



First Quarter 2016 Operational and Financial Results Conference Call



Mark A. Gyetvay, Deputy Chairman of the Management Board
Moscow, Russian Federation
28 April 2016

Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

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

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

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice. By participating in this presentation or by accepting any copy of this document, you agree to be bound by the foregoing limitations.

Summary Operational Highlights – 1Q 2016

- ❑ **Natural gas production** (including our proportionate share in JVs) **increased** by **6.7%** Y-o-Y
- ❑ **Liquids production** (including our proportionate share in JVs) **increased** by **61.1%** Y-o-Y
- ❑ **Share of liquids** in overall hydrocarbon production **increased** to **19.2%** from **13.8%** in 1Q 2015
- ❑ **Purovsky Plant throughput increased** by **29.8%** Y-o-Y (annualized throughput was 13.0 mmt)
- ❑ **Ust-Luga Complex throughput increased** by **4.7%** Y-o-Y (annualized throughput was 7.2 mmt)

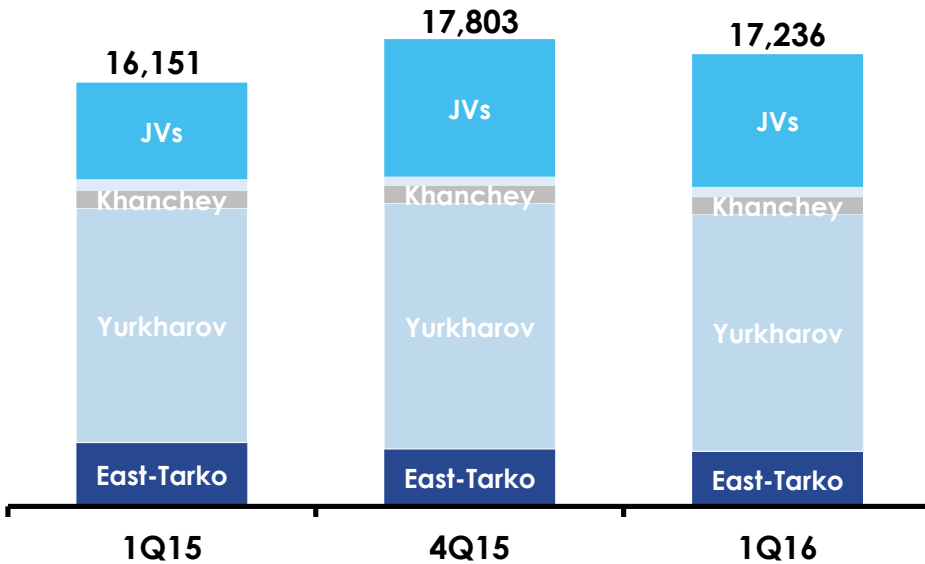
Summary Financial Highlights – 1Q 2016

- ❑ **Increase in revenues** driven by substantially higher liquids sales volumes, as well as higher natural gas prices and volumes:
 - Liquids sales revenues **increased** by **29.3%** Y-o-Y to RR 77.0 billion
 - Natural gas sales revenues **increased** by **14.1%** Y-o-Y to RR 61.2 billion
- ❑ **Normalized EBITDA** (including share in EBITDA of JVs) increased by **13.3%** Y-o-Y to RR 62.1 billion
- ❑ **Net cash provided by operating activities increased** by **37.0%** Y-o-Y to RR 54.4 billion
- ❑ **Cash used for capital expenditures decreased** by **3.7%** Y-o-Y to RR 9.0 billion
- ❑ **Free Cash Flow increased** by **49.5%** Y-o-Y to RR 45.4 billion
- ❑ **Net Debt decreased** by **38.4%** during the quarter to RR 203.0 billion

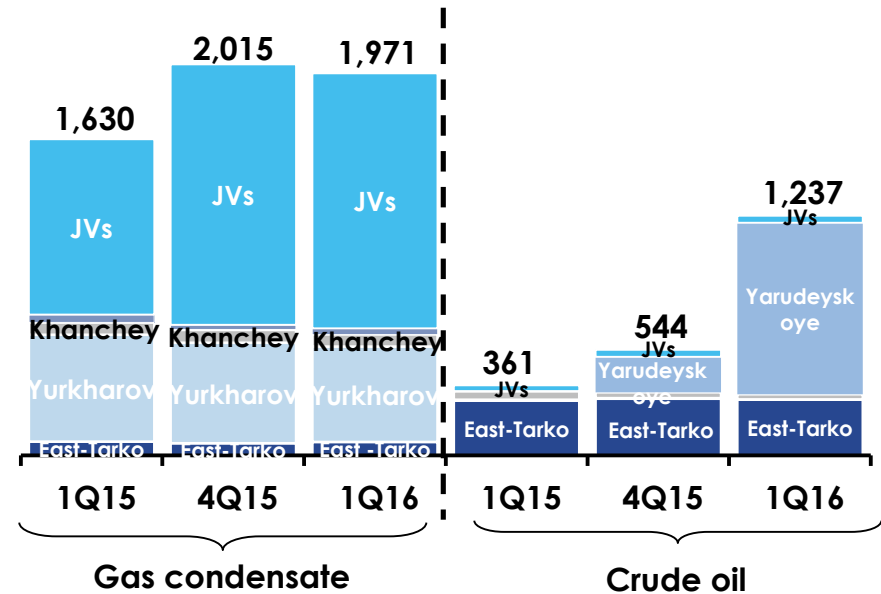
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



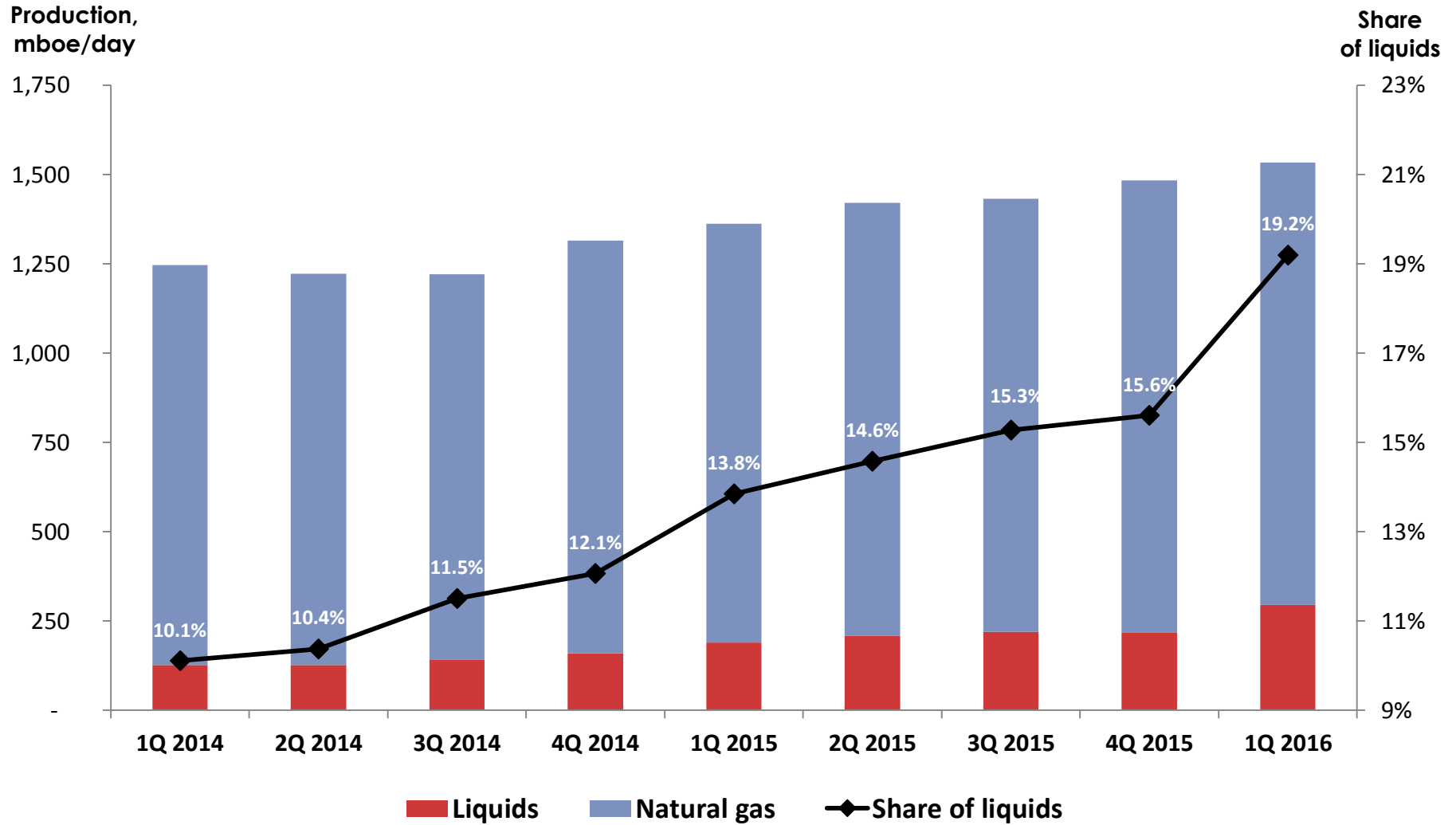
Natural gas production increased Y-o-Y due to increase in JVs' production driven by:

- Significant production increase by SeverEnergia due to reaching the nameplate production capacity of the second phase of the Urengoyskoye field in February 2015, as well as the launch of the Yaro-Yakhinskoye field in April 2015.
- The launch of the Termokarstovoye field in May 2015.

Liquids production increased Y-o-Y due to:

- The commencement of commercial crude oil production at the Yarudeyskoye field in December 2015.
- Significant production increase by SeverEnergia due to reaching the nameplate production capacity of the second phase of the Urengoyskoye field in February 2015, as well as the launch of the Yaro-Yakhinskoye field in April 2015.
- The launch of the Termokarstovoye field in May 2015.

Growing Share of Liquids



Purovsky Plant

- ❑ **Total volumes delivered: 3,232 mt**
 - Yurkharovskoye field: 495 mt
 - East-Tarkosalinskoye and Khancheyskoye fields: 176 mt
 - Other fields: 30 mt
 - Purchases from our joint ventures: 2,531 mt
- ❑ **Annualized throughput volumes: 13.0 mmt**
- ❑ **Total output of marketable products: 3,202 mt**
 - Stable gas condensate: 2,526 mt
 - LPG: 676 mt



Ust-Luga Complex

- ❑ **Total volumes delivered: 1,776 mt**
- ❑ **Annualized throughput volumes: 7.2 mmt**
- ❑ **Total output of marketable gas condensate refined products: 1,747 mt**
 - Naphtha: 1,086 mt
 - Other products: 661 mt
- ❑ **Gas condensate refined products sold: 1,881 mt**
 - to Europe: 1,134 mt
 - to the Asia Pacific Region: 485 mt
 - to North America: 72 mt
 - Other: 190 mt



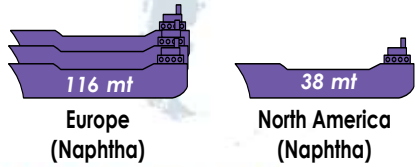
Liquids in Tankers

Liquids sales

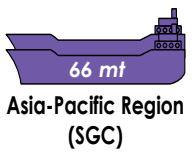
- Naphtha
- Jet fuel
- Gasoil and fuel oil
- LPG
- Crude oil
- Stable gas condensate



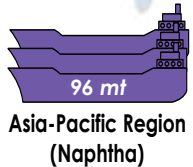
“Goods in transit”
31.03.2015
 ~154 thousand tons



“Goods in transit”
31.12.2015
 ~ 66 thousand tons



“Goods in transit”
31.03.2016
 ~96 thousand tons



Financial Overview – 1Q 2016 to 1Q 2015

Comparison of Quarterly Results (RR million)

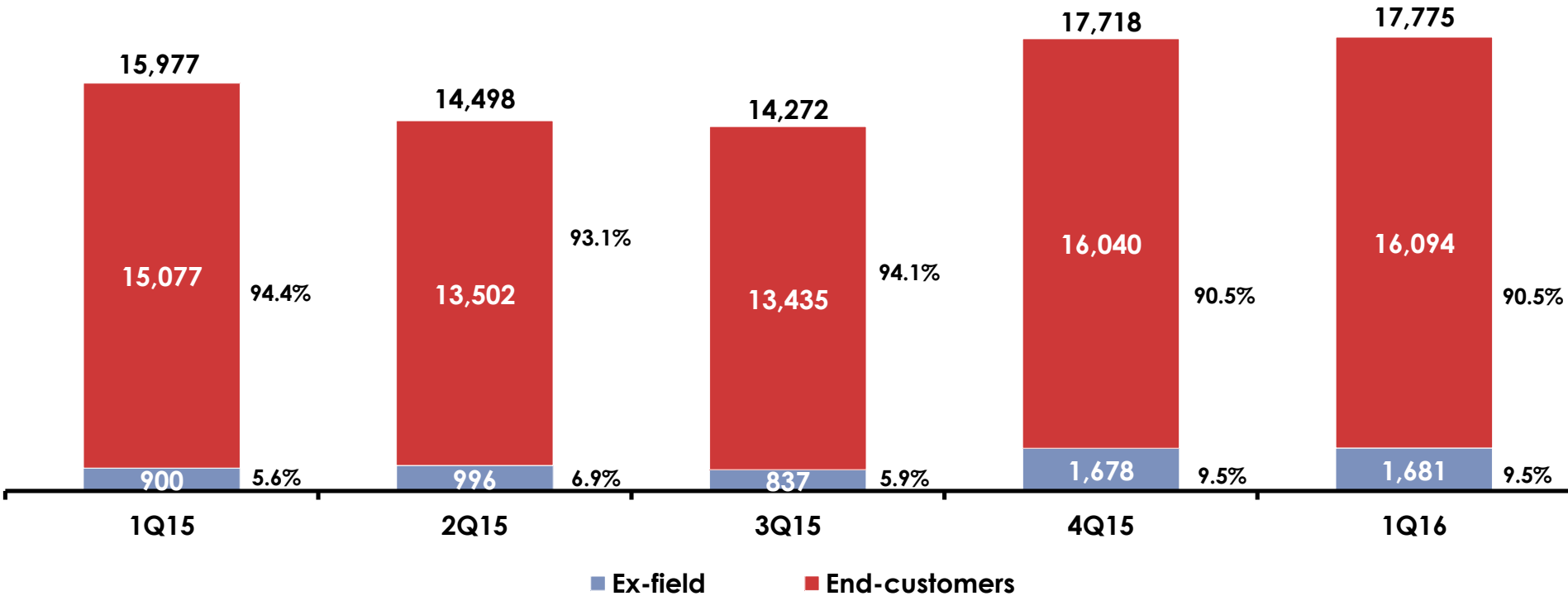
	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	Q-o-Q +/- %	Y-o-Y +/- %
Total revenues	113,742	112,244	117,367	131,972	139,351	5.6%	22.5%
Operating expenses	(73,896)	(79,541)	(85,096)	(96,509)	(97,159)	0.7%	31.5%
Normalized ⁽¹⁾ EBITDA ⁽²⁾	54,832	49,511	52,579	57,267	62,136	8.5%	13.3%
Normalized ⁽¹⁾ EBITDA margin	48.2%	44.1%	44.8%	43.4%	44.6%		
Normalized ⁽¹⁾ profit (loss) attributable to NOVATEK	31,075	41,920	(13,405)	13,817	58,240	321.5%	87.4%
Normalized ⁽¹⁾ profit (loss) margin	27.3%	37.3%	-11.4%	10.5%	41.8%		
Normalized ⁽¹⁾ earnings (loss) per share	10.29	13.88	(4.44)	4.57	19.29	322.1%	87.5%
Cash used for capital expenditures ⁽³⁾	9,319	15,463	12,198	13,604	8,976	-34.0%	-3.7%
Net debt ⁽⁴⁾	206,926	204,388	258,212	329,518	203,019	-38.4%	-1.9%
Free cash flow ⁽⁵⁾	30,398	14,984	4,574	32,324	45,448	40.6%	49.5%

In 1Q16, our financial results were significantly impacted by the sale of a 9.9% equity stake in Yamal LNG to the Silk Road Fund of China.

Notes:

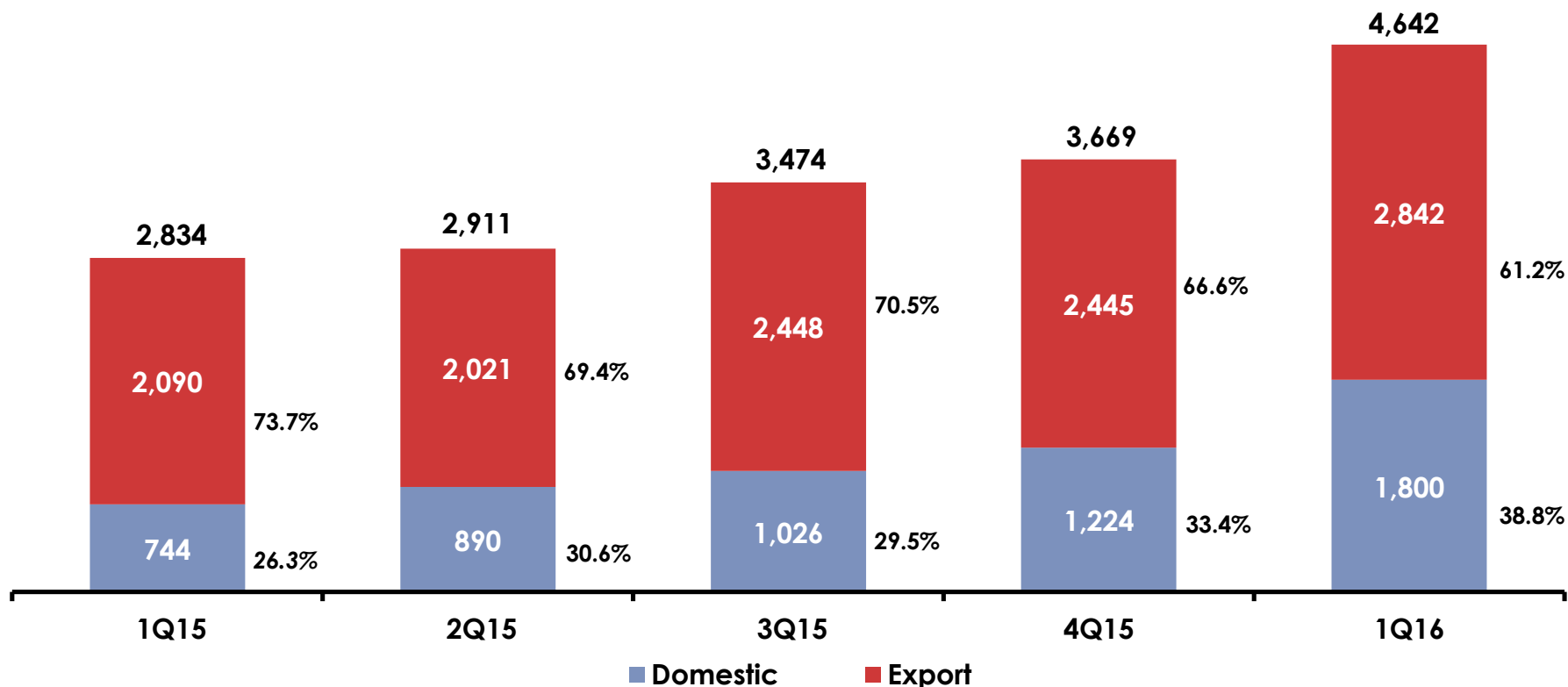
1. Excluding the effect from the disposal of interests in joint ventures
2. EBITDA represents profit (loss) adjusted for the add-back of depreciation, depletion and amortization, net impairment expenses (reversals), finance income (expense), income tax expense, as well as income (loss) from changes in fair value of derivative financial instruments. EBITDA includes EBITDA from subsidiaries and our proportionate share in the EBITDA of our joint ventures
3. Cash used for capital expenditures represents purchases of property, plant and equipment, materials for construction and capitalized interest paid per Consolidated Statement of Cash Flows net of payments for mineral licenses and acquisition of subsidiaries
4. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
5. Free cash flow represents the difference between Net cash provided by operating activities and Cash used for capital expenditures

Market Distribution – Gas Sales Volumes (mmcm)



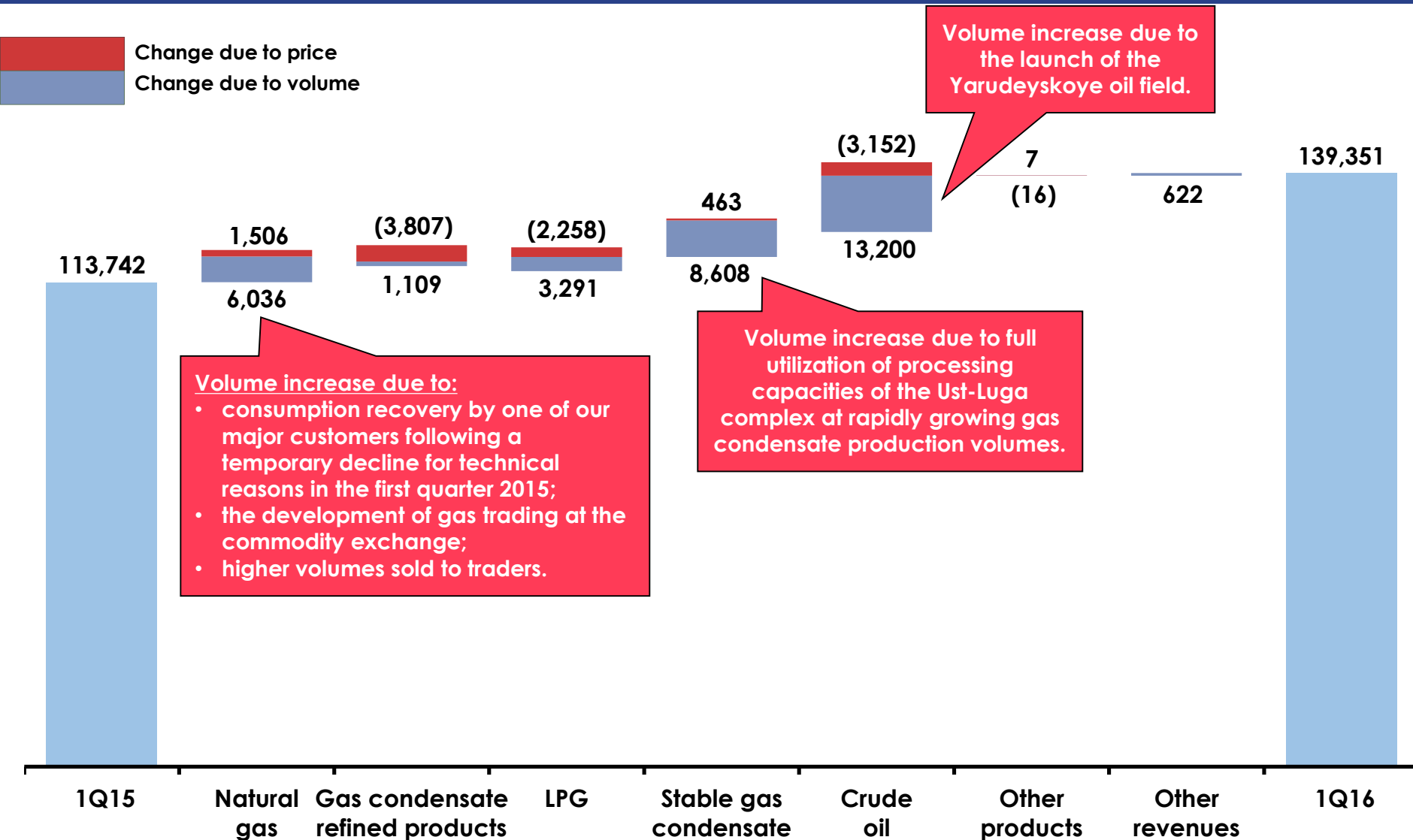
Y-o-Y increase in natural gas sales volumes was due to consumption recovery by one of our major customers following a temporary decline for technical reasons in the first quarter 2015, as well as the development of gas trading at the commodity exchange and higher volumes sold to traders.

Market Distribution – Liquids Sales Volumes (mt)



Y-o-Y increase in liquids sales volumes was due to a significant increase in unstable gas condensate production in our JVs, as well as crude oil production in our subsidiaries.

Total Revenues (RR million)



Total Revenues Breakdown

■ Natural gas

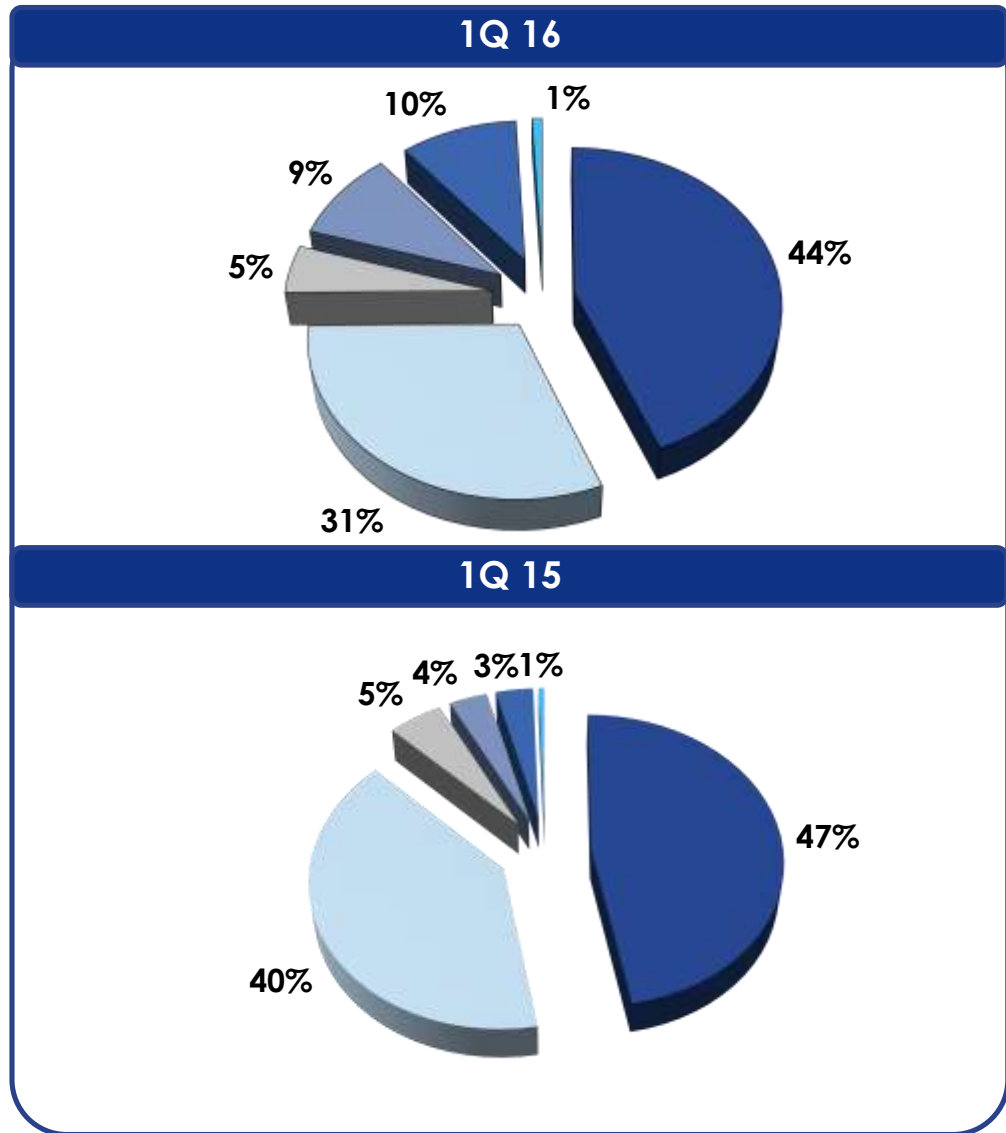
■ Gas condensate
refined products

■ LPG

■ Stable gas condensate

■ Crude oil

■ Other



Realized Hydrocarbon Prices (net of VAT and export duties)

1Q 15	1Q 16	+ / (-)	+ / (-)%		4Q 15	1Q 16	+ / (-)	+ / (-)%	
<u>Domestic prices</u>									
3,447	3,586	139	4.0%	Natural gas end-customers, RR/mcm	3,813	3,586	(227)	-6.0%	
1,831	2,051	220	12.0%	Natural gas ex-field, RR/mcm	2,051	2,051	-	0.0%	
13,114	11,889	(1,225)	-9.3%	Stable gas condensate, RR/ton	14,592	11,889	(2,703)	-18.5%	
20,258	15,271	(4,987)	-24.6%	Other gas condensate refined products, RR/ton	16,703	15,271	(1,432)	-8.6%	
9,170	5,890	(3,280)	-35.8%	LPG, RR/ton	13,495	5,890	(7,605)	-56.4%	
13,979	11,183	(2,796)	-20.0%	Crude oil, RR/ton	11,069	11,183	114	1.0%	
<u>Export market</u>									
24,354	24,517	163	0.7%	Naphtha, RR/ton	22,010	24,517	2,507	11.4%	
26,078	20,704	(5,374)	-20.6%	Other gas condensate refined products, RR/ton	22,228	20,704	(1,524)	-6.9%	
24,796	17,649	(7,147)	-28.8%	Stable gas condensate, RR/ton	14,929	17,649	2,720	18.2%	
20,639	22,633	1,994	9.7%	LPG, RR/ton	26,777	22,633	(4,144)	-15.5%	
15,188	12,950	(2,238)	-14.7%	Crude oil, RR/ton	14,311	12,950	(1,361)	-9.5%	

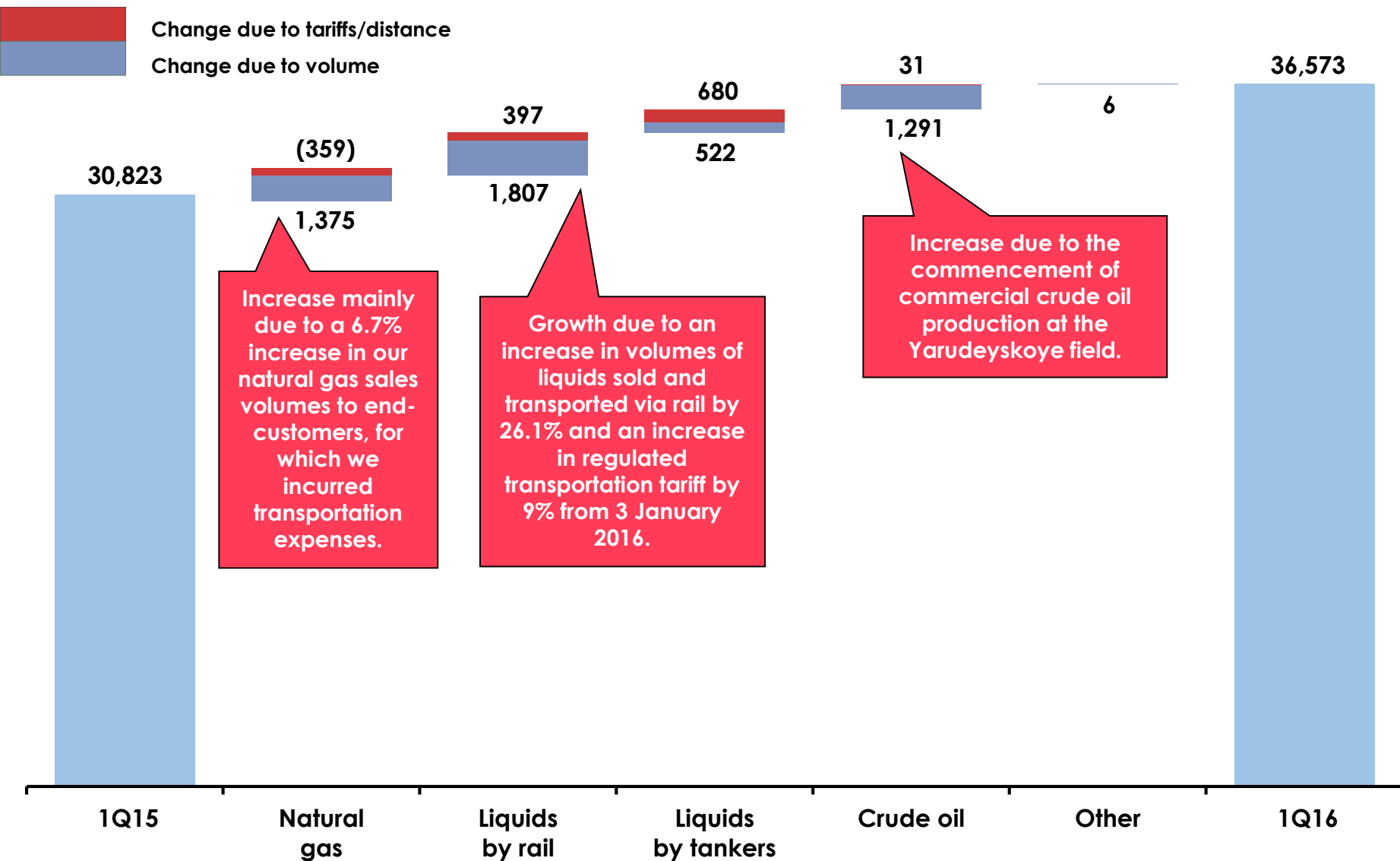
Note: Prices are shown excluding trading activities.

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

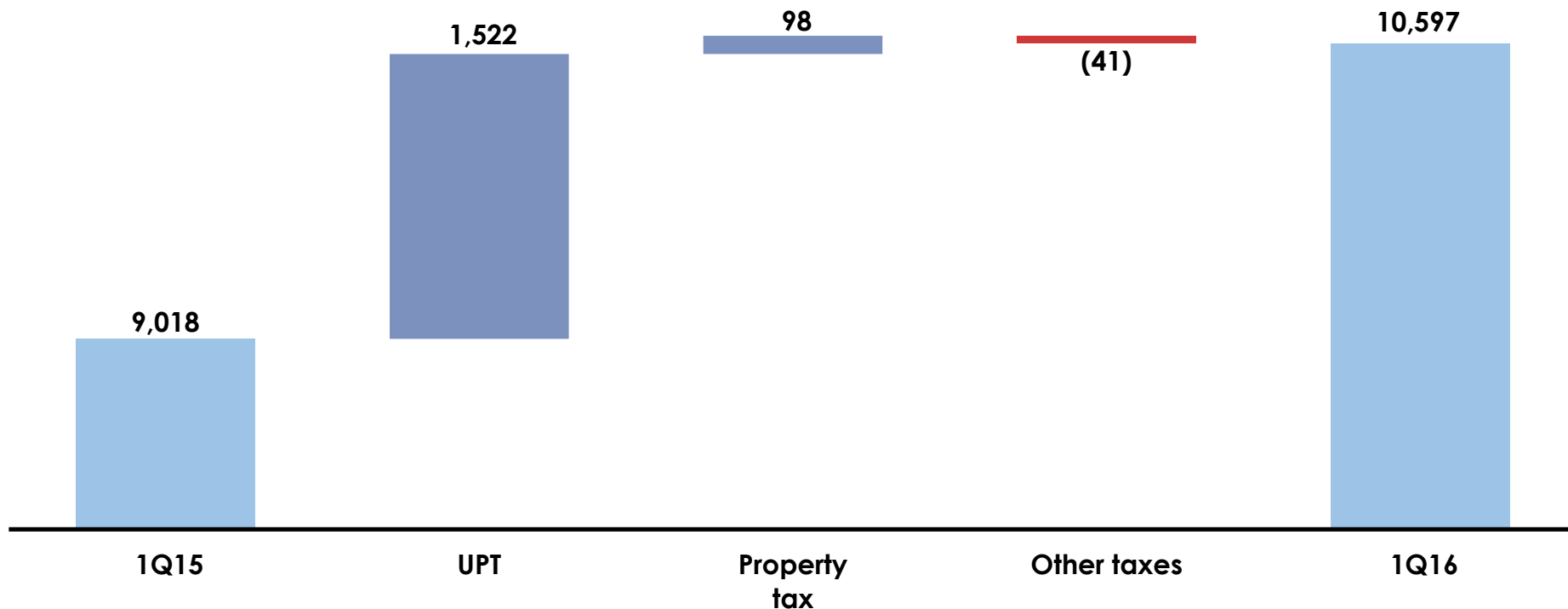
1Q 15	% of TR	1Q16	% of TR		4Q15	% of TR	1Q16	% of TR
30,823	27.1%	36,573	26.2%	Transportation expenses	36,920	28.0%	36,573	26.2%
9,018	7.9%	10,597	7.6%	Taxes other than income tax	9,543	7.2%	10,597	7.6%
39,841	35.0%	47,170	33.8%	Non-controllable expenses	46,463	35.2%	47,170	33.8%
4,515	4.0%	7,833	5.6%	Depreciation and amortization	5,901	4.5%	7,833	5.6%
3,176	2.8%	4,357	3.1%	Materials, services & other	3,990	3.0%	4,357	3.1%
3,113	2.7%	4,229	3.0%	General and administrative	4,213	3.2%	4,229	3.0%
18	0.02%	102	0.1%	Exploration expenses	288	0.2%	102	0.1%
29	0.03%	153	0.1%	Net impairment expenses (reversals)	44	0.03%	153	0.1%
(219)	n/a	3,598	2.6%	Change in natural gas, liquids and WIP	1,313	1.0%	3,598	2.6%
50,473	44.3%	67,442	48.4%	Subtotal operating expenses	62,212	47.2%	67,442	48.4%
23,423	20.6%	29,717	21.3%	Purchases of natural gas and liquid hydrocarbons	34,297	26.0%	29,717	21.3%
73,896	65.0%	97,159	69.7%	Total operating expenses	96,509	73.1%	97,159	69.7%

- Total operating expenses increased Y-o-Y by 31.5% primarily due to increased purchases of natural gas and liquid hydrocarbons from our joint ventures, as well as an increase in transportation expenses;
- Our purchases of hydrocarbons significantly increased Y-o-Y primarily due to an increase in purchases from SeverEnergia as a result of the launch of additional production capacities in the first half of 2015, as well as the commencement of purchases from Terneftegas effective May 2015;
- Transportation expenses increased Y-o-Y mainly due to increase in liquid hydrocarbon sales volumes by 63.8% and a 6.7% increase in our natural gas sales volumes to end-customers;
- Our depreciation, depletion and amortization (“DDA”) expense increased due to the launch of the Yarudeyskoye field in December 2015, as well as additions of property, plant and equipment at our production subsidiaries during the 12 months preceding the reporting period;
- Taxes other than income tax increased Y-o-Y primarily due to an increase in the unified natural resources production tax expense.

Transportation Expenses (RR million)

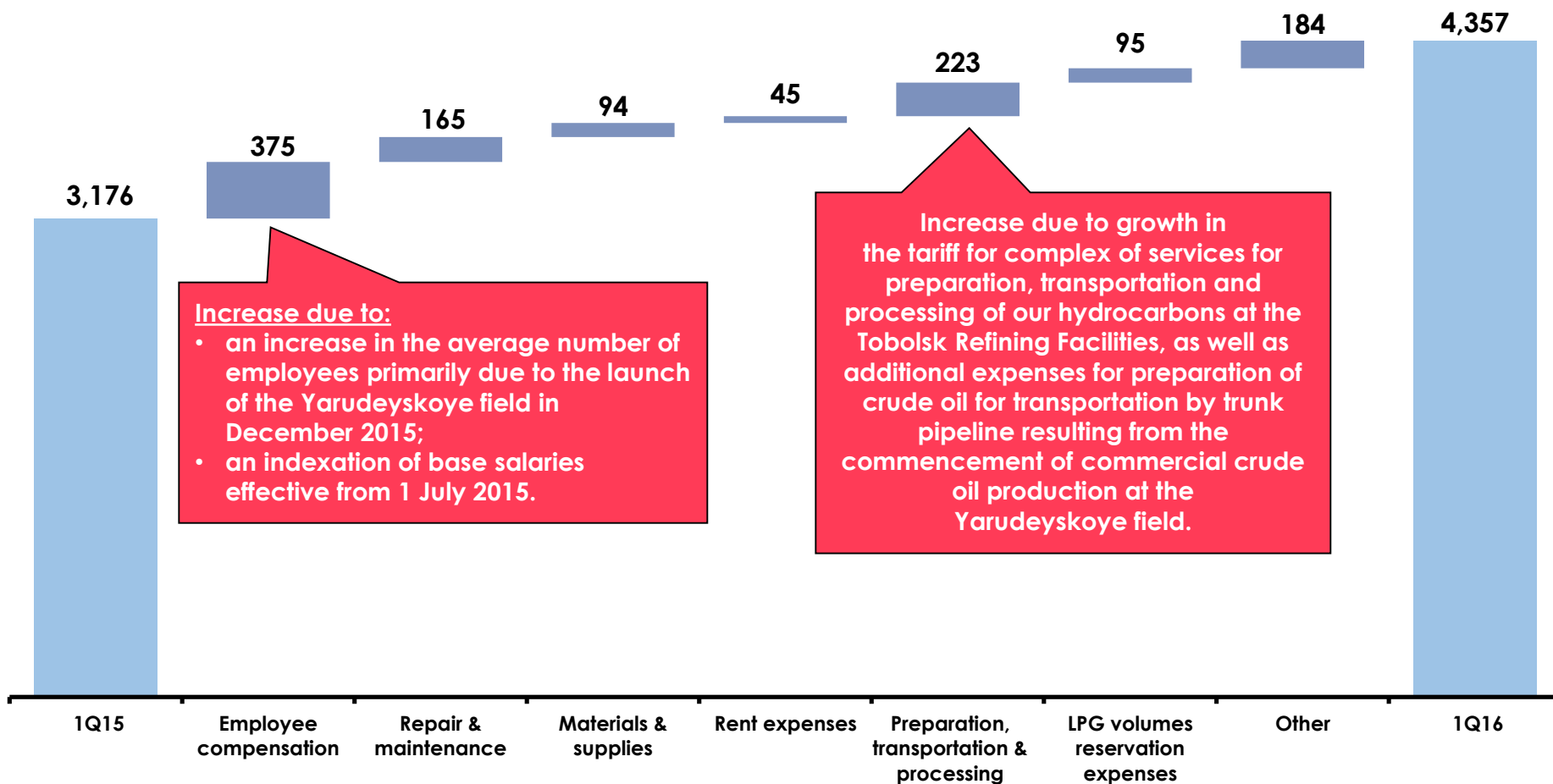


Taxes Other Than Income Tax Expense (RR million)

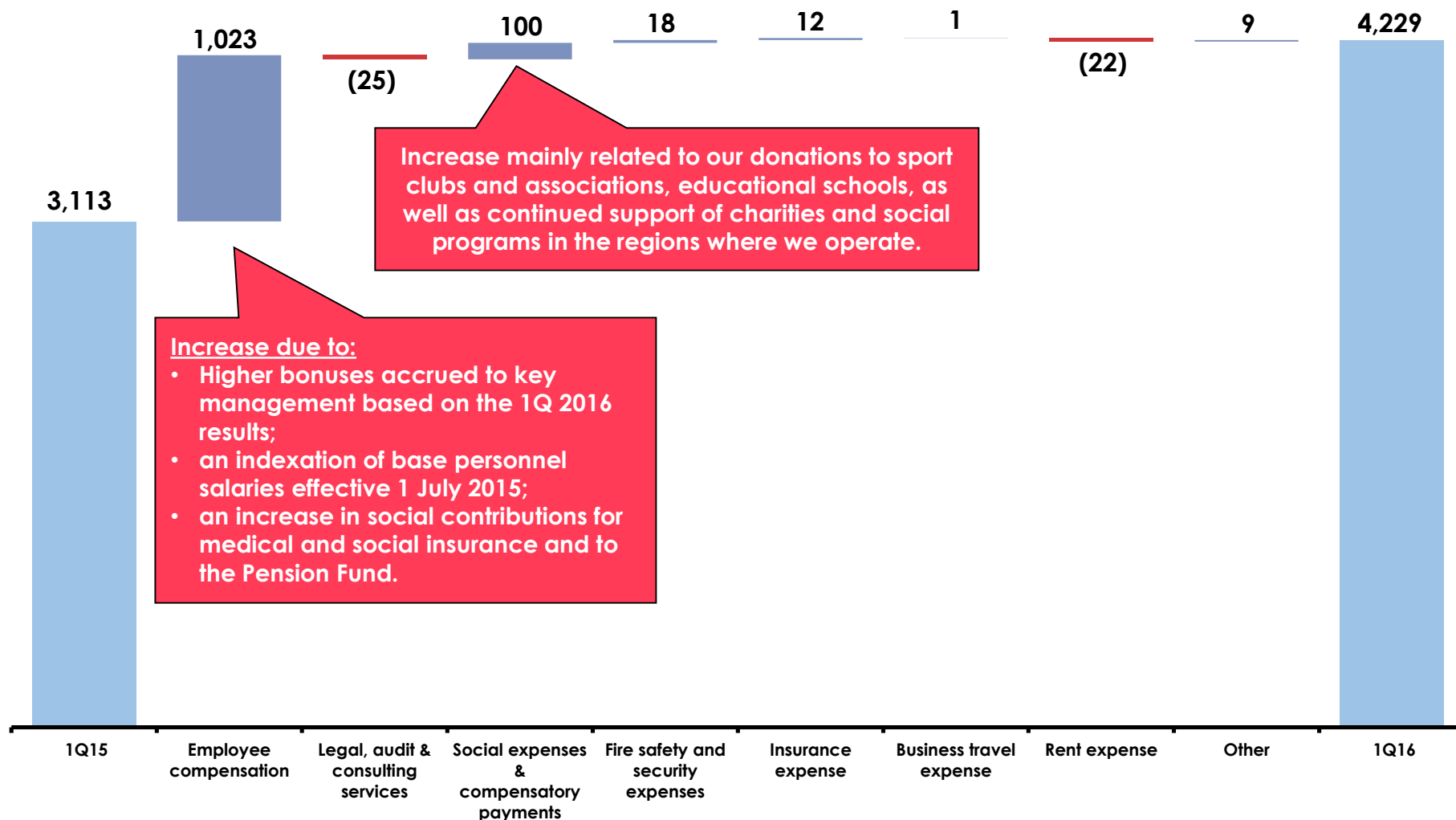


- Y-o-Y increase in UPT expense was primarily due to a significant increase in crude oil production as a result of the commercial crude oil production commencement at the Yarudeyskoye field in December 2015. In addition, as part of the tax maneuver in the oil and gas industry, the formula used for gas condensate UPT rate calculation was adjusted by a coefficient that increased the rate by 25.0% from 1 January 2016, which also increased our UPT expense;
- The increase in property tax expense was due to the launch of the Yarudeyskoye field in December 2015, as well as additions to property, plant and equipment at our other production subsidiaries.

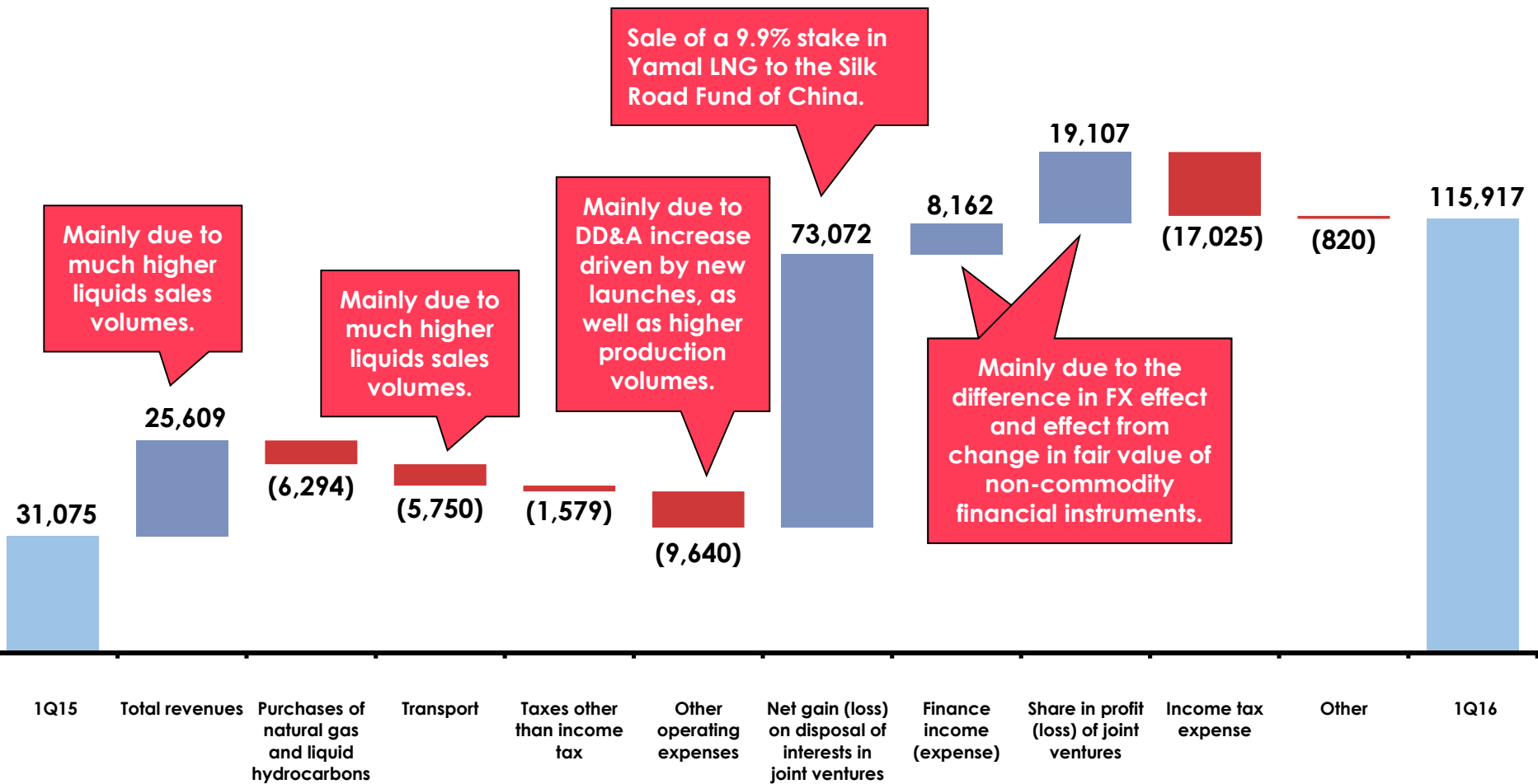
Materials, Services and Other Expenses (RR million)



General and Administrative Expenses (RR million)

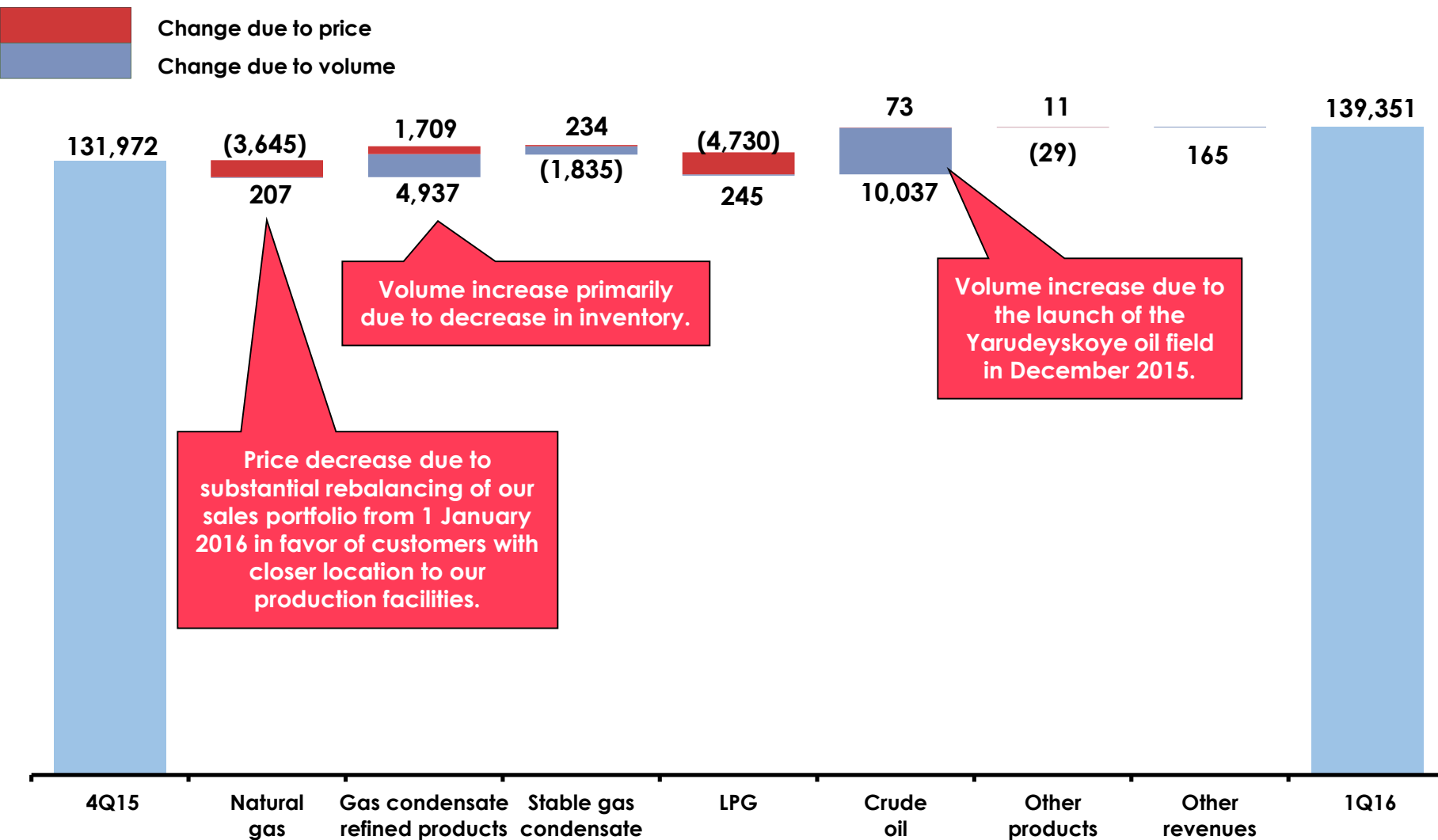


Profit Attributable to NOVATEK Shareholders (RR million)



Financial Overview – 1Q 2016 to 4Q 2015

Total Revenues (RR million)



Total Revenues Breakdown

■ Natural gas

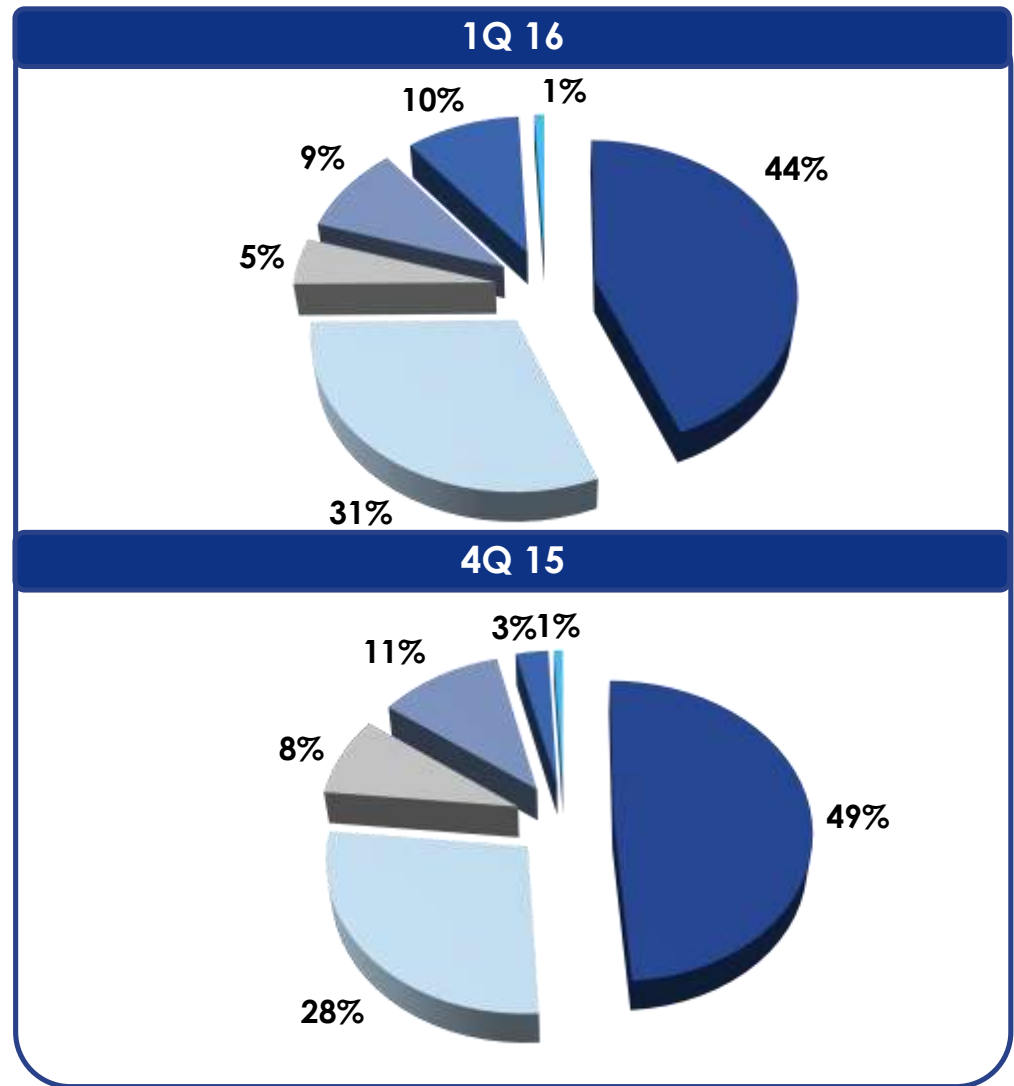
■ Gas condensate
refined products

■ LPG

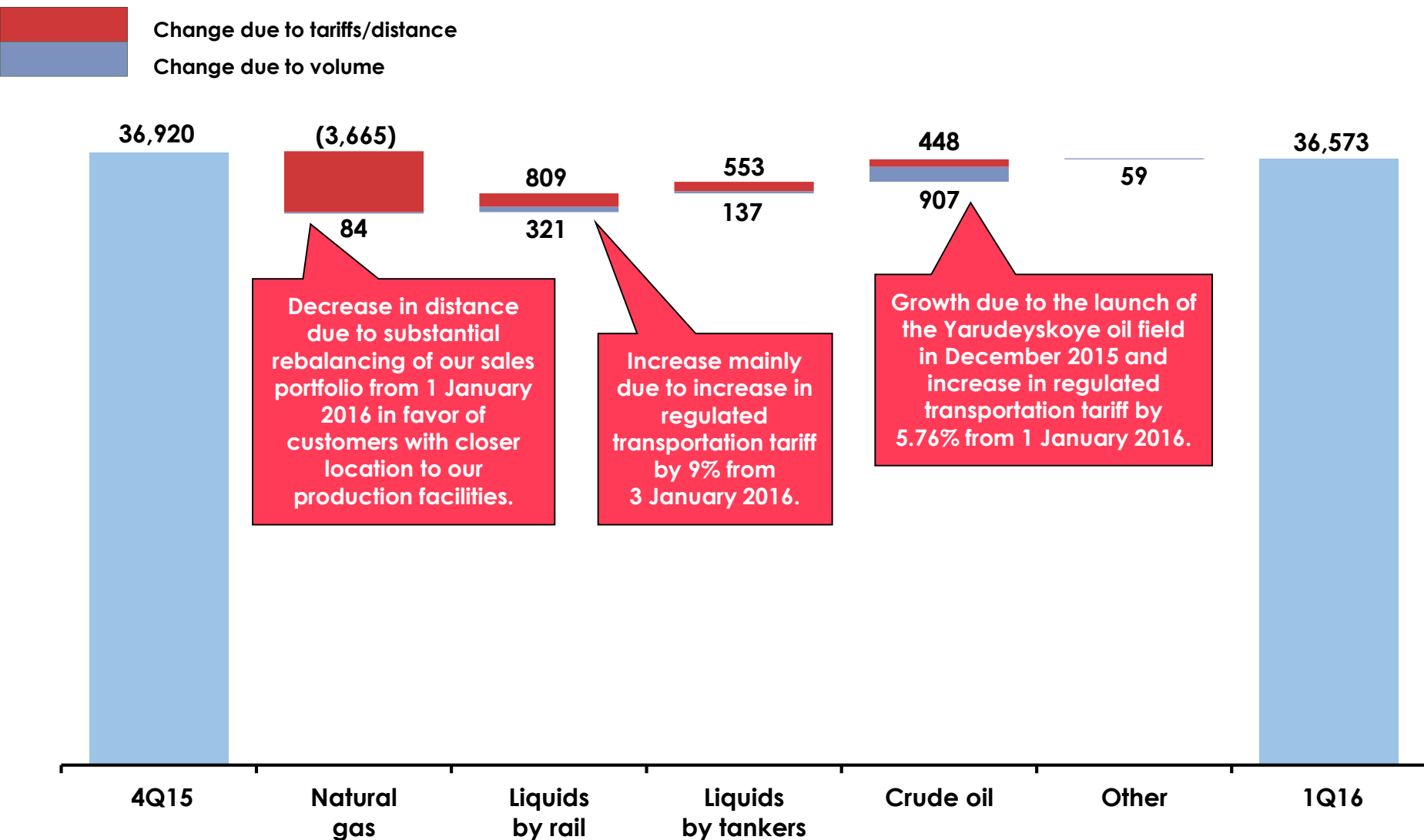
■ Stable gas condensate

■ Crude oil

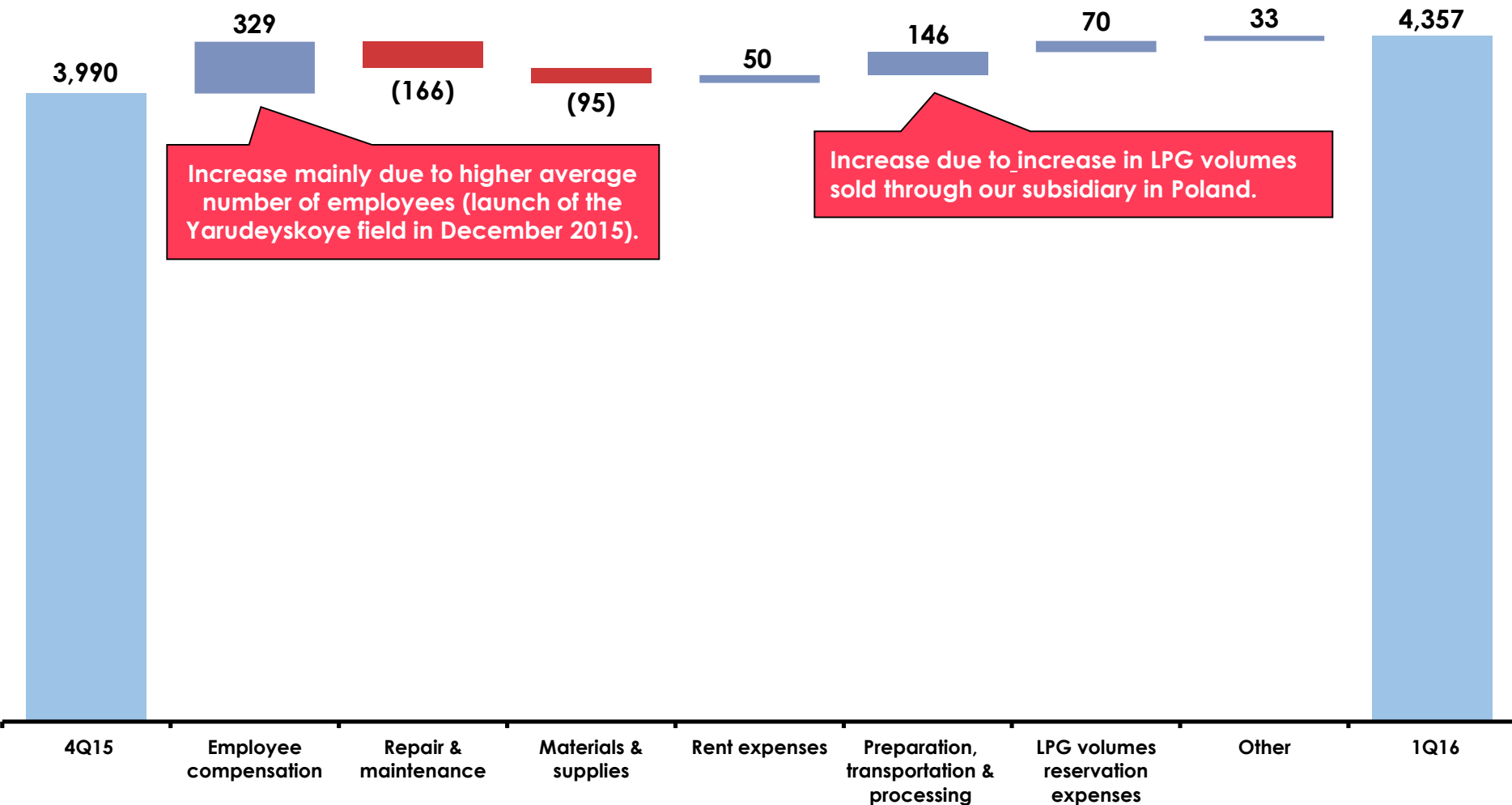
■ Other



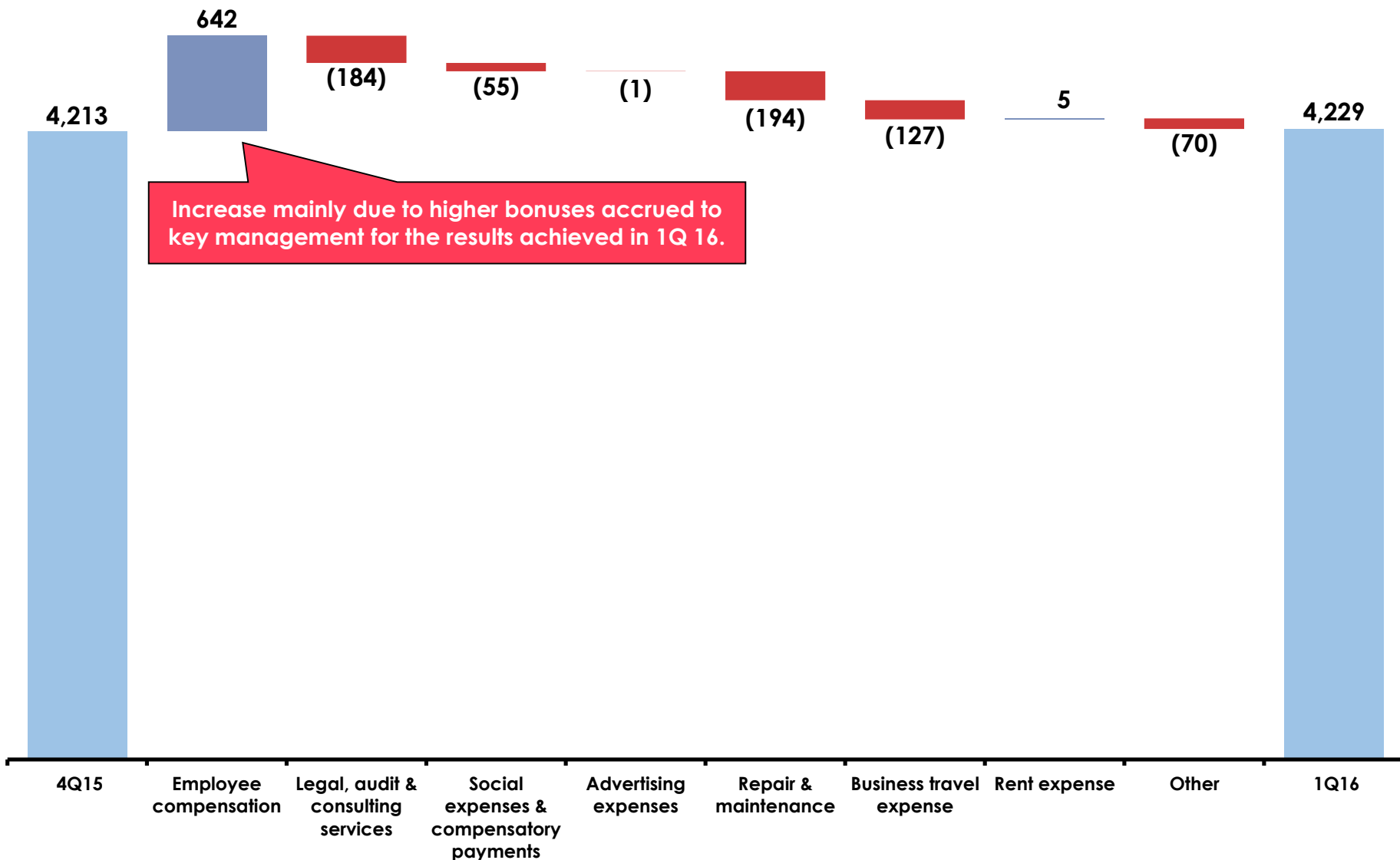
Transportation Expenses (RR million)



Materials, Services and Other Expenses (RR million)



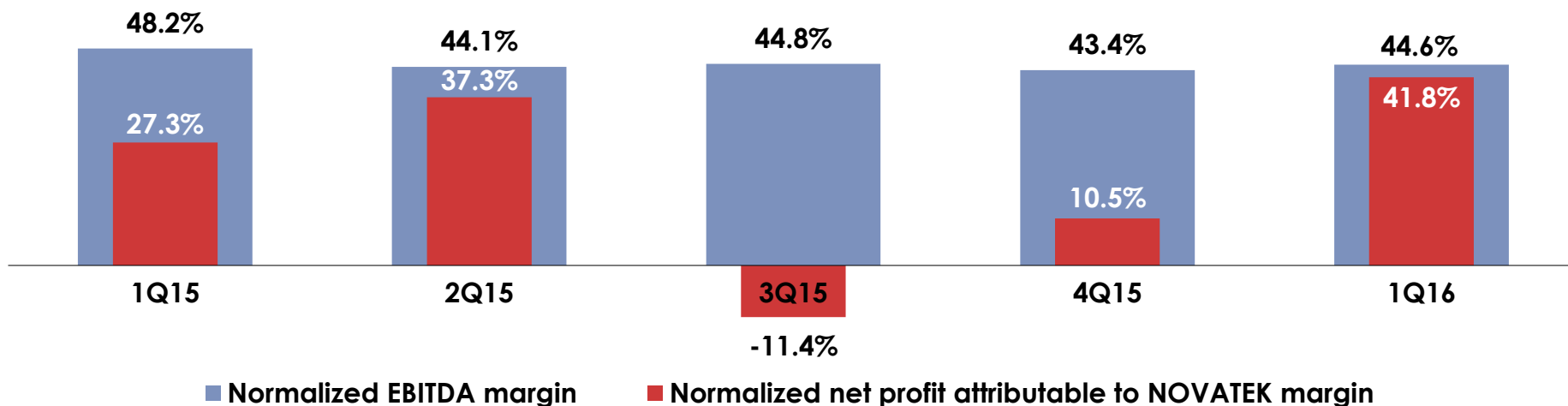
General and Administrative Expenses (RR million)



Appendices

Maintaining Margins (% of total revenues)

Lower profit margin due to foreign exchange loss effect on foreign currency denominated loans of the Group and its JVs.



Margins in-line with Group's strategic guidance, but negatively impacted by the depreciation of Russian rouble in the second half of 2015 and 1Q16

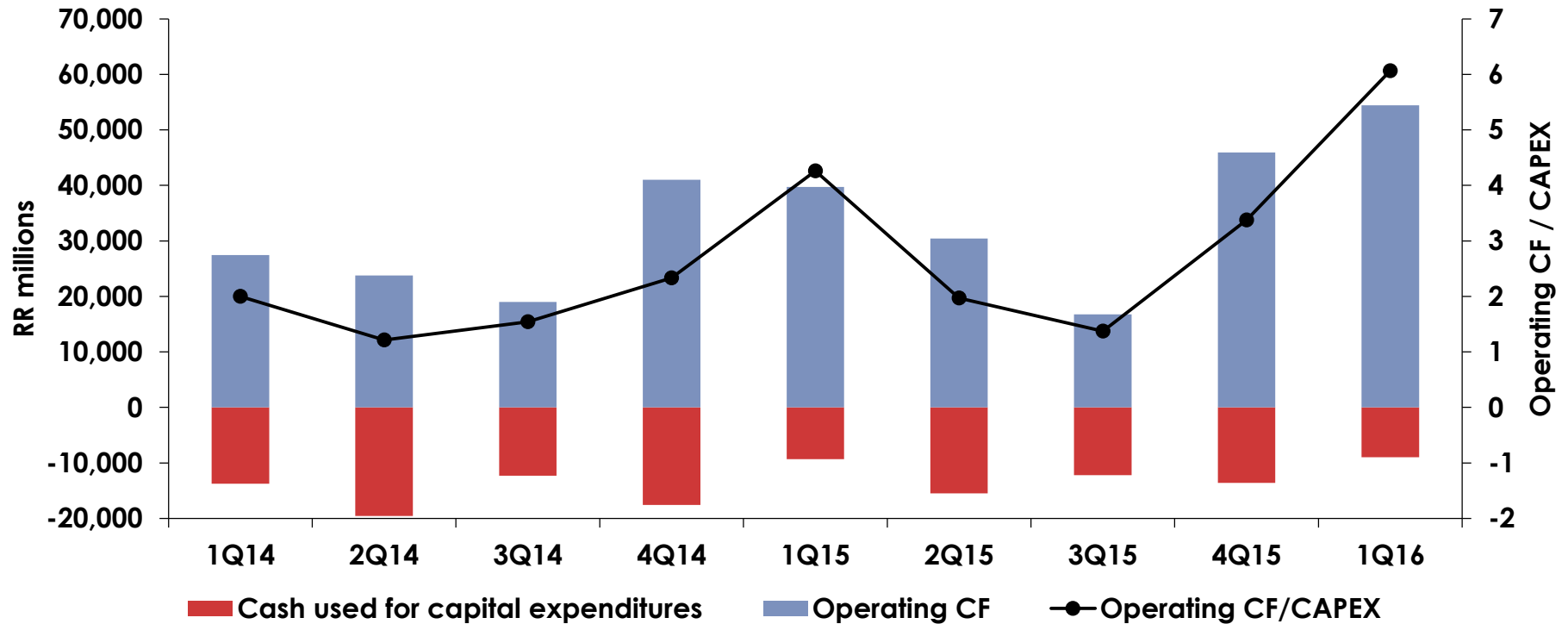
Notes:

1. EBITDA margin and net profit attributable to NOVATEK margin exclude the effect from the disposal of interests in joint ventures
2. EBITDA represents profit (loss) adjusted for the add-back of depreciation, depletion and amortization, net impairment expenses (reversals), finance income (expense), income tax expense, as well as income (loss) from changes in fair value of derivative financial instruments. EBITDA includes EBITDA from subsidiaries and our proportionate share in the EBITDA of our joint ventures

Condensed Statement of Financial Position (RR million)

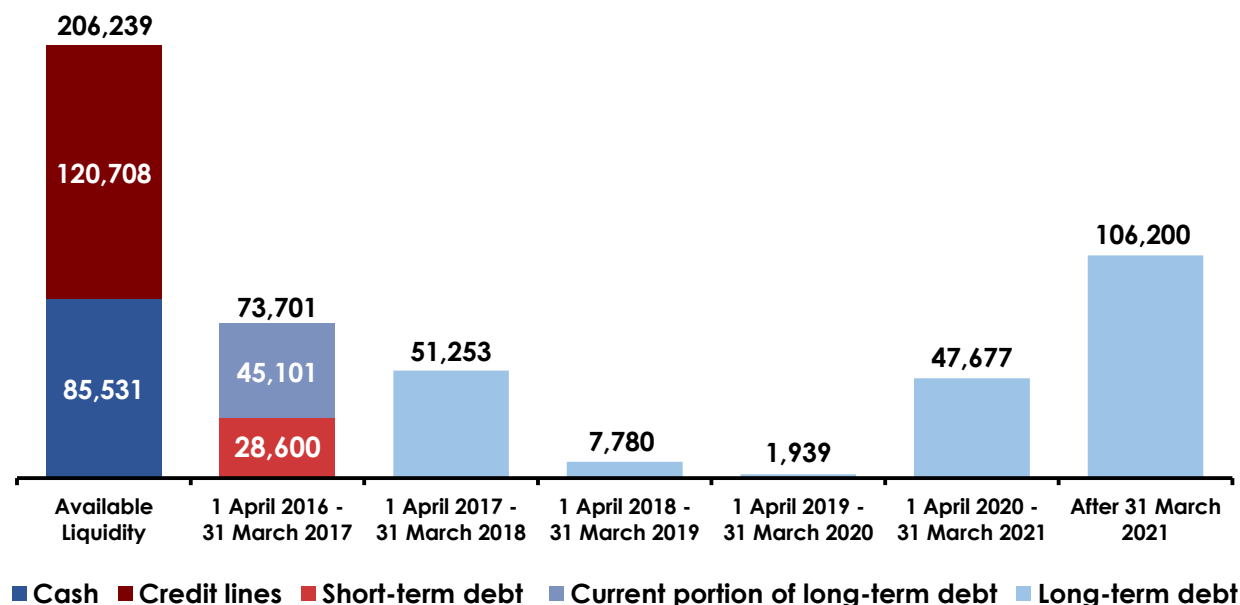
	31 March 2016	31 December 2015	+ / (-)	+ / (-)%
Total current assets	169,075	120,485	48,590	40.3%
<i>Incl. Cash and cash equivalents</i>	85,531	29,187	56,344	193.0%
Total non-current assets	771,682	751,552	20,130	2.7%
<i>Incl. Net PP&E</i>	332,650	331,712	938	0.3%
Assets held for sale	-	7,987	(7,987)	-100.0%
Total assets	940,757	880,024	60,733	6.9%
Total current liabilities	144,567	169,675	(25,108)	-14.8%
<i>Incl. ST & current portion of LT debt</i>	73,701	106,655	(32,954)	-30.9%
Total non-current liabilities	246,552	282,178	(35,626)	-12.6%
<i>Incl. Deferred income tax liabilities</i>	24,359	23,706	653	2.8%
<i>Incl. LT debt</i>	214,849	252,050	(37,201)	-14.8%
Total liabilities	391,119	451,853	(60,734)	-13.4%
Total equity	549,638	428,171	121,467	28.4%

Internally Funded Investment Program



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

Total Debt Maturity Profile (RR million)



The Group has available credit facilities from Russian banks with credit limits in the amount of RR 50 billion, credit line facility from a Russian bank, valid until December 2016, with credit limit in the amount of RR 20 billion and equivalent of USD 750 million, valid until September 2018 and December 2021, respectively.

Debt repayment schedule:

Up to 31 March 2017 – Eurobonds Four-Year (RR 14 bln) and Syndicated term credit line and short-term loans

Up to 31 March 2018 – Syndicated term credit line facility and Other loans

Up to 31 March 2019 – Syndicated term credit line facility

Up to 31 March 2020 – Loan from the Silk Road Fund

After 31 March 2020 – Loan from the Silk Road Fund and Eurobonds Ten-Year (USD 650 mln and USD one bln)

Questions and Answers