OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008

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REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

To the shareholders and Board of Directors of OAO NOVATEK:

Introduction

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO NOVATEK and its subsidiaries (the "Group") as of 30 June 2008, the related consolidated interim condensed statement of income for the three and six months then ended, and the related consolidated interim condensed statements of cash flows and of changes in equity for the six months then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information as set out on pages 4 to 23 in accordance with International Accounting Standard No. 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

2. We conducted our review in accordance with the International Standard on Review Engagements No. 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of consolidated interim condensed 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

3. 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 No. 34, *Interim Financial Reporting*.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
12 August 2008

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

	Notes	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	4	96,563	82,669
Investments in associates		1,495	1,125
Long-term loans and receivables		579	681
Other non-current assets		1,853	2,462
Total non-current assets		**100,490**	**86,937**
Current assets			
Inventories		2,178	1,794
Current income tax prepayments		590	335
Trade and other receivables		4,255	3,267
Prepayments and other current assets		6,325	7,660
Cash and cash equivalents	5	5,163	3,982
Total current assets		**18,511**	**17,038**
Total assets		**119,001**	**103,975**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	6	4,424	42
Deferred income tax liabilities		8,403	8,083
Other non-current liabilities		852	905
Asset retirement obligations		1,082	1,058
Total non-current liabilities		**14,761**	**10,088**
Current liabilities			
Short-term debt and current portion of long-term debt	7	3,736	6,560
Trade payables and accrued liabilities		7,235	3,599
Current income tax payable		132	645
Other taxes payable		1,297	1,271
Total current liabilities		**12,400**	**12,075**
Total liabilities		**27,161**	**22,163**
Equity attributable to OAO NOVATEK shareholders			
Ordinary share capital		393	393
Additional paid-in capital		30,345	30,257
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		55,009	45,068
Total equity attributable to OAO NOVATEK shareholders		**91,364**	**81,335**
Minority interest		**476**	**477**
Total equity		**91,840**	**81,812**
Total liabilities and equity		**119,001**	**103,975**

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 12 August 2008:

L. Mikhelson
General Director

M. Gyetvay
Financial Director

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: 2008	Three months ended 30 June: 2007	Six months ended 30 June: 2008	Six months ended 30 June: 2007
Revenues					
Oil and gas sales	9	20,411	14,550	40,578	29,435
Sales of polymer and insulation tape		580	411	1,131	720
Other revenues		361	91	519	156
Total revenues		**21,352**	**15,052**	**42,228**	**30,311**
Other income (loss)		(195)	9	(179)	25
Total revenues and other income		**21,157**	**15,061**	**42,049**	**30,336**
Operating expenses					
Transportation expenses	10	(4,229)	(3,528)	(8,785)	(7,621)
Taxes other than income tax	11	(1,792)	(1,615)	(3,555)	(3,224)
Materials, services and other		(1,743)	(1,141)	(3,212)	(2,210)
Purchases of natural gas and liquid hydrocarbons		(1,632)	(423)	(2,803)	(986)
General and administrative expenses		(1,516)	(1,109)	(2,353)	(1,822)
Depreciation, depletion and amortization		(984)	(992)	(1,977)	(2,010)
Exploration expenses		(185)	(207)	(415)	(409)
Net impairment expense		(10)	(16)	(16)	(53)
Change in natural gas, liquid hydrocarbons, and polymer products and work-in-progress		269	21	271	(254)
Total operating expenses		**(11,822)**	**(9,010)**	**(22,845)**	**(18,589)**
Profit from operations		**9,335**	**6,051**	**19,204**	**11,747**
Finance income (expense)					
Interest expense		(51)	(64)	(108)	(142)
Interest income		82	99	152	193
Foreign exchange gain (loss)		(9)	7	117	14
Total finance income (expense)		**22**	**42**	**161**	**65**
Share of profit (loss) of associates, net of income tax		(45)	-	(67)	-
Profit before income tax		**9,312**	**6,093**	**19,298**	**11,812**
Income tax expense					
Current income tax expense		(2,004)	(1,763)	(4,317)	(3,302)
Net deferred income tax (expense) benefit		(252)	(120)	(426)	42
Total income tax expense	12	**(2,256)**	**(1,883)**	**(4,743)**	**(3,260)**
Profit for the period		**7,056**	**4,210**	**14,555**	**8,552**
Profit (loss) attributable to:					
Minority interest		3	(6)	(1)	(11)
Shareholders of OAO NOVATEK		**7,053**	**4,216**	**14,556**	**8,563**
Basic and diluted earnings per share (in Russian roubles)		2.32	1.39	4.79	2.82
Weighted average number of shares outstanding (in thousands)		*3,036,306*	*3,036,306*	*3,036,306*	*3,036,306*

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

(in millions of Russian roubles)

	Notes	Six months ended 30 June: 2008	2007
Profit before income tax		**19,298**	**11,812**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		2,022	2,037
Net impairment expense		16	53
Net foreign exchange loss (gain)		(117)	(14)
Net loss (gain) on disposal of assets		200	1
Share-based compensation	15	88	88
Interest expense		108	142
Interest income		(152)	(193)
Share of loss (profit) in associates, net of income tax		67	-
Net change in other non-current assets		467	79
Other adjustments		(28)	(42)
Working capital changes			
Decrease (increase) in trade and other receivables, prepayments and other current assets		208	(222)
Decrease (increase) in inventories		(367)	516
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends		797	(294)
Increase (decrease) in other taxes payable		26	167
Total effect of working capital changes		**664**	**167**
Income taxes paid		(5,085)	(2,696)
Net cash provided by operating activities		**17,548**	**11,434**
Cash flows from investing activities			
Purchases of property, plant and equipment		(15,832)	(6,423)
Purchases of inventories intended for construction		(176)	(388)
Additional capital contribution into associates and acquisition of subsidiaries		(564)	-
Interest paid and capitalized		(136)	(65)
Loans provided		(291)	-
Repayments of loans provided		409	95
Interest received		151	214
Net cash (used for) provided by investing activities		**(16,439)**	**(6,567)**
Cash flows from financing activities			
Proceeds from long-term debt		4,409	-
Proceeds from short-term debt		-	408
Repayments of long-term debt		(152)	(1,047)
Repayments of short-term debt		(2,367)	(842)
Interest paid		(12)	(70)
Dividends paid	8	(1,692)	(1,428)
Net cash (used for) provided by financing activities		**186**	**(2,979)**
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		45	2
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**1,340**	**1,890**
Cash, cash equivalents and bank overdrafts at beginning of the period		2,614	5,668
Cash, cash equivalents and bank overdrafts at end of the period		**3,954**	**7,558**

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	Additional paid-in capital	Asset revaluation surplus on acquisitions	Retained earnings	Equity attributable to OAO NOVATEK shareholders	Minority interest	Total equity
For the six months ended 30 June 2007								
1 January 2007	***3,036,306***	**393**	**30,081**	**5,617**	**32,229**	**68,320**	**356**	**68,676**
Dividends (Note 8)	-	-	-	-	(3,340)	(3,340)	-	(3,340)
Share-based compensation funded by shareholders	-	-	88	-	-	88	-	88
Profit (loss) for the period	-	-	-	-	8,563	8,563	(11)	8,552
30 June 2007	***3,036,306***	**393**	**30,169**	**5,617**	**37,452**	**73,631**	**345**	**73,976**
For the six months ended 30 June 2008								
1 January 2008	***3,036,306***	**393**	**30,257**	**5,617**	**45,068**	**81,335**	**477**	**81,812**
Dividends (Note 8)	-	-	-	-	(4,615)	(4,615)	-	(4,615)
Share-based compensation funded by shareholders	-	-	88	-	-	88	-	88
Profit (loss) for the period	-	-	-	-	14,556	14,556	(1)	14,555
30 June 2008	***3,036,306***	**393**	**30,345**	**5,617**	**55,009**	**91,364**	**476**	**91,840**

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

OAO NOVATEK (hereinafter referred to as "NOVATEK") and its subsidiaries (hereinafter jointly referred to as the "Group") is an independent oil and gas company engaged in the acquisition, exploration, development, production and processing of hydrocarbons with its core operations of oil and gas properties located 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 both regulated and unregulated market prices, however the majority of natural gas sold on the domestic market is sold at prices regulated by the Federal Tariff Service, a governmental agency. The Group's stable gas condensate and crude oil sales are sold on both the Russian domestic and international markets, and are subject to fluctuations in benchmark crude oil prices. Additionally, the Group's natural gas sales fluctuate on a seasonal basis due mostly to Russian weather conditions, with sales peaking in the winter months of December and January and decreasing in the summer months of July and August. The Group's liquids sales volumes comprising stable gas condensate, crude oil and oil products remain relatively stable from period to period.

2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting*. This consolidated interim condensed financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2007 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2007 consolidated balance sheet data has been derived from the audited consolidated financial statements.

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 2007. Estimates have principally been made in respect of useful lives of property, plant and equipment, fair values of assets and liabilities, deferred income taxes, estimation of oil and gas reserves, impairment provisions, pension obligations and assets retirement obligations.

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

Exchange rates, restrictions and controls. The official rate of exchange of the Russian rouble to the US dollar ("USD") at 30 June 2008 and 31 December 2007 was 23.46 and 24.55 Russian roubles to USD 1.00, respectively. The official rate of exchange of the Russian rouble to the Euro at 30 June 2008 and 31 December 2007 was 36.91 and 35.93 Russian roubles to 1.00 Euro, respectively. 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. The following reclassifications have been made to the comparative figures to conform to the current period presentation. Commencing January 2008, crude oil sales on the domestic market are presented gross of rail transportation costs. Accordingly, crude oil sales on the domestic market and crude oil transportation to customers for the three and six months ended 30 June 2007 were increased by RR 8 million and RR 22 million, 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 2007.

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

4 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment, for the six months ended 30 June 2008 and 2007 are as follows:

For the six months ended 30 June 2007	Operating assets	Assets under construction	Total
Cost	70,198	4,517	74,715
Accumulated depreciation, depletion and amortization	(7,981)	-	(7,981)
Net book value at 1 January 2007	**62,217**	**4,517**	**66,734**
Additions	1,808	5,006	6,814
Transfers	972	(972)	-
Depreciation, depletion and amortization	(2,041)	-	(2,041)
Disposals, net	(12)	(1)	(13)
Cost	72,948	8,550	81,498
Accumulated depreciation, depletion and amortization	(10,004)	-	(10,004)
Net book value at 30 June 2007	**62,944**	**8,550**	**71,494**

For the six months ended 30 June 2008	Operating assets	Assets under construction	Total
Cost	75,502	18,842	94,344
Accumulated depreciation, depletion and amortization	(11,675)	-	(11,675)
Net book value at 1 January 2008	**63,827**	**18,842**	**82,669**
Additions	496	15,511	16,007
Transfers	2,602	(2,602)	-
Depreciation, depletion and amortization	(2,030)	-	(2,030)
Disposals, net	(77)	(6)	(83)
Cost	78,479	31,745	110,224
Accumulated depreciation, depletion and amortization	(13,661)	-	(13,661)
Net book value at 30 June 2008	**64,818**	**31,745**	**96,563**

Included in additions to property, plant and equipment for the six months ended 30 June 2008 and 2007 is capitalized interest of RR 136 million and RR 65 million, respectively.

5 CASH AND CASH EQUIVALENTS

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	30 June 2008	31 December 2007
Cash and cash equivalents per the consolidated balance sheet	5,163	3,982
Less: bank overdrafts	(1,209)	(1,368)
Cash, cash equivalents and bank overdrafts per the consolidated statement of cash flows	**3,954**	**2,614**

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

6 LONG-TERM DEBT

	30 June 2008	31 December 2007
US dollar denominated loans	4,445	54
Euro denominated loans	160	270
Total	4,605	324
Less: current portion of long-term debt	(181)	(282)
Total long-term debt	**4,424**	**42**

US dollar denominated loans. On 21 April 2008, the Group obtained a USD 800 million unsecured syndicated term loan facility for general corporate purposes including funding capital expenditure programs. The facility has a three year tenure with an 18 month repayment grace period and is to be repaid in quarterly installments. The facility pays an initial margin of LIBOR plus 1.25 percent per annum for the first 18 months and rising to 1.50 percent per annum thereafter (3.9 percent at 30 June 2008). The facility terms include maintenance of the certain restrictive financial covenants. At 30 June 2008, RR 4,423 million (USD 189 million), net of transaction costs of RR 290 million, was withdrawn under this facility agreement.

The carrying value of the long-term debt approximates their fair value.

Scheduled maturities of long-term debt at 30 June 2008 were as follows:

Twelve months ended 30 June:	
2010	1,833
2011	2,591
Total long-term debt	**4,424**

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

	30 June 2008	31 December 2007
US dollar denominated loans	2,346	4,910
US dollar denominated bank overdrafts	1,209	1,368
Total	3,555	6,278
Add: current portion of long-term debt	181	282
Total short-term debt and current portion of long-term debt	**3,736**	**6,560**

US dollar denominated loans. At 30 June 2008 and 31 December 2007, the US dollar denominated loans included a loan from BNP PARIBAS Bank in the amount of RR 2,346 million (USD 100 million) and RR 2,455 million (USD 100 million), respectively. The loan bears annual interest of LIBOR plus 0.75 percent (3.2 percent at 30 June 2008 and 5.8 percent at 31 December 2007). The loan is repayable in September 2008.

At 31 December 2007, the US dollar denominated loans included loans from CALYON S.A. and CALYON RUSBANK Corporate and Investment Bank in the total amount RR 2,455 million (USD 100 million). The loans were repaid in May 2008.

The carrying value of the short-term debt approximates their fair value.

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

7 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT (CONTINUED)

Available credit facilities and bank overdrafts. At 30 June 2008 and 31 December 2007, the Group used RR 1,209 million and RR 1,368 million of its credit facilities as bank overdrafts, respectively. Available funds under these short-term credit lines with various international banks totaled RR 7,588 million (USD 323 million) and RR 4,148 million (USD 169 million) at 30 June 2008 and 31 December 2007, respectively, on either fixed or variable interest rates subject to the specific type of credit facility.

In addition the Group has available funds up to the maximum amount of RR 2,346 million (USD 100 million) under a two year credit line facility with UniCredit Bank with interest rates negotiated on each withdrawal date. No amounts have been withdrawn on this facility since its commencement in November 2007.

8 DIVIDENDS

The Group declares and pays dividends in Russian roubles.

	Six months ended 30 June:	
	2008	**2007**
Dividends payable at beginning of the period	1	1
Dividends declared	4,615	3,340
Dividends paid	(1,692)	(1,428)
Dividends payable at end of the period	**2,924**	**1,913**
Dividends per share declared during the period (in Russian roubles)	1.52	1.10
Dividends per GDR declared during the period (in Russian roubles)	15.2	11.0

On 27 May 2008, the Annual General Meeting of Shareholders of OAO NOVATEK approved the final 2007 dividend totaling RR 4,615 million which is to be paid within 60 days to the shareholders of record at the close of business on 10 April 2008. The amount due was included within trade payables and accrued liabilities.

9 OIL AND GAS SALES

	Three months ended 30 June:		Six months ended 30 June:	
	2008	**2007**	**2008**	**2007**
Natural gas	10,740	8,494	22,333	18,845
Stable gas condensate	6,525	4,692	12,468	7,926
Liquefied petroleum gas	1,601	877	3,133	1,725
Crude oil	655	395	1,212	732
Oil products	890	92	1,432	207
Total oil and gas sales	**20,411**	**14,550**	**40,578**	**29,435**

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

10 TRANSPORTATION EXPENSES

	Three months ended 30 June:		Six months ended 30 June:	
	2008	**2007**	**2008**	**2007**
Natural gas transportation to customers	2,581	2,106	5,446	4,872
Stable gas condensate and liquefied petroleum gas transportation by rail	1,004	839	2,073	1,651
Stable gas condensate transportation by tankers	523	519	1,050	973
Unstable gas condensate transportation from the fields to the processing facilities through third party pipelines	48	30	91	55
Crude oil transportation to customers	31	33	59	65
Other	42	1	66	5
Total transportation expenses	**4,229**	**3,528**	**8,785**	**7,621**

11 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:	
	2008	**2007**	**2008**	**2007**
Unified natural resources production tax	1,631	1,421	3,237	2,862
Property tax	142	152	284	273
Other taxes	19	42	34	89
Total taxes other than income tax	**1,792**	**1,615**	**3,555**	**3,224**

12 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate in 2008 and 2007 is 24.0 percent. For the six months ended 30 June 2008 and 2007, the consolidated Group's effective income tax rate was 24.5 percent and 27.6 percent, respectively. For the three months ended 30 June 2008 and 2007, the consolidated Group's effective income tax rate was 24.1 percent and 30.9 percent, respectively.

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

	Loans and receivables	
Financial assets	**30 June 2008**	**31 December 2007**
Non-current		
Long-term loans receivable	296	412
Other long-term receivables	283	269
Long-term deposits and letters of credit	3	175
Current		
Short-term loans receivable	36	36
Trade and other receivables	4,255	3,267
Cash and cash equivalents	5,163	3,982
Total carrying amount	**10,036**	**8,141**

	Measured at amortized cost	
Financial liabilities	**30 June 2008**	**31 December 2007**
Non-current		
Long-term debt	4,424	42
Current		
Current portion of long-term debt	181	282
Short-term debt	3,555	6,278
Trade and other payables	2,424	1,711
Total carrying amount	**10,584**	**8,313**

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

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

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

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, gas condensate, liquefied petroleum products 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 and the Euro. 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.

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 2008	**Russian rouble**	**US dollar**	**Euro**	**Other**	**Total**
Financial assets					
Non-current					
Long-term loans receivable	296	-	-	-	296
Other long-term receivables	283	-	-	-	283
Long-term deposits and letters of credit	3				3
Current					
Short-term loans receivable	36	-	-	-	36
Trade and other receivables	2,790	1,459	-	6	4,255
Cash and cash equivalents	3,841	736	37	549	5,163
Financial liabilities					
Non-current					
Long-term debt	-	(4,424)	-	-	(4,424)
Current					
Current portion of long-term debt	-	(21)	(160)	-	(181)
Short-term debt	-	(3,555)	-	-	(3,555)
Trade and other payables	(2,181)	(207)	(32)	(4)	(2,424)
Net exposure at 30 June2008	**5,068**	**(6,012)**	**(155)**	**551**	**(548)**

At 31 December 2007	**Russian rouble**	**US dollar**	**Euro**	**Other**	**Total**
Financial assets					
Non-current					
Long-term loans receivable	412	-	-	-	412
Other long-term receivables	269	-	-	-	269
Long-term deposits and letters of credit	169	-	6	-	175
Current					
Short-term loans receivable	36	-	-	-	36
Trade and other receivables	1,913	1,350	-	4	3,267
Cash and cash equivalents	3,763	189	7	23	3,982
Financial liabilities					
Non-current					
Long-term debt	-	(4)	(38)	-	(42)
Current					
Current portion of long-term debt	-	(50)	(232)	-	(282)
Short-term debt	-	(6,278)	-	-	(6,278)
Trade and other payables	(1,657)	(31)	(16)	(7)	(1,711)
Net exposure at 31 December 2007	**4,905**	**(4,824)**	**(273)**	**20**	**(172)**

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(b) Commodity price risk

The Group's overall commercial trading strategy in natural gas, stable gas condensate and crude oil and related products 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. As an independent natural gas producer, the Group is not subject to the government's regulation of natural gas prices. Nevertheless, the Group's prices are strongly influenced by the prices regulated by the Federal Tariffs Service (FTS), a governmental agency. In November 2006, the FTS approved and published a plan to liberalize the price of natural gas sold on the Russian domestic market by the year 2011. Effective from 1 January 2008, the FTS increased by 25 percent the regulated price for the year 2008. As part of that program, the FTS plans to further increase the regulated price in 2009 and 2010. Management believes it has limited downside commodity price risk for natural gas and does not use commodity derivative instruments for trading purposes. 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 the natural gas exchange.

Liquid hydrocarbons. The Group sells all its crude oil and related products and gas condensate under spot contracts. Gas condensate volumes sold to the US and European markets are based on benchmark reference crude oil prices of WTI and Brent dated, respectively, plus a margin or discount, depending on current market situation. Crude oil sold internationally is priced based on benchmark reference crude oil prices of Brent dated, plus a margin or 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. Presently, the Group does not use commodity derivative instruments for trading purposes to mitigate price volatility.

(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.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	30 June 2008	31 December 2007
At variable rate	7,978	6,278
At fixed rate	182	324
Total debt	**8,160**	**6,602**

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.

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

Credit risk. Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if 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.

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 sales are made to customers with independent external ratings. All domestic sales of liquid hydrocarbons are made on a 100 percent prepayment basis. The Group also requires 100 percent prepayments from small customers for natural gas deliveries and partial advances from others. Although the Group 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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 based on contractual undiscounted payments, including interest payments:

At 30 June 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Debt at fixed rate				
Principal	181	1	-	182
Interest	16	-	-	16
Debt at variable rate				
Principal	3,555	1,832	2,591	7,978
Interest	302	245	140	687
Trade and other payables	2,424	-	-	2,424
Total financial liabilities	**6,478**	**2,078**	**2,731**	**11,287**

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Debt at fixed rate				
Principal	282	42	-	324
Interest	41	2	-	43
Debt at variable rate				
Principal	6,278	-	-	6,278
Interest	157	-	-	157
Trade and other payables	1,711	-	-	1,711
Total financial liabilities	**8,469**	**44**	**-**	**8,513**

Capital management. The primary objectives of the Group's capital management policy is 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.

The Group presently has an investment grade credit rating of Baa3 (stable outlook) by Moody's Investor Services and is rated BB (positive) by Standard & Poors. To maintain its credit rating, 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 group operational requirements. All external debts are centralized at the parent company level, and all financing to Group entities is facilitated through inter-company loan arrangements.

The Group has a stated dividend policy that distributes at least 30 percent of its parent company non-consolidated statutory net profit determined according to Russian accounting standards. 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.

There were no changes to the Group's approach to capital management during the period.

14 CONTINGENCIES AND COMMITMENTS

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

While there have been significant improvements in the macro-economic environment of 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.

Commitments. At 30 June 2008, the Group had contractual capital expenditures commitments aggregating approximately RR 18,517 million (at 31 December 2007: RR 21,744 million) for phase two development of the Yurkharovskoye field (through 2011), development of the East-Tarkosalinskoye and Khancheiskoye fields (through 2008 and 2010, respectively), for continuation of phase two construction of the Purovsky Gas Condensate Plant (through 2009) and for development of the Sterkhovoye field (through 2008).

14 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. In October 2006, the Supreme Arbitration Court of the Russian Federation issued guidance to lower courts on reviewing tax cases and thereby provided authorities the guidance necessary for the pursuit of tax claims against taxpayers. It is possible that this will significantly increase the level and frequency of tax authorities scrutiny. Other, more recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments, 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.

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, statement of income or of 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 under the Ministry of Natural Resources and the Group pays unified natural resources production tax to produce oil and gas 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 which might arise 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, statement of income or of cash flows.

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

15 RELATED PARTY TRANSACTIONS

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 operational 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. The Group enters into transactions with related parties based on market or regulated prices.

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

15 RELATED PARTY TRANSACTIONS (CONTINUED)

All natural gas producers and wholesalers operating in Russia transport their natural gas volumes through the Unified Gas Supply System (UGSS), which is owned and operated by OAO Gazprom, a State monopoly. As an independent natural gas producer, the Group utilizes the UGSS to transport natural gas to end-consumers at the tariff established by the Federal Tariff Service. Transactions only with Gazprom group parent company – OAO Gazprom, a shareholder of NOVATEK from October 2006, are presented below. The difference with the expenses for natural gas transportation as disclosed in Note 10 relates to volumes sold on electronic trading facilities of Mezhregiongaz, a subsidiary of OAO Gazprom.

	Three months ended 30 June:		Six months ended 30 June	
OAO Gazprom	**2008**	**2007**	**2008**	**2007**
Transactions				
Natural gas transportation to customers	2,552	2,054	5,392	4,784
Purchases of natural gas	392	307	802	637
Other income (loss)	(212)	-	(212)	-

OAO Gazprom	**30 June 2008**	**31 December 2007**
Balances		
Prepayments and other current assets	-	835
Trade and other accounts receivable	382	-
Trade and other payables	304	152

Related parties – associates	**Three months ended 30 June 2008**	**Six months ended 30 June 2008**
Transactions		
Other revenues	247	306
Interest income	13	27

Related parties – associates	**30 June 2008**	**31 December 2007**
Balances		
Long-term loans receivable	291	409
Interest on long-term loans receivable	8	16
Trade payables and accrued liabilities	660	324

In April 2008, the Group made additional capital contributions into its associates in the amount of RR 437 million. Other participants made respectively proportional payments.

Related parties – parties under significant influence of key management personnel	**Three months ended 30 June 2008**	**Six months ended 30 June 2008**
Transactions		
Purchases of construction services (capitalized within property, plant and equipment)	2,910	5,823
Oil products sales	47	185
Other revenues	9	16
Finance income (expense)	(10)	(6)

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

15 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – parties under significant influence of key management personnel	30 June 2008
Balances	
Prepayments and advances (for construction)	506
Prepayments and other current assets	3
Cash and cash equivalents	435
Trade payables and accrued liabilities	28

Key management compensation. During six months ended 30 June 2008 and 2007, the Group paid to the key management personnel (the members of the Board of Directors and the Management Board, some of whom have also direct and indirect interests in the Group) short-term compensation, including salary, bonuses, excluding dividends the total of RR 477 million and RR 239 million in cash, respectively. For the three months ended 30 June 2008 and 2007, the Group paid RR 411 million and RR 196 million, respectively. Such amounts include personal income tax and are net of unified social tax. The remuneration for serving on the Board of Directors is subject to approval by the General Meeting of Shareholders. Key management personnel also receive certain short-term benefits related to healthcare. In addition, RR 44 million was recognized during the three months ended 30 June 2008 and 2007, and RR 88 million during the six months ended 30 June 2008 and 2007 as part of the share-based compensation scheme and included in general and administrative expense

16 SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group evaluates performance and makes investment and strategic decisions based upon a review of profitability for the Group as a whole. However, the Group's activities are considered by management to comprise the following business segments:

- Exploration and production – acquisitions, exploration, development, production, processing, marketing and transportation of natural gas, gas condensate, crude oil and related products;
- Corporate and other – other activities, including head-office, certain general and administrative services, polymer and tape insulation.

Segment information for the three and six months ended 30 June 2008 and 2007 was as follows:

For the three months ended 30 June 2008	Exploration and production	Corporate and other	Total
Segment revenues			
External revenues and other income	20,453	704	21,157
Inter-segment sales	1	53	54
Total segment revenues	**20,454**	**757**	**21,211**
Segment result	**10,402**	**(1,024)**	**9,378**
Unrealized margin in segment assets			(43)
Profit from operations			**9,335**
Finance income (expense), net			22
Share of profit of associates, net of income tax			(45)
Profit before income tax			**9,312**
Income tax expense			(2,256)
Profit for the period			**7,056**

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

16 SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2008	Exploration and production	Corporate and other	Total
Segment revenues			
External revenues and other income	40,701	1,348	42,049
Inter-segment sales	7	85	92
Total segment revenues	**40,708**	**1,433**	**42,141**
Segment result	**20,682**	**(1,405)**	**19,277**
Unrealized margin in segment assets			(73)
Profit from operations			**19,204**
Finance income (expense), net			161
Share of profit of associates, net of income tax			(67)
Profit before income tax			**19,298**
Income tax expense			(4,743)
Profit for the period			**14,555**

For the three months ended 30 June 2007	Exploration and production	Corporate and other	Total
Segment revenues			
External revenues and other income	14,608	453	15,061
Inter-segment sales	3	9	12
Total segment revenues	**14,611**	**462**	**15,073**
Segment result	**6,875**	**(824)**	**6,051**
Finance income (expense), net			42
Profit before income tax			**6,093**
Income tax expense			(1,883)
Profit for the period			**4,210**

For the six months ended 30 June 2007	Exploration and production	Corporate and other	Total
Segment revenues			
External revenues and other income	29,515	821	30,336
Inter-segment sales	7	19	26
Total segment revenues	**29,522**	**840**	**30,362**
Segment result	**13,077**	**(1,330)**	**11,747**
Finance income (expense), net			65
Profit before income tax			**11,812**
Income tax expense			(3,260)
Profit for the period			**8,552**

All of the Group’s production and processing assets are located in the Russian Federation.

17 NEW ACCOUNTING PRONOUNCEMENTS

Beginning 1 January 2008, the Group has adopted the following interpretations:

- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 addresses accounting for certain transactions an entity may enter into to satisfy rights to equity instruments previously granted to employees. Additionally it provides guidance on accounting for rights to equity instruments of a parent company granted for employees of a subsidiary in the subsidiary's separate financial statements;

- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements;

- IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 addresses the measurement of defined benefit plan assets and accounting for an obligation under a minimum funding requirement.

The adoption of these interpretations, if applicable, had an insignificant effect on the Group's consolidated interim condensed financial information.

Recently, the International Accounting Standards Board published the following new standards and interpretations which have not been early adopted by the Group.

- IAS 1, *Presentation of Financial Statements* (revised September 2007); effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances;

- IFRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information;

- Amendment to IAS 32 and IAS 1, *Puttable financial instruments and obligations arising on liquidation* (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability;

- IFRS 3, *Business Combinations* (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone;

17 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- IAS 27, *Consolidated and Separate Financial Statements* (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value;

- Amendment to IFRS 2, *Share-based Payment* (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment;

- IAS 23 (Revised), *Recognition of Borrowing Costs*. The revision removed the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009;

- *Improvements to International Financial Reporting Standards* (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting;

- Amendment to IFRS 1 and IAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (revised May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment;

- Amendment to IAS 39, *Financial Instruments: Recognition and Measuremen).* Entities are required to apply the amendment retrospectively for annual periods beginning on or after 1 July 2009, with earlier application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's 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. The Group's registered office is:

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