OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE MONTHS ENDED 31 MARCH 2013

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of OAO NOVATEK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO NOVATEK and its subsidiaries (the "Group") as of 31 March 2013 and the related consolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

13 May 2013
Moscow, Russian Federation

OAO NOVATEK
Consolidated Interim Condensed Statement of Financial Position (unaudited)
(in millions of Russian roubles)

	Notes	At 31 March 2013	At 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	4	205,499	197,376
Investments in joint ventures	5	191,469	189,136
Long-term loans and receivables	6	17,610	13,150
Other non-current assets		8,602	5,228
Total non-current assets		**423,180**	**404,890**
Current assets			
Inventories		1,900	3,091
Current income tax prepayments		2,680	1,756
Trade and other receivables	7	28,279	16,409
Prepayments and other current assets	8	9,283	18,567
Cash and cash equivalents		16,907	18,420
Total current assets		**59,049**	**58,243**
Total assets		**482,229**	**463,133**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	9	113,305	97,805
Deferred income tax liabilities		15,489	13,969
Asset retirement obligations		2,685	2,879
Other non-current liabilities		1,691	2,049
Total non-current liabilities		**133,170**	**116,702**
Current liabilities			
Short-term debt and current portion of long-term debt	10	12,786	34,682
Trade payables and accrued liabilities	11	17,298	15,925
Current income tax payable		101	198
Other taxes payable		5,300	4,325
Total current liabilities		**35,485**	**55,130**
Total liabilities		**168,655**	**171,832**
Equity attributable to OAO NOVATEK shareholders			
Ordinary share capital		393	393
Treasury shares		(1,226)	(584)
Additional paid-in capital		31,220	31,220
Currency translation differences		15	(202)
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		276,317	253,606
Total equity attributable to OAO NOVATEK shareholders	12	**312,336**	**290,050**
Non-controlling interest		**1,238**	**1,251**
Total equity		**313,574**	**291,301**
Total liabilities and equity		**482,229**	**463,133**

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

Approved for issue and signed on behalf of the Board of Directors on 13 May 2013:

L. Mikhelson
Chairman of the Management Committee

M. Gyetvay
Chief Financial Officer

OAO NOVATEK
Consolidated Interim Condensed Statement of Income (unaudited)
(in millions of Russian roubles, except for share and per share amounts)

	Notes	Three months ended 31 March: 2013	2012
Revenues			
Oil and gas sales	14	80,448	53,876
Other revenues		117	221
Total revenues		**80,565**	**54,097**
Operating expenses			
Transportation expenses	15	(29,230)	(16,379)
Purchases of natural gas and liquid hydrocarbons	16	(8,432)	(3,351)
Taxes other than income tax	17	(4,717)	(4,337)
Depreciation, depletion and amortization	4	(3,157)	(2,614)
General and administrative expenses		(2,419)	(2,327)
Materials, services and other		(1,677)	(1,586)
Exploration expenses		(135)	(896)
Net impairment reversals (expenses)		4	(25)
Change in natural gas, liquid hydrocarbons and work-in-progress		(1,293)	(60)
Total operating expenses		**(51,056)**	**(31,575)**
Other operating income (loss)		691	41
Profit from operations		**30,200**	**22,563**
Finance income (expense)			
Interest expense	18	(1,364)	(790)
Interest income	18	478	534
Foreign exchange gain (loss)		(1,038)	5,880
Total finance income (expense)		**(1,924)**	**5,624**
Share of profit (loss) of joint ventures, net of income tax	5	48	(991)
Profit before income tax		**28,324**	**27,196**
Income tax expense			
Current income tax expense		(4,000)	(5,828)
Net deferred income tax expense		(1,626)	(129)
Total income tax expense	19	**(5,626)**	**(5,957)**
Profit (loss)		**22,698**	**21,239**
Profit (loss) attributable to:			
Non-controlling interest		(13)	(6)
Shareholders of OAO NOVATEK		**22,711**	**21,245**
Basic and diluted earnings per share (in Russian roubles)		7.49	7.00
Weighted average number of shares outstanding (in thousands)		*3,033,104*	*3,034,338*

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

OAO NOVATEK
Consolidated Interim Condensed Statement of Comprehensive Income (unaudited)
(in millions of Russian roubles)

	Three months ended 31 March:	
	2013	**2012**
Profit (loss)	**22,698**	**21,239**
Other comprehensive income (loss), reclassified subsequently to profit (loss), net of income tax		
Currency translation differences	217	(466)
Total other comprehensive income (loss)	**217**	**(466)**
Total comprehensive income (loss)	**22,915**	**20,773**
Total comprehensive income (loss) attributable to:		
Non-controlling interest	(13)	(6)
Shareholders of OAO NOVATEK	**22,928**	**20,779**

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 millions of Russian roubles)

		Three months ended 31 March:	
	Notes	2013	2012
Profit before income tax		**28,324**	**27,196**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		3,157	2,614
Net foreign exchange loss (gain)		1,038	(5,880)
Interest expense		1,364	790
Interest income		(478)	(534)
Share of loss (profit) in joint ventures, net of income tax	5	(48)	991
Revaluation of financial instruments through loss (profit)		(509)	-
Net change in other non-current assets and long-term receivables		28	130
Other adjustments		(156)	(178)
Working capital changes			
Decrease (increase) in long-term advances to suppliers		(1,541)	-
Decrease (increase) in trade and other receivables, prepayments and other current assets		(3,259)	2,812
Decrease (increase) in inventories		1,192	(188)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		481	(2,385)
Increase (decrease) in taxes other than income tax		883	473
Total effect of working capital changes		**(2,244)**	**712**
Income taxes paid		(4,944)	(1,892)
Net cash provided by operating activities		**25,532**	**23,949**
Cash flows from investing activities			
Purchases of property, plant and equipment		(9,642)	(5,955)
Prepayments for participation in auction for mineral license	4	(1,100)	-
Purchases of inventories intended for construction		(314)	(92)
Acquisition of subsidiaries net of cash acquired		(520)	(109)
Additional capital contributions to joint ventures		(1,436)	(2,507)
Proceeds from disposals of subsidiaries net of cash disposed		105	-
Interest paid and capitalized		(839)	(442)
Loans provided		(5,472)	(853)
Repayments of loans provided		847	7,184
Interest received		439	239
Net cash (used for) provided by investing activities		**(17,932)**	**(2,535)**
Cash flows from financing activities			
Proceeds from long-term debt		13,860	-
Repayments of long-term debt		(22,028)	(14,546)
Interest paid		(837)	(1,123)
Dividends paid		(4)	-
Purchases of treasury shares		(642)	-
Net cash (used for) provided by financing activities		**(9,651)**	**(15,669)**
Net effect of exchange rate changes on cash, cash equivalents		538	(1,906)
Net increase (decrease) in cash, cash equivalents		**(1,513)**	**3,839**
Cash and cash equivalents at beginning of the period		18,420	23,831
Cash, cash equivalents at end of the period		**16,907**	**27,670**

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

Consolidated Interim Condensed Statement of Changes in Equity (unaudited)

(in millions of Russian roubles, except for number of shares)

	Number of ordinary shares (in thousands)	**Ordinary share capital**	**Treasury shares**	**Additional paid-in capital**	**Currency translation differences**	**Asset revaluation surplus on acquisitions**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
For the three months ended 31 March 2012										
1 January 2012	***3,034,338***	**393**	**(281)**	**31,220**	**193**	**5,617**	**203,871**	**241,013**	**669**	**241,682**
Currency translation differences	-	-	-	-	(466)	-	-	(466)	-	(466)
Profit (loss)	-	-	-	-	-	-	21,245	21,245	(6)	21,239
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(466)**	**-**	**21,245**	**20,779**	**(6)**	**20,773**
31 March 2012	***3,034,338***	**393**	**(281)**	**31,220**	**(273)**	**5,617**	**225,116**	**261,792**	**663**	**262,455**

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

OAO NOVATEK
Consolidated Interim Condensed Statement of Changes in Equity (unaudited)
(in millions of Russian roubles, except for number of shares)

	Number of ordinary shares (in thousands)	**Ordinary share capital**	**Treasury shares**	**Additional paid-in capital**	**Currency translation differences**	**Asset revaluation surplus on acquisitions**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
For the three months ended 31 March 2013										
1 January 2013	***3,033,413***	**393**	**(584)**	**31,220**	**(202)**	**5,617**	**253,606**	**290,050**	**1,251**	**291,301**
Currency translation differences	-	-	-	-	217	-	-	217	-	217
Profit (loss)	-	-	-	-	-	-	22,711	22,711	(13)	22,698
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**217**	**-**	**22,711**	**22,928**	**(13)**	**22,915**
Purchase of treasury shares	*(1,969)*	-	(642)	-	-	-	-	(642)	-	(642)
31 March 2013	***3,031,444***	**393**	**(1,226)**	**31,220**	**15**	**5,617**	**276,317**	**312,336**	**1,238**	**313,574**

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

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

1 ORGANIZATION 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 oil and gas operations located and incorporated in the Yamal-Nenets Autonomous Region ("YNAO") of the Russian Federation.

The Group sells its natural gas on the Russian domestic market at unregulated market prices (except for deliveries to residential customers); however, the majority of natural gas sold on the domestic market is sold at prices regulated by the Federal Tariffs Service, a governmental agency. In October 2012, the Group signed long-term natural gas purchase and sales contracts with third parties to commence commercial trading activities in the European market. The contracts were signed for a period of ten years starting from 1 October 2012 with the expected total volume of natural gas traded over this period of approximately 20 billion cubic meters.

The Group's stable gas condensate and crude oil sales volumes are sold on both the Russian domestic and international markets, and are subject to fluctuations in benchmark crude oil prices. Additionally, the Group's natural gas sales fluctuate on a seasonal basis due mostly to Russian weather conditions, with sales peaking in the winter months of December and January and troughing in the summer months of July and August. The Group's liquids sales volumes comprising stable gas condensate, crude oil and oil and gas products remain relatively stable from period to period.

In 2013, the Group continued the legal process of renaming its subsidiaries to create a uniform brand image for NOVATEK and, as a result, the Group's subsidiary, OOO Gazprom mezhregiongas Kostroma, was renamed to OOO NOVATEK-Kostroma.

2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards ("IFRS").

Use of estimates and judgments. The critical accounting estimates and judgments followed by the Group in the preparation of consolidated interim condensed financial information are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2012. Estimates have principally been made in respect to useful lives of property, plant and equipment, fair values of assets and liabilities, deferred income taxes, estimation of oil and gas reserves, impairment provisions, pension obligations and assets retirement obligations.

Management reviews these estimates and judgments on a continuous basis, by reference to past experiences and other factors considered as reasonable which form the basis for assessing the book values of assets and liabilities. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected. Actual results may differ from such estimates if different assumptions or circumstances apply; however, management considers that the effect of any changes in these estimates would not be significant.

Functional and presentation currency. Exchange rates used in preparation of this consolidated interim condensed financial information for the entities whose functional currency is not the Russian rouble were as follows:

Russian roubles to one currency unit	At 31 March 2013	At 31 December 2012	At 31 March 2012	At 31 December 2011	Average rate for the three months ended 31 March: 2013	2012
US dollar ("USD")	31.08	30.37	29.33	32.20	30.41	30.26
Polish zloty ("PLN")	9.52	9.87	9.43	9.47	9.69	9.38

Exchange rates, restrictions and controls. Any re-measurement of Russian rouble amounts to US dollars or any other currency should not be construed as a representation that such Russian rouble amounts have been, could be, or will in the future be converted into other currencies at these exchange rates.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

2 BASIS OF PRESENTATION (CONTINUED)

Reclassifications. Certain reclassifications have been made to the comparative figures to conform to the current period presentation with no effect on profit for the period or shareholder's equity. The export sales of liquefied petroleum gas are presented net of excise and fuel tax: accordingly, liquefied petroleum gas sales and excise and fuel tax expenses for the three months ended 31 March 2012 were decreased by RR 276 million. Depreciation, depletion and amortization expenses are presented including depreciation of administrative buildings, which were previously disclosed within general and administrative expenses: accordingly, depreciation of administrative buildings expenses in the amount of RR 68 million were reclassified from general and administrative expenses to depreciation, depletion and amortization expenses for the three months ended 31 March 2012.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2012 except as described below.

Income tax expense is recognized based on management's estimate of the expected annual income tax rate for the full financial year.

4 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment, for the three months ended 31 March 2013 and 2012 are as follows:

For the three months ended 31 March 2012	Operating assets	Assets under construction and advances for construction	Total
Cost	186,391	17,647	204,038
Accumulated depreciation, depletion and amortization	(37,254)	-	(37,254)
Net book value at 1 January 2012	**149,137**	**17,647**	**166,784**
Additions	277	7,242	7,519
Transfers	1,193	(1,193)	-
Depreciation, depletion and amortization	(2,584)	-	(2,584)
Disposals, net	(1)	(22)	(23)
Cost	187,783	23,674	211,457
Accumulated depreciation, depletion and amortization	(39,761)	-	(39,761)
Net book value at 31 March 2012	**148,022**	**23,674**	**171,696**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the three months ended 31 March 2013	**Operating assets**	**Assets under construction and advances for construction**	**Total**
Cost	210,451	35,295	245,746
Accumulated depreciation, depletion and amortization	(48,370)	-	(48,370)
Net book value at 1 January 2013	**162,081**	**35,295**	**197,376**
Additions	123	11,141	11,264
Transfers	1,891	(1,891)	-
Depreciation, depletion and amortization	(3,083)	-	(3,083)
Disposals, net	(33)	(25)	(58)
Cost	212,407	44,520	256,927
Accumulated depreciation, depletion and amortization	(51,428)	-	(51,428)
Net book value at 31 March 2013	**160,979**	**44,520**	**205,499**

Included in additions to property, plant and equipment for the three months ended 31 March 2013 and 2012 are capitalized interest and foreign exchange differences of RR 988 million and RR 475 million, respectively.

Included within assets under construction and advances for construction are advances to suppliers for construction and equipment of RR 4,505 million and RR 3,836 million at 31 December 2013 and 2012, respectively.

The table below summarizes the Group's carrying values of total acquisition costs of proved and unproved properties included in operating assets:

	At 31 March 2013	**At 31 December 2012**
Proved properties acquisition costs	40,141	39,949
Less: accumulated depreciation, depletion and amortization of proved properties acquisition costs	(12,105)	(11,744)
Unproved properties acquisition costs	7,867	7,753
Total acquisition costs	**35,903**	**35,958**

The Group's management believes these costs are recoverable, as Group has plans to explore and develop the respective fields.

In March 2013, on auction result held by the Federal Agency for the Use of Natural Resources of the Russian Federation, the Group won the right to purchase an oil and gas exploration and production license for the East-Tazovskoe field located in the YNAO. As of 1 January 2013, the estimated reserves in accordance with the Russian reserve classification categories C1+C2 amounted to 65.3 bcm of natural gas and 13.4 mmt of liquids. Prepayment for participation in the auction in the amount of RR 1,100 million was included within other non-current assets in the consolidated interim condensed statement of financial position at 31 March 2013.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

5 INVESTMENTS IN JOINT VENTURES

	At 31 March 2013	At 31 December 2012
Joint ventures:		
OAO Yamal LNG	97,158	96,736
ZAO Nortgas	42,614	42,586
OOO Yamal Development (consolidated)	24,598	24,430
OAO Sibneftegas	24,471	24,160
ZAO Terneftegas	2,628	1,224
Total investments in joint ventures	**191,469**	**189,136**

OAO Yamal LNG. The Group holds an 80 percent ownership in OAO Yamal LNG, its joint venture with TOTAL S.A. The joint venture is responsible for implementing the Yamal LNG Project including the construction of production facilities for natural gas, gas condensate and liquefied natural gas based on the resources of the South-Tambeyskoye field, located in the YNAO. The Shareholders' agreement stipulates that key financial and operating decisions regarding its business activities are subject to approval by eight out of the nine members of the Board of Directors, which effectively means the unanimous approval by both shareholders. Consequently, the voting mechanism establishes joint control over Yamal LNG. The Group accounts for it under the equity method.

ZAO Nortgas. The Group holds a 49 percent ownership in ZAO Nortgas, its joint venture with OAO Gazprom, which operates the North-Urengoyskoye field, located in the YNAO. The Charter of Nortgas stipulates that key financial and operating decisions regarding its business activities are subject to unanimous approval by the Board of Directors. Consequently, the voting mechanism effectively establishes joint control over Nortgas. The Group accounts for it under the equity method.

OOO Yamal Development. The Group holds a 50 percent participation interest in OOO Yamal Development, its joint venture with OAO Gazprom. Yamal Development holds a 51 percent participation interest in OOO SeverEnergia, which through its wholly owned subsidiary OAO Arctic Gas Company (OAO Arcticgas) operates the Samburgskoye field and conducts exploration activities on the Urengoiskoye, Yaro-Yakhinskoye and North-Chaselskoye fields, located in the YNAO.

The Charter of SeverEnergia stipulates that key financial and operating decisions regarding its business activities are subject to approval by six out of the seven members of the Board of Directors, i.e. none of the participants have a preferential voting right. As a result, the Group has determined SeverEnergia to be a joint venture of Yamal Development and accounts for its share in Yamal Development under the equity method.

OAO Sibneftegas. The Group holds 51 percent ownership in OAO Sibneftegas, its joint venture with OOO ITERA Oil and Gas Company. Sibneftegas operates the Beregovoye and Pyreinoye fields and conducts exploration activities on the Khadyryakhinskoye field, located in the YNAO. The Charter of Sibneftegas stipulates that key financial and operating decisions regarding its business activities are subject to approval by nine out of the eleven members of the Board of Directors, which means effectively the unanimous approval by both shareholders. Consequently, the voting mechanism effectively establishes joint control over Sibneftegas. The Group accounts for it under the equity method.

ZAO Terneftegas. The Group holds 51 percent ownership in ZAO Terneftegas, its joint venture with TOTAL S.A., which conducts exploration activities on the Termokarstovoye field, located in the YNAO. The Shareholders' agreement stipulates that key financial and operating decisions regarding its business activities are subject to approval by both shareholders and none of the participants have a preferential voting right. The Group accounts for it under the equity method.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The table below summarizes the movement in the carrying amounts of the Group's joint ventures.

	Three months ended 31 March:	
	2013	**2012**
At 1 January	**189,136**	**123,029**
Share of profit (loss) of joint ventures before income tax	409	(1,181)
Share of income tax (expense) benefit	(361)	190
Share of profit (loss) of joint ventures, net of income tax	**48**	**(991)**
Contribution to equity	1,436	16,348
Effect from remeasurement of the shareholders' loans (see Note 6)	849	-
At 31 March	**191,469**	**138,386**

In March 2013, the equity of Terneftegas was increased through proportional contribution by its participants totalling RR 2,816 million, of which RR 1,436 million was attributable to NOVATEK.

In February 2012, the charter capital of Yamal Development was increased by converting RR 32,697 million of loans provided to the company by its participants, of which RR 16,348 million was attributable to NOVATEK.

6 LONG-TERM LOANS AND RECEIVABLES

	At 31 March 2013	**At 31 December 2012**
US dollar denominated loans	9,237	4,366
Russian rouble denominated loans	7,718	8,564
Total	**16,955**	**12,930**
Less: current portion of long-term loans	-	(428)
Total long-term loans	**16,955**	**12,502**
Long-term receivables	434	394
Long-term interest receivable	221	254
Total long-term loans and receivables	**17,610**	**13,150**

The Group's long-term loans by facility at 31 March 2013 and 31 December 2012are as follows:

	At 31 March 2013	**At 31 December 2012**
OAO Sibneftegas	7,718	8,564
OAO Yamal LNG	7,140	2,915
ZAO Terneftegas	2,097	1,451
Total	**16,955**	**12,930**

OAO Sibneftegas. In December 2010, the Group provided two loans to OAO Sibneftegas, the Group's joint venture, in the amount of RR 7'429 million and 3'609 million. The first loan was issued at an annual interest rate of 10 percent and is repayable in November 2014, whereas the second loan was issued at an annual interest rate of 9.5 percent and is repayable quarterly by equal parts starting from March 2011 until November 2014.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

6 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)

OAO Yamal LNG. In August 2012, in accordance with the shareholders' agreement, the Group provided a US dollar denominated credit line facility to Yamal LNG, the Group's joint venture. Under the terms of the credit line agreement the Group provides loans in tranches based on the annual budget of Yamal LNG approved by the Board of Directors. At 31 March 2013 the loan bore an interest rate of 5.09 percent per annum, which can be adjusted during subsequent years subject to certain conditions. The principal and interest are repayable after the commencement of commercial production by Yamal LNG.

ZAO Terneftegas. In February 2010 and December 2011, in accordance with the shareholders' agreement, the Group opened a US dollar denominated credit line facility to Terneftegas, the Group's joint venture. Under the terms of the shareholders' agreement the Group provides loans in tranches based on the annual budget of ZAO Terneftegas approved by the Board of Directors. At 31 March 2013 the loan bore an interest rate of 3.88 percent per annum, which can be adjusted in the subsequent years subject to certain conditions. The principal and interest are repayable after the commencement of commercial production by Terneftegas.

In accordance with IAS 39, *Financial instruments: recognition and measurement,* the carrying value of loans provided by the Group to ZAO Terneftegas and OAO Yamal LNG was remeasured based on the market borrowing rates. The effect from measurement to fair values in the amount of RR 849 million was allocated to increase in investments in the joint ventures (see Note 5).

No provisions for impairment of long-term loans and receivables were recognized in the consolidated interim condensed statement of financial position at 31 March 2013 and 31 December 2012.

7 TRADE AND OTHER RECEIVABLES

	At 31 March 2013	At 31 December 2012
Trade receivables (net of provision of RR 396 million and RR 406 million at 31 March 2013 and 31 December 2012, respectively)	26,229	14,250
Other receivables (net of provision of RR nil and RR 4 million at 31 March 2013 and 31 December 2012, respectively)	2,050	2,158
Interest on loans receivable	-	1
Total trade and other receivables	**28,279**	**16,409**

The carrying values of trade and other receivables approximate their respective fair values.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 31 March 2013	At 31 December 2012
Financial assets		
Cash restricted in the form of guarantee	1,982	1,959
Commodity derivatives	286	451
Short-term bank deposits (with original maturity over three months)	182	10
Russian rouble denominated loans	-	428
Non-financial assets		
Prepayments and advances to suppliers (net of provision of RR 14 million and RR 13 million at 31 March 2013 and 31 December 2012, respectively)	2,804	6,479
Recoverable value-added tax	2,430	1,992
Prepaid taxes other than income tax	1,127	1,523
Deferred transportation expenses for stable gas condensate and liquefied petroleum gas	283	1,067
Deferred transportation expenses for natural gas	81	1,902
Deferred export duties for stable gas condensate and liquefied petroleum gas	64	2,718
Other current assets	44	38
Total prepayments and other current assets	**9,283**	**18,567**

9 LONG-TERM DEBT

	At 31 March 2013	At 31 December 2012
US dollar denominated bonds	69,605	67,998
Russian rouble denominated bonds	43,860	29,960
Russian rouble denominated loans	9,835	24,821
US dollar denominated loans	2,791	9,708
Total	**126,091**	**132,487**
Less: current portion of long-term debt	(12,786)	(34,682)
Total long-term debt	**113,305**	**97,805**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

9 LONG-TERM DEBT (CONTINUED)

At 31 March 2013 and 31 December 2012 the Group's long-term debt by facility is as follows:

	At 31 March 2013	At 31 December 2012
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	30,943	30,232
Eurobonds – Ten-Year Tenor (par value USD USD 650 million, repayable in 2021)	20,084	19,620
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,973	19,969
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	18,578	18,146
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,892	-
Russian bonds – Three-Year Tenor (par value RR 10 billion repayable in 2013)	9,995	9,991
Sberbank credit line facility	9,835	9,837
Sumitomo Mitsui Banking Corporation Europe Limited	2,791	3,633
Sberbank three-year loan (repayable in 2013)	-	14,984
Nordea Bank	-	6,075
Total	**126,091**	**132,487**

Eurobonds. In February 2013, the Group issued Russian rouble denominated Eurobonds in the amount of RR 14 billion. The Russian rouble denominated Eurobonds were issued with an annual coupon rate of 7.75 percent, payable semi-annually. The bonds have a four-year tenure and are repayable in February 2017.

In December 2012, the Group issued US dollar denominated Eurobonds in the amount of USD 1 billion. The US dollar denominated Eurobonds were issued with an annual coupon rate of 4.422 percent, payable semi-annually. The bonds have a ten-year tenure and are repayable in December 2022.

In February 2011, the Group issued US dollar denominated Eurobonds in an aggregate amount of USD 1,250 million. The US dollar denominated Eurobonds were issued at par in two tranches, a five-year USD 600 million bond with an annual coupon rate of 5.326 percent and a ten-year USD 650 million bond with an annual coupon rate of 6.604 percent. The coupons are payable semi-annually. The bonds are repayable in February 2016 and February 2021, respectively.

Sberbank. In December 2011, the Group obtained a RR 40 billion credit line facility from OAO Sberbank available to withdraw until March 2012 which was subsequently extended until January 2013. In June 2012, the Group withdrew RR 10 billion under the facility until December 2014 at an interest rate of 8.9 percent per annum. The remaining part of the credit line was not utilized. The facility includes the maintenance of certain restrictive financial covenants.

In December 2010, the Group received a three-year Russian rouble denominated loan from OAO Sberbank in the amount of RR 15 billion at an interest rate of 7.5 percent per annum. In February 2013, the loan was fully repaid ahead of its maturity schedule.

Sumitomo Mitsui Banking Corporation Europe Limited. In April 2011, the Group obtained a US dollar denominated loan from Sumitomo Mitsui Banking Corporation Europe Limited in the amount of USD 300 million at an interest rate of LIBOR plus 1.45 percent per annum (1.73 percent and 1.76 percent at 31 March 2013 and 31 December 2012, respectively). The loan is payable until December 2013 and includes the maintenance of certain restrictive financial covenants.

Nordea Bank. In November 2010, the Group obtained a US dollar denominated loan from OAO Nordea Bank in the amount of USD 200 million at an interest rate of LIBOR plus 1.9 percent per annum. In March 2013, the loan was fully repaid ahead of its maturity schedule.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

9 LONG-TERM DEBT (CONTINUED)

Russian bonds. In October 2012, the Group issued non-convertible Russian rouble denominated bonds in the amount of RR 20 billion with a coupon rate of 8.35 percent per annum, payable semi-annually. The bonds have a three-year tenor and are repayable in October 2015.

In June 2010, the Group issued non-convertible Russian rouble denominated bonds in the amount of RR 10 billion with a coupon rate of 7.5 percent per annum, payable semi-annually. The bonds have a three-year tenor and are repayable in June 2013.

The fair values of long-term debt at 31 March 2013 and 31 December 2012 were as follows:

	At 31 March 2013	**At 31 December 2012**
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	30,967	30,543
Eurobonds – Ten-Year Tenor (par value USD USD 650 million, repayable in 2021)	23,569	23,201
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	20,280	20,198
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	20,044	19,567
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	14,040	-
Russian bonds – Three-Year Tenor (par value RR 10 billion repayable in 2013)	10,018	10,005
Sberbank credit line facility	10,000	9,928
Sumitomo Mitsui Banking Corporation Europe Limited	2,801	3,617
Sberbank three-year loan (repayable in 2013)	-	14,745
Nordea Bank	-	6,041
Total	**131,719**	**137,845**

The fair value of the long-term loans was determined based on future cash flows discounted at the estimated risk-adjusted discount rate. The fair value of the corporate bonds was determined based on market quote prices (Level 1 in the fair value measurement hierarchy described in Note 20).

Scheduled maturities of long-term debt at 31 March 2013 were as follows:

Maturity period:	**RR million**
1 April 2014 to 31 March 2015	9,835
1 April 2015 to 31 March 2016	38,550
1 April 2016 to 31 March 2017	13,892
1 April 2017 to 31 March 2018	-
After 31 March 2018	51,028
Total long-term debt	**113,305**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

10 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

Short-term debt and current portion of long-term debt. At 31 March 2013 and 31 December 2012, short-term debt and current portion of long-term debt consisted only of the current portion of long-term debt in the amount of RR 12,786 million and RR 34,682 million, respectively.

Available credit facilities. The Group's available credit facilities with interest rates predetermined or negotiated at time of each withdrawal at 31 March 2013 were as follows:

		Expiring	
	Par value	Within one year	Between 1 and 3 years
BNP PARIBAS Bank	USD 100 million	3,108	-
Credit Agricole Corporate and Investment Bank	USD 100 million	3,108	-
UniCredit Bank	USD 350 million	-	10,879
Total available credit facilities		**6,216**	**10,879**

The Group also maintained available funds under short-term credit lines in the form of bank overdrafts with various international banks for RR 7,430 million (USD 175 million and EUR 50 million) and RR 7,327 million (USD 175 million and EUR 50 million) at 31 March 2013 and 31 December 2012, respectively, on variable interest rates subject to the specific type of credit facility.

11 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 31 March 2013	At 31 December 2012
Financial liabilities		
Trade payables	11,706	9,959
Interest payable	1,877	1,464
Other payables	98	718
Commodity derivatives	55	43
Non-financial liabilities		
Advances from customers	1,018	1,227
Salary payables	188	251
Other liabilities and accruals	2,356	2,263
Trade payables and accrued liabilities	**17,298**	**15,925**

12 SHAREHOLDERS' EQUITY

Treasury shares. In accordance with the *Share Buyback Program* authorized by the Board of Directors, the Group's wholly owned subsidiary, Novatek Equity (Cyprus) Limited, in 2013 and earlier has purchased ordinary shares of OAO NOVATEK in the form of Global Depository Receipts (GDRs) on the London Stock Exchange (LSE) and ordinary shares on the Moscow Exchange MICEX-RTS (Moscow Exchange) through the use of independent brokers. At 31 March 2013, the Group held in total (both ordinary shares and GDRs) 4,863 thousand ordinary shares at total cost of RR 1,226 million. The Group has decided that these shares do not vote.

Dividends. Subsequent to the balance sheet date, on 25 April 2013, the Annual General Meeting of Shareholders of OAO NOVATEK approved the final 2012 dividend totaling RR 11,720 million (RR 38.6 per GDR), which is to be paid within 60 days to the shareholders of record at the close of business on 21 March 2013.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

13 SHARE-BASED COMPENSATION PROGRAM

On 12 February 2010, NOVATEK's Management Committee approved a share-based compensation program (the "Program") for a limited number of the Group's senior and key management, as well as high-potential managers, but excluding the members of the Management Committee, which aims to encourage participants to take an active interest in the future development of the Group and to provide material incentive to create shareholders value in OAO NOVATEK. The Program was established in accordance with the *Concept of the Long-Term Incentive of Senior Employees* and the *Share Buyback Program*.

The amounts recognized by the Group in respect of the Program are as follows:

	Three months ended 31 March:	
Expenses included in	**2013**	**2012**
General and administrative expenses	3	119

Liabilities included in	**At 31 March 2013**	**At 31 December 2012**
Other non-current liabilities	-	57
Trade payables and accrued liabilities	49	181
Total share-based compensation program liabilities	**49**	**238**

14 OIL AND GAS SALES

	Three months ended 31 March:	
	2013	**2012**
Natural gas	55,483	37,305
Stable gas condensate	19,331	11,623
Liquefied petroleum gas	4,014	3,871
Crude oil	1,547	1,024
Oil and gas products	73	53
Total oil and gas sales	**80,448**	**53,876**

15 TRANSPORTATION EXPENSES

	Three months ended 31 March:	
	2013	**2012**
Natural gas transportation to customers	23,402	13,059
Liquid hydrocarbons transportation by rail	3,995	2,410
Liquid hydrocarbons transportation by tankers	1,600	781
Crude oil transportation to customers	179	98
Other	54	31
Total transportation expenses	**29,230**	**16,379**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

16 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 31 March:	
	2013	**2012**
Natural gas	6,476	3,309
Unstable gas condensate	1,895	-
Other liquid hydrocarbons	61	42
Total purchases of natural gas and liquid hydrocarbons	**8,432**	**3,351**

The Group purchases 51 percent of the natural gas volumes produced by its joint venture OAO Sibneftegas (see Note 22). From January 2013, the Group began purchasing 50 percent of the natural gas volumes produced by its joint venture ZAO Nortgas (see Note 22).

The Group purchases natural gas from its related party OAO SIBUR Holding at prices based on the market prices in the region of purchases (see Note 22).

In November 2012, the Group began purchasing a major part of the unstable gas condensate produced by its joint venture ZAO Nortgas, at ex-field prices based on benchmark crude oil and oil products market quotes adjusted for quality and respective tariffs for transportation and processing (see Note 22).

In April 2012, the Group began purchasing 100 percent of the unstable gas condensate volumes produced by its joint venture OOO SeverEnergia (from March 2013 from its wholly owned subsidiary, OAO Arcticgas), at ex-field prices based on benchmark crude oil and oil products market quotes adjusted for quality and respective tariffs for transportation and processing (see Note 22).

17 TAXES OTHER THAN INCOME TAX

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

	Three months ended 31 March:	
	2013	**2012**
Unified natural resources production tax	4,199	3,845
Property tax	458	439
Other taxes	60	53
Total taxes other than income tax	**4,717**	**4,337**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

18 FINANCE INCOME (EXPENSE)

	Three months ended 31 March:	
Interest expense (including transaction costs)	**2013**	**2012**
8.35% RR 20 billion Bonds October 2015	415	-
4.42% USD 1 billion Eurobonds December 2022	340	-
6.604% USD 650 million Eurobonds February 2021	331	330
5.326% USD 600 million Eurobonds February 2016	250	249
8.9% RR 10 billion Sberbank December 2014	248	-
7.5% RR 15 billion Sberbank December 2013	198	284
7.5% RR 10 billion Bonds June 2013	190	192
7.75% RR 14 billion Eurobonds February 2017	130	-
LIBOR+1.45% USD 300 million Sumitomo Mitsui Banking Corporation Europe Limited December 2013	21	46
LIBOR+1.9% USD 200 million Nordea Bank November 2013	21	32
LIBOR+3.25% USD 200 million UniCredit Bank October 2012	-	34
8% RR 10 billion Gazprombank November 2012	-	42
Subtotal	**2,144**	**1,209**
Less: capitalized interest	(839)	(475)
Interest expense (on historical cost basis)	**1,305**	**734**
Provisions for asset retirement obligations: effect of the present value discount unwinding	59	56
Total interest expense	**1,364**	**790**

	Three months ended 31 March:	
Interest income	**2013**	**2012**
Interest income on loans issued	292	389
Interest income on cash, cash equivalents and deposits classified as other current assets	112	102
Interest income (on historical cost basis)	**404**	**491**
Long-term financial assets: effect of the present value discount unwinding	74	43
Total interest income	**478**	**534**

19 INCOME TAX

Effective income tax rate. The Group’s Russian statutory income tax rate for 2013 and 2012 was 20 percent. For the three months ended 31 March 2013 and 2012, the consolidated Group’s effective income tax rate was 19.9 percent and 21.9 percent, respectively.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The accounting policies for financial instruments have been applied to the line items below:

	At 31 March 2013		At 31 December 2012	
Financial assets	***Non-current***	***Current***	***Non-current***	***Current***
Loans and receivable				
Loans receivable	16,955	-	12,502	428
Trade and other receivables	655	28,279	648	16,409
Bank deposits	3	182	3	10
Cash restricted in the form of guarantee	-	1,982	-	1,959
Cash and cash equivalents	-	16,907	-	18,420
At fair value through profit or loss				
Commodity derivatives	494	286	148	451
Total	**18,107**	**47,636**	**13,301**	**37,677**
Financial liabilities				
At amortized cost				
Long-term debt	113,305	12,786	97,805	34,682
Trade and other payables	-	13,681	-	12,141
At fair value through profit or loss				
Commodity derivatives	251	55	592	43
Total	**113,556**	**26,522**	**98,397**	**46,866**

Derivative instruments. Certain foreign long-term natural gas purchase and sales contracts were entered into for trading purposes on active markets that do not meet the expected own-use requirements. These contracts include pricing terms that are based on a variety of commodities and indices and volume flexibility options that collectively qualify them under the scope of IAS 39, *Financial instruments: recognition and measurement*, although the activity surrounding these contracts involves the physical delivery of natural gas. Such contracts are recognized in the statement of financial position at fair value with movements in fair value recognized in the income statement.

The Group determines the fair values of these financial commodity derivative contracts using the mark-to-market and mark-to-model methods and as such, the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in accordance with IFRS 7, *Financial instruments: Disclosures*, in the three hierarchy levels as follows:

i. quoted prices in active markets (Level 1);
ii. inputs other than quoted prices included in Level 1 that are directly or indirectly observable in the market (externally verifiable inputs) (Level 2); and
iii. inputs that are not based on observable market data (unobservable inputs). These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability (Level 3).

The fair values of natural gas derivative contracts are estimated using internal models and other valuation techniques due to the absence of quoted prices or other observable, market-corroborated data, for the duration of the contracts. Valuations were derived from quoted market prices for the periods in which market quotes are available; thereafter, forward natural gas prices were developed by reference to equivalent oil and oil products prices on other analogous markets. For periods beyond observable market prices the fair values of the long-term contracts were calculated using the market yield curve at the reporting date. Due to the assumptions underlying their fair value, the gas contracts are categorized as Level 3 in the fair value hierarchy, described above.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The Group employs services of independent appraisers to estimate fair value of financial instruments recognised at fair value through profit or loss. Valuation procedures and its results are reconsidered by the Group's management on a quarterly basis.

At 31 March 2013, the Group recognized RR 780 million of assets and RR 306 million of liabilities related to long-term natural gas contracts in the consolidated interim condensed statement of financial position. For the three months ended 31 March 2013, a profit of RR 509 million was included within other operating income (loss) representing non-cash mark-to-market net movements in fair values on these derivative instruments during the reporting period. Trading operations under these contracts during three months ended 31 March 2013 resulted in the net income of RR 87 million that was recognized in the consolidated interim condensed statement of income within other operating profit (loss).

The fair value of natural gas derivative contracts is sensitive to forward pricing changes in the event of a one-off shift step in the market. The table below represents the effect on the fair value estimation of these derivative contracts that would occur from price changes by RR 199.01 (five Euros) by 1 megawatt-hour and recognized within other operating income (loss):

Sensitivity summary	**From price decrease**	**From price increase**
Market shift from 2014 sensitivity	2,577	(3,550)
Market shift from 2019 sensitivity	1,973	(2,703)

Financial risk management objectives and policies. In the ordinary course of business, the Group is exposed to market risks from fluctuating prices on commodities purchased and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on the degree of price volatility, such fluctuations in market prices may create volatility in the Group's financial results. To effectively manage the variety of exposures that may impact financial results, the Group's overriding strategy is to maintain a strong financial position.

The Group's principal risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Market risk. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect the Group's financial results or the value of its holdings of financial instruments. The primary objective of mitigating these market risks is to manage and control market risk exposures, while optimizing the return on risk.

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, gas condensate, liquefied petroleum gas and natural gas (commodity price risk), foreign currency exchange rates, interest rates, equity prices and other indices that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various exposures in the normal course of business, primarily with respect to the US dollar. Foreign exchange risk arises primarily from future commercial transactions, recognized assets and liabilities when assets and liabilities are denominated in a currency other than the functional currency.

The Group's overall strategy is to have no significant net exposure in currencies other than the Russian rouble or the US dollar. Foreign currency derivative instruments may be utilized to manage the risk exposures associated with fluctuations on certain firm commitments for sales and purchases, debt instruments and other transactions that are denominated in currencies other than the Russian rouble, and certain non-Russian rouble assets and liabilities.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

At 31 March 2013	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	7,718	9,237	-	16,955
Trade and other receivables	478	158	19	655
Commodity derivatives	-	-	494	494
Long-term deposits	-	-	3	3
Current				
Trade and other receivables	14,394	11,513	2,372	28,279
Short-term bank deposits	-	-	182	182
Commodity derivatives	-	-	286	286
Cash restricted in the form of guarantee	-	1,982	-	1,982
Cash and cash equivalents	7,274	9,342	291	16,907
Financial liabilities				
Non-current				
Long-term debt	(43,700)	(69,605)	-	(113,305)
Commodity derivatives	-	-	(251)	(251)
Current				
Current portion of long-term debt	(9,995)	(2,791)	-	(12,786)
Trade and other payables	(10,298)	(1,369)	(2,014)	(13,681)
Commodity derivatives	-	-	(55)	(55)
Net exposure at 31 March 2013	**(34,129)**	**(41,533)**	**1,327**	**(74,335)**

At 31 December 2012	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	8,136	4,366	-	12,502
Trade and other receivables	562	67	19	648
Commodity derivatives	-	-	148	148
Long-term deposits	-	-	3	3
Current				
Trade and other receivables	9,604	4,794	2,011	16,409
Russian rouble denominated loans	428	-	-	428
Short-term bank deposits	-	-	10	10
Commodity derivatives	-	-	451	451
Cash restricted in the form of guarantee	-	1,959	-	1,959
Cash and cash equivalents	8,251	9,740	429	18,420
Financial liabilities				
Non-current				
Long-term debt	(29,818)	(67,987)	-	(97,805)
Commodity derivatives	-	-	(592)	(592)
Current				
Current portion of long-term debt	(24,963)	(9,719)	-	(34,682)
Trade and other payables	(9,135)	(1,400)	(1,606)	(12,141)
Commodity derivatives	-	-	(43)	(43)
Net exposure at 31 December 2012	**(36,935)**	**(58,180)**	**830**	**(94,285)**

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(b) Commodity price risk

The Group's overall commercial trading strategy in natural gas and liquid hydrocarbons is centrally managed. Changes in commodity prices could negatively or positively affect the Group's results of operations. The Group manages the exposure to commodity price risk by optimizing its core activities to achieve stable price margins.

Natural gas supplies on the Russian domestic market. As an independent natural gas producer, the Group is not subject to the government's regulation of natural gas prices, except for those volumes sold to residential customers. Nevertheless, the Group's prices for natural gas sold are strongly influenced by the prices regulated by the Federal Tariffs Service (FTS), a governmental agency.

In February 2011, the Government of the Russian Federation announced certain revisions to the domestic natural gas market liberalization plan. According to the plan, FTS increased the regulated natural gas prices by 15 percent effective 1 July 2012. The Social and Economic Development Forecast of the RF for 2013-2015 prepared by the Ministry of Economic Development of Russia and approved by the Government of the Russian Federation in December 2012, envisions a further 15 percent annual increase of regulated natural gas prices during 2013-2015. Key parameters of the Social and Economic Development Forecast of the Russian Federation for 2014 and planned period 2015-1016 approved by the Government of the Russian Federation in April 2013 maintain the growth rate of natural gas prices for 2014 and 2015, and envision 10 percent growth in regulated prices in 2016.

Management believes it has limited downside commodity price risk for natural gas and does not use commodity derivative instruments for trading purposes. All of the Group's natural gas purchase and sales contracts in the domestic market are entered to meet supply requirements to fulfil contract obligations or for own consumption and are not within the scope of IAS 39, *Financial instruments: recognition and measurement*. However, to effectively manage the margins achieved through its natural gas trading activities, management has established targets for volumes sold to wholesale traders, end-customers and eventually to the natural gas exchange when trading commences.

Natural gas foreign trading activities. The Group purchases and sells natural gas on the European market under long-term supply contracts based on formulas with reference to benchmark natural gas prices quoted for the North-Western European natural gas hubs, crude oil and oil products prices and/or a combination thereof. As a result, the Group's results from natural gas trading are subject to commodity price volatility based on fluctuations or changes in the respective benchmark reference prices.

Natural gas foreign trading activities are exercised by Novatek Gas & Power GmbH, the Group's wholly owned subsidiary, and are managed within the Group's integrated trading function.

Liquid hydrocarbons. The Group sells all its crude oil and gas condensate under spot contracts. Gas condensate volumes sold to the US, European, South American and Asian-Pacific Region (hereinafter referred to as "APR") markets are based on benchmark reference crude oil prices of WTI, Brent IPE and Dubai (or a combination thereof) or Naphtha Japan and Naphtha CIF NWE, respectively, plus a margin or discount, depending on current market situation. Crude oil sold internationally is based on benchmark reference crude oil prices of Brent dated, plus a discount and on a transaction-by-transaction basis for volumes sold domestically. As a result, the Group's revenues from the sales of liquid hydrocarbons are subject to commodity price volatility based on fluctuations or changes in the crude oil benchmark reference prices. All of the Group's liquid hydrocarbon purchase and sales contracts are entered to meet supply requirements to fulfil contract obligations or for own consumption and are not within the scope of IAS 39, *Financial instruments: recognition and measurement*.

(c) Cash flow and fair value interest rate risk

The Group is subject to interest rate risk on financial liabilities with variable interest rates. To mitigate this risk, the Group's treasury function performs periodic analysis of the current interest rate environment and depending on that analysis management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In cases where the change in the current market fixed or variable interest rates is considered significant management may consider refinancing a particular debt on more favorable interest rate terms.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

Changes in interest rates impact primarily debt by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new debts management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable over the expected period until maturity.

The interest rate profiles of the Group's interest-bearing financial instruments were as follows:

	At 31 March 2013	At 31 December 2012
At fixed rate	123,300	122,779
At variable rate	2,791	9,708
Total debt	**126,091**	**132,487**

The Group centralizes the cash requirements and surpluses of controlled subsidiaries and the majority of their external financing requirements, and applies, on its consolidated net debt position, a funding policy to optimize its financing costs and manage the impact of interest rate changes on its financial results in line with market conditions. In this way, the Group is able to ensure that the balance between the floating rate portion of its debt and its cash surpluses has a low level of exposure to any change in interest rates over the short-term. This policy makes it possible to significantly limit the Group's sensitivity to interest rate volatility.

Credit risk. Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations.

Credit risk is managed on a Group level and arises from cash and cash equivalents, including short-term deposits with banks, as well as credit exposures to customers, including outstanding trade receivables and committed transactions. Cash and cash equivalents are deposited only with banks that are considered by the Group at the time of deposit to minimal risk of default.

The Group's trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. Most of the Group's international liquid hydrocarbons sales are made to customers with independent external ratings; however, if the customer has a credit rating below BBB, the Group requires the collateral for the trade receivable to be in the form of letters of credit from banks with an investment grade rating. All domestic sales of liquid hydrocarbons are made on a 100 percent prepayment basis. Although the Group generally does not require collateral in respect of trade and other receivables, it has developed standard credit payment terms and constantly monitors the status of trade receivables and the creditworthiness of the customers.

As a result of recent acquisitions of Russian regional natural gas trading companies, the Group's exposure to small and medium-size industrial users and individuals has increased. The Group monitors the recoverability of these debtors by analyzing ageing of receivables by type of customers and their respective prior payment history to minimize credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated interim condensed statement of financial position.

Liquidity risk. Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In managing its liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The Group prepares various financial plans (monthly, quarterly and annually) which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities for a period of 30 days or more. The Group has entered into a number of short-term credit facilities. Such credit lines and overdraft facilities can be drawn down to meet short-term financing needs. To fund cash requirements of a more permanent nature, the Group will normally raise long-term debt in available international and domestic markets.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

All of the Group's financial liabilities represent non-derivative financial instruments. The following tables summarize the maturity profile of the Group's financial liabilities, except of natural gas derivative contracts, based on contractual undiscounted payments, including interest payments:

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	10,000	10,000	52,671	51,288	123,959
Interest	7,723	7,048	12,955	10,875	38,601
Debt at variable rate					
Principal (*)	2,798	-	-	-	2,798
Interest	24	-	-	-	24
Trade and other payables	13,681	-	-	-	13,681
Total financial liabilities	**34,226**	**17,048**	**65,626**	**62,163**	**179,063**

At 31 December 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	25,000	10,000	38,224	50,115	123,339
Interest	7,589	6,097	11,062	11,279	36,027
Debt at variable rate					
Principal (*)	9,719	-	-	-	9,719
Interest	116	-	-	-	116
Trade and other payables	12,141	-	-	-	12,141
Total financial liabilities	**54,565**	**16,097**	**49,286**	**61,394**	**181,342**

(*) – differs from long-term debt (see Note 9) for transaction costs.

The following table represents the maturity profile of the Group's derivative commodity contracts based on undiscounted cash flows:

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash inflow	24,478	23,571	66,302	95,666	210,017
Cash outflow	(24,219)	(23,226)	(66,094)	(95,347)	(208,886)
Net cash flows	**259**	**345**	**208**	**319**	**1,131**

Capital management. The primary objectives of the Group's capital management policy are to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

At the reporting date, the Group had investment grade credit ratings of Baa3 (stable outlook) by Moody's Investors Service, BBB- (stable outlook) by Fitch Ratings, and BBB- (stable outlook) by Standard & Poor's. To maintain its credit ratings, the Group has established certain financial targets and coverage ratios that it monitors on a quarterly and annual basis.

The Group manages its liquidity on a corporate-wide basis to ensure adequate funding to sufficiently meet the Group's operational requirements. All external debts are centralized at the Parent level, and all financing to Group entities is facilitated through inter-company loan arrangements or additional contributions to share capital.

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The Group has a stated dividend policy that distributes at least 30 percent of its Parent company's non-consolidated statutory net profit determined according to Russian accounting standards. However, the dividend for a specific year is determined after taking into consideration future earnings, capital expenditure requirements, future business opportunities and the Group current financial position. Dividends are recommended by the Board of Directors and approved by the NOVATEK's shareholders.

The Group defines the term "capital" as equity attributable to OAO NOVATEK shareholders plus net debt (total debt less cash and cash equivalents). There were no changes to the Group's approach to capital management during the three months ended 31 March 2013. At 31 March 2013 and 31 December 2012, the Group's capital totalled RR 421,520 million and RR 404,117 million, respectively.

21 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 in practice not convertible in most countries outside of the Russian Federation, and relatively high inflation. The tax, currency and customs legislation is subject to varying interpretations, frequent changes and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. 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.

The Group's business operations are primarily located in the Russian Federation and are thus exposed to the economic and financial market risks of this country.

Commitments. At 31 March 2013, the Group had contractual capital expenditures commitments aggregating approximately RR 30,466 million (at 31 December 2012: RR 22,476 million) mainly for ongoing development activities at the Yurkharovskoye field (through 2015), development at the Salmanovskoye (Utrenneye) (through 2017) and Yarudeyskoye (through 2013) fields, phase three construction of the Purovsky Gas Condensate Plant (through 2013), construction of the terminal for the transshipment and fractionation of stable gas condensate (through 2014) and ongoing development of the East-Tarkosalinskoye (through 2014), Khancheyskoye (through 2014) and Olimpiyskoye (through 2015) fields all in accordance with duly signed agreements.

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such taxation legislation as applied to the Group's transactions and activities may be periodically challenged by the relevant regional and federal authorities. Furthermore, 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, and it is possible that transactions and activities that have not been challenged in the past may be challenged. 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.

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued in the consolidated interim condensed financial information.

Mineral licenses. The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its mineral licenses. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any material adverse effect on the Group's financial position, results of operations or cash flows.

The Group's oil and gas fields and license areas are situated on land located in the Yamal-Nenets Autonomous Region. Licenses are issued by the Federal Agency for the Use of Natural Resources of the Russian Federation, and the Group pays unified natural resources production tax to produce crude oil, natural gas and unstable condensate from these fields and contributions for exploration of license areas.

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

21 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Environmental liabilities. The Group and its predecessor entities have operated in the oil and gas industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and, as obligations are determined, they are recognized as an expense immediately if no future benefit is discernible. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated. Under existing legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Legal contingencies. The Group is subject of, or party to 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 the consolidated interim condensed financial information.

22 RELATED PARTY TRANSACTIONS

Transactions between NOVATEK and its subsidiaries, which are related parties of NOVATEK, have been eliminated on consolidation and are not disclosed in this Note.

For the purposes of this consolidated interim condensed financial information, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operating decisions. Management has used reasonable judgments in considering each possible related party relationship with attention directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

	Three months ended 31 March:	
Related parties – joint ventures	**2013**	**2012**
Transactions		
OAO Sibneftegas:		
Interest income on loans issued	203	238
Oil and gas products sales	8	12
Purchases of natural gas	(1,735)	(1,071)
OOO SeverEnergia and its subsidiaries:		
Interest income on loans issued	-	145
Purchases of unstable gas condensate	(1,123)	-
ZAO Terneftegas:		
Interest income on loans issued	15	3
OAO Yamal LNG:		
Interest income on loans issued	99	-
Other revenues (operator services sales)	1	31
ZAO Nortgas (from 27 November 2012):		
Purchases of natural gas	(723)	-
Purchases of unstable gas condensate	(772)	-

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – joint ventures	**At 31 March 2013**	**At 31 December 2012**
Balances		
OAO Sibneftegas:		
Long-term loans receivable	7,718	8,136
Interest on long-term loans receivable	63	187
Short-term loans receivable	-	428
Trade payables and accrued liabilities	705	705
OOO SeverEnergia and its subsidiaries:		
Trade payables and accrued liabilities	407	398
ZAO Terneftegas:		
Long-term loans receivable	2,097	1,451
Interest on long-term loans receivable	66	50
OAO Yamal LNG:		
Long-term loans receivable	7,140	2,915
Interest on long-term loans receivable	92	17
ZAO Nortgas:		
Trade payables and accrued liabilities	557	368

In October 2012, the Group signed an agreement for the transport of stable gas condensate from the Purovsky Gas Condensate Plant to the Port of Vitino on the White Sea with OOO Transoil, an entity under control of a member of the Board of Directors of NOVATEK. The Group's balances and transactions with this company are disclosed below as related parties – parties under control of key management personnel of the Group.

	Three months ended 31 March:	
Related parties – parties under control of key management personnel	**2013**	**2012**
Transactions		
OAO SIBUR Holding and its subsidiaries:		
Natural gas sales	684	551
Liquid hydrocarbons sales	195	-
Purchases of natural gas and liquid hydrocarbons	(4,018)	(2,243)
OOO Transoil:		
Liquid hydrocarbons transportation by rail (rent of cisterns)	(1,178)	-

Related parties – parties under control of key management personnel	**At 31 March 2013**	**At 31 December 2012**
Balances		
OAO Pervobank:		
Cash and cash equivalents	1,080	1,224
OAO SIBUR Holding and its subsidiaries:		
Trade and other receivables	1,587	1,568
Trade payables and accrued liabilities	722	826
Prepayments and other current assets	-	1,690
OOO Transoil:		
Trade payables and accrued liabilities	185	170
Prepayments and other current assets	118	61

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation. The Group paid to key management personnel (members of the Board of Directors and the Management Committee) short-term compensation, including salary, bonuses, and excluding dividends the following amounts.

Related parties – members of the key management personnel	Three months ended 31 March: 2013	2012
Board of Directors	19	19
Management Committee	475	472
Total compensation	**494**	**491**

Such amounts include personal income tax and are net of payments to non-budget funds made by the employer. Some members of key management personnel have direct and/or indirect interests in the Group and receive dividends under general conditions based on their respective shareholdings. The Board of Directors consists of nine members. The Management Committee consists of eight members.

23 SEGMENT INFORMATION

The Group's activities are considered by the chief operating decision maker (hereinafter referred to as "CODM", represented by the Management Committee of NOVATEK) to comprise one operating segment: "exploration, production and marketing".

Segment information is provided to the CODM in accordance with Regulations on Accounting and Reporting of the Russian Federation ("RAR") with reconciling items largely representing adjustments and reclassifications recorded in the consolidated interim condensed financial information for the fair presentation in accordance with IFRS.

The CODM assesses reporting segment performance based on income before income taxes, since income taxes are not allocated. No business segment assets or liabilities (except for capital expenditures for the period) are provided to the CODM for decision-making.

Segment information for the three months ended 31 March 2013 is as follows:

For the three months ended 31 March 2013	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	*a*	80,122	80,122	443	80,565
Operating expenses	*b - d*	(53,488)	(53,488)	2,432	(51,056)
Other operating income (loss)	*e*	126	126	565	691
Interest expense	*f*	(2,007)	(2,007)	643	(1,364)
Interest income		404	404	74	478
Foreign exchange gain (loss)	*f*	(1,221)	(1,221)	183	(1,038)
Segment result		**23,936**	**23,936**	**4,340**	**28,276**
Share of profit (loss) of joint ventures, net of income tax					48
Profit before income tax					**28,324**
Depreciation, depletion and amortization	*b*	4,418	4,418	(1,261)	3,157
Capital expenditures	*f*	9,317	9,317	1,947	11,264

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

23 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

a. different methodology of stable gas condensate sales recognition under IFRS and management accounting, which requires additional recognition of external revenues for RR 428 million under IFRS;

b. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,243 million in operating expenses under IFRS;

c. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in reversal of RR 493 million and additional payroll expenses of RR 233 million recorded in operating expenses under IFRS;

d. different methodology in recognizing of exploration expenses, which resulted in the reversal of operating expenses of RR 930 million under IFRS;

e. different methodology in recognizing valuation of commodity derivatives under IFRS and management accounting, which requires additional recognition of other operating income for RR 509 million under IFRS; and

f. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 783 million and additional capital expenditures of RR 1,164 million under IFRS.

Segment information for the three months ended 31 March 2012 is as follows:

For the three months ended 31 March 2012	**References**	**Exploration, production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues	*a*	54,407	54,407	(310)	54,097
Operating expenses	*a - e*	(32,301)	(32,301)	726	(31,575)
Other operating income (loss)	*c*	(9)	(9)	50	41
Interest expense	*f*	(1,153)	(1,153)	363	(790)
Interest income		481	481	53	534
Foreign exchange gain (loss)		5,863	5,863	17	5,880
Segment result		**27,288**	**27,288**	**899**	**28,187**
Share of profit (loss) of joint ventures, net of income tax					(991)
Profit before income tax					**27,196**
Depreciation, depletion and amortization	*b, c*	3,637	3,637	(1,023)	2,614
Capital expenditures	*f*	5,920	5,920	1,599	7,519

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

23 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

a. different methodology of liquefied petroleum gas sales recognition under IFRS and management accounting, which requires reclassification of external revenues and expenses for RR 276 million under IFRS;

b. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,074 million in operating expenses under IFRS;

c. different methodology in the classification of depreciation, depletion and amortization for operating assets, which have not completed their statutory registration, between IFRS and management accounting, which resulted in the reclassification of RR 34 million from other operating income (loss) to depreciation, depletion and amortization in operating expenses under IFRS;

d. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in the reversal in transportation expenses of RR 278 million and additional payroll expenses of RR 567 million recorded in operating expenses under IFRS;

e. different methodology in recognizing of exploration expenses, which resulted in additional operating expenses of RR 304 million charged under IFRS; and

f. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 401 million and additional capital expenditures of RR 1,198 million under IFRS.

Geographical information. The Group operates in the following geographical areas:

- *Russian Federation* – exploration, development, production and processing of hydrocarbons, and sales of natural gas, stable gas condensate, crude oil and related products;
- *Netherlands, Republic of Korea (South Korea), Republic of Singapore (Singapore), USA*– sales of stable gas condensate;

Geographical information for the three months ended 31 March 2013 and 2012 is as follows:

		Outside Russian Federation							
For the three months ended 31 March 2013	**Russian Federation**	**Netherlands**	**South Korea**	**Singapore**	**USA**	**Other**	**Export duty**	**Subtotal**	**Total**
Natural gas	55,483	-	-	-	-	-	-	-	55,483
Stable gas condensate	569	12,338	8,432	5,256	3,609	3,539	(14,412)	18,762	19,331
Liquefied petroleum gas	1,835	-	-	-	-	2,896	(717)	2,179	4,014
Crude oil	894	-	-	-	-	1,345	(692)	653	1,547
Oil and gas products	73	-	-	-	-	-	-	-	73
Oil and gas sales	**58,854**	**12,338**	**8,432**	**5,256**	**3,609**	**7,780**	**(15,821)**	**21,594**	**80,448**
Other revenues	115	-	-	-	-	2	-	2	117
Total external revenues	**58,969**	**12,338**	**8,432**	**5,256**	**3,609**	**7,782**	**(15,821)**	**21,596**	**80,565**

(in Russian roubles, [tabular amounts in millions] unless otherwise stated)

23 SEGMENT INFORMATION (CONTINUED)

		Outside Russian Federation							
For the three months ended 31 March 2012	**Russian Federation**	**Netherlands**	**South Korea**	**Singapore**	**USA**	**Other**	**Export duty**	**Subtotal**	**Total**
Natural gas	37,305	-	-	-	-	-	-	-	37,305
Stable gas condensate	13	5,401	1,985	3,631	5,512	2,456	(7,375)	11,610	11,623
Liquefied petroleum gas	1,490	-	-	-	-	3,118	(737)	2,381	3,871
Crude oil	654	-	-	-	-	708	(338)	370	1,024
Oil and gas products	53	-	-	-	-	-	-	-	53
Oil and gas sales	**39,515**	**5,401**	**1,985**	**3,631**	**5,512**	**6,282**	**(8,450)**	**14,361**	**53,876**
Other revenues	188	-	-	-	-	33	-	33	221
Total external revenues	**39,703**	**5,401**	**1,985**	**3,631**	**5,512**	**6,315**	**(8,450)**	**14,394**	**54,097**

Revenues are based on the geographical location of customers even though all revenues are generated from assets located in the Russian Federation. Substantially all of the Group’s operating assets are located in the Russian Federation.

Major customers. For the three months ended 31 March 2013, the Group has two major customers to whom individual revenues exceed 10 percent of total external revenues, which represent 17.3 percent and 12.4 percent (RR 13,915 million and RR 9,966 million, respectively) of total external revenues, respectively. For the three months ended 31 March 2012, the Group had one customer to whom individual annual revenue exceeded 10 percent of total external revenues, which on an individual basis represented 14.2 percent (RR 7,709 million) of total external revenues. All of the Group's major customers reside within the Russian Federation.

24 NEW ACCOUNTING PRONOUNCEMENTS

The Group has reviewed new and revised accounting pronouncements that have been issued but are not yet effective for the Group and determined that the following may have an impact on the Group.

IFRS 9, *Financial Instruments: Classification and Measurement.* IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 10, *Consolidated Financial Statements* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and separate financial statements*, and SIC-12, *Consolidation—special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, *Joint Arrangements*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

24 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 12, *Disclosure of Interest in Other Entities*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, *Investments in Associates and Joint Ventures*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

The Group will adopt IFRS 10, IFRS 11 and IFRS 12 from January 1, 2013. The adoption of IFRS 10 and IFRS 12 is not expected to have a material impact on the Group's financial position or operations but will require additional disclosures to be presented in the consolidated interim condensed financial information.

IFRS 13, *Fair value measurement*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The adoption of this standard is not expected to have a material impact on the Group's financial position or operations.

IAS 27, *Separate Financial Statements*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, *Consolidated Financial Statements*. The adoption of this amendment is not expected to have a material impact on the Group's financial position or operations.

IAS 28, *Investments in Associates and Joint Ventures*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the International Accounting Standards Board's ("Board") project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The adoption of this amendment is not expected to have a material impact on the Group's financial position or operations.

Amendments to IAS 1, *Presentation of Financial Statements* (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its consolidated interim condensed financial information, but have no impact on measurement of transactions and balances.

Amended IAS 19, *Employee Benefits* (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group does not expect these amendments to have a material impact on the Group's financial position or operations.

24 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Amendments to IFRS 7, *Disclosures—Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs*, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The Group does not expect these amendments to have a material impact on the Group's financial position or operations.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013). The amendments clarify the transition guidance in IFRS 10, *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the impact of the amendments on its consolidated interim condensed financial information.

OAO NOVATEK was incorporated as a joint stock company in accordance with the Russian law and is domiciled in the Russian Federation.

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