

The image features a blue background with a faint industrial scene of distillation columns. On the left, there is a stylized logo consisting of three horizontal blue bars of varying lengths, resembling a wing or a stylized 'N'. The word "NOVATEK" is written in large, bold, blue capital letters across the center of the image.

# NOVATEK

## **Moving Forward – Still a Growth Story**

**Gregory Madick, Head of Investor Relations**

**Deutsche Bank 2010 Global Emerging Markets One-on-One Conference**

**New York City, USA**

**15 – 17 September 2010**

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# Significant Company Milestones



Production and exploration licenses in Yamal-Nenets Autonomous Region acquired

NOVATEK successfully places 19% of its shares on London and Russian exchanges in one of the largest Russian IPOs to date

NOVATEK acquires 50% of El Arish concession (Egypt)

Launch of 3<sup>rd</sup> phase of development at Yurkharovskoye field – 44 bcm total Company production capacity

Novafininvest established as an Open Joint Stock Company



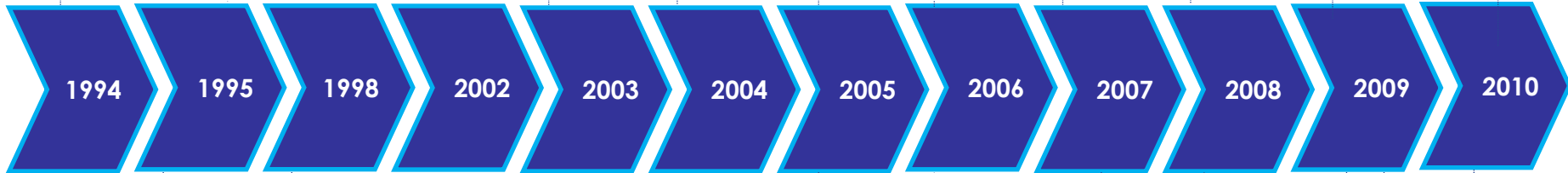
NOVATEK name adopted and corporate restructuring program begins

Completion of 1<sup>st</sup> phase of development at Yurkharovskoye field – 9 bcm total field capacity

Completion of 2<sup>nd</sup> phase development at Khancheyskoye field – 5 bcm total field capacity

Launch of 2<sup>nd</sup> phase of development at Yurkharovskoye field – 16 bcm total field production capacity

Launch of unstable gas condensate de-ethanization unit and pipeline at/from the Yurkharovskoye field to the Purovsky Plant



Acquisition of first operating business, SNP Nova - one of the largest pipeline construction companies in Russia

NOVATEK begins direct natural gas sales to end-customers

Full consolidation of key assets-Tarkosaleneftegas and Khancheyneftegas

Strategic partnership agreement with Gazprom signed

NOVATEK corporate rating upgraded to investment grade by Moody's (Baa3/stable)

NOVATEK reaches total cumulative production milestone of 100 BCM

S. Tambey acquisition

NOVATEK receives investment grade rating from Fitch (BBB-/stable)

Gas production capacity reaches 100 mmmcm/day

NOVATEK commences natural gas production at its East-Tarkosalinskoye field

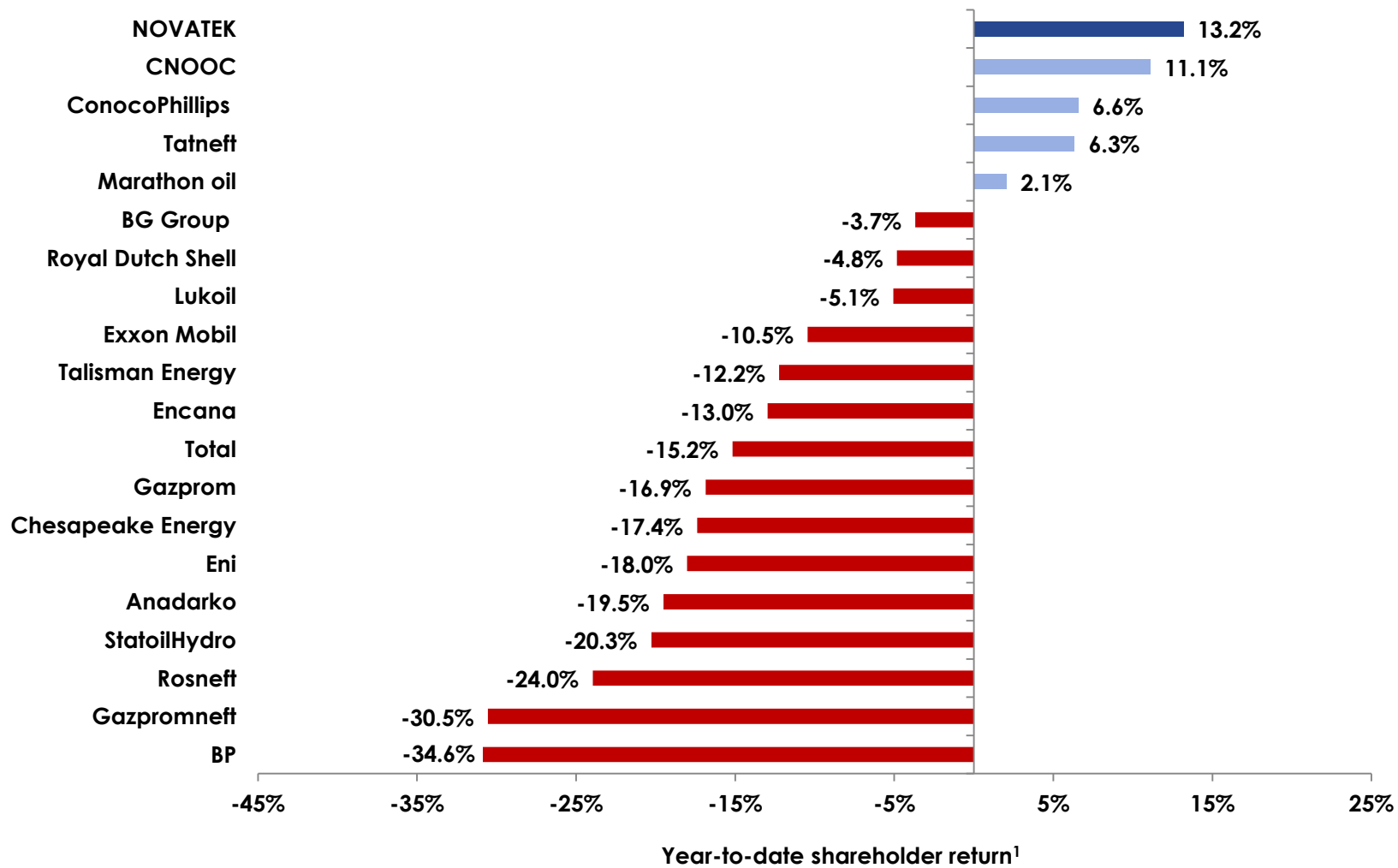
NOVATEK commences operations at its wholly-owned Purovsky Gas Condensate Stabilization Plant – 2 mmt per annum capacity



NOVATEK expands capacity at its Purovsky Gas Condensate Stabilization Plant to 5 mmt per annum

Launch of 40 mt/annum methanol production unit at Yurkharovskoye field

# NOVATEK YTD Performance



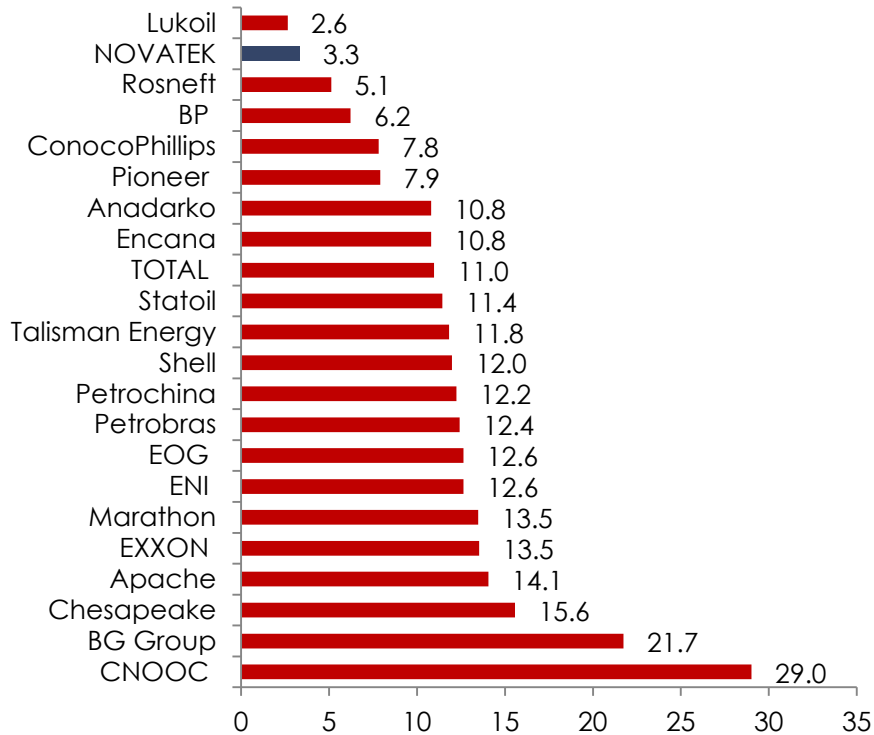
Note:

1. Year-to-date results as of 02.09.2010

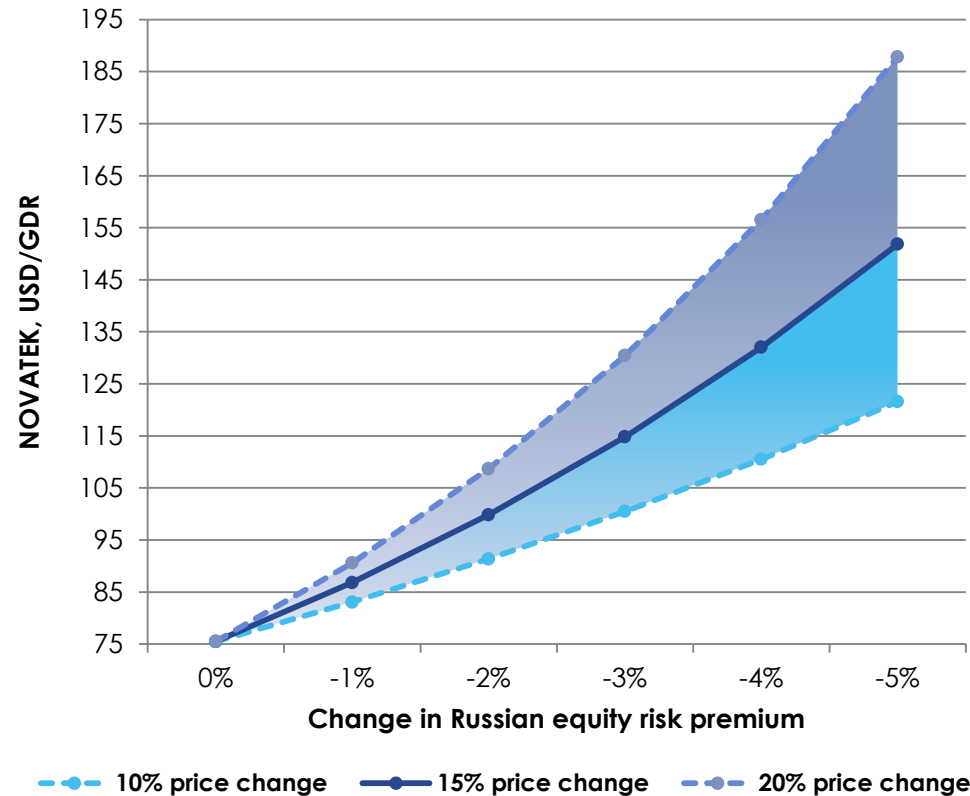
# Undervalued, over-risked



## Reserve<sup>1</sup> based valuation<sup>2</sup> multiples



## Risk premium effect on NVTK GDR price



**NOVATEK's value on a reserve basis is discounted from between two to ten times as compared to industry peers**

**A one percent change in the equity risk premium results in an approx. 15% change in share price**

Notes:

1. Reserves based on company filings as of 31.12.2009

2. Market capitalization as of 03.09.2010

## Key Factors Reducing Risk Premium

- ◆ Proven track record regarding pipeline and transportation access as well as production growth
- ◆ Stable tax regime with no punitive changes planned
  - ◆ Production tax on natural gas has remained steady at RR 147/mcm for the past four years. Proposed changes have been in-line with inflation
- ◆ Capital discipline and efficiencies underpin our investment decisions
  - ◆ Strong balance sheet – no liquidity issues
- ◆ High quality asset base scalable to changing demand scenarios
  - ◆ Large, long-lived reserve/resource base – over 90% natural gas and 29 years R/P ratio (P1) and 45 years R/P ratio (P2)
  - ◆ Close proximity to natural gas pipeline infrastructure
- ◆ Lowest cost producer in global oil and gas industry (based on scale)
- ◆ Low downside risk to natural gas price dynamics
  - ◆ domestic price liberalization plan still ongoing
- ◆ Balanced shareholder structure

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# NOVATEK

## Select Financial Data

## Strong Year – on – Year results

- ❑ Increase in revenues and earnings driven by higher natural gas and liquids prices
  - Natural gas sales increased by 36.3% Y-o-Y
  - Liquids sales increased by 33.0% Y-o-Y
- ❑ Profit attributable to NOVATEK Shareholders increased by 96.7 % Y-o-Y to RR 18,321 from RR 9,312; EBITDA increased by 65.4% Y-o-Y
- ❑ Cash flow from operations increased by 35.4% Y-o-Y to RR 18,794 million from RR 13,880 million
- ❑ Capital expenditures increased by 41.7% Y-o-Y to RR 12,282 million
- ❑ Free cash flow increased by 24.9% Y-o-Y to RR 6,512 million
- ❑ End-customer sales volumes amounted to 62.8% of total natural gas volumes sold
- ❑ Natural gas and liquids production increased organically due to the launch of the 2<sup>nd</sup> stage of the 2<sup>nd</sup> phase development at our Yurkharovskoye field in October 2009:
  - Net natural gas production increased by 15.2% Y-o-Y
  - Net liquids production increased by 18.6% Y-o-Y
- ❑ Purovsky Plant output increased by 20.6% Y-o-Y



# Comparison of 1H Y-o-Y (RR million)



	1H 09	1H 10	Y-o-Y +/- %
<b>Oil and gas sales</b>	38,692	52,288	35.1%
<b>Total revenues</b>	40,129	53,448	33.2%
<b>Operating expenses</b>	26,417	31,664	19.9%
<b>EBITDA <sup>(1)</sup></b>	16,233	26,850	65.4%
<b>EBITDA margin</b>	40.5%	50.2%	
<b>Effective income tax rate</b>	21.2%	19.9%	
<b>Profit attributable to NOVATEK</b>	9,312	18,321	96.7%
<b>Net profit margin</b>	23.2%	34.3%	
<b>Earnings per share</b>	3.07	6.04	96.7%
<b>CAPEX</b>	8,665	12,282	41.7%
<b>Net debt <sup>(2)</sup></b>	27,171	26,906	-1.0%

Notes:

1. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
2. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

# Comparison of Quarterly Results (RR million)



**NOVATEK**

	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	Q-o-Q +/- %	Y-o-Y +/- %
<b>Oil and gas sales</b>	22,376	21,217	26,994	27,237	25,051	-8.0%	12.0%
<b>Total revenues</b>	23,148	21,971	27,854	27,742	25,706	-7.3%	11.1%
<b>Operating expenses</b>	15,038	13,638	16,075	15,947	15,717	-1.4%	4.5%
<b>EBITDA <sup>(1)</sup></b>	9,334	9,960	13,373	15,160	11,690	-22.9%	25.2%
<b>EBITDA margin</b>	40.3%	45.3%	48.0%	54.6%	45.5%		
<b>Effective income tax rate</b>	21.0%	21.2%	19.9%	20.8%	20.9%		
<b>Profit attributable to NOVATEK</b>	7,178	7,353	9,378	11,182	7,139	-36.2%	-0.5%
<b>Net profit margin</b>	31.0%	33.5%	33.7%	40.3%	27.8%		
<b>Earnings per share</b>	2.37	2.43	3.09	3.69	2.35	-36.2%	-0.5%
<b>CAPEX</b>	4,794	3,933	5,274	6,230	6,052	-2.9%	26.2%
<b>Net debt <sup>(2)</sup></b>	32,262	30,919	27,171	22,153	26,906	21.5%	-16.6%

Notes:

1. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
2. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

# NOVATEK 1H10/1H09 performance summary



## Macroeconomic

WTI US\$/bbl \$51.5/bbl \$26.8

RR appreciation to US\$ 31.3 RR/USD 0.03RR

## Financial

(in millions of Russian roubles)

Total revenues 40,129 13,139

Total operating expenses 26,417 5,247

Profit attributable to NOVATEK 9,312 9,009

EBITDA 16,233 10,617

PP&E, net 157,410 19,519

Total current assets 24,718 11,060

Total assets 186,391 30,552

Current liabilities (6,884) 35,814

Total equity 120,229 29,618

Operating cash flow 13,880 4,914

Capital expenditures 8,665 3,617

## Operational

Natural gas production (mmcm) 15,736 2,387 mmcm

Liquids production (mt) 1,468 273 mt

-30% -20% -10% 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Note: Number on y axis is starting value, size of bar is % change

# NOVATEK 2Q10/1Q10 performance summary



## Macroeconomic

WTI US\$/bbl	\$0.8/bbl	\$78.9/bbl
RR depreciation to US\$	(1.84/USD)	29.36 RR/USD

## Financial

(in millions of Russian roubles)

Total revenues	(2,036)	27,742
Total operating expenses	(230)	15,947
Net gain on disposal	(1,583)	1,583
Profit attributable to NOVATEK	(4,034)	11,182
EBITDA	(3,470)	15,160
EBITDA normalized	(1,887)	13,577
PP&E, net		172,494
Total current assets		27,784
Total assets		204,915
Current liabilities		28,458
Total equity		146,877
Operating cash flow	(6,114)	12,454
Capital expenditures	(178)	6,230

## Operational

Natural gas production (mmcm)	1,571 mmcm	9,847 mmcm
Liquids production (mt)	862 mt	17 mt

-110% 100% -90% -80% -70% -60% -50% -40% -30% -20% -10% 0% 10% 20% 30%

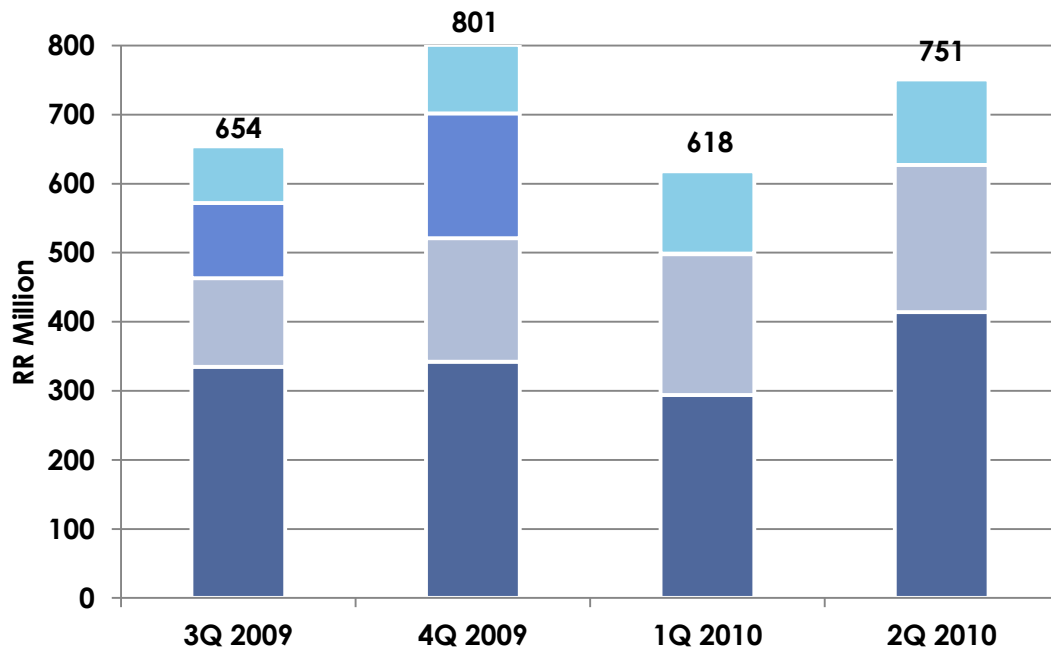
Note: Number on y axis is starting value, size of bar is % change

Q-o-Q revenues were lower due to seasonality while profit for the period was lower due to a non-cash forex loss. Profit in 1Q 2010 benefited from a non-cash adjustment for the revaluation of our 51% stake in ZAO Terneftegas

# Optimization in operating expenses



## Expenses affected by operational changes, TTM



■ Materials & supplies - Polymer

■ Tolling and processing fees

■ Operator services

■ 3rd party gas condensate pipeline

## Materials, services and other expense

- Disposal of NOVATEK-Polymer significantly reduces materials & supplies expense
- Eliminated 3<sup>rd</sup> party tolling and processing fees due to the launch of the gas condensate de-ethanization unit
- Eliminated operator services expense as a result of the full consolidation of equity interests in upstream associates
- Eliminated methanol production & transportation expense due to launch of own production facilities

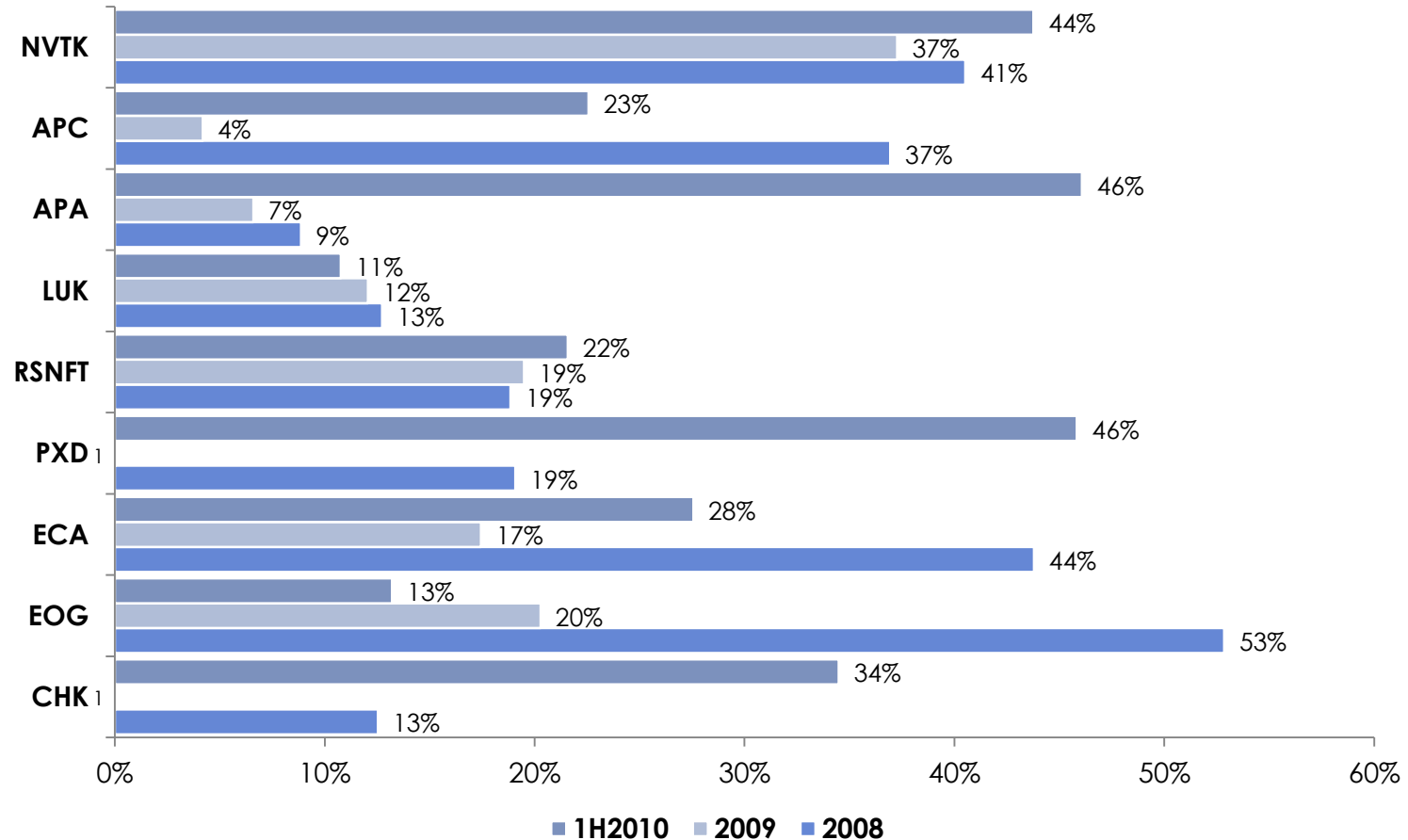
## Transportation expense

- Eliminated 3<sup>rd</sup> party gas condensate pipeline transportation expense due to the launch of the condensate pipeline from the Yurkharovskoye field to the Purovsky Plant

# Peer group margin comparison



## Operating profit margin



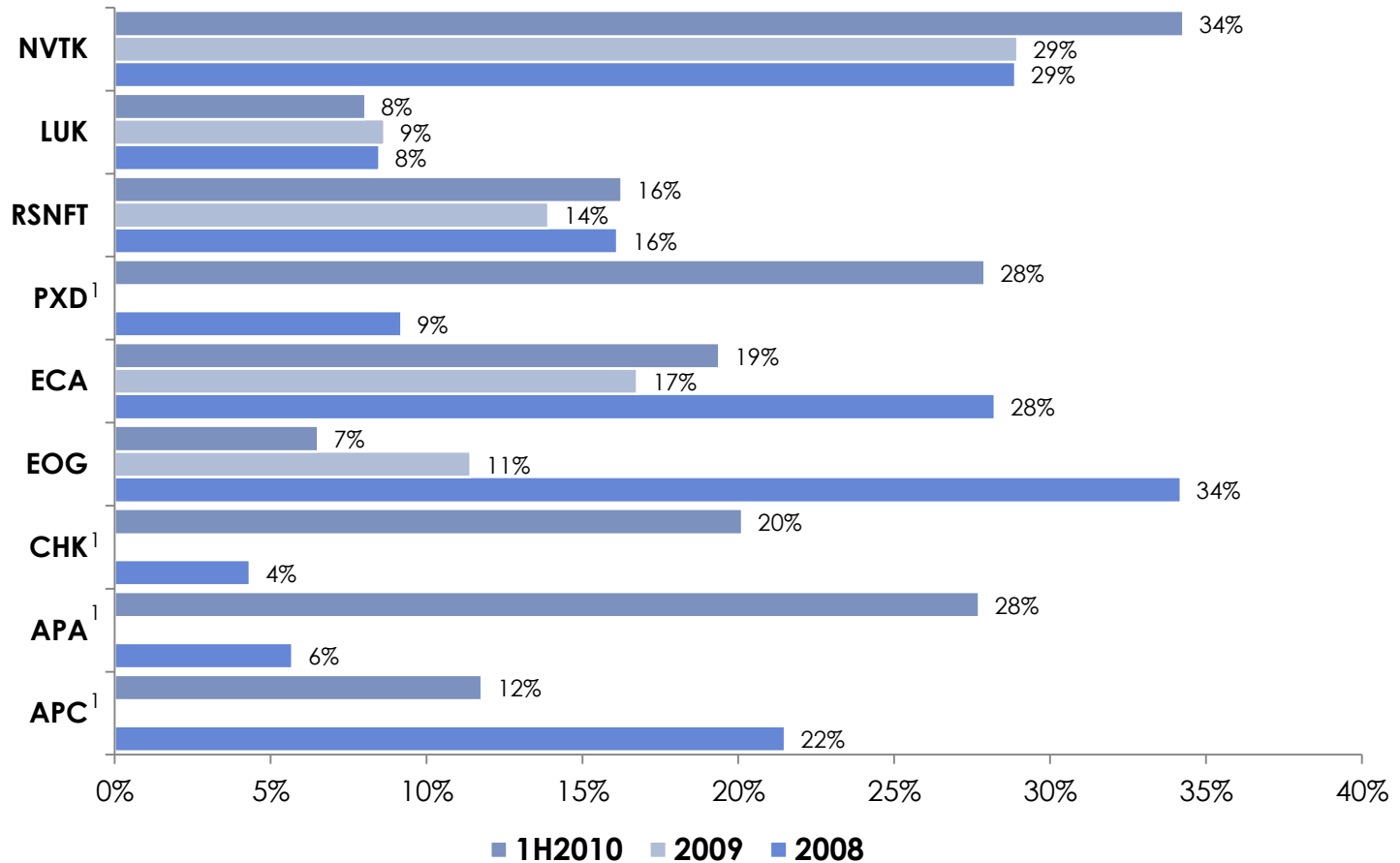
**NOVATEK's effort to control costs has resulted in consistently high operating profit margins**

Note 1: Operating profit in 2009 was negative

# Peer group margin comparison



## Net profit margin



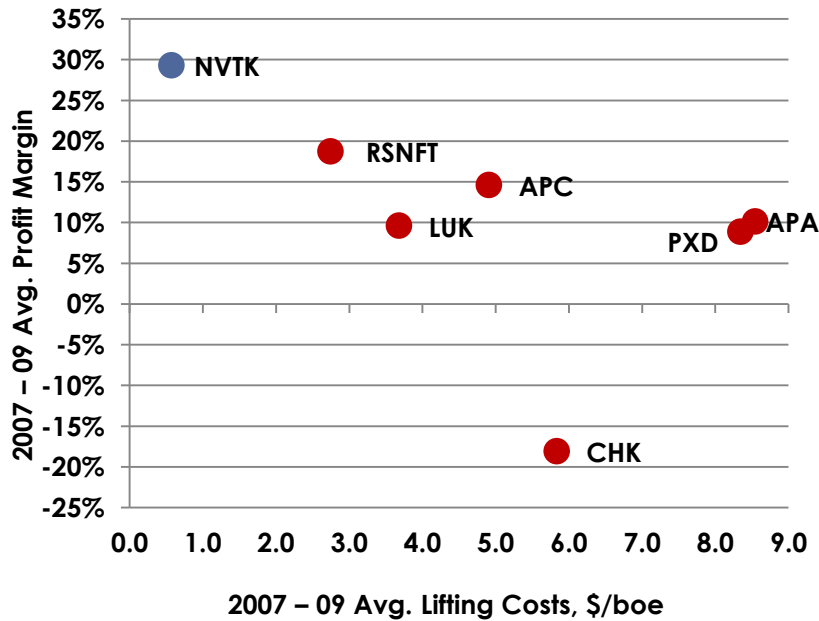
**NOVATEK has maintained net profit margins in line with financial guidance throughout the crisis**

Note 1: Net profit in 2009 was negative

# Still the lowest cost producer

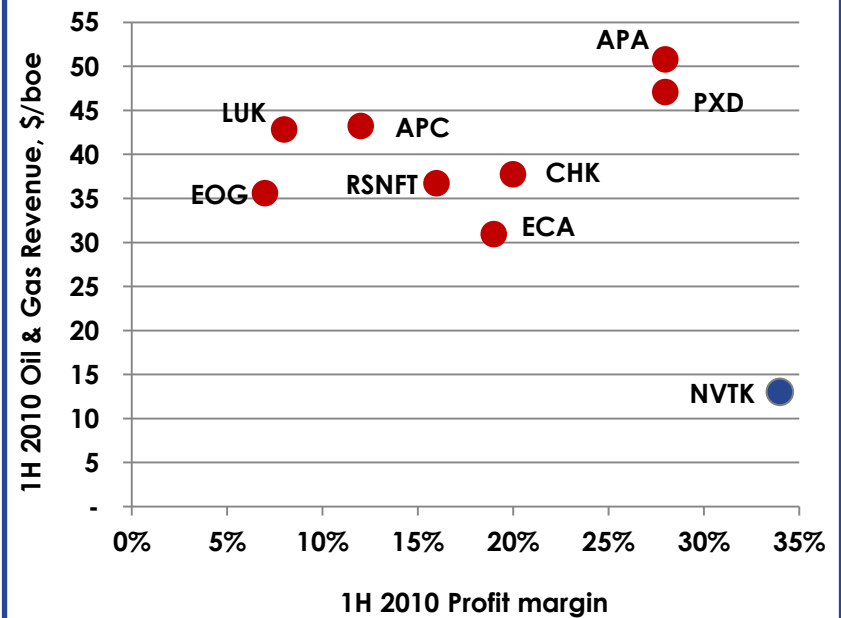


## Strong cost control record



Source: Company Flings and NOVATEK data

## Low realized prices – high margins



Source: Company Flings and NOVATEK data

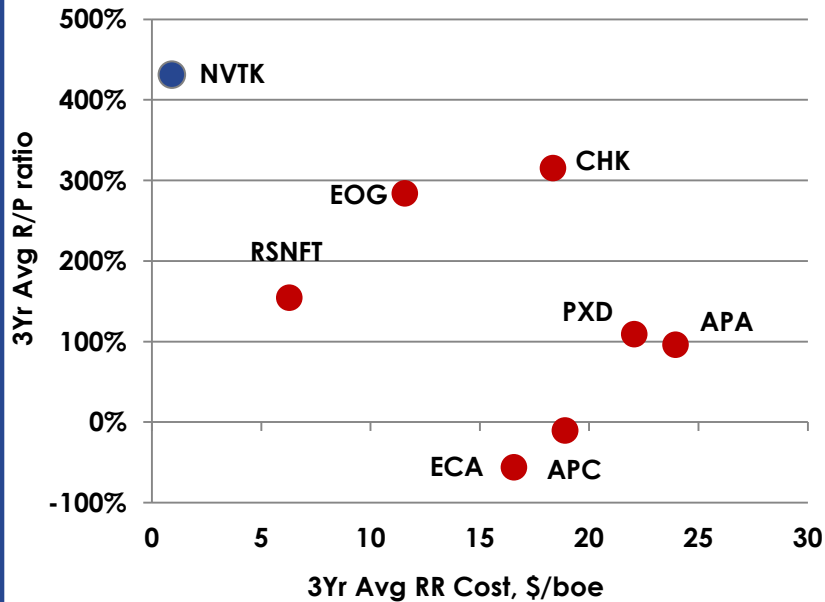
**NOVATEK's low lifting costs provide superior returns in a low price environment and substantial leverage to price liberalization**



# Still the most efficient producer

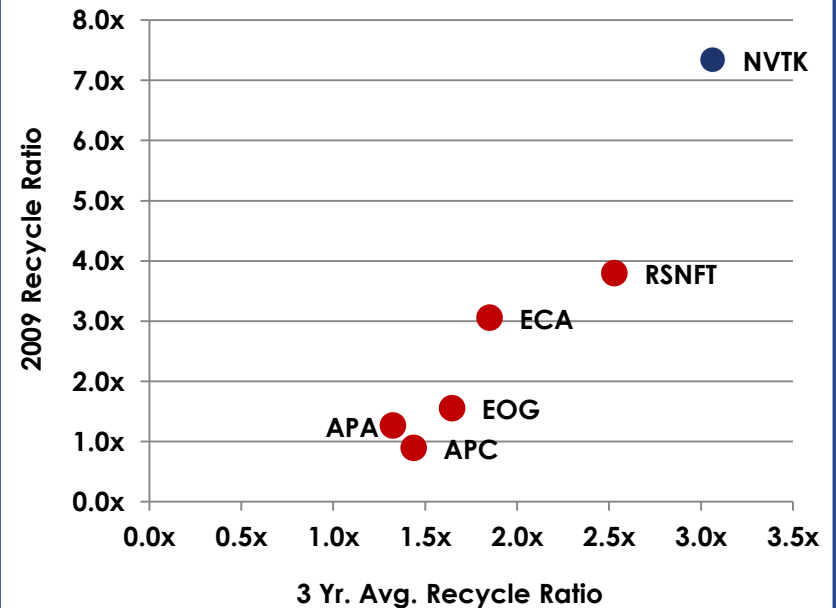


## Low cost – long life



Source: Company Filings and NOVATEK data

## Recycle ratio<sup>1</sup>

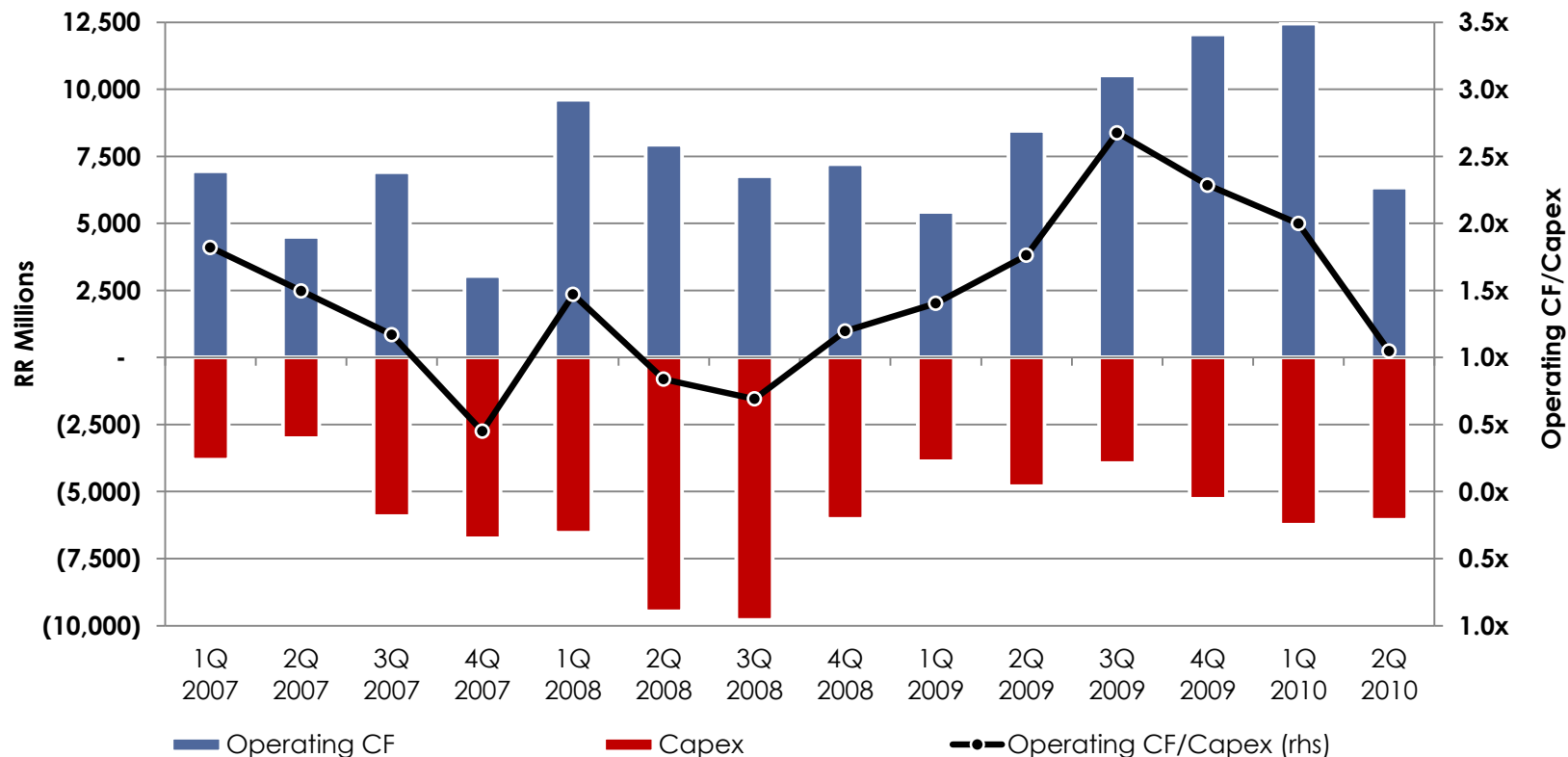


Source: Company Filings and NOVATEK data

**NOVATEK is the most efficient operator among the peer group extracting the most value out of every dollar invested**

Note 1: Recycle ratio is calculated by dividing CF/boe by F&D cost /boe

# Internally funded investment program



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



# NOVATEK







## Operational Profile

# NOVATEK's Fields and License Areas (LA)



**Yamal-Nenets Autonomous Region (YNAO) – the world's largest natural gas producing region**



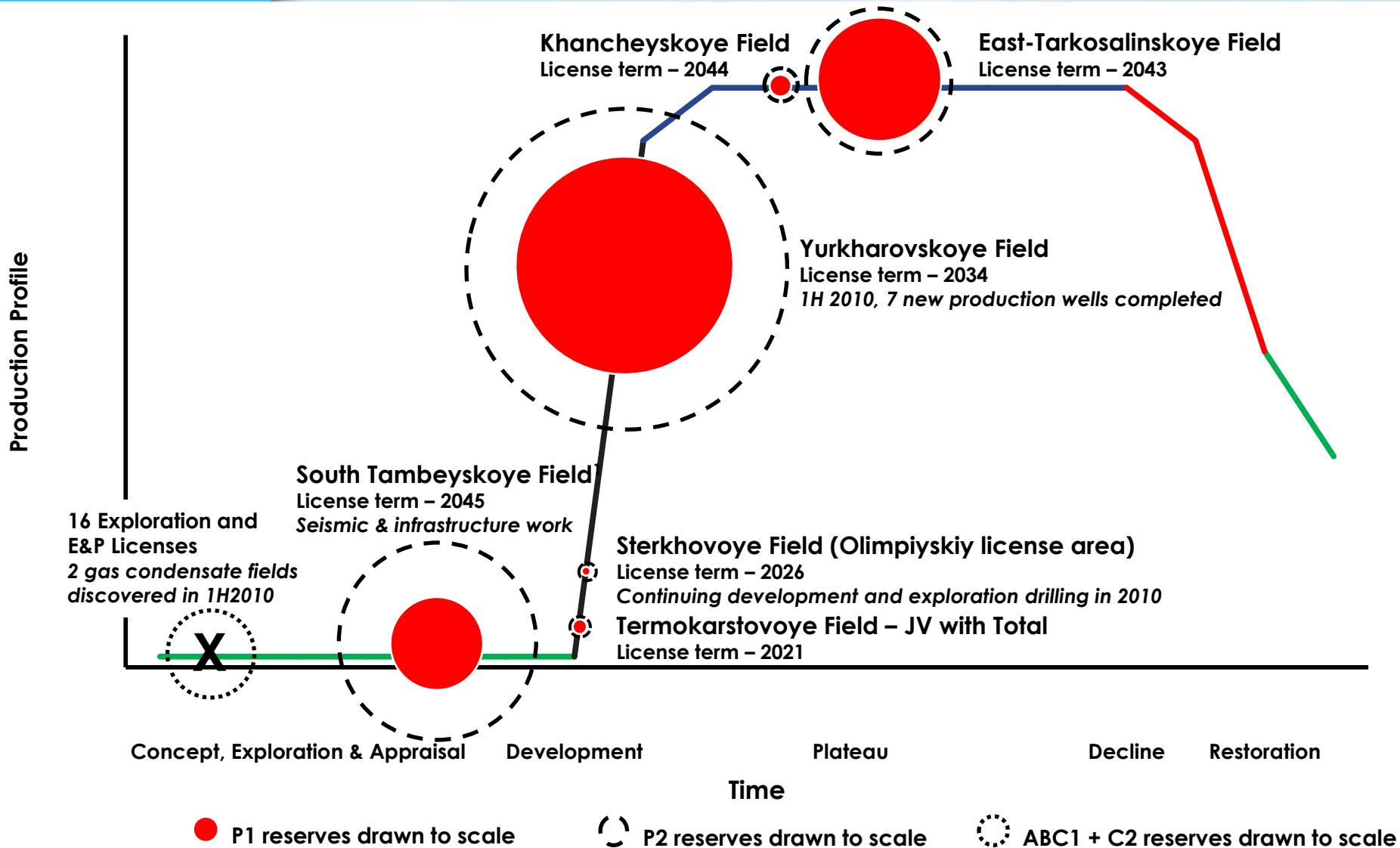
-  gas pipeline
-  gas condensate pipeline
-  gas condensate pipeline, launched in 2010
-  producing fields
-  other fields & license areas
-  Purovsky Plant

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy LA (Sterkhovoye field)
5. South Tambeyskoye field
6. Termokarstovoye field
7. West Yurkharovskoye field

8. North-Khancheyskoye field
9. Yarudeyskoye field
10. Raduzhnoye field
11. New Yurkharovskiy LA
12. Yumantilskiy LA
13. Zapadno-Urengoiyskiy LA
14. Severo-Yubileyniy LA
15. Severo-Termokarstoviy LA

16. Severo-Russkiy LA
17. Sredniy Chaselskiy LA
18. Zapadno-Tazovskiy LA
19. Anomalniy LA
20. Severo-Yamsoveyskiy LA
21. Pilyalkinskiy LA
22. Malo-Yamalskoye field
23. Zapadno-Chaselskoye field

# NOVATEK Development Profile

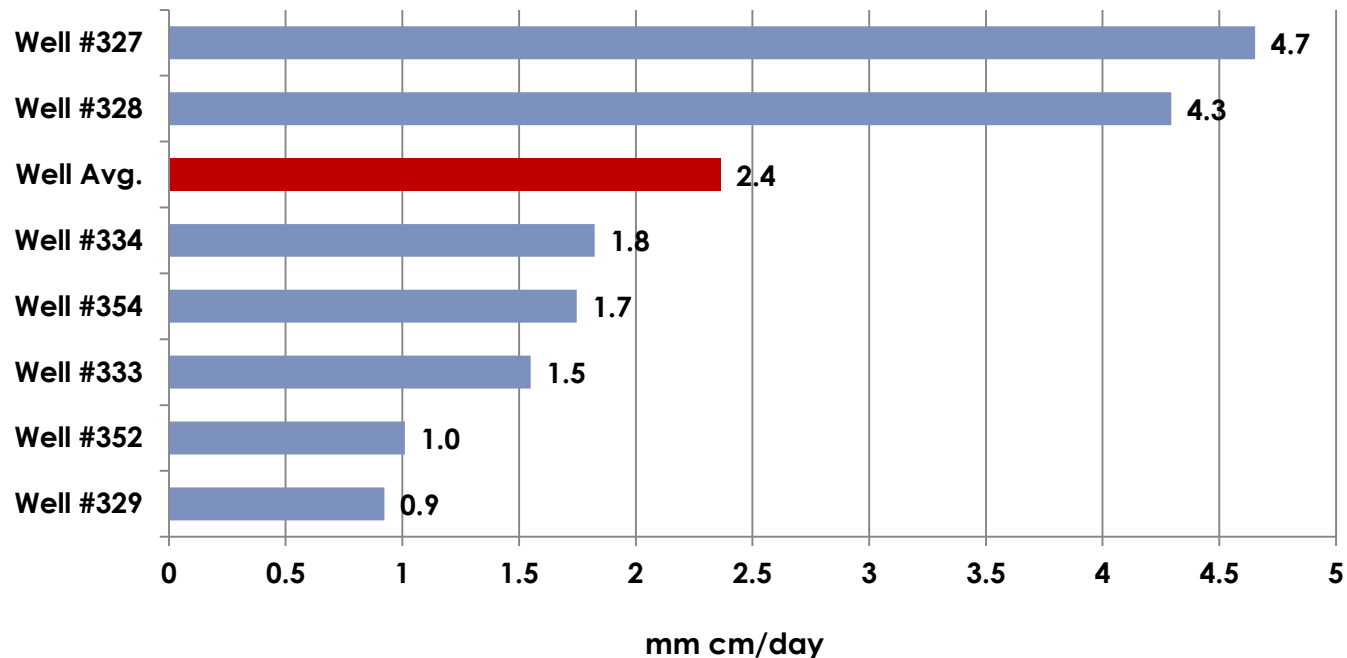


Note:  
 1. 51% of South Tambeyskoye's reserves as of 31 December 2009

# Yurkharovskoye's prolific wells



## Seven wells completed at Yurkharovskoye field, 1H 2010



Average capitalized well costs of approximately 11.9 million USD per well with average payback<sup>1</sup> periods of between 70 to 330 days per well

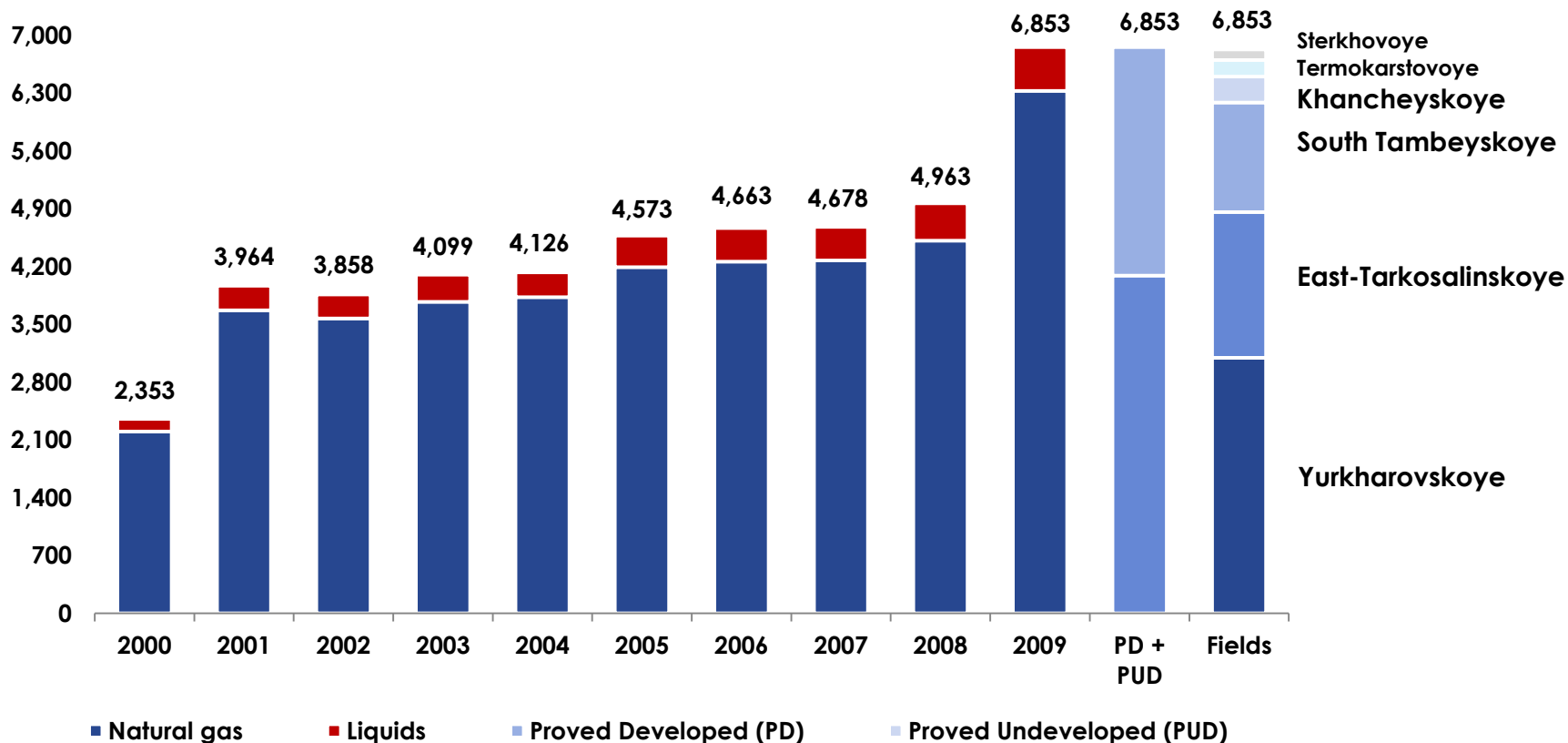
Note 1: Payback period based on NOVATEK's 2Q 2010 financial results

# A Proven Strategy to Build Reserves



Proved Reserves (SEC), mmboe\*

Compound Annual Growth Rate: 13%

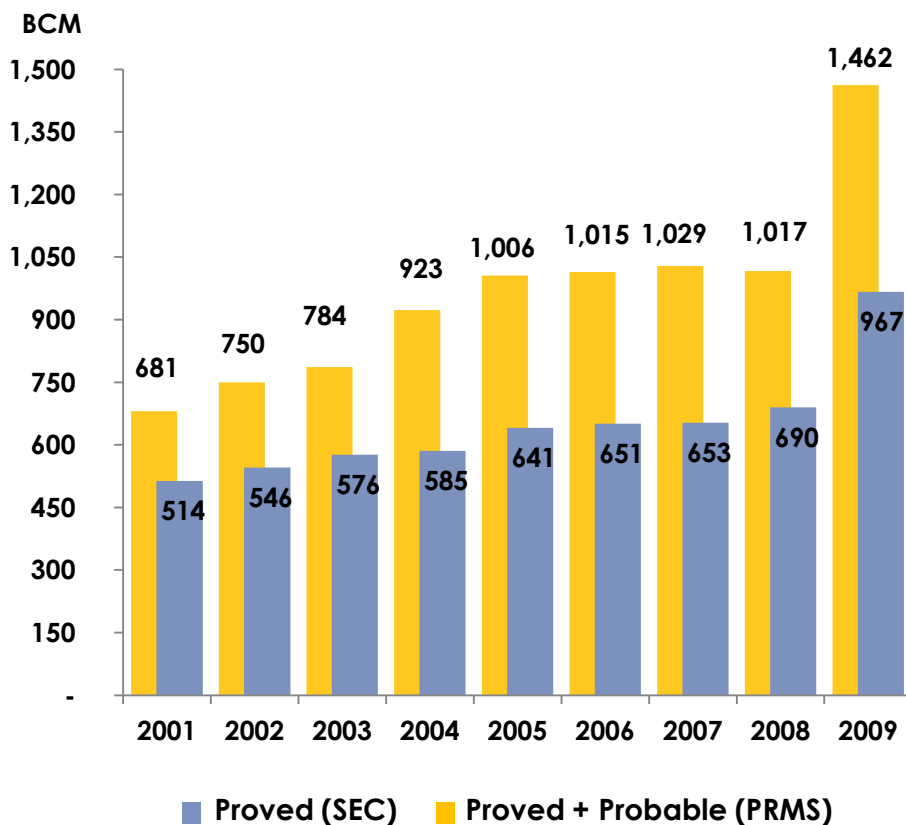


\* Proved reserves for each year-end are 100% engineered by DeGolyer & MacNaughton

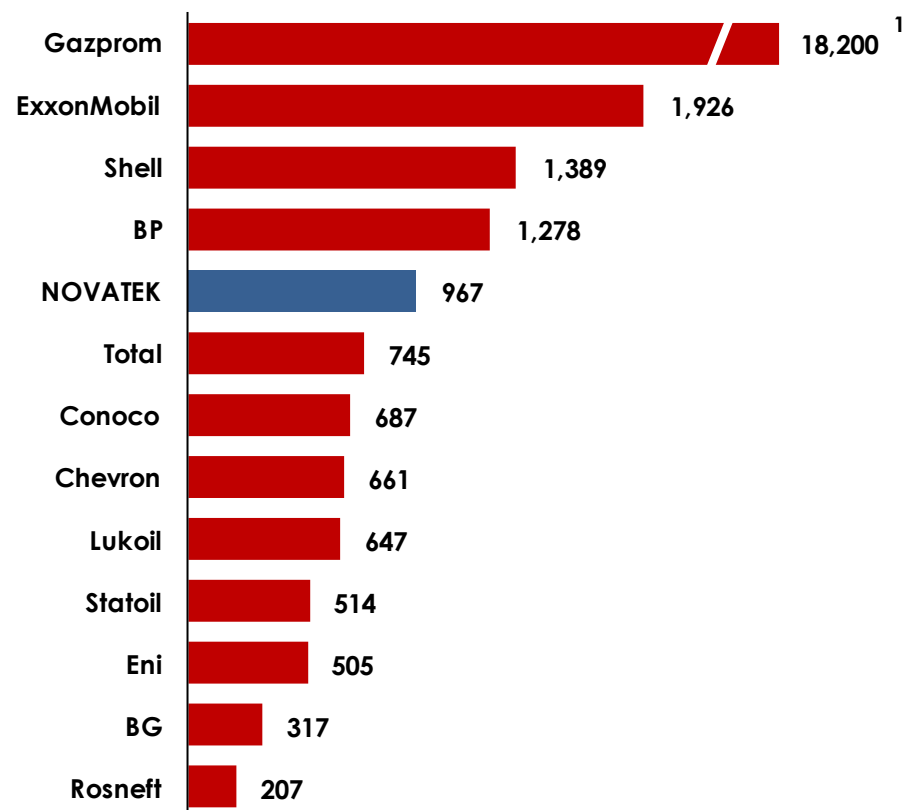
# International Reserve Scale



## Historical natural gas reserve growth



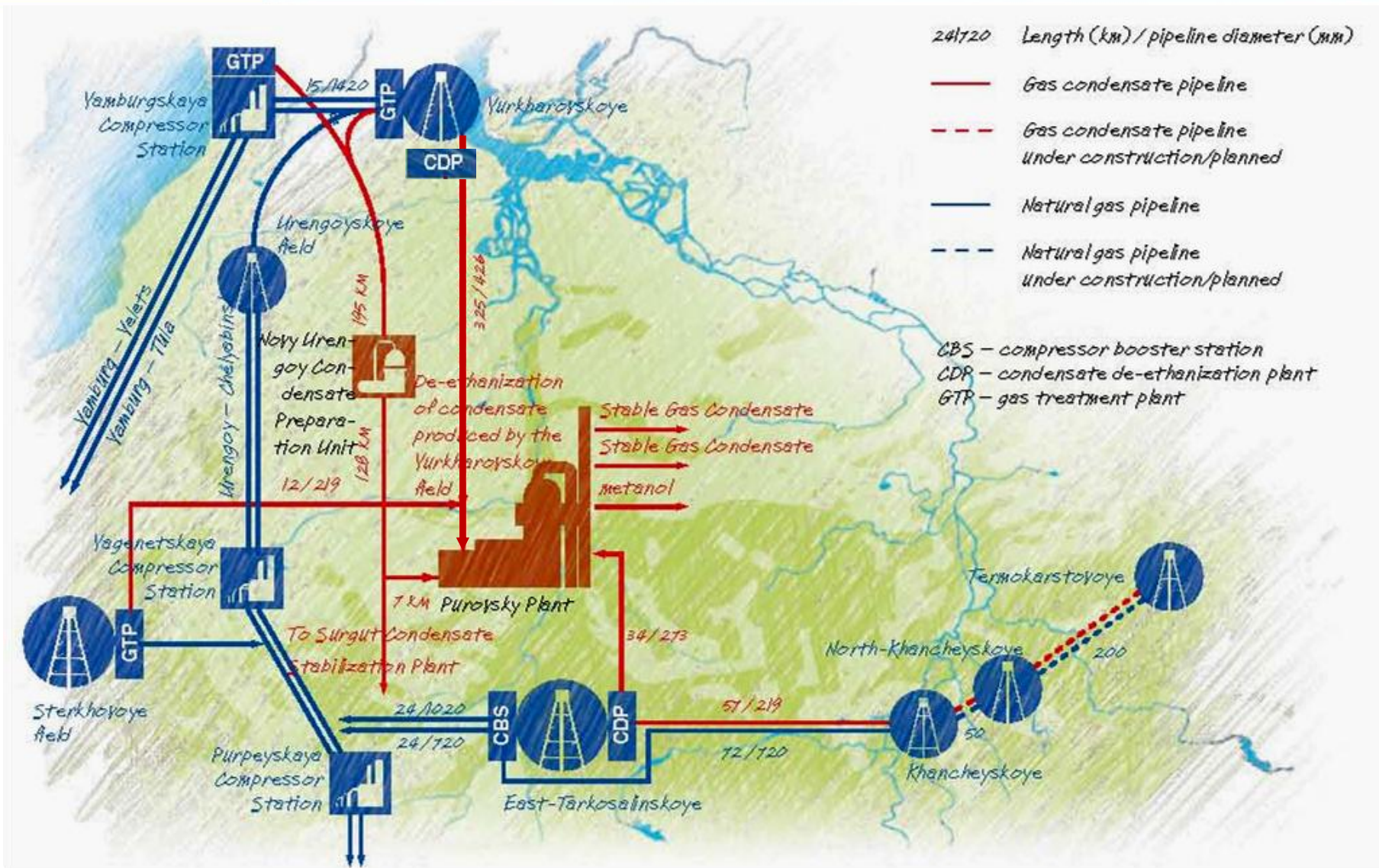
## 2009 Proved SEC gas reserves, bcm



Source: Company data SEC filings  
 Note 1: Gazprom data as of 31.12.2008

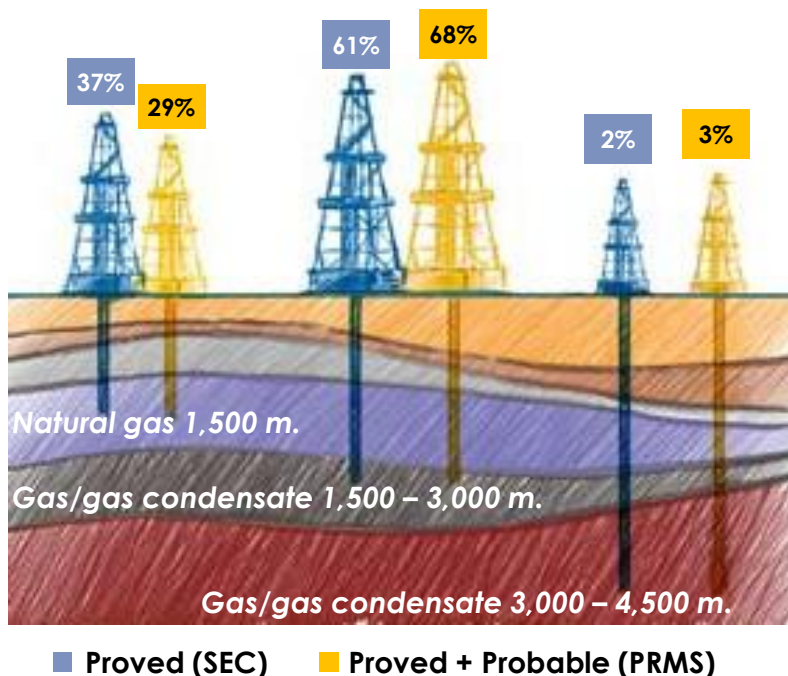


# NOVATEK Transportation & Processing

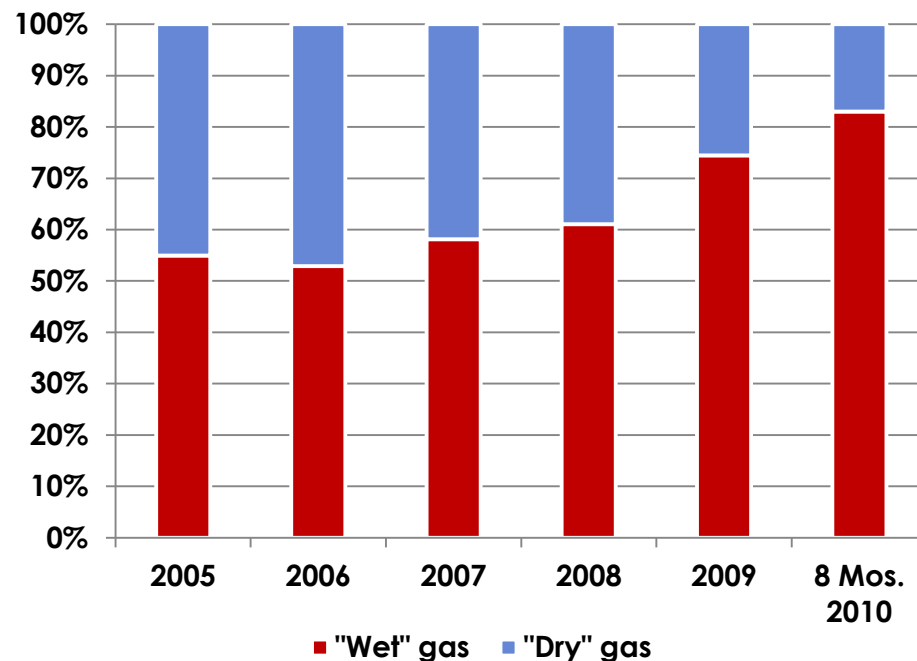


# Increasing Gas Condensate Production

## Structure of 2009 natural gas reserves



## “Wet” gas vs. “Dry” gas production

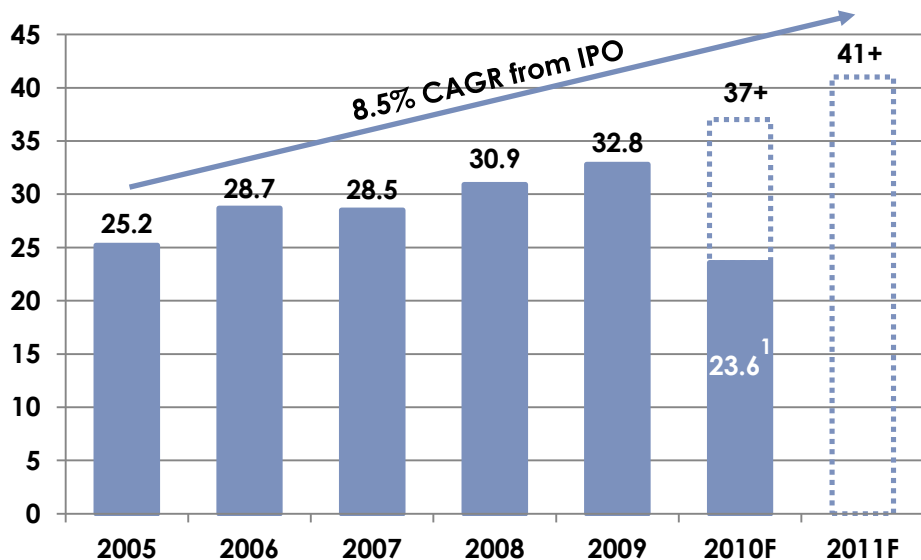


A majority of NOVATEK’s reserves are located in the deeper gas condensate bearing horizons allowing the Company to optimize gas production to provide multiple revenue streams (natural gas, stable gas condensate and LPG)

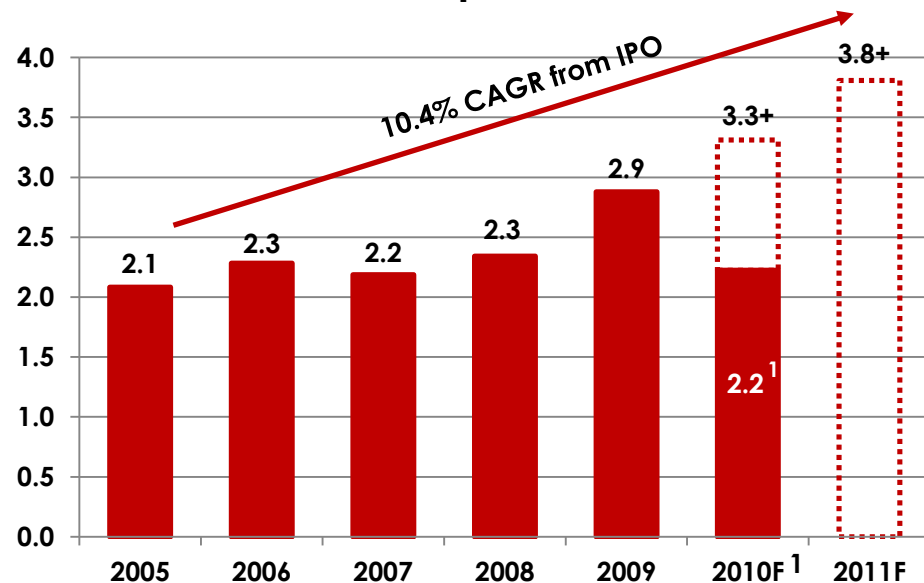
# Ramping up production



### Natural gas production, bcm



### Gas condensate production, mmt



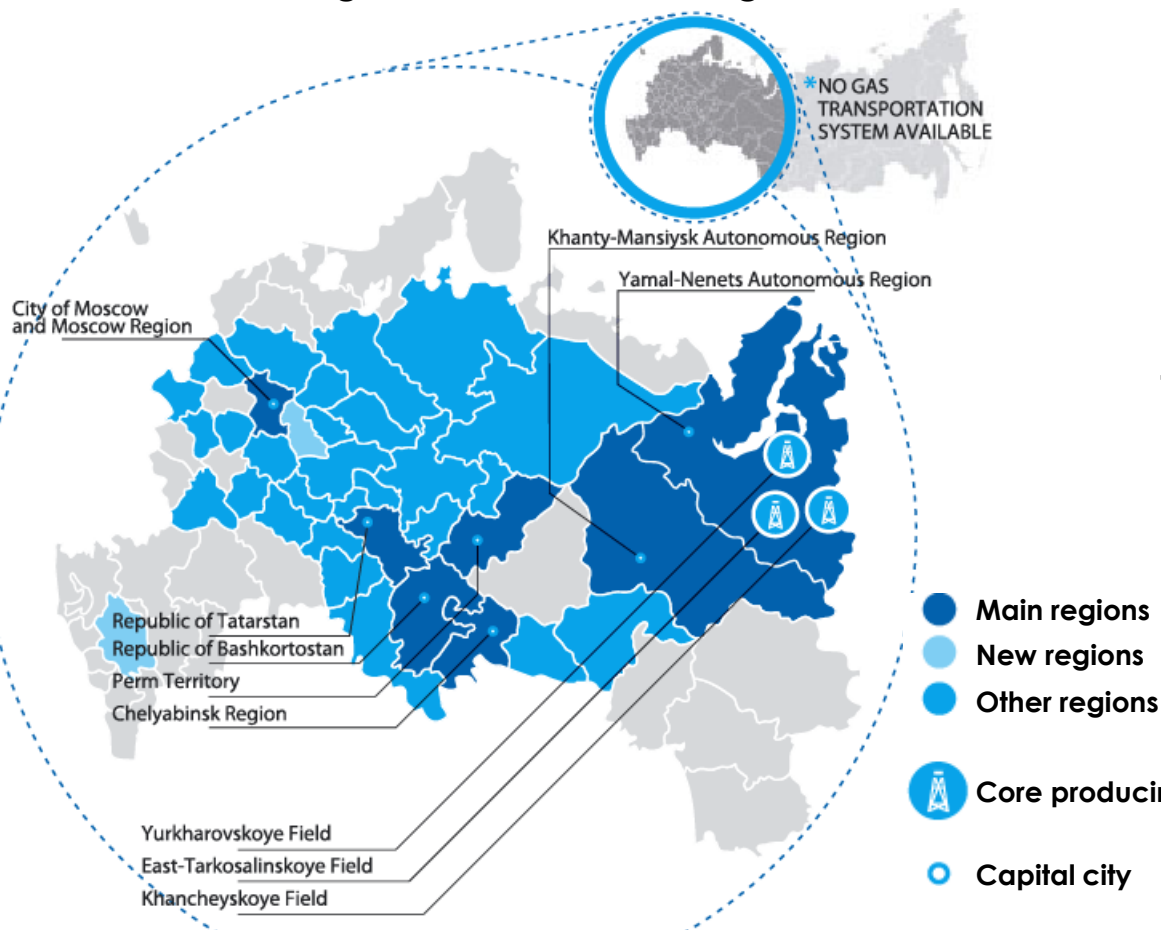
Note 1: Year-to-date production as of 31 August 2010

The ability to optimize wet gas production levels has led to significant increases in gas condensate production

# Domestic Natural Gas Sales and Production



## NOVATEK's natural gas sales to Russian regions

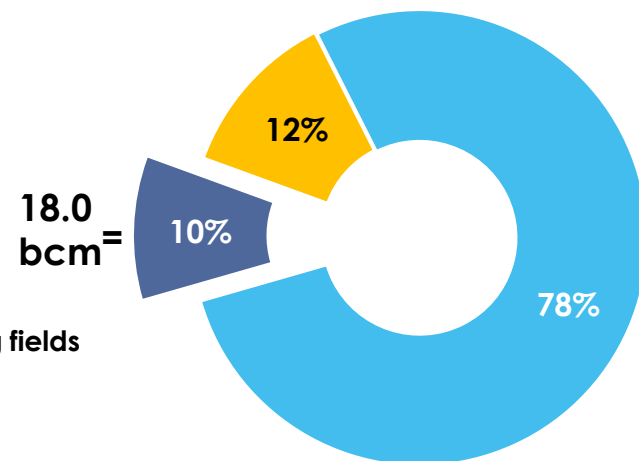


## NOVATEK today is...

- ~ 1% of world gas production
- ~ 6% of Russian gas production
- ~ 10% of deliveries to domestic market
- ~ 10% of Russian LPG production
- ~ 20% of Russian condensate production

## 1H 2010 Russian natural gas supplies to domestic market

■ NOVATEK ■ Independents ■ Gazprom

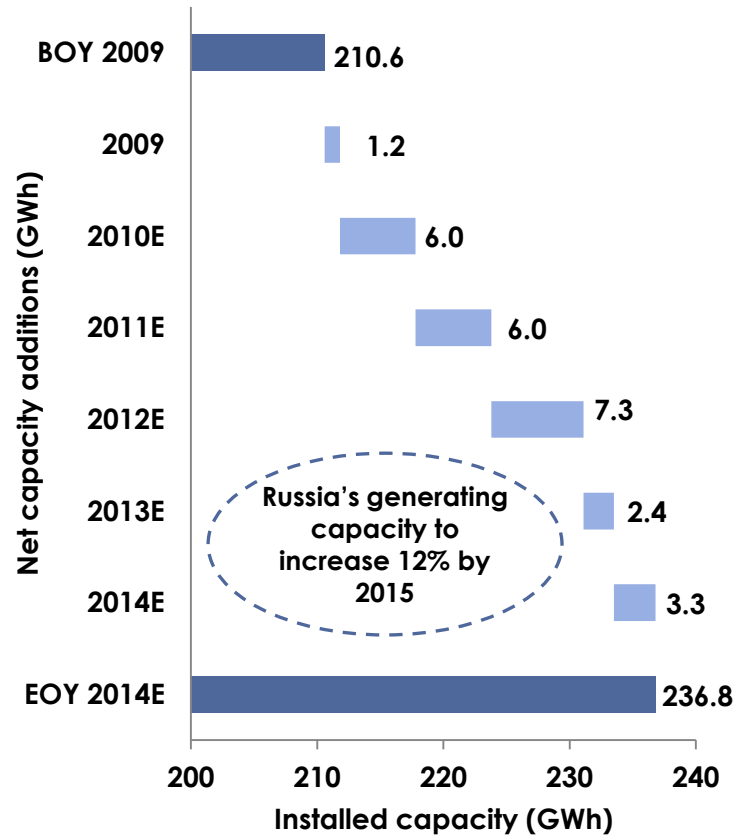


In 1H 2010, we supplied natural gas to 33 Russian regions and have the potential to supply ~15% of Russian domestic natural gas demand by 2020

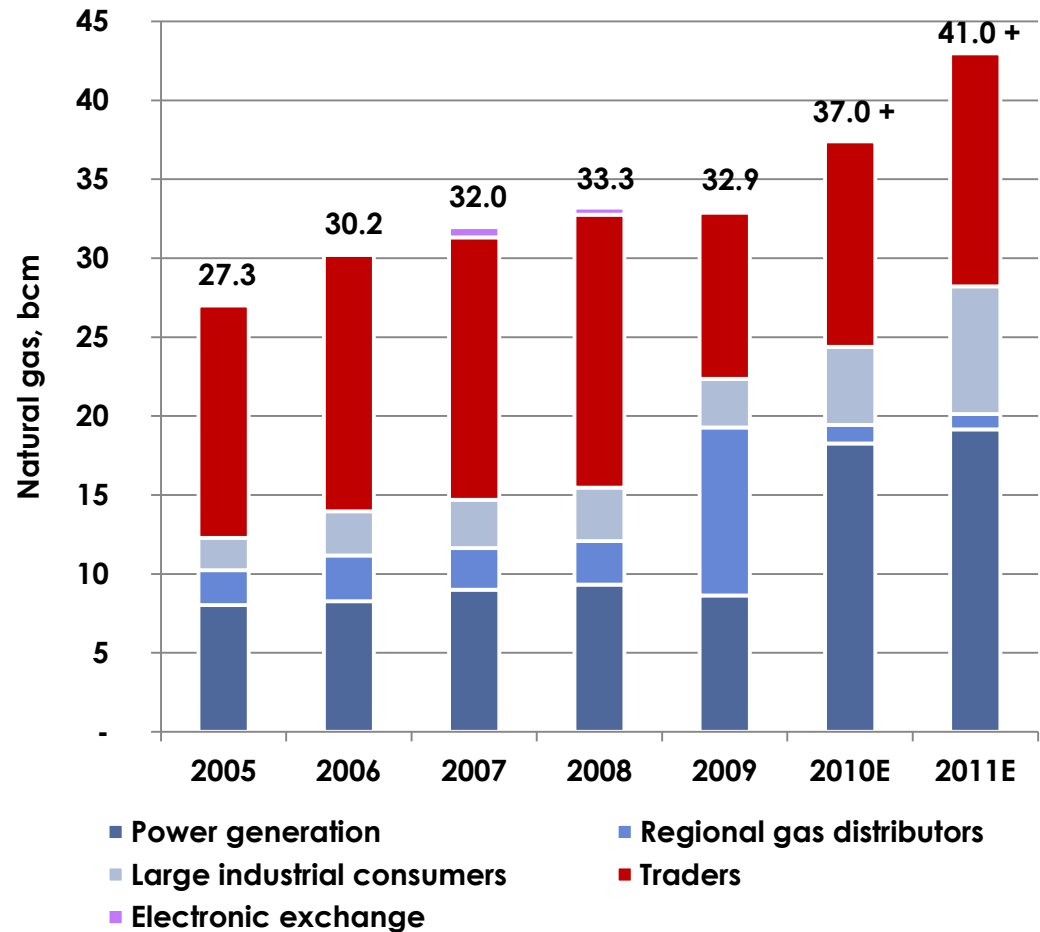
# Evolution of generating capacity and sales mix



## Additions to Russian generating capacity



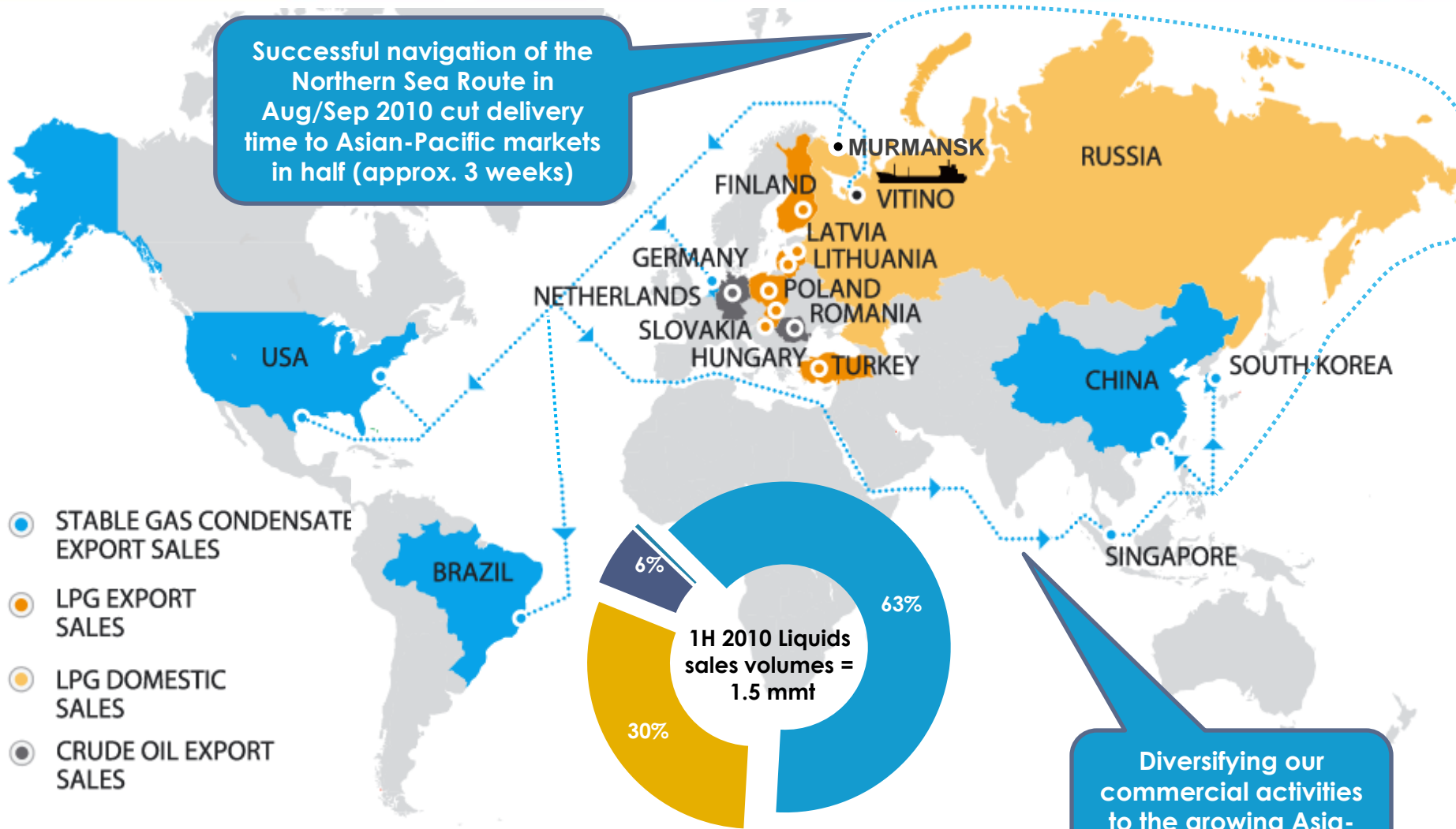
## Growing share of power generation consumers in NOVATEK's sales mix



# Expanding Our Liquids' Commercial Reach



Successful navigation of the Northern Sea Route in Aug/Sep 2010 cut delivery time to Asian-Pacific markets in half (approx. 3 weeks)



- STABLE GAS CONDENSATE EXPORT SALES
- LPG EXPORT SALES
- LPG DOMESTIC SALES
- CRUDE OIL EXPORT SALES

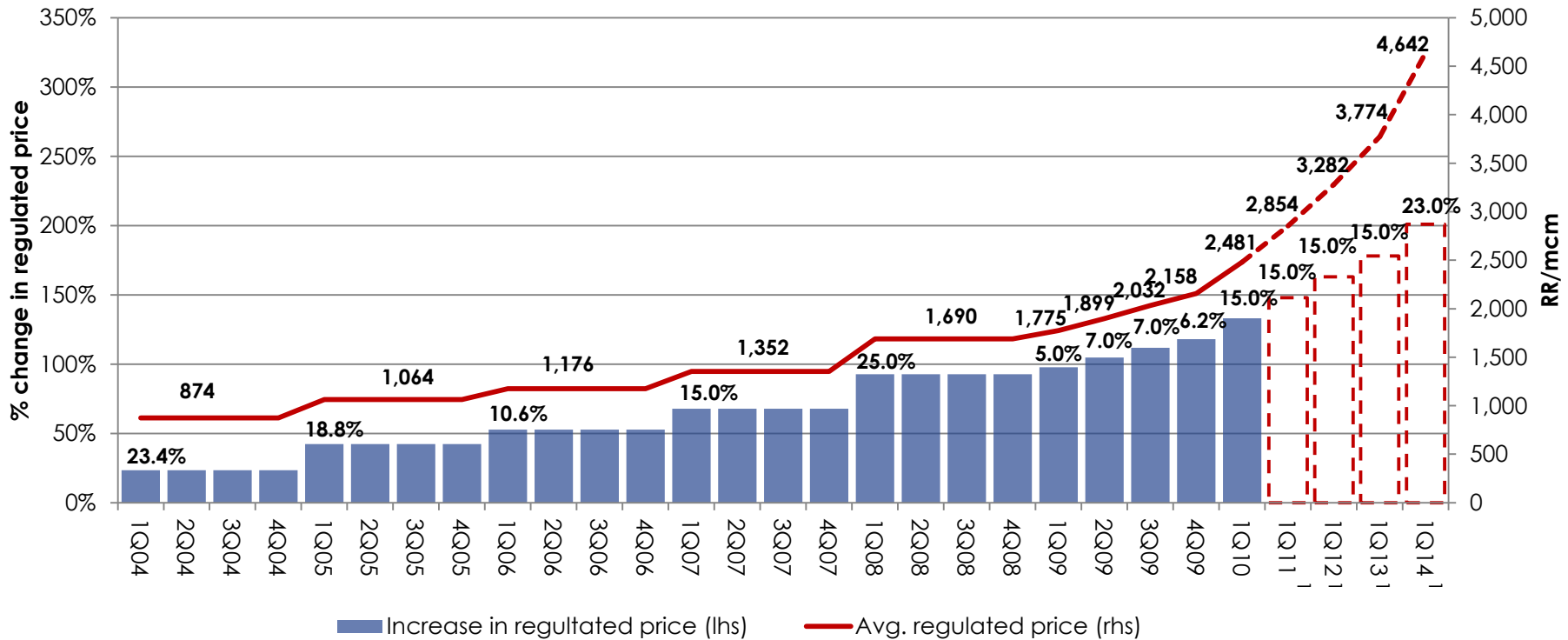
- Stable gas condensate
- LPG
- Crude oil
- Oil products

Diversifying our commercial activities to the growing Asia-Pacific markets

# Predictable Gas Pricing Model



## Historical and forecasted regulated price increases for Russian domestic gas



Note 1: According to the announcement on 3 June 2010 by the Russian Minister of Economic Development – gas tariffs for 2011-13 will increase by a maximum of 15% p.a. and full liberalization will be reached by 2014. (Current estimates are based on Brent crude oil price of \$75/bbl)

**Steadily increasing natural gas prices on the Russian domestic market provide downside pricing risk protection and clarity for future revenues**

The image features a blue and white graphic on the left side, consisting of three horizontal bars with a wavy, feather-like edge. The background is a light blue sky with a faint industrial scene of four tall, cylindrical structures with metal scaffolding. The word "NOVATEK" is written in large, bold, blue capital letters across the middle of the image.

**NOVATEK**

**Appendices**



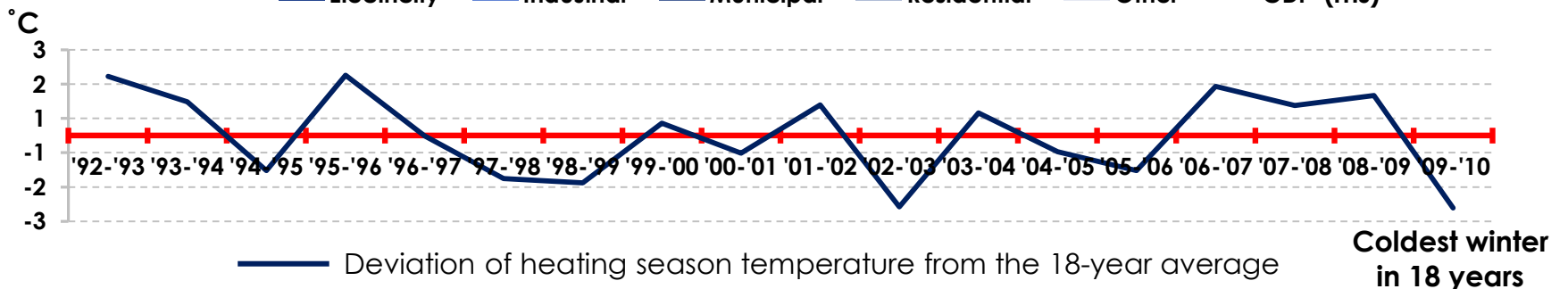
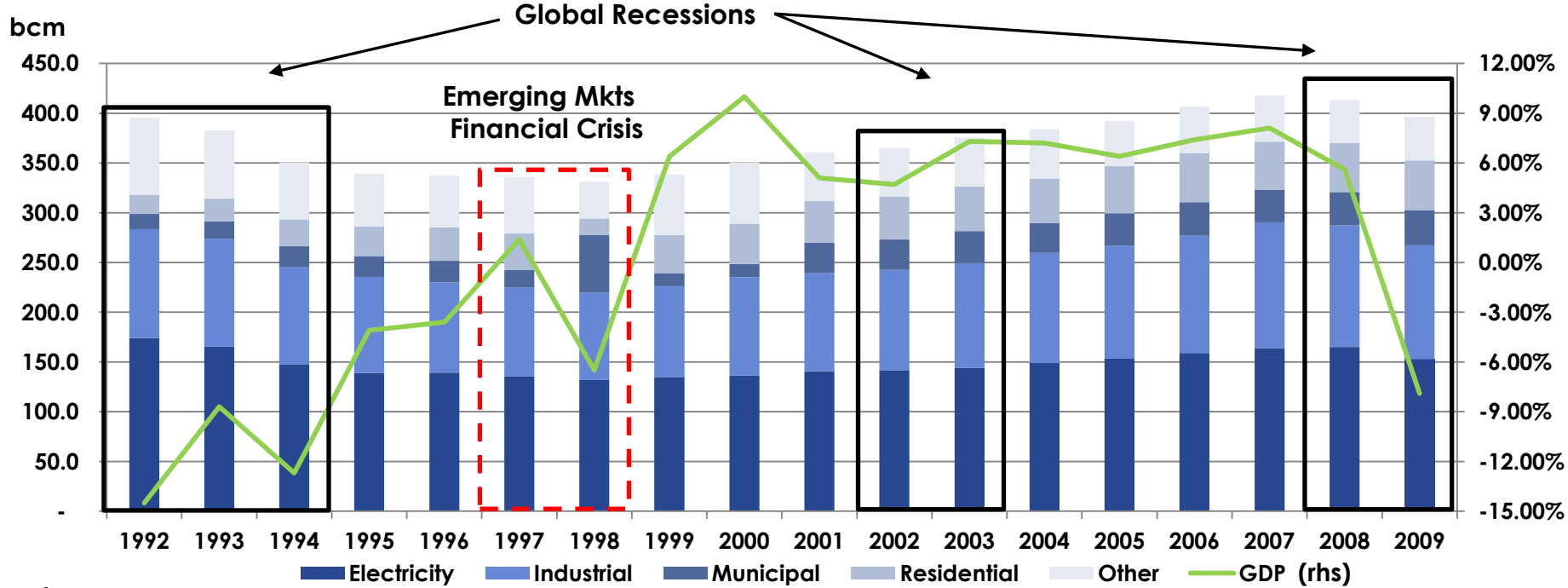
The image features a blue and white graphic on the left side, consisting of three horizontal bars with a wavy, feather-like edge. The background is a light blue sky with a faint industrial scene of four large metal structures, possibly gas processing towers, with ladders and scaffolding. The word "NOVATEK" is written in large, bold, blue capital letters across the middle of the image.

# NOVATEK

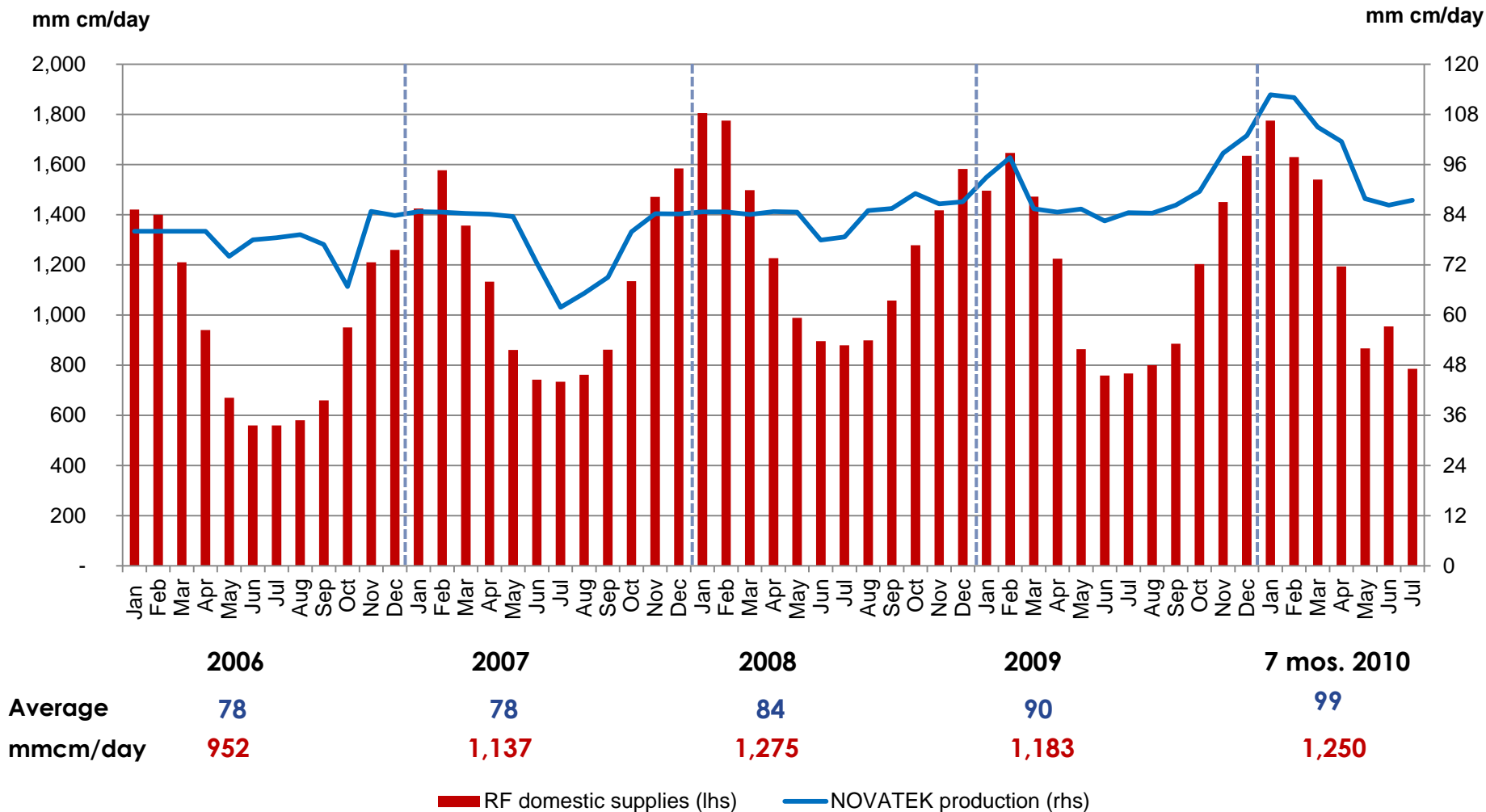
**Supply/Demand Environment – Russia**

# Relative Growth Despite Recessions

## Gas consumption in Russia

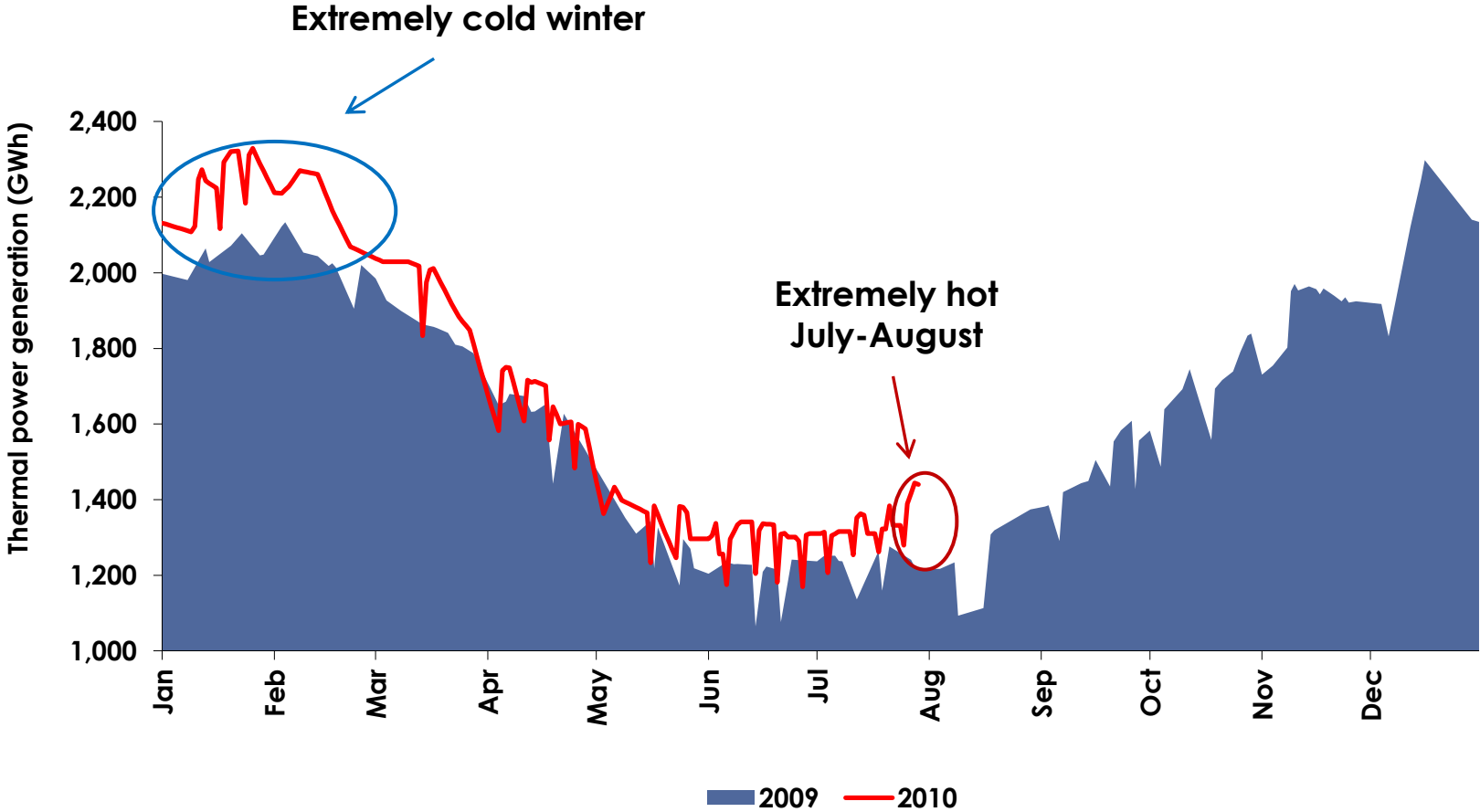


# Natural Gas Supplied to RF Domestic Market



Source: Troika Dialog Research Data (2006 RF domestic supplies), CDU TEK (2007 – 2010 RF Domestic supplies), Company Data

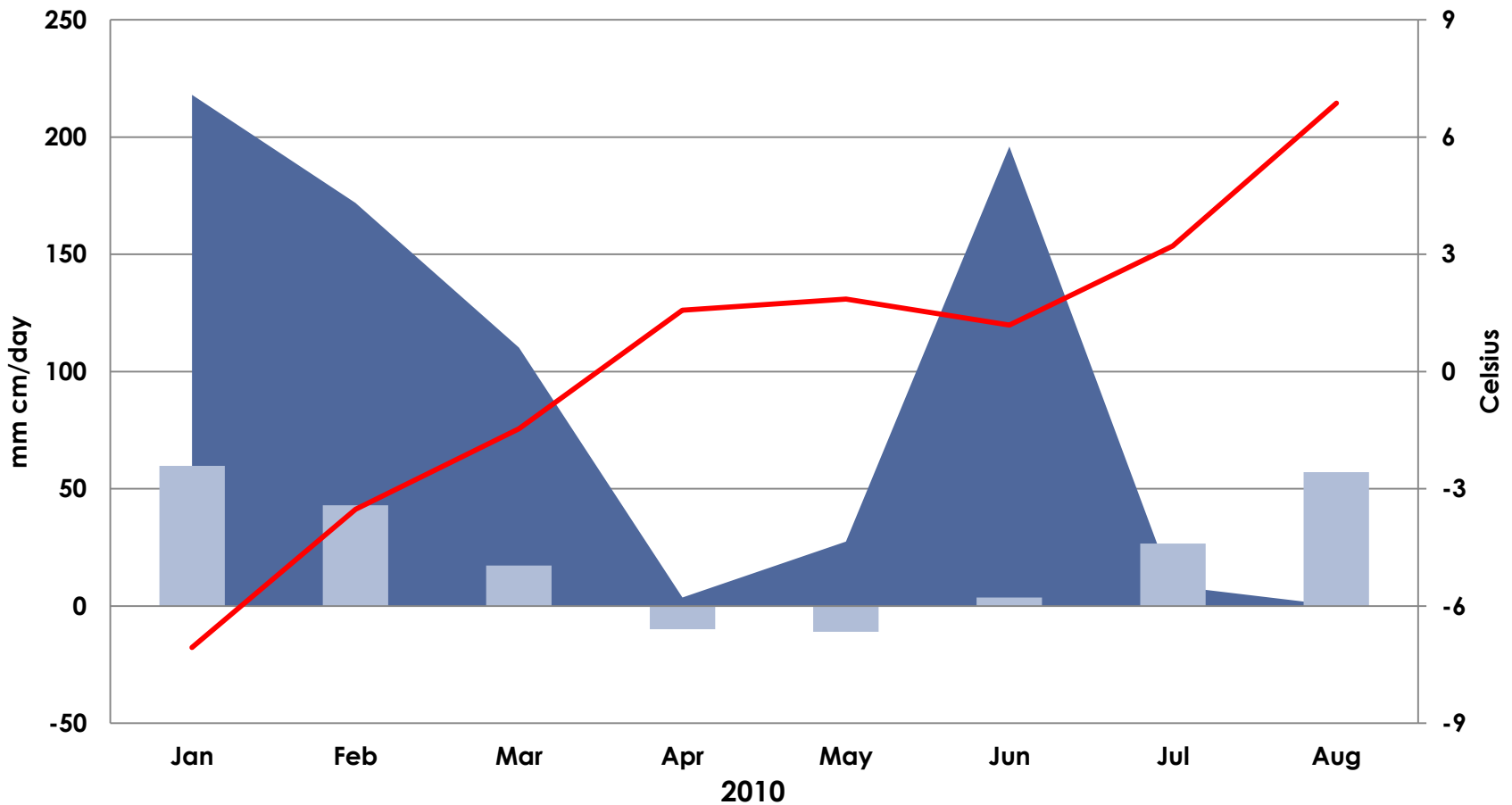
# Russian thermal power generation



# Meteorological effect on gas consumption



## Y-o-Y change in gas consumption and temperature deviation



- Y-o-Y change in Total RF Natural Gas Consumption, lhs
- Y-o-Y change in RF Power Generation Natural Gas Consumption, lhs
- Y-o-Y deviation of temperature, rhs