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## First Quarter 2013 Operational and Financial Results Conference Call

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**Mark A. Gyetvay, Chief Financial Officer and Member of the Board of Directors**  
**Moscow, Russian Federation**  
**15 May 2013**

# 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.

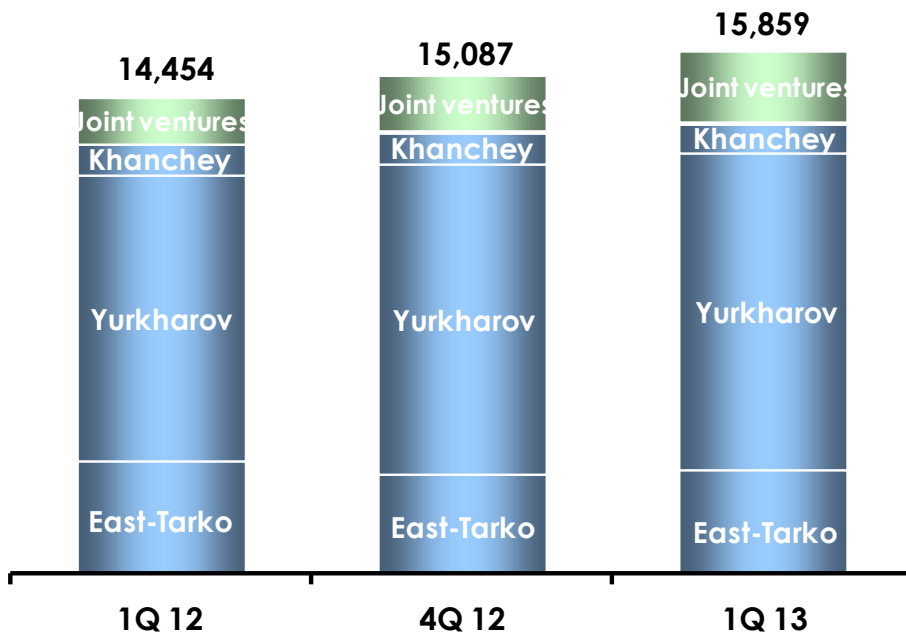
# Summary Highlights – 1Q 2013

- ❑ **Increase in revenues** driven by higher natural gas prices, as well as an increase in natural gas and liquids sales volumes :
  - Natural gas sales increased Y-o-Y by 48.7% and Q-o-Q by 33.0%
  - Liquids sales increased Y-o-Y by 50.7% and Q-o-Q by 42.3%
- ❑ **EBITDA increased** Y-o-Y by 35.9% and Q-o-Q by 30.5%
- ❑ **Cash flow from operations increased** Y-o-Y by 6.6% to RR 25,532 million from RR 23,949 million
- ❑ **Capital expenditures increased** by 49.8% to RR 11,264 million
- ❑ **EPS increased** Y-o-Y by 6.9% and Q-o-Q by 22.6% to RR 7.49
- ❑ **Natural gas production increased** Y-o-Y by 4.8% and Q-o-Q by 2.0% due to ongoing development at Yurkharov and the launch of the 4th stage of the 2nd phase development in October 2012
- ❑ **Our liquids production increased** by 1.5% mainly due to an increase in crude oil production
- ❑ **Purovsky Plant output** increased Y-o-Y by 19.5% and Q-o-Q by 4.7%

# Operational Overview

# Hydrocarbon Production

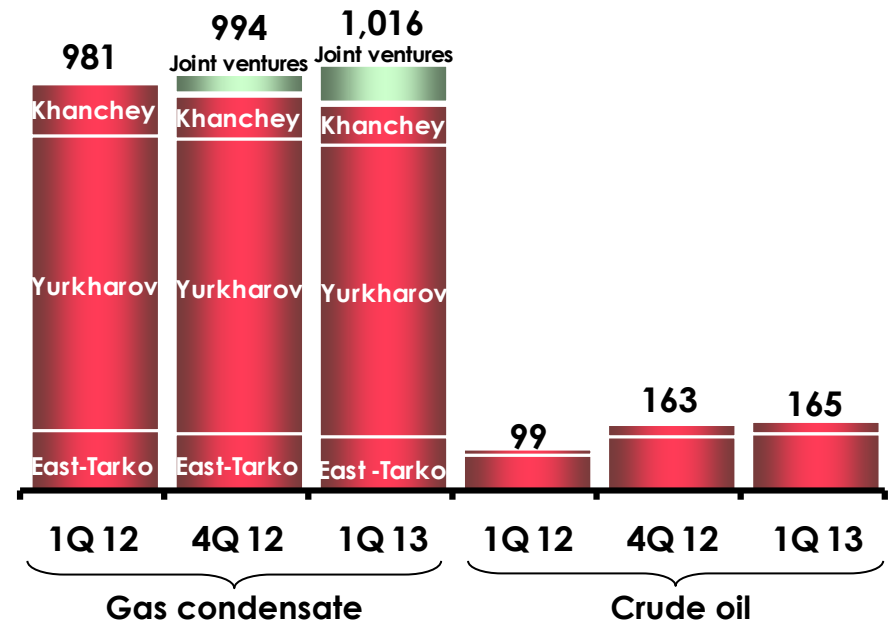
Natural Gas Production, mmcm



## Natural gas production increased Y-o-Y due to:

- Increased production at Yurkharov resulting from ongoing field development and the launch of the 4th stage of the 2nd phase development in October 2012
- Partially offset by a decrease in natural gas production at our East-Tarko and Khanchey fields due to the natural declines in reservoir pressure at the current gas producing horizons

Liquids Production, mt



## Liquids production increased Y-o-Y due to:

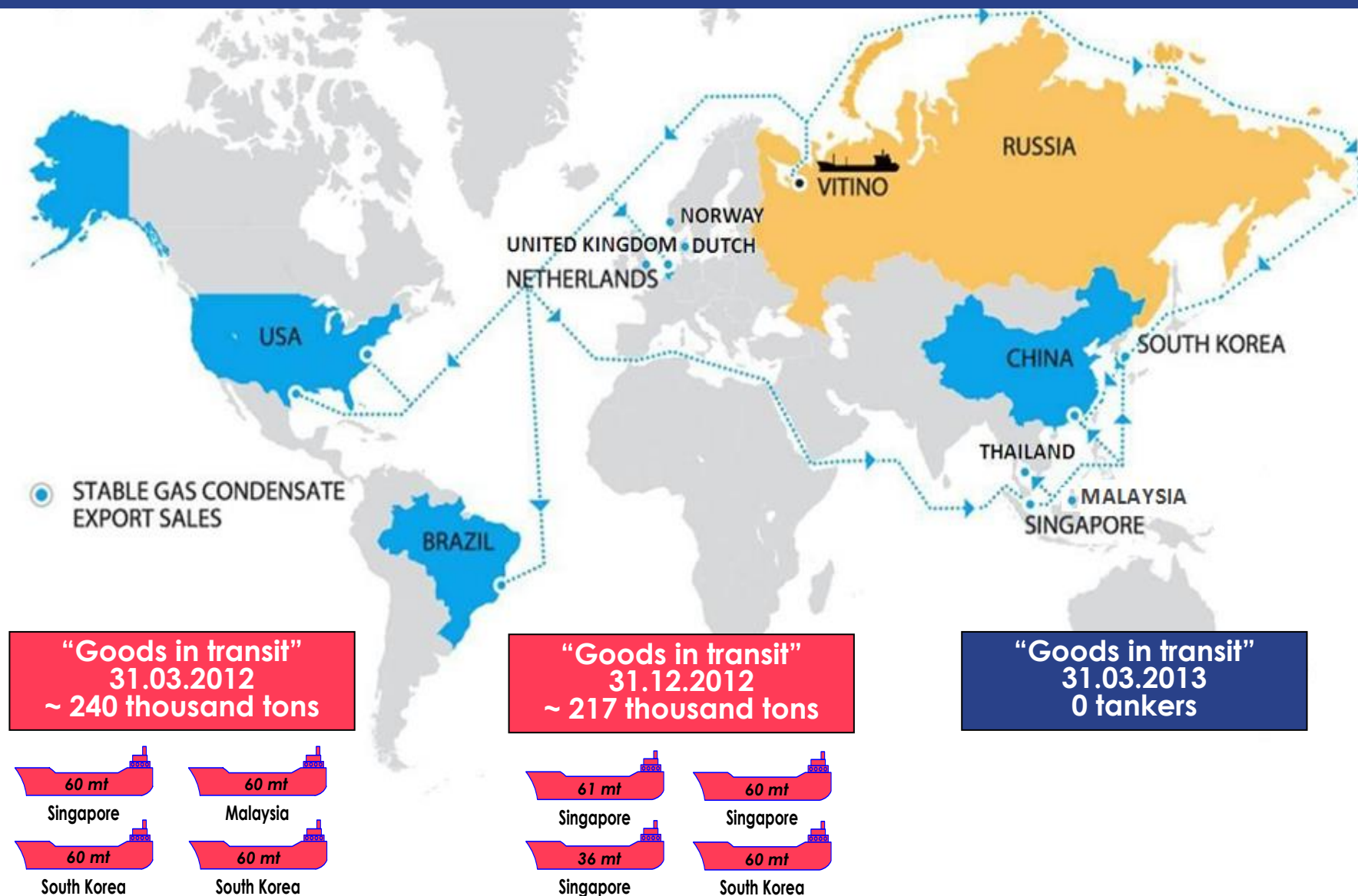
- Increase in crude oil production at our East-Tarko and Khanchey fields due to development of crude oil deposits
- Partially offset by a decrease in gas condensate production at our Khanchey and Yurkharov fields due to natural declines in the concentration of gas condensate in extracted gas

# Purovsky Plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered: 1,189 mt**
  - Yurkharovskoye field: 703 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 243 mt
  - Purchases from our joint venture: 239 mt
  - Other: 4 mt
- ❑ **Total plant output: 1,178 mt**
  - Stable gas condensate: 909 mt
  - LPG: 264 mt
  - Methanol: ~ 5 mt
- ❑ **Plant capacity:** approximately 95%
- ❑ **950 mt were dispatched from Vitino Sea Port Terminal (SGC)**
  - to Europe ~ 562 mt
  - to Asian-Pacific Region ~ 266 mt
  - to the USA ~ 122 mt
- ❑ **Stable gas condensate inventory reconciliation**
  - Rail road cisterns and port storage facilities ~ 133 mt
  - Purovsky Plant storage facilities ~ 26 mt
- ❑ **Export volumes of LPG: ~ 48% of total LPG volumes**



# Stable Gas Condensate in Transit



## Financial Overview – 1Q 13 vs. 1Q 12

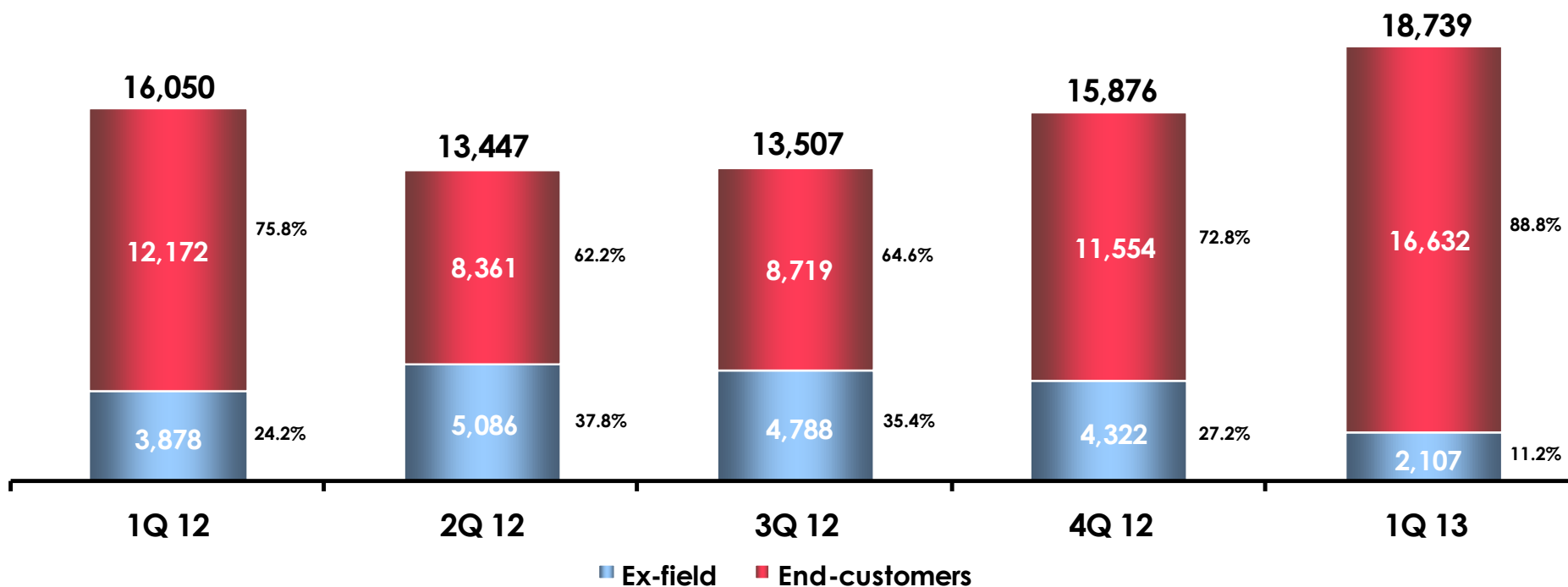
# Comparison of Quarterly Results (RR million)

|   | 1Q 12    | 2Q 12    | 3Q 12    | 4Q 12    | 1Q 13    | Q-o-Q +/- % | Y-o-Y +/- % |
|---|----------|----------|----------|----------|----------|-------------|-------------|
| <b>Oil and gas sales</b>                        | 53,876   | 44,763   | 52,345   | 59,262   | 80,448   | 35.7%       | 49.3%       |
| <b>Total revenues</b>                           | 54,097   | 44,924   | 52,514   | 59,438   | 80,565   | 35.5%       | 48.9%       |
| <b>Operating expenses</b>                       | (31,575) | (26,559) | (29,628) | (38,013) | (51,056) | 34.3%       | 61.7%       |
| <b>EBITDA <sup>(1)</sup></b>                    | 24,217   | 20,414   | 25,252   | 25,223   | 32,905   | 30.5%       | 35.9%       |
| <b>EBITDA margin</b>                            | 44.8%    | 45.4%    | 48.1%    | 42.4%    | 40.8%    |             |             |
| <b>Effective income tax rate <sup>(2)</sup></b> | 21.9%    | 20.9%    | 20.9%    | 13.9%    | 19.9%    |             |             |
| <b>Profit attributable to NOVATEK</b>           | 21,245   | 9,663    | 20,003   | 18,547   | 22,711   | 22.5%       | 6.9%        |
| <b>Profit margin</b>                            | 39.3%    | 21.5%    | 38.1%    | 31.2%    | 28.2%    |             |             |
| <b>Earnings per share</b>                       | 7.00     | 3.18     | 6.59     | 6.11     | 7.49     | 22.6%       | 6.9%        |
| <b>CAPEX <sup>(3)</sup></b>                     | 7,519    | 12,270   | 11,480   | 12,285   | 11,264   | -8.3%       | 49.8%       |
| <b>Net debt <sup>(4)</sup></b>                  | 48,045   | 77,818   | 67,187   | 114,067  | 109,184  | -4.3%       | 127.3%      |

## Notes:

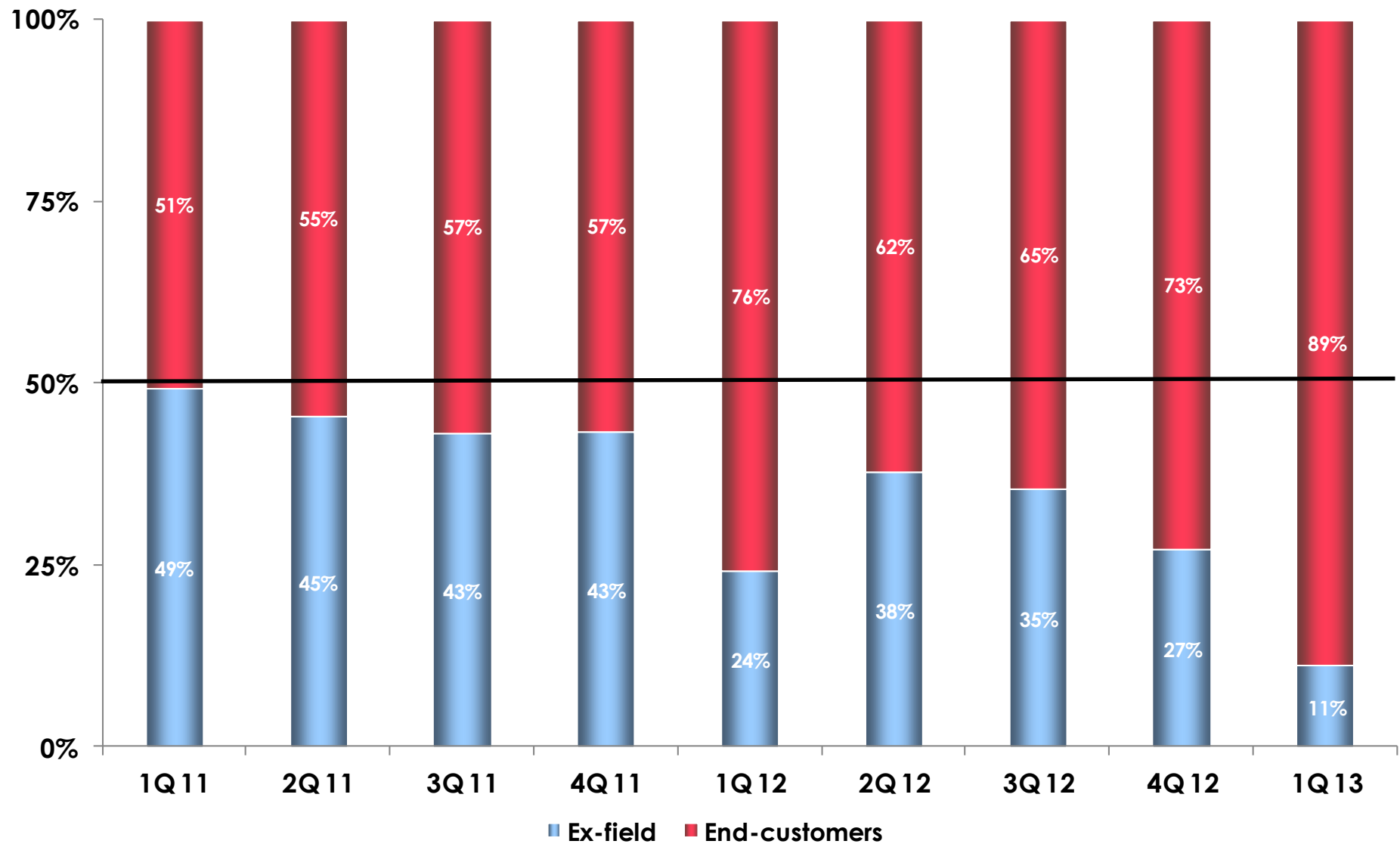
1. EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense and finance income (expense) from the Consolidated Statement of Income, income (loss) from changes in fair value of derivative financial instruments from the "Financial instruments and financial risk factors" in the notes to the IFRS consolidated financial statements
2. In 2012, one of Group's investment projects in the YNAO was included by the YNAO authorities in the list of priority projects, which allows the Group's subsidiary, that carried out the project, to apply a reduced income tax rate of 15.5%
3. CAPEX represents additions to property, plant and equipment excluding prepayments for participation in tenders for mineral licenses
4. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

# Market Distribution – Gas Sales Volumes (mmcm)

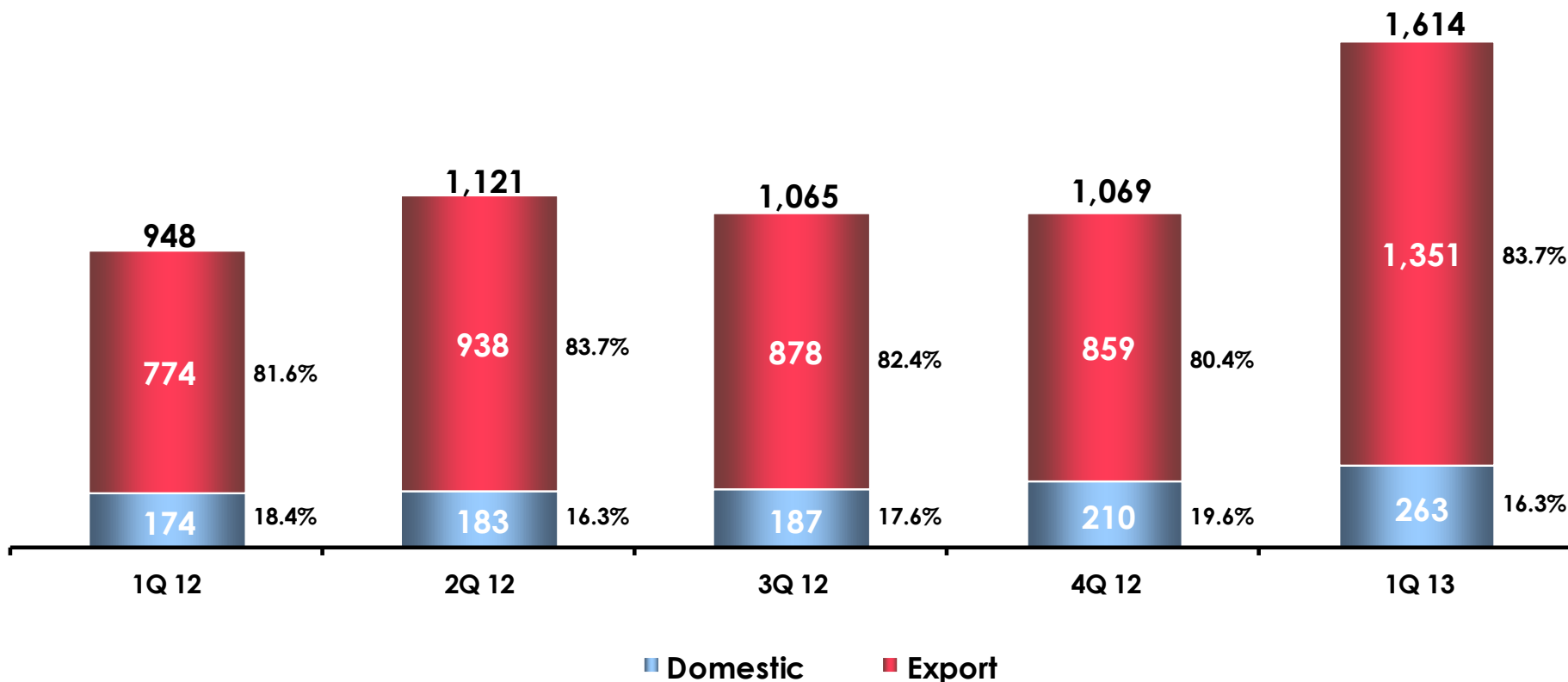


- Q-o-Q and Y-o-Y increase in natural gas sales volumes was due to a combination of increased purchases from our related party and joint ventures, as well as an increase in natural gas production at the Yurkharov field resulting from the launch of the fourth stage of the second phase development in October 2012
- Our proportion of natural gas sold to end-customers increased Q-o-Q and Y-o-Y due to higher natural gas deliveries to Moscow and the Moscow region as a result of the establishment of our wholly owned subsidiary NOVATEK Moscow region in December 2012, as well as to the Kostroma region as a result of the acquisition of a regional natural gas trader Gazprom mezhregiongas Kostroma in December 2012 (NOVATEK-Kostroma since February 2013)

# Natural Gas Sales Volume Mix



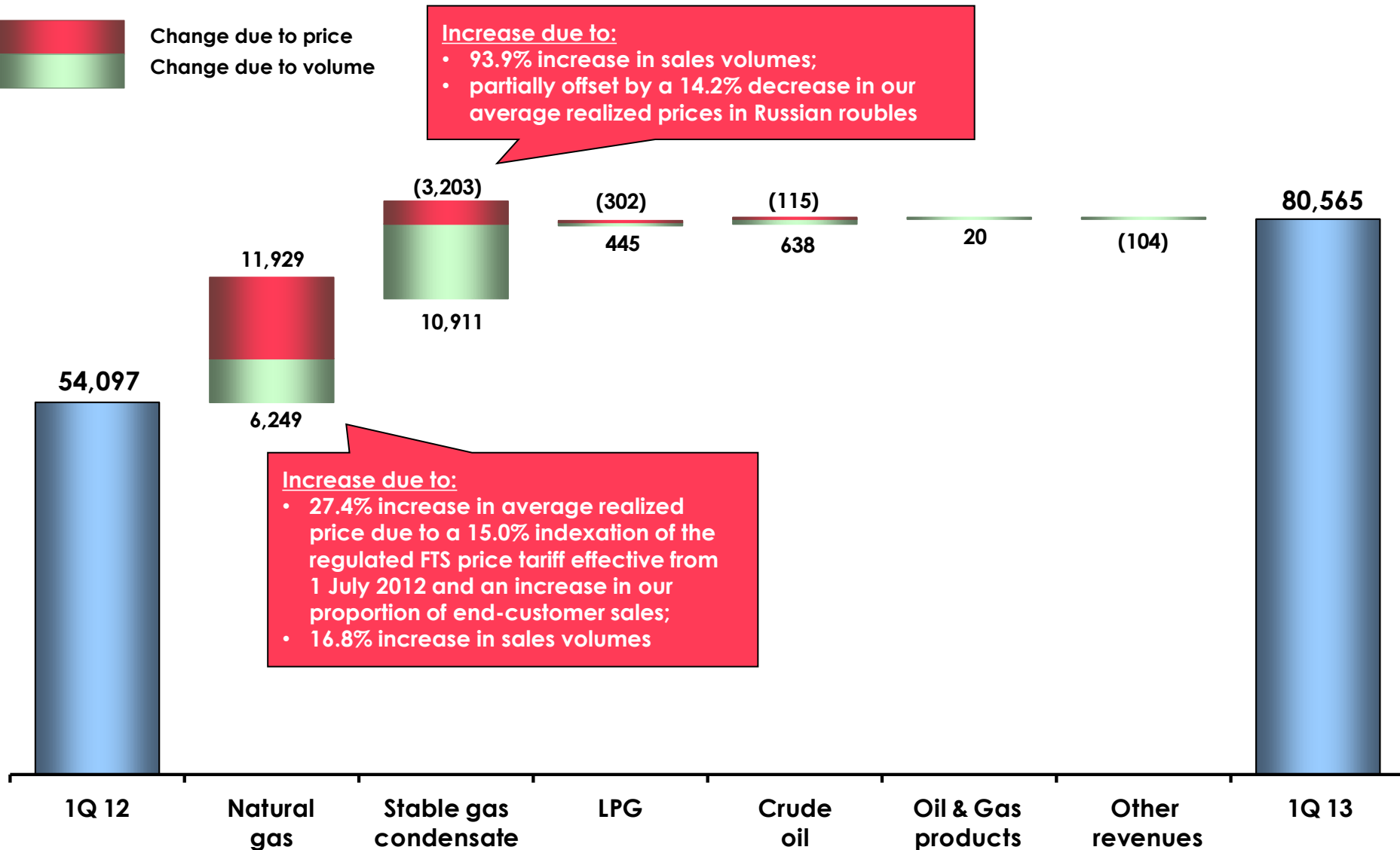
# Market Distribution – Liquids Sales Volumes (mt)



Y-o-Y and Q-o-Q increase in liquids sales volumes was due to:

- the initiation of unstable gas condensate purchases from the Group's joint ventures
- an increase in crude oil production
- a decrease in our stable gas condensate inventory balance during 1Q 13

# Total Revenues (RR million)



# Total Revenues Breakdown

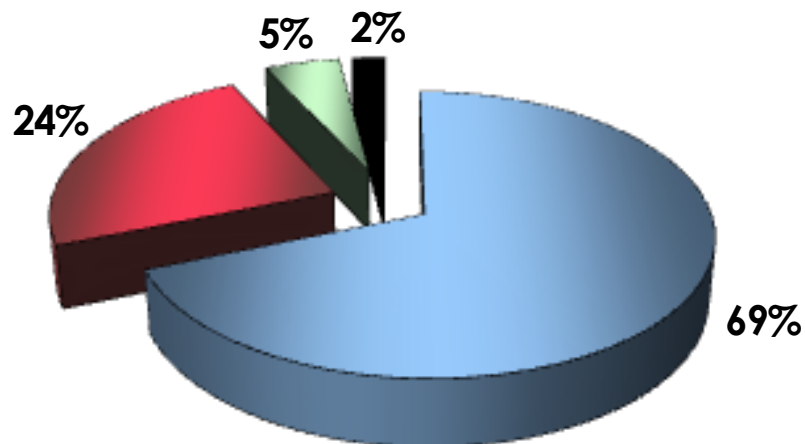
■ Natural gas

■ Stable gas condensate

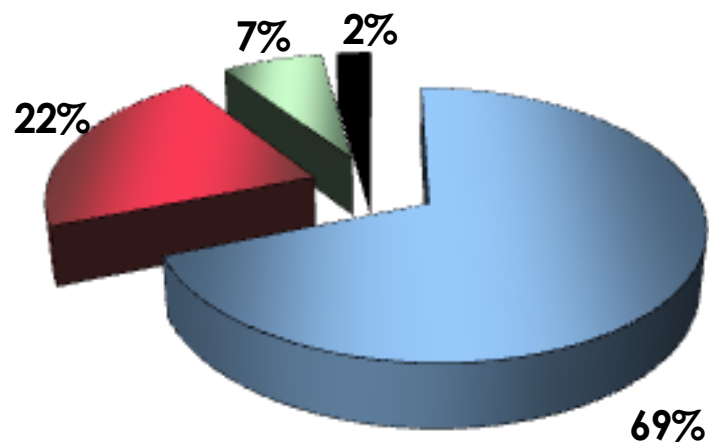
■ LPG

■ Other

1Q 13



1Q 12



# Realized Hydrocarbon Prices (net of VAT and export duties)

| 1Q 12                         | 1Q 13  | + / (-) | + / (-)% |  | 4Q 12  | 1Q 13  | + / (-) | + / (-)% |
|-------------------------------|--------|---------|----------|--|--------|--------|---------|----------|
| <b><u>Domestic prices</u></b> |        |         |          |  |        |        |         |          |
| 2,616                         | 3,120  | 504     | 19.3%    | <b>Natural gas end-customers, RR/mcm</b> | 2,993  | 3,120  | 127     | 4.2%     |
| 1,409                         | 1,708  | 299     | 21.2%    | <b>Natural gas ex-field, RR/mcm</b>      | 1,644  | 1,708  | 64      | 3.9%     |
| 14,168                        | 13,256 | (912)   | -6.4%    | <b>Stable gas condensate, RR/ton</b>     | 14,407 | 13,256 | (1,151) | -8.0%    |
| 13,101                        | 13,400 | 299     | 2.3%     | <b>LPG, RR/ton</b>                       | 15,061 | 13,400 | (1,661) | -11.0%   |
| 11,576                        | 11,095 | (481)   | -4.2%    | <b>Crude oil, RR/ton</b>                 | 10,952 | 11,095 | 143     | 1.3%     |
| 10,004                        | 18,644 | 8,640   | 86.4%    | <b>Methanol, RR/ton</b>                  | 10,610 | 18,644 | 8,034   | 75.7%    |
| <b><u>Export market</u></b>   |        |         |          |  |        |        |         |          |
| 18,633                        | 16,079 | (2,554) | -13.7%   | <b>Stable gas condensate, RR/ton</b>     | 16,656 | 16,079 | (577)   | -3.5%    |
| 19,190                        | 16,990 | (2,200) | -11.5%   | <b>LPG, RR/ton</b>                       | 21,622 | 16,990 | (4,632) | -21.4%   |
| 13,403                        | 11,684 | (1,719) | -12.8%   | <b>Crude oil, RR/ton</b>                 | 11,527 | 11,684 | 157     | 1.4%     |

Note: Prices are shown excluding trading activities and excluding natural gas volumes purchased for resale in the location of end-customers in 2012

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

| 1Q 12  | % of TR | 1Q 13  | % of TR |                                    | 4Q 12  | % of TR | 1Q 13  | % of TR |
|--------|---------|--------|---------|------------------------------------|--------|---------|--------|---------|
| 16,379 | 30.3%   | 29,230 | 36.2%   | Transportation expenses            | 17,199 | 28.9%   | 29,230 | 36.2%   |
| 4,337  | 8.0%    | 4,717  | 5.9%    | Taxes other than income tax        | 4,452  | 7.5%    | 4,717  | 5.9%    |
| 20,716 | 38.3%   | 33,947 | 42.1%   | <b>Non-controllable expenses</b>   | 21,651 | 36.4%   | 33,947 | 42.1%   |
| 2,614  | 4.8%    | 3,157  | 3.9%    | Depreciation and amortization      | 3,666  | 6.2%    | 3,157  | 3.9%    |
| 2,327  | 4.3%    | 2,419  | 3.0%    | General and administrative         | 3,632  | 6.1%    | 2,419  | 3.0%    |
| 1,586  | 2.9%    | 1,677  | 2.1%    | Materials, services & other        | 2,078  | 3.5%    | 1,677  | 2.1%    |
| 896    | 1.7%    | 135    | 0.2%    | Exploration expenses               | 1,393  | 2.3%    | 135    | 0.2%    |
|        |         |        |         | Net impairment expenses            |        |         |        |         |
| 25     | n/m     | (4)    | n/m     | (reversals)                        | 276    | n/m     | (4)    | n/m     |
|        |         |        |         | Change in natural gas, liquids     |        |         |        |         |
| 60     | n/m     | 1,293  | n/m     | and WIP                            | (560)  | n/m     | 1,293  | n/m     |
| 28,224 | 52.2%   | 42,624 | 52.9%   | <b>Subtotal operating expenses</b> | 32,136 | 54.1%   | 42,624 | 52.9%   |
|        |         |        |         | Purchases of natural gas and       |        |         |        |         |
| 3,351  | 6.2%    | 8,432  | 10.5%   | liquid hydrocarbons                | 5,877  | 9.9%    | 8,432  | 10.5%   |
| 31,575 | 58.4%   | 51,056 | 63.4%   | <b>Total operating expenses</b>    | 38,013 | 64.0%   | 51,056 | 63.4%   |

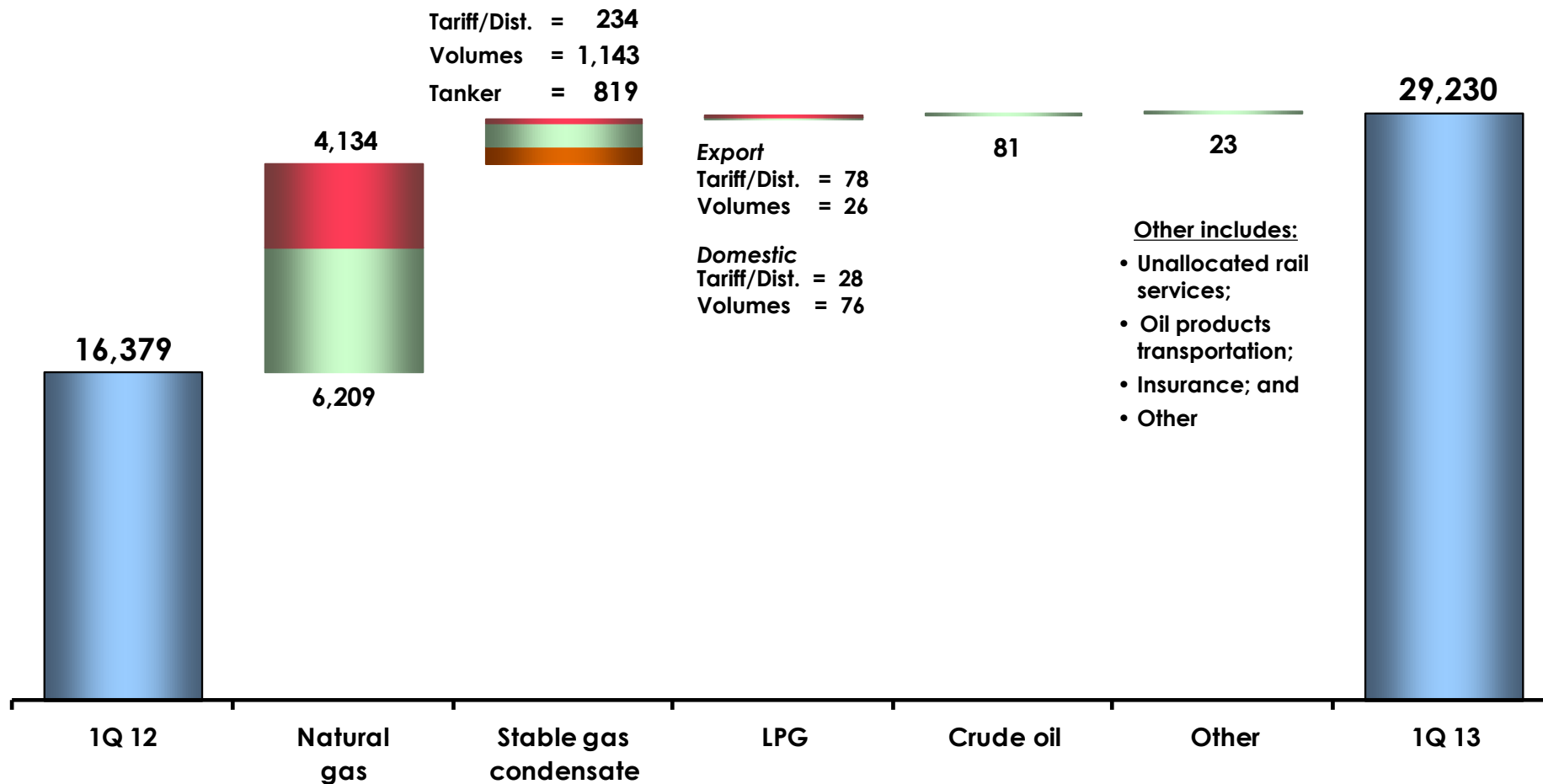
- Operating expenses increased Y-o-Y and Q-o-Q by 61.7% and 34.3%, respectively, due to an increase in transportation expenses and purchases of natural gas and liquid hydrocarbons
- Transportation expenses increased Y-o-Y and Q-o-Q due to a 47.6% and 57.5% increase in our sales volumes of natural gas to end-customers, respectively for which we incurred transportation costs, a 7.0% average increase in the natural gas transportation tariff set by the FTS effective from 1 July 2012, as well as an increase in average transportation distance due to higher natural gas deliveries to Moscow, and the Moscow and Kostroma regions
- Taxes other than income tax increased Y-o-Y and Q-o-Q primarily due to a 5.6% increase in the natural gas UPT rate from 1 January 2013, as well as a 4.8% increase in production volumes of natural gas
- Depreciation, depletion and amortization expense increased Y-o-Y as a result of an increase in our depletable cost base, as well as an increase in our total hydrocarbon production in barrels of oil equivalent
- Our hydrocarbon purchases increased Y-o-Y and Q-o-Q due to the increase in natural gas purchases from our related party SIBUR Holding, as well as the initiation of unstable gas condensate purchases from our joint ventures SeverEnegia and Nortgas effective 1 April and 1 November 2012, respectively

# Transportation Expenses (RR million)

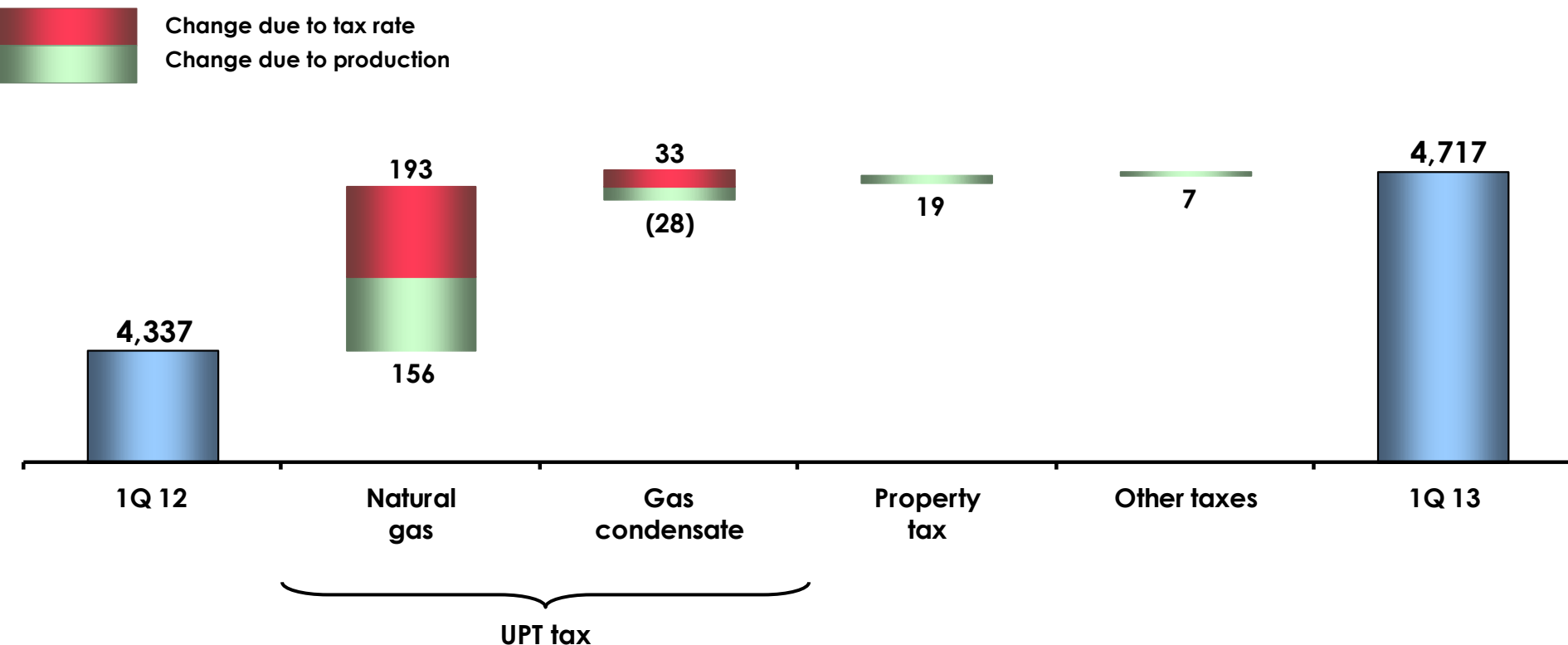


Change due to tariffs/distance

Change due to volume

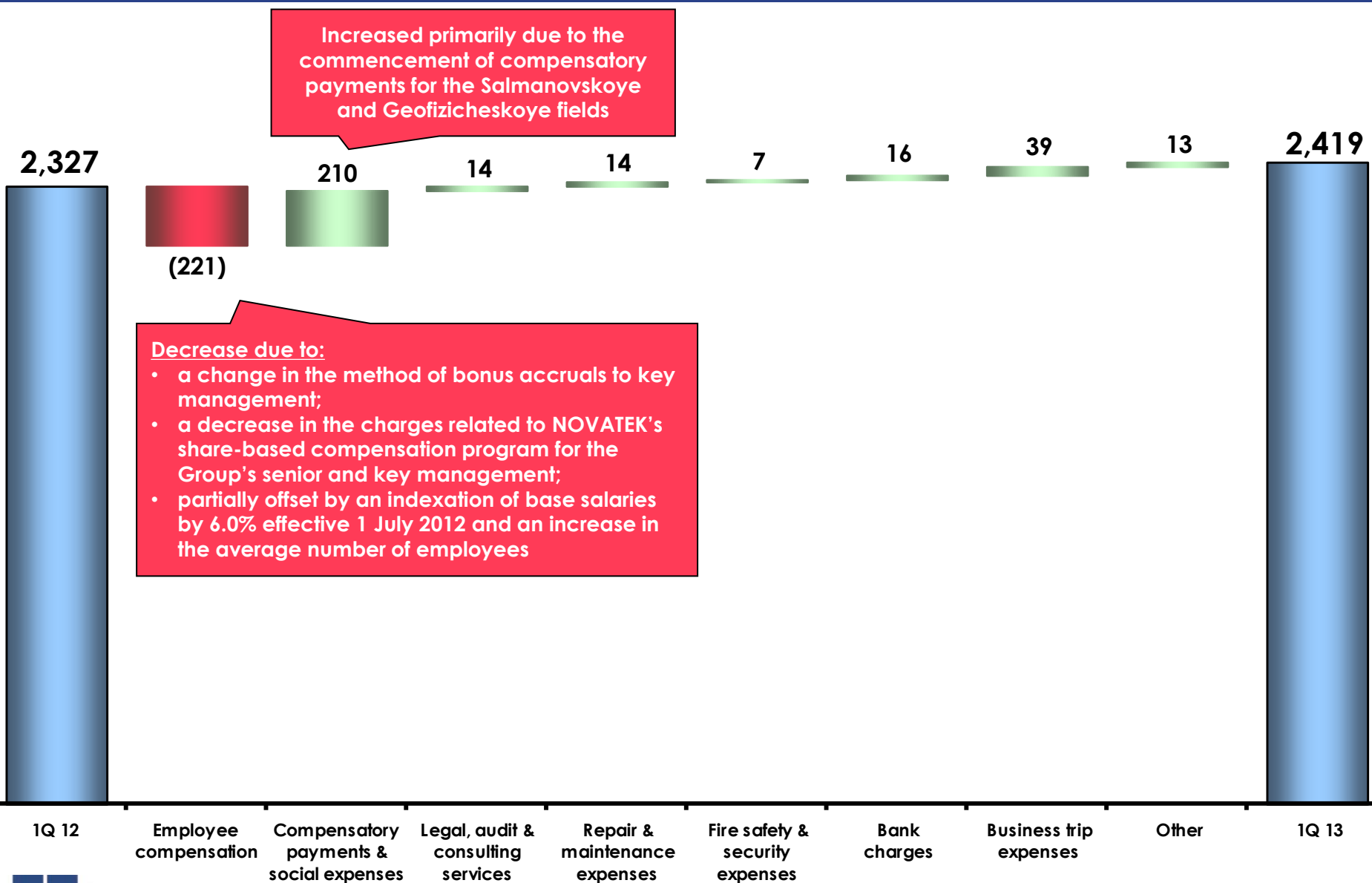


# Taxes Other Than Income Tax Expense (RR million)

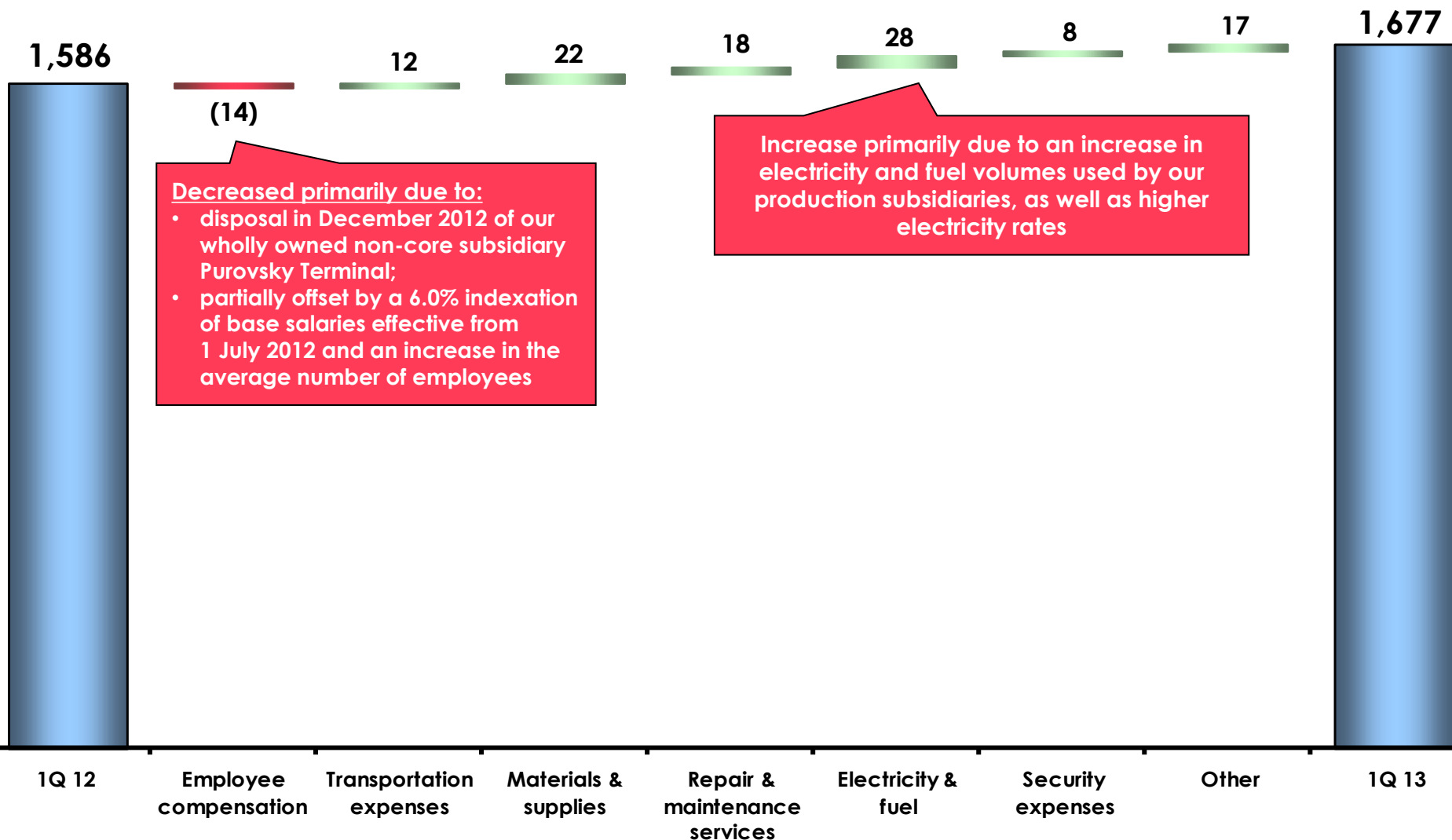


- The increase in UPT expense primarily due to a 5.6% increase in the natural gas production tax rate effective from 1 January 2013 and a 4.8% increase in our natural gas production volumes
- Effective from 1 January 2012, we utilized a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields due to amendments to the Russian Tax Code for fields producing crude oil north of 65 degree latitude

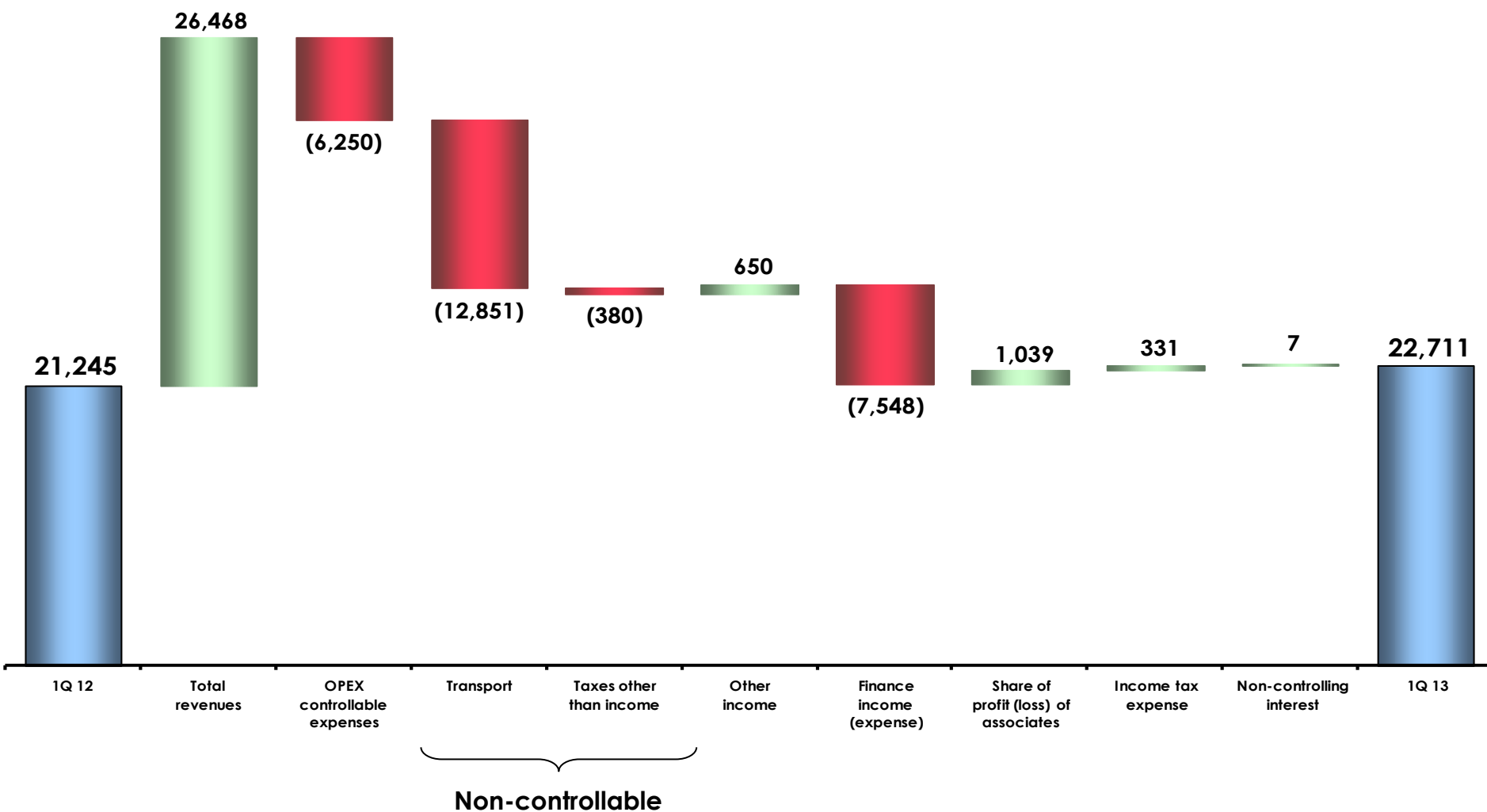
# General and Administrative Expenses (RR million)



# Materials, Services and Other Expenses (RR million)

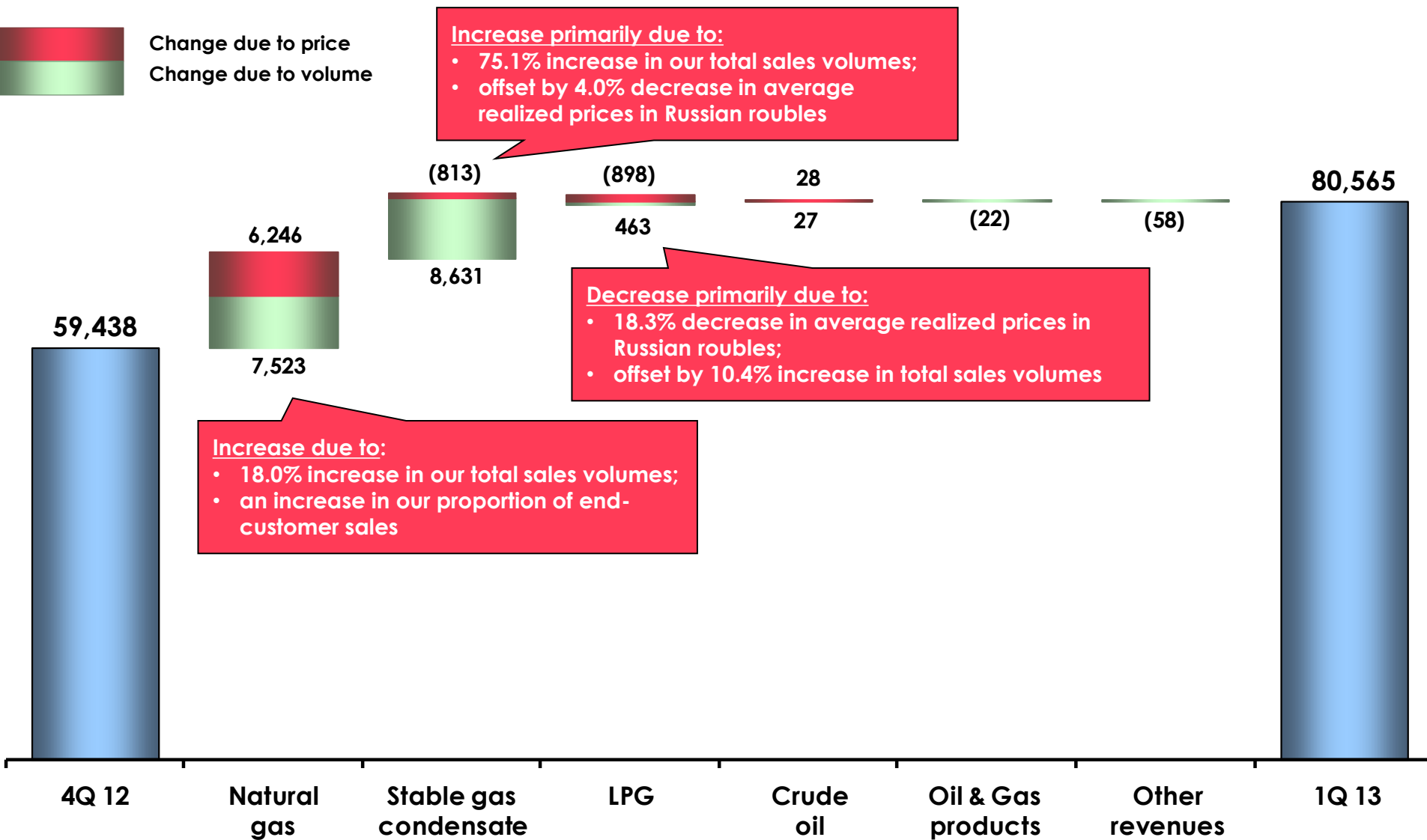


# Profit Attributable to NOVATEK Shareholders (RR million)



## Financial Overview – 1Q 13 vs. 4Q 12

# Total Revenues (RR million)



# Total Revenues Breakdown

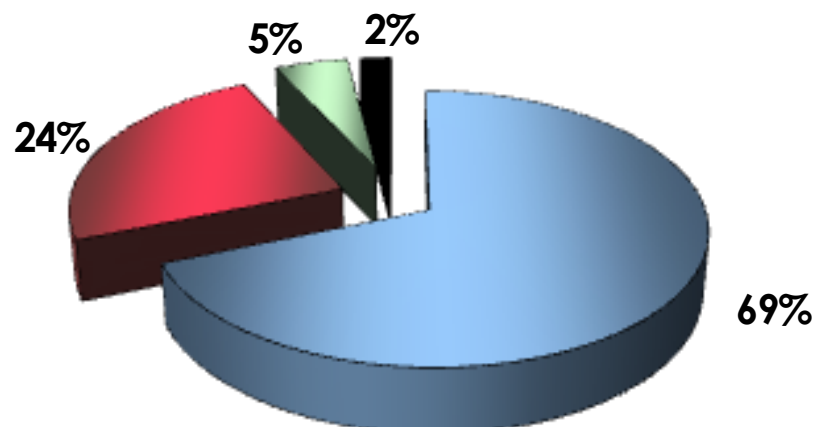
■ Natural gas

■ Stable gas condensate

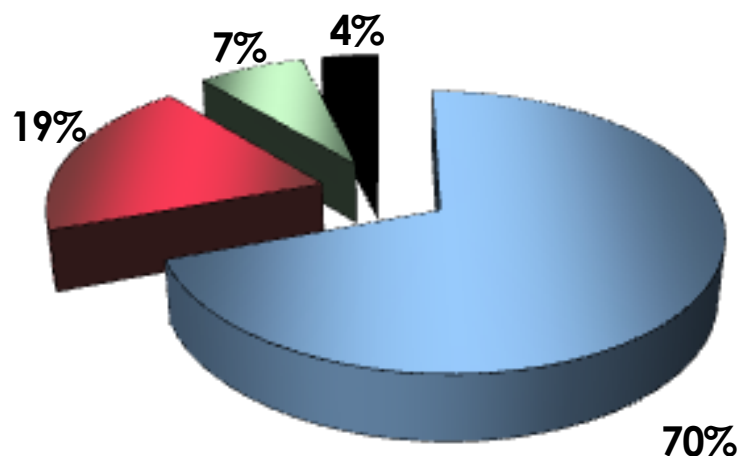
■ LPG

■ Other

1Q 13



4Q 12



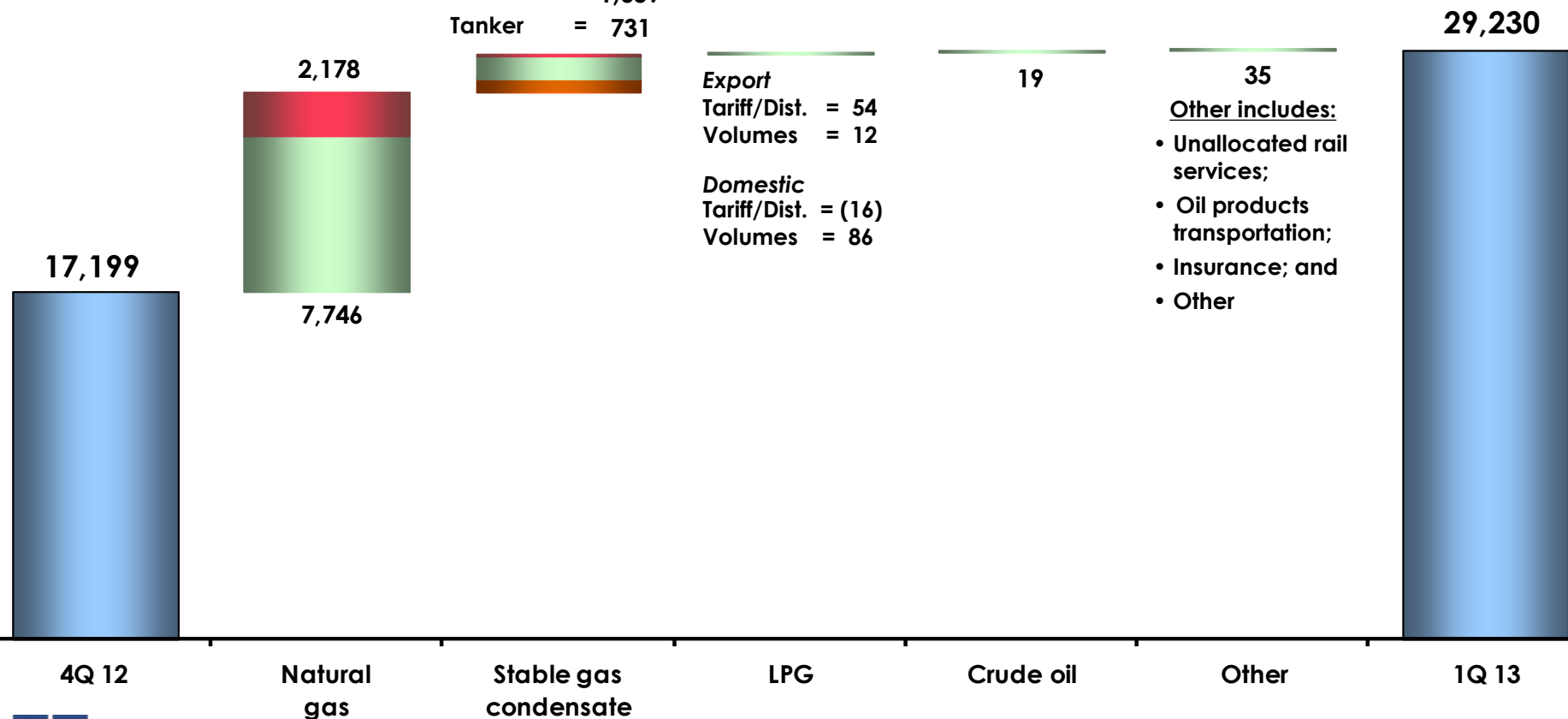
# Transportation Expenses (RR million)



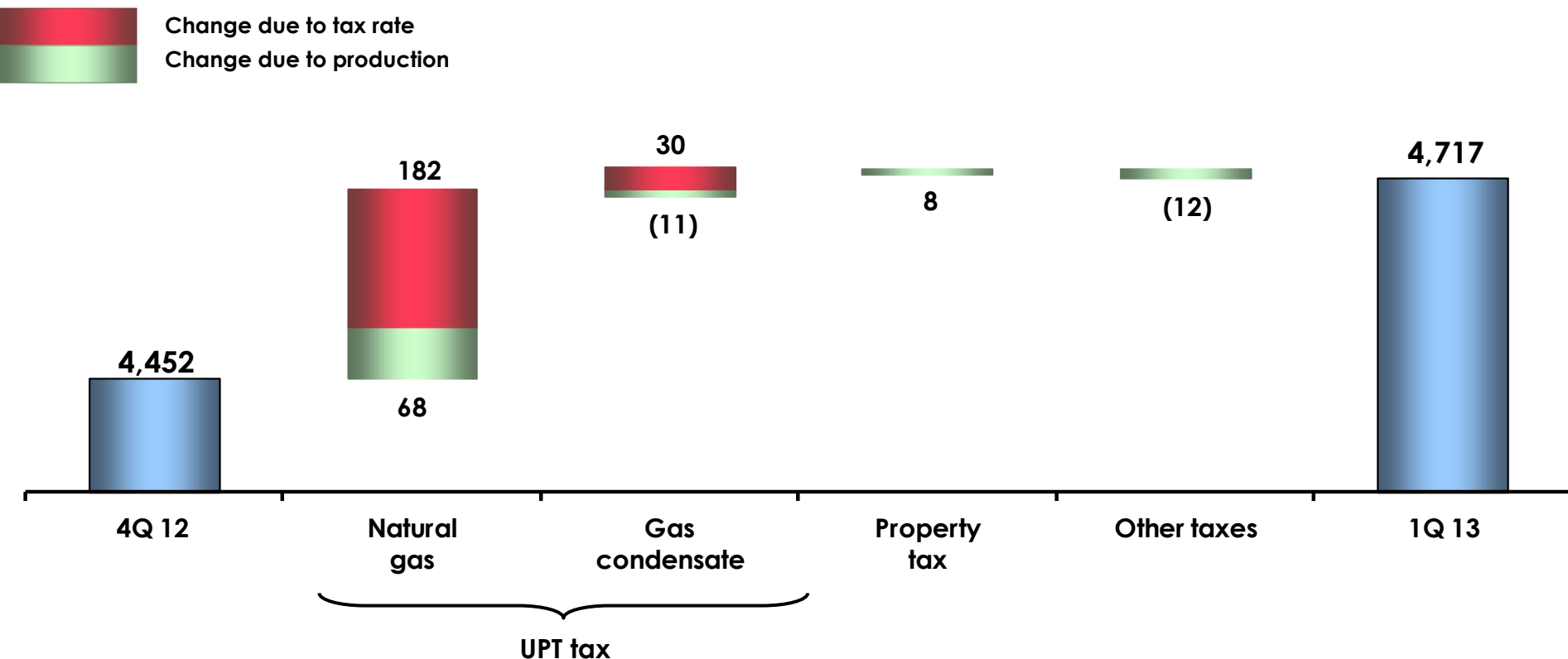
Change due to tariffs/distance

Change due to volume

Tariff/Dist. = 127  
Volumes = 1,059  
Tanker = 731



# Taxes Other Than Income Tax Expense (RR million)

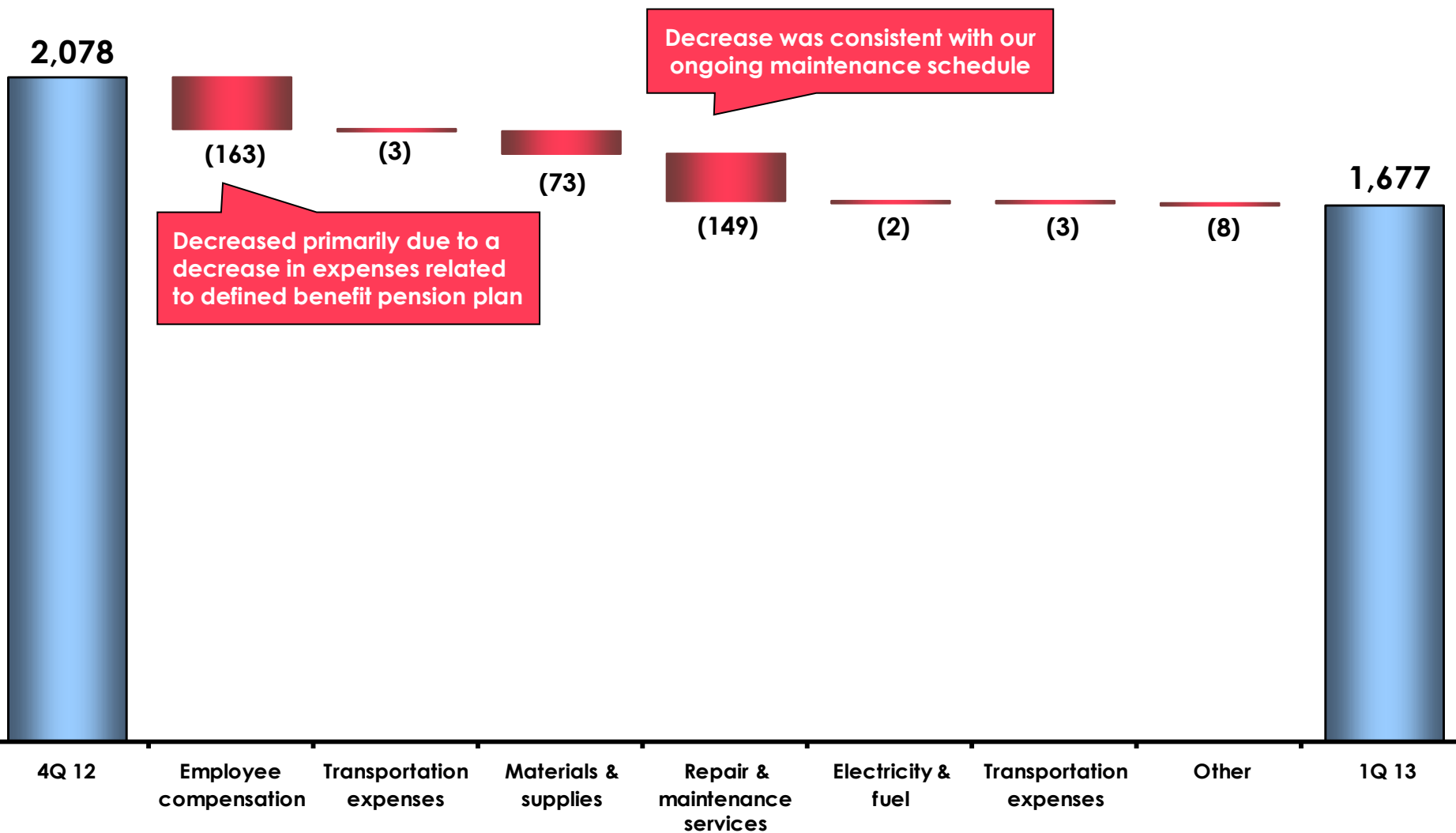


- ❑ The increase in UPT expense primarily due to a 5.6% increase in the natural gas production tax rate effective from 1 January 2013 and a 2.0% increase in our natural gas production volumes
- ❑ Effective from 1 January 2012, we utilized a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields due to amendments to the Russian Tax Code for fields producing crude oil north of 65 degree latitude

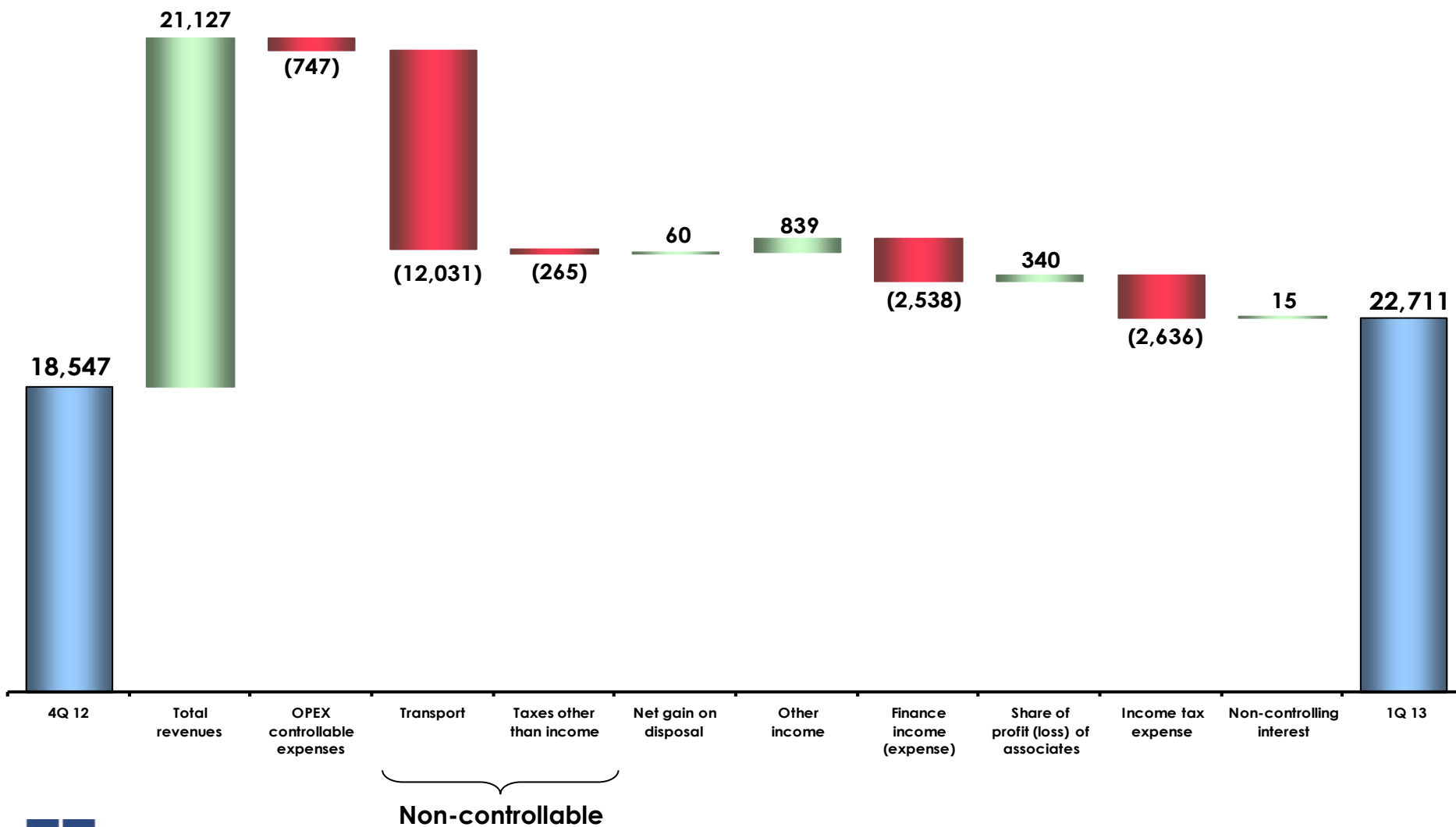
# General and Administrative Expenses (RR million)



# Materials, Services and Other Expenses (RR million)

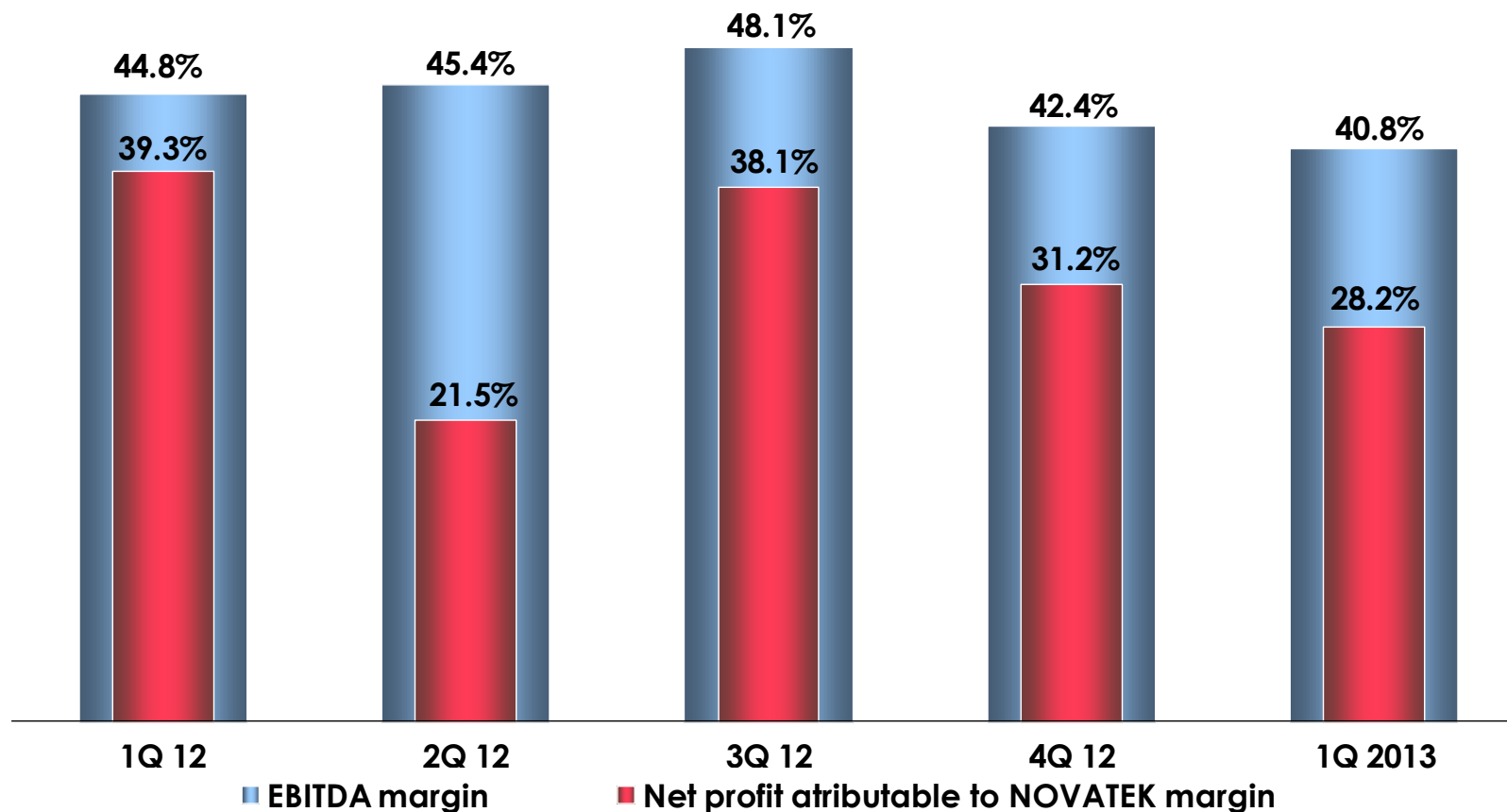


# Profit Attributable to NOVATEK Shareholders (RR million)



# Appendices

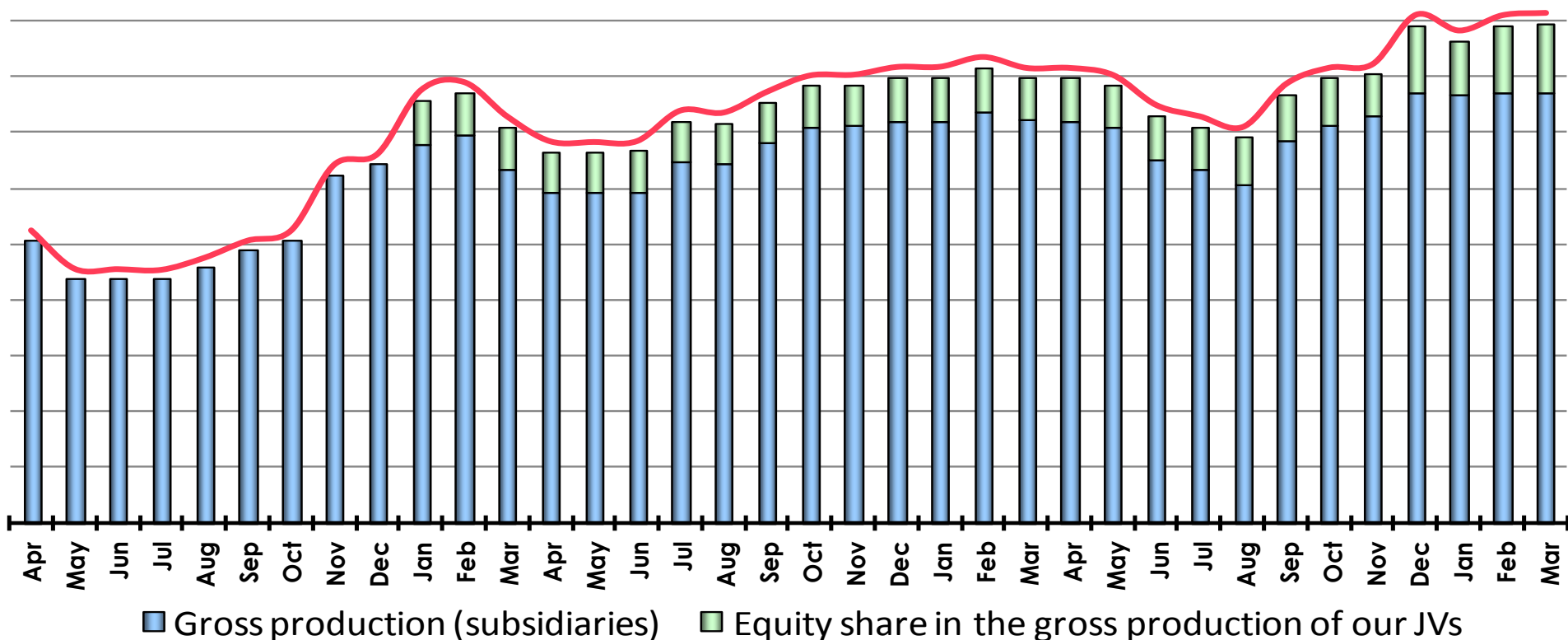
# Maintaining Margins (% of total revenues)



## Notes:

EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense and finance income (expense) from the Consolidated Statement of Income, income (loss) from changes in fair value of derivative financial instruments from the "Financial instruments and financial risk factors" in the notes to the IFRS consolidated financial statements

# Increasing Natural Gas Production (mmcm per day)



2010

2010 Avg.  
103 mmcm/day  
3,655 bcf/day

2011

2011 Avg.  
147 mmcm/day  
5,180 bcf/day

2012

2012 Avg.  
157 mmcm/day  
5,531 bcf/day

2013

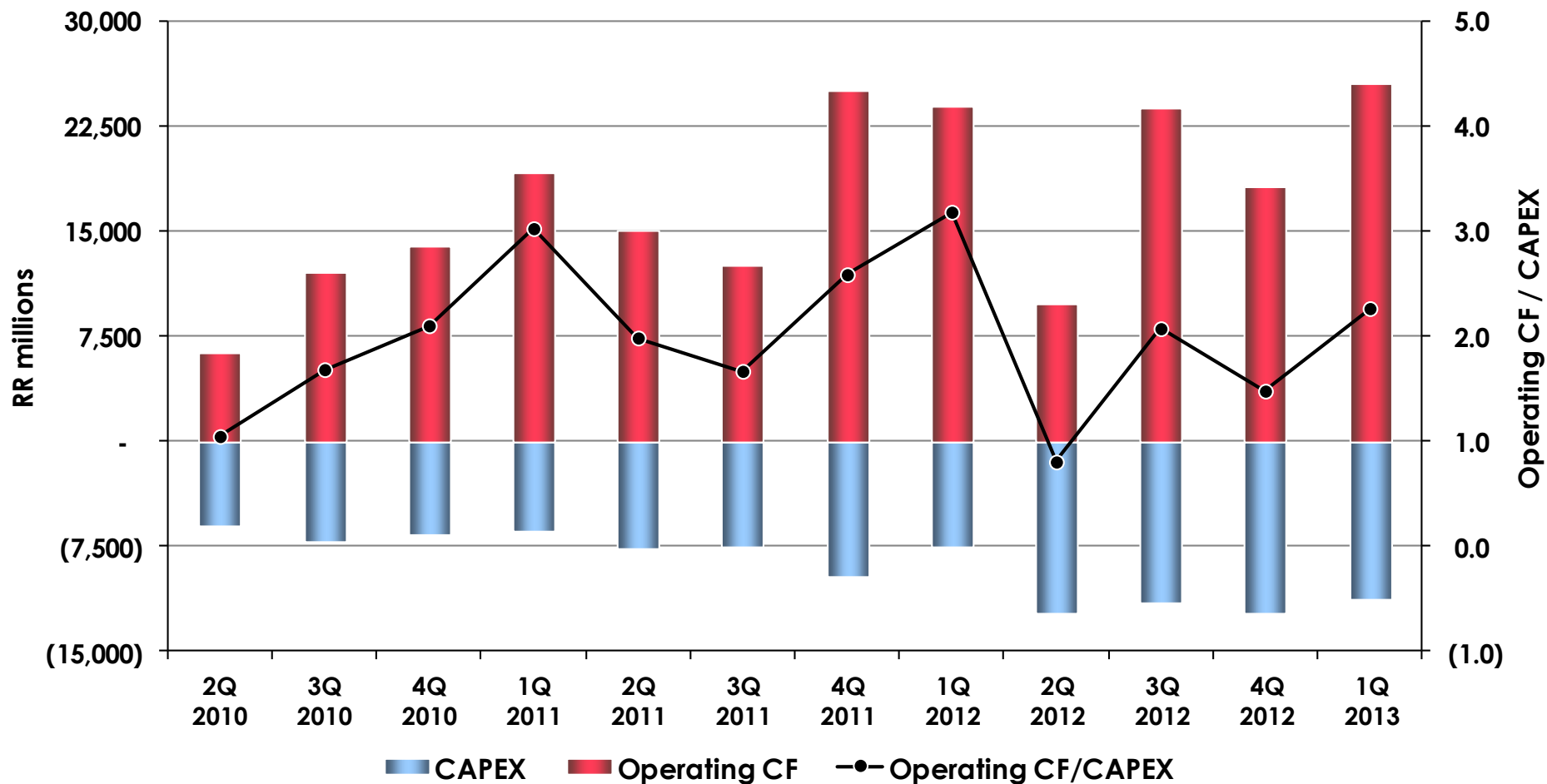
1Q 13 Avg.  
179 mmcm/day  
6,316 bcf/day

1Q 12 Avg.  
161 mmcm/day  
5,681 bcf/day

# Condensed Balance Sheet (RR million)

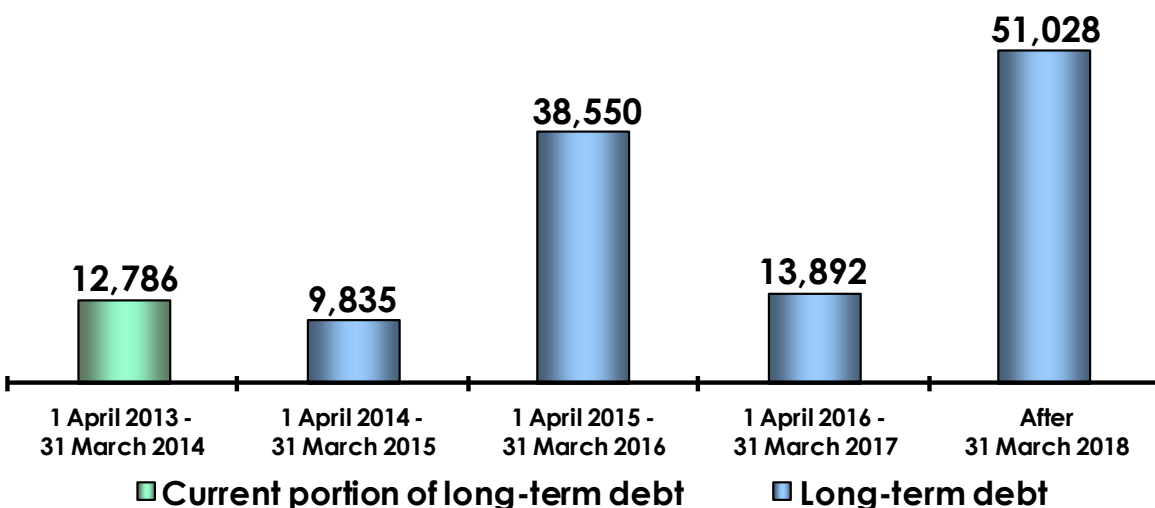
|  | 31 March 2013  | 31 December 2012 | + / (-)         | + / (-) %     |
|--|----------------|------------------|-----------------|---------------|
| <b>Total current assets</b>                | <b>59,049</b>  | <b>58,243</b>    | <b>806</b>      | <b>1.4%</b>   |
| <i>Incl. Cash and cash equivalents</i>     | <i>16,907</i>  | <i>18,420</i>    | <i>(1,513)</i>  | <i>-8.2%</i>  |
| <b>Total non-current assets</b>            | <b>423,180</b> | <b>404,890</b>   | <b>18,290</b>   | <b>4.5%</b>   |
| <i>Incl. Net PP&amp;E</i>                  | <i>205,499</i> | <i>197,376</i>   | <i>8,123</i>    | <i>4.1%</i>   |
| <b>Total assets</b>                        | <b>482,229</b> | <b>463,133</b>   | <b>19,096</b>   | <b>4.1%</b>   |
| <b>Total current liabilities</b>           | <b>35,485</b>  | <b>55,130</b>    | <b>(19,645)</b> | <b>-35.6%</b> |
| <i>Incl. ST debt</i>                       | <i>12,786</i>  | <i>34,682</i>    | <i>(21,896)</i> | <i>-63.1%</i> |
| <b>Total non-current liabilities</b>       | <b>133,170</b> | <b>116,702</b>   | <b>16,468</b>   | <b>14.1%</b>  |
| <i>Incl. Deferred income tax liability</i> | <i>15,489</i>  | <i>13,969</i>    | <i>1,520</i>    | <i>10.9%</i>  |
| <i>Incl. LT debt</i>                       | <i>113,305</i> | <i>97,805</i>    | <i>15,500</i>   | <i>15.8%</i>  |
| <b>Total liabilities</b>                   | <b>168,655</b> | <b>171,832</b>   | <b>(3,177)</b>  | <b>-1.8%</b>  |
| <b>Total equity</b>                        | <b>313,574</b> | <b>291,301</b>   | <b>22,273</b>   | <b>7.6%</b>   |
| <b>Total liabilities &amp; equity</b>      | <b>482,229</b> | <b>463,133</b>   | <b>19,096</b>   | <b>4.1%</b>   |

# 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 funds:

- ✓ Credit Agricole Corporate and Investment Bank – USD 100 mln until June 2013
- ✓ ZAO BNP PARIBAS Bank – USD 100 mln until August 2013
- ✓ ZAO UniCredit Bank – USD 350 mln until August 2015
- ✓ Short-term credit lines in the form of bank overdrafts – USD 175 mln and EUR 50 mln

## Debt repayment schedule:

Up to 31 March 2014 – RR denominated bonds, Sumitomo Mitsui Banking Corporation Europe Limited  
Up to 31 March 2015 – Sberbank loan

Up to 31 March 2016 – Eurobonds Five-Year (USD 600 mln) and RR denominated bonds

Up to 31 March 2017 – Eurobonds Four-Year (RR 14 bln)

After 31 March 2018 – Eurobonds Ten-Year (USD 650 mln) and Eurobonds Ten-Year (USD one bln)

Note: Current debt maturity profile as of 31 March 2013 with repayments in the 12 months 31 March 2014, 2015, 2016, 2017 and after 31 March 2018

# Questions and Answers