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# Deutsche Bank Russian One-on-One Conference

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*Mark A. Gyetvay, Chief Financial Officer and Member of the Board of Directors  
Great Eastern Hotel, London  
7 – 9 February 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.

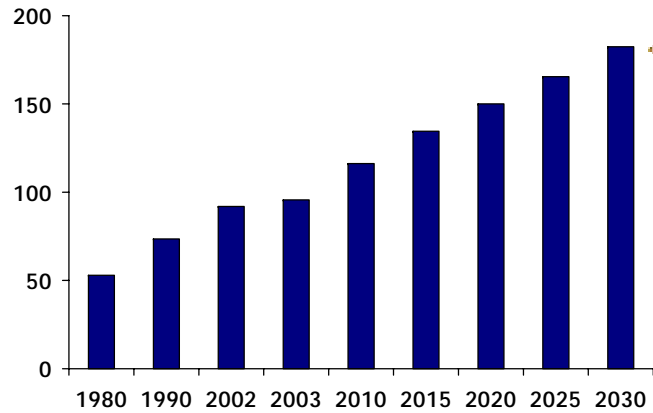
This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking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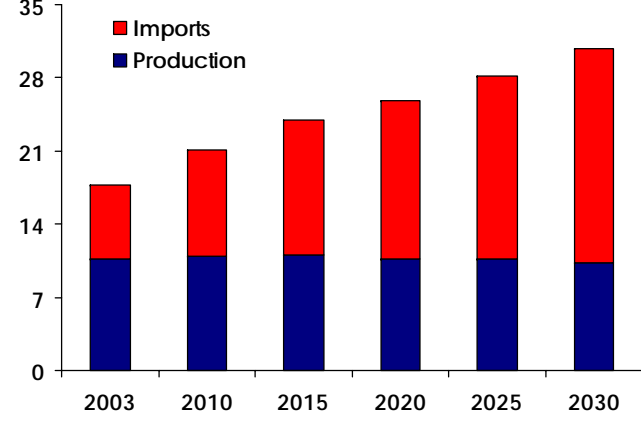
# Gas market overview

# Natural gas – fastest growing primary energy source

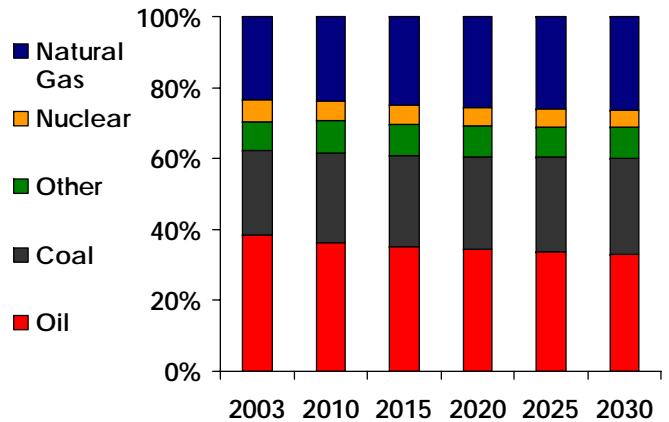
World Natural Gas Consumption  
1980 – 2030, TCF



Natural Gas Consumption OECD Europe  
by Source 2003 – 2030, TCF



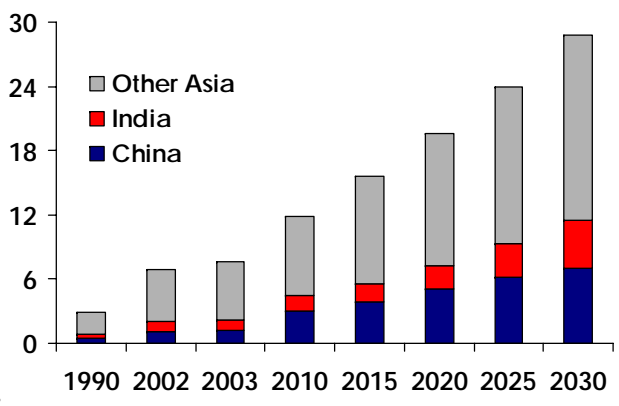
World Energy Consumption by Fuel  
2003 – 2030 Percentage of Total



Increases in Natural Gas Consumption  
by region and Country Group 2003 - 2030, TCF



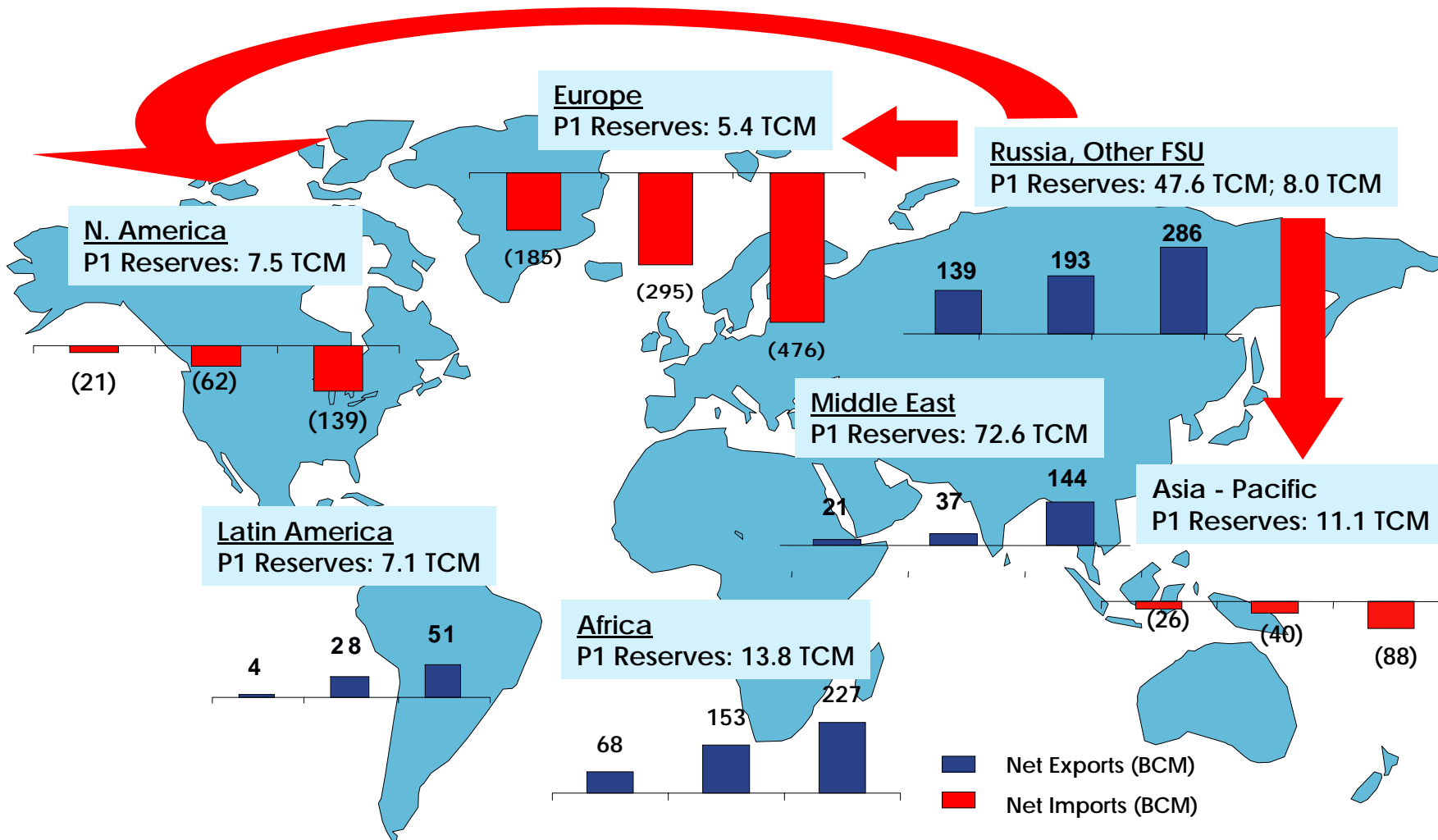
Natural Gas Consumption in  
Emerging Asia 1990 – 2030, TCF



Source: EIA, "International Energy Outlook 2006"



# Global gas balance – “Call on Russian Gas”

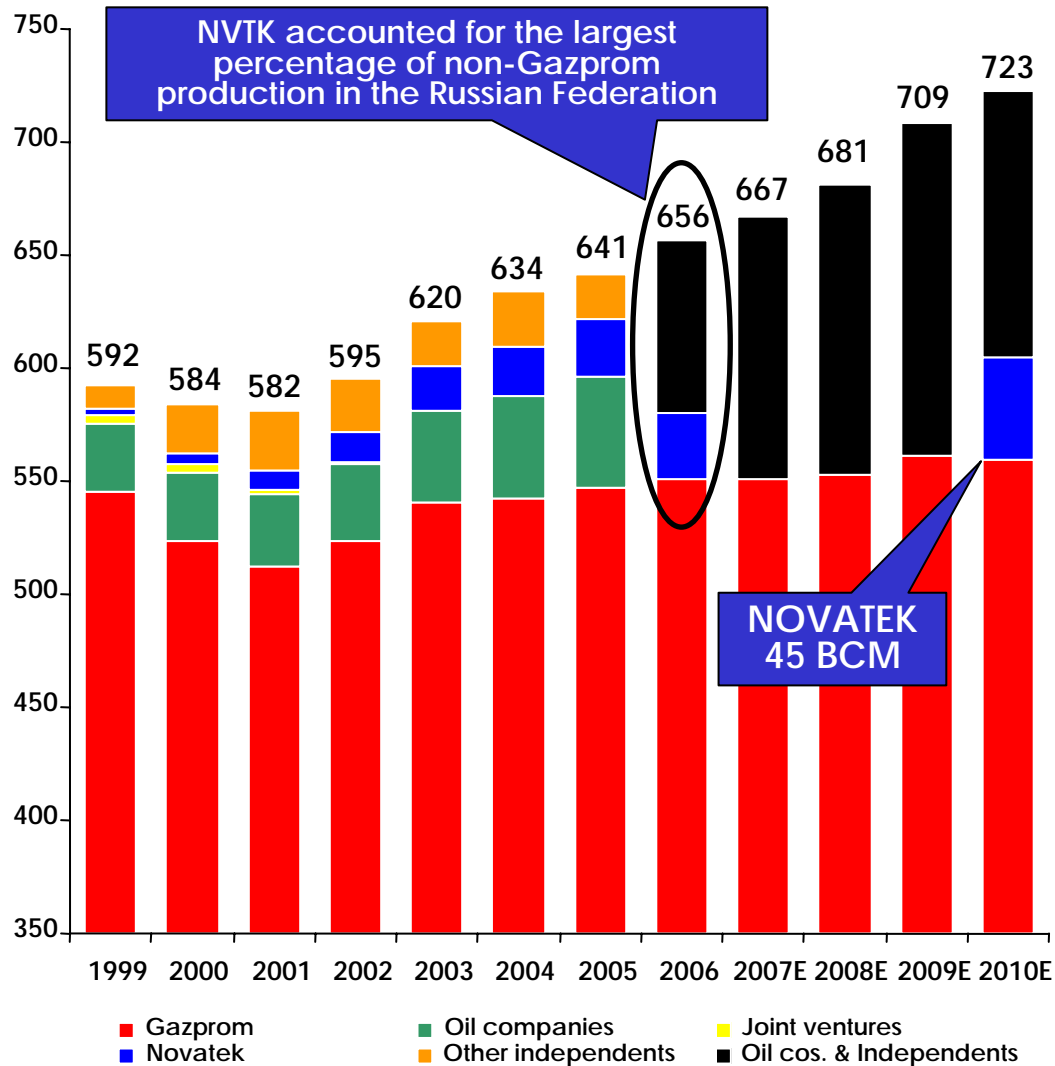


Source: US Department of Energy (Production and demand), Oil and Gas Journal (P1 reserves as of 1/1/2006)

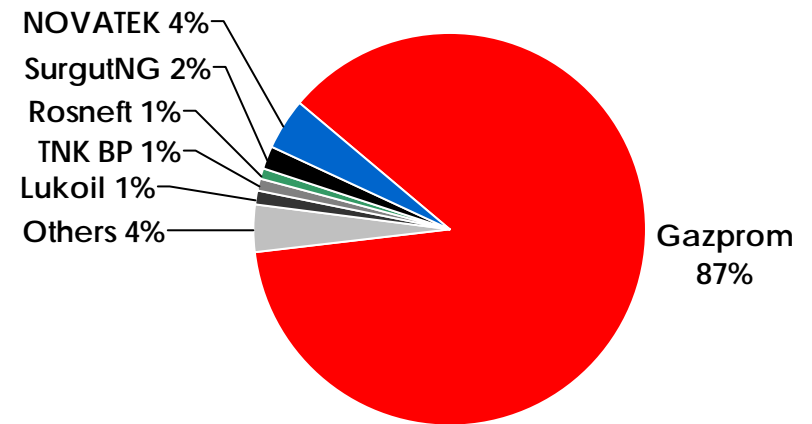
Note: Net Export/Import figures refer to 2000, 2010 and 2020, respectively



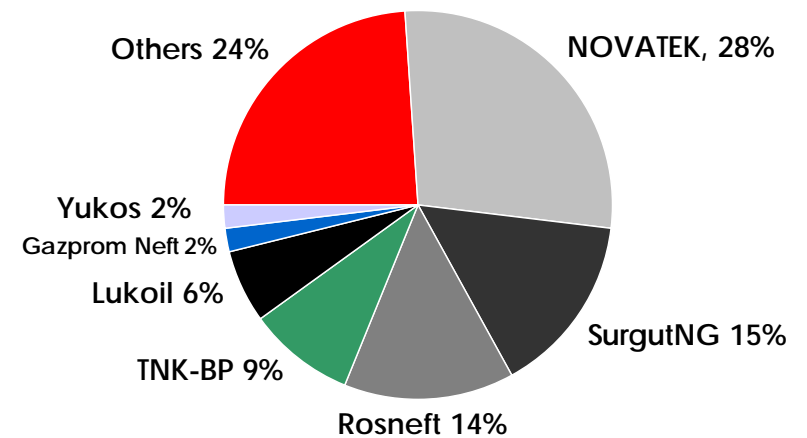
# Gas production in the Russian Federation (BCM)



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



# Opportunity: natural gas market – Europe

## European Indigenous Gas Production<sup>1</sup>

BCM	2002	2003	2004	2005	%chg 05/04
UK	102.1	101.8	94.5	86.2	-8.8
Norway	65.5	73.1	78.5	84.9	+8.2
Denmark	7.3	6.9	8.3	9.3	+12.0
Netherlands	70.7	68.8	80.1	72.7	-9.2
<b>Total</b>	<b>245.6</b>	<b>250.6</b>	<b>261.4</b>	<b>253.1</b>	<b>-3.2</b>

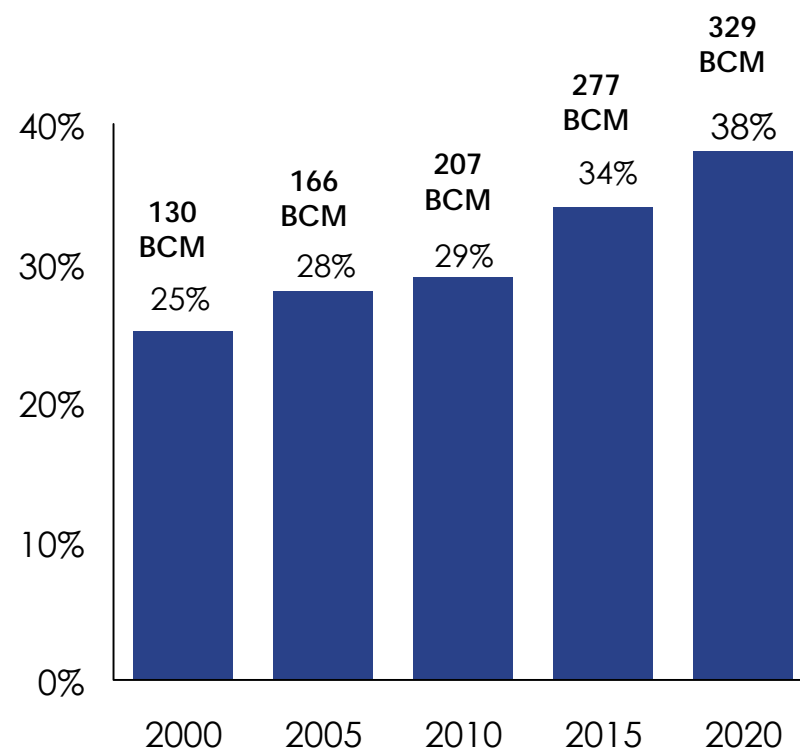
## European Union Gas Demand<sup>1</sup>

BCM	1999	2010	2020
Pre 2004 – EU 15	386	500	597
Accession Countries - 15	76	142	179
<b>EU - 30</b>	<b>462</b>	<b>642</b>	<b>776</b>

Sources:

1. Petroleum Economist, April 2006
2. Observatoire Méditerranéen de L'Énergie

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



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

**Declining Indigenous Production + Growing Demand = Increase in Exports**

# Domestic gas market projected to triple

European supply deficit growing

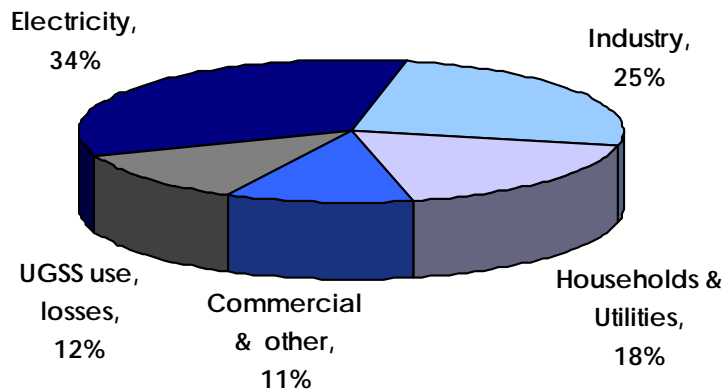


Gazprom export share expanding



Need for Independents' gas increasing

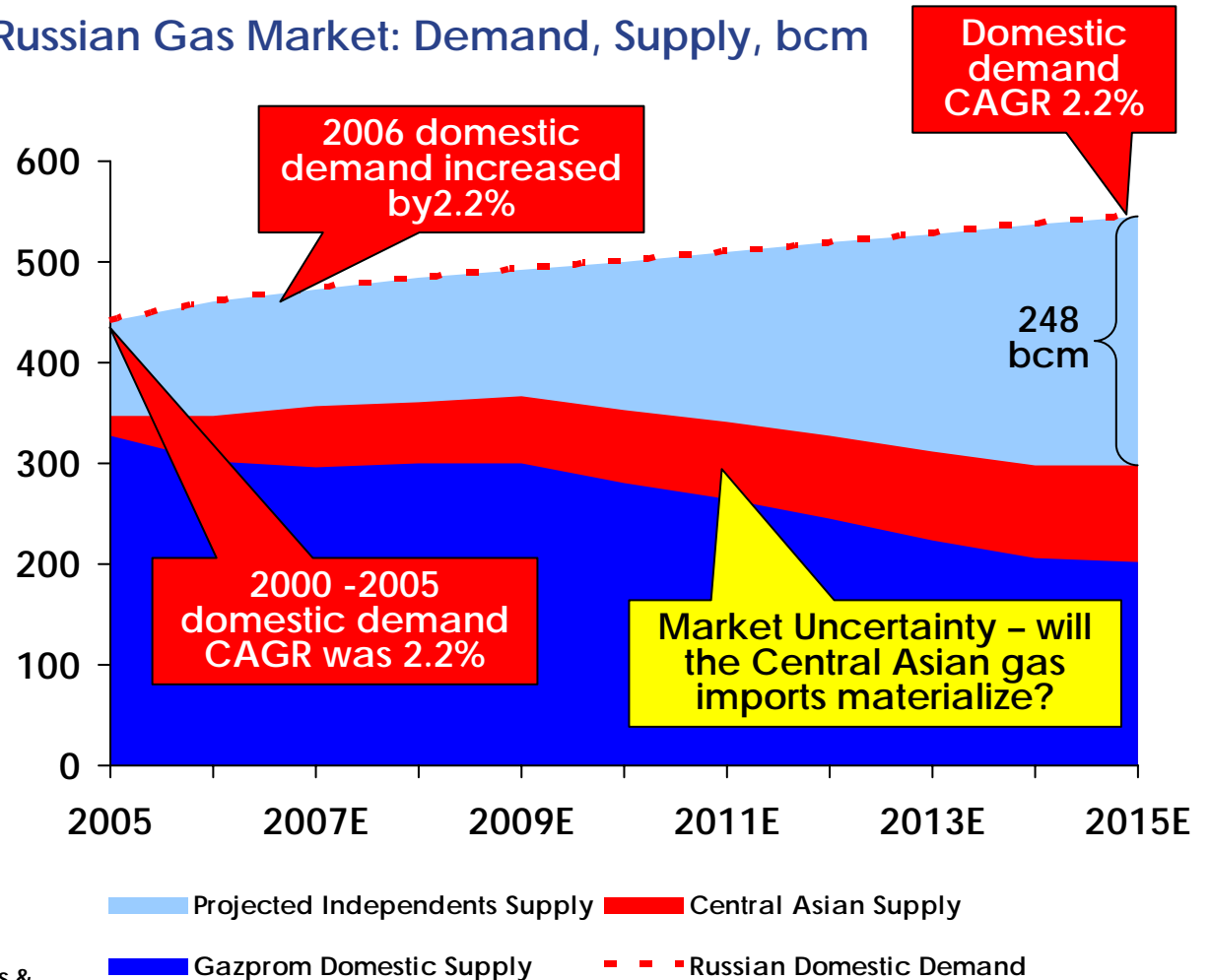
Gas consumption breakdown, 2005



Source: UBS, "Russian Gas" July 2006



Russian Gas Market: Demand, Supply, bcm

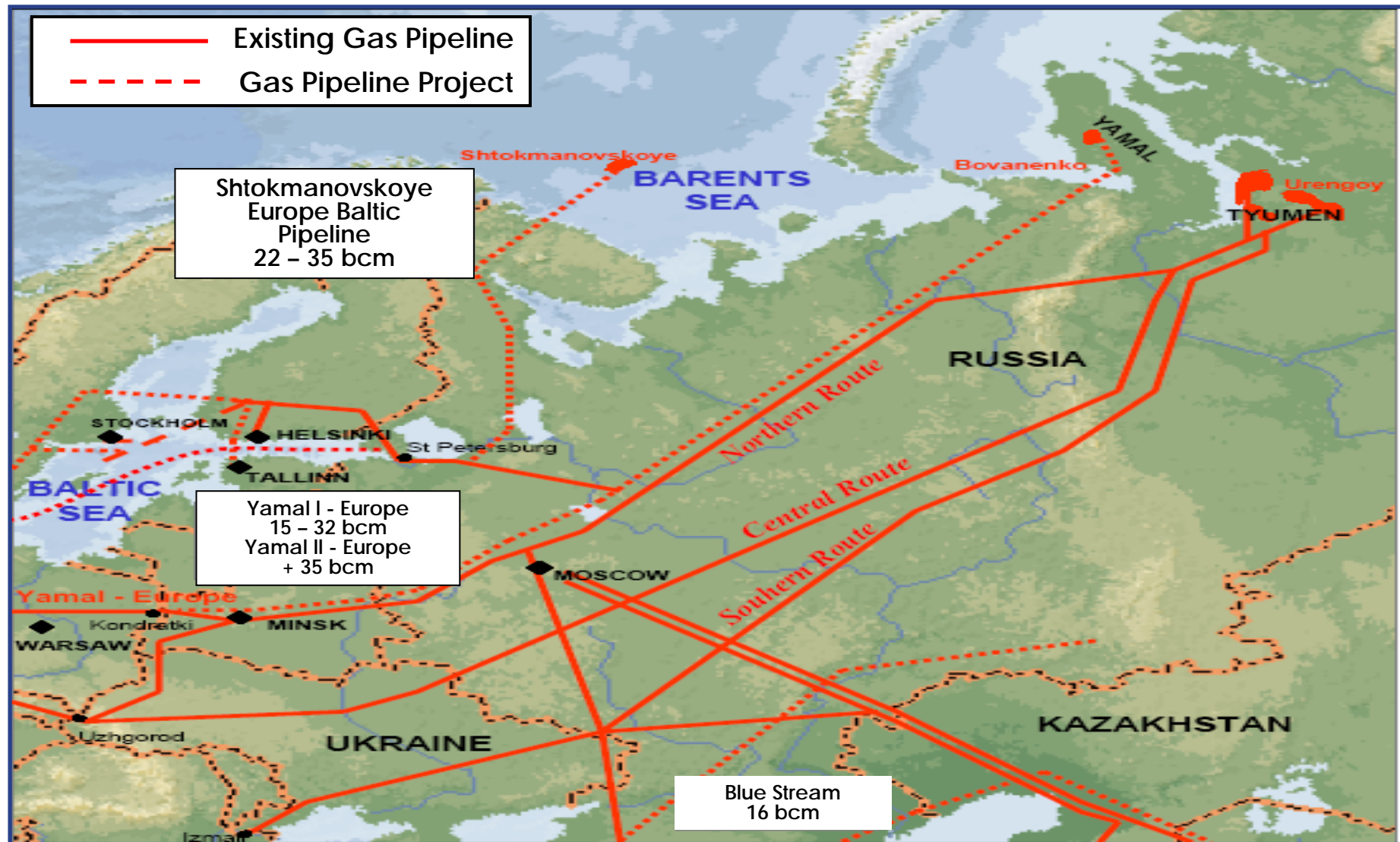


Domestic demand has been significantly underestimated by Gazprom and Russian long-term Energy Strategies

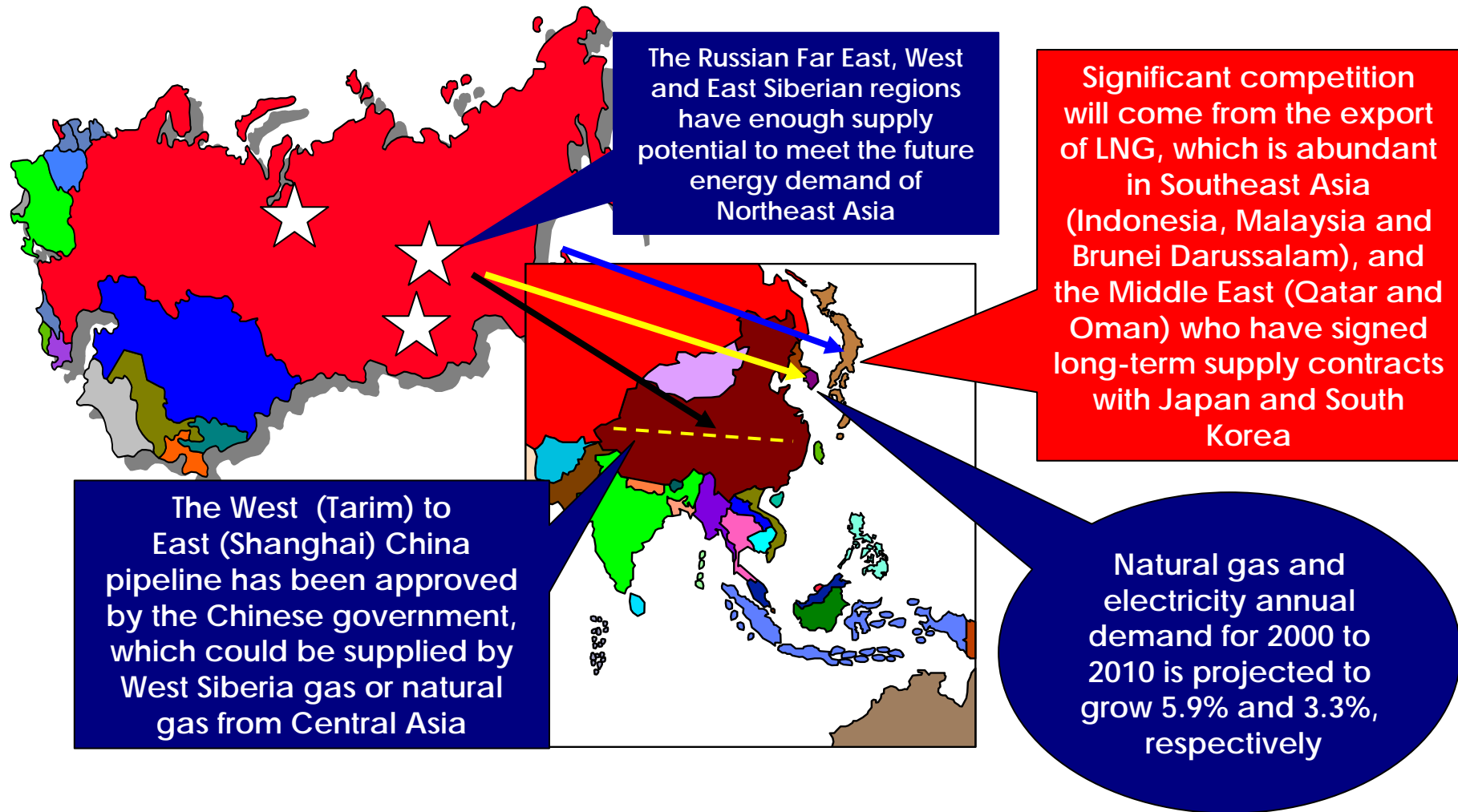
Source: UBS, "Russian Gas" July 2006



# Existing and planned gas pipelines to Europe

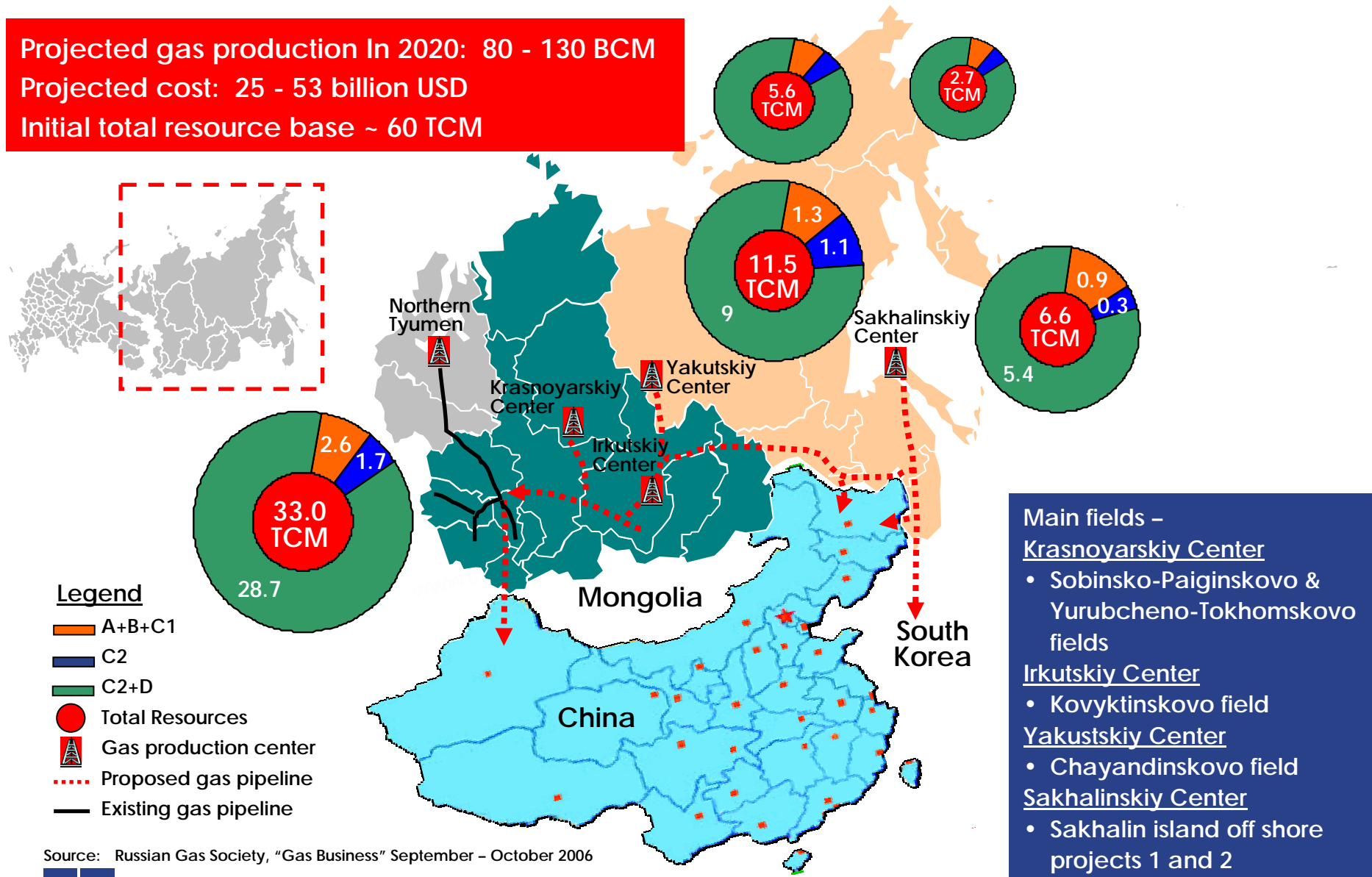


# Alternative flows of Russian natural gas - Asia



# East Siberia and Far East Development

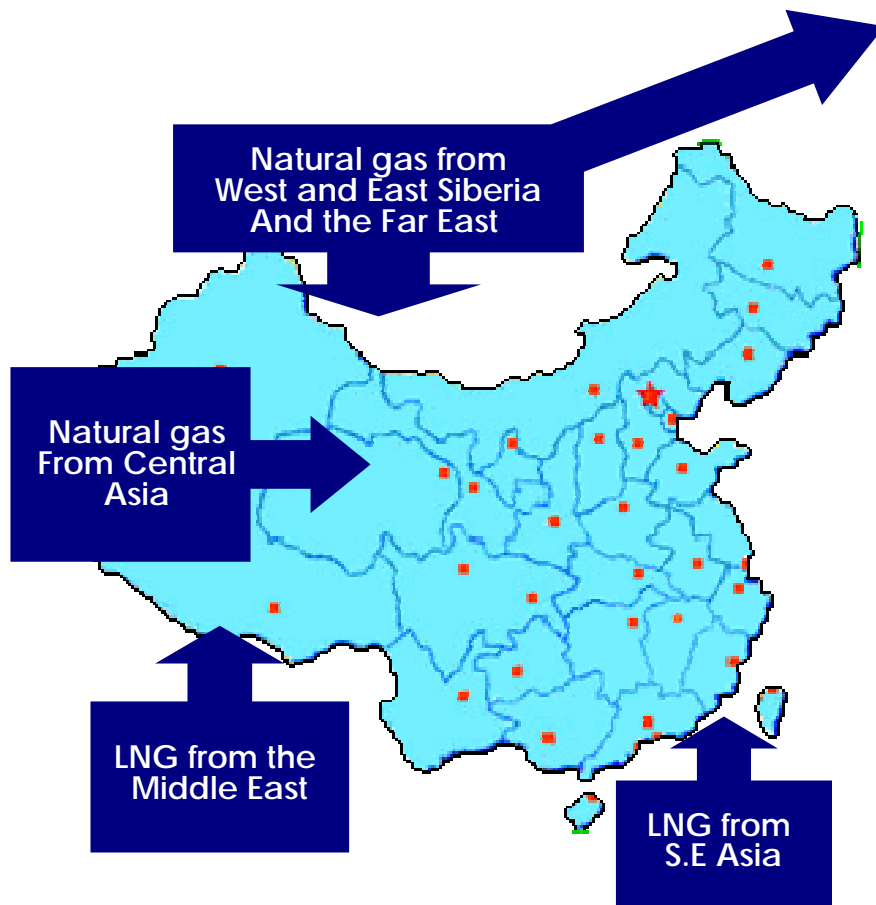
Projected gas production In 2020: 80 - 130 BCM  
 Projected cost: 25 - 53 billion USD  
 Initial total resource base ~ 60 TCM



Source: Russian Gas Society, "Gas Business" September – October 2006



# 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

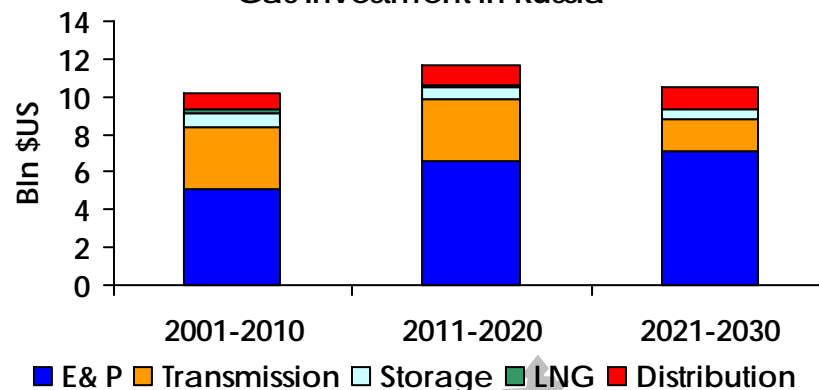
## Average investment needs in Russian gas sector

	2001-2010	2011-2020	2021-2030
E&P <sup>1</sup>	\$5.2 bln p.a	\$ 7 bln p.a.	
Transmission <sup>1</sup>		\$3 bln p.a.	
Total <sup>2</sup>	2003 – 2020 \$9.4 bln - \$11.1 bln p.a.		

### Notes:

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

## Gas Investment in Russia<sup>1</sup>



## 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

## 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

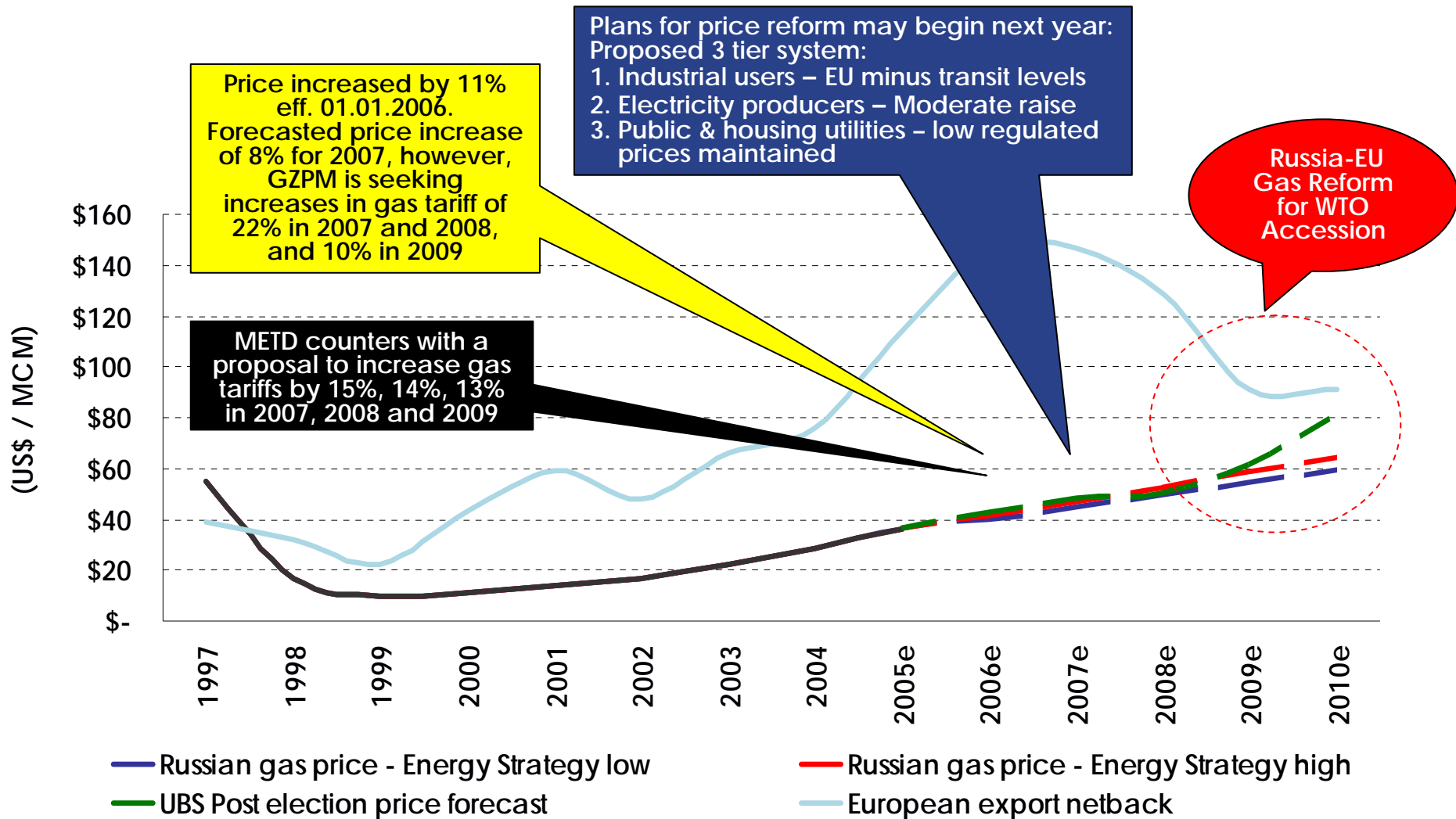
- ❑ Minimal investment in E&P and other infrastructure to date
- ❑ Major pipeline projects needed for transmission to Asia

## Sakhalin projects

- ❑ Field development
- ❑ LNG investments



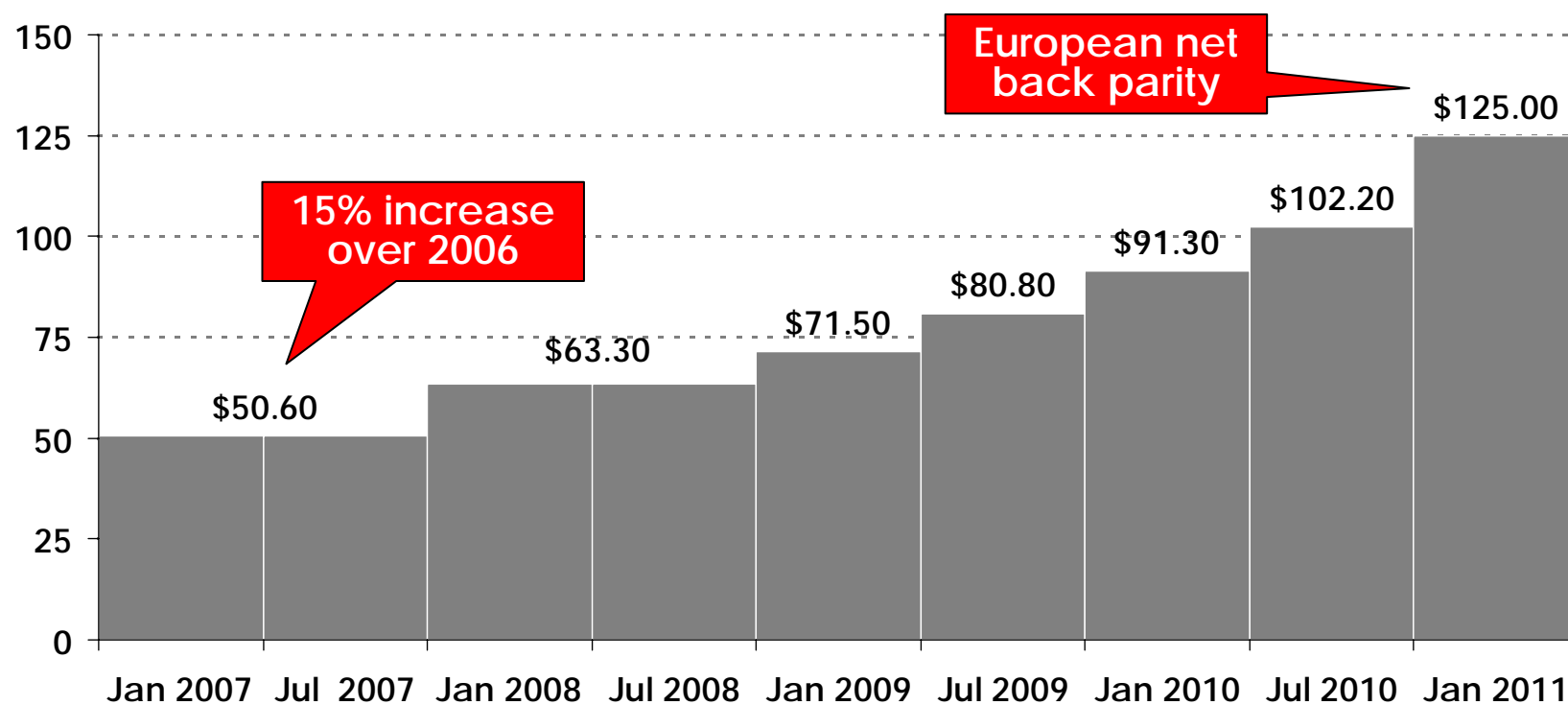
# Demand driving prices to export netback parity



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

# Pricing update



Source: Industry and Energy Ministry

## Results of electronic trading (1<sup>st</sup> three trading sessions Nov 06-Jan 07)

- NOVATEK volumes: 133 mmcm or 14% of total volumes
- Total volumes traded: 978 mmcm, (Gazprom 54%, Rosneft 19%)

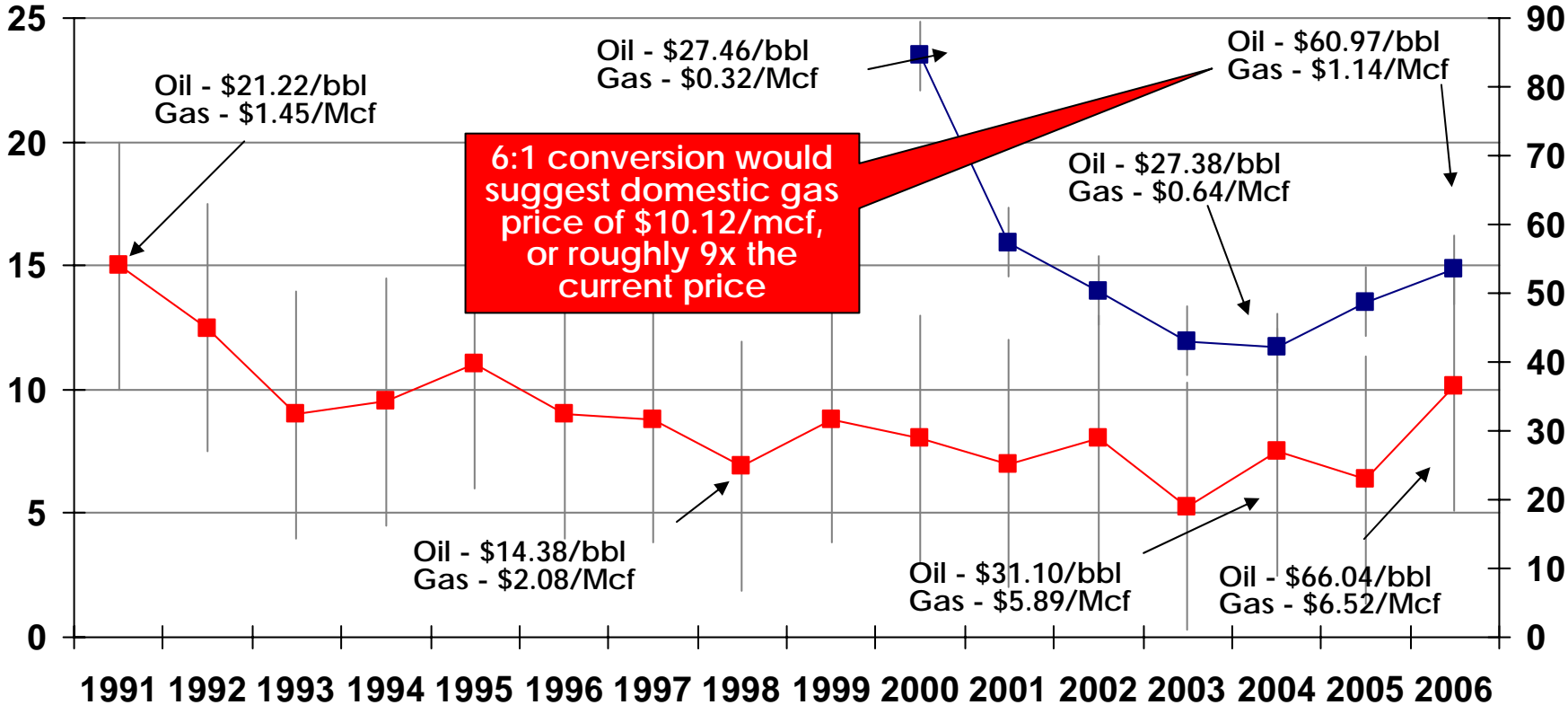
Purchasers by Industry: Utilities - 63%, Chemicals - 14%, Metals - 9%

Source: Troika Dialog



# Price disparity between crude oil and natural gas

## Historical Range of Average Oil/Gas Price Ratios



■ WTI Oil & HH Gas (lhs)  
■ 1996-2006 average = 8.9

■ Ural's Oil & RF Domestic Gas (rhs)  
■ 2001-2006 average = 49.2

Source: John S. Herold, EIA and UBS

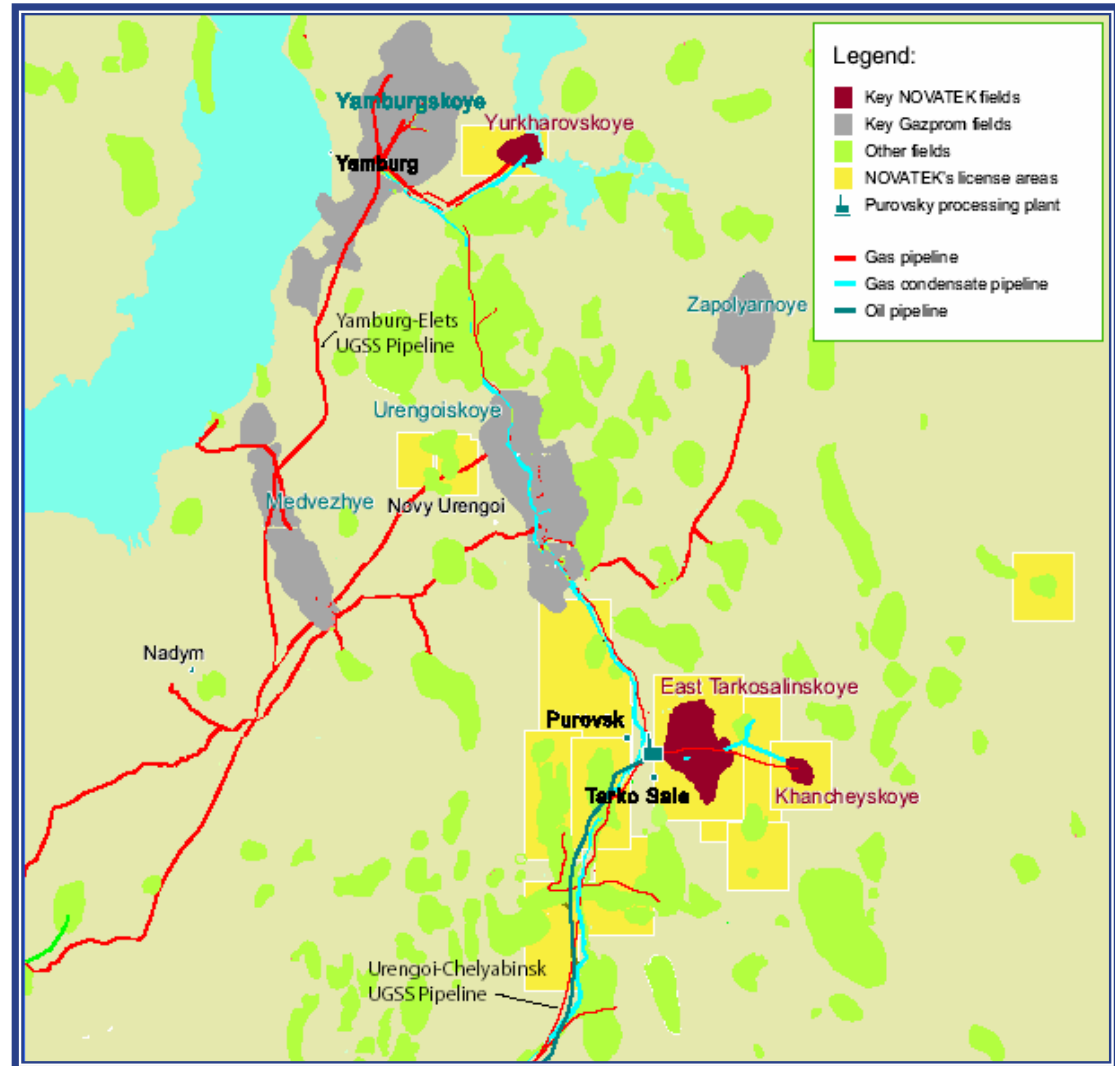
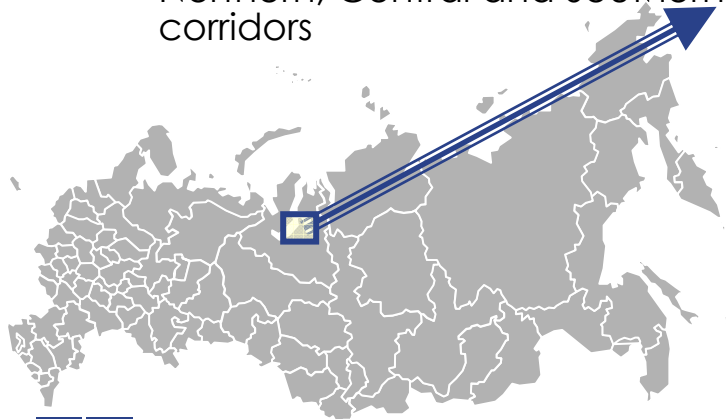




# Operational Overview

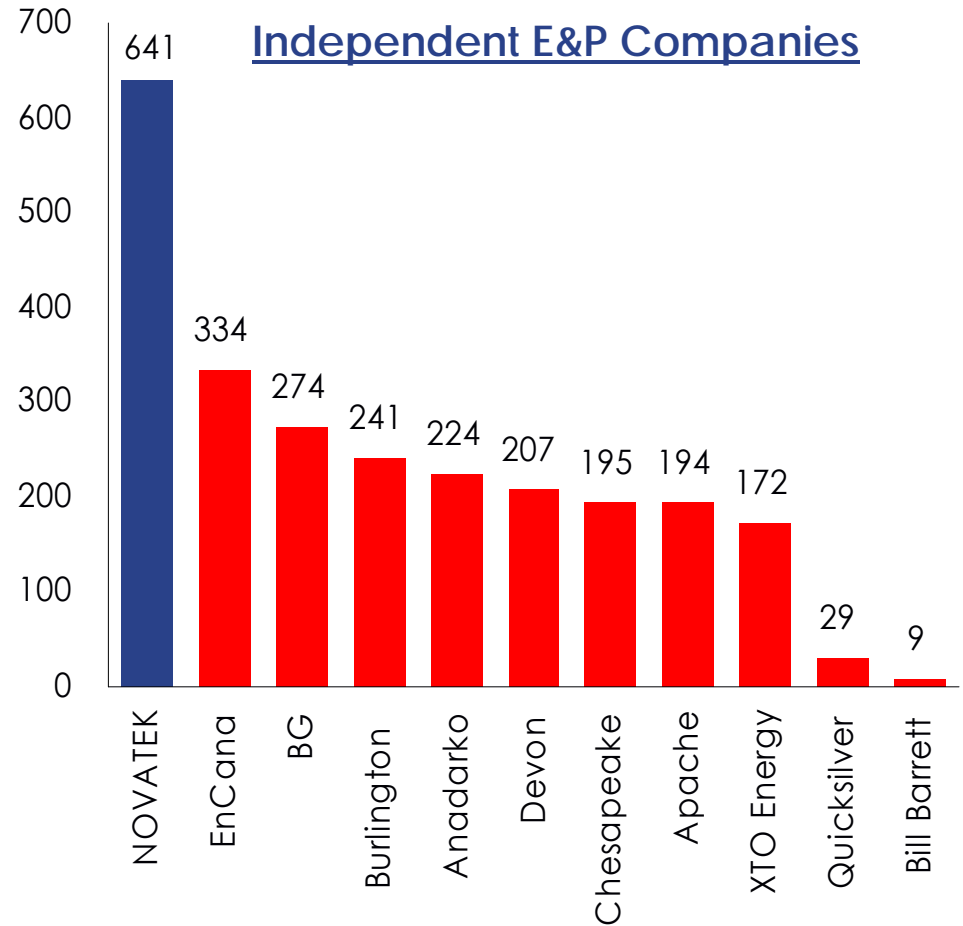
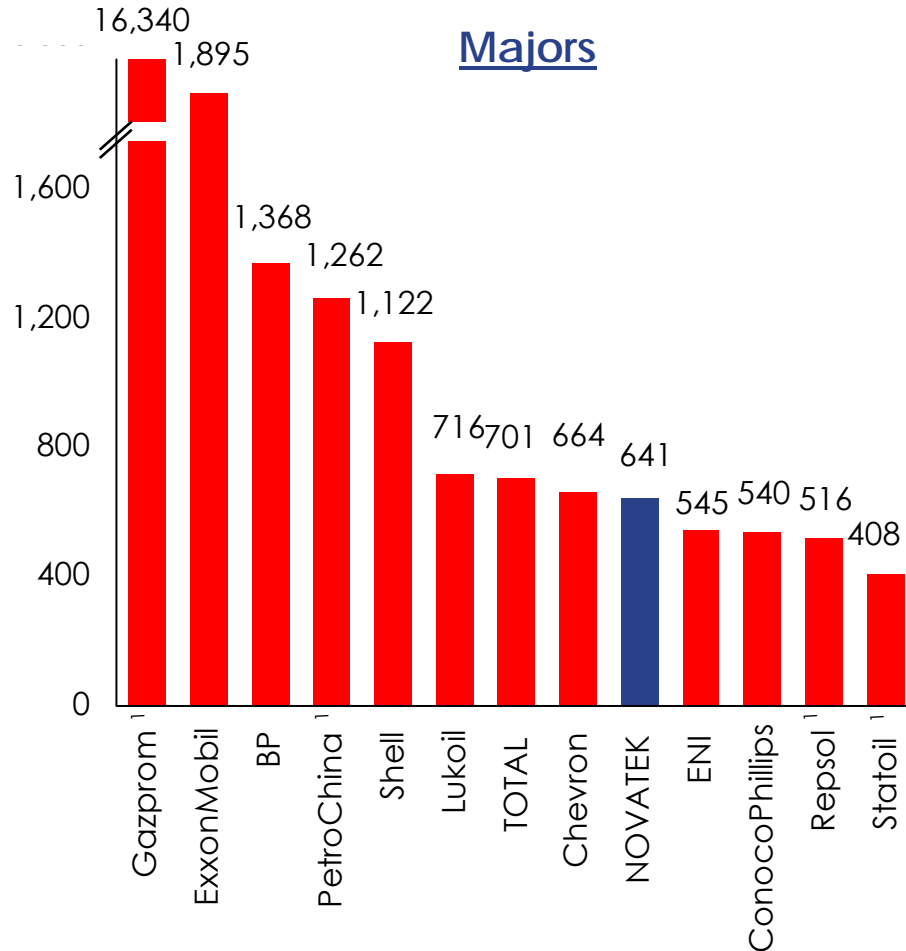
# High quality portfolio: low risk, prolific basin

- 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 Urengoiszkoye fields)
  - Pipeline availability to the Northern, Central and Southern corridors



# World scale resource base

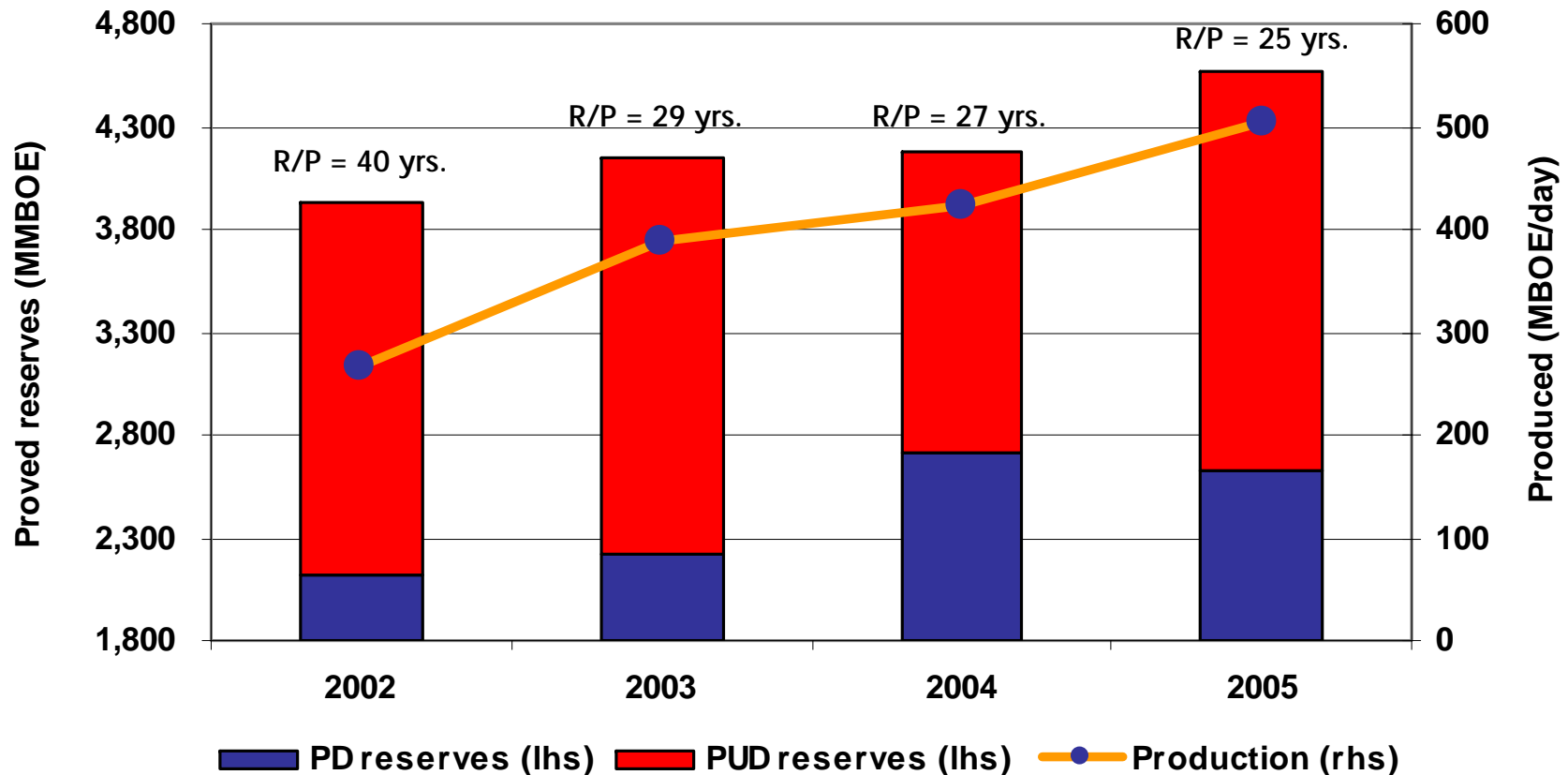
Net Proved Natural Gas Reserves as of 31/12/05, bcm



Source: NOVATEK (SEC), Gazprom (SPE), Company filings  
 Note<sup>1</sup>: Reserves as of 12/31/2004



# Reserves converted to production



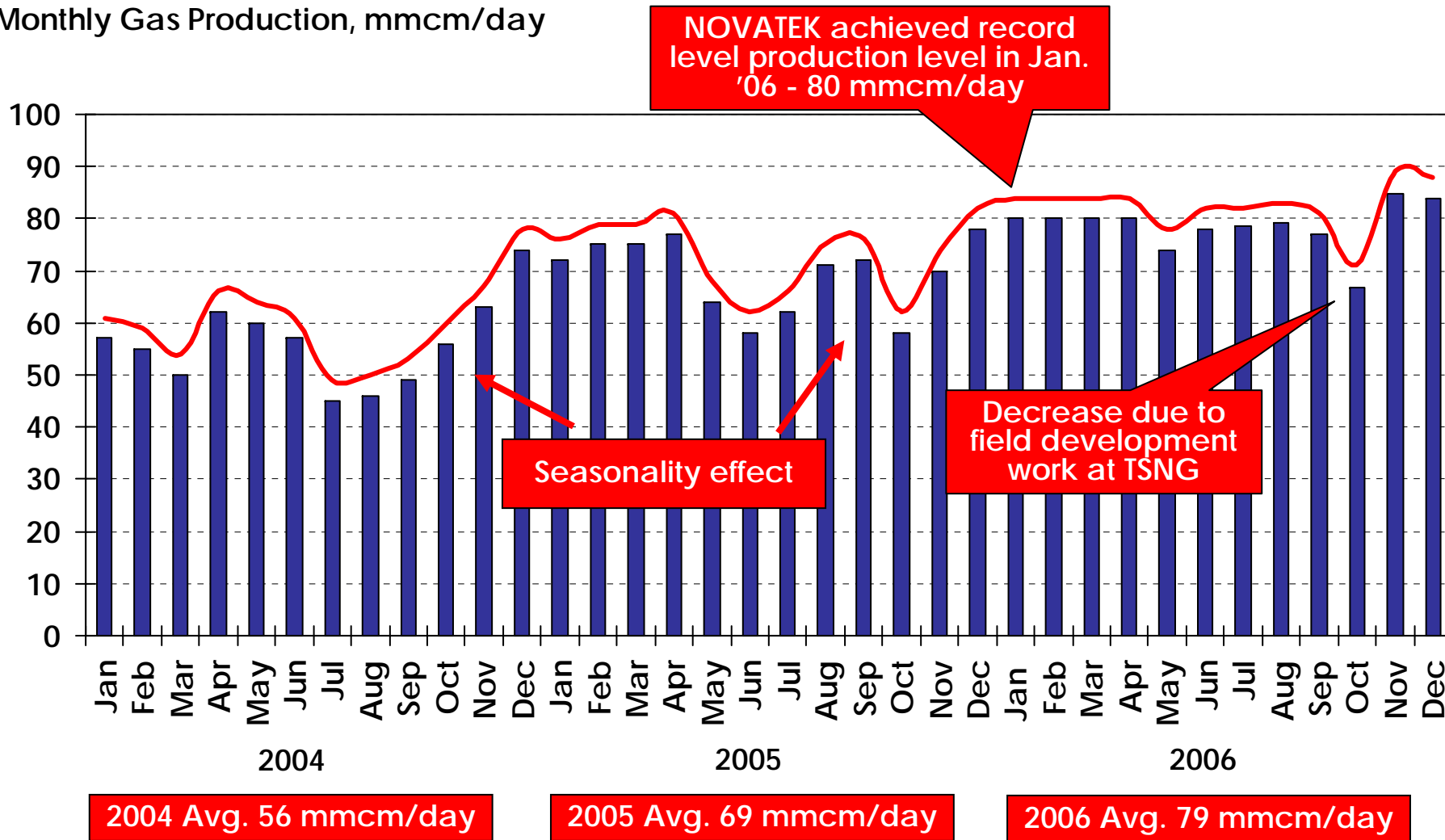
Novatek's reserve replacement rate (RRR) for 2005 is 311% and the Company's 2003 - 2005 three year average is 232%

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

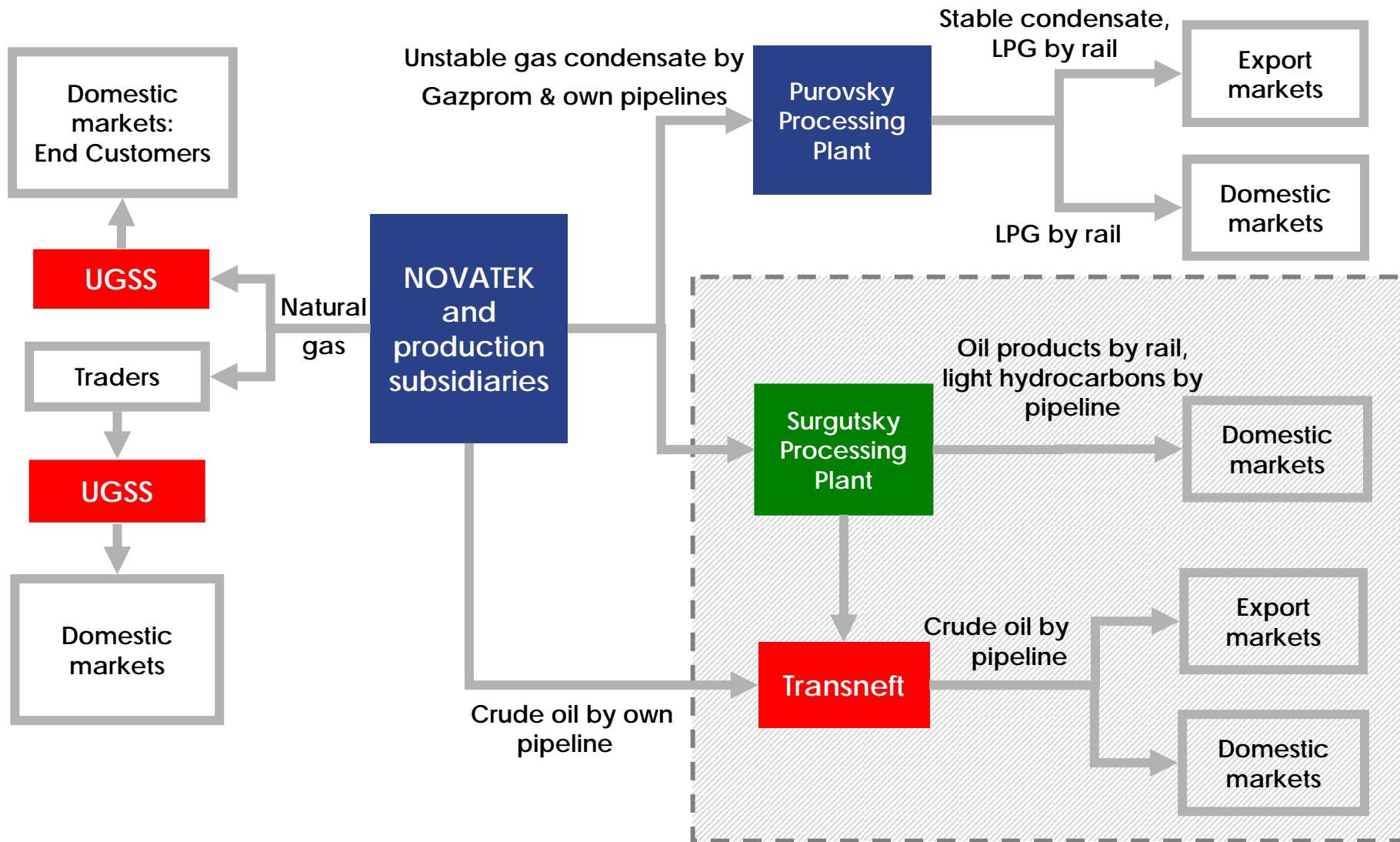


# Increasing gas production

Monthly Gas Production, mmcm/day

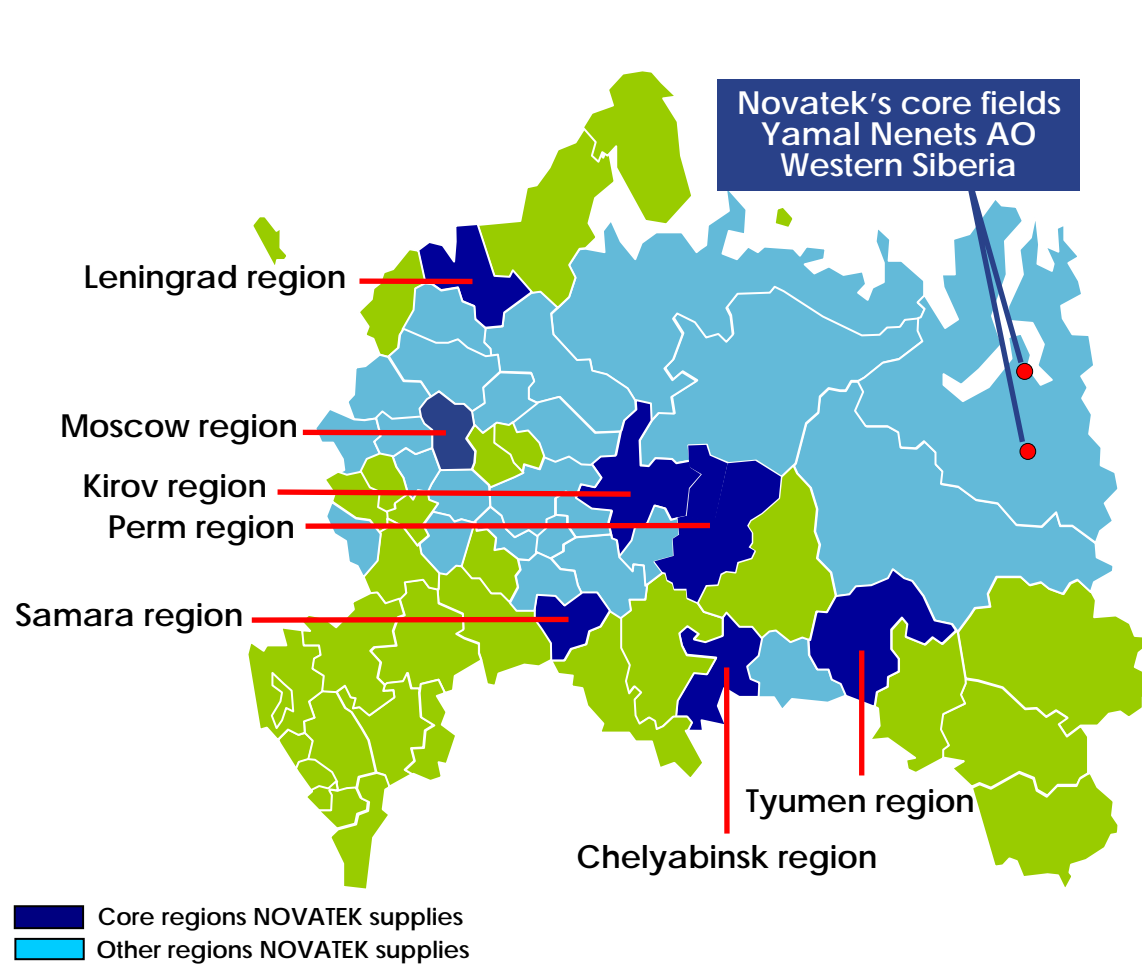


# Hydrocarbon production flow



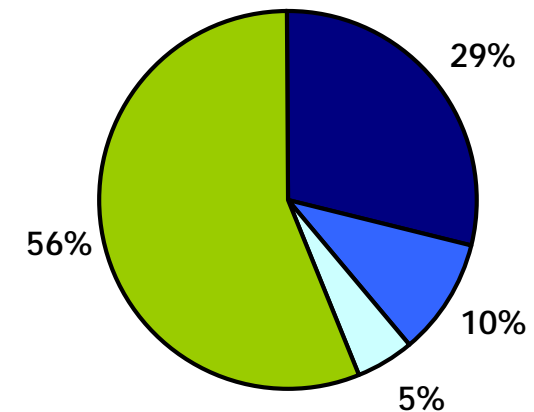
# Delivered gas – our main industrial regions

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

9M 2006 Natural gas sales distribution



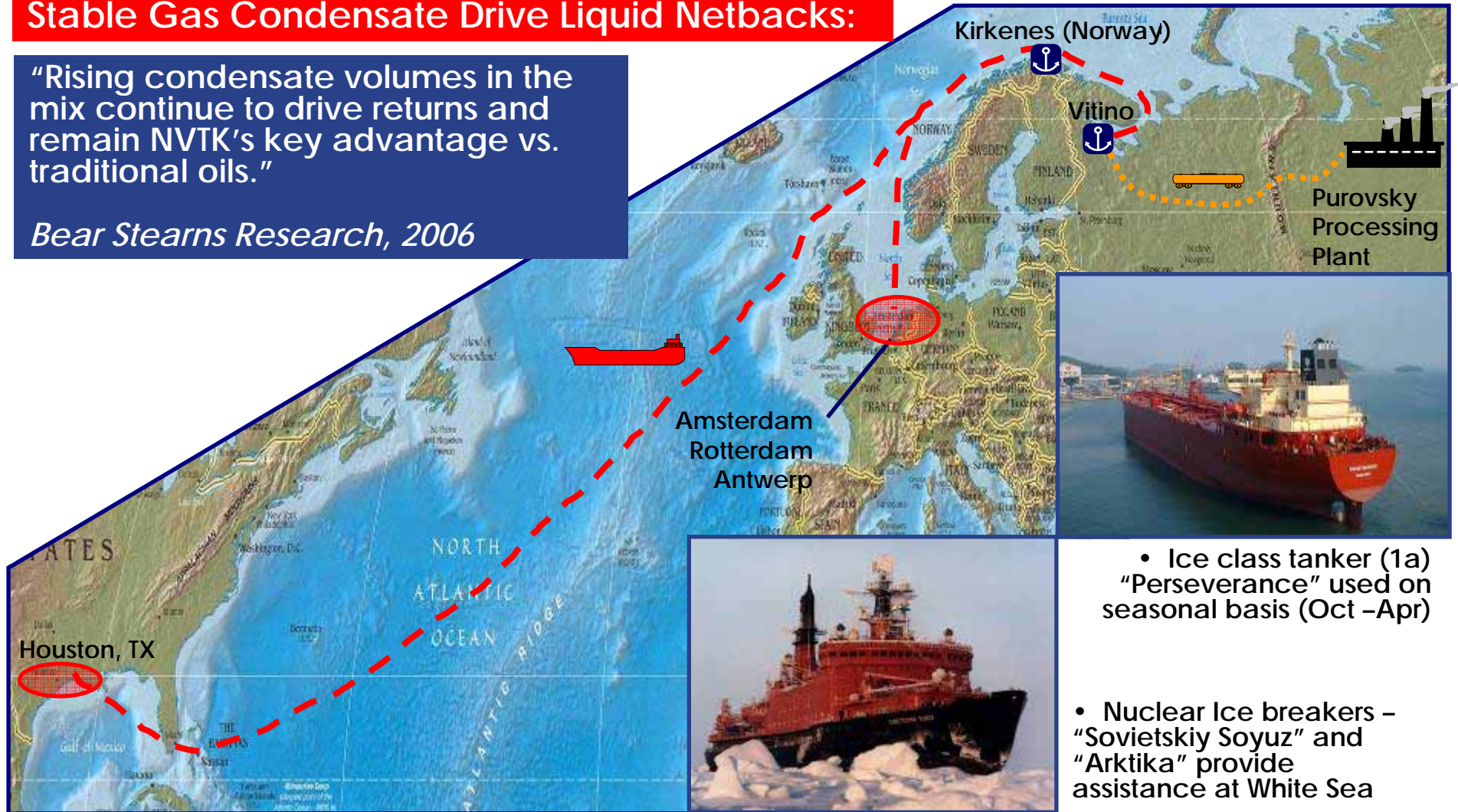
■ Power Generation Co's   ■ Metal & Other industrial  
■ Regional Gas Distributors   ■ Wholesale traders

# 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*



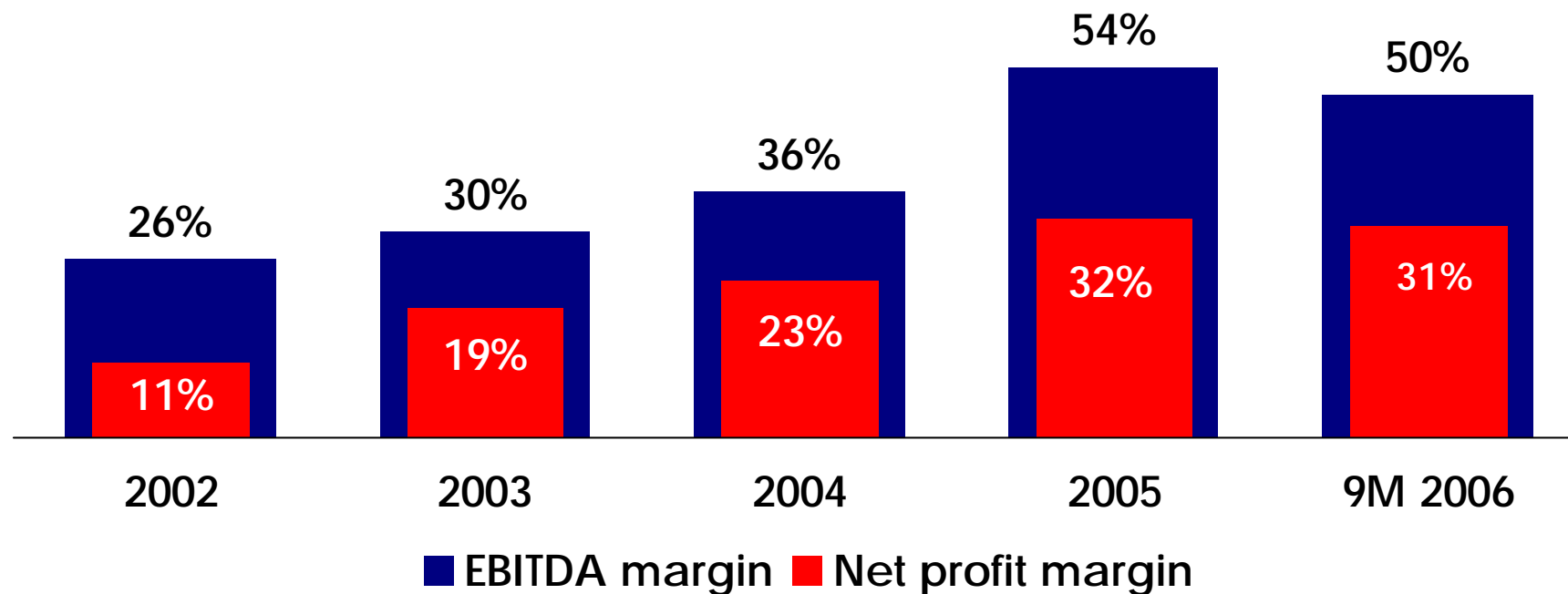
- Ice class tanker (1a)  
“Perseverance” used on seasonal basis (Oct –Apr)

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



# Financial Overview

## Expanding margins (% of total revenue & 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

# Steady period on period growth

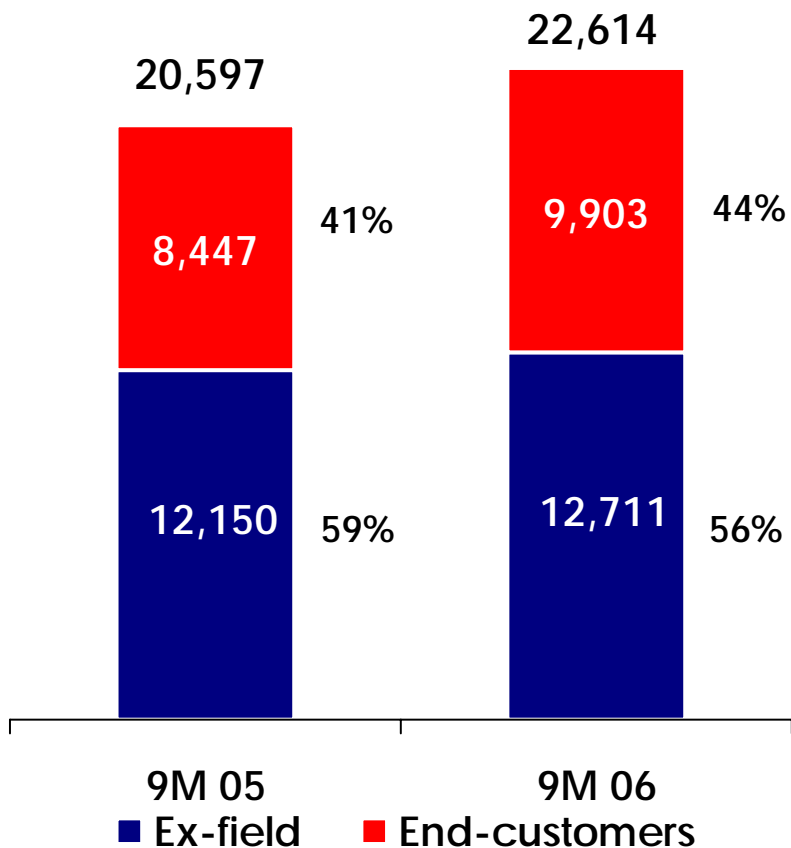
3Q 05	3Q 06	+/(-)%	RR million	9M05	9M 06	+/(-)%
9,735	12,569	29%	Oil & gas sales	27,092	36,094	33%
(18)	42	<i>nm</i>	Other income	3,606	(243)	(106%)
10,108	12,960	28%	Total revenues & other income	31,694	36,845	16%
6,080	7,532	24%	Operating expense	16,878	21,927	30%
5,043	6,536	30%	EBITDA <sup>(1)</sup>	17,689	18,229	3%
Na	Na		EBITDA <sup>(1)</sup> net of disposals	14,058	18,229	30%
27.7%	24.6%		Effective Tax Rate	25.8%	24.7%	
2,875	4,086	42%	Profit attributable to Novatek	10,798	11,302	5%
1,117	1,099	(2%)	Capex	4,322	3,320	(23%)
6,138 <sup>(3)</sup>	(842)	<i>nm</i>	Net debt (Cash) <sup>(2)</sup>	6,138 <sup>(3)</sup>	(842)	<i>nm</i>
8% <sup>(3)</sup>	<i>nm</i>	<i>nm</i>	Net debt / Total capitalization <sup>(4)</sup>	8% <sup>(3)</sup>	<i>nm</i>	<i>nm</i>

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 12/31/2005
4. Total capitalization calculated as total debt plus shareholders equity plus minority interest plus deferred tax liability

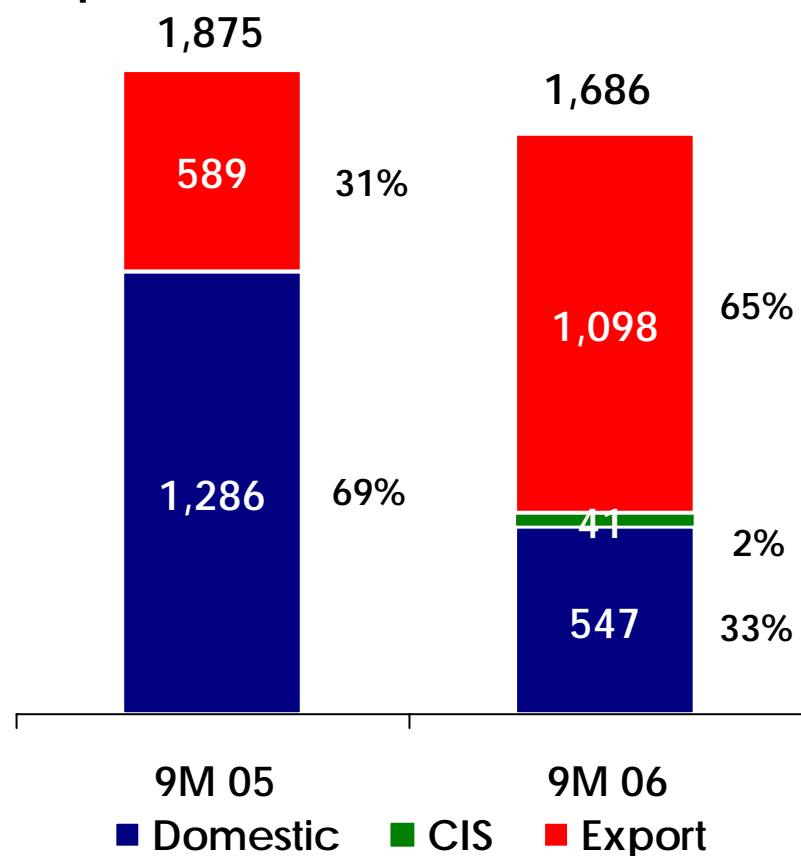
# Market distribution – sales volumes

Natural gas, mmcm



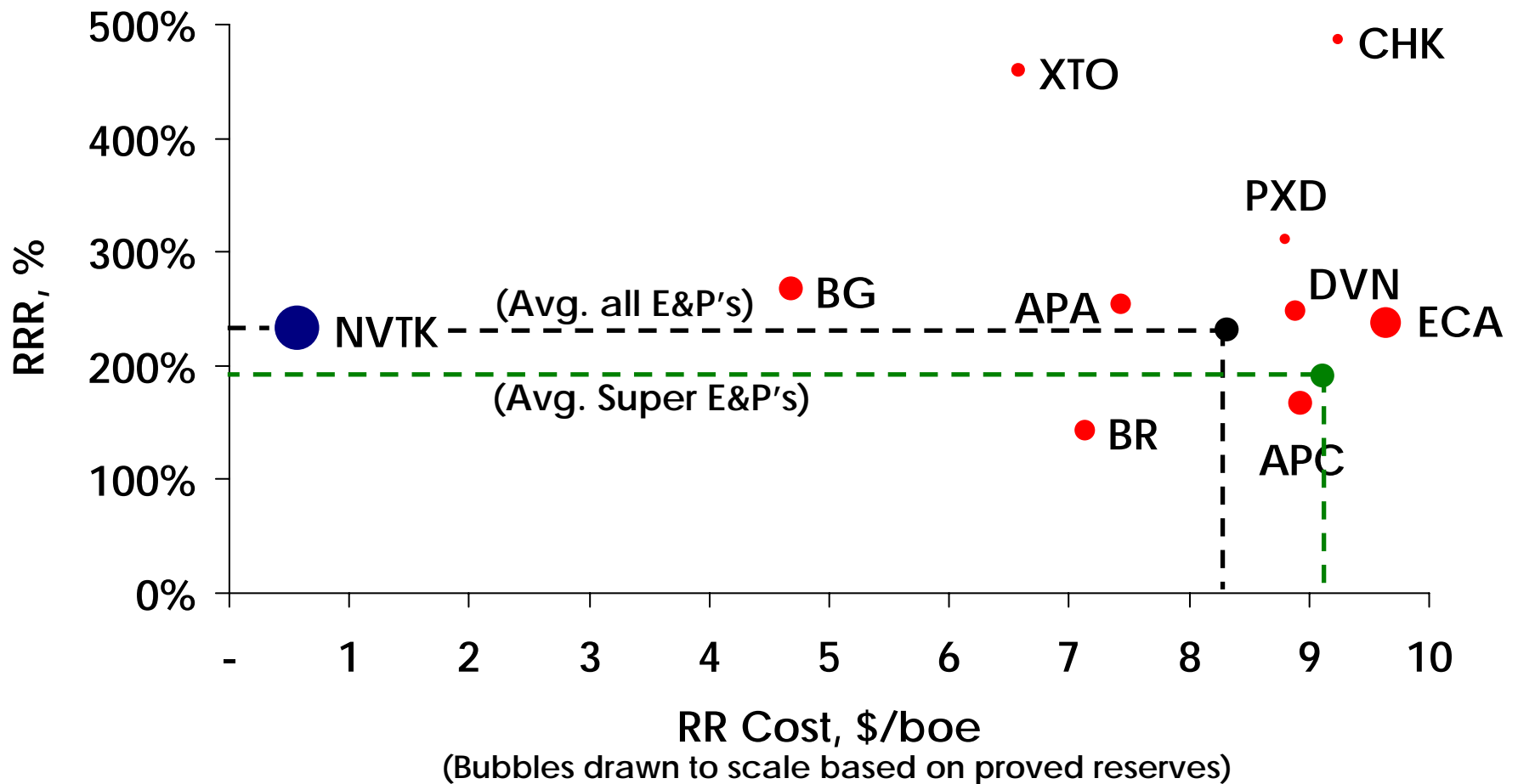
10% increase in sales volumes; slight increase in sales to end-customers but distribution between categories remained relatively unchanged

Liquids, '000 tons



10% decrease in volumes due to stable gas condensate in transit (141 thousand tons) at 30 September 2006 and the 2005 divestiture of Geoilbent (219 thousand tons). Significant increase in export/CIS volumes (93%)

# Efficiency indicators – 3 year average

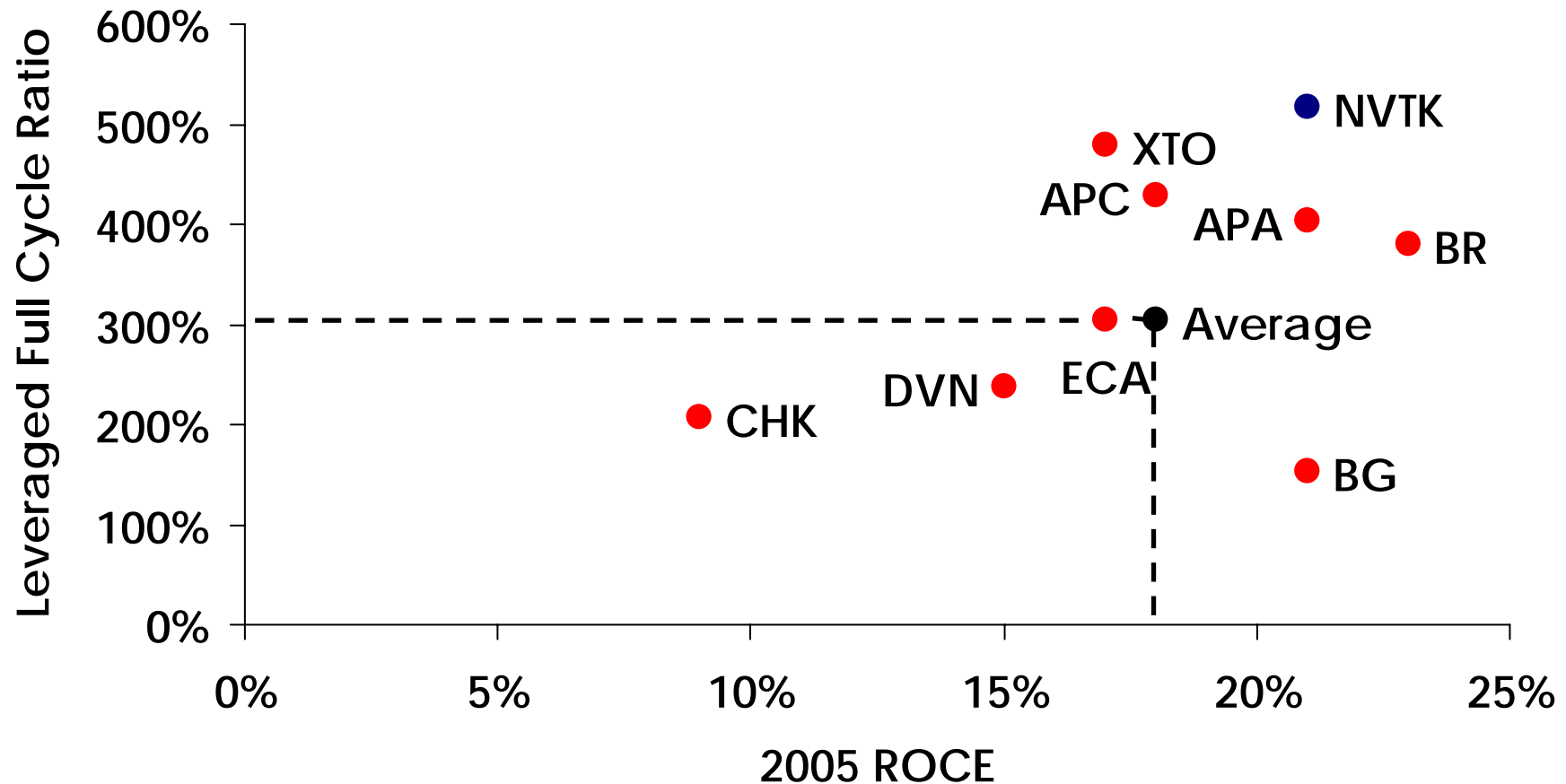


Source: John S. Herold and Company data  
 Notes:  
 1. 3yr average from 2002 – 2004 except for Novatek 2003 - 2005



# 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 peers<sup>1</sup>

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%
	<b>Profitability per boe<sup>1</sup></b>							
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



# Ratio comparison to peers<sup>1</sup>

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
	<b>Liquidity ratio</b>							
2.39	Current ratio (x)	0.45	0.77	0.25	0.68	0.95	1.19	0.59
	<b>Long-term liquidity</b>							
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%
	<b>Efficiency indicators (12/31/2005)</b>							
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

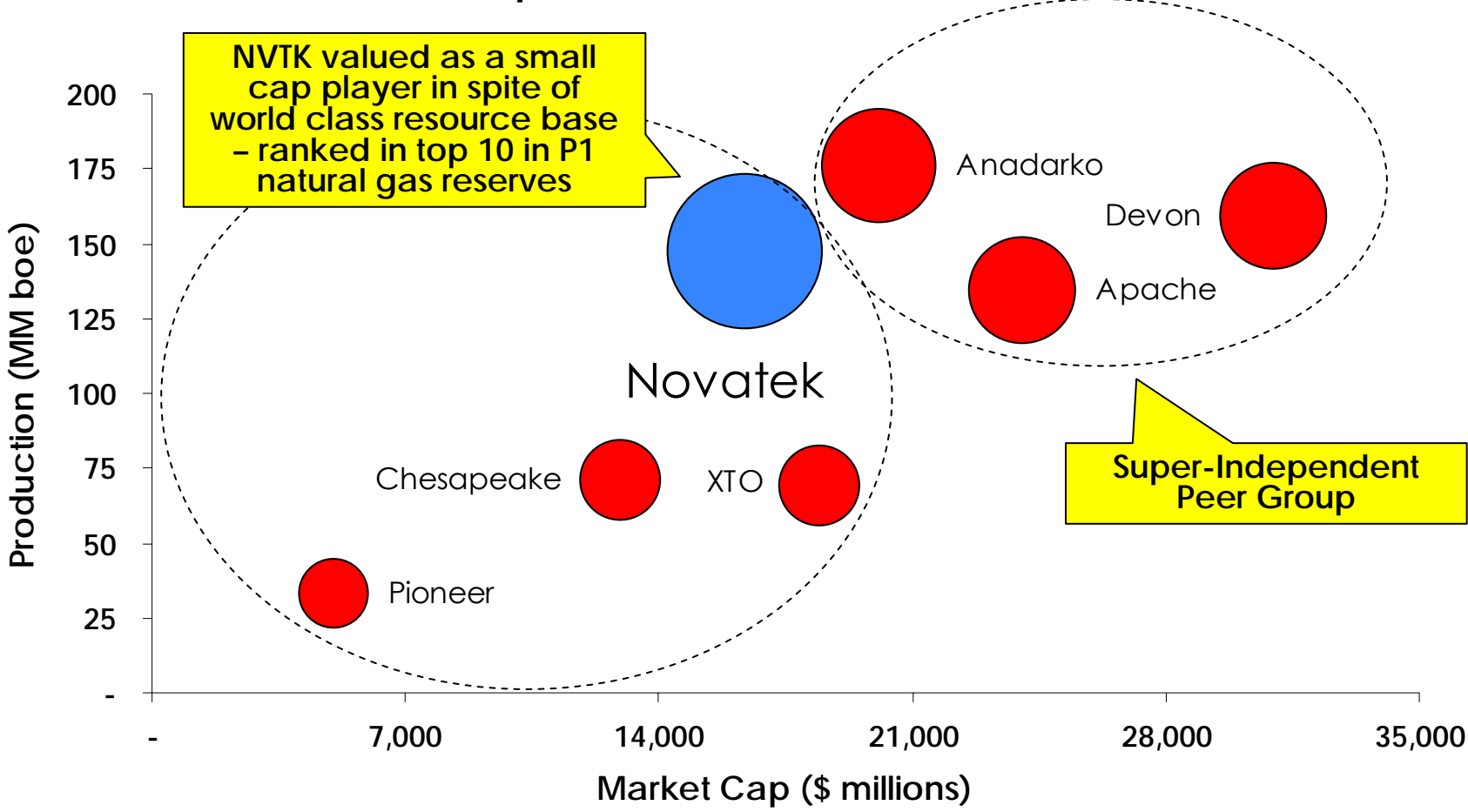
1. From SEC filings and Company Financial Statements for nine months ended 30 September 2006





# However, value is relative

Current market capitalization (01/31/2007) relative to 9M 2006 production and 2005 P1 reserves



○ = Bubble size is scaled to 2005 P1 reserves on boe basis



## Concluding comments

# Gazprom: solidifying our business relationship

## Complementary, not competing business models

- ❑ Direct equity stake in NOVATEK not to exceed 19.9% with two Board seats
- ❑ Our domestic focus allows Gazprom to meet its long-term export commitments
- ❑ Cooperation on expanding the UGSS pipeline network
- ❑ Agreed to sell gas at regulated prices in the Kurgan and Tyumen regions
- ❑ Allows domestic capital allocation funding alternatives
- ❑ Plans to expand regional gasification programs

## Reliable independent gas producer with large resource base to meet growing domestic demand

- ❑ Our gas is already factored into the Russian Federation gas balance
- ❑ We supply gas to large industrial regions (i.e., Tyumen, Sverdlovsk and Samara regions), which minimizes the likelihood of supply interruptions
- ❑ Reduces need to import expensive Central Asian gas
- ❑ Strategic Framework partnership agreement with Gazprom signed in July 2005

# 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

# NOVATEK: a compelling investment case

## Compelling opportunity

- ❑ Ideally positioned to fill the growing domestic gas supply gap
- ❑ Cost efficient monetization of liquid hydrocarbons
- ❑ Significant organic growth potential due to ample reserves

## Market leadership

- ❑ Market leader in a highly attractive industry
  - Russia's largest independent gas producer and second-largest gas producer overall

## Attractive business

- ❑ Supportive industry fundamentals and rising gas prices
- ❑ Sustainable cost advantage
- ❑ Limited exposure to volatile commodity prices
- ❑ Increasing diversification into liquids

## Sustainable business model

- ❑ Stable and predictable business structure post consolidation
- ❑ Strong intrinsic profitability and cash flow characteristics
- ❑ Significant transformation in scale and profitability

## Track record

- ❑ Track record of strong financial performance
- ❑ International standards of corporate governance
- ❑ Established credit history, IFRS and reserve reporting
- ❑ Committed shareholders and experienced management