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First Quarter 2007  
Operational and Financial Results  
Conference Call

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*4 June 2007*

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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.

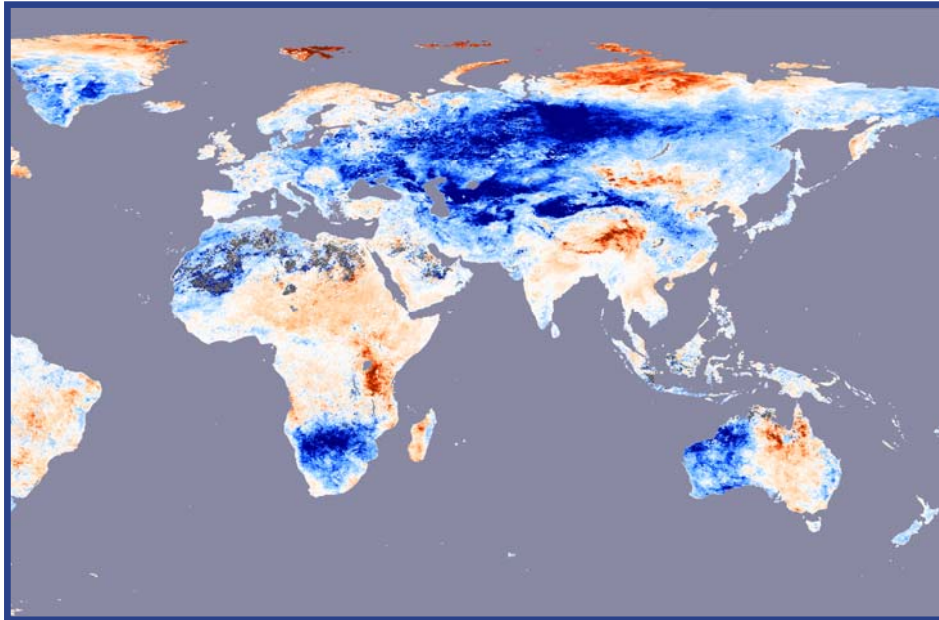
This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking 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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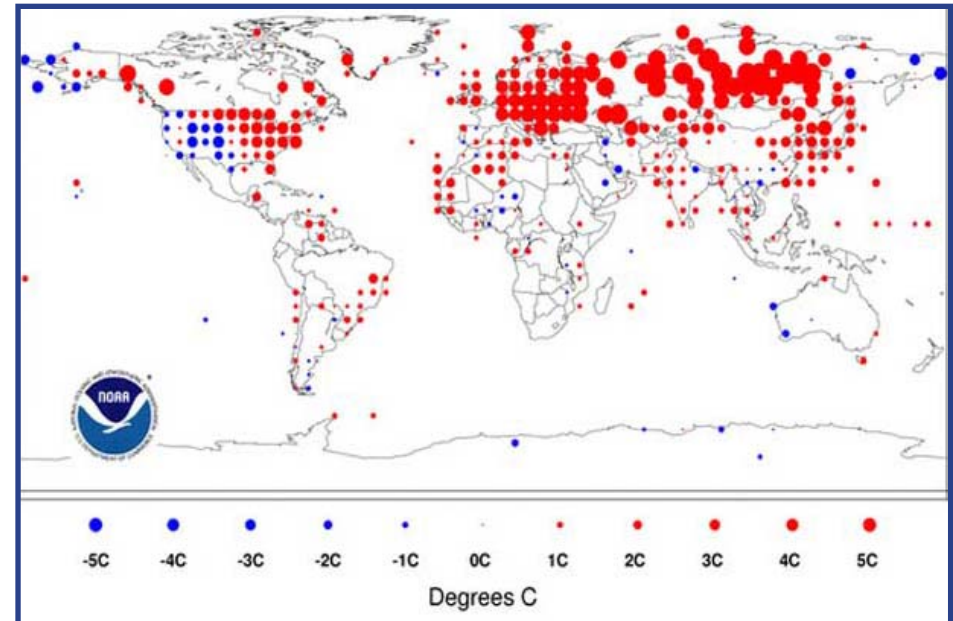


# Weather patterns - 1Q 2006 vs. 1Q 2007

January 2006



January 2007



A tale of two contrasts - From a deep freeze to the warmest winter in the past 126 years

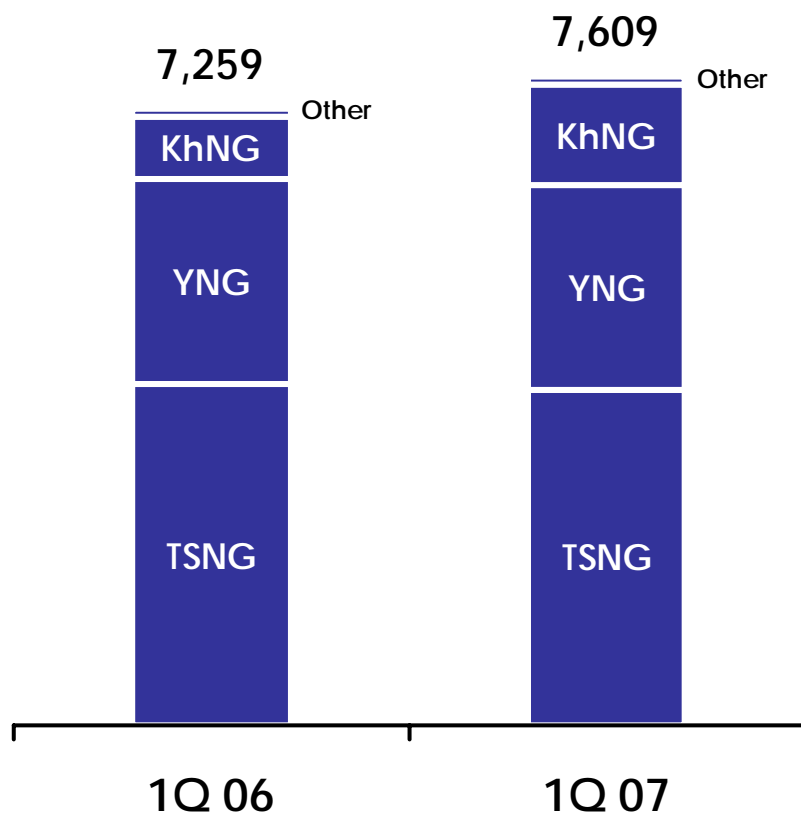
# Summary Highlights 1Q 2007 – Strong Results

- ❑ **Strong revenues and earnings** driven by sales volume growth and higher domestic gas prices
  - Natural gas sales increased by 41.1%
  - Liquids sales increased by 11.6%
- ❑ **Significant increase in 1Q 2007 sales volumes**
  - Natural gas sales volumes increased by 16.4%
  - Liquids sale volumes increased by 25.1%
- ❑ **Net cash positive** – net cash position (cash & cash equivalents less long and short-term debt) increased by 124% to RR 5,737 million from RR 2,560 million as of 31 December 2006
- ❑ **Cash flow from operations** increased by 22.7% Q-o-Q
- ❑ **Capital expenditures** related to exploration and production increased by 221% to RR 3,811 million

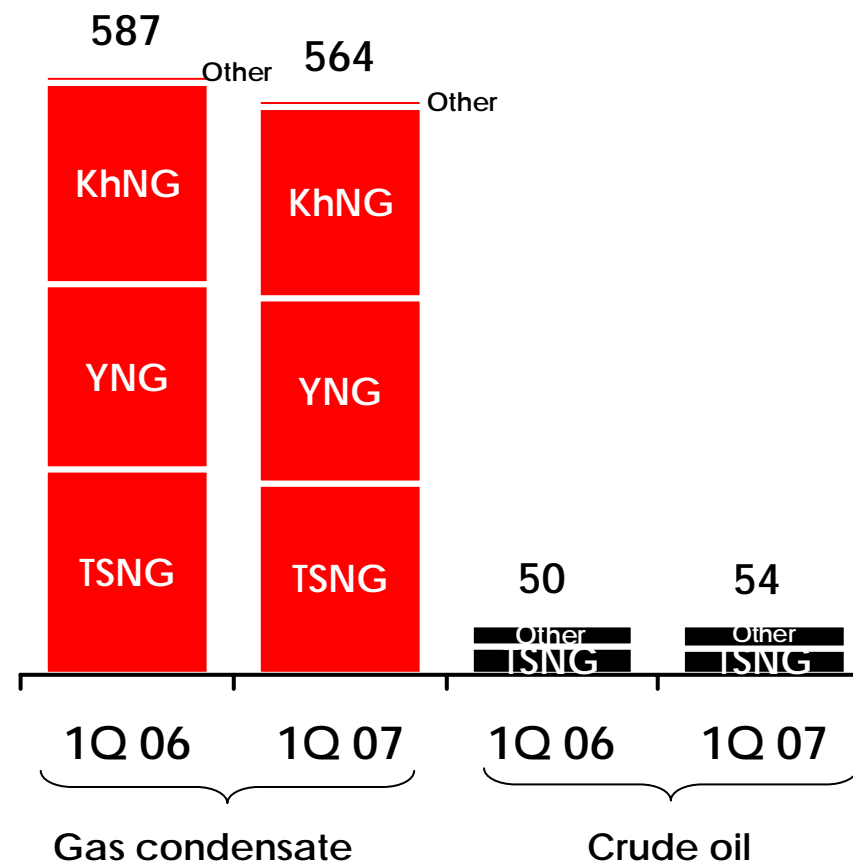
# Operational Overview

# Gross hydrocarbon production<sup>1</sup>

Natural gas production, mmcm



Liquids production, '000 tons



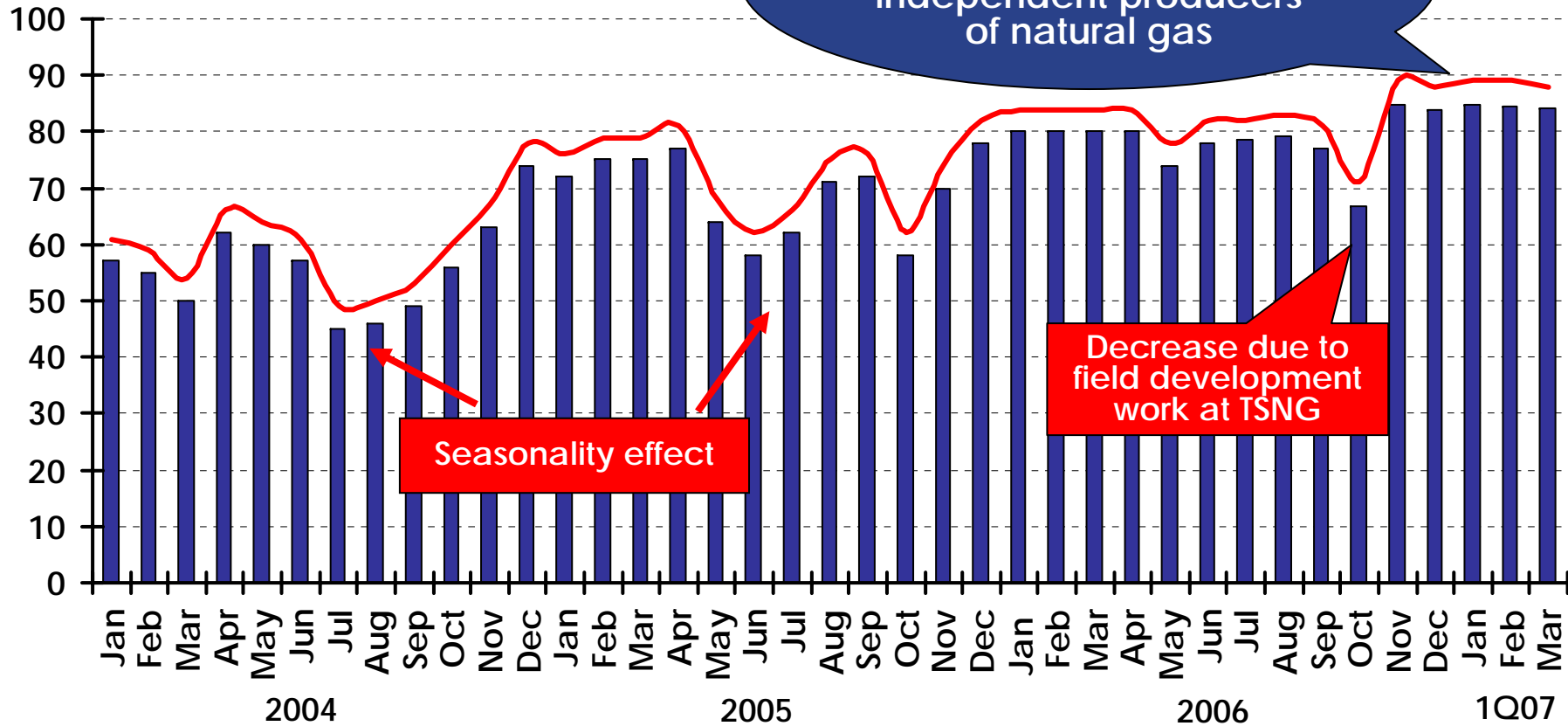
Note:

1. 100% of current Novatek subsidiaries for 1Q 2007 and 1Q 2006, including own consumption, technological and other losses



# Increasing gas production

Monthly Gas Production, mmcm/day



2004 Avg.  
56 mmcm/day  
1,976 bcf/day

2005 Avg.  
69 mmcm/day  
2,436 bcf/day

2006 Avg.  
79 mmcm/day  
2,789 bcf/day

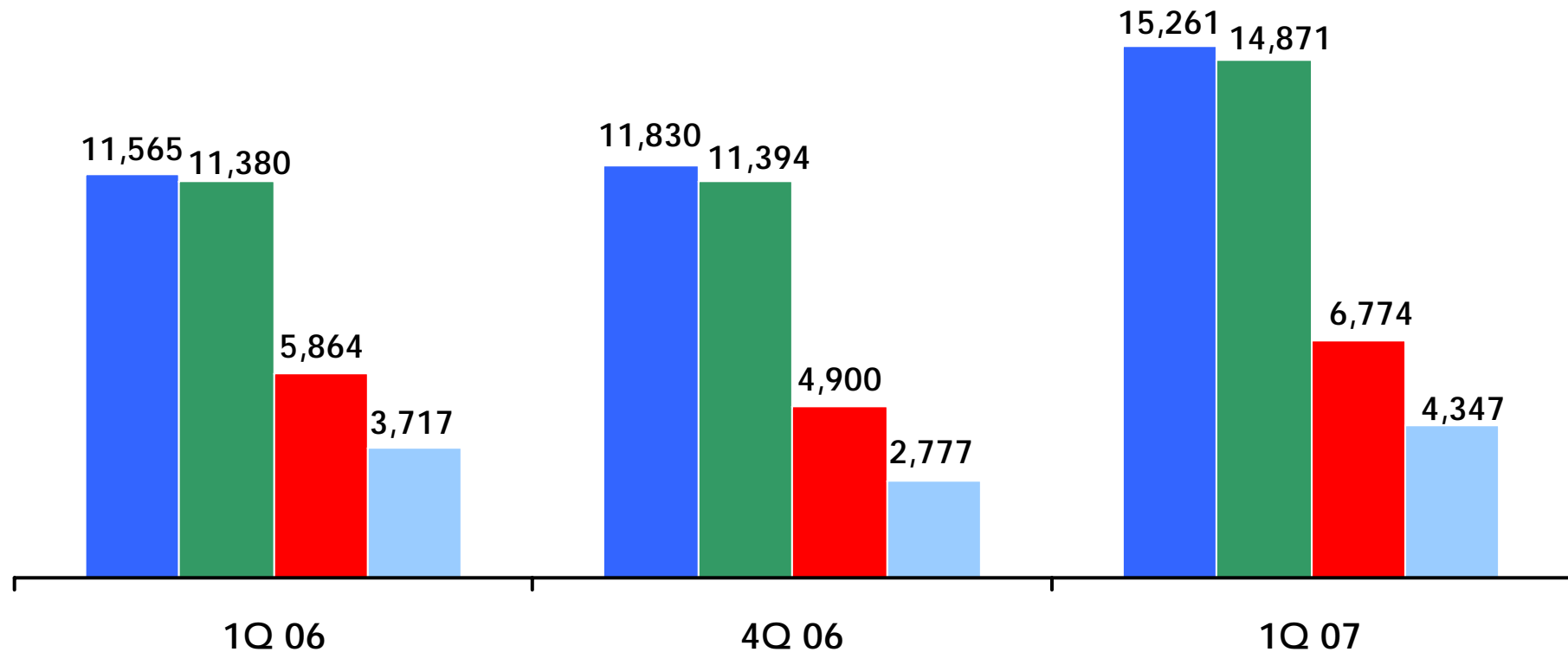
1Q 07 Avg.  
85 mmcm/day  
2,986 bcf/day



# Financial Overview

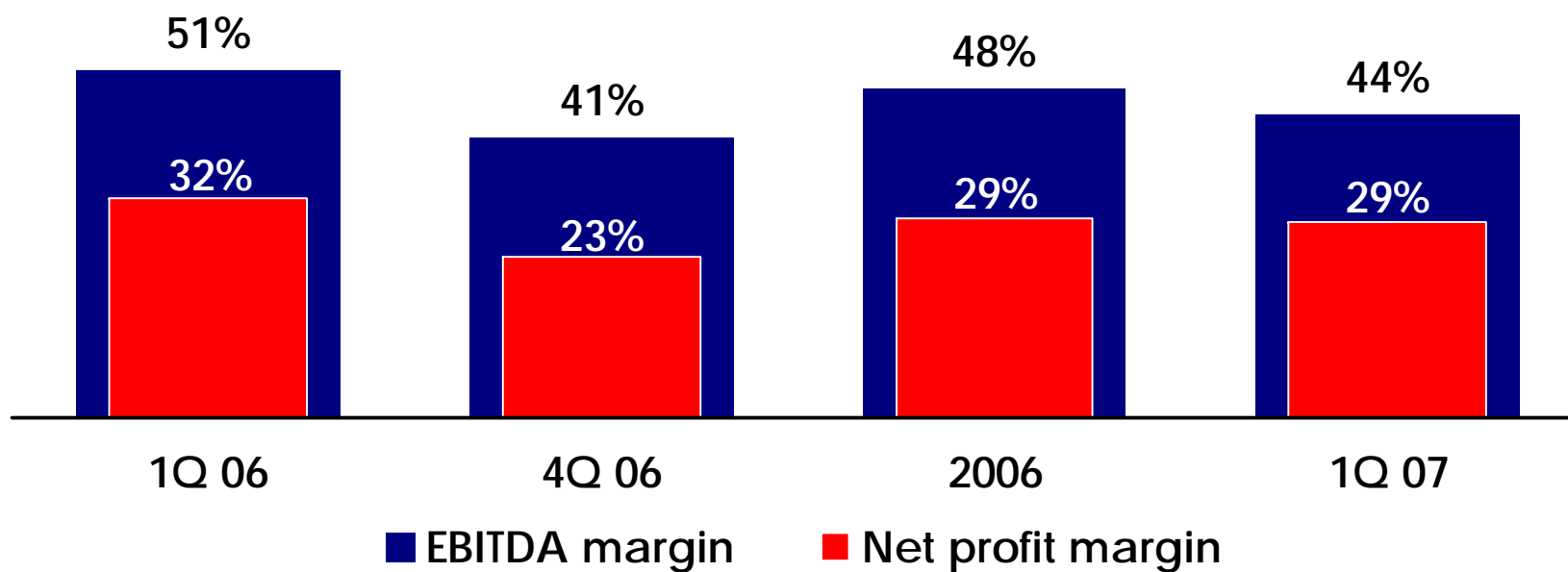


## Summary financial results (RR million)



■ Total revenues and other income ■ Oil & gas sales ■ EBITDA ■ Net income

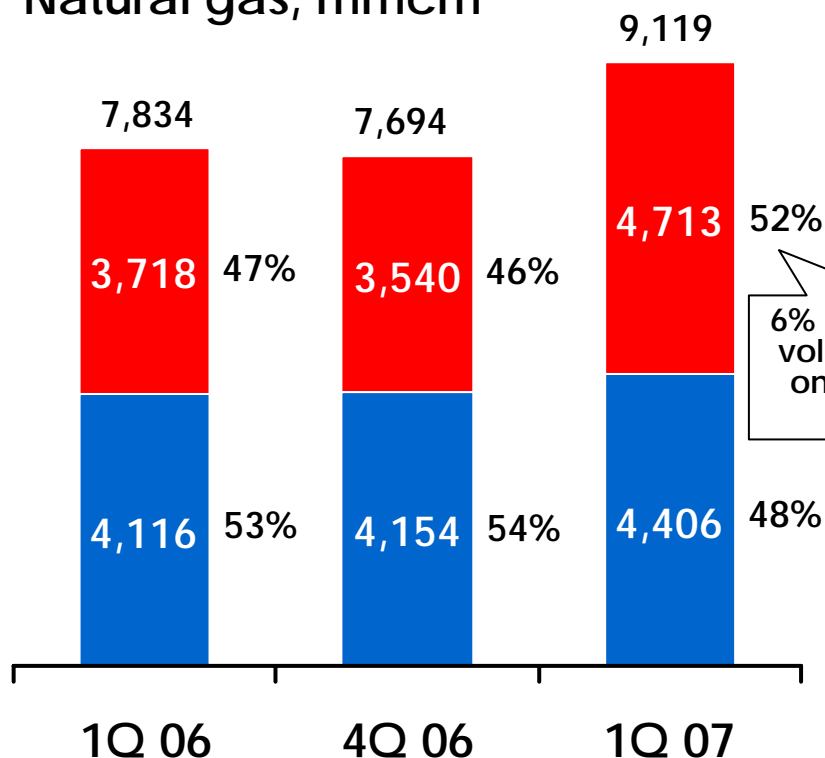
## Maintaining margins (% of total revenue & other income)



- ❑ Strong natural gas pricing environment on domestic market
- ❑ Continued focus on cost discipline
- ❑ Significant change in liquids pricing in international and domestic markets

# Market distribution – sales volumes

Natural gas, mmcm

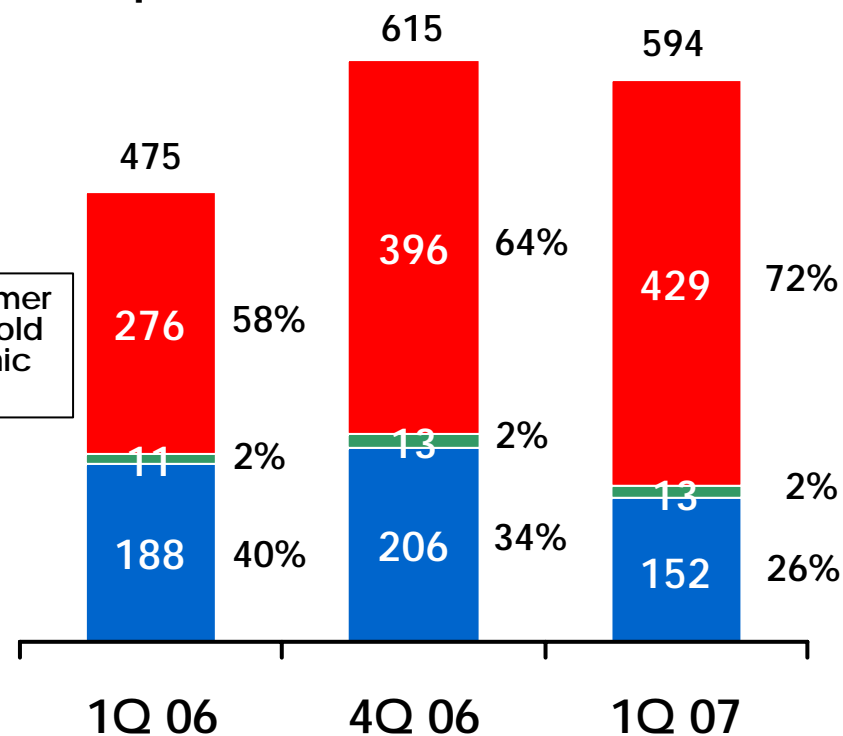


6% of End customer volumes were sold on the electronic exchange

■ Ex-field ■ End customer

- Increase in proportion of End-customer sales to ex-field sales
- Increase in sales volumes due to withdrawals from storage facilities

Liquids, '000 tons



■ Domestic ■ CIS ■ Export

- Growth in export sales in 1Q 07 due to inventory buildup of stable gas condensate in 1Q 06 & an increase in crude oil export volumes

# Purovsky processing plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered 516 mt**
  - East Tarkosalinskoye and Khancheyskoye fields: 359 mt (100% of net production)
  - Yurkharovskoye: 157 mt (92% of net production)
- ❑ **Total plant output 512 mt**
  - stable gas condensate: 388 mt
  - LPG: 124 mt
- ❑ **Plant capacity**
  - Approximately 100%
- ❑ **7 Tankers from Vitino Sea Port Terminal**
  - 4 to stable gas condensate to US markets
  - 2 to European markets
  - 1 to South America (Brazil)
- ❑ **Inventory reconciliation**
  - 2 tankers in transit – 110 thousand tons
  - Rail road cisterns and port storage facilities – 72 thousand tons
- ❑ **Majority of LPG volumes sold on the domestic market**



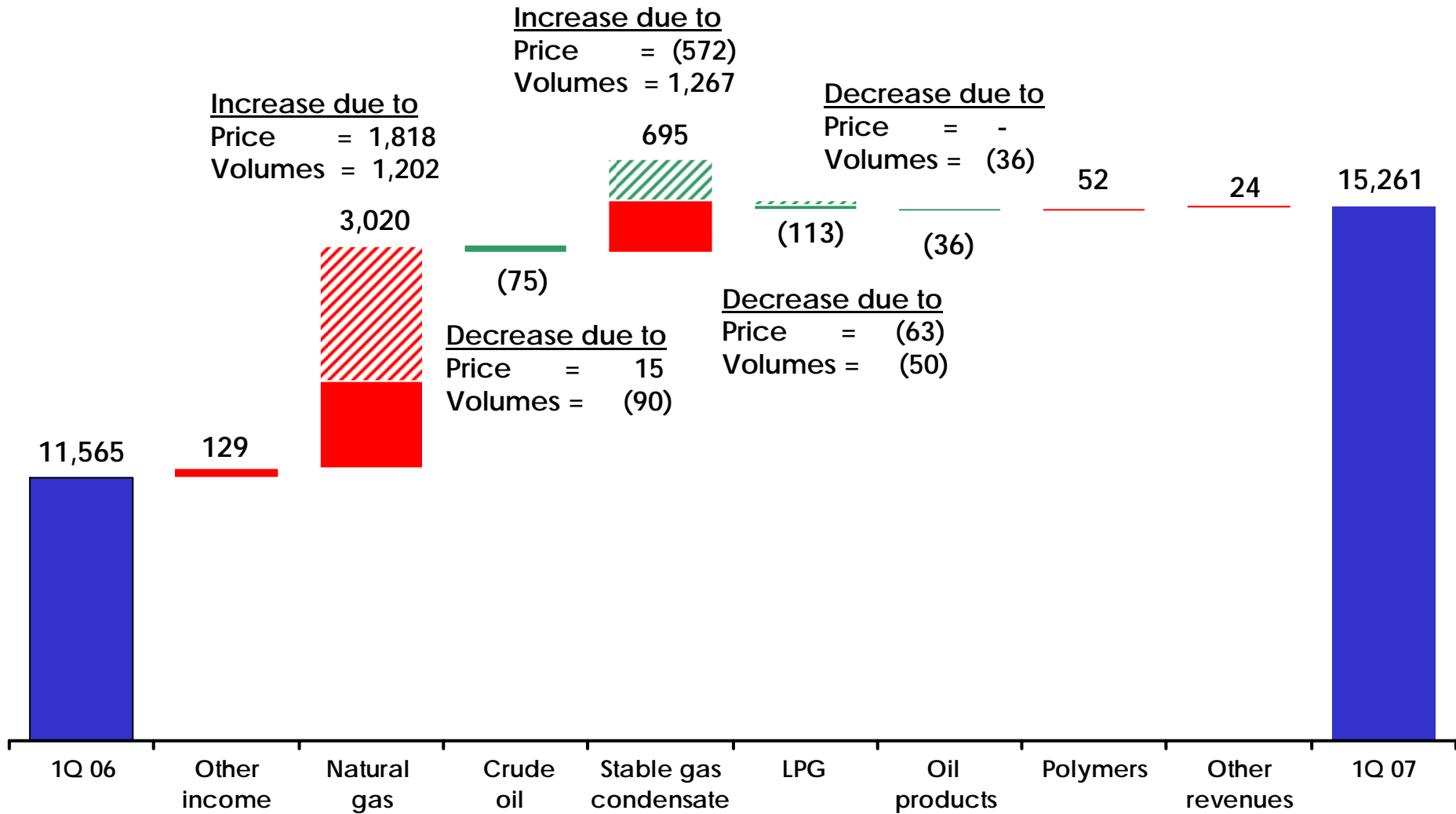
# Steady period on period growth

4Q 06	1Q 07	+/(-)%	RR million	1Q 06	1Q 07	+/(-)%
11,394	14,871	31%	<b>Oil &amp; gas sales</b>	11,380	14,871	31%
11,830	15,261	29%	<b>Total revenues &amp; other income</b>	11,565	15,261	32%
7,595	9,565	26%	<b>Operating expense</b>	6,784	9,565	41%
4,900	6,774	38%	<b>EBITDA<sup>(1)</sup></b>	5,864	6,774	16%
41%	44%		<b>EBITDA margin</b>	51%	44%	
34%	24%		<b>Effective Tax Rate</b>	24%	24%	
2,777	4,347	57%	<b>Profit attributable to Novatek</b>	3,717	4,347	17%
0.91	1.43	57%	<b>Earnings Per Share</b>	1.22	1.43	17%
1,383	3,811	176%	<b>Capex</b>	1,186	3,811	221%
(2,560) <sup>(3)</sup>	(5,737)	124%	<b>Net debt (Cash)<sup>(2)</sup></b>	(2,560) <sup>(3)</sup>	(5,737)	124%

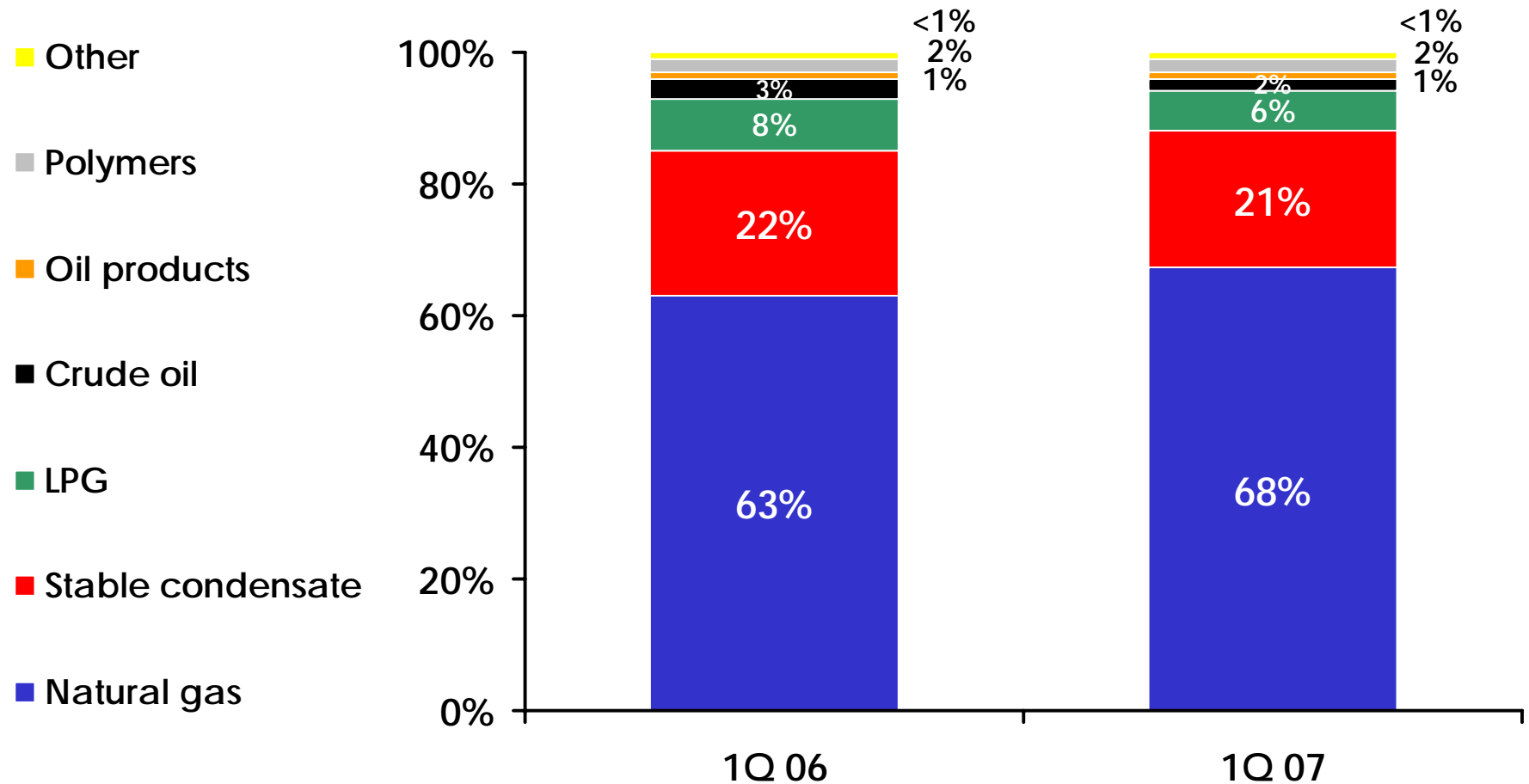
**Notes:**

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. Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
3. As of 12/31/2006

# Revenue & other income reconciliation (RR million)



# Total revenue breakdown



## Realized prices (net of VAT and export duties)

4Q 06	1Q 07	+ / (-)	+ / (-)%	Hydrocarbon prices	1Q 06	1Q 07	+ / (-)	+ / (-)%
<u>Domestic market</u>								
1,281	1,455	174	14%	Natural gas end-user, RR/mcm	1,220	1,455	235	19%
650	793	143	22%	Natural gas ex-field, RR/mcm	679	793	114	17%
-	-	-	-	Stable gas condensate, RR/ton	-	-	-	-
4,445	4,466	21	0%	Crude oil, RR/ton	6,075	4,466	(1,609)	(26%)
7,668	6,516	(1,152)	(15%)	LPG, RR/ton <sup>1</sup>	6,951	6,516	(435)	(6%)
5,984	6,503	519	9%	Oil products, RR/ton <sup>1</sup>	6,500	6,503	3	nm
<u>CIS market <sup>1</sup></u>								
9,959	6,944	(3,015)	(30%)	LPG, RR/ton	8,455	6,944	(1,511)	(18%)
<u>Export market <sup>1</sup></u>								
7,883	8,393	510	6%	Stable gas condensate, RR/ton	9,877	8,393	(1,484)	(15%)
7,339	5,112	(2,227)	(30%)	Crude oil, RR/ton	6,724	5,112	(1,612)	(24%)
12,296	9,026	(3,270)	(27%)	LPG, RR/ton	10,629	9,026	(1,603)	(15%)

Note

1. Includes cost of transportation



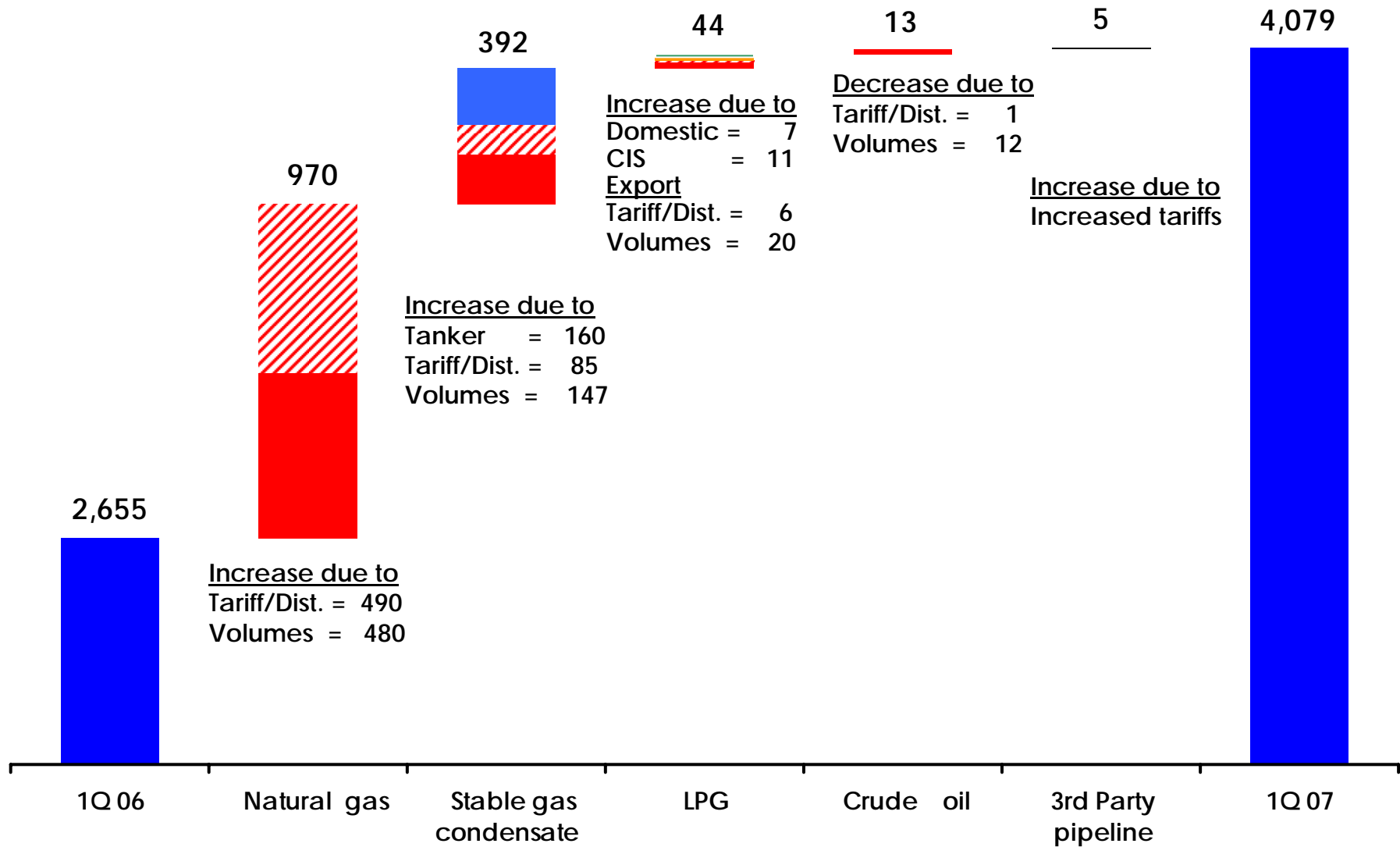


## Operating expenses breakdown (% of Total revenue (TR))

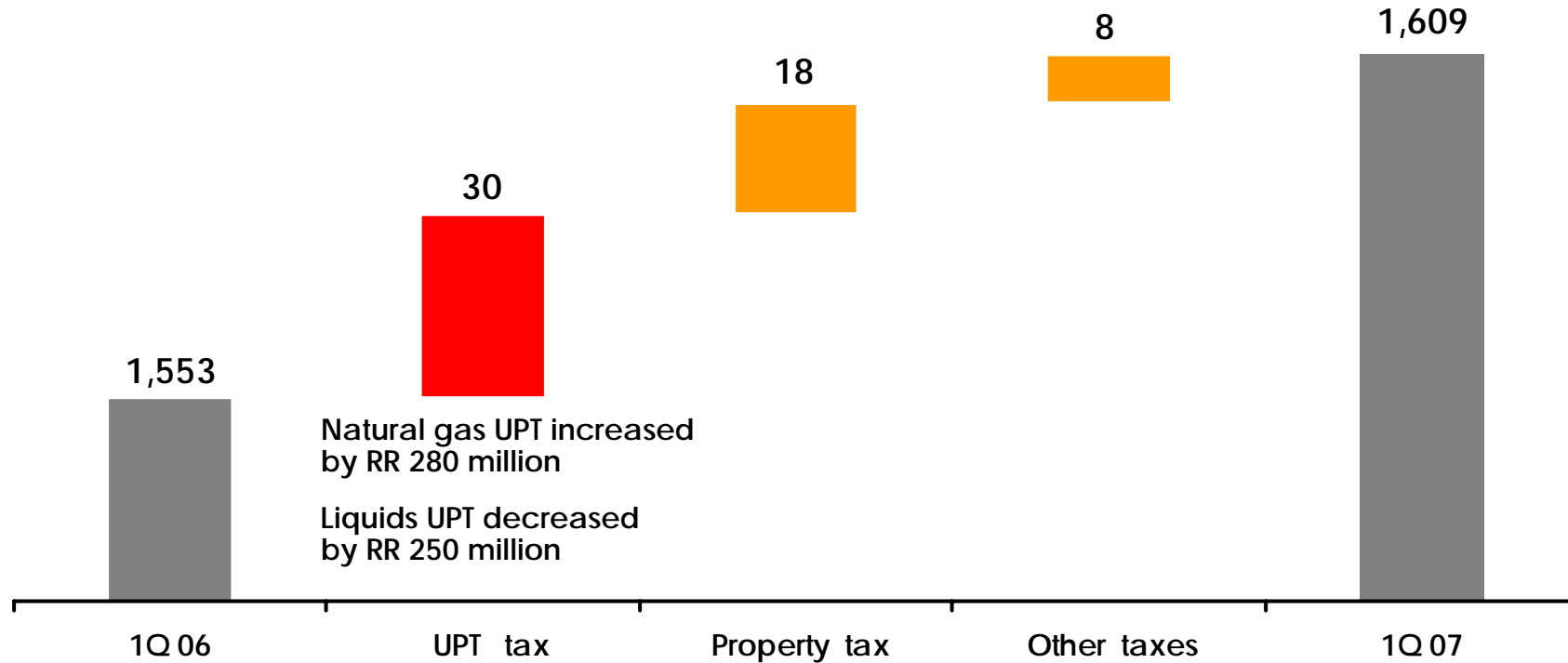
4Q06	% of TR	1Q 07	% of TR	Operating Expenses, RR million	1Q 06	% of TR	1Q 07	% of TR
2,928	25%	4,079	27%	Transportation expense	2,655	23%	4,079	27%
1,575	13%	1,609	11%	Taxes other than income	1,553	13%	1,609	11%
999	9%	1,069	7%	Materials, services & other	964	8%	1,069	7%
631	5%	1,018	7%	Depreciation and amortization	996	9%	1,018	7%
848	7%	713	5%	General and administrative	665	6%	713	5%
52	0%	202	1%	Exploration expense	112	1%	202	1%
27	0%	37	0%	Net impairment expense	76	1%	37	0%
(104)	(1%)	275	2%	Change in inventory	(646)	(6%)	275	2%
6,956	59%	9,002	59%	<b>Subtotal operating expenses</b>	6,375	55%	9,002	59%
639	5%	563	4%	Cost of purchased oil, condensate and natural gas	409	4%	563	4%
7,595	65%	9,565	63%	<b>Total operating expense</b>	6,784	58%	9,565	63%

- ❑ **Q-o-Q operating expenses as a percentage of total revenues increased by 5%** primarily due to an increase in transportation expense
- ❑ **Q-o-Q transportation costs increased Q-o-Q** primarily due to an increase in natural gas sales volumes to end customers and increases in tariffs effective 1 August 2006 and 1 March 2007
- ❑ **Q-o-Q taxes other than on income** increased marginally as a result of slightly higher natural gas and crude oil production volumes which was offset by a decrease in the UPT rate for crude oil and a decrease in stable gas condensate production
- ❑ **Q-o-Q exploration expense** increased by 80% due to an increase in seismic work

# Transportation expense (RR million)

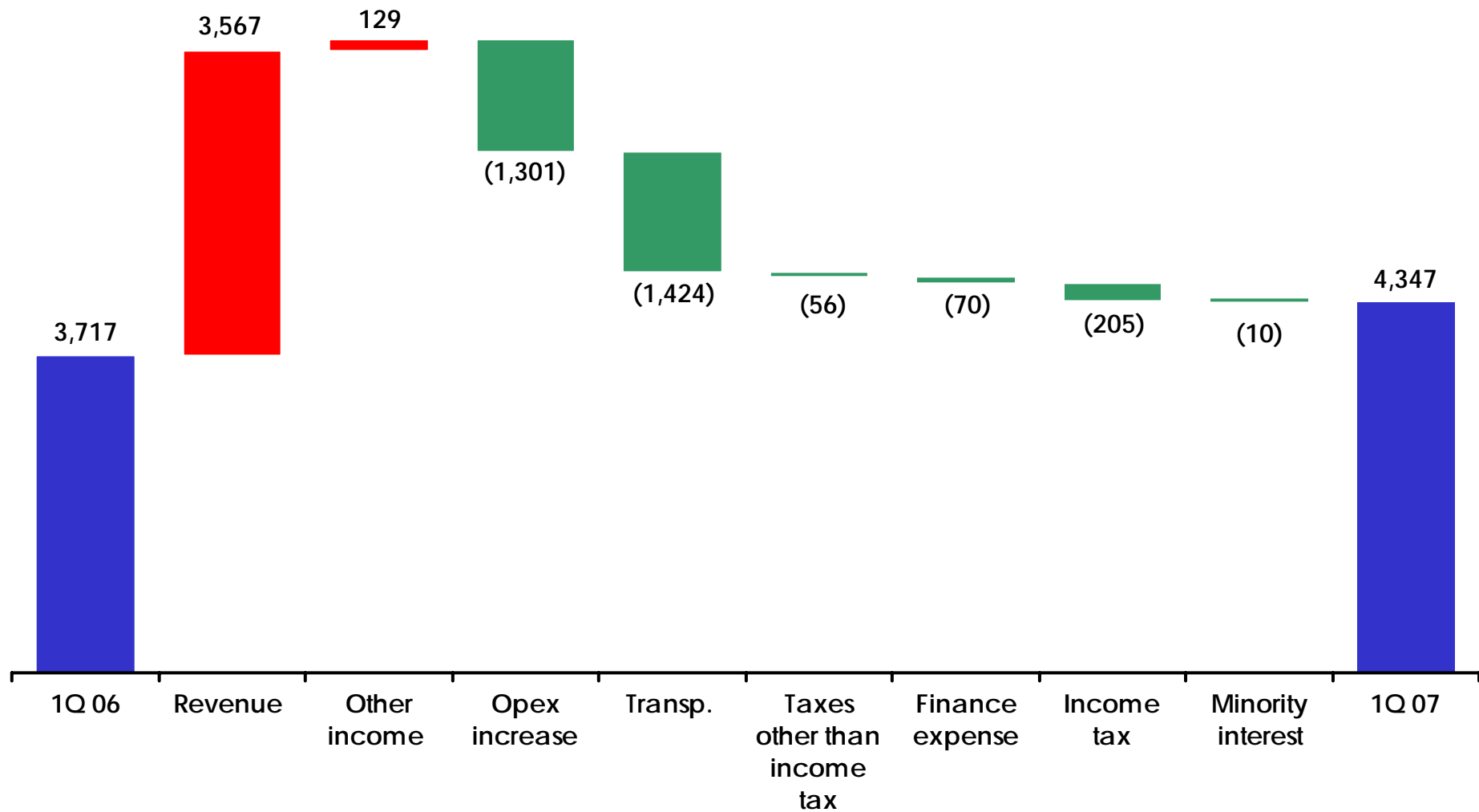


# Taxes other than income (RR million)



- ❑ Increase in “taxes other than income” of 3.6% due to UPT tax increase of 2.1%, primarily due to a 4.5% increase in natural gas production and a 7.8% increase in crude oil production
- ❑ Natural gas accounted for RR 1,109 million of UPT tax while liquids accounted for RR 332 million
- ❑ Property tax increase due to additions of PPE at Purovsky plant, 44% of increase

# Profit attributable to Novatek reconciliation (RR million)



## Condensed balance sheet (RR million)

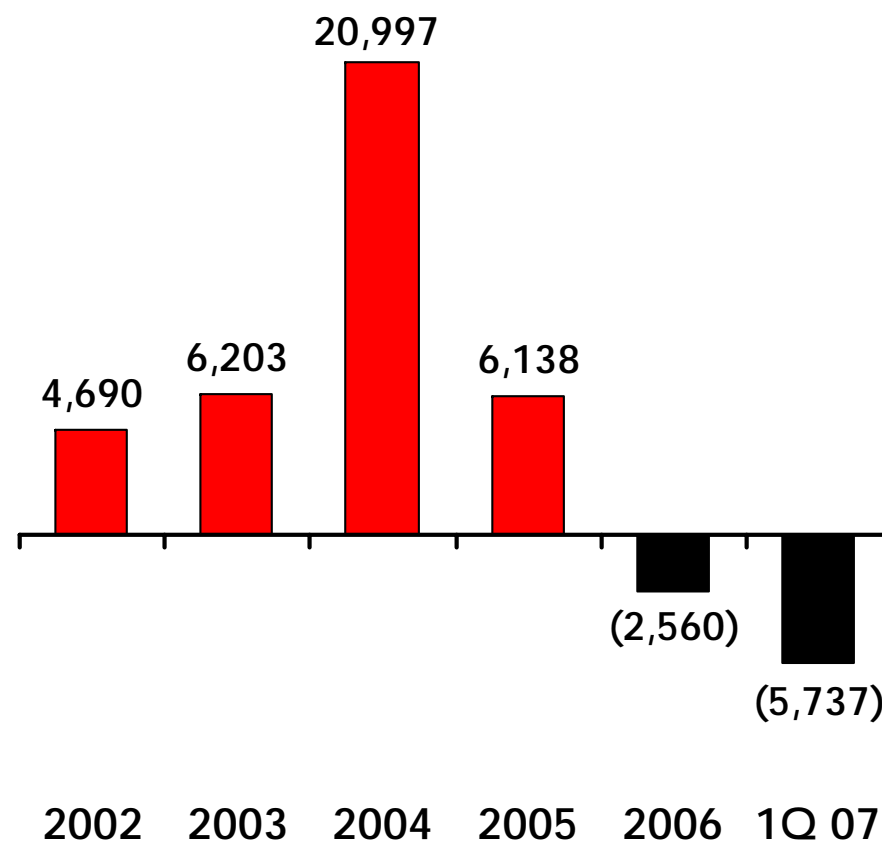
RR million	2006	1Q 07	+ / (-)	+ / (-)%
<b>Total current assets</b>	<b>15,818</b>	<b>18,998</b>	<b>3,180</b>	<b>20%</b>
<i>Incl. Cash &amp; cash equivalents</i>	<i>5,668</i>	<i>9,180</i>	<i>3,512</i>	<i>62%</i>
<b>Total non-current assets</b>	<b>68,508</b>	<b>70,963</b>	<b>2,455</b>	<b>4%</b>
<i>Incl. Net PP&amp;E</i>	<i>66,734</i>	<i>69,507</i>	<i>2,773</i>	<i>4%</i>
<b>Total assets</b>	<b>84,326</b>	<b>89,961</b>	<b>5,635</b>	<b>7%</b>
<b>Total current liabilities</b>	<b>5,098</b>	<b>6,763</b>	<b>1,665</b>	<b>33%</b>
<i>Incl. ST Debt</i>	<i>2,565</i>	<i>3,201</i>	<i>636</i>	<i>25%</i>
<b>Total non-current liabilities</b>	<b>10,552</b>	<b>10,136</b>	<b>(416)</b>	<b>(4%)</b>
<i>Incl. Deferred income tax liability</i>	<i>8,412</i>	<i>8,283</i>	<i>(129)</i>	<i>(2%)</i>
<i>Incl. LT Debt</i>	<i>543</i>	<i>242</i>	<i>(301)</i>	<i>(55%)</i>
<b>Total Liabilities</b>	<b>15,650</b>	<b>16,899</b>	<b>1,249</b>	<b>8%</b>
<b>Total equity</b>	<b>68,676</b>	<b>73,062</b>	<b>4,386</b>	<b>6%</b>
<b>Total liabilities &amp; equity</b>	<b>84,326</b>	<b>89,961</b>	<b>5,635</b>	<b>7%</b>

# Debt structure

## Debt structure and maturities

RR million	1Q 07	2006
Short-term debt	3,201	2,565
<i>Including current portion of long-term debt</i>	<i>1,868</i>	<i>2,117</i>
Long-term debt	242	543
Scheduled maturities		
2008	240	501
2009	2	42
Total debt	3,443	3,108
Cash and equivalents	9,180	5,668
Net debt (Net cash)	(5,737)	(2,560)

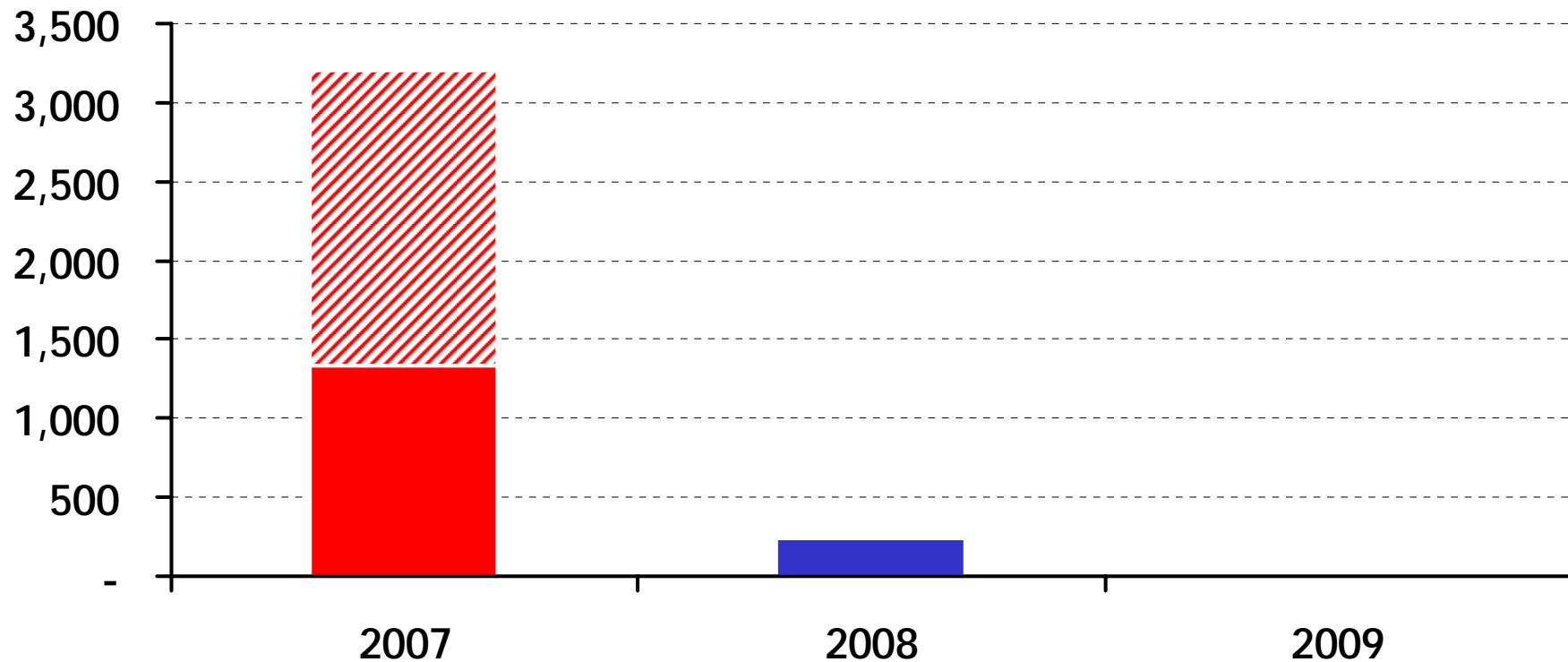
## Net Debt (Net cash) evolution, RR million



Net cash positive in 2006

# Total debt maturity profile (RR million)

Current debt maturity profile as at 31 March 2007



■ Short-term debt    ▨ Current portion of long-term debt    ■ Long-term debt

# Questions and Answers