



NOVATEK

Three Months Ended 30 September 2006 Operational and Financial Results Conference Call



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

1 December 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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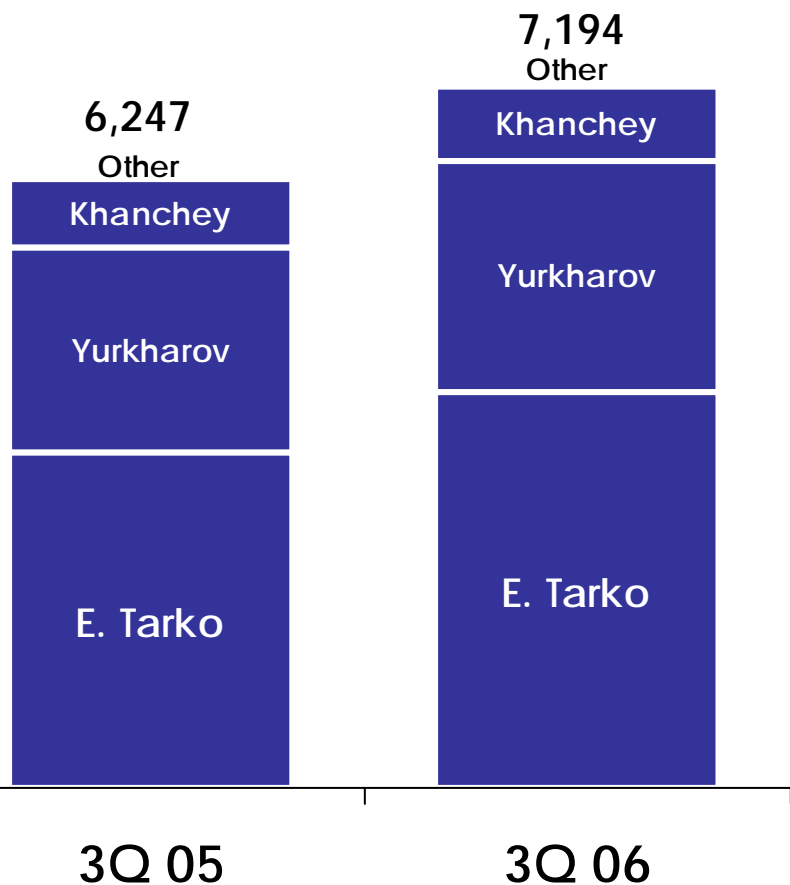
3Q 2006 Summary Highlights

- ❑ **Continued growth in natural gas production and sales volumes** maintained throughout 3Q 2006
 - Average natural gas production of 79 mmcm per day an increase of 15% over 2005 average
 - Natural gas sales volumes increased by 4%
- ❑ **Significant Q-o-Q increase in total liquids export sales volumes**
 - 40% increase over 3Q 2005 from 341 thousand tons to 476 thousand tons (excluding 141 thousand tons in transit as of 30 September 2006)
- ❑ **Strong Q-o-Q revenues and earnings increase**
 - Gas sales increased by 18% and liquids sales by 43%
 - Profit attributable to Shareholders and EPS increased by 42%
- ❑ **Strong balance sheet** – maintained strong liquidity ratios, significantly reduced debt position, and increased cash and cash equivalents (**net cash positive for the period**)

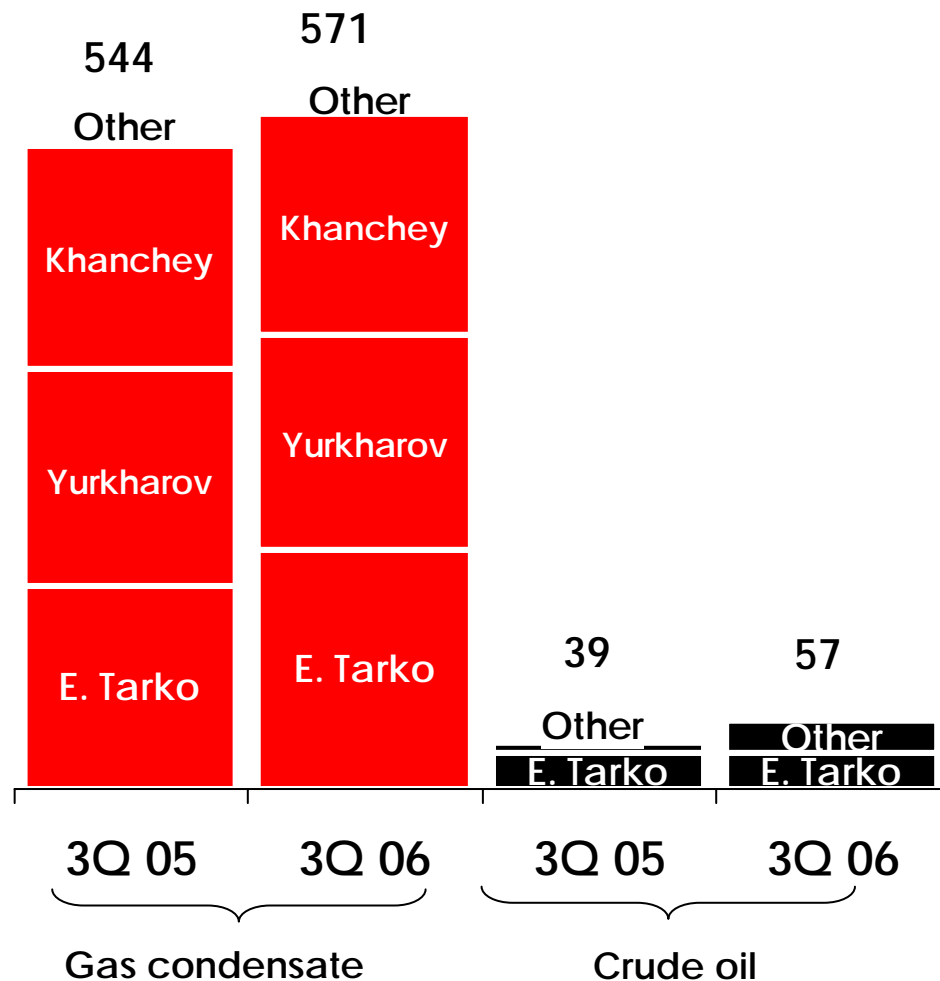
Operational Overview

Gross hydrocarbon production

Natural gas production, mmcm

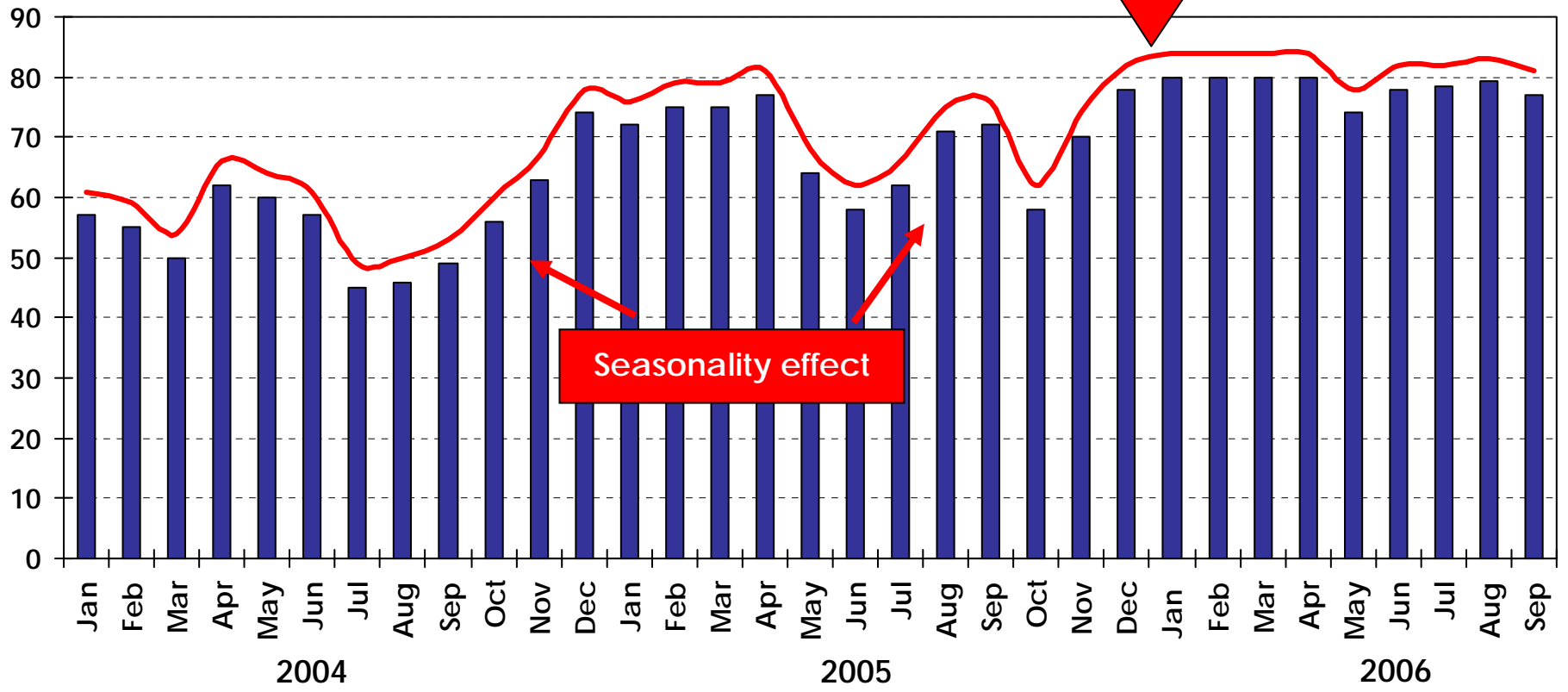


Liquids production, '000 tons



Increasing gas production

Monthly Gas Production, mmcm/day



Novatek achieves record level of production of 80 mmcm/day

Seasonality effect

2004 Avg. 56 mmcm/day

2005 Avg. 69 mmcm/day

2006 Avg. 79 mmcm/day



Purovsky processing plant & Vitino Sea Port Terminal

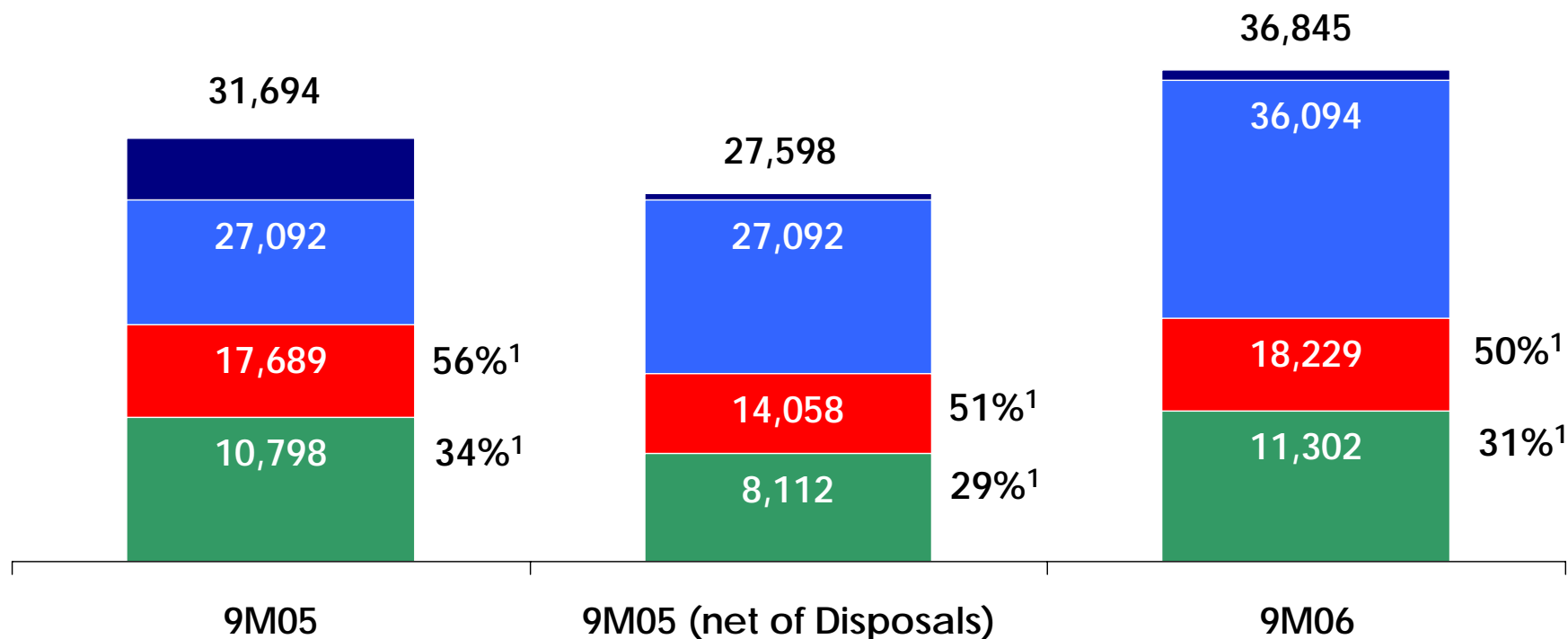
Key facts (during 3Q 06):

- ❑ **Total volumes delivered**
 - East Tarkosalinskoye and Khancheyskoye fields: 368 mt (100% of production)
 - Yurkharovskoye: 162 mt (98% of production)
- ❑ **Total plant output**
 - Stable gas condensate: 394 mt
 - LPG: 131 mt
- ❑ **Stable gas condensate recognized as inventory**
 - 141 mt at 30 September 2006
- ❑ **Plant capacity**
 - Approximately 100%
- ❑ **Tankers from Vitino Sea Port Terminal**
 - 86% of stable gas condensate to US markets
 - 14% to European markets
- ❑ **87% of LPG volumes sold on the domestic market**



Financial Overview

Summary financial results 9M-o-9M (million RR)

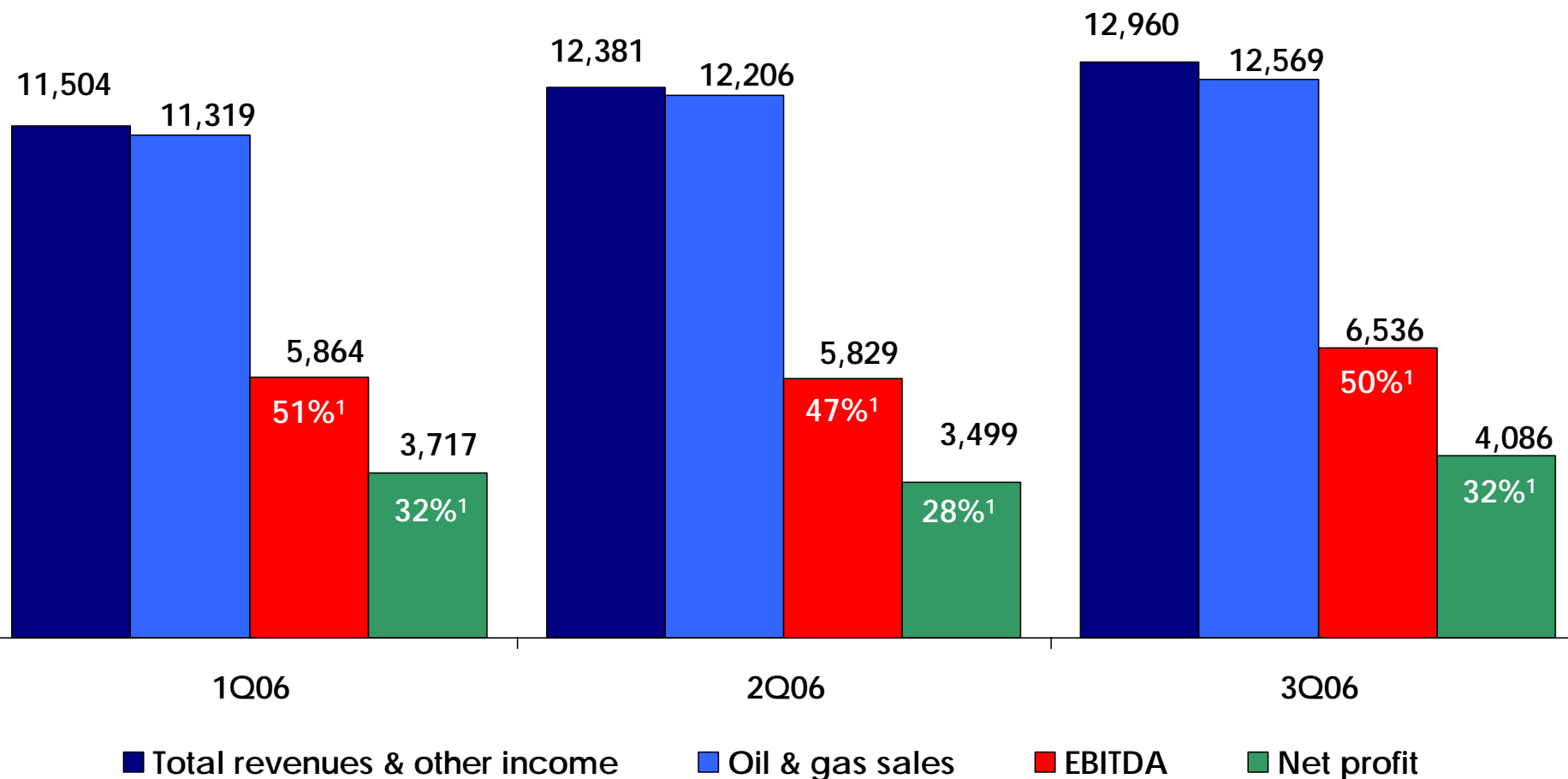


■ Total revenues & other income
 ■ Oil & gas sales
 ■ EBITDA
 ■ Net profit

Notes

1. Percentage of total revenues % other income
2. EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows

Summary financial results - quarterly (million RR)



Notes

1. Percentage of total revenues & other income
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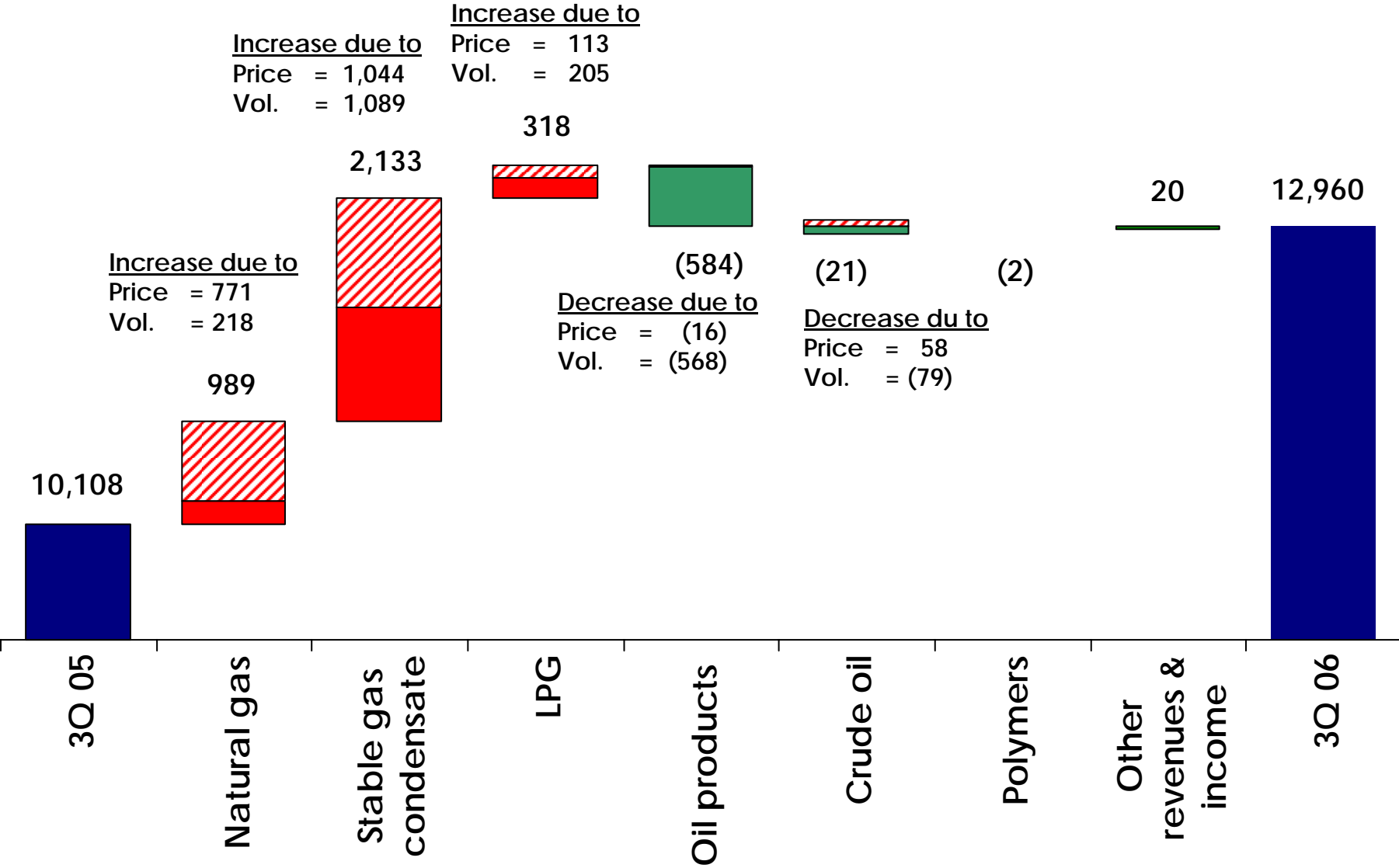
Steady period on period growth

3Q 05	3Q 06	+ / (-)%	RR million	9M05	9M 06	+ / (-)%
9,735	12,569	29%	Oil & gas sales	27,092	36,094	33%
(18)	42	<i>nm</i>	Other income	3,606	(243)	(106%)
10,108	12,960	28%	Total revenues & other income	31,694	36,845	16%
6,080	7,532	24%	Operating expense	16,878	21,927	30%
5,043	6,536	30%	EBITDA⁽¹⁾	17,689	18,229	3%
Na	Na		EBITDA⁽¹⁾ net of disposals	14,058	18,229	30%
27.7%	24.6%		Effective Tax Rate	25.8%	24.7%	
2,875	4,086	42%	Profit attributable to Novatek	10,798	11,302	5%
1,117	1,099	(2%)	Capex	4,322	3,320	(23%)
6,138 ⁽³⁾	(842)	<i>nm</i>	Net debt (Cash) ⁽²⁾	6,138 ⁽³⁾	(842)	<i>nm</i>
8% ⁽³⁾	<i>nm</i>	<i>nm</i>	Net debt / Total capitalization ⁽⁴⁾	8% ⁽³⁾	<i>nm</i>	<i>nm</i>

Notes:

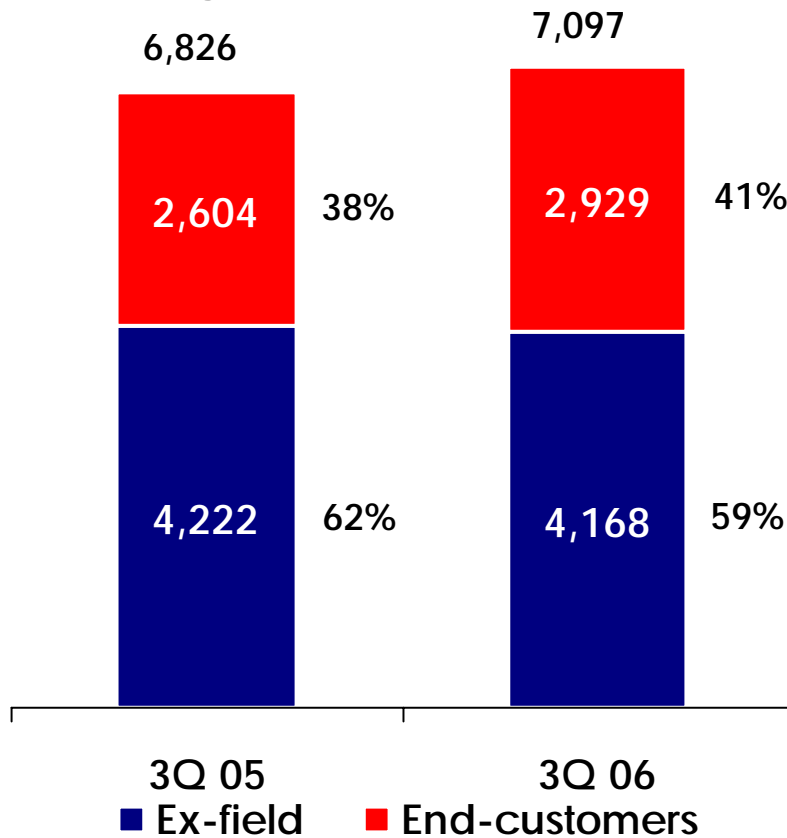
- EBITDA represents net income before finance income (expense) and income taxes from the Statements of Income, and depreciation, depletion and amortization and Share-based compensation from the Statements of Cash Flows
- Net debt calculated as long-term debt plus short-term debt less cash and cash equivalents
- As of 12/31/2005
- Total capitalization calculated as total debt plus shareholders equity plus minority interest plus deferred tax liability

Revenue & other income reconciliation (RR million)



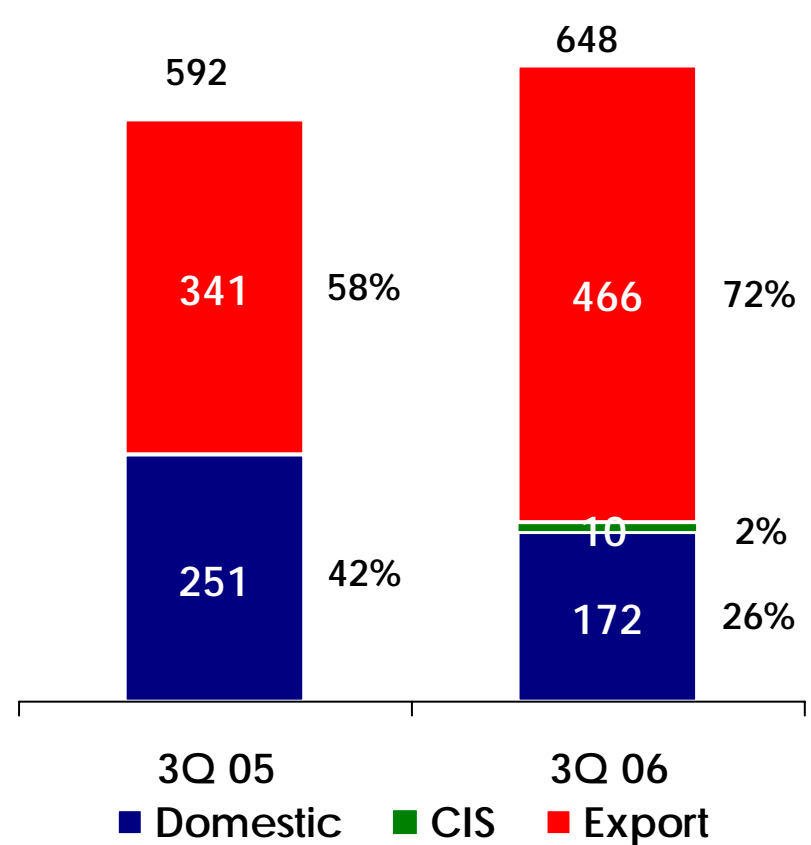
Market distribution – sales volumes

Natural gas, mmcm



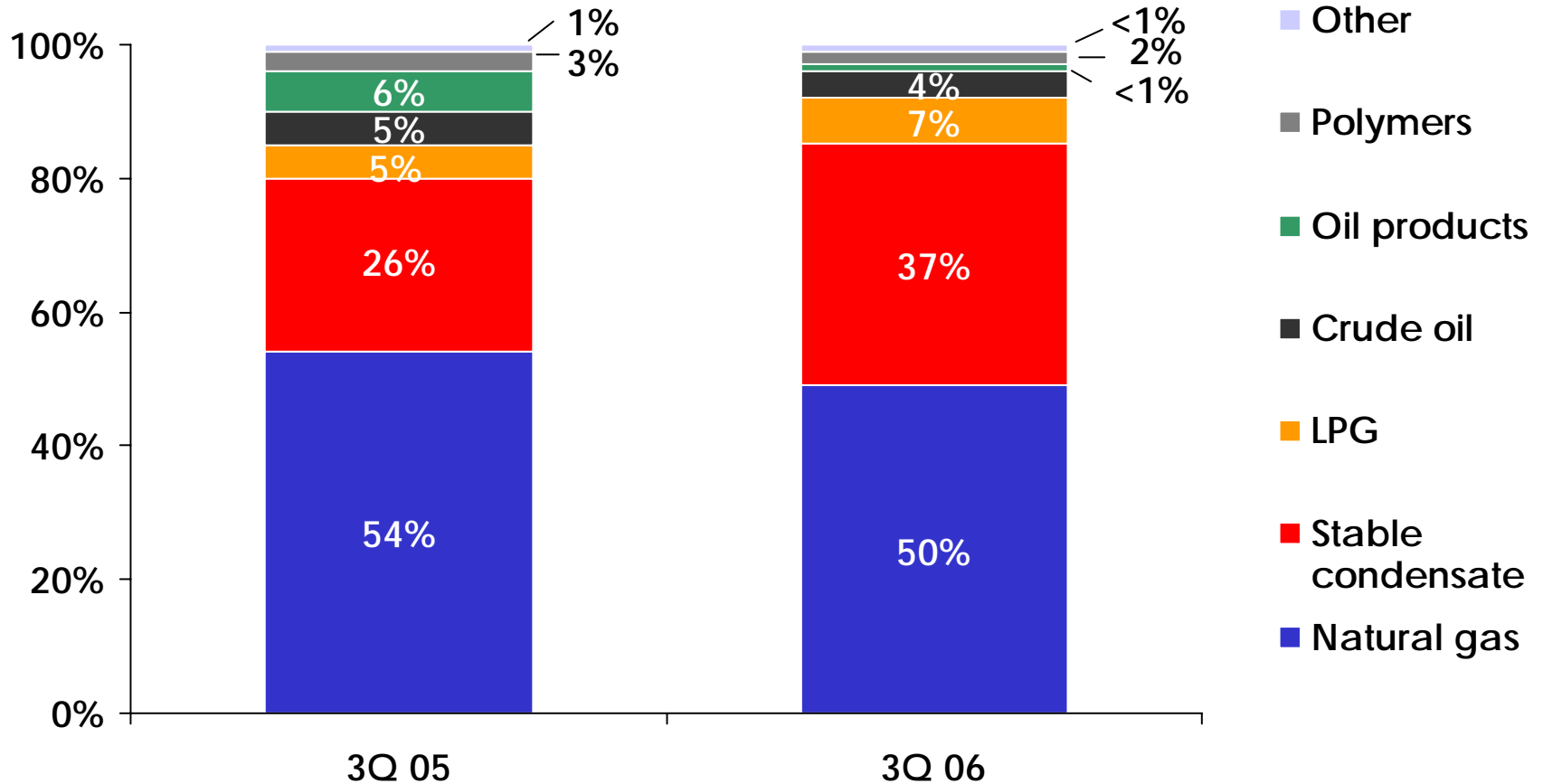
4% increase in sales volumes; slight increase in sales to end-customers but distribution between categories remained relatively unchanged

Liquids, '000 tons



9% increase in volumes despite stable gas condensate in transit (141 thousand tons) at 30 September 2006. Significant increase in export/CIS volumes (40%)

Total revenue breakdown



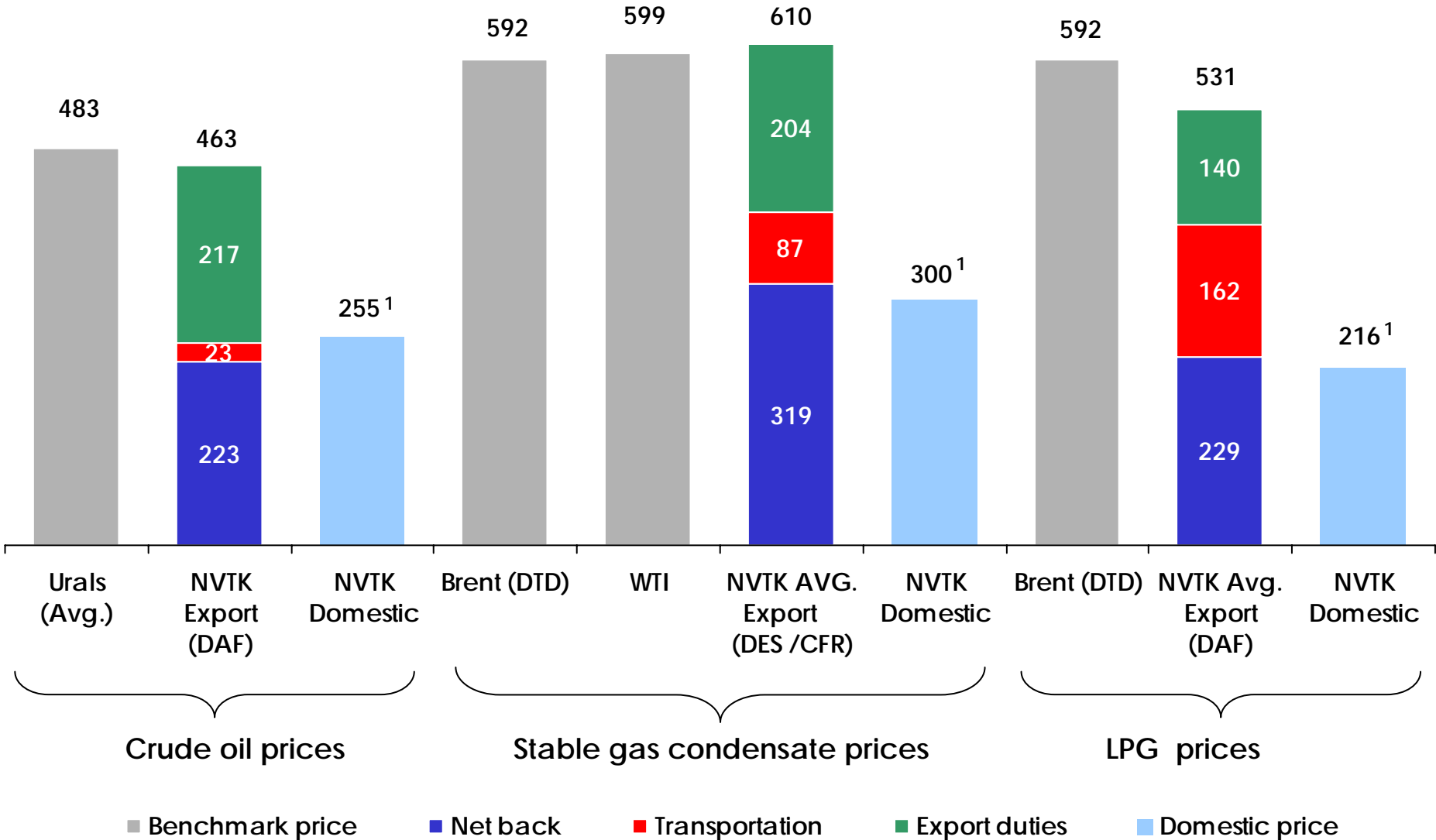
The decrease in natural gas revenues as a percentage of total revenues in 2006 was due to the increase in prices for liquid hydrocarbons in 2006 as well as a significant increase in export sales volumes and subsequently higher net realized prices

Realized prices (net of VAT and export duties)

2Q 06	3Q 06	+ /(-)	+ /(-)%	Hydrocarbon prices	3Q 05	3Q 06	+ /(-)	+ /(-)%
<u>Domestic market</u>								
1,244	1,273	29	2%	Natural gas end-user, RR/mcm	1,113	1,273	160	14%
669	658	(11)	(2%)	Natural gas ex-field, RR/mcm	612	658	46	8%
7,993	8,035	42	1%	Stable gas condensate, RR/ton	6,164	8,035	1,871	30%
6,499	6,827	328	5%	Crude oil, RR/ton	5,426	6,827	1,401	26%
4,440	5,795	1,355	31%	LPG, RR/ton	5,156	5,795	639	12%
6,329	3,550	(2,779)	(44%)	Oil products, RR/ton	5,699	3,550	(2,149)	(38%)
<u>CIS market ¹</u>								
7,497	8,953	1,456	19%	LPG, RR/ton	n/a	8,953	n/a	n/a
<u>Export market ¹</u>								
11,636	10,898	(738)	(6%)	Stable gas condensate, RR/ton	8,534	10,898	2,364	28%
7,177	6,621	(556)	(7%)	Crude oil, RR/ton	7,476	6,621	(855)	(11%)
8,865	10,498	1,633	18%	LPG, RR/ton	7,583	10,498	2,915	38%

Note
1. Includes cost of transportation

3Q 2006 Liquid sales price analysis (USD/ton)



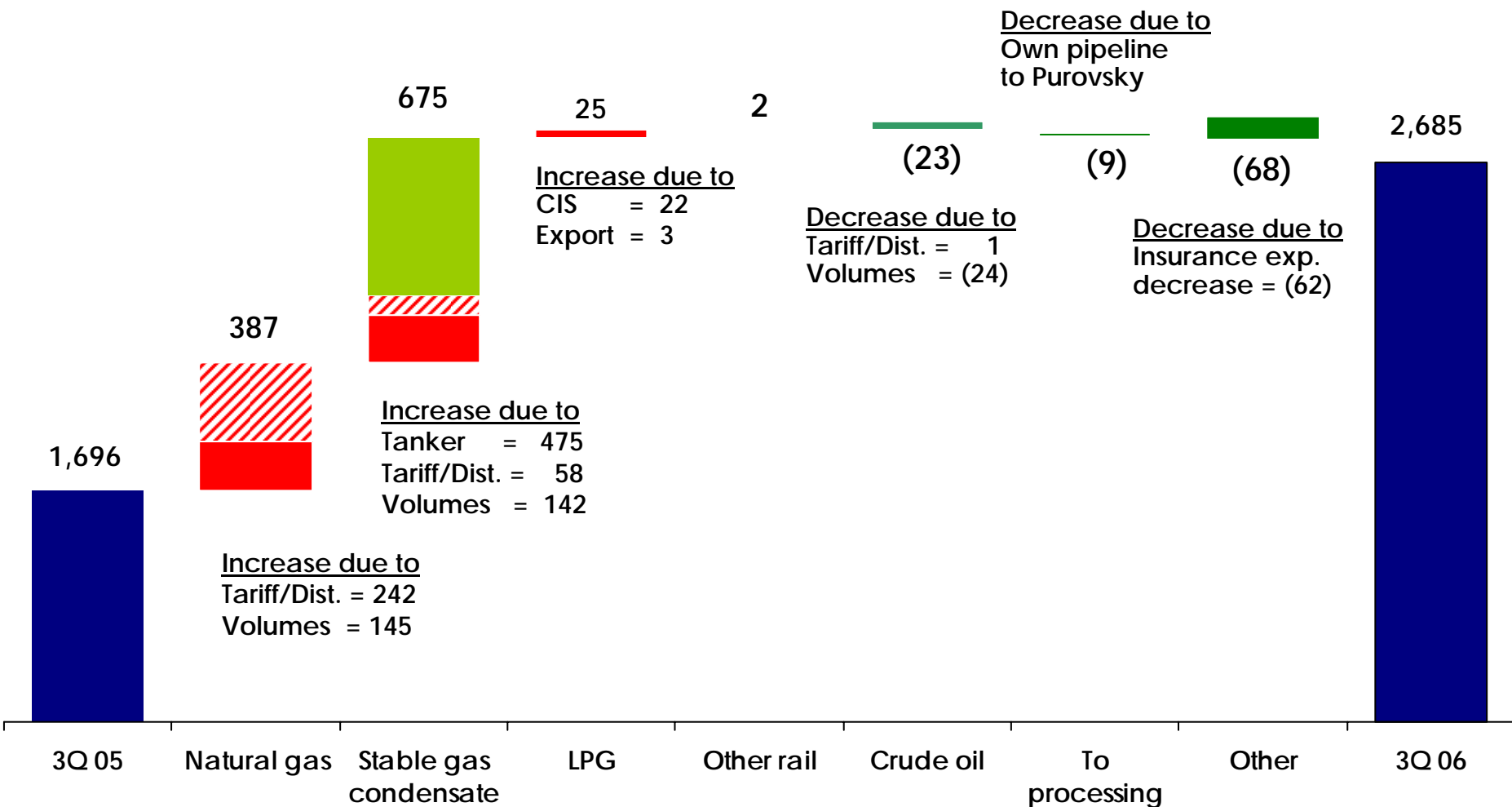
Note 1: Translated to USD using average exchange rate of RR 26.81/USD

Operating expenses breakdown (% of Total revenue (TR))

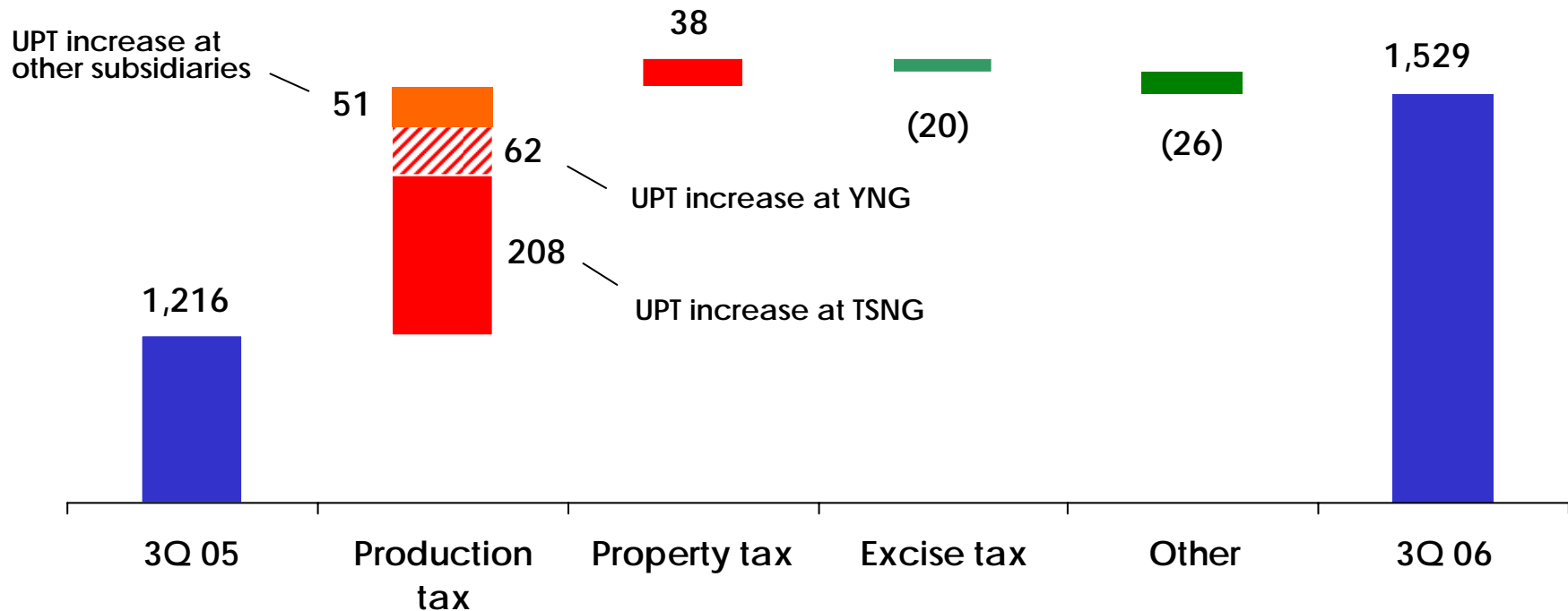
2Q 06	% of TR	3Q 06	% of TR	Operating Expenses, RR million	3Q 05	% of TR	3Q 06	% of TR
2,596	22%	2,685	21%	Transportation expense	1,696	17%	2,685	21%
1,566	13%	1,529	12%	Taxes other than income	1,216	12%	1,529	12%
996	9%	1,048	8%	Depreciation and amortization	943	9%	1,048	8%
943	8%	987	8%	Materials, services and other	975	10%	987	8%
860	6%	792	6%	General and administrative	728	7%	792	6%
115	1%	180	1%	Exploration expense	19	0%	180	1%
18	1%	(21)	0%	Net impairment expense	65	1%	(21)	0%
117	(6%)	36	0%	Change in inventory	21	0%	36	0%
7,211	54%	7,236	56%	Subtotal operating expenses	5,663	56%	7,236	56%
1,331	4%	296	2%	Cost of purchased oil, condensate and natural gas	417	4%	296	2%
8,542	58%	7,532	58%	Total operating expense	6,080	60%	7,532	58%

- ❑ Q-o-Q operating expenses as a percentage of total revenues decreased by 2%
- ❑ Q-o-Q transportation costs increased due to an increase in volumes and tariffs for natural gas sold to end-customers and export volumes of stable gas condensate and LPG and the change in our marketing channels
- ❑ Q-o-Q taxes other than on income increased due to higher volumes and rates for natural gas in 2006
- ❑ Q-o-Q reduction in hydrocarbon purchases of 2%

Transportation expense (RR million)



Taxes other than income (RR million)



- Increase in “taxes other than income” of 26% is due to an increase in production tax (UPT) of 30%, primarily due to increased production from TSNG and YNG and an increase in the UPT rate for natural gas (RR135 per mcm to RR 147 per mcm)
- Total UPT on natural gas and liquids was RR 1,053 million and RR 348 million in 2006 and RR 842 million and RR 238 million in 2005, respectively
- Increase in Property tax due to additions of property, plant and equipment at Nova ZPK, Novatek and YNG

Condensed balance sheet (RR million)

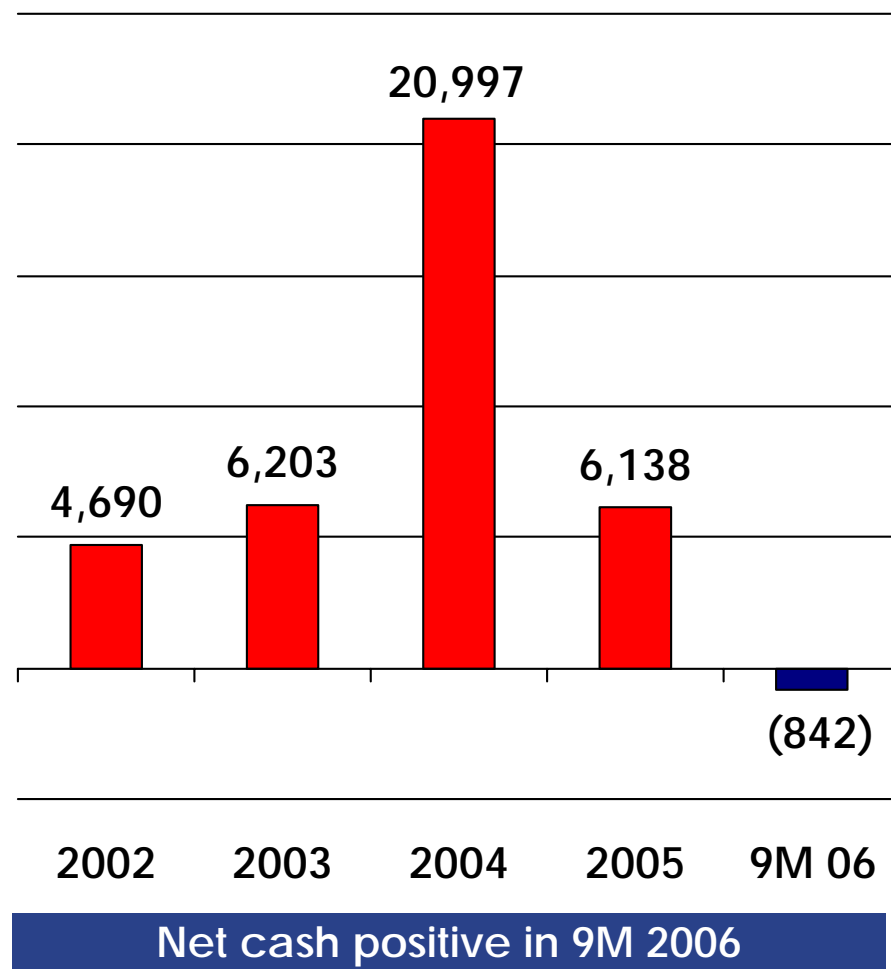
RR million	2005	9M 06	+ / (-)	+ / (-)%
Total current assets	11,922	14,758	2,836	24%
<i>Incl. Cash & cash equivalents</i>	<i>2,956</i>	<i>5,121</i>	<i>2,165</i>	<i>73%</i>
Total non-current assets	66,840	67,896	1,056	2%
<i>Incl. Net PP&E</i>	<i>65,675</i>	<i>66,092</i>	<i>416</i>	<i>1%</i>
Total assets	78,762	82,654	3,892	5%
Total current liabilities	10,432	6,185	(4,247)	(41%)
<i>Incl. ST Debt</i>	<i>8,202</i>	<i>3,163</i>	<i>(5,039)</i>	<i>(61%)</i>
Total non-current liabilities	10,781	10,691	(90)	(1%)
<i>Incl. Deferred income tax liability</i>	<i>8,396</i>	<i>8,049</i>	<i>(347)</i>	<i>(4%)</i>
<i>Incl. LT Debt</i>	<i>892</i>	<i>1,116</i>	<i>224</i>	<i>25%</i>
Total Liabilities	21,213	16,876	(4,337)	(20%)
Total equity (including minority interest)	57,549	65,778	8,229	14%
Total liabilities & equity	78,762	82,654	3,892	5%

Debt structure

Debt structure and maturities

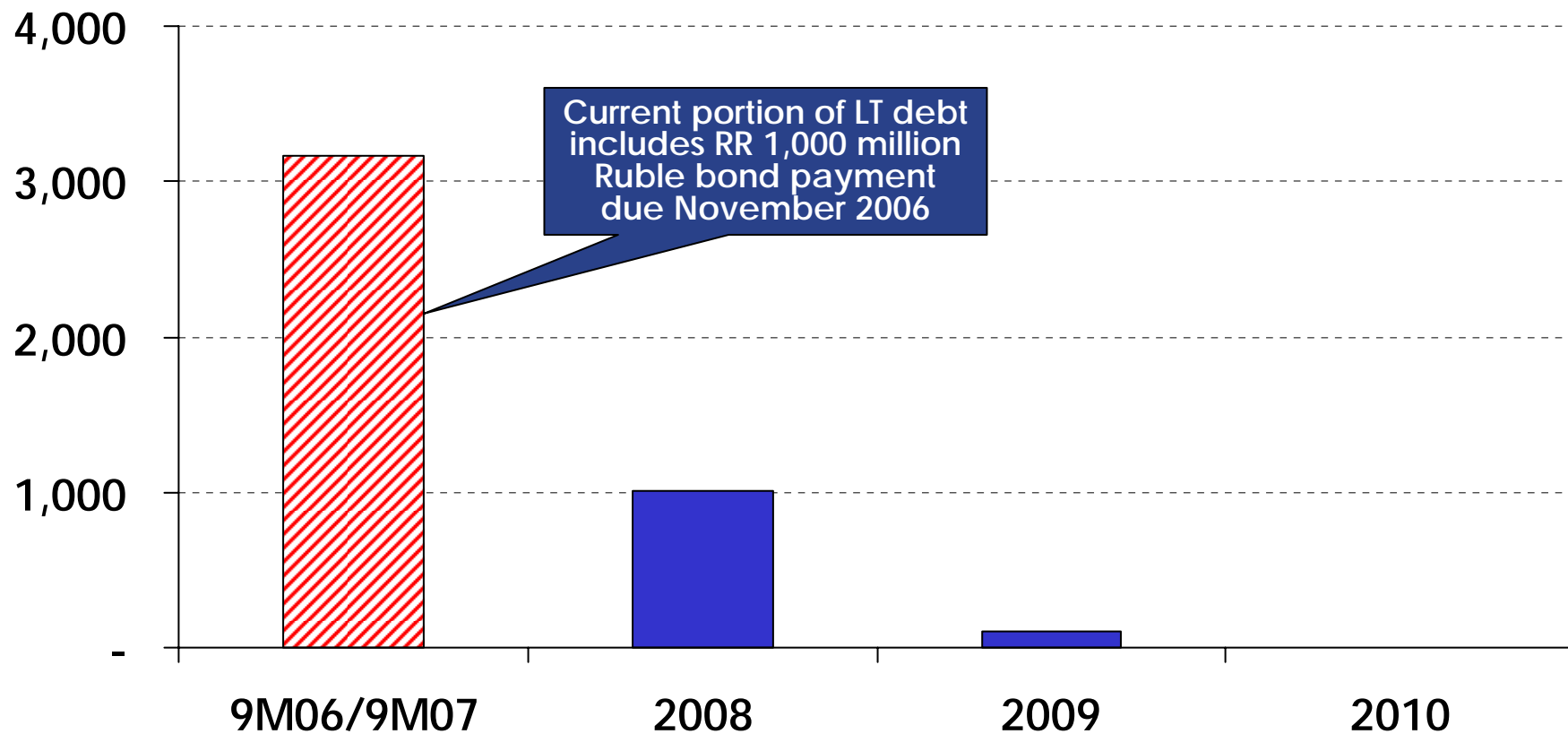
RR million	9M 06	2005
Short-term debt	3,163	8,202
<i>current portion of long-term debt</i>	<i>3,163</i>	<i>7,010</i>
Long-term debt	1,116	892
Scheduled maturities		
2006	-	-
2007	-	375
2008	1,005	360
2009	110	141
2010	1	16
Total debt	4,279	9,094
Cash and equivalents	5,121	2,956
Net debt (cash)	(842)	6,138

Net Debt evolution, RR million



Total debt maturity profile (RR million)

Current debt maturity profile as at 30 September 2006



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

Questions and Answers