Strategy Update 2009 – Conference Call

NOVATEK, Moscow, Russia

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Agenda

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Section 1:
Company Overview

Our Strategy In Motion

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- **Removed production constraints**
  - **Launched 2nd phase at the Yurkharovskoye field (September 2008);**
    - **Constructed natural gas low temperature separation and gas condensate preparation units**
    - **Increased field productive capacity by 7.2 bcm and NOVATEK's total capacity to 37 bcm per annum (over 100 mmcm per day)**
    - **Built and connected a 52 km natural gas pipeline, 1,420 mm diameter, and a 35 km, 1,420 mm diameter, looping by-pass system to increase transportation capacity at the field to 34 bcm per annum**
    - **Commissioned 10 new wells**
- **Constructed methanol plant at Yurkharovskoye field reducing purchase and delivery expenses while eliminating potential environmental risks**
- **Increased processing and storage capacity**
  - **Launched 2nd phase at Purovsky Plant in November 2008, current total plant capacity of 5 mmt per annum and increased plant storage capacity for stable gas condensate by 60,000 m^3 to 90,000 m^3**

Main Themes – 2009

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Liquidity	➢ maintain strong cash position ➢ manageable debt position ➢ sustainable cash flows ➢ no management shareholder collateralization issues
Capital Expenditures	➢ decreasing inflationary pressure on oil service costs ➢ largely financed by operating cash flows ➢ continued focus on core gas business ➢ operations scaleable to business environment
Projects	➢ low risk development drilling program ➢ low cost producer ➢ delivered key infrastructure projects in 4Q 08
Crisis Management	➢ relatively low debt position ➢ firm credit policy ➢ strong balance sheet ➢ adhere to prudent investment decisions

Looking Ahead - Focus On Core Gas Segment

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Prioritize investment program to focus on core natural gas and gas condensate production capacity and changing market conditions

- **2009 – Estimated E&P CAPEX between RR 14.2[1] billion (minimum case) and RR 21.8[1] billion (maximum case)**
- **2009 – Increase production capacity up to 44 bcm (maximum case)**

- **2010 – Estimated E&P CAPEX RR 28.3[1,2] billion – 35.7[1,3] billion**
- **2010 – Increase production capacity up to 51 bcm (maximum case)**

- **Postpone oil field development programs at East-Tarkosalinskoye and Khancheyskoye fields**
- **Defer significant capital commitments to processing facilities until 2010, after confirmation of new Russian gas balance, and certain exploration activities**

Notes:

(1) Net of VAT, nominal amounts

(2) Estimated capex for 2010 under the minimum 2009 capex case

(3) Estimated capex for 2010 under the maximum 2009 capex case

Section 2:
General Business Climate

Operating Environment

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Capacity Constraints

Eliminated through...	
2008	2^{nd} Phase Yurkharovskoye field development
2008	Gas pipeline – Yurkharovskoye field to UGSS (34 bcm capacity)
2008	2^{nd} Phase Purovsky Plant
2009 - 2010	2^{nd} Stage methanol plant Yurkharovskoye field (40,000 tons p.a.)
2009 - 2010	Complete gas condensate pipeline
2009 - 2010	Complete de-ethanization plant
2009 - 2010	3^{rd} or 3^{rd} and 4^{th} phase Yurkharovskoye field development
2009 - 2010	LTSU – additional 7 - 14 bcm

Market Dynamics

Non-Controllable
Weather
GDP Growth
Competition

Management significantly removed operational constraints over the past year but operating environment now impacted by market uncertainty which is beyond management's control

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Section 3:
Exploration & Production

2008 Key E&P Highlights

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NOVATEK's exploration activities

Field/License area	Seismic	Drilling	C_1 Reserve Growth Gas	Liquids
Yurkahrovskoye	141 km² (3D)	4 wells	13 bcm	0.9 mmt
New Yurkharovskoye	42 km² (3D)	1 well	6.9 bcm	1.0 mmt
Khancheyskoye	225 km² (3D)	3 wells	4.7 bcm	0.4 mmt
Olimpiyskiy (Sterkhovoye)	Interpretation of 3D and 2D	1 well	3.9 bcm	1.0 mmt
Raduzhniy	225 km² (3D), Interpretation of 2D	2 wells	2.4 bcm	0.3 mmt
Zapadno-Urengoyskiy	280 km² (3D)	-	-	-
Yarudeyskiy	150 linear km (2D)	1 well	1.8 bcm	0.1 mmt
Assoc. lic. areas[1]	1,591 linear km (2D)	3 wells	3.4 bcm	-
El-Arish (Egypt)	1,133 km² (3D)	-	-	-

Estimated increase in Russian classified C_1 reserves of approximately 36.1 bcm of gas and 3.7 mmt of liquids as of YE 2008

Notes:

(1) Gross figures, not adjusted for NOVATEK's shareholding in associated license areas

E&P Breakdown 2008

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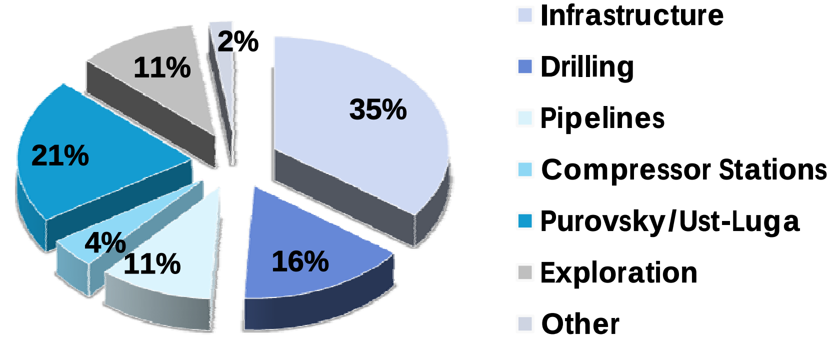
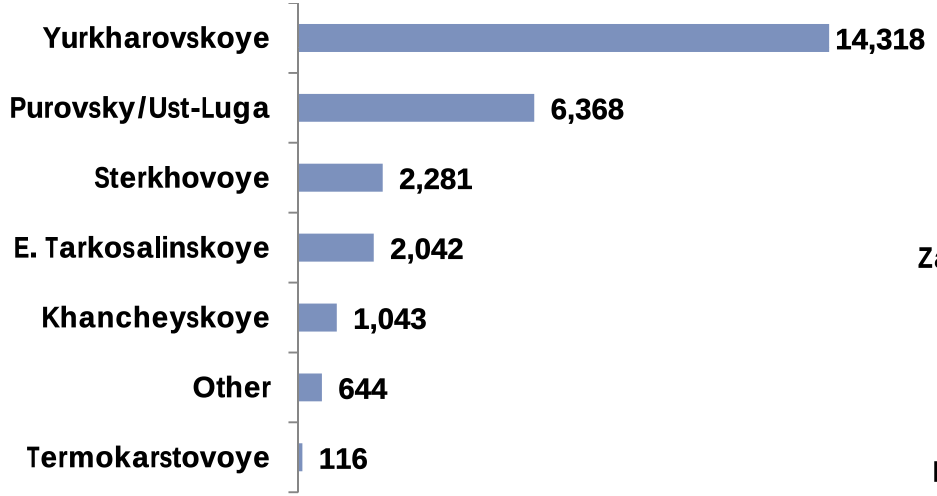
Production Estimate

- Natural Gas 30.8 BCM
- Liquids 2.6 MMT
- Total 221 MMBOE

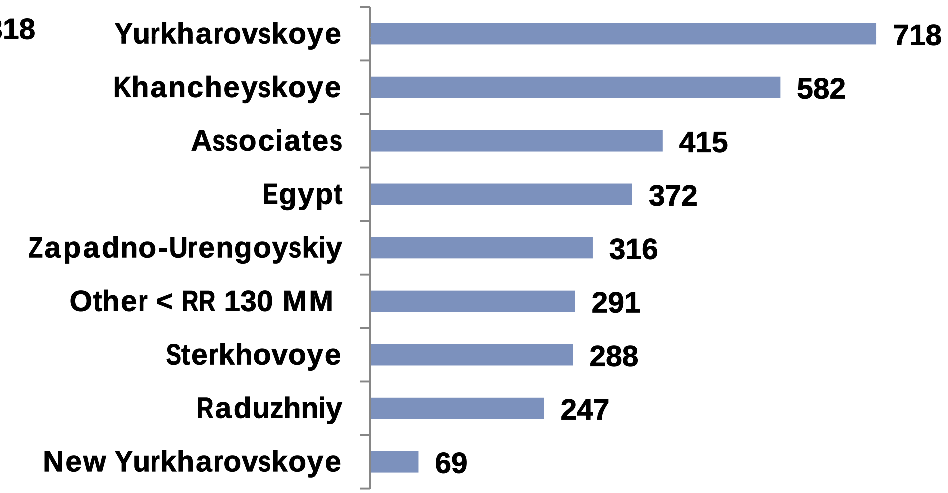
E&P Capex Estimate, RR 30,136 MM[1]



Development Capex Estimate, RR 26,812 MM[1]



Exploration Capex Estimate, RR 3,298MM[1]



Notes:
(1) Net of VAT, nominal amounts

E&P Program 2009 and 2010

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- **Continue phase development at the Yurkharovskoye field**
  - **Increase field capacity by up to 14 bcm per annum**
  - **Complete gas condensate pipeline from the Yurkharovskoye field to the Purovsky Plant resulting in a significant decrease in operating expenses for 3rd party transportation costs**
  - **Complete de-ethanization facilities at the Yurkharovskoye field resulting in a significant decrease in operating expense for 3rd party de-ethanzation costs**
- **Other field development**
  - **East-Tarkosalinskoye – Maintain field productive capacity by constructing and commissioning two compressor stations for the Cenomanian layer and one compressor station for the Valanginian layer**
  - **Khancheyskoye – Maintain field productive capacity by completing and commissioning one compressor station for Valanginian layer**
  - **Sterkhovoye – Complete gas condensate separation unit and drill wells**

E&P Program 2009 and 2010

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- **Expand processing capabilities**
  - **2010 Russian gas balance will be main determining factor in expansion of processing facilities**
  - **Purovsky Plant – expand LPG storage capacity by 18,000 m^3 to 27,000 m^3**
  - **Ust-Luga – continue with project design work**
- **Exploration work**
  - **Continue exploration drilling at Yurkharovskoye, New Yurkharovskoye, West Urengoyskiy and Olimpiyskiy fields and other license areas**
  - **Continue seismic work at more than 10 license areas**
  - **Initiate changes in license classification from exploration license to production license at four fields**
  - **Continue seismic interpretation work and drilling preparatory work in 2009 and begin exploration drilling in 2010 at the El-Arish field in Egypt**

E&P CAPEX Forecast - 2009

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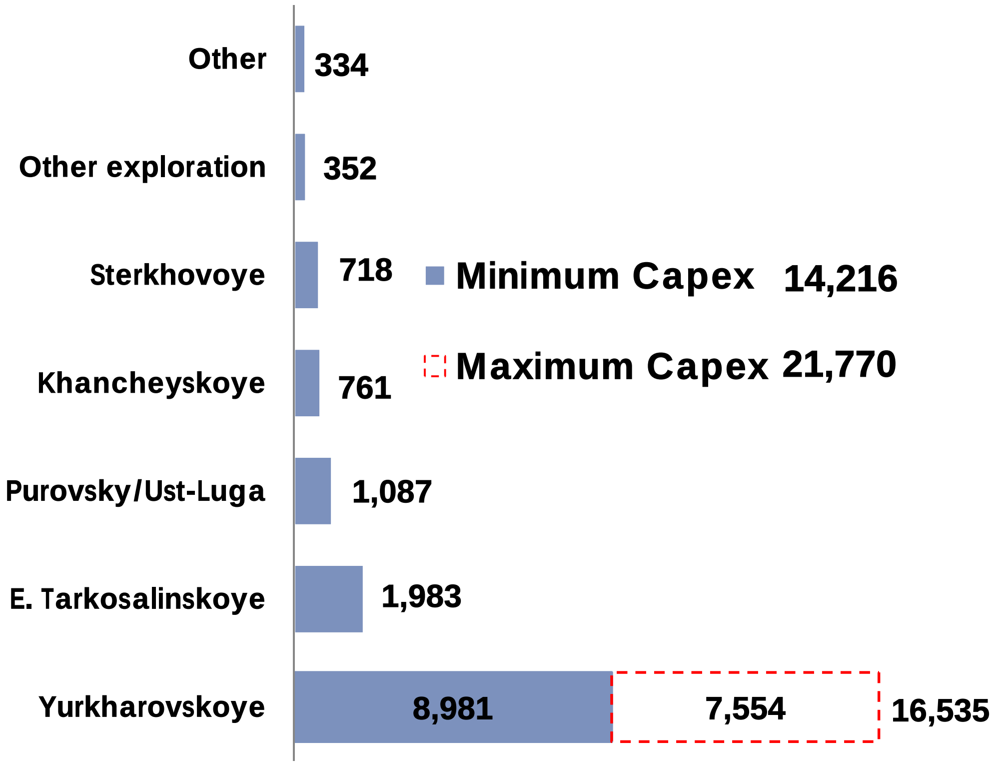
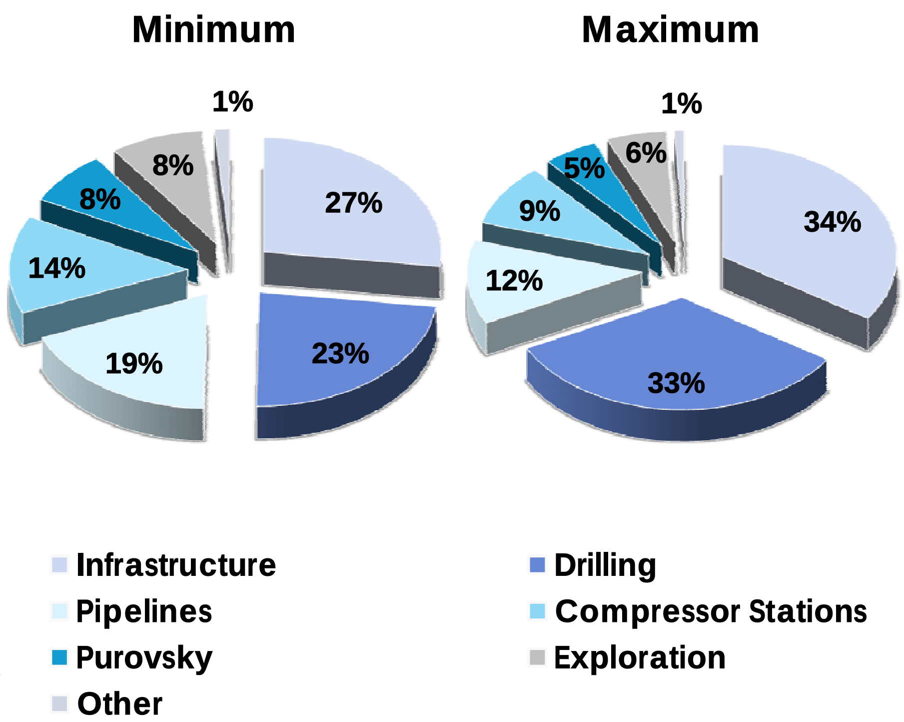
2009F E&P CAPEX Program, RR MM[1]



2009F E&P CAPEX by Activity



The launch of the 3rd phase and associated drilling program at the Yurkharovskoye field are the principal differences between 2009 Minimum and Maximum capex cases. The determining factor will be based on market dynamics in 2009.

Notes:

(1) Net of VAT, nominal amounts

Yurkharovskoye Field Development Plan – 2009

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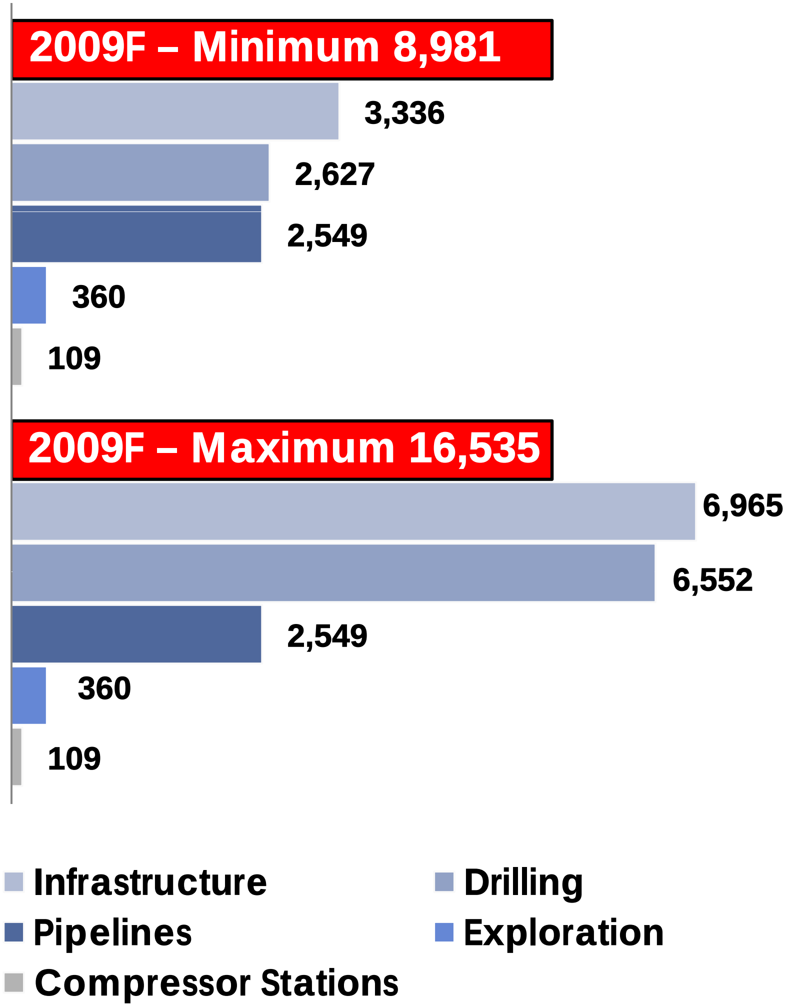
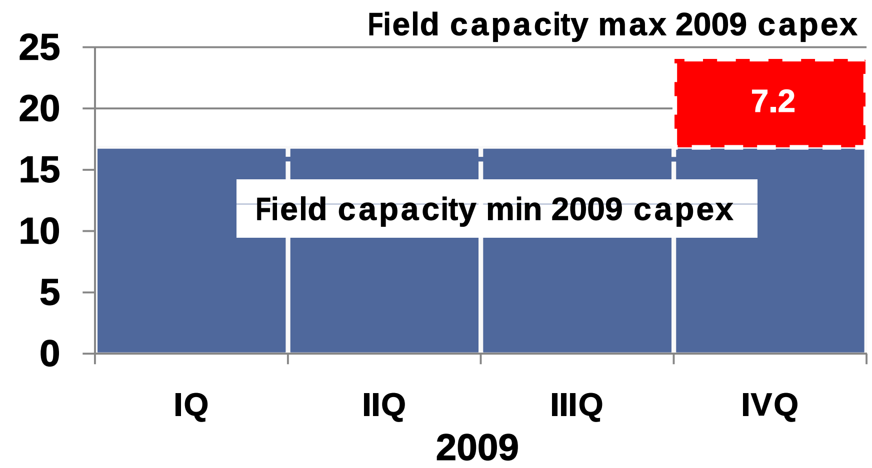
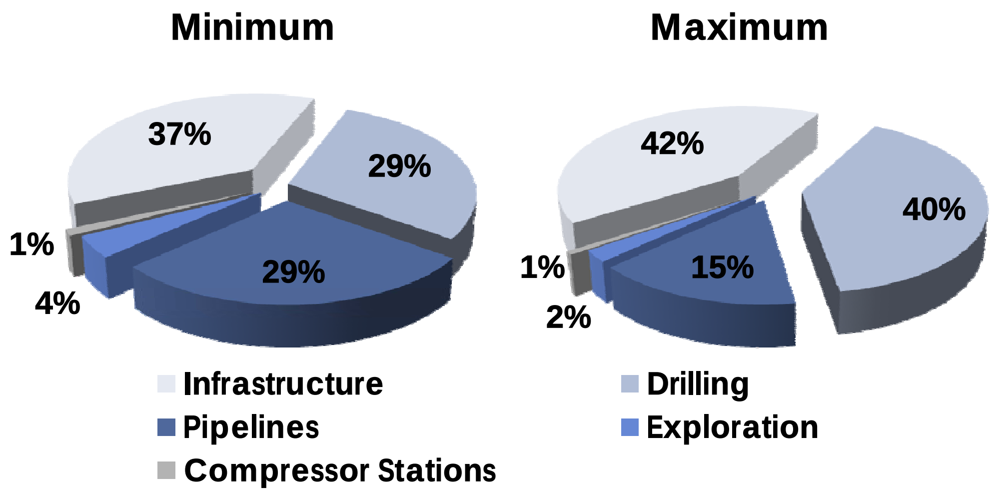
E&P Capex Breakdown, RR MM[1]



Capacity Increase, bcm (annualized)



2009 E&P Capex - min/max cases



Notes:

(1) Net of VAT, nominal amounts

Yurkharovskoye Field Development Plan

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Key changes to original development plan

Drilling program

- **Original – total of 88 wells and an artificial island to reach planned field capacity of 27 bcm**
- **Updated[1] – total of 79 wells and no artificial island to reach planned field capacity of 32.5 bcm**
- **Change - decrease in well count and elimination of artificial island results in lower capex and environmental risk**

	"New well"	"Old well"	+/-,%
Diameter, mm	168	114	+47%
Deviation, m	3,500	2,000	+75%
Horizontal run,m	1,000	500	+100%
Initial debit, mcm/day	5,500	1,250	+340%
Drilling cost, $/mcm cum. prod.	1.64	2.72	-40%

Achimov and Jurassic layers

- **Updated strategy defers capital expenditures related to these layers to future periods depending on updated Russian gas balance and market demand**

Notes:
(1) Based on maximum capex program

Section 4:
Financial Strategy

Current Financial Status

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- **Balance Sheet**
  - Strong positive cash position
  - Reconfirmed access to available credit lines
  - Debt ratios – among the lowest in industry peer group
  - Limited bad debt exposure – Prepayments and Offtaker bank guarantees
  - Currency exposure partially mitigated by USD denominated revenue from liquids sales
- **Outstanding Operating Leverage**
  - Limited downside price risk for majority of revenue stream
  - Low cost producer
  - Expected savings in Opex and Capex due to price deflation and field optimization

Financial Guidance

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Metric	2003	2004	2005	2006	2007	9M08	Guidance
EBITDA, %[1]	30%	36%	54%	48%	47%	49%	43 – 45%
Effective tax rate[2]	33.1%	28.3%	27.3%	26.7%	27.0%	24.5%	24 – 26%
Net Income, %[3]	19%	23%	32%	29%	30%	32%	23 – 25%
ROE, %[4]	27%	13%	24%	21%	23%	Na	21 – 23%
ROACE, %[5]	21%	13%	20%	20%	21%	Na	18 – 20%
Net debt / Total Capitalization[6]	29%	27%	8%	(3%)	3%	8%	15 – 30%

Financial guidance consistent with actual results over the relative time periods

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 as a percentage of Total revenues and other income
2. Effective tax rate represents total tax expense calculated as a percentage of our reported IFRS profit before income tax and share of net income from associates
3. as a percentage of Total revenues and other income
4. ROE represents net income/total shareholders equity
5. Net income plus finance expense (net of taxes)/Total debt plus total equity
6. Net debt represents total debt less cash and cash equivalents. Total capitalization represents total debt, total equity and deferred income tax liability

Operational Metrics

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Metric	2003	2004	2005	2006	2007	3yr Avg[4]
Lifting costs, $/boe	0.43	0.38	0.52	0.45	0.58	0.52
F&D costs, $/boe	0.72	1.06	0.30	0.57	3.14	1.46
RR costs, $/boe[1,2]	0.72	0.69	0.30	0.66	3.70	1.13
RR rate[3]	249%	118%	313%	144%	107%	198%

We rank as the second lowest cost producers in the global oil and gas industry as confirmed by the IHS Herold and Harrison Lovegrove "*Global Upstream Performance Review*" editions 2006 and 2007

Notes:
1. Includes acquisition cost for oil and gas assets not included in appraisal reports
2. RR costs per boe could potentially increase above guidance based on current trends in acquisitions of O&G companies and assets and increasing costs for new licenses
3. Based on gross production for all fields
4. According to IHS Herold and Harrison Lovegrove

A compelling investment case

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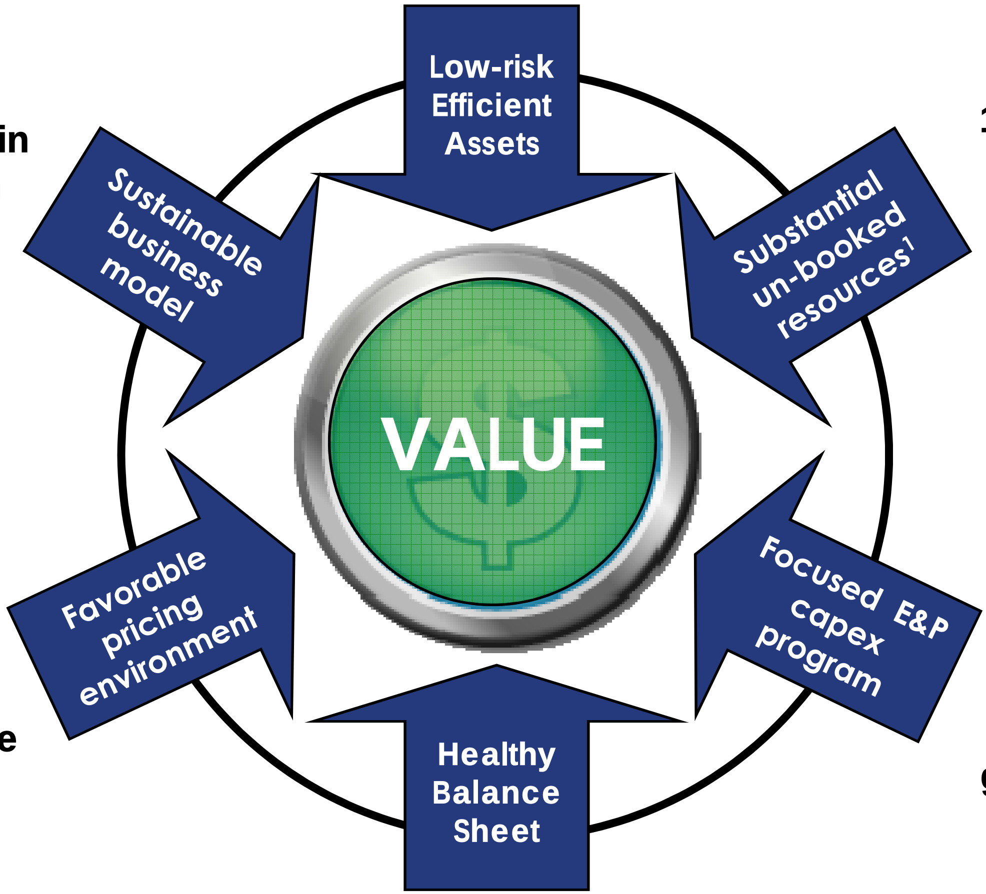
23 year R/P life
653 bcm P1 Gas reserves
84% Proved Developed

Natural gas will remain the fuel of choice in the 21st century

1.3+ tcm of natural gas
185+ mmt of liquids
approx. 10 billion boe



Domestic gas price will continue to increase, high upside to liquid price

Focus on developing core natural gas and gas condensate assets

Large cash on hand, strong liquidity ratios, and substantially de-levered

Notes:
(1) $C_1 + C_2$ Russian reserve classifications

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Questions & Answers