NOVATEK

"Harnessing the Energy of the Far North"

Mark Gyetvay, Deputy Chairman of the Management Board

Bank of America Merrill Lynch, Oil & Gas Conference 2015

The Grove, UK
15-16 April 2015

Forward-Looking Statements

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- 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

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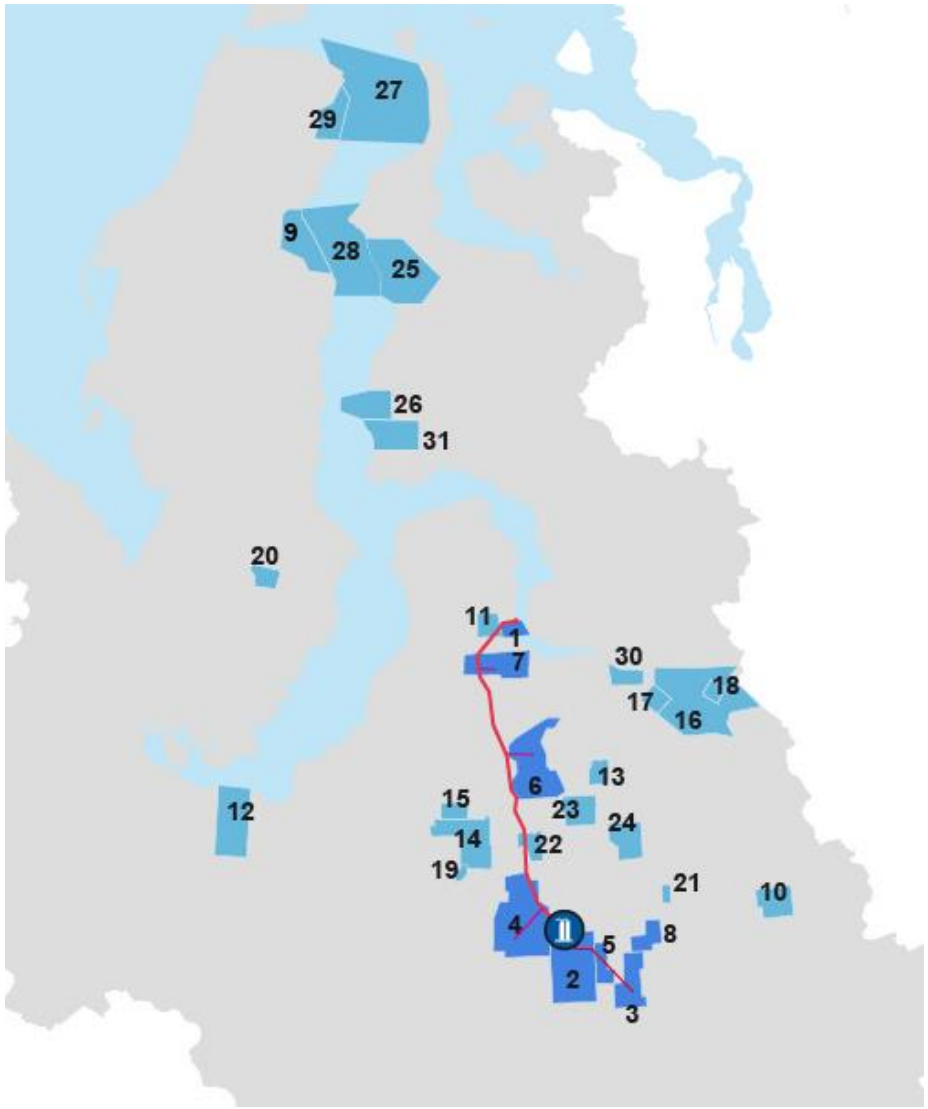
Producing fields:
1. Yurkharovskoye field
2. East-Tarkosalinskoye field
3. Khancheyskoye field
4. Olimpiyskiy license area
5. Yumantilskiy license area
6. Samburgskiy license area
7. North-Urengoyskoye field
8. North Khancheyskoye field

Prospective fields:
9. South-Tambeyskoye field
10. Termokarstovoye field
11. West-Yurkharovskoye field
12. Yarudeyskoye field
13. Raduzhnoye field
14. West-Urengoiskiy license area
15. North-Yubileynoye field
16. North-Russkiy license area
17. North-Russkoye field
18. Dorogovskoye field
19. Ukrainsko-Yubileynoye field
20. Malo-Yamalskoye field
21. West-Chaselskoye field
22. Yevo-Yakhinskoye field
23. Yaro-Yakhinskiy license area
24. North-Chaselskiy license area
25. Utrenneye field
26. Geofizicheskiy license area
27. North-Obskiy license area
28. East-Tambeyskiy license area
29. North-Tasiyskiy license area
30. East-Tazovskiy license area
31. Trekhbugorniy license area



Yamal-Nenets Autonomous Region – one of the world's largest natural gas producing regions, which accounts for approximately 80% of Russia's natural gas production and approximately 16% of the world's gas production.

- NOVATEK producing fields
- Other NOVATEK fields
- Purovsky Plant
- Gas condensate pipeline from the Yurkharovskoye field to the Purovsky plant

Leveraging Our Core Business Strengths

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Organic growth platform based on ample reserves

Simple and transparent group structure

High standards of corporate governance and transparency

Committed owners and experienced management

Compelling business case, robust model, clear strategy

Strong profitability and cost advantage

Low debt levels and strong creditor protection

Creating shareholder value

Positions in the World

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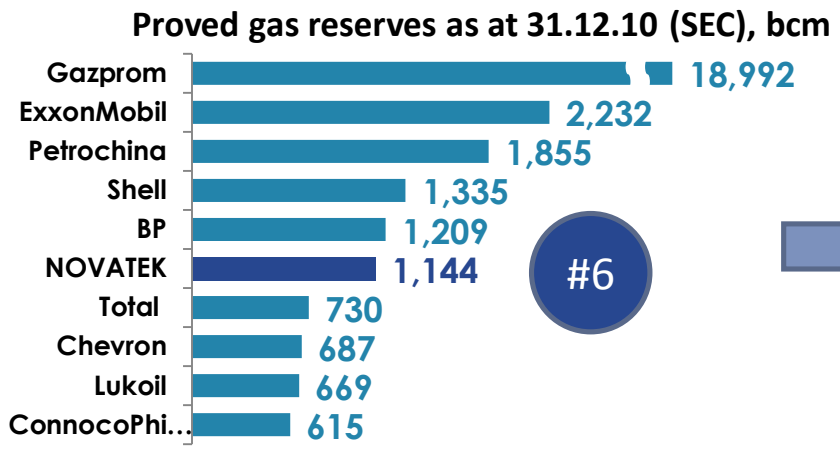

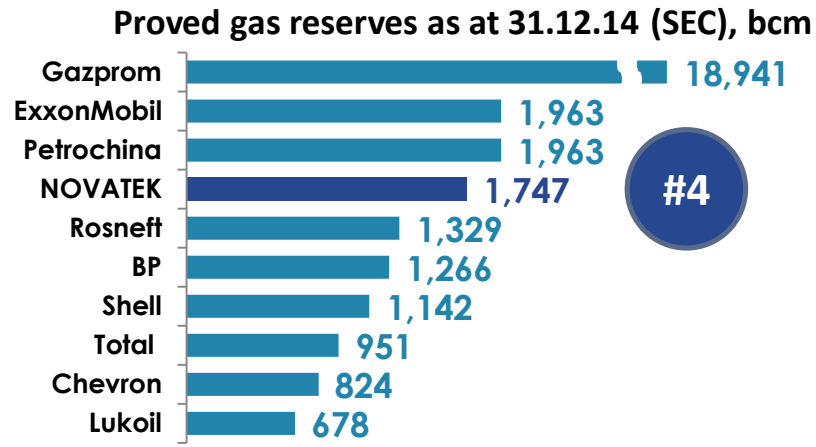

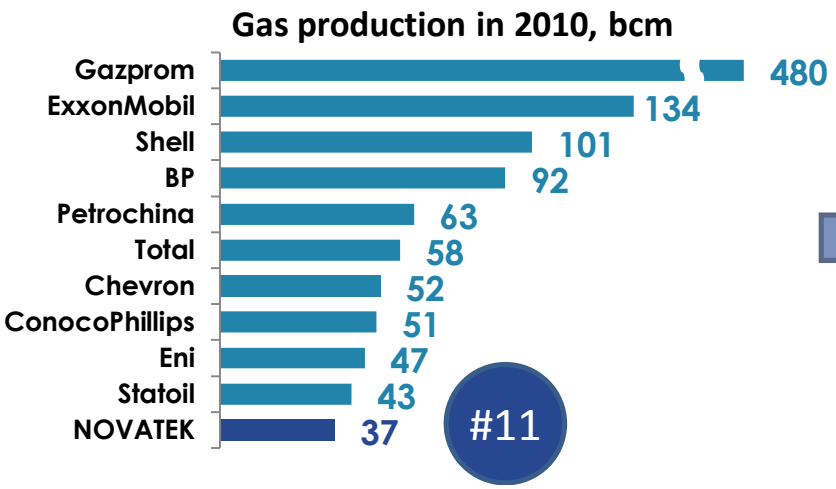

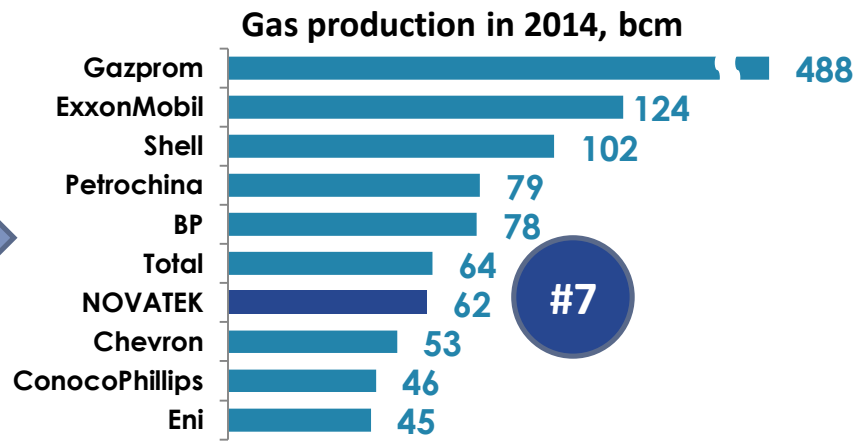

Source: Bloomberg, company data.

SEC Proved Reserves

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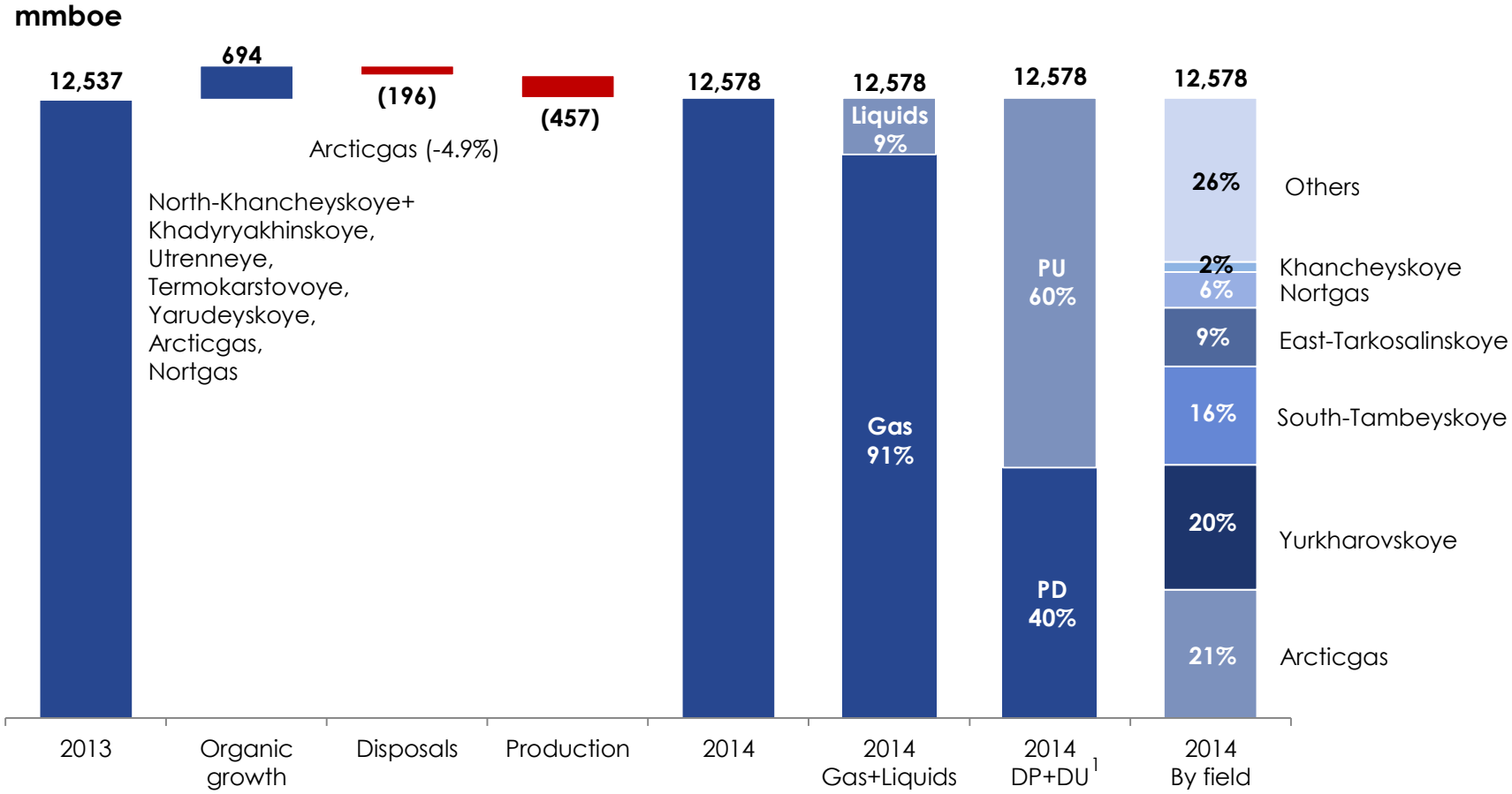
Reserve replacement ratio in 2014 – 109% (152% on the organic basis)



Note:
1. Proved developed and proved undeveloped reserves

Hydrocarbon Production

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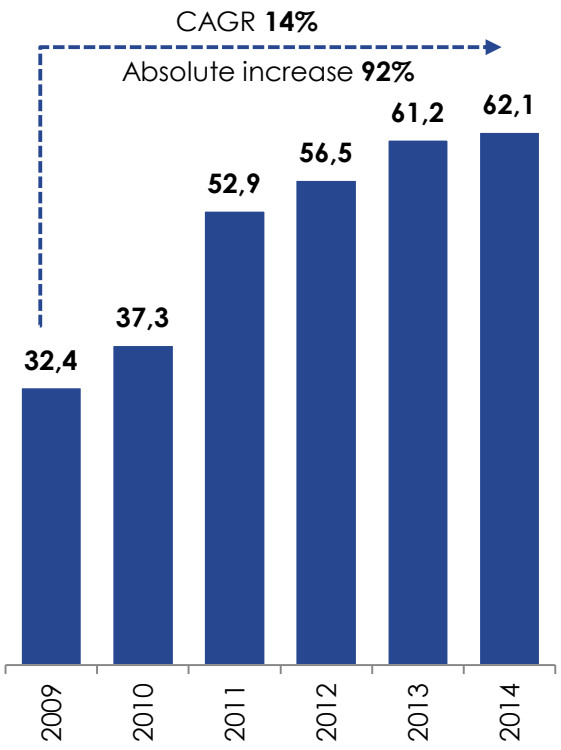
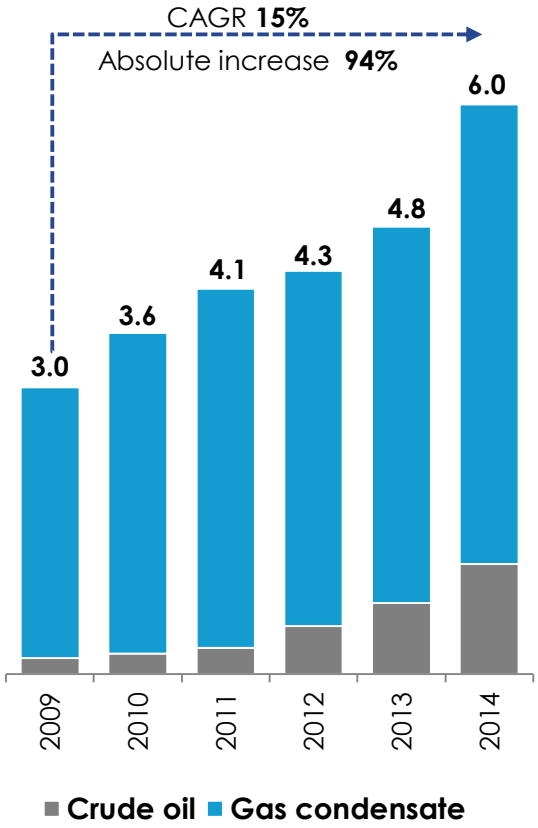
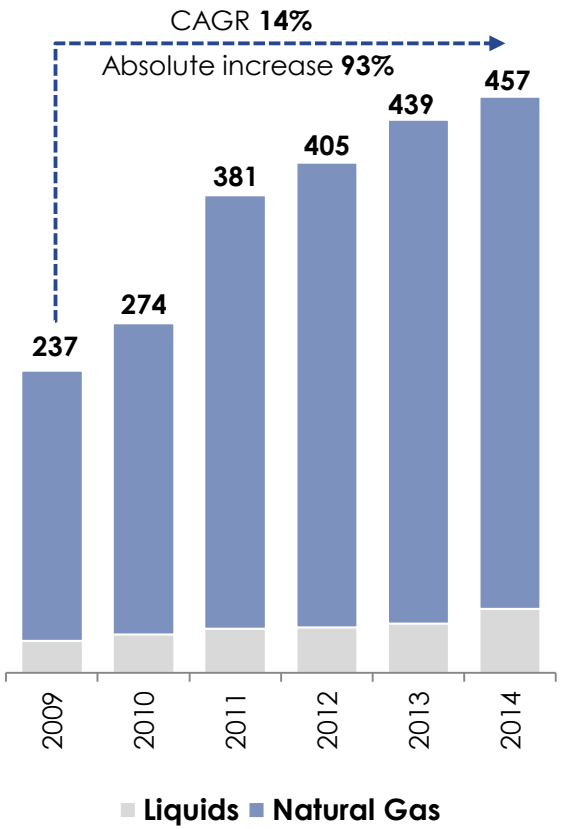
Natural Gas Sales Production, bcm



Liquids Sales Production, mmt



Total Hydrocarbon Sales Production, mmboe



SUSTAINABLE PRODUCTION GROWTH

Development of Production Capacities in 2014

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	Planned timing	Actual completion	Annual capacity
Launching two stages of the **Urengoyskoye gas and gas condensate field** of SeverEnergia	Q2 2014 – first stage Q4 2014 – second stage	**First stage launched in April 2014**, production restarted at limited capacity in July following a fire at the de-ethanization facility. The facility was fully restored in December 2014, which enabled to achieve full capacity of the first stage. **Second stage launched in December 2014**	**13** bcm of natural gas and **4.7** mmt of gas condensate
Launching the third stage of the **Samburgskoye gas and gas condensate field** of SeverEnergia	Q4 2014	**Launched in September 2014**	**7** bcm of natural gas and **0.9** mmt of gas condensate
Launching the **North-Kancheyskoye gas field**	Q4 2014	**Launched in December 2014**	**0.4** bcm of natural gas

Monetizing Our Resource Base 12M 2014

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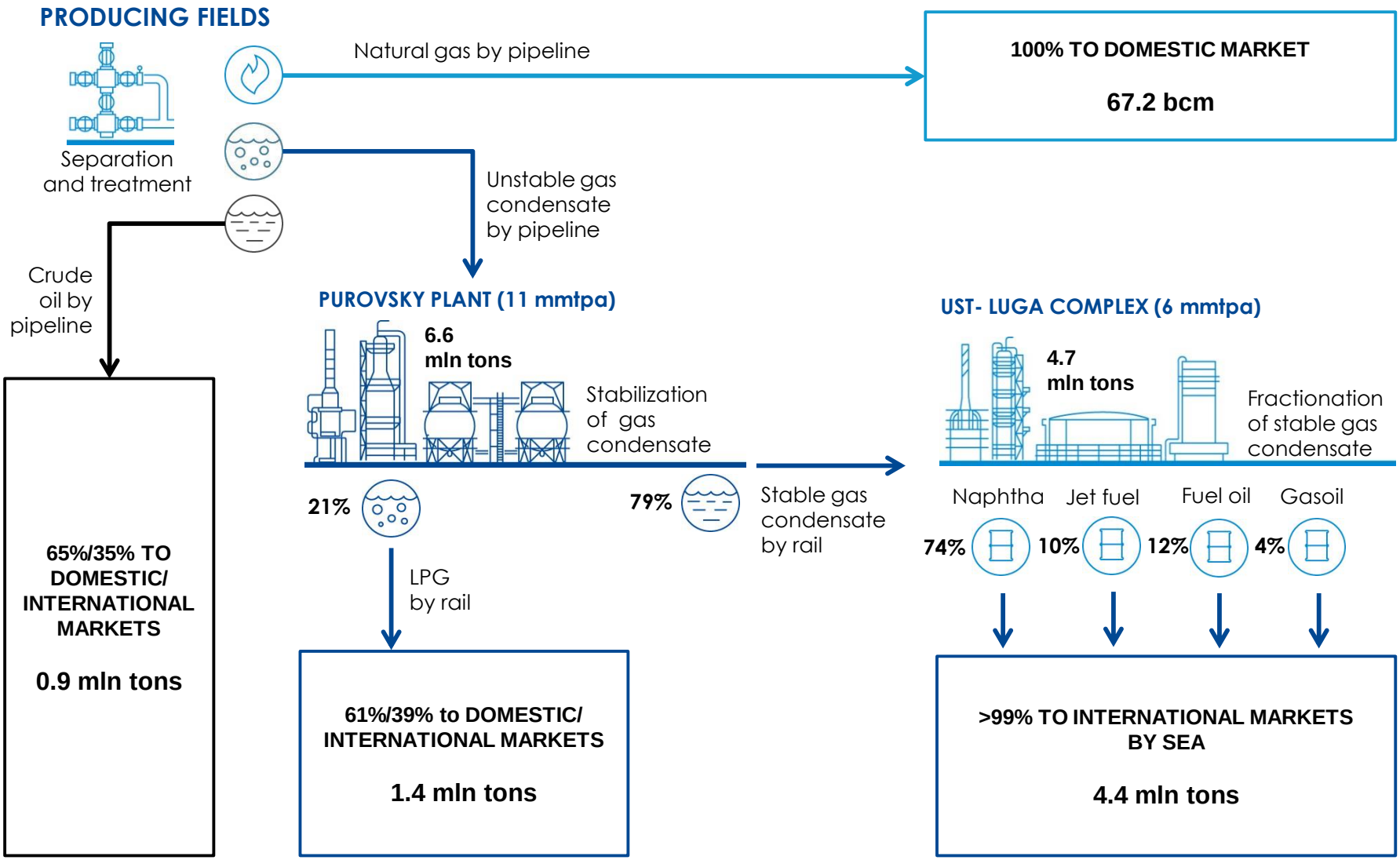

Financial Results

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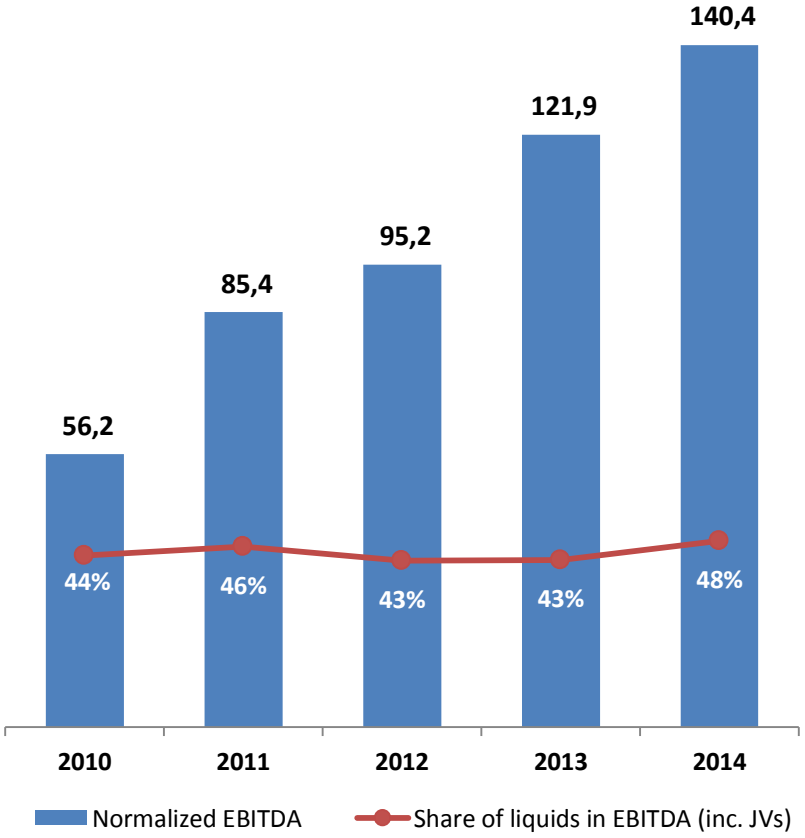
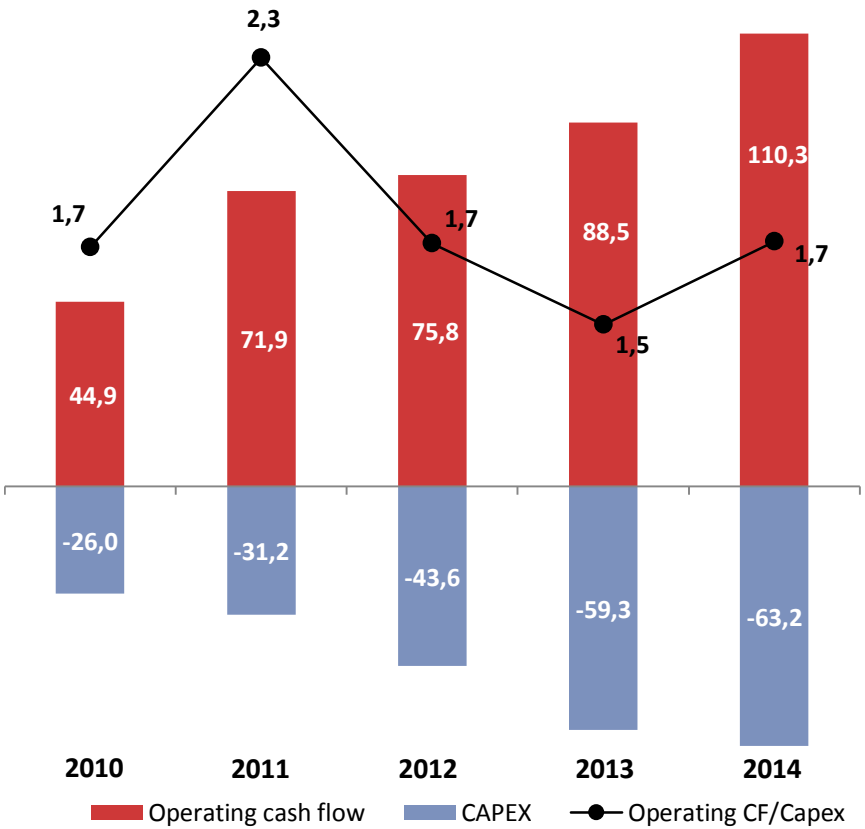
Normalized EBITDA of subsidiaries[1],RR bln



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

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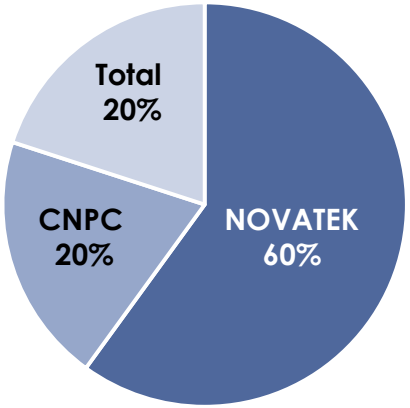
Project for construction of an LNG plant on the Yamal Peninsula:

- 2P PRMS gas reserves of the South-Tambeyskoye onshore conventional field at 31.12.14 - **926 bcm**
- Liquefaction capacity - **16.5 mmt** of LNG per annum (3 trains)
- FID date - **December 2013**
- Capex estimate - **USD 27 bln**
- First production is scheduled for **2017**

Shareholders



Unrivalled Resource Potential of the Yamal Peninsula

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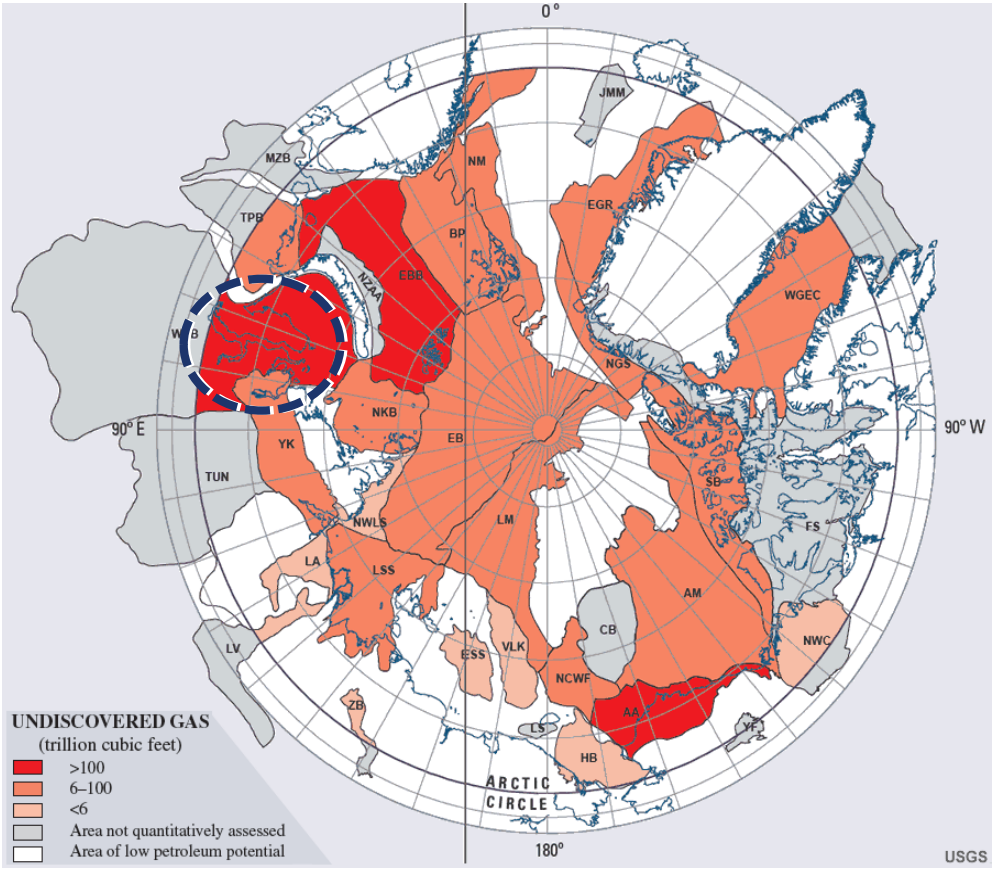

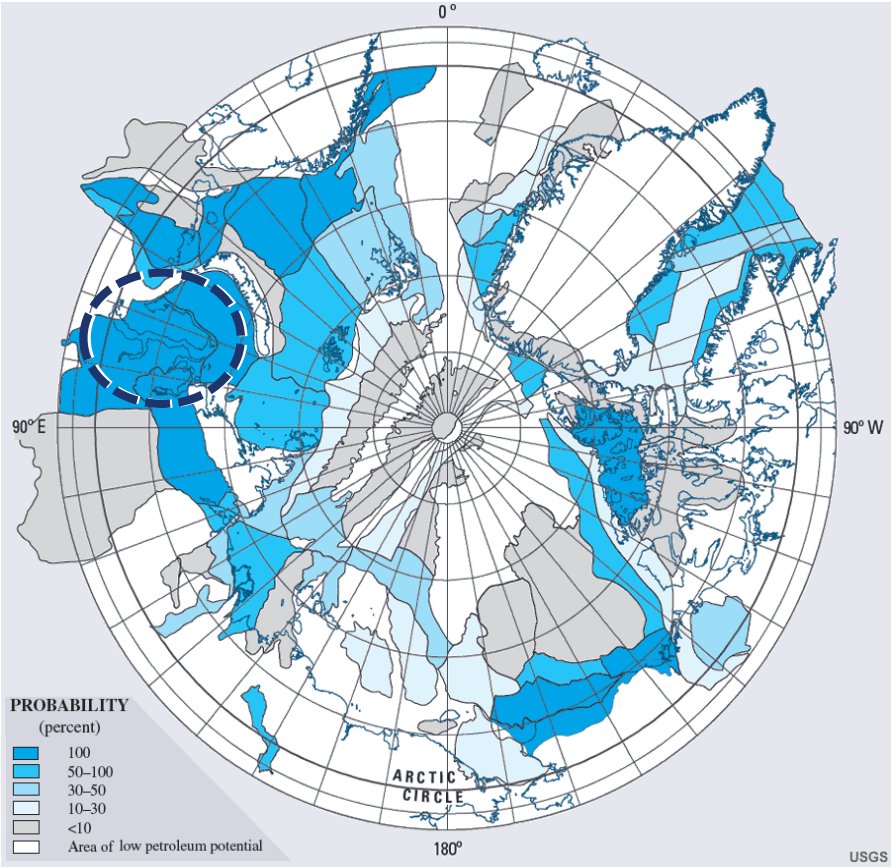

Drilling Program
Onshore Conventional Gas

- **Five** out of **19** well pads prepared for drilling
- **Three** rigs on-site
- **27** production wells drilled out of **58** wells required for the first train, of which 24 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

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#	Equipment	Contractor	Contract signed
	EPC	Technip/JGC/Chiyoda	✓
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	✓

EPC contract progress as at the end of March 2015 - ~24%

Construction Works

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Sea port

First landing at the airport

Well pad

LNG tanks

LNG Transportation Routes from the Yamal Peninsula

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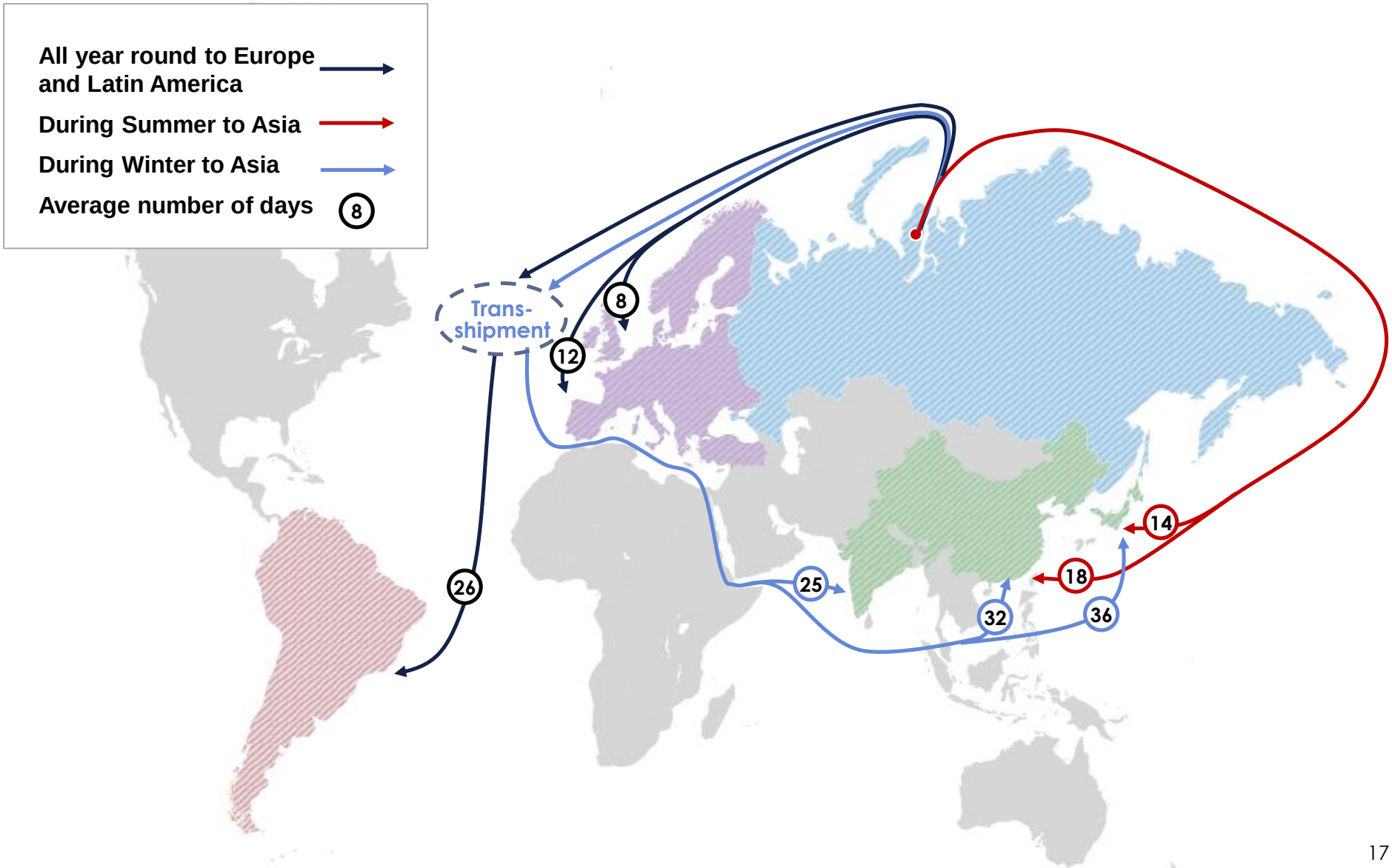

ARC7 Ice-Class LNG Carriers

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- **15-16** ice-class tankers required for the project
- Slot reservation agreement concluded
- Shipping tender finalized
- Orders for the first 10 tankers placed by the shipping companies
- Steel cut for the first tankers done

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

Key Project Advantages

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- **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 Summary 12M 2014 (RR million)

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	2014	2013	+/(-)	+/(-)%
Oil and gas sales	355,673	297,499	58,174	19,6%
Total revenues	357,643	298,158	59,485	20,0%
Operating expenses	(236,512)	(192,761)	(43,751)	22,7%
EBITDA of subsidiaries (1)	140,371	121,903	18,468	15,1%
EBITDA margin (1)	39.2%	40.9%		
EBITDA including share in EBITDA of joint ventures (1)	159,631	129,370	30,261	23,4%
Effective income tax rate	20.9%	19.8%		
Profit attributable to NOVATEK (1)	35,197	79,825	(44,628)	-55,9%
Profit margin (1)	9.8%	26.8%		
Earnings per share (1)	11.65	26.35	(14.70)	-55.8%
CAPEX (2)	63,179	59,254	3,925	6,6%
Net debt (3)	204,361	157,732	46,629	29,6%

Notes:
1. Excluding the effect from the disposal of interest in joint ventures and subsidiaries
2. CAPEX represents additions to property, plant and equipment excluding payments for mineral licenses
3. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Natural Gas Sales

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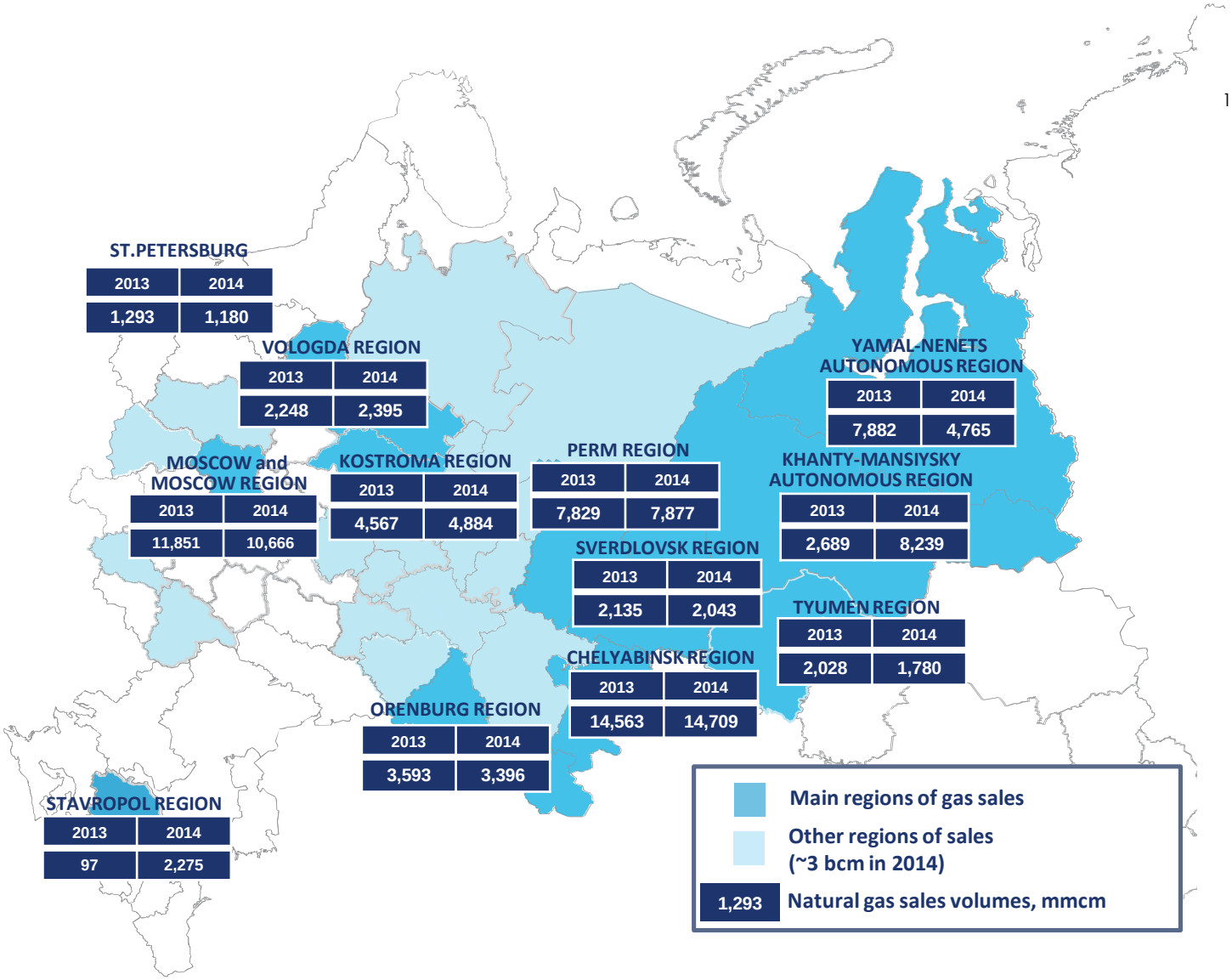
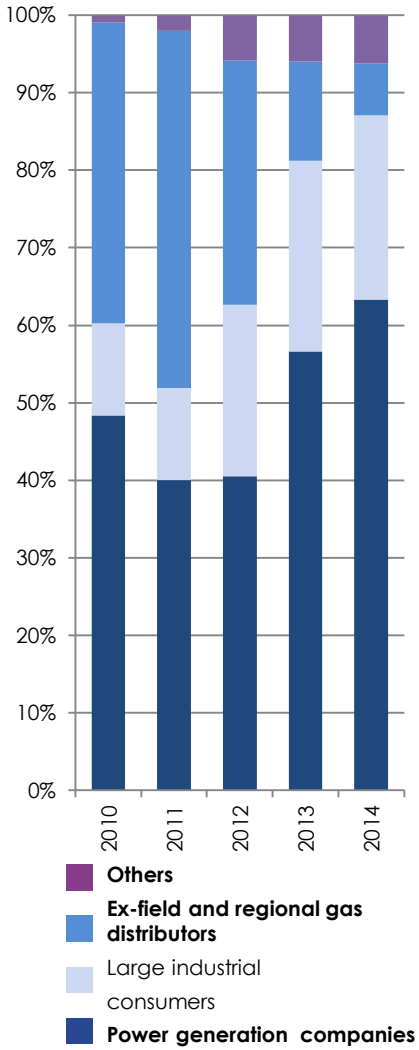
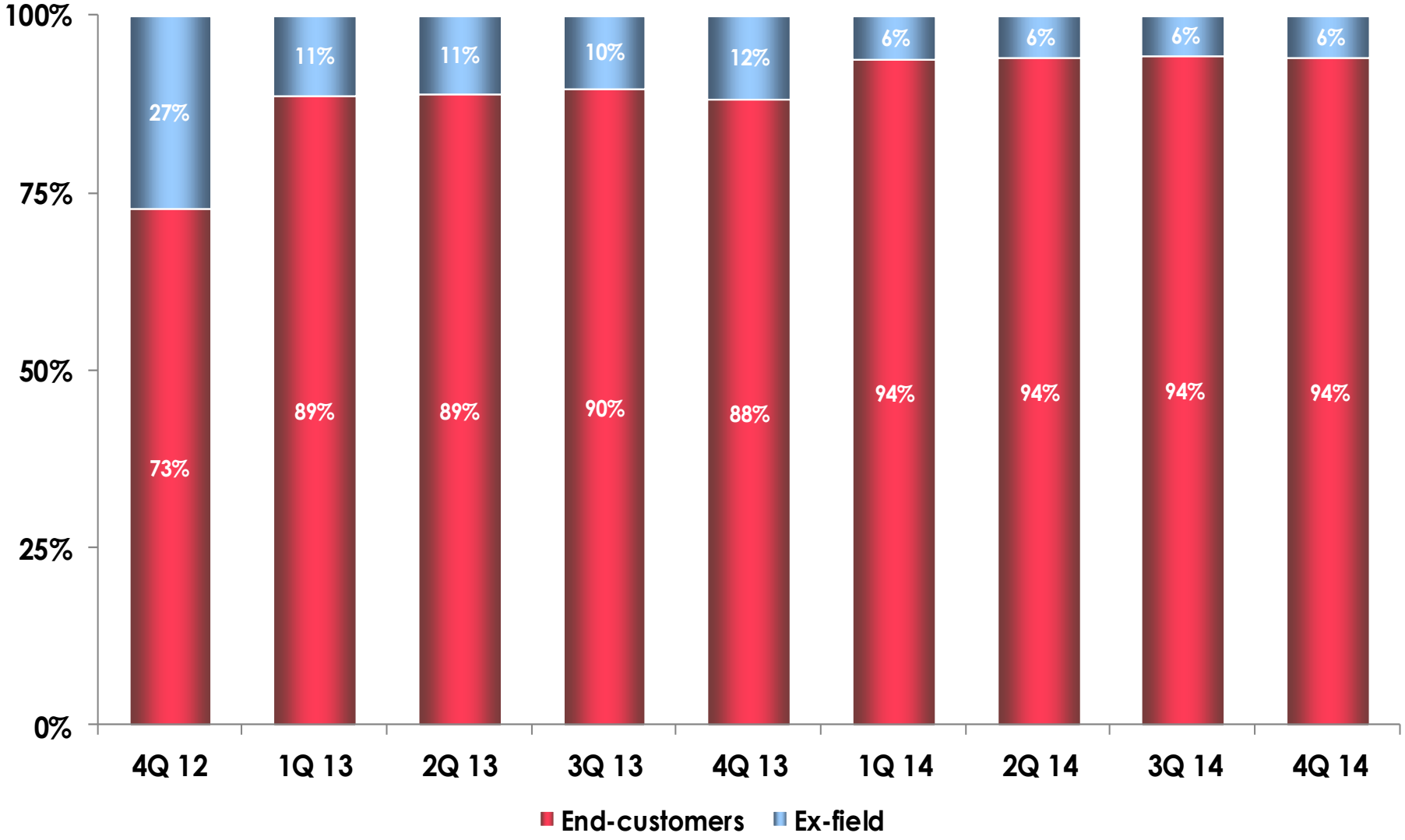


Gas Sales Breakdown



Increase in End-Customer Sales



Liquids Sales

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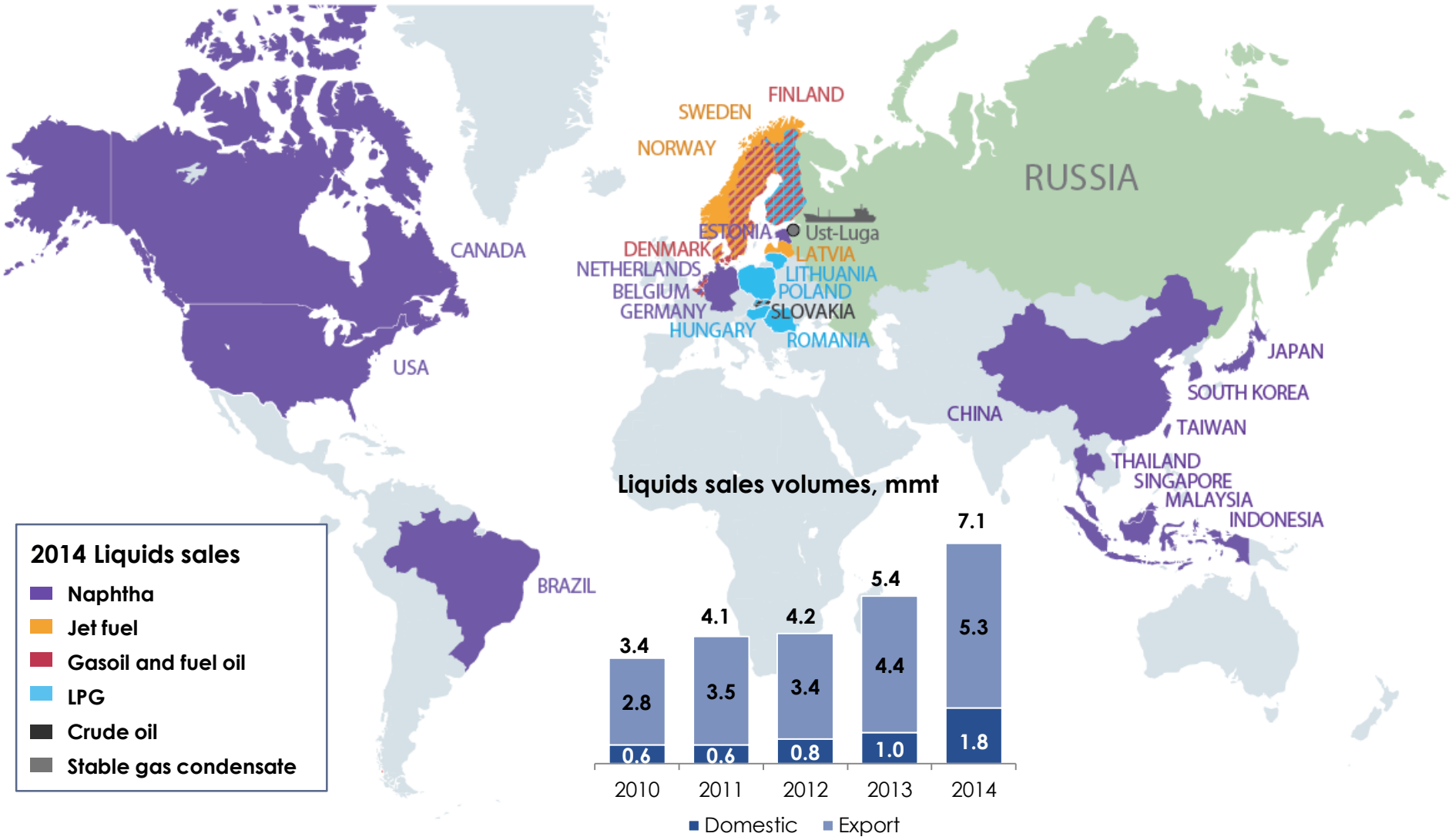

Debt Composition as at 31 December 2014

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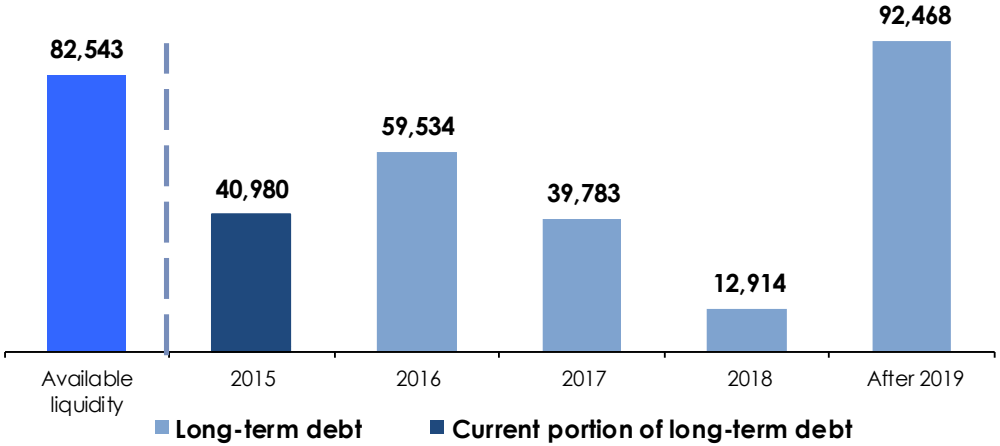
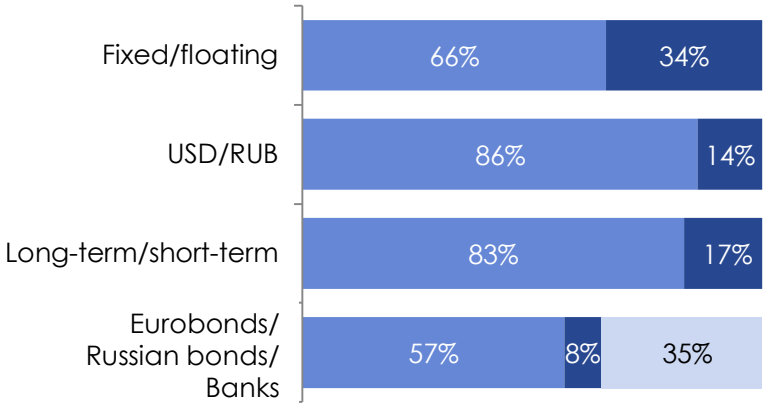
Total Debt Maturity Profile (RR million)



Debt Structure (Total Debt = RR 245.7 billion)



Established track record of adhering to financial policies

Metric	Policy Target	2010	2011	2012	2013	2014
Debt/Normalized EBITDA, (x)	~1.0x	1.3	1.1	1.4	1.3	1.5
Net debt/Normalized EBITDA, (x)	<1.0x	1.1	0.8	1.2	1.2	1.3
Cash Balance, million $	$100 - $150	336	740	607	241	734
Lines of credit, million $	$300 - $500	500	1,592	1,538	569	733

Source: IFRS financials (2009 - 2014)

Long-Term Debt Maturity Profile

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	Currency	Total amount, mln	2015	2016	2017	2018	2019	2020	2021	2022
2022 – Eurobonds	USD	1,000								1,000
2021 – Eurobonds	USD	650							650	
2016 – Eurobonds	USD	600		600						
2017 – Eurobonds	RUB	14,000			14,000					
Ruble bonds	RUB	20,000	20,000							
Syndicated loan	USD	1,500	346	462	462	231				
Total*	**RUB**	**244,969**	**39,474**	**59,721**	**39,965**	**12,983**	**-**	**-**	**36,568**	**56,258**

* USD/RUB = 56,2584 as at 31 December 2014.

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Questions and Answers

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