



Dividend Policy

NOVATEK formalized its dividend policy in its IPO Prospectus dated 21 July 2005. The company's dividend policy is summarized as follows:

At least 15% of the unconsolidated annual net income of OAO NOVATEK calculated in accordance with Russian accounting standards through 2007, and at least 30% of the unconsolidated annual net income of OAO NOVATEK calculated in accordance with Russian accounting standards for 2008 and thereafter. NOVATEK will seek to adopt a dividend pay-out policy to ensure that the company does not retain excessive net cash balances. In any one year, however, the dividends paid to shareholders may be lower or higher than the 15% in respect of each of 2005, 2006 and 2007 and lower or higher than 30% in respect of 2008 and thereafter, reflecting the company's view of market conditions, as well as its operating cash flow, financing requirements, capital investments and other such factors as it may deem relevant to maintaining a flexible capital structure.

Dividend payments, if any, must be recommended by NOVATEK's Board of Directors and approved by the company's shareholders. In particular, dividends may be declared only out the company's unconsolidated annual net profits calculated under Russian accounting standards and as long as the following conditions have been met:

- The company's charter capital has been paid in full;
- The value of the company's net assets, calculated under Russian accounting standards, is not less, and would not, as a result of the proposed dividend payment, become less than the sum of its charter capital, reserve fund and the difference between the liquidation value and the par value of its issued and outstanding preferred shares;
- The company has repurchased all shares from shareholders having the right to demand repurchase;
- The company is not, and would not become as the result of the proposed dividend payment, insolvent; and
- The company's reserve fund in an amount equal to 5% of its charter capital has been funded

Dividends, if declared, are payable to NOVATEK shareholders within 60 days of the declaration unless a shorter time period is set forth by the shareholders' decision declaring the dividends. Dividends not claimed within three years of the date of payment lapse and accrue to the company. Please refer to "Description of Share Capital and Certain Requirements of Russian Legislation - Description of share Capital - Dividends" in the company's IPO Prospectus.

NOVATEK anticipates that any dividends it may pay in the future in respect of the shares represented by the GDRs will be declared and paid to the Depository in roubles and will be converted into US dollars by the Depository and distributed to holders of the GDRs, net of the Depository's fees and expenses. Accordingly, the value of dividends received by holders of the GDRs will be subject to fluctuations in the exchange rate between the rouble and the US dollar. In addition, dividends that the company may distribute to the Depository will be subject to applicable Russian withholding taxes. Please refer to "Taxation-Certain Russian Tax Law Considerations - Taxation of Dividends" and "Risk Factors - Risks Relating to the GDRs and the Trading Market - You may not be able to benefit from double tax treaties" in the company's IPO Prospectus.