OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012

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Report on review of consolidated interim condensed financial information

To the shareholders and Board of Directors of OAO NOVATEK

Introduction

1. We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO NOVATEK and its subsidiaries (the "Group") as of 30 September 2012 and the related consolidated interim condensed statements of income and comprehensive income for the three and nine months then ended, and the related consolidated interim condensed statements of cash flows and changes in equity for the nine 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
8 November 2012

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

	Notes	At 30 September 2012	At 31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	190,032	166,784
Investments in joint ventures	6	144,026	123,029
Long-term loans and receivables	7	13,456	32,130
Other non-current assets		3,007	3,173
Total non-current assets		**350,521**	**325,116**
Current assets			
Inventories		2,580	1,683
Current income tax prepayments		288	1,153
Trade and other receivables		15,260	16,699
Prepayments and other current assets	8	13,102	14,950
Cash and cash equivalents		17,472	23,831
Total current assets		**48,702**	**58,316**
Total assets		**399,223**	**383,432**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	9	65,721	75,180
Deferred income tax liabilities		13,933	12,805
Asset retirement obligations		2,609	2,734
Other non-current liabilities		857	917
Total non-current liabilities		**83,120**	**91,636**
Current liabilities			
Short-term debt and current portion of long-term debt	10	18,938	20,298
Trade payables and accrued liabilities	11	9,985	24,922
Current income tax payable		1,358	611
Other taxes payable		3,588	4,283
Total current liabilities		**33,869**	**50,114**
Total liabilities		**116,989**	**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		(24)	193
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		244,162	203,871
Total equity attributable to OAO NOVATEK shareholders	12	**281,087**	**241,013**
Non-controlling interest		**1,147**	**669**
Total equity		**282,234**	**241,682**
Total liabilities and equity		**399,223**	**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 8 November 2012:

L. Mikhelson
General Director

M. Gyetvay
Financial Director

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

	Notes	Three months ended 30 September: 2012	Three months ended 30 September: 2011	Nine months ended 30 September: 2012	Nine months ended 30 September: 2011
Revenues					
Oil and gas sales	14	52,562	39,888	151,698	125,265
Other revenues		169	145	551	288
Total revenues		**52,731**	**40,033**	**152,249**	**125,553**
Operating expenses					
Transportation expenses	15	(14,235)	(11,795)	(43,649)	(34,788)
Taxes other than income tax	16	(4,120)	(4,443)	(13,108)	(12,809)
Purchases of natural gas and liquid hydrocarbons	17	(4,832)	(938)	(11,606)	(2,833)
Depreciation, depletion and amortization	5	(2,560)	(2,291)	(7,588)	(6,307)
General and administrative expenses		(2,245)	(1,760)	(7,235)	(5,872)
Materials, services and other		(1,716)	(1,572)	(5,138)	(4,394)
Exploration expenses		(330)	(640)	(629)	(1,639)
Net impairment (expenses) reversals		15	(51)	(49)	(682)
Change in natural gas, liquid hydrocarbons and work-in-progress		178	569	526	486
Total operating expenses		**(29,845)**	**(22,921)**	**(88,476)**	**(68,838)**
Other operating income (loss)		339	18	344	(9)
Profit from operations		**23,225**	**17,130**	**64,117**	**56,706**
Finance income (expense)					
Interest expense	18	(697)	(376)	(2,150)	(1,534)
Interest income	18	338	801	1,237	2,530
Foreign exchange gain (loss)		2,704	(6,315)	3,285	(3,075)
Total finance income (expense)		**2,345**	**(5,890)**	**2,372**	**(2,079)**
Share of profit (loss) of joint ventures, net of income tax	6	(301)	(835)	(1,813)	(2,521)
Profit before income tax		**25,269**	**10,405**	**64,676**	**52,106**
Income tax expense					
Current income tax expense		(4,823)	(1,473)	(12,830)	(9,083)
Net deferred income tax expense		(450)	(789)	(954)	(1,949)
Total income tax expense	19	**(5,273)**	**(2,262)**	**(13,784)**	**(11,032)**
Profit (loss)		**19,996**	**8,143**	**50,892**	**41,074**
Profit (loss) attributable to:					
Non-controlling interest		(7)	(179)	(19)	(353)
Shareholders of OAO NOVATEK		**20,003**	**8,322**	**50,911**	**41,427**
Basic and diluted earnings per share (in Russian roubles)		6.59	2.74	16.78	13.66
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.

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

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	**2011**	**2012**	**2011**
Other comprehensive income (loss) after income tax:				
Currency translation differences	(288)	425	(217)	239
Other comprehensive income (loss)	**(288)**	**425**	**(217)**	**239**
Profit (loss)	**19,996**	**8,143**	**50,892**	**41,074**
Total comprehensive income (loss)	**19,708**	**8,568**	**50,675**	**41,313**
Total comprehensive income (loss) attributable to:				
Non-controlling interest	(7)	(179)	(19)	(353)
Shareholders of OAO NOVATEK	**19,715**	**8,747**	**50,694**	**41,666**

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

OAO NOVATEK
Consolidated Interim Condensed Statement of Cash Flows (unaudited)
(in millions of Russian roubles)

	Notes	Nine months ended 30 September: 2012	2011
Profit before income tax		**64,676**	**52,106**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		7,833	6,436
Net impairment expenses		49	682
Net foreign exchange loss (gain)		(3,285)	3,075
Net loss (gain) on disposal of assets		74	163
Interest expense		2,150	1,534
Interest income		(1,237)	(2,530)
Share of loss (profit) in joint ventures, net of income tax		1,813	2,521
Net change in other non-current assets and long-term receivables		211	1,125
Other adjustments		(72)	74
Working capital changes			
Decrease (increase) in trade and other receivables, prepayments and other current assets		(2,020)	(5,840)
Decrease (increase) in inventories		(898)	(612)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		258	450
Increase (decrease) in other taxes payable		(190)	555
Total effect of working capital changes		**(2,850)**	**(5,447)**
Income taxes paid		(11,718)	(12,856)
Net cash provided by operating activities		**57,644**	**46,883**
Cash flows from investing activities			
Purchases of property, plant and equipment		(26,800)	(17,134)
Prepayments for participation in tender for mineral licenses		-	(6,888)
Purchases of inventories intended for construction		(1,009)	(361)
Acquisition of subsidiaries net of cash acquired		(112)	(3,234)
Capital contribution to joint ventures	7	(5,213)	(21,176)
Proceeds from disposals of subsidiaries net of cash disposed		157	176
Interest paid and capitalized		(1,848)	(2,663)
Loans provided		(1,019)	(5,352)
Repayments of loans provided		8,102	4,674
Interest received		482	644
Net cash (used for) provided by investing activities		**(27,260)**	**(51,314)**
Cash flows from financing activities			
Proceeds from long-term debt		9,859	44,891
Proceeds from short-term debt		-	3,700
Repayments of long-term debt		(18,409)	(7,592)
Repayments of short-term debt		-	(21,321)
Interest paid		(2,171)	(652)
Dividends paid	12	(10,620)	(7,583)
Acquisition of non-controlling interest	4	(16,290)	(422)
Capital contributions to the Group's subsidiaries by non-controlling shareholders		497	-
Net cash (used for) provided by financing activities		**(37,134)**	**11,021**
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		391	64
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**(6,359)**	**6,654**
Cash and cash equivalents at beginning of the period		23,831	10,238
Cash, cash equivalents and bank overdrafts at end of the period		**17,472**	**16,892**

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

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

	Number of ordinary shares (in thousands)	**Ordinary share capital**	**Treasury shares**	**Additional paid- in capital**	**Asset revaluation surplus on acquisitions**	**Currency translation differences**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
For the nine months ended 30 September 2011										
1 January 2011	***3,033,184***	**393**	**(446)**	**30,865**	**5,617**	**(120)**	**110,810**	**147,119**	**20,667**	**167,786**
Currency translation differences	-	-	-	-	-	239	-	239	-	239
Profit (loss)	-	-	-	-	-	-	41,427	41,427	(353)	41,074
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**239**	**41,427**	**41,666**	**(353)**	**41,313**
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
Acquisition of non-controlling interest (Note 4)	-	-	-	-	-	-	(11,750)	(11,750)	(19,920)	(31,670)
30 September 2011	***3,033,184***	**393**	**(446)**	**30,865**	**5,617**	**119**	**133,188**	**169,736**	**680**	**170,416**

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

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

	Number of ordinary shares (in thousands)	**Ordinary share capital**	**Treasury shares**	**Additional paid- in capital**	**Asset revaluation surplus on acquisitions**	**Currency translation differences**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
For the nine months ended 30 September 2012										
1 January 2012	***3,034,338***	**393**	**(281)**	**31,220**	**5,617**	**193**	**203,871**	**241,013**	**669**	**241,682**
Currency translation differences	-	-	-	-	-	(217)	-	(217)	-	(217)
Profit (loss)	-	-	-	-	-	-	50,911	50,911	(19)	50,892
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(217)**	**50,911**	**50,694**	**(19)**	**50,675**
Dividends (Note 12)	-	-	-	-	-	-	(10,620)	(10,620)	-	(10,620)
Impact of additional shares subscription in subsidiaries on non-controlling interest	-	-	-	-	-	-	-	-	497	497
30 September 2012	***3,034,338***	**393**	**(281)**	**31,220**	**5,617**	**(24)**	**244,162**	**281,087**	**1,147**	**282,234**

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

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Group sells its natural gas on the Russian domestic market at unregulated market prices (except for deliveries to residential customers); however, the majority of natural gas sold on the domestic market is sold at prices regulated by the Federal 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 OOO YamalEnergoGaz and OOO Gazprom mezhregiongas Chelyabinsk into its wholly owned subsidiaries OOO NOVATEK-Perm and OOO NOVATEK-Chelyabinsk, respectively. The mergers did not affect the Group's consolidated financial and operational results.

In the third quarter 2012, the Group signed long-term natural gas purchase and sales contracts with third parties to commence trading activities in the European market. The contracts were signed for a total period of ten years starting from 1 October 2012 with the total volume of natural gas traded over this period of approximately 20 billion cubic meters (see Notes 20, 23).

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:

			Average rate for the nine months ended 30 September:	
Russian roubles to one currency unit	**At 30 September 2012**	**At 31 December 2011**	**2012**	**2011**
US dollar ("USD")	30.92	32.20	31.10	28.77
Polish zloty ("PLN")	9.70	9.47	9.47	10.08

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 OAO 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' 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 OAO NOVATEK for the three and nine months ended 30 September 2011 was decreased by RR 84 million and RR 253 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.

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

Derivative instruments. Derivative financial instruments are contracts: (i) whose value changes in response to the change in one or more observable variables; (ii) that do not require any material initial net investment; and (iii) that are settled at a future date. Accordingly, contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements, are accounted for as financial instruments. Gains or losses arising from changes in the fair value of derivatives are recognized in the income statement within other operating profit (loss).

Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets or liabilities expected to be recovered, or with the legal right to be settled more than twelve months after the reporting date are classified as non-current, with the exception of derivative financial instruments held for the purpose of being traded. The amounts of assets and liabilities associated with derivatives are presented without netting assets and liabilities with the same counterparty except where the right of offset and intent to net exist.

The estimated fair values of derivative financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate, however considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realize in a current market situation.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives embedded in other non-derivative financial instruments or in non-financial host contracts are recognized as separate derivatives when their risks and economic characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Where there is an active market for a commodity or other non-financial item subject of a purchase or sale contract, a pricing formula will, for instance, be considered to be closely related to the host purchase or sales contract if the price formula is based on the active market in question. A price formula with indexation to other markets or products will however result in the recognition of a separate derivative. Where there is no active market for the commodity or other non-financial item in question, the Group assesses the characteristics of such a price related embedded derivative to be closely related to the host contract if the price formula is based on relevant indexations commonly used by other market participants. This applies to the Group's liquid hydrocarbons and domestic natural gas sales and purchases agreements. Contracts are assessed for embedded derivatives when the Group becomes a party to them, including at the date of a business combination. Such embedded derivatives are measured at fair value at each period end, and the changes in fair value are recognized in profit or loss for the period.

4 ACQUISITIONS

Acquisition of additional equity stake in OAO Yamal LNG

In September 2011, the Group exercised two call options, acquired in 2009 and 2011, and, as a result, increased its equity stake in Yamal LNG to 100 percent through a purchase of additional 49 percent shares of the company for the total consideration of RR 31,670 million (USD 986 million), of which RR 15,101 million (USD 482 million) was paid through the end of 2011 and RR 16,290 million (USD 504 million) was paid in the six months ended 30 June 2012. As a result of these transactions, the Group reduced non-controlling interest by RR 19,920 million and recorded a difference of RR 11,750 million directly to retained earnings.

5 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment, for the nine months ended 30 September 2012 and 2011 are as follows:

For the nine months ended 30 September 2011	Operating assets	Assets under construction and advances for construction	Total
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	8,594	19,774	28,368
Transfers	12,566	(12,566)	-
Depreciation, depletion and amortization	(6,424)	-	(6,424)
Impairment	(511)	(107)	(618)
Disposals, net	(634)	(463)	(1,097)
Cost	217,482	22,660	240,142
Accumulated depreciation, depletion and amortization	(34,340)	-	(34,340)
Net book value at 30 September 2011	**183,142**	**22,660**	**205,802**

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

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the nine months ended 30 September 2012	Operating assets	Assets under construction and advances for construction	Total
Cost	186,391	17,647	204,038
Accumulated depreciation, depletion and amortization	(37,254)	-	(37,254)
Net book value at 1 January 2012	**149,137**	**17,647**	**166,784**
Additions	2,307	28,962	31,269
Transfers	5,540	(5,540)	-
Depreciation, depletion and amortization	(7,727)	-	(7,727)
Disposals, net	(84)	(210)	(294)
Cost	193,980	40,859	234,839
Accumulated depreciation, depletion and amortization	(44,807)	-	(44,807)
Net book value at 30 September 2012	**149,173**	**40,859**	**190,032**

Included in additions to property, plant and equipment for the nine months ended 30 September 2012 and 2011 are capitalized interest and foreign exchange differences of RR 1,989 million and RR 3,113 million, respectively.

Included within the operating assets balance at 30 September 2012 and 31 December 2011 are proved properties of RR 21,312 million and RR 22,355 million, net of accumulated depletion of RR 11,409 million and RR 10,300 million, respectively.

Included within the operating assets balance at 30 September 2012 and 31 December 2011 are unproved properties of RR 14,690 million and RR 14,061 million, respectively. Management believes these costs are recoverable and has plans to explore and develop the respective unproved 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 6).

6 INVESTMENTS IN JOINT VENTURES

	At 30 September 2012	At 31 December 2011
Joint ventures:		
OAO Yamal LNG	94,552	89,549
OOO Yamal Development (consolidated)	24,365	8,100
OAO Sibneftegas	23,916	24,187
ZAO Terneftegas	1,193	1,193
Total investments in joint ventures	**144,026**	**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 7). 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 7). In June 2011, the charter capital of Yamal Development was increased by RR 20 billion through the conversion of 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 share in the joint venture increased.

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

6 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	Nine months ended 30 September:	
	2012	2011
At 1 January	**123,029**	**27,026**
Share of profit (loss) of joint ventures before income tax	(2,032)	(3,156)
Share of income tax (expense) benefit	219	635
Share of profit (loss) of joint ventures, net of income tax	**(1,813)**	**(2,521)**
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 September	**144,026**	**34,267**

7 LONG-TERM LOANS AND RECEIVABLES

	At 30 September 2012	At 31 December 2011
Russian rouble denominated loans	8,563	9,737
US dollar denominated loans	667	220
Total	**9,230**	**9,957**
Less: current portion of long-term loans	(186)	(634)
Total long-term loans	**9,044**	**9,323**
Long-term receivables	3,058	22,027
Long-term interest receivable	1,354	780
Total long-term loans and receivables	**13,456**	**32,130**

Russian rouble denominated loans. At 30 September 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 8,563 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 September 2012) and are repayable until November 2014.

Long-term receivables. In March 2012, the shareholders of OAO Yamal LNG, the Group's joint venture, made a decision to increase its equity through the disproportional subscription to the entity's additional shares emissions in the aggregated amount of RR 6,765 million, which were fully paid in July 2012.The legal procedures to register the new charter were not completed by 30 September 2012 and, accordingly, the Group's share of RR 2,706 million was recognized as long-term receivable at 30 September 2012 (see Note 22). Subsequent to the balance sheet date, in October 2012, the new charter was formally registered. The Group's shareholding did not change notably after the share emission.

In November 2011, the shareholders of OAO Yamal LNG 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 6).

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

7 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)

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 6).

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

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 September 2012	At 31 December 2011
Financial assets		
Russian rouble denominated loans	186	6,859
Short-term bank deposits	-	17
Commodity derivatives	345	-
Non-financial assets		
Deferred export duties for stable gas condensate and liquefied petroleum gas	1,017	922
Recoverable value-added tax	1,854	1,550
Deferred transportation expenses for natural gas	2,090	1,139
Prepayments and advances to suppliers (net of provision of RR 13 million and RR 12 million at 30 September 2012 and 31 December 2011, respectively)	5,465	3,322
Prepaid taxes other than income tax	1,567	668
Deferred transportation expenses for stable gas condensate and liquefied petroleum gas	545	413
Other current assets	33	60
Total prepayments and other current assets	**13,102**	**14,950**

At 31 December 2011, the Russian rouble denominated loans included a loan provided by NOVATEK proportionally with other participants to OOO SeverEnergia, 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.

9 LONG-TERM DEBT

	At 30 September 2012	At 31 December 2011
US dollar denominated bonds	38,431	39,982
Russian rouble denominated loans	24,821	24,966
US dollar denominated loans	11,421	20,559
Russian rouble denominated bonds	9,986	9,971
Total	**84,659**	**95,478**
Less: current portion of long-term debt	(18,938)	(20,298)
Total long-term debt	**65,721**	**75,180**

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

9 LONG-TERM DEBT (CONTINUED)

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

	At 30 September 2012	At 31 December 2011
Sberbank	24,821	14,966
Eurobonds – Ten-Year Tenor	19,966	20,776
Eurobonds – Five-Year Tenor	18,465	19,206
Russian rouble denominated bonds	9,986	9,971
Nordea Bank	6,183	6,439
Sumitomo Mitsui Banking Corporation Europe Limited	4,620	7,685
UniCredit Bank	618	6,435
Gazprombank	-	10,000
Total	**84,659**	**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 percent per annum. The loan is repayable in December 2013 and includes the maintenance of certain restrictive financial covenants.

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 2012. 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. The facility includes the maintenance of certain restrictive financial covenants.

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 (1.81 percent and 2.03 percent at 30 September 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 (2.13 percent and 2.18 percent at 30 September 2012 and 31 December 2011, respectively). The loan is repayable until 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 (3.48 percent and 3.52 percent at 30 September 2012 and 31 December 2011, respectively). Subsequent to the balance sheet date, in October 2012, the loan was fully repaid in accordance with its maturity schedule.

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.

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

9 LONG-TERM DEBT (CONTINUED)

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

	At 30 September 2012	At 31 December 2011
Sberbank	24,754	14,539
Eurobonds – Ten-Year Tenor	23,506	21,150
Eurobonds – Five-Year Tenor	19,897	19,414
Russian rouble denominated bonds	10,014	10,000
Nordea Bank	6,138	6,256
Sumitomo Mitsui Banking Corporation Europe Limited	4,597	7,561
UniCredit Bank	619	6,439
Gazprombank	-	9,928
Total	**89,525**	**95,287**

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

Maturity period:	RR million
1 October 2013 to 30 September 2014	17,449
1 October 2014 to 30 September 2015	9,841
1 October 2015 to 30 September 2016	18,465
1 October 2016 to 30 September 2017	-
After 30 September 2017	19,966
Total long-term debt	**65,721**

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

Short-term debt and current portion of long-term debt. At 30 September 2012 and 31 December 2011, short-term debt and current portion of long-term debt consisted only of the current portion of long-term debt in the amount of RR 18,938 million and RR 20,298 million, respectively.

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

		Expiring	
	Par value	Within one year	Between 1 and 3 years
BNP PARIBAS Bank [(a)]	USD 100 million	3,092	-
Credit Agricole Corporate and Investment Bank [(a)]	USD 100 million	3,092	-
UniCredit Bank [(a)]	USD 330 million	-	10,203
Sberbank [(a)]	RR 30 billion	30,000	-
Total available credit facilities		**36,184**	**10,203**

[(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 7,409 million (USD 175 million and EUR 50 million) and RR 6,278 million (USD 195 million) at 30 September 2012 and 31 December 2011, respectively, on variable interest rates subject to the specific type of credit facility.

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

11 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 30 September 2012	At 31 December 2011
Financial liabilities		
Trade payables	6,391	5,187
Interest payable	663	1,009
Other payables	114	16,615
Non-financial liabilities		
Advances from customers	1,325	743
Salary payables	192	52
Other liabilities	1,300	1,316
Trade payables and accrued liabilities	**9,985**	**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.

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 September 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:

	Nine months ended 30 September:	
	2012	2011
Dividends payable at 1 January	-	-
Dividends declared [(*)]	10,620	7,583
Dividends paid [(*)]	(10,620)	(7,583)
Dividends payable at 30 September	**-**	**-**
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.

On 27 April 2012, the Annual General Meeting of shareholders of OAO NOVATEK approved the final 2011 dividend totaling RR 10,627 million (including treasury shares), which is to be paid within 60 days to the shareholders of record at the close of business on 23 March 2012. The dividends were paid in May and June 2012.

Subsequent to the balance sheet date, on 16 October 2012, the Extraordinary General Meeting of Shareholders of OAO NOVATEK approved the interim dividend based on the financial results for the six months ended 30 June 2012 of RR 3.00 per share or RR 30 per GDR. The interim dividend payment totaling RR 9,109 million will be paid within 60 days to shareholders of record at the close of business on 10 September 2012.

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

13 SHARE-BASED COMPENSATION PROGRAM

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

	Three months ended 30 September:		Nine months ended 30 September:	
Expenses included in	**2012**	**2011**	**2012**	**2011**
General and administrative expenses	47	-	111	130

Liabilities included in	**At 30 September 2012**	**At 31 December 2011**
Other non-current liabilities	-	226
Trade payables and accrued liabilities	227	244
Total share-based compensation program liabilities	**227**	**470**

14 OIL AND GAS SALES

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	**2011**	**2012**	**2011**
Natural gas	34,322	25,735	100,899	78,390
Stable gas condensate	12,925	9,741	35,171	33,801
Liquefied petroleum gas	3,762	3,728	11,864	11,250
Crude oil	1,457	637	3,508	1,682
Oil and gas products	96	47	256	142
Total oil and gas sales	**52,562**	**39,888**	**151,698**	**125,265**

15 TRANSPORTATION EXPENSES

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	**2011**	**2012**	**2011**
Natural gas transportation to customers	10,505	8,618	32,447	24,819
Liquid hydrocarbons transportation by rail	2,617	2,240	7,864	7,022
Liquid hydrocarbons transportation by tankers	940	788	2,873	2,660
Crude oil transportation to customers	147	74	367	194
Other	26	75	98	93
Total transportation expenses	**14,235**	**11,795**	**43,649**	**34,788**

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

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 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Unified natural resources production tax	3,402	3,656	10,903	10,546
Property tax	429	435	1,304	1,298
Excise and fuel taxes	217	276	714	754
Other taxes	72	76	187	211
Total taxes other than income tax	**4,120**	**4,443**	**13,108**	**12,809**

17 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Natural gas	4,017	903	10,280	2,729
Unstable gas condensate	736	-	1,129	-
Other liquid hydrocarbons	79	35	197	104
Total purchases of natural gas and liquid hydrocarbons	**4,832**	**938**	**11,606**	**2,833**

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 OAO 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 SeverEnergia, 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 (see Note 22).

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

18 FINANCE INCOME (EXPENSE)

	Three months ended 30 September:		Nine months ended 30 September:	
Interest expense (including transaction costs)	2012	2011	2012	2011
6.604% USD 650 million Eurobonds February 2021	348	321	1,016	826
7.5% RR 15 billion Sberbank December 2013	288	288	856	856
5.326% USD 600 million Eurobonds February 2016	263	243	767	624
7.5% RR 10 billion Bonds June 2013	194	194	578	577
8.9% RR 10 billion Sberbank December 2014	244	-	270	-
LIBOR+1.45% USD 300 million Sumitomo Mitsui Banking Corporation Europe Limited December 2013	35	51	121	98
LIBOR+1.9% USD 200 million Nordea Bank November 2013	35	31	100	91
LIBOR+3.25% USD 200 million UniCredit Bank October 2012 (1)	13	53	71	158
8% RR 10 billion Gazprombank November 2012 (1)	-	202	42	604
Other interest expenses (2)	4	4	5	170
Subtotal	**1,424**	**1,387**	**3,826**	**4,004**
Less: capitalized interest	(783)	(1,072)	(1,848)	(2,855)
Interest expense (on historical cost basis)	**641**	**315**	**1,978**	**1,149**
Effects of discounting of long-term financial liabilities	-	-	-	212
Provisions for asset retirement obligations: unwinding of the present value discount	56	61	172	173
Total interest expense	**697**	**376**	**2,150**	**1,534**

(1) – interest rates were reduced during the periods.
(2) – including credit facility with interest rates negotiated at time of each withdrawal.

	Three months ended 30 September:		Nine months ended 30 September:	
Interest income	2012	2011	2012	2011
Interest income on loans issued	215	657	837	2,114
Interest income on cash and cash equivalents	53	102	252	296
Interest income (on historical cost basis)	**268**	**759**	**1,089**	**2,410**
Effects of discounting of long-term financial liabilities	70	42	148	120
Total interest income	**338**	**801**	**1,237**	**2,530**

19 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate for 2012 and 2011 was 20 percent. For the nine months ended 30 September 2012 and 2011, the consolidated Group's effective income tax rate was 21.3 percent and 21.2 percent, respectively. For the three months ended 30 September 2012 and 2011, the consolidated Group's effective income tax rate was 20.9 percent and 21.7 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. The application of a single consolidated taxpayer model did not have an effect on the Group's effective income tax rate.

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

Financial assets	At 30 September 2012	At 31 December 2011
Loans and receivables		
Current		
Trade and other receivables	15,260	16,699
Russian rouble denominated loans	186	6,859
Short –term bank deposits	-	17
Cash and cash equivalents	17,472	23,831
Non-current		
Long-term loans receivable	9,044	9,323
Trade and other receivables	4,412	22,807
Long-term deposits	3	-
At fair value through profit or loss		
Current		
Commodity derivatives	345	-
Total assets	**46,722**	**79,536**

Financial liabilities	At 30 September 2012	At 31 December 2011
At amortized cost		
Current		
Current portion of long-term debt	18,938	20,298
Trade and other payables	7,168	22,811
Non-current		
Long-term debt	65,721	75,180
At fair value through profit or loss		
Non-current		
Commodity derivatives	23	-
Total liabilities	**91,850**	**118,289**

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

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

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

At 30 September 2012, the Group recognized RR 345 million of assets and RR 23 million of liabilities related to long-term natural gas contracts in the consolidated statement of financial position. In the three months ended 30 September 2012, a gain of RR 322 million was included within other operating income representing non-cash mark-to-market net movements in fair values on these derivative instruments during the reporting period.

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

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

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

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

(a) Foreign exchange risk

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

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

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

At 30 September 2012	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	8,377	667	-	9,044
Trade and other receivables	4,359	31	22	4,412
Long-term deposits	-	-	3	3
Current				
Trade and other receivables	9,029	5,731	500	15,260
Russian rouble denominated loans	186	-	-	186
Commodity derivatives	-	-	345	345
Cash and cash equivalents	7,913	9,442	117	17,472
Financial liabilities				
Non-current				
Long-term debt	(24,835)	(40,886)	-	(65,721)
Commodity derivatives	-	-	(23)	(23)
Current				
Current portion of long-term debt	(9,972)	(8,966)	-	(18,938)
Trade and other payables	(6,559)	(567)	(42)	(7,168)
Net exposure at 30 September 2012	**(11,502)**	**(34,548)**	**922**	**(45,128)**

At 31 December 2011	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	9,103	220	-	9,323
Trade and other receivables	22,761	14	32	22,807
Current				
Trade and other receivables	8,692	7,618	389	16,699
Russian rouble denominated loans	6,859	-	-	6,859
Short-term bank deposits	-	-	17	17
Cash and cash equivalents	10,774	12,113	944	23,831
Financial liabilities				
Non-current				
Long-term debt	(24,937)	(50,243)	-	(75,180)
Current				
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.

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

Natural gas supplies on the Russian domestic market. As an independent natural gas producer, the Group is not subject to the government's regulation of natural gas prices, except for those volumes sold to residential customers. Nevertheless, the Group's prices for natural gas sold are strongly influenced by the prices regulated by the Federal Tariffs Service (FTS), a governmental agency. In 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 to implement full liberalization of the domestic natural gas market is planned 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. All of the Group's natural gas purchase and sales contracts in the domestic market are entered to meet supply requirements to fulfil contract obligations or for own consumption and are not within the scope of IAS 39, *Financial instruments: recognition and measurement*. However, to effectively manage the margins achieved through its natural gas trading activities, management has established targets for volumes sold to wholesale traders, end-customers and eventually to the natural gas exchange when trading commences.

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

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

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

(c) Cash flow and fair value interest rate risk

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

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.

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

	At 30 September 2012	At 31 December 2011
At variable rate	11,422	20,559
At fixed rate	73,237	74,919
Total debt	**84,659**	**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 statement of financial position.

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

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

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

20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The following tables summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments:

At 30 September 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	10,000	15,000	28,550	20,096	73,646
Interest	4,508	3,405	5,619	4,645	18,177
Debt at variable rate					
Principal (*)	8,966	2,473	-	-	11,439
Interest	165	8	-	-	173
Trade and other payables	7,168	-	-	-	7,168
Total financial liabilities	**30,807**	**20,886**	**34,169**	**24,741**	**110,603**

Derivative commodity contracts are included in the maturity analysis only if both criteria are met: the contract is a financial liability (has negative fair value) at the reporting date and will result in future cash outflows.

At 31 December 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	10,000	25,000	19,318	20,927	75,245
Interest	4,748	3,825	6,298	5,655	20,526
Debt at variable rate					
Principal (*)	10,303	10,302	-	-	20,605
Interest	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 for transaction costs (see Note 9).

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

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

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

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

The Group defines the term "capital" as equity attributable to OAO NOVATEK shareholders plus net debt (total debt less cash and cash equivalents). There were no changes to the Group's approach to capital management during the nine months ended 30 September 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 September 2012, the Group had contractual capital expenditures commitments aggregating approximately RR 16,964 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), both the Salmanovskoye (within the Utrenniy license area) and the Geofizicheskoye fields (through 2016), the Yarudeyskoye field (through 2013), phase three construction of the Purovsky Gas Condensate Plant (through 2013), construction of the terminal for the transshipment and fractionation of stable gas condensate (through 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.

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

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

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

21 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

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 September:		Nine months ended 30 September:	
Related parties – joint ventures	2012	2011	2012	2011
Transactions				
OAO Sibneftegas:				
Interest income on loans issued	221	253	687	774
Oil and gas products sales	10	10	32	31
Purchases of natural gas	(1,631)	(903)	(3,666)	(2,729)
OOO Yamal Development:				
Interest income on loans issued	-	306	-	1,162
OOO SeverEnergia:				
Purchases of unstable gas condensate	(736)	-	(1,129)	-
Interest income on loans issued	-	79	145	124
OAO Yamal LNG:				
Other revenues (operator services sales)	16	-	68	-

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – joint ventures	At 30 September 2012	At 31 December 2011
Balances		
OAO Sibneftegas:		
Long-term loans receivable	8,377	9,103
Interest on long-term loans receivable	1,330	775
Short-term loans receivable	186	634
Trade payables and accrued liabilities	1,001	387
OOO Yamal Development:		
Long-term loans and receivables	-	16,348
OOO SeverEnergia:		
Short-term loans receivable	-	6,225
Interest on short-term loans receivable	-	94
Trade payables and accrued liabilities	338	-
ZAO Terneftegas:		
Long-term loans receivable	667	220
Interest on long-term loans receivable	24	5
OAO Yamal LNG:		
Long-term receivables	2,706	3,955

In September 2011, the Chairman of the Management Committee of NOVATEK acquired a controlling stake in OAO 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.

Related parties – parties under control of key management personnel	Three months ended 30 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Transactions				
OAO SIBUR Holding and its subsidiaries (from 1 October 2011):				
Natural gas sales	497	-	1,438	-
Purchases of natural gas	(2,386)	-	(6,614)	-
Purchases of liquid hydrocarbons	(10)	-	(34)	-

Related parties – parties under control of key management personnel	At 30 September 2012	At 31 December 2011
Balances		
OAO Pervobank:		
Cash and cash equivalents	1,906	4,066
OAO SIBUR Holding and its subsidiaries:		
Long-term receivable	-	1,424
Trade payables and accrued liabilities	616	-
Trade and other receivables	1,636	248
Prepayments and other current assets	1,690	-

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

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – members of key management personnel	Three months ended 30 September:		Nine months ended 30 September:	
	2012	**2011**	**2012**	**2011**
Board of Directors	19	19	86	85
Management Committee	254	414	1,172	1,123
Total compensation	**273**	**433**	**1,258**	**1,208**

Such amounts include personal income tax and are net of payments to non-budget funds made by the employer. Some members of key management personnel have direct and/or indirect interests in the Group and receive dividends under general conditions based on their respective shareholdings. The Board of Directors consists of nine members. The Management Committee consisted of 15 members until 24 March 2011 and was subsequently reduced to eight members.

23 SEGMENT INFORMATION

The Group's activities were 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 until 30 June 2012. With the entering into long-term natural gas supply contracts in the third quarter 2012 (see Note 1), the Group established a new operating segment defined as "natural gas foreign trading activities". For the three months ended 30 September 2012, this segment's information, as reported to CODM, did not include any results as there were no actual operations in that period. Movements in fair values of the respective derivative contracts were disclosed within reconciling items for the presentation in accordance with IFRS.

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

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

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

23 SEGMENT INFORMATION (CONTINUED)

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

For the three months ended 30 September 2012	References	Exploration, production and marketing	Natural gas foreign trading activities	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		52,694	-	52,694	37	52,731
Operating expenses	*a, b, c, d*	(31,618)	-	(31,618)	1,773	(29,845)
Other operating income (loss)	*b*	(34)	-	(34)	373	339
Interest expense	*e*	(1,180)	-	(1,180)	483	(697)
Interest income		286	-	286	52	338
Foreign exchange gain (loss)	*e*	2,650	-	2,650	54	2,704
Segment result		**22,798**	**-**	**22,798**	**2,772**	**25,570**
Share of profit (loss) of joint ventures, net of income tax						(301)
Profit before income tax						**25,269**
Depreciation, depletion and amortization	*a, b*	3,757	-	3,757	(1,099)	2,658
Capital expenditures	*e*	11,416	-	11,416	64	11,480

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 1,178 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 57 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 transportation expenses of RR 207 million and the reversal in payroll expenses of RR 81 million recorded in operating expenses under IFRS;

d. different methodology in recognizing of exploration expenses, which resulted in the reversal of operating expenses of RR 623 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 interest and foreign exchange differences capitalized in the amount of RR 567 million and the reversal of capital expenditures of RR 503 million under IFRS.

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

23 SEGMENT INFORMATION (CONTINUED)

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

For the three months ended 30 September 2011	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		39,981	39,981	52	40,033
Operating expenses	*a, b*	(24,539)	(24,539)	1,618	(22,921)
Other operating income (loss)		35	35	(17)	18
Interest expense	*c*	(1,284)	(1,284)	908	(376)
Interest income		742	742	59	801
Foreign exchange gain (loss)	*c*	(6,549)	(6,549)	234	(6,315)
Segment result		**8,386**	**8,386**	**2,854**	**11,240**
Share of profit (loss) of joint ventures, net of income tax					(835)
Profit before income tax					**10,405**
Depreciation, depletion and amortization	*a*	3,337	3,337	(985)	2,352
Capital expenditures	*c*	12,683	12,683	1,732	14,415

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 1,015 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligation, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in the additional transportation expenses of RR 195 million and reversal in payroll expenses of RR 799 million recorded in operating expenses under IFRS; and

c. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional interest and foreign exchange differences capitalized in the amount of RR 1,276 million and additional capital expenditures of RR 456 million under IFRS.

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

23 SEGMENT INFORMATION (CONTINUED)

Segment information for the nine months ended 30 September 2012 is as follows:

For the nine months ended 30 September 2012	References	Exploration, production and marketing	Natural gas foreign trading activities	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		152,257	-	152,257	(8)	152,249
Operating expenses	*a, b, c, d*	(93,779)	-	(93,779)	5,303	(88,476)
Other operating income (loss)	*b*	(55)	-	(55)	399	344
Interest expense	*e*	(3,461)	-	(3,461)	1,311	(2,150)
Interest income		1,097	-	1,097	140	1,237
Foreign exchange gain (loss)	*e*	3,103	-	3,103	182	3,285
Segment result		**59,162**	**-**	**59,162**	**7,327**	**66,489**
Share of profit (loss) of joint ventures, net of income tax						(1,813)
Profit before income tax						**64,676**
Depreciation, depletion and amortization	*a, b*	11,113	-	11,113	(3,280)	7,833
Capital expenditures	*e*	26,445	-	26,445	4,824	31,269

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 3,426 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 144 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 transportation expenses of RR 60 million and additional payroll expenses of RR 454 million recorded in operating expenses under IFRS;

d. different methodology in recognizing of exploration expenses, which resulted in the reversal of operating expenses of RR 2,515 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 interest and foreign exchange differences capitalized in the amount of RR 1,571 million and additional capital expenditures of RR 3,253 million under IFRS.

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

23 SEGMENT INFORMATION (CONTINUED)

Segment information for the nine months ended 30 September 2011 is as follows:

For the nine months ended 30 September 2011	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		125,590	125,590	(37)	125,553
Operating expenses	*a, b, c, d*	(72,763)	(72,763)	3,925	(68,838)
Other operating income (loss)	*b*	(298)	(298)	289	(9)
Interest expense	*e*	(3,977)	(3,977)	2,443	(1,534)
Interest income		2,360	2,360	170	2,530
Foreign exchange gain (loss)	*e*	(3,299)	(3,299)	224	(3,075)
Segment result		**47,613**	**47,613**	**7,014**	**54,627**
Share of profit (loss) of joint ventures, net of income tax					(2,521)
Profit before income tax					**52,106**
Depreciation, depletion and amortization	*a, b*	9,171	9,171	(2,735)	6,436
Capital expenditures	*e*	24,373	24,373	3,995	28,368

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 2,986 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 139 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 33 million and reversal payroll expenses of RR 160 million recorded in operating expenses under IFRS;

d. different methodology in the recognition of impairment expenses between IFRS and management accounting, which resulted in net reversal of RR 714 million recorded in operating expenses 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 interest and foreign exchange differences capitalized in the amount of RR 2,935 million and additional capital expenditures of RR 1,060 million under IFRS.

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

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 September 2012 and 2011 is as follows:

For the three months ended 30 September 2012	Russian Federation	Outside Russian Federation						Total
		Europe	USA	APR	Other	Export duty	Subtotal	
Natural gas	34,322	-	-	-	-	-	-	34,322
Stable gas condensate	172	1,802	1,673	15,841	1,849	(8,412)	12,753	12,925
Liquefied petroleum gas	1,281	2,900	-	-	-	(419)	2,481	3,762
Crude oil	895	1,071	-	-	-	(509)	562	1,457
Oil and gas products	96	-	-	-	-	-	-	96
Oil and gas sales	**36,766**	**5,773**	**1,673**	**15,841**	**1,849**	**(9,340)**	**15,796**	**52,562**
Other revenues	139	30	-	-	-	-	30	169
Total external revenues	**36,905**	**5,803**	**1,673**	**15,841**	**1,849**	**(9,340)**	**15,826**	**52,731**

For the three months ended 30 September 2011	Russian Federation	Outside Russian Federation						Total
		Europe	USA	APR	Other	Export duty	Subtotal	
Natural gas	25,735	-	-	-	-	-	-	25,735
Stable gas condensate	-	3,345	4,813	9,907	-	(8,324)	9,741	9,741
Liquefied petroleum gas	1,352	3,013	-	-	-	(637)	2,376	3,728
Crude oil	393	530	-	-	-	(286)	244	637
Oil and gas products	47	-	-	-	-	-	-	47
Oil and gas sales	**27,527**	**6,888**	**4,813**	**9,907**	**-**	**(9,247)**	**12,361**	**39,888**
Other revenues	71	74	-	-	-	-	74	145
Total external revenues	**27,598**	**6,962**	**4,813**	**9,907**	**-**	**(9,247)**	**12,435**	**40,033**

Geographical information for the nine months ended 30 September 2012 and 2011 is as follows:

For the nine months ended 30 September 2012	Russian Federation	Outside Russian Federation						Total
		Europe	USA	APR	Other	Export duty	Subtotal	
Natural gas	100,899	-	-	-	-	-	-	100,899
Stable gas condensate	299	17,681	8,614	33,243	1,849	(26,515)	34,872	35,171
Liquefied petroleum gas	4,253	9,433	-	-	-	(1,822)	7,611	11,864
Crude oil	2,210	2,637	-	-	-	(1,339)	1,298	3,508
Oil and gas products	256	-	-	-	-	-	-	256
Oil and gas sales	**107,917**	**29,751**	**8,614**	**33,243**	**1,849**	**(29,676)**	**43,781**	**151,698**
Other revenues	476	75	-	-	-	-	75	551
Total external revenues	**108,393**	**29,826**	**8,614**	**33,243**	**1,849**	**(29,676)**	**43,856**	**152,249**

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

23 SEGMENT INFORMATION (CONTINUED)

For the nine months ended 30 September 2011	Russian Federation	Outside Russian Federation Europe	USA	APR	Other	Export duty	Subtotal	Total
Natural gas	78,390	-	-	-	-	-	-	78,390
Stable gas condensate	46	19,880	12,669	25,317	-	(24,111)	33,755	33,801
Liquefied petroleum gas	3,989	8,793	-	-	10	(1,542)	7,261	11,250
Crude oil	963	1,512	-	-	-	(793)	719	1,682
Oil and gas products	142	-	-	-	-	-	-	142
Oil and gas sales	**83,530**	**30,185**	**12,669**	**25,317**	**10**	**(26,446)**	**41,735**	**125,265**
Other revenues	209	79	-	-	-	-	79	288
Total external revenues	**83,739**	**30,264**	**12,669**	**25,317**	**10**	**(26,446)**	**41,814**	**125,553**

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 September 2012 and 2011, the Group had two major customers to whom individual revenues represented 33 percent and 32 percent of total external revenues, respectively.

For the nine months ended 30 September 2012 and 2011, the Group had two major customers to whom individual revenues represented 28 percent and 31 percent of total external revenues, respectively.

24 SUBSEQUENT EVENTS

On 15 October 2012, the Group issued three-year non-convertible Russian rouble denominated bonds in the amount of RR 20 billion with a coupon rate of 8.35 percent per annum.

On 6 November 2012, the Group signed an agreement with a third party to acquire 49 percent equity shares of ZAO Nortgas, subject to certain conditions to be met by both parties for the total consideration of USD 1,375 million payable upon the title transfer, which is expected to be completed by the year end. Nortgas is a Russian oil and gas production company and holds the production license for the North-Urengoyskoye field, located in the YNAO (license expires in 2018), with estimated proved reserves appraised under the PRMS reserve methodology amounting to 225 billion cubic meters of natural gas and 26 million tons of gas condensate at 31 December 2011.

25 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, 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.

- 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.

25 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 12, *Disclosure of Interest in Other Entities,* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, *Investments in associates*. 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 International Accounting Standards Board's ("Board") project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its consolidated interim condensed financial information.

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.

25 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

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

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

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

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

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