

NOVATEK's Second Quarter 2010 IFRS Financial Results

Operational and Financial Results Conference Call

Question and Answer session with Mark Gyetvay, NOVATEK CFO and Member of the Board:

The question and answer session of NOVATEK's conference call was not possible due to technical difficulties. As a result, please see below the questions which were submitted to NOVATEK Investor Relations by participants on the conference call and Mark Gyetvay's responses:

Pavel Kushnir, Deutsche Bank

1. What specific government decree do you expect to be released by the end of 2010 on Yamal LNG? I cannot think of any format for such a document?

RESPONSE: The RF Government recently met to discuss the future development of the Yamal Peninsula, including our Yamal LNG project, during a scheduled session, and based on the feedback that we have received, the Russian Government is expected to formally issue a Governmental Decree by the end of 2010 outlining their position on various issues and topics of interest to us. I suspect that during this meeting many issues were discussed such as levels of capital expenditure required to explore and exploit this hydrocarbon rich area, the strategic nature of the licenses, employment in the Far North, mineral extraction and other tax related issues, amongst other items.

Once the official governmental decree is published we can determine the level of commitment and support that will be provided, and based on this position, we can hopefully address some of the questions raised to us by potential strategic partners and provide them with some clarity.

2. Can you please repeat the number of wells you operate at each subsidiary and clarify on your point that you need to drill certain number of wells to maintain production?

RESPONSE: During the presentation I mentioned that we presently have 108 producing wells at the East Tarkosalinskoye field, 22 producing wells at the Khancheykoye field and 40 producing wells at the Yurkharovskoye field that was responsible for achieving the 32.8 billion cubic meters of production in 2009. Going forward, I said we will essentially double the number of producing wells at the Yurkharovskoye field, and thereafter will only require a limited number of wells (no figure given) to sustain production levels as demonstrated from our past production history, decline rates et cetera.

3. You mentioned that gas condensate growth in 2011 will be comparable to growth level in 2010. What is your official guidance for gas condensate growth in 2010 y-o-y?

RESPONSE: To date, we have increased our stable gas condensate by 18.5%, which is higher than the production guidance issued in 2009. I believe we were targeting approximately 15% year-on-year growth in 2010; therefore, I believe it is reasonable to assume the same production guidance of approximately 15% in 2011.

4. You said during the call that 2010 production will be in the upper end of the guidance range. Is this range 37-38bcm? Still you provide 2011 production growth guidance of 12% y-o-y on the basis of 37bcm production?

RESPONSE: I stated that our initial production guidance for natural gas in 2011 to be 12% depending on continued demand recovery and normal seasonal weather. Our full production is expected to be around 37 billion cubic meters, or slightly more, based on our production results to date, and the fact that we will be entering the peak season with additional production capacity.

5. I understand that RR 86 million charge related to the initiation of the share based compensation program in 2Q 2010 – is this a one-off charge?

RESPONSE: The employee share based compensation program is a three-year program, whereby each quarter the underlying strike price, which is the average acquisition cost and related charges, will be marked-to-market at each quarter period end, and the difference between the strike price and the end of period share price will be charged (or amortized) to employee compensation expense.

6. I understand that the RR 59 million Board and revision committee compensation is a one-off charge and should not appear in future periods - is this correct?

RESPONSE: Generally speaking, we do not expect continued increases in the compensation package to Board members unless approved at the Annual General Meeting of Shareholders. Compensation to Board members will be reviewed periodically to determine whether or not the package offered by NOVATEK is competitive in the market and against other companies in the industry. The determination of Board compensation considers various factors, such as participation in committees, sub-committees, attendance et cetera, and is benchmarked against companies listed with similar ranges of market capitalization on major stock exchanges.

7. Should we expect payment of excise taxes by Novatek Polska in future periods and what is the best way to estimate this expense – volumes or based on prices?

RESPONSE: Yes, we expect to incur this expense in future periods as we expand the level of commercial trading activities in Poland and other Central and Eastern European countries. Our excise tax is volume based and in the 2Q 2010 was set at Polish Zloty (PLN) 695/ton for LPG volumes which enter Polish territory and our fuel tax is set at PLN 119.82/ton and calculated on the same volumes. There is zero excise and fuel tax rates on LPG sold for home use.

Yuri Maslov, Nevsky Capital LLP

1. Can you please provide guidance for total capex in 2010 and 2011. I think your previous guidance was for 2010 capex of ~RUB28bn, but so far in the 1st half of 2010 total capex was only RUB9.3bn (according to the cash flow in the IFRS financials)

RESPONSE: You are correct that our initial guidance for 2010 capital expenditures is approximately RR 28 billion (excluding VAT), and that the results year-to-date is significantly less. We expect to increase our capital expenditures in the second half of 2010 which correlates to our traditional winter drilling season. Also, it is important to understand, that our full year drilling program straddles two different winter periods, and as result, there may be some movement of invested capital over two financial calendar years. But generally speaking, this amount is what we have planned to spend on capital projects in 2010.

As for 2011, we have not provided our formal capital expenditure program as of yet, and this will more likely be in the later part of 2010, largely due to our ongoing review and budget process, as well as approval of the 2011 business plan by the Board of Directors. Once these steps are completed we will make this announcement.

Evgenia Dyshlyuk, TKB Capital

1. Could you please provide guidance for growth in average transportation tariffs in 2010 and 2011?

RESPONSE: The transportation tariff on average has been increased by 12.3% effective 1 January 2010, and the increase is approved by the Federal Tariff Service (FTS). We have not received any formal notification, or official publication by the FTS as of yet for 2011; therefore, it is too premature to comment at this point.

2. What is your view on possible increase in mineral extraction tax (MET) for gas? When do you expect it? What increase have your budgeted for?

RESPONSE: There is a lot of speculation of the extent of the increase in mineral extraction tax for 2011 that has been reported in the Russian press and by the analytical community. At this point, we do not speculate what the increase in MET will be in 2011, but we are working with the relevant governmental bodies, as well as our traditional lobbying efforts, to ensure that any change in the MET in 2011 and beyond will not be punitive.