

First quarter ended 31 March 2006 Operational and Financial Results Conference Call



Mark A. Gyetvay, Chief Financial Officer and Member of the Board of Directors 5 June 2006

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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 hatapper of eight and assumption and domand in Pursia and Europe.

- 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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1Q 2006 Summary Highlights - Steady growth

- Record natural gas production maintained throughout 1Q 2006
 - 80 mmcm per day
- Steady Q-o-Q increase in natural gas sales volumes
 - Natural gas sales volumes increased by 12%
- Significant Q-o-Q increase in liquids export sales volumes
 - 214% increase in 1Q 2006 to 276 thousand tons from 88 thousand tons in 1Q 2005 (does not include 140 thousand tons in transit in 1Q 06)
- Commencement of export sales through 100% subsidiary provides more clarity to export liquids sales
- Continued debt reduction program reduced total debt by RR 1,535 million, or 17% since 31 December 2005

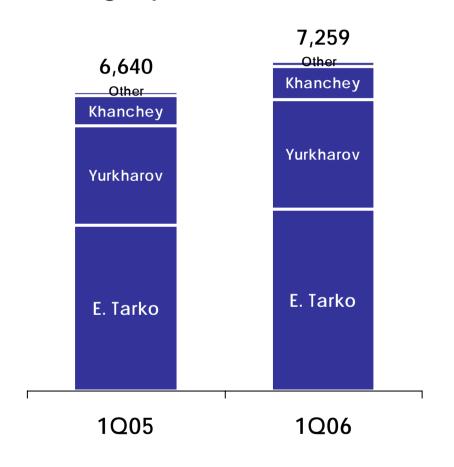


Operational Overview

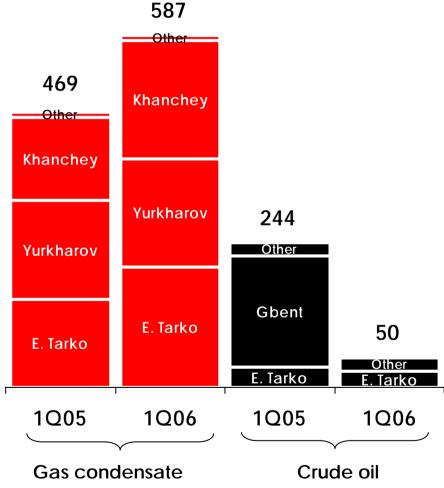


Gross hydrocarbon production





Liquids production, '000 tons

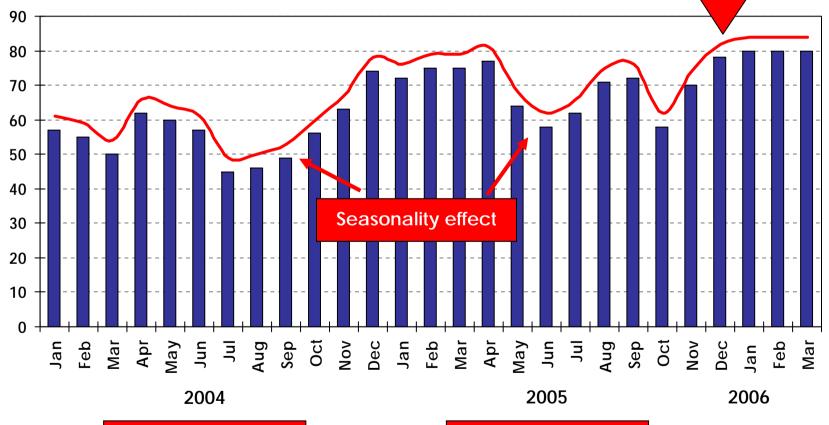




Increasing gas production

Monthly Gas Production, mmcm/day

Novatek achieves record level of production of 80 mmcm/day



Avg. 56 mmcm/day

Avg. 69 mmcm/day



Purovsky processing plant & Vitino Sea Port Terminal

Key facts (during 1Q 06):

- Total volumes delivered
 - East Tarkosalinskoye and Khancheyskoye fields: 376 mt (100% of production)
 - Yurkharovskoye: 152 mt (90% of production)
- Total plant output
 - stable gas condensate: 396 mt
 - LPG: 129 mt
- Plant capacity
 - Approximately 100%
- 8 Tankers from Vitino Sea Port Terminal
 - 40% of stable gas condensate to US markets
 - 60% to European markets
- 100% of LPG volumes sold on the domestic market





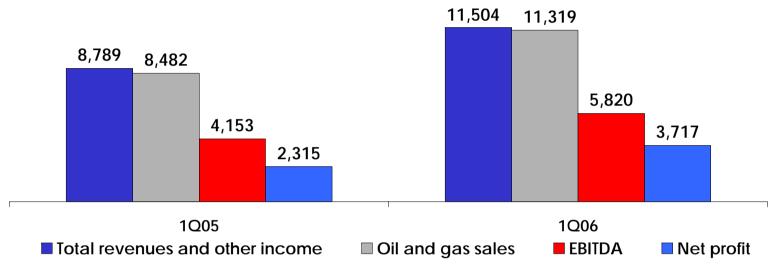


Financial Overview

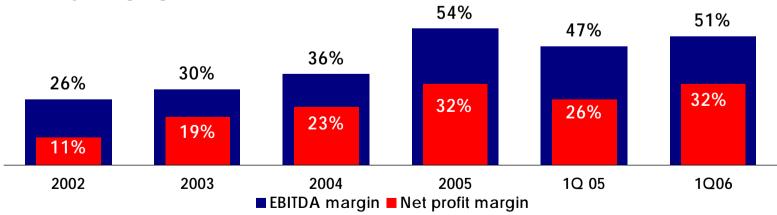


Summary financial results





Steady margin growth (% of total revenue and other income)





Steady Q-o-Q growth

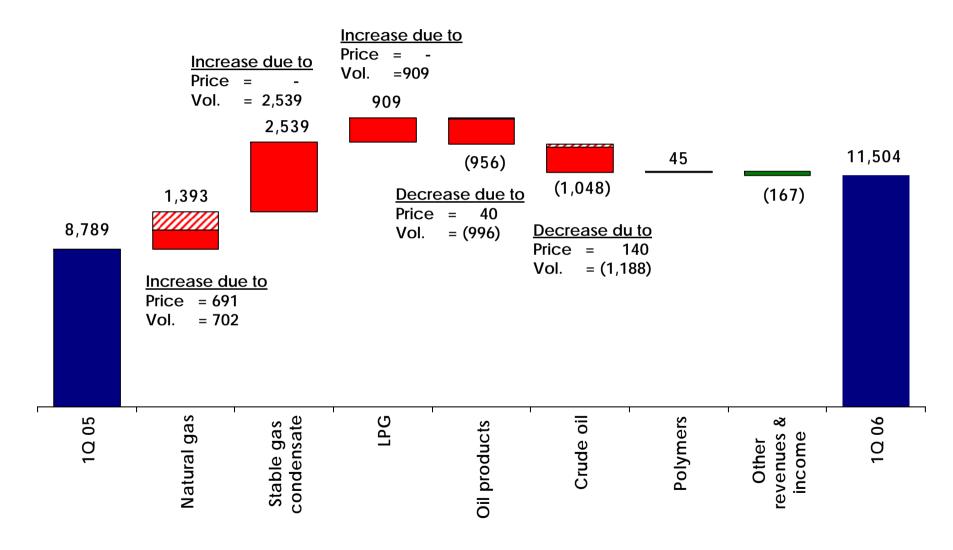
RR million	1Q 05	1Q 06	+/(-)	+/(-)%
Total revenues & other income	8,789	11,504	2,715	31%
Oil & gas sales	8,482	11,319	2,837	33%
EBITDA ⁽¹⁾	4,153	5,820	1,667	40%
Effective Tax Rate	25.8%	24.1%		
Profit attributable to Novatek	2,315	3,717	1,402	61%
Capex	1,577	1,186	(391)	(25%)
Net debt (3)	6,138 (4)	1,686	(4,452)	(73%)
Net debt / Total capitalization (5)	8% (4)	2%		

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. As of 12/31/2005
- 5. Total capitalization calculated as total debt plus shareholders equity plus minority interest plus deferred tax liability

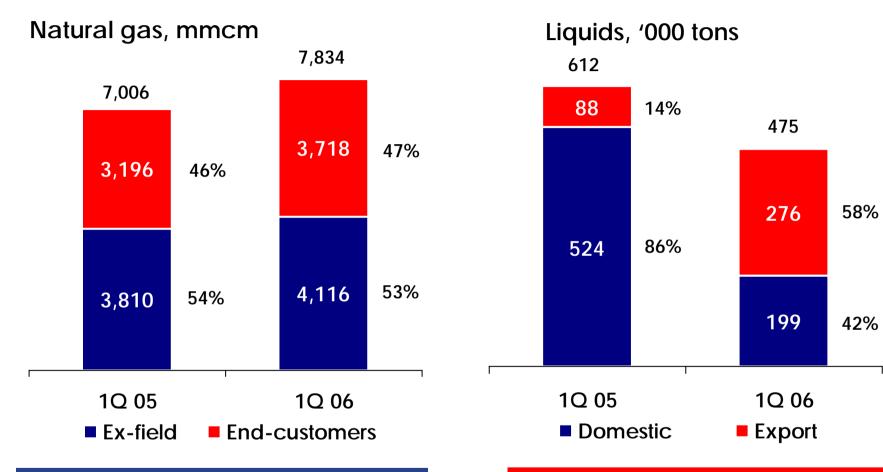


Revenue & other income reconciliation (RR million)





Market distribution – sales volumes

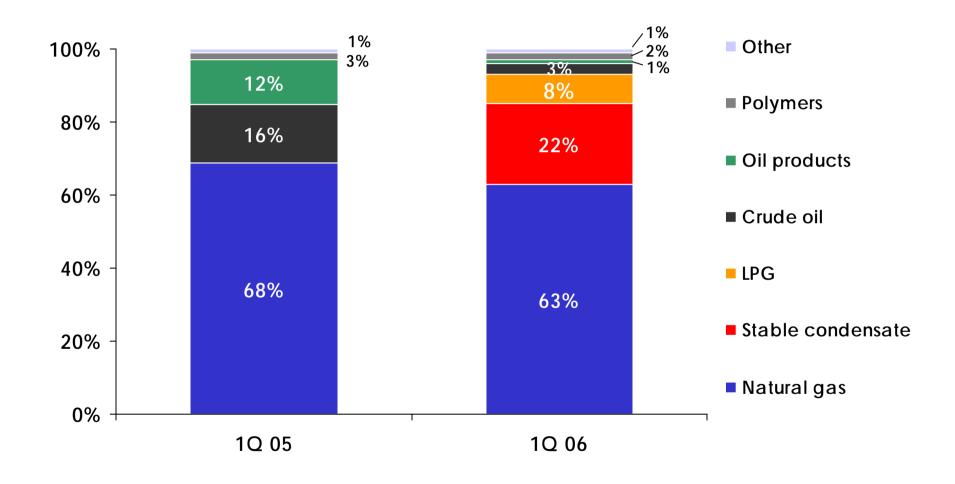


12% increase in sales volumes, sales distribution between categories remained unchanged

Decrease in volumes due to stable gas condensate in transit (140 thousand tons)



Total revenue breakdown





Realized prices (net of VAT and export duties)

Hydrocarbon prices		1Q 05	1Q 06	+/(-)	+/(-)%
Domestic market					
Natural gas end-user	RR/mcm	1,091	1,220	129	12%
Natural gas ex-field	RR/mcm	643	679	36	6%
Crude oil	RR/ton	3,463	6,075	2,612	75%
LPG	RR/ton	n/a	6,457	n/a	n/a
Oil products	RR/ton	4,431	6,132	1,701	38%
CIS market 1					
LPG	RR/ton	n/a	8,455	n/a	n/a
Export market 1					
Crude oil	RR/ton	5,548	6,724	1,176	21%
LPG	RR/ton	n/a	10,629	n/a	n/a
Stable gas condensate	RR/ton	n/a	9,877	n/a	n/a

Note

1. Includes cost of transportation



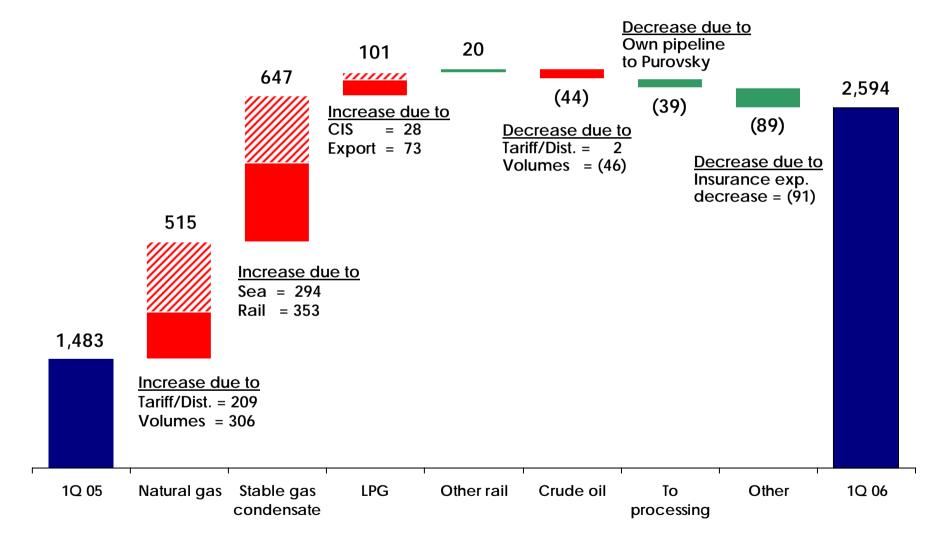
Operating expenses breakdown

Operating Expenses, RR million	1Q 05	% of Total Revenue	1Q 06	% of Total Revenue
Transportation expense	1,483	17%	2,594	22%
Taxes other than income	1,301	15%	1,553	13%
Depreciation and amortization	814	9%	996	9%
Materials, services and other	828	9%	964	8%
General and administrative	351	4%	665	6%
Exploration expense	149	2%	112	1%
Net impairment expense	42	0%	76	1%
Change in inventory	(77)	(1%)	(646)	(6%)
Subtotal	4,891	56%	6,314	54%
Cost of purchased oil, condensate and natural gas	650	7%	409	4%
Total operating expense	5,541	63%	6,723	58%

- Operating expenses decreased from 63% to 58% as a percentage of total revenues
- ☐ Transportation costs grew primarily due to a 23% increase in the natural gas tariff per 1000 m³ per 100 km and a 214% increase in liquid hydrocarbon volumes sold to export markets
- Taxes other than on income increased due to an increase in UPT tax due to higher volumes and a 8.9% increase in the UPT rate for natural gas

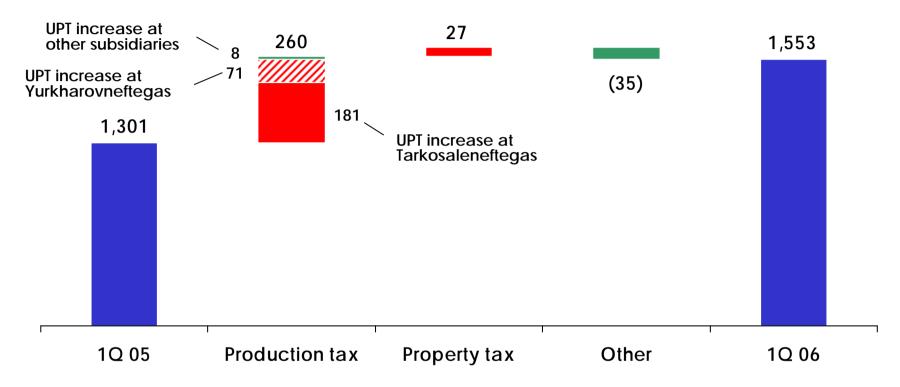


Transportation expense (RR million)





Taxes other than income (RR million)



- Increase in "taxes other than income" of 19.4% is due to an increase in production tax (UPT) of 23%, primarily due to increased production from TSNG and YNG and an increase in the UPT rate for natural gas (RR135 per mcm to RR 147 per mcm)
- Total UPT on natural gas and liquids was RR 829 million and RR 582 million, respectively
- Increase in Property tax due to additions of property, plant and equipment at Nova ZPK, Novatek and YNG



Condensed balance sheet (RR million)

RR million	2005	1Q 06	+/(-)	+/(-)%
Total current assets	11,922	14,764	2,842	24%
Incl. Cash & cash equivalents	2,956	5,873	2,917	99%
Total non-current assets	66,840	66,989	149	nm
Incl. Net PP&E	65,675	65,740	65	nm
Total assets	78,762	81,753	2,991	4%
Total current liabilities	10,432	10,034	(398)	(4%)
Incl. ST Debt	8,202	6,777	(1,425)	(17%)
Total non-current liabilities	10,781	10,424	(357)	(3%)
Incl. Deferred income tax liability	8,396	8,151	(245)	(3%)
Incl. LT Debt	892	782	(110)	(12%)
Total Liabilities	21,213	20,458	(755)	(4%)
Total equity	57,549	61,295	3,746	7%
Total liabilities & equity	78,762	81,753	2,991	4%

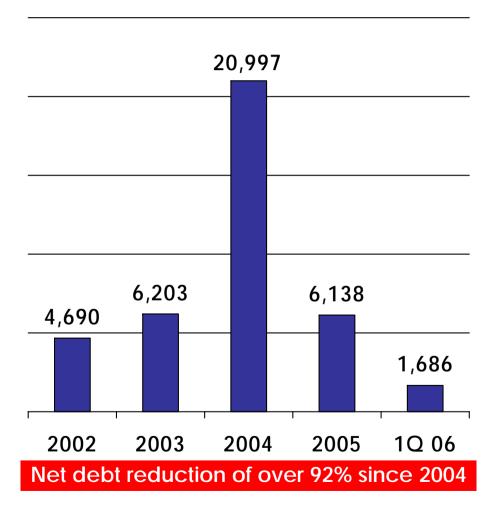


Debt structure

Debt structure and maturities

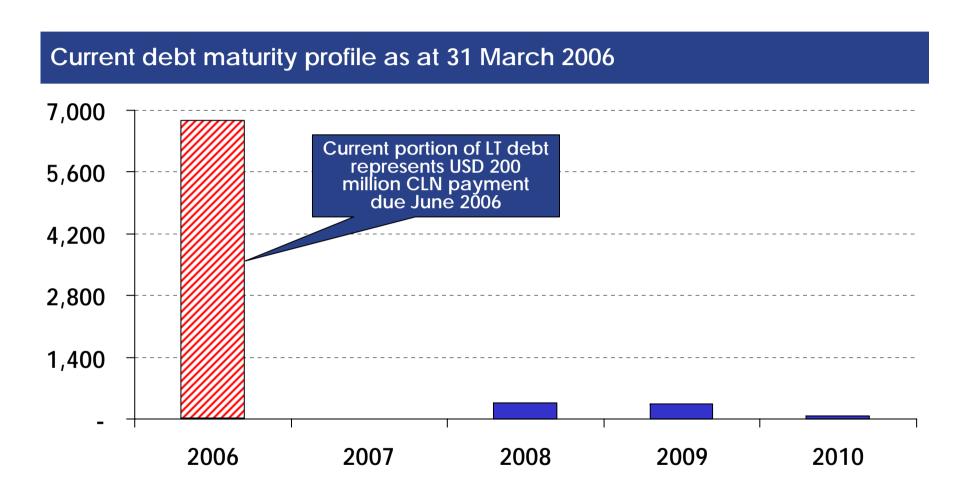
RR million	1Q 06	2005
Short-term debt	23	8,202
current portion of long- term debt	6,754	7,010
Long-term debt	782	892
Scheduled maturities		
2006	-	-
2007	-	375
2008	371	360
2009	352	141
2010	59	16
Total debt	7,559	9,094
Cash and equivalents	5,873	2,956
Net debt	1,686	6,138

Net Debt evolution, RR million





Total debt maturity profile (RR million)



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



Questions and Answers

