

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

Alexander Palivoda, Head of Investor Relations

VTB Capital Investment Forum RUSSIA CALLING

London

21-22 May 2013

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

Main Operational Highlights – 2012

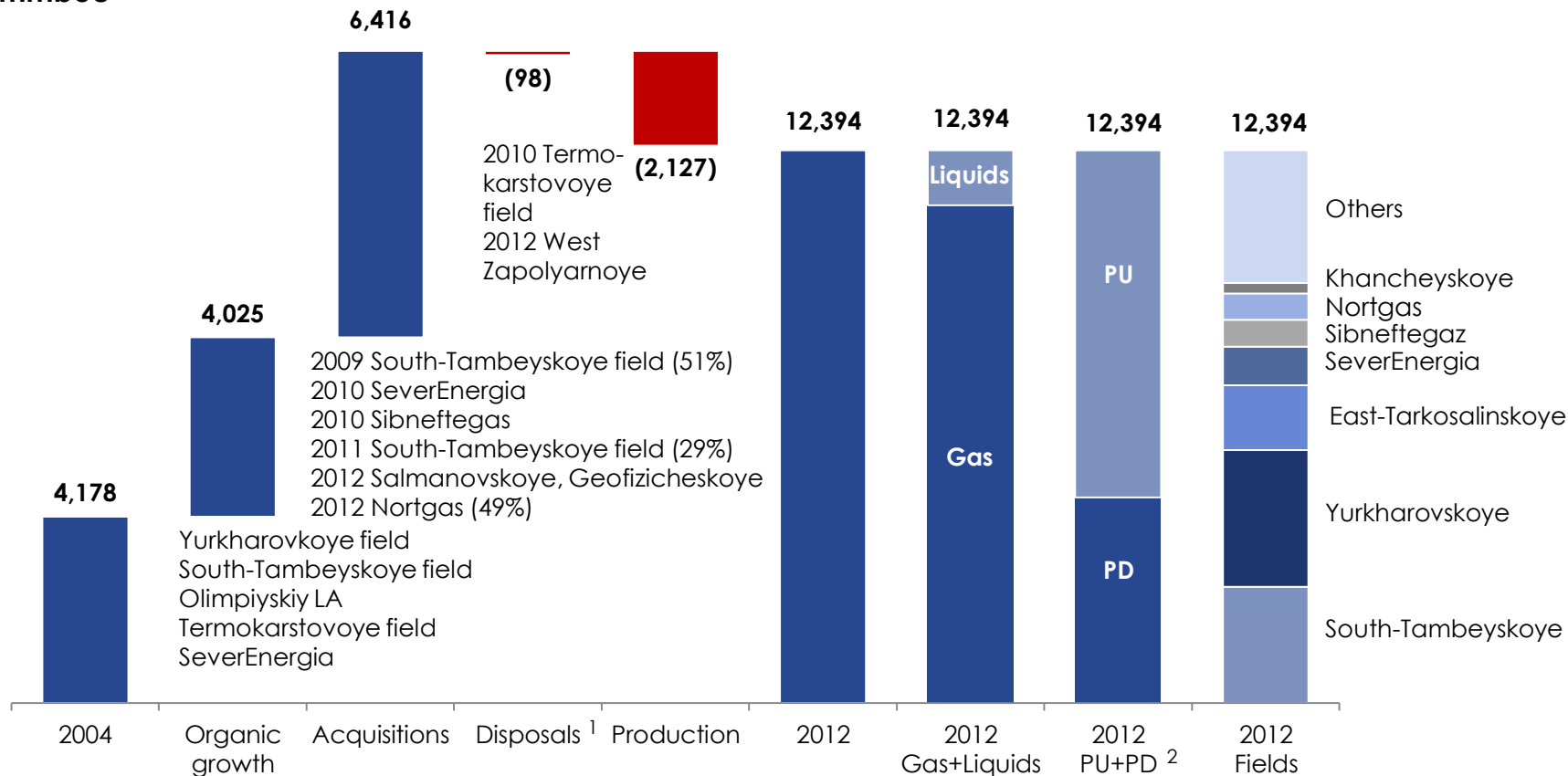


- ❑ **SEC proved reserves increased by 32% to 12.4 billion boe**
- ❑ **Increased Gross Production:**
 - Natural gas production increased by 7.1% to 57.3 bcm
 - Liquid hydrocarbons production increased by 4.0% to 4.3 mmt
 - Total production increased by 6.8% to 411 mmboe
- ❑ **Launched new production capacities:**
 - Launch of the fourth stage of Phase Two development at the Yurkharovskoye field, bringing total production at the field to its target plateau. Commissioning of the first stage of a booster compressor station at the field.
 - The start of commercial production at the Samburgskoye field, which is being developed by SeverEnergiya joint venture: launch of the first and second phases.
- ❑ **Acquisition of a 49% equity stake in Nortgas**, which owns the license for the North-Urengoyevskoye field.
- ❑ **Acquisition of an 82% interest in Gazprom Mezhdregiongas Kostroma**, which supplies gas to a broad range of customers in Kostroma Region.
- ❑ **Signing of gas supply agreements with end-users**, including contracts with record duration (10-15 years) and contracts with new large customers.

SEC Reserve Growth

Reserve replacement ratio from 2004 to 2012 – 486%

mmboe



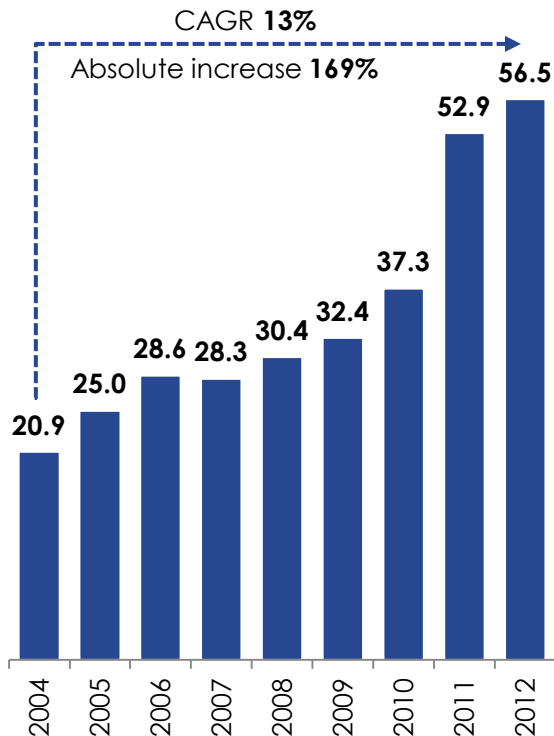
Notes:

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

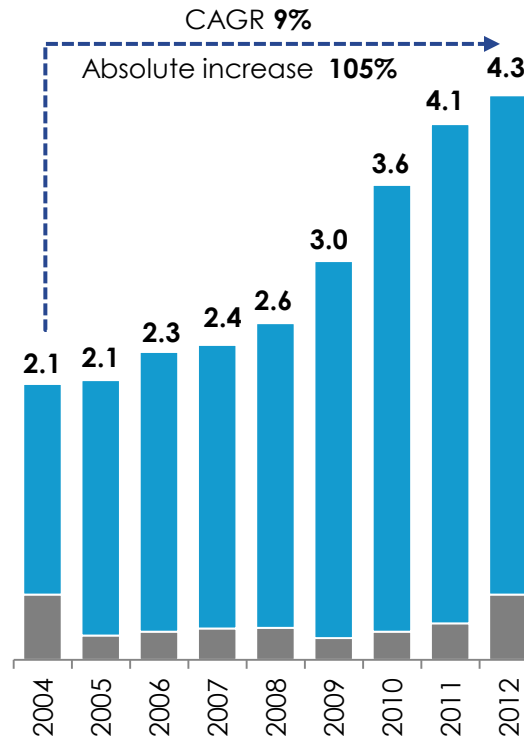
Hydrocarbon Production



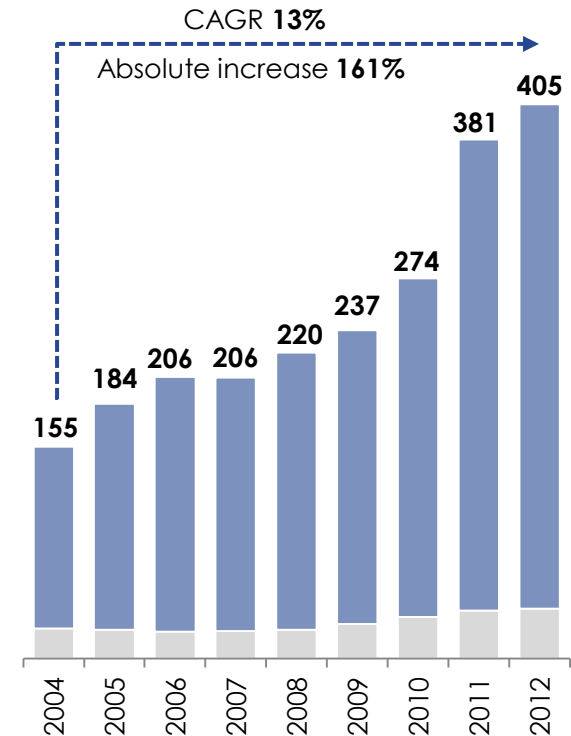
**Natural Gas Sales
Production, bcm**



**Liquids Sales
Production, mmt**



**Total Hydrocarbon
Production, mmboe**



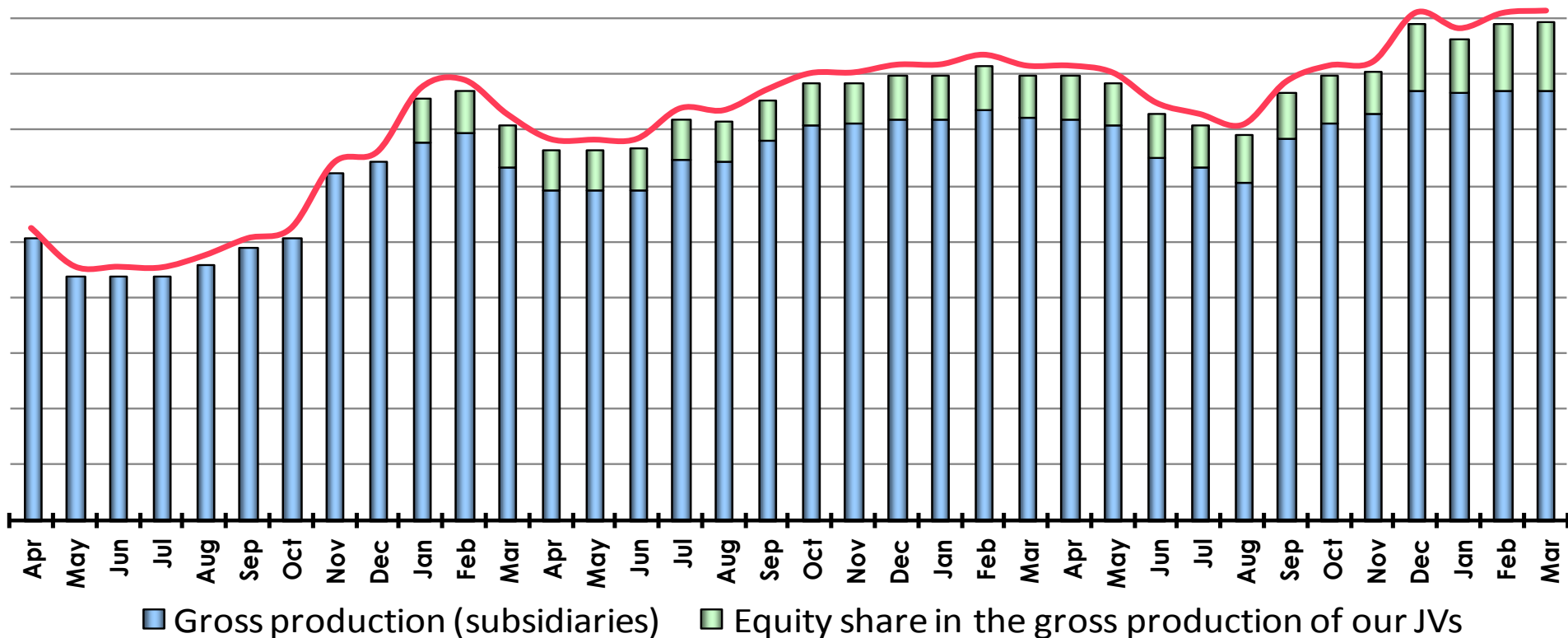
■ Crude oil ■ Gas condensate

■ Liquids ■ Natural Gas

Sustainable production growth

Note 1: Production data for 2012 provided on this slide represent a preliminary assessment only, which can be adjusted after statistical, financial, fiscal and business reporting becomes available.

Increasing Natural Gas Production (mmcm per day)



2010

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

2011

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

2012

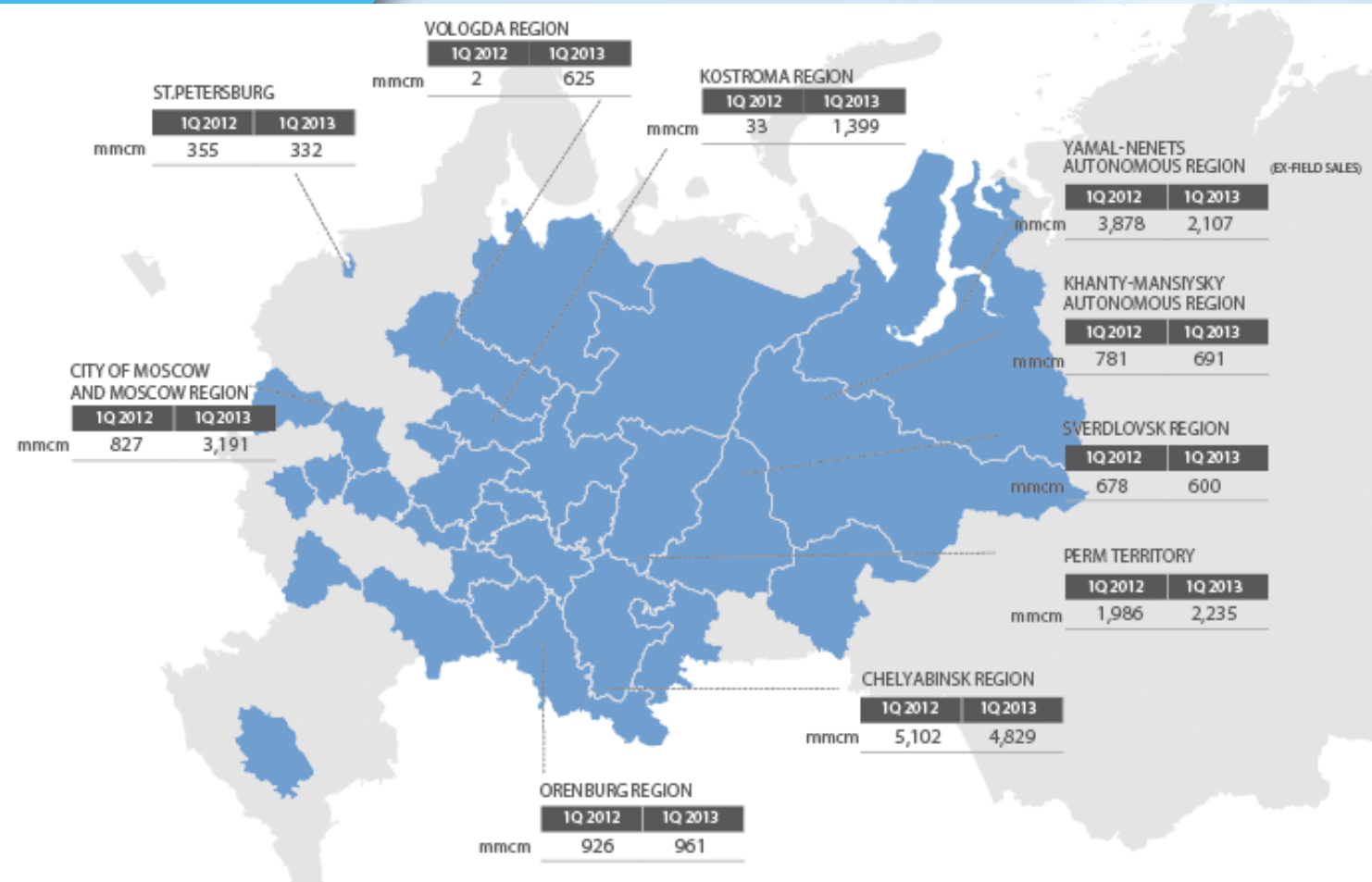
2012 Avg.
157 mmcm/day
5,531 bcf/day

2013

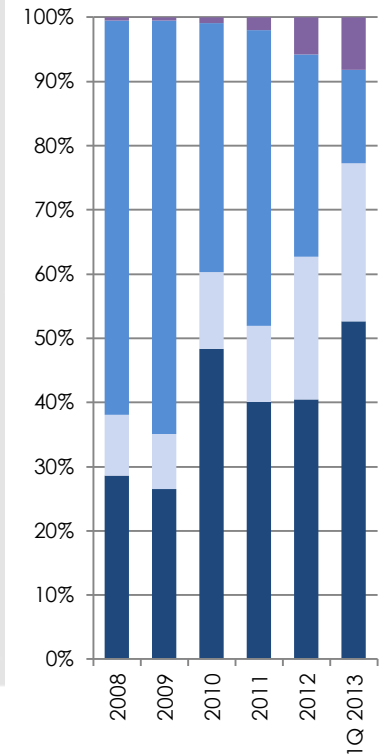
1Q 13 Avg.
179 mmcm/day
6,316 bcf/day

1Q 12 Avg.
161 mmcm/day
5,681 bcf/day

Natural Gas Sales



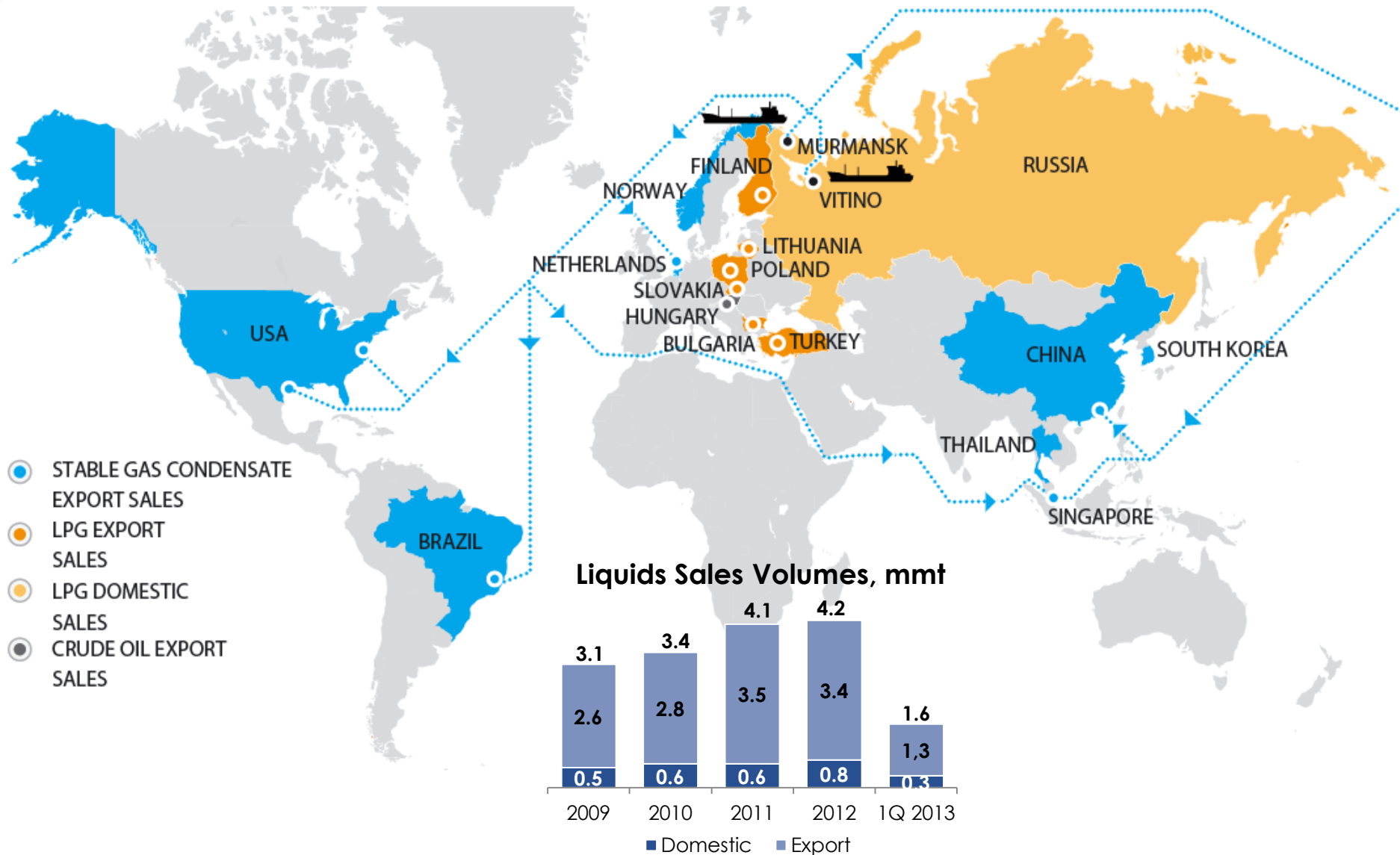
Gas Sales Breakdown



Significant increase in natural gas sales volumes to Moscow, Vologda, and Kostroma regions due to the contracts concluded with Severstal (for 5 years) and Mosenegro (for 3 years) and acquisition of an 82% interest in Gazprom Mezhhregiongas Kostroma in 2012

- Others
- Ex-field and regional gas distributors
- Large industrial consumers
- Power generation companies

Liquids Sales

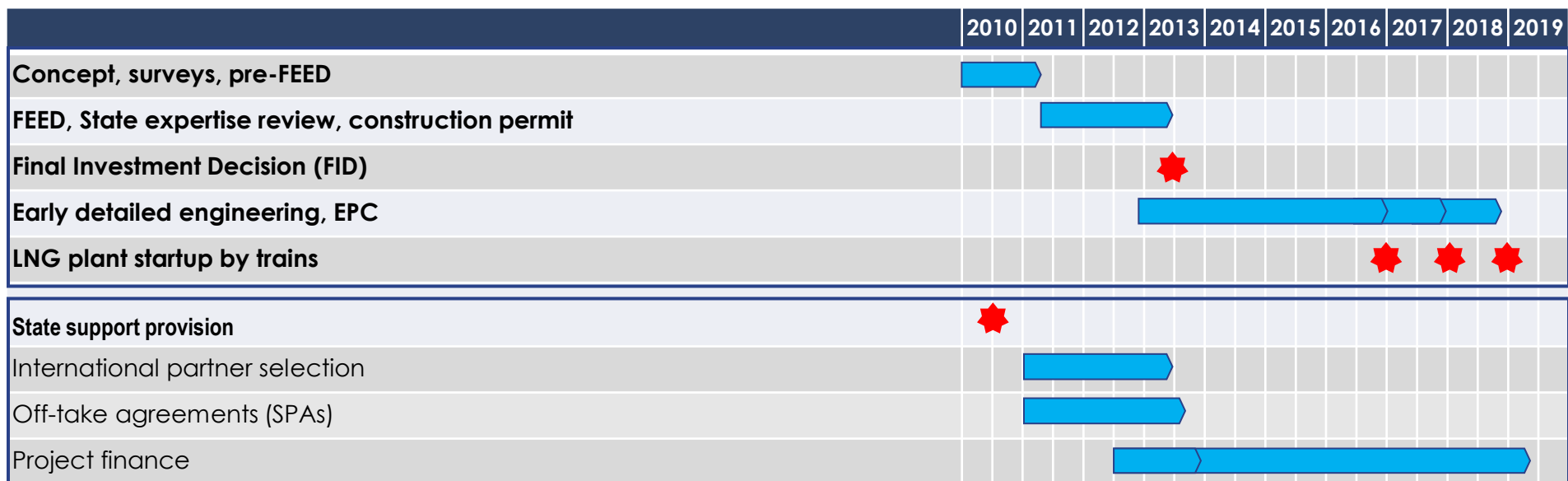


Yamal LNG Project



Project for construction of an LNG plant on the Yamal Peninsula

- ❑ The onshore South-Tambeyskoye field holds **900 bcm** of conventional 2P gas reserves
- ❑ **16.5 mmt** of LNG per annum (3 trains)
- ❑ **1 mmt** of marketable gas condensate per annum
- ❑ Participants – NOVATEK (80%), TOTAL (20%)



Facts About The Yamal Peninsula

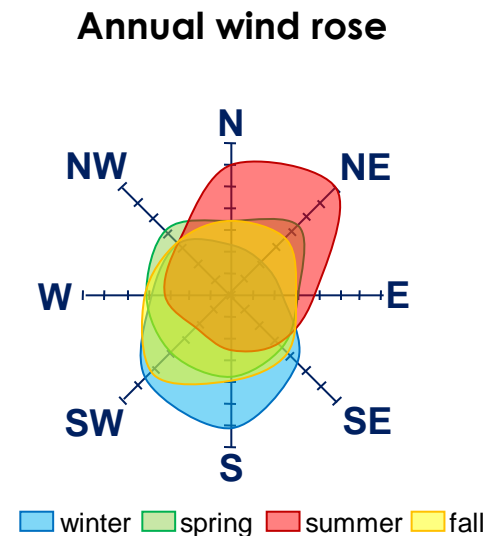
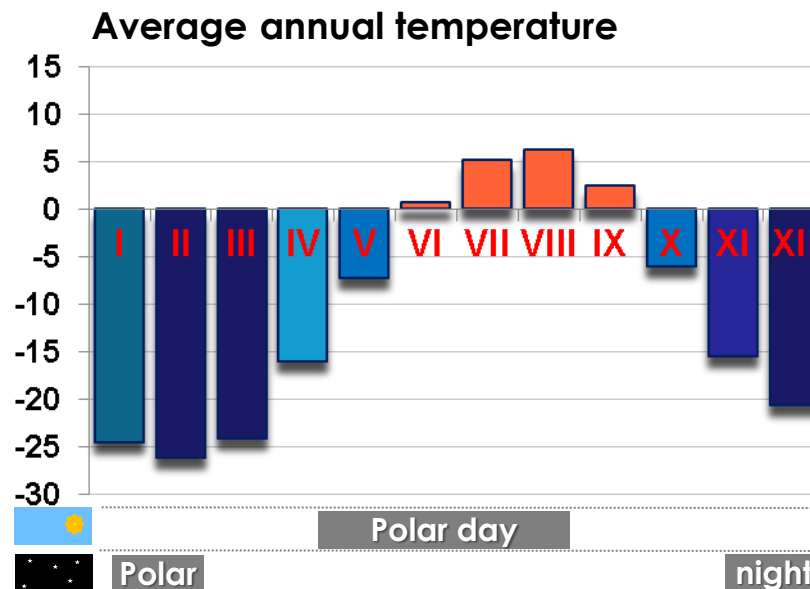


- ❑ **The Yamal Peninsula is located in the north of Western Siberia** and is bordered by the Kara Sea to the west and by the Gulf of Ob to the east
- ❑ **The administrative center is Yar-Sale** and the peninsula has a total population of 16,100 inhabitants
- ❑ **The Yamal territory is located in a tundra zone**, and the peninsula consists of mostly permafrost soil
- ❑ **A large part of the peninsula is covered by swamps and lakes**, with the northern part characterized by wetlands and arctic tundra
- ❑ **The peninsula's relief is characterized as smooth** with altitude variations of less than 90 meters. The peninsula's average altitude is approximately 50 meters above sea level
- ❑ **The Yamal territory has a large concentration of natural gas fields.** Currently, total explored reserves constitute more than 16 tcm of natural gas and more than 230 mmt of gas condensate

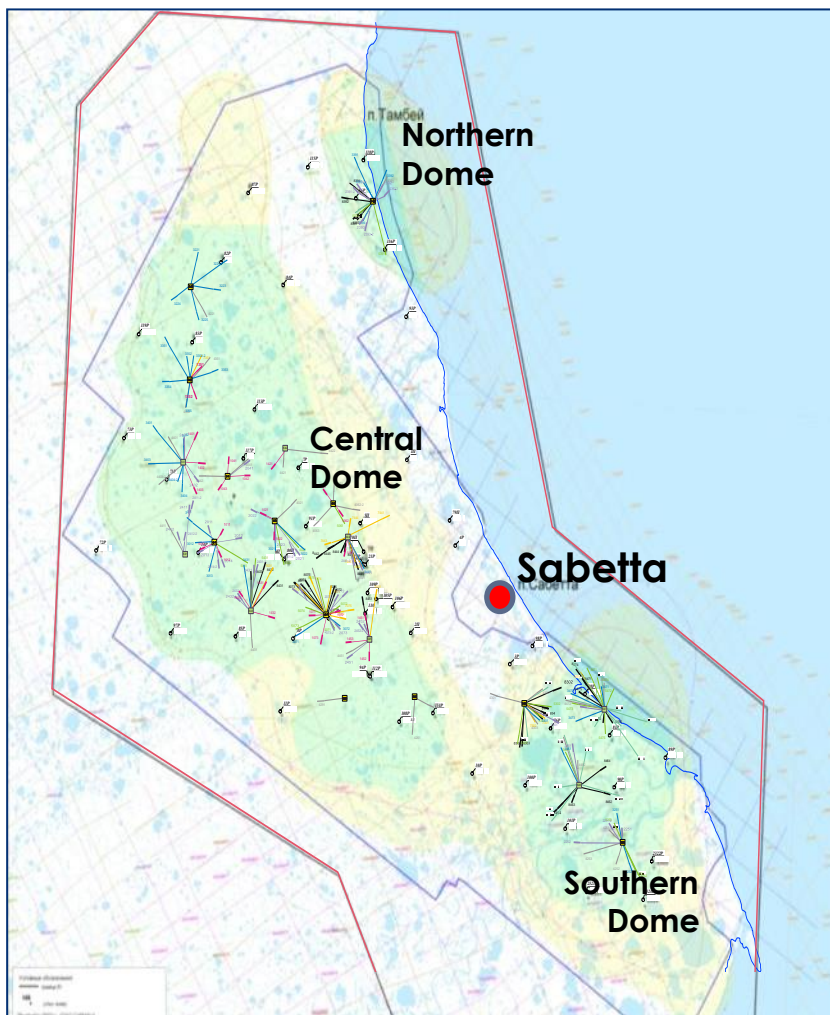
Arctic Climatic Conditions



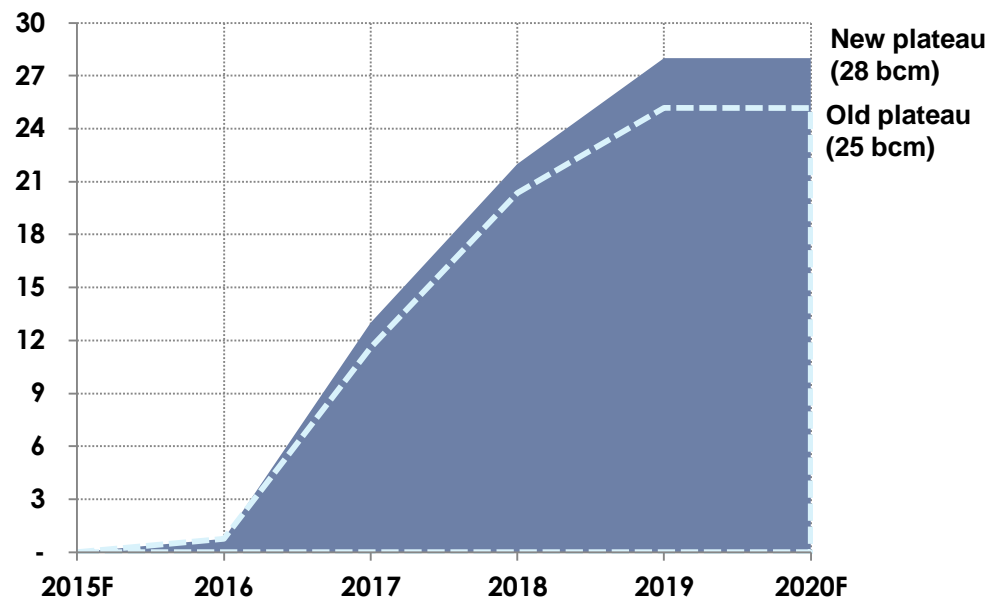
- ❑ **Subarctic and arctic** climate
- ❑ **Average annual temperature** - minus 9° C
- ❑ **Absolute minimum temperature** - minus 57° C
- ❑ **Strong winds and blizzards** with wind speeds of up to 32 meters/second
- ❑ **Permafrost** with depths of up to 300 to 500 meters
- ❑ **Long-lasting ice cover** (about 300 days a year)
- ❑ **Swamps and lakes** cover over 60% of the territory



South-Tambeyskoye Field



Natural gas production¹, bcm



- Production plateau level raised from **25 to 28 bcm** (duration of the plateau - **20 years**)
- New production curve confirmed by independent reserve auditor D&M
- LNG production level increased from **15 to 16.5 mmt** per annum

Field Development

Current development parameters

- **208** production wells to be drilled from **19** well pads:
 - **58** wells to feed the 1st train of the LNG plant
 - **66** wells to feed the 2nd and 3^d trains
 - **84** wells to keep production at the plateau
- Directional wells (average horizontal displacement ~**500** meters)
- Priority is given to reservoirs with optimal condensate flow rate and simultaneous supply of required natural gas volumes to the LNG plant;
- First production drilling to start in April 2013.

Field infrastructure

- 288 km of gas gathering lines
- 121 km of roads and 143 km of high voltage lines

Optimized drilling and surface facilities

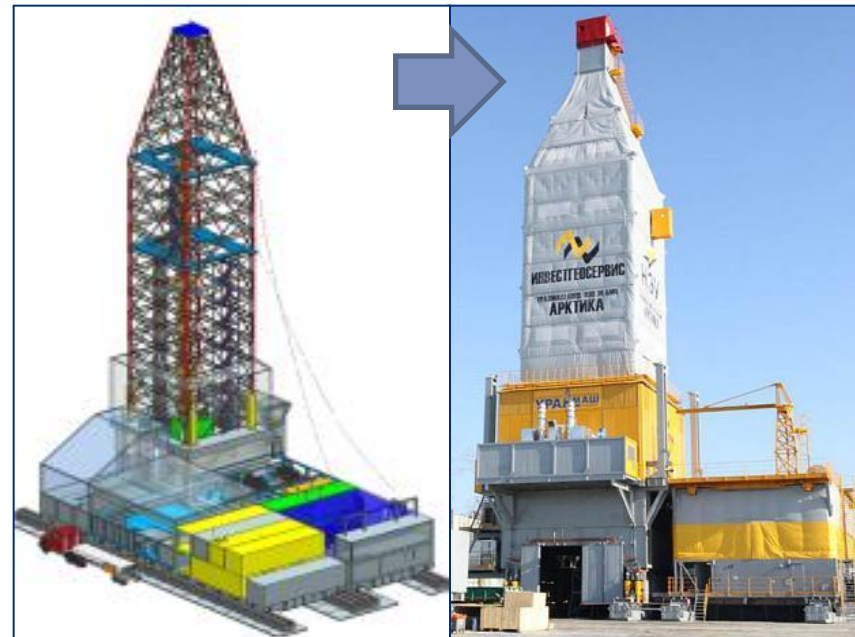
	Initial	Current
Max. No. of drilling rigs	8	5
No. of well pads	35	19
Gas gathering lines	350 km	288 km

Drilling rig “Arctic”

First rigging up – 60 days

Rig move within the field – 30 days

Rig move within the pad – 1.5 days



Logistics of Material Supplies



Heavy modules transportation

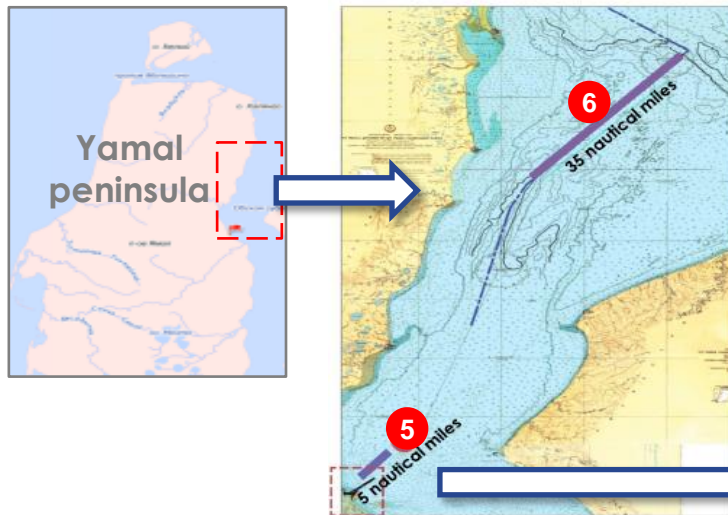
- By big lift RoRo vessels
- Year round yard-to-transhipment
- Accumulation at storage areas (Kirkines-Murmansk)
- July-October storage-to-site transportation

Light modules and bulk

- Year-round by ice-class vessels to Sabetta with ice breakers support
- July-October by sea and river

Port of Sabetta

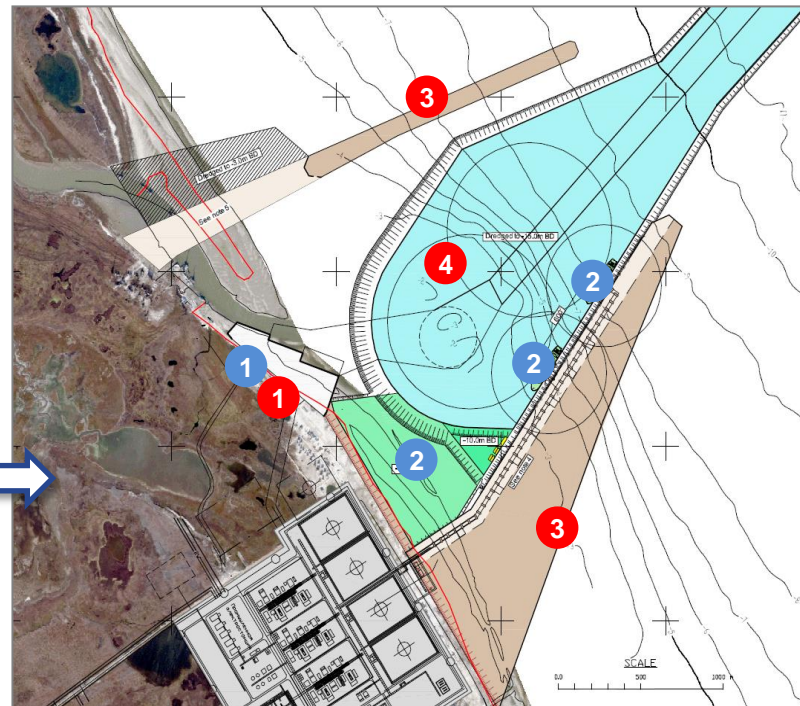
Seaway and approach channels



Port facilities

- Design work performed by Lenmorniproekt and Artelia
- Materials Off-loading Berth
- Jetty with two (2) berths
- LNG loading infrastructure
- Ice management system
- Tugs and port ice-breakers

Port facilities, berths and harbor



Government facilities

- 1 Administrative facilities
- 3 Ice protection construction
- 4 Port harbor
- 5 Approach channel
- 6 Seaway channel

Yamal LNG facilities

- 1 Administrative and warehouse facilities
- 2 Berths, jetty and utility systems

Channels

Dredging is required for the passage of LNG tankers with a capacity of 170,000 m³ and with a draft of 11.7 m:

- Approach channel – five (5) nautical miles
- Seaway channel - 35 nautical miles

Port and approach channels financed through the federal budget in accordance with an agreement with Rosmorport

On-Site Activity

Berth piling construction



Arctic drilling rig assembled



Materials offloading (4.5 km offshore the Gulf of Ob)



Living quarters



Yamal LNG Carrier Concept



Based on existing operational experience and extensive studies and model tests at ice model basin by Aker Arctic

Main concept - Double Acting Ship (DAS):

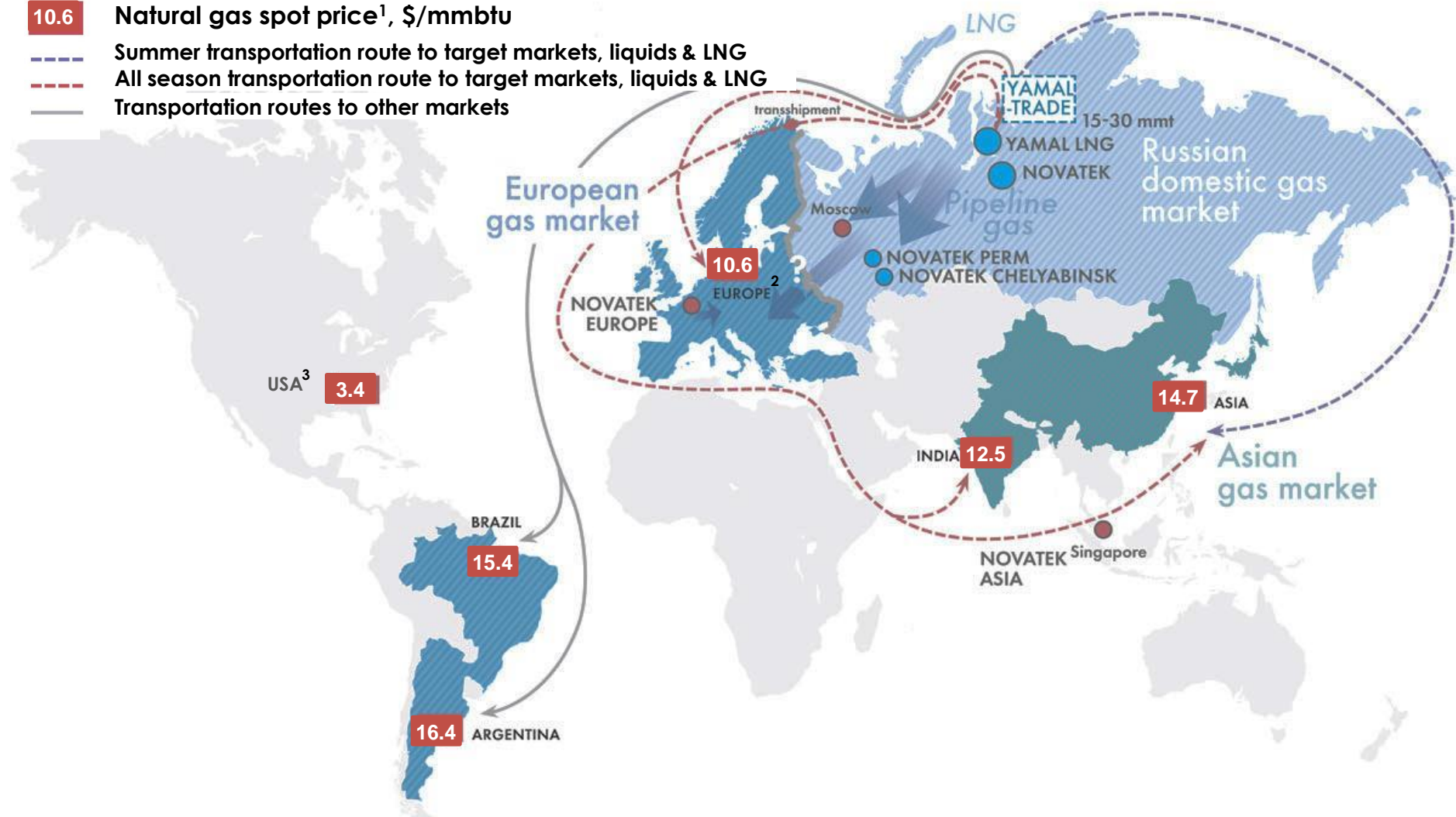
- Bow – forward movement in open water and thin ice
- Astern – reverse movement through thick ice and ice ridges

Ice model tests have validated the Arc-7 170,000 cm LNG Carrier basic design

- Moderate ice bow
- Three shaft propulsion system (AZIPOD's)
- Ice going capabilities: 2.1 meters
- Confirmed speed: 19.5 knots in open water and 5.5 knots in even ice of 1.5 meters

LNG Marketing Logistics

- 10.6** Natural gas spot price¹, \$/mmbtu
- Summer transportation route to target markets, liquids & LNG
 - All season transportation route to target markets, liquids & LNG
 - Transportation routes to other markets



Notes:

1. Based on average actual prices (delivery January 2013) from Argus Global LNG and Heren LNG Market Daily
2. Average of: Title Transfer Facility (TTF) spot price (Netherlands) and National Balancing Point (NBP) spot price (UK)
3. Henry Hub

Yamal LNG - Key Project Advantages



- **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

Financial Results

Another Record Year (RR million)



	2012	2011	+/(-)	+/(-)%
Oil and gas sales	210,246	174,811	35,435	20.3%
Total revenues	210,973	175,273	35,700	20.4%
Operating expenses	(125,775)	(96,820)	(28,955)	29.9%
EBITDA ⁽¹⁾	95,106	148,349	(53,243)	-35.9%
Normalized EBITDA ⁽²⁾	95,166	85,401	9,765	11.4%
EBITDA margin	45.1%	84.6%		
Normalized EBITDA margin	45.1%	48.7%		
Effective income tax rate ⁽³⁾	19.5%	11.7%		
Profit attributable to NOVATEK	69,458	119,655	(50,197)	-42.0%
Normalized profit attributable to NOVATEK ⁽⁴⁾	69,518	56,707	12,811	22.6%
Profit margin	32.9%	68.3%		
Normalized profit margin	33.0%	32.4%		
Earnings per share	22.89	39.45	(16.56)	-42.0%
Normalized earnings per share	22.91	18.69	4.22	22.6%
CAPEX ⁽⁵⁾	43,554	31,161	12,393	39.8%
Net debt ⁽⁶⁾	114,067	71,647	42,420	59.2%

Notes:

1. 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
2. Normalized EBITDA represents EBITDA excluding net gain (loss) on disposal of interest in subsidiaries
3. Effective income tax rates, excluding the effect of application of a reduced income tax rate of 15.5% in respect of the Group's priority investment project in YNAO in 2012 and excluding the net gain on disposal of Yamal LNG in 2011, were 21.4% and 21.7%, respectively
4. Normalized profit attributable to shareholders of OAO NOVATEK represents profit attributable to shareholders of OAO NOVATEK excluding net gain (loss) on disposal of interest in subsidiaries
5. CAPEX represents additions to property, plant and equipment excluding prepayments for participation in tender for mineral licenses
6. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

And a Record Quarter (RR million)



	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13	Q-o-Q +/- %	Y-o-Y +/- %
Oil and gas sales	53,876	44,763	52,345	59,262	80,448	35.7%	49.3%
Total revenues	54,097	44,924	52,514	59,438	80,565	35.5%	48.9%
Operating expenses	(31,575)	(26,559)	(29,628)	(38,013)	(51,056)	34.3%	61.7%
EBITDA ⁽¹⁾	24,217	20,414	25,252	25,223	32,905	30.5%	35.9%
EBITDA margin	44.8%	45.4%	48.1%	42.4%	40.8%		
Effective income tax rate ⁽²⁾	21.9%	20.9%	20.9%	13.9%	19.9%		
Profit attributable to NOVATEK	21,245	9,663	20,003	18,547	22,711	22.5%	6.9%
Profit margin	39.3%	21.5%	38.1%	31.2%	28.2%		
Earnings per share	7.00	3.18	6.59	6.11	7.49	22.6%	6.9%
CAPEX ⁽³⁾	7,519	12,270	11,480	12,285	11,264	-8.3%	49.8%
Net debt ⁽⁴⁾	48,045	77,818	67,187	114,067	109,184	-4.3%	127.3%

Notes:

1. EBITDA 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 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 IFRS consolidated financial statements
2. In 2012, one of Group's investment projects in the YNAO was included by the YNAO authorities in the list of priority projects, which allows the Group's subsidiary, that carried out the project, to apply a reduced income tax rate of 15.5%
3. CAPEX represents additions to property, plant and equipment excluding prepayments for participation in tenders for mineral licenses
4. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Total Revenues Breakdown

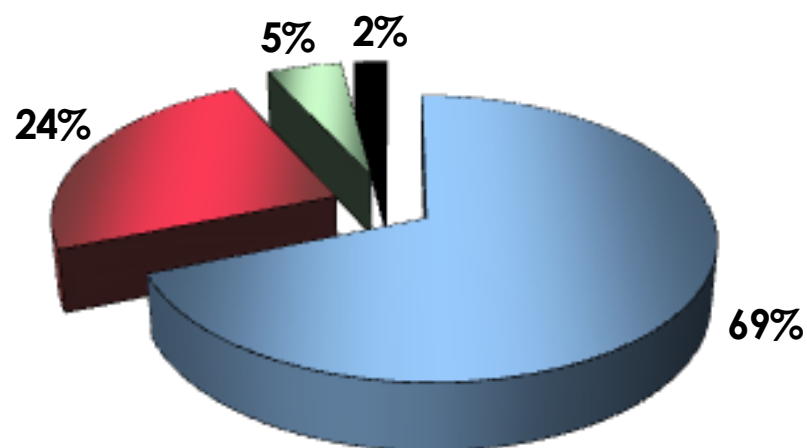
■ Natural gas

■ Stable gas condensate

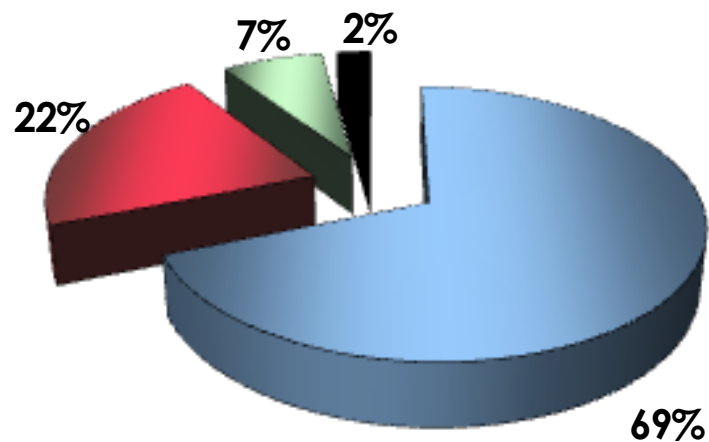
■ LPG

■ Other

1Q 13



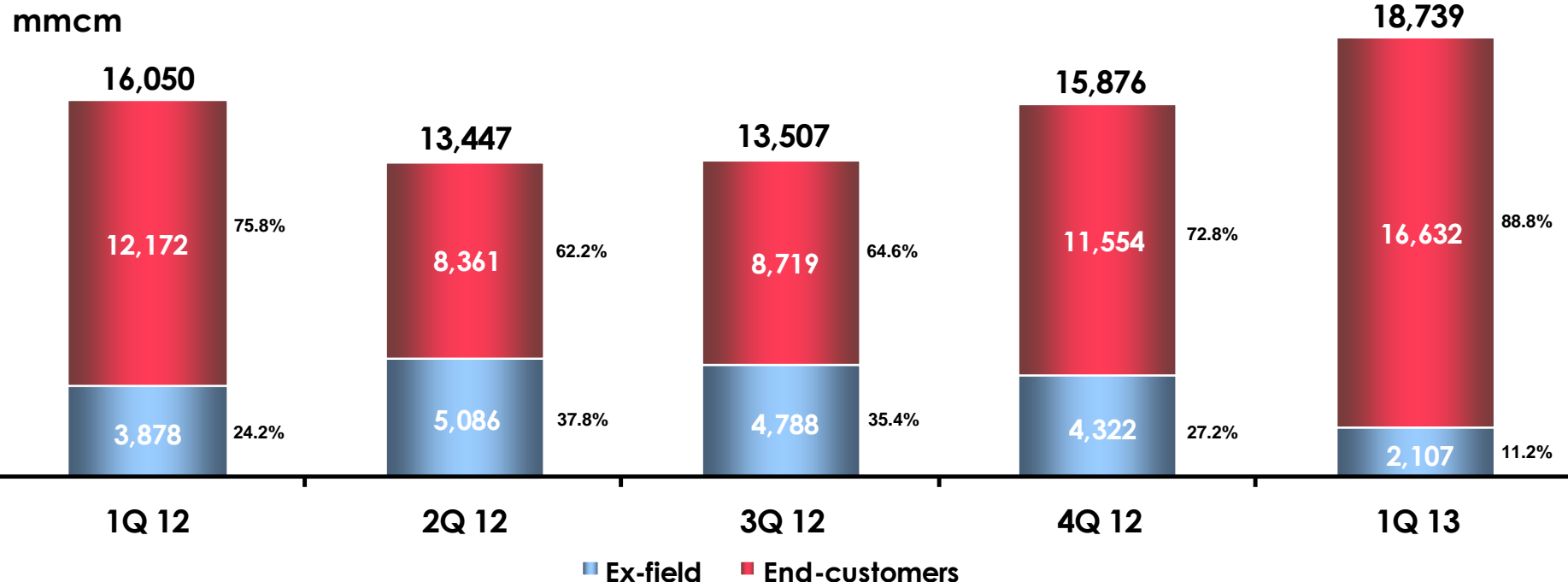
1Q 12



Natural Gas Sales Volume Mix



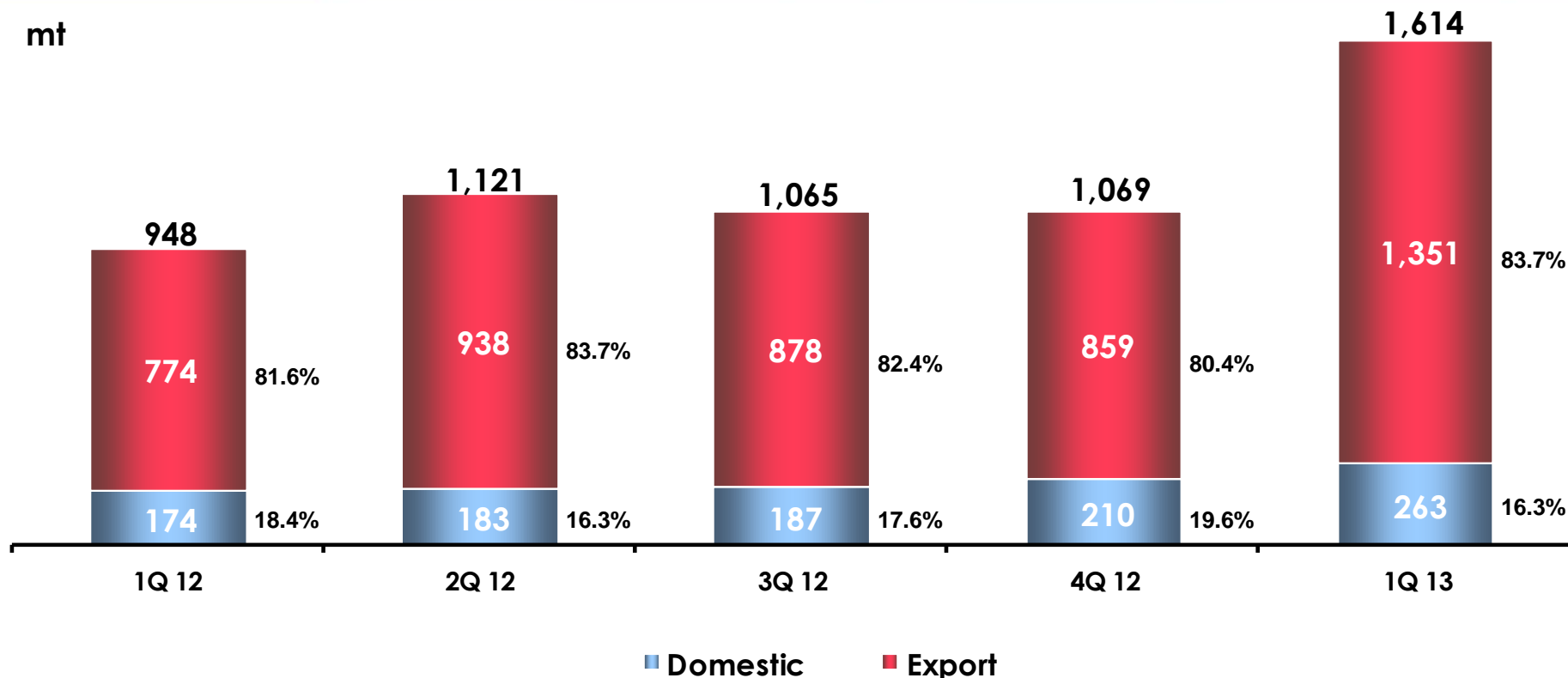
Market Distribution – Gas Sales Volumes



- Q-o-Q and Y-o-Y increase in natural gas sales volumes was due to a combination of increased purchases from our related party and joint ventures, as well as an increase in natural gas production at the Yurkharov field resulting from the launch of the fourth stage of the second phase development in October 2012
- Our proportion of natural gas sold to end-customers increased Q-o-Q and Y-o-Y due to higher natural gas deliveries to Moscow and the Moscow region as a result of the establishment of our wholly owned subsidiary NOVATEK Moscow region in December 2012, as well as to the Kostroma region as a result of the acquisition of a regional natural gas trader Gazprom mezhregiongas Kostroma in December 2012 (NOVATEK-Kostroma since February 2013)

Market Distribution – Liquids Sales Volumes

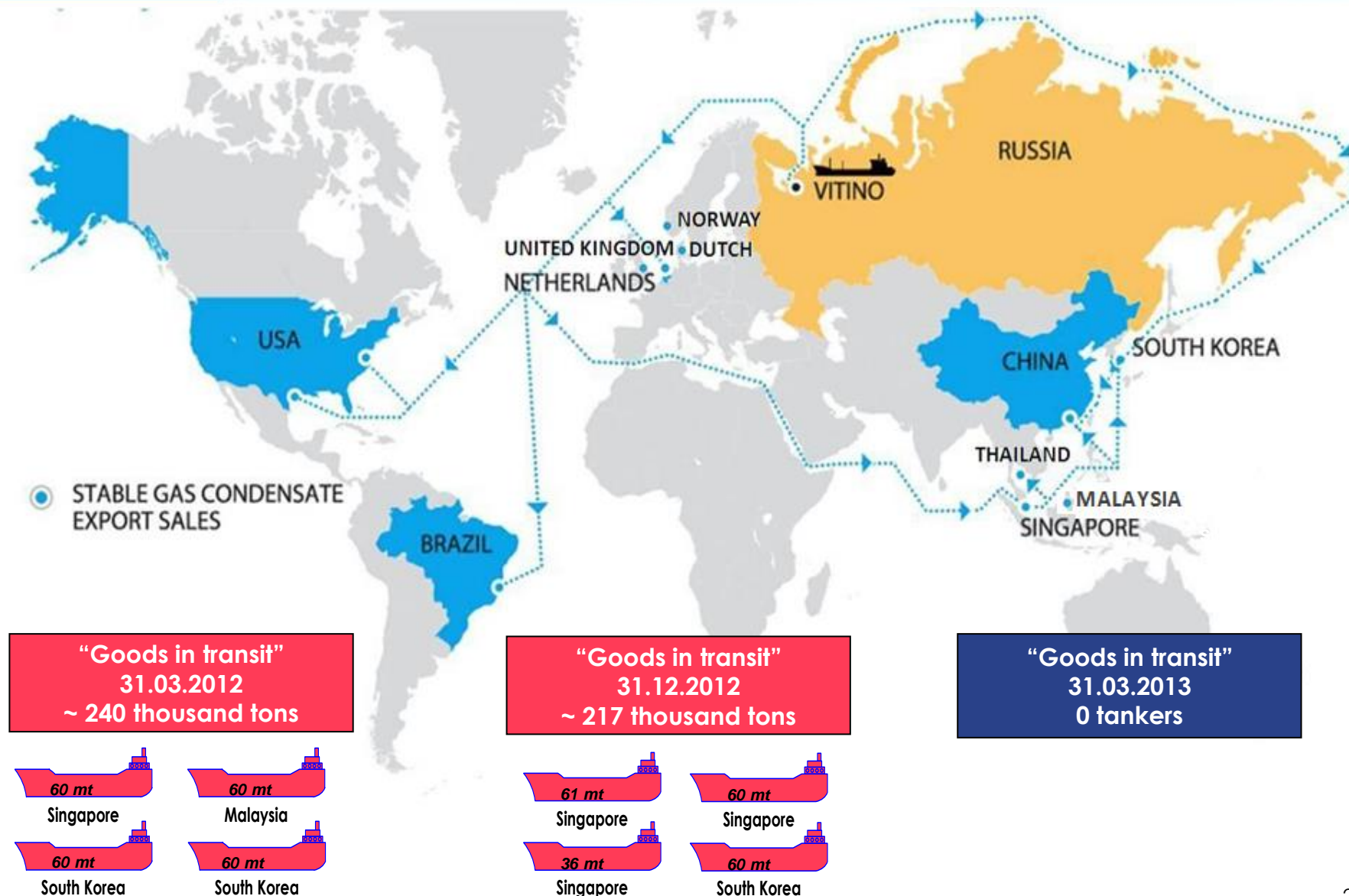
mt



Y-o-Y and Q-o-Q increase in liquids sales volumes was due to:

- the initiation of unstable gas condensate purchases from the Group's joint ventures
- an increase in crude oil production
- a decrease in our stable gas condensate inventory balance during 1Q 13

Stable Gas Condensate in Transit



Realized Hydrocarbon Prices

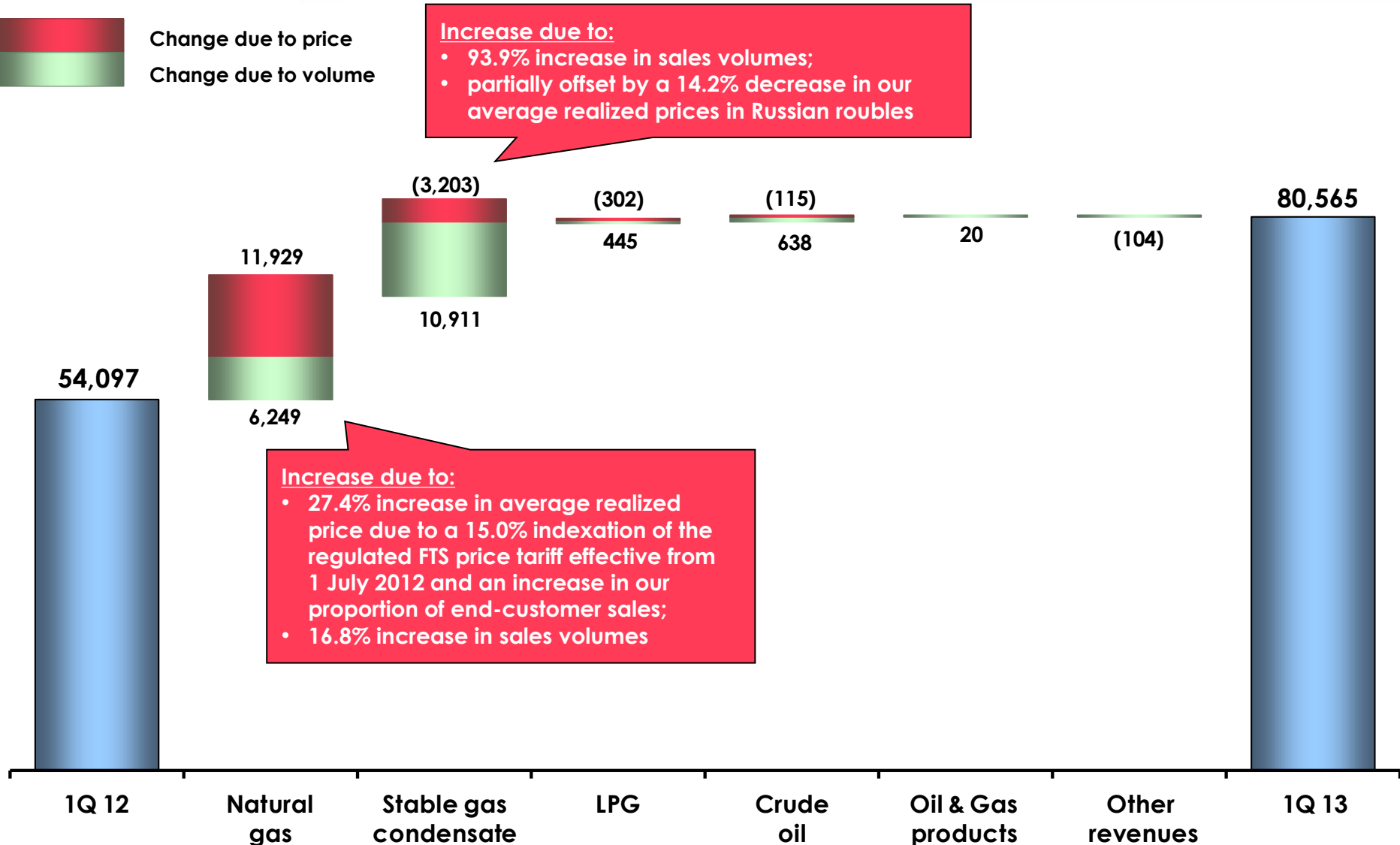
(net of VAT, excise and export duties)



1Q 12	1Q 13	+ / (-)	+ / (-)%		4Q 12	1Q 13	+ / (-)	+ / (-)%
<u>Domestic prices</u>								
2,616	3,120	504	19.3%	Natural gas end-customers, RR/mcm	2,993	3,120	127	4.2%
1,409	1,708	299	21.2%	Natural gas ex-field, RR/mcm	1,644	1,708	64	3.9%
14,168	13,256	(912)	-6.4%	Stable gas condensate, RR/ton	14,407	13,256	(1,151)	-8.0%
13,101	13,400	299	2.3%	LPG, RR/ton	15,061	13,400	(1,661)	-11.0%
11,576	11,095	(481)	-4.2%	Crude oil, RR/ton	10,952	11,095	143	1.3%
10,004	18,644	8,640	86.4%	Methanol, RR/ton	10,610	18,644	8,034	75.7%
<u>Export market</u>								
18,633	16,079	(2,554)	-13.7%	Stable gas condensate, RR/ton	16,656	16,079	(577)	-3.5%
19,190	16,990	(2,200)	-11.5%	LPG, RR/ton	21,622	16,990	(4,632)	-21.4%
13,403	11,684	(1,719)	-12.8%	Crude oil, RR/ton	11,527	11,684	157	1.4%

Note: Prices are shown excluding trading activities and excluding natural gas volumes purchased for resale in the location of end-customers in 2012

Total Revenues (RR million)



Operating Expenses

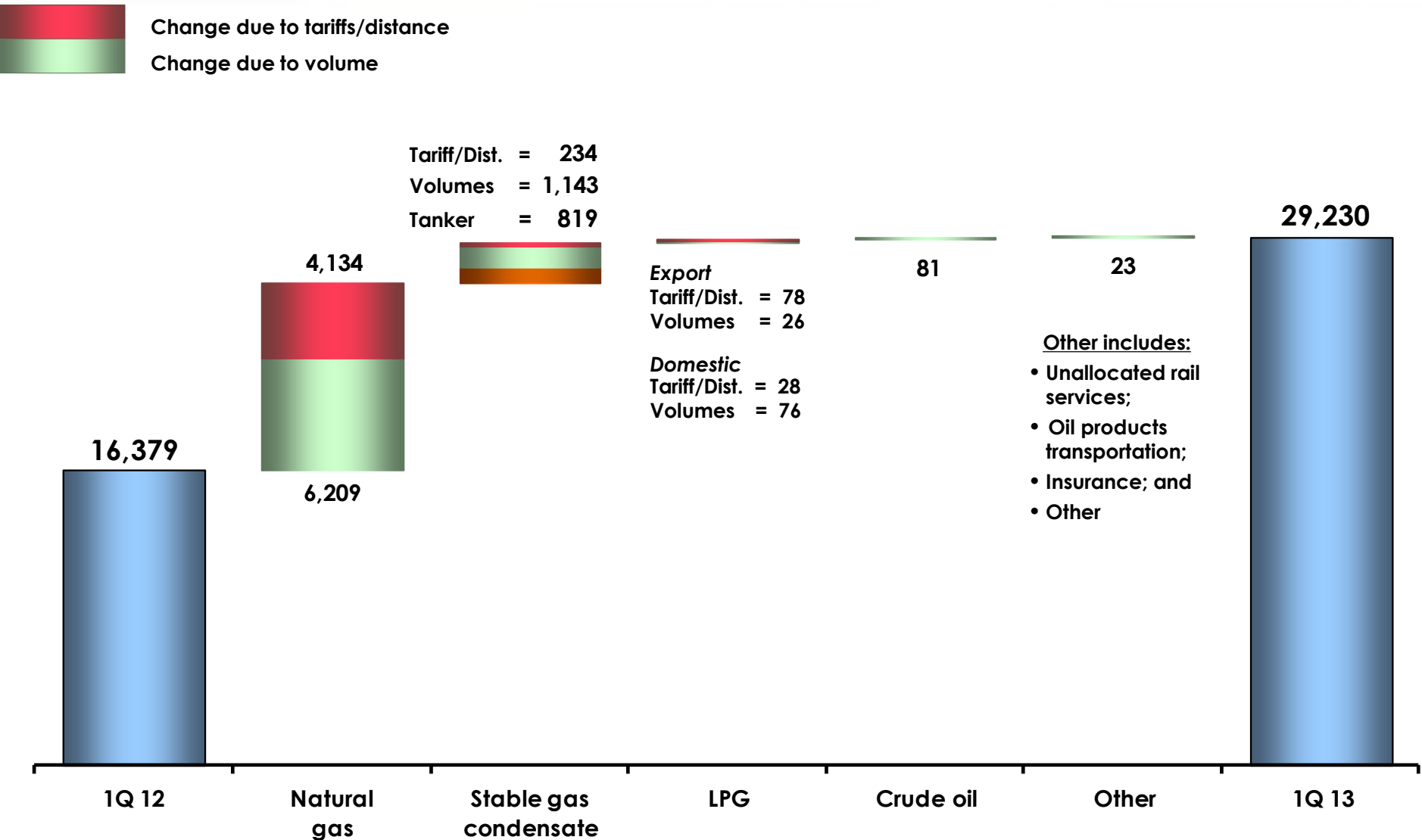
(RR million and % of Total Revenues)



1Q 12	% of TR	1Q 13	% of TR		4Q 12	% of TR	1Q 13	% of TR
16,379	30.3%	29,230	36.2%	Transportation expenses	17,199	28.9%	29,230	36.2%
4,337	8.0%	4,717	5.9%	Taxes other than income tax	4,452	7.5%	4,717	5.9%
20,716	38.3%	33,947	42.1%	Non-controllable expenses	21,651	36.4%	33,947	42.1%
2,614	4.8%	3,157	3.9%	Depreciation and amortization	3,666	6.2%	3,157	3.9%
2,327	4.3%	2,419	3.0%	General and administrative	3,632	6.1%	2,419	3.0%
1,586	2.9%	1,677	2.1%	Materials, services & other	2,078	3.5%	1,677	2.1%
896	1.7%	135	0.2%	Exploration expenses	1,393	2.3%	135	0.2%
				Net impairment expenses				
25	n/m	(4)	n/m	(reversals)	276	n/m	(4)	n/m
				Change in natural gas, liquids and WIP				
60	n/m	1,293	n/m		(560)	n/m	1,293	n/m
28,224	52.2%	42,624	52.9%	Subtotal operating expenses	32,136	54.1%	42,624	52.9%
				Purchases of natural gas and liquid hydrocarbons				
3,351	6.2%	8,432	10.5%		5,877	9.9%	8,432	10.5%
31,575	58.4%	51,056	63.4%	Total operating expenses	38,013	64.0%	51,056	63.4%

- ❑ Operating expenses increased Y-o-Y and Q-o-Q by 61.7% and 34.3%, respectively, due to an increase in transportation expenses and purchases of natural gas and liquid hydrocarbons
- ❑ Transportation expenses increased Y-o-Y and Q-o-Q due to a 47.6% and 57.5% increase in our sales volumes of natural gas to end-customers, respectively for which we incurred transportation costs, a 7.0% average increase in the natural gas transportation tariff set by the FTS effective from 1 July 2012, as well as an increase in average transportation distance due to higher natural gas deliveries to Moscow, and the Moscow and Kostroma regions
- ❑ Taxes other than income tax increased Y-o-Y and Q-o-Q primarily due to a 5.6% increase in the natural gas UPT rate from 1 January 2013, as well as a 4.8% increase in production volumes of natural gas
- ❑ Depreciation, depletion and amortization expense increased Y-o-Y as a result of an increase in our depletable cost base, as well as an increase in our total hydrocarbon production in barrels of oil equivalent
- ❑ Our hydrocarbon purchases increased Y-o-Y and Q-o-Q due to the increase in natural gas purchases from our related party SIBUR Holding, as well as the initiation of unstable gas condensate purchases from our joint ventures SeverEnegia and Nortgas effective April and 1 November 2012, respectively

Transportation Expenses (RR million)



Condensed Balance Sheet (RR million)

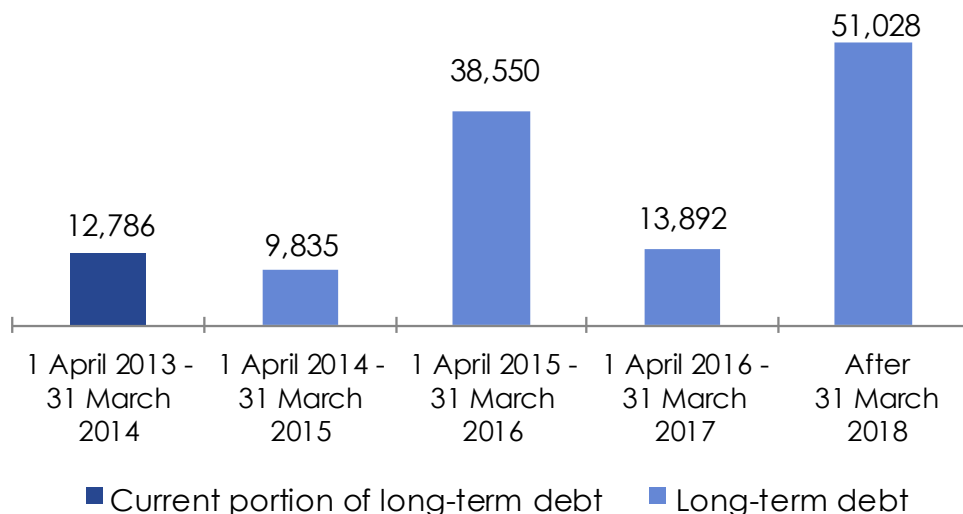


	31 March 2013	31 December 2012	+ / (-)	+ / (-) %
Total current assets	59,049	58,243	806	1.4%
<i>Incl. Cash and cash equivalents</i>	<i>16,907</i>	<i>18,420</i>	<i>(1,513)</i>	<i>-8.2%</i>
Total non-current assets	423,180	404,890	18,290	4.5%
<i>Incl. Net PP&E</i>	<i>205,499</i>	<i>197,376</i>	<i>8,123</i>	<i>4.1%</i>
Total assets	482,229	463,133	19,096	4.1%
Total current liabilities	35,485	55,130	(19,645)	-35.6%
<i>Incl. ST debt</i>	<i>12,786</i>	<i>34,682</i>	<i>(21,896)</i>	<i>-63.1%</i>
Total non-current liabilities	133,170	116,702	16,468	14.1%
<i>Incl. Deferred income tax liability</i>	<i>15,489</i>	<i>13,969</i>	<i>1,520</i>	<i>10.9%</i>
<i>Incl. LT debt</i>	<i>113,305</i>	<i>97,805</i>	<i>15,500</i>	<i>15.8%</i>
Total liabilities	168,655	171,832	(3,177)	-1.8%
Total equity	313,574	291,301	22,273	7.6%
Total liabilities & equity	482,229	463,133	19,096	4.1%

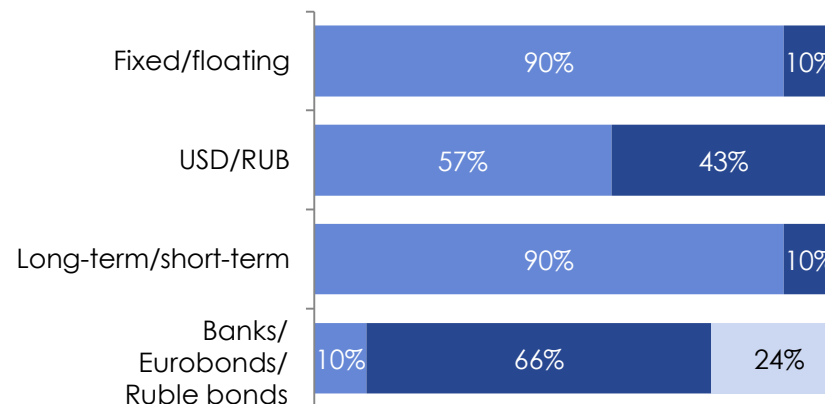
Debt Composition as at 31 March 2013



Total Debt Maturity Profile (RR million)



Debt Structure (Total Debt = RR 126.1 billion)



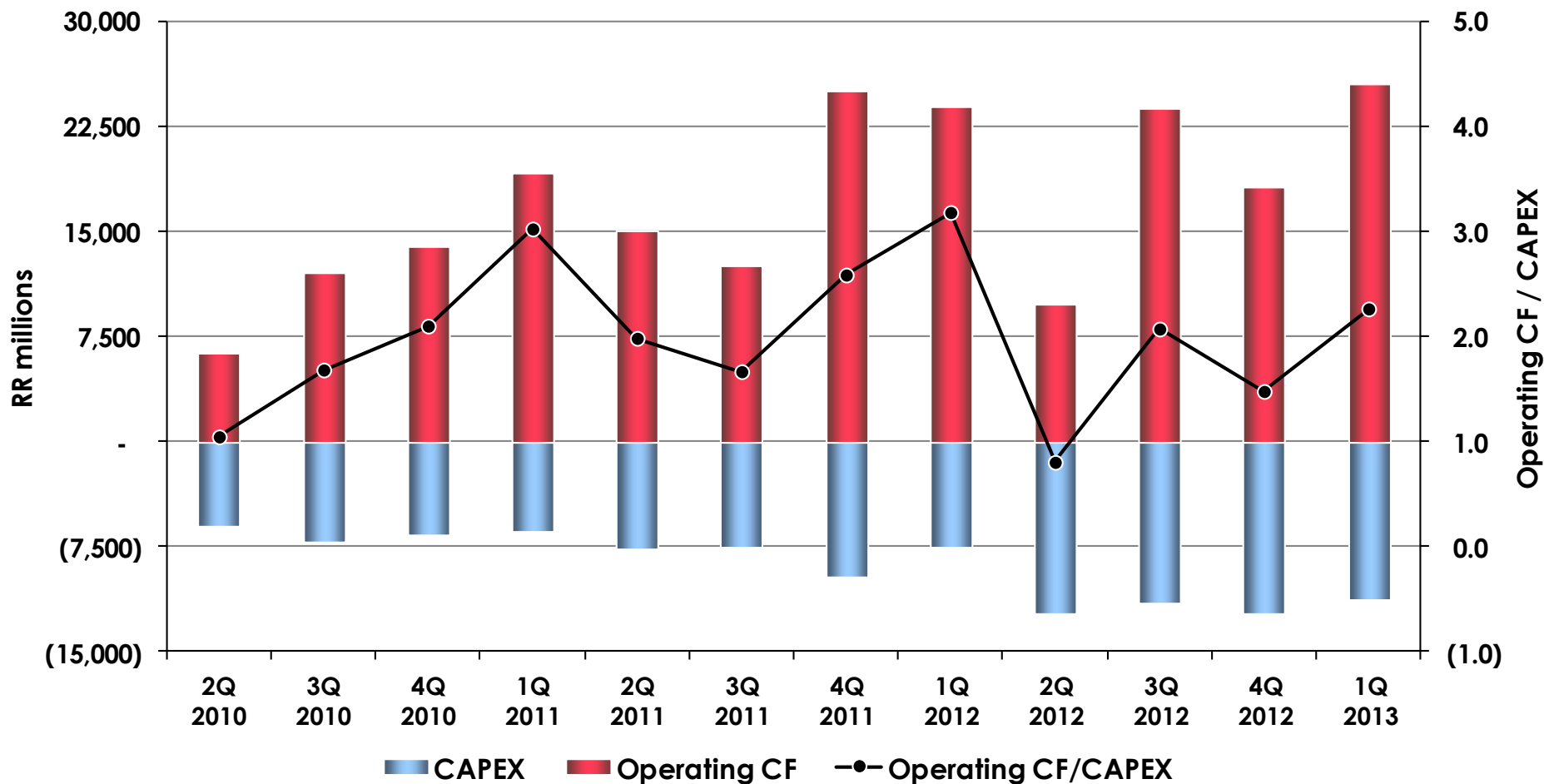
Established track record of adhering to financial policies

Metric	Policy Target	2009	2010	2011 ¹	2012	1Q 2013
Debt/EBITDA ¹ , (x)	~1.0x	1.0	1.3	1.1	1.4	1.2
Net debt/EBITDA, (x)	<1.0x	0.9	1.1	0.8	1.2	1.1
Cash Balance, million \$	\$100 - \$150	332	337	740	607	544
Lines of credit, million \$	\$300 - \$500	823	695	1,787	1,429	439
Dividend: % of Net Income	30%	42.85	38.9	32.1	30.0	n/a

Notes

1. Debt/EBITDA for 2011 is calculated using normalized EBITDA (excludes net gain on disposal of interest in subsidiaries)

Internally Funded Investment Program



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