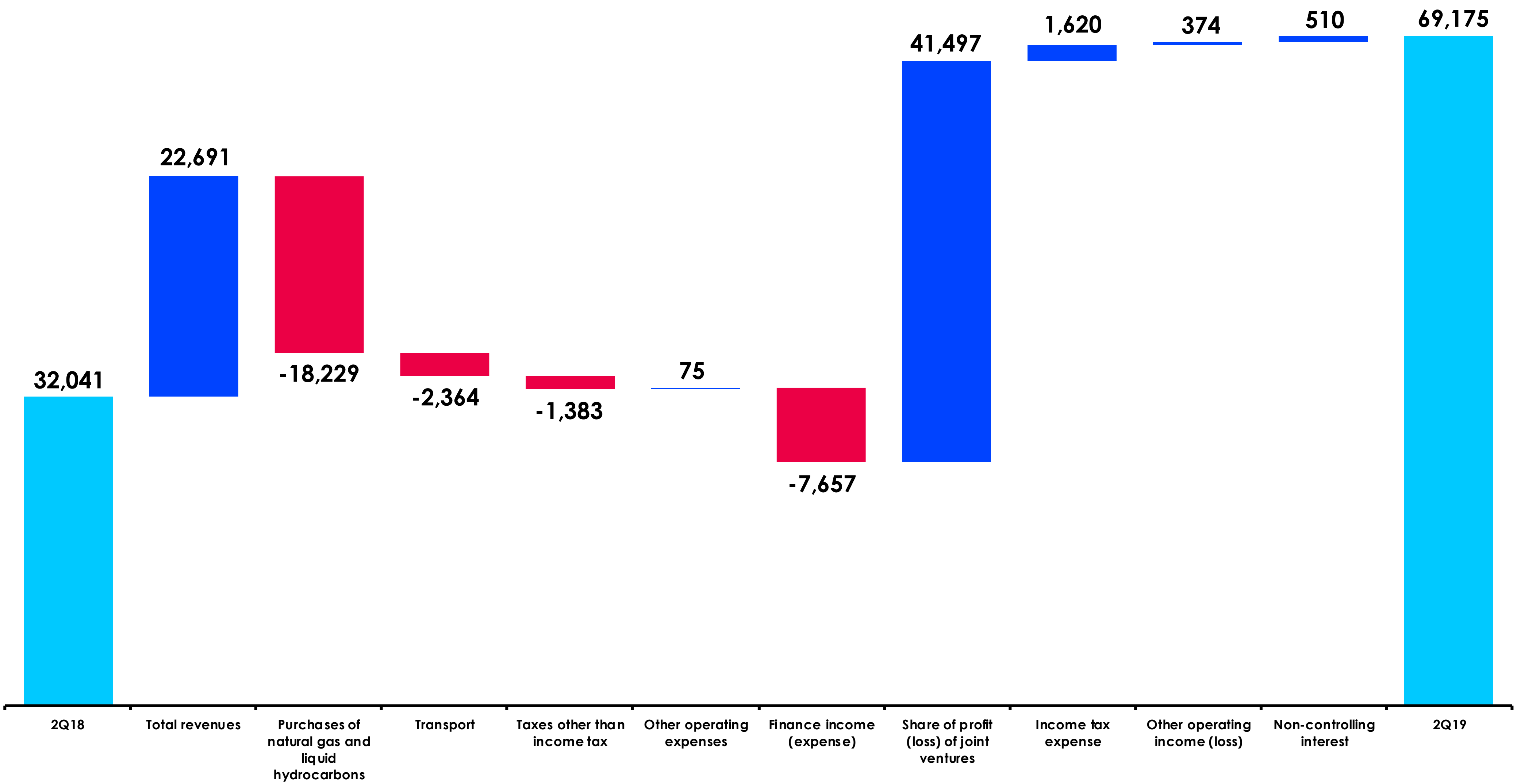
Profit Attributable to NOVATEK Shareholders
(RR million)



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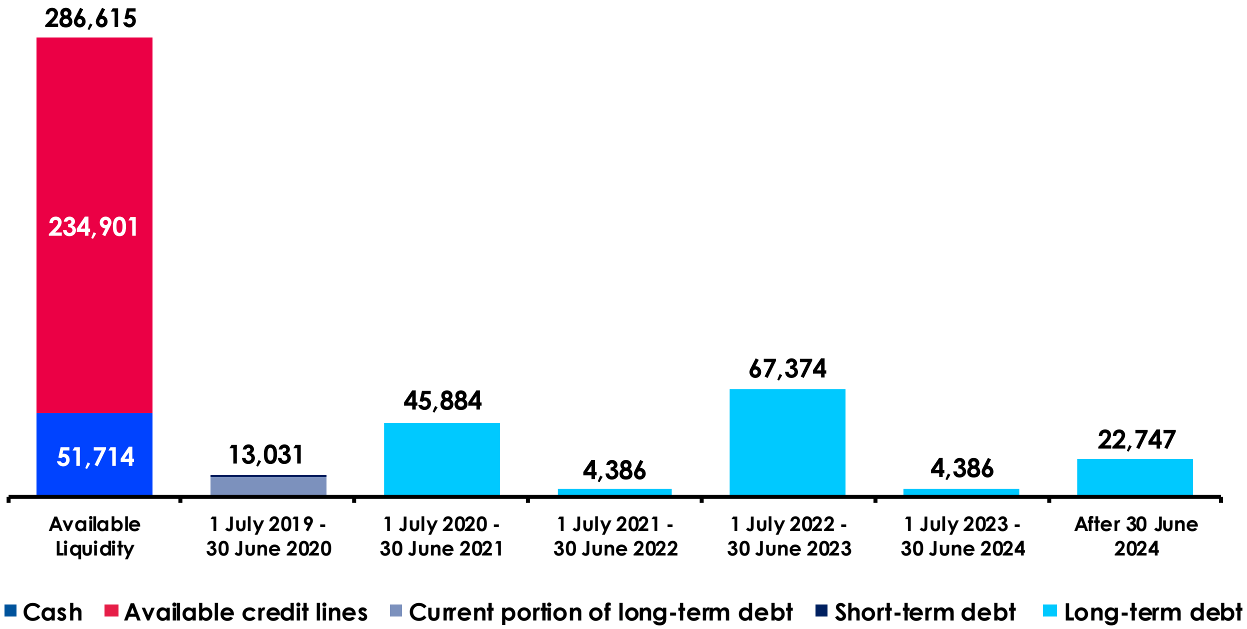
Total Debt Maturity Profile (RR million)



At 30 June 2019, the Group had available credit line facilities from banks with credit limits in the amount of RR 184 billion and the equivalent of USD 750 million and EUR 50 million.

Debt repayment schedule:

Up to 30 June 2020 – Loan from the Silk Road Fund and Other loans

Up to 30 June 2021 – Loan from the Silk Road Fund, Eurobonds Ten-Year (USD 650 mln) and other loans

Up to 30 June 2022 – Loan from the Silk Road Fund

Up to 30 June 2023 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD one bln)

After 30 June 2024 – Loan from the Silk Road Fund

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Financial Overview – 2Q19 to 1Q19

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Total Revenues (RR million)

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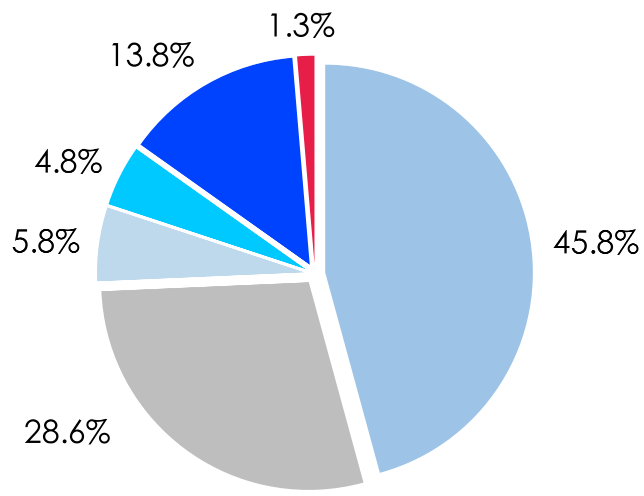
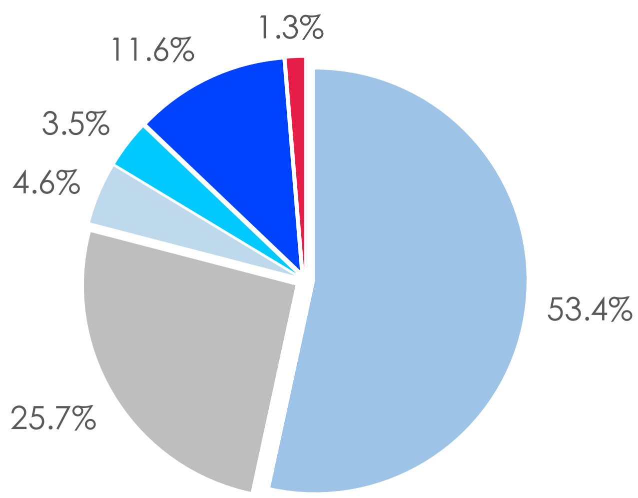
Total Revenues Breakdown

- Natural gas, including LNG
- Stable gas condensate refined products
- LPG
- Stable gas condensate
- Crude oil
- Other

2Q19



1Q19



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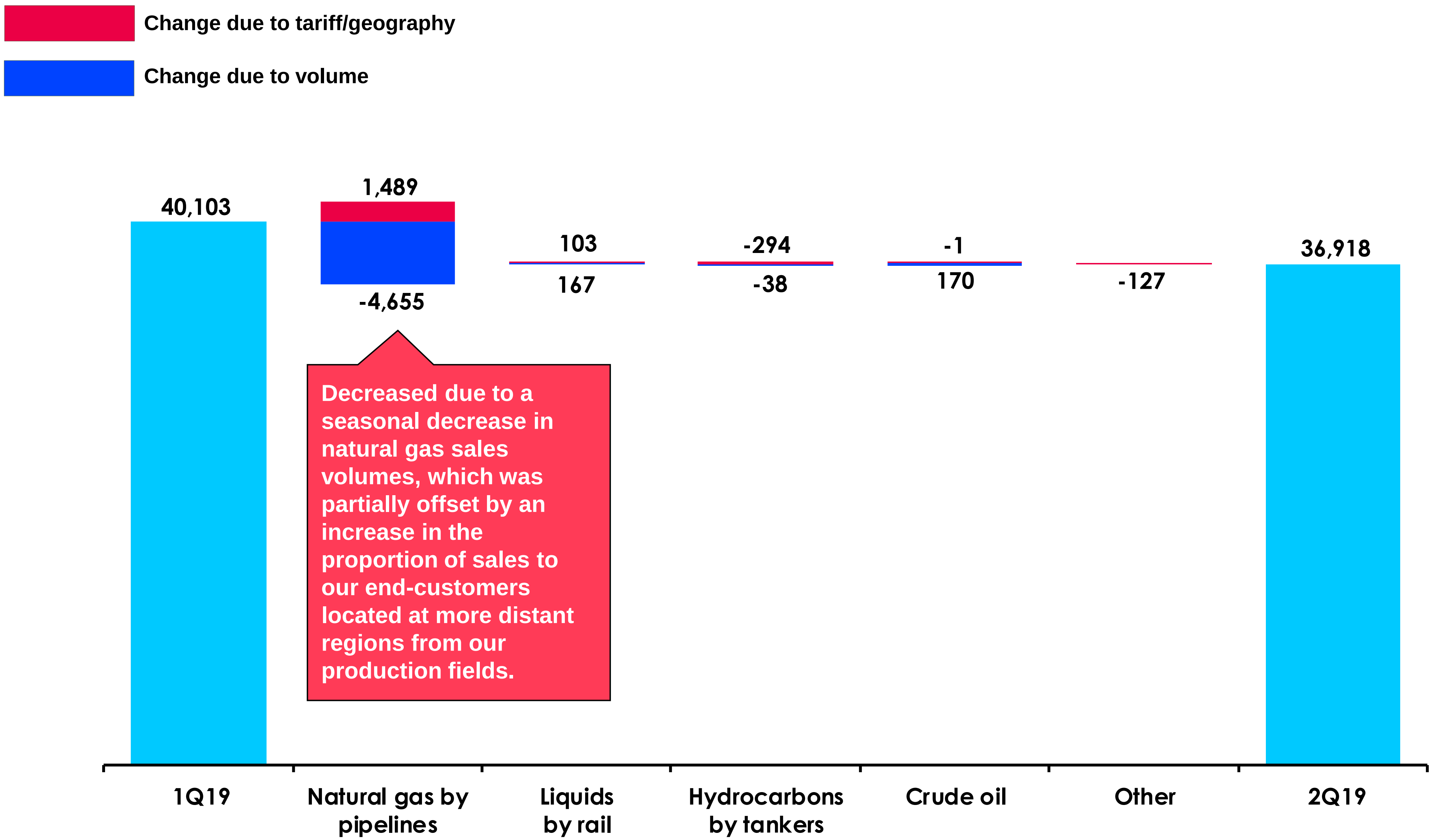
Transportation Expenses (RR million)



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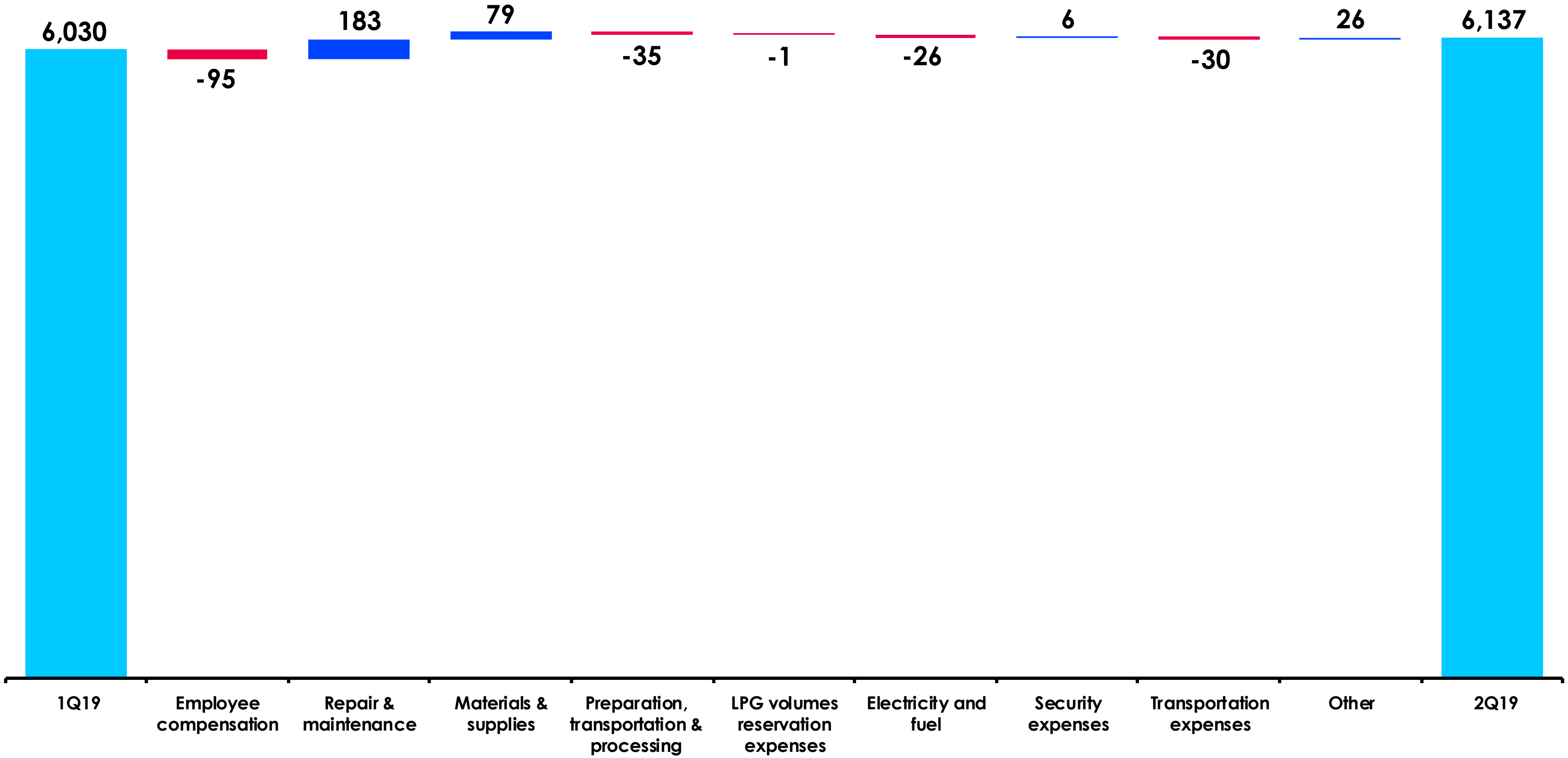
Materials, Services and Other Expenses (RR million)



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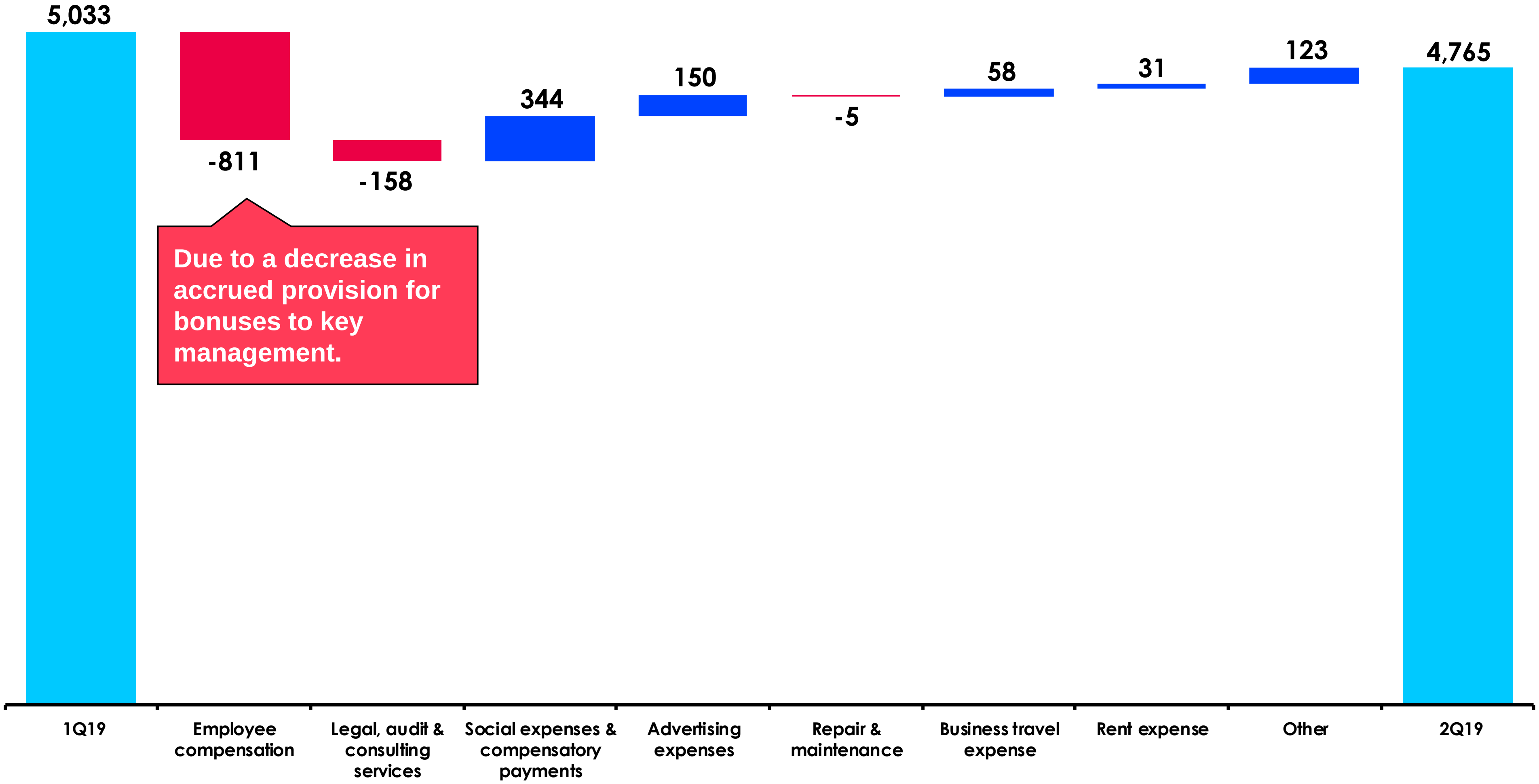
General and Administrative Expenses (RR million)



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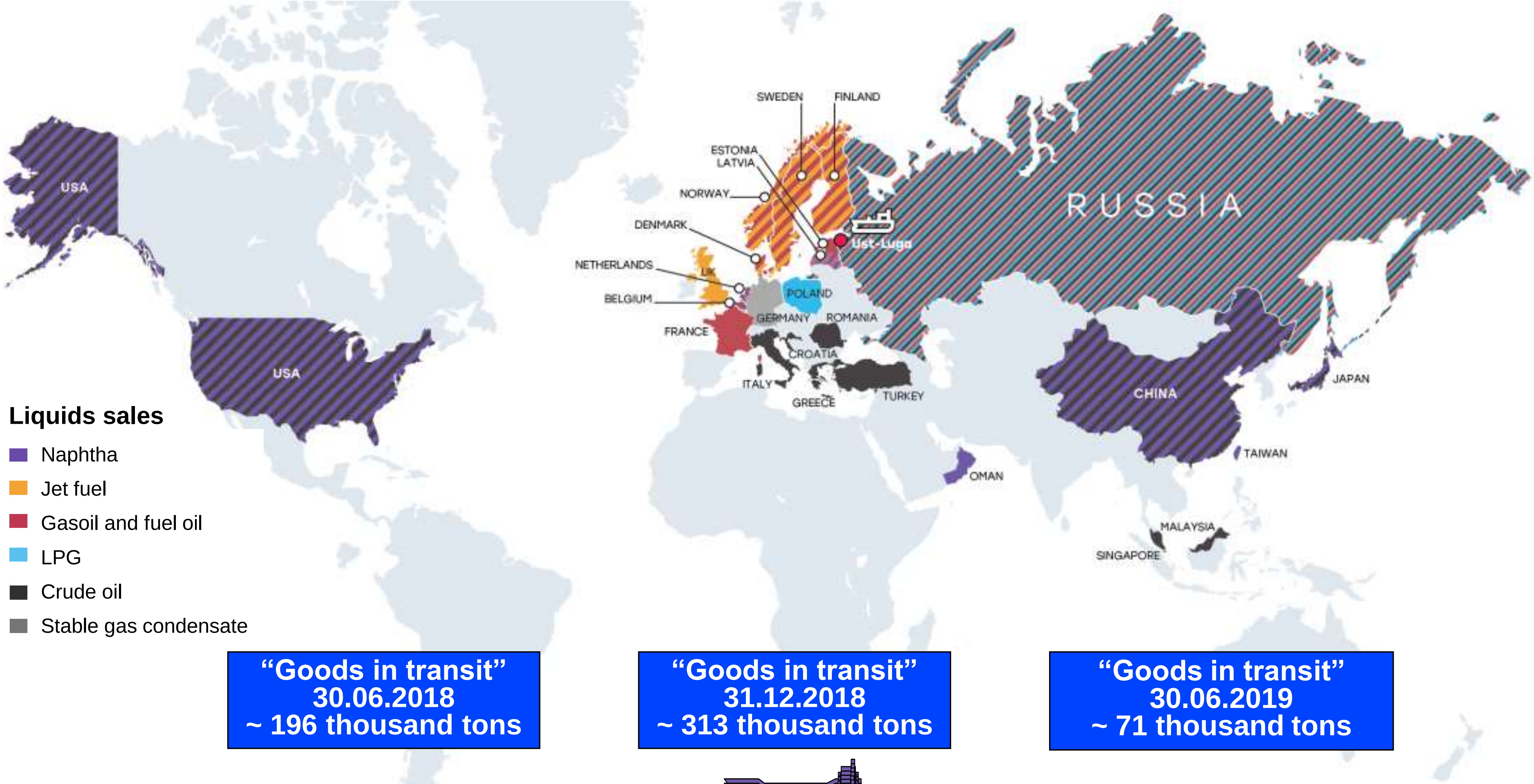
Appendices

Liquids in Tankers



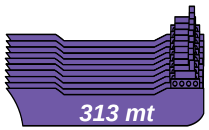
Liquids sales

- Naphtha
- Jet fuel
- Gasoil and fuel oil
- LPG
- Crude oil
- Stable gas condensate

"Goods in transit" 30.06.2018 ~ 196 thousand tons

Asia-Pacific Region (Naphtha)

"Goods in transit" 31.12.2018 ~ 313 thousand tons



Asia-Pacific Region (Naphtha)

"Goods in transit" 30.06.2019 ~ 71 thousand tons

Asia-Pacific Region (Naphtha)

Europe (Fuel oil)

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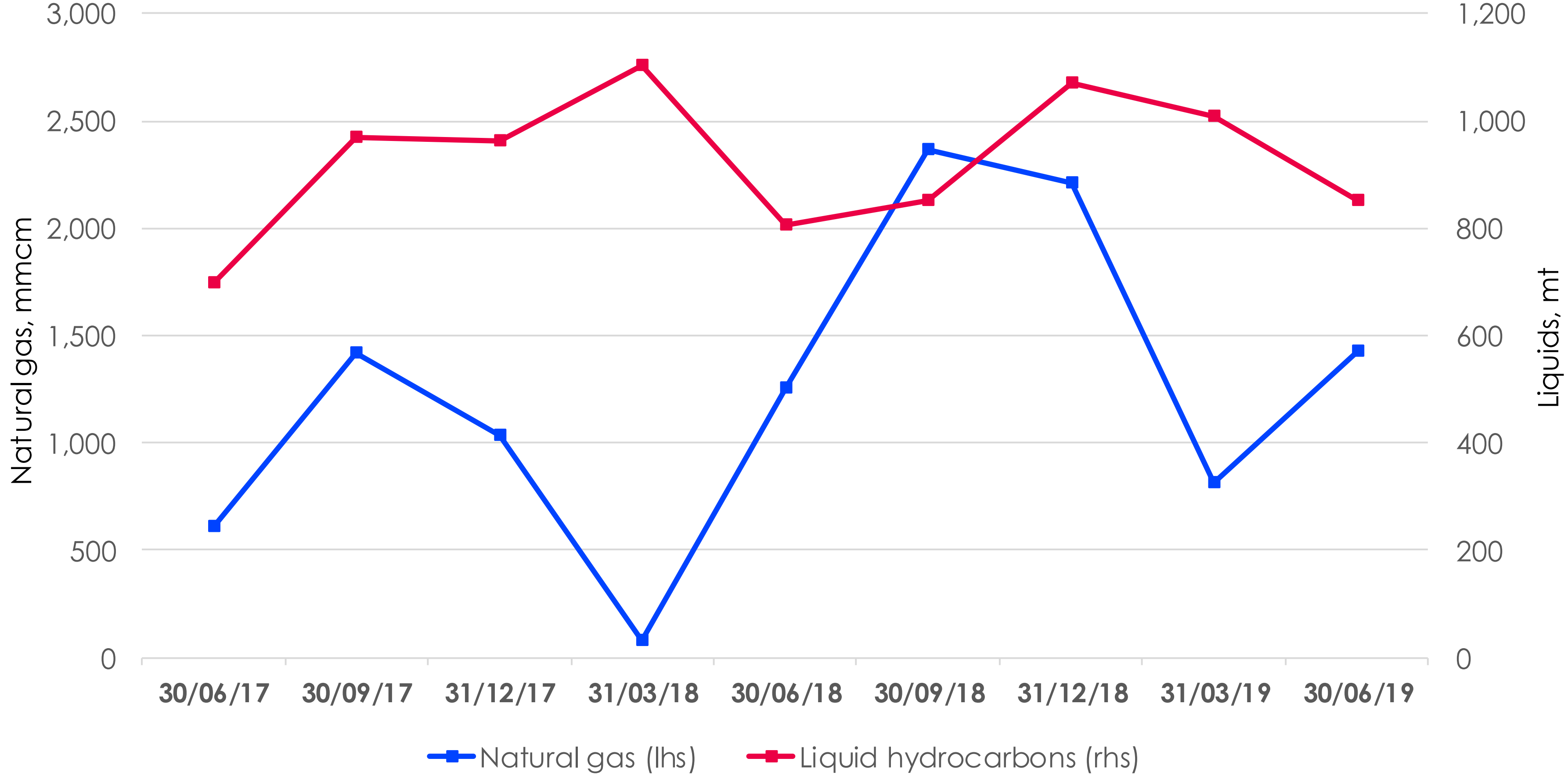
Change in Inventories



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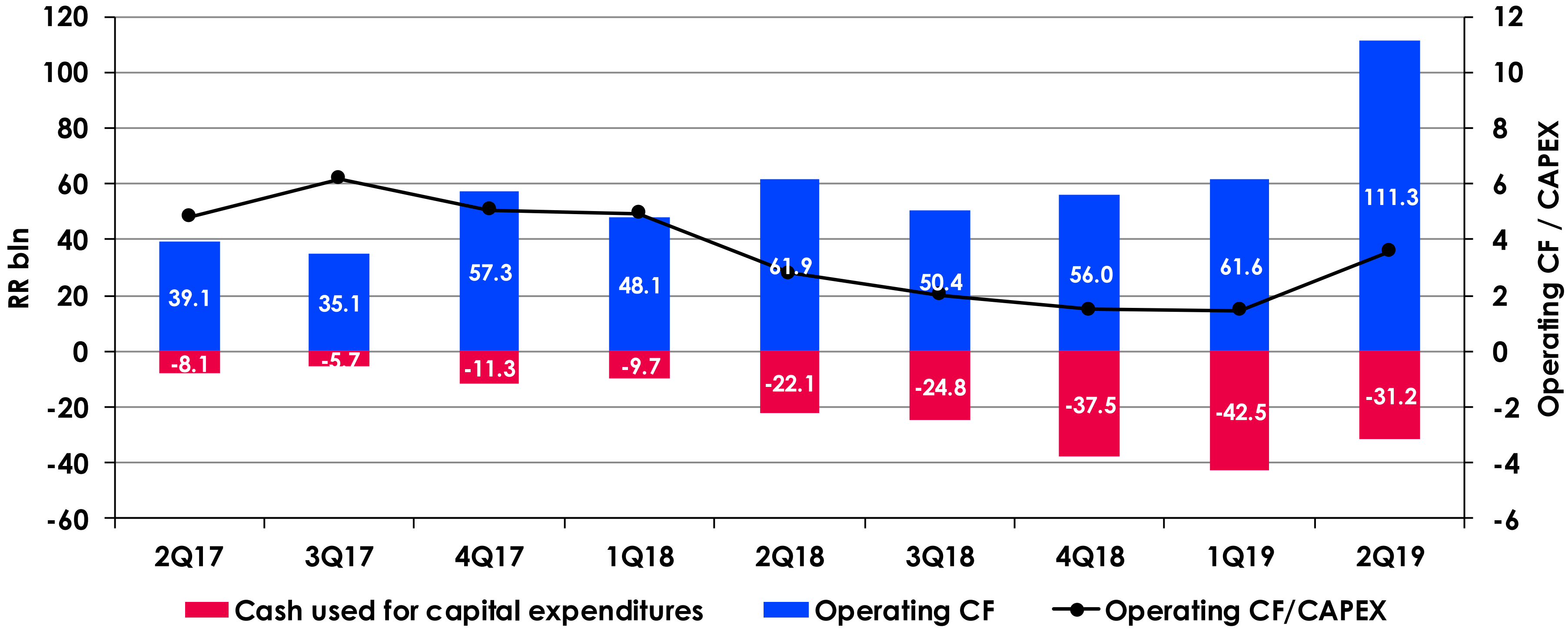
Internally Funded Investment Program



Core investments in upstream exploration, production and processing facilities funded primarily through internal cash flows

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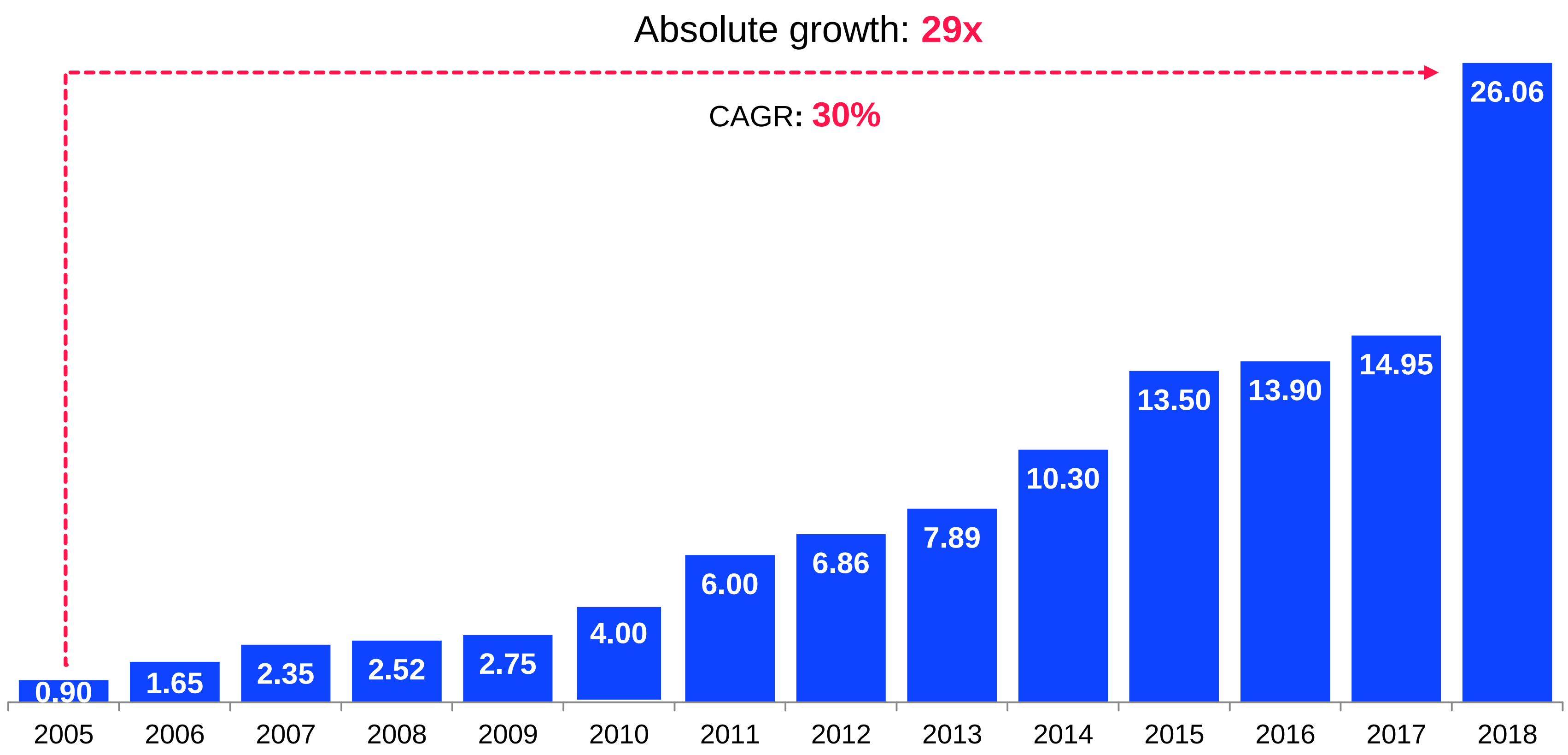
Dividend Payout (RR per ordinary share)



Dividend payout is adjusted for non-recurring items and items not related to core activities

Committed to increasing shareholder returns

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Questions and Answers

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