First Quarter 2017
Operational and Financial Results
Conference Call



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Moscow, Russian Federation
27 April 2017

Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.
The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

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

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.
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Summary Operational Highlights – 1Q17

- **Natural gas production** *(including our proportionate share in JVs)* was 15.7 bcm in 1Q17 representing a **decrease of 8.8%** compared to 1Q16
- **Liquids production** *(including our proportionate share in JVs)* was 3.0 mmt in 1Q17 representing a **decrease of 7.5%** compared to 1Q16
- Total **natural gas sales** volumes in 1Q17 **increased by 5.5%** compared to 1Q16
- Excluding the one-time effect from the disposal of interests in joint ventures and the effect of foreign exchange gains and losses, **profit attributable to shareholders increased by 20.2%** compared to the corresponding period in 2016
- In 1Q17 **Ust-Luga Complex throughput** marginally increased to 1,780 mt (7.1 mmt – annualized throughput volumes) compared to 1,776 mt in 1Q16

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Key Events 1Q17

- The first Arc7 ice-class vessel was put on water and fully equipped in 2016 and in November-December 2016 it successfully passed navigation tests in the Arctic. On 24 January 2017 it docked in Zeebrugge port in Belgium to cool down the LNG tanks and load some LNG for fuel and testing. In February-March 2017 the LNG tanker successfully passed the ice tests in Kara Sea and docked in the port of Sabetta on 30 March 2017.

- NOVATEK repaid the RR 14 billion Eurobond issue according to the bonds maturity schedule.

- NOVATEK signed Memorandums on Strategic Partnership with Atomenergomash (about cooperation in producing equipment, pipelines and high-tonnage LNG modules, including the use of new domestic steel grades) and United Shipbuilding Corporation (about cooperation in the area of producing LNG train modules in Russia as part of the prospective Arctic LNG 2 project).

- NOVATEK held Annual General Meeting of Shareholders. The AGM approved the total dividend payment for 2016 in amount of RR 13.9 per one ordinary share or RR 139 per one Global Depositary Receipt (GDR).

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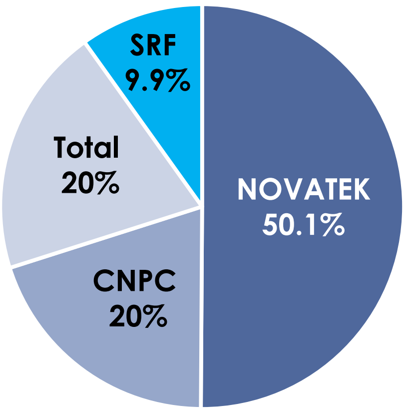
Yamal LNG Project

Main events in 1Q17:

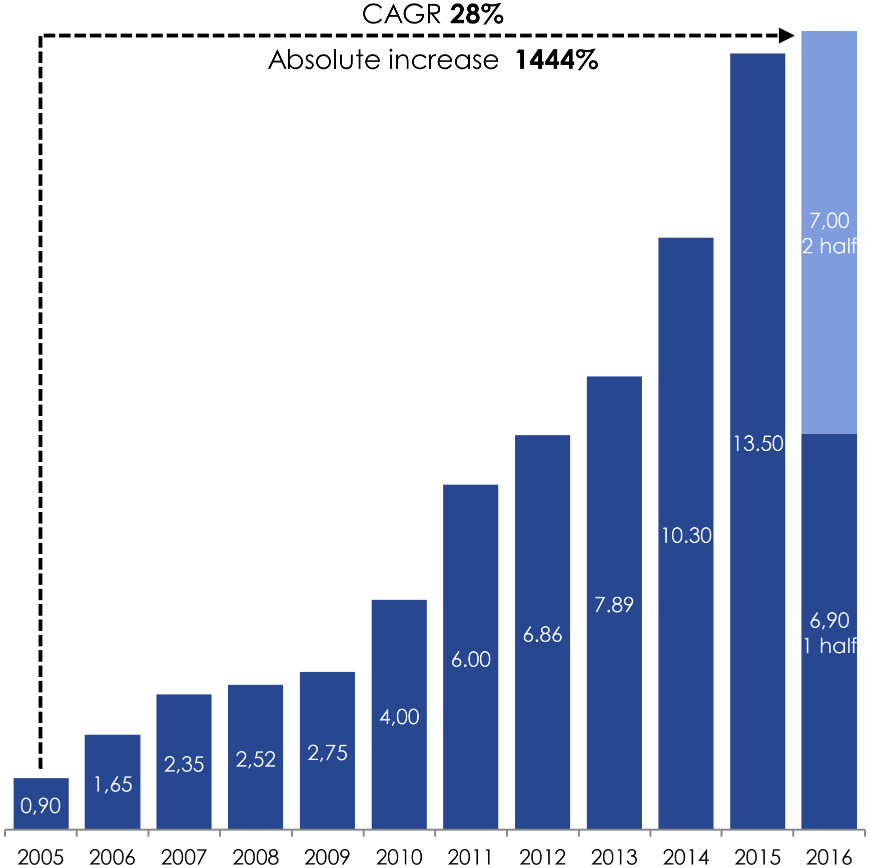
- The **first LNG train** is 91% complete, and the whole project is 80% complete
- About **31,000 construction workers** on site
- **81 production wells** already drilled, what is higher than the well stock required for Train 1
- **All 78 modules of the first LNG train** were were installed and hook up was underway
- **The first LNG Arc7 ice-class tanker** docked in the port of Sabetta

Shareholders

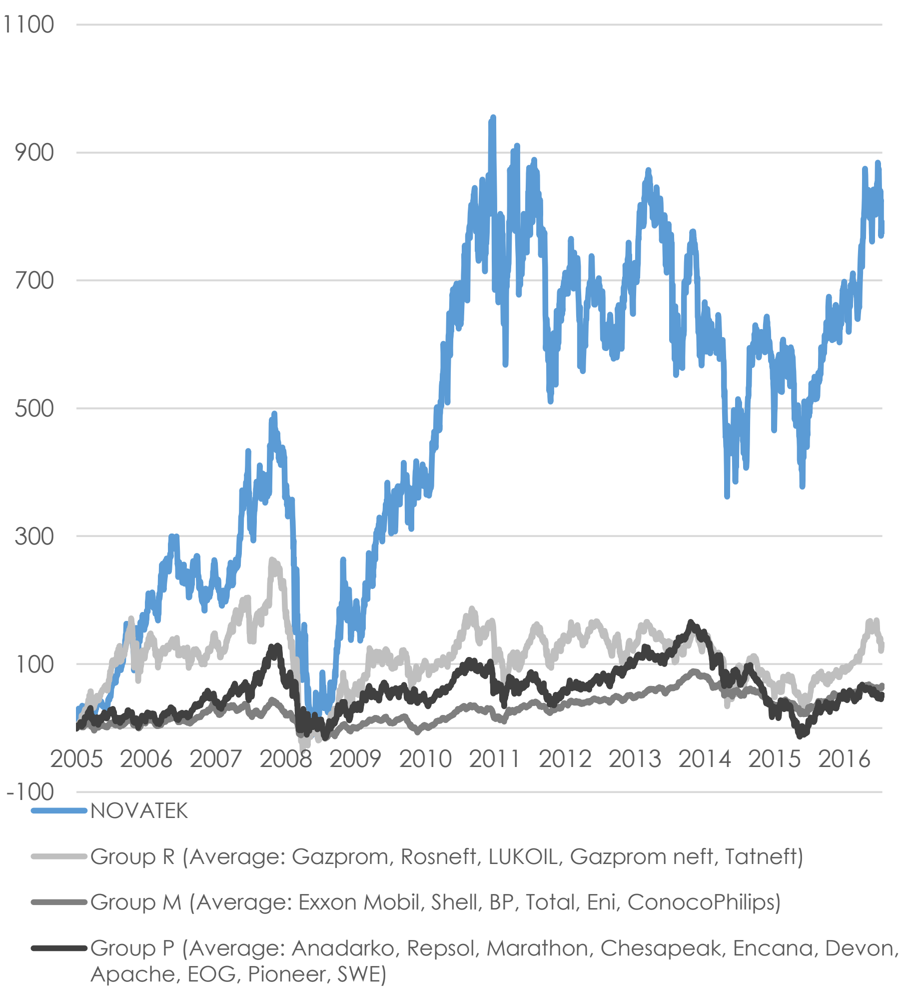


Shareholders Return

Dividend Payment History
(RR per ordinary share)



Cumulative Total Shareholder Return
(%)



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Operational Overview

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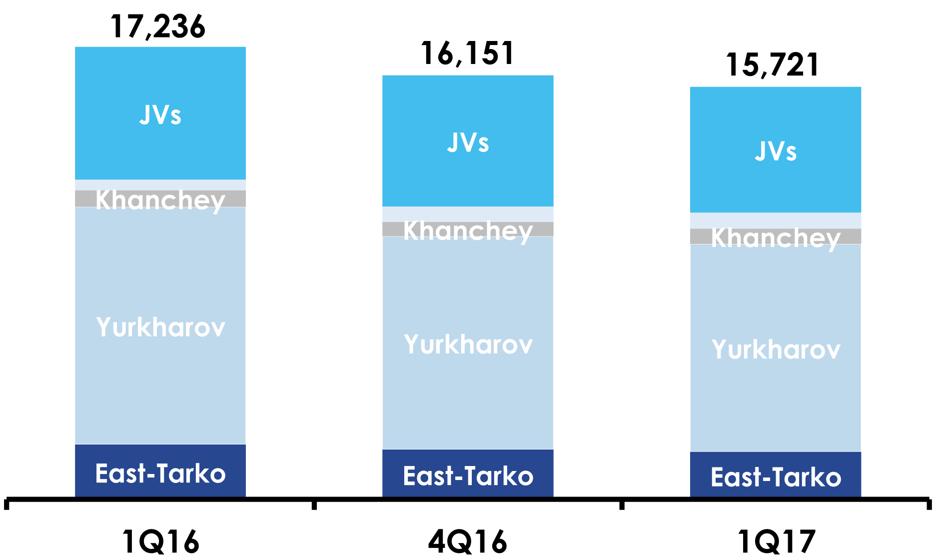
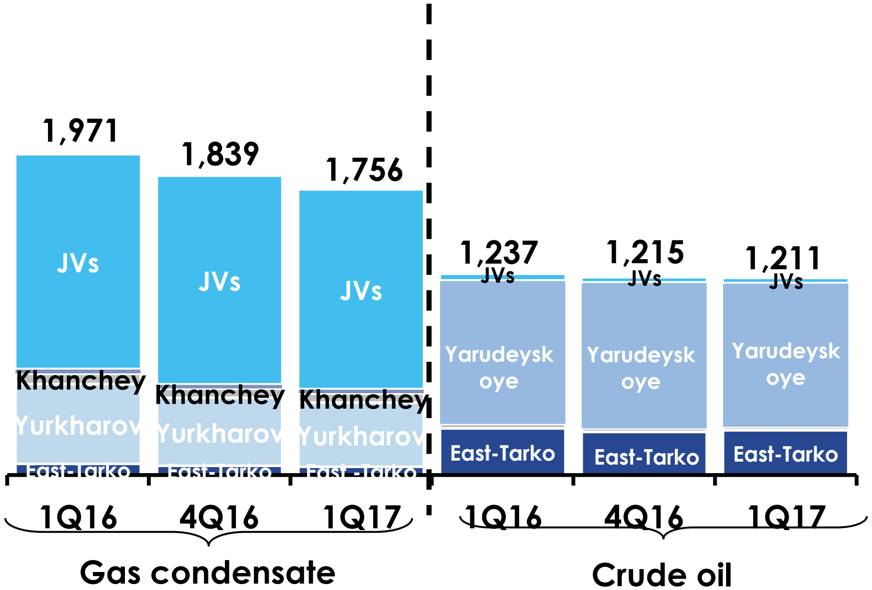
Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



Natural gas volumes produced at mature fields of our subsidiaries and our joint ventures decreased mainly due to natural declines in the reservoir pressure at the current gas producing horizons. The decrease was partially offset by improved efficiency of associated petroleum gas utilization at our Yarudeyskoye field.

The volumes of liquids produced by subsidiaries and joint ventures decreased as a result of a decrease in gas condensate production mainly at mature fields of our subsidiaries and our joint ventures due to the natural declines in the concentration of gas condensate as a result of decreasing reservoir pressure at the current gas condensate producing horizons.

Crude oil production changed insignificantly.

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Purovsky Plant

- **Total volumes delivered in 1Q17: 2,910 mt**
  - Yurkharovskoye field: 399 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 141 mt
  - Other fields: 27 mt
  - Purchases from our joint ventures: 2,343 mt
- **Annualized throughput volumes: 11.6 mmt**
- **Total output of marketable products: 2,882 mt**
  - Stable gas condensate: 2,243 mt
  - LPG: 639 mt

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Ust-Luga Complex

- **Total volumes delivered in 1Q17: 1,780 mt**
- **Annualized throughput volumes: 7.1 mmt**
- **Total output of marketable gas condensate refined products: 1,733 mt**
  - Naphtha: 1,069 mt
  - Other products: 664 mt
- **Gas condensate refined products sold: 1,837 mt**
  - to Europe: 1,098 mt
  - to the Asian Pacific Region: 524 mt
  - to North America: 182 mt
  - Other: 33 mt

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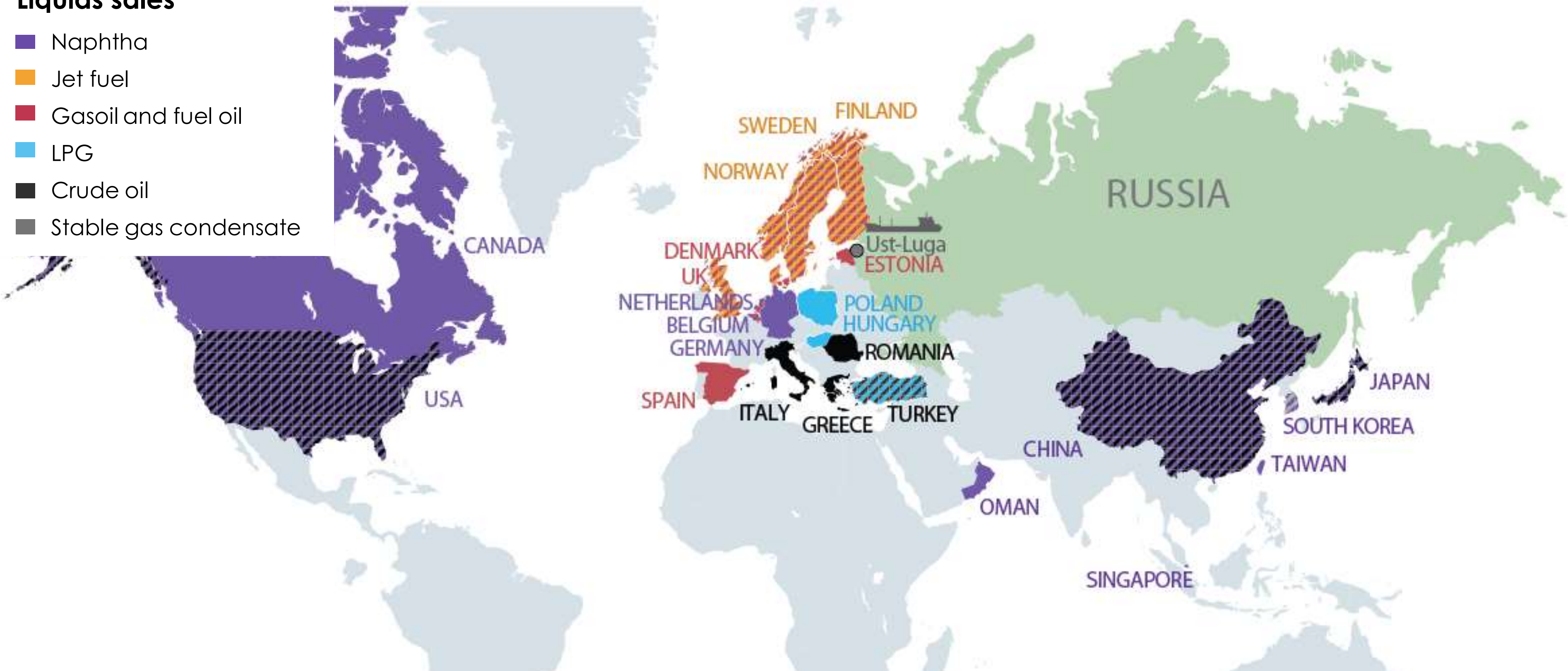
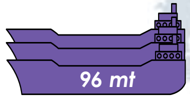
Liquids in Tankers

Liquids sales

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



"Goods in transit"
31.03.2016
~96 thousand tons

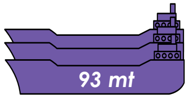


Asia-Pacific Region (Naphtha)

"Goods in transit"
31.12.2016
~ 33 thousand tons

Asia-Pacific Region (Naphtha)

"Goods in transit"
31.03.2017
~93 thousand tons



Asia-Pacific Region (Naphtha)

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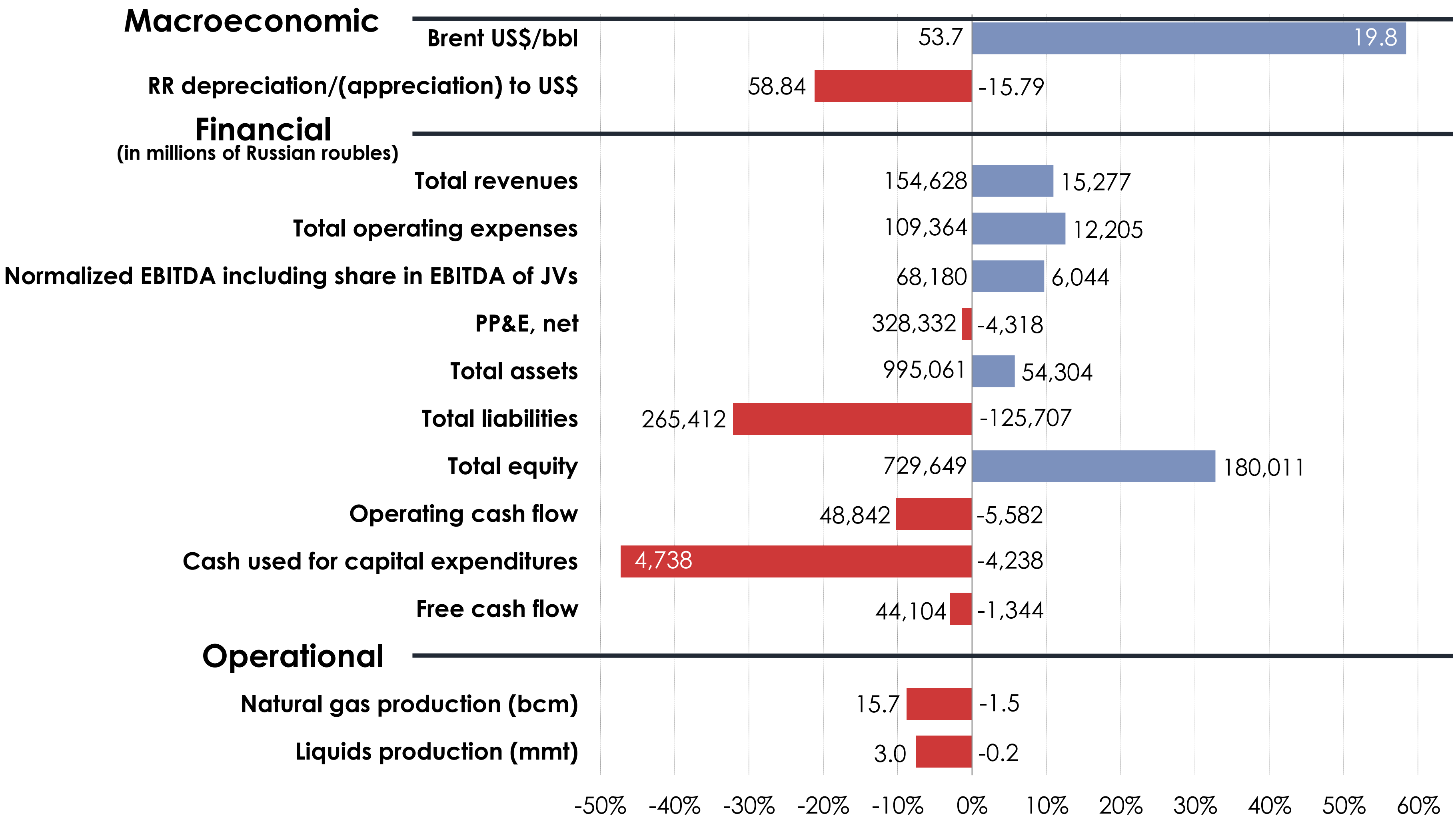
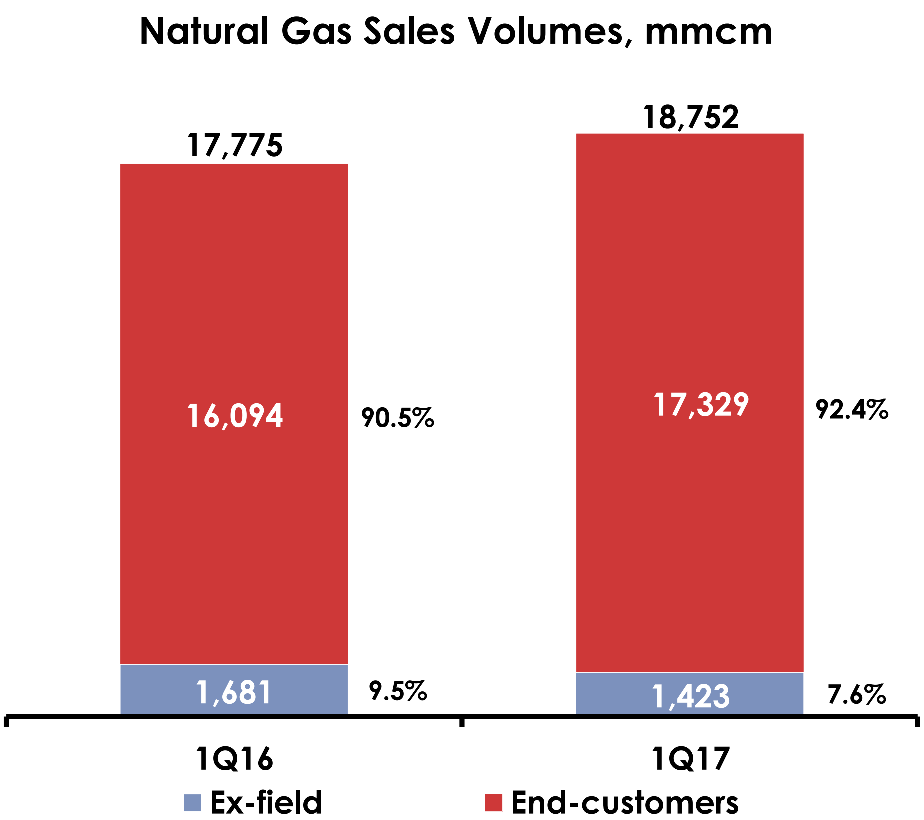
Financial Overview – 1Q17 to 1Q16

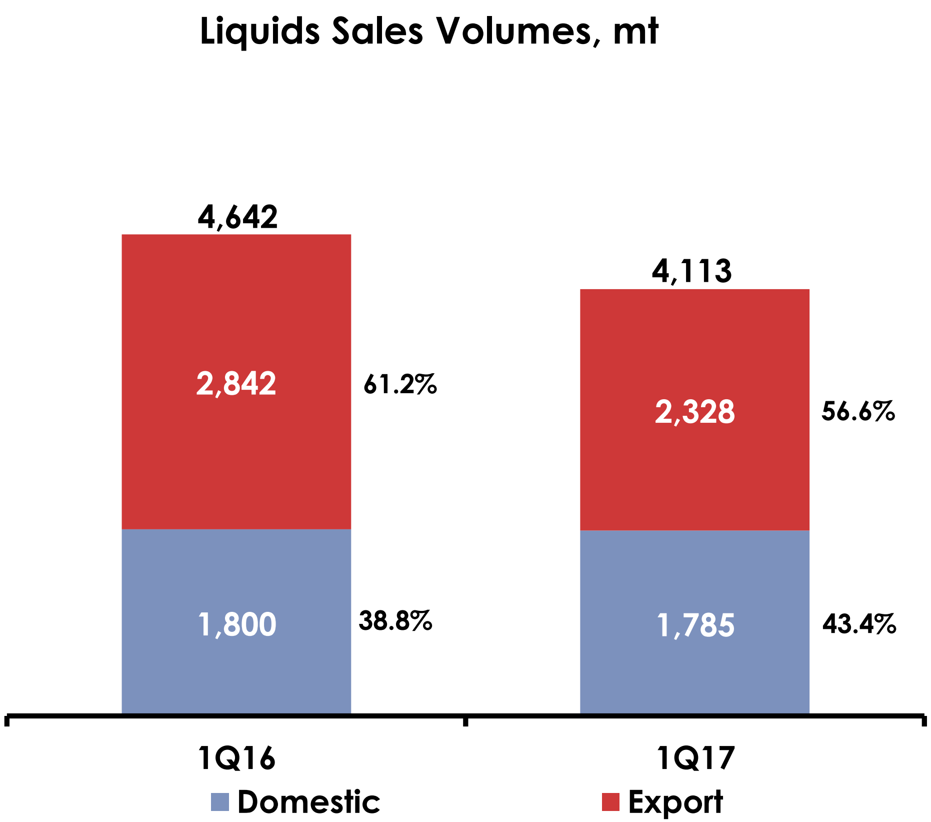
Performance Summary



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

Market Distribution - Sales Volumes





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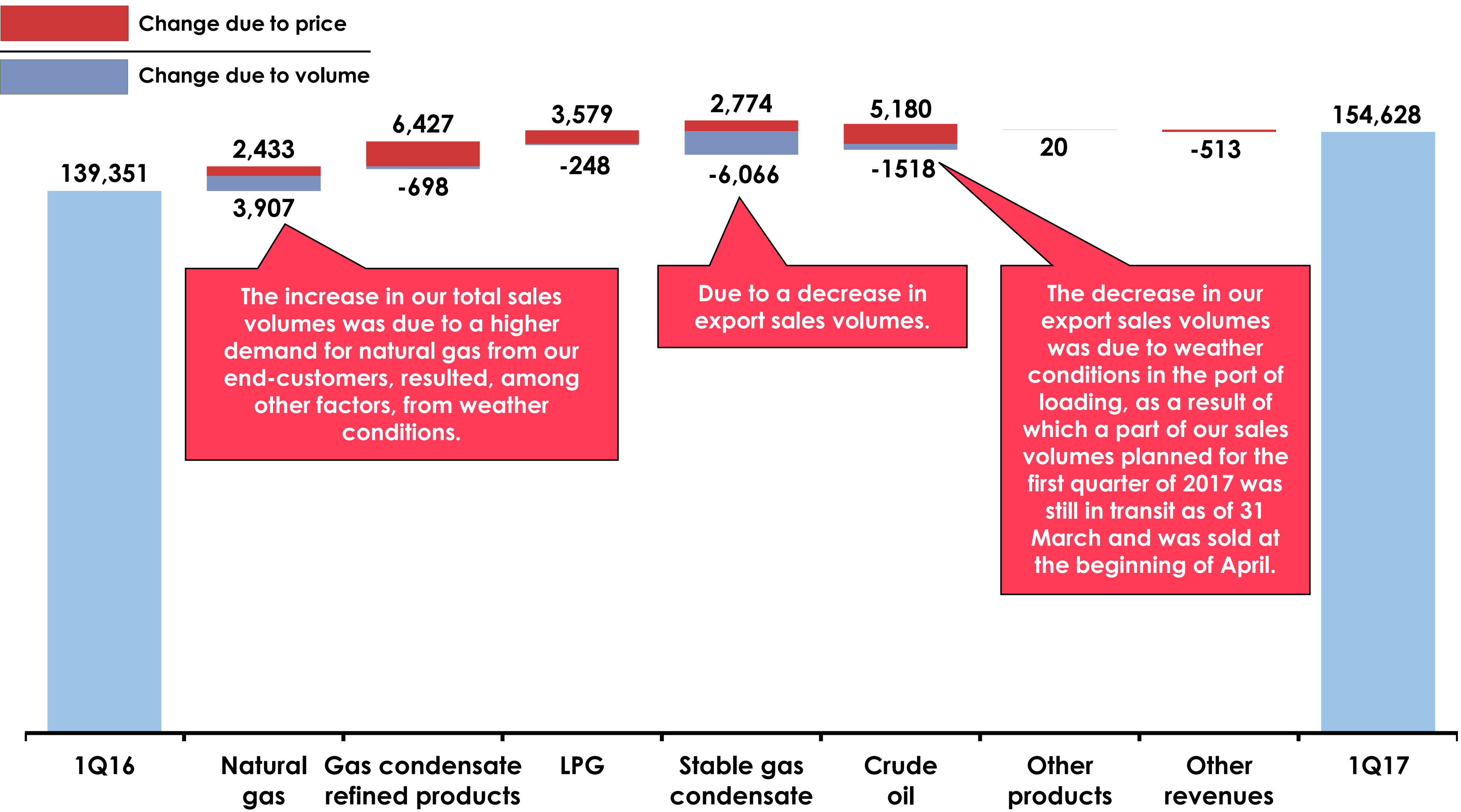
Total Revenues (RR million)



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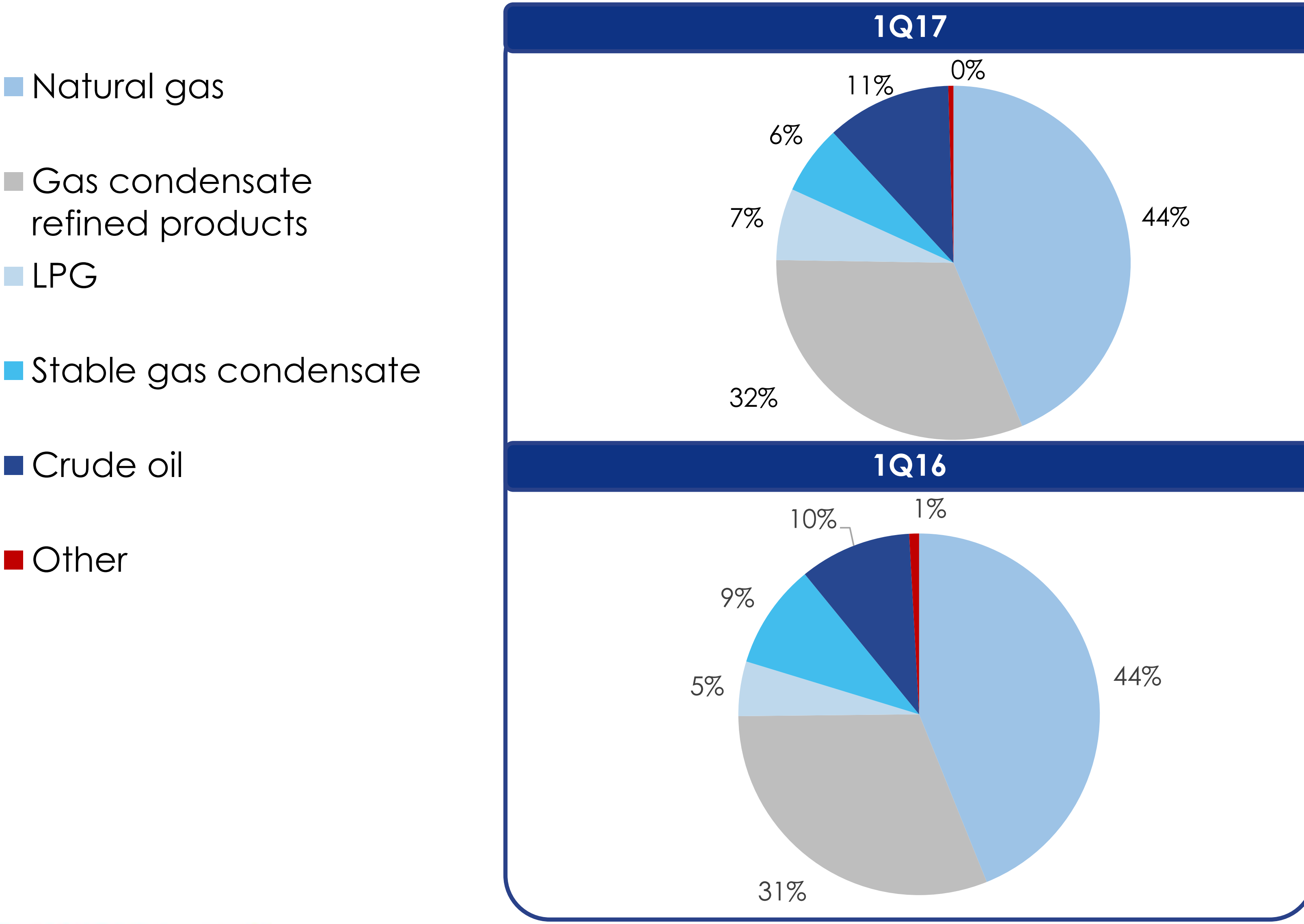
Total Revenues Breakdown



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

1Q16	% of TR	1Q17	% of TR		4Q16	% of TR	1Q17	% of TR
36,573	26.2%	36,782	23.8%	Transportation expenses	35,381	24.5%	36,782	23.8%
10,597	7.6%	12,341	8.0%	Taxes other than income tax	11,191	7.8%	12,341	8.0%
47,170	33.8%	49,123	31.8%	**Non-controllable expenses**	46,572	32.3%	49,123	31.8%
7,833	5.6%	8,488	5.5%	Depreciation and amortization	8,202	5.7%	8,488	5.5%
4,466	3.2%	4,800	3.1%	Materials, services & other	4,945	3.4%	4,800	3.1%
4,012	2.9%	3,993	2.6%	General and administrative	5,324	3.7%	3,993	2.6%
210	0.2%	388	0.3%	Exploration expenses	677	0.5%	388	0.3%
153	0.1%	0	0.0%	Net impairment expenses (reversals)	71	0.0%	0	0.0%
3,598	2.6%	602	0.4%	Change in natural gas, liquids and WIP	-1,247	-0.9%	602	0.4%
67,442	48.4%	67,394	43.6%	**Subtotal operating expenses**	64,544	44.7%	67,394	43.6%
29,717	21.3%	41,970	27.1%	Purchases of natural gas and liquid hydrocarbons	40,319	28.0%	41,970	27.1%
97,159	69.7%	109,364	70.7%	**Total operating expenses**	104,863	72.7%	109,364	70.7%

- **Total operating expenses increased mainly due to an increase in the average purchase prices for liquid hydrocarbons and increased volume of purchases of natural gas from our joint ventures as a result of higher demand for natural gas from end-customers and, to a lesser extent, due to an increase in taxes other than income tax as a result of increased UPT rates for crude oil and gas condensate;**
- **Depreciation, depletion and amortization expense increased mainly due to additions of property, plant and equipment at the Yarudeyskoye field (launched in December 2015) and at other fields of our production subsidiaries.**

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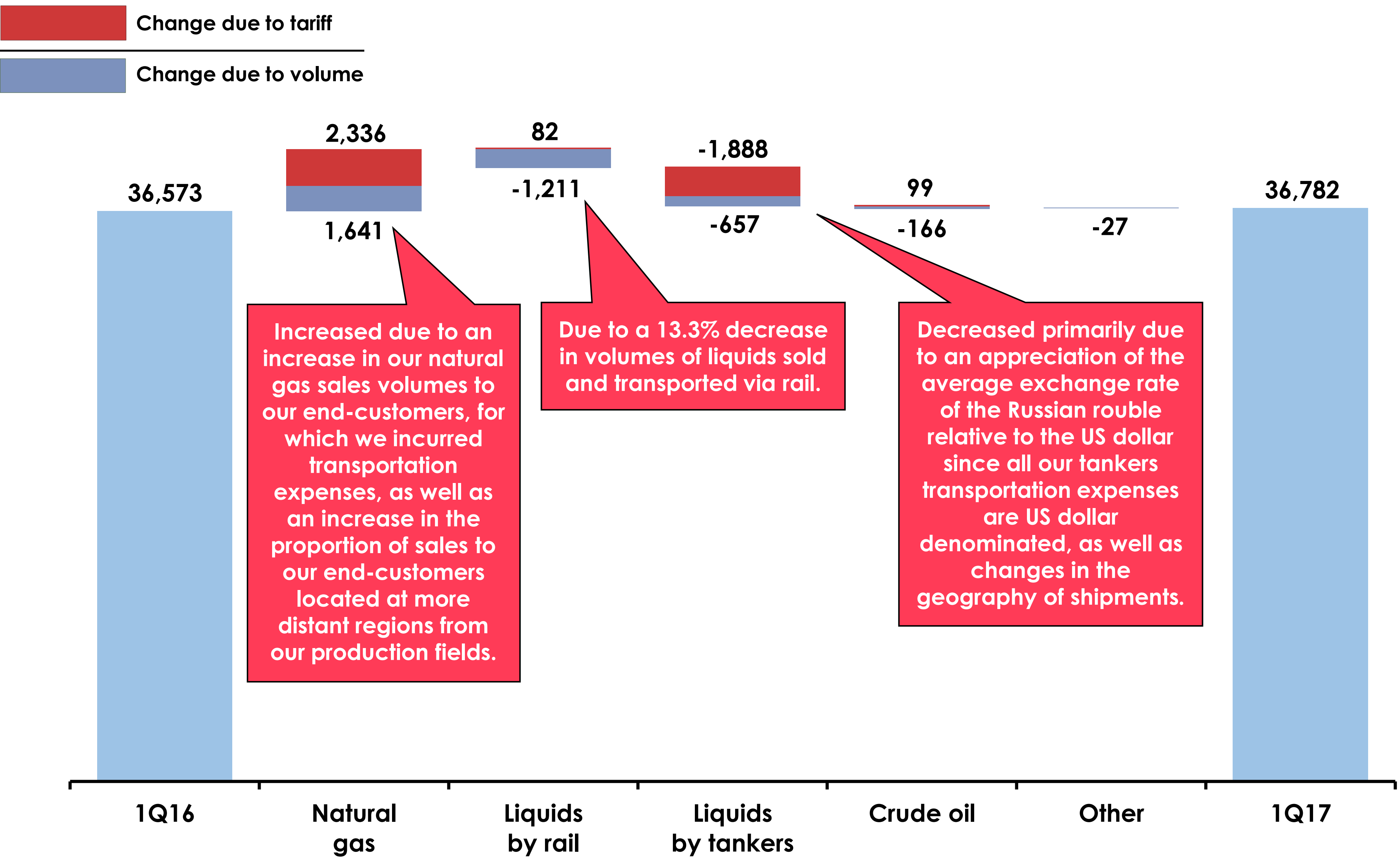
Transportation Expenses (RR million)



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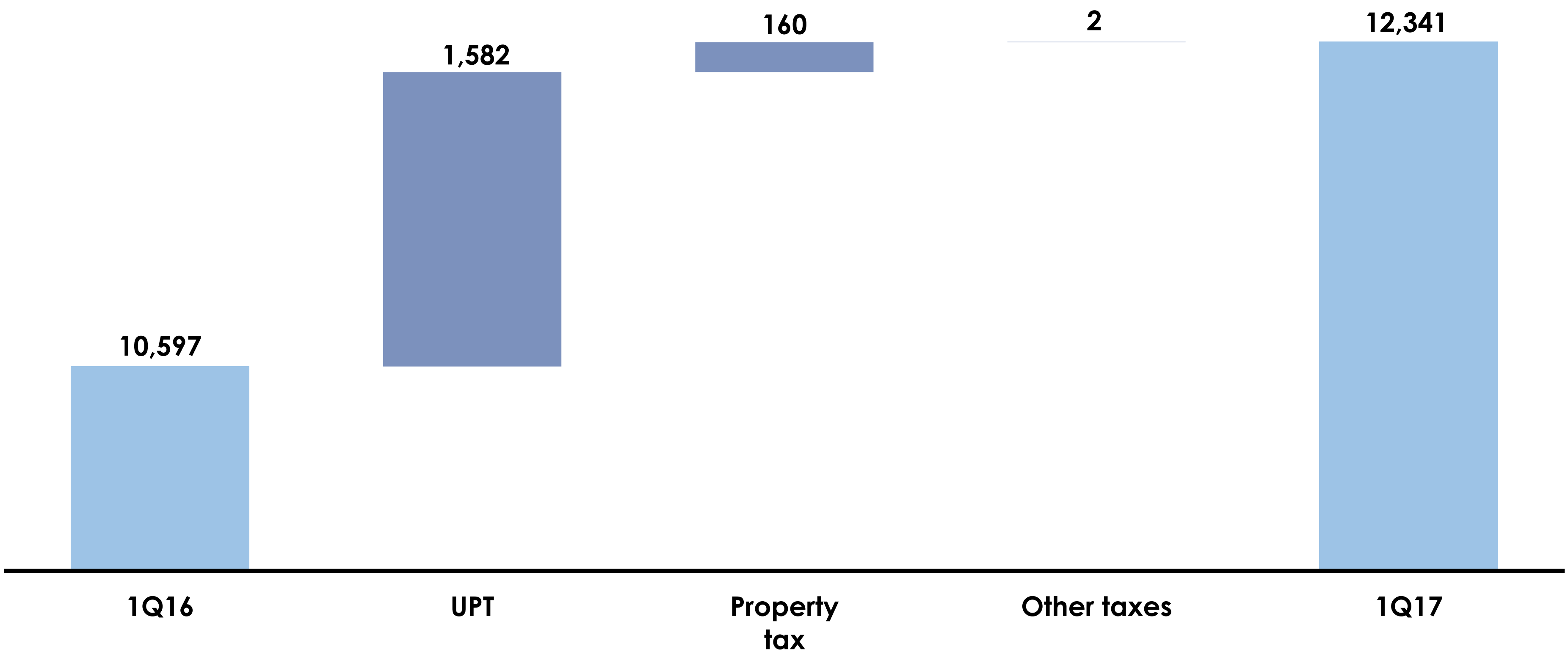
Taxes Other Than Income Tax Expense (RR million)



- Our unified natural resources production tax expense increased due to an increase in UPT rates for crude oil and gas condensate effective 1 January 2017 as part of the tax maneuver in the oil and gas industry.
- Our property tax expense increased due to the termination of a property tax relief at one of our processing subsidiaries effective from January 2017, as well as a result of additions to property, plant and equipment at our production subsidiaries.

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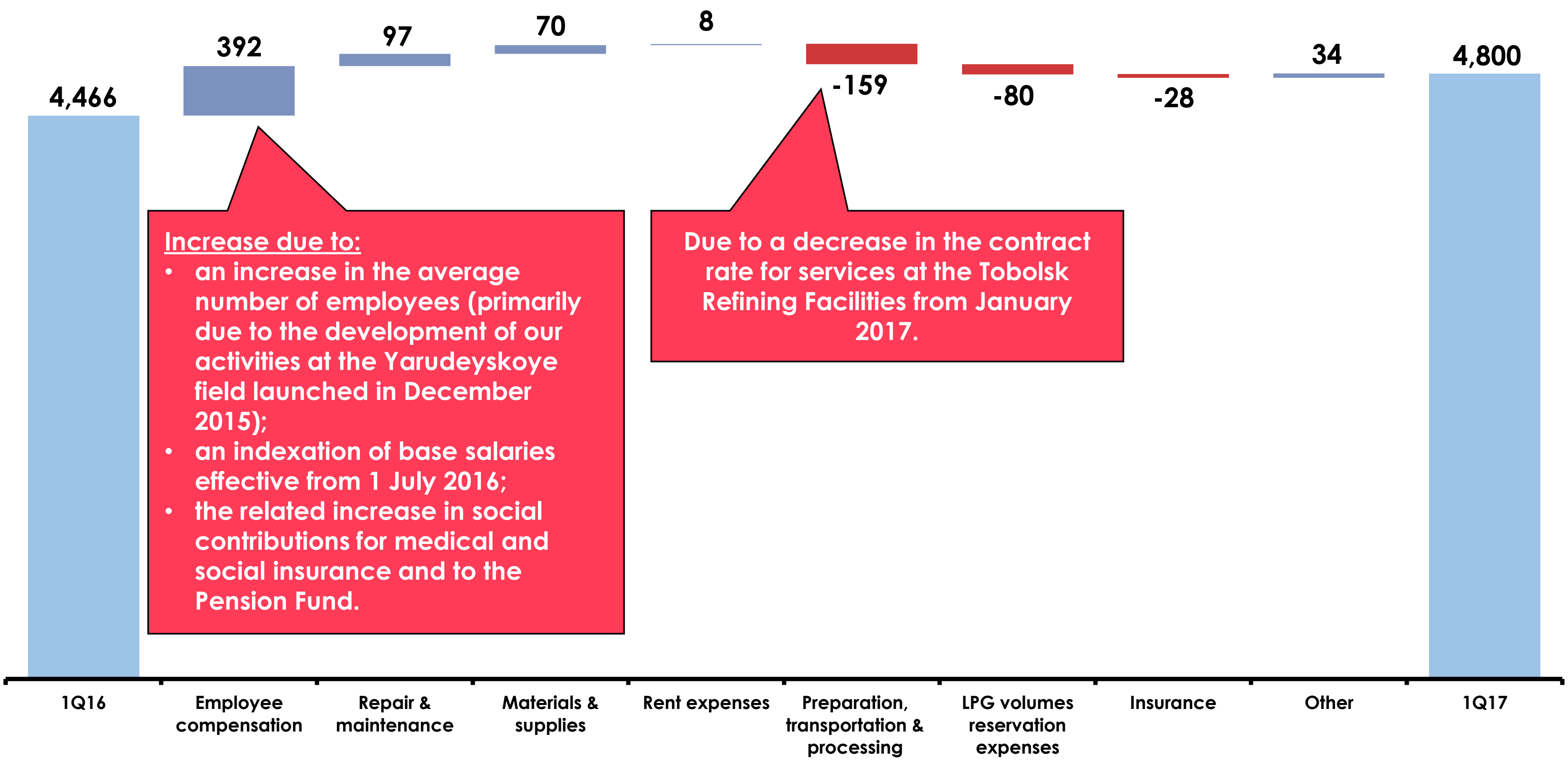
Materials, Services and Other Expenses (RR million)



Increase due to:

- an increase in the average number of employees (primarily due to the development of our activities at the Yarudeyskoye field launched in December 2015);
- an indexation of base salaries effective from 1 July 2016;
- the related increase in social contributions for medical and social insurance and to the Pension Fund.

Due to a decrease in the contract rate for services at the Tobolsk Refining Facilities from January 2017.

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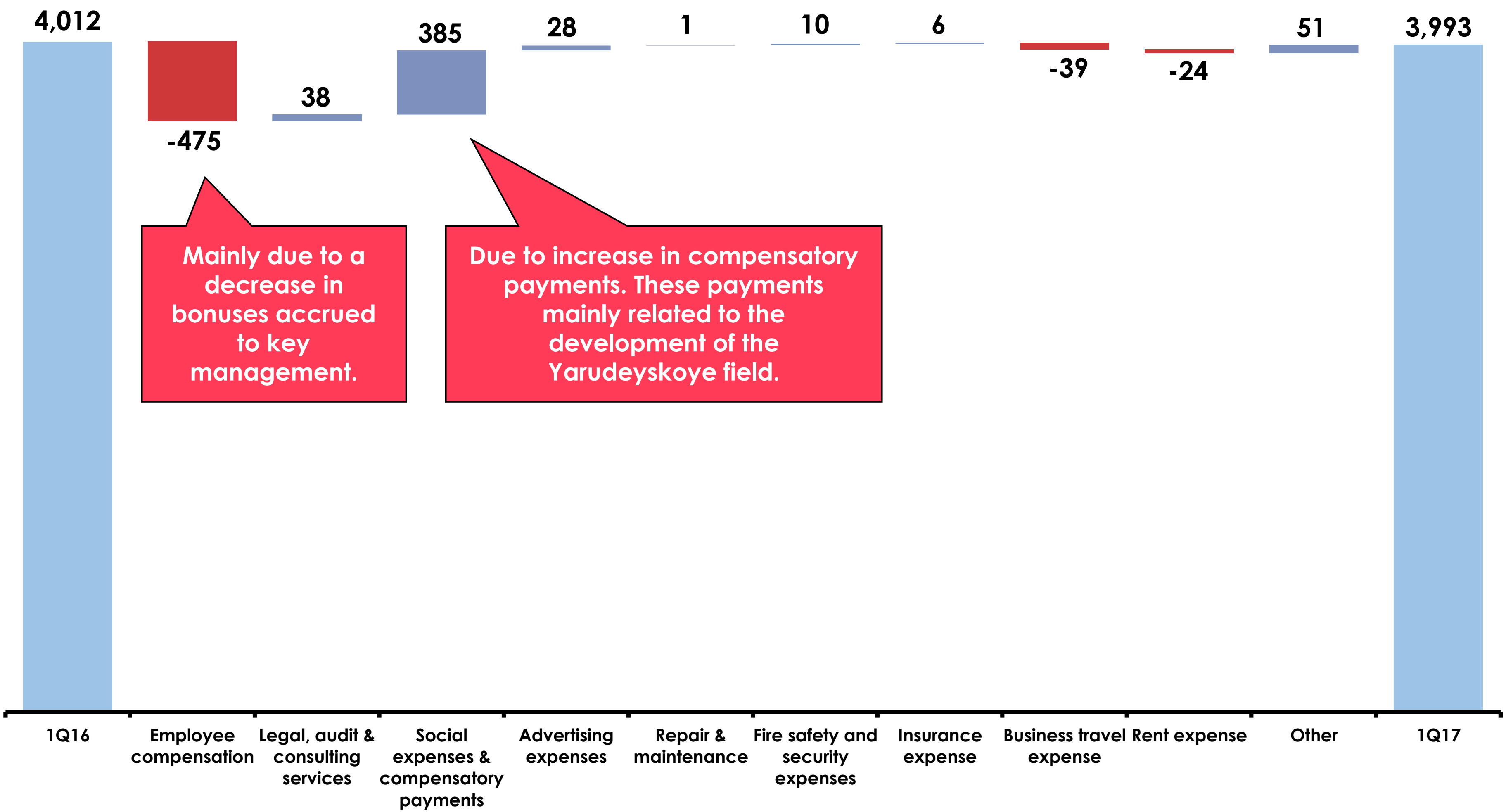
General and Administrative Expenses (RR million)



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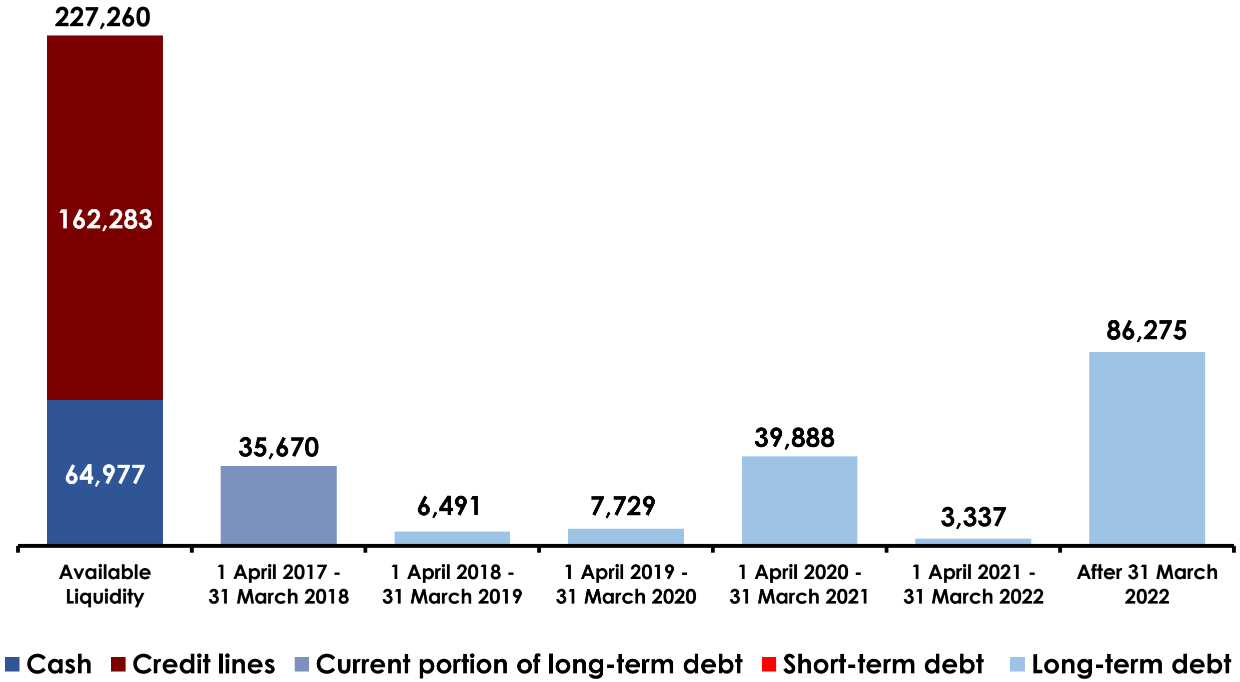
Total Debt Maturity Profile (RR million)



The Group has available credit line facilities from Russian banks with credit limits in the amount of RR 120 billion and equivalent of USD 750 million.

Debt repayment schedule:

Up to 31 March 2018 – Syndicated term credit line and Other loans
Up to 31 March 2019 – Syndicated term credit
Up to 31 March 2020 – Loan from the Silk Road Fund and Other loans
Up to 31 March 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln)
After 31 March 2021 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 1,000 mln)

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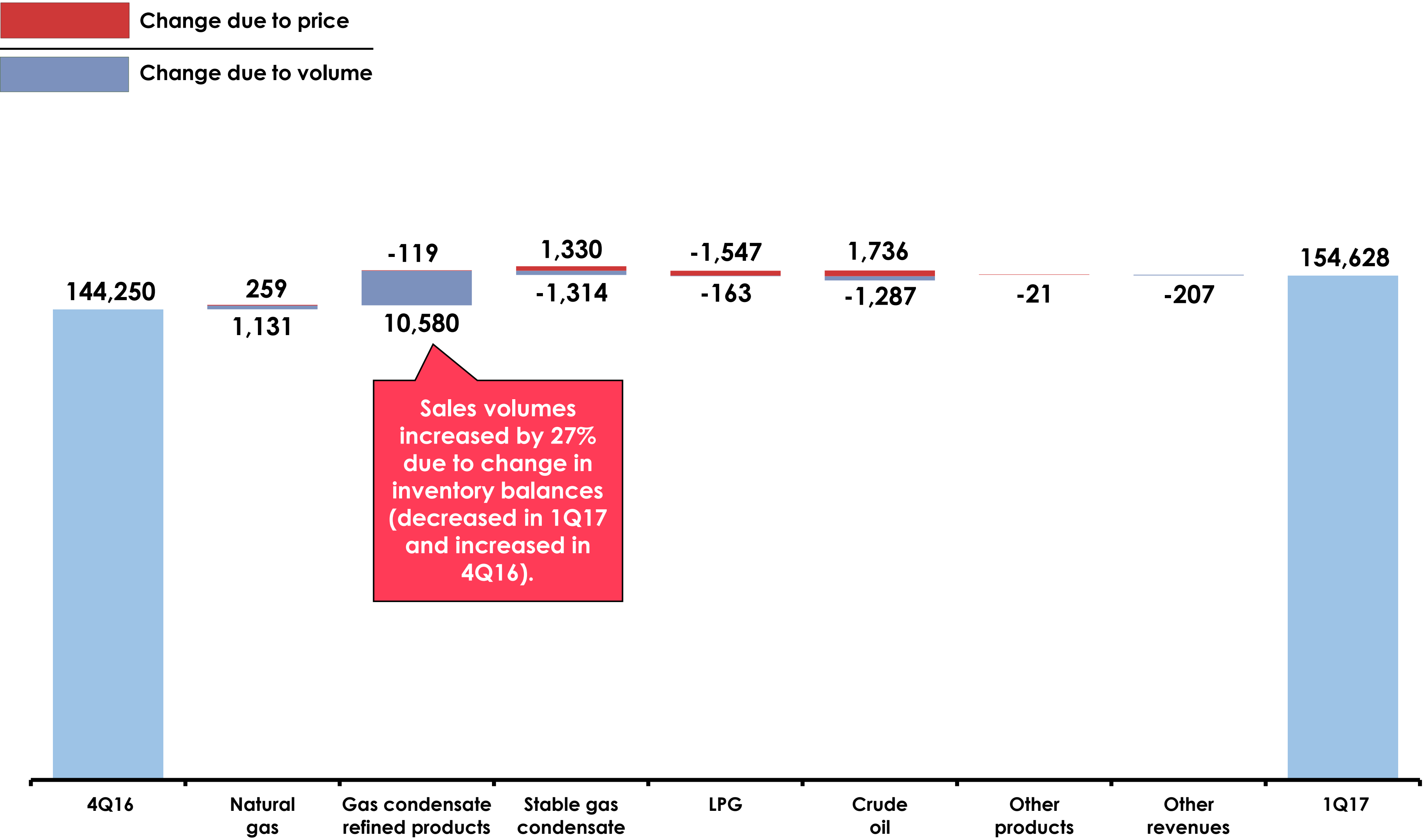
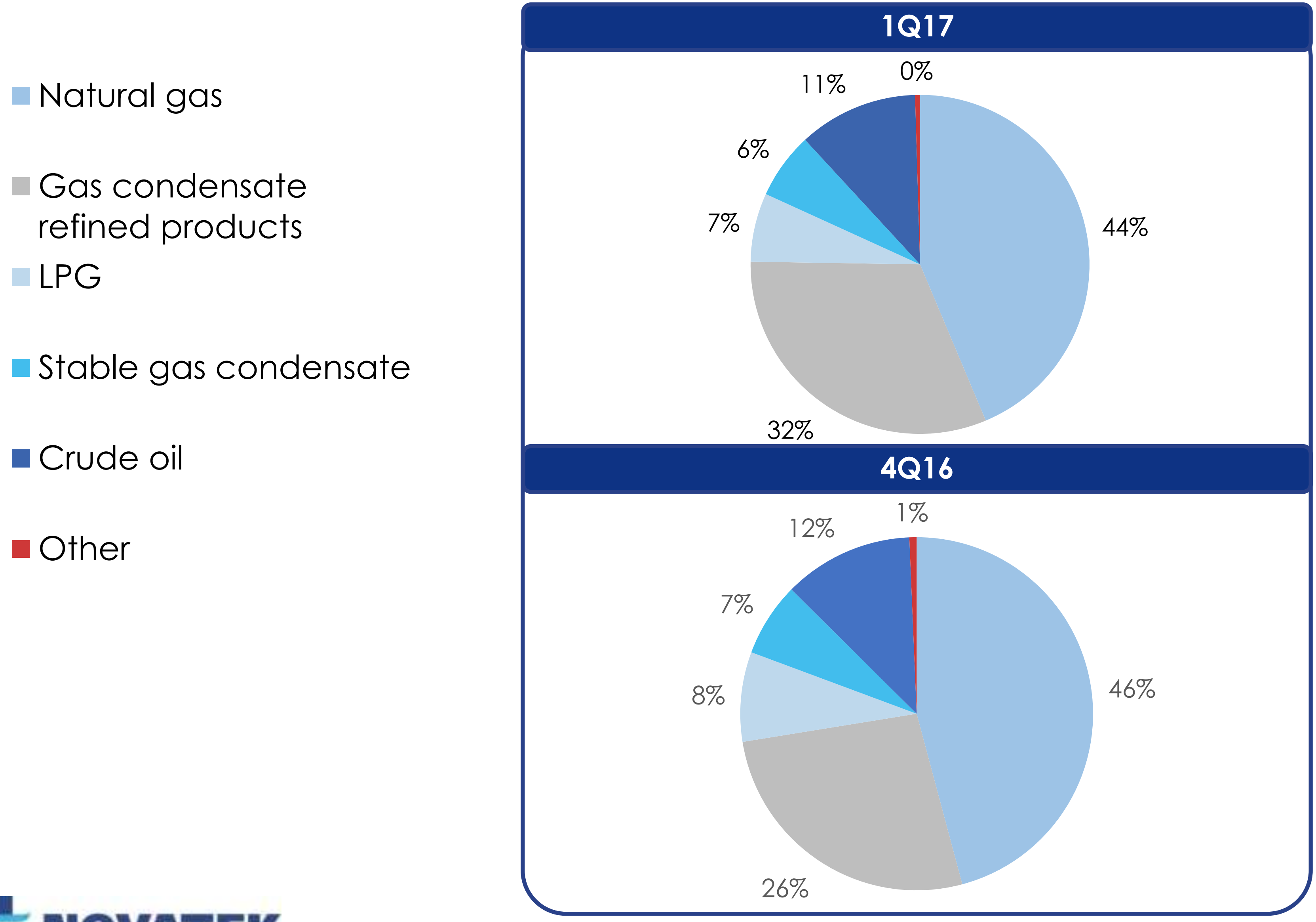
Financial Overview – 1Q17 to 4Q16

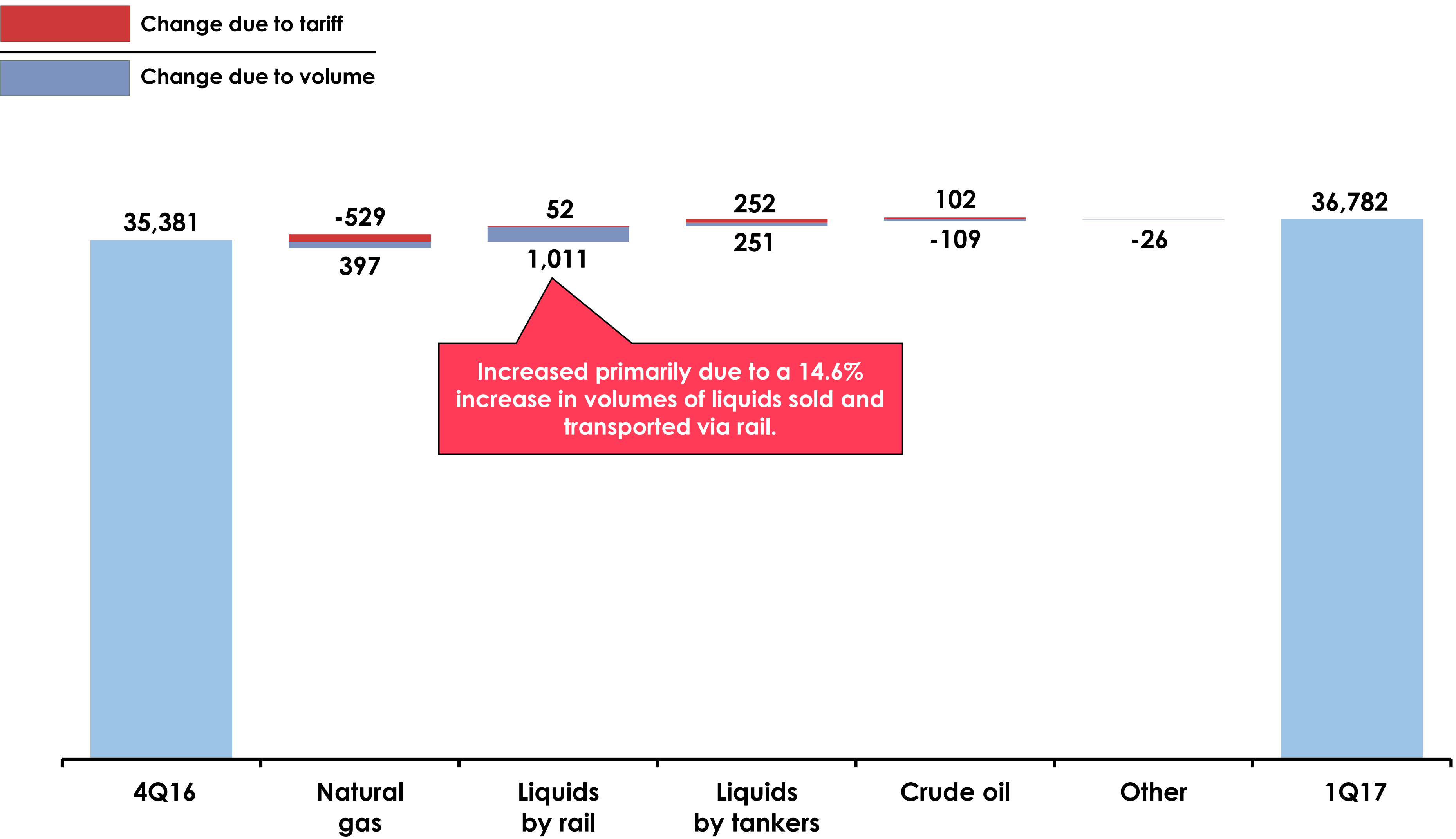
Total Revenues (RR million)



Total Revenues Breakdown



Transportation Expenses (RR million)



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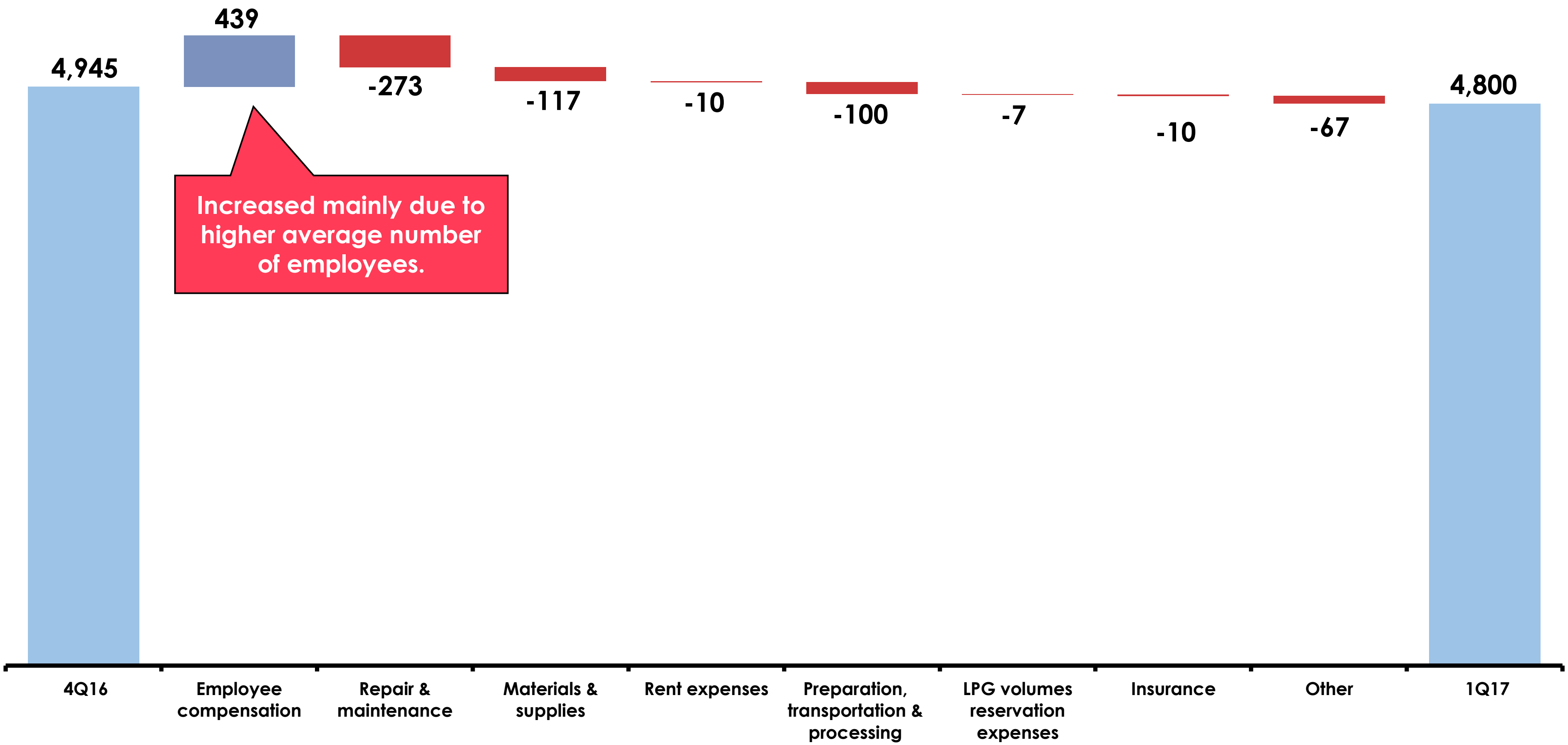
Materials, Services and Other Expenses (RR million)



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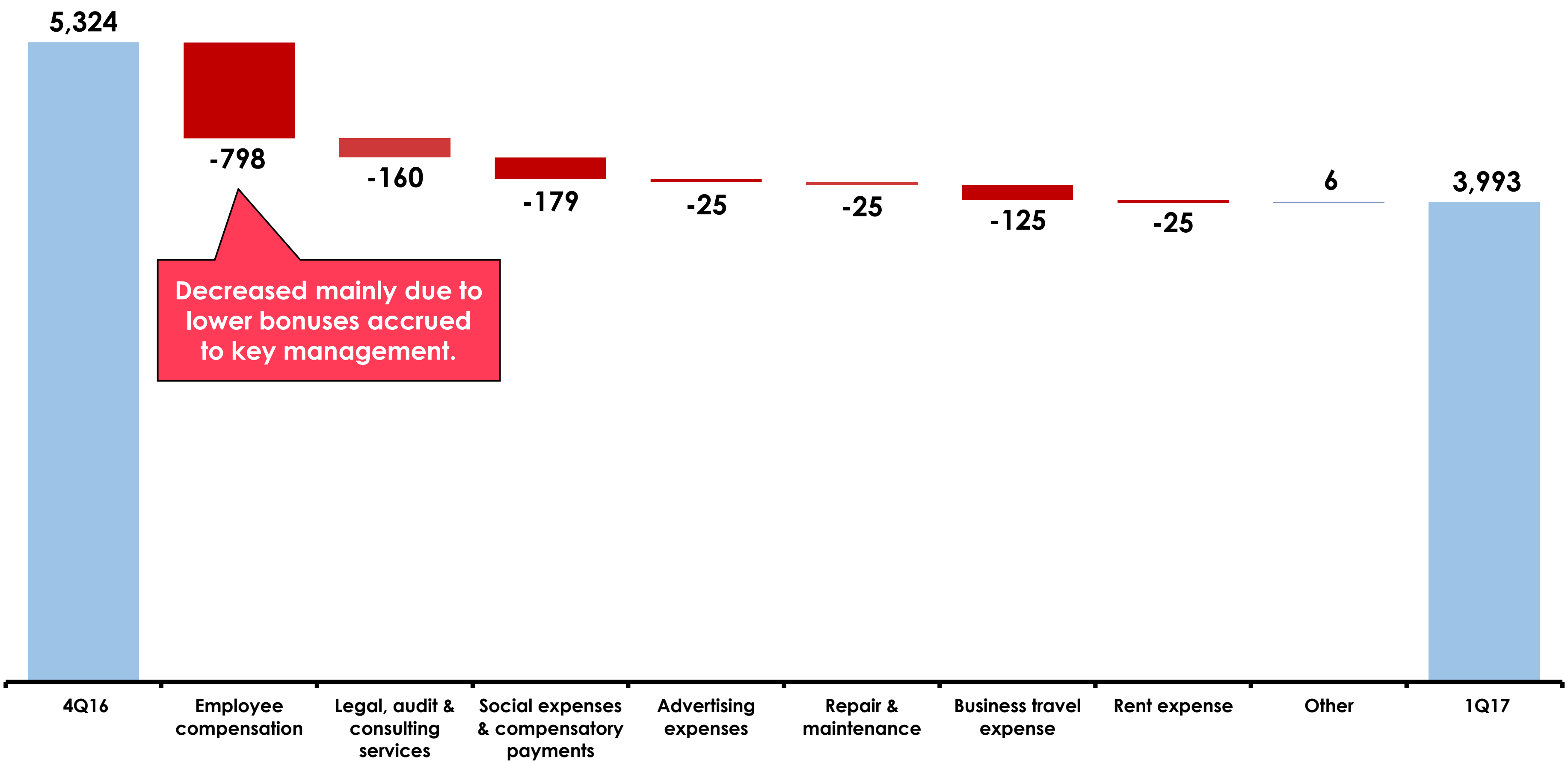
General and Administrative Expenses (RR million)



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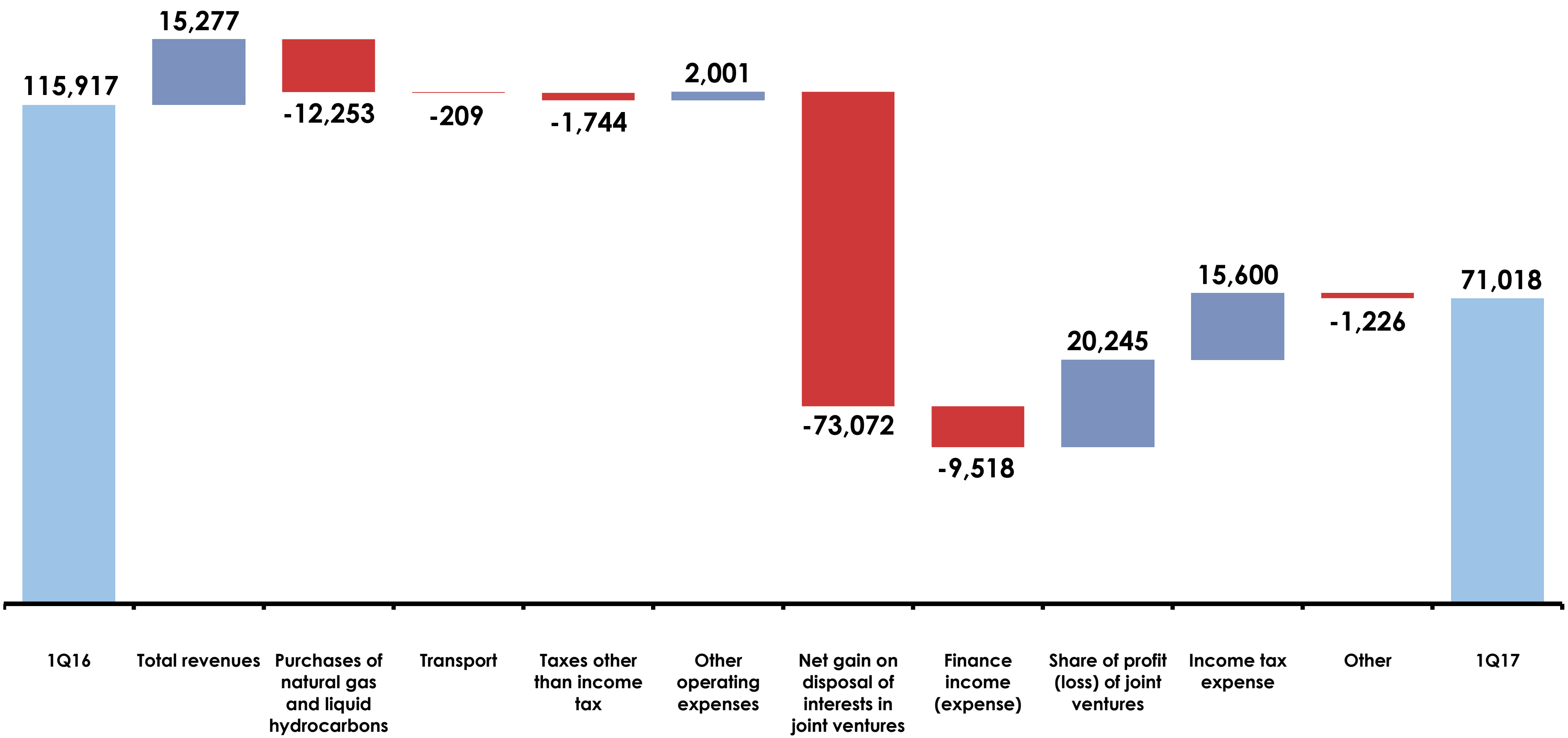
Appendices

Profit Attributable to NOVATEK Shareholders (RR million)



Some of the major factors that had an effect on the Group's financial result were the recognition of significant non-cash foreign exchange gains (losses) on foreign currency denominated loans of the Group and its joint ventures in both reporting periods, as well as the recognition of a gain on the disposal of interests in joint ventures in the first quarter of 2016. Excluding the one-time effect from the disposal of interests in joint ventures and the effect of foreign exchange gains and losses, our profit attributable to shareholders of PAO NOVATEK increased by RR 7,446 million, or 20.2%, and amounted to RR 44,345 million in the three months ended 31 March 2017.

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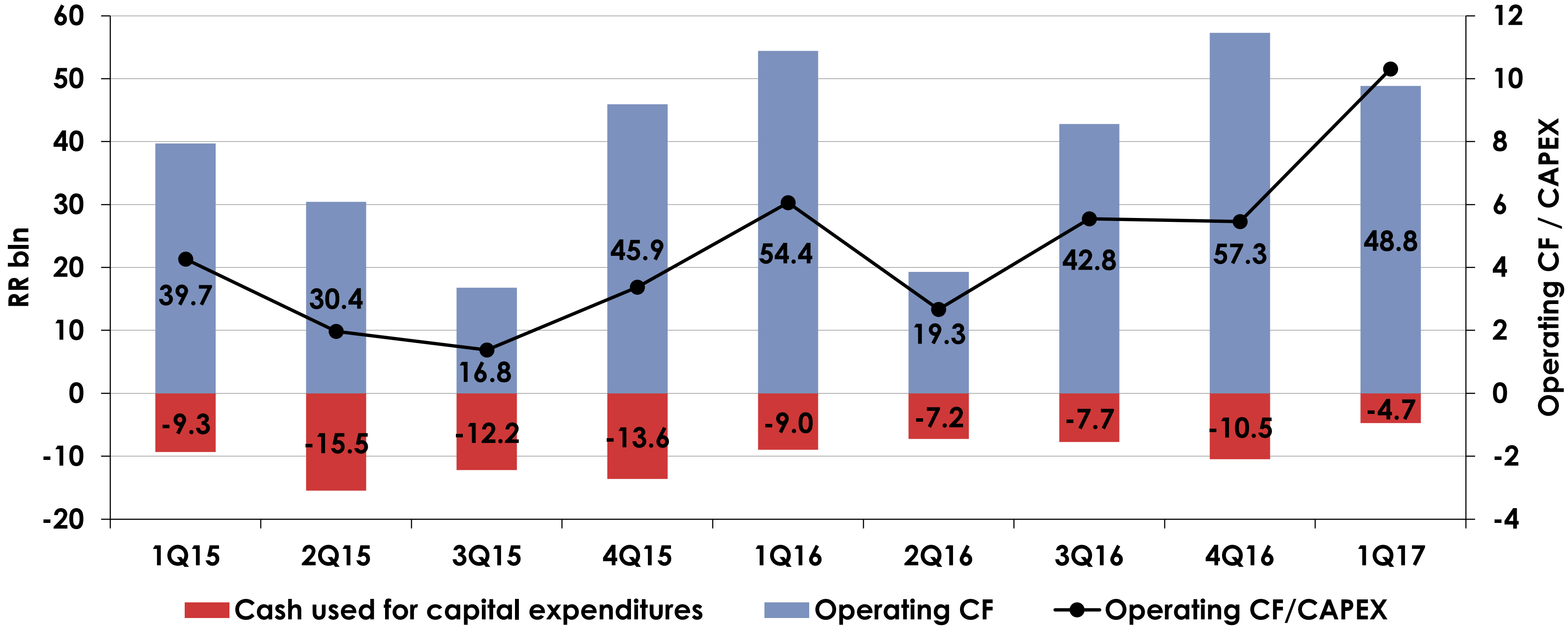
Internally Funded Investment Program



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

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

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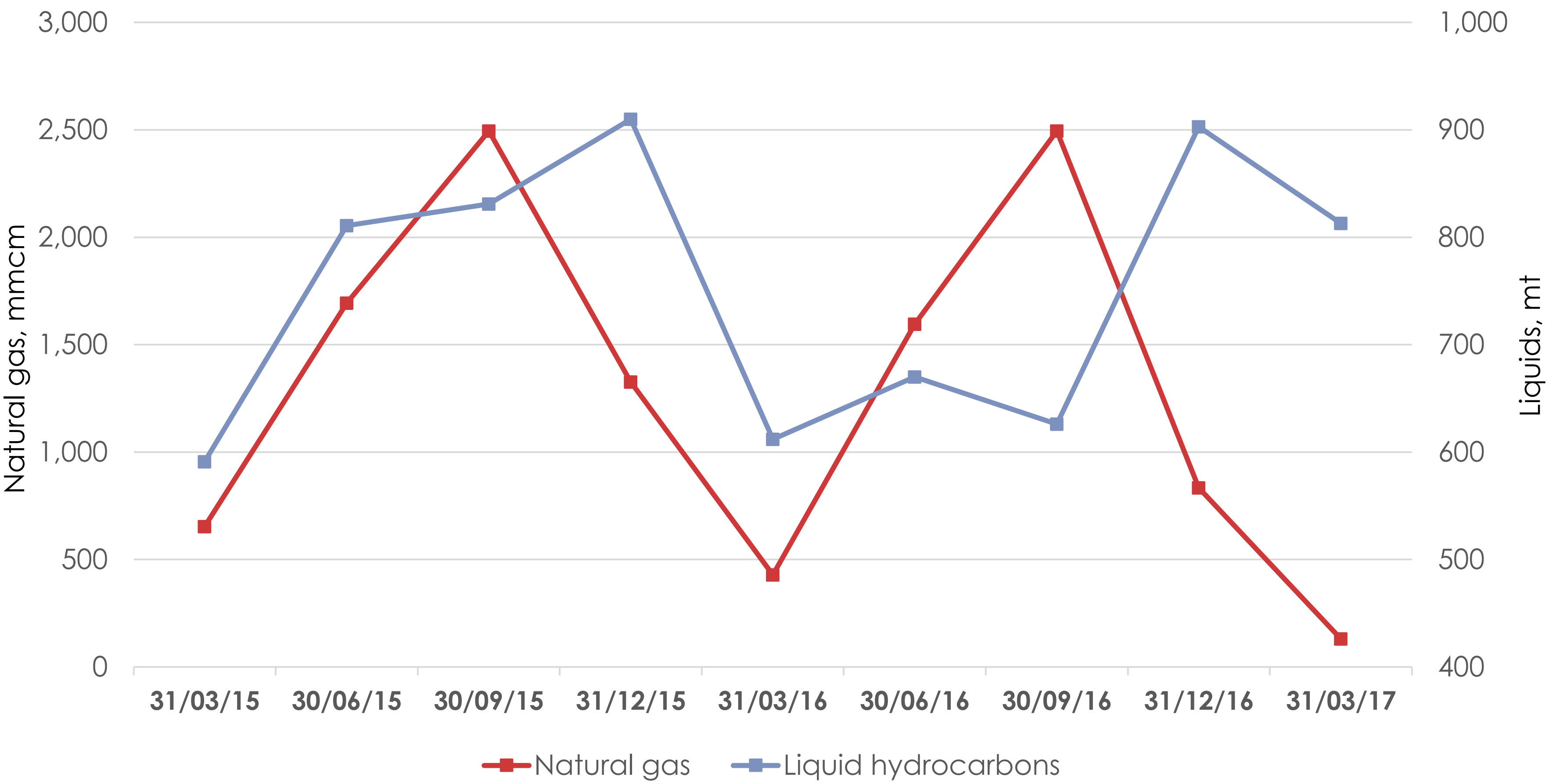
Change in Inventories



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Questions and Answers

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