

PAO NOVATEK

First Quarter 2021

Financial and Operational Results – Earnings Conference Call

28 April 2021

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our First Quarter 2021 earnings conference call.

We would like to thank everyone for participating in tonight's call.

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 refer 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 2020, 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.

COVID-19 STATEMENT

The Group's management remains vigilant and will take necessary precautions to protect the safety and wellbeing of our employees, our contractors and their families against the spread of COVID-19 and minimize any disruptions to our operations. We will always place the health, wellbeing and safety of our employees above corporate profits. This represents our commitment to our valued employees.

CONFERENCE CALL TEXT

The First Quarter 2021 (1Q 2021) was a period of strengthening hydrocarbon commodity prices and a return back to normal winter weather. We discussed over the past two years that one of the fundamental problems impacting the natural gas industry was the high inventory storage due to unseasonably warm winter weather. We finally had a very cold winter season in the Northern Hemisphere and, correspondingly, there were rapid withdrawals of gas from underground storage.

At the end of the reporting period, underground European gas storage were approximately 35 billion cubic meters (BCM), or at 31% full, but with the recent draws due to colder

weather the underground store levels dipped below 30%. For comparison purposes, at the same period in April 2020, the volume of natural gas in underground storage was 62 BCM, or roughly 55% full according to data from Gas Infrastructure Europe, or GIE.

This essentially means that we need at least 20 BCM of natural gas over the upcoming reinjection season to replenish gas storage levels, which theoretically, should support gas hub prices throughout the summer season from April to September inclusive, assuming injection is done evenly throughout this period.

Besides replenishing underground gas storage, natural gas prices across Europe have been supported by a whole range of factors including but not limited to, prolonged cold weather, the high cost of carbon emissions (European Emissions Allowances (EUA)) thus stimulating the shift from coal to natural gas, as well as various force majeure events like the recent blockage of the Suez Canal, unforeseen maintenance works and the continued shutdown of LNG production from Norway. These factors should technically reduce the seasonality affect but we will need to gauge the impact as the year progresses, especially as US LNG exports ramp up and some facilities will undergo scheduled maintenance works.

Overall, total gas demand was revised upward for full year 2020 as colder-than-expected weather in the Northern Hemisphere in December and subsequent updates from emerging markets showed that full year gas demand declined by 75 BCM, or by 1.9% year-on-year (Y/y) from the previous announced lower demand representing a 2.5% drop in 2020. Most of this revised update is attributable to coal to natural gas fuel switching in power generation.

The LNG market grew slightly in 2020 despite the pandemic and lockdowns with 43 importing countries and 20 exporting countries. Approximately 70% of the LNG demand growth came from Asian importers, an import geographical region which will continue to drive gas demand growth for the foreseeable future and a region where we will focus our marketing efforts. Supply-side adjustments were made in the second and third quarters of 2020 with ~165 cargos cancelled from the US to help balance the market. These cargo cancellations most likely won't repeat itself to the same degree in 2021, but we need to see the demand pull from the summer cooling season. The progressive recovery during the second half of 2020 continued in first quarter of 2021, and we believe this trend will continue to support energy demand in the prevailing market environment.

Overall, in the 1Q 2021, natural gas demand in both the European and Asian markets increased during the first quarter as compared to the prior year. Based on preliminary data, overall gas demand in China and Europe (including Turkey) increased by 13% and 7%, respectively. LNG demand remained robust led by strong demand in the Asian Pacific markets as cargos were shifted from Europe to Asia to capitalize on the higher price arbitrage between the Atlantic and Pacific basins due to the extreme cold in Northeast Asia.

The recover in China from the pandemic has occurred much faster than expected, with LNG imports to China increasing by 33%, or roughly five (5) million tons, to just slightly less than 20 million tons in the first quarter.

We already discussed on our Annual Conference call that the severe cold weather in Northeast China led to the import of 8.8 million tons in January as JKM spot prices spiked to historical highs of \$32.5 per MMBTU, but subsequently retreated to more normalized gas price levels of around \$7 per MMBTU throughout the quarter. China imported 5.2 million tons and 5.8 million tons in February and March, respectively. China's LNG imports should remain stable throughout 2021 and we anticipate a slight growth by year-end as compared to the record volumes of LNG imported in 2020.

LNG imports into the developed Asian market of Japan, South Korea and Taiwan aggregated 42.4 million tons, representing an increase of just under 9% as compared to the same period in 2020. This increase was largely driven by the colder temperatures in January and February as well as issues with nuclear power, limits on coal-fired power generation and low inventory balances during this period. There were slight declines in South and Southeast Asia markets mainly due to the record high LNG prices. Overall, the Asian Pacific region imported 75.7 million tons, or 9.8% and 18% higher than 2020 and 2019, respectively.

Total gas consumption is forecasted to increase by roughly 5% in 2021, largely due to the rebound in economic activities from the pandemic and a further buildout of gas infrastructure in the Asian region. China is expected to again lead the growth in net gas demand, followed by India (depends on recent COVID-19 spikes) and other emerging Asian markets, but potential declines in gas consumption in Japan is expected to be offset by growth in other gas importers. Most likely, China will overtake Japan as the largest importer of LNG within the next couple of years.

In the Atlantic basin, Europe remains the most liquid natural gas market that serves to balance supply and demand and is a main consuming market for both LNG and pipeline gas. Natural gas demand increased by more than 5% during the 2020/2021 heating season driven by colder temperatures and declines in both nuclear power output and wind power generation.

The first quarter was an unusual period in the EU gas market as LNG demand declined by almost 28% as compared to prior year period, with overall LNG imports aggregating 20 million tons. Correspondingly, pipeline gas to Europe increased by 22% and amounted to 57 BCM, mainly due to an increase in Russian pipeline gas to the region as LNG supplies were diverted to the Asian markets. Moreover, as noted earlier, gas withdrawn from underground storage was also used to meet seasonal demand. Some LNG sellers elected to substitute pipeline gas instead of LNG to their EU customers as allowed under their contracts and instead shipped these LNG cargos to the Asian market to capture the premium Pacific basin margins.

The diversion of LNG supplies from the EU was roughly consistent with the growth in LNG imports to Asia and were mainly affected by the price premiums to this region. LNG prices have since reverted back to normal trading ranges and more cargos are now heading to Europe, especially from the US, as arbitrage spreads have narrowed.

With the strong EU natural gas growth in the 1Q 2021 of 9% Y/y, analysts are now forecasting an increase in European gas demand by approximately 3% in 2021, led by higher carbon prices to facilitate a coal-to-gas switch in power generation, robust storage fill as previously mentioned, and expected growth in industrial demand amid improving economic recovery. In fact, the carbon pricing has increased significantly since the beginning of the year and is very supportive of the coal-to-gas switching in the region. The forecasted growth will obviously depend on avoiding the reoccurrence of mass lockdowns in Europe with the new variants of the coronavirus.

As for upcoming price forecasts, we believe that there are sufficient factors in the market to support reasonable price formation in both the European and Asian markets through the second quarter 2021, as well as reasonable price expectations during the summer months as natural gas is reinjected into underground storage. We reiterate again that a reasonable price range between \$6 to \$9 per MMBTU will stimulate demand in all market regions and foster a switch from coal to natural gas.

Yamal LNG dispatched 66 cargos in the 1Q 2021, of which 52 cargos, or 79%, were sold under long-term contracts and the remaining 14 cargos or 21% under spot transactions. In the 4Q2020, we dispatched 66 cargos, of which 55 cargos or 84% were sold under long term contracts and 11 cargos or 16% under spot deals. A total of 4.85 million tons were dispatched in the 1Q 2021 which is reasonably consistent in volumes to that dispatched Q/q. During the reporting period, Yamal LNG produced almost 5 million tons of LNG and roughly 270 thousand tons of unstable gas condensate (stable gas condensate: 233 thousand tons).

Since inception, Yamal LNG has dispatched 690 cargos for a total volume of 50.4 million tons, along with 102 shipments of stable gas condensate, or 3.2 million tons. We reached the milestone of 50 million tons on the 26th March when a cargo of LNG was loaded on the Arc7 ice-class tanker “Nikolay Zubov” and this shipment represented the 685th cargo dispatched since inception.

The recent Suez Canal debacle did not impact our LNG marketing efforts for either long-terms or spot sales. Our tankers that experienced minor delays due to the blockage by the container ship “Ever Given”, had ample time gaps to meet contractual delivery obligations. In addition, the blockage had minimal, short-term impacts to both spot prices and shipping rates, despite the potential severity of the situation.

More importantly, the Suez Canal blockage (and to another extent, the delays this winter in LNG cargo passage through the Panama Canal) highlights the potential navigational chokepoints and the need to ensure more options to deliver hydrocarbons via tankers and/or pipelines for security of supplies. We believe that this event, although short in duration,

proves our long-term strategy to open the year-round navigation through the Northern Sea Route (NSR) is the right logistical strategy, as well as representing a lower-cost transport corridor for deliveries of our current and future LNG to the important Asian consuming markets.

We will again use the NSR to maximize LNG shipments to Asia, and as of March, we have already scheduled 25 deliveries this upcoming navigational season, inclusive of six (6) cargo redirections, but the opening of this route depends on the impending ice conditions and this past winter season was very cold in the Arctic region.

We also completed eight (8) ship-to-ship (STS) transshipments in the Kilden Strait of the Barents Sea. This process ensures the efficient use of our ice-class tanker fleet at the most optimized cost to transport LNG westbound. We will continue to utilize this STS transfer system for the upcoming transport season. All 15 Arc7 ice-class tankers operated during the reporting period, including two (2) Arc7 condensate tankers and 11 conventional tankers, which are used to supplement our fleet of ice-class tankers.

The overall progress on Train 4 was slightly more than 96% complete, with over 1,200 personnel still working at the construction site. The main construction activities for the project are essentially completed, but some seasonal work activities were performed in the first quarter that did not impact the commissioning stage. We have now produced several thousand tons of LNG under the cooldown method (using the main heat exchanger designed to handle commercial volumes), and the full commissioning and start-up of equipment and systems to design mode is currently underway. You can theoretically say that the volumes already produced during the commissioning phase and sent to storage tanks have been sold, but we are anticipating formal commercial production within the upcoming weeks.

Our other LNG facility, Cryogas-Vysotsk, had another strong operating quarter that was a carryover from the strong 4Q 2020, despite maintenance work done on Trains 1 and 2 during the quarter. We operated the facility at roughly 100% capacity utilization and produced 162 thousand tons, representing a Y/y increase of 35%.

NOVATEK Gas and Power offloaded 17 tanker shipments for 79 thousand tons, while Novatek Green Energy took 290 cargos by truck for 5.3 thousand tons. The remainder of the LNG volumes were taken under a third-party off-take agreement.

Presently, we have 12 LNG refueling stations in operations with nine (9) in Germany and three (3) in Poland, and we plan to construct and open another 30 LNG retail stations. Since commencement of retail operations, we have marketed approximately 12.5 thousand tons of LNG through our European retail stations and in the 1Q 2021, we sold 5.3 thousand tons for a seven-fold increase Y/y. We also had solid growth in our carbon neutral LNG fueling station in Rostock, Germany, which sold 826 tons in the first quarter, and at this current run rate, the station has the potential to sell almost 3,000 tons on an annualized basis. This compares to the average European LNG refueling station that sells roughly 1,000 to 1,500 tons per year.

As for Arctic LNG 2, the partners have financed approximately 39% of the total planned capital expenditures as of 31st March. All work activities at both the GBS construction yard and the Utrenneye field development have been successfully carried out without any delays or disruptions due to COVID-19.

We are in the final stages of the financing structure for Arctic LNG 2 and plan to secure approximately \$11 billion equivalent at terms and conditions more favorable than the financing arranged for Yamal LNG. We are in advanced stage of final negotiations with a consortium of international banks. Project financing will come from Russian banks, from Chinese banks and from Japanese and European banks. The financing terms and conditions will be more favorable than the financing obtained by Yamal LNG, and do not require us to procure long-term offtake agreements, as marketing from our impending two transshipment points in Murmansk and Kamchatka will facilitate and support our LNG marketing efforts.

Yesterday, Arctic LNG 2 formally announced that they have concluded the loan negotiations with a consortium of Russian domestic banks for EUR 3.1 billion. The remainder of the project financing is expected to be finalized in the near-term with the international consortium of banks.

The overall project is now 39% complete as of the end of the first quarter, with the progress on the first GBS estimated at 53% complete. We made great progress towards launching the GBS #1 as planned in 2023, and estimate that roughly 80% of the concrete casting, or 140 thousand cubic meters of concrete has already been poured for GBS #1 at Dry Dock 1. At Dry Dock 2, we have poured approximately 85 thousand cubic meters of concrete for GBS #2 and estimate that this process is about 49% completed. Overall, about 5,400 construction workers for the GBS contractors are presently onsite in Murmansk.

The first set of modules for GBS #1 are expected to arrive at Murmansk this upcoming September 2021 as previously reported, and we now have a target date to receive the first set of modules for GBS #2, which is preliminarily estimated to arrive in Murmansk in May 2022. About 15,000 workers have been mobilized for the module construction works in China, and as of today, we see no problem in meeting our timetables for delivery.

Work activities at the Utrenneye field and the Utrenneye Terminal are also proceeding according to planned schedules. We are roughly 40% complete with the first phase of the infrastructure works at the Utrenneye field, employing approximately 9,500 workers, and we drilled and completed another six (6) production wells for a total of 29 wells drilled to date for the first GBS train (23 production wells at year-end 2020). At the Utrenneye Terminal, we have completed approximately 72% of the work activities, including the works on the administrative areas. More importantly, the construction works on Berths Number 1 and 2 are now completed and are used to receive and offload materials and supplies. All dredging works under the State contract was completed as planned for the 2020 season, with dredging down to 15 meters in the water areas surrounding Berths 1 and

2. The start of the next dredging is planned for August 2021. The construction of the ice barrier wall is also underway and is also proceeding according to work plans.

As for the new airport terminal on the Gydan peninsula, the runway and perimeter fencing are 100% complete. Commissioning of the airport equipment is underway, and the facility is preparing for its initial test flight. The airport buildings and terminal area are being finalized, so overall, very good progress on the total infrastructure projects for Arctic LNG 2.

We spent approximately \$4 billion in 2020 and estimate that the capital spending requirements this year will be about 50% more (~\$6 billion) as the construction process intensifies to meet the scheduled launch dates.

On 9 April 2021, our Ust Luga Complex reached the milestone of processing 50 million tons of stable gas condensate into refined petroleum products. The Complex has been an integral part of our liquids value chain since its launch in June 2013, and a big contributor to product diversification and value-added margins.

We recently made the Final Investment Decision to expand the processing capacity of the facility from six (6) million tons to nine (9) million tons with the third stage expansion. As a reminder, we plan to complete this expansion by the end of 2023. We are now executing the FEED stage of work, and in the first quarter 2021, passed initial governmental expertise reviews, such as the ecological review and now getting ready for the technical expertise review.

We are also constructing the hydrocracker unit and this project is expected to be completed by year-end. After the initial commissioning phase, we expect this unit to be operational within the first half of 2022, and accordingly, the new unit will allow us to process lower value fuel oil into higher margin products. This aim is consistent with our strategy of enhancing margins in our total product line and corresponds to the decarbonization trend as outlined in IMO 2020 – more ships will convert to using LNG or hydrogen as bunker fuels.

We will use LNG to replace fuel-blend oil products for our future bunkering vessels at our transshipment complexes. The use of LNG as bunkering fuel complies with the stricter IMO requirements and leads to cutting CO₂ and NO_x emissions by roughly 27% and 76%, respectively.

There are a series of other development activities ongoing in our asset portfolio but not much has changed since our recent Annual Conference call. We increased our production drilling by 8% and completed 35 production wells during the quarter, as well as maintained our development activities at the North Russikiy Cluster, particularly the impending launch of the Kharbeyskoye field scheduled in the fourth quarter. We will update on these activities throughout the year.

We believe exploration works is necessary to unlock our resource base and develop future projects. All of our exploration activities for 2020 was completed as planned as we

increased both seismic works and exploration drilling. For 2021, our current budget is 50% higher than that planned for 2020 and is consistent with our prior guidance. We plan to drill and test 13 exploration wells and run approximately 2,600 square kilometers of three-dimensional (3D) seismic on our LNG license areas, as well as drill and test six (6) exploration wells and run slightly more than 1,400 square kilometers of 3D seismic on fields and license areas for our domestic production. In addition, we will drill two (2) offshore exploration wells as part of our exploratory commitment in Montenegro with ENI as the operator.

We will also continue our exploratory works to assess reservoirs to inject and store CO₂ at Yamal LNG, Arctic LNG and future LNG projects in the Yamal and Gydan peninsulas, as wells developing the lower horizons, including the Achimov and Jurassic layers, at our legacy fields.

We completed the drilling of well # 6407 at the Urengoyskoye field of ArcticGas targeting the Achimov layers, and this well represents the longest Achimov well ever drilled at one of NOVATEK's fields, with a total well length of 5,910 meters, vertical depth of 3,822 meters and the horizontal section of 1,539 meters long. Testing is forthcoming. Moreover, we have conducted preparatory works at ArcticGas's well # 7703 also targeting the Achimov (Ach5-1) layers with a twenty-stage hydrofracking. This represents a record high number of frac stages for us. We will provide details on later conference calls.

For 2021, our production guidance for natural gas and liquids is approximately a 1% growth for liquids and up to 3% for natural gas over the 2020 levels.

We are actively engaged in marketing of our future LNG volumes, and as we reported on the last conference call, these negotiations are proceeding according to our commercial marketing plans. We have already signed several binding contracts for the sale of LNG from Arctic LNG 2, and will announce these contracts in due course. We are targeting at least 80% of our future LNG sales to the Asian markets.

We also announced yesterday that we have concluded the signing of the Sales and Purchase Agreements (SPAs) with all of the Project participants, with the offtakes in proportion to their equity stake on a FOB Murmansk and FOB Kamchatka basis with price formulas linked to international crude and gas benchmarks. The Arctic LNG 2 project is essentially de-risked as we previously reported.

Our financial and operational results were strong during the First Quarter 2021, which was consistent with the recovery in hydrocarbon prices as well as the very cold weather supporting natural gas consumption and the withdrawals of gas from underground storage. This strong macro trend continued the sequential quarter-on-quarter improvements in our financial results, starting from the weak second quarter 2020 as the result of the outset of the coronavirus pandemic, economic lockdowns, a collapse in hydrocarbon prices and a warmer winter season. We once again demonstrated the resiliency, stability and cash generative nature of our core domestic gas business and we remained profitable throughout the reporting period.

Brent crude oil prices increased by 22% Y/y from an average of \$50 per barrel to \$61 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) increased by 116% and TTF (Title Transfer Facility (Netherlands)) by 113%, respectively. The average Russian domestic gas tariffs increased by 3.0% in the reporting period. So, a very strong recovery in hydrocarbon prices during the reporting period.

The Y/y increase in total natural gas revenues by RR 12 billion, or by 12%, was largely driven by increases in both domestic gas sales and international LNG revenues of 13% and 10%, respectively. Our Q/q natural gas revenues increased by 4.6%, or RR 4.9 billion, largely due to stronger growth in quarterly LNG prices by 43% in Russian ruble terms per MCM, as well as the average 3% increase in the domestic tariff, but slightly offset by lower seasonal volumes between the fourth quarter 2020 and the current reporting period.

We sold 21.5 billion cubic meters in the first quarter, of which 19.6 billion cubic meters of natural gas was sold on the Russian domestic market and 1.9 billion cubic meters in equivalent LNG sales during the reporting period. Our combined sales volumes increased by 743 million cubic meters, or by 3.6%, but was offset mainly due to a 24% reduction in spot sales from Yamal LNG as more volumes were sold directly under long-term contracts. As for our Q/q sales, we had a slight seasonal decline in domestic volumes sold that was offset by an increase in LNG volumes sold by 3.6%, or 65 thousand tons.

Our LNG sales on international markets represented 8.7% of our total natural gas volumes sold and accounted for 25% of our natural gas revenues (versus 26% and 21%, Y/y and Q/q, respectively). In the 1Q 2021, our average LNG netback was more than 4.3 times higher for LNG volumes sold internationally than netbacks received on the domestic market and was relatively consistent with the Q/q netback ratio based on stronger gas pricing and netbacks in the regions where we marketed our LNG volumes.

Our liquid revenues for the reporting period totaled RR 130 billion, representing a significant increase Y/y of RR 46 billion, or by 55%, as well as a strong increase Q/q by RR 21 billion, or by 19%. We achieved better prices for the majority of our liquid hydrocarbon products with stronger underlying benchmark prices in both USD and RR terms. We also had 330 thousand tons in transit at period end as compared to 127 thousand tons Y/y and 190 thousand tons at year-end. These transit volumes will be recognized in the second quarter.

Overall, our oil and gas revenues increased consistently with the strong growth in hydrocarbon commodity prices, and to a lesser extent, growth in volumes sold in the reporting period.

Our operating expenses increased by RR 32 billion, or by 22%, mainly due to the increases in prices paid for purchases from joint ventures but offset by lower spot volumes purchased from Yamal LNG. Purchases significantly increased by RR 28 billion or by 43% as the downward trend in 2020 has reversed itself over the past two quarters with the strong recovery in benchmark prices. Our Q/q purchases increased by RR 21 billion, or by 29%.

Our other operating categories were relatively consistent with our expectations for all of the reporting periods and represented some seasonal adjustments, salary indexations and bonus accruals. The large reversal in the “change in inventory” operating expense line-item Y/y and Q/q was driven mostly by higher prices for liquids purchased and an adjustment to realized profits, and to a lesser extent volumes.

We spent roughly RR 42 billion in cash on our capital program, representing a marginal increase of less than one percent versus the prior year, and a Q/q decrease of RR 21 billion, or 33%. We invested more cash in the fourth quarter 2020 as commodity prices improved during the second half of the year. Most of capital spent was consistent with prior year activities and mainly focused on our LNG projects and the Murmansk LNG construction yard as well as development activities at the North Russkiy Cluster.

Our capital expenditure program guidance in 2021 is RR 200 billion, which is broadly consistent with the amount spent in 2020. As always, this CAPEX guidance is subject to revisions depending on the macro-environment and changes to specific work programs.

Our normalized EBITDA totaled RR 144 billion for the first quarter 2021, increasing Y/y by 43% and Q/q by 14%. The increase in our normalized EBITDA was largely attributable to strong performance from our subsidiaries, mainly from the recovery in liquid sales from a stronger macro-environment, as well as good contributions from all of joint ventures, particularly Yamal LNG and ArcticGas.

We generated positive free cash flows of RR 32 billion during the reporting period versus positive free cash flows of RR 18 billion in the comparative period and negative free cash flows of RR 3 billion in the fourth quarter 2020.

Our balance sheet remained very strong throughout the reporting period, despite the fact that we used cash to repay our 10-year 2021 Eurobond at its stated maturity date. Our fundamental credit metrics support our international and domestic credit ratings, and we continue to believe that a sound and conservative financial position is important in volatile economic times. Both Moody’s and S&P confirmed our investment grade credit ratings after our recent annual reviews during the reporting quarter.

CONCLUSION

The first quarter was a very good financial and operational quarter for the oil and gas industry, and this should be reflective in the solid financial results during this upcoming reporting season. Underlying commodity prices across the full range of hydrocarbon products were relatively strong throughout the period as improving economic activities support the fundamental drivers for energy consumption. As for natural gas, despite the short but non-sustainable spike in the JKM gas spot prices in Asia in January/February, we had a reasonably strong recovery in gas hub prices as well as a significant reduction in underground gas storage from a cold winter season. Moreover, crude oil prices have remained quite strong and provided strong support for pricing for our range of liquid products.

NOVATEK enjoyed a strong reporting period, and we believe the remainder of 2021 looks positive for our operations with relatively stronger commodity prices throughout the year and continuing economic improvements. Asian demand remained strong in the 1Q21, especially with increases in LNG imports in China by 33% and Japan, South Korea and Taiwan by 8%, which was offset by declines in India LNG imports by approximately 11%. The significant move in the recent JKM and TTF prices reflect strong demand fundamentals for natural gas in power and industrial consumption as well as an underperformance in renewables.

Moreover, the late cold spell this Spring meant more natural gas was withdrawn from underground storage and this should support gas prices in the upcoming reinjection season. The recent 12-month forward curves for both JKM and TTF looks strong for improved netback margins in 2021 and increased by 17% and 15%, respectively, over the past month, as well as the resiliency and strength in benchmark crude oil prices. We expect strong earnings throughout 2021 with higher liquid and gas prices.

In March 2021, the Russian government approved Russia's LNG Strategy to 2035 that envisages producing up to 140 million tons. We would also like to remind everyone, that according to a presidential decree signed in October 2020 (Decree No. 546 dated 26 October 2020), LNG production in the Arctic region should reach 64 million tons per annum, and the Tambey fields are included into the resource base for future LNG production. As customary, we do not comment on market speculations concerning M&A activities.

We are performing extensive exploration works on the Yamal and Gydan peninsulas and we see the opportunity to capture at least one-half of the LNG volumes outlined in the LNG Strategy to 2035. Our LNG projects are cost-competitive in comparison with any of the global LNG projects, and with increased LNG demand, we see the need for more Russian LNG projects, which supports our efforts to localize industrial manufacturing and improve the terms and conditions with domestic suppliers.

Climate change is a major global issue that requires full international cooperation to address the issue of decarbonizing society. NOVATEK will play a key role in this energy transition to a low-carbon society. We addressed this topic on our recent Annual Conference call and talked about climate change and our commitment to decarbonization. We published our Environmental and Climate Change Goals to 2030 and we believe our targets are reasonable and reflect the low CO₂ and GHG emissions intensity already in our operations.

But generating cash flows and profits are also important and should not be overlooked. We must deliver sustainable profits to our shareholders and create total shareholder value in a responsible manner. Without profits, we don't have a sustainable business and we can't distribute the dividends that investors seek.

NOVATEK's pathway forward to a decarbonized world is through delivering more clean-burning natural gas via LNG and other low-carbon energy to the emerging Asian

economies. We believe natural gas has a major role to play in the future global energy mix, despite calls to reduce fossil fuels. The Asian Pacific region will experience rapid economic growth over the next several decades and will consume more fossil fuels, not less, to ensure economic prosperity and improved standards of living for their people. Clean-burning natural gas will fuel this economic growth, not solely renewables.

We are also studying the possibilities to expand low-carbon energy by producing ammonia and hydrogen, with carbon capture and storage (CCS) technology. We will also use hydrogen as a fuel mix with natural gas and we will work with our partners Baker Hughes and Siemens to achieve this goal.

Natural gas will play a leading role in the energy transition towards a low-carbon society for many decades, providing stability and reliability to the electricity power grids as well as ensuring affordable energy for a growing population. There are still about one billion people without access to affordable and reliable electricity, and the world is expected to add another two billion people, reaching more than nine billion people by 2050. Equally important, we see an expanding middle-class population in Asia and the majority of these new entrants want to improve their standard of living, and this improvement will only come from consuming more energy, not less.

ESG is an important part of our underlying core business philosophy and we will continue to expand our sustainability disclosures as well as ongoing engagement with our stakeholders, our employees and the communities in which we operate. We are committed to high ethical standards to underly our effective corporate governance structure as we expand our operations domestically and internationally.

Our shareholders just approved the full year 2020 dividend at last week's AGM. We are committed to increasing our dividend each and every year, if possible, and increasing our total shareholder returns in a socially and ecologically sustainable manner. We have a strong foundation of building a world class natural gas company over the past 25 years, and our ongoing mission is to build trust with our communities, create long-term value and deliver sustainable cash flow growth for our shareholders.

NOVATEK unequivocally supports the global community's aspirational goals of a net-zero emissions and a low-carbon future by 2050 and beyond.

We would like to thank everyone again for attending tonight's conference call and for your continued support of NOVATEK. We are now ready to open tonight's session to questions and answers.

Thank you!!

Operator: We'll take our first question from Angelina Glazova with JP Morgan.

Angelina Glazova: Hello. Thank you for the presentation and an opportunity to ask questions. I just have a follow-up question with regards to the plans to produce ammonia, as you mentioned, so could you clarify whether LNG production and ammonia production in the context of the Obskiy LNG project are alternative and mutual exclusive options or the company can consider both options to some extent. Thank you.

Mark Gyetvay: Why did we know we would be asked this question because people have been speculating about this comment for quite some time now? Mr. Mikhelson said recently at the AGM event that we will continue forward with Obskiy LNG. What we have done in that area is spend a significant amount of money, as of today, on developing the future resource base at our two fields, supporting the Obskiy LNG project. These two fields are already at advanced stages, and we are looking presently at different opportunities to monetize our resource base, particularly a gas chemistry project at Sabetta to produce "blue" ammonia. So I assume that this is what you're alluding to in your question.

We may internally decide to move forward with this project in 2021 with a potential FID decision in 2022. This will allow us to develop an ammonia/hydrogen export-oriented project on the Yamal Peninsula to produce low-carbon energy. But as we speak today, we're still studying this question. And, so I would ask you just to be a little bit more patient and we will address this question over the next several conference calls, as we have a chance to conclude the internal review of this particular asset.

Angelina Glazova: Thank you. This is very clear. Thank you.

Mark Gyetvay: You're welcome.

Operator: We will take our next question from Kirill Bakhtin with Gazprombank.

Kirill Bakhtin: Hello, thanks a lot for your presentation. I have a question related to the sale of 10% interest in Arctic transshipment entity. Does NOVATEK remain the only company to finance for the construction of LNG terminal.

Mark Gyetvay: Well, as you noted yesterday, we made this announcement that we are selling a 10% stake to one of our partners, Total. At this point right now, the purchase price has not been announced and we'll discuss that a little later in the year in agreement with our partners

on the disclosure of the purchase price. As we speak today we've had, and we've actually indicated many times in the past, that we had very, very strong international interest in our transshipment complexes, particularly as we look at Kamchatka in the Far East. We've had strong interest from Japanese, as well as Chinese partners. Depending on further discussion that we have throughout this year, we will consider options for that particular terminal, but at this particular point in time, as I mentioned, as we go into the question possibly later of the Tambey fields, at this particular point in time, we don't comment on speculation relating to M&A activities. I think it's best to wait until we formally announced our particular plans to further sell additional stakes in our transshipment complexes. So I think this is another question that will be answered in due course on future conference calls.

Kirill Bakhtin: Thank you for your answer.

Mark Gyetvay: You're very welcome.

Operator: And again, to ask a question, please press star one. We'll take our next question from Henri Patricot with UBS.

Henri Patricot: Hello, Mark. Thank you for the update. I was wondering about the production guidance for the year, because there is a production growth of 6% in the first quarter and you are guiding lower growth rate of production over the course of the year. So I was wondering if I could get a sense of some of those moving parts for the rest of this year for production, because guidance implies on the point that there is decline from current levels, despite Yamal LNG 4th train starting very soon.

Mark Gyetvay: You're talking about overall guidance for liquids and gas production for the year?

Henri Patricot: Yeah.

Mark Gyetvay: We've guided natural gas in 2021 up to 3% year on year. And at this particular point, that's really about all we can say at this juncture. We look at this question throughout the year as a normal course of business, and a lot of the ability to determine exactly what the year on year increase really depends on the launch dates of these particular fields. I mean, that makes logical sense that if you were to launch a field in the first quarter, you're obviously going to produce more for the year. So you have a higher rate of growth, but if you launch a field or production well in December, obviously its impact to the production growth will be minimal.

So I think it's really a function of when wells get put on stream that we actually can make that determination on an actual basis. But the plan for 2021 is a 1% growth in our liquid output and a 3% growth in our gas output. That's really about all I can say at this juncture.

Henri Patricot: Thank you.

Mark Gyetvay: You're welcome.

Operator: We'll take our next question from Ildar Khaziev with HSBC Bank.

Ildar Khaziev: Yes. Hi, thank you. Most of my questions were answered actually, but just one maybe, I think you might have covered this already on this, but, in January, you've signed agreements with NLMK and Uniper on decarbonization projects you might work with them, and maybe you could comment on this a bit more. I mean, do you think there is some money which could be made in Russia actually in this push for decarbonization? Is it something you actually can deliver in the 2-3 years, if it's something tangible.

Mark Gyetvay: Again, it's a question that we are studying right now in terms of working with our partners, Uniper and NLMK, and I think it's, again, a little premature to be able to give you specific details on what exactly these particular projects will entail in terms of reducing carbon emissions at this point. But the aim is to look at our total value chain, whether it's our LNG value chain or liquid value chain or gas, domestic gas value chain, and we work with our customers as best as we can to determine how we can reduce our carbon footprint, because right now the Russian government is also looking at this issue very closely and just recently announced some of their targets in terms of reducing carbon, greenhouse gas and methane emissions.

And so obviously it is an important area for the country itself and us in particular, and I think this is a question that over the course of this year we may not even have some tangible information to provide you at this point, but this is something that we're working diligently with our partners. I think you probably will see other announcements over the course of the year, as we further work with our partners to try to best determine how to reduce these emissions from our operations.

So I don't have any concrete timelines for you, and I don't have any concrete, specific projects that I can share with you tonight, but I assure everybody on this call, as has been customary through all our conference calls of NOVATEK, that we will endeavor to provide as much detail on these upcoming projects, as soon as they're given to me, and everybody feels comfortable

enough that we have done enough study, and I've done enough work in this particular area to disclose something to you.

We don't want to disclose something to you and then we can't deliver it. I think we just need to come up with a plan first, study whether or not that plan is feasible and does it make sense from an investment perspective? Does it fit the needs of our customers? Can we use these particular projects to create some sort of carbon credits for ourselves? I think this represents just another question, unfortunately, that I think it would only be answered to probably your satisfaction and to other people on the call satisfaction with the passage of time. So I would just wait a little bit more and as soon as we have updates on projects that we're working with our partners across the full range of our operations, we will provide that information to you as, like I said, it's customary for our business.

Ildar Khaziev: So thank you, Mark. I appreciate it.

Mark Gyetvay: You're welcome.

Operator: We'll take our next question from Alexander Donskoy with VTB Capital.

Alexander Donskoy: I just wanted to ask you to elaborate on your ammonia and hydrogen projects and specific data on that, I mean some timeline figures, but I believe you are not ready to share this information so far.

Mark Gyetvay: Yes, again, like I said, I think it's premature because we are working on something that I think is of strong interest to our investors and actually strong interest for the industry. And I would say that we're not the only ones under this situation where we need to look at how best we can deliver energy, and particularly low carbon energy, and ammonia is one of the areas that we're focusing on. If we look at hydrogen as an example, because last year hydrogen received an enormous amount of interest from investors, people asking questions, we've seen information on conferences and studies. But it's kind of one of those commodities that's also very sensitive, you have to liquefy hydrogen, I believe, to minus 250+ Celsius. It's very energy intensive and volatile. We don't have the infrastructure in place yet to deliver hydrogen.

One of the things that we were considering as part of adding ammonia to the process is that we believe by using ammonia, we can actually transport hydrogen more effectively to the marketplace. We know already that, for example, the Japanese market is very interested in the

consumption of ammonia in their marketplace. But there are things like the carbon capture and storage technology that we have to look at first. So there's a series of processes, series of investments, series of studies that need to be completed that actually encompasses this whole area that we're talking about. Low carbon LNG, carbon capture and storage, hydrogen/ammonia production. Whether or not we will increase renewables into our process, i.e. wind or more solar, to make some of the inputs greener.

This whole area is just going to take a little while for us to go through the process of looking at how best to build and execute the strategy, because we also still have to look at things like where exactly will a plant be based? Onshore, offshore plants, like on a GBS structures, since we're building out the construction lines for GBS structures, but I just want to say it to yourself and to the people that are listening on the call tonight, we are looking at this seriously, and we are in discussion with our partners and our contractors. As we move forward, I think it would be better to wait until I have a little bit more information to share with you, because I think 2021 will be a year of movement in terms of decision processes that we will make as we look to update our long-term strategy as we promised we would do.

And the update on the strategy is to take the climate and environmental goals that we established and see that impacts to our business. And in order to do that, we have to now incorporate into the strategic discussions these other types of projects, as I mentioned, carbon capture and storage, reforestation, which is a nature-based carbon solution, ammonia, and hydrogen. So, I just think it needs a little more time for us to come up with a feasible plan that's been clearly vetted amongst our internal groups that are working on these important areas. We have a new department that's basically looking at new energy type projects and they're working diligently as we speak to look at all these different options that we have on the table today. But they're not types of projects that we can make a rush decision or jump into something that we don't fully understand yet, and that means we need to do some studies.

Let me make one comment to provide some kind of relevance to this whole process. What we're talking about is gas chemistry and Russia is very well adopted to gas chemistry. We know that we can do this. It's just a function of time and additional work that we need to do to iron out a plan and the economic analysis of those potential options before we make a formal decision. So again, this is another one of those answers that I just asked everybody to please bear with us, be a little patient, but we are working on these important questions. And we're working on this diligently now because we are in the process of looking at this area in the range of updating our strategy.

Alexander Donskoy: Thank you very much.

Mark Gyetvay: You're welcome.

Operator: That concludes today's question and answer session. I would now like to turn the conference back over to today's speakers for any additional or closing remarks.

Mark Gyetvay: Well, I'd just like to say again, thank you everyone for taking the time tonight to join us. I know it's been a very, very busy day today, and I don't want to hold you up too much, but thank you for your support. We look forward to addressing each and every one of you at these upcoming conferences, investor meetings, and also during the quarterly conference calls. So thank you very much and we look forward to addressing you in the future.