

The image features the Novatek logo on the left, consisting of a dark blue vertical bar and three horizontal blue bars of varying lengths. The background is a faded industrial scene with several large storage tanks and metal scaffolding. The word "NOVATEK" is written in large, bold, blue capital letters across the middle of the image.

# NOVATEK

## **Dawn of a New Decade**

**Gregory Madick, Head of Investor Relations**

**2011 Deutsche Bank Global Emerging Markets One-on-One Conference**

**New York, NY**

**7 – 9 September 2011**

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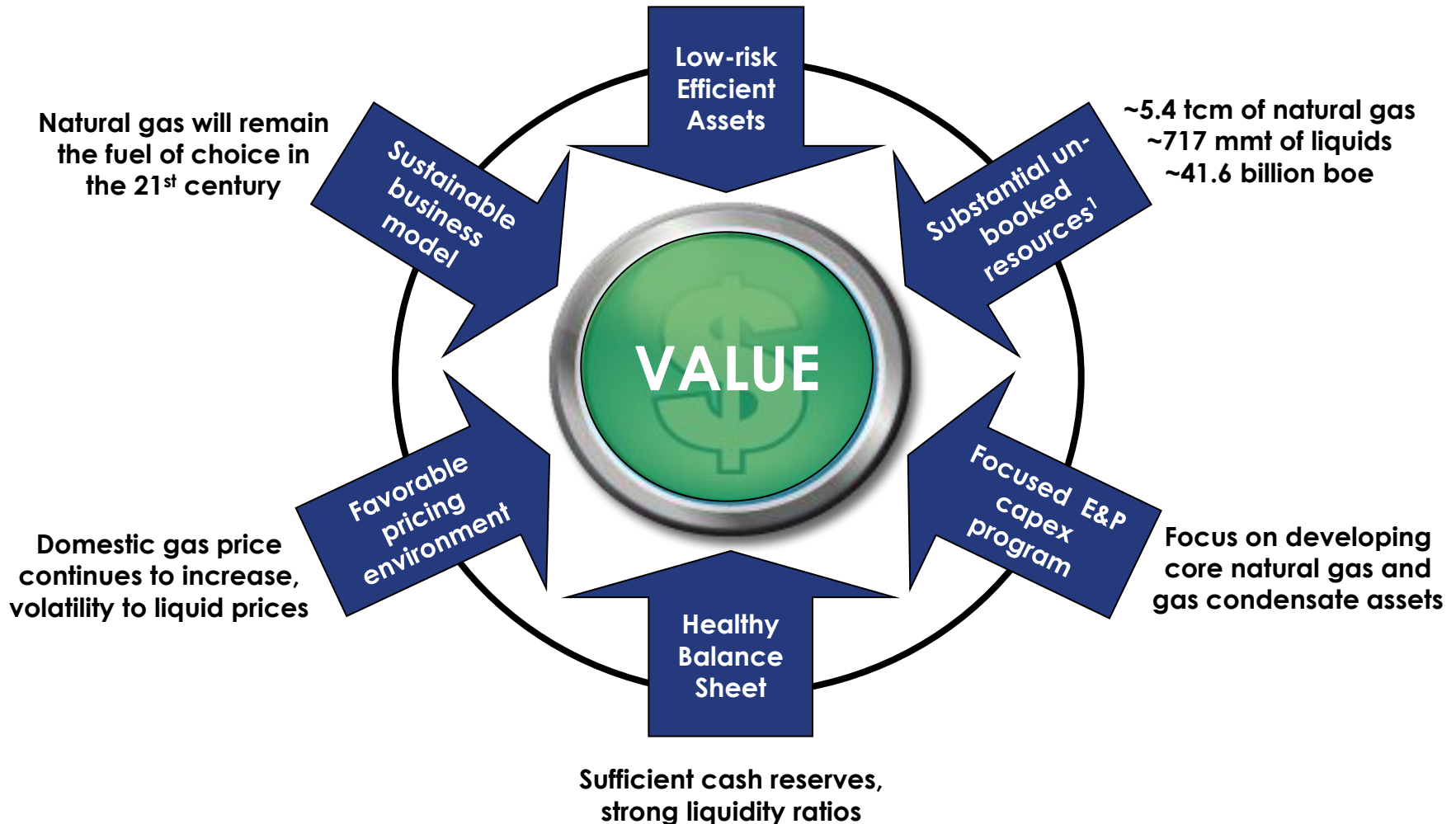
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# Value Formula

30 year R/P life (P1), 49 year R/P life (P1+P2)  
1,144 bcm P1 Gas reserves  
61% Total Proved Developed Reserves



Note 1:  
(C<sub>1</sub> + C<sub>2</sub>) & (D<sub>1</sub> + D<sub>2</sub>) Russian reserve classifications

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, likely oil refineries or gas processing units, emitting a plume of white smoke or steam into a clear blue sky. The word 'NOVATEK' is written in large, bold, blue capital letters across the center of the image, partially overlapping the industrial background.

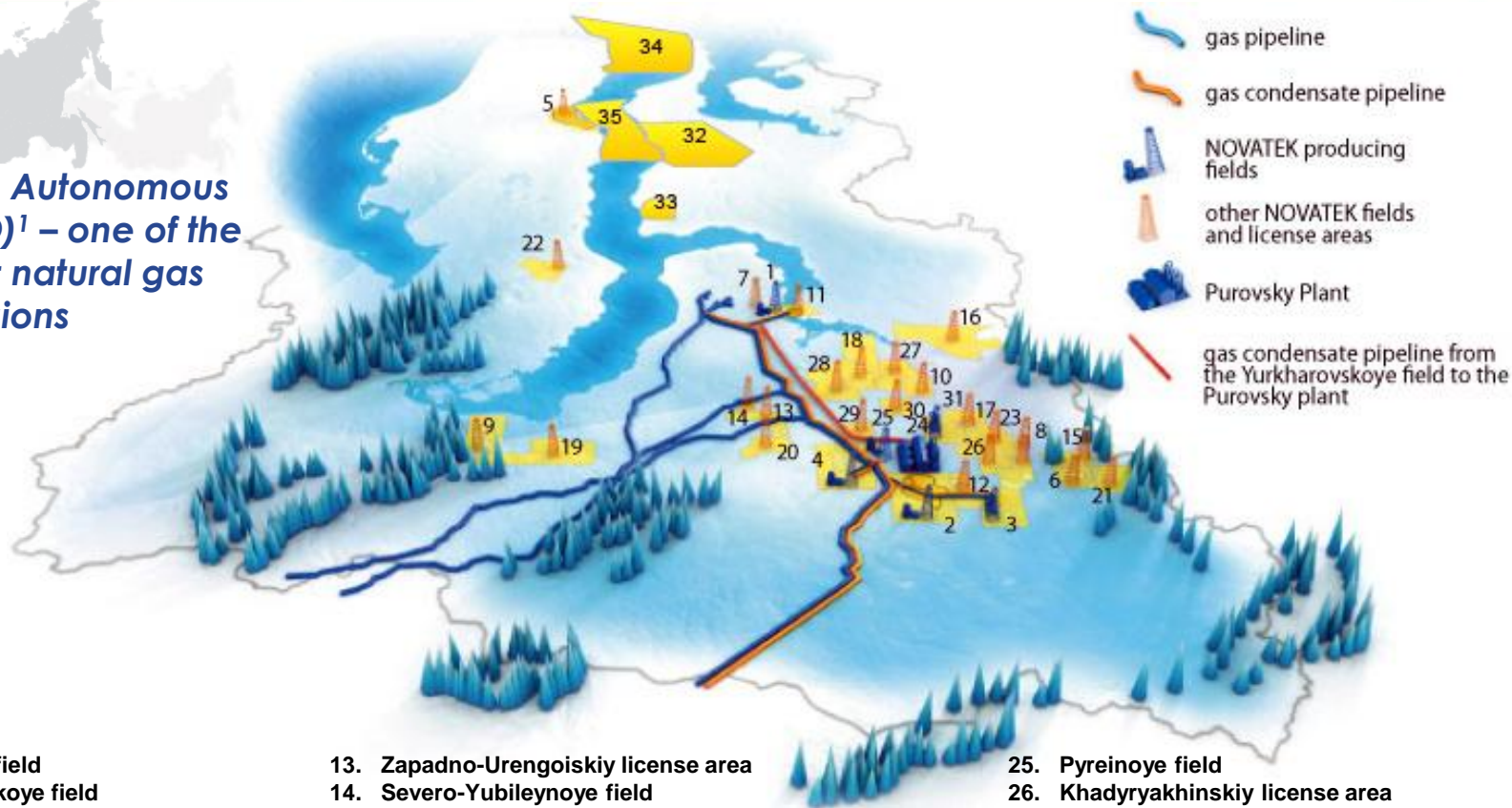
# NOVATEK

## Business Overview

# NOVATEK's Fields and License Areas



**Yamal-Nenets Autonomous Region (YNAO)<sup>1</sup> – one of the world's largest natural gas producing regions**



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

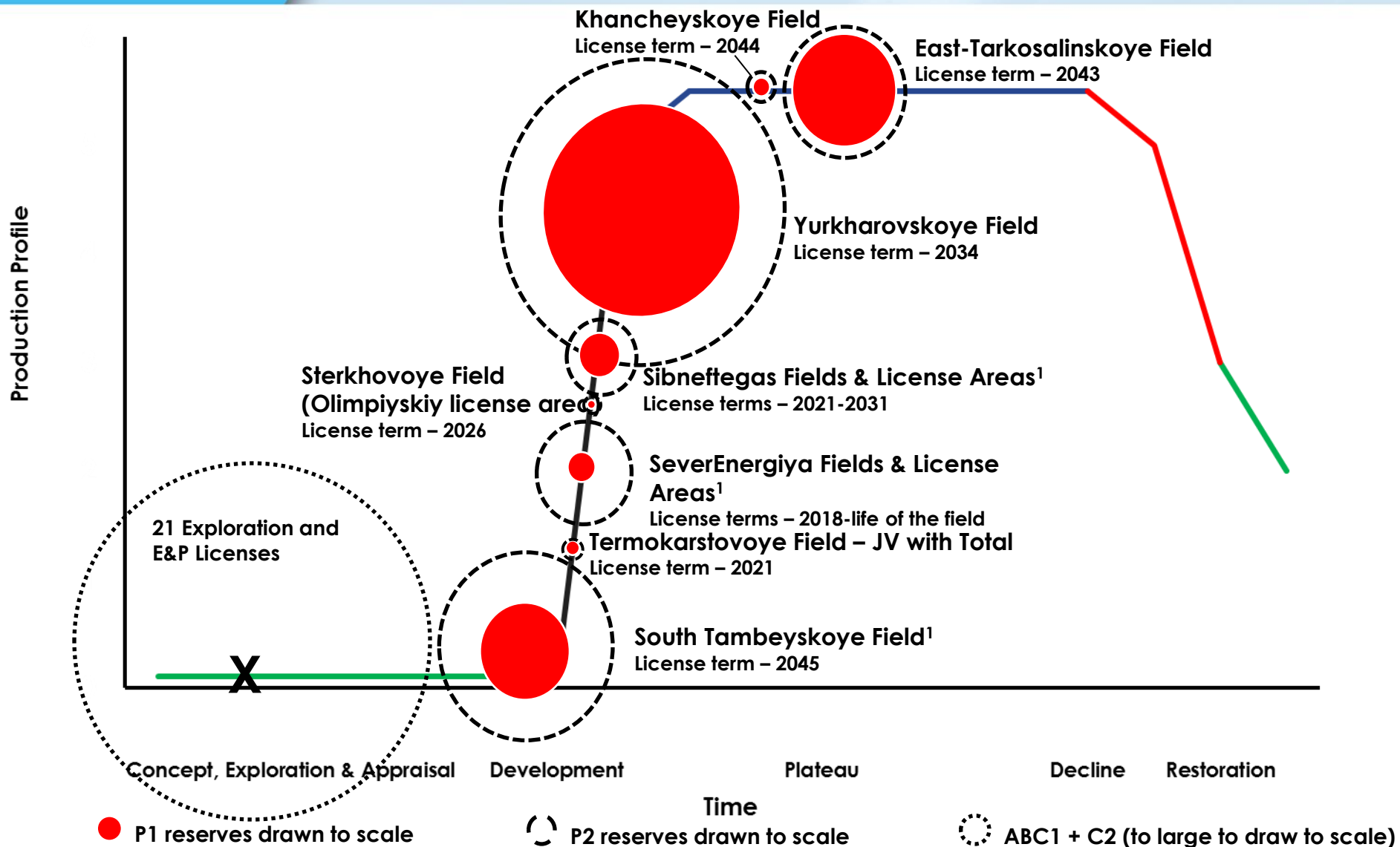
13. Zapadno-Urengoiyskiy license area
14. Severo-Yubileynoye field
15. Severo-Termokarstoviy license area
16. Severo-Russkiy license area
17. Sredniy-Chaselskiy license area
18. Zapadno-Tazovskiy license area
19. Anomalniy license area
20. Severo-Yamsoveyskiy license area
21. Pilyalkinskiy license area
22. Malo-Yamalskoye field
23. Zapadno-Chaselskoye field
24. Beregovoy lisence area

25. Pyreinoye field
26. Khadyryakhinskiy license area
27. Zapadno-Zapolyarnoye field
28. Samburgskiy license area
29. Yevo-Yakhinskiy license area
30. Yaro-Yakhinskiy license area
31. Severo-Chaselskiy license area
32. Salmanovskiy ( Utrenniy) license area
33. Geofizicheskiy license area
34. North-Obskiy license area
35. East-Tambeyskiy license area

Notes:

1. According to information published by the YNAO administration

# NOVATEK Development Profile



Note:

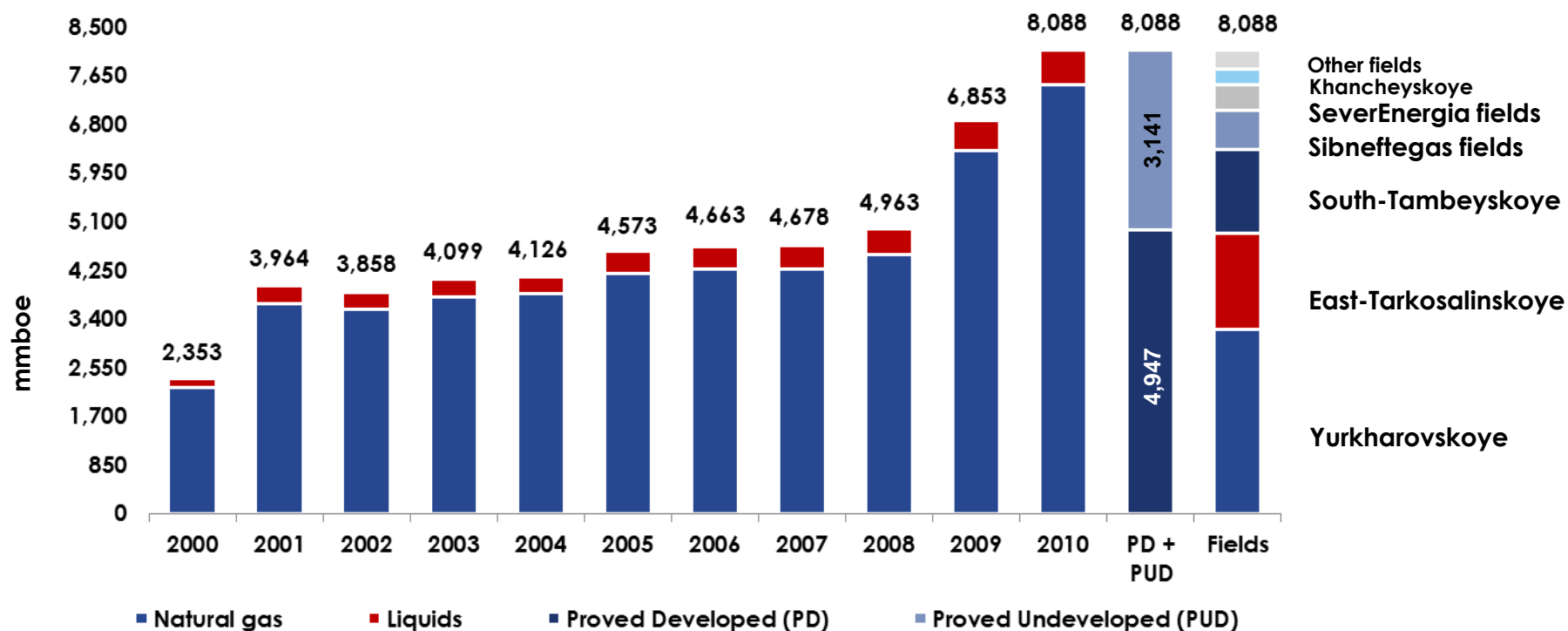
1. 51% of South Tambeyskoye's and Sibneftegas' reserves and 25.5% of SeverEnergiya's reserves as of 31 December 2010



# A Proven Strategy to Build Reserves<sup>1</sup>



Compound Annual Growth Rate 2000 - 2010: 13%



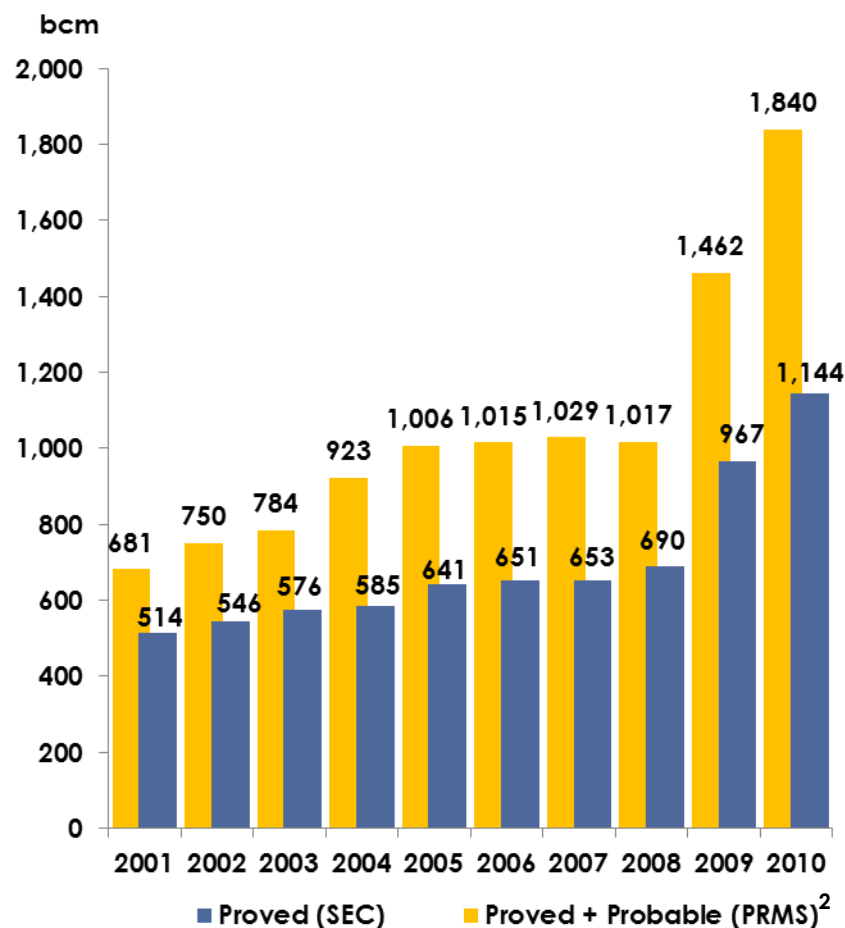
2010 Reserve replacement (RR) rate = 551%, 3-Year RR rate = 567%  
2010 Reserve to production life = 30 years

# NOVATEK's Hydrocarbon Reserves



Independent Reserve Appraisal <sup>1</sup> , 31.12.2010		SEC	PRMS		
			Proved	Probable	Proved+ Probable
Natural gas	bcm	1,144	1,310	530	1,840
	tcf	40	49	18	67
Liquids	mmt	73	93	73	166
	mmbbl	604	761	587	1,348
Total	mmboe	8,088	9,325	4,061	13,386

Historical natural gas reserve<sup>1</sup> growth



Notes:

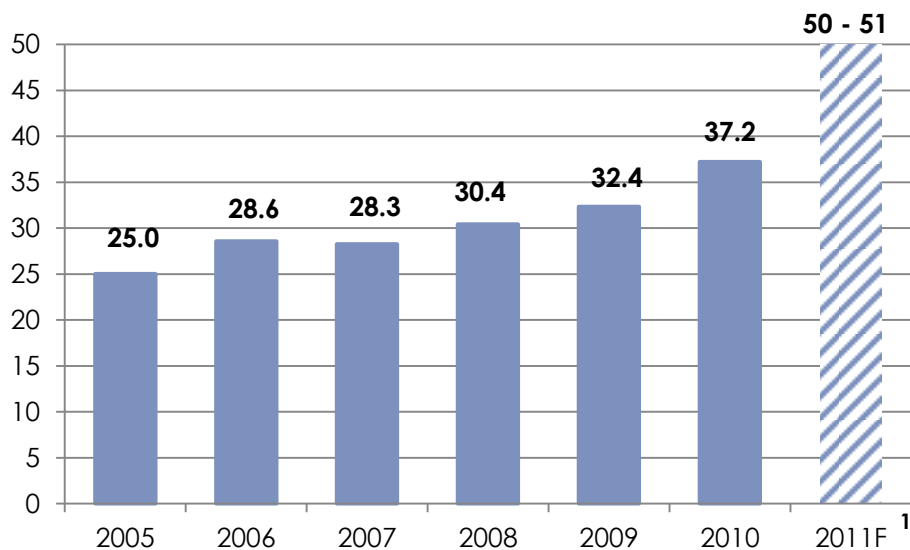
1. Proved reserves fully appraised by DeGolyer & MacNaughton using the SEC's and Petroleum Resource Management System (PRMS) reserve methodology

2. PRMS standards introduced in 2007, prior periods reserves were appraised using the Society of Petroleum Engineers (SPE) reserve methodology

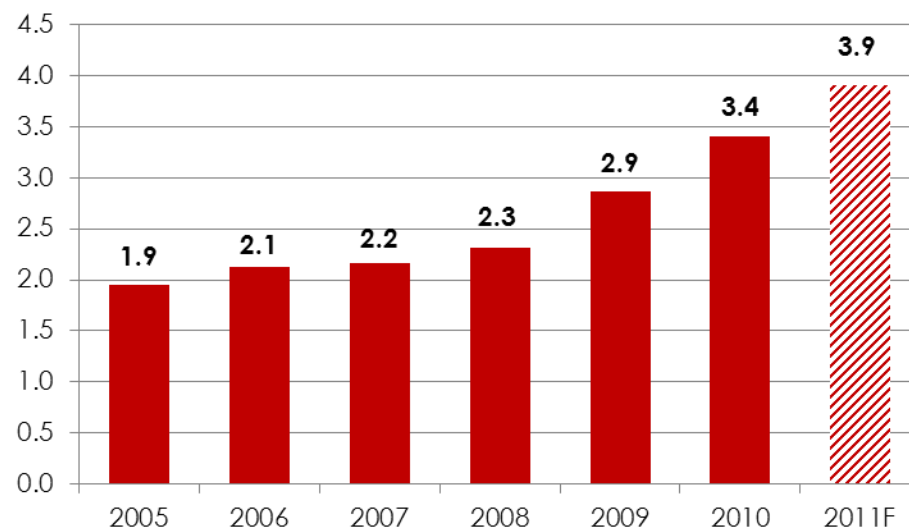


# Ramping Up Hydrocarbon Production

Natural gas sales production, bcm



Gas condensate sales production, mmt



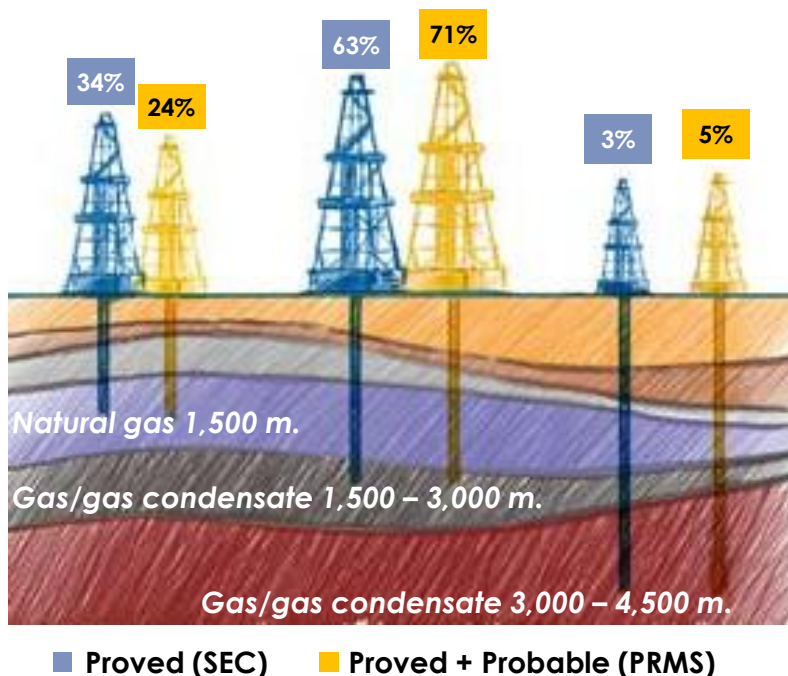
**Revised guidance for 2011 natural gas production based on 1H2011 production results and demand outlook**

Notes:

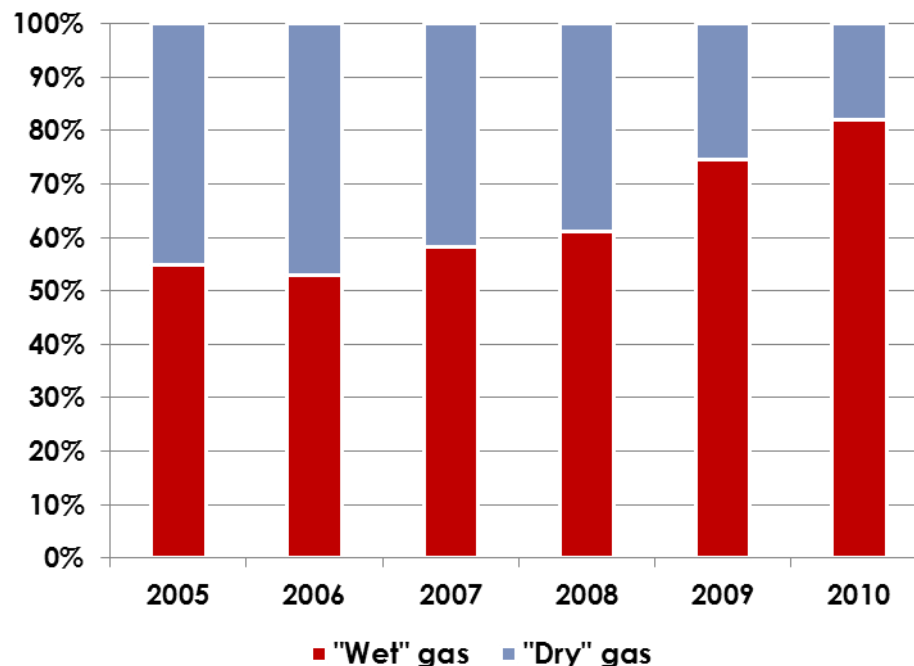
1. Including NOVATEK's share of production in associate companies

# Increasing Gas Condensate Production

## Structure of 2010 natural gas reserves



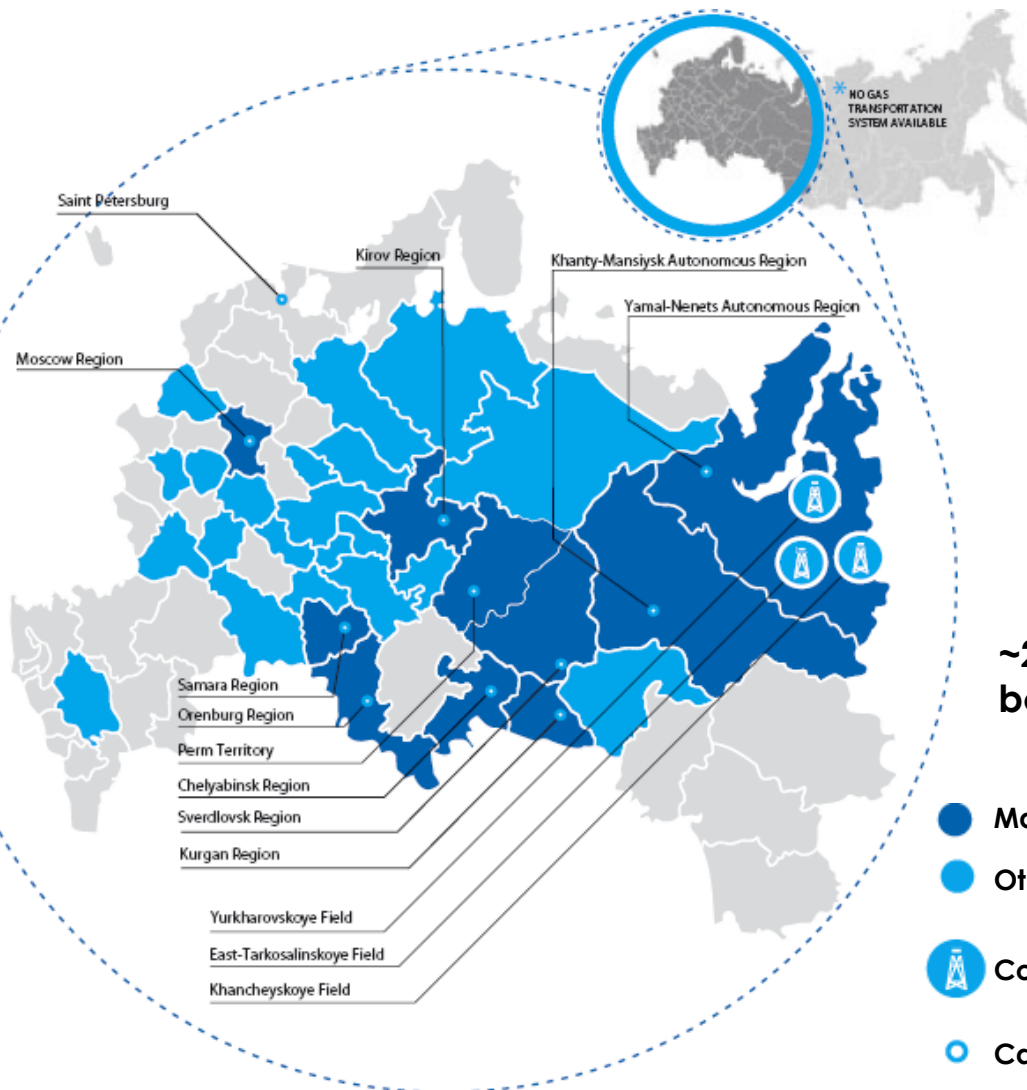
## "Wet" gas vs. "Dry" gas production



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)

# Domestic Natural Gas Sales and Production

## NOVATEK's natural gas sales to Russian regions 1H2011



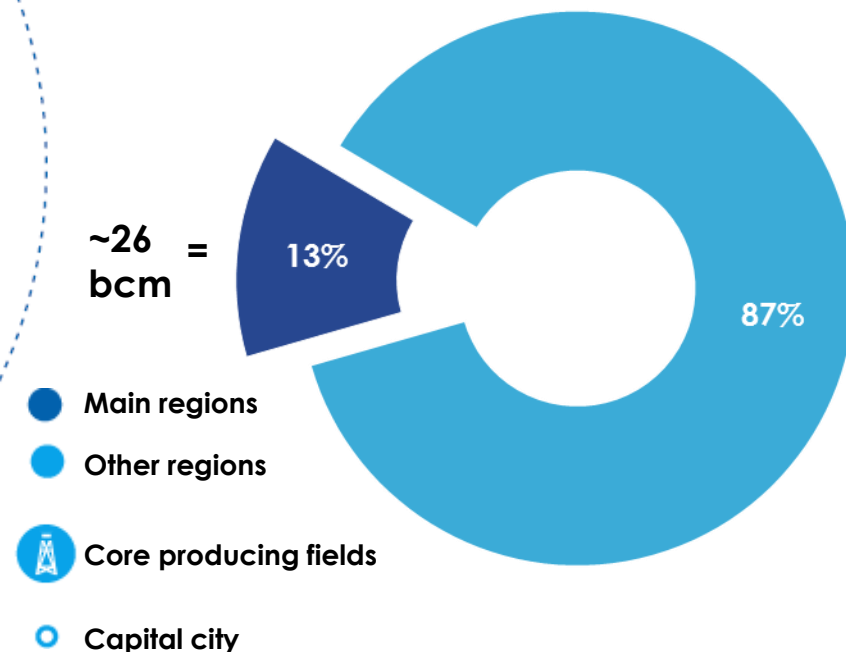
## NOVATEK today is<sup>1</sup>...

- ~ 7% of Russian gas production
- ~ 13% of deliveries to Russian domestic market
- ~ 32% of Russian independent gas production

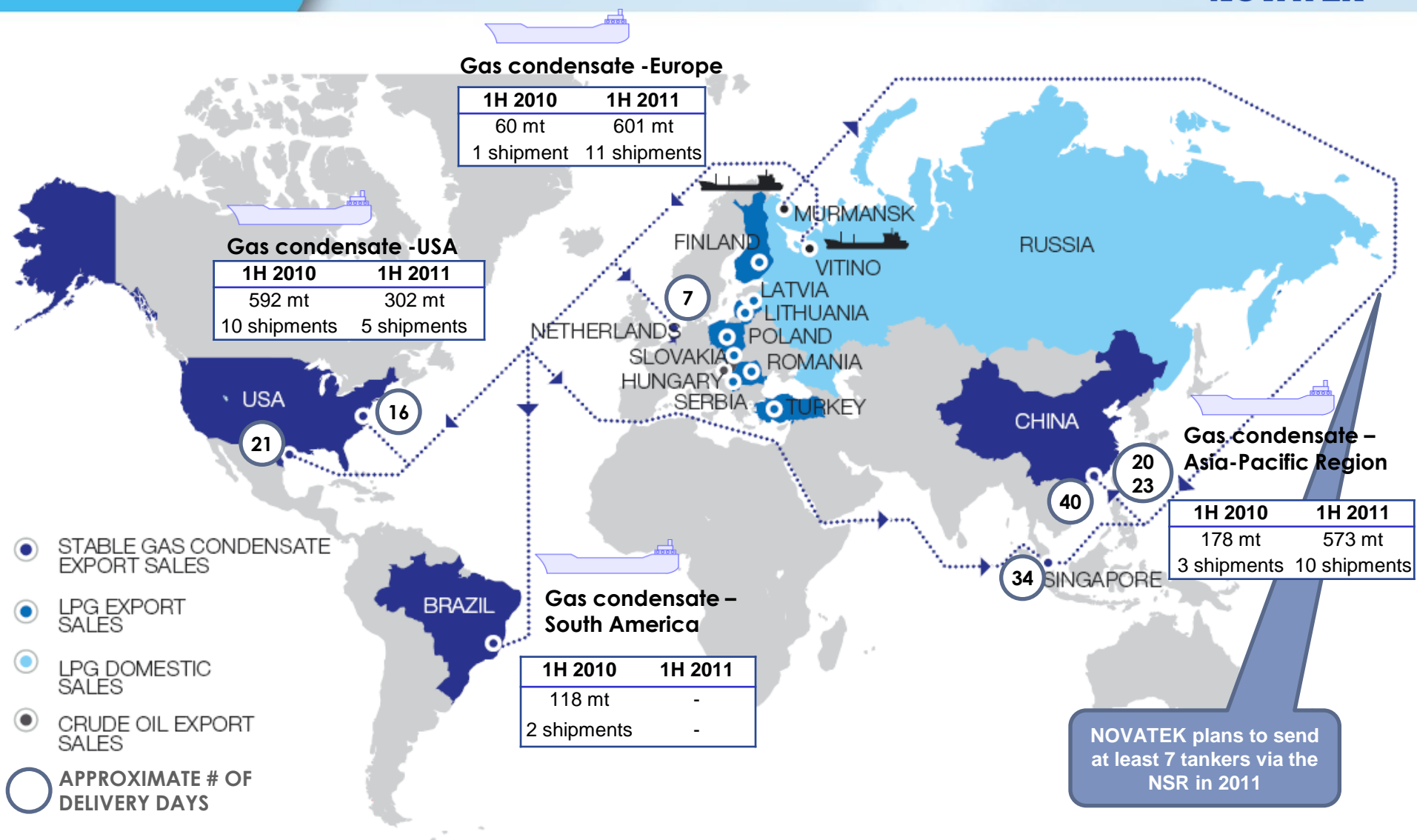
## 1H 2011 Russian natural gas supplies to domestic market

■ NOVATEK ■ Gazprom & Other Independents

~26 bcm =



# Expanding Our Liquids' Commercial Reach

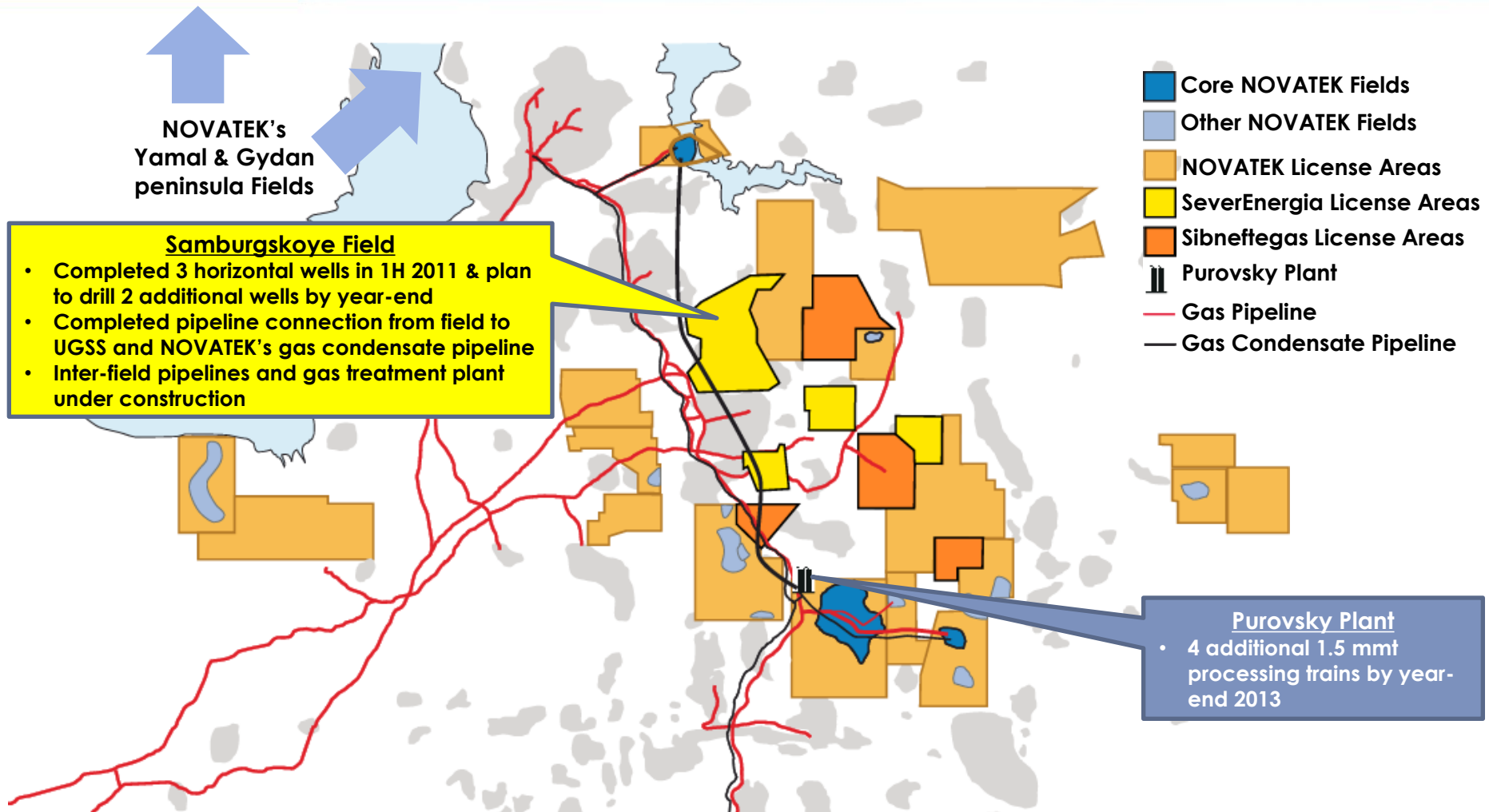


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# NOVATEK

**New Acquisitions & Projects**

# Location of Acquired Fields



**SeverEnergiya's Samburgskoye field is expected to launch gas/gas condensate production by end of 4Q11/beginning of 1Q12**

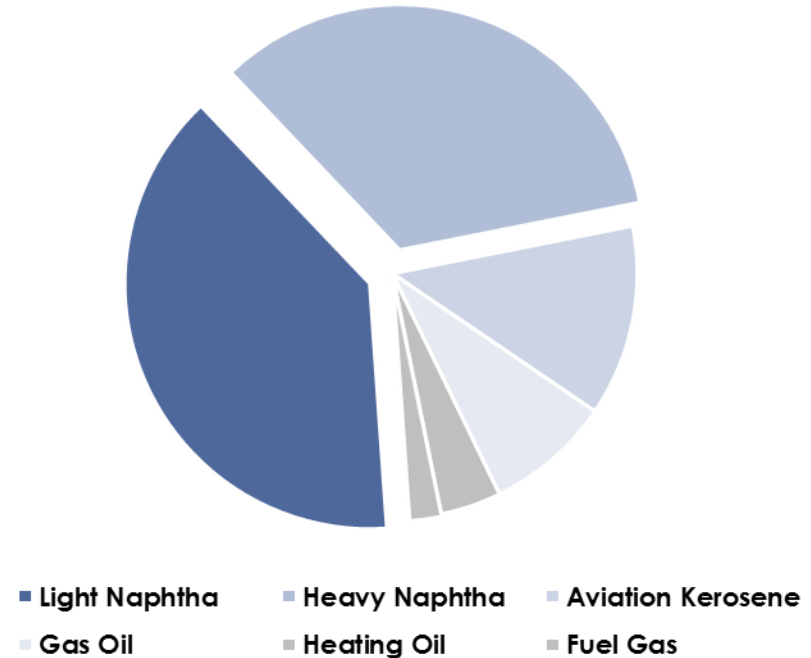


# Ust-Luga Project

## Transshipment and Fractionation Unit



## Projected Plant Output



## Moving down the gas condensate value chain

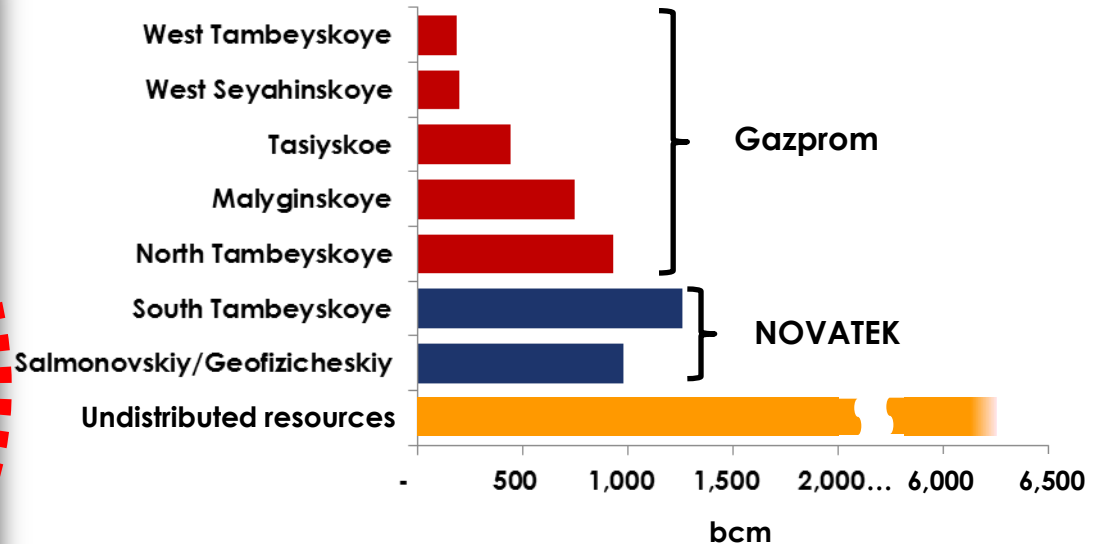
- Six million ton per annum capacity (first train of 3 million tons per annum to launch in 4Q 2012)
- Benchmark pricing for product slate
- Shorter transportation distance from Purovsky Plant compared to Port of Vitino
- Lower export duty for product slate – ~60% of current stable gas condensate (oil) export duty
- Diversification of product slate off-takers



# Reserves of Yamal and Gydan Peninsulas



**Russian Reserve Classification (C1-C2) 31.12.2010**

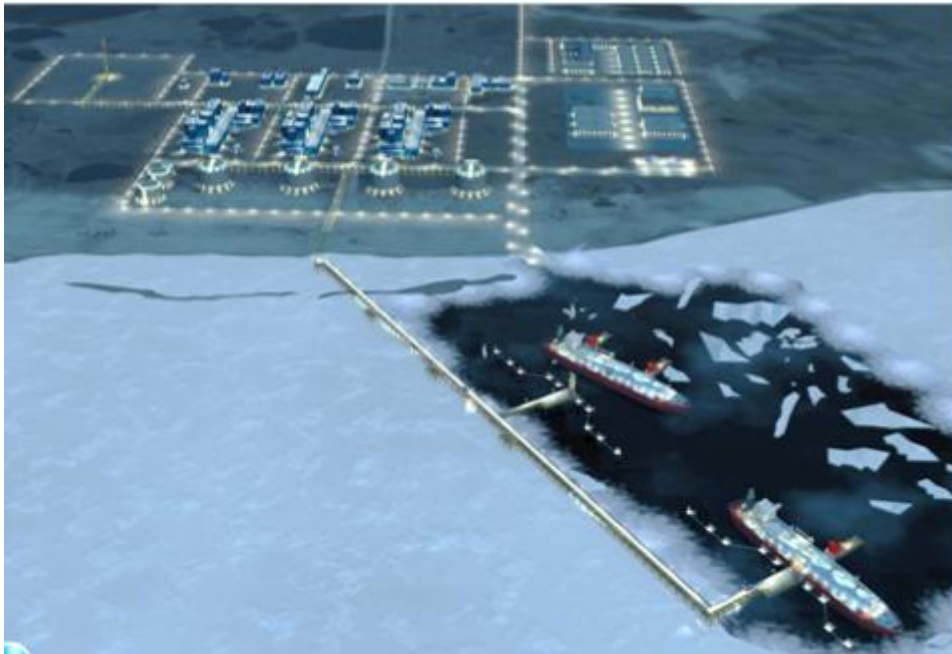


**Russian Reserve Appraisal of new NOVATEK licenses, 31.12.2010**

License area	Category	Natural Gas bcm	Liquid hydrocarbons, mmt	Total mm boe
Salmonovskiy	C1+C2	767	34	5,294
Geofizicheskoye	C1+C2	212	12	1,481
<b>Total</b>	<b>C1+C2</b>	<b>979</b>	<b>46</b>	<b>6,775</b>
Severo Obskoi	D1+D2	1,164	187	9,139
Vostochno-Tambeyskiy	D1+D2	598	34	4,200
<b>Total</b>	<b>D1+D2</b>	<b>1,763</b>	<b>221</b>	<b>13,340</b>

# Yamal LNG Production Facility

## Integrated facility at Sabetta



- ☐ Gas treatment and liquefaction facility
  - Onshore LNG plant: three production trains of 5.0 to 5.5 mmt per annum
  - 1 mmt per annum gas condensate production capacity
  - One site – integrated utilities and infrastructure
  - Single containment LNG tanks 4 x 160 mcm
- ☐ Jetty with two berths

Production

Liquefaction

Transportation

Marketing

Construction and operation of LNG shipping fleet will be carried out by a third party  
Yamal LNG will sign long-term charters with the operator

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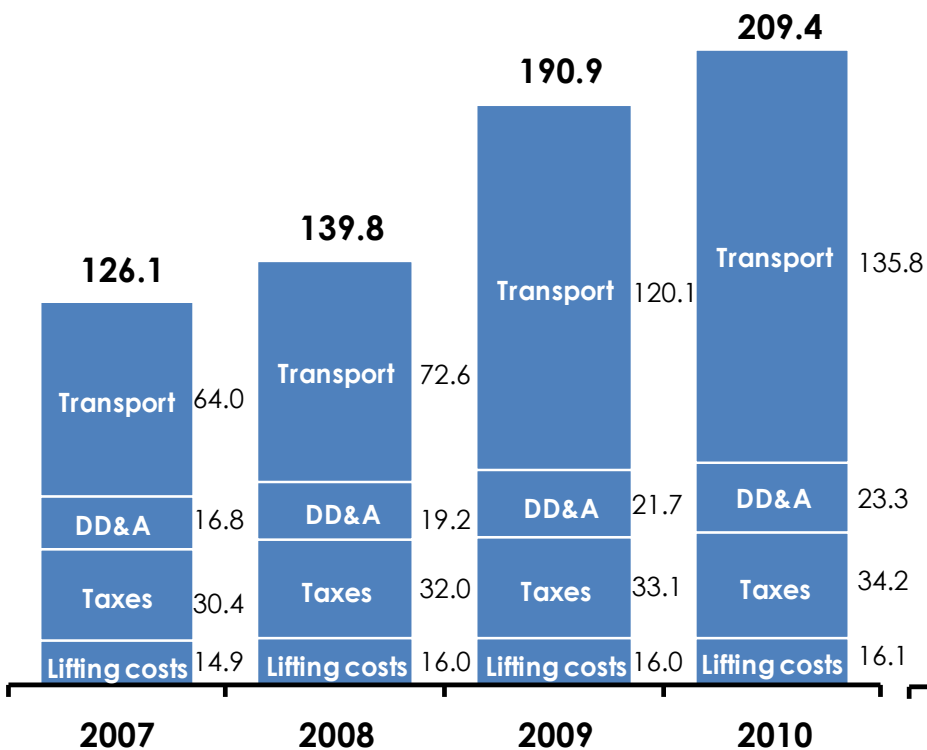
# NOVATEK

**Low Cost Producer/Capital Efficiency**

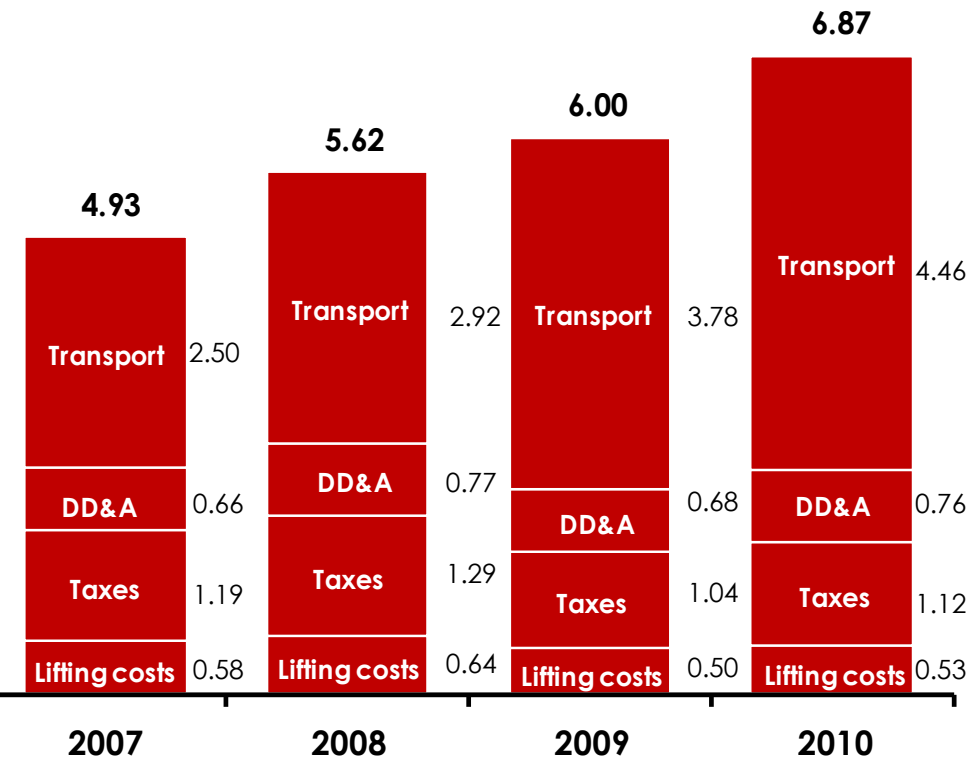
# Production Cost<sup>1</sup> per boe



Production costs (RR/boe)



Production costs (USD/boe)



Average exchange rate RR/USD:

25.58

24.85

31.72

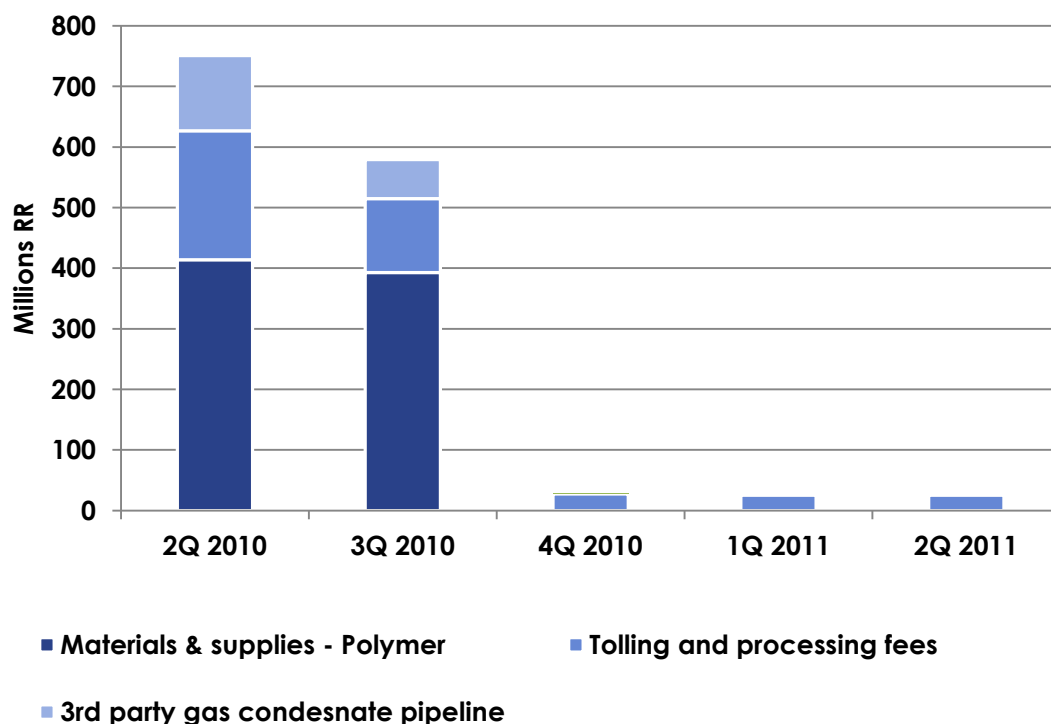
30.37

## Notes:

1. Production costs consist of amounts directly related to the extraction of natural gas, gas condensate and crude oil from the reservoir and other related costs; including production expenses, taxes other than income taxes (production taxes), insurance expenses and shipping/transportation/handling costs to end-customers. The average production cost on a boe basis is calculated by dividing the applicable costs by the respective barrel of oil equivalent of our hydrocarbons produced during the year.
2. Lifting costs consist of amounts directly related to the extraction of natural gas, gas condensate and crude oil from the reservoir

# Optimization of Operating Expenses

## Expenses affected by cost optimization



## 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 methanol production & transportation expense due to launch of own production facilities

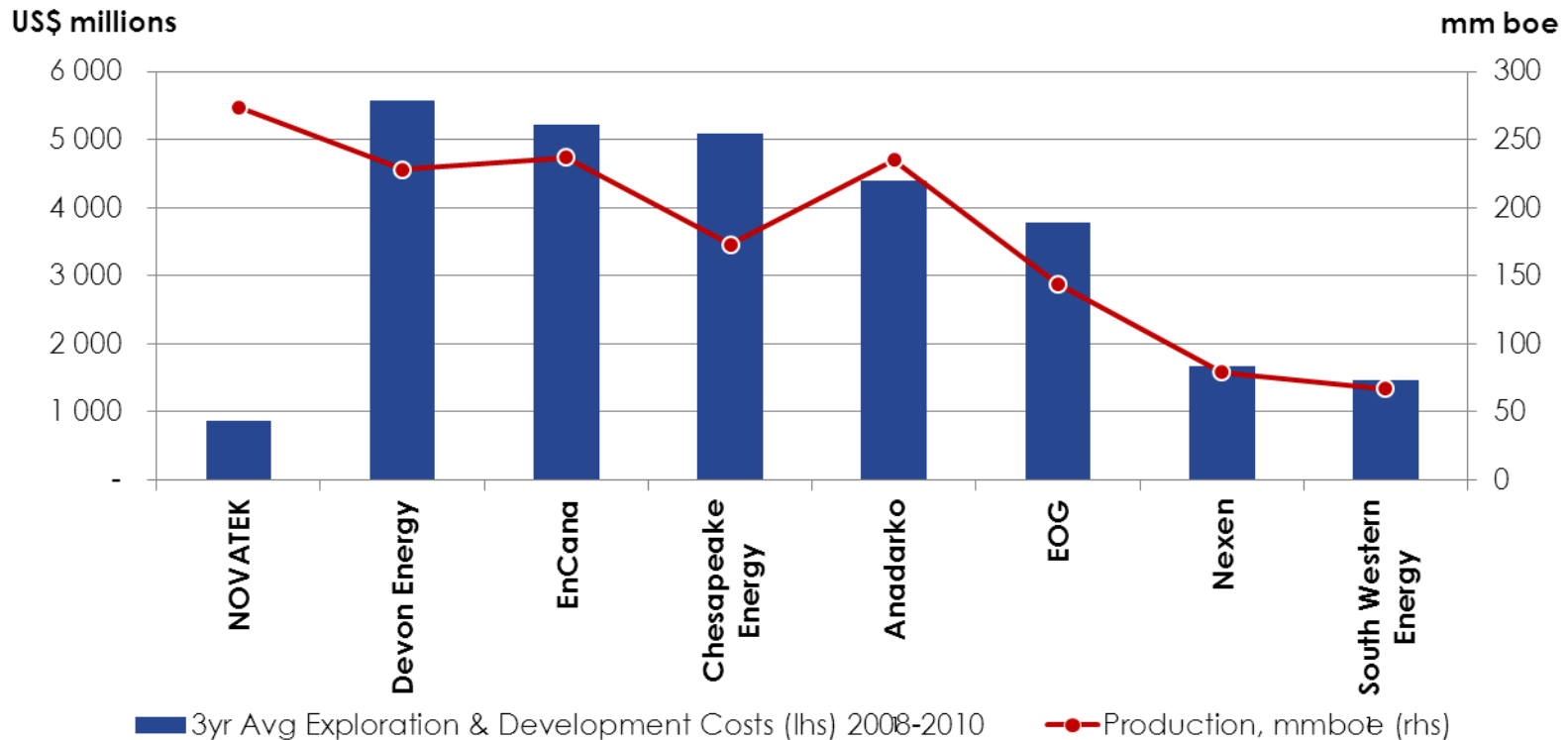
## Transportation expense

- 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

# Unrivalled Capital Efficiency



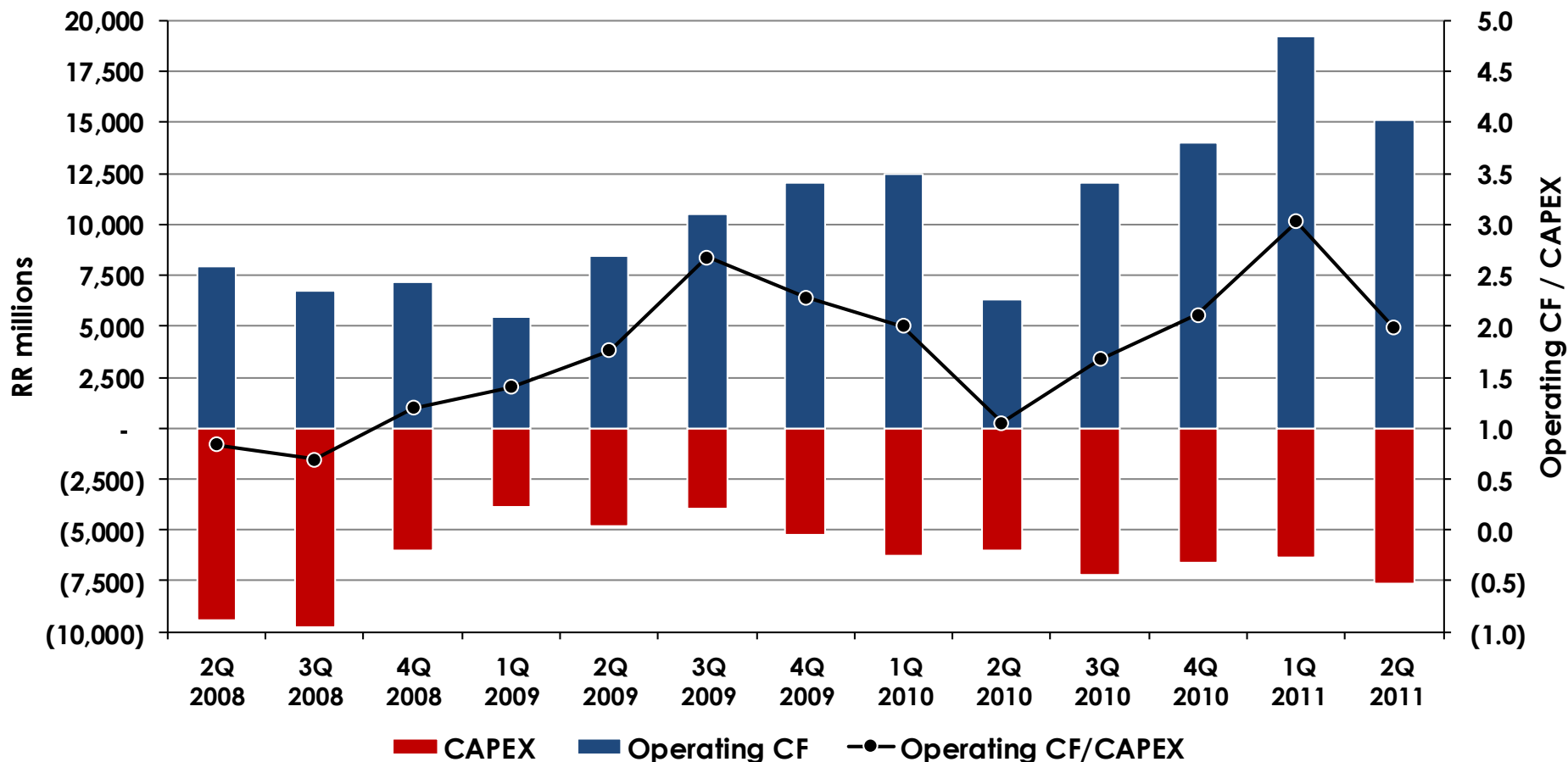
## Exploration & Development Capital Expenditures Converted to Production



Source: SEC filings and Company data

High production flow rates yet low capital intensity

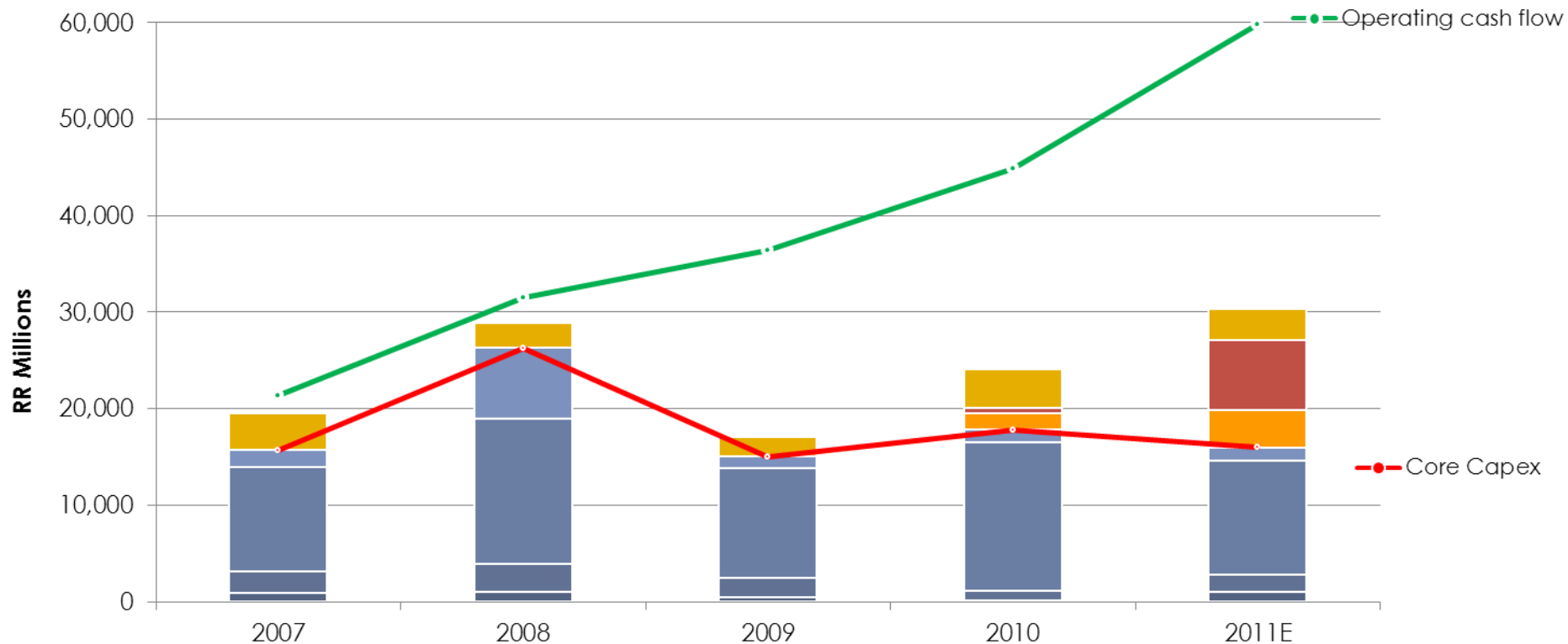
# Internally Funded Investment Program



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



# Core Fields Generating Free Cash Flow



## Core cash generating assets to fund future investments

Khancheyskoye
  East-Tarkosalinskoye
  Yurkharovskoye
  Purovsky Plant

## New project and exploration capex

South Tambeykoye
  Ust-Luga
  Exploration/other

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# NOVATEK

## Appendix 1: Financial Overview

# Summary Highlights – 1H 2011



- ❑ **Gross production increased by 36.8% Y-o-Y on a boe basis**
  - Gross natural gas production increased Y-o-Y by 39.0%
  - Gross liquids production increased Y-o-Y by 18.1 %
- ❑ **Sales volumes of natural gas and liquids increased Y-o-Y by 43.3% and 34.9%, respectively**
- ❑ **Total revenues increased Y-o-Y by 59.9% due to higher natural gas and liquid hydrocarbons' sales volumes and prices**
- ❑ **Profit from operations increased Y-o-Y by 69.2% due to the growth in revenues and our ability to control operating expenses**
- ❑ **Profit attributable to shareholders of OAO NOVATEK increased Y-o-Y by 81.6%**
- ❑ **EPS increased Y-o-Y by 81.6%**

# Comparison of Quarterly Results (RR million)



	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	Q-o-Q +/- %	Y-o-Y +/- %
Oil and gas sales	25,051	28,786	34,089	44,793	40,501	-9.6%	61.7%
Total revenues	25,706	29,441	34,135	44,861	40,576	-9.6%	57.8%
Operating expenses	15,717	17,587	19,267	23,421	22,439	-4.2%	42.8%
EBITDA <sup>(1)</sup>	11,699	14,017	16,604	23,104	19,844	-14.1%	69.6%
EBITDA margin	45.5%	47.6%	48.6%	51.5%	48.9%		
Effective income tax rate	20.9%	19.4%	22.5%	20.3%	20.1%		
Profit attributable to NOVATEK	7,139	10,105	12,107	18,853	14,421	-23.5%	102.0%
Net profit margin	27.8%	34.3%	35.5%	42.0%	35.5%		
Earnings per share	2.35	3.33	4.00	6.22	4.75	-23.5%	101.9%
CAPEX	6,052	7,196	6,628	6,342	7,611	20.0%	25.8%
Net debt <sup>(2)</sup>	26,906	21,547	61,988	69,388	75,109	8.2%	179.2%

Notes:

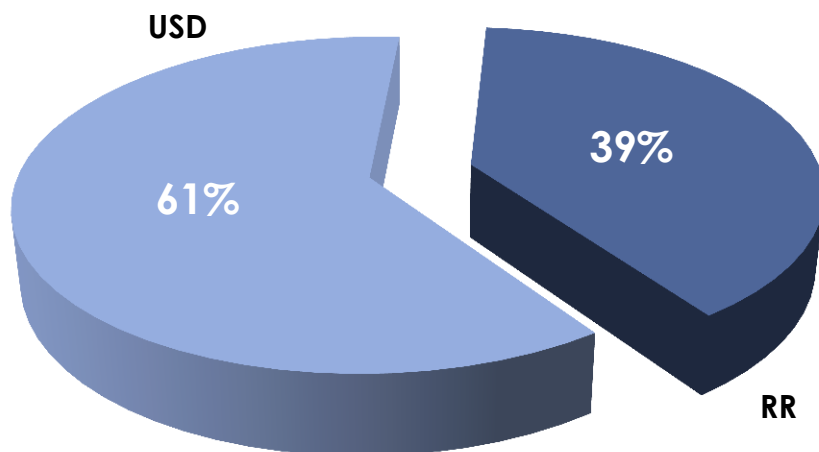
1. EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the addback of net impairment expense, income tax expense and finance income (expense) from the statement of income, and depreciation, depletion and amortization and share-based compensation from the statement of cash flows
2. Net debt is calculated as long-term debt plus short-term debt less cash and cash equivalents

# Debt Composition and Financial Policies

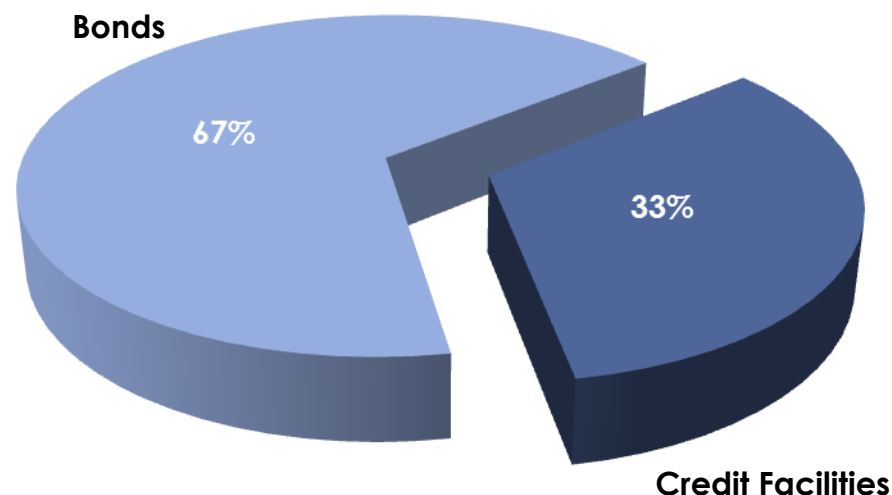


**Debt Composition as at 30 June 2011 – Total Debt = RR 89.34 billion**

**Currency**



**Type**



## Established track record of adhering to creditor friendly financial policies

Metric	Policy Target	2008	2009	2010	1H 2011	2011E
Debt/EBITDA <sup>1</sup> , (x)	~1.0x	0.7	1.0	1.3	1.2	1.0
Cash Balance, million \$	\$100 - \$150	442	332	337	507	792
Lines of credit, million \$	\$300 - \$500	250	823	695	495	495
Dividend <sup>2</sup> : % of Net Income	30%	52.93	42.85	38.9	22.81	>30%

**Notes:**

1. Debt/EBITDA for 1H 2011 is calculated using the TTM EBITDA
2. Dividend % of Net Income in 1H 2011 represents recommended 1H2011 interim dividend

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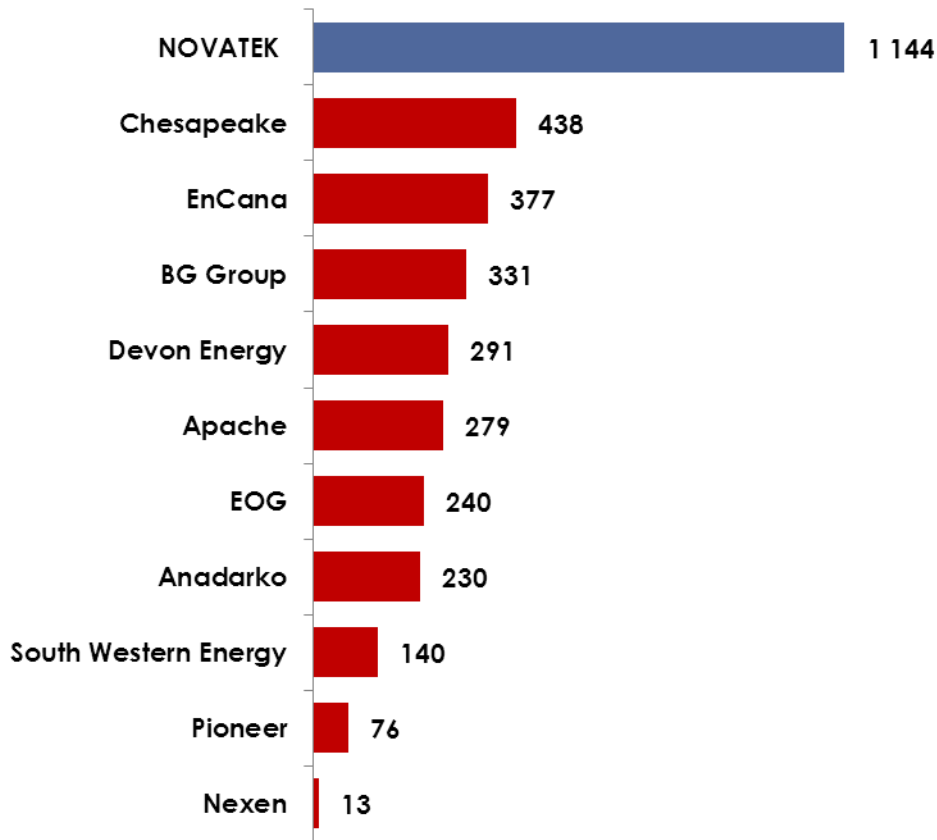
# NOVATEK

## Appendix 2: Peer Comparisons

# Industry Comparisons

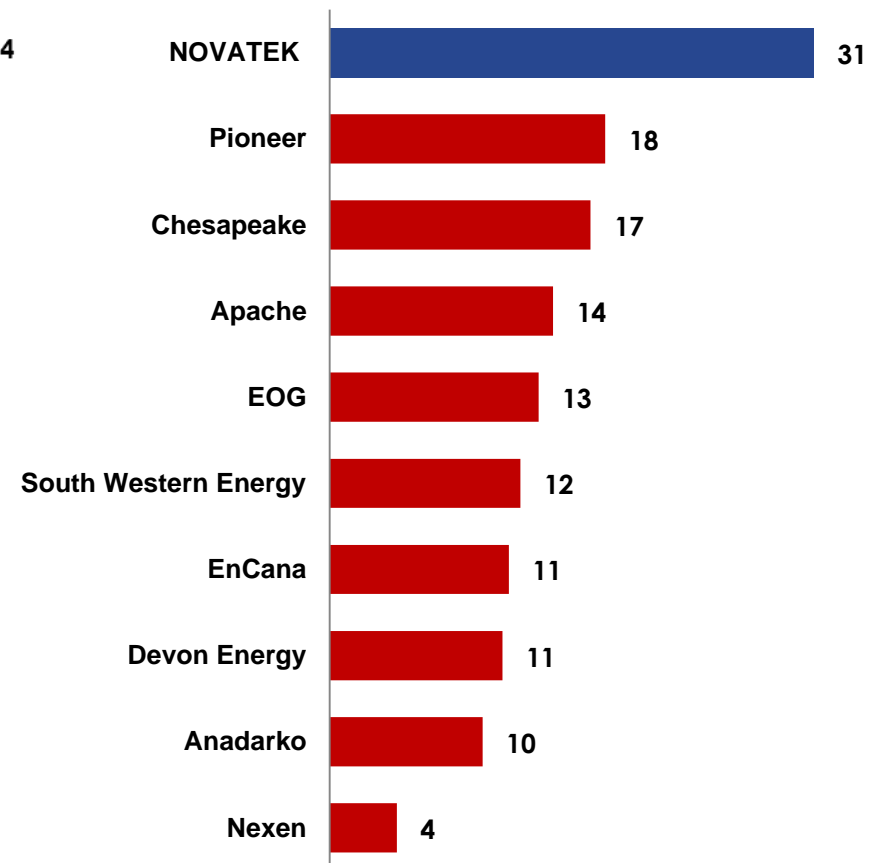


## 2010 Proved SEC gas reserves, bcm<sup>1</sup>



Source: Company data, SEC filings

## 2010 Natural Gas R/P Ratio<sup>2</sup>, Years



Source: Company data, SEC filings

### Notes:

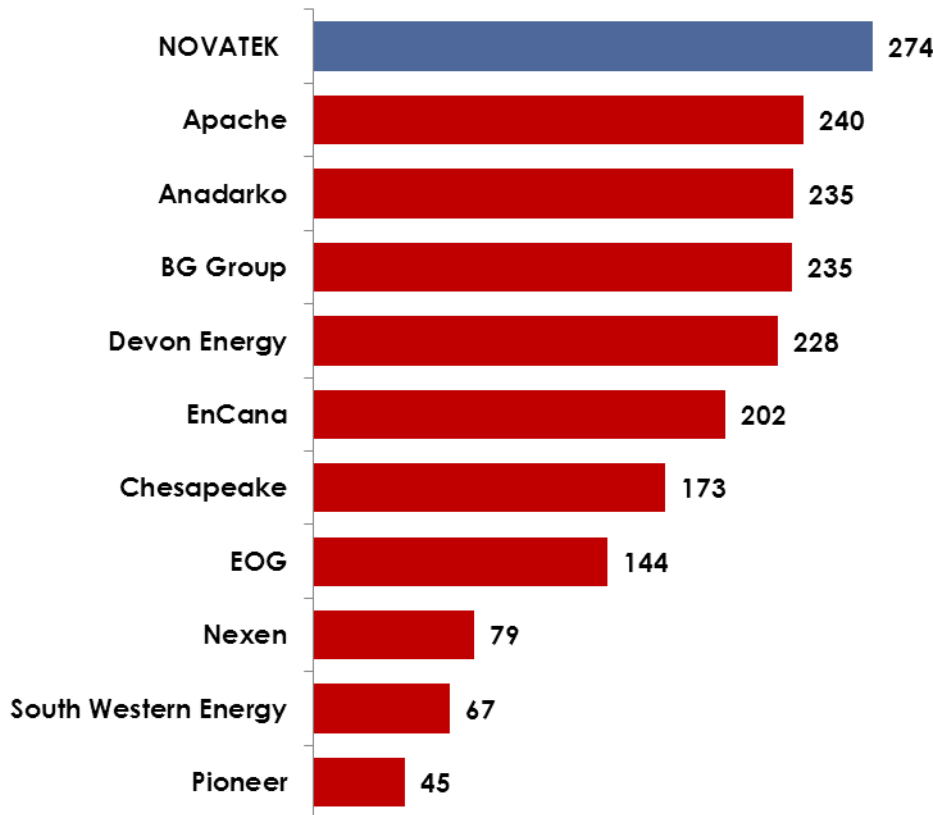
1. For companies who report gas reserves in cubic feet (cf), we use a standard industry coefficient of 35.315 billion cf per 1 bcm
2. The R/P Ratio is calculated by taking year end reserves appraised under the SEC's reserve methodology divided by production for the year



# Industry Comparisons

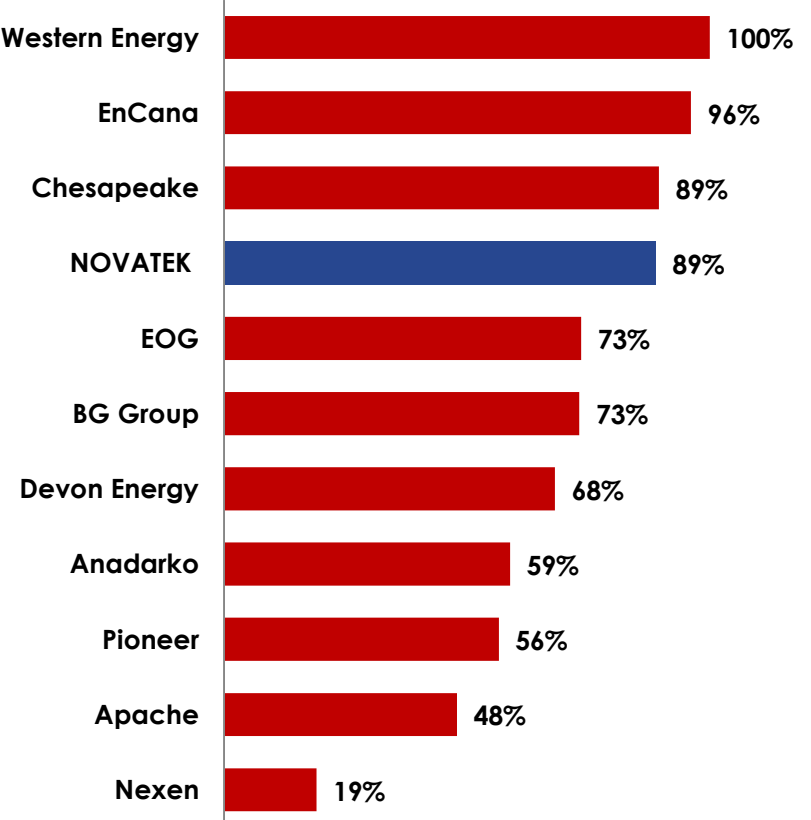


## Total 2010 Production (mm boe)



Source: Company data, and SEC filings

## 2010 Gas Production, % of Total Production

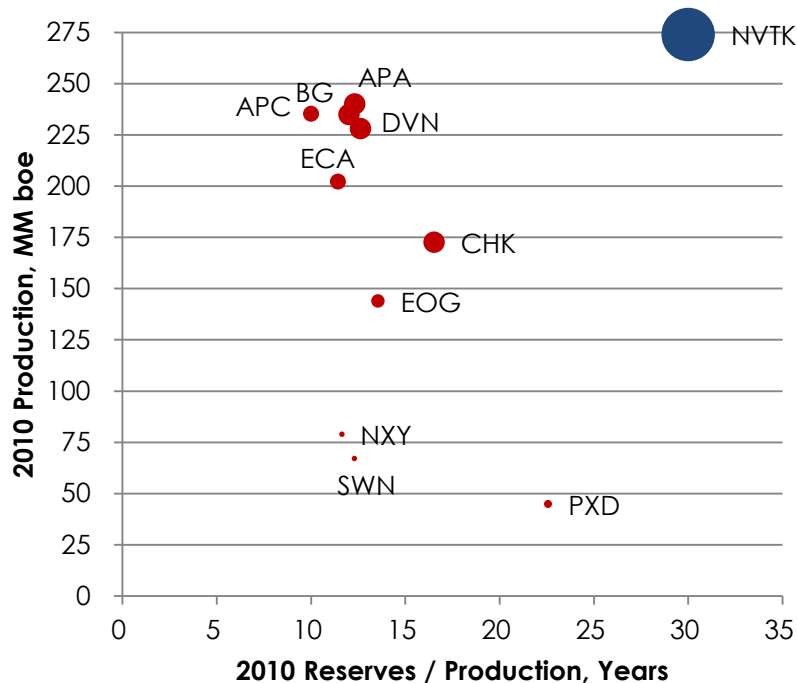


Source: Company data, and SEC filings

# Still the Most Efficient Producer

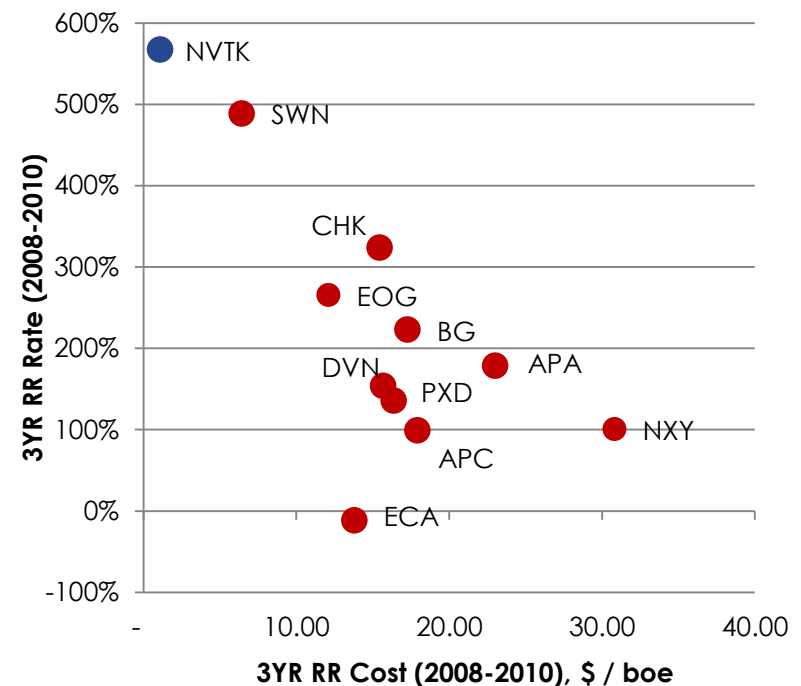


## Long life<sup>1</sup>



Source: SEC filings and Company Data

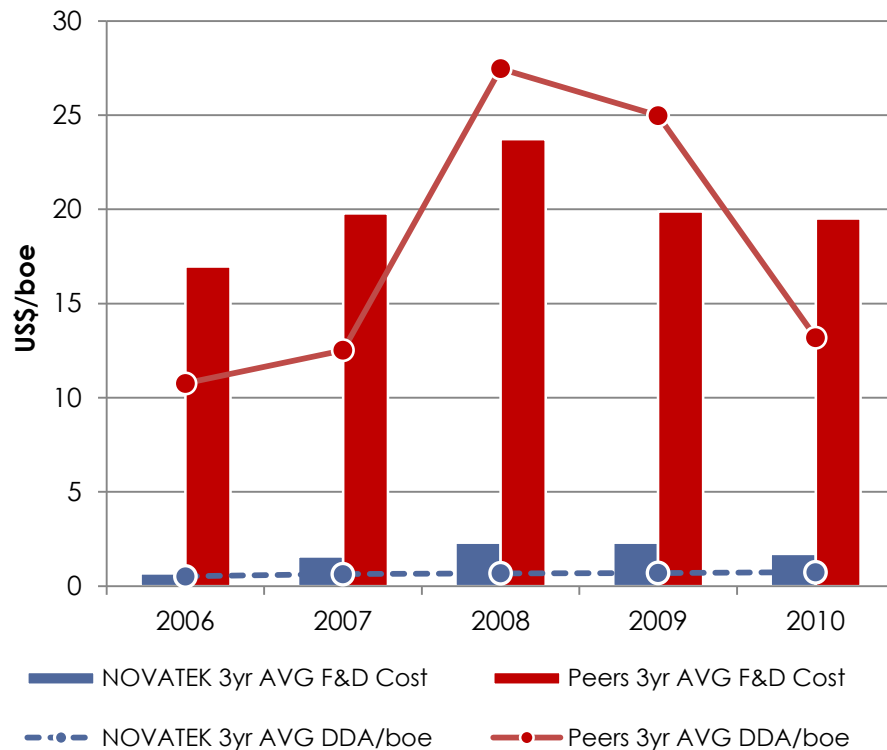
## Low cost



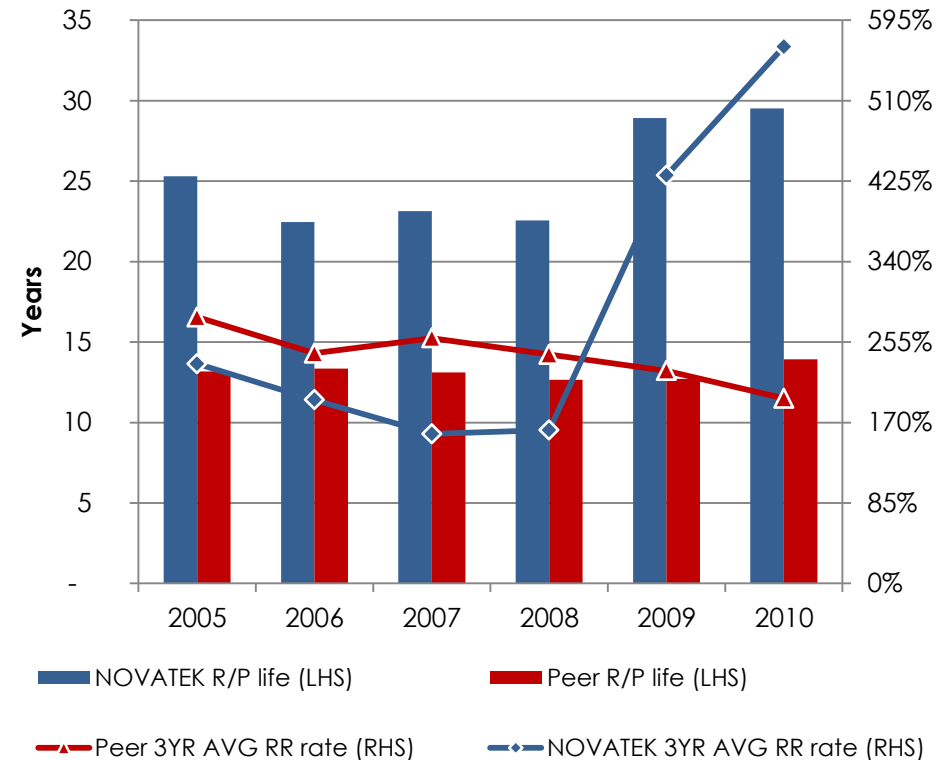
Source: SEC filings and Company Data

**NOVATEK is one of the most efficient operators among the peer group replacing reserves at the lowest cost**

# Efficiently Replacing Reserves



**Significant cost advantage over Peer Group**



**Increasing R/P Life and Reserve Replace Rates**

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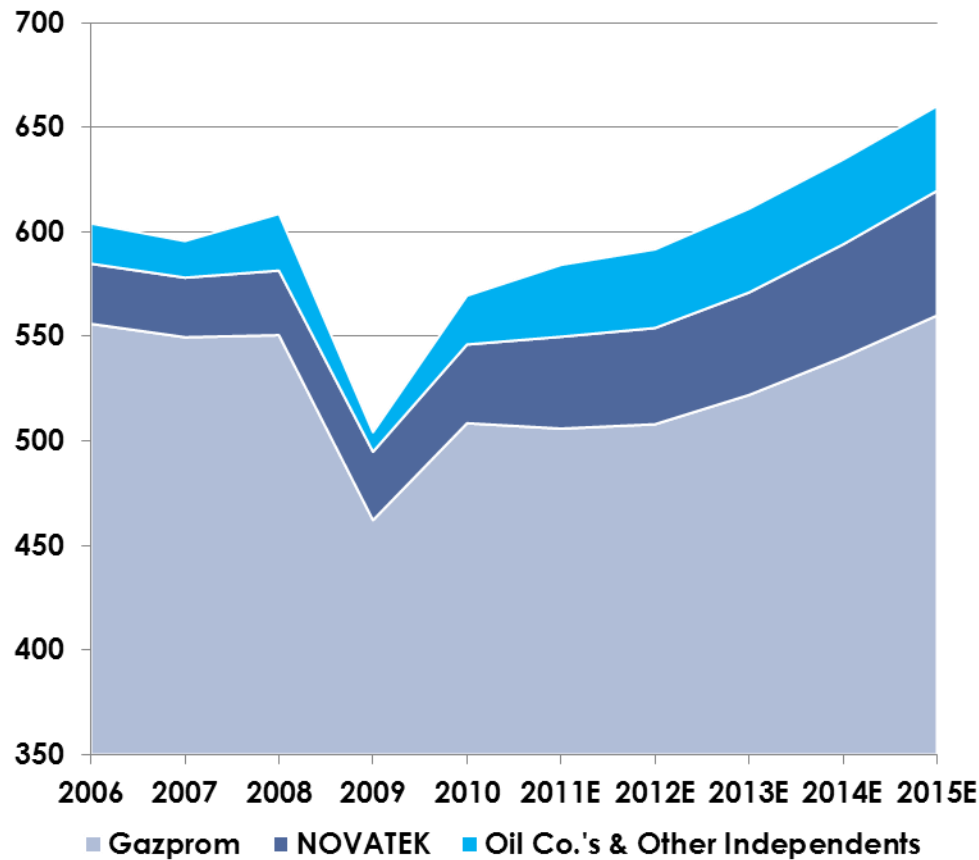
# NOVATEK

## Appendix 3: Macroeconomic Environment

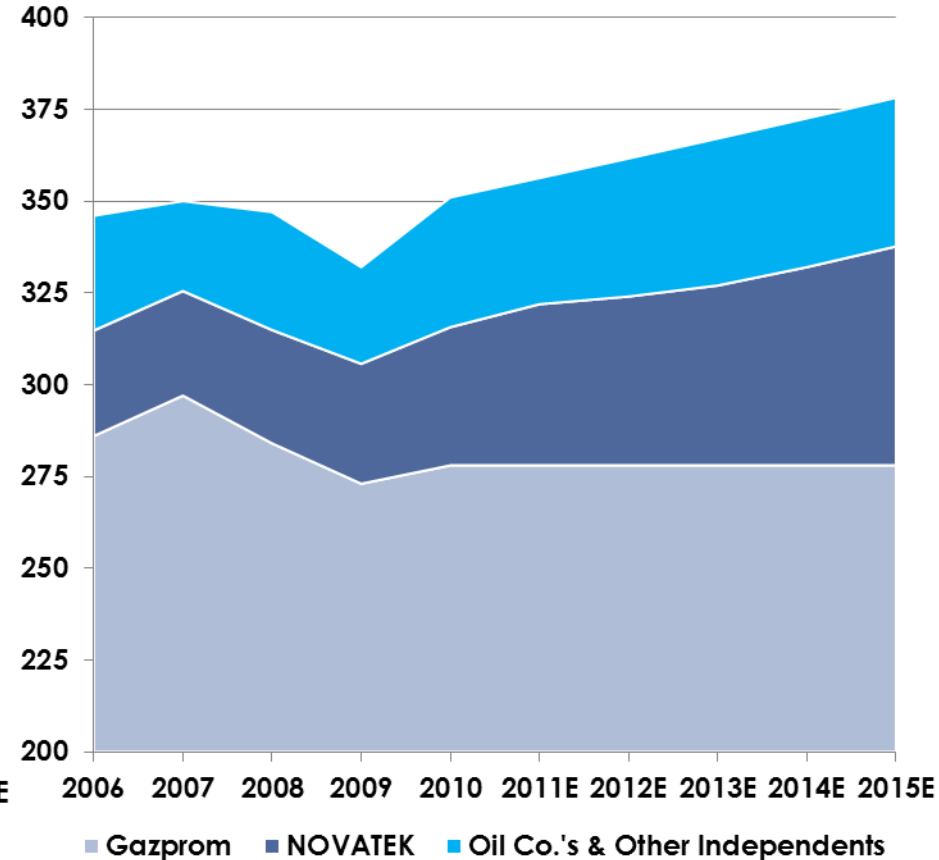
# Russian Domestic Gas Balance



Russian Natural Gas Production, bcm



Domestic Deliveries (via the UGSS), bcm



# Realizing Production Potential To 2015



## Analysis of Current Independent Natural Gas Production Potential

Company	Access to Gas Infrastructure	Gas Condensate Transportation Capacity	Gas Condensate Processing Capacity	Associated Gas Processing Capacity	Access to End-Customers	Focus
Gazprom	+	+	+	+	+	Natural Gas
NOVATEK	+	+	+	-	+	Natural Gas
Rosneft	-	-	-	-	-	Associated Gas
Lukoil	+	-	-	+	-	Associated Gas
TNK-BP	+	-	-	+	-	Associated Gas
Surgutneftgas	-	+	+	+	+	Associated Gas
Urengoiskaya Gas Co.	+	+	-	-	-	Natural Gas

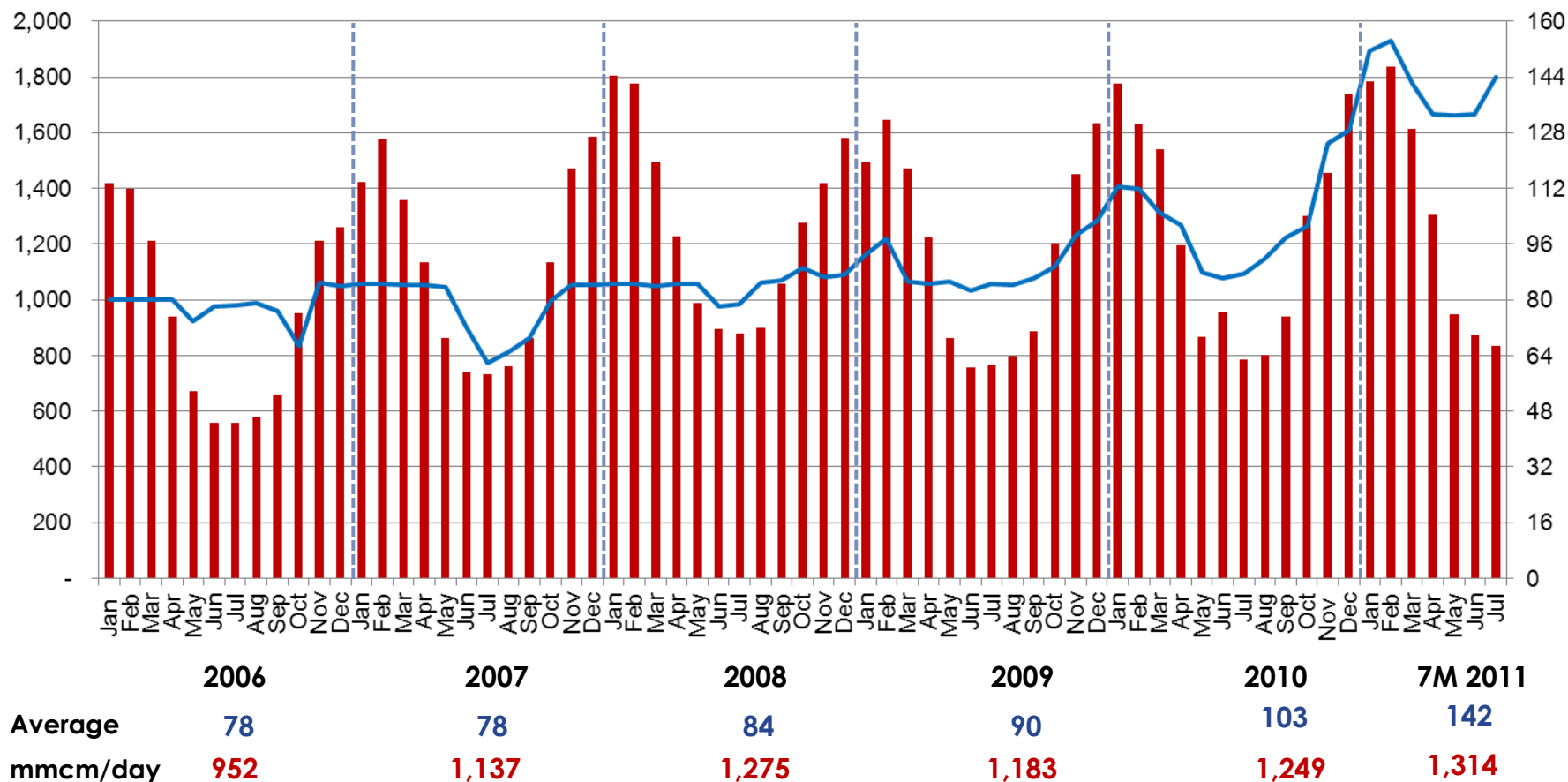
**NOVATEK's competitive advantage and positioning supports the Value Formula**

# Natural Gas Supplied to RF Domestic Market



mm cm/day

mm cm/day



RF domestic supplies (lhs) NOVATEK production (rhs)

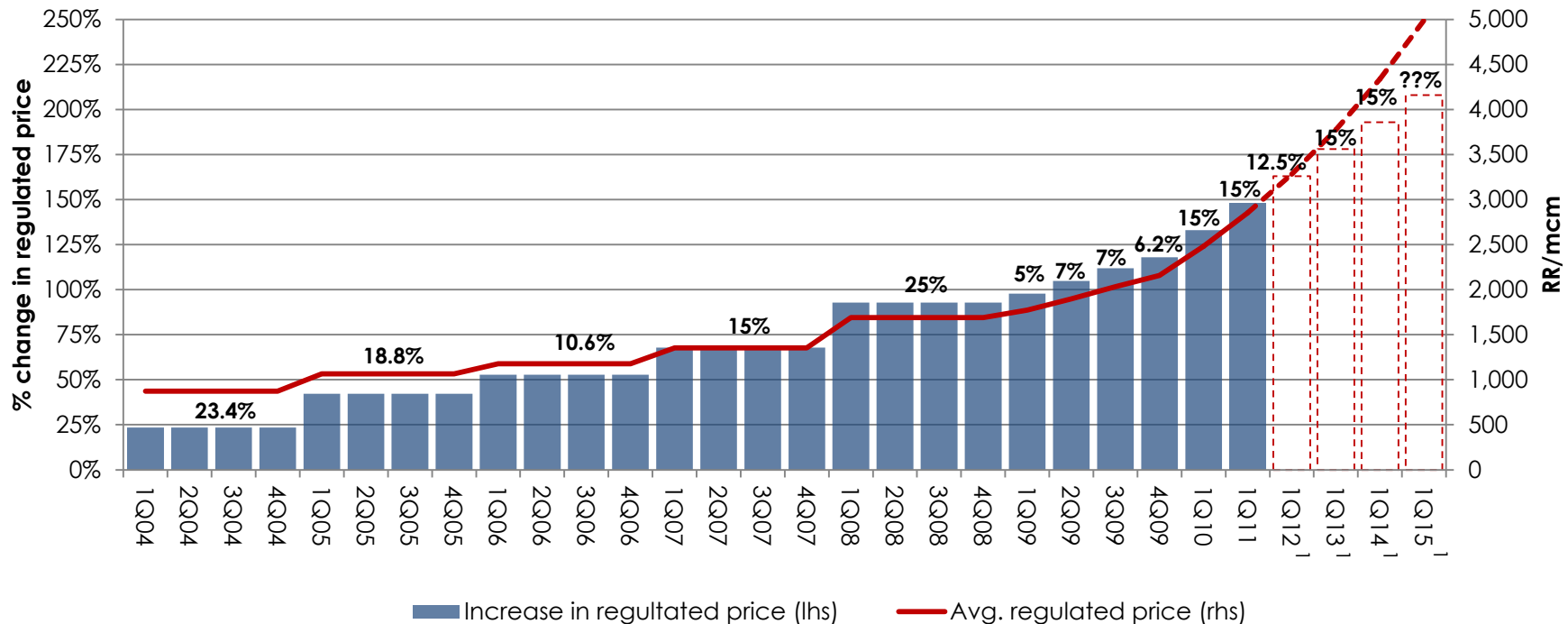
Source: Troika Dialog Research Data (2006 RF domestic supplies), CDU TEK (2007 – 2011 RF Domestic supplies), Company Data



# Predictable Gas Pricing Model



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



Note 1: According to the new Russian Governmental decree on 22 February 2011, full liberalization is targeted for 2015 (a one year delay from previous plan) 2012 tariff increase based on preliminary draft proposal for 5% increase 1 January 2011 and 9.5% in April, or 12.5% average increase for the year.

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

The image features the NOVATEK logo in large, bold, blue capital letters. To the left of the logo is a stylized blue graphic consisting of three horizontal, curved bars. The background is a faded image of an industrial facility with several tall distillation columns and scaffolding under a blue sky with some white clouds.

# NOVATEK

## Questions and Answers

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