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Third Quarter 2008  
Operational and Financial Results  
Conference Call

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Moscow, Russian Federation  
13 November 2008*

# 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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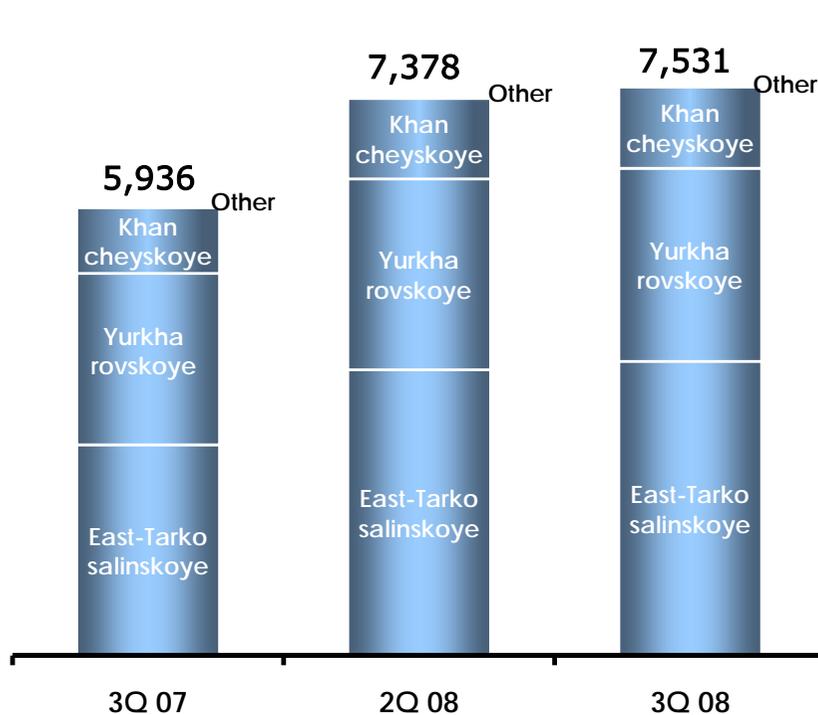
# Summary Highlights from 3Q 08

- ❑ **Continued growth in revenues and earnings** driven by higher natural gas and liquids prices and volumes growth
  - Natural gas sales increased by 58.1% Y-o-Y and 8.3% Q-o-Q
  - Liquids sales increased by 6.4% Y-o-Y but decreased by 19.3% Q-o-Q due to an increase in “goods in transit” balance
- ❑ **Cash flow from operations** decreased by 2.3% Y-o-Y to RR 6,759 million from RR 6,916 million
- ❑ **Capital expenditures** related to exploration and production increased by 67.8% Y-o-Y to RR 9,476 million
- ❑ **EPS** increased by 10.7% Y-o-Y to RR 1.87 from RR 1.69; **EBITDA** increased by 26.7% Y-o-Y
- ❑ **Our average netback price for natural gas** across end-customers, ex-field and e-trading remained relatively strong for the period
- ❑ **Operating expenses** as a percent of total revenues increased by 2.2% Y-o-Y from 56.1% to 58.3%

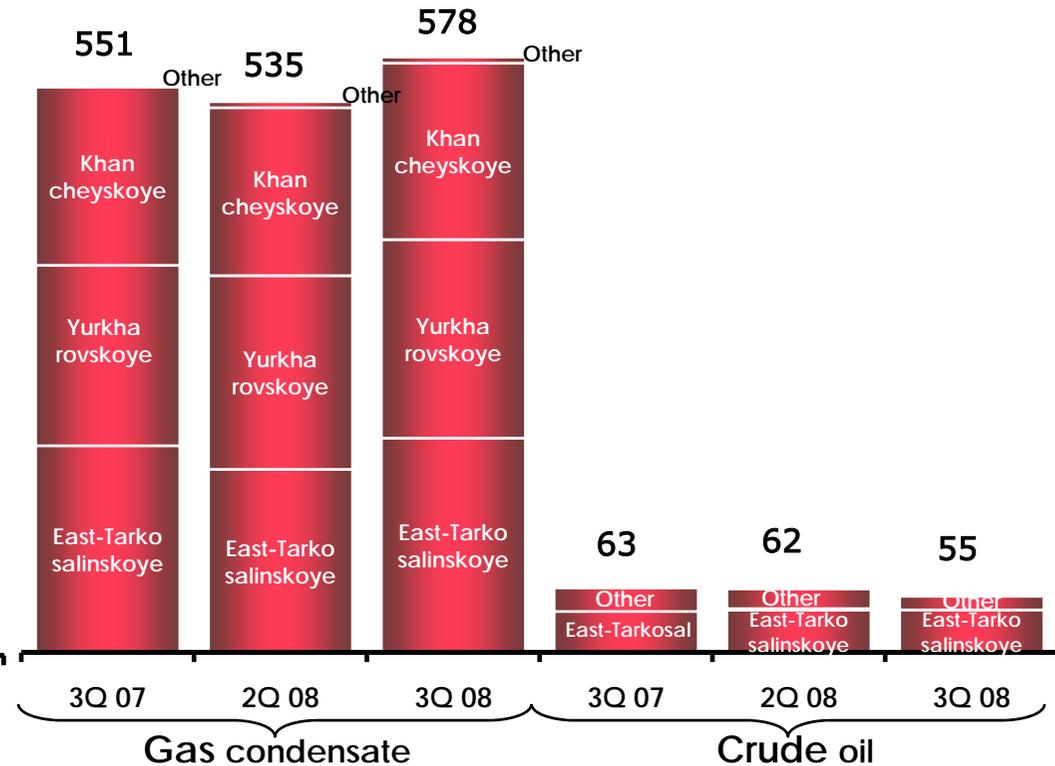
# Operational Overview

# Hydrocarbon production

Natural gas production, mmcm



Liquids production, mt



• Y-o-Y increase was primarily due to:  
 - 39.5% growth at our East-Tarkosalinskoye field as a result of restoration of normal production levels  
 - 12.7% increase due to organic growth at our Yurkharovskoye field

• Y-o-Y increase in gas condensate production due to the production capacity expansion at our Yurkharovskoye field related to the field's second phase of development

# Purovsky Plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered: 558 mt**
  - East-Tarkosalinskoye and Khancheyevskoye fields: 379 mt (100% of net production)
  - Yurkharovskoye: 176 mt (91% of net production)
- ❑ **Total plant output 554 mt**
  - stable gas condensate: 397 mt
  - LPG: 157 mt
- ❑ **Plant capacity**
  - Approximately 100%
- ❑ **6 Tankers dispatched from Vitino Sea Port Terminal (SGC)**
  - 5 tankers to US markets ~ 275 mt
  - 1 tanker to European markets ~ 56 mt
- ❑ **Inventory reconciliation**
  - 2 tankers in transit ~ 106 mt
  - Rail road cisterns and port storage facilities ~ 99 mt
  - Plant storage facilities ~ 11 mt
- ❑ **Majority of LPG volumes sold on the domestic market - 80%**

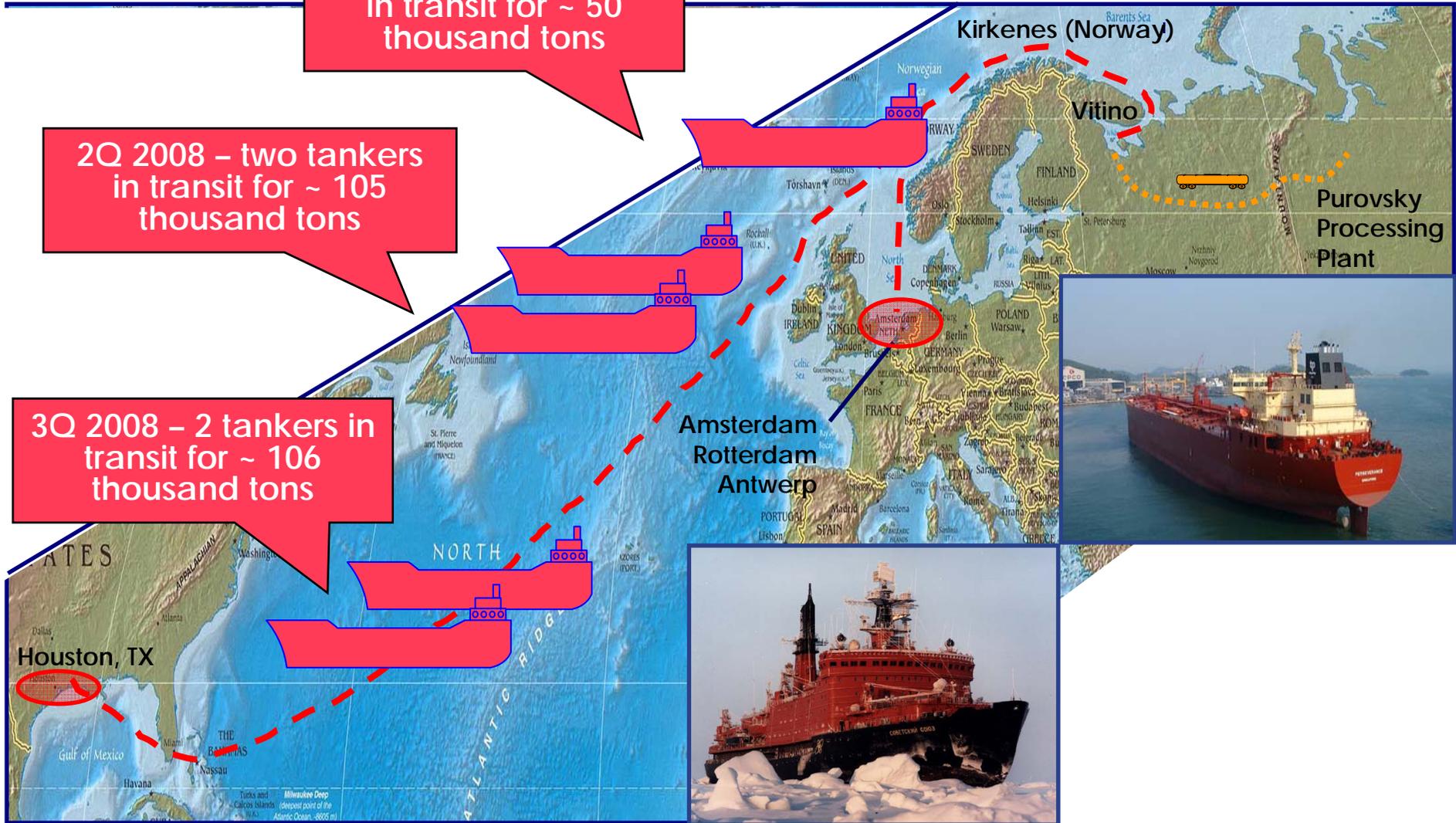


# Stable gas condensate in transit

3Q 2007 – one tanker in transit for ~ 50 thousand tons

2Q 2008 – two tankers in transit for ~ 105 thousand tons

3Q 2008 – 2 tankers in transit for ~ 106 thousand tons



## Financial Overview - 3Q 08 vs. 3Q 07

## Another record quarter (RR million)

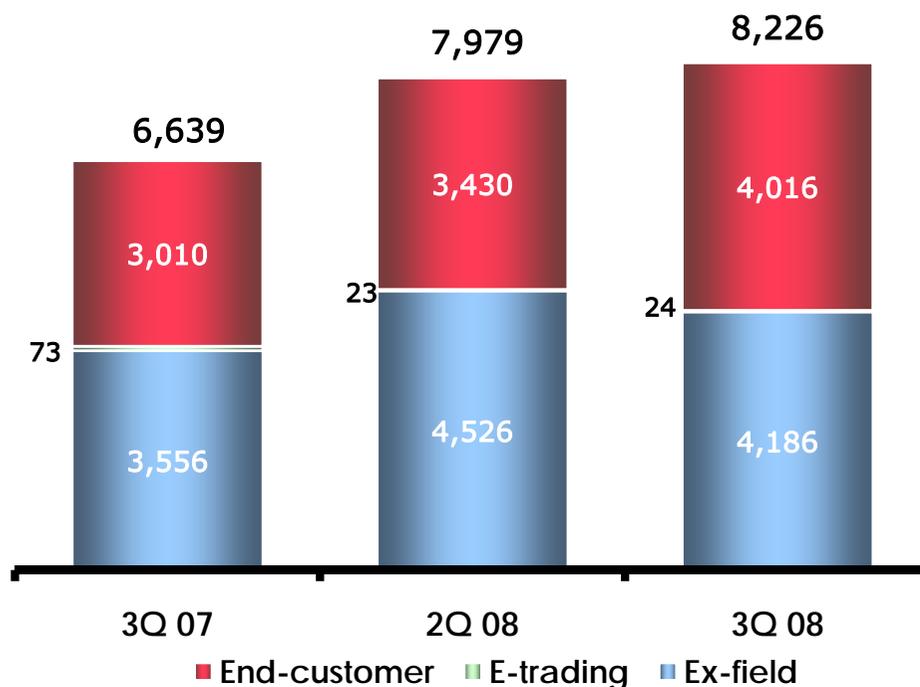
3Q 07	3Q 08	+ /(-)	+ /(-)%		2Q 08	3Q 08	+ /(-)	+ /(-)%
14,695	19,437	4,742	32.3%	<b>Oil and gas sales</b>	20,411	19,437	(974)	-4.8%
15,210	20,452	5,242	34.5%	<b>Total revenues &amp; other income</b>	21,157	20,452	(705)	-3.3%
8,539	11,936	3,397	39.8%	<b>Operating expenses</b>	11,822	11,936	114	1.0%
7,602	9,633	2,031	26.7%	<b>EBITDA <sup>(1)</sup></b>	10,339	9,633	(706)	-6.8%
50.0%	47.1%	-	-	<b>EBITDA margin</b>	48.9%	47.1%	-	-
23.3%	24.1%	-	-	<b>Effective income tax rate</b>	24.1%	24.1%	-	-
5,119	5,682	563	11.0%	<b>Profit attributable to NOVATEK</b>	7,053	5,682	(1,371)	-19.4%
33.7%	27.8%	-	-	<b>Net profit margin</b>	33.3%	27.8%	-	-
1.69	1.87	0.18	10.7%	<b>Earnings per share</b>	2.32	1.87	(0.45)	-19.4%
5,908	9,784	3,876	65.6%	<b>CAPEX</b>	9,470	9,784	314	3.3%
(4,724)	9,789	n/m	n/m	<b>Net debt (cash) <sup>(2)</sup></b>	2,997	9,789	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. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

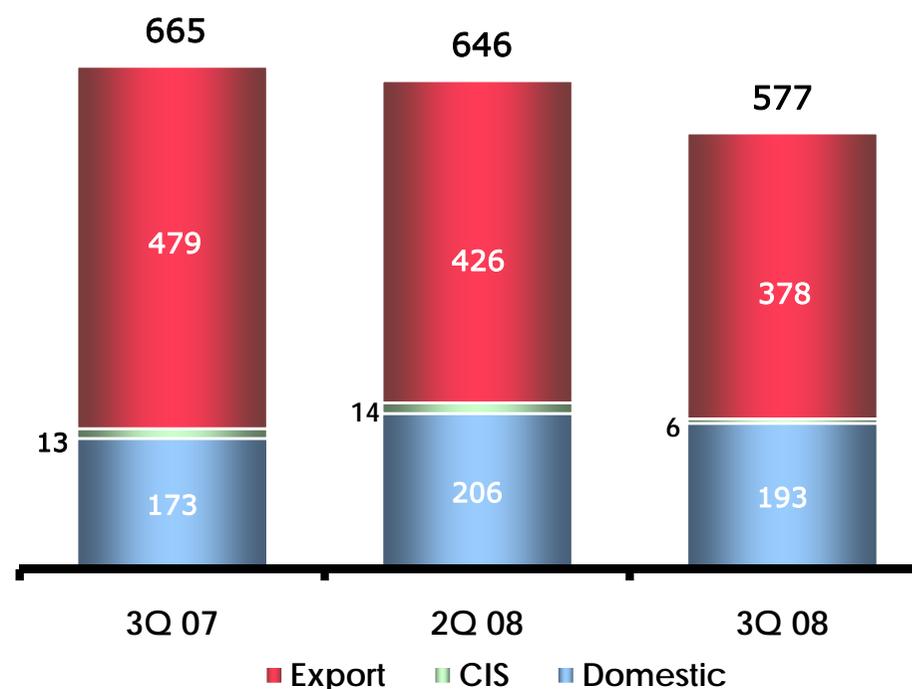
# Market distribution – sales volumes

Natural gas, mmcm



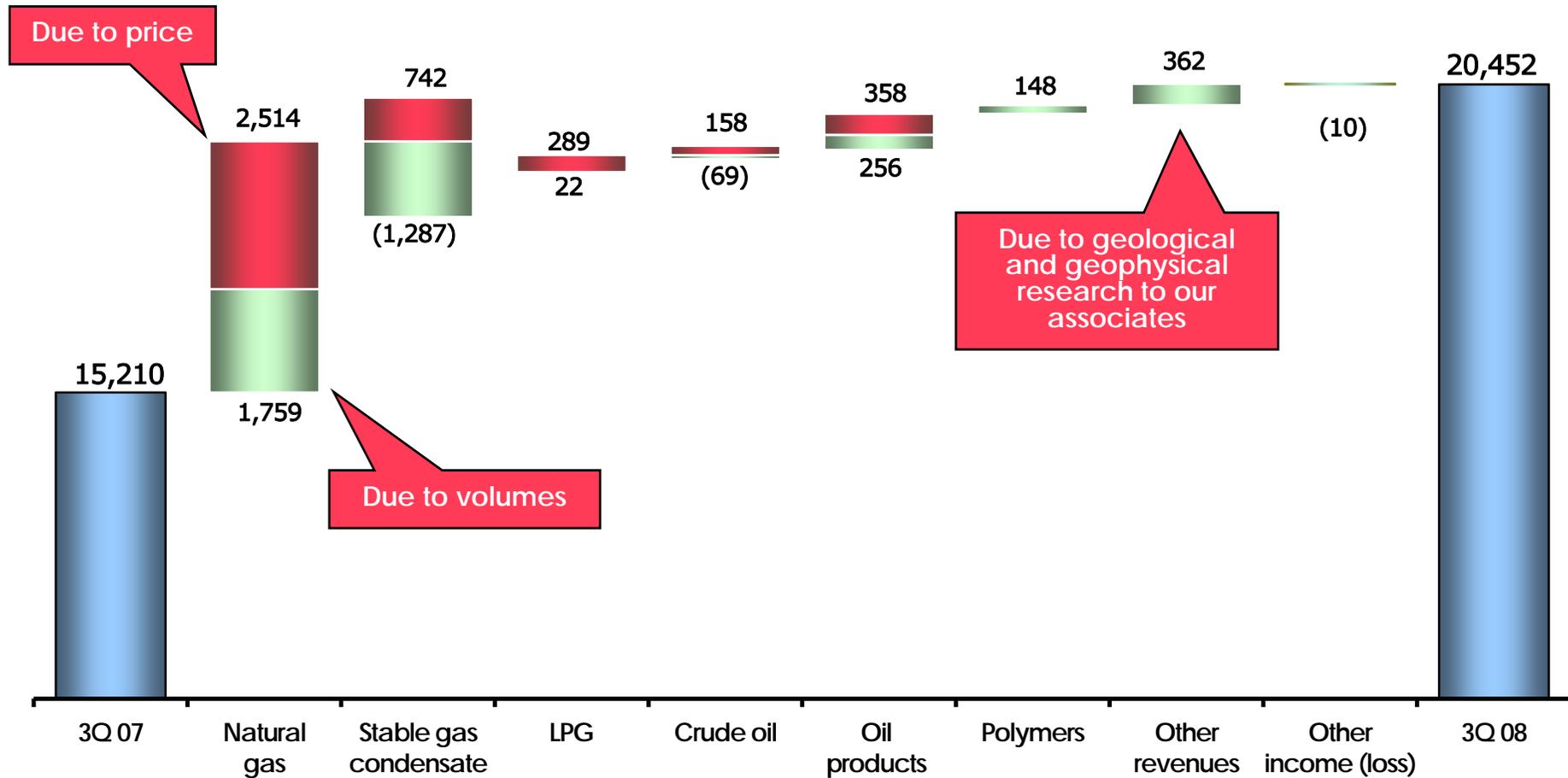
- Y-o-Y and Q-o-Q change due to an increase in natural gas production volumes at our East-Tarkosalinskoye and Yurkharovskoye fields

Liquids, mt



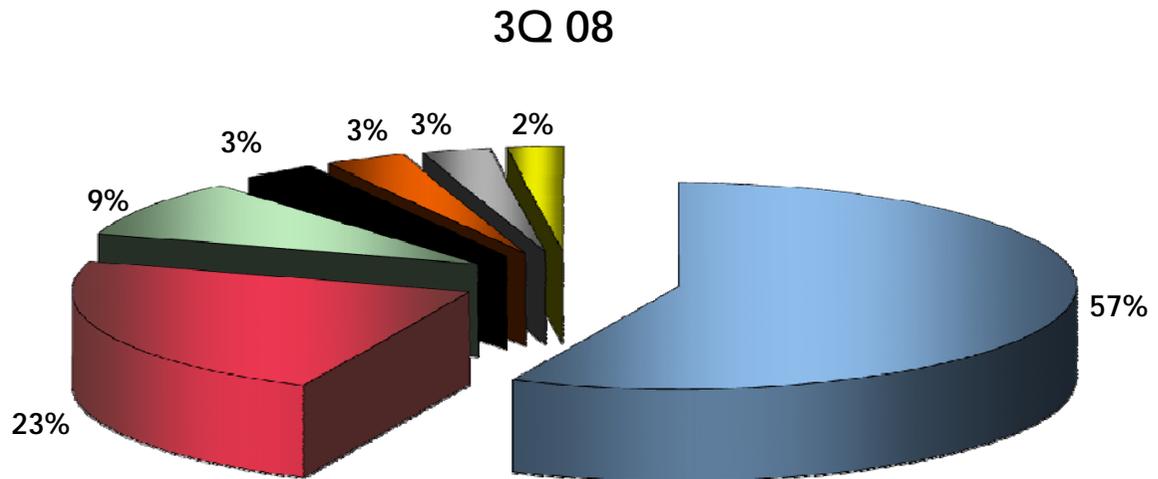
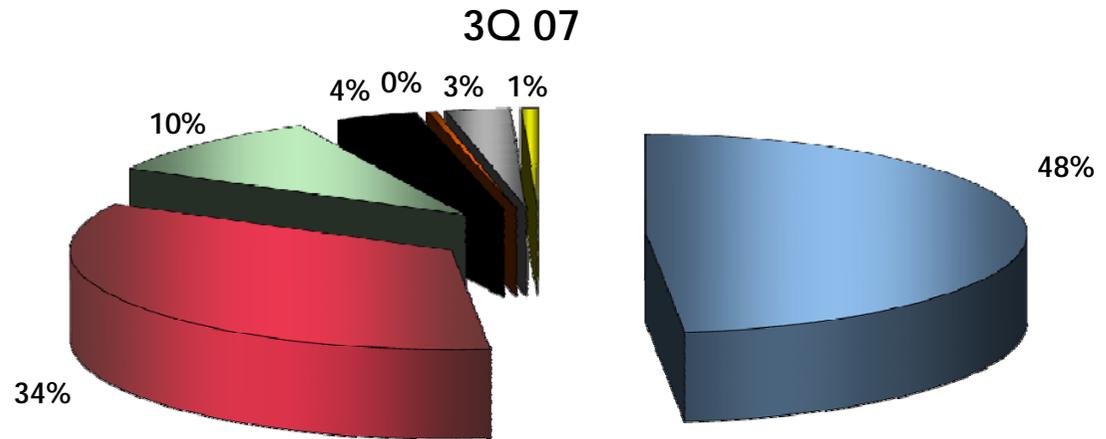
- Y-o-Y growth in domestic sales was due to LPG and crude oil
- Y-o-Y decrease in export sales primarily due to SGC inventory balance increase at 30 September 2008 and nil sales of crude oil in 3q 08
- In 2008 we sold 100% of crude oil volumes on the domestic market due to our ability to achieve higher margins as compared with export sales

# Revenues and other income (RR million)



# Total revenues breakdown

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



# Realized hydrocarbon prices (net of VAT and export duties)

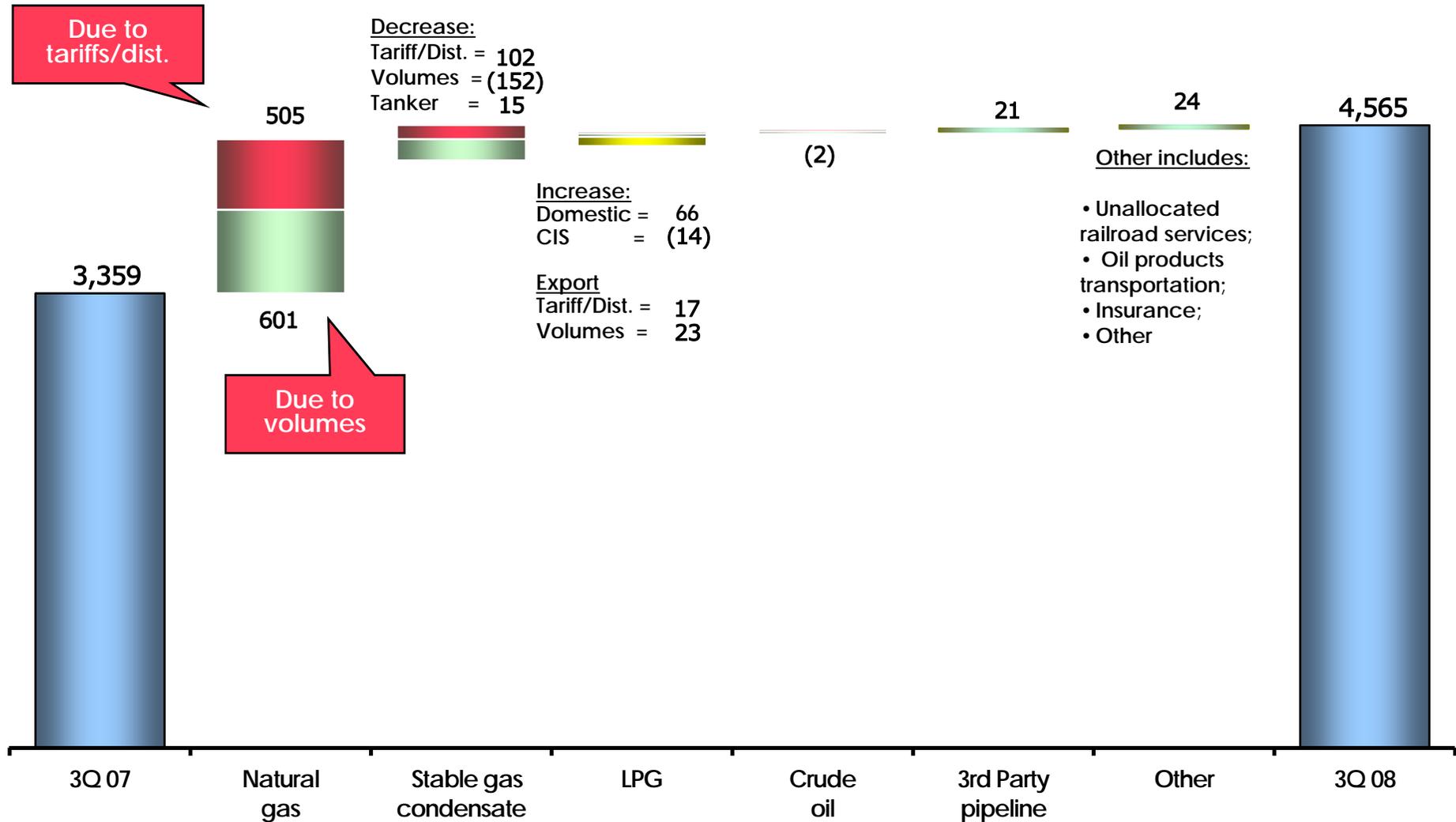
3Q 07	3Q 08	+ /(-)	+ /(-)%		2Q 08	3Q 08	+ /(-)	+ /(-)%
<u>Domestic prices</u>								
1,509	1,850	341	22.6%	Natural gas end-customers, RR/mcm	1,842	1,850	8	0.4%
1,130	1,382	252	22.3%	Natural gas e-trading, RR/mcm	1,327	1,382	55	4.1%
770	996	226	29.4%	Natural gas ex-field, RR/mcm	970	996	26	2.7%
6,936	9,632	2,696	38.9%	Crude oil, RR/ton	9,076	9,632	556	6.1%
9,668	11,300	1,632	16.9%	LPG, RR/ton	10,236	11,300	1,064	10.4%
6,552	7,245	693	10.6%	Oil products, RR/ton	4,126	7,245	3,119	75.6%
<u>CIS market</u>								
11,210	14,949	3,739	33.4%	LPG, RR/ton	11,786	14,949	3,163	26.8%
<u>Export market</u>								
11,995	14,251	2,256	18.8%	Stable gas condensate, RR/ton	17,098	14,251	(2,847)	-16.7%
7,634	-	n/m	n/m	Crude oil, RR/ton	-	-	n/m	n/m
12,702	15,361	2,659	20.9%	LPG, RR/ton	13,160	15,361	2,201	16.7%

# Operating expenses (RR million and % of total revenues (TR))

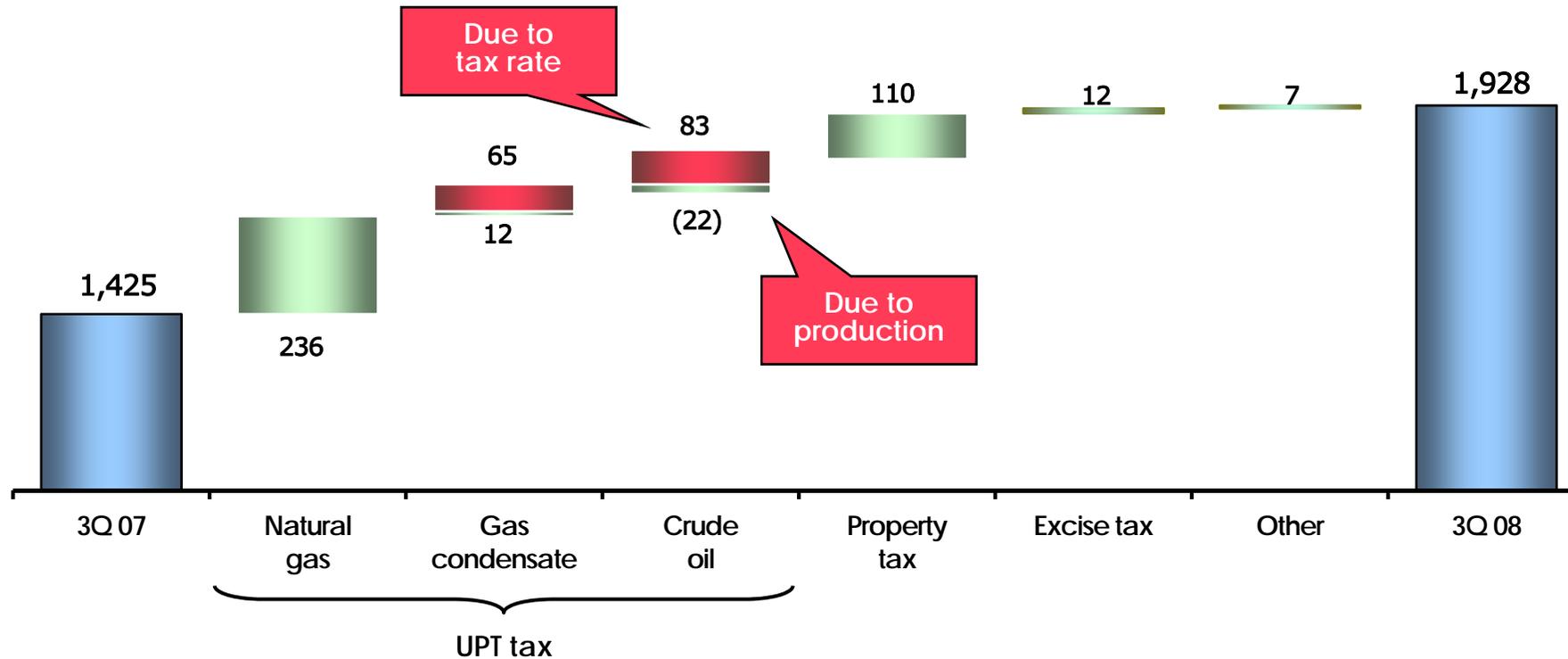
3Q 07	% of TR	3Q 08	% of TR		2Q 08	% of TR	3Q 08	% of TR
3,359	22.1%	4,565	22.3%	Transportation expenses	4,229	19.8%	4,565	22.3%
1,425	9.4%	1,928	9.4%	Taxes other than income tax	1,792	8.4%	1,928	9.4%
4,784	31.5%	6,493	31.7%	<b>Non-controllable expenses</b>	6,021	28.2%	6,493	31.7%
1,172	7.7%	1,642	8.0%	Materials, services & other	1,743	8.2%	1,642	8.0%
913	6.0%	1,336	6.5%	General and administrative	1,516	7.1%	1,336	6.5%
850	5.6%	1,085	5.3%	Depreciation and amortization	984	4.6%	1,085	5.3%
48	0.3%	219	1.1%	Exploration expenses	185	0.9%	219	1.1%
50	n/m	30	n/m	Net impairment expense	10	n/m	30	n/m
51	n/m	5	n/m	Change in natural gas, liquids, and polymer products and WIP	(269)	n/m	5	n/m
7,868	51.7%	10,810	52.8%	<b>Subtotal operating expenses</b>	10,190	47.8%	10,810	52.8%
671	4.4%	1,126	5.5%	Purchases of natural gas and liquid hydrocarbons	1,632	7.6%	1,126	5.5%
8,539	56.1%	11,936	58.3%	<b>Total operating expenses</b>	11,822	55.4%	11,936	58.3%

- ❑ Transportation expenses increased Y-o-Y due to higher natural gas sales volumes to end-customers and higher transportation tariffs
- ❑ Taxes other than income tax increased Y-o-Y due to UPT (mainly natural gas) and property tax increase
- ❑ Y-o-Y purchases of natural gas and liquids increased by RR 455 million, or 68%, mainly due to purchases of oil products (naphtha) on the international markets for resale and purchase of natural gas to meet local market demand
- ❑ G&A expenses increase Y-o-Y by RR 423 million, or 46.3%, was primarily due to higher bonuses paid to administrative employees in the 2008 period
- ❑ Increase in operating expenses Q-o-Q was due to an increase in transportation expenses and taxes other than income tax that was partially offset by a decrease in purchases of naphtha and lower G&A expenses

# Transportation expenses (RR million)

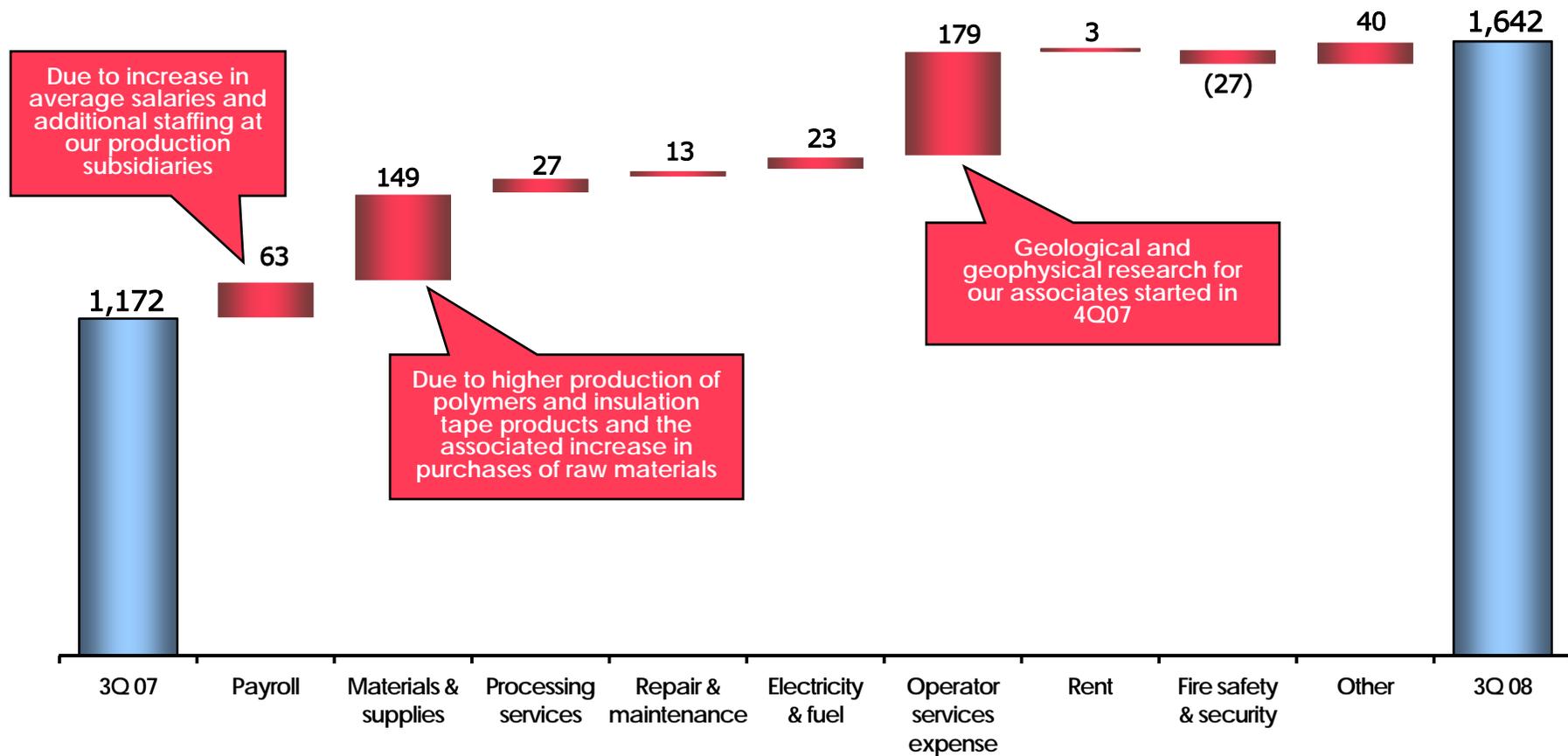


# Taxes other than income tax (RR million)

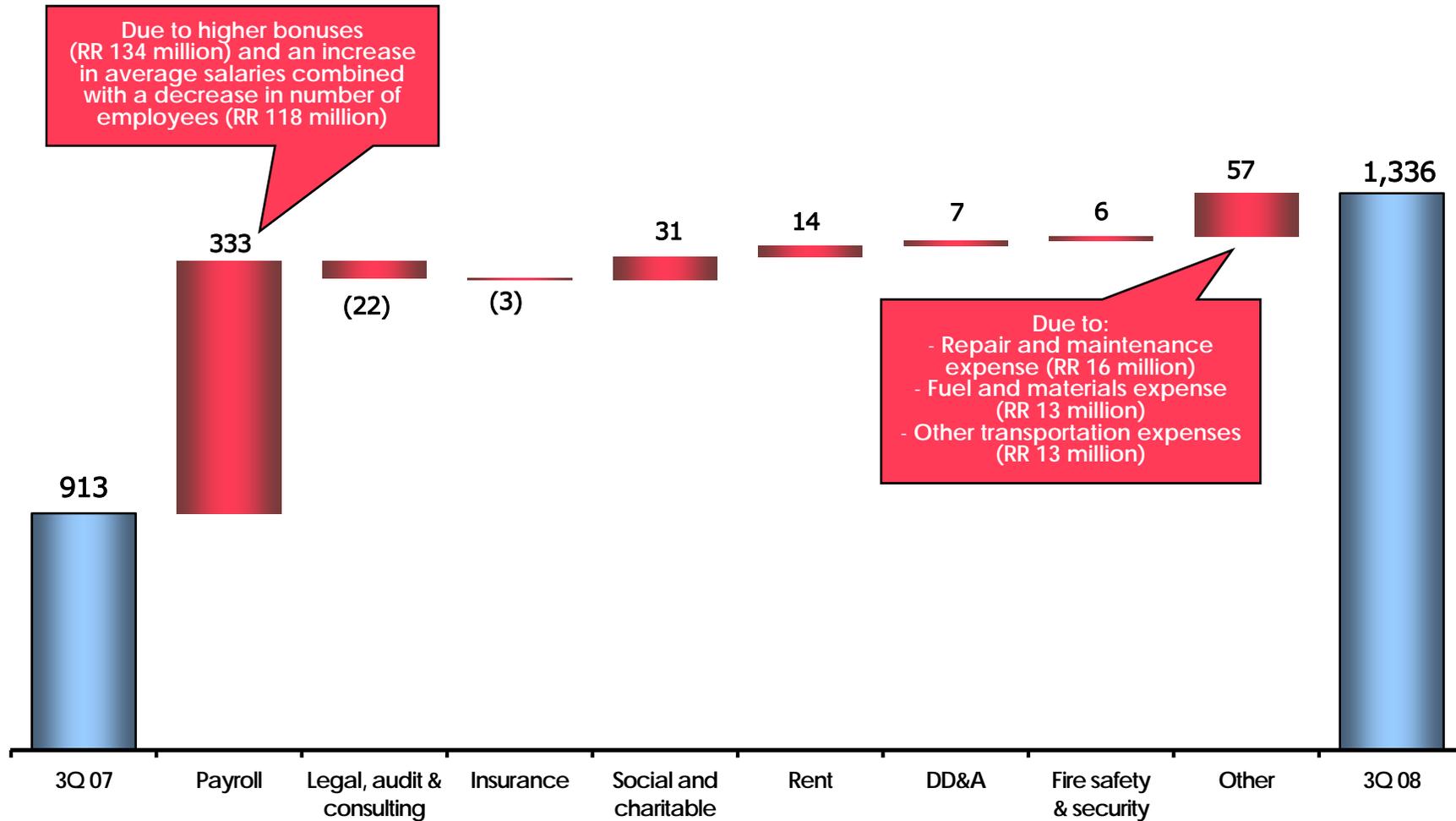


- ❑ The increase in UPT tax by RR 374 million, or 29.1%, was primarily due to an increase in natural gas production volumes
- ❑ Our crude oil production tax rate increased by 57.6% (or from RR 2,639 per ton in 3Q07 to RR 4,158 per ton in 3Q08)
- ❑ Natural gas accounted for RR 1,112 million of UPT tax in 3Q08 while liquids accounted for RR 548 million
- ❑ Property tax expense increased by RR 110 million, or 90.2%, due to additions of PPE at our production subsidiaries. A re-assessment of the existing tax base resulted in an additional property tax expense of RR 71 million

# Materials, services and other (RR million)



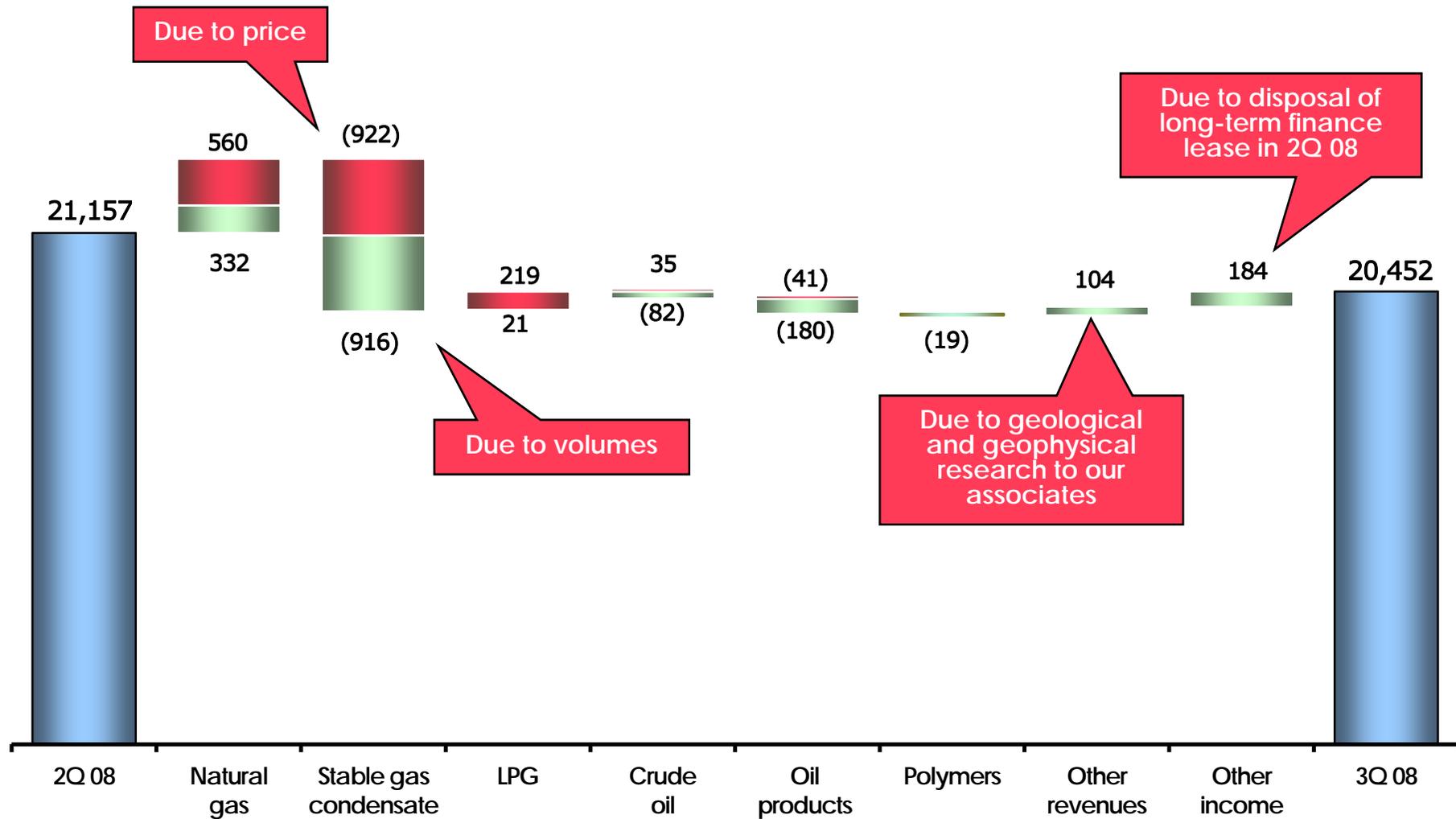
# General and administrative expenses (RR million)



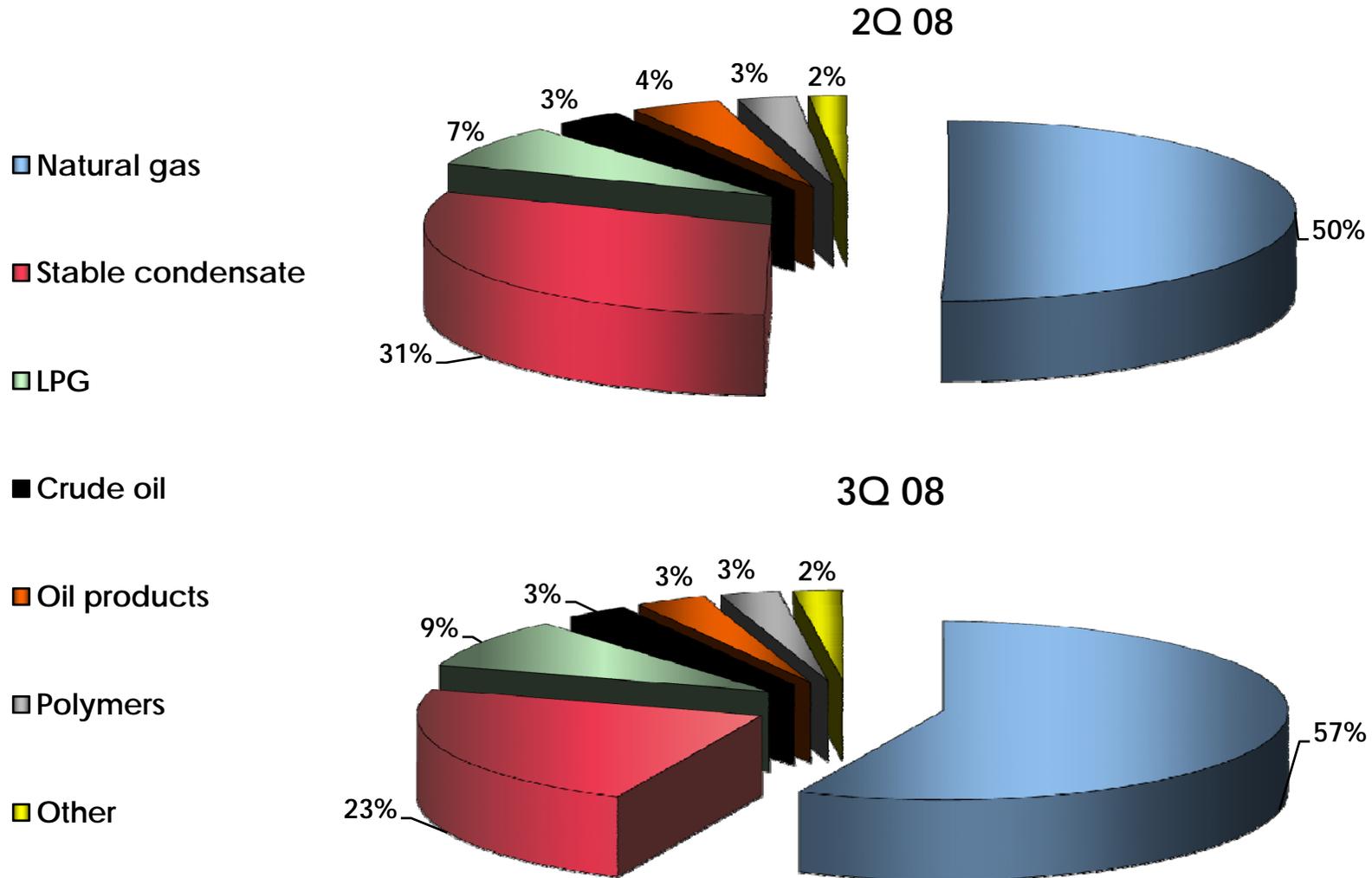
# Appendices

## Financial Overview – 3Q 08 vs. 2Q 08

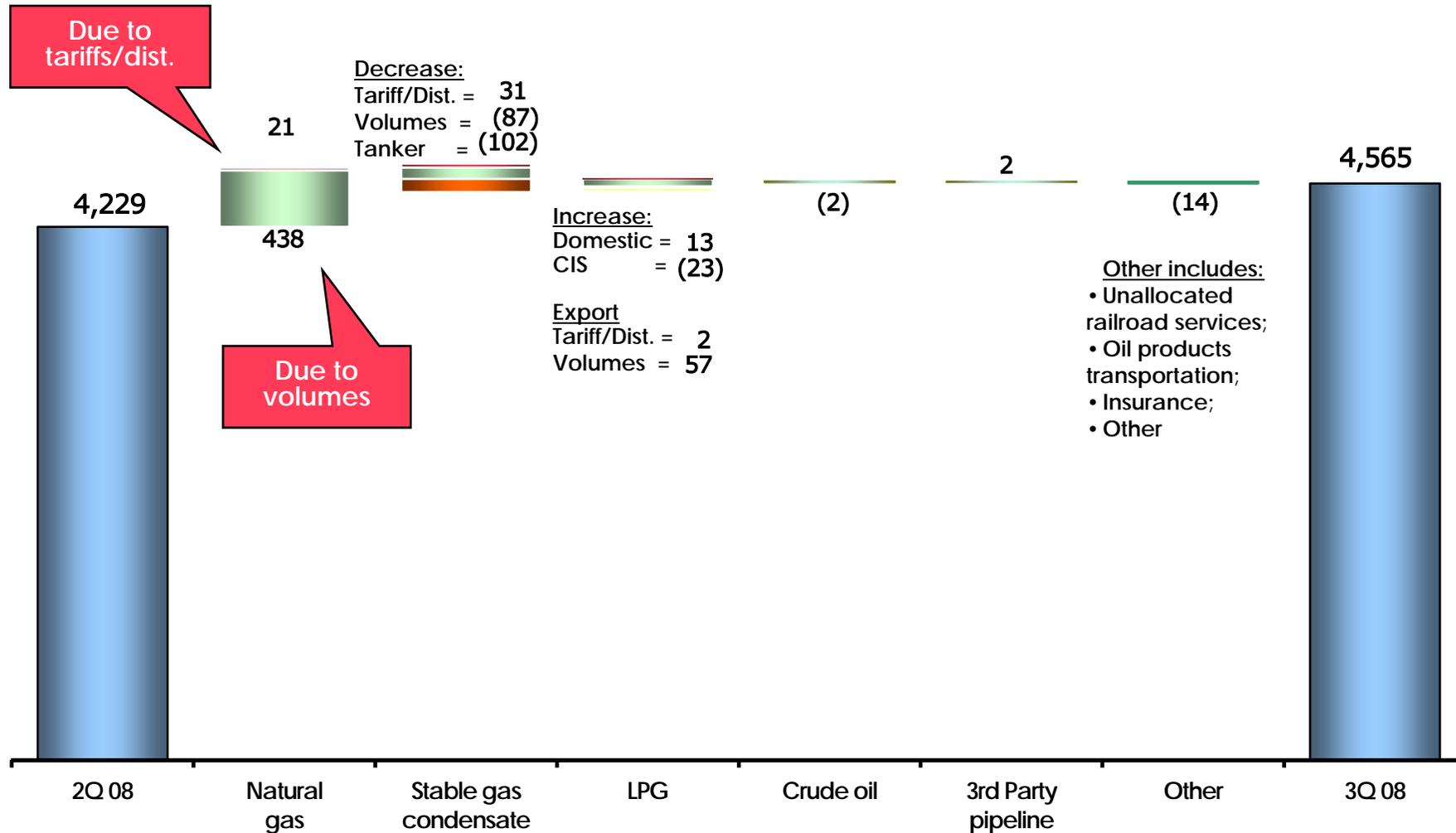
# Revenues and other income (RR million)



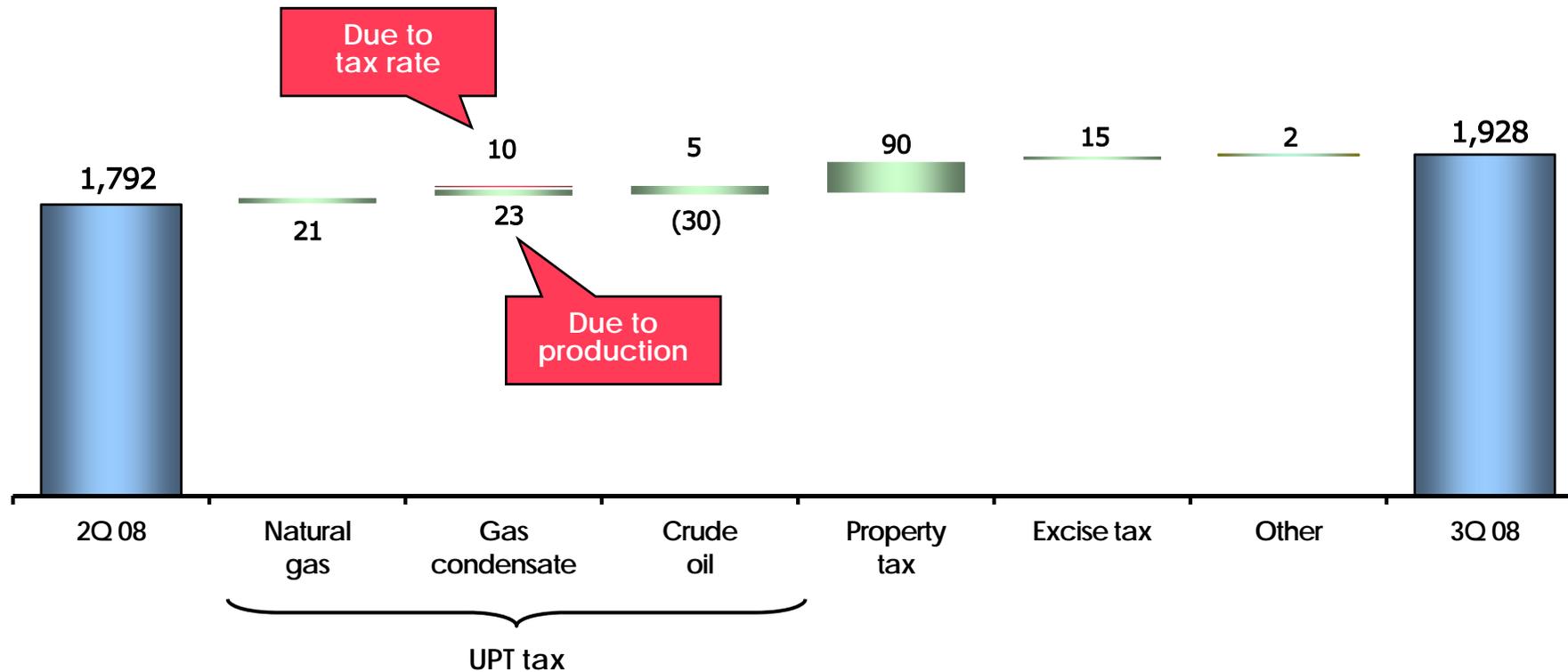
# Total revenues breakdown



# Transportation expenses (RR million)

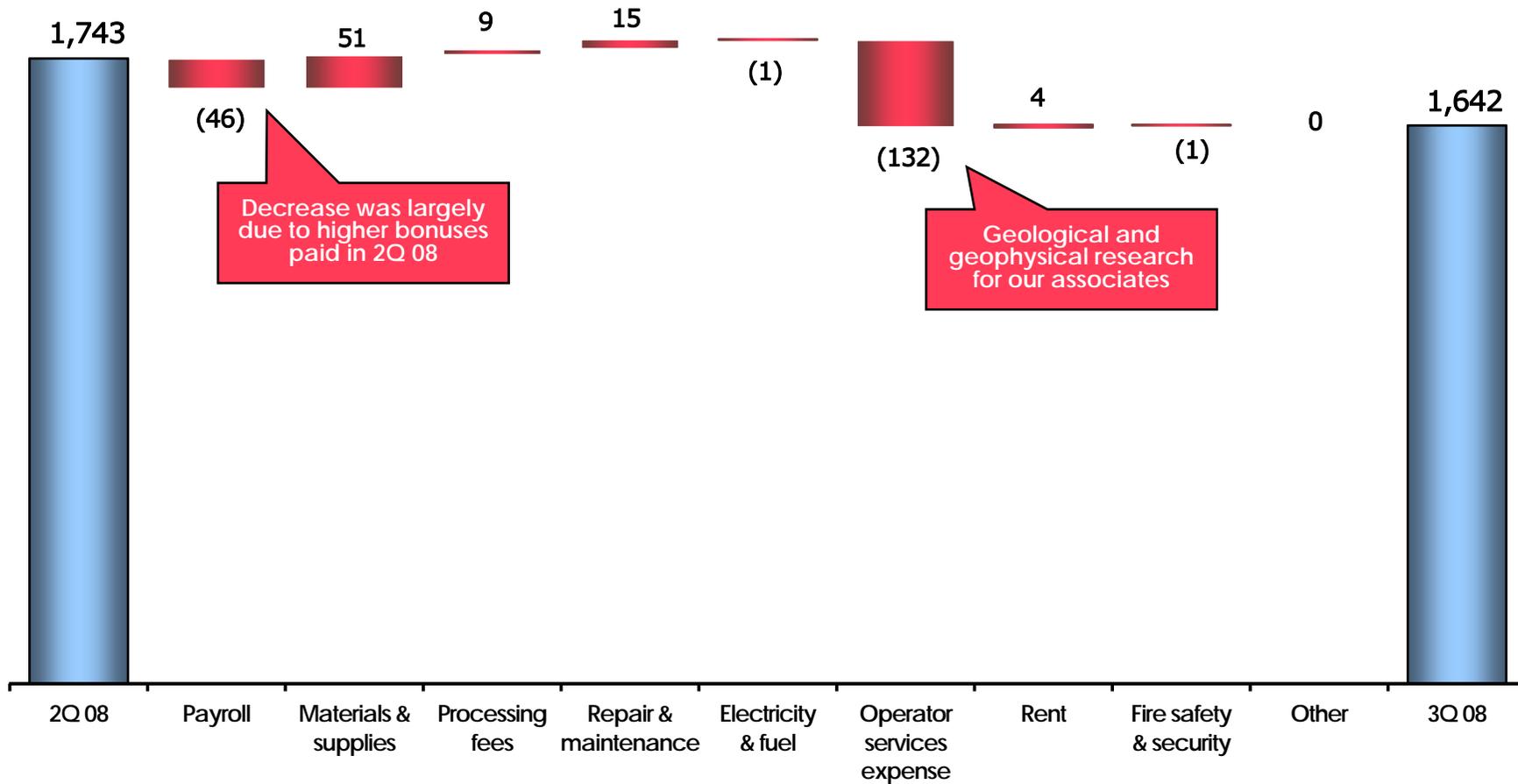


# Taxes other than income tax (RR million)

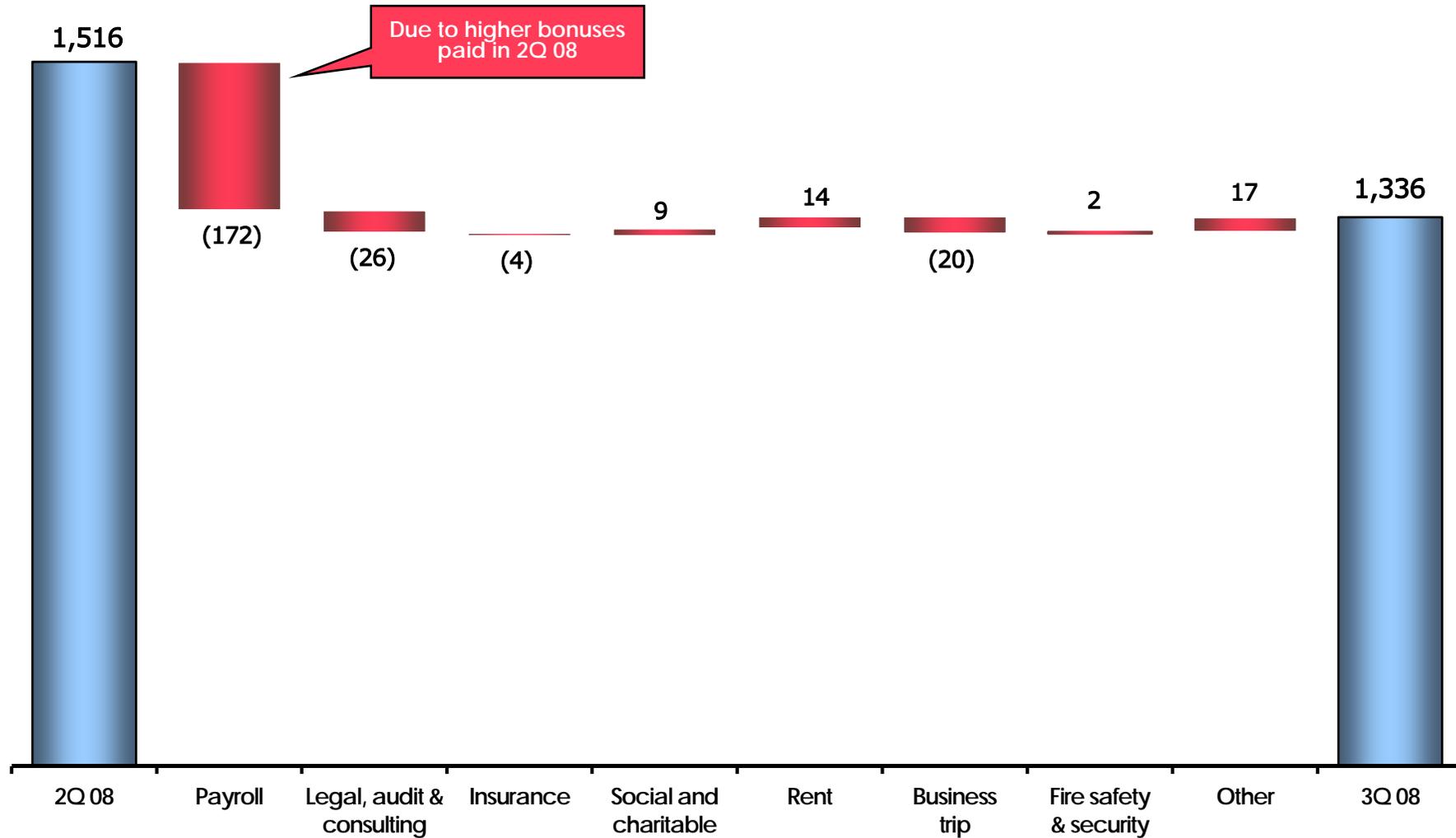


- ❑ The increase in UPT tax by RR 29 million, or 1.8%, was primarily due to an increase in natural gas and gas condensate production by 2.1% and 8.2% respectively
- ❑ Our crude oil production tax rate increased by 2.2% (or from RR 4,066 per ton in 2Q08 to RR 4,158 per ton in 3Q08 RR)
- ❑ Property tax expense increased by RR 90 million, or 63.4%, mainly due to the re-assessment of existing tax base which resulted in an additional property tax expense of RR 71 million

# Materials, services and other (RR million)

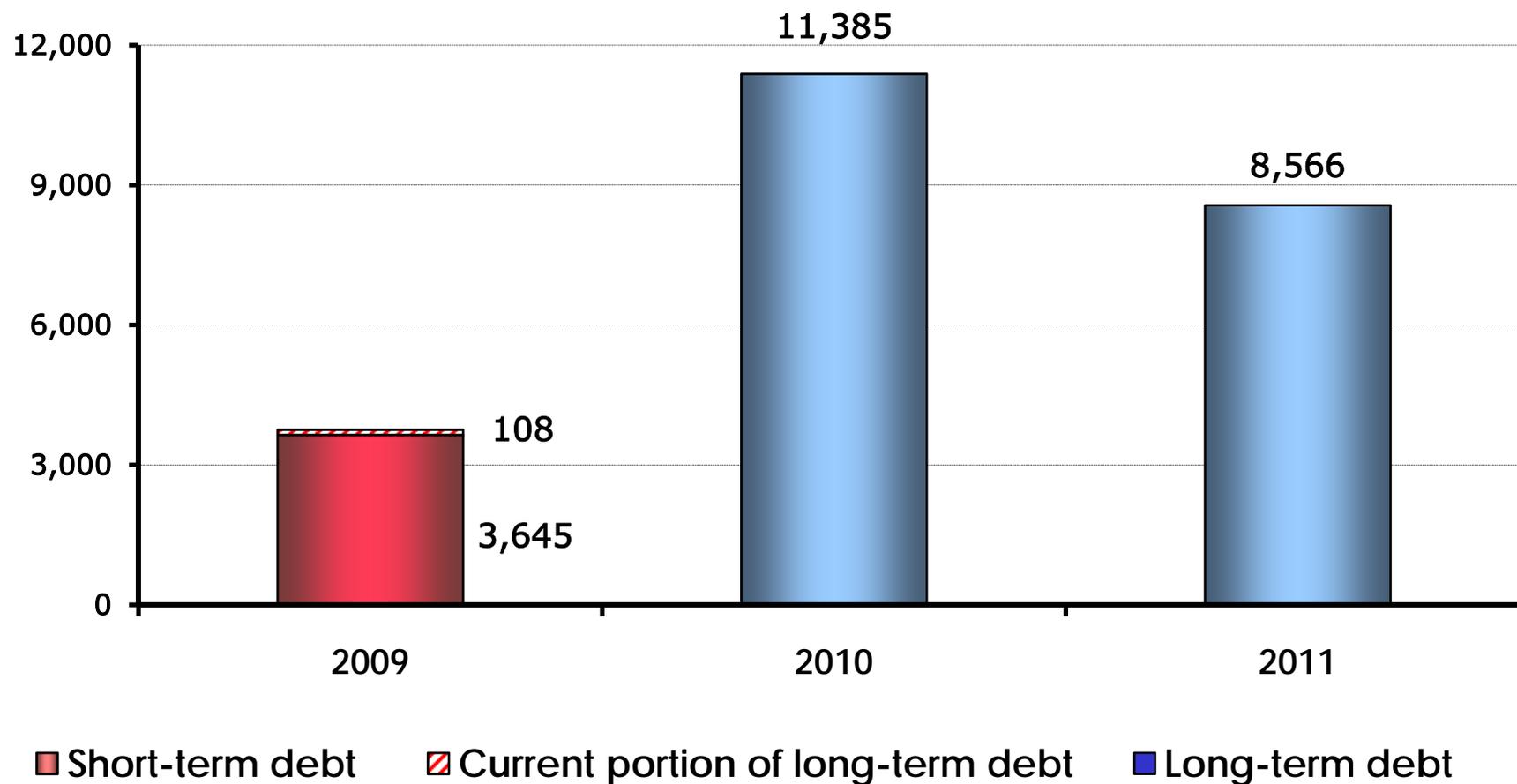


# General and administrative expenses (RR million)



## Miscellaneous Information

## Total debt maturity profile (RR million)



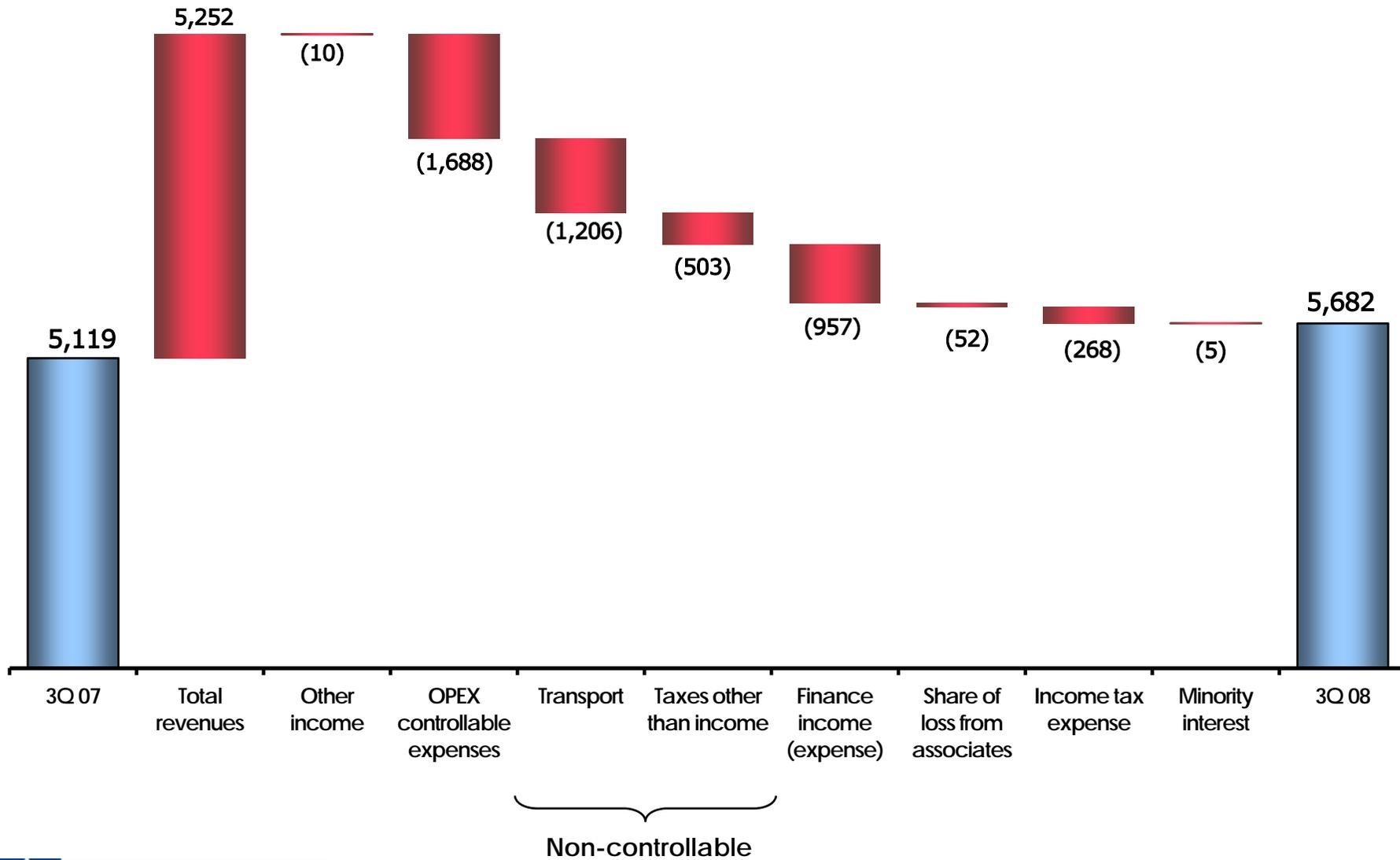
Notes:

*Current debt maturity profile at 30 September 2008 with the repayment in 12 months, ended 30 September 2009, 2010, 2011*

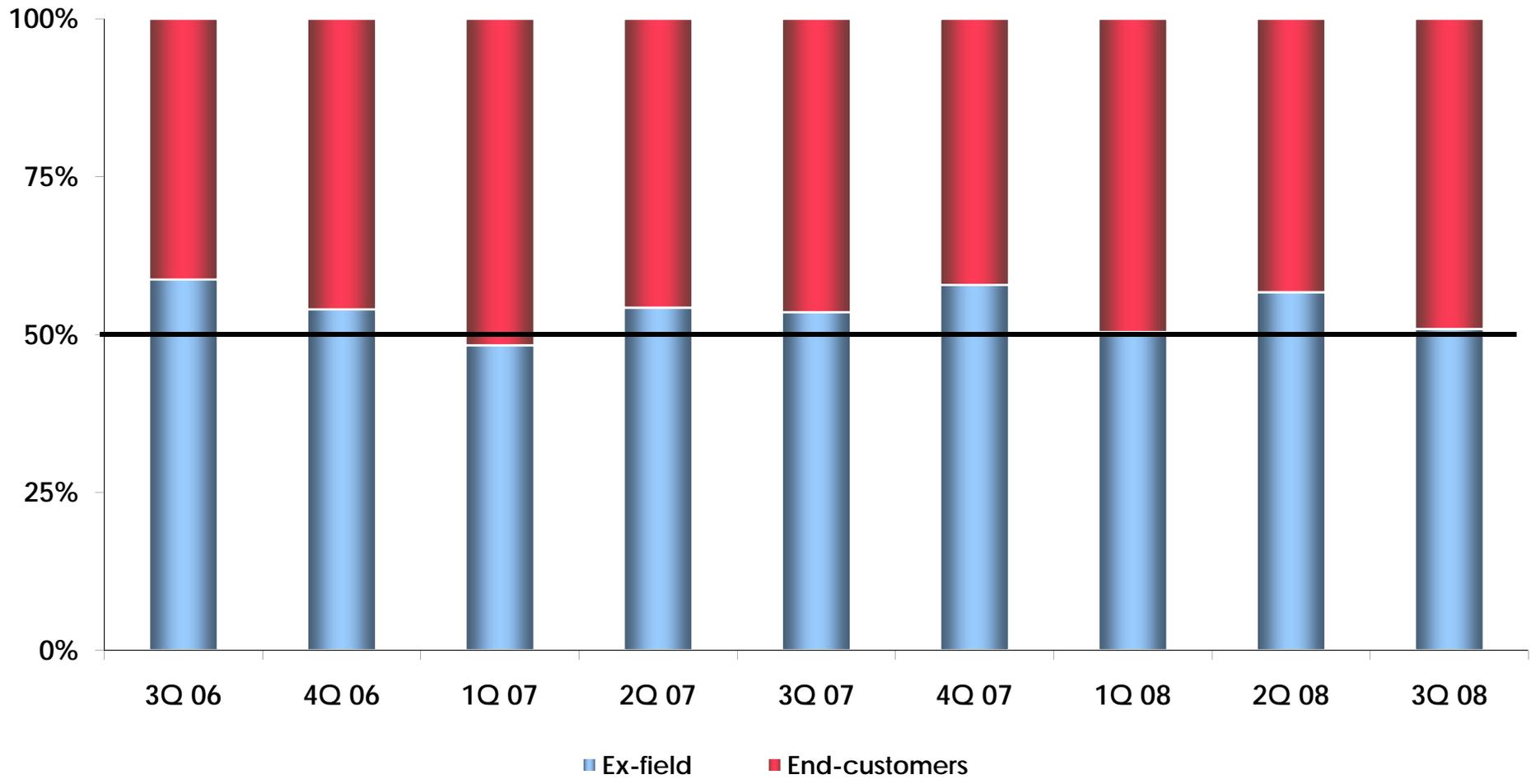
## Condensed balance sheet (RR million)

	30 September 2008	31 December 2007	+ / (-)	+ / (-)%
<b>Total current assets</b>	<b>29,526</b>	<b>17,038</b>	<b>12,488</b>	<b>73.3%</b>
<i>Incl. Cash and cash equivalents</i>	<i>13,915</i>	<i>3,982</i>	<i>9,933</i>	<i>249.4%</i>
<b>Total non-current assets</b>	<b>108,990</b>	<b>86,937</b>	<b>22,053</b>	<b>25.4%</b>
<i>Incl. Net PP&amp;E</i>	<i>105,091</i>	<i>82,669</i>	<i>22,422</i>	<i>27.1%</i>
<b>Total assets</b>	<b>138,516</b>	<b>103,975</b>	<b>34,541</b>	<b>33.2%</b>
<b>Total current liabilities</b>	<b>10,877</b>	<b>12,075</b>	<b>(1,198)</b>	<b>-9.9%</b>
<i>Incl. ST debt</i>	<i>3,753</i>	<i>6,560</i>	<i>(2,807)</i>	<i>-42.8%</i>
<b>Total non-current liabilities</b>	<b>30,347</b>	<b>10,088</b>	<b>20,259</b>	<b>200.8%</b>
<i>Incl. Deferred income tax liability</i>	<i>8,306</i>	<i>8,083</i>	<i>223</i>	<i>2.8%</i>
<i>Incl. LT debt</i>	<i>19,951</i>	<i>42</i>	<i>19,909</i>	<i>n/m</i>
<b>Total liabilities</b>	<b>41,224</b>	<b>22,163</b>	<b>19,061</b>	<b>86.0%</b>
<b>Total equity</b>	<b>97,292</b>	<b>81,812</b>	<b>15,480</b>	<b>18.9%</b>
<b>Total liabilities &amp; equity</b>	<b>138,516</b>	<b>103,975</b>	<b>34,541</b>	<b>33.2%</b>

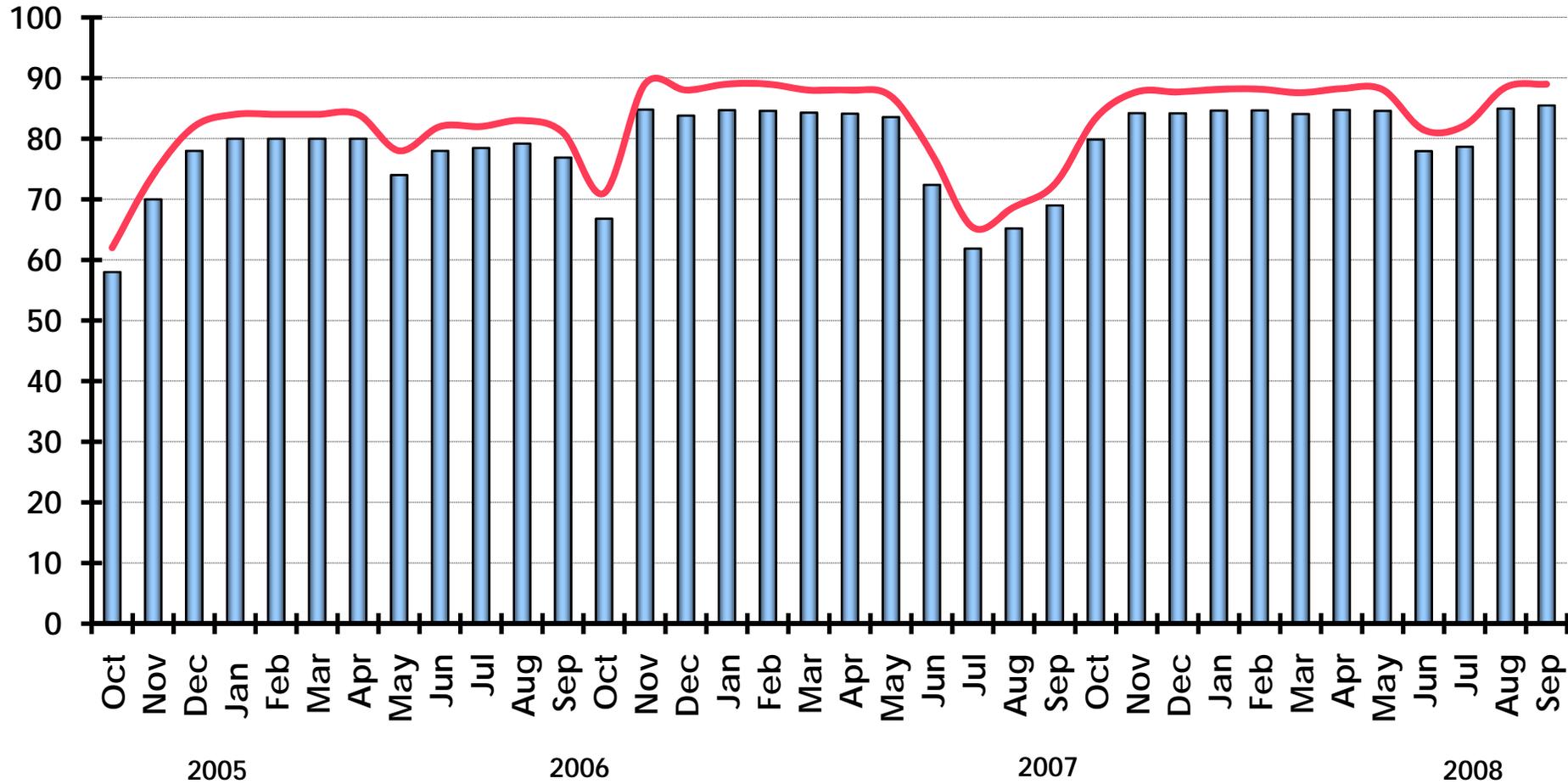
# Profit attributable to NOVATEK shareholders (RR million)



# Natural gas sales volume mix



# Increasing natural gas production (mcm 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

3Q 08 Avg.  
83 mmcm/day  
2,930 bcf/day

