OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2009

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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 statement of financial position of OAO NOVATEK and its subsidiaries (the "Group") as of 30 June 2009, the related consolidated interim condensed statement of income for the three and six months then ended, and the related consolidated interim condensed statements cash flows, comprehensive income and 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 35 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
17 August 2009

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

	Notes	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	5	157,410	108,714
Investments in associates		1,411	1,416
Long-term loans and receivables		331	736
Other non-current assets		2,521	2,712
Total non-current assets		**161,673**	**113,578**
Current assets			
Inventories		1,680	2,156
Current income tax prepayments		1,881	1,765
Trade and other receivables		6,964	2,485
Prepayments and other current assets		6,248	8,030
Cash and cash equivalents	6	7,945	10,992
Total current assets		**24,718**	**25,428**
Assets held for sale		-	**901**
Total assets		**186,391**	**139,907**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	7	17,450	19,935
Deferred income tax liabilities		7,472	6,720
Other non-current liabilities		3,127	593
Asset retirement obligations		2,229	1,515
Total non-current liabilities		**30,278**	**28,763**
Current liabilities			
Short-term debt and current portion of long-term debt	8	22,757	6,342
Trade payables and accrued liabilities		12,031	6,223
Current income tax payable		8	231
Other taxes payable		1,018	1,373
Total current liabilities		**35,814**	**14,169**
Liabilities associated with assets held for sale		-	**335**
Total liabilities		**66,092**	**43,267**
Equity attributable to OAO NOVATEK shareholders			
Ordinary share capital		393	393
Treasury shares		(599)	(599)
Additional paid-in capital		30,521	30,433
Currency translation differences		(102)	(91)
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		65,019	60,316
Total equity attributable to OAO NOVATEK shareholders	9	**100,849**	**96,069**
Non-controlling interest		**19,450**	**571**
Total equity		**120,299**	**96,640**
Total liabilities and equity		**186,391**	**139,907**

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 17 August 2009:

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: 2009	Three months ended 30 June: 2008	Six months ended 30 June: 2009	Six months ended 30 June: 2008
Revenues					
Oil and gas sales	10	22,376	20,411	38,692	40,578
Sales of polymer and insulation tape		501	580	898	1,131
Other revenues		271	361	539	519
Total revenues		**23,148**	**21,352**	**40,129**	**42,228**
Operating expenses					
Transportation expenses	11	(8,295)	(4,229)	(13,568)	(8,785)
Taxes other than income tax	12	(1,935)	(1,792)	(3,856)	(3,555)
Materials, services and other		(1,469)	(1,743)	(2,961)	(3,212)
Depreciation, depletion and amortization		(1,274)	(984)	(2,456)	(1,977)
General and administrative expenses		(1,281)	(1,516)	(2,381)	(2,353)
Purchases of natural gas and liquid hydrocarbons		(161)	(1,632)	(454)	(2,803)
Exploration expenses		(231)	(185)	(330)	(415)
Net impairment expense		(71)	(10)	(70)	(16)
Change in natural gas, liquid hydrocarbons, and polymer products and work-in-progress		(321)	269	(341)	271
Total operating expenses		**(15,038)**	**(11,822)**	**(26,417)**	**(22,845)**
Net gain (loss) on disposal of interest in subsidiaries		52	-	52	-
Other operating income (loss)		(210)	(195)	(153)	(179)
Profit from operations		**7,952**	**9,335**	**13,611**	**19,204**
Finance income (expense)					
Interest expense		(186)	(51)	(249)	(108)
Interest income		110	82	290	152
Foreign exchange gain (loss)		1,179	(9)	(1,846)	117
Total finance income (expense)		**1,103**	**22**	**(1,805)**	**161**
Share of profit (loss) of associates, net of income tax		11	(45)	(5)	(67)
Profit before income tax		**9,066**	**9,312**	**11,801**	**19,298**
Income tax expense					
Current income tax expense		(1,257)	(2,004)	(1,734)	(4,317)
Net deferred income tax (expense) benefit		(646)	(252)	(765)	(426)
Total income tax expense	13	**(1,903)**	**(2,256)**	**(2,499)**	**(4,743)**
Profit (loss)		**7,163**	**7,056**	**9,302**	**14,555**
Profit (loss) attributable to:					
Non-controlling interest		(15)	3	(10)	(1)
Shareholders of OAO NOVATEK		**7,178**	**7,053**	**9,312**	**14,556**
Basic and diluted earnings per share (in Russian roubles)		2.37	2.32	3.07	4.79
Weighted average number of shares outstanding (in thousands)		*3,032,114*	*3,036,306*	*3,032,114*	*3,036,306*

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: 2009	2008
Profit before income tax		**11,801**	**19,298**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		2,529	2,022
Net impairment expense		70	16
Net foreign exchange loss (gain)		1,846	(117)
Net loss (gain) on disposal of assets		(22)	200
Share-based compensation	16	88	88
Interest expense		249	108
Interest income		(290)	(152)
Share of loss (profit) in associates, net of income tax		5	67
Net change in other non-current assets		233	467
Other adjustments		(139)	(28)
Working capital changes			
Decrease (increase) in trade and other receivables, prepayments and other current assets		519	208
Decrease (increase) in inventories		485	(367)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends		(1,063)	797
Increase (decrease) in other taxes payable		(404)	26
Total effect of working capital changes		**(463)**	**664**
Income taxes paid		(2,027)	(5,085)
Net cash provided by operating activities		**13,880**	**17,548**
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,450)	(15,832)
Purchases of inventories intended for construction		(244)	(176)
Additional capital contribution into associates and acquisition of subsidiaries		(6,025)	(564)
Proceeds from disposal of subsidiaries, net of cash disposed		46	-
Interest paid and capitalized		(522)	(136)
Loans provided		(100)	(291)
Repayments of loans provided		1	409
Interest received		208	151
Net cash (used for) provided by investing activities		**(14,086)**	**(16,439)**
Cash flows from financing activities			
Proceeds from long-term debt		-	4,409
Repayments of long-term debt		(46)	(152)
Repayments of short-term debt		(320)	(2,367)
Interest paid		(35)	(12)
Dividends paid	9	(1,488)	(1,692)
Net cash (used for) provided by financing activities		**(1,889)**	**186**
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		(976)	45
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**(3,071)**	**1,340**
Cash, cash equivalents and bank overdrafts at beginning of the period		10,991	2,614
Net decrease (increase) in cash and cash equivalents reclassified to assets classified as held for sale		25	-
Cash, cash equivalents and bank overdrafts at end of the period		**7,945**	**3,954**

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: 2009	2008
Other comprehensive income after income tax:			
Currency translation differences		(11)	-
Other comprehensive income		(11)	**-**
Profit (loss)		**9,302**	**14,555**
Total comprehensive income		**9,291**	**14,555**
Total comprehensive income attributable to:			
Non-controlling interest		(10)	(1)
Shareholders of OAO NOVATEK		**9,301**	**14,556**

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**	**Asset revaluation surplus on acquisitions**	**Cumulative currency translation differences**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
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**
Profit (loss)	-	-	-	-	-	-	14,556	14,556	(1)	14,555
Total comprehensive income	-	**-**	**-**	**-**	**-**	**-**	**14,556**	**14,556**	**(1)**	**14,555**
Dividends (Note 9)	-	-	-	-	-	-	(4,615)	(4,615)	-	(4,615)
Share-based compensation funded by shareholders	-	-	-	88	-	-	-	88	-	88
30 June 2008	*3,036,306*	**393**	**-**	**30,345**	**5,617**	**-**	**55,009**	**91,364**	**476**	**91,840**
For the six months ended 30 June 2009										
1 January 2009	*3,032,114*	**393**	**(599)**	**30,433**	**5,617**	**(91)**	**60,316**	**96,069**	**571**	**96,640**
Currency translation differences	-	-	-	-	-	(11)	-	(11)	-	(11)
Profit (loss)	-	-	-	-	-	-	9,312	9,312	(10)	9,302
Total comprehensive income	-	**-**	**-**	**-**	**-**	**(11)**	**9,312**	**9,301**	**(10)**	**9,291**
Dividends (Note 9)	-	-	-	-	-	-	(4,609)	(4,609)	-	(4,609)
Impact of additional shares subscription in subsidiaries on minority interest	-	-	-	-	-	-	-	-	160	160
Acquisition of subsidiaries	-	-	-	-	-	-	-		18,729	18,729
Share-based compensation funded by shareholders	-	-	-	88	-	-	-	88	-	88
30 June 2009	*3,032,114*	**393**	**(599)**	**30,521**	**5,617**	**(102)**	**65,019**	**100,849**	**19,450**	**120,299**

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 2008 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2008 consolidated interim condensed statement of financial position 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 2008. Estimates have principally been made in respect to useful lives of property, plant and equipment, fair values of assets and liabilities, deferred income taxes, estimation of oil and gas reserves, impairment provisions, pension obligations and assets retirement obligations.

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

Exchange rates, restrictions and controls. The official rate of exchange of the Russian rouble to the US dollar ("USD") at 30 June 2009 and 31 December 2008 was 31.29 and 29.38 Russian roubles to USD 1.00, respectively. The official rate of exchange of the Russian rouble to the Euro at 30 June 2009 and 31 December 2008 was 43.82 and 41.44 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 1 January 2009, net gain (loss) on disposal of interest in subsidiaries and other income (loss) are presented within other operating income (loss) below operating expenses in the consolidated interim condensed statement of income as such presentation more appropriately reflects the nature of these items. Accordingly, RR 195 million and RR 179 million of other income (loss) for the three and six months ended 30 June 2008 was reclassified from total revenues and other income to other operating income (loss).

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 2008, except for the matters discussed below.

Adoption of IAS 1. Effective 1 January 2009, the Group adopted IAS 1, *Presentation of Financial Statements* (revised September 2007) ("IAS 1"). Following the adoption, the Group introduced the statement of financial position instead of the balance sheet, and replaced the income statement by two statements: a separate income statement and a statement of comprehensive income. Also, non-controlling shares in the Group's subsidiaries' net assets and financial results are presented as non-controlling interests (previously "minority interests"). The adoption of IAS 1 affects the formal presentation of the Group's financial statements but has no impact on the recognition or measurement of specific transactions and balances.

Adoption of IFRS 8. Effective 1 January 2009, the Group adopted IFRS 8, *Operating Segments* ("IFRS 8"), which replaces IAS 14, *Segment Reporting*. IFRS 8 introduces new requirements and guidelines regarding the disclosures of operating segments.

Operating segments are defined as components of the Group about which separate financial information is available and reported regularly to the chief operating decision maker (hereinafter referred to as "CODM", represented by the Management Committee of NOVATEK), which decides how to allocate resources and assesses operational and financial performance.

The Group conducts its normal course of business through its principal business segment "Exploration, production and marketing". Substantially all of the Group's business activities are related to the natural gas and gas condensate exploration, production and marketing business segment, and include all headquarter-related costs. To a significantly lesser extent, the Group is engaged in polymer production and marketing activities, which are considered a separately reportable operating segment.

The CODM assesses reporting segments 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.

Prior periods have been restated to conform to the current period presentation.

Commodity instruments. The Group entered into commodity derivative instruments with the primary objective of reducing the Group's exposure to fluctuating of oil and gas prices. The Group has not entered into commodity derivative instruments for trading purposes.

During the six months ended 30 June 2009, the Group entered into commodity price swap contracts for total notional volume of three million barrels of stable gas condensate. The contractual notional volumes are not physically exchanged, rather they are cash settled on a net basis. None of the contracts executed during this period qualified for hedge treatment under IAS 39, *Financial Instruments: Recognition and Measurement*. All contacts were settled realizing net losses of RR 190 million, of which loss of RR 212 million was recognized during the three months ended 30 June 2009. The results of the commodity price swap contracts were recorded within other operating income (loss) in the consolidated interim condensed statement of income.

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

4 ACQUISITIONS AND DISPOSALS

In April 2009, the Group disposed of its wholly-owned, OOO "Purneft", to third parties for RR 425 million payable throughout December 2009**.** The Group recognized a gain on the sale of RR 42 million, net of associated income tax of RR 10 million. The Group included balances and results of the operations of the disposed subsidiary within "Exploration, production and marketing" in the Group's segment information.

In June 2009, the Group merged its wholly-owned subsidiary, OOO "PurNovaGaz" which holds the license for exploration and production within the Olympiisky license area into its wholly-owned subsidiary OOO "NOVATEK-TARKOSALENEFTEGAS".

Acquisition of OAO "Yamal LNG"

On 26 May 2009, the Group entered into the contract to acquire 51 percent of the outstanding ordinary shares of OAO "Yamal LNG", an exploration stage oil and gas company located in the north-east of the Yamal peninsula, YNAO. This company holds the license for exploration and development of the South-Tambeyskoye field (license expires in 2020) with estimated natural gas and gas condensate reserves in accordance with the Russian reserve classification (categories C1 + C2) amounting to 1.26 tcm and 51.6 mt, respectively. The acquisition of the South-Tambeyskoye field significantly increases the Group's resource base ensuring future natural gas and gas condensate production growth.

OAO "Yamal LNG" has no notable operating activities up to and as at the purchase date and as this entity is in the early exploration stage, consequently this acquisition is outside the definition of business as defined in IFRS 3, "*Business Combinations"*. The difference between the Group's share in fair value of identifiable assets and liabilities of the acquired company and consideration treated as part of the cost of the license.

The following table summarizes the total purchase consideration for OAO "Yamal LNG".

	USD million	Exchange rate	RR million
Cash	250	30.51	7,628
Promissory notes of NOVATEK	300	30.73	9,219
Deferred cash payment	100	30.51	2,546 (*)
Total purchase consideration	**650**		**19,393**

(*) – discounted at 7.5 percent per annum.

In accordance with the purchase agreement terms, the Group paid USD 200 million in cash in June 2009, and the remaining USD 50 million are payable not later than November 2009.

On 4 June 2009, NOVATEK issued Russian rouble denominated promissory notes for the aggregated amount of RR 9,219 million (being the equivalent of USD 300 million at an agreed rate of RR 30.73). All notes bore an interest of 14.0 percent per annum and were payable on demand but not earlier than 1 February 2010. On 8 June 2009, the Group repaid RR 320 million of promissory notes ahead of schedule, and re-issued promissory notes for the remaining amount of RR 8,899 million at 13.9 percent per annum payable under the same maturity terms. The nominal (carrying) value of promissory notes approximates their fair value.

The contingent consideration arrangement (deferred cash payment) requires the Group to pay the former owners of OAO "Yamal LNG" USD 100 million (undiscounted) upon the conclusion of an agreement between OAO "Yamal LNG" and OAO Gazprom, defining the main terms of the LNG sale produced from the South-Tambeyskoye field. This agreement must be concluded not later than 30 December 2011, otherwise the amount will not be paid.

Acquisition-related costs (legal and evaluation services) directly associated with the transaction in the amount of RR 100 million were included in the asset's cost.

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

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

Recognized amounts of identifiable assets acquired and liabilities assumed are presented below.

OAO "Yamal LNG"	**RR million**
Financial assets	886
Property, plant and equipment	818
Other non-financial assets	807
Long-term debt	(2,833)
Other financial liabilities	(271)
Asset retirement obligations	(587)
Other non-financial liabilities	(150)
Total identifiable net liabilities	**(1,330)**

The following table shows the total cost of the acquired asset.

	RR million
Total purchase consideration	19,393
Gross up for total value of the asset acquired	18,704
Legal and evaluation services	100
Add: identifiable net liabilities	1,330
Cost of the asset	**39,527**

In May 2009, the Group signed a call option contract with one of the sellers, which provides the Group with the opportunity to purchase an additional 23.9 percent of OAO "Yamal LNG" for USD 450 million within three years following the controlling acquisition. The Group paid USD 10 million in July 2009 to enter into this call option agreement.

The financial and operational activity of OAO "Yamal LNG" was not material to the Group's revenues and results of operations for the six months ended 30 June 2009.

Acquisition of OOO "EkropromStroy"

On 19 June 2009, the Group acquired 100 percent of the participation interest in OOO "EkropromStroy" from several members of key management personnel of the Group for total cash consideration of RR 1,999 million, of which RR 1,299 million was paid in July 2009 and RR 700 million is payable throughout December 2009. The Group has obtained an independent appraisal which supports the purchase price and considers that the amount paid is substantially consistent with the terms that would be agreed in an arm's length transaction. The company manages the construction of the Group's new office building located in Moscow and has no activities other than the management of construction activities and ownership of the constructed building. Accordingly, the purchase is outside the definition of business as defined in IFRS 3, *"Business Combinations"*. The difference between fair value of identifiable net assets of the acquired company and consideration treated as part of the cost of the building.

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

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

Recognized amounts of identifiable assets acquired and liabilities assumed are presented below.

OOO "EkropromStroy"	**RR million**
Cash and cash equivalents	75
Property, plant and equipment	562
Other non-financial assets	97
Long-term debt	(468)
Other financial liabilities	(12)
Non-financial liabilities	(10)
Total identifiable net assets	**244**

The financial and operational activity of OOO "EkropromStroy" was not material to the Group's revenues and results of operations for the six months ended 30 June 2009.

Joint venture with TOTAL

On 24 June 2009, NOVATEK and TOTAL E&P ACTIVITIES PETROLIERES ("TOTAL") signed a Heads of Agreement (the "Agreement") establishing the framework for joint cooperation in exploring and developing the Group's Termokarstovoye gas condensate field located in YNAO.

The Agreement provides for the establishment of a joint venture through the acquisition, by TOTAL, of a 49 percent participation interest in OOO "Terneftegas", a wholly-owned subsidiary of the Group and holder of the license for exploration and production of natural gas and gas condensate at the Termokarstovoye field. Under the terms and conditions of the Agreement, the joint venture has two years to complete exploration works and prepare a field development plan, with a final investment decision to proceed forward taken in 2011.

The closing date for the transaction is subject to the final approval to be obtained from the Federal Anti-Monopoly Service of the Russian Federation.

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

5 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment, for the six months ended 30 June 2009 and 2008 are as follows:

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**

For the six months ended 30 June 2009	Operating assets	Assets under construction	Total
Cost	100,029	24,771	124,800
Accumulated depreciation, depletion and amortization	(16,086)	-	(16,086)
Net book value at 1 January 2009	**83,943**	**24,771**	**108,714**
Acquisition of subsidiaries	40,152	2,463	42,615
Additions	481	8,184	8,665
Transfers	8,148	(8,148)	-
Depreciation, depletion and amortization	(2,546)	-	(2,546)
Disposals, net	(25)	(13)	(38)
Cost	148,813	27,257	176,070
Accumulated depreciation, depletion and amortization	(18,660)	-	(18,660)
Net book value at 30 June 2009	**130,153**	**27,257**	**157,410**

Included in transfers to operating assets for the six months ended 30 June 2009 is the completion of the second stage of the second phase of development at the Yurkharovskoye field in the amount of RR 2,208 million and the completion of the second phase of the Purovsky Gas Condensate Plant for RR 5,007 million.

Included in additions to property, plant and equipment for the six months ended 30 June 2009 and 2008 is capitalized interest of RR 522 million and RR 136 million, respectively.

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

6 CASH AND CASH EQUIVALENTS

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

	30 June 2009	31 December 2008
Cash and cash equivalents per the consolidated interim condensed statement of financial position	7,945	10,992
Less: bank overdrafts	-	(1)
Cash, cash equivalents and bank overdrafts per the consolidated interim condensed statement of cash flows	**7,945**	**10,991**

7 LONG-TERM DEBT

At 30 June 2009 and 31 December 2008, the Group's long-term debt by facility is as follows:

	30 June 2009	31 December 2008
Syndicated term loan facility	24,877	23,293
OAO Gazprombank	2,833	-
SWGI Growth Fund (Cyprus) Limited	468	-
Other loans	-	45
Total	**28,178**	**23,338**
Less: current portion of long-term debt	(10,728)	(3,403)
Total long-term debt	**17,450**	**19,935**

Syndicated term loan facility. 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 payments to begin 18 months after 21 April 2008 and is to be repaid in quarterly installments thereafter. The facility pays an initial interest of LIBOR plus 1.25 percent per annum for the first 18 months and rising to 1.5 percent per annum thereafter (1.9 percent at 30 June 2009 and 3.4 percent at 31 December 2008). The facility terms include the maintenance of certain restrictive financial covenants. At 30 June 2009, RR 24,877 million (USD 795 million), net of transaction costs, had been drawn down under this facility agreement.

OAO Gazprombank. At 30 June 2009, the Group's debt included a Russian rouble denominated loan from OAO "Gazprombank" in the amount of RR 2,833 million which was consolidated as a result of the acquisition of OAO "Yamal LNG" (see Note 4). The loan bears average interest rate of 18.5 percent per annum and is repayable in December 2010. On 11 August 2009, NOVATEK's Board of Directors and Management Committee approved a loan in the amount of RR 3,500 million at an annual interest rate of 15.0 percent to OAO "Yamal LNG". The proceeds will be used to fully repay OAO "Yamal LNG" debt to OAO "Gazprombank" ahead of its maturity schedule.

SWGI Growth Fund (Cyprus) Limited. At 30 June 2009, the Group's debt included a US dollar denominated loan from SWGI Growth Fund (Cyprus) Limited, a party under control of key management personnel, in the amount of RR 468 million (USD 15 million) which was consolidated as a result of the acquisition of OOO "EkropromStroy" (see Note 4). The loan bore annual interest of 5.2 percent and was fully repaid in July 2009 ahead of its maturity schedule.

The carrying values of long-term debt approximate their fair value.

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

7 LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt at 30 June 2009 were as follows:

Twelve months ended 30 June:	
1 July 2010 to 30 June 2011	17,450
Total long-term debt	**17,450**

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

	30 June 2009	31 December 2008
US dollar denominated loans	3,130	2,938
Russian rouble denominated interest bearing promissory notes	8,899	-
US dollar denominated bank overdrafts	-	1
Total	12,029	2,939
Add: current portion of long-term debt	10,728	3,403
Total short-term debt and current portion of long-term debt	**22,757**	**6,342**

US dollar denominated loans. At 30 June 2009 and 31 December 2008, the US dollar denominated loans included a loan from BNP PARIBAS in the amount of RR 3,130 million and 2,938 million (USD 100 million), respectively. The loan bears annual interest of 6.3 percent and is repayable in equal parts in August and September 2009.

Russian rouble denominated interest bearing promissory notes. At 30 June 2009, Russian rouble denominated promissory notes represent notes issued by NOVATEK in connection with the OAO “Yamal LNG” acquisition (see Note 4). Promissory notes bear an annual interest rate 13.9 percent and are repayable on demand by not earlier than February 2010.

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

Available credit facilities and bank overdrafts. At 30 June 2009 and 31 December 2008, the Group used RR nil million and RR 1 million of its credit facilities as bank overdrafts, respectively. Available funds under these short-term credit lines with various international banks totaled RR 6,258 million (USD 200 million) and RR 4,407 million (USD 150 million) at 30 June 2009 and 31 December 2008, respectively, on either fixed or variable interest rates subject to the specific type of credit facility.

In June 2009, the Group signed a loan agreement with CALYON RUSBANK Corporate and Investment Bank. The terms of the agreement provide the Group loan facilities of USD 100 million at annual interest rate of LIBOR plus 5.25 percent till July 2010. In July 2009, the Group withdrew USD 50 million payable in January 2010 under this agreement.

In addition, the Group has available funds up to the maximum amount of RR 3,129 million (USD 100 million) under a two year credit line facility starting from November 2007 with UniCredit Bank with interest rates negotiated on each withdrawal date. In June 2009, the Group extended the terms of the credit line till February 2010.

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

9 SHAREHOLDERS' EQUITY

Treasury shares. In accordance with the share buyback program authorized by the Board of Directors on 11 February 2008, the Group has periodically purchased ordinary shares of OAO NOVATEK in the form of Global Depository Receipts (GDRs) on the London Stock Exchange through the use of independent brokers.

At 30 June 2009 and 31 December 2008, a Group wholly-owned subsidiary, Novatek Equity (Cyprus) Limited, held 419,233 GDRs (4,192 thousand ordinary shares) at total cost of RR 599 million. The Group has decided that these shares do not vote.

Dividends. The Group declares and pays dividends in Russian roubles.

	Six months ended 30 June:	
	2009	**2008**
Dividends payable at beginning of the period	-	1
Dividends declared (*)	4,609	4,615
Dividends paid	(1,488)	(1,692)
Dividends payable at end of the period	**3,121**	**2,924**
Dividends per share declared during the period (in Russian roubles)	1.52	1.52
Dividends per GDR declared during the period (in Russian roubles)	15.2	15.2

(*) – excluding treasury shares.

On 27 May 2009, the Annual General Meeting of Shareholders of OAO NOVATEK approved the final 2008 dividend totaling RR 4,615 million (including treasury shares), which is to be paid within 60 days to the shareholders of record at the close of business on 20 April 2009. The amount due was included within trade payables and accrued liabilities. The outstanding amount was settled in July 2009.

10 OIL AND GAS SALES

	Three months ended 30 June:		Six months ended 30 June:	
	2009	**2008**	**2009**	**2008**
Natural gas	12,868	10,740	25,039	22,333
Stable gas condensate	7,500	6,525	10,141	12,468
Liquefied petroleum gas	1,649	1,601	2,887	3,133
Crude oil	341	655	584	1,212
Oil products	18	890	41	1,432
Total oil and gas sales	**22,376**	**20,411**	**38,692**	**40,578**

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

11 TRANSPORTATION EXPENSES

	Three months ended 30 June:		Six months ended 30 June:	
	2009	**2008**	**2009**	**2008**
Natural gas transportation to customers	5,674	2,581	8,951	5,446
Stable gas condensate and liquefied petroleum gas transportation by rail	1,646	1,004	2,978	2,073
Stable gas condensate transportation by tankers	853	523	1,400	1,050
Unstable gas condensate transportation from the fields to the processing facilities through third party pipelines	81	48	159	91
Crude oil transportation to customers	40	31	77	59
Other	1	42	3	66
Total transportation expenses	**8,295**	**4,229**	**13,568**	**8,785**

12 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:	
	2009	**2008**	**2009**	**2008**
Unified natural resources production tax	1,588	1,631	3,223	3,237
Property tax	315	142	570	284
Other taxes	32	19	63	34
Total taxes other than income tax	**1,935**	**1,792**	**3,856**	**3,555**

13 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate for 2008 was 24 percent. Effective from 1 January 2009, the statutory income tax rate was reduced to 20 percent. For the six months ended 30 June 2009 and 2008, the consolidated Group's effective income tax rate was 21.2 percent and 24.5 percent, respectively. For the three months ended 30 June 2009 and 2008, the consolidated Group's effective income tax rate was 21.0 percent and 24.1 percent, respectively.

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

14 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 2009**	**31 December 2008**
Non-current		
Long-term loans receivable	-	413
Trade and other receivables	331	323
Long-term deposits and letters of credit	-	52
Current		
Short-term loans receivable	1,234	3
Trade and other receivables	6,964	2,485
Short-term bank deposits	-	5
Cash and cash equivalents	7,945	10,992
Total carrying amount	**16,474**	**14,273**

	Measured at amortized cost	
Financial liabilities	**30 June 2009**	**31 December 2008**
Non-current		
Long-term debt	17,450	19,935
Other payables	2,624	-
Current		
Current portion of long-term debt	10,728	3,403
Short-term debt	12,029	2,939
Trade and other payables	7,722	4,405
Total carrying amount	**50,553**	**30,682**

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.

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(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.

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 2009	**Russian rouble**	**US dollar**	**Euro**	**Other**	**Total**
Financial assets					
Non-current					
Trade and other receivables	331	-	-	-	331
Current					
Short-term loans receivable	1,234	-	-	-	1,234
Trade and other receivables	4,419	2,520	-	25	6,964
Cash and cash equivalents	3,056	4,881	1	7	7,945
Financial liabilities					
Non-current					
Long-term debt	(2,833)	(14,617)	-	-	(17,450)
Other payables	-	(2,624)	-	-	(2,624)
Current					
Current portion of long-term debt	-	(10,728)	-	-	(10,728)
Short-term debt	(8,899)	(3,130)	-	-	(12,029)
Trade and other payables	(5,913)	(1,752)	(51)	(6)	(7,722)
Net exposure at 30 June 2009	**(8,605)**	**(25,450)**	**(50)**	**26**	**(34,079)**

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

At 31 December 2008	Russian rouble	US dollar	Euro	Other	Total
Financial assets					
Non-current					
Long-term loans receivable	413	-	-	-	413
Trade and other receivables	323	-	-	-	323
Long-term deposit and letters of credit	49	1	-	2	52
Current					
Short-term loans receivable	3	-	-	-	3
Trade and other receivables	1,860	602	-	23	2,485
Short-term bank deposits	-	-	5	-	5
Cash and cash equivalents	3,748	7,162	74	8	10,992
Financial liabilities					
Non-current					
Long-term debt	-	(19,935)	-	-	(19,935)
Current					
Current portion of long-term debt	-	(3,358)	(45)	-	(3,403)
Short-term debt	-	(2,939)	-	-	(2,939)
Trade and other payables	(4,162)	(152)	(87)	(4)	(4,405)
Net exposure at 31 December 2008	**2,234**	**(18,619)**	**(53)**	**29**	**(16,409)**

(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. On 1 January 2008, the FTS increased the regulated price for 2008 by 25 percent. Additional increases of 5 percent 7 percent and 7 percent in the regulated price were effective 1 January 2009, 1 April 2009 and 1 July 2009, respectively. As part of the program, the FTS announced a plan to further increase the regulated price at the beginning of the last quarter of 2009 by 6.2 percent. 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 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. Presently, the Group utilizes limited commodity derivative instruments to mitigated risk of crude oil and gas condensate price volatility.

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(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 2009	31 December 2008
At variable rate	24,877	23,293
At fixed rate	15,330	2,984
Total debt	**40,207**	**26,277**

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 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 a 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 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.

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Debt at fixed rate				
Principal	12,029	3,301	-	15,330
Interest	770	815	-	1,585
Debt at variable rate				
Principal	10,728	14,149	-	24,877
Interest	461	145	-	606
Trade and other payables	7,475	2,871	-	10,346
Total financial liabilities	**31,463**	**21,281**	**-**	**52,744**

At 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Debt at fixed rate				
Principal	2,984	-	-	2,984
Interest	2	-	-	2
Debt at variable rate				
Principal	3,358	13,242	6,693	23,293
Interest	785	477	61	1,323
Trade and other payables	4,405	-	-	4,405
Total financial liabilities	**11,534**	**13,719**	**6,754**	**32,007**

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 & Poor's. 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 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 taken 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.

15 CONTINGENCIES AND COMMITMENTS

Operating environment. The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation, and relatively high inflation. The tax, currency and customs legislation is subject to varying interpretations, frequent changes and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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

Recent volatility in global and Russian financial markets. The global liquidity crisis which commenced in the middle of 2007 has resulted in numerous stresses to the capital market system, which among other things, has resulted in a lower level of capital market raising activities, a lower level of liquidity across the international and Russian banking sector, and higher interbank lending rates. The present uncertainties in the global financial market have also led to a series of bank failures and bank rescue measures in the United States, Western Europe and in the Russian Federation amongst other countries. Moreover, the US Federal Reserve and Treasury as well as primary Central Banks around the world, including the Central Bank of the Russian Federation have initiated efforts to stimulate the global financial markets. The full extent of the impact of the ongoing financial and economic crisis is difficult to predict or anticipate at this stage of the economic business cycle.

Under the present market situation, the Group's ability to obtain new borrowings and/or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions may be affected. Moreover, the amount of financing available on the market has been significantly reduced since the onset of the economic and financial crisis (often referred to as the "credit crunch"). The Group's debtors may also be affected by the lower liquidity situation which could negatively impact their ability to repay their amounts owed. Deteriorating operating and financial conditions of debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessments.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current market circumstances. The effectiveness of the measures is in the view of management, significantly enabled by the effectiveness of the financial policies and treasury management practices that the Group has employed in recent years. Specifically, the Group has maintained adequate cash and cash equivalent balance, used diversified funding sources, limited bank concentration of liquid funds, required prepayments for hydrocarbon sales and had adhered to strict liquidity and financial leverage ratios.

Despite these efforts, management acknowledges that there are present uncertainties over the direction and duration of the current market volatility and, consequently, is unable to predict the impact of any further deterioration in the global and Russian financial markets.

Commitments. At 30 June 2009, the Group had contractual capital expenditures commitments aggregating approximately RR 14,269 million (at 31 December 2008: RR 16,991 million) for phase two development of the Yurkharovskoye field (through 2011), development of the East-Tarkosalinskoye and Khancheiskoye fields (through 2009 and 2010, respectively), for continuation of phase two construction of the Purovsky Gas Condensate Plant (through 2011) in accordance with duly signed agreements. In addition, at 30 June 2009, the Group has capital commitments for exploration activities under the El Arish Concession Agreement aggregating approximately USD 15 million (at 31 December 2008: USD 20 million).

15 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. 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 proceeding 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.

16 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)

16 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 with OAO Gazprom, a shareholder of significant influence, from October 2006, and its subsidiaries are presented below.

Related parties – OAO Gazprom and its subsidiaries	Three months ended 30 June:		Six months ended 30 June:	
	2009	2008	2009	2008
Transactions				
Oil and gas sales	5,255	1,533	7,241	2,904
Purchases of natural gas and liquid hydrocarbons	-	392	-	802
Natural gas transportation to customers	5,868	2,604	9,081	5,500
Processing fees	127	66	249	126
Other revenues	-	7	-	12
Other operating income (loss)	-	(232)	-	(212)
Other operating expenses	5	5	12	13

Related parties – OAO Gazprom and its subsidiaries	30 June 2009	31 December 2008
Balances		
Trade and other receivables	2,228	232
Prepayments and other current assets	30	1,065
Prepayments and advances (capitalized within property, plant and equipment)	25	76
Trade and other payables	1,239	276

Related parties – associates	Three months ended 30 June:		Six months ended 30 June:	
	2009	2008	2009	2008
Transactions				
Other revenues	170	247	406	306
Interest income	15	13	27	27

Related parties – associates	30 June 2009	31 December 2008
Balances		
Long-term loans receivable	-	410
Interest on long-term loans receivable	96	33
Trade payables and accrued liabilities	144	489
Short-term loans receivable	510	-

Related parties – parties under significant influence of key management personnel	Three months ended 30 June:		Six months ended 30 June:	
	2009	2008	2009	2008
Transactions				
Purchases of construction services (capitalized within property, plant and equipment)	785	2,910	1,077	5,823
Oil products sales	5	47	12	185
Finance income (expense)	11	-	11	-

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

16 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – parties under significant influence of key management personnel	**30 June 2009**	**31 December 2008**
Balances		
Trade and other receivables	32	-
Prepayments and other current assets	877	21
Trade payables and accrued liabilities	136	55

The related parties presented in the table below were reclassified to related parties under control of key management personnel at the end of March 2009 due to changes in respective ownership, before that these related parties were disclosed as under significant influence of key management personnel.

Related parties – party under control of key management personnel	**Three months ended 30 June:**		**Six months ended 30 June:**	
	2009	**2008**	**2009**	**2008**
Transactions				
Other revenues	2	9	5	16
Finance income (expense)	(1)	(10)	(1)	(6)

Related parties – party under control of key management personnel	**30 June 2009**	**31 December 2008**
Balances		
Cash and cash equivalents	766	337

In addition, the Group has the following balances with related parties as a result of its acquisitions.

As discussed in Note 4, the Group purchased a 51 percent stake in OAO “Yamal LNG”. At 30 June 2009 (but not as of acquisition date) an individual who significantly influences the sellers of the stake is a member of the Group’s key management personnel of the Group. Consequently, the sellers are considered a related party at 30 June 2009. The Group included liabilities of RR 2,546 million and RR 1,526 million to this related party in other non-current liabilities and trade payables and accrued liabilities, respectively, in the consolidated interim condensed statement of financial position at 30 June 2009.

As discussed in Note 4, the Group purchased 100 percent of OOO “EkropromStroy” from several members of the Group’s key management. At 30 June 2009, the Group owes RR 1,999 million with respect to this acquisition, which is included in trade payables and accrued liabilities in the consolidated interim condensed statement of financial position. As part of this acquisition, at 30 June 2009, the Group consolidated long-term debt of 468 million of OOO “EkropromStroy” to SWGI Growth Fund (Cyprus) Limited, a party under control of key management personnel.

Key management compensation. During the six months ended 30 June 2009 and 2008, the Group paid to key management personnel (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 374 million and RR 477 million in cash, respectively. For the three months ended 30 June 2009 and 2008, the Group paid RR 313 million and RR 411 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 88 million was recognized in both periods as part of the share-based compensation scheme and included in general and administrative expenses.

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

17 SEGMENT INFORMATION

The Group's activities are considered by the CODM to comprise the following operating segments:

- Exploration, production and marketing – acquisitions, exploration, development, production, processing, marketing and transportation of natural gas, gas condensate and related products; and
- Polymer production and marketing – production and marketing of polymer and tape insulation and other polymer products.

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

Segment information for the three months ended 30 June 2008 is as follows:

For the three months ended 30 June 2008	**Exploration, production and marketing**	**Polymer production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues	20,739	682	21,421	(69)	21,352
External expenses	(11,065)	(554)	(11,619)	(203)	(11,822)
Other operating income (loss)	(493)	10	(483)	288	(195)
Interest expense	42	1	43	(94)	(51)
Interest income	13	1	14	68	82
Foreign exchange gain (loss)	(6)	-	(6)	(3)	(9)
Segment result	**9,230**	**140**	**9,370**	**(13)**	**9,357**
Share of profit (loss) of associates, net of income tax					(45)
Profit before income tax					**9,312**
Depreciation, depletion and amortization	645	13	658	326	984
Capital expenditures	8,851	-	8,851	619	9,470

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

17 SEGMENT INFORMATION (CONTINUED)

Segment information for the three months ended 30 June 2009 is as follows:

For the three months ended 30 June 2009	Exploration, production and marketing	Polymer production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	22,372	511	22,883	265	23,148
External expenses	(14,741)	(444)	(15,185)	147	(15,038)
Other operating income (loss)	(437)	(1)	(438)	280	(158)
Interest expense	(54)	2	(52)	(134)	(186)
Interest income	79	-	79	31	110
Foreign exchange gain (loss)	1,178	1	1,179	-	1,179
Segment result	**8,397**	**69**	**8,466**	**589**	**9,055**
Share of profit (loss) of associates, net of income tax					11
Profit before income tax					**9,066**
Depreciation, depletion and amortization	1,341	16	1,357	(83)	1,274
Capital expenditures	5,716	-	5,716	(922)	4,794

Segment information for the six months ended 30 June 2008 is as follows:

For the six months ended 30 June 2008	Exploration, production and marketing	Polymer production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	41,009	1,251	42,260	(32)	42,228
External expenses	(21,016)	(1,122)	(22,138)	(707)	(22,845)
Other operating income (loss)	(488)	13	(475)	296	(179)
Interest expense	(18)	-	(18)	(90)	(108)
Interest income	95	1	96	56	152
Foreign exchange gain (loss)	143	(1)	142	(25)	117
Segment result	**19,725**	**142**	**19,867**	**(502)**	**19,365**
Share of profit (loss) of associates, net of income tax					(67)
Profit before income tax					**19,298**
Depreciation, depletion and amortization	1,217	19	1,236	741	1,977
Capital expenditures	14,742	-	14,742	1,265	16,007

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

17 SEGMENT INFORMATION (CONTINUED)

Segment information for the six months ended 30 June 2009 is as follows:

For the six months ended 30 June 2009	Exploration, production and marketing	Polymer production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	38,984	921	39,905	224	40,129
External expenses	(25,436)	(885)	(26,321)	(96)	(26,417)
Other operating income (loss)	(964)	-	(964)	863	(101)
Interest expense	(322)	-	(322)	73	(249)
Interest income	219	-	219	71	290
Foreign exchange gain (loss)	(1,801)	1	(1,800)	(46)	(1,846)
Segment result	**10,680**	**37**	**10,717**	**1,089**	**11,806**
Share of profit (loss) of associates, net of income tax					(5)
Profit before income tax					**11,801**
Depreciation, depletion and amortization	2,481	24	2,505	(49)	2,456
Capital expenditures	10,823	-	10,823	(2,158)	8,665

Geographical information. The Group’s two segments operate in three major geographical areas of the world. In the Russian Federation, its home country, the Group is mainly engaged in the exploration, development, extraction and sales of natural gas, crude oil, gas condensate and related products and sales of polymer and insulation tape. Activities outside the Russian Federation are conducted in the United States (sales of stable gas condensate), in Europe (sales of stable gas condensate, liquefied petroleum gas and crude oil) and other areas (sales of liquefied petroleum gas and sales of polymer and insulation tape). Information on the geographical location of the Group’s revenues is set out below.

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

17 SEGMENT INFORMATION (CONTINUED)

Geographical information for the three months ended 30 June 2009 and 2008 is as follows:

	Russia	Europe	USA	Other	Total
For the three months ended 30 June 2008					
Exploration, production and marketing	13,104	192	7,299	164	20,759
Polymer production and marketing	497	-	-	96	593
Total external revenues	**13,601**	**192**	**7,299**	**260**	**21,352**
For the three months ended 30 June 2009					
Exploration, production and marketing	13,917	2,077	5,903	749	22,646
Polymer production and marketing	377	-	-	125	502
Total external revenues	**14,294**	**2,077**	**5,903**	**874**	**23,148**

Geographical information for the six months ended 30 June 2009 and 2008 is as follows:

	Russia	Europe	USA	Other	Total
For the six months ended 30 June 2008					
Exploration, production and marketing	26,656	1,206	12,861	338	41,061
Polymer production and marketing	986	1	-	180	1,167
Total external revenues	**27,642**	**1,207**	**12,861**	**518**	**42,228**
For the six months ended 30 June 2009					
Exploration, production and marketing	27,195	2,987	8,253	793	39,228
Polymer production and marketing	735	-	-	166	901
Total external revenues	**27,930**	**2,987**	**8,253**	**959**	**40,129**

Revenue from external customers is based on the geographical location of customers although all revenues are generated by assets in the Russian Federation. Substantially all of the Group's assets are located in the Russian Federation.

Major customers. For the six months ended 30 June 2009, the Group has two major customers to whom individual revenues were more than 10 percent of total external revenues. The respective total sales to these customers represent 29 percent of total external revenues. There were no customers with individual revenues exceeding 10 percent for the six months ended 30 June 2008.

Sales to major customers are included in the results of the Exploration, production and marketing segment.

18 SUBSEQUENT EVENTS

As discussed in Note 9, the Group fully paid its outstanding dividend payables in July 2009.

As discussed in Note 4, the Group paid USD 10 million in July 2009 to enter into the call option agreement.

As discussed in Note 7, the Group fully repaid a US dollar denominated loan from SWGI Growth Fund (Cyprus) Limited in July 2009 ahead of its maturity schedule.

As discussed in Note 8, in July 2009, the Group withdrew USD 50 million under the loan agreement with CALYON RUSBANK Corporate and Investment Bank at annual interest rate of LIBOR plus 5.25 percent and payable in January 2010.

As discussed in Note 8, on 11 August 2009, NOVATEK's Board of Directors and Management Committee approved a loan in the amount of RR 3,500 million at an annual interest rate of 15.0 percent to OAO "Yamal LNG". The proceeds of the loan will be used to fully repay OAO "Yamal LNG" debt to OAO "Gazprombank" ahead of its maturity schedule.

19 NEW ACCOUNTING PRONOUNCEMENTS

Beginning 1 January 2009, the Group has adopted the following new standards and interpretations:

- IFRIC 15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognize revenue on such transactions;

- IFRIC 17, *Distribution of Non-Cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners;

- IFRIC 18, *Transfers of Assets from Customers* (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers;

- 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;

- 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* (revised March 2007). The main change to IAS 23 is the removal of 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. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009;

- 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 recognized in profit or loss rather than as a recovery of the investment; and

19 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- *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.

The adoption of these new standards and interpretations, in case of such operations, 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.

- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement.* 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;

- 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 acquirer'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;

- 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; and

19 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement,* and IFRS 7, Financial *Instruments: Disclosures*. The amendments allow entities the options (a) to reclassify a financial asset out of the held to trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments may be applied with retrospective effect from 1 July 2008 for any reclassifications made in the periods beginning before 1 November 2008; the reclassifications allowed by the amendments may not be applied before 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 takes effect only from the date when the reclassification is made.

- Amendments to IFRS 2, *Share-based Payment. Group Cash-settled Share-based Payment Transactions*. (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

- *The International Financial Reporting Standard for Small and Medium-sized Entities* (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognizing and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability.

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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