NOVATEK

Third Quarter 2014
Operational and Financial Results
Conference Call

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Moscow, Russian Federation
30 October 2014

Disclaimer – Forward Looking Statement

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our products; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- changes in the balance of oil and gas supply and demand in Russia and Europe;
- the effects of domestic and international oil and gas price volatility and changes in regulatory conditions, including prices and taxes;
- the effects of competition in the domestic and export oil and gas markets;
- our ability to successfully implement any of our business strategies;
- the impact of our expansion on our revenue potential, cost basis and margins;
- our ability to produce target volumes in the face of restrictions on our access to transportation infrastructure;
- the effects of changes to our capital expenditure projections on the growth of our production;
- inherent uncertainties in interpreting geophysical data;
- commercial negotiations regarding oil and gas sales contracts;
- changes to project schedules and estimated completion dates;
- potentially lower production levels in the future than currently estimated by our management and/or independent petroleum reservoir engineers;
- our ability to service our existing indebtedness;
- our ability to fund our future operations and capital needs through borrowing or otherwise;
- our success in identifying and managing risks to our businesses;
- our ability to obtain necessary regulatory approvals for our businesses;
- the effects of changes to the Russian legal framework concerning currently held and any newly acquired oil and gas production licenses;
- changes in political, social, legal or economic conditions in Russia and the CIS;
- the effects of, and changes in, the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, the Cabinet and the Prosecutor General and his office;
- the effects of international political events;
- the effects of technological changes;
- the effects of changes in accounting standards or practices; and
- inflation, interest rate and exchange rate fluctuations.

This list of important factors is not exhaustive. 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. Accordingly, 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.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.

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Summary Highlights – 3Q 2014

- **Increase in revenues** driven by higher liquids and natural gas sales volumes:
  - Natural gas sales increased Y-o-Y by 4.8%
  - Liquids sales increased Y-o-Y by 24.3%
- **EBITDA increased** Y-o-Y by 12.6%
- **Profit attributable to NOVATEK and EPS decreased** Y-o-Y by 67.5% and 67.4%, respectively
- **Profit attributable to NOVATEK** *(excluding foreign exchange loss)* **increased** Y-o-Y by 13.2%
- **Cash flow from operations decreased** Y-o-Y by 27.5% to RR 18,844 million
- **Capital expenditures decreased** Y-o-Y by 24.5% to RR 12,284 million
- **Natural gas production** *(including our proportionate share in JVs)* **increased** Y-o-Y by 6.6%
- **Liquids production** *(including our proportionate share in JVs)* **increased** Y-o-Y by 34.9%
- **Purovsky Plant output** of marketable products increased Y-o-Y by 45.3%
- **Ust-Luga Complex output** of marketable products increased Y-o-Y by 65.5%
  (we commenced gas condensate refined products sales effective July 2013)

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Operational Overview

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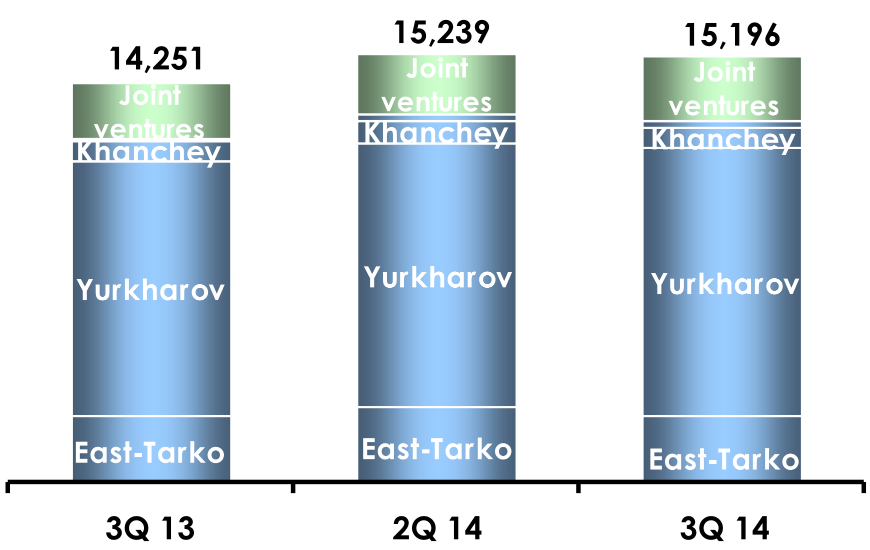
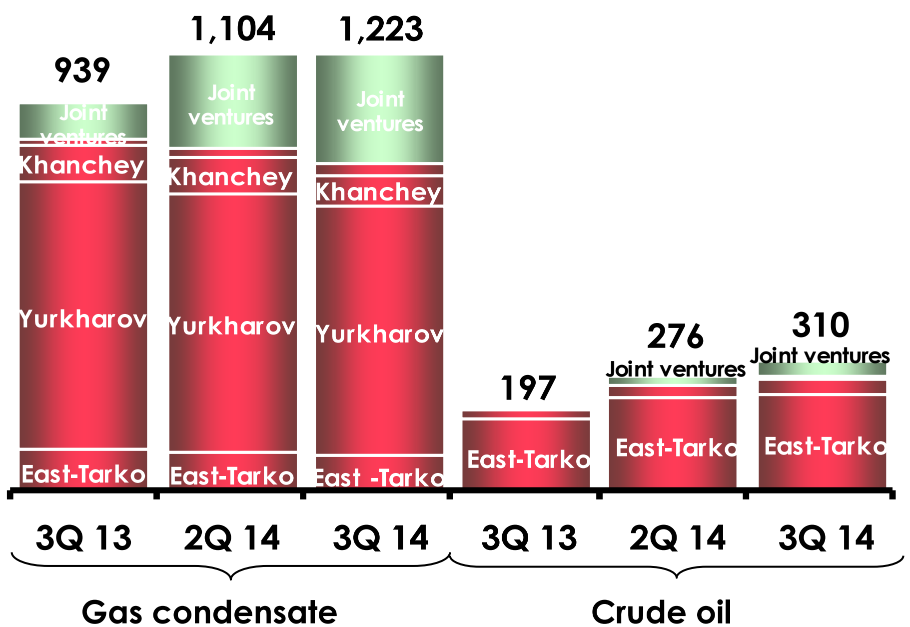
Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



Natural gas production increased Y-o-Y due to:

- Increased production at our Yurkharovskoye field
- The launch of the Urengoyskoye and Dobrovolskoye fields (Olimpiyskiy license area) at the end of 2013
- Increase in JV's production due to the launch of additional production facilities and increase in the effective share in SeverEnergia from 25.5% to 54.9%, that was partially offset by the disposal of Sibneftegas

Liquids production increased Y-o-Y due to:

- Increase in crude oil production at our East-Tarko and Khanchey fields resulting from new wells drilled and technical works performed
- Increase in our JV's production (launch of the Eastern dome of the North-Urengoyskoye field at Nortgas in October 2013; increase in the effective share in SeverEnergia from 25.5% to 54.9%; commencement of production at the Urengoyskoye field effective April 2014; launch of the third phase of the Samburgskoye field in September 2014)
- The launch of the Dobrovolskoe field at the end of 2013

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Purovsky Plant

- **Total volumes delivered: 1,701 mt**
  - Yurkharovskoye field: 597 mt
  - East-Tarkosalinskoye and Khancheyskoye fields: 201 mt
  - Other fields: 24 mt
  - Purchases from our joint ventures: 879 mt
- **Total output of marketable products: 1,646 mt**
  - Stable gas condensate: 1,317 mt
  - LPG: 329 mt

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Ust-Luga Complex

- **Total volumes delivered: 1,186 mt**
- **Total output of marketable gas condensate refined products: 1,156 mt**
  - Naphtha: 836 mt
  - Other products: 320 mt
- **1,065 mt of gas condensate refined products were dispatched**
  - to the Asia Pacific Region: 471 mt
  - to Europe: 391 mt
  - to North America: 203 mt
- **Gas condensate refined products inventory reconciliation**
  - Ust-Luga Complex storage facilities: 242 mt
  - Tankers in transit: 65 mt of naphtha

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Liquids in Transit

"Goods in transit"
30.09.2013
~ 151 thousand tons

78 mt — Japan (Naphtha)

73 mt — Singapore (Naphtha)

"Goods in transit"
30.06.2014
~ 25 thousand tons

25 mt — Singapore (Naphtha)

"Goods in transit"
30.09.2014
~ 65 thousand tons

40 mt — Taiwan (Naphtha)

25 mt — Japan (Naphtha)

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Financial Overview – 3Q 14 vs. 3Q 13

Comparison of Quarterly Results (RR million)

	3Q 13	4Q 13	1Q 14	2Q 14	3Q 14	Q-o-Q +/- %	Y-o-Y +/- %
Oil and gas sales	75,541	83,592	88,533	87,881	84,090	-4.3%	11.3%
Total revenues	75,648	83,915	88,676	88,370	84,733	-4.1%	12.0%
Operating expenses	(47,080)	(55,012)	(53,875)	(55,670)	(55,870)	0.4%	18.7%
EBITDA [1]	34,428	74,305	45,602	40,323	38,757	-3.9%	12.6%
Normalized EBITDA [2]	*34,428*	*36,656*	*42,979*	*40,323*	*38,757*	*-3.9%*	*12.6%*
EBITDA margin	45.5%	88.5%	51.4%	45.6%	45.7%		
Normalized EBITDA margin [2]	*45.5%*	*43.7%*	*48.5%*	*45.6%*	*45.7%*		
Effective income tax rate [3]	19.8%	19.8%	19.8%	18.4%	32.8%		
Profit attributable to NOVATEK	23,458	52,120	25,155	31,950	7,627	-76.1%	-67.5%
Normalized profit attributable to NOVATEK [2]	*23,458*	*21,939*	*23,056*	*31,950*	*7,627*	*-76.1%*	*-67.5%*
Profit margin	31.0%	62.1%	28.4%	36.2%	9.0%		
Normalized profit margin [2]	*31.0%*	*26.1%*	*26.0%*	*36.2%*	*9.0%*		
Earnings per share	7.75	17.21	8.31	10.58	2.53	-76.1%	-67.4%
Normalized earnings per share [2]	*7.75*	*7.25*	*7.62*	*10.58*	*2.53*	*-76.1%*	*-67.4%*
CAPEX [4]	16,276	14,321	13,727	19,576	12,284	-37.2%	-24.5%
Net debt [5]	130,408	157,732	125,087	114,496	147,580	28.9%	13.2%

Notes:

1. EBITDA includes our proportionate share in the EBITDA of our joint ventures and represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense, share of profit (loss) of joint ventures, net of income tax and finance income (expense) from the Consolidated Statement of Income, as well as income (loss) from changes in fair value of derivative financial instruments
2. Excluding the effect from the disposal of interests in joint ventures and subsidiaries
3. Effective income tax rate in 3Q 14 is higher than the Russian statutory rate of 20% due to recording of the Group's share of losses from joint ventures. These losses, caused by significant foreign exchange losses, are recorded in the financial statements of joint ventures on an after-tax basis, and are not subject to additional income taxes on the Group's level. Without the effect described above, our effective income tax rate in 3Q 14 was 18.2%
4. CAPEX represents additions to property, plant and equipment excluding payments for mineral licenses
5. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

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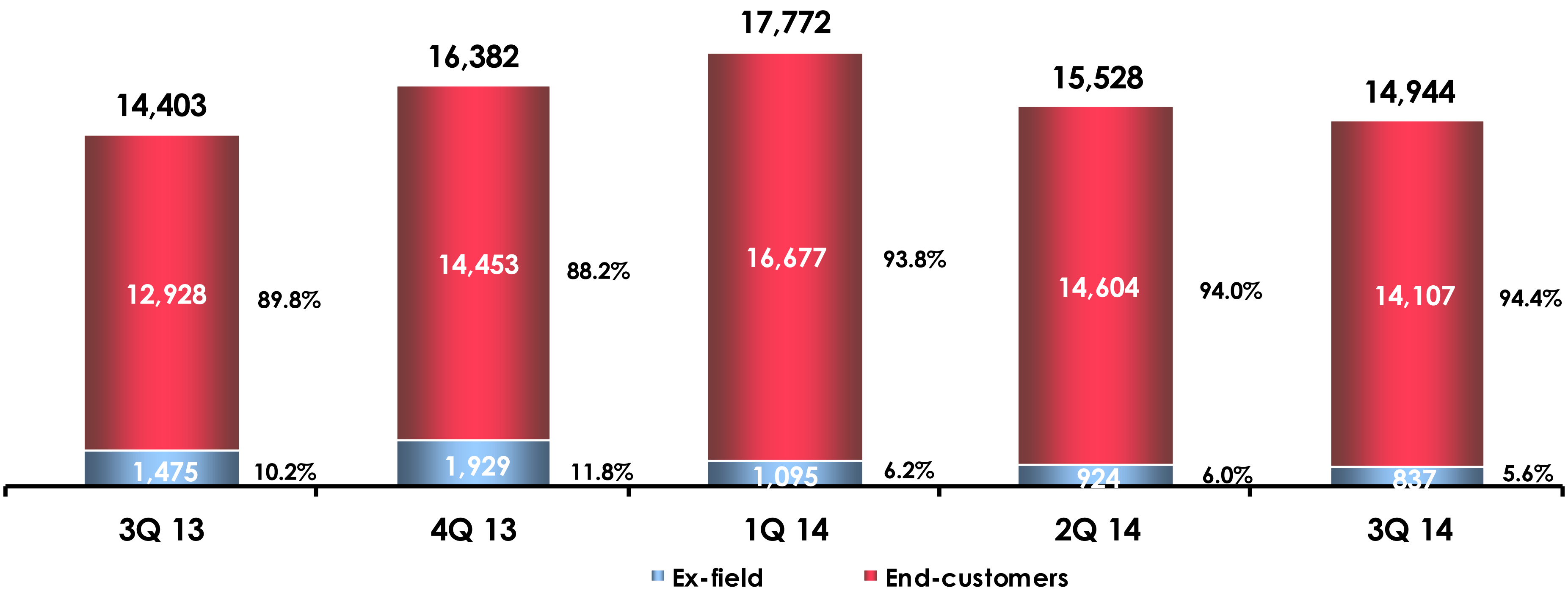
Market Distribution – Gas Sales Volumes (mmcm)



- Y-o-Y increase in natural gas sales volumes was due to production growth at our Yurkharovskoye field and Olimpiyskiy license area (we launched our Urengoyskoye and Dobrovolskoye fields at the end of 2013)
- Our proportion of natural gas sold to end-customers increased Y-o-Y due to the cessation of natural gas deliveries to one of the major traders in December 2013. In addition, we significantly increased natural gas deliveries to our end-customers located at the Khanty-Mansiysk Autonomous Region under long-term natural gas sales contracts

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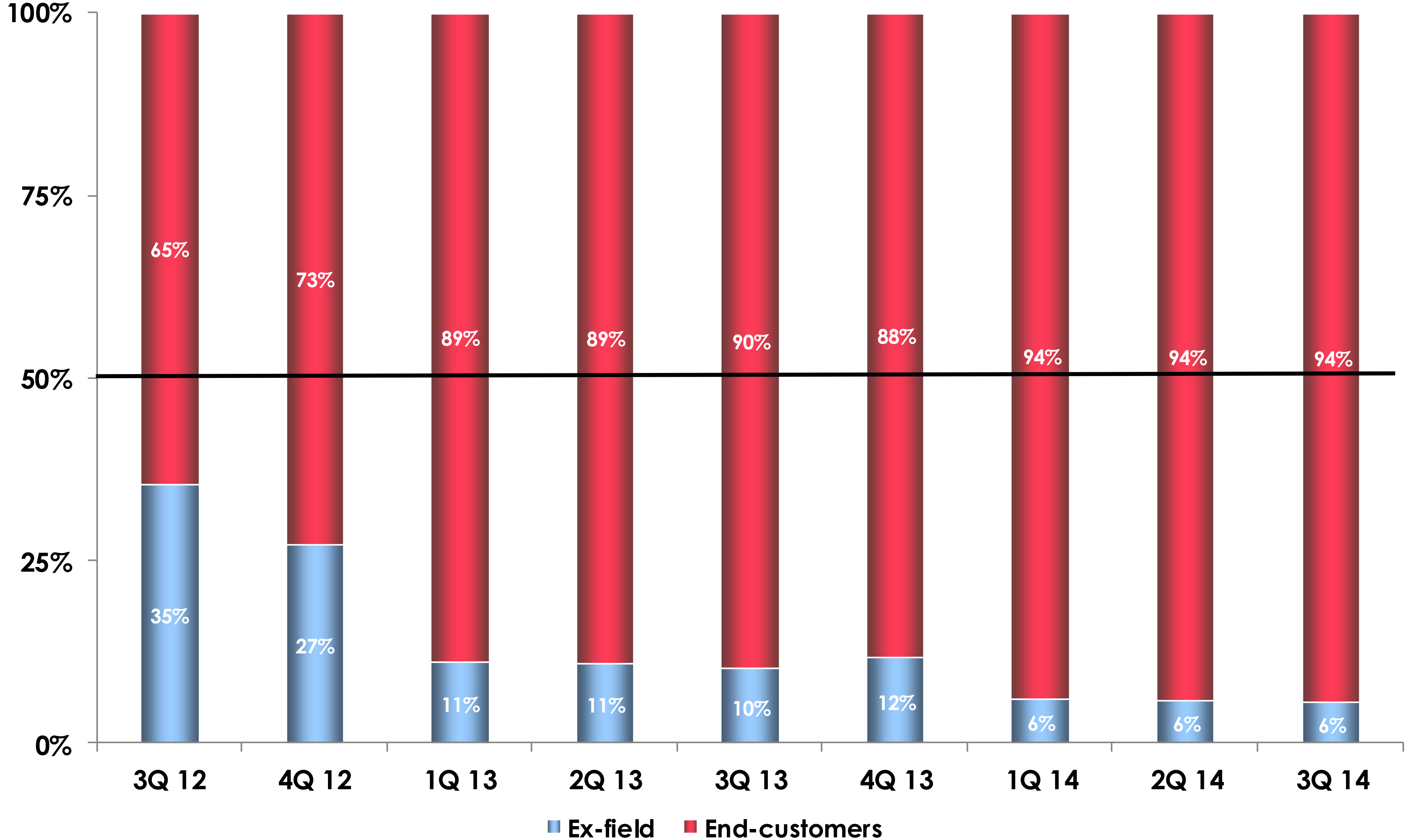
Natural Gas Sales Volume Mix



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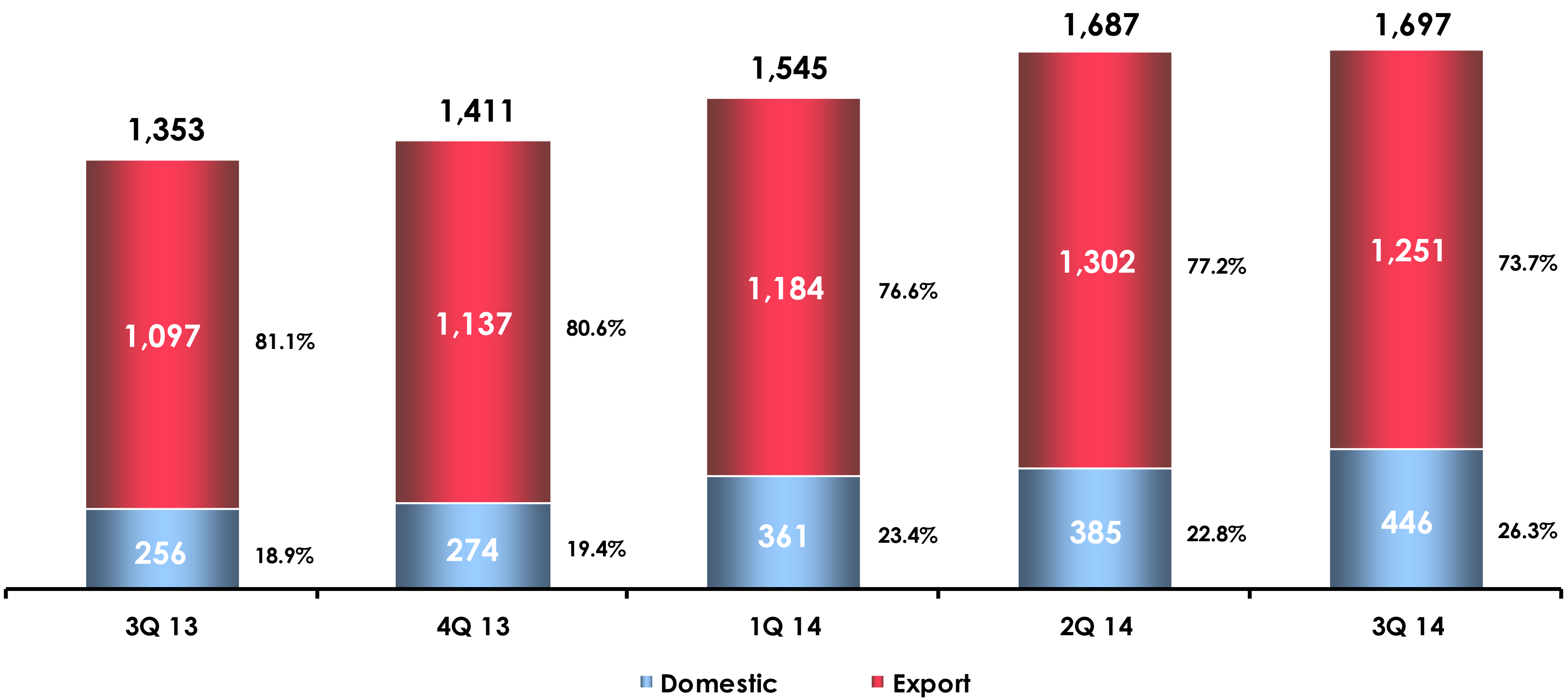
Market Distribution – Liquids Sales Volumes (mt)



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

- an increase in unstable gas condensate production in our joint ventures and crude oil production in our subsidiaries
- partially offset by increased liquids inventory balances during 3Q 14 whereas it decreased in the corresponding period in 2013

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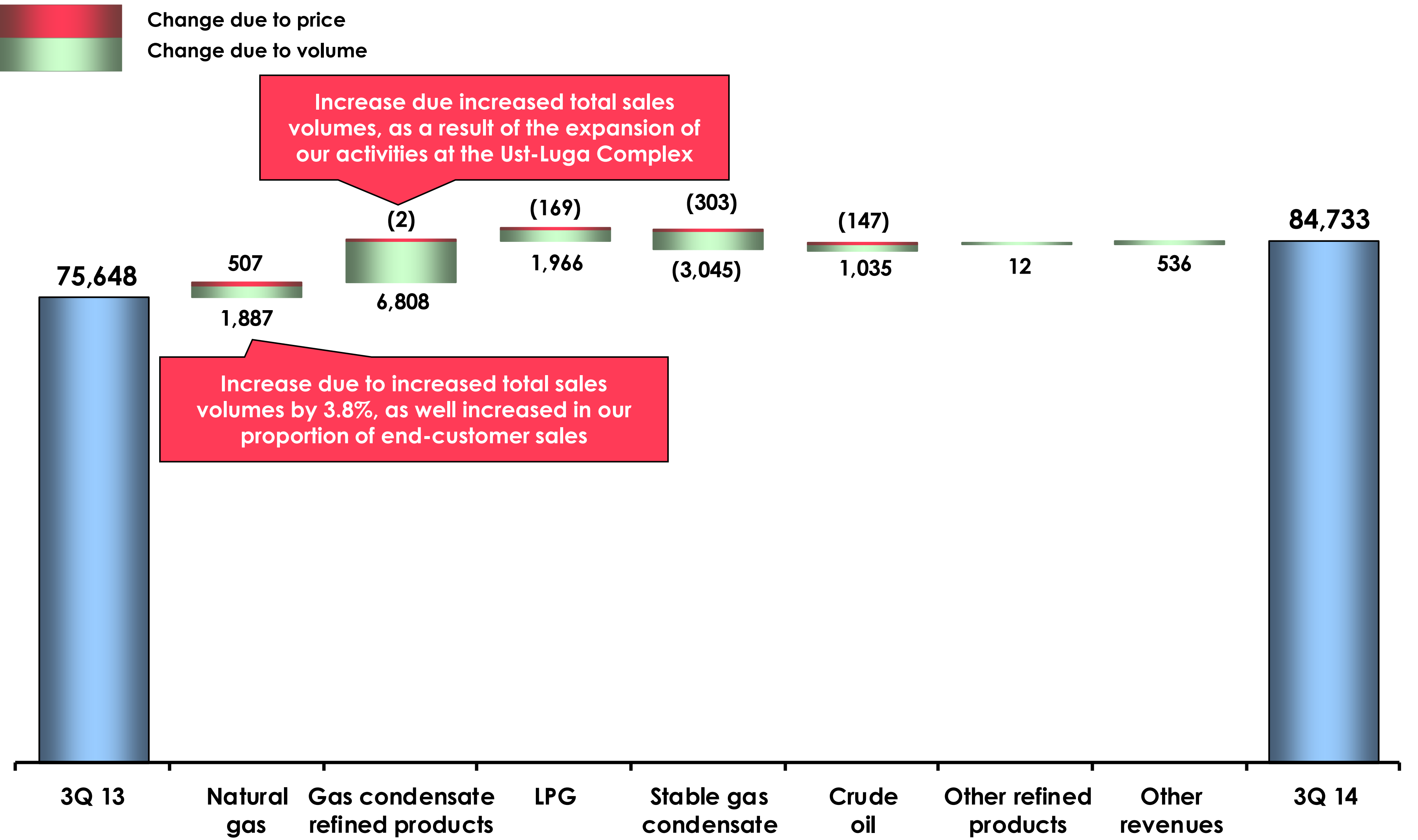
Total Revenues (RR million)



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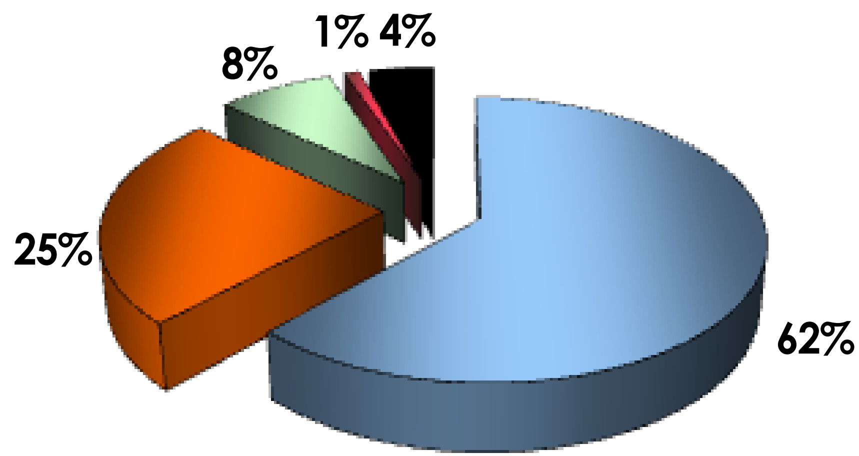
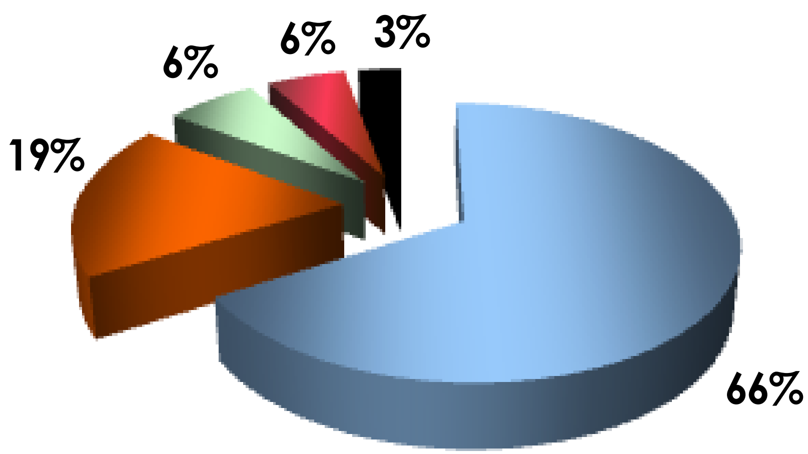
Total Revenues Breakdown

- Natural gas
- Gas condensate refined products
- LPG
- Stable gas condensate
- Other

3Q 14



3Q 13



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Realized Hydrocarbon Prices (net of VAT and export duties)

3Q 13	3Q 14	+/(-)	+/(-)%		2Q 14	3Q 14	+/(-)	+/(-)%
				Domestic prices				
3,659	3,620	(39)	-1.1%	**Natural gas end-customers, RR/mcm**	3,571	3,620	49	1.4%
1,973	1,832	(141)	-7.1%	**Natural gas ex-field, RR/mcm**	1,834	1,832	(2)	-0.1%
13,720	12,955	(765)	-5.6%	**Stable gas condensate, RR/ton**	14,220	12,955	(1,265)	-8.9%
15,410	14,871	(539)	-3.5%	**LPG, RR/ton**	12,351	14,871	2,520	20.4%
13,052	12,485	(567)	-4.3%	**Crude oil, RR/ton**	12,950	12,485	(465)	-3.6%
				Export market				
18,119	-	n/a	n/a	**Stable gas condensate, RR/ton**	-	-	n/a	n/a
19,859	20,154	295	1.5%	**Naphtha, RR/ton**	23,144	20,154	(2,990)	-12.9%
22,386	20,751	(1,635)	-7.3%	**Other gas condensate refined products, RR/ton**	22,844	20,751	(2,093)	-9.2%
21,316	22,546	1,230	5.8%	**LPG, RR/ton**	21,133	22,546	1,413	6.7%
13,023	12,338	(685)	-5.3%	**Crude oil, RR/ton**	13,352	12,338	(1,014)	-7.6%

Note: Prices are shown excluding trading activities

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Operating Expenses (RR million and % of Total Revenues (TR))

3Q 13	% of TR	3Q 14	% of TR		2Q 14	% of TR	3Q 14	% of TR
25,064	33.1%	26,643	31.4%	Transportation expenses	26,695	30.2%	26,643	31.4%
5,958	7.9%	7,198	8.5%	Taxes other than income tax	7,353	8.3%	7,198	8.5%
31,022	41.0%	33,841	39.9%	**Non-controllable expenses**	34,048	38.5%	33,841	39.9%
3,589	4.7%	4,316	5.1%	Depreciation and amortization	4,167	4.7%	4,316	5.1%
2,248	3.0%	3,014	3.6%	Materials, services & other	2,909	3.3%	3,014	3.6%
2,610	3.5%	2,543	3.0%	General and administrative	3,155	3.6%	2,543	3.0%
26	n/m	101	n/m	Exploration expenses	3	n/m	101	n/m
14	n/m	11	n/m	Net impairment expenses	22	n/m	11	n/m
(947)	n/m	(2,488)	n/m	Change in natural gas, liquids and WIP	(493)	n/m	(2,488)	n/m
38,562	50.9%	41,338	48.7%	**Subtotal operating expenses**	43,811	49.6%	41,338	48.7%
8,518	11.3%	14,532	17.2%	Purchases of natural gas and liquid hydrocarbons	11,859	13.4%	14,532	17.2%
47,080	62.2%	55,870	65.9%	**Total operating expenses**	55,670	63.0%	55,870	65.9%

- **Operating expenses increased Y-o-Y by 18.7% primarily due to an increase in purchases of natural gas and liquid hydrocarbons from our joint ventures and related parties, transportation expenses and taxes other than income tax**
- **Our hydrocarbon purchases increased Y-o-Y by 70.6% primarily due to an increase in purchases of unstable gas condensate from SeverEnergia and Nortgas, as well as purchases of natural gas from Nortgas and SIBUR that was partially offset by a disposal of Sibneftegas in December 2013**
- **Transportation expenses increased Y-o-Y by 6.3% mainly due to an increase in the natural gas volumes sold to end-customers with associated transportation expenses, as well as increased liquid hydrocarbons volumes transported**

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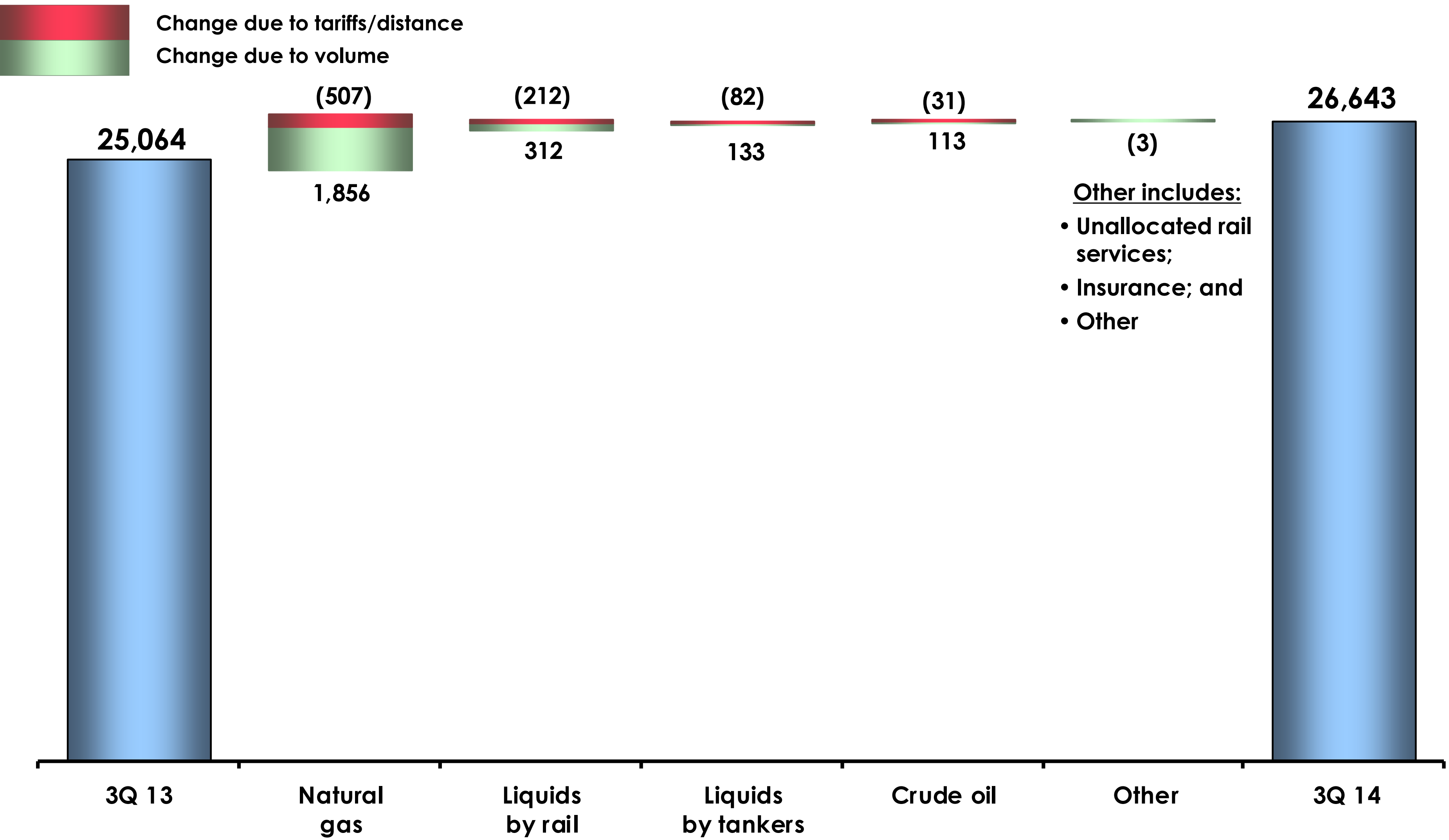
Transportation Expenses (RR million)



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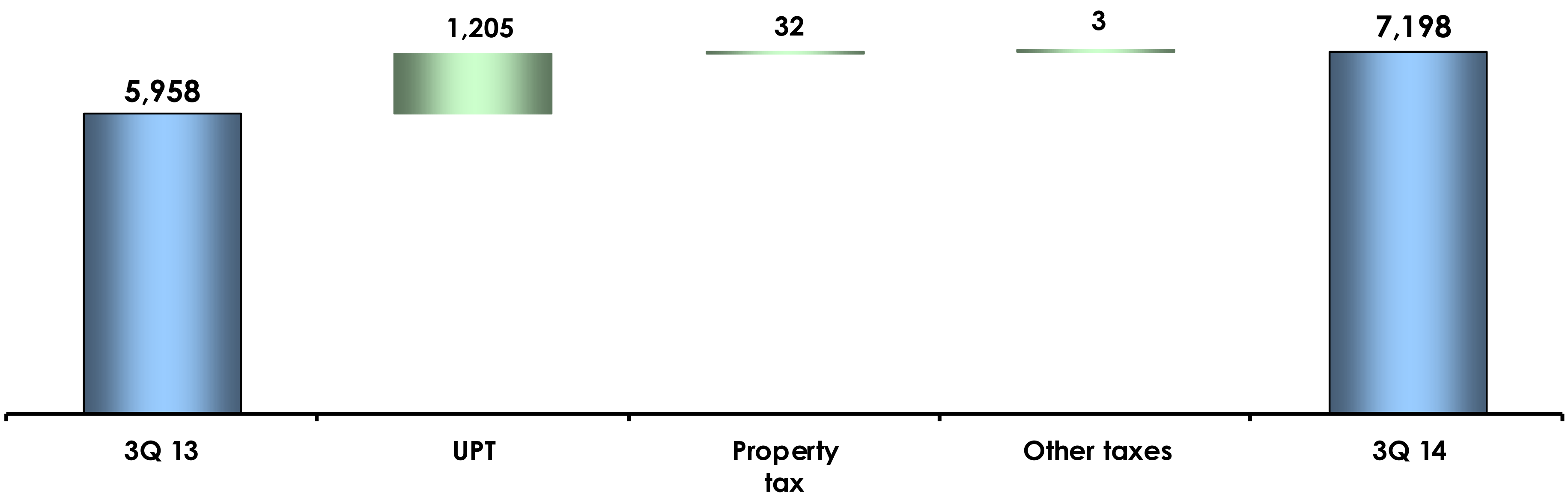
Taxes Other Than Income Tax Expense (RR million)



- Y-o-Y increase in UPT expense was primarily due to a 17.2% increase in the natural gas production tax rate effective 1 January 2014 and changes to the Russian Federation Tax Code effective 1 July 2014, as well as a 5.8% increase in natural gas production
- We applied a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields according to the Russian Tax Code in both reporting periods
- The increase in property tax expense was due to additions to property, plant and equipment at our production subsidiaries

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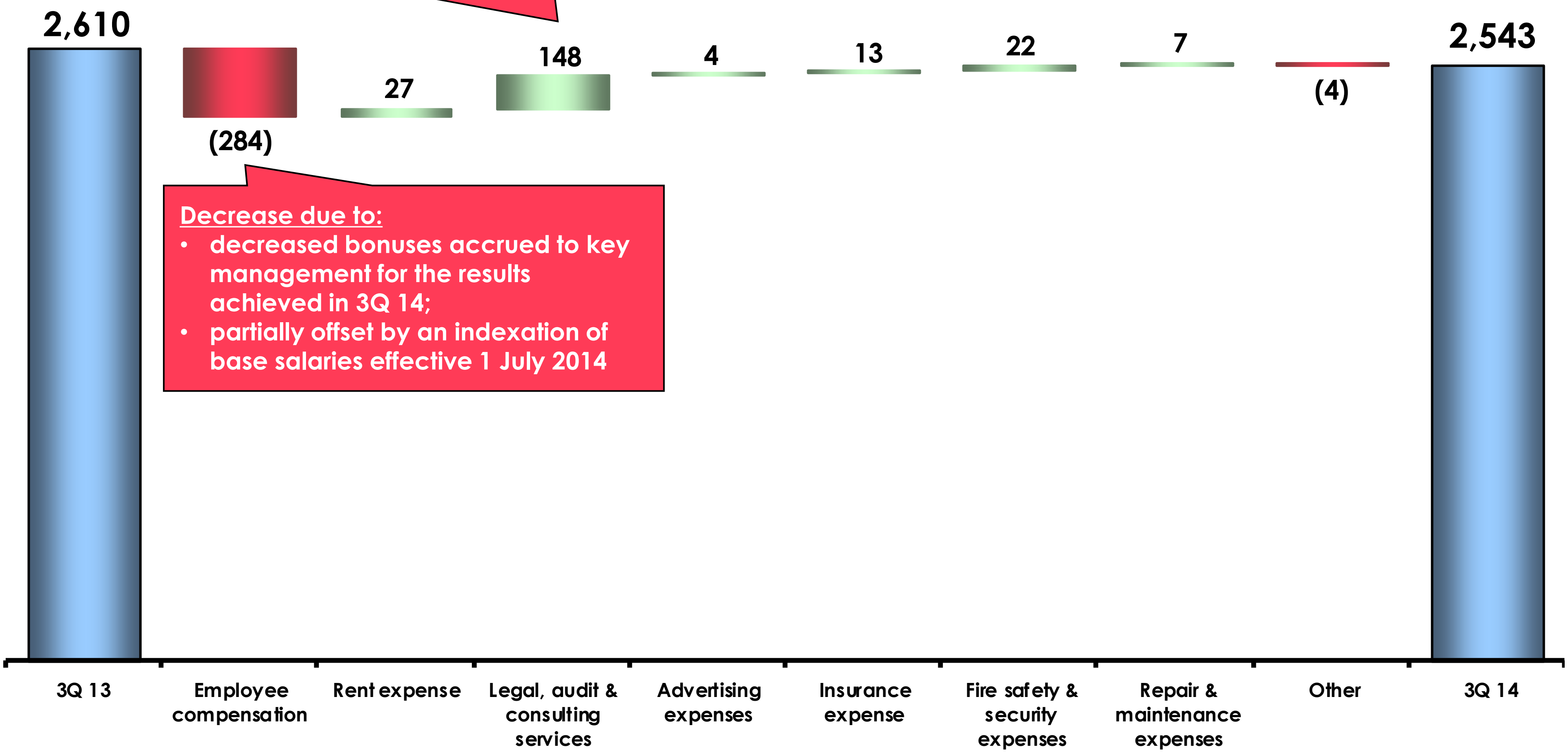
General and Administrative Expenses (RR million)

Increase primarily due to consulting services related to research works on production methods and construction of potential production facilities in the Yamal and Gydan Peninsulas and the Gulf of Ob



Decrease due to:
- decreased bonuses accrued to key management for the results achieved in 3Q 14;
- partially offset by an indexation of base salaries effective 1 July 2014

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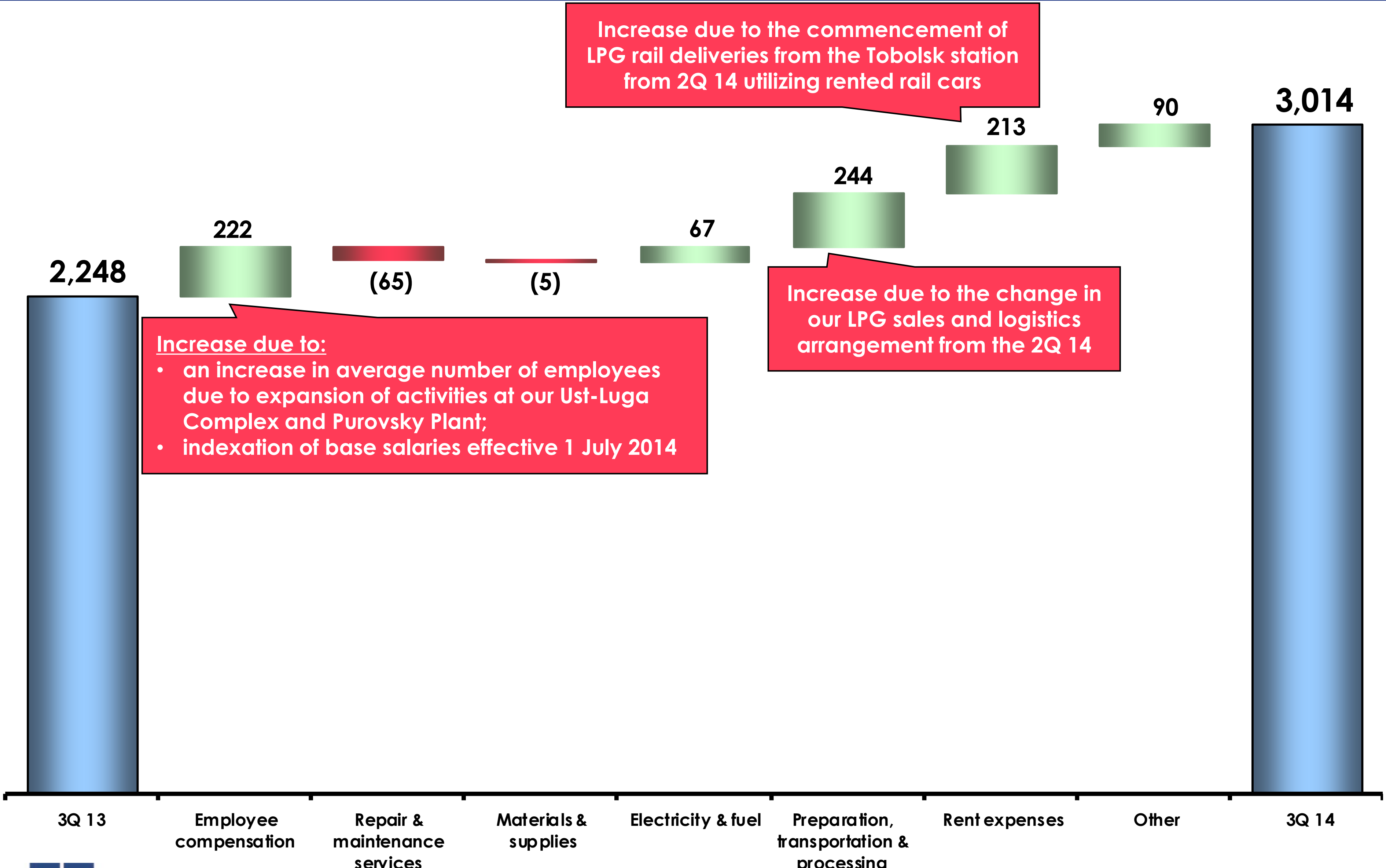
Materials, Services and Other Expenses (RR million)



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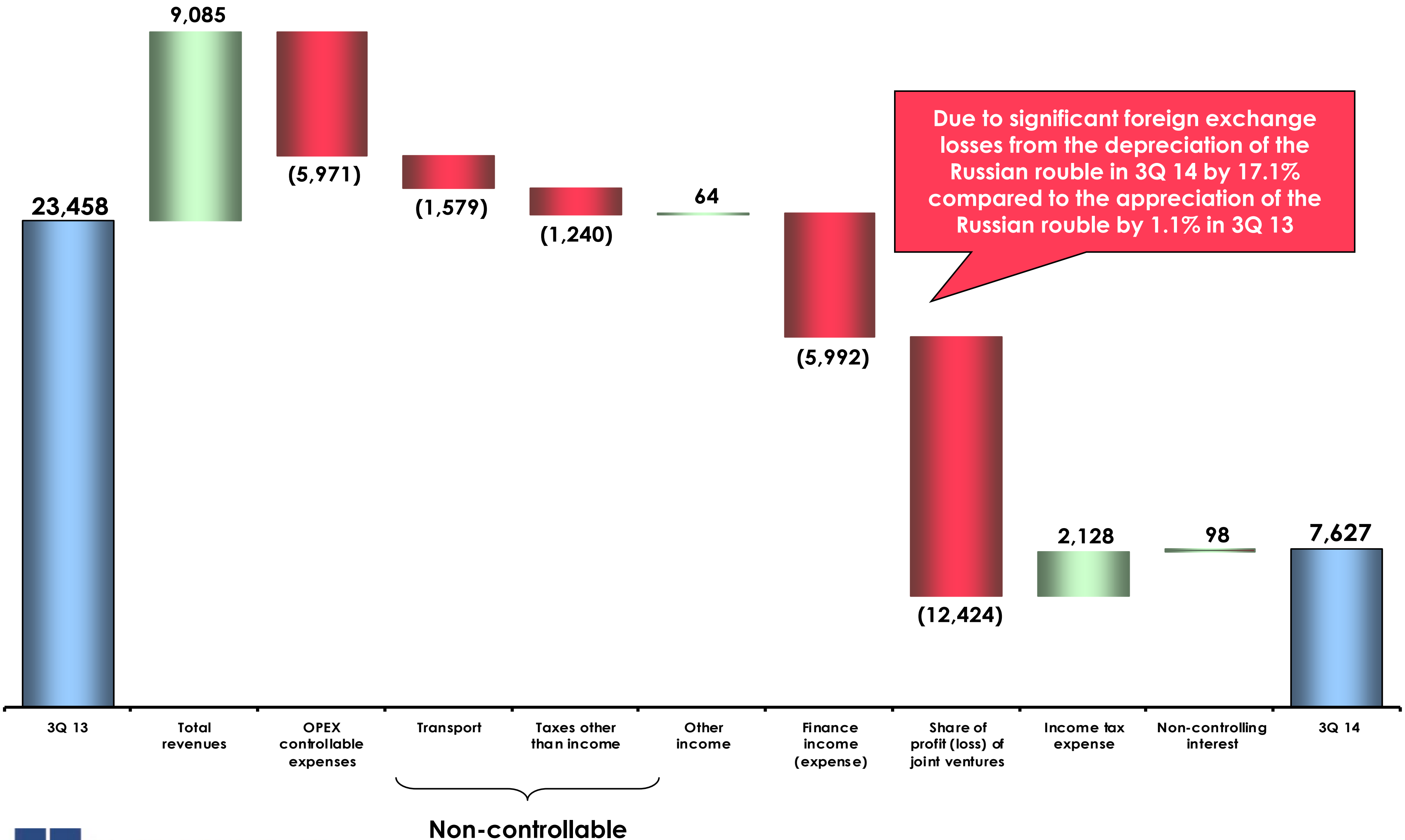
Profit Attributable to NOVATEK Shareholders (RR million)



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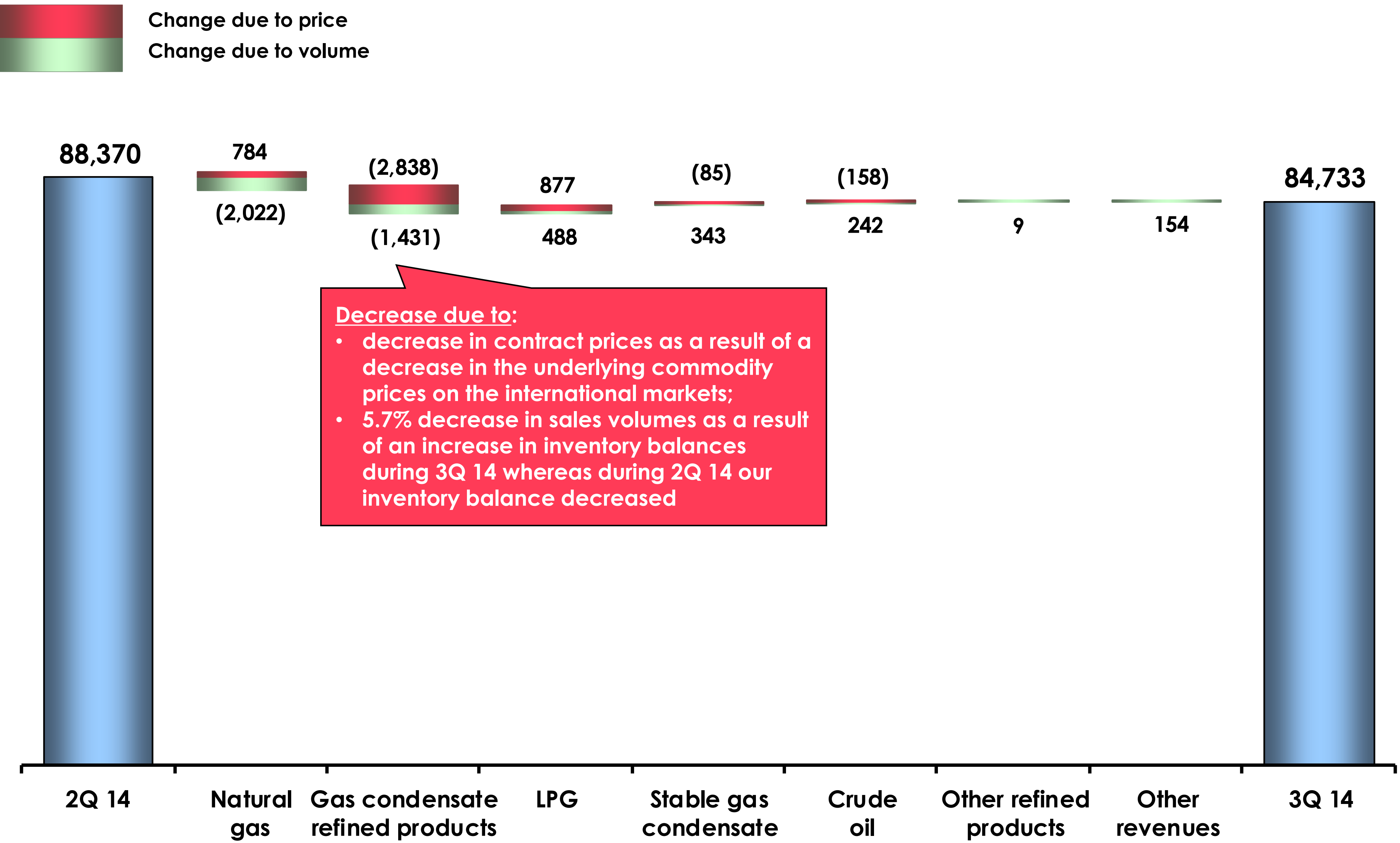
Financial Overview – 3Q 14 vs. 2Q 14

Total Revenues (RR million)



Decrease due to:

- decrease in contract prices as a result of a decrease in the underlying commodity prices on the international markets;
- 5.7% decrease in sales volumes as a result of an increase in inventory balances during 3Q 14 whereas during 2Q 14 our inventory balance decreased

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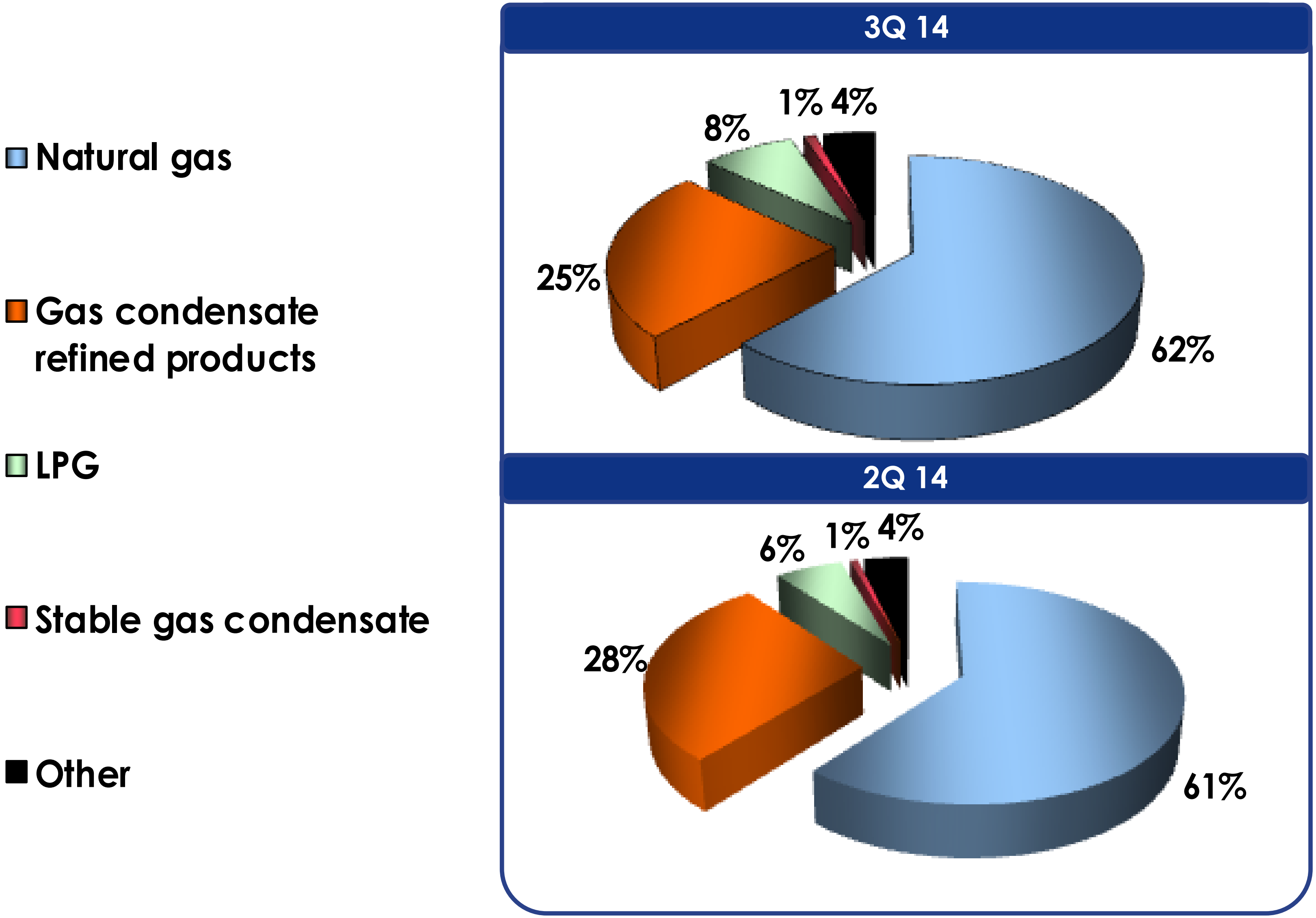
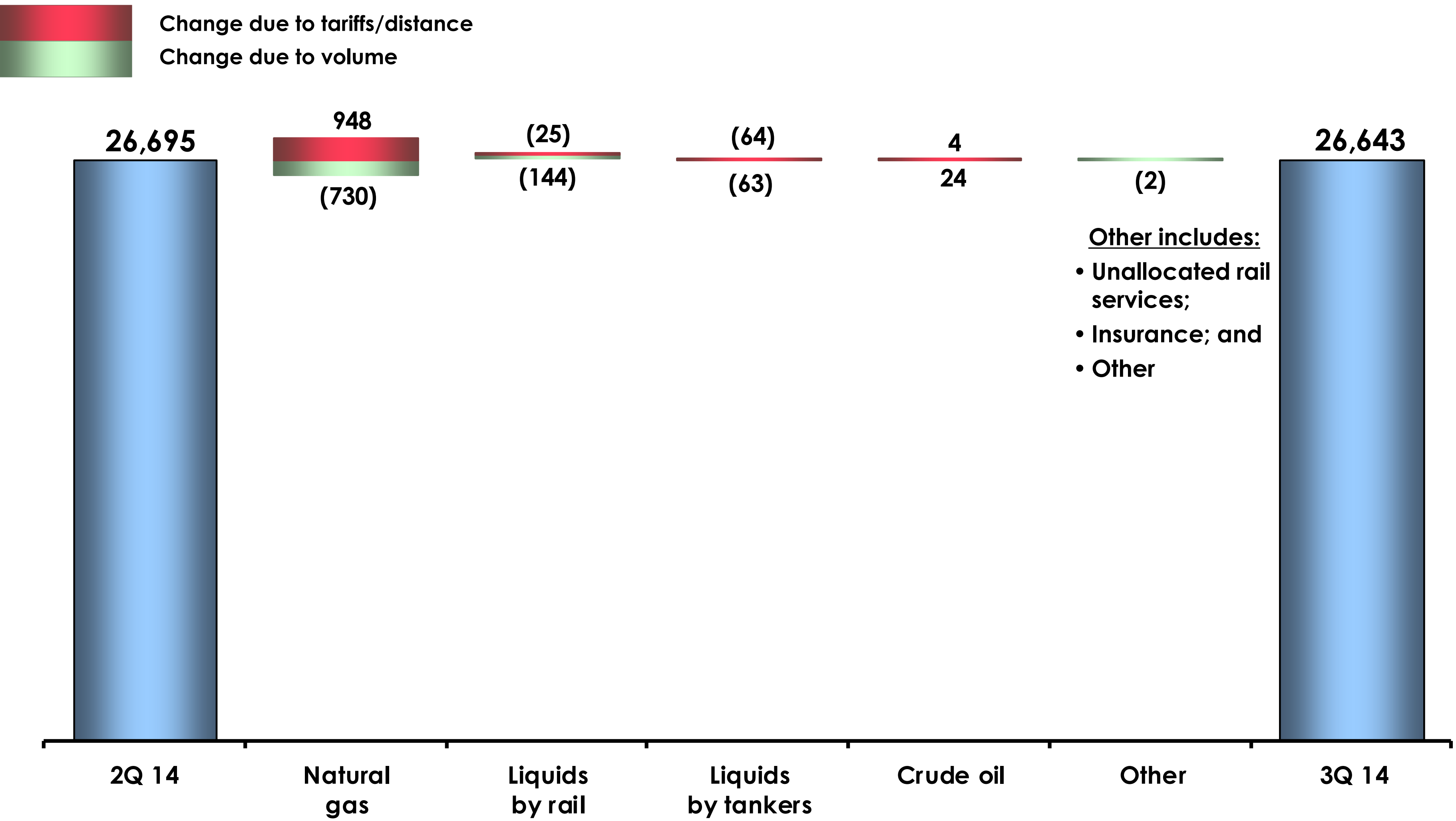
Total Revenues Breakdown



Transportation Expenses (RR million)



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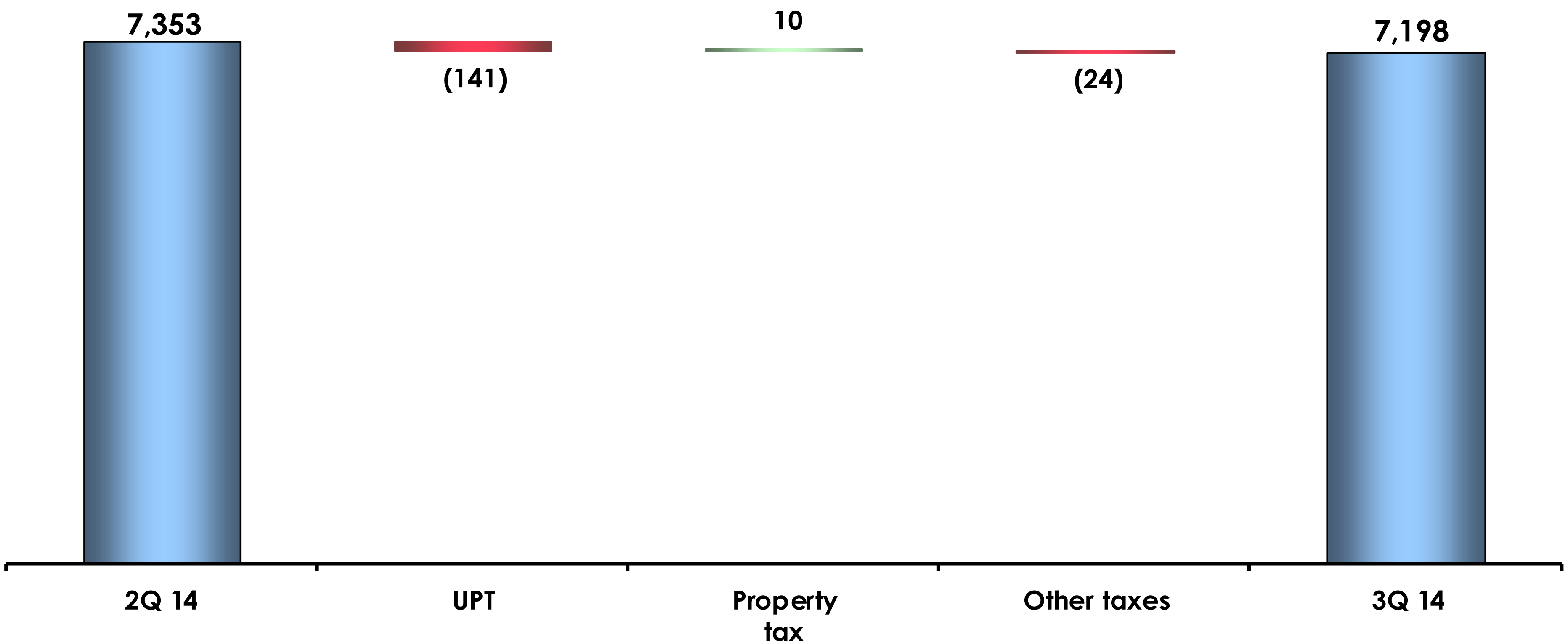
Taxes Other Than Income Tax Expense (RR million)



- Q-o-Q decrease in UPT expense was mainly due to a decrease in natural gas and gas condensate production by 1.8% and 4.7%, respectively
- We applied a zero UPT rate for crude oil produced at our Yurkharov, East-Tarko and Khanchey fields according to the Russian Tax Code in both reporting periods

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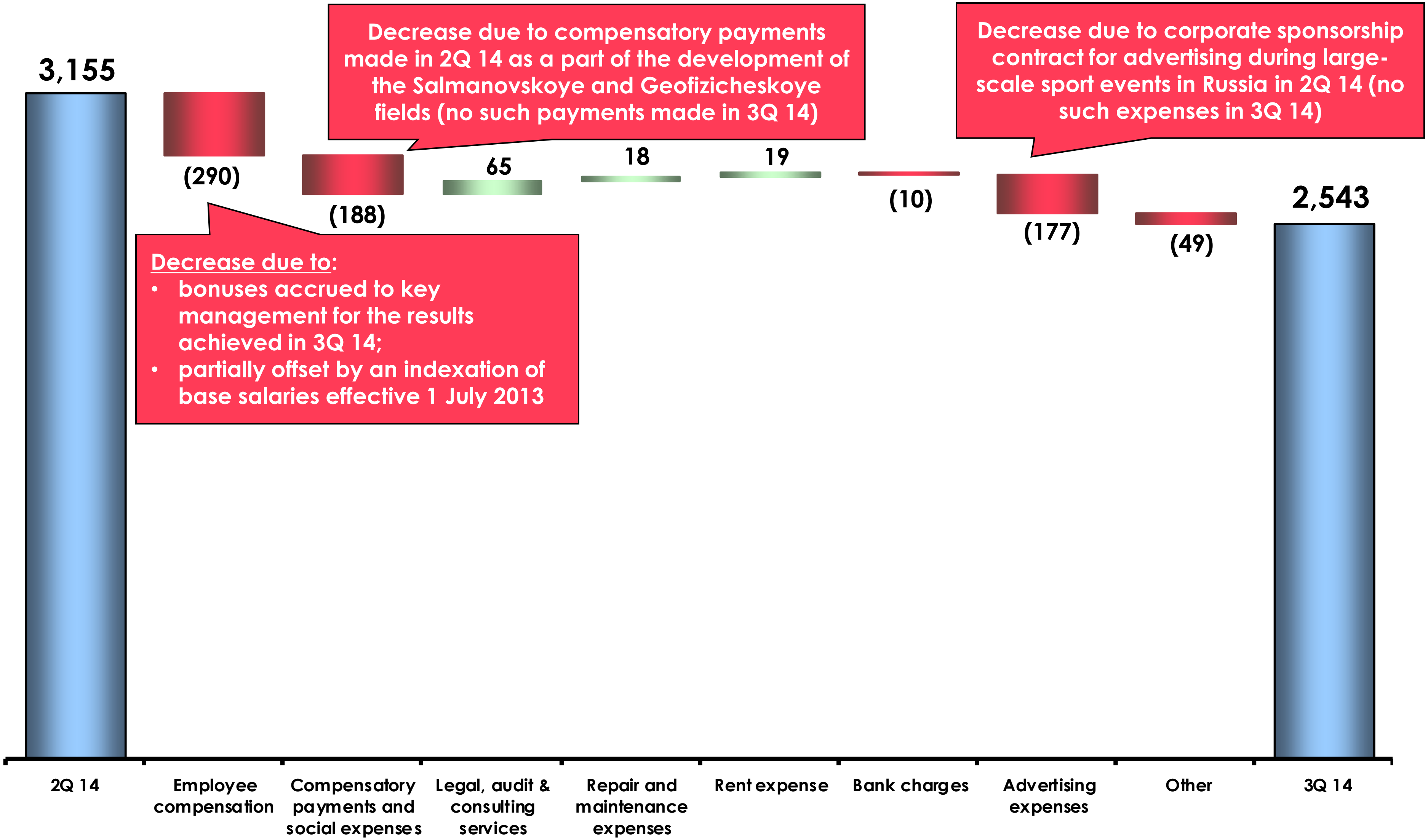
General and Administrative Expenses (RR million)



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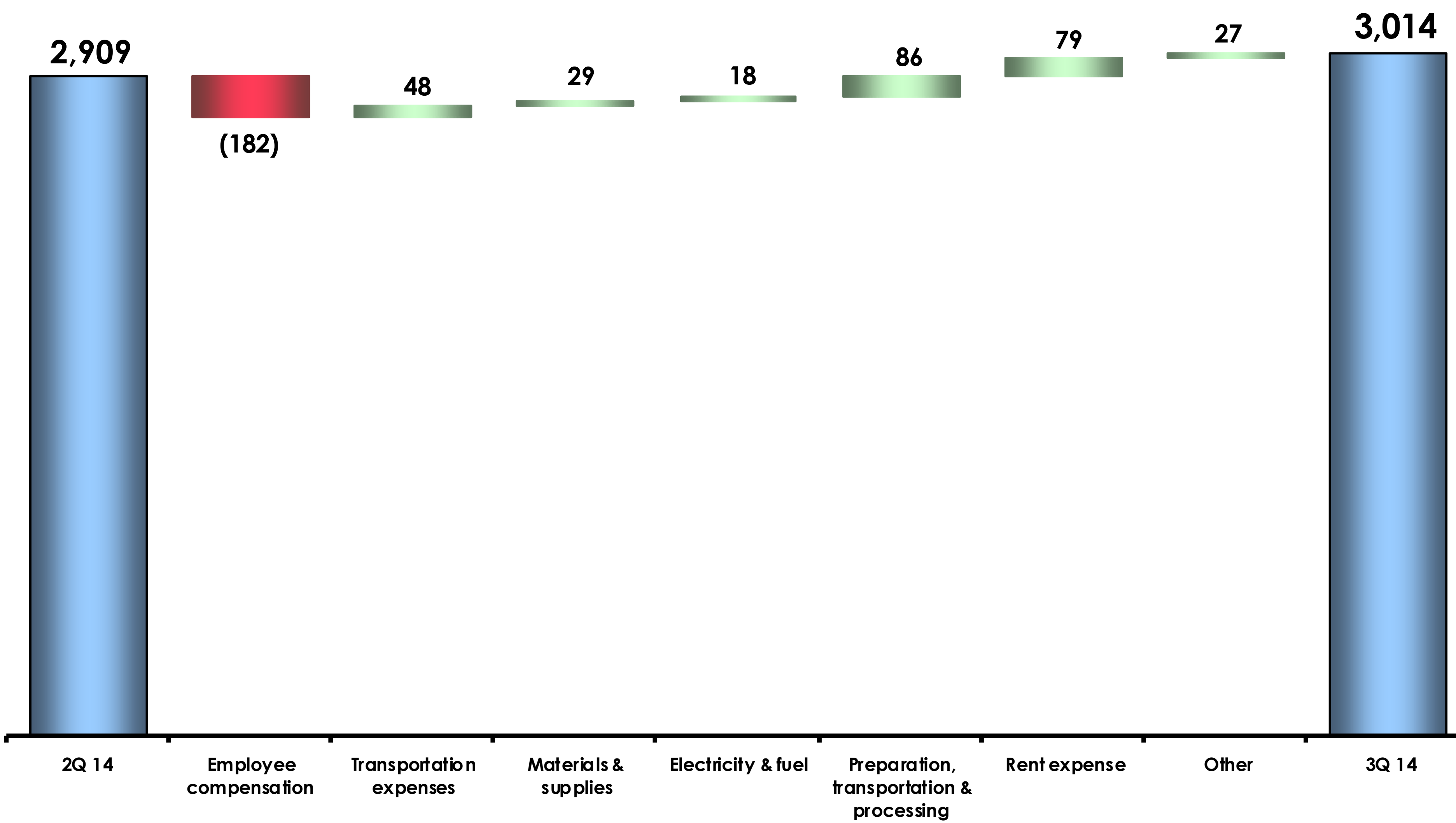
Materials, Services and Other Expenses (RR million)



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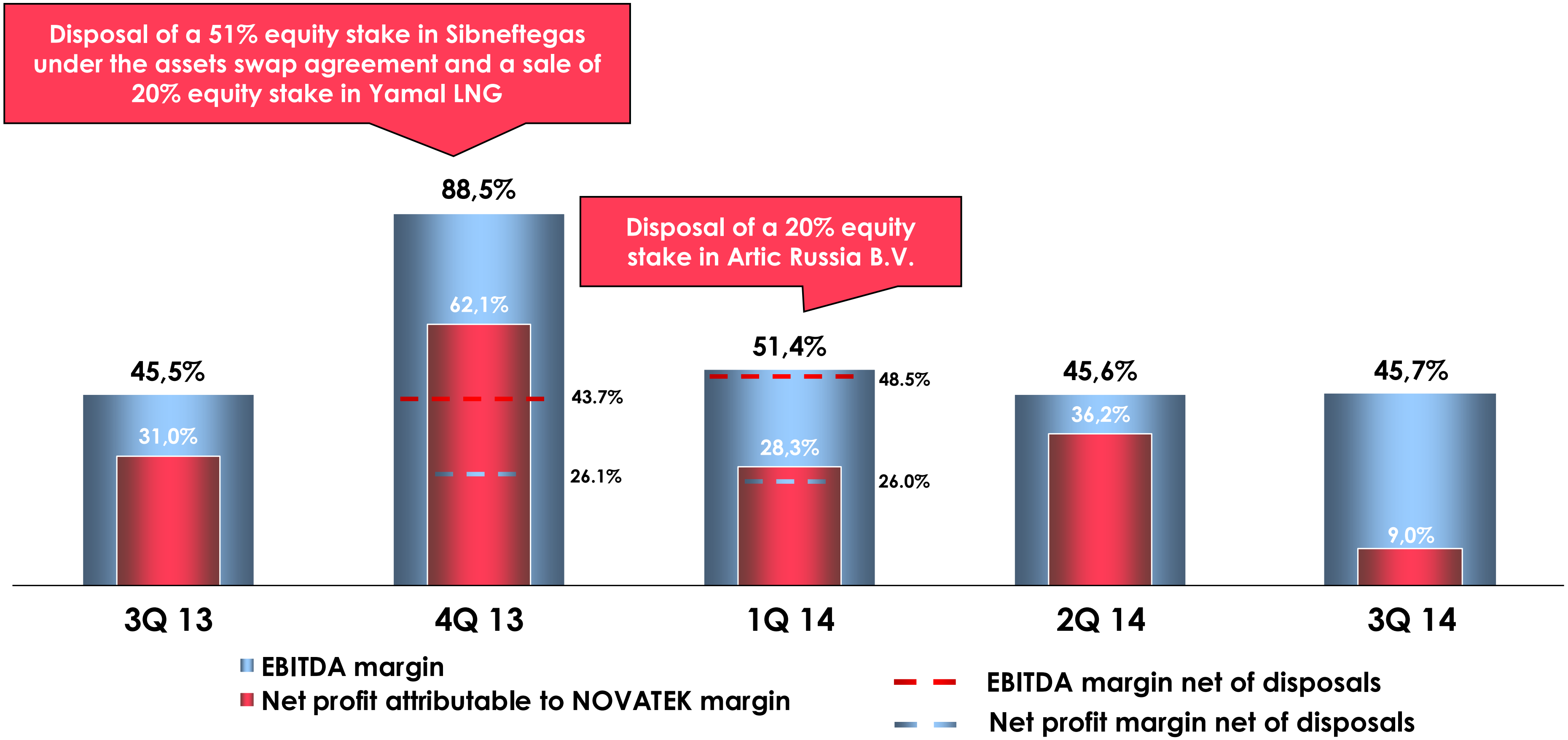
Appendices

Maintaining Margins (% of total revenues)



Margins in line with Group's strategic guidance

Notes:

EBITDA includes our proportionate share in the EBITDA of our joint ventures and represents profit (loss) attributable to shareholders of OAO NOVATEK adjusted for the add-back of net impairment expenses (reversals), depreciation, depletion and amortization, income tax expense, share of profit (loss) of joint ventures, net of income tax and finance income (expense) from the Consolidated Statement of Income, as well as income (loss) from changes in fair value of derivative financial instruments

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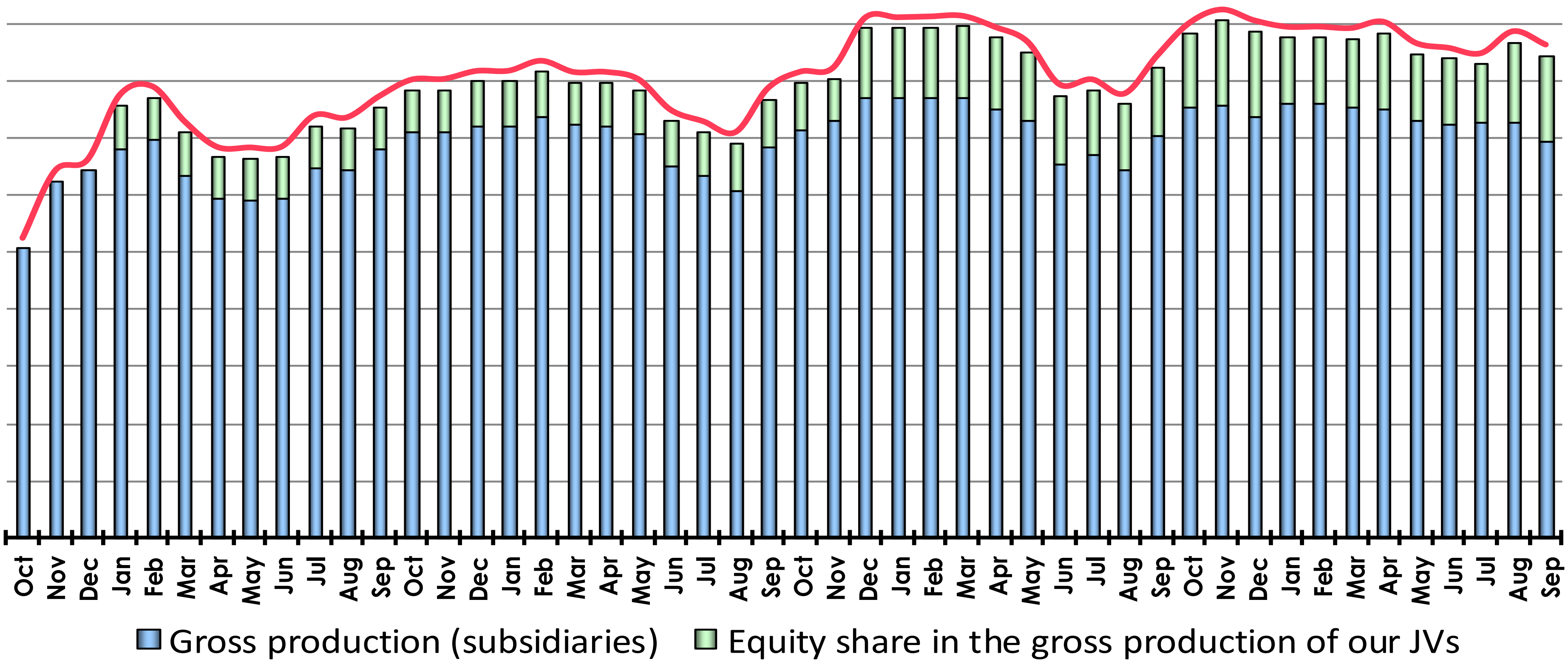
Increasing Natural Gas Production (mmcm per day)



2011

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

2012

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

2013

2013 Avg.
170 mmcm/day
6,020 bcf/day

3Q 13 Avg.
158 mmcm/day
5,576 bcf/day

2014

9M 14 Avg.
172 mmcm/day
6,076 bcf/day

3Q 14 Avg.
170 mmcm/day
5,989 bcf/day

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Condensed Statement of Financial Position (RR million)

	30 September 2014	31 December 2013	+/(-)	+/(-)%
Total current assets	**105,882**	**82,426**	**23,456**	**28.5%**
Incl. Cash and cash equivalents	*34,850*	*7,889*	*26,961*	*341.8%*
Total non-current assets	**563,684**	**515,569**	**48,115**	**9.3%**
Incl. Net PP&E	*281,328*	*243,688*	*37,640*	*15.4%*
Total assets	**669,566**	**597,995**	**71,571**	**12.0%**
Total current liabilities	**42,424**	**59,873**	**(17,449)**	**-29.1%**
Incl. ST & current portion of LT debt	*10,630*	*24,026*	*(13,396)*	*-55.8%*
Total non-current liabilities	**199,706**	**165,065**	**34,641**	**21.0%**
Incl. Deferred income tax liabilities	*20,863*	*18,219*	*2,644*	*14.5%*
Incl. LT debt	*171,800*	*141,595*	*30,205*	*21.3%*
Total liabilities	**242,130**	**224,938**	**17,192**	**7.6%**
Total equity	**427,436**	**373,057**	**54,379**	**14.6%**
Total liabilities & equity	**669,566**	**597,995**	**71,571**	**12.0%**

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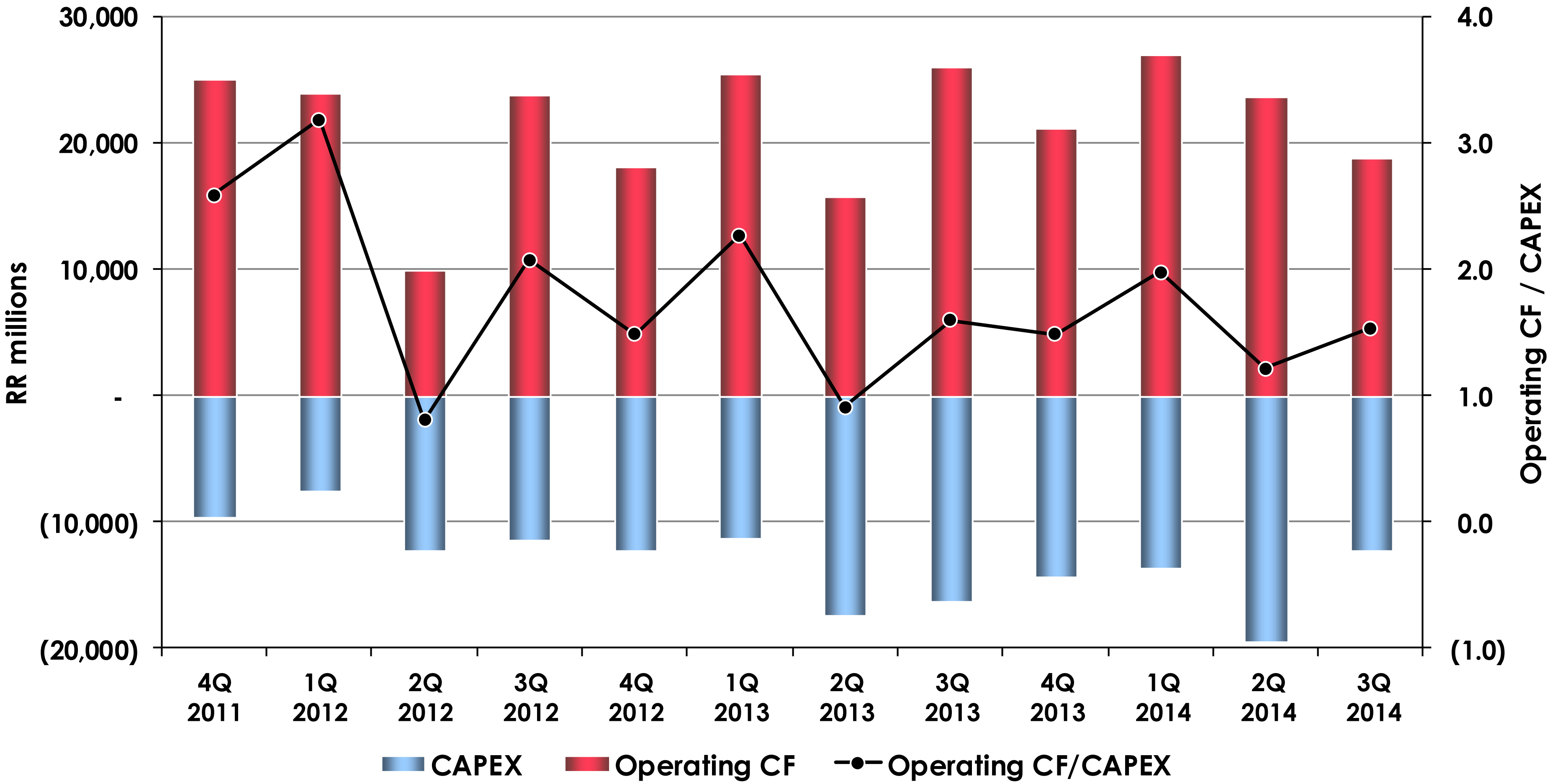
Internally Funded Investment Program



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

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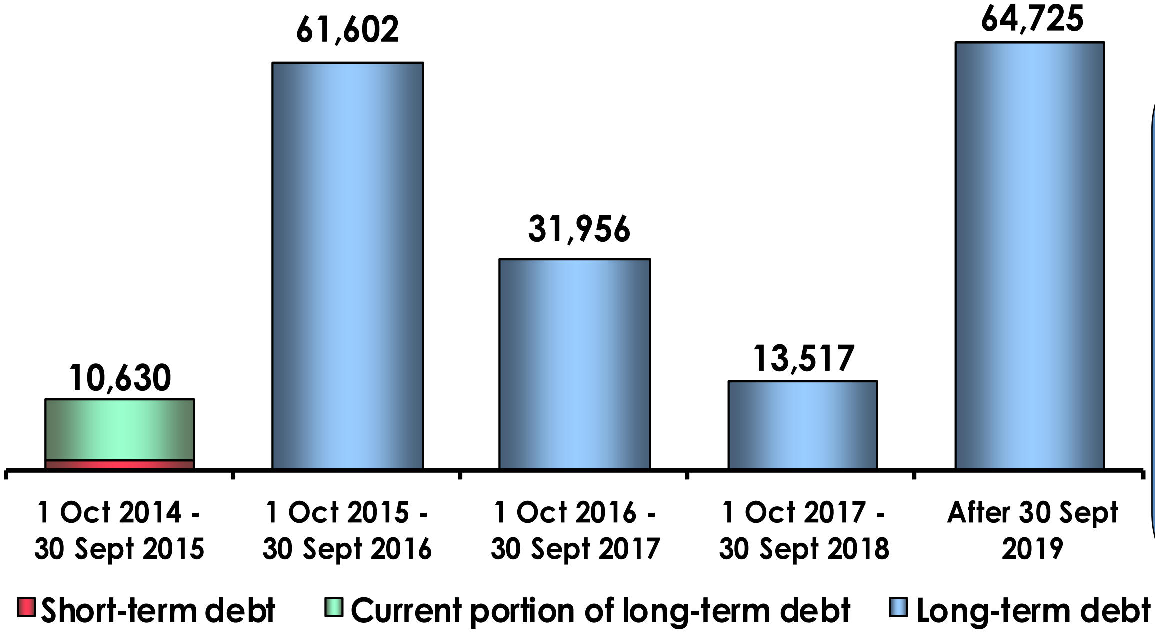
Total Debt Maturity Profile (RR million)



The Group has available funds:

- ✓ Credit Agricole Corporate and Investment Bank – USD 100 mln until April 2015
- ✓ ZAO UniCredit Bank – USD 69 mln until August 2015
- ✓ Gazprombank – RR 10 bln until July 2015
- ✓ Credit lines in the form of bank overdrafts – USD 275 mln

Debt repayment schedule:

Up to 30 September 2015 – Short-term loan from a non-controlling shareholder and Syndicated term credit line facility

Up to 30 September 2016 – Eurobonds Five-Year (USD 600 mln), RR denominated bonds (RR 20 bln) and Syndicated term credit line facility

Up to 30 September 2017 – Eurobonds Four-Year (RR 14 bln) and Syndicated term credit line facility

Up to 30 September 2018 –Syndicated term credit line facility

After 30 September 2019 – Eurobonds Ten-Year (USD 650 mln) and Eurobonds Ten-Year (USD one bln)

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Questions and Answers

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