



Fourth Quarter and Full Year 2007 Operational and Financial Results Conference Call



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Moscow, Russian Federation

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Disclaimer

FORWARD-LOOKING STATEMENTS

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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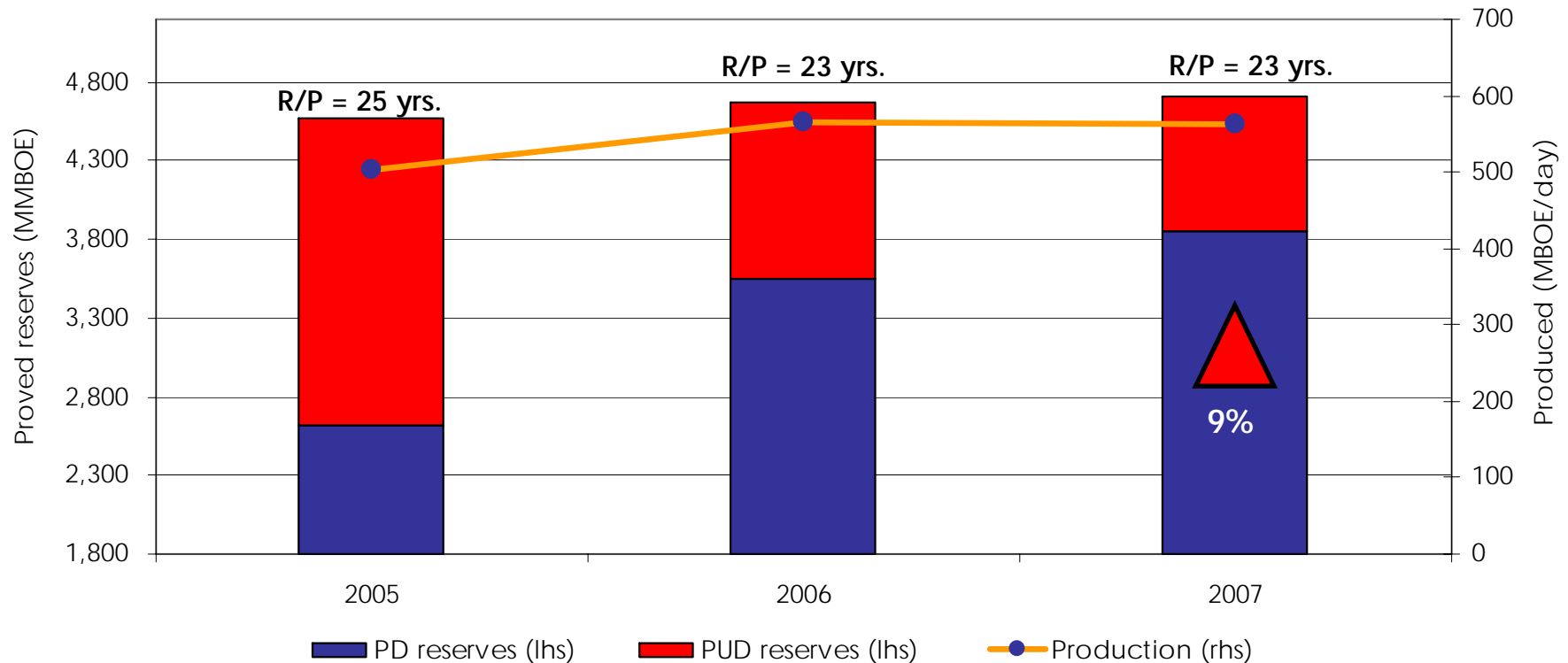


Summary Highlights 2007 – Record Results

- ❑ **Record revenues and earnings** driven by sales volume growth and favorable domestic, CIS and international price environment
- ❑ **Significant increase in 2007 of oil and gas sales by 25.6%**
 - Natural gas sales increased by 26.9%
 - Liquids sales increased by 23.8%
- ❑ **Cash flow from operations** increased by 26.2% Y-o-Y to RR 21,383 million from RR 16,938 million
- ❑ **Maintained low lifting costs** of \$0.58 per boe and we **successfully replaced** 107% of 2007 production
- ❑ **F&D costs and RR costs for 2007** increased to \$3.18 and \$3.70 per boe, respectively, reflecting mainly infrastructure-related activities without a requisite increase in our proved reserves
- ❑ **Increased our annual dividend payment** by 42.4%
- ❑ In 2007, we discovered **three new fields** – North Khancheykoye, Yarudeyskoye, and Radyzhnoye

Operational Overview

Proved reserves base at year-end



**Our reserve replacement rate (RRR) for 2007 is 107%;
our three year average RRR for 2005 to 2007 is 158%**

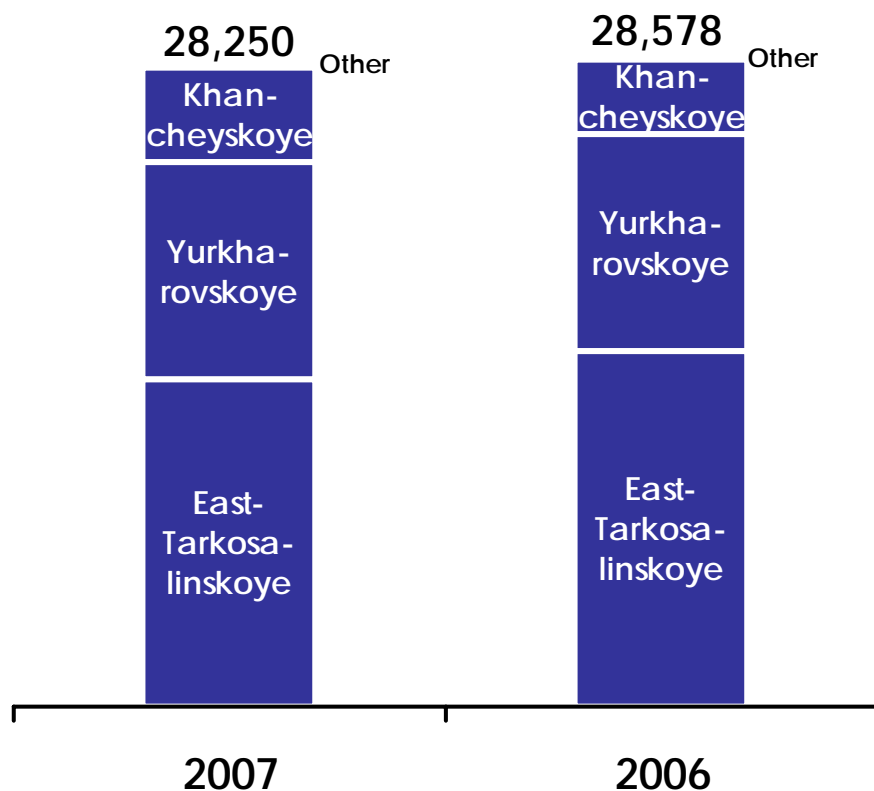
Note:

1. NOVATEK production and reserves based on ownership interest as of 12/31/2007 for all periods, some producing fields do not have reserve appraisals

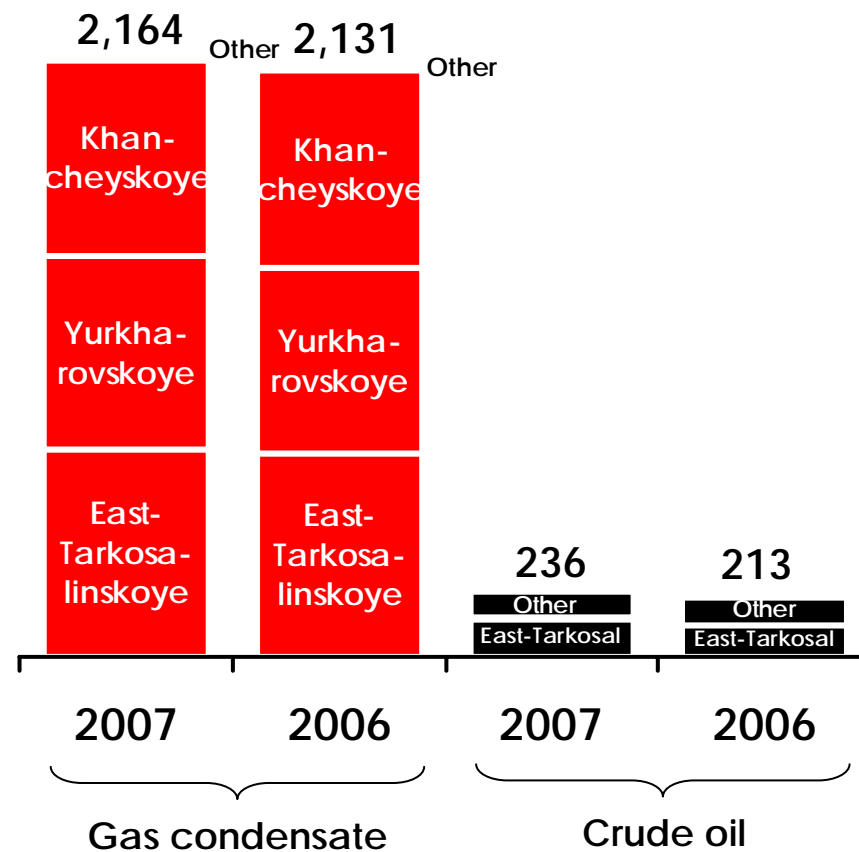


Hydrocarbon production¹

Natural gas production, mmcm



Liquids production, mt

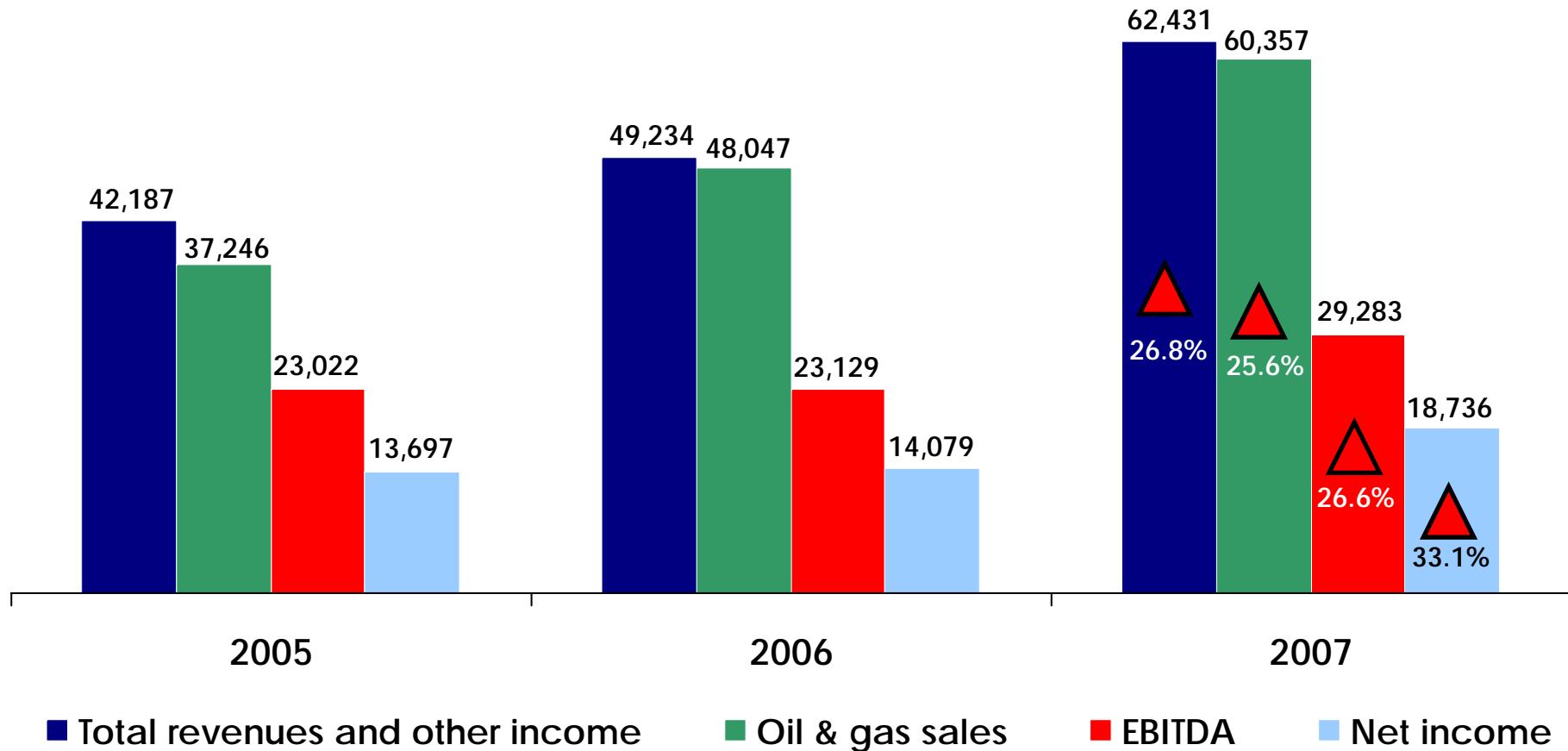


Note:

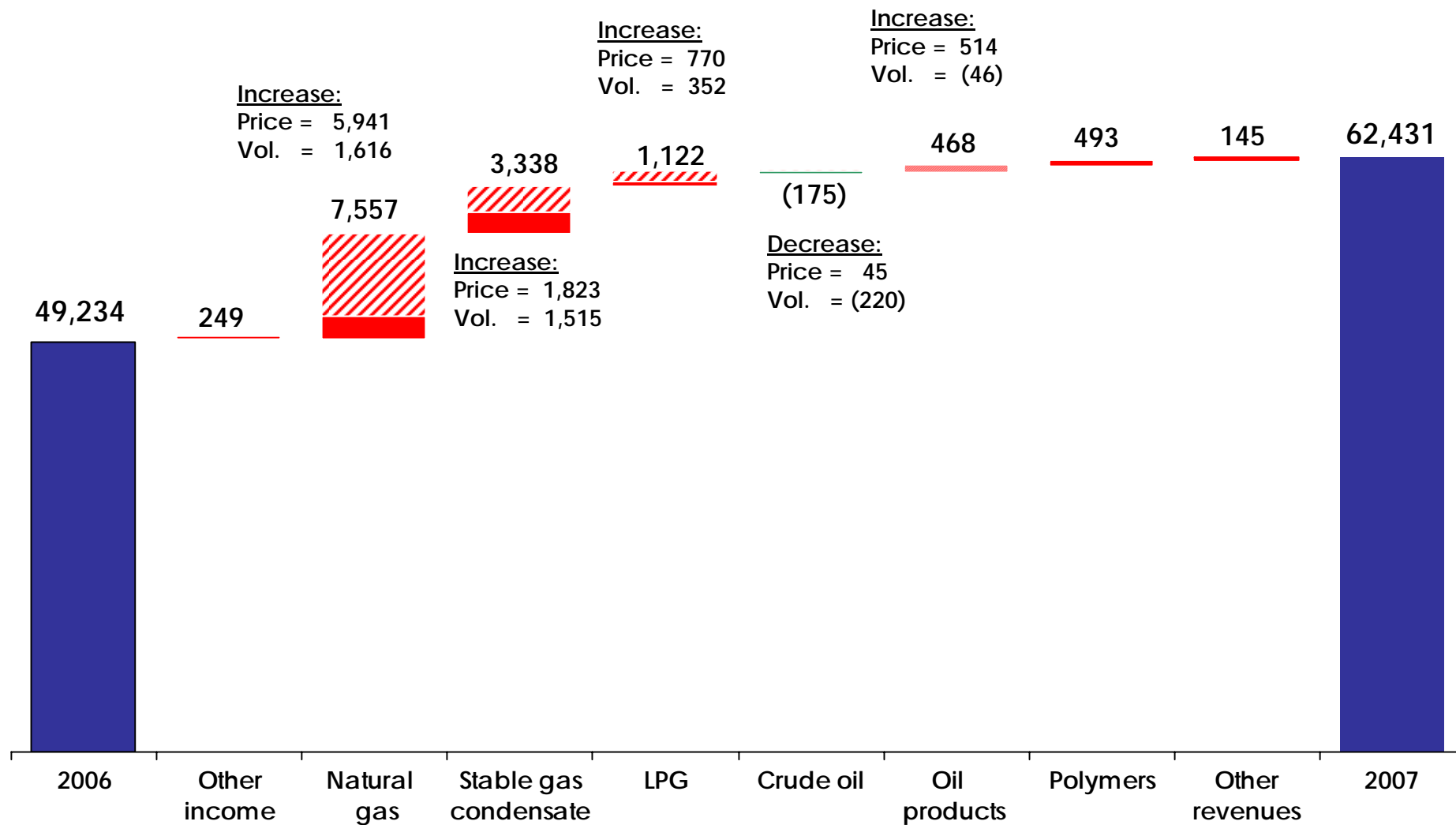
1. 100% of current NOVATEK subsidiaries for 2006 and 2007, including associated gas, own consumption, technological and other losses

Financial Overview – 2007 vs. 2006

Summary financial results (RR million)

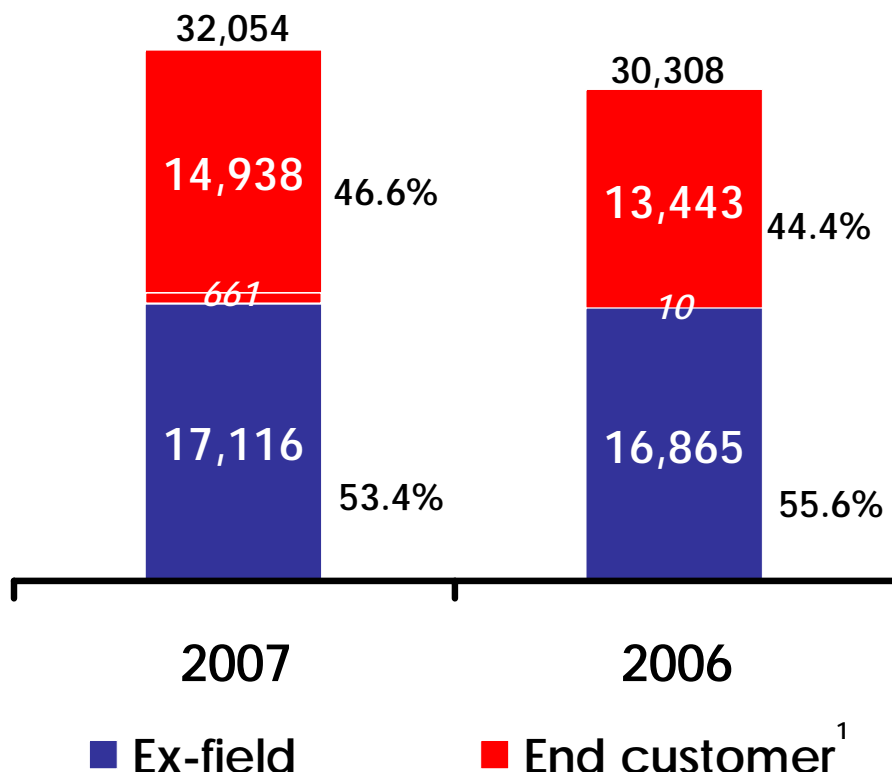


Revenues & other income (RR million)

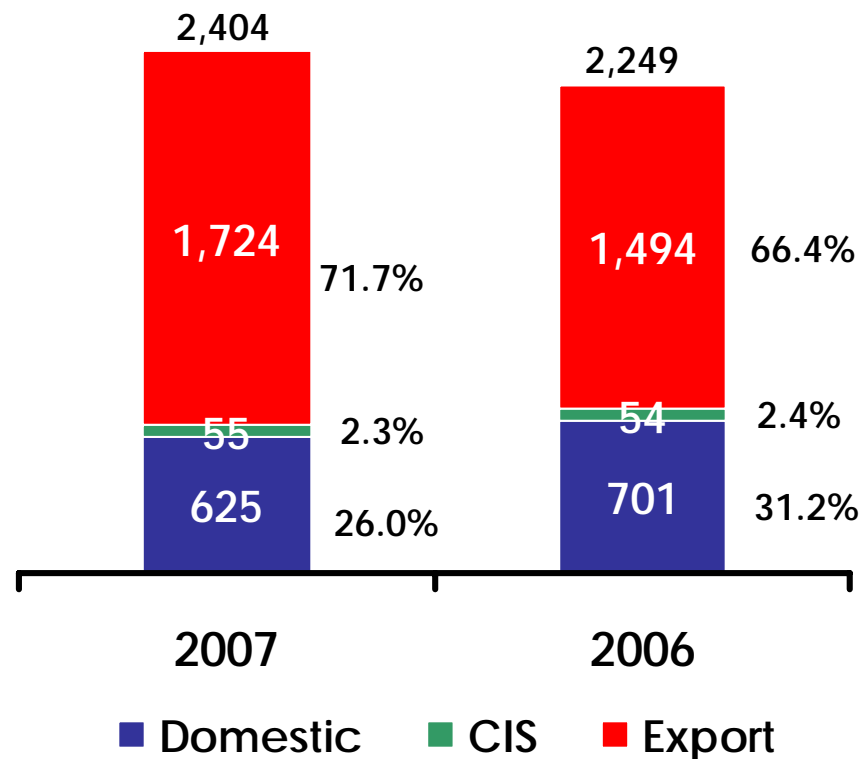


Market distribution – sales volumes

Natural gas, mmcm



Liquids, mt



Proportion of end-customer sales to ex-field sales increased due to an increase in e-trading sales

Note:

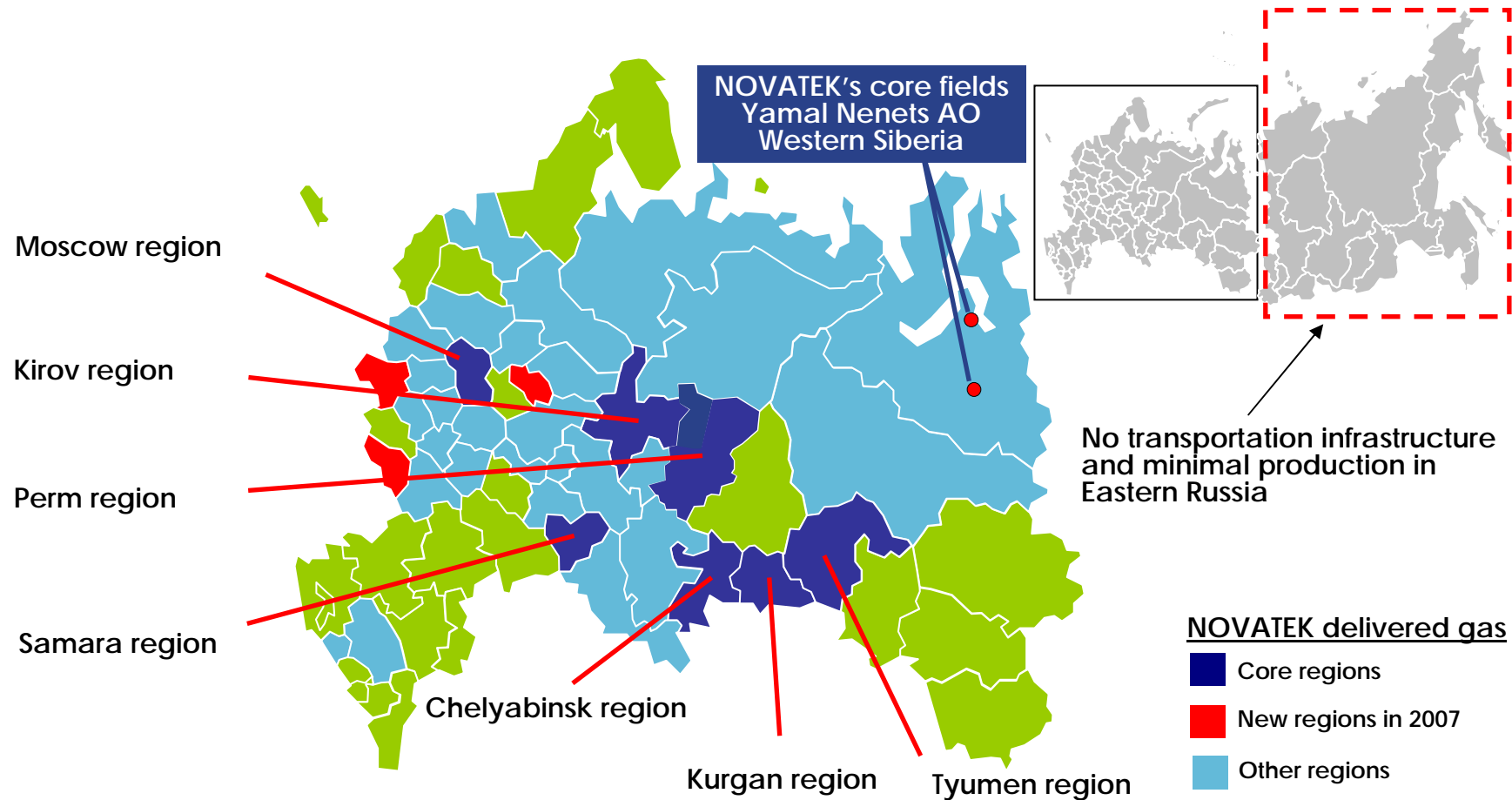
1. End customer sales include e-trading



- Growth in sales volumes due to increased production volumes
- Start-up of oil products trading activities on international markets in 2007

Delivered gas – our main industrial regions

- NOVATEK delivers gas to 39 regions from Western Siberia to European Russia
- 7 core regions accounted for ~ 72% of 2007 delivered volumes (> 5% of sales)



Purovsky processing plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered: 2,112 mt**
 - East Tarkosalinskoye and Khancheyskoye fields: 1,458 mt (100.0% of net production)
 - Yurkharovskoye: 654 mt (93.6% of net production)
- ❑ **Total plant output 2,096 mt**
 - stable gas condensate: 1,542 mt (73.6% of output)
 - LPG: 554 mt (26.4% of output)
- ❑ **Plant capacity**
 - Approximately 100%
- ❑ **29 Tankers dispatched from Vitino Sea Port Terminal (SGC)**
 - 20 to US markets
 - 9 to European markets
- ❑ **Inventory reconciliation**
 - 3 tankers in transit ~ 160 mt
 - Rail road cisterns and port storage facilities ~ 54 mt
 - Plant storage facilities ~ 10 mt
- ❑ **Majority of LPG volumes sold on the domestic market (76.2%)**

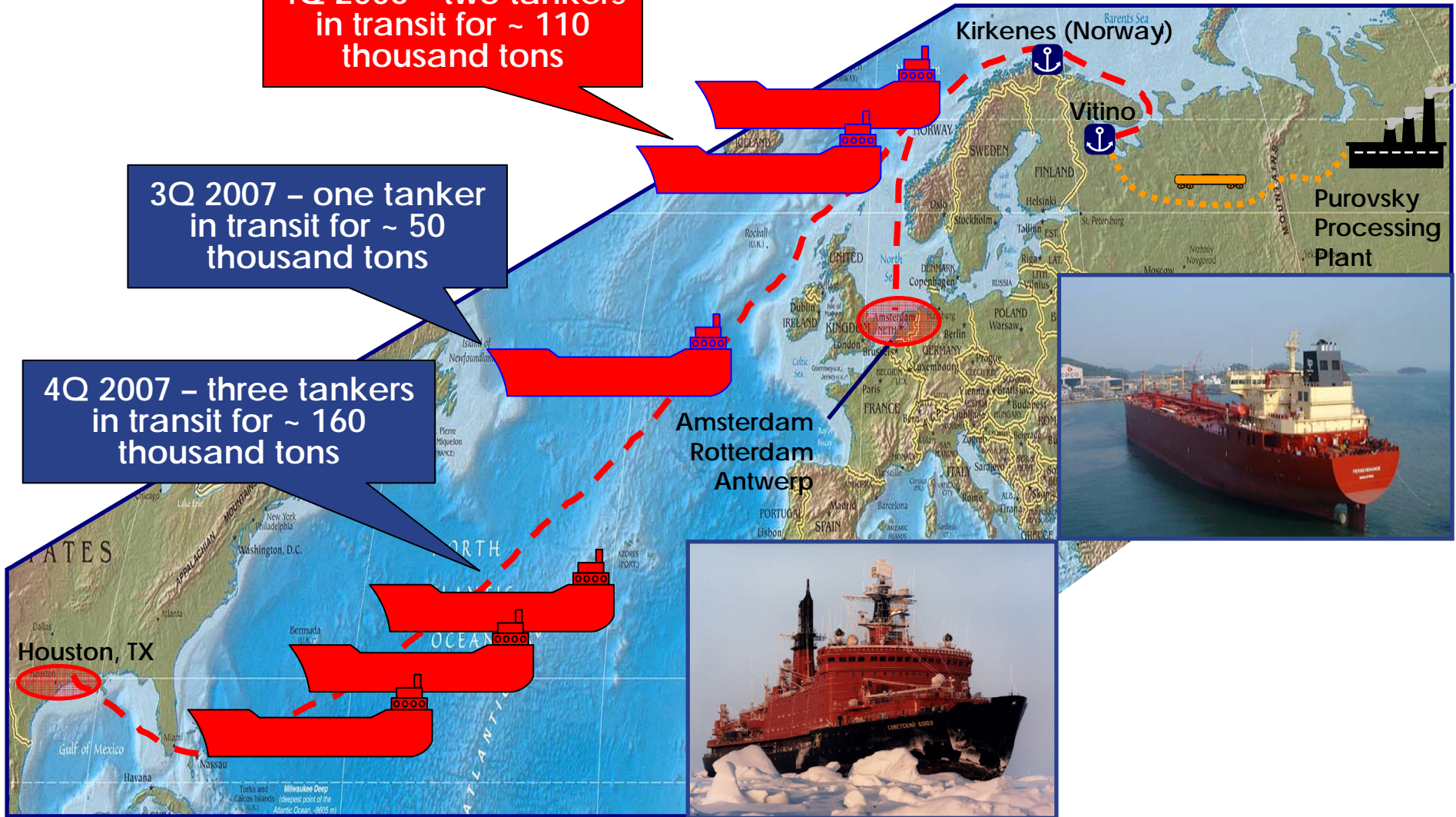


Stable gas condensate in transit - QoQ

4Q 2006 – two tankers
in transit for ~ 110
thousand tons

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

4Q 2007 – three tankers
in transit for ~ 160
thousand tons



Realized prices (net of VAT and export duties)

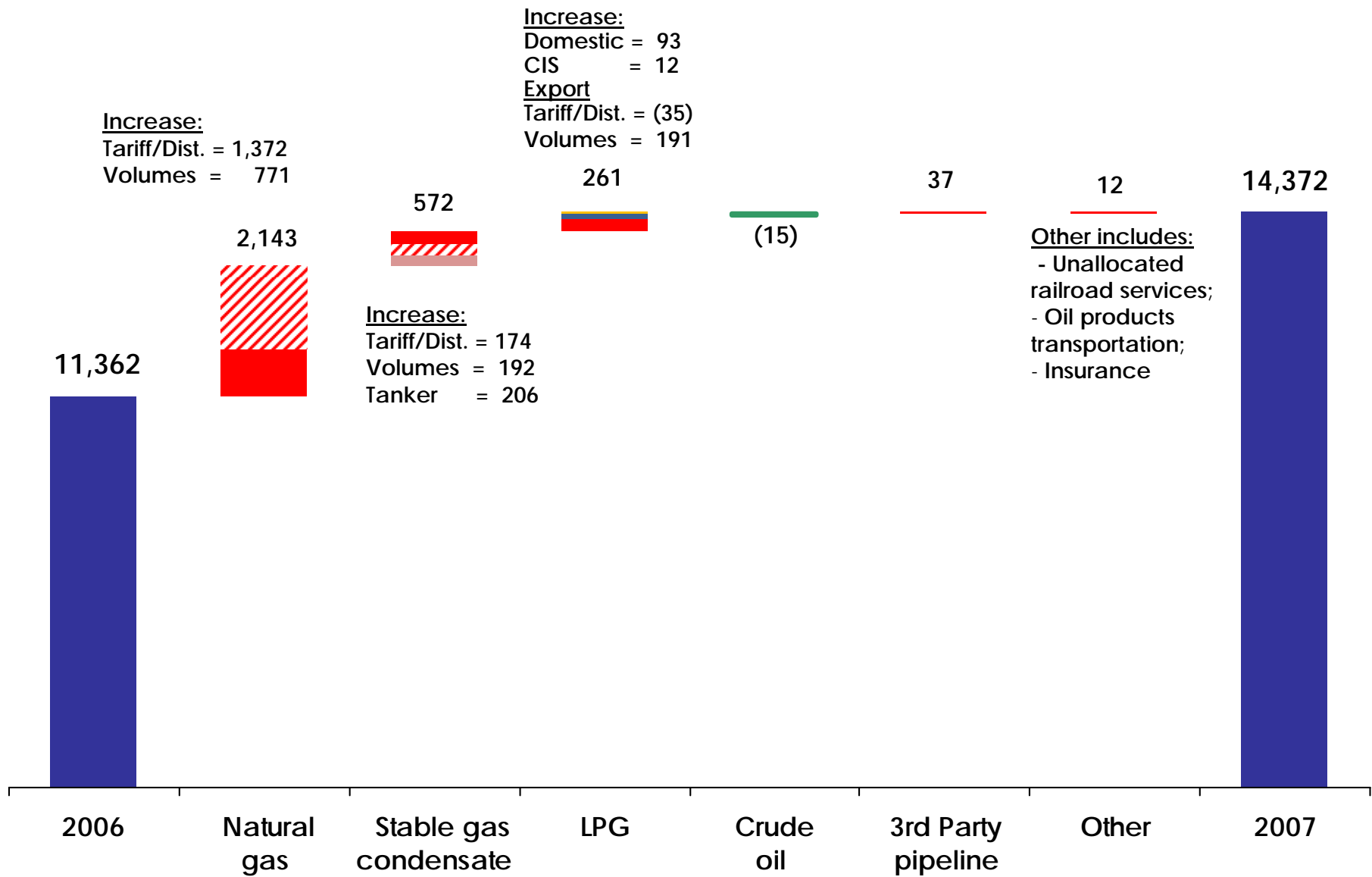
Hydrocarbon prices		2007	2006	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas end-user	RR/mcm	1,505	1,253	252	20.1%
Natural gas e-trading	RR/mcm	1,193	991	202	20.4%
Natural gas ex-field	RR/mcm	779	664	115	17.3%
Stable gas condensate	RR/ton	8,464	8,182	282	3.4%
LPG	RR/ton	8,231	7,014	1,217	17.4%
Crude oil	RR/ton	6,039	5,993	46	0.8%
Oil products	RR/ton	7,358	6,174	1,184	19.2%
<u>CIS</u>					
LPG	RR/ton	10,264	8,538	1,726	20.2%
<u>Export market</u>					
Stable gas condensate	RR/ton	11,353	10,143	1,210	11.9%
LPG	RR/ton	11,535	10,970	565	5.2%
Crude oil	RR/ton	7,225	7,107	118	1.7%
Oil products	RR/ton	20,137	-	n/m	n/m

Operating expenses breakdown

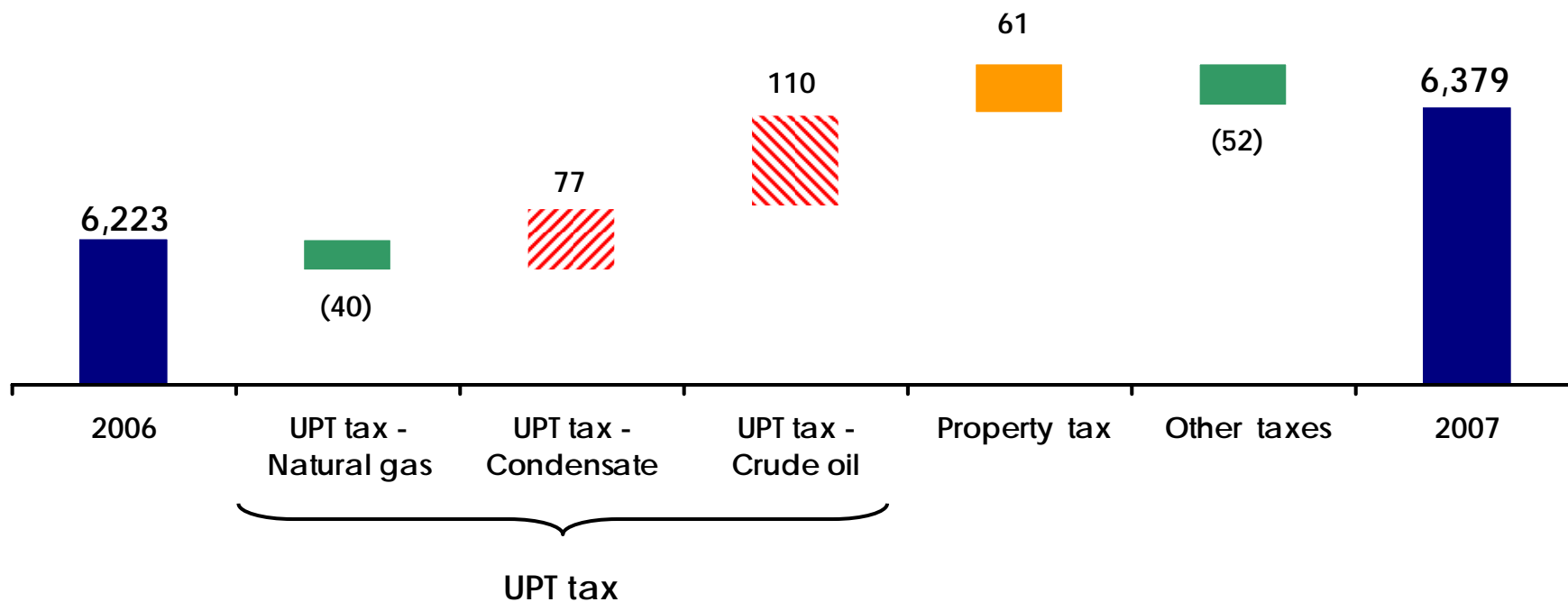
Operating expenses, RR million	2007	% of Total Revenues	2006	% of Total Revenues
Transportation expense	14,372	23.1%	11,362	23.0%
Taxes other than income	6,379	10.2%	6,223	12.6%
Materials, services and other	4,924	7.9%	3,893	7.9%
General and administrative	3,873	6.2%	3,165	6.4%
Depreciation and amortization	3,668	5.9%	3,671	7.4%
Exploration expense	486	0.8%	459	0.9%
Impairment expense	153	0.2%	100	0.2%
Change in inventory	(31)	0.0%	(597)	(1.2%)
Subtotal	33,824	54.3%	28,276	57.3%
Purchases of gas condensate and natural gas	3,242	5.2%	1,805	3.7%
Total operating expenses	37,066	59.5%	30,081	60.9%

- ❑ Total operating expenses decreased slightly from 60.9% to 59.5% as a percentage of total revenues
- ❑ Transportation costs grew primarily due to increases in tariffs and sales volumes of natural gas. Transportation expense as percent of revenues remained relatively unchanged between periods
- ❑ Taxes other than income increased on a relative basis due to UPT and property tax, but partially offset by a decrease in other taxes (decreased as a percentage of total revenues from 12.6% to 10.2% due to lower natural gas production volumes)
- ❑ Purchases increased by 79.6%, or RR 1,437 million, due to purchases of natural gas and liquids for resell

Transportation expense (RR million)

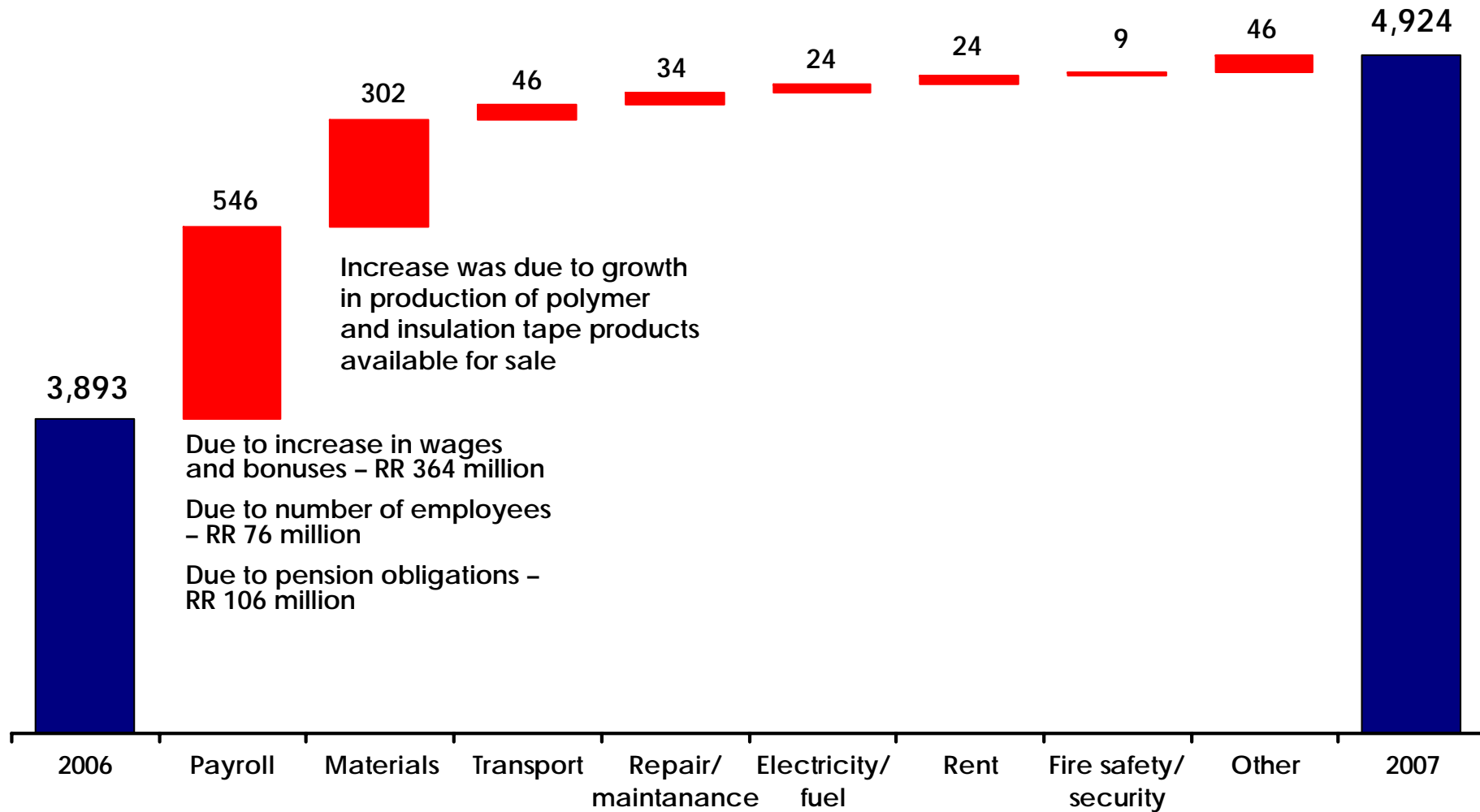


Taxes other than income (RR million)

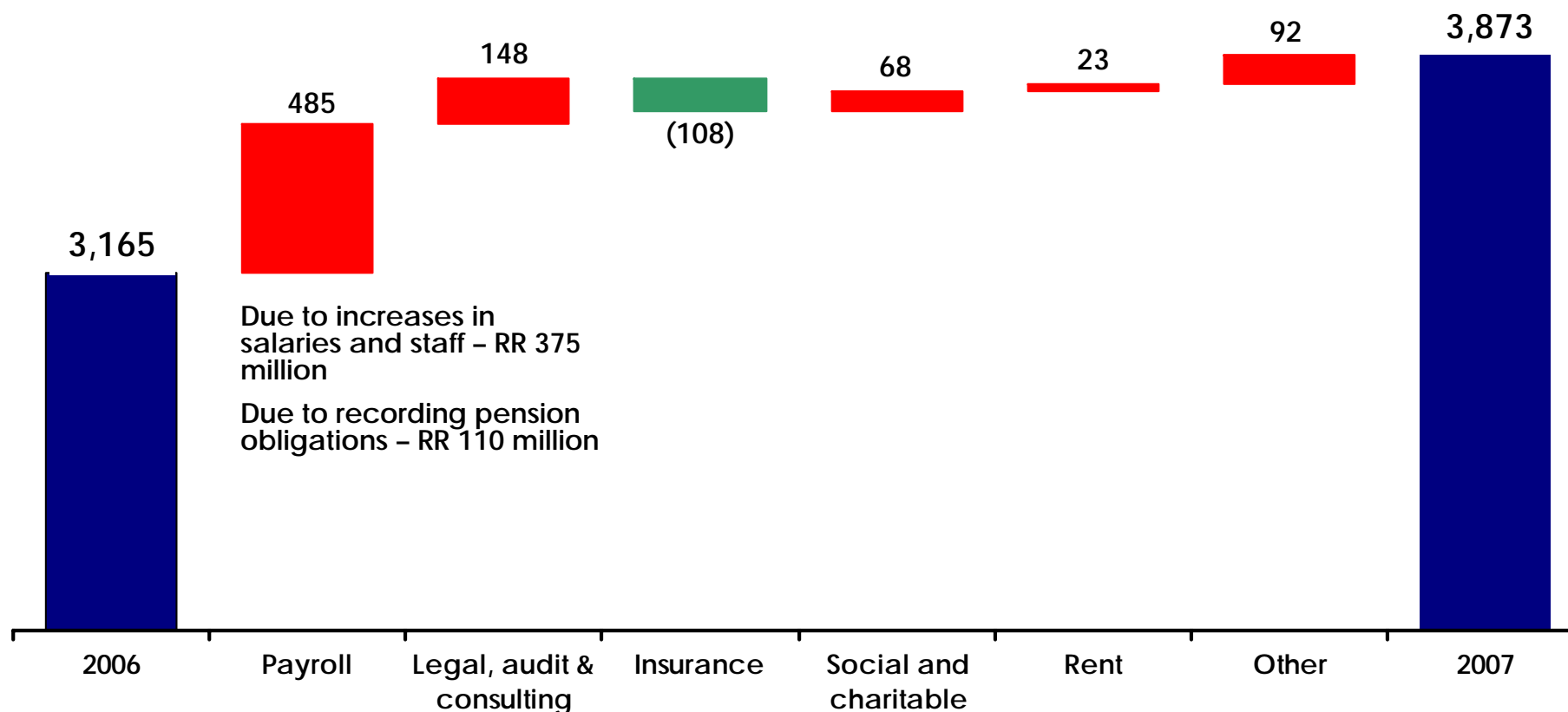


- Increase in UPT tax of 2.6% was due to an increase in UPT tax rates for crude oil and gas condensate and a 2.4% increase in liquids production
- Natural gas accounted for RR 4,161 million of UPT tax while liquids accounted for RR 1,542 million
- Property tax increased by 12.6% due to additions of PPE at NOVATEK-YURKHAROVNEFTEGAS and other production subsidiaries

Materials, services and other (RR million)



General and administrative expenses (RR million)



- ❑ Payroll expenses increased due to additional salaries and staff at NOVATEK (45.2% of an increase)
- ❑ Legal, audit and consulting services expenses increased due to continued work on our information technology systems and management efficiency programs
- ❑ Insurance expenses decreased due to lower insurance rates from a reduction in claims for accidents and corporate-wide re-assessment of items to be insured

Financial Overview – 4Q 2007 vs. 3Q 2007

QoQ performance

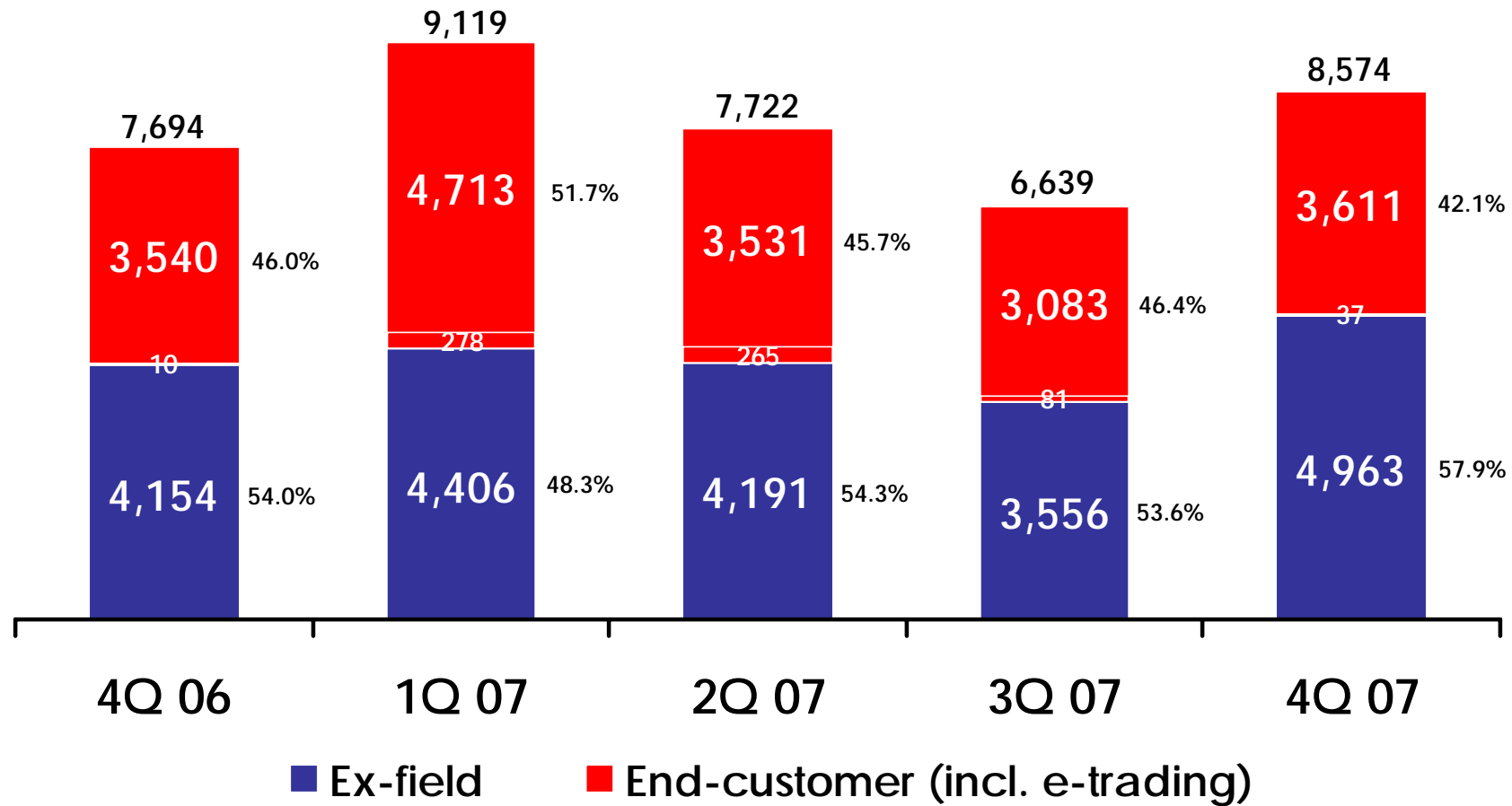
RR million	3Q07	4Q07	+ / (-)%
Total revenues & other income	15,195	16,922	11.4%
Oil and gas sales	14,680	16,264	10.8%
EBITDA ⁽¹⁾	7,602	7,798	2.6%
<i>EBITDA margin % ⁽²⁾</i>	<i>50.0%</i>	<i>46.1%</i>	
Operating expenses	8,524	9,975	17.0%
Effective Tax Rate	23.3%	27.8%	
Profit attributable to NOVATEK shareholders	5,119	5,054	(1.3%)
<i>Profit margin % ⁽²⁾</i>	<i>33.7%</i>	<i>29.9%</i>	

Notes:

¹ EBITDA defined as net income plus total finance expense plus depreciation, depletion and amortization plus total income tax expense

² As a percentage of total revenues & other income

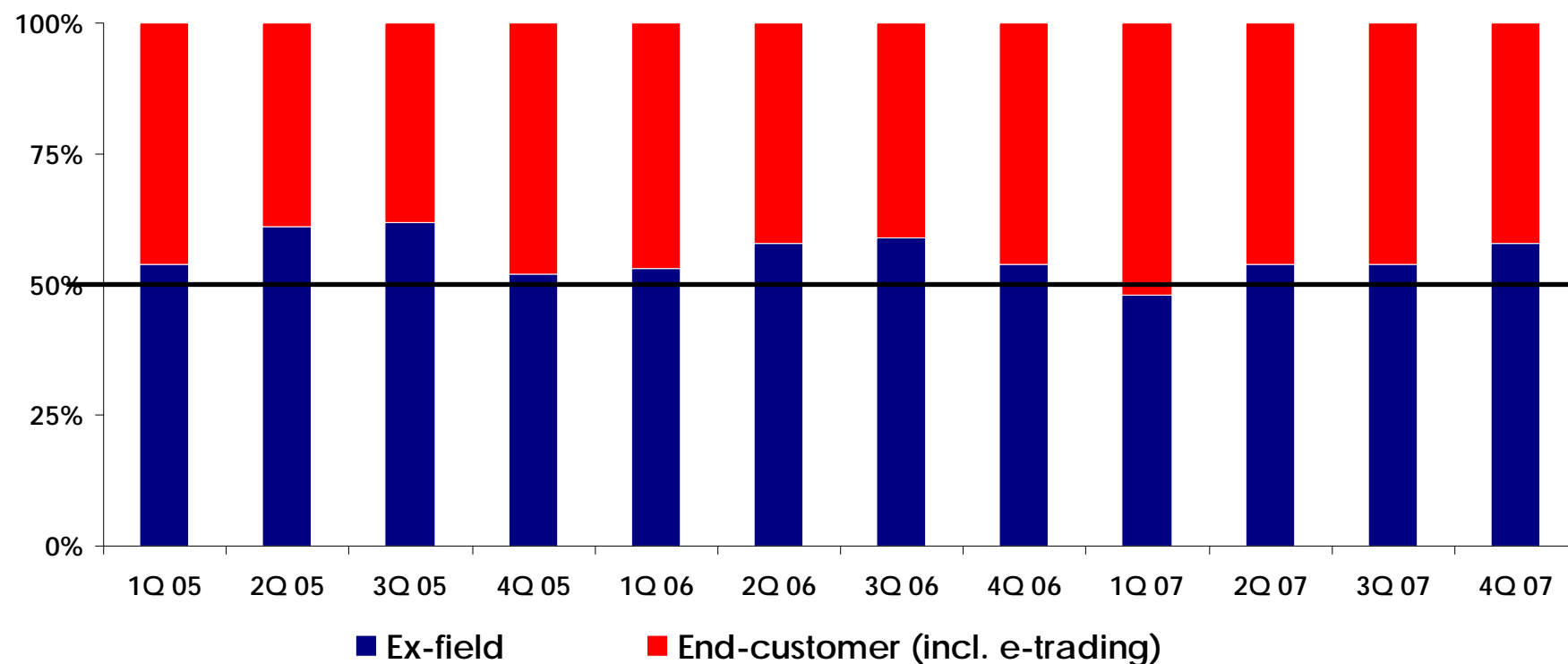
Market distribution – Gas sales volumes (mmcm)



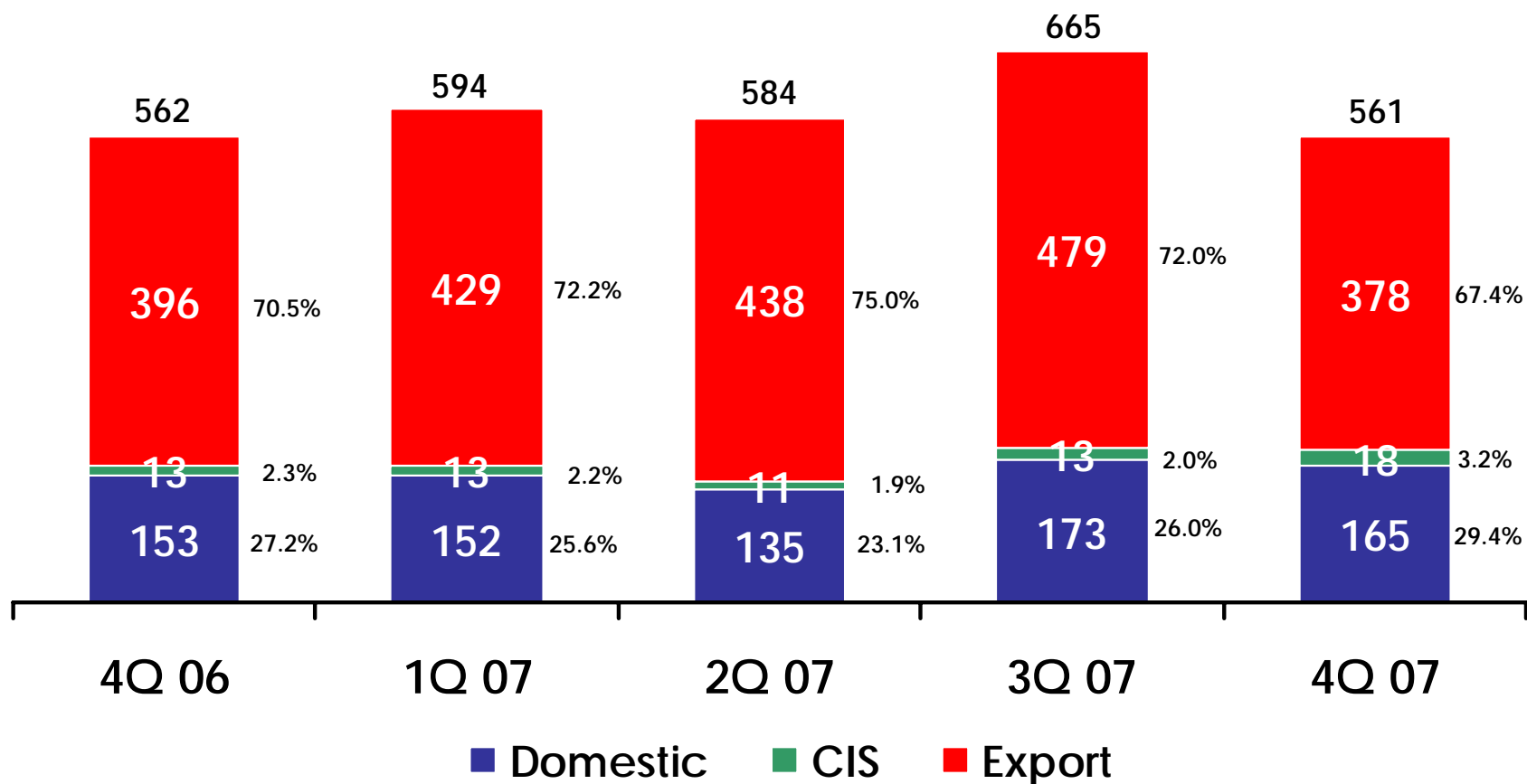
Increased natural gas sales in 4Q 2007 vs. 3Q 2007 mainly due to resumed Cenomanian production at TSNG and growth in purchases

Natural gas sales volumes mix

- Seasonality of demand affects sales volume mix - generally we sell a higher proportion of natural gas to end-customers during the 1st and 4th quarters
- However, in the 4Q 2007, we sold more volumes to wholesale traders to meet contractual obligations



Market distribution – Liquids sales volumes (mt)



Reduced exports in 4Q vs. 3Q 2007 mainly due to our increase in "goods in transit" between periods of 3 tankers vs. 1 tanker, respectively

Realized prices (net of VAT and export duties)

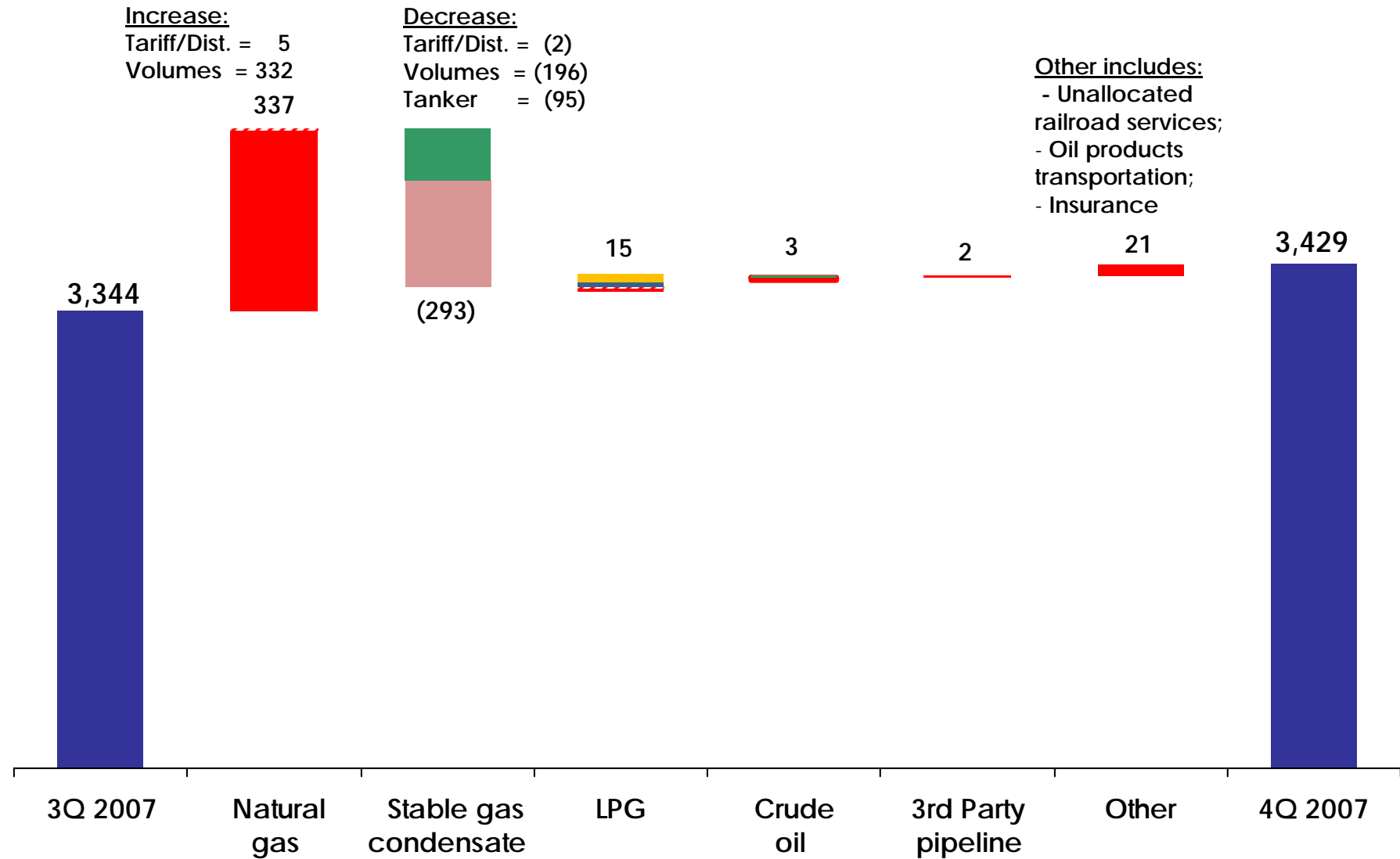
Hydrocarbon prices		4Q 07	3Q 07	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas end-user	RR/mcm	1,542	1,507	35	2.3%
Natural gas e-trading	RR/mcm	1,221	1,216	5	0.4%
Natural gas ex-field	RR/mcm	775	770	5	0.6%
Stable gas condensate	RR/ton	-	-	n/m	n/m
LPG	RR/ton	9,657	9,668	(11)	(0.1%)
Crude oil	RR/ton	7,011	6,637	374	5.6%
Oil products	RR/ton	11,799	6,552	5,247	80.1%
<u>CIS</u>					
LPG	RR/ton	13,288	11,210	2,078	18.5%
<u>Export market</u>					
Stable gas condensate	RR/ton	13,277	11,995	1,282	10.7%
LPG	RR/ton	14,714	12,702	2,012	15.8%
Crude oil	RR/ton	8,558	7,634	924	12.1%
Oil products	RR/ton	20,272	17,447	2,825	16.2%

Operating expenses breakdown

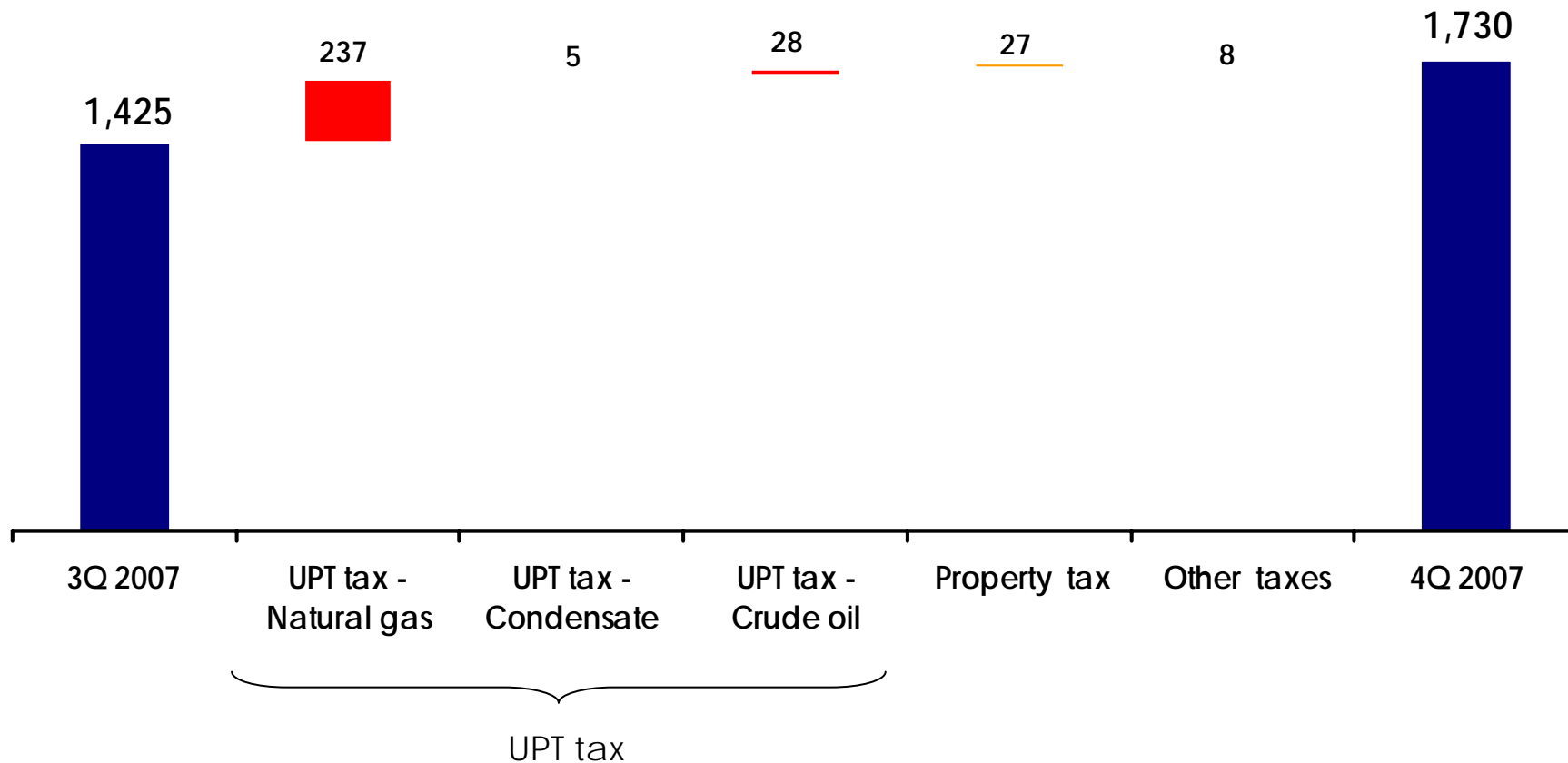
Operating expenses, RR million	4Q 07	% of Total Revenues	3Q 07	% of Total Revenues
Transportation expense	3,429	20.4%	3,344	22.0%
Taxes other than income	1,730	10.3%	1,425	9.4%
Materials, services and other	1,542	9.1%	1,172	7.7%
General and administrative	1,138	6.7%	913	6.0%
Depreciation and amortization	808	4.8%	850	5.6%
Exploration expense	29	0.2%	48	0.3%
Impairment	50	0.3%	50	0.3%
Change in inventory	(336)	(2.0%)	51	0.3%
Subtotal	8,390	49.8%	7,853	51.6%
Purchases of gas condensate and natural gas	1,585	9.4%	671	4.5%
Total operating expenses	9,975	59.2%	8,524	56.1%

- ❑ Operating expenses increased QoQ from 56.1% to 59.2% as a percentage of total revenues
- ❑ Transportation expense increased slightly due to growth in natural gas sales volumes offset by deferred expenses for stable gas condensate in transit
- ❑ Taxes other than income increased QoQ primarily due to increased natural gas production of 1.6 bcm
- ❑ Purchases increased by 136.2% QoQ due to an increase in oil products purchased by our trading subsidiary for resale on international markets and an increase in natural gas purchases to meet increased market demand

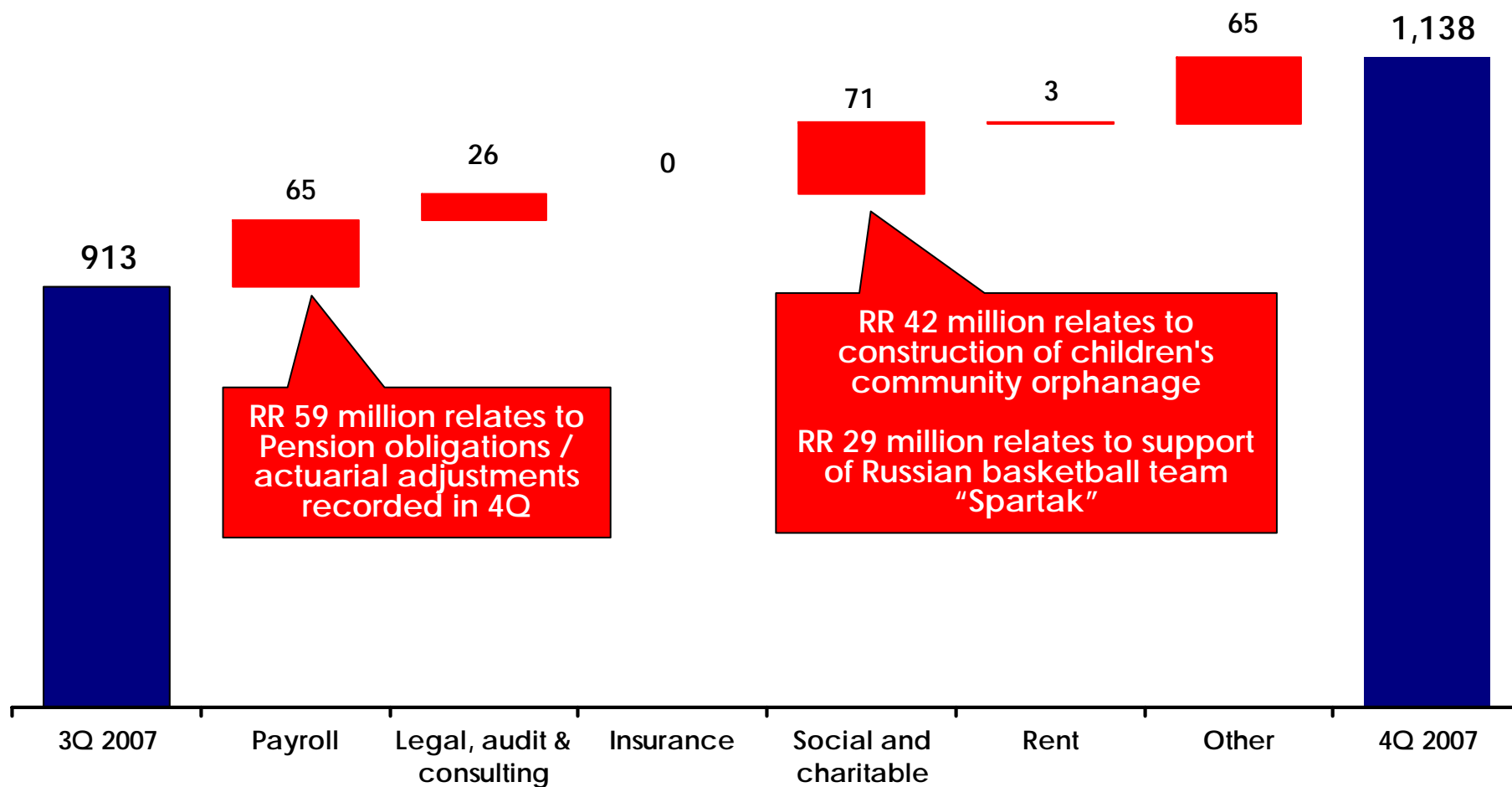
Transportation expense (RR million)



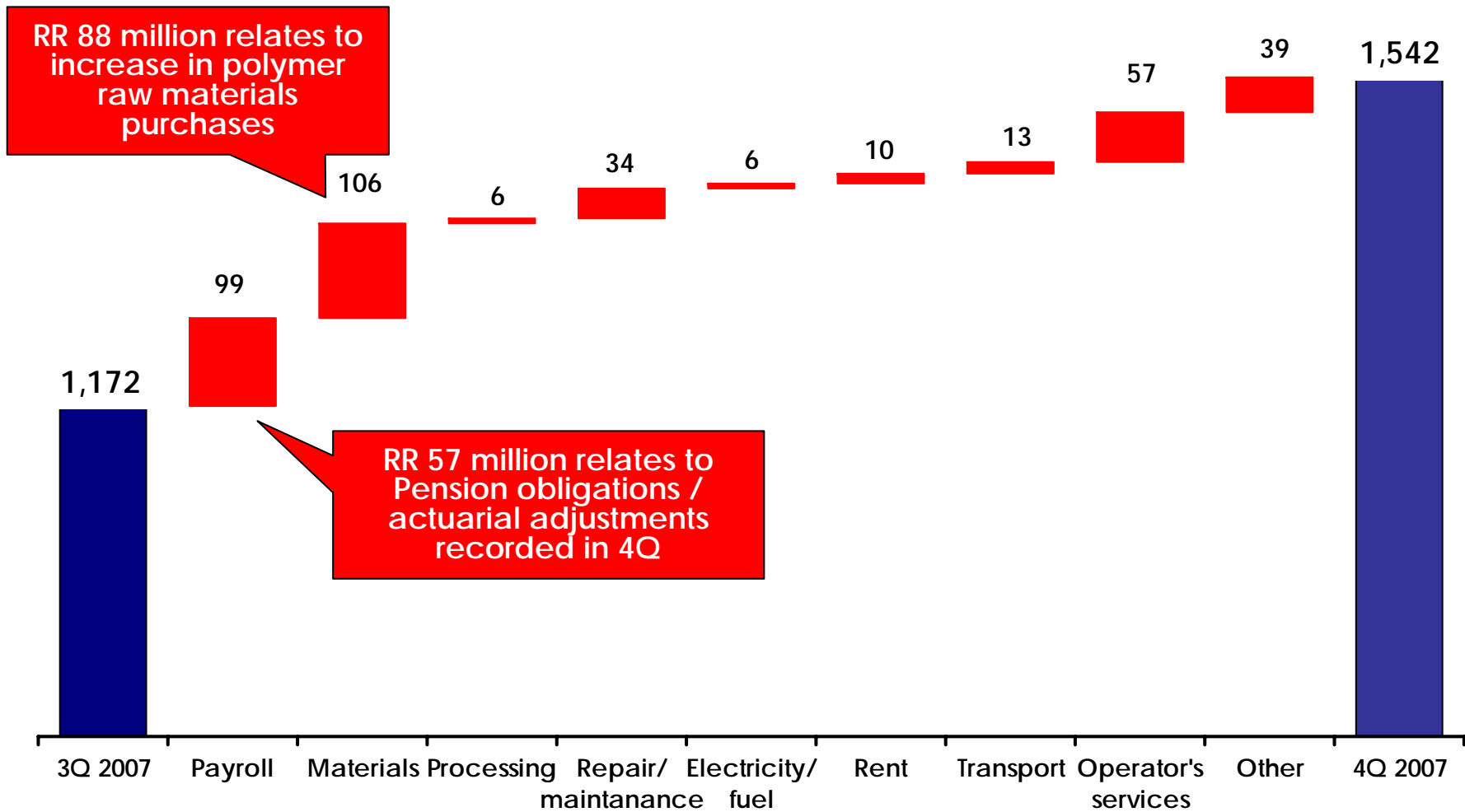
Taxes other than income (RR million)



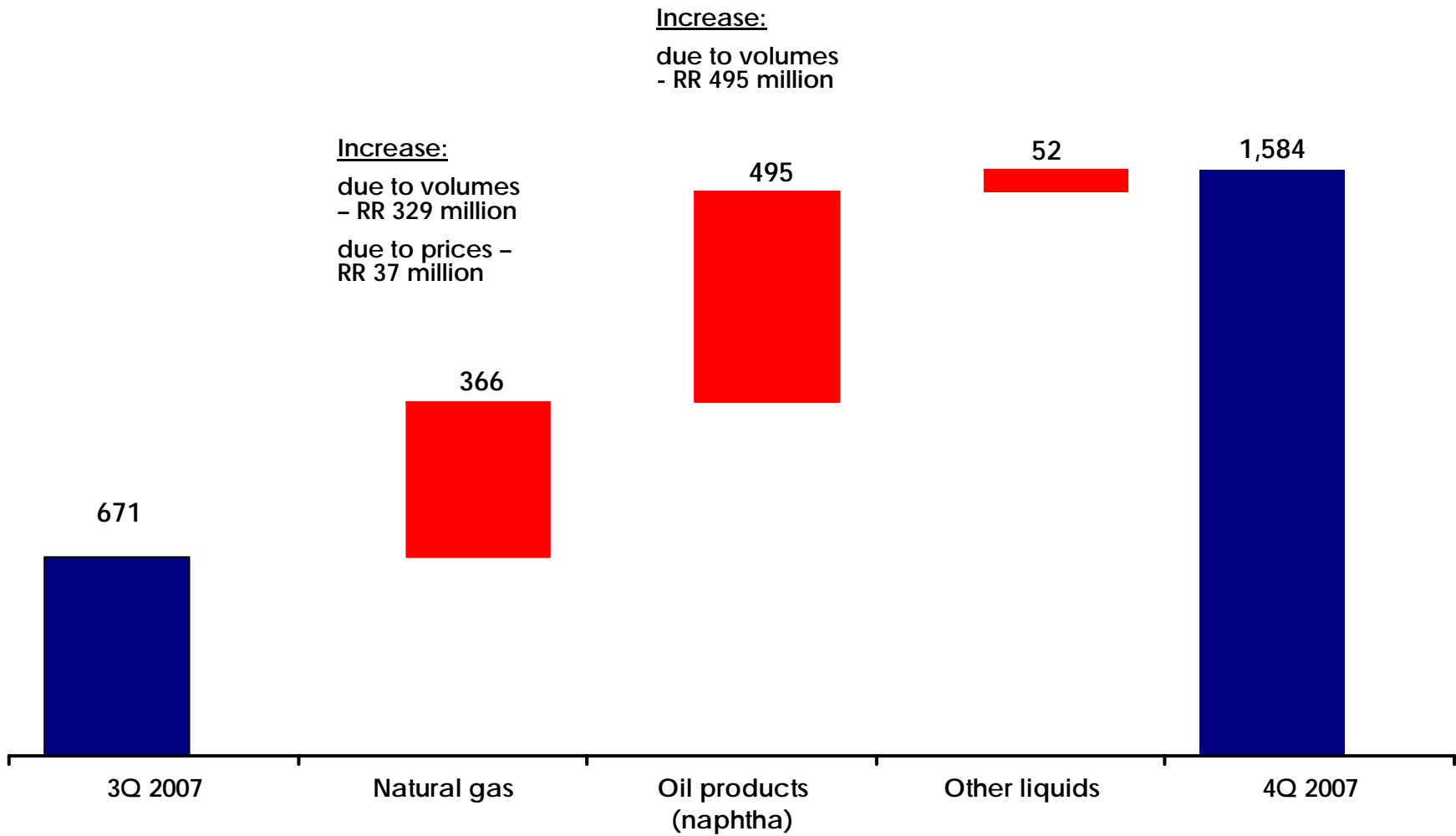
General and administrative expenses (RR million)



Materials, services and other (RR million)



Purchases of natural gas and liquids (RR million)

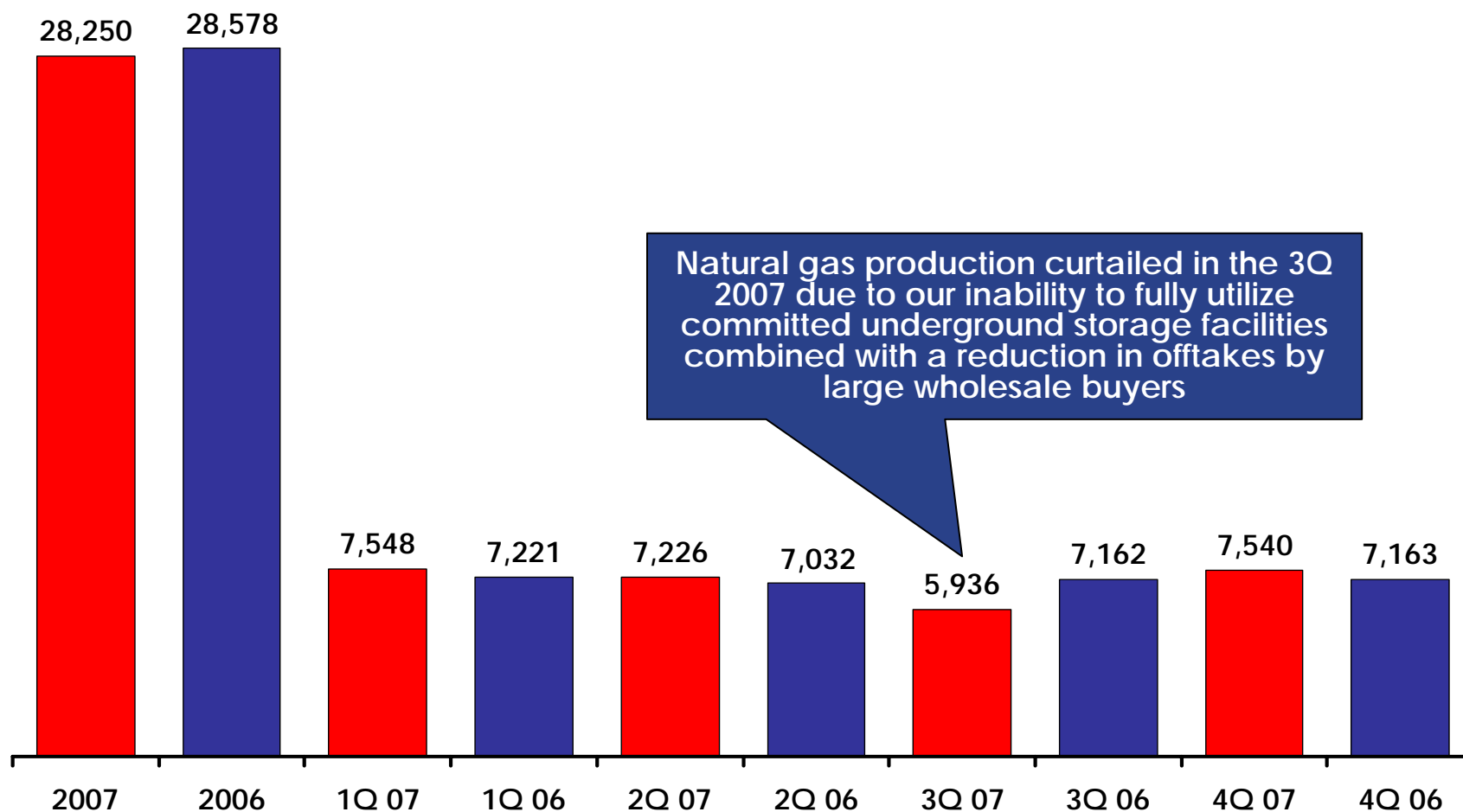


Questions and Answers

Appendices

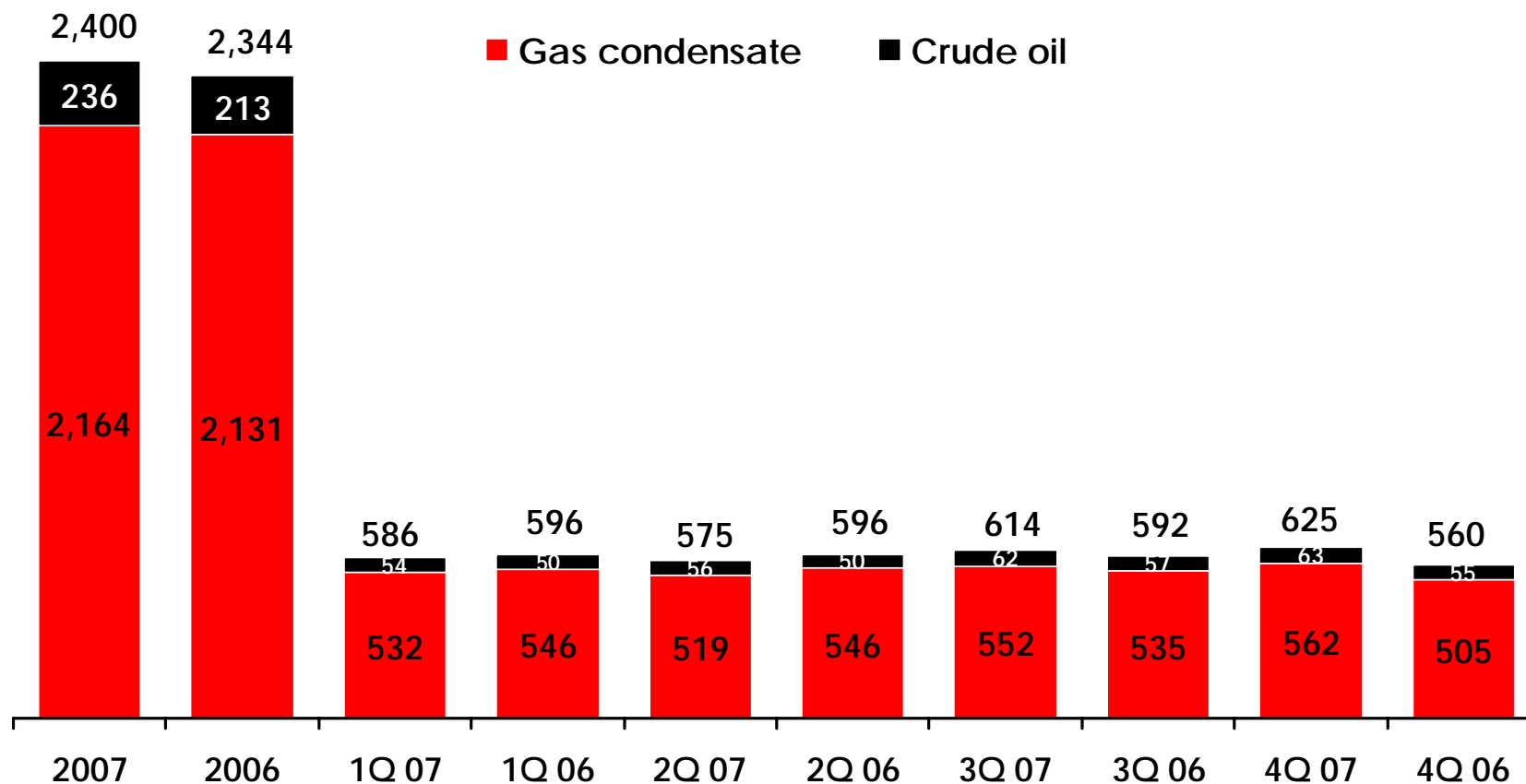
Production YoY and 2006/2007 quarterly

Natural gas production, mmcm



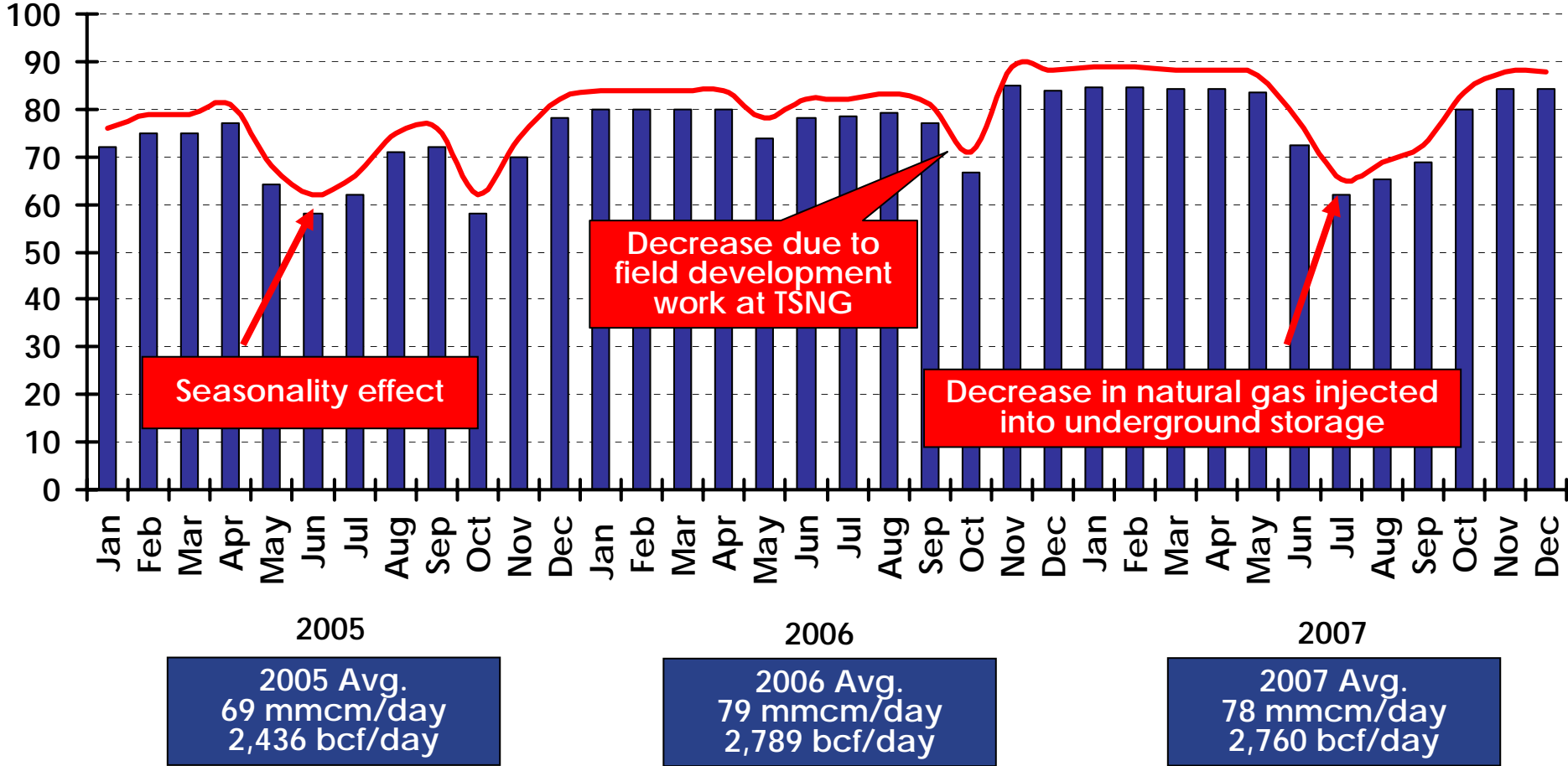
Production YoY and 2006/2007 quarterly

Liquids production, mt



Increasing natural gas production, mmcm/day

Monthly Gas Production, mmcm/day



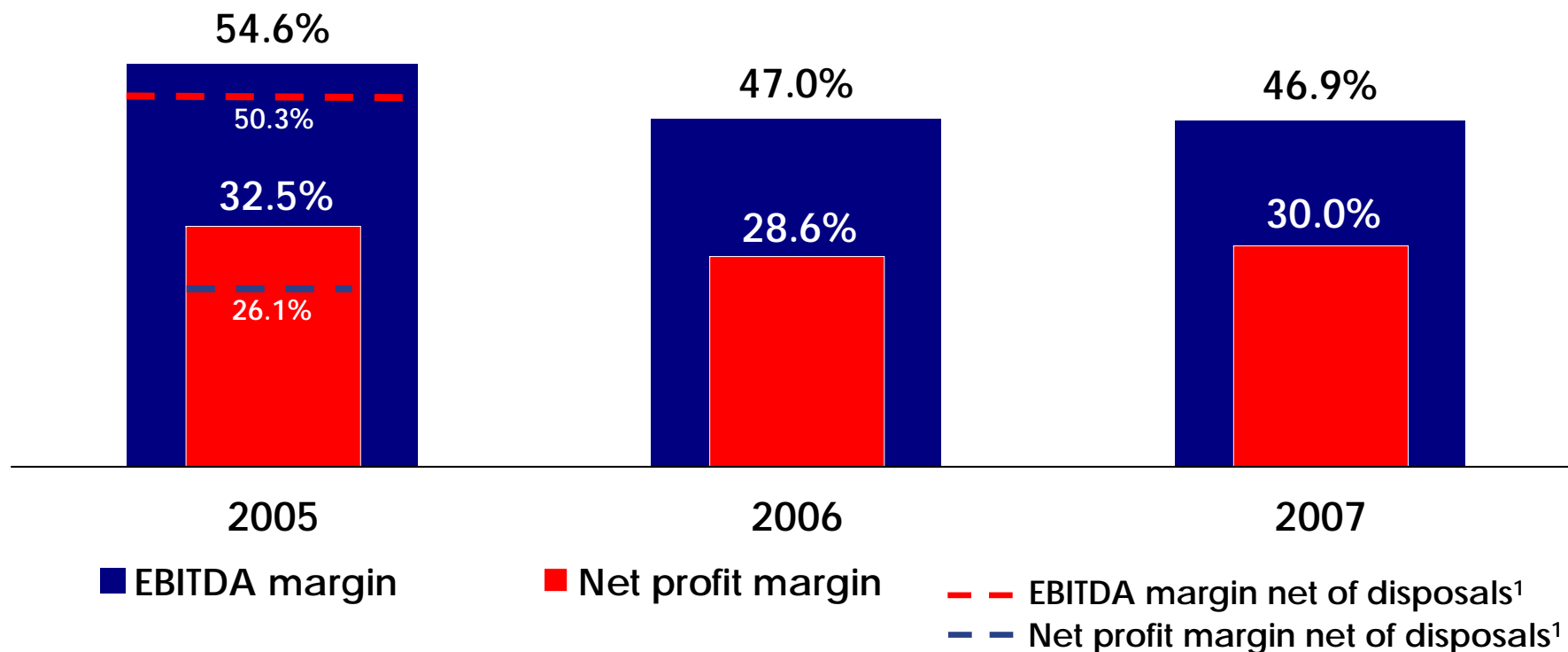
Solid financial performance despite warm weather

RR million	2007	2006	+ / (-)	+ / (-)%
Total revenues & other income	62,431	49,234	13,197	26.8%
Oil & gas sales	60,357	48,047	12,310	25.6%
EBITDA⁽¹⁾	29,283	23,129	6,154	26.6%
Effective Tax Rate	26.5%	26.7%	n/m	n/m
Profit attributable to NOVATEK shareholders	18,736	14,079	4,657	33.1%
Capex	19,466	4,703	14,763	313.9%
Net debt ⁽²⁾	2,620	(2,560)	n/m	n/m
<i>Net debt / Total capitalization ⁽³⁾</i>	<i>2.7%</i>	<i>(3.2%)</i>	n/m	n/m

Notes:

1. EBITDA defined as net income plus total finance expense and total income tax expense from P&L and depreciation, depletion and amortization and share based compensation from the statement of cash flows
2. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
3. Total capitalization calculated as total debt plus shareholders equity plus minority interest plus deferred tax liability

Maintaining margins (% of total revenues & other income)

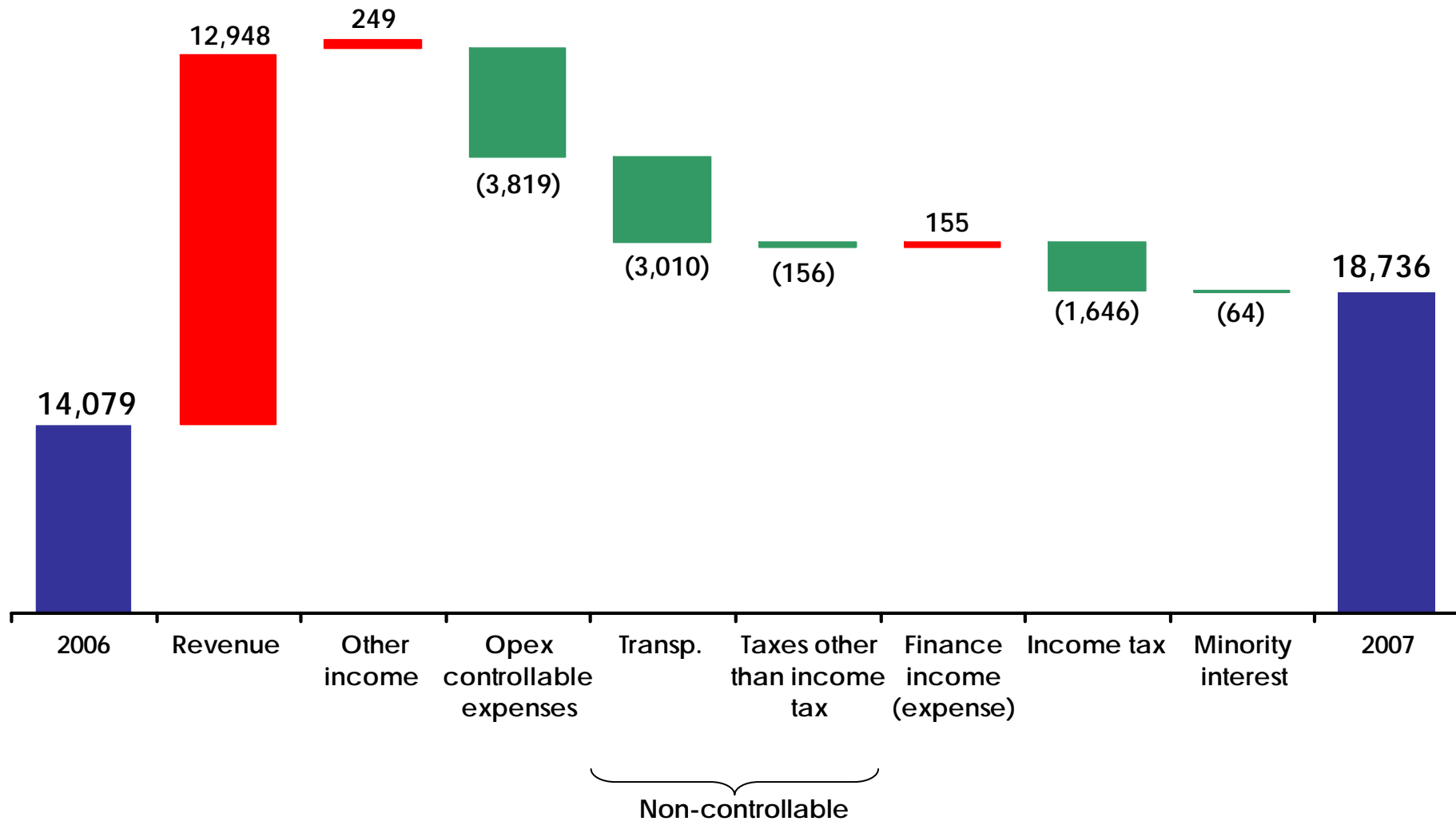


- Growth in and consolidation of core gas business
- Commencement of export liquid sales in current higher pricing environment

Note:

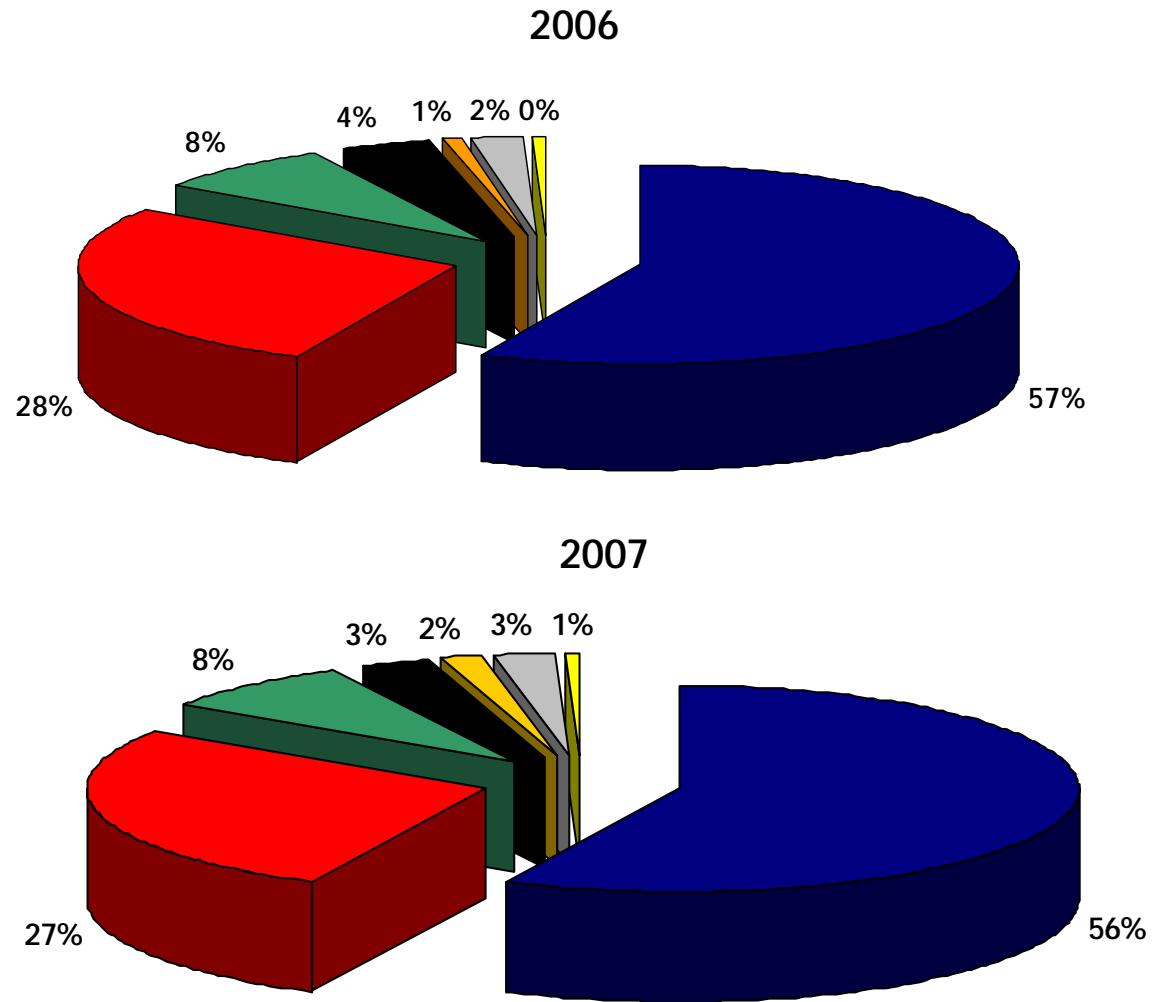
1. Net of disposals of disposal of investments in oil and gas producing associates and gain on disposal of interest in subsidiaries

Profit attributable to NOVATEK shareholders (RR million)



Total revenue breakdown

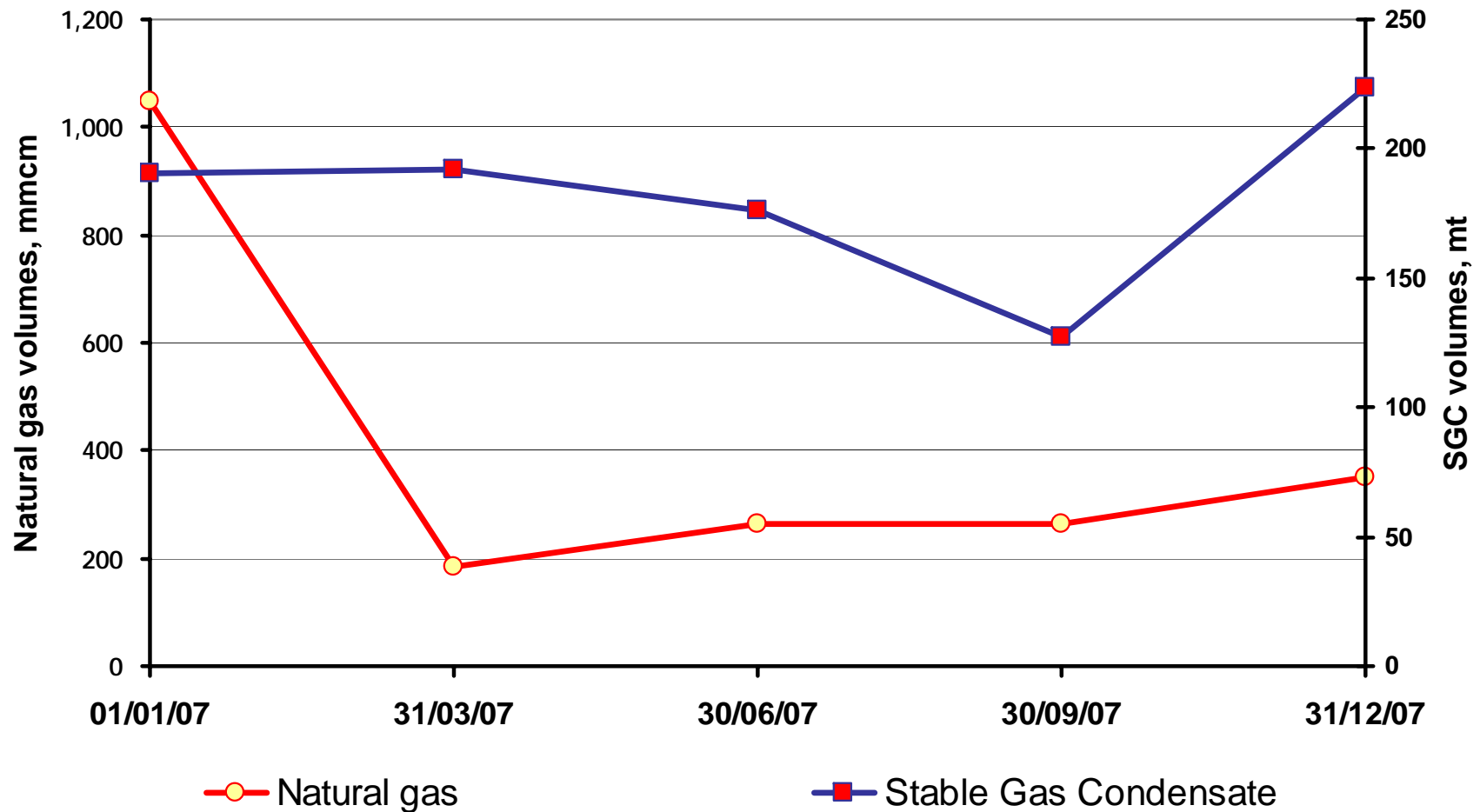
- Natural gas
- Stable condensate
- LPG
- Crude oil
- Oil products
- Polymers
- Other



Condensed balance sheet (RR million)

RR million	2007	2006	+ / (-)	+ / (-)%
Total current assets	17,038	15,487	1,551	10.0%
<i>Incl. Cash & cash equivalents</i>	<i>3,982</i>	<i>5,668</i>	<i>(1,686)</i>	<i>(29.7%)</i>
Total non-current assets	86,937	68,839	18,098	26.3%
<i>Incl. Net PP&E</i>	<i>82,669</i>	<i>66,734</i>	<i>15,935</i>	<i>23.9%</i>
Total assets	103,975	84,326	19,649	23.3%
Total current liabilities	12,075	5,098	6,977	136.9%
<i>Incl. ST Debt</i>	<i>6,560</i>	<i>2,565</i>	<i>3,995</i>	<i>155.8%</i>
Total non-current liabilities	10,088	10,552	(464)	(4.4%)
<i>Incl. Deferred income tax liability</i>	<i>8,083</i>	<i>8,412</i>	<i>(329)</i>	<i>(3.9%)</i>
<i>Incl. LT Debt</i>	<i>42</i>	<i>543</i>	<i>(501)</i>	<i>(92.3%)</i>
Total Liabilities	22,163	15,650	6,513	41.6%
Total equity	81,812	68,676	13,136	19.1%
Total liabilities & equity	103,975	84,326	19,649	23.3%

Change in inventories

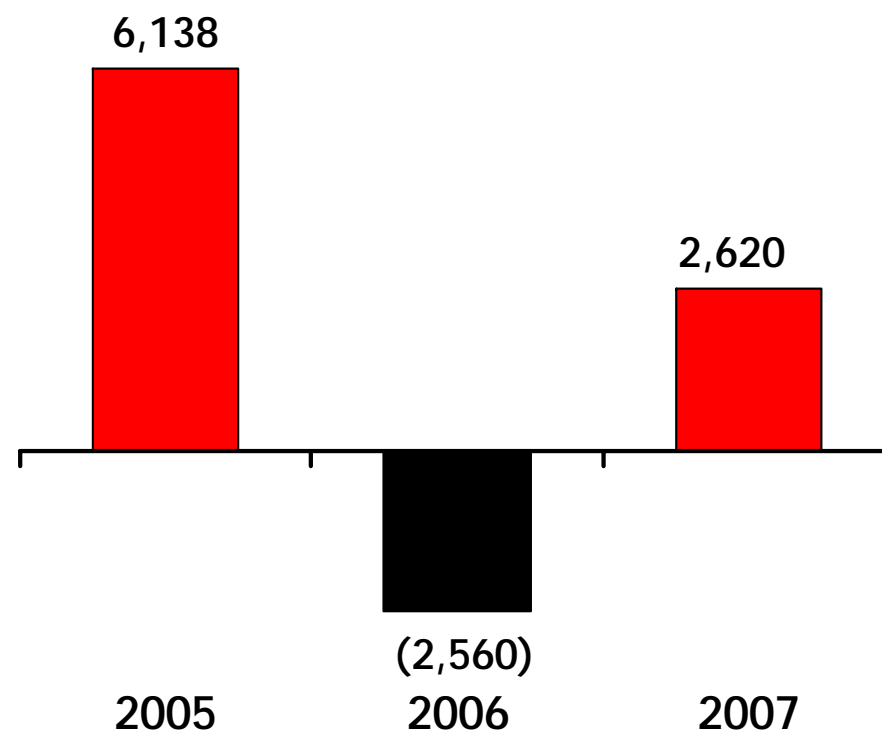


Debt structure

Debt structure and maturities

RR million	2007	2006
Short-term debt	6,560	2,565
<i>Including current portion of long-term debt</i>	282	2,117
Long-term debt	42	543
Scheduled maturities		
2008	-	501
2009	42	42
Total debt	6,602	3,108
Cash and equivalents	3,982	5,668
Net debt (Net cash)	2,620	(2,560)

Net Debt (Net cash) evolution, RR million



New loans obtained in 2007 for further development of Yurkharovskoye field and Purovsky Plant Phase 2 construction