



Fourth Quarter and Full Year 2005 Operational and Financial Results Conference Call



Mark A. Gyetvay, Chief Financial Officer and Member of the Board of Directors
2 May 2006

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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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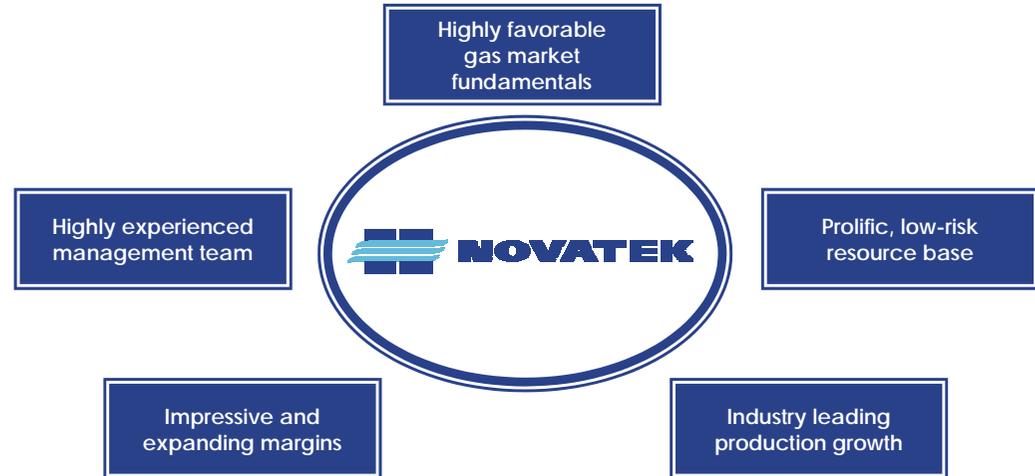
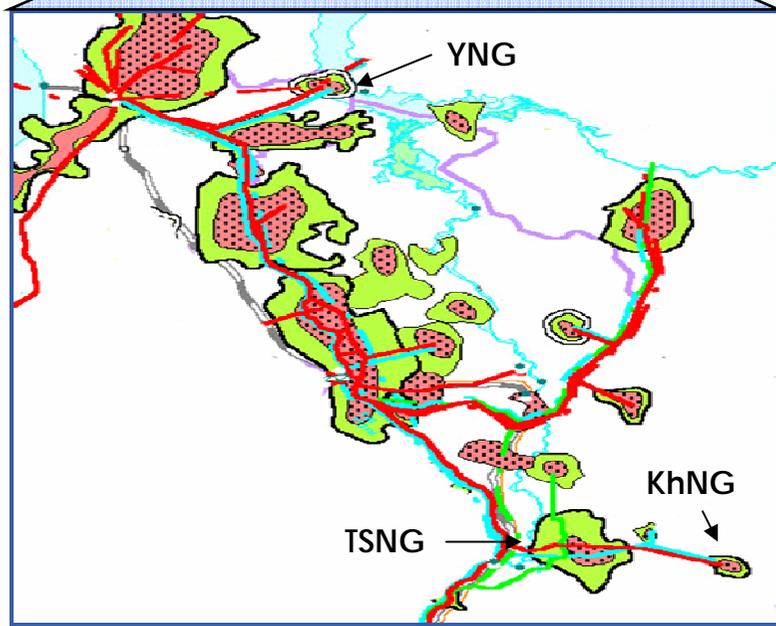
Summary Highlights 2005 – Record Results

- ❑ **Record revenues and earnings** driven by sales volume growth and favorable domestic and international price environment
- ❑ **Significant increase in total sales volumes – full year 2005**
 - Natural gas sales volumes increased by 58%
 - Liquids sales volumes increased by 17%
- ❑ **Aggressive debt reduction program** - reduced total debt by 14,906 million RR or 62%
- ❑ **Initial corporate credit rating obtained** – Moody's (Ba2 w/stable outlook) and S&P (BB- w/stable outlook)
- ❑ **Successful listing** of NOVATEK GDRs on the London Stock Exchange in July 2005
- ❑ **Full migration** of unstable gas condensate processing from the Surgutsky refinery to the Purovsky processing plant completed in 4Q 2005
- ❑ **Established wholly-owned foreign subsidiaries** in 4Q 2005 to facilitate export liquid sales

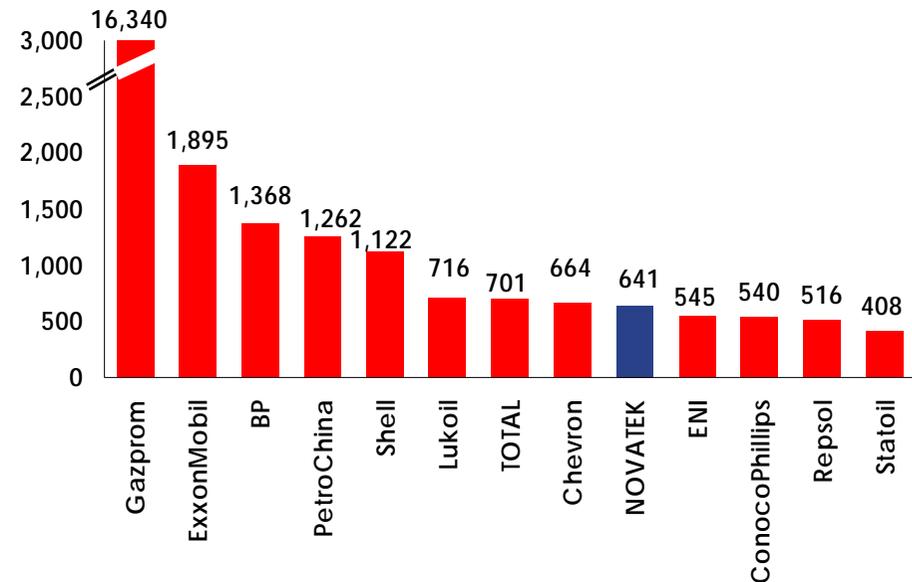
Operational Overview

NOVATEK snapshot

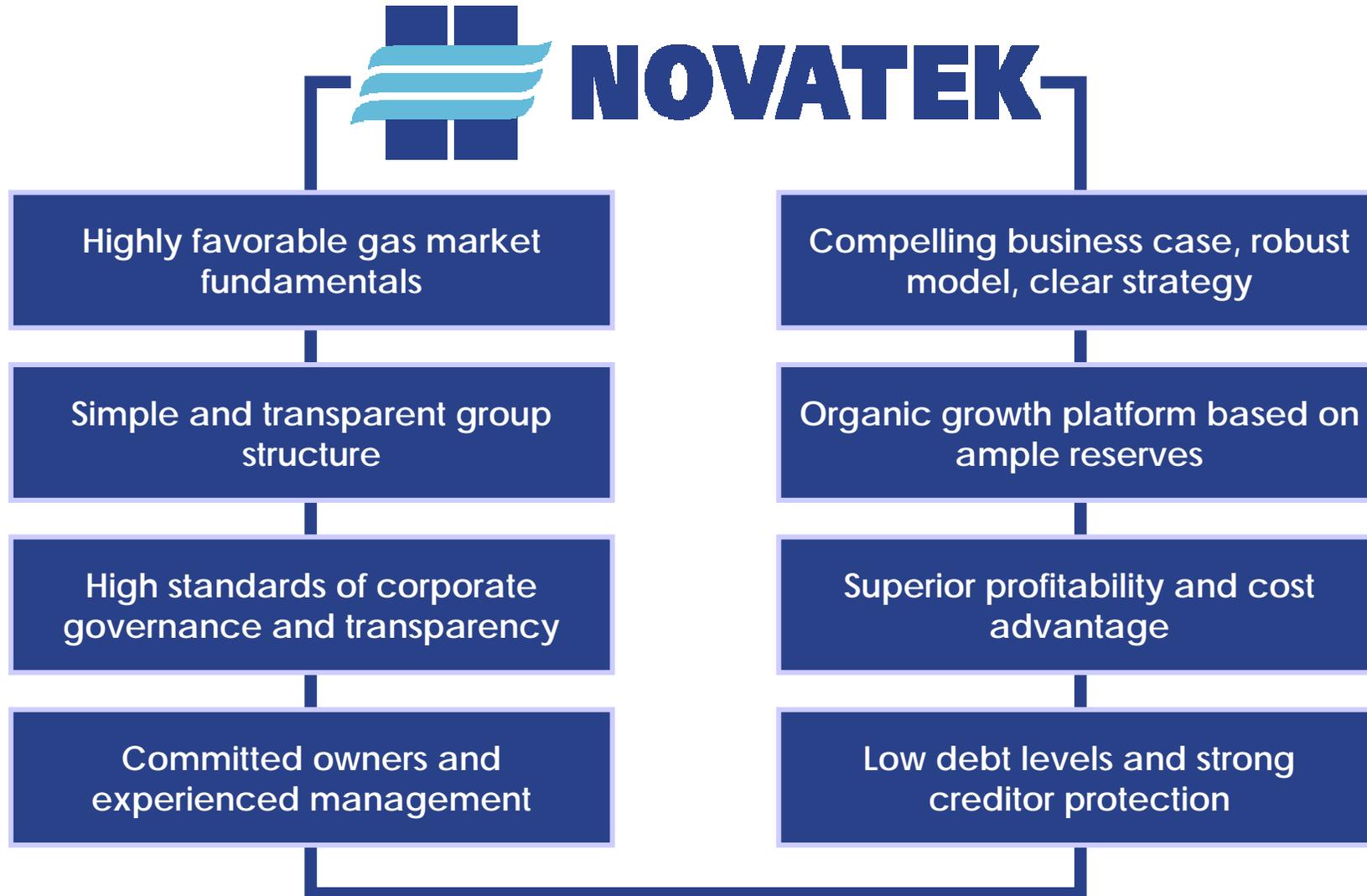
Map of operations



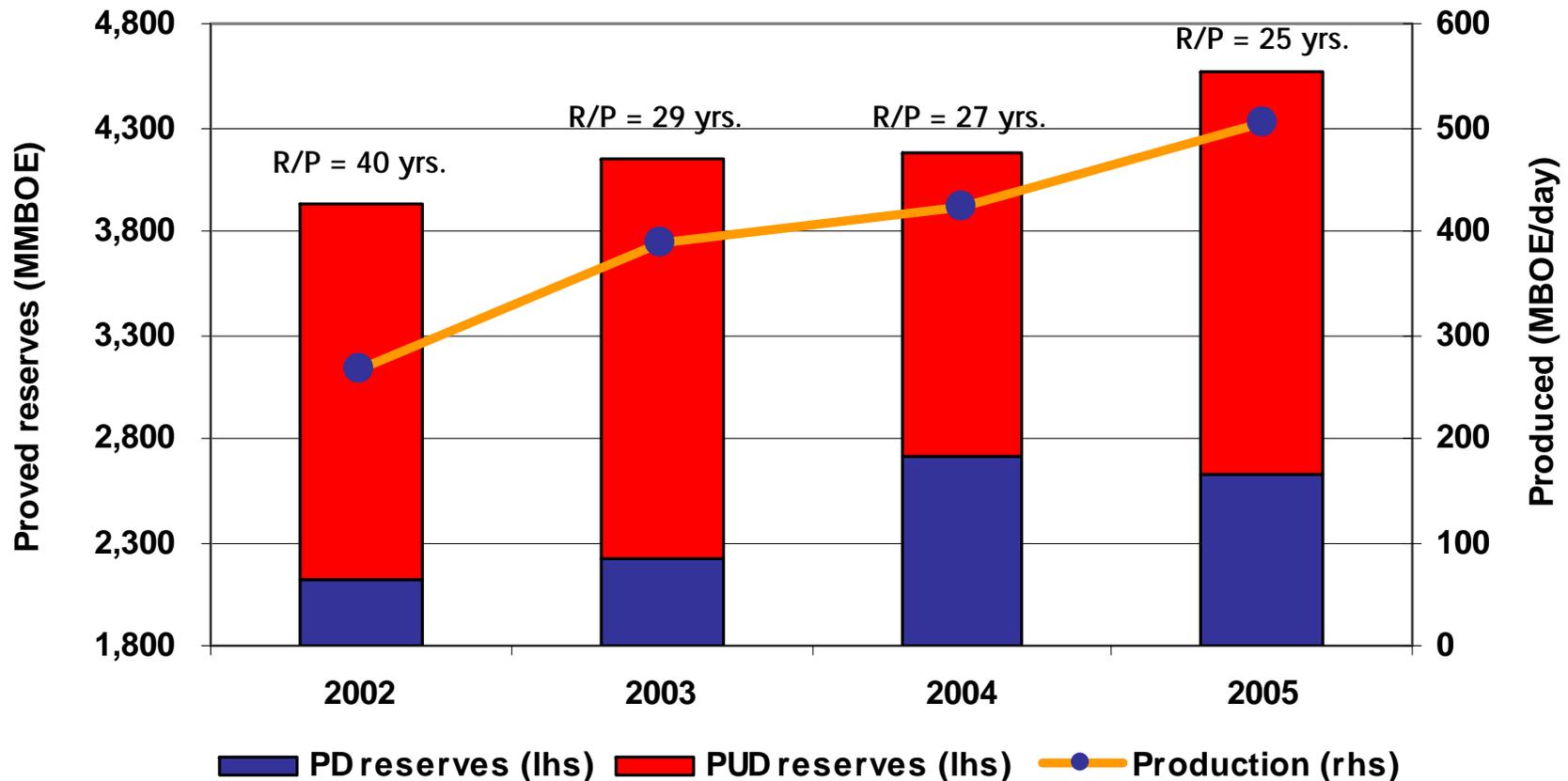
Net proved natural gas reserves 13/31/05, bcm



Leveraging our intrinsic business strengths



Reserves converted to production



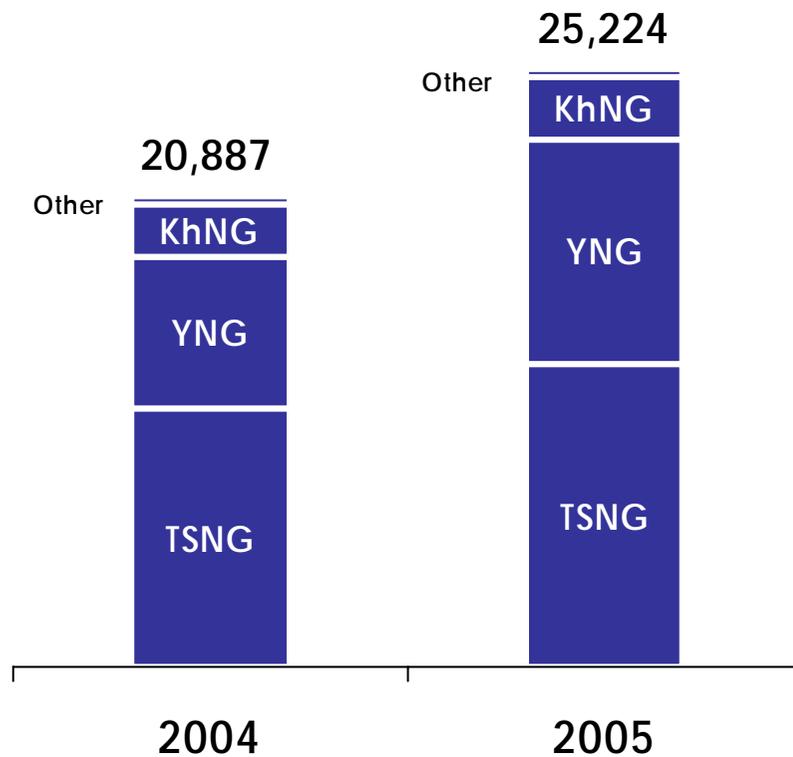
Novatek's reserve replacement rate (RRR) for 2005 is 311% and the Company's 2003 - 2005 three year average is 232%

Note: Novatek production and reserves based on ownership interest as of 12/31/2005 for all periods, some producing fields do not have reserve appraisals

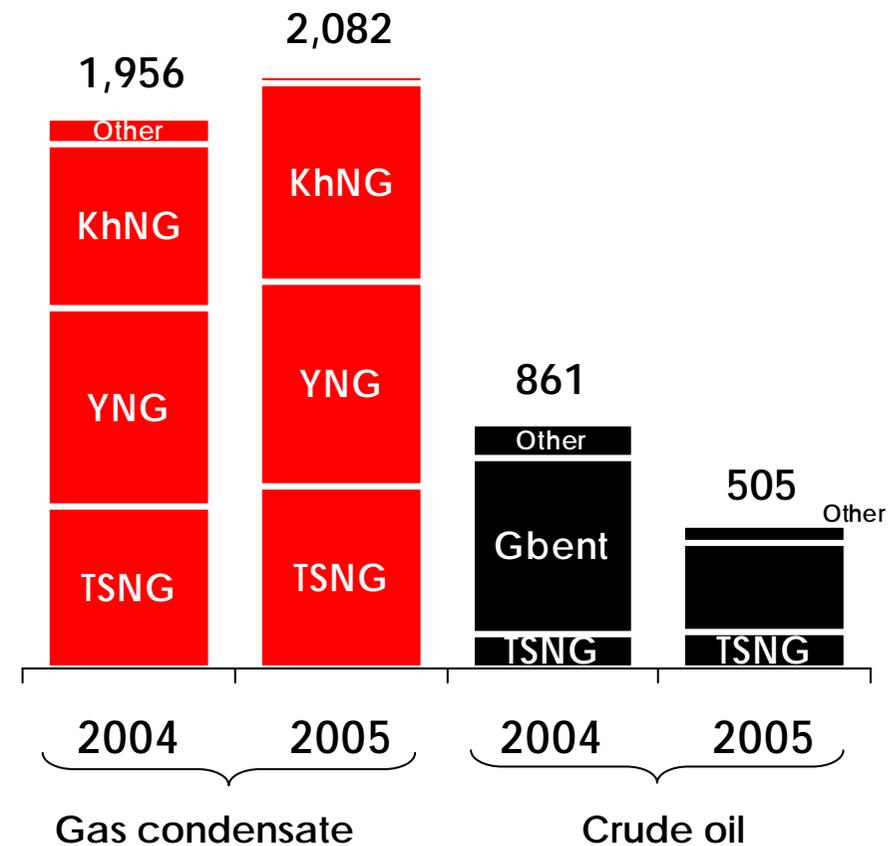


Gross hydrocarbon production¹

Natural gas production, mmcm



Liquids production, '000 tons



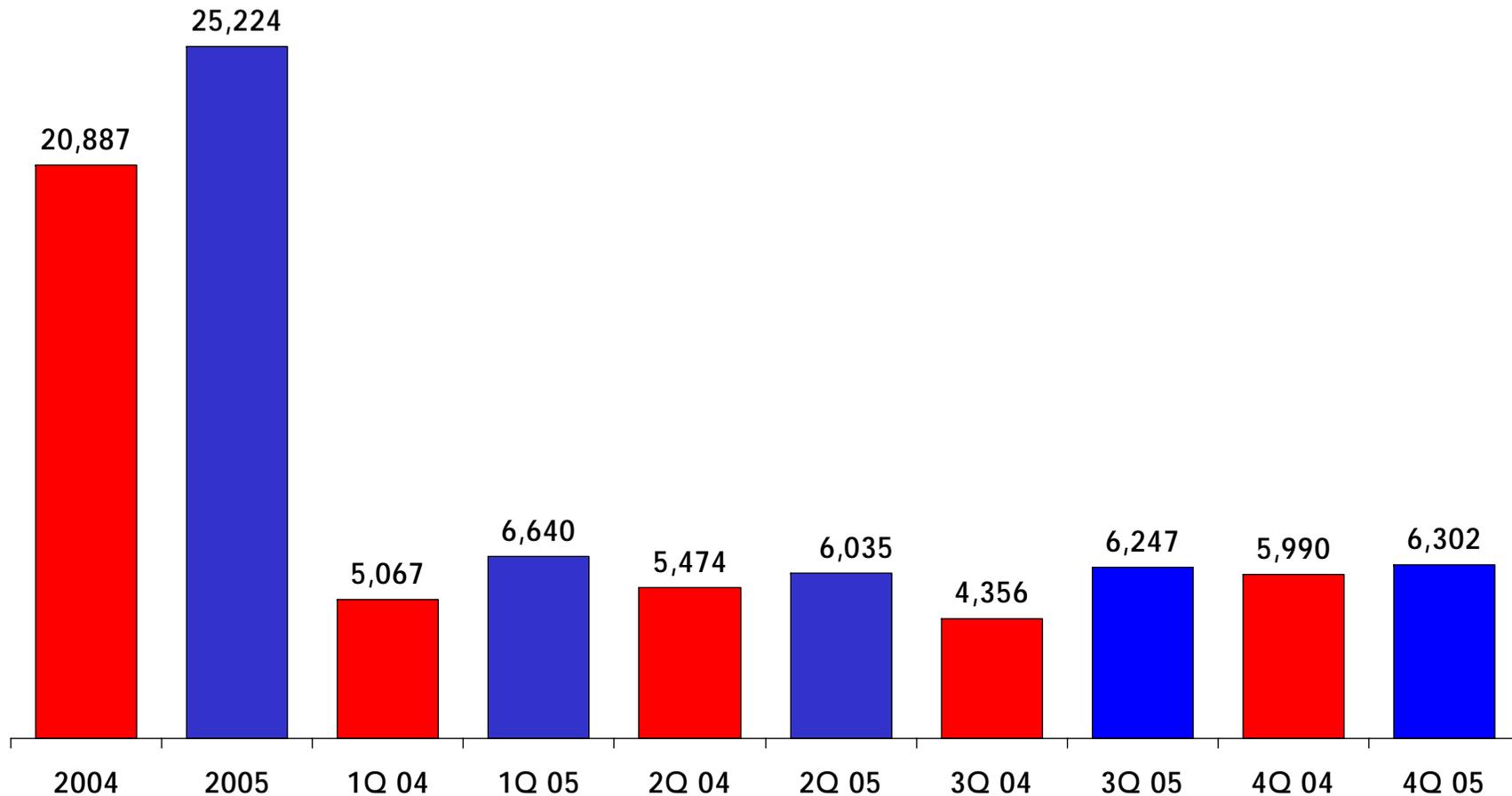
Note:

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



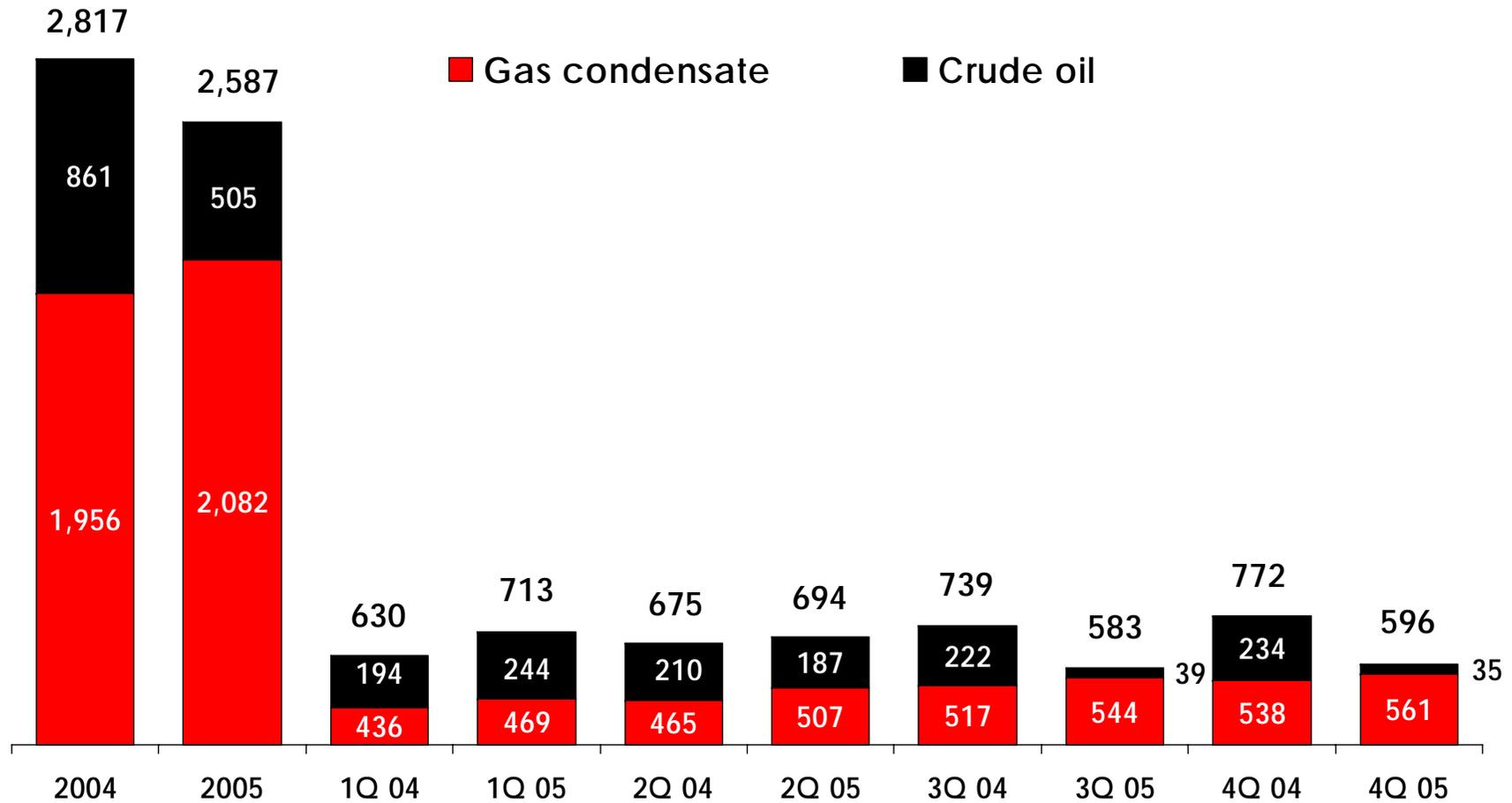
Gross production YoY and 2004/2005 quarterly

Gross natural gas production, mmcm

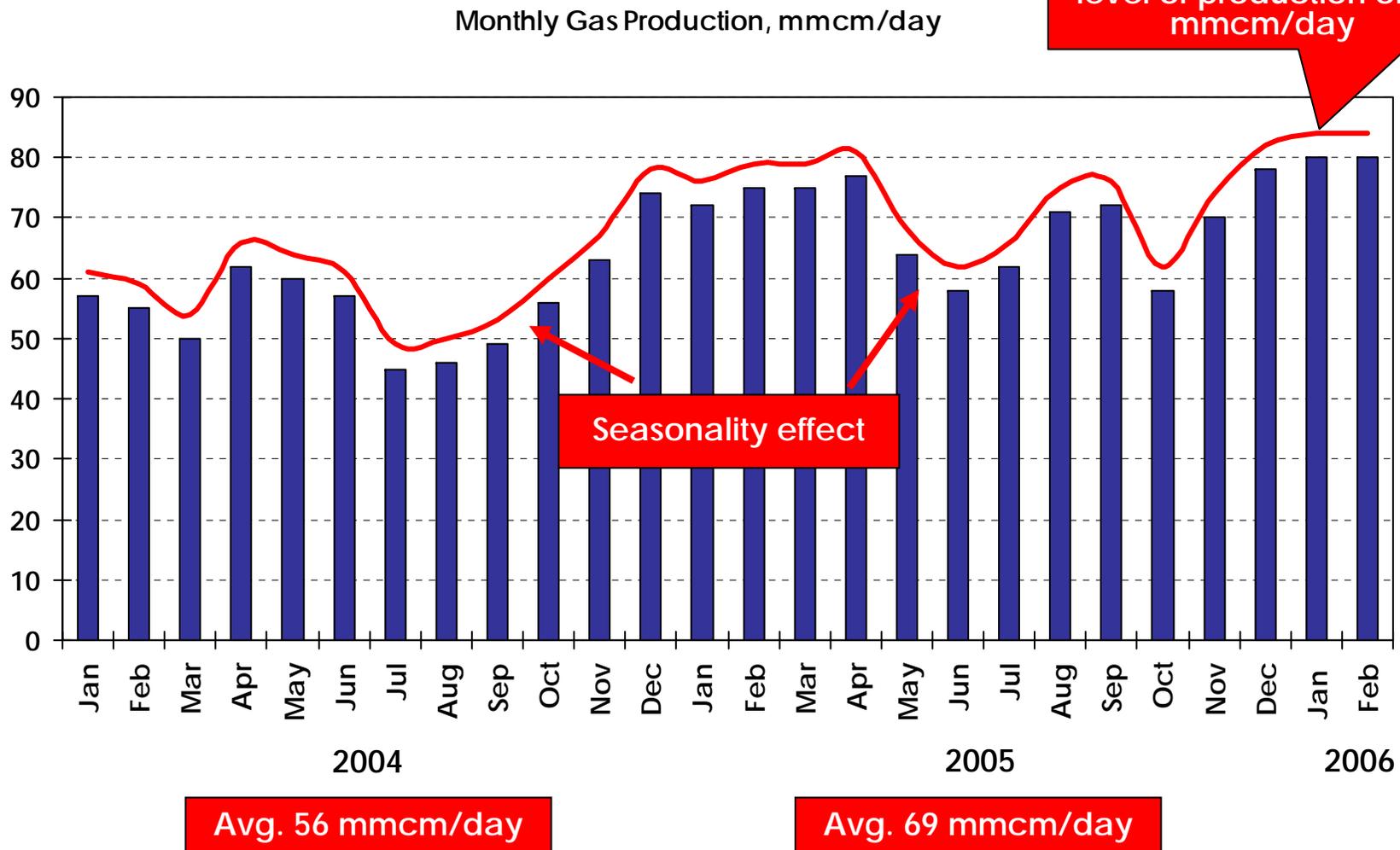


Gross production YoY and 2004/2005 quarterly

Gross liquid production, '000 tons

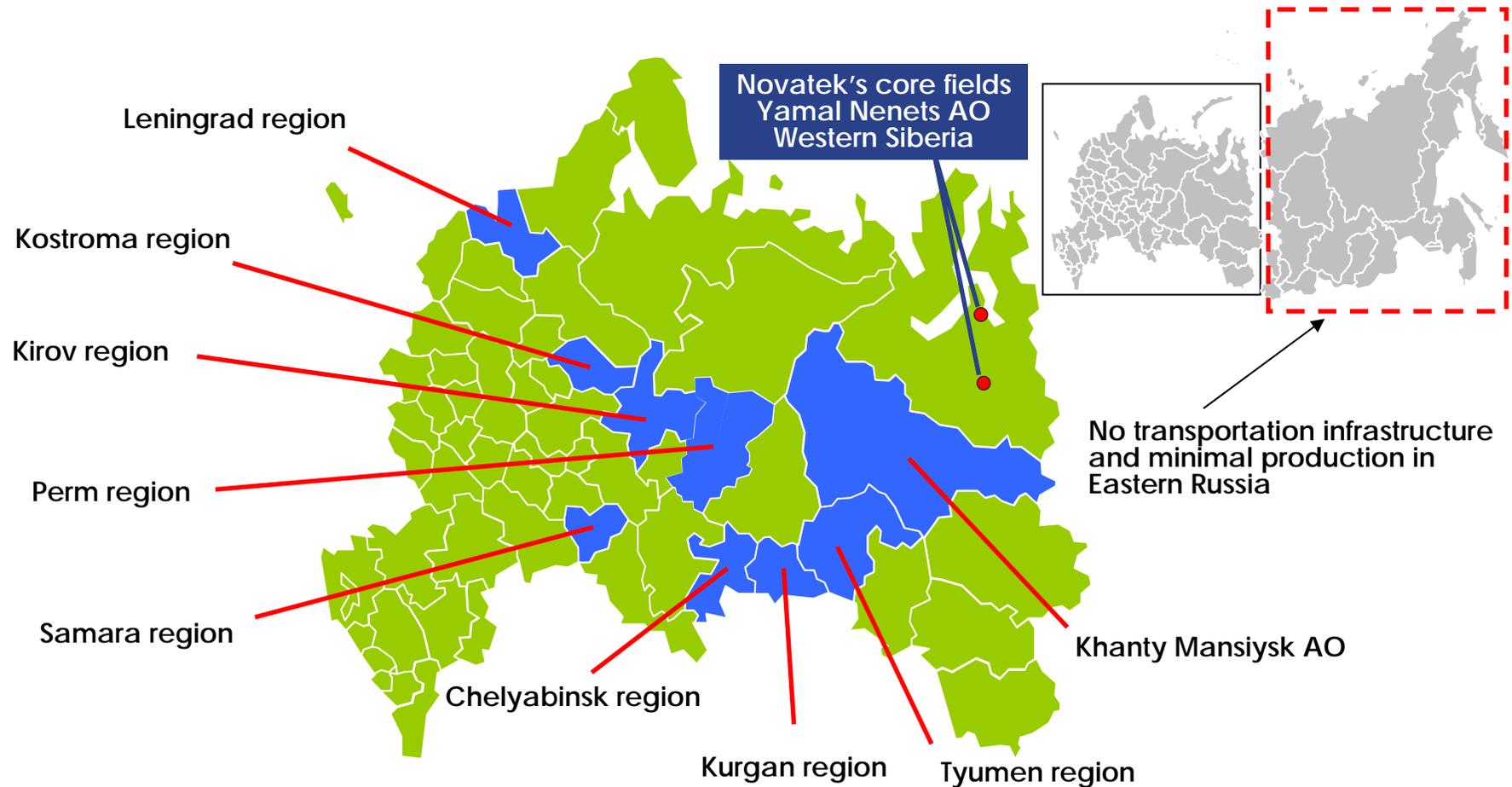


Increasing gas production



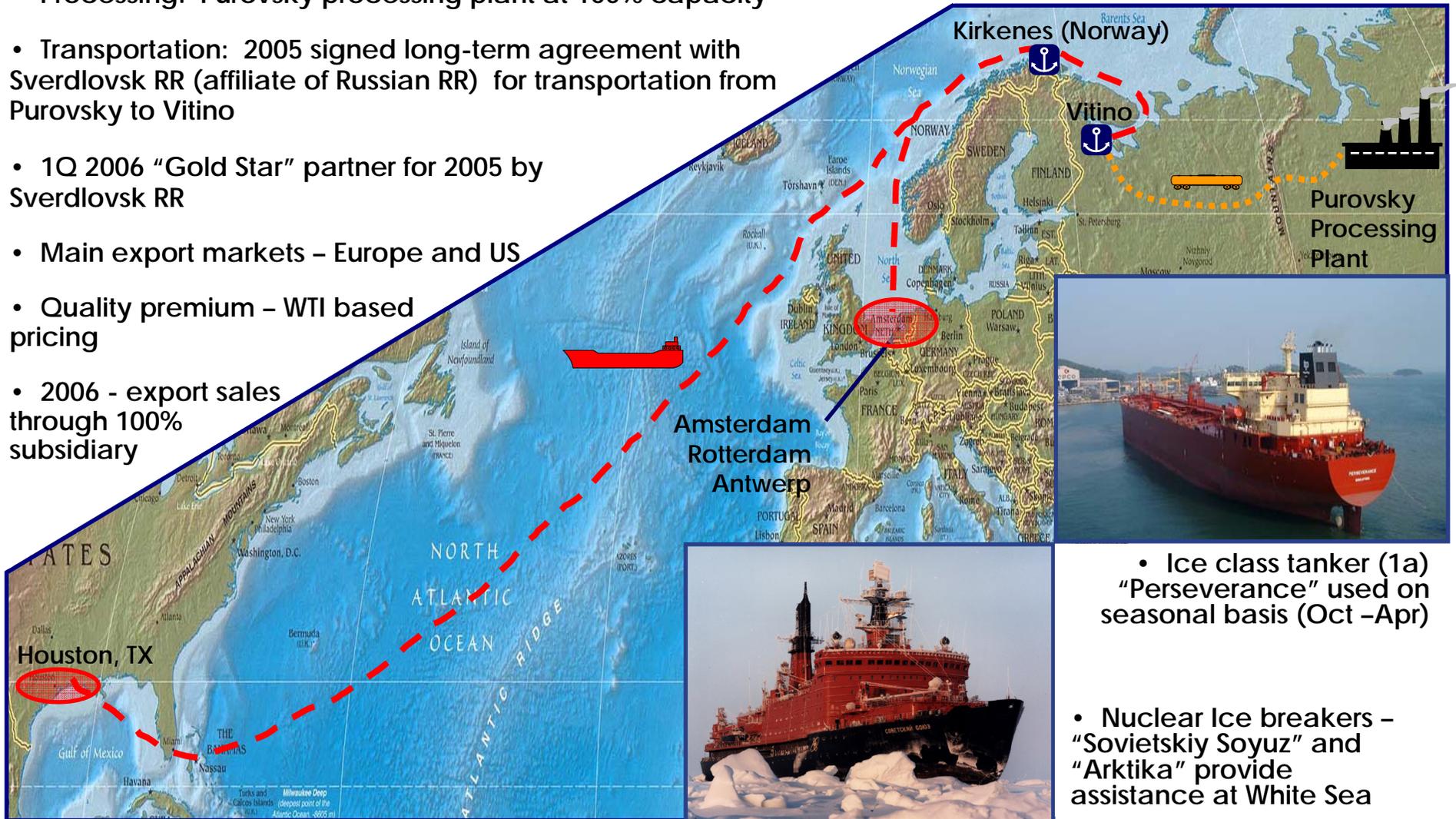
Delivered gas – our main industrial regions

- Novatek delivers gas to 30 regions from Western Siberia to European Russia
- 9 core regions accounted for ~ 80% of 2005 delivered volumes



Gas condensate – maximizing our value chain

- Processing: Purovsky processing plant at 100% capacity
- Transportation: 2005 signed long-term agreement with Sverdlovsk RR (affiliate of Russian RR) for transportation from Purovsky to Vitino
- 1Q 2006 “Gold Star” partner for 2005 by Sverdlovsk RR
- Main export markets – Europe and US
- Quality premium – WTI based pricing
- 2006 - export sales through 100% subsidiary



- Ice class tanker (1a) “Perseverance” used on seasonal basis (Oct –Apr)

- Nuclear Ice breakers – “Sovietskiy Soyuz” and “Arktika” provide assistance at White Sea

Purovsky processing plant & Vitino Sea Port Terminal

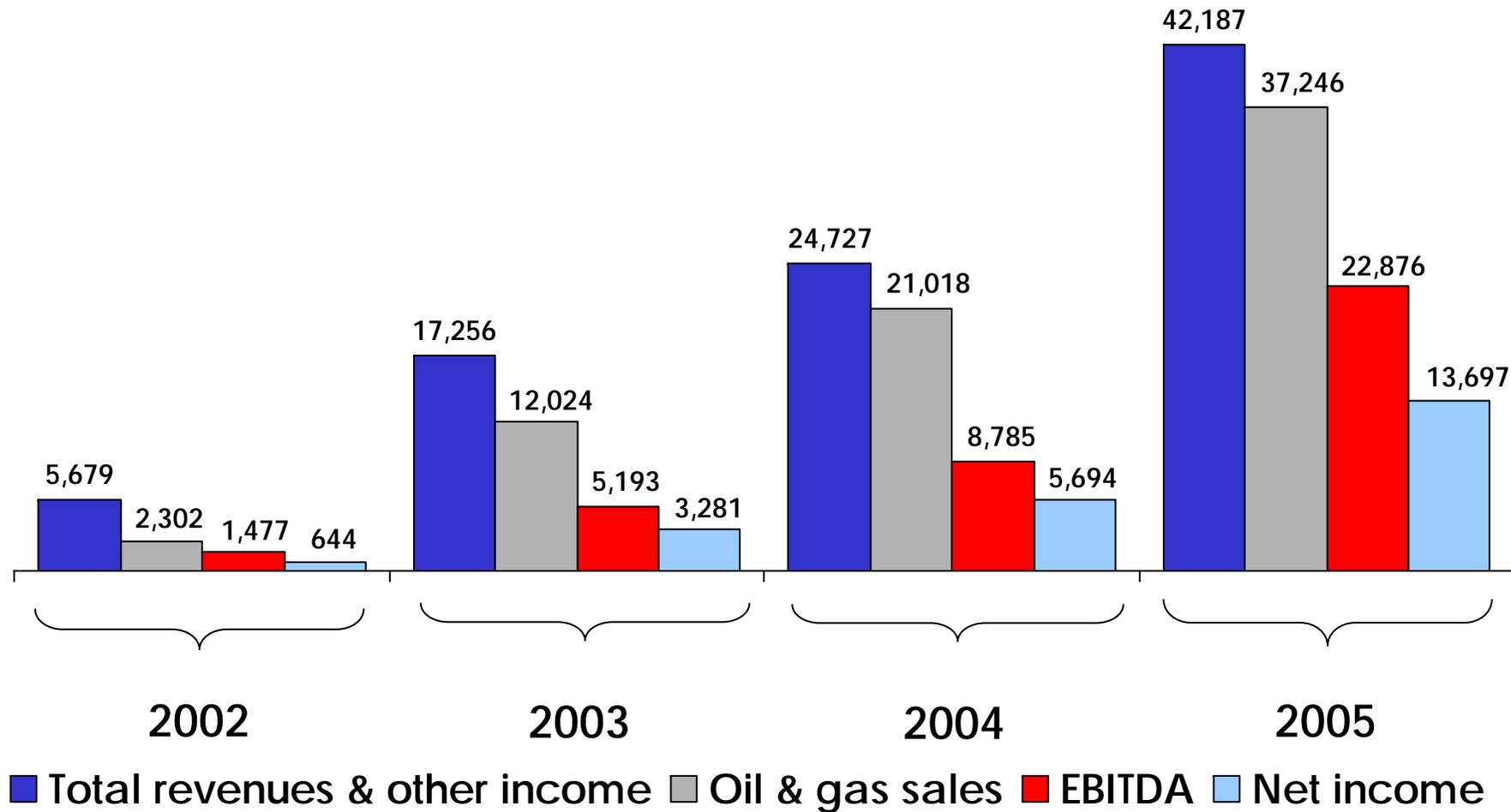
Key facts (during 4Q05):

- ❑ **Total volumes delivered**
 - East Tarkosalinskoye and Khancheyskoye fields: 357 mt (100% of production)
 - Yurkharovskoye: 141 mt (77% of production)
- ❑ **Total plant output**
 - stable gas condensate: 366 mt
 - LPG: 118 mt
- ❑ **Plant capacity**
 - Approximately 100%
- ❑ **11 Tankers from Vitino Sea Port Terminal**
 - 67% of stable gas condensate to US markets
 - 33% to European markets
- ❑ **Majority of LPG volumes sold on the domestic market**

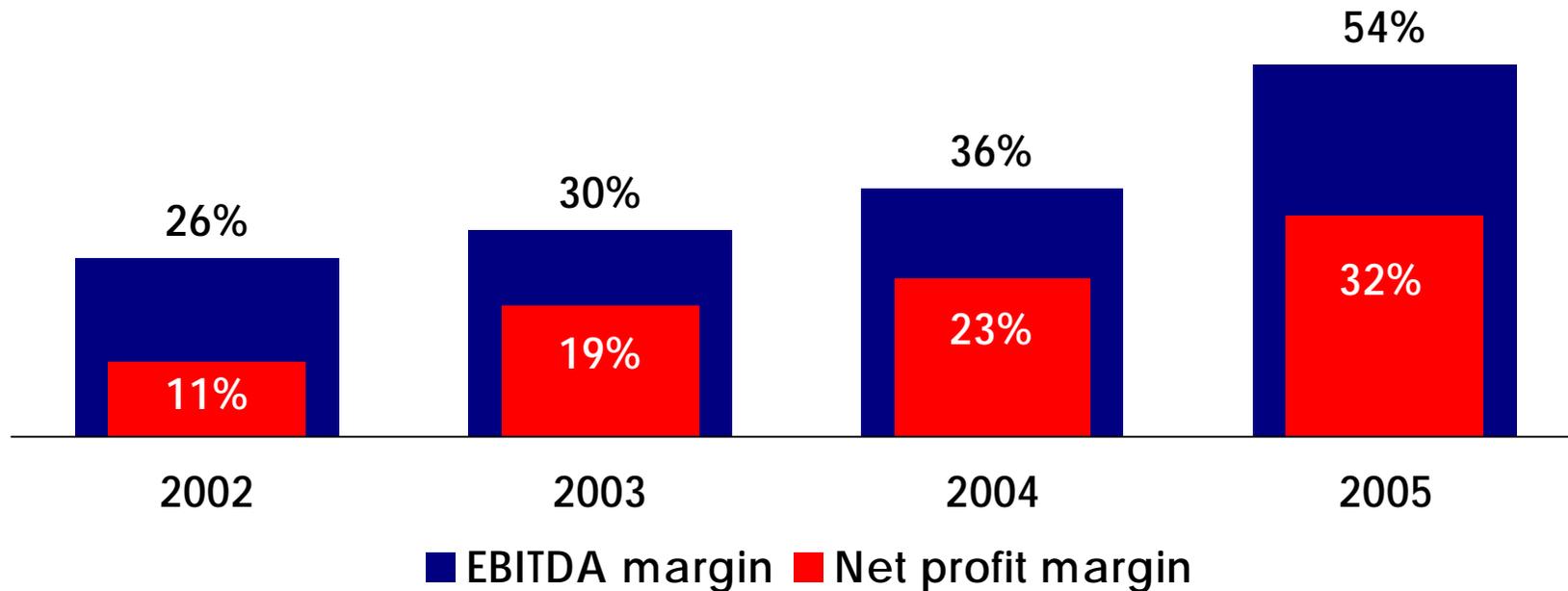


Financial Overview

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

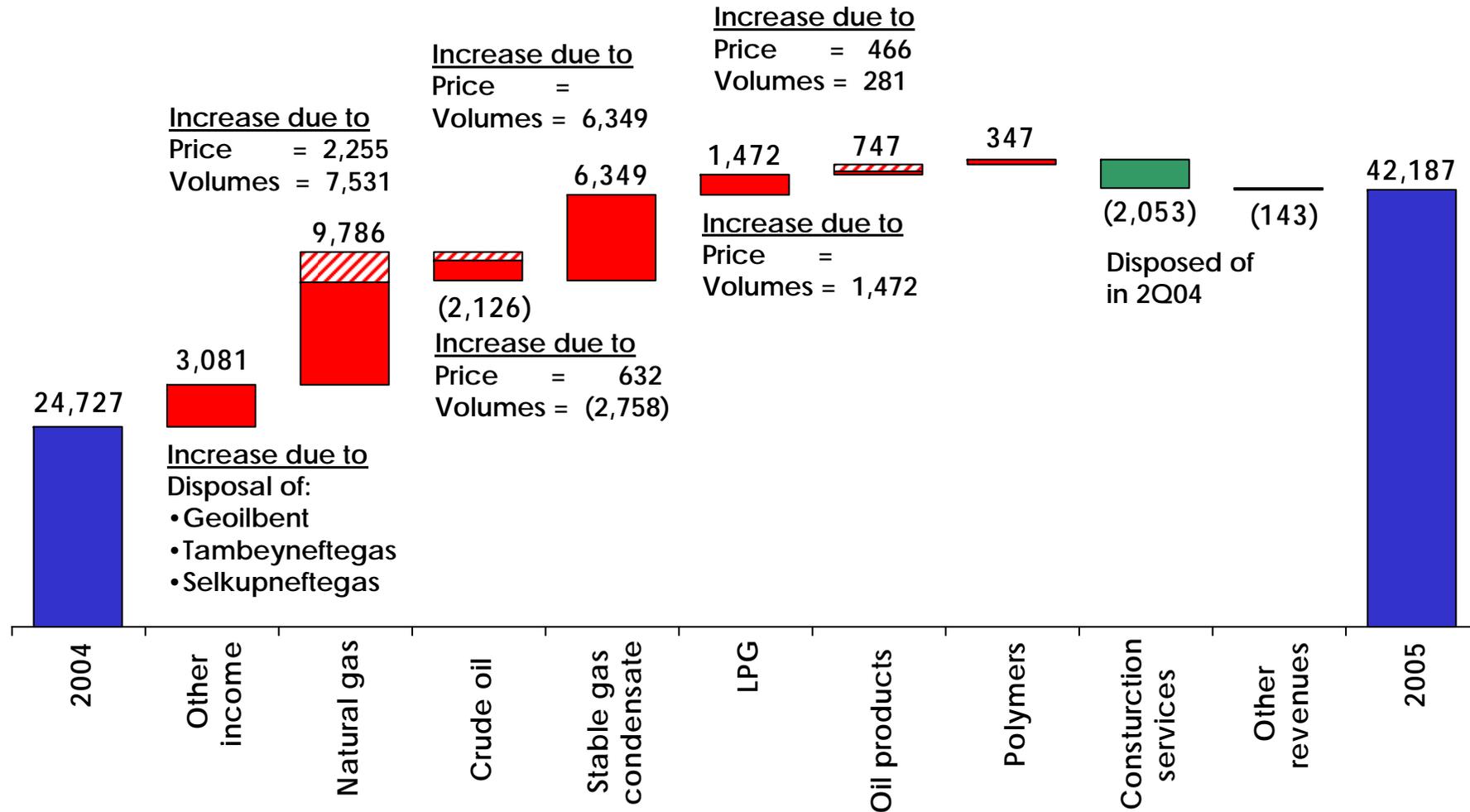
Stellar financial performance

RR million	2004	2005	+ / (-)	+ / (-)%
Total revenues & other income	24,727	42,187	17,460	71%
Oil & gas sales	21,018	37,246	16,228	77%
EBITDA ⁽¹⁾	8,785	22,876	14,091	160%
EBITDA net of disposals and other income ⁽²⁾	8,342	20,091	11,749	141%
Effective Tax Rate	28.9%	27.3%		
Profit attributable to Novatek	5,694	13,697	8,003	141%
Capex	7,412	6,460	(952)	(13%)
Net debt ⁽³⁾	20,997	6,138	(14,859)	(71%)
<i>Net debt / Total capitalization⁽⁴⁾</i>	<i>27%</i>	<i>8%</i>		

Notes:

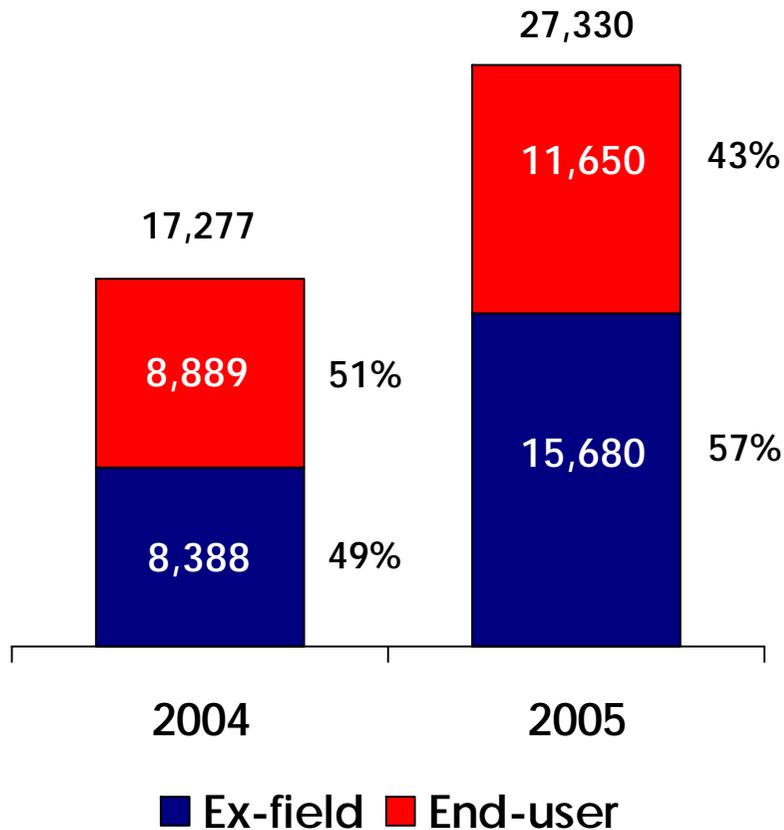
1. EBITDA defined as net income plus total finance expense plus depreciation, depletion and amortization plus total income tax expense
2. EBITDA less gain on disposal of investments in oil and gas producing subsidiaries and associates and other income (net of taxes)
3. Net debt calculated as long-term 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)



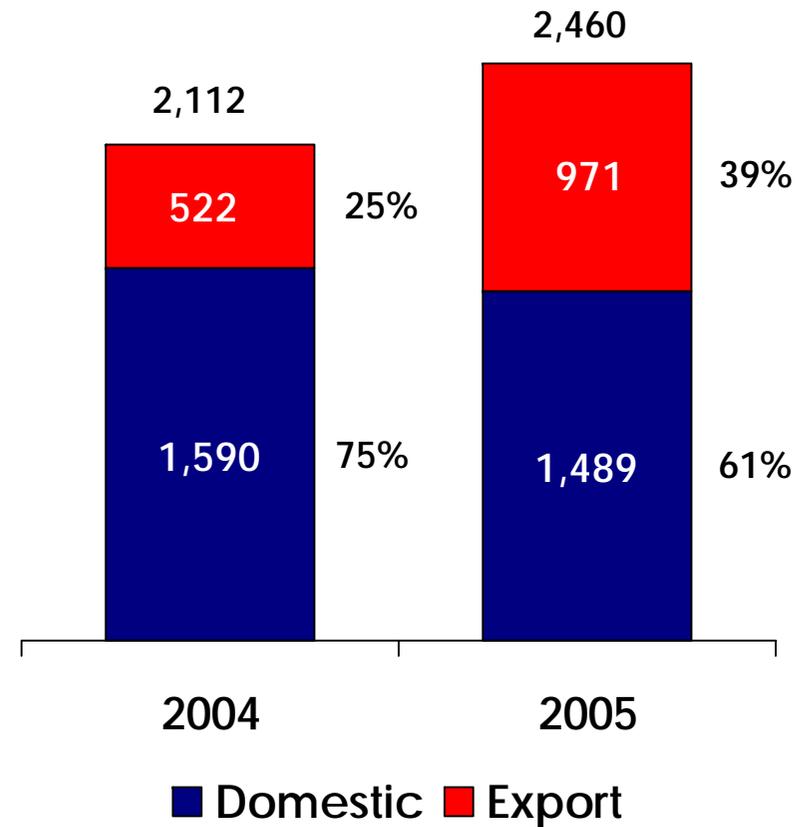
Market distribution – sales volumes

Natural gas, mmcm



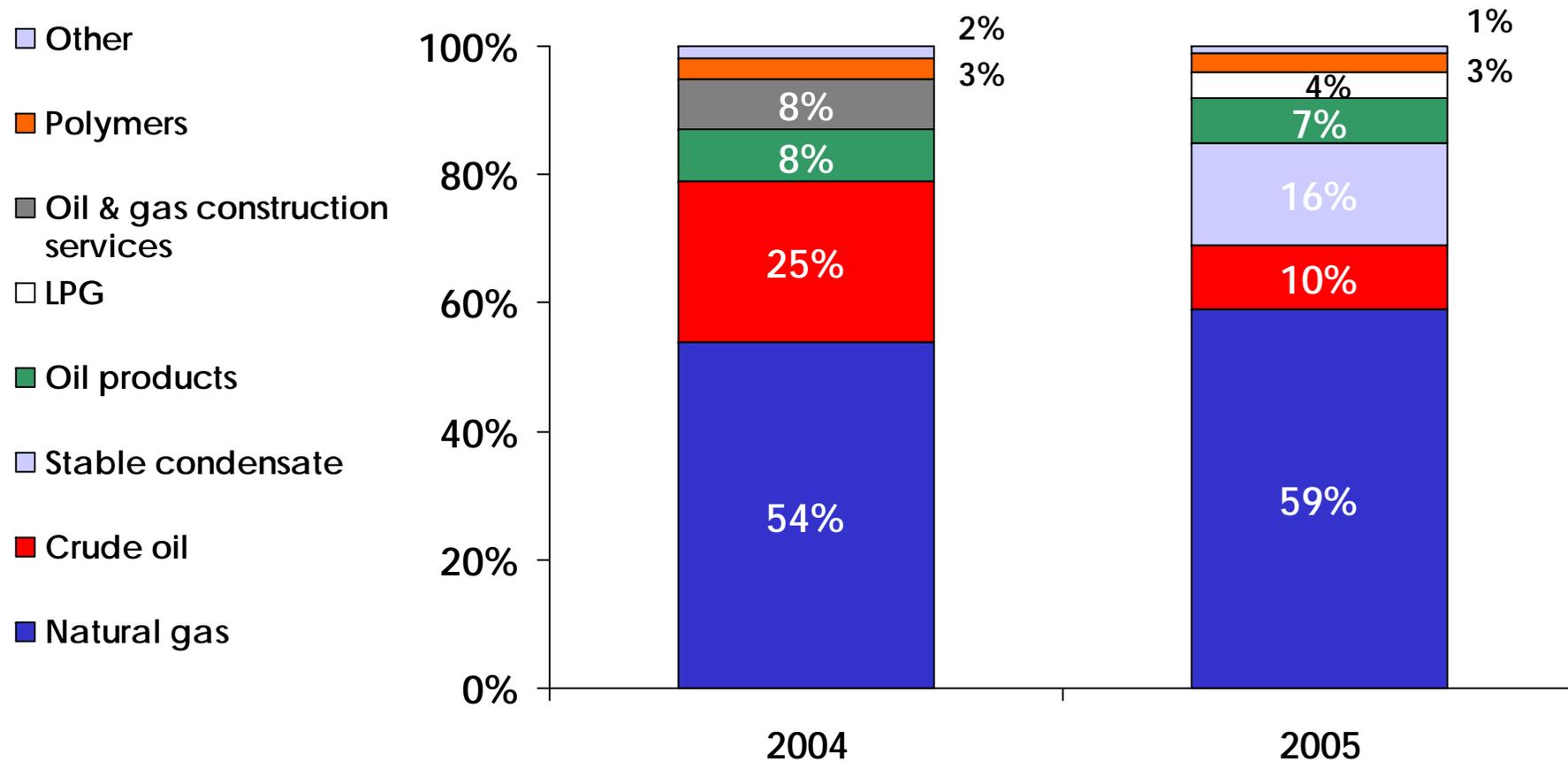
Larger proportion of Ex-field sales in 2005 due to increase in sales to Itera

Liquids, '000 tons



Growth in export sales in 2005 due to commencement of Purovsky ZPK

Total revenue breakdown



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

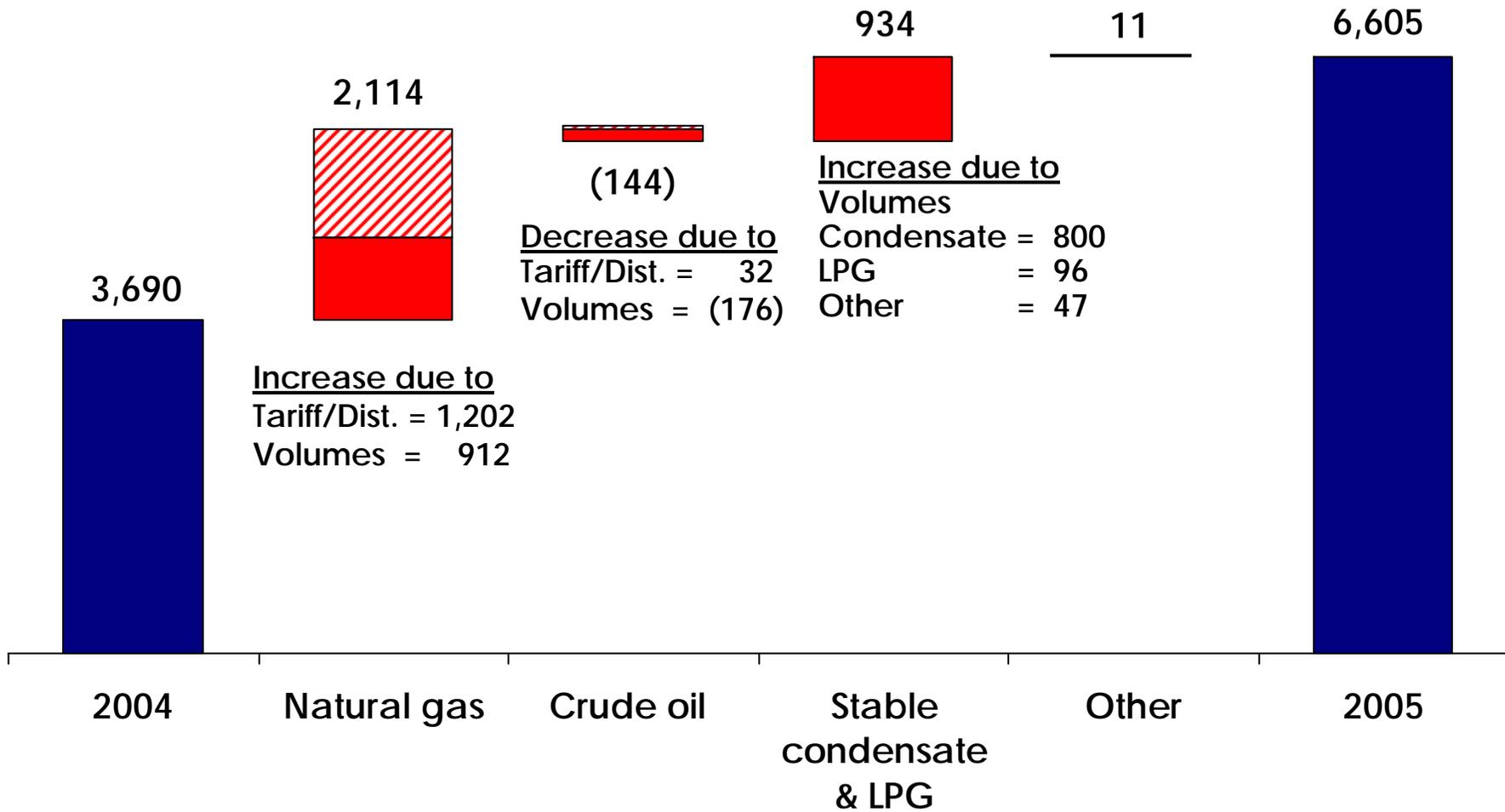
Hydrocarbon prices		2004	2005	+ / (-)	+ / (-)%
<u>Domestic market</u>					
Natural gas end-user	RR/mcm	958	1,121	163	17%
Natural gas ex-field	RR/mcm	528	617	89	17%
Crude oil	RR/ton	3,353	4,100	747	22%
Stable gas condensate	RR/ton	n/a	6,268	n/a	n/a
Oil products	RR/ton	3,879	4,704	825	21%
<u>Export market</u>					
Crude oil	RR/ton	4,743	6,102	1,359	29%
Stable gas condensate	RR/ton	n/a	8,339	n/a	n/a
Oil products	RR/ton	4,900	n/a	n/a	n/a

Operating expenses breakdown

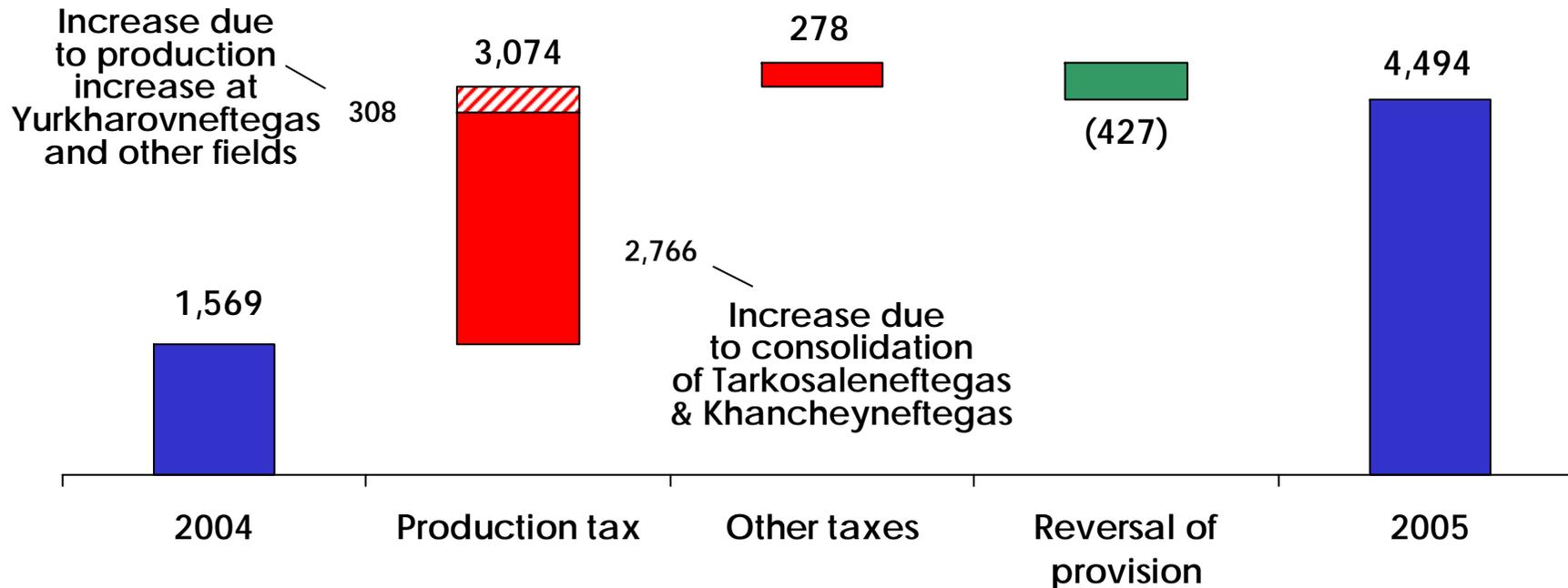
Operating Expenses, RR million	2004	% of Total Revenue	2005	% of Total Revenue
Materials, services and other	3,795	16%	3,473	9%
Transportation expense	3,690	15%	6,605	17%
Taxes other than income	1,569	6%	4,494	12%
General and administrative	1,605	7%	2,417	6%
Depreciation and amortization	681	3%	3,372	9%
Exploration expense	183	1%	348	1%
Impairment	(118)	(1%)	87	0%
Subtotal	11,405	47%	20,796	54%
Cost of purchased oil, condensate and natural gas	5,708	24%	2,065	5%
Total operating expense	17,113	71%	22,861	59%

- ❑ Operating expenses decreased from 71% to 59% as a percentage of total revenues
- ❑ Materials and services expenses decreased to 9% of total revenues due to the overall increase in revenues and the divestiture of SNP Nova and Novafininvest, offset by the full consolidation of TSNG and KhNG
- ❑ Transportation costs grew primarily due to increases in tariffs and sales volumes of hydrocarbons
- ❑ Depreciation and amortization increased by 395% or, RR 2,691 million, due to the asset consolidation of TSNG and KhNG (90% of increase or RR 2,417 million), combined with increased production volumes during the year

Transportation expense (RR million)

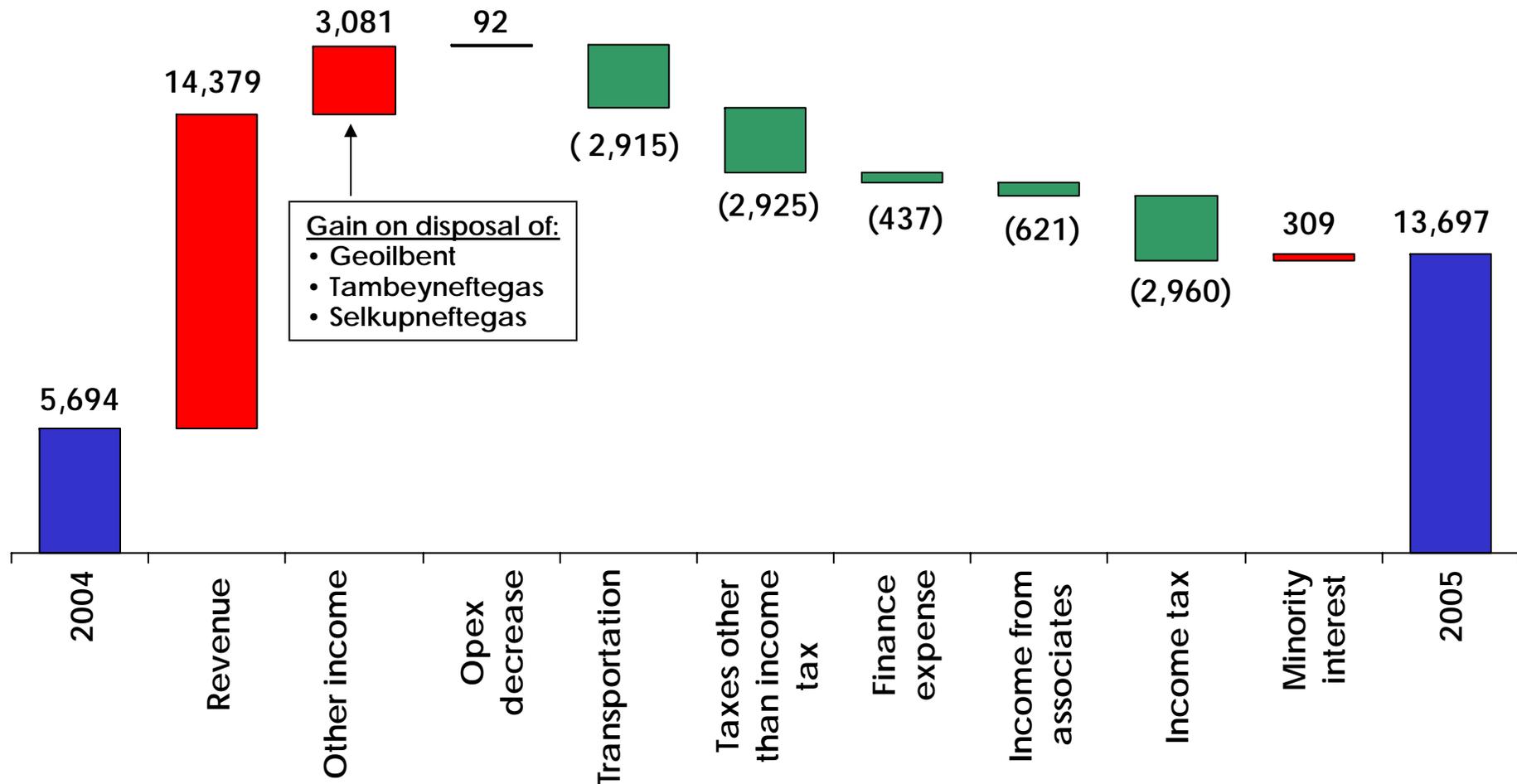


Taxes other than income (RR million)



- Increase in “taxes other than income” of 186% due to production tax increase of 237%, primarily due to consolidation of production from Tarkosaleneftegas and Khancheyneftegas rather than reporting as “purchases” in 2004
- Reversal of a provision in current period relating to the calculation of production tax on gas condensate recorded in 1Q 2005

Profit attributable to Novatek reconciliation (RR million)



Condensed balance sheet (RR million)

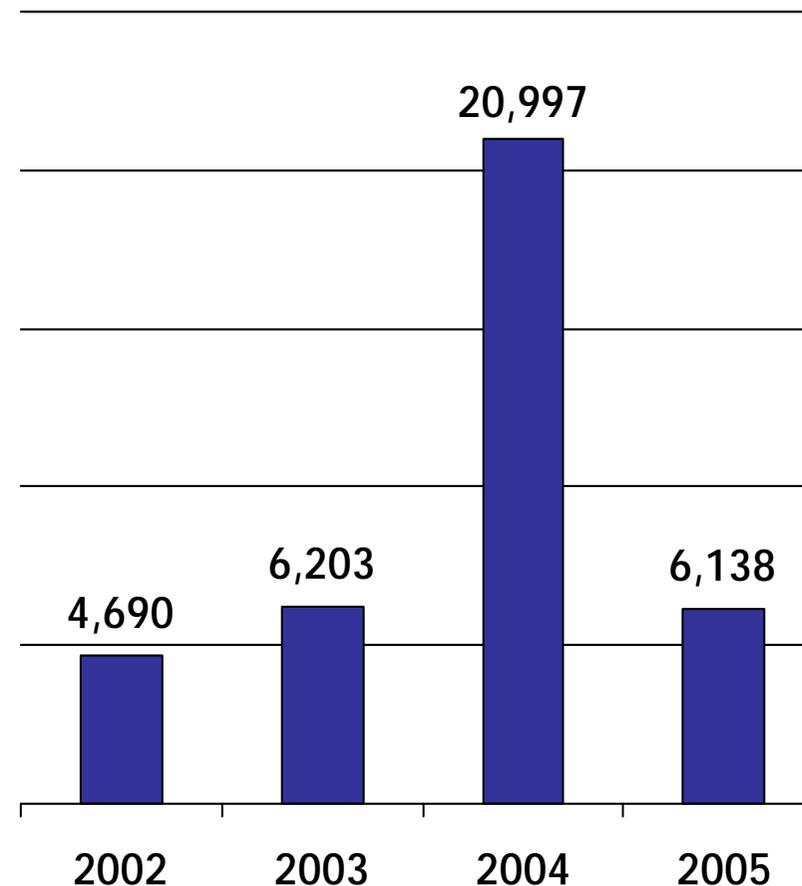
RR million	2004	2005	+ / (-)	+ / (-)%
Total current assets	9,134	11,922	2,788	31%
<i>Incl. Cash & cash equivalents</i>	<i>3,003</i>	<i>2,956</i>	<i>(47)</i>	<i>(2%)</i>
Total non-current assets	73,550	66,840	(6,710)	(9%)
<i>Incl. Net PP&E</i>	<i>62,683</i>	<i>65,675</i>	<i>2,992</i>	<i>5%</i>
Total assets	82,684	78,762	(3,922)	(5%)
Total current liabilities	14,239	10,432	(3,807)	(27%)
<i>Incl. ST Debt</i>	<i>10,768</i>	<i>8,202</i>	<i>(2,566)</i>	<i>(24%)</i>
Total non-current liabilities	23,373	10,781	(12,592)	(54%)
<i>Incl. Deferred income tax liability</i>	<i>8,953</i>	<i>8,396</i>	<i>(557)</i>	<i>(6%)</i>
<i>Incl. LT Debt</i>	<i>13,232</i>	<i>892</i>	<i>(12,340)</i>	<i>(93%)</i>
Total Liabilities	37,612	21,213	(16,399)	(44%)
Total equity	45,072	57,549	12,477	28%
Total liabilities & equity	82,684	78,762	(3,922)	(5%)

Debt structure

Debt structure and maturities

RR million	2005	2004
Short-term debt	8,202	10,768
<i>current portion of long-term debt</i>	<i>7,010</i>	<i>5,388</i>
Long-term debt	892	13,232
Scheduled maturities		
2006	-	7,920
2007	375	2,697
2008	360	2,093
2009	141	515
2010	16	7
Total debt	9,094	24,000
Cash and equivalents	2,956	3,003
Net debt	6,138	20,997

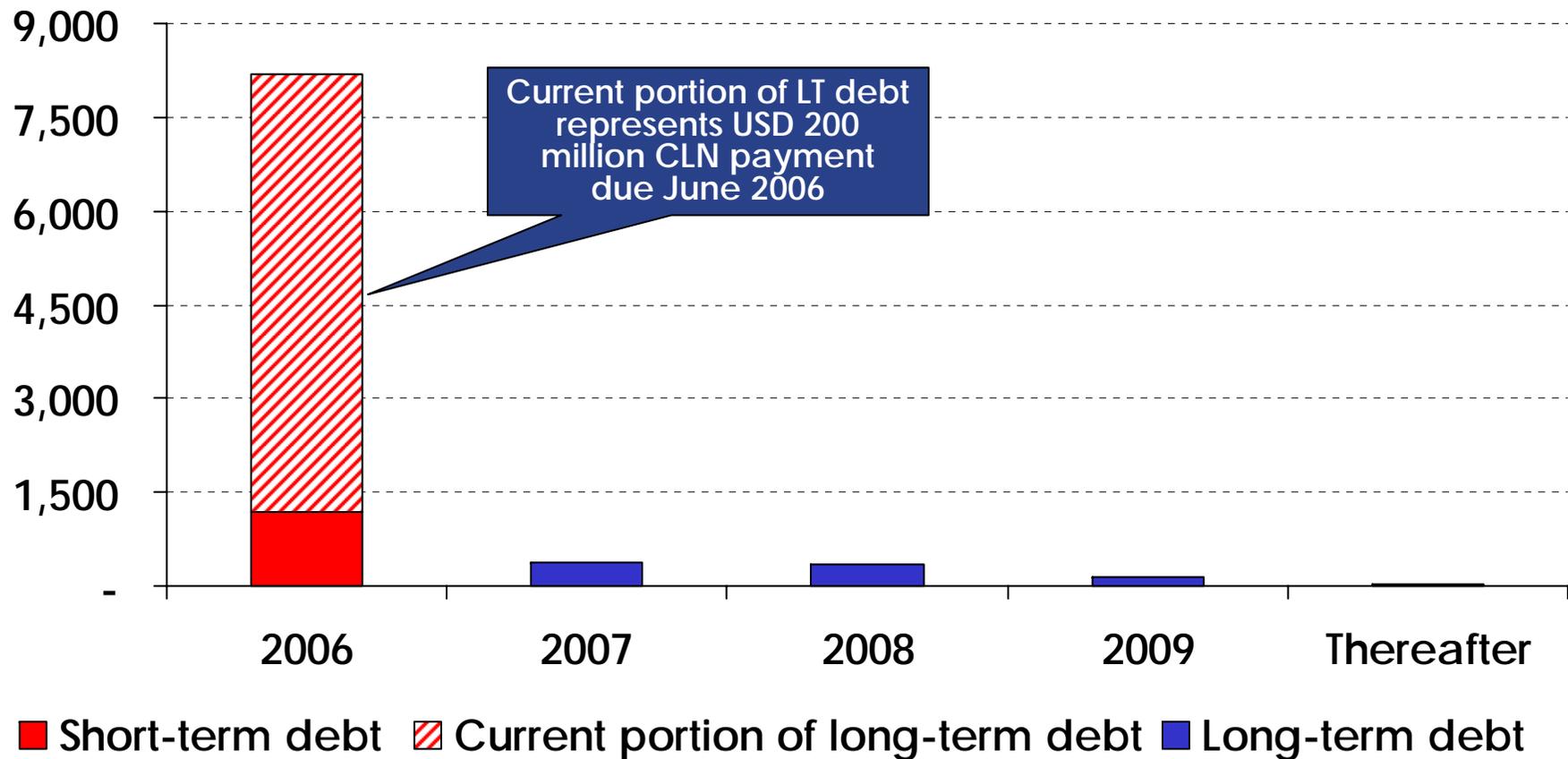
Net Debt evolution, RR million



Net debt reduction of over 70% since 2004

Total debt maturity profile (RR million)

Current debt maturity profile as at 31 December 2005



Strengthening credit fundamentals

Long term liquidity ratios	2002	2003	2004	2005
Gross Debt / EBITDA	3.4x	1.5x	2.7x	0.4x
Net Debt / EBITDA	3.2x	1.2x	2.4x	0.3x
EBITDA / Interest	8.4x	9.9x	10.2x	20.4x
Net Debt / Total capitalization ¹	38%	29%	27%	8%
Total debt (RR)/ P1 reserves, boe	2.50	3.26	5.77	1.99

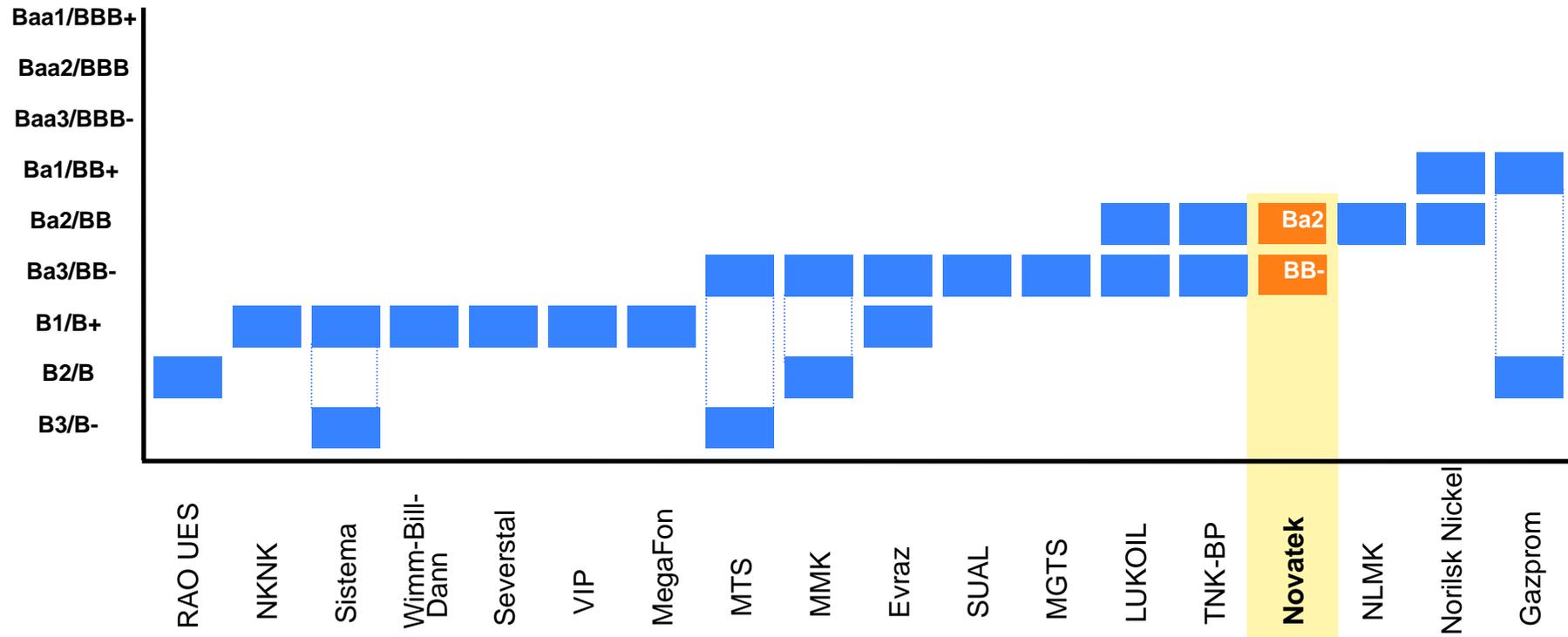
NOVATEK was considered an investment grade company per Moody's Global Rating Methodology based on the Company's credit fundamentals and compared favorably to other investment grade peers, but was constrained by the Russian Federation's Sovereign ceiling rating and dependence on Gazprom for access to the transportation system.

Notes:

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

Achieved first-time corporate credit rating

Novatek's first-time ratings are in line with the first-time ratings of the Russian oil majors



Source: Standard & Poor's, Moody's. Rating levels reflect Corporate Ratings only



QoQ performance

RR million	3Q05	4Q05	+/(-)%
Total revenues & other income	10,134	10,424	3%
Oil and gas sales	9,761	10,085	3%
EBITDA ⁽¹⁾	4,979	5,294	6%
<i>EBITDA margin % ⁽²⁾</i>	<i>49%</i>	<i>51%</i>	
Operating expenses	6,115	5,915	(3%)
Corporate Income Tax Rate	28%	32%	
Profit attributable to Novatek	2,866	2,898	nm
<i>Profit margin % ⁽²⁾</i>	<i>28%</i>	<i>28%</i>	

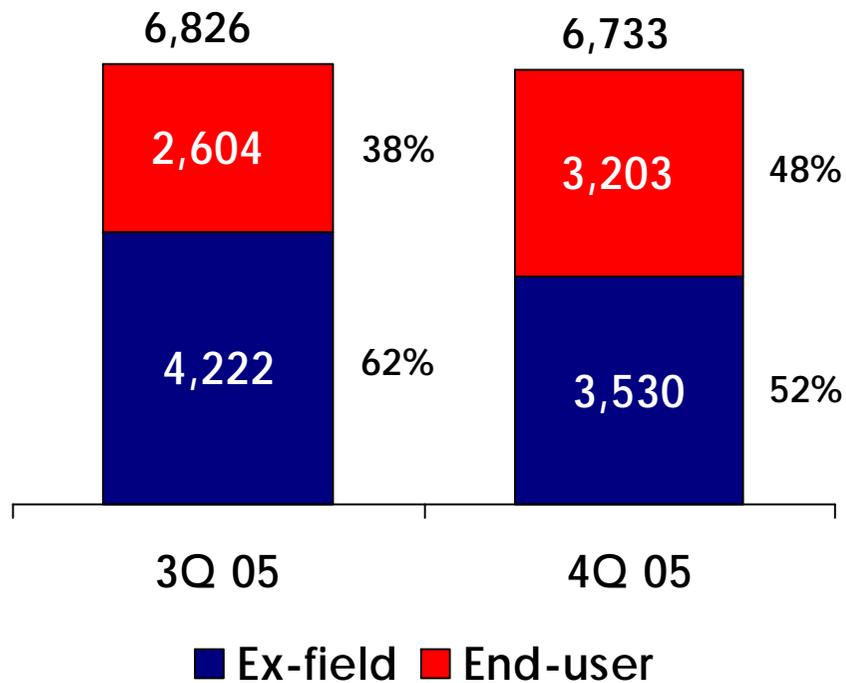
Notes:

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

² As a percentage of total revenues & other income

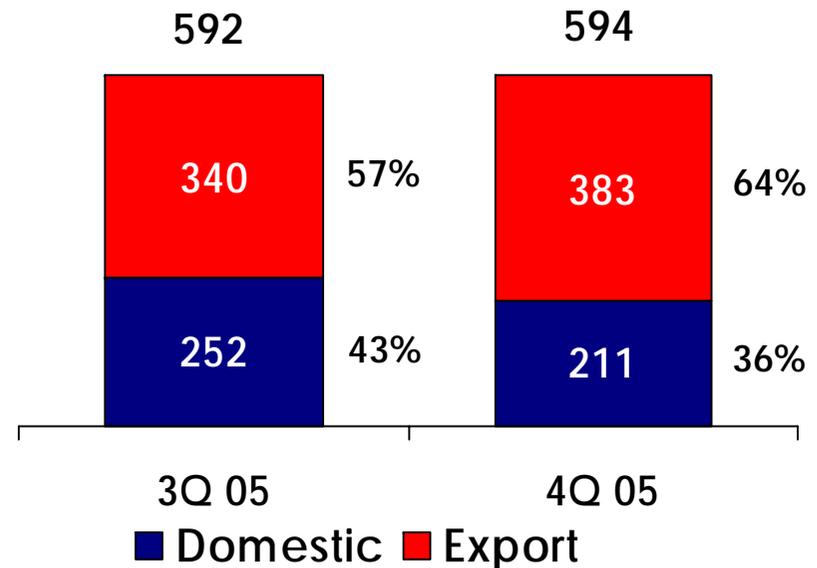
Sales market distribution

Natural gas, mmcm



Decrease in QoQ Ex-field sales due to warmer weather and reduced offtake in October and November 2005

Liquids, '000 tons



Growth in export sales in 4Q05 due to reaching full processing capacity at the Purovsky plant

Operating expenses breakdown

Operating Expenses, RR million	3Q05	% of Total Revenue	4Q05	% of Total Revenue
Materials, services and other	1,032	10%	932	9%
Transportation expense	1,690	17%	2,022	20%
Taxes other than income	1,221	12%	1,219	12%
General and administrative	742	7%	640	6%
Depreciation and amortization	940	9%	785	8%
Exploration expense	19	0%	47	0%
Impairment expense (benefit)	65	1%	(23)	0%
Subtotal	5,709	56%	5,622	54%
Cost of purchased oil, condensate and natural gas	406	4%	293	3%
Total operating expense	6,115	60%	5,915	57%

- ❑ Operating expenses decreased from 60% to 57% as a percentage of total revenues
- ❑ Transportation costs increased for natural gas due to a rise in transportation tariff effective 1 October (from RR 19.37 to RR 23.84 per mcm/100 km). Moreover, we had an increase in both natural gas sales to end-customers and an increase export liquid volumes.

Questions and Answers