

**APPROVED**

**by resolution of the Extraordinary  
General Meeting of Shareholders  
of Novatek OJSC**

**(Minutes No. 96 as of June 17, 2005  
as amended and restated by the  
Extraordinary General Meeting of  
Shareholders on December 14, 2005  
(Minutes No. 97 as of December 15,  
2005); the Extraordinary General  
Meeting of Shareholders on July 29,  
2008 (Minutes No. 104 as of July 30,  
2008), the Annual General Meeting of  
Shareholders on May 27, 2009 (Minutes  
No. 106 as of May 28, 2009);  
the Extraordinary General Meeting of  
Shareholders on October 15, 2009  
(Minutes N108 of 21 October 2009);  
and the Annual General Meeting of  
Shareholders on April 28, 2010  
(Minutes N110 of 29 April 2010)**

**REGULATIONS  
on the Board of Directors**

**NOVATEK Open Joint-Stock Company**

**Moscow  
2005**

## **1. General Provisions**

1.1. These Regulations on the Board of Directors (hereinafter referred to as the «**Regulations**») of NOVATEK Open Joint-Stock Company (hereinafter referred to as the «**Company**») shall determine the procedure of forming the Company's Board of Directors (hereinafter referred to as the «**Board of Directors**»), the status, number of members, rights, obligations, the work organization procedures of the Board of Directors, liabilities and remuneration to members of the Board of Directors, its interaction with the Company's other management bodies and procedure of early termination of powers of its members.

1.2. In its activity the Board of Directors shall be governed by the Russian Federation laws, the Company's Articles of Association, these Regulations, and internal documents elaborated in compliance with the Russian Federation laws and the Code of Corporate Conduct, approved at a session of the Russian Federation Government on November 28, 2001 and recommended by the Federal Financial Market Service of the Russian Federation.

## **2. Powers of the Board of Directors**

2.1. The Board of Directors shall be the Company's management body.

2.2. The Board of Directors shall generally manage the Company's activities, except for resolving the matters referred to the competence of the General Meeting of Shareholders, and supervise the activities of the Company's executive bodies.

2.3. The following matters shall be referred to the competence of the Company's Board of Directors:

1) Defining the Company's development strategy and priority lines of the Company's business;

2) Convening Annual and Extraordinary General Meetings of Shareholders, save the events provided for by Paragraph 8, Article 55 of the Federal Law «On Joint-Stock Companies»;

3) Approving agenda of the General Meeting of Shareholders;

4) Fixing the date of compiling the list of persons entitled to participate in the General Meeting of Shareholders and other matters referred to the competence of the Company's Board of Directors in accordance with the provisions of Chapter VII of the Federal Law «On Joint-Stock Companies» and related to preparation and conduct of the General Meeting of Shareholders;

5) place the Company's bonds and other issuable securities either convertible or non-convertible into its shares in the cases provided for by the Federal Law «On Joint-Stock Companies»;

6) Increasing the Company's authorized capital via placement of additional shares within the number and category of authorized shares;

7) Introducing amendments to the Company's Articles of Association as a result of placement of the Company's shares, including amendments related to the increase of authorized capital;

8) Introducing amendments to the Company's Articles of Association due to establishment of new branches and representative offices or their liquidation;

9) Determination of price (monetary value) of assets, as well as the placement and repurchase price of the issued securities in the cases provided for by the Federal Law «On Joint-Stock Companies»;

10) Acquisition of shares, bonds or other securities placed by the Company in the cases provided for by the Federal Law «On Joint-Stock Companies»;

11) Forming the Company's collegial executive body (Management Board), including determination (change) of its quantitative composition, election and early termination of powers of its members, save the election of chairman of the collegial executive body (Chairman of the Management Board);

*(the sub-clause wording approved by the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes N 108 of 21 October 2009)*

12) Recommendations on the amount of remuneration and compensations payable to the members of the Company's Revision Commission and determination of the size of remuneration payable for the Auditor's services;

13) Recommendations on the amount of dividend on the shares and its payment procedure;

14) Using the Company's Reserve Fund and other funds;

15) Approval of the Company's internal documents, save the internal documents, which shall be approved by the General Meeting of Shareholders in accordance with the Federal Law «On Joint-Stock Companies», and the Company's other internal documents, which approval is referred by the Articles of Association to the competence of the Company's executive bodies;

16) Establishment and liquidation of branches, opening and closing the Company's representative offices;

17) Approval of major transactions in the cases provided for by Chapter X of the Federal Law «On Joint-Stock Companies»;

18) Approval of transactions provided for by Chapter XI of the Federal Law «On Joint-Stock Companies»;

19) Approval of the Company's Registrar and the terms and conditions of the contract with such Registrar, renewal and termination of the Contract with it;

20) Approval of the Company's long-term and annual business plans, including investment projects approved under sub-paragraph 21 hereof;

21) Making decisions on new investment projects or expansion of the existing investment projects, including those considered upon approval of the Company's long-term and annual business plans, if the amount of investments exceeds 5 (Five) % of the Company's book value determined based on the Company's accounts as of the last accounts date;

22) Making decisions on acquisition or sale of the Company-owned shares (participation interests) in legal entities, their pledge or creation of any other encumbrances in relation to such shares (participation interests) or consummating any other transactions with such shares (participation interests);

23) Making decisions on acquisition, re-issuance of or refusal from licenses for the right to use subsurface mineral resources, including participation in tenders or auctions in accordance with the Subsoil Use Law;

24) Approval of transactions or several interrelated transactions on fund raising (including loans, credits, pledge or security) or direct or indirect acquisition, disposal or possibility of disposal by the Company of any assets, if the amount of such financing or the value of such assets comprise 5 (Five) and more per cent of the Company's assets book value determined based on the Company's accounting data as of the last accounts date, excluding transactions consummated in the ordinary course of business;

*25) The sub-clause is deleted by resolution of the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes № 108 of 21 October 2009;*

26) Making decisions on approval of documents pertaining to the issue of additional shares or other issuable securities, including decisions to issue shares or other issuable securities, prospectus for public offering of shares or other issuable securities and reports on results of issuing shares or the Company's other issuable securities;

27) Approval of a procedure for compiling, approval, adjustment and supervising implementation of the Company's and its subsidiaries' business plans, as well as capital investments made under such business plans;

28) Submission for approval by the general meeting of shareholders of any major transactions, the amount of which exceeds 25% - 50% of the Company's assets book value in the cases provided for by Chapter X of the Federal Law «On Joint-Stock Companies»;

29) Submitting the matters specified in sub-clauses 2, 6, 7, 13-18, 20, 21 of Clause 9.2 of the Company's Articles of Association for approval by the General Meeting of Shareholders.

*(the sub-clause wording approved by the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes N108 of 21 October 2009)*

30) Other issues provided for by the Federal Law «On Joint-Stock Companies» and the Company's Articles of Association.

The Board of Directors, as advised by the Chairman of the Management Board, shall be entitled to resolve other matters beyond its competence (save for the matters falling within the competence of the General Meeting of Shareholders), when the decisions may have a significant impact on the Company's business.”

*(a new paragraph introduced by the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes N 108 of 21 October 2009)*

### **3. Composition of the Board of Directors**

3.1. The General Meeting of Shareholders shall elect 9 members to the Company's Board of Directors. *(Amended by the Extraordinary General Meeting of Shareholders on July 29, 2008, Minutes No. 104 as of July 30, 2008)*

The General Meeting of Shareholders may change the number of members of the Board of Directors by amending the Company's Articles of Association and these Regulations.

3.2. The General Meeting of Shareholders shall elect members to the Board of Directors by cumulative voting as provided for by the Federal Law «On Joint-Stock Companies» and the Company's Articles of Association, for the period until the next Annual Meeting of Shareholders.

An individual (physical person) only may become a member of the Board of Directors.

3.3. Persons elected to the Board of Directors may be re-elected an unlimited number of times.

3.4. The Board of Directors shall be headed by its Chairman.

3.5. The members of the Company's collegial executive body may not comprise more than one-fourth of the total number of members of the Board of Directors.

3.6. A person exercising the functions of the Company's sole executive body may not simultaneously be a Chairman of the Board of Directors.

3.7. The members of the Board of Directors may not simultaneously exercise functions of the members of the Company's Revision Commission and Counting Commission.

3.8. The members of the Board of Directors shall inform the Board of Directors, the Company's Revision Commission and the Company's Auditor of the following:

- their ownership of the Company's securities, as well as sale and (or) purchase of the Company's securities;

- legal entities, in which they own individually or jointly with their affiliated person (persons) 20 or more per cent of the voting shares;

- legal entities, in which they hold positions on the management bodies;

- approved or expected transactions whereby they may be deemed to be interested parties.

3.9. Not less than one third of the total number of members of the Board of Directors shall be independent directors.

For the purposes of this provision, the 'independent directors' shall be the members of the Board of Directors meeting the current requirements of the Federal Financial Markets Service to independent directors.

#### **4. Term of Powers of the Board of Directors**

4.1. The General Meeting of Shareholders shall elect the Board of Directors in accordance with the procedure provided for by the Federal Law «On Joint-Stock Companies» for the period until the next Annual General Meeting of Shareholders.

4.2. The elected Board of Directors shall take office and the current Board of Directors shall step down from office at the time of signing by the Counting Commission of the Minutes on voting results.

4.3. Should the new composition of the Board of Directors not be elected for a particular reason (i.e. all the candidates withdraw their nomination; less than a half of the members of the Board of Directors is elected; elections failed for the reason of not being in quorum for voting purposes, or for any other reasons), such event shall mean the extension of the term of office of the current Board of Directors unless the new members of the Board of Directors are elected (re-elected). In such case, the Company's Board of Directors may only resolve to convene the General Meeting of Shareholders with the sole item on the agenda being the election of the new Board of Directors.

Should the Annual General Meeting of Shareholders not be conducted within the timelines set by Paragraph 1, Article 47 of the Federal Law «On Joint-Stock Companies», the powers of the Board of Directors shall be terminated, save the powers to prepare, convene and conduct the Annual General Meeting of Shareholders.

4.4. In the event of early termination of powers of the members of the Board of Directors, the powers of the newly elected Board of Directors shall remain in effect unless the new members of the Board of Directors are elected (re-elected) at the next coming Annual General Meeting of Shareholders.

4.5. A member of the Board of Directors may at any time voluntarily retire from its responsibilities by giving a prior notice thereof in writing to the other members of the Board of Directors. In this case, the Board of Directors shall convene the General Meeting of Shareholders, which shall early terminate the powers of all the members of the Board of Directors and elect the new composition of the Board of Directors.

#### **5. Procedure and Timelines for Nomination to the Board of Directors**

5.1. The shareholders holding in aggregate not less 2 per cent of the voting shares as of the date of nomination may propose their nominees to the Board of Directors.

5.2. The Shareholders' proposals shall be submitted to the Company not less than 30 calendar days following the end of financial year.

5.3. The Board of Directors may, at its own discretion, include candidates in the list of nominees to the Board of Directors, in case the shareholders do not propose any nominees.

5.4. A number of candidates specified in the list of nominees to the Board of Directors may not exceed the number of members of the Board of Directors provided for by the Company's Articles of Association.

5.5. The proposal on nomination of candidates shall be made in writing and contain the following:

- surname, name and patronymic of each proposed nominee, the date of its birth, and, if the nominee is the Company's shareholder, number and category of the shares it holds;
- name of the body to which the nominee is proposed;
- name of shareholders (shareholder) nominating the candidate, number and category of the shares they hold;
- education (institution, qualification);
- place of work and positions held by the nominee over the last 5 years, and positions held by the nominee on the management bodies of any other legal entities over the last 5 years;
- list of legal entities, in which the nominee holds shares, specifying the number of shares it holds, as well as its share in the authorized capital of such legal entities;
- list of persons affiliated with the nominee and reasons for such affiliation;
- information on affiliation with the Company;

5.6. The proposal on nomination of candidates shall be filed by: registered mail, international courier service or by servicing against signature to a person authorized to receive the Company's correspondence.

5.7. The proposal shall be signed by a shareholder or its authorized persons. If the proposal is signed by the authorized person, the Power of Attorney shall be enclosed.

5.8. The Board of Directors shall consider proposals and resolve to include candidates in the list of nominees for election to the Board of Directors or refuse from including such nominees no later than 5 days following the expiry of the term set by Paragraph 5.2 hereof.

5.9. A decision to refuse from including the proposed candidates in the list of nominees may be passed by the Board of Directors in the cases provided for by Article 53 of the Federal Law «On Joint-Stock Companies».

5.10. A motivated decision of the Board of Directors to refuse from including the proposed candidates in the list of nominees for election to the Board of Directors shall be forwarded to shareholders (shareholder) nominating the candidate no later than 3 days following the date on which such decision is made.

5.11. In the event of early termination of powers of all the members of the Board of Directors, the Board of Directors may only resolve to convene the General Meeting of Shareholders with the sole item on its agenda being the election of new composition of the Board of Directors.

Such resolution shall be passed by the Board of Directors within three business days following the date on which a decision is made to early terminate the powers of the Board of Directors.

The foregoing resolution of the Board of Directors shall set the timelines for nominating candidates to the new composition of the Board of Directors.

5.12. The nominees shall be proposed in accordance with the procedure provided for by the Articles of Association for nominating candidates to the Company's management and supervisory bodies for their election at the Annual General Meeting of Shareholders.

5.13. The shareholders entitled by the Company's Articles of Association to propose nominees to the Company's management and supervisory bodies at the Annual General Meeting of Shareholders may nominate candidates to the Board of Directors.

## **6. Election of the Board of Directors**

6.1. The members of the Board of Directors shall be elected by cumulative voting.

Each voting share shall provide its holder with a number of votes equal to the number of members of the Board of Directors as provided for by the Company's Articles of Association. The Shareholders, at their discretion, may cast all their votes for one nominee or distribute them among the nominees.

6.2. The nominees to the Board of Directors may withdraw their nomination prior to or in the course of voting by filing a written application to the meeting's presidium. The nominees may not be withdrawn by other shareholders.

6.3. Should all the nominees withdraw their nomination, the elections to the Board of Directors shall be deemed null and void.

6.4. The nominees receiving the largest number of votes shall be deemed elected to the Board of Directors.

6.5. To elect members to the Board of Directors, the shareholders shall be provided with the information specified in Paragraph 5.5 hereof.

## **7. Election of Chairman of the Board of Directors**

7.1. The Chairman of the Board of Directors shall be elected by and from among the members of the Board of Directors by a majority of votes of the total number of members of the Board of Directors at the first Board meeting following the Annual General Meeting of Shareholders.

7.2. The Board of Directors may at any time re-elect its Chairman by a majority of votes of the total number of the Board members.

7.3. The Chairman of the Board of Directors shall:

- arrange the Board of Directors' work by creating conditions for open expression of opinions by the members of the Board of Directors and open discussion of the agenda items;
- convene the meetings of the Board of Directors or organize absentee voting;
- preside at the meetings of the Board of Directors;
- organize taking and signing the Minutes of meetings;
- timely provide the members of the Board of Directors with the information required to work at the meetings and make decisions;
- organize the work on forming the committees of the Board of Directors, nominating members of the Board of Directors to the Committees and coordinate the committees' interaction between themselves and with the Company's other bodies and executive officers;
- preside at the General Meeting of Shareholders;
- organize preparation of annual report on assessment of the Board of Directors performance in order to include it in the Company's annual report.

7.4. In the absence of Chairman of the Board of Directors, its functions shall be performed by one of the members of the Board of Directors on resolution of the Board of Directors passed by a majority of votes of its members attending the meeting.

7.5. The members of the Board of Directors, on the proposal of its Chairman, shall appoint a Secretary responsible for taking the minutes of the Board of Directors meetings.

## **8. Meetings of the Board of Directors**

8.1. The Chairman of the Board of Directors shall on its initiative convene the meetings of the Board of Directors as appropriate, but not less than once every two months.

8.2. At the time of making a decision to convene a meeting of the Board of Directors, its Chairman shall determine the following:

- date, time and venue of the meeting;
- agenda of the meeting;
- items put to vote;
- list of information (materials) for the meeting provided to members of the Board of Directors.

8.3. The meeting shall be considered to be in quorum if it is attended by not less than a half of the elected members of the Board of Directors. In determining the quorum and results of voting on the agenda items, a written opinion of the absent members of the Board of Directors shall be taken into account.

8.4. In making decisions at the meeting of the Board of Directors, each member of the Board of Directors shall have one vote.

The members of the Board of Directors shall not transfer their votes to other members of the Board of Directors.

8.5. The resolutions of the Board of Directors on the matters specified in sub-paragraphs 1, 5, 6, 9-11, 19, 21-29 of Paragraph 2.3 hereof shall be passed by the Board of Directors, if 8 (Eight) Directors cast their votes for such resolution. *(Amended by the Extraordinary General Meeting of Shareholders on July 29, 2008, Minutes No. 104 as of July 30, 2008)*

The resolutions on any other matters of the Meeting of the Board of Directors shall be passed by a simple majority of votes of the members of the Board of Directors attending the meeting, unless otherwise provided for by the Federal Law «On Joint-Stock Companies».

The resolution on election or re-election of Chairman of the Board of Directors shall be passed by a majority of votes of the total number of the elected members of the Board of Directors.

The resolution on entering into a related party transaction, in the cases provided for by the Company's Articles of Association, shall be passed by a majority of votes of the members of the Board of Directors disinterested in such transaction.

The resolution on the matter specified in Sub-clause 11 of Clause 2.3. in terms of determination (change) of the quantitative composition of the Management Board and election of its members shall be passed by the Board of Directors solely on request of the Chairman of the Management Board." *(A new paragraph introduced by the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes No. 108 as of 21 October 2009)*

8.6. The resolutions of the Board of Directors may be passed by absentee voting (inquiry of the Board members).

8.7. A resolution to conduct the meeting of the Board of Directors via inquiry of the Board members shall be passed by the Chairman of the Board of Directors or by initiators of the extraordinary meeting.

Such resolution shall approve the following:

- items put to the vote;
- list of information (materials) provided to members of the Board of Directors;
- date of delivering the voting ballots and other information (materials) to the members of the Board of Directors;
- end date for acceptance of the voting ballots (written opinions);
- addresses for acceptance of the voting ballots (written opinions).

8.8. The notification regarding the meeting of the Board of Directors shall be made in writing and delivered to each member of the Board of Directors by electronic means of communication (e-mail, fax) no later than 7 days prior to the date of the meeting of the Board



of Directors, unless all the members of the Board of Directors approve a shorter term in writing. The first part of the notification shall contain the date, time and venue of the meeting of the Board of Directors and its agenda specifying in detail the items submitted for the meeting consideration, together with copies of the relevant documents to be approved by the meeting; the second part of the notification shall include: postal address for sending written opinions, end date for acceptance of written opinions, draft resolutions on each agenda item, variants of voting on each item, blank space for the written opinion of the Board member, signature stripe with a reminder to the Board member that such signature is mandatory.

*(The paragraph wording approved by the Extraordinary General Meeting of Shareholders on 15 October 2009, Minutes No. 108 as of 21 October 2009)*

A member of the Board of Directors may send its written opinion by registered mail, courier or fax.

The Board of Directors may not consider items not included into the notification regarding the meeting, nor shall they consider the items included therein but not provided with the enclosed copies of the documents to be considered in respect of such items, unless all the members of the Board of Directors unanimously resolve to consider such items at the meeting of the Board of Directors.

8.9. The members of the Board of Directors whose ballots (written opinions) were accepted not later than on the end date for acceptance of the voting ballots shall be deemed to have taken part in the voting.

8.10. As a result of absentee voting, the Secretary of the Board of Directors shall draw up the relevant Minutes, which shall be signed by the Chairman of the Board of Directors responsible for the minutes correctness.

8.11. The resolutions passed by the Board meeting conducted in the form of absentee voting, as well as the Minutes of absentee voting results, shall be sent to the members of the Board of Directors on their request in the manner provided for by Paragraph 8.8 hereof not later than 3 calendar days after signing the Minutes of the Board meeting.

8.12. The meeting of the Board of Directors may be convened on request of any of its members, the Revision Commission, the Company's executive bodies or the Company's Auditor.

8.13. Such request shall specify the following:

- initiator of the Meeting;
- draft resolutions on the agenda items; form of the meeting;
- reasons for including proposed items on the agenda;
- address for sending a response to the request.

The request shall be signed by the meeting initiator.

8.14. The request of the meeting initiators shall be served in writing via registered mail sent to the Company's address with a delivery confirmation or shall be filed to the Company's secretariat or via other convenient way (i.e. by mail, cable, or facsimile).

8.15. The Chairman of the Board of Directors shall convene the meeting of the Board of Directors within 7 business days following the request receipt.

8.16. In the event the Chairman unreasonably refuses or is unable to convene the meeting of the Board of Directors, such Meeting may be convened by any member of the Board of Directors.

8.17. The first meeting of the Board of Directors shall be conducted no later than 1 month following its formation.

8.18. The agenda of the first meeting shall contain the following items:

- election of Chairman of the Board of Directors.
- formation of the Committees.
- identification of independent members of the Board of Directors.

## **9. Minutes of the Board of Directors meetings**

9.1. The Secretary shall take minutes at each meeting of the Board of Directors.

9.2. The minutes of the meeting shall be drawn up no later than 3 days following its date. The minutes shall contain the following:

- the Company's full corporate name and place of business;
- venue and time of the meeting;
- persons attending the meeting;
- absent members of the Board of Directors who presented their written opinions;
- agenda of the meeting;
- items put to vote and voting results;
- wording of resolutions passed by the Board of Directors on each agenda item.

The minutes of the meeting of the Board of Directors shall be signed by its Chairman who is responsible for the correctness of the minutes, and the by the Secretary of the Board of Directors.

9.3. Written opinions of the members of the Board of Directors shall be enclosed to the Minutes.

9.4. The Company shall provide the minutes of meetings on request of the Revision Commission and the Company's auditor, as well as provide copies of these documents to the shareholders (upon their request) for a fee not exceeding the cost of making such copies.

9.5. The Company shall keep the minutes of meetings of the Board of Directors at the location of its executive body.

## **10. Committees of the Board of Directors**

10.1. The Board of Directors may establish temporary or permanent committees for preliminary study and review of the most important matters within their competence to work out recommendations to the Company's executive body and perform controlling functions more efficiently.

10.2. The Board of Directors shall establish the following Committees:

### **The Strategy and Investments Committee shall:**

work out recommendations to determine priority lines of the Company's business on a long-term basis, procure assessment of efficiency of the prospective investment projects and their impact on increasing the value of the Company's shares, analyze concepts, programs and plans of the Company's strategic development, prepare recommendations to the Board of Directors within its competence.

### **The Audit Committee shall:**

improve efficiency of control over the Company's financial and economic activities, analyze financial statements and external audit reports, prepare recommendations to the Board of Directors within its competence.

### **The Corporate Governance & Compensation Committee shall:**

elaborate the Company's corporate governance policies in compliance with the Code of Corporate Conduct recommended by the Federal Financial Market Service of the Russian Federation. The Committee shall act to the benefit of the Shareholders, improve efficiency of

the Company's business, increase its assets portfolio, profitability, investment appeal and capitalization, prepare recommendations to the Board of Directors within its competence.

10.3. The Committees may consist only of the members of the Board of Directors.

10.4. The members of the Board of Directors may not be represented on more than 3 Committees.

10.5. The experts and specialists may work for the Committees within the framework of the Committees' budgets approved by the Board of Directors.

10.6. The Committees' regular meetings shall be convened by the Committee's Chairman, while extraordinary meetings shall be convened on request of the Board of Directors and on initiative of the Chairman of the Company's Management Board.

10.7. The results of the matters consideration by the Committee shall be recorded in the minutes signed by the Committee's chairman or by the Committee's member presiding at the meeting and responsible for the minutes correctness.

10.8. Any proposals elaborated by the Committees shall be deemed recommendations that shall be submitted for consideration of the Board of Directors.

10.9. The Company may establish other Committees in the course of its business activity.

10.10. The Committees shall carry out their activity pursuant to the Regulations approved by the Board of Directors.

## **11. Observer on the Board of Directors**

11.1. The Board of Directors may include representatives of international financial organizations, such as: International Financial Corporation established by Articles of Agreement among its member countries, including the Russian Federation, and the European Bank of Reconstruction and Development established under the Agreement of Incorporation of the European Bank of Reconstruction and Development entered into by and between its member countries, including the Russian Federation.

Should the above international financial organizations be the Company's shareholders, they may jointly appoint one representative (hereinafter referred to as the «Observer») authorized in accordance herewith.

11.2. The Observer on the Board of Directors shall be entitled to timely and in advance receive notices of all the meetings of the Board of Directors, as well as receive copies of any materials circulated to the Board of Directors (including the minutes and draft minutes) subject to any effective confidentiality restrictions, attend the meetings of the Board of Directors and ask questions at the meetings of the Board of Directors.

11.3. The Observer on the Board of Directors shall have no other rights. Without prejudice to the generality of the foregoing, the Observer of the Board of Directors shall have no voting right, and its presence shall not be required to achieve a quorum.

11.4. The Company shall indemnify the Observer for any expenses arising out of its participation in the Meetings of the Board of Directors.

## **12. Obligations and Liabilities of the Members of the Board of Directors**

12.1. In exercising their rights and fulfilling their obligations the members of the Board of Directors shall:

- Act reasonably and in good faith to the benefit of the Company and take reasonable and prudent decisions based on the available information thoroughly studied;

- Participate in the meetings and work of the Committees to which they have been elected;
- Give prior notices to the Board of Directors regarding their inability to attend the meeting;

12.2. Comply with the following regulations and requirements concerning the conflict of interests:

- immediately inform the Chairman of the Board of Directors in writing of any personal, commercial or other interest (direct or indirect) in any transactions, agreements or projects related to the Company, including any intentions to consummate transactions with the Company's or its subsidiaries' (associated companies) securities and disclose information on any transactions it consummates in the prescribed manner.

- disclose no confidential, insider or any other non-public information which became known to the members of the Board of Directors in connection with performance of their relevant duties and use it to their own benefit or to the benefit of any third parties, both during the period of acting in the capacity as members the Board of Directors and within 3 years after finishing their work in the Company.

- comply with any regulations or procedures provided for by the Company's internal documents and related to the Company's security system and confidential information integrity.

12.3. Timely provide the Board of Directors with complete and accurate information regarding the Company's business and financial standing.

12.4. The independent directors shall refrain from any actions, which may result in the loss of their independence. Should the change of circumstances cause the loss of independence by a director, such director shall within 3 days inform the Board of Directors thereof in writing.

12.5. The members of the Board of Directors shall be liable to the Company for any losses caused to the Company through their faulty actions (or omission), unless other basis and scope of liability are established by the Federal Laws.

The members of the Board of Directors voting against the resolution, which entailed losses to the Company or abstained from voting shall be released from liability.

12.6. In determining the basis and scope of liability, the members of the Board of Directors shall take into account the general business practices and other relevant circumstances.

12.7. Should several members of the Board of Directors be liable in accordance with Paragraph 12.5 of this Article, they shall be jointly liable to the Company.

12.8. Should the Company's insolvency (bankruptcy) be caused by the persons who are authorized to give instructions mandatory to the Company or may otherwise determine its activities, such persons shall bear secondary liability for obligations of the Company in the event of insufficiency of the Company's assets.

12.9. The Company's insolvency shall be deemed to have been caused by the persons who are entitled to give instructions mandatory for the Company or may otherwise influence its activities only, if in exercising their right to give mandatory instructions or influence the Company's activities, such persons had advance knowledge that such actions would result in the Company's insolvency.

12.10. The Company shall procure liability insurance for the members of the Board of Directors, guarantee limitation of their liability and indemnify them for the losses suffered in the course of discharging their duties as members of the Board of Directors. *(A new paragraph introduced by the Extraordinary General Meeting of Shareholders on December 14, 2005, Minutes No. 97 as of December 15, 2005)*

### **13. Remuneration and compensations payable to the members of the Board of Directors**

13.1 During the period of exercising their duties the members of the Board of Directors shall be paid a remuneration and receive compensation of any expenses related to performance of their functions as members of the Board of Directors as decided by the general meeting of shareholders. *(amended wording approved by the Annual General Meeting of Shareholders on April 28, 2010, Minutes No. 110 as of April 29, 2010)*

13.2. The size of remuneration to the members of the Board of Directors and its payment procedure shall be determined by the Regulation on Remuneration and Compensations Payable to Members of NOVATEK's Board of Directors approved by the General Meeting of Shareholders. *(amended wording approved by the Annual General Meeting of Shareholders on April 28, 2010, Minutes No. 110 as of April 29, 2010)*

### **14. Procedure for Approval and Amendment of the Regulations on the Board of Directors**

14.1. These Regulations shall be approved by the General Meeting of Shareholders. A resolution regarding its approval shall be passed by a majority of votes of shareholders holding the voting shares, which grant the right to vote on any matters within the competence of the General Meeting of Shareholders.

14.2. Any proposals to amend these Regulations or adopt their new edition shall be made in the manner provided for by the Articles of Association for introducing proposals on the agenda of the Annual or Extraordinary General Meeting of Shareholders.

14.3. A decision to introduce amendments to these Regulations shall be passed by a majority of votes of shareholders holding the voting shares, which grant the right to vote on any matters within the competence of the General Meeting of Shareholders.

14.4. In the event, that as a result of any change in the Russian Federation law and statutory acts, the separate provisions of these Regulations go in conflict with them, such provisions shall be deemed null and void, and the members of the Board of Directors shall be governed by the applicable law and statutory acts of the Russian Federation until the relevant amendments are introduced to these Regulations.