OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 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 September 2014 and the related consolidated condensed statements of income and comprehensive income for the three-month and nine-month periods then ended, and changes in equity and cash flows for the nine-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

28 October 2014
Moscow, Russian Federation

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

	Notes	At 30 September 2014	At 31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	281,328	243,688
Investments in joint ventures	6	182,377	210,066
Long-term loans and receivables	7	80,810	49,337
Other non-current assets	8	19,169	12,478
Total non-current assets		**563,684**	**515,569**
Current assets			
Inventories		7,806	5,953
Current income tax prepayments		2,605	157
Trade and other receivables	9	31,046	49,522
Prepayments and other current assets	10	29,575	18,905
Cash and cash equivalents	11	34,850	7,889
Total current assets		**105,882**	**82,426**
Total assets		**669,566**	**597,995**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	12	171,800	141,595
Deferred income tax liabilities		20,863	18,219
Asset retirement obligations		2,988	3,397
Other non-current liabilities		4,055	1,854
Total non-current liabilities		**199,706**	**165,065**
Current liabilities			
Short-term debt and current portion of long-term debt	13	10,630	24,026
Trade payables and accrued liabilities	14	23,264	21,260
Current income tax payable		158	7,365
Other taxes payable		8,372	7,222
Total current liabilities		**42,424**	**59,873**
Total liabilities		**242,130**	**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		1,311	683
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		391,496	334,614
Total equity attributable to OAO NOVATEK shareholders	15	**424,892**	**370,198**
Non-controlling interest		**2,544**	**2,859**
Total equity		**427,436**	**373,057**
Total liabilities and equity		**669,566**	**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 28 October 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 September: 2014	Three months ended 30 September: 2013	Nine months ended 30 September: 2014	Nine months ended 30 September: 2013
Revenues					
Oil and gas sales	16	84,090	75,541	260,504	213,907
Other revenues		643	107	1,275	336
Total revenues		**84,733**	**75,648**	**261,779**	**214,243**
Operating expenses					
Transportation expenses	17	(26,643)	(25,064)	(80,995)	(77,153)
Purchases of natural gas and liquid hydrocarbons	18	(14,532)	(8,518)	(35,443)	(23,840)
Taxes other than income tax	19	(7,198)	(5,958)	(22,059)	(15,111)
Depreciation, depletion and amortization		(4,316)	(3,589)	(12,539)	(9,800)
General and administrative expenses		(2,543)	(2,610)	(8,310)	(7,287)
Materials, services and other		(3,014)	(2,248)	(8,263)	(5,791)
Exploration expenses		(101)	(26)	(112)	(400)
Net impairment (expenses) reversals		(11)	(14)	553	(78)
Change in natural gas, liquid hydrocarbons and work-in-progress		2,488	947	1,753	1,711
Total operating expenses		**(55,870)**	**(47,080)**	**(165,415)**	**(137,749)**
Net gain (loss) on disposal of interests in joint ventures	4	-	-	2,623	-
Other operating income (loss)		100	36	1,850	693
Profit from operations		**28,963**	**28,604**	**100,837**	**77,187**
Finance income (expense)					
Interest expense	20	(1,274)	(1,358)	(4,057)	(3,962)
Interest income	20	1,354	580	3,146	1,530
Foreign exchange gain (loss)		(6,099)	751	(8,620)	(2,974)
Total finance income (expense)		**(6,019)**	**(27)**	**(9,531)**	**(5,406)**
Share of profit (loss) of joint ventures, net of income tax	6	(11,777)	647	(9,731)	338
Profit before income tax		**11,167**	**29,224**	**81,575**	**72,119**
Income tax expense					
Current income tax expense		(3,985)	(4,988)	(15,100)	(10,839)
Net deferred income tax benefit (expense)		321	(804)	(1,949)	(3,452)
Total income tax expense	21	**(3,664)**	**(5,792)**	**(17,049)**	**(14,291)**
Profit (loss)		**7,503**	**23,432**	**64,526**	**57,828**
Profit (loss) attributable to:					
Non-controlling interest		(124)	(26)	(206)	(58)
Shareholders of OAO NOVATEK		**7,627**	**23,458**	**64,732**	**57,886**
Basic and diluted earnings per share (in Russian roubles)		2.53	7.75	21.41	19.10
Weighted average number of shares outstanding (in millions)		*3,020.4*	*3,027.7*	*3,022.9*	*3,030.1*

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

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

	Three months ended 30 September:		Nine months ended 30 September:	
	2014	**2013**	**2014**	**2013**
Profit (loss)	**7,503**	**23,432**	**64,526**	**57,828**
Other comprehensive income (loss) that will not be reclassified subsequently to profit (loss)				
Remeasurement of pension obligations	(3)	-	(8)	-
Other comprehensive income (loss) that may be reclassified subsequently to profit (loss), net of income tax				
Currency translation differences	375	(127)	628	696
Total other comprehensive income (loss)	**372**	**(127)**	**620**	**696**
Total comprehensive income (loss)	**7,875**	**23,305**	**65,146**	**58,524**
Total comprehensive income (loss) attributable to:				
Non-controlling interest	(124)	(26)	(206)	(58)
Shareholders of OAO NOVATEK	**7,999**	**23,331**	**65,352**	**58,582**

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

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

	Notes	Nine months ended 30 September: 2014	2013
Profit before income tax		**81,575**	**72,119**
Adjustments to profit before income tax:			
Depreciation, depletion and amortization		12,539	9,800
Net impairment expenses (reversals)		(553)	78
Net foreign exchange loss (gain)		8,620	2,974
Net loss (gain) on disposal of assets		(2,874)	67
Interest expense		4,057	3,962
Interest income		(3,146)	(1,530)
Share of loss (profit) in joint ventures, net of income tax	6	9,731	(338)
Revaluation of financial instruments through loss (profit)		(415)	(407)
Other adjustments		(53)	20
Working capital changes			
Decrease (increase) in long-term advances for transportation		(5,724)	(3,163)
Decrease (increase) in trade and other receivables, prepayments and other current assets		(7,875)	(5,672)
Decrease (increase) in inventories		(1,869)	(1,934)
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		(242)	(2,111)
Increase (decrease) in taxes other than income tax		639	25
Total effect of working capital changes		**(15,071)**	**(12,855)**
Income taxes paid		(24,819)	(6,608)
Net cash provided by operating activities		**69,591**	**67,282**
Cash flows from investing activities			
Purchases of property, plant and equipment		(38,556)	(38,238)
Purchases of materials intended for construction		(4,233)	(3,102)
Acquisition of subsidiaries net of cash acquired	4	(1,283)	(554)
Acquisition of additional stakes in joint ventures		-	(1,703)
Additional capital contributions to joint ventures	6	(4,342)	(2,247)
Proceeds from disposal of stake in joint venture		53,534	-
Repayments of long-term receivables from disposals of subsidiaries in previous years		-	1,623
Interest paid and capitalized		(2,777)	(2,622)
Loans provided to joint ventures		(34,611)	(27,541)
Repayments of loans provided to joint ventures		11,747	8,564
Interest received		641	777
Net cash (used for) provided by investing activities		**(19,880)**	**(65,043)**
Cash flows from financing activities			
Proceeds from long-term debt		15,551	37,355
Proceeds from short-term debt		1,619	-
Repayments of long-term debt		(10,000)	(33,985)
Repayments of short-term debt		(6,656)	-
Interest paid		(3,460)	(3,317)
Dividends paid		(13,569)	(11,708)
Purchase of treasury shares		(2,824)	(1,855)
Sale of treasury shares		35	-
Acquisition of non-controlling interest	4	(102)	-
Capital contributions to the Group's subsidiaries by non-controlling shareholders		-	980
Net cash (used for) provided by financing activities		**(19,406)**	**(12,530)**

(in millions of Russian roubles)

	Notes	Nine months ended 30 September: 2014	2013
Net effect of exchange rate changes on cash, cash equivalents and bank overdrafts		4,225	2,210
Net increase (decrease) in cash, cash equivalents and bank overdrafts		**34,530**	**(8,081)**
Cash, cash equivalents and bank overdrafts at beginning of the period	11	320	18,420
Cash and cash equivalents at end of the period		**34,850**	**10,339**

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 nine months ended 30 September 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	-	-	-	-	696	-	-	696	-	696
Profit (loss)	-	-	-	-	-	-	57,886	57,886	(58)	57,828
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**696**	**-**	**57,886**	**58,582**	**(58)**	**58,524**
Dividends (Note 15)	-	-	-	-	-	-	(11,704)	(11,704)	-	(11,704)
Purchase of treasury shares (Note 15)	*(5.6)*	-	(1,855)	-	-	-	-	(1,855)	-	(1,855)
30 September 2013	***3,027.8***	**393**	**(2,439)**	**31,220**	**494**	**5,617**	**299,788**	**335,073**	**1,193**	**336,266**

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 nine months ended 30 September 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	-	-	-	-	628	-	-	628	-	628
Remeasurement of pension obligations	-	-	-	-	-	-	(8)	(8)	-	(8)
Profit (loss)	-	-	-	-	-	-	64,732	64,732	(206)	64,526
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**628**	**-**	**64,724**	**65,352**	**(206)**	**65,146**
Dividends (Note 15)	-	-	-	-	-	-	(13,569)	(13,569)	-	(13,569)
Effect from other changes in joint ventures' net assets (Note 6)	-	-	-	-	-	-	5,720	5,720	-	5,720
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 September 2014	***3,020.4***	**393**	**(5,222)**	**31,297**	**1,311**	**5,617**	**391,496**	**424,892**	**2,544**	**427,436**

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 in close proximity to its fields into stable gas condensate and liquefied petroleum gas. Stable gas condensate is 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:

Russian roubles to one currency unit	Average rate for the three months ended 30 September: 2014	2013	Average rate for the nine months ended 30 September: 2014	2013
US dollar (USD)	36.19	32.80	35.39	31.62
Polish zloty (PLN)	11.49	10.23	11.49	9.92

Russian roubles to one currency unit	At 30 September: 2014	2013	At 31 December: 2013	2012
US dollar (USD)	39.39	32.35	32.73	30.37
Polish zloty (PLN)	11.95	10.32	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

Acquisition of ZAO Office

In August 2014, the Group acquired 100 percent of the shares of ZAO Office for total consideration of RR 4,895 million (USD 135 million), of which RR 1,283 million (USD 34 million) was paid in August-September 2014, and the remaining USD 101 million will be paid until February 2016. ZAO Office owns a land lot in close proximity to NOVATEK's corporate headquarters in Moscow, and the Group plans the construction of a new office building on this land due to the extension of the Group's operations. The acquired company had no notable operating activities and accordingly, this acquisition is outside the definition of business as defined in IFRS 3, *Business Combination,* and cost of the acquisition has been allocated fully to the land lot. The property, plant and equipment in the amount of RR 4,895 million was included in the line "acquisition of subsidiaries" as disclosed in Note 5.

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

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

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.

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.

4 ACQUISITIONS AND DISPOSALS (CONTINUED)

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

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 nine months ended 30 September 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	3,923	44,099	107	48,129
Transfers	30,486	(30,804)	318	-
Depreciation, depletion and amortization	(9,155)	-	(406)	(9,561)
Disposals, net	(137)	(334)	(32)	(503)
Cost	236,571	48,256	8,383	293,210
Accumulated depreciation, depletion and amortization	(55,844)	-	(1,925)	(57,769)
Net book value at 30 September 2013	**180,727**	**48,256**	**6,458**	**235,441**
For the nine months ended 30 September 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**
Acquisition of subsidiaries	-	-	4,895	4,895
Additions	724	44,738	125	45,587
Transfers	33,198	(34,165)	967	-
Depreciation, depletion and amortization	(11,719)	-	(351)	(12,070)
Disposals, net	(583)	(180)	(22)	(785)
Cost	282,898	57,032	14,177	354,107
Accumulated depreciation, depletion and amortization	(70,777)	-	(2,002)	(72,779)
Net book value at 30 September 2014	**212,121**	**57,032**	**12,175**	**281,328**

Included in additions to property, plant and equipment for the nine months ended 30 September 2014 and 2013 are capitalized interest and foreign exchange differences of RR 3,342 million and RR 2,926 million, respectively.

Included within assets under construction and advances for construction are advances to suppliers for construction and equipment of RR 4,918 million and RR 2,805 million at 30 September 2014 and 31 December 2013, respectively.

During the nine months ended 30 September 2014, the major transfer to oil and gas properties and equipment in the amount of RR 10,194 million represented the completion of Purovsky Gas Condensate Plant expansion project, which increased the plant processing capacity from 5 to 11 million tons per annum.

In August 2014, the Group acquired ZAO Office, as described in Note 4, and has recorded an addition of RR 4,895 million to property, plant and equipment as “acquisition of subsidiaries”.

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

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 September 2014	At 31 December 2013
Proved properties acquisition costs	44,704	43,938
Less: accumulated depreciation, depletion and amortization of proved properties acquisition costs	(14,031)	(13,061)
Unproved properties acquisition costs	6,714	6,420
Total acquisition costs	**37,387**	**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 September 2014	At 31 December 2013
Joint ventures:		
OAO Yamal LNG	77,600	77,875
ZAO Nortgas	48,960	45,605
Artic Russia B.V.	30,033	59,315
OOO Yamal Development	18,530	23,720
ZAO Terneftegas	7,254	3,551
Total investments in joint ventures	**182,377**	**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 Gazprom Neft, 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).

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.

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

6 INVESTMENTS IN JOINT VENTURES (CONTINUED)

ZAO Terneftegas. The Group holds a 51 percent ownership in Terneftegas, its joint venture with TOTAL S.A. (49 percent), which conducts exploration and development 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:

	Nine months ended 30 September:	
	2014	2013
At 1 January	**210,066**	**189,136**
Share of (loss) profit of joint ventures before income tax	(11,299)	1,142
Share of income tax benefit (expense)	1,568	(804)
Share of profit (loss) of joint ventures, net of income tax	**(9,731)**	**338**
Disposal of stake in joint venture	(32,349)	-
Effect from other changes in joint ventures' net assets	5,720	-
Contributions to equity	4,355	2,247
Effect from remeasurement of loans provided by the Group to joint ventures (see Note 7)	4,316	2,695
Acquisition of additional stake in joint venture (see Note 4)	-	1,703
Reclassification to asset held for sale	-	(24,306)
At 30 September	**182,377**	**171,813**

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 nine months ended 30 September 2014, the Group recorded an increase in the amount of RR 5,720 million in equity from remeasurement of the disproportional loans provided to Yamal LNG and Terneftegas by other shareholders.

During the nine months ended 30 September 2014, the equity of Terneftegas was increased through proportional contributions by its participants totalling RR 8,507 million, of which RR 4,339 million was attributable to NOVATEK. In addition, the equity of Artic Russia was increased through proportional contributions by its participants totalling RR 82 million, of which RR 16 million was attributable to NOVATEK. The Group's shareholdings in both entities did not change as a result of the proportional contributions.

During the nine months ended 30 September 2013, the equity of Terneftegas was increased through proportional contributions by its participants totalling RR 4,406 million, of which RR 2,247 million were attributable to NOVATEK. The Group's shareholding did not change as a result of the proportional contributions.

In September 2013, NOVATEK and China National Petroleum Corporation ("CNPC") signed a Share Purchase Agreement on the purchase of a 20 percent equity stake in OAO Yamal LNG by CNPC. The transaction was not closed as at 30 September 2013, therefore, the Group's 20 percent investment in Yamal LNG has been reported as asset classified as held for sale with a carrying amount of RR 24,306 million.

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

7 LONG-TERM LOANS AND RECEIVABLES

	At 30 September 2014	At 31 December 2013
US dollar denominated loans	58,469	45,415
Russian rouble denominated loans	11,367	2,200
Euro denominated loans	7,058	-
Total long-term loans	**76,894**	**47,615**
Long-term interest receivable	3,399	1,310
Long-term receivables	517	412
Total long-term loans and receivables	**80,810**	**49,337**

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

	At 30 September 2014	At 31 December 2013
OAO Yamal LNG	62,335	42,804
OOO Yamal Development	11,367	2,200
ZAO Terneftegas	3,192	2,611
Total long-term loans	**76,894**	**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 statement of financial position (see Note 24). Effective from August 2014, the Group provides funds to Yamal LNG under the credit line facility in Euros.

During the nine months ended 30 September 2014, the shareholders of Yamal LNG provided further funds to the joint venture under this credit line totalling RR 126,390 million (USD 2,751 million and EUR 610 million), of which RR 25,443 million (USD 492 million and EUR 169 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 August 2014, the Group provided a credit line facility to Yamal Development, the Group's joint venture, up to RR 10.5 billion. The loan bore an interest rate of 10.9 percent per annum. The principal and interest are repayable in December 2021 and are both included within non-current assets in the consolidated statement of financial position (see Note 24). The repayment schedule can be extended during subsequent years subject to certain conditions.

In December 2013, the Group provided a credit line facility to Yamal Development 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 statement of financial position (see Note 24). In September 2014, the credit line was terminated with the outstanding balance at 30 September 2014 in the amount of RR 8,107 million.

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 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 nine months ended 30 September 2014 and 2013, the effect from remeasurement to fair values in the amount of RR 4,316 million and RR 2,695 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 September 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 September 2014	At 31 December 2013
Financial assets		
Commodity derivatives	1,776	470
Long-term bank deposits	8	7
Non-financial assets		
Long-term advances	8,854	3,131
Materials for construction	4,552	5,284
Deferred income tax assets	2,124	1,514
Intangible assets, net	1,771	1,990
Other	84	82
Total other non-current assets	**19,169**	**12,478**

At 30 September 2014 and 31 December 2013, the long-term advances included advances to OAO Russian Railways in the amount of RR 8,854 million and RR 2,792 million, respectively. The advances were paid in accordance with the Strategic Partnership Agreement signed with Russian Railways in 2012.

9 TRADE AND OTHER RECEIVABLES

	At 30 September 2014	At 31 December 2013
Trade receivables (net of provision of RR 47 million and RR 718 million at 30 September 2014 and 31 December 2013, respectively)	29,716	29,984
Other receivables (net of provision of RR 29 million and RR 3 million at 30 September 2014 and 31 December 2013, respectively)	1,330	19,538
Total trade and other receivables	**31,046**	**49,522**

Trade receivables in the amount RR 15,129 million and RR 5,015 million at 30 September 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).

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.

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 September 2014	At 31 December 2013
Financial assets		
At fair value through profit or loss	477	316
Short-term bank deposits and letters of credit (with original maturity over three months)	4	36
US dollar denominated loans	-	23
Non-financial assets		
Value-added tax receivable	9,441	3,359
Deferred transportation expenses for natural gas	5,283	4,527
Prepayments and advances to suppliers (net of provision of RR nil and RR 5 million at 30 September 2014 and 31 December 2013, respectively)	4,760	2,536
Recoverable value-added tax	4,274	3,814
Deferred export duties for liquid hydrocarbons	2,410	2,255
Prepaid customs duties	1,427	1,023
Deferred transportation expenses for liquid hydrocarbons	1,230	858
Other current assets	269	158
Total prepayments and other current assets	**29,575**	**18,905**

11 CASH AND CASH EQUIVALENTS

	At 30 September 2014	At 31 December 2013
US dollar denominated deposits (interest rate from 0.6% to 1.0% p.a.)	22,747	1,486
Cash at current bank accounts	10,934	4,472
Euro denominated deposits (interest rate 0.03% p.a.)	738	-
Russian rouble denominated deposits (interest rate from 4.7% to 7.6% p.a.)	220	1,684
Other currency denominated deposits	211	247
Total cash and cash equivalents per the consolidated statement of financial position	**34,850**	**7,889**
Less: bank overdrafts (see Note 13)	-	(7,569)
Cash, cash equivalents and bank overdrafts per the consolidated statement of cash flows	**34,850**	**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).

12 LONG-TERM DEBT

	At 30 September 2014	At 31 December 2013
US dollar denominated bonds	88,316	73,341
US dollar denominated loans	58,573	34,363
Russian rouble denominated bonds	33,922	33,891
Russian rouble denominated loans	-	9,911
Total	**180,811**	**151,506**
Less: current portion of long-term debt	(9,011)	(9,911)
Total long-term debt	**171,800**	**141,595**

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

12 LONG-TERM DEBT (CONTINUED)

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

	At 30 September 2014	At 31 December 2013
Syndicated term US dollar credit line facility	58,573	34,363
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	39,240	32,595
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	25,485	21,163
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	23,591	19,583
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,988	19,980
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,934	13,911
Sberbank Russian rouble credit line facility	-	9,911
Total	**180,811**	**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.

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 September 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 September 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.

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

12 LONG-TERM DEBT (CONTINUED)

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

	At 30 September 2014	At 31 December 2013
Syndicated term US dollar credit line facility	54,221	35,043
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	34,314	30,176
Eurobonds – Ten-Year Tenor (par value USD 650 million, repayable in 2021)	25,971	23,382
Eurobonds – Five-Year Tenor (par value USD 600 million, repayable in 2016)	24,076	20,877
Russian bonds – Three-Year Tenor (par value RR 20 billion, repayable in 2015)	19,972	20,240
Eurobonds – Four-Year Tenor (par value RR 14 billion, repayable in 2017)	13,241	14,032
Sberbank Russian rouble credit line facility	-	10,038
Total	**171,795**	**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 September 2014
1 October 2015 to 30 September 2016	61,602
1 October 2016 to 30 September 2017	31,956
1 October 2017 to 30 September 2018	13,517
1 October 2018 to 30 September 2019	-
After 30 September 2019	64,725
Total long-term debt	**171,800**

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

	At 30 September 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	9,011	9,911
Total short-term debt and current portion of long-term debt	**10,630**	**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 November 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.

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

13 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT (CONTINUED)

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.

Available funds under short-term credit lines in the form of bank overdrafts with various international banks totaled RR 10,831 million (USD 275 million) and RR 2,740 million (USD 84 million) at 30 September 2014 and 31 December 2013, respectively, on variable interest rates subject to the specific type of credit facility.

The Group's available credit facilities with interest rates predetermined or negotiated at time of each withdrawal at 30 September 2014 were as follows:

	Par value	Expiring within one year
Credit Agricole Corporate and Investment Bank	USD 100 million	3,939
UniCredit Bank	USD 69 million	2,718
Gazprombank	RR 10 billion	10,000
Total available credit facilities		**16,657**

14 TRADE PAYABLES AND ACCRUED LIABILITIES

	At 30 September 2014	At 31 December 2013
Financial liabilities		
Trade payables	14,958	14,372
Other payables	2,656	1,382
Interest payable	2,120	1,857
Commodity derivatives	525	46
Non-financial liabilities		
Advances received	2,047	916
Salary payables	248	206
Other liabilities and accruals	710	2,481
Total trade payables and accrued liabilities	**23,264**	**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.

During the nine months ended 30 September 2014 and 2013, the Group purchased 7.7 million and 5.6 million ordinary shares (both ordinary shares and GDRs) at a total cost of RR 2,816 million and RR 1,855 million, respectively. At 30 September 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.

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

15 SHAREHOLDERS' EQUITY (CONTINUED)

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

	Nine months ended 30 September:	
	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 September	**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.

On 18 April 2014, the Annual General Meeting of Shareholders of OAO NOVATEK approved the final 2013 dividend totaling RR 13,633 million (including treasury shares), which were paid in April and May 2014.

Subsequent to the balance sheet date, on 14 October 2014, the Extraordinary General Meeting of Shareholders of OAO NOVATEK approved the interim dividend of RR 5.10 per share or RR 51.00 per GDR based on the financial results for the six months ended 30 June 2014. The interim dividend payment totaling RR 15,485 million (including treasury shares) will be paid in cash not later than 10 working days to the shareholders who are professional securities market participants and not later than 25 working days to the other shareholders of record at the close of business day on 27 October 2014.

16 OIL AND GAS SALES

	Three months ended 30 September:		Nine months ended 30 September:	
	2014	**2013**	**2014**	**2013**
Natural gas	52,608	50,214	165,168	148,806
Naphtha	14,840	11,155	51,843	11,155
Liquefied petroleum gas	6,677	4,880	17,896	12,991
Other gas and gas condensate refined products	6,101	2,968	15,192	3,134
Crude oil	2,999	2,111	8,489	5,434
Stable gas condensate	865	4,213	1,916	32,387
Total oil and gas sales	**84,090**	**75,541**	**260,504**	**213,907**

17 TRANSPORTATION EXPENSES

	Three months ended 30 September:		Nine months ended 30 September:	
	2014	**2013**	**2014**	**2013**
Natural gas transportation by trunk and low-pressure pipelines	21,686	20,337	65,557	62,708
Stable gas condensate and liquefied petroleum gas transportation by rail	3,659	3,559	11,228	10,322
Gas condensate refined products and stable gas condensate transportation by tankers	978	927	3,303	3,466
Crude oil transportation by trunk pipelines	314	232	884	616
Other	6	9	23	41
Total transportation expenses	**26,643**	**25,064**	**80,995**	**77,153**

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

18 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS

	Three months ended 30 September:		Nine months ended 30 September:	
	2014	2013	2014	2013
Unstable gas condensate	7,668	2,670	17,708	6,541
Natural gas	6,147	5,759	16,742	17,086
Other liquid hydrocarbons	717	89	993	213
Total purchases of natural gas and liquid hydrocarbons	**14,532**	**8,518**	**35,443**	**23,840**

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).

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.

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 September:		Nine months ended 30 September:	
	2014	2013	2014	2013
Unified natural resources production tax	6,650	5,445	20,374	13,599
Property tax	487	455	1,489	1,331
Other taxes	61	58	196	181
Total taxes other than income tax	**7,198**	**5,958**	**22,059**	**15,111**

20 FINANCE INCOME (EXPENSE)

	Three months ended 30 September:		Nine months ended 30 September:	
Interest expense (including transaction costs)	2014	2013	2014	2013
Interest expense on fixed rate debt	1,860	1,946	5,691	6,133
Interest expense on variable rate debt	342	194	927	267
Subtotal	**2,202**	**2,140**	**6,618**	**6,400**
Less: capitalized interest	(1,004)	(845)	(2,777)	(2,622)
Interest expense (on historical cost basis)	**1,198**	**1,295**	**3,841**	**3,778**
Provisions for asset retirement obligations: effect of the present value discount unwinding	76	63	216	184
Total interest expense	**1,274**	**1,358**	**4,057**	**3,962**

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

20 FINANCE INCOME (EXPENSE) (CONTINUED)

	Three months ended 30 September:		Nine months ended 30 September:	
Interest income	2014	2013	2014	2013
Interest income on loans issued	889	402	2,013	961
Interest income on cash, cash equivalents and deposits	165	78	424	281
Interest income (on historical cost basis)	**1,054**	**480**	**2,437**	**1,242**
Long-term financial assets:				
effect of the present value discount unwinding	300	100	709	288
Total interest income	**1,354**	**580**	**3,146**	**1,530**

21 INCOME TAX

Effective income tax rate. The Group's Russian statutory income tax rate for 2014 and 2013 was 20 percent. For the three months ended 30 September 2014 and 2013, the consolidated Group's effective income tax rate was 32.8 percent and 19.8 percent, respectively. For the nine months ended 30 September 2014 and 2013, the consolidated Group's effective income tax rate was 20.9 percent and 19.8 percent, respectively.

The higher effective income tax rate for the three and nine months ended 30 September 2014 was due to recording of the Group's share of losses from joint ventures. These losses, caused by significant foreign exchange losses, are recorded in the financial statements of joint ventures on an after-tax basis, and are not subject to additional income taxes on the Group's level. Without the effect described above the effective income tax rate for the three and nine months ended 30 September 2014 was 18.2 percent and 18.7 percent, respectively.

The lower effective income tax rate for the three and nine months ended 30 September 2014 was applied due to the utilization of 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.

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

	At 30 September 2014		At 31 December 2013	
Financial assets	Non-current	Current	Non-current	Current
Loans and receivable				
Loans receivable	76,894	-	47,615	23
Trade and other receivables	3,916	31,046	1,722	49,522
Bank deposits and letters of credit	8	4	7	36
Cash and cash equivalents	-	34,850	-	7,889
At fair value through profit or loss				
Commodity derivatives	1,776	477	471	316
Total	**82,594**	**66,377**	**49,815**	**57,786**

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

	At 30 September 2014		At 31 December 2013	
Financial liabilities	Non-current	Current	Non-current	Current
At amortized cost				
Long-term debt	171,800	9,011	141,595	9,911
Short-term debt	-	1,619	-	14,115
Trade and other payables	1,536	19,734	-	17,611
At fair value through profit or loss				
Commodity derivatives	800	525	228	46
Total	**174,136**	**30,889**	**141,823**	**41,683**

Derivative instruments. The Group conducts natural gas foreign trading in active European 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) to optimize deliveries and to decrease exposure to the risk of negative changes in natural gas 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 Group's consolidated statement of financial position at fair value with movements in fair value recognized in the consolidated statement of income.

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 natural 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 September 2014	At 31 December 2013
Within other non-current and current assets	2,253	787
Within other non-current and current liabilities	(1,325)	(274)

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

Included in other operating income (loss)	Three months ended 30 September: 2014	Three months ended 30 September: 2013	Nine months ended 30 September: 2014	Nine months ended 30 September: 2013
Operating income from natural gas foreign trading	842	81	1,074	222
Change in fair value of natural gas commodity derivatives	(715)	(13)	415	407
Results from trading of natural gas commodity derivatives	(80)	-	(80)	-

The table below represents the effect on the fair value estimation of natural gas derivative contracts that would occur from price changes by 10 percent by one megawatt-hour:

Sensitivity summary (RR million)	From price decrease	From price increase
Market shift as of 1 October 2015	207	(207)
Market shift as of 1 October 2020	(118)	118

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

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

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

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, 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.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

At 30 September 2014	Russian rouble	US dollar	Other	Total
Financial assets				
Non-current				
Long-term loans receivable	11,367	58,469	7,058	76,894
Trade and other receivables	810	3,048	58	3,916
Commodity derivatives	-	-	1,776	1,776
Long-term deposits	-	-	8	8
Current				
Trade and other receivables	13,813	14,368	2,865	31,046
Short-term bank deposits and letters of credit	-	4	-	4
Commodity derivatives	-	-	477	477
Cash and cash equivalents	4,143	26,033	4,674	34,850
Financial liabilities				
Non-current				
Long-term debt	(33,922)	(137,878)	-	(171,800)
Other non-current liabilities	-	(1,536)	-	(1,536)
Commodity derivatives	-	-	(800)	(800)
Current				
Current portion of long-term debt	-	(9,011)	-	(9,011)
Short-term debt	(1,619)	-	-	(1,619)
Trade and other payables	(12,796)	(4,372)	(2,566)	(19,734)
Commodity derivatives	-	-	(525)	(525)
Net exposure at 30 September 2014	**(18,204)**	**(50,875)**	**13,025**	**(56,054)**

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)**

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(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 percent from the December 2013 price levels. There were no further changes in regulated natural gas prices in 2014.

In accordance with the Ministry of Economic Development of the Russian Federation Forecast published in September 2014, the wholesale natural gas prices on the domestic market (excluding residential customers) in July 2015, 2016 and 2017 will be increased by 7.5 percent, 5.5 percent and 3.6 percent, respectively. Currently the Russian Federation government is discussing various scenarios for the growth rate of natural gas prices on the domestic market for the subsequent years.

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, minus 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 hydrocarbons 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*.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

(c) Cash flow and fair value interest rate risk

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

Changes in interest rates impact primarily debt by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new debts management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable over the expected period until maturity.

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

	At 30 September 2014		At 31 December 2013	
	RR million	Percent	RR million	Percent
At fixed rate	123,857	*68%*	131,258	*79%*
At variable rate (LIBOR-linked)	58,573	*32%*	34,363	*21%*
Total debt	**182,430**	***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 statement of financial position.

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

22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

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

At 30 September 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	43,632	14,000	64,988	124,239
Interest	6,812	6,609	10,840	8,632	32,893
Debt at variable rate					
Principal (*)	9,089	18,178	31,812	-	59,079
Interest	1,142	870	638	-	2,650
Trade and other payables	19,734	1,536	-	-	21,270
Total financial liabilities	**38,396**	**70,825**	**57,290**	**73,620**	**240,131**

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).

At 30 September 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 the joint venture's 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 USD 1,704 million and USD 120 million, respectively.

At 30 September 2014 and 31 December 2013, the amount of the financial guarantee issued by the Group to the bank in favor of its joint venture OOO Yamal Development, valid until December 2017, totaled RR 13,180 million at both dates.

(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 commodity derivatives based on undiscounted cash flows:

At 30 September 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
Cash inflow	486	180	1,494	248	2,408
Cash outflow	(530)	(146)	(453)	(466)	(1,595)
Net cash flows	**(44)**	**34**	**1,041**	**(218)**	**813**
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 nine months ended 30 September 2014. At 30 September 2014 and 31 December 2013, the Group's capital totalled RR 572,472 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 Russian Federation.

23 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 negative impact on the operating environment in the Russian Federation.

Sectoral sanctions imposed by the U.S. government. 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 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 planned capital expenditure programs of its subsidiaries, as well as to repay and service all Group's short-term and long-term debt existing at the current reporting date and, therefore, inclusion on the List does not adversely impact the Group's operational activities.

Nevertheless, the Group together with its foreign partners is currently looking for opportunities of raising necessary financing for their joint ventures from non-US debt markets and sources. Currently, the Group and its foreign partners are providing debt financing to their joint ventures in Euros.

Commitments. At 30 September 2014, the Group had contractual capital expenditures commitments aggregating approximately RR 30,034 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 East-Tarkosalinskoye (through 2016), the Yurkharovskoye (through 2016), the Khancheyskoye (through 2016), the North-Khancheyskoye (through 2015) 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.

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.

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

23 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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.

	Three months ended 30 September:		Nine months ended 30 September:	
Related parties – joint ventures	**2014**	**2013**	**2014**	**2013**
Transactions				
OAO Sibneftegas (until December 2013):				
Interest income on loans issued	-	-	-	307
Purchases of natural gas	-	(1,815)	-	(5,161)
OOO SeverEnergia and its subsidiary:				
Purchases of unstable gas condensate	(5,028)	(1,841)	(9,145)	(4,212)
Other revenues (operator services sales)	22	15	66	39
ZAO Terneftegas:				
Interest income on loans issued	42	53	149	93
OAO Yamal LNG:				
Interest income on loans issued	956	405	2,230	716
Other revenues (operator services sales)	20	9	74	27
ZAO Nortgas:				
Purchases of natural gas	(2,002)	(680)	(4,617)	(2,077)
Purchases of unstable gas condensate	(2,640)	(829)	(8,563)	(2,329)
OOO Yamal Development:				
Interest income on loans issued	182	-	305	-

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

24 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – joint ventures	At 30 September 2014	At 31 December 2013
Balances		
OOO SeverEnergia and its subsidiary:		
Prepayments and other current assets	1,061	-
Trade payables and accrued liabilities	907	753
ZAO Terneftegas:		
Long-term loans receivable	3,192	2,611
Interest on long-term loans receivable	272	135
OAO Yamal LNG:		
Long-term loans receivable	62,335	42,804
Interest on long-term loans receivable	2,816	1,169
ZAO Nortgas:		
Trade payables and accrued liabilities	1,890	1,856
OOO Yamal Development:		
Long-term loans receivable	11,367	2,200
Interest on long-term loans receivable	311	6

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

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

Related parties – parties under control of key management personnel	Three months ended 30 September:		Nine months ended 30 September:	
	2014	2013	2014	2013
Transactions				
OAO Pervobank:				
Interest income	70	48	156	103
OAO SIBUR Holding and its subsidiaries:				
Natural gas sales	689	609	2,297	1,855
Liquid hydrocarbons sales	1,971	75	4,123	270
Other revenues	304	-	439	-
Purchases of natural gas and liquid hydrocarbons	(4,461)	(3,088)	(11,894)	(9,563)
Materials, services and other	(262)	(37)	(543)	(37)
Liquid hydrocarbons transportation by rail	(799)	-	(1,318)	-
OOO Transoil:				
Liquid hydrocarbons transportation by rail	(984)	(824)	(2,839)	(2,609)
Gunvor Group Ltd (under joint control until March 2014):				
Liquid hydrocarbons sales	-	-	2,023	-
Liquid hydrocarbons transportation (transshipment services)	-	(184)	(266)	(184)
OOO Nova:				
Purchases of construction services (capitalized within property, plant and equipment)	(492)	(363)	(3,392)	(1,115)

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

24 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties – parties under control of key management personnel	At 30 September 2014	At 31 December 2013
Balances		
OAO Pervobank:		
Cash and cash equivalents	3,884	2,040
OAO SIBUR Holding and its subsidiaries:		
Trade and other receivables	567	119
Prepayments and other current assets	201	14
Trade payables and accrued liabilities	288	274
OOO Transoil:		
Prepayments and other current assets	429	288
Trade payables and accrued liabilities	263	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	485	309
Trade payables and accrued liabilities	186	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 a 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.

	Three months ended 30 September:		Nine months ended 30 September:	
Related parties – members of key management personnel	2014	2013	2014	2013
Board of Directors	19	19	87	87
Management Committee	329	340	1,521	1,454
Total compensation	**348**	**359**	**1,608**	**1,541**

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.

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

25 SEGMENT INFORMATION (CONTINUED)

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 September 2014 is as follows:

For the three months ended 30 September 2014	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		84,736	84,736	(3)	84,733
Operating expenses	*a - d*	(58,505)	(58,505)	2,635	(55,870)
Other operating income (loss)	*e*	1,077	1,077	(977)	100
Interest expense	*f, g*	(1,660)	(1,660)	386	(1,274)
Interest income	*f*	1,057	1,057	297	1,354
Foreign exchange gain (loss)		(6,418)	(6,418)	319	(6,099)
Segment result		**20,287**	**20,287**	**2,657**	**22,944**
Share of profit (loss) of joint ventures, net of income tax					(11,777)
Profit before income tax					**11,167**
Depreciation, depletion and amortization	*a*	5,439	5,439	(1,123)	4,316
Capital expenditures	*g*	16,023	16,023	1,241	17,264

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 1,085 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 employees and bonus accruals) between IFRS and management accounting, which resulted in additional recognition of transportation expenses of RR 328 million and in reversal of payroll expenses of RR 707 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 82 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 944 million under IFRS;

e. different methodology in valuation of commodity derivatives under IFRS and management accounting, which resulted in the reversal of other operating income of RR 902 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 272 million and additional recognition of interest expense of RR 76 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 905 million and additional recognition of capital expenditures of RR 336 million under IFRS.

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

25 SEGMENT INFORMATION (CONTINUED)

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

For the three months ended 30 September 2013	References	Exploration, production and marketing	Segment information as reported to CODM	Reconciling items	Total per consolidated interim condensed financial information
External revenues		75,737	75,737	(89)	75,648
Operating expenses	*a - c*	(48,070)	(48,070)	990	(47,080)
Other operating income (loss)		34	34	2	36
Interest expense	*d*	(1,456)	(1,456)	98	(1,358)
Interest income		466	466	114	580
Foreign exchange gain (loss)		698	698	53	751
Segment result		**27,409**	**27,409**	**1,168**	**28,577**
Share of profit (loss) of joint ventures, net of income tax					647
Profit before income tax					**29,224**
Depreciation, depletion and amortization	*a*	4,596	4,596	(1,007)	3,589
Capital expenditures	*d*	17,915	17,915	(1,639)	16,276

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 864 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to natural gas storage services between IFRS and management accounting, which resulted in recognition of additional transportation expenses of RR 392 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 368 million under IFRS; and

d. different methodology in interest capitalization policy and certain recognition policy differences in capital expenditures between IFRS and management accounting, which resulted in additional capitalized interest of RR 250 million and reversal capital expenditures of RR 1,889 million under IFRS.

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

25 SEGMENT INFORMATION (CONTINUED)

Segment information for the nine months ended 30 September 2014 is as follows:

For the nine months ended 30 September 2014	**References**	**Exploration, production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues		261,800	261,800	(21)	261,779
Operating expenses	*a - e*	(172,006)	(172,006)	6,591	(165,415)
Other operating income (loss)	*f*	3,572	3,572	901	4,473
Interest expense	*g - i*	(5,324)	(5,324)	1,267	(4,057)
Interest income	*g*	2,439	2,439	707	3,146
Foreign exchange gain (loss)	*i*	(9,162)	(9,162)	542	(8,620)
Segment result		**81,319**	**81,319**	**9,987**	**91,306**
Share of profit (loss) of joint ventures, net of income tax					(9,731)
Profit before income tax					**81,575**
Depreciation, depletion and amortization	*a*	16,170	16,170	(3,631)	12,539
Capital expenditures	*i*	44,651	44,651	5,831	50,482

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 3,610 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to payroll (including pension obligations, discounting loans to employees and bonus accruals) between IFRS and management accounting, which resulted in reversal of payroll expenses of RR 1,482 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 436 million under IFRS;

d. different methodology in valuation of inventory balances under IFRS and management accounting, which resulted in additional recognition of operating expenses of RR 302 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 1,370 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 435 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 681 million and additional recognition of interest expense of RR 216 million under IFRS;

h. different methodology in recognizing borrowing transaction costs between IFRS and management accounting, which requires additional recognition of interest expense of RR 306 million under IFRS; and

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

25 SEGMENT INFORMATION (CONTINUED)

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 2,426 million and additional recognition of capital expenditures of RR 3,405 million under IFRS.

Segment information for the nine months ended 30 September 2013 is as follows:

For the nine months ended 30 September 2013	**References**	**Exploration, production and marketing**	**Segment information as reported to CODM**	**Reconciling items**	**Total per consolidated interim condensed financial information**
External revenues		214,399	214,399	(156)	214,243
Operating expenses	*a - d*	(144,696)	(144,696)	6,947	(137,749)
Other operating income (loss)	*e*	300	300	393	693
Interest expense	*f - h*	(5,999)	(5,999)	2,037	(3,962)
Interest income	*g*	1,228	1,228	302	1,530
Foreign exchange gain (loss)	*h*	(3,344)	(3,344)	370	(2,974)
Segment result		**61,888**	**61,888**	**9,893**	**71,781**
Share of profit (loss) of joint ventures, net of income tax					338
Profit before income tax					**72,119**
Depreciation, depletion and amortization	*a*	13,364	13,364	(3,564)	9,800
Capital expenditures	*h*	45,487	45,487	2,642	48,129

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 3,561 million in operating expenses under IFRS;

b. different methodology in recognizing expenses relating to payroll (including share-based payments, pension obligation, discounting loans to employees and bonus accruals) between IFRS and management accounting, requires reversal of payroll expenses of RR 1,046 million recorded in operating expenses under IFRS;

c. different methodology in recognizing exploration expenses, which resulted in the reversal of operating expenses of RR 1,808 million under IFRS;

d. different methology in valuation of inventory balances under IFRS and management accounting, which resulted in reversal of operating expenses of RR 516 million under IFRS;

e. different methodology in recognizing valuation of commodity derivatives under IFRS and management accounting, which requires additional recognition of other operating income for RR 407 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 667 million 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 expense of RR 184 million and additional recognition of interest income of RR 288 million under IFRS; and

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

25 SEGMENT INFORMATION (CONTINUED)

h. 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 1,883 million and additional capital expenditures of RR 759 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, Finland, Poland, Netherlands, Denmark and other European and Asian-Pacific Region countries, USA and Canada* – sales of naphtha, liquefied petroleum gas, stable gas condensate, gas condensate refined products and crude oil.

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

For the three months ended 30 September 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	52,608	865	3,314	1,965	113	58,865
USA	-	6,307	-	-	-	6,307
Finland	-	710	892	-	3,693	5,295
China	-	4,079	-	-	-	4,079
Singapore	-	3,569	-	-	-	3,569
Poland	-	-	3,200	-	-	3,200
Taiwan	-	3,181	-	-	-	3,181
Denmark	-	-	-	-	2,762	2,762
Netherlands	-	2,148	-	-	502	2,650
Slovakia	-	-	-	2,003	-	2,003
Other	-	3,986	56	162	1,691	5,895
Less: export duties	-	(9,140)	(785)	(1,131)	(2,660)	(13,716)
Total outside Russia	-	14,840	3,363	1,034	5,988	25,225
Total	**52,608**	**15,705**	**6,677**	**2,999**	**6,101**	**84,090**

For the three months ended 30 September 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	50,214	470	1,592	1,512	101	53,889
South Korea	-	6,703	-	-	-	6,703
Taiwan	-	5,692	-	-	-	5,692
Malaysia	-	4,276	-	-	-	4,276
Brazil	-	2,326	-	-	-	2,326
Poland	-	-	2,153	-	-	2,153
China	-	2,101	-	-	-	2,101
Sweden	-	-	-	-	1,624	1,624
Slovakia	-	-	115	1,183	-	1,298
Finland	-	-	865	-	364	1,229
Other	-	2,768	424	-	1,935	5,127
Less: export duties	-	(8,968)	(269)	(584)	(1,056)	(10,877)
Total outside Russia	-	14,898	3,288	599	2,867	21,652
Total	**50,214**	**15,368**	**4,880**	**2,111**	**2,968**	**75,541**

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

25 SEGMENT INFORMATION (CONTINUED)

Geographical information for the nine months ended 30 September 2014 and 2013 is as follows:

For the nine months ended 30 September 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	165,168	1,916	8,395	5,533	292	181,304
Taiwan	-	18,534	-	-	-	18,534
Japan	-	12,698	-	-	-	12,698
Finland	-	1,737	2,688	-	7,378	11,803
USA	-	11,582	-	-	-	11,582
Poland	-	-	8,502	-	-	8,502
Netherlands	-	6,997	-	-	502	7,499
Denmark	-	-	-	-	7,579	7,579
Sweden	-	1,761	-	-	4,520	6,281
Singapore	-	6,032	-	-	-	6,032
Slovakia	-	-	93	5,845	-	5,938
Other	-	21,668	542	162	1,042	23,414
Less: export duties	-	(29,166)	(2,324)	(3,051)	(6,121)	(40,662)
Total outside Russia	-	51,843	9,501	2,956	14,900	79,200
Total	**165,168**	**53,759**	**17,896**	**8,489**	**15,192**	**260,504**

For the nine months ended 30 September 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	148,806	1,420	5,026	3,500	267	159,019
South Korea	-	26,121	-	-	-	26,121
Netherlands	-	17,184	-	-	-	17,184
Poland	-	-	5,817	-	-	5,817
Taiwan	-	5,692	-	-	-	5,692
Singapore	-	5,620	-	-	-	5,620
Malaysia	-	4,276	-	-	-	4,276
USA	-	3,609	-	-	-	3,609
Slovakia	-	-	291	2,589	-	2,880
Brazil	-	2,326	-	-	-	2,326
Other	-	8,005	3,202	1,345	3,923	16,475
Less: export duties	-	(30,711)	(1,345)	(2,000)	(1,056)	(35,112)
Total outside Russia	-	42,122	7,965	1,934	2,867	54,888
Total	**148,806**	**43,542**	**12,991**	**5,434**	**3,134**	**213,907**

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 nine months ended 30 September 2014, the Group had two major customers to whom individual revenue exceeded 10 percent of total external revenues, which represented 15 percent and 10 percent (RR 42,066 million and RR 28,413 million) of total external revenues, respectively. For the nine months ended 30 September 2013, the Group had two customers to whom individual revenue exceeded 10 percent of total external revenues, which on an individual basis represented 19 percent and 15 percent (RR 39,988 million and RR 31,892 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.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). Adoption of the following amendments has no material impact on 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*.

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

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.

IFRS 9, *Financial Instruments: Classification and Measurement* (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The standard reflects all phases of the financial instruments project and replaces all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. 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)

Amendments to IFRS 10, *Consolidated financial statements*, and IAS 28, *Investments in associates and joint ventures* (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments stipulate that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is considering the implications of the amendments, the impact on the Group and the timing of their adoption by the Group.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The following change may impact the Group's consolidated financial statements:

- IFRS 5, *Non-current Assets for Sale and Discontinued Operations*, was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

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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