NOVATEK

Renaissance Capital
10th Annual Investor Conference



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Chamber of Commerce, Moscow, Russian Federation

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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.

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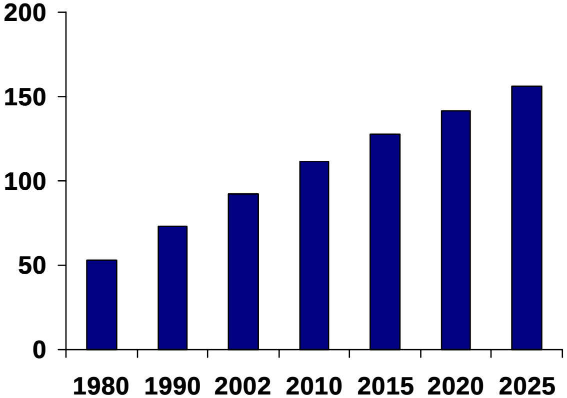
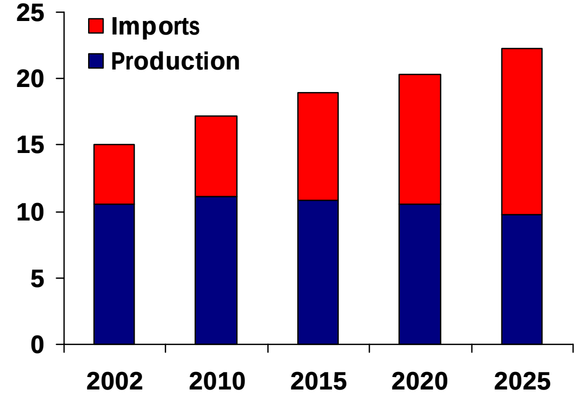
Gas market overview

Natural gas – fastest growing primary energy source

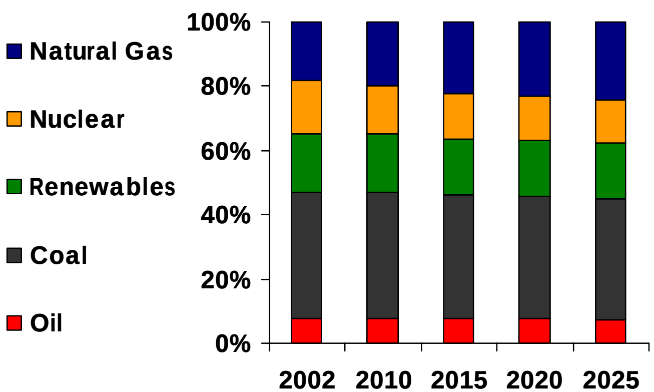
World Natural Gas Consumption 1980 – 2025, TCF



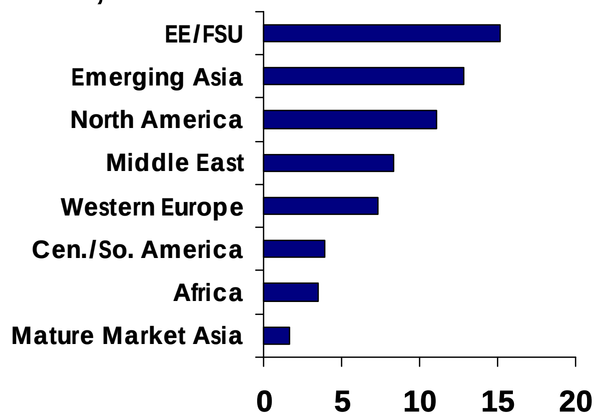
Natural Gas Consumption in W. Europe by Source 2002 – 2025, TCF



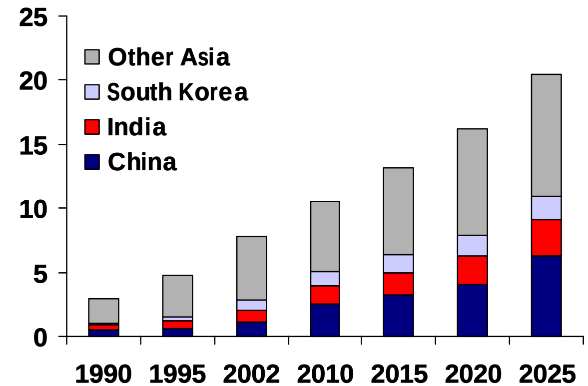
Fuel Shares of World Electricity Generation 2002 – 2025, Percentage of Total



Increases in Natural Gas Consumption by region and Country Group 2002 - 2025, TCF



Natural Gas Consumption in Emerging Asia 1990 – 2025, TCF



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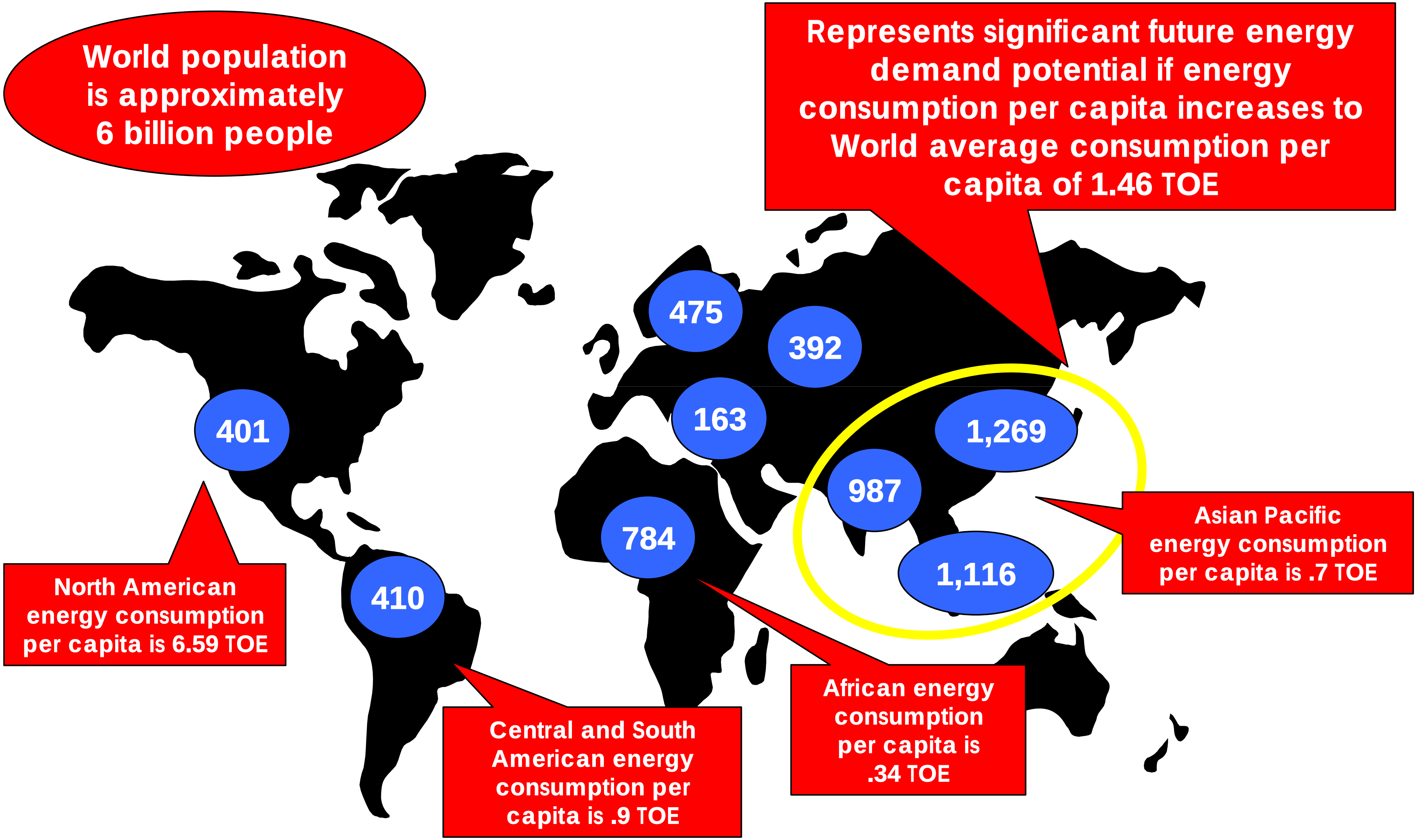
World population's impact on future energy demand



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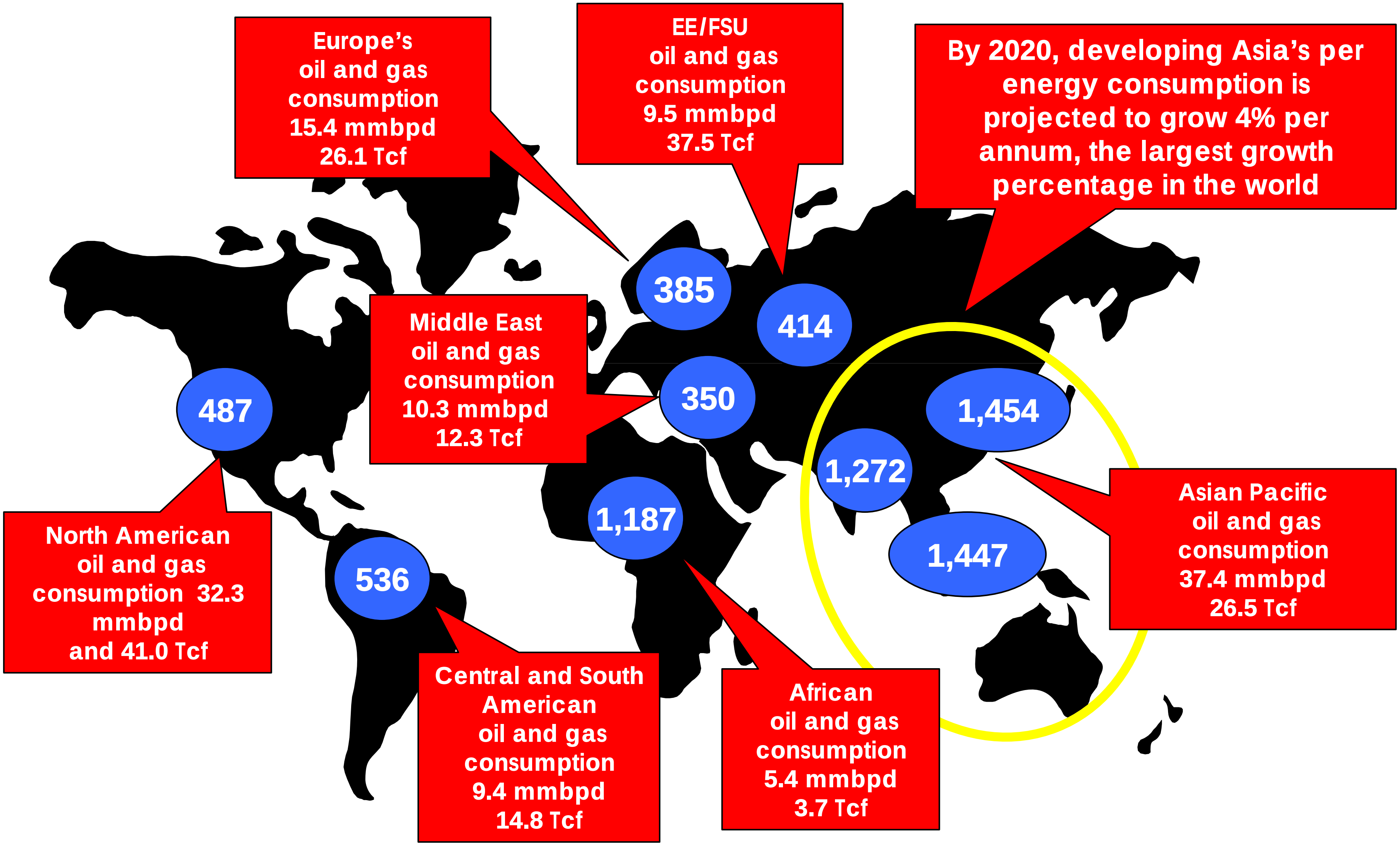
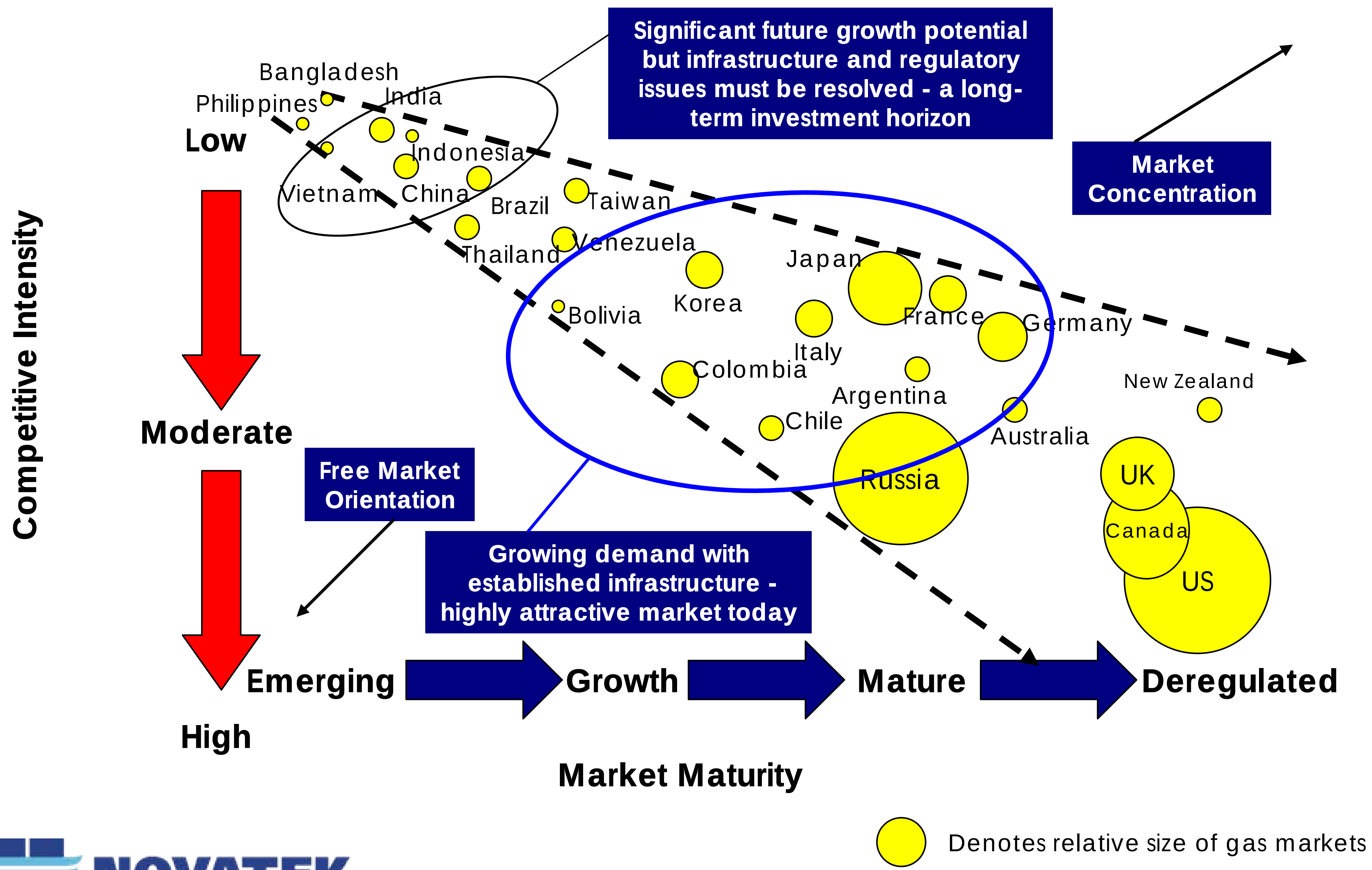
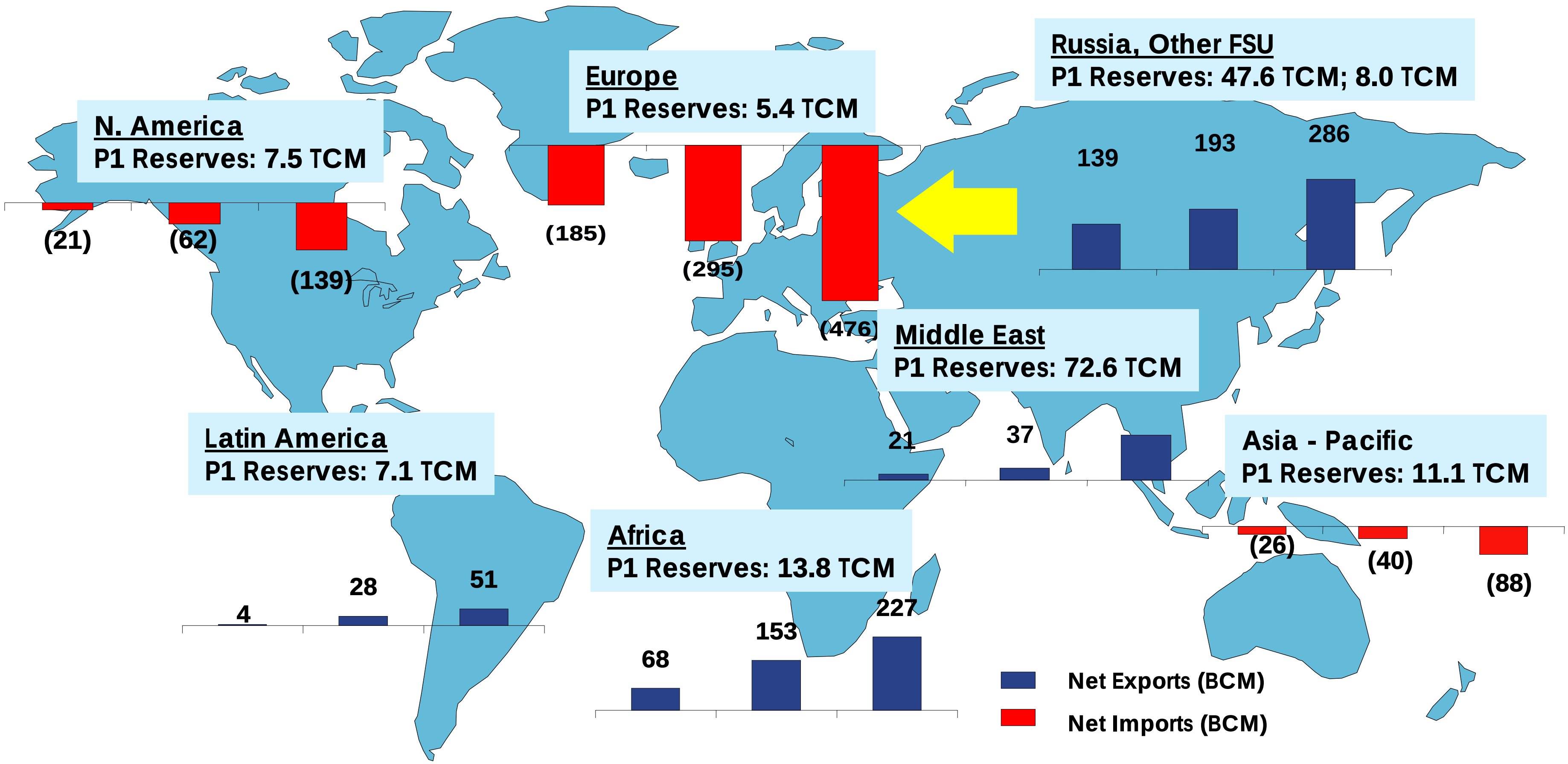
World population projected to grow to 7.4 billion



Natural gas "Market Maturity Matrix"



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

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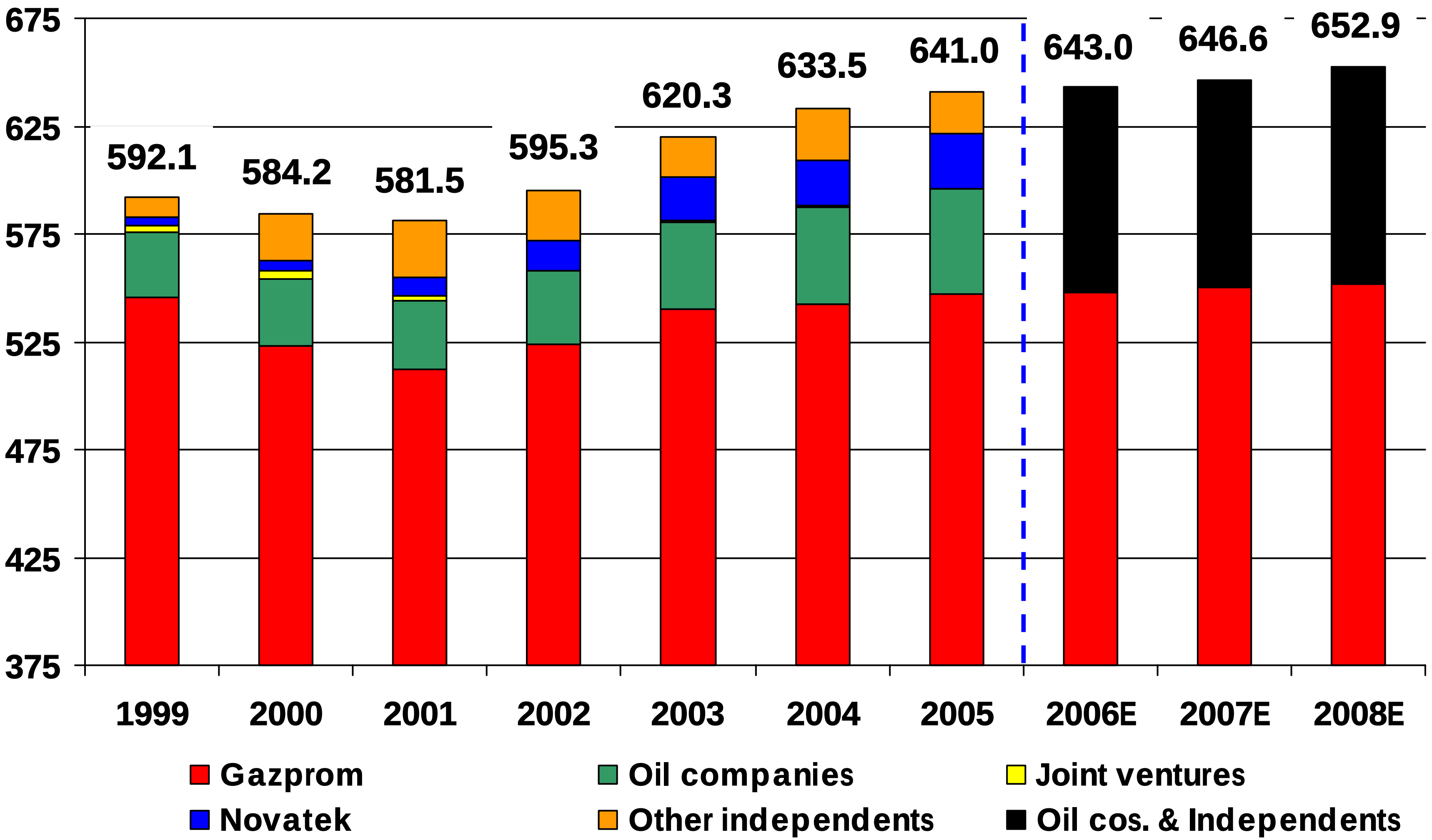
Gas production in the Russian Federation (BCM)

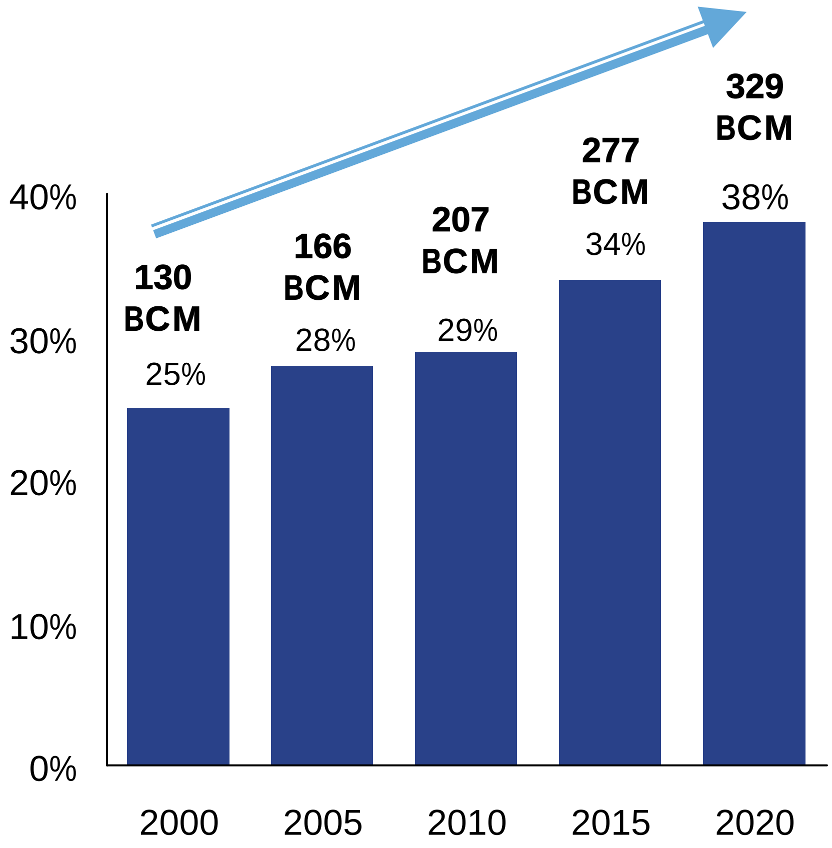


Source: Cambridge Energy Research Associates, Ministry of Industry and Energy, OAO “Gazprom”

Opportunity: natural gas market – Europe

- Gas fired power generation to drive consumption growth
- Deficit in Europe to expand
  - UK shift to net imports
  - Groningen decline
- Russian gas market share expected to grow dramatically
- Gazprom's announced gas exports:
  - 151 BCM – 2006
  - 158 BCM – 2007
  - 162 BCM – 2008

Gazprom European Market Share (%) and Gazprom's Supply (BCM)



Source: Wood Mackenzie "Time To Step on the Gas" December, 2004

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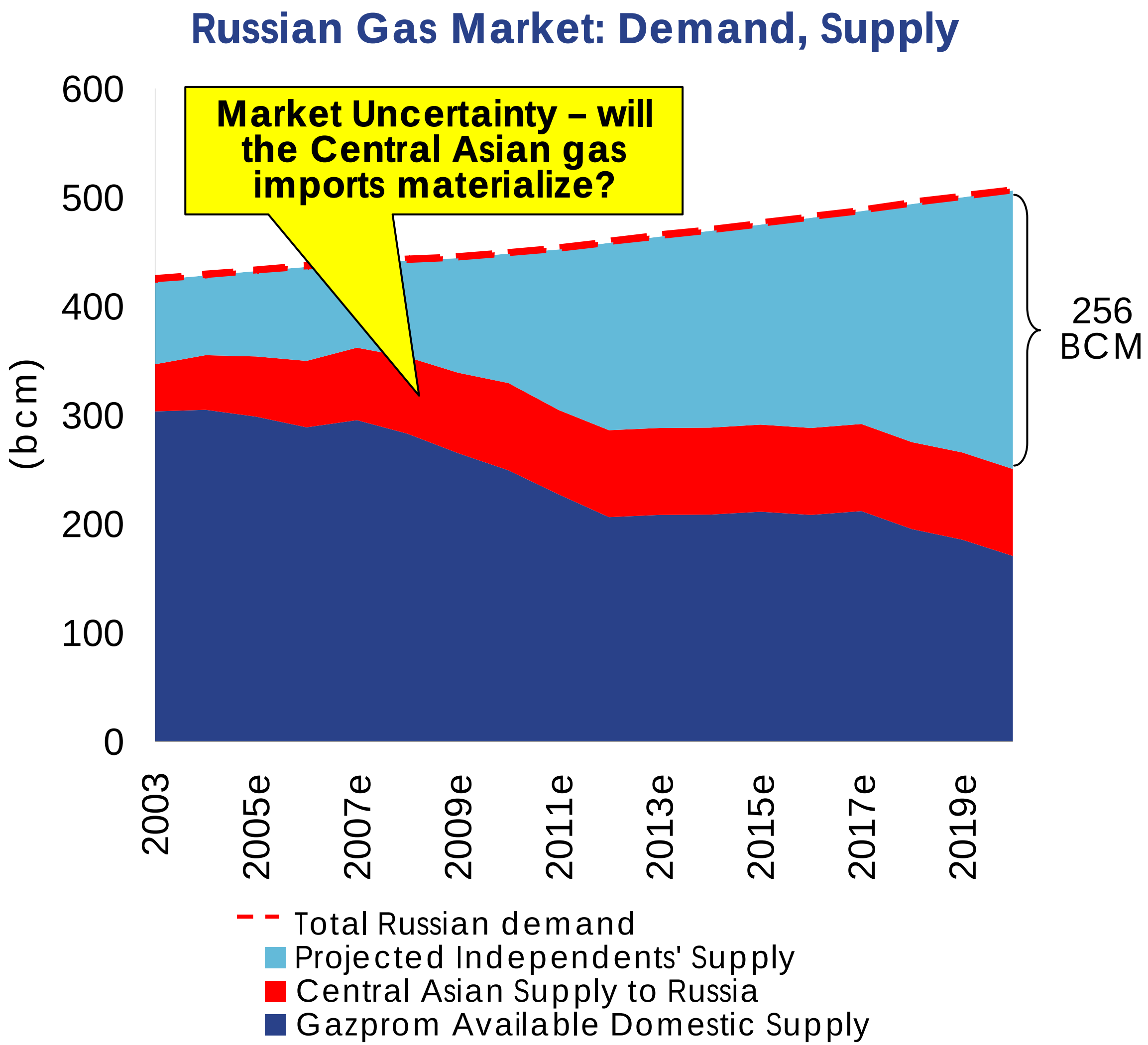
Domestic gas market projected to triple

European supply deficit growing

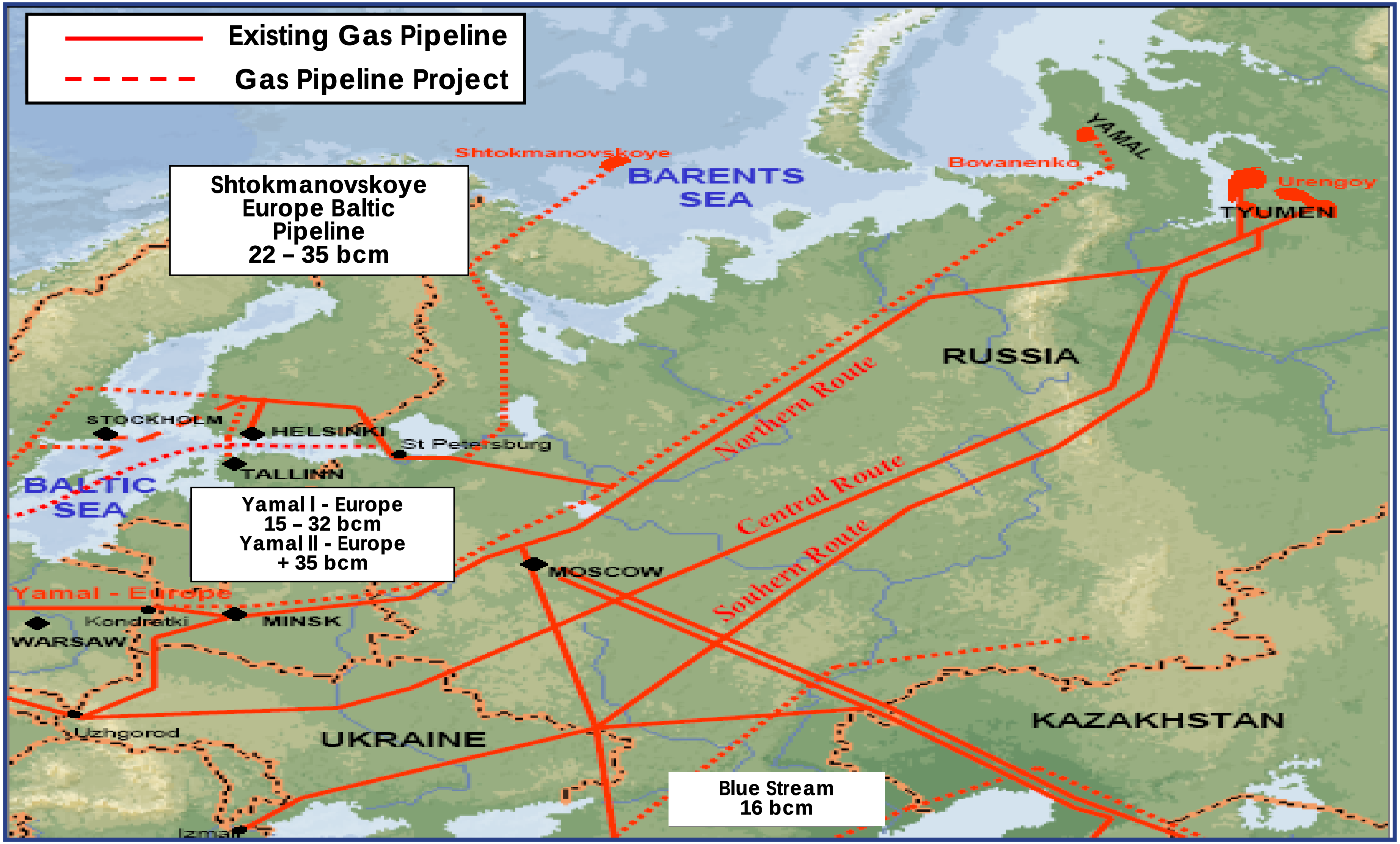
Gazprom export share expanding

Need for Independents' gas increasing



Source: Wood Mackenzie "Time To Step on the Gas" December, 2004

Existing and planned gas pipelines to Europe



Source: IGU 2006

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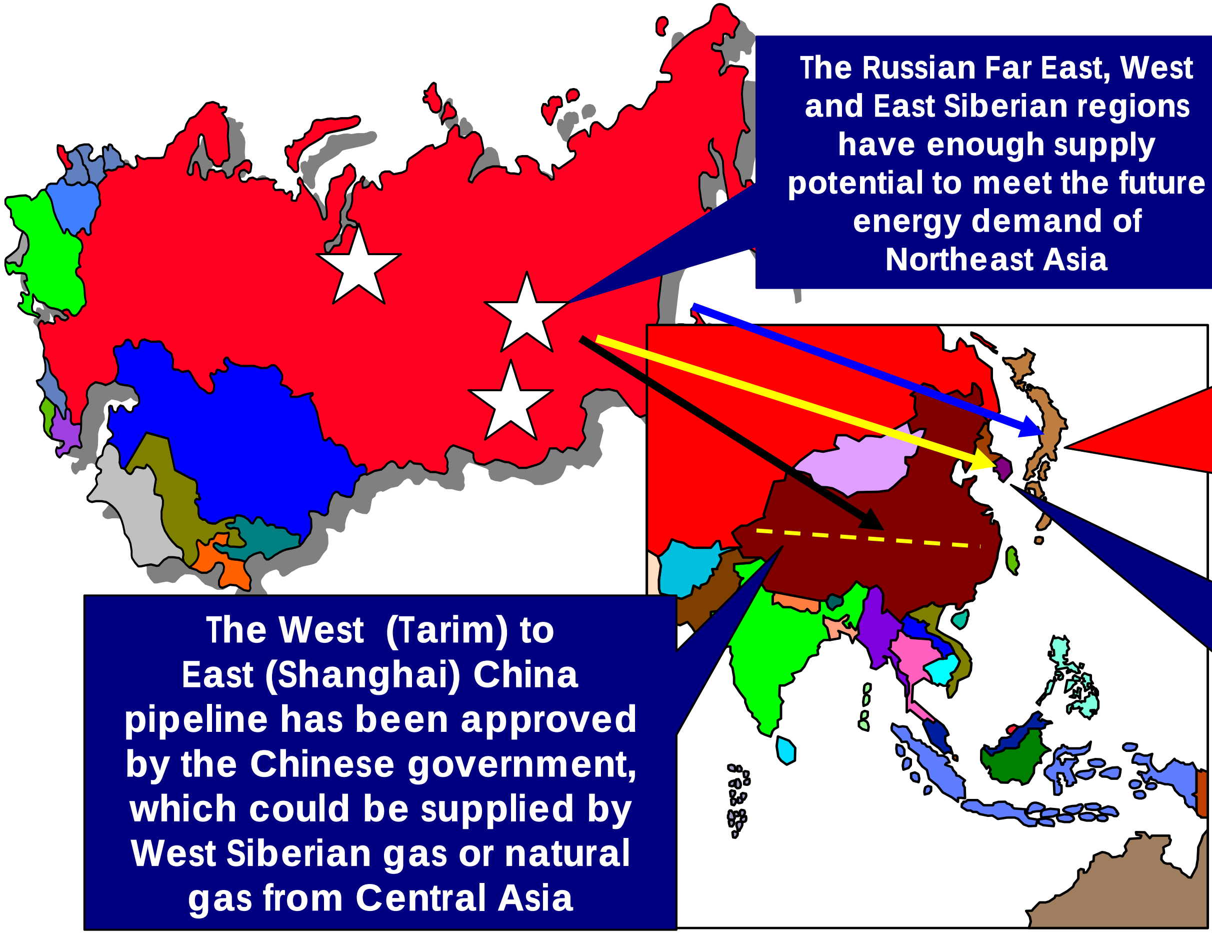
Alternative flows of Russian natural gas - Asia



The Russian Far East, West and East Siberian regions have enough supply potential to meet the future energy demand of Northeast Asia

Significant competition will come from the export of LNG, which is abundant in Southeast Asia (Indonesia, Malaysia and Brunei Darussalam), and the Middle East (Qatar and Oman) who have signed long-term supply contracts with Japan and South Korea

The West (Tarim) to East (Shanghai) China pipeline has been approved by the Chinese government, which could be supplied by West Siberian gas or natural gas from Central Asia

Natural gas and electricity annual demand for 2000 to 2010 is projected to grow 5.9% and 3.3%, respectively

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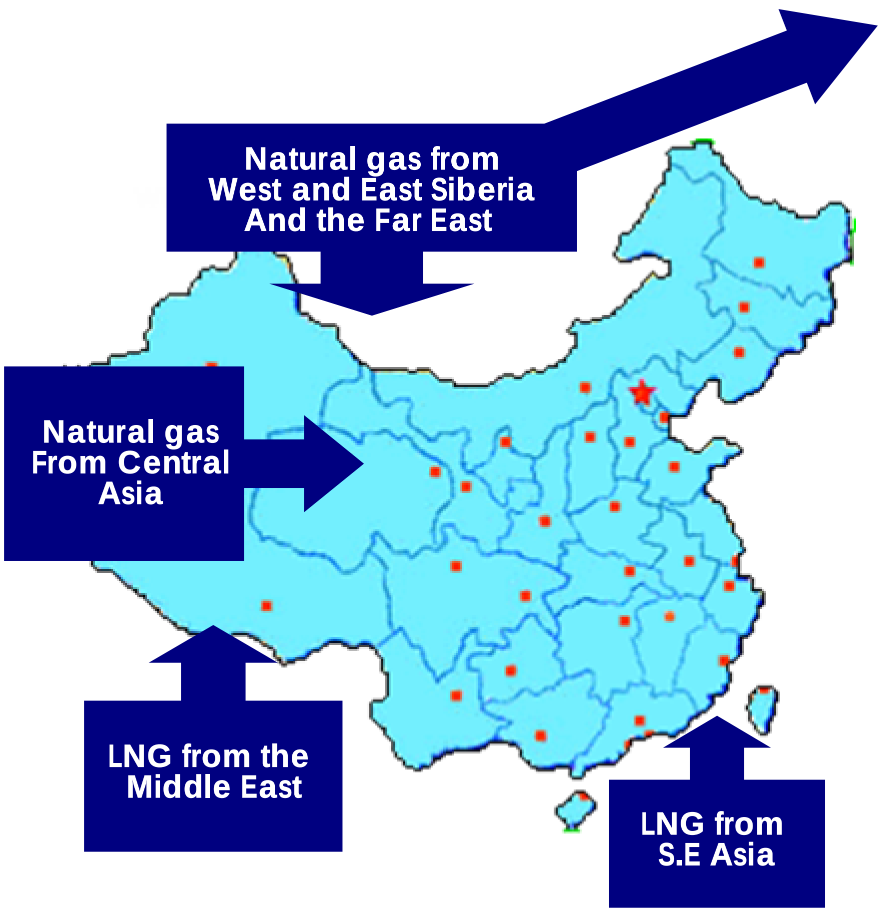
Natural gas demand growth - China



- Up to 80 BCM
- First deliveries as early as 2011
- 2 pipeline routes with 30 to 40 BCM p.a. each
- 3,000 km western Altai pipeline, est. cost 4.5 – 5 billion US$
- Environmental and cultural worries may increase project cost and timing
- Eastern pipeline currently unspecified
- Potential gas sources – Kovytka field (TNK-BP holds majority stake in Kovytka license through Rusia Petroleum)

BCM/year	2005	2010	2015	2020
Forecast sources:				
PetroChina	63.7	106.8	153.4	210.7
ERI/SPPC	64.5	120.0	160.0	250.0
BP	42.0	74.0	135.0	177.0
CNOOC	61.0	100.0	150.0	200.0
EIA/DOE	51.0	79.0	127.0	184.0

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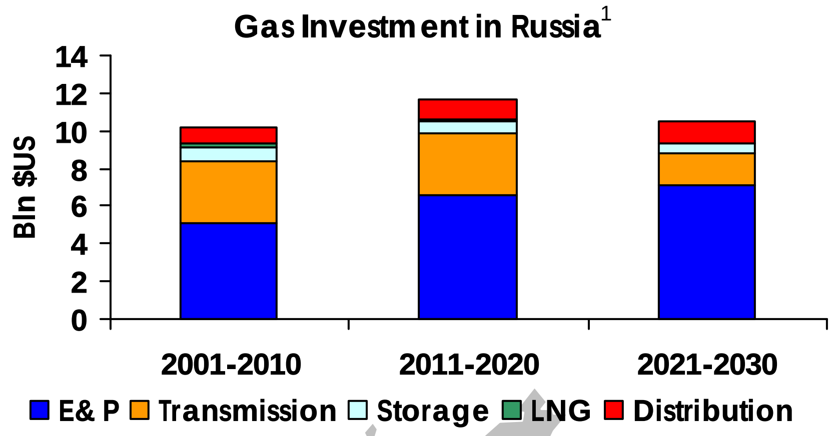
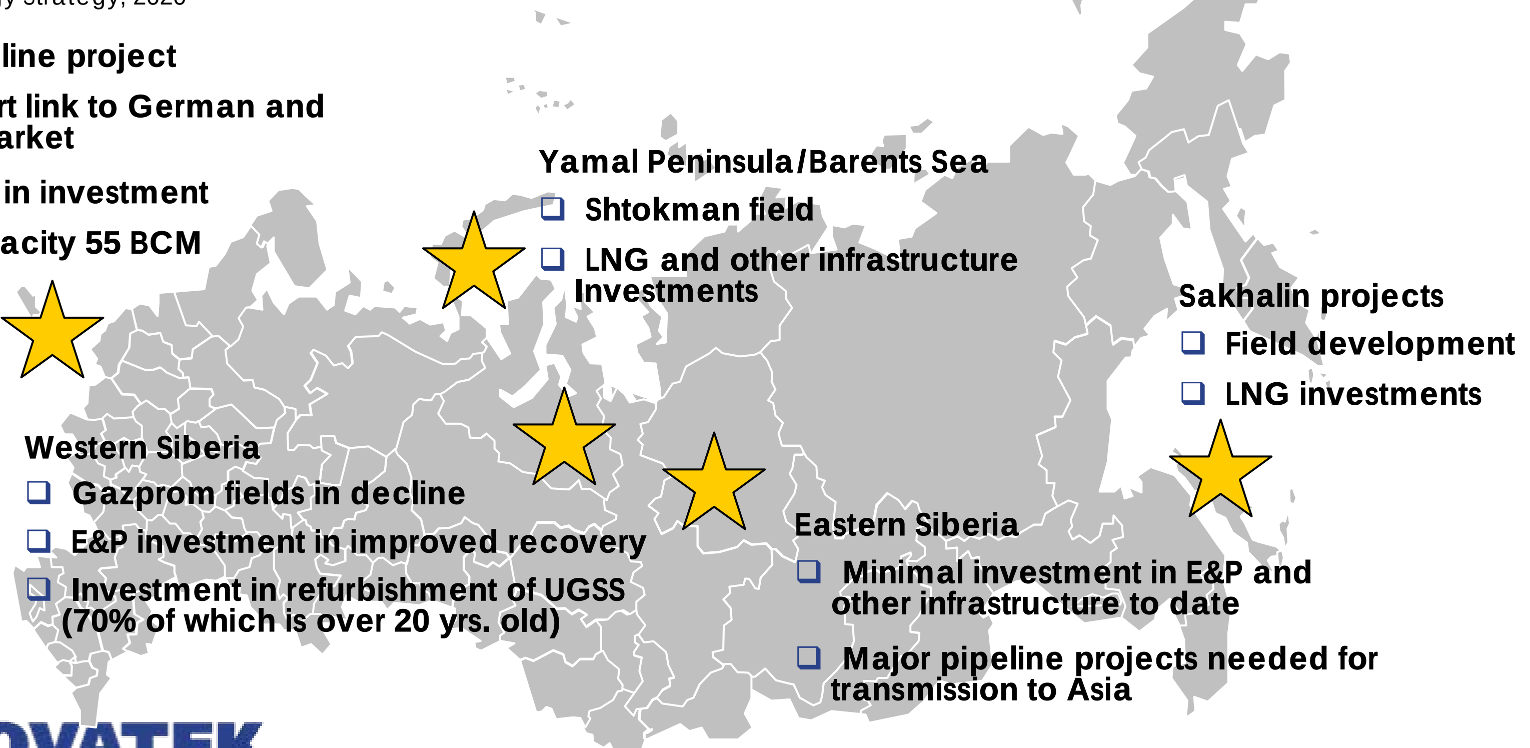
Significant investment required – Russian gas sector

Average investment needs in Russian gas sector

	2001-2010	2011-2020	2021-2030
E&P[1]	$5.2 bln p.a	$ 7 bln p.a.	
Transmission[1]	$3 bln p.a.		
Total[2]	2003 – 2020 $9.4 bln -$11.1 bln p.a.		

Notes:
1. IEA, “World Energy Investment Outlook”, 2003
2. Russian Energy Strategy, 2020





Baltic Sea pipeline project
- ❑ Direct export link to German and European market
- ❑ Over $5 bln in investment
- ❑ Annual capacity 55 BCM

Yamal Peninsula/Barents Sea
- ❑ Shtokman field
- ❑ LNG and other infrastructure Investments

Sakhalin projects
- ❑ Field development
- ❑ LNG investments

Western Siberia
- ❑ Gazprom fields in decline
- ❑ E&P investment in improved recovery
- ❑ Investment in refurbishment of UGSS (70% of which is over 20 yrs. old)

Eastern Siberia
- ❑ Minimal investment in E&P and other infrastructure to date
- ❑ Major pipeline projects needed for transmission to Asia

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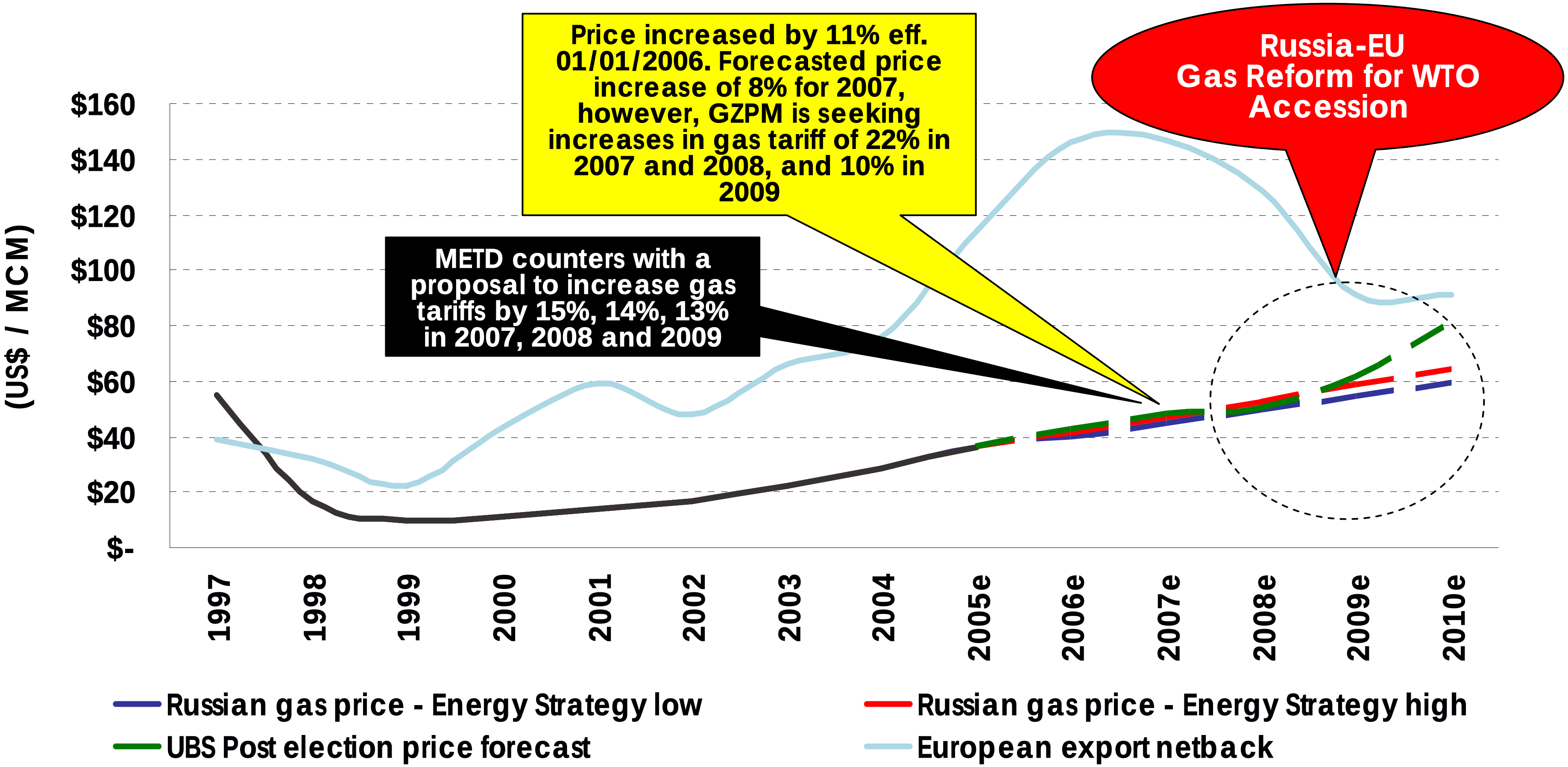
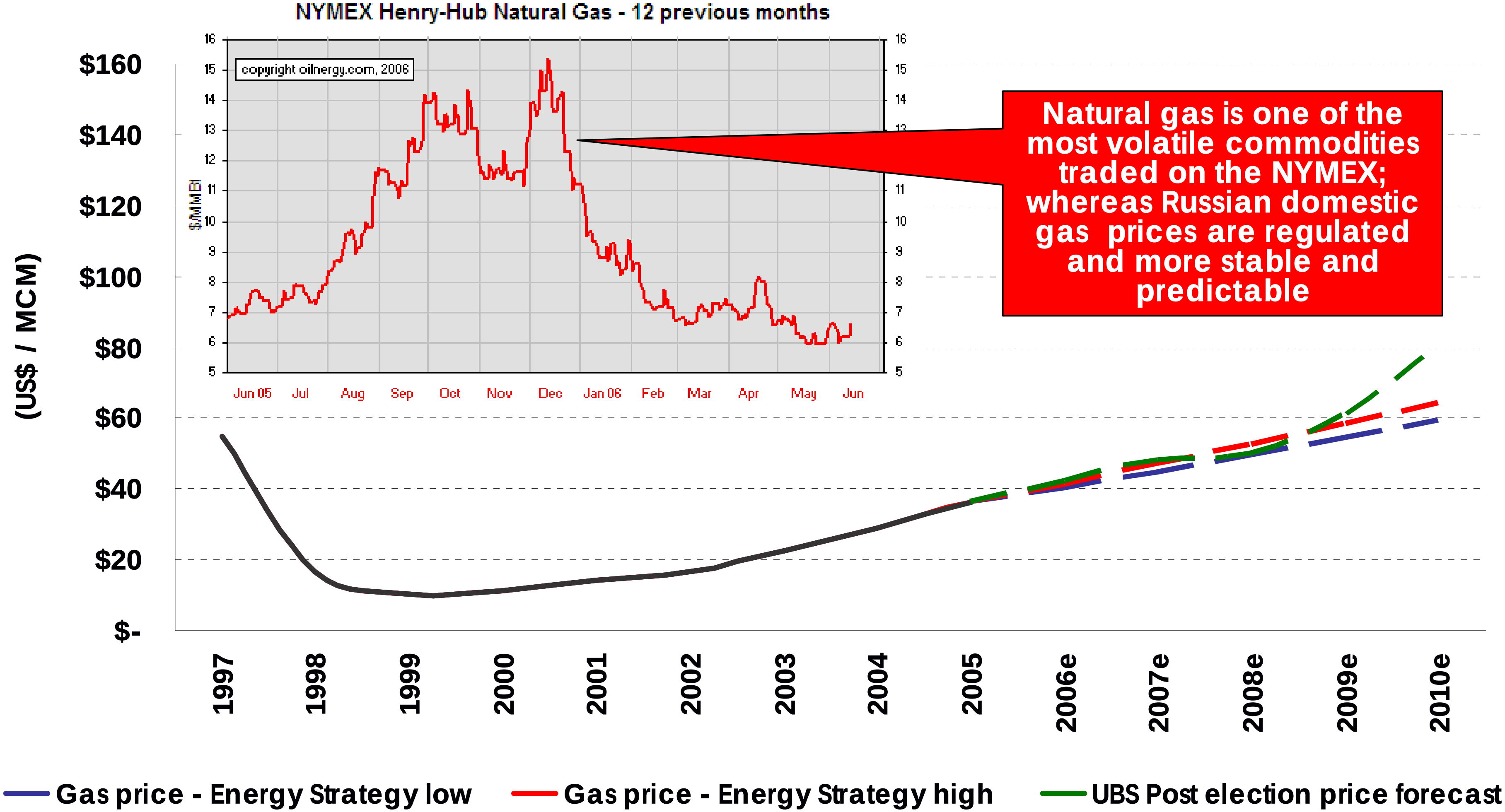
Demand driving prices to export netback parity



Source: Gazprom, Russian Energy Strategy to 2020, UBS Investment Research

Note: Energy Strategy 2020 provides average of residential and industrial/commercial gas prices; Implied curve for Energy Strategy prices in 2006-10

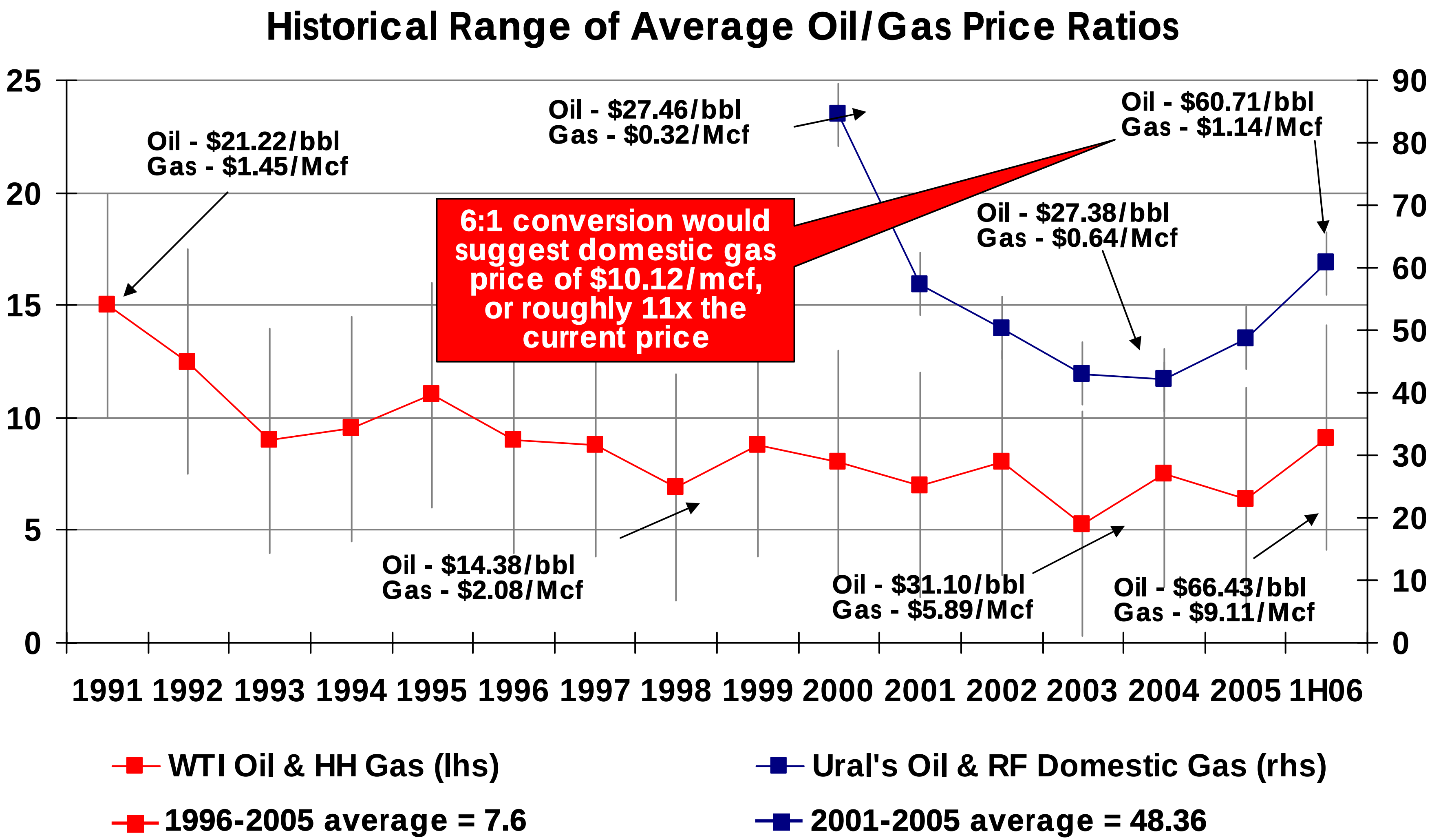
Less volatile Russian domestic gas price



Source: Gazprom, Russian Energy Strategy to 2020, UBS Investment Research, NYMEX natural gas prices for past twelve months

Note: Energy Strategy 2020 provides average of residential and industrial/commercial gas prices; Implied curve for Energy Strategy prices in 2006-10

Price disparity between crude oil and natural gas



Source: John S. Herold, EIA and UBS

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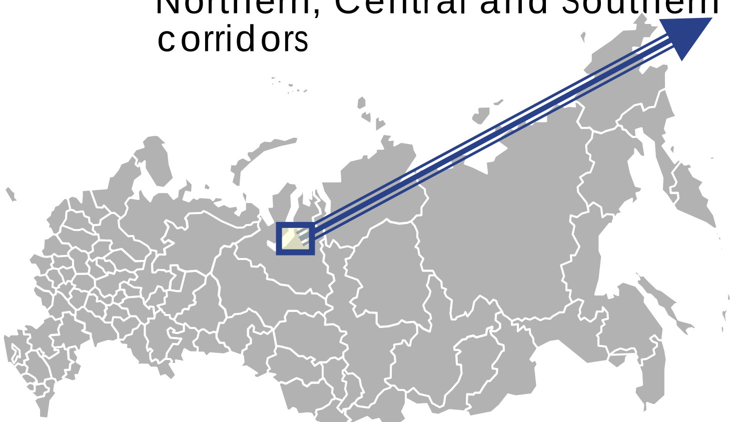
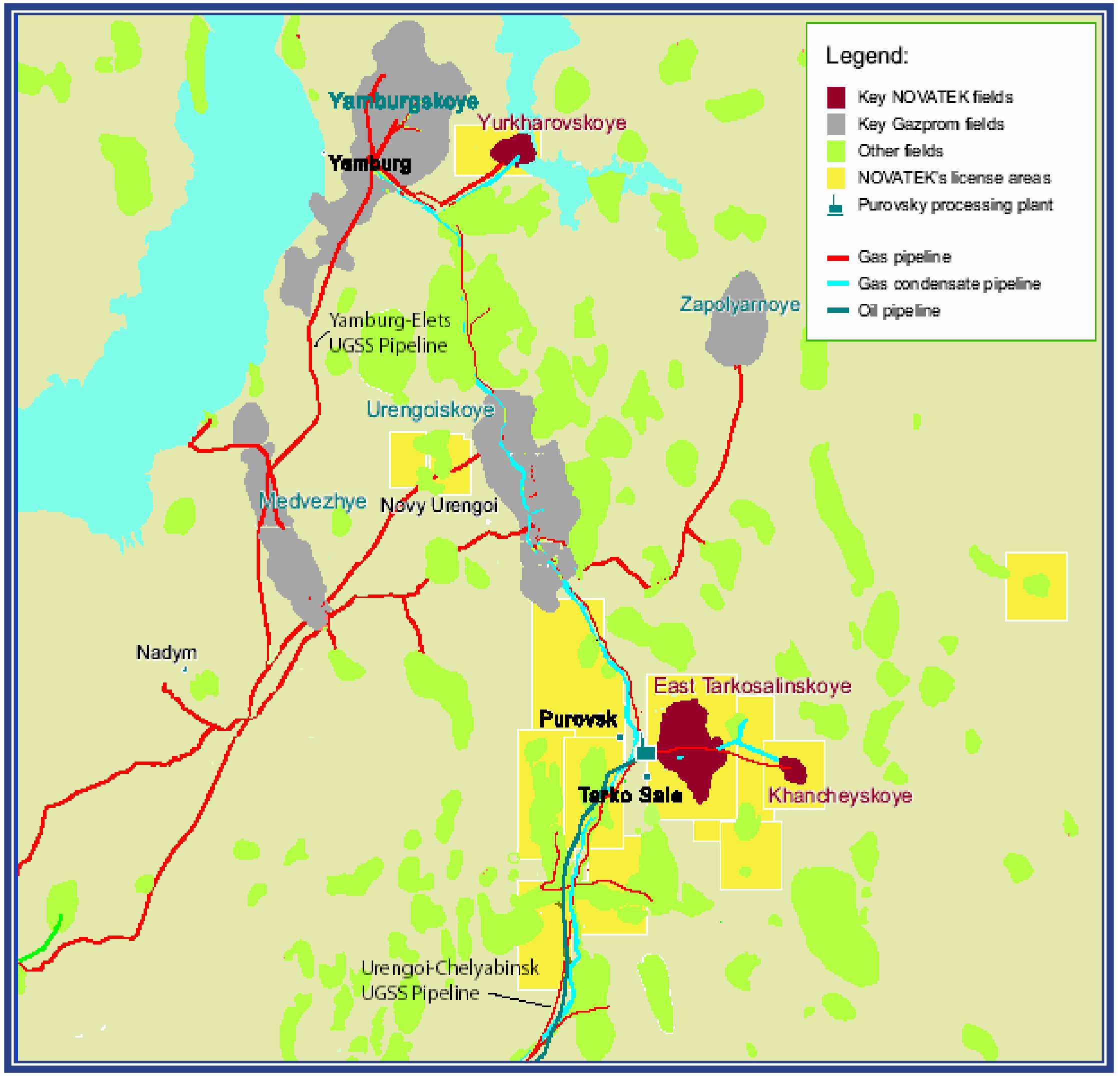
Novatek snapshot

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**
  - 4.6 billion BOE P1 ("proved")
  - 7.4 billion BOE P2 ("proved + probable")
  - R/P ratio of 25 years
- **Near existing infrastructure**
  - Gazprom fields declining (~21% 2001-2004 at Yamburgskoye and Urengoiskoye fields)
  - Pipeline availability to the Northern, Central and Southern corridors





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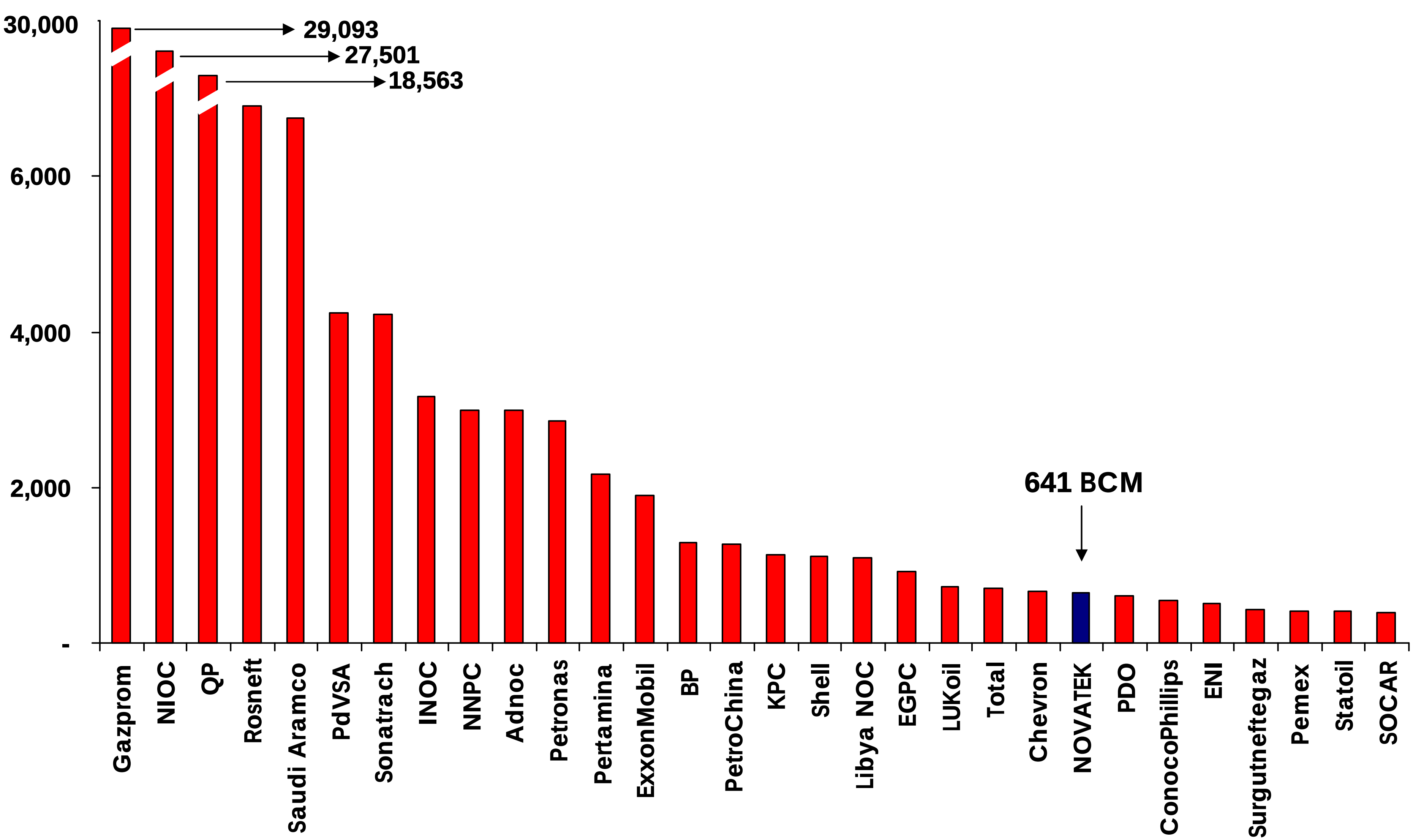
Top 30 Natural Gas Reserve Holders, BCM



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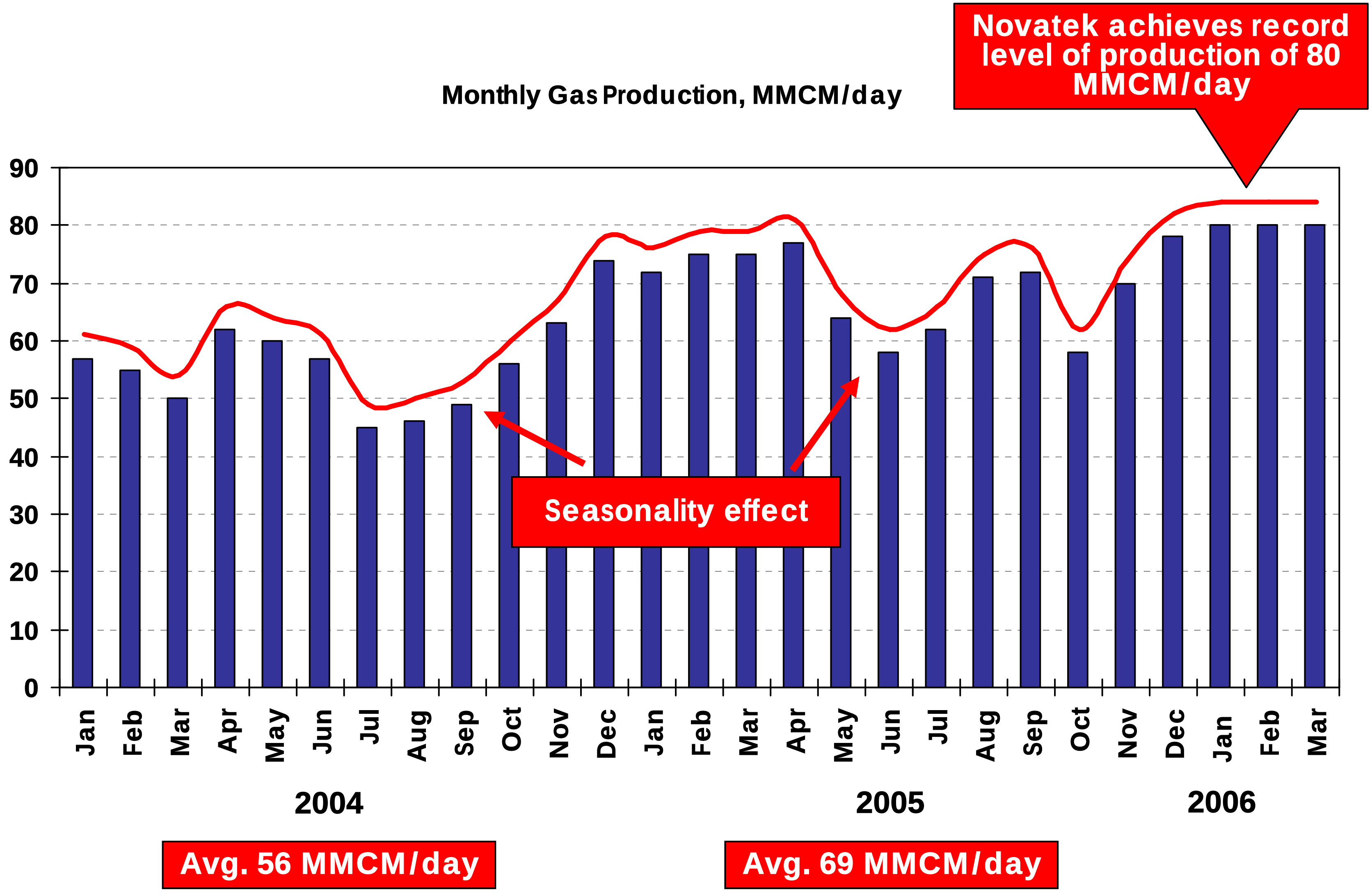
Increasing gas production



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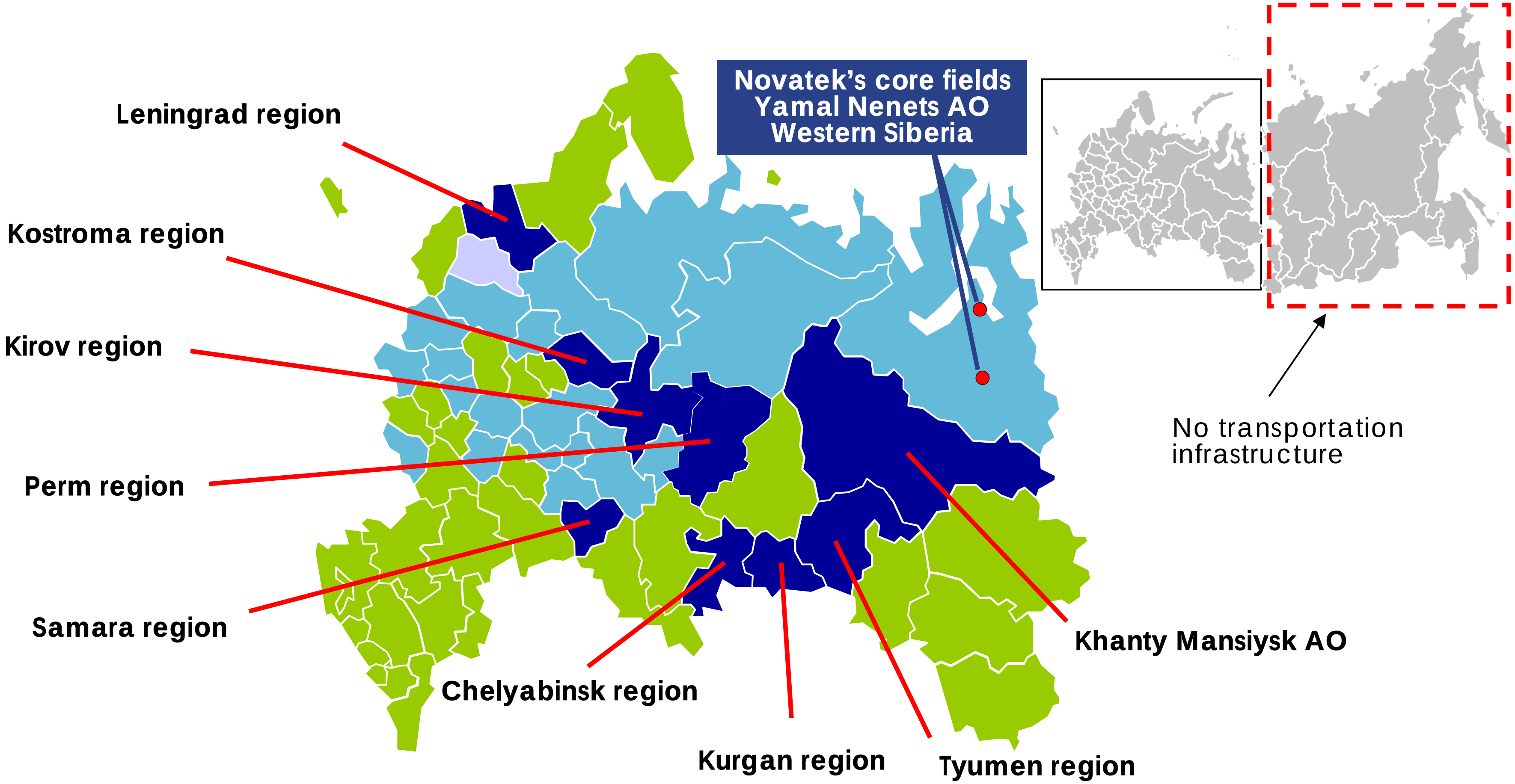
Delivered gas – our main industrial regions

- **Novatek delivers gas to 30 regions from Western Siberia to European Russia**
- **9 core regions accounted for ~ 80% of 2005 delivered volumes**



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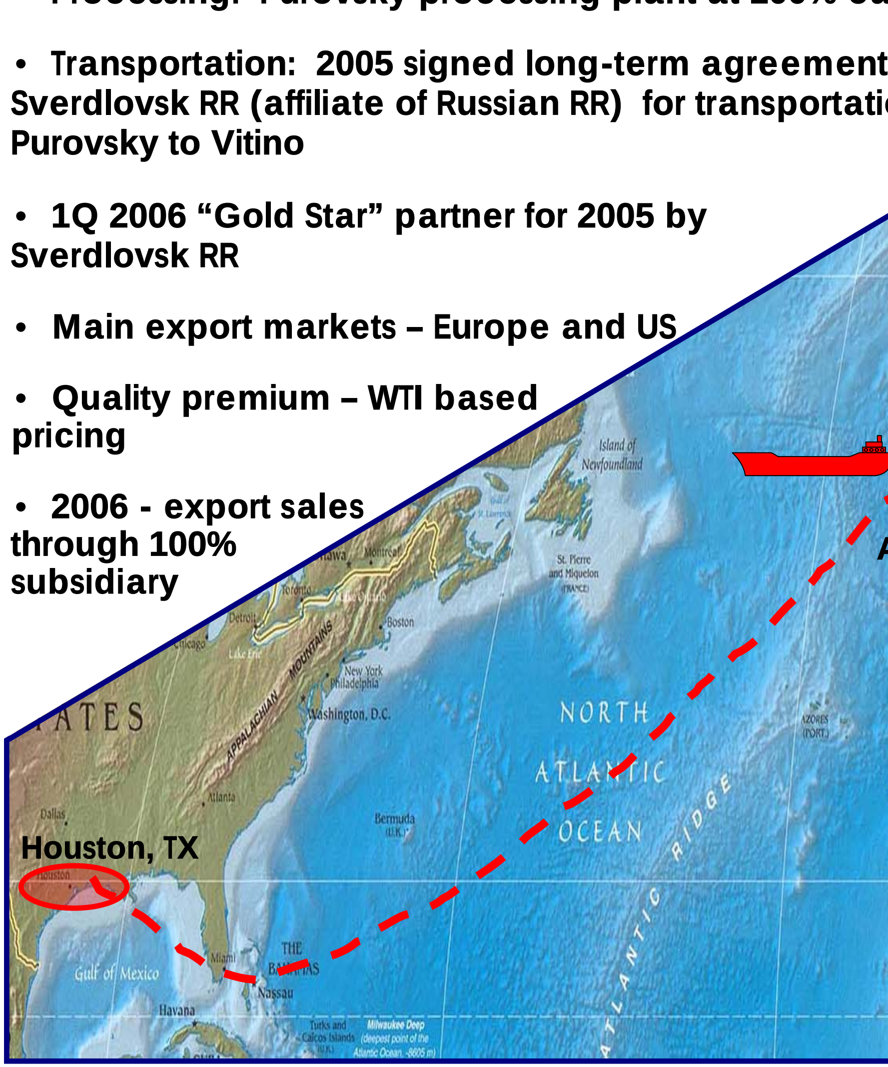
Gas condensate – maximizing our value chain

- **Processing: Purovsky processing plant at 100% capacity**
- **Transportation: 2005 signed long-term agreement with Sverdlovsk RR (affiliate of Russian RR) for transportation from Purovsky to Vitino**
- **1Q 2006 "Gold Star" partner for 2005 by Sverdlovsk RR**
- **Main export markets – Europe and US**
- **Quality premium – WTI based pricing**
- **2006 - export sales through 100% subsidiary**



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

- **Nuclear Ice breakers – "Sovietskiy Soyuz" and "Arktika" provide assistance at White Sea**

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Stellar financial performance

1Q 05	1Q 06	+/(-)%	RR million	2004	2005	+/(-)%
8,789	11,504	31%	**Total revenues & other income**	24,727	42,187	71%
8,482	11,319	33%	**Oil & gas sales**	21,018	37,246	77%
4,153	5,820	40%	**EBITDA(1)**	8,785	22,876	160%
nm	*nm*	*nm*	**EBITDA (net of disposals and other income) (2)**	*8,342*	*20,091*	*141%*
25.8%	24.1%		**Effective Tax Rate**	28.9%	27.3%	
2,315	3,717	61%	**Profit attributable to Novatek**	5,694	13,697	141%
762	1,224	61%	**Earnings Per Share**	2,510	4,511	80%
1,577	1,186	(25%)	**Capital expenditures**	7,412	6,460	(13%)
6,138 (5)	1,686	(73%)	**Net debt (3)**	20,997	6,138	(71%)
8% (5)	*2%*		***Net debt / Total capitalization (4)***	*27%*	*8%*	

Notes:
1. EBITDA defined as net income plus total finance expense plus depreciation, depletion and amortization plus total income tax expense
2. EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates and other income (net of taxes)
3. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
4. Total capitalization calculated as total debt plus shareholders equity plus minority interest plus deferred tax liability
5. As of 12/31/2005

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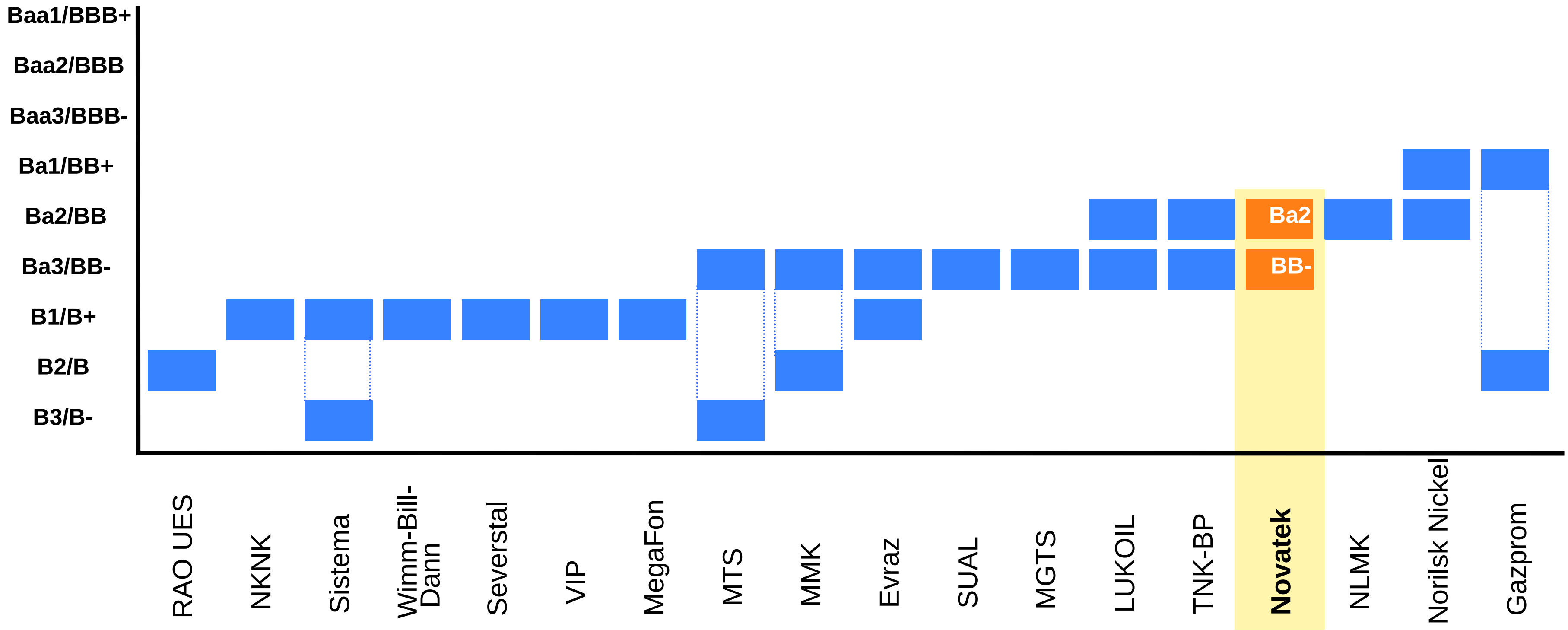
Achieved first-time corporate credit rating

NOVATEK's first-time ratings are in line with the first-time ratings of the Russian oil majors



Source: Standard & Poor's, Moody's. Rating levels reflect Corporate Ratings only

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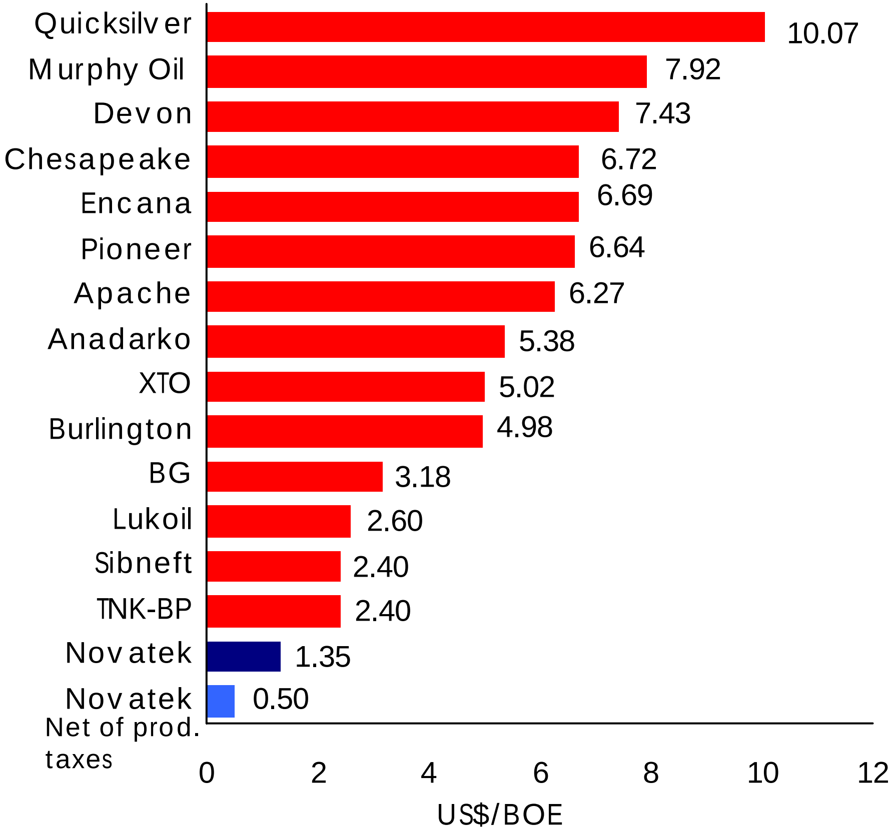
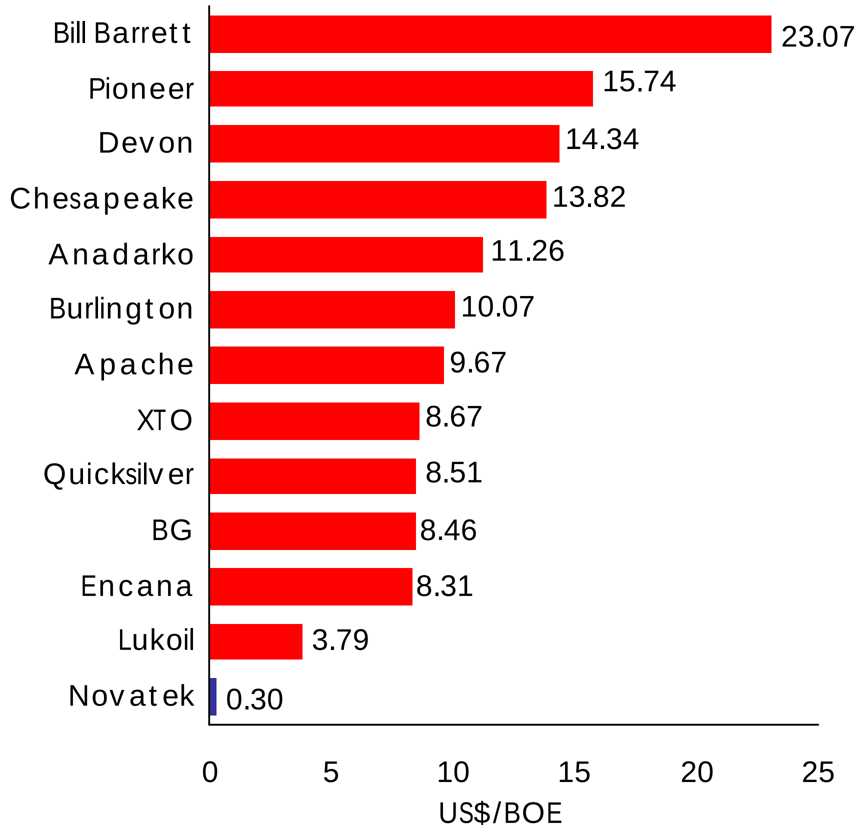
World class efficiency

Lifting Costs (2005) [1,2]



Reserve Replacement Cost (2005) [3]



Source: 2005 Supplemental oil and gas disclosures, Company data

Notes:

1 Calculations for NOVATEK lifting costs based on 2005 MD&A and reserve replacement cost based on 2005 unaudited supplementary oil and gas disclosure

2 Lifting costs include production taxes. Lifting costs for Lukoil, Sibneft and TNK-BP as of 12/31/2004 and net of production taxes

3 Calculated as: (Acquisition costs (proved reserves + unproved reserves) + exploration costs + development costs) / (Oil & Gas revisions + extensions + discoveries + improved recovery + purchases)

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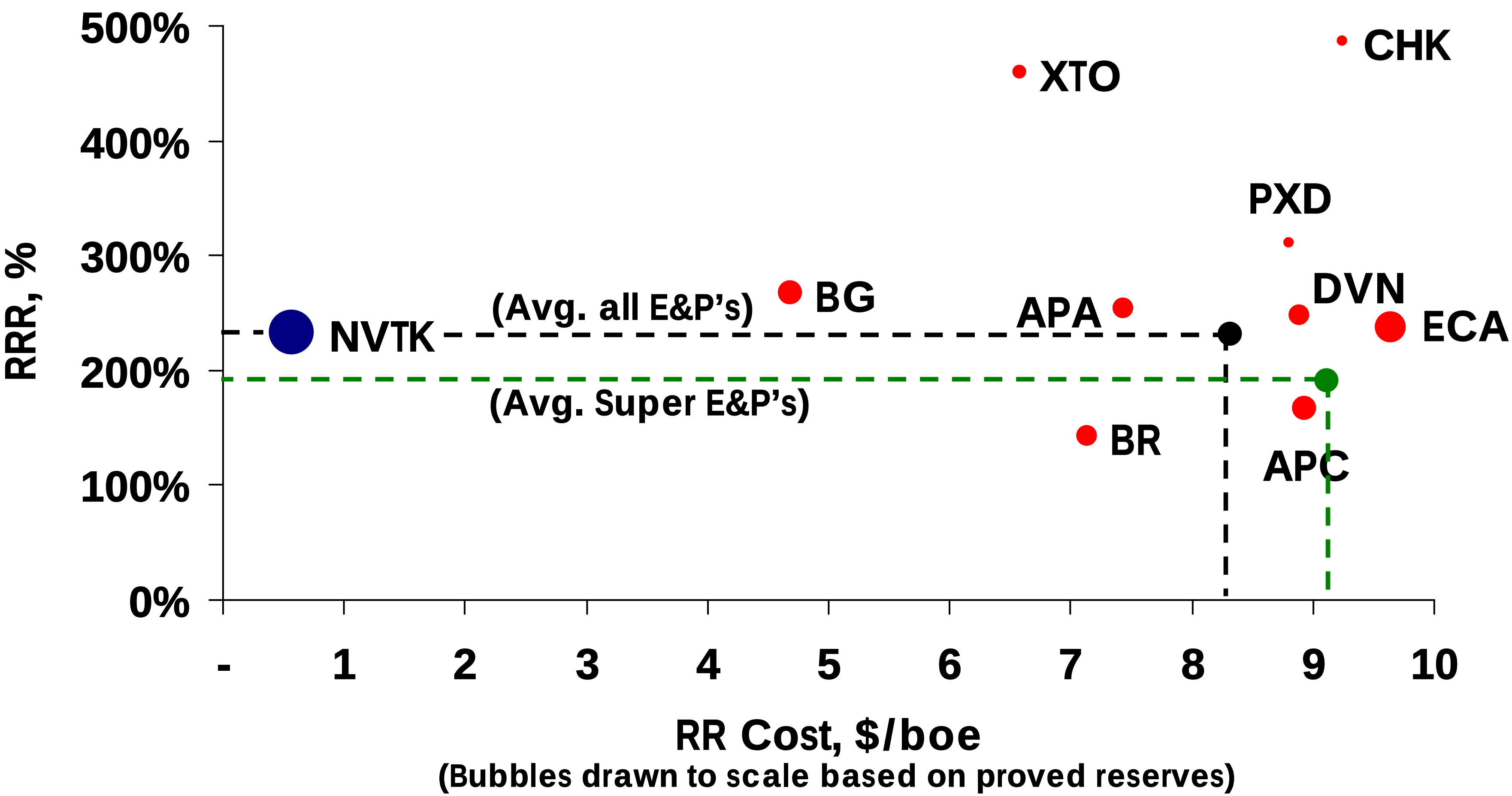
Efficiency indicators – 3 year average RRR & RRC



Source: John S. Herold and Company data
Notes:
1. 3yr average from 2002 – 2004 except for Novatek 2003 - 2005

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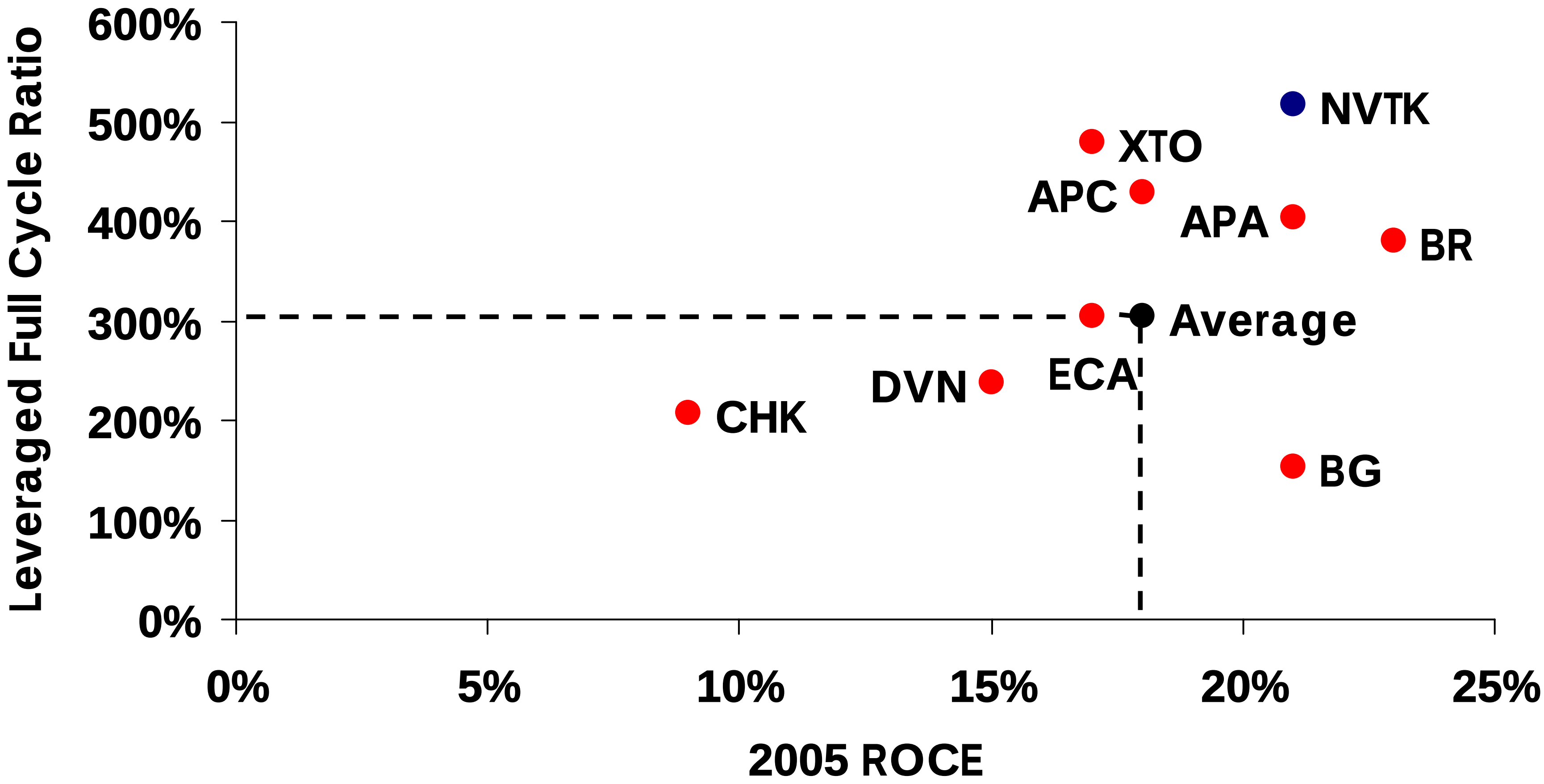
Efficiency indicators

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

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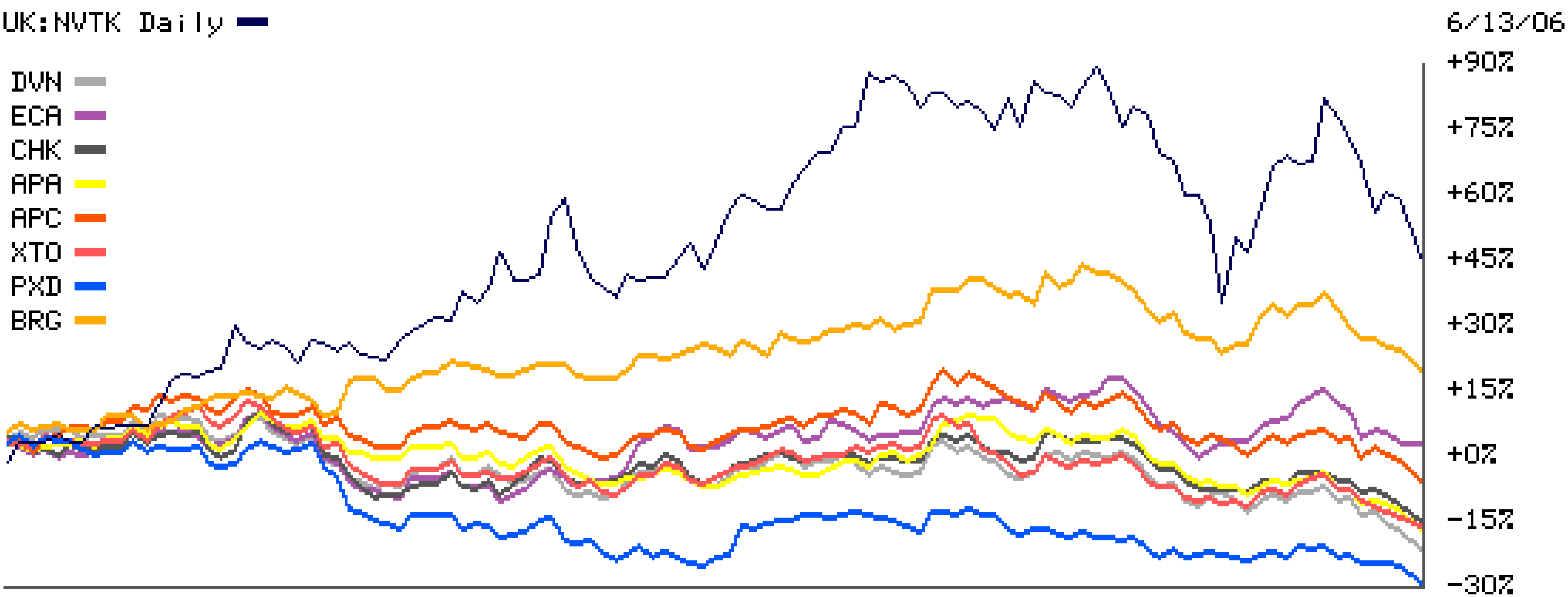
NVTK share price comparison to peer group - 2006



NOVATEK's share price movement in 2006 demonstrates our solid underlying fundamentals in an environment of volatile global energy prices and supply considerations

Source: MarketWatch - Big Charts

Concluding comments

NOVATEK: turning opportunity into strategy

- **Substantially increase our production of hydrocarbons, especially natural gas**
  - Targeting 45 BCM of natural gas production and 4.6 MMT of liquids 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
- **Continued 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 and World Bank standards

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