OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 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 30 June 2013 and the related consolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month and six-month periods 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

8 August 2013
Moscow, Russian Federation

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OAO NOVATEK

Consolidated Interim Condensed Statement of Financial Position (unaudited)

(in millions of Russian roubles)

	Notes	At 30 June 2013	At 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	222,806	197,376
Investments in joint ventures	6	193,330	189,136
Long-term loans and receivables	7	16,661	13,150
Other non-current assets		6,869	5,228
Total non-current assets		**439,666**	**404,890**
Current assets			
Inventories		4,122	3,091
Current income tax prepayments		2,520	1,756
Trade and other receivables	8	19,266	16,409
Prepayments and other current assets	9	14,370	18,567
Cash and cash equivalents		6,920	18,420
Total current assets		**47,198**	**58,243**
Total assets		**486,864**	**463,133**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	10	132,619	97,805
Deferred income tax liabilities		16,621	13,969
Asset retirement obligations		2,715	2,879
Other non-current liabilities		1,733	2,049
Total non-current liabilities		**153,688**	**116,702**
Current liabilities			
Short-term debt and current portion of long-term debt	11	1,959	34,682
Trade payables and accrued liabilities	12	14,590	15,925
Current income tax payable		169	198
Other taxes payable		3,398	4,325
Total current liabilities		**20,116**	**55,130**
Total liabilities		**173,804**	**171,832**
Equity attributable to OAO NOVATEK shareholders			
Ordinary share capital		393	393
Treasury shares		(2,340)	(584)
Additional paid-in capital		31,220	31,220
Currency translation differences		621	(202)
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		276,330	253,606
Total equity attributable to OAO NOVATEK shareholders	13	**311,841**	**290,050**
Non-controlling interest		**1,219**	**1,251**
Total equity		**313,060**	**291,301**
Total liabilities and equity		**486,864**	**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 8 August 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 30 June: 2013	2012	Six months ended 30 June: 2013	2012
Revenues					
Oil and gas sales	15	57,918	44,763	138,366	98,639
Other revenues		112	161	229	382
Total revenues		**58,030**	**44,924**	**138,595**	**99,021**
Operating expenses					
Transportation expenses	16	(22,859)	(13,035)	(52,089)	(29,414)
Purchases of natural gas and liquid hydrocarbons	17	(6,890)	(3,423)	(15,322)	(6,774)
Taxes other than income tax	18	(4,436)	(4,154)	(9,153)	(8,491)
Depreciation, depletion and amortization	5	(3,054)	(2,561)	(6,211)	(5,175)
General and administrative expenses		(2,258)	(2,516)	(4,677)	(4,843)
Materials, services and other		(1,866)	(1,836)	(3,543)	(3,422)
Exploration reversals (expenses)		(239)	597	(374)	(299)
Net impairment expenses		(68)	(39)	(64)	(64)
Change in natural gas, liquid hydrocarbons and work-in-progress		2,057	408	764	348
Total operating expenses		**(39,613)**	**(26,559)**	**(90,669)**	**(58,134)**
Other operating income (loss)		(34)	(36)	657	5
Profit from operations		**18,383**	**18,329**	**48,583**	**40,892**
Finance income (expense)					
Interest expense	19	(1,240)	(663)	(2,604)	(1,453)
Interest income	19	472	365	950	899
Foreign exchange gain (loss)		(2,687)	(5,299)	(3,725)	581
Total finance income (expense)		**(3,455)**	**(5,597)**	**(5,379)**	**27**
Share of profit (loss) of joint ventures, net of income tax	6	(472)	(521)	(309)	(1,512)
Profit before income tax		**14,456**	**12,211**	**42,895**	**39,407**
Income tax expense					
Current income tax expense		(1,851)	(2,179)	(5,851)	(8,007)
Net deferred income tax expense		(1,022)	(375)	(2,648)	(504)
Total income tax expense	20	**(2,873)**	**(2,554)**	**(8,499)**	**(8,511)**
Profit (loss)		**11,583**	**9,657**	**34,396**	**30,896**
Profit (loss) attributable to:					
Non-controlling interest		(19)	(6)	(32)	(12)
Shareholders of OAO NOVATEK		**11,602**	**9,663**	**34,428**	**30,908**
Basic and diluted earnings per share (in Russian roubles)		3.83	3.18	11.36	10.19
Weighted average number of shares outstanding (in thousands)		*3,030,861*	*3,034,338*	*3,031,237*	*3,034,338*

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

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

	Three months ended 30 June:		Six months ended 30 June:	
	2013	**2012**	**2013**	**2012**
Profit (loss)	**11,583**	**9,657**	**34,396**	**30,896**
Other comprehensive income (loss) that may be reclassified subsequently to profit (loss), net of income tax				
Currency translation differences	606	537	823	71
Total other comprehensive income (loss)	**606**	**537**	**823**	**71**
Total comprehensive income (loss)	**12,189**	**10,194**	**35,219**	**30,967**
Total comprehensive income (loss) attributable to:				
Non-controlling interest	(19)	(6)	(32)	(12)
Shareholders of OAO NOVATEK	**12,208**	**10,200**	**35,251**	**30,979**

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)

	Notes	Six months ended 30 June: 2013	2012
Profit before income tax		**42,895**	**39,407**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		6,211	5,175
Net impairment expenses		64	64
Net foreign exchange loss (gain)		3,725	(581)
Net loss (gain) on disposal of assets		50	41
Interest expense		2,604	1,453
Interest income		(950)	(899)
Share of loss (profit) in joint ventures, net of income tax	6	309	1,512
Revaluation of financial instruments through loss (profit)		(420)	-
Net change in other non-current assets and long-term receivables		1	189
Other adjustments		(71)	(188)
Working capital changes			
Decrease (increase) in long-term advances to suppliers		(1,270)	-
Decrease (increase) in trade and other receivables, prepayments and other current assets		(1)	2,997
Decrease (increase) in inventories		(1,037)	(515)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		(3,435)	(1,108)
Increase (decrease) in taxes other than income tax		(875)	(1,123)
Total effect of working capital changes		**(6,618)**	**251**
Income taxes paid		(6,510)	(12,601)
Net cash provided by operating activities		**41,290**	**33,823**
Cash flows from investing activities			
Purchases of property, plant and equipment		(26,354)	(15,528)
Purchases of inventories intended for construction		(1,770)	(756)
Acquisition of subsidiaries net of cash acquired		(554)	(109)
Acquisition of additional stakes in joint ventures	6	(1,703)	-
Additional capital contributions to joint ventures	6	(1,436)	(2,507)
Proceeds from disposals of subsidiaries net of cash disposed		209	105
Interest paid and capitalized		(1,777)	(1,047)
Loans provided		(11,720)	(848)
Repayments of loans provided		8,564	7,592
Interest received		700	396
Net cash (used for) provided by investing activities		**(35,841)**	**(12,702)**
Cash flows from financing activities			
Proceeds from long-term debt		29,183	9,889
Repayments of long-term debt		(33,015)	(15,535)
Interest paid		(2,062)	(1,294)
Dividends paid	13	(11,708)	(10,620)
Purchases of treasury shares		(1,765)	-
Acquisition of non-controlling interest		-	(16,290)
Capital contributions to the Group's subsidiaries by non-controlling shareholders		179	497
Net cash (used for) provided by financing activities		**(19,188)**	**(33,353)**
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		2,239	1,239
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**(11,500)**	**(10,993)**
Cash and cash equivalents at beginning of the period		18,420	23,831
Cash, cash equivalents and bank overdrafts at end of the period		**6,920**	**12,838**

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

	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 six months ended 30 June 2012										
1 January 2012	***3,034,338***	**393**	**(281)**	**31,220**	**193**	**5,617**	**203,871**	**241,013**	**669**	**241,682**
Currency translation differences	-	-	-	-	71	-	-	71	-	71
Profit (loss)	-	-	-	-	-	-	30,908	30,908	(12)	30,896
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**71**	**-**	**30,908**	**30,979**	**(12)**	**30,967**
Dividends (Note 13)	-	-	-	-	-	-	(10,620)	(10,620)	-	(10,620)
Impact of additional shares subscription in subsidiaries on non-controlling interest	-	-	-	-	-	-	-	-	497	497
30 June 2012	***3,034,338***	**393**	**(281)**	**31,220**	**264**	**5,617**	**224,159**	**261,372**	**1,154**	**262,526**

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 six months ended 30 June 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	-	-	-	-	823	-	-	823	-	823
Profit (loss)	-	-	-	-	-	-	34,428	34,428	(32)	34,396
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**823**	**-**	**34,428**	**35,251**	**(32)**	**35,219**
Dividends (Note 13)	-	-	-	-	-	-	(11,704)	(11,704)	-	(11,704)
Purchase of treasury shares	*(5,346)*	-	(1,756)	-	-	-	-	(1,756)	-	(1,756)
30 June 2013	***3,028,067***	**393**	**(2,340)**	**31,220**	**621**	**5,617**	**276,330**	**311,841**	**1,219**	**313,060**

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

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. In addition, the Group entered into short-term natural gas purchase and sales contracts in the European market to support and optimize its long-term trading activities.

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 underlying 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.

In June 2013, the Group's wholly owned subsidiary, OOO NOVATEK-Ust-Luga, launched the first stage of the Gas Condensate Fractionation and Transshipment Complex with annual capacity of three million tones located at the port of Ust-Luga on the Baltic Sea. The Complex processes stable gas condensate into higher-value petroleum products (naphtha, jet fuel, gasoil and fuel oil) and expands the Group's vertically integrated production and sales chain.

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 asset 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.

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

2 BASIS OF PRESENTATION (CONTINUED)

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:

	Average rate for the three months ended 30 June:		Average rate for the six months ended 30 June:	
Russian roubles to one currency unit	**2013**	**2012**	**2013**	**2012**
US dollar ("USD")	31.61	31.01	31.02	30.64
Polish zloty ("PLN")	9.83	9.36	9.76	9.37

	At 30 June:		At 31 December:	
Russian roubles to one currency unit	**2013**	**2012**	**2012**	**2011**
US dollar ("USD")	32.71	32.82	30.37	32.20
Polish zloty ("PLN")	9.87	9.71	9.87	9.47

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.

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 and six months ended 30 June 2012 were decreased by RR 221 million and RR 497 million, respectively. 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 78 million and RR 147 million were reclassified from general and administrative expenses to depreciation, depletion and amortization expenses for the three and six months ended 30 June 2012, respectively.

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 for the effects of the adoption of new accounting standards (Note 25) 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.

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

4 ACQUISITIONS

Acquisition of ZAO Nortgas

On 27 November 2012, the Group acquired 49 percent of the outstanding ordinary shares of ZAO Nortgas, an oil and gas company located in the YNAO, for total cash consideration of RR 42,697 million (USD 1,375 million), which was fully paid in November 2012. Nortgas holds a production license for the North-Urengoyskoye field, which expires in 2018. Estimated proved reserves of the field appraised by DeGolyer and MacNaughton under the PRMS and SEC reserve methodologies at 31 December 2012 totalled approximately 186 billion and 157 billion cubic meters of natural gas and 25 million and 21 million tons of hydrocarbon liquids, respectively.

As described above, the Group acquired 49 percent of the ownership interest in Nortgas; however, the Charter stipulates that key financial and operating policy 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 and the Group accounts for the investment under the equity method.

At 31 December 2012, in accordance with IAS 31, *Interest in Joint Ventures*, the Group assessed the preliminary fair values of the identified assets and liabilities of Nortgas as of the acquisition date and recorded provisional figures for those items. In March 2013, an independent appraiser was engaged to assess the fair values of the identifiable assets and liabilities, which was completed in July 2013. As a result, the preliminary fair values of non-current assets and non-current liabilities were not changed, and no goodwill was included in the carrying amount of the investment in the joint venture. However, a purchase price allocation within oil and gas properties resulted in the decrease of depreciation for the three months ended 31 March 2013 in the amount of RR 235 million, net of deferred income tax. The revisions made to the preliminary assessment were reflected as of the acquisition date, and consequently, the Group's share of profit (loss) of joint ventures net of income tax for the three months ended 31 March 2013 was increased by RR 115 million due to the reversal of depreciation in Nortgas.

The following table represents the final net fair values comprising 100 percent of the assets and liabilities of Nortgas:

ZAO Nortgas	**Final fair values at the acquisition date**
Property, plant and equipment	130,135
Other non-current assets	1,623
Trade receivables	2,312
Other current assets	2,246
Cash and cash equivalents	966
Long-term debt	(14,378)
Other non-current liabilities	(22,055)
Short-term debt	(1,341)
Dividends payable	(9,700)
Other current liabilities	(2,671)
Total identifiable net assets	**87,137**
Purchase consideration	42,697
Fair value of the Group's interest in net assets (RR 87,137 million at 49% ownership)	(42,697)
Goodwill	**-**

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

4 ACQUISITIONS (CONTINUED)

Acquisition of additional equity stake in ZAO Nortgas

In June 2013, the Group increased its equity share in ZAO Nortgas to 50 percent through a subscription to the entity's additional share emission (registered with the Federal Service for Financial Markets in June) for a cash consideration of RR 1,703 million (USD 52 million). In accordance with IAS 31, *Interest in Joint Ventures*, the Group assessed the fair value of identifiable assets and liabilities of the company and calculated that no goodwill arose on the acquisition of an additional stake in Nortgas.

5 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

For the six months ended 30 June 2012	Oil and gas properties and equipment	Assets under construction and advances for construction	Other	Total
Cost	177,788	17,647	8,603	204,038
Accumulated depreciation, depletion and amortization	(35,824)	-	(1,430)	(37,254)
Net book value at 1 January 2012	**141,964**	**17,647**	**7,173**	**166,784**
Additions	1,441	17,966	382	19,789
Transfers	1,743	(1,989)	246	-
Depreciation, depletion and amortization	(4,905)	-	(208)	(5,113)
Disposals, net	(17)	(191)	(23)	(231)
Cost	180,890	33,433	9,138	223,461
Accumulated depreciation, depletion and amortization	(40,664)	-	(1,568)	(42,232)
Net book value at 30 June 2012	**140,226**	**33,433**	**7,570**	**181,229**
For the six months ended 30 June 2013				
Cost	202,420	35,295	8,031	245,746
Accumulated depreciation, depletion and amortization	(46,810)	-	(1,560)	(48,370)
Net book value at 1 January 2013	**155,610**	**35,295**	**6,471**	**197,376**
Additions	3,549	28,203	101	31,853
Transfers	16,552	(16,755)	203	-
Depreciation, depletion and amortization	(5,846)	-	(264)	(6,110)
Disposals, net	(68)	(224)	(21)	(313)
Cost	222,413	46,519	8,288	277,220
Accumulated depreciation, depletion and amortization	(52,616)	-	(1,798)	(54,414)
Net book value at 30 June 2013	**169,797**	**46,519**	**6,490**	**222,806**

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

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in additions to property, plant and equipment for the six months ended 30 June 2013 and 2012 are capitalized interest and foreign exchange differences of RR 2,081 million and RR 1,206 million, respectively.

Included within assets under construction and advances for construction are advances to suppliers for construction and equipment of RR 5,158 million and RR 3,836 million at 30 June 2013 and 31 December 2012, respectively.

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

	At 30 June 2013	At 31 December 2012
Proved properties acquisition costs	40,344	39,949
Less: accumulated depreciation, depletion and amortization of proved properties acquisition costs	(12,426)	(11,744)
Unproved properties acquisition costs	11,184	7,753
Total acquisition costs	**39,102**	**35,958**

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

In March 2013, the Group purchased through participation in an auction an oil and gas exploration and production license for the East-Tazovskoe field located in the YNAO for a payment of RR 3,196 million, which was included in additions to oil and gas properties. At 1 January 2013, the estimated reserves of the field in accordance with the Russian reserve classification categories C1+C2 amounted to 65.3 billion cubic meters of natural gas and 13.4 million tons of liquids.

During the six months ended 30 June 2013, the transfers to oil and gas properties and equipment included the completion and launch of the first stage of the Gas Condensate Fractional and Transshipment Complex located at the port of Ust-Luga on the Baltic Sea in the amount of RR 14,146 million (see Note 1).

6 INVESTMENTS IN JOINT VENTURES

	At 30 June 2013	At 31 December 2012
Joint ventures:		
OAO Yamal LNG	96,883	96,736
ZAO Nortgas	44,528	42,586
OOO Yamal Development (consolidated)	24,739	24,430
OAO Sibneftegas	24,725	24,160
ZAO Terneftegas	2,455	1,224
Total investments in joint ventures	**193,330**	**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 policy decisions regarding the entity's 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.

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

6 INVESTMENTS IN JOINT VENTURES (CONTINUED)

ZAO Nortgas. The Group holds a 50 percent ownership in ZAO Nortgas, its joint venture with OAO Gazprom and OAO Gazprombank, which operates the North-Urengoyskoye field, located in the YNAO. The Charter of Nortgas stipulates that key financial and operating policy decisions regarding the entity's 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 policy decisions regarding its business activities are subject to approval by six out of the seven members of the Board of Directors, which effectively means that 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 a 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, all located in the YNAO. The Charter of Sibneftegas stipulates that key financial and operating policy decisions regarding the entity's business activities are subject to approval by nine out of the eleven members of the Board of Directors, which effectively means the unanimous approval by both shareholders. Consequently, the voting mechanism establishes joint control over Sibneftegas. The Group accounts for it under the equity method.

ZAO Terneftegas. The Group holds a 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 policy decisions regarding the entity's 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.

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

	Six months ended 30 June:	
	2013	**2012**
At 1 January	**189,136**	**123,029**
Share of profit (loss) of joint ventures before income tax	129	(1,652)
Share of income tax (expense) benefit	(438)	140
Share of profit (loss) of joint ventures, net of income tax	**(309)**	**(1,512)**
Contribution to equity	1,436	22,810
Acquisition of additional stakes in joint ventures	1,703	-
Effect from remeasurement of the shareholders' loans (see Note 7)	1,364	-
At 30 June	**193,330**	**144,327**

In June 2013, the Group increased its equity stake in Nortgas by one percent to 50 percent through a subscription to the entity's additional shares emission for cash consideration of RR 1,703 million (USD 52 million) (see Note 4).

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. As a result of the proportional contributions, the Group's shareholding did not change.

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

6 INVESTMENTS IN JOINT VENTURES (CONTINUED)

In April 2012, in accordance with the Shareholders' agreement the equity of Yamal LNG was increased through disproportional contribution by its participants totalling RR 17,046 million, of which RR 6,462 million was attributable to NOVATEK. As a result of the disproportional contributions, the Group's shareholding did not change notably.

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. The Group's shareholding did not change as a result of the loan conversion.

7 LONG-TERM LOANS AND RECEIVABLES

	At 30 June 2013	At 31 December 2012
US dollar denominated loans	15,910	4,366
Russian rouble denominated loans	-	8,564
Total	**15,910**	**12,930**
Less: current portion of long-term loans	-	(428)
Total long-term loans	**15,910**	**12,502**
Long-term receivables	434	394
Long-term interest receivable	317	254
Total long-term loans and receivables	**16,661**	**13,150**

The Group's long-term loans by facility are as follows:

	At 30 June 2013	At 31 December 2012
OAO Yamal LNG	13,686	2,915
ZAO Terneftegas	2,224	1,451
OAO Sibneftegas	-	8,564
Total	**15,910**	**12,930**

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. 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 credit line agreement the Group provides loans in tranches based on the annual budget of Terneftegas approved by the Board of Directors. Throughout June 2013, the loans bore an interest rate of 3.88 percent per annum and was subsequently increased to 4.52 percent per annum effective from 1 July 2013. The interest rate can be adjusted during subsequent years subject to certain conditions. The principal and interest are repayable after the commencement of commercial production by Terneftegas.

OAO Sibneftegas. In December 2010, the Group provided loans to Sibneftegas, the Group's joint venture, in the aggregated amount of RR 11,038 million. The loans were issued at an annual interest rates varying from 9.5 to 10 percent. In April and May 2013, the loans were fully repaid ahead of their maturity schedules.

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

7 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)

Remeasurement of the shareholders' loans. In accordance with IAS 39, *Financial instruments: recognition and measurement*, the carrying value of the loans provided by the Group to its joint ventures, Terneftegas and Yamal LNG, was remeasured based on commercial market borrowing rates. The effect from measurement to fair values in the amount of RR 1,364 million was allocated to increase in investments in the joint ventures (see Note 6).

No provisions for impairment of long-term loans and receivables were recognized in the consolidated interim condensed statement of financial position at 30 June 2013 and 31 December 2012.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2013	At 31 December 2012
Trade receivables (net of provision of RR 450 million and RR 406 million at 30 June 2013 and 31 December 2012, respectively)	17,203	14,250
Other receivables (net of provision of RR nil and RR 4 million at 30 June 2013 and 31 December 2012, respectively)	2,063	2,158
Interest on loans receivable	-	1
Total trade and other receivables	**19,266**	**16,409**

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

9 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2013	At 31 December 2012
Financial assets		
Commodity derivatives	278	451
Short-term bank deposits (with original maturity over three months)	47	10
Cash restricted in the form of guarantee (recognized within other current assets)	-	1,959
Russian rouble denominated loans	-	428
Non-financial assets		
Recoverable value-added tax	3,360	1,992
Deferred transportation expenses for natural gas	2,718	1,902
Prepayments and advances to suppliers (net of provision of RR 14 million and RR 13 million at 30 June 2013 and 31 December 2012, respectively)	1,982	3,140
Prepaid taxes other than income tax	1,761	1,523
Deferred export duties for liquid hydrocarbons	1,604	2,718
Prepaid customs duties	1,478	3,339
Deferred transportation expenses for liquid hydrocarbons	938	1,067
Other current assets	204	38
Total prepayments and other current assets	**14,370**	**18,567**

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

10 LONG-TERM DEBT

	At 30 June 2013	At 31 December 2012
US dollar denominated bonds	73,262	67,998
Russian rouble denominated bonds	33,865	29,960
US dollar denominated loans	17,588	9,708
Russian rouble denominated loans	9,863	24,821
Total	**134,578**	**132,487**
Less: current portion of long-term debt	(1,959)	(34,682)
Total long-term debt	**132,619**	**97,805**

The Group's long-term debt by facility is as follows:

	At 30 June 2013	At 31 December 2012
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	32,565	30,232
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	21,140	19,620
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,975	19,969
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	19,557	18,146
Syndicated term credit line facility	15,629	-
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,890	-
Sberbank credit line facility	9,863	9,837
Sumitomo Mitsui Banking Corporation Europe Limited	1,959	3,633
Sberbank three-year loan (repayable in 2013)	-	14,984
Russian bonds – Three-Year Tenor (par value RR 10 billion repayable in 2013)	-	9,991
Nordea Bank	-	6,075
Total	**134,578**	**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 Russian roubles, [tabular amounts in millions] unless otherwise stated)

10 LONG-TERM DEBT (CONTINUED)

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.

Syndicated term credit line facility. In June 2013, the Group obtained a USD 1.5 billion unsecured syndicated term credit line facility available to withdraw until June 2014. At 30 June 2013, the Group withdrew USD 500 million under the facility at an interest rate of LIBOR plus 1.75 percent per annum (2.02 percent at 30 June 2013) repayable until July 2018 by quarterly installments starting from June 2015. The facility includes the maintenance of certain restrictive financial covenants. Subsequent to the balance sheet date, in July 2013, the Group withdrew an additional USD 250 million under the syndicated term credit line facility at the same rate and repayment 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 30 June 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.

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 tenure 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. In June 2013, the bonds were fully repaid in accordance with the maturity date.

The fair values of long-term debt were as follows:

	At 30 June 2013	At 31 December 2012
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	30,139	30,543
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	22,954	23,201
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	20,687	19,567
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	20,339	20,198
Syndicated term credit line facility	16,367	-
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,791	-
Sberbank credit line facility	10,000	9,928
Sumitomo Mitsui Banking Corporation Europe Limited	1,965	3,617
Sberbank three-year loan (repayable in 2013)	-	14,745
Russian bonds – Three-Year Tenor (par value RR 10 billion repayable in 2013)	-	10,005
Nordea Bank	-	6,041
Total	**136,242**	**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 21).

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

10 LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt at 30 June 2013 were as follows:

Maturity period:	**RR million**
1 July 2014 to 30 June 2015	11,065
1 July 2015 to 30 June 2016	44,341
1 July 2016 to 30 June 2017	18,699
1 July 2017 to 30 June 2018	4,809
After 30 June 2018	53,705
Total long-term debt	**132,619**

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

Short-term debt and current portion of long-term debt. At 30 June 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 1,959 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 30 June 2013 were as follows:

		Expiring	
	Par value	**Within one year**	**Between 1 and 3 years**
Syndicated term credit line facility	USD 1 billion	32,709	-
BNP PARIBAS Bank	USD 100 million	3,271	-
Credit Agricole Corporate and Investment Bank	USD 100 million	3,271	-
UniCredit Bank	USD 350 million	-	11,448
Total available credit facilities		**39,251**	**11,448**

The Group also maintained available funds under short-term credit lines in the form of bank overdrafts with various international banks for RR 8,341 million (USD 255 million) and RR 7,327 million (USD 175 million and EUR 50 million) at 30 June 2013 and 31 December 2012, respectively, on variable interest rates subject to the specific type of credit facility.

12 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2013	**At 31 December 2012**
Financial liabilities		
Trade payables	9,896	9,959
Interest payable	1,839	1,464
Other payables	849	718
Commodity derivatives	49	43
Non-financial liabilities		
Advances from customers	706	1,227
Salary payables	167	251
Other liabilities and accruals	1,084	2,263
Trade payables and accrued liabilities	**14,590**	**15,925**

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

13 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, purchases 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 through the use of independent brokers. At 30 June 2013 and 31 December 2012, the Group held in total (both ordinary shares and GDRs) 8,240 thousand and 2,894 thousand ordinary shares at total cost of RR 2,340 million and RR 584 million, respectively. The Group has decided that these shares do not vote.

Dividends. Dividends (including tax on dividends) declared and paid were as follows:

	Six months ended 30 June:	
	2013	**2012**
Dividends payable at 1 January	5	-
Dividends declared (*)	11,704	10,620
Dividends paid (*)	(11,708)	(10,620)
Dividends payable at 30 June	**1**	**-**
Dividends per share declared during the period (in Russian roubles)	3.86	3.50
Dividends per GDR declared during the period (in Russian roubles)	38.60	35.00

(*) – excluding treasury shares.

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

	Three months ended 30 June:		Six months ended 30 June:	
Expenses (reversals) included in	**2013**	**2012**	**2013**	**2012**
General and administrative expenses	17	(55)	20	64

Liabilities included in	**At 30 June 2013**	**At 31 December 2012**
Other non-current liabilities	-	57
Trade payables and accrued liabilities	62	181
Total share-based compensation program liabilities	**62**	**238**

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

15 OIL AND GAS SALES

	Three months ended 30 June:		Six months ended 30 June:	
	2013	2012	2013	2012
Natural gas	43,109	29,272	98,592	66,577
Stable gas condensate	8,843	10,623	28,174	22,246
Liquefied petroleum gas	4,097	3,734	8,111	7,605
Crude oil	1,776	1,027	3,323	2,051
Oil and gas products	93	107	166	160
Total oil and gas sales	**57,918**	**44,763**	**138,366**	**98,639**

16 TRANSPORTATION EXPENSES

	Three months ended 30 June:		Six months ended 30 June:	
	2013	2012	2013	2012
Natural gas transportation to customers	18,969	8,883	42,371	21,942
Liquid hydrocarbons transportation by rail	2,768	2,837	6,763	5,247
Liquid hydrocarbons transportation by tankers	893	1,152	2,493	1,933
Crude oil transportation to customers	205	122	384	220
Other	24	41	78	72
Total transportation expenses	**22,859**	**13,035**	**52,089**	**29,414**

17 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 30 June:		Six months ended 30 June:	
	2013	2012	2013	2012
Natural gas	4,851	2,954	11,327	6,263
Unstable gas condensate	1,976	393	3,871	393
Other liquid hydrocarbons	63	76	124	118
Total purchases of natural gas and liquid hydrocarbons	**6,890**	**3,423**	**15,322**	**6,774**

The Group purchases 51 percent of the natural gas volumes produced by its joint venture OAO Sibneftegas (see Note 23). From January 2013, the Group began purchasing 50 percent of the natural gas volumes produced by its joint venture ZAO Nortgas (see Note 23).

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 23).

From November 2012, the Group began purchasing the majority 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 23).

From April 2012, the Group began purchasing total volumes of the unstable gas condensate 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 23).

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

18 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 30 June:		Six months ended 30 June:	
	2013	2012	2013	2012
Unified natural resources production tax	3,955	3,656	8,154	7,501
Property tax	418	436	876	875
Other taxes	63	62	123	115
Total taxes other than income tax	**4,436**	**4,154**	**9,153**	**8,491**

19 FINANCE INCOME (EXPENSE)

	Three months ended 30 June:		Six months ended 30 June:	
Interest expense (including transaction costs)	2013	2012	2013	2012
8.35% RR 20 billion Bonds October 2015	419	-	834	-
4.422% USD 1 billion Eurobonds December 2022	356	-	696	-
5.326% USD 600 million Eurobonds February 2016	259	255	509	504
7.75% RR 14 billion Eurobonds February 2017	276	-	406	-
6.604% USD 650 million Eurobonds February 2021	344	338	675	668
8.9% RR 10 billion Sberbank December 2014	250	-	498	-
7.5% RR 10 billion Bonds June 2013	181	192	371	384
LIBOR+1.75% Syndicated term credit line facility	16	-	16	-
LIBOR+1.45% USD 300 million Sumitomo Mitsui Banking Corporation Europe Limited until December 2013	15	40	36	86
7.5% RR 15 billion Sberbank December 2013	-	310	198	594
LIBOR+1.9% USD 200 million Nordea Bank until November 2013	-	33	21	65
LIBOR+3.25% USD 200 million UniCredit Bank October 2012	-	24	-	58
8% RR 10 billion Gazprombank November 2012	-	-	-	42
Other interest expenses	-	1	-	1
Subtotal	**2,116**	**1,193**	**4,260**	**2,402**
Less: capitalized interest	(938)	(590)	(1,777)	(1,065)
Interest expense (on historical cost basis)	**1,178**	**603**	**2,483**	**1,337**
Provisions for asset retirement obligations: effect of the present value discount unwinding	62	60	121	116
Total interest expense	**1,240**	**663**	**2,604**	**1,453**

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

19 FINANCE INCOME (EXPENSE) (CONTINUED)

	Three months ended 30 June:		Six months ended 30 June:	
Interest income	**2013**	**2012**	**2013**	**2012**
Interest income on loans issued	267	233	559	622
Interest income on cash, cash equivalents and deposits (recognized within other current assets)	91	97	203	199
Interest income (on historical cost basis)	**358**	**330**	**762**	**821**
Long-term financial assets: effect of the present value discount unwinding	114	35	188	78
Total interest income	**472**	**365**	**950**	**899**

20 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate for 2013 and 2012 was 20 percent. For the six months ended 30 June 2013 and 2012, the consolidated Group's effective income tax rate was 19.8 percent and 21.6 percent, respectively. For the three months ended 30 June 2013 and 2012, the consolidated Group's effective income tax rate was 19.9 percent and 20.9 percent respectively.

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

	At 30 June 2013		At 31 December 2012	
Financial assets	**Non-current**	**Current**	**Non-current**	**Current**
Loans and receivable				
Loans receivable	15,910	-	12,502	428
Trade and other receivables	751	19,266	648	16,409
Bank deposits	3	47	3	10
Cash restricted in the form of guarantee (recognized within other current assets)	-	-	-	1,959
Cash and cash equivalents	-	6,920	-	18,420
At fair value through profit or loss				
Commodity derivatives	408	278	148	451
Total	**17,072**	**26,511**	**13,301**	**37,677**
Financial liabilities				
At amortized cost				
Long-term debt	132,619	1,959	97,805	34,682
Trade and other payables	-	12,584	-	12,141
At fair value through profit or loss				
Commodity derivatives	254	49	592	43
Total	**132,873**	**14,592**	**98,397**	**46,866**

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 statement of income.

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 crude 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.

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.

In accordance with IAS 39, *Financial instruments: recognition and measurement*, at 30 June 2013 and 31 December 2012, the Group recognized RR 686 million of assets and RR 303 million of liabilities and RR 599 million of assets and RR 635 million of liabilities, respectively, related to long-term natural gas contracts in the consolidated interim condensed statement of financial position. For the three and six months ended 30 June 2013, a loss of RR 89 million and profit of RR 420 million, respectively, were included within other operating income (loss) representing non-cash mark-to-market net movements in fair values on these derivative instruments during the reporting periods. The physical trading operations under these contracts (representing actual deliveries) during the three and six months ended 30 June 2013 resulted in the operating profit of RR 54 million and RR 141 million, respectively, which was recognized within other operating income (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 213.59 (five Euros) by one megawatt-hour.

Sensitivity summary (RR million)	**From price decrease**	**From price increase**
Market shift from 2014 sensitivity	2,798	(3,735)
Market shift from 2019 sensitivity	2,163	(2,992)

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.

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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.

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

At 30 June 2013	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	-	15,910	-	15,910
Trade and other receivables	416	317	18	751
Commodity derivatives	-	-	408	408
Long-term deposits	-	-	3	3
Current				
Trade and other receivables	8,695	9,148	1,423	19,266
Short-term bank deposits	-	-	47	47
Commodity derivatives	-	-	278	278
Cash and cash equivalents	4,933	1,853	134	6,920
Financial liabilities				
Non-current				
Long-term debt	(43,728)	(88,891)	-	(132,619)
Commodity derivatives	-	-	(254)	(254)
Current				
Current portion of long-term debt	-	(1,959)	-	(1,959)
Trade and other payables	(9,766)	(1,832)	(986)	(12,584)
Commodity derivatives	-	-	(49)	(49)
Net exposure at 30 June 2013	**(39,450)**	**(65,454)**	**1,022**	**(103,882)**

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 (recognized within other current assets)	-	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)**

(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.

According to the domestic natural gas market liberalization plan, the FTS increased the regulated natural gas prices by 15 percent effective 1 July 2012. Subsequently, the regulated natural gas prices were reduced by 3% effective from the 1 April 2013, and increased by 15% from 1 July 2012 and by another 3% from 1 August 2013. Currently, the Russian Federation government is discussing various scenarios for the growth rate of natural gas prices on the Russian domestic market for the subsequent years.

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.

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 executed 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 stable gas condensate under spot contracts. Stable gas condensate volumes sold to the US, European, South American and Asian-Pacific Region markets are based on benchmark reference crude oil prices of WTI, Brent IPE and Dubai (or a combination thereof) or Naphtha prices of 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.

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 30 June 2013	At 31 December 2012
At fixed rate	116,990	122,779
At variable rate	17,588	9,708
Total debt	**134,578**	**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 have minimal risk of default.

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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.

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 30 June 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	53,625	53,970	117,595
Interest	7,542	7,019	12,599	10,721	37,881
Debt at variable rate					
Principal (*)	1,963	1,258	15,096	-	18,317
Interest	348	329	504	-	1,181
Trade and other payables	12,584	-	-	-	12,584
Total financial liabilities	**22,437**	**18,606**	**81,824**	**64,691**	**187,558**

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

21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 for transaction costs (see Note 10).

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

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash inflow	25,663	24,979	71,097	97,974	219,713
Cash outflow	(25,369)	(24,829)	(70,885)	(97,650)	(218,733)
Net cash flows	**294**	**150**	**212**	**324**	**980**

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.

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 six months ended 30 June 2013. At 30 June 2013 and 31 December 2012, the Group's capital totalled RR 439.5 billion and RR 404.1 billion, respectively.

22 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. Russian 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 30 June 2013, the Group had contractual capital expenditures commitments aggregating approximately RR 34,287 million (at 31 December 2012: RR 22,476 million) mainly for ongoing development activities at the Yurkharovskoye field (through 2015), development at the Yarudeyskoye field (through 2013), 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), Olimpiyskoye (through 2015), Salmanovskoye (Utrenneye) (through 2017) and Khancheyskoye (through 2014) 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.

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.

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

22 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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.

23 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 policy 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 30 June:		Six months ended 30 June:	
Related parties – joint ventures	2013	2012	2013	2012
Transactions				
OAO Sibneftegas:				
Interest income on loans issued	104	228	307	466
Oil and gas products sales	15	10	23	22
Purchases of natural gas	(1,611)	(964)	(3,346)	(2,035)
OOO SeverEnergia and its subsidiaries:				
Interest income on loans issued	-	-	-	145
Purchases of unstable gas condensate	(1,248)	(393)	(2,371)	(393)
ZAO Terneftegas:				
Interest income on loans issued	25	4	40	6
OAO Yamal LNG:				
Interest income on loans issued	212	-	311	-
Other revenues (operator services sales)	17	22	18	52
ZAO Nortgas (from 27 November 2012):				
Purchases of natural gas	(674)	-	(1,397)	-
Purchases of unstable gas condensate	(728)	-	(1,500)	-

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

23 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – joint ventures	At 30 June 2013	At 31 December 2012
Balances		
OAO Sibneftegas:		
Long-term loans receivable	-	8,136
Interest on long-term loans receivable	-	187
Current portion of long-term loans	-	428
Trade payables and accrued liabilities	613	705
OOO SeverEnergia and its subsidiaries:		
Trade payables and accrued liabilities	579	398
ZAO Terneftegas:		
Long-term loans receivable	2,224	1,451
Interest on long-term loans receivable	72	50
OAO Yamal LNG:		
Long-term loans receivable	13,686	2,915
Interest on long-term loans receivable	245	17
ZAO Nortgas:		
Trade payables and accrued liabilities	558	368

Related parties – parties under control of key management personnel	Three months ended 30 June: 2013	Three months ended 30 June: 2012	Six months ended 30 June: 2013	Six months ended 30 June: 2012
Transactions				
OAO SIBUR Holding and its subsidiaries:				
Natural gas sales	562	390	1,246	941
Liquid hydrocarbons sales	-	-	195	-
Purchases of natural gas and liquid hydrocarbons	(2,457)	(2,009)	(6,475)	(4,252)
OOO Transoil:				
Liquid hydrocarbons transportation by rail (rent of cisterns)	(607)	-	(1,785)	-

Related parties – parties under control of key management personnel	At 30 June 2013	At 31 December 2012
Balances		
OAO Pervobank:		
Cash and cash equivalents	1,543	1,224
OAO SIBUR Holding and its subsidiaries:		
Trade and other receivables	1,404	1,568
Trade payables and accrued liabilities	128	826
Prepayments and other current assets	-	1,690
OOO Transoil:		
Trade payables and accrued liabilities	221	170
Prepayments and other current assets	307	61
Gunvor Group Ltd and its subsidiaries (under joint control):		
Trade payables and accrued liabilities	55	-
Prepayments and other current assets	55	-

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 above as related parties – parties under control of key management personnel of the Group.

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23 RELATED PARTY TRANSACTIONS (CONTINUED)

Starting from 2013, a member of the Gunvor Group, the parent of which is an entity under joint control of a member of the Board of Directors of NOVATEK, rendered services for transshipment of stable gas condensate at the port of Ust-Luga on the Baltic Sea. The Group's balances with this company are disclosed above as related parties – parties under joint control of key management personnel of the Group.

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.

	Three months ended 30 June:		Six months ended 30 June:	
Related parties – members of key management personnel	**2013**	**2012**	**2013**	**2012**
Board of Directors	49	48	68	67
Management Committee	639	446	1,114	918
Total compensation	**688**	**494**	**1,182**	**985**

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.

24 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.

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

24 SEGMENT INFORMATION (CONTINUED)

Segment information for the three months ended 30 June 2013 is as follows:

For the three months ended 30 June 2013	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	*a*	58,540	58,540	(510)	58,030
Operating expenses	*b - d*	(43,138)	(43,138)	3,525	(39,613)
Other operating income (loss)	*e*	140	140	(174)	(34)
Interest expense	*f, g*	(2,536)	(2,536)	1,296	(1,240)
Interest income		358	358	114	472
Foreign exchange gain (loss)	*g*	(2,821)	(2,821)	134	(2,687)
Segment result		**10,543**	**10,543**	**4,385**	**14,928**
Share of profit (loss) of joint ventures, net of income tax					(472)
Profit before income tax					**14,456**
Depreciation, depletion and amortization	*b*	4,350	4,350	(1,296)	3,054
Capital expenditures	*g*	18,255	18,255	2,334	20,589

Reconciling items mainly related to:

a. different methodology of stable gas condensate sales recognition under IFRS and management accounting, which requires reversal of external revenues for RR 489 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 1,454 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 recognition of additional transportation expenses of RR 124 million and reversal of payroll expenses of RR 1,221 million recorded in operating expenses under IFRS;

d. different methodology in recognizing exploration expenses, which resulted in the reversal of operating expenses of RR 845 million under IFRS;

e. different methodology in recognizing valuation of commodity derivatives under IFRS and management accounting, which requires reversal of other operating income for RR 89 million under IFRS;

f. different methodology in recognizing borrowing transaction costs between IFRS and management accounting which resulted in the reversal of interest expense of RR 679 million under IFRS; and

g. 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 850 million and additional capital expenditures of RR 1,484 million under IFRS.

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

24 SEGMENT INFORMATION (CONTINUED)

Segment information for the three months ended 30 June 2012 is as follows:

For the three months ended 30 June 2012	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	*a*	45,156	45,156	(232)	44,924
Operating expenses	*a - e*	(29,860)	(29,860)	3,301	(26,559)
Other operating income (loss)	*c*	(12)	(12)	(24)	(36)
Interest expense	*f*	(1,128)	(1,128)	465	(663)
Interest income		330	330	35	365
Foreign exchange gain (loss)	*f*	(5,410)	(5,410)	111	(5,299)
Segment result		**9,076**	**9,076**	**3,656**	**12,732**
Share of profit (loss) of joint ventures, net of income tax					(521)
Profit before income tax					**12,211**
Depreciation, depletion and amortization	*b, c*	3,719	3,719	(1,158)	2,561
Capital expenditures	*f*	9,109	9,109	3,161	12,270

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 operating expenses for RR 221 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 1,174 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 53 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 recognition of additional transportation expenses of RR 131 million and reversal of payroll expenses of RR 32 million recorded in operating expenses under IFRS;

e. different methodology in recognizing exploration expenses, which resulted in reversal operating expenses of RR 2,196 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 603 million and additional capital expenditures of RR 2,558 million under IFRS.

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

24 SEGMENT INFORMATION (CONTINUED)

Segment information for the six months ended 30 June 2013 is as follows:

For the six months ended 30 June 2013	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		138,662	138,662	(67)	138,595
Operating expenses	*a - c*	(96,626)	(96,626)	5,957	(90,669)
Other operating income (loss)	*d*	266	266	391	657
Interest expense	*e, f*	(4,543)	(4,543)	1,939	(2,604)
Interest income		762	762	188	950
Foreign exchange gain (loss)	*f*	(4,042)	(4,042)	317	(3,725)
Segment result		**34,479**	**34,479**	**8,725**	**43,204**
Share of profit (loss) of joint ventures, net of income tax					(309)
Profit before income tax					**42,895**
Depreciation, depletion and amortization	*a*	8,768	8,768	(2,557)	6,211
Capital expenditures	*f*	27,572	27,572	4,281	31,853

Reconciling items mainly related to:

a. 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 2,697 million in operating expenses under IFRS;

b. 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 of transportation expenses of RR 369 million and reversal of payroll expenses of RR 988 million recorded in operating expenses under IFRS;

c. different methodology in recognizing exploration expenses, which resulted in the reversal of operating expenses of RR 1,775 million under IFRS;

d. different methodology in recognizing valuation of commodity derivatives under IFRS and management accounting, which requires additional recognition of other operating income for RR 420 million under IFRS;

e. different methodology in recognizing borrowing transaction costs between IFRS and management accounting which resulted in the reversal of interest expense of RR 752 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 1,633 million and additional capital expenditures of RR 2,648 million under IFRS.

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

24 SEGMENT INFORMATION (CONTINUED)

Segment information for the six months ended 30 June 2012 is as follows:

For the six months ended 30 June 2012	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	*a*	99,563	99,563	(542)	99,021
Operating expenses	*a - e*	(62,161)	(62,161)	4,027	(58,134)
Other operating income (loss)	*c*	(21)	(21)	26	5
Interest expense	*f*	(2,281)	(2,281)	828	(1,453)
Interest income		811	811	88	899
Foreign exchange gain (loss)	*f*	453	453	128	581
Segment result		**36,364**	**36,364**	**4,555**	**40,919**
Share of profit (loss) of joint ventures, net of income tax					(1,512)
Profit before income tax					**39,407**
Depreciation, depletion and amortization	*b, c*	7,356	7,356	(2,181)	5,175
Capital expenditures	*f*	15,029	15,029	4,760	19,789

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 operating expenses for RR 497 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 2,248 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 87 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 of transportation expenses of RR 147 million and recognition of additional payroll expenses of RR 535 million recorded in operating expenses under IFRS;

e. different methodology in recognizing exploration expenses, which resulted in the reversal operating expenses of RR 1,892 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 1,004 million and additional capital expenditures of RR 3,756 million under IFRS.

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

24 SEGMENT INFORMATION (CONTINUED)

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;
- *Kingdom of the Netherlands (Netherlands), Republic of Korea (South Korea), Republic of Singapore (Singapore), USA* – sales of stable gas condensate;

Geographical information for the three months ended 30 June 2013 and 2012 is as follows:

For the three months ended 30 June 2013	Russian Federation	Outside Russian Federation							Total
		Netherlands	South Korea	Singapore	USA	Other	Export duty	Subtotal	
Natural gas	43,109	-	-	-	-	-	-	-	43,109
Stable gas condensate	381	4,798	10,984	-	-	11	(7,331)	8,462	8,843
Liquefied petroleum gas	1,599	-	-	-	-	2,857	(359)	2,498	4,097
Crude oil	1,094	-	-	-	-	1,406	(724)	682	1,776
Oil and gas products	93	-	-	-	-	-	-	-	93
Oil and gas sales	**46,276**	**4,798**	**10,984**	**-**	**-**	**4,274**	**(8,414)**	**11,642**	**57,918**
Other revenues	110	-	-	-	-	2	-	2	112
Total external revenues	**46,386**	**4,798**	**10,984**	**-**	**-**	**4,276**	**(8,414)**	**11,644**	**58,030**

For the three months ended 30 June 2012	Russian Federation	Outside Russian Federation							Total
		Netherlands	South Korea	Singapore	USA	Other	Export duty	Subtotal	
Natural gas	29,272	-	-	-	-	-	-	-	29,272
Stable gas condensate	114	3,241	6,387	3,629	1,429	6,551	(10,728)	10,509	10,623
Liquefied petroleum gas	1,482	-	-	-	-	2,918	(666)	2,252	3,734
Crude oil	661	-	-	-	-	858	(492)	366	1,027
Oil and gas products	107	-	-	-	-	-	-	-	107
Oil and gas sales	**31,636**	**3,241**	**6,387**	**3,629**	**1,429**	**10,327**	**(11,886)**	**13,127**	**44,763**
Other revenues	149	-	-	-	-	12	-	12	161
Total external revenues	**31,785**	**3,241**	**6,387**	**3,629**	**1,429**	**10,339**	**(11,886)**	**13,139**	**44,924**

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

24 SEGMENT INFORMATION (CONTINUED)

Geographical information for the six months ended 30 June 2013 and 2012 is as follows:

		Outside Russian Federation							
For the six months ended 30 June 2013	Russian Federation	Netherlands	South Korea	Singapore	USA	Other	Export duty	Subtotal	Total
Natural gas	98,592	-	-	-	-	-	-	-	98,592
Stable gas condensate	950	17,136	19,416	5,256	3,609	3,550	(21,743)	27,224	28,174
Liquefied petroleum gas	3,434	-	-	-	-	5,753	(1,076)	4,677	8,111
Crude oil	1,988	-	-	-	-	2,751	(1,416)	1,335	3,323
Oil and gas products	166	-	-	-	-	-	-	-	166
Oil and gas sales	**105,130**	**17,136**	**19,416**	**5,256**	**3,609**	**12,054**	**(24,235)**	**33,236**	**138,366**
Other revenues	225	-	-	-	-	4	-	4	229
Total external revenues	**105,355**	**17,136**	**19,416**	**5,256**	**3,609**	**12,058**	**(24,235)**	**33,240**	**138,595**

		Outside Russian Federation							
For the six months ended 30 June 2012	Russian Federation	Netherlands	South Korea	Singapore	USA	Other	Export duty	Subtotal	Total
Natural gas	66,577	-	-	-	-	-	-	-	66,577
Stable gas condensate	127	8,642	8,372	7,260	6,941	9,007	(18,103)	22,119	22,246
Liquefied petroleum gas	2,972	-	-	-	-	6,036	(1,403)	4,633	7,605
Crude oil	1,315	-	-	-	-	1,566	(830)	736	2,051
Oil and gas products	160	-	-	-	-	-	-	-	160
Oil and gas sales	**71,151**	**8,642**	**8,372**	**7,260**	**6,941**	**16,609**	**(20,336)**	**27,488**	**98,639**
Other revenues	337	-	-	-	-	45	-	45	382
Total external revenues	**71,488**	**8,642**	**8,372**	**7,260**	**6,941**	**16,654**	**(20,336)**	**27,533**	**99,021**

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 six months ended 30 June 2013, the Group has two major customers to whom individual revenues exceed ten percent of total external revenues, which represent 18 percent and 15 percent (RR 24,440 million and RR 20,453 million) of total external revenues, respectively. For the six months ended 30 June 2012, the Group had one customer to whom individual revenue exceeded 10 percent of total external revenues, which on an individual basis represented 14 percent (RR 13,643 million) of total external revenues. All of the Group's major customers reside within the Russian Federation.

25 NEW ACCOUNTING PRONOUNCEMENTS

The following new standards and interpretations became effective for the Group from 1 January 2013:

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. Adoption of the standard has no material impact on the Group's consolidated interim condensed financial information.

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. This definition is supported by extensive application guidance. Adoption of the standard has no material impact on the Group's consolidated interim condensed financial information.

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. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements*, and 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. This definition is supported by extensive application guidance. Adoption of the standard has no material impact on the Group's 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. Adoption of the standard has no material impact on the Group's consolidated interim condensed financial information.

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*. Adoption of this amendment has no material impact on the Group's consolidated interim condensed financial information.

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. Adoption of this amendment has no material impact on the Group's consolidated interim condensed financial information.

25 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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'. Adoption of this amendment has affected the presentation of consolidated interim condensed statement of comprehensive income.

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. Adoption of this amendment has no material impact on the Group's consolidated interim condensed financial information.

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. Adoption of these amendments has no material impact on the Group's consolidated interim condensed financial information.

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. Adoption of this amendment has no material impact on the Group's consolidated interim condensed financial information.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted:

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.

25 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- 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.

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 currently assessing the impact of the amendments on its consolidated interim condensed financial information.

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets* (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in 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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