

ОАО НОВАТЕК

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

**AS OF AND FOR THE THREE AND
SIX MONTHS ENDED 30 JUNE 2012**

CONTENTS**Page**

Report on review of consolidated interim condensed financial information	3
Consolidated Interim Condensed Statement of Financial Position (unaudited)	4
Consolidated Interim Condensed Statement of Income (unaudited)	5
Consolidated Interim Condensed Statement of Comprehensive Income (unaudited)	6
Consolidated Interim Condensed Statement of Cash Flows (unaudited)	7
Consolidated Interim Condensed Statement of Changes in Equity (unaudited).....	8
Selected notes to the Consolidated Interim Condensed Financial Information (unaudited):	
Note 1. Organization and principal activities	10
Note 2. Basis of presentation.....	10
Note 3. Summary of significant accounting policies.....	11
Note 4. Property, plant and equipment.....	12
Note 5. Investments in joint ventures	13
Note 6. Long-term loans and receivables.....	13
Note 7. Prepayments and other current assets.....	14
Note 8. Cash and cash equivalents	15
Note 9. Long-term debt	15
Note 10. Short-term debt and current portion of long-term debt.....	17
Note 11. Trade payables and accrued liabilities	17
Note 12. Shareholders' equity.....	18
Note 13. Share-based compensation program.....	18
Note 14. Oil and gas sales	19
Note 15. Transportation expenses	19
Note 16. Taxes other than income tax.....	19
Note 17. Purchases of natural gas and liquid hydrocarbons.....	19
Note 18. Finance income (expense)	20
Note 19. Income tax	21
Note 20. Financial instruments and financial risk factors	21
Note 21. Contingencies and commitments.....	26
Note 22. Related party transactions.....	27
Note 23. Segment information	29
Note 24. New accounting pronouncements.....	34
Contact Information	37



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 2012 and the related consolidated interim condensed statements of income and comprehensive income for the three and six months then ended, and the related consolidated interim condensed statements of cash flows 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 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 International Standard on Review Engagements No. 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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
9 August 2012

OAo NOVATEK**Consolidated Interim Condensed Statement of Financial Position (unaudited)**

(in millions of Russian roubles)

	Notes	At 30 June 2012	At 31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	181,229	166,784
Investments in joint ventures	5	144,327	123,029
Long-term loans and receivables	6	11,904	32,130
Other non-current assets		3,492	3,173
Total non-current assets		340,952	325,116
Current assets			
Inventories		2,189	1,683
Current income tax prepayments		4,776	1,153
Trade and other receivables		12,137	16,699
Prepayments and other current assets	7	9,996	14,950
Cash and cash equivalents	8	15,849	23,831
Total current assets		44,947	58,316
Total assets		385,899	383,432
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	9	70,816	75,180
Deferred income tax liabilities		13,632	12,805
Other non-current liabilities		786	917
Asset retirement obligations		2,579	2,734
Total non-current liabilities		87,813	91,636
Current liabilities			
Short-term debt and current portion of long-term debt	10	22,851	20,298
Trade payables and accrued liabilities	11	9,913	24,922
Current income tax payable		86	611
Other taxes payable		2,710	4,283
Total current liabilities		35,560	50,114
Total liabilities		123,373	141,750
Equity attributable to OAo NOVATEK shareholders			
Ordinary share capital		393	393
Treasury shares		(281)	(281)
Additional paid-in capital		31,220	31,220
Currency translation differences		264	193
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		224,159	203,871
Total equity attributable to OAo NOVATEK shareholders	12	261,372	241,013
Non-controlling interest		1,154	669
Total equity		262,526	241,682
Total liabilities and equity		385,899	383,432

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 9 August 2012:



L. Mikhelson
General Director



M. Gyetvay
Financial Director

ОАО 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:		Six months ended 30 June:	
		2012	2011	2012	2011
Revenues					
Oil and gas sales	14	44,984	40,551	99,136	85,377
Other revenues		161	75	382	143
Total revenues		45,145	40,626	99,518	85,520
Operating expenses					
Transportation expenses	15	(13,035)	(11,088)	(29,414)	(22,993)
Taxes other than income tax	16	(4,375)	(4,046)	(8,988)	(8,366)
Purchases of natural gas and liquid hydrocarbons	17	(3,423)	(932)	(6,774)	(1,895)
Depreciation, depletion and amortization	4	(2,483)	(1,987)	(5,028)	(4,016)
General and administrative expenses		(2,594)	(2,117)	(4,990)	(4,112)
Materials, services and other		(1,836)	(1,540)	(3,422)	(2,822)
Exploration expenses		597	(273)	(299)	(999)
Net impairment expenses		(39)	(619)	(64)	(631)
Change in natural gas, liquid hydrocarbons and work-in-progress		408	128	348	(83)
Total operating expenses		(26,780)	(22,474)	(58,631)	(45,917)
Other operating income (loss)		(36)	(80)	5	(27)
Profit from operations		18,329	18,072	40,892	39,576
Finance income (expense)					
Interest expense	18	(663)	(503)	(1,453)	(1,158)
Interest income	18	365	810	899	1,729
Foreign exchange gain (loss)		(5,299)	766	581	3,240
Total finance income (expense)		(5,597)	1,073	27	3,811
Share of profit (loss) of joint ventures, net of income tax	5	(521)	(1,076)	(1,512)	(1,686)
Profit before income tax		12,211	18,069	39,407	41,701
Income tax expense					
Current income tax expense		(2,179)	(3,741)	(8,007)	(7,610)
Net deferred income tax expense		(375)	(113)	(504)	(1,160)
Total income tax expense	19	(2,554)	(3,854)	(8,511)	(8,770)
Profit (loss)		9,657	14,215	30,896	32,931
Profit (loss) attributable to:					
Non-controlling interest		(6)	(121)	(12)	(174)
Shareholders of ОАО NOVATEK		9,663	14,336	30,908	33,105
Basic and diluted earnings per share (in Russian roubles)		3.18	4.73	10.19	10.91
Weighted average number of shares outstanding (in thousands)		3,034,338	3,033,184	3,034,338	3,033,184

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

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

(in millions of Russian roubles)

	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Other comprehensive income (loss) after income tax:				
Currency translation differences	537	11	71	(186)
Other comprehensive income (loss)	537	11	71	(186)
Profit (loss)	9,657	14,215	30,896	32,931
Total comprehensive income (loss)	10,194	14,226	30,967	32,745
Total comprehensive income (loss) attributable to:				
Non-controlling interest	(6)	(121)	(12)	(174)
Shareholders of ОАО NOVATEK	10,200	14,347	30,979	32,919

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

ОАО NOVATEK
Consolidated Interim Condensed Statement of Cash Flows (unaudited)

(in millions of Russian roubles)

	Six months ended 30 June:	
	2012	2011
Profit before income tax	39,407	41,701
Adjustments to profit before income tax:		
Depreciation, depletion and amortization	5,175	4,084
Net impairment expenses	64	631
Net foreign exchange loss (gain)	(581)	(3,240)
Net loss (gain) on disposal of assets	41	115
Interest expense	1,453	1,158
Interest income	(899)	(1,729)
Share of loss (profit) in joint ventures, net of income tax	1,512	1,686
Net change in other non-current assets and long-term receivables	189	526
Other adjustments	(188)	(30)
Working capital changes		
Decrease (increase) in trade and other receivables, prepayments and other current assets	2,997	(3,177)
Decrease (increase) in inventories	(515)	78
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable	(1,108)	793
Increase (decrease) in other taxes payable	(1,123)	728
Total effect of working capital changes	251	(1,578)
Income taxes paid	(12,601)	(9,001)
Net cash provided by operating activities	33,823	34,323
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,528)	(10,555)
Prepayments for participation in tender for mineral licenses	-	(6,870)
Purchases of inventories intended for construction	(756)	(227)
Acquisition of subsidiaries net of cash acquired	(109)	(3,098)
Capital contribution to joint ventures	(2,507)	(21,176)
Proceeds from disposals of subsidiaries net of cash disposed	105	124
Interest paid and capitalized	(1,047)	(1,594)
Loans provided	(848)	(4,575)
Repayments of loans provided	7,592	4,419
Interest received	396	475
Net cash (used for) provided by investing activities	(12,702)	(43,077)
Cash flows from financing activities		
Proceeds from long-term debt	9,889	44,895
Proceeds from short-term debt	-	3,700
Repayments of long-term debt	(15,535)	(6,635)
Repayments of short-term debt	-	(21,321)
Interest paid	(1,294)	-
Dividends paid	(10,620)	(7,581)
Acquisition of non-controlling interest	(16,290)	-
Capital contributions to the Group's subsidiaries by non-controlling shareholders	497	-
Net cash (used for) provided by financing activities	(33,353)	13,058
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts	1,239	(312)
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(10,993)	3,992
Cash and cash equivalents at beginning of the period	23,831	10,238
Cash, cash equivalents and bank overdrafts at end of the period	12,838	14,230

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

ОАО NOVATEK
Consolidated Interim Condensed Statement of Changes in Equity (unaudited)

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

	<i>Number of ordinary shares (in thousands)</i>	Ordinary share capital	Treasury shares	Additional paid- in capital	Asset revaluation surplus on acquisitions	Currency translation differences	Retained earnings	Equity attributable to OAO NOVATEK shareholders	Non- controlling interest	Total equity
<i>For the six months ended 30 June 2011</i>										
1 January 2011	3,033,184	393	(446)	30,865	5,617	(120)	110,810	147,119	20,667	167,786
Currency translation differences	-	-	-	-	-	(186)	-	(186)	-	(186)
Profit (loss)	-	-	-	-	-	-	33,105	33,105	(174)	32,931
Total comprehensive income (loss)	-	-	-	-	-	(186)	33,105	32,919	(174)	32,745
Dividends (Note 12)	-	-	-	-	-	-	(7,583)	(7,583)	-	(7,583)
Equity call option reclassification	-	-	-	-	-	-	284	284	-	284
Impact of additional shares subscription in subsidiaries on non-controlling interest	-	-	-	-	-	-	-	-	286	286
30 June 2011	3,033,184	393	(446)	30,865	5,617	(306)	136,616	172,739	20,779	193,518

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

ОАО NOVATEK
Consolidated Interim Condensed Statement of Changes in Equity (unaudited)

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

	<i>Number of ordinary shares (in thousands)</i>	Ordinary share capital	Treasury shares	Additional paid- in capital	Asset revaluation surplus on acquisitions	Currency translation differences	Retained earnings	Equity attributable to OAO NOVATEK shareholders	Non- controlling interest	Total equity
<i>For the six months ended 30 June 2012</i>										
1 January 2012	3,034,338	393	(281)	31,220	5,617	193	203,871	241,013	669	241,682
Currency translation differences	-	-	-	-	-	71	-	71	-	71
Profit (loss)	-	-	-	-	-	-	30,908	30,908	(12)	30,896
Total comprehensive income (loss)	-	-	-	-	-	71	30,908	30,979	(12)	30,967
Dividends (Note 12)	-	-	-	-	-	-	(10,620)	(10,620)	-	(10,620)
Impact of additional shares subscription in subsidiaries on non-controlling interest	-	-	-	-	-	-	-	-	497	497
30 June 2012	3,034,338	393	(281)	31,220	5,617	264	224,159	261,372	1,154	262,526

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

ОАО NOVATEK (hereinafter referred to as “NOVATEK”) and its subsidiaries (hereinafter jointly referred to as the “Group”) is an independent oil and gas company engaged in the acquisition, exploration, development, production and processing of hydrocarbons with its core oil and gas operations located and incorporated in the Yamal-Nenets Autonomous Region (“YNAO”) of the Russian Federation.

The Group sells its natural gas on the Russian domestic market at unregulated market prices (except for deliveries to residential customers); however, the majority of natural gas sold on the domestic market is sold at prices regulated by the Federal Tariff Service, a governmental agency. The Group’s stable gas condensate and crude oil sales volumes are sold on both the Russian domestic and international markets, and are subject to fluctuations in benchmark crude oil prices. Additionally, the Group’s natural gas sales fluctuate on a seasonal basis due mostly to Russian weather conditions, with sales peaking in the winter months of December and January and troughing in the summer months of July and August. The Group’s liquids sales volumes comprising stable gas condensate, crude oil and oil and gas products remain relatively stable from period to period.

In January and May 2012, the Group merged its wholly owned subsidiaries ООО YamalEnergGaz and ООО Gazprom mezhregiongas Chelyabinsk into its wholly owned subsidiaries ООО NOVATEK-Perm and ООО NOVATEK-Chelyabinsk, respectively. The mergers did not affect the Group’s consolidated financial and operational results.

2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Use of estimates and judgments. The critical accounting estimates and judgments followed by the Group in the preparation of consolidated interim condensed financial information are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2011. Estimates have principally been made in respect to useful lives of property, plant and equipment, fair values of assets and liabilities, deferred income taxes, estimation of oil and gas reserves, impairment provisions, pension obligations and assets retirement obligations.

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

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

Russian roubles to one currency unit	At 30 June 2012	At 31 December 2011	Average rate for the six months ended 30 June:	
			2012	2011
US dollar (“USD”)	32.82	32.20	30.64	28.62
Polish zloty (“PLN”)	9.71	9.47	9.37	10.16

2 BASIS OF PRESENTATION (CONTINUED)

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

Comparative figures adjustment. The following adjustment has been made to the comparative figures to reflect the final fair value assessment of the identifiable assets and liabilities of ОАО Sibneftegas, the Group's joint venture, after its acquisition in December 2010. At the acquisition date, the Group recorded the preliminary fair values for oil and gas properties and equipment, which were used as the basis for depreciation through the nine months of 2011. In December 2011, the Group completed an independent valuation of the fair values of Sibneftegas's identifiable net assets. Revisions made to the preliminary assessment were reflected as of the acquisition date and accordingly, the Group's share of profit (loss) of joint ventures, net of income tax, and as a result, profit attributable to shareholders of ОАО NOVATEK for the three and six months ended 30 June 2011 was decreased by RR 85 million and RR 169 million, respectively, to reflect the revised depreciation of Sibneftegas' assets.

Reclassifications. Certain reclassifications have been made to the comparative figures to conform to the current period presentation with no effect on profit for the period or equity.

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 2011 except as described below.

As a result of an increase in the use of three-dimensional ("3-D") seismic surveys, and as allowed under the successful efforts method of accounting for oil and gas activities, in the three months ended 30 June 2012, the Group capitalized the cost of 3-D seismic surveys used to assist production, increase total recoverability and determine the desirability of drilling additional development wells within its proved reservoirs in the amount of RR 1,479 million for the six months ended 30 June 2012. Of this amount, RR 748 million was previously recognized as exploration expenses in the three months ended 31 March 2012 and if this amount was capitalized in that period, profit before income tax would have been higher by a corresponding amount. In 2011, 3-D seismic surveys were not material.

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

(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 2012 and 2011 are as follows:

	Operating assets	Assets under construction and advances for construction	Total
<i>For the six months ended 30 June 2011</i>			
Cost	197,647	16,022	213,669
Accumulated depreciation, depletion and amortization	(28,096)	-	(28,096)
Net book value at 1 January 2011	169,551	16,022	185,573
Additions	1,289	12,664	13,953
Transfers	9,850	(9,850)	-
Depreciation, depletion and amortization	(4,077)	-	(4,077)
Impairment	(509)	(107)	(616)
Disposals, net	(209)	(435)	(644)
Cost	207,943	18,294	226,237
Accumulated depreciation, depletion and amortization	(32,048)	-	(32,048)
Net book value at 30 June 2011	175,895	18,294	194,189
<i>For the six months ended 30 June 2012</i>			
Cost	186,391	17,647	204,038
Accumulated depreciation, depletion and amortization	(37,254)	-	(37,254)
Net book value at 1 January 2012	149,137	17,647	166,784
Additions	1,823	17,966	19,789
Transfers	1,989	(1,989)	-
Depreciation, depletion and amortization	(5,113)	-	(5,113)
Disposals, net	(40)	(191)	(231)
Cost	190,028	33,433	223,461
Accumulated depreciation, depletion and amortization	(42,232)	-	(42,232)
Net book value at 30 June 2012	147,796	33,433	181,229

Included in additions to property, plant and equipment for the six months ended 30 June 2012 and 2011 are capitalized interest and foreign exchange differences of RR 1,206 million and RR 1,783 million, respectively.

Included within the operating assets balance at 30 June 2012 and 31 December 2011 are proved properties of RR 21,640 million and RR 22,355 million, net of accumulated depletion of RR 11,059 million and RR 10,300 million, respectively.

Included within the operating assets balance at 30 June 2012 and 31 December 2011 are unproved properties of RR 15,959 million and RR 14,061 million, respectively. Management believes these costs are recoverable and has plans to explore and develop the respective properties.

In October 2011, the Group ceased control of OAO Yamal LNG and has recorded a disposal aggregating RR 45,867 million in property, plant and equipment. The Group retained 80 percent of Yamal LNG and has recorded its proportional share in investments in joint ventures (see Note 5).

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

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

5 INVESTMENTS IN JOINT VENTURES

	At 30 June 2012	At 31 December 2011
<i>Joint ventures:</i>		
ОАО Yamal LNG	95,210	89,549
ООО Yamal Development (consolidated)	24,277	8,100
ОАО Sibneftegas	23,686	24,187
ЗАО Тернефтегаз	1,154	1,193
Total investments in joint ventures	144,327	123,029

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

In February 2012, the charter capital of Yamal Development was increased by converting RR 32,697 million of loans provided to the company by its participants, of which RR 16,348 million was attributable to NOVATEK (see Note 6). In June 2011, the charter capital of Yamal Development was increased by converting RR 20 billion of the loans, provided to the company by its participants, of which RR 10 billion was attributable to NOVATEK. As a result of each transaction, the participants pro-rata increased their shares in the joint venture.

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

	Six months ended 30 June:	
	2012	2011
At 1 January	123,029	27,026
Share of profit (loss) of joint ventures before income tax	(1,652)	(2,159)
Share of income tax (expense) benefit	140	473
Share of profit (loss) of joint ventures, net of income tax	(1,512)	(1,686)
Contribution to equity	22,810	10,000
Losses (reversals) recognized in excess of investments in joint ventures, reclassified to long-term loans receivable for these companies	-	(238)
At 30 June	144,327	35,102

6 LONG-TERM LOANS AND RECEIVABLES

	At 30 June 2012	At 31 December 2011
Russian rouble denominated loans	9,073	9,737
US dollar denominated loans	539	220
Total	9,612	9,957
Less: current portion of long-term loans	(454)	(634)
Total long-term loans	9,158	9,323
Long-term receivables	1,597	22,027
Long-term interest receivable	1,149	780
Total long-term loans and receivables	11,904	32,130

6 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)

Russian rouble denominated loans. At 30 June 2012 and 31 December 2011, the Russian rouble denominated loans included loans to OAO Sibneftegas, the Group's joint venture, in the amount of RR 9,073 million and RR 9,737 million, respectively (see Note 22). The loans had interest rates ranging from 9.5 percent to 10 percent per annum (weighted average interest rate of 9.9 percent at 30 June 2012) and are repayable until November 2014.

Long-term receivables. In November 2011, the shareholders of OAO Yamal LNG, the Group's joint venture, made a decision to increase its equity through a disproportional subscription to the entity's additional shares emissions in the aggregated amount of RR 17,046 million. The legal procedures to register the new charter were not completed at 31 December 2011 and, accordingly, the Group's share of RR 3,955 million paid in 2011 was recognized as long-term receivables. In January 2012, the Group paid the remaining RR 2,507 million. In April 2012, the new charter was formally registered (see Note 5).

In November 2011, the participants of OOO Yamal Development, the Group's joint venture, made a decision to pro-rata increase its equity by converting the part of the loan provided to the company in the amount of RR 32,697 million to equity. The legal procedures to register the new charter were not completed at 31 December 2011 and, accordingly, the Group's share of RR 16,348 million was recognized as long-term receivables. In February 2012, the new charter was formally registered (see Note 5).

No provisions for impairment of long-term loans and receivables were recognized in the consolidated interim condensed statement of financial position at 30 June 2012 and 31 December 2011.

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2012	At 31 December 2011
Financial assets		
Russian rouble denominated loans	454	6,859
Short-term bank deposits	-	17
Non-financial assets		
Deferred export duties for stable gas condensate	2,688	922
Recoverable value-added tax	2,002	1,550
Deferred transportation expenses for natural gas	1,617	1,139
Prepayments and advances to suppliers (net of provision of RR 13 million and RR 12 million at 30 June 2012 and 31 December 2011, respectively)	1,557	3,322
Prepaid taxes other than income tax	990	668
Deferred transportation expenses for stable gas condensate	640	413
Other current assets	48	60
Total prepayments and other current assets	9,996	14,950

At 31 December 2011, the Russian rouble denominated loans included a loan provided proportionally with other participants by NOVATEK to OOO SeverEnergiya, the Group's related party, in the amount of RR 6,225 million (see Note 22). The loan bore an annual interest rate of MosPrime plus three percent and was fully repaid in March 2012.

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

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

8 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:

	At 30 June 2012	At 31 December 2011
Cash and cash equivalents per the statement of financial position	15,849	23,831
Less: bank overdrafts	(3,011)	-
Cash, cash equivalents and bank overdrafts per the statement of cash flows	12,838	23,831

9 LONG-TERM DEBT

	At 30 June 2012	At 31 December 2011
US dollar denominated bonds	40,780	39,982
Russian rouble denominated loans	24,826	24,966
US dollar denominated loans	15,070	20,559
Russian rouble denominated bonds	9,980	9,971
Total	90,656	95,478
Less: current portion of long-term debt	(19,840)	(20,298)
Total long-term debt	70,816	75,180

At 30 June 2012 and 31 December 2011 the Group's long-term debt by facility is as follows:

	At 30 June 2012	At 31 December 2011
Sberbank	24,826	14,966
Eurobonds – Ten-Year Tenor	21,188	20,776
Eurobonds – Five-Year Tenor	19,592	19,206
Russian rouble denominated bonds	9,980	9,971
Nordea Bank	6,563	6,439
Sumitomo Mitsui Banking Corporation Europe Limited	5,883	7,685
UniCredit Bank	2,624	6,435
Gazprombank	-	10,000
Total	90,656	95,478

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

Sberbank. In December 2010, the Group received a Russian rouble denominated loan from OAO Sberbank in the amount of RR 15 billion at an interest rate of 7.5% per annum. The loan is repayable in December 2013.

In December 2011, the Group obtained a RR 40 billion credit line facility from OAO Sberbank available to withdraw until March 2012 which was subsequently extended until June. In June 2012, the Group withdrew RR 10 billion under the facility at an interest rate of 8.9 percent per annum and repayable in December 2014, and extended the remaining proportion of the credit facility until December 2012.

9 LONG-TERM DEBT (CONTINUED)

Gazprombank. In November 2009, the Group obtained a three year Russian rouble denominated loan from OAO Gazprombank in the amount of RR 10 billion at an interest rate of eight percent per annum. The loan was fully repaid in January 2012 ahead of its maturity schedule.

Sumitomo Mitsui Banking Corporation Europe Limited. In April 2011, the Group obtained a US dollar denominated loan from Sumitomo Mitsui Banking Corporation Europe Limited in the amount of USD 300 million at an interest rate of LIBOR plus 1.45 percent per annum (1.91 percent and 2.03 percent at 30 June 2012 and 31 December 2011, respectively). The loan is payable until December 2013 and includes the maintenance of certain restrictive financial covenants.

Nordea Bank. In November 2010, the Group obtained a US dollar denominated loan from OAO Nordea Bank in the amount of USD 200 million at an interest rate of LIBOR plus 1.9 percent per annum (2.14 percent and 2.18 percent at 30 June 2012 and 31 December 2011, respectively). The loan is repayable in November 2013 and includes the maintenance of certain restrictive financial covenants.

UniCredit Bank. In October 2009, the Group obtained a US dollar denominated loan from ZAO UniCredit Bank in the amount of USD 200 million at an interest rate of LIBOR plus 3.25 percent per annum (3.49 percent and 3.52 percent at 30 June 2012 and 31 December 2011, respectively). The loan is repayable in October 2012 and includes the maintenance of certain restrictive financial covenants.

Russian rouble denominated bonds. In June 2010, the Group issued ten million three-year non-convertible Russian rouble denominated bonds, each with a nominal value RR 1,000 and a coupon rate of 7.5 percent per annum, payable semi-annually. The bonds are repayable in June 2013.

The fair values of long-term debt at 30 June 2012 and 31 December 2011 were as follows:

	At 30 June 2012	At 31 December 2011
Sberbank	24,170	14,539
Eurobonds – Ten-Year Tenor	23,283	21,150
Eurobonds – Five-Year Tenor	20,502	19,414
Russian rouble denominated bonds	9,950	10,000
Nordea Bank	6,409	6,256
Sumitomo Mitsui Banking Corporation Europe Limited	5,776	7,561
UniCredit Bank	2,602	6,439
Gazprombank	-	9,928
Total	92,692	95,287

Scheduled maturities of long-term debt at 30 June 2012 were as follows:

Maturity period:	RR million
1 July 2013 to 30 June 2014	20,185
1 July 2014 to 30 June 2015	9,851
1 July 2015 to 30 June 2016	19,592
1 July 2016 to 30 June 2017	-
After 30 June 2017	21,188
Total long-term debt	70,816

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

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

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

	At 30 June 2012	At 31 December 2011
US dollar denominated bank overdrafts	3,011	-
Total	3,011	-
Add: current portion of long-term debt	19,840	20,298
Total short-term debt and current portion of long-term debt	22,851	20,298

Available credit facilities. The Group's available credit facilities at 30 June 2012 were as follows:

	Par value	Expiring	
		Within one year	Between 1 and 2 years
BNP PARIBAS Bank ^(a)	USD 100 million	3,282	-
Credit Agricole Corporate and Investment Bank ^(a)	USD 100 million	3,282	-
UniCredit Bank ^(a)	USD 270 million	8,861	-
Sberbank ^(a)	RR 30 billion	30,000	-
Total available credit facilities		45,425	-

^(a) – interest rates are predetermined or negotiated at time of each withdrawal.

The Group also maintained available funds under short-term credit lines in the form of bank overdrafts with various international banks for RR 4,797 million (USD 83 million and EUR 50 million) and RR 6,278 million (USD 195 million) at 30 June 2012 and 31 December 2011, respectively, on variable interest rates subject to the specific type of credit facility.

11 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2012	At 31 December 2011
Financial liabilities		
Trade payables	6,645	5,187
Interest payable	1,024	1,009
Other payables	87	16,615
Non-financial liabilities		
Advances from customers	627	743
Salary payables	1,350	1,124
Other liabilities	180	244
Trade payables and accrued liabilities	9,913	24,922

At 31 December 2011, other payables included RR 16,244 million, relating to the acquisition of a 49 percent equity stake in OAO Yamal LNG, which was fully repaid in June 2012.

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

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

12 SHAREHOLDERS' EQUITY

Treasury shares. In accordance with the *Share Buyback Program* authorized by the Board of Directors on 11 February 2008, the Group's wholly-owned subsidiary, Novatek Equity (Cyprus) Limited, during 2008 has 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 2012 and 31 December 2011, the Group held 196,853 GDRs (1,969 thousand ordinary shares) at a total cost of RR 281 million. The Group has decided that these GDRs do not vote.

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

	Six months ended 30 June:	
	2012	2011
Dividends payable at 1 January	-	-
Dividends declared (*)	10,620	7,583
Dividends paid (*)	(10,620)	(7,581)
Dividends payable at 30 June	-	2
Dividends per share declared during the period (in Russian roubles)	3.50	2.50
Dividends per GDR declared during the period (in Russian roubles)	35.0	25.0

(*) – excluding treasury shares.

13 SHARE-BASED COMPENSATION PROGRAM

On 12 February 2010, NOVATEK's Management Committee approved a share-based compensation program (the "Program") for a limited number of the Group's senior and key management, as well as high-potential managers, but excluding the members of the Management Committee, which aims to encourage participants to take an active interest in the future development of the Group and to provide material incentive to create shareholders value in OAO NOVATEK. The Program was established in accordance with the *Concept of the Long-Term Incentive of Senior Employees* approved by the Board of Directors on 25 September 2006 and the *Share Buyback Program*.

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

<i>Expenses (reversals) included in</i>	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
General and administrative expenses	(55)	42	64	130
<i>Liabilities included in</i>	At 30 June 2012		At 31 December 2011	
Other non-current liabilities	-		226	
Trade payables and accrued liabilities	180		244	
Total share-based compensation program liabilities	180		470	

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

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

14 OIL AND GAS SALES

	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Natural gas	29,272	24,325	66,577	52,655
Stable gas condensate	10,623	11,868	22,246	24,060
Liquefied petroleum gas	3,955	3,775	8,102	7,522
Crude oil	1,027	530	2,051	1,045
Oil and gas products	107	53	160	95
Total oil and gas sales	44,984	40,551	99,136	85,377

15 TRANSPORTATION EXPENSES

	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Natural gas transportation to customers	8,883	7,633	21,942	16,201
Liquid hydrocarbons transportation by rail	2,837	2,437	5,247	4,782
Liquid hydrocarbons transportation by tankers	1,152	940	1,933	1,872
Crude oil transportation to customers	122	63	220	120
Other	41	15	72	18
Total transportation expenses	13,035	11,088	29,414	22,993

16 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:	
	2012	2011	2012	2011
Unified natural resources production tax	3,656	3,333	7,501	6,890
Property tax	436	429	875	863
Excise and fuel taxes	221	235	497	478
Other taxes	62	49	115	135
Total taxes other than income tax	4,375	4,046	8,988	8,366

17 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Natural gas	2,954	893	6,263	1,825
Unstable gas condensate	393	-	393	-
Other liquid hydrocarbons	76	39	118	70
Total purchases of natural gas and liquid hydrocarbons	3,423	932	6,774	1,895

OAo NOVATEK
Selected Notes to the Consolidated Interim Condensed Financial Information (unaudited)

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

17 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS (CONTINUED)

Natural gas purchases included volumes procured from OAO Sibneftegas, the Group's joint venture, pro-rata to its total production (see Note 22). From January 2012, the Group began purchasing natural gas from its related party ZAO SIBUR Holding at prices based on the market prices in the region of purchases (see Note 22).

In April 2012, the Group began purchasing unstable gas condensate from OOO SeverEnergiya, a related party, at ex-field prices based on benchmark crude oil and oil products market quotes adjusted for quality and respective tariffs for transportation and processing.

18 FINANCE INCOME (EXPENSE)

<i>Interest expense (including transaction costs)</i>	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
6.604% USD 650 million Eurobonds February 2021	338	303	668	505
7.5% RR 15 billion Sberbank December 2013	284	286	568	568
5.326% USD 600 million Eurobonds February 2016	255	228	504	381
7.5% RR 10 billion Bonds June 2013	192	193	384	383
LIBOR+1.45% USD 300 million Sumitomo Mitsui Banking Corporation Europe Limited December 2013	40	47	86	47
LIBOR+1.9% USD 200 million Nordea Bank November 2013	33	29	65	60
LIBOR+3.25% USD 200 million UniCredit Bank October 2012 ⁽¹⁾	24	50	58	105
8% RR 10 billion Gazprombank November 2012 ⁽¹⁾	-	199	42	402
8.9% RR 10 billion Sberbank December 2014	26	-	26	-
Other interest expenses ⁽²⁾	1	30	1	167
Subtotal	1,193	1,365	2,402	2,618
Less: capitalised interest	(590)	(920)	(1,065)	(1,783)
Interest expense (on historical cost basis)	603	445	1,337	835
IAS 32 and IAS 39 " <i>Financial Instruments</i> " – fair value remeasurement	-	-	-	212
Provisions for asset retirement obligations: unwinding of the present value discount	60	58	116	111
Total interest expense	663	503	1,453	1,158

⁽¹⁾ – interest rates were reduced during the periods.

⁽²⁾ – including credit facility with interest rates negotiated at time of each withdrawal.

<i>Interest income</i>	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Interest income on loans issued	233	654	622	1,457
Interest income on cash and cash equivalents	97	140	199	194
Interest income (on historical cost basis)	330	794	821	1,651
IAS 32 and IAS 39 " <i>Financial Instruments</i> " – fair value remeasurement	35	16	78	78
Total interest income	365	810	899	1,729

19 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate for 2012 and 2011 was 20 percent. For the six months ended 30 June 2012 and 2011, the consolidated Group's effective income tax rate was 21.6 percent and 21.0 percent, respectively. For the three months ended 30 June 2012 and 2011, the consolidated Group's effective income tax rate was 20.9 percent and 21.3 percent respectively.

Effective 1 January 2012, Russian tax legislation introduced an option to submit a single consolidated income tax return, and, accordingly, in April 2012, the Group's management registered NOVATEK and its core Russian producing subsidiaries as a consolidated group of taxpayers for 2012 and thereafter.

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

<i>Financial assets</i>	<i>Loans and receivables</i>	
	<i>At 30 June 2012</i>	<i>At 31 December 2011</i>
<i>Non-current</i>		
Long-term loans receivable	9,158	9,323
Trade and other receivables	2,746	22,807
Long-term deposits	3	-
<i>Current</i>		
Trade and other receivables	12,137	16,699
Prepayments and other current assets	454	6,876
Cash and cash equivalents	15,849	23,831
Total carrying amount	40,347	79,536
<i>Financial liabilities</i>	<i>Measured at amortized cost</i>	
	<i>At 30 June 2012</i>	<i>At 31 December 2011</i>
<i>Non-current</i>		
Long-term debt	70,816	75,180
<i>Current</i>		
Current portion of long-term debt	19,840	20,298
Short-term debt	3,011	-
Trade and other payables	7,756	22,811
Total carrying amount	101,423	118,289

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.

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

(a) Foreign exchange risk

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

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

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

<i>At 30 June 2012</i>	Russian rouble	US dollar	Other	Total
<i>Financial assets</i>				
<i>Non-current</i>				
Long-term loans receivable	8,619	539	-	9,158
Trade and other receivables	2,707	14	25	2,746
Long-term deposits	-	-	3	3
<i>Current</i>				
Trade and other receivables	6,848	4,866	423	12,137
Prepayments and other current assets	454	-	-	454
Cash and cash equivalents	8,377	6,121	1,351	15,849
<i>Financial liabilities</i>				
<i>Non-current</i>				
Long-term debt	(24,806)	(46,010)	-	(70,816)
<i>Current</i>				
Current portion of long-term debt	(10,000)	(9,840)	-	(19,840)
Short-term debt	-	(3,011)	-	(3,011)
Trade and other payables	(6,463)	(1,219)	(74)	(7,756)
Net exposure at 30 June 2012	(14,264)	(48,540)	1,728	(61,076)

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

At 31 December 2011	Russian rouble	US dollar	Other	Total
<i>Financial assets</i>				
<i>Non-current</i>				
Long-term loans receivable	9,103	220	-	9,323
Trade and other receivables	22,761	14	32	22,807
<i>Current</i>				
Trade and other receivables	8,692	7,618	389	16,699
Prepayments and other current assets	6,859	-	17	6,876
Cash and cash equivalents	10,774	12,113	944	23,831
<i>Financial liabilities</i>				
<i>Non-current</i>				
Long-term debt	(24,937)	(50,243)	-	(75,180)
<i>Current</i>				
Current portion of long-term debt	(10,000)	(10,298)	-	(20,298)
Trade and other payables	(4,949)	(17,799)	(63)	(22,811)
Net exposure at 31 December 2011	18,303	(58,375)	1,319	(38,753)

(b) Commodity price risk

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

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

In February 2011, the Government of the Russian Federation announced certain revisions to the domestic natural gas market liberalization plan. According to the revised plan, the target date for full liberalization of the domestic natural gas market planned to be implemented on 1 January 2015; however, the Government reserves the right to amend or change the proposed timetable. As part of the plan, in June 2012, the FTS approved an increase of 15 percent in the regulated prices effective 1 July 2012. According to the Government's program, the regulation of the domestic natural gas price after 2015 will be based on the net-back parity of natural gas prices on the domestic and export markets.

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 eventually to the natural gas exchange when trading commences.

Liquid hydrocarbons. The Group sells all its crude oil and gas condensate under spot contracts. Gas condensate volumes sold to the US, European and Asian-Pacific Region (hereinafter referred to as "APR") markets are based on benchmark reference crude oil prices of WTI, Brent IPE and Dubai (or a combination thereof) or Naphtha Japan and Naphtha CIF NWE, respectively, plus a margin or discount, depending on current market situation. Crude oil sold internationally is based on benchmark reference crude oil prices of Brent dated, plus a discount and on a transaction-by-transaction basis for volumes sold domestically. As a result, the Group's revenues from the sales of liquid hydrocarbons are subject to commodity price volatility based on fluctuations or changes in the crude oil benchmark reference prices.

20 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.

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

	At 30 June 2012	At 31 December 2011
At variable rate	15,070	20,559
At fixed rate	78,597	74,919
Total debt	93,667	95,478

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

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

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

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

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

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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:

<i>At 30 June 2012</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
<i>Principal</i> ^(*)	10,000	15,000	29,690	21,331	76,021
<i>Interest</i>	4,201	3,831	6,703	5,635	20,370
Debt at variable rate					
<i>Principal</i> ^(*)	9,845	5,251	-	-	15,096
<i>Interest</i>	228	36	-	-	264
Trade and other payables	7,756	-	-	-	7,756
Total financial liabilities	32,030	24,118	36,393	26,966	119,507
<i>At 31 December 2011</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
<i>Principal</i> ^(*)	10,000	25,000	19,318	20,927	75,245
<i>Interest</i>	4,748	3,825	6,298	5,655	20,526
Debt at variable rate					
<i>Principal</i> ^(*)	10,303	10,302	-	-	20,605
<i>Interest</i>	366	135	-	-	501
Trade and other payables	22,811	-	-	-	22,811
Total financial liabilities	48,228	39,262	25,616	26,582	139,688

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

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.

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

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

The Group defines the term "capital" as equity attributable to ОАО NOVATEK shareholders minus net debt (total debt less cash and cash equivalents). There were no changes to the Group's approach to capital management during the six months ended 30 June 2012.

21 CONTINGENCIES AND COMMITMENTS

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

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

Commitments. At 30 June 2012, the Group had contractual capital expenditures commitments aggregating approximately RR 20,446 million (at 31 December 2011: RR 17,805 million) mainly for ongoing development activities at the Yurkharovskoye field (through 2014), new field development at the North-Russkoye field (through 2014), the Yarudeyskoye field (through 2013) and the West-Yurkharovskoye field (through 2013), phase three construction of the Purovsky Gas Condensate Plant (through 2013), construction of the terminal for the transshipment and fractionation of stable gas condensate (through 2013) and ongoing field development at the East-Tarkosalinskoye and Khancheyskoye fields (through 2013) all in accordance with duly signed agreements.

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such taxation legislation as applied to the Group's transactions and activities may be periodically challenged by the relevant regional and federal authorities. Furthermore, events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

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

21 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 Environment of the Russian Federation and the Group pays unified natural resources production tax to produce crude oil, natural gas and unstable condensate from these fields and contributions for exploration of license areas.

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

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

22 RELATED PARTY TRANSACTIONS

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

For the purposes of this consolidated interim condensed financial information, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and 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.

	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
<i>Related parties – joint ventures</i>				
Transactions				
ОАО Sibneftegas:				
Interest income on loans issued	228	258	466	521
Oil and gas products sales	10	11	22	21
Purchases of natural gas	(964)	(893)	(2,035)	(1,825)
ООО Yamal Development:				
Interest income on loans issued	-	334	-	856
ООО SeverEnergia:				
Purchases of unstable gas condensate	(393)	-	(393)	-
Interest income on loans issued	-	45	145	45

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

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)*Related parties – joint ventures***At 30 June 2012****At 31 December 2011****Balances****OAo Sibneftegas:**

Long-term loans receivable	8,619	9,103
Interest on long-term loans receivable	1,144	775
Short-term loans receivable	454	634
Trade payables and accrued liabilities	370	387

OOO Yamal Development:

Long-term loans and receivables	-	16,348
---------------------------------	---	--------

OOO SeverEnergiya:

Short-term loans receivable	-	6,225
Interest on short-term loans receivable	-	94
Trade payables and accrued liabilities	154	-

ZAO Terneftegas:

Long-term loans receivable	539	220
----------------------------	-----	-----

OAo Yamal LNG:

Long-term receivables	-	3,955
-----------------------	---	-------

In September 2011, the Chairman of the Management Committee of NOVATEK acquired a controlling stake in ZAO SIBUR Holding. As a result, the Group's balances and transactions with this company and its subsidiaries following 1 October 2011 were disclosed as related parties – parties under control of key management personnel.

<i>Related parties – parties under control of key management personnel</i>	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011

Transactions**ZAO SIBUR Holding and its subsidiaries
(from September 2011):**

Natural gas sales	390	-	941	-
Purchases of natural gas	(1,990)	-	(4,228)	-
Purchases of liquid hydrocarbons	(19)	-	(24)	-

*Related parties – parties under control of key management personnel***At 30 June 2012****At 31 December 2011****Balances****OAo Pervobank:**

Cash and cash equivalents	2,611	4,066
---------------------------	-------	-------

ZAO SIBUR Holding and its subsidiaries (from September 2011):

Long-term receivable	1,283	1,424
Trade payables and accrued liabilities	516	-
Trade and other receivables	361	248

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

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation. The Group paid to key management personnel (members of the Board of Directors and the Management Committee, some of whom have also direct and indirect interests in the Group) short-term compensation, including salary, bonuses, and excluding dividends the following amounts.

<i>Related parties – members of key management personnel</i>	Three months ended 30 June:		Six months ended 30 June:	
	2012	2011	2012	2011
Board of Directors	48	47	67	66
Management Committee	446	348	918	709
Total compensation	494	395	985	775

Such amounts include personal income tax and are net of unified social tax. The Board of Directors consists of nine members. The Management Committee consisted of 15 members until 24 March 2011 and was subsequently reduced to eight members.

23 SEGMENT INFORMATION

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

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

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

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

<i>For the three months ended 30 June 2012</i>	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		45,156	45,156	(11)	45,145
Operating expenses	<i>a, b, c, d</i>	(29,860)	(29,860)	3,080	(26,780)
Other operating income (loss)	<i>b</i>	(12)	(12)	(24)	(36)
Interest expense	<i>e</i>	(1,128)	(1,128)	465	(663)
Interest income		330	330	35	365
Foreign exchange gain (loss)	<i>e</i>	(5,410)	(5,410)	111	(5,299)
Segment result		9,076	9,076	3,656	12,732
Share of profit (loss) of joint ventures, net of income tax					(521)
Profit before income tax					12,211
Depreciation, depletion and amortization	<i>a, b</i>	3,719	3,719	(1,158)	2,561
Capital expenditures	<i>e</i>	9,109	9,109	3,161	12,270

23 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

- a. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,174 million in operating expenses under IFRS;
- b. different methodology in the classification of depreciation, depletion and amortization for operating assets, which have not completed their statutory registration, between IFRS and management accounting, which resulted in the reclassification of RR 53 million from other operating income (loss) to depreciation, depletion and amortization in operating expenses under IFRS;
- c. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in additional in transportation expenses of RR 131 million and reversal payroll expenses of RR 32 million recorded in operating expenses under IFRS;
- d. different methodology in recognizing of exploration expenses, which resulted in reversal operating expenses of RR 2,196 million charged under IFRS; and
- e. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 603 million and additional capital expenditures of RR 2,558 million under IFRS.

Segment information for the three months ended 30 June 2011 is as follows:

<i>For the three months ended 30 June 2011</i>	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		40,547	40,547	79	40,626
Operating expenses	<i>a, b, c</i>	(24,813)	(24,813)	2,339	(22,474)
Other operating income (loss)		(141)	(141)	61	(80)
Interest expense	<i>d</i>	(1,290)	(1,290)	787	(503)
Interest income		778	778	32	810
Foreign exchange gain (loss)		764	764	2	766
Segment result		15,845	15,845	3,300	19,145
Share of profit (loss) of joint ventures, net of income tax					(1,076)
Profit before income tax					18,069
Depreciation, depletion and amortization	<i>a</i>	2,921	2,921	(898)	2,023
Capital expenditures	<i>d</i>	7,035	7,035	576	7,611

Reconciling items mainly related to:

- a. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,017 million in operating expenses under IFRS;

23 SEGMENT INFORMATION (CONTINUED)

- b. different methodology in the recognition of impairment expenses between IFRS and management accounting, which resulted in net reversal of RR 721 million recorded in operating expenses under IFRS;
- c. different methodology in recognizing of exploration expenses, which resulted in reversal of RR 640 million recorded in operating expense under IFRS; and
- d. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 861 million and reversal of capital expenditures of RR 285 million under IFRS.

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

<i>For the six months ended 30 June 2012</i>	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		99,563	99,563	(45)	99,518
Operating expenses	<i>a, b, c, d</i>	(62,161)	(62,161)	3,530	(58,631)
Other operating income (loss)	<i>b</i>	(21)	(21)	26	5
Interest expense	<i>e</i>	(2,281)	(2,281)	828	(1,453)
Interest income		811	811	88	899
Foreign exchange gain (loss)	<i>e</i>	453	453	128	581
Segment result		36,364	36,364	4,555	40,919
Share of profit (loss) of joint ventures, net of income tax					(1,512)
Profit before income tax					39,407
Depreciation, depletion and amortization	<i>a, b</i>	7,356	7,356	(2,181)	5,175
Capital expenditures	<i>e</i>	15,029	15,029	4,760	19,789

Reconciling items mainly related to:

- a. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 2,248 million in operating expenses under IFRS;
- b. different methodology in the classification of depreciation, depletion and amortization for operating assets, which have not completed their statutory registration, between IFRS and management accounting, which resulted in the reclassification of RR 87 million from other operating income (loss) to depreciation, depletion and amortization in operating expenses under IFRS;
- c. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in the reversal in transportation expenses of RR 147 million and additional payroll expenses of RR 535 million recorded in operating expenses under IFRS;
- d. different methodology in recognizing of exploration expenses, which resulted in the reversal operating expenses of RR 1,892 million charged under IFRS; and

23 SEGMENT INFORMATION (CONTINUED)

- e. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 1,004 million and additional capital expenditures of RR 3,756 million under IFRS.

Segment information for the six months ended 30 June 2011 is as follows:

<i>For the six months ended 30 June 2011</i>	<i>References</i>	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues	<i>a</i>	85,609	85,609	(89)	85,520
Operating expenses	<i>b, c, d, e</i>	(48,224)	(48,224)	2,307	(45,917)
Other operating income (loss)	<i>c</i>	(333)	(333)	306	(27)
Interest expense	<i>f</i>	(2,693)	(2,693)	1,535	(1,158)
Interest income		1,618	1,618	111	1,729
Foreign exchange gain (loss)		3,250	3,250	(10)	3,240
Segment result		39,227	39,227	4,160	43,387
Share of profit (loss) of joint ventures, net of income tax					(1,686)
Profit before income tax					41,701
Depreciation, depletion and amortization	<i>b, c</i>	5,834	5,834	(1,750)	4,084
Capital expenditures	<i>f</i>	11,690	11,690	2,263	13,953

Reconciling items mainly related to:

- different methodology of stable gas condensate sales recognition under IFRS and the RAR which requires reversal of external revenues for RR 78 million under IFRS;
- different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,971 million in operating expenses under IFRS;
- different methodology in the classification of depreciation, depletion and amortization for operating assets, which have not completed their statutory registration, between IFRS and management accounting, which resulted in the reclassification of RR 121 million from other operating income (loss) to depreciation, depletion and amortization in operating expenses under IFRS;
- different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in the reversal in transportation expenses of RR 228 million and additional payroll expenses of RR 639 million recorded in operating expenses under IFRS;
- different methodology in the recognition of impairment expenses between IFRS and management accounting, which resulted in reversal of RR 721 million recorded in operating expenses under IFRS; and
- different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 1,660 million and additional capital expenditures of RR 603 million under IFRS.

23 SEGMENT INFORMATION (CONTINUED)

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

- *Russian Federation* – exploration, development, and production of hydrocarbons, and sales of natural gas, gas condensate, crude oil and related products;
- *USA* – sales of stable gas condensate;
- *Europe* – sales of stable gas condensate, liquefied petroleum gas and crude oil; and
- *Asian-Pacific Region* (“APR”) – sales of stable gas condensate.

Geographical information for the three months ended 30 June 2012 and 2011 is as follows:

<i>For the three months ended 30 June 2012</i>	Russian Federation	Outside Russian Federation					Subtotal	Total
		Europe	USA	APR	Other	Export duty		
Natural gas	29,272	-	-	-	-	-	-	29,272
Stable gas condensate	114	8,022	1,429	11,786	-	(10,728)	10,509	10,623
Liquefied petroleum gas	1,482	3,139	-	-	-	(666)	2,473	3,955
Crude oil	661	858	-	-	-	(492)	366	1,027
Oil and gas products	107	-	-	-	-	-	-	107
Oil and gas sales	31,636	12,019	1,429	11,786	-	(11,886)	13,348	44,984
Other revenues	149	12	-	-	-	-	12	161
Total external revenues	31,785	12,031	1,429	11,786	-	(11,886)	13,360	45,145

<i>For the three months ended 30 June 2011</i>	Russian Federation	Outside Russian Federation					Subtotal	Total
		Europe	USA	APR	Other	Export duty		
Natural gas	24,325	-	-	-	-	-	-	24,325
Stable gas condensate	46	10,817	3,357	6,409	-	(8,761)	11,822	11,868
Liquefied petroleum gas	1,259	2,894	-	-	-	(378)	2,516	3,775
Crude oil	286	543	-	-	-	(299)	244	530
Oil and gas products	53	-	-	-	-	-	-	53
Oil and gas sales	25,969	14,254	3,357	6,409	-	(9,438)	14,582	40,551
Other revenues	72	3	-	-	-	-	3	75
Total external revenues	26,041	14,257	3,357	6,409	-	(9,438)	14,585	40,626

Geographical information for the six months ended 30 June 2012 and 2011 is as follows:

<i>For the six months ended 30 June 2012</i>	Russian Federation	Outside Russian Federation					Subtotal	Total
		Europe	USA	APR	Other	Export duty		
Natural gas	66,577	-	-	-	-	-	-	66,577
Stable gas condensate	127	15,879	6,941	17,402	-	(18,103)	22,119	22,246
Liquefied petroleum gas	2,972	6,533	-	-	-	(1,403)	5,130	8,102
Crude oil	1,315	1,566	-	-	-	(830)	736	2,051
Oil and gas products	160	-	-	-	-	-	-	160
Oil and gas sales	71,151	23,978	6,941	17,402	-	(20,336)	27,985	99,136
Other revenues	337	45	-	-	-	-	45	382
Total external revenues	71,488	24,023	6,941	17,402	-	(20,336)	28,030	99,518

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

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

23 SEGMENT INFORMATION (CONTINUED)

<i>For the six months ended 30 June 2011</i>	Russian Federation	Outside Russian Federation						Total
		Europe	USA	APR	Other	Export duty	Subtotal	
Natural gas	52,655	-	-	-	-	-	-	52,655
Stable gas condensate	46	16,536	7,856	15,410	-	(15,788)	24,014	24,060
Liquefied petroleum gas	2,637	5,780	-	-	10	(905)	4,885	7,522
Crude oil	570	982	-	-	-	(507)	475	1,045
Oil and gas products	95	-	-	-	-	-	-	95
Oil and gas sales	56,003	23,298	7,856	15,410	10	(17,200)	29,374	85,377
Other revenues	138	5	-	-	-	-	5	143
Total external revenues	56,141	23,303	7,856	15,410	10	(17,200)	29,379	85,520

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

Major customers. For the three months ended 30 June 2012 and 2011, the Group had two major customers to whom individual revenues represented 25 percent and 30 percent of total external revenues, respectively.

For the six months ended 30 June 2012 and 2011, the Group had one and two major customers to whom individual revenues represented 14 percent and 31 percent of total external revenues, respectively.

24 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Group has not early adopted.

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

24 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

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

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

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

IFRS 13, *Fair value measurement*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its consolidated interim condensed financial information.

IAS 27, *Separate Financial Statements*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, *Consolidated Financial Statements*. The Group is currently assessing the impact of the amended standard on its consolidated interim condensed financial information.

IAS 28, *Investments in Associates and Joint Ventures*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its consolidated interim condensed financial information.

24 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Amendments to IFRS 7, *Disclosures—Transfers of Financial Assets* – (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognized, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its consolidated interim condensed financial information.

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

Amended IAS 19, *Employee Benefits* (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard on its consolidated interim condensed financial information.

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

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

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated interim condensed financial information.

ОАО NOVATEK
Contact Information

ОАО 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:

Ulitsa Pobedy 22a
629850 Tarko-Sale
Yamal-Nenets Autonomous Region
Russian Federation

The Group's office in Moscow is:

Ulitsa Udaltsova 2
119415 Moscow
Russian Federation

Telephone: 7 (495) 730-60-00
Fax: 7 (495) 721-22-53

www.novatek.ru