

Approved by
the Board of Directors
of OAO NOVATEK
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**REGULATIONS
ON
INTERNAL CONTROL
OF OAO NOVATEK
(revised version)**

**Moscow
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Article 1. GENERAL PROVISIONS

1.1. These Regulations on Internal Control of OAO NOVATEK (“*the Regulations*”) are developed in accordance with the applicable Russian law, Articles of Association of the Open Joint Stock Company “NOVATEK” (“*the Company*” or “*OAO NOVATEK*”), NOVATEK’s Regulations on the Board of Directors, Regulations on the Audit Committee of NOVATEK’s Board of Directors, the Code of Corporate Conduct recommended by the Instruction of the Federal Securities Market Commission of Russia № 421/p of 04.04.2002, the Regulations on the Company’s Subdivisions, as well as the Company’s other internal regulations.

1.2. To procure a single approach to organizing and ensuring the effective functioning of the Company’s internal control system, the internal control procedures stipulated herein, are subject to introduction and implementation in all the companies of NOVATEK Group (as defined below) through the existing corporate governance mechanisms and other means of ensuring the defence of the Company’s interests in relation to the Subsidiaries’ business and financial activities.

1.3. These Regulations are the Company’s internal normative document specifying the concepts, objectives, tasks and procedures of internal control over the Company’s financial and business activities, as well as objectives of the internal control bodies to exercise control over compliance with the internal control procedures established in OAO NOVATEK.

Article 2. TERMS AND DEFINITIONS

2.1. “**Internal Control**” means a system of procedures conducted by the Company’s Board of Directors, executive and controlling bodies, executive officers and other employees aimed at ensuring reasonable confidence in achievement by the Company of its objectives in the following spheres:

- productivity and efficiency of the Company’s financial and business activity;
- reliability and trustworthiness of all types of the Company’s reporting;
- compliance with the Russian Federation laws and the Company’s internal regulations.

2.2. “**NOVATEK Group**” means the Company and its Subsidiaries.

2.3. “**Subsidiary**” means a business entity, where the Company holds 50 (Fifty) or more percent of shares (shareholdings) in its authorized capital.

Article 3. GOALS, OBJECTIVES AND PRINCIPLES OF OPERATION OF THE INTERNAL CONTROL SYSTEM WITHIN THE COMPANY

3.1. The main objective of the Internal Control is to prevent risks in the Company’s financial, business and investment activities, to take timely actions on their prevention, identify and mobilize internal reserves and opportunities for profit earning, and contribute to the efficient performance by the Company’s management of its administrative functions.

3.2. To achieve this objective, the Internal Control shall solve the following tasks:

- ensuring achievement of the strategic development targets and performance of NOVATEK’s business plans;

- ensuring investor confidence in the Company and its management bodies, protection of shareholders' investments and the Company's assets;
- ensuring safety of the Company's assets and efficient use of its resources;
- ensuring efficient prevention, timely detection and analysis of the risks in the Company's business to maximize the achievement of corporate objectives;
- ensuring completeness, reliability, usefulness and trustworthiness of the Company's financial, accounting and management accounting data and reporting;
- control over compliance with requirements of the applicable Russian law in the spheres Company's business being subject to regulation, as well as control over compliance with the accounting standards and the procedures of preparing accounting statements applied to OAO NOVATEK, and with the Company's internal policies, regulations and procedures;
- ensuring efficient prevention, detection and elimination of violations by NOVATEK in the course of its business operations.

3.3. The Company's Internal Control shall be based on the following principles:

- **Continuity:** the Internal Control System shall function on a permanent basis;
- **Integration:** the Internal Control System shall be an integral part of the Company's Corporate Governance System;
- **Integrity:** the Internal Control System covers all spheres of the Company's activity and all business processes at all management levels;
- **Functionality:** distribution of responsibility for risk management in accordance with segregation of duties within the Company;
- **Optimality:** the volume and complexity of the Internal Control Procedures applied in OAO NOVATEK are necessary and sufficient to fulfill the tasks and achieve objectives of the Company's Internal Control System.
- **Strict regulation:** all the Internal Control Procedures shall be conducted in accordance with the relevant procedure established by the Company's internal regulations.
- **Timely notification:** information regarding the risks identified and any deviations from the approved plans and procedures shall timely be notified to the persons authorized to make the relevant decisions.
- **Professionalism and competence:** the members of Company's management bodies and executive officers involved in the Internal Control Procedures shall have sufficient knowledge and expertise to exercise the internal control and improve their qualification on a continuous basis.

Article 4. MAIN PROCEDURES OF THE INTERNAL CONTROL

4.1. The Internal Control shall provide for the following basic procedures:

- determination of mutually-linked, coherent and consistent purposes and objectives at different management levels;
- distribution and delegation of key authorities and responsibility in the Company, ensuring the efficient interaction between NOVATEK's subdivisions and employees;
- identification and analysis of potential risks, which can hinder the Company from meeting its objectives;

- organizing of data collection, processing and transfer system, including preparation of reports containing the operating, financial and other information regarding NOVATEK's business, as well as determination of efficient channels and means of communication ensuring the vertical and horizontal relations within the Company;
- communication of particular duties and responsibilities in the area of internal control to all of the Company's employees;
- establishing the efficient communication between NOVATEK and third parties;
- determining criteria and assessment of efficiency of the Company's subdivisions, executive officers and other employees;
- application of adequate methods for keeping record of events, operations and transactions;
- checking the assets safety;
- approval and consummation of the transactions by duly authorized persons only;
- proper documentation of the Internal Control Procedures;
- segregation of key duties and responsibilities between NOVATEK's employees (including responsibilities for approval and record of operations; distribution, storage and receipt of resources; transactions analysis and review);
- differentiation of access of the Company's management and controlling bodies members, as well as the Company's other employees to particular resources and information, establishing responsibility for unauthorized access;
- regular assessment of the Internal Control Procedures quality.

4.2. The Chairman of the Management Board shall be responsible for establishing the Internal Control System and ensuring its efficient operation within the Company. It shall also approve a schedule of inspections, consider their results, ensure elimination of breaches detected in the course of the Internal Control Procedures and provide recommendations to the Board of Directors on enhancing the Company's Internal Control Procedures.

4.3. The heads of the Company's subdivisions and other executive officers acting in accordance with their functional duties, shall be responsible for elaboration, documentation, implementation, monitoring and development of the Internal Control Procedures in the respective fields of their activity.

4.4. Special employees may be appointed and/or special departments established to perform the internal control functions in specific areas of the Company's business.

Article 5. INTERNAL CONTROL PROCEDURES STATUS AND EFFICIENCY ASSESMENT

5.1. NOVATEK's Board of Directors shall determine the Company's Internal Control Policy and regularly assess the functioning of the Internal Control Procedures. For these purposes, the Board of Directors shall:

- approve the Company's internal documents regulating the Internal Control Procedures;
- regularly consider, analyze and assess the Company's Internal Control Procedures;
- approve the Company's strategies, business plan parameters, investment plans (projects) and regularly hear reports of the Company's executive bodies (both sole and collegial) regarding the implementation of the approved plans and passed resolutions.

5.2. Pursuant to the Regulations on the Audit Committee at the Company's Board of Directors, the Audit Committee shall assess reliability and efficiency of the Company's Internal Control Procedures, exercise control over the Internal Control System as to the preparation of financial statements, the entire Internal Control System and risk management system, and provide recommendations on their improvement.

5.3. The Company's Internal Audit Division shall assess the adequacy, sufficiency and efficiency of the Internal Control Procedures, and shall exercise control over the compliance with the Internal Control Procedures.

5.4. In exercising control over the compliance with the Internal Control Procedures, the Internal Audit Division shall interact with the Company's other management bodies, subdivisions and executive officers and receive the information and documents required by the Internal Audit Division in order to carry out its activities.

5.5. The Internal Audit Division shall perform the following functions on exercising control over the compliance with the Internal Control Procedures:

- organize and conduct audits and internal investigations in relation to NOVATEK's main financial and business activities, including the involvement of employees from the Company's other subdivisions;
- analyze and sum up the results of audits and internal investigations in the main fields of the Company's financial and business activity;
- coordinate the work of the Company's in exercising the internal control;
- keep record of any revealed violations of the Internal Control Procedures, including non-compliance (inefficient compliance) with the Company's internal regulations, inform the Audit Committee of the Company's Board of Directors and the Company's Chairman of the Management Board regarding such violations, recommendations on their elimination and results of elimination / failure to eliminate such violations;
- analyze the Company's audit results, organize control over the development and performance of action plans to eliminate violations revealed in the course of the audits;
- develop proposals on improvement of the Internal Control Procedures.

5.6. The work procedures and functions of the internal control bodies are determined in more detail by the Company's relevant regulations and other internal documents. These documents directly or indirectly touching upon the internal control matters shall not be in conflict with these Regulations.

Article 6. ORDER OF THE INTERNAL AUDIT DIVISION'S WORK ON EXERCISING CONTROL OVER COMPLIANCE WITH THE INTERNAL CONTROL PROCEDURES

6.1. In its activity, the Internal Audit Division shall be governed by the applicable Russian law, its Articles of Association, these Regulations and the Company's other internal regulations.

6.2. The headcount and organizational structure of the Internal Audit Division shall be approved by the Chairman of the Management Board as agreed upon with the Audit Committee of the Company's Board of Directors.

6.3. In exercising control over the efficiency of the Internal Control Procedures, the Internal Audit Division shall:

- be entitled to request the necessary documents and information from the management bodies and subdivisions of the Company;
- be entitled to enter the premises of the auditable subdivision, as well as the premises used for storing documents (archives), cash and valuables, the premises intended for processing and storing data in NOVATEK's information system, subject to a mandatory involvement of the subdivision's director, or on its instructions, an employee (employees) of the auditable subdivision;
- be entitled to get clarifications and comments from the Company's employees required to exercise control over the compliance with the Internal Control Procedures;
- be entitled to require from the Company's employees to deliver the information on fulfillment of decisions made by the management bodies and other executive officers in the follow-up of the Company audits;
- be entitled on its own initiative or with assistance of the auditable unit's employees to copy the obtained documents, including the files and other records being kept in the Company's information system, obtain interpretations of such records in compliance with requirements of the RF law and the Company's internal regulations on handling confidential information;
- be entitled, as agreed upon with the Chairman of the Management Board, to involve the employees from other subdivisions in the course of the audits;
- report to the Audit Committee at the Company's Board of Directors and Chairman of the Company's Management Board on any violations of the Internal Control Procedures revealed in the course of the audits;
- prepare (based on the audit results) reports, information and recommendations which shall be provided to the Audit Committee of the Company's Board of Directors and Chairman of the Management Board.

6.4. The Internal Audit Division shall present annual reports to the Audit Committee of the Company's Board of Directors and Chairman of the Management Board.

Article 7. FINAL PROVISIONS

7.1. These Regulations and any amendments hereto shall be approved by the Company's Board of Directors.

7.2. Any matters unforeseen by these regulations shall be governed by the applicable laws of the Russian Federation, resolutions passed by the Company's Board of Directors and the Company's other internal documents.

7.3. Where any changes in the law or other regulatory enactments of the Russian Federation go in conflict with any provisions herein, such provisions shall cease to be effective and, until duly amended, these Regulations shall remain effective to the extent insofar they do not conflict with the applicable law and regulatory enactments of the Russian Federation.