NOVATEK

"Harnessing the Energy of the Far North"

Alexander Palivoda, Head of Investor Relations

Credit Suisse – 2014 Global Energy Conference

London

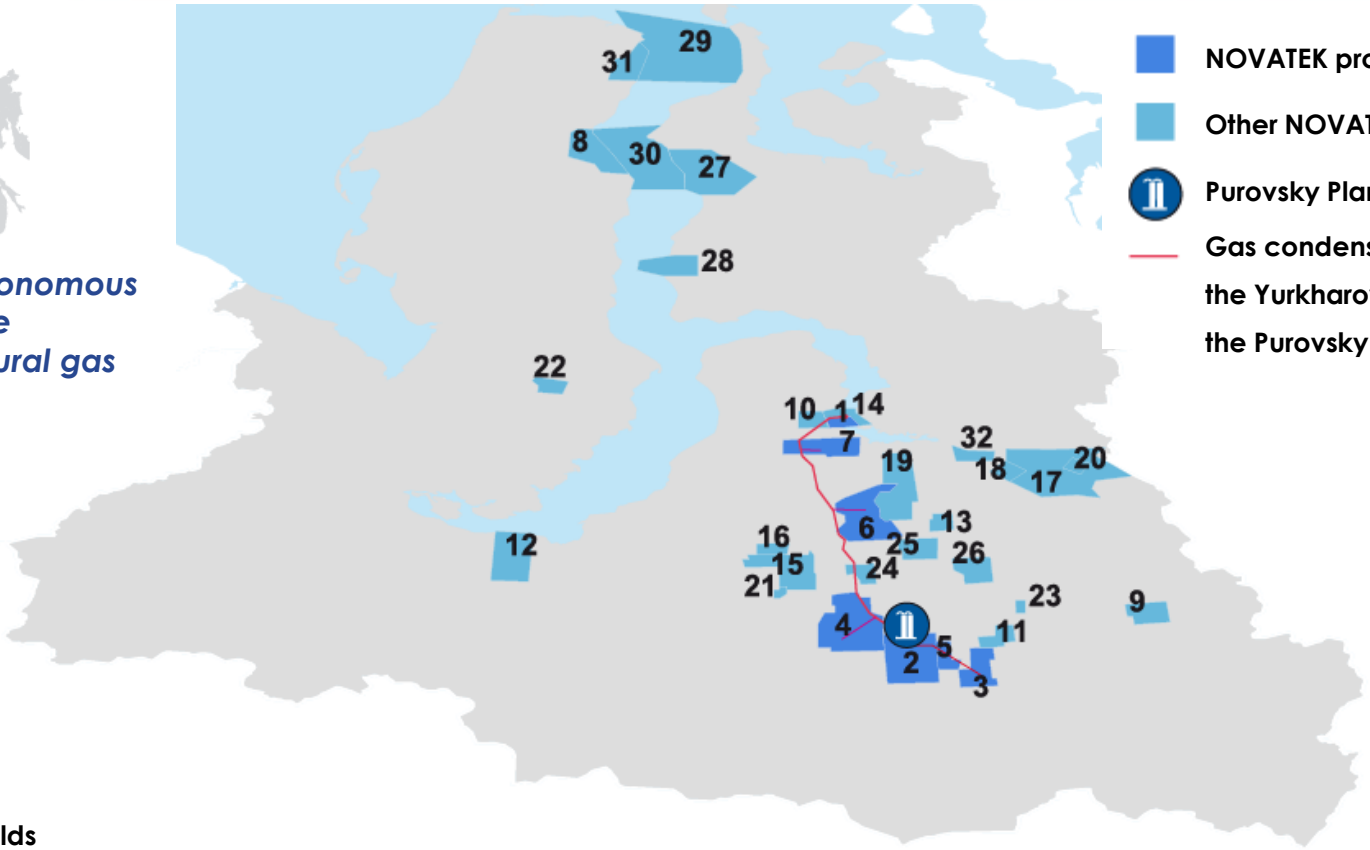
3-4 June 2014

Forward-Looking Statements

- Certain statements in this presentation are not historical facts and are "forward-looking". Examples of such forward-looking statements include, but are not limited to:
  - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
  - statements of our plans, objectives or goals, including those related to products or services;
  - statements of future economic performance; and
  - statements of assumptions underlying such statements
- Words such as "believes", "anticipates", "expects", "estimates", "intends", "plans", "outlook" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements
- By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements
- 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, and 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

Fields and License Areas

Yamal-Nenets Autonomous Region – one of the world's largest natural gas producing regions



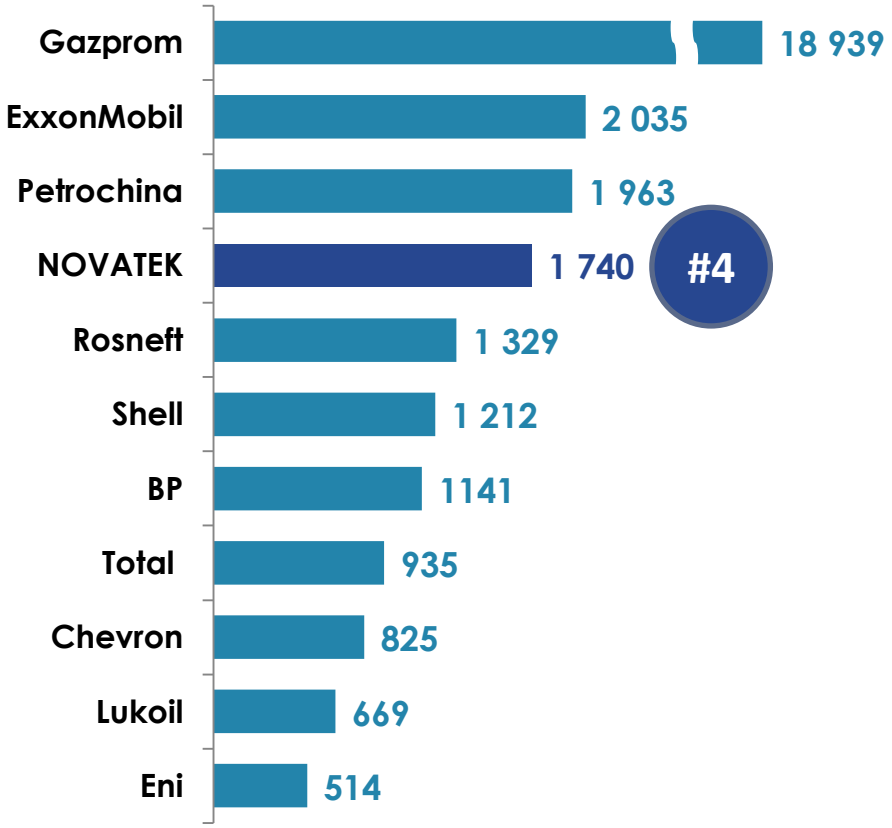
producing fields

1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy license area
5. Yumantilskiy license area
6. Samburgskiy license area
7. Severo-Urengoyskoye field
8. South-Tambeyskoye field
9. Termokarstovoye field
10. West-Yurkharovskoye field
11. North Khancheyskoye field
12. Yarudeyskoye field
13. Raduzhnoye field
14. New Yurkharovskiy license area
15. Zapadno-Urengoiskiy license area
16. Severo-Yubileynoye field
17. Severo-Russkiy license area
18. Severo-Russkoye field
19. Zapadno-Tazovskiy license area
20. Dorogovskiy license area
21. Ukrainsko-Yubileynoye field
22. Malo-Yamalskoye field
23. Zapadno-Chaselskoye field
24. Yevo-Yakhinskoye field
25. Yaro-Yakhinskiy license area
26. Severo-Chaselskiy license area
27. Salmanovskoye (Utrenneye) field
28. Geofizicheskiy license area
29. North-Obskiy license area
30. East-Tambeyskiy license area
31. Severo-Tasiyskiy license area
32. East-Tazovskiy license area

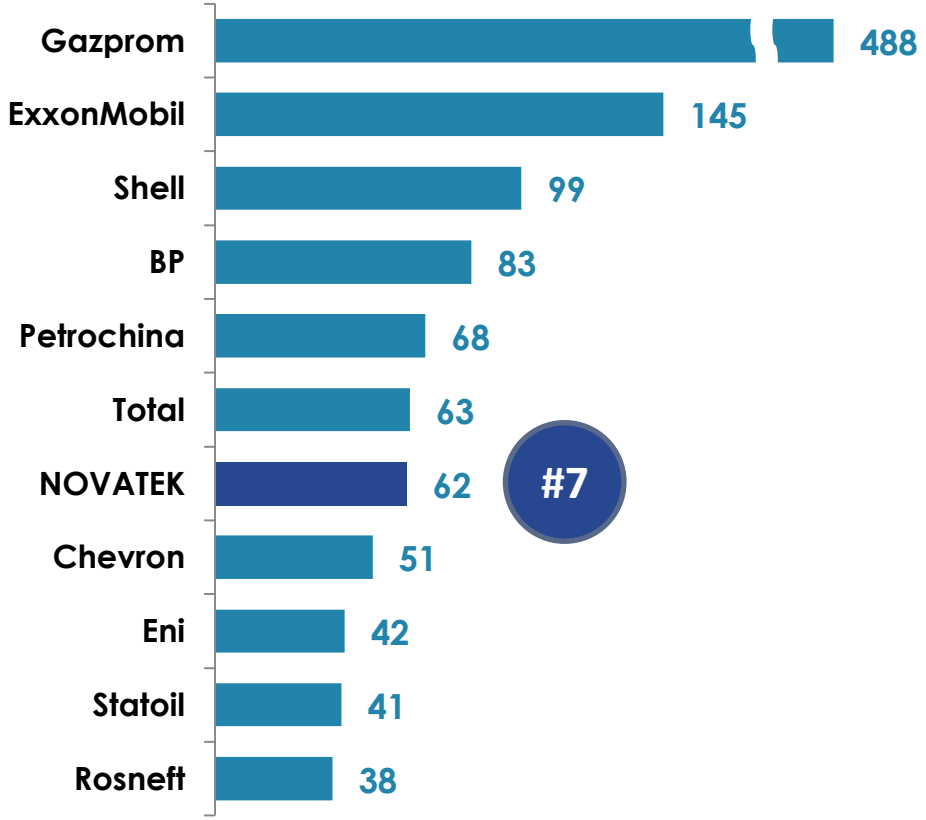
Positions in the World

NOVATEK

Proved gas reserves as at 31.12.13 (SEC), bcm



Gas production in 2013, bcm



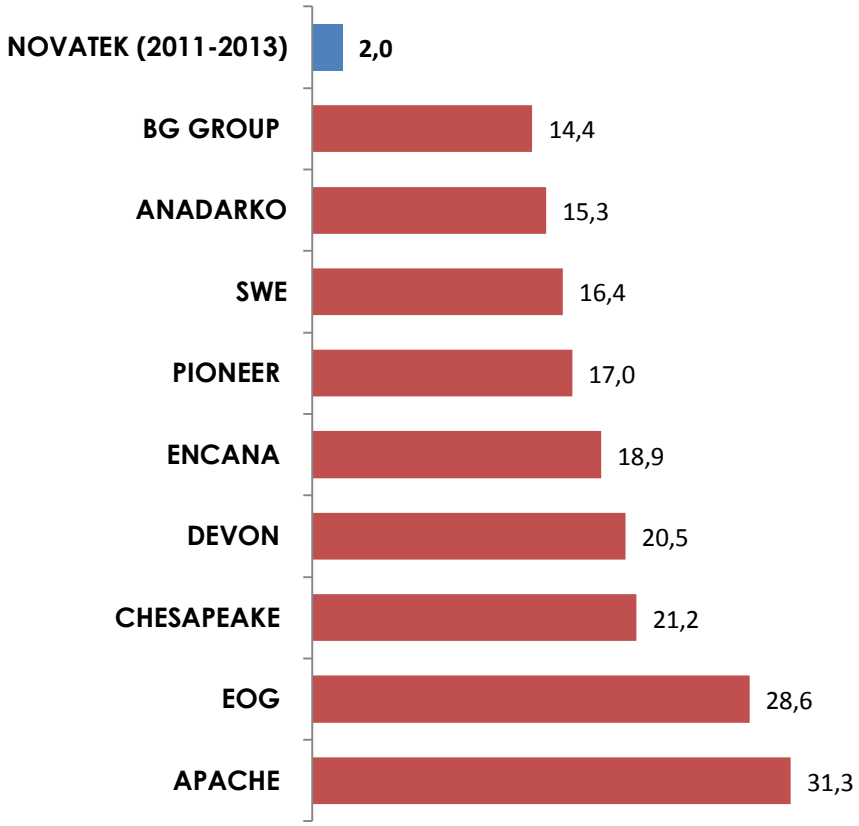
ONE OF THE LOWEST FINDING & DEVELOPMENT AS WELL AS LIFTING COSTS IN THE GLOBAL OIL & GAS INDUSTRY

Source: Bloomberg, company data.

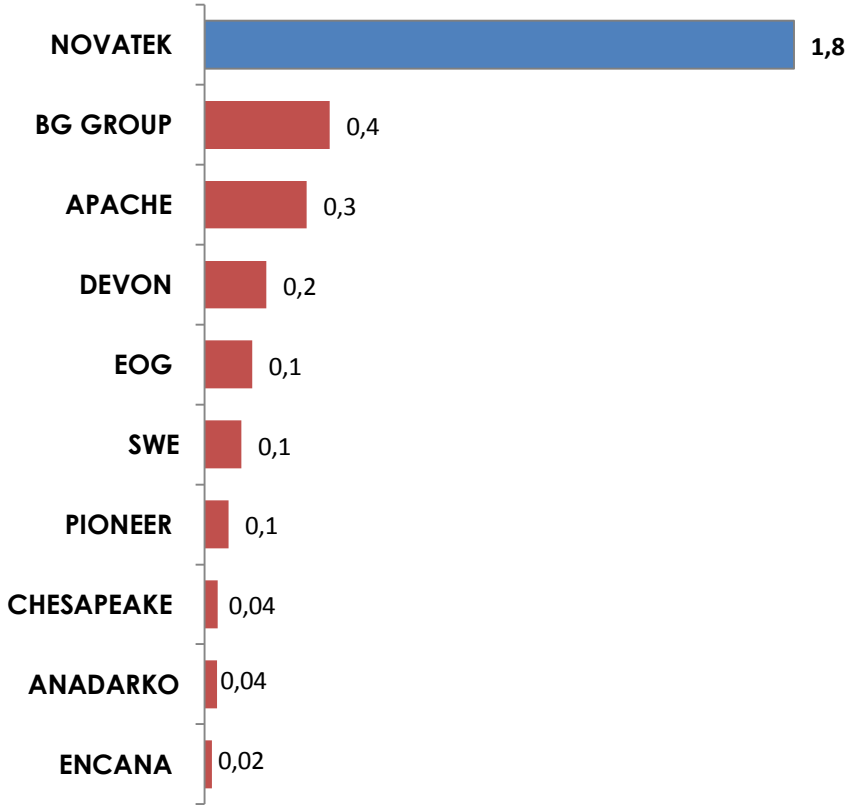
Low Cost Base and High Profitability

NOVATEK

3-year average reserve replacement costs (2010-2012), USD/boe



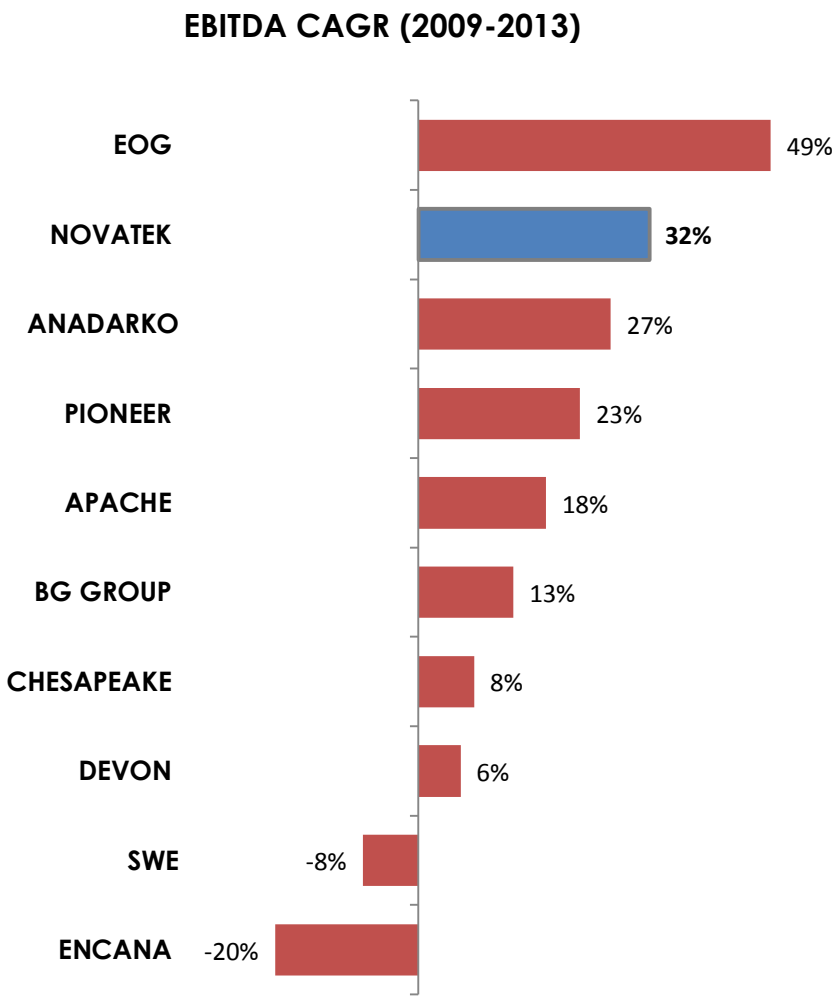
PI (net income to capital expenditures), 2009-2013

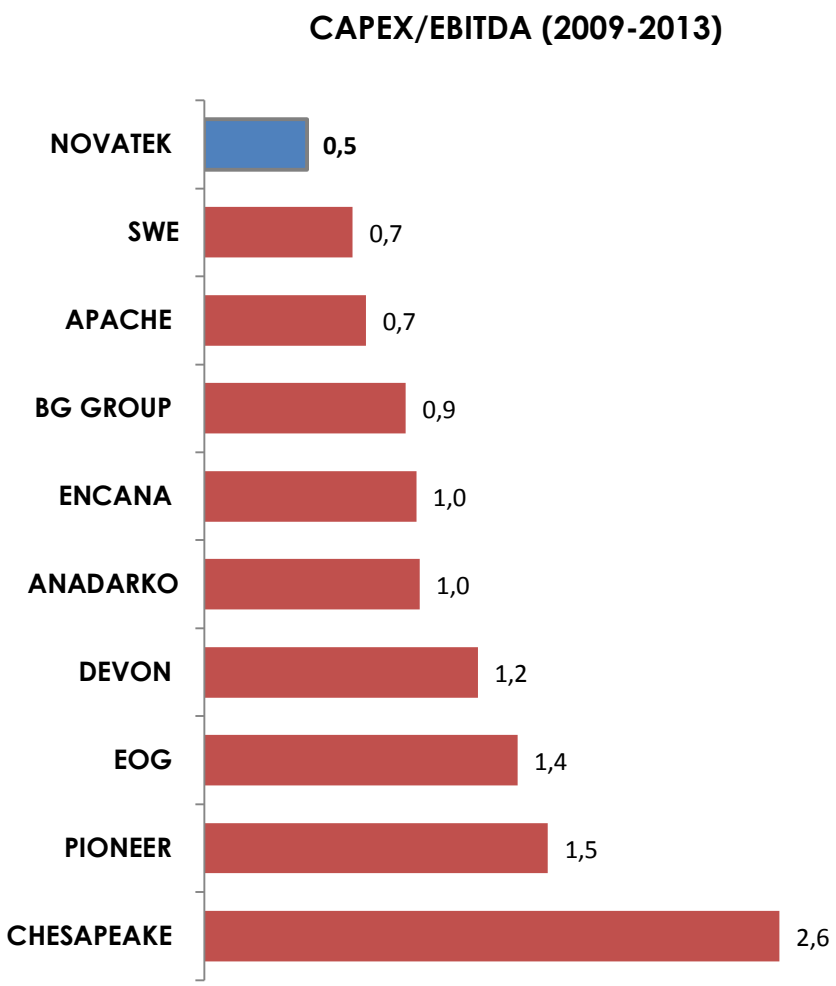


Source: Company data, IHS, Bloomberg

Leading Growth at Lowest Cost

NOVATEK

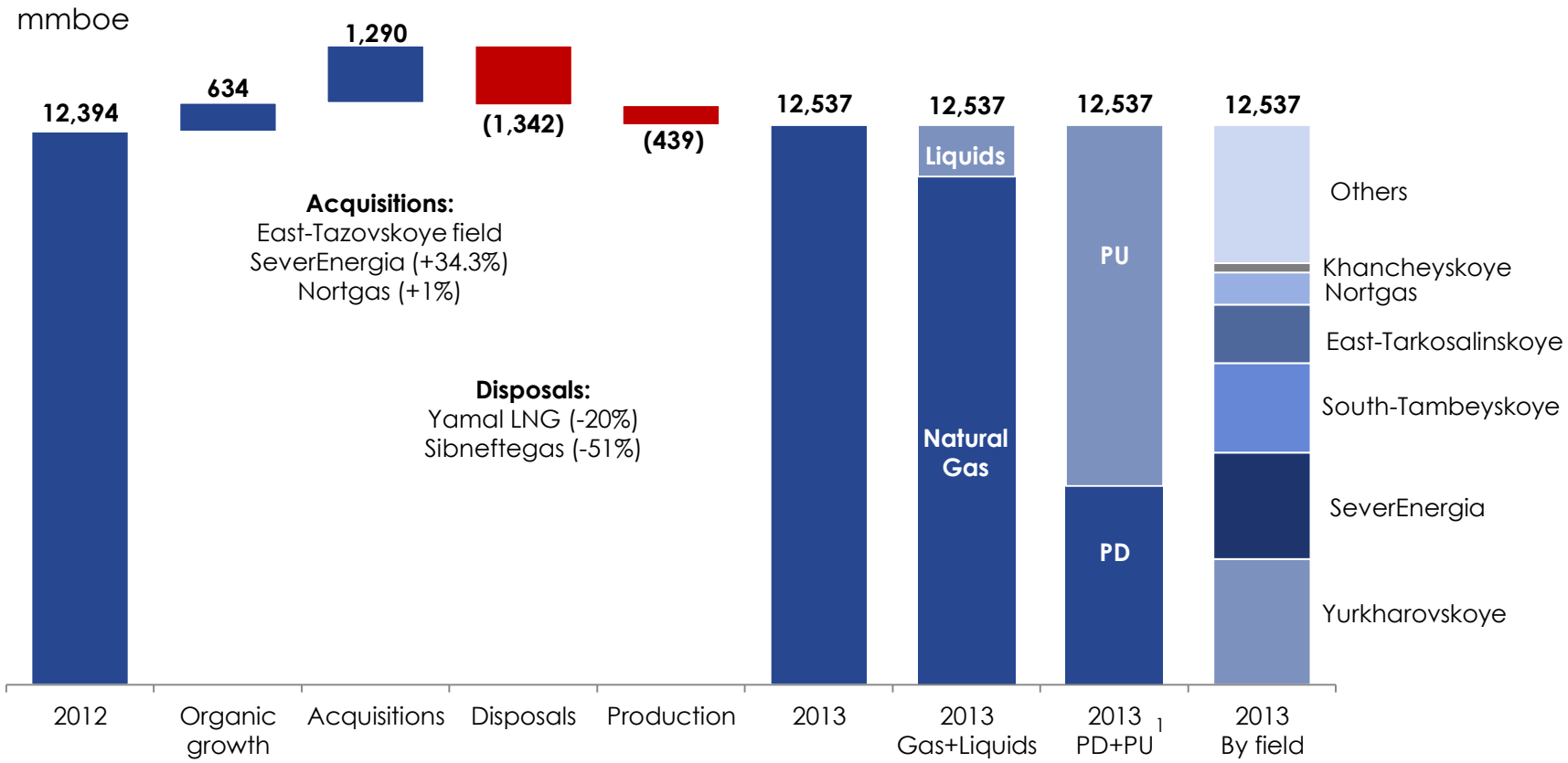




Source: Company data, Bloomberg

SEC Proved Reserves

Reserve replacement ratio in 2013 – 132%
Organic reserve replacement ratio – 144%

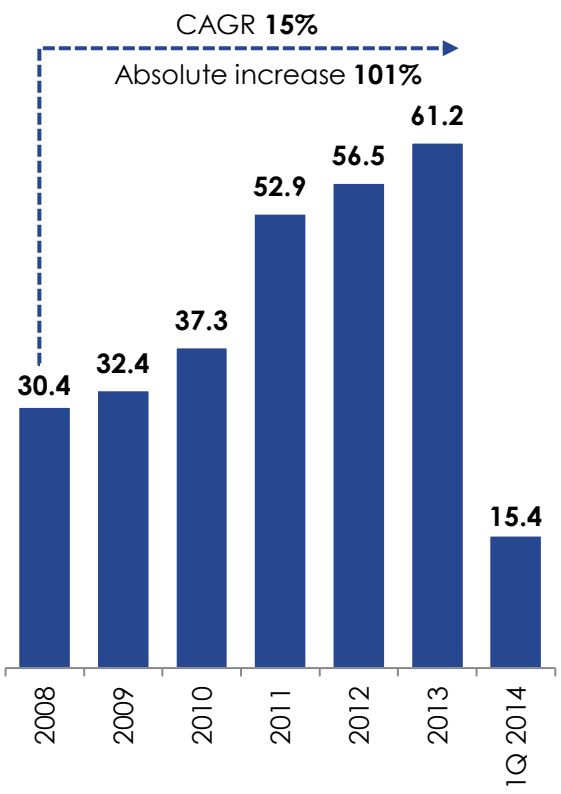


Note:
1. Proved developed and proved undeveloped reserves

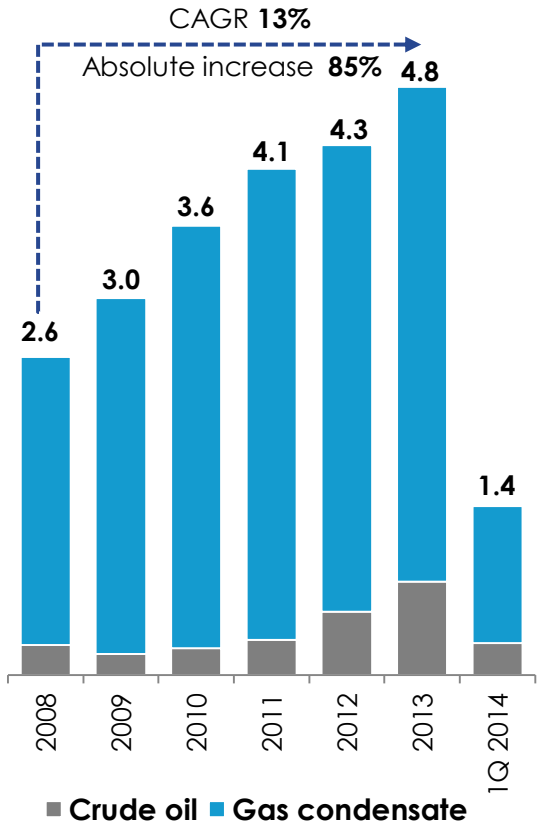
Hydrocarbon Production

NOVATEK

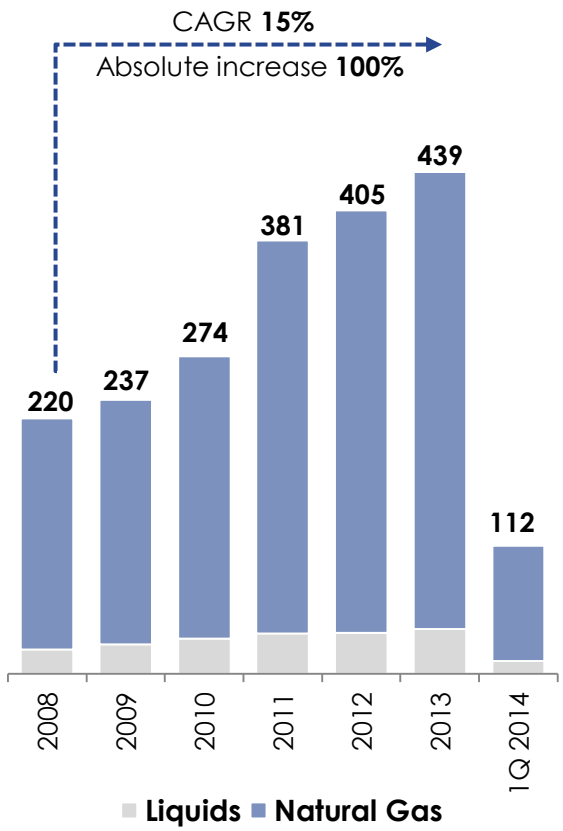
Natural Gas Sales Production, bcm



Liquids Sales Production, mmt



Total Hydrocarbon Production, mmboe



SUSTAINABLE PRODUCTION GROWTH

Development of Production Capacities in 2013

- Launch **of the Eastern Dome of the North-Urengoyskoye field**, developed by Nortgas JV, which allowed to increase production capacity of the field to more than 10 bcm of natural gas and 1.3 mmt of gas condensate per annum
- Launch of **Urengoyskoye and Dobrovolskoye fields** (located within the Olimpiyskiy license area) with overall project production capacity of 1.7 bcm of natural gas and 200 thousand tons of gas condensate per annum
- Launch of **the second stage of the compressor booster station at the Yurkharovskoye field** (3 compressors with overall capacity of 75 MW + 1 reserve compressor), required to keep the existing production capacity of the field

Compressor Booster Station at the Yurkharovskoye field

The Eastern Dome of the North-Urengoyskoye field

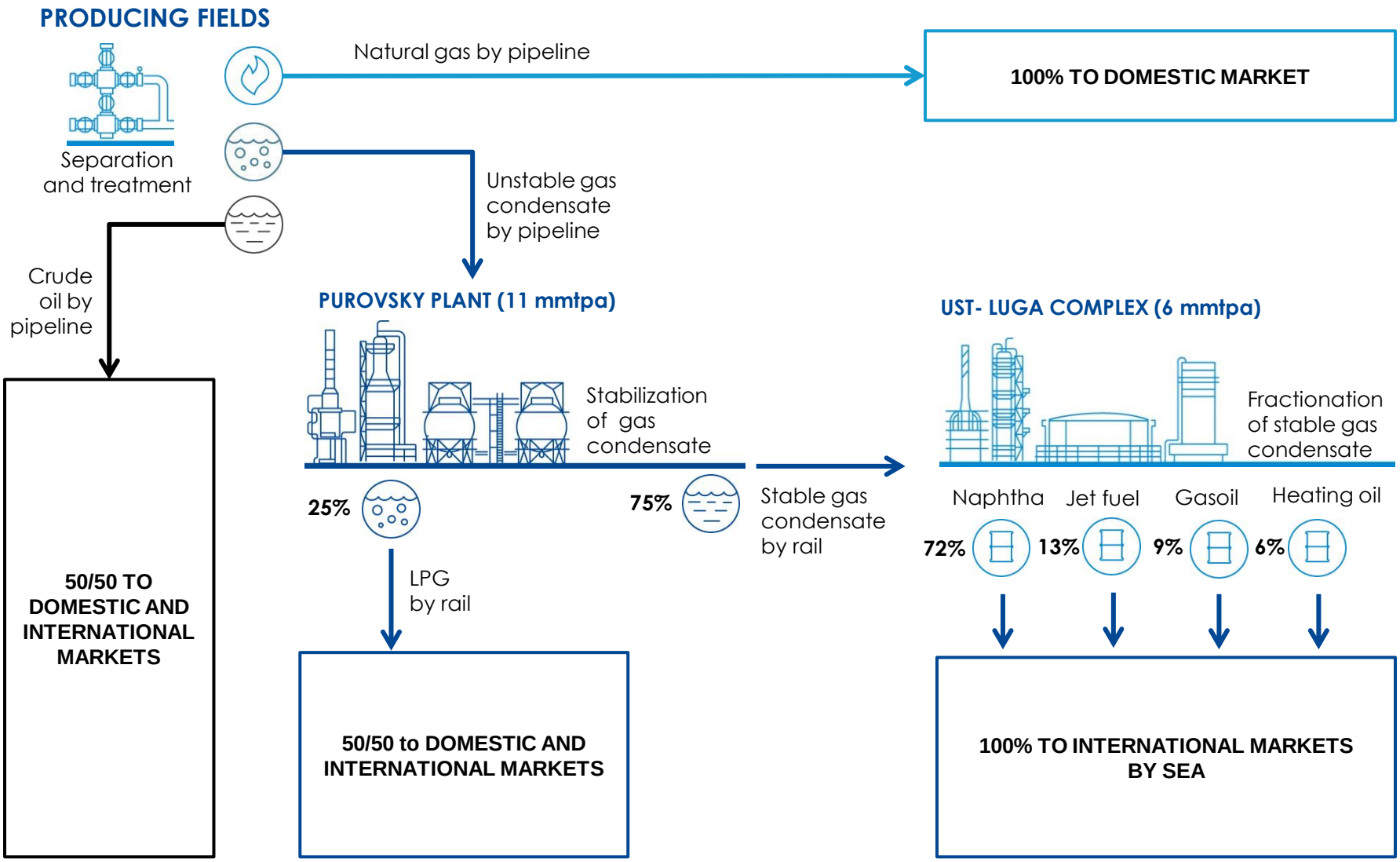
Development of Production Capacities: Plans for 2014

NOVATEK

- Launching 80% of production capacities of the SeverEnergia JV by the year-end:
  - **Urengoyskoye gas and gas condensate field** (two stages, full capacity)
  - **Yaro-Yakhinskoye gas and gas condensate field** (full capacity)
  - **third stage of the Samburgskoye gas and gas condensate field** (full capacity)
- Launch of **the North-Khancheyskoye gas field**
- Intensive construction and drilling works at **the Yarudeyskoye oil field** scheduled to be launched in 2015
- Works at **the Termokarstovoye gas and gas condensate field** scheduled to be launched in 2015
- Production plans for 2014 (updated following the fire at the Urengoyskoye field):
  - Gas production 2-3% up year-on-year, >10% increase ex. share in Sibneftegas production in 2013
  - Liquids production 20-30% up year-on-year

Value Chain

NOVATEK



Purovsky Plant Expansion Completed

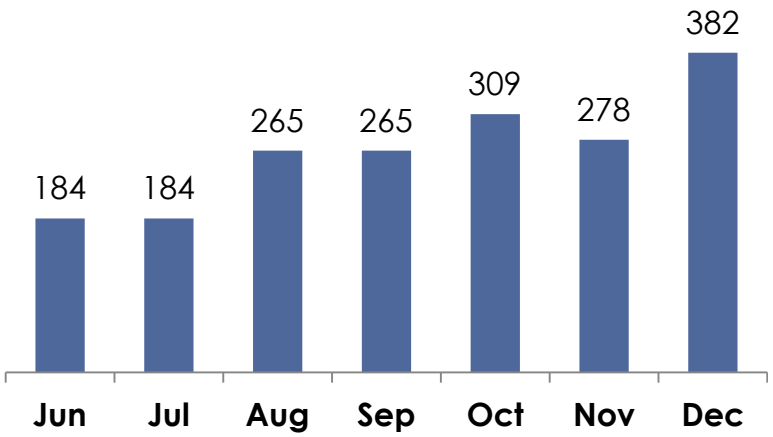
Year	Stage	Capacity
2005	**First stage** 1st and 2nd stabilization technological trains	**2 mmt per annum** of de-ethanized condensate
2008	**Second stage** 3st and 4nd stabilization technological trains	**3 mmt per annum** Total – 5 mmt per annum of de-ethanized condensate
2009	**Second stage** 1st and 2nd LPG scrubber technological trains	**1.3 mmt per annum** of LPG
2013	**Third stage** 5th and 6th stabilization technological trains	**3 mmt per annum** Total – 8 mmt per annum of de-ethanized condensate
2014	**Third stage** 7th and 8nd stabilization technological trains	**3 mmt per annum** **Total – 11 mmt per annum of de-ethanized condensate**

Ust-Luga Gas Condensate Fractionation and Transshipment Complex Completed

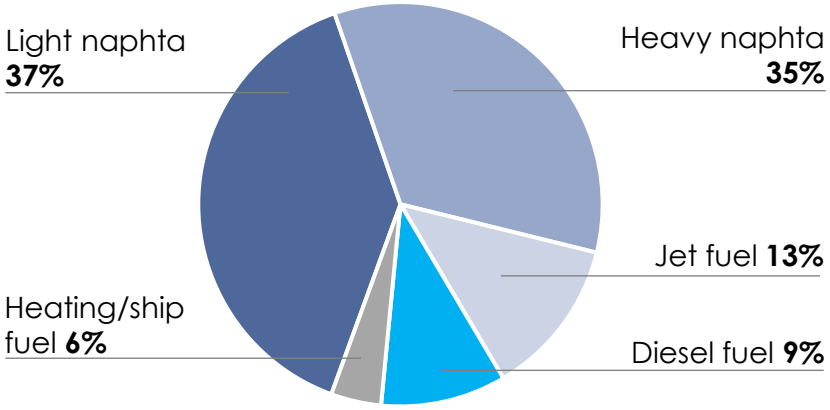
NOVATEK

- Nameplate processing capacity – **6 mmt** of stable gas condensate per annum (2 trains of **3 mmt** each)
- **First train launched in June 2013, second train launched in October 2013**
- The complex allows to process stable gas condensate from the Purovsky Plant and ship the products to international markets

Throughput volumes in 2013, mt

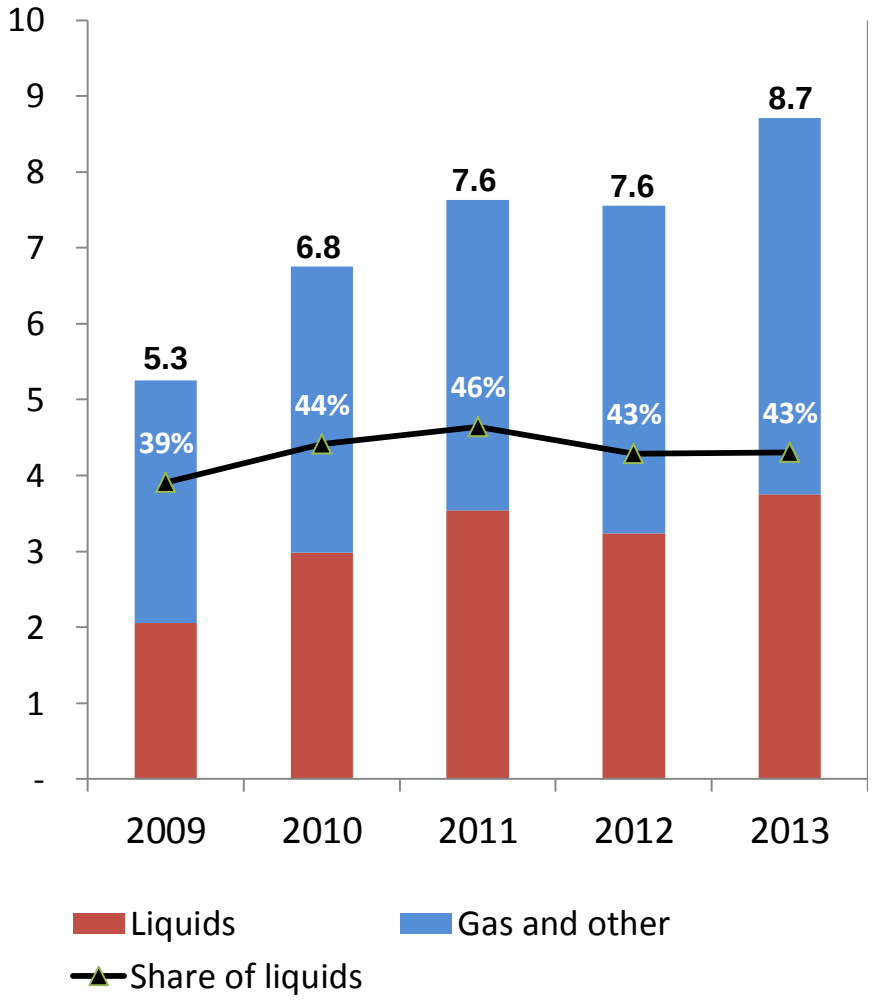


Project output structure, %

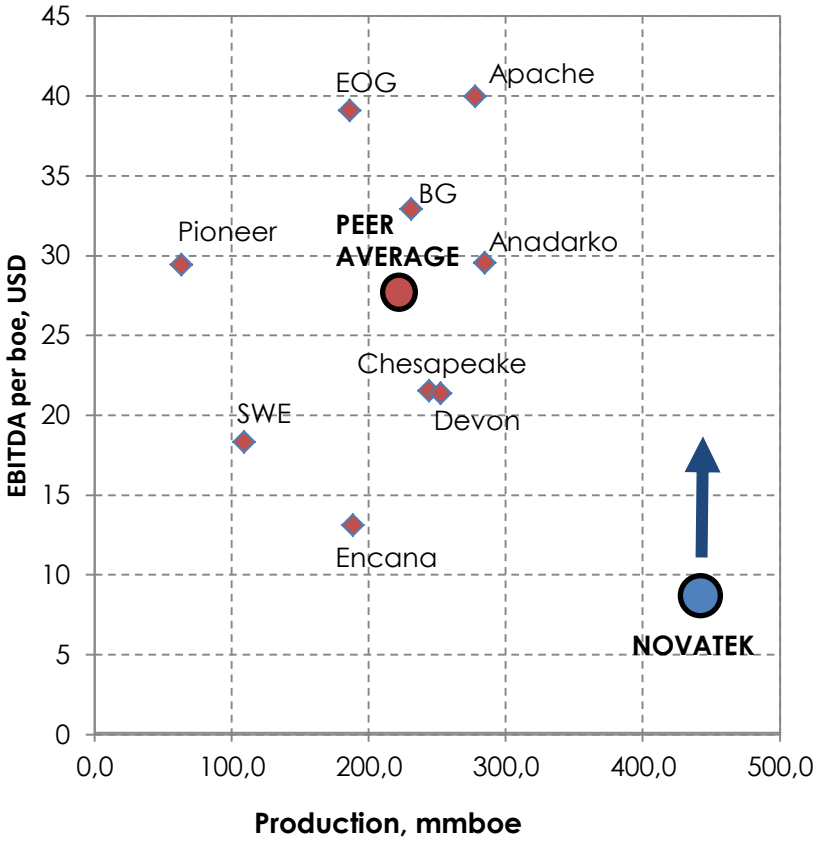


EBITDA per BOE of Production

EBITDA structure of NOVATEK, USD per boe



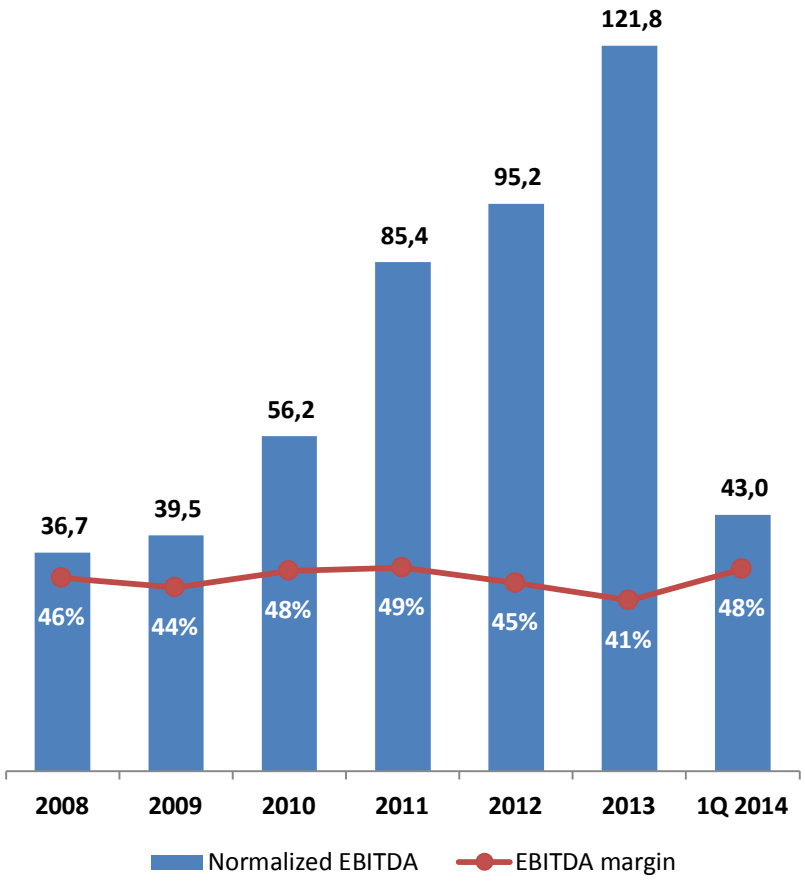
EBITDA per boe and production in 2013



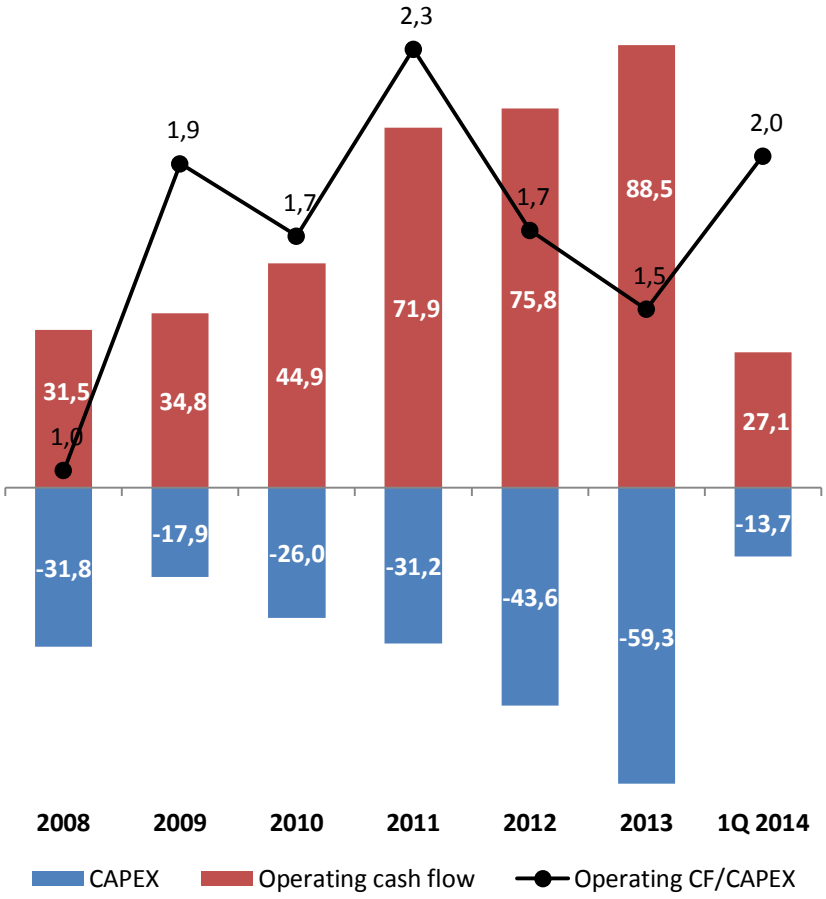
Source: Company data, Bloomberg

Financial Results

Normalized EBITDA[1],RR bln



Internally Funded Investment Program



Source: IFRS financials (3M2014 (unaudited), 2009 - 2013)

Notes:

1. Normalized EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), 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 consolidated financial statements and depreciation, depletion and amortization from the Consolidated Statement of Cash Flows, excluding net gain (loss) on disposal of interest in subsidiaries.

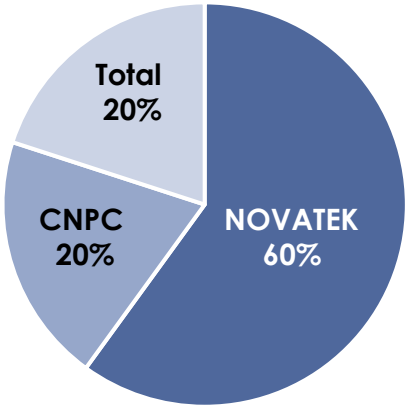
Yamal LNG

Yamal LNG Project

Project for construction of an LNG plant on the Yamal Peninsula:

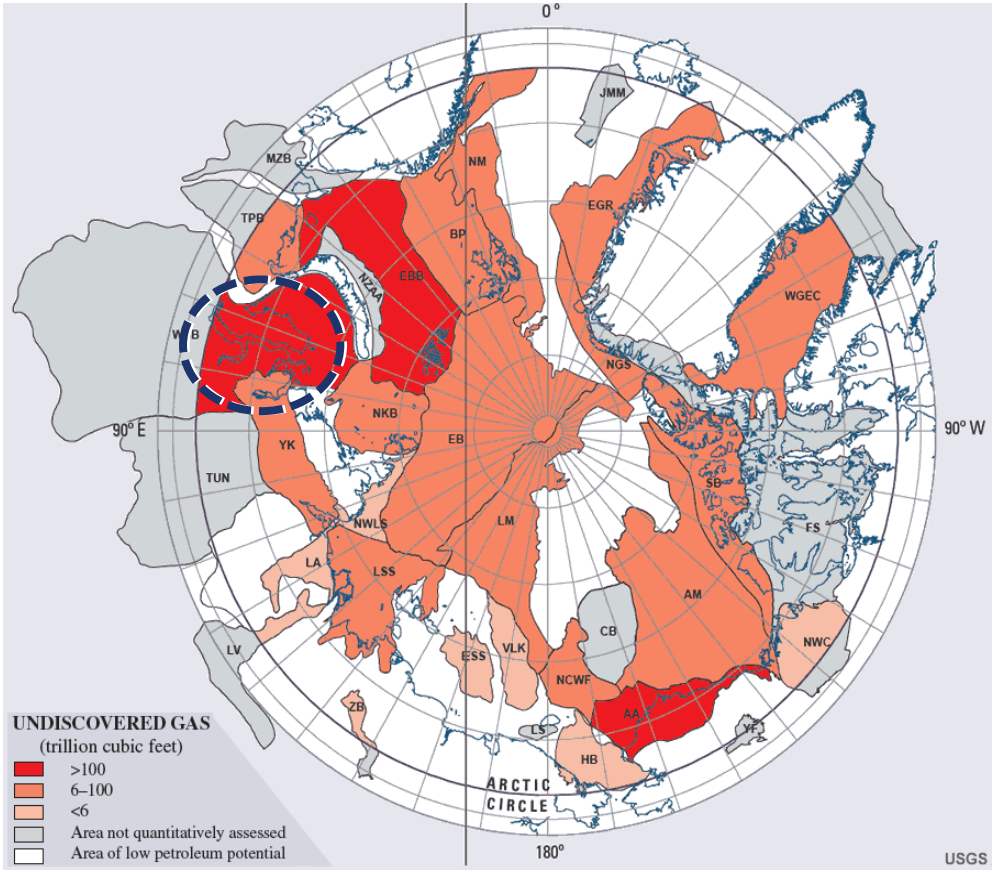
- 2P PRMS gas reserves of the South-Tambeyskoye onshore conventional field at 31.12.13 - **927 bcm**
- Liquefaction capacity - **16.5 mmt** of LNG per annum (3 trains)
- FID date - **December 2013**
- Capex estimate - **USD 27 bln**
- First commercial production is scheduled for **2017**

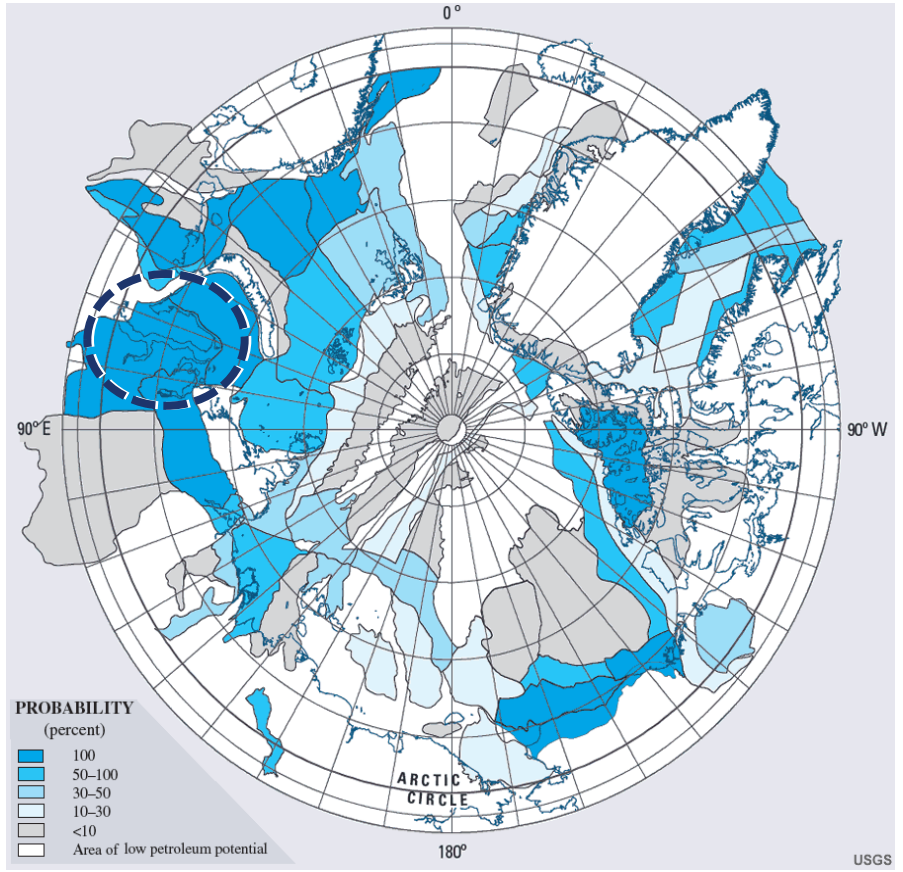
Shareholders



Unrivalled Resource Potential of the Yamal Peninsula

NOVATEK





Drilling Program
Onshore Conventional Gas

NOVATEK

- **Five** out of **19** well pads prepared for drilling
- **Two** rigs on-site, 3rd rig to start drilling in summer 2014
- **12** production wells drilled out of **58** wells required for the first train, of which nine wells tested and confirmed geology
- Avg. wells are **3-4** thousand meters long, of which the horizontal sections are **600-1,000** meters
- Average estimated initial flow rate – **>0.5** mmcm per day per well

Selected Contractors

NOVATEK

#	Equipment	Contractor
	EPC	Technip/JGC
1.	Cryogenic Heat Exchangers	APCI
2.	Turbine Cryogenic Compressors	General Electric
3.	Boil-Off Gas Compressors	Siemens
4.	Integrated Control & Safety System	Yokogawa
5.	Gas Turbines for the Power Plant	Siemens
6.	LNG Tanks	Entrepose/Vinci
7.	Power Plant	Technopromexport
8.	Acid Gas Removal System	BASF
9.	Arc-7 LNG Carriers	Daewoo Shipbuilding & Marine Engineering

Construction Works

NOVATEK

Materials Offloading Berths

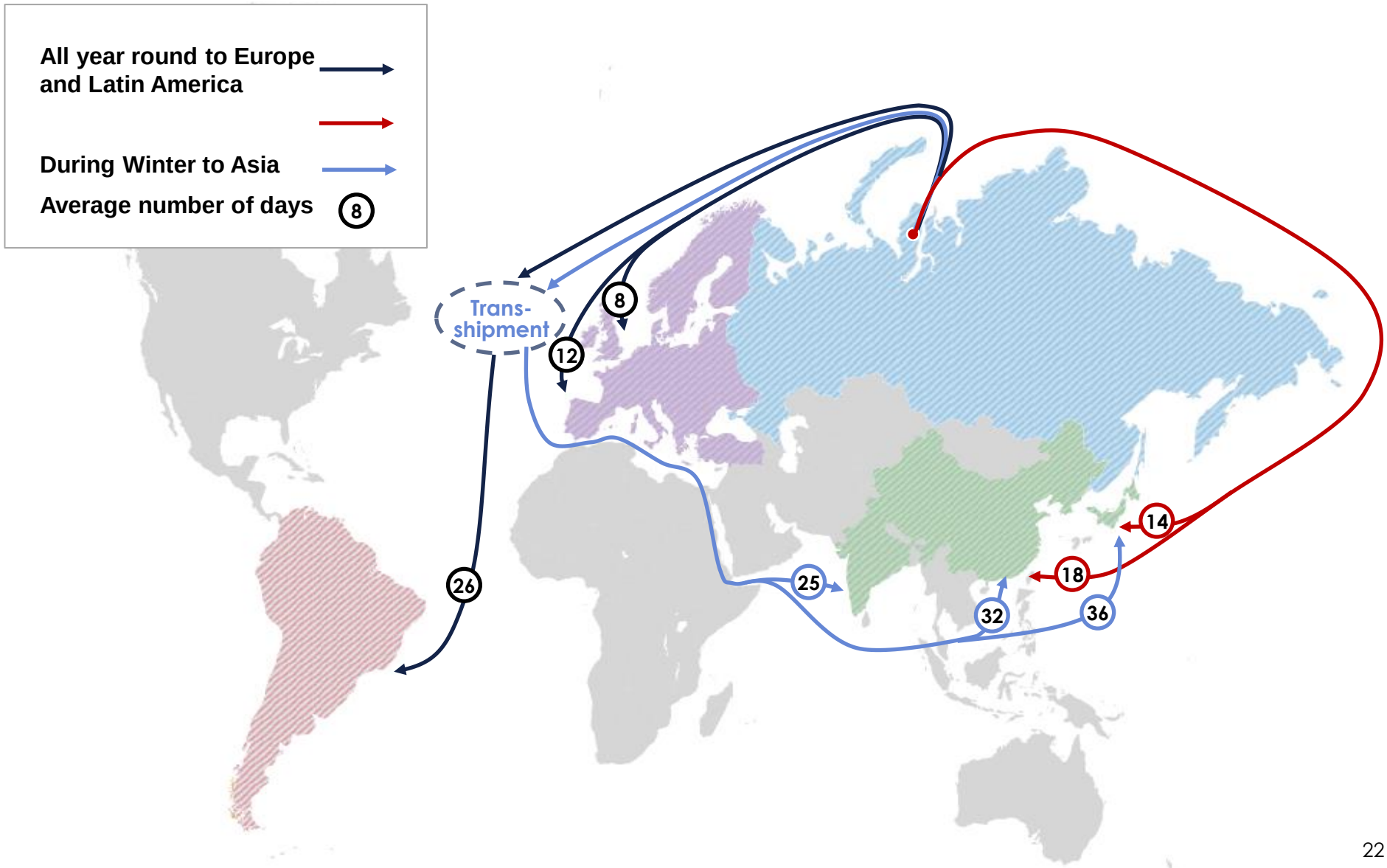
Living Camp

Construction of Roads

Piling for the LNG Tanks

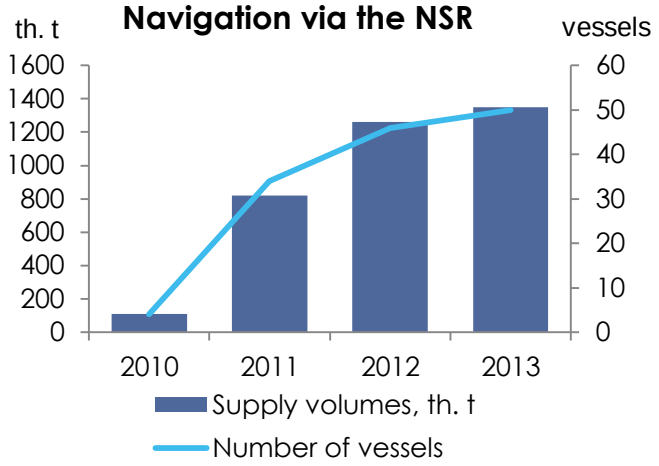
LNG Transportation Routes from the Yamal Peninsula

NOVATEK



Northern Sea Route (NSR)

- Length – **3,000** miles
- Reduces delivery time to the Asian-Pacific region by **up to 2.5 times**



- In 2010, NOVATEK sent the first cargo of gas condensate from the port of Vitino on the Barents Sea to the Asian-Pacific region via the Northern Sea Route
- In September 2011, the large "Vladimir Tikhonov" tanker passed through the Northern Sea Route in seven days, delivering 120,000 tons of NOVATEK's condensate to the Asian-Pacific region
- Two large LNG cargoes were delivered through the Northern Sea Route from Norway to Japan in 2012-2013
- Over the period 2010-2013, NOVATEK delivered 1.4 million tons of gas condensate and naphtha through the NSR, which accounted for approximately 40% of total cargo turnover on this route

ARC7 Ice-Class LNG Carriers

- **15-16** ice-class tankers required for the project
- Slot reservation agreement concluded
- Order for the first tanker placed with ex-works delivery scheduled for 1H'16
- Shipping tender – third stage

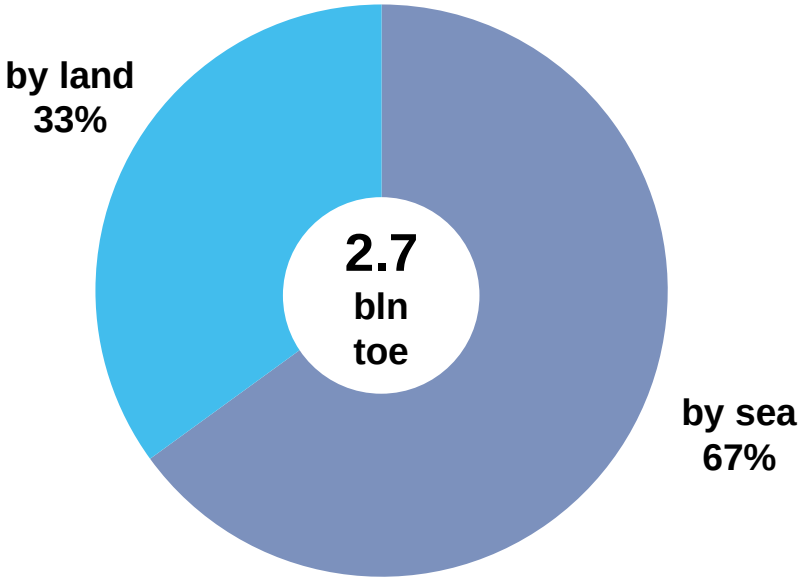
Our ARC7 ice-class Arctic LNG carriers are designed for safe and efficient operation in ice conditions as well as in open water:

- Propulsion system designed to sustain ice impact as normal ship operation
- Moderate ice bow for optimum open sea/ice performance compromise
- Tri-fuel diesel-electric propulsion with optimal fuel consumption

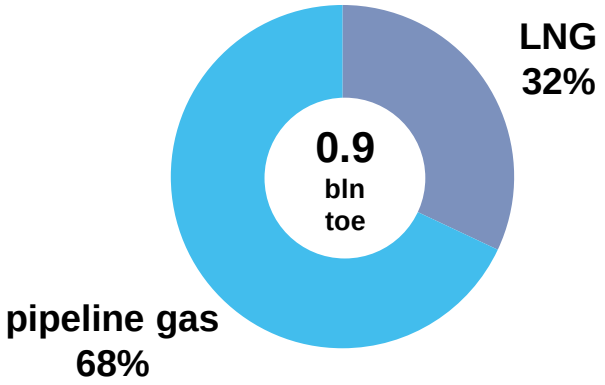
International Hydrocarbon Trade Volumes

NOVATEK

Liquid hydrocarbons



Gas



Consumption	**4.3** bln toe	**2.9** bln toe
Trade volumes	**2.7** bln toe **(63%)**	**0.88** bln toe **(30%)**
incl. by sea	**1.8 (67%)**	**0.28** bln toe **(32%)**

Source: BP Statistics for 2012.

Key Project Advantages

NOVATEK

- **Low-cost, long-lived feedstock**
  - Large onshore conventional reserve base with high concentration of reserves
  - Well known geology and proven development technologies
  - Very low F&D and lifting costs
- **Convenient location**
  - Reserves are located at the coast line and highly concentrated – minimal capital expenditures on gas transportation from the wells to the LNG plant
  - High efficiency factor of gas liquefaction process due to sub-zero temperatures – relatively low liquefaction capital expenditures per unit of LNG production
  - Access to both European and Asian markets
- **Strong Russian State support**
  - Tax concessions – 12 years
  - Financing of new strategic arctic port infrastructure

Appendix

Financial Highlights (RR million)

	1Q 14	1Q 13	+/(-)	+/(-)%
Oil and gas sales	88 533	80 448	8 085	10,0%
Total revenues	88 676	80 565	8 111	10,1%
Operating expenses	(53 875)	(51 056)	(2 819)	5,5%
EBITDA (1)	45 602	34 860	10 742	30,8%
Normalized EBITDA (2)	42 979	34 860	8 119	23,3%
EBITDA margin	51,4%	43,3%		
Normalized EBITDA margin (2)	*48,5%*	*43,3%*		
Effective income tax rate	19,8%	19,8%		
Profit attributable to NOVATEK	25 115	22 826	2 289	10,0%
Normalized profit attributable to NOVATEK (2)	23 016	22 826	190	0,8%
Profit margin	28,3%	28,3%		
Normalized profit margin (2)	26,0%	28,3%		
Earnings per share	8,30	7,53	0,77	10,2%
Normalized earnings per share (2)	*7,60*	*7,53*	*0,07*	*1,0%*
CAPEX (3)	13 727	11 264	2 463	21,9%
Net debt (4)	125 087	109 184	15 903	14,6%

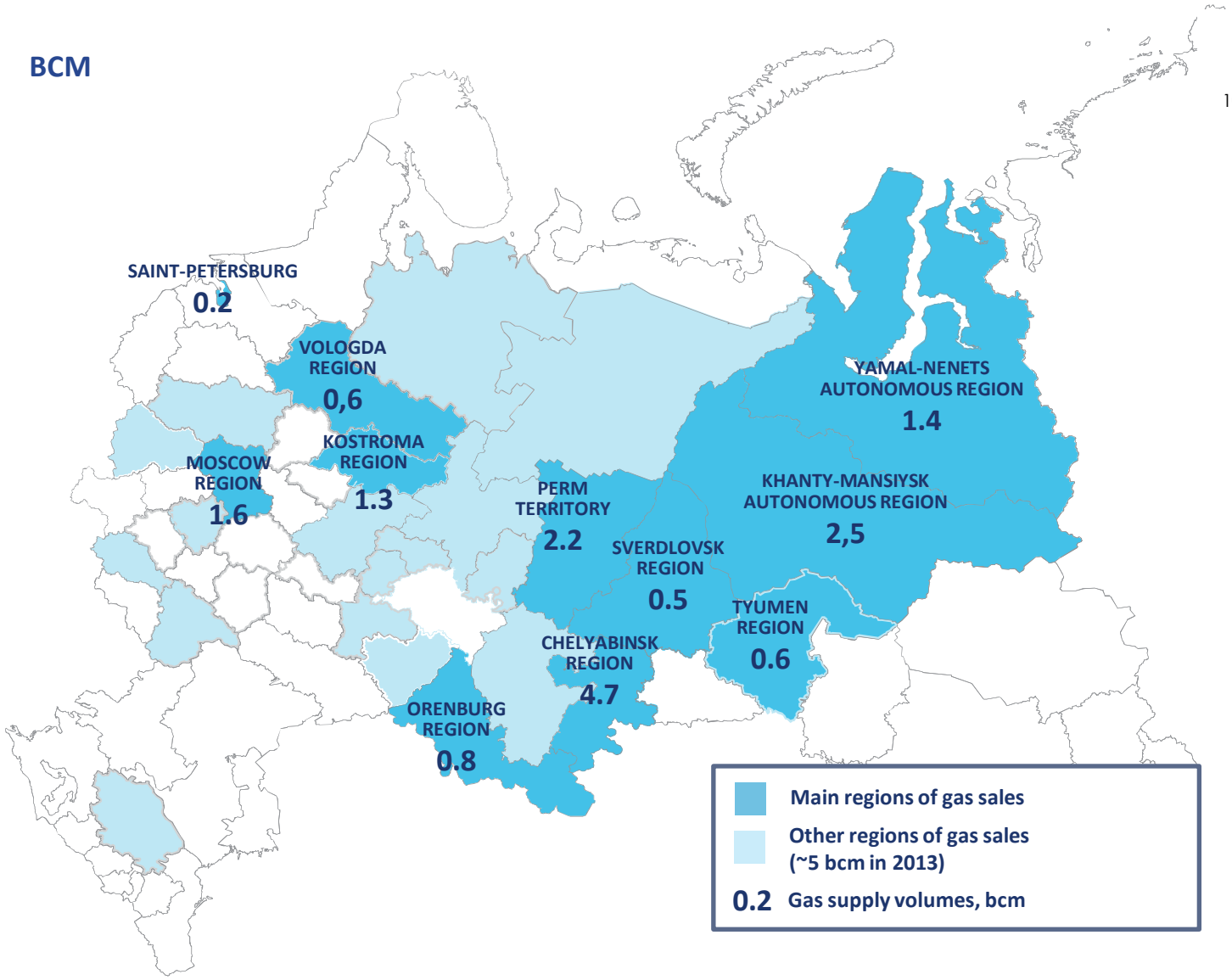
Notes:

1. **EBITDA includes our proportionate share in the EBITDA of our joint ventures and 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, share of profit (loss) of joint ventures, net of income tax and finance income (expense) from the Consolidated Statement of Income, income (loss) from changes in fair value of derivative financial instruments**
2. **Excluding the effect from the disposal of interest in joint ventures and subsidiaries**
3. **CAPEX represents additions to property, plant and equipment excluding payments for mineral licenses**
4. **Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents**

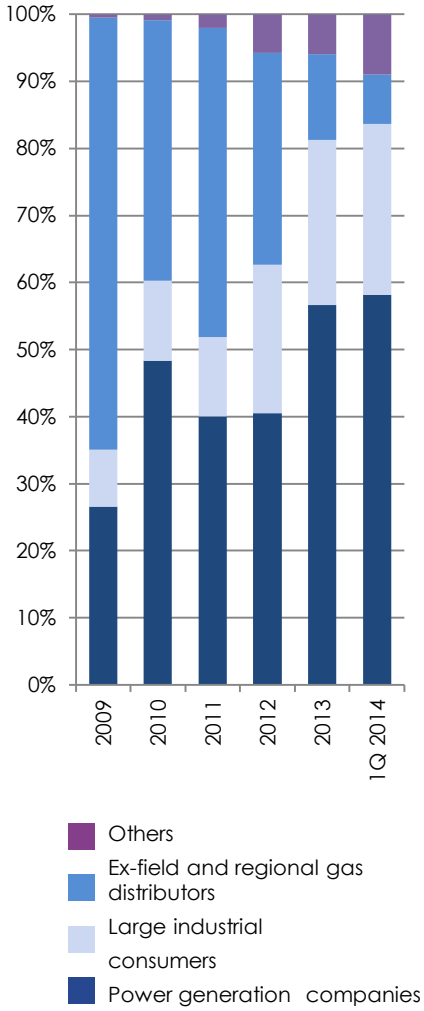
Natural Gas Sales in 1Q 2014

NOVATEK

BCM



Gas Sales Breakdown



Liquids Sales

NOVATEK

Liquids sales

- Naphtha
- Jet fuel
- Diesel and fuel oil
- LPG
- Crude oil
- Stable gas condensate

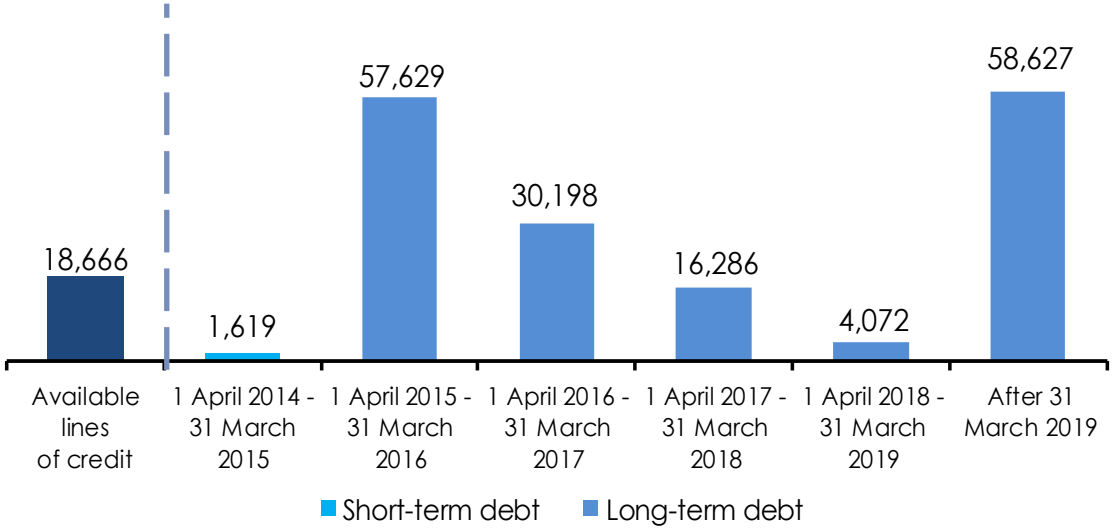
FINLAND
SWEDEN
NORWAY
RUSSIA
Ust-Luga
DENMARK
LITHUANIA
POLAND
SLOVAKIA
HUNGARY
ROMANIA
JAPAN
SOUTH KOREA
CHINA
TAIWAN
THAILAND
SINGAPORE
MALAYSIA
INDONESIA
BRAZIL

Liquids sales volumes, mmt

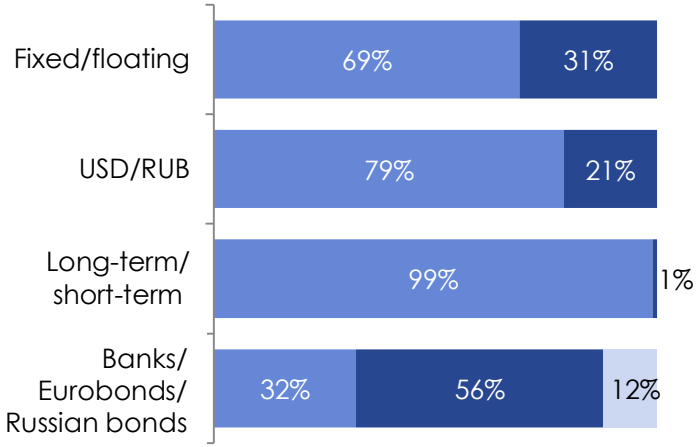
Financial Position at 31 March 2014

NOVATEK

Total Debt Maturity Profile (RR million)



Debt Structure (Total Debt = RR 168.4 billion)



Established track record of adhering to financial policies

Metric	Policy Target	2009	2010	2011	2012	2013	1Q 2014
Debt/Normalized EBITDA, (x)	~1.0x	1.0	1.3	1.1	1.4	1.4	1.2
Net debt/Normalized EBITDA, (x)	<1.0x	0.7	1.1	0.8	1.2	1.3	0.9
Cash Balance, million $	$100 - $150	348	336	740	607	241	1,214
Lines of credit, million $	$300 - $500	579	500	1,592	1,538	569	523

Source: IFRS financials (3M2014 (unaudited), 2009 - 2013)

NOVATEK

Questions and Answers

Contact details:

NOVATEK's Investor Relations

Mark Gyetvay, Chief Financial Officer

Alexander Palivoda, Head of IR

Tel: +7 (495) 730-6013

Email: ir@novatek.ru

Website: www.novatek.ru