



Fourth Quarter and Full Year 2006 Operational and Financial Results Conference Call



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3 May 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.

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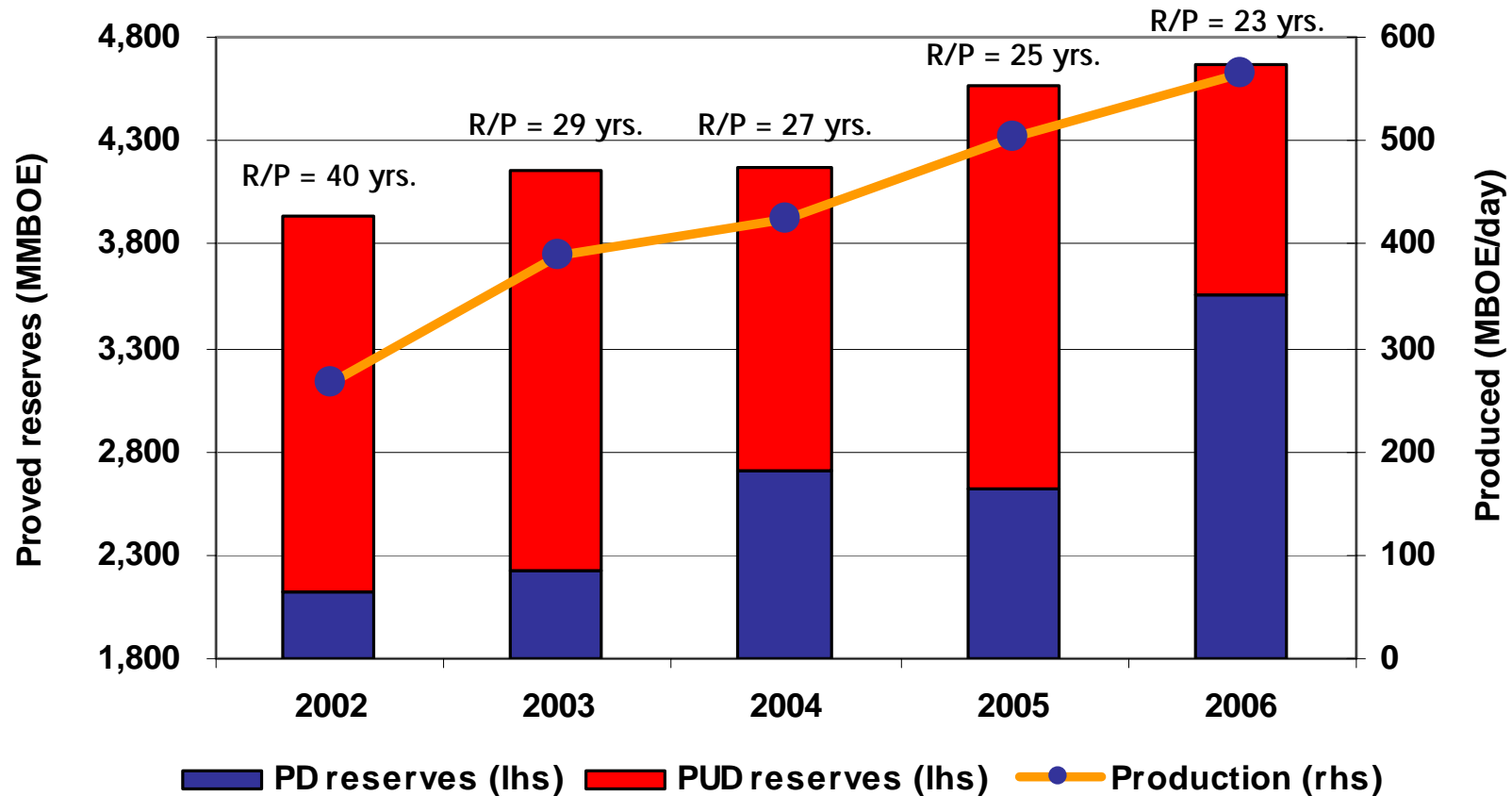


Summary Highlights 2006 – Record Results

- ❑ **Record revenues and earnings** driven by sales volume growth and favorable domestic and international price environment
- ❑ **Significant increase in 2006 oil and gas sales of 27.5%**
 - Natural gas sales increased by 23.4%
 - Liquids sales increased by 33.9%
- ❑ **Net cash positive** – net cash position (cash & cash equivalents less long and short-term debt) of RR 2,560 million as of 31 December 2006
- ❑ **Cash flow from operations** increased by 62.1%
- ❑ **Maintained low lifting costs** of \$0.45 per boe
- ❑ **Successfully replaced** 144% of 2006 production
- ❑ **F&D costs and RR costs** among lowest in the industry at \$0.57 and \$0.66 per boe, respectively

Operational Overview

Reserves converted to production



NVTK's reserve replacement rate (RRR) for 2006 is 144%;
and the Company's 2003 – 2006 three year average is 194%

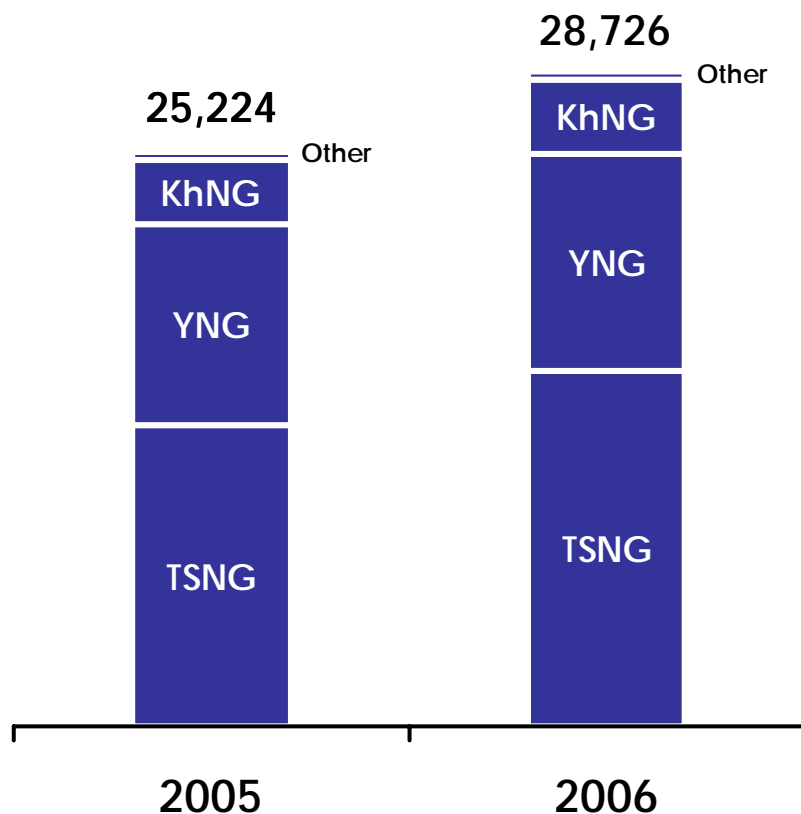
Note:

1. Novatek production and reserves based on ownership interest as of 12/31/2006 for all periods, some producing fields do not have reserve appraisals

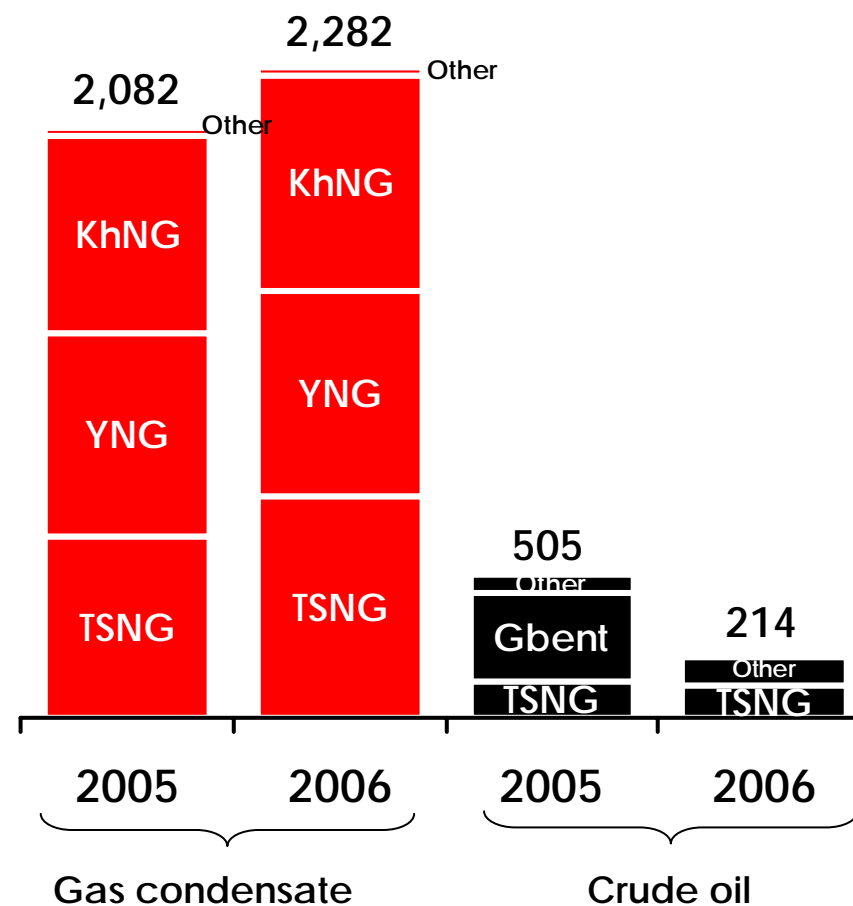


Gross hydrocarbon production¹

Natural gas production, mmcm



Liquids production, '000 tons



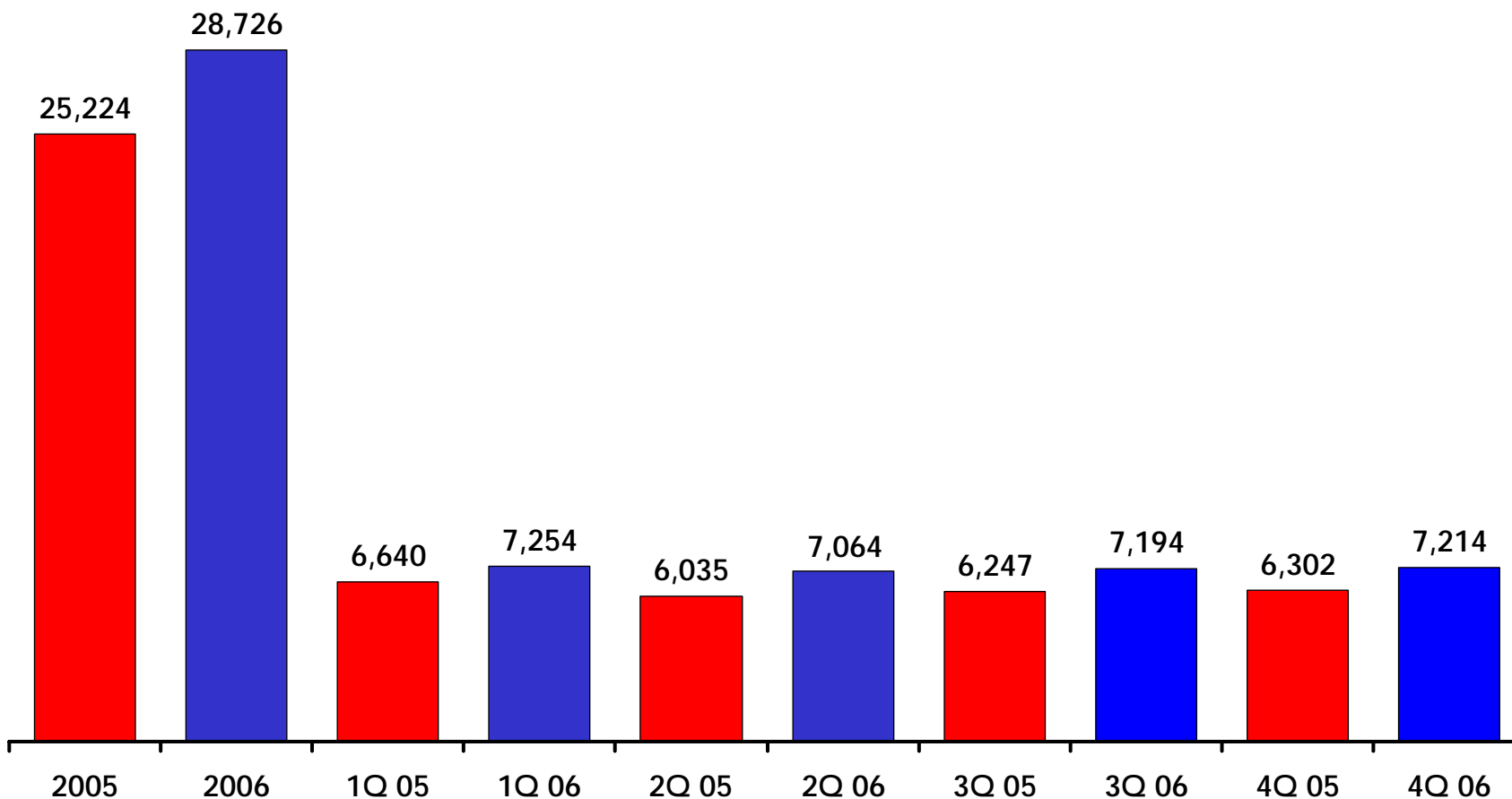
Note:

1. 100% of current Novatek subsidiaries for 2005 and 2006, including own consumption, technological and other losses



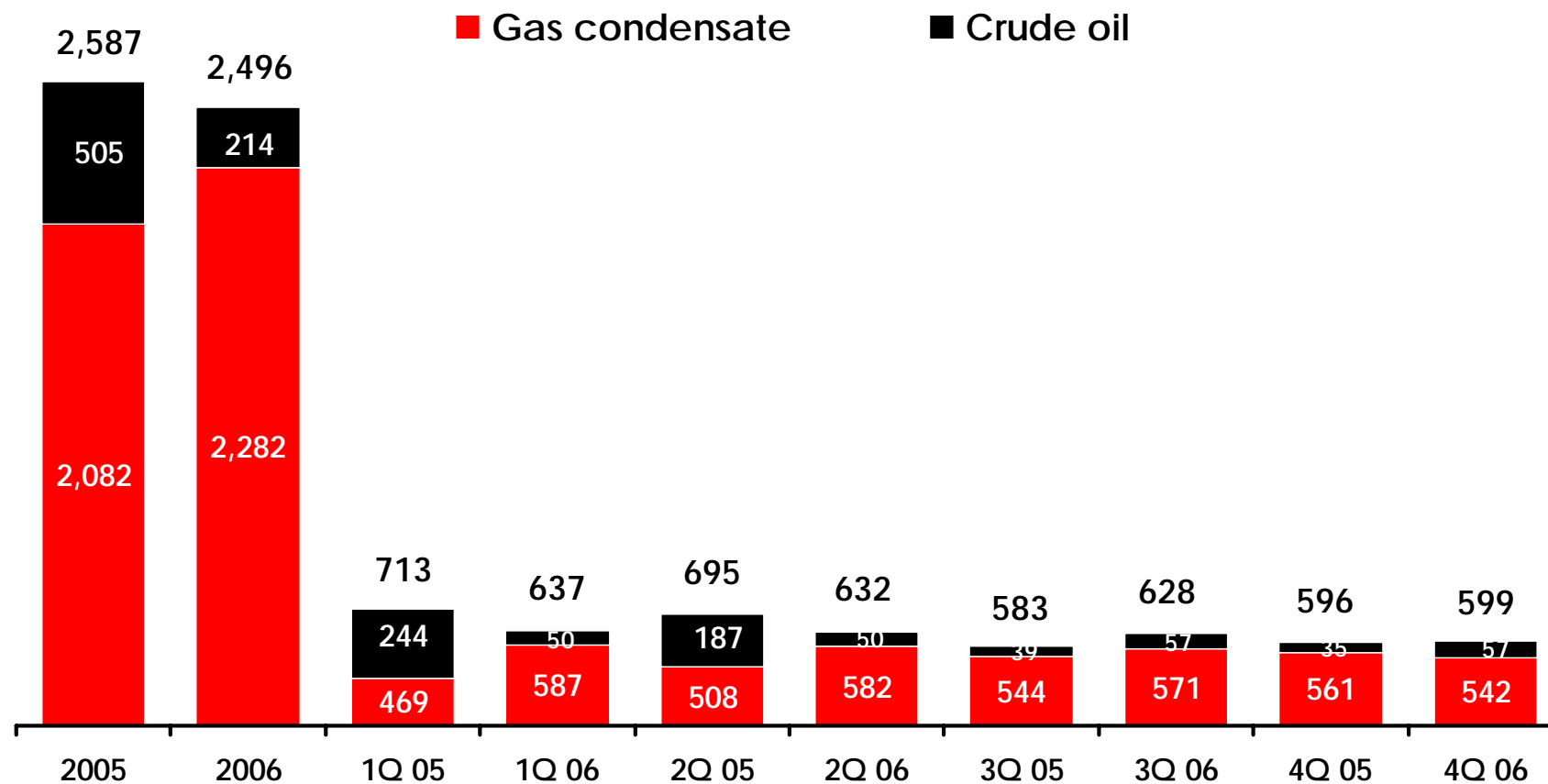
Gross production YoY and 2005/2006 quarterly

Gross natural gas production, mmcm



Gross production YoY and 2005/2006 quarterly

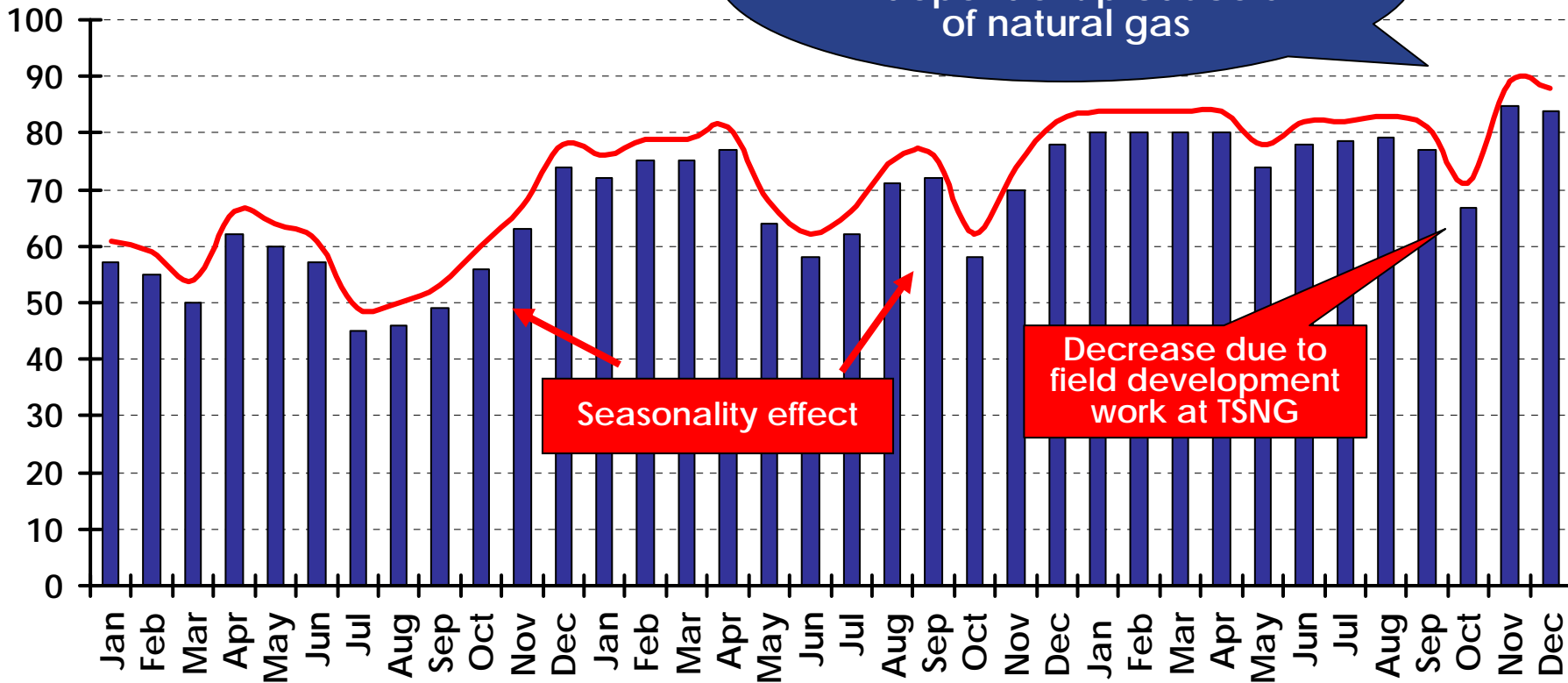
Gross liquid production, '000 tons



Increasing gas production

Monthly Gas Production, mmcm/day

NOVATEK is one of the world's largest independent producers of natural gas



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

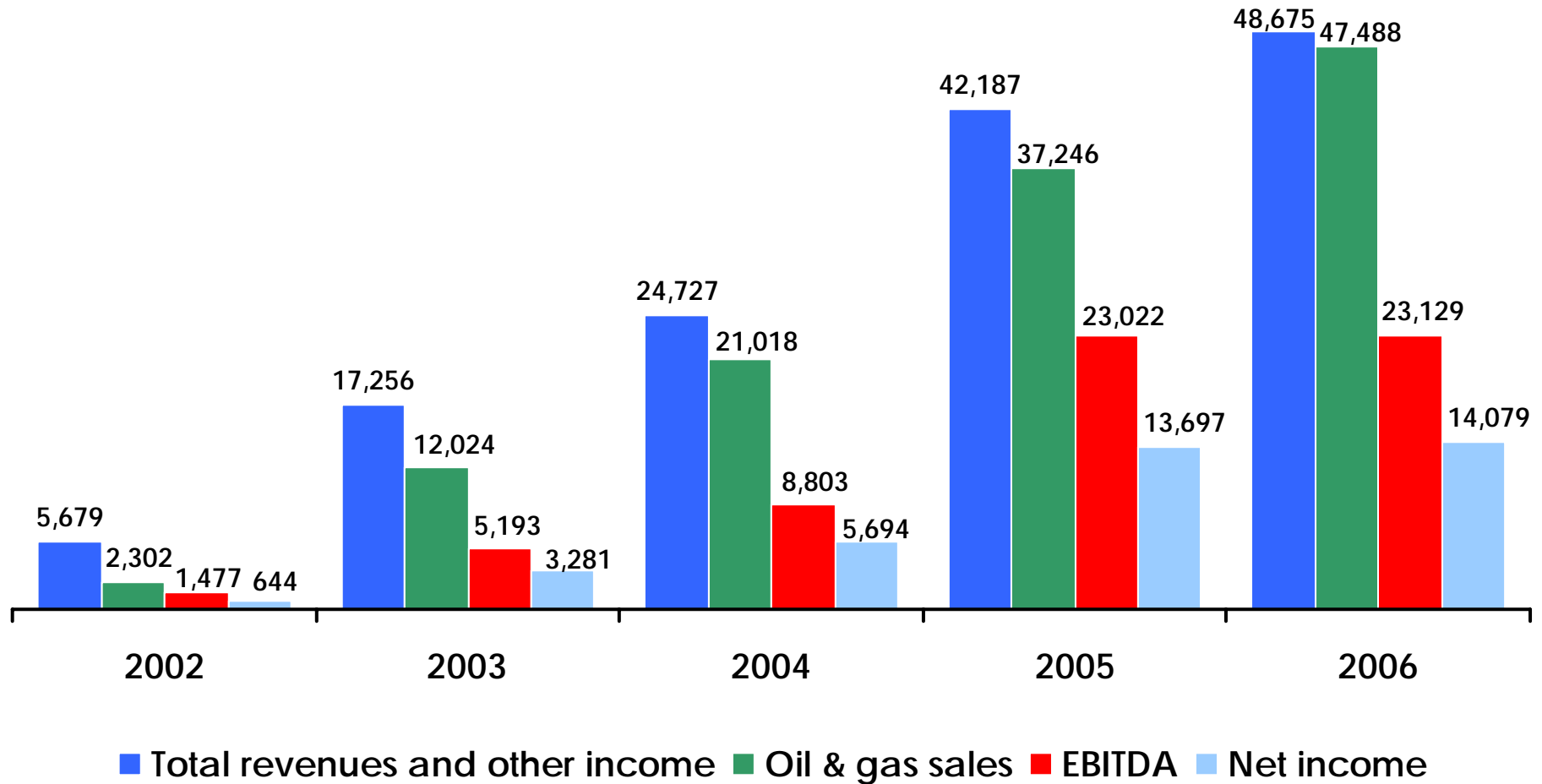
2005
2005 Avg. 69 mmcm/day
or 2,436 bcf/day

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

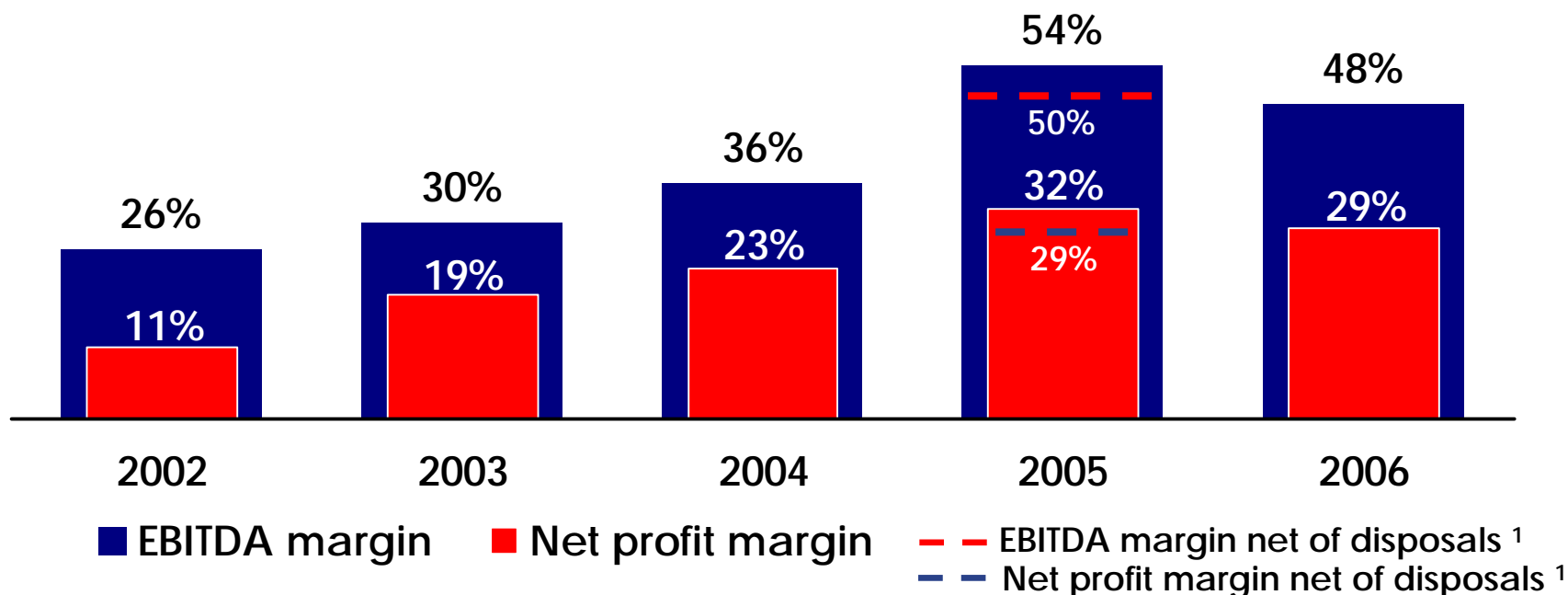


Financial Overview

Summary financial results (RR million)



Expanding margins (% of total revenue & other income)



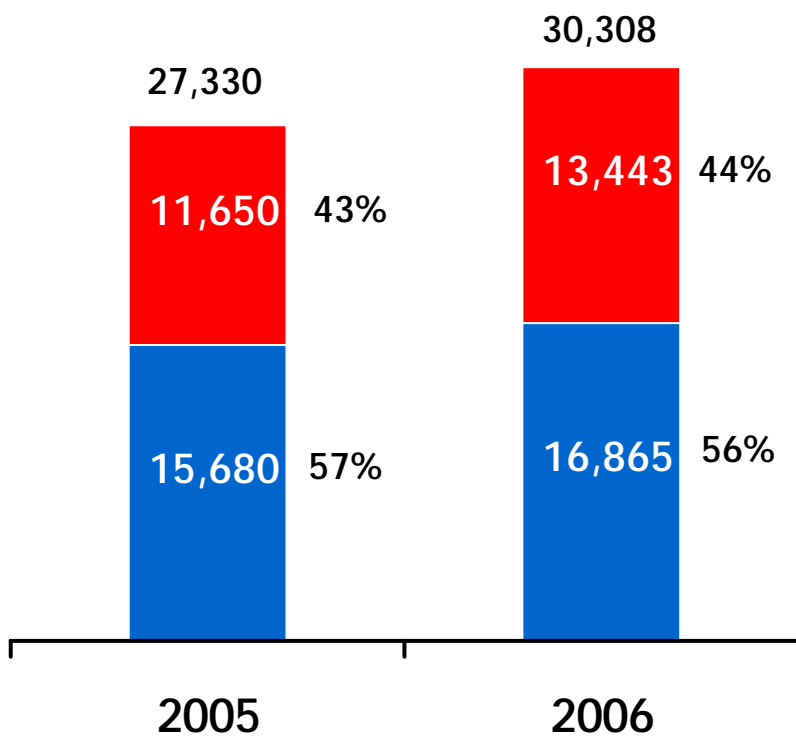
- Growth in and consolidation of core gas business
- Commencement of export liquid sales in current higher pricing environment
- Divestiture of non-core construction and other service businesses

Note:

1. Net of disposals of disposal of investments in oil and gas producing associates and gain on disposal of interest in subsidiaries

Market distribution – sales volumes

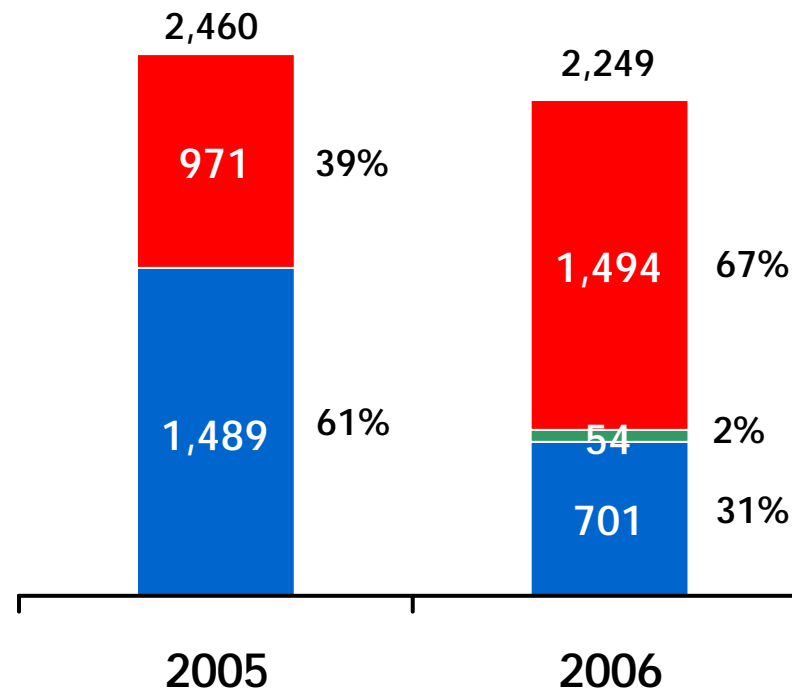
Natural gas, mmcm



■ Ex-field ■ End customer

Proportion of End-customer sales to ex-field sales relatively unchanged

Liquids, '000 tons

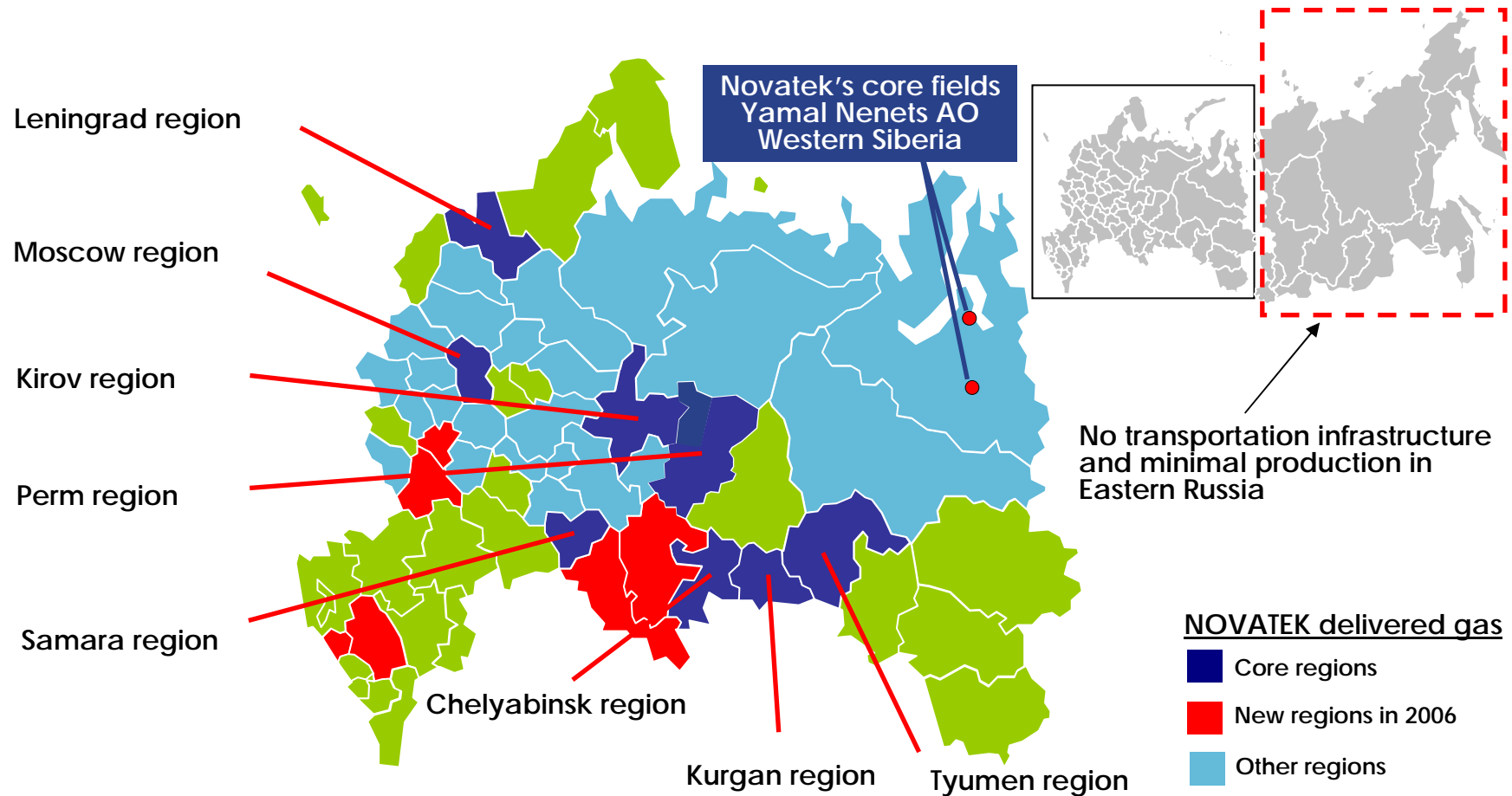


■ Domestic ■ CIS ■ Export

Growth in export sales in 2006 due to full year of operation at Purovsky plant

Delivered gas – our main industrial regions

- Novatek delivers gas to 36 regions from Western Siberia to European Russia
- 8 core regions accounted for ~ 80% of 2006 delivered volumes



Purovsky processing plant & Vitino Sea Port Terminal

- ❑ **Total volumes delivered 2,061 mt**
 - East Tarkosalinskoye and Khancheyevskoye fields: 1,443 mt (~100% of net production)
 - Yurkharovskoye: 618 mt (92% of net production)
- ❑ **Total plant output 2,046 mt**
 - stable gas condensate: 1,537 mt
 - LPG: 509 mt
- ❑ **Plant capacity**
 - Approximately 100%
- ❑ **28 Tankers from Vitino Sea Port Terminal**
 - 17 to stable gas condensate to US markets
 - 10 to European markets
 - 1 to South America (Brazil)
- ❑ **Inventory reconciliation**
 - Two tankers in transit – 110 thousand tons
 - Rail road cisterns and port storage facilities – 69 thousand tons
- ❑ **Majority of LPG volumes sold on the domestic market**



Stellar financial performance

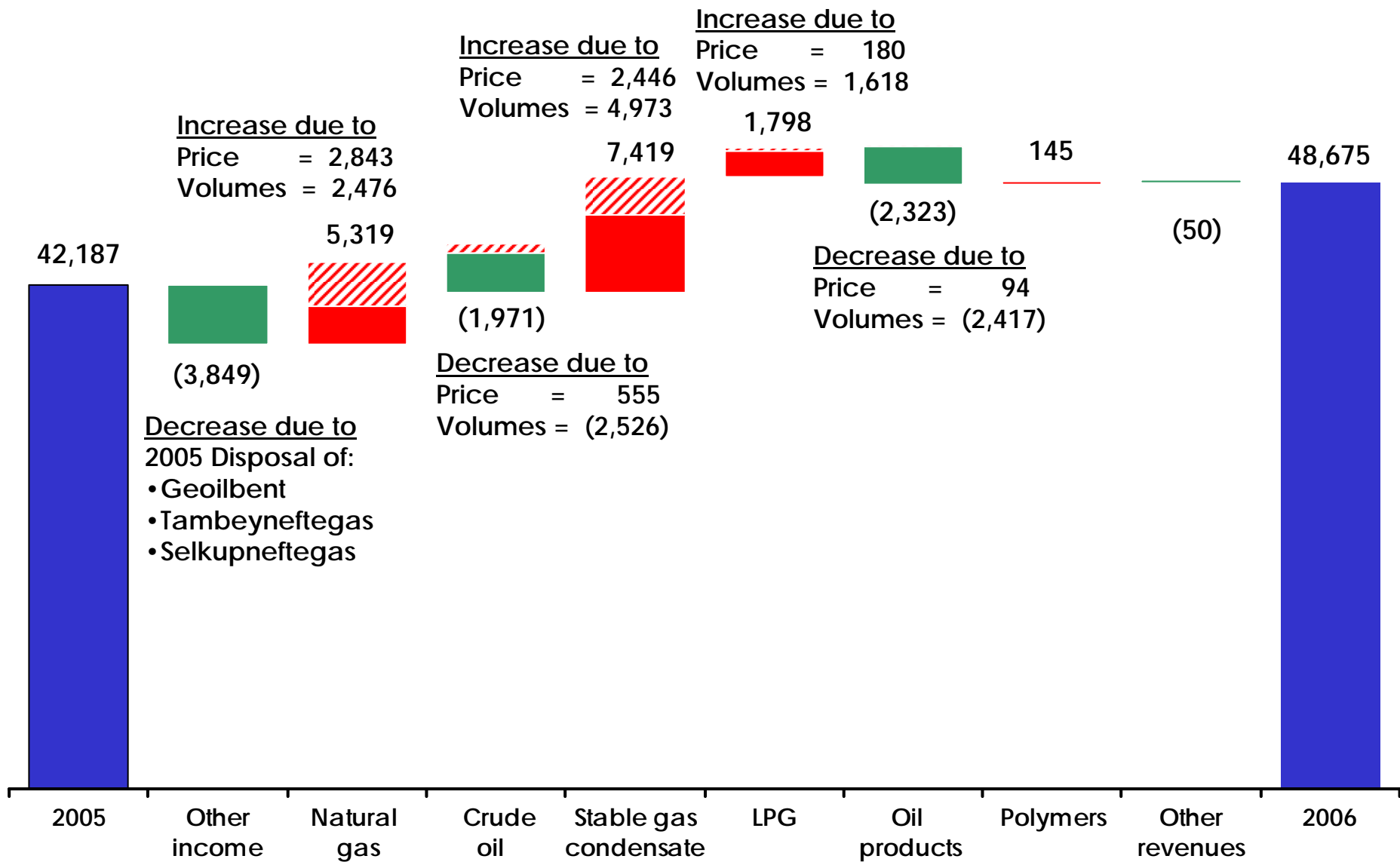
RR million	2005	2006	+ / (-)	+ / (-)%
Total revenues & other income	42,187	48,675	6,488	15.4%
Oil & gas sales	37,246	47,488	10,242	27.5%
EBITDA ⁽¹⁾	23,022	23,129	107	0.5%
Normalized EBITDA ⁽²⁾	19,391	23,120	3,729	19.2%
Effective tax rate	27.3%	26.7%		
Profit attributable to Novatek	13,697	14,079	382	2.8%
Capex	6,460	4,703	(1,757)	(27.2%)
Net debt (net cash) ⁽³⁾	6,138	(2,560)	(8,698)	(141.7%)
<i>Net debt / Total capitalization⁽⁴⁾</i>	8%	(3%)	(11%)	(137.5%)

Notes:

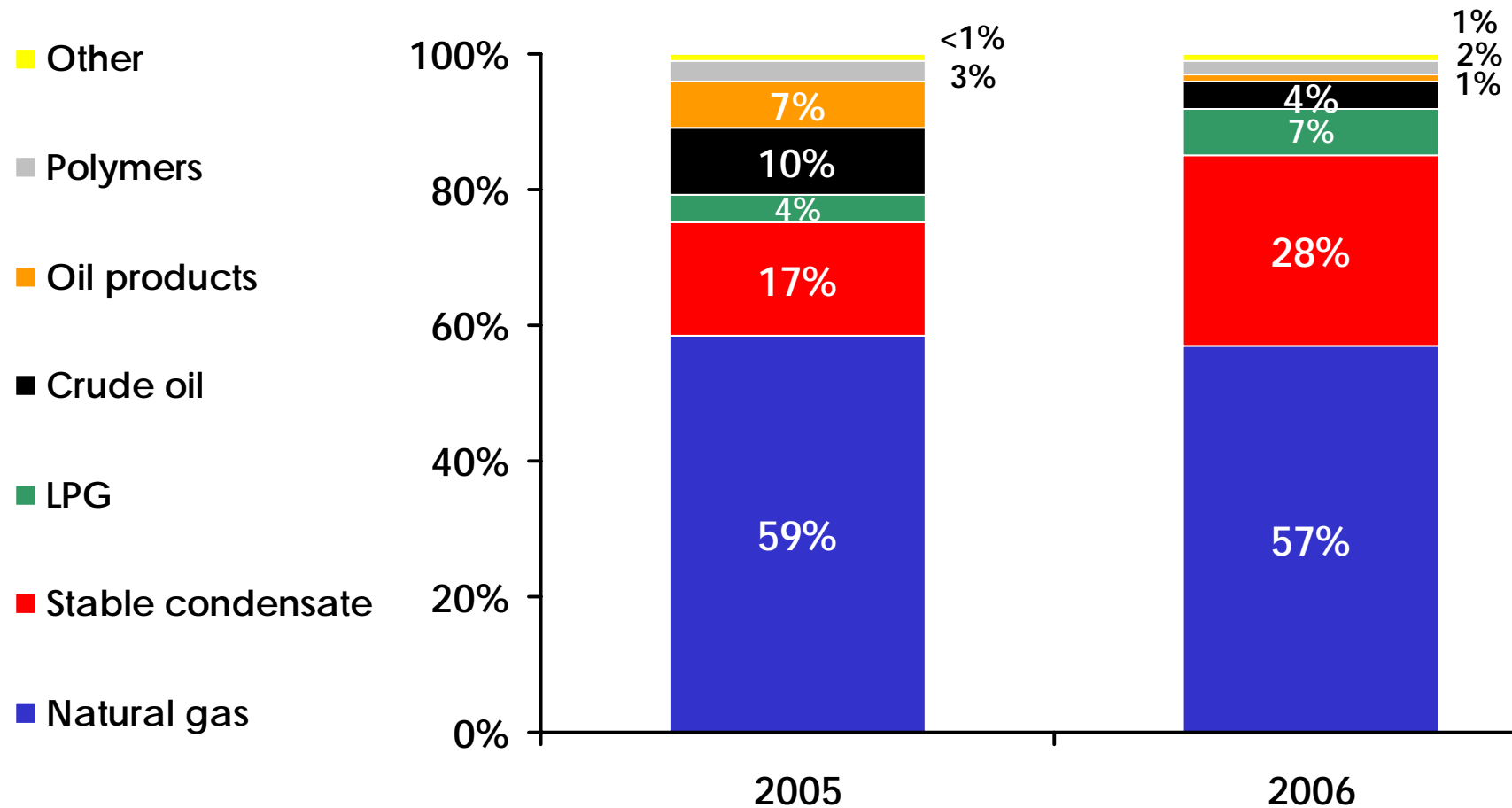
1. EBITDA defined as net income plus total finance expense and total income tax expense from P&L and depreciation, depletion and amortization and share based compensation from the statement of cash flows
2. EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates 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



Revenue & other income reconciliation (RR million)



Total revenue breakdown



Realized prices (net of VAT, excise tax and export duties)

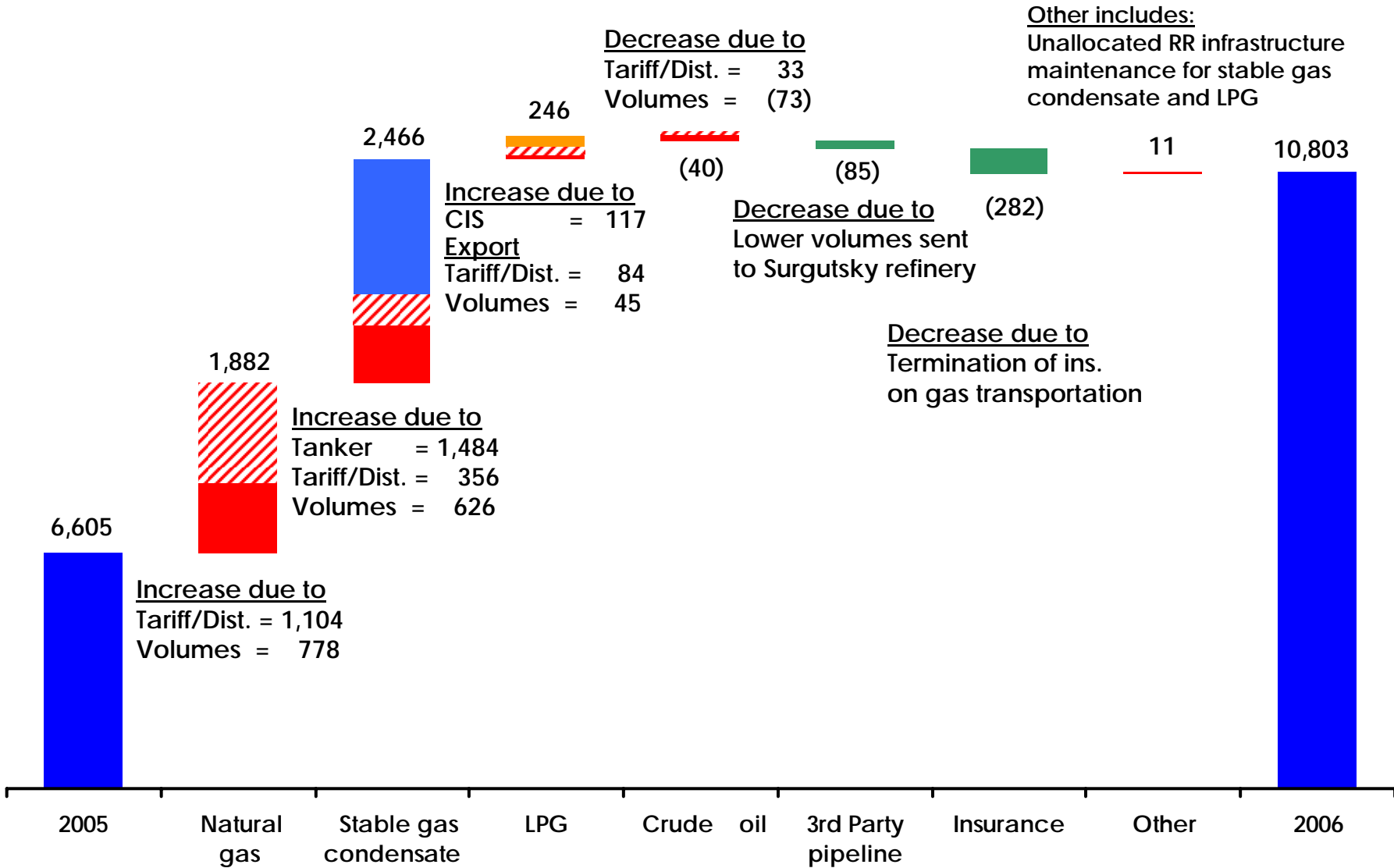
Hydrocarbon prices		2005	2006	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas end-user	RR/mcm	1,121	1,253	132	12%
Natural gas ex-field	RR/mcm	617	664	47	8%
Crude oil	RR/ton	4,100	5,993	1,893	46%
Stable gas condensate	RR/ton	6,268	8,015	1,747	28%
LPG	RR/ton	5,647	5,716	69	1%
Oil products	RR/ton	4,704	5,857	1,153	25%
<u>CIS</u>					
LPG	RR/ton	n/a	8,538	n/a	n/a
<u>Export market</u>					
Crude oil	RR/ton	6,102	7,107	1,005	16%
Stable gas condensate	RR/ton	8,339	10,143	1,804	22%
LPG	RR/ton	9,515	10,970	1,455	15%

Operating expenses breakdown

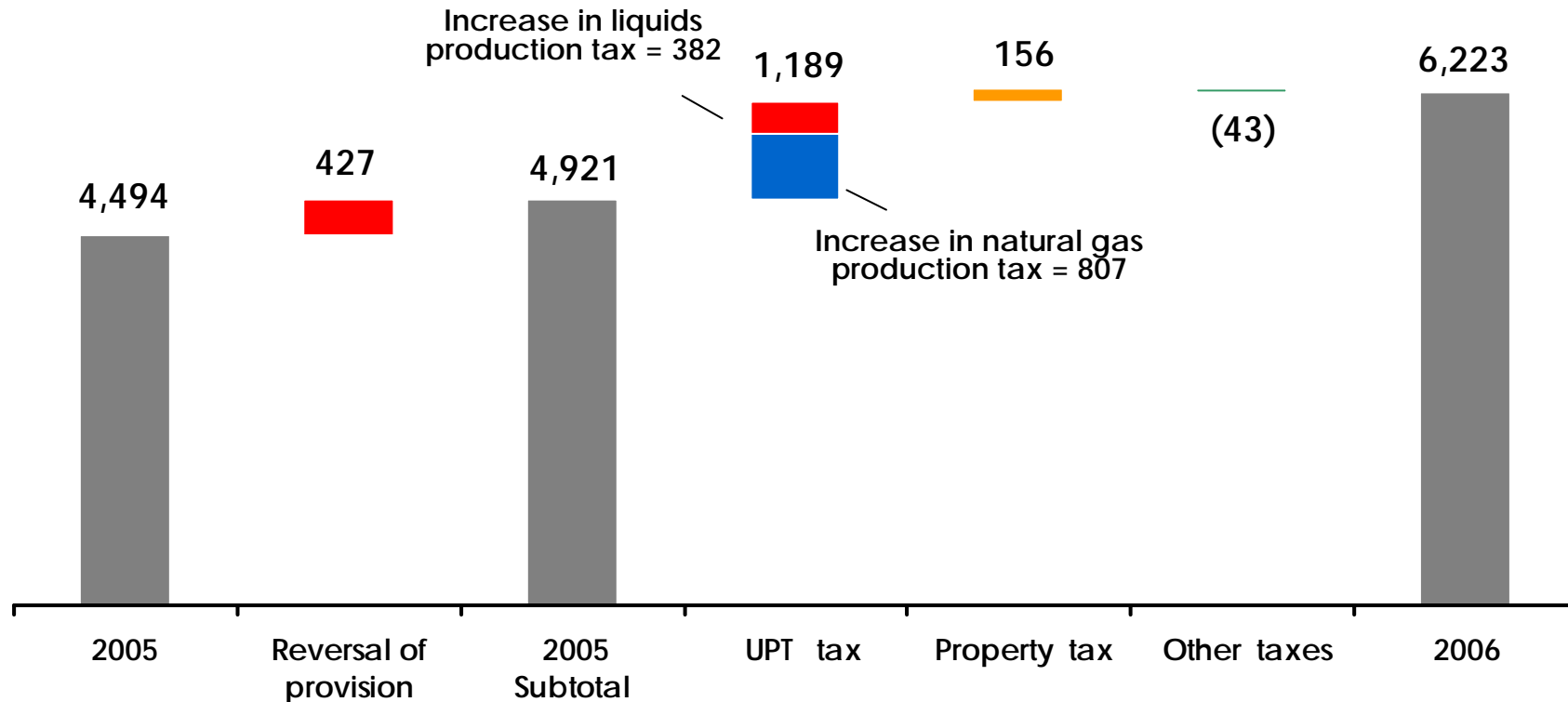
Operating Expenses, RR million	2005	% of Total Revenue	2006	% of Total Revenue
Transportation expense	6,605	17%	10,803	22%
Taxes other than income	4,494	12%	6,223	13%
Materials, services and other	3,737	10%	3,893	8%
Depreciation and amortization	3,372	9%	3,671	8%
General and administrative	2,417	6%	3,165	6%
Exploration expense	348	1%	459	1%
Impairment	87	0%	100	0%
Change in inventory	(264)	(1%)	(597)	(1%)
Subtotal	20,796	54%	27,717	57%
Purchases of gas condensate and natural gas	2,065	5%	1,805	4%
Total operating expense	22,861	59%	29,522	61%

- ❑ Operating expenses increased to 61% from 59% as a percentage of total revenues
- ❑ Transportation costs grew primarily due to increases in tariffs and sales volumes of hydrocarbons
- ❑ Taxes other than income increased primarily due to increased natural gas volumes and an increase in the UPT tax rate for natural gas from RR 135 / mcm to RR 147 / mcm
- ❑ Materials and services expenses decreased to 8% of total revenues due to the overall increase in revenues

Transportation expense (RR million)

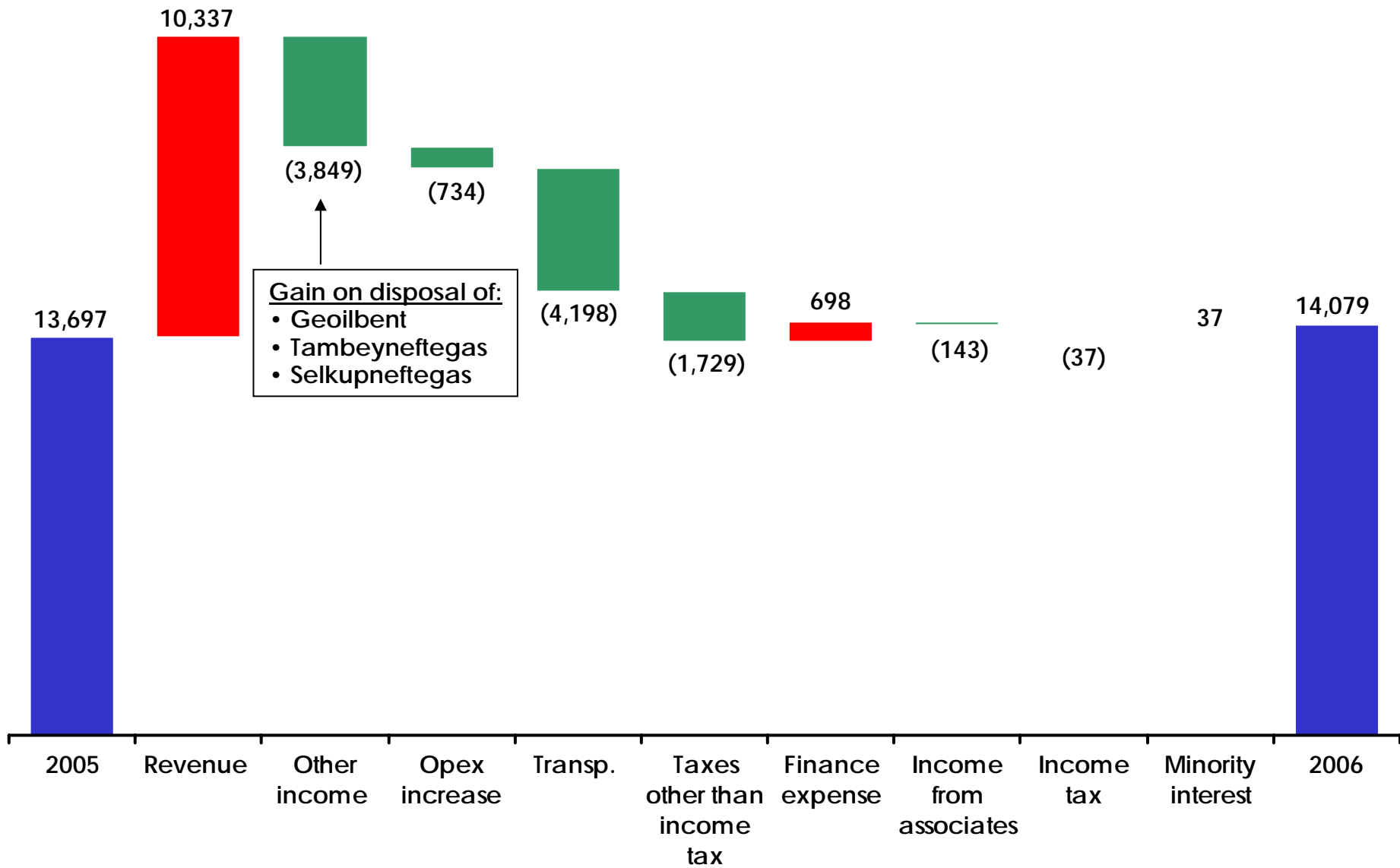


Taxes other than income (RR million)



- ❑ Increase in “taxes other than income” of 38% due to UPT tax increase of 27%, primarily due to a 14.1% increase in natural gas production and a 9% increase in the UPT tax rate for natural gas
- ❑ Reversal of a provision in current period relating to the calculation of production tax on gas condensate recorded in 1Q 2005
- ❑ Property tax increase due to additions of PPE at Purovsky plant, 53% of increase

Profit attributable to Novatek reconciliation (RR million)



Condensed balance sheet (RR million)

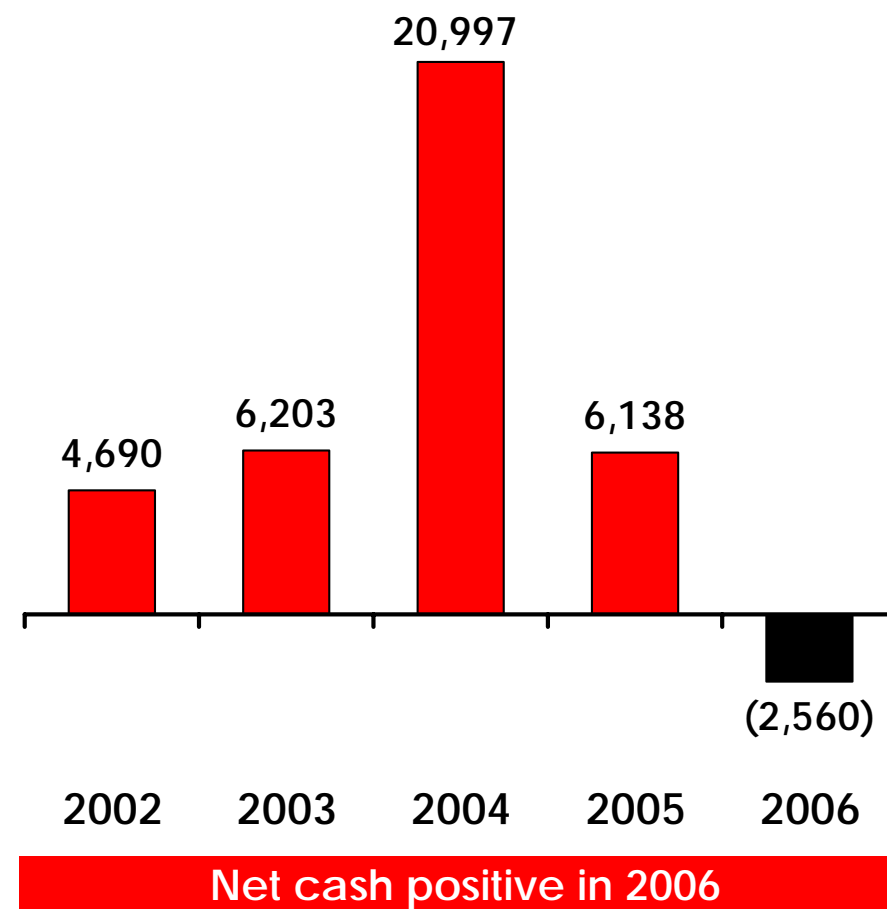
RR million	2005	2006	+ / (-)	+ / (-)%
Total current assets	11,922	15,818	3,896	33%
<i>Incl. Cash & cash equivalents</i>	<i>2,956</i>	<i>5,668</i>	<i>2,712</i>	<i>92%</i>
Total non-current assets	66,840	68,508	1,668	2%
<i>Incl. Net PP&E</i>	<i>65,675</i>	<i>66,734</i>	<i>1,059</i>	<i>2%</i>
Total assets	78,762	84,326	5,564	7%
Total current liabilities	10,432	5,098	(5,334)	(51%)
<i>Incl. ST Debt</i>	<i>8,202</i>	<i>2,565</i>	<i>(5,637)</i>	<i>(69%)</i>
Total non-current liabilities	10,781	10,552	(229)	(2%)
<i>Incl. Deferred income tax liability</i>	<i>8,396</i>	<i>8,412</i>	<i>16</i>	<i>0%</i>
<i>Incl. LT Debt</i>	<i>892</i>	<i>543</i>	<i>(349)</i>	<i>(39%)</i>
Total Liabilities	21,213	15,650	(5,563)	(26%)
Total equity	57,549	68,676	11,127	19%
Total liabilities & equity	78,762	84,326	5,564	7%

Debt structure

Debt structure and maturities

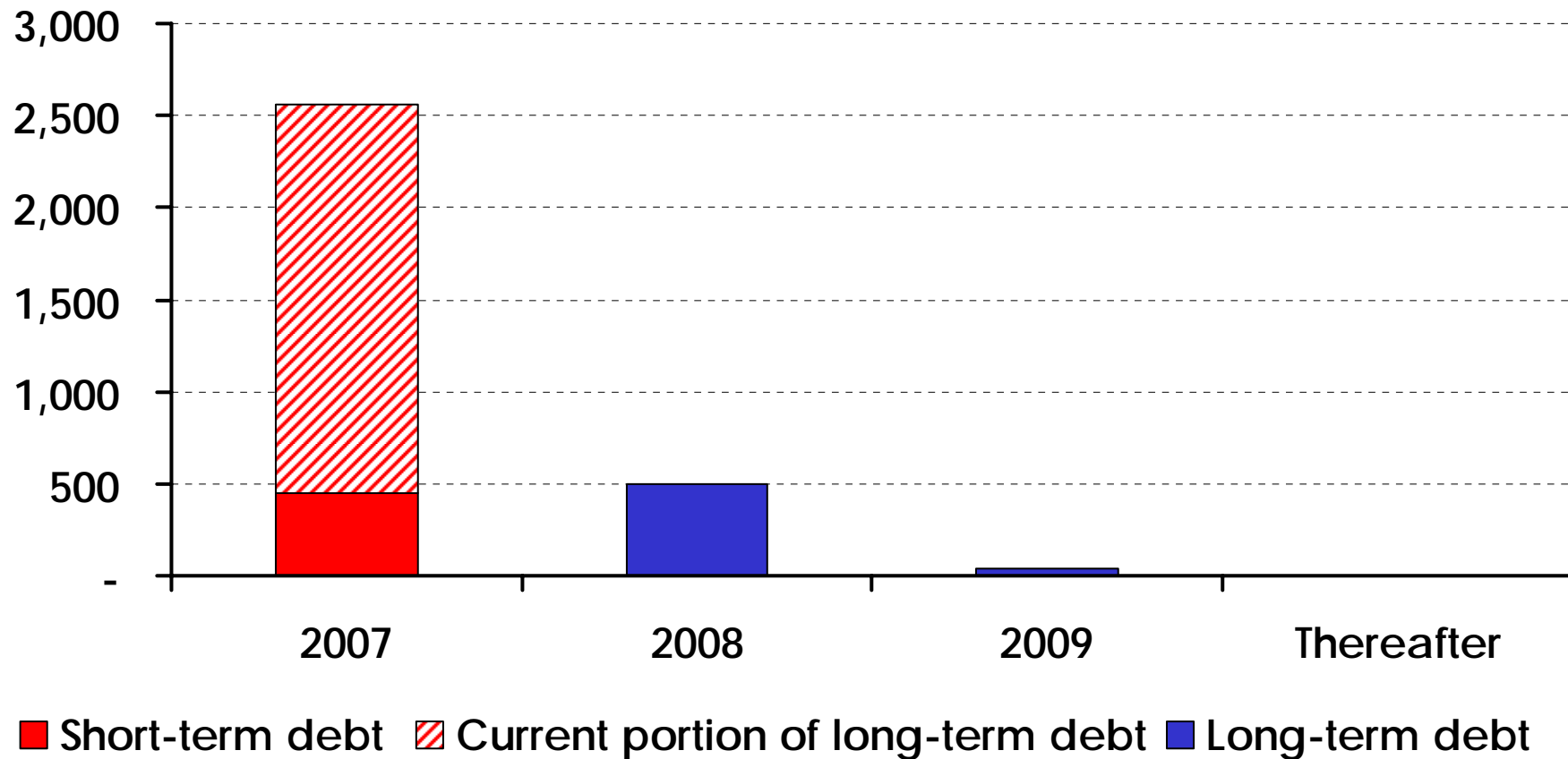
RR million	2006	2005
Short-term debt	2,565	8,202
<i>Including current portion of long-term debt</i>	<i>2,117</i>	<i>7,010</i>
Long-term debt	543	892
Scheduled maturities		
2006	-	-
2007	-	375
2008	501	360
2009	42	141
2010	-	16
Total debt	3,108	9,094
Cash and equivalents	5,668	2,956
Net debt (Net cash)	(2,560)	6,138

Net Debt (Net cash) evolution, RR million



Total debt maturity profile (RR million)

Current debt maturity profile as at 31 December 2006



Strengthening credit fundamentals

Long term liquidity ratios	2002	2003	2004	2005	2006
Gross Debt / EBITDA	3.4x	1.5x	2.7x	0.4x	0.1x
Net Debt / EBITDA	3.2x	1.2x	2.4x	0.3x	(0.1)x
EBITDA / Interest	8.4x	9.9x	10.2x	20.5x	44.8x
Net Debt / Total capitalization ¹	38%	29%	27%	8%	(3%)
Total debt (RR)/ P1 reserves, boe	2.50	3.26	5.77	1.99	0.7

NOVATEK's credit fundamentals continued to strengthen in 2006. The Company's continued debt reduction led to a positive net cash position at the end of 2006 and lower interest expense throughout the year

Notes:

1. Total capitalization represents total debt plus shareholders equity plus minority interest plus deferred taxes

QoQ performance

RR million	3Q06	4Q06	+/(-)%
Total revenues & other income	12,960	11,830	(9%)
Oil and gas sales	12,569	11,394	(9%)
EBITDA ⁽¹⁾	6,536	4,900	(25%)
<i>EBITDA margin % ⁽²⁾</i>	<i>50%</i>	<i>41%</i>	
Operating expenses	7,352	7,595	3%
Effective tax rate	25%	34%	
Profit attributable to Novatek	4,086	2,777	(32%)
<i>Profit margin % ⁽²⁾</i>	<i>32%</i>	<i>23%</i>	

- ❑ QoQ oil and gas sales decreased by 9% primarily due to a 45% decrease in stable gas condensate sales revenue. 4Q stable gas condensate export sales volumes and net prices decreased by 24% and 28%, respectively, as compared to 3Q.
- ❑ Increased purchases of crude oil in the 4Q and related transportation expenses, as well as lower oil and gas sales, were the primary driver to the 25% decrease in EBITDA.
- ❑ QoQ net profit decreased by 32% primarily due to the reasons noted above and a one time adjustment in the 4Q, of RR 260 million, related to unrealized profit at our foreign trading subsidiaries. Excluding the adjustment our effective tax rate would have been 27.7%

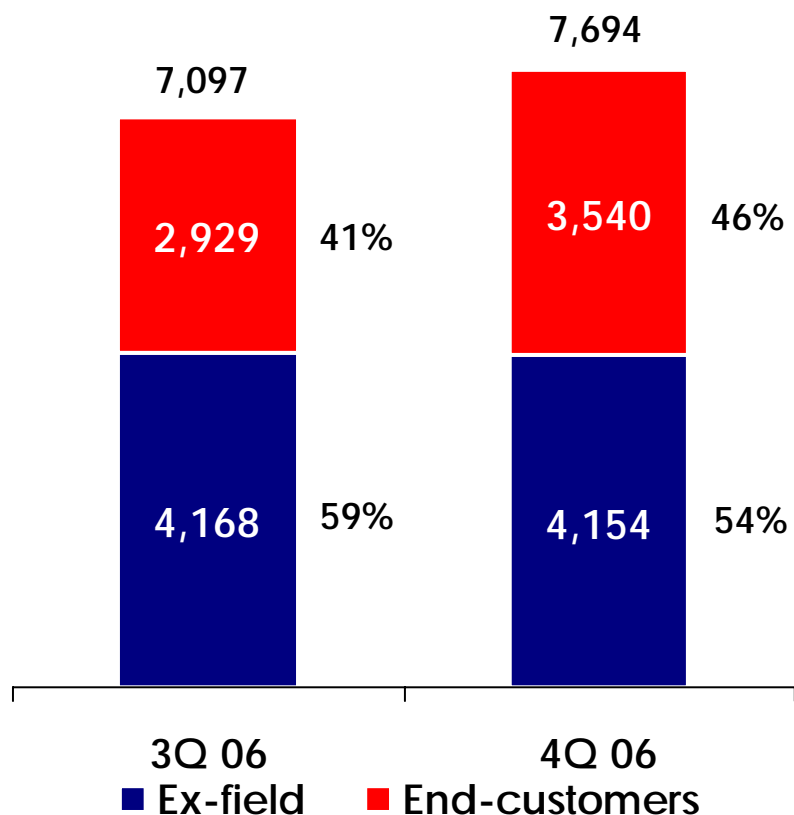
Notes:

1. EBITDA defined as net income plus total finance expense and total income tax expense from P&L and depreciation, depletion and amortization and share based compensation from the statement of cash flows
2. As a percentage of total revenues and other income



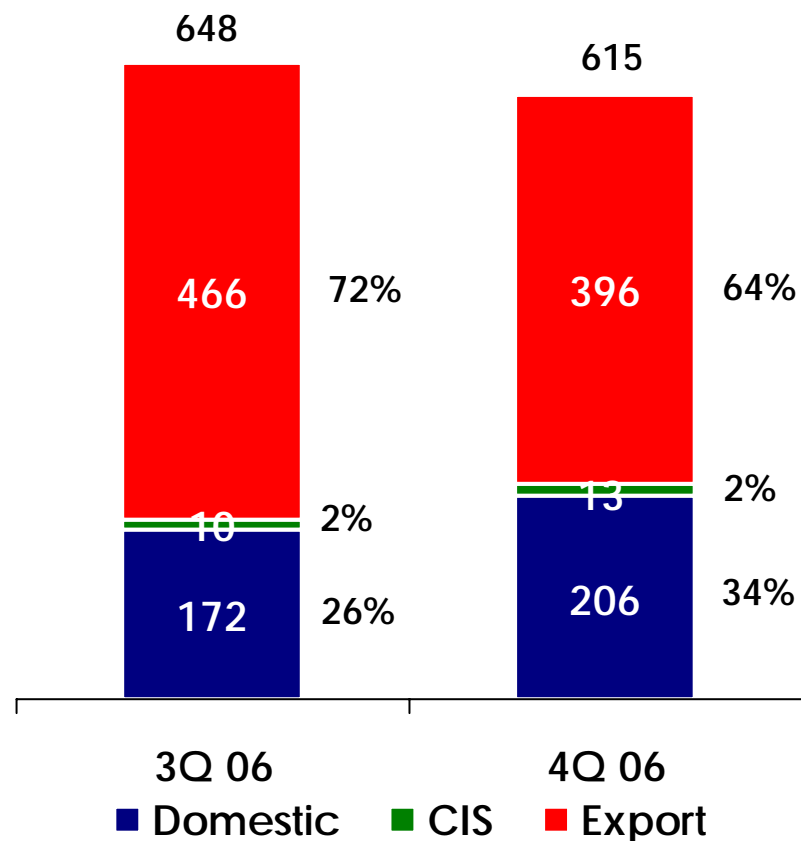
Market distribution – sales volumes

Natural gas, mmcm



4Q06 natural gas sales volumes increased 8% due to a 28% increase in purchases and an 85% decrease in volumes injected into storage

Liquids, '000 tons



4Q06 liquids sales volumes decreased by 5% due to a 27% increase in condensate inventories and a 5% decrease in condensate production which was offset by an increase in crude oil purchases

Operating expenses breakdown

Operating Expenses, RR million	3Q 06	% of Total Revenue	4Q06	% of Total Revenue
Transportation expense	2,685	21%	2,928	25%
Taxes other than income	1,529	12%	1,575	13%
Depreciation and amortization	1,048	8%	631	5%
Materials, services and other	987	8%	999	9%
General and administrative	792	6%	848	7%
Exploration expense	180	1%	52	0%
Impairment (reversal) expense	(21)	0%	27	0%
Change in inventories	36	0%	(104)	(1%)
Subtotal	7,236	56%	6,956	59%
Purchases of oil, gas condensate and natural gas	296	2%	639	6%
Total operating expense	7,532	58%	7,595	65%

- ❑ Operating expenses increased QoQ from 58% to 65% as a percentage of total revenues
- ❑ Transportation costs increased 9% QoQ due to a 21% increase in natural gas volumes to End-customers and increased volumes of crude oil purchased by our trading subsidiary
- ❑ Purchases increased by 116% QoQ due to an increase in crude oil purchases by our trading subsidiary (27,000 tons)

Questions and Answers