

**OAO NOVATEK**

**IFRS CONSOLIDATED INTERIM CONDENSED  
FINANCIAL INFORMATION (UNAUDITED)**

**30 SEPTEMBER 2004**

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**REVIEW REPORT OF AUDITORS**

To the shareholders and directors of OAO NOVATEK

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO NOVATEK and its subsidiaries (the "Group") as at 30 September 2004 and the related consolidated interim condensed statement of income, of cash flows and of changes in shareholders' equity for the nine months then ended. This consolidated interim condensed financial information as set out on pages 4 to 25 is the responsibility of the Group's management. Our responsibility is to issue a report on this consolidated interim condensed financial information based on our review.
2. We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard No. 34, Interim Financial Reporting.

*PricewaterhouseCoopers*

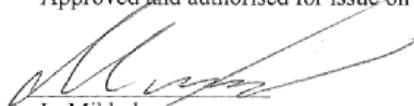
Moscow, Russian Federation  
21 February 2005

**OAO NOVATEK**  
**Consolidated Interim Condensed Balance Sheet (unaudited)**  
(in thousands of Russian roubles)

	Notes	At 30 September 2004	At 31 December 2003
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	15	13,967,621	10,056,960
Intangible balances		89,016	59,452
Investments in associates	11	6,032,558	5,291,321
Long-term loans receivable	14	1,380,133	2,932,546
Other non-current assets		582,051	388,901
<b>Total non-current assets</b>		<b>22,051,379</b>	<b>18,729,180</b>
<b>Current assets</b>			
Inventories	9	578,656	1,372,041
Trade and other receivables	8	2,659,930	3,011,637
Prepayments and advances		701,128	1,199,386
Short-term loans receivable	13	3,533,555	552,357
Other current assets		58,816	11,289
Cash and cash equivalents		1,783,977	1,617,887
<b>Total current assets</b>		<b>9,316,062</b>	<b>7,764,597</b>
<b>Total assets</b>		<b>31,367,441</b>	<b>26,493,777</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term debt	17	8,791,794	5,751,633
Deferred income tax liability		1,926,487	1,698,853
Asset retirement obligations		181,497	153,890
Other non-current liabilities		13,523	47,445
<b>Total non-current liabilities</b>		<b>10,913,301</b>	<b>7,651,821</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	2,160,062	3,325,490
Short-term debt	16	2,362,440	2,069,286
Income taxes payable		38,190	567,436
Other taxes payable		345,890	866,838
<b>Total current liabilities</b>		<b>4,906,582</b>	<b>6,829,050</b>
<b>Total liabilities</b>		<b>15,819,883</b>	<b>14,480,871</b>
<b>Minority interest</b>	22	<b>535,541</b>	<b>468,384</b>
<b>Shareholders' equity</b>			
Ordinary share capital	18	314,103	314,103
Additional paid-in capital		5,933,568	5,962,622
Retained earnings		8,764,346	5,267,797
<b>Total shareholders' equity</b>		<b>15,012,017</b>	<b>11,544,522</b>
<b>Total shareholders' equity and liabilities</b>		<b>31,367,441</b>	<b>26,493,777</b>

The accompanying notes are an integral part of this consolidated interim condensed financial information.

Approved and authorised for issue on behalf of the Board of Directors:

  
L. Mikhelson  
General Director

  
M. Gyetvay  
Financial Director

**ОАО NOVATEK**
**Consolidated Interim Condensed Statement of Income (unaudited)**

(in thousands of Russian roubles)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2004	2003	2004	2003
<b>Revenues</b>					
Oil and gas sales	4	4,875,796	3,517,802	15,222,670	8,286,864
Oil and gas construction services	12	-	976,035	2,053,441	2,614,720
<b>Total revenues</b>		<b>4,875,796</b>	<b>4,493,837</b>	<b>17,276,111</b>	<b>10,901,584</b>
Gain (loss) on disposal of investments in oil and gas producing subsidiaries and associates		(21,617)	(14,590)	(21,617)	3,245
Net gain on disposal of construction services and other subsidiaries	12	340,939	-	79,018	-
Other income	5	282,655	343,104	975,879	546,241
<b>Total revenues and other income</b>		<b>5,477,773</b>	<b>4,822,351</b>	<b>18,309,391</b>	<b>11,451,070</b>
<b>Operating expenses</b>					
Materials, services and other	6	(761,602)	(1,880,296)	(4,237,322)	(4,232,637)
Purchases of oil, gas condensate and natural gas	20	(1,014,487)	(918,422)	(4,011,758)	(2,348,166)
Transportation expenses	7	(838,829)	(595,862)	(2,636,486)	(1,269,629)
Taxes other than income tax	19	(363,598)	(232,663)	(1,041,440)	(545,795)
General and administrative expenses		(195,190)	(45,275)	(629,402)	(350,746)
Depreciation, depletion and amortisation		(294,142)	(128,147)	(768,232)	(268,698)
Net impairment income (expense)		125,229	(71,186)	70,175	(209,921)
Exploration expenses		(35,322)	(13,898)	(137,829)	(42,232)
<b>Total operating expenses</b>		<b>(3,377,941)</b>	<b>(3,885,749)</b>	<b>(13,392,294)</b>	<b>(9,267,824)</b>
<b>Profit from operations</b>		<b>2,099,832</b>	<b>936,602</b>	<b>4,917,097</b>	<b>2,183,246</b>
<b>Finance income (expense)</b>					
Foreign exchange gain (loss)		(36,920)	(66,075)	(19,754)	72,183
Interest income		115,755	39,148	312,580	88,282
Interest expense		(152,971)	(197,939)	(370,234)	(389,551)
<b>Total finance expense</b>		<b>(74,136)</b>	<b>(224,866)</b>	<b>(77,408)</b>	<b>(229,086)</b>
Share of income of associates	11	223,588	111,450	556,357	397,433
<b>Profit before income tax and minority interest</b>		<b>2,249,284</b>	<b>823,186</b>	<b>5,396,046</b>	<b>2,351,593</b>
<b>Income tax expense</b>					
Current income tax expense		(377,280)	(273,357)	(1,234,127)	(636,067)
Deferred income tax expense		(128,119)	118,219	(204,590)	75,174
Share of income tax benefit (expense) of associates	11	5,769	(21,915)	165,143	(73,116)
<b>Total income tax expense</b>		<b>(499,630)</b>	<b>(177,053)</b>	<b>(1,273,574)</b>	<b>(634,009)</b>
<b>Profit before minority interest</b>		<b>1,749,654</b>	<b>646,133</b>	<b>4,122,472</b>	<b>1,717,584</b>
Minority interest	22	(6,108)	53,319	(60,907)	84,779
<b>Net profit</b>		<b>1,743,546</b>	<b>699,452</b>	<b>4,061,565</b>	<b>1,802,363</b>
Basic and diluted earnings per share (in Russian roubles)	23	776	439	1,808	1,131

The accompanying notes are an integral part of this consolidated interim condensed financial information.

**OAO NOVATEK****Consolidated Interim Condensed Statement of Cash Flows (unaudited)**

(in thousands of Russian roubles)

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
<b>Net income before income tax and minority interest</b>	<b>5,396,046</b>	<b>2,351,593</b>
<b>Adjustments to income before income tax and minority interest:</b>		
Depreciation, depletion and amortisation	768,232	268,698
Net impairment loss /(reversal)	(70,175)	209,921
Net unrealised foreign exchange loss/(gain)	12,909	(82,933)
Net gain on disposal of assets and subsidiaries	(158,457)	(34,620)
Interest expense	370,234	389,551
Interest income	(312,580)	(88,282)
Share of income from associates	(556,357)	(397,433)
<b>Working capital changes</b>		
Decrease (increase) in accounts receivable and prepayments	(31,427)	(785,410)
Decrease in inventories	49,873	219,736
Increase in other current assets	(5,597)	(9,440)
Increase (decrease) in accounts payable and accrued liabilities	100,128	406,392
Increase (decrease) in taxes payable, other than income tax	(422,318)	21,476
<b>Total effect of working capital changes</b>	<b>(309,341)</b>	<b>(147,246)</b>
Income taxes paid	(1,750,789)	(764,825)
<b>Net cash provided by operating activities</b>	<b>3,389,722</b>	<b>1,704,424</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(4,701,532)	(1,088,615)
Acquisition of additional shares in subsidiaries	(196,085)	(4,866)
Acquisition of associated companies	(35,137)	(212,474)
Proceeds from disposal of subsidiaries and associates	299,700	32,015
Interest paid and capitalised	(393,393)	(258,374)
Short and long-term loans provided	(2,897,970)	(3,560,800)
Repayment of short and long-term loans	1,556,783	1,061,459
Interest received – non banking	273,702	39,240
<b>Net cash used in investing activities</b>	<b>(6,093,932)</b>	<b>(3,992,415)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	4,118,159	3,428,909
Proceeds from short-term borrowings	2,958,793	3,362,049
Repayments of long-term borrowings	(977,110)	(486,266)
Repayments of short-term borrowings	(2,438,761)	(3,181,875)
Interest paid – non banking	(275,798)	(270,440)
Dividends paid	(565,016)	(34,890)
<b>Net cash from financing activities</b>	<b>2,820,267</b>	<b>2,817,487</b>
Net withdrawals from (payments to) restricted cash accounts	50,033	(25,027)
<b>Net increase in cash and cash equivalents</b>	<b>166,090</b>	<b>504,469</b>
Cash and cash equivalents at the beginning of the reporting period	1,617,887	306,158
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,783,977</b>	<b>810,627</b>

The accompanying notes are an integral part of this consolidated interim condensed financial information.

**OAO NOVATEK****Consolidated Interim Condensed Statement of Changes in Shareholders' Equity (unaudited)**

(in thousands of Russian roubles)

	<b>Number of ordinary shares</b>	<b>Ordinary share capital</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Shareholders' Equity</b>
<b><u>For the nine months ended 30 September 2003</u></b>					
<b>Balance at 31 December 2002</b>	<b>1,593,682</b>	<b>248,768</b>	<b>3,173,476</b>	<b>2,021,672</b>	<b>5,443,916</b>
Dividends (Note 18)	-	-	-	(34,890)	(34,890)
Contribution from shareholders (Notes 12, 18)	-	-	524,300	-	524,300
Distribution to shareholders (Notes 12, 18)	-	-	(390,937)	-	(390,937)
Net income for the period	-	-	-	1,802,363	1,802,363
<b>Balance at 30 September 2003</b>	<b>1,593,682</b>	<b>248,768</b>	<b>3,306,839</b>	<b>3,789,145</b>	<b>7,344,752</b>
<b><u>For the nine months ended 30 September 2004</u></b>					
<b>Balance at 31 December 2003</b>	<b>2,247,030</b>	<b>314,103</b>	<b>5,962,622</b>	<b>5,267,797</b>	<b>11,544,522</b>
Dividends (Note 18)	-	-	-	(565,016)	(565,016)
Distribution to shareholders (Notes 12, 18)	-	-	(29,054)	-	(29,054)
Net income for the period	-	-	-	4,061,565	4,061,565
<b>Balance at 30 September 2004</b>	<b>2,247,030</b>	<b>314,103</b>	<b>5,933,568</b>	<b>8,764,346</b>	<b>15,012,017</b>

The accompanying notes are an integral part of this consolidated interim condensed financial information.

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**1 ORGANISATION AND PRINCIPAL ACTIVITIES**

OAO NOVATEK (hereinafter referred to as "NOVATEK") and its subsidiaries (hereinafter jointly referred to as the "Group") is an independent oil and gas company engaged in the acquisition, exploration, development, production and processing of hydrocarbons, with its core operations of oil and gas properties located in the Yamalo-Nenetsky Autonomous Region ("YNAO").

The Group's primary activities are the exploration, development, production, processing and marketing of natural gas, gas condensate, crude oil and related petroleum products primarily in the YNAO. In June 2004, the Group sold its subsidiaries that represent substantially all of the Group's oil and gas construction services segment to focus its activities on oil and gas exploration, production and processing of hydrocarbons. The Group has elected not to provide separate discontinuing operations disclosures in the accompanying consolidated interim condensed financial information, however, segment reporting in Note 21 provides further information regarding the Group's oil and gas construction services operations.

This consolidated interim condensed financial information reflects the financial position and results of operations of the principal subsidiaries listed below, all of which are incorporated in the Russia Federation:

Subsidiary	Nature of operations	At 30 September 2004		At 31 December 2003	
		% of ordinary and preferred share capital	% of ordinary share capital	% of ordinary and preferred share capital	% of ordinary share capital
OAO Purneftegasegeologiya ("PNGG")	Oil and gas exploration and production	69.6%	77.5%	79.6%	88.7%
OAO Minlay ("Minlay")	Holding company (liquidated)	-	-	100.0%	100.0%
OOO Yurkharovneftegas ("Yurkharovneftegas")	Gas exploration and production	100.0%	100.0%	100.0%	100.0%
OAO SNP NOVA ("SNP NOVA")	Construction services (sold)	-	-	74.3%	74.5%
ZAO NOVA Bank	Banking	62.0%	62.0%	88.6%	88.6%
OOO Yutneftegas	Holding company (liquidated)	-	-	100.0%	100.0%
OAO Truboizolyatsia ("Truboizolyatsia")	Pipeline insulation production	97.9%	97.9%	52.2%	52.2%
OOO Novafininvest ("Novafininvest")	Construction contractor and holding company (sold)	-	-	99.0%	99.0%
OOO Purgasdobycha ("Purgasdobycha")	Oil and gas exploration and production	100.0%	100.0%	-	-
OOO Terneftegas ("Terneftegas")	Oil and gas exploration	100.0%	100.0%	-	-



## ОАО NOVATEK

### Notes to the Consolidated Interim Condensed Financial Information (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES (CONTINUED)

The Group's respective interests in its principal associates were as follows as at:

Associate	Country of incorporation	Nature of operations	% of share capital	
			30 September 2004	31 December 2003
ОАО НК Таркосалнефтегаз ("Таркосалнефтегаз")	Russia	Oil and gas exploration and production	32.3%	32.2%
ООО Геоилбент ("Геоилбент")	Russia	Oil and gas exploration and production	66.0%	66.0%
ООО Ханчейнефтегаз ("Ханчейнефтегаз")	Russia	Oil and gas exploration and production	43.0%	43.0%
ОАО Тамбейнефтегаз	Russia	Oil and gas exploration and production	25.1%	25.1%

## 2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting ("IAS 34"). This consolidated interim condensed financial information should be read in conjunction with NOVATEK's consolidated financial statements as of and for the year ended 31 December 2003 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2003 consolidated balance sheet data has been derived from audited financial statements.

In the opinion of the Group's management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The financial results of the periods reported herein are not necessarily indicative of future financial results.

**Use of estimates.** The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from such estimates.

**Exchange rates.** The official rate of exchange of the Russian rouble to the US dollar ("USD") at 30 September 2004 and 31 December 2003 was 29.22 and 29.45 Russian roubles to USD 1.00, respectively.

**Accounting for the effect of inflation.** Prior to 1 January 2003, the adjustments and reclassifications made to the statutory records for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the Russian rouble in accordance with International Accounting Standard No. 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires that the financial information prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. Therefore, non-monetary assets and liabilities (those balance sheet items that were not expressed in terms of the monetary unit current as of 31 December 2002) and components of shareholders' equity were restated from their historical cost by applying the change in the general price index from the date the non-monetary item originated to 31 December 2002. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflationary has ceased, effective from 1 January 2003, the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current as of 31 December 2002 were treated as the basis for the carrying amounts in subsequent financial statements.

**Reclassifications.** Certain reclassifications have been made to previously reported balances to conform to the current period's presentation; such reclassifications have no effect on net income or shareholders' equity.

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies followed by the Group are consistent with those disclosed in the financial statements for the year ended 31 December 2003.

**4 OIL AND GAS SALES**

	Three months ended 30 September		Nine months ended 30 September	
	2004	2003	2004	2003
Gas sales	2,576,076	2,262,313	9,165,837	5,314,037
Oil and gas condensate sales	1,819,935	416,048	4,894,597	1,347,565
Oil product sales	479,785	839,441	1,162,236	1,625,262
<b>Total oil and gas sales</b>	<b>4,875,796</b>	<b>3,517,802</b>	<b>15,222,670</b>	<b>8,286,864</b>

During the nine months ended 30 September 2004, the Group had sales to several significant customers: Kerden Trading Limited, a related party; Yugnefteproduct; Centrusgas; and to regional energy companies that are subsidiaries of RAO Unified Energy Systems ("UES"). Sales of crude oil and gas condensate to Kerden Trading Limited and Yugnefteproduct represents 11 percent and 10 percent, respectively, of total oil and gas sales for the nine months ended 30 September 2004 (for the nine months ended 30 September 2003: 13 percent and 2 percent, accordingly). Sales to UES subsidiaries and Centrusgas of natural gas represents 16 percent and 8 percent, respectively, of total oil and gas sales for the nine months ended 30 September 2004 (for the nine months ended 30 September 2003: 12 percent and 14 percent, accordingly).

**5 OTHER INCOME**

	Three months ended 30 September		Nine months ended 30 September	
	2004	2003	2004	2003
Sales of polymer and insulation tape	161,324	130,820	434,804	130,820
Oil transportation and handling services	21,810	25,149	128,255	103,589
Telecommunication services	36,505	22,387	131,730	101,536
Exploration services	-	45,640	46,691	51,009
Sales of materials	2,935	8,529	8,661	61,718
Net gain (loss) on disposal of property, plant and equipment	56,604	40,285	91,087	(24,473)
Net banking interest income	13,546	14,528	40,596	21,528
Other revenues (losses), net	(10,069)	55,766	94,055	100,514
<b>Total other income</b>	<b>282,655</b>	<b>343,104</b>	<b>975,879</b>	<b>546,241</b>

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**6 MATERIALS, SERVICES AND OTHER**

	Three months ended 30 September		Nine months ended 30 September	
	2004	2003	2004	2003
Materials and supplies	116,189	569,350	1,519,462	1,455,422
Employee compensation	170,855	324,429	681,419	632,699
Construction services	-	290,787	415,024	594,372
Insurance expense	97,173	157,767	333,863	389,785
Tolling fees	85,647	109,392	245,883	343,450
Maintenance of social infrastructure/social expenses	58,733	69,169	141,417	98,896
Electricity and fuel	6,521	41,125	136,653	115,947
Rent expense	42,061	20,930	150,794	45,468
Extraction services	35,264	32,357	215,394	107,701
Repair and maintenance expense	12,870	30,817	75,670	76,962
Bank charges	8,518	3,370	21,033	17,555
Other	127,771	230,803	300,710	354,380
<b>Total materials, services and other</b>	<b>761,602</b>	<b>1,880,296</b>	<b>4,237,322</b>	<b>4,232,637</b>

Additional employee compensation expense of RR 411 million and RR 271 million are included in general and administrative expenses for the nine months ended 30 September 2004 and 30 September 2003, respectively.

The decrease in materials and supplies and employee compensation for the three months ended 30 September 2004 resulted primarily from the Group's divestiture of its non-core oil and gas construction services segment (Note 12).

**7 TRANSPORTATION EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2004	2003	2004	2003
Natural gas transportation to customers	593,755	436,210	1,887,575	889,489
Crude oil transportation to customers	161,979	50,006	520,511	157,224
Railroad transportation to customers	21,299	27,777	78,812	80,522
Transportation costs incurred in operations	61,796	81,869	149,588	142,394
<b>Total transportation expenses</b>	<b>838,829</b>	<b>595,862</b>	<b>2,636,486</b>	<b>1,269,629</b>

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**8 TRADE AND OTHER RECEIVABLES**

	<b>30 September 2004</b>	<b>31 December 2003</b>
Trade accounts receivable (net of provision of RR 19 million and RR 18 million at 30 September 2004 and 31 December 2003, respectively)	655,259	749,077
Trade and other accounts receivable – related parties	763,988	329,032
Construction balances due from customers (net of provision of RR 5 million at 31 December 2003)	-	48,163
Construction balances due from related parties	-	54,280
Recoverable value added tax	927,424	1,317,298
Interest on loans receivable – related parties	134,862	95,984
Other receivables (net of provision of RR 22 million and RR 28 million at 30 September 2004 and 31 December 2003, respectively)	178,397	417,803
<b>Total trade and other receivables</b>	<b>2,659,930</b>	<b>3,011,637</b>

**9 INVENTORIES**

	<b>30 September 2004</b>	<b>31 December 2003</b>
Materials and supplies at net realisable value (net of provision of RR 50 million and RR 136 million at 30 September 2004 and 31 December 2003, respectively)	94,425	643,285
Materials and supplies at cost	233,218	275,134
Materials and supplies – custody of contractors	41,608	252,364
Construction contract work-in-progress	73,156	96,598
Crude oil and oil products	76,382	60,261
Apartments and premises available-for-sale	11,538	22,226
Polymer and insulation tape products	48,329	22,173
<b>Total inventories</b>	<b>578,656</b>	<b>1,372,041</b>

The decrease in materials and supplies inventories from 31 December 2003 resulted primarily from the Group's divestiture of its non-core oil and gas construction services segment (Note 12).

The remaining balance included in construction contract work-in-progress relates to Yamaltelekom, a Group subsidiary, which performed construction of telecommunication facilities for local authorities of YANAO. Yamaltelekom, a non-core entity, was disposed subsequent to the balance sheet date (Note 25).

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>30 September 2004</b>	<b>31 December 2003</b>
Trade accounts payable	307,942	1,102,575
Trade and other accounts payable – related parties	449,660	532,228
Trade advances from customers	421,178	269,400
Bank customer deposits	378,328	205,644
Bank customer deposits – related parties	96,201	105,631
Construction advances	249,224	818,167
Interest payable	149,327	67,358
Salaries payable	36,994	110,909
Other payables	71,208	113,578
<b>Total accounts payable and accrued liabilities</b>	<b>2,160,062</b>	<b>3,325,490</b>

The decrease in trade accounts payable from 31 December 2003 resulted primarily from the Group's divestiture of its non-core oil and gas construction services segment (Note 12).

The remaining balance included in construction advances represented prepayments made by the local authorities of YANAO for construction of telecommunication facilities performed by Yamaltelekom, a Group subsidiary. Yamaltelekom, a non-core entity, was disposed subsequent to the balance sheet date (Note 25).

**11 INVESTMENTS IN ASSOCIATES**

	<b>30 September 2004</b>	<b>31 December 2003</b>
OAO NK Tarkosaleneftegaz	4,019,646	3,841,320
OOO Geoilbent	1,708,729	1,246,681
OOO Khancheyneftegas	171,605	74,649
OAO Tambeyneftegas	108,457	113,554
Other	24,121	15,117
<b>Total investments in associates</b>	<b>6,032,558</b>	<b>5,291,321</b>

***Movement in the carrying value of investments in associates.***

	<b>Nine months ended 30 September 2004</b>	<b>Nine months ended 30 September 2003</b>
<b>Balance at the beginning of the reporting period</b>	<b>5,291,321</b>	<b>4,187,348</b>
Share of income before tax	556,357	397,433
Share of income tax benefit (expense)	165,143	(73,116)
Share of net income	721,500	324,317
Unrealised gains on sales to associates	(1,543)	-
Additions of associates	34,763	909,625
Negative goodwill recognised on acquisitions	-	(509,111)
Disposals of associates	(13,483)	(47,762)
<b>Balance at the end of the reporting period</b>	<b>6,032,558</b>	<b>4,864,417</b>

**11 INVESTMENTS IN ASSOCIATES (CONTINUED)**

Included in the balance at 30 September 2004 is goodwill of RR 55 million, which is net of amortisation of RR 2 million, and negative goodwill of RR 536 million, which is net of amortisation of RR 26 million.

During the nine months ended 30 September 2004, Geoilbent was successful in its legal claim for recovery of RR 344 million of overpaid income taxes relating to prior fiscal periods and accordingly recorded an income tax benefit during the period.

**12 INVESTMENTS IN SUBSIDIARIES**

In June 2004, the Group sold its 99 percent investment in the share capital of Novafininvest to shareholders of the Group: SWGI Growth Fund (Cyprus) Limited - 40.9 percent, ZAO Levit - 53.6 percent, and OOO KOPITEK - 4.5 percent, for total cash consideration of RR 240 million. The sale resulted in a net loss of RR 296 million recorded in the Consolidated Statement of Income.

The sale of Novafininvest, including its subsidiary SNP NOVA, represents the discontinuance of substantially all of the activities of the oil and gas construction services segment of the Group (Note 21). The Group expects to continue existing contractual relationships, and may enter into additional contracts, with Novafininvest and its subsidiaries in the future at market terms and conditions. The net assets at the date of disposal were RR 536 million. The net loss year to date at the date of disposal was RR 11 million.

During the nine months ended 30 September 2004, the Group disposed of its interest in various non-core business entities to both third and related parties realising a net gain of RR 418 million.

During the nine months ended 30 September 2004, the Group also sold to third parties its 100 percent investment in the shares in a holding company owning 11.2 percent of the ordinary shares of PNGG, with a carrying value of RR 41 million, for RR 12 million in promissory notes. In December 2004, the Group settled the outstanding promissory notes in cash.

In May 2004, the Group acquired an additional 19 percent of the total outstanding shares of Truboizolyatsia from a third party for RR 67 million, and, in August 2004, an additional 25.5 percent of the total outstanding shares of Truboizolyatsia in an auction from the Russian Federal Property Fund for RR 61 million. In addition, in August 2004, the Group also purchased an additional 1.25 percent with a predecessor carrying value of RR 2 million from a shareholder for RR 4 million. As a result of this transaction, distribution to shareholders in the amount of RR 2 million has been recorded in the Consolidated Statement of Changes in Shareholders' Equity.

In September 2004, the Group acquired 85 percent of the outstanding shares of Terneftegas from third parties for RR 48 million and acquired the remaining 15 percent of Terneftegas from a shareholder for RR 9 million. As a result of the latter transaction, distribution to shareholders in the amount of RR 8 million has been recorded in the Consolidated Statement of Changes in Shareholders' Equity.

In September 2004, NOVA Bank issued an additional 6 million shares in favour of ZAO Levit, a Group shareholder, for total consideration of RR 60 million. As a result, the Group's interest in NOVA Bank decreased to 62 percent and RR 6 million has been recorded as distribution to shareholders in the Consolidated Statement of Changes in Shareholders' Equity.

**Transactions in process.** In January 2004, the Group transferred its mineral license in the West-Tarkosalinskoye field to a newly formed subsidiary company, Purgasdobycha. On 20 February 2004, the board of directors of PNGG resolved to dispose of Purgasdobycha and, during May 2004, PNGG entered into an agreement to sell the company to a subsidiary of OAO Gazprom.

The agreement also includes a proposed purchase by the Group of an additional 8.34 percent of the issued ordinary shares of PNGG and future purchases by the Group of 10 percent of the hydrocarbon production from the Cenomanian gas deposit and a net 50 percent of the hydrocarbon production from the Neocomian gas and gas condensate deposits of the West-Tarkosalinskoye field for a period to be determined. Management expects that the transactions will not have a material impact on the Group's financial position, results of operations and cash flows in the future. The agreement was finalised subsequent to the balance sheet date (Note 25).

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**13 SHORT-TERM LOANS RECEIVABLE**

	<b>30 September 2004</b>	<b>31 December 2003</b>
US dollar denominated loans	-	91,619
US dollar denominated loans to related parties	2,828,475	147,273
Russian rouble denominated loans	5,110	23,901
Russian rouble denominated loans to related parties	240,088	18,000
Banking loans receivable (net of provision of RR 35 million at 30 September 2004 and RR 35 million at 31 December 2003)	445,182	231,964
Banking loans receivable to related parties	14,700	39,600
<b>Total short-term loans receivable</b>	<b>3,533,555</b>	<b>552,357</b>

During the nine months ended 30 September 2004, Trade House Truboizolyatsia fully repaid to the Group a loan in the amount of RR 91 million (USD 3.1 million).

In August 2004, the Group provided additional US dollar denominated loans in the amount of RR 227 million (USD 7.8 million) to Tarkosaleneftegas. The loans are unsecured, bear interest of 10 percent, and are repayable in August 2005.

In July 2004, the Group re-negotiated the repayment dates of long-term US dollar denominated loans to Tarkosaleneftegas in the aggregate amount of RR 1,424 million (USD 48.7 million) from January 2008 to June 2005. As a result of this re-negotiation, the loans have been reclassified to short-term.

In April 2004, the Group provided a loan in the amount RR 1,096 million (USD 37.5 million) to Khancheyneftegas. The loan is unsecured, bears interest of 10 percent, and is repayable in June 2005.

As a result of the de-consolidation of Novafininvest (Note 12), the Group recorded certain outstanding loans receivable from the disposed entities as loans to related parties. At 30 September 2004, US dollar denominated loans to related parties consisted of an unsecured, 10 percent interest loan in the amount of RR 81 million (USD 2.8 million) to SNP NOVA, which is repayable in February 2005.

Russian rouble denominated loans to related parties included interest free loans to NOVA Energy Services and Novafininvest in the aggregate amounts of RR 95 million and RR 98 million, respectively. The loans are unsecured and are repayable in June 2005. In November 2004, the Group amended the terms of the loan agreement from an interest free loan to 12 percent per annum.

At 30 September 2004, banking loans receivable represents Russian rouble denominated loans relating to the operations of NOVA Bank. These balances mainly represent deposits with other banks and loans issued to customers at commercial rates based on credit risks and maturities. The loans are generally collateralised by equipment and bear interest ranging from 10 to 21 percent.

**14 LONG-TERM LOANS RECEIVABLE**

	<b>30 September 2004</b>	<b>31 December 2003</b>
US dollar denominated loans to related parties	1,232,708	1,972,446
Russian rouble denominated loans	5,620	7,360
Russian rouble denominated loans to related parties	43,791	878,800
Banking loans receivable	59,698	73,940
Banking loans receivable to related parties	38,316	-
<b>Total long-term loans receivable</b>	<b>1,380,133</b>	<b>2,932,546</b>

In April 2004, Khancheyneftegas repaid its Russian rouble denominated loan in the aggregated amount of RR 879 million.

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**14 LONG-TERM LOANS RECEIVABLE (CONTINUED)**

In August 2004, the Group provided additional US dollar denominated loans in the amount of RR 64 million (USD 2.2 million) to Tarkosaleneftegas. The loans are unsecured, bear interest of 10 percent, and are repayable in December 2005.

In July 2004, US dollar denominated loans to Tarkosaleneftegas in the aggregate amount of RR 1,424 million (USD 48.7 million) were reclassified into short-term loan receivable due to changes in the term of the loan agreement (Note 13).

At 30 September 2004, US dollar denominated loans to related parties include loans in the amount of RR 1,169 million (USD 40 million) to Khancheyneftegas. The loans are unsecured, bear interest of 10 percent, and are repayable by April 2008.

During the nine months ended 30 September 2004, the Group provided Russian rouble denominated loans to related parties, including a loan to Yargeo, a Group associate, in the amount of RR 36 million. The loan is unsecured, bears interest of 12 percent, and is repayable by April 2006.

**15 PROPERTY, PLANT AND EQUIPMENT**

	Operating assets	Assets under construction	Total
Cost	8,670,466	2,552,293	11,222,759
Accumulated depreciation, depletion and amortisation	(1,165,799)	-	(1,165,799)
<b>Net book value at 31 December 2003</b>	<b>7,504,667</b>	<b>2,552,293</b>	<b>10,056,960</b>
Additions	286,339	5,252,344	5,538,683
Transfers	858,780	(858,780)	-
Disposals and impairments, net	(612,649)	(247,896)	(860,545)
Depreciation, depletion and amortisation	(767,477)	-	(767,477)
Cost	8,589,479	6,697,961	15,287,440
Accumulated depreciation, depletion and amortisation	(1,319,819)	-	(1,319,819)
<b>Net book value at 30 September 2004</b>	<b>7,269,660</b>	<b>6,697,961</b>	<b>13,967,621</b>

Included in additions to property, plant and equipment for the nine months ended 30 September 2004 is capitalised interest of RR 393 million.

The disposal of operating assets and assets under construction primarily represents the Group's divestiture of its non-core oil and gas construction services segment (Note 12).

**16 SHORT-TERM DEBT**

	30 September 2004	31 December 2003
US dollar denominated loans	112,281	660,091
Russian rouble denominated loans	2,233,400	1,276,245
Russian rouble denominated loans from related parties	4,760	-
Other short-term debt	11,999	132,950
<b>Total short-term debt</b>	<b>2,362,440</b>	<b>2,069,286</b>



**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**16 SHORT-TERM DEBT (CONTINUED)**

During the nine months ended 30 September 2004, the Group fully repaid loans to Trade House Truboizolyatsia in the amount of RR 91.6 million (USD 3.1 million), and to Standard Bank of London Limited in the amount of RR 295 million (USD 10 million).

During the nine months ended 30 September 2004, the Group partially repaid loans to International Moscow Bank in the amount of RR 162 million (USD 5.5 million). The remaining portion of loans are collateralised by the Group's property, plant, and equipment in the amount of RR 444 million, bear interest of 7 percent and mature in December 2004. Subsequent to the balance sheet date, the loans were fully repaid (Note 25).

At 30 September 2004, Russian rouble denominated loans included loans from Sberbank in the aggregated amount of RR 1,803 million. The loans are collateralised by the Group's inventory and property, plant, and equipment in the amount of RR 1,102 million, and bears interest ranging between 11.2 percent and 12 percent.

During the nine months ended 30 September 2004, the Group received several Russian rouble denominated loans from Alfa Bank in the total amount of RR 595 million, of which RR 165 million were repaid. The remaining portions of loans are unsecured, bear interest of 12 percent and are repayable in October 2004. Subsequent to the balance sheet date, the loans were fully repaid (Note 25).

At 30 September 2004, other short-term debt consisted of NOVA Bank promissory notes that are repayable within one year.

**17 LONG -TERM DEBT**

	<u>30 September 2004</u>	<u>31 December 2003</u>
US dollar denominated loans	5,843,420	2,945,450
US dollar denominated loans from related parties	1,022,599	1,178,180
Russian rouble denominated loans	1,761,543	1,621,821
Russian rouble denominated loans from related parties	155,000	-
Other long-term debt	9,232	6,182
<b>Total long-term debt</b>	<b>8,791,794</b>	<b>5,751,633</b>

In April 2004, the Group received a loan in the amount of RR 2,922 million from ING Bank N.V. backed by USD 100 million, unsecured, 18-month term, credit linked notes with an annual coupon rate of 9.125 percent, payable semi-annually. The proceeds of the credit linked notes were used toward developing the Group's oil and gas fields and the construction of the Purovsky Gas Condensate Plant. The issue was guaranteed by Yurkharovneftegas and Tarkosaleneftegas for USD 100 million and USD 50 million, respectively. In April 2004, the loan was transferred from ING Bank N.V. to CRR BV.

During the nine months ended 30 September 2004, the Group repaid RR 460 million of Russian rouble denominated loan from Sberbank and obtained additional loans for an aggregated amount of RR 632 million. The loans are collateralised by the Group's property, plant, and equipment, bear interest of 12 percent and mature in July 2005 and August 2007.

During the nine months ended 30 September 2004, the Group repaid a loan in the amount of RR 156 million (USD 5 million) to the Yamal Regional Fund of Development, a Group shareholder, and subsequently obtained another Russian rouble denominated loan for RR 155 million. The loan is guaranteed by Yurkharovneftegas, bears interest of 12 percent, and matures in March 2007. The proceeds from this loan will be used for the construction of the Purovsky Gas Condensate Plant.

At 30 September 2004, other long-term debt consists of NOVA Bank promissory notes that are repayable between August 2005 and May 2009.

## OAO NOVATEK

### Notes to the Consolidated Interim Condensed Financial Information (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

## 17 LONG -TERM DEBT

Aggregate maturities of long-term debt outstanding at 30 September 2004 are as follows:

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Between 1 and 2 years	4,042,584
Between 2 and 3 years	2,152,892
Between 3 and 4 years	2,107,466
Between 4 and 5 years	488,852

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<b>Total long-term debt</b>	<b>8,791,794</b>
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## 18 SHAREHOLDERS' EQUITY

**Dividends.** In March 2003, a dividend was declared in respect of the year ended 31 December 2002 by the Board of Directors of NOVATEK and approved by shareholders in the amount of RR 35 million or RR 22 per ordinary share. In May 2004, a dividend was declared and paid in respect of the year ended 31 December 2003 by the Board of Directors of NOVATEK and approved by shareholders in the amount of RR 565 million or RR 251.45 per ordinary share.

On 27 August 2004, the shareholders of NOVATEK approved the issuance of 789,276 new ordinary shares, with par and total values per share of RR 100 and RR 28,300, respectively, to TNG Energy AG, a related party of the Group, and ZAO Levit (formerly OOO Levit), a Group shareholder, in return for interests in Tarkosalenftegas and Khancheyneftegas. The new share issue was registered on 28 October 2004, and the subscription was approved by Federal Financial Markets Service on 13 January 2005 (Note 25).

In September 2004, the principal shareholders of the Group signed a protocol to sell 25 percent plus one share of the Group to Total S.A. The agreement is subject to receiving regulatory approval from the Federal Anti-Monopoly Service.

**Other contributed capital from shareholders.** During the nine months ended 30 September 2003, the Group acquired an additional 3.7 percent stake in Tarkosalenftegas from third parties for which the consideration provided was interests in other companies owned by the ultimate controlling shareholders of NOVATEK (the "Shareholders"). In addition, the Shareholders contributed another 1 percent of Tarkosalenftegas to the Group. The contributions from Shareholders, in the total amount of RR 411 million, were recorded in the Consolidated Statement of Changes in Shareholders' Equity for the nine months ended 30 September 2003.

During the nine months ended 30 September 2003, the Shareholders contributed to the Group their 35 percent equity stake in Truboizolyatsia. The contributed equity stake in Truboizolyatsia of RR 94 million was recorded in the Consolidated Statement of Changes in Shareholders' Equity for the nine months ended 30 September 2003.

During the nine months ended 30 September 2003, as part of the reorganisation of the Shareholders' controlling interests into NOVATEK, the Shareholders transferred their 100 percent interest in Yurkharovneftegas into the Group. The RR 367.5 million paid to the Shareholders was recorded as a distribution to shareholders in the Consolidated Statement of Changes in Shareholders' Equity for the nine months ended 30 September 2003.

In August 2004, the Group increased its investment in Tarkosalenftegas by one-tenth of one percent through an acquisition from Shareholders. As a result of this transaction, distribution to shareholders in the amount of RR 13 million has been recorded in the Consolidated Statement of Changes in Shareholders' Equity for the nine months ended 30 September 2004.

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**19 TAXES OTHER THAN INCOME TAX**

The Group is subject to a number of taxes other than on profits, which are detailed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2004	2003	2004	2003
Unified natural resources production tax	287,631	163,829	900,397	340,425
Property tax	21,309	46,777	63,307	85,698
Excise tax	24,200	18,466	59,400	59,743
Value added tax	493	1,098	1,664	9,937
Other taxes	29,965	2,493	16,672	49,992
<b>Total taxes other than income tax</b>	<b>363,598</b>	<b>232,663</b>	<b>1,041,440</b>	<b>545,795</b>

During the nine months ended 30 September 2004, the Group paid RR 22 million to settle previously restructured taxes with a net carrying value of RR 51 million. The remaining balance was forgiven by the tax authorities resulting in the recognition of a gain of RR 29 million that was recorded in other taxes.

**20 RELATED PARTY TRANSACTIONS**

During the nine months ended 30 September 2004, the Group had significant activities with companies related to its shareholders and associates in connection with purchases and sales of crude oil, natural gas, gas condensate, construction and other related services, and the purchases and sales of equity securities. The Group's reported results of operations, financial position and cashflows would be different had such transactions been carried out amongst unrelated parties. The financial condition of the Group and its future operations may be affected by continued transactions with related parties.

***Purchases and sales of crude oil and gas condensate:***

Name of related party	Three months ended 30 September 2004		Three months ended 30 September 2003	
	Sales volumes (tonnes)	Russian roubles (000s)	Sales volumes (tonnes)	Russian roubles (000s)
Sales to Kerden Trading Limited	73,997	382,069	16,801	77,936
Purchases from Tarkosalenftegas	93,423	149,477	64,072	123,157
Purchases from Khancheyneftegas	142,955	228,742	79,794	150,571
Purchases from Geoilbent	63,000	154,831	-	-

Name of related party	Nine months ended 30 September 2004		Nine months ended 30 September 2003	
	Sales volumes (tonnes)	Russian roubles (000s)	Sales volumes (tonnes)	Russian roubles (000s)
Sales to Kerden Trading Limited	311,182	1,500,531	16,801	77,936
Purchases from Tarkosalenftegas	256,415	410,264	243,933	467,891
Purchases from Khancheyneftegas	374,501	599,245	217,390	414,297
Purchases from Geoilbent	252,872	660,938	-	-

**ОАО NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**20 RELATED PARTY TRANSACTIONS (CONTINUED)***Purchases and sales of natural gas:*

<b>Name of related party</b>	<b>Three months ended 30 September 2004</b>		<b>Three months ended 30 September 2003</b>	
	Sales volumes (m <sup>3</sup> 000s)	Russian roubles (000s)	Sales volumes (m <sup>3</sup> 000s)	Russian roubles (000s)
Purchases from Tarkosaleneftegaz	774,486	243,318	1,322,094	267,689
Purchases from Khancheyneftegaz	606,124	252,723	172,075	71,698
Purchases from Pur-Land	-	-	722,242	117,365

<b>Name of related party</b>	<b>Nine months ended 30 September 2004</b>		<b>Nine months ended 30 September 2003</b>	
	Sales volumes (m <sup>3</sup> 000s)	Russian roubles (000s)	Sales volumes (m <sup>3</sup> 000s)	Russian roubles (000s)
Sales to NGK ITERA (until February 2003)	-	-	348,220	149,444
Purchases from Tarkosaleneftegaz	4,299,952	1,298,161	3,887,197	770,808
Purchases from Khancheyneftegaz	1,659,417	691,893	300,710	125,296
Purchases from Pur-Land	-	-	2,166,022	351,979

*Sales of oil products:*

<b>Name of related party</b>	<b>Three months ended 30 September 2004</b>		<b>Three months ended 30 September 2003</b>	
	Sales volumes (tonnes)	Russian roubles (000s)	Sales volumes (tonnes)	Russian roubles (000s)
Light distillate sales to Kerden Trading Limited	-	-	60,612	286,671
Diesel fuel sales to Kerden Trading Limited	-	-	13,182	32,388
Diesel fuel sales to Tarkosaleneftegaz	165	1,313	104	504
Diesel fuel sales to SNP NOVA	243	2,097	-	-

<b>Name of related party</b>	<b>Nine months ended 30 September 2004</b>		<b>Nine months ended 30 September 2003</b>	
	Sales volumes (tonnes)	Russian roubles (000s)	Sales volumes (tonnes)	Russian roubles (000s)
Light distillate sales to Kerden Trading Limited	19,851	98,446	149,056	707,101
Diesel fuel sales to Kerden Trading Limited	-	-	54,790	248,693
Diesel fuel sales to Tarkosaleneftegaz	1,589	11,435	1,555	10,742
Diesel fuel sales to SNP NOVA	243	2,097	-	-

Subsequent to the disposal of SNP NOVA, Novafininvest and NOVA Energy Services, these companies provided construction services to the Group totalling RR 218 million.

During the nine months ended 30 September 2004, the Group disposed of its interest in various non-core subsidiaries and associates to related parties realising a net gain of RR 66 million and a net loss of RR 10 million, respectively.

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(in thousands of Russian roubles, unless otherwise stated)

**20 RELATED PARTY TRANSACTIONS (CONTINUED)***Balances with related parties:*

	<b>At 30 September 2004</b>	<b>At 31 December 2003</b>
Trade and other receivables	763,988	383,312
Prepayments and advances	149,993	19,022
Prepaid construction advances	194,274	-
Short-term loans receivable	3,068,563	198,073
Short-term banking loans receivable	14,700	-
Long-term loans receivable	1,276,499	2,851,246
Long-term banking loans receivable	38,316	-
Short-term debt	4,760	-
Long-term debt	1,177,599	1,178,180
Accounts payable	545,861	637,859
Interest receivable	134,862	95,984

*Other transactions with related parties:*

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Sales of inventory	-	-	30,770	2,199
Interest income	100,649	31,413	287,551	51,950
Interest expense	25,679	30,712	60,536	85,719
Construction sales	-	284,103	208,985	1,273,362

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**21 SEGMENT INFORMATION**

The Group operates principally in the oil and gas industry in the Russian Federation. The Group evaluates performance and makes investment and strategic decisions based upon a review of profitability for the Group as a whole. However, the Group's activities are considered by management to comprise one geographic segment and, for the period to September 2004 (Note 12), the following business segments:

- Exploration and production – exploration, production, processing, marketing and transportation of oil and gas;
- Oil and gas construction services – drilling and construction of oil and gas infrastructure and facilities (discontinued from 30 June 2004 - Note 12);
- Corporate and other – other activities, including head office services, banking and telecommunications.

<b>Nine months ended 30 September 2004</b>	<b>Exploration and production</b>	<b>Oil and gas construction services</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Total segment revenues</b>	<b>15,304,083</b>	<b>2,969,089</b>	<b>894,466</b>	<b>19,167,638</b>
Inter-segment sales	-	(915,648)	-	(915,648)
External revenues and other income	15,304,083	2,053,441	894,466	18,251,990
Unallocated gain on disposal, net				57,401
Total revenues and other income				18,309,391
<b>Segment result</b>	<b>5,205,768</b>	<b>139,623</b>	<b>193,313</b>	<b>5,538,704</b>

<b>Nine months ended 30 September 2003</b>	<b>Exploration and production</b>	<b>Oil and gas construction services</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Total segment revenues</b>	<b>8,248,276</b>	<b>3,851,273</b>	<b>584,829</b>	<b>12,684,378</b>
Inter-segment sales	-	(1,236,553)	-	(1,236,553)
External revenues and other income	8,248,276	2,614,720	584,829	11,447,825
Unallocated gain on disposal, net				3,245
Total revenues and other income				11,451,070
<b>Segment result</b>	<b>2,675,323</b>	<b>(69,626)</b>	<b>27,345</b>	<b>2,633,042</b>

<b>Three months ended 30 September 2004</b>	<b>Exploration and production</b>	<b>Oil and gas construction services</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Total segment revenues</b>	<b>4,939,143</b>	<b>-</b>	<b>219,308</b>	<b>5,158,451</b>
Inter-segment sales	-	-	-	-
External revenues and other income	4,939,143	-	219,308	5,158,451
Unallocated gain on disposal, net				319,322
Total revenues and other income				5,477,773
<b>Segment result</b>	<b>1,880,869</b>	<b>-</b>	<b>86,761</b>	<b>1,967,630</b>

<b>Three months ended 30 September 2003</b>	<b>Exploration and production</b>	<b>Oil and gas construction services</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Total segment revenues</b>	<b>3,475,290</b>	<b>1,115,042</b>	<b>385,616</b>	<b>4,975,948</b>
Inter-segment sales	-	(139,007)	-	(139,007)
External revenues and other income	3,475,290	976,035	385,616	4,836,941
Unallocated loss on disposal, net				(14,590)
Total revenues and other income				4,822,351
<b>Segment result</b>	<b>913,215</b>	<b>(219,848)</b>	<b>(17,522)</b>	<b>675,845</b>

All of the Group's operating assets are located in the Russian Federation.

**OAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Information (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

**22 MINORITY INTEREST**

	Nine months ended 30 September	
	2004	2003
Minority interest at the beginning of the reporting period	468,384	780,522
Minority interest share of net profit (loss)	60,907	(84,779)
Net change in minority interest as a result of disposals and acquisitions	6,250	(115,115)
<b>Minority interest at the end of the reporting period</b>	<b>535,541</b>	<b>580,628</b>

**23 EARNINGS PER SHARE**

Earnings per share have been calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period. The weighted average number of shares outstanding was 2,247 thousand and 1,594 thousand for the nine months ended 30 September 2004 and the nine months ended 30 September 2003, respectively.

**24 CONTINGENCIES AND COMMITMENTS**

**Operating environment.** The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

While there have been improvements in the economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

**Guarantees.** The Group has guaranteed bank debt and interest obligations of related and other parties totalling RR 638 million at 30 September 2004 (at 31 December 2003 – RR 999 million) and has pledged shares, in favour of Group associates, with a carrying value totalling RR 2,021 million (at 31 December 2003 – 1,546 million). The guaranteed debt and interest obligations are due on various dates during the period from 2004 through 2009. In addition, the Group has pledged its property, plant and equipment, inventory, and 29.7 percent and 31 percent of its shares and participation interests in Tarkosaleneftegas and Yurkharovneftegas, respectively, as collateral for long-term borrowings.

**Commitments.** During 2003, the Group committed to the construction of the Purovsky Gas Condensate Plant. As at the balance sheet date, the amount of outstanding commitments totalled approximately RR 1,171 million.

**Taxation.** Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Based on the analysis of the current tax law, practice of the tax authorities and court precedents, management believes that the risk of tax loss associated with the Group's tax positions is not probable at the present time. At 30 September 2004 there were no significant outstanding claims or assessments in relation to the Group's tax position.

**24 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

***Oilfield licensing obligations.*** The Group undergoes periodic compliance reviews by various governmental institutions responsible for oversight and monitoring of subsurface license users on their licenses and other relevant safety and environmental legislation. Sanctions for non compliance based upon the reviews can include fines, penalties, license limitation, supervision or revocation. The Group provides detailed responses to any issues raised in these reports and, where applicable, sets forth timetables for addressing such issues. Management believes that any issues related to license compliance, including any requested work program revisions or financial undertakings, will be resolved through negotiations, corrective actions, and other remedial steps. Management believes that all existing items of license non compliance are of immaterial significance and considers it remote that they will result in a material adverse impact on the Group's financial position.

***Environmental liabilities.*** The Group and its predecessor entities have operated in the oil and gas industry in the Russian Federation for many years. Environmental regulations and their enforcement are continually being considered by governmental authorities and the Group periodically evaluates its obligations related thereto. As obligations are identified, they are recognised immediately. The existence of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation, cannot be estimated but could be material. Under existing legislation, management believes that there are no probable liabilities which will have a material adverse effect on the financial position or the operating results of the Group.

***Legal contingencies.*** The Group is involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in this consolidated interim condensed financial information.

**25 SUBSEQUENT EVENTS**

On 22 October 2004, the Group sold its 100 percent participation interest in OOO Purgasdobycha to OOO Gazprominvest for RR 491 million, and correspondingly purchased an 8.34 percent interest in OAO Purneftegasgeologiya from OAO Zapsibgasprom, a Gazprom subsidiary, for RR 149 million. As part of these two transactions, Gazprom signed an agreement whereby the Group will purchase 10 percent of the natural gas extracted from the Cenomanian reservoir and a net 50 percent of the hydrocarbon liquids from the Neocomian reservoir from the West-Tarkosalinskoye field for the whole period of the license retained by OOO Purgasdobycha (which expires in 2021). The reference prices for the purchases of the natural gas and hydrocarbon liquids were not specified in the contract.

In October 2004, the Group fully repaid RR 430 million of loans to Alfa Bank and, subsequently, between November and December 2004 obtained further unsecured loans from Alfa Bank in the total amount of RR 970 million, bearing annual interest rates ranging from 9 to 12 percent and repayable within 13 months. In December 2004, RR 90 million of the outstanding loan balance was repaid.

In November 2004, the Group's shareholders resolved to sell its 66 percent participation interest in OOO Geoilbent via an open tender process. The disposal of Geoilbent is dependent upon receiving consents from both the noteholders of the credit linked notes issued in April 2004 and the other participant, and subject to regulatory approval by the Federal Anti-Monopoly Service.

In November 2004, the Group's shareholders approved a dividend in respect of the nine month period ended 30 September 2004 in the amount of RR 1,444 million or RR 642.84 per ordinary share. The dividend was paid in December 2004. This interim dividend has not been recognised in the accompanying consolidated interim condensed financial information.

In November 2004, the Group was admitted to the Russian Stock Exchange ("RTS") and included in listing "B" under the symbol "NVTK". Additionally, in December 2004, the Group was admitted to the MICEX Stock Exchange under the symbol "FIKO".

In December 2004, the Group fully repaid loans to International Moscow Bank in the total amount of RR 112 million.



**25 SUBSEQUENT EVENTS (CONTINUED)**

In December 2004, the Group finalised the placement of 1 million non-convertible Rouble denominated bonds with nominal value of RR 1,000, payable in 728 days and annual coupon rate of 9.4 percent, payable semi-annually. The issue was guaranteed by Yurkharovneftegas.

In December 2004, the Group placed USD 200 million, unsecured, 18-month term, credit linked notes with an annual coupon rate of 7.75 percent, payable semi-annually. The issue was guaranteed by Yurkharovneftegas and Tarkosaleneftegas for USD 200 million each.

In December 2004, the Group provided a loan in the amount of USD 290 million to ZAO Levit, a Group shareholder, repayable in December 2005 and bearing annual interest of 10 percent. Prior to year-end, USD 20 million of the outstanding loan balance was repaid.

In December 2004, the Group disposed of its 66.7 percent interest in OAO Yamaltelecom, a telecommunication company, to third parties for a total consideration of RR 19 million.

In December 2004, the Group exchanged 182,125 ordinary shares of NOVATEK with ZAO Levit, a Group shareholder, in return for 17.6 percent interest in Tarkosaleneftegas and 6 percent interest in Khancheyneftegas which was purchased directly from minority shareholders, and 607,151 ordinary shares of NOVATEK with TNG Energy AG, a related party, in return for 50.1 percent interest in Tarkosaleneftegas and 51 percent interest in Khancheyneftegas. As a result of these transactions, Tarkosaleneftegas and Khancheyneftegas became wholly-owned subsidiaries of the Group. The Company has not completed the purchase price accounting related to these transactions.

In January 2005, the Company as a sole shareholder of OAO NK Tarkosaleneftegas resolved to undertake a legal reorganisation from an Open Joint Stock Company ('ОАО') to a limited liability company ('ООО') prior to its planned merger with Khancheyneftegas. The legal reorganization and merger is subject to receiving approval from the noteholders of the credit linked notes issued in April 2004.

In January 2005, the Group repaid USD 17.5 million of the US dollar denominated loans to Yamal Regional Fund of Development, a Group shareholder. In February 2005, the Company received a five year loan from the Yamal Regional Fund of Development in the amount of 1 billion roubles with a stated interest rate of 10 percent. The proceeds from the loan will be used for the construction of the Purovsky Gas Condensate Plant. The loan is guaranteed by Khancheyneftegas.

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