



Fourth Quarter and Full Year 2008 Operational and Financial Results Conference Call



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Moscow, Russian Federation
23 March 2009*

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.

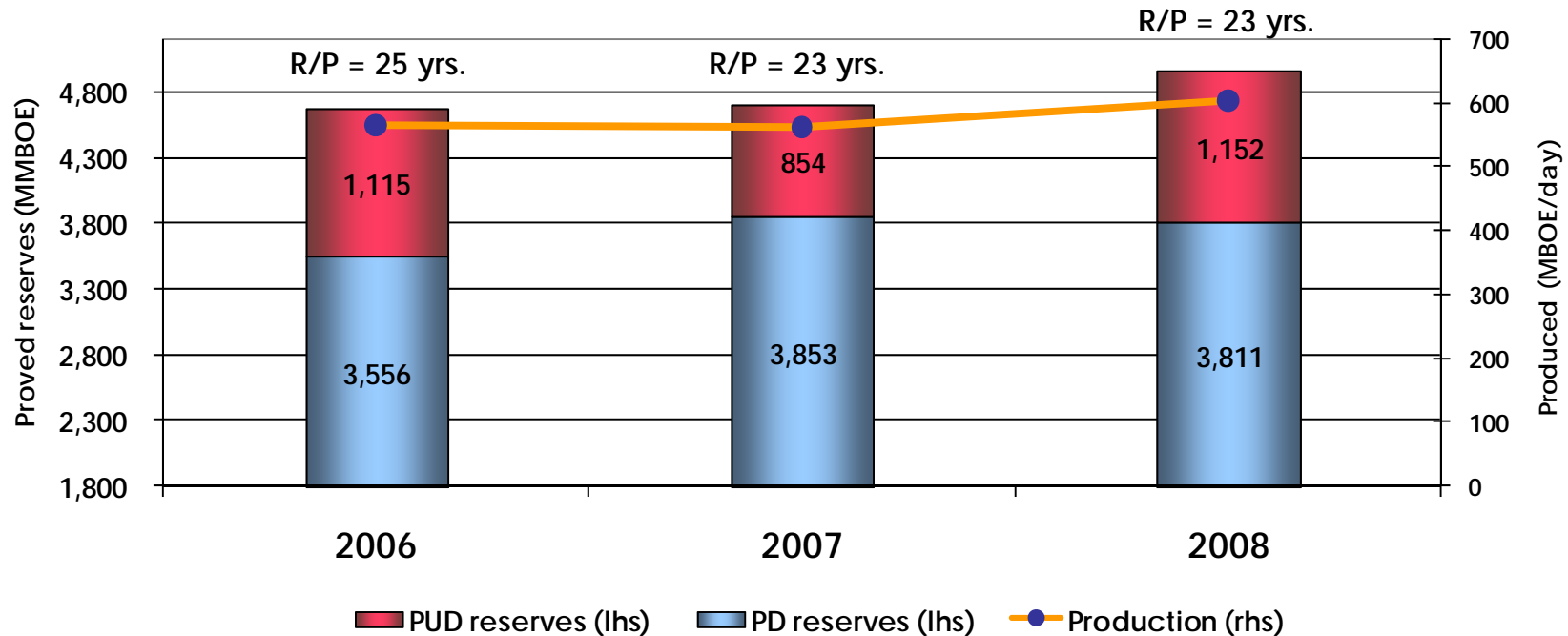
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Summary Highlights 2008 – Record Results

- ❑ **Continued growth in revenues and earnings** driven by higher natural gas and liquids prices and volumes growth
 - Natural gas sales increased by 28.2%
 - Liquids sales increased by 22.7%
- ❑ **Cash flow from operations** increased by 47.4% to RR 31,514 million from RR 21,383 million
- ❑ **Capital expenditures** related to E&P increased by 61.7% to RR 30,145 million
- ❑ **EPS** increased by 22.2% to RR 7.54 from RR 6.17; **EBITDA** increased by 25.3%
- ❑ **Maintained low lifting costs** of \$0.64 per boe and we **successfully replaced** 230% of 2008 production
- ❑ **Operating expenses** as a percent of total revenues decreased from 59.5% to 59.2%
- ❑ **Substantially completed construction and launched** second phases of Yurkharovskoye field development and Purovsky Plant capacity expansion in the fourth quarter
- ❑ **Discovered** seven new gas condensate deposits at the Yurkharovskoye field and six new gas and gas condensate deposits at the Khancheyskoye fields

Operational Overview

Proved Reserves Base at Year-End



Our reserve replacement rate (RRR) for 2008 is 230%;
our three year average RRR for 2006 to 2008 is 162%

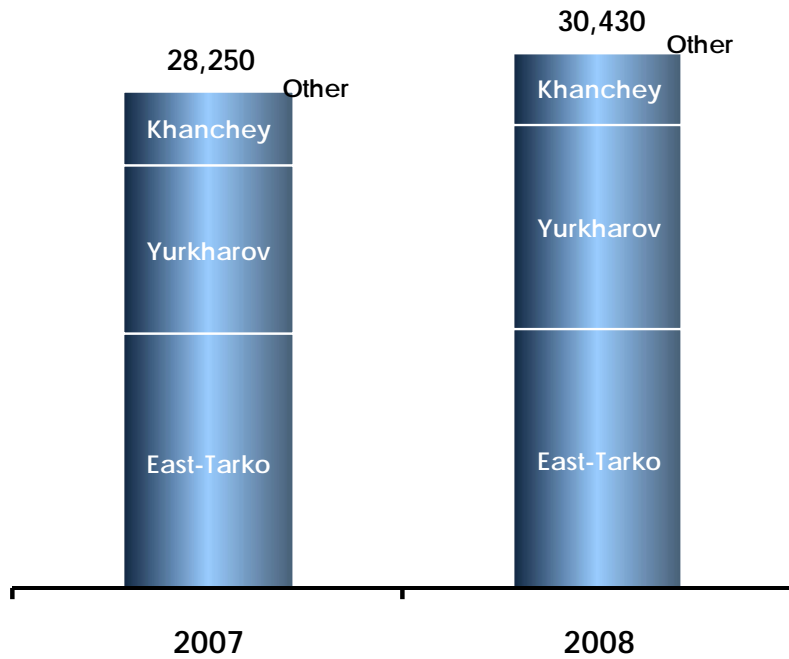
Note:

1. NOVATEK production and reserves based on ownership interest as of 31 December 2008 for all periods, some producing fields do not have reserve appraisals

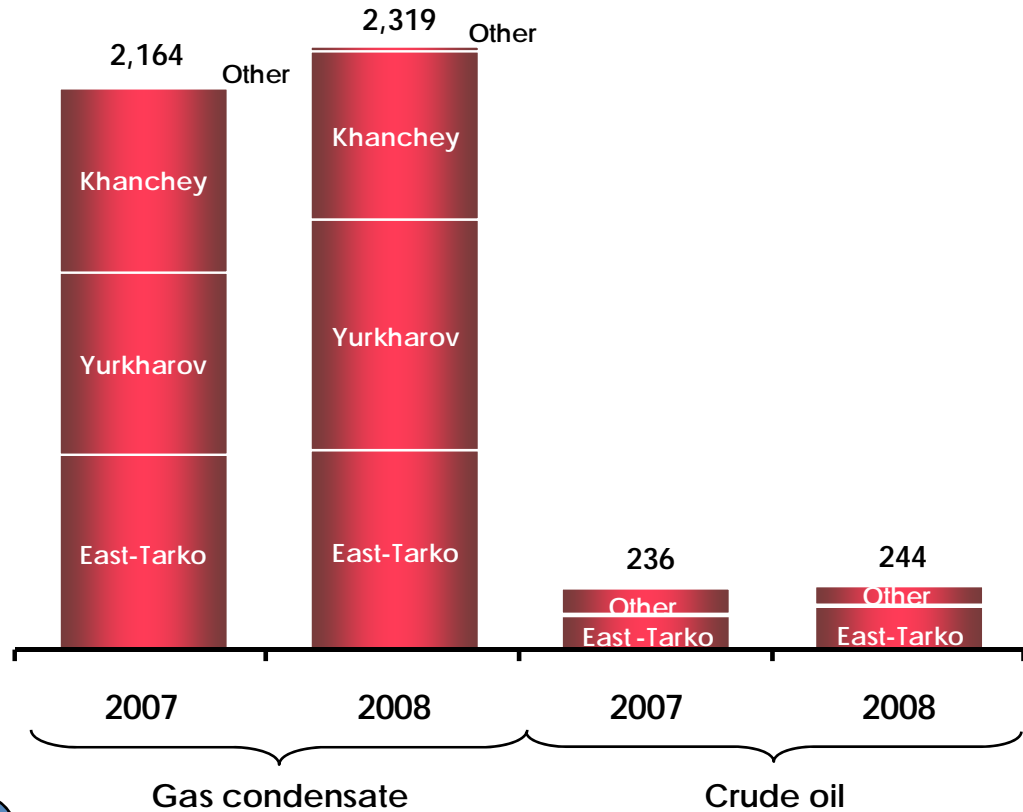


Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



Natural gas production increased due to:

- The launch of the second phase at the Yurkharovskoye field; and
- Stabilized production levels at the East-Tarkosalinskoye field

Liquids production increased due to:

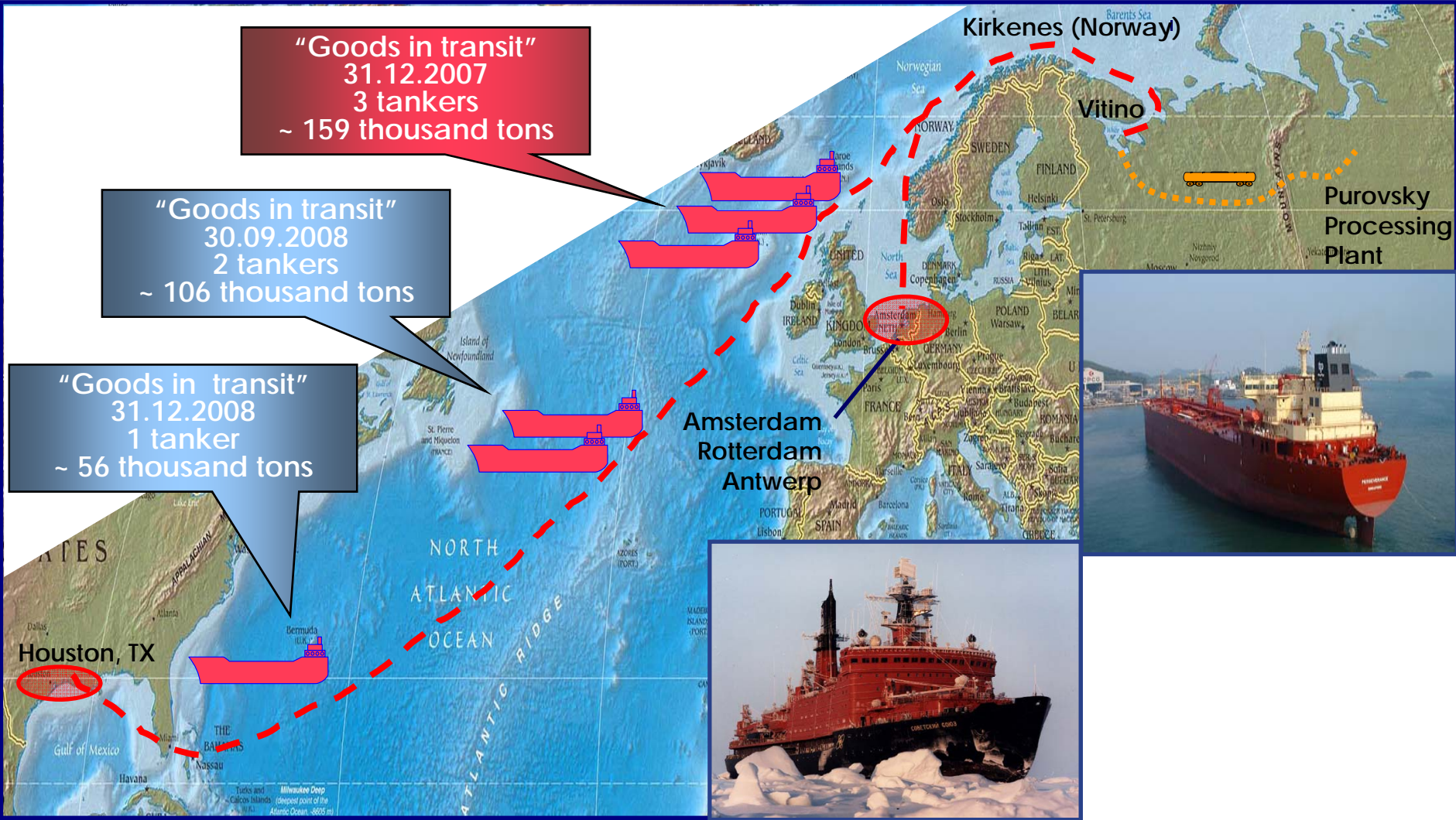
- The launch of the second phase at the Yurkharovskoye field

Purovsky Plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered: 2,220 mt**
 - East-Tarkosalinskoye and Khancheyskoye fields: 1,408 mt (100% of net production)
 - Yurkharovskoye: 803 mt (90% of net production)
 - Other : 9 mt
- ❑ **Total plant output 2,201 mt**
 - Stable gas condensate: 1,580 mt
 - LPG: 621 mt
- ❑ **Plant capacity**
 - Approximately 100%
- ❑ **27 Tankers dispatched from Vitino Sea Port Terminal (SGC)**
 - 25 tankers to US markets ~ 1,365 mt
 - 2 tanker to Europe ~ 110 mt
- ❑ **Inventory reconciliation**
 - 1 tanker in transit ~ 56 mt
 - Rail road cisterns and port storage facilities ~ 140 mt
 - Plant storage facilities ~ 24 mt
- ❑ **Majority of LPG volumes sold on the domestic market - 78%**

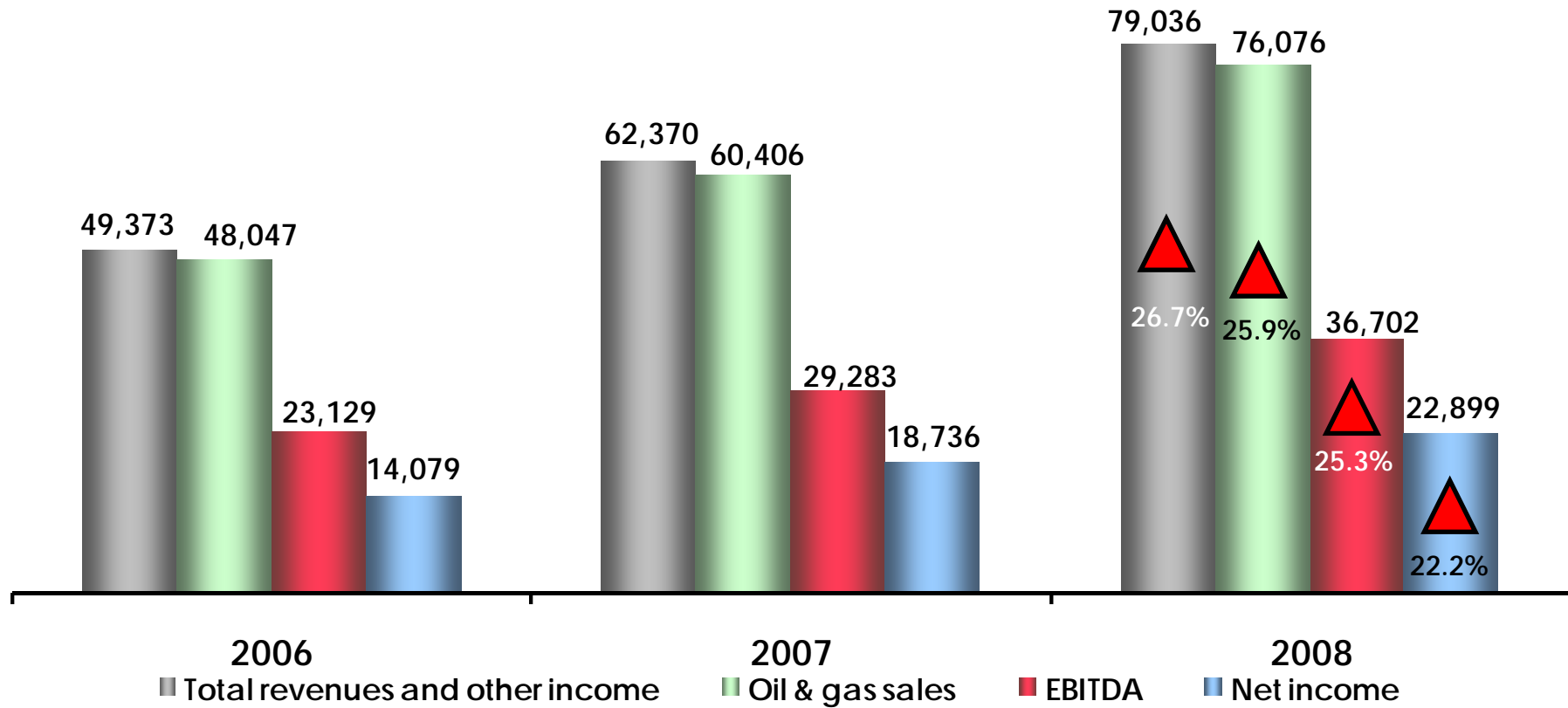


Stable Gas Condensate in Transit



Financial Overview - 2008 vs. 2007

Summary Financial Results (RR million)



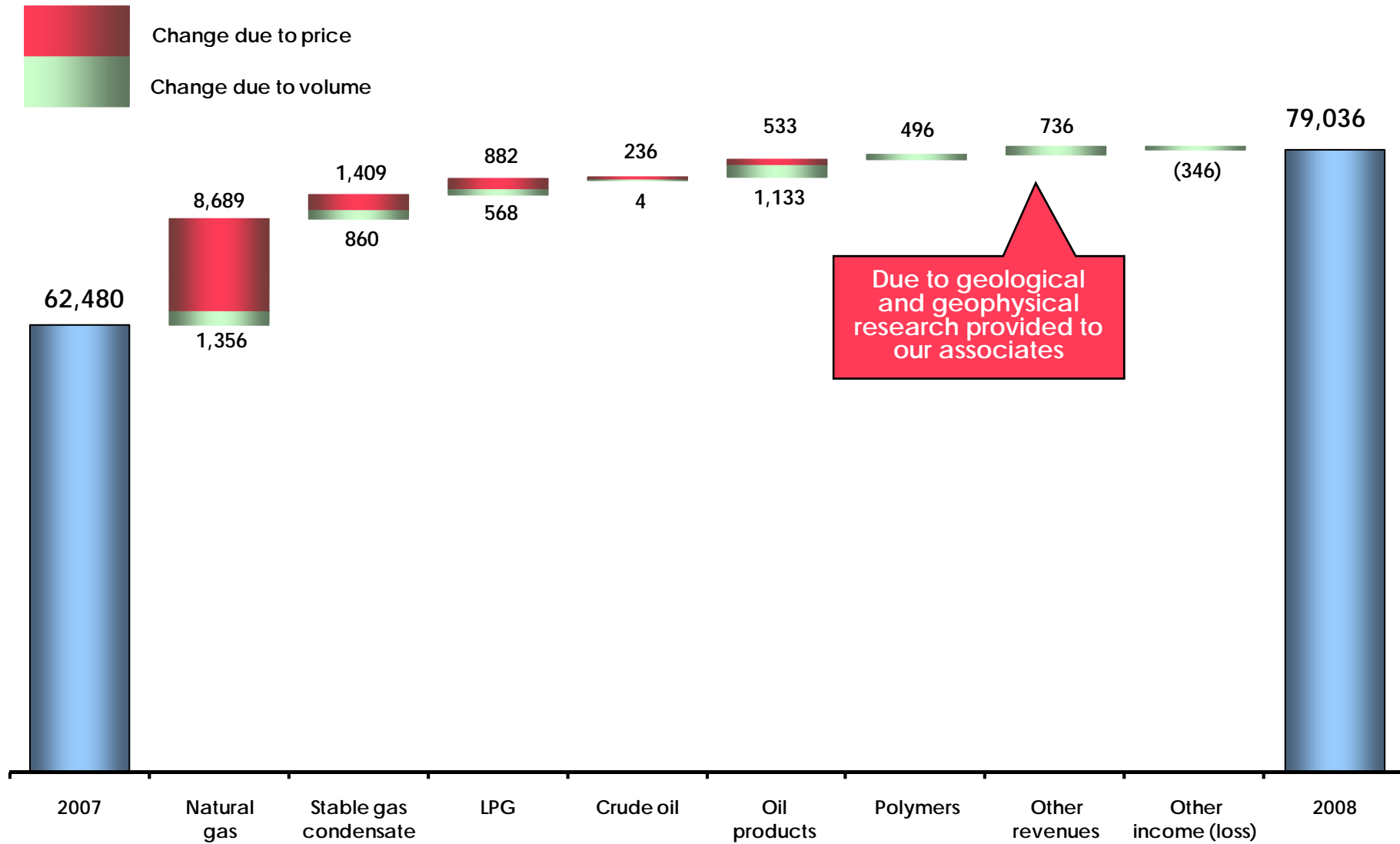
Another Record Year (RR million)

	2008	2007	+ / (-)	+ / (-)%
Oil and gas sales	76,076	60,406	15,670	25.9%
Total revenues & other income	79,036	62,480	16,556	26.5%
Operating expenses	(46,916)	(37,115)	(9,801)	26.4%
EBITDA ⁽¹⁾	36,702	29,283	7,419	25.3%
EBITDA margin	46.4%	46.9%	-	-
EBITDAX ⁽²⁾	37,819	29,769	8,050	27.0%
Income tax expense	22,927	18,728	4,199	22.4%
Profit attributable to NOVATEK	22,899	18,736	4,163	22.2%
Net profit margin	29.0%	30.0%	-	-
Earnings per share	7.54	6.17	1.37	22.2%
CAPEX	31,810	19,466	12,344	63.4%
Net debt (cash) ⁽³⁾	15,285	2,620	n/m	n/m

Notes:

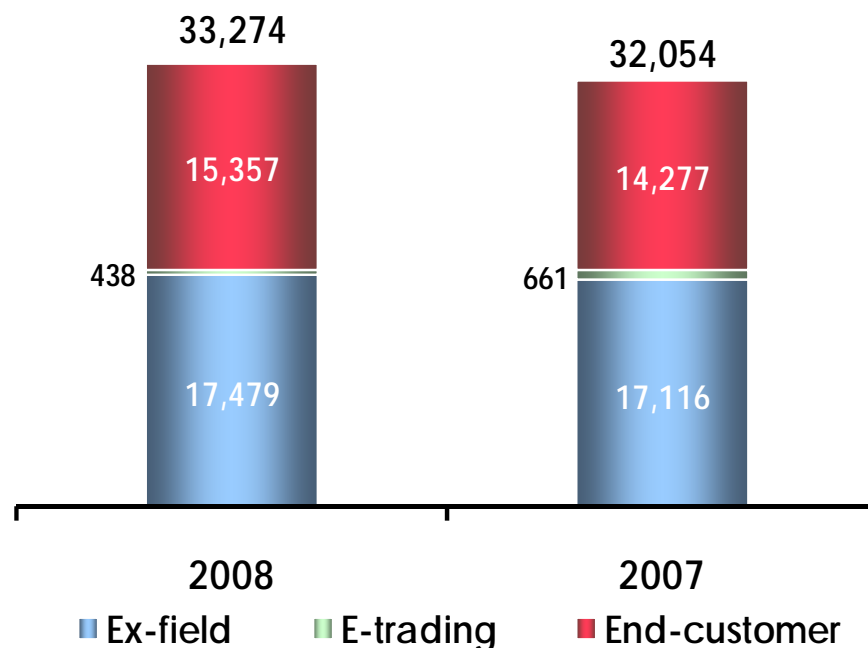
1. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
2. EBITDAX represents EBITDA as defined above excluding exploration expenses
3. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Revenues and Other Income (RR million)



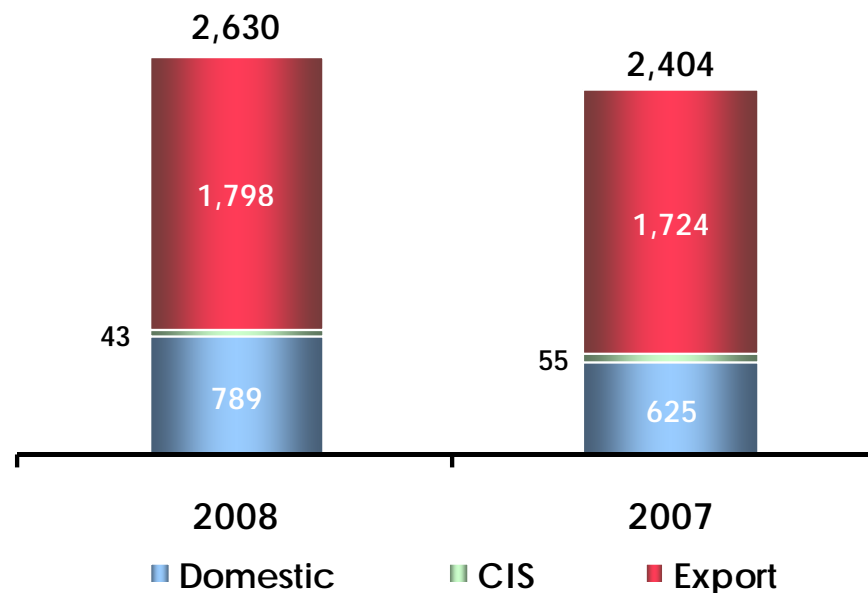
Market Distribution – Sales Volumes

Natural gas sales volumes, mmcm



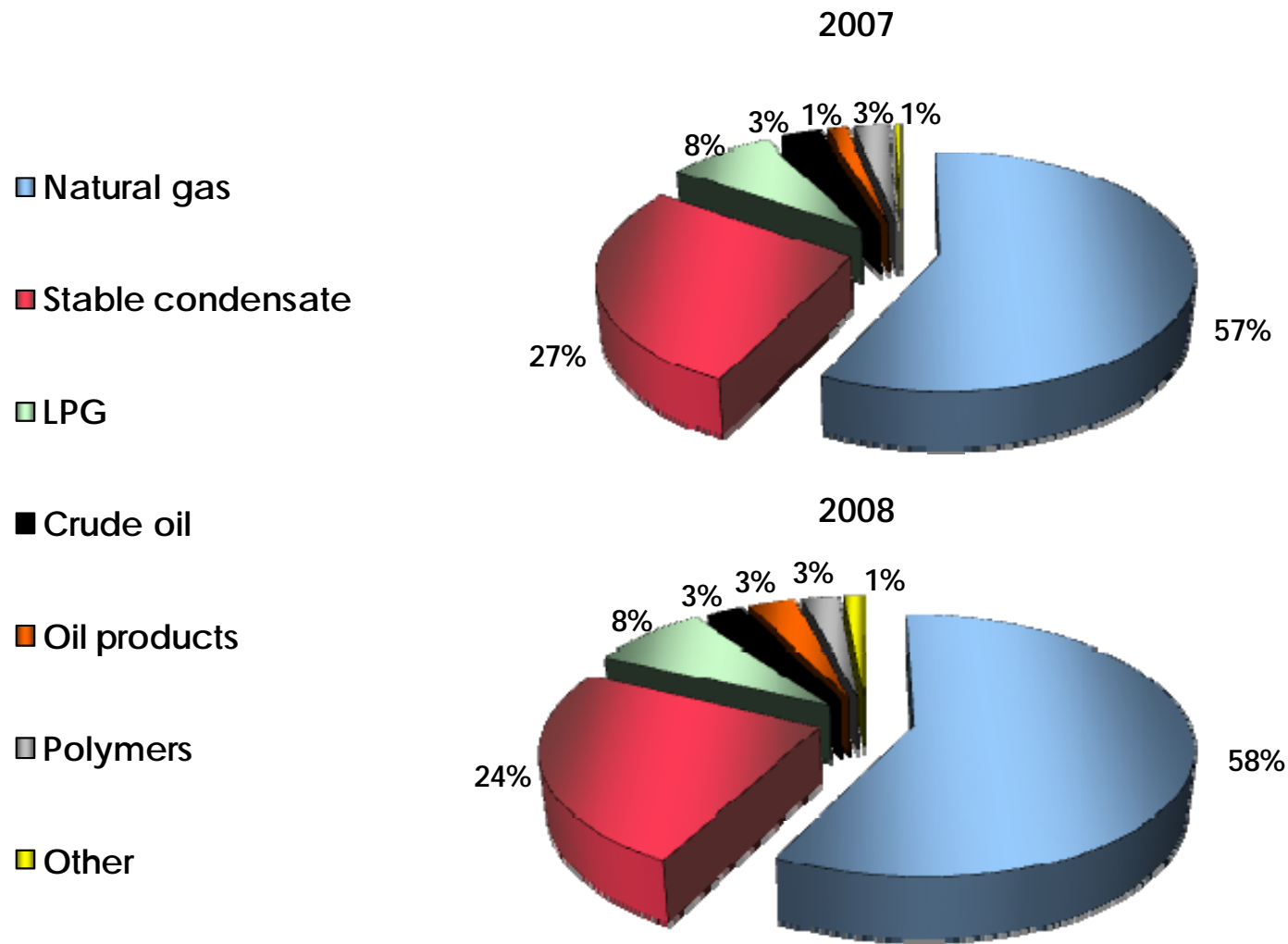
- Growth in natural gas sales due to production increases (mainly at Yurkharovskoye field)
- Proportion of end-customer sales to total sales increased marginally

Liquids sales volumes, mt



- Growth in liquids sales was mainly due to production increases at our Yurkharovskoye field
- Increase in export sales was due to SGC and oil products trading activities on international markets which commenced in 3Q 2007
- In 2008, we sold 94% of crude oil volumes on the domestic market where netback margins were higher

Total Revenues Breakdown



Realized Hydrocarbon Prices (net of VAT and export duties)

	2008	2007	+ / (-)	+ / (-)%
<u>Domestic prices</u>				
Natural gas end-customers, RR/mcm	1,818	1,505	313	20.8%
Natural gas e-trading, RR/mcm	1,412	1,193	219	18.4%
Natural gas ex-field, RR/mcm	979	779	200	25.7%
Stable gas condensate, RR/ton	8,135	8,464	(329)	-3.9%
LPG, RR/ton	9,810	8,231	1,579	19.2%
Crude oil, RR/ton	7,881	6,347	1,534	24.2%
Oil products, RR/ton	7,026	6,513	513	7.9%
<u>CIS market</u>				
LPG, RR/ton	11,853	10,264	1,589	15.5%
<u>Export market</u>				
Stable gas condensate, RR/ton	12,249	11,353	896	7.9%
LPG, RR/ton	12,333	11,535	798	6.9%
Crude oil, RR/ton	2,925	7,225	(4,300)	-59.5%
Oil products, RR/ton	3,720	-	n/m	n/m

Note: Prices are shown only for own production (excluding trading activities)

Operating Expenses (RR million and % of total revenues (TR))

	2008	% of TR	2007	% of TR
Transportation expenses	18,153	22.9%	14,421	23.1%
Taxes other than income tax	7,186	9.1%	6,379	10.2%
Non-controllable expenses	25,339	32.0%	20,800	33.3%
Materials, services & other	6,332	8.0%	4,924	7.9%
Depreciation and amortization	4,478	5.6%	3,668	5.9%
General and administrative	5,064	6.4%	3,873	6.2%
Exploration expenses	1,117	1.4%	486	0.8%
Net impairment expense	105	n/m	153	n/m
Change in natural gas, liquids, and polymer products and WIP	(184)	n/m	(31)	n/m
Subtotal operating expenses	42,251	53.3%	33,873	54.3%
Purchases of natural gas and liquid hydrocarbons	4,665	5.9%	3,242	5.2%
Total operating expenses	46,916	59.2%	37,115	59.5%

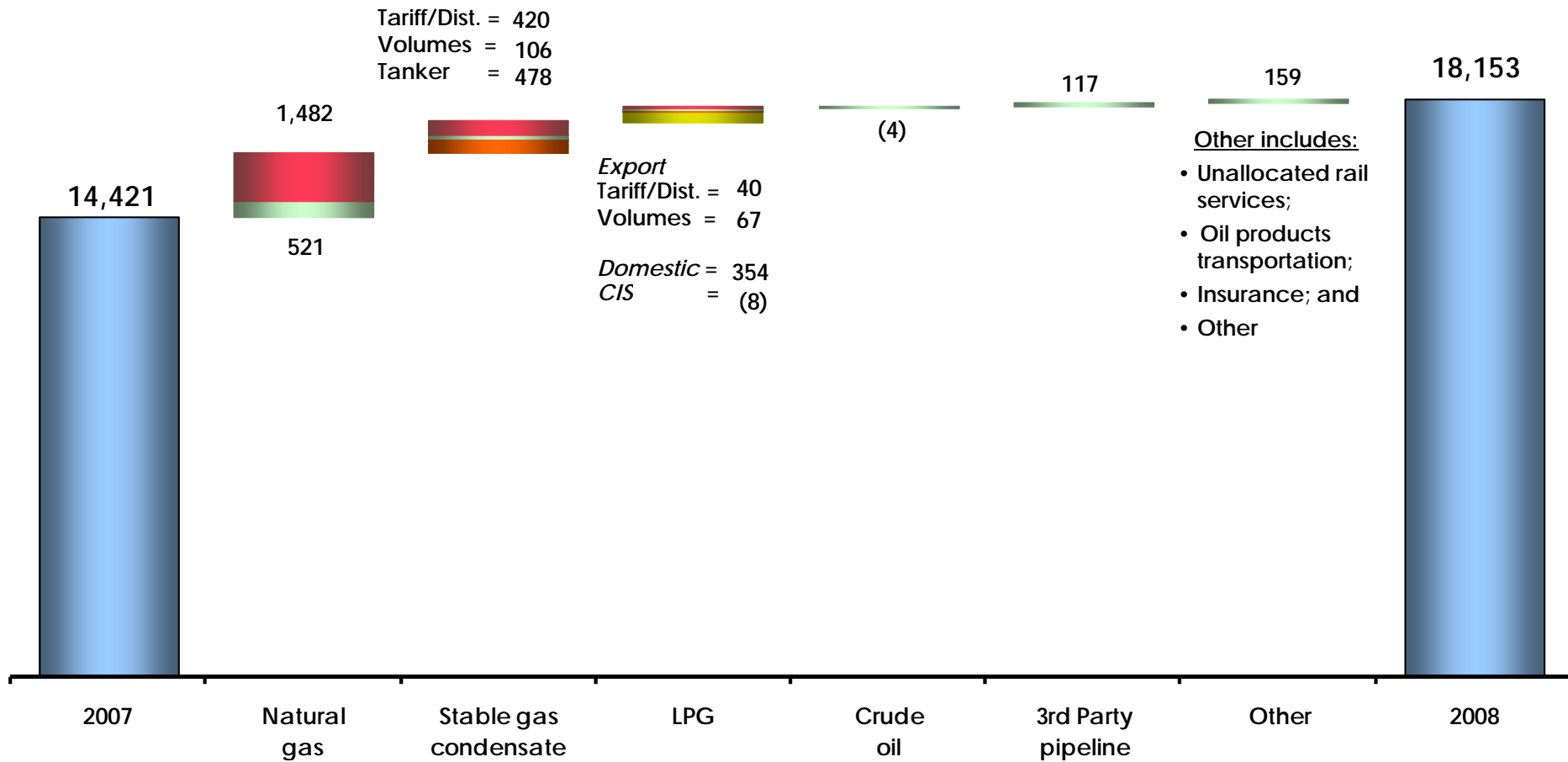
- ❑ Total operating expenses as a percentage of total revenues decreased from 59.5% in 2007 to 59.2% in 2008
- ❑ Transportation expenses increased due to increases in natural gas transportation tariffs and end-customers sales volumes as well as the railroad tariff for liquids transportation
- ❑ Purchases of natural gas and liquids increased mainly due to purchases of oil products (naphtha) on the international markets for resale
- ❑ Materials, services and other expenses increased mainly due to employee compensation, materials and supplies expenses, as well as operator services expense
- ❑ G&A expense increased primarily due to increases in average wages, additional bonuses and staff at OAO "NOVATEK"

Transportation Expenses (RR million)

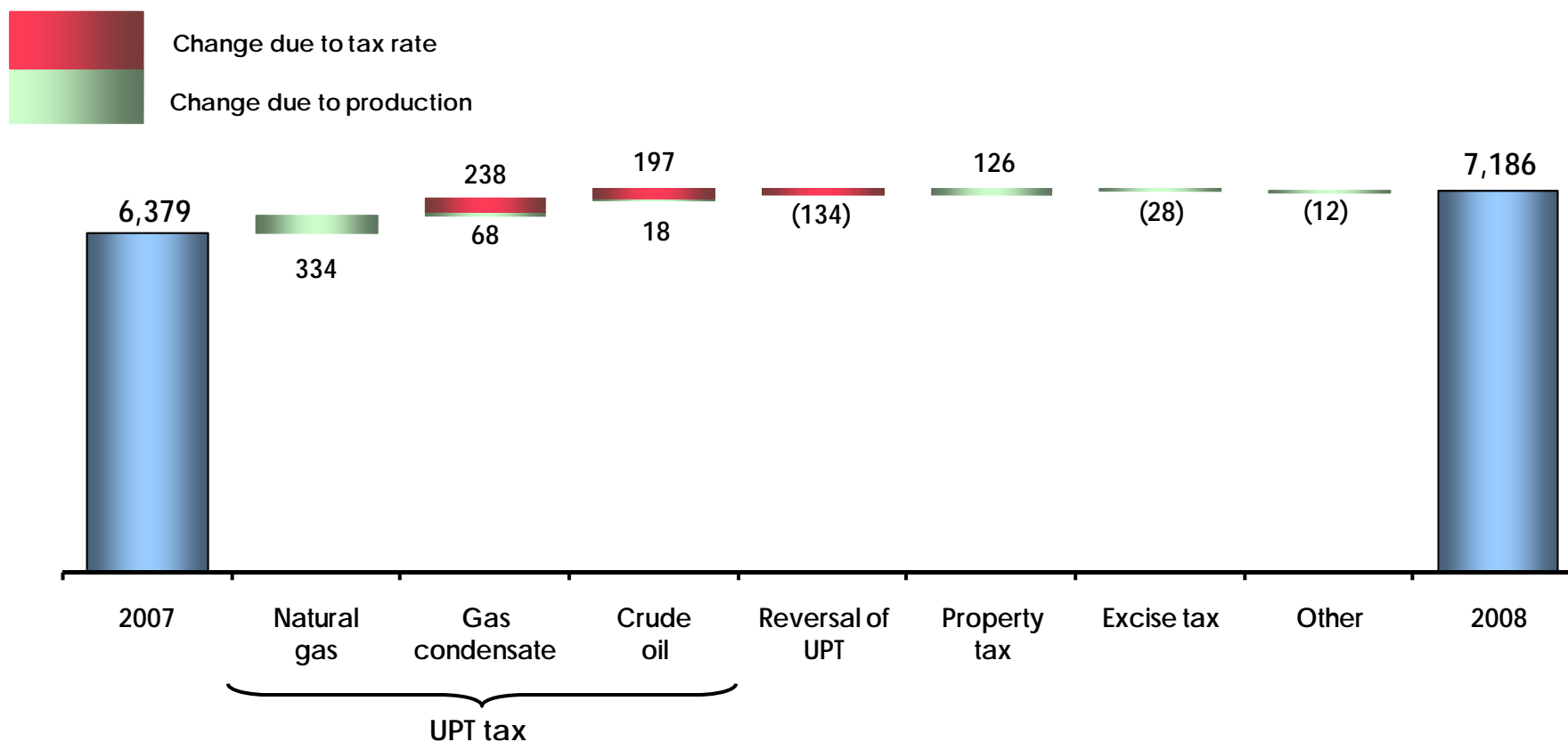


Change due to tariffs/distance

Change due to volume

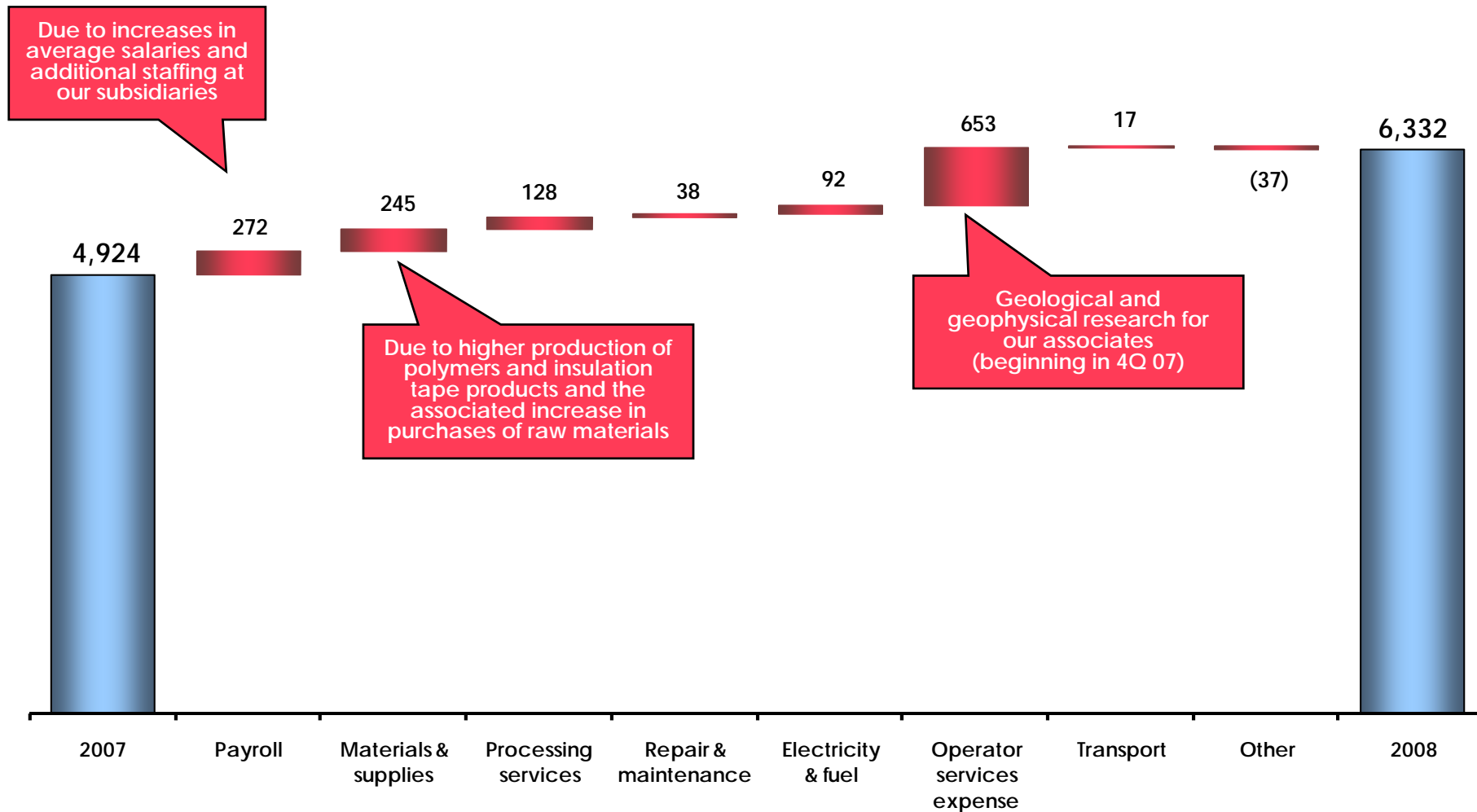


Taxes Other Than Income Tax Expense (RR million)

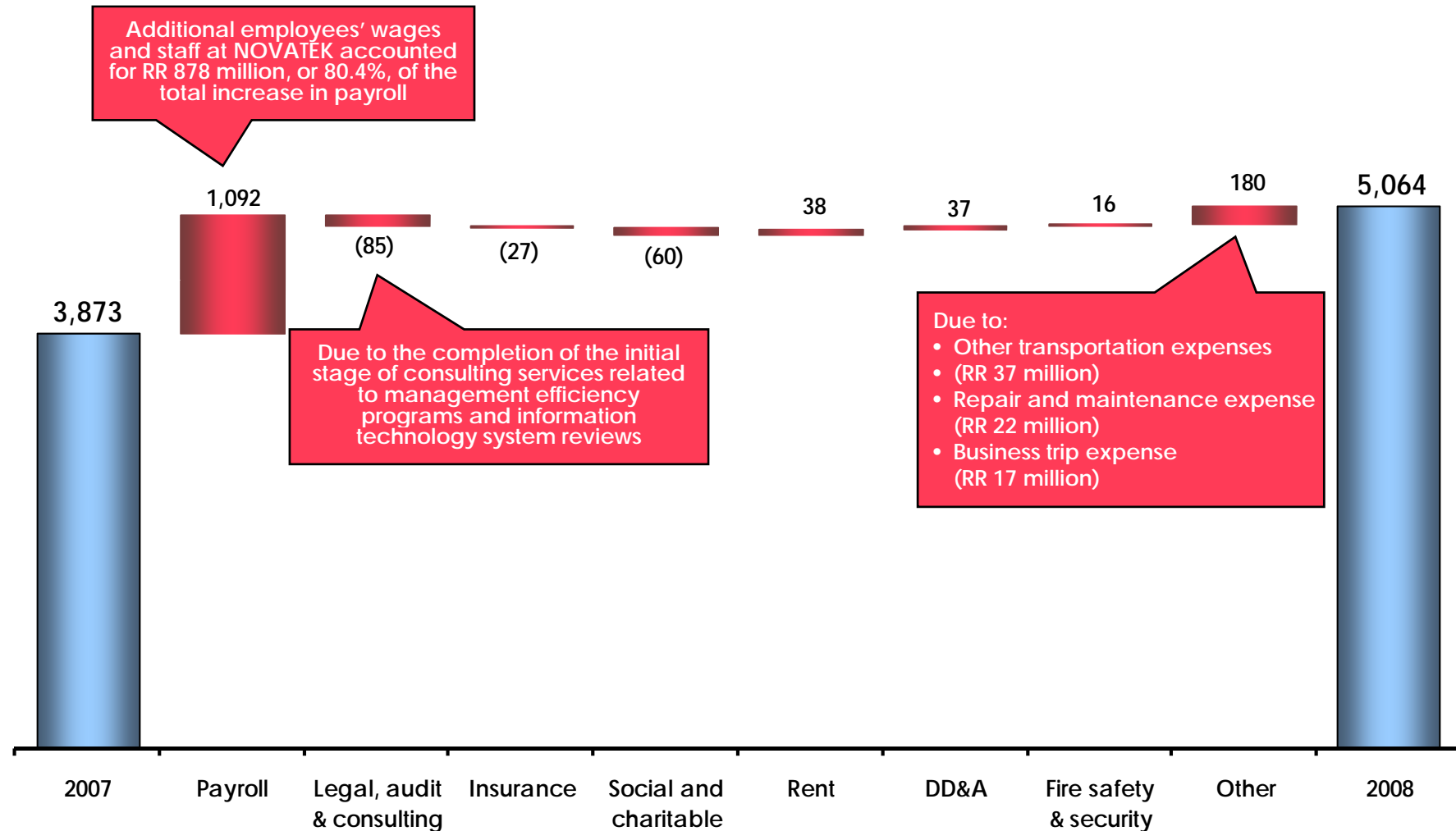


- ❑ The increase in UPT tax of RR 855 million, or 15.0%, was due to increases in both natural gas production volumes and liquids production tax rates
- ❑ Our average UPT rate for crude oil increased by 34.0% (or from RR 2,497 per ton in 2007 to RR 3,347 per ton in 2008)
- ❑ Natural gas accounted for RR 4,495 million of UPT tax in 2008 while liquids accounted for RR 2,063 million
- ❑ Property tax expense increased by RR 126 million, or 23.2%, due to additions of PPE at our production subsidiaries

Materials, Services and Other Expenses (RR million)



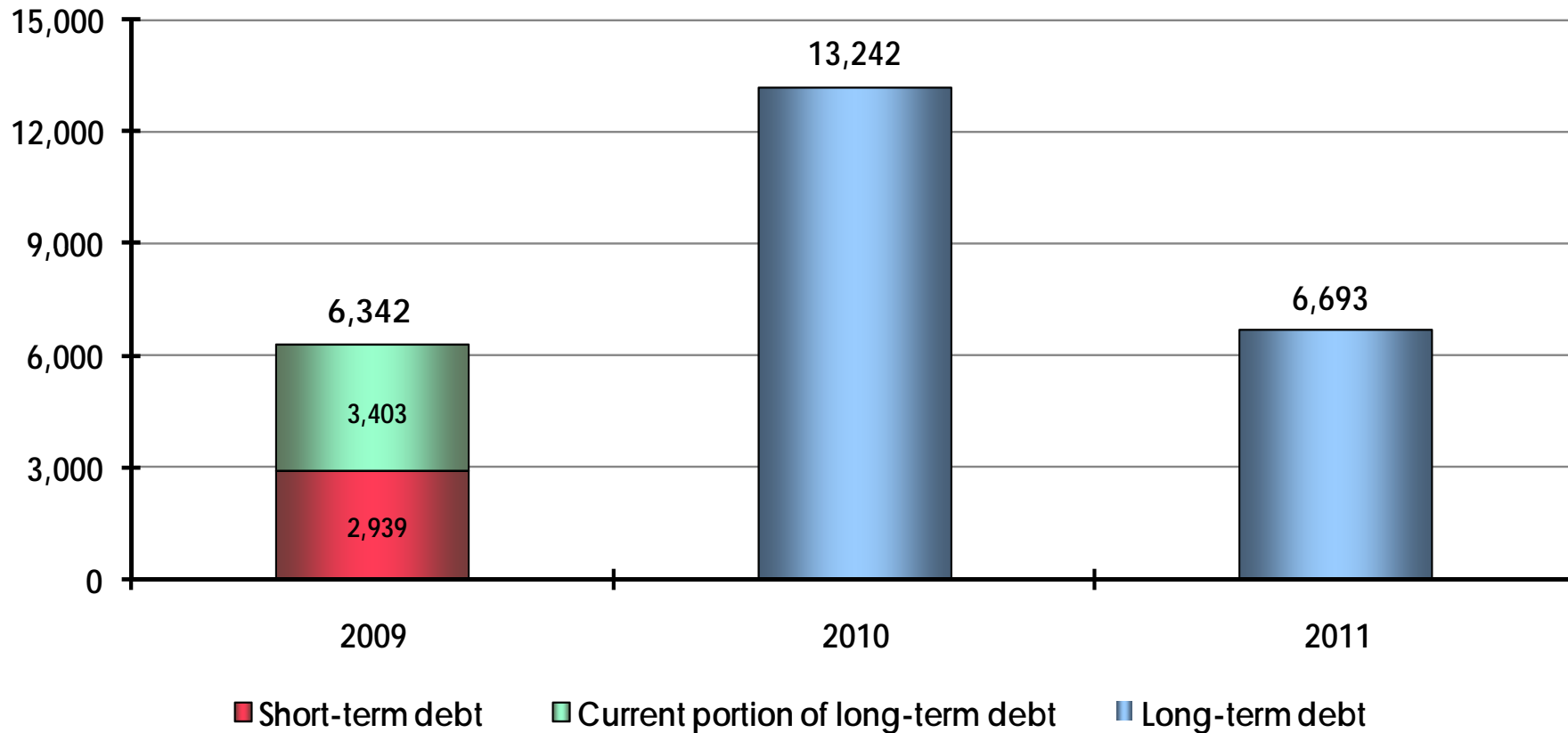
General and Administrative Expenses (RR million)



Condensed Balance Sheet (RR million)

	31 December 2008	31 December 2007	+ / (-)	+ / (-)%
Total current assets	25,428	17,038	8,390	49.2%
<i>Incl. Cash and cash equivalents</i>	<i>10,992</i>	<i>3,982</i>	<i>7,010</i>	<i>176.0%</i>
Total non-current assets	113,578	86,937	26,641	30.6%
<i>Incl. Net PP&E</i>	<i>108,714</i>	<i>82,669</i>	<i>26,045</i>	<i>31.5%</i>
<i>Assets classified as held for sale</i>	<i>901</i>	<i>-</i>	<i>n/m</i>	<i>n/m</i>
Total assets	139,907	103,975	35,932	34.6%
Total current liabilities	14,169	12,075	2,094	17.3%
<i>Incl. ST debt</i>	<i>6,342</i>	<i>6,560</i>	<i>(218)</i>	<i>-3.3%</i>
Total non-current liabilities	28,763	10,088	18,675	185.1%
<i>Incl. Deferred income tax liability</i>	<i>6,720</i>	<i>8,083</i>	<i>(1,363)</i>	<i>-16.9%</i>
<i>Incl. LT debt</i>	<i>19,935</i>	<i>42</i>	<i>19,893</i>	<i>n/m</i>
Liabilities assoc. with assets held for sale	335	-	n/m	n/m
Total liabilities	43,267	22,163	21,104	95.2%
Total equity	96,640	81,812	14,828	18.1%

Total Debt Maturity Profile (RR million)



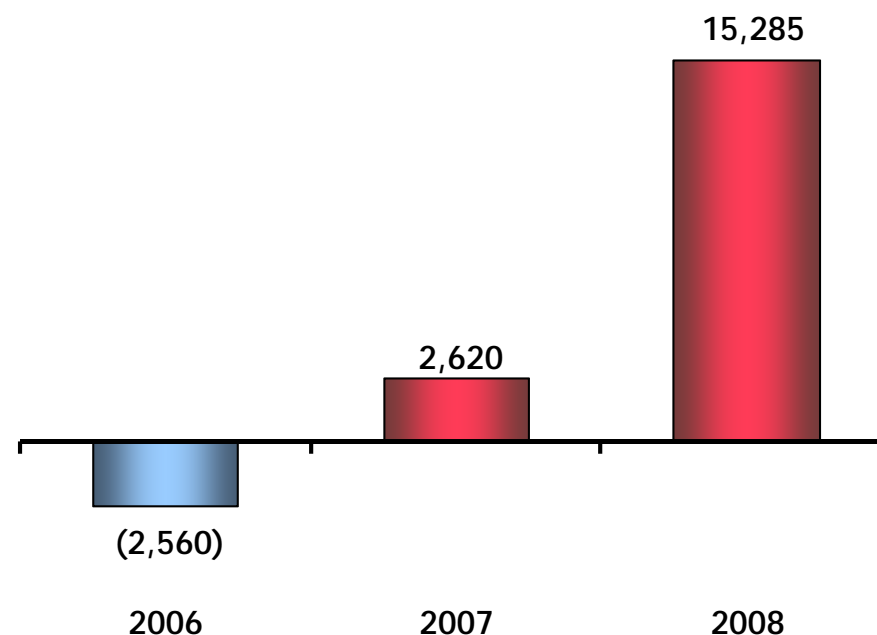
Current debt maturity profile as of 31 December 2008 with repayments in the 12 months ended 31 December 2009, 2010, 2011

Debt Structure

Debt structure and maturities

RR million	2008	2007
Short-term debt	6,342	6,560
<i>Including current portion of long-term debt</i>	<i>3,403</i>	<i>282</i>
Long-term debt	19,935	42
Scheduled maturities		
2010	13,242	-
2011	6,693	42
Total debt	26,277	6,602
Cash and equivalents	10,992	3,982
Net debt (Net cash)	15,285	2,620

Net Debt (Net cash) evolution, RR million



On 21 April 2008, the Group obtained a USD 800 million unsecured syndicated term loan facility for general corporate purposes including funding capital expenditure programs

Financial Overview – 4Q 08 vs. 3Q 08

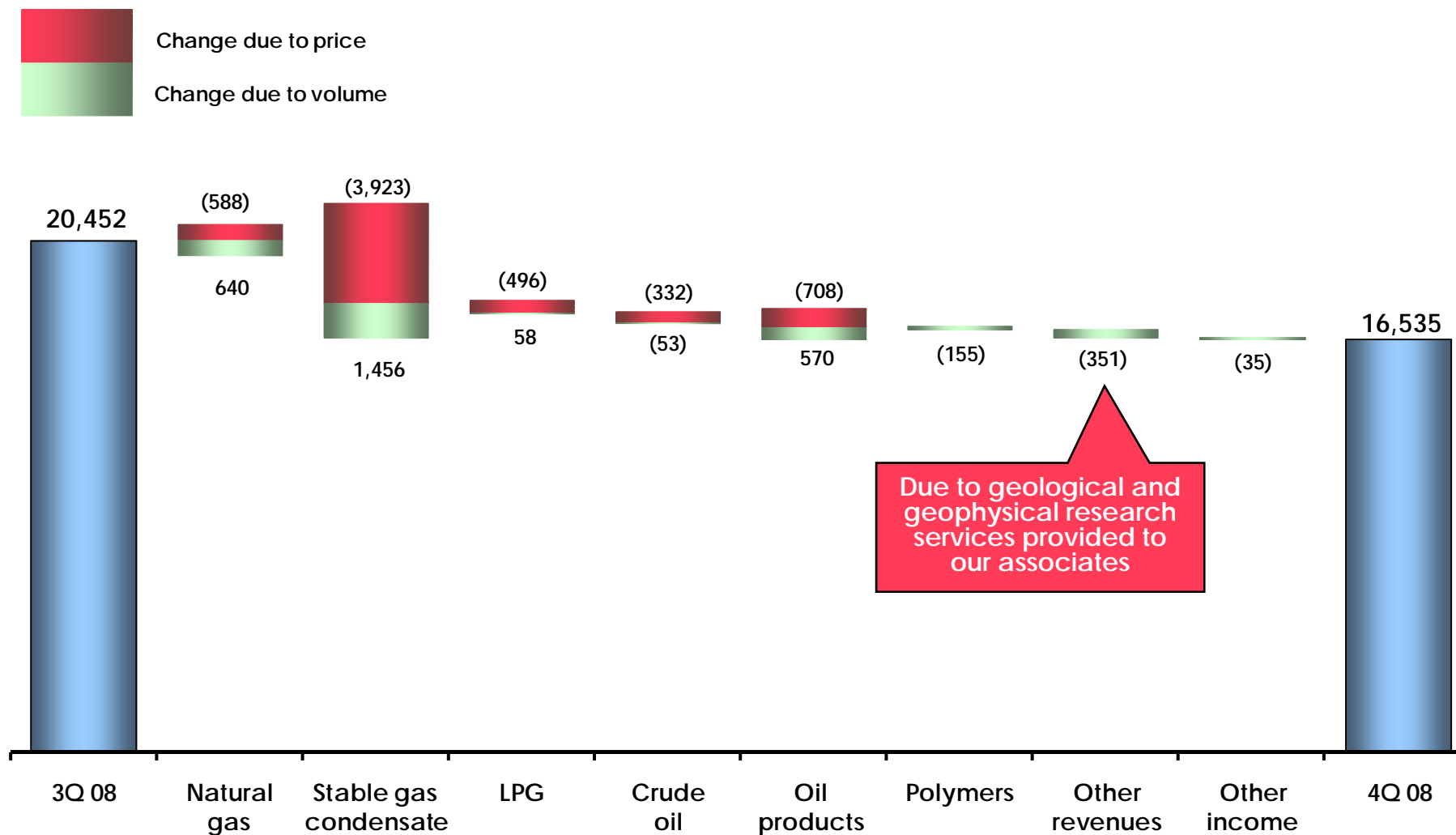
Good Results in Bad Times (RR million)

4Q 07	4Q 08	+ / (-)	+ / (-)%		3Q 08	4Q 08	+ / (-)	+ / (-)%
16,276	16,061	(215)	-1.3%	Oil and gas sales	19,437	16,061	(3,376)	-17.4%
16,934	16,535	(399)	-2.4%	Total revenues & other income	20,452	16,535	(3,917)	-19.2%
9,987	12,135	2,148	21.5%	Operating expenses	11,936	12,135	199	1.7%
7,798	5,822	(1,976)	-25.3%	EBITDA ⁽¹⁾	9,633	5,822	(3,811)	-39.6%
46.0%	35.2%	-	-	EBITDA margin	47.1%	35.2%	-	-
27.8%	21.2%	-	-	Effective income tax rate ⁽²⁾	24.1%	21.2%	-	-
5,054	2,661	(2,393)	-47.3%	Profit attributable to NOVATEK	5,682	2,661	(3,021)	-53.2%
29.8%	16.1%	-	-	Net profit margin	27.8%	16.1%	-	-
1.66	0.88	(0.78)	-47.0%	Earnings per share	1.87	0.88	(0.99)	-52.9%
6,744	6,019	(725)	-10.8%	CAPEX	9,784	6,019	(3,765)	-38.5%
2,620	15,285	n/m	n/m	Net debt (cash) ⁽³⁾	9,789	15,285	n/m	n/m

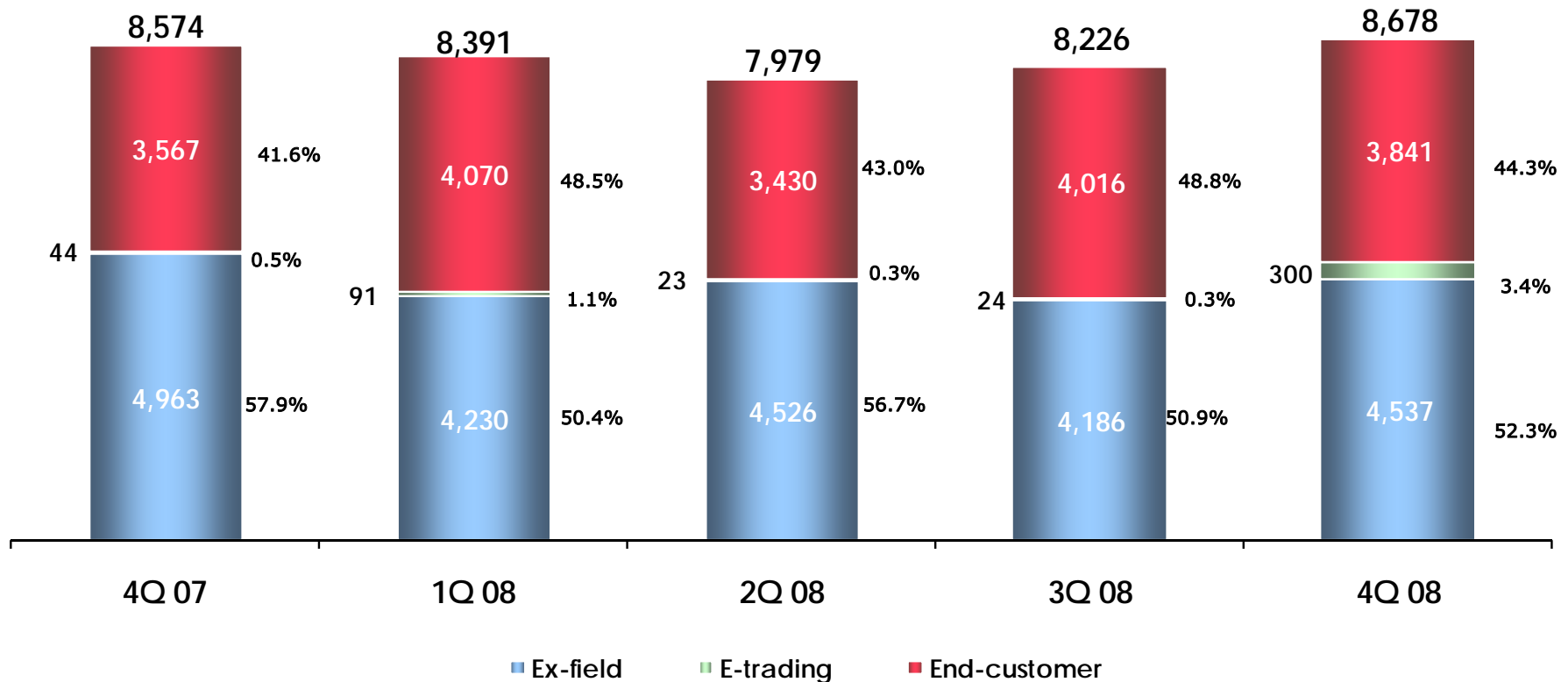
Notes:

1. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
2. Effective income tax rate for 4Q 08 is calculated excluding effect from change in Russian statutory income tax rate
3. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Revenues and Other Income (RR million)

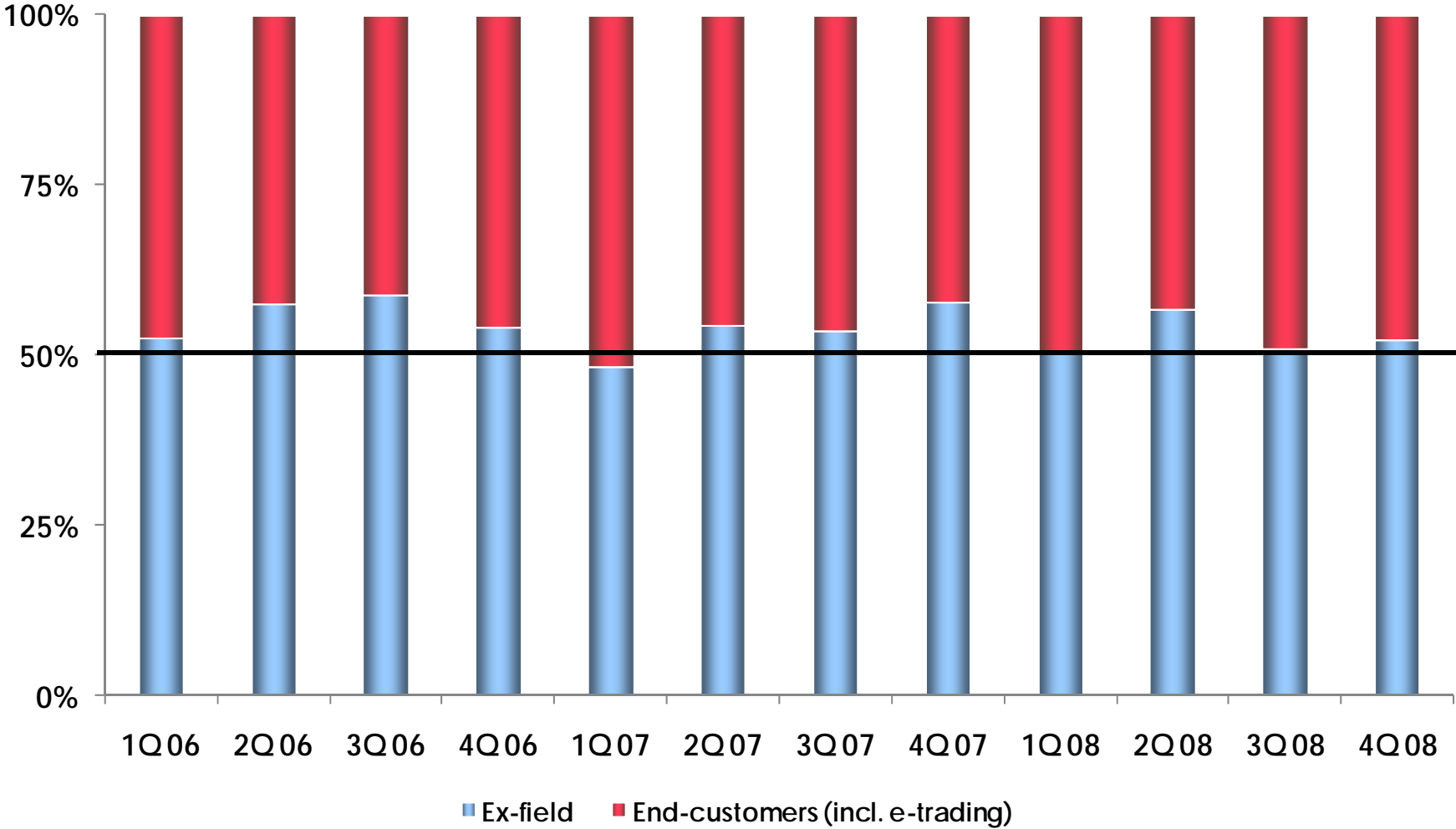


Market Distribution – Gas Sales Volumes (mmcm)

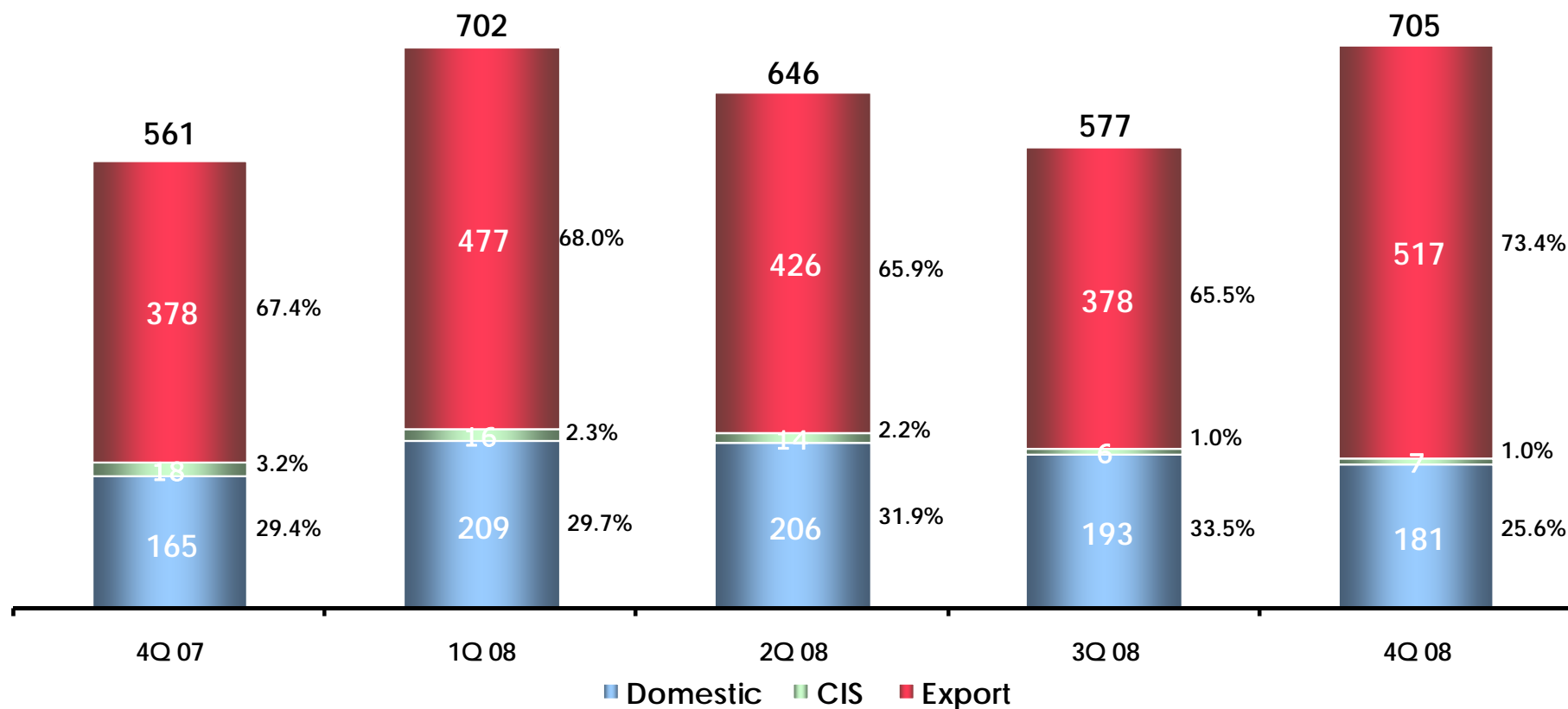


Increased natural gas sales in 4Q 2008 vs. 3Q 2008 mainly due to the launch of the second phase of development at the Yurkharovskoye field

Natural Gas Sales Volume Mix



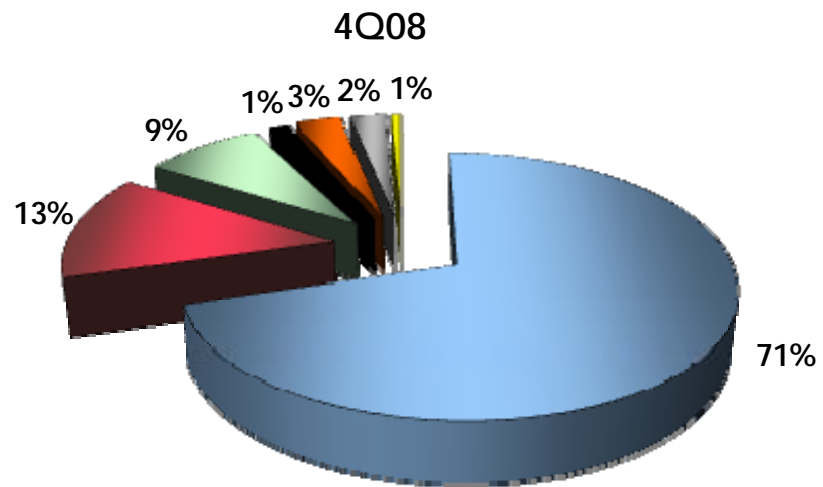
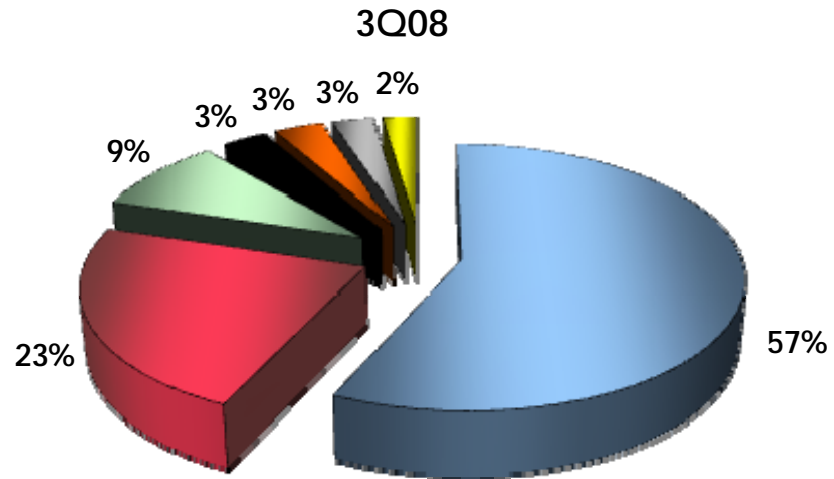
Market Distribution – Liquids Sales Volumes (mt)



Increased liquids sales in 4Q 2008 vs. 3Q 2008 mainly due to the launch of the second phase of development at the Yurkharovskoye field and a decrease in stable gas condensate balances in transit and storage

Total Revenues Breakdown

- Natural gas
- Stable condensate
- LPG
- Crude oil
- Oil products
- Polymers
- Other



Realized Hydrocarbon Prices (net of VAT and export duties)

4Q 07	4Q 08	+ /(-)	+ /(-)%		3Q 08	4Q 08	+ /(-)	+ /(-)%
<u>Domestic prices</u>								
1,542	1,790	248	16.1%	Natural gas end-customers, RR/mcm	1,850	1,790	(60)	-3.2%
1,221	1,325	104	8.5%	Natural gas e-trading, RR/mcm	1,382	1,325	(57)	-4.1%
775	972	197	25.4%	Natural gas ex-field, RR/mcm	996	972	(24)	-2.4%
-	4,940	n/m	n/m	Stable gas condensate, RR/ton	10,050	4,940	(5,110)	-50.8%
9,657	8,539	(1,118)	-11.6%	LPG, RR/ton	11,300	8,539	(2,761)	-24.4%
7,303	4,261	(3,042)	-41.7%	Crude oil, RR/ton	9,632	4,261	(5,371)	-55.8%
3,212	7,901	4,689	146.0%	Oil products, RR/ton	7,245	7,901	656	9.1%
<u>CIS market</u>								
13,288	11,855	(1,433)	-10.8%	LPG, RR/ton	14,949	11,855	(3,094)	-20.7%
<u>Export market</u>								
13,277	5,146	(8,131)	-61.2%	Stable gas condensate, RR/ton	14,251	5,146	(9,105)	-63.9%
14,714	9,573	(5,141)	-34.9%	LPG, RR/ton	15,361	9,573	(5,788)	-37.7%
8,558	2,925	(5,633)	-65.8%	Crude oil, RR/ton	-	2,925	n/m	n/m
-	3,720	n/m	n/m	Oil products, RR/ton	-	3,720	n/m	n/m

Note: Prices are shown only for own production (excluding trading activities)

Operating Expenses (RR million and % of total revenues (TR))

4Q 07	% of TR	4Q 08	% of TR		3Q 08	% of TR	4Q 08	% of TR
3,441	20.4%	4,803	29.0%	Transportation expenses	4,565	22.3%	4,803	29.0%
1,730	10.3%	1,703	10.3%	Taxes other than income tax	1,928	9.4%	1,703	10.3%
5,171	30.7%	6,506	39.2%	Non-controllable expenses	6,493	31.7%	6,506	39.2%
1,542	9.2%	1,478	8.9%	Materials, services & other	1,642	8.0%	1,478	8.9%
808	4.8%	1,416	8.5%	Depreciation and amortization	1,085	5.3%	1,416	8.5%
1,138	6.8%	1,375	8.3%	General and administrative	1,336	6.5%	1,375	8.3%
29	0.2%	483	2.9%	Exploration expenses	219	1.1%	483	2.9%
50	n/m	59	n/m	Net impairment expense	30	n/m	59	n/m
(336)	n/m	82	n/m	Change in natural gas, liquids, and polymer products and WIP	5	n/m	82	n/m
8,402	49.9%	11,399	68.8%	Subtotal operating expenses	10,810	52.8%	11,399	68.8%
1,585	9.4%	736	4.4%	Purchases of natural gas and liquid hydrocarbons	1,126	5.5%	736	4.4%
9,987	59.3%	12,135	73.2%	Total operating expenses	11,936	58.3%	12,135	73.2%

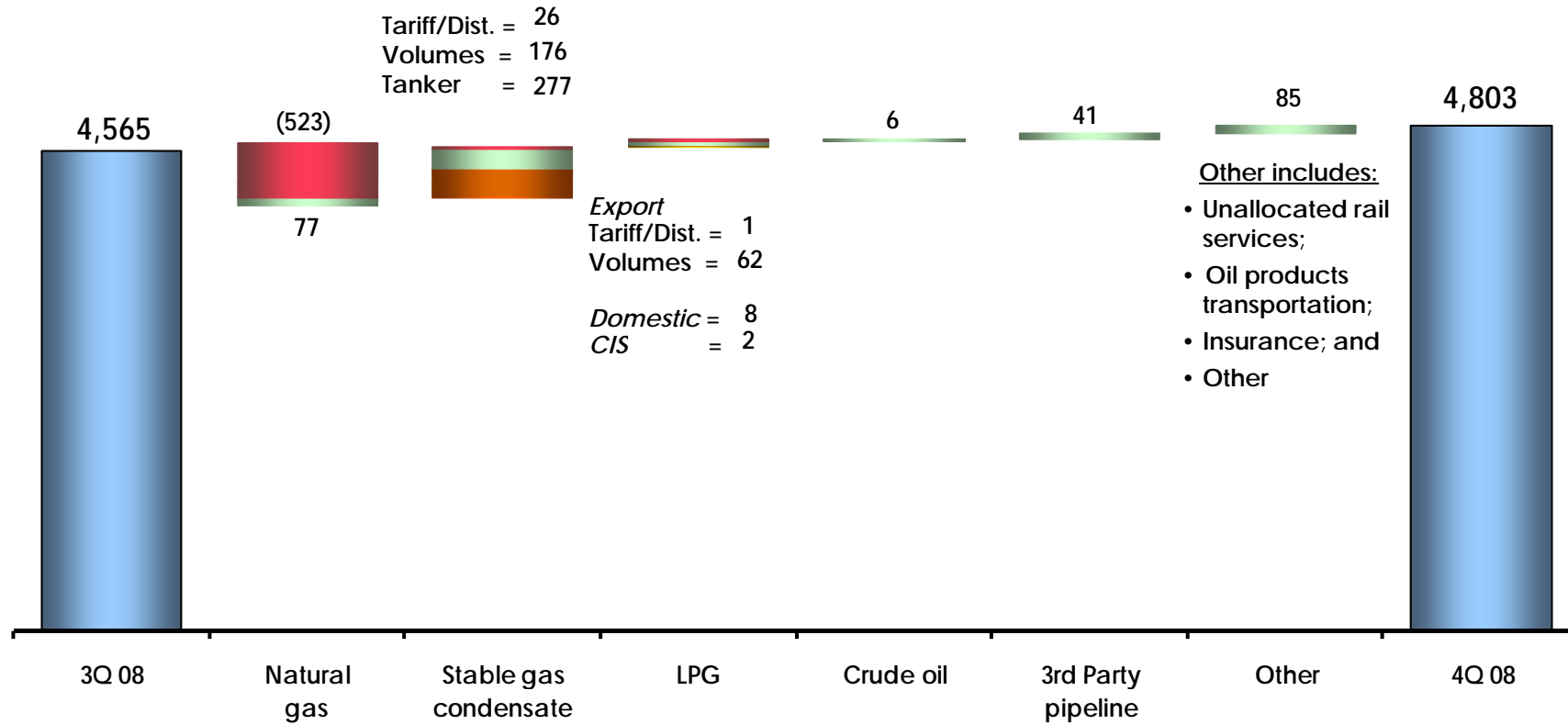
- Our operating expenses as a % of total revenues increased significantly Y-o-Y and Q-o-Q basis due to a decrease in our oil & gas sales revenue in 4Q08 as a result of the sharp decline in crude oil prices on international markets during the second half of 2008
- Increase in transportation expenses Y-o-Y was due to an increase in our liquids export sales volumes and higher transportation tariffs
- Taxes other than income tax decreased Y-o-Y primarily due to a decrease in UPT for crude oil as a result of lower crude oil prices which affect the UPT rate
- Decreases in purchases Y-o-Y and Q-o-Q resulted from a temporary stoppage of our naphtha trading operations on international markets in December 2008
- Increases in exploration expenses in 4Q08 were primarily due to 3D seismic works performed under the El Arish Concession Agreement

Transportation Expenses (RR million)

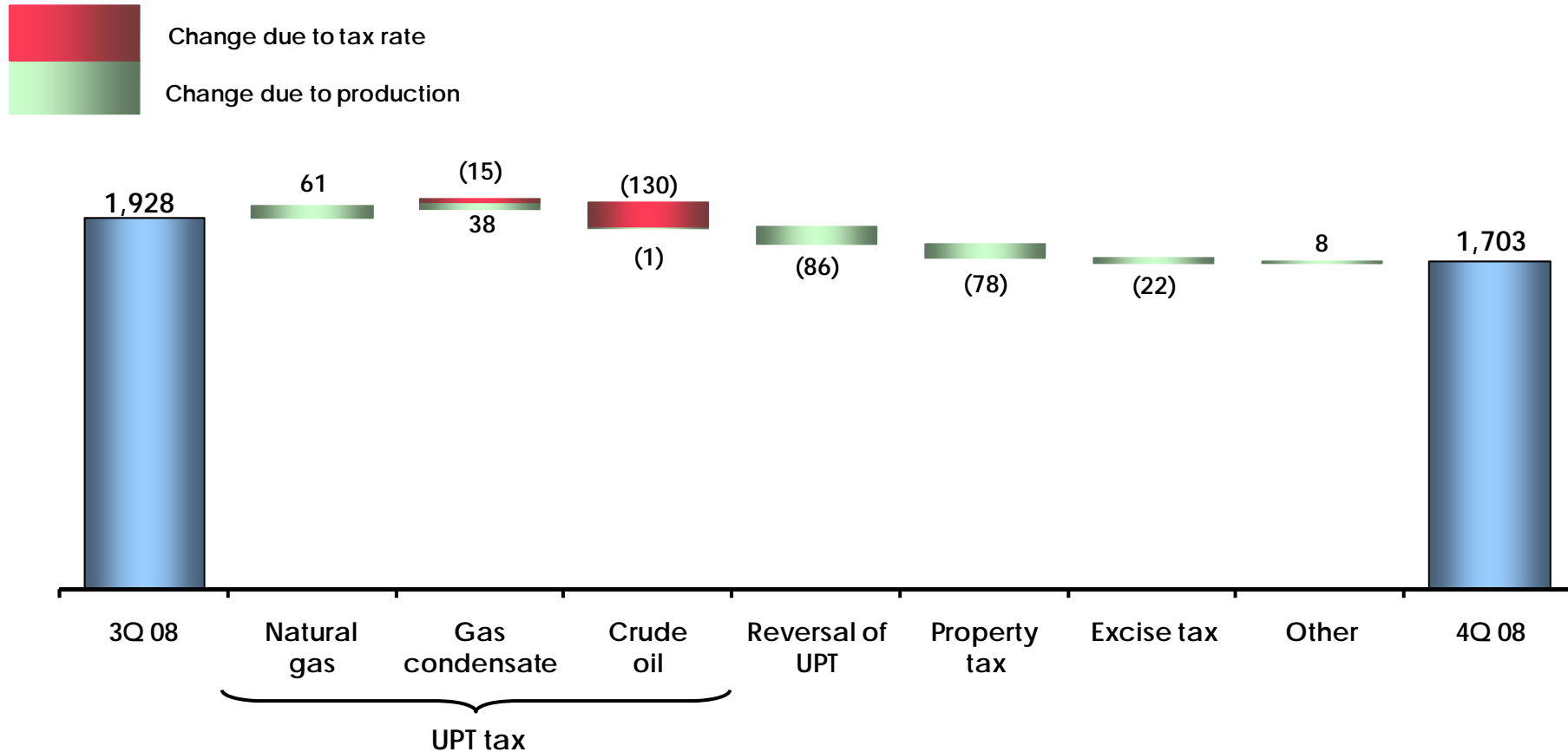


Change due to tariffs/distance

Change due to volume

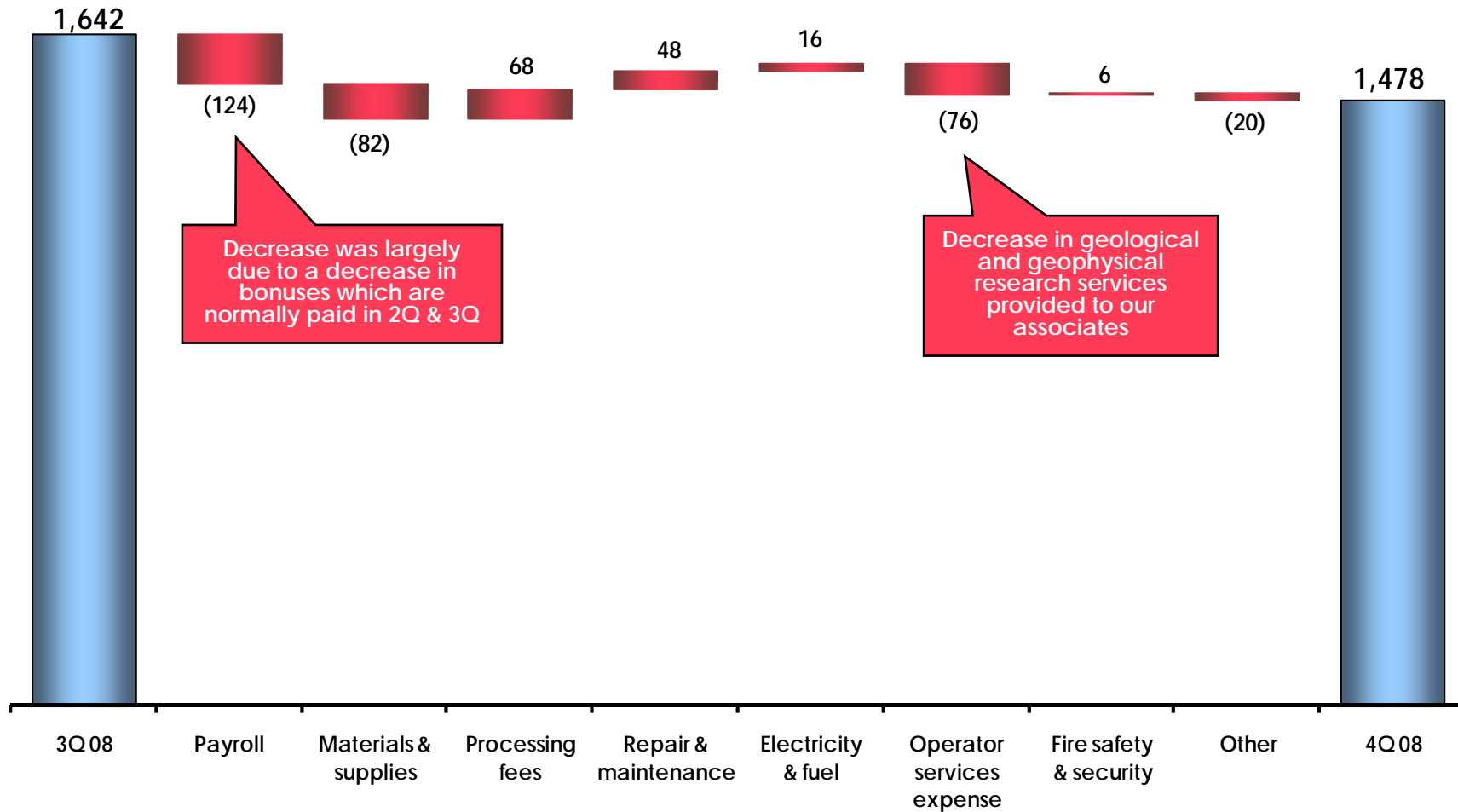


Taxes Other Than Income Tax Expense (RR million)

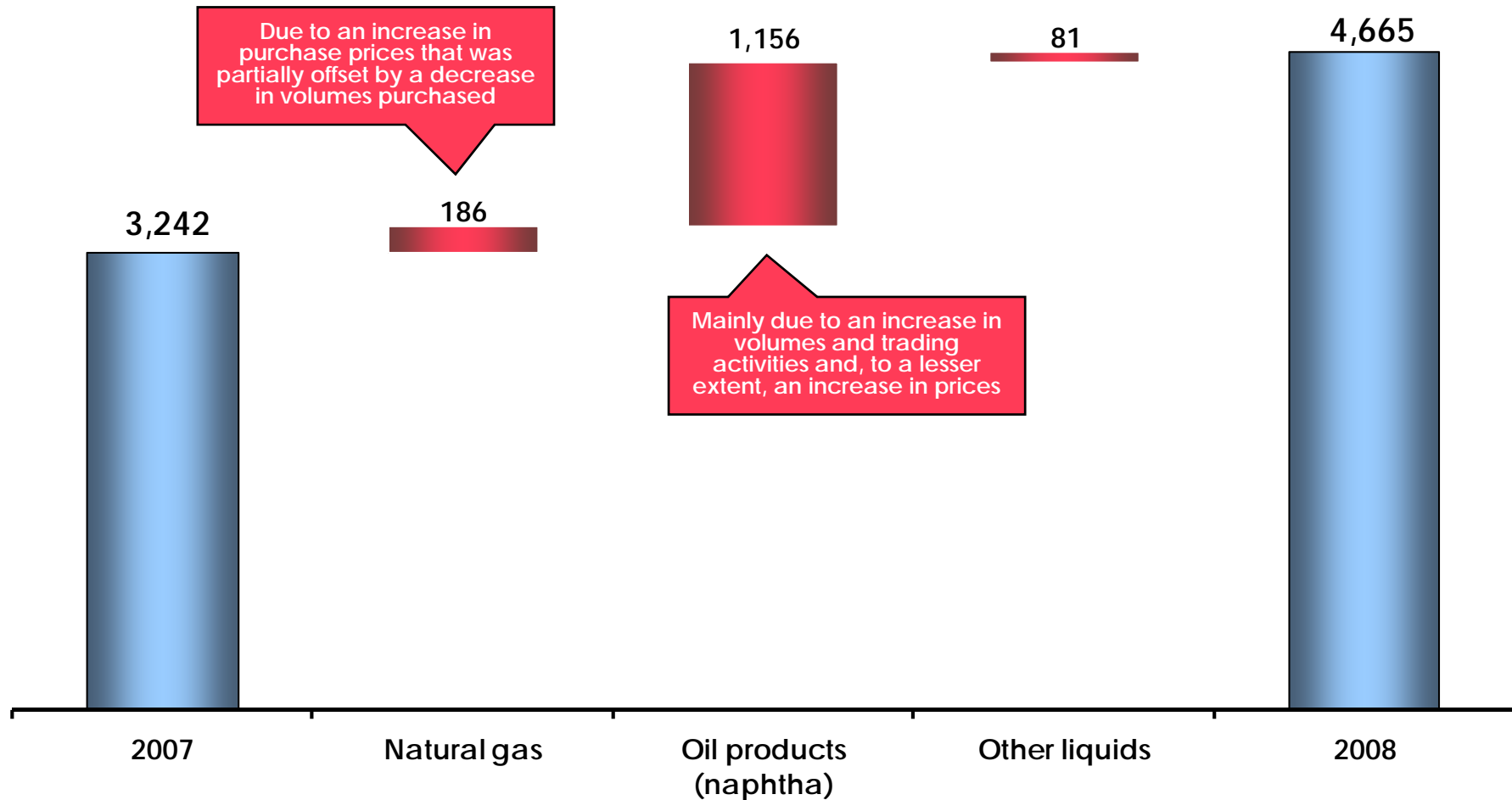


- The decrease in UPT tax by RR 48 million, or 2.9%, was primarily due to a decrease in average crude oil UPT tax rate as a result of lower global crude oil prices during the second half of 2008. The decrease in UPT for crude oil was partially offset by an increase in UPT for natural gas due to an increase in production volumes
- Property tax expense decreased by RR 78 million, or 33.6%, mainly due to a re-assessment of the existing tax base which resulted in a decrease of property tax expense for prior periods of RR 76 million

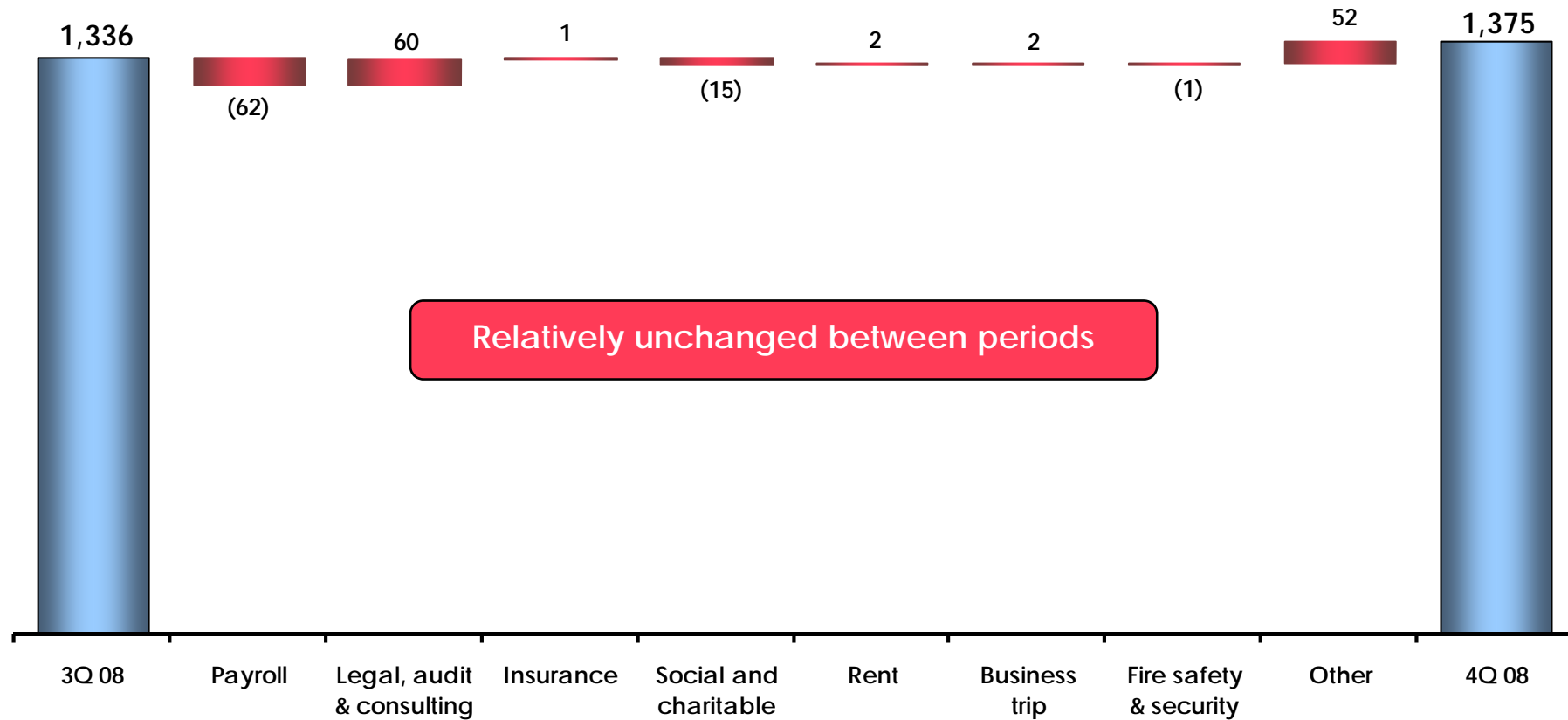
Materials, Services and Other Expense (RR million)



Purchases of Natural Gas and Liquids (RR million)



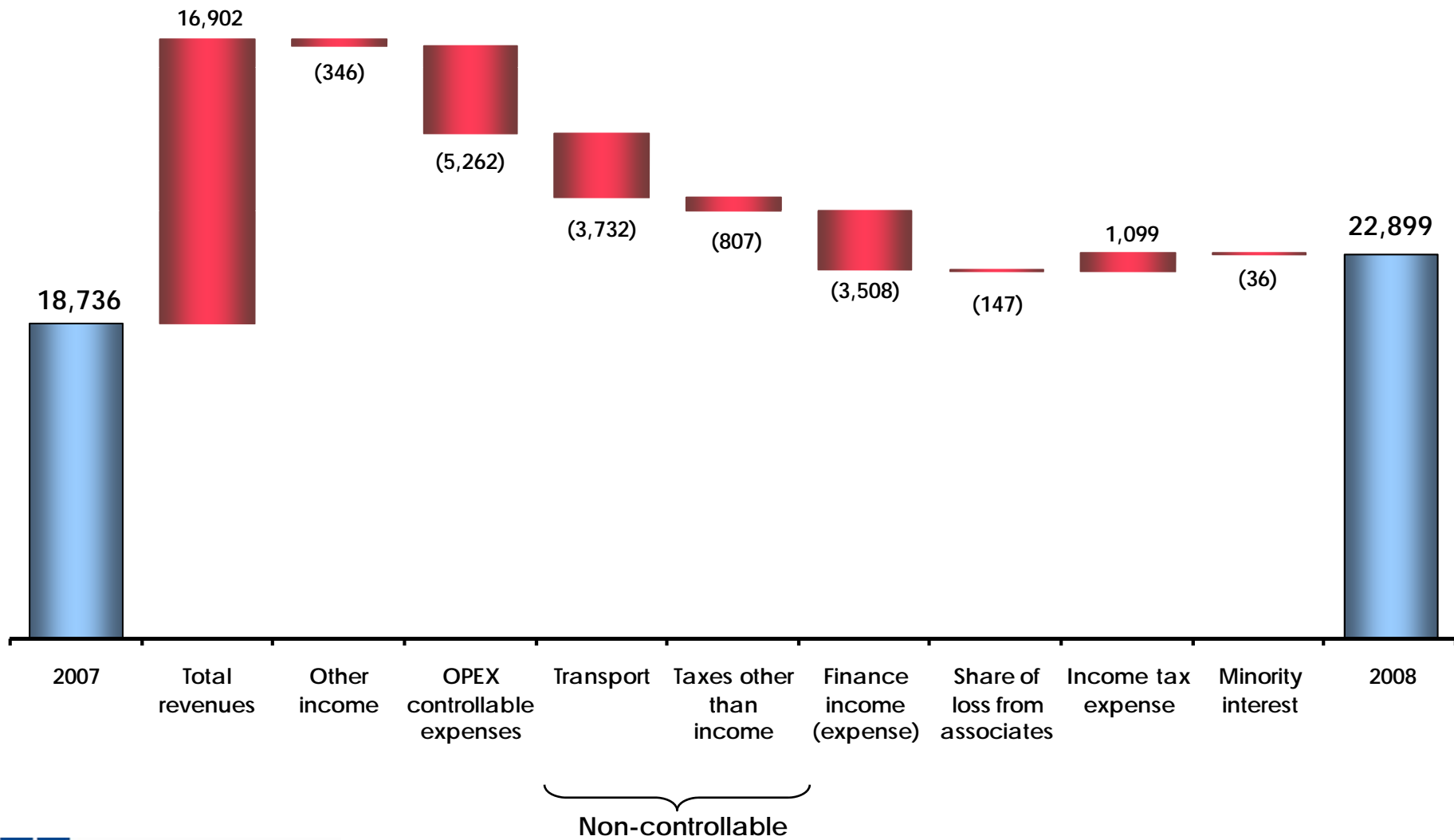
General and Administrative Expenses (RR million)



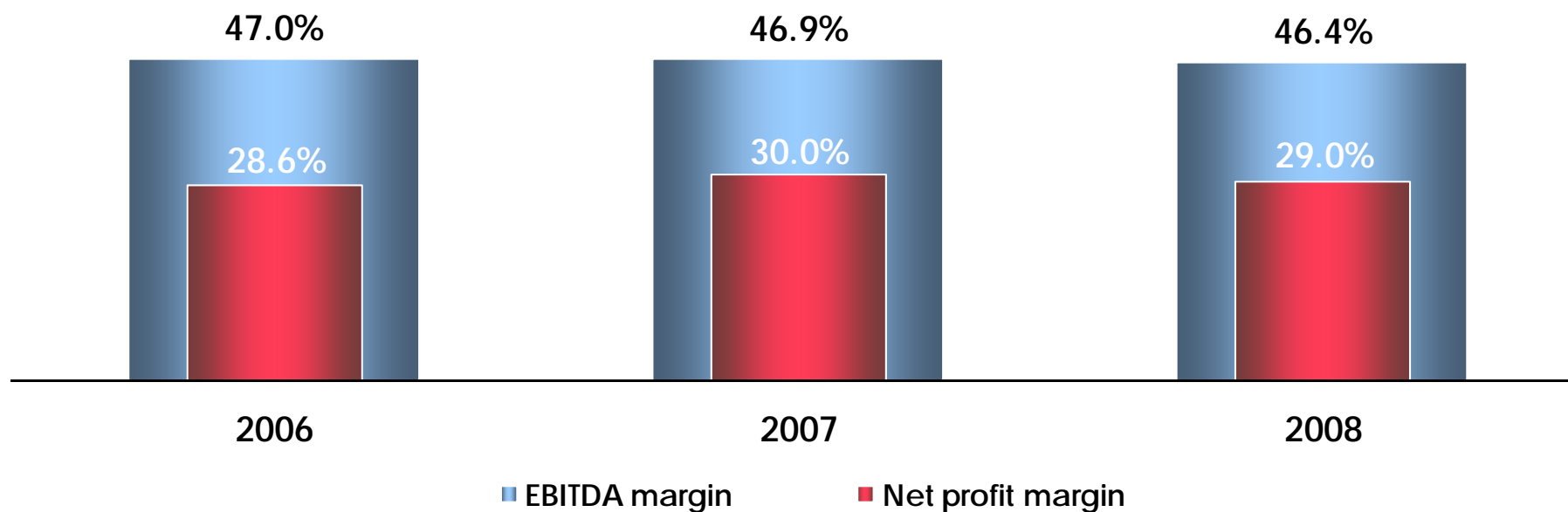
Questions and Answers

Appendices

Profit Attributable to NOVATEK Shareholders (RR million)

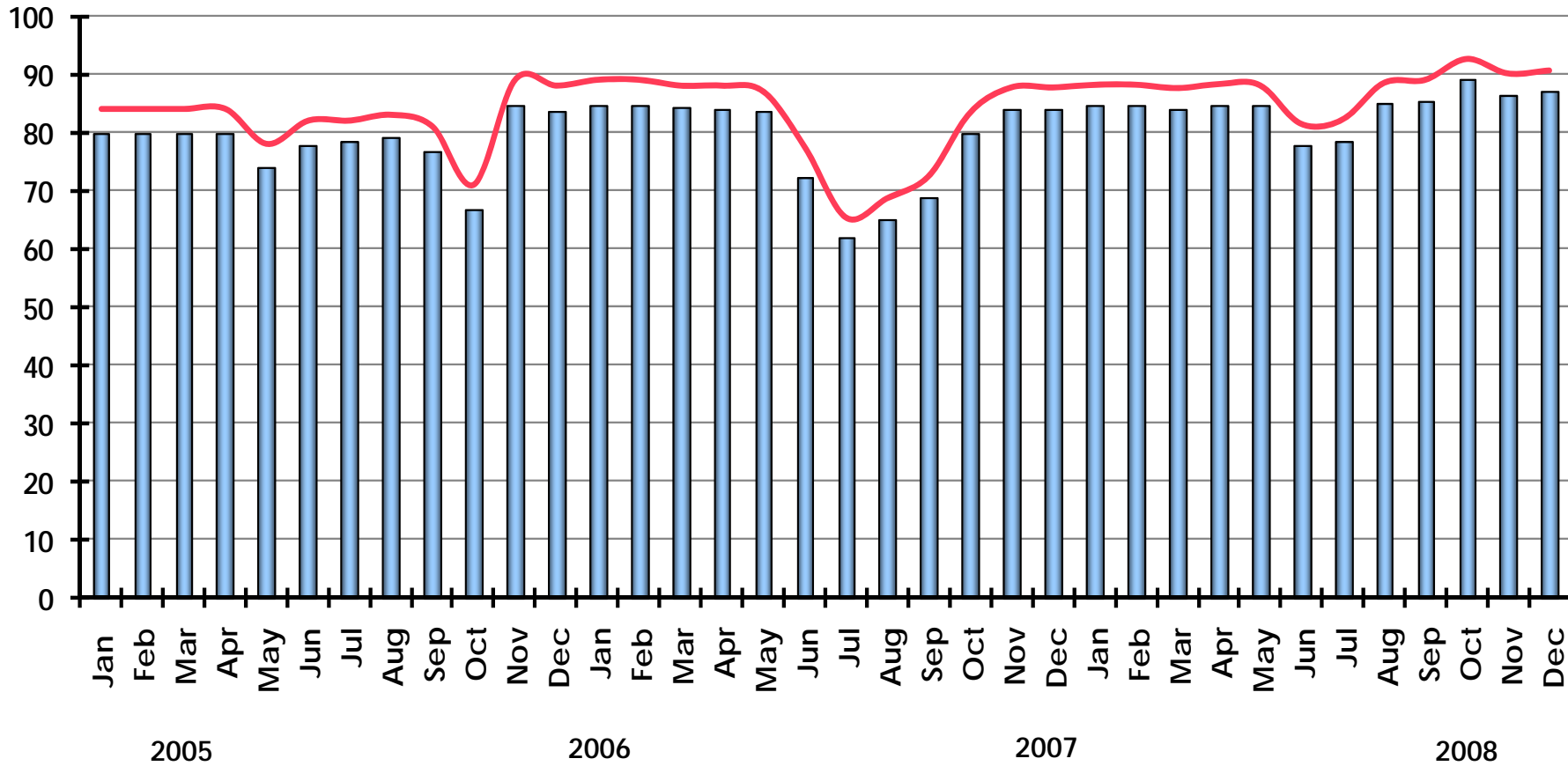


Maintaining Margins (% of total revenues & other income)



Margins in-line with Group's strategic guidance

Increasing Natural Gas Production (mmcm per day)



2005 Avg.
69 mmcm/day
2,436 bcf/day

2006 Avg.
79 mmcm/day
2,789 bcf/day

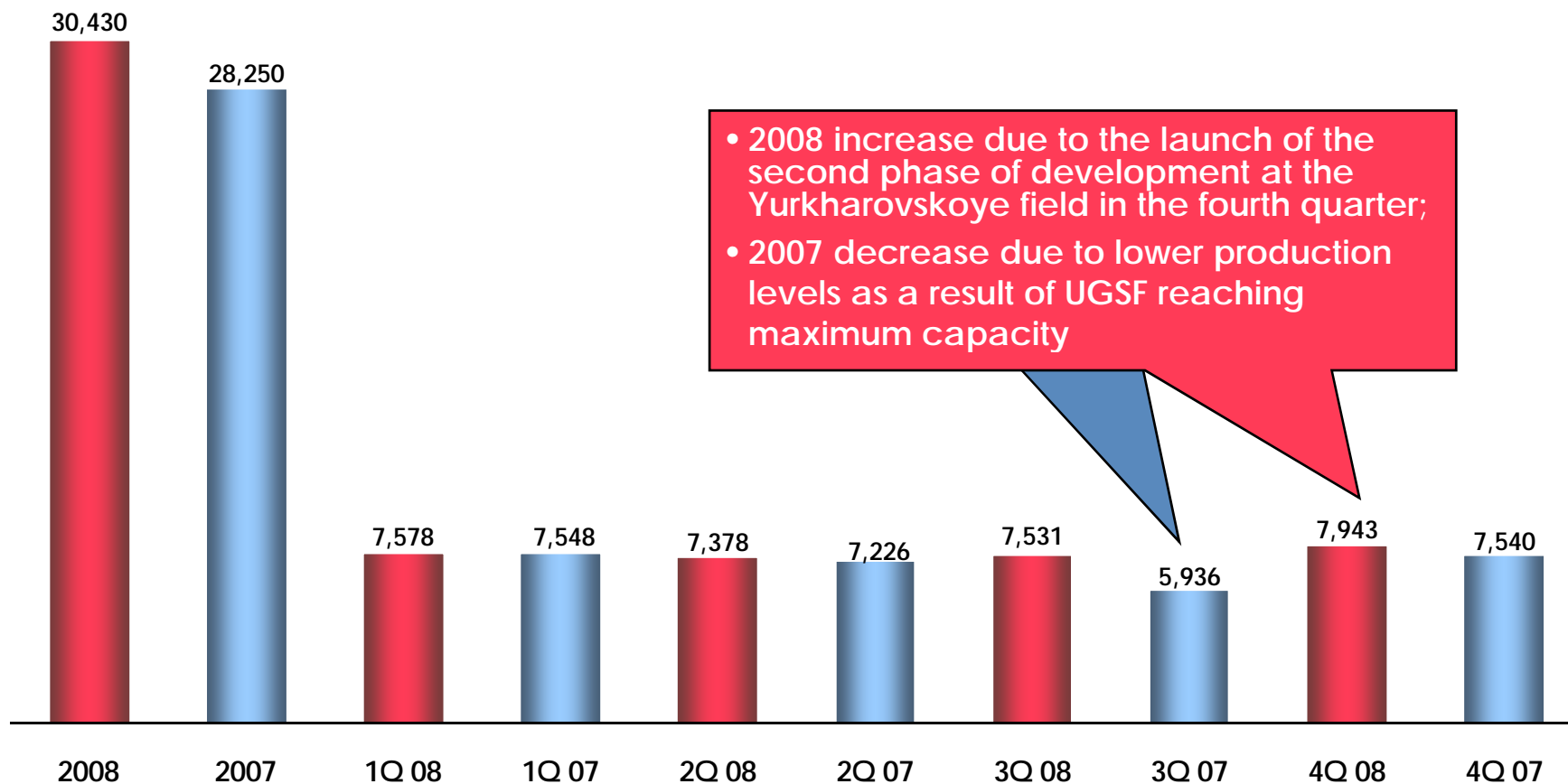
2007 Avg.
78 mmcm/day
2,760 bcf/day

2008 Avg.
84 mmcm/day
2,980 bcf/day



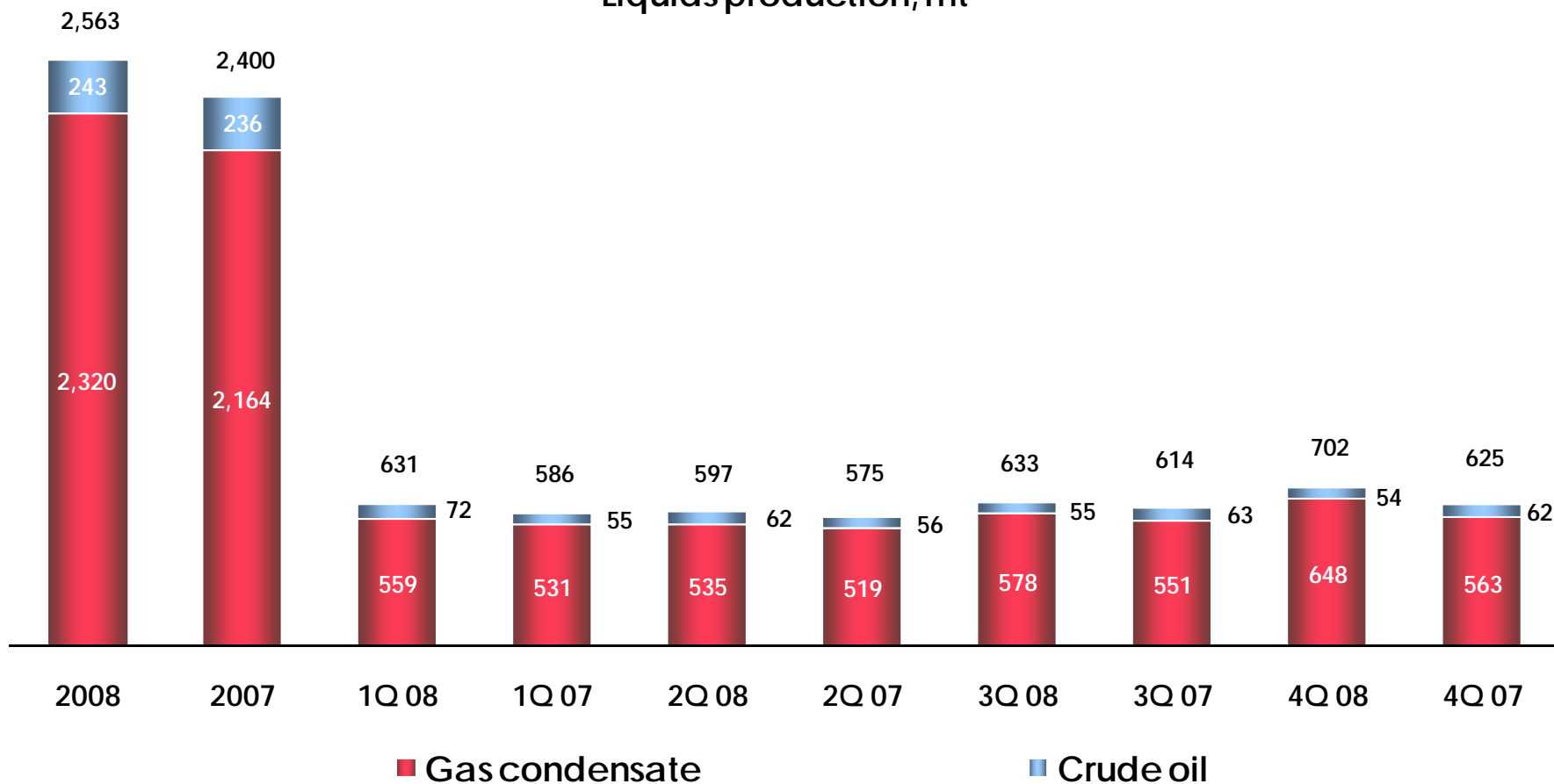
Production Y-o-Y and 2007/2008 Quarterly

Natural gas production, mmcm



Production Y-o-Y and 2007/2008 Quarterly

Liquids production, mt



Change in Inventories

