



Bear Stearns Global Oil & Gas Conference



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Bear Stearns Corporate Headquarters, NYC

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- 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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Russian Gas Market Overview

Russia straddles two crucial markets

The European markets have traditionally been the primary focus of Russian companies.

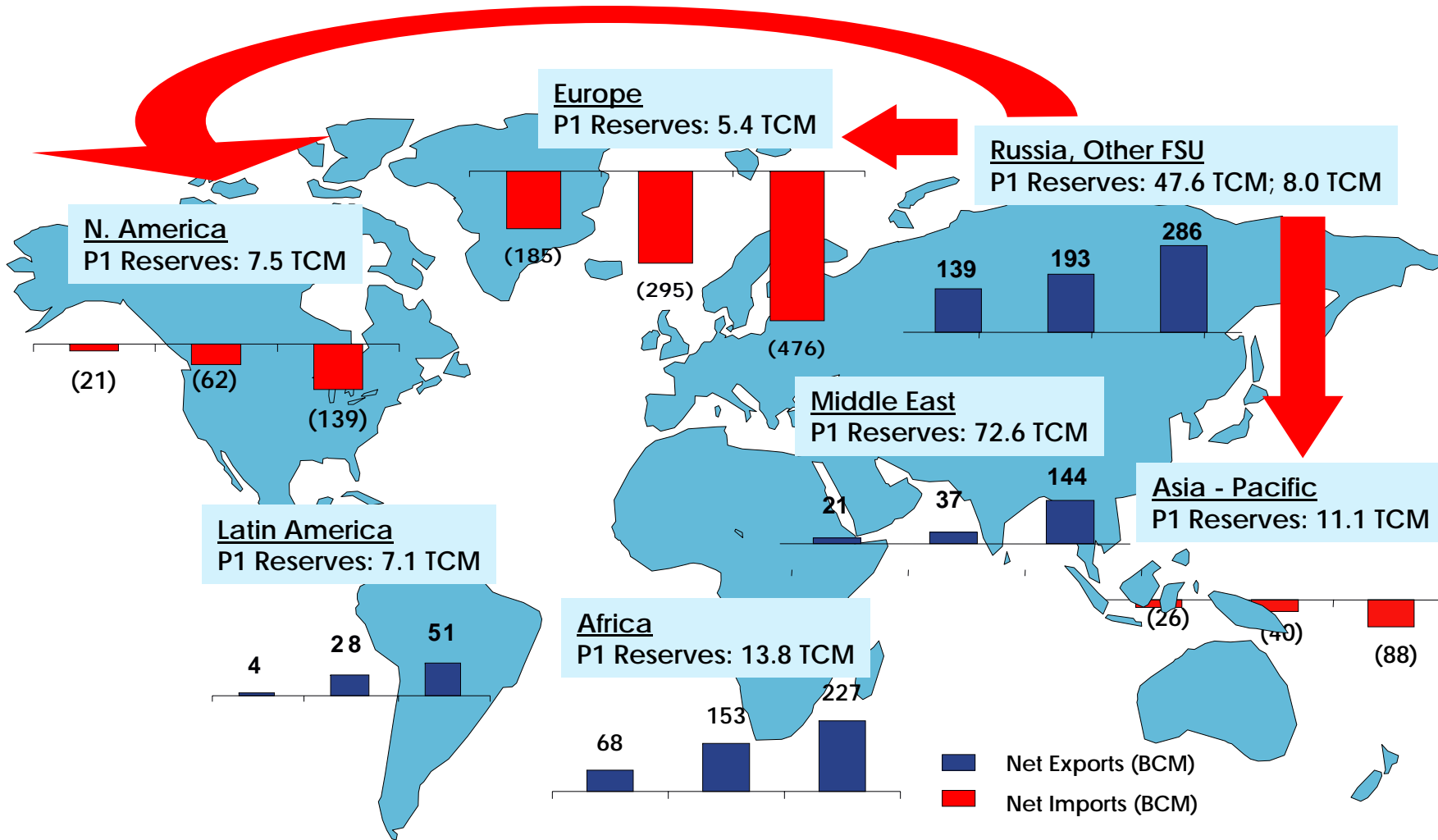
Natural resources have been a crucial driver in Russia-EU trade relationships.



The importance of the Asia markets is beginning to materialize.

Asia's potential has not been fully recognized in prior business dealings.

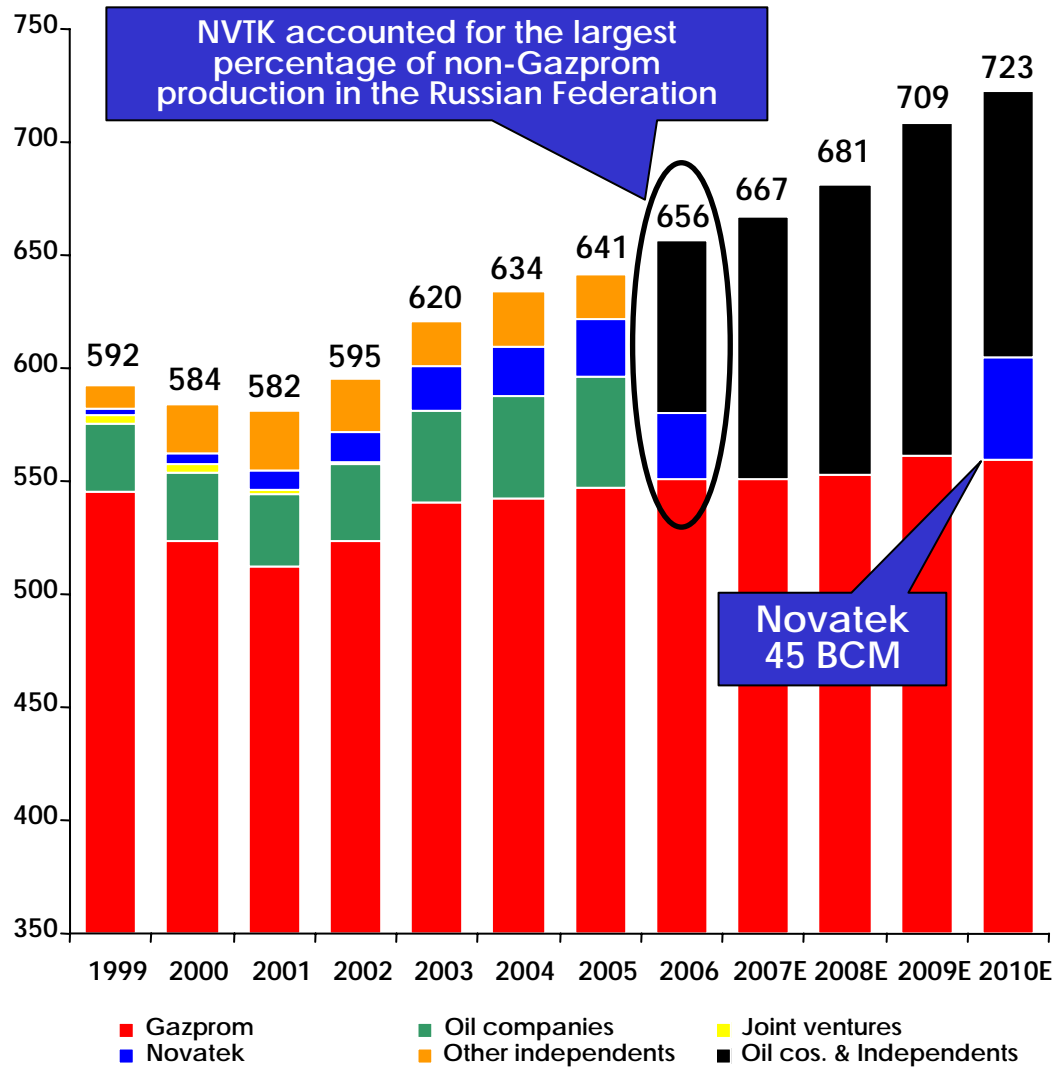
Global gas balance – “Call on Russian Gas”



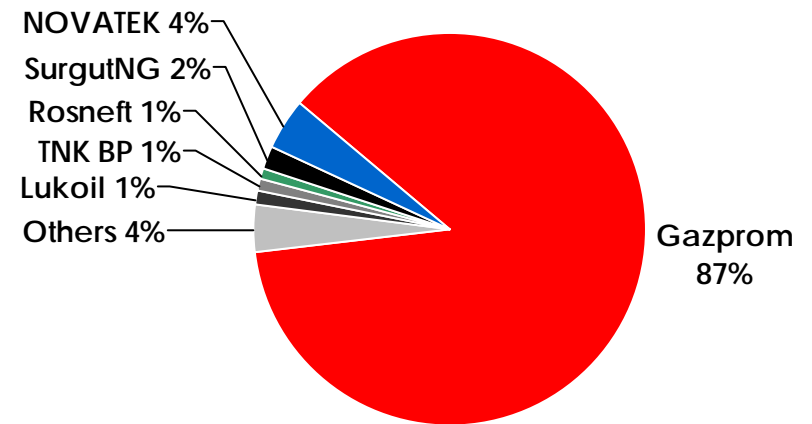
Source: US Department of Energy (Production and demand), Oil and Gas Journal (P1 reserves as of 1/1/2006)

Note: Net Export/Import figures refer to 2000, 2010 and 2020, respectively

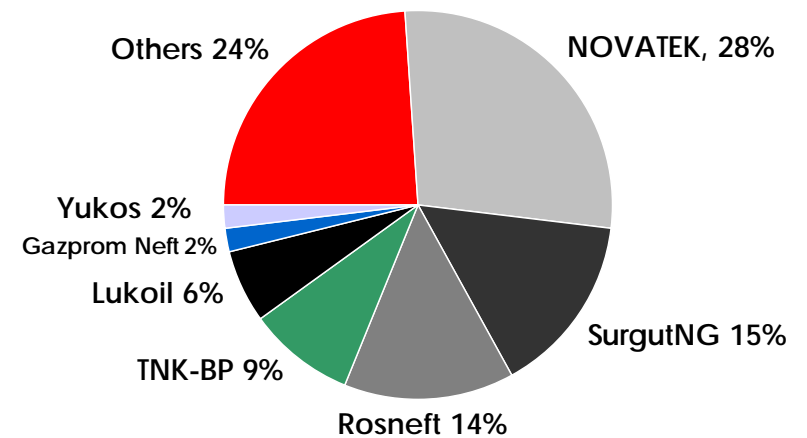
Gas production in the Russian Federation (BCM)



Russian natural gas production, 2005



Russian non-Gazprom gas production, 2005



Source: Cambridge Energy Research Associates, Ministry of Industry and Energy, OAO "Gazprom", UBS, "Russian Gas" July 2006, HSBC, "Rushin' gas to the world, Feb 2007



Growing market share for independents

European supply deficit growing

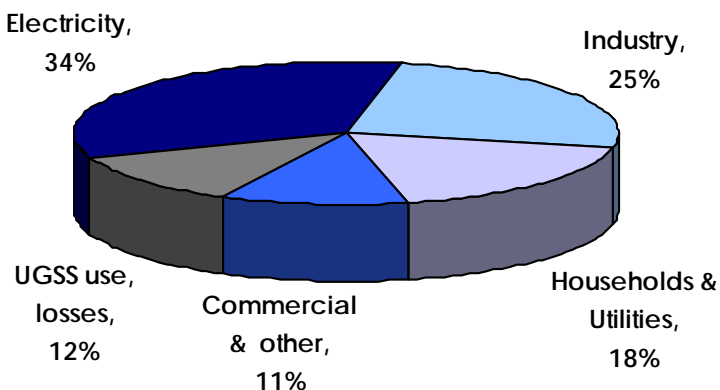


Gazprom export share expanding



Need for Independents' gas increasing

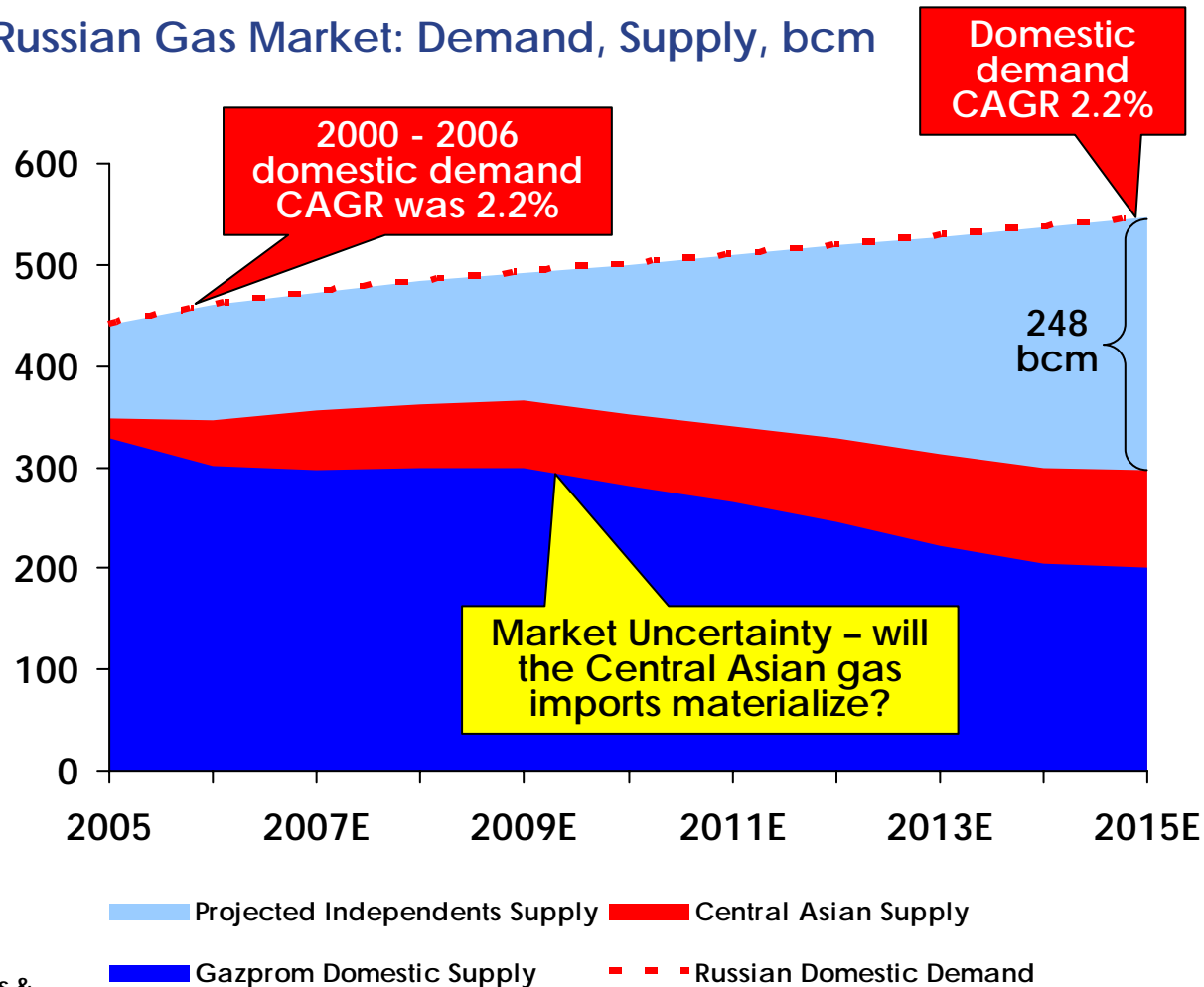
Gas consumption breakdown, 2005



Source: UBS, "Russian Gas" July 2006



Russian Gas Market: Demand, Supply, bcm

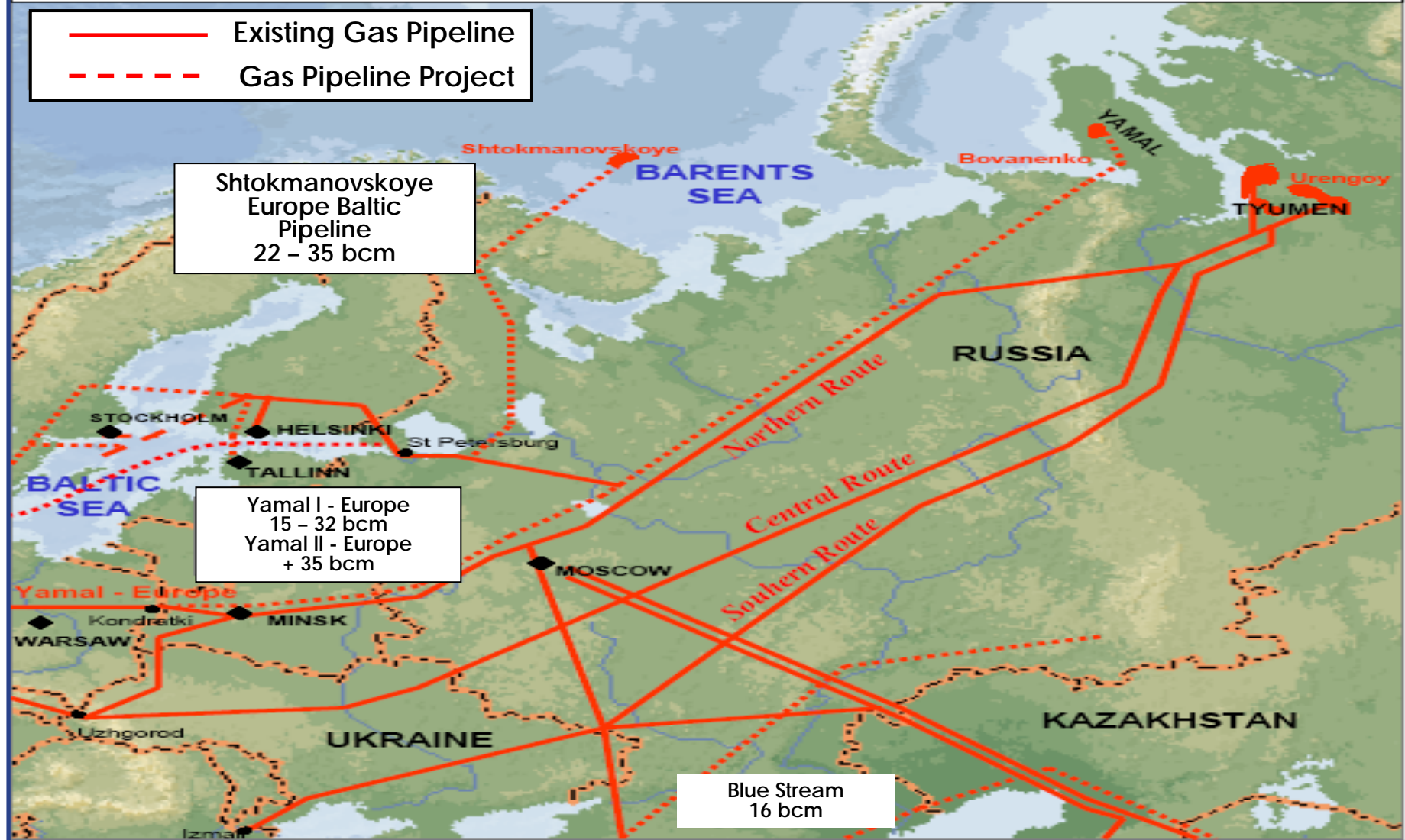


Domestic demand has been significantly underestimated by Gazprom and Russian long-term Energy Strategies

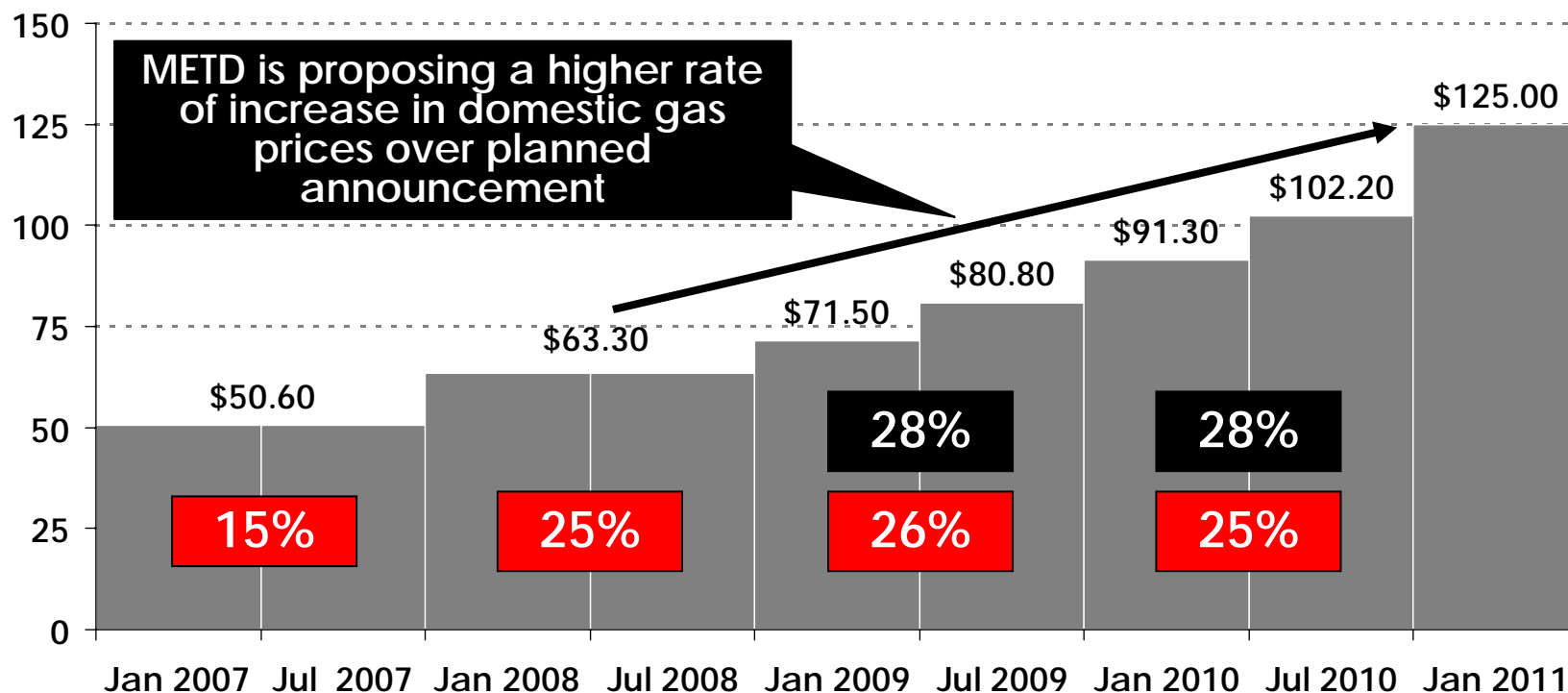
Source: UBS, "Russian Gas" July 2006

Existing and planned gas pipelines to Europe

RUSSIA : EXISTING & PLANNED GAS ROUTES



Pricing update to achieve export netback parity



Source: Industry and Energy Ministry

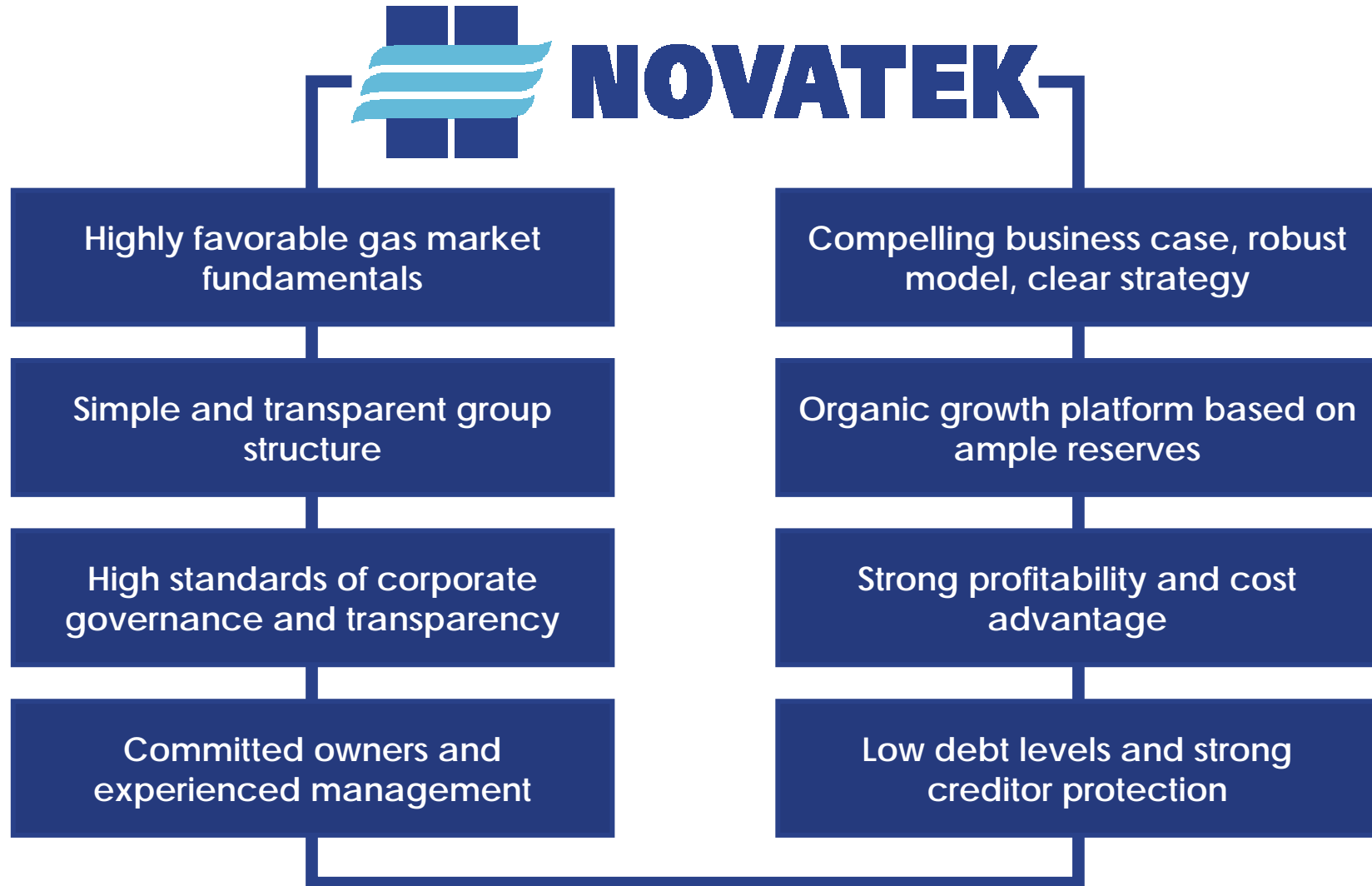
Potential price reform alternative:

Proposed 3 tier pricing system:

1. Industrial users – EU minus transit levels
2. Electricity producers – Moderate raise
3. Public & housing utilities – low regulated prices maintained

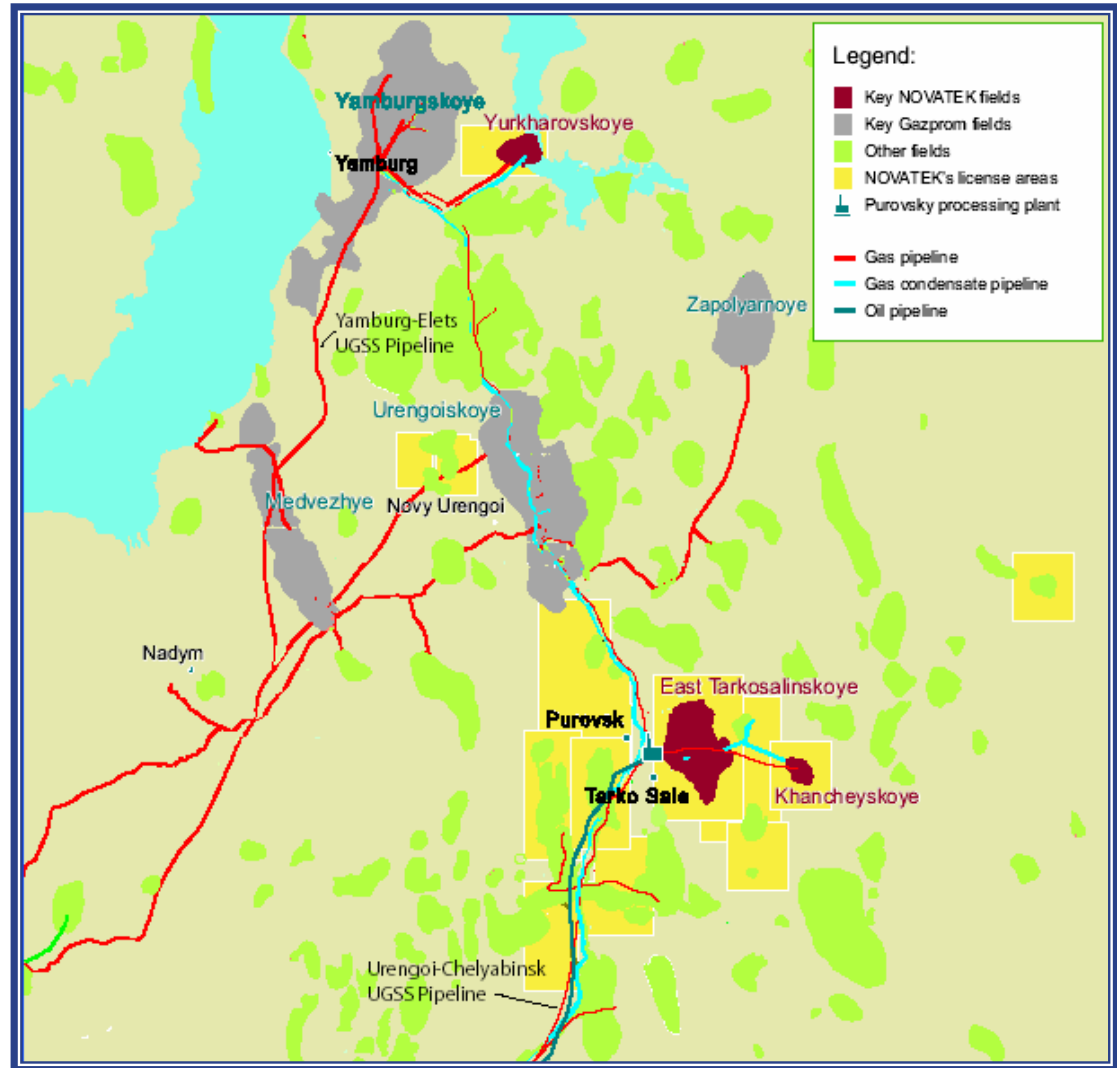
Operational Overview

Leveraging our intrinsic business strengths

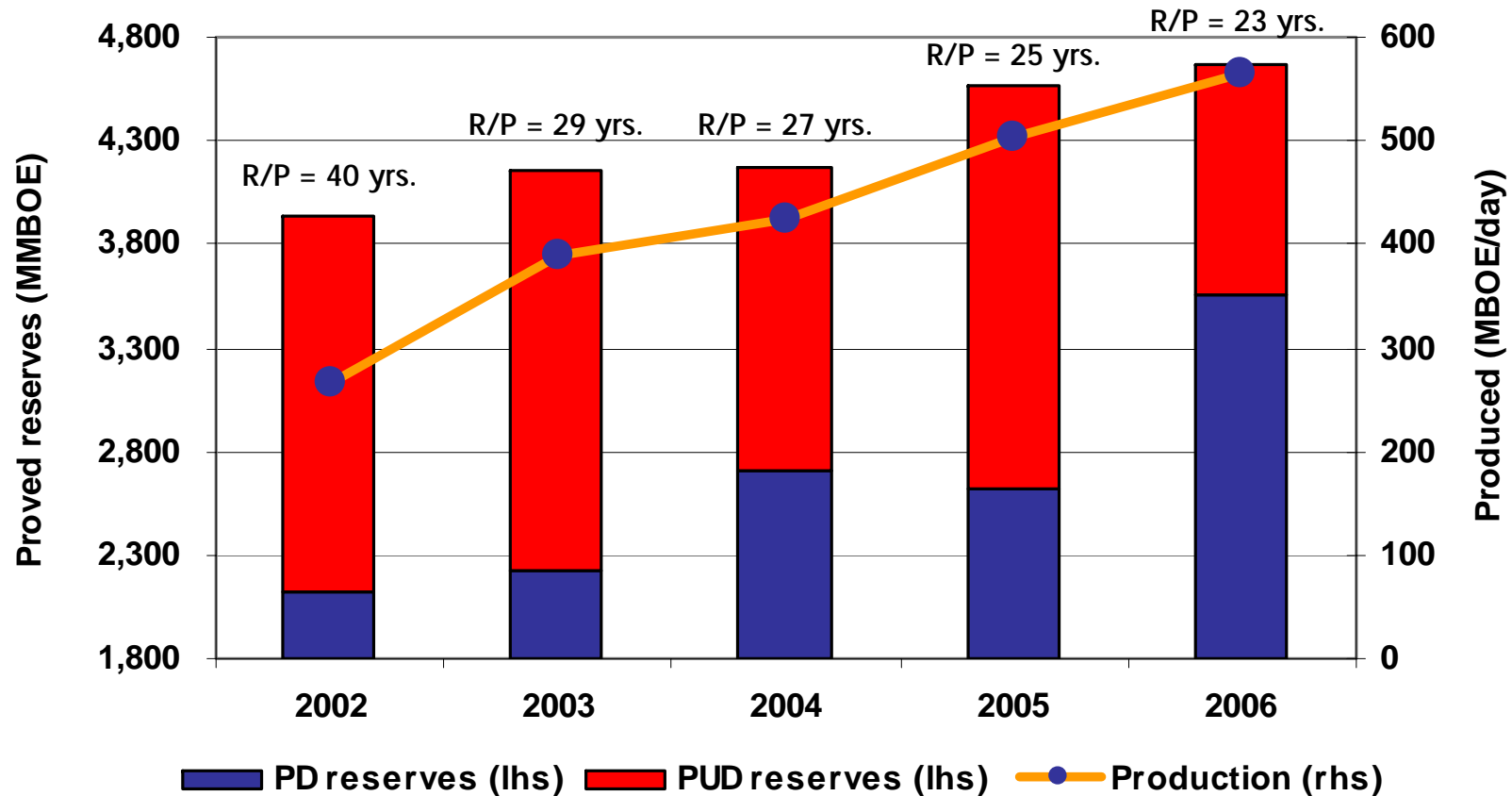


High quality portfolio: low risk, prolific basin

- Basin accounts for approx. 90% of Russian gas production and 20% of the world's gas production
- Resource base
 - 4.7 billion BOE P1 (“proved”)
 - 7.4 billion BOE P2 (“proved + probable”)
 - R/P ratio of 23 years
- Near existing infrastructure
 - Gazprom fields declining (~21% 2001-2004 at Yamburgskoye and Urengoiskoye fields)
 - Pipeline availability to the Northern, Central and Southern corridors
- Record 2006 production results
 - Natural gas production increased 13.9% to 28.7 BCM (1,013.5 BCF)
 - Liquids production decreased 3.5% to 2.5 MMT (21 MMBBL's)
 - Total production increased 12.2% to 209 MM BOE or 572.6 thousand bbl/day



Reserves converted to production



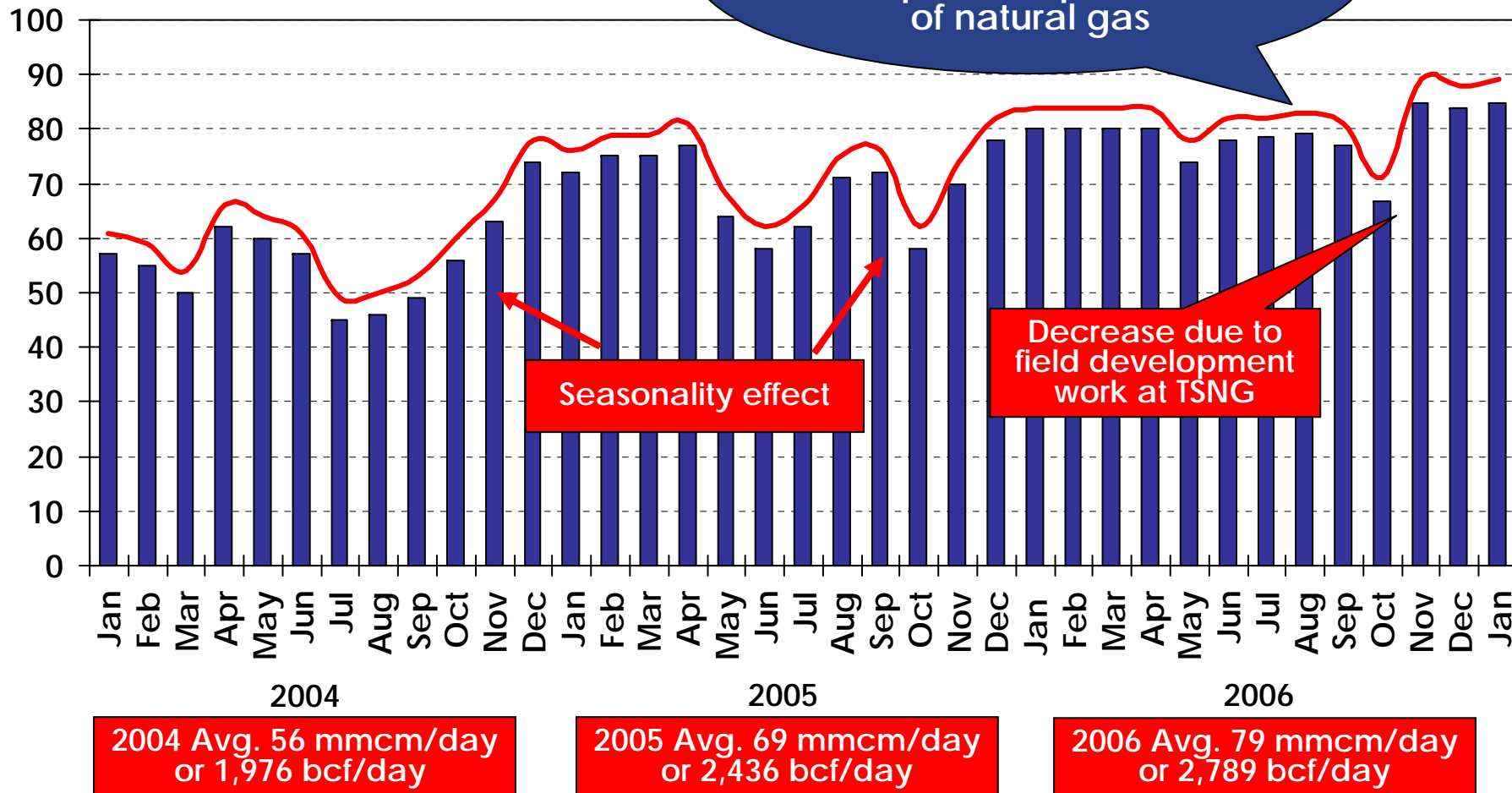
NVTK's reserve replacement rate (RRR) for 2006 is 144%;
and the Company's 2004 – 2006 three year average is 191%

Note: Novatek production and reserves based on ownership interest as of 12/31/2005 for all periods, some producing fields do not have reserve appraisals

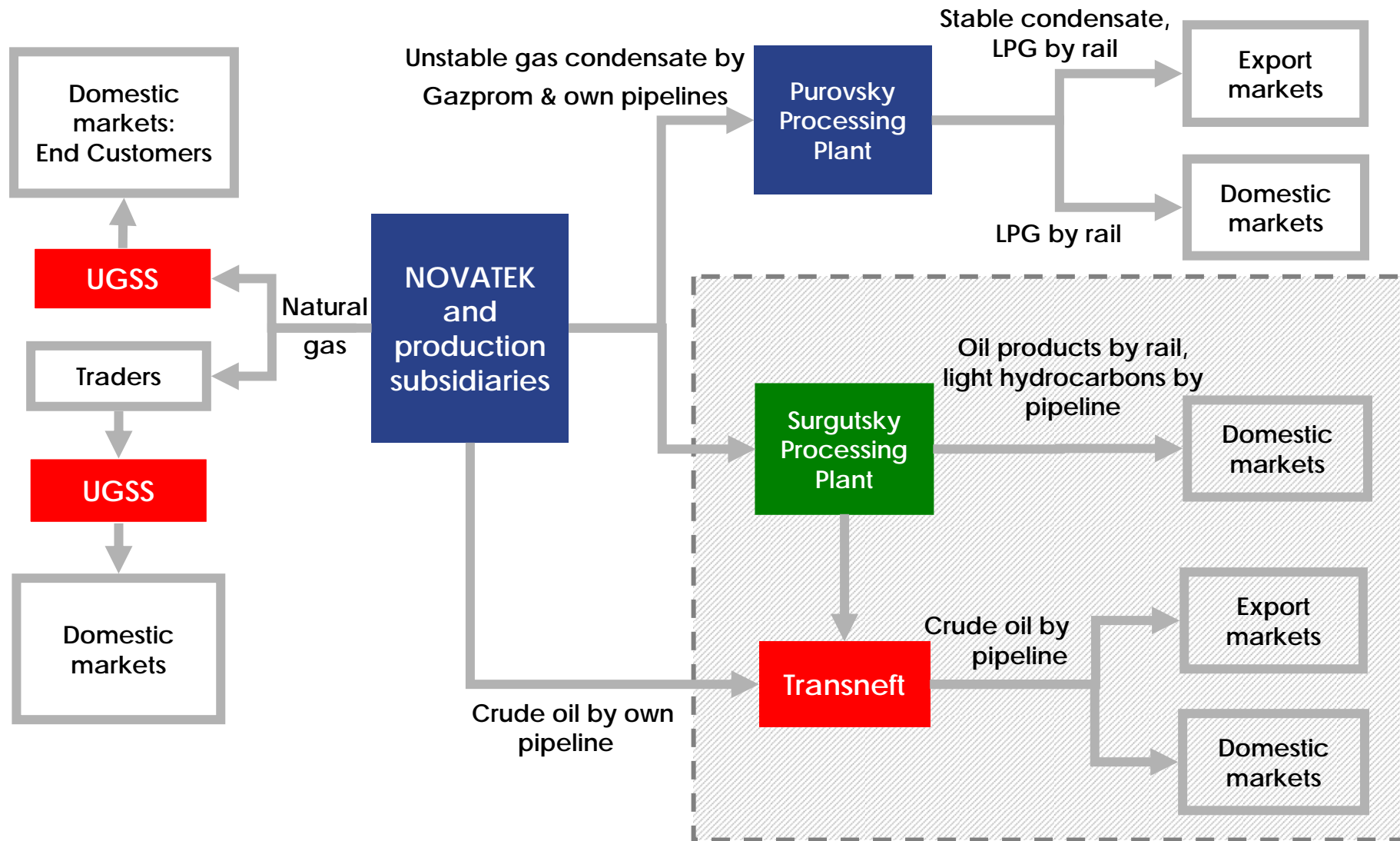


Increasing gas production

Monthly Gas Production, mmcm/day

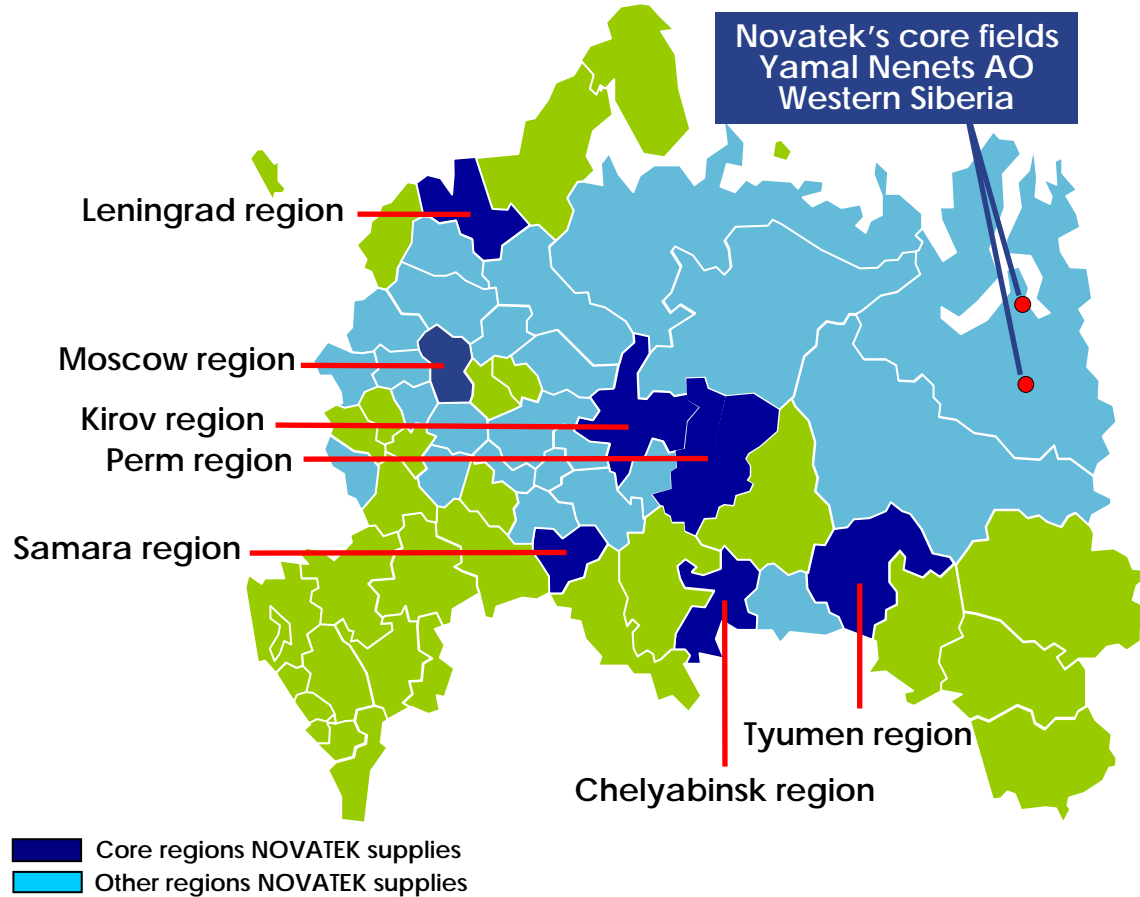


Hydrocarbon production flow



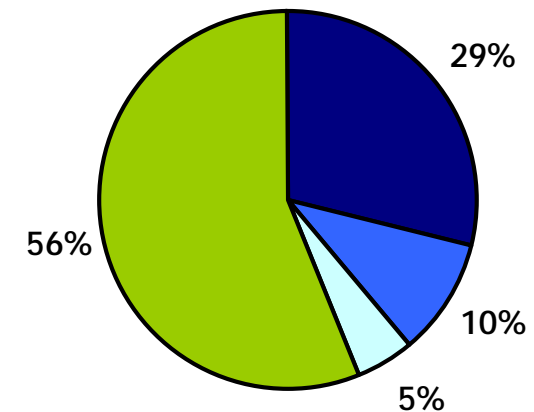
Delivered gas to our main industrial regions

In 2006, NOVATEK produced ~4% of Russia's total gas output (~27% of Russian independents' production) and supplied ~7% of domestic demand



No transportation infrastructure in East Siberia and Far East Russia

2006 Natural gas sales distribution



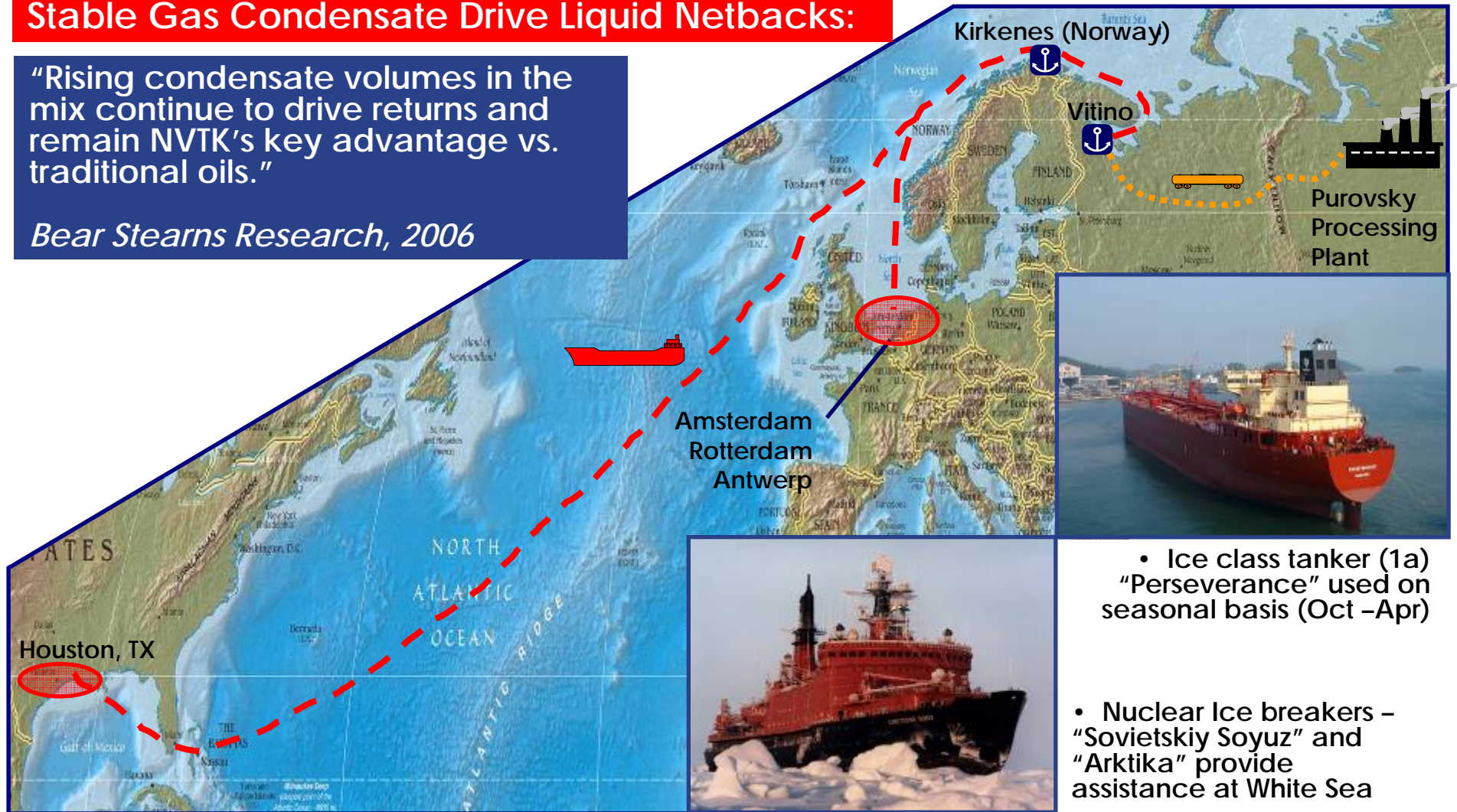
■ Power Generation Co's ■ Metal & Other industrial
■ Regional Gas Distributors ■ Wholesale traders

Gas condensate – maximizing our value chain

Stable Gas Condensate Drive Liquid Netbacks:

“Rising condensate volumes in the mix continue to drive returns and remain NVTK’s key advantage vs. traditional oils.”

Bear Stearns Research, 2006



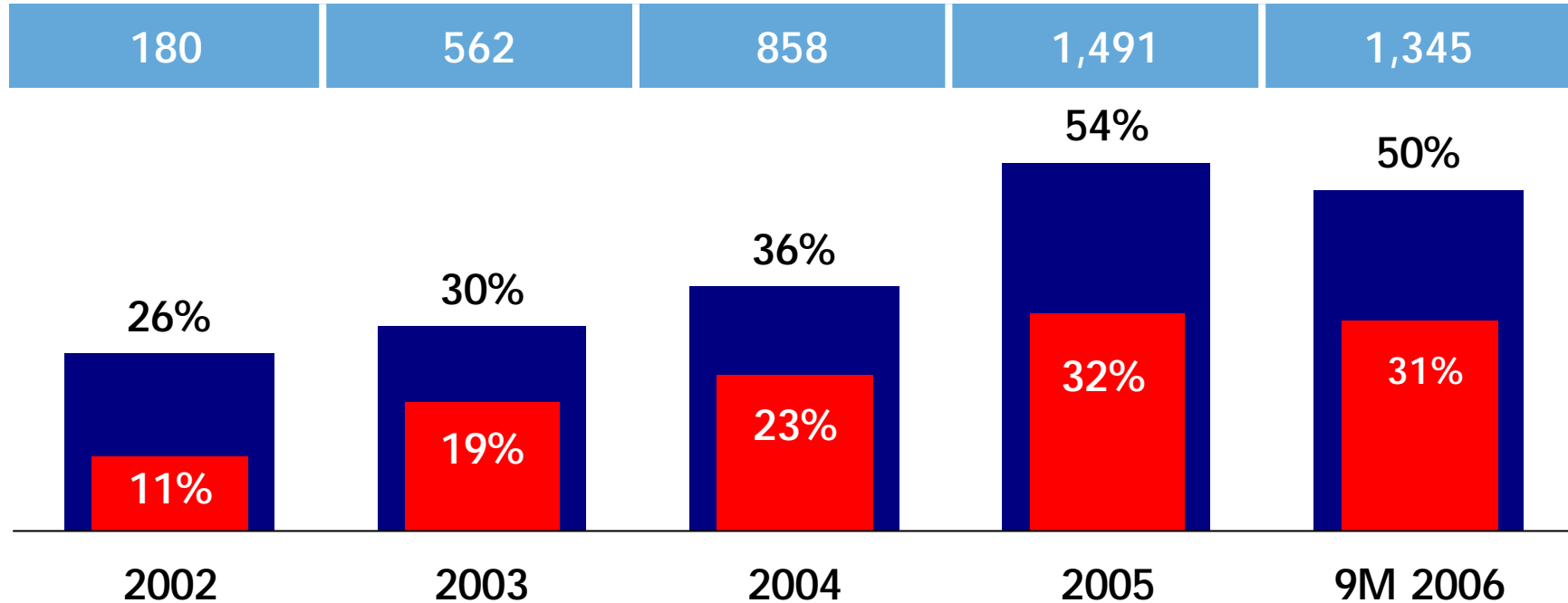
- Ice class tanker (1a) “Perseverance” used on seasonal basis (Oct –Apr)

- Nuclear Ice breakers – “Sovietskiy Soyuz” and “Arktika” provide assistance at White Sea

Financial Overview

Expanding margins

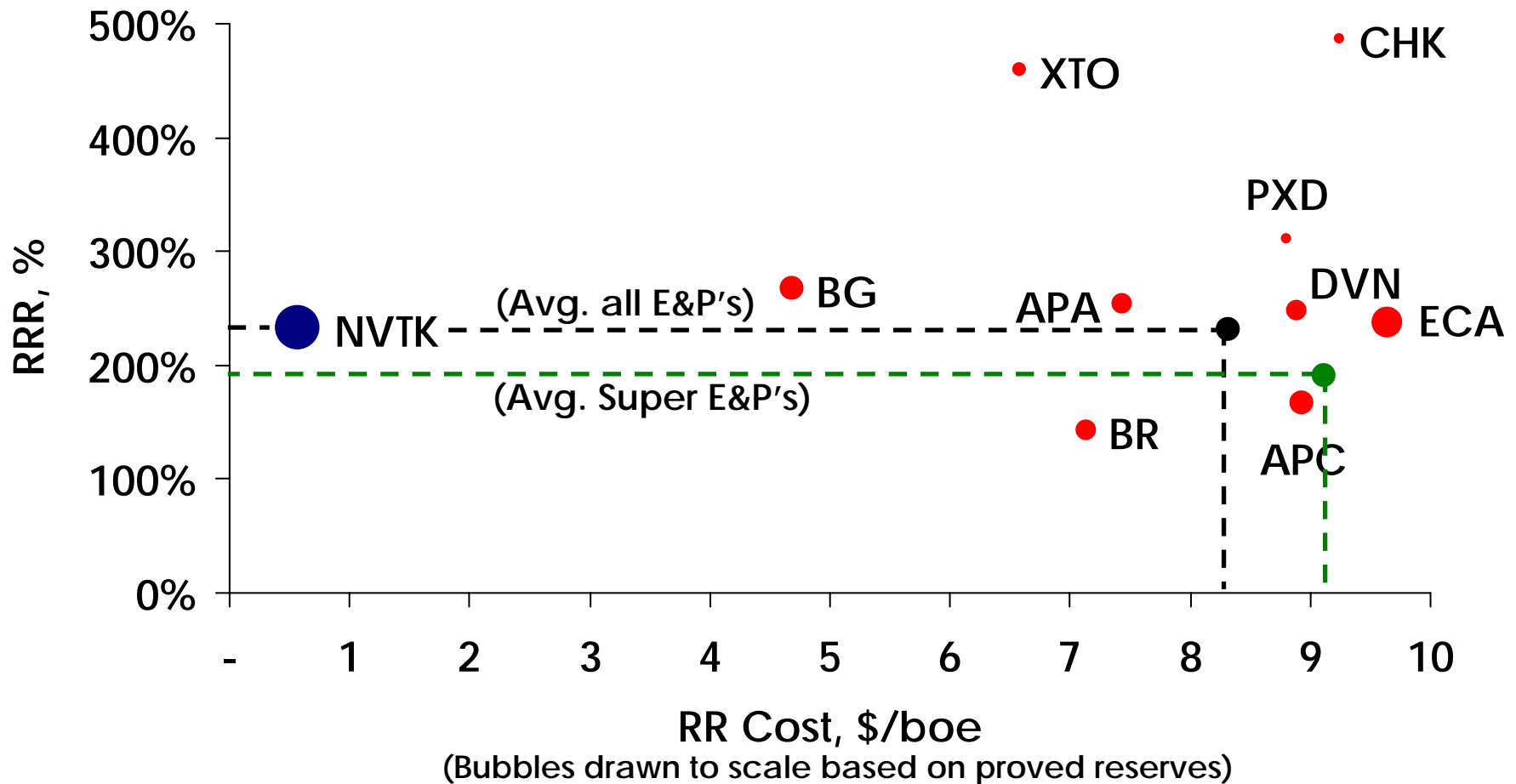
Total revenues and other income (MM USD)



■ EBITDA margin ■ Net profit margin
% of total revenues & other income

- Growth in and consolidation of core gas business
- Commencement of export liquid sales in current higher pricing environment
- Divestiture of non-core construction and other service businesses

Efficiency indicators – 3 year average



Source: John S. Herold and Company data

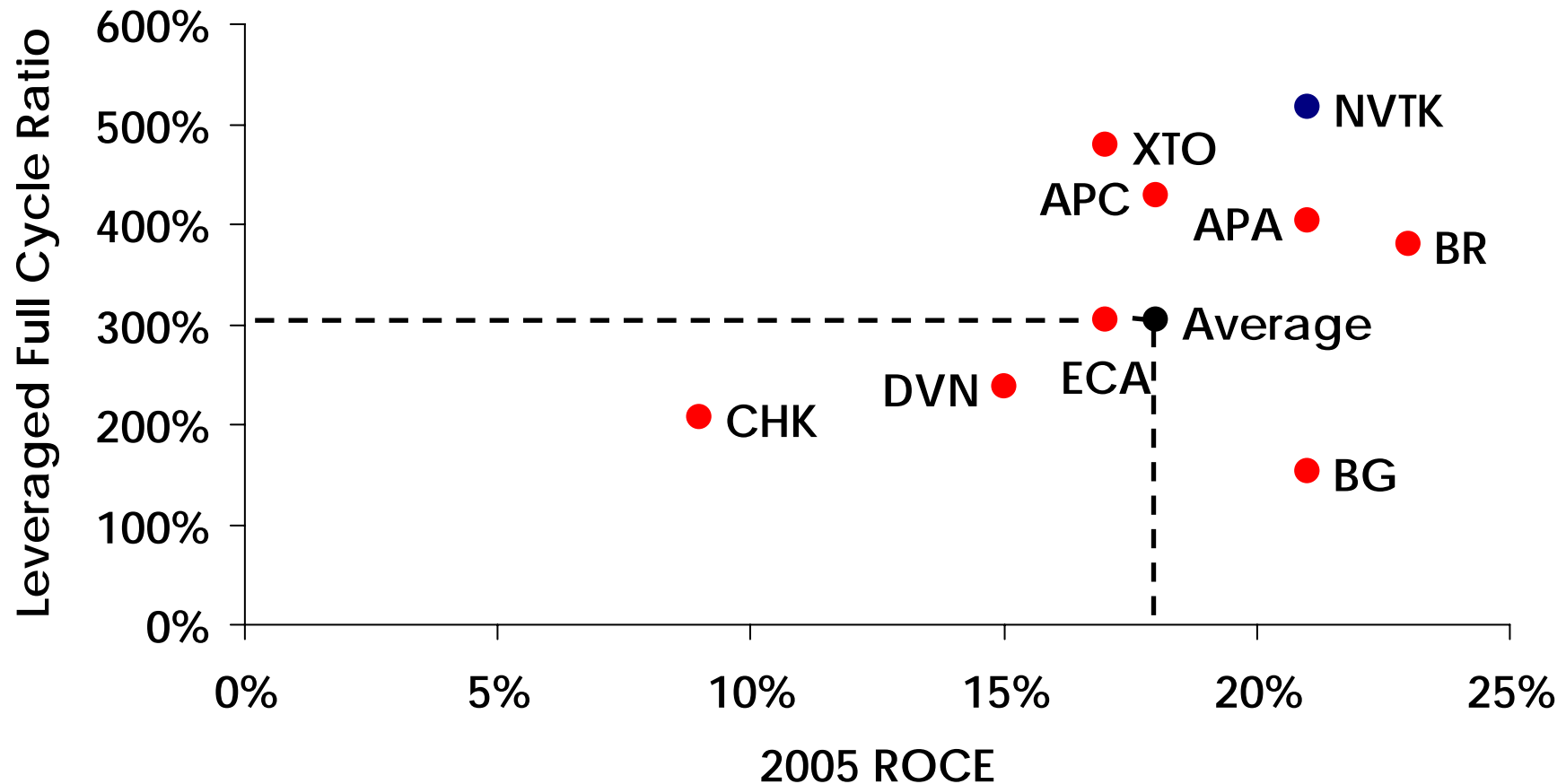
Notes:

1. 3yr average from 2002 - 2004 except for Novatek 2003 - 2005



Efficiency indicators

NOVATEK's efficient use of capital and cost discipline in a regulated price environment underscores the potential for sustainable growth



Source: FAS 69 disclosures and Company data

Notes:

1. Full cycle ratio equals cash margin per BOE divided by 3 yr avg. F&D costs per BOE



Ratio comparison to peers¹

NVTK	Profitability	AVG	DVN	APC	APA	CHK	XTO	PXD
					Peer Group			
50%	EBITDA/Revenue & other	72%	66%	80%	73%	66%	77%	68%
41%	EBIT/Revenue & other	51%	43%	58%	53%	48%	58%	53%
41%	EBT/Revenue & other	50%	40%	54%	51%	45%	68%	53%
31%	Net income/Revenue & other	33%	28%	42%	32%	26%	42%	33%
25%	Taxes/EBT	34%	29%	31%	37%	39%	38%	37%
8%	DD&A/Revenue & other	19%	22%	17%	21%	19%	19%	14%
Profitability per boe ¹								
8.99	O&G Revenue/\$ boe	44.33	42.73	37.79	45.62	58.98	48.22	41.99
4.53	EBITDA/\$ boe	36.24	33.35	31.92	34.56	51.70	37.86	43.16
3.72	EBIT/\$ boe	26.06	22.08	23.24	24.87	37.94	28.60	34.10
3.72	EBT/\$ boe	25.15	20.12	21.58	24.15	35.12	33.48	33.56
2.80	Net income/boe	16.86	14.22	16.69	15.14	20.53	20.83	21.29
0.76	Depreciation/boe	9.80	11.32	6.82	9.72	14.79	9.26	9.06

Notes

1. From SEC filings and Company Financial Statements for nine months ended 30 September 2006



Explains large valuation gap between NVTK and peer group

Ratio comparison to peers¹

NVTK	Sales volumes	AVG	DVN	APC	APA	CHK	XTO	PXD
					Peer Group			
799	Natural gas (Bcf)	367	604	353	422	388	320	118
13	Liquids (Mm bbls)	46	58	117	64	6	15	14
147	Boe (Mm)	107	159	176	134	71	69	34
	Liquidity ratio							
2.39	Current ratio (x)	0.45	0.77	0.25	0.68	0.95	1.19	0.59
	Long-term liquidity							
46.0	EBITDA coverage (x)	19.8	16.8	18.0	42.9	16.7	19.4	17.3
7%	Total Debt/ Total Equity (%)	89%	43%	202%	29%	77%	61%	40%
5%	Total Debt/Capitalization (%)	40%	24%	53%	19%	38%	32%	23%
	Efficiency indicators (12/31/2005)							
0.70	3 yr avg. F&D costs \$ / boe	11.17	12.44	8.63	8.34	15.18	6.25	nm
0.57	3 yr avg. RR cost \$ / boe	11.30	11.94	9.01	7.35	11.57	7.70	10.94
311%	RR rate (%)	193%	195%	181%	211%	223%	274%	nm
21%	ROCE (%)	17%	15%	18%	21%	9%	17%	14%

Notes

1. From SEC filings and Company Financial Statements for nine months ended 30 September 2006



Concluding comments

NOVATEK: delivering results according to strategy

- ❑ **Substantially increase our production of hydrocarbons, especially natural gas**
 - Maintain target of 45 BCM of natural gas production and liquids of 4.6 MMT by 2010 from our key fields
- ❑ **Maintain our low-cost structure and leverage competitive cost advantage**
 - Proven production technology & techniques
 - Tightly controlled overhead costs
- ❑ **Maximize margins on the sale of natural gas and liquids**
 - Optimize netbacks on gas sales between end users and wholesalers, liquids sales between export and domestic
 - Penetrate new regional markets
 - Increase proportion of sales under long-term contract
 - Improved netbacks from Purovsky Processing Plant
- ❑ **Prove up reserves through ongoing field development and exploration activities**
 - Prove up reserves as production grows and field development expands
- ❑ **Continues improvement in transparency and corporate governance**
- ❑ **Build the company based on sustainable development principles**
 - Commitment to prudent financial management and shareholder returns policy
 - Sound environmental business practices compliant with international World Bank's standards