

PAO NOVATEK

Fourth Quarter and Full Year 2020

Financial and Operational Results – Earnings Conference Call

18 February 2021

Moscow, Russian Federation

Mark Gyetvay:

Ladies and Gentlemen, Shareholders and colleagues good evening and welcome to our Fourth Quarter and Full Year 2020 earnings conference call.

Joining me this evening on the Q&A session will be Mr. Leonid V. Mikhelson, Chairman of the Management Board and a member of the Board of Directors. We will conduct this segment of tonight's call in the dual languages of Russian and English, so we respectfully ask everyone to limit their questions to one at a time for the convenience of the translation and our listeners as we have allotted ample time to address all of your questions.

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 2019, as well as any of our earnings press releases and documents throughout the past year for more description of the risks that may influence our results.

CONFERENCE CALL TEXT

It's been an unprecedented year so far in many respects and definitely one for the history books, but much has already been written and discussed about the impact of the COVID-19 pandemic on society and markets. Therefore, we will limit our comments on this subject and instead focus on matters that are at the forefront of energy discussions.

But before we begin, we would like to reiterate that the Group's management remains vigilant and we will take the necessary precautions to protect the safety and wellbeing of our employees, our contractors and their families against the further spread of COVID-19 and minimize any disruptions to our operations. We took early and decisive action in February 2020 to limit the spread of the virus while ensuring the continuity of our

operations and commitments to our valued customers. More importantly, we will always place the health, wellbeing and safety of our employees above corporate profits.

In 2020, we adopted the theme of “THINK GREEN. THINK NATURAL GAS”. We believe this statement best reflects the core nature of our business as a major natural gas producer and redefines our commitment to producing “Green LNG”. Climate change is the defining topic of this generation. Our shared core values with society, our strong focus on corporate governance and transparency and our commitment to minimizing our environmental footprint and mitigating carbon emissions defines our investment case. It underscores our commitment to the basic principles of ESG.

The Energy Transition will be achieved by transitioning society away from coal to a combination of natural gas, renewables and, to some degree, hydrogen. One solution will not suffice. We do not believe that renewables alone will solve the climate change agenda as presently discussed in the media and in the political circles, nor do we believe that renewables – mainly solar or wind – will meet the energy requirements of more electrification and solve the intermittency questions.

We believe the pathway forward for NOVATEK to assist countries in meeting their aspirational net zero targets is through delivering natural gas. Natural gas is a clean-burning fossil fuel and is plentiful. It has a proven track record to meet the needs of power, industrial and residential energy requirements, and has adequately proven its reliability under various extreme conditions.

We have 16.4 billion barrels of oil equivalent (BOE) under the SEC proved reserves category, of which 2.2 trillion cubic meters (TCM) or the equivalent of 14.7 billion barrels are natural gas. Under the PRMS reserve methodology, inclusive of proved and probable reserves, our year end reserves totaled 29.3 billion BOE, of which 4.0 TCM was natural gas or the equivalent of 26 billion BOE. Our reserve lives of 27 years under the SEC case and 48 years under the PRMS methodology (P2) ensures we have ample hydrocarbon reserves for many decades. We believe we can solve the dual challenge of developing our reserves responsibly and contribute to society in reducing carbon emissions.

The pace to decarbonize energy has accelerated this past year. Many countries (~150 countries) have announced ambitious targets to battle greenhouse gas emissions, slowly transition away from fossil fuels, and move their economies more towards electrification and renewables. This requires us to develop a clear path forward to decarbonization and amplifies the importance of the message we communicate to society-at-large.

In August, we formally approved our Environmental and Climate Change Targets to the year 2030. These new targets are consistent to the time period as outlined in our Corporate Strategy published in December 2017. We believe that setting realistic targets within an accountability period (2030) is far more impactful than broad, aspirational statements to 2050. We were the first Russian oil and gas producer to formally establish quantitative methane emission targets. We are also the first and only Russian oil and gas company to receive an “A” rating by MSCI for sustainability.

Many of our 2019 baseline targets are already environmentally friendlier than the future targets goals of our industry peer groups. Our natural gas business, including our Yamal LNG facility, has one of the lowest greenhouse emissions and carbon intensity per ton of LNG produced relative to our industry peers. The world needs more natural gas, not less. We believe we can positively contribute to these emission targets as our growing LNG platform is one of the cleanest globally.

There was only one LNG project sanctioned in 2020 and this represented the lowest level of FIDs in the past 20+ years. This year, we already had our first FID sanctioned by Qatar for the North Field expansion program. How many more projects that will be sanctioned in 2021 remains unknown. Obviously, the lack of new FIDs will have future consequences to the supply side post-2025. Future LNG supplies depend on successfully completing new projects as well as maintaining capacity utilization of current LNG plants between 80% to 90% globally.

We believe our Arctic LNG 2 is perfectly timed to help fill this projected supply gap.

During 2020, we fielded many questions about peak natural gas demand and long-term depressed prices and how this situation may impact on our commitment to LNG. It's quite understandable to ask these types of questions when we are making significant capital investments into LNG projects that span 35+ years. But let's be clear this evening. We remain fully committed to deliver up to 70 million tons of LNG by 2030 according to our strategy.

We believe that long-term LNG demand will remain robust and more than double to 700+ million tons per annum by 2040, with the largest demand growth coming from the Asian Pacific markets. This demand forecast represents the "business as usual case", but there are other carbon-based scenarios that reflect a reduction in future gas demand. Most importantly, however, under any of the net zero carbon scenarios – LNG demand continues to grow through 2060.

Emerging Asian offers the strongest demand potential by converting coal to natural gas, especially in China and India. The Asian region offers the most dynamic economic growth prospects with increasing populations and improving standards of living. This translates into growing energy consumption, especially clean-burning natural gas in the future energy mix.

Global LNG imports were approximately 362 million tons in 2020, representing an increase of roughly six (6) million tons or less than 2% growth as compared to 2019. The growth in global LNG demand was despite a contraction of approximately 2% in total natural gas demand and a 9% decline in crude oil demand in 2020. For the 4Q 2020, total LNG imports aggregated 95 million tons, or approximately 2% higher than the comparative 4Q 2019 period. The main markets of the Asian-Pacific region imported about 229 million tons, or 4% higher than the prior year as both China and India took advantage of lower spot prices in 2020.

In the fourth quarter, China imported slightly more than 19 million tons, representing an increase of 14% as compared to the prior year. Throughout 2020, China demonstrated strong LNG imports despite the early coronavirus-led economic lockdowns as the country's gradually improved its economic activities, as well as the increased gas demand from the colder than normal winter weather in December and now into the early parts of 2021.

China imported approximately 69 million tons, or roughly seven (7) million more tons than the country imported in 2019. China has outpaced consensus forecasts, largely in part to a rapid economic rebound from the virus lockdowns. So far in 2021, the preliminary figures show strong LNG imports of 27%, or 8 million tons, thanks to the extremely cold weather in Northeast Asia.

Total EU LNG imports in 2020 aggregated 86.5 million tons or lower by 2.3%. Although down in 2020, Europe remains a very liquid market and an important gas region for both pipeline gas and LNG imports. The EU serves as a balancing factor for the global gas markets with a well-developed pipeline and storage infrastructure.

In the fourth quarter, Europe imported slightly less than 18 million tons of LNG, representing a 30% decline between reporting periods. This most likely represents a shift in cargo destinations to capture higher arbitrage margins in the Asian Pacific markets, with storage withdrawals compensating for the lower LNG imports. Overall, the EU's gas share remained quite stable although we note that renewables in the total EU power generation increased to 38%, representing the first time that renewables outpaced fossil fuels (37% in 2020).

The most important development in Europe this past quarter and so far into the first quarter 2021 has been the rapid decline in underground storage below the five-year historical average. According to GIE (Gas Infrastructure Europe), European gas storage stood at about 54% of its capacity, and the pace of withdrawal since the start of the winter heating season has been quite impressive. Almost 40 BCM of natural gas has been withdrawn as of the end of January, representing almost double the rate of 2019.

The significant reduction in underground gas storage should be supportive of natural gas prices in 2021, as gas deliveries will be injected into storage in the traditional summer and fall seasons, as well as the expectations of stronger economic growth in the second half of 2021. We expect LNG imports into Europe in 2021 will be at least comparable to prior year volumes.

One of the most important signs in this pandemic year has been the quarter-on-quarter improvements in natural gas prices after reaching price lows in the late spring, early summer months. Gas prices were reasonably strong going into the peak heating season in the Northern Hemisphere, but the spike in LNG prices in the Asian markets were driven by extreme winter temperatures and significant drawdowns on limited LNG stocks.

The recent spike in the JKM (Japanese Korean Marker) spot price was obviously not sustainable. We consider a range of \$7 to \$8 per mmbtu to be a more realistic longer-term sustainable gas price – acceptable to both sellers and buyers, although periodic spikes and dislocations between markets do occur and will lead to temporary arbitrage situations between the Atlantic and Pacific basins.

Yamal LNG loaded and dispatched 255 cargos or 18.6 million tons of LNG, along with 24 cargos of gas condensate or roughly one (1) million tons. The facility produced approximately 18.8 million tons of LNG and operated about 114% of its nameplate capacity on an annualized basis. At year-end, the LNG shipments since inception totaled 624 cargos for an aggregate volume of 45.6 million tons of LNG. Yamal LNG has been an extraordinary success for NOVATEK and our partners.

In the 4Q, we dispatched 66 cargos for a total volume of slightly more than 4.8 million tons of LNG, of which 55 cargos or 84% were sold under long term contracts and 11 cargos or 16% under spot deals. In comparison, in the third quarter, we dispatched 61 cargos or 4.3 million tons, of which 64% were long-term contracts and 36% of the cargos were spot sales. Yamal LNG also dispatched five (5) cargos of gas condensate totaling 208 thousand tons in the fourth quarter.

All 15 of our Arc7 ice-class tankers operated successfully throughout 2020. We extended the time limits on the Northern Sea Route (NSR) this past year by opening the navigational season one month earlier in May and made a series of historic voyages by delivering LNG to the Asian Pacific region with 2 cargos in December and 2 cargos in January 2021. The traditional navigation season generally ends in November. In 2021, we are planning to open the upcoming NSR navigational season earlier in either April or early May together with Sovcomflot.

It is our logistical strategy to increase our LNG deliveries using the eastbound direction of the NSR to optimize cost and increase our netback margins. During 2020, we completed 34 voyages to the Asian markets – 20 long-term contracts and 14 spot cargos, which is twice the number of cargos in 2019 (# of cargos - 17) and more than eight times the transit of cargos eastbound in 2018 (# of cargos - 4). We believe the LK-60 icebreakers may be operational before the end of 2022, which should further support the year-round navigation along the eastbound route to Asia.

In November, our wholly owned subsidiary, NOVATEK-Western Arctic, completed Russia's first ship-to-ship (STS) LNG transshipment at a temporary LNG Offshore Transshipment Complex in the Kildin Strait of the Barents Sea (Murmansk Region), as we successfully reloaded an Arc7 cargo to the conventional tanker "Yamal Spirit". We also completed another STS operation in early January 2021 by reloading LNG from an ice-class tanker to the conventional tanker "Yenisei River". These are examples to optimize our tanker fleet and reduce transit time and costs.

At Cryogas-Vysotsk, we reached a milestone of one million tons of LNG produced since we commenced liquefaction operations in 2019. During this period, we dispatched more than 200 LNG carriers and 1,210 trucks to diverse geographical locations. We also

supplied more than 80 trucks of LNG to the Russian domestic market as part of our efforts to provide clean-burning LNG to consumers in the Murmansk Region as well as our domestic refueling stations.

We dispatched 564 thousand tons of LNG, of which 194 thousand tons were dispatched in the fourth quarter. The facility operated at 117% of its nameplate capacity during the fourth quarter and averaged approximately 85% of its capacity utilization for the full year.

At the end of 2020, the overall construction progress for Arctic LNG 2 was estimated at slightly more than 32%, up from 27% at the end of September. The first train's overall progress, including platform construction, module fabrication, and facilities on site, is roughly 46% completed. Concrete works also continued for the second GBS platform at Dry Dock #2. Overall, approximately 4,100 construction workers are mobilized at the Murmansk LNG Construction Yard.

No delays are expected in the deliveries of LNG modules as 12,500 workers are now mobilized at the module construction sites in China, as compared to 7,000 workers in September. The yards are producing at full capacity and COVID-19 preventative measures are in full effect to limit any negative impacts on work schedules. Boil-off compressors from Siemens, gas turbines for power generation, cryogenic gas turbine compressors and separators from Baker Hughes, and the heat exchanger from Linde were delivered to shipyards in China for installation inside the LNG modules. The first modules for GBS #1 are expected to arrive in Murmansk around September 2021. Accordingly, the launch of GBS #1 is scheduled for 2023 and we see no delays in meeting this target.

Good progress was also made on production drilling program at the Utrenneye field. We drilled an additional six (6) production wells in the fourth quarter, for a combined total of 23 production wells. This represents 32% of the field's development plan to meet the launch schedule of the first GBS unit. All of the work activities at the Utrenneye field as well as the Utrenneye terminal are proceeding according to their respective workplans. We expect no delays in completing our work schedules.

About 34% of project's total capital program has been financed by the shareholders by year end, and we contracted more than 87% of the project's total capital expenditures, including 100% of the equipment for the Utrenneye Terminal. We spent approximately \$4 billion in 2020 and estimate that the capital requirements will be about 50% more (~\$6 billion) in 2021 as the construction process intensifies to meet the scheduled launch dates.

We are in advanced stages of negotiations to secure the project's external financing of approximately \$11 billion (USD equivalent) by mid-2021 or earlier. Sberbank has already publicly confirmed their commitment of \$3 billion (USD equivalent), and we have other Russian banks, as well as Chinese, Japanese and European banks that have all expressed their desire to be part of this financing structure.

The recent spike in spot gas prices has narrowed the expectation gaps between buyers and sellers, and as a result, it will bring everyone to the negotiating table with more realistic

expectations. We have agreed all of the main parameters for the SPA's (Sales and Purchase Agreements) with our project participants, and we expect to finalize the signing before the end of 2021.

We have also been actively discussing and negotiating long-term supply contracts with potential buyers for our share of the LNG output. These discussions are proceeding according to our commercial marketing plans and we have already signed several binding contracts for the sale of LNG from Arctic LNG 2. We will announce these contracts in due course, but as of tonight's call, we have mutually agreed with the buyers to withhold disclosure of this information at this time. We are targeting at least 80% of our future LNG sales to the Asian markets.

At the end of 2020, Yamal LNG commenced pilot LNG production at the fourth train with the nameplate capacity of 900 thousand tons per annum. Currently, the commissioning process is ongoing, including final production processing testing in order to optimize the liquefaction process. We are going to start full-scale production in the upcoming weeks.

As for our future Obskiy LNG project we are presently in the FEED (Front End Engineering Design) stage of the workflow, and we are now considering the possibility to increase the design capacity of the facility. We have always been consistent in realizing our projects and we want to be certain that we have considered the right design parameters. Currently, we remain focused on finalizing the external financing for Arctic LNG 2 as this project begins the next phase of intense construction activities. We will provide updates accordingly.

We will complete the construction of the Ust-Luga Complex hydrocracker project by year end 2021, as well as start the commissioning tests of the equipment. We anticipate that the first production will commence around the end of the first quarter 2022, or shortly thereafter.

We also made the FID decision to construct the third processing unit at the Ust-Luga Complex (Complex) and will commence construction sometime in 2023. This project will expand the current processing capacity from 6 million tons to 9 million tons of stable gas condensate per year. The present hydrocracker unit project is sufficient to process all of the volumes of marine fuels (fuel oil) from the Complex without further modifications.

All exploration works for 2020 were completed as planned. We will increase our exploration budget by 50% in 2021 to ensure all necessary works are performed to assess the resource potential at key license areas. The majority will be spent for exploration activities at the new license areas for our future LNG projects, primarily relating to our future Arctic LNG 1 project. At our legacy assets, the main exploration work will target the development of lower horizons, mainly the Achim and Jurassic layers.

We are assessing reservoir properties to inject and store carbon at Yamal LNG's South Tambeyskoye field, Arctic LNG 2's Utrenneye field and all of our other fields and license areas for future LNG projects. At Yamal LNG, we have defined the geological layer and

the location of the injection wells. We are confirming the economics of this project as well as understanding the regulatory framework and legal status for CCS projects. More work is still needed on our legacy fields, but we are confident this question can be resolved.

During 2020, we commissioned the first stage production from the Valanginian deposits of the North Russkoye Cluster, a source of future gas condensate production growth in the upcoming years. In 2021, we will commission the gas condensate facility at the Kharbeyskoye field. We continue to assess the structure, size, and economic viability of developing the crude oil layers at this field, and after this assessment we will determine the scale of the oil program and the investment requirements. Collectively, the North Russkoye Cluster will produce approximately 14 billion cubic meters of natural gas and about one million tons of gas condensate.

Essentially, we accomplished all of our primary operational objectives in 2020 despite the precautions and partial disruptions caused by the coronavirus. We managed to move all of our projects along their expected completion timelines, particularly the work activities at Arctic LNG 2.

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

Our financial and operational results for 2020 were comparatively good considering the negative macro environment and the relative weakness in hydrocarbon prices, although we had seasonally adjusted higher commodity prices as we entered the peak winter months in the fourth quarter 2020 and so far in the first two months of 2021. Each successive quarter showed improving market conditions and strengthening commodity prices, which supported our assertions that our operating environment will improve throughout 2020. More importantly, we once again demonstrated the resiliency, stability and cash generative nature of our core domestic gas business and we remained profitable.

Brent crude oil prices declined by 35% year-on-year (Y/y) from an average of \$64 per barrel to \$42 per barrel, whereas benchmark natural gas prices like NBP (National Balancing Point (UK)) declined by 27% and TTF (Title Transfer Facility (Netherlands)) by 29%, respectively. The average Russian domestic gas tariffs increased by approximately 2.8% in 2020.

The Y/y decrease in total natural gas revenues by 14% was largely driven by declines in international LNG revenues of 46% as a result of the sharp decrease in international gas prices at major gas hubs. Our Q/q natural gas revenues increased by 36% largely due to an average 3% increase in the domestic tariff, a higher proportion of ex-field sales as well as a 36% increase in international gas sales as global LNG prices significantly improved during the winter months.

We sold 75.6 billion cubic meters in 2020, of which 66.7 billion cubic meters of natural gas was sold on the Russian domestic market and 8.9 billion cubic meters in equivalent LNG sales during the reporting period. Our combined sales volumes declined by 3.3

billion cubic meters, or by 3.6%, mainly due to a reduction in spot sales from Yamal LNG as more volumes were sold directly under long-term contracts. Our Q/q combined gas sales volumes increased by 4.9 billion cubic meters, or by 36%, driven by an 30% increase in domestic production but offset by a decline in international gas sales.

Our total LNG revenues declined by RR 67.6 billion in 2020 due to a 30% reduction in both volumes sold and average LNG prices. Domestically, our combined sales volumes from end-customers and wholesale traders increased by one billion cubic meters, or by 1.6%, thereby increasing our domestic gas revenues by RR 11.8 billion, or by 4.4%.

Our financial and operational results were strong for the fourth quarter if we compare these results Q/q. LNG revenues increase by roughly RR 6 billion, or by 36%, despite a decline in volumes sold of 18%. Our average LNG prices increased by 60% as we approached the winter season, as well as achieving a very strong increase in our average netbacks by 70%. On the domestic market, we increased our gas revenues by RR 22 billion, or 36%, as a result of an increase in volumes sold by 5.3 billion cubic meters.

LNG sales on international markets represented 12% of our total natural gas volumes sold and accounted for 22% of our natural gas revenues (16% and 36%, respectively, in 2019). In 2020, our average LNG netback remained more than 3.3 times higher for LNG volumes sold internationally than netbacks received on the domestic market. This netback ratio improved significantly Q/q to 4.4x higher as pricing and netbacks strongly improved during the fourth quarter. Our LNG volumes sold internationally supported the resiliency and stability of our domestic gas business.

Our liquid revenues for the reporting period totaled RR 109 billion, representing a decrease Y/y by 6% but a strong increase Q/q by 31%, which mainly reflects the volatility of liquid prices over the reporting periods and to a lesser extent the net movement in volumes sold. We achieved better prices for most of our liquid hydrocarbon products in the fourth quarter with stronger underlying benchmark prices.

We sold 4.5 million tons of liquids in the fourth quarter that represented an increase Y/y and Q/q by 5% and 18%, respectively. The growth was primarily related to increases in stable gas condensate and oil products sales volumes during the periods. We sold 16.4 million tons of liquids in 2020 representing a marginal increase over 2019.

Our operating expenses decreased by RR 84 billion, or by 14%, mainly due to the reduction in prices paid for purchases from joint ventures and lower spot volumes purchased from Yamal LNG. Purchases declined by approximately RR 49 billion or by 28% as this downward trend has been consistent through the first three quarters of 2020 with lower benchmark prices.

Our Q/q operating expenses increased by RR 38 billion, or by 30%. This increase was largely due to higher commodity prices paid to purchase hydrocarbons from our joint ventures in the fourth quarter as well as an increase in transport costs for more end-customer sales volumes in the winter period.

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.

We spent RR 205 billion in cash on our capital program, representing an increase of RR 42 billion, or 26% more versus the prior year. On a Q/q basis, we increased our cash spent on our capital program to RR 62 billion in the fourth quarter, which increased our cash spending by more than RR 22 billion, or by 57%. We decided to invest more cash in the fourth quarter as commodity prices improved during the second half of the year. We spent an additional RR 30 billion on our capital program over the revised guidance.

We will spend approximately RR 200 billion for our capital expenditure program in 2021, which is broadly consistent with the amount spent in 2020. This CAPEX guidance is subject to revisions depending on the macro-environment and changes to specific work programs.

Our normalized EBITDA totaled RR 126 billion for the fourth quarter 2020, increasing Y/y by 3%, but improved significantly Q/q by RR 32 billion, or 34%. On an annual basis, our normalized EBITDA decreased by RR 69 billion, or by 15%, which was reflective of the overall weakness in our total range of commodity prices in the first half of 2020, as well as a corresponding decrease in spot LNG volumes sold internationally by 30%.

We had good EBITDA contributions from our joint venture throughout most of 2020, especially at Yamal LNG despite the weaker global LNG prices. Moreover, the EBITDA contributions from both subsidiaries and joint ventures improved Q/q by RR 32 billion, or by 34%, again reflecting stronger overall hydrocarbon commodity prices during the fourth quarter.

We generated negative free cash flows of RR 33 billion in 2020 versus positive free cash flows of RR 145 billion in 2019. This past year was really impacted by a very weak second quarter in generating operating cash flows, among other factors, but the full year negative free cash flows was almost equivalent to the additional cash used to fund our capital program over our revised guidance.

Our balance sheet remained very strong throughout 2020. Our fundamental credit metrics continues to support our international and domestic credit ratings, and we continue to believe that a sound and conservative financial position is important in these tough economic times, particularly when we see significant increases in stressed financial situations from some of our international peers.

CONCLUSION

NOVATEK will play a critical role in shaping the world's energy mix and climate future, as we move forward with our LNG platform, develop technical solutions to reduce carbon emissions, and contribute meaningfully to the energy transition. Facing tomorrow's world with yesterday's solutions won't work. This requires us to fund our capital program

commensurate with our commitments to reduce greenhouse gas emission and become carbon neutral as best we can achieve.

We have seen many comments this past year about instituting carbon taxes or restricting fossil fuel usage. Forcing a change through the regulatory process will not solve the climate change agenda. If governments and NGO's are serious about combating the climate change question, we must all seriously look at the full picture of carbon emissions, not just attack the fossil fuel industry. The leading cause of carbon emissions globally is not from the producers' side but from the consumption of carbon intense goods. If you try to tackle this question from one perspective (i.e., "anti-fossil fuel"), we will not solve this dual equation.

In our viewpoint, natural gas is not a transition fuel, but rather a destination fuel to meet the increasing electrification of economies and improving the standards of living for billions of people. Denying the development of natural gas will negatively impact the 4+ billion people trying to raise their standards of living in the emerging Asian, Indian and African markets. The Asian region, including India, accounts for over 43% of the global energy consumption versus just 15% from the EU. This seems counterproductive to the "Social" part of the ESG agenda.

The accelerating rate of renewables and the market penetration of LNG has set into motion a global energy transformation that will change the energy landscape over the next several decades. These trends are irreversible. Fossil fuels has been the foundation for society's advancement over the past 150 plus years, leading to profound changes in economic growth and the creation of modern societies. But many changes are forthcoming with the adoption of new technologies enabling the energy transition that were unthinkable only a decade or so ago.

The geopolitics of energy is changing and NOVATEK will be at the forefront of these evolving shifts as we focus our efforts on delivering the one of the lowest landed LNG costs to the Asian Pacific markets. This important consuming region will be the main driver of energy consumption for many decades. We estimate that approximately 80%+ of our future LNG will be delivered and consumed in the Asian markets.

Our focus is to be a leader during this "Energy Transition" by implementing our future LNG projects and increasing our LNG output to up to 70 million tons by 2030 and more thereafter. Our strategy alone will contribute positively to reducing CO2 emissions. In fact, in 2019, our Yamal LNG project produced 18.4 million tons of LNG that effectively replaced 52 million tons of carbon by coal-to-gas switching. We estimate that we can reduce more than 170 million tons of CO2 emissions by replacing coal with 62 million tons of LNG. This represents a notable contribution for many decades and is a key component of the "Environmental" part of our ESG story.

Our LNG is already one of the greenest in the world and we are developing measures to further reduce our carbon and methane emissions as noted in our recent MOU's with Baker Hughes, NLMK, Siemens and Uniper. Unlike most of our competitors, we control the

full LNG value chain – from upstream to end-customer delivery – so therefore, we are in a position to monitor, verify and deliver “Green LNG” cargos to the market.

We published our 13th Sustainability Report, approved a number of ecological and climate change goals, and in October, we joined the Methane Guiding Principles Initiative. Yamal LNG is already one of the cleanest LNG plants in the world in terms of greenhouse gases and CO2 emissions. We are considering a CO2 capture and storage project at Yamal LNG, making the project even cleaner and greener. This new project may be realized as soon as in 2022.

We will also ensure that our Arctic LNG 2 project and our future LNG platform also meets strict emissions standards, as well as reducing our environmental footprint on the Arctic permafrost by using the GBS platforms. We also launched our first carbon-neutral LNG station in Germany to market LNG as a clean transport fuel via NOVATEK Green Energy.

In December we approved the revision to our dividend policy by increasing the minimum payout from 30% to 50% of the adjusted IFRS profits. We were committed to delivering this revision and we delivered. Moreover, we are committed to increasing our dividend each and every year, if possible.

Two thousand and twenty (2020) tested our resolve and our commitment. NOVATEK, emerged from the pandemic as a stronger company, more resilient in our core domestic operations and more focused on delivering our LNG strategy up to 2030.

The cold winter weather has exposed the fragility of a renewable-based power grid and the problems of meeting peak demand loads without natural gas providing backup supplies to resolve intermittency issues. Renewables alone are not the answer.

The decarbonization agenda requires a forged alliance between natural gas and renewables companies as the world slowly phases out coal. The renewable industry has a vested interest in ensuring that firm energy supplies are maintained to avoid power disruptions, so a collaborative relationship with the natural gas industry is required. Supportive governmental policies are also vital to achieve the climate change agenda and aspirational net zero carbon targets set for 2050.

Through our relentless focus on cost control, project execution and sustainable development practices, our LNG platform represents our pathway forward to meeting the targets of the climate change agenda and the Energy Transition. We will make the appropriate capital investments to make our LNG greener, and we will continue to work with our industry partners to further reduce our carbon emissions. Our goal is to make our global LNG customers associate NOVATEK with our theme – Think Green. Think Natural Gas. We are already a step forward on our pathway to forging this association.

We would like to thank everyone again for attending tonight’s conference call and for your continued support of NOVATEK and your belief in our Management and our valued employees.

We are now ready to open tonight's session to questions and answers.

Thank you!!

ADDITIONAL INFORMATION

The following is additional information on areas of our operations or gas markets that were not specifically included in the main conference text due to time considerations.

Cargo Cancels

Two thousand and twenty (2020) was also a very interesting year from a supply perspective. We had significant cargo cancellations from the US, when buyers elected to pay the liquefaction fee instead of lifting LNG cargos, thus acting to balance the markets during weak demand periods. There were approximately 165 cargos cancelled during the second and third quarters of 2020, but as we entered the traditional peak winter season and the corresponding recovery in natural gas prices, buyers reverted back to lifting cargos in the fourth quarter (4Q). The LNG industry also experienced a series of project outages throughout 2020 that disrupted LNG supplies and created tightness in supplies at the outset of winter.

(Side Note: Industry analyst forecasted that the negative swing was about 25 million tons representing a combination between cargo cancels and project outages. (~15 MT – cargo cancels; ~10 MT – project outages).

The Perfect Storm – Asian Pacific Region

Extreme cold temperatures blanketed the Northeast Asian countries in December and January that boosted strong downstream gas demand and significant drawdowns of limited LNG stocks at an accelerated pace. Temperatures in Beijing, for example, hit consistent levels of minus 20 degrees Celsius – representing the lowest temperatures in more than 50 years, while temperatures in the northeast provinces of China reached lows of minus 40 degrees Celsius. The colder temperatures also reached South Korea and Japan causing below average winter temperatures and increased gas use for power generation and heating.

These extreme conditions prompted a swift reaction and forced buyers to revert to more LNG cargos to restock inventories and created a strong backwardation market driving JKM prices up to historical highs of \$32 per mmbtu, or roughly an equivalent oil price of \$192 per barrel on a 6:1 parity basis. This situation was further exasperated by unexpected increases in power demand during a period where gas-fired and nuclear plants maintenance work was performed in Japan and South Korea. Japanese utilities were essentially caught off guard with nuclear restrictions and low LNG stocks.

The supply crunch in the Asian markets was also impacted by plant outages in Australia as well as some maintenance issues in Qatar and other southeast Asian countries.

To compensate for the supply shortage, many cargos were diverted from European deliveries; hence, lower fourth quarter volumes imported in the EU, as well as many tankers transiting through the Panama Canal from the US Gulf Coast. The increased cargos from the US also caused significant cargo congestion at the Panama Canal that delayed shipments by up to 14 days and limited tanker availability driving shipping rates up to multi-year highs with charter rates reaching up to \$320,000 per day.

Hence, the “Perfect Storm” and the significant spike in the JKM price, but also take note that limited cargos exchanged hands at these inflated prices!

(Side Note: The same situation is happening in the US this past week as record low winter temperatures has caused massive disruptions to energy supplies, power grids, transport infrastructure and processing facilities, thus a significant spike in natural gas prices up to \$600 per mmbtu at the retail level. 15 February 2021)

Small-Scale LNG and Retail Fueling Stations

We have a strategy to construct a network of regasification facilities and LNG or multi-fuel fueling stations in both Europe (mainly, Germany and Poland) and inside of Russia.

The following highlights some of activity in 2020.

Our first Carbon Neutral LNG fueling station was also launched in Rostock, Germany using nature-based or other carbon offsets to compensate the LNG’s carbon footprint. We have 21 regasification stations and 9 refueling stations in Germany and Poland, and we will continue to increase our market presence in these geographical areas. “G-Mobility” is forecasted to increase significantly in the European markets, and we are positioning our small-scale LNG marketing efforts through our wholly owned subsidiary, NOVATEK Green Energy, to capture a part of this emerging market trend for clean-burning transport fuels, as well as focusing on supplying bunker fuels to meet the IMO 2020 standards.

LNG demand is evolving for these niche market segments but the total outlook is not quite clear at the moment. With our LNG fueling network in Europe, we believe we can incrementally grow our marketing efforts and create additional demand by having a branding strategy that markets clean-burning transport fuels. In Europe alone, the growth prospects for “G-Mobility” are forecasted to grow by a ten-fold increase in clean vehicles powered by CNG (compressed natural gas) and LNG from approximately 1.3 million vehicles to over 13 million vehicles by 2030.

Moreover, there are 550 LNG fueled vessels globally, with about 400 of these vessels representing LNG carriers. For example, we use the boil-off gas from our Arc7 tankers as a fuel source, thus capturing these molecules and reducing our carbon emissions. Right now, there are more than 400 vessels on order to be powered by LNG, and it is believed that by the mid-2020’s, the shipping industry should be close to 90% compliance with the

net Sulphur reductions. Again, the main question is the size of the market opportunity. There are quite divergent views on total demand forecasts ranging from 2.5 million tons to 9 million tons by mid-decade to up to 30 million tons by 2030.

In August, we launched our 40 thousand tons small-scale LNG facility in the Chelyabinsk region as part of our marketing initiative to supply LNG to the domestic market for heavy and light trucks and public transport, using our domestic multi-fuel retail stations or LNG refueling trucks.

We have 11 retail LNG fueling stations that cover all of the M10 Federal Route, and, in 2021, we provide our customers with the option to perform commercial transport, fueled by LNG, all the way through the North-Western and Central Regions of Russia towards the Urals. Our goal is to achieve a 100% coverage of Federal Routes M5 and M7 in 2021 with clean-burning LNG as an alternative to diesel fuel.