



Third Quarter 2009 Operational and Financial Results Conference Call



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Moscow, Russian Federation
17 November 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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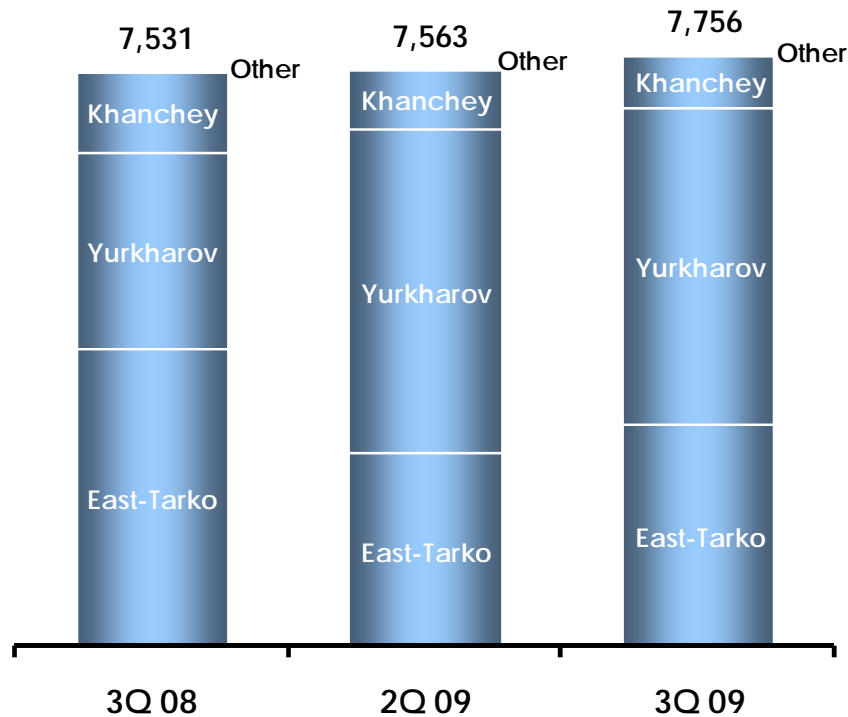
Summary Results – 3Q 2009

- ❑ **Increase in revenues and earnings** driven by higher natural gas prices and liquids sales volumes
 - Natural gas sales increased by 13.3% Y-o-Y and 2.4% Q-o-Q
 - Liquids sales increased by 3.0% Y-o-Y and decreased by 15.4% Q-o-Q
- ❑ **Cash flow from operations** increased by 55.7% Y-o-Y to RR 10,523 million from RR 6,759 million
- ❑ **Capital expenditures** related to exploration and production decreased by 59.8% Y-o-Y to RR 3,933 million
- ❑ **EPS** increased by 29.9% Y-o-Y to RR 2.43 from RR 1.87; **EBITDA** increased by 3.4% Y-o-Y and by 6.7% Q-o-Q
- ❑ **End-customer sales volumes increased** to 75.5% of total natural gas volumes sold
- ❑ **Natural gas and liquids production increased organically** due to the launch of the 1st stage of the 2nd phase development at our Yurkharovskoye field in the 3Q 08:
 - Natural gas production increased by 3.0% Y-o-Y and 2.6% Q-o-Q
 - Liquids production increased by 16.6% Y-o-Y and decreased by 2.8% Q-o-Q
- ❑ **Purovsky Plant output increased by 24.3%** Y-o-Y due to the launch of its second phase expansion in the 4Q 08

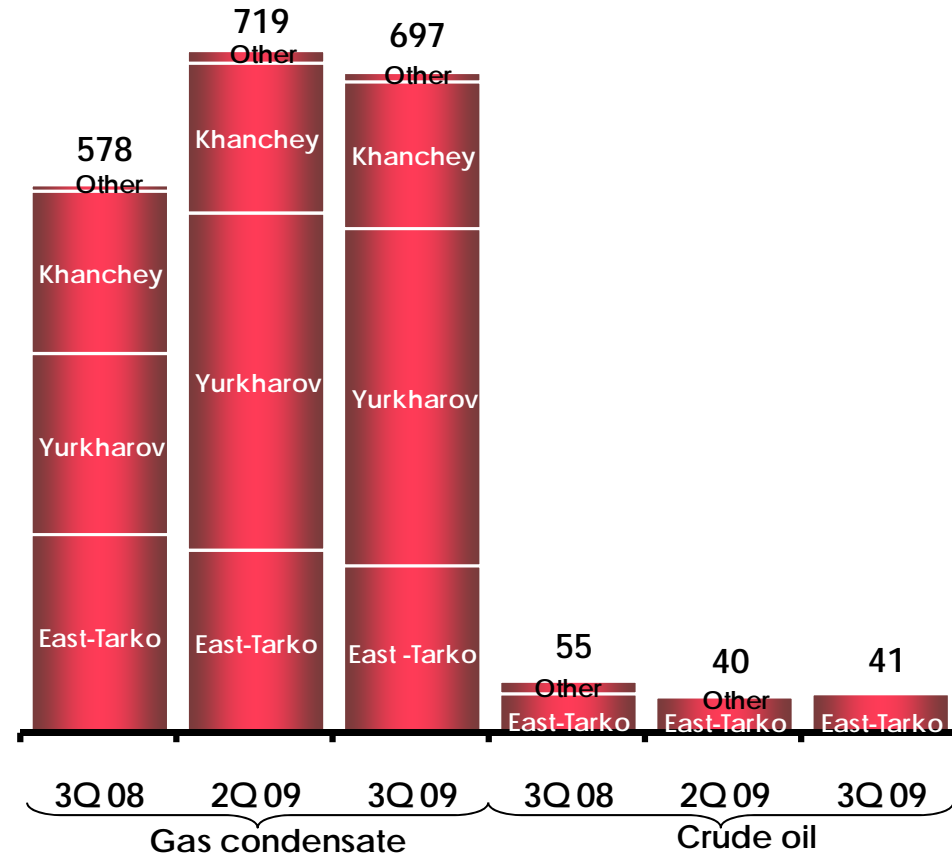
Operational Overview

Hydrocarbon Production

Natural Gas Production, mmcm



Liquids Production, mt



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

- Significant capacity increase at Yurkharov
- Offset by planned reductions at East-Tarko and Khanchey

Liquids production increased Y-o-Y due to:

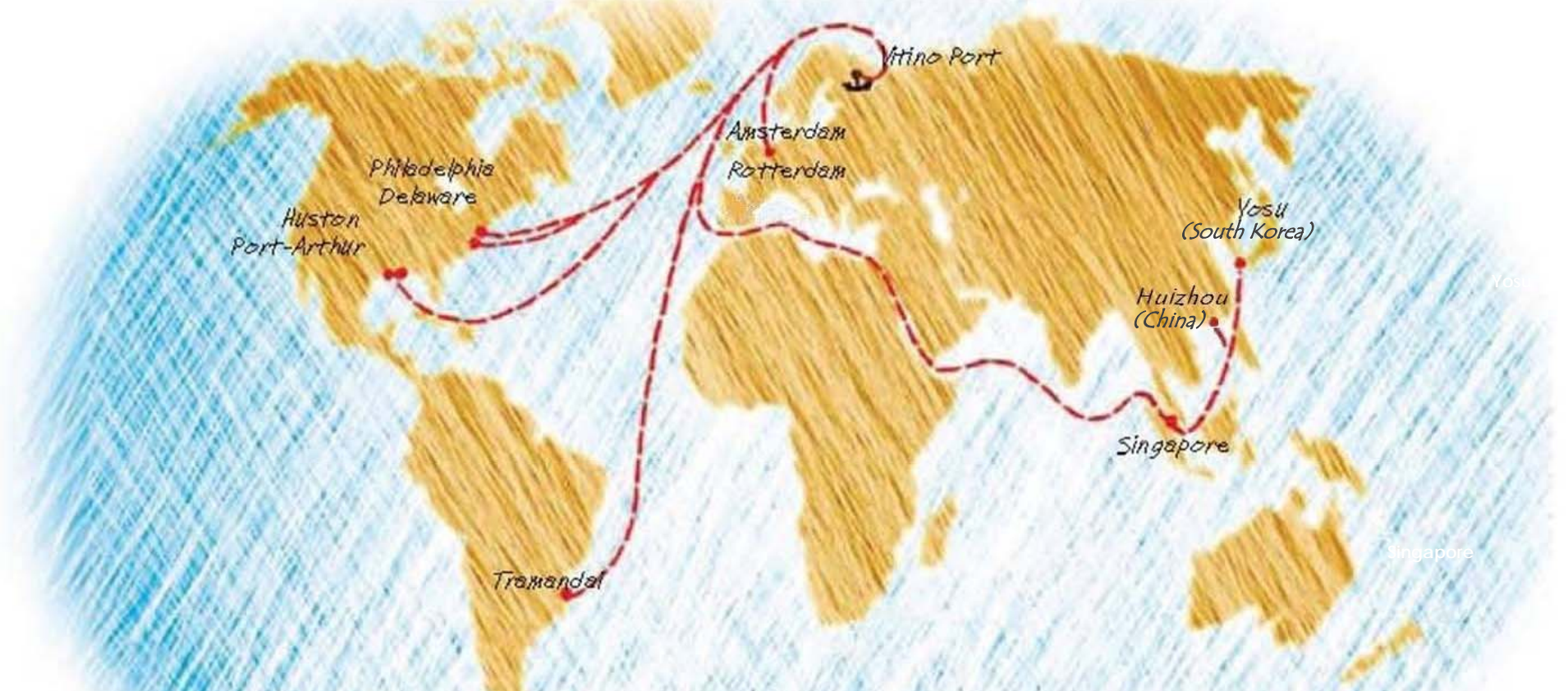
- Significant capacity increase at Yurkharov
- Offset by planned reduction of gas condensate at East-Tarko and Khanchey and a reduction in oil production at Ust-Purpeiskiy license area due to its disposal

Purovsky Plant & Vitino Sea Port Terminal

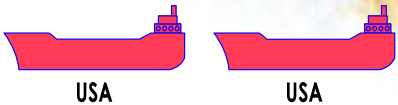
- ❑ **Total volumes delivered: 693 mt**
 - East-Tarkosalinskoye and Khancheyevskoye fields: 331 mt (100% of net production)
 - Yurkharovskoye field: 352 mt (99% of net production)
 - Other : 10 mt
- ❑ **Total plant output: 687 mt**
 - Stable gas condensate: 498 mt
 - LPG: 189 mt
- ❑ **Plant capacity: approximately 55%**
- ❑ **8 Tankers dispatched from Vitino Sea Port Terminal (SGC)**
 - 4 tankers to USA ~ 241 mt
 - 2 tankers to Singapore ~ 117 mt
 - 2 tankers to China ~ 115 mt
- ❑ **Stable gas condensate inventory reconciliation**
 - 2 tankers in transit ~ 117 mt
 - Rail road cisterns and port storage facilities ~ 58 mt
 - Plant storage facilities ~ 27 mt
- ❑ **Increase in export volumes of LPG: ~ 54% of total LPG volumes**



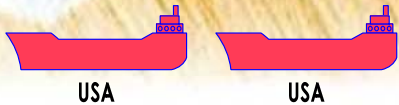
Stable Gas Condensate in Transit



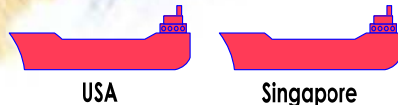
"Goods in transit"
 30.09.2008
 2 tankers
 ~ 106 thousand tons



"Goods in transit"
 30.06.2009
 2 tankers
 ~ 111 thousand tons



"Goods in transit"
 30.09.2009
 2 tankers
 ~ 117 thousand tons



Financial Overview – 3Q 09 vs. 3Q 08

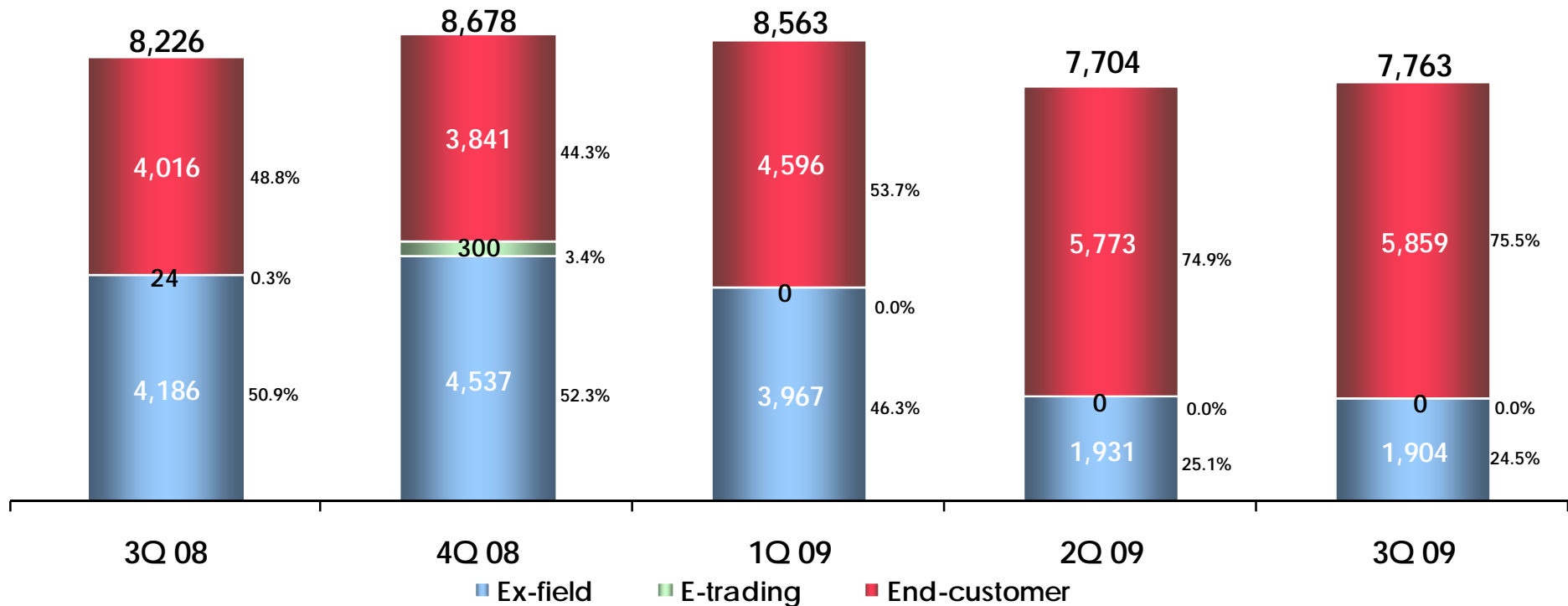
Comparison of Quarterly Results (RR million)

| | 3Q 08 | 4Q 08 | 1Q 09 | 2Q 09 | 3Q 09 |
|--|--------|--------|--------|--------|--------|
| Oil and gas sales | 19,437 | 16,061 | 16,316 | 22,376 | 21,217 |
| Total revenues | 20,463 | 16,581 | 16,981 | 23,148 | 21,971 |
| Operating expenses | 11,936 | 12,135 | 11,379 | 15,036 | 13,638 |
| EBITDA ⁽¹⁾ | 9,633 | 5,822 | 6,899 | 9,334 | 9,660 |
| EBITDA margin | 47.1% | 35.1% | 40.6% | 40.3% | 44.0% |
| Effective income tax rate ⁽²⁾ | 24.1% | 21.2% | 21.7% | 21.0% | 21.2% |
| Profit attributable to NOVATEK | 5,682 | 2,661 | 2,134 | 7,178 | 7,353 |
| Net profit margin | 27.8% | 16.0% | 12.6% | 31.0% | 33.5% |
| Earnings per share | 1.87 | 0.88 | 0.70 | 2.37 | 2.43 |
| CAPEX | 9,784 | 6,019 | 3,871 | 4,794 | 3,933 |
| Net debt ⁽³⁾ | 9,789 | 15,286 | 16,801 | 32,262 | 30,919 |

Notes:

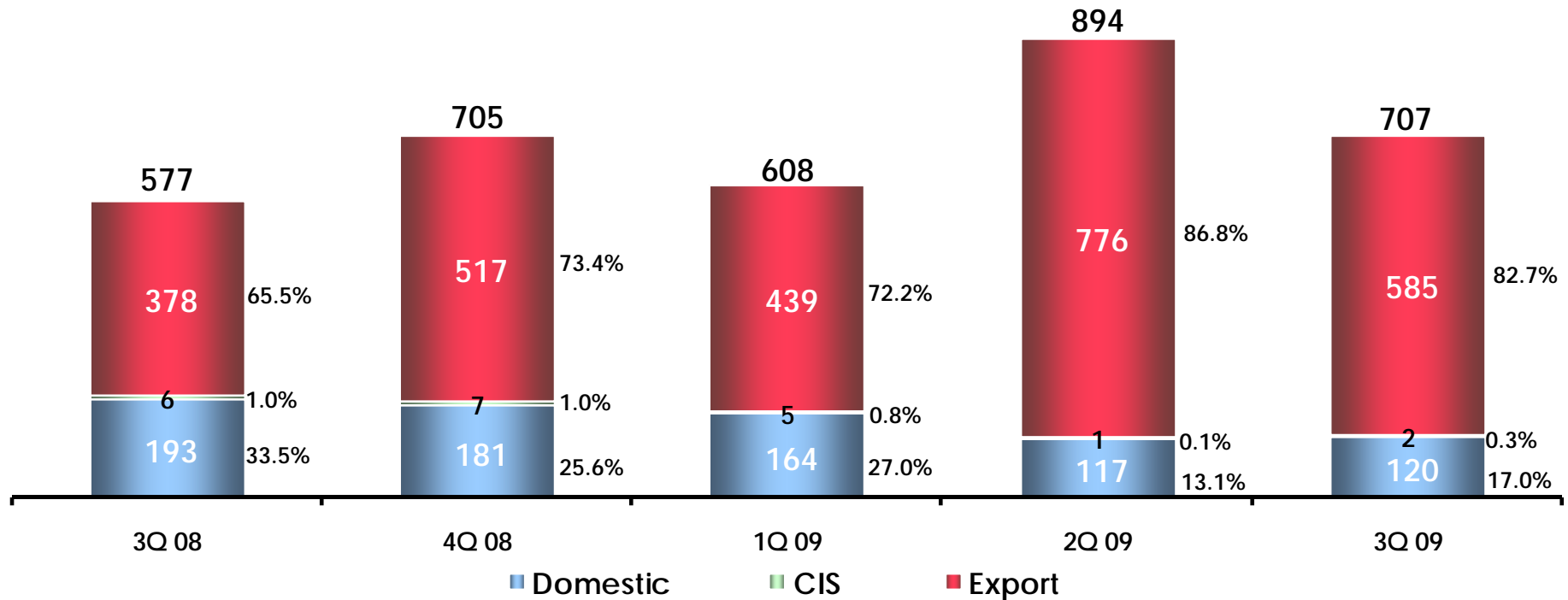
1. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
2. Starting from the 4Q 08 the effective income tax rate is calculated based on the change in Russian statutory income tax rate from 24% to 20%
3. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

Market Distribution – Gas Sales Volumes (mmcm)



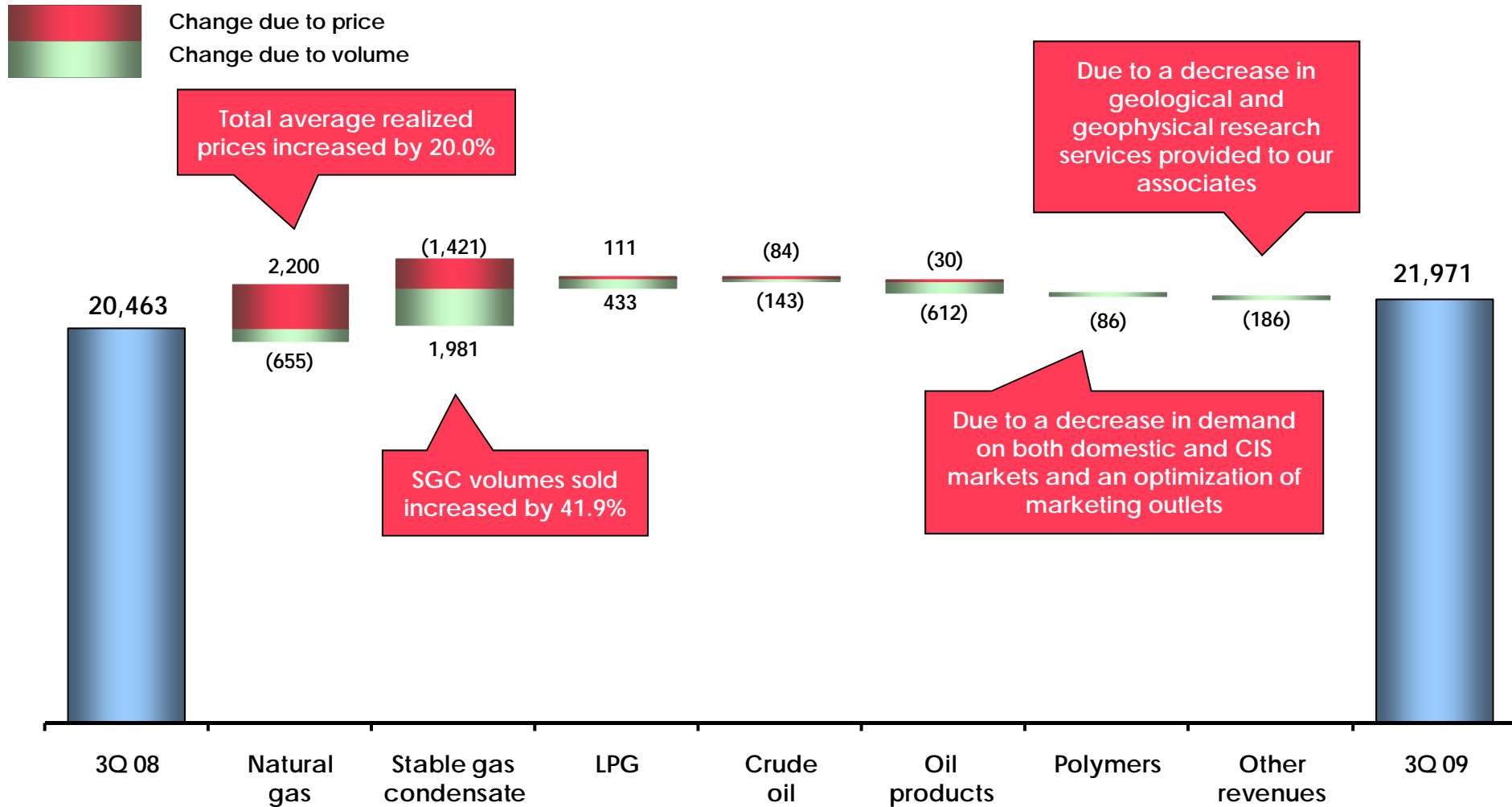
- Y-o-Y decrease in natural gas sales volumes due to a reduction in purchases and an increase in natural gas injected in to the UGSF
- End-customer sales volumes as a % of total natural gas sales volumes increased Y-o-Y due to the renegotiation of sales terms for natural gas volumes sold to one of our largest traders from an ex-field basis to a delivered basis

Market Distribution – Liquids Sales Volumes (mt)



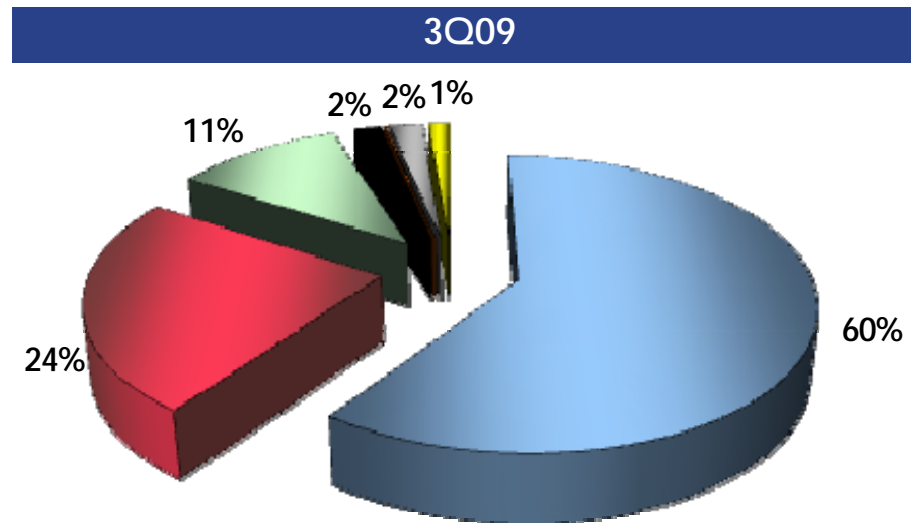
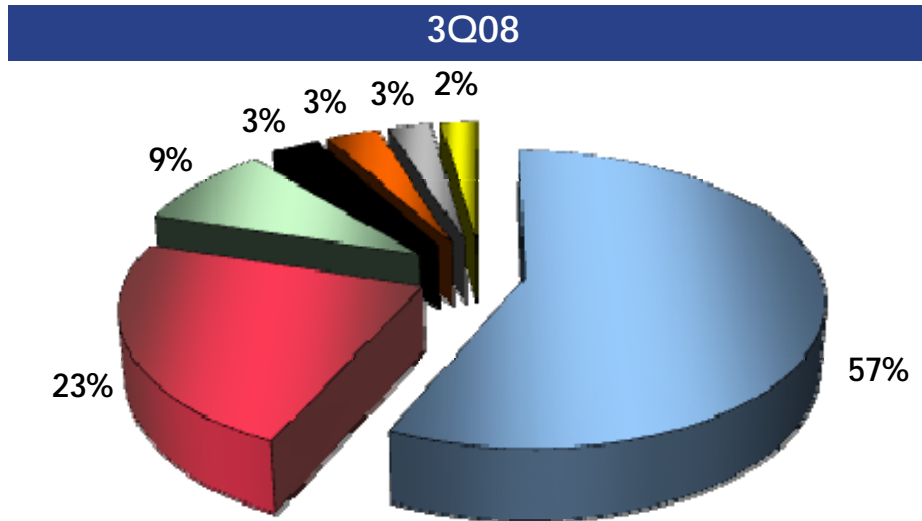
- Y-o-Y growth in liquids sales volumes was mainly due to an increase in our gas condensate production volumes
- Q-o-Q decrease in liquids sales volumes was mainly due to a decrease in inventory balance of stable gas condensate by 141 mt in 2Q09 compared to an increase of 30 mt in 3Q09
- The increase in the % of export volumes Y-o-Y was primarily due to a shift in LPG volumes sold from the domestic market to export markets in order to take advantage of the suspension of LPG export duties in 2009
- In 3Q 09, we did not purchase oil products (naphtha) for resale to the international markets

Total Revenues (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 08 | 3Q 09 | + /(-) | + /(-)% | | 2Q 09 | 3Q 09 | + /(-) | + /(-)% |
|-------------------------------|--------|---------|---------|--|--------|--------|--------|---------|
| <u>Domestic prices</u> | | | | | | | | |
| 1,850 | 2,006 | 156 | 8.4% | Natural gas end-customers, RR/mcm | 1,932 | 2,006 | 74 | 3.8% |
| 1,382 | - | (1,382) | -100.0% | Natural gas e-trading, RR/mcm | - | - | n/a | n/a |
| - | 1,767 | 1,767 | n/a | Natural gas traders in remote points, RR/mcm | 1,836 | 1,767 | (69) | -3.8% |
| 996 | 1,083 | 87 | 8.7% | Natural gas ex-field, RR/mcm | 1,027 | 1,083 | 56 | 5.5% |
| 10,050 | 10,014 | (36) | -0.4% | Stable gas condensate, RR/ton | 8,217 | 10,014 | 1,797 | 21.9% |
| 11,300 | 9,311 | (1,989) | -17.6% | LPG, RR/ton | 6,660 | 9,311 | 2,651 | 39.8% |
| - | 11,415 | 11,415 | n/a | LPG (retail stations), RR/ton | - | 11,415 | 11,415 | n/a |
| 9,632 | 7,705 | (1,927) | -20.0% | Crude oil, RR/ton | 6,503 | 7,705 | 1,202 | 18.5% |
| 7,245 | 6,199 | (1,046) | -14.4% | Oil products, RR/ton | 3,849 | 6,199 | 2,350 | 61.1% |
| <u>CIS market</u> | | | | | | | | |
| 14,949 | 14,285 | (664) | -4.4% | LPG, RR/ton | 8,644 | 14,285 | 5,641 | 65.3% |
| <u>Export market</u> | | | | | | | | |
| 14,251 | 11,224 | (3,027) | -21.2% | Stable gas condensate, RR/ton | 11,441 | 11,224 | (217) | -1.9% |
| 15,361 | 15,292 | (69) | -0.4% | LPG, RR/ton | 10,293 | 15,292 | 4,999 | 48.6% |
| - | 8,321 | 8,321 | n/a | Crude oil, RR/ton | 8,989 | 8,321 | (668) | -7.4% |

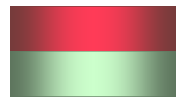
Note: Prices are shown excluding international trading activities

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

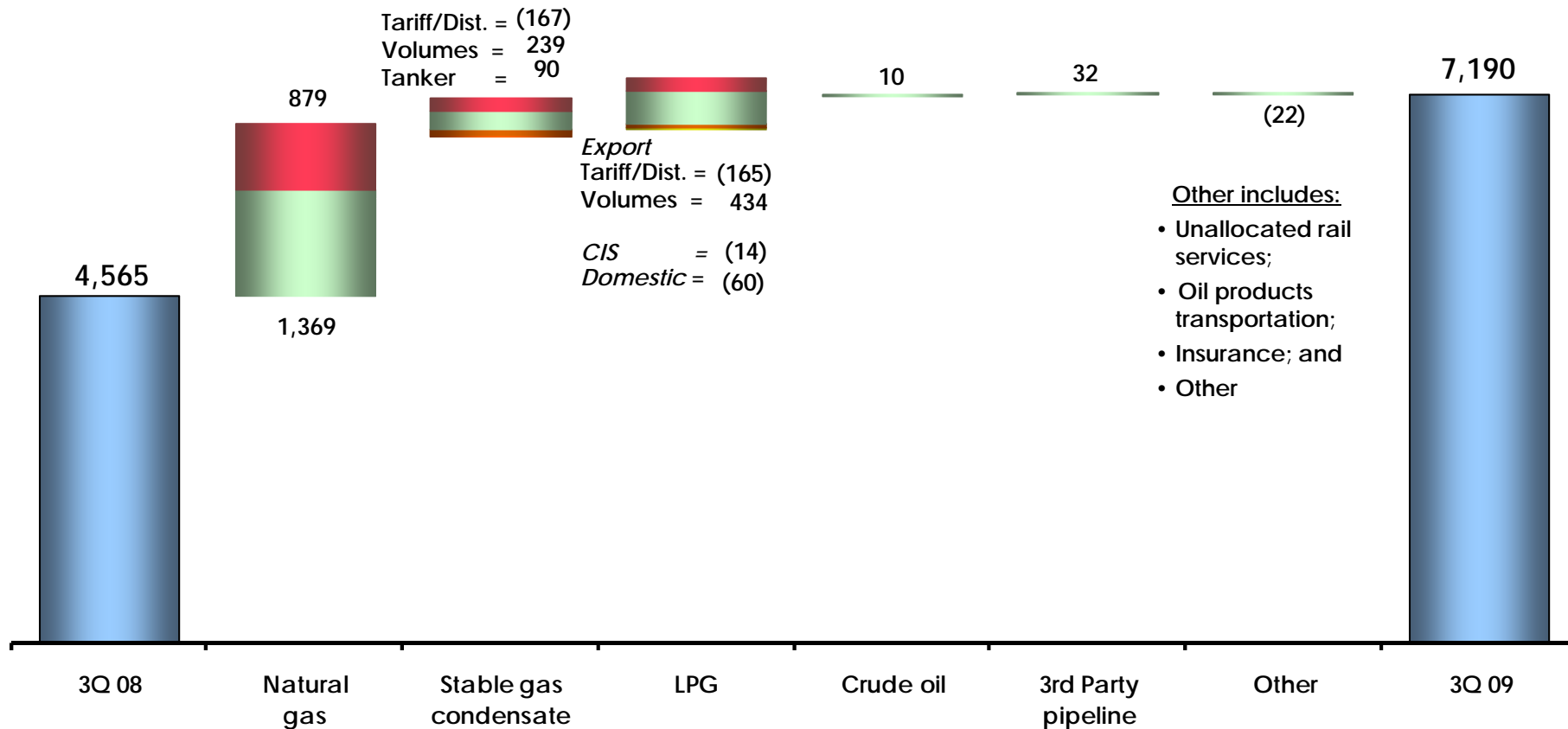
| 3Q 08 | % of TR | 3Q 09 | % of TR | | 2Q 09 | % of TR | 3Q 09 | % of TR |
|---------------|--------------|---------------|--------------|--|---------------|--------------|---------------|--------------|
| 4,565 | 22.3% | 7,190 | 32.7% | Transportation expenses | 8,295 | 35.8% | 7,190 | 32.7% |
| 1,928 | 9.4% | 1,955 | 8.9% | Taxes other than income tax | 1,935 | 8.4% | 1,955 | 8.9% |
| 6,493 | 31.7% | 9,145 | 41.6% | Non-controllable expenses | 10,230 | 44.2% | 9,145 | 41.6% |
| 1,642 | 8.0% | 1,594 | 7.3% | Materials, services & other | 1,469 | 6.3% | 1,594 | 7.3% |
| 1,085 | 5.3% | 1,467 | 6.7% | Depreciation and amortization | 1,274 | 5.5% | 1,467 | 6.7% |
| 1,336 | 6.5% | 1,308 | 6.0% | General and administrative | 1,281 | 5.5% | 1,308 | 6.0% |
| 219 | 1.1% | 17 | 0.1% | Exploration expenses | 231 | 1.0% | 17 | 0.1% |
| 30 | 0.1% | (4) | n/m | Net impairment expense | 71 | 0.3% | (4) | n/m |
| 5 | n/m | (199) | n/m | Change in natural gas, liquids, and polymer products and WIP | 321 | 1.4% | (199) | n/m |
| 10,810 | 52.8% | 13,328 | 60.7% | Subtotal operating expenses | 14,877 | 64.3% | 13,328 | 60.7% |
| 1,126 | 5.5% | 310 | 1.4% | Purchases of natural gas and liquid hydrocarbons | 161 | 0.7% | 310 | 1.4% |
| 11,936 | 58.3% | 13,638 | 62.1% | Total operating expenses | 15,038 | 65.0% | 13,638 | 62.1% |

- ❑ Our non-controllable expenses increased as a % of total revenues Y-o-Y due to an increase in natural gas transportation expense as a result of more volumes sold to end-customers for which transportation expense is incurred
- ❑ Materials, services and other expense decreased in absolute terms and as a % of total revenues Y-o-Y due to a decrease in raw materials purchases for polymer products production and a decrease in operator services provided to our associates
- ❑ Depreciation and amortization expense increased in absolute terms and as a % of total revenues Y-o-Y due to an increase in our depletable cost base and an increase in our natural gas and liquids production by 4.5%
- ❑ Purchases decreased Y-o-Y due to a temporary suspension of naphtha trading on international markets in December 2008, as well as a decrease in natural gas purchases due to our ability to meet contract obligations from our own production

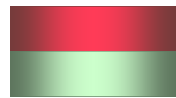
Transportation Expenses (RR million)



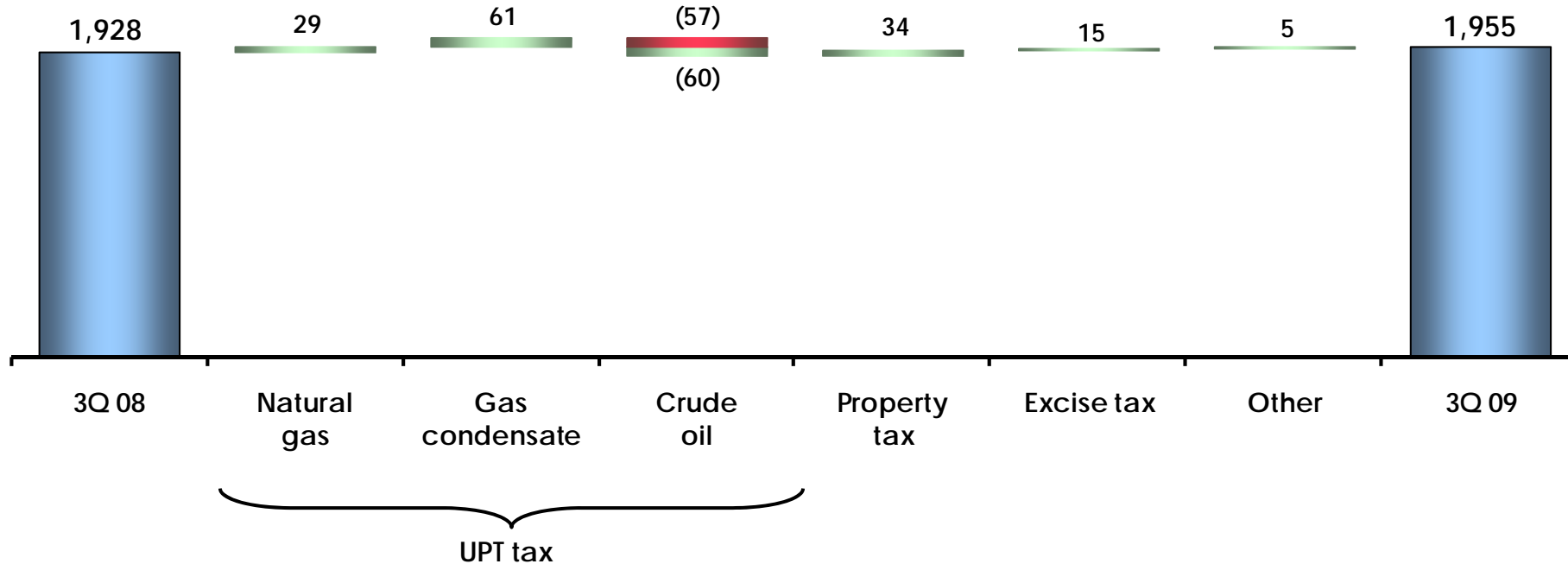
Change due to tariffs/distance
Change due to volume



Taxes Other Than Income Tax Expense (RR million)

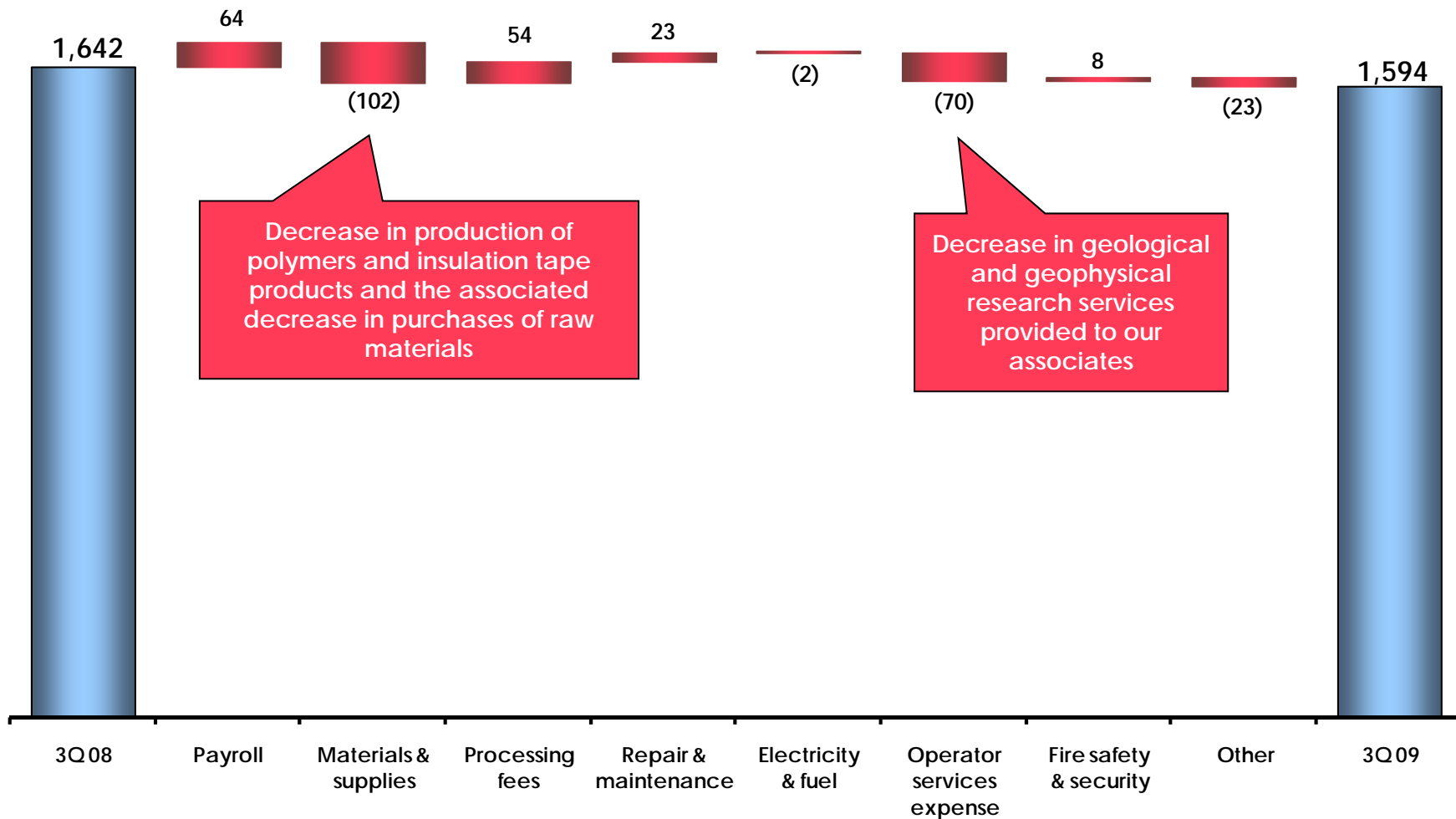


Change due to tax rate
Change due to production

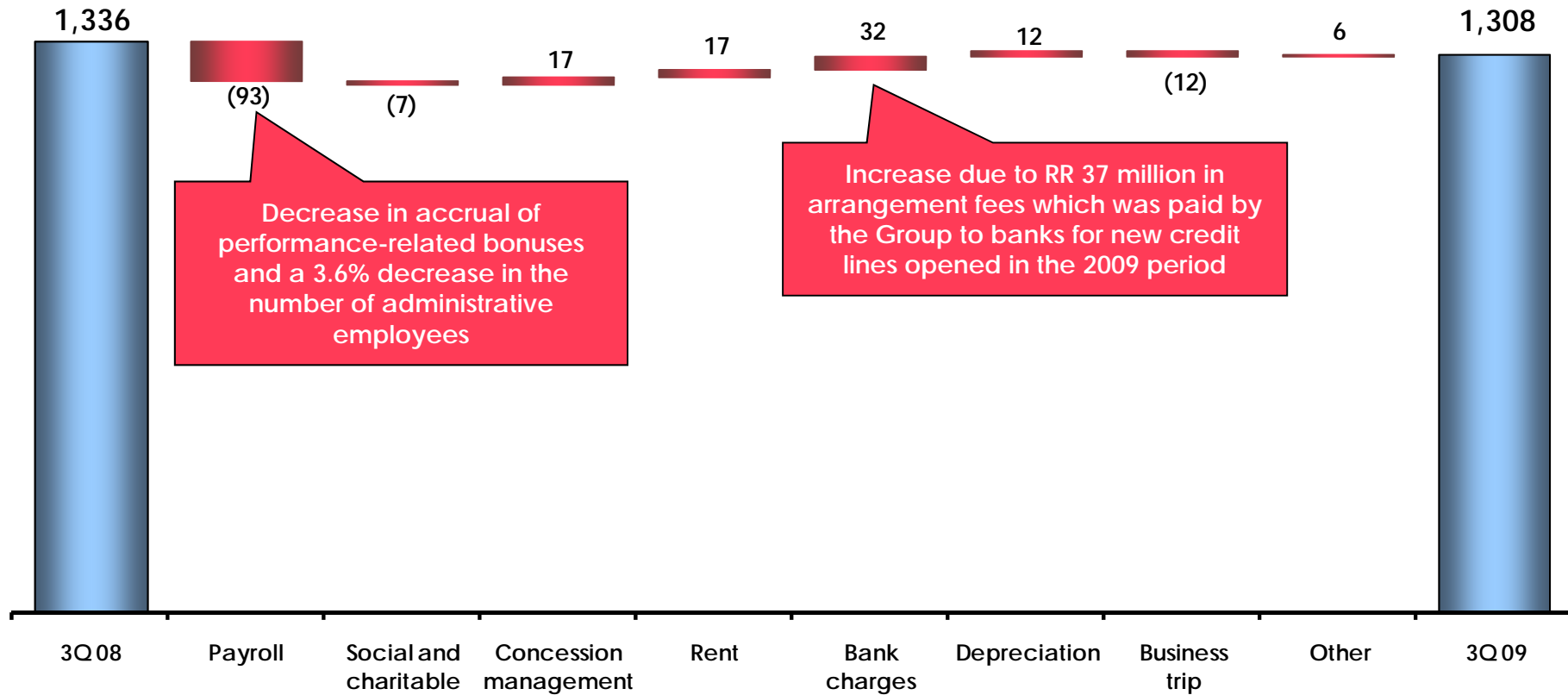


- The decrease in UPT tax by RR 27 million, or 1.6%, was primarily due to a decrease in both our crude oil production volumes and average crude oil production tax rate as a result of lower crude oil prices. The decrease in UPT for crude oil was partially offset by an increase in UPT for natural gas and UPT for gas condensate due to higher production volumes
- Property tax expense increased by RR 34 million, or 14.7%, primarily due to additions of PP&E at our production subsidiaries

Materials, Services and Other Expenses (RR million)



General and Administrative Expenses (RR million)

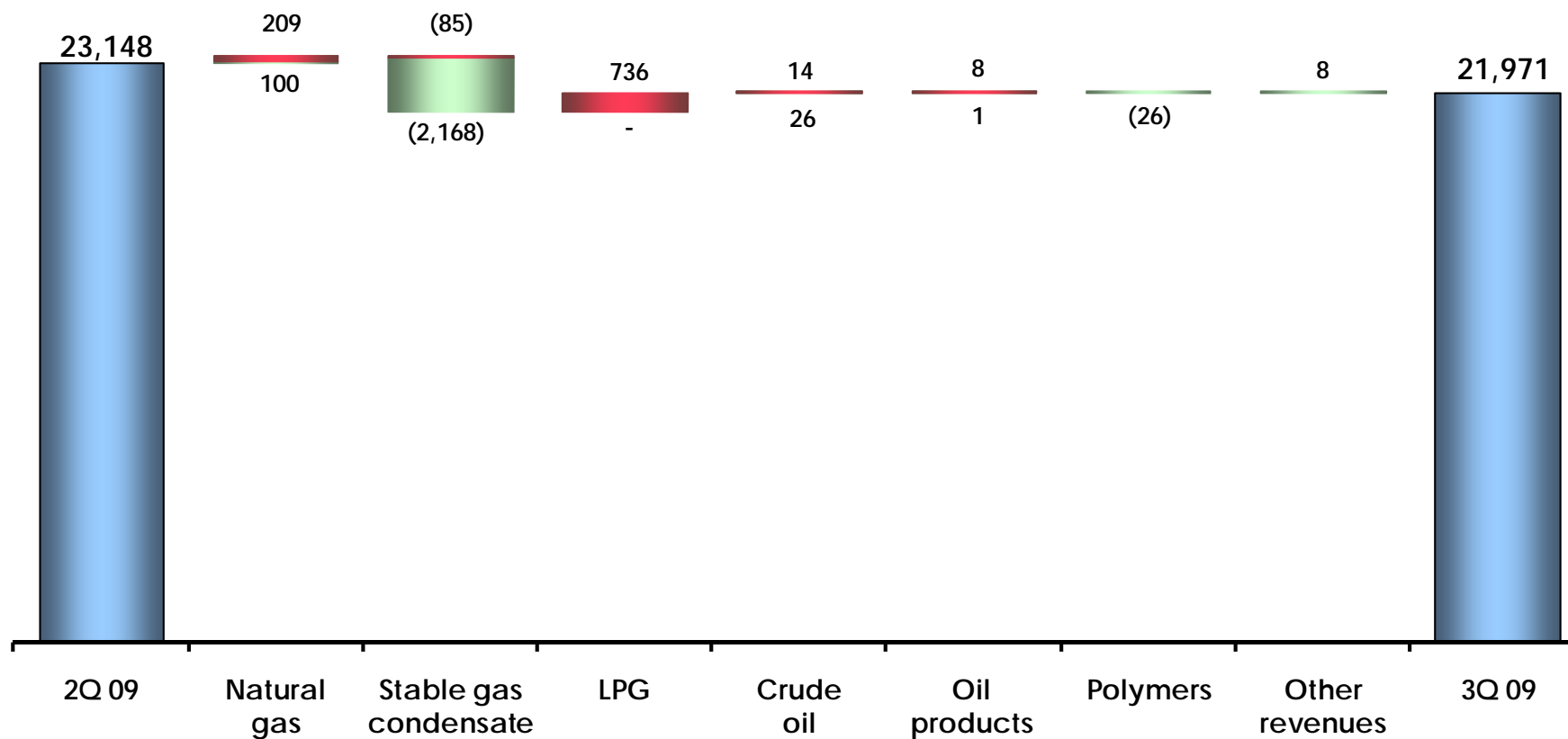


Financial Overview – 3Q 09 vs. 2Q 09

Total Revenues (RR million)

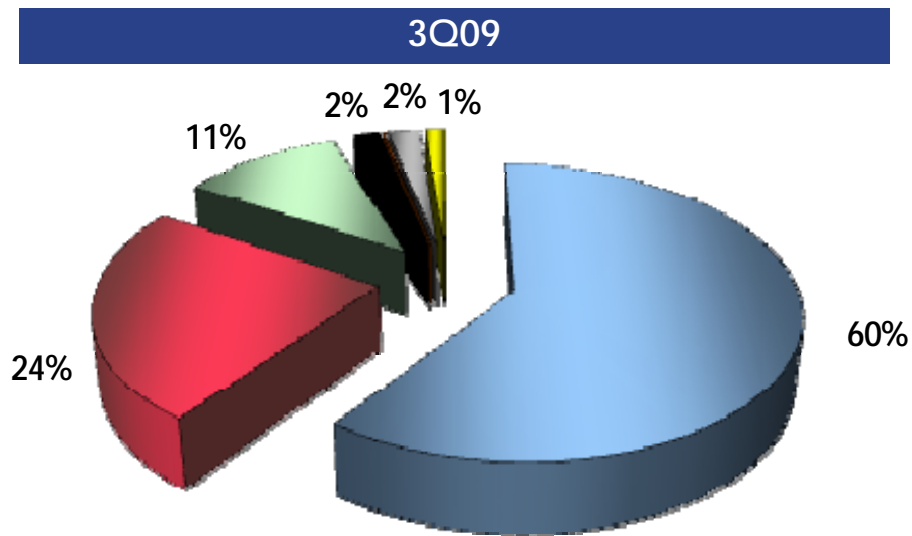
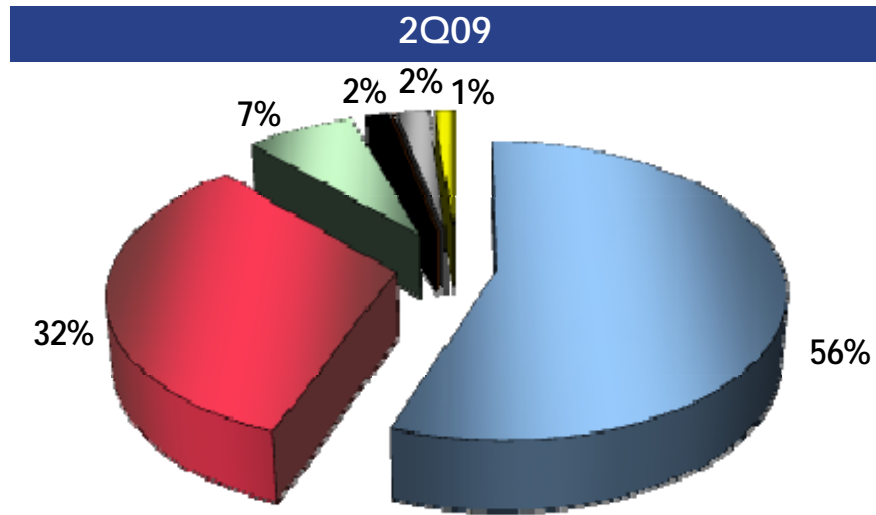


Change due to price
Change due to volume

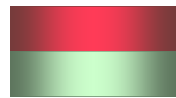


Total Revenues Breakdown

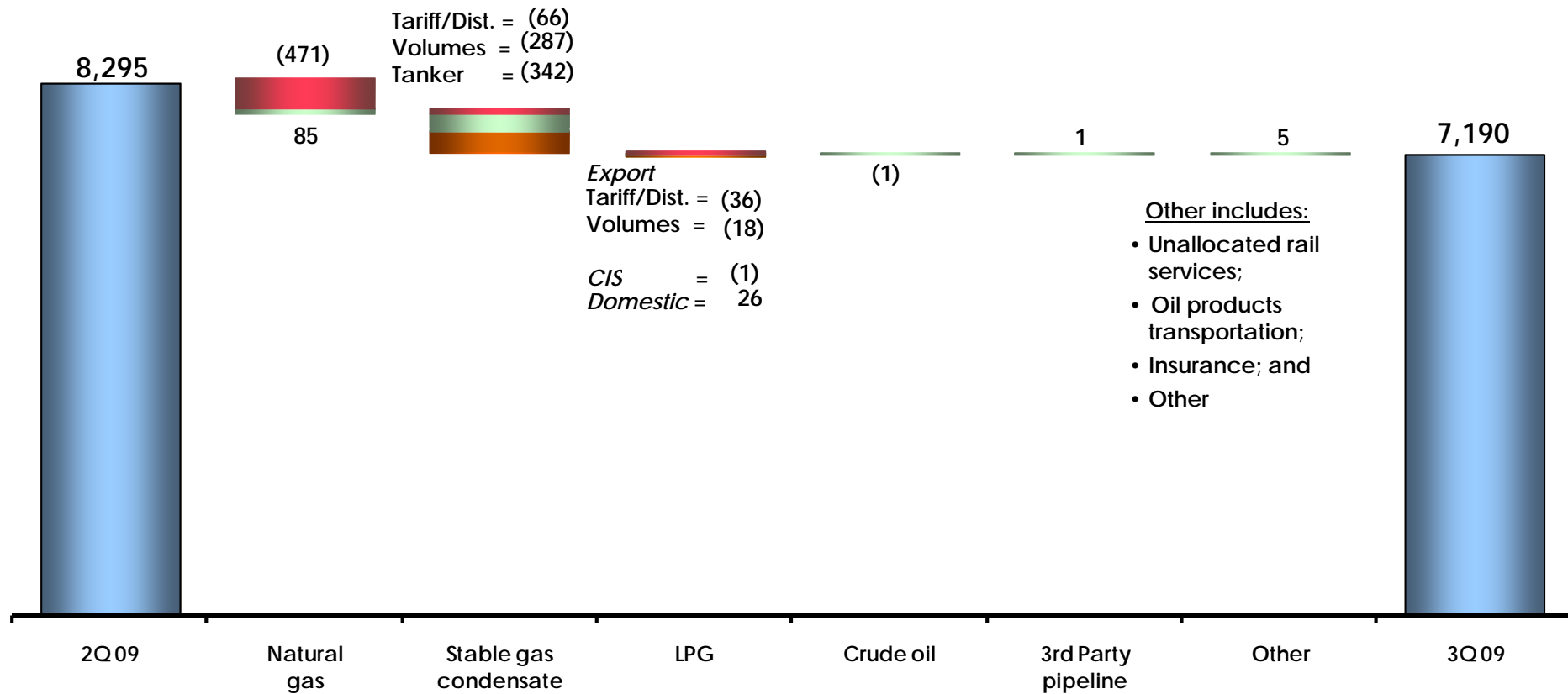
- Natural gas
- Stable condensate
- LPG
- Crude oil
- Oil products
- Polymers
- Other



Transportation Expenses (RR million)



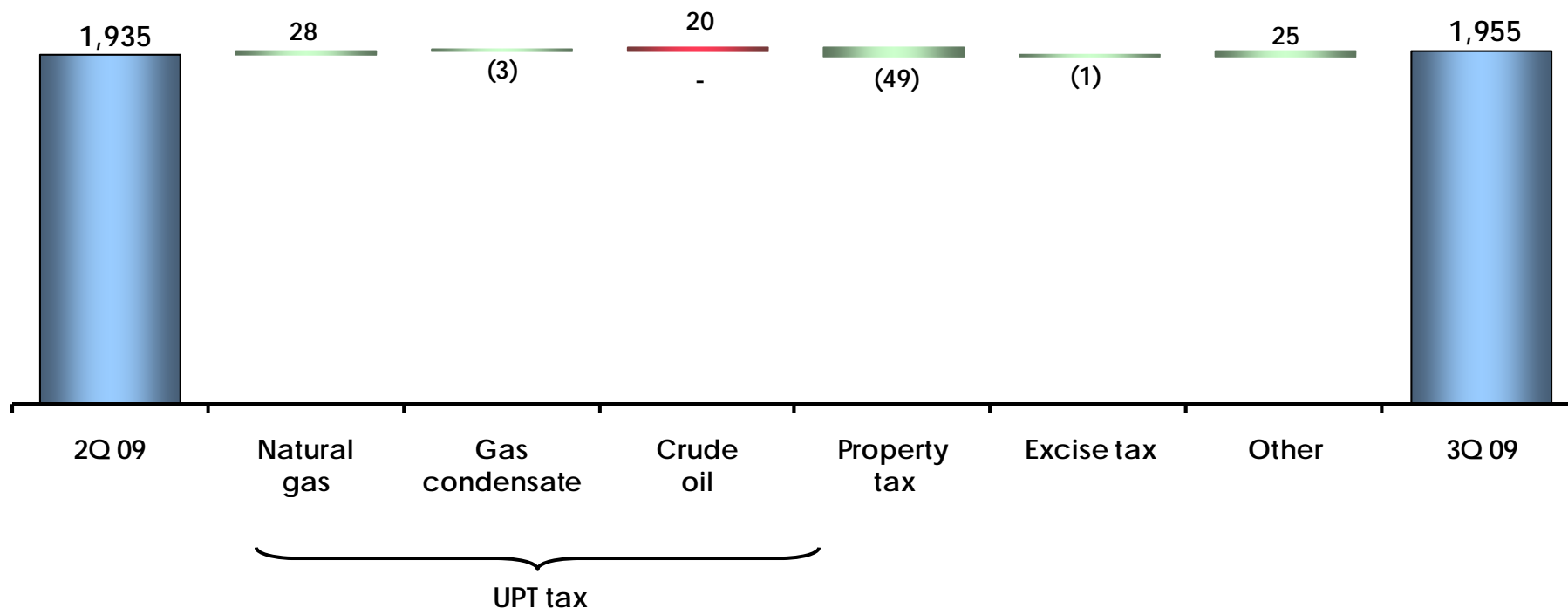
Change due to tariffs/distance
Change due to volume



Taxes Other Than Income Tax Expense (RR million)

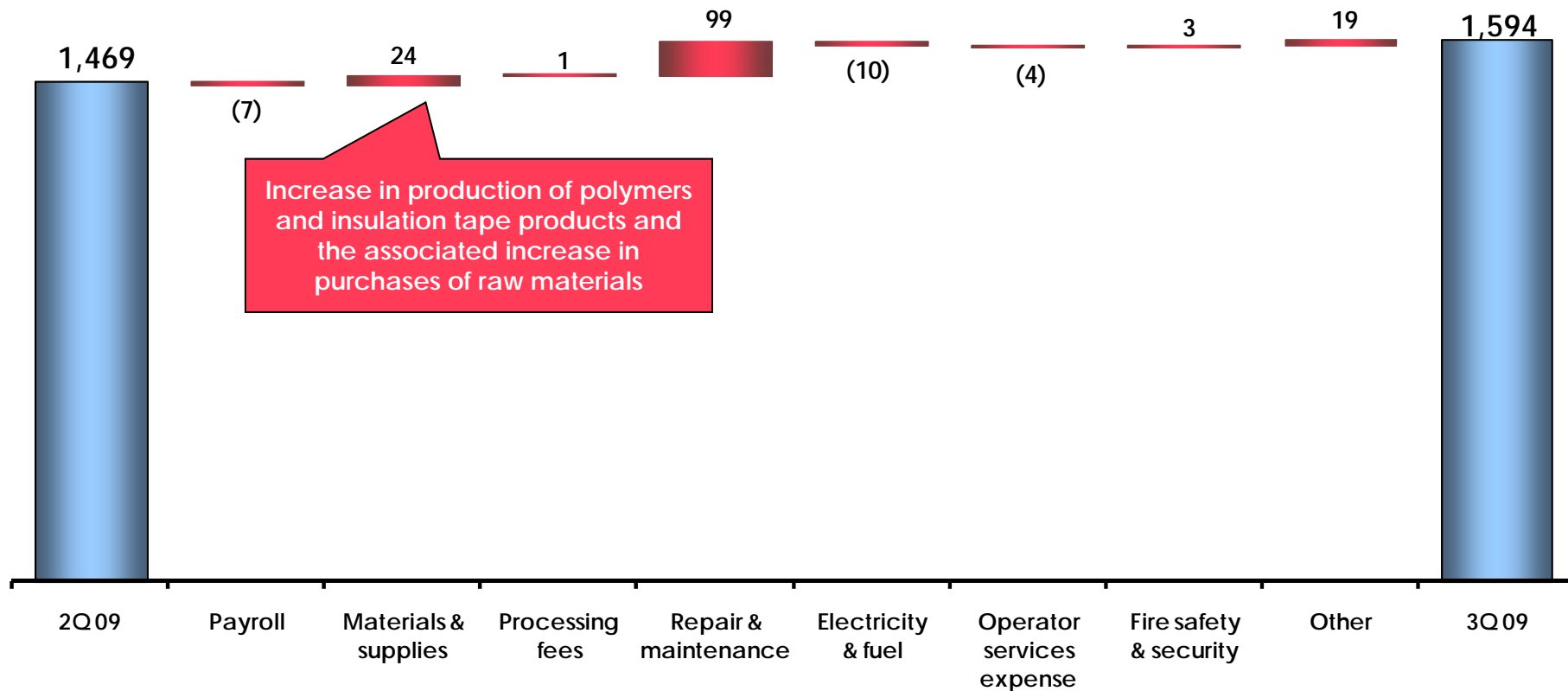


Change due to tax rate
Change due to production

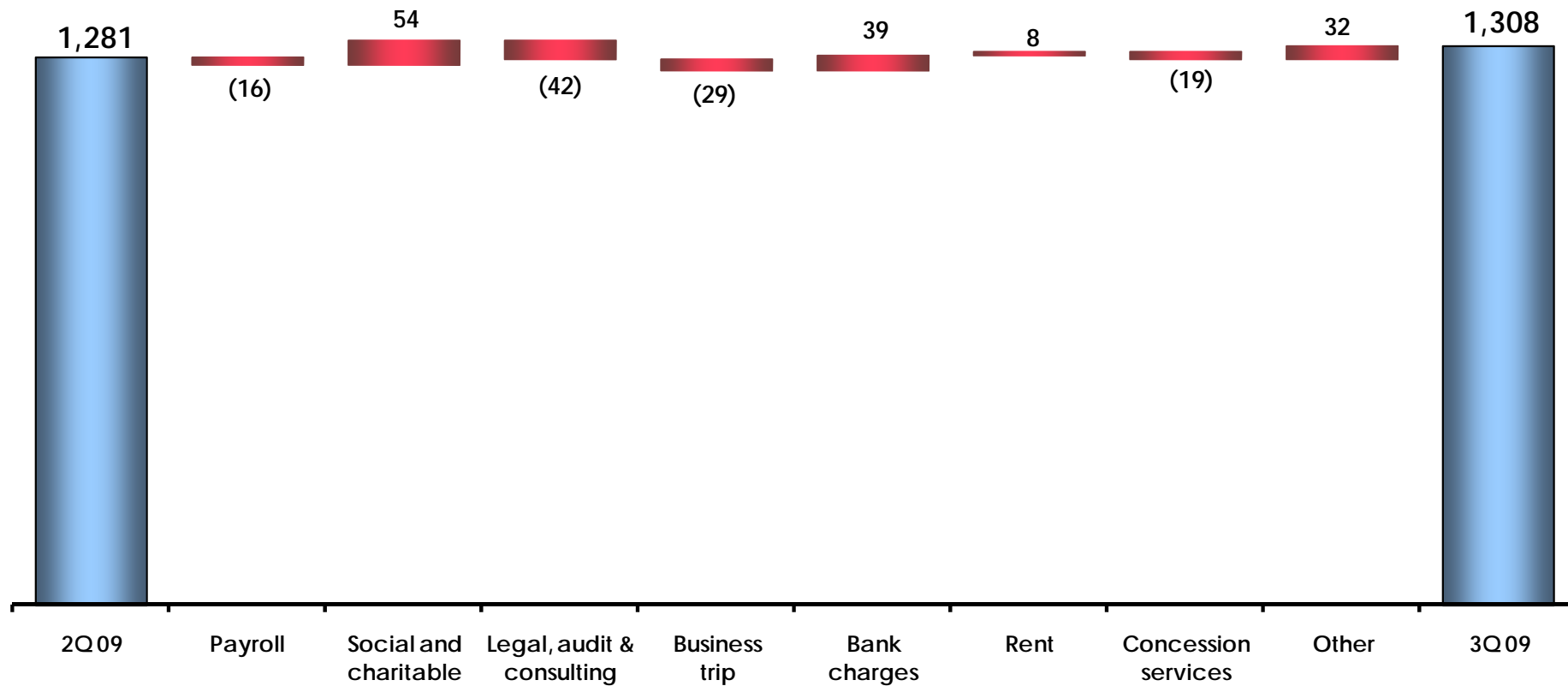


- The increase in UPT tax by RR 45 million, or 2.8%, was primarily due to an increase in UPT tax for natural gas due to higher production volumes and an increase in UPT for crude oil as a result of higher crude oil prices

Materials, Services and Other Expenses (RR million)

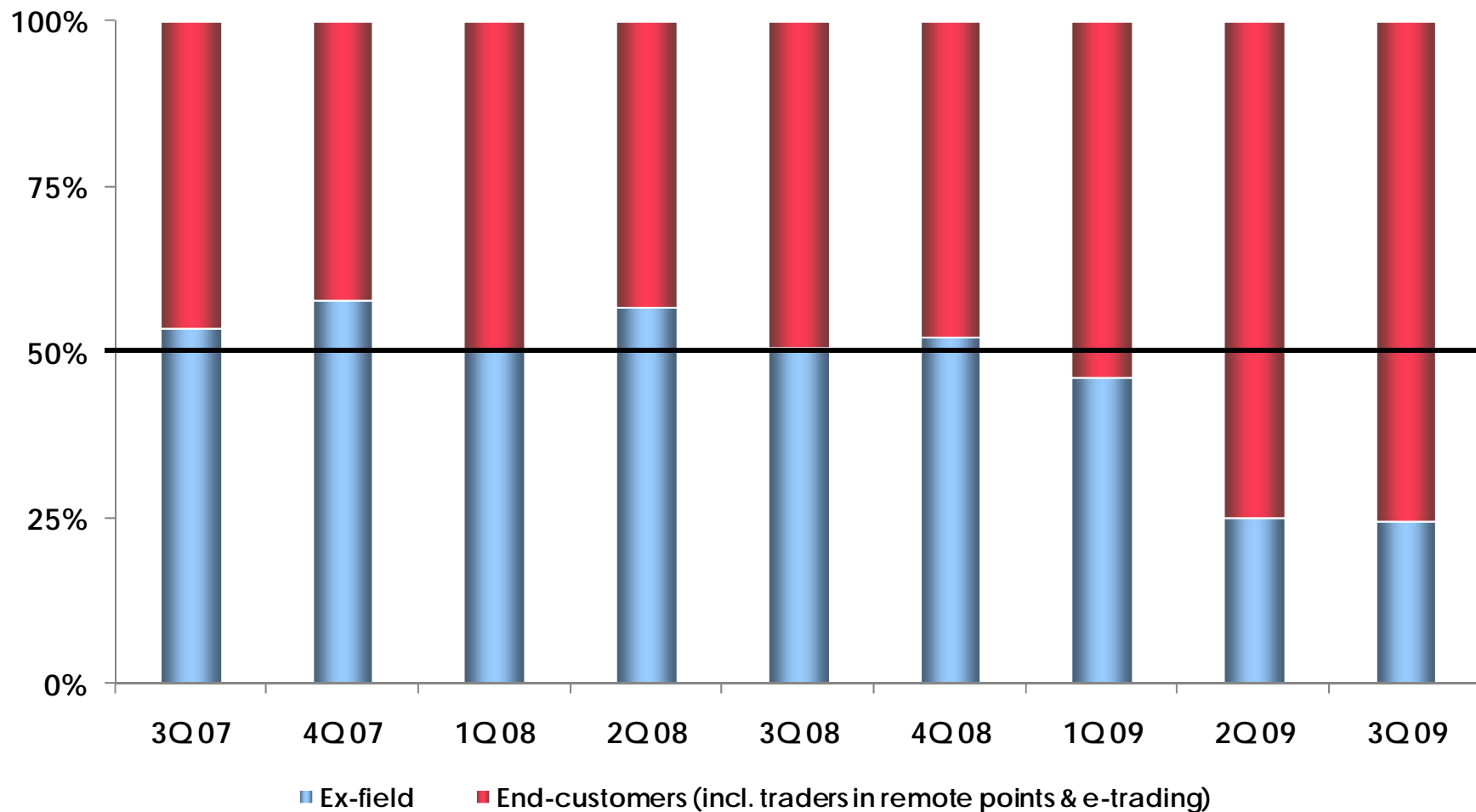


General and Administrative Expenses (RR million)

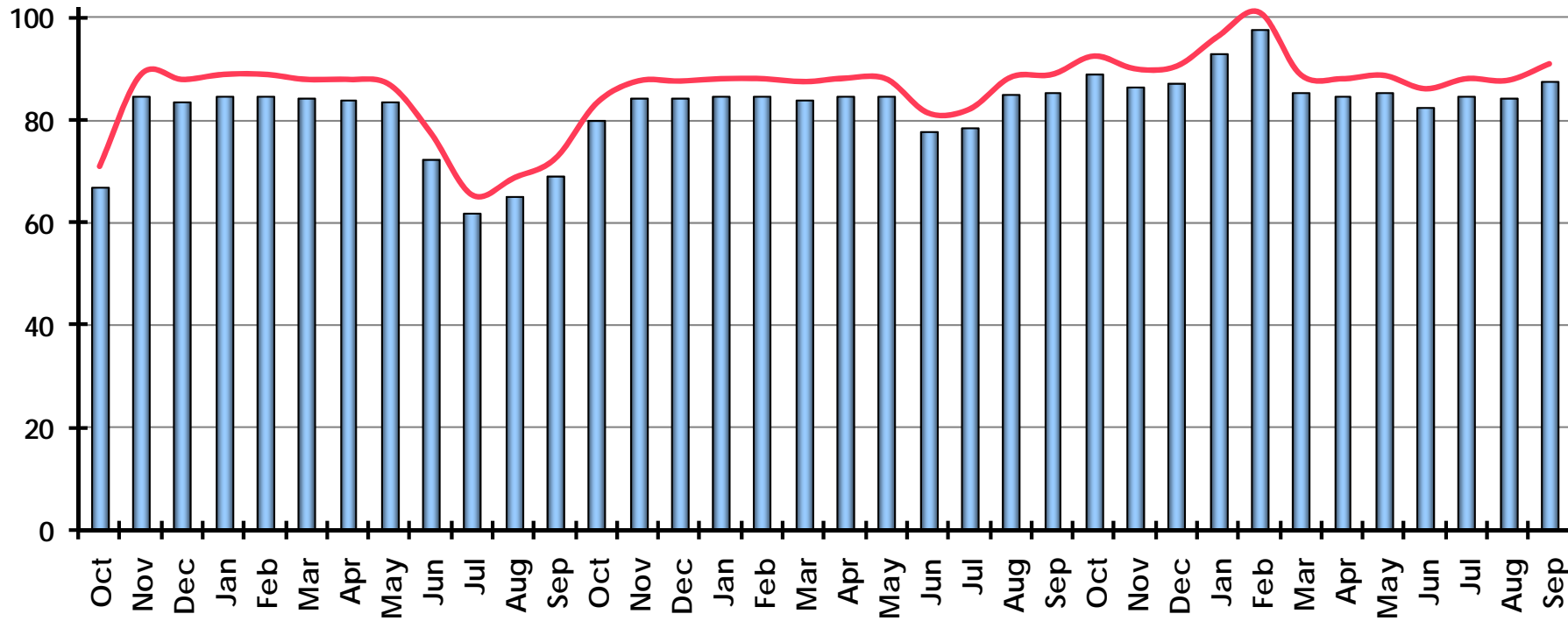


Appendices

Natural Gas Sales Volume Mix



Increasing Natural Gas Production (mmcm per 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

3Q 09 Avg.
85 mmcm/day
3,019 bcf/day

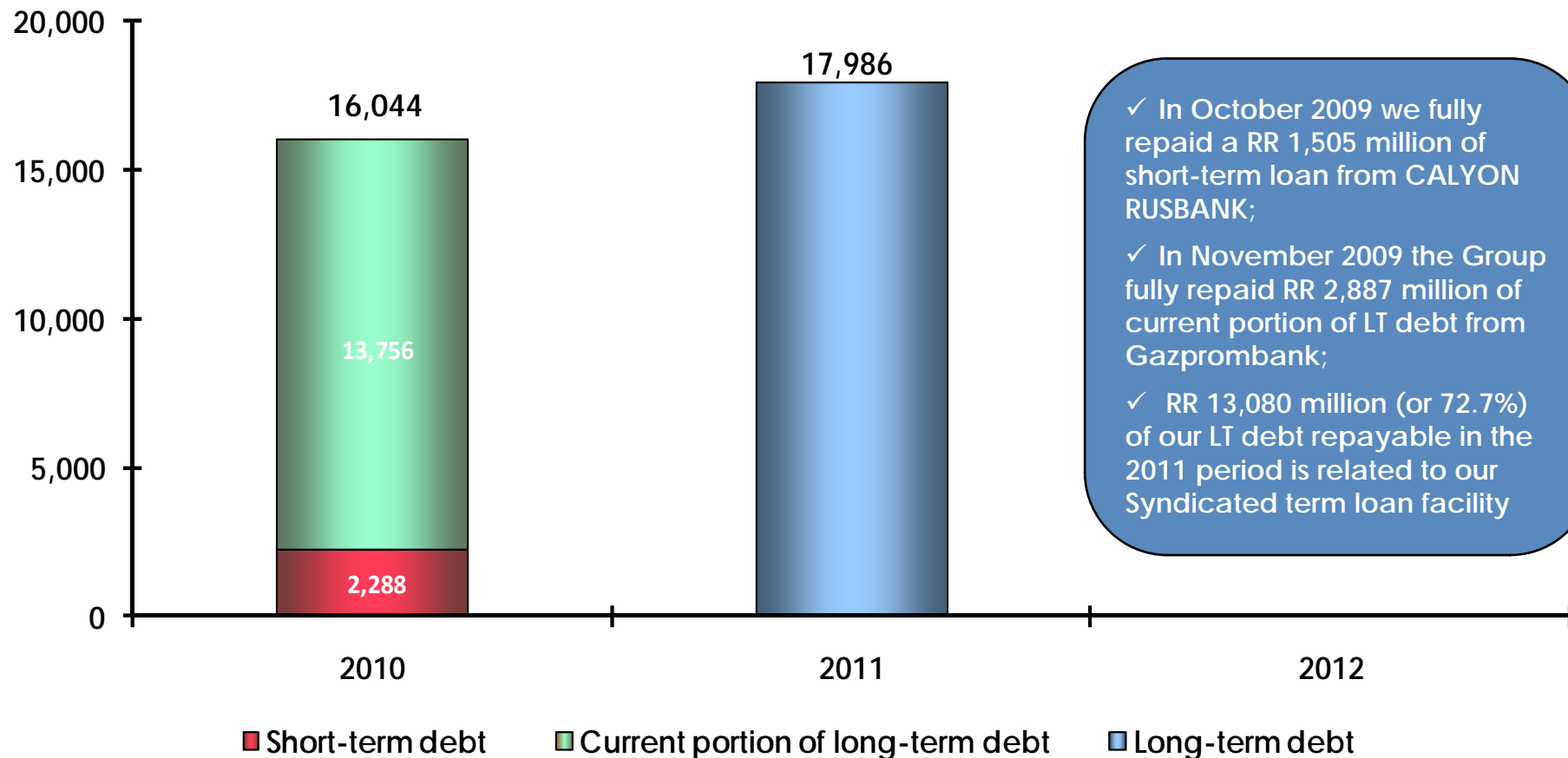
9M 09 Avg.
87 mmcm/day
3,078 bcf/day



Condensed Balance Sheet (RR million)

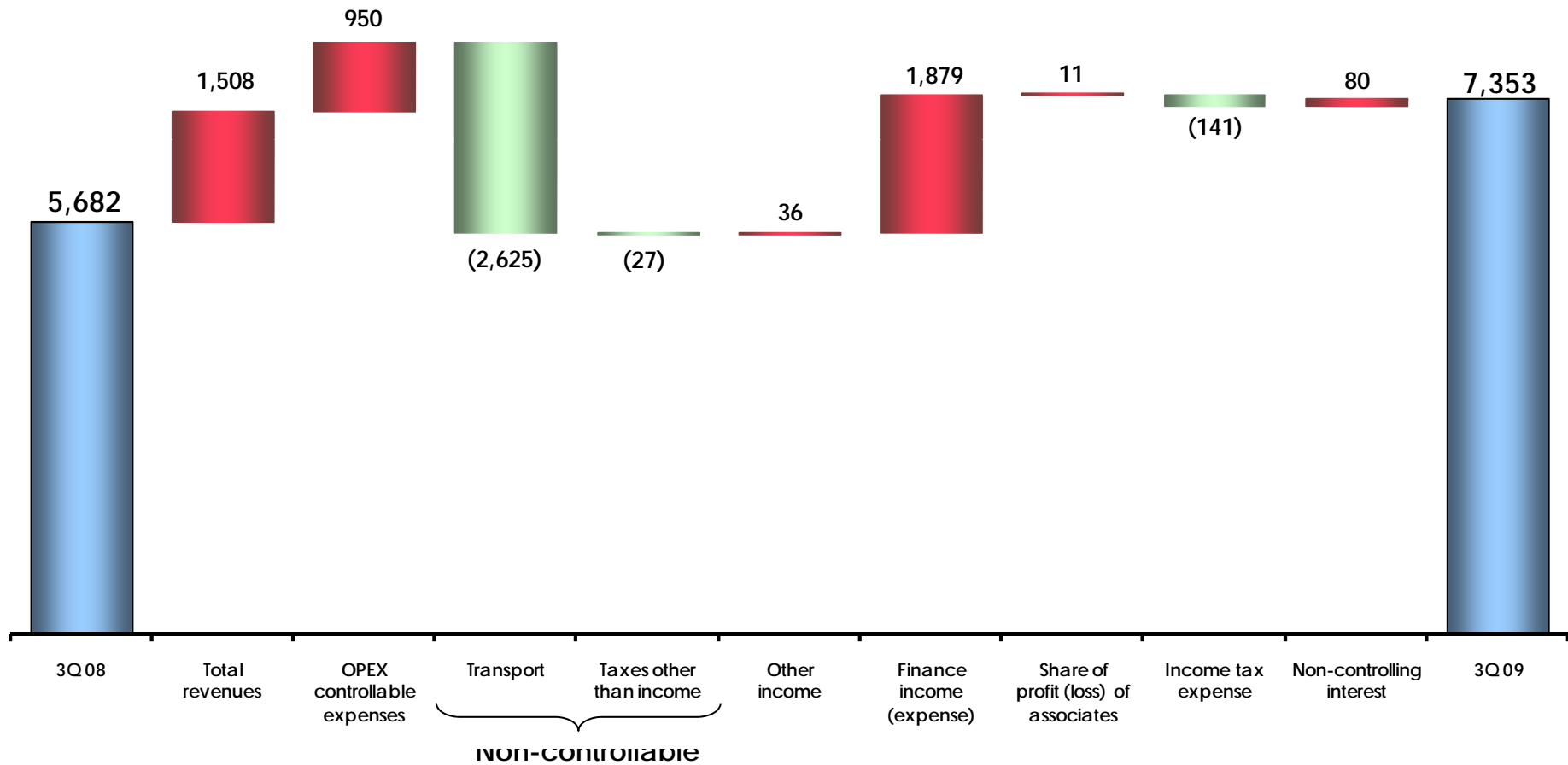
| | 30 September 2009 | 31 December 2008 | + / (-) | + / (-)% |
|---|-------------------|------------------|----------------|----------------|
| Total current assets | 18,130 | 25,428 | (7,298) | -28.7% |
| <i>Incl. Cash and cash equivalents</i> | <i>3,111</i> | <i>10,992</i> | <i>(7,881)</i> | <i>-71.7%</i> |
| Total non-current assets | 165,073 | 113,578 | 51,495 | 45.3% |
| <i>Incl. Net PP&E</i> | <i>159,789</i> | <i>108,714</i> | <i>51,075</i> | <i>47.0%</i> |
| <i>Assets classified as held for sale</i> | <i>0</i> | <i>901</i> | <i>(901)</i> | <i>-100.0%</i> |
| Total assets | 183,203 | 139,907 | 43,296 | 30.9% |
| Total current liabilities | 24,938 | 14,169 | 10,769 | 76.0% |
| <i>Incl. ST debt</i> | <i>16,044</i> | <i>6,342</i> | <i>9,702</i> | <i>153.0%</i> |
| Total non-current liabilities | 30,995 | 28,763 | 2,232 | 7.8% |
| <i>Incl. Deferred income tax liability</i> | <i>7,767</i> | <i>6,720</i> | <i>1,047</i> | <i>15.6%</i> |
| <i>Incl. LT debt</i> | <i>17,986</i> | <i>19,935</i> | <i>(1,949)</i> | <i>-9.8%</i> |
| Liabilities assoc. with assets held for sale | 0 | 335 | (335) | -100.0% |
| Total liabilities | 55,933 | 43,267 | 12,666 | 29.3% |
| Total equity | 127,270 | 96,640 | 30,630 | 31.7% |
| Total liabilities & equity | 183,203 | 139,907 | 43,296 | 30.9% |

Total Debt Maturity Profile (RR million)

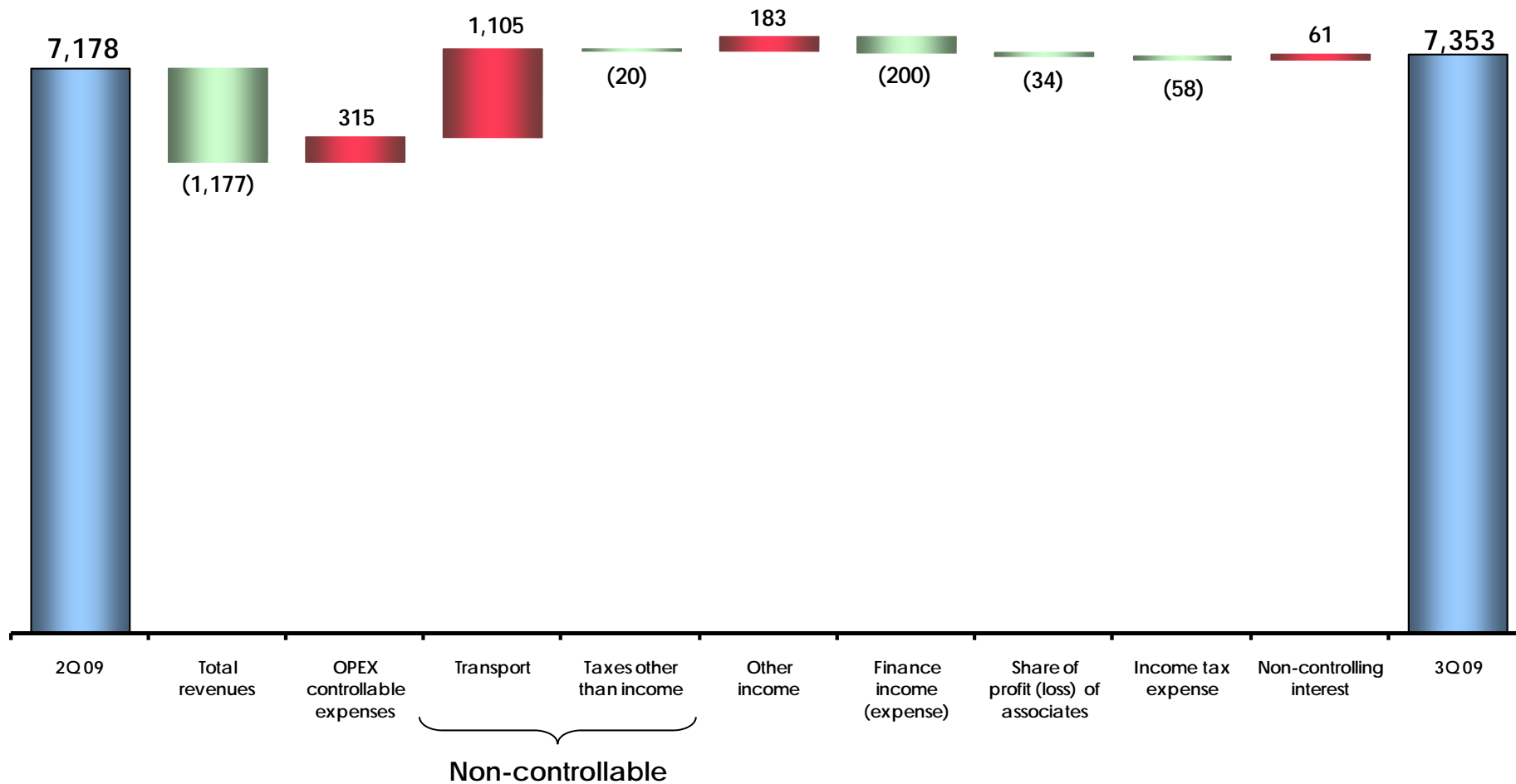


Current debt maturity profile as of 30 September 2009 with repayments in the 12 months ended 30 September 2010, 2011, 2012

Profit Attributable to NOVATEK Shareholders (RR million)



Profit Attributable to NOVATEK Shareholders (RR million)



Questions and Answers