

The image features the Novatek logo on the left, which consists of a stylized blue 'N' with three horizontal bars. To the right of the logo, the word 'NOVATEK' is written in large, bold, blue capital letters. The background is a light blue sky with a faint image of an industrial facility, including several tall distillation columns and a network of pipes and ladders.

# NOVATEK

## Moving Forward – A New Decade

**Mark Gyetvay, Chief Financial Officer and Member of the Board**

**Goldman Sachs – Emerging Markets 1x1 Symposium**

**Goldman Sachs, Brook House, London, UK**

**30 November 2009**

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## Factors Distinguishing Our Business Model

- ◆ Maximum operating flexibility to adjust to changing business and economic cycles
  - ◆ Operational flexibility at both the production and processing levels allows us to adapt to changing market conditions
- ◆ Capital discipline and efficiencies underpin our investment decisions
  - ◆ Strong balance sheet – no liquidity issues
  - ◆ Infrastructure investments to reduce operating costs
- ◆ High quality asset base scalable to changing demand scenarios
  - ◆ Large, long-lived reserve/resource base – over 90% natural gas and 23 years R/P ratio (P1) and 36 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

The image features a large, stylized blue 'N' logo on the left side. The background is a faded industrial scene with several tall, cylindrical structures, possibly oil rigs or refineries, under a blue sky with some smoke or steam rising. The word 'NOVATEK' is written in large, bold, blue capital letters across the middle of the image.

# NOVATEK

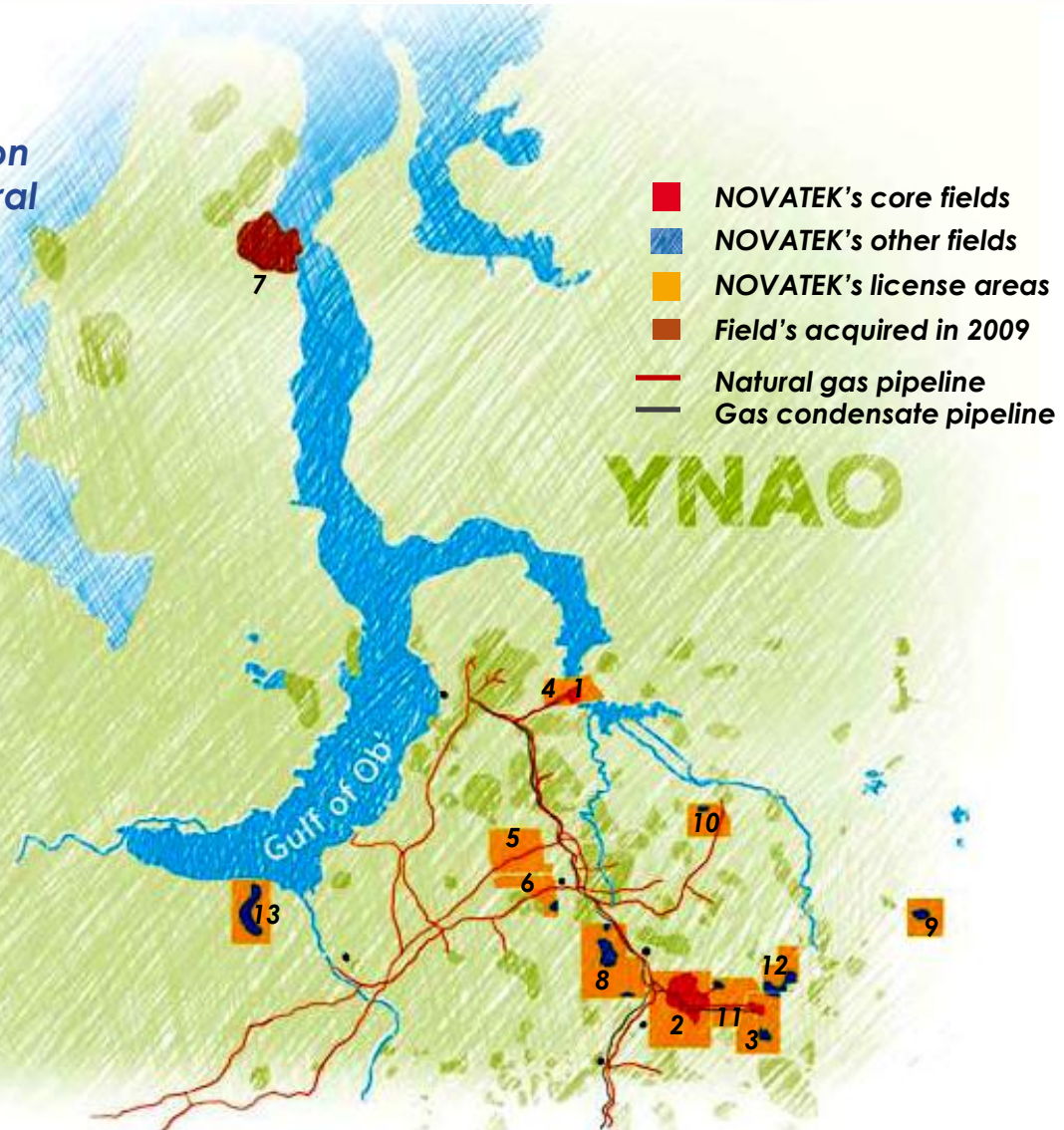
## Operational Profile

# NOVATEK Fields and License Areas

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

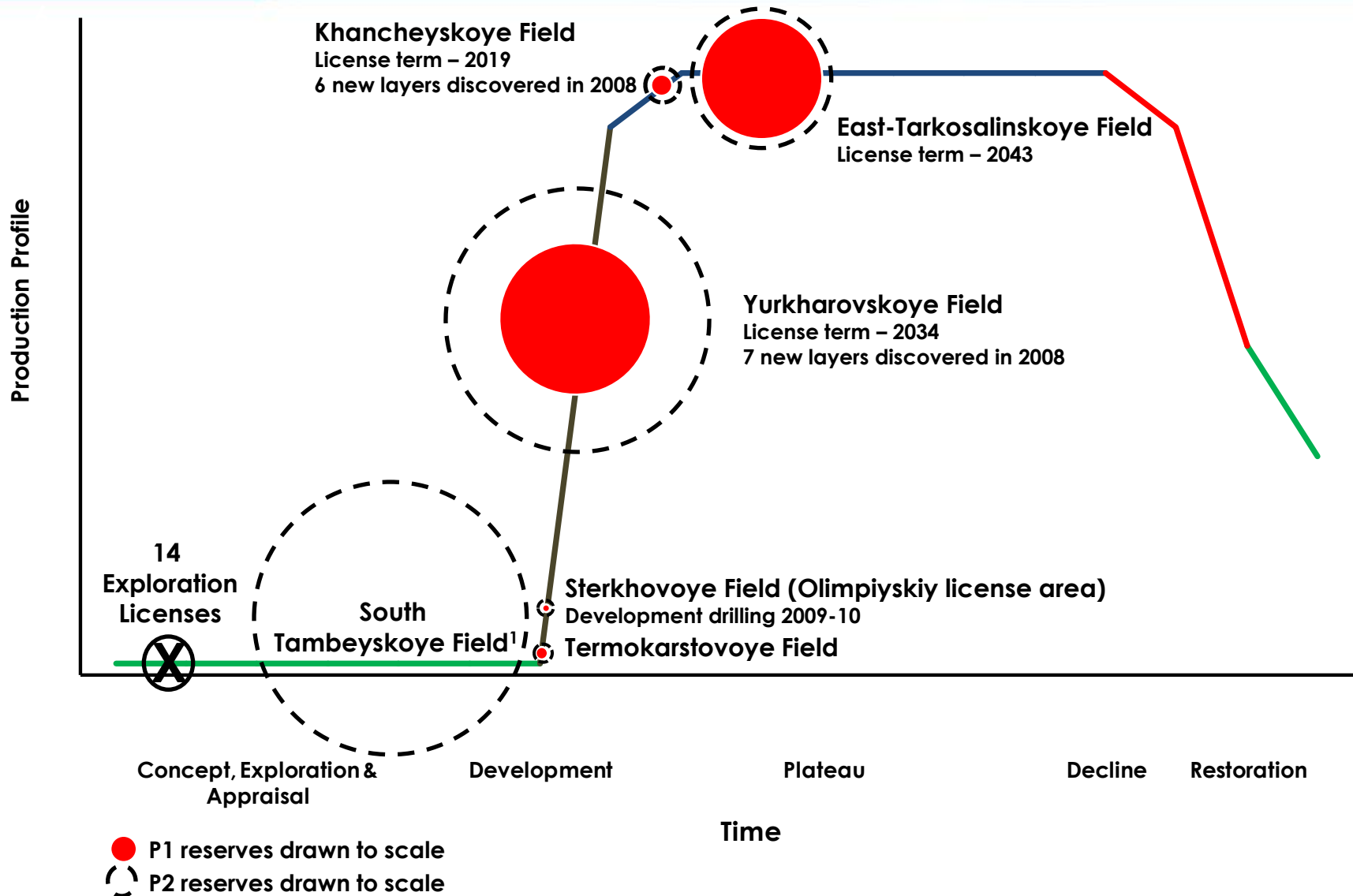
## Main fields and license areas

1. Yurkharovskoye
2. East-Tarkosalinskoye
3. Khancheyskoye
4. New Yurkharovskoye
5. North-Yubileyniy
6. West-Urengoiskiy
7. South-Tambeyskoye field
8. Olimpiyskiy
9. Termokarstovoye
10. Raduzhnoye
11. Yumantilskiy
12. North-Khancheyskiy
13. Yarudeyskoye





# NOVATEK Development Profile



Note:

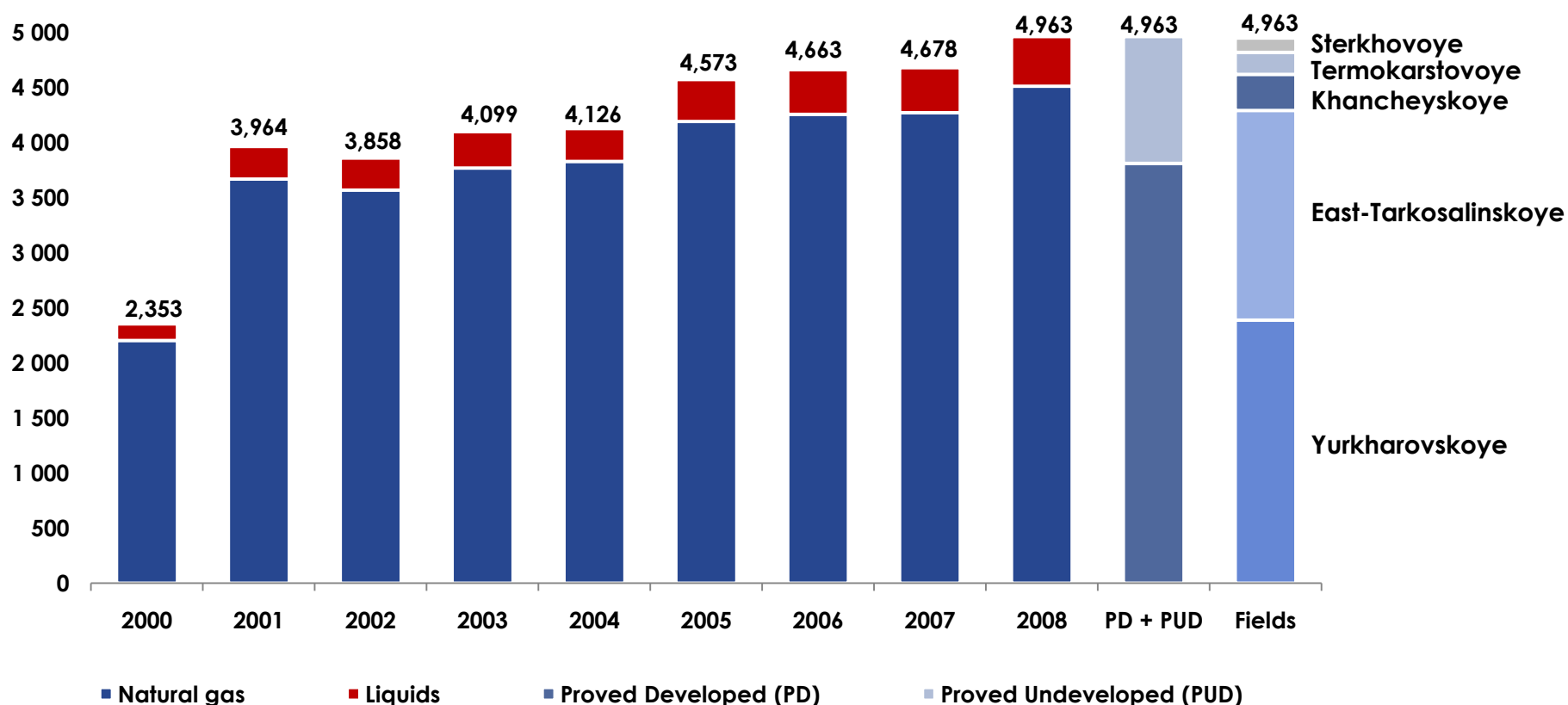
1. 100% of South Tambeyskoye P2 reserves as of 1 July 2007

# A Proven Strategy to Build Reserves



Proved Reserves (SEC), mmboe\*

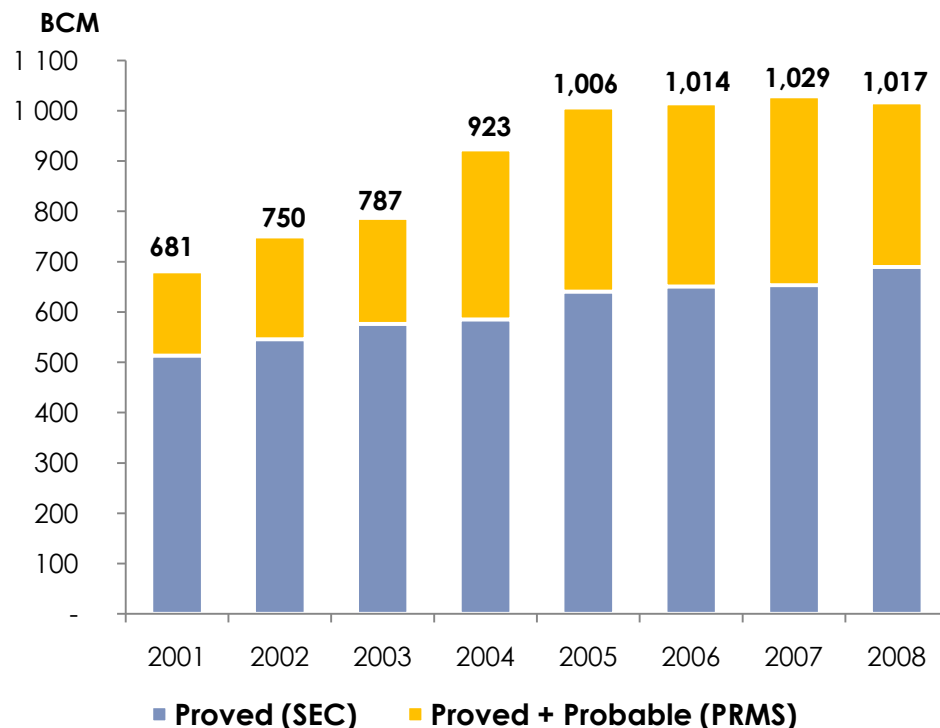
Compound Annual Growth Rate: 10%



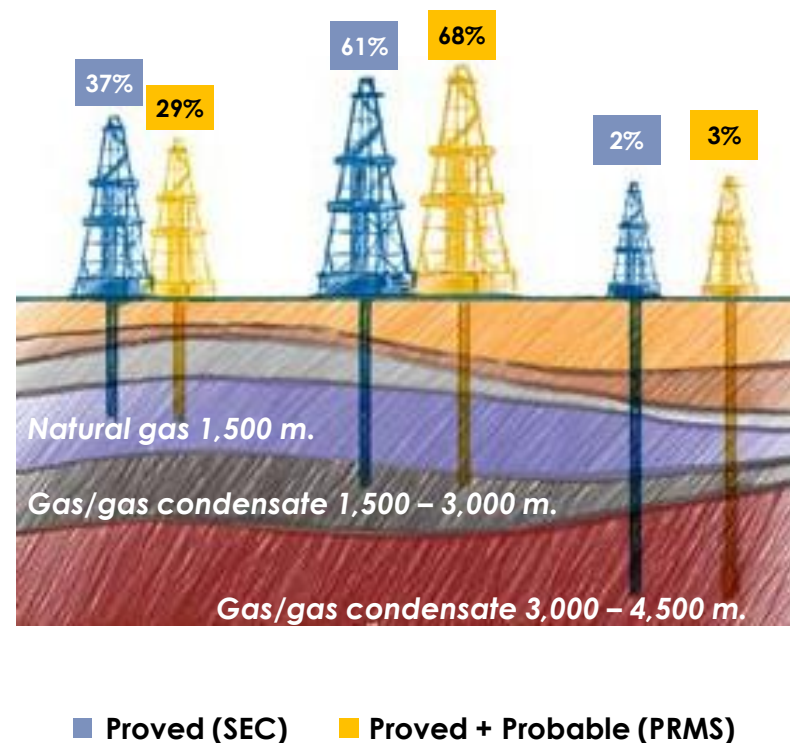
\* Proved reserves for each year-end are 100% engineered by DeGolyer & MacNaughton

# Natural Gas Reserves Characteristics

## Historic natural gas reserve growth



## Structure of 2008 natural gas reserves

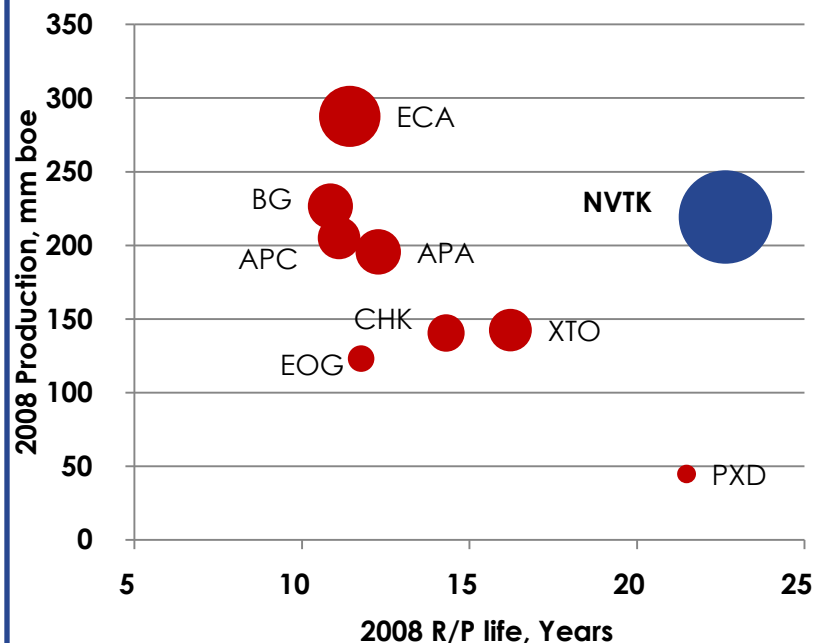


A majority of NOVATEK's vast proved plus probable reserves are located in the deeper gas condensate bearing horizons, providing the Company with multiple revenue streams (natural gas, stable gas condensate and LPG)



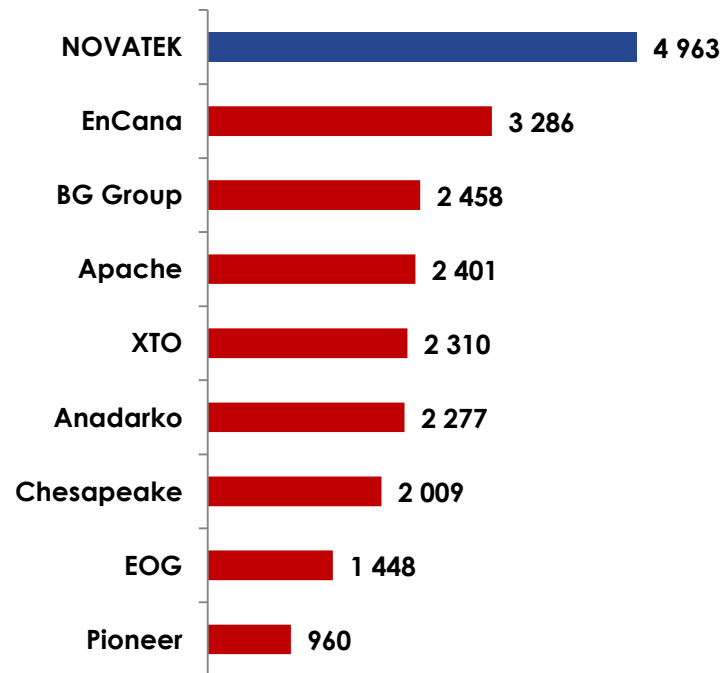
# Reserves to Production

## Long Life Reserves



Source: Company filings and NOVATEK data  
Note: Bubbles drawn to scale for 2008 proved reserves on a boe basis

## 2008 Proved Reserves, mm boe

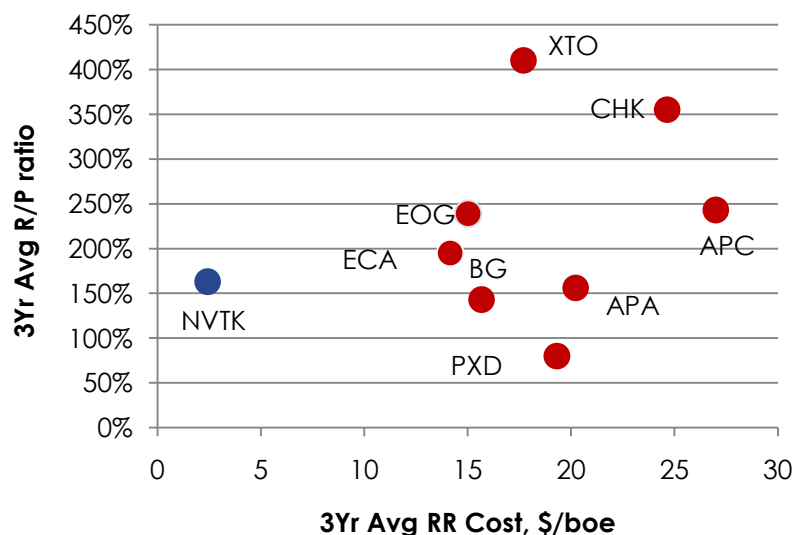


Source: Company filings and NOVATEK data

**High quality reserve base supports production**

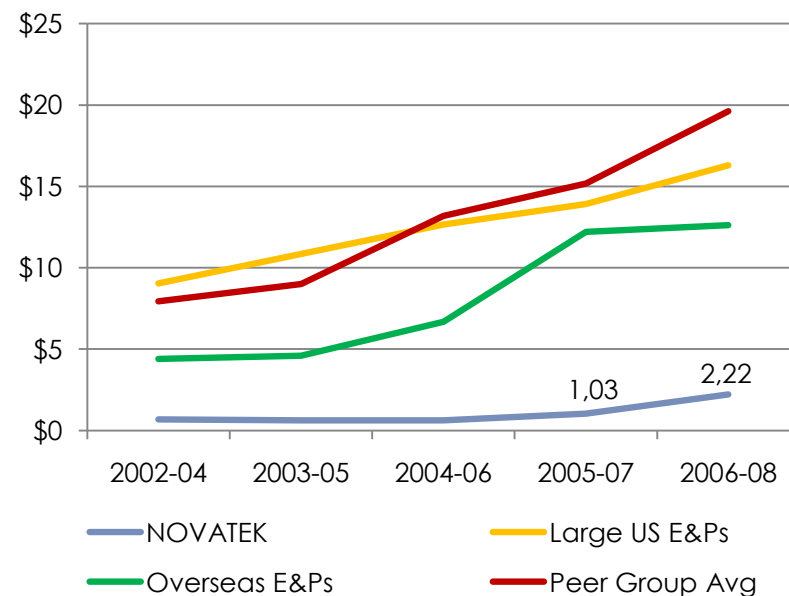
# Reserve Replacement Costs

## Lowest Costs in the Industry



Source: John S. Herold, Inc & Harrison Lovegrove & Co.  
"Global Upstream Performance Review 2009,"

## 3 Year Avg RR Cost Trend, (\$/boe)



Source: John S. Herold, Inc & Harrison Lovegrove & Co.  
"Global Upstream Performance Review 2005, 2006, 2007, 2008 and 2009,"  
Company filings and NOVATEK data

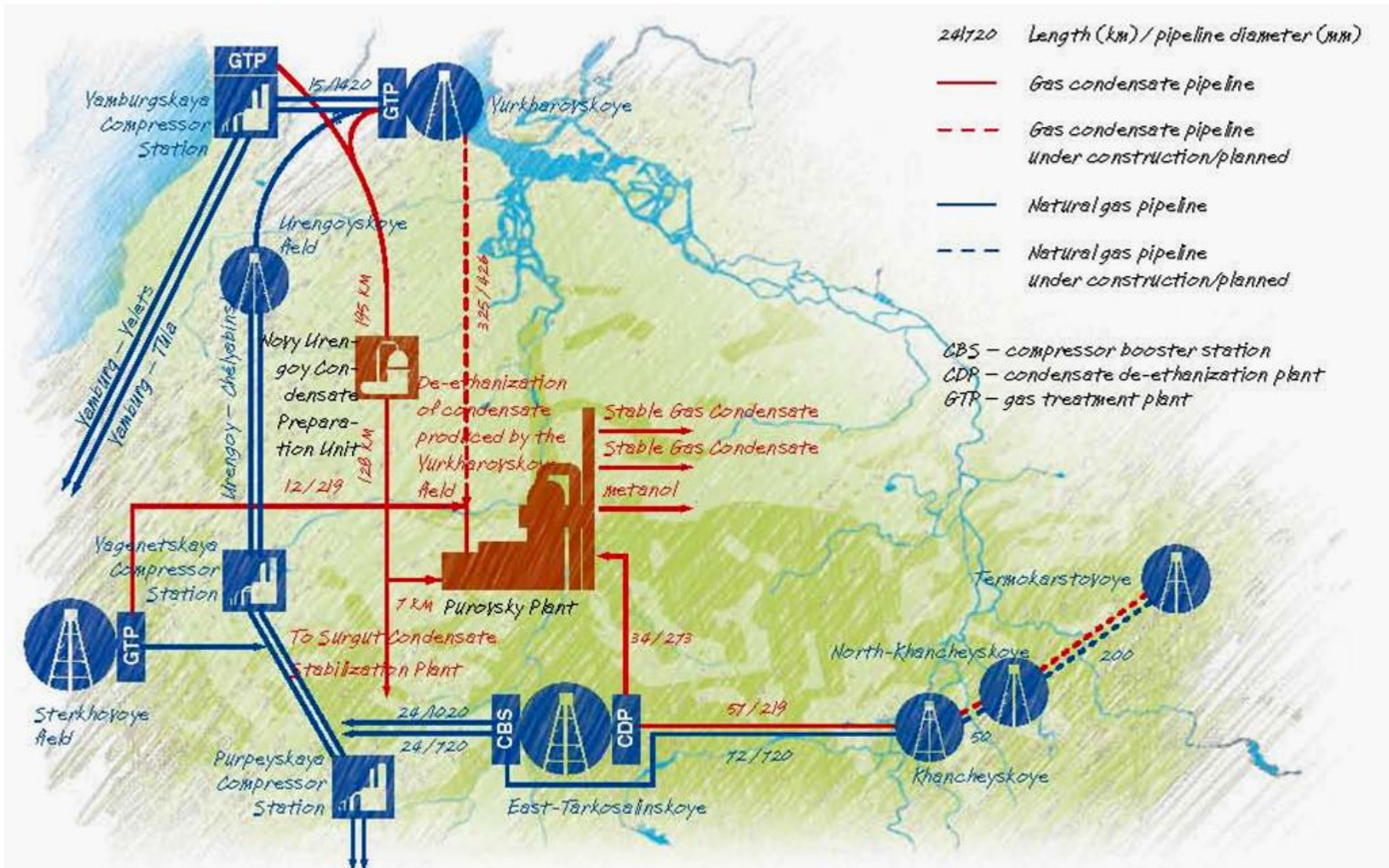
**Lowest cost producer for five (5) consecutive three-year average periods<sup>1</sup>**

Notes:

(1)

NOVATEK was not included in the John S. Herold, Inc & Harrison Lovegrove & Co. "Global Upstream Performance Review 2005"

# NOVATEK Transportation & Processing



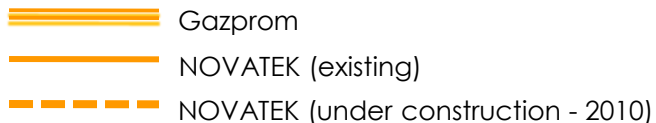
# Yurkharovskoye Field – Transportation Scheme



## Gas pipelines

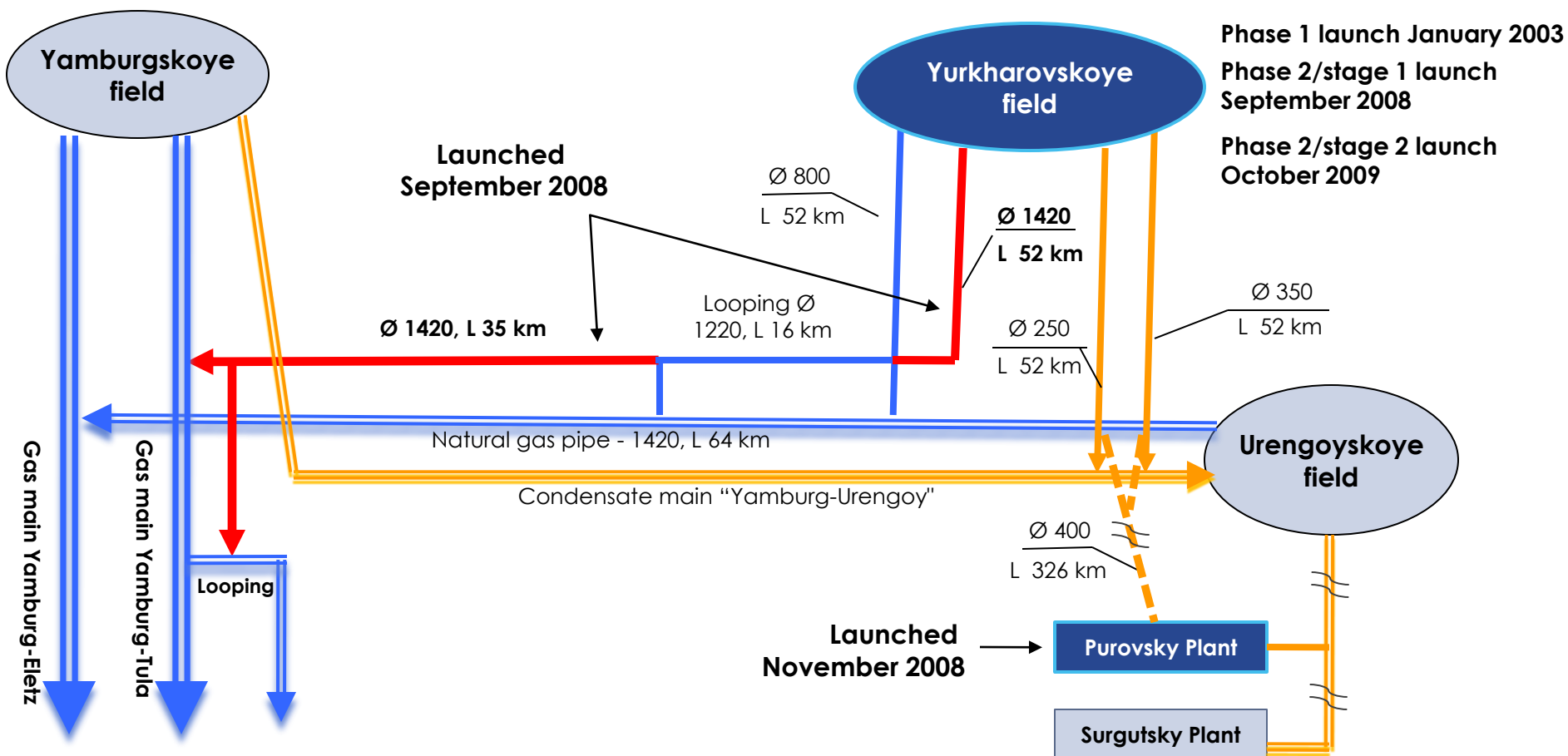


## Gas condensate pipelines



## Field development stages:

- Phase 1 – up to 9 bcm/yr
- Phase 2/stage 1 – up to 7 bcm/yr
- Phase 2/stage 2 – up to 7 bcm/yr





# Yurkharovskoye Field Development

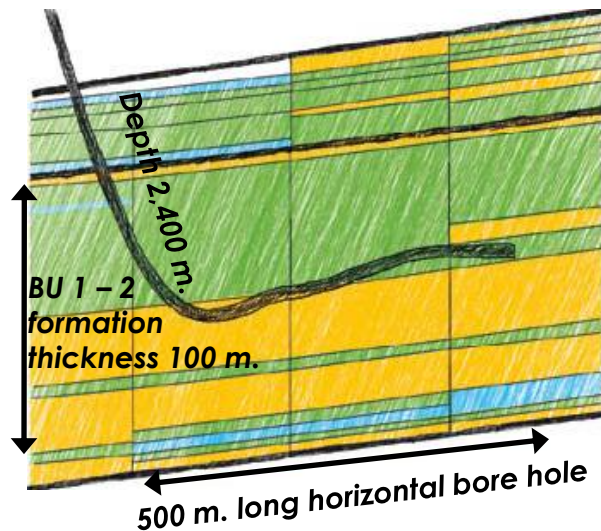
## Optimization of development plan

- ✓ Total rated field capacity on fully developed basis – 32.8 bcm/annum
- ✓ Optimization of field development plan through larger bore horizontal wells
- ✓ Increased recovery factor for natural gas at main formation from 72% to 89%

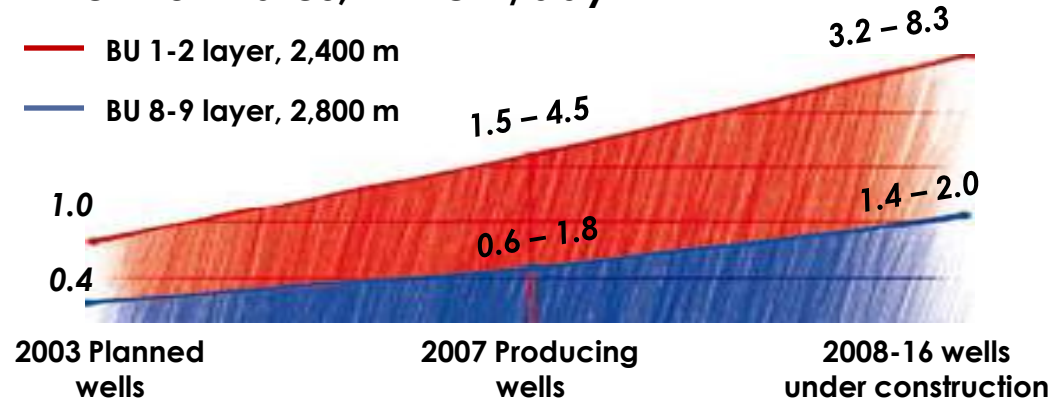
## Operating well #205

Gas production rate: 4.5 mmcm/day

Gas condensate production rate 350 tons/day

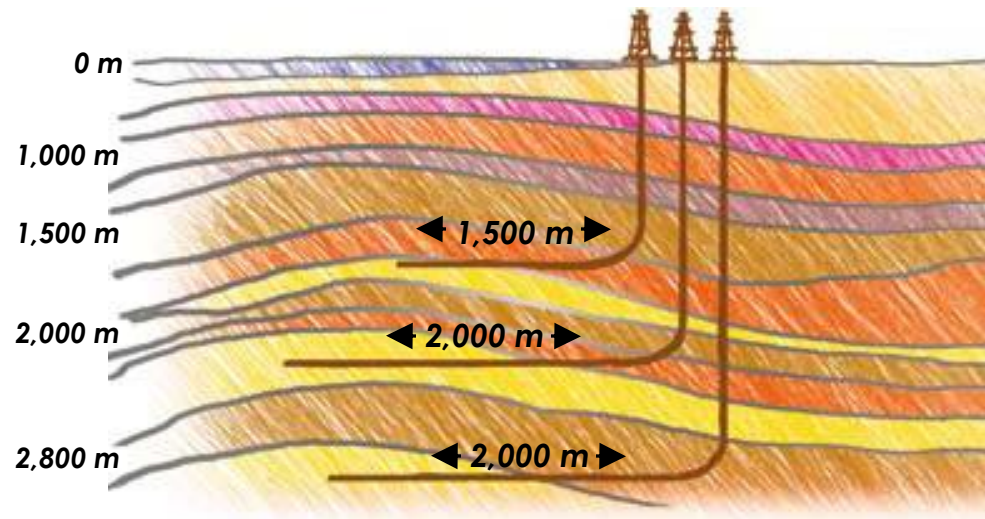


## Well flow rates, mmcm/day

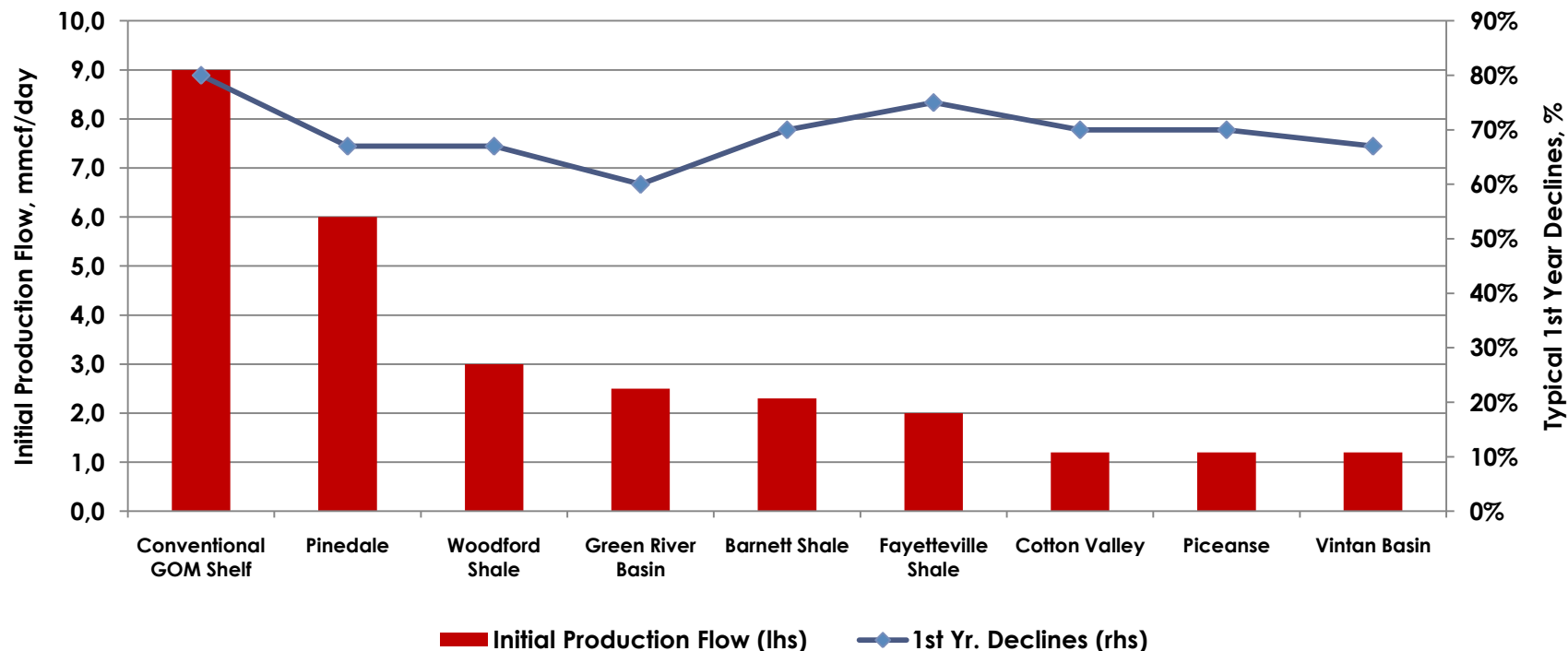


## Well clusters at the Yurkharovskoye field

(90% of the field's area lies offshore)



# US: Low Flow Rates, Significant Declines

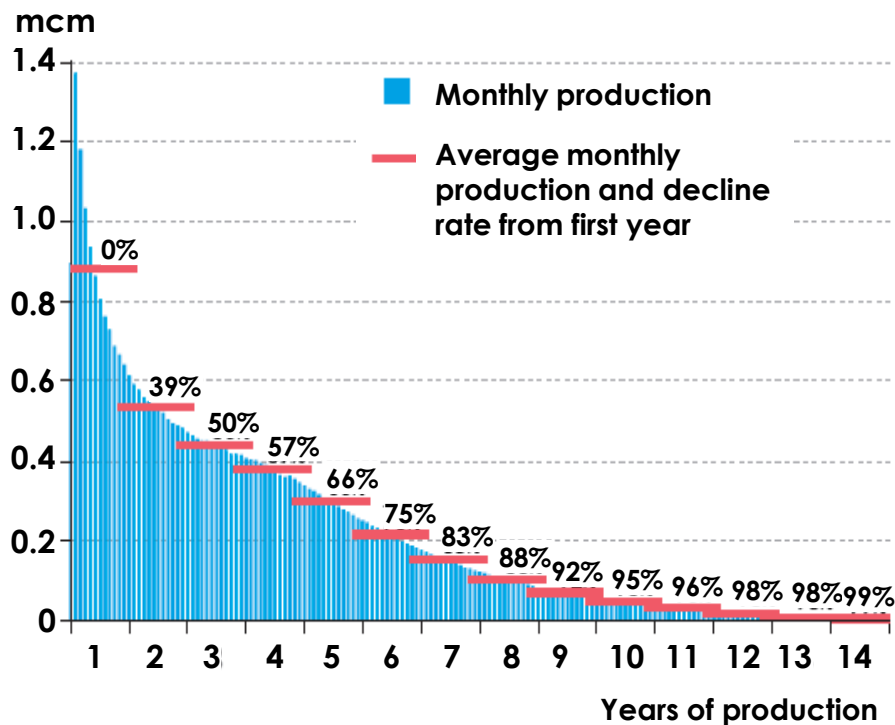


The US gas market is characterized by low flow rates, high well counts, and significant decline rates. In contrast, our Yurkharovskoye field's new well flow rates average between 150 to 170 mmcf/day/well.



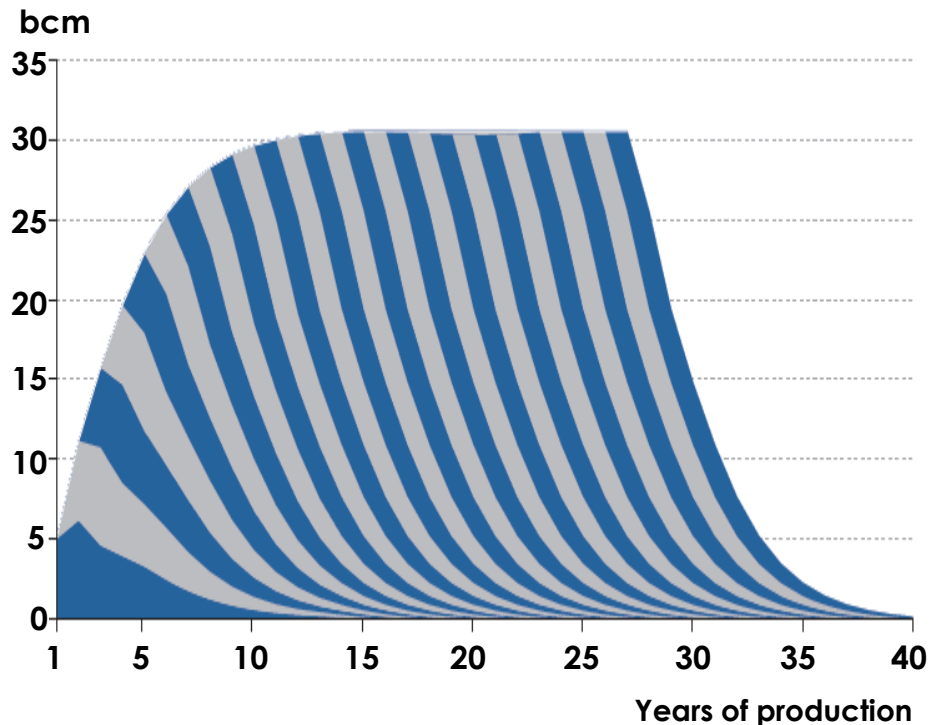
# Case Study – Barnett Shale

## Production decline rates for Barnett shale horizontal wells



Source: IEA WEO 2009

## Hypothetical profile of a new gas Shale play, based on typical profile of Barnett shale wells

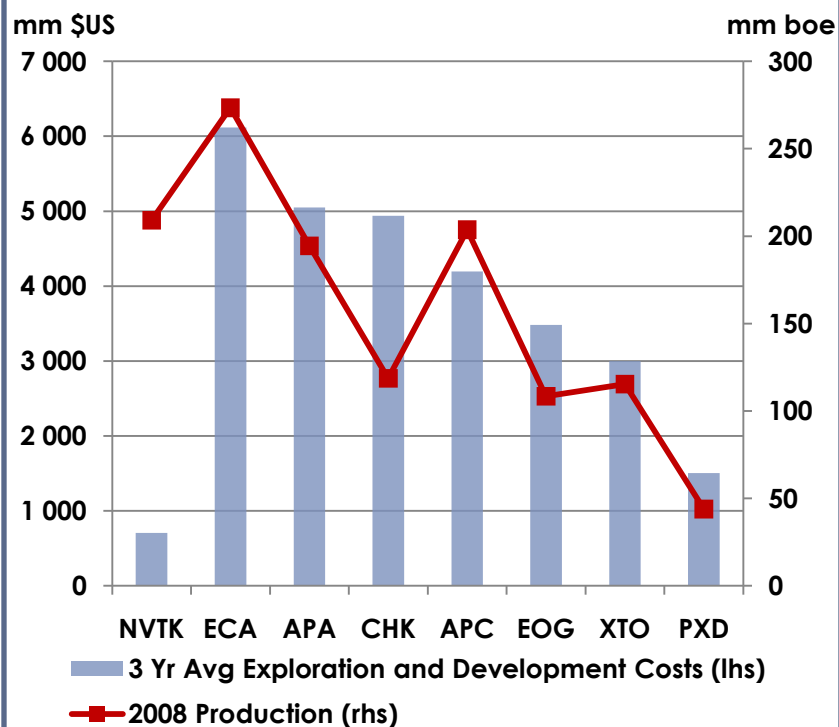


Note: Assumes 800 wells drilled annually for 27 years. Colored Segments represent production from each vintage

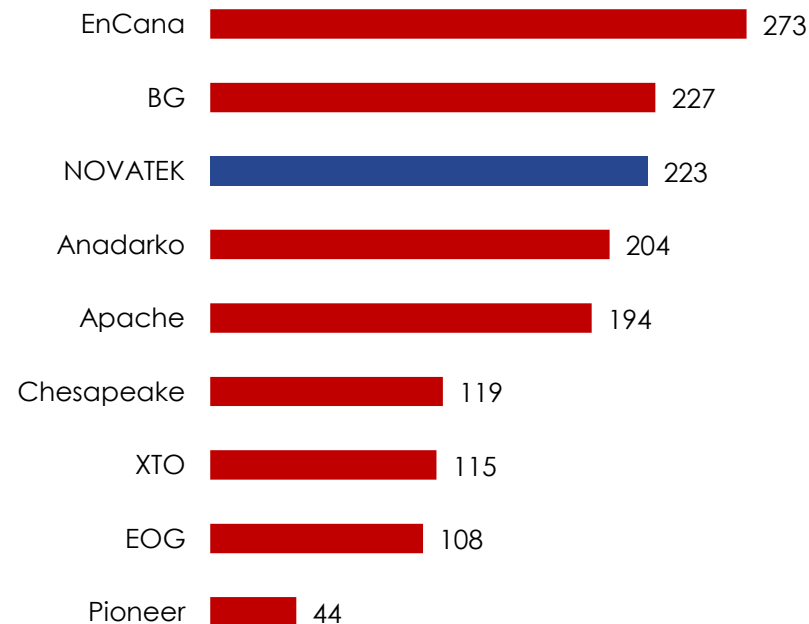
A new shale play is expected to incur total drilling cost of approximately \$65 billion (21,600 wells drilled) to produce 30 bcm per annum; we will incur roughly \$1.5 billion to drill 90 wells at YNG with the equivalent annual production rate

# Capital Efficiency

## CapEx Converted to Production



## 2008 Production, mm boe

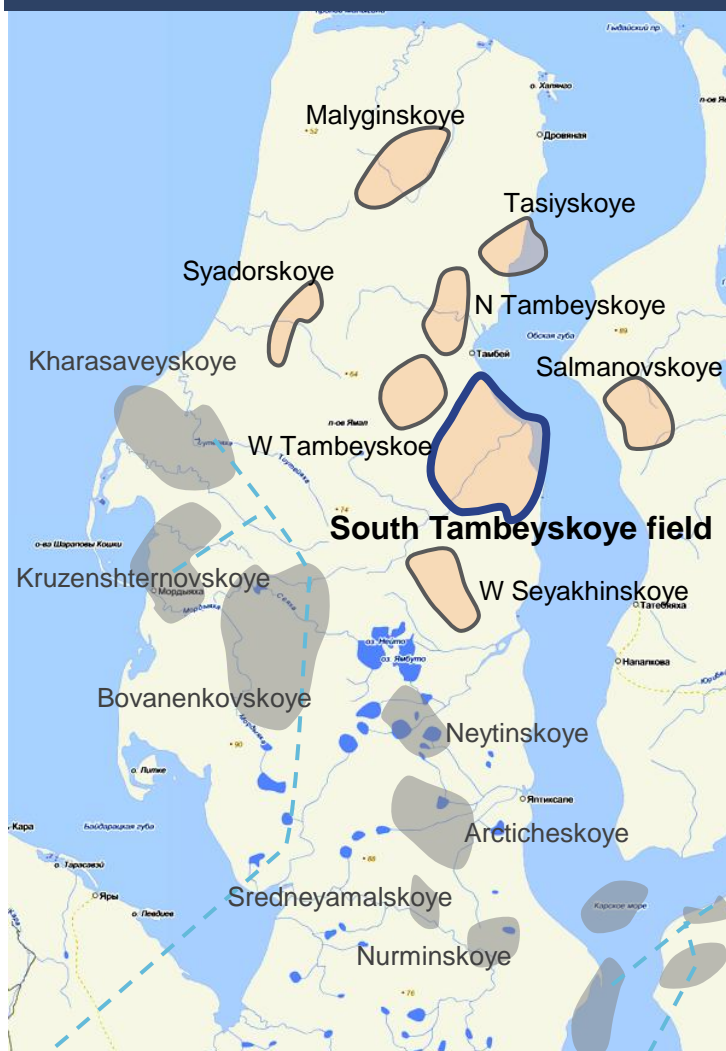


**High production flow rates yet low capital intensity**

# ОАО Yamal LNG – South Tambeyskoye Field



Map of the Yamal Fields



## ОАО Yamal LNG holds the license for exploration and development of the South-Tambeyskoye field

- Discovered in 1974, the field is located on the Northeastern side of the Yamal-Peninsula
- Initial license issued 13 July 2005 and valid until 2020.
- To date:
  - 1,160 km<sup>2</sup> of 3D seismic data
  - 55 exploration wells drilled

### Russian Reserve Classification 1 January 2008 (100%)

Category	Natural Gas, bcm	Gas Condensate, mmt	Total mm boe
C1	1,004	38	6,889
C2	252	14	1,767
<b>C1+C2</b>	<b>1,256</b>	<b>52</b>	<b>8,656</b>

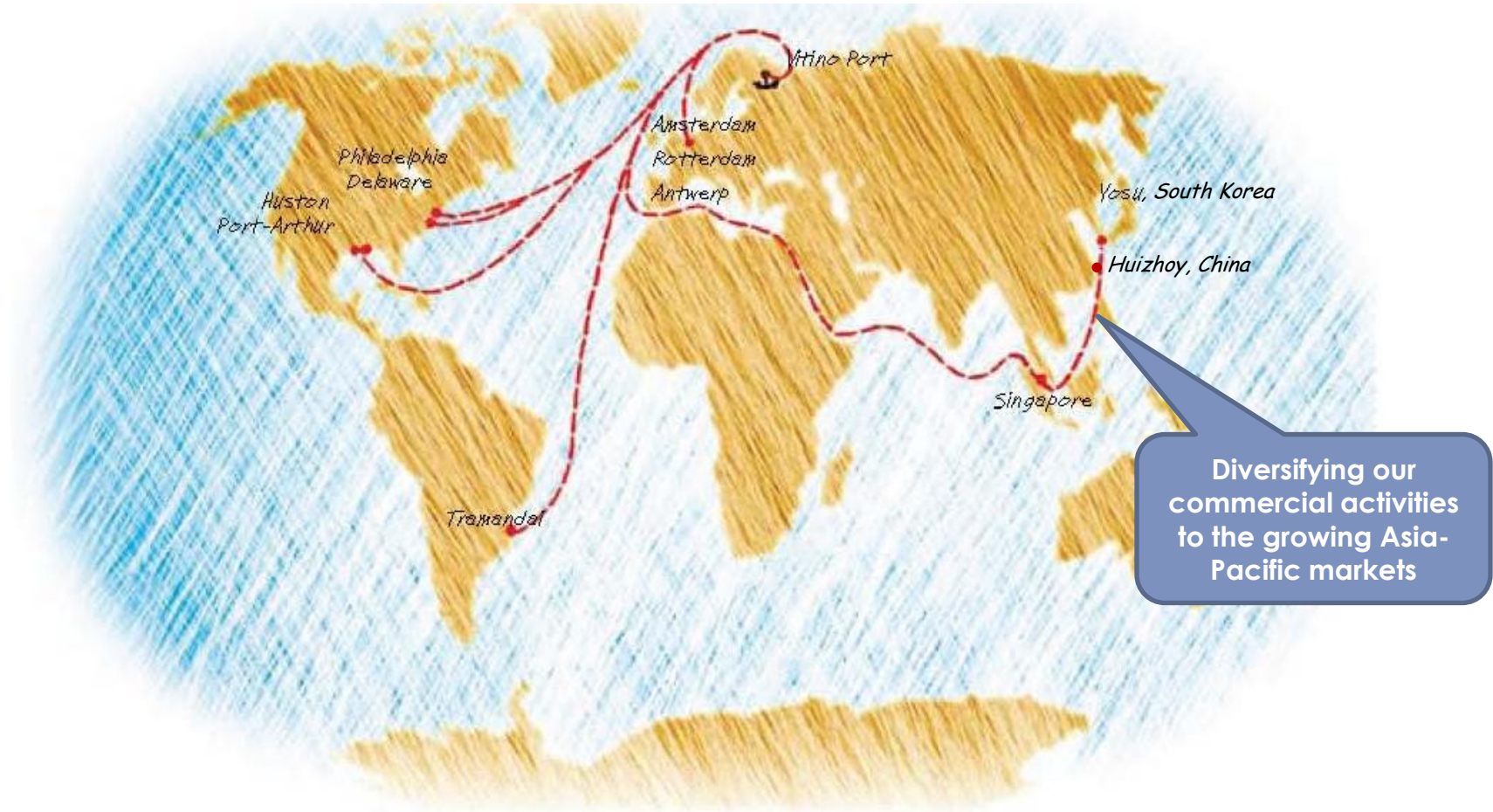
### Independent Reserve Audit<sup>1</sup>, 1 July 2007 (100%)

Category	Natural Gas bcm	Gas Condensate, mmt	Total mm boe
PRMS P2	628	23	4,303
<b>PRMS P2 + P3</b>	<b>717</b>	<b>28</b>	<b>4,923</b>

1. Ryder Scott Company, L.P.

# Expanding Our Commercial Reach

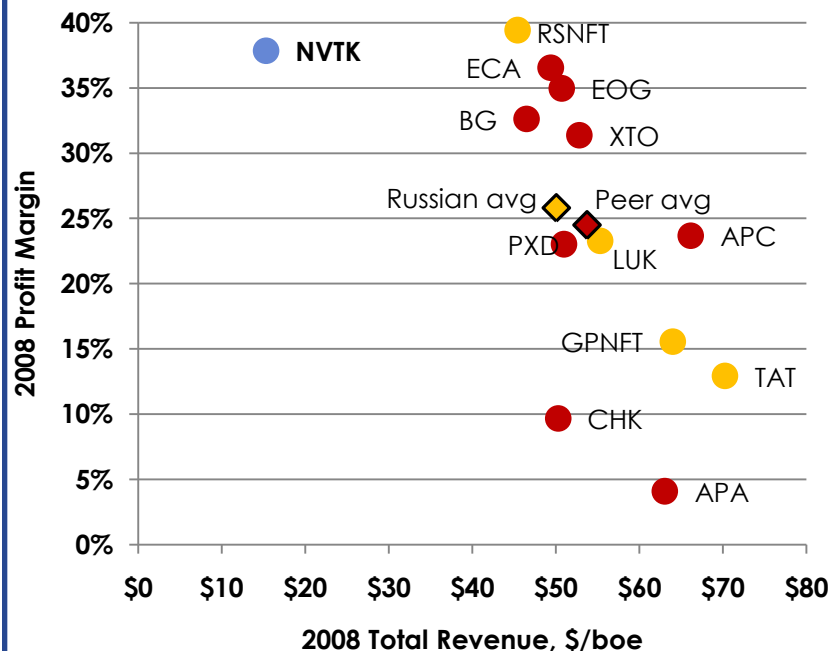
## Geographic distribution of stable gas condensate



# Oil and Gas Operational Results

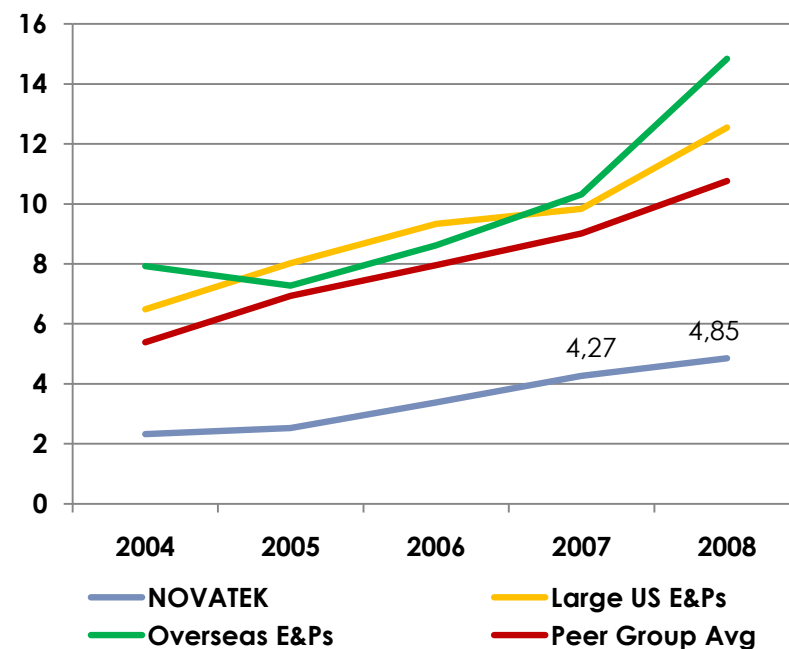


## 2008 Results of Operations



Source: John S Herold, Inc & Harrison Lovegrove & Co. "2009 Global Upstream Performance Review"

## 5 Year Lifting Cost Trend, (\$/boe)



Source: John S. Herold, Inc & Harrison Lovegrove & Co. "Global Upstream Performance Review 2005, 2006, 2007, 2008 and 2009, Company filings and NOVATEK data"

Optimizing profit in low price environment through strict cost control

# NOVATEK 3Q09/3Q08 Performance Summary

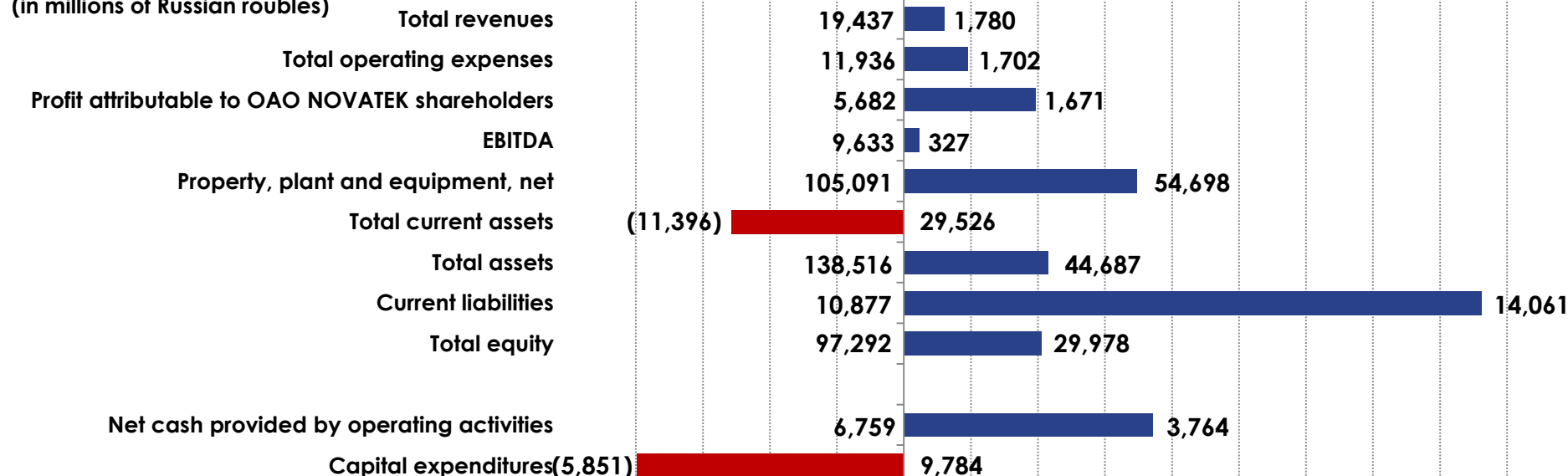


## Macroeconomic

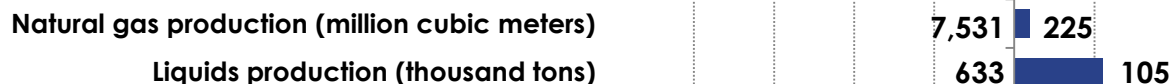


## Financial

(in millions of Russian roubles)



## Operational



-60% -45% -30% -15% 0% 15% 30% 45% 60% 75% 90% 105% 120% 135%

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



# NOVATEK 3Q09/2Q09 Performance Summary

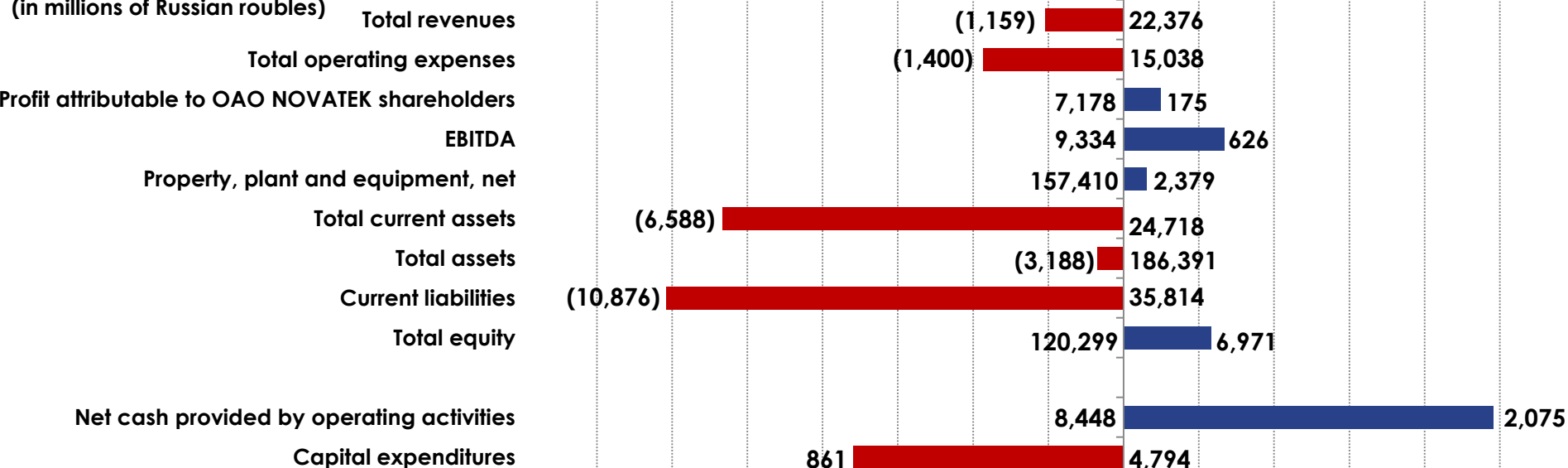


## Macroeconomic



## Financial

(in millions of Russian roubles)



## Operational

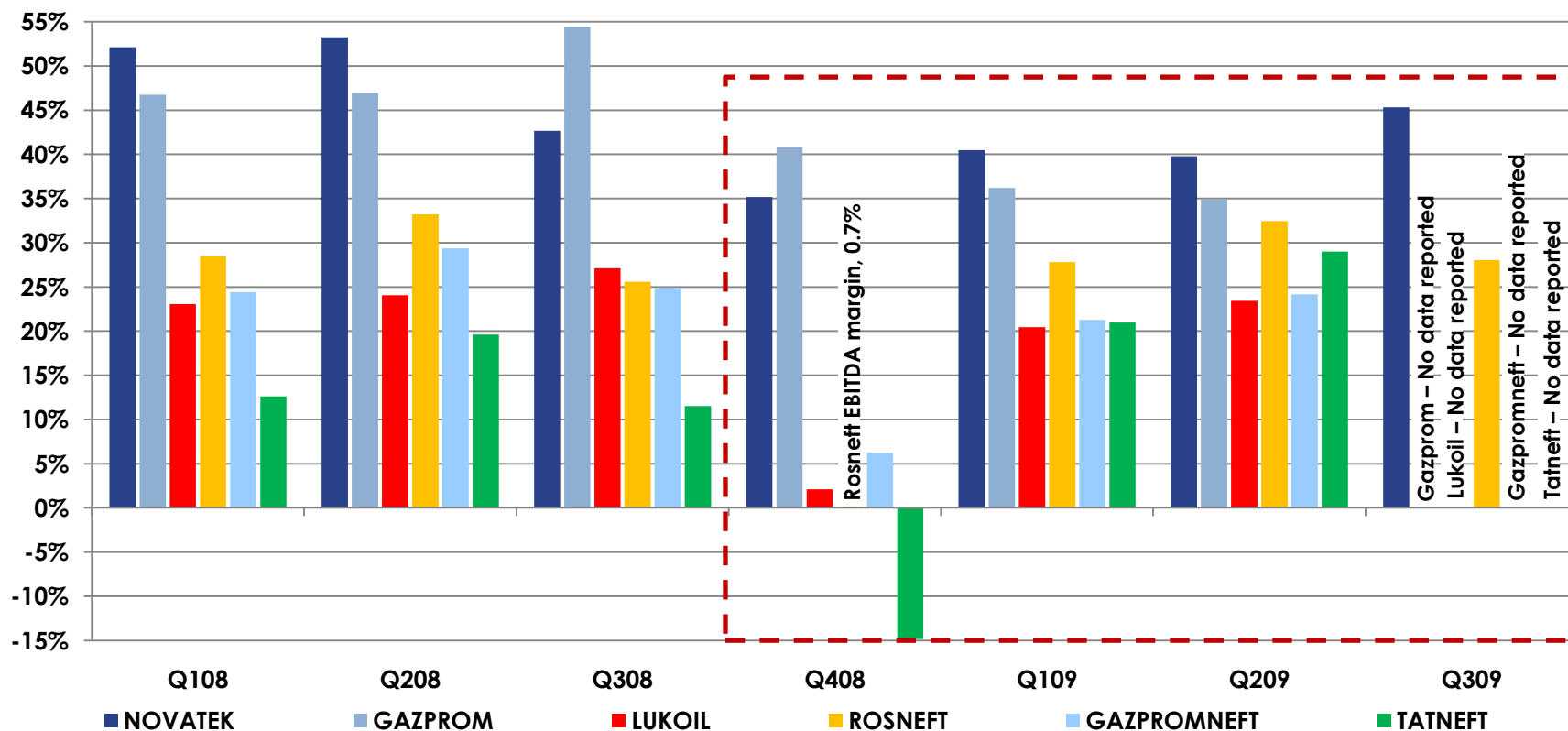


-35% -30% -25% -20% -15% -10% -5% 0% 5% 10% 15% 20% 25%

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

# Financial Resiliency Throughout the Crisis

**EBITDA to Total Revenues, %**



**Operational flexibility and prudent cost control underpins NOVATEK's relatively strong EBITDA margins during difficult market environment**

# Reporting Efficiency

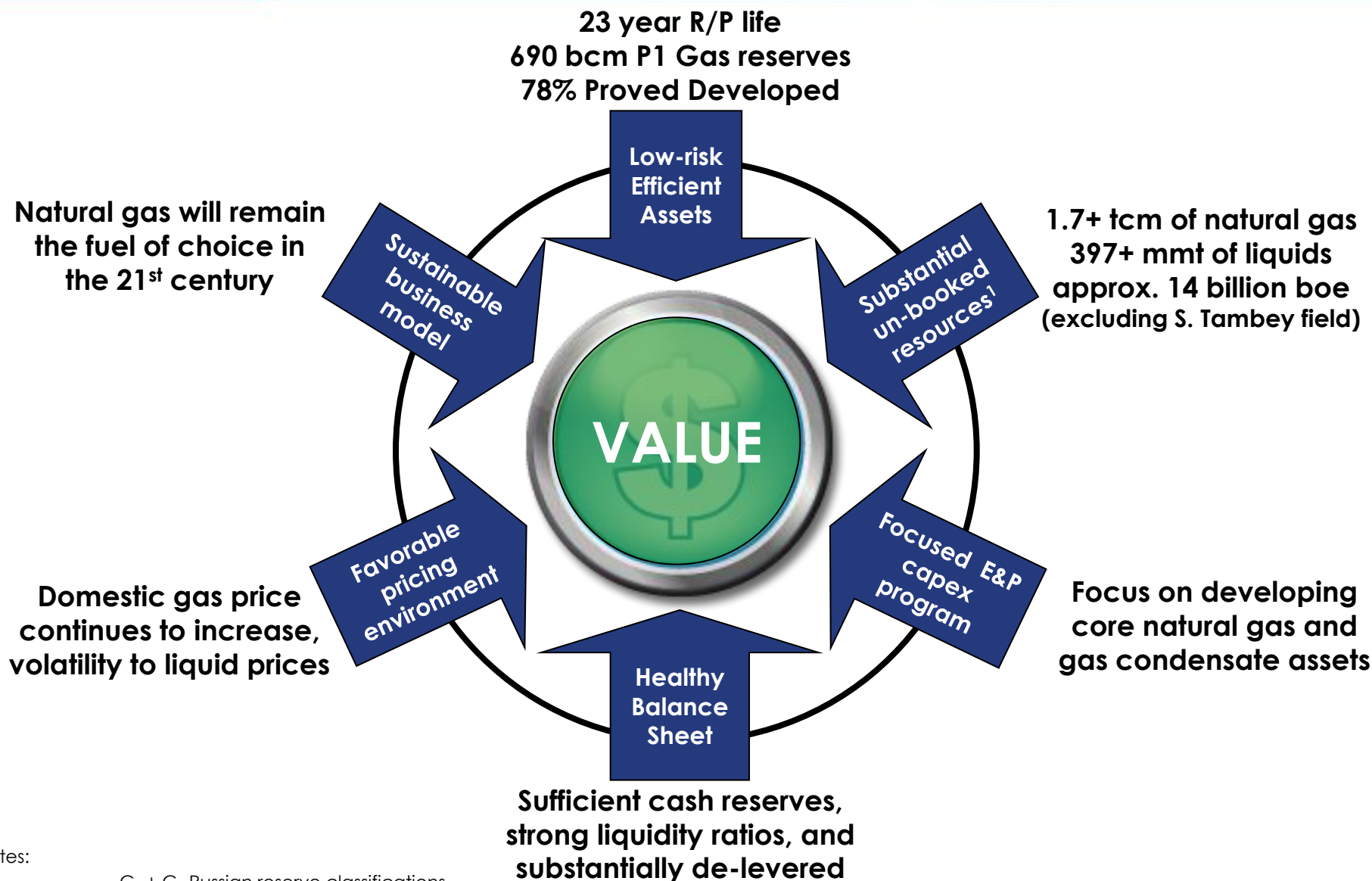
## Reporting Dates for Selected Russian Oil and Gas Companies

	<b>NOVATEK</b>	<b>Gazprom</b>	<b>Rosneft</b>	<b>Lukoil</b>
<b>FY 2007</b>	<b>18-Apr-08</b>	<b>27-Jun-08</b>	<b>7-Apr-08</b>	<b>7-Apr-08</b>
<b>1Q 2008</b>	<b>15-May-08</b>	<b>17-Oct-08</b>	<b>9-Jun-08</b>	<b>2-Jun-08</b>
<b>2Q 2008</b>	<b>12-Aug-08</b>	<b>24-Dec-08</b>	<b>29-Aug-08</b>	<b>27-Aug-08</b>
<b>3Q 2008</b>	<b>10-Nov-08</b>	<b>25-Feb-09</b>	<b>1-Dec-08</b>	<b>8-Dec-08</b>
<b>FY 2008</b>	<b>17-Mar-09</b>	<b>29-Apr-09</b>	<b>2-Mar-09</b>	<b>31-Mar-09</b>
<b>1Q 2009</b>	<b>12-May-09</b>	<b>19-Aug-09</b>	<b>27-May-09</b>	<b>2-Jun-09</b>
<b>2Q 2009</b>	<b>17-Aug-09</b>	<b>30-Oct-09</b>	<b>1-Sep-09</b>	<b>27-Aug-09</b>
<b>3Q 2009</b>	<b>12-Nov-09</b>	<b>Expected</b>	<b>25-Nov-09</b>	<b>Expected</b>

Red dates denote first to report during the period

NOVATEK has decreased the number of days required to report annual financial results from 109 days in 2007 to 76 days in 2008 and has consistently provided quarterly financial information to the market at an average of 44 days after period end.

# A Compelling Investment Case



Notes:

(1)

C<sub>1</sub> + C<sub>2</sub> Russian reserve classifications

The top half of the slide features a large, semi-transparent blue 'N' logo on the left. The background is a faded image of industrial oil rigs with smoke rising from them. The word 'NOVATEK' is written in large, bold, blue capital letters across the middle of this section.

# NOVATEK

## Questions and Answers Session

**Contact details:**

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**Gregory Madick, Head of Investor Relations**

**Tel: +7 (495) 730-6013**

**Email: [ir@novatek.ru](mailto:ir@novatek.ru)**

**Website: [www.novatek.ru](http://www.novatek.ru)**

The top half of the slide features a blue background with a faint image of industrial structures, possibly oil rigs or refineries, emitting smoke. On the left side, there is a stylized logo consisting of three horizontal blue bars of varying lengths, with the text 'NOVATEK' written in a smaller, lighter blue font above them. The word 'NOVATEK' is also written in large, bold, blue capital letters across the center of the slide.

# NOVATEK

## Appendices



The image features the Novatek logo on the left, consisting of a stylized blue 'N' with three horizontal bars. The background is a faded industrial scene with four large metal structures, possibly offshore oil rigs, against a light blue sky with a plume of white smoke or steam rising from the center. The word 'NOVATEK' is written in large, bold, blue capital letters across the middle of the image.

# NOVATEK

**Supply/Demand Environment – Europe & Russia**

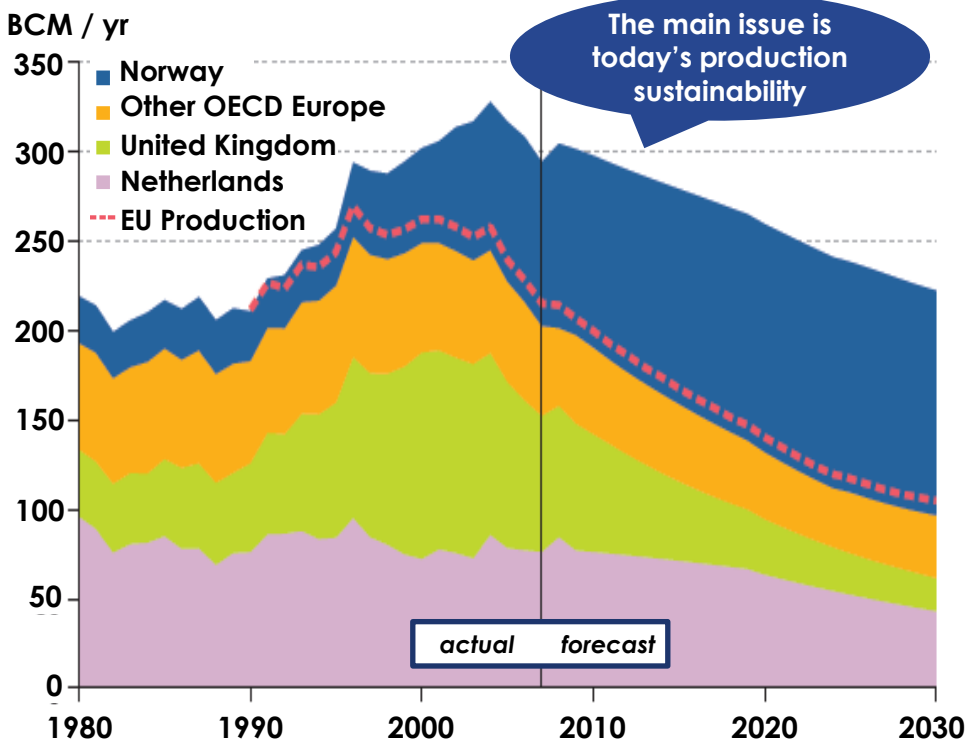
# Europe Will Still Be Calling for Russian Gas



- ◆ Current decline in gas demand in European markets is cyclical rather than structural and alternative gas supplies are unsustainable
  - ◆ Current decrease in European demand for Russian gas is driven by unsustainably low spot prices, distortions in Gazprom's price formula and seasonality factors
  - ◆ Recent activity supports Gazprom's position as the major supplier to European markets
    - ◆ Indications that EDF (Electricite de France) will take an equity stake in the South Stream pipeline project
    - ◆ E. On's (Germany) willingness to increase purchases of Russian gas (at the expense of other suppliers)
    - ◆ Poland has indicated that it will need additional Russian gas to meet winter demand
- ◆ Indigenous production in European gas basins continues to decline
- ◆ Current supplies of LNG to Europe are not sustainable
  - ◆ Supplies to Asian markets will increase once economic activities recover
  - ◆ Current LNG demand in the US expected to increase once US production declines set in

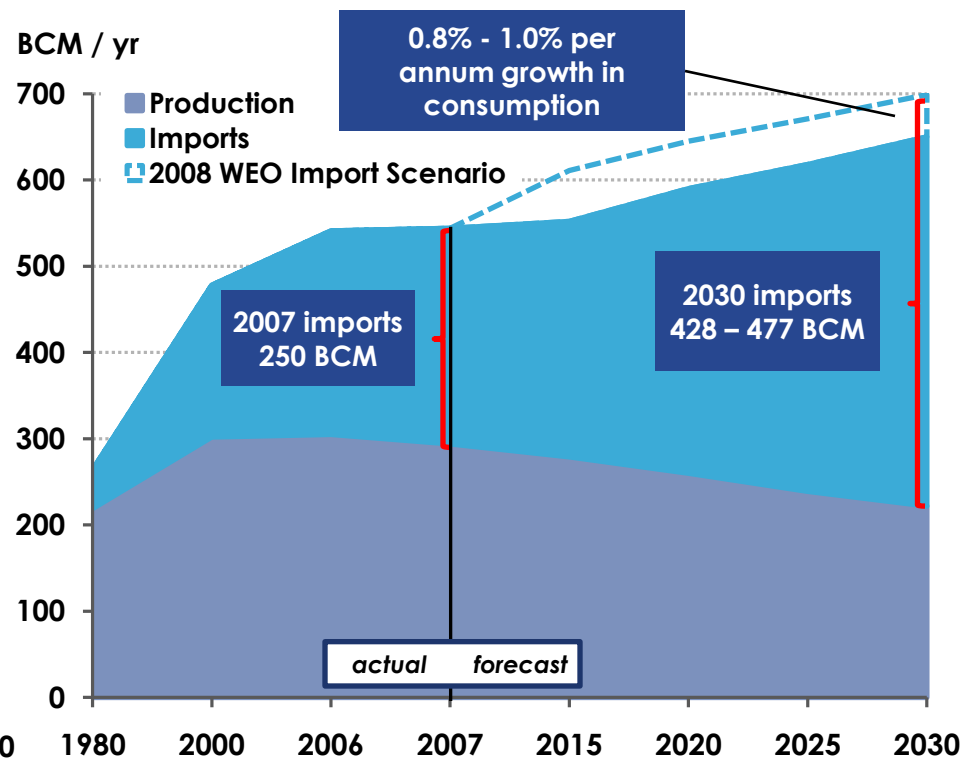
# OECD Europe Gas Scenarios – Base Case

## OECD Europe Gas Production



Source: IEA, WEO2009

## OECD Europe Gas Balance Scenario



Source: IEA, WEO2009 and 2008

Significant decline forecasted from major OECD Europe indigenous gas production will result in an increase in imports over the long-term. Forecasts show that between 2007 and 2030 imports will likely increase by 178 to 227 BCM per annum

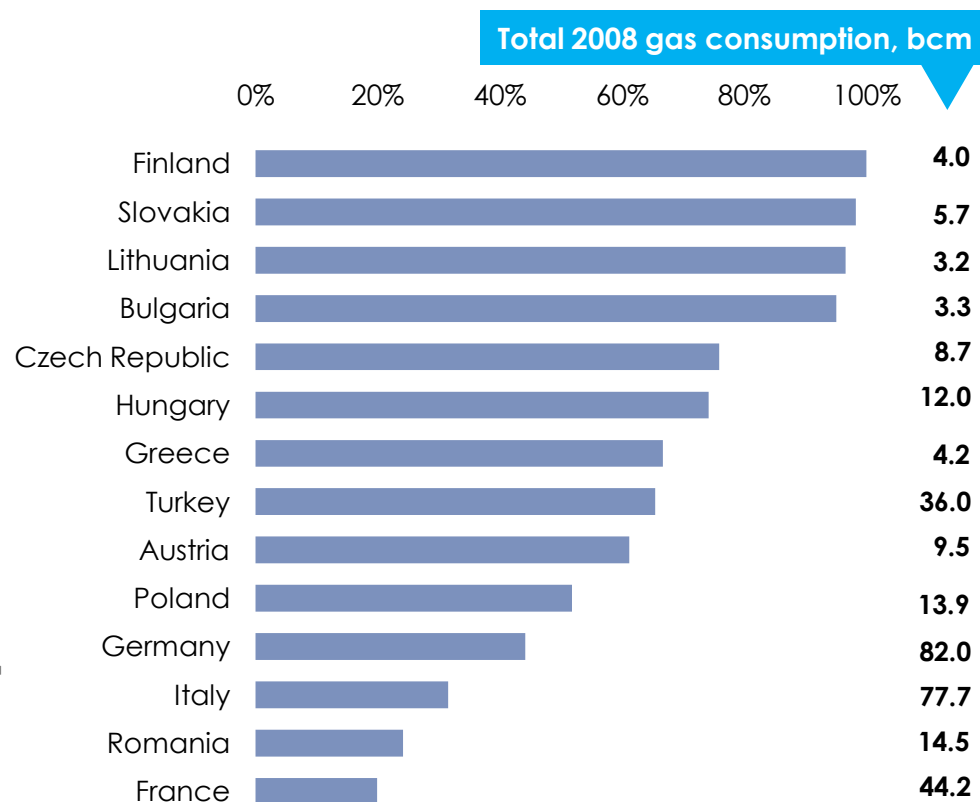
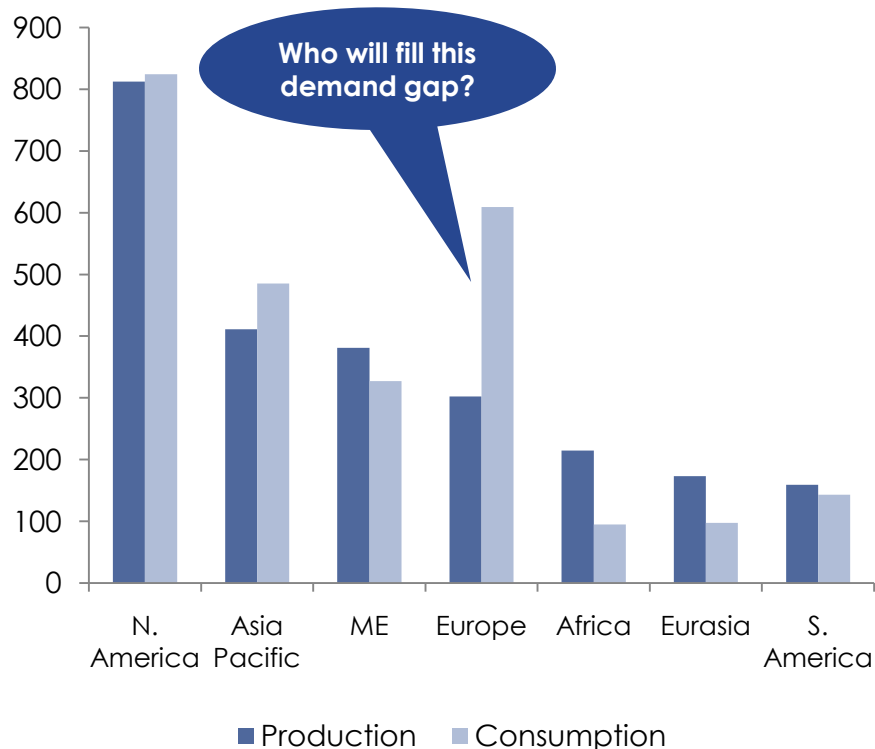
# Call on Natural Gas



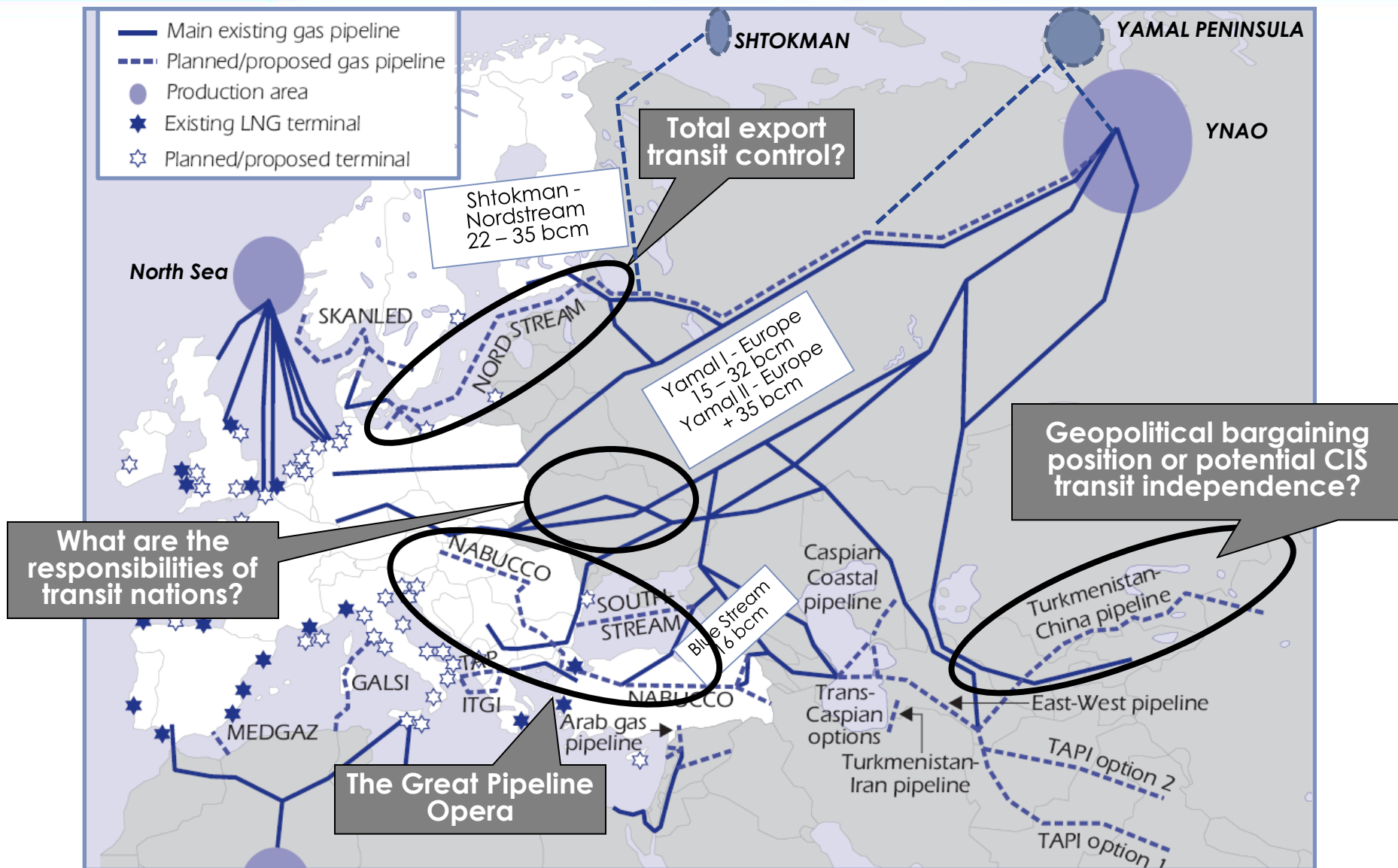
Europe demonstrates the greatest natural gas deficiency amongst key regions...

...and Russia currently supplies approximately 30% of 2008 European demand

Natural gas production & consumption, bcm

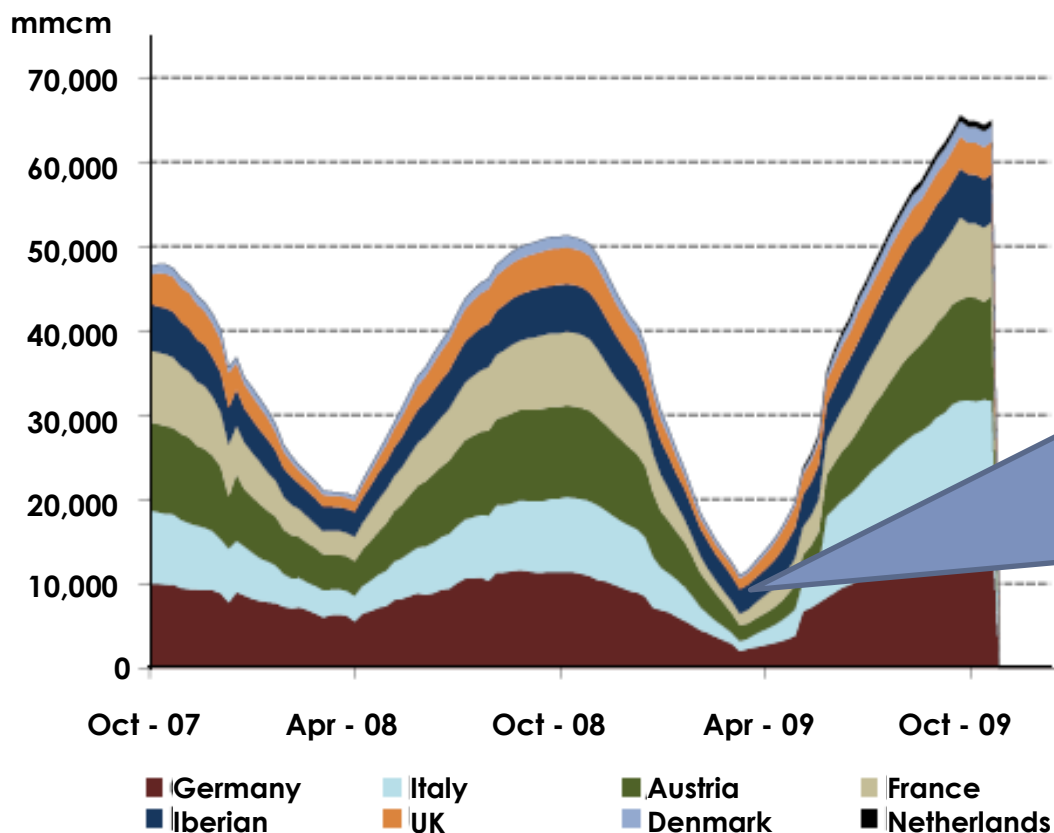


# Existing and Planned Gas Pipelines to Europe



# The EU Natural Gas Storage Question

## European Natural Gas Storage by Region



Source: LCM Commodities, 16 November 2009

As highlighted throughout the past year, we have seen a significant reduction in EU natural gas storage volumes due largely to price arbitrage and supply disruptions. However, natural gas storage has been increased with the additional new storage capacity and the EU's reluctance to enter the winter season without adequate supplies as well as price normalization.



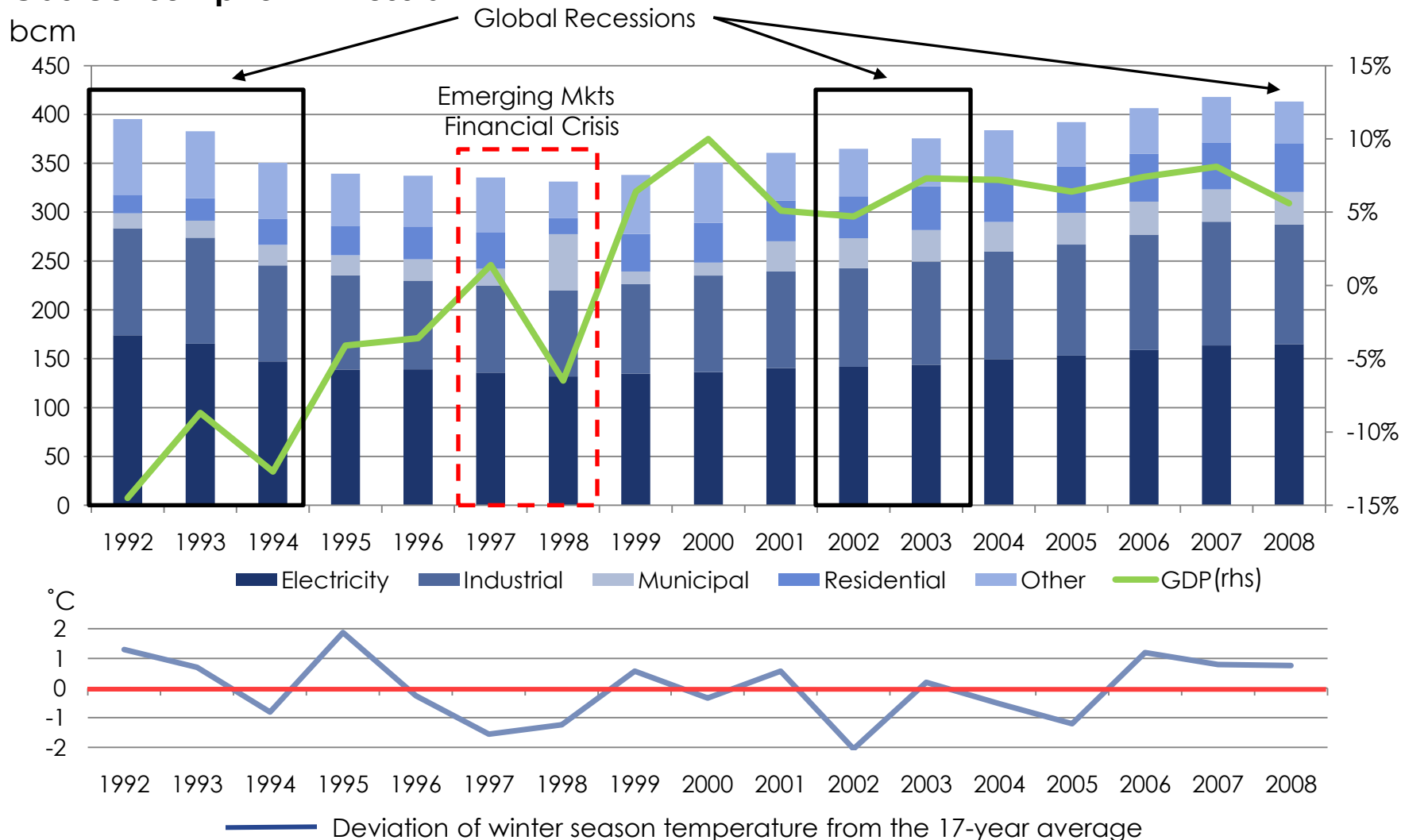
# Domestic Balance Weighted to Independents



- ◆ No change to fundamental supply and demand dynamics for the Russian domestic market
  - ◆ Gazprom is still inclined to supply gas to the European market for higher prices and to maintain its market influence
  - ◆ The postponement of Gazprom's investment program will potentially delay the launch of new production capacity (i.e., the recent announcement on the Shtokman project)
  - ◆ Natural gas supplies from Central Asia have already decreased significantly (due to pipeline disruption) and future purchases are uncertain – preliminary estimates that Central Asian imports will decline by roughly 50% over the next couple of years
  - ◆ Gas and power sector reform still on track despite effects of economic downturn
  - ◆ Base demand has remained relatively consistent during past recessions
  - ◆ Existing and planned capacity increases will enable us to produce approximately 52 bcm by the end of 2010 (no change to capital investment program)
  - ◆ Our current market share, 30% of independent production, as well as our productive capacity provides the platform for future growth at the lowest cost

# Relative Growth Despite Recessions

## Gas consumption in Russia

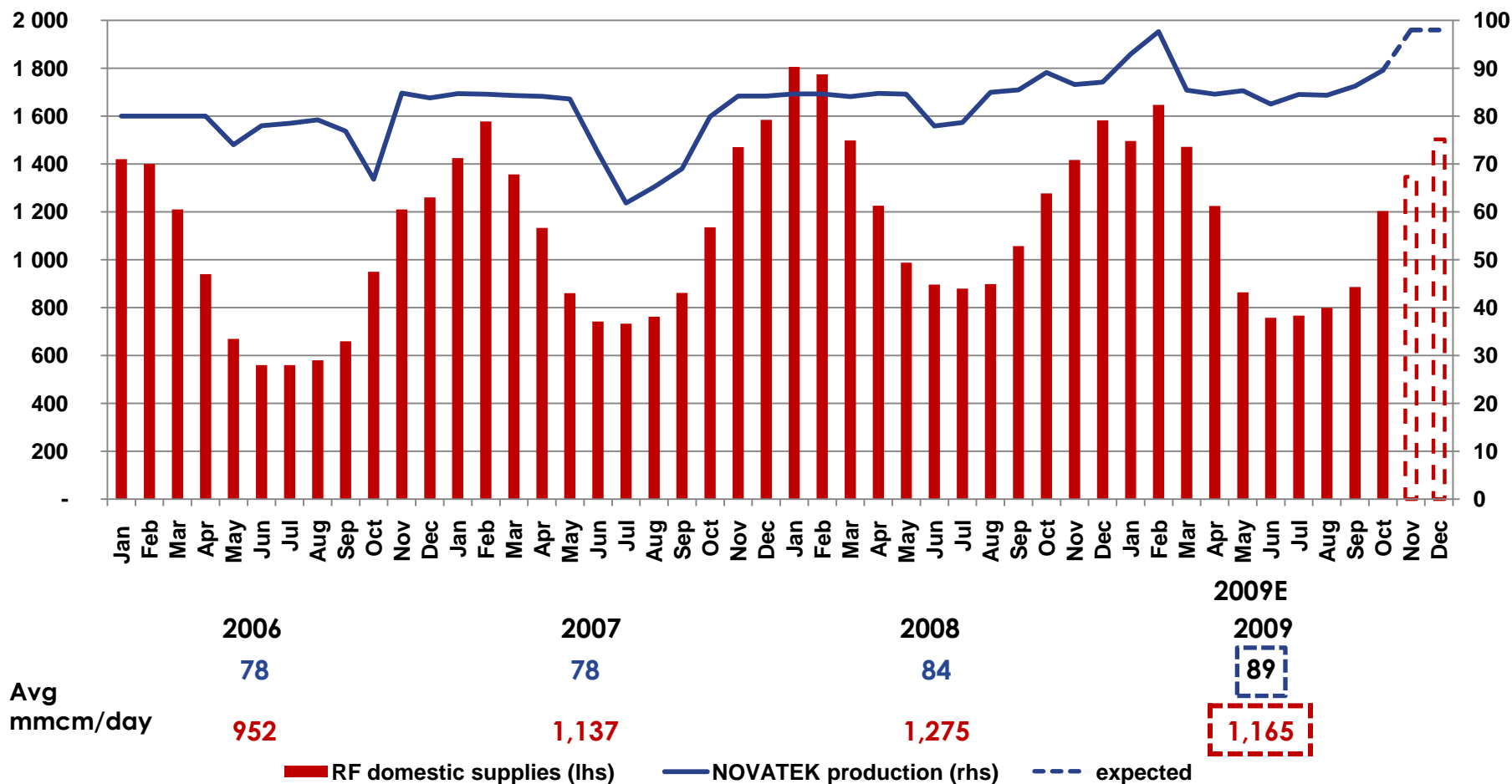


# Natural Gas Supplied to RF Domestic Market



mm cm/day

mm cm/day



Source: Troika Dialog Research Data (2006 RF domestic supplies), CDU TEK (2007 – 2009 RF Domestic supplies), Company Data

Note: 1. NOVATEK expected based on actual and expected production in Nov and Dec 2009; RF domestic supplies estimates in 2009 are 5% lower than 2008 volumes.



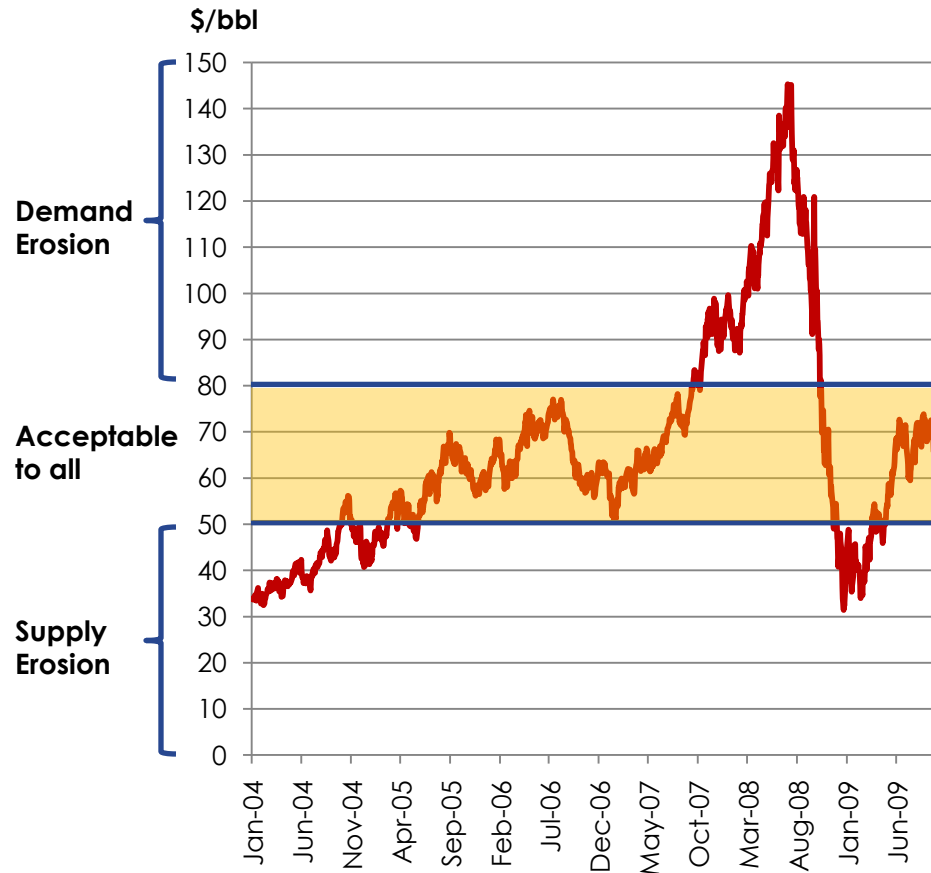
**NOVATEK**

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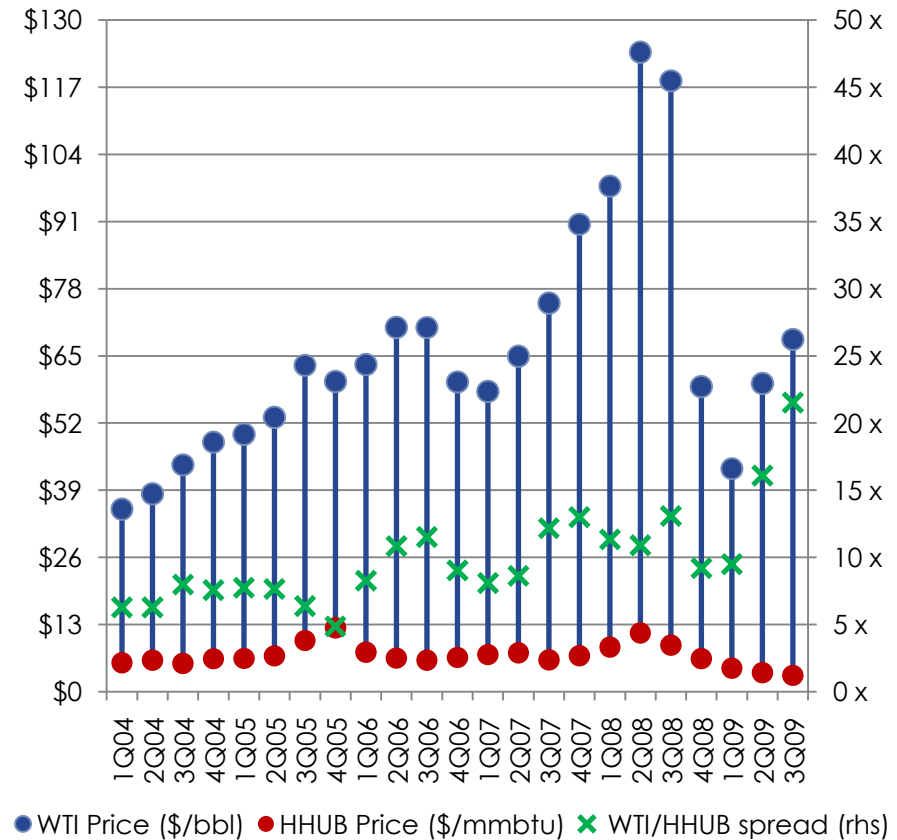
## **Macro – Crude Oil and Natural Gas Prices**

# Will Oil-Price Linkage Remain?

## Closing price WTI, daily



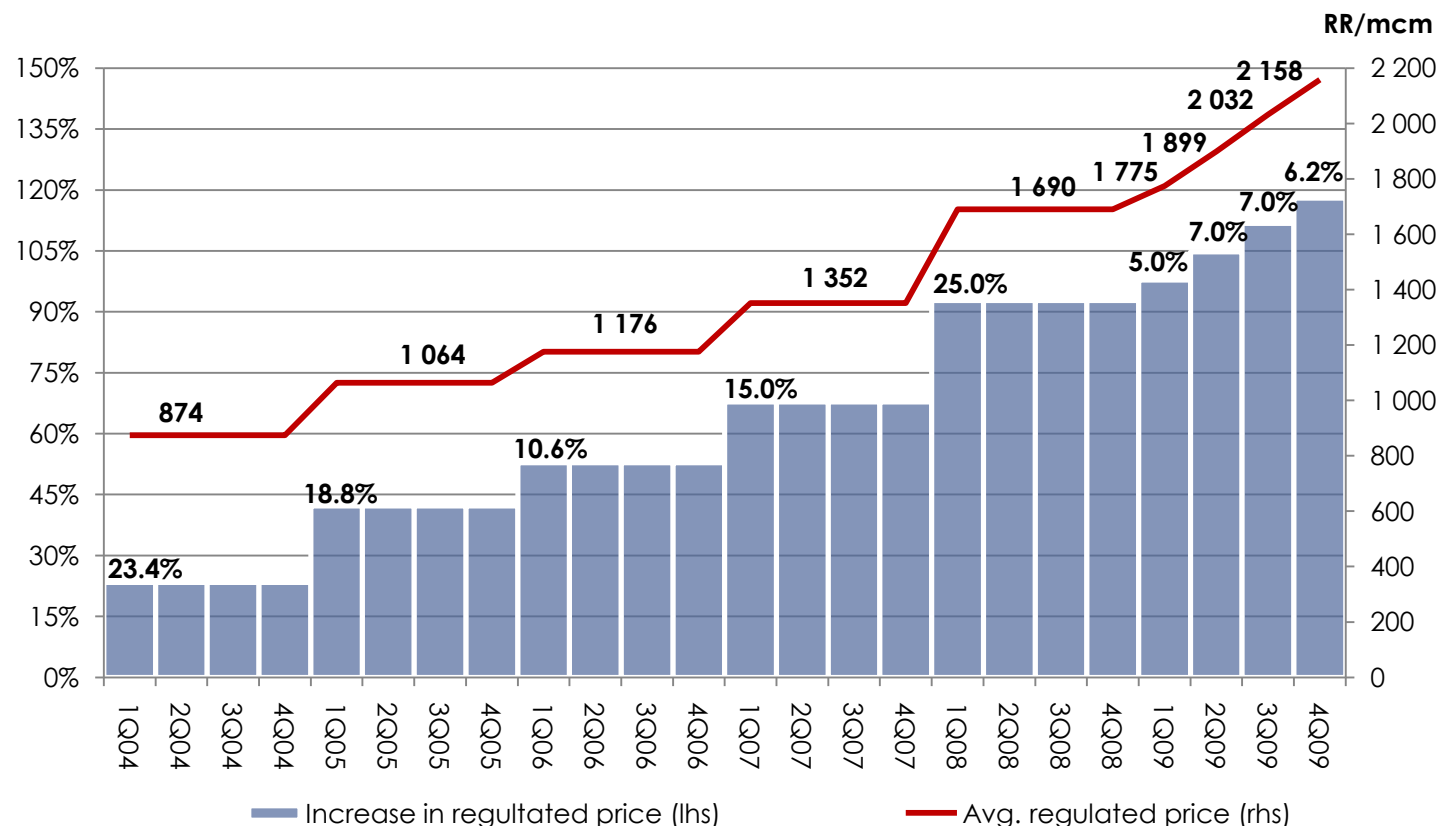
## Increasing spread between HHUB and WTI



Markets are best served when crude oil prices range between \$50 and \$80 per barrel

# Predictable Gas Pricing Model

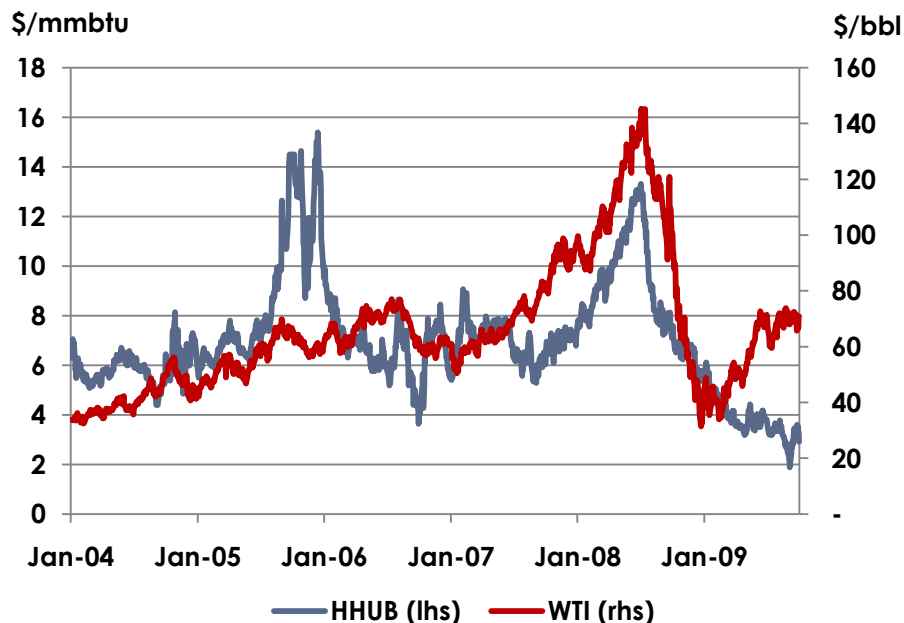
## Historical regulated price increases for Russian domestic gas



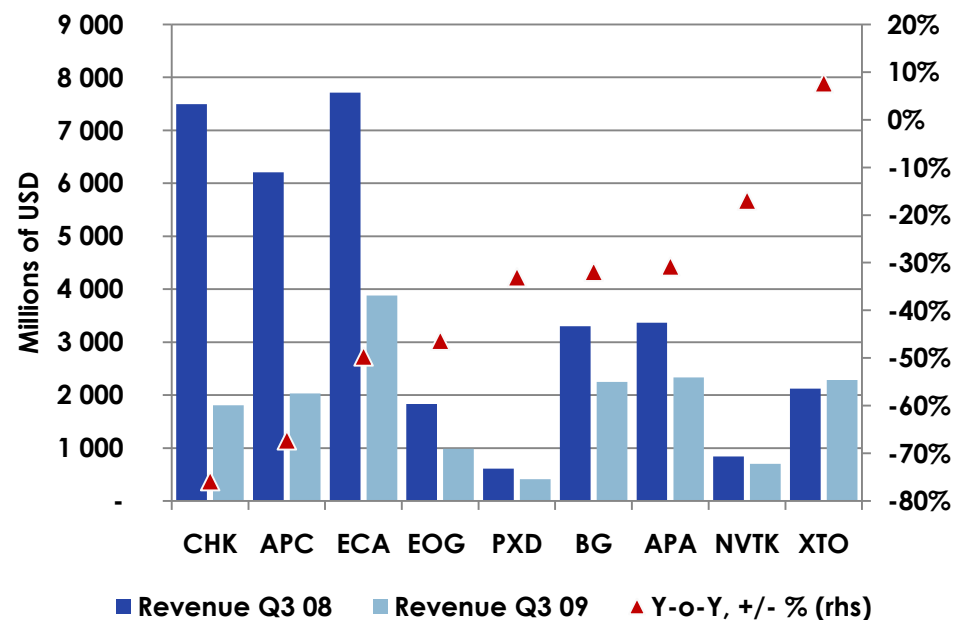
**Steadily increasing natural gas prices on the Russian domestic market provide downside pricing risk protection and clarity for future revenues**

# Price Volatility and Revenues

## Closing price for HHUB and WTI, daily



## Revenues 3Q09/3Q08



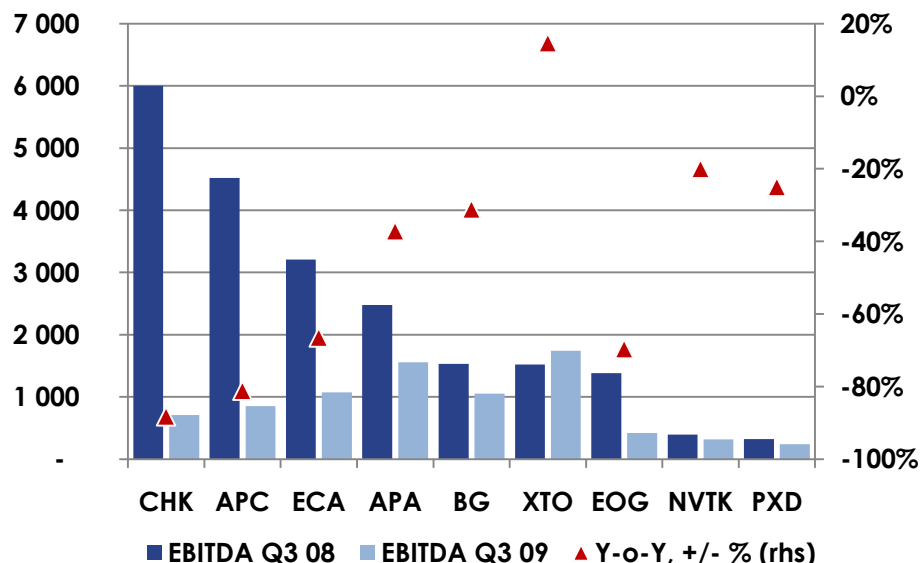
**A significant drop in the HH natural gas price has dramatically impacted the financial results of our peer group during 2009**



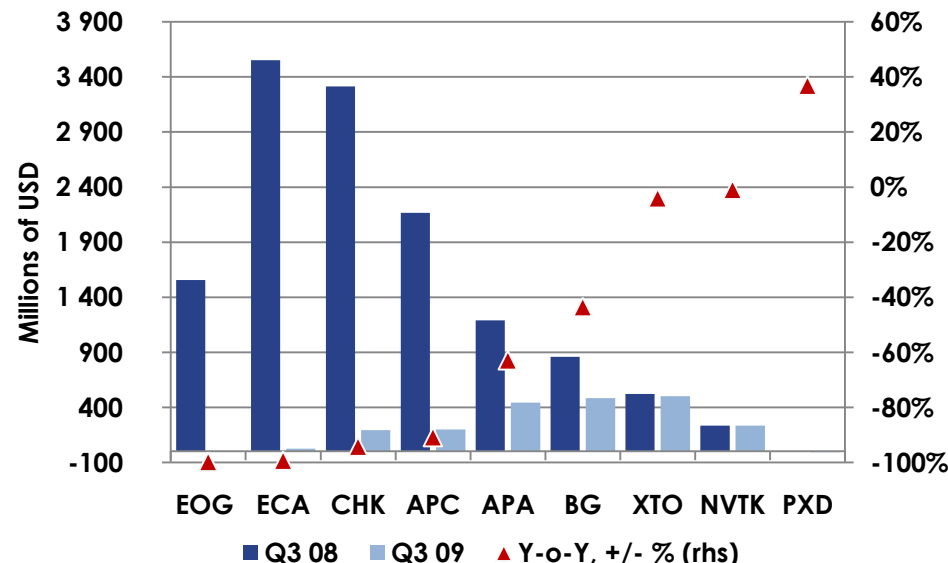
# Percentage Change In Financial Results



## EBITDA 3Q09/3Q08



## Net Profit 3Q09/ 3Q08



Correspondingly, we have seen a notable decrease across our peer group's EBITDA and net profit from the significant drop in both the HH natural gas price and crude oil prices during the first nine months of 2009