

APPROVED

by the resolution of the Board of Directors of
NOVATEK OJSC

(Minutes of the meeting of the Board of
Directors dated 28 April 2014 No. 168)

**REGULATIONS
ON THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF NOVATEK OPEN JOINT STOCK COMPANY**

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1. GENERAL PROVISIONS

1.1. These Regulations on the Audit Committee of the Board of Directors of NOVATEK Open Joint Stock Company (hereinafter referred to as the “Regulations”) have been prepared in accordance with laws of the Russian Federation, Charter and Regulations on the Board of Directors of NOVATEK Open Joint Stock Company (hereinafter referred to as the “Company”), taking into account provisions of the Code of Corporate Governance recommended for application by the Central Bank of the Russian Federation and listing rules of stock exchanges where securities of the Company are listed.

1.2. The Audit Committee of the Board of Directors of the Company (hereinafter referred to as the “Audit Committee”, the “Committee”) was created for the purpose of facilitation of efficient accomplishment of functions of the Board of Directors of the Company (hereinafter referred to as the “Board of Directors”) to the extent of control of financial and business operations of the Company.

1.3. The Regulations determine the status and competence of the Audit Committee, rights and obligations of the Committee (members of the Committee), membership of the Committee, the procedure for its formation, operation and interaction with the management bodies of the Company.

1.4. All proposals prepared by the Committee shall be recommendations submitted to the Board of Directors for consideration.

1.5. In its work, the Committee shall be guided by laws of the Russian Federation, the Charter of the Company, regulations on the Board of Directors of NOVATEK OJSC, resolutions of the Board of Directors, these Regulations and other local regulations of the Company approved by the general meeting of shareholders and the Board of Directors, and resolutions of the Audit Committee.

1.6. The terms used but not defined in these Regulations shall have the same meanings as used in the Charter of the Company, the Regulations on the Board of Directors of NOVATEK OJSC, and other local regulations of the Company.

2. FUNCTIONS OF THE COMMITTEE

Key functions of the Audit Committee shall be the following:

2.1. in the area of financial statements:

a) control of completeness, accuracy and reliability of financial statements of the Company;

- b) analysis of material aspects of the accounting policy of the Company;
- c) participation in consideration of material issues and judgments in relation to the Company's financial statements;
- d) consideration and settlement of disagreements between the Company's auditor and executive body of the Company on the matters concerning financial (accounting) statements of the Company, if no agreed decision is reached on such matters;

2.2. in the area of risk management, internal control and corporate management:

- a) control of reliability and efficiency of the risk management and internal control system and the corporate management system including assessment of efficiency of risk management and internal control system of the Company, practice of corporate management and preparation of proposals for improvement thereof;
- b) analysis and assessment of fulfillment of the risk management and internal control policy;
- c) control of procedures ensuring observance, by the Company, of legal requirements as well as ethical norms, rules and procedures of the Company, requirements of stock exchanges where securities of the Company are listed or where the Company is a participant;
- d) analysis and assessment of observance of the principles of management of conflicts of interest pursuant to local regulations of the Company;

2.3. in the area of internal and external audit:

- a) ensuring independent and impartial accomplishment of the internal audit function;
- b) consideration of the internal audit policy (internal audit rules);
- c) consideration of the plan of operations of the internal audit unit;
- d) consideration of matters on appointment (removal) of the head of the internal audit unit and amount of his/her remuneration;
- e) consideration of existing limits of powers or the budget for implementation of the internal audit function which may adversely affect accomplishment of the internal audit function;
- f) assessment of efficiency of accomplishment of the internal audit function;
- g) assessment of independence and impartiality of external auditors of the Company including assessment of candidates to auditors of the Company, preparation of proposals for appointment, re-election and removal of external auditors of the Company, payment for their services and conditions of their engagement;
- h) supervision of performance of an external audit (including ensuring independence and impartiality thereof) and assessment of quality of fulfillment of the audit and auditors' conclusions;

i) ensuring efficient interaction between the internal audit unit and external auditors of the Company;

j) development and control of fulfillment of the Company's policy determining the principles of provision and joining by the auditor of audit and non-audit services to the Company;

2.4. in the area of counteracting unfair acts of the Company's employees and third parties:

a) control of efficiency of functioning of the system for notification on potential cases of unfair acts by the Company's employees and third parties and other violations at the Company;

b) supervision of special investigations on potential cases of fraud, unfair use of insider or confidential information;

c) control of implementation of measures adopted by the executive management of the Company upon the facts of notification on potential cases of unfair acts of the Company's employees and other violations.

3. RIGHTS AND OBLIGATIONS OF THE COMMITTEE

3.1. For the purpose of implementation of the functions mentioned in clause 2 of the Regulations, the Committee shall have the following rights:

3.1.1. to request and receive documents, reports, explanations and other information from executive bodies, managers of structural subdivisions, and other officials of the Company;

3.1.2. to hear reports on fulfillment of recommendations of the Audit Committee and present, to the Board of Directors, a statement of assessment of performance of the executive body for fulfillment of the Committee's recommendations;

3.1.3. to invite managers, other officials of the Company to its meetings;

3.1.4. to engage services of external experts and advisors, within the Committee's budget;

3.1.5. to inform the Board of Directors of recommendations on the matters requiring acts by the Board of Directors, in the opinion of the Audit Committee;

3.1.6. assess these Regulations and submit, to the Board of Directors, proposals for any amendment/supplement hereto.

3.2. Members of the Audit Committee shall:

3.2.1. accomplish the functions imposed on the Audit Committee in accordance with these Regulations, requirements of laws of the Russian Federation, the Charter and internal documents of the Company;

3.2.2. take part in the work of the Committee and attend all its meetings. In case of impossibility to attend a meeting of the Committee, inform the Chairman of the Committee thereof in advance;

3.2.3. take part in preparation of the work plan of the Committee;

3.2.4. inform the Board of Directors on any changes in its status of an independent director or a conflict of interest in connection with any decisions to be taken by the Committee;

3.2.5. immediately inform the Chairman of the Committee in writing of any personal, commercial or other interest (direct or indirect) in adoption of any decision by the Committee.

3.2.6. observe restrictions in use of insider information determined by the applicable law and local regulations of the Company;

3.2.7. not disclose confidential and other office information which becomes known to a member of the Committee in connection with fulfillment of the relevant duties, and not use the same for their own or third parties' interests, both during the period of accomplishment of duties of a Committee member and during 3 years after termination of employment with the Company;

3.2.8. observe all rules and procedures under internal documents of the Company associated with the security regime and safety of confidential information of the Company;

3.2.9. observe general ethical principles and norms of conduct under the Code of Business Ethics of NOVATEK OJSC;

3.2.11. annually assess their own work, and inform the Board of Directors of results of such assessment;

3.2.12. report to the Board of Directors on their work, at least once a year.

4. ELECTION AND MEMBERSHIP OF THE COMMITTEE

4.1. The Audit Committee shall be elected from among members of the Board of Directors and consist of at least three (3) persons. A decision on election of members of the Committee shall be taken by the Board of Directors, by simple majority of votes of the Board members participating in the voting.

4.2. The Audit Committee shall only consist of independent directors and, if this is impossible for any objective reasons, majority of members of the Committee shall be independent directors, and other members of the Committee may be members of the Board of Directors other than the Chairman of the Management Board and/or members of the Management Board of the Company.

If an independent member of the Board of Directors elected to the Committee no longer meets requirements applicable to independent directors, he/she shall inform the Board of Directors of the Company of loss of the status of an independent director, within three (3) business days after loss of the status.

4.3. Members of the Audit Committee shall be elected till election of the next members of the Board of Directors of the Company, by the annual general meeting of shareholders of the Company. Candidates to members of the Audit Committee shall have higher financial, economic or legal education and/or experience of work in the relevant areas.

4.4. Members of the Audit Committee may be elected unlimited number of times.

4.5. Upon the decision of the Company's Board of Directors taken by simple majority of votes of members of the Board of Directors taking part in the voting, powers of all or some members of the Audit Committee may be early terminated.

4.6. Powers of a member of the Audit Committee will be early terminated in the following cases:

4.6.1. voluntary resignation. A member of the Committee may resign as a member of the Committee subject to notification of the Chairman of the Board of Directors and the Chairman of the Committee, by sending an appropriate notice one (1) month prior to the date of resignation;

4.6.2. in case powers of the Committee member as a member of the Board of Directors of the Company have been terminated;

4.6.3. in case the Board of Directors of the Company relieved, by its decision, the Committee member of his/her duties.

4.7. If powers of a Committee member are terminated by virtue of clause 4.6.1 of these Regulations, the Board of Directors of the Company shall, at the next meeting but no later than one (1) month after the day when such member of the Committee sent a written notice on resignation as a member of the Committee, elect a new member of the Committee. Until then, the member of the Committee shall accomplish his/her duties in full.

5. THE CHAIRMAN AND SECRETARY OF THE AUDIT COMMITTEE

5.1. The Chairman of the Audit Committee shall be elected by the Board of Directors from among members of the Committee. The Board of Directors may also elect the Deputy Chairman of the Committee to accomplish the functions of the Chairman of the Committee pursuant to the Regulations, when the latter is absent.

5.2. The Board of Directors shall have the right to re-elect, at any time, the Chairman of the Committee and/or Deputy Chairman of the Committee.

5.3. The decision on election (re-election) of the Chairman of the Committee and/or Deputy Chairman of the Committee shall be taken by the Board of Directors by simple majority of votes of the Board members participating in the voting.

5.4. Functions of the Chairman of the Audit Committee:

- 5.4.1. to initiate and convoke meetings of the Committee and chair the same;
- 5.4.2. approve the agenda of the Committee meetings;
- 5.4.3. to organize discussion of issues at the meetings of the Committee, and to listen to opinions of persons invited to attend the meeting;
- 5.4.4. to distribute duties among members of the Committee;
- 5.4.5. on the basis of proposals of members of the Committee and taking into account the work plan of the Board of Directors of the Company, to prepare a work plan of the Committee for the current year;
- 5.4.6. to accomplish other functions under applicable laws of the Russian Federation, the Charter of the Company, these Regulations and other local regulations of the Company.

5.5. Functions of the Secretary of the Committee shall be accomplished by the Corporate Secretary of the Company (hereinafter referred to as the “Corporate Secretary”). The Corporate Secretary will ensure preparation of meetings of the Committee, collection and systematization of materials for the meetings, timely sending, to members of the Committee and invitees, of notices on meetings of the Committee, agenda of the meetings, materials on items of the agenda, minutes of the meetings, preparation of draft resolutions of the Audit Committee, and subsequent storage of all relevant materials. The Corporate Secretary will ensure obtainment of necessary information by members of the Committee.

6. TERMS OF AND PROCEDURE FOR CONVOCAATION OF ORDINARY MEETINGS OF THE COMMITTEE

6.1. Ordinary meetings of the Committee shall be held, according to the plan approved by the Committee, at least four (4) times a year.

6.2. A decision on convocation of an ordinary meeting of the Committee, date, time and place of the meeting as well as items of the agenda, and the decision on the list of persons to be invited to attend the meeting shall be taken by the Chairman of the Committee, according to the plan of ordinary meetings of the Committee.

6.3. A notice on meetings of the Audit Committee together with the agenda shall be prepared by the Corporate Secretary and sent to members of the Committee, pursuant to requirements of the Regulations on the Board of Directors of NOVATEK OJSC applicable to such notices, no later than five (5) business days prior to the date of the meeting of the Committee.

6.4. A meeting of the Committee shall be prepared by the Corporate Secretary, under the management of the Chairman of the Committee.

7. EXTRAORDINARY MEETING OF THE AUDIT COMMITTEE

7.1. Extraordinary meetings of the Audit Committee shall be convoked upon proposals of the Chairman of the Management Board of the Company or Auditor of the Company.

7.2. Proposals on convocation of an extraordinary meeting of the Committee shall be sent to the Corporate Secretary no later than fifteen (15) business days prior to the proposed date of the extraordinary meeting of the Committee. Such proposal shall be made and sent to the Corporate Secretary in accordance with requirements of the Regulations on the Board of Directors of NOVATEK OJSC, as regard to requirements for convocation of meetings of the Company's Board of Directors. The Corporate Secretary will submit such proposals to the Chairman of the Committee no later than the following day after it is received.

7.3. Within five (5) business days after submission of a proposal on convocation of the extraordinary meeting of the Committee from the Chairman of the Company's Management Board or the Auditor of the Company, the Chairman of the Committee shall take a decision on holding the extraordinary meeting of the Committee, appointment of the date, time and place of the meeting or the date of the absent voting or refusal to convoke the extraordinary meeting of the Committee. A reasoned decision on refusal to convoke the extraordinary meeting of the Committee shall be sent to the person or body of the Company requiring to convoke the meeting, within two (2) business days after the Chairman takes the decision on refusal to convoke the meeting.

7.4. The decision of the Chairman of the Audit Committee on refusal to convoke the extraordinary meeting of the Committee may be taken in the following cases:

7.4.1. item(s) proposed for inclusion into the agenda of the meeting of the Committee is (are) beyond its competence, according to these Regulations;

7.4.2. the item of the agenda contained in the proposal on convocation of the extraordinary meeting of the Committee has already been included into the agenda of the next ordinary meeting convoked upon the decision of the Chairman of the Committee before receipt of the aforesaid proposal;

7.4.3. the procedure for submission of proposals on convocation of the meeting of the Committee has not been observed.

7.5. If the Chairman of the Board of Directors of the Company submits a proposal on convocation of an extraordinary meeting of the Audit Committee, the Chairman of the Committee shall convoke such extraordinary meeting within five (5) business days.

8. PROCEEDINGS AT THE MEETINGS OF THE AUDIT COMMITTEE

8.1. A meeting of the Audit Committee shall be eligible (has quorum) if it is attended by more than one half of the total number of members of the Committee. Existence of the quorum shall be determined by the Chairman of the Committee when opening the meeting. If the quorum required to hold a meeting of the Committee is absent, a repeated meeting of the Committee shall be held within five (5) business days, with the same agenda.

8.2. Meetings of the Committee may be held in the form of joint presence of members of the Committee or in form of absent voting in accordance with the Regulations on the Board of Directors of NOVATEK OJSC.

8.3. Meetings of the Committee may be attended by persons not being members of the Committee and invited by the Chairman of the Committee but such persons may not take part in voting on items of the agenda of the Committee meeting.

9. THE PROCEDURE FOR TAKING DECISIONS BY THE AUDIT COMMITTEE

9.1. For resolution of items, each member of the Audit Committee will have one vote.

9.2. No member of the Committee may transfer his/her vote to another person.

9.3. Decisions of the Committee shall be taken by simple majority of votes of the total number of votes of all members of the Committee.

In case of equality of votes, the vote of the Chairman of the Committee (but not the Deputy Chairman of the Committee) will be decisive.

10. MINUTES OF THE MEETING OF THE COMMITTEE

10.1. No later than three (3) business days after the meeting of the Committee in the form of joint presence of members of the Committee or absent voting, the Corporate Secretary will make minutes of the held meeting.

10.2. Minutes of the meeting of the Audit Committee shall be signed by the Chairman of the Committee who shall be responsible for correctness thereof. The minutes shall be made in two original counterparts one of which shall be sent to the Board of Directors within three (3) business days after signing, together with

recommendations prepared for the Board of Directors, while the other counterpart shall be kept at the archive of the Committee. All members of the Committee shall receive copies of the minutes and prepared recommendations.

10.3. Minutes of a meeting of the Committee shall contain the following information:

10.3.1. date, form, place and time of the meeting (or the date of absent voting);

10.3.2. the list of members of the Committee who have taken part in consideration of items of the agenda of the Committee meeting, and the list of other persons attending the meeting of the Committee;

10.3.3. the agenda;

10.3.4. proposals of members of the Committee on items of the agenda;

10.3.5. items proposed for voting and voting results;

10.3.6. decisions taken.

11. SUBORDINATION OF THE COMMITTEE TO THE BOARD OF DIRECTORS OF THE COMPANY

11.1. The Audit Committee shall submit, to the Board of Directors of the Company, an annual report on results of its work, no later than forty-five (45) calendar days prior to the date of the annual general meeting of shareholders of the Company.

11.2. The report of the Committee shall contain all information on the Committee's work during the year including:

11.2.1. the list of recommendations for the Board of Directors on the matters within the area of responsibility of the Committee, pursuant to clause 2 of these Regulations;

11.2.2. data on utilization of funds (amounts and items of expenditure) under the Budget of the Board of Directors for the Committee's operations;

11.2.3. details of services received from external experts and advisors,

11.2.4. data on fulfillment of the approved work plan of the Committee, and information on held extraordinary meetings.

12. RELATIONS WITH BODIES OF THE COMPANY AND OTHER PERSONS

12.1. Information and documents which are necessary to members of the Committee to ensure efficient work shall be provided through the Corporate Secretary. The request for the information and documents shall be made in writing and signed by the Chairman of the Audit Committee.

12.2. If necessary, experts and specialists possessing professional knowledge for consideration of some matters of the work of the Audit Committee may be engaged. The procedure for and conditions of engagement of experts and specialists to the work of the Committee shall be determined by a contract to be executed by the Company with the relevant persons.

13. LIABILITY OF MEMBERS OF THE AUDIT COMMITTEE

13.1. Members of the Audit Committee shall bear liability in accordance with norms of applicable law and local regulations of the Company.

14. APPROVAL AND AMENDMENT OF THESE REGULATIONS

14.1. These Regulations and all supplements and amendments hereto shall be approved by the Board of Directors of the Company by majority of votes of the total number of members of the Company's Board of Directors.

14.2. All matters not covered by these Regulations shall be governed by the Charter of the Company, Regulations on the Board of Directors of NOVATEK OJSC, other local regulations of the Company, and applicable laws of the Russian Federation.

14.3. If, as a result of any change in laws or legal acts of the Russian Federation, any provisions of these Regulations conflict with such laws or acts, such provisions will become ineffective and, until amendment of these Regulations, members of the Audit Committee shall be guided by laws and subordinate legal acts of the Russian Federation.

14.4. The annual report of the Audit Committee to be presented to the Board of Directors of the Company pursuant to clause 11 hereof may contain recommendations to the Board of Directors on the necessity to make amendments or supplements to these Regulations.