



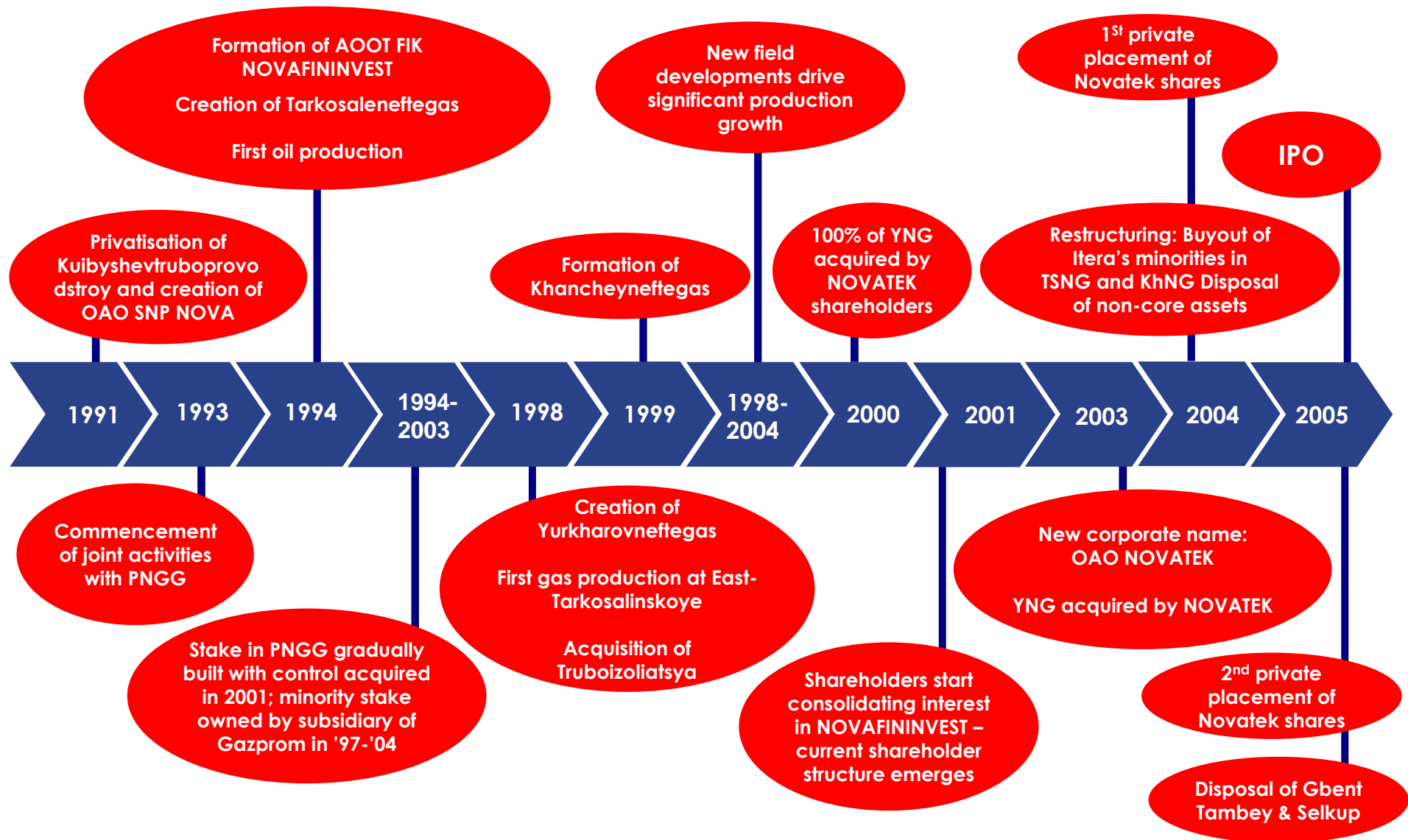
LSE & MICEX Stock Exchanges Russian IPOs – Our Case Study



*Mark A. Gyetvay, Chief Financial Officer and Member of the Board of Directors
1-2 March 2006, MICEX Stock Exchange, Moscow, Russian Federation*

Our preparation for the capital markets

History of NOVATEK



Key issues driving organizational restructuring



Rationale for change

Russian companies must effectively compete for limited capital in today's global markets

Through

- ✓ **Transparent ownership structure of assets**
- ✓ **Adoption of best practices**
- ✓ **Timely reporting of financial and operational results**
- ✓ **Oversight and accountability at the Board level**

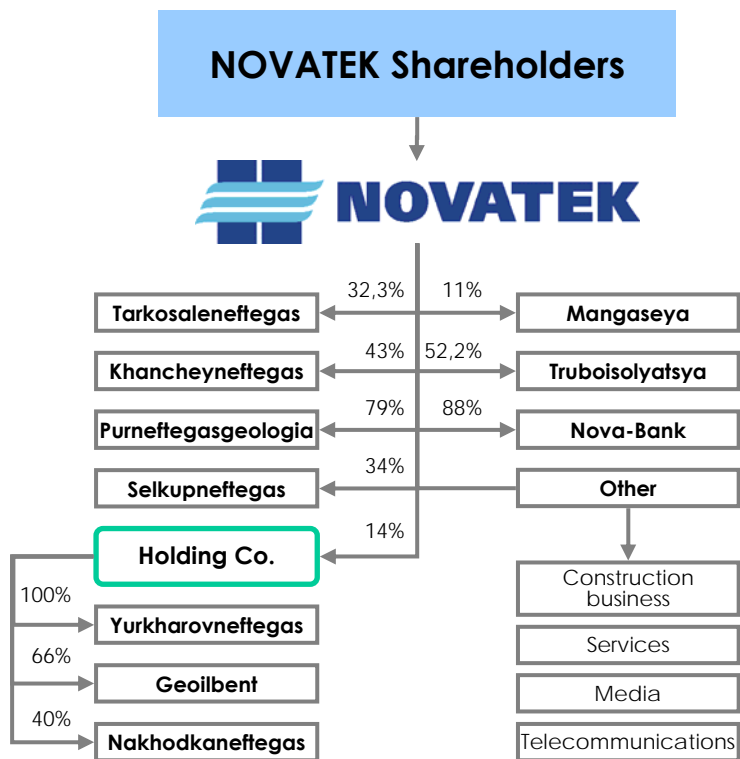
For

- ✓ **Investment and development requirements**

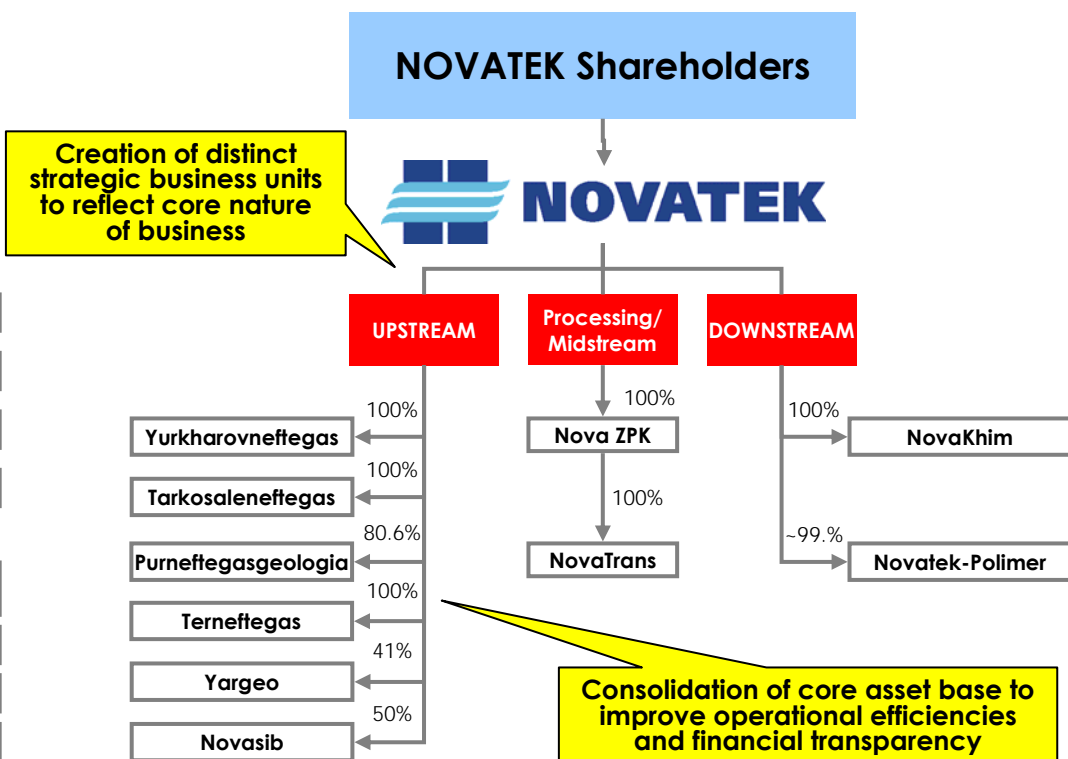
Simple and transparent corporate structure

Simplified corporate structure and improved transparency

Pre-restructuring and IPO



Post-restructuring and IPO

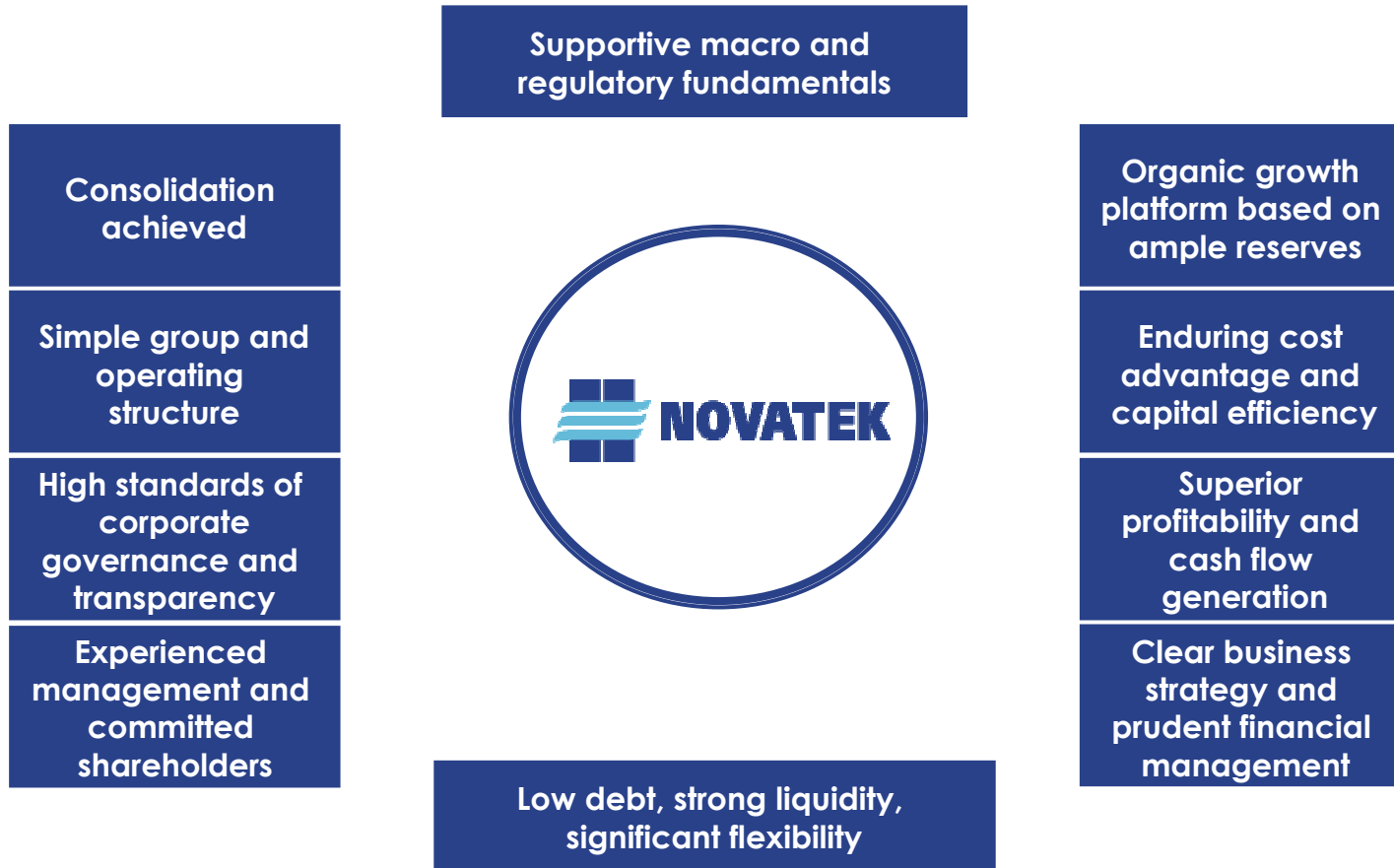


Our commitment to Corporate Governance

Objectives	NOVATEK policy
<p>Transparency</p>	<p>⇒</p> <ul style="list-style-type: none"> ✓ Quarterly IFRS accounts ✓ International audits by PwC, reserves appraisal by D&M from 1997 ✓ Commitment to higher levels of disclosure via international listing
<p>Integrity of P&L</p>	<p>⇒</p> <ul style="list-style-type: none"> ✓ Full consolidation of core fields ✓ OAO NOVATEK operating as a profit center ✓ Plan to establish a fully-owned export trader by year-end ✓ Independent Auditor + Audit Committee
<p>Shareholder rights protection</p>	<p>⇒</p> <ul style="list-style-type: none"> ✓ LSE and domestic Russian listing (MICEX and RTS) ✓ Independent directors (3 out of 8 members) ✓ Establishment of Corporate Governance Policies and Procedures
<p>Efficient capital allocation</p>	<p>⇒</p> <ul style="list-style-type: none"> ✓ Focus on core upstream business, corporate reorganization and divestiture program of non-core assets ✓ Dividend policy to balance investment opportunities with returning cash to shareholders
<p>Minimization of infrastructure risks</p>	<p>⇒</p> <ul style="list-style-type: none"> ✓ Depository receipt program: Deutsche Bank Trust Co. Americas ✓ Independent registrar: National Registration Company (NRK)

Our investment case

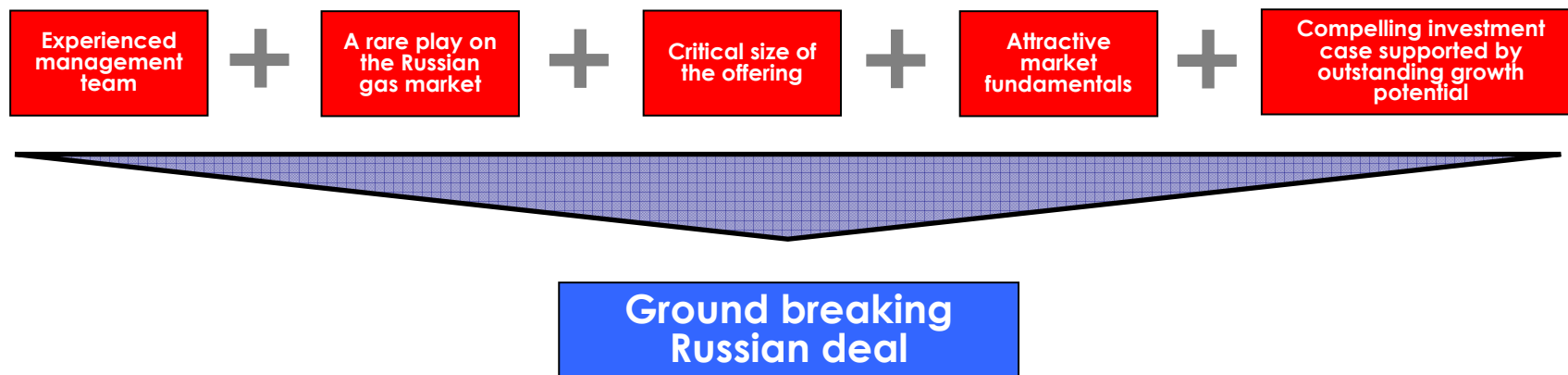
Leveraging our intrinsic business model strengths



Our capital market activities – case study

Landmark transaction for Russia

- ❑ One of the largest IPO of a Russian issuer, the first IPO of a Russian independent gas producer and the first Russian issuer under new UKLA requirements (effective 01.07.05)
- ❑ **Morgan Stanley and UBS:** *Joint Global Coordinators*
Morgan Stanley, UBS and CSFB: *Joint Lead Managers and Joint Bookrunners*
Troika Dialog: *Co-Lead Manager*
Alfa Capital Markets and Vnesheconombank: *Co-Managers*
- ❑ The transaction priced at US\$ 966 million (including 10% greenshoe option) and the book was more than thirteen times oversubscribed. The GDR's priced at the top of the US\$ 14.75 – 16.75 price range
- ❑ Novatek considered a must own stock in Russian portfolios and a pure play on the Russian gas market



Transaction overview timetable

Schedule of key transaction items	March			April				May				June				July				
	Week of 14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	4	11	18	25
Kick off meeting	◆																			
Preparation of IFRS accounts	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■					
FY 2004 & 1Q 05 IFRS accounts published															◆					
Business plan & valuation work	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■					
Business, legal & financial due diligence	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Prospectus drafting			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Filings with the UK											◆		◆		◆					
UKLA review period											■	■	■	■	■	■	■	■	■	■
Analyst presentation													◆							
Research report preparation													■	■	■					
Research report published (outside US)															◆					
Analyst investor education																■	■			
Setting of price range (7 July)																	◆			
Printing and distribution of prelim. Prospectus (7 July)																	◆			
Management road-show / book building																	■	■	■	■
Pricing & allocation																				◆
Printing and distribution of final prospectus																				◆
Closing (July 26)																				◆

Source: UBS Investment Bank

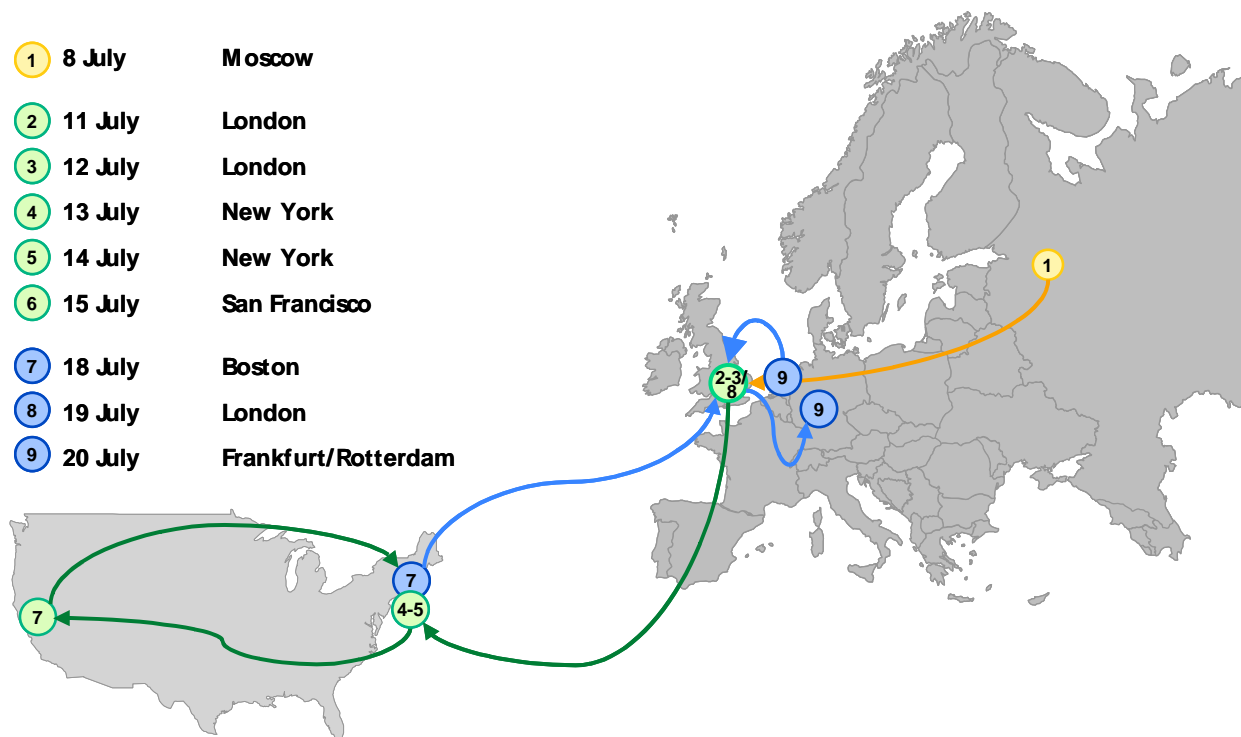


Management roadshow

Management conducted 56 One-on-One meetings with investors as well as a series of group meetings and conference calls in primary investment centers - Moscow, London, New York, San Francisco, Boston, Frankfurt and Rotterdam

Roadshow schedule

- 1 8 July Moscow
- 2 11 July London
- 3 12 July London
- 4 13 July New York
- 5 14 July New York
- 6 15 July San Francisco
- 7 18 July Boston
- 8 19 July London
- 9 20 July Frankfurt/Rotterdam

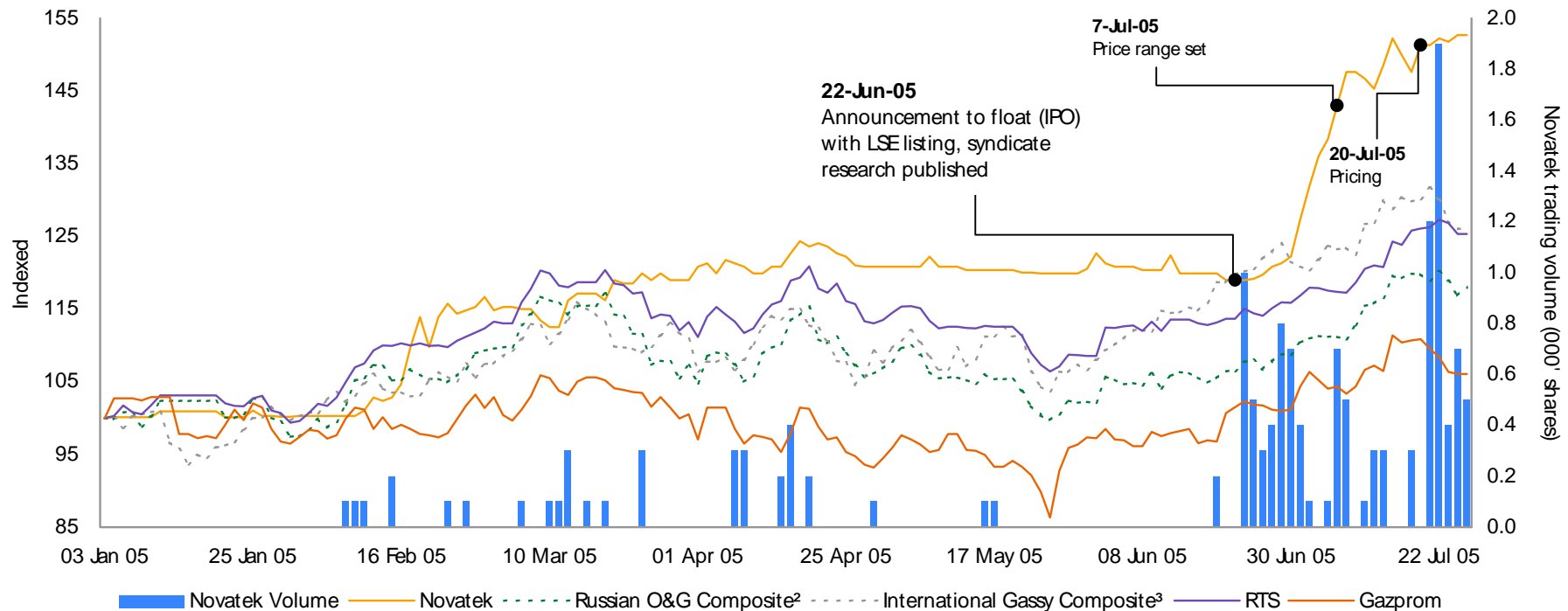


Summary of meetings

Company	# of Meetings	Conversion Ratio (%)
UK	20	100
USA	24	92
Europe	13	78
Overall conversion ratio		> 90
Other Russian IPO's		
Evraz-Holding		53
Pyaterochka		61
Sistema		75
Mechtel Steel		67

Source: UBS Investment Bank

NOVATEK trading performance pre-IPO



Notes:

¹ As of 23 July 2005

² Includes: Lukoil, Sibneft, Surgutneftegas

³ Includes: Burlington Resources, XTO Energy, Chesapeake Energy, Encana, Quicksilver Resources, Bill Barrett, BG

Novatek shares rallied approximately 39% over the marketing period of the IPO

- +15% since announcement of price range, over the bookbuilding period
- +39% since the announcement of the IPO, over the marketing period



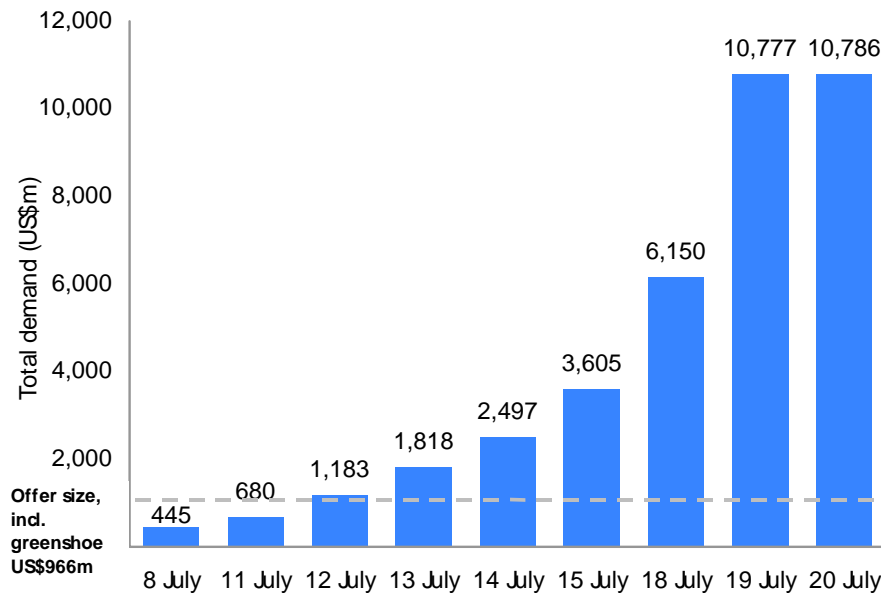
Book summary

- Limited price sensitivity across the price range and an extremely well covered book representing the largest ever demand for a Russian IPO

Summary of final book of demand

Total demand @ US\$ 16.75 per GDR	681,581,020
Coverage @ US\$ 16.75 per GDR (excl. Greenshoe)	13x

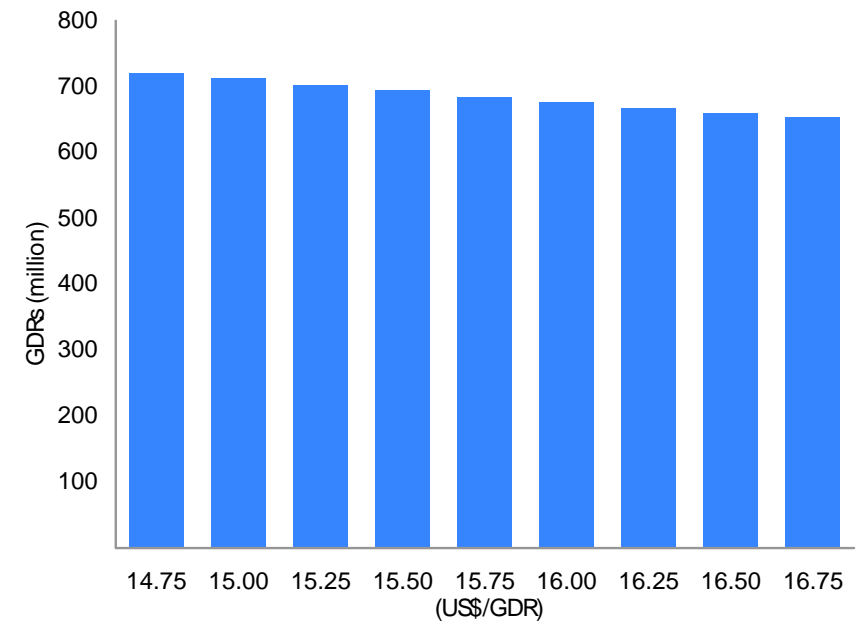
Demand build up day-by-day (at mid point of range)



Source: UBS Investment Bank



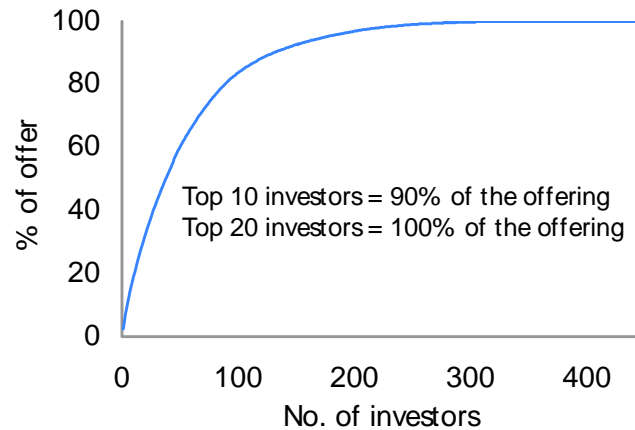
Demand at price



Source: UBS Investment Bank

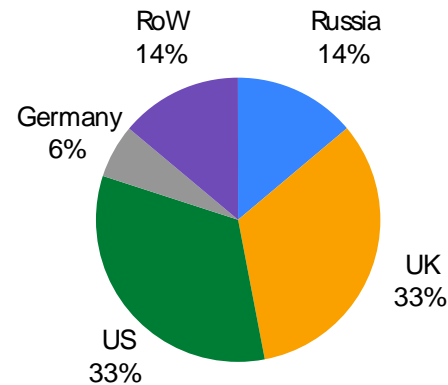
IPO allocation

Demand build up



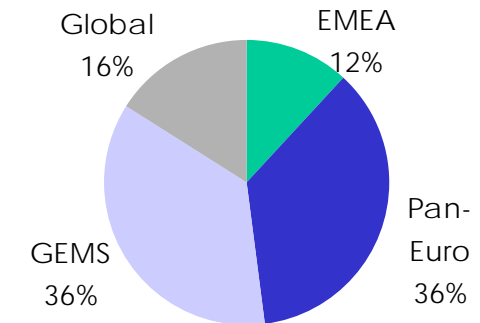
Source: UBS Investment Bank

Allocation by geography



Source: UBS Investment Bank

Allocation by demand type

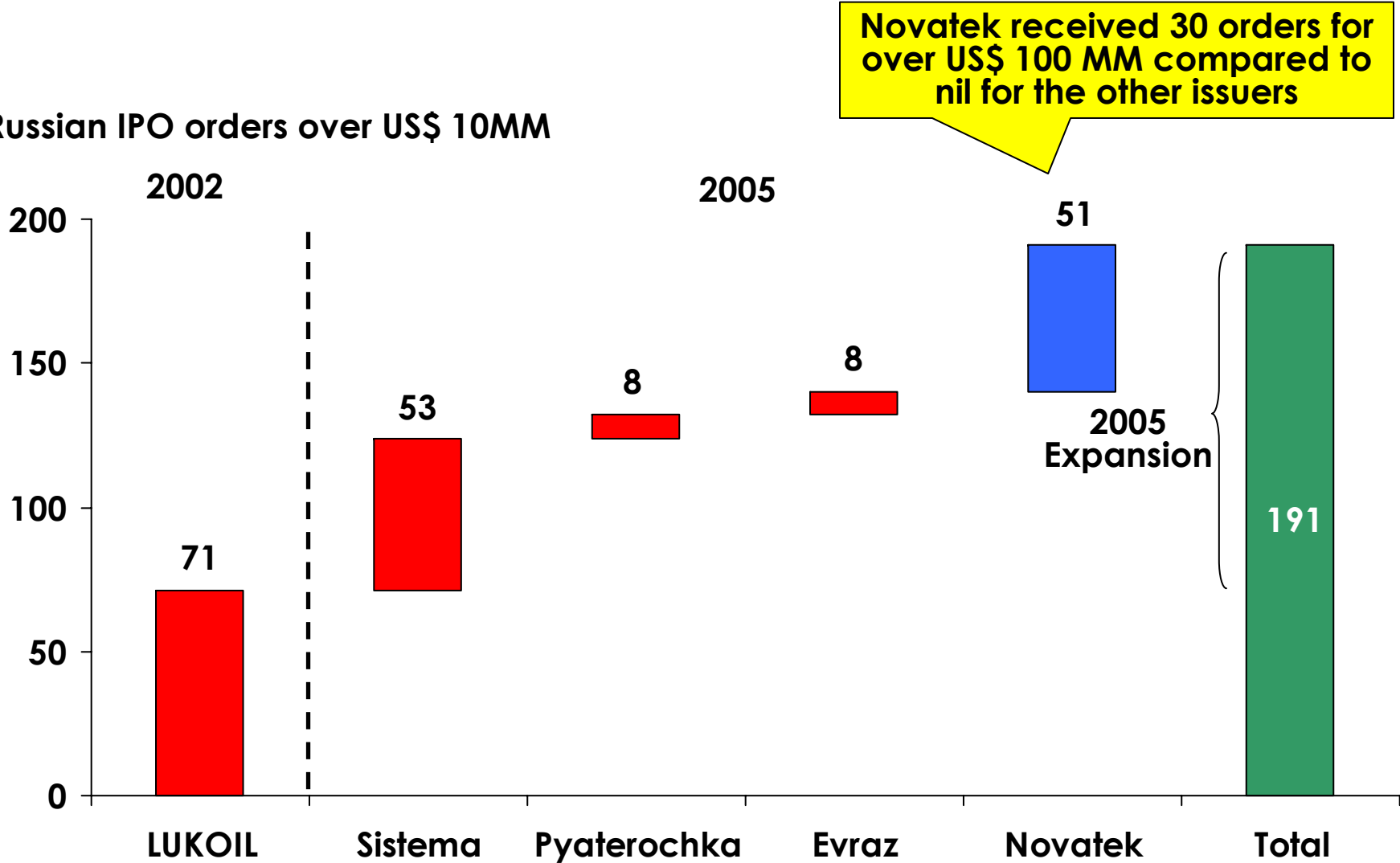


Source: Morgan Stanley

- ✓ **High quality investors declared interest early on and placed sizeable orders before meeting management**
- ✓ **Early demand covered the book in the first two days of the roadshow supported by Russian dedicated funds generating critical mass**
- ✓ **Large orders and oversubscription resulted in the book closing two days early**
- ✓ **Thirteen times coverage from a good mix of Russian dedicated funds, global funds and sector specialists**

Evolution of new investors in Russian IPO's

Russian IPO orders over US\$ 10MM



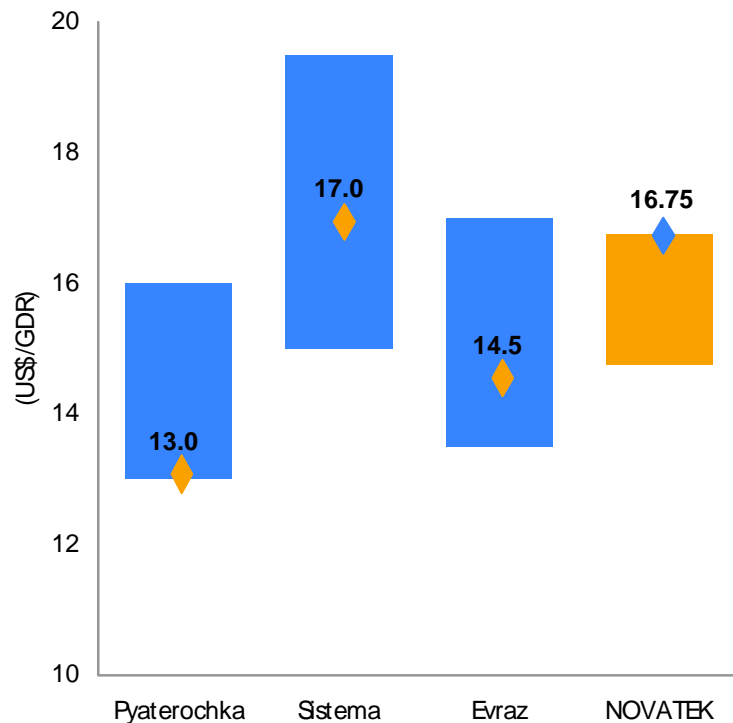
Source: Morgan Stanley



First Russian IPO to price at the top range

Novatek has demonstrated the strongest performance among recent Russian deals

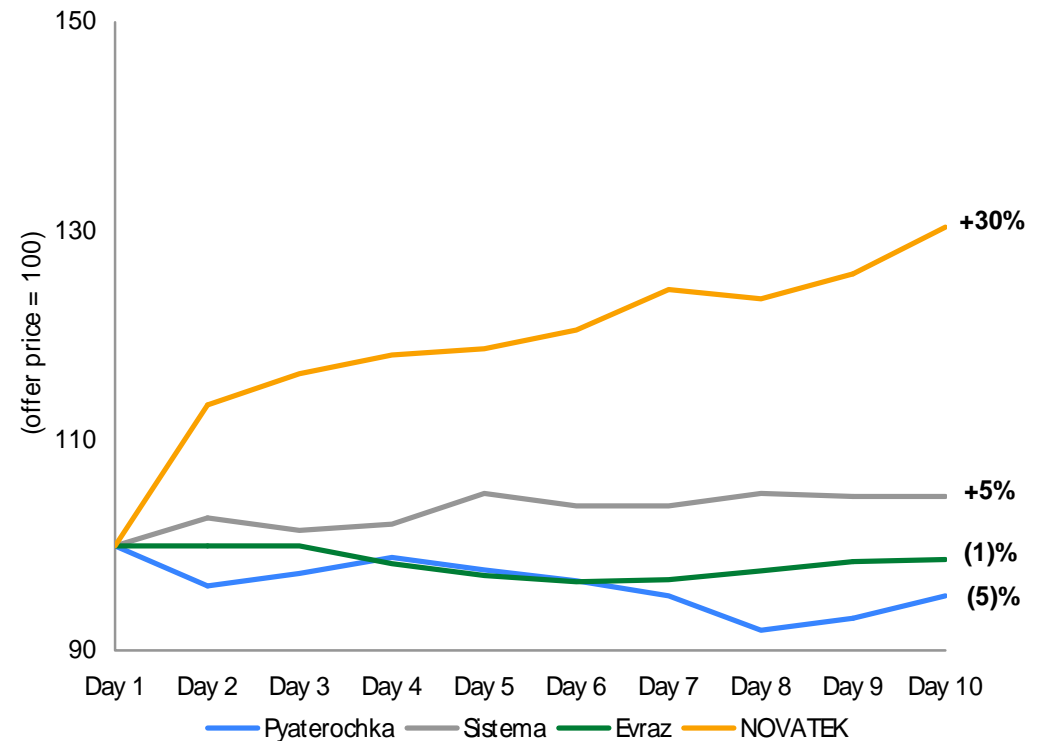
Price ranges and offers by Russian issuers



Source: Bloomberg, Company data



Post-IPO price performance comparison



Source: Datastream

History of Russian Equity Capital Markets

MSCI Russia Composition Dec 04

Company name	Weighting in index %
LUKOIL	35.3
Surgutneftegaz	16.5
Norilsk Nickel	10.8
Surgutneftegaz (Pref.)	9.3
Gazprom	6.1
UES	5.8
Tatneft	5.0
Sberbank	4.8
Mosenergo	2.1
Rostelecom	1.6
Uralsvyazinform	1.0
Yukos	0.8
Sibirtel	0.7

Source: Morgan Stanley

MSCI Russia Composition Today

Company name	Weighting in index %
LUKOIL	35.7
Surgutneftegaz	9.5
Norilsk Nickel	7.2
Surgutneftegaz (Pref.)	7.1
Gazprom	5.9
VimpelCom	5.1
MTS	4.9
Tatneft	4.7
Sberbank	4.3
UES	3.8
Transneft	2.9
Sistema	2.7
Novatek	2.2
Mechel	1.2
Rostelecom	1.1
Uralsvyazinvest	0.5
VolgaTel	0.4
Sibirtel	0.4
Wimm-Bill-Dann	0.4

Source: Morgan Stanley



Lessons learned from the IPO process

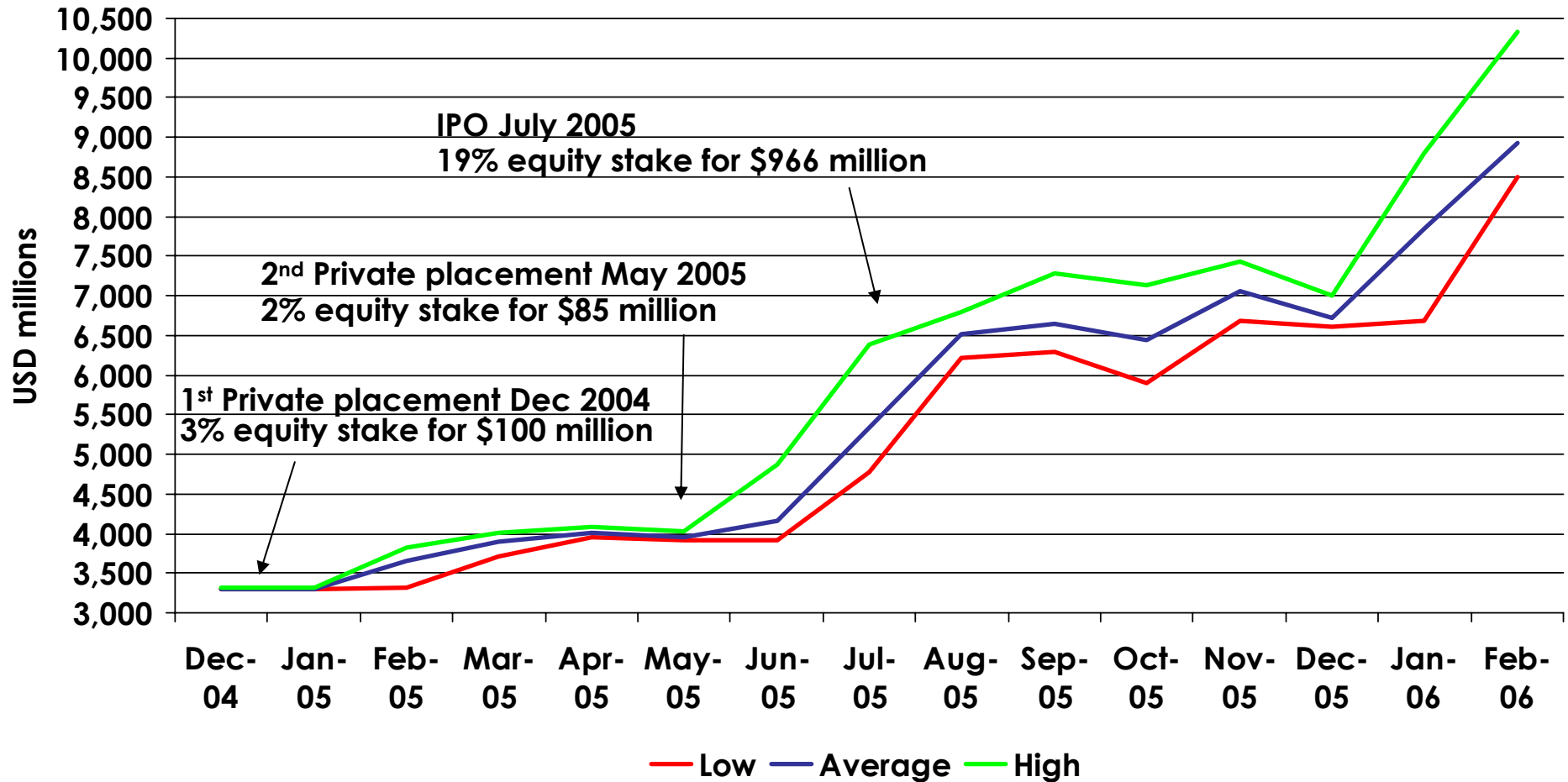
- ✓ **Ensure that your business model is clear, concise and understandable to all investors – clean up your organizational structure**
- ✓ **Ensure that your financial reporting meets international standards and are issued in a timely manner – hire qualified personnel**
- ✓ **Appoint independent members to the Board of Directors and create appropriate governing bodies according to best practices**
- ✓ **Build a credible and compelling investment story and ensure that this message is conveyed properly through an effective, ongoing investor relations campaign**
- ✓ **Engage the best professional advisors and consultants**

Concluding comments

NOVATEK: turning strategy into value

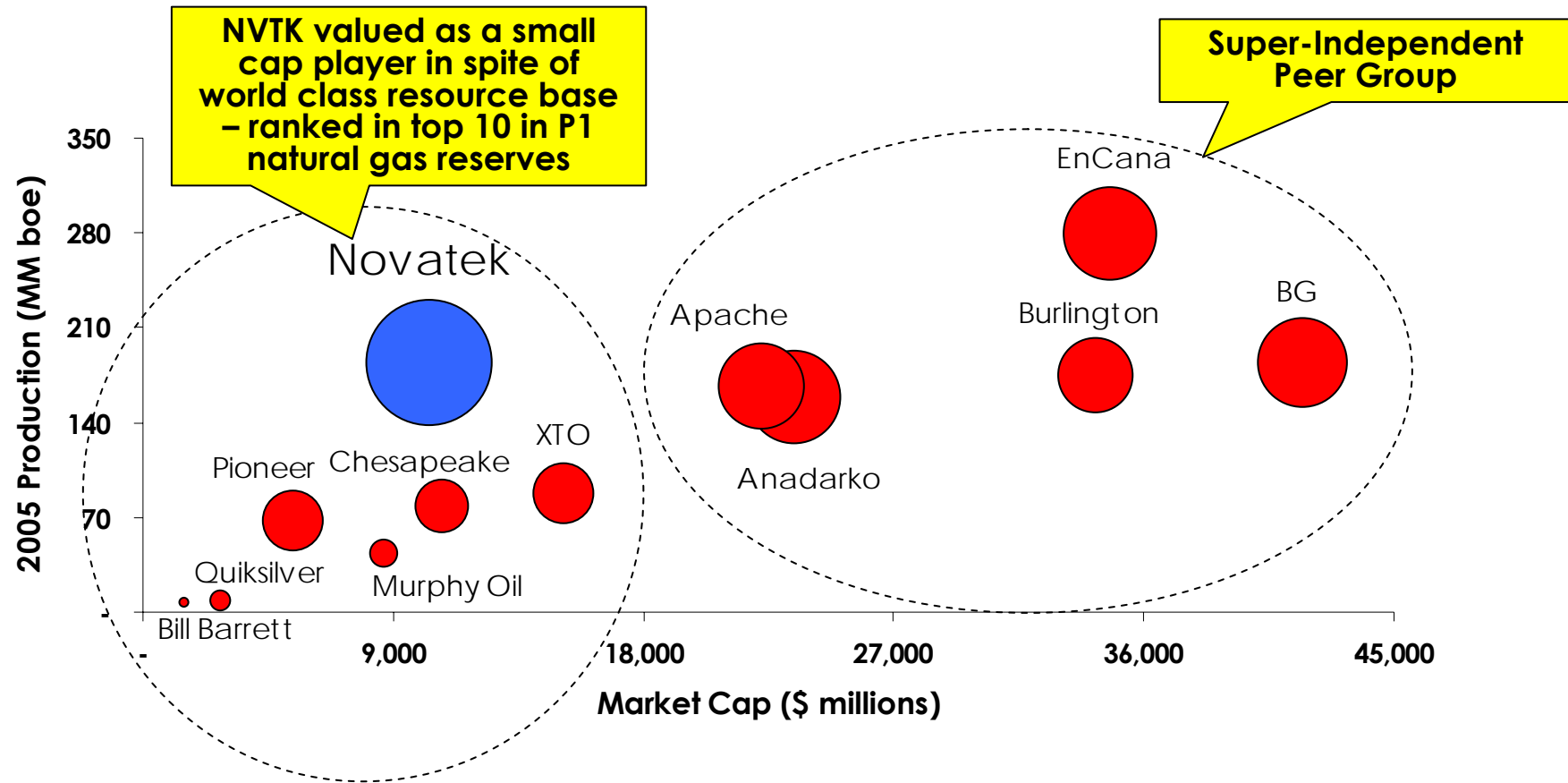
- ❑ **Substantially increase our production of hydrocarbons, especially natural gas**
 - Targeting 45 bcm of natural gas production and liquids of 4.6 mmt by 2010 from our key fields
- ❑ **Maintain our low-cost structure and leverage competitive cost advantage**
 - Proven production technology & techniques
 - 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

NOVATEK's market capitalization growth



Value is relative

Current market capitalization relative to 2005 production and 2004 reserves



○ = Bubble size is scaled to 2004 P1 reserves on boe basis