



NOVATEK

Three and Nine Months 2005 Operational and Financial Results Conference Call



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28 November 2005

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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
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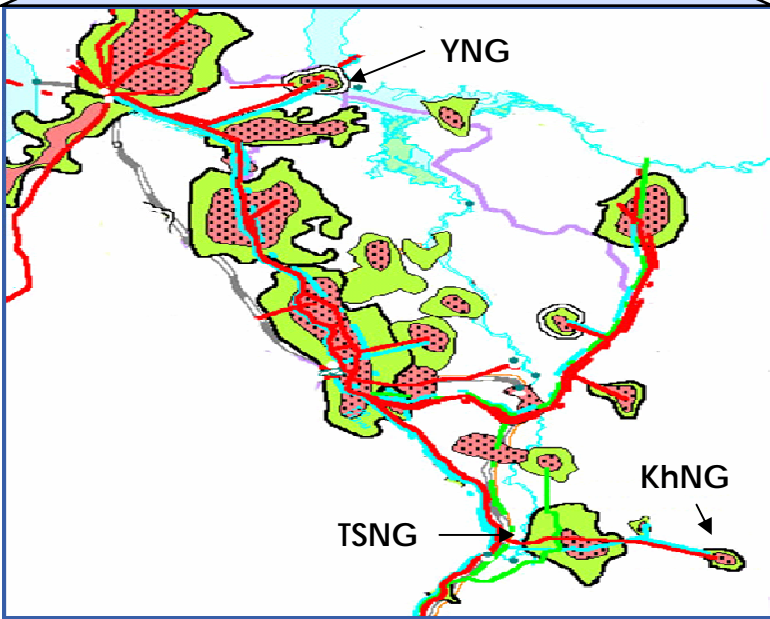
Summary highlights

- ✓ **Successful listing** of Novatek GDRs on the London Stock Exchange
- ✓ **Migration** of unstable de-ethanized gas condensate processing from the Surgutsky refinery to the Purovsky processing plant **completed in September 2005**, reaching plant operating capacity of approximately 80% in the 3Q 2005
- ✓ **Substantial increase in liquids sold for export** in the 3Q05 compared to corresponding period in 2004
- ✓ **Significant increase in total sales volumes** (9Mo9M):
 - ✓ Natural gas sales volumes increased by 63.7%
 - ✓ Liquids sales volumes increased by 21.1%
- ✓ **Record revenues and earnings** driven by sales volume growth and favorable domestic and international price environment
- ✓ Continued **aggressive debt reduction** program – RR 12,448 million since beginning of year (as of 30 September 2005)

Operational Overview

NOVATEK snapshot

Map of operations



Highly favorable gas market fundamentals

Highly experienced management team

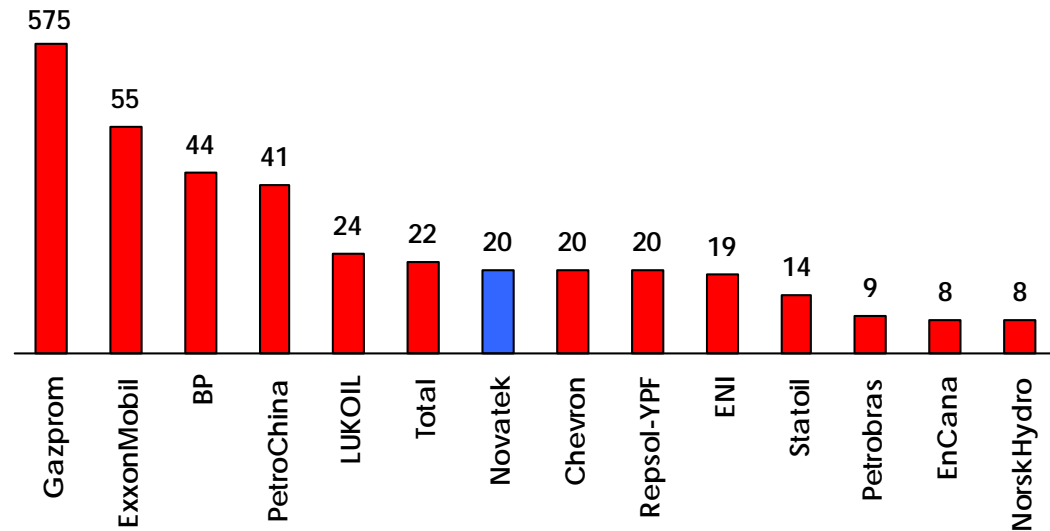


Prolific, low-risk resource base

Impressive and expanding margins

Industry leading production growth

Proven reserves, tcf



Leveraging our intrinsic business strengths



Highly favorable gas market fundamentals

Simple and transparent group structure

High standards of corporate governance and transparency

Committed owners and experienced management

Compelling business case, robust model, clear strategy

Organic growth platform based on ample reserves

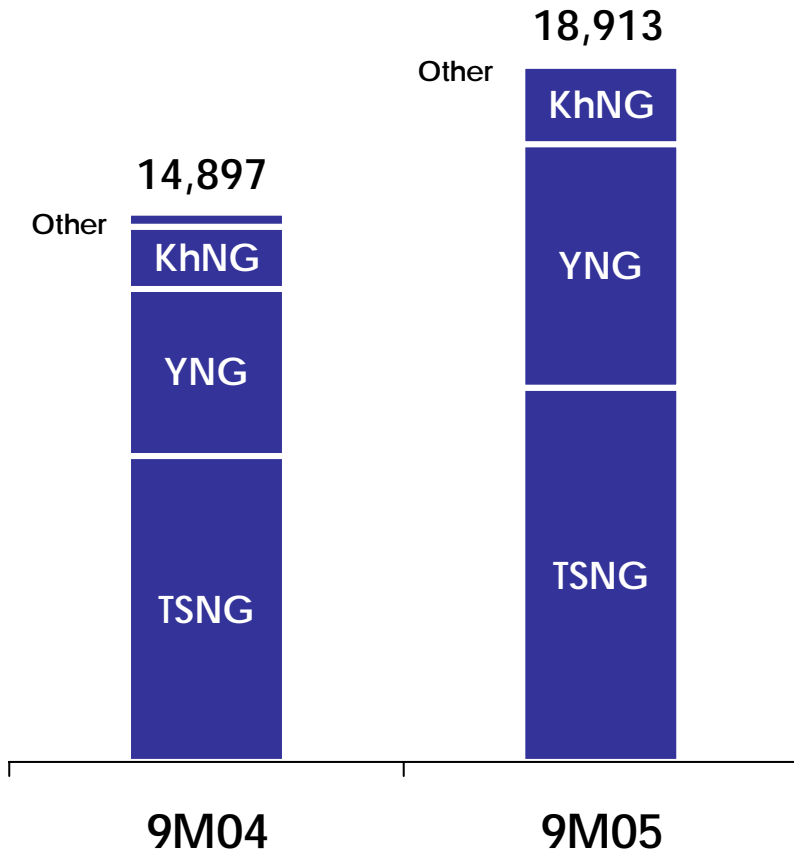
Superior profitability and cost advantage

Low debt levels and strong creditor protection

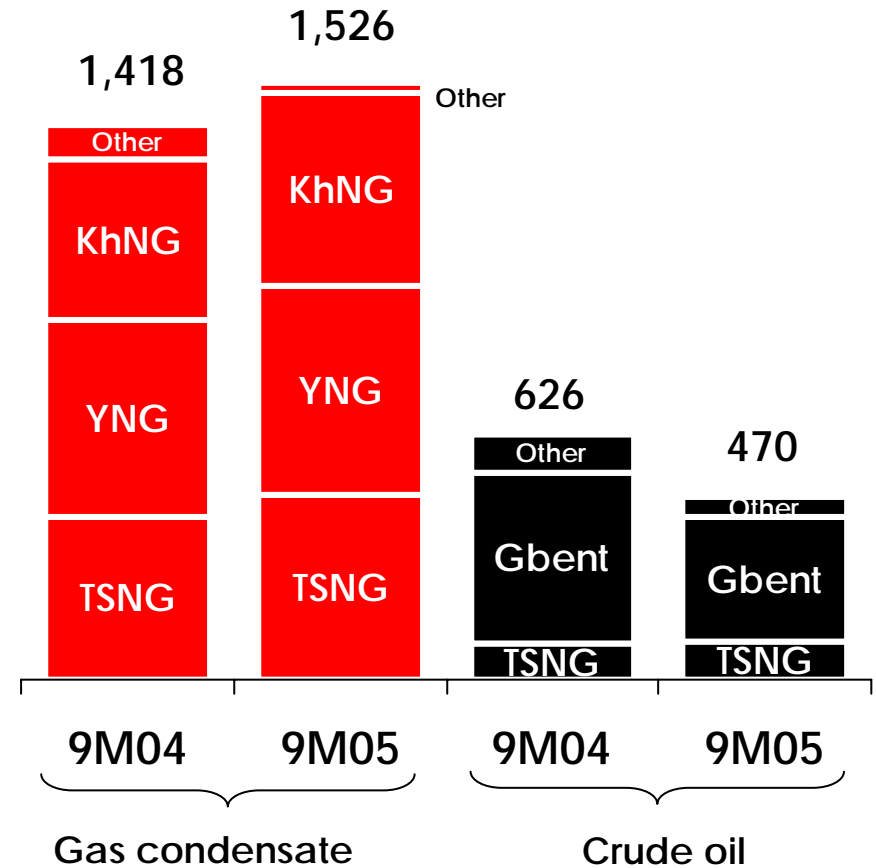


Gross hydrocarbon production ¹

Natural gas production, mmcm



Liquids production, '000 tonnes

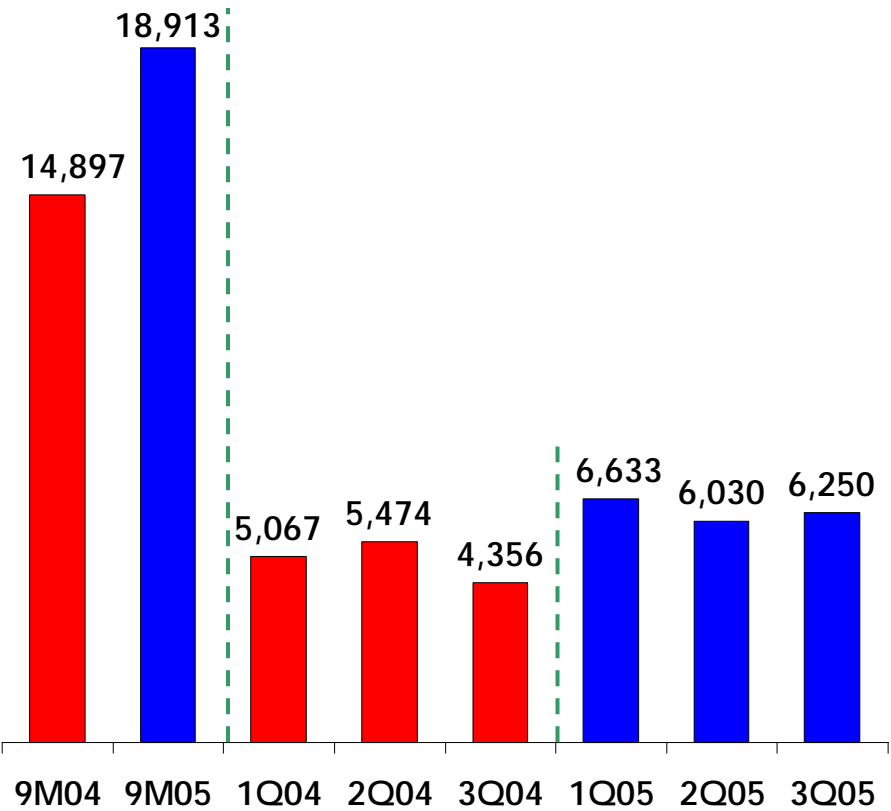


Note:

¹ 100% of current Novatek subsidiaries for 2004 and 2005, Including own consumption, technological and other losses

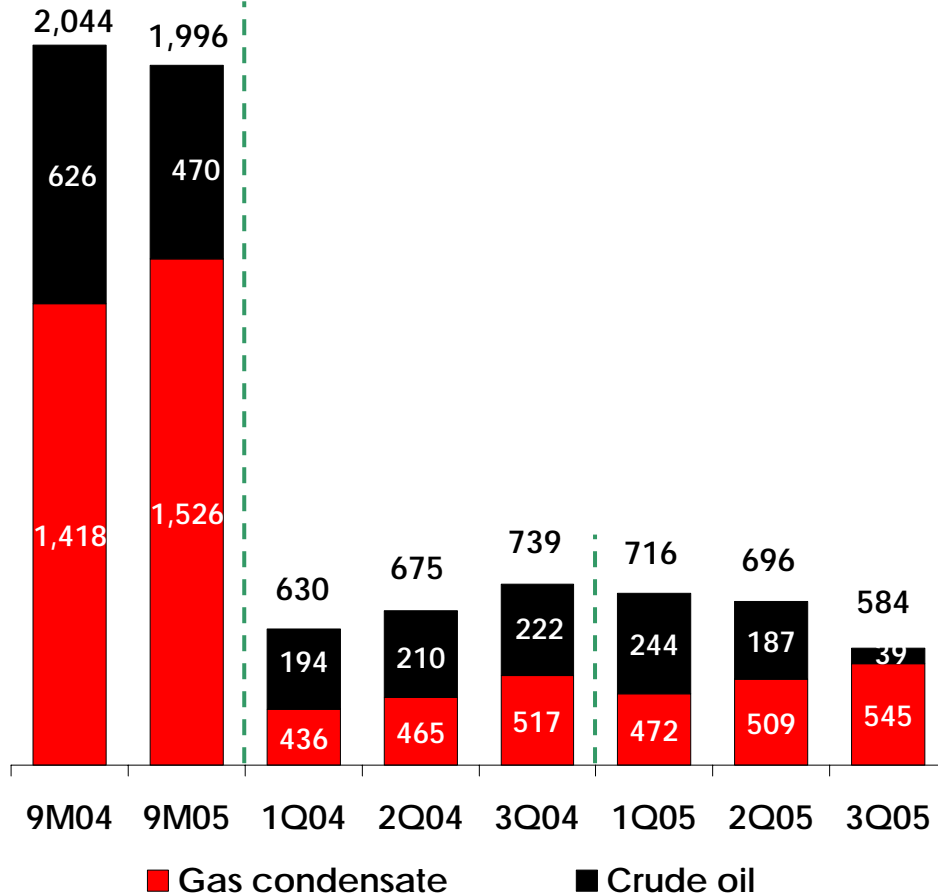
Gross production 9Mo9M and 2004/2005 quarterly

Gross natural gas production, mmcm



Production in line with year end target of 25 to 27 mmcm

Gross liquid production, '000 tonnes



Decrease in oil production mainly due to divestiture of Geoilbent in June 2005



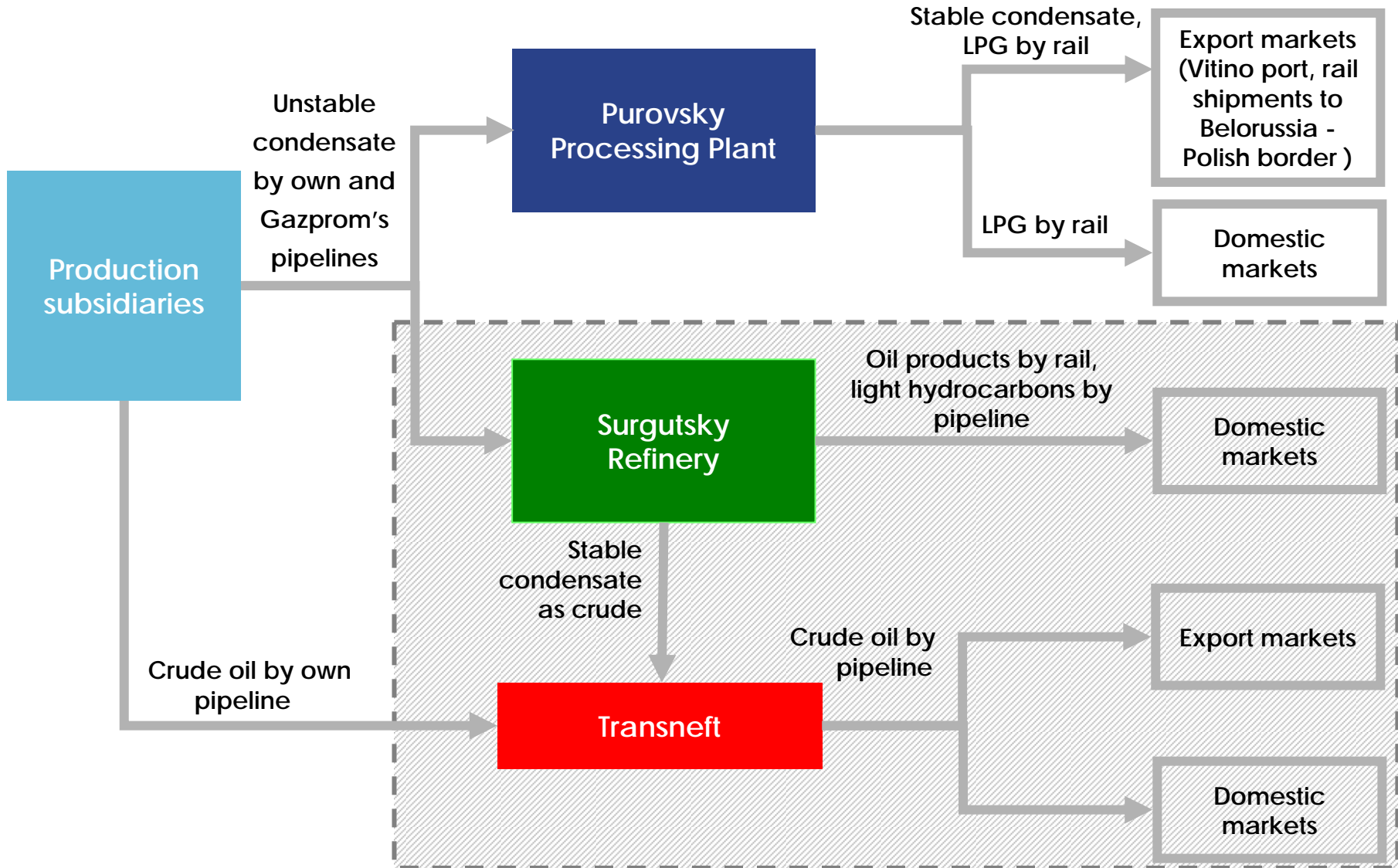
Purovsky processing plant & Vitino Sea Port Terminal

Key facts (during 3Q05):

- ❑ **Deliveries of unstable gas condensate:**
 - TNSG & KhNG began 16 April
 - YNG began 27 July
- ❑ **Total volumes delivered**
 - TSNG & KhNG: 344.9 mt
 - YNG: 60.2 mt
- ❑ **Total plant output**
 - stable gas condensate: 309.2 mt
 - LPG's: 95.8 mt
- ❑ **Plant capacity**
 - Approximately 80%
- ❑ **Nine Tankers from Vitino Sea Port Terminal**
 - 75% to US markets
 - 25% to Scandinavian/European markets

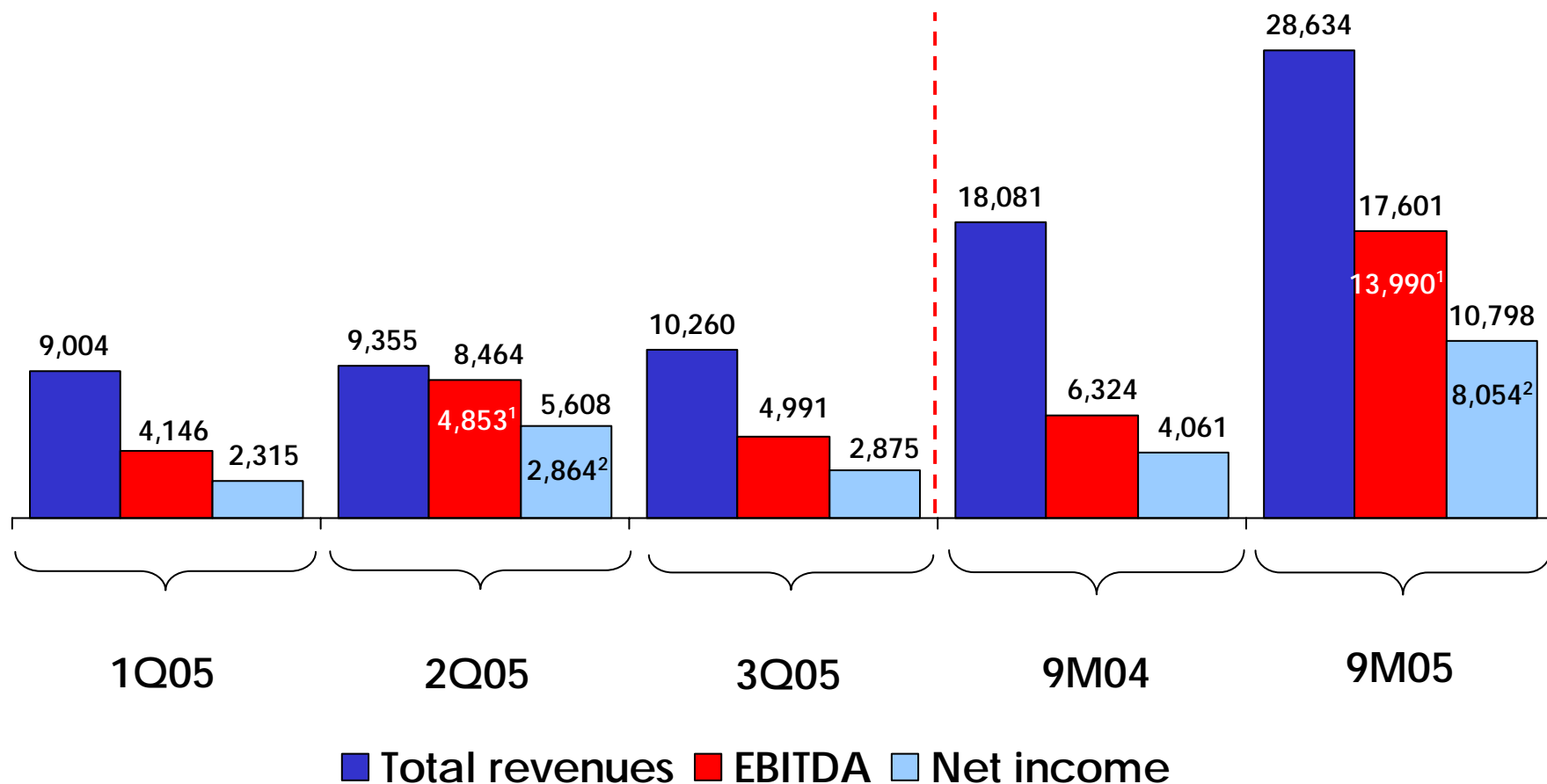


Current vs. previous liquid products flow



Financial Overview

Summary financial results (RR million)



Notes:

¹ EBITDA net of disposal gains

² Net profit net of disposal gains

Robust performance

RR million	9M04	9M05	+ / (-)	+ / (-)%
Total revenues	18,081	28,634	10,553	58%
EBITDA ⁽¹⁾	6,324	17,601	11,277	178%
EBITDA net of disposal gains ⁽²⁾	6,324	13,990	7,666	121%
Corporate Income Tax Rate	29%	26%	(3%)	
Profit attributable to Novatek	4,061	10,798	6,737	166%
Capex	5,539	4,318	(1,221)	(22%)
Net debt ⁽³⁾	9,370	5,857	(3,513)	(37%)
<i>Net debt / Net debt + Equity</i>	<i>38%</i>	<i>10%</i>	<i>(18%)</i>	

Notes:

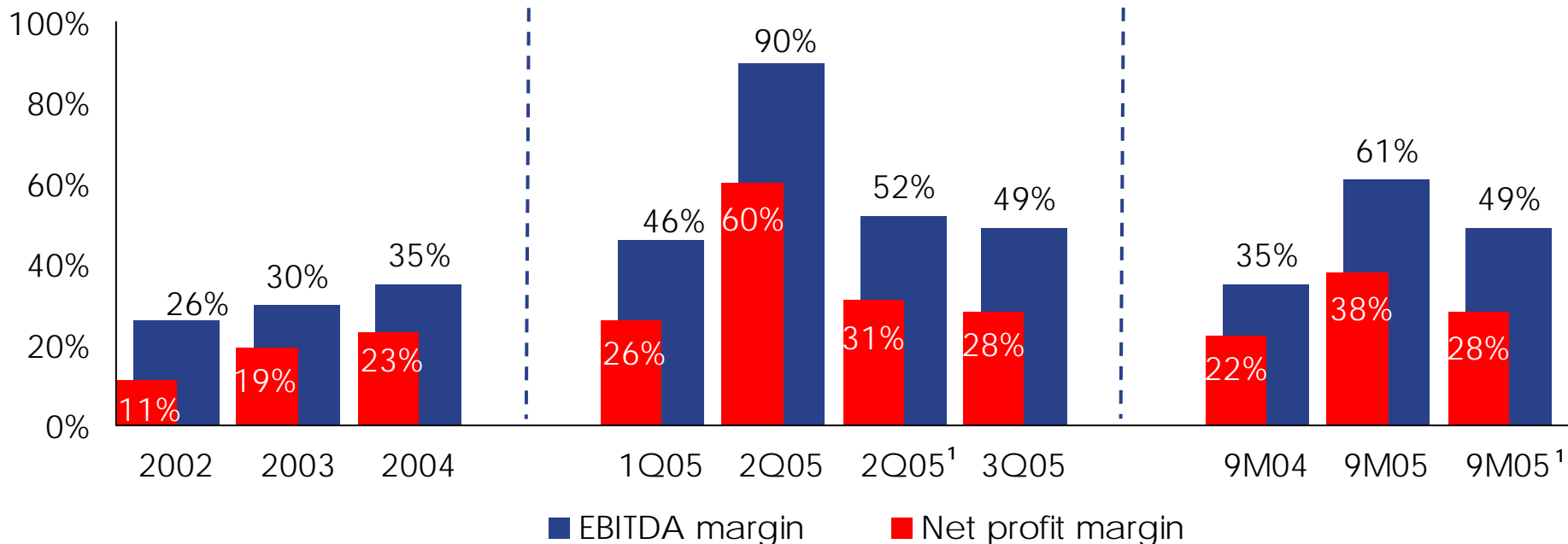
¹ EBITDA defined as net income plus total finance expense plus depreciation, depletion and amortization plus total income tax expense

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

Focus on core business improved profitability

EBITDA and net profit margins

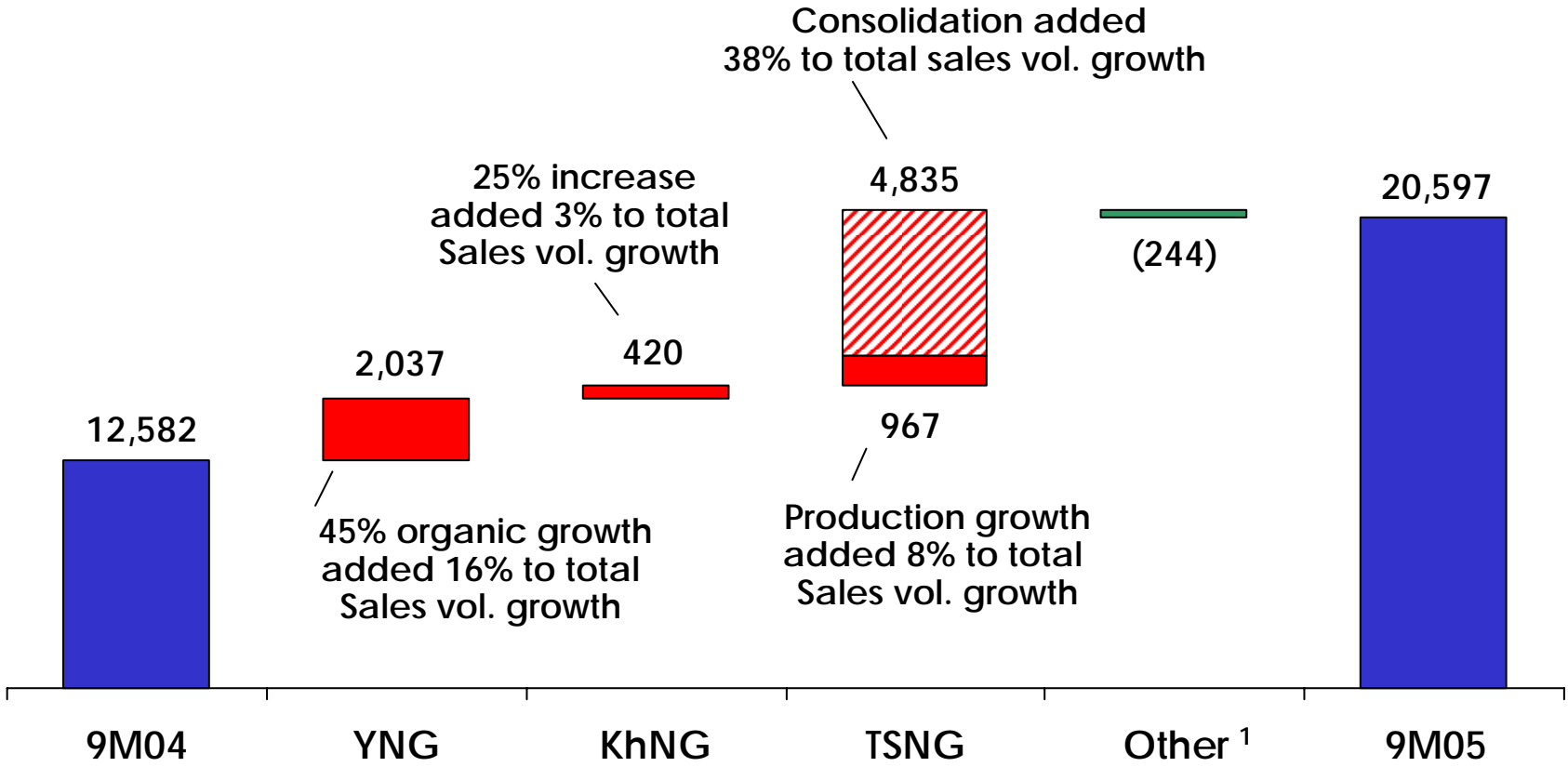


- ✓ Growth in and consolidation of core gas business
- ✓ Growth in sales volumes and price increases
- ✓ Divestiture of non-core construction and other service businesses

Note:

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

Natural gas sales volumes (mmcm)

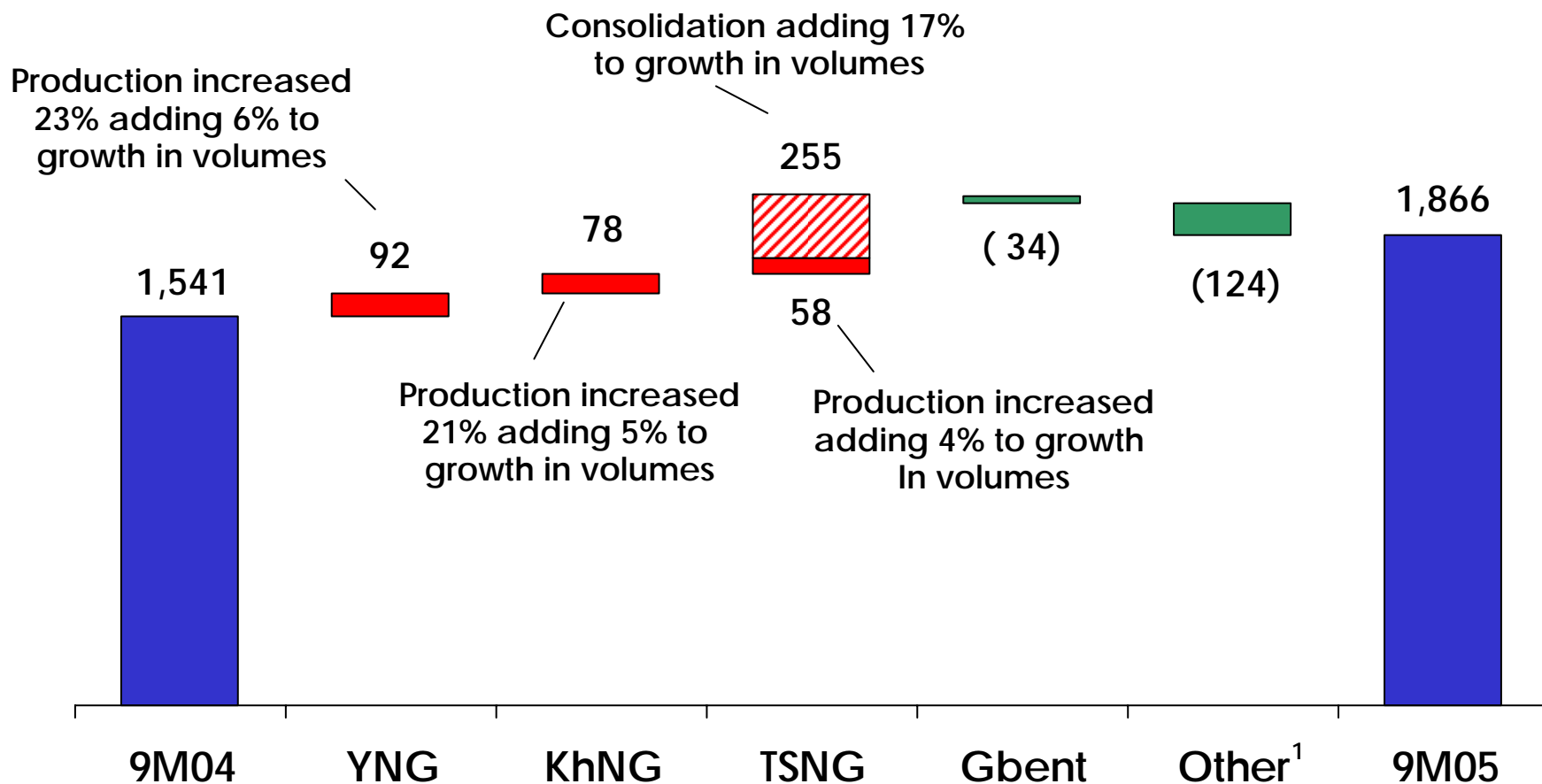


Natural gas sales volumes increased by 63.7% in the 9M05 vs. 9M04

Note:
¹ Including changes in inventory



Liquids sales volumes ('000 tonnes)



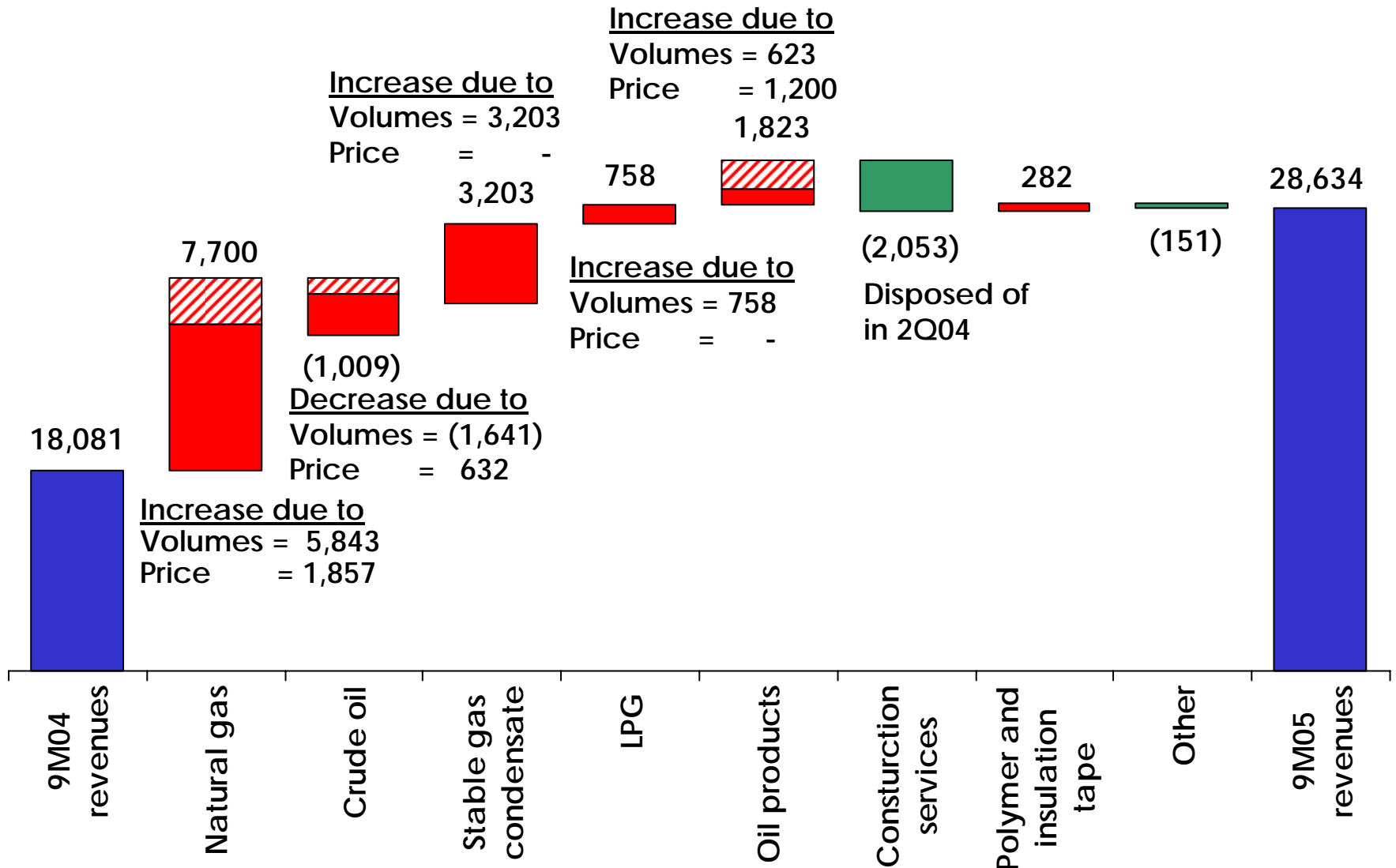
Liquid sales volumes increased by 21.1% in the 9M05 vs. 9M04

Note:

¹ Including changes in inventory

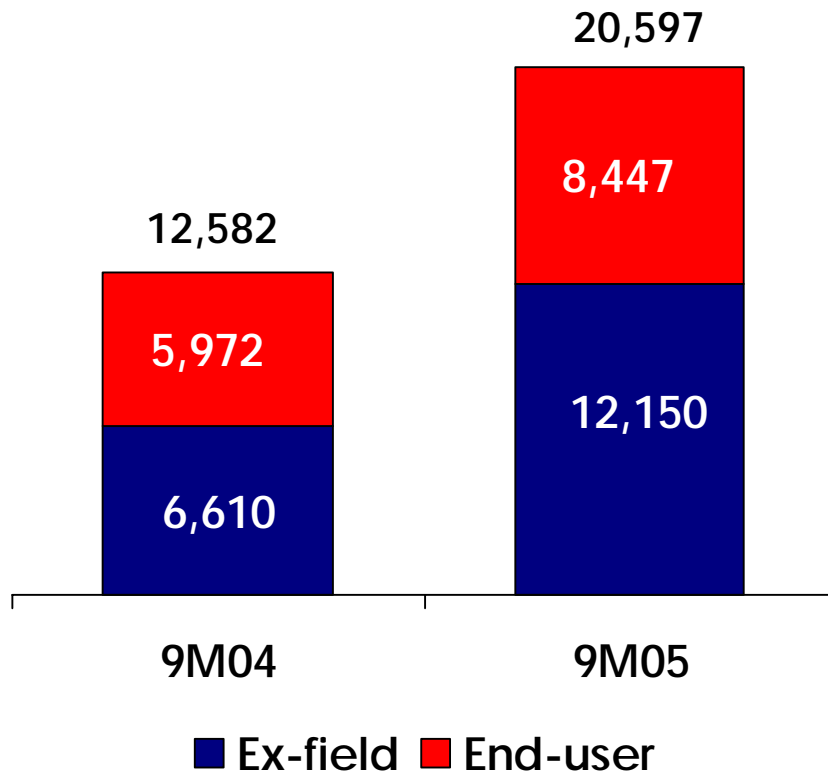


Total revenues (RR million)



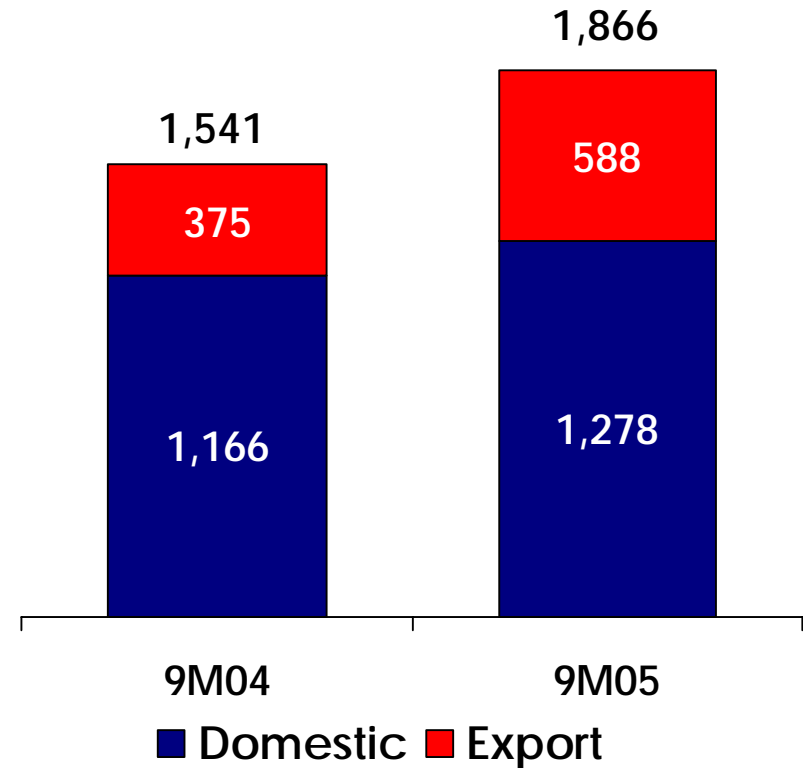
Sales market distribution

Natural gas, mmcm



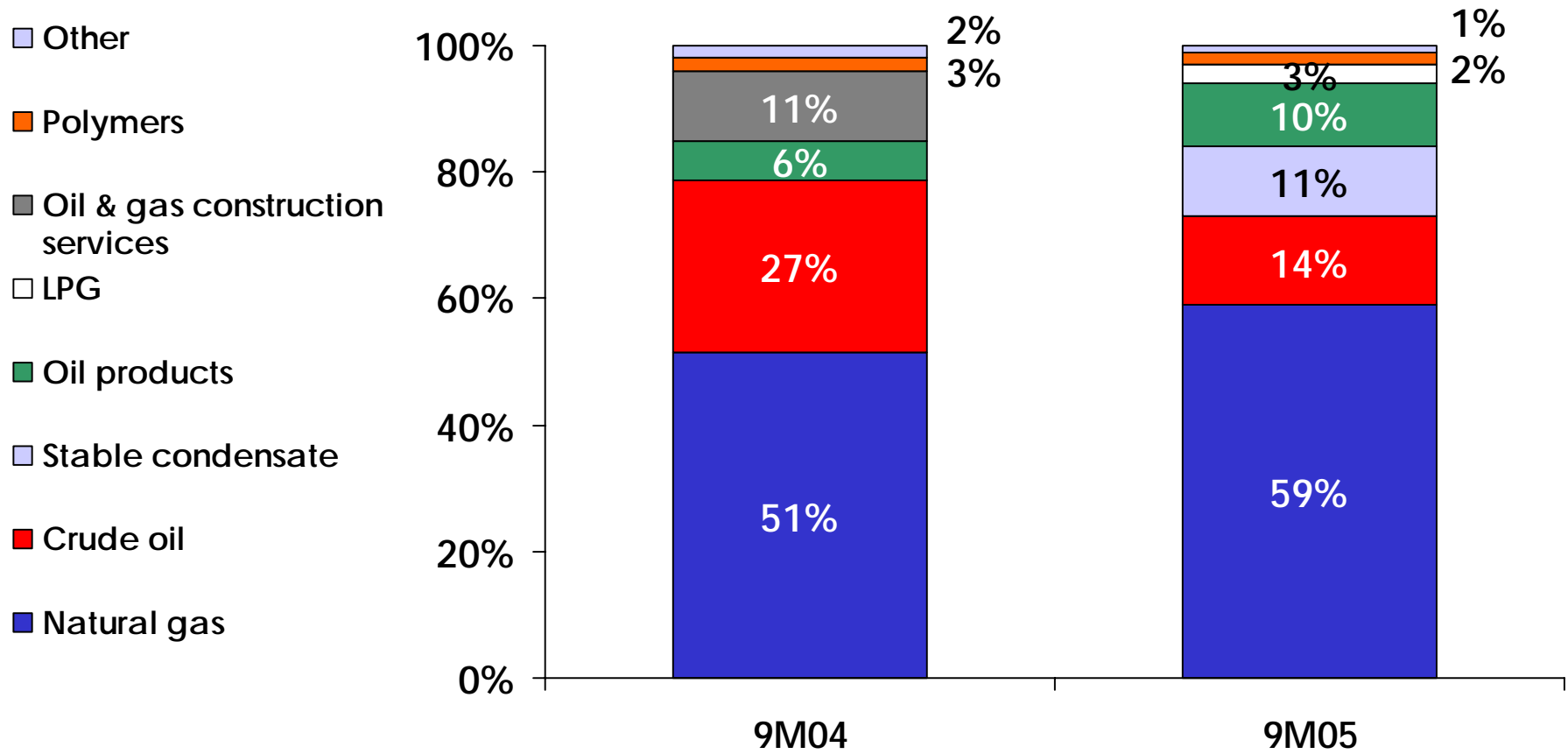
Larger proportion of Ex-field sales in 2005 due to Increase in sales to Itera

Liquids, '000 tonnes



Growth in export sales in 9M05 due to commencement of Purovsky plant

Total revenue breakdown



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

Average prices		9M04	9M05	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas ¹	RR/mcm	779	803	24	3%
Crude oil	RR/tonne	3,783	4,577	794	21%
Stable gas condensate	RR/tonne	n/a	6,161	n/a	n/a
LPG	RR/tonne	n/a	6,009	n/a	n/a
Oil products	RR/tonne	2,958	5,211	2,253	76%
<u>Export market</u>					
Crude oil & gas condensate	RR/tonne	4,955	6,137	1,182	24%
Stable gas condensate	RR/tonne	n/a	8,096	n/a	n/a
LPG	RR/tonne	n/a	7,583	n/a	n/a
Oil products	RR/tonne	4,900	n/a	n/a	n/a

Note:

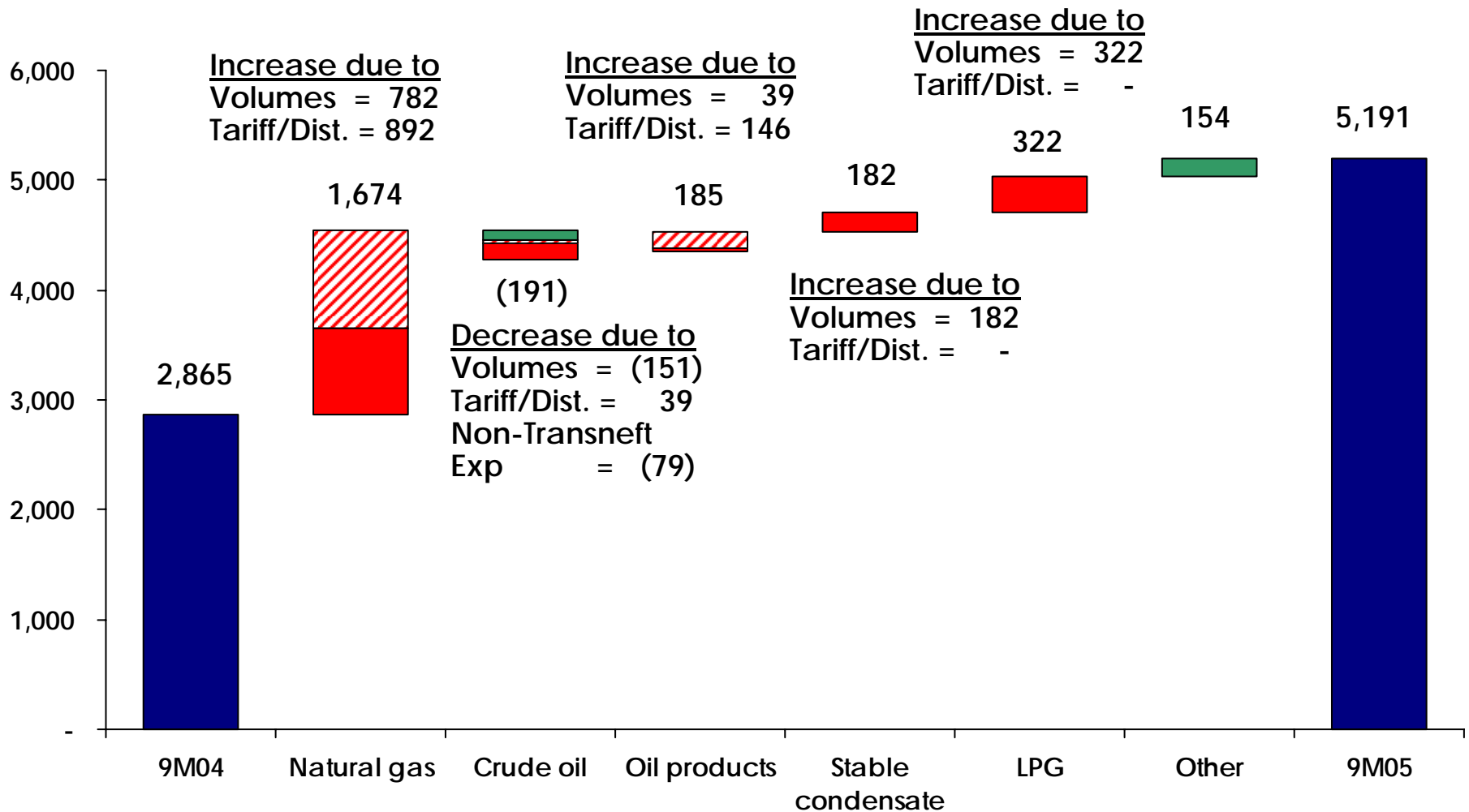
¹ Average End-user and Ex-field gas prices

Operating expenses breakdown

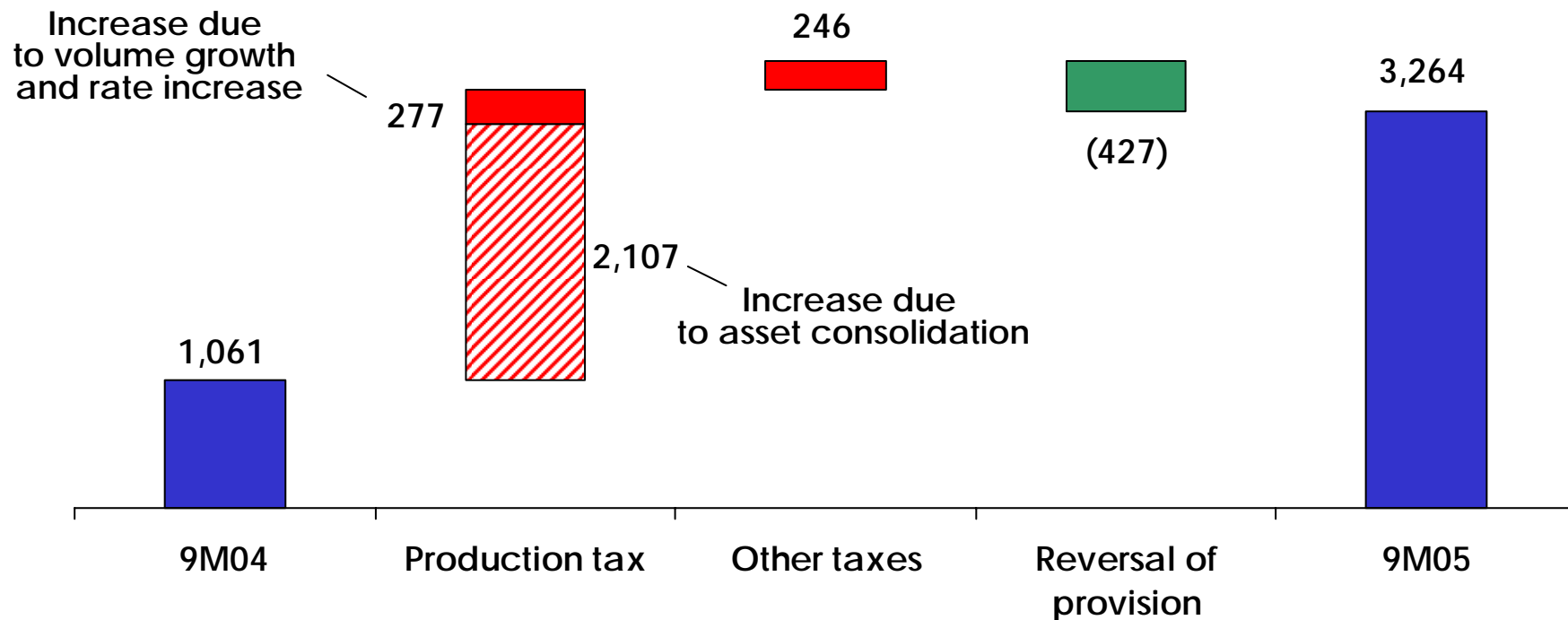
Operating Expenses, RR million	9M04	% of Total Revenue	9M05	% of Total Revenue
Materials, services and other	3,537	20%	2,714	10%
Transportation expense	2,865	16%	5,191	18%
Taxes other than income	1,061	6%	3,264	11%
General and administrative	1,001	6%	1,465	5%
Depreciation and amortization	768	4%	2,607	9%
Exploration expense	138	1%	301	1%
Impairment	(70)	0%	110	0%
Subtotal	9,300	51%	15,652	55%
Cost of purchased oil, condensate and natural gas	4,044	22%	1,772	6%
Total operating expense	13,344	74%	17,424	61%

- ❑ Operating expenses decreased from 74% to 61% as a percentage of total revenues
- ❑ Materials and services expenses decreased to 10% 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)

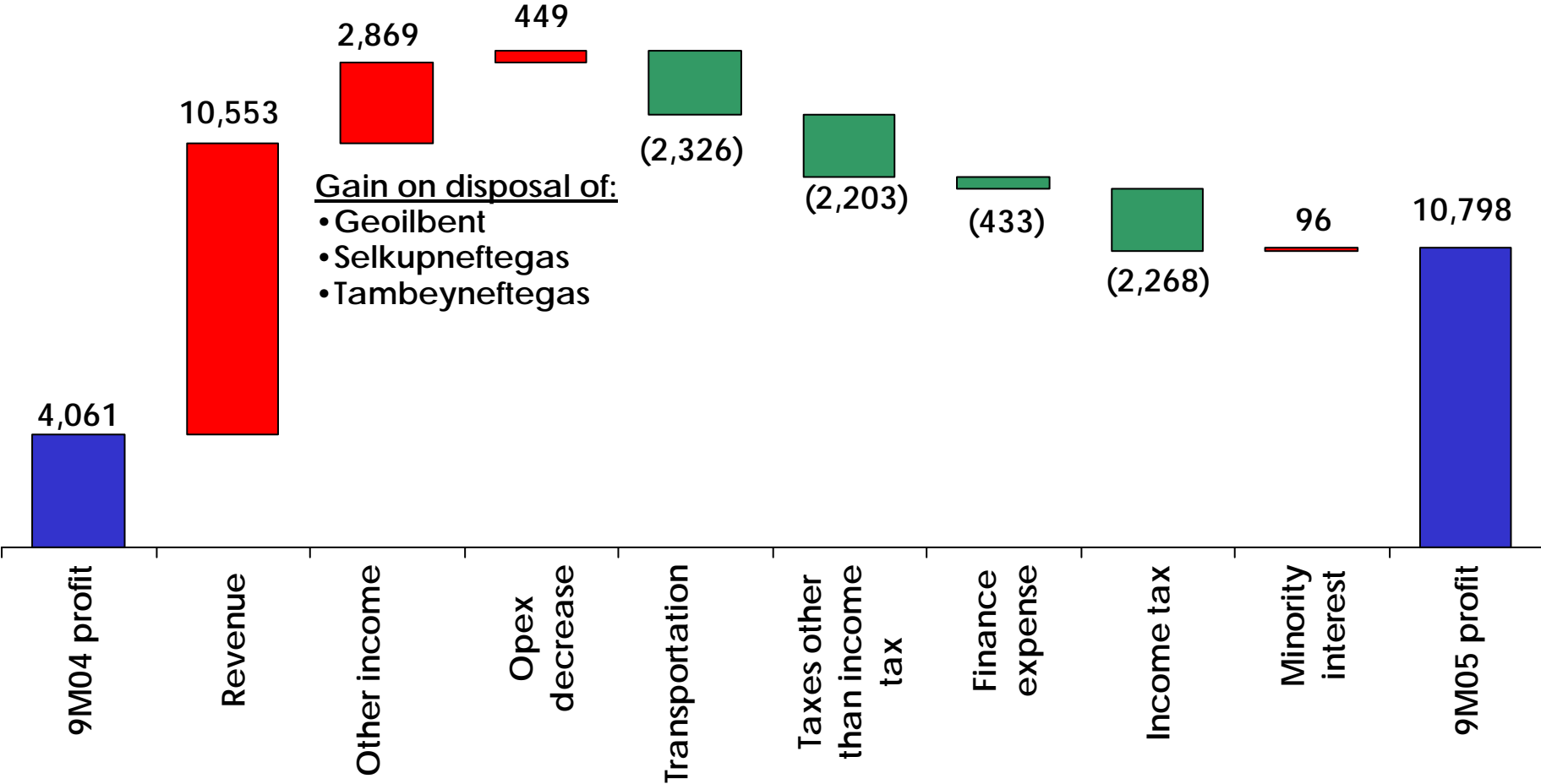


Production taxes (RR million)



- Increase in production tax of 207.6% due to growth in production volumes from subsidiaries and an increase in tax rates per unit, but the majority of increase related to asset consolidation of TSNG and KhNG in December 2004
- Reversal of a tax provision during period relating to the calculation of production tax on gas condensate recorded in 1Q05

Profit attributable to NOVATEK (RR million)



Condensed balance sheet (RR million)

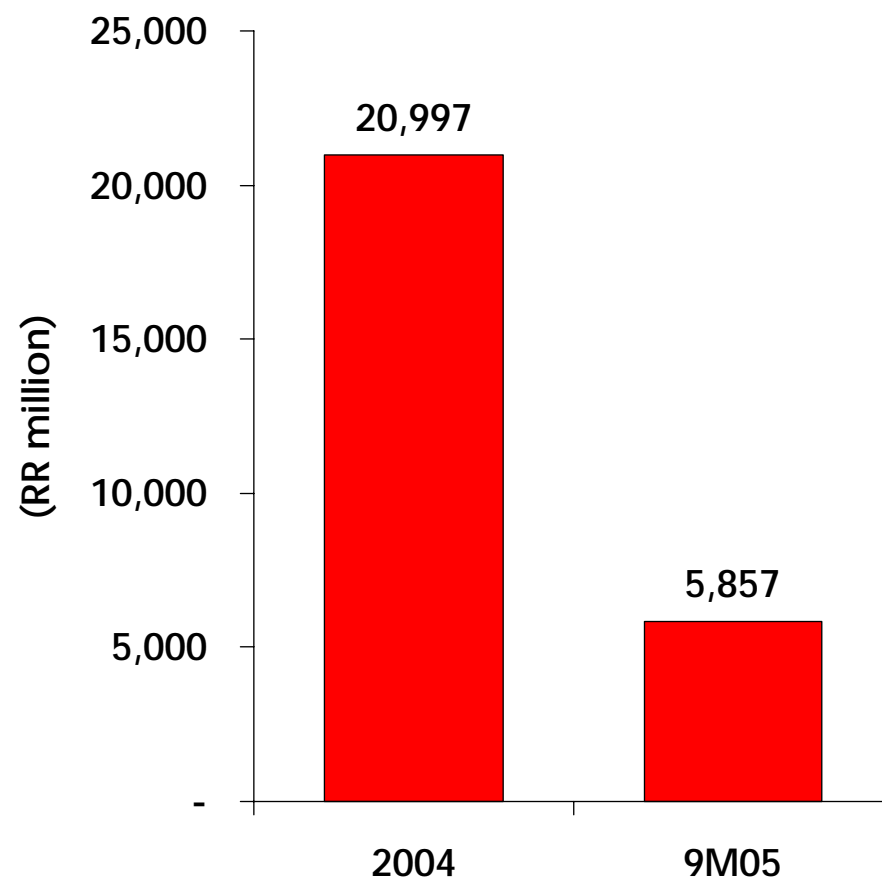
RR million	FY04	9M04	9M05	9Mo9M + / (-)	9Mo9M + / (-)%
Total current assets	9,134	9,316	13,682	4,366	47%
<i>Incl. Cash & cash equivalents</i>	<i>3,003</i>	<i>1,784</i>	<i>5,695</i>	<i>3,911</i>	<i>219%</i>
Total non-current assets	73,316	22,051	65,755	43,704	198%
<i>Incl. Net PP&E</i>	<i>62,449</i>	<i>13,968</i>	<i>64,083</i>	<i>50,115</i>	<i>359%</i>
Total assets	82,450	31,367	79,437	48,070	153%
Total current liabilities	14,239	4,907	12,562	7,655	156%
<i>Incl. Short-term debt</i>	<i>10,768</i>	<i>2,362</i>	<i>10,124</i>	<i>7,762</i>	<i>329%</i>
Total non-current liabilities	23,275	10,913	11,260	347	3%
<i>Incl. Long-term debt</i>	<i>13,232</i>	<i>13,232</i>	<i>1,428</i>	<i>(11,804)</i>	<i>(89%)</i>
Total Liabilities	37,514	15,820	23,822	8,002	51%
Shareholders Equity	44,936	15,548	55,615	40,067	258%
Total shareholders equity & liabilities	82,450	31,367	79,437	48,070	153%

Debt structure

Debt structure and maturities

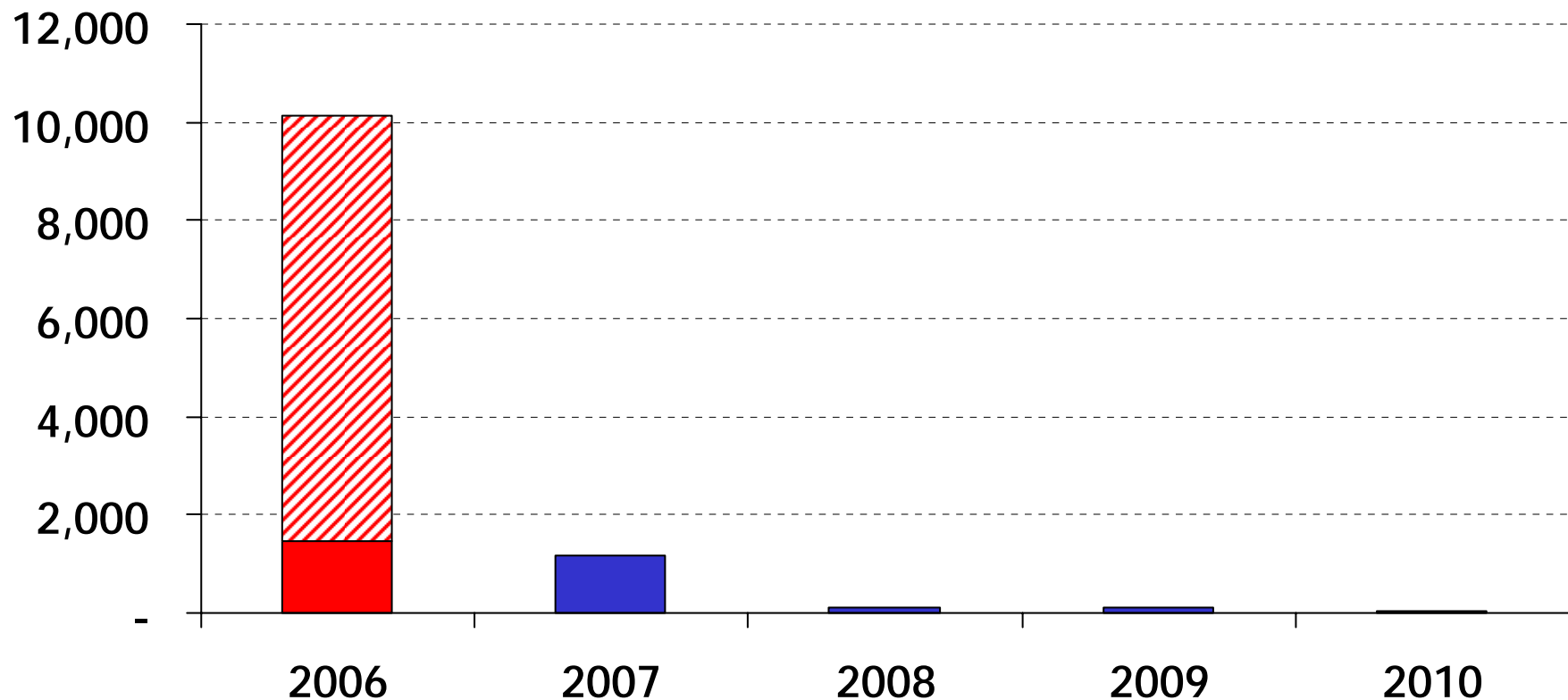
RR million	2004	9M05
Short-term debt	10,768	10,124
<i>Incl. current portion of long-term debt</i>	<i>5,388</i>	<i>8,646</i>
Long-term debt	13,232	1,428
Scheduled maturities		
2007		1,161
2008		128
2009		107
2010		32
Total debt	24,000	11,552
Cash and cash equivalents	3,003	5,695

Net debt



Total debt maturity profile (RR million)

Current debt maturity profile as at 30 September 2005



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

Strengthening credit fundamentals

Long term liquidity ratios	2002	2003	2004	9M05
Gross Debt / EBITDA	3.3x	1.5x	2.8x	.7x
<i>Gross Debt / adj. EBITDA⁽¹⁾</i>	<i>n/a</i>	<i>1.9x</i>	<i>2.8x</i>	<i>.8x</i>
Net Debt / EBITDA	3.1x	1.2x	2.4x	0.3x
<i>Net Debt / adj. EBITDA⁽¹⁾</i>	<i>n/a</i>	<i>1.5x</i>	<i>2.5x</i>	<i>0.4x</i>
EBITDA / Interest	8.4x	9.9x	10.1x	19.3x
<i>Adj. EBITDA⁽²⁾ / Interest</i>	<i>n/a</i>	<i>8.0</i>	<i>9.9x</i>	<i>15.3x</i>
Net Debt / (Net Debt + Equity)	46%	34%	32%	10%

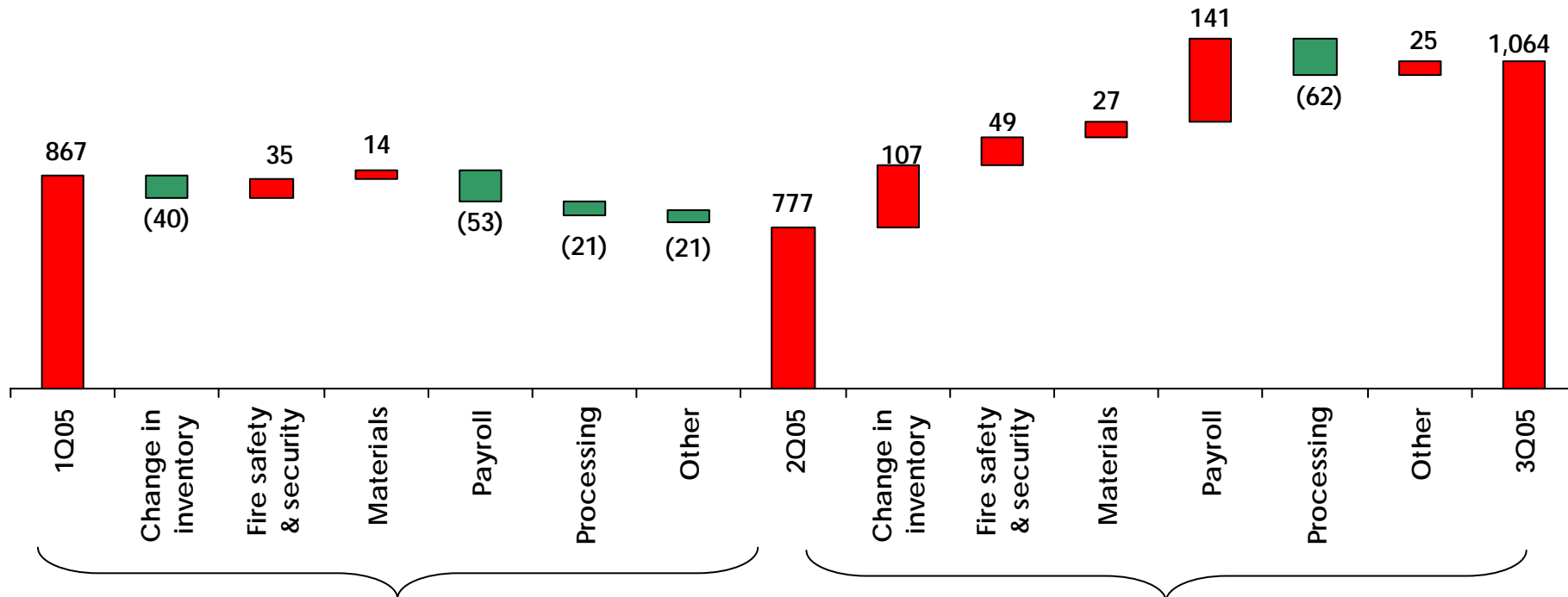
Note:
¹ EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates

Operating expenses breakdown, quarterly 2005

Operating Expenses, RR million	1Q05	% of Total Revenue	2Q05	% of Total Revenue	3Q05	% of Total Revenue
Materials, services and other	867	10%	777	8%	1,064	10%
Transportation expense	1,740	19%	1,597	17%	1,876	18%
Taxes other than income	1,301	14%	747	8%	1,216	12%
General and administrative	228	3%	578	6%	625	6%
Depreciation and amortization	814	9%	850	9%	943	9%
Exploration expense	149	2%	121	1%	19	0%
Impairment	42	0%	3	0%	65	1%
Subtotal	5,141	57%	4,673	50%	5,808	57%
Cost of purchased oil, condensate and natural gas	611	7%	770	8%	406	4%
Total operating expense	5,752	64%	5,443	58%	6,214	61%

- ❑ 3Q materials services and other expense increased by 37% vs. 2Q primarily due to increases in payroll expense (Purovsky) and a reduction in inventory, offset by a decrease in processing expense (migration from Surgut to Purovsky).
- ❑ 3Q taxes other than income increased by 63% vs. 2Q primarily due to a reversal in tax provision of RR 427 million.
- ❑ 3Q general and administrative expense increased by 8% vs. 2Q due to increases in payroll expense for bonuses paid in the 3Q for the 1H05.

Materials, services and other, quarterly 2005



Increase due to:

- Payroll (6%)
- Change in inventory (5%)
- Fire safety & security 4%
- Materials 2%
- Processing (3%)
- Other (2%)

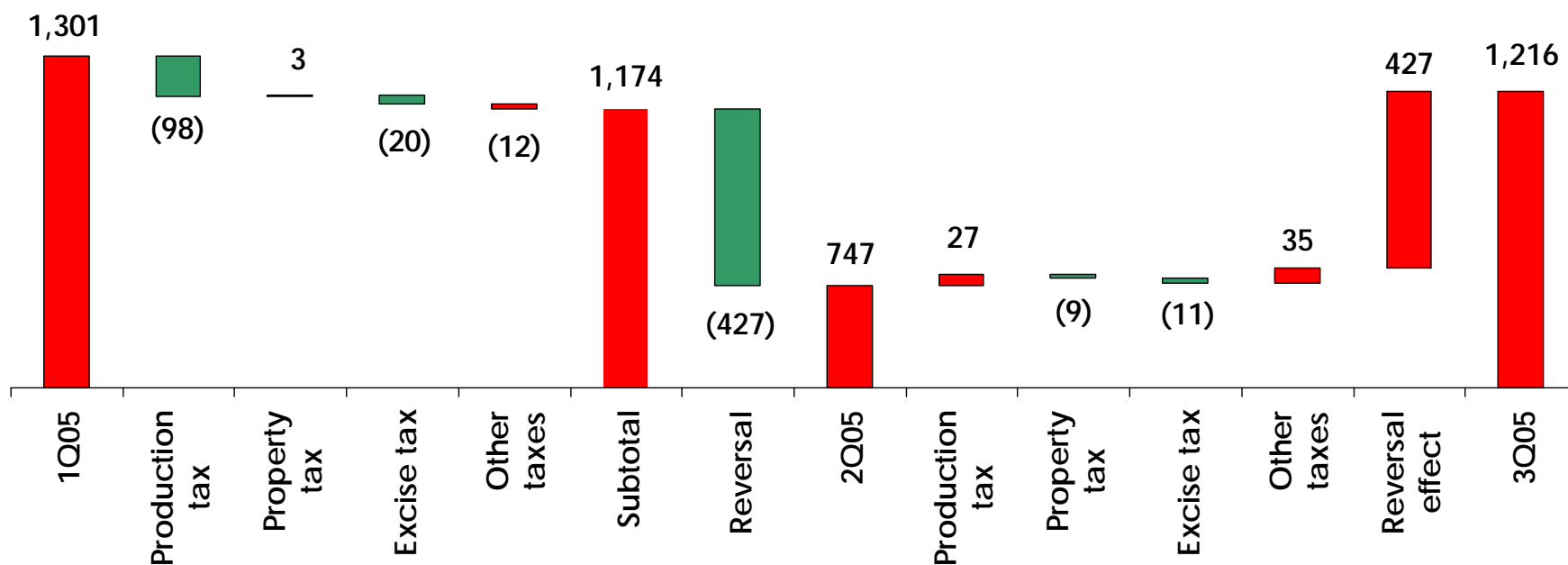
Total decrease (10%)

Increase due to:

- Payroll 18%
- Change in inventory 14%
- Fire safety & security 6%
- Materials 3%
- Other 4%
- Processing (8%)

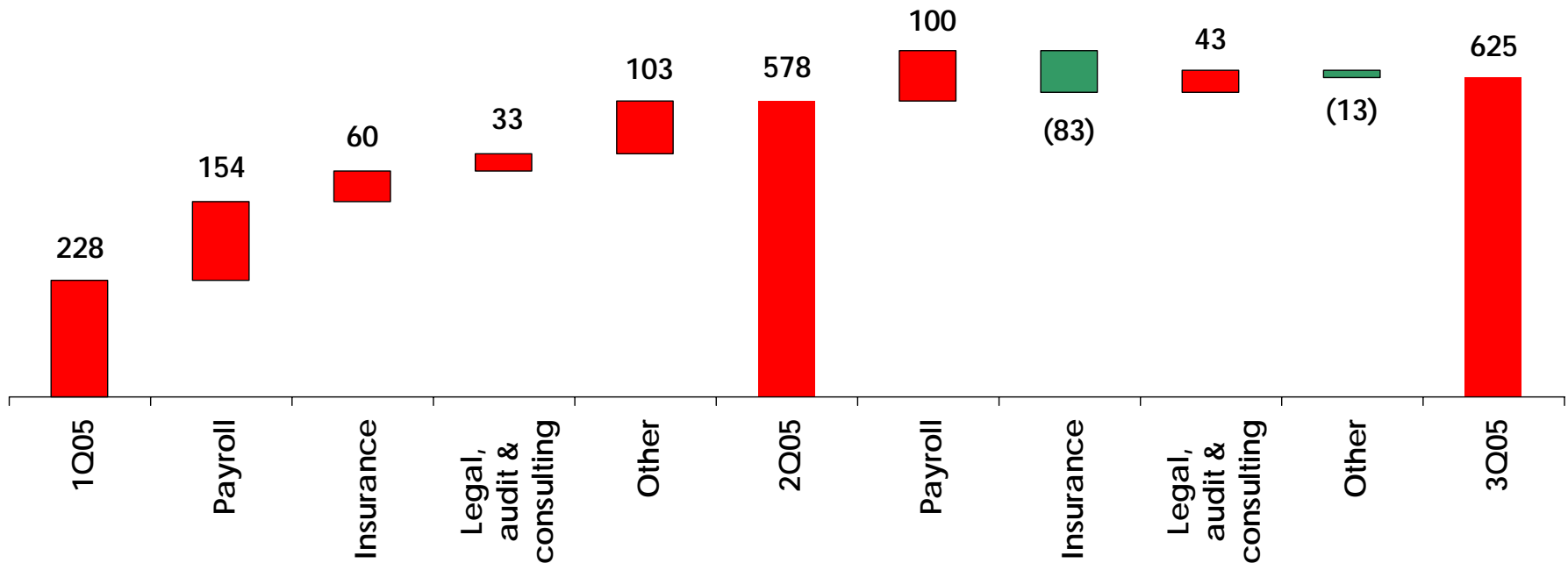
Total increase 37%

Taxes other than on income, quarterly 2005



- 2Q taxes other than on income (net of reversal) decreased by 10% vs. 1Q due to lower production taxes in 2Q resulting from lower overall production volumes.
- 3Q taxes other than on income increased by 4% vs. 2Q (net of reversal) due to higher production taxes resulting from a growth in production volumes and an increase in other taxes (subject to year-end reclassification).
- 3Q taxes other than on income decreased by 7% vs. 1Q due to lower production taxes resulting from lower overall production volumes.

G&A expenses, quarterly 2005



- Payroll increases in the 2Q and 3Q due to bonuses and share based payments accrued and paid.
- Legal, audit & consulting increases in the 2Q and 3Q due to additional services required for IPO and other matters.
- As a percentage of total revenues G&A expenses has remained constant at 6% for the 2Q and 3Q

Questions and Answers