OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of OAO NOVATEK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO NOVATEK and its subsidiaries (the "Group") as of 30 June 2014 and the related consolidated condensed statements of income and comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

29 July 2014
Moscow, Russian Federation

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

	Notes	At 30 June 2014	At 31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	268,405	243,688
Investments in joint ventures	6	189,304	210,066
Long-term loans and receivables	7	54,367	49,337
Other non-current assets	8	14,655	12,478
Total non-current assets		**526,731**	**515,569**
Current assets			
Inventories		5,418	5,953
Current income tax prepayments		121	157
Trade and other receivables	9	29,763	49,522
Prepayments and other current assets	10	25,874	18,905
Cash and cash equivalents	11	46,307	7,889
Total current assets		**107,483**	**82,426**
Total assets		**634,214**	**597,995**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	12	155,347	141,595
Deferred income tax liabilities		21,690	18,219
Asset retirement obligations		3,382	3,397
Other non-current liabilities		1,848	1,854
Total non-current liabilities		**182,267**	**165,065**
Current liabilities			
Short-term debt and current portion of long-term debt	13	5,456	24,026
Trade payables and accrued liabilities	14	19,643	21,260
Current income tax payable		871	7,365
Other taxes payable		8,167	7,222
Total current liabilities		**34,137**	**59,873**
Total liabilities		**216,404**	**224,938**
Equity attributable to OAO NOVATEK shareholders			
Ordinary share capital		393	393
Treasury shares		(5,222)	(2,406)
Additional paid-in capital		31,297	31,297
Currency translation differences		936	683
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		382,121	334,614
Total equity attributable to OAO NOVATEK shareholders	15	**415,142**	**370,198**
Non-controlling interest		**2,668**	**2,859**
Total equity		**417,810**	**373,057**
Total liabilities and equity		**634,214**	**597,995**

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 29 July 2014:

L. Mikhelson
Chairman of the Management Committee

M. Gyetvay
Chief Financial Officer

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

	Notes	Three months ended 30 June: 2014	Three months ended 30 June: 2013	Six months ended 30 June: 2014	Six months ended 30 June: 2013
Revenues					
Oil and gas sales	16	87,881	57,918	176,414	138,366
Other revenues		489	112	632	229
Total revenues		**88,370**	**58,030**	**177,046**	**138,595**
Operating expenses					
Transportation expenses	17	(26,695)	(22,859)	(54,352)	(52,089)
Purchases of natural gas and liquid hydrocarbons	18	(11,859)	(6,890)	(20,911)	(15,322)
Taxes other than income tax	19	(7,353)	(4,436)	(14,861)	(9,153)
Depreciation, depletion and amortization		(4,167)	(3,054)	(8,223)	(6,211)
General and administrative expenses		(3,155)	(2,258)	(5,767)	(4,677)
Materials, services and other		(2,909)	(1,866)	(5,249)	(3,543)
Change in natural gas, liquid hydrocarbons and work-in-progress		493	2,057	(735)	764
Exploration expenses		(3)	(239)	(11)	(374)
Net impairment (expenses) reversals		(22)	(68)	564	(64)
Total operating expenses		**(55,670)**	**(39,613)**	**(109,545)**	**(90,669)**
Net gain (loss) on disposal of interests in joint ventures	4	-	-	2,623	-
Other operating income (loss)		1,791	(34)	1,750	657
Profit from operations		**34,491**	**18,383**	**71,874**	**48,583**
Finance income (expense)					
Interest expense	20	(1,347)	(1,240)	(2,783)	(2,604)
Interest income	20	1,002	472	1,792	950
Foreign exchange gain (loss)		1,153	(2,687)	(2,521)	(3,725)
Total finance income (expense)		**808**	**(3,455)**	**(3,512)**	**(5,379)**
Share of profit (loss) of joint ventures, net of income tax	6	3,768	(472)	2,046	(309)
Profit before income tax		**39,067**	**14,456**	**70,408**	**42,895**
Income tax expense					
Current income tax expense		(6,279)	(1,851)	(11,115)	(5,851)
Net deferred income tax expense		(914)	(1,022)	(2,270)	(2,648)
Total income tax expense	21	**(7,193)**	**(2,873)**	**(13,385)**	**(8,499)**
Profit (loss)		**31,874**	**11,583**	**57,023**	**34,396**
Profit (loss) attributable to:					
Non-controlling interest		(76)	(19)	(82)	(32)
Shareholders of OAO NOVATEK		**31,950**	**11,602**	**57,105**	**34,428**
Basic and diluted earnings per share (in Russian roubles)		10.58	3.83	18.88	11.36
Weighted average number of shares outstanding (in millions)		*3,020.9*	*3,030.9*	*3,024.1*	*3,031.2*

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 June:		Six months ended 30 June:	
	2014	**2013**	**2014**	**2013**
Profit (loss)	**31,874**	**11,583**	**57,023**	**34,396**
Other comprehensive income (loss) that will not be reclassified subsequently to profit (loss)				
Remeasurement of pension obligations	(2)	-	(5)	-
Other comprehensive income (loss) that may be reclassified subsequently to profit (loss), net of income tax				
Currency translation differences	(368)	606	253	823
Total other comprehensive income (loss)	**(370)**	**606**	**248**	**823**
Total comprehensive income (loss)	**31,504**	**12,189**	**57,271**	**35,219**
Total comprehensive income (loss) attributable to:				
Non-controlling interest	(76)	(19)	(82)	(32)
Shareholders of OAO NOVATEK	**31,580**	**12,208**	**57,353**	**35,251**

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

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

	Notes	Six months ended 30 June: 2014	2013
Profit before income tax		**70,408**	**42,895**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		8,223	6,211
Net impairment expenses (reversals)		(564)	64
Net foreign exchange loss (gain)		2,521	3,725
Net loss (gain) on disposal of assets		(2,985)	50
Interest expense		2,783	2,604
Interest income		(1,792)	(950)
Share of loss (profit) in joint ventures, net of income tax	6	(2,046)	309
Revaluation of financial instruments through loss (profit)		(1,130)	(420)
Other adjustments		90	(70)
Working capital changes			
Decrease (increase) in long-term advances for transportation		(2,777)	(1,270)
Decrease (increase) in trade and other receivables, prepayments and other current assets		(3,815)	(1)
Decrease (increase) in inventories		511	(1,037)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		(1,265)	(3,435)
Increase (decrease) in taxes other than income tax		213	(875)
Total effect of working capital changes		**(7,133)**	**(6,618)**
Income taxes paid		(17,628)	(6,510)
Net cash provided by operating activities		**50,747**	**41,290**
Cash flows from investing activities			
Purchases of property, plant and equipment		(27,733)	(26,354)
Purchases of materials intended for construction		(2,738)	(1,770)
Acquisition of subsidiaries net of cash acquired		-	(554)
Acquisition of additional stakes in joint ventures		-	(1,703)
Additional capital contributions to joint ventures	6	(3,350)	(1,436)
Proceeds from disposal of stake in joint venture		53,534	-
Repayments of long-term receivables from disposals of subsidiaries in previous years		-	209
Interest paid and capitalized		(1,773)	(1,777)
Loans provided to joint ventures		(16,301)	(11,720)
Repayments of loans provided to joint ventures		11,735	8,564
Interest received		505	700
Net cash (used for) provided by investing activities		**13,879**	**(35,841)**
Cash flows from financing activities			
Proceeds from long-term debt		15,551	29,183
Proceeds from short-term debt		1,619	-
Repayments of long-term debt		(10,000)	(33,015)
Repayments of short-term debt		(6,656)	-
Interest paid		(2,312)	(2,062)
Dividends paid		(13,569)	(11,708)
Purchase of treasury shares		(2,824)	(1,765)
Sale of treasury shares		35	-
Acquisition of non-controlling interest	4	(102)	-
Capital contributions to the Group's subsidiaries by non-controlling shareholders		-	179
Net cash (used for) provided by financing activities		**(18,258)**	**(19,188)**

(in millions of Russian roubles)

		Six months ended 30 June:	
	Notes	**2014**	**2013**
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		(381)	2,239
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**45,987**	**(11,500)**
Cash, cash equivalents and bank overdrafts at beginning of the period	11	320	18,420
Cash and cash equivalents at end of the period		**46,307**	**6,920**

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 millions)	**Ordinary share capital**	**Treasury shares**	**Additional paid-in capital**	**Currency translation differences**	**Asset revaluation surplus on acquisitions**	**Retained earnings**	**Equity attributable to OAO NOVATEK shareholders**	**Non-controlling interest**	**Total equity**
For the six months ended 30 June 2013										
1 January 2013	***3,033.4***	**393**	**(584)**	**31,220**	**(202)**	**5,617**	**253,606**	**290,050**	**1,251**	**291,301**
Currency translation differences	-	-	-	-	823	-	-	823	-	823
Profit (loss)	-	-	-	-	-	-	34,428	34,428	(32)	34,396
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**823**	**-**	**34,428**	**35,251**	**(32)**	**35,219**
Dividends (Note 15)	-	-	-	-	-	-	(11,704)	(11,704)	-	(11,704)
Purchase of treasury shares (Note 15)	*(5.3)*	-	(1,756)	-	-	-	-	(1,756)	-	(1,756)
30 June 2013	***3,028.1***	**393**	**(2,340)**	**31,220**	**621**	**5,617**	**276,330**	**311,841**	**1,219**	**313,060**

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

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 millions)	Ordinary share capital	Treasury shares	Additional paid-in capital	Currency translation differences	Asset revaluation surplus on acquisitions	Retained earnings	Equity attributable to OAO NOVATEK shareholders	Non-controlling interest	Total equity
For the six months ended 30 June 2014										
1 January 2014	***3,028.1***	**393**	**(2,406)**	**31,297**	**683**	**5,617**	**334,614**	**370,198**	**2,859**	**373,057**
Currency translation differences	-	-	-	-	253	-	-	253	-	253
Remeasurement of pension obligations	-	-	-	-	-	-	(5)	(5)	-	(5)
Profit (loss)	-	-	-	-	-	-	57,105	57,105	(82)	57,023
Total comprehensive income (loss)	-	-	-	-	**253**	-	**57,100**	**57,353**	**(82)**	**57,271**
Dividends (Note 15)	-	-	-	-	-	-	(13,569)	(13,569)	-	(13,569)
Effect from other changes in joint ventures' net assets (Note 6)	-	-	-	-	-	-	3,969	3,969	-	3,969
Acquisition of non-controlling interest (Note 4)	-	-	-	-	-	-	7	7	(109)	(102)
Purchase of treasury shares (Note 15)	*(7.7)*	-	(2,816)	-	-	-	-	(2,816)	-	(2,816)
30 June 2014	***3,020.4***	**393**	**(5,222)**	**31,297**	**936**	**5,617**	**382,121**	**415,142**	**2,668**	**417,810**

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

OAO NOVATEK (hereinafter referred to as "NOVATEK") and its subsidiaries (hereinafter jointly referred to as the "Group") is an independent oil and gas company engaged in the acquisition, exploration, development, production, processing, and marketing of hydrocarbons with its oil and gas operations located and incorporated in the Yamal-Nenets Autonomous Region ("YNAO") of the Russian Federation. The Group delivers its natural gas on the Russian Federation's domestic market and liquid hydrocarbons on both the Russian domestic and international markets.

The Group sells its natural gas on the domestic market at unregulated market prices (except for deliveries to residential customers); however, the majority of natural gas sold on the Russian domestic market by all producers is sold at prices regulated by the Federal Tariffs Service, a governmental agency of the Russian Federation. The Group's natural gas sales volumes fluctuate on a seasonal basis mostly due 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 processes its unstable gas condensate at its Purovsky Gas Condensate Processing Plant located close proximity to its fields into stable gas condensate and liquefied petroleum gas (LPG). Stable gas condensate is then further processed at the Group's Gas Condensate Fractionation and Transshipment Complex located at the port of Ust-Luga on the Baltic Sea into higher-value refined products (naphtha, jet fuel, gasoil and fuel oil). The Group sells its liquid hydrocarbons at prices that are subject to fluctuations in underlying benchmark crude oil, naphtha and other gas condensate refined products prices. The Group's liquids sales volumes remain relatively stable from period to period.

The Group purchases and sells natural gas on the European market under long-term and short-term supply contracts to carry out its foreign commercial trading activities.

As part of the agreement in principle with OAO Gazprom Neft to achieve parity shareholdings in the SeverEnergia joint venture, on 31 March 2014, the Group sold a 20 percent interest in Artic Russia B.V. to OOO Yamal Development, the Group's joint venture with Gazprom Neft (see Note 4).

In February 2014, the Group acquired an additional 15 percent participation interest in OOO NOVATEK-Kostroma and increased its participation interest to 100 percent (see Note 4).

2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013 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 2013. 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, asset retirement obligations and investments.

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

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

2 BASIS OF PRESENTATION (CONTINUED)

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

	Average rate for the three months ended 30 June:		Average rate for the six months ended 30 June:	
Russian roubles to one currency unit	**2014**	**2013**	**2014**	**2013**
US dollar (USD)	35.00	31.61	34.98	31.02
Polish zloty (PLN)	11.53	9.83	11.49	9.76

	At 30 June:		At 31 December:	
Russian roubles to one currency unit	**2014**	**2013**	**2013**	**2012**
US dollar (USD)	33.63	32.71	32.73	30.37
Polish zloty (PLN)	11.04	9.87	10.85	9.87

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

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

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 2013, except for income tax expense as described below and for the effects of the adoption of new accounting standards (see Note 26).

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

Non-financial guarantees represent insurance contracts and are accounted in accordance with IFRS 4, *Insurance contracts*. The Group's accounting policy does not require a liability adequacy test. Liabilities for insurance contracts are recognized when an outflow of resources embodying economic benefits required to settle the obligation is probable. The liabilities are recognized in the amount of best estimates of such outflows.

4 ACQUISITIONS AND DISPOSALS

Disposal of 20 percent ownership interest in Artic Russia B.V.

In March 2014, NOVATEK and OAO Gazprom Neft agreed in principle to conduct a series of transactions to achieve parity shareholdings in the OOO SeverEnergia joint venture. As part of such agreement, on 31 March 2014, the Group sold a 20 percent ownership interest in Artic Russia B.V. to OOO Yamal Development, the Group's joint venture with Gazprom Neft for total cash consideration of RR 34,972 million (USD 980 million), which cash funds were received on 1 April 2014. Both Artic Russia and Yamal Development hold participation interests in SeverEnergia. As a result of the transaction, the Group's effective participation interest in SeverEnergia decreased from 59.8 percent to 54.9 percent. Further restructuring procedures to achieve parity shareholdings in SeverEnergia are subject to formal corporate approvals and are expected to be completed within 12 months following the first transaction.

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

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

The gain on disposal of the 20 percent ownership interest in Artic Russia was determined based on the carrying value of the Group's investment in Artic Russia, which is treated as a legally separate joint venture by the Group, as detailed below:

	RR million
Consideration (USD 980 million at exchange rate of 35.69 to USD 1.00)	34,972
Less: carrying amount of the Group's disposed 20 percent interest in Artic Russia	(29,726)
Less: the Group's unrealized gain on disposal	(2,623)
Gain on the disposal recognized in the consolidated statement of income before income tax	**2,623**

As a result of the transaction NOVATEK recognized a gain in the amount of RR 4,198 million, net of associated income tax expense of RR 1,048 million. Due to the fact that NOVATEK sold the equity stake in Artic Russia to the Group's joint venture Yamal Development, in which it holds a 50 percent participation interest, the Group eliminated an unrealized gain on the disposal on the consolidation level in the amount of RR 2,099 million net of associated deferred income tax expense in the amount of RR 524 million.

Acquisition of an additional equity stake in OOO NOVATEK-Kostroma

On 20 February 2014, the Group acquired an additional 15 percent participation interest in OOO NOVATEK-Kostroma for total cash consideration of RR 102 million. As a result of the transaction the Group increased its share in the subsidiary to 100 percent, reduced the carrying value of non-controlling interest by RR 109 million and recorded a difference of RR 7 million directly to retained earnings.

Assets swap – finalization of the valuation

In December 2013, NOVATEK exchanged with OAO Rosneft 51 percent ownership in OAO Sibneftegas, the Group's joint venture, for a 40 percent interest in Artic Russia B.V. at agreed value of USD 1.8 billion. Artic Russia, incorporated in the Netherlands, holds a 49 percent participation interest in OOO SeverEnergia, the Group's joint venture. The transaction did not involve any cash settlements and increased the Group's effective interest in SeverEnergia from 25.5 to 45.1 percent. The Group continued to account for SeverEnergia under the equity method.

At 31 December 2013, in accordance with IAS 28, *Investments in Associates and Joint Ventures*, the Group assessed the preliminary fair values of the identified assets and liabilities of SeverEnergia as at the acquisition date and recorded provisional figures for those items. In April 2014, Group engaged an independent appraiser to assess the fair values of the identifiable assets and liabilities, which was completed in July 2014. As a result, the preliminary fair values of non-current assets and non-current liabilities were not changed, and no goodwill was included in the carrying amount of the investment in the joint venture. However, a purchase price allocation within oil and gas properties has changed and resulted in the decrease of depreciation for the three months ended 31 March 2014 in the amount of RR 67 million, net of deferred income tax. The revisions made to the preliminary assessment were reflected as of the acquisition date, and consequently, the Group's share of profit (loss) of joint ventures net of income tax for the three months ended 31 March 2014 was increased by RR 40 million due to the reversal of the depreciation in SeverEnergia.

As part of the transaction the Group terminated the natural gas purchase contract with Sibneftegas.

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

Acquisition of ownership interest in Artic Russia B.V. – finalization of the valuation

At the end of December 2013, the Group's joint venture OOO Yamal Development acquired a 60 percent participation interest in Artic Russia B.V. for total cash consideration of RR 96,846 million (USD 2,939 million) from third parties. Artic Russia, incorporated in the Netherlands, is a holding company for a 49 percent participation interest in OOO SeverEnergia, the Group's joint venture.

As a result, the Group increased its effective interest in SeverEnergia by 14.7 percent and, along with the acquisition of a 40 percent stake in Artic Russia under the terms of the asset swap agreement, the acquisition increased the Group's effective interest ownership in SeverEnergia to 59.8 percent. However, the Charter agreement of SeverEnergia stipulates that key financial and operating policy decisions regarding the entity's business activities are subject to approval by six out of the seven members of the Board of Directors, i.e. effectively none of the participants have a preferential voting right. Thus, the Group continues to determine SeverEnergia to be a joint venture and accounts for it under the equity method.

At 31 December 2013, in accordance with IAS 28, *Investments in Associates and Joint Ventures*, the Group assessed the preliminary fair values of the identified assets and liabilities of SeverEnergia as at the acquisition date and recorded provisional figures for those items. In April 2014, Group engaged an independent appraiser to assess the fair values of the identifiable assets and liabilities, which was completed in July 2014. As a result, the preliminary fair values of non-current assets and non-current liabilities were not changed, and goodwill in amount of RR 7,873 million was included in the carrying amount of the investment in the joint venture. However, a purchase price allocation within oil and gas properties has changed resulting in the decrease of depreciation for the three months ended 31 March 2014 in the amount of RR 67 million, net of deferred income tax. The revisions made to the preliminary assessment were reflected as of the acquisition date, and consequently, the Group's share of profit (loss) of joint ventures net of income tax for the three months ended 31 March 2014 was increased by RR 40 million due to the reversal of the depreciation in SeverEnergia.

Acquisition of an additional equity stake in ZAO Nortgas

In June 2013, the Group increased its equity share in ZAO Nortgas to 50 percent through a subscription to the entity's additional share emission for a cash consideration of RR 1,703 million (USD 52 million). In accordance with IAS 28, *Investment in Associates and Joint Ventures*, the Group assessed the fair value of identifiable assets and liabilities of the company and calculated that no goodwill arose on the acquisition of an additional stake in Nortgas. After the transaction, the Group continues to account its share in the company under the equity method.

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

5 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the reporting periods are as follows:

For the six months ended 30 June 2013	Oil and gas properties and equipment	Assets under construction and advances for construction	Other	Total
Cost	202,420	35,295	8,031	245,746
Accumulated depreciation, depletion and amortization	(46,810)	-	(1,560)	(48,370)
Net book value at 1 January 2013	**155,610**	**35,295**	**6,471**	**197,376**
Additions	3,549	28,203	101	31,853
Transfers	16,552	(16,755)	203	-
Depreciation, depletion and amortization	(5,846)	-	(264)	(6,110)
Disposals, net	(68)	(224)	(21)	(313)
Cost	222,413	46,519	8,288	277,220
Accumulated depreciation, depletion and amortization	(52,616)	-	(1,798)	(54,414)
Net book value at 30 June 2013	**169,797**	**46,519**	**6,490**	**222,806**
For the six months ended 30 June 2014				
Cost	249,933	46,626	8,254	304,813
Accumulated depreciation, depletion and amortization	(59,432)	-	(1,693)	(61,125)
Net book value at 1 January 2014	**190,501**	**46,626**	**6,561**	**243,688**
Additions	796	32,382	125	33,303
Transfers	19,603	(20,364)	761	-
Depreciation, depletion and amortization	(7,808)	-	(217)	(8,025)
Disposals, net	(484)	(59)	(18)	(561)
Cost	269,511	58,585	9,091	337,187
Accumulated depreciation, depletion and amortization	(66,903)	-	(1,879)	(68,782)
Net book value at 30 June 2014	**202,608**	**58,585**	**7,212**	**268,405**

Included in additions to property, plant and equipment for the six months ended 30 June 2014 and 2013 are capitalized interest and foreign exchange differences of RR 1,990 million and RR 2,081 million, respectively.

Included within assets under construction and advances for construction are advances to suppliers for construction and equipment of RR 5,243 million and RR 2,805 million at 30 June 2014 and 31 December 2013, respectively.

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

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the six months ended 30 June 2014, the major transfer to oil and gas properties and equipment in the amount of RR 9,706 million represented the completion of Purovsky Gas Condensate Plant expansion project, which effectively increased the plant processing capacity from five to 11 million tons per annum.

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

	At 30 June 2014	At 31 December 2013
Proved properties acquisition costs	44,487	43,938
Less: accumulated depreciation, depletion and amortization of proved properties acquisition costs	(13,722)	(13,061)
Unproved properties acquisition costs	6,609	6,420
Total acquisition costs	**37,374**	**37,297**

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

Capital commitments are disclosed in Note 23.

6 INVESTMENTS IN JOINT VENTURES

	At 30 June 2014	At 31 December 2013
Joint ventures:		
OAO Yamal LNG	84,726	77,875
ZAO Nortgas	48,060	45,605
Artic Russia B.V.	29,825	59,315
OOO Yamal Development	19,178	23,720
ZAO Terneftegas	7,515	3,551
Total investments in joint ventures	**189,304**	**210,066**

The Group considers that its investments in Yamal LNG, Nortgas, Artic Russia, Yamal Development and Terneftegas constitute jointly controlled entities on the basis of the existing contractual arrangements. The Charters and Shareholders' agreements of these entities stipulate that strategic and/or key decisions of a financial, operating and capital nature require effectively the unanimous approval by all shareholders. The Group accounts for its shares in joint ventures under the equity method.

OAO Yamal LNG. The Group holds a 60 percent ownership in Yamal LNG, its joint venture with TOTAL S.A. (20 percent) and China National Petroleum Corporation (20 percent). The joint venture is responsible for implementing the Yamal LNG Project including the construction of production facilities for natural gas, gas condensate and liquefied natural gas based on the resources of the South-Tambeyskoye field, located on the Yamal Peninsula in the YNAO.

ZAO Nortgas. The Group holds a 50 percent ownership in Nortgas, its joint venture with OAO Gazprom and OAO Gazprombank (sold its share in Nortgas to OAO Gazprom Neft in July 2014), which operates the North-Urengoyskoye field, located in the YNAO.

Artic Russia B.V. At 31 December 2013, the Group held a direct 40 percent ownership interest in Artic Russia B.V., domiciled in the Netherlands. On 31 March 2014, the Group sold a 20 percent ownership interest in Artic Russia to Yamal Development (see Note 4).

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

6 INVESTMENTS IN JOINT VENTURES (CONTINUED)

OOO Yamal Development. The Group holds a 50 percent participation interest in Yamal Development, its joint venture with OAO Gazprom Neft (50 percent). Yamal Development holds a 51 percent participation interest in OOO SeverEnergia and an 80 percent ownership interest in Artic Russia (at 31 December 2013: 60 percent in Artic Russia). Artic Russia holds the other 49 percent participation interest in SeverEnergia, which through its wholly owned subsidiary OAO Arcticgas operates the Samburgskoye and Urengoyskoye fields and conducts exploration activities on the Yaro-Yakhinskoye, Evo-Yakhinskoye and North-Chaselskoye fields, located in the YNAO.

ZAO Terneftegas. The Group holds a 51 percent ownership in Terneftegas, its joint venture with TOTAL S.A. (49 percent), which conducts exploration activities on the Termokarstovoye field, located in the YNAO.

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

	Six months ended 30 June:	
	2014	**2013**
At 1 January	**210,066**	**189,136**
Share of profit (loss) of joint ventures before income tax	2,293	129
Share of income tax expense	(247)	(438)
Share of profit (loss) of joint ventures, net of income tax	**2,046**	**(309)**
Disposal of stakes in joint venture	(32,349)	-
Effect from other changes in joint ventures' net assets	3,969	-
Contributions to equity	3,350	1,436
Effect from remeasurement of loans provided by the Group to joint ventures (see Note 7)	2,222	1,364
Acquisition of additional stakes in joint ventures (see Note 4)	-	1,703
At 30 June	**189,304**	**193,330**

At 30 June 2014, the Group's joint venture SeverEnergia wrote-off RR 1,436 million of property, plant and equipment due to the fire accident which occurred at the gas condensate de-ethanization facility at its Urengoyskoye field in April 2014, of which RR 788 million was attributable to NOVATEK (included in share of profit (loss) of joint ventures before income tax). Natural gas and unstable gas condensate production on the field was temporarily suspended until July 2014. Planned production capacity is expected to be fully restored by the end of 2014.

In March 2014, the Group disposed of its 20 percent ownership interest in Artic Russia at cost of RR 32,349 million including unrealized gain on disposal (see Note 4).

During the six months ended 30 June 2014, the Group recorded a gain in the amount of RR 3,969 million in equity from remeasurement of the disproportional loans provided to Yamal LNG by other shareholders.

In June 2014, the equity of Terneftegas was increased through proportional contributions by its participants totalling RR 6,569 million, of which RR 3,350 million was attributable to NOVATEK. The Group's shareholding did not change as a result of the proportional contributions.

In March 2013, the equity of Terneftegas was increased through proportional contributions by its participants totalling RR 2,816 million, of which RR 1,436 million was attributable to NOVATEK. The Group's shareholding did not change as a result of the proportional contributions.

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

7 LONG-TERM LOANS AND RECEIVABLES

	At 30 June 2014	At 31 December 2013
US dollar denominated loans	46,119	45,415
Russian rouble denominated loans	5,618	2,200
Total long-term loans	**51,737**	**47,615**
Long-term receivables	536	412
Long-term interest receivable	2,094	1,310
Total long-term loans and receivables	**54,367**	**49,337**

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

	At 30 June 2014	At 31 December 2013
OAO Yamal LNG	43,401	42,804
OOO Yamal Development	5,618	2,200
ZAO Terneftegas	2,718	2,611
Total long-term loans	**51,737**	**47,615**

OAO Yamal LNG. In August 2012, in accordance with the Shareholders' agreement, the Group provided a US dollar credit line facility to Yamal LNG, the Group's joint venture. Under the terms of the credit line agreement the Group provides loans in tranches based on the annual budget of Yamal LNG approved by the joint venture's Board of Directors. The loans bore an interest rate of 5.09 percent per annum, which was reduced to 4.46 percent per annum effective 1 January 2014. The interest rate can be adjusted during subsequent years subject to certain conditions. The principal and interest are repayable after the commencement of commercial production by Yamal LNG and are both included within non-current assets in the consolidated interim condensed statement of financial position (see Note 24).

During the six months ended 30 June 2014, the shareholders of Yamal LNG provided further loans to the joint venture totalling RR 64,750 million (USD 1,830 million), of which RR 12,884 million (USD 365 million) were funded by the Group. Following the entering of the new shareholder (CNPC) into the Yamal LNG Project, Yamal LNG in January 2014 repaid to the Group part of the loan (refinanced by CNPC) in the amount of RR 12,045 million (USD 364 million).

OOO Yamal Development. In December 2013, the Group provided a credit line facility to Yamal Development, the Group's joint venture, up to RR 13 billion. The loan bore an interest rate of 9.25 percent per annum. The principal and interest are repayable in December 2015 and are both included within non-current assets in the consolidated interim condensed statement of financial position (see Note 24). The repayment schedule can be extended during subsequent years subject to certain conditions.

ZAO Terneftegas. In 2010 and 2011, in accordance with the Shareholders' agreement, the Group provided a US dollar credit line facility to Terneftegas, the Group's joint venture. Under the terms of the credit line agreement the Group provides loans in tranches based on the annual budget of Terneftegas approved by the joint venture's Board of Directors. The loans bore an interest rate of 3.88 percent per annum, which was increased to 4.52 percent per annum effective 1 July 2013. The interest rate can be adjusted during subsequent years subject to certain conditions. The principal and interest are repayable after the commencement of commercial production by Terneftegas and are both included within non-current assets in the consolidated interim condensed statement of financial position (see Note 24).

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

7 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)

Remeasurement of the shareholders' loans to joint ventures. In accordance with IAS 39, *Financial instruments: recognition and measurement*, the carrying value of the loans provided by the Group to its joint ventures, Yamal LNG and Terneftegas, was initially remeasured based on benchmark interest rates adjusted for the borrower credit risk (Level 3 in the fair value measurement hierarchy described in Note 22). For the six months ended 30 June 2014 and 2013, the effect from remeasurement to fair values in the amount of RR 2,222 million (USD 62 million) and RR 1,364 million (USD 43 million), respectively, was allocated to increase the Group's investments in the joint ventures (see Note 6).

No provisions for impairment of long-term loans and receivables were recognized at 30 June 2014 and 31 December 2013. The carrying values of long-term loans and receivables approximate their respective fair values.

8 OTHER NON-CURRENT ASSETS

	At 30 June 2014	At 31 December 2013
Financial assets		
Commodity derivatives	725	470
Long-term bank deposits	7	7
Non-financial assets		
Long-term advances	5,908	3,131
Materials for construction	3,438	5,284
Deferred income tax assets	2,637	1,514
Intangible assets, net	1,856	1,990
Other	84	82
Total other non-current assets	**14,655**	**12,478**

At 30 June 2014 and 31 December 2013, the long-term advances included advances to OAO Russian Railways in the amount of RR 5,503 million and RR 2,792 million, respectively. The advances were paid in accordance with the Strategic Partnership Agreement signed with OAO Russian Railways in 2012.

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
Trade receivables (net of provision of RR 40 million and RR 718 million at 30 June 2014 and 31 December 2013, respectively)	28,933	29,984
Other receivables (net of provision of RR 29 million and RR 3 million at 30 June 2014 and 31 December 2013, respectively)	830	19,538
Total trade and other receivables	**29,763**	**49,522**

At 31 December 2013, other receivables included RR 18,420 million (USD 563 million) relating to the disposal of a 20 percent stake in OAO Yamal LNG to CNPC, which was fully paid in January 2014.

Trade receivables in the amount RR 11,072 million and RR 5,015 million at 30 June 2014 and 31 December 2013, respectively, are secured by letters of credit, issued by banks with investment grade rating. The Group does not hold any other collateral as security for trade and other receivables (see Note 22 for credit risk disclosures).

The carrying values of trade and other receivables approximate their respective fair values. Trade and other receivables were categorized as Level 3 in the fair value measurement hierarchy described in Note 22.

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

10 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2014	At 31 December 2013
Financial assets		
At fair value through profit or loss	2,385	316
Short-term bank deposits and letters of credit (with original maturity over three months)	38	36
US dollar denominated loans	12	23
Non-financial assets		
Prepaid taxes other than income tax	9,065	3,418
Recoverable value-added tax	3,650	3,814
Deferred transportation expenses for natural gas	3,358	4,527
Prepayments and advances to suppliers (net of provision of RR nil and RR 5 million at 30 June 2014 and 31 December 2013, respectively)	3,113	2,536
Prepaid customs duties	1,739	1,023
Deferred export duties for liquid hydrocarbons	1,464	2,255
Deferred transportation expenses for liquid hydrocarbons	744	858
Other current assets	306	99
Total prepayments and other current assets	**25,874**	**18,905**

11 CASH AND CASH EQUIVALENTS

	At 30 June 2014	At 31 December 2013
Cash at current bank accounts	9,295	4,472
US dollar denominated deposits (interest rate from 0.6% p.a. to 0.75%)	36,803	1,486
Russian rouble denominated deposits (interest rate from 4.7% to 5.9% p.a.)	28	1,684
Other currency denominated deposits	181	247
Total cash and cash equivalents per the consolidated statement of financial position	**46,307**	**7,889**
Less: bank overdrafts (see Note 13)	-	(7,569)
Cash, cash equivalents and bank overdrafts per the consolidated statement of cash flows	**46,307**	**320**

All deposits are readily convertible to known amounts of cash and are not subject to significant risk of change in value (see Note 22 for credit risk disclosures).

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

12 LONG-TERM DEBT

	At 30 June 2014	At 31 December 2013
US dollar denominated bonds	75,394	73,341
US dollar denominated loans	49,880	34,363
Russian rouble denominated bonds	33,910	33,891
Russian rouble denominated loans	-	9,911
Total	**159,184**	**151,506**
Less: current portion of long-term debt	(3,837)	(9,911)
Total long-term debt	**155,347**	**141,595**

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

	At 30 June 2014	At 31 December 2013
Syndicated term US dollar credit line facility	49,880	34,363
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	33,502	32,595
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	21,756	21,163
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	20,136	19,583
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,986	19,980
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,924	13,911
Sberbank Russian rouble credit line facility	-	9,911
Total	**159,184**	**151,506**

Eurobonds. In February 2013, the Group issued Russian rouble denominated Eurobonds in the amount of RR 14 billion. The Russian rouble denominated Eurobonds were issued with an annual coupon rate of 7.75 percent, payable semi-annually. The bonds have a four-year tenor and are repayable in February 2017.

In December 2012, the Group issued US dollar denominated Eurobonds in the amount of USD 1 billion. The US dollar denominated Eurobonds were issued with an annual coupon rate of 4.422 percent, payable semi-annually. The bonds have a ten-year tenor and are repayable in December 2022.

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

Sberbank. In December 2011, the Group obtained up to a RR 40 billion credit line facility from OAO Sberbank available to withdraw until March 2012 which was subsequently extended until January 2013. In June 2012, the Group withdrew RR 10 billion under the facility at an interest rate of 8.9 percent per annum which was reduced to 7.9 percent effective from August 2013. The remaining part of the credit line was not utilized. In March 2014, the loan was fully repaid ahead of its maturity schedule.

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

12 LONG-TERM DEBT (CONTINUED)

Syndicated term credit line facility. In June 2013, the Group obtained a USD 1.5 billion unsecured syndicated term credit line facility from a range of international banks available to withdraw until June 2014. At 30 June 2014, the Group withdrew the full amount under the facility at an interest rate of LIBOR plus 1.75 percent per annum (2.0 percent at 30 June 2014 and 31 December 2013) repayable until July 2018 by quarterly installments starting from June 2015. The facility includes the maintenance of certain restrictive financial covenants.

Russian bonds. In October 2012, the Group issued non-convertible Russian rouble denominated bonds in the amount of RR 20 billion with a coupon rate of 8.35 percent per annum, payable semi-annually. The bonds have a three-year tenor and are repayable in October 2015.

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

	At 30 June 2014	At 31 December 2013
Syndicated term US dollar credit line facility	46,637	35,043
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	31,383	30,176
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	23,510	23,382
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	21,208	20,877
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,933	20,240
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,522	14,032
Sberbank Russian rouble credit line facility	-	10,038
Total	**156,193**	**153,788**

The fair value of the corporate bonds was determined based on market quote prices (Level 1 in the fair value measurement hierarchy described in Note 22). The fair value of other long-term loans was determined based on future cash flows discounted at the estimated risk-adjusted discount rate (Level 3 in the fair value measurement hierarchy described in Note 22).

Scheduled maturities of long-term debt at the reporting date were as follows:

Maturity period:	At 30 June 2014
1 July 2015 to 30 June 2016	55,469
1 July 2016 to 30 June 2017	29,272
1 July 2017 to 30 June 2018	15,348
1 July 2018 to 30 June 2019	-
After 30 June 2019	55,258
Total long-term debt	**155,347**

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

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

	At 30 June 2014	At 31 December 2013
Russian rouble denominated loans	1,619	-
US dollar denominated loans	-	6,546
US dollar denominated bank overdrafts	-	7,569
Total	**1,619**	**14,115**
Add: current portion of long-term debt	3,837	9,911
Total short-term debt and current portion of long-term debt	**5,456**	**24,026**

Russian rouble denominated loans. In January 2014, one of the Group's subsidiaries obtained a Russian rouble denominated loan from its non-controlling shareholder in the amount of RR 1,619 million at an interest rate of 9 percent per annum until September 2014.

US dollar denominated loans. In December 2013, the Group withdrew USD 200 million under credit line facilities with BNP PARIBAS Bank (USD 100 million) and Credit Agricole Corporate and Investment Bank (USD 100 million) at the interest rates of 1.46 percent and 1.9 percent per annum, respectively. In January 2014, the loans were fully repaid.

Bank overdrafts and available credit line facilities. In December 2013, the Group withdrew USD 231 million under available credit line facility in the form of bank overdrafts with BNP PARIBAS Bank at an interest rate of 2.32 percent per annum. In January 2014, the bank overdraft with BNP PARIBAS Bank was fully repaid.

At 30 June 2014, the Group has available credit facility with Gazprombank in the amount of RR 10 billion until July 2015 with interest rate negotiated at time of each withdrawal.

14 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2014	At 31 December 2013
Financial liabilities		
Trade payables	13,807	14,372
Interest payable	1,956	1,857
Commodity derivatives	1,305	46
Other payables	188	1,382
Non-financial liabilities		
Advances received	683	916
Salary payables	188	206
Other liabilities and accruals	1,516	2,481
Total trade payables and accrued liabilities	**19,643**	**21,260**

Trade and other payables were categorized as Level 3 in the fair value measurement hierarchy described in Note 22.

15 SHAREHOLDERS' EQUITY

Treasury shares. In accordance with the *Share Buyback Program* authorized by the Board of Directors, the Group's wholly owned subsidiary, Novatek Equity (Cyprus) Limited, purchases ordinary shares of OAO NOVATEK in the form of Global Depository Receipts (GDRs) on the London Stock Exchange (LSE) and ordinary shares on the Moscow Exchange MICEX-RTS through the use of independent brokers.

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

15 SHAREHOLDERS' EQUITY (CONTINUED)

During the six months ended 30 June 2014 and 2013, the Group purchased 7.7 million and 5.3 million ordinary shares (both ordinary shares and GDRs) at a total cost of RR 2,816 million and RR 1,756 million, respectively. At 30 June 2014 and 31 December 2013, the Group held in total (both ordinary shares and GDRs) 15.9 million and 8.2 million ordinary shares at total cost of RR 5,222 million and RR 2,406 million, respectively. The Group has decided that these shares do not vote.

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

	Six months ended 30 June:	
	2014	**2013**
Dividends payable at 1 January	1	5
Dividends declared (*)	13,569	11,704
Dividends paid (*)	(13,569)	(11,708)
Dividends payable at 30 June	**1**	**1**
Dividends per share declared during the period (in Russian roubles)	4.49	3.86
Dividends per GDR declared during the period (in Russian roubles)	44.90	38.60

(*) – excluding treasury shares.

16 OIL AND GAS SALES

	Three months ended 30 June:		Six months ended 30 June:	
	2014	**2013**	**2014**	**2013**
Natural gas	53,846	43,109	112,560	98,592
Naphtha	20,529	-	37,003	-
Liquefied petroleum gas	5,312	4,097	11,219	8,111
Other gas and gas condensate refined products	4,672	93	9,091	166
Crude oil	2,915	1,776	5,490	3,323
Stable gas condensate	607	8,843	1,051	28,174
Total oil and gas sales	**87,881**	**57,918**	**176,414**	**138,366**

17 TRANSPORTATION EXPENSES

	Three months ended 30 June:		Six months ended 30 June:	
	2014	**2013**	**2014**	**2013**
Natural gas transportation to customers	21,468	18,969	43,871	42,371
Liquid hydrocarbons transportation by rail	3,828	2,768	7,569	6,763
Liquid hydrocarbons transportation by tankers	1,105	910	2,325	2,539
Crude oil transportation by pipeline	286	205	570	384
Other	8	7	17	32
Total transportation expenses	**26,695**	**22,859**	**54,352**	**52,089**

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

18 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 30 June:		Six months ended 30 June:	
	2014	2013	2014	2013
Natural gas	6,346	4,851	10,595	11,327
Unstable gas condensate	5,387	1,976	10,040	3,871
Other liquid hydrocarbons	126	63	276	124
Total purchases of natural gas and liquid hydrocarbons	**11,859**	**6,890**	**20,911**	**15,322**

Throughout 2013, the Group purchased 51 percent of the natural gas volumes produced by its joint venture OAO Sibneftegas (see Note 24). In December 2013, the Group terminated the natural gas purchase contract with Sibneftegas as a result of its disposal.

The Group purchases 50 percent of the natural gas volumes produced by its joint venture ZAO Nortgas (see Note 24).

The Group purchases natural gas from its related party OAO SIBUR Holding at prices based on the market prices in the region of purchases (see Note 24).

The Group purchases unstable gas condensate produced by its joint ventures Nortgas and OOO SeverEnergia (from March 2013 by its wholly owned subsidiary, OAO Arcticgas) at ex-field prices based on benchmark crude oil and gas condensate refined products market quotes adjusted for quality and respective tariffs for its transportation and processing (see Note 24).

19 TAXES OTHER THAN INCOME TAX

The Group is subject to a number of taxes other than income tax, which are detailed as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2014	2013	2014	2013
Unified natural resources production tax	6,791	3,955	13,724	8,154
Property tax	477	418	1,002	876
Other taxes	85	63	135	123
Total taxes other than income tax	**7,353**	**4,436**	**14,861**	**9,153**

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

20 FINANCE INCOME (EXPENSE)

	Three months ended 30 June:		Six months ended 30 June:	
Interest expense (including transaction costs)	**2014**	**2013**	**2014**	**2013**
Interest expense on fixed rate debt	1,809	2,085	3,833	4,187
Interest expense on variable rate debt	328	31	583	73
Subtotal	**2,137**	**2,116**	**4,416**	**4,260**
Less: capitalized interest	(858)	(938)	(1,773)	(1,777)
Interest expense (on historical cost basis)	**1,279**	**1,178**	**2,643**	**2,483**
Provisions for asset retirement obligations: effect of the present value discount unwinding	68	62	140	121
Total interest expense	**1,347**	**1,240**	**2,783**	**2,604**

	Three months ended 30 June:		Six months ended 30 June:	
Interest income	**2014**	**2013**	**2014**	**2013**
Interest income on loans issued	606	267	1,124	559
Interest income on cash, cash equivalents and deposits	181	91	259	203
Interest income (on historical cost basis)	**787**	**358**	**1,383**	**762**
Long-term financial assets: effect of the present value discount unwinding	215	114	409	188
Total interest income	**1,002**	**472**	**1,792**	**950**

21 INCOME TAX

Effective income tax rate. The Group’s Russian statutory income tax rate for 2014 and 2013 was 20 percent. For the six months ended 30 June 2014 and 2013, the consolidated Group’s effective income tax rate was 19.0 percent and 19.8 percent, respectively. For the three months ended 30 June 2014 and 2013, the consolidated Group’s effective income tax rate was 18.4 percent and 19.9 percent respectively.

Lower estimated effective income tax rate for the three and six months ended 30 June 2014 was applied due to the ability to utilize a reduced income tax rate of 15.5 percent on a number of the Group’s investment projects in the Russian Federation included by the regional government authorities in the list of priority projects.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

	At 30 June 2014		At 31 December 2013	
Financial assets	**Non-current**	**Current**	**Non-current**	**Current**
Loans and receivable				
Loans receivable	51,737	12	47,615	23
Trade and other receivables	2,630	29,763	1,722	49,522
Bank deposits and letters of credit	7	38	7	36
Cash and cash equivalents	-	46,307	-	7,889
At fair value through profit or loss				
Commodity derivatives	724	2,385	471	316
Total	**55,098**	**78,505**	**49,815**	**57,786**
Financial liabilities				
At amortized cost				
Long-term debt	155,347	3,837	141,595	9,911
Short-term debt	-	1,619	-	14,115
Trade and other payables	-	15,951	-	17,611
At fair value through profit or loss				
Commodity derivatives	161	1,305	228	46
Total	**155,508**	**22,712**	**141,823**	**41,683**

Derivative instruments. The Group conducts natural gas foreign trading in active markets under long-term and short-term purchase and sales contracts, as well as purchases and sells various derivative instruments (with reference to the European natural gas hubs) for deliveries optimization and decrease exposure to the risk of negative changes in natural gas world prices.

These contracts include pricing terms that are based on a variety of commodities and indices, and/or volume flexibility options that collectively qualify them under the scope of IAS 39, *Financial instruments: recognition and measurement*, although the activity surrounding certain contracts involves the physical delivery of natural gas.

All contracts mentioned above are recognized in the consolidated interim condensed statement of financial position at fair value with movements in fair value recognized in the consolidated interim condensed statement of income.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

The fair value of long-term natural gas derivative contracts involving the physical delivery of natural gas is determined using internal models and other valuation techniques (the mark-to-market and mark-to-model methods) due to the absence of quoted prices or other observable, market-corroborated data, for the duration of the contracts. Due to the assumptions underlying their fair value, the gas contracts are categorized as Level 3 in the fair value hierarchy, described above.

The fair value of short-term natural gas derivative contracts involving the physical delivery of natural gas and likewise contracts used for the price risk management and delivery optimization is determined based on available futures quotes in the active market (mark-to-market analysis) (Level 1).

The amounts recognized by the Group in respect to the commodity derivatives measured in accordance with IAS 39, *Financial instruments: recognition and measurement*, are as follows:

Commodity derivatives	At 30 June 2014	At 31 December 2013
Within other non-current and current assets	3,109	787
Within other non-current and current liabilities	(1,466)	(274)

Included in other operating income (loss)	Three months ended 30 June: 2014	Three months ended 30 June: 2013	Six months ended 30 June: 2014	Six months ended 30 June: 2013
Operating income from natural gas foreign trading	131	54	232	141
Change in fair value and result from trading of natural gas commodity derivatives	1,861	(89)	1,130	420

The fair value of natural gas derivative contracts is sensitive to forward pricing changes in the event of a one-off shift step in the market. The table below represents the effect on the fair value estimation of these derivative contracts that would occur from price changes by RR 229.13 (five Euros) by one megawatt-hour:

Sensitivity summary (RR million)	From price decrease	From price increase
Market shift as of 1 July 2014	879	(877)

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.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

(a) Foreign exchange risk

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

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

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

At 30 June 2014	**Russian rouble**	**US dollar**	**Other**	**Total**
Financial assets				
Non-current				
Long-term loans receivable	5,618	46,119	-	51,737
Trade and other receivables	645	1,967	18	2,630
Commodity derivatives	-	-	724	724
Long-term deposits	-	-	7	7
Current				
Short-term loans receivable	-	12	-	12
Trade and other receivables	14,097	13,146	2,520	29,763
Short-term bank deposits and letters of credit	26	5	7	38
Commodity derivatives	-	-	2,385	2,385
Cash and cash equivalents	4,807	39,648	1,852	46,307
Financial liabilities				
Non-current				
Long-term debt	(33,910)	(121,437)	-	(155,347)
Commodity derivatives	-	-	(161)	(161)
Current				
Current portion of long-term debt	-	(3,837)	-	(3,837)
Short-term debt	(1,619)	-	-	(1,619)
Trade and other payables	(11,871)	(2,030)	(2,050)	(15,951)
Commodity derivatives	-	-	(1,305)	(1,305)
Net exposure at 30 June 2014	**(22,207)**	**(26,407)**	**3,997**	**(44,617)**

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

At 31 December 2013	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	2,200	45,415	-	47,615
Trade and other receivables	402	1,303	17	1,722
Commodity derivatives	-	-	471	471
Long-term deposits	-	-	7	7
Current				
Short-term loans receivable	-	23	-	23
Trade and other receivables	9,981	37,707	1,834	49,522
Short-term bank deposits and letters of credit	26	9	1	36
Commodity derivatives	-	-	316	316
Cash and cash equivalents	5,131	2,052	706	7,889
Financial liabilities				
Non-current				
Long-term debt	(33,891)	(107,704)	-	(141,595)
Commodity derivatives	-	-	(228)	(228)
Current				
Current portion of long-term debt	(9,911)	-	-	(9,911)
Short-term debt	-	(14,115)	-	(14,115)
Trade and other payables	(12,573)	(3,570)	(1,468)	(17,611)
Commodity derivatives	-	-	(46)	(46)
Net exposure at 31 December 2013	**(38,635)**	**(38,880)**	**1,610**	**(75,905)**

(b) Commodity price risk

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

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

In 2013 the FTS reduced the regulated natural gas prices on the domestic market by 3 percent from 1 April 2013, increased by 15 percent from 1 July 2013, increased by 3.1 percent from 1 August 2013 and increased by another 1.9 percent from 1 October 2013. Effective from 1 January 2014, the FTS set natural gas prices back to the August-September levels of 2013, decreasing them by an average of 1.9% from the December 2013 price levels. Based on the Ministry of Economic Development Forecast published in September 2013, in 2014 wholesale natural gas prices on the domestic market (excluding residential customers) will remain at the same price level as the August-September 2013 prices, and in July 2015 and 2016, will be increased by 4.8 percent and 4.9 percent, respectively. Currently the Russian Federation government is discussing various scenarios for the growth rate of natural gas prices on the Russian domestic market for the subsequent years.

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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 trading activities on the European market. The Group purchases and sells natural gas on the European market under long-term and short-term supply contracts, as well as purchases and sells different derivative instruments 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 foreign trading and derivative instruments foreign trading are subject to commodity price volatility based on fluctuations or changes in the respective benchmark reference prices.

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

Liquid hydrocarbons. The Group sells its crude oil, stable gas condensate and gas condensate refined products under spot contracts. Naphtha and stable gas condensate volumes sold to the Asian-Pacific Region, European and USA markets are based on benchmark reference crude oil prices of Urals, Brent IPE and Dubai and/or naphtha prices of Naphtha Japan and Naphtha CIF NWE or a combination thereof, plus a margin or discount, depending on current market situation. Other gas condensate refined products volumes sold mainly to the European market are based on benchmark reference jet fuel prices of Jet CIF NWE, gasoil prices of Gasoil 0.1 percent CIF NWE and fuel oil prices of Fuel Oil 1 percent CIF NWE, 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 and gas condensate refined products benchmark reference prices. All of the Group's liquid hydrocarbon purchase and sales contracts are entered to meet supply requirements to fulfill 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)

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

	At 30 June 2014		At 31 December 2013	
	RR million	**Percent**	**RR million**	**Percent**
At fixed rate	110,923	*69%*	131,258	*79%*
At variable rate	49,880	*31%*	34,363	*21%*
Total debt	**160,803**	***100%***	**165,621**	***100%***

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

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

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

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

As a result of the domestic regional natural gas trading activities, the Group is exposed to the risk of payment defaults of small and medium-sized industrial users and individuals. The Group monitors the recoverability of these debtors by analyzing ageing of receivables by type of customers and their respective prior payment history to minimize credit risk.

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

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

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

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

All of the Group's financial liabilities represent non-derivative financial instruments. The following tables summarize the maturity profile of the Group's financial liabilities, except of natural gas derivative contracts, based on contractual undiscounted payments, including interest payments:

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	1,619	40,178	14,000	55,490	111,287
Interest	6,756	5,923	9,878	8,092	30,649
Debt at variable rate					
Principal (*)	3,880	15,522	31,044	-	50,446
Interest	994	821	701	-	2,516
Trade and other payables	15,951	-	-	-	15,951
Total financial liabilities	**29,200**	**62,444**	**55,623**	**63,582**	**210,849**

At 30 June 2014 and 31 December 2013, the aggregated amount of non-financial guarantees issued by the Group in respect of the Yamal LNG Project to a number of third parties (LNG Plant constructors, LNG-vessels owners and foreign bank) in favor of its joint venture Yamal LNG and its subsidiary, with various maturities depending on project finance beginning, loading of certain number of LNG-tankers and other events related to commercial production commencement, totaled to USD 840 million and USD 120 million, respectively. Subsequent to the balance sheet date, in July 2014, the Group increased the amount of such guarantees by USD 864 million.

At 30 June 2014 and 31 December 2013, the amount of financial guarantee issued by the Group to the bank in favor of its joint venture OOO Yamal Development, valid until December 2017, totaled to USD 400 million at both dates.

At 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt at fixed rate					
Principal (*)	24,115	20,000	33,638	54,003	131,756
Interest	7,379	6,649	10,707	9,301	34,036
Debt at variable rate					
Principal (*)	-	8,082	26,938	-	35,020
Interest	708	654	750	-	2,112
Trade and other payables	17,611	-	-	-	17,611
Total financial liabilities	**49,813**	**35,385**	**72,033**	**63,304**	**220,535**

(*) – differs from long-term debt for transaction costs (see Note 12).

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash inflow	2,688	150	1,438	922	5,198
Cash outflow	(1,634)	(422)	(789)	(964)	(3,809)
Net cash flows	**1,054**	**(272)**	**649**	**(42)**	**1,389**
At 31 December 2013					
Cash inflow	27,156	26,231	75,411	89,464	218,262
Cash outflow	(26,750)	(26,155)	(75,184)	(89,163)	(217,252)
Net cash flows	**406**	**76**	**227**	**301**	**1,010**

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- (negative) 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.

Historically, the Group had 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, in April 2014, the Board of Directors of NOVATEK approved the new dividend policy that distributes not less than 30 percent of the Group's consolidated net profit determined according to IFRS, adjusted for one-off profits (losses). The dividend payment for a specific year is determined after taking into consideration future earnings, capital expenditure requirements, future business opportunities and the Group current financial position. Dividends are recommended by the Board of Directors and approved by the NOVATEK's shareholders.

The Group defines the term "capital" as equity attributable to OAO NOVATEK shareholders plus net debt (total debt less cash and cash equivalents). There were no changes to the Group's approach to capital management during the six months ended 30 June 2014. At 30 June 2014 and 31 December 2013, the Group's capital totalled RR 529,638 million and RR 527,930 million, respectively.

23 CONTINGENCIES AND COMMITMENTS

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

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

Recent developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including difficulties in obtaining international funding. These and other events, in case of escalation, may have a significant impact on the operating environment in the Russian Federation.

Sectoral sanctions imposed by the U.S. government. Subsequent to the balance sheet date, on 16 July 2014, the Office of Foreign Assets Control (OFAC) of the U.S. Treasury included OAO NOVATEK on the Sectoral Sanctions Identification List (the "List") which prohibits U.S. persons or persons within the United States from providing new financing to the Group for longer than 90 days, whereas all other transactions, including financial, carried out by U.S. persons or within the United States with the Group are permitted. The inclusion on the List has not impacted the Group's operations and business activities, in any jurisdiction, nor does it affect the Group's assets, listed shares and debt.

Management has reviewed the Group's capital expenditure programs and existing debt portfolio and has concluded that the Group has sufficient liquidity, through internally generated (operating) cash flows, to adequately fund its core oil and gas business operations including finance of its all planned capital expenditure programs, as well as to repay and service all Group's short- term and long-term debt existing at the current reporting date.

In addition to above, the Group together with its foreign partners is currently assessing the impact of such sectoral sanctions on financing of the joint investment projects.

Commitments. At 30 June 2014, the Group had contractual capital expenditures commitments aggregating approximately RR 33,952 million (at 31 December 2013: RR 36,142 million) mainly for development at the Yarudeyskoye field (through 2017) and ongoing development activities at the Salmanovskoye (Utrenneye) (through 2017), the Yurkharovskoye (through 2016), the East-Tarkosalinskoye (through 2015), the North-Khancheyskoye (through 2015), the Khancheyskoye (through 2016) fields and the Olimpiyskiy license area (through 2015) 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. Correspondingly, the relevant regional and federal tax authorities may periodically challenge management's interpretation of such taxation legislation as applied to the Group's transactions and activities. 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.

23 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

The Group's oil and gas fields and license areas are situated on land located in the Yamal-Nenets Autonomous Region. Licenses are issued by the Federal Agency for the Use of Natural Resources of the Russian Federation and the Group pays unified natural resources production tax to produce crude oil, natural gas and unstable gas condensate from these fields and contributions for exploration of license areas.

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

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

24 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 or joint control 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.

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

24 RELATED PARTY TRANSACTIONS (CONTINUED)

	Three months ended 30 June:		Six months ended 30 June:	
Related parties – joint ventures	**2014**	**2013**	**2014**	**2013**
Transactions				
OAO Sibneftegas (until December 2013):				
Interest income on loans issued	-	104	-	307
Purchases of natural gas	-	(1,611)	-	(3,346)
OOO SeverEnergia and its subsidiary:				
Purchases of unstable gas condensate	(2,327)	(1,248)	(4,117)	(2,371)
ZAO Terneftegas:				
Interest income on loans issued	40	25	107	40
OAO Yamal LNG:				
Interest income on loans issued	695	212	1,274	311
Other revenues (operator services sales)	49	17	54	18
ZAO Nortgas:				
Purchases of natural gas	(2,167)	(674)	(2,615)	(1,397)
Purchases of unstable gas condensate	(3,060)	(728)	(5,923)	(1,500)
OOO Yamal Development:				
Interest income on loans issued	73	-	123	-

Related parties – joint ventures	**At 30 June 2014**	**At 31 December 2013**
Balances		
OOO SeverEnergia and its subsidiary:		
Trade payables and accrued liabilities	705	753
ZAO Terneftegas:		
Long-term loans receivable	2,718	2,611
Interest on long-term loans receivable	201	135
OAO Yamal LNG:		
Long-term loans receivable	43,401	42,804
Interest on long-term loans receivable	1,764	1,169
ZAO Nortgas:		
Trade payables and accrued liabilities	2,047	1,856
OOO Yamal Development:		
Long-term loans receivable	5,618	2,200
Interest on long-term loans receivable	129	6

The terms and conditions of the loans receivable from the joint ventures are disclosed in Note 7.

The Group issued non-financial and financial guarantees in favor of its joint ventures as described in Note 22.

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

24 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – parties under control of key management personnel	Three months ended 30 June:		Six months ended 30 June:	
	2014	2013	2014	2013
Transactions				
OAO SIBUR Holding and its subsidiaries:				
Natural gas sales	711	562	1,608	1,246
Liquid hydrocarbons sales	1,148	-	2,152	195
Other revenues	132	-	135	-
Purchases of natural gas and liquid hydrocarbons	(3,967)	(2,457)	(7,433)	(6,475)
Materials, services and other	(201)	-	(281)	-
Liquid hydrocarbons transportation by rail	(519)	-	(519)	-
OOO Transoil:				
Liquid hydrocarbons transportation by rail	(990)	(607)	(1,855)	(1,785)
Gunvor Group Ltd (under joint control until March 2014):				
Liquid hydrocarbons sales	-	-	2,023	-
Liquid hydrocarbons transportation (transshipment services)	-	-	(266)	-
OOO Nova:				
Purchases of construction services (capitalized within property, plant and equipment)	(1,451)	(512)	(2,900)	(752)

Related parties – parties under control of key management personnel	At 30 June 2014	At 31 December 2013
Balances		
OAO Pervobank:		
Cash and cash equivalents	2,456	2,040
OAO SIBUR Holding and its subsidiaries:		
Trade and other receivables	481	119
Trade payables and accrued liabilities	245	274
OOO Transoil:		
Prepayments and other current assets	265	288
Trade payables and accrued liabilities	161	176
Gunvor Group Ltd (under joint control until March 2014):		
Trade and other receivables	-	2,903
Prepayments and other current assets	-	69
Trade payables and accrued liabilities	-	118
OOO Nova:		
Advances for construction	403	309
Trade payables and accrued liabilities	210	228

On 19 March 2014, a member of the Board of Directors of NOVATEK sold its shares in Gunvor Group to a third party and as the result, Gunvor Group ceased to be a related party of the Group from that date.

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)

24 RELATED PARTY TRANSACTIONS (CONTINUED)

	Three months ended 30 June:		Six months ended 30 June:	
Related parties – members of key management personnel	**2014**	**2013**	**2014**	**2013**
Board of Directors	49	49	68	68
Management Committee	727	639	1,192	1,114
Total compensation	**776**	**688**	**1,260**	**1,182**

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

25 SEGMENT INFORMATION

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

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

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

Segment information for the three months ended 30 June 2014 is as follows:

For the three months ended 30 June 2014	**References**	**Exploration, production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues		88,381	88,381	(11)	88,370
Operating expenses	*a - d*	(58,097)	(58,097)	2,427	(55,670)
Other operating income (loss)	*e*	(218)	(218)	2,009	1,791
Interest expense	*f, g*	(1,704)	(1,704)	357	(1,347)
Interest income	*f*	786	786	216	1,002
Foreign exchange gain (loss)		1,216	1,216	(63)	1,153
Segment result		**30,364**	**30,364**	**4,935**	**35,299**
Share of profit (loss) of joint ventures, net of income tax					3,768
Profit before income tax					**39,067**
Depreciation, depletion and amortization	*a*	5,455	5,455	(1,288)	4,167
Capital expenditures	*g*	17,307	17,307	2,269	19,576

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

25 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

a. different methodology in calculating depreciation, depletion and amortization for intangible assets and for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,290 of million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to natural gas storage services and payroll (including pension obligations, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in additional recognition of transportation expenses of RR 127 million and in reversal of payroll expenses of RR 1,031 million recorded in operating expenses under IFRS;

c. different methology in valuation of inventory balances under IFRS and management accounting, which resulted in reversal of operating expenses of RR 126 million under IFRS;

d. different methodology in recognizing exploration expenses between IFRS and management accounting, which resulted in the reversal of operating expenses of RR 246 million under IFRS;

e. different methodology in valuation of commodity derivatives under IFRS and management accounting, which requires additional recognition of other operating income of RR 1,967 million;

f. different methodology in recognizing effect of the present value discount unwinding of long-term financial assets and effect of the present value discount unwinding of provisions for asset retirement obligations under IFRS and management accounting, which requires additional recognition of interest income of RR 215 million and additional recognition of interest expense of RR 68 million under IFRS; and

g. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 554 million and additional recognition of capital expenditures of RR 1,716 million under IFRS.

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

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

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

25 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

a. different methodology of stable gas condensate sales recognition under IFRS and management accounting, which requires reversal of external revenues for RR 489 million under IFRS;

b. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 1,454 million in operating expenses under IFRS;

c. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligations, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in recognition of additional transportation expenses of RR 124 million and reversal of payroll expenses of RR 1,221 million recorded in operating expenses under IFRS;

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

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

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

g. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 850 million and additional capital expenditures of RR 1,484 million under IFRS.

Segment information for the six months ended 30 June 2014 is as follows:

For the six months ended 30 June 2014	**References**	**Exploration, production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues		177,064	177,064	(18)	177,046
Operating expenses	*a - e*	(113,501)	(113,501)	3,956	(109,545)
Other operating income (loss)	*f*	2,495	2,495	1,878	4,373
Interest expense	*g - i*	(3,664)	(3,664)	881	(2,783)
Interest income	*g*	1,382	1,382	410	1,792
Foreign exchange gain (loss)	*i*	(2,744)	(2,744)	223	(2,521)
Segment result		**61,032**	**61,032**	**7,330**	**68,362**
Share of profit (loss) of joint ventures, net of income tax					2,046
Profit before income tax					**70,408**
Depreciation, depletion and amortization	*a*	10,731	10,731	(2,508)	8,223
Capital expenditures	*i*	28,628	28,628	4,675	33,303

25 SEGMENT INFORMATION (CONTINUED)

Reconciling items mainly related to:

a. different methodology in calculating depreciation, depletion and amortization for intangible assets and for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 2,525 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to natural gas storage services and payroll (including pension obligations, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in reversal transportation expenses of RR 339 million and in reversal of payroll expenses of RR 775 million recorded in operating expenses under IFRS;

c. different methodology in recognizing bad debt provision under IFRS and management accounting, which resulted in reversal of operating expenses of RR 468 million under IFRS;

d. different methology in valuation of inventory balances under IFRS and management accounting, which resulted in additional recognition of operating expenses of RR 384 million under IFRS;

e. different methodology in recognizing exploration expenses between IFRS and management accounting, which resulted in the reversal of operating expenses of RR 426 million under IFRS;

f. different methodology in valuation of commodity derivatives and recognition discounting effect on financial assets under IFRS and management accounting, which requires additional recognition of other operating income for RR 1,337 million and RR 648 million, respectively, under IFRS;

g. different methodology in recognizing effect of the present value discount unwinding of long-term financial assets and effect of the present value discount unwinding of provisions for asset retirement obligations under IFRS and management accounting, which requires additional recognition of interest income of RR 409 million and additional recognition of interest expense of RR 140 million under IFRS; and

h. different methodology in recognizing borrowing transaction costs between IFRS and management accounting, which requires additional recognition of interest expense of RR 227 million under IFRS; and

i. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 1,521 million and additional recognition of capital expenditures of RR 3,154 million under IFRS.

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

25 SEGMENT INFORMATION (CONTINUED)

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

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

Reconciling items mainly related to:

a. different methodology in calculating depreciation, depletion and amortization for oil and gas properties between IFRS (units of production method) and management accounting (straight-line method), which resulted in reversal of RR 2,697 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to natural gas storage services and payroll (including share-based payments, pension obligations, discounting loans to employee and bonus accruals) between IFRS and management accounting, which resulted in the reversal of transportation expenses of RR 369 million and reversal of payroll expenses of RR 988 million recorded in operating expenses under IFRS;

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

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

e. different methodology in recognizing borrowing transaction costs between IFRS and management accounting which resulted in the reversal of interest expense of RR 752 million under IFRS; and

f. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest and foreign exchange differences of RR 1,633 million and additional capital expenditures of RR 2,648 million under IFRS.

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

- *Russian Federation* – exploration, development, production and processing of hydrocarbons, and sales of natural gas, stable gas condensate, liquefied petroleum gas, crude oil and gas refined products;
- *Taiwan, Japan, South Korea, Finland, Poland, Netherlands, Denmark and other European and Asian-Pacific Region countries, USA* – sales of liquid hydrocarbons.

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

25 SEGMENT INFORMATION (CONTINUED)

Geographical information for the three months ended 30 June 2014 and 2013 is as follows:

For the three months ended 30 June 2014	Natural gas	Stable gas condensate and naphtha	Liquefied petroleum gas	Crude oil	Other gas and gas condensate refined products	Total oil and gas sales
Russia	53,846	607	2,391	1,893	104	58,841
Taiwan	-	8,230	-	-	-	8,230
Japan	-	7,387	-	-	-	7,387
USA	-	3,312	-	-	-	3,312
Netherlands	-	3,030	-	-	-	3,030
Finland	-	-	844	-	2,010	2,854
Denmark	-	-	-	-	2,776	2,776
Belgium	-	2,494	-	-	-	2,494
Poland	-	-	2,450	-	-	2,450
Sweden	-	1,226	-	-	1,091	2,317
Slovakia	-	-	6	2,053	-	2,059
Other	-	5,358	92	-	413	5,863
Less: export duties	-	(10,508)	(471)	(1,031)	(1,722)	(13,732)
Total outside Russia	-	20,529	2,921	1,022	4,568	29,040
Total	**53,846**	**21,136**	**5,312**	**2,915**	**4,672**	**87,881**

For the three months ended 30 June 2013	Natural gas	Stable gas condensate and naphtha	Liquefied petroleum gas	Crude oil	Other gas and gas condensate refined products	Total oil and gas sales
Russia	43,109	381	1,599	1,094	93	46,276
South Korea	-	10,984	-	-	-	10,984
Netherlands	-	4,798	-	-	-	4,798
Poland	-	-	1,768	-	-	1,768
Slovakia	-	-	76	1,406	-	1,482
Hungary	-	-	283	-	-	283
Other	-	11	730	-	-	741
Less: export duties	-	(7,331)	(359)	(724)	-	(8,414)
Total outside Russia	-	8,462	2,498	682	-	11,642
Total	**43,109**	**8,843**	**4,097**	**1,776**	**93**	**57,918**

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

25 SEGMENT INFORMATION (CONTINUED)

Geographical information for the six months ended 30 June 2014 and 2013 is as follows:

For the six months ended 30 June 2014	Natural gas	Stable gas condensate and naphtha	Liquefied petroleum gas	Crude oil	Other gas and gas condensate refined products	Total oil and gas sales
Russia	112,560	1,051	5,081	3,568	179	122,439
Taiwan	-	15,353	-	-	-	15,353
Japan	-	11,609	-	-	-	11,609
Finland	-	1,027	1,796	-	3,685	6,508
Poland	-	-	5,302	-	-	5,302
USA	-	5,275	-	-	-	5,275
Netherlands	-	4,849	-	-	-	4,849
Denmark	-	-	-	-	4,818	4,818
South Korea	-	4,263	-	-	-	4,263
Belgium	-	3,574	-	-	628	4,202
Sweden	-	1,226	-	-	2,829	4,055
Slovakia	-	-	93	3,842	-	3,935
Other	-	9,853	486	-	413	10,752
Less: export duties	-	(20,026)	(1,539)	(1,920)	(3,461)	(26,946)
Total outside Russia	-	37,003	6,138	1,922	8,912	53,975
Total	**112,560**	**38,054**	**11,219**	**5,490**	**9,091**	**176,414**

For the six months ended 30 June 2013	Natural gas	Stable gas condensate and naphtha	Liquefied petroleum gas	Crude oil	Other gas and gas condensate refined products	Total oil and gas sales
Russia	98,592	950	3,434	1,988	166	105,130
South Korea	-	19,416	-	-	-	19,416
Netherlands	-	17,136	-	-	-	17,136
Singapore	-	5,256	-	-	-	5,256
Poland	-	-	3,664	-	-	3,664
USA	-	3,609	-	-	-	3,609
Hungary	-	-	478	1,345	-	1,823
Slovakia	-	-	232	1,406	-	1,638
Other	-	3,550	1,379	-	-	4,929
Less: export duties	-	(21,743)	(1,076)	(1,416)	-	(24,235)
Total outside Russia	-	27,224	4,677	1,335	-	33,236
Total	**98,592**	**28,174**	**8,111**	**3,323**	**166**	**138,366**

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

Major customers. For the six months ended 30 June 2014, the Group has one major customer to whom individual revenue exceeded 10 percent of total external revenues, which represented 15 percent (RR 27,158 million) of total external revenues. For the six months ended 30 June 2013, the Group had two customers to whom individual revenue exceeded 10 percent of total external revenues, which on an individual basis represented 18 percent and 15 percent (RR 24,440 million and RR 20,453 million) of total external revenues, respectively. All of the Group's major customers reside within the Russian Federation.

26 NEW ACCOUNTING PRONOUNCEMENTS

The following new and amended standards and interpretations became effective for the Group from 1 January 2014:

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

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

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

IFRS 9, *Financial Instruments: Classification and Measurement.* Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- 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.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

26 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The following changes may impact the Group's consolidated interim condensed financial information:

- IFRS 3, *Business Combinations*, was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11, *Joint Arrangements*. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

- The amendment of IFRS 13, *Fair Value Measurement*, clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, or IFRS 9, *Financial Instruments*.

IFRS 15, *Revenue from Contracts with Customers* (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any discounts on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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

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

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