



Merrill Lynch GEM Conference One-on-One Investor Presentations



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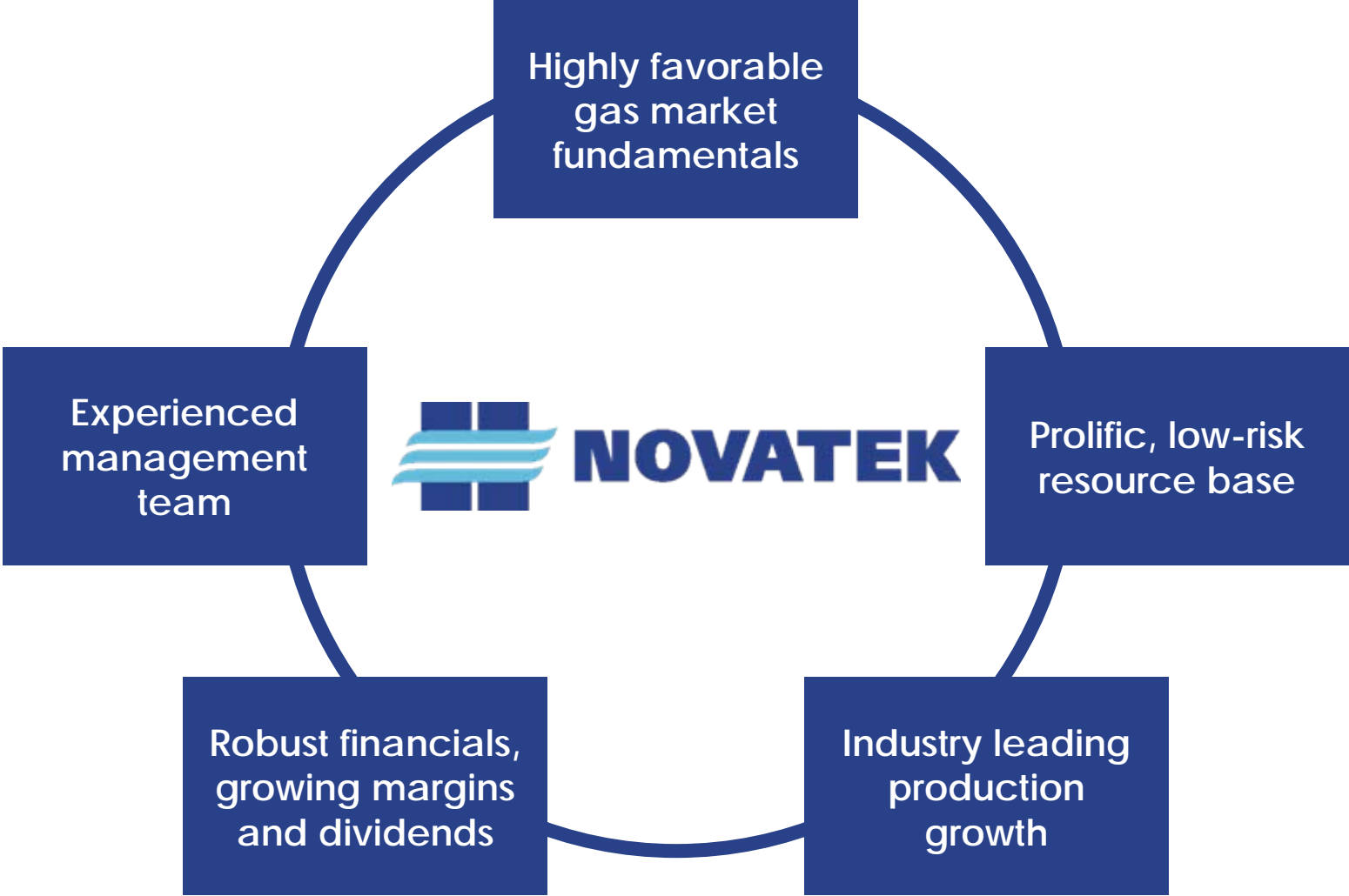
The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third 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.

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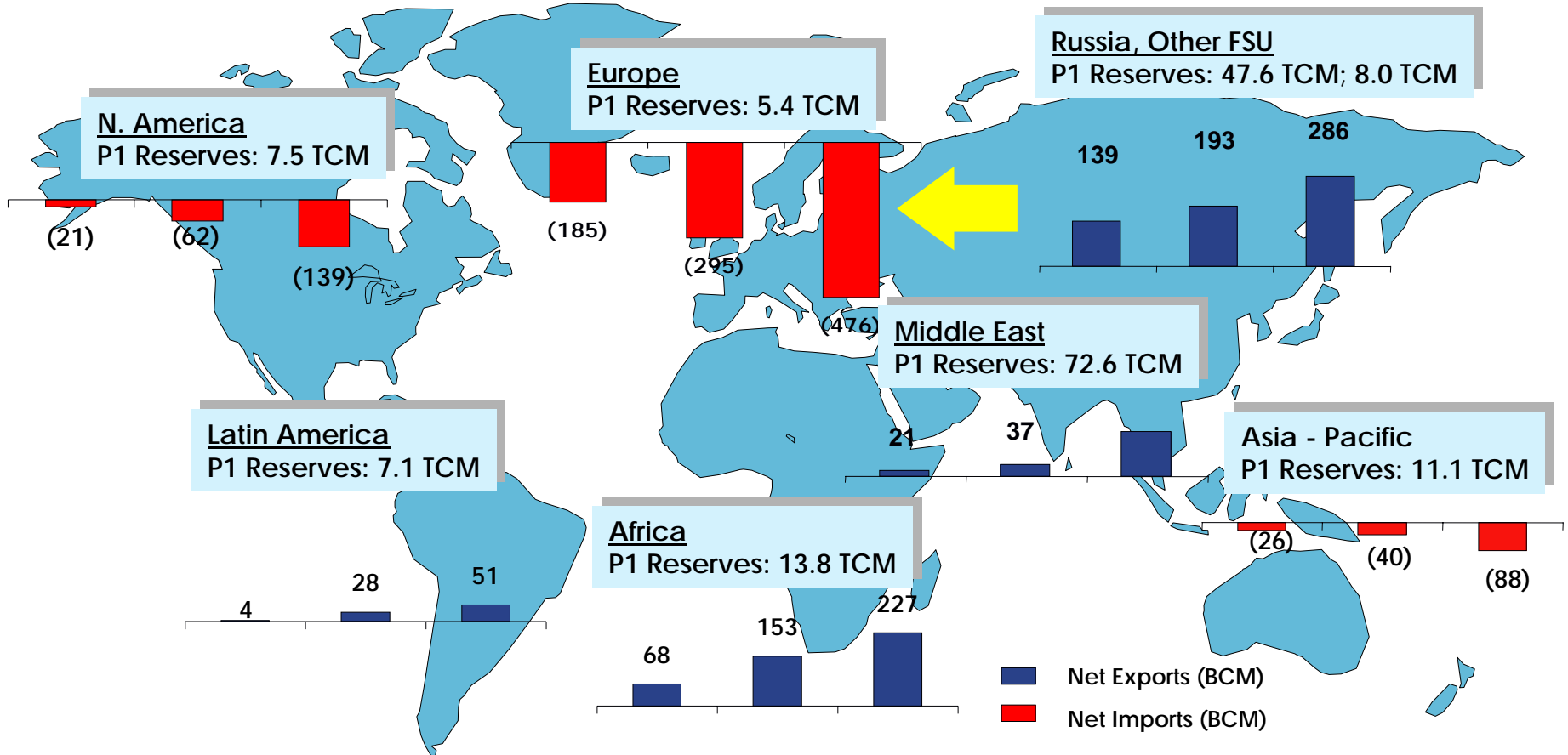
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NOVATEK: key investment highlights



Gas market overview

Global gas balance – “Call on Russian Gas”



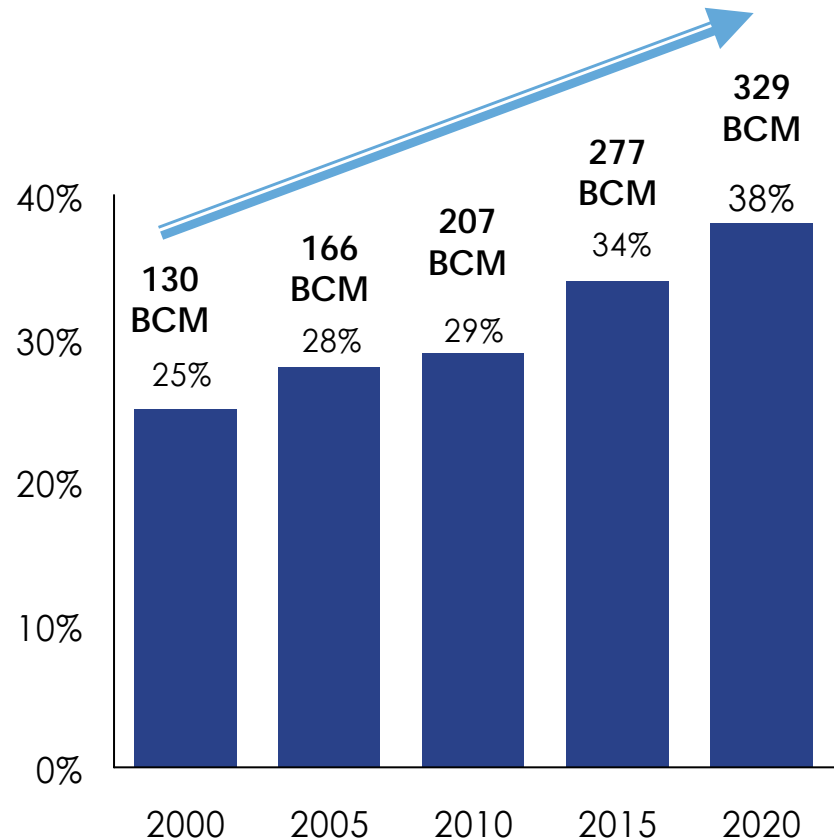
Source: US Department of Energy (Production and demand), Oil and Gas Journal (P1 reserves as of 1/1/2006)

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

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

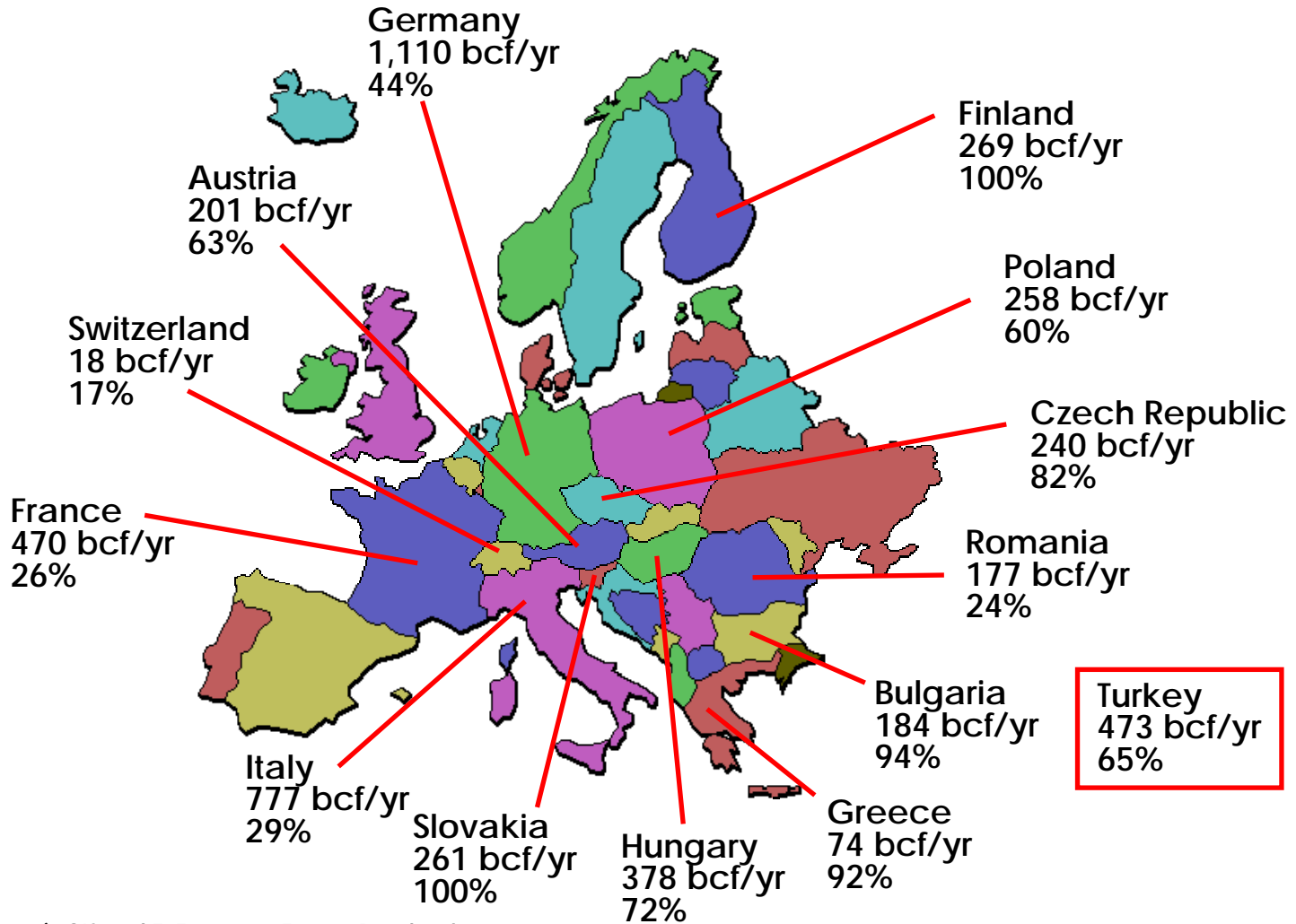
Gazprom European Market Share (%) and Gazprom's Supply (BCM)



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

Recipients of Russian Natural Gas Exports, 2004

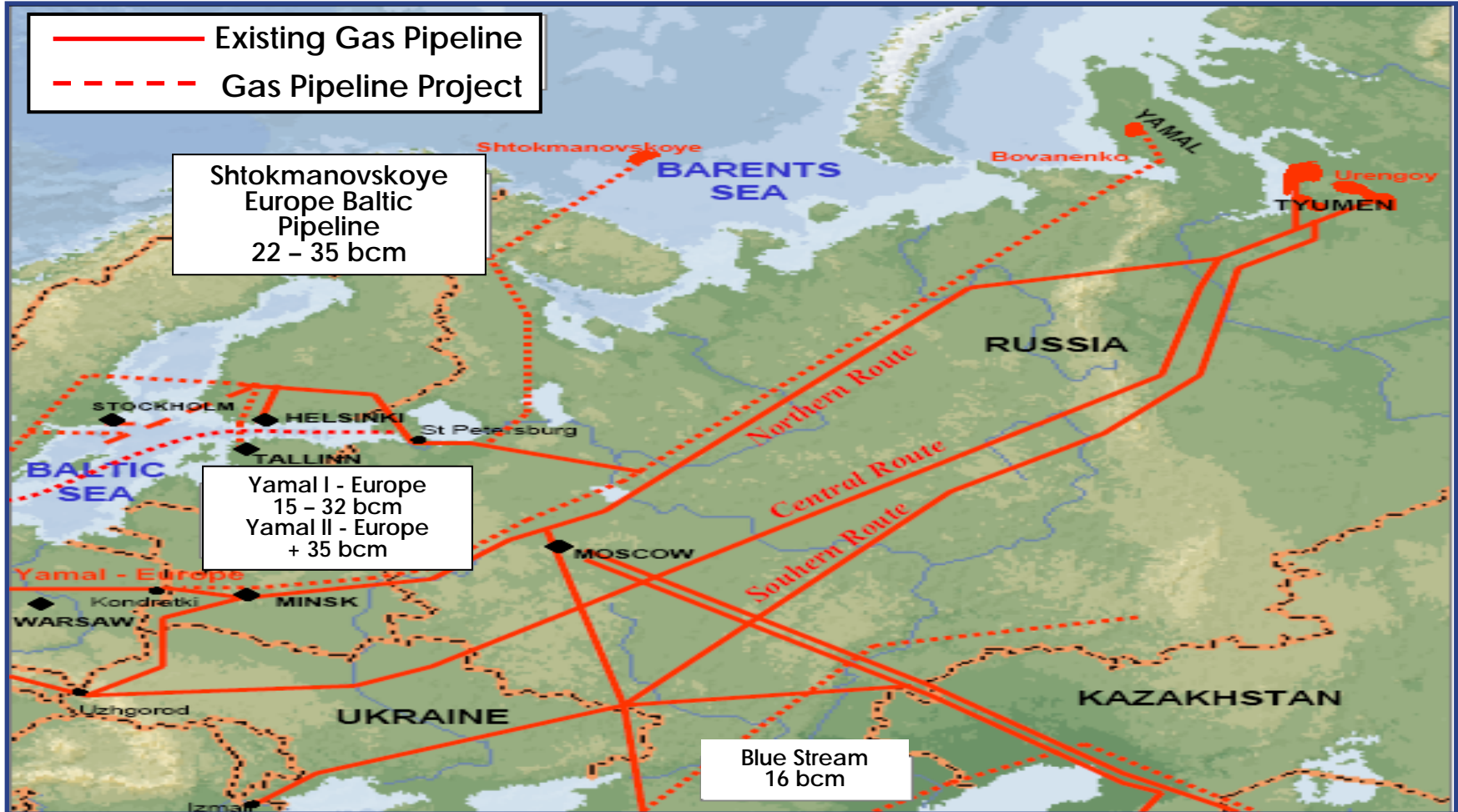
Major European Importers, (Volume, % of domestic consumption)



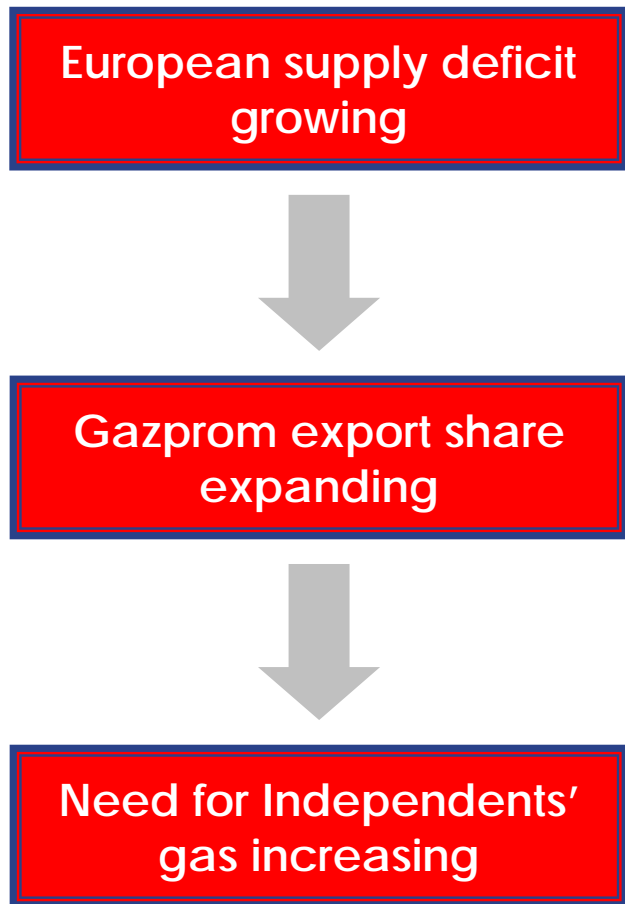
Source: EIA, BP (2005), CIS and E. European Energy Databook, 2005

Pipelines: Russia to Europe

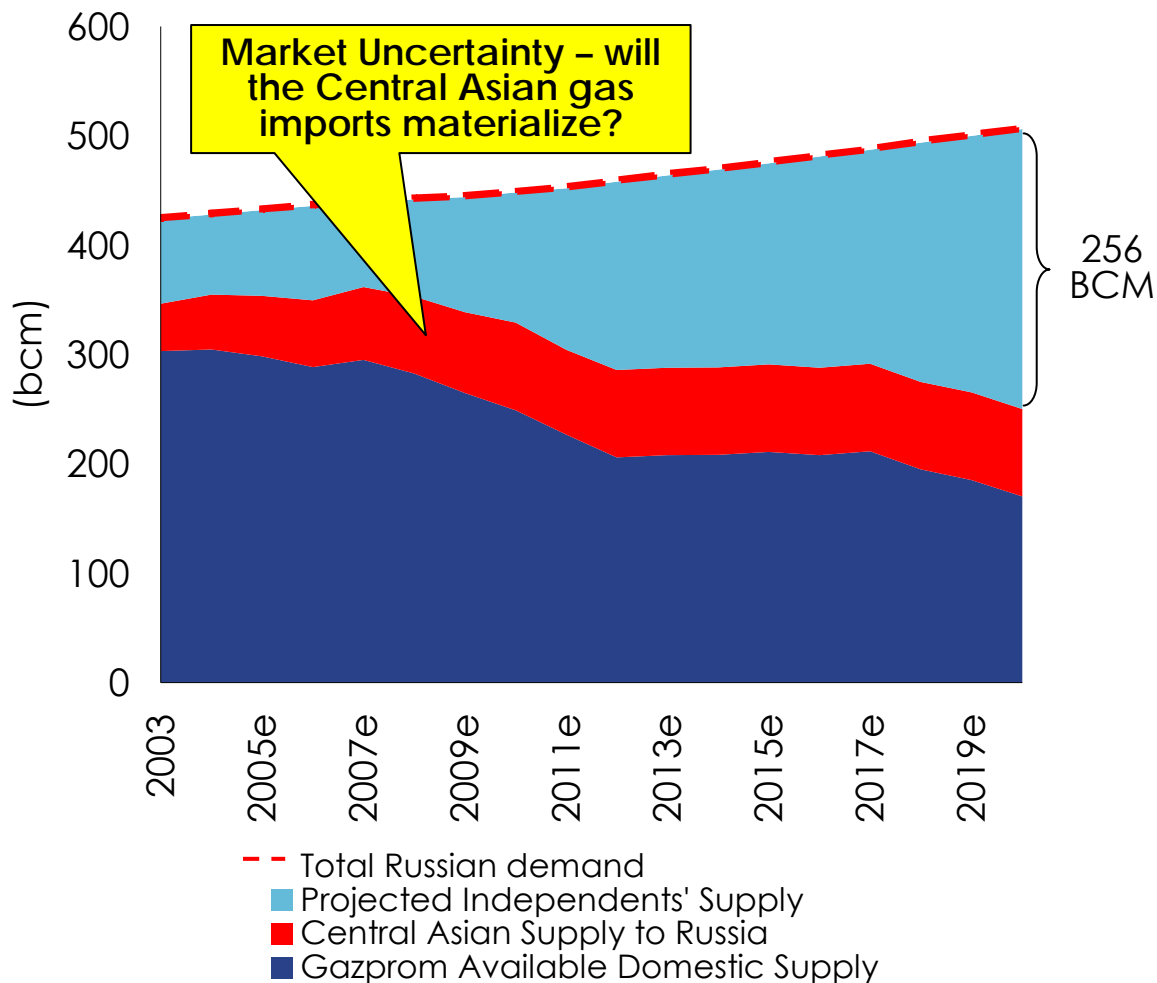
Russia: Existing and Planned Gas Routes



Target gas market to triple

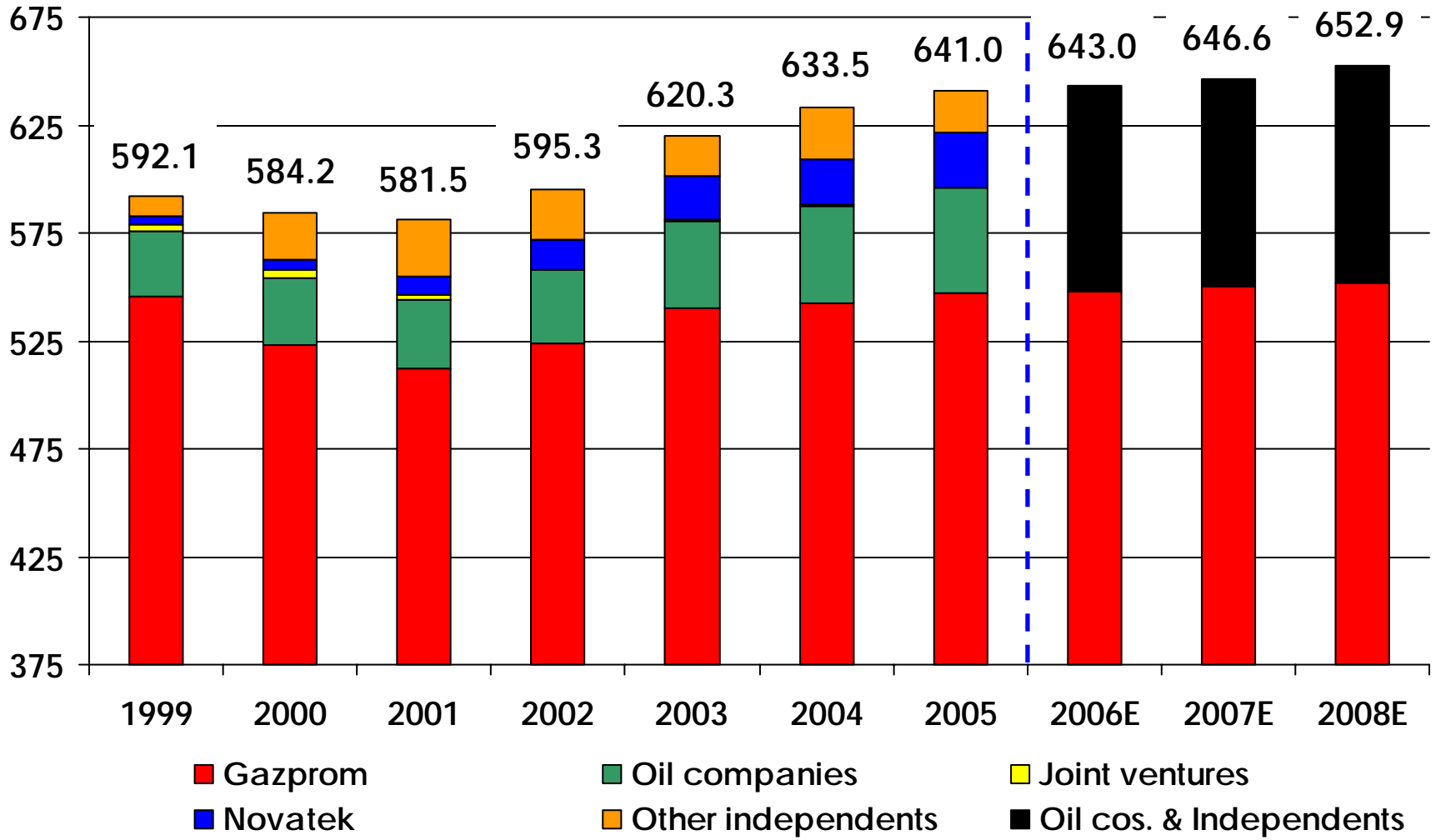


Russian Gas Market: Demand, Supply



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

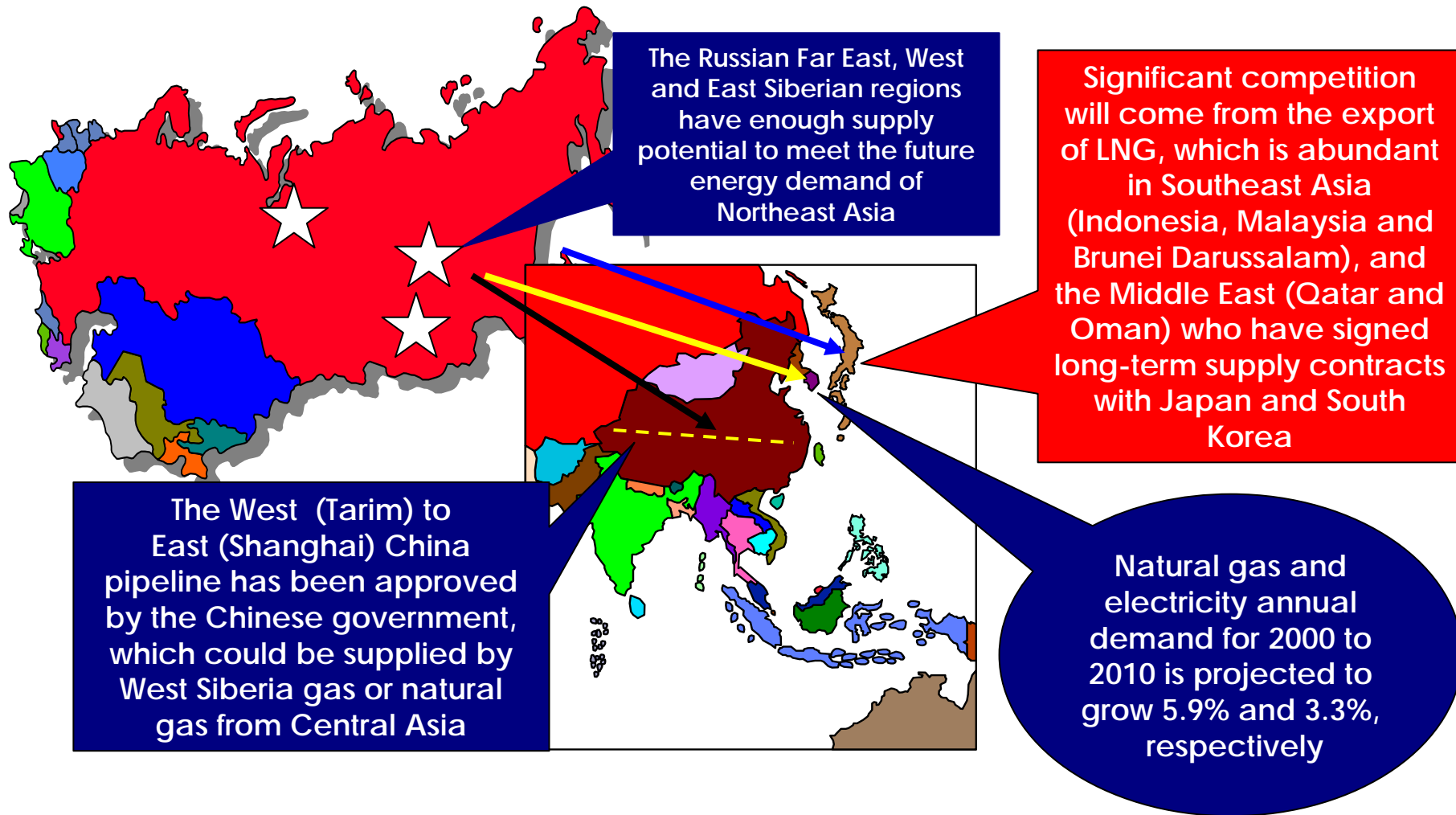
Gas production in the Russian Federation (BCM)



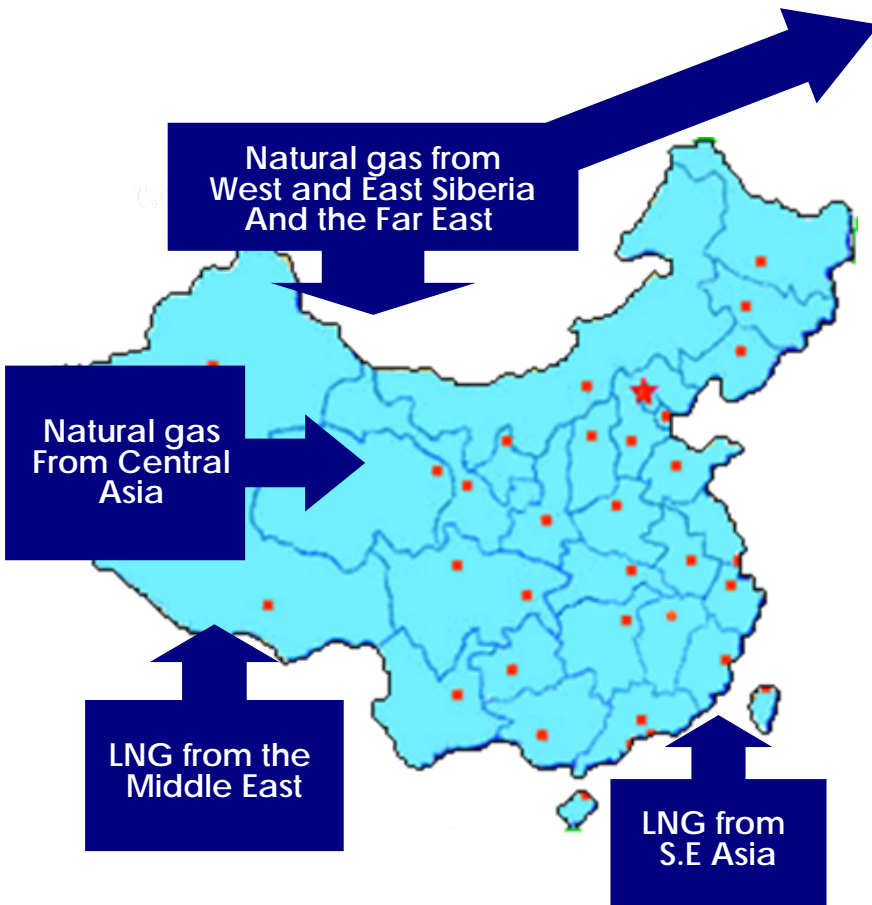
Source: Cambridge Energy Research Associates, Ministry of Industry and Energy, OAO "Gazprom"



Alternative flows of Russian natural gas - Asia



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 – Kovytko field (TNK-BP holds majority stake in Kovytko license through Rusia Petroleum)

BCM/year	2005	2010	2015	2020
<i>Forecast sources:</i>				
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

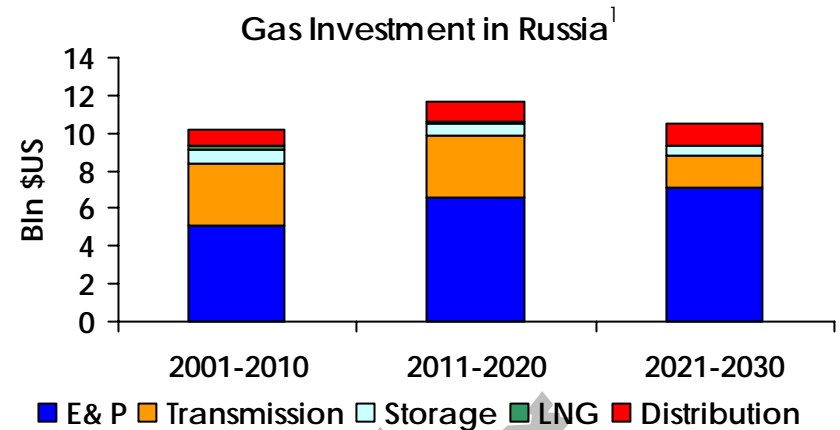
Significant investment required – Russian gas sector

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.		

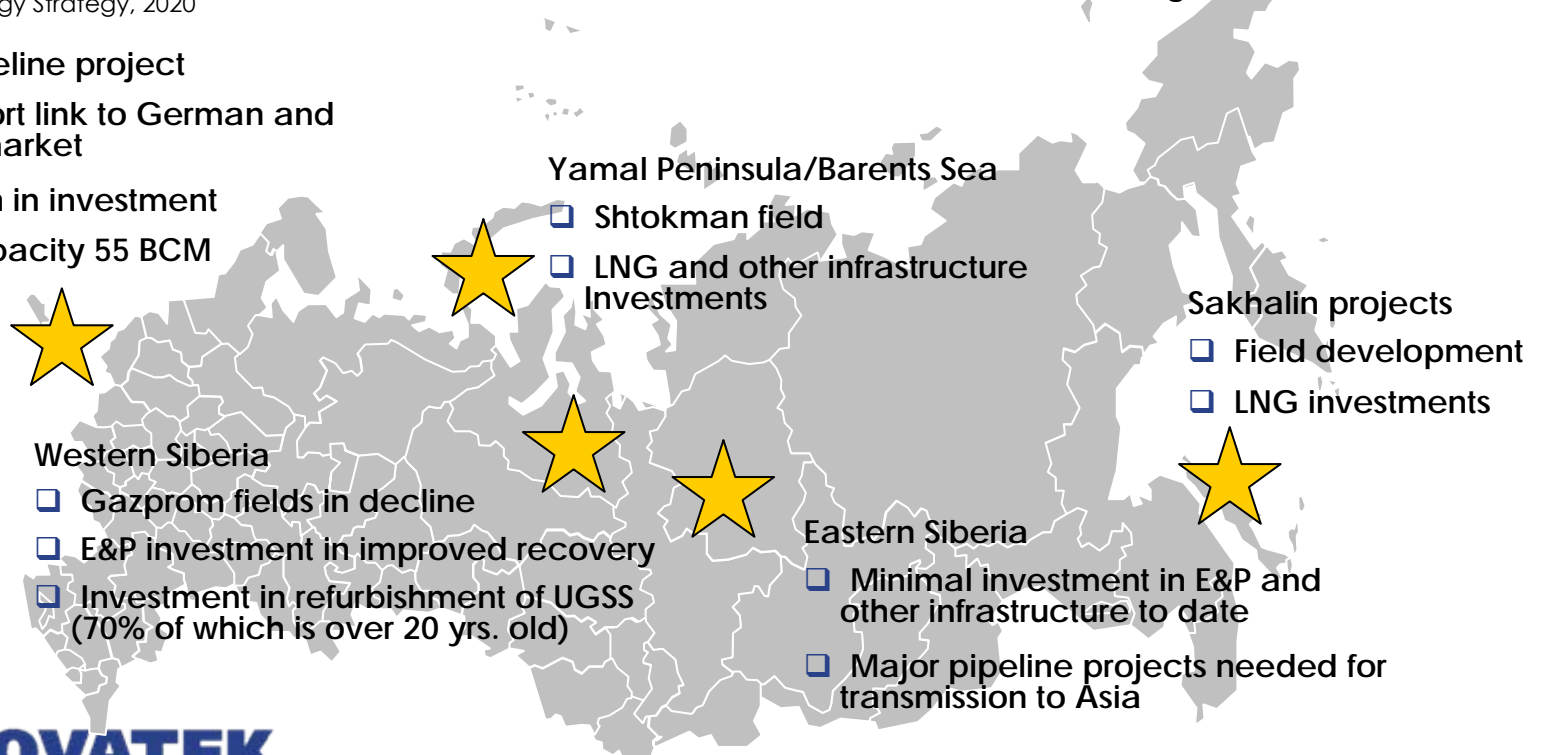
Notes:

1. IEA, "World Energy Investment Outlook", 2003
2. Russian Energy Strategy, 2020

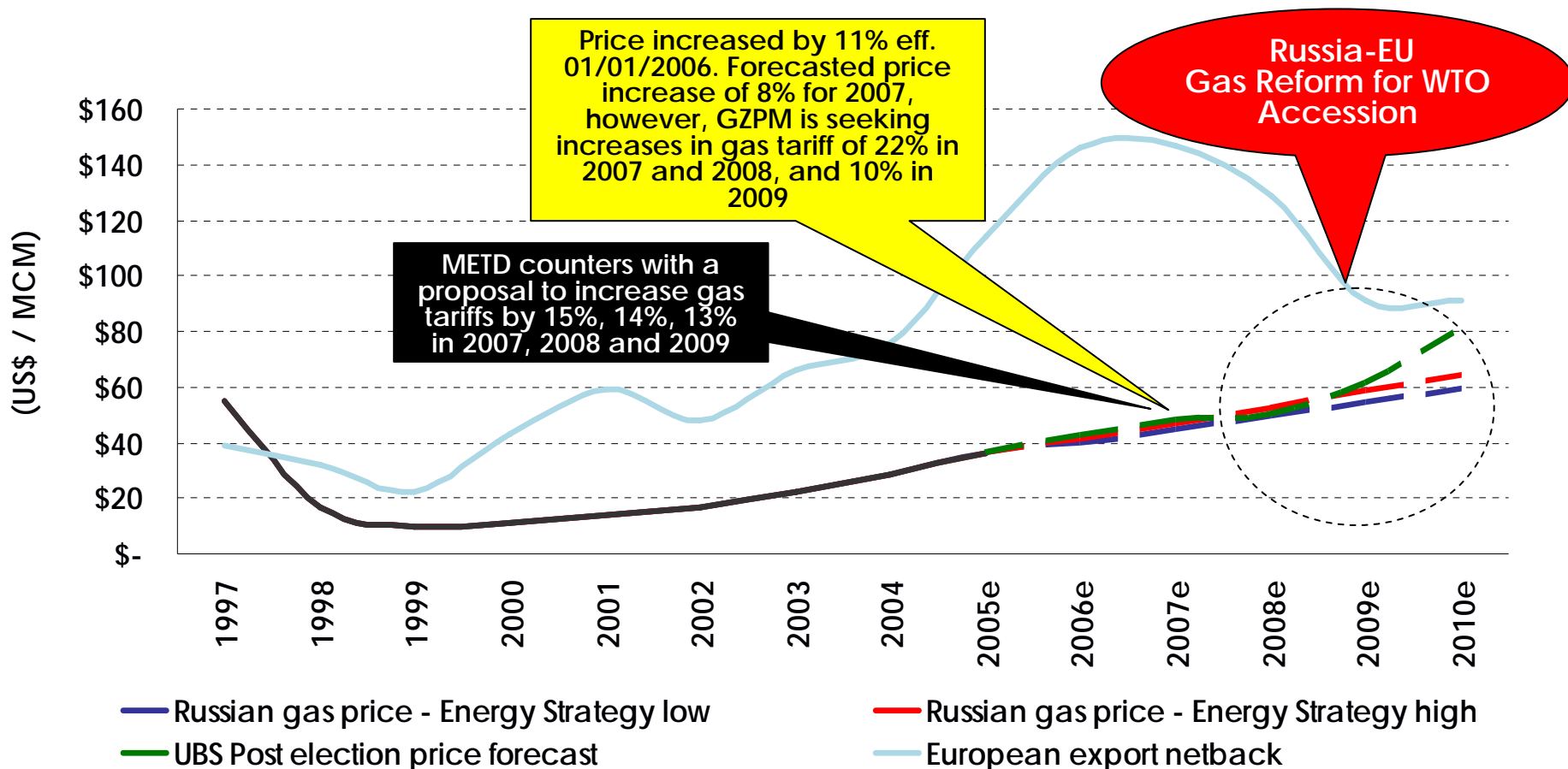


Baltic Sea pipeline project

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



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

Novatek snapshot

NOVATEK at a glance

❑ Novatek's 2005 production results

- Natural gas production - 25.2 BCM (887 BCF)
- Liquids production - 2.6 MMT (21 MMBBL's)
- Total production - 186 MM BOE
- Novatek accounted for ~ 4% of total 2005 Russian gas production and ~ 7% of Russian domestic demand

❑ Novatek's 2005 reserve appraisal results

- **Natural gas reserves**
 - Proved natural gas reserves - 641 BCM (22.6 TCF)
 - Proved plus probable natural gas reserves - 1,006 BCM (35.5 TCF)
- **Liquid reserves (crude oil & NGL's)**
 - Proved liquids - 46 MMT (381 MMBBL's)
 - Proved plus probable liquids - 95 MMT (778 MMBBL's)
- **Total reserves**
 - Proved - 4.6 billion BOE
 - Proved plus probable - 7.4 billion BOE

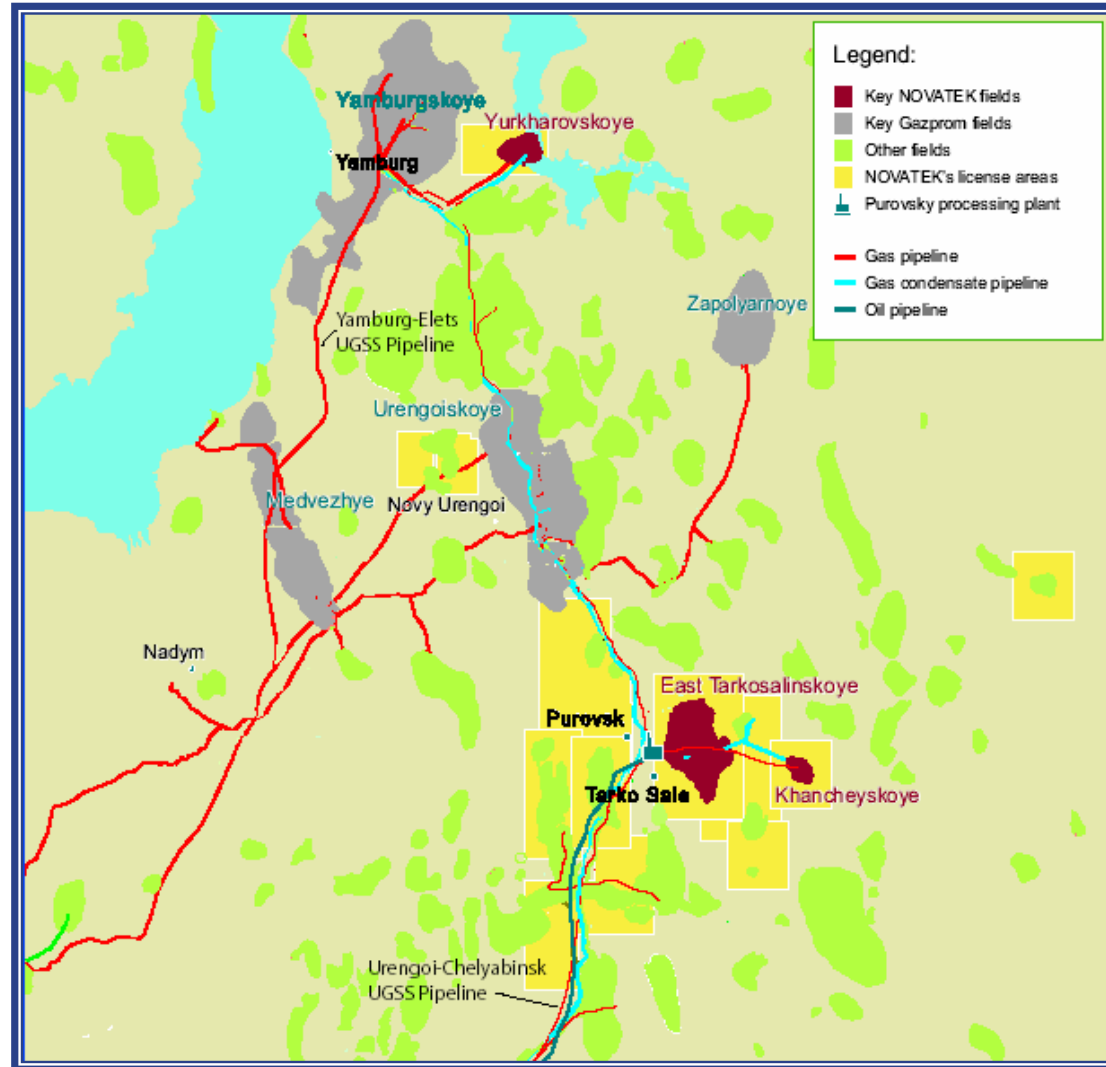
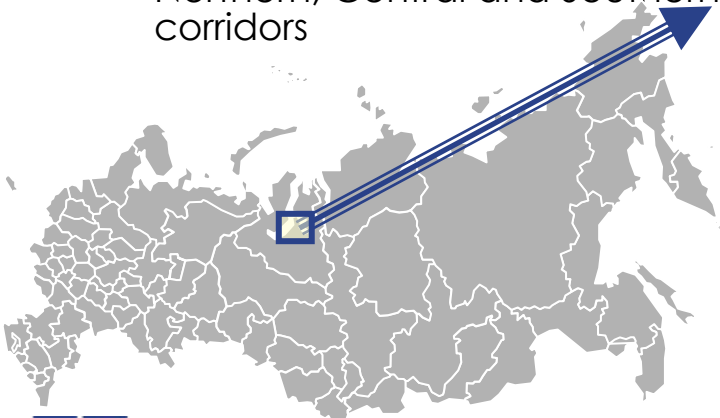
❑ Reserve replacement ratio (RRR) and Reserves-to-Production ration (R/P)

- 2005 RRR - 311%
- 3 yr avg. RRR - 232%
- 2005 R/P – 25 years

❑ Initial corporate credit rating – Moody's (Ba2 w/stable outlook); S&P (BB- w/stable outlook)

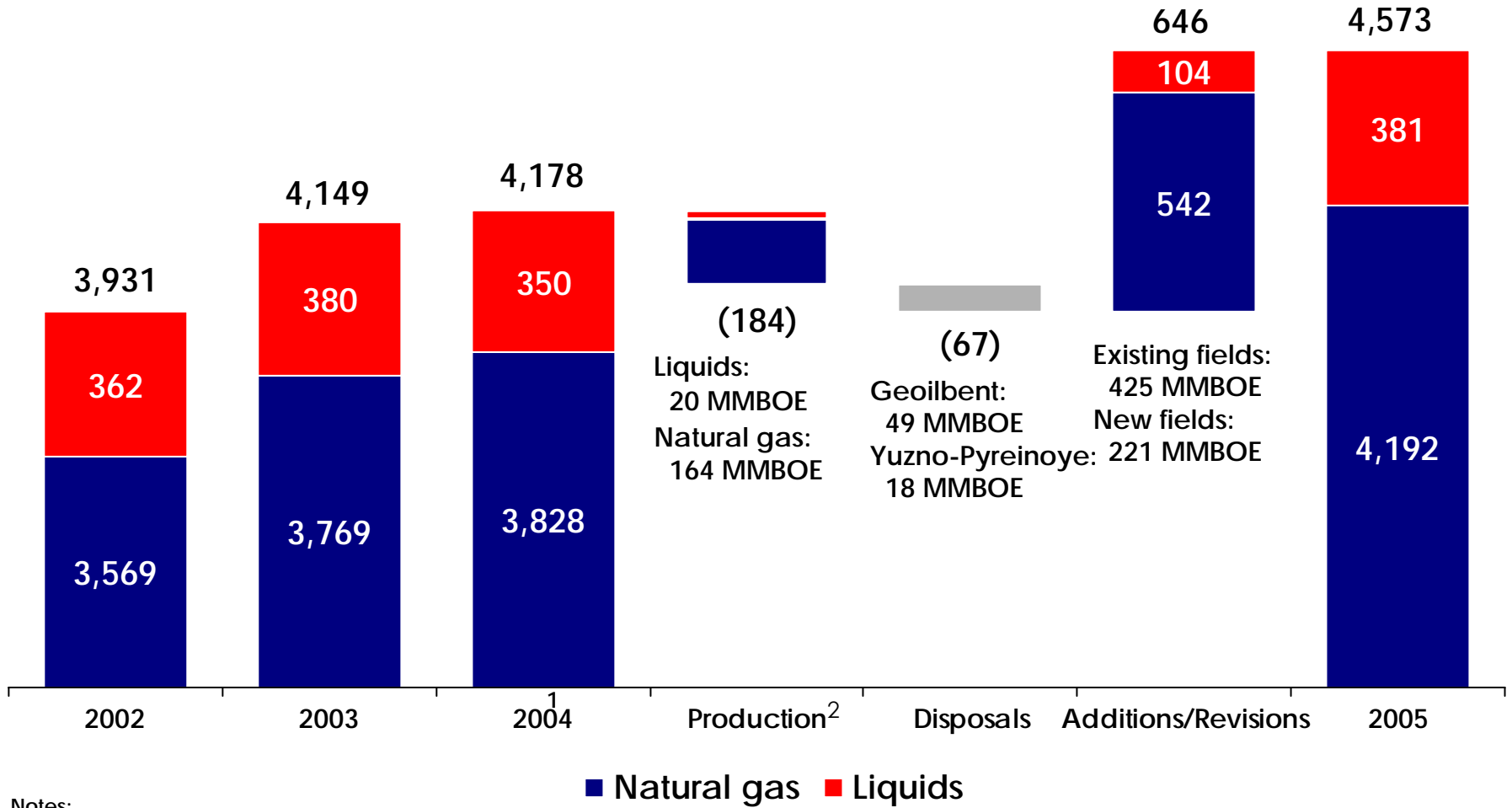
High quality portfolio: low risk, prolific basin

- 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



Reserves movements

Growth of proved reserves¹ at appraised fields (MMBOE)

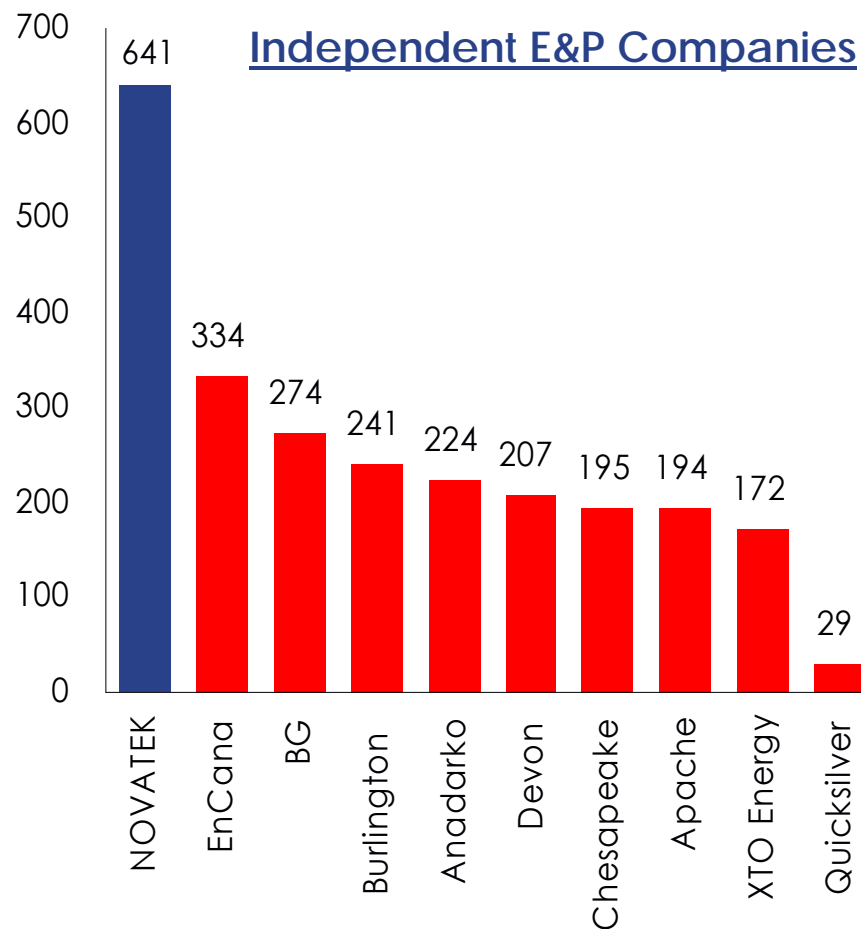
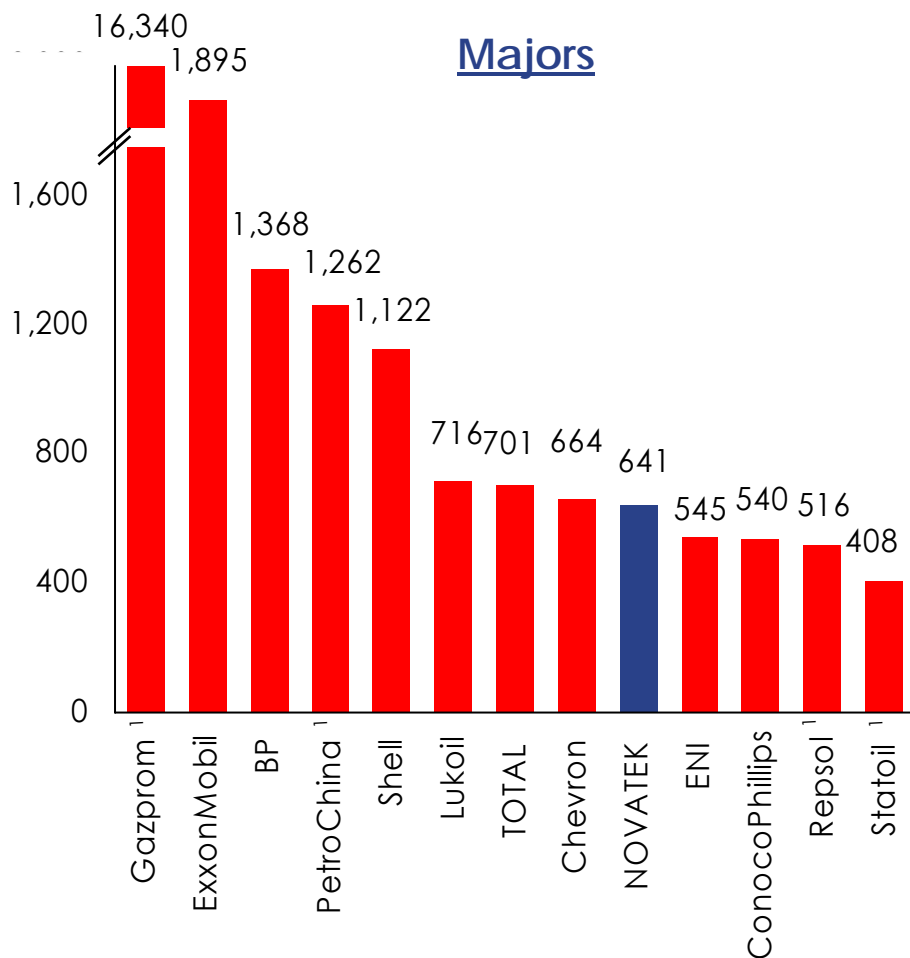


Notes:

1. Including the Company's equity interest in proved reserves of associates
2. Production net of technical losses and own usage

World scale resource base

Net Proved Natural Gas Reserves as of 31/12/05, BCM



Source: NOVATEK, Gazprom, Company filings
 Note¹: Reserves as of 12/31/2004



Supporting our production growth

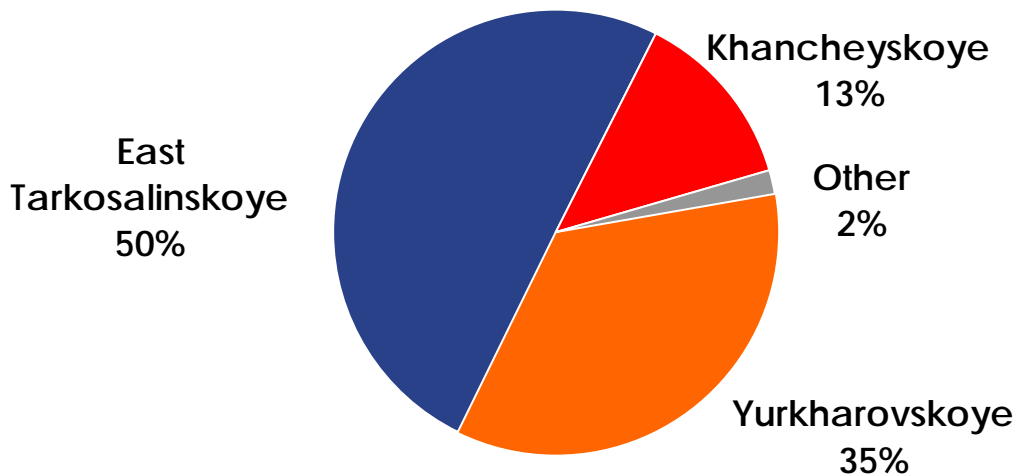
Focus on core natural gas and gas condensate assets

- ❑ Disposal of crude oil assets
- ❑ Disposal of assets where we do not exercise operational control

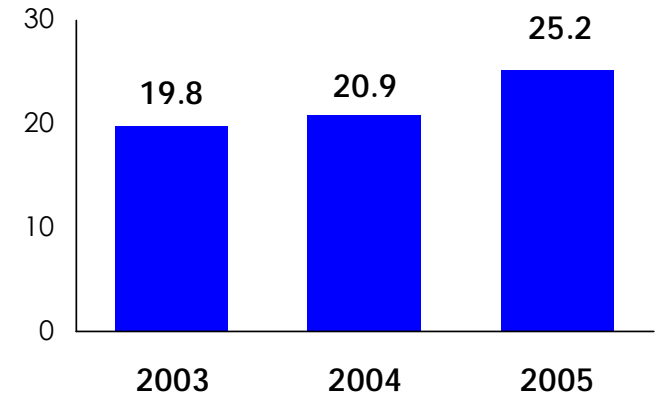
Average 2005 daily production volumes

- ❑ 69 MMCM of gas
- ❑ 5.4 MT of gas condensate

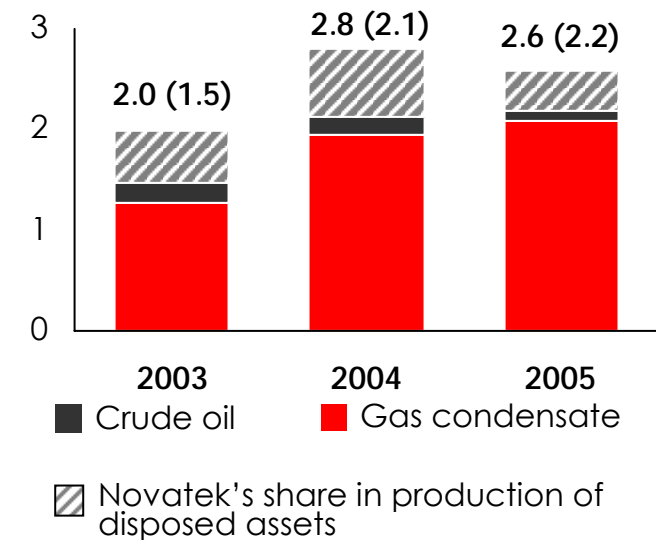
2005 % of total production by field, (BOE basis)



Natural Gas production, BCM



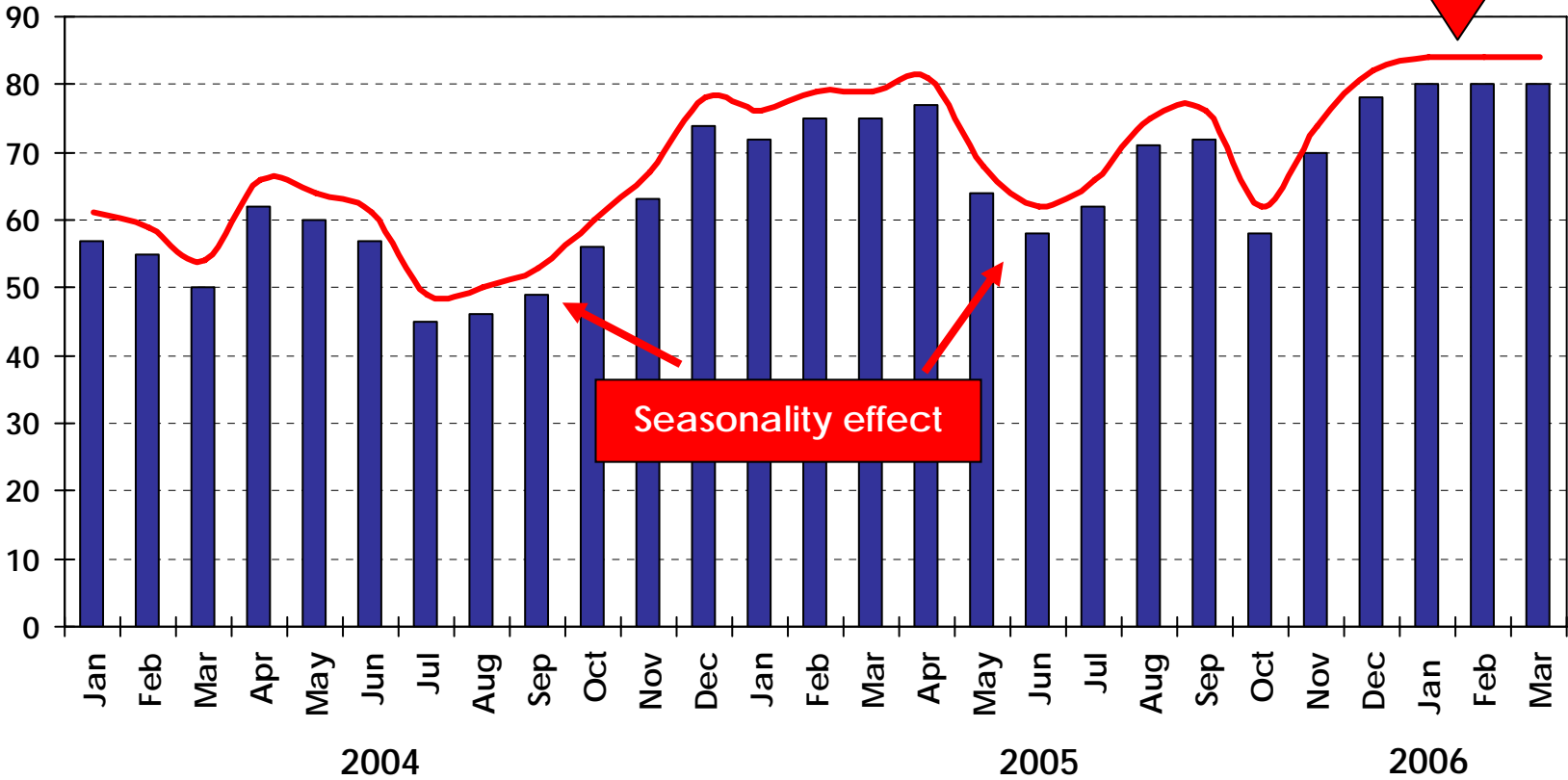
Liquids production, MMT



Increasing gas production

Monthly Gas Production, MMCM/day

Novatek achieves record level of production of 80 MMCM/day



Avg. 56 MMCM/day

Avg. 69 MMCM/day

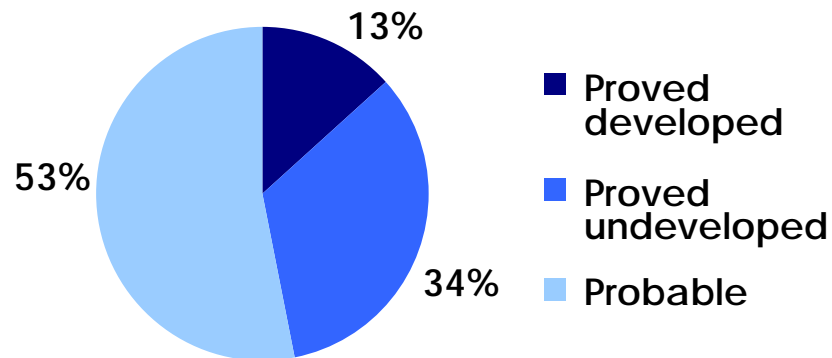


Yurkharovskoye field

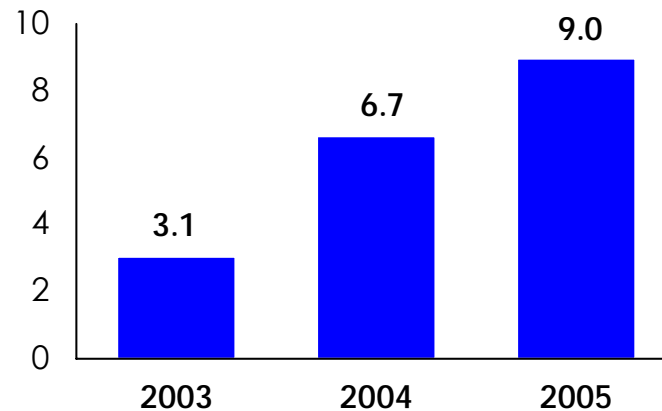
Field facts

- ❑ Licensed to OOO Yurkharovneftegas, 100% subsidiary
- ❑ Commercial production began in 2003
- ❑ Production from the Yurkharovskoye field is expected to drive the bulk of our growth in the future
- ❑ Proved reserves
 - Natural gas 273 BCM
 - Gas condensate 13 MMT
 - Total 1,899 MMBOE

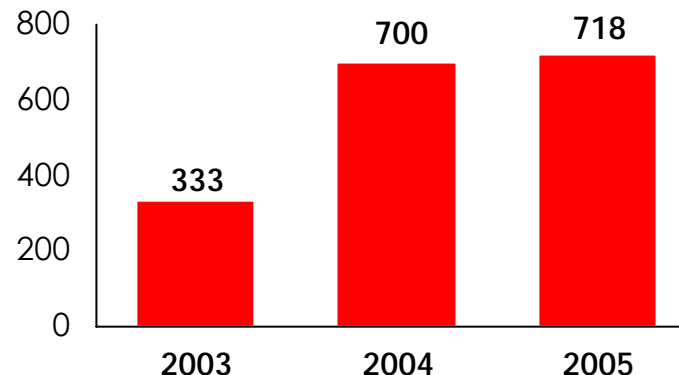
580 BCM of 2P gas reserves



Gas production, BCM



Gas condensate production, MT

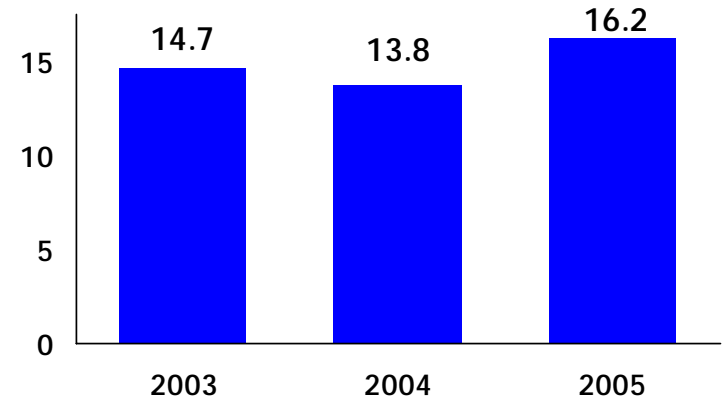


East Tarkosalinskoye and Khancheykoye fields

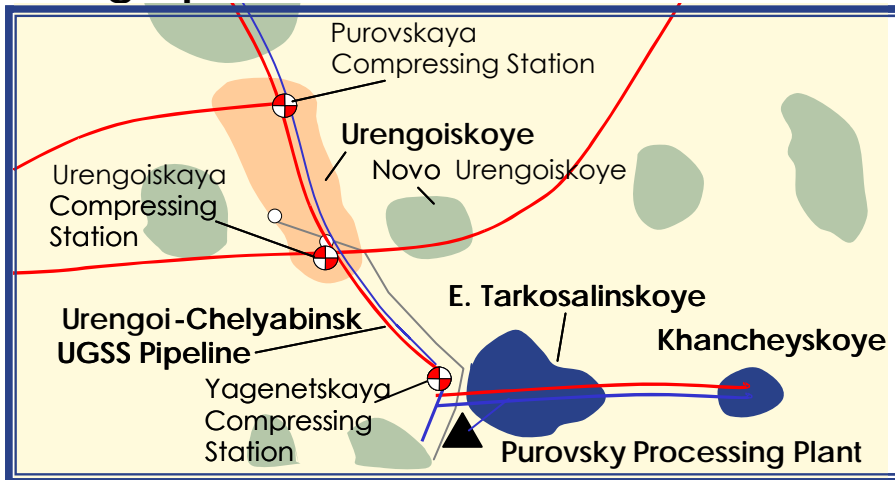
Field facts

- ❑ Licensed to OOO Tarkosalneftegas, 100% subsidiary
- ❑ Unified development plans
- ❑ Proved reserves
 - Natural gas 345 BCM
 - Gas condensate 24 MMT
 - Total 2,454 MMBOE

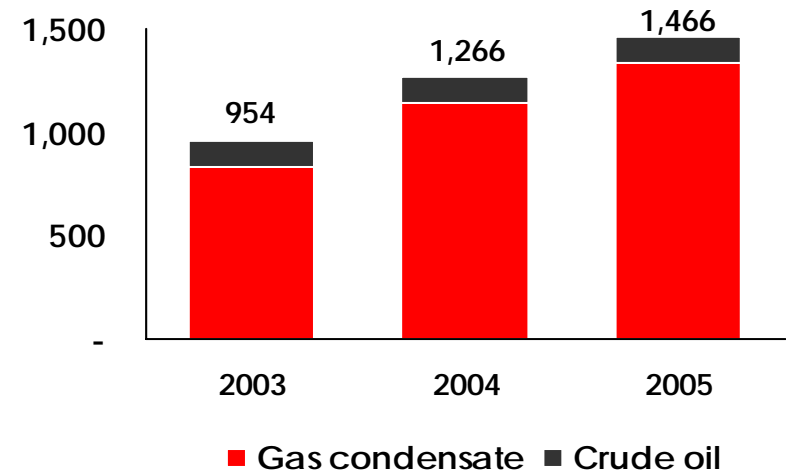
Gas production, BCM



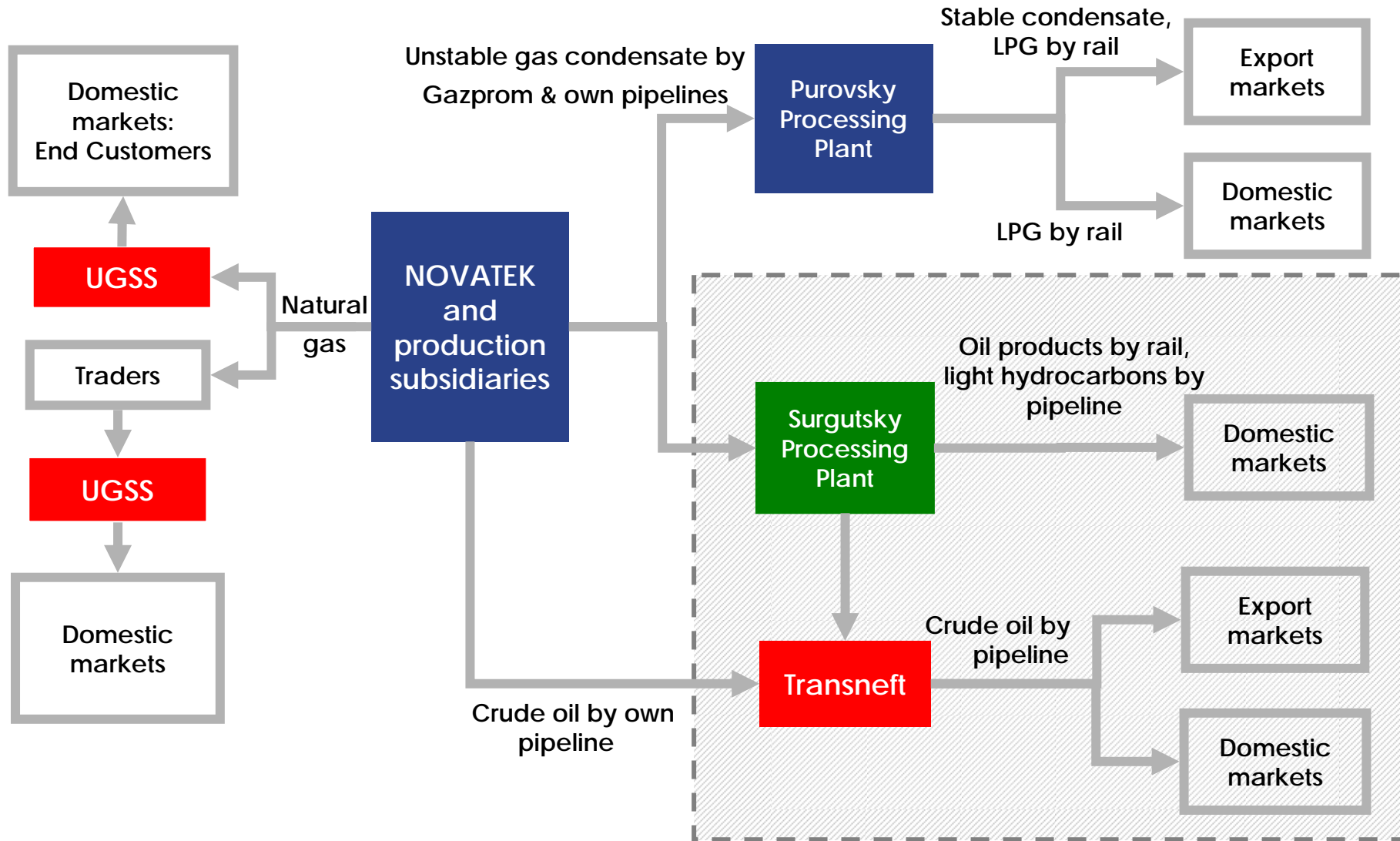
Geographic location



Liquids production, MT

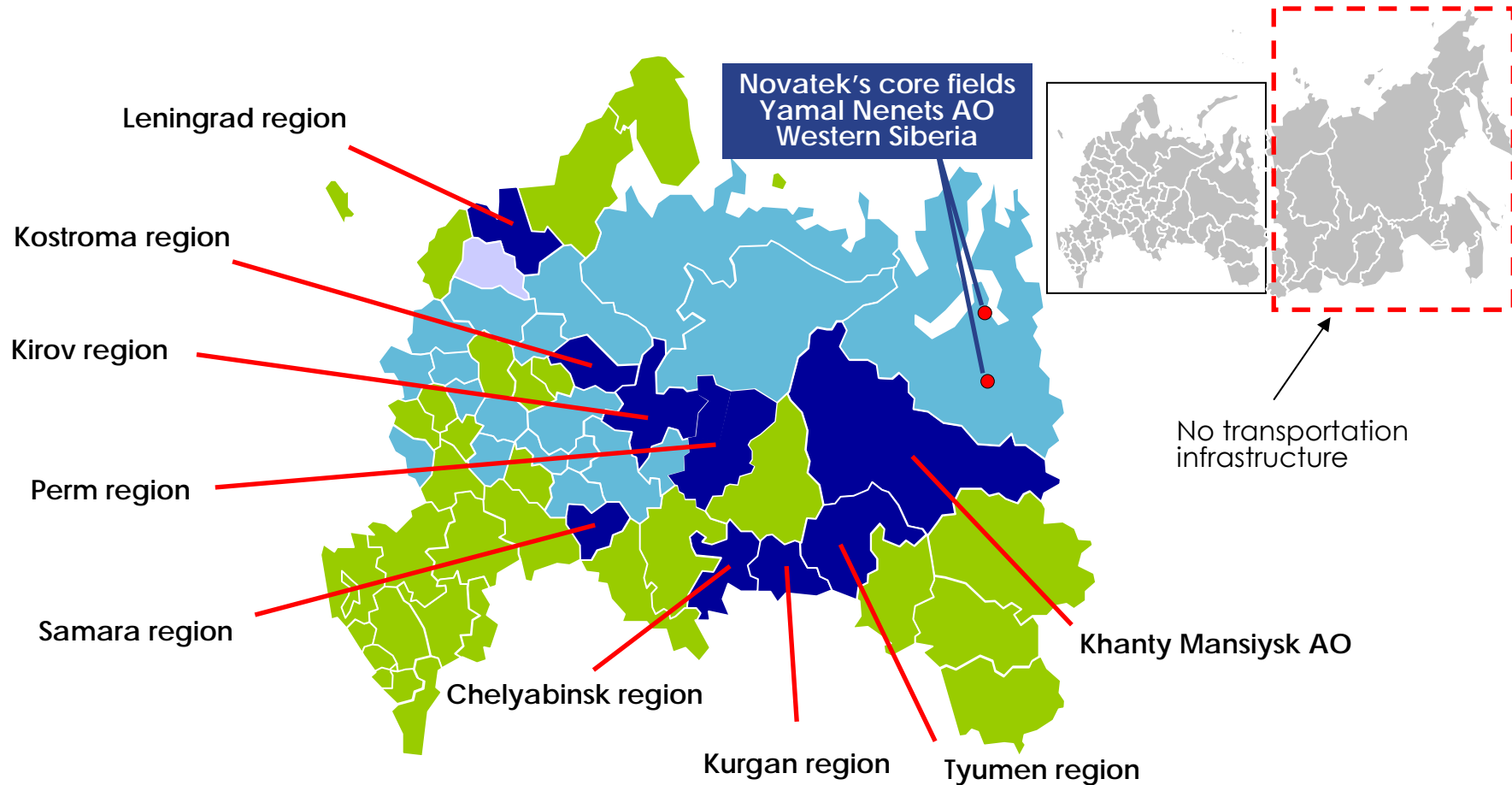


Hydrocarbon production flow



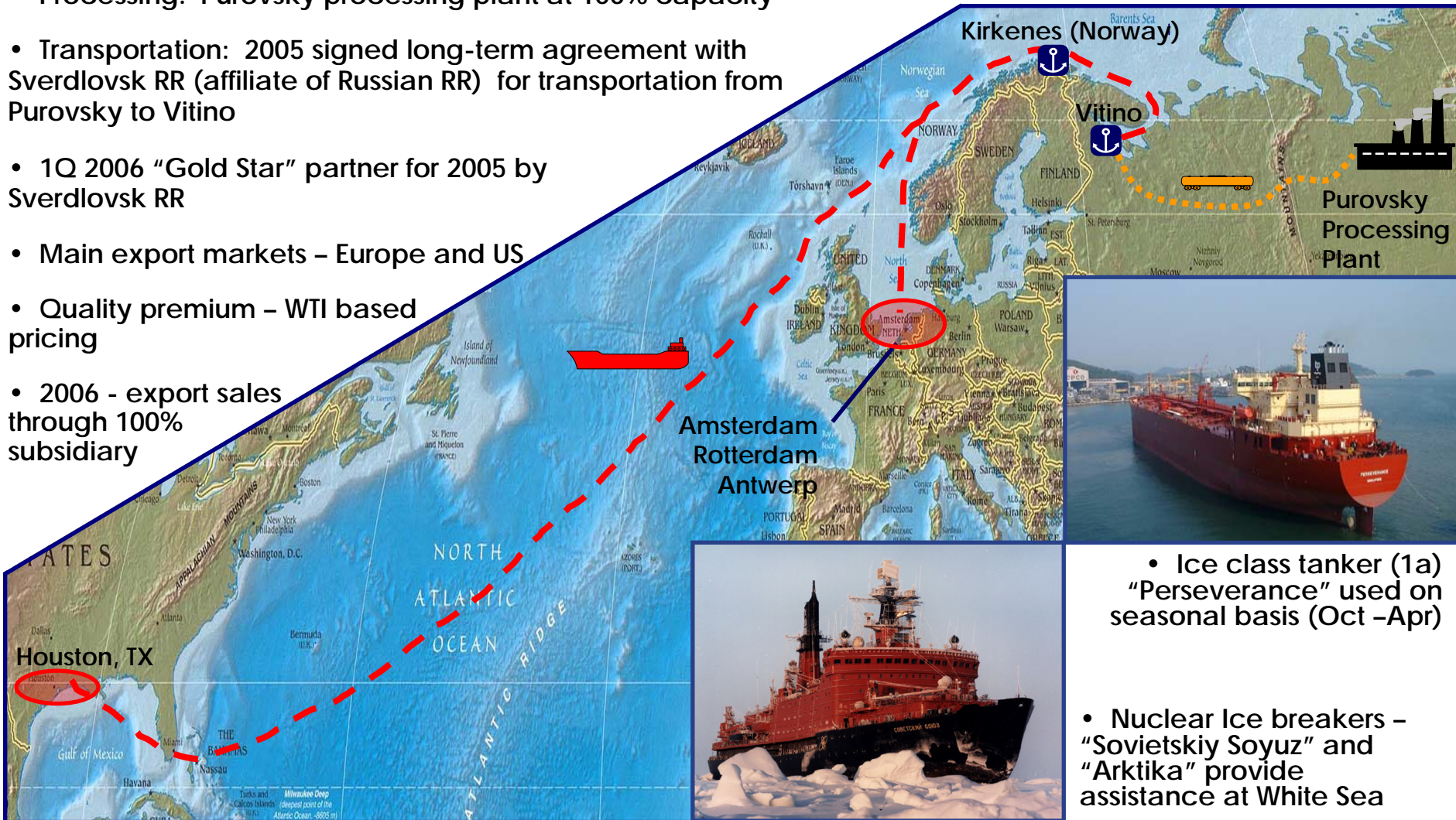
Delivered gas – our main industrial regions

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



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)

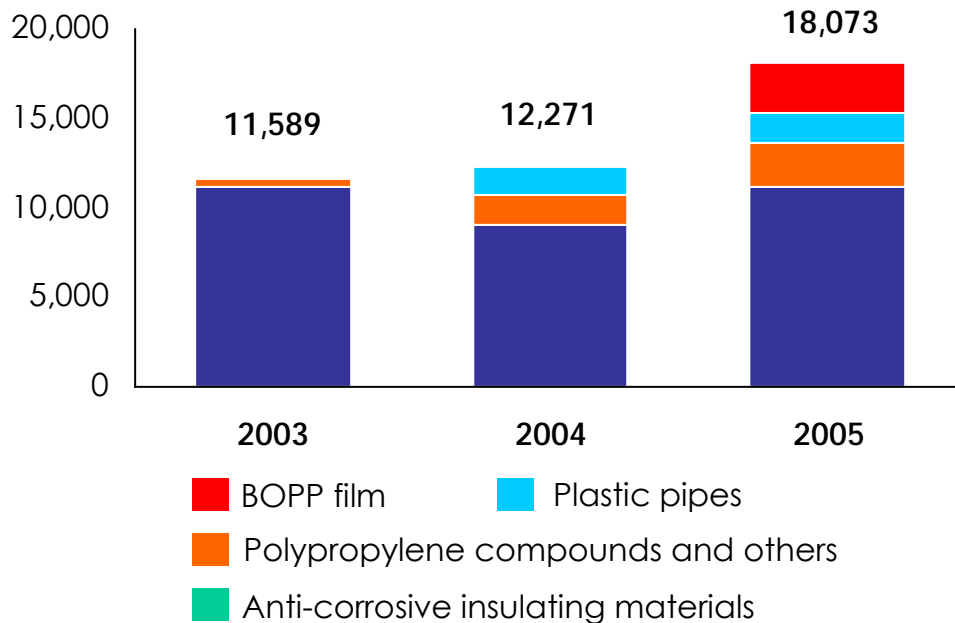
- Nuclear Ice breakers – “Sovietskiy Soyuz” and “Arktika” provide assistance at White Sea

NOVATEK brings BOPP production line on-stream

June 2005, NOVATEK's subsidiary, NOVATEK-POLIMER, brought its BOPP production line on-stream.

The production line has an estimated processing capacity of 25,000 tons per annum

Polymers production (tons):



2005 achievements:

- ❑ 47% production increase
- ❑ 2.5 mt of BOPP film wrap
- ❑ New market penetration

Stellar financial performance

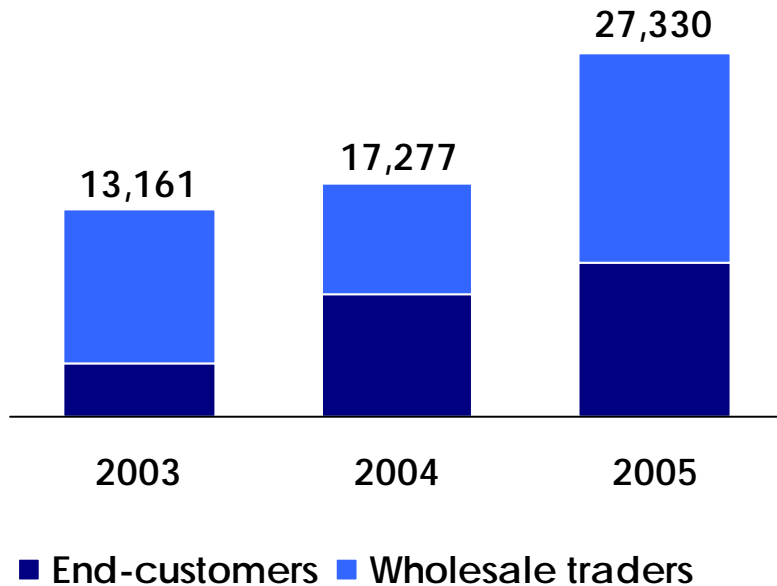
1Q 05	1Q 06	+ / (-)%	RR million	2004	2005	+ / (-)%
8,789	11,504	31%	Total revenues & other income	24,727	42,187	71%
8,482	11,319	33%	Oil & gas sales	21,018	37,246	77%
4,153	5,820	40%	EBITDA⁽¹⁾	8,785	22,876	160%
<i>nm</i>	<i>nm</i>	<i>nm</i>	EBITDA (net of disposals and other income)⁽²⁾	<i>8,342</i>	<i>20,091</i>	<i>141%</i>
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%	EPS	2,510	4,511	80%
1,577	1,186	(25%)	Capex	7,412	6,460	(13%)
6,138 ⁽⁵⁾	1,686	(73%)	Net debt⁽³⁾	20,997	6,138	(71%)
8% ⁽⁵⁾	2%		<i>Net debt / Total capitalization⁽⁴⁾</i>	27%	8%	

Notes:

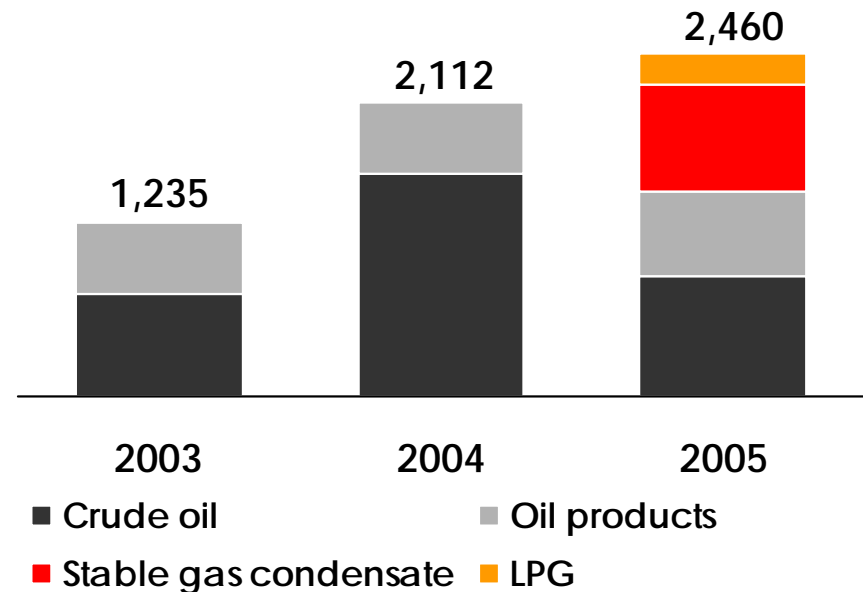
1. EBITDA defined as net income plus total finance expense plus depreciation, depletion and amortization plus total income tax expense
2. EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates and other income (net of taxes)
3. Net debt calculated as long-term 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

Sales volumes growth

Natural gas volumes, MMCM



Liquids sales volumes, MT

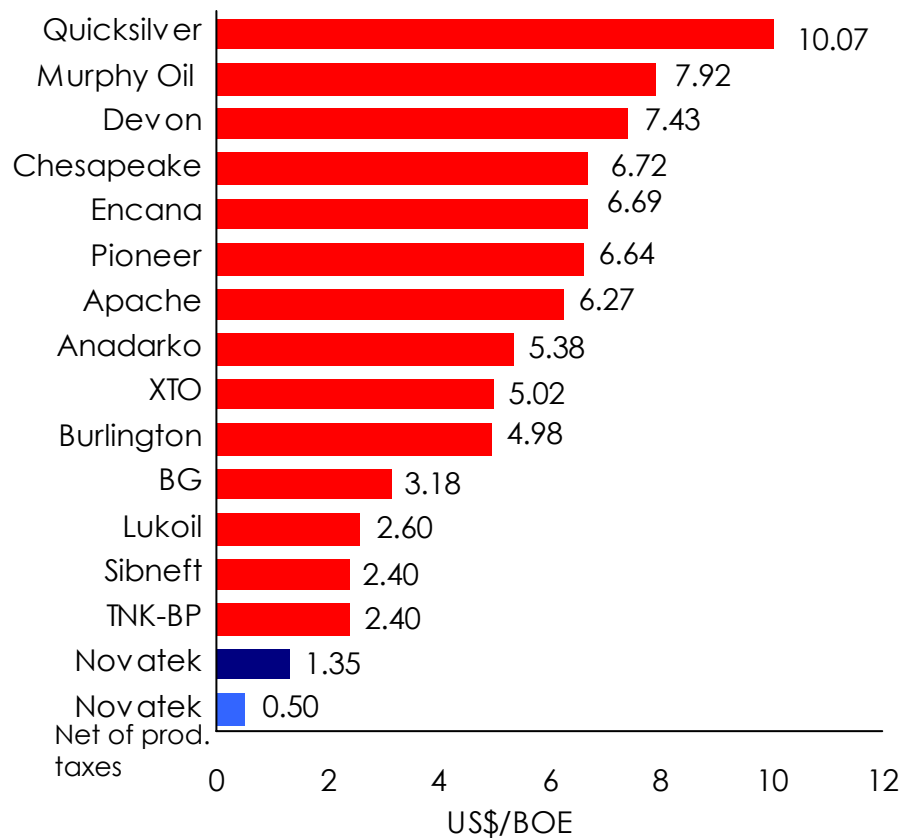


- ✓ 2005 natural gas sales volumes increased by 58%
- ✓ Natural gas sales volume distribution
 - ✓ End-customers – 11,650 MMCM, or 43%
 - ✓ Whole-sale traders – 15,680 MMCM, or 57%
- ✓ 100% of natural gas sales to domestic market

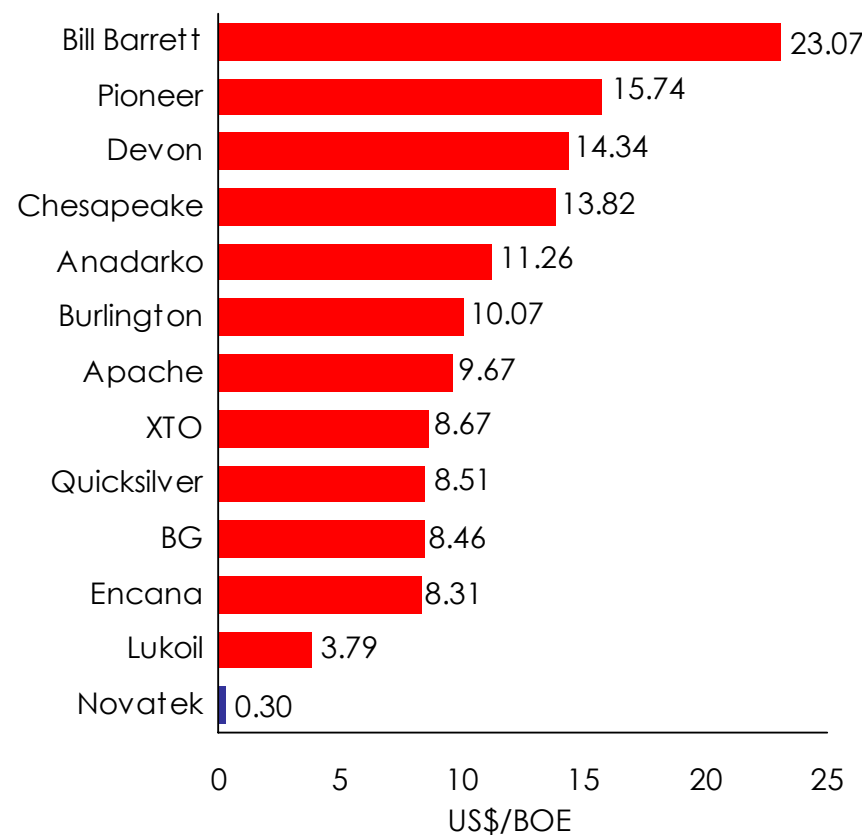
- ✓ 2005 liquids sales volumes increased by 17%
- ✓ New liquid products
 - ✓ Stable gas condensate – 760 MT
 - ✓ LPG – 213 MT
- ✓ 2005 liquid export sales increased by 86%

World class efficiency

Lifting Costs (2005) ^{1,2}



Reserve Replacement Cost (2005) ³



Source: 2005 Supplemental oil and gas disclosures, Company data

Notes:

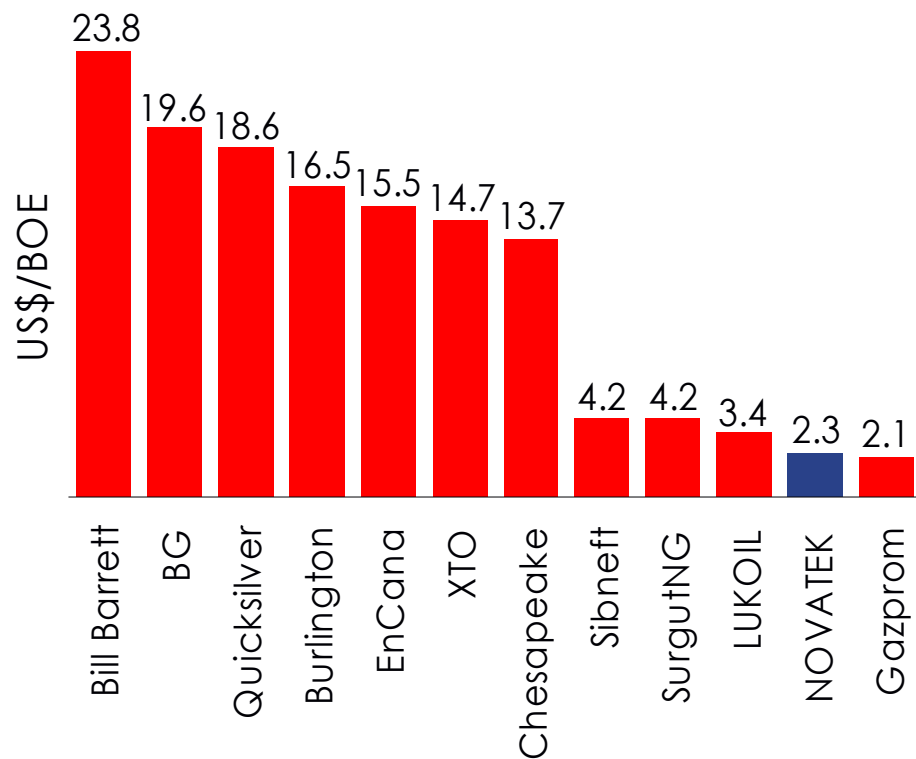
¹ Calculations for NOVATEK lifting costs based on 2005 MD&A and reserve replacement cost based on 2005 unaudited supplementary oil and gas disclosure

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

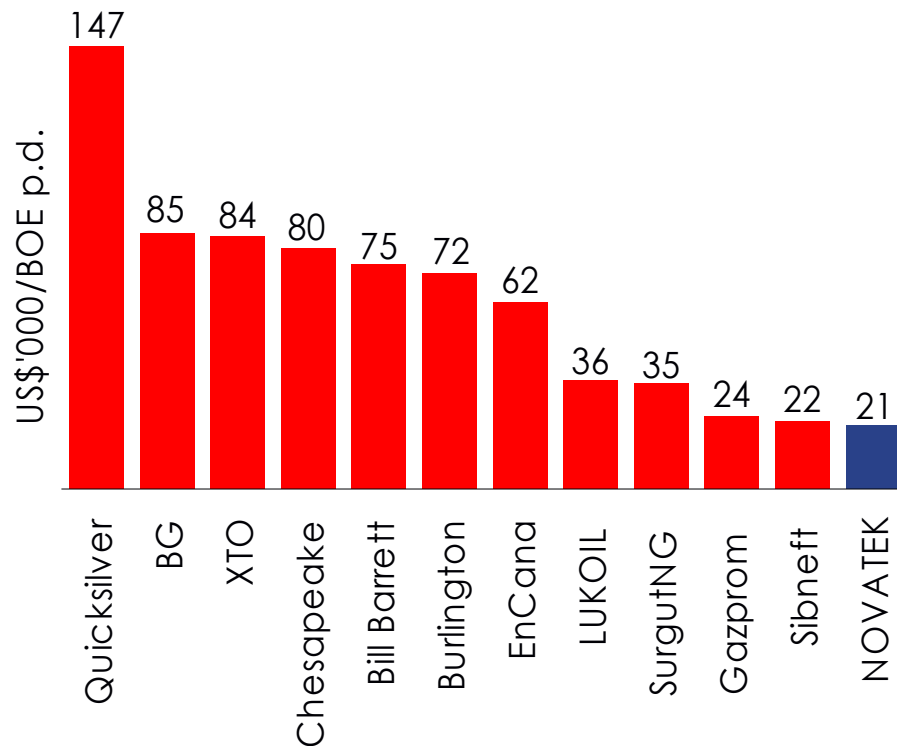
³ Calculated as: (Acquisition costs (proved reserves + unproved reserves) + exploration costs + development costs) / (Oil & Gas revisions + extensions + discoveries + improved recovery + purchases)

Valuation upside as production and prices grow

EV¹/2005 Reserves²



EV¹/Production 2005



Source: NOVATEK, Company filings, Analyst research

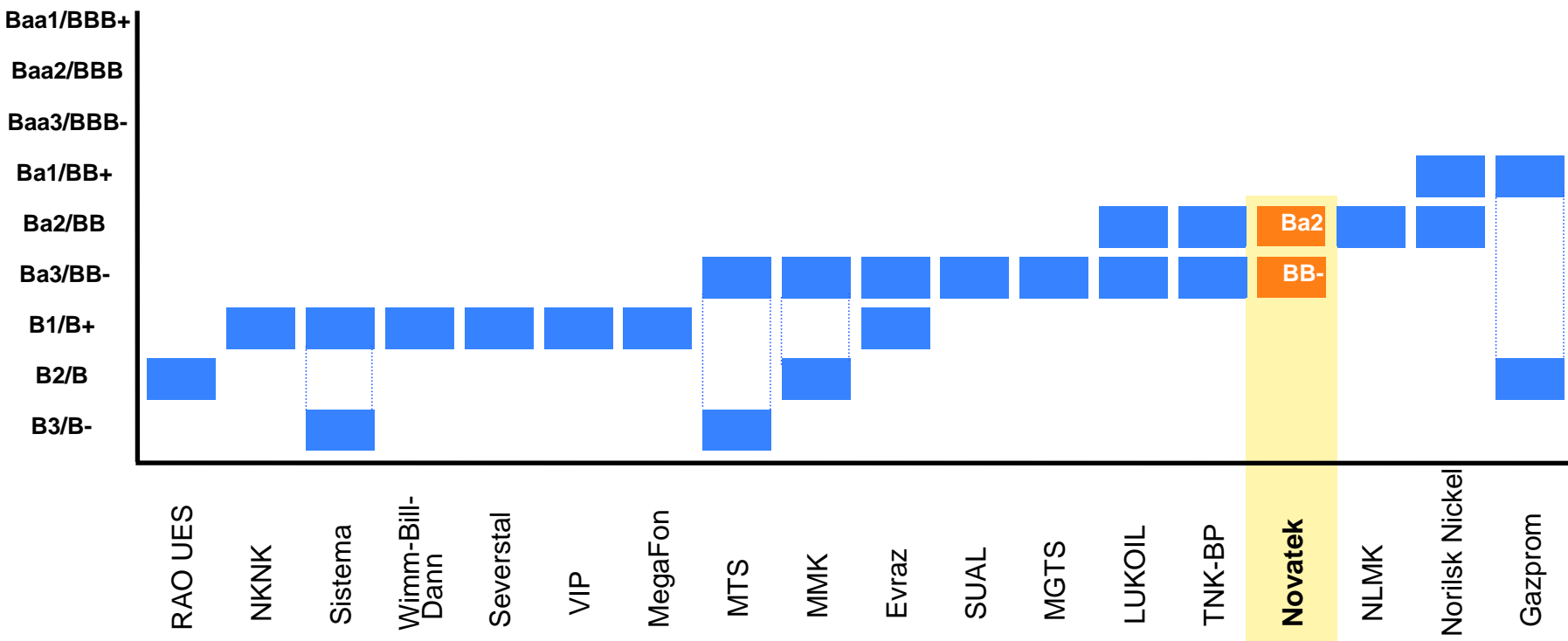
Note:

1 EV = MCAP as of 03/20/2006 plus net debt as of 12/31/2005 for all companies except: Gazprom & Lukoil: net debt as of 9/30/2005, Sibneft as of 6/30/2005, SurgutNG no net debt information available.

2 Gazprom, SurgutNG and Sibneft: reserves \$/boe from UBS investment research

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



Concluding comments

NOVATEK: turning opportunity into strategy

- ❑ **Substantially increase our production of hydrocarbons, especially natural gas**
 - Targeting 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