

The image features the Novatek logo on the left, which consists of a stylized blue 'N' with horizontal bars. The background is a light blue image of industrial gas processing equipment, including towers and pipes, 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

## **Russia's Natural Gas Frontiers:** ***“Harnessing the Energy of the Far North”***

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

**Goldman Sachs – Global Energy Conference 2013**

**Miami, USA**

**8-9 January 2013**

# Disclaimer



This presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity in any jurisdiction. Neither this presentation nor any part thereof, nor the fact of its distribution, shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The information contained in this presentation has not been independently verified. The information in this presentation is subject to verification, completion and change without notice and neither the Company is under any obligation to update or keep current the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective members, directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

This presentation and the information contained herein does not constitute and should not be construed as an offer to sell or the solicitation of an offer to buy securities in the United States as defined in Regulation S under the US Securities Act of 1933 (the "Securities Act"). Any securities of the Company may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company has not registered and does not intend to register any portion of the Offering in the United States or to conduct a public offering of securities in the United States.

This presentation does not constitute a public offering or an advertisement of securities in the Russian Federation and does not constitute an offer or a proposal to make offers or to acquire any securities in the Russian Federation.

This presentation contains "forward-looking statements" which include all statements other than statements of historical fact. Such forward-looking statements can often be identified by words such as "plans," "expects," "intends," "estimates," "will," "may," "continue," "should" and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as at the date as of which they are made, and none of the Company or any of its respective agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice.

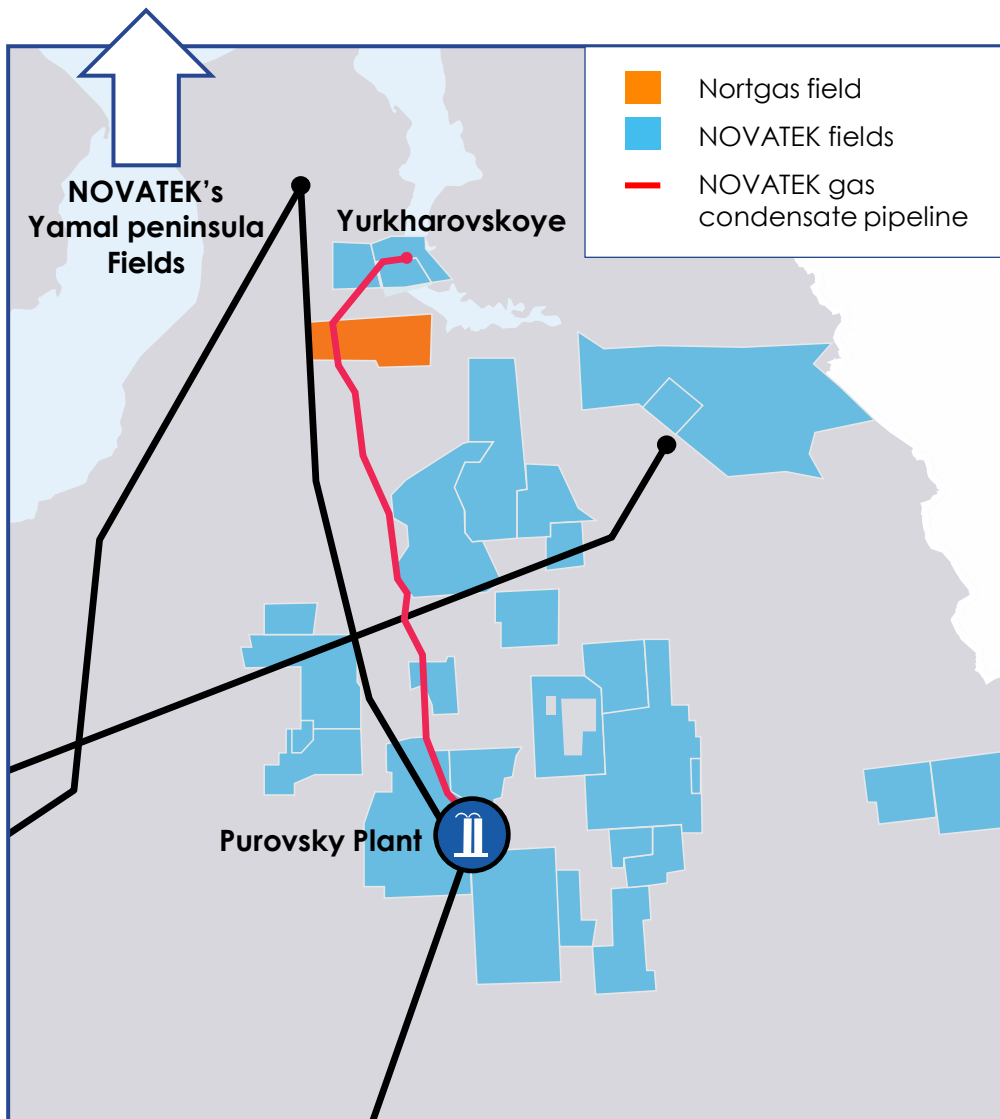
## **Acquisition of a 49% Stake in Nortgas**

# Deal Highlights



- ❑ On 27 November 2012 NOVATEK acquired **a 49% equity stake in ZAO Nortgas** from R.E.D.I. HOLDINGS for USD 1,375 million (the remaining 51% is indirectly held by Gazprom)
- ❑ The deal was financed from a combination of **Russian rouble bond issue** of RR 20 bln and **Eurobond issue** of USD 1 bln
- ❑ Nortgas holds **the hydrocarbon production license for the North-Urengoyskoye** field in YNAO
- ❑ The acquired stake is **accounted for on an equity basis**

# North-Urengoyskoye Field Highlights

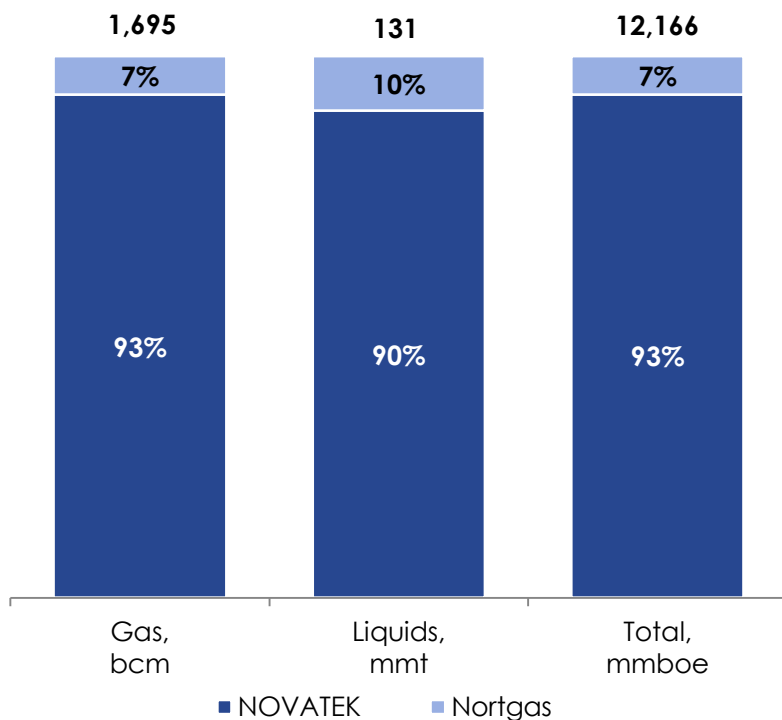


- ❑ **The North-Urengoyskoye field is located 25 km south of NOVATEK's Yurkharovskoye field**
- ❑ **Total PRMS proved reserves as of 31 December 2011**
  - **225 bcm** of natural gas
  - **27 mmt** of liquids, or
  - **1.7 bln** boe of hydrocarbons
- ❑ **Existing infrastructure:** 50 production wells, gas treatment unit with processing capacity of 5.5 bcm per annum, a booster compressor station, gas and gas condensate pipeline connections
- ❑ **Current annual production level (2012)**
  - **~4.2 bcm** of natural gas
  - **~0.4 mmt** of gas condensate
- ❑ **Peak annual production level**
  - **~9 to 10 bcm** of gas
  - **~1.4 mmt** of gas condensate

# Effect on Reserves and Production



## Acquisition effect on total PRMS proved reserves<sup>1</sup>



- A 49% share in current Nortgas production equals to **3.6%** of current gas production and **5.0%** of liquids production by NOVATEK
- Hydrocarbon deposits at the field are allocated between the Eastern and Western domes
- Production at the Western dome started in 2001
- Production launch at the Eastern dome is estimated to more than **double** the field's natural gas production and **triple** production of gas condensate
- Nortgas has the same production upside as NOVATEK (2x-gas production, 3x- gas condensate), but it would be achieved faster and accelerate NOVATEK's overall production growth rate in the mid-term

**829 mm boe of PRMS proved reserves added  
for an acquisition price of \$1.66 per boe**

### Notes:

1. NOVATEK's reserves and its share (49%) in Nortgas proved reserves according to appraisals by DeGolyer and MacNaughton as of 31.12.2011 using the PRMS reserve methodology

## ❑ **Value accretive**

- Proved PRMS reserves acquired at \$1.66 per boe as compared to \$1.3 per boe paid for Sibneftegas reserves in 2010
- While almost all of Sibneftegas reserves are dry natural gas, about 13% of Nortgas reserves are liquid hydrocarbons, which significantly increases the economic value of the transaction and justifies the higher reserve base multiple
- Majority of the field's capital expenditures has already been incurred implying low capital intensity to maximize free cash flow generation
- Producing asset generating cash flows

## ❑ **Material production upside**

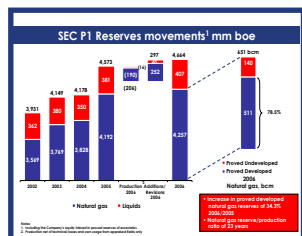
- Nortgas has the same production upside as NOVATEK with the development of the Eastern dome
- Consistent with NOVATEK's strategy of accelerated liquids production growth

## ❑ **Convenient location close to NOVATEK's core producing fields and transportation and processing infrastructure:** significant synergies mainly driven by processing of gas condensate at the Purovsky Plant

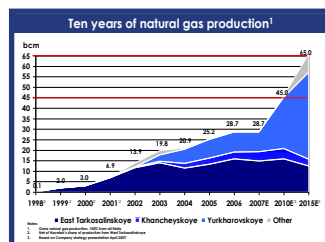
# Fundamental View



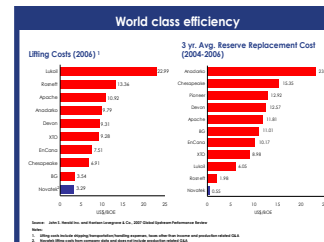
# Four Pillars Supporting Sustainable Growth



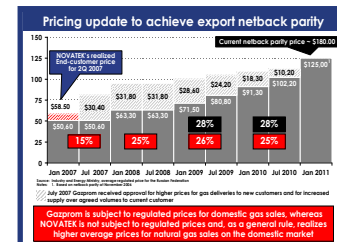
**High Quality  
Long Life  
Reserves**



**Strong  
Production  
Growth**



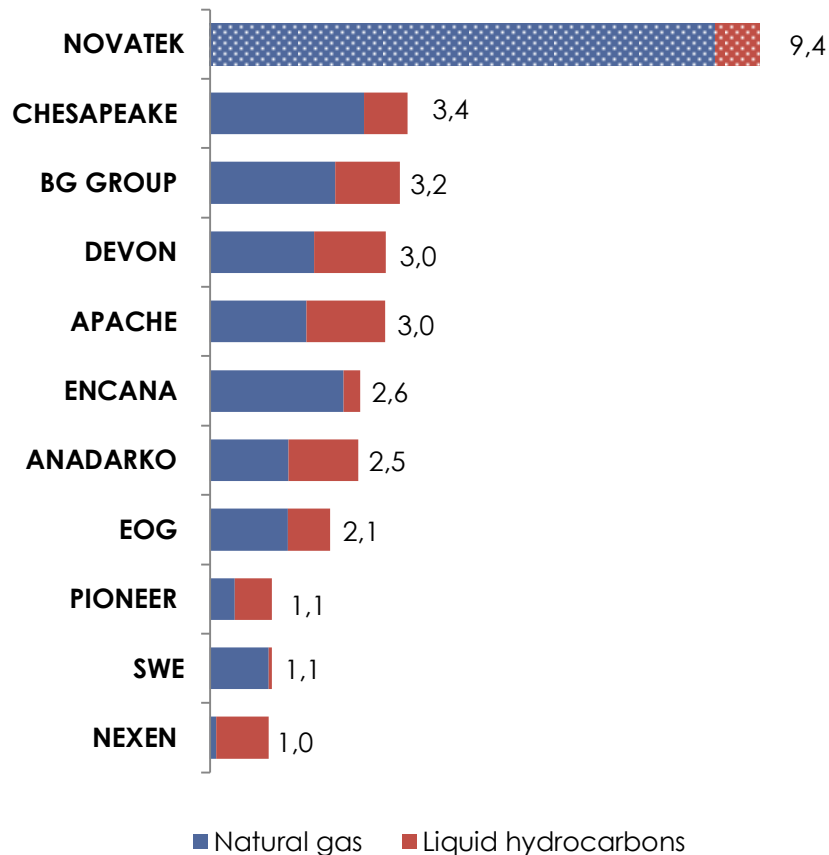
**Low Cost  
Producer**



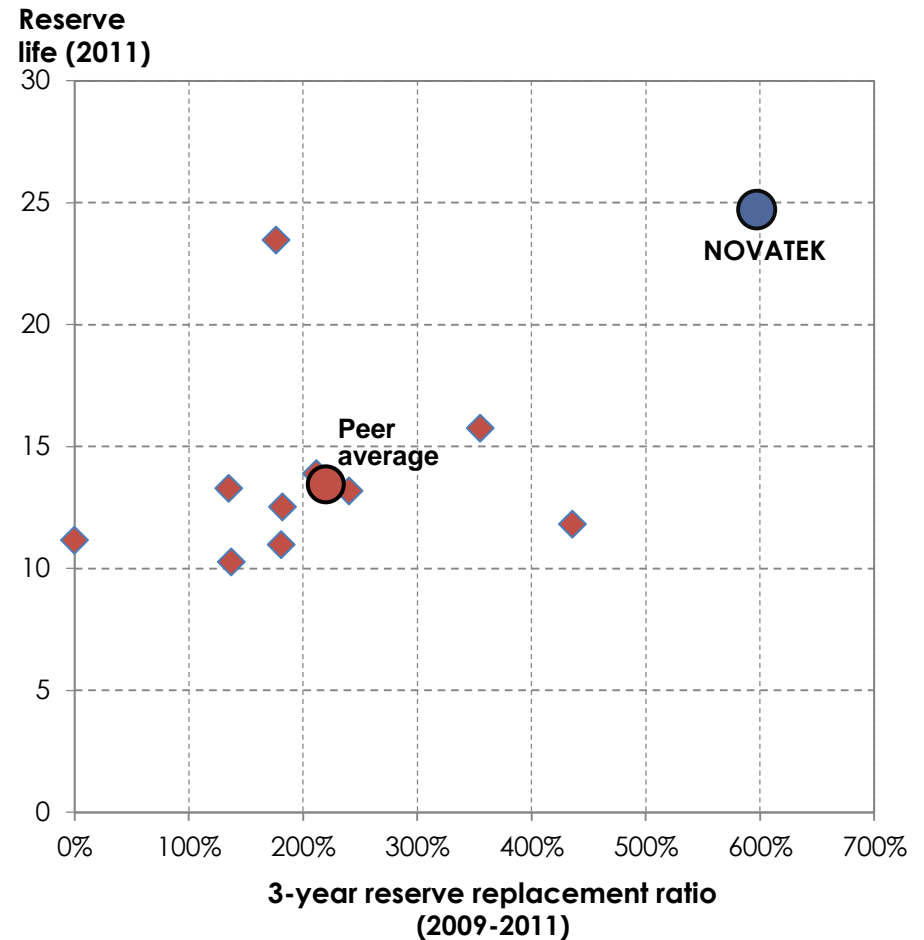
**Liberalized Pricing  
Environment**

# Vast Conventional Reserve Base

Total proved reserves 2011 (bln boe)



Reserve life and replacement



Source: Company data, Bloomberg

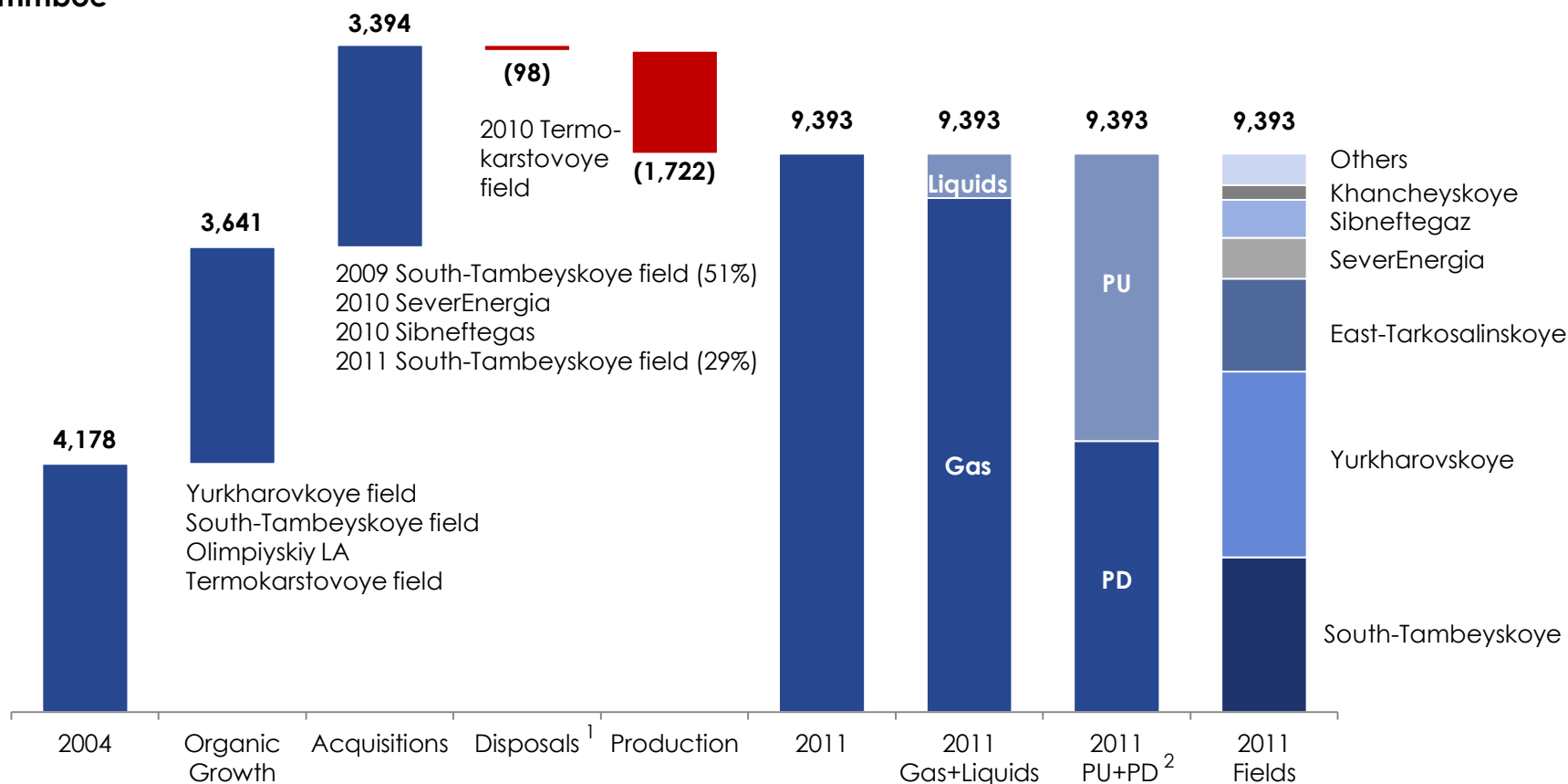
Note 1: Peer group includes Anadarko, Apache, BG Group, EOG, SWE, Nexen, EnCana, Chesapeake, Pioneer and Devon.

# SEC Reserve Growth



Reserve replacement ratio from 2004 to 2011 – 403%

mmboe



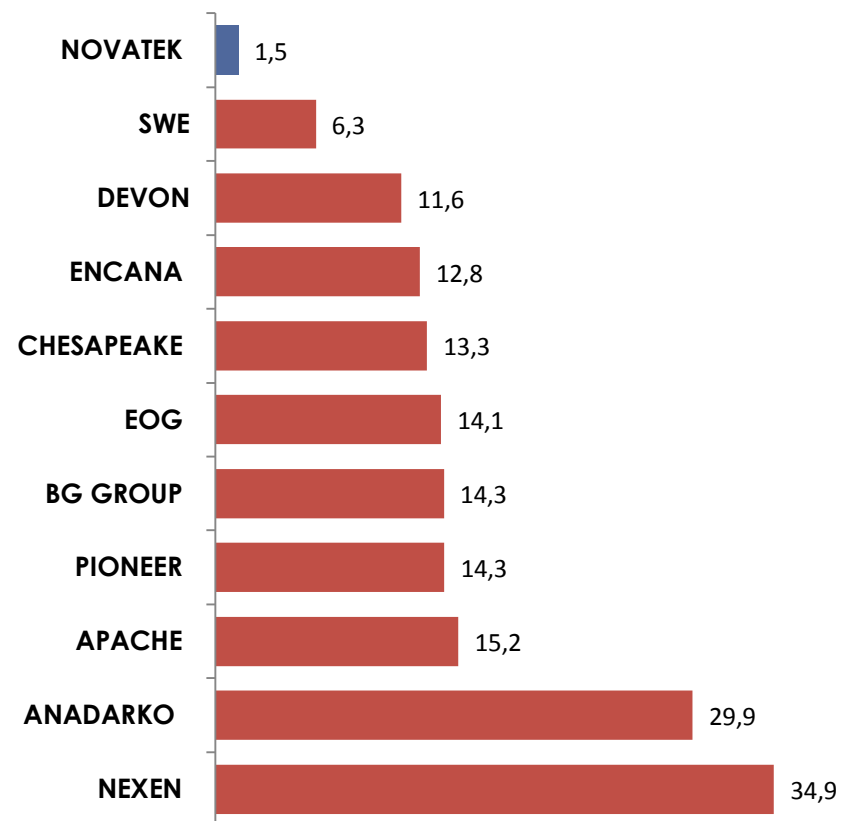
Notes:

1. Disposal of a 49% participation interest in Terneftegas
2. Proved undeveloped and proved developed reserves

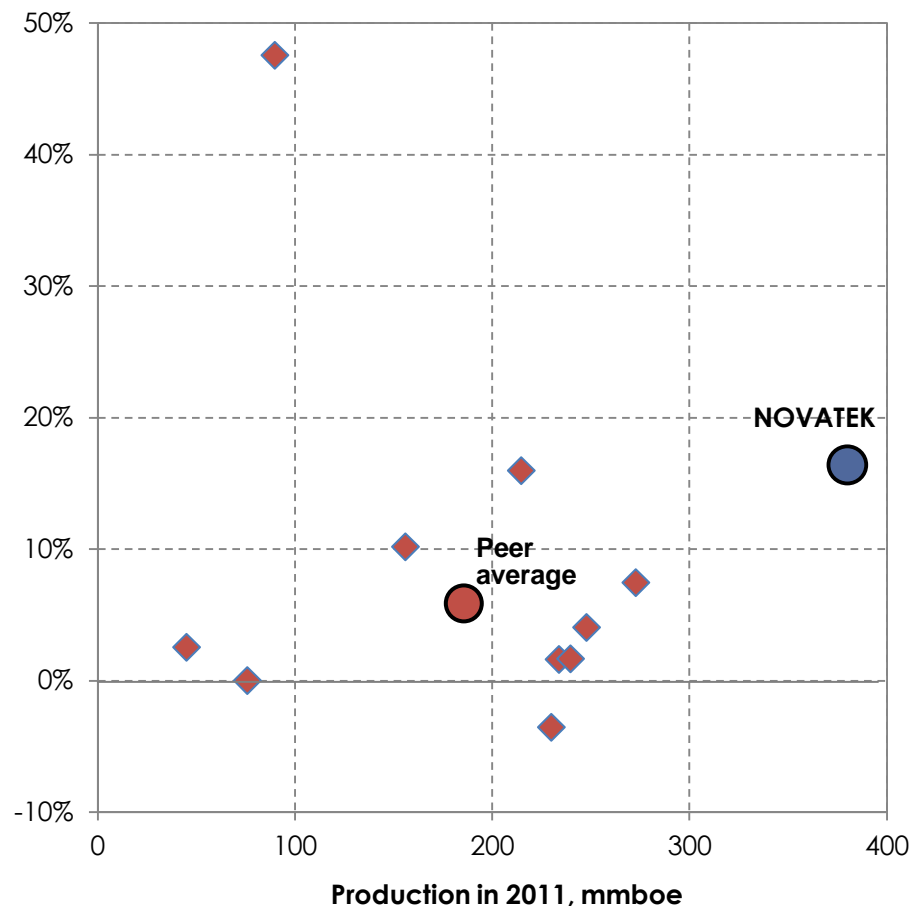
# Efficient Development and Leading Production Dynamics



3-year average F&D costs (2009-2011)  
(USD/boe)



Hydrocarbon production  
Production CAGR (2007-2011)

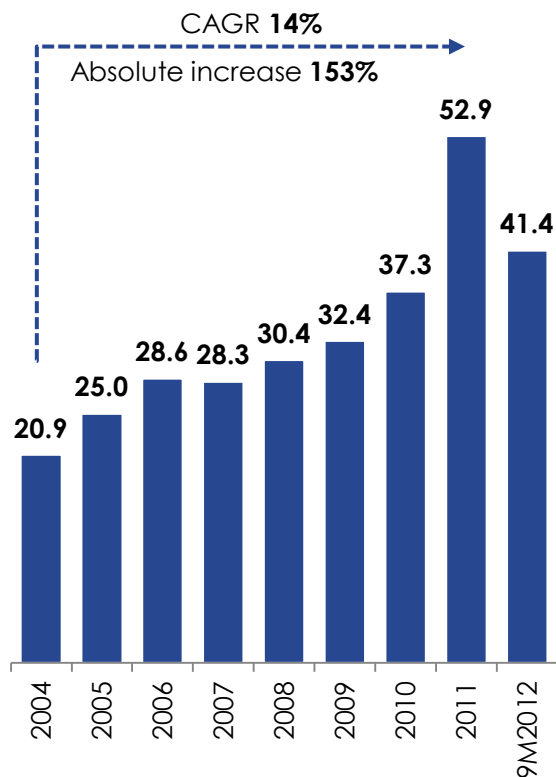


Source: Company data, IHS, Bloomberg

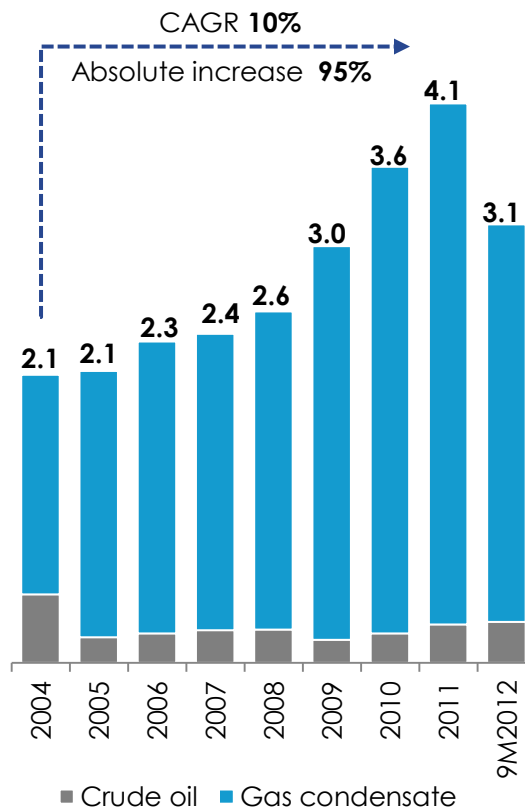
Note 1: Peer group includes Anadarko, Apache, BG Group, EOG, SWE, Nexen, EnCana, Chesapeake, Pioneer and Devon

# Hydrocarbon Production

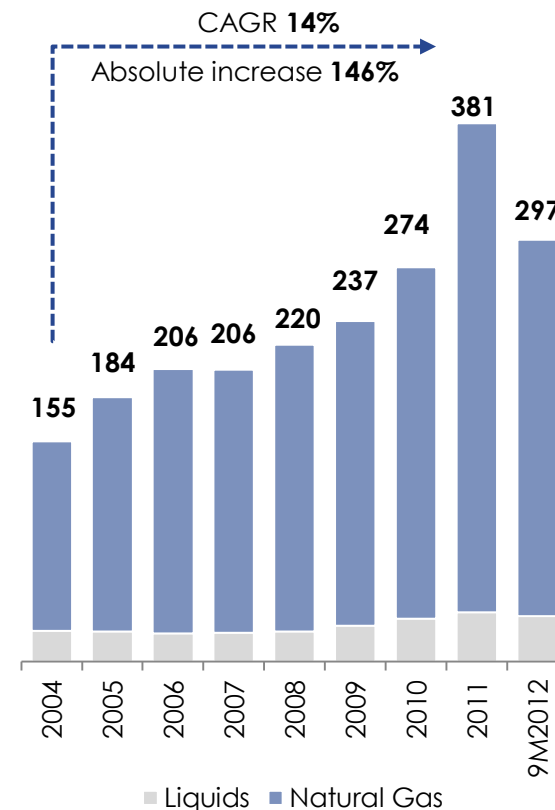
**Natural Gas Sales  
Production, bcm**



**Liquids Sales  
Production, mmt**



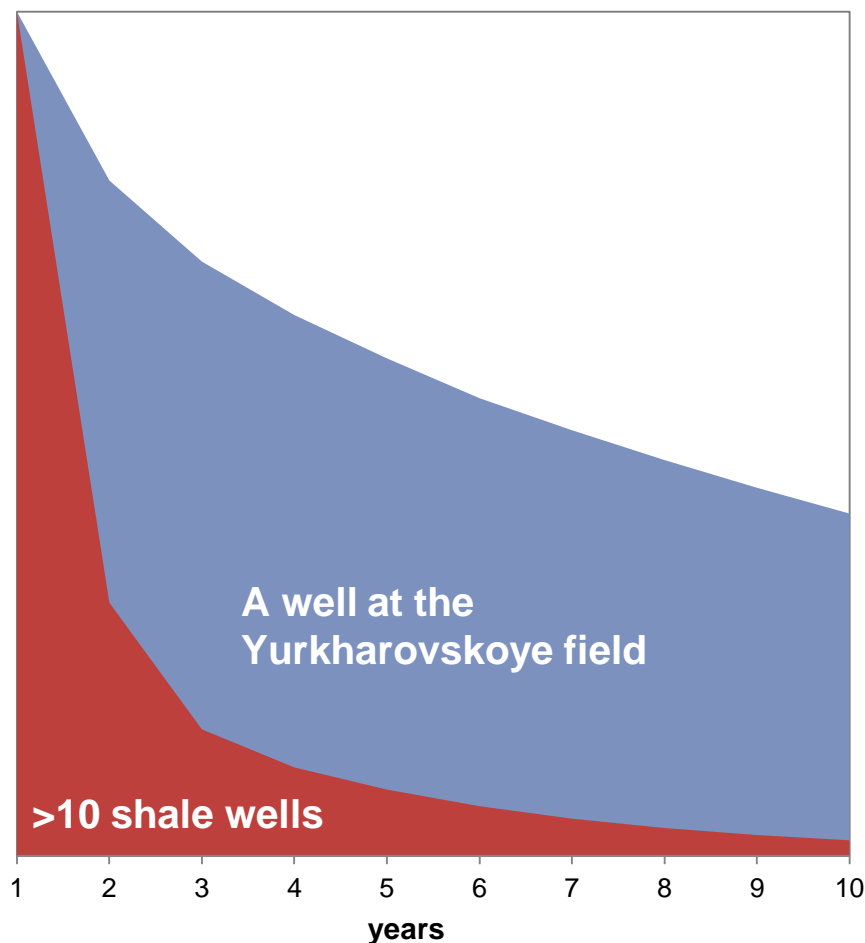
**Total Hydrocarbon  
Production, mmboe**



**Sustainable production growth**

# Highly Productive Wells

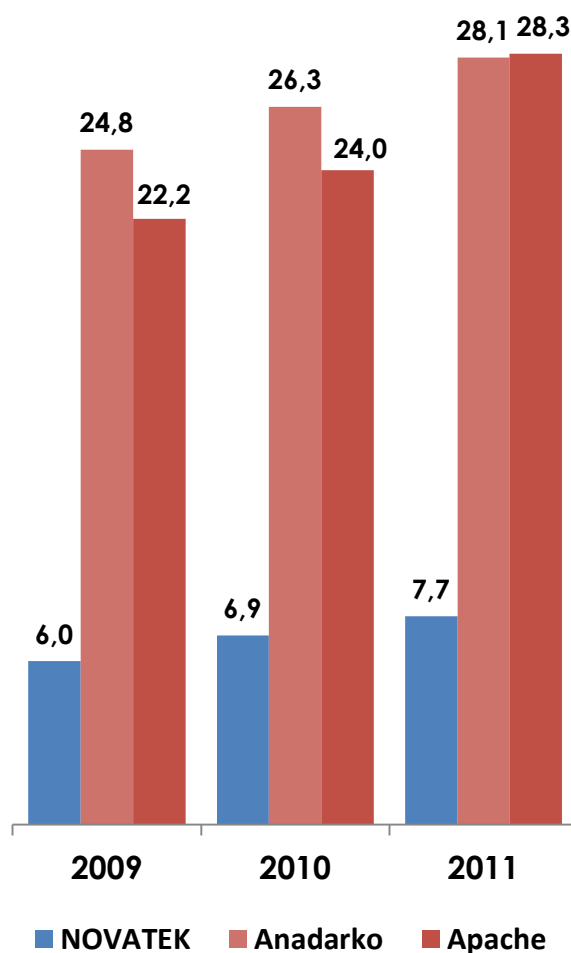
An average well at the Yurkharovskoye field yields >70 shale wells by cumulative production



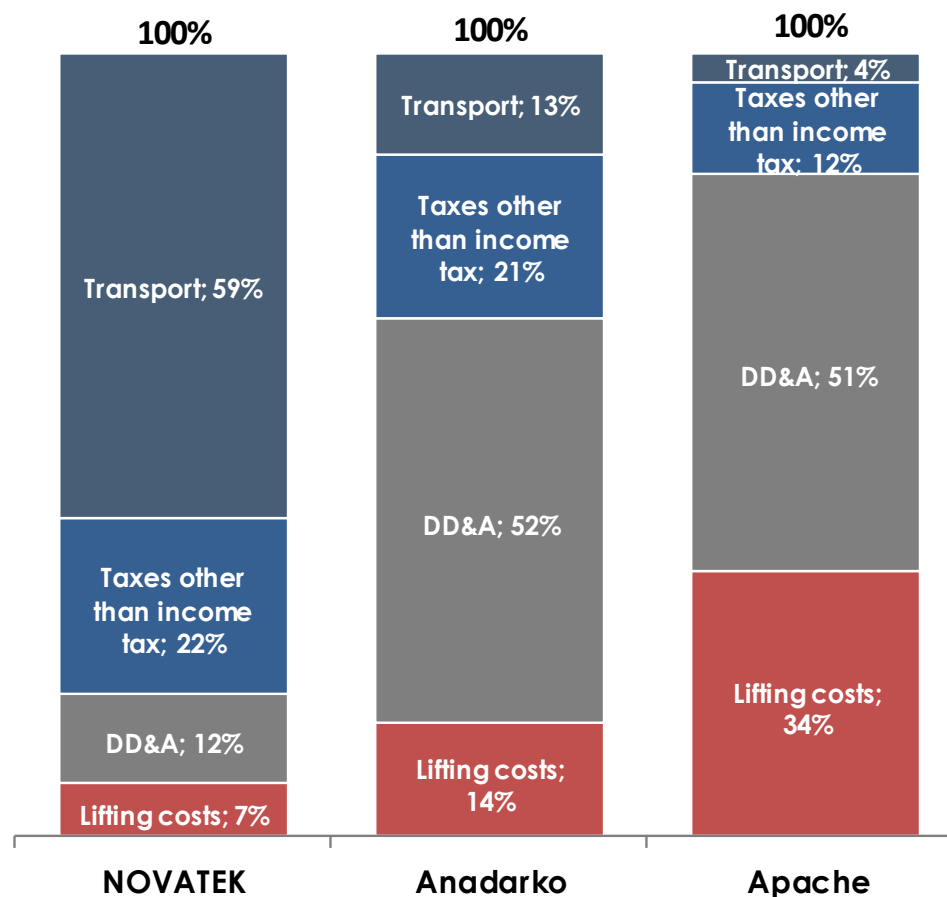
- ❑ Log While Drilling technology is used to increase net pay thickness
- ❑ Large diameter horizontal wells with long perforated horizontal piping allow to maximize flow rates
- ❑ Constant long-term productivity due to the special types of drilling mud used
- ❑ Perforated liners are made upon special core analysis
- ❑ Optimal production regime is selected for each well to ensure maximum flow rates and ultimate gas condensate recovery

# Low Production Costs

Production costs, USD/boe

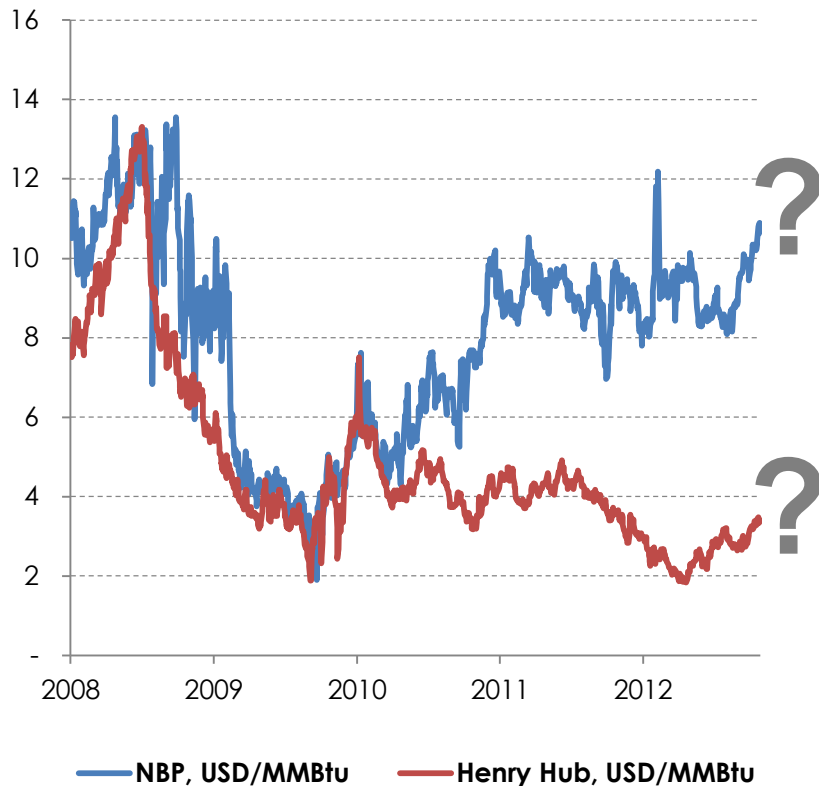


Production costs structure, %

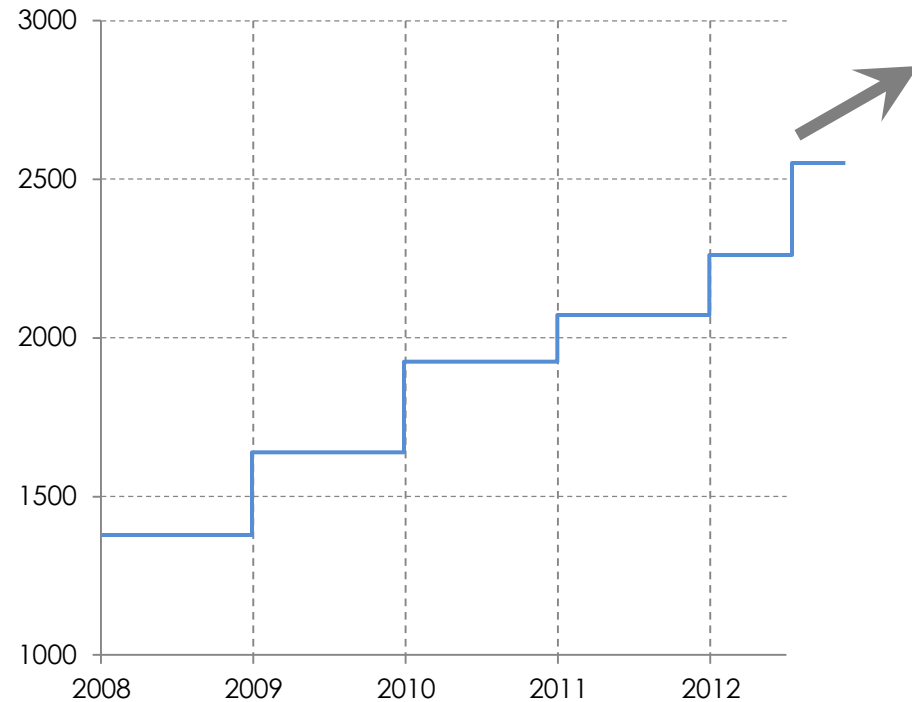


# Sustainable Price Dynamics

**US and European natural gas prices,  
USD/MMBtu**



**NOVATEK average gas sales price,  
RR/mcm**

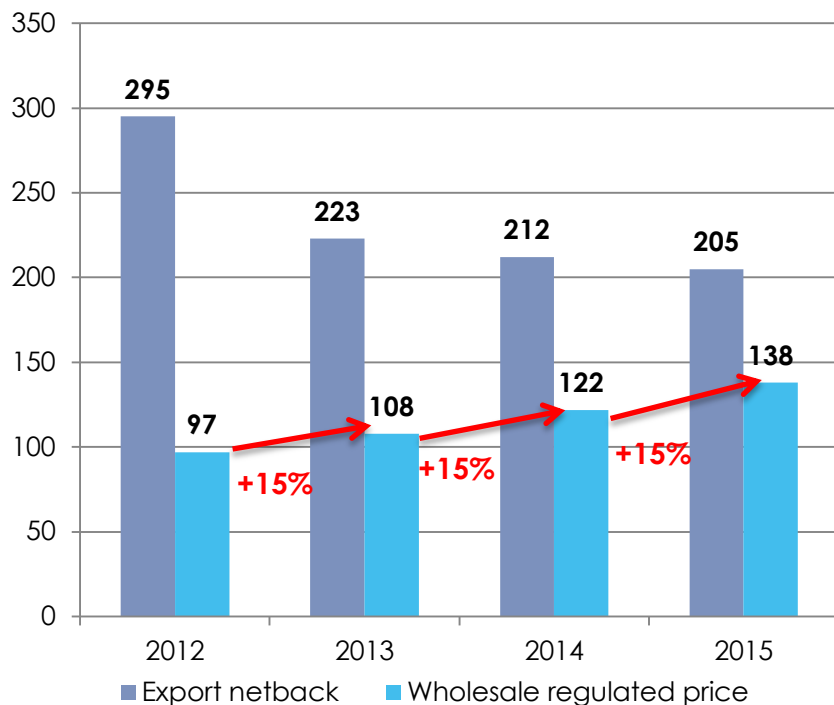


**While international natural gas prices are either very volatile or depressed, prices in Russia demonstrate sustainable growth**



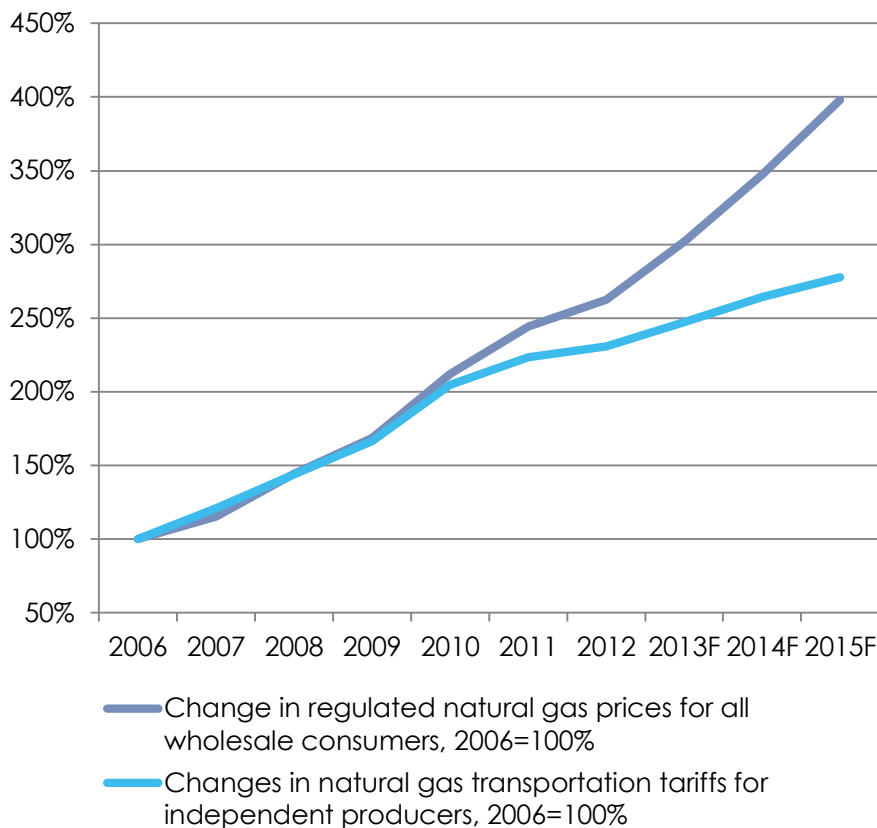
# Price Liberalization and Transportation Tariffs

Domestic prices vs. export netbacks, \$/mcm



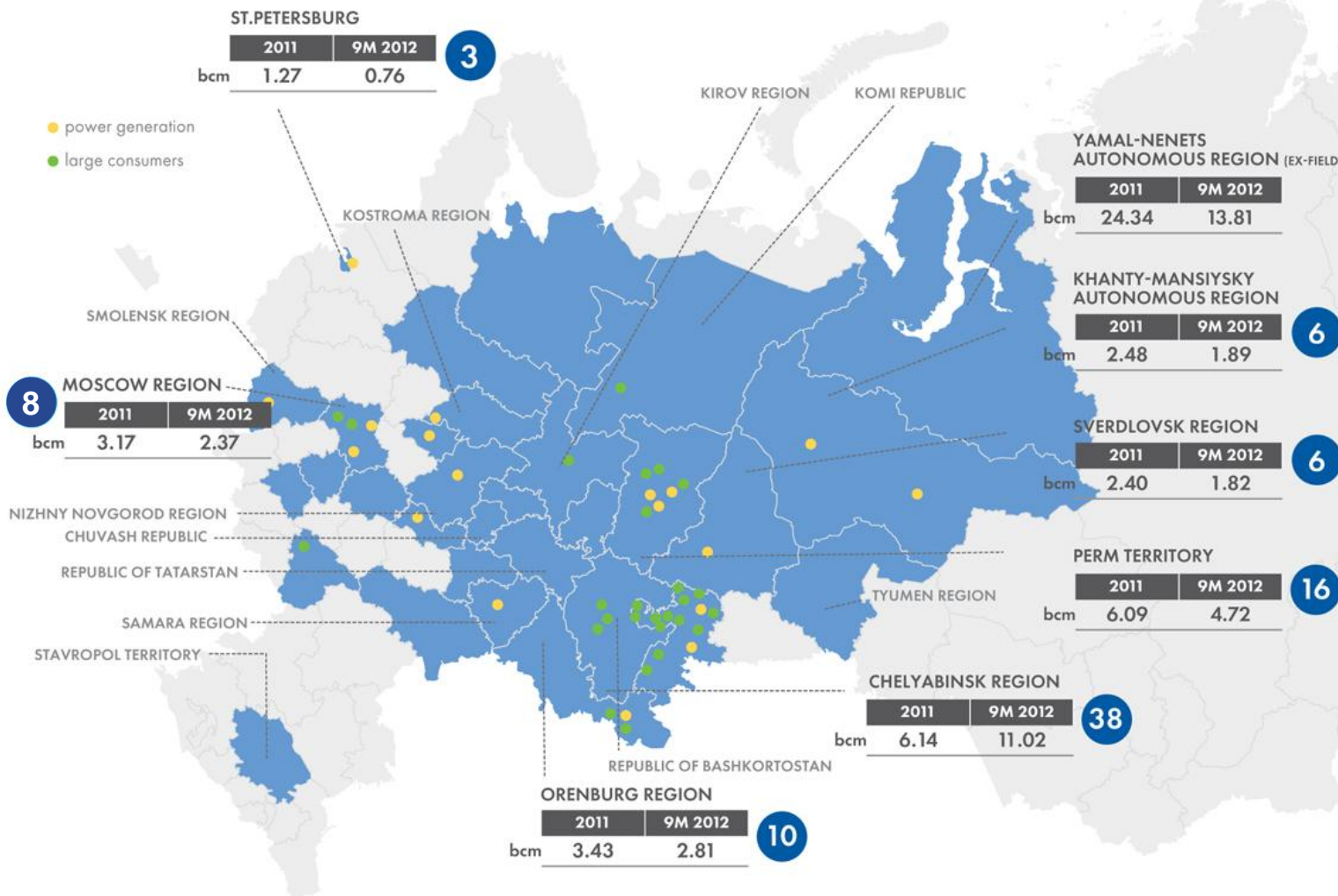
Source: Russian Ministry of Economic Development

Natural gas prices and transportation tariffs

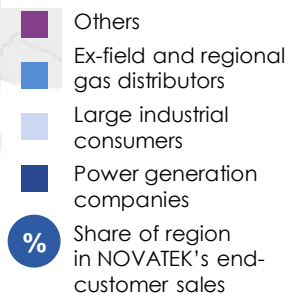
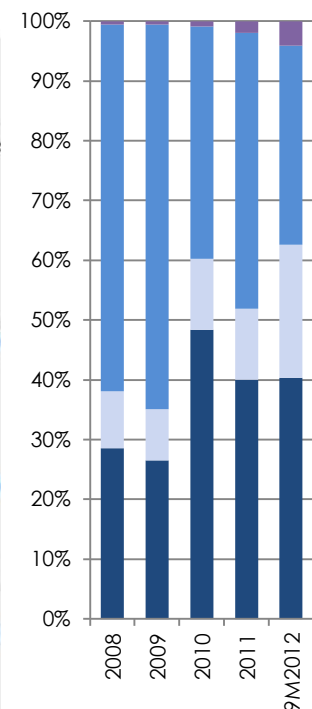


Domestic prices are estimated to grow faster than transportation tariffs

# Domestic Market Potential



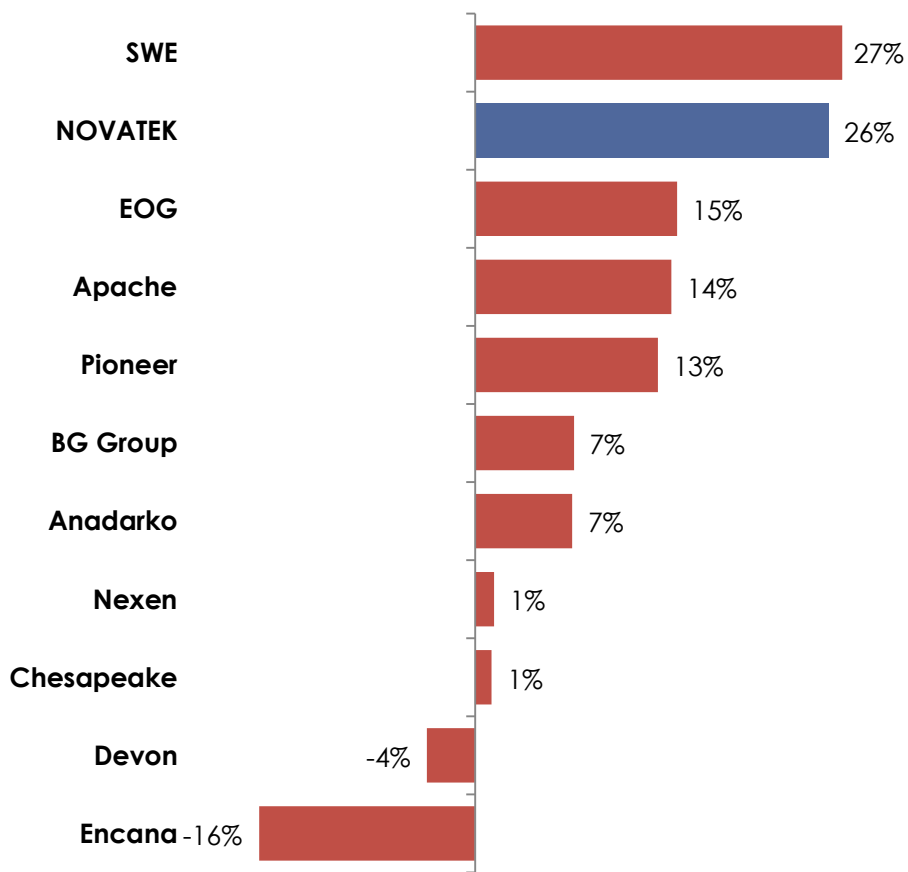
## Gas Sales Breakdown



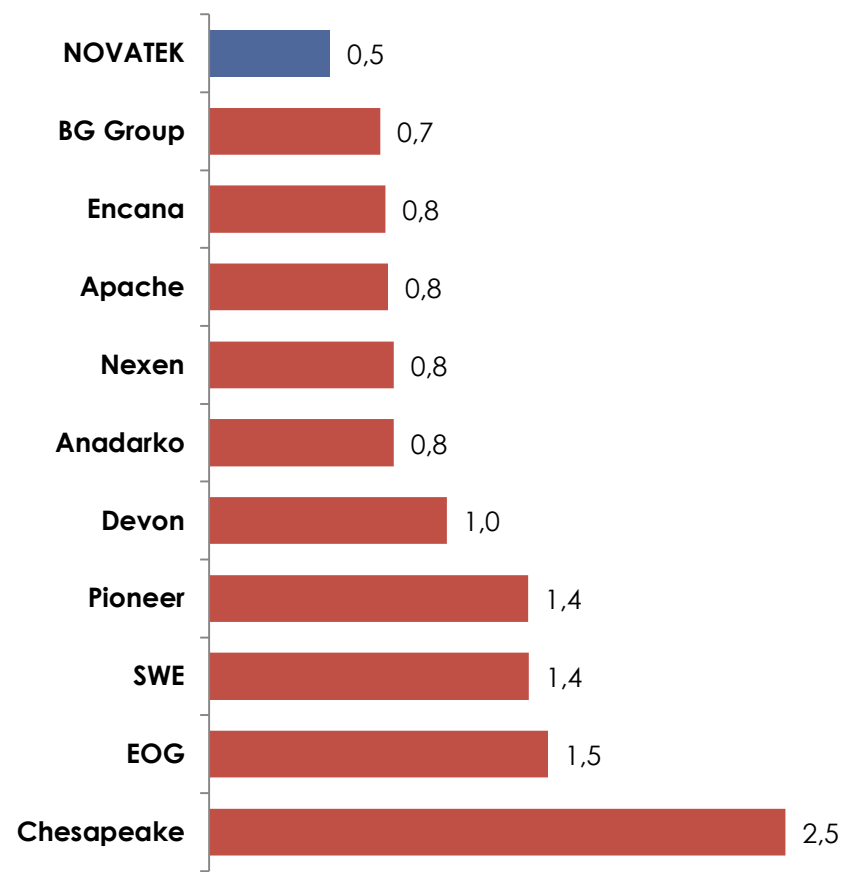
# Leading Growth at Lowest Cost



EBITDA CAGR (2007-2011)

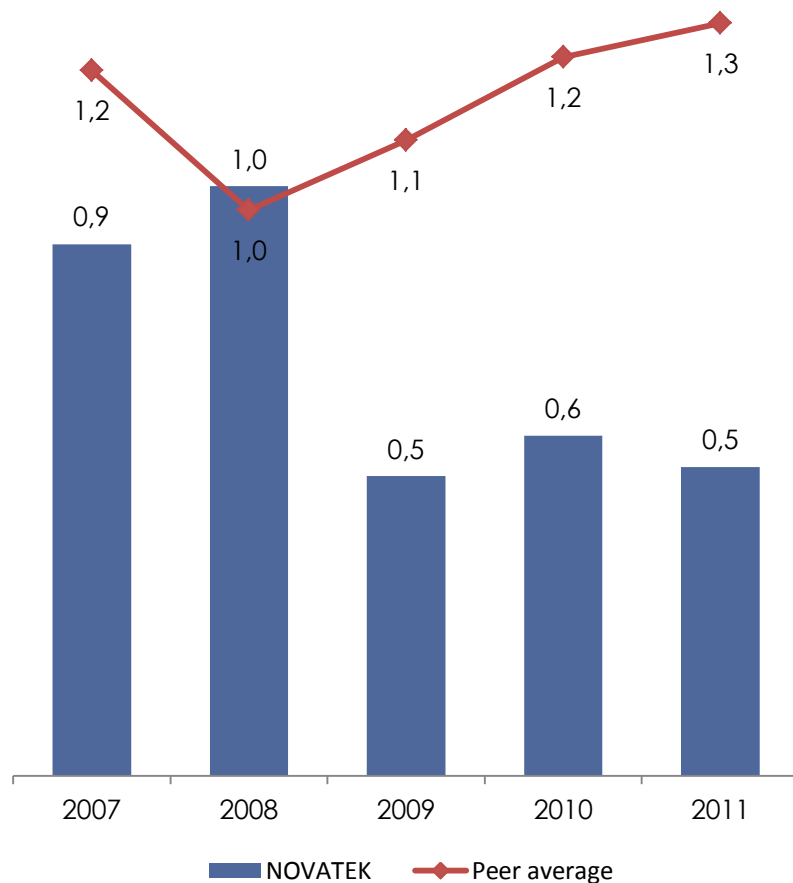


CAPEX/EBITDA (2007-2011)

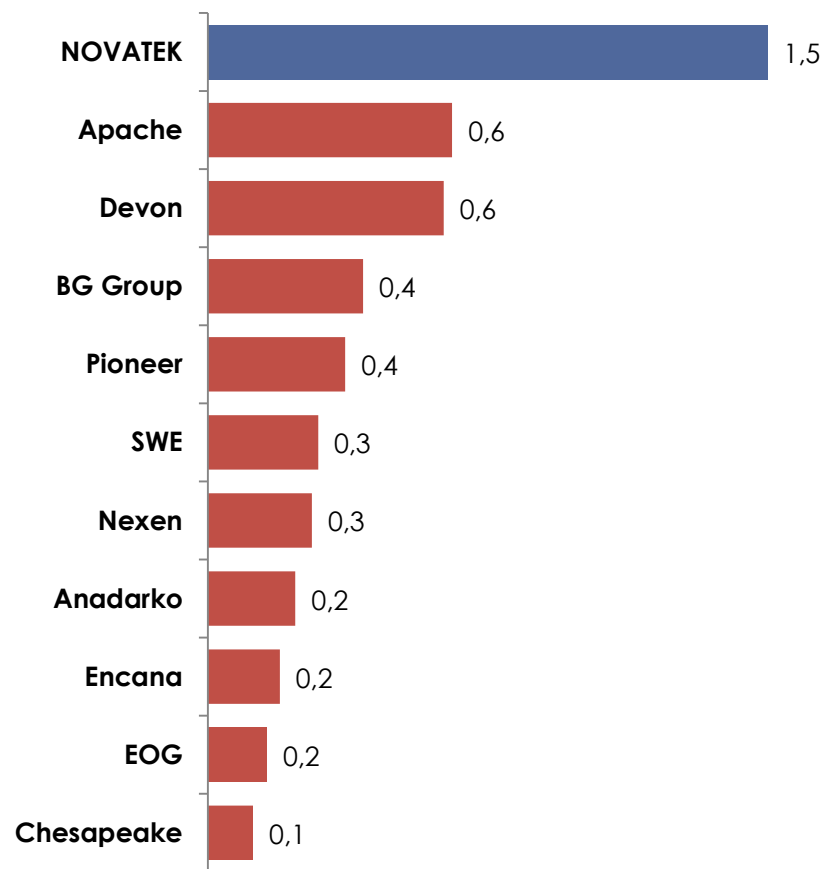


# Well Balanced Investment Program

Capital expenditures to Operating cash flow (X)



PI (net income to capital expenditures), 2011



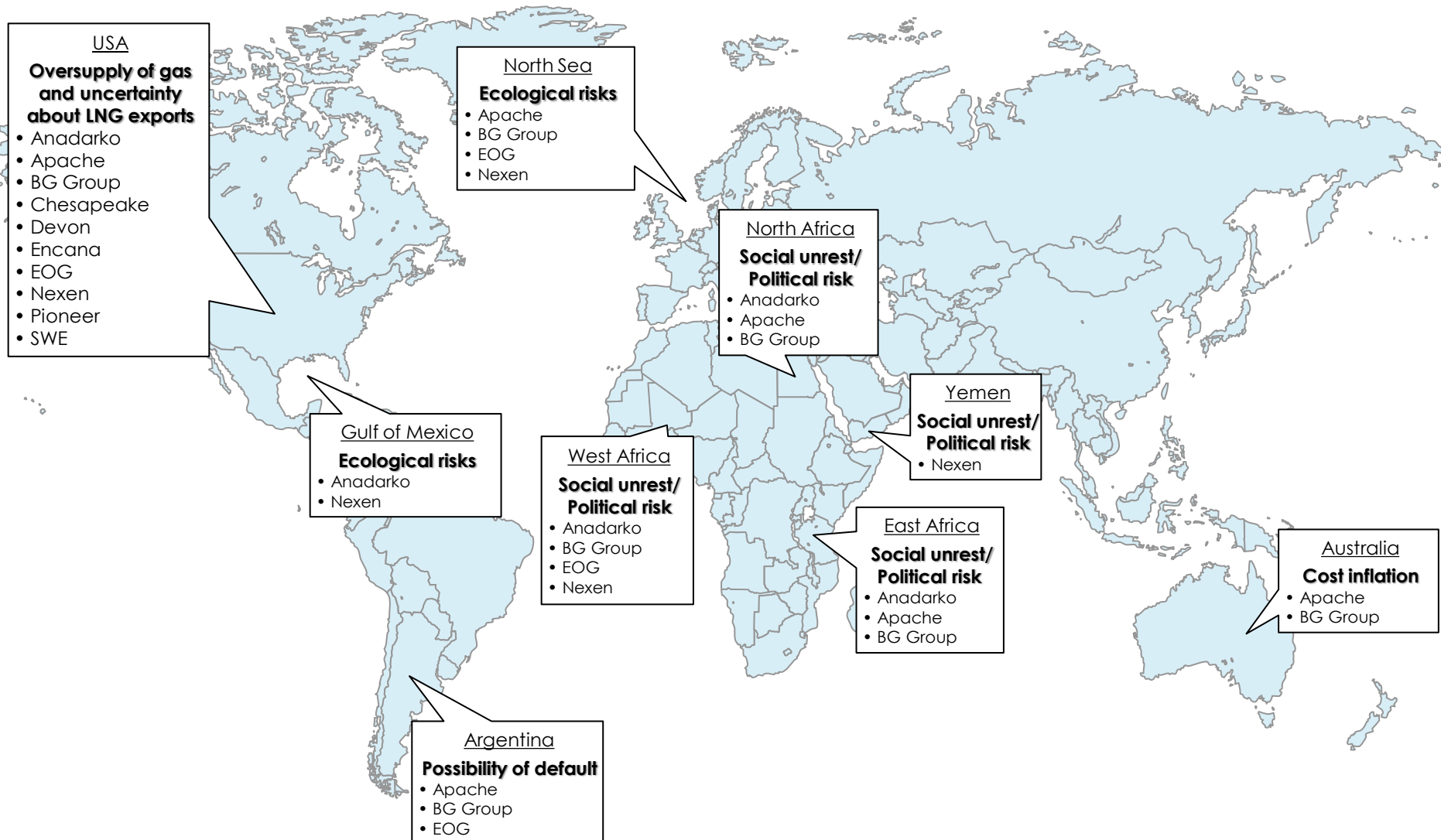
Source: Company data, Bloomberg

Note: Peer group includes Anadarko, Apache, BG Group, EOG, SWE, Nexen, EnCana, Chesapeake, Pioneer and Devon

# Leading Growth at Lower Risks

Parameter	NOVATEK	International Peers
Type of reserves contributing to production growth	Conventional onshore	<u>Offshore, shale, coal seam gas</u>
Underground risks	Very low	<u>High</u>
Above ground risks	Average, single country (Russia)	Diversified, but in <u>many risky regions (Algeria, Tunisia, Kenya, Mozambique, Nigeria, Egypt...)</u>
Price environment	Visible upside, LNG exports – capturing export netback	<u>Risky in the global scale and depressed in the US</u>
Long-term prospects	Conventional reserves in the Yamal and Gydan peninsulas with low underground risks	<u>Very complex offshore and unconventional reserves with higher risks</u>

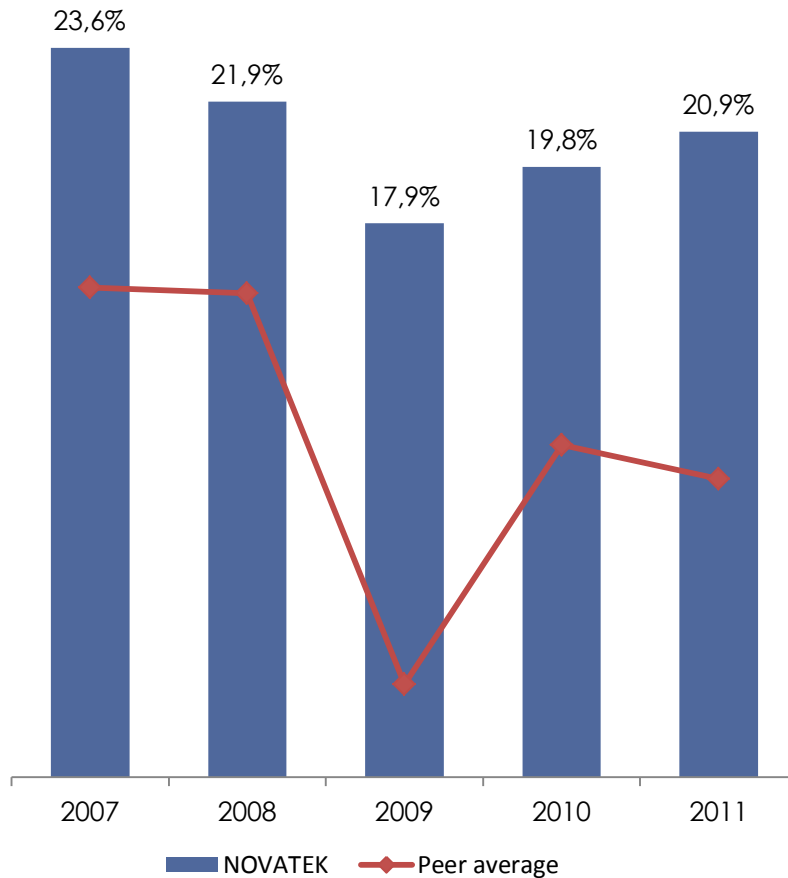
# Country Risks of International Peers



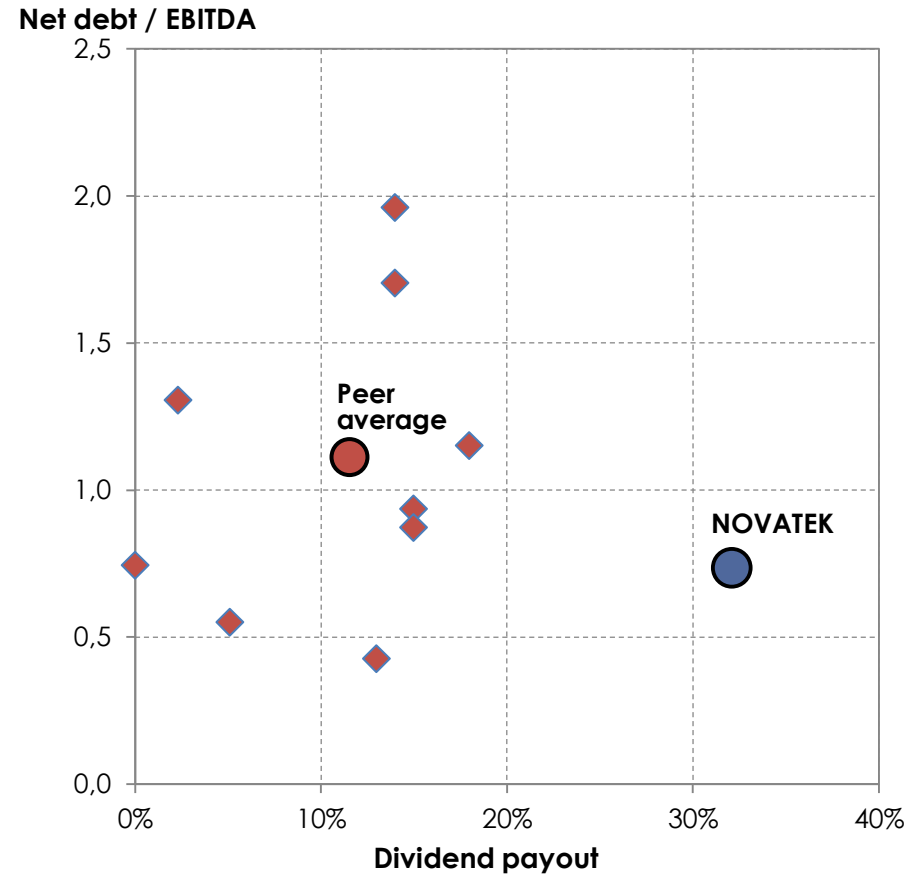
# Leading Profitability, Generous Capital Distribution and Healthy Balance Sheet



## ROACE



## Net debt / EBITDA and Dividend payout (2011)



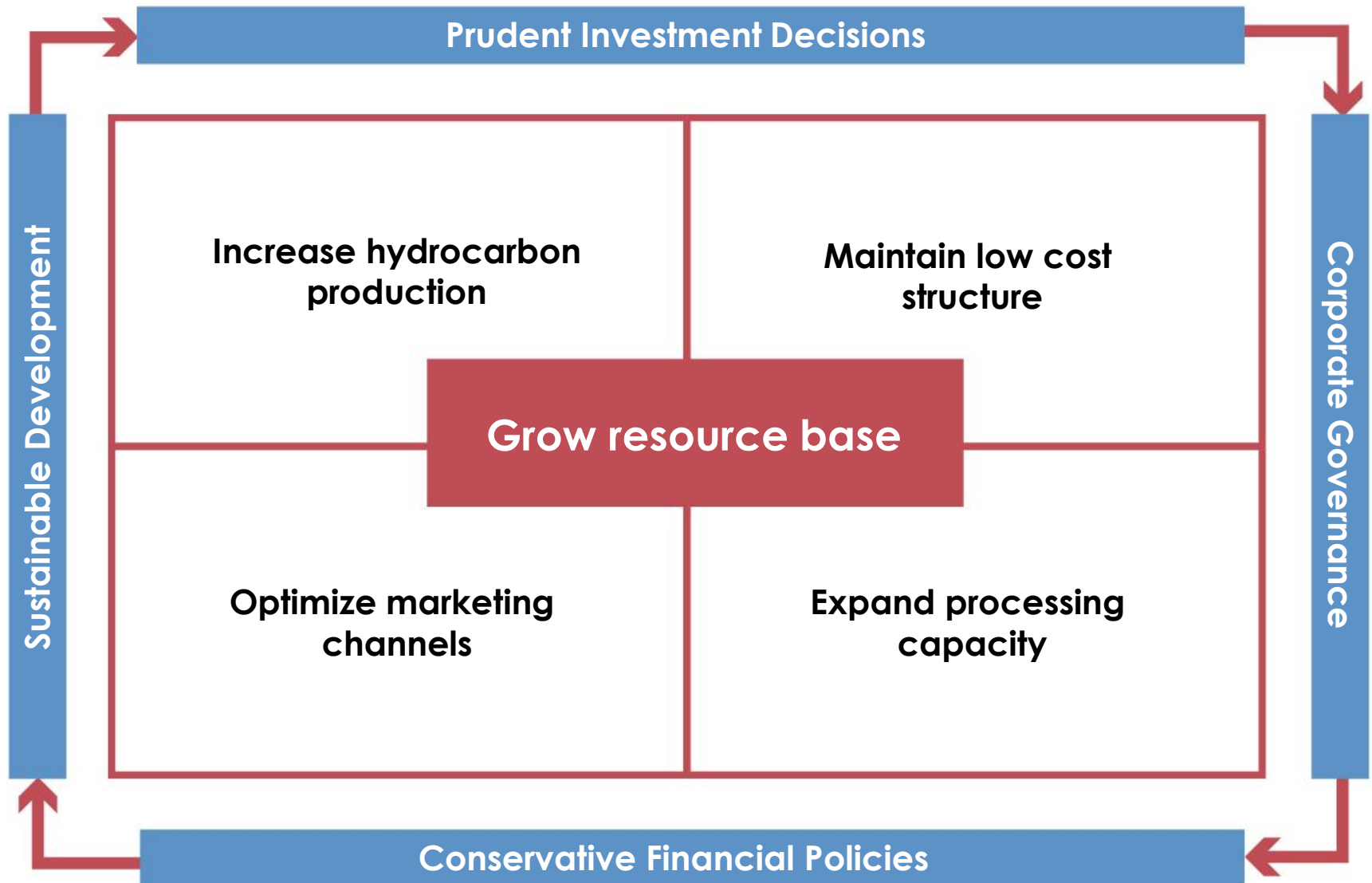
Source: Company data, Bloomberg

Note: Peer group includes Anadarko, Apache, BG Group, EOG, SWE, Nexen, EnCana, Chesapeake, Pioneer and Devon

# Outlook

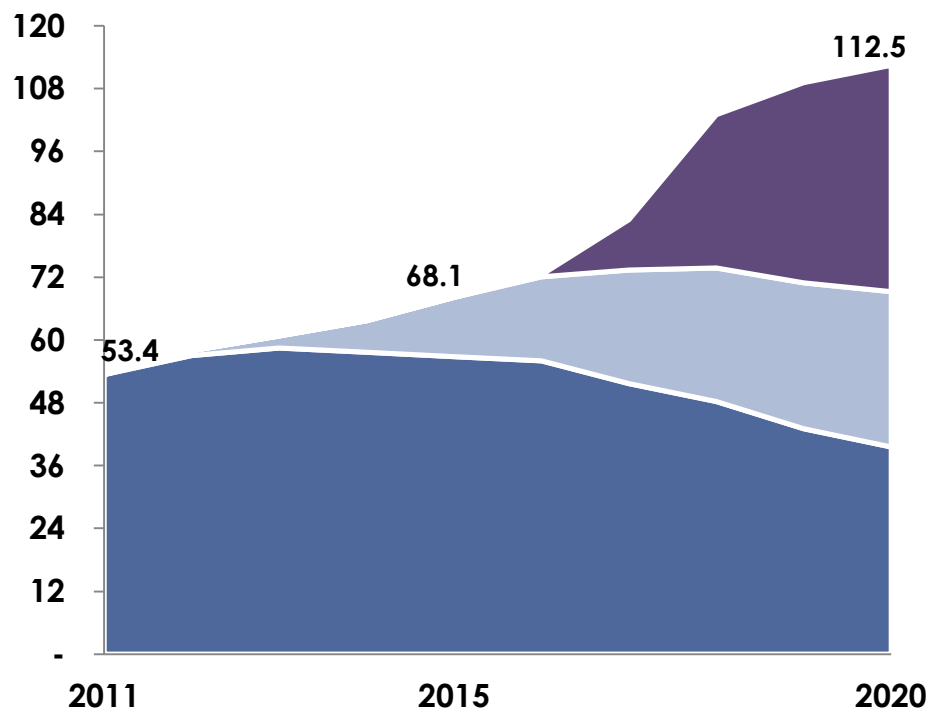


# Delivering on Our Core Strategy



# Production – All Fields<sup>1</sup>

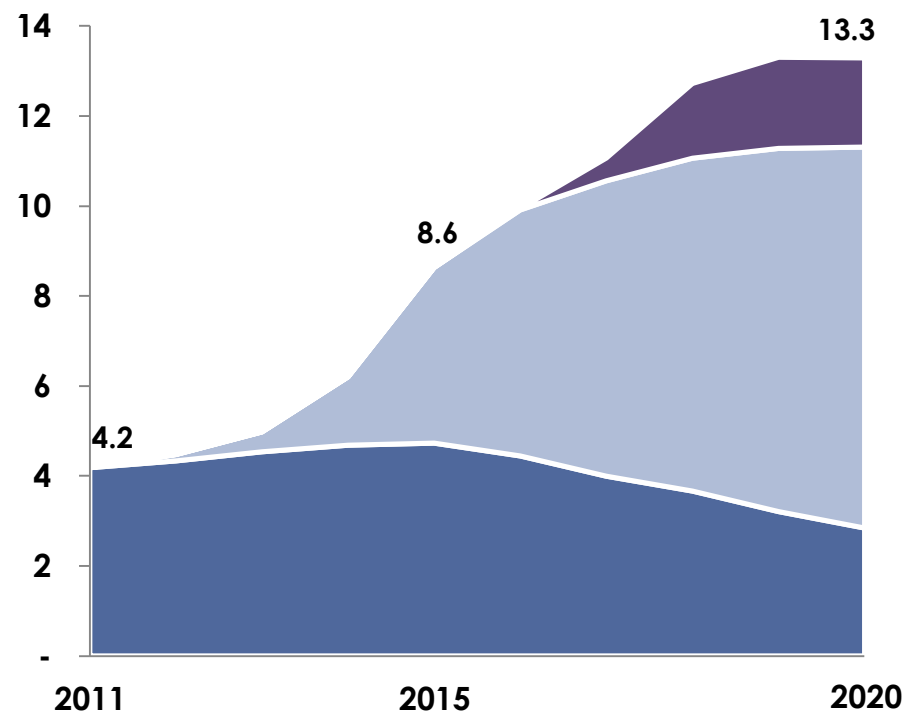
Natural gas production, bcm



■ Producing Fields

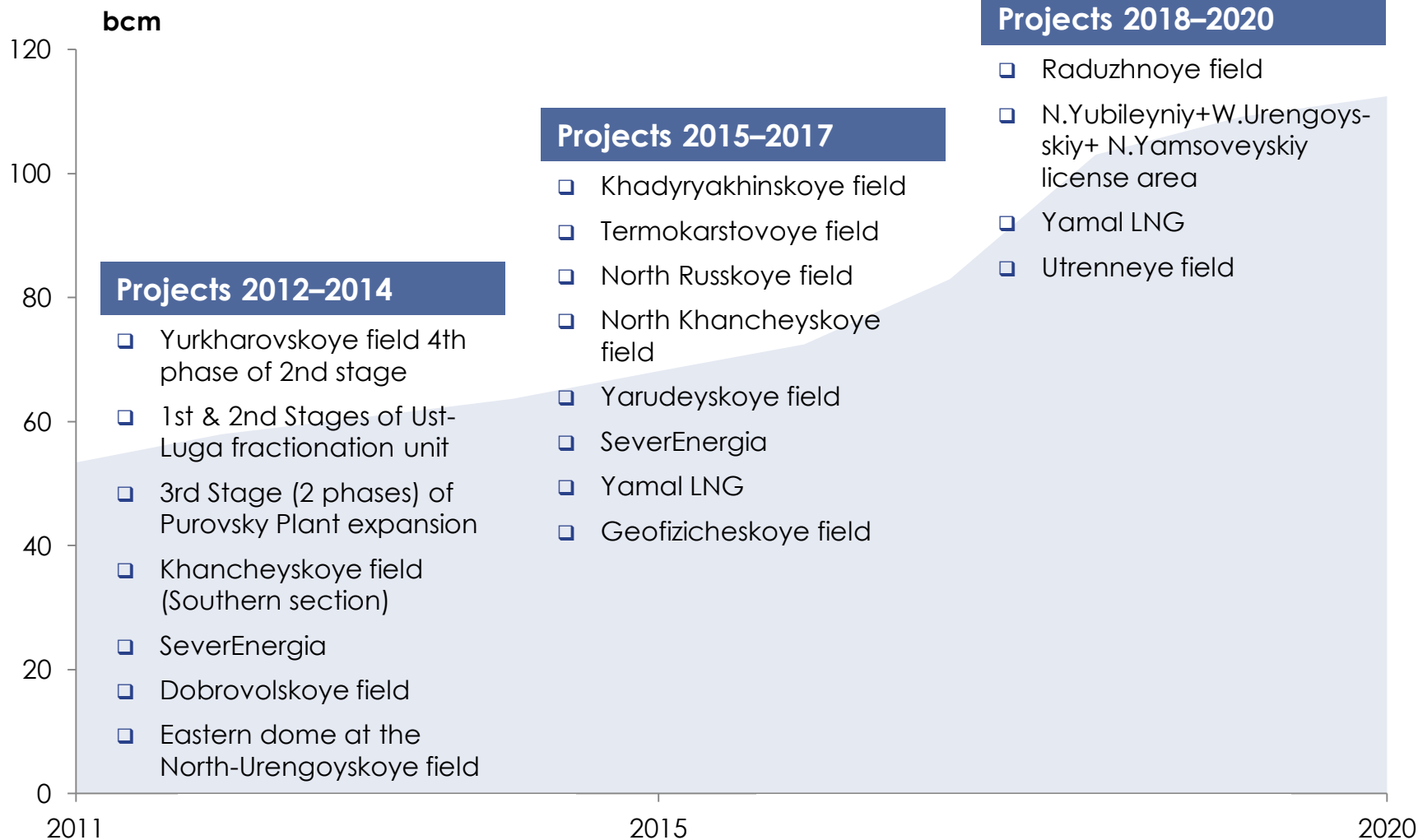
■ New Fields

Gas condensate and crude oil production, mmt



■ Yamal & Gydan Peninsula Fields

# Project Implementation Timeline



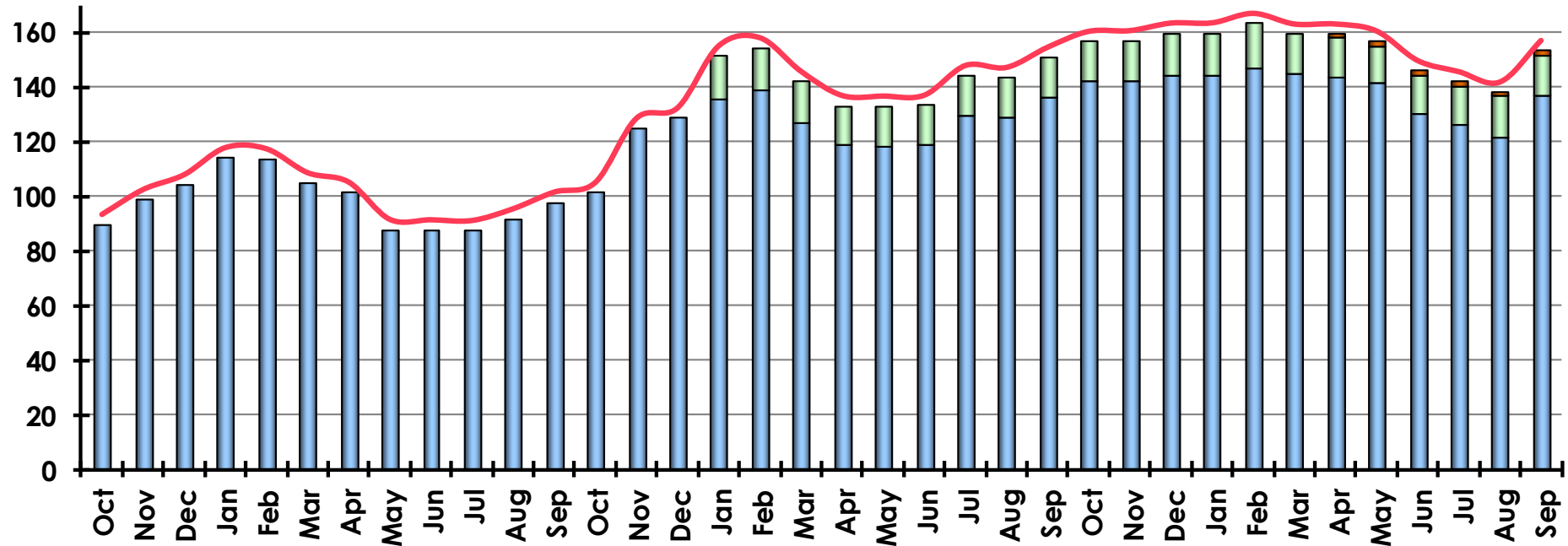
## **Q3 Financial Results**

# Summary Highlights – 3Q 2012



- ❑ **Increase in revenues** driven by higher natural gas and liquids sales prices and volumes:
  - Natural gas sales increased Y-o-Y by 33.4% and Q-o-Q by 17.3%
  - Liquids sales increased Y-o-Y by 28.9% and Q-o-Q by 16.1%
- ❑ **EBITDA increased** Y-o-Y by 33.8% and Q-o-Q by 23.7%
- ❑ **Capital expenditures increased** Y-o-Y by 52.5% to RR 11,480 million in accordance with our announced capital plans
- ❑ **Natural gas production decreased** Y-o-Y by 2.9% due to a transfer of natural gas injection into the UGSF from the third quarter to second quarter in 2012
- ❑ **Cash flow from operations increased** Y-o-Y by 89.7% to RR 23,821 million from RR 12,560 million due to higher natural gas and liquids sales volumes and prices
- ❑ **EPS increased** Y-o-Y by 140.3% and Q-o-Q by 107.0% to RR 6.59
- ❑ On 6th November 2012, the Group signed an agreement with a third party to **acquire 49% equity shares of ZAO Nortgas**, subject to certain conditions to be met by both parties for the total consideration of USD 1,375 million payable upon the title transfer

# Increasing Natural Gas Production (mmcm per day)



■ Gross production

■ Equity share in the gross production of Sibneftgas

■ Equity share in the gross production of SeverEnerga

2009

2009 Avg.  
90 mmcm/day  
3,171 bcf/day

2010

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

2011

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

2012

3Q 12 Avg.  
144 mmcm/day  
5,102 bcf/day

9M 12 Avg.  
153 mmcm/day  
5,409 bcf/day

# Comparison of Quarterly Results (RR million)

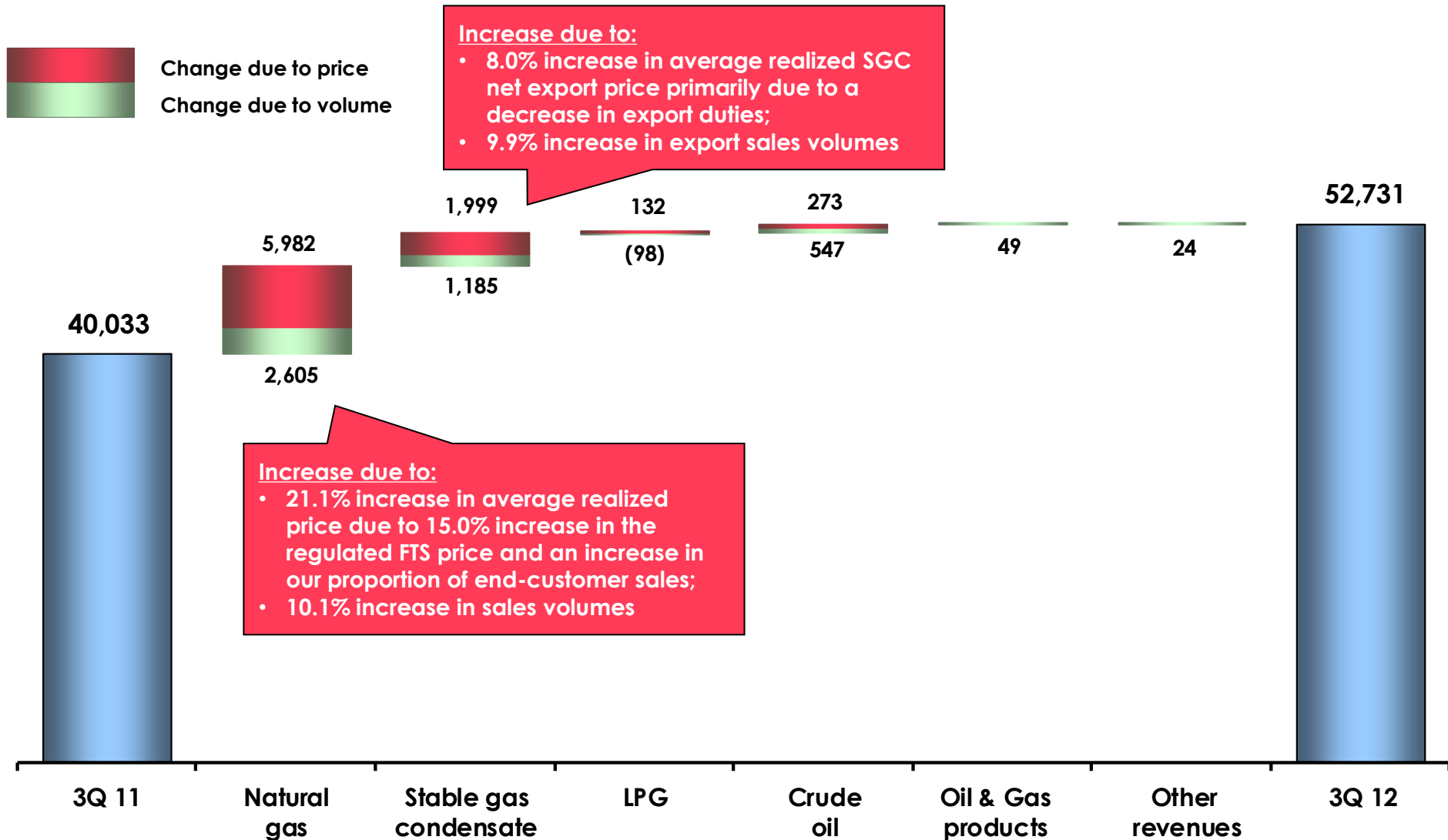


	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	Q-o-Q +/- %	Y-o-Y +/- %
<b>Oil and gas sales</b>	39,888	50,544	54,152	44,984	52,562	16.8%	31.8%
<b>Total revenues</b>	40,033	50,718	54,373	45,145	52,731	16.8%	31.7%
<b>Operating expenses</b>	(22,921)	(28,980)	(31,851)	(26,780)	(29,845)	11.4%	30.2%
<b>EBITDA <sup>(1)</sup></b>	18,877	86,692	24,217	20,414	25,252	23.7%	33.8%
<b>EBITDA margin</b>	47.2%	170.9%	44.5%	45.2%	47.9%		
<b>Normalized EBITDA <sup>(2)</sup></b>	18,877	23,744	24,217	20,414	25,252	23.7%	33.8%
<b>Normalized EBITDA margin</b>	47.2%	46.8%	44.5%	45.2%	47.9%		
<b>Effective income tax rate</b>	21.7%	5.7%	21.9%	20.9%	20.9%		
<b>Profit attributable to NOVATEK</b>	8,322	78,227	21,245	9,663	20,003	107.0%	140.4%
<b>Profit margin</b>	20.8%	154.2%	39.1%	21.4%	37.9%		
<b>Normalized earnings per share</b>	2.74	5.04	7.00	3.18	6.59	107.0%	140.3%
<b>CAPEX <sup>(3)</sup></b>	7,527	9,663	7,519	12,270	11,480	-6.4%	52.5%
<b>Net debt <sup>(4)</sup></b>	78,903	71,647	48,045	77,818	67,187	-13.7%	-14.8%

## Notes:

1. EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the addback of net impairment expenses (reversals), income tax expense, finance income (expense) and income (loss) from changes in fair value of derivative financial instruments from the Consolidated Statement of Income, and depreciation, depletion and amortization from the Consolidated Statement of Cash Flows
2. Normalized EBITDA and normalized earnings per share exclude net gain on disposal of interest in subsidiaries
3. CAPEX represents additions to property, plant and equipment excluding acquisition of mineral licenses
4. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

# Total Revenues (RR million)





# Total Revenues Breakdown

■ Natural gas

■ Stable gas condensate

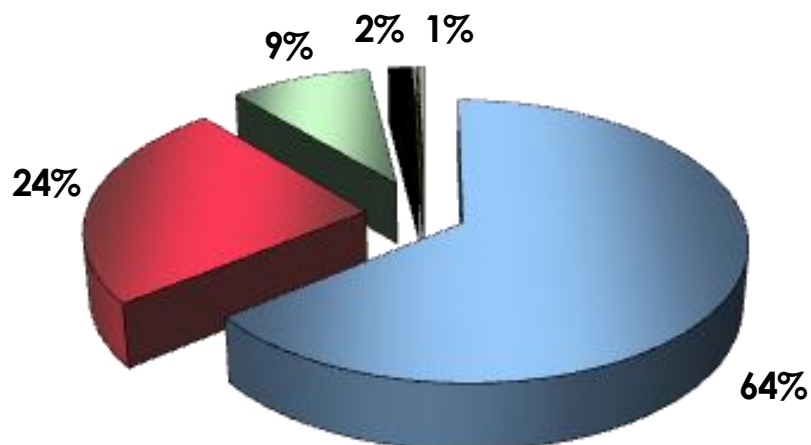
■ LPG

■ Crude oil

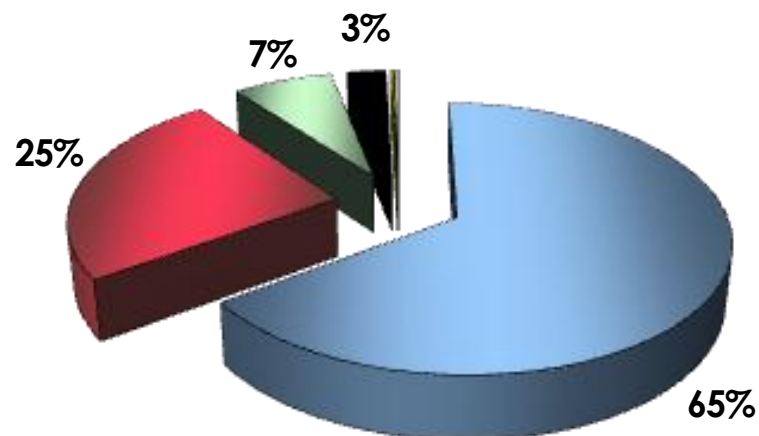
■ Oil and gas products

■ Other

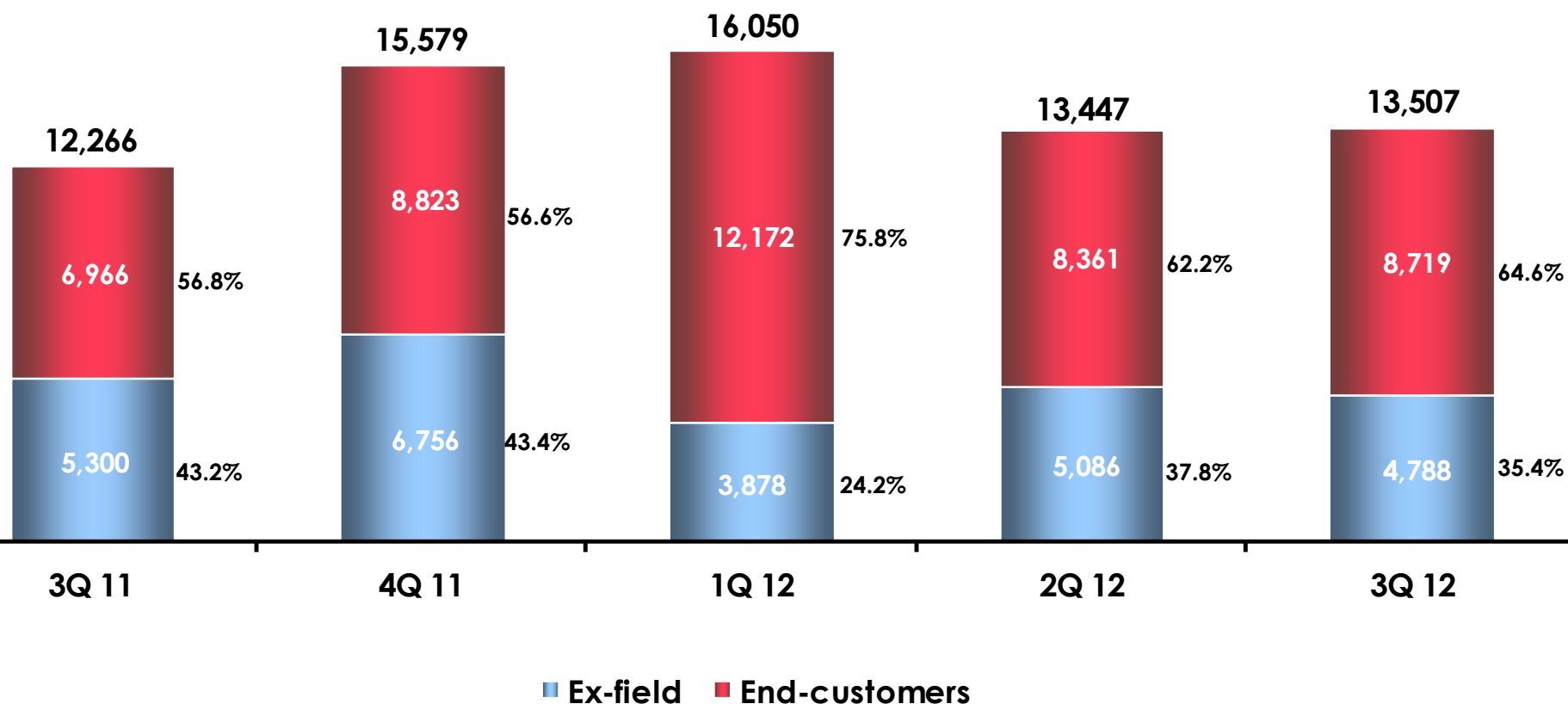
**3Q 11**



**3Q 12**

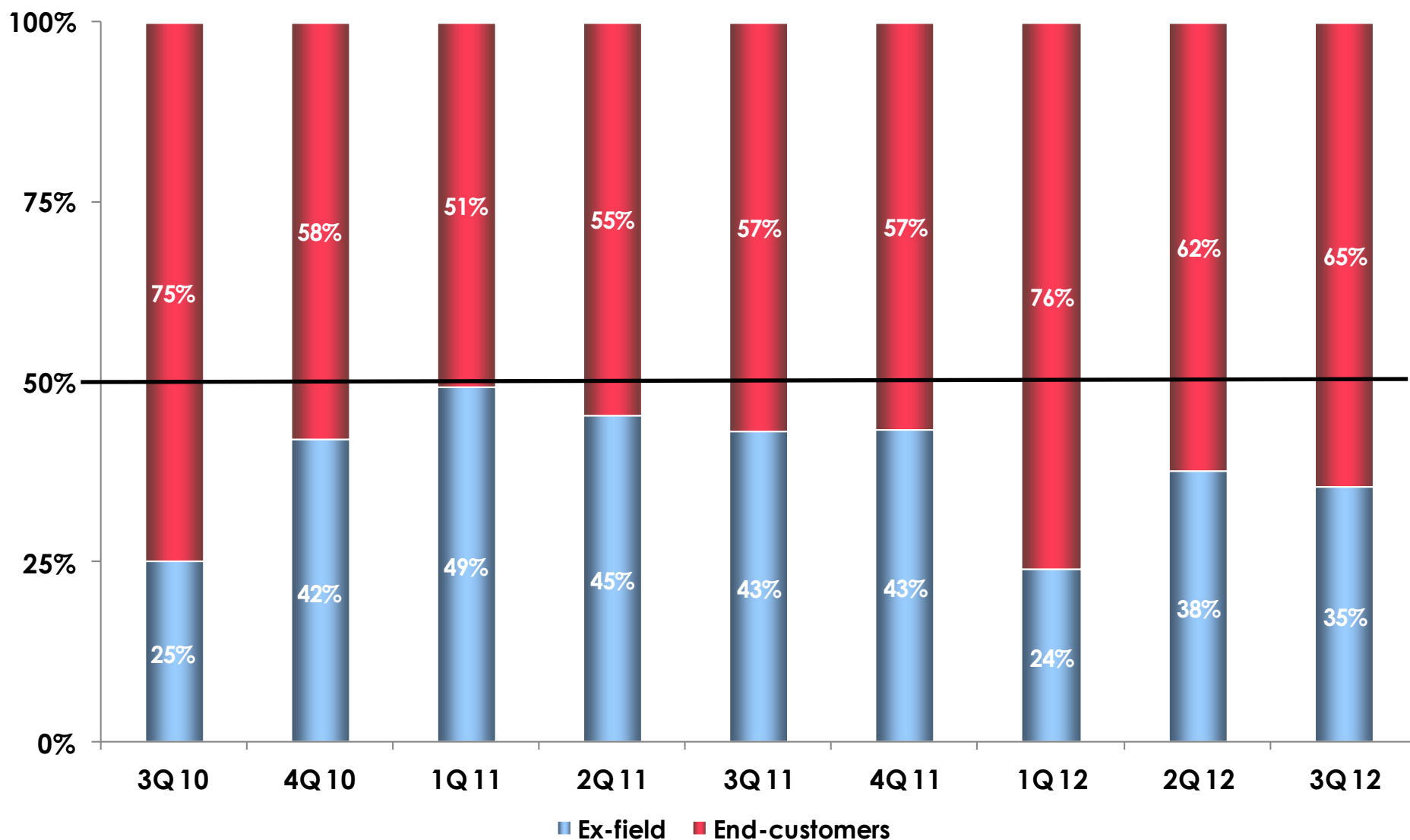


# Market Distribution – Gas Sales Volumes (mmcm)

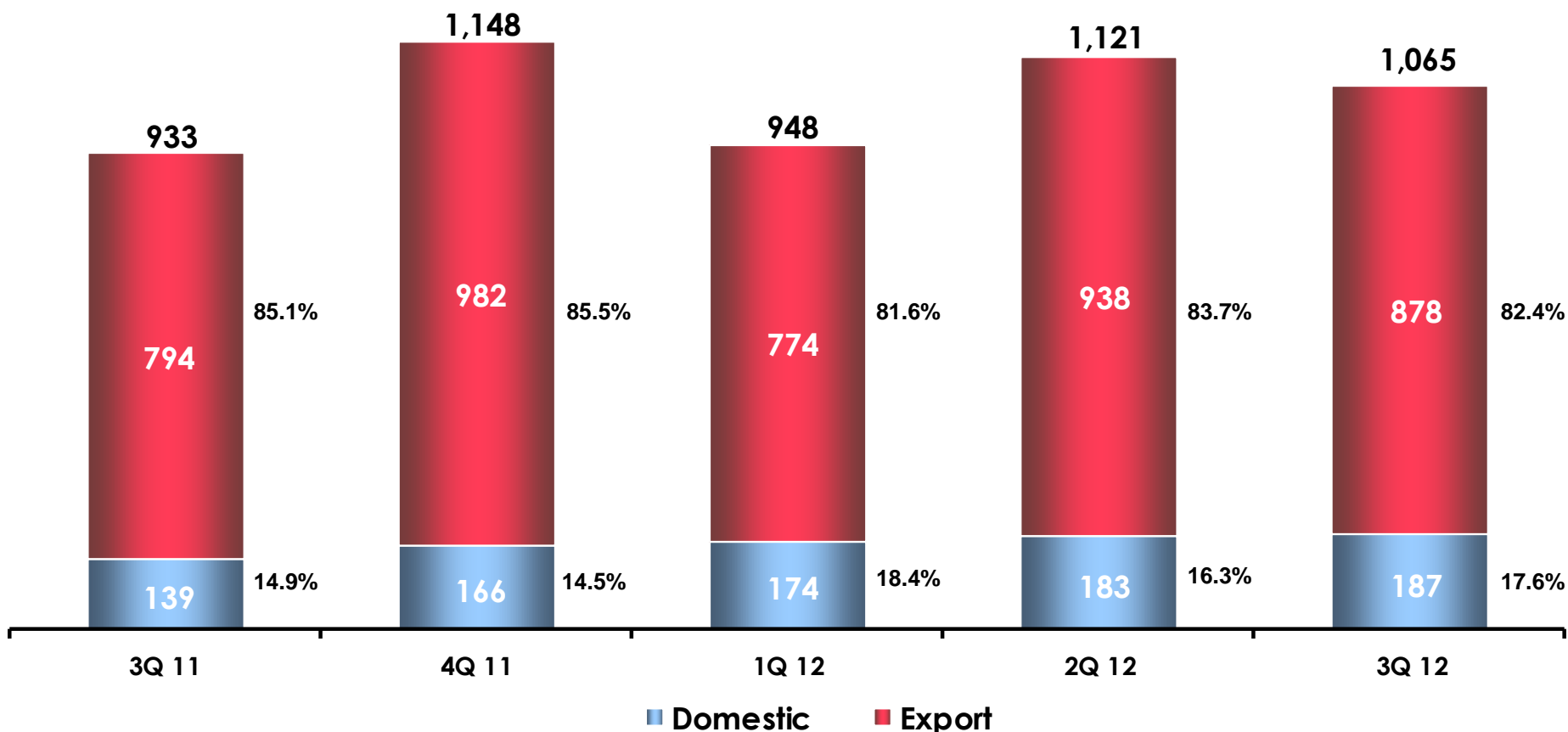


- Y-o-Y increase in natural gas sales volumes was due to the commencement of purchases from our related party SIBUR Holding effective from 1 January 2012
- Our proportion of natural gas sold to end-customers increased Y-o-Y due to higher natural gas deliveries to the Chelyabinsk region as a result of the acquisition of regional gas trader Gazprom mezhregiongas Chelyabinsk in November 2011

# Natural Gas Sales Volume Mix



# Market Distribution – Liquids Sales Volumes (mt)



- Y-o-Y increase in liquids sales volumes was primarily due to the initiation of unstable gas condensate purchases from our joint venture in April 2012, as well as a decrease in our SGC inventory balances during 3Q 2012 compared to an increase in 3Q 2011
- Q-o-Q decrease in liquids sales volumes was due to a decrease in gas condensate production at our core producing fields

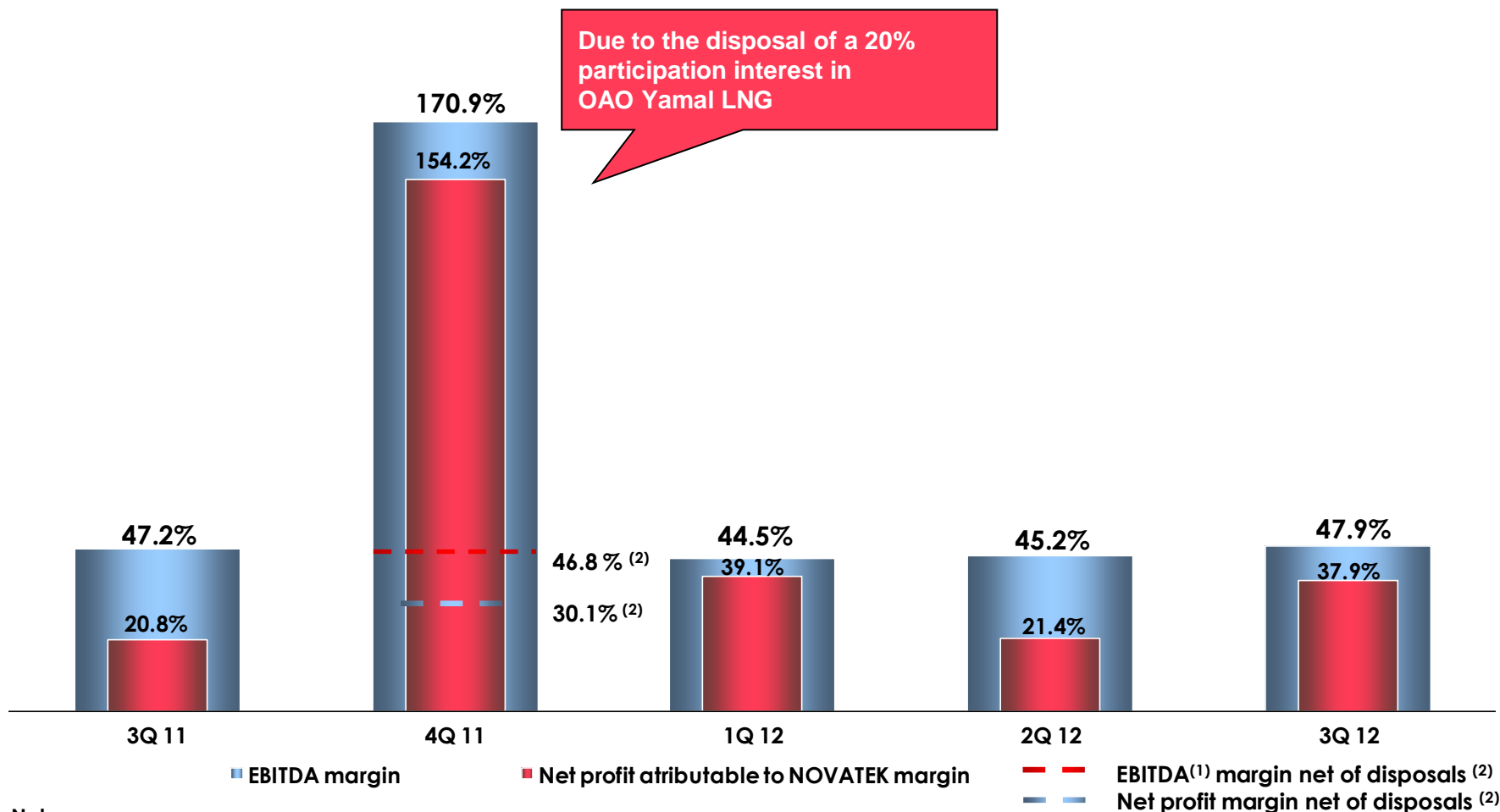
# Realized Hydrocarbon Prices (net of VAT and export duties)



3Q 11	3Q 12	+ / (-)	+ / (-)%		2Q 12	3Q 12	+ / (-)	+ / (-)%
<b><u>Domestic prices</u></b>								
2,637	3,050	413	15.7%	<b>Natural gas end-customers, RR/mcm</b>	2,652	3,050	398	15.0%
1,390	1,619	229	16.5%	<b>Natural gas ex-field, RR/mcm</b>	1,399	1,619	220	15.7%
-	12,278	n/a	n/a	<b>Stable gas condensate, RR/ton</b>	12,335	12,278	(57)	-0.5%
14,173	14,199	26	0.2%	<b>LPG, RR/ton</b>	13,704	14,199	495	3.6%
9,046	11,144	2,098	23.2%	<b>Crude oil, RR/ton</b>	10,313	11,144	831	8.1%
9,998	10,643	645	6.5%	<b>Methanol, RR/ton</b>	10,896	10,643	(253)	-2.3%
<b><u>Export market</u></b>								
14,817	17,629	2,812	19.0%	<b>Stable gas condensate, RR/ton</b>	13,387	17,629	4,242	31.7%
21,148	22,128	980	4.6%	<b>LPG, RR/ton</b>	21,263	22,128	865	4.1%
10,707	13,133	2,426	22.7%	<b>Crude oil, RR/ton</b>	9,916	13,133	3,217	32.4%

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

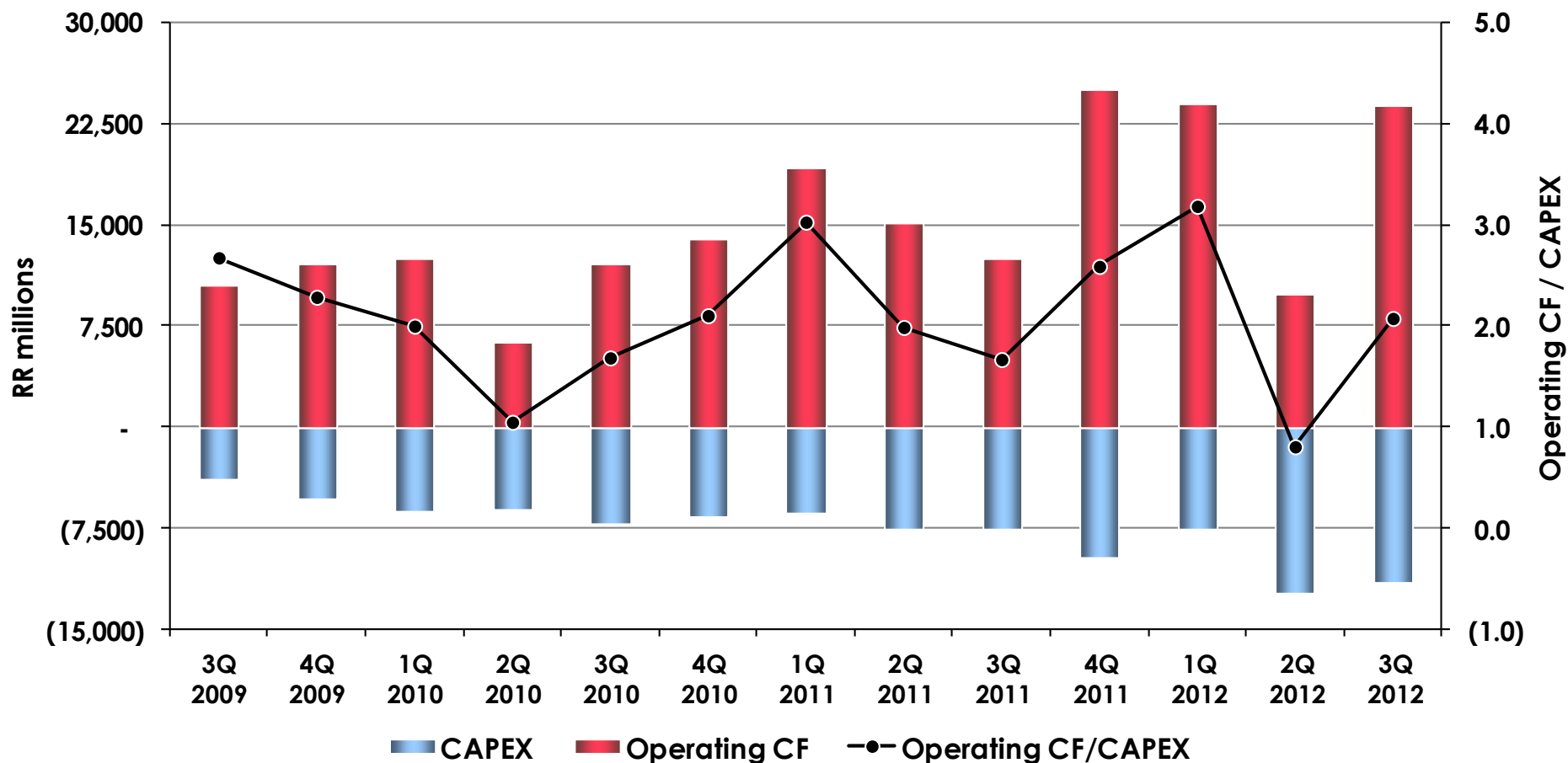
# Maintaining Margins (% of total revenues)



Notes:

1. EBITDA represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the addback of net impairment expenses (reversals), income tax expense, finance income (expense) and income (loss) from changes in fair value of derivative financial instruments from the Consolidated Statement of Income, and depreciation, depletion and amortization from the Consolidated Statement of Cash Flows
2. Adjusted net profit attributable to NOVATEK margin and adjusted EBITDA margin exclude net gain on disposal of subsidiaries

# Internally Funded Investment Program



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

# Condensed Balance Sheet (RR million)



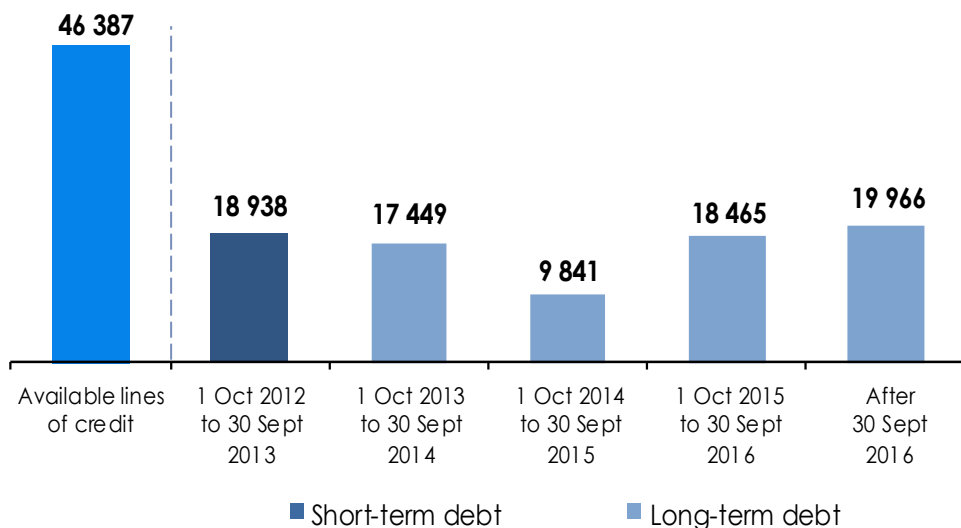
	30 September 2012	31 December 2011	+ / (-)	+ / (-) %
<b>Total current assets</b>	<b>48,702</b>	<b>58,316</b>	<b>(9,614)</b>	<b>-16.5%</b>
<i>Incl. Cash and cash equivalents</i>	<i>17,472</i>	<i>23,831</i>	<i>(6,359)</i>	<i>-26.7%</i>
<b>Total non-current assets</b>	<b>350,521</b>	<b>325,116</b>	<b>25,405</b>	<b>7.8%</b>
<i>Incl. Net PP&amp;E</i>	<i>190,032</i>	<i>166,784</i>	<i>23,248</i>	<i>13.9%</i>
<b>Total assets</b>	<b>399,223</b>	<b>383,432</b>	<b>15,791</b>	<b>4.1%</b>
<b>Total current liabilities</b>	<b>33,869</b>	<b>50,114</b>	<b>(16,245)</b>	<b>-32.4%</b>
<i>Incl. ST debt and current portion of LT debt</i>	<i>18,938</i>	<i>20,298</i>	<i>(1,360)</i>	<i>-6.7%</i>
<b>Total non-current liabilities</b>	<b>83,120</b>	<b>91,636</b>	<b>(8,516)</b>	<b>-9.3%</b>
<i>Incl. Deferred income tax liability</i>	<i>13,933</i>	<i>12,805</i>	<i>1,128</i>	<i>8.8%</i>
<i>Incl. LT debt</i>	<i>65,721</i>	<i>75,180</i>	<i>(9,459)</i>	<i>-12.6%</i>
<b>Total liabilities</b>	<b>116,989</b>	<b>141,750</b>	<b>(24,761)</b>	<b>-17.5%</b>
<b>Total equity</b>	<b>282,234</b>	<b>241,682</b>	<b>40,552</b>	<b>16.8%</b>
<b>Total liabilities &amp; equity</b>	<b>399,223</b>	<b>383,432</b>	<b>15,791</b>	<b>4.1%</b>



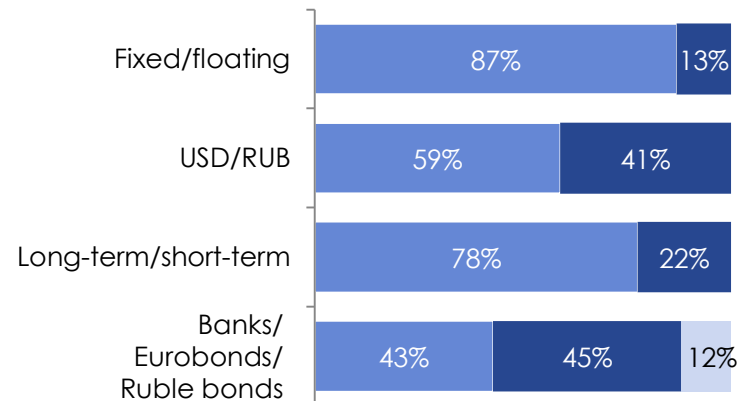
# Debt Composition as at 30 September 2012



**Total Debt Maturity Profile (RR million)**



**Debt Structure (Total Debt = RR 84.7 billion)**



## Established track record of adhering to financial policies

Metric	Policy Target	2009	2010	2011	9M 2012
Debt/Normalized EBITDA, (x)	~1.0x	1.0	1.3	1.1	0.9
Net debt/Normalized EBITDA, (x)	<1.0x	0.7	1.1	0.8	0.7
Normalized EBITDA/Net interest		136	n/a	n/a	77
Cash Balance, million \$	\$100 - \$150	348	336	740	565
Lines of credit, million \$	\$300 - \$500	579	500	1,592	1,500

Source: IFRS financials (9M 2012 (unaudited), 2009 - 2011)



# 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](mailto:ir@novatek.ru)**

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