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## First Half 2005 Operational and Financial Results

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*Brunswick UBS 2005 Annual Conference  
Russia: The Keys to Successful Investment  
29 September 2005*

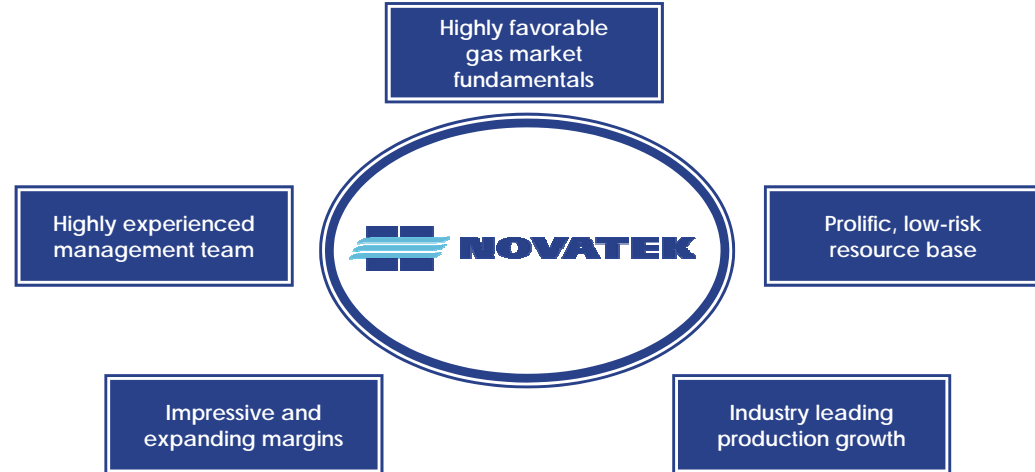
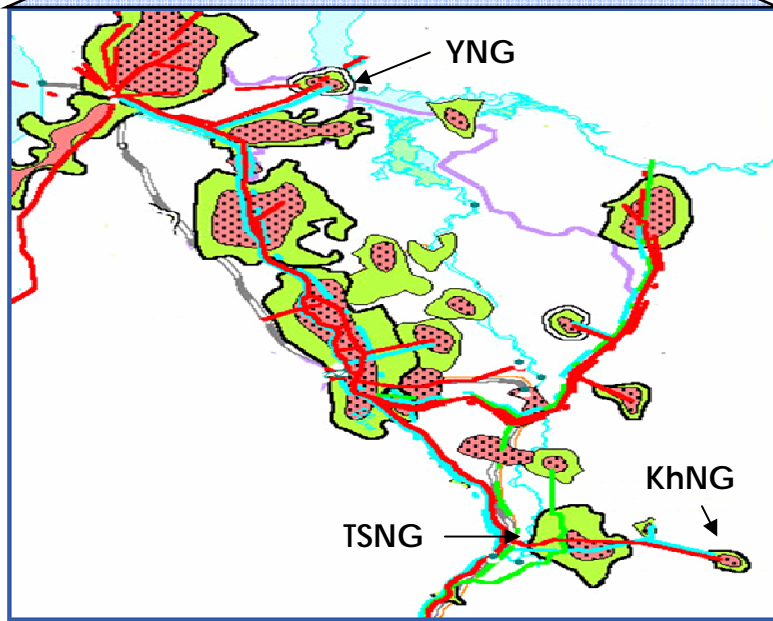
# Summary Highlights

- ❑ Commencement of operations at the **Purovsky processing plant** and **Vitino port facilities** in June 2005
- ❑ Commencement of **BOPP production** at Novatek-Polimer
- ❑ **Disposals** of our 66% participation interest in **Geoilbent**, our 34% equity stake in **Selkupneftegas** and our 25.1% equity stake in **Tambeyneftegas** in June 2005
- ❑ Significant increase in **hydrocarbon sales volume** (HoH):
  - Natural gas sales volumes increased by 48.6%
  - Liquids sales volumes increased by 27.1%
- ❑ **Record revenues and earnings** driven by volume growth and favorable domestic and international price environment
- ❑ Continued **aggressive debt reduction** program – RR 5,461 million since beginning of year (as of 30 June 2005)

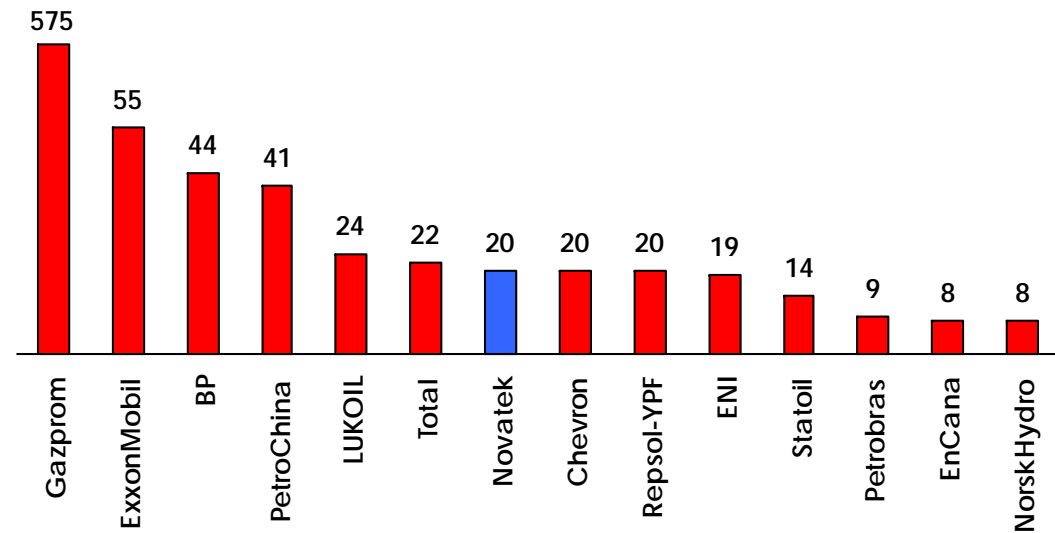
# Operational Overview

# Novatek Reserve Summary

## Map of operations



## Proven reserves, tcf



# Commencement of Operations: Purovsky plant

## First Phase Key facts:

- ❑ **Plant capacity :**
  - 2 mm tonnes of raw material per year (de-ethanized gas condensate)
- ❑ **Plant output:**
  - stable gas condensate: 1.6 mm tonnes p.a.
  - NGL's: 400 m tonnes p.a.
- ❑ **Capital expenditures:**
  - RR 5,800 million

**The Purovsky plant enables the Company to create more value from stable gas condensate due to the expansion of sales channels to both export and domestic markets**



# Opening of Vitino Sea Port Terminal

## Key facts:

- ❑ First fully dedicated gas condensate export facility in Russia
- ❑ Terminal capacity :
  - Two storage reservoirs with 30 mcm capacity
- ❑ Capital expenditures:
  - RR 245.4 million

The Vitino Sea Port Terminal will become the principal export terminal for shipping gas condensate from the Purovsky plant to international markets



# NOVATEK brings BOPP production line on-stream

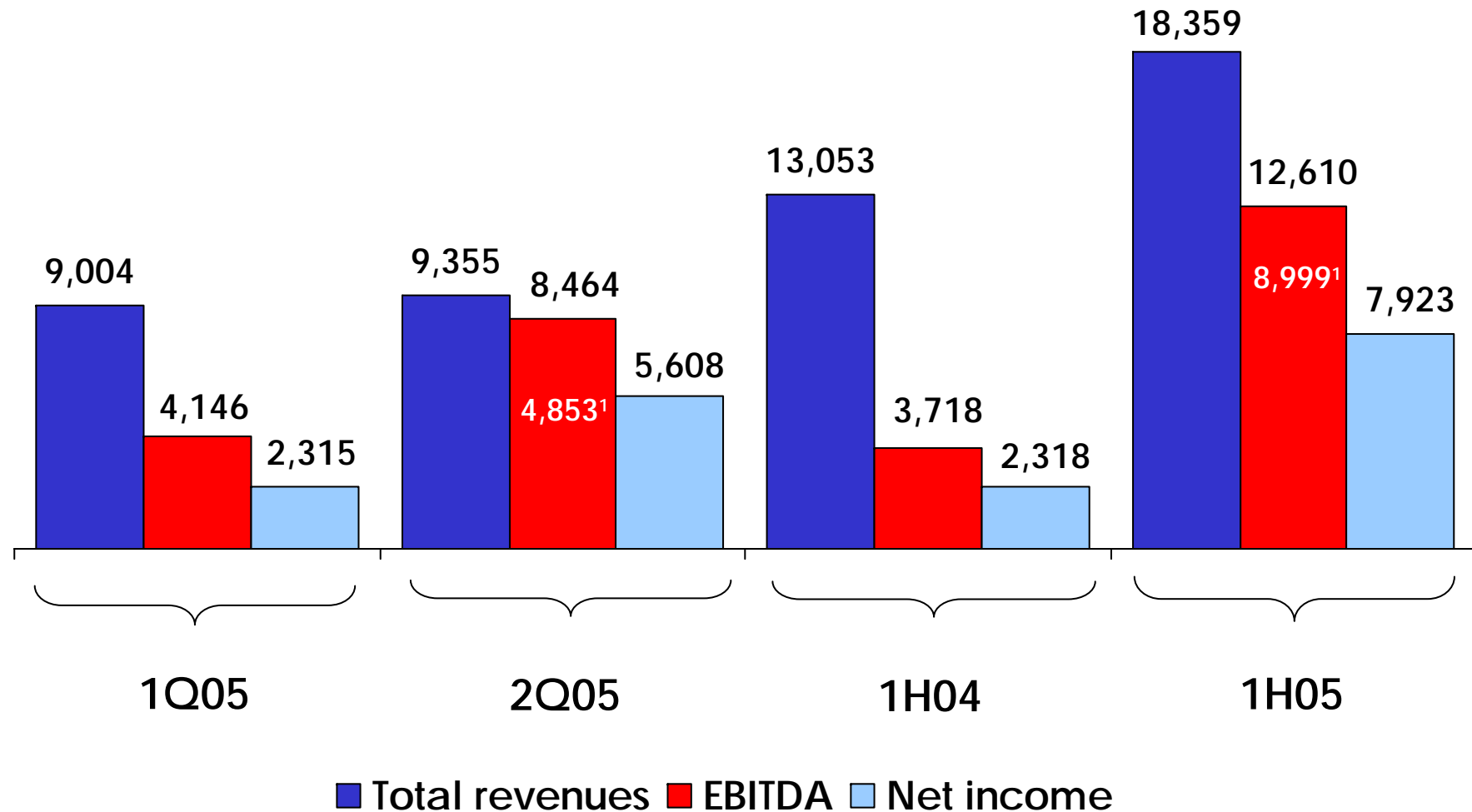
In 1H05, NOVATEK's subsidiary, NOVATEK-POLIMER, commissioned the production line on its BOPP facility. The production line has an estimated processing capacity of 25,000 tonnes per annum



# Financial Overview



# Summary financial results (RR million)



<sup>1</sup>EBITDA net of disposal gains

# Robust performance

RR million	1H04	1H05	+ / (-)	+ / (-)%
Total revenues	13,053	18,359	5,306	41%
EBITDA <sup>(1)</sup>	3,718	12,610	8,892	239%
EBITDA net of disposal gains <sup>(2)</sup>	3,718	8,999	5,281	142%
Corporate Income Tax Rate	33%	25%	(8%)	
Profit attributable to Novatek	2,318	7,923	5,605	242%
Capex	4,212	3,201	(1,011)	(24%)
Net debt <sup>(3)</sup>	8,576	16,195	7,619	89%
<i>Net debt / Net debt + Equity</i>	<i>39%</i>	<i>24%</i>	<i>(15%)</i>	

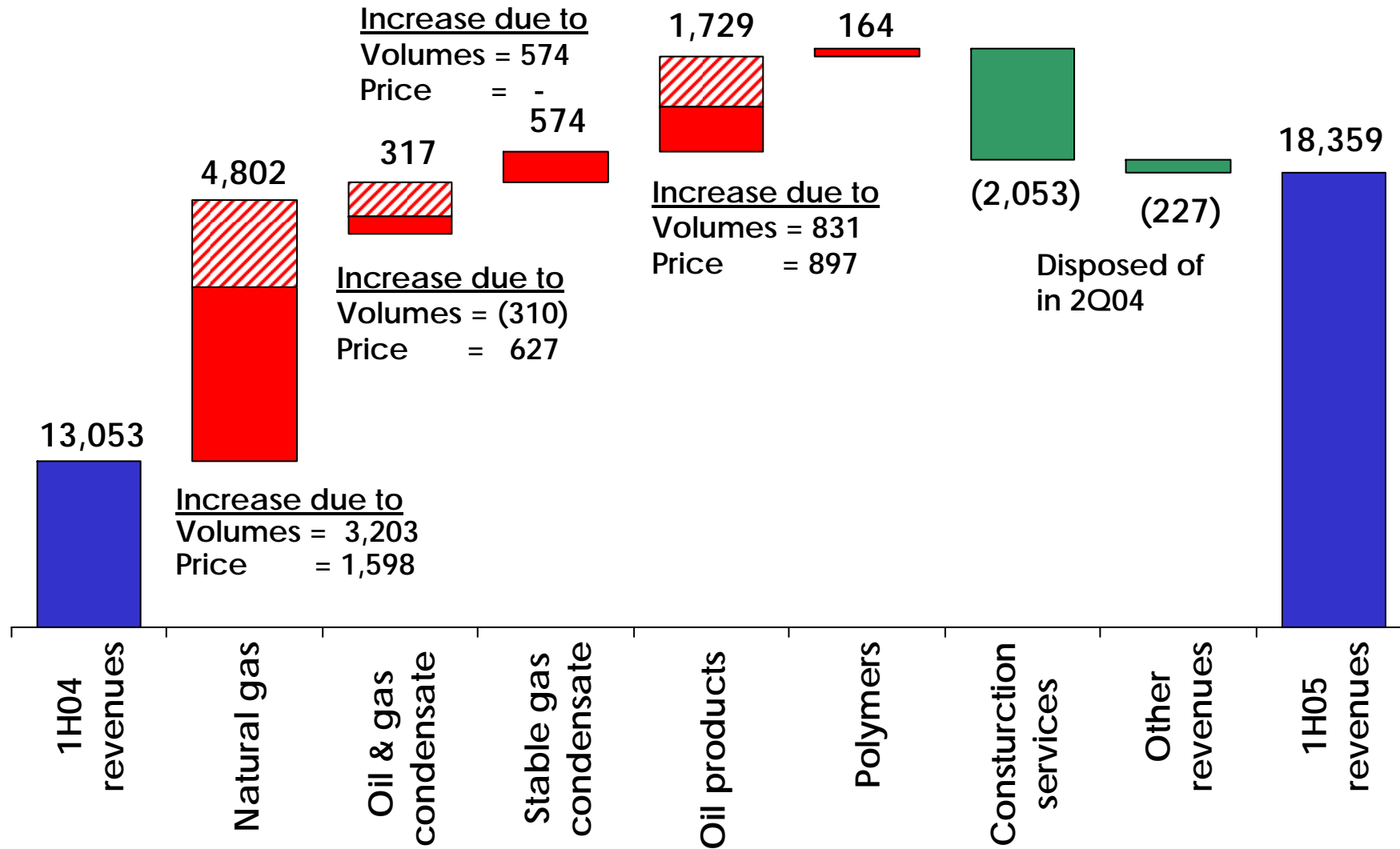
Notes:

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

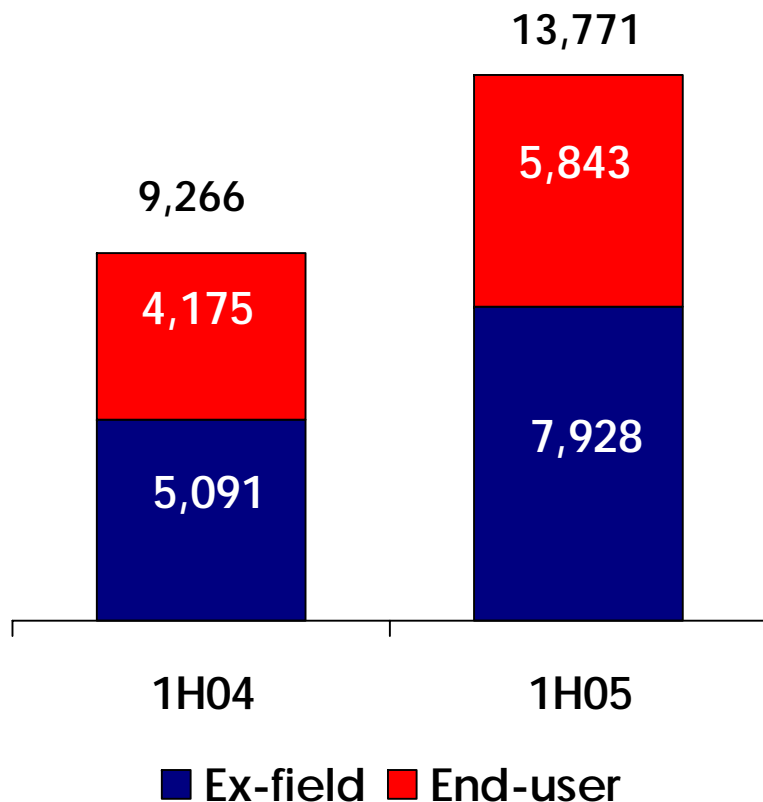
3 Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents

# Revenue reconciliation (RR million)



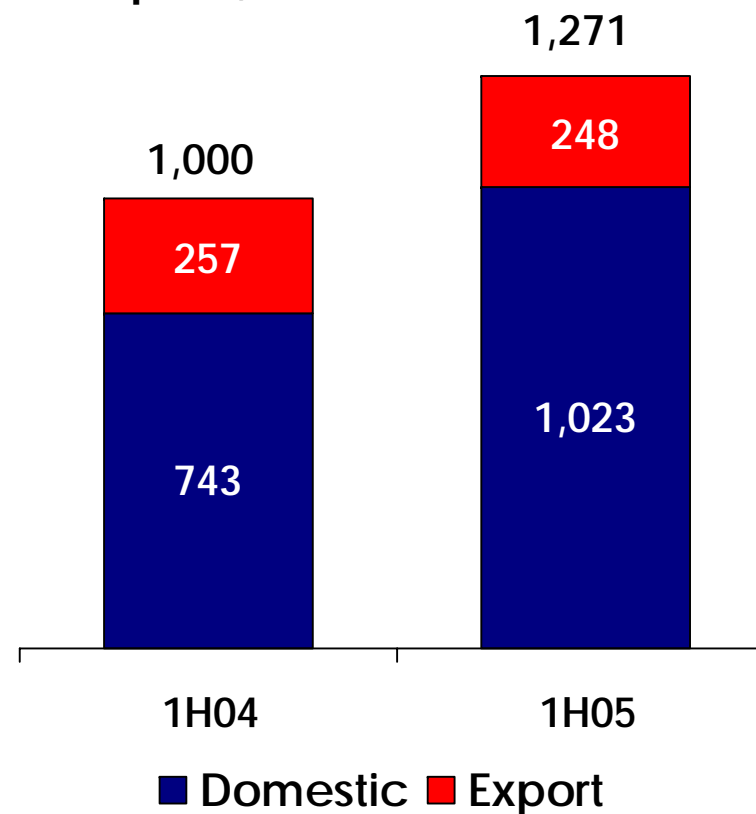
# Market distribution

Natural gas, mmcm



Larger proportion of Ex-field sales in 2005 due to Increase in sales to Itera

Liquids, '000 tonnes



Growth in export sales in 2Q05 due to commencement of Purovsky plant

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

Hydrocarbon prices		1H04	1H05	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas end-user	RR/mcm	935	1,100	165	18%
Natural gas ex-field	RR/mcm	528	627	99	19%
Crude oil & gas condensate	RR/tonne	3,579	4,472	893	25%
Stable gas condensate	RR/tonne	n/a	6,272	n/a	n/a
Oil products	RR/tonne	2,980	5,045	2,065	69%
<u>Export market</u>					
Crude oil & gas condensate	RR/tonne	4,714	5,951	1,237	26%
Stable gas condensate	RR/tonne	n/a	6,575	n/a	n/a
Oil products	RR/tonne	4,937	n/a	n/a	n/a

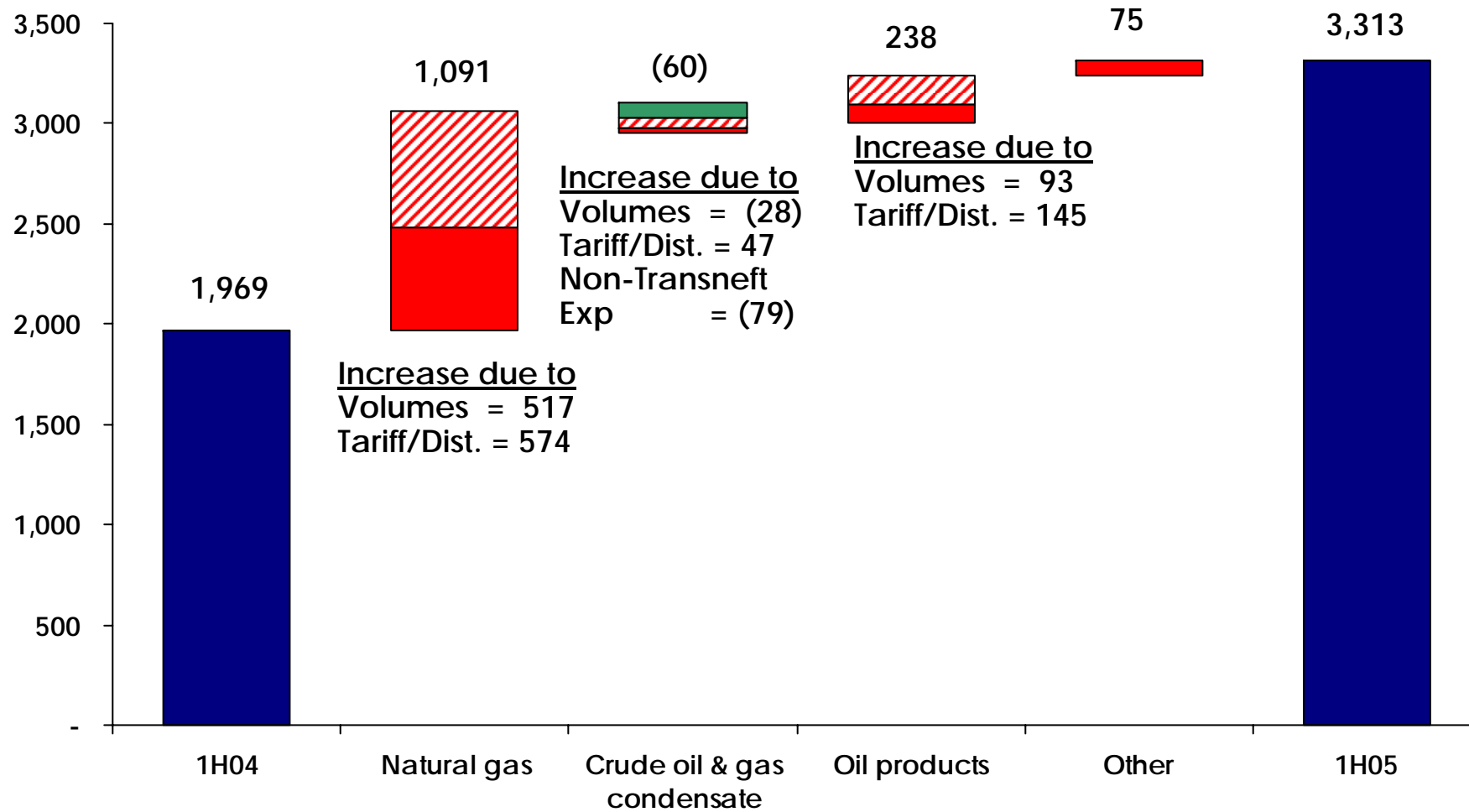
Average regulated price in regions where Novatek sold natural gas to end users was RR 967/mcm for the 1H05.

# Operating expenses breakdown

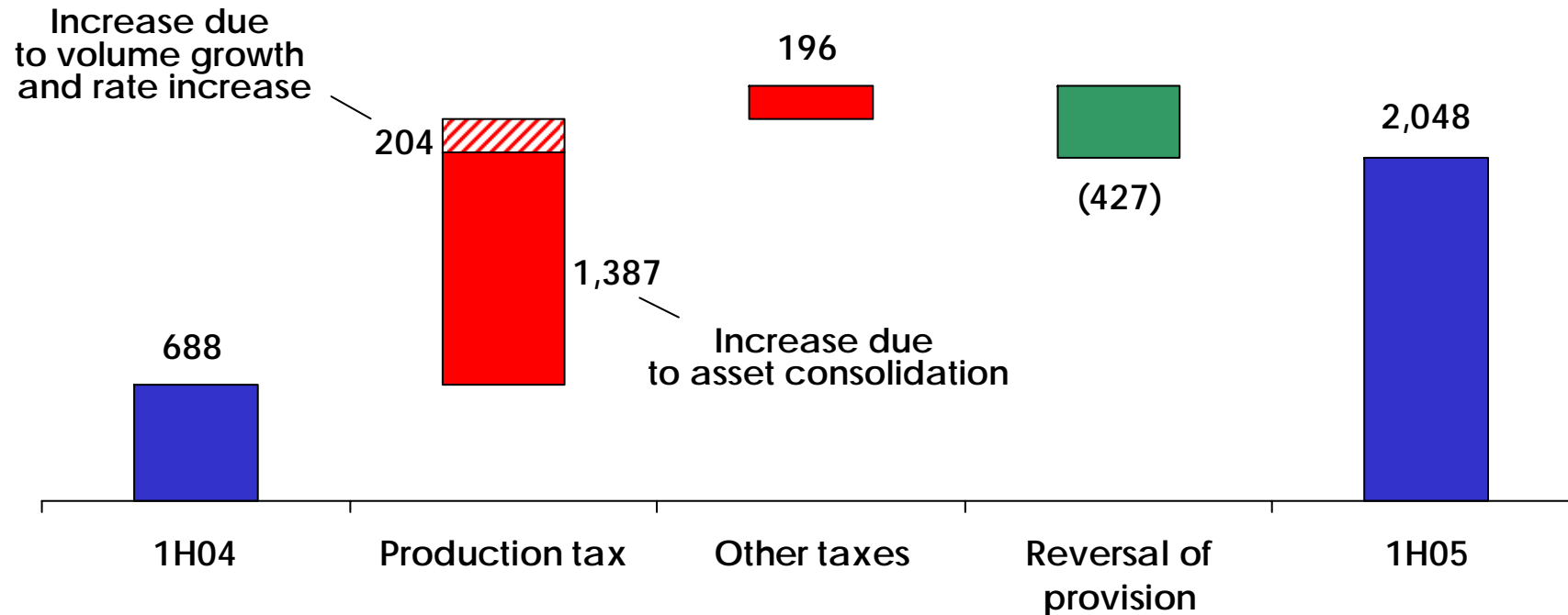
Operating Expenses, RR million	1H04	% of Total Revenue	1H05	% of Total Revenue
Materials, services and other	3,140	24%	1,644	9%
Transportation expense	1,969	15%	3,313	18%
Taxes other than income	688	5%	2,048	11%
General and administrative	599	5%	830	5%
Depreciation and amortization	474	4%	1,664	9%
Exploration expense	102	1%	270	1%
Impairment	55	0%	45	0%
<b>Subtotal</b>	<b>7,027</b>	<b>54%</b>	<b>9,814</b>	<b>53%</b>
Cost of purchased oil, condensate and natural gas	2,997	23%	1,381	8%
Other	0	0%	0	0%
<b>Total operating expense</b>	<b>10,024</b>	<b>77%</b>	<b>11,195</b>	<b>61%</b>

- ❑ Operating expenses decreased from 77% to 61% as a percentage of total revenues
- ❑ Materials and services expenses decreased to 9% of total revenues due to the disposal of oil and gas construction business
- ❑ Transportation costs grew following increase in natural gas sales volumes and transportation tariffs

# Transportation expense (RR million)



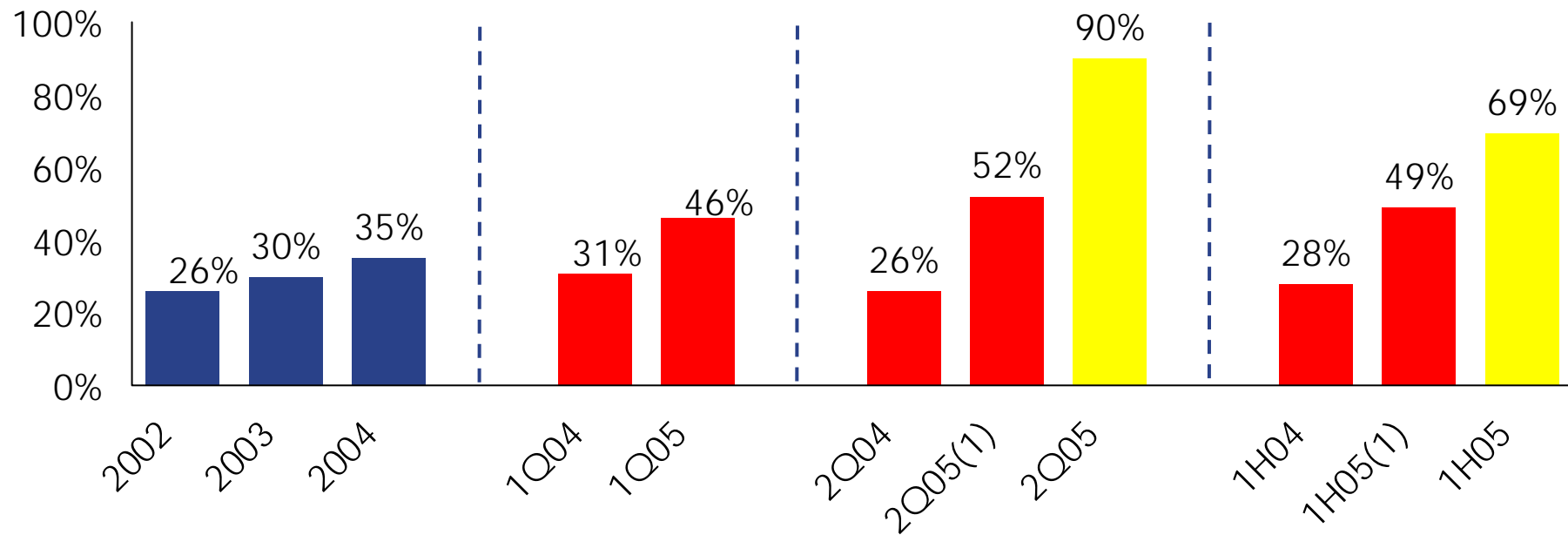
# Production taxes (RR million)



- ❑ HoH increase in production tax of 197.7% due to growth in production volumes from subsidiaries and an increase in tax rates per unit, but the majority of increase related to the impact of the consolidation of TSNG and KhNG in December 2004
- ❑ Reversal of a provision in current period relating to the calculation of production tax on gas condensate recorded in 1Q05



# Expanding EBITDA margins

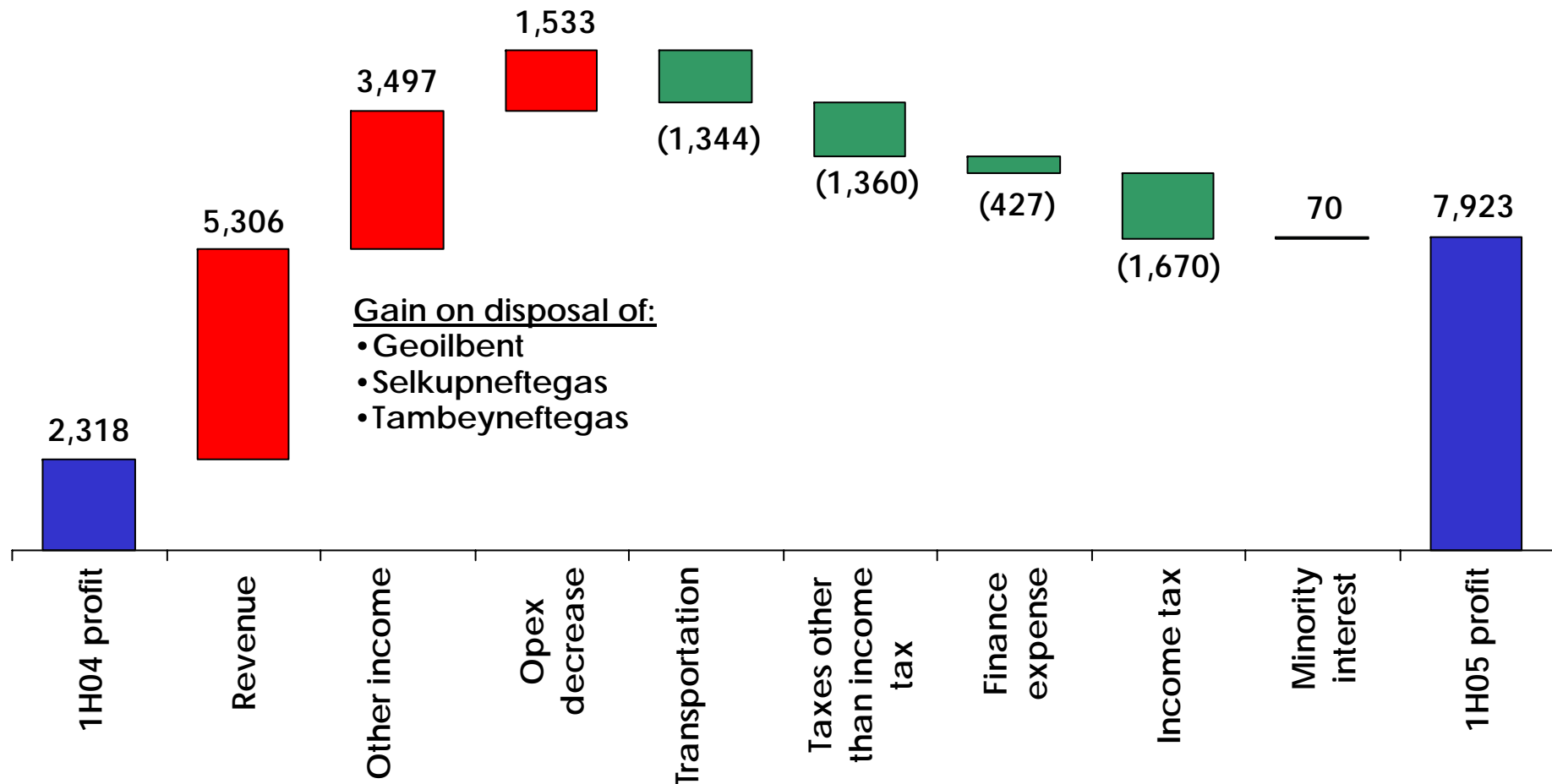


- Growth in and consolidation of core gas business
- Divestiture of construction business

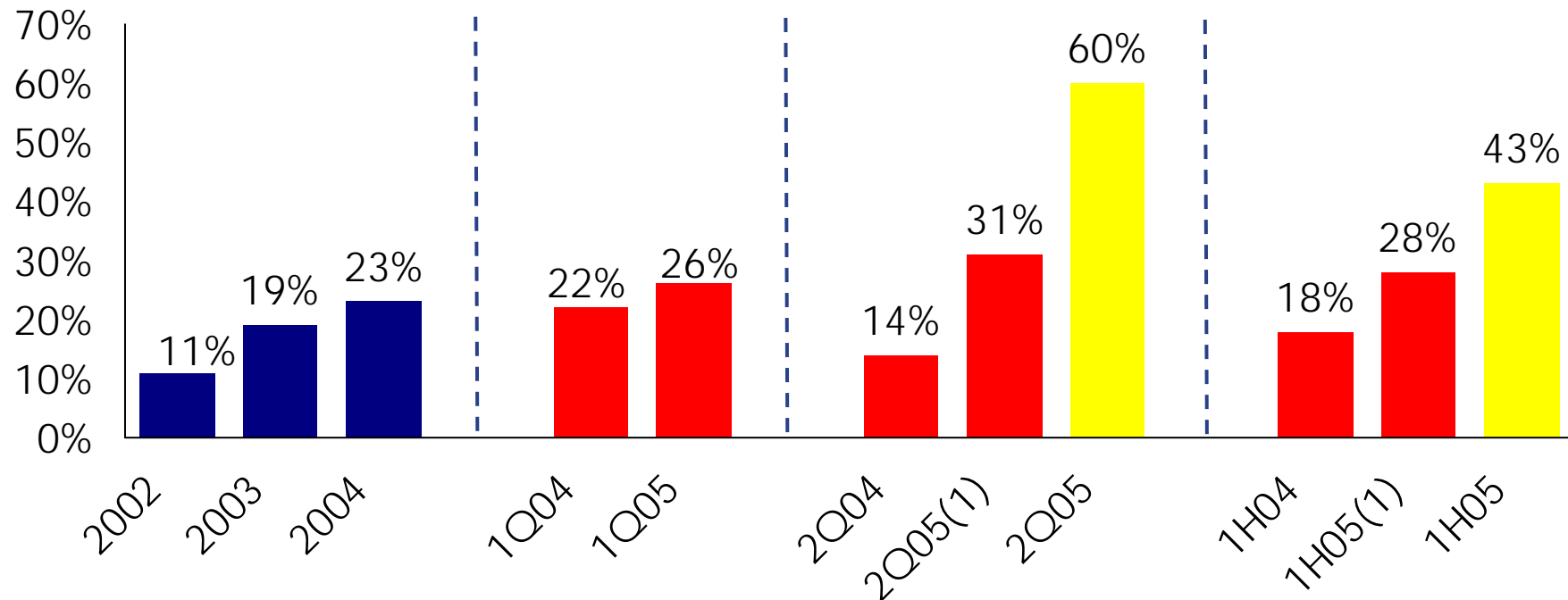
Notes:

1 EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates

# Profit attributable to Novatek reconciliation (RR million)



# Expanding net profit margins



- Growth in and consolidation of core gas business
- Divestiture of construction business

Notes:

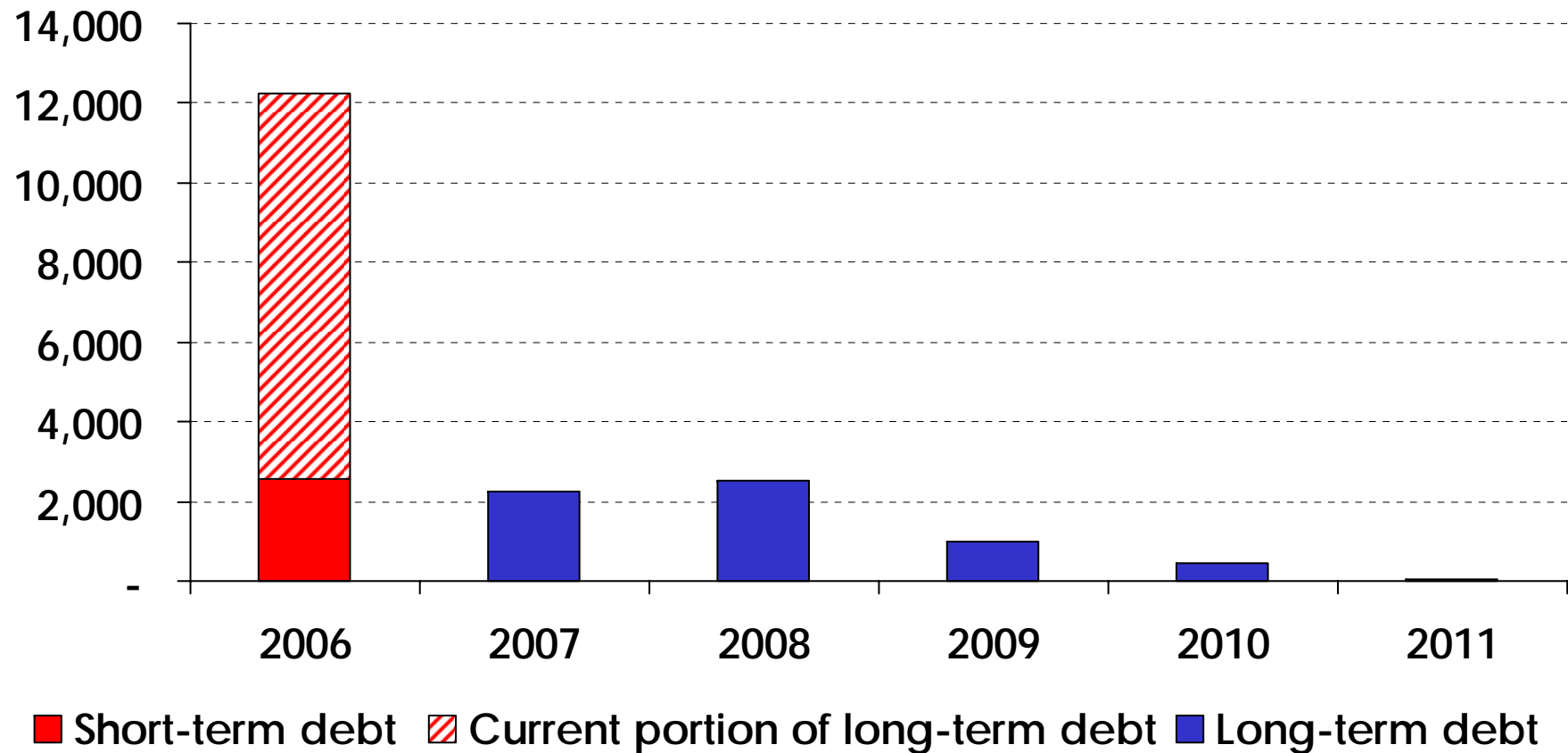
1 Net income less gain on disposal of investments in oil and gas producing subsidiaries and associates net of taxes at 24%

## Condensed balance sheet (RR million)

RR million	1H04	1H05	+ / (-)	+ / (-)%
<b>Total current assets</b>	<b>7,544</b>	<b>19,634</b>	<b>12,090</b>	<b>160%</b>
<i>Incl. Cash &amp; cash equivalents</i>	<i>2,095</i>	<i>2,344</i>	<i>249</i>	<i>12%</i>
<b>Total non-current assets</b>	<b>22,413</b>	<b>65,456</b>	<b>43,043</b>	<b>192%</b>
<i>Incl. Net PP&amp;E</i>	<i>13,050</i>	<i>63,928</i>	<i>50,878</i>	<i>390%</i>
<b>Total assets</b>	<b>29,957</b>	<b>85,090</b>	<b>55,133</b>	<b>184%</b>
<b>Total current liabilities</b>	<b>9,085</b>	<b>16,179</b>	<b>7,094</b>	<b>78%</b>
<i>Incl. ST Debt</i>	<i>2,281</i>	<i>12,258</i>	<i>9,977</i>	<i>437%</i>
<b>Total non-current liabilities</b>	<b>10,204</b>	<b>16,194</b>	<b>5,990</b>	<b>59%</b>
<i>Incl. Deferred income tax liability</i>	<i>1,640</i>	<i>8,627</i>	<i>6,987</i>	<i>426%</i>
<b>Total Liabilities</b>	<b>16,289</b>	<b>32,373</b>	<b>16,084</b>	<b>99%</b>
<b>Shareholders Equity</b>	<b>13,298</b>	<b>52,717</b>	<b>39,419</b>	<b>296%</b>
<b>Total shareholders equity &amp; liabilities</b>	<b>29,957</b>	<b>85,090</b>	<b>55,133</b>	<b>184%</b>

# Total debt maturity profile (RR million)

## Current debt maturity profile as at 30 June



# Selected ratios

Long term liquidity ratios	2003	2004	1H 2005 <sup>(1)</sup>
<b>Gross Debt / EBITDA</b>	<b>1.5x</b>	<b>2.8x</b>	<b>.9x</b>
<i>Gross Debt / adj. EBITDA<sup>(2)</sup></i>	<i>1.9x</i>	<i>2.8x</i>	<i>1.0x</i>
<b>Net Debt / EBITDA</b>	<b>1.2x</b>	<b>2.4x</b>	<b>0.8x</b>
<i>Net Debt / adj. EBITDA<sup>(2)</sup></i>	<i>1.5x</i>	<i>2.5x</i>	<i>0.9x</i>
<b>EBITDA / Interest</b>	<b>9.9x</b>	<b>10.1x</b>	<b>37.3x</b>
<i>Adj. EBITDA<sup>(2)</sup> / Interest</i>	<i>8.0</i>	<i>9.9x</i>	<i>31.0x</i>
<b>Net Debt / (Net Debt + Equity)</b>	<b>34%</b>	<b>32%</b>	<b>24%</b>

Notes:

1 1H 2005 results annualized

2 EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates

# Novatek Market Capitalization

