



SEVERNEFTEGAZPROM



ANNUAL REPORT **2015**

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Introduction



This Annual Report discloses the results of operational and business activities of Open Joint-Stock Company Severnftgazprom (hereinafter referred to as the "OJSC Severnftgazprom", "Company") for 2015 and priorities of development to ensure the achievement of strategic objectives and sustainable development of the Company.

When preparing the Report, all significant information for the intended users has been taken into account. The data officially recognized by the Company and confirmed by internal documentation is presented herein. The information in this Report has been prepared using methodologies similar to those of the previous years. The Annual Report avoids the use of professional vocabulary and provides no data that requires special knowledge.

Results of the Company's performance in the area of sustainable development are compiled following standards of the fourth generation of the Global Reporting Initiative (GRI, G4, "Core"). The materiality and completeness of the disclosure of non-financial information was confirmed by the independent auditor Ernst & Young (CIS) B.V.

The Report contains estimates and forecasts by the Company's authorized regulatory bodies regarding its performance and future events and/or actions, including the plans of the Company, probability of occurrence of certain events, and commission of certain actions.

Owing to their nature, forward-looking statements bear an inherent risk of uncertainties both general and specific. The Company points out that actual results may differ materially from such forward-looking statements, expressed directly or indirectly.

The Report is published on the official website of the Company and distributed by direct mail to the interested parties. It is important for the Company to know the opinions, comments, and suggestions of all interested parties on how to improve the Report. For these purposes, you can fill out a questionnaire enclosed at the end of the Report

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Message from the Chairman of the Board of Directors

THE OIL AND GAS INDUSTRY IN RUSSIA STILL CREATES A MULTIPLIER EFFECT BY PROVIDING ORDERS TO MANY SECTORS OF ECONOMY, THUS GUARANTEEING EMPLOYMENT IN DIFFERENT REGIONS OF THE COUNTRY. THE INDUSTRY REMAINS ONE OF THE MAIN SECTORS OF THE ECONOMY, AND ONE OF THE MAIN ELEMENTS FOR SECURING SOCIAL GUARANTEES.

Dear shareholders,

The Russian gas producing industry demonstrated a significant resilience in 2015, managing to preserve the base for further development and succeeding in avoiding its most important projects from cancellation or suspending.

The oil and gas industry in Russia still creates a multiplier effect by providing orders to many sectors of economy, thus guaranteeing employment in different regions of the country. The industry remains one of the main sectors of the economy, and one of the main elements for securing social guarantees.

OJSC Severneftegazprom makes a significant contribution to performance of this critical mission. The Company's cumulative gas production at 2015 year end was 191 billion m³.

The Board of Directors and the Company's management share the same vision of how to resolve the current challenges. This primarily involves preservation of development dynamics and securing stable operations, accompanied by growing efficiency and improvement of key parameters.

To this end, OJSC Severneftegazprom pays particular attention in its operations to occupational health and safety, rational use of natural resources, implementation of a policy targeted at reduction of environmental risks, and energy saving. The focus and responsibility of all

Company employees facilitate achievement of significant operational and financial indicators.

The OJSC Severneftegazprom team successfully implements target plans, thus ensuring stable development of the business, despite the current complex economic conditions in the country.

On behalf of the Board of Directors, I would like to thank the Company's team and management for their initiative and creative approach to their work and for their professionalism and dedication!

Sincerely yours,
Alexander Medvedev,

Deputy Chairman of the Management Committee of PJSC Gazprom,
Chairman of the Board of Directors of OJSC Severneftegazprom



Message from the General Director

OJSC SEVERNEFTEGAZPROM, AS BEFORE, ADHERES IN ITS OPERATIONS TO THE PRINCIPLES OF ECONOMIC FEASIBILITY, STABILITY IN ACHIEVEMENT OF OPERATIONAL TARGETS, AN ATTENTIVE ATTITUDE TO THE INTERESTS OF SHAREHOLDERS, AND SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES AND RESIDENTS OF YAMAL-NENETS AUTONOMOUS AREA.

Dear colleagues, shareholders, and partners,

2015 was a year of development and stability, and a year of good operational and financial results for OJSC Severneftegazprom.

All indicators of the Annual Work Program, approved by the Board of Directors, were achieved in full. Key aspects of the investment program were implemented, along with the Long-term Development Plan for Cenomanian and Turonian Deposits at Yuzhno-Russkoye oil, gas and gas condensate field, the exploration plan was performed according to license obligations.

Operating profit of OJSC Severneftegazprom in 2015 amounted to 18,7 billion rubles, which is 2.6 times higher than the same parameter in 2014.

Gross gas production in 2015 amounted to 25,045 million m³, which exceeds the planned value by 0.2%. Cumulative production of Turonian gas from subsoils of the Yuzhno-Russkoye oil, gas and gas condensate field reached 300 million m³.

A project of paramount importance for the Company was completed this year: construction and commissioning of the second phase of Booster Compressor Station No. 1, which will enable OJSC Severneftegazprom to maintain design production parameters at the level of 25 billion m³ and increase reliability of gas supplies during peak loads.

Social and welfare facilities at the shift camp were also put into operation, involving a multi-functional gym and a new accommodation building.

Active work continues on implementation of the most progressive technologies at all stages of the operating cycle, the economic effect is increasing from the use of innovative developments.

OJSC Severneftegazprom, as before, adheres in its operations to the principles of economic feasibility, stability in achievement of operational targets, an attentive attitude to the interests of shareholders, and social responsibility towards employees and residents of Yamal-Nenets Autonomous Area.

In 2016, OJSC Severneftegazprom will continue to develop its business priorities and plans to start construction of disposal well No. 3-P at the Yuzhno-Russkoye field, to complete construction of wells R-53 and R-55 and complete work on revamping gas compressor units No. 1-4 of the Booster Compressor Station, to perform completion of production well No. 1902 for Turonian gas deposits.

I am confident that despite the seriousness of the set challenges, the OJSC Severneftegazprom team, supported by the Company's shareholders, will successfully implement all plans for 2016 and will ensure further uninterrupted operation!

Sincerely yours,
Vladimir Dmitruk

General Director of OJSC Severneftegazprom



Key Events 2015



JANUARY

OJSC Severneftegazprom started to drill exploration well No. 54 at the Yuzhno-Russkoye oil, gas and gas condensate field.



FEBRUARY

OJSC Severneftegazprom was among the organizers of volleyball tournament among non-professional teams of subsidiaries of Gazprom dedicated to the Fatherland Defender's Day and aimed at promoting healthy lifestyle, active way of spending employees' free time, identifying the best athletes of the companies, and forging friendly relations between the companies of Gazprom's Group.



MARCH

Andrey Kasyanenko, Deputy General Director – Chief Engineer of the Company, became a prize winner of the New Idea national competition for the best scientific and technical development among companies of the fuel and energy industry held under the authority of the Ministry of Energy of the Russian Federation.



APRIL

OJSC Severneftegazprom participated in a snowmobile race dedicated to the 85th anniversary of Yamal-Nenets Autonomous Area and the 40th anniversary of Novy Urengoy. The crew of the race was featured by top management from Gazprom subsidiaries and representatives of regional and municipal authority bodies.



MAY

The Board of Directors of OJSC Severneftegazprom considered and pre-approved the Company's Annual Report for 2014, made recommendations to the General Meeting of Shareholders on profit distribution following the results of financial year 2014, and convened the Company's annual General Meeting of Shareholders.

The delegation of OJSC Severneftegazprom took part in the meeting of the international non-governmental non-profit organization, the European Business Congress, during which the voting for expansion and renaming into the International Business Congress took place.

The Global Reporting Initiative (GRI) verified that G4-17 to G4-27 indicators were correctly located in both the GRI Content Index and in the text of the Company's Annual Report for 2014 (Materiality Disclosures Service).



JUNE

The Company's annual General Meeting of Shareholders was held where the members of the Board of Directors and Audit Commission were elected, the Company's Annual Report and annual Financial Statements for 2014 were approved, the decision on the distribution of profits earned following the results of 2014 was made, and the Company's auditor to audit the Company's Financial Statements was approved.



JULY

OJSC Severneftegazprom and the Administration of Novy Urengoy signed a Cooperation Agreement for 2015.



AUGUST

OJSC Severneftegazprom and the Government of YNAO signed a Cooperation Agreement for 2015. The priority cooperation areas between the parties are the activities aimed at further development of the regional economy, improvement of the investment climate, and formation of favorable conditions for the solution of major social issues of the autonomous area and its municipalities.



Key Events 2015



SEPTEMBER

The Company's Technical Committee considered the report on fulfilment of the Annual Work Program and on execution of the Company's budget for the first six months of 2015.

Following the results of the first All-Russian Award Productivity: Leaders of the Industry in Russia in 2015, OJSC Severneftegazprom took the 8th place in the list of TOP 100 Russian companies with the best labor efficiency.

OJSC Severneftegazprom started construction of the next exploration well to produce hard-to-recover gas from the Turonian gas deposit at the Yuzhno-Russkoye oil, gas and gas condensate field.



OCTOBER

OJSC Severneftegazprom and the Administration of Krasnoselkupsky District signed a Cooperation Agreement for 2015.

OJSC Severneftegazprom took part in the anniversary celebration of 25-year partnership between Gazprom and BASF/Wintershall.



NOVEMBER

The Company's Board of Directors made the decision to elect Vladimir Dmitruk as the Company's General Director from November 23, 2015.

Total production of the Turonian gas from the resources of the Yuzhno-Russkoye oil, gas and gas condensate field within pilot operation of two pilot production wells came up to 300 million m³.

The Board of Directors approved the Company's Annual Work Program and the Budget for 2016.

The recertification audit of the Integrated Management System for quality, environmental protection, occupational health and safety (IMS) for compliance with international standards ISO 9001:2008, ISO 14001:2004, and BS OHSAS 18001:2007 and the certification audit of the Energy Management System for compliance with international standard ISO 50001:2011 were conducted.



DECEMBER

The second phase of Booster Compression Station No. 1 (BCS No. 1) was put into operation at the Yuzhno-Russkoye oil, gas and gas condensate field facilities, the fifth living quarter and a new multipurpose sports hall were commissioned, and the reconstruction of the industrial and rain waters drainage treatment plant was completed.

In Novy Urengoy, the office building, the sewage pump station (shift workers muster station: 3 stage), the on-site utilities (shift workers muster station: 4 stage), and the communication tower were commissioned.



Key Performance Indicators 2015

5TH

GAS PRODUCING
COMPANY IN GAZPROM
GROUP

25 BILLION M³

VOLUME OF ANNUAL GAS
PRODUCTION

19 BILLION RUBLES

OPERATING PROFIT

993 BILLION M³

GAS RESERVES
(ON ABC₁ + C₂)

5,430 METERS

EXPLORATION DRILLING
FOOTAGE

1,452 METERS

PRODUCTION DRILLING
FOOTAGE

191 BILLION M³

CUMULATIVE GAS
PRODUCTION

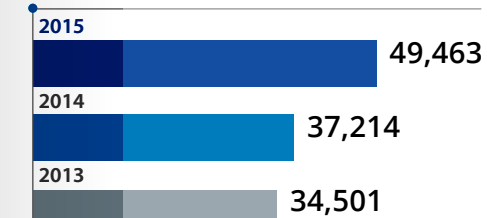
1,018

AVERAGE NUMBER OF
EMPLOYEES

21

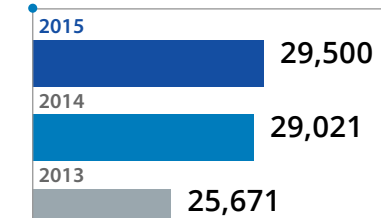
REGISTERED PATENTS

SALES REVENUE, MILLION RUBLES



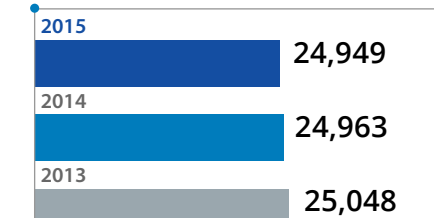
+33%

COST PRICE, MILLION RUBLES



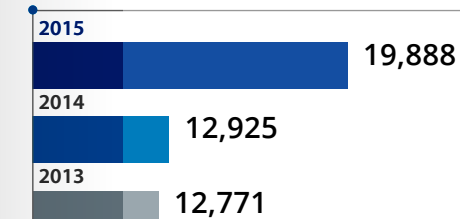
+2%

GAS SALES, BILLION M³



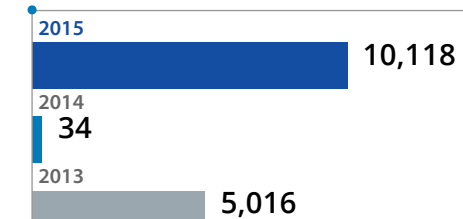
-0.1%

NET CASH FROM OPERATING ACTIVITIES, MILLION RUBLES



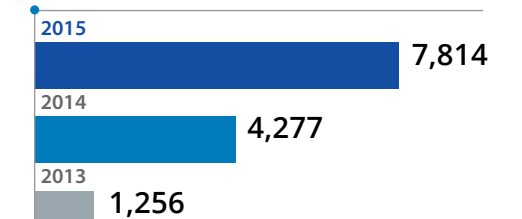
+54%

NET PROFIT, MILLION RUBLES



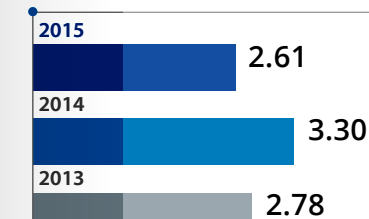
296 times more

CAPITAL EXPENDITURES, MILLION RUBLES



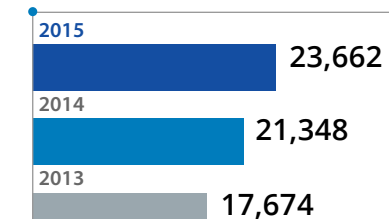
+83%

CURRENT LIQUIDITY RATIO



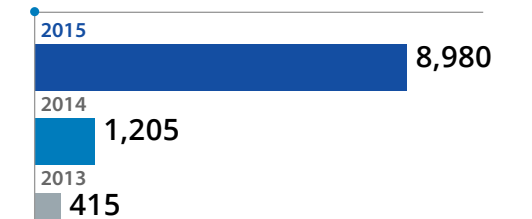
-21%

NET WORKING CAPITAL, MILLION RUBLES



+11%

COMMISSIONING OF CONSTRUCTION FACILITIES AND FIXED ASSETS, MILLION RUBLES



+645%

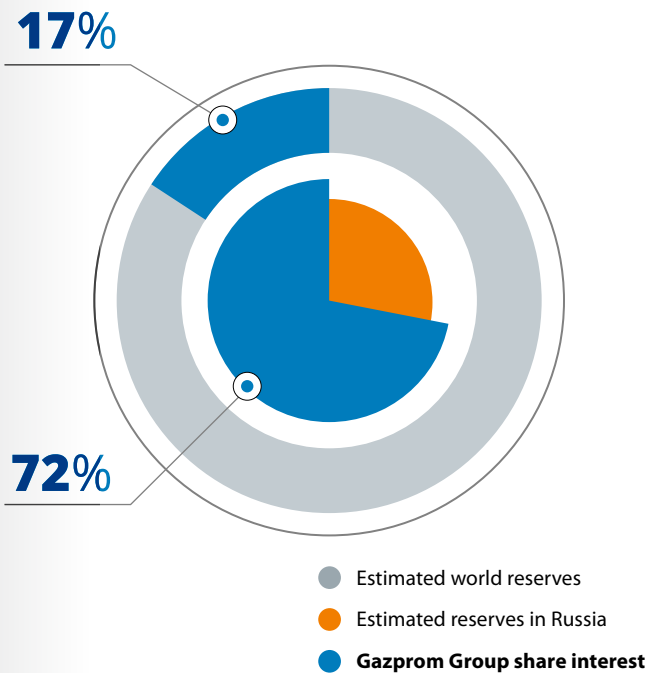
STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS

OJSC SEVERNEFTEGAZPROM IS ONE OF THE MAIN PRODUCING COMPANIES OF THE GAZPROM GROUP. COMPANY'S KEY PROJECT IS THE DEVELOPMENT AND CONSTRUCTION OF THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD – ONE OF THE LARGEST OIL, GAS AND CONDENSATE FIELDS IN RUSSIA.

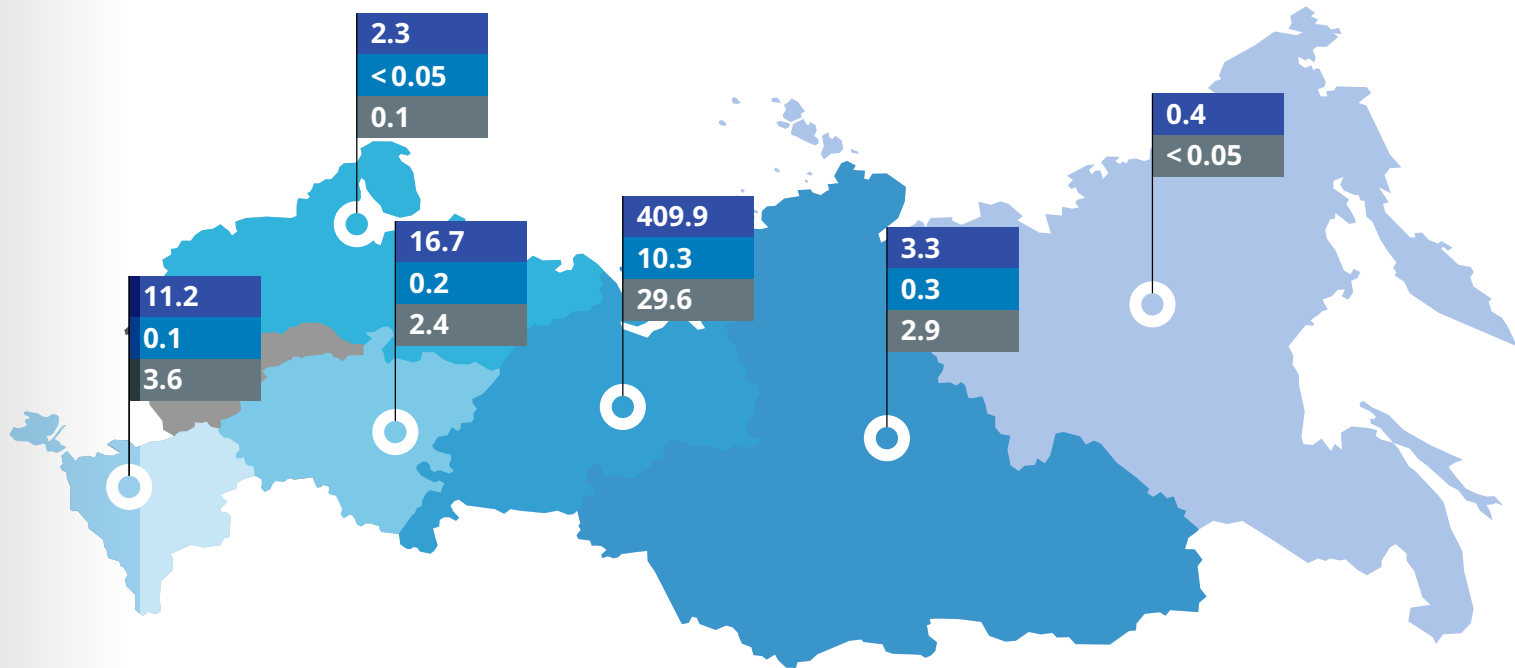
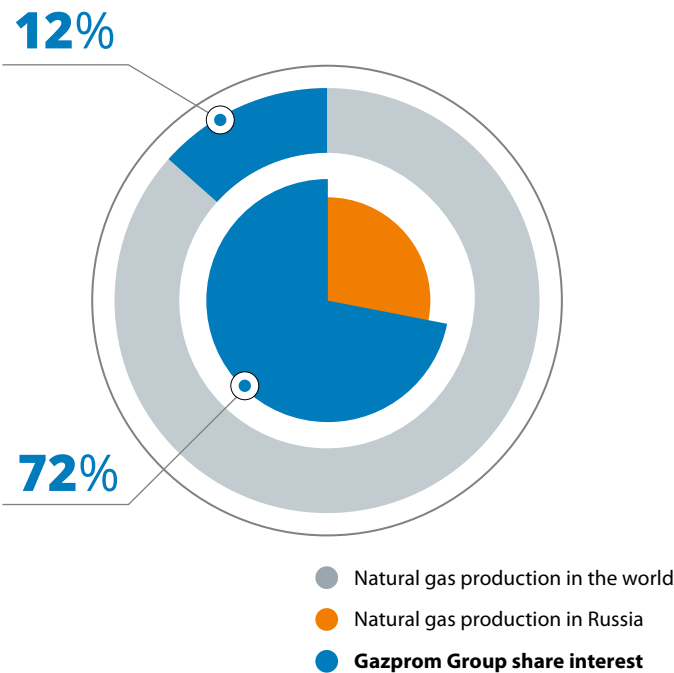
COMBINING MODERN TECHNOLOGY AND GATHERED WORKING EXPERIENCE IN SEVERE CLIMATE CONDITIONS, THE COMPANY HOLDS A FIRM POSITION, FEELS CONFIDENT ABOUT THE FUTURE AND SYSTEMATICALLY REALIZES SET DEVELOPMENT PROSPECTS.



NATURAL GAS RESERVES OF GAZPROM GROUP*



NATURAL GAS PRODUCTION OF GAZPROM GROUP*



TOTAL*:

443.9
14.5
35.3

BILLION M³ OF GAS
MILLION TONS OF
GAS CONDENSATE
MILLION TONS OF OIL

- SIBERIAN FEDERAL DISTRICT
- URALS FEDERAL DISTRICT
- NORTHWESTERN FEDERAL DISTRICT
- VOLGA FEDERAL DISTRICT
- SOUTHERN AND NORTH CAUCASIAN FEDERAL DISTRICT
- FAR EASTERN FEDERAL DISTRICT

The main gas production center of Gazprom is the Urals Federal District. Following the results of 2014, Gazprom Group companies produced 409.9 billion m³ of natural gas in the territory of that district.

* PJSC Gazprom website (www.gazprom.ru).



OJSC Severneftegazprom is an advanced company that uses the best technical solutions for improving the existing industry's efficiency, resources energy saving, and environmental protection. The Company is in the process of

constant search for new technologies and innovative solutions for the development and construction of the Yuzhno-Russkoye oil, gas and gas condensate field to fulfil the terms of existing gas sales agreements.

DEVELOPMENT PROSPECTS OF THE COMPANY

Business Priorities

Ensuring fulfilment of the target tasks for gas production of 25 billion m³ a year

Fulfilment of the work program on equipment maintenance and repair, instrument calibration, researches in the chemical analysis laboratory of the gas field facilities at the Yuzhno-Russkoye oil, gas and gas condensate field

Fulfilment of the program on reconstruction, modernization, additional equipping, and technical upgrade of the Yuzhno-Russkoye oil, gas and gas condensate field facilities

Implementation of the research and development program, development of the innovation activities to improve effectiveness of the existing process flows

Fulfilment of the actions on health, safety, and environmental protection in accordance with the requirements of the current Russian legislation

Strict compliance with and improvement of the Integrated Management System (IMS) and the Energy Management System meeting the requirements of international standards ISO 9001:2008, ISO 14001-2004, ISO 50001:2011, OHSAS 18001-2007 for effective quality, health, safety, and environmental protection management and for improvement of the energy efficiency



YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD FACILITIES

- 1

SWITCH VALVE STATION (SWS)
Designed to disconnect the inlet manifold and gas gathering system
- 2

GAS SEPARATION UNIT (GSU)
The gas separation unit provides purification of gas from mechanical impurities, dropping liquid and gas washing from salt before delivery to the booster compressor station
- 3

RECUPERATIVE HEAT EXCHANGER
Designed for heat exchange between formation gas and compressed gas
- 4

13

14

BOOSTER COMPRESSOR STATION (BCS)
Ensures compression of preliminary separated natural gas to the pressure needed for its transportation from the Gas Processing Facility to the Purkazovskaya Compressor Station through the marketable gas pipeline

- 5

GAS DEHYDRATION STATION
It consists of two gas dehydration units KOG-1 and KOG-2. It is designed for dehydration of separated gas to desired gas dew point temperature in accordance with the requirements of PJSC Gazprom Company Standard 089-2010 by method of absorption dehydration of water vapors. Tri-ethylene glycol (TEG) is used as an absorbent

- 6

GAS MEASURING STATION (GMS)
Designed for metering of the sales gas delivered to the marketable gas pipeline
- 7

CHEMICALS AND METHANOL WAREHOUSE
Designed to store chemicals used in technical processes
- 8

REPAIR AND OPERATION BUILDING
Designed for repair and inspection of the equipment at the Yuzhno-Russkoye oil, gas & condensate field
- 9

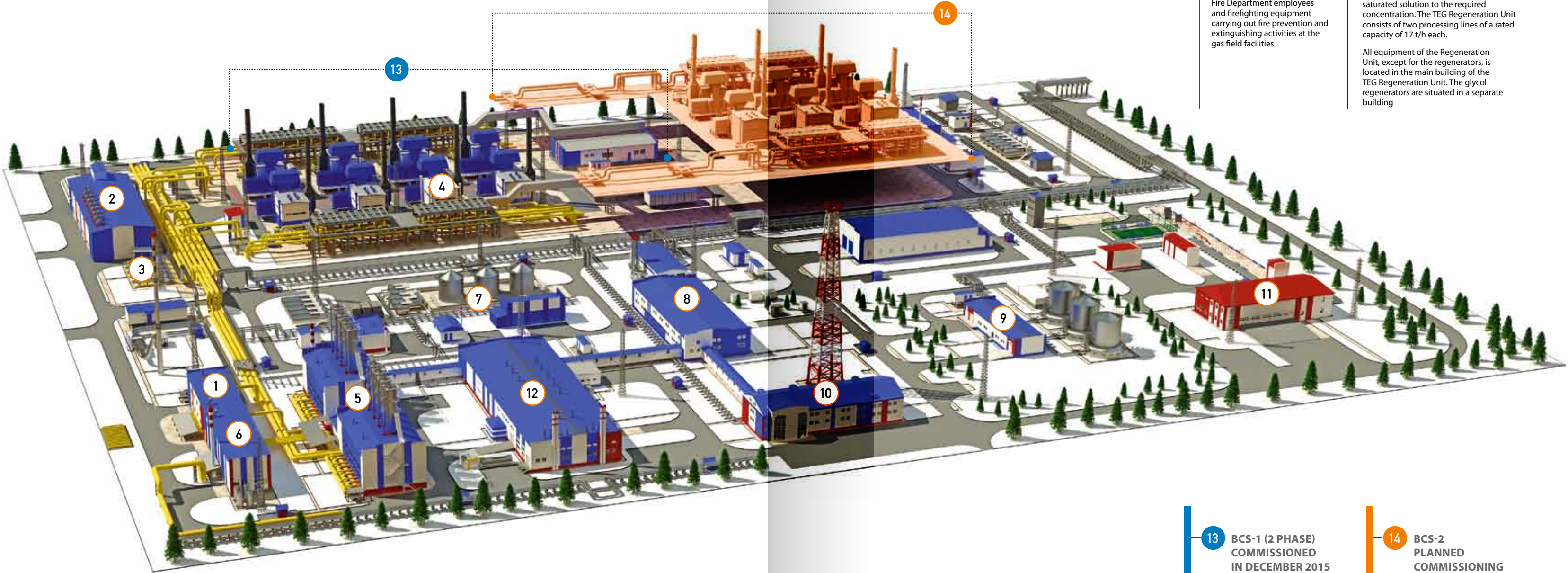
WATER TREATMENT FACILITIES (WTF)
Designed for treatment of drinking and household water, storage of industrial and firefighting water, and delivery of water to separated networks of industrial and firefighting, drinking and household water supply to the gas field facilities
- 10

SERVICE AND OPERATIONS BUILDING (SOB)
A two-level building equipped with power supply, ventilation, water supply, heating and sewage systems. The building includes a spacious entrance hall, 55 rooms of different purpose for administration and personnel of the gas field facilities, the main control panel of gas production, treatment and transportation, a laboratory for chemical analysis, and a canteen for on-duty staff of the gas field
- 11

FIRE STATION
Set of premises designed for accommodation of the Corporate Fire Department employees and firefighting equipment carrying out fire prevention and extinguishing activities at the gas field facilities
- 12

TRI-ETHYLENE GLYCOL REGENERATION UNIT
Designed for regeneration of the glycol saturated solution to the required concentration. The TEG Regeneration Unit consists of two processing lines of a rated capacity of 17 t/h each.

All equipment of the Regeneration Unit, except for the regenerators, is located in the main building of the TEG Regeneration Unit. The glycol regenerators are situated in a separate building



An aerial photograph of an industrial facility, likely a gas processing plant, situated in a vast, snow-covered landscape. The facility features several large, interconnected buildings with blue and white roofs, numerous pipes and conduits running across the ground, and a tall, red and white derrick structure. The surrounding area is filled with snow and sparse, dark evergreen trees. A semi-transparent blue rectangular box is overlaid on the left side of the image, containing white text.

COMPETENT OPERATIONAL MANAGEMENT – THE KEY TO STABILITY

The rich resource base of the Yuzhno-Russkoye oil, gas and gas condensate field serves as a solid foundation for OJSC Severneftegazprom's activity. The reserves and resources on the license area of the site enable the Company to ensure stable production, increase productive capacity, and guarantee the Company's ongoing development for many years ahead.

A series of decorative geometric patterns in shades of blue and white, consisting of various line and grid motifs, arranged vertically on the right side of the slide.

25 BLN M³
ANNUAL GAS PRODUCTION

5



NATURAL GAS EXPLORATION AND PRODUCTION

BY IMPLEMENTING ADVANCED TECHNIQUES, OJSC SEVERNEFTEGAZPROM HAS SUCCEEDED IN INCREASING THE EFFECTIVENESS OF EXPLORATION AND THE QUALITY OF FIELD DEVELOPMENT, THEREBY CREATING THE POTENTIAL FOR INCREMENTAL GROWTH FOR MANY YEARS TO COME.

- Status of Raw Materials Base 21
- Development of the Cenomanian and Turonian Gas Deposits 24
- Exploration Activities 25
- Natural Gas Production 27

Status of Raw Materials Base

THE COMPANY HOLDS THE HYDROCARBON GEOLOGICAL SURVEY AND PRODUCTION LICENSE SLKH NO. 11049 NE FOR THE YUZHNO-RUSSKOYE SUBSOIL PLOT. THERE ARE THREE FIELDS LOCATED WITHIN THE SITE AREA: YUZHNO-RUSSKOYE FIELD WAS BROUGHT INTO DEVELOPMENT IN 2007, YAROVOYE, AND ZAPADNO-CHASELSKOYE FIELDS ARE REGISTERED IN THE GOVERNMENTAL RECORDS AS UNDEVELOPED FIELDS.



As of December 31, 2015, all the Company's license obligations related to the subsoil geological study were fully met. The ongoing hydrocarbon reserves calculation was carried out following the results of construction of exploration wells No. 50 and No. 51 in accordance with the current Russian legislation.

CHARACTERISTICS OF THE RAW MATERIAL BASE AS OF THE END OF THE REPORTING PERIOD

FIELD	HYDROCARBON RESERVES AS OF DECEMBER 31, 2015					
	GAS, BILLION M ³		CONDENSATE, MILLION TONS		OIL, MILLION TONS	
	ABC ₁	C ₂	ABC ₁	C ₂	ABC ₁	C ₂
Yuzhno-Russkoye field	847.176	125.206	–	3.046	10.962	34.463
Yarovoye field	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye field	7.367	0.032	0.043	–	–	–
Total	857.339	135.706	0.255	4.039	11.019	35.666

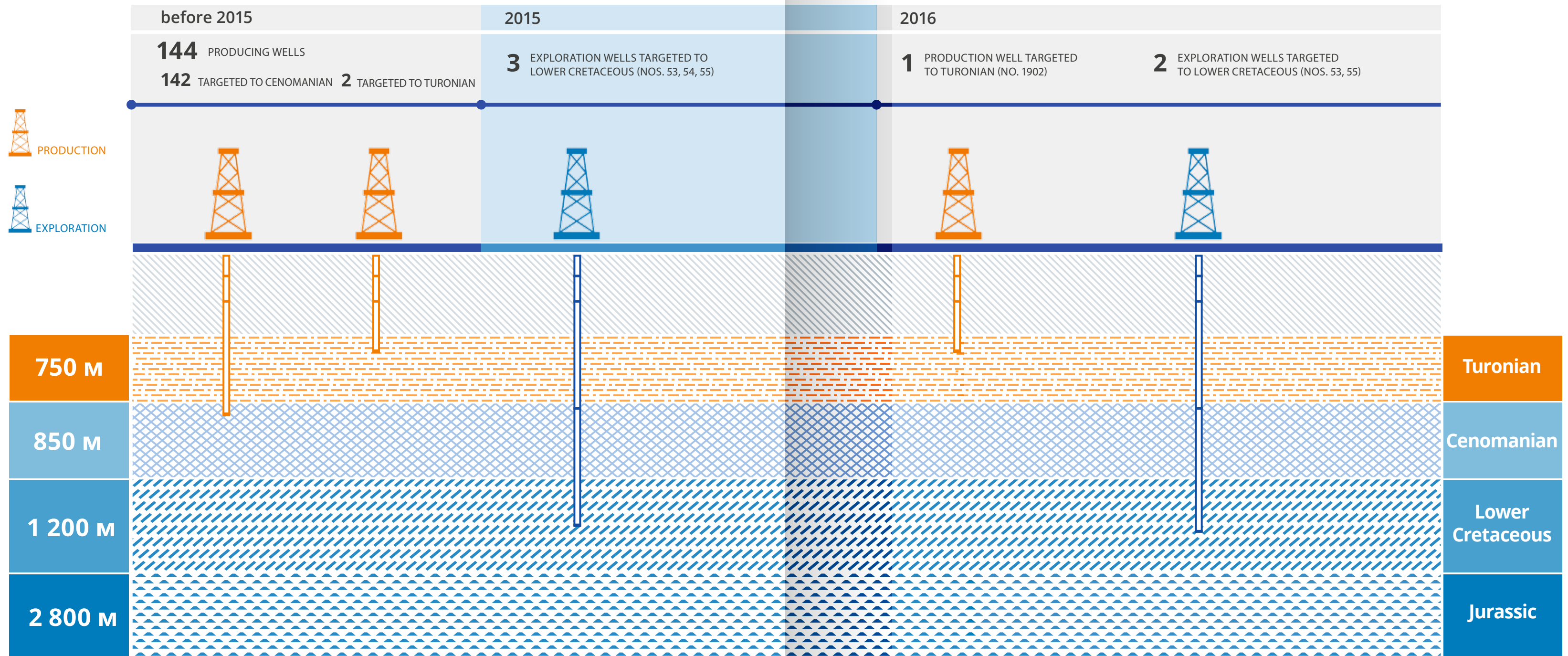
CHANGE IN RESERVES ON ABC₁ AND C₂ CATEGORIES IN THE REPORTING PERIOD

HYDROCARBONS	RESERVES AS OF JANUARY 1, 2015		RESERVES CHANGES IN 2015					RESERVES AS OF DECEMBER 31, 2015	
	ABC ₁	C ₂	PRODUCTION + LOSSES	EXPLORATION		REVALUATION		ABC ₁	C ₂
				ABC ₁	C ₂	ABC ₁	C ₂		
Gas, billion m ³	872.743	173.682	–25.067	+9.663	–19.667	0	–18.309	857.339	135.706
Condensate, million tons	0.255	4.816	–	–	–0.128	–	–0.649	0.255	4.039
Oil, million tons	9.345	32.097	–	+1.674	+3.569	–	–	11.019	35.666

The oil and gas reserves changed in layers PK₇, PK₁₁, PK₁₂, PK₁₃, PK₁₄, PK₁₆, PK₁₆, PK₁₉, AT₆ of the Yuzhno-Russkoye oil, gas and gas condensate field. Following the results of testing of exploration wells No. R-50 and No. R-51, a new oil deposit in layer PK₇ and a gas-and-oil deposit in layer PK₁₁ were discovered.



RAW MATERIALS BASE OF OJSC SEVERNEFTEGAZPROM



TURONIAN

34% of total reserves

HARD-TO-RECOVER GAS RESERVES

- ▶ Low reservoir permeability.
- ▶ High inhomogeneity in vertical direction.
- ▶ Deposit area covers more than 1000 km².
- ▶ Abnormally high reservoir pressure.
- ▶ Low reservoir temperature.

CENOMANIAN

48% of total reserves

MAIN DEVELOPMENT TARGET

- ▶ The deposit has a thick pay zone and pronounced inhomogeneity in horizontal and vertical direction.

LOWER CRETACEOUS

16% of total reserves

OVER 20 FORMATIONS

- ▶ Small size, low amplitude gas, gas condensate and oil deposits widely spread over area and section.
- ▶ Hard-to-recover oil reserves are concentrated in thin rims under gas caps.

JURASSIC

2% of total reserves

- ▶ Gas condensate and oil deposits with small pay zone thickness.
- ▶ Concentrated mostly in Yarovoye field.



Development of the Cenomanian and Turonian Gas Deposits

COMPARISON OF THE PLANNED AND ACTUAL DEVELOPMENT INDICATORS

INDICATOR	2015	
	PLANNED	ACTUAL
Total gas production, billion m ³ /yr	25.184	25.067
including		
Cenomanian (PK ₁)	25.000	24.915
Turonian (T ₁₋₂)	0.184	0.152
Cumulative gas production, billion m ³	190.692	190.927
including		
Cenomanian (PK ₁)	190.300	190.564
Turonian (T ₁₋₂)	0.392	0.363
Cumulative gas production as percentage of initial balance sheet reserves, %		
including		
Cenomanian (PK ₁)	28.6	28.7
Turonian (T ₁₋₂)	0.12	0.11
Gas production for 2015 as percentage of initial balance sheet reserves, %		
including		
Cenomanian (PK ₁)	3.76	3.75
Turonian (T ₁₋₂)	0.054	0.045
Commissioning of wells, pcs.	0	0
Production	0	0
Observation	0	0
Wells stock as of the end of the year, pcs.	168	168
production,	144	144
including Active	144	143
Observation	22	22
Disposal	2	2
Power capacity of BCS (Booster Pump Station), MW	8*16	8*16
Well utilization rate	0.95	0.98
Well stock utilization rate	1	1

The development indicators of the Cenomanian and Turonian gas deposits correspond to the planned values. TyumenNIIgiprogaz carries out the design supervision of the development projects on an annual basis.



Exploration Activities

THE COMPANY ENSURES EXECUTION OF ALL EXPLORATION ACTIVITIES FOR FURTHER APPRAISAL OF THE DISCOVERED FIELDS AND THEIR PREPARATION FOR DEVELOPMENT. IN 2015, THE EXPLORATION ACTIVITIES WITHIN THE YUZHNO-RUSSKOYE FIELD LICENSE AREA WERE CONDUCTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LICENSE AGREEMENT AND PURSUANT TO THE GEOLOGICAL TASK APPROVED BY PJSC GAZPROM.

CONSTRUCTION OF EXPLORATION WELLS

The construction of exploration wells was conducted on the basis of the design documentation: "Construction of Exploration Wells Nos. R-50, R-51, R-52, R-53, R-54, and R-55 at the Yuzhno-Russkoye oil, gas and gas condensate field" (TyumenNIIgiprogaz, 2013).

Over the year, work related to construction of six exploration wells was carried out. Well construction was accompanied by geophysical research, sampling, and laboratory testing of the isolated core and formation fluids.

The cumulative footage of exploration drilling in 2015 amounted to 5,430 linear meters, 24 objects were tested cased-hole, of which 21 were productive.

Following the results of construction of exploration wells No. R-50 and No. R-51, the ongoing hydrocarbon reserves calculation in the layers of the Yuzhno-Russkoye oil, gas and gas condensate field was completed. The change in the recoverable raw hydrocarbons after approval of the report in Federal State-Funded Institution State Reserves Committee was +1.674 million tons for oil and +9.663 billion m³ for gas on C₁ category.

In addition to construction of the wells, in 2015, the re-testing of exploration well No. 113 above layer PK₁₇² was performed. In total 10 prospective gas-and-oil objects were tested, of which 7 were productive.

LIST OF ACTIVITIES ON EXPLORATION WELLS

WELL	ACTIVITIES
No. R-50	Final activities were performed, whereupon the well was put in conservation.
No. R-51	Final activities were performed, work on appraisal of the Turonian gas deposit was continued.
No. R-52	Construction was completed, and it was put in conservation for 1 year.
No. R-53	Construction was completed, final activities were being performed.
No. R-54	Drilling stage was completed, the well was being tested.
No. R-55	Drilling stage was completed, preparatory activities for facilities testing in the production casing were being performed.



SCIENTIFIC AND THEMATIC STUDIES

The work was performed in accordance with the revised geological assignment approved on August 1, 2015. Fulfilment of the plan was 84.64% (the planned value being 1,465.2 million rubles, the actual value amounted to 1,240.19 million rubles). In physical terms, the work was performed in full.

R&D SibBurMash CJSC

Research and engineering support for the work on sampling and laboratory testing of the isolated core from exploration wells Nos. R-54, R-53, and R-55

Work on laboratory testing of the isolated core from exploration well No. R-52 carried over from 2014

TyumenNIIgiprogaz LLC

Sampling and laboratory testing of the formation fluids from exploration wells Nos. R-52, R-54, R-53, and R-113

Laboratory testing of the isolated core in exploration wells Nos. R-52, R-54, R-53, and R-55

Classification and storage of the core material

Nedra-Consult LLC

Ongoing hydrocarbon reserves calculation in the layers at the Yuzhno-Russkoye oil, gas and gas condensate field following construction of exploration wells No. R-50 and No. R-51

Non-associated gas reserves recalculation of the Turonian gas deposit at the Yuzhno-Russkoye oil, gas and gas condensate field as of January 1, 2016

Audit of the C_3 prospective resources, certification of the objects prepared within the Yuzhno-Russkoye license area. Preparation of deposit certificates

OJSC TS NGREIS

Re-testing of exploration well No. 113: 10 objects

PJSC Gazprom, Wintershall Holding GmbH, Uniper NefteGaz LLC

The geological survey of the fields is carried out with the professional support of all partners and with the use of shareholders' resources within the work of the joint technical team under the supervision of PJSC Gazprom.



Natural Gas Production

IN 2015, THE PLANNED GAS PRODUCTION
WAS APPROVED BY OJSC SEVERNEFTEGAZPROM
IN THE AMOUNT OF

25,000 MILLION M³

ACTUAL GROSS GAS PRODUCTION
AMOUNTED TO

25,045 MILLION M³

THE TARGET PLAN WAS FULFILLED BY

100.2% (+45 MILLION M³)



KEY PRODUCTION INDICATORS

BILLION M³

INDICATOR	2015	2014	2013
Production (extracted from layer)	25.067	25.068	25.135
Natural gas losses in gas well surveys	0.022	0.021	0.016
Gross natural gas production	25.045	25.047	25.119
Domestic technological needs	0.095	0.079	0.069
Natural gas losses in operation of technological facilities	0.001	0.005	0.002
Sales gas	24.949	24.963	25.048

FOCUS ON TURONIAN GAS

As one of the pioneers of the development of hard-to-recover reserves in Russia, OJSC Severneftegazprom is successfully implementing new methods of production of Turonian gas at the unique Yuzhno-Russkoye oil, gas and gas condensate field.

> 300
BLN M³

**ESTIMATED TURONIAN
GAS RESERVES
OF THE YUZHNO-RUSSKOYE OIL,
GAS AND GAS CONDENSATE
FIELD**



HARD-TO-RECOVER RESERVES

CREDITED AS ONE OF THE PIONEERS IN THE DEVELOPMENT OF HARD-TO-RECOVER HYDROCARBON RESERVES, OJSC SEVERNEFTEGAZPROM HAS ACCUMULATED PRICELESS EXPERIENCE PERFECTING THE TECHNOLOGY IN THIS FIELD, THUS LAYING A SOLID GROUNDWORK FOR THE FUTURE AND STRENGTHENING ITS MARKET POSITIONS.

6



• Turonian Gas Deposit Production Drilling Program

33

Hard-to-recover reserves are hydrocarbon deposits belonging to different geological periods and therefore positioned underground at different depths, in the rock structures that have strikingly different properties and characteristics. For successful gas production from such geological layers, original solutions and innovative technologies are required.

Although Russia has the world's largest natural gas reserves, the producers face several difficulties. On the one hand, these reserves are exhaustible, on the other hand, their development requires substantial investments. Inclusion of hard-to-recover reserves lying in the depths of already producing fields may be the way forward for development. This will make exploration and development of new fields, formation of infrastructure for production and transportation to consumers less expensive. In addition, production of hard-to-recover reserves will increase the field life and improve economic performance of its development.

The strategic plans of OJSC Severneftegazprom include development of the Turonian gas production technologies as one of the most promising projects. Despite the large-scale scope of the project, the Company will manage to ensure an adequate profitability level and to significantly lower the costs. This will be possible by using the infrastructure of the developed Cenomanian field facilities.

As a result, the Turonian gas gradually replacing the Cenomanian gas in the sales products will extend the active field life and improve the economic performance of its development.

WESTERN SIBERIA ALONE HAS ESTIMATED TURONIAN GAS DEPOSITS OF 3 TRILLION M³, WHICH IS ABOUT 10% TO 15% OF THE TOTAL FIELD RESERVES IN THE REGION.



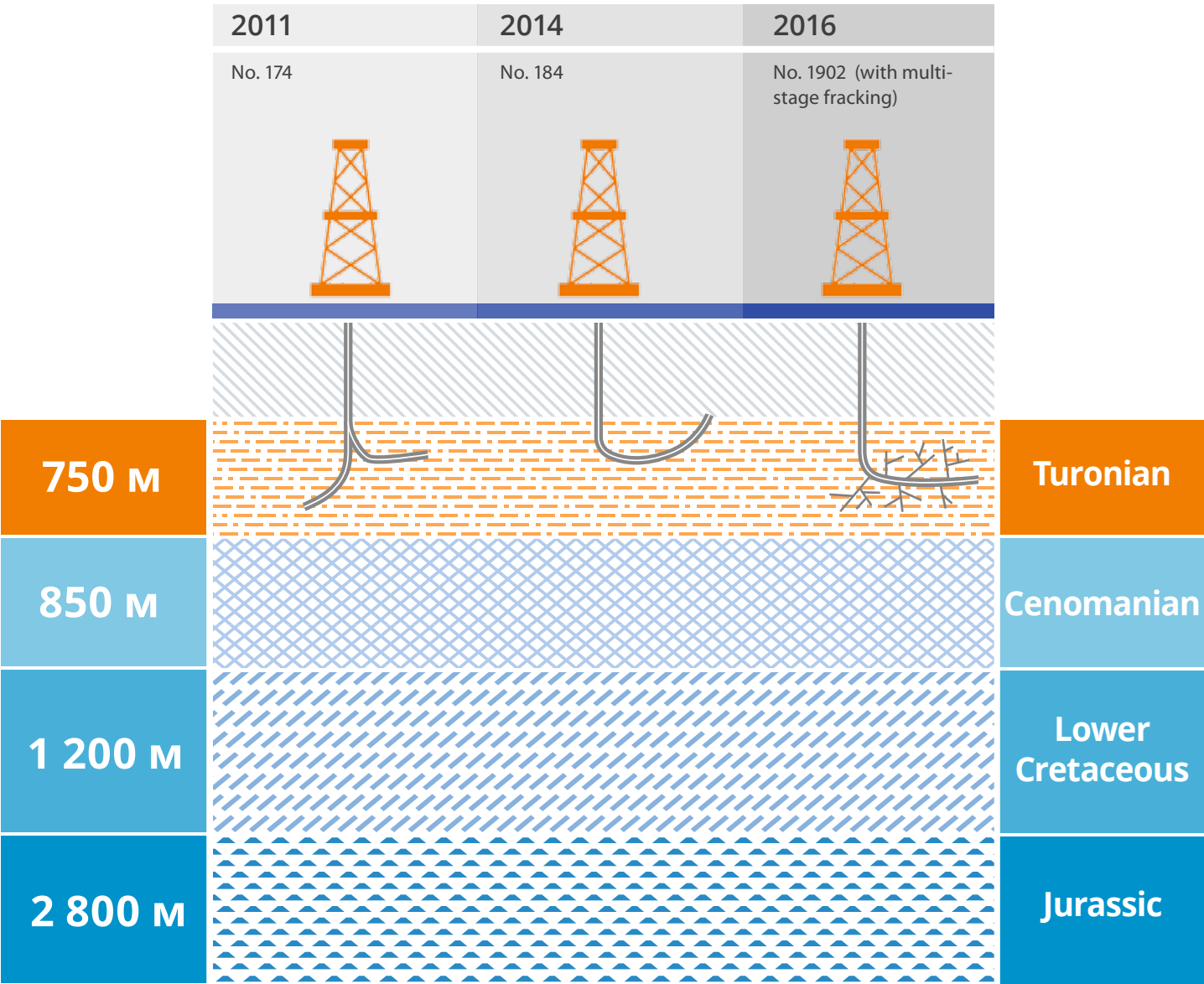
Turonian Gas

The Turonian deposits contain over 98% of methane and have no heavy impurities, while gas content is about 50% to 60%. The Turonian gas lies at a depth of 800 m to 850 m, but it is classified as hard-to-recover reserves due to abnormal pressure and temperature reservoir conditions, low reservoir porosity and permeability, and lithologic heterogeneity.

The estimated Turonian gas reserves at the Yuzhno-Russkoye oil, gas and gas condensate field exceed 300 billion m³. The field is characterized by a very complex geological structure: its hydrocarbon deposits are distributed in four oil-and-gas plays relating to Turonian, Cenomanian, Lower Cretaceous, and Jurassic geological periods.

Although the Turonian gas deposits are the top layer, the fact that the reservoir layers consist of sand rocks and siltstones with rich clay bond concentration, which significantly decreases the in-place permeability and gas recovery factor, makes production more difficult.

HISTORY OF WELL DESIGNS FOR PILOT WELLS TARGETED TO TURONIAN GAS DEPOSIT



OJSC Severneftegazprom is one of pioneers in Russia in development of hard-to-recover resources, implementing state-of-art technologies and methods for Turonian gas development at the unique Yuzhno-Russkoye oil and gas condensate field.

An integrated approach was elaborated to enhance efficiency of development of the Turonian gas deposit. Key aspects of this approach include the search and testing of innovative technical solutions for enhancement of well efficiency and ultimate gas recovery factor.



Turonian Gas Deposit Production Drilling Program

Due to the difficulties of Turonian gas production, the Yuzhno-Russkoye oil, gas and gas condensate field became a pilot industrial testing ground to search and develop further unique technological solutions for the development of Turonian deposits.

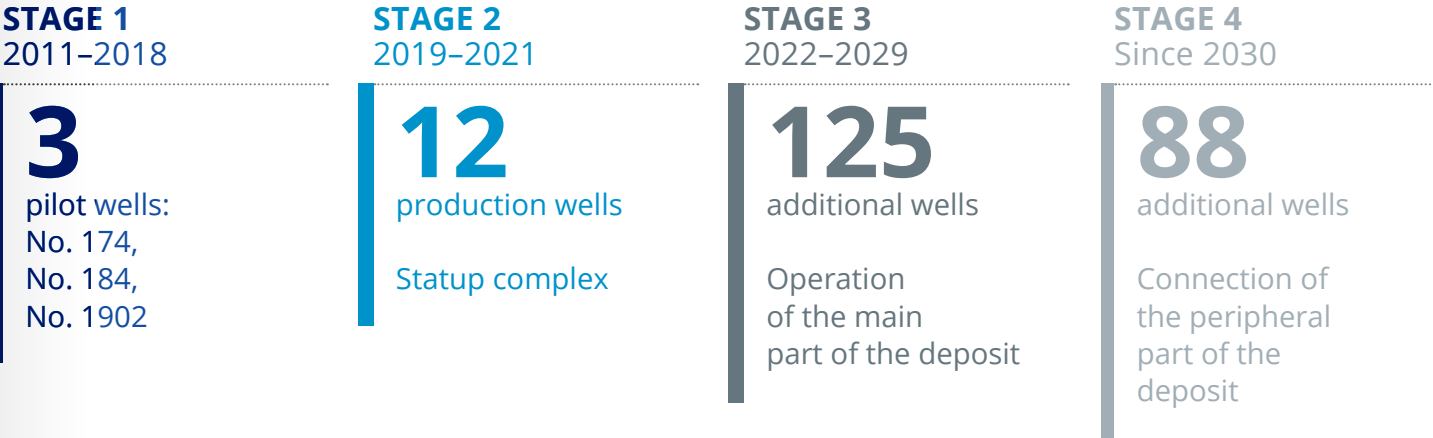
The Turonian gas deposit is explored with the professional support of all partners and with the use of shareholders' resources within the "Program on Research and Field Work for the Period of Pilot Development of the Turonian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field".

The purpose of the Program is to determine an appropriate well profile for the development of the Turonian gas deposit, to confirm the well efficiency in practical terms due to increase in the well bore length across the effective reservoir pay, and to check other technological features of the construction.

In accordance with the approved Process Scheme for the Development of the Turonian Gas Deposit, OJSC Severneftegazprom will be developing the Turonian gas deposit by 2030 in stages.

From the beginning of the pilot development of the Turonian gas deposit, 317 million m³ of gas was supplied to the unified gas supply system of PJSC GAZPROM.

STAGES OF THE COMMERCIAL EXPLOITATION OF THE TURONIAN GAS DEPOSIT





PILOT PROJECT ON INVOLVEMENT OF THE TURONIAN DEPOSITS IN DEVELOPMENT AT THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD

Production from the Turonian gas deposit was started in April 2012 and was carried out using dual lateral pilot production well No. 174. In October 2014, single-bottom-hole well No. 184 was put into operation. To appraise multifracking efficiency, third pilot production well No. 1902 is planned to be commissioned in Q3 2016. The geological and field information to be obtained during the survey of the operation data on the wells different in design will serve as a basis for selection of the best design solution to commissioning of the Turonian gas deposit.

WELL NO. 174 2011

Dual lateral subhorizontal well with an extensive architecture of bores: the core located at the lower horizon and the lateral one drilled slightly higher.

The well makes it possible to conduct geological field research of two bores and at the same time provides for the production rate being twice higher than that of conventional vertical wells.

WELL NO. 184 2014

Single-bottom-hole, with a rising profile of the end of the bore. It is characterized by double uncovering of the upper and lower part of the layer's collector. The footage was 1804 m in rock formation or 100% fulfillment. The obtained gas flow has significantly exceeded the target values.

WELL NO. 1902 2016

Well with multifracking efficiency

In 2015:

- TyumenNIIgiprogaz LLC completed the work on construction designing of the well.
- Gazprom Bureniye LLC performed work on construction. The footage was 1,452 m in rock formation or 100% fulfillment.

In 2016 it is planned to carry out:

- Multifracking
- Work on well development
- Installation and commissioning of the well

In 2015, TyumenNIIgiprogaz LLC completed the work on construction design of disposal well No. 3-P at the Yuzhno-Russkoye oil, gas and gas condensate field. The construction is planned to be started in 2016.

In October 2015, the work on layer T_{1-2} testing (gas flow rate of 50 thousand m^3 per day) and fracking using diesel-based fracking fluid (47 tons of proppant were injected in the well) were performed at well No. R-51. Following the results, the gas flow rate was 251 thousand m^3 per day with a 16 mm choke. The gas rate flow before and after fracking increased 5 times.

In accordance with the research work program, a set of researches was completed, which preliminary results showed that the planned value was achieved: the well efficiency was significantly enhanced. Upon confirmation of the current parameters of the well, the ongoing geological flow simulation model of the Turonian gas deposit and estimated well process performance indicators will be clarified.

The results of research conducted at the mentioned pilot production wells will allow the OJSC Severneftegazprom specialists to develop the best solutions for further development of the Turonian deposit.



The information obtained following the results of pilot operation of the equipment will be used to determine whether it is appropriate to introduce it in the prospective projects of PJSC Gazprom Group Companies. At the same time, the problems identified at operation of the equipment and systems will promote initiation of development of new engineering solutions for their elimination and enhancement of development efficiency in the complex deposits.

As a result, OJSC Severneftegazprom will not only ensure the growth of its main production and economic performance indicators but also support development of the Russian oil and gas industry on account of its own developed gas production technologies.



INTRODUCTION OF ADVANCED TECHNOLOGIES

OJSC Severneftegazprom has positioned itself as one of Russia's most successful gas-producing companies in terms of developing and implementing the most advanced technologies and innovative solutions at all stages of the production cycle.

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VALID PATENTS
AS OF DECEMBER 31, 2015

TECHNOLOGY AND INNOVATION

SEEKING TO BOOST PERFORMANCE, OJSC SEVERNEFTEGAZPROM IS CONSTANTLY ON THE LOOKOUT FOR NEW RESEARCH AND TECHNOLOGY SOLUTIONS. EXTENSIVE INNOVATION, ADOPTION OF STATE-OF-THE-ART TECHNIQUES, METHODS AND APPROACHES TO ACHIEVING BETTER PERFORMANCE ENABLE THE COMPANY TO PERFECT THE EXISTING PROCESS FLOWS, THEREBY SECURING FUTURE SUCCESS.

7



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- Promotion of Innovation Activities 42

Intellectual Property

THE COMPANY TAKES THE 4TH POSITION IN GAZPROM GROUP BY INVENTIVE ACTIVITY PERFORMANCE INDICATORS (ACCORDING TO THE REPORT DATED JUNE 19, 2015, “ON RESULTS OF THE INVENTIVE AND OPTIMIZATION ACTIVITIES IN SUBSIDIARIES OF PJSC GAZPROM FOR 2014”).

OJSC Severneftegazprom permanently takes special care of development of the innovation activities and seeks to use the most advanced technologies and modern equipment in its work.

Own engineering team of professionals is in active search for new efficient scientific and technical solutions that take into account the specificity of the challenges faced by OJSC Severneftegazprom.

All most important, interesting, and promising technical and organizational solutions of the Company’s employees are subject to the patenting procedure with a view to their possible implementation in the fuel and energy industry companies on terms and conditions of license agreements.

Development of the innovation activities is one of the prerequisites for successful production work in the long-run.



In 2015, the following patent right items were registered in the State Register of the Russian Federation:

- Radial-flow compressor multiplexer (Utility model No. 157057);
- Compressor shaft multiplexer (Utility model No. 156885);
- Gas Field Facilities layout (Design No. 95684);
- Exploration and development method of multilayer field with low-poroperm reservoirs (Invention No. 2560763)



INNOVATIVE TECHNOLOGY FOR SEALING OF WELL CASING THREADED JOINT

OJSC Severneftegazprom developed and successfully implemented a scientific and technical solution for sealing of threaded joint of the coupling of a conductor-mounting sleeve of the casing head at the Yuzhno-Russkoye oil, gas and gas condensate field without overhaul.

“Method of Threaded Joint Sealing of the Coupling of a Conductor-Mounting Sleeve of the Casing Head at a Well without Overhaul”

(Patent for invention No. 2541007)

NAKS certificate

No. ATsST-94-00227



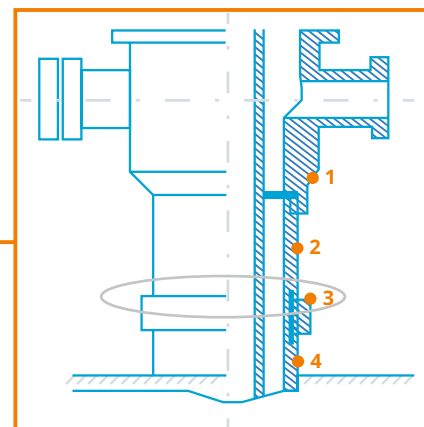
Positive effect from implementation:

Decrease in financial expenditures

Reduction in duration of repair work

No need to shut down and to cap the well with the negative effect on the bottom-hole layer area

Significant decrease in natural gas losses in well development



- 1 — casing head
- 2 — mounting sleeve of the casing head
- 3 — coupling of a conductor
- 4 — conductor

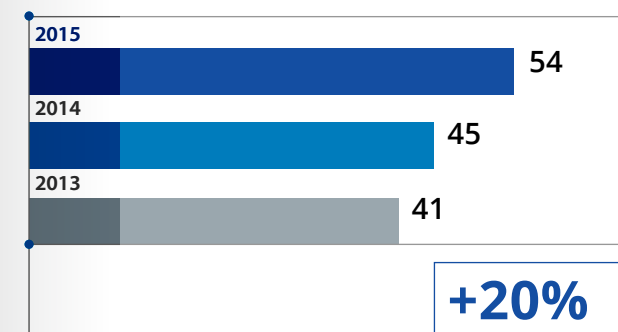
Optimization Activity

The purpose of the optimization activity is to enhance efficiency of the existing process flows and organizational processes in OJSC Severneftegazprom.

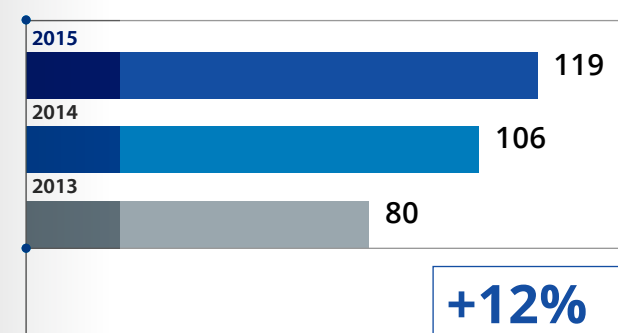
Motivation of the Company's employees using various bonuses promotes continuous search for tailored technical solutions.

Not only the number of optimization proposals but also the number of employees involved in development of the Company's innovation activities are increasing from year to year.

NUMBER OF REGISTERED OPTIMIZATION PROPOSALS, PCS.



NUMBER OF EMPLOYEES INVOLVED IN DEVELOPMENT OF INNOVATION ACTIVITIES, PCS.



Continuous search for advanced engineering solutions provides successful development of OJSC Severneftegazprom and determines the position of the Yuzhno-Russkoye oil, gas and gas condensate field as a ground for introduction of promising technologies and implementation of innovative solutions.



In 2015, the Company implemented the innovations aimed at:

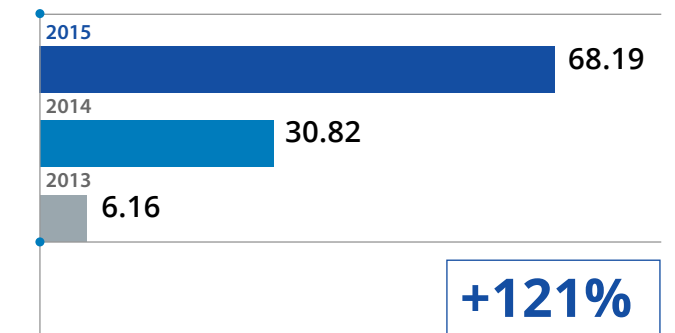
Modernization of transportable facilities GPS monitoring system

Automation of internal audit management process due to introduction of IMS pattern in the electronic document management system

Increase in the useful life of pipelines in gas gathering system due to improvement of protection potential indicators of the electrochemical protection system

Improvement of reservoir discharge system for water use for industrial and firefighting needs

COST IMPACT FROM USE OF INNOVATIVE DEVELOPMENTS IN INDUSTRIAL ACTIVITY, MILLION RUBLES





Promotion of Innovation Activities

Promotion of the innovation activities results of the employees in OJSC Severneftegazprom is an indispensable element for formation of the Company's reputational advantages and an important condition for steady and dynamic production development.

The successful results of scientific and technical researches and development of technological and organizational solutions are presented at competitions and conferences on innovations and published in expert magazines.



PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS AT CONFERENCES

The Fourth International Scientific and Practical Conference "Modern Innovative Business Solutions Aimed at Efficiency Enhancement of Reconstruction and Technical Upgrade of Hydrocarbon Production Facilities"

Report topic:
Innovative Solutions on Reconstruction of Water Treatment Complex at the Yuzhno-Russkoye oil, gas and gas condensate field

69th International Youth Scientific Conference "Oil and Gas 2015"

Report topic:
Innovative Solutions for Control over Greenhouse Gas Emissions from Gas Compressor Units;
Application of Gas Turbine Plant Technical Diagnostics in OJSC Severneftegazprom;
Set of R&D Solutions for Improvement of Flow and Support Processes in Gas Production"

11th All-Russian Conference of Young Scientists, Specialists, and Students "New Technologies in Gas Industry (Gas, Oil, Energy Sector)"

Report topic:
Innovative R&D Solutions for Efficiency Enhancement of Repair and Renewal Well Activities without Overhaul: II Degree Certificate;
Innovative R&D Solutions Aimed at Environmental Safety at Facilities of OJSC Severneftegazprom: III Degree Certificate;

The Second Scientific and Practical Conference "Innovation Management in PJSC Gazprom: Arrangement, Results, and Prospects"

Report topic:
Report topic: Innovation Activities of OJSC Severneftegazprom: Arrangement, Results, and Prospects



PUBLISHED PAPERS ON THE COMPANY'S INNOVATIVE SOLUTIONS:

Author: A. A. Kasyanenko
Research of Greenhouse Gas Emission Reduction
Developing Management Systems

Coauthor: A. B. Kulchitsky
Concept of Formation of Unified System for Complex Man-Caused Safety and Security of the Field Facilities in the Russian Oil and Gas Industry

COMPETITION OF INNOVATIVE PROJECTS DEVELOPED BY STUDENTS AND GRADUATE STUDENTS OF RUSSIAN TECHNICAL UNIVERSITIES

Since 2014, OJSC Severneftegazprom holds the competition "Innovative Projects Developed by Students and Graduate Students of Russian Technical Universities". Main objectives of the Competition:

To determine scientific and technical developments existing in the universities for further possible use in the Company's operational activities

To involve innovative technical developments that may enhance gas recovery factor and fail safety, cut costs and process losses in gas production, treatment and transportation

To encourage students and graduate students of Russian technical universities to carry out research and practice


To provide students and graduate students of technical universities with the opportunity to implement promising projects, which scope significantly exceeds the laboratory resources of universities

The innovative projects of students and graduate students are appraised by the competition committee composed of the Company's experts by their relevance and novelty, cost efficiency, prospects for cooperation with authors in implementation of the R&D program of OJSC Severneftegazprom and for the Russian fuel and energy industry in general.

Apart from certificates and runner-up prizes, the winners had the opportunity for priority traineeship at the Yuzhno-Russkoye oil, gas and gas condensate field that is one of the most advanced fields in Russia as seen from the standpoint of used technological and engineering solutions.

Following the results of competition in 2015, the following projects and students that developed such projects were awarded:

PLACE	PRIZE WINNER	UNIVERSITY	PROJECT
1	Andrey Ponomarev	Tyumen State Oil and Gas University	Development of Methods of Fracking Efficiency Enhancement Using Results of Complex Computer-Aided Tomography and Ground Surface Geochemistry
2	Dmitry Bakin	Tyumen State Oil and Gas University	Development of Bottom Water Inflow Disposal Method in Gas Wells
3	Maxim Karpov	Gubkin Russian State University of Oil and Gas	Method of Joint Exploitation of the Cenomanian and Turonian Gas Deposits at the Yuzhno-Russkoye oil, gas and gas condensate field



EXPANSION AND MODERNIZATION OF CAPACITIES AS A SUSTAINABILITY FACTOR

The Company is committed to the large-scale transformation of the production base. Expansion of the basic production assets, modernization of capacities, improvement of technologies and of management practices are meant to provide the basis for the stable development of the Company.

7.8 BLN RUB

TOTAL CAPITAL
EXPENDITURES
IN 2015



INVESTMENT ACTIVITIES

OJSC SEVERNEFTEGAZPROM IS EXPANDING AND UPGRADING ITS PRODUCTION CAPACITIES WITH A VIEW TO ACHIEVING SUSTAINABILITY. INVESTMENT PROJECTS AIMED AT BRINGING ABOUT FAR-REACHING IMPROVEMENTS STRENGTHEN THE UNDERLYING FUNDAMENTALS OF THE COMPANY AND GUARANTEE THAT COMMITMENTS WILL BE MET UNFAILINGLY OVER THE LONG TERM.

8



The main goals and objectives of the Company's investment program are:

Meeting the key targets of the Long-Term Development Program for the Cenomanian and Turonian deposits of the Yuzhno-Russkoye oil, gas and gas condensate field

Fulfillment of the exploration activities plan in accordance with the respective licensing obligations

Implementation of the approved design solutions ensuring the commissioning, reconstruction, modernization, and additional equipping of production capacities of the main and auxiliary production facilities

Risk minimization

The priorities of the investment program in OJSC Severneftegazprom for 2015 were maintenance of the current reliability level and performance of the obligations under development programs with YNAO in full, including implementation of the strategic projects.

The Company's investment projects on reconstruction, modernization, and additional equipping are aimed at increase in the production potential due to renovation, qualitative advance, and quantity increase of the fixed assets, as well as enhancement of the production and management engineering performance standard and efficiency.

The facilities are constructed in close partnership and prompt cooperation between the Company's departments and contractors' representatives. The main problems in facilities construction were labor and material intensity of the work performed in severe weather conditions and complicated logistics combined with seasonal dependence on arrangement of the Pur River crossing.



COMMISSIONING OF THE SECOND PHASE OF BCS NO. 1

To maintain the planned volumes of the sales products from the Yuzhno-Russkoye oil, gas and gas condensate field and to improve the economic performance indicators of OJSC Severneftegazprom, the facilities of BCS No. 1 (2 phase) were extended to the gas processing facility at the Yuzhno-Russkoye oil, gas and gas condensate field. The work was completed in the reporting period. High importance and need for timely commissioning of the facility were attributed to implementation of the Field Construction Plan, performance of the contractual obligations on gas sales to customers, and compliance with the indicators set in the long-term development plan.

The booster compressor station ensures compressing of preliminarily knockout natural gas down to the pressure necessary for its transportation from the gas processing facility to the Purtazovskaya compressor station.

The second phase equipment system of BCS No. 1 will facilitate enhancement of gas sales reliability in the fall and winter period of peak load and reduction in the negative impact on the environment and decrease in the operating expenses due to application of the innovative developments.



INVESTMENTS IN SOCIAL FACILITIES

To improve social and living conditions of the Company's employees, in December 2015, the fifth living quarters and a new multipurpose sports hall were commissioned in the shift camp of OJSC Severneftegazprom.

The two-storied living quarter is to accommodate 69 people and include 57 well-equipped rooms available for single, double, and quadruple occupancy of the Company's specialists working using shift work method.

Multipurpose sports hall is fit with all necessary equipment for competitions and trainings in team sports. There are special rooms for darts, billiards, and aerobics, as well as a spacious lounge where field facilities employees can play table football and air hockey.

INVESTMENTS IN DEVELOPMENT OF THE CENOMANIAN AND TURONIAN GAS DEPOSITS

In the reporting period, OJSC Severneftegazprom continued fulfillment of the plans on development of the Cenomanian and Turonian gas deposits at the Yuzhno-Russkoye oil, gas and gas condensate field and exploration activities in accordance with the existing licensing obligations.

Work on construction of six exploration wells were being performed. At wells No. R-50 and No. R-51, final work was performed. At well No. R-52, the facilities were tested. Drilling work was performed at three wells: Nos. R-53, R-54, and R-55. At wells No. R-53 and No. R-54, testing work was performed as well. Wells No. R-52 and No. R-54 were completely constructed, wells No. R-53 and No. R-55 are planned to be completely constructed in the second six months of 2016.

At well No. R-51, layer T₁₋₂ was completed carrying out gas-dynamic and field geophysical surveys after fracking. The work on construction and installation of gas production well No. 1902, through which it is planned to produce gas from the pay layer, was started.

CAPITAL EXPENDITURES FOR THE REPORTING PERIOD

The capital expenditures in 2015 amounted to 7,814 million rubles, which was 3,537 million rubles, or 83%, higher than in 2014.

The increase in capital expenditures in the reporting period was mainly caused by:

Completion of substantially all construction work of the second phase of booster compressor station No. 1 at the Yuzhno-Russkoye oil, gas and gas condensate field in accordance with the design solutions approved

Performance of work on construction of six exploration wells: at wells No. R-50 and No. R-51, final work was performed; at well No. R-52, the facilities were tested; at wells No. R-53 and No. R-54, drilling and testing work was performed; at well No. R-55, drilling work was performed; at well No. R-51, layer T1-2 was completed carrying out gas-dynamic and field geophysical surveys after fracking; wells No. R-52 and R-54 were completely constructed, wells No. R-53 and No. R-55 are planned to be completely constructed in the second six months of 2016

THE CAPITAL EXPENDITURES IN 2015 AMOUNTED TO

7,814 MILLION RUBLES

Performance of preparatory work on installation and drilling stage of construction of production well No. 1902 for the Turonian gas deposit

Further implementation of the program on reconstruction, modernization, and technical upgrade of the main and auxiliary production facilities

MILLION RUBLES, WITHOUT VAT

	2015	2014	CHANGE 2015/2014	
	ACTUAL	ACTUAL	+/-	%
CAPITAL EXPENDITURES, TOTAL	7,814	4,277	3,537	83%
including:				
Production drilling	138	276	-138	-50%
Exploration activities at the field	848	543	305	56%
Survey work for future years	56	26	30	115%
Equipment not included into construction estimates	79	147	-68	-46%
Construction facilities	6,685	3,275	3,410	104%
Purchase of non-current assets	8	10	-2	-20%



THE TOTAL VALUE OF COMMISSIONED
CONSTRUCTION FACILITIES AND FIXED ASSETS
IN 2015 AMOUNTED TO

8,980 MILLION RUBLES

COMMISSIONING OF FACILITIES FOR THE REPORTING PERIOD

MILLION RUBLES, WITHOUT VAT

	2015	2014	CHANGE 2015/2014	
	ACTUAL	ACTUAL	+/-	%
Capital expenditures, TOTAL	8,980	1,205	7,775	645%
including:				
Production drilling	0	284	-284	-100%
Equipment not included into construction estimates	79	148	-69	-47%
Construction facilities	8,893	759	8,134	1,072%
Non-current assets	8	14	-6	-43%

DYNAMICS OF COST OF CONSTRUCTION IN PROGRESS

MILLION RUBLES, WITHOUT VAT

FACILITY (BY GROUP PARAMETERS)	DECEMBER 31, 2015	DECEMBER 31, 2014	DECEMBER 31, 2013
Construction of fixed assets (industrial construction)	1,147	3,653	799
Construction of fixed assets (production drilling)	156	18	97
Construction of fixed assets (exploration drilling)	1,673	811	269
Survey work	30	7	162
Purchase of non-current assets	10	25	11
Equipment to be installed	254	19	105
Total construction in progress	3,270	4,533	1,443



In 2015, the following facilities were constructed and commissioned:

- Booster compressor station No. 1 (2 phase) at YROGCF, including:
 - Living quarters No. 5;
 - Sports hall;
- Office building in Novy Urengoy;
- Communication tower in Novy Urengoy;
- Line communication hub;
- Plant for sewage treatment from mechanical impurities and oil products (after reconstruction).



The construction-in-progress fixed assets as of December 31, 2015 include:

- Administration and welfare building at the Contractors's base at YROGCF
- Shift workers muster station in Novy Urengoy
- Communication tower at the 68th km at the Urengoy–Krasnoselkup road, YROGCF-Beregovoye section
- Reconstruction of the security equipment at YROGCF
- Process building at the industrial base with heated parking
- Reconstruction of GCU of BCS No. 1 (1 phase) with replacement of changeable flow channel

The main construction-in-progress facility in production drilling is production well No. 1902.

The main construction-in-progress facilities in exploration drilling are wells Nos. R50, R51, R52, R53, R54, and R55.



ECONOMY OF RELIABLE PRODUCTION

OJSC Severneftegazprom's long-term gas sales contracts guarantee that a solvent market will be maintained for the entire period of the development of the Yuzhno-Russkoye oil, gas and gas condensate field, which strengthens the enterprise's position.

49,463 MLN RUB

REVENUE FROM
NATURAL GAS SALES
IN 2015

MAIN FINANCIAL INDICATORS

THIS SECTION REPRESENTS AN OVERVIEW OF OJSC SEVERNEFTEGAZPROM'S FINANCIAL POSITION AS OF DECEMBER 31, 2015, AND IS SUBJECT TO REVIEW TOGETHER WITH THE COMPANY'S ACCOUNTING STATEMENTS FOR 2015 PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS AND AVAILABLE FOR ALL INTERESTED PARTIES ON THE COMPANY'S OFFICIAL WEBSITE www.en.severneftegazprom.com

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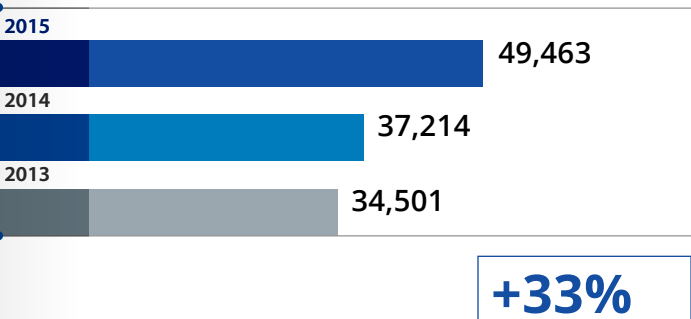
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Main Financial Indicators

ITEM	MILLION RUBLES		
	2015	2014	CHANGE %
Revenue	49,463	37,214	33%
Gas production expenses *	(3,051)	(2,986)	2%
rubles/1,000 m ³	(130)	(123)	6%
Expenses on MET (mineral extraction tax)	(19,760)	(19,217)	3%
Expenses on EA **	(192)	(73)	163%
Operating profit	18,695	7,015	166%
Net profit	10,118	34	by 296 times
Net cash from operating activities	19,888	12,925	54%
Commissioning of fixed production assets	8,972	1,191	653%

REVENUE, MILLION RUBLES

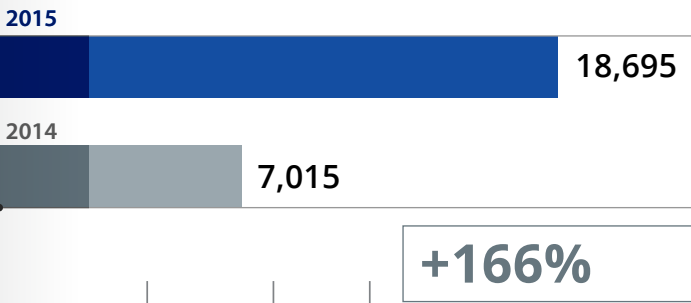


+12,249 MILLION RUBLES **REVENUE GROWTH**

+543 MILLION RUBLES **EXPENSES ON GAS EXTRACTION**

+10,084 MILLION RUBLES **NET PROFIT**

OPERATING PROFIT, MILLION RUBLES



* Gas production expenses include all expenses attributable to the cost price, excluding depreciation and tax deductions and exploration activities.
** Exploration activities.

Despite continuing negative economic trends, the results achieved by OJSC Severneftegazprom at the end of 2015 show strong upward trend.

The long-term agreements for the produced gas sale entered into by OJSC Severneftegazprom fully ensure a regular flow of revenue and guarantee the purchasing power of a sales market during the whole period of development of the Yuzhno-Russkoye oil, gas and gas condensate field.

The revenue growth by 33% in 2015 compared to the previous period was driven by the increased gas selling price determined by the formula prescribed by the long-term consumer gas sales agreements.

The Company managed to enhance its financial position due to lower use of borrowed funds, maintaining of a high level of liquidity, and restraining growth in operating expenses resulting from control over costs and implementation of cost reduction actions.

The Company's stable financial position and implementation of target attainment strategy ensured fulfilment of all production tasks on commissioning of fixed production assets in 2015 to support stable natural gas production level and to continue work on efficient development of natural resources.



Financial Performance Report Indicators

MILLION RUBLES			
ITEM	2015	2014	CHANGE, %
Revenue	49,463	37,214	33%
Cost of sales, including:	(29,500)	(29,021)	2%
Taxes (mineral extraction tax, property tax, others)	(20,589)	(20,135)	2%
Depreciation deductions	(5,668)	(5,827)	-3%
Gas production expenses*	(3,051)	(2,986)	2%
Expenses on exploration activities	(192)	(73)	163%
Gross profit	19,963	8,193	144%
Administrative expenses	(1,269)	(1,178)	7%
Sales profit	18,695	7,015	166%
Interest receivable	1,356	1,083	25%
Interest payable, including:	(2,073)	(1,068)	94%
Project Facility Agreement (PF)	(851)	(848)	0,3%
Interest expense on accrued reserves**	(1,222)	(220)	455%
Other income and expenses (net)	(5,182)	(6,674)	-22%
Profit before tax	12,796	357	by 35 times
Net profit	10,118	34	296 times more

THE RESULTS OF 2015 IN COMPARISON WITH 2014

The increase in selling price and stable volumes of natural gas production and sales provided for a 33 % revenue growth in 2015 compared to the previous year.

The increase in the cost of sales gas by 2% in 2015 was caused by the increase in tax deductions due to the growth in the MET rate for natural gas and by the increase in the expenses on exploration activities due to expansion of the research program for development of the Turonian hard-to-recover gas reserves.

The increase in the expenses on interest payable by 94% was caused by reflection of the accrued interest expenses on the provisions formed for retired fixed assets and restoration of natural resources in the abovementioned item.

The decrease in other expenses in 2015 was primarily caused by the slowdown of the national currency depreciation rate and as a result by the decrease in the non-cash effect of the expenses on accounting for the Company's liabilities denominated in foreign currency (under the PF agreement with a consortium of foreign banks and Bank GPB (JSC)).

* Gas production expenses include all expenses attributable to the cost price, excluding depreciation and tax deductions.

** Accrued interest expense on the provision for retired fixed assets and restoration of natural resources. These expenses were attributable to accrual of estimated liabilities for retired fixed assets and restoration of natural resources in accordance with RAS 8/2010 "Estimated Liabilities, Contingent Liabilities, and Contingent Assets".



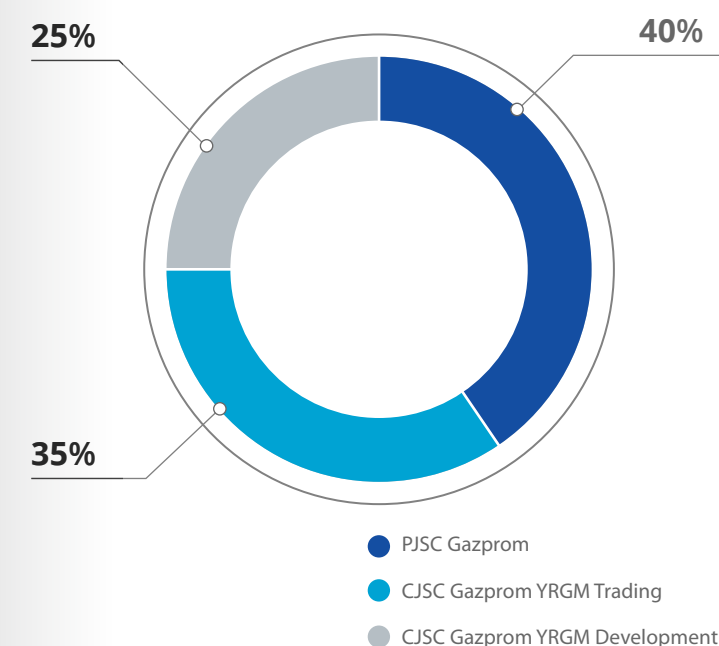
REVENUE

The revenue from gas sales in 2015 increased by 33% compared to the previous year and amounted to 49,463 million rubles.

The volume of natural gas sales in 2014 amounted to 24,949 million m³, which is comparable to the previous year figures.

The revenue growth was driven by the gas selling price growth by 33%, which is determined by the price calculation formula in accordance with the Shareholders' Agreement and Gas Sales Agreements.

STRUCTURE OF REVENUES FROM GAS SALES



The quality requirements for gas supplied to the Buyers are regulated in accordance with PJSC Gazprom Company Standard 089-2010 "Combustible Natural Gas Supplied and Transported via Main Gas Pipelines. Technical Conditions." This standard aims to improve product quality and to ensure the effectiveness and safety of the gas transmission systems functioning.



VOLUME OF MARKETABLE GAS SALES, MILLION M³

	2015	2014	2013
Total, including:	24,949	24,963	25,048
PJSC Gazprom	9,980	9,985	10,019
CJSC Gazprom YRGM Trading	8,732	8,737	8,767
CJSC Gazprom YRGM Development	6,237	6,241	6,262



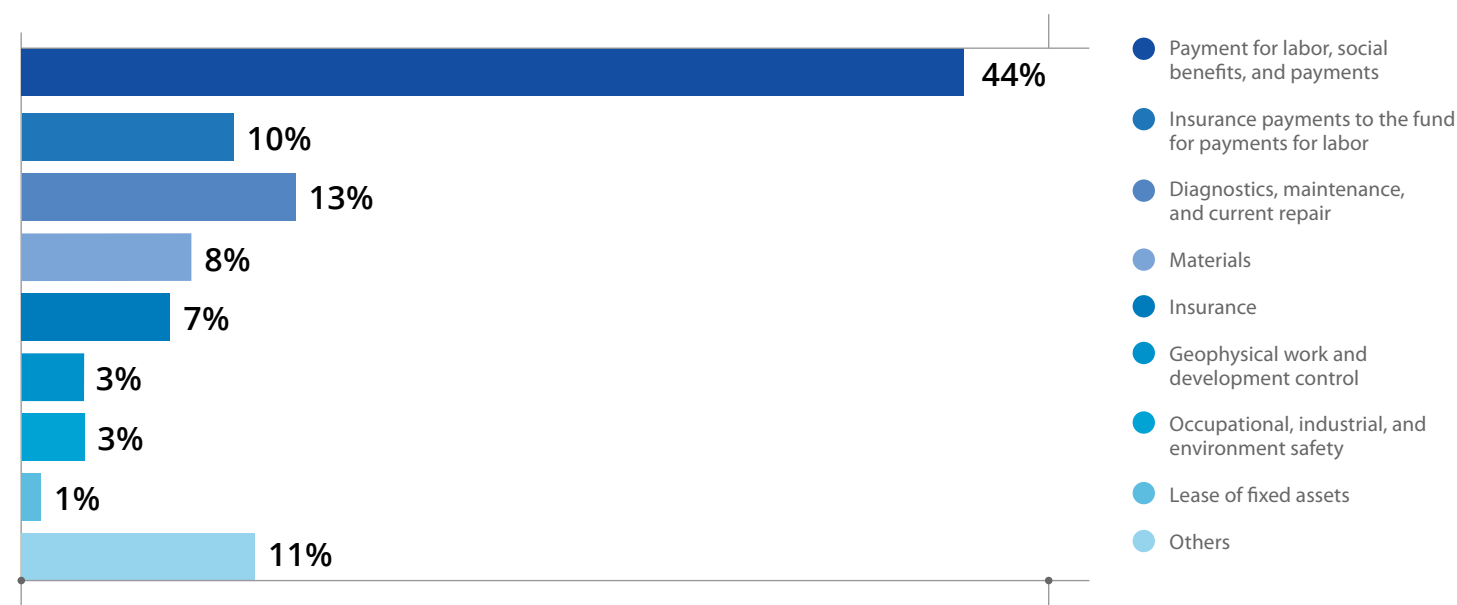
GAS PRODUCTION EXPENSES (Excluding Tax, Depreciation Deductions, and Expenses on Exploration Activities)

In 2015, the Company ensured the fulfillment of all production indicators set by the Annual Work Program controlling the production expenses (excluding taxes, depreciation, and expenses on exploration activities).

The increase in the gas production expenses by 2% in 2015 primarily related to the increase in the expenses on payment for labor by 5% within the limits of the set indexation of the payment for labor and social payments to the Company's staff under the conditions of the inflationary indicators growth in the national economy.



STRUCTURE OF GAS PRODUCTION EXPENSES



DYNAMICS OF GAS PRODUCTION EXPENSES

MILLION RUBLES

ITEM	2015	2014	CHANGE, %
Payment for labor, social benefits, and payments	1,351	1,283	5%
Insurance payments to the fund for payment for labor	291	226	29%
Diagnostics, maintenance, and current repair	411	488	-16%
Materials	257	267	-4%
Insurance	203	199	2%
Geophysical work and development control	90	112	-20%
Occupational, industrial, and environmental safety	79	94	-16%
Lease of fixed assets	27	27	0%
Others	342	290	18%
TOTAL	3,051	2,986	2%
Expenses for exploration activities	192	73	163%
TOTAL INCL. EXPENSES FOR EXPLORATION ACTIVITIES	3,243	3,059	6%

TAXES (excluding Income Tax)

MILLION RUBLES

ITEM	2015	2014	CHANGE, %
Mineral extraction tax	19,760	19,217	3%
Property tax	814	912	-11%
Other taxes	15	5	200%
Aggregate taxes (excluding income tax)	20,589	20,135	2%

The main part (96%) in the tax structure relates to the mineral extraction tax (MET) deductions.

In accordance with the Federal Law of the Russian Federation "On Amendments to Chapter 26 of the Second Part of the Tax Code of the Russian Federation and to Article 3.1 of the Law of the Russian Federation "On Customs Tariff" dated September 30, 2013, a calculation formula of the MET rate for natural gas has been established effective from July 1, 2014.

The increase in the MET expenses by 3% in 2015 was caused by the growth of the weighted average annual rate of this tax (from 767 rubles per thou m³ of natural gas in 2014 up to 789 rubles per thousand m³ in 2015).

The decrease in the expenses on the property tax is related to the decrease in the residual value of the Company's fixed assets, to the commissioning of new capacities in December 2015, and to application of the reduced rate amounting to 1.1% for newly commissioned fixed production assets in accordance with the provisions of the Russian tax legislation.

The increase in other taxes by 10 million rubles was caused by the growth of the set one-time payments for subsoil use for search for and exploration of mineral resources (sand pits).



ASSETS

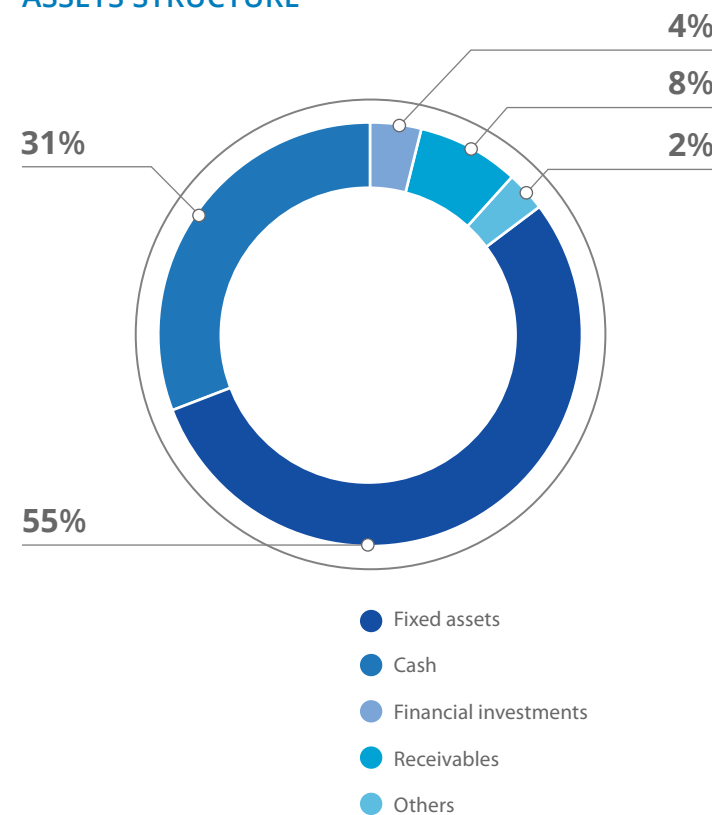
FOR 2015, THE COMPANY'S ASSETS
INCREASED BY 11%, OR BY

9 BILLION RUBLES

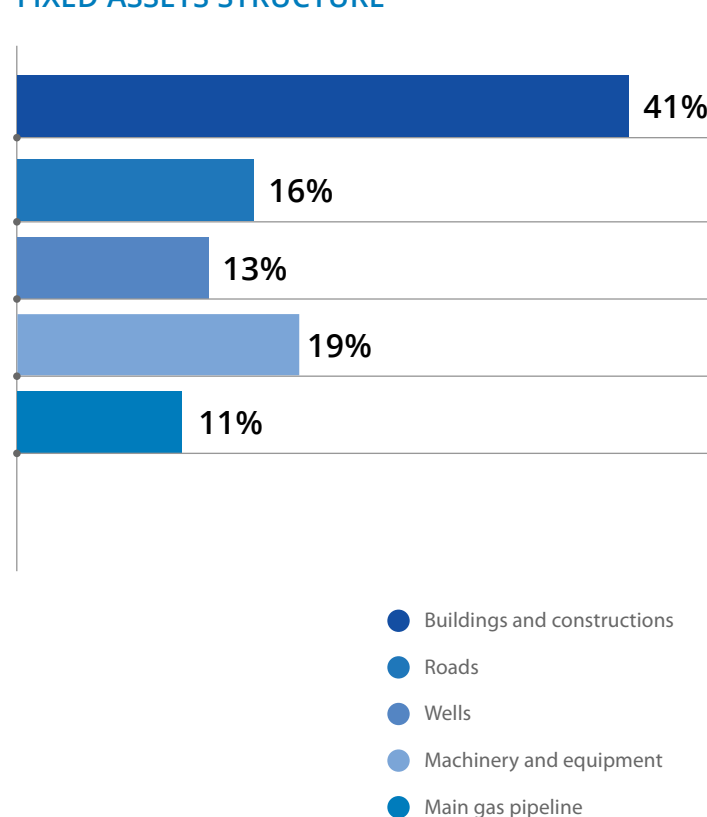
ASSETS AT THE END OF 2015
AMOUNTED TO

89 BILLION RUBLES

ASSETS STRUCTURE



FIXED ASSETS STRUCTURE



CHANGE IN THE COMPANY'S ASSETS FOR THE REPORTING PERIOD

MILLION RUBLES

	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2014	CHANGE, %
NON-CURRENT ASSETS	50,527	49,695	2%
Intangible assets	12	13	-4%
Research and development results	23	22	9%
Intangible development assets	2	2	-3%
Fixed assets	48,490	46,182	5%
Deferred tax assets	966	172	460%
Other non-current assets	1,033	3,304	-69%
CURRENT ASSETS	38,323	30,120	27%
Inventories	805	660	22%
Receivables	6,871	5,700	20%
Financial investments	3,367	6,308	-47%
Cash	27,230	17,387	57%
Other current assets	49	65	-24%
TOTAL	88,850	79,815	11%

The following items of the Company's assets changed in 2015:

The fixed assets increased by 2,308 million rubles, or by 5%, due to the commissioning of new fixed production assets.

The receivables increased by 1,171 million rubles, or by 20%, due to the increased debt of buyers through the gas selling price growth.

The cash increased by 9,843 million rubles, or by 57%, primarily due to the growth of the revenue from natural gas sales and to the increase in the cash on the Company's currency accounts for expected performance of the obligations to foreign creditors under the Project Facility Agreement.

The financial investments decreased by 2,941 million rubles, or by 47%, due to the decrease in the Debt Service Reserve Accounts (DSRA) and the decrease in the cash in foreign currency (euro) placed on the deposits with foreign banks set in the Project Facility Agreement.

Other non-current assets decreased by 2,271 million rubles, or by 69%, due to the acceptance and assemblage of the equipment with long period of manufacturing as a part of the asset portfolio and to the reduction in the previously issued advance payments.



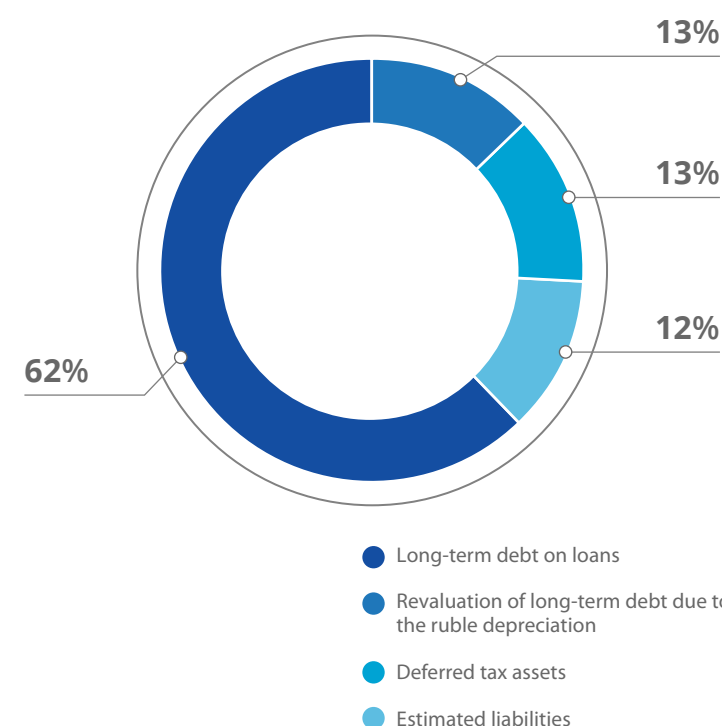
LONG-TERM AND SHORT-TERM LIABILITIES

THE AMOUNT OF THE LONG-TERM DEBT LIABILITIES IN FOREIGN CURRENCY DECREASED BY

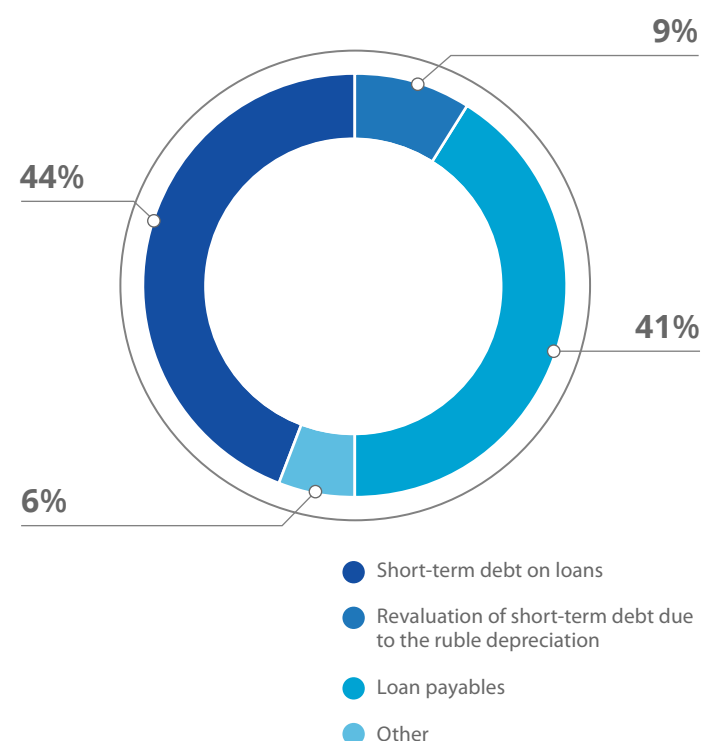
BY **38%**



LONG-TERM LIABILITIES
TOTAL: 26.4 BILLION RUBLES
AS OF DECEMBER 31, 2015



SHORT-TERM LIABILITIES
TOTAL: 14.7 BILLION RUBLES
AS OF DECEMBER 31, 2015



LONG-TERM AND SHORT-TERM LIABILITIES

MLN PCS

	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2014	CHANGE, %
LONG-TERM LIABILITIES	26,417	31,027	-15%
Bank loans due and payable beyond 12 months, total in million rubles, including:	19,789	26,049	-24%
million dollars	142	227	-38%
million euros	102	164	-38%
million rubles	1,293	2,071	-38%
Deferred tax liabilities	3,308	3,057	8%
Estimated liabilities	3,320	1,921	73%
SHORT-TERM LIABILITIES	14,661	8,772	67%
Bank loans due and payable within 12 months, total in million rubles, including :	7,778	3,356	132%
million dollars	55	29	90%
million euros	39	21	86%
million rubles	584	261	124%
Payables	5,985	5,034	19%
Estimated liabilities	898	381	136%
TOTAL	41,078	39,799	3%

The following items of the Company's liabilities changed in 2015.

The decrease in the long-term debt liabilities by 6,260 million rubles, or by 24%, as of the end of the reporting period was caused by the decrease in the long-term debt liabilities under the Project Facility Agreement and by the revaluation of the balance of the debt liabilities as of the end of the year under the conditions of the weakened national currency (by 30% against the US dollar and by 17% against the euro). At the same time, the amount of the long-term debt liabilities in foreign currency decreased by 38%.

The increase in the short-term debts under the Project Facility Agreement as of the end of the reporting period amounted to 132%. At the same time, in Q1 2016, the Company early repaid the debt liabilities for the total amount equivalent to 12,492 million rubles (see Section "Liabilities under the Project Facility Agreement" of the Annual Report).

The increase in the estimated long-term liabilities by 1,399 million rubles, or by 73%, was caused by the formation of reserves and by the increase in the accrued estimated liability for retired fixed assets and restoration of natural resources due to enhancement of the fixed production assets.



Liabilities under the Project Facility Agreement

In spring 2011, OJSC Severneftegazprom raised a syndicated loan from a consortium of international banks and Bank GPB (JSC) for the total amount equivalent to 1.1 billion euros to finance the project of development of the Yuzhno-Russkoye oil, gas and gas condensate field with maturity in December 2018.

The structure of the raised funds has about 86% of debt in foreign currency (US dollars and euros).

It was the first deal in the Russian financial market in the form of on-shore project financing for the companies belonging to the oil and gas production sector.

The loan terms stipulate a two-stage mechanism of repayment of the loan in accordance with:

A basic schedule stipulating the debt to be finally repaid in December 2018

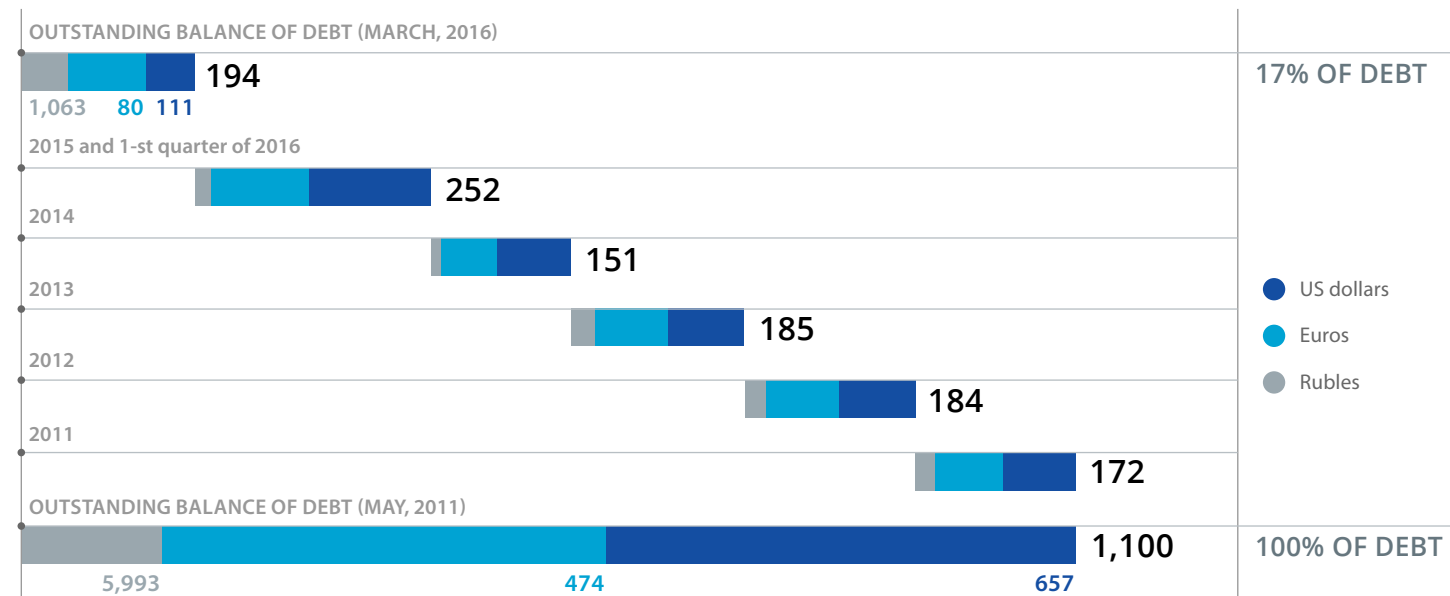
A tailor-made schedule of accelerated repayment of the loan based on the possibility of early repayment on the basis of the data on the free cash flow at the end of the reporting year (Cash Sweep Repayment)

For the purposes of effective debt management, the Company primarily uses a form of accelerated repayment of loans.

In 2015, the scheduled loan repayment within the framework of the Project Facility Agreement was carried out under the basic schedule and within the Cash Sweep Repayment framework which led to a 23% decrease in the debt load in the reporting year.

In Q1 2016, the early repayment was made under the tailor-made schedule of accelerated repayment of loan (Cash Sweep Repayment) in the following amount: 61 million euros, 85 million US dollars, and 814 million rubles. Thus, the outstanding balance as of the current date amounts to 17% of the initial loan.

LOAN REPAYMENT DYNAMICS*



* Conversion into euro is made at the mean exchange rate for the period.



PRINCIPAL DEBT AMOUNT

MLN PCS

PRINCIPAL DEBT AMOUNT	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2016
Tranche in US dollars	256	197	111
Tranche in euros	184	141	80
Tranche in rubles	2,332	1,877	1,063
Outstanding balance on the loan, %	39	30	17

In total, for the period from May 2011 to March 2016, the Company repaid 83% of the principal debt under the Project Facility Agreement.

MEAN ANNUAL INTEREST RATES ON THE LOANS

%

INTEREST RATE	2015	2014	DEVIATION 2015/2014
Under the euro tranche	2.5	2.7	-0.2
Under the US dollar tranche	2.8	2.7	0.1
Under the ruble tranche	11.4	11.4	0

INTEREST ON THE LOAN

MILLION RUBLES

ITEM	2015	2014	DEVIATION 2015/2014
Interest under the Project Facility Agreement	851	848	0.3%

NET DEBT

MILLION RUBLES

ITEM	2015	2014	CHANGE, %
Current portion of long-term facilities and loans	7,778	3,356	132%
Long-term facilities and loans	19,789	26,049	-24%
Cash and cash equivalents	(30,597)	(23,695)	29%
Net debt	(3,030)	5 710	-53%



EQUITY AND RESERVES

MILLION RUBLES

	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2014	CHANGE, %
CHARTER AND ADDITIONAL CAPITAL, RESERVES	25,188	25,188	0%
Charter capital	40	40	–
Revaluation of non-current assets	47	47	–
Additional capital	25,099	25,099	–
Reserve capital	2	2	–
PROFIT	22,584	14,828	52%
Retained earnings	12,466	14,794	–
Profit for the reporting period	10,118	34	–
Total equity and reserves	47,773	40,016	19%

In 2015, the Company's equity and reserves increased by 7,756 million rubles, or by 19%, due to the positive financial results for 2015 in the amount of 10,118 million rubles.

Cash Movement for the Reporting Period

THE NET CASH FROM OPERATING
ACTIVITIES INCREASED BY 54% AND
AMOUNTED TO

19,888

 MILLION RUBLES

MILLION RUBLES

INDICATOR	2015	2014	DEVIATION 2015/2014	CHANGE, %
Net cash from operating activities	19,888	12,925	6,963	54%
Net cash used in investment activities	(2,043)	(5,052)	3,009	–60%
Net cash used in financial activities	(9,281)	(9,763)	482	–5%



Key Financial Ratios

KEY FINANCIAL STABILITY RATIOS

RATIO	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2014	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF RATIOS
Equity ratio	0.54	0.50	0.04	Equity to total capital
Financial leverage ratio	0.86	1	–0.14	Borrowed capital to equity
Investment coverage ratio	0.83	0.89	–0.06	Equity and long-term debt to total capital ratio
Capital mobility ratio	–0.06*	–0.25*	0.19	Own current assets to equity sources
Current assets mobility ratio	0.80	0.79	0.01	The most mobile part of current assets to total value of current assets

* For ratio calculation, the long-term liabilities under the Project Facility Agreement were factored in when determining own current assets. Without the long-term liabilities under the project financing, the capital mobility ratio was 0.36 (as of December 31, 2014, 0.41).

KEY LIQUIDITY RATIOS

RATIO	AS OF DECEMBER 31, 2015	AS OF DECEMBER 31, 2014	CHANGE FOR THE PERIOD	ECONOMIC VALUE OF RATIOS
Current (general) liquidity ratio	2.61	3.30	–0.69	Current assets to short-term liabilities. It shows coverage of short-term liabilities by all current assets
Quick (mid-term) liquidity ratio	2.56	3.23	–0.67	Liquid assets to short-term liabilities. It shows coverage of short-term liabilities by cash, short-term financial assets, and short-term receivables
Total liquidity ratio	2.09	2.60	–0.51	Highly-liquid assets to short-term liabilities. It shows the part of short-term liabilities that may be repaid immediately

PROFITABILITY ANALYSIS

PROFITABILITY INDICATOR	2015	2014	CHANGE FOR THE PERIOD
Profit margin (in kopecks per ruble of revenues)	37.8	18.9	18.9
EBIT profit margin, %	30.1	3.8	26.3
Net profit margin (in kopecks per ruble of revenues)	20.46	0.09	20.4
Interest payable coverage ratio (ICR)	7.2	1.3	5.9



WORK ACCORDING TO INTERNATIONAL STANDARDS FOR THE BENEFIT OF PRESENT AND FUTURE GENERATIONS

Aware of its responsibility towards the present and future generations, OJSC Severneftegazprom adheres to the principles of responsible business practices and consistently develops the sustainable development strategy.

THE SUSTAINABLE DEVELOPMENT
REPORT IS COMPILED
EVERY YEAR IN ACCORDANCE
WITH THE REQUIREMENTS OF
STANDARD

GRI G4

SUSTAINABLE DEVELOPMENT

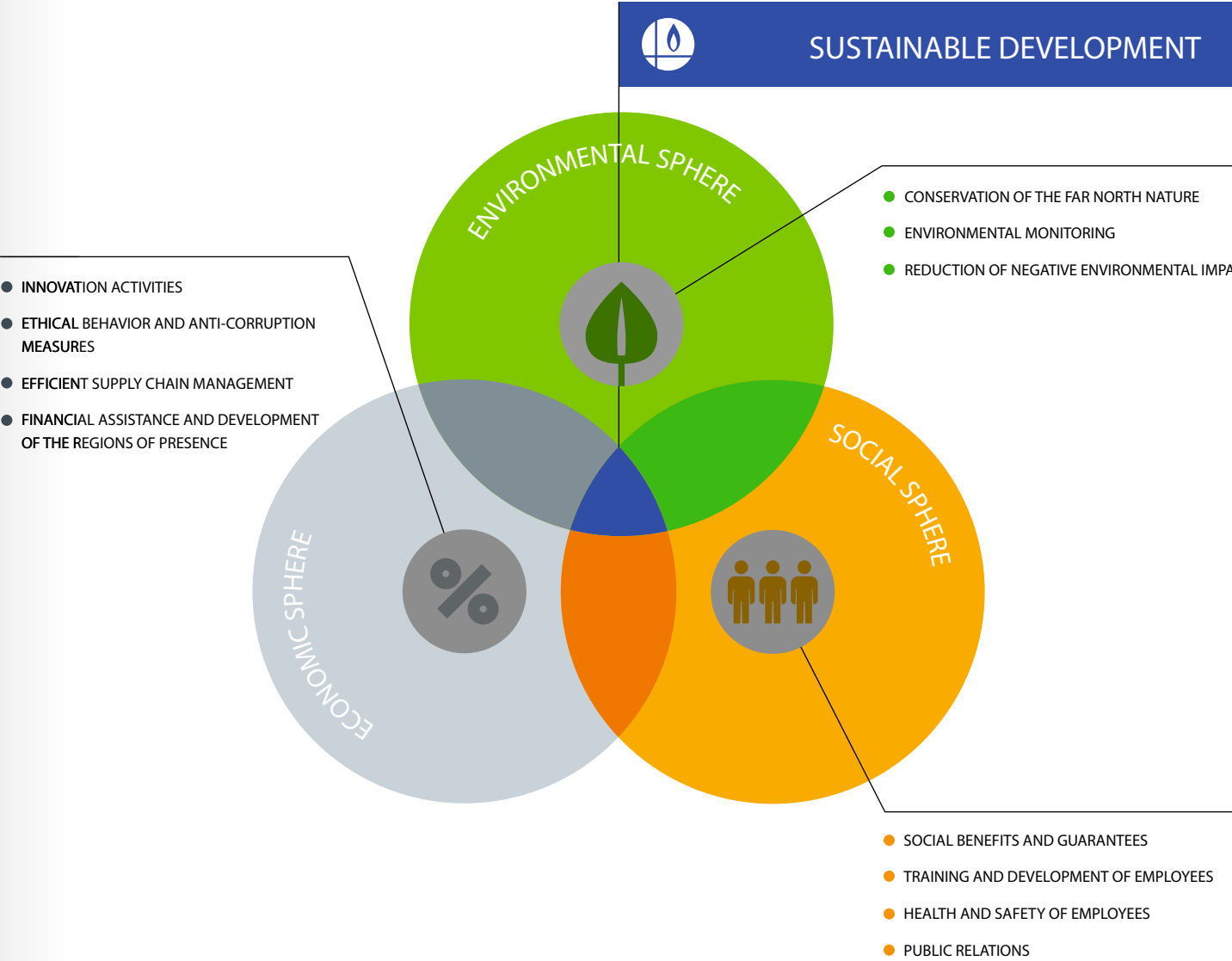
COMMITMENT TO SUSTAINABILITY PRINCIPLES ENABLES THE COMPANY TO CONTRIBUTE TO SOCIAL AND ECONOMIC DEVELOPMENT IN THE REGIONS OF ITS OPERATIONS, TO CONSERVE NATURAL ENVIRONMENT, AS WELL AS TO COMPLY WITH HIGH INTERNATIONAL STANDARDS FOR INDUSTRIAL SAFETY.

10



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Defining the Priorities



OJSC Severneftegazprom conducts its work in accordance with the concept of sustainable development accepted in the Russian Federation and in the international community, which provides for a balanced approach to solving social and economic problems, problems of preservation of favorable environment and natural resource potential in order to meet the needs of current and future generations.

Starting from 2011 the Company has been annually disclosing non-financial information in the field of sustainable development in the Annual Report. During preparation of the Report the Company is primarily oriented towards the interests of stakeholders that may affect the Company's activities or may be

affected by the Company's activities. The Report on sustainable development in the year 2015 was created based on monitoring and definition of key topics in the process of interaction with stakeholders. Based on the results of the obtained information analysis, a preliminary list of most critical issues was compiled that the Work Group for Sustainable Development, established in 2015, used as a basis for defining a list of key aspects. The Work Group also attempts to maintain continuity with aspects and indicators disclosed in previous years as much as possible.

While compiling the non-financial reporting, the Company followed the standards of the fourth generation of the Global Reporting Initiative (GRI G4), as well as standards of the Oil and Gas Sector Disclosures.



Based on the results of the assessment performed by the Work Group, the following key aspects were identified:

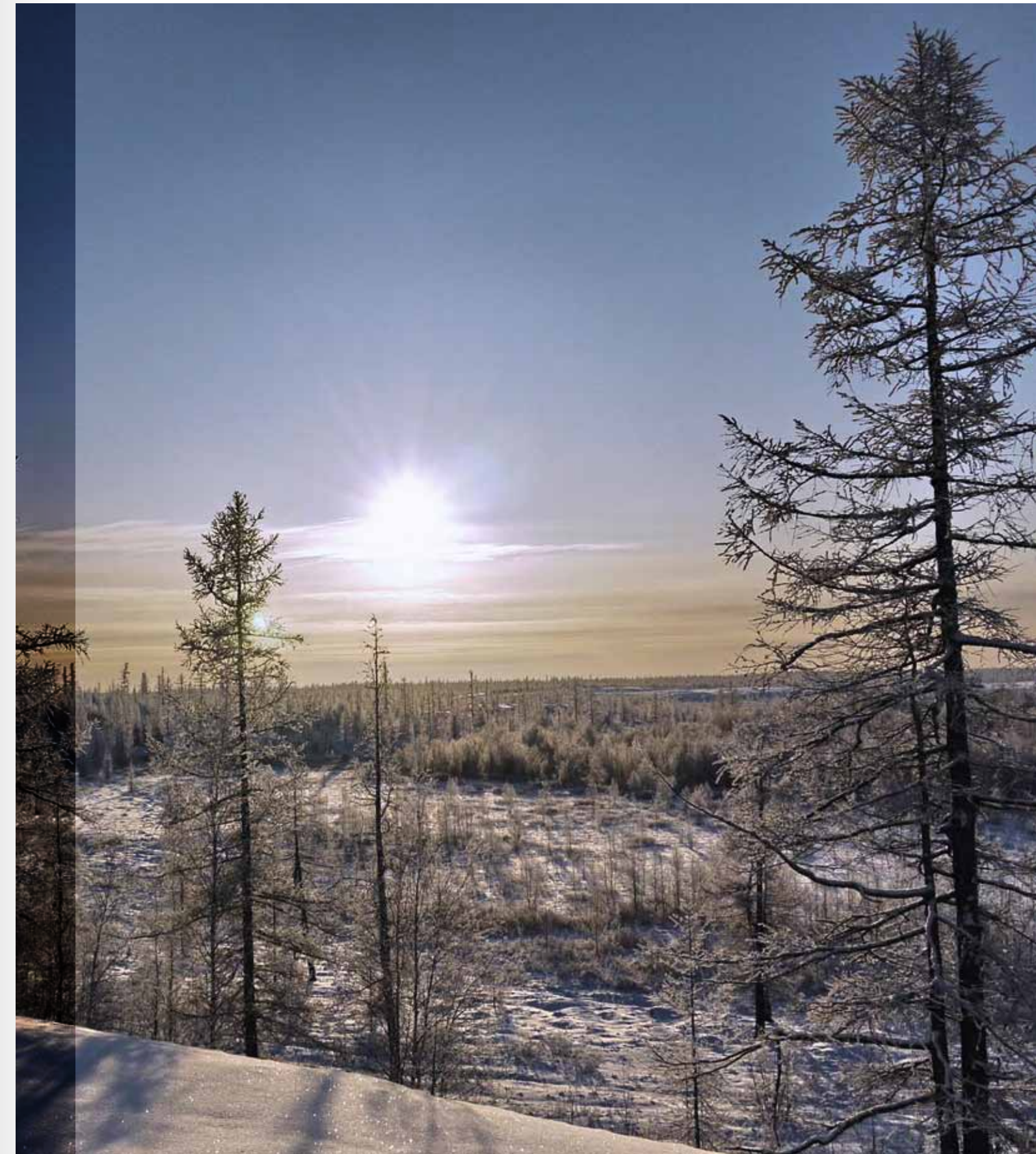
- Employment;
- Occupational Health and Safety;
- Training and Education;
- Indigenous Rights;
- Assets Integrity and Technological Safety;
- Energy;
- Water;
- Emissions;
- Effluents and Waste;
- Economic Performance;
- Procurement Practices;
- Reserves.

Sustainable development activities are among the Company's strategic objectives. A number of positive results were achieved over the reporting period. This, primarily, includes high performance indicators and fail-safe operation of the field. The Company succeeded in ensuring significant reduction of overall emissions of pollutants into atmosphere, and waste generation dropped in general due to the policy introduced in the Company. Meanwhile, staff turnover rate in 2015 was less than 2.8%, which is one of the lowest in the sector, which, along with the stable salary, social guarantees and employee advanced training programs conducted in the Company, makes OJSC Severneftegazprom not only an attractive employer, but also a reliable partner and responsible production company.

The Report reviewed both essential and complementary aspects providing the most complete picture of the Company's impact on the economy, social sphere and environment. The table containing the full list of aspects covered by the Report and the pages containing relevant indicators are presented in Appendix 2 "GRI Content Index" on page 151–157.

The 2015 Report underwent independent verification by Ernst & Young (CIS) B.V. and conforms to the "Core" option of the GRI G4 Guidelines. The Statement on independent verification is presented on page 158–159 of this Report.

While preparing the Report, data of managerial accounting were used as well as of statistical and accounting reporting of OJSC Severneftegazprom formed in accordance with the Russian Accounting Standards (RAS) and published on the Company's official website at: www.en.severneftegazprom.com





The Company uses the most advanced international environmental experience, follows the environmental standards established by the Russian legislation, and strictly adheres to the principle of respect for the environment.

In order to implement this principle, the Company is constantly taking measures aimed at:

Ensuring efficient use of resources and reducing the negative impact on the environment;

increasing the energy efficiency of production processes at all stages thereof;

preventing pollution, which means the priority of preventive actions aimed at prevention of negative impact on the environment;

involving all the Company's staff into the activities designed to reduce environmental risks;

improving of the environmental management system and ensuring better performance in the field of environmental protection.

Environmental Protection

Stable production and investment activities in conjunction with the most rational use of natural resources and reduction of the negative impact on the environment forms one of the key priorities of OJSC Severneftegazprom.

Within the framework of the integrated management system, the Company carries out operational environmental monitoring at its facilities, which ensures compliance with the environmental legislation requirements and established standards, as well as rational use of natural resources.

The Company's environmental management system certified in accordance with ISO 14001:2004 is a practical tool for implementing the principles of sustainable development in the field of environmental protection.

In the system of environmental protection management, OJSC Severneftegazprom attributes great importance to the continuous monitoring of the key environmental indicators in the area of operation of the main production facilities. For these purposes, the Company has in place the Program of environmental monitoring of the territory of the Yuzhno-Russkoye oil, gas and gas condensate field, which provides an assessment of anthropogenic load on the environment and obtaining unbiased information about the state of the environment.

These studies show that during the reporting period no evidence of environmental deterioration resulting from the Company's operational activities was detected. Over the past four years, the ecological state of the territory of the Yuzhno-Russkoye oil, gas and gas condensate field has remained consistently positive.

OUTLOOK FOR THE FUTURE IS FAVORABLE. ACCORDING TO CALCULATIONS THE STABLE ECOLOGICAL SITUATION OVER THE FIELD WILL REMAIN UNCHANGED IN THE MEDIUM TERM. THE PROBABILITY OF PRESERVATION OF THE CURRENT ENVIRONMENTAL WELL-BEING UNDER THE CONDITIONS OF THE PRESENT-DAY LEVEL OF ANTHROPOGENIC IMPACT AND LACK OF EMERGENCY SITUATIONS, WHICH THE COMPANY CONSTANTLY ENDEAVOURS TO PREVENT, IS ASSESSED AS "HIGH".



OPERATIONAL ENVIRONMENTAL MONITORING IS CARRIED OUT IN THE FOLLOWING AREAS:

IMPACT
ON ATMOSPHERIC
AIR

WATER USE
AND IMPACT
ON WATER BODIES

WASTE
MANAGEMENT

IMPACT
ON SOIL

IMPACT
ON FAUNA
AND HABITAT

IMPACT
ON FORESTS
AND FLORA



POLLUTANT EMISSIONS

In its operational activities, OJSC Severneftegazprom endeavours to prevent environmental pollution. In cases when peculiarities of the Company's activity do not allow it to avoid negative impact on the environment, the Company is committed to minimizing the impact in strict accordance with the applicable environmental regulations.

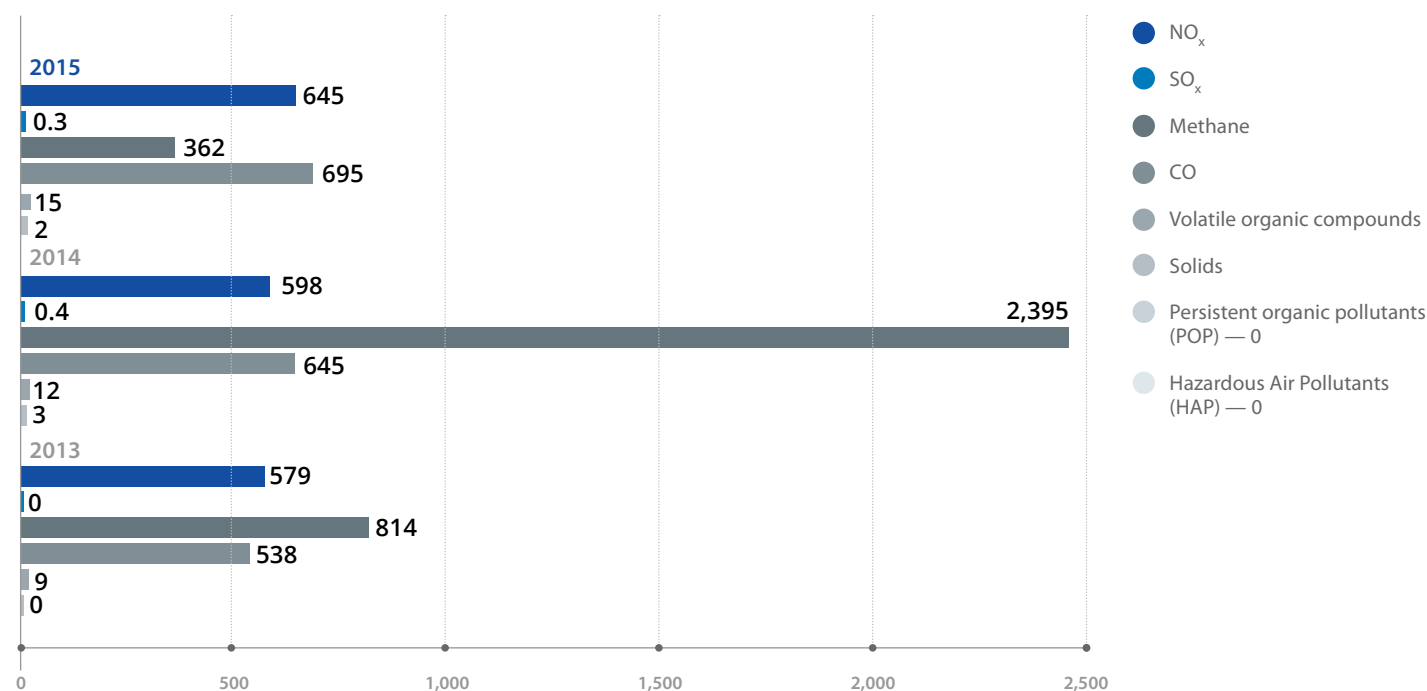
OJSC Severneftegazprom keeps record of the influence of its operations on the climate. According to figures for 2015, the overall amount of pollutant emissions was 1.719 thousand tons.

The Company regularly conducts research to assess and record greenhouse gas emissions volume.

Direct emissions include the emissions deriving from sources owned by the Company. Methane makes up the main part of direct greenhouse gas emissions and is calculated in accordance with STO Gazprom Standards 102-2011 "Inventory Tracking of Greenhouse Gas Emissions". The volume of direct greenhouse gas emissions in 2015 amounted to 235.94 thousand tons in CO₂ equivalent. Greenhouse gas emissions intensity ratio amounted to 9.4.

Indirect emissions derive from sources belonging to other organizations. Under applicable legislation, the Company is not required to keep count of indirect emissions. In order to calculate indirect emissions, the Company applies the Wintershall Holding GmbH's Occupational Health and Safety Assessment System (OHSAS) methodology, according to which no indirect emissions have been recorded during the reporting period. This methodology suggests keeping records of indirect greenhouse gas emissions at the production facilities only.

STRUCTURE OF POLLUTANT EMISSIONS, TONS



Significant reduction of methane emissions as compared to 2014 is caused by absence of scheduled maintenance of the sales gas line and gas collection headers in 2015. The Company managed to avoid additional direct emissions of methane greenhouse gases in the volume of 199.6 thousand tons in CO₂ equivalent, thanks to innovative activities of OJSC Severneftegazprom employees consisting in improvement of the repair works efficiency at the gas well clusters.

Every year, the Company carries out laboratory measurements of industrial emissions. These activities are aimed at monitoring and controlling the maximum permissible emissions established by the standards at sources of pollution. During the entire period of the Yuzhno-Russkoye oil, gas and gas condensate field development, no standards exceeding has been identified with regard to all sources. No emergency pollutant emissions to atmosphere have been registered either.

WASTE RECYCLING

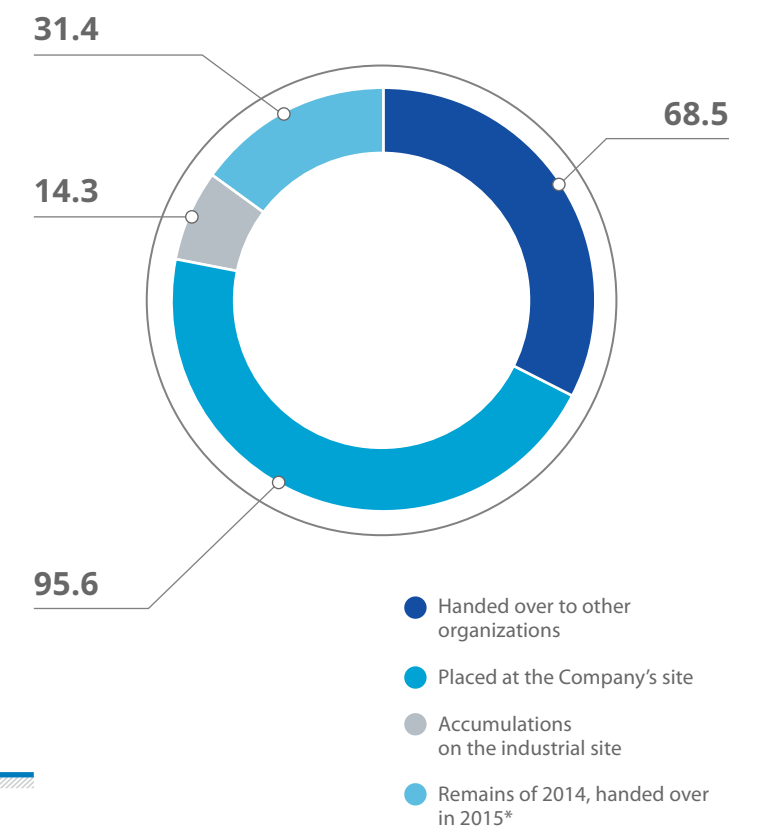
The production and consumption waste management may potentially be associated with significant risk of damage to the environment. Therefore, in the course of its operational activities, OJSC Severneftegazprom is striving to introduce the most modern practices and technologies aimed at minimizing the amount of wastes, and it is steadily improving its wastes recovery and recycling methods.

The Company has its own drainage system within the gas field facilities, which is used for injection of industrial and domestic waste water into disposal horizons. The injection takes place after treatment at special facilities, where both biological and physical-chemical methods are used.

OVERALL WEIGHT OF WASTES FOR 2015 AMOUNTED TO

178.4 TONS

WEIGHT OF THE COMPANY'S HAZARDOUS AND NON-HAZARDOUS WASTES FOR 2015, TONS



* Balance for 2014 issued to specialized organizations in 2015 for use and decontamination.



LAND RECULTIVATION

In order to mitigate the impact of its operational activities on the surface soil, OJSC Severneftegazprom seeks to maximize the efficiency of measures aimed at environmental remediation of lands and water resources. The Company regularly carries out work on the rehabilitation of temporarily occupied lands in order to primarily remedy the environmental damage of the past years and then transfer these lands to their owners.

IN 2015, THE COMPANY TOOK MEASURES TO RECULTIVATE

22 HECTARES OF DISTURBED LAND

WATER SUPPLY

Clean water is the fundamental of human life and the most important resource for production development. Many experts predict that in future the competition for water resources will become global and no less intense than the competition for the control over the hydrocarbon reserves nowadays.

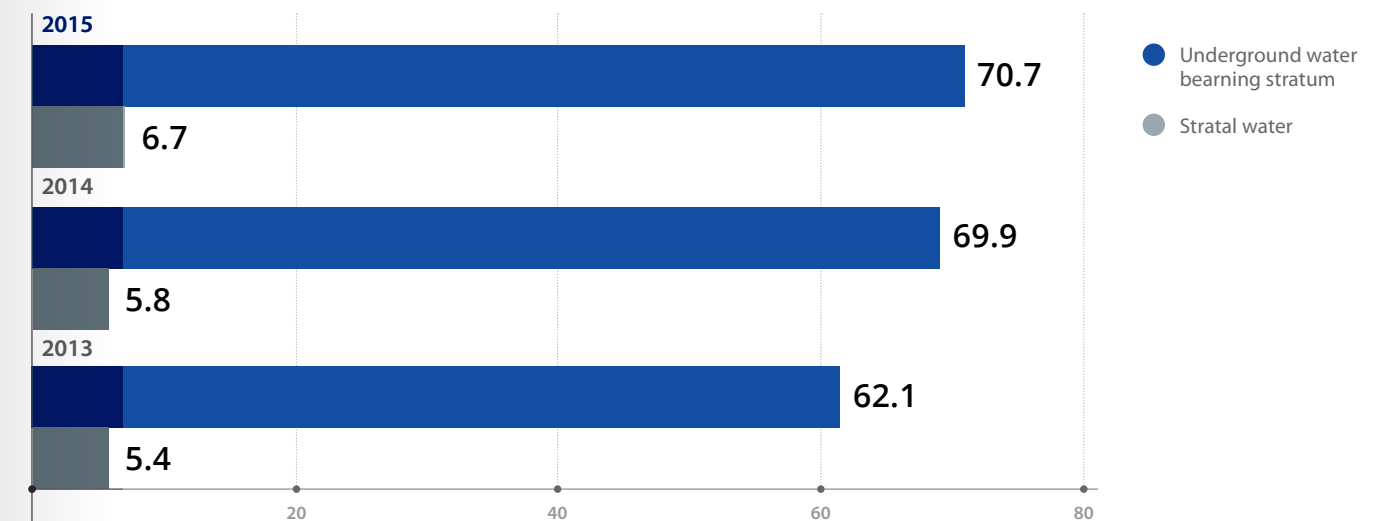
Water resources of Russia are considered to be among the largest in the world, but that fact does not release domestic gas companies from the obligation to use them rationally and carefully.

OJSC SEVERNEFTEGAZPROM IS CONSTANTLY AND ACTIVELY WORKING ON ENSURING ADEQUATE WATER QUALITY AND REDUCING WATER CONSUMPTION AT THE PRODUCTION FACILITIES. A DECREASE IN THE WATER INTAKE AND DISPOSAL, AS WELL AS THE QUALITY OF ITS CLEANING METHODS CONSTITUTE THE KEY ELEMENTS OF THIS ACTIVITY.

In order to meet its industrial and domestic needs, the Company takes water from groundwater horizons. No water is taken from surface water bodies. During the reporting period 77.39 thousand m³ of water were extracted from groundwater sources. Therefrom 70.65 thousand m³ were taken from the underground water horizon, and 6.74 thousand m³ were extracted together with natural gas (condensate-borne).



TRENDS OF WATER EXTRACTION FROM UNDERGROUND SOURCES FOR THE PERIOD FROM 2013 TO 2015, THOUSAND M³



In general, the volume of wastewater discharge into the disposal horizon for the reporting period amounted to 62.65 thousand m³, that is fully consistent with the planned targets and the technological project.

The Company utilizes a water recycling system, which reuses the treated water. This system supplies water to sports, recreation, and economic facilities operating within the area of the Yuzhno-Russkoye oil, gas and gas condensate field. As a result of the application of this system, the total volume of reused water in 2015 amounted to 776.62 thousand m³.

The Company regularly conducts laboratory and instrumental control over the surface and underground wastewater, upgrades and reconstructs production capacities in order to improve efficiency of existing treatment facilities and to introduce new technologies for the raw and waste water treatment.



KEY INDICATORS OF THE COMPANY'S ENVIRONMENTAL PROTECTION ACTIVITIES

No.	NAME OF INDICATOR	UNIT	2015	2014	DEVIATION FROM 2014	
					+/-	+/-, %
1	Gross hazardous emissions into the atmosphere – total	thousand tons	1.719	3.655	–1.936	–53%
	including:					
	within permissible limits	thousand tons	1.573	3.588	–2.015	–56%
	above permitted limits	thousand tons	0.146	0.067	+0.079	+118%
	including: emissions of methane CH ₄	thousand tons	0.361	2.395	–2.034	–85%
2	Specific emissions of NO _x (gross emissions of NO _x per unit of fuel gas)	thousand tons/ million m ³	0.000026	0.000024	+0.000002	+8%
3	Intake of water – total*	thousand m ³	84.52	69.85	+14.67	+21%
4	Water discharge – total	thousand m ³	69.77	66.15	+3.62	+5%
5	Waste per year – total	thousand tons	0.178	2.064	–1.886	–91%
6	Share of waste sent for disposal (% of waste produced during the reporting period taking into consideration waste at the beginning of the year)	%	46	33	+13	+39%
7	Recultivated land area per year	hectare	22	28.6	–6.6	–23%
8	Expenses for environmental protection	thousand rubles	121,413	199,855	–75,442	–39%
9	Current (operational) expenses for environmental protection measures	thousand rubles	42,980	20,227	+22,753	+112%
10	Expenses for the environment protection services, including protection and recultivation of land	thousand rubles	74,210	66,616	+7,594	+11%
11	Expenses for development and approval of environmental documents	thousand rubles	237	601	–364	–61%
12	Expenses for production environmental monitoring and production ecological control	thousand rubles	4,835	4,251	+584	+14%
13	Expenses for major repairs of fixed assets involved in environmental protection	thousand rubles	0	0	–	–
14	Payment for negative environmental impact	thousand rubles	436	5,152	–4,716	–92%
	including:	thousand rubles				
	within permissible limits	thousand rubles	279	711	–432	–61%
	above permitted limits	thousand rubles	157	4,441	–4,284	–96%
15	Investments into fixed capital (exploration) for environmental protection	thousand rubles	4,223	103,003	–98,780	–96%
16	Number of inspections by state environmental agencies	number	0	1	–1	–100%
17	Number of violations of environmental regulations (according to inspection acts of state environmental agencies)	number	0	9	–9	–100%
18	Fines paid for violation of environmental legislation	thousand rubles	100	320	–220	–69%
19	Claims for environmental damage compensation	number	0	0	–	–
	including:					
	as a result of accidents	number	0	0	–	–
20	Environmental damage claimed for compensation	thousand rubles	0	0	–	–
	including:					
	as a result of accidents	thousand rubles	0	0	–	–

* The value of the indicator for 2015 takes into account the amount of purchased water (7.13 thousand m³).



YROGCF facilities generate domestic and industrial and rain waste water. Domestic sewage water arrives to biological treatment plant KSk-II-150S-M, where mechanical impurities are separated and the water undergoes biological treatment. Industrial and rain waste water is transferred to Flottweg treatment unit that performs separation to three phases: oil products, water phase, and mechanical impurities (dry residue). Afterwards the treated waste water is mixed and forwarded for injection into the absorbing horizon.

Highly efficient and environmentally friendly equipment was installed at YROGCF at the end of 2014 – the water treatment complex “Impulse” is designed for treatment and decontamination of underground water and its conditioning to the quality of potable water meeting the requirements of regulatory documents.

An industrial and rain waste water treatment plant was commissioned in 2015. It is designed for control of composition of sewage water and residue generated at treatment facilities as a result of gas field operations and allows reducing adverse impact on the environment.





In order to reduce energy consumption, the Company carries out regular research and implements measures to introduce energy-saving technologies and to increase energy efficiency.

In 2014 the Company introduced the Energy Management System, and in 2015 it was granted a Certificate of compliance with international standard ISO 50001:2011. The system is aimed at ensuring the continuous improvement of the consumption indicators, increased efficiency of use of the available energy sources, and at reducing greenhouse gas emissions and minimizing other environmental impacts. The scope of application of the Energy Management System includes main and auxiliary processes of production, preparation and sales of hydrocarbons.

The activities aimed at improvement of energy efficiency in OJSC Severneftegazprom are governed by the Energy Management System Regulation, as well as by the Energy Policy, which formulates strategic objectives, sets out main areas of activities in the field of energy performance improvement, as well as specific targets and indicators expected to be achieved in 2014–2017*.

* Energy Policy of OJSC Severneftegazprom is open to public and available to all stakeholders over the Company's website (www.en.severneftegazprom.com).

Energy Consumption and Saving

ENERGY CONSUMPTION

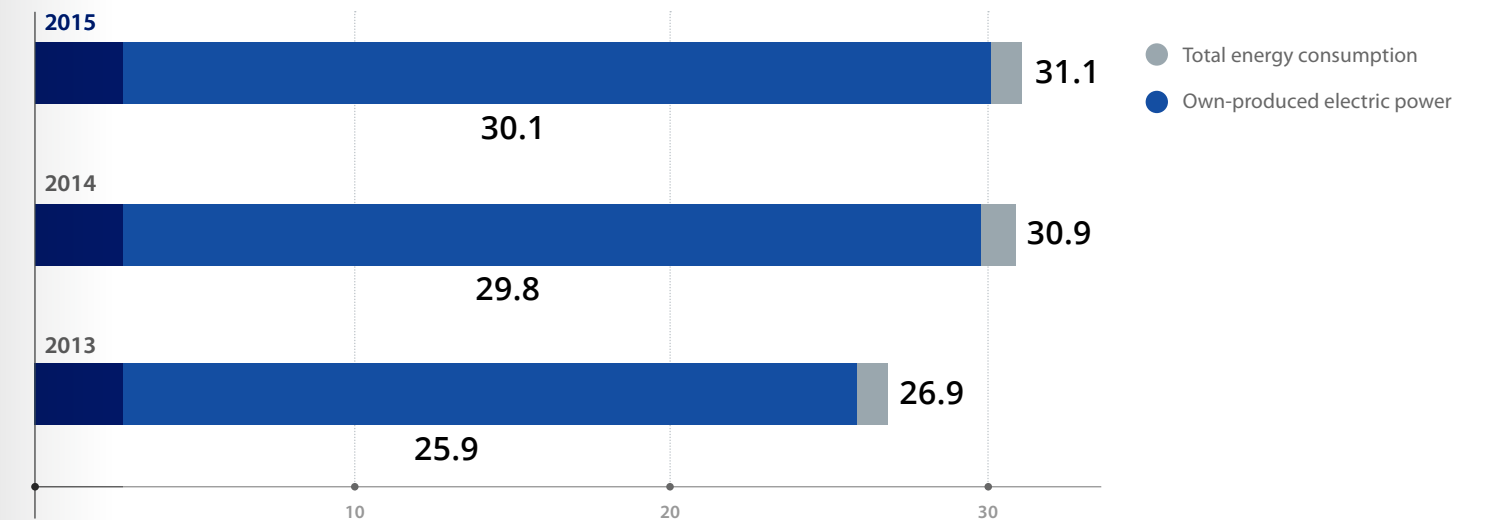
In 2015, the Company took measures to reduce energy consumption by replacing incandescent lamps with LED ones.

IN 2015, THE COMPANY MANAGED TO SAVE

157 THOUSAND KWH



ENERGY CONSUMPTION, MILLION KW*H

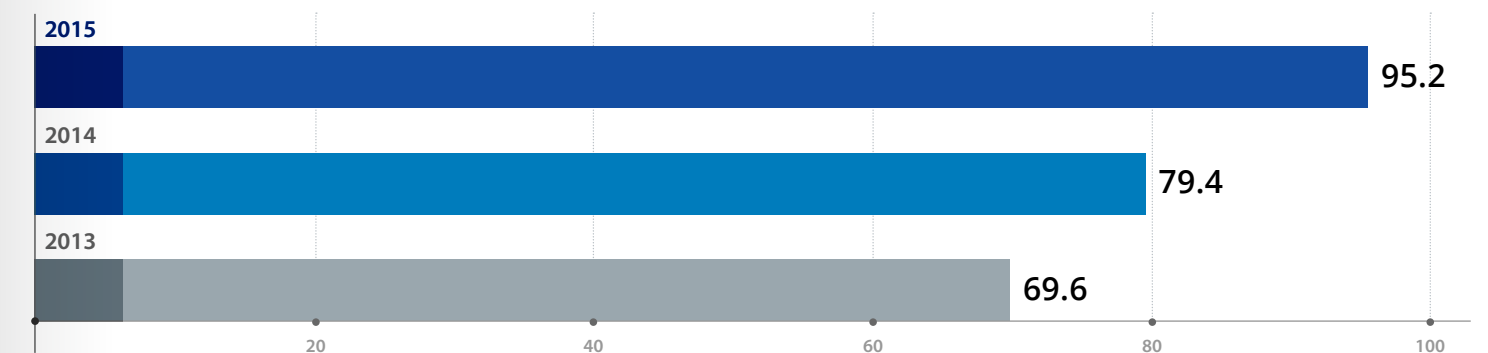


Being one of the leading gas companies, OJSC Severneftegazprom aims at minimizing natural gas consumption during its production.

IN 2015 THE COMPANY DEVELOPED A NUMBER OF MEASURES WHICH ALLOWED IT TO AVOID ADDITIONAL NATURAL GAS CONSUMPTION IN THE AMOUNT OF

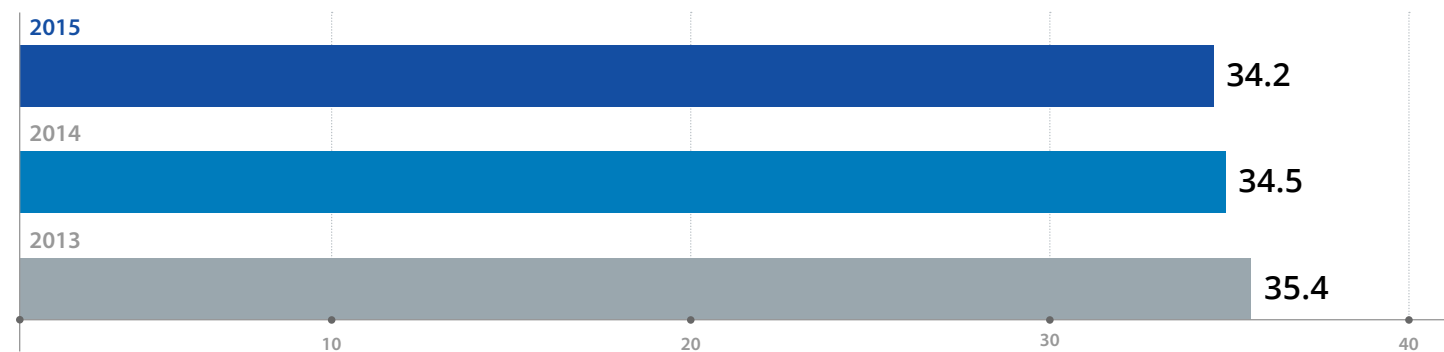
14.544 MILLION M³

NATURAL GAS CONSUMPTION, MILLION M³





HEATING ENERGY CONSUMPTION, THOUSAND GCAL



ENERGY USAGE REDUCTION

In order to improve its energy efficiency, OJSC Severneftegazprom undertakes a number of organizational, economic and technological measures aimed at improvement of rational use of energy resources at production.

In its operation the Company sets tasks to reduce energy consumption and environmental impact, therefore OJSC Severneftegazprom has developed and approved the Action Plan for energy saving at the industrial and other facilities.

In order to reduce energy consumption OJSC Severneftegazprom takes measures aimed at:

Effective approach and improvement of energy saving programs;

Use of state-of-the-art technologies to minimize the industrial impact on the environment.



THE COMPANY'S ENERGY SAVING PROGRAM PERFORMANCE INDICATORS

KEY ACTIVITIES	SAVED FUEL AND ENERGY RESOURCES AS A RESULT OF ACHIEVED GOALS AND OBJECTIVES IN THE SPHERE OF ENERGY MANAGEMENT SYSTEM			
	NATURAL GAS, MILLION M ³		ELECTRIC ENERGY, MILLION KW/H	
	PLANNED	ACTUAL	PLANNED	ACTUAL
Replacement of lighting equipment (incandescent lamps, arch sodium and fluorescent lamps) by LED lamps	–	–	0.132	0.132
Replacement of lighting equipment by LED lamps, control over lighting in maintenance shop within pre-set time periods by installation of ON/OFF timers.	–	–	0.007	0.025
Replacement of pipeline hydraulic testing with pneumatic testing using production substance	2.420	2.513	–	–
Use of degassed gases as a fuel for thermal regeneration unit	0.313	0.313	–	–
Elimination of non-tightness of threaded connection "surface casing collar, mounting nozzle at casing head" at well without decommissioning for repair	11.718	11.718	–	–
Total	14.451	14.544	0.139	0.157



Personnel and Operational Safety

OJSC SEVERNEFTEGAZPROM CONSIDERS OCCUPATIONAL HEALTH, ENVIRONMENTAL AND INDUSTRIAL SAFETY AS THE KEY FACTORS FOR SUSTAINABLE DEVELOPMENT OF ITS BUSINESS AND AS THE MOST IMPORTANT COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY TO THE CURRENT AND FUTURE GENERATIONS.

OJSC Severneftegazprom pays special attention to the creation of an effective industrial and professional safety management system. This is primarily related to the fact that modern gas fields form complex and potentially hazardous facilities and the risks of various contingencies and emergencies at such facilities may lead to serious consequences.

For this purpose the Company has introduced and effectively applies an integrated management system for quality, environmental protection, and occupational health and safety based on the requirements of international standards ISO 14001:2004, ISO 9001:2008, OHSAS 18001:2007, and ISO 50001:2011. Based on these standards, OJSC Severneftegazprom has been implementing the policy for Quality, Environmental Protection, and Occupational Health and Safety since 2009. The document sets out core principles of effective nature management, employees' health protection, and industrial safety*. By virtue of implementing this policy, OJSC Severneftegazprom ensures effective and trouble-free functioning of all the plants and facilities, applies systemic approach to the management of safety issues, and keeps improving its activity in this area.

OJSC Severneftegazprom considers occupational health, environmental and industrial safety as the key factors for sustainable development of its business and as the most important components of corporate social responsibility to the current and future generations.

* The Policy for Quality, Environmental Protection, and Occupational Health and Safety is open and available to all stakeholders on the Company's website (<http://www.en.severneftegazprom.com/>).

CORE PRINCIPLES OF THE COMPANY'S ACTIVITIES IN THE FIELD OF INDUSTRIAL SAFETY AND OCCUPATIONAL HEALTH

CONTINUOUS IMPROVEMENT OF THE INTEGRATED MANAGEMENT SYSTEM;

APPLICATION OF ADMINISTRATIVE AND OPERATIONAL CONTROL MEASURES;

IDENTIFICATION OF HAZARDS, ANALYSIS AND ASSESSMENT OF RISKS;

ADVANCED TRAINING OF EMPLOYEES AND KNOWLEDGE CHECK;

PREVENTION OF INDUSTRIAL ACCIDENTS;

COMPLIANCE WITH LAWS, REGULATORY LEGAL ACTS, AND OTHER REQUIREMENTS;

IMPROVEMENT OF THE EXISTING PRODUCTION PROCESSES, AND IMPLEMENTATION OF NEW SAFE TECHNOLOGIES;

USE OF MODERN PERSONAL PROTECTIVE EQUIPMENT;

ACTIVE ENGAGEMENT OF THE STAFF IN ENSURING HEALTH AND SAFETY AT WORK;

APPLICATION OF THE BEST INTERNATIONAL PRACTICES AND STANDARDS;

AVAILABILITY OF INFORMATION AND TRANSPARENCY;

PROVIDING THE COUNTERPARTIES WITH INFORMATION ON STANDARDS, POLICY AND REQUIREMENTS IN THE FIELD OF INDUSTRIAL AND OCCUPATIONAL SAFETY; CONTROL OVER CONFORMITY THERETO

OCCUPATIONAL SAFETY

Employees' health and life, as well as decent working conditions are the key priority for the management of OJSC Severneftegazprom. This is the reason why the Company's occupational health and safety management system is built in strict compliance with the requirements of Russian laws and international standards.

The Company has established conditions that either rule out any influence of harmful or hazardous production factors on employees or ensure that this influence does not exceed permitted standards. Application of the systemic approach based on a regular analysis of labor conditions and control over the state of the industrial environment allows the Company to identify potential risks, hazardous actions of personnel, and work places with harmful labor conditions in a timely manner.

The integrated management system of OJSC Severneftegazprom in the field of occupational health and industrial safety has been certified for compliance with the requirements of OHSAS 18001:2007 since 2010. Each year the Company approves a program of internal audits, which provides the framework for the confirmation of compliance of the business processes running in the Company with the said standard, assessment of the integrated management system efficiency, and determination of the measures for its improvement.

Compliance of the management system with international requirements is regularly confirmed through compliance audits. Thus, in November 2015, Limited Liability Company DQS (representative of international certification authority DQS, Germany) performed a re-certification audit of the QHSE Integrated Management System of OJSC Severneftegazprom for compliance with the requirements of international standards ISO 9001:2008, ISO 14001:2004, and standard



BS OHSAS 18001:2007, along with a certification audit of the energy management system for compliance with the requirements of international standard ISO 50001:2011. During the audit the effectiveness of the management systems of OJSC Severneftegazprom was assessed and the areas for their improvement were defined. No non-conformances were registered.

To increase the staff's responsibility in terms of compliance with health and safety rules at the workplace and to prevent injuries, the Company implemented a procedure for health and safety behaviour auditing. The work in this area allows it to identify and prevent employees' hazardous actions, to assess performance efficiency in the field of occupational health and industrial safety, and to stimulate and support rigorous compliance with all the necessary safety standards and rules.

According to figures for 2015 the authorized officials and specialists of the Company conducted 1,390 health and safety behaviour audits with overall duration of over 538 hours, during which 271 hazardous conditions and actions of staff were revealed. The results of the behaviour audits were analyzed and taken into account in further work.

Regular health and safety behaviour audits allow the Company increasing the staff's responsibility during performance of operations, reducing potentially hazardous conditions and actions of the staff, and, consequently, having a positive influence on increase of the industrial safety level across the Company in general.

NUMBER OF ACCIDENTS IN 2010-2015

CATEGORY OF ACCIDENTS / PERIOD	2010	2011	2012	2013	2014	2015
Minor industrial accidents	3	0	1	0	0	0
Major accidents	0	1	0	0	0	0
Fatalities	0	0	0	0	0	0
TOTAL	3	1	1	0	0	0



Registration of industrial accidents is carried out in accordance with the Resolution of the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002, "On approval of forms of documents required for investigation and record of industrial accidents, and the provisions of the peculiarities of industrial accident investigation in the specific sectors of industry and in organizations".

No accidents have been registered in OJSC Severneftegazprom in the reporting period.

In order to enhance the efforts aimed at prevention of accidents and hazardous work conditions during operations and at improvement of safety at hazardous production facilities, since March 2015 the Company has had in place the Labor Conditions Safety Monitoring System, designed for employees of OJSC Severneftegazprom, with the use of SOS monitoring charts.

Owing to use of this system, in 2015 employees detected 19 non-conformances and made 9 proposals on improvement of occupational health and safety conditions. All non-conformances were addressed within the established timeframe. A system of bonuses was implemented for the most active employees.

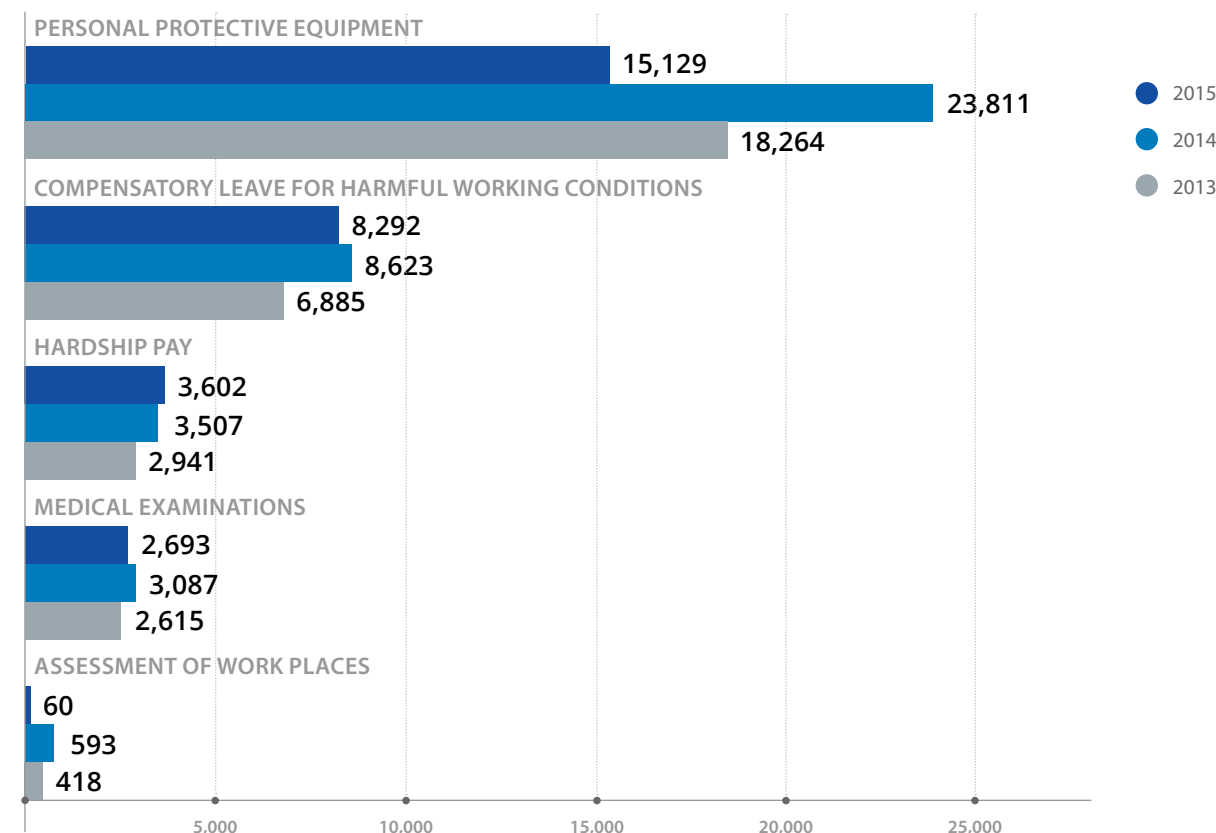
In accordance with the current legislation of the Russian Federation, the Company performs work to detect hazardous and harmful industrial factors at workplaces by carrying out special assessment of labor conditions.

Unscheduled inspection of labor conditions was performed in December 2015 in respect of 25 workplaces in Moscow office. No workplaces with harmful class of labor conditions were revealed.

Meanwhile, all of the Company's employees engaged in work with harmful or hazardous labor conditions and work performed under special temperature conditions and contamination-related conditions are provided with special clothing, footwear, and other personal and collective protective equipment (PPE), as well as washing and decontaminating substances.

The expenses on occupational safety in the reporting period amounted to 29,775.7 thousand rubles comparing to 39,621 thousand rubles in 2014; like in the previous years, most of the money was spent on purchasing personal protective equipment.

OCCUPATIONAL SAFETY COST STRUCTURE, THOUSAND RUB



INDUSTRIAL AND FIRE SAFETY

Accident-free operational activities are possible only if industrial and fire safety norms and rules are strictly observed – the Company's management adheres to this principle too.

The Company has adopted a document outlining the principles of implementing the industrial safety policy* of OJSC Severneftegazprom. Implementation of these principles ensures a comprehensive approach towards the management of safety of complex technological processes and reduces the risk of accidents and incidents.

At the moment the Company is operating 9 hazardous industrial facilities (HIF). All of them have the policies of mandatory civil liability insurance for the harm caused as a result of accident or incident. All employees (338 persons) operating the hazardous industrial facilities have been duly assessed in the field of industrial safety. No accidents and incidents at hazardous production facilities of OJSC Severneftegazprom were registered in 2015.

Emergency Response Plans (ERP) were developed for the Company's hazardous facilities. The Company performs regular emergency drills for its staff according to approved schedule, as specified in ERP.



338 PERSONS

HAVE BEEN DULY ASSESSED IN THE FIELD OF INDUSTRIAL SAFETY (ALL EMPLOYEES OPERATING HAZARDOUS INDUSTRIAL FACILITIES)

THE PRINCIPLES OF INDUSTRIAL SAFETY ASSURANCE IN OJSC SEVERNEFTEGAZPROM

COMPLIANCE WITH FEDERAL LAW NO. 116 "ON INDUSTRIAL SAFETY OF HAZARDOUS INDUSTRIAL FACILITIES" AND OTHER REGULATORY LEGAL ACTS;

TRAINING AND ASSESSMENT OF EMPLOYEES;

ORGANIZATION AND IMPLEMENTATION OF OPERATIONAL CONTROL OVER THE COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS BY EMPLOYEES AND CONTRACTING COMPANIES;

IMPLEMENTATION OF MEASURES TO PROTECT HEALTH AND LIFE OF EMPLOYEES IN CASE OF AN ACCIDENT AT A HAZARDOUS INDUSTRIAL FACILITY (HIF);

EXPERT EVALUATION OF INDUSTRIAL SAFETY OF BUILDINGS, STRUCTURES, AND HARDWARE USED AT HIF;

PARTICIPATION IN THE INVESTIGATION OF CAUSES OF ACCIDENTS AT HAZARDOUS INDUSTRIAL FACILITIES.

* The statement with the Industrial Safety Policy of OJSC Severneftegazprom is open and available to all stakeholders on the Company's website (www.en.severneftegazpom.com).



As part of the Company's integrated management system, all structural subdivisions conduct work on the assessment of risks and identification of hazards affecting the staff's health and safety. The results of assessment procedures provide an opportunity to minimize the probability of threats for employees' life and to prevent possible accidents.

In accordance with the Russian legislation, since 2007 the Company has been applying the system of administrative and operational control over compliance with industrial safety requirements. The system is governed by the Regulation specifically developed for this purpose. Inspections in this area are conducted at four levels by a central permanent commission of administrative and operational control over occupational health and safety and industrial safety according to the approved schedule. Meetings of the central permanent commission for occupational health and safety and industrial safety are held at least twice a year. These inspections may occur more often depending on the situation and represent a scope of organizational and technical activities aimed at complying with industrial safety requirements, preventing accidents, and ensuring readiness to respond to them.

Six inspections were performed in 2015: 4 targeted and 2 integrated inspections. All of the 108 revealed violations were remedied within the established period of time. The number of violations revealed in 2015 increased as compared to 2014 by 9% (99 violations were revealed in 2014).

All data on the results of operational control over industrial safety at hazardous industrial facilities are submitted by the Company on a regular basis to the Novy Urengoy Division of the North-Urals Department of the Federal Service for Environmental, Technological, and Nuclear Supervision.

Operational control over compliance with requirements to occupational safety, fire and environmental safety is also exercised in relation to the contracting, service and other organizations performing any work at the Company's facilities and over the territories controlled by the latter.

There is a Corporate Fire Department (CFD) in the Company to ensure fire safety of industrial facilities and to implement the necessary regulatory requirements. Its activity includes preventive fire safety measures, updating of regulatory documents, control over compliance with fire safety requirements, and analysis of performance of fire preventive measures. Effective performance of this department is ensured by regular advanced training of its staff.

THE EXPENSES ON FIRE SAFETY ASSURANCE IN 2015 EXCEEDED

13 MILLION RUBLES

Table-top exercise "Improvement of practical skills of gas field managers and Corporate Fire Department during the organization and carrying out of activities aimed at elimination of accident at gas field" was conducted during the reporting period along with an integrated drill on "Organization and carrying out of activities aimed at maintaining stable functioning of the Yuzhno-Russkoye oil, gas and gas condensate field facilities, staff protection in case of natural and human-induced emergencies, and civil defence. Elimination of emergency consequences at the gas field".

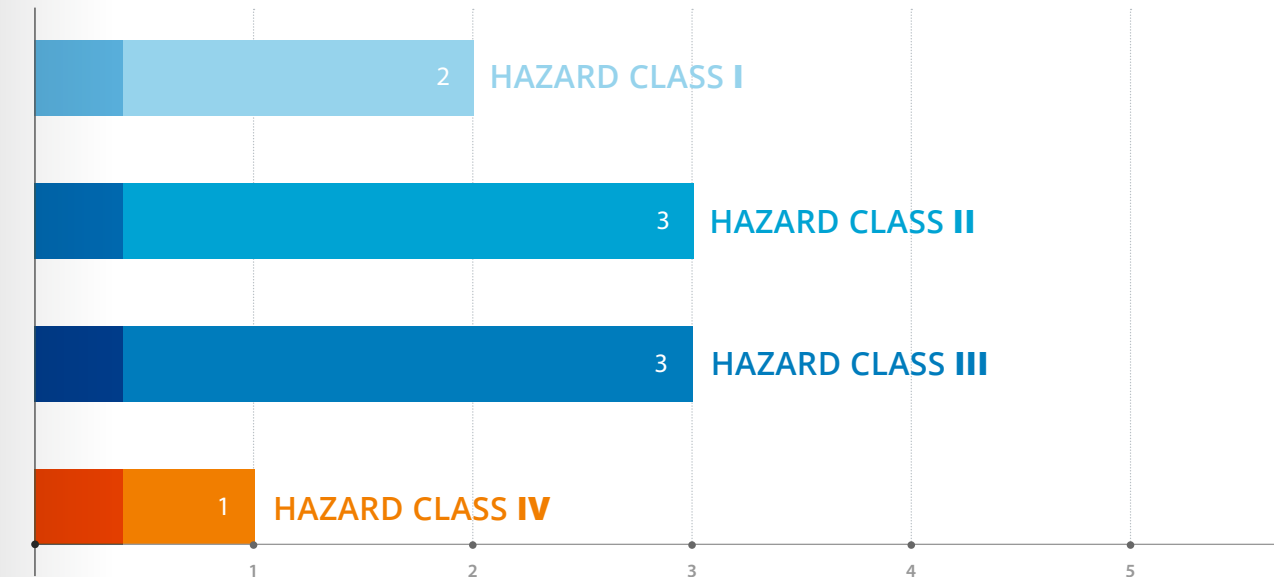
In the reporting period, CFD employees took part in a total of 32 drills conducted jointly with gas field services in order to practise emergency response at YROGCF facilities according to the Emergency Response Plan; 257 employees received required fire safety training.

In July 2015, the Company also held its first professional excellence contest for "The best in profession in OJSC Severneftegazprom" title among fire fighters. This contest also enabled the Company to fully identify the level of training and professionalism of the Corporate Fire Department employees.

Thus, training and drills conducted in 2015 helped maintain the high professional level of the team, ensure efficient utilization of modern technology and equipment, constant readiness for containment and extinguishing of fires, and for emergency rescue work performed by the Company's fire crew. As a result, no fire or inflammation happened in the reporting period.



NUMBER OF HIF BY HAZARD CLASSES, EA.



KNOWLEDGE ASSESSMENT AND TRAINING OF EMPLOYEES

High efficiency of production is possible only in case of continuous advanced training of staff and improvement of their awareness about safe work methods, since efficient and safe operation of equipment directly depends on the level of competence of employees. This is the reason why OJSC Severneftegazprom regularly arranges trainings and testing for its employees in health and safety.

In the reporting period professional trainings and assessment were provided in accordance with the Program of Training and Checking of Health and Safety Requirements Knowledge of Managers and Specialists, with the use of training software OLIMPOX. Besides, operating staff received additional training in related professions. Classes were also provided to obtain permits required to perform certain kinds of work.

In 2015 187 Company's employees were trained and assessed in occupational health and safety and 179 Company's managers and specialists were trained in the general rules of industrial safety and types of supervision.

It is important to specify that training and assessment of competence of the Company's employees in occupational health and industrial safety not only facilitates their professional and personal development, but also ensures trouble-free, i.e. safe, stable, and economically effective functioning of all the plants and facilities of OJSC Severneftegazprom.



HR and Social Policy

1,043 PEOPLE

THE COMPANY'S TOTAL NUMBER OF STAFF
AT THE END OF THE REPORTING PERIOD

Highly skilled solid team is the core for high achievements of OJSC Severneftegazprom. As a responsible employer building its staff management system based on the observance of rights of each employee, the Company follows international standards related to salary, work day duration and labor conditions, social insurance, provision of paid leave, occupational safety.

The Company on a regular basis carries out work on recruitment and retention of highly skilled employees, training, labor efficiency improvement, and forming a pool of candidates in accordance with the Company's strategic objectives. When employees see that the employer cares about them and respects their work, they respond to that with an effective, responsible and proactive attitude to their professional activity.

Following the principle of human life and health priority, the Company is fully aware of its responsibility for ensuring fail-safe operations, safe working conditions for its employees and contractors, and for protecting the health of residents in the areas of the Company's activities. As a result, all of these strengthen team, consolidate people, and ensure better performance of the Company.

Investments in human resources are the basis for future sustainable development of OJSC Severneftegazprom.

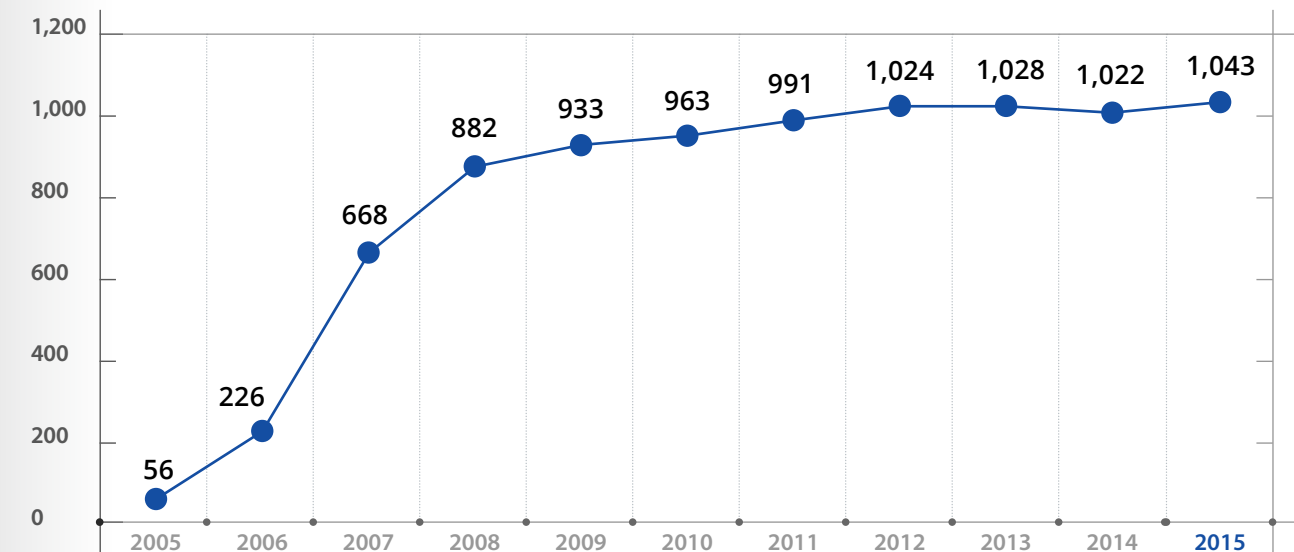
STAFF SIZE AND COMPOSITION

People are the key asset and most important competitive advantage of OJSC Severneftegazprom. The Company continually seeks to employ qualified staff in the regions of its operation and provides them with the opportunities for further development. In its HR Policy OJSC Severneftegazprom harmoniously combines the competence and expertise of experienced employees with the enthusiasm of young specialists. Moreover, active involvement of local staff positively influences on the economics of the region of operation and enhances its investment attractiveness.

Operational activity of the Company is concentrated in the Yamal-Nenets Autonomous Area, which is distinguished by its developed fuel and energy complex and competitive labor market of highly qualified specialists. The Company uses a rotational work management method to maintain the process flow at the facilities of the Yuzhno-Russkoye oil, gas and gas condensate field. In the remote areas with severe geographic and climate conditions, this approach is the most popular and feasible. In 2015 the share of employees of OJSC Severneftegazprom working on a rotational basis made up 60% (629 persons).



STAFF SIZE IN 2005-2015, PERSONS



As of the end of 2015 there were 969 persons (166 women and 803 men) working in the Far North region. The number of administrative and managerial staff working in the Far North region is 480 persons. The Company's total number of staff at the end of the reporting period was 1,043 people, and the average staff number was 1,018 people, which is similar to the figure for 2014 (1,015 people).

The Company is committed to creating the most comfortable working conditions, which is reflected in the low staff turnover in the reporting year — 2.8% (by 1.2% less than in 2014). The staff turnover rate is calculated in accordance with the practice established in the system of PJSC Gazprom*.

OJSC Severneftegazprom's staff composition by age is rather uniform. The most productive category of employees aged from 30 to 50 years makes up 68% of the total number of employees.

In the reporting period 55 persons resigned from the Company in Krasnoselkupsky and Purovsky Districts and in Novy Urengoy, and 9 persons resigned in other regions of operation. As of the end of 2015 the Company's total staffing stood at 94%, which is only slightly lower than in 2014 and testifies to the consistent work of the HR Department of OJSC Severneftegazprom.

HEADCOUNT

ITEM NO.	INDICATORS	NUMBER (PERSONS) 2015
1.	Actual headcount	1,043
	Including:	
2	Persons working under the contract concluded for indefinite period	1,028
3	Persons working under the fixed-term labor contract	15
4	Persons working on a rotational basis	629
5	Persons working under the basic work management method	414

* "Instruction for filling out forms of industrial statistic reports on the size, structure, and transfers of employees by subsidiaries, institutions, branches, and representative offices of PJSC Gazprom". The headcount covers all employees who resigned in accordance with para. 3 of Article 77, Labor Code of the Russian Federation, except for employees who resigned due to retirement, child care leave, or changing their place of residence.



RELATIONS WITH EMPLOYEES ARE BUILT ON THE BASIS OF THE COLLECTIVE EMPLOYMENT AGREEMENT, DEVELOPED IN ACCORDANCE WITH BEST RUSSIAN AND INTERNATIONAL PRACTICES AND ENSURING AN EQUAL APPROACH TO EMPLOYEES.

STAFF COMPOSITION BY REGION, PERSONS

INDICATORS	TOTAL/ WOMEN	MOSCOW/ WOMEN	NOVY URENGOY/ WOMEN	URENGOY/ WOMEN	TYUMEN/ WOMEN	KRASNOSELKUP/ WOMEN
Headcount for 2015	1,043/208	73/41	110/59	226/59	1/1	633/48
Persons working under the fixed-term labor contract	15/11	2/1	3/3	7/4	–	3/3

THE COMPANY'S STAFF STRUCTURE, PERSONS

EMPLOYEE CATEGORIES	TOTAL LISTED NUMBER AS OF 31.12.2015	AGE					EDUCATION					FROM
		YOUNGER THAN 30 YEARS	FROM 30 TO 40 YEARS	FROM 40 TO 50 YEARS	50 YEARS AND OLDER	INCLUDING		POST-GRADUATE	PROFESSIONAL	SECONDARY	GR. 1	WOMEN
						WOMEN 55 YEARS AND OLDER	MEN 60 YEARS AND OLDER					
	1	2	3	4	5	6	7	8	9	10	11	12
Total employees	1,043	125	357	352	209	9	6	–	9	586	216	208
Including:												
Managers	232	4	78	98	52	6	2	–	5	212	39	51
Specialists	304	53	142	69	40	2	1	–	4	254	60	122
Other employees	7	3	3	1	–	–	–	–	–	2	3	5
Workers	500	65	134	184	117	1	3	–	–	118	114	30



LABOR TURNOVER IN 2015, PERSONS

NO.	INDICATORS	TOTAL	OF WHOM WOMEN	INCLUDING IN THE STAND-ALONE UNITS:				
				MOSCOW/ WOMEN	NOVY URENGOY/ WOMEN	URENGOY / WOMEN	TYUMEN/ WOMEN	KRASNOSELKUP/ WOMEN
	Headcount as of 31.12.2015	1,043	208	73/41	110/59	226/59	1/1	633/48
Broken down by age groups:								
	younger than 30 years	125	36	20/12	6/3	21/10	0	78/11
	from 30 to 50 years	709	138	42/25	89/46	165/41	1/1	412/25
	older than 50 years	209	34	11/4	15/10	40/8	0	143/12
1	Average listed headcount in 2015	1,018	194	71	107	224	1	615
2	Total number of resigned persons	64	27	9/6	11/10	20/8	0	24/3
Broken down by age groups:								
2.1	younger than 30 years	12	9	3/2	3/3	3/2	0	3/2
2.2	from 30 to 50 years	28	9	6/4	4/3	9/2	0	9/0
2.3	older than 50 years	24	9	0/0	4/4	8/4	0	12/1
3	Turnover (%)	6.2	13.9	12.6	10.2	8.9	0	3.9
4	Total number of employed persons	85	21	7/4	77	19/6	0	52/4
Broken down by age groups:								
4.1	younger than 30 years	27	5	4/2	2/2	2/0	0	19/1
4.2	from 30 to 50 years	52	12	3/2	4/4	14/4	0	31/2
4.3	older than 50 years	6	4	0/0	1/1	3/2	0	2/1

The Company warrants equal rights for women and men to child care leave facilitating recruitment of qualified staff, ensuring stability in the work team, improving moral well-being of the employees, and enhancing labor efficiency. In accordance with Article 256 of the Labor Code of the Russian Federation, the employee of the Company, upon his/her request, is granted a child care leave to attend to a child up to the age of three years. Child care leaves may be spent fully or partially not only by the child's mother, but also by his/her father, grandparent, other relative, or guardian providing actual care.

During the child care leave, the woman or person taking care of the child may apply and resume employment part time or at home, with preservation of the right to the state social insurance allowance.

The workplace is reserved for the employee for the whole period of the child care leave. In 2015, the rate of returning to work after the end of the child care leave stood at 183%, whilst the rate of employees' staying with the Company for at least 12 months after returning to work from the child care leave made up 92%.

CHILD CARE LEAVE GRANTED.
TOTAL / MEN IN 2015

EMPLOYEES RETURNING TO WORK
AFTER THE END OF CHILD CARE LEAVE,
INCLUDING PREVIOUS PERIODS.
TOTAL/ MEN

EMPLOYEES WHO STAYED WITH THE COMPANY
UPON EXPIRY OF 12 MONTHS,
INCLUDING PREVIOUS PERIODS.
TOTAL/ MEN

6/0

11/0

7/0



STAFF MANAGEMENT

OJSC Severneftegazprom elaborates and implements its HR Policy through its structural subdivisions under the management of Deputy General Director for HR and Administrative Support. The HR Department of the Company is guided by the Constitution of the Russian Federation, Labor Code of the Russian Federation, Collective Employment Agreement, and a number of internal regulatory legal documents governing labor relations. The Company builds partnership relations with employees based on the creation of conditions for highly professional achievements of employees, improvement of their knowledge and skills, and provision of comfortable and productive working environment.

OJSC Severneftegazprom sets the following strategic goals in the field of staff management:

- provision of the Company with qualified staff;
- supporting the corporate culture;
- improving the organizational structure;
- following the latest international standards in the field of staff management.

OJSC Severneftegazprom provides its employees with equal opportunities and does not tolerate discrimination on the basis of nationality, origin, gender, religion, and any other grounds. The Company's management adheres to zero tolerance to the use of forced, mandatory, or child labor for commercial purposes. Labor functions in the Company are performed in accordance with the concluded Employment Contract.



In order to maintain healthy moral environment in the work team and to avoid conflicts, the Company has in place mechanisms for preventing conflicts by filing complaints through the special mailboxes and e-mail "Question to the administration" (Vopros@sngp.com). No complaints regarding the labor relations practice were received in the reporting period.

OJSC Severneftegazprom has developed, implemented, and is successfully realizing the Integrated HR Management Program. In accordance with this Program, the Company holds regular contests aimed at improving labor conditions, increasing the general professional level of employees, motivating innovative activity, and improving applicable technologies.

In 2015, the Company held events called the Best Innovator and Inventor and the Best Structural Subdivision of the Yuzhno-Russkoye Oil, Gas and Gas Condensate Field, contests of professional excellence for the Best in Profession title among C&I fitters, Corporate Fire Department employees, and arc and gas welders of OJSC Severneftegazprom. The total number of proficiency contest participants amounted to 141 persons.

REMUNERATION AND STAFF SOCIAL SUPPORT

Improvement of efficiency and productivity is one of the Company's priorities. OJSC Severneftegazprom provides extensive liabilities in the sphere of social benefits and guarantees to encourage employees and achieve an optimal balance between labor and recreation. The Company also actively protects health of employees and renders assistance to its retired staff.

In 2015, all of the employer's liabilities related to social benefits, guarantees, and compensations for employees envisaged by the Company's Collective Employment Agreement for the years 2013-2015 were fully performed. The Collective Employment Agreement covers all the Company's employees.

The Company is a responsible employer and provides its employees with a decent remuneration. The remuneration system provides for the time-plus-bonus and time-rate individual (contract) salary systems. The employees engaged in the Far North regions are paid higher tariff rates.

The Company has a system of individual labor motivation, which includes bonus payment for achieving high working results, as well as the following forms of awards and incentives: Acknowledgment, Certificate of Merit, placement of photo on the Board of Honor, and inclusion in the Book of Honor. The Company supports research and development, innovative, and invention activity of its employees by paying additional bonus to the authors of rationalization proposals and inventions covered by patent rights. The Company shows respect to family obligations of employees: according to the Collective Employment Agreement, additional paid vacations and material support are provided in case of weddings or a child's birth.



The social policy of OJSC Severneftegazprom is the Company's competitive advantage, which increases its attractiveness in the HR market and is aimed at recruitment and long-term retention of highly skilled employees. OJSC Severneftegazprom maintains regular monitoring of employees' demands and problems and seeks to provide them with comfortable and safe labor conditions. Rights and benefits of all employees are fixed in the Collective Employment Agreement concluded for the period of 2013-2015. In order to control the fulfillment of the terms and conditions of the Collective Employment Agreement, the Company runs a Commission for Social and Labor Relations, the main tasks of which are:

- alignment of the parties' interests on the issues of labor relations;
- organization and holding of preliminary consultations;
- elaboration and discussion of draft internal regulations.

The existing Collective Employment Agreement provides the employees with reliable social support, which includes voluntary health insurance, insurance against accidents, resort and spa health improvement, and other benefits and guarantees. Every employee of the Company is entitled to use a certain kind of benefits, guarantees, and compensations.

Based on applications of employees, 21 meetings of Social and Labor Relations Committee of OJSC Severneftegazprom were held in 2015, including 5 meetings on additional material aid for the Company's employees who found themselves in a difficult financial situation. The Commission considered their applications and made decisions on providing targeted financial assistance.



SOCIAL BENEFITS AND GUARANTEES

FAMILY

FINANCIAL SUPPORT FOR NEWLY MARRIED COUPLES

MATERNITY ALLOWANCE

COMPENSATION OF EXPENSES ON PRE-SCHOOL EDUCATION

GIFTS TO CHILDREN OF EMPLOYEES

AID FOR FAMILIES WITH MANY CHILDREN

RELIABLE EMPLOYMENT

DECENT REMUNERATION FOR WORK

PAID TRAVEL TO THE PLACE OF VACATION

PERSONAL AND PROFESSIONAL DEVELOPMENT

ADDITIONALLY PAID LEAVES

ADVANCED TRAINING

COMFORTABLE WORKING CONDITIONS

STABLE FUTURE

ADDITIONAL PENSION BENEFITS

COVERAGE OF MEDICAL SERVICES

FINANCIAL AID FOR VETERANS

The social policy of OJSC Severneftegazprom organically combines the care for the young generation and for the employees deserving well of the Company. The Company has created adequate conditions for smooth replacement of experienced employees with young specialists who have been duly trained for effective performance of their professional duties.

All retired employees of the Company are guaranteed worthy level of social security in their well-earned retirement. The Company has a program of additional private pension

benefits, which is run together with the Gazfond non-government pension fund. This program is consistent with the principles of the Strategy for the Long-Term Development of Pension System of the Russian Federation, facilitates the implementation of effective HR management policy, and ensures social protection of the employees after their retirement. The program, in particular, provides for compensation of health resort treatment, dental charges, offers material aid to mark holidays and anniversaries, etc.

PERSONNEL DEVELOPMENT AND PERFORMANCE MANAGEMENT

Employees' training and advanced training is one of the Company's priorities. In conditions of rapid development of technology and management systems, staff training is playing an increasingly important role in the enhancement of the Company's operating efficiency and competitiveness. Moreover, this activity does not only yield good results for the Company, but also makes a positive impact across the region: being one of the largest enterprises in the Yamal-Nenets Autonomous Area, OJSC Severneftegazprom makes a considerable impact on the proficiency of local specialists.

Training of the Company's employees is provided as part of the comprehensive advanced training program. Trainings and workshops are mainly held in the corporate training centers of PJSC Gazprom. In addition, the employees are entitled to use educational opportunities of the leading national educational institutions.

OJSC Severneftegazprom sets four main objectives in the field of staff training:

Raising the level of professional competence;

Creating an effective system for planning the candidates pool;

Developing leadership and managerial competences;

Motivating towards labor efficiency enhancement.



The Company offers the following kinds of training: professional training; advanced training; pre-assessment training and assessment of employees; training for the second (related) professions and practical training. The employees are offered different kinds of training, which they can do either full-time or part-time, without disrupting the production process.

396 employees took part in the advanced training programs in total. In the reporting period, the total duration of training and advanced training for the employees exceeded 38 thousand hours, that is 14 thousand hours more than in 2014. Increase in the number of training hours is related to a larger number of employees undergoing professional retraining in 2015, which exceeds regular training in terms of scope and duration. This figure proves the aspiration of the Company's management to improve the level of theoretical knowledge and practical skills of its employees. Training in the leading training centers makes OJSC Severneftegazprom an attractive and socially responsible employer.

INFORMATION ON THE AVERAGE NUMBER OF EMPLOYEE TRAINING HOURS FOR 2015

ITEM NO.	EMPLOYEE CATEGORY	TRAINED		TOTAL TRAINING HOURS		AVERAGE TRAINING HOURS	
		TOTAL	AMONG THEM WOMEN	TOTAL	AMONG THEM WOMEN	TOTAL	AMONG THEM WOMEN
1	Managers	185	28	9,950	1,234	53	44
2	Specialists	96	37	6,589	2,270	69	61
3	Other employees	2	2	112	112	56	56
4	Workers	113	2	22,127	112	196	56
	Total:	396	69	38,778	3,728	98	54



In order to increase the staff's qualifications and enhance labor efficiency, as well as to support and develop research and technical activity among the employees, in 2011 the Company adopted the Regulation on Grants. Grants are provided to OJSC Severneftegazprom staff who would like to continue their education in post-graduate and post-doctoral programmes at Russian higher educational institutions and research organizations.

The Company pays considerable attention not only to development of professional skills, but also to assessment of the employees' qualification level. The Company has established a labor efficiency management system, which is based on assessment of the professional competences, key performance indicators, and individual development goals of the employees.

Performance of managers and specialists has been assessed on an annual basis since 2008. The main tasks of this assessment include:

Planning and organization of training processes;

Improving the work on recruitment and formation of the candidates pool;

Unlocking the creative potential and most effective use of professional experience of the employees.

Assessment results are also used to prepare proposals regarding revision of salary/wage levels and to make other organizational decisions.



Automated program "Annual Interview" is used to reflect the results of employees assessment. Activities of employees are evaluated based on the following parameters:

organization and sense of duty;

responsibility and self-discipline;

independence and initiative;

ability to perceive new information;

competence.

In 2015 478 managers and specialists of the Company (46%) were interviewed; 7 of them were interviewed on their own initiative*. Based on the evaluation results a decision was made to include 21 Company employees in the advanced training schedule and to provide them with training.

CATEGORY	TOTAL	ASSESSED	AMONG THEM WOMEN
Managers	232	206	45
Specialists	311	272	102

* The following persons are not be subject to assessment:
– workers;
– persons who have worked at the enterprise for less than a year;
– young specialists who have worked for less than one year after graduation from an educational institution;
– pregnant women and women with children under 3;
– women who have worked for less than a year after a maternity leave or after a child care leave.

FORMATION OF THE CANDIDATES POOL AND WORK WITH YOUNG SPECIALISTS

Formation and development of a qualified candidates pool is one of the most important conditions for achieving strategic goals set by OJSC Severneftegazprom. The Company is working consistently on professional and personal development of young employees, on their promotion to key managerial positions, involvement in innovative and scientific research and design activities. For the Company, this is the guarantee of timely and full satisfaction of its demands in staff and growth of business efficiency, and for the Company's employees it provides an opportunity for development and career advancement.

For the purpose of planning and organization of effective activity in the field of recruitment and career development of promising employees, the Company adopted in 2015 a new version of the Regulation on the Work with Candidates Pool for Promotion to Managerial Positions.

The Company increasingly applies the practice of including promising young employees with the managerial potential in the succession pool so that later they could replace the heads of structural subdivisions. Following the annual interviews in 2015, 5 employees of the Company were included in the lists of the candidates pool for managerial positions.

The main tasks of the work with the candidates pool include:

Regular and comprehensive development of professional and managerial competence of the employees;

Development of business and personal qualities;

Labor efficiency enhancement;

Building motivation for further career development.

Employees included in the candidates pool undergo targeted training within the framework of the existing in-house continued professional training, with involvement of lecturers from leading Russian and foreign universities in the training process, and in the form of self-education. Work with the persons included in the candidates pool is based on individual planning of dates and types of training.



The important component of the work with employees from the candidates pool is drawing up of their Individual Training Plans, which ensure acquiring of required theoretical and practical knowledge by young specialists, and deeper insight into the content and nature of management activities. All the objectives of the plan must correspond to the requirements of SMART-system*.

As part of its work on formation and development of the candidates pool, OJSC Severneftegazprom pays much attention to work with young specialists – graduates of higher educational institutions, ensuring their career development through their involvement and adaptation in the research and production activity. Young graduates find the Company appealing as the latter ensures worthy working conditions and supports their aspirations towards professional development. The Company offers its employees a wide choice of educational programs, practical trainings, and participation in scientific and practical conferences.

The Company actively attracts into its team young specialists under 30: they make up 12% (125 persons) of the total headcount. Proactive and talented employees contribute to the stable work and further development of the Company.

* SMART implies the criteria of an adequately formulated objective: Specific, Measurable, Achievable, Relevant, Timely.



HEALTHCARE

Life in the difficult climatic conditions of the Far North requires special care for the health of employees, therefore ensuring medical services for staff is one of the priorities of the Company's social policy. Assurance of quality and affordability of medical services is an integral part of the employees' healthcare system in OJSC Severneftegazprom. The program of voluntary health insurance (VHI) implemented in cooperation with the SOGAZ Insurance Group enables all employees of the Company to receive timely qualified medical aid, which is particularly important in the Far North. VHI contract envisages provision of the following services:

clinical and outpatient medical services in outpatient hospitals equipped with modern medical technologies and modern equipment for diagnostics and treatment;

dental services;

inpatient care;

health resort treatment and rehabilitation.

Under the contract, the employees are provided with medical care in more than 6,000 healthcare institutions and resorts in the Russian Federation and abroad. When medical services could not be provided under the state system of mandatory medical insurance, the employees were referred to specialized clinics outside the Far North regions. In the reporting period, rehabilitation treatment was arranged for 267 employees of the Company under the VHI contract in the health and resort centers of the Russian Federation. The expenses on VHI in 2015 exceeded RUB 56 million.

The gas field employees are provided with medical assistance 24/7 at the health care station of the Yuzhno-Russkoye field's rotational-residential complex. The health care station has all the necessary equipment and medicines. The main functions of the staff at the health care station include: provision of first medical aid, prevention of injuries, infectious and viral diseases, and provision of medical examinations.



Under the legislation of the Russian Federation, all employees undergo medical examinations on an annual basis, in accordance with the approved lists of the Positions and Professions Subject to Preliminary and Regular Medical Examinations in OJSC Severneftegazprom. Following the results of medical examinations, no professional diseases were discovered in the reporting period.

In order to prevent ARVI and influenza in 2015, the Company carried out non-specific preventative treatment against the spread of viral diseases with the medicine called Arbidol, which prevented influenza outburst. Another preventative measure against the growth of infectious and viral diseases is a pre-shift medical examination of the persons checking into the rotational-residential complex.

Single approach to issues of organization of labor and recreation and to maintaining of health and performance of the team allows OJSC Severneftegazprom to successfully cope with its operational tasks.

DEVELOPMENT OF PHYSICAL TRAINING AND SPORTS

Promotion of healthy lifestyle, popularization of physical training and sports are the tasks of the national level and importance. By addressing them, OJSC Severneftegazprom pursues several goals at once.

DEVELOPING THE NECESSARY INFRASTRUCTURE IN THE REGIONS OF ITS ACTIVITY, SUPPORTING DIFFERENT PUBLIC INITIATIVES, TEAMS AND SPORTS CLUBS, THE COMPANY ACTS IN COMPLIANCE WITH THE CONCEPT OF SOCIAL RESPONSIBILITY OF BUSINESS TO SOCIETY.

It is especially important considering that OJSC Severneftegazprom operates in the northern areas, where sports facilities available to the public are not well developed, possibilities for their improvement without the Company's help are limited, and severe conditions make regular exercises a vital necessity. This type of activity not only contributes to the enhancement of the standard of living and quality of life of the population in the regions of OJSC Severneftegazprom's operation and promotes the positive image of the enterprise among the public, but also facilitates the establishment of close and fruitful cooperation with local government.

In 2015, representatives of OJSC Severneftegazprom took part in a number of sports events. In February, a volleyball tournament took place in Novy Urengoy between the teams of OJSC Severneftegazprom, CJSC Achimgaz, LLC Gazprom Podzemremont Urengoy, North Urals Interregional Security Administration, JSC Gazprom, and the LLC Gazprom Dobycha Urengoy Line Operations Administration, where the team of OJSC Severneftegazprom took third place. The Company was one of the organizers of the competitions, which were aimed at promotion of active recreation of employees, detection of the best athletes in the companies, and strengthening of friendly ties between the companies of the PJSC Gazprom Group.

Employees of OJSC Severneftegazprom along with the managers of the PJSC Gazprom subsidiaries and representatives of regional and municipal authorities took part in the 600-kilometer snowmobile race devoted to the 85th anniversary of the Yamal-Nenets Autonomous Area and the 40th anniversary of the city of Novy Urengoy. The sports event combined a health promoting aspect and familiarization with the historical and cultural peculiarities of the region.



In order to strengthen cooperation and corporate camaraderie, as well as promote a healthy lifestyle, the team of OJSC Severneftegazprom took part in the Spartakiad for the managers of the PJSC Gazprom subsidiaries in Western Siberia that took place in the town of Noyabrsk. This large-scale corporate sports celebration, that has already become a good tradition, included volleyball, shooting, paintball, darts, billiards, backgammon, chess, and benchpress competitions.

The activity on promoting physical training and sports brings important benefits to the Company too. Only healthy and physically fit employees can do their work effectively, creatively, and responsibly, therefore, physical culture and sports play an important role in maintaining physical and moral health of the employees of OJSC Severneftegazprom. The Company successfully carries out activities aimed at active involvement of the Company's employees in regular physical culture and sports events, improvement of the relevant material base and infrastructure at the Company's facilities. The rotational-residential complex at the gas facilities of the Yuzhno-Russkoye oil, gas and gas condensate field has a sports and recreation complex, which includes a modern gym, swimming pool, and sauna. Volleyball, football, basketball, swimming, athletic triathlon and other sports competitions are held here on a regular basis.

Besides, in accordance with the Collective Employment Agreement, the Company's employees working outside the Gas Facilities are compensated for their expenses on individual sports training, based on actual spending (maximum 0.5 of the minimum monthly tariff).



Interactions with Stakeholders

High reputation as a reliable and efficient partner in Russian and international business circles, authority, and respect in the society – all these reputational advantages are not easy evaluated in financial categories.

However, in today's world, where transparency and credibility are the most important prerequisite for stable and dynamic business development, they become an urgent necessity for any successful company.

Sustainable development of OJSC Severneftegazprom is closely related to maintaining a long-term partnership with the regions of presence and interaction with the stakeholders, based on the following principles:

detection of expectations of the stakeholders and observance of undertaken commitments;

respect for interests, and mutually beneficial cooperation;

timely informing about changes and main aspects of the Company's activities.

The Company singles out a number of key groups of stakeholders whose interests are most tangibly connected with its activity, and who, in turn, can produce the most significant impact on the Company's ability to implement its strategic goals:

shareholders;

government agencies;

local communities;

partners and suppliers;

public media;

non-profit organizations;

staff.

The principle of defining and selecting stakeholders for interaction is mainly determined by the regional aspect. The parties that might be influenced by the Company's production and business activity are identified by their territorial belonging to the areas of the Company's industrial activity (Novy Urengoy, municipal formations of Krasnoselkupsky and Purovsky Districts).

The circle of issues to be discussed with the stakeholders is formed on the basis of continuous analysis of the internal and external social environment. This work is done on a continuous basis, with due regard to short-term and long-term plans of the Company. The main task of the interaction is to find the solution that would satisfy the majority of the stakeholders subject to its compliance with the law provisions and other applicable requirements.

SUBJECT OF INTERACTION	STRATEGY AND DEVELOPMENT	CORPORATE GOVERNANCE	LEGAL REGULATION	CONTRACT OBLIGATIONS	TRANSPARENCY	ENVIRONMENTAL PROTECTION	OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY	CHARITY
STAKEHOLDERS								
Government bodies and institutions	•	•	•	•	•	•	•	•
Suppliers/buyers				•	•	•	•	
Shareholders	•	•	•		•	•	•	
Non-profit organizations/ Municipal organizations					•			•
Public media					•	•		
Population					•	•		•
Employees	•		•	•	•	•	•	

SHAREHOLDERS

Shareholders of OJSC Severneftegazprom have the most significant influence on the Company. Adhering to the best world practices, the Company builds its relations with shareholders and their representatives based on the principles of openness, informational transparency, and protection of the rights and legitimate interests of this group of stakeholders. The main forms of such interaction include general meetings of shareholders, in the course of which the most important issues of the Company's activity are discussed; official disclosure and provision of information on the Company's activity upon shareholders' requests.

In accordance with the Charter, shareholders take part in the management and control of the Company's operating efficiency through the existing regulatory bodies: General Meeting of Shareholders, Board of Directors, and Technical Committee. The Technical Committee considers such issues and documents relating to the economic, environmental, and social aspects of the Company's activity as a report on work results in the field of health, safety, and environment (on a quarterly basis), report on the fulfillment, and preliminary consideration of the Company's Annual Work Program and Budget for the next year. Detailed information on the activities of the regulatory bodies and the key topics and issues discussed during the reporting period is available in the Financial and Operational Activities Management and Supervision Bodies section.

The main subject of the discussion with shareholders in 2015 was the amendment of the Gas Sales Agreements for 2015–2016, and establishing the gas price and supply volumes. Amendments in the Gas Sales Agreements were reviewed and approved at the Board of Directors meetings and approved at unscheduled General Meetings of Shareholders.



GOVERNMENT BODIES

Being a socially responsible Company that complies with environmental and social standards, OJSC Severneftegazprom seeks to contribute to the development of the territories of its activity. The Company builds a productive dialog with government agencies to ensure its compliance with all procedures established by law and contribute to the resolution of socially significant objectives. The Company's work in this direction is based on the Public Consultation Plan.

Relations with the regions are governed by the General Cooperation Agreements concluded between the Company and the administrations of the municipal formations of Krasnoselkupsky District, Novy Urengoy, and the Government of the Yamal-Nenets Autonomous Area.

The regional policy of OJSC Severneftegazprom is based on the implementation of the following activities:

investments in the infrastructure and social sphere;

reporting on the Company's activity to the supervisory bodies;

employment of local population;

tax deductions;

implementation of projects aimed at development of local communities,

socially important and environmental projects;

charity support;

publishing information on the Company's activity on the corporate website.

In the reporting period, the Company spent over RUB 50 million on socially important projects as part of the implementation of the General Agreements. The total amount spent by the Company for these purposes in 2006–2015 exceeds RUB 400 million.



PRESERVATION OF CULTURAL TRADITIONS

Support for the indigenous inhabitants of the North and the preservation of their cultural heritage in their natural environment continues to remain one of the Company's priorities.

OJSC Severneftegazprom promotes the development of indigenous minorities' traditional way of life by integrating it into the modern landscape.



LOCAL COMMUNITIES

OJSC Severneftegazprom builds its relations with local communities in the regions of its operation based on the principle of social responsibility of business.

Support for social and charity programs and addressing the economic and environmental tasks in the regions of presence are one of the most important parts of the regional policy of OJSC Severneftegazprom and contribute to effective dialog with the wide public.

Interaction with local communities is regulated by the General Cooperation Agreements, as well as through collecting feedback and queries through the designated mailboxes installed specifically for this purpose in the offices of OJSC Severneftegazprom. The key topic which is of interest to the Far North population is the provision of financial aid either under the existing agreements or by request to the Company.

Responsibility for the fulfillment of obligations under the agreements and for the implementation of charitable events in respect of local communities in accordance with the submitted requests lies with OJSC Severneftegazprom's Authorities and Public Relations Department.

Throughout 2015, all activities on the financing of social and economic development and preservation of culture and customs of the indigenous minorities were fully fulfilled within the period of time envisaged by the Cooperation Agreements. The Company provided financial aid to the Association of Indigenous Minorities of the North "Yamal – to Its Descendants!" In 2015, over 900 thousand rubles were issued to the Association to purchase machinery and equipment for fisheries of the Krasnoselkupsky District to mark Fisherman's Day and over 1 million rubles – to mark the traditional holiday Reindeer Herder's Day.

OJSC Severneftegazprom implements the programs aimed at providing support for the traditional way of life of the peoples of the North, preservation of their unique culture, and, at the same time, their adaptation to modern economic and social tendencies. It is important for the Company not only to ensure the preservation of cultural traditions and lifestyle of indigenous minorities, but also not to subject them to the



negative impact in the course of its operational activities. Because of the territorial remoteness of the Yuzhno-Russkoye oil, gas and gas condensate field from the areas inhabited by the indigenous peoples of the Far North, the Company's activity does not entail any impact on the small-numbered peoples, including the need to relocate to other regions. Thus, there are no cases of involuntary resettlement either in terms of forced physical relocation or in terms of the disturbance of the economic state (loss of assets or access to resources) of households of the representatives of local communities.

Today we are pleased to state that there have been neither disagreements with the local communities and indigenous peoples regarding the Company's current or future work nor incidents that might imply any infringement of indigenous minorities' interests (related to land and other relevant resources, etc).

The Company considers rendering assistance to the young generation in the regions of its presence to be one of the priority lines of its activities: the Company arranged tours to the Yuzhno-Russkoye oil, gas and gas condensate field for school students from the village of Urengoy and the city of Novy Urengoy, as well as conducted a number of school events to raise among young people an awareness of the need to protect nature.

PARTNERS AND SUPPLIERS

The procurement activity of OJSC Severneftegazprom is conducted on a competitive basis to ensure the optimal choice of counterparties for the performance of work and provision of services, as well as the terms and conditions for supply of the goods required for satisfying the demands of the Company's subdivisions in a timely and efficient manner. Counterparties are selected based on bidding results in accordance with the corporate regulatory documents.

In the reporting period, the Company carried out competitive procurement procedures worth approximately 2 billion rubles, 11% of which comprised procurements from local suppliers and contractors registered in the Yamal-Nenets Autonomous Area. Reduction of the share of local suppliers and contractors compared to 2014 (30%) is related to the fact that a number of companies changed their registration address. The share of competitive procurements of the total number of the Company's procurements in 2015 was 47.06%.

The Company's relations with suppliers are based on the observance of business ethics, and transparent and competitive selection mechanism. In its work with the contractors, OJSC Severneftegazprom complies with the health and safety and environmental protection (HSE) requirements established in the Company.

PUBLIC MEDIA

The public media play an important role in the formation and enhancement of Company's positive image and strengthening its business reputation. An adequate strategy of informational interaction with the public media allows the Company to inform the public about its achievements in a timely manner.

The main objectives of the Company's communication with the public media include:

development of dialog with the external audience;

informational support for the Company's activities in the regions of presence;

promotion of the Company's brand.



In 2015, OJSC Severneftegazprom published materials in the federal and regional mass media and in corporate publications of the Company's shareholders, press releases on the Company's website and on the Company's corporate portal, as well as video clips of social and production nature in the electronic media.

The Company regularly arranges press tours to the Yuzhno-Russkoye oil, gas and gas condensate field in order to keep the stakeholders informed. In the reporting period, the Company's field facilities were visited by journalists of Alliance TV Company of the Krasnoselkupsky District.

Special attention was paid to providing information to the public on the project for the development of hard-to-recover Turonian reserves: in February 2015 "Russia 1" TV Channel presented the documentary "Shale Revolution. Swindle of the Century".

One of the main channels for information disclosure is the OJSC Severneftegazprom corporate website, which provides information on its operational and financial activities, sustainable development, and corporate responsibility. The Company regularly updates and adds material to the website, trying to make it most informative and convenient for the users. One of the key novelties was the appearance of the "Procurements" section, allowing the interested organizations to get the latest information on the Company's tenders and to take part in them.



NON-PROFIT AND MUNICIPAL ORGANIZATIONS

OJSC Severneftegazprom implements large-scale programs of investment in the social infrastructure of the regions of its operations and renders targeted aid to the organizations and institutions which need of it.

Under the General Agreement with the Administration of the City of Novy Urengoy, in the reporting period financial assistance worth 15 million rubles was rendered by the Company to:

Municipal Budgetary Pre-School Educational Institution "Zvezdochka General Kindergarten" – façade renovation;

Municipal Budgetary Educational Institution of Supplementary Education for Children "Children's Art School No. 2" – entrance group renovation;

Municipal Autonomous Pre-School Educational Institution "Kalinka Kindergarten" – for purchase and installation of special elevator for immersion of disabled children into pool;

OO Novy Urengoy Municipal Society of the Disabled – for payment of utility bills, communications services, and the Internet;

NO Novy Urengoy Entrepreneurship Development Foundation – for festivities, memorable events, and city-wide activities, as well as for purchase of exhibition equipment for forums, exhibitions, and other socially important events;

Municipal Budgetary Educational Institution General Secondary School No. 12 – for renovation.

PERSONNEL

OJSC Severneftegazprom's interaction with the staff is based on respect for the individual and the rights of employees and is governed by local regulations and the Company's Collective Employment Agreement.

The main mechanism for the development of dialog with employees is the intra-corporate communications system. The employees can receive information on the Company's development plans and on the opportunities for their professional and career development in the course of corporate activities. The Company's employees may also send their questions through the feedback and queries mailboxes installed in the Company's offices, as well as through the contact center of OJSC Severneftegazprom (Vopros@sngp.com, telephone +7-3494-932-932). In 2015, the Company's management received 5 queries of social and production nature. Personal questions can be discussed by the Company's employees with either the Deputy General Directors or General Director by preliminary appointment. No complaints were received in the reporting period in connection with the infringement of human rights.

Any employee may also address the question of concern to the relevant department or the Company's management, as well as submit a proposal or idea on the optimization of work processes via the Company's corporate portal.

OJSC Severneftegazprom organizes on a regular basis various cultural and sports events aimed at strengthening the team spirit and camaraderie.





EFFICIENT EUROPEAN-LEVEL MANAGEMENT

Modern hydrocarbon production requires the Company's dynamic development, risk knowledge, and application of the best international practices. All this can be ensured only through a truly efficient and comprehensive corporate management system encompassing all levels of the enterprise's activity.

57 ISSUES

WERE CONSIDERED
BY THE BOARD
OF DIRECTORS IN 2015

FINANCIAL AND OPERATIONAL ACTIVITIES MANAGEMENT AND SUPERVISION BODIES

IN PURSUING A POLICY OF INFORMATIONAL TRANSPERANCY, OJSC SEVERNEFTEGAZPROM REAFFIRMS ITS COMMITMENT TO COMPLIANCE WITH THE HIGHEST INTERNATIONAL MANAGEMENT STANDARDS AND VIEWS ITS BUSINESS REPUTATION AS A VITAL RESOURCE FOR FUTURE GROWTH.

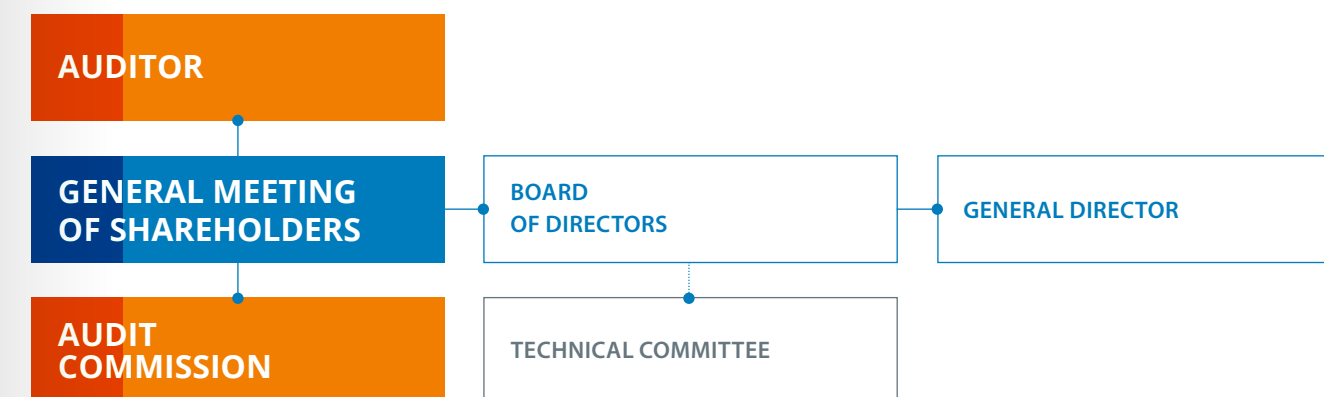


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Corporate Governance Structure

CORPORATE GOVERNANCE CHART OF OJSC SEVERNEFTEGAZPROM



GENERAL MEETING OF SHAREHOLDERS is the supreme regulatory body of the Company used by the shareholders to exercise their rights to take part in managing the Company.

BOARD OF DIRECTORS is a regulatory body that carries out the overall management of the Company's activities and is responsible for strategic management aimed at attaining the prospective goals and objectives and controlling the Company's operating efficiency.

The Company's Board of Directors has established a Technical Committee of the Board of Directors.

TECHNICAL COMMITTEE OF THE BOARD OF DIRECTORS is an advisory body of the Company's Board of Directors formed for preliminary consideration of important issues falling within the scope of the Board of Directors' competence.

GENERAL DIRECTOR is the sole executive body responsible for managing the Company's daily operations and implementing the strategy determined by the Board of Directors.

AUDIT COMMISSION is a body responsible for controlling the Company's financial and business operations that reports immediately to the Company's General Meeting of Shareholders.

For an annual audit of the financial statements as per the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), the Company employs an external auditor. The independent auditor is annually approved by the General Meeting of Shareholders at the suggestion of the Board of Directors.

The formation procedure, competences, and functions of the regulatory and control bodies are determined by the Company's Charter and internal documents.

The Charter is available for review to all stakeholders on the Company's website at <http://www.en.severneftegazprom.com/>.



TODAY, HYDROCARBON PRODUCTION IS A BUSINESS AREA REQUIRING THAT THE COMPANY DYNAMICALLY DEVELOPS, USES THE MOST MODERN TECHNOLOGIES, UNDERSTANDS AND TAKES BENEFIT OF THE MARKET ENVIRONMENT. ALL THIS CAN ONLY BE ENSURED BY MEANS OF A REALLY EFFICIENT AND UP-TO-DATE CORPORATE GOVERNANCE SYSTEM THAT MEETS THE HIGHEST INTERNATIONAL STANDARDS AND COVERS ALL AREAS OF THE COMPANY'S ACTIVITIES.



General Meeting of Shareholders

In 2015, the Company held 4 General Meetings of Shareholders, including the annual one (on June 30, 2015), at which the shareholders approved the Company's Annual Report and Annual Financial Statements of OJSC Severneftegazprom for 2014 and the auditor for 2015, elected the Board of Directors and the Audit Commission, and considered the issues on distributing the profits and paying the annual remuneration of the Board of Directors members.

On November 5, 2015, new members of the Board of Directors were elected at the extraordinary General Meeting of Shareholders.

The extraordinary General Meetings of Shareholders held on June 23 and December 28, 2015, approved the amendments to the long-term Gas Sales Agreements in terms of the prices set for the second six months of 2015 and for the first six months of 2016 and in terms of the gas volumes to be supplied in 2016.

Board of Directors

Pursuant to the Charter, the Company's Board of Directors is elected in the amount of 8 members.

IN THE REPORTING YEAR, THE BOARD OF DIRECTORS HELD

16 MEETINGS

BOARD OF DIRECTORS

AND CONSIDERED

57 ISSUES

IN VARIOUS AREAS OF THE COMPANY'S ACTIVITIES



The Board of Directors focused on the important issues of the Company's daily operations:

Election of the General Director

Approval of interested party transactions

Considering the nominees proposed by the shareholders to be elected to the Company's Board of Directors

Appointing the members of the Technical Committee

Convocation of extraordinary General Meetings of Shareholders

Recommendations as to the amount of dividends on the Company's shares and the procedure for their distribution as of the end of the 2014 financial year

Approval of the Company's Annual Work Program and the Budget for 2016

Determining the auditor's remuneration

While preparing for the extraordinary General Meeting of Shareholders, the Board of Directors considered the following issues:

Determining the selling price for gas for the second six months of 2015 and for the first six months of 2016

Recommendations to the General Meeting of Shareholders to approve the addenda to the long-term gas sales agreements

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS

	2015	2014	2013
Strategic, incl.	2	1	2
budget planning	1	1	1
Corporate governance, incl.	55	64	34
transaction approval	34	30	5
preparing for the General Meeting of Shareholders	13	23	23
HR	7	8	3
other	1	3	3
TOTAL	57	65	36

ANNUAL REMUNERATION OF THE BOARD OF DIRECTORS MEMBERS

Based on the resolution of the Company's General Meeting of Shareholders (minutes No. 35/2015 dated July 2, 2015), following the results of 2014, the remuneration in the total amount of 5,125,500 rubles was paid to the members of the Company's Board of Directors.

MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS AS
OF THE END OF THE REPORTING PERIOD**ALEXANDER
MEDVEDEV****Chairman of the Board
of Directors**

Born on August 14, 1955, in Shakhtersk, Sakhalin Region.

Graduated from the Moscow Institute of Physics and Technology with a degree in Automatic Control Systems (1978).

PhD in Economic Sciences. Full member of the International Academy of Investments and Construction Economics

From 2005, Deputy Chairman of the Management Committee, PJSC Gazprom.

**ELENA
MIKHAILOVA**

Born on April 28, 1977, in Ostrov, Pskov Region.

Graduated from the Moscow Industrial University with a degree in Jurisprudence (1999).

Master of Business Administration in the Russian Presidential Academy of National Economy.

From 2003, Deputy General Director of Corporate and Property Relations in Gazprom Mezhrefiongaz LLC.

From 2012, Member of the Management Committee, Head of the Department in PJSC Gazprom.

**VSEVOLOD
CHEREPANOV**

Born on November 25, 1966, in Frunze.

Graduated from the Lomonosov Moscow State University with a degree in Geology (1991).

PhD in Geology and Mineral Sciences.

From 2010, Member of the Management Committee, Head of the Department in PJSC Gazprom.

**ALEXANDER
DUSHKO**

Born on June 22, 1964, in Novoduzhetsk.

Graduated from the Saint Petersburg State Academy of Engineering and Economics as an Engineer-Economist (1993).

From 2005, Deputy Head of the Department in PJSC Gazprom.

From 2015, Head of the Department in PJSC Gazprom.

**TIES TIESSEN**

Born on March 29, 1957, in Itzehoe (Germany).

Graduated from the Christian Albrechts University (Kiel) with a degree in Legal and Sociopolitical Sciences (1983).

From 2005, Managing Director of Wintershall Holding GmbH (former Wintershall Holding AG).

**MARIO MEHREN**

Born on November 24, 1970, in Koblenz (Germany).

Graduated from the Saarland University (Germany) with a degree in Business Administration.

2006–2011, Head of the Finance and Information Management Department in Wintershall Holding GmbH (former Wintershall Holding AG); Managing Director of Heidkopf GmbH, Nordkaspische Explorations-und-Produktions GmbH, Wintershall Libyen Oil & Gas, Gewerkschaft Röchling GmbH and Wintershall Russland GmbH.

From 2011, Member of the Board of Executive Directors in Wintershall Holding GmbH (former Wintershall Holding AG); Managing Director of Wintershall Lenkoran GmbH and Wintershall Volga Petroleum GmbH.

From 2015, Chairman of the Board of Executive Directors in Wintershall Holding GmbH (former Wintershall Holding AG).

**FRANK ALLAN
SIVERTSEN**

Born on August 21, 1957, in Time (Norway).

Graduated from the Norwegian School of Economics and Business Administration (1982).

Master of Business Administration (MBA).

From 2008, Chief Executive Officer of E.ON Exploration and Production GmbH* (former E.ON Ruhrgas E&P GmbH).

**STEFAN
BERGMAIR**

Born on December 25, 1971. From 2010, Deputy General Director of CJSC Gazprom YRGM Development.

From 2014, General Director of E.ON E&P Russia** (former E.ON Ruhrgas Geological Exploration and Production Russia).

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN THE REPORTING YEAR

By decision of the Company's extraordinary General Meeting of Shareholders as of November 05, 2015 the members of the Board of Directors were re-elected ahead of schedule (Minutes of the extraordinary General Meeting of Shareholders №36/2015 as of November 05, 2014). Rainer Seele terminated the authority as the Board of Directors member, Ties Tiessen entered Company's Board of Directors.

* From January 2016, Uniper Exploration and Production GmbH.
** From January 2016, Uniper NefteGaz LLC.



In the reporting year, the Chairman and the members of the Board of Directors held no shares of the Company.

In the reporting year, the members of the Board of Directors made no Company's shares acquisition and divestment transactions.



Technical Committee

For preliminary consideration of the most essential issues falling within the scope of the Board of Directors' competence and for obtaining recommendations to make decisions on such issues, the Company has formed a Technical Committee.

The Technical Committee is formed and functions as per the Shareholders' Agreement of OJSC Severneftegazprom and the Regulation on the Technical Committee approved by the Board of Directors.

The Technical Committee consists of 8 members appointed by the Board of Directors. The members are nominated by the Company's shareholders as follows: 4 nominees from PJSC Gazprom and 2 nominees from each of Wintershall Holding GmbH and E.ON Exploration & Production GmbH.

The function of the Technical Committee is to provide recommendations to the Board of Directors on all essential technical issues of the Company's activities that fall within the scope of its competence, including the approval of the Long-Term Development Plan and the Budget, the Draft Additional Field Development Plan, the Additional Field Development Plan, and the Annual Work Program and the Budget as well as any amendments thereto.

Activities of the Committee that includes members with an extensive experience and knowledge in specific areas enhance the Board of Directors' performance and quality of work and as a result provide efficient mechanisms of control over the activities of the Company's executive body.

The members of the Technical Company hold no shares of the Company. In the reporting year, the members of the Technical Committee made no Company's shares acquisition and divestment transactions.

COMPOSITION OF THE TECHNICAL COMMITTEE AS OF THE END OF THE REPORTING PERIOD

NO.	FULL NAME	PLACE OF EMPLOYMENT	POSITION
1	Vladimir Dmitruk	OJSC Severneftegazprom	General Director
2	Yulia Sukhanova	OJSC Severneftegazprom	Deputy General Director for Economics and Finance
3	Egor Efimochkin	PJSC Gazprom	Head of the Directorate
4	Nazhib Bilalov	PJSC Gazprom	Head of the Department
5	Dr. Rolf Udo Norbert Pilling	Wintershall Russland GmbH	Deputy Managing Director for Technological Development and Support of Joint Ventures
6	Matthias Stollenwerk	Wintershall Russland GmbH	Head of the Exploration and Field Development Department
7	Maxim Stein-Khokhlov	E.ON E&P Russia*	Technical Director
8	Igor Rakovich	E.ON E&P Russia	Finance Manager

* From January 2016, Uniper NefteGaz LLC.



INFORMATION ON THE CHANGES IN THE COMPOSITION OF THE COMPANY'S TECHNICAL COMMITTEE IN THE REPORTING YEAR

COMPOSITION IN THE PERIOD FROM JANUARY 1 TO NOVEMBER 19, 2015	COMPOSITION IN THE PERIOD FROM NOVEMBER 20 TO DECEMBER 31, 2015
Stanislav Tsygankov	Vladimir Dmitruk
Yulia Sukhanova	Yulia Sukhanova
Egor Efimochkin	Egor Efimochkin
Nazhib Bilalov	Nazhib Bilalov
Dr. Rolf Udo Norbert Pilling	Dr. Rolf Udo Norbert Pilling
Matthias Stollenwerk	Matthias Stollenwerk
Maxim Stein-Khokhlov	Maxim Stein-Khokhlov
Igor Rakovich	Igor Rakovich



**BACKGROUND PROFILE:****VLADIMIR DMITRUK**

Born on April 15, 1970, in Kaliningrad.

Graduated from the Gubkin State Academy of Oil and Gas with a degree in Oil Well Drilling (1993).

Graduated from the Tyumen State Oil and Gas University with a degree in Economics and Company Management (2003).

PhD in Engineering Sciences.

Information on primary employment for the last 5 years:

March 2007–February 2015, General Director in Gazprom Severpodzemremont LLC (from 2009 Gazprom Podzemremont Urengoy LLC).

From November 2015, General Director in OJSC Severneftegazprom.

The General Director does not hold any shares of OJSC Severneftegazprom. In the reporting year, the General Director made no Company's shares acquisition and divestment transactions.

The Company's General Director is remunerated based on the individual time-based system of payment for labor providing for payment of salary on the basis of the monthly basic salary set in the Payment for Labor Agreement constituting an annex to the labor agreement and compensation and incentive payments. A list of social guarantees and compensations for the benefit of the General Director is set in the labor agreement.

Executive Body

According to the Company's Charter, the Company has no collegial executive body. The Company's sole executive body is its General Director.

The Company's officer performing functions of the sole executive body (General Director) for the reporting period was:

From January 1 to November 22, 2015, Stanislav Tsygankov.

From November 23 to December 31, 2015, Vladimir Dmitruk.



Audit Commission

The Audit Commission is a permanent internal control body independent from the Company's officers, regulatory bodies, and management.

In its activities, the Audit Commission is governed by the Federal Law "On Joint-Stock Companies", the Company's Charter, and the Regulation on the Audit Commission. As per the Company's Charter, the Audit Commission consists of 3 members.

The members of the Audit Commission hold no shares of the Company. In the reporting year, the members of the Audit Commission made no Company's shares acquisition and divestment transactions.

COMPOSITION OF THE COMPANY'S AUDIT COMMISSION AS OF THE END OF THE REPORTING PERIOD

No.	FULL NAME	PLACE OF EMPLOYMENT	POSITION
1	Yulia Antonovskaya	PJSC Gazprom	Chief Economist
2	Ingo Lehmann	Wintershall Russland GmbH	Head of the Finance and IT Department of the Moscow Branch
3	Jan Ove Nesvik	E.ON Exploration & Production Norge AS	General Finance Manager for Norway and Russia

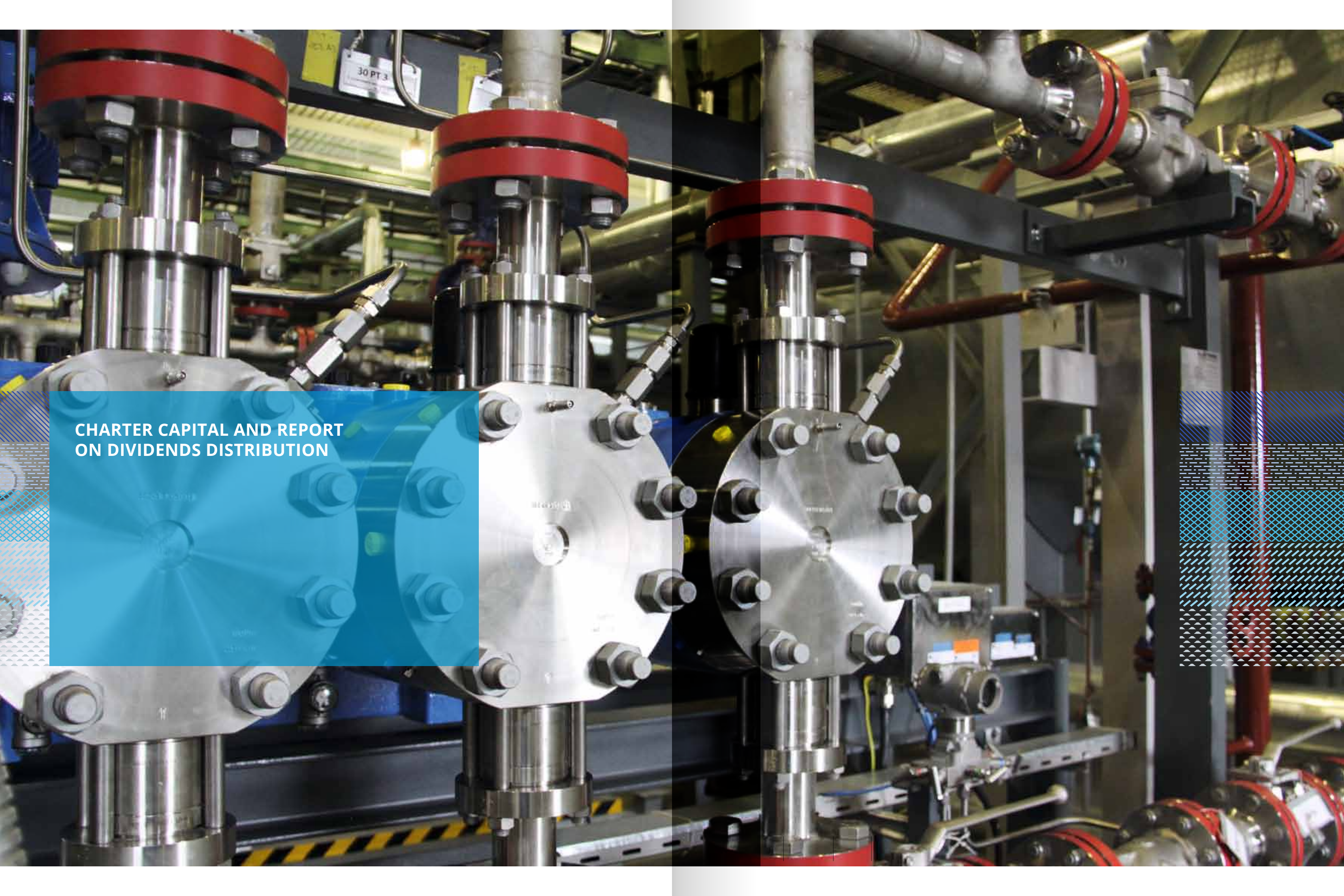
Information on the Company's Auditor

FINANCIAL AND ACCOUNTING CONSULTANTS (FBK).

Member of the Self-Regulated Organization Non-profit Partnership "Auditor's Association The Commonwealth". Principal Number of Registration Entry (PNRE) in the register of auditors and auditors' organizations: 11506030481.

Location: 44/1, Myasnitskaya Street, block AB, Moscow, Russian Federation; tel.: 8 (495) 737-53-53; fax: 8 (495) 737-53-47.

The auditor is approved by the resolution of the Company's annual General Meeting of Shareholders (minutes No. 35/2015 dated July 2, 2015).



**CHARTER CAPITAL AND REPORT
ON DIVIDENDS DISTRIBUTION**



Charter Capital

INFORMATION ON THE CHARTER CAPITAL AS OF DECEMBER 31, 2015

The Charter Capital is reflected in the nominal value of ordinary and preferred shares placed by the Company. The Company's Charter Capital is divided into 533,330 shares and as of the end of the reporting period amounts to 39,999,749.4 rubles.

The Company's Charter Capital is fully paid up.

State registration of all issues of the Company's shares is made by the Ural Federal District Regional Department of the Federal Financial Markets Service.

In the reporting year, the Company raised no monetary or other funds resulting from the issue of its securities.

The Company's securities are not listed with the trade organizers at the securities market and have no market quotations.

NO.	TYPE OF SECURITY	PLACED SHARES:		INCLUDING:	
		SHARES (PCS.)	NOMINAL AMOUNT PER SHARE (RUBLES)	FULLY PAID-UP SHARES (PCS)	PARTIALLY PAID AT PAR (RUBLES)
1	Company's Charter Capital amounts to:	533,330	–	533,330	No
2	Ordinary shares,	533,324	60.00	533,324	No
2.1	including credited to the account	No	No	No	No
3	Preferred shares, including	6		6	No
3.1	Preferred shares Type A	2	2,461,620.00	2	No
3.1.1	including credited to the account	No	No	No	No
3.2	Preferred shares Type B	3	666,692.40	3	No
3.2.1	including credited to the account	No	No	No	No
3.3	Preferred shares Type C	1	1,076,992.20	1	No
3.3.1	including credited to the account	No	No	No	No

INFORMATION ON THE COMPANY'S EQUITY SECURITIES

CLASS AND CATEGORY (TYPE) OF SECURITIES	NOMINAL VALUE OF EACH SECURITY ISSUED, RUBLES	TOTAL PLACED SECURITIES OF THE ISSUE, PCS.	STATE REGISTRATION NUMBER OF THE ISSUE	STATE REGISTRATION DATE OF THE ISSUE
Registered ordinary shares	60	533,324	1-02-31375-D	July 5, 2011
Preferred shares Type A	2,461,620	2	2-10-31375-D	October 3, 2011
Preferred shares Type B	666,692.4	3	2-08-31375-D	October 3, 2011
Preferred shares Type C	1,076,992.2	1	2-09-31375-D	October 3, 2011



Report on the Distribution of Declared (Accrued) Dividends on the Company's Shares

As of the end of 2014, based on the resolution of the Company's annual General Meeting of Shareholders held on June 30, 2015 (Minutes No. 35/3015 dated July 2, 2015), 2,361,937,000.00 rubles was allocated to distribution of dividends.

AMOUNT OF DIVIDENDS PAID

CATEGORY (TYPE) OF SECURITY	DIVIDENDS DISTRIBUTED, TOTAL, THOUSAND RUBLES	DATE OF DISTRIBUTION OF DIVIDENDS
Ordinary shares	1,889,550	August 2015
Preferred shares Type A	290,707	August 2015
Preferred shares Type B	118,097	August 2015
Preferred shares Type C	63,583	August 2015

INFORMATION ON THE CHANGES IN THE COMPANY'S ADDITIONAL CAPITAL

As of December 31, 2015, the additional capital amounted to 25,099,046 thousand rubles. In the reporting year, the amount of the additional capital did not change.

As of December 31, 2015, dividends were distributed in full and have no arrears.

INFORMATION ON THE CHANGES IN THE COMPANY'S RESERVE FUND

As per the Charter, the Company forms a reserve fund in the amount of 5 percent of its charter capital. As of December 31, 2015, the reserve fund was fully formed and amounted to 2,000 thousand rubles.



MAJOR RISK FACTORS ASSOCIATED WITH THE COMPANY'S ACTIVITIES

13



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Industry Risks

In carrying out its activities, the Company is exposed to industry risks, the most critical of which include the prices for raw hydrocarbons and technological risks related to the specifics of the process flow. The general industry risks also include transport technology restrictions. Prospecting and development of fields, treatment and transportation of gas are complex and capital-intensive processes bearing technological and environmental risks. Strictly adhering to the industry requirements and standards, the Company minimizes such risks when implementing new technologies and equipment at all stages of its process flow.

RISK OF REDUCTION OF SALES VOLUME

A significant decrease of the market gas price may affect the cash flows necessary for stable production and economic activity of the Company. The risk is assessed as low as in accordance with the gas sales agreement the gas price is determined by the formula that factors Company's expenses and the required rate of return.

RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS

The reduction of the market price for gas may affect the cash flows required by the Company for stable operational and business activities. The risk is assessed as low since the Gas Sales Agreements define the price for gas by the formula that takes into account the Company's expenses and the required rate of return.

RISKS ASSOCIATED WITH LICENSES

The Company develops the Yuzhno-Russkoye oil, gas and gas condensate field based on the licenses for the subsoil usage rights and for other licensed types of activities.

The Company fully meets the terms of the license agreements and takes all necessary steps to ensure compliance with the current licensing legislation to minimize the said risk.



ENVIRONMENTAL RISKS

The Company's operations for the development of the Yuzhno-Russkoye oil, gas and gas condensate field bear potential environmental risks. In this respect, environmental protection is one of the business priorities of the Company. The key design solutions used in the construction and installation of field facilities meet Russian and international environmental protection standards.

TECHNOLOGICAL RISKS

The Company's operational activities at the Yuzhno-Russkoye oil, gas and gas condensate field may be fraught with adverse factors related to the equipment breakdowns or failures. At the same time, the technologies used in gas production, treatment, and transportation meet the up-to-date requirements for reliable and safe equipment operation, thus allowing the Company to minimize the said risks.

At hazardous facilities, the Company uses certified equipment and hardware meeting the latest reliability and safety requirements for their operation. The equipment and hardware are maintained in a timely manner by the Company's personnel or specialized companies, which also reduces the above risks.





Financial Risks

RISKS ASSOCIATED WITH INFLATION

As of the end of 2015, the inflation rate was 12.2%. The Ministry of Economic Development of the Russian Federation expects the inflation of 6%–8% in 2016. In the foreseeable future, however, the inflation will not have a material effect on the Company's financial performance due to its gas pricing mechanism and cost reduction program.

INTEREST RISK

As a major borrower, the Company is subject to the risks of changes in the interest rates. Most of the Company's debt portfolio under the project financing is constituted by the loans denominated in dollars and euros. The interest rate for servicing such loans is based on interbank loan rates (LIBOR/Euribor). Any increase in the interest rates may lead to the appreciation of the Company's debt servicing. The increased loan value may adversely affect the Company's solvency and liquidity ratios. At the same time, in view of the fact that under the gas sales agreements the gas price is determined by the formula that factors in the compensation component, the risk is assessed as low.



CURRENCY RISK

Since the Company's loan portfolio includes liabilities subject to assessment, accrual, and redemption in foreign currencies, the fluctuations of exchange rates between foreign currencies and ruble have a significant effect on the Company's financial performance. Since the Company has no currency earnings, the balanced currency structure of claims and liabilities that serves as a hedging mechanism does not apply to the Company. Given that, the gas price in the gas sales agreements is determined by the formula that factors in the compensation component, the currency risk is assessed as medium.

CREDIT RISK

Credit risk, i.e. the risk of default by natural gas buyers, is assessed as low level risk due to validity of relevant guarantees envisaged by credit documentation (Project Facility Agreement with a consortium of banks and JSC GPB). Gas buyers gained a reputation of reliable partners not letting any overdue payments for performed supplies.

Legal Risks

RISKS ASSOCIATED WITH THE APPLICATION OF AND POSSIBLE CHANGES IN THE RUSSIAN TAX LEGISLATION

For the last years, a number of laws has been adopted that made substantial amendments to the tax legislation.

To avoid tax risks, the Company regularly monitors the amendments made to the Russian Tax Code and the law enforcement practice with their subsequent application in its activities.

According to the Russian accounting rules, any changes in the tax liabilities for the previous periods are recognized in the financial statements of the period when the changes were actually made.

RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY'S ACTIVITIES

No changes in the judicial practice regarding the issues related to the Company's activities or the rules of court will have a material effect on the Company as it strives to resolve disputes out of court.

Currently, the Company is not involved in any significant legal proceedings and does not bear liability for any third-party debts that may entail any restrictions on the Company's activities.



LEGAL RISKS ASSOCIATED WITH THE APPLICATION OF AND POSSIBLE CHANGES IN THE CURRENCY LEGISLATION

The Company enters into foreign trade transactions and makes currency operations with non-residents; therefore, any changes in the currency regulation may affect the Company's obligations to its foreign counterparties. In particular, changes in the currency regulation that may pertain to increased control over the currency operations or restrictions may lead to losses under foreign trade contracts and/or delays in their fulfillment. As the Company enters into foreign economic transactions, it is subject to the risks of administrative responsibility for violations of the Russian currency legislation and regulations of the currency regulation authorities, in particular, for failure to meet the single rules for the issuance (reissuance) of transaction certificates, or the established procedure, or deadline for submitting the accounting and reporting forms on currency operations. To comply with the Russian currency legislation when dealing with non-resident companies, the Company's structural subdivisions take measures to ensure appropriate control so that the documents required for currency operations are submitted in a timely and quality manner.



REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

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• Ethics and Fair Practices

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As a non-public company, OJSC Severnftgazprom strives to comply with the provisions of the Code of Corporate Governance recommended for joint-stock companies, which securities are admitted to the organized trading (Letter of Bank of Russia No. 06-52/2463 dated April 10, 2014). The Company complies with the following provisions of the said document.

I. SHAREHOLDERS' RIGHTS AND EQUAL CONDITIONS FOR SHAREHOLDERS IN EXERCISING THEIR RIGHTS	
1.1	The procedure for convocation, preparation, and conduction of a General Meeting of Shareholders is specified in the Company's Charter and the Regulation on General Meeting of Shareholders (approved by the General Meeting of Shareholders on November 2, 2009, minutes No. 8/2009).
1.2	A notice of General Meeting of Shareholders contains all information Company's shareholders may need to make decision on participating in the meeting, including on the premises where the meeting will take place. Non-resident shareholders are additionally provided with the information in English.
1.3	<p>To enhance justification for decision making by the General Meeting of Shareholders, in addition to statutory materials, the Company's shareholders are provided with the following information:</p> <ul style="list-style-type: none">– Position of the Board of Directors with respect to the General Meeting agenda items (extracts from the Board of Directors Minutes, including a special opinion of a member of the Board of Directors, if any)– When approving interested party transactions, a list of persons recognized as interested parties in the transaction, with the grounds why such persons are recognized as interested ones– Justification of proposed allocation of net profit, including for distribution of dividends and the Company's own needs, with explanation and economic justification of such needs <p>Moreover, prepared materials on the General Meeting of Shareholders state the shareholder nominating a candidate for election to the Board of Directors.</p>
1.4	The Company allows its shareholders to examine the General Meeting of Shareholders materials if despite mistypes and other insignificant shortcomings a shareholder's request in general makes it possible to determine the shareholder's will and confirm its right to examine the materials, including obtaining their copies.
1.5	The Company enables its shareholders to examine the list of persons entitled to participate in the General Meeting from the date it was obtained by the Company.
1.6	The Company extended the time when shareholders can make suggestions on agenda items of the annual General Meeting of Shareholders from statutory 30 days to 60 days from the end of the calendar year.

1.7	If a shareholder's suggestion contains any mistypes or other insignificant shortcomings, the Company does not refuse to include it in the agenda of the General Meeting of Shareholders and the nominated candidate to the list of candidates for election to the respective Company body of the Company if the content of such a suggestion in general makes it possible to determine the shareholder's will and confirm its right to submit the suggestion.
1.8	The Company engages the Company registrar to act as a counting board when holding a General Meeting.
1.9	It takes one day for the General Meeting of Shareholders held in the form of joint presence to discuss agenda items and make decisions on voting issues. Voting results are summed up and announced before termination of the General Meeting of Shareholders.
1.10	A dividend distribution decision enables a Company's shareholder to obtain comprehensive information on the amount of dividends payable on shares of each category (type).
1.11	The Company pays out dividends to its shareholders annually distributing the profits received following the results of the year. Dividends are only paid out in cash to shareholders' accounts.
1.12	After a dividend distribution decision is made, the Company gives its shareholders additional notice requiring to update their data necessary to pay out dividends (bank details, postal address, etc.).
1.13	The Company declares dividends only in the case of sufficient profit margin for the reporting year and subject to fulfilment of all investment programs and performance of all obligations under the project financing.
1.14	The Company ensures a reliable method of share right registration by entering into a shareholder register maintenance agreement with a reputable entity holding a statutory license and having tried and tested technologies enabling registration of shareholders' ownership entitlements in the most efficient way (registrar SR-DRAGa CJSC).
II. BOARD OF DIRECTORS	
2.1	The Board of Directors performs strategic management and controls the activities of the sole executive body of the Company.
2.2	The rights and obligations of members of the Board of Directors are specified and set forth in the Charter and the Regulation on the Board of Directors of the Company (approved by the General Meeting of Shareholders on November 2, 2009, minutes No. 8/2009).
2.3	In accordance with the Company's Charter, the competence of the Board of Directors includes election of the General Director and early termination of his/her office.



2.4	On an annual basis, the Board of Directors approves Company's Annual Program and Budget for the forthcoming year. The Board of Directors also determines the Company's business priorities and approves long-term plans, main activity programs of the Company, and changes to the current Long-Term Development Program and Budget of the Yuzhno-Russkoye oil, gas and gas condensate field.
2.5	The Annual Report discloses information on the number of meetings of the Board of Directors of the Company held during the previous year and information on the most important agenda items considered by the Board of Directors.
2.6	The Company's shareholders may submit written requests to the Chairman of the Board of Directors on issues falling within his/her competence and bring to his/her attention their position through both the office of the Chairman of the Board of Directors and a Company's shareholder interaction department.
2.7	The Board of Directors does not include persons who are members of or hold office in executive bodies or are employees of a legal entity competing with the Company.
2.8	Candidates nominated for election to the Board of Directors give written consent for election to a regulatory body; information on the consent is provided to shareholders in the course of preparation to the General Meeting of Shareholders.
2.9	All decisions of the Board of Directors are made subject to compliance with environmental protection and social standards adopted by the Company, which conform with respective international standards ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.
2.10	The Company provides the Board of Director members with information necessary to fulfil their duties in an efficient manner when preparing to Board of Directors meetings (including information in English) as well as additional information upon request of members of the Board of Directors.
2.11	The duty of managers of main structural subdivisions of the Company to provide information on agenda items of the Board of Directors meetings is set forth in an internal document approved by an order of the General Director.
2.12	The Charter allows holding the Board of Directors meetings both in praesentia and by absentee voting and taking into account a written opinion of the member of the Board of Directors absent from a meeting in person to determine the results of voting and whether quorum is available.
2.13	Minutes of the Board of Directors meeting provides information on how each member of the Board of Directors voted on agenda items of the meeting.
2.14	The Board of Directors meetings are held in accordance with the approved work program and when necessary, generally at least once every two months.

2.15	In accordance with the Charter, notice of the Board of Directors Meeting to be held in praesentia, with materials relating to agenda items attached, shall be given to the members of the Board of Directors not later than 15 calendar days prior to its holding or, if an absentee vote is taken, not later than 20 calendar days prior to its holding.
2.16	The Company's Charter determines the content of a notice of the Board of Directors meeting and the notification procedure ensuring that the notice is promptly received.
2.17	In accordance with the Charter, decisions on the most important matters relating to the Company's activities shall be approved by a unanimous vote of the elected members of the Board of Directors.
2.18	There is a Technical Committee established in the Company. The main function of the Technical Committee is to provide recommendations to the Board of Directors regarding all significant technical aspects of the Company's activities. The Regulation on the Technical Committee is approved by a decision of the Board of Directors (minutes No. 19/2009 dated October 29, 2009). The Technical Committee consists of 8 members and may engage experts who carry no voting rights. Members of the Committee are appointed, and their powers are terminated by the Board of Directors.
2.19	The Technical Committee of the Board of Directors hears the General Director's reports on fulfillment of the Annual Work Program and Budget; on fulfillment of maintenance and overhaul programs; on fulfillment of the facility reconstruction, modernization, and technical upgrade plan; on the Company's performance in health, safety, and environmental protection and on its innovation and inventive activities.
III. CORPORATE SECRETARY	
3.1	The duties of the Secretary of the Board of Directors of the Company are performed by V. Veremyanina, Deputy General Director on Legal Issues and Corporate Governance, with higher education in law and more than ten years of leadership experience. As of year-end 2011, 2012, and 2013, she ranked No. 2 and No. 3 in the Corporate Governance Directors Rating according to the Management Association.
3.2	The Secretary of the Board of Directors is elected and his/her powers are terminated by decision of the Board of Directors.
3.3	There is a structural subdivision established in the Company (Corporate Governance Department) to ensure interaction among the Company's shareholders and members of the Board of Directors and the Technical Committee.
IV. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES, AND OTHER TOP OFFICIALS OF THE COMPANY	
4.1	The level of remuneration payable by the Company to the members of the Board of Directors, the executive body, and other key employees creates sufficient motivation for their efficient performance and allows the Company to engage and retain competent and skilled specialists.

4.2	The members of the Board of Directors are paid a fixed annual remuneration based on the basic amount of remuneration subject to the number of meetings where the member of the Board of Directors took part.
V. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM	
5.1	There is a separate structural subdivision in the Company to exercise internal control being the Internal Control Department.
5.2	There is an anti-corruption policy approved in the Company (section of the Code of Corporate Ethics) to determine measures aimed at creating elements of corporate culture, organizational structure, and rules and regulations preventing corruption.
VI. DISCLOSURE OF COMPANY INFORMATION, INFORMATION POLICY	
6.1	There are procedures introduced in the Company by decision of the General Director to ensure coordination of all services and structural subdivisions connected with information disclosure or which activities may necessitate such disclosure.
6.2	Information on the Company's activities available on the official corporate website of the Company is sufficient to form an objective view of material aspects of its activities.
6.3	The Company discloses on its official corporate website information on the corporate governance system, the executive body, composition of the Board of Directors and Technical Committee, as well as information on compliance with principles and recommendations of the Code of Corporate Governance (Annual Reports of the Company).
6.4	The official website also discloses information on the key areas of the Company's activities, its capital structure, including the number of voting shares with breakdown by share category (type) and shareholders owning over 5% of the Company's Charter Capital, social and environmental responsibility data, including the Company's internationally recognized GRI Sustainable Development Report (integrated into the Annual Report).

6.5.	Moreover, the Company's official site discloses information on the Company's financial standing by making available the Annual and interim Financial Statements of the Company prepared under the Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS). In addition to the data required by legislation, the Company includes in the Annual Report the following supplementary information: <ul style="list-style-type: none">– Messages to shareholders from the Chairman of the Board of Directors and the General Director of the Company, with performance appraisal for the year– Information on the Company's securities– Key performance indicators of the Company– Annual achievements against planned– Investment projects and strategic objectives of the Company– Prospects for the Company's development (sales, performance, growth of income, profitability, gearing ratio)– Description of the corporate governance system in the Company– Description of the Company's social policy, information on social development, employees' healthcare, their professional training, promotion of occupational safety– Information on the Company's environmental protection policy
6.6	The Company does not refuse to satisfy shareholder's requests for access to documents or provision of document copies in case of mistypes or other insignificant shortcomings in the request.
VII. SIGNIFICANT CORPORATE ACTIONS	
7.1	The Charter establishes a list of major transactions. Consideration of such transactions and approval of their terms and conditions are in the competence of the Board of Directors.



Ethics and Fair Practices

IN 2014 THE COMPANY APPROVED AND INTRODUCED THE CODE OF CORPORATE ETHICS ESTABLISHING THE MAIN CORPORATE VALUES AND THE MOST IMPORTANT RULES OF BUSINESS CONDUCT BASED ON SUCH VALUES AND ADOPTED IN THE COMPANY. THE CODE OF CORPORATE ETHICS APPLIES TO ALL EMPLOYEES AND CONTRACTORS OF THE COMPANY.

The Code of Corporate Ethics shall be examined by all new employees of the Company when hired. Besides, the Company provides regular training events to explain the main rules of business conduct established by the Code.

The Corporate Ethics Committee consisting of three persons is responsible for ensuring compliance with the requirements and provisions of the Code.

There is a procedure established in the Company for submitting requests for advice on ethic and law-abiding conduct and unfair practice issues.

Such conduct shall be reported to:

Line manager

Corporate Ethics Committee

The interaction is carried out by e-mail or oral advice by phone. The Corporate Ethics Committee treats all requests as confidential. Anonymous messages are also subject to consideration. The Company guarantees that its employees reporting violation of the Code of Corporate Ethics will not suffer any negative consequences affecting their employment status.

The Corporate Ethics Committee has the overall responsibility for the reporting structure.

In 2015, the Company considered two written requests and held several oral consultations on the issues of application of the Code of Corporate Ethics. No unethical or unlawful conduct or unfair practice issues arising in the Company were reported.

The anticorruption enforcement policy aimed at bringing the anticorruption measures taken in the Company in line with the current legislation is an important part of the Code of Corporate Ethics. The anticorruption enforcement policy is implemented subject to the corruption risks inherent to the Company's activities. OJSC Severneftegazprom openly informs its counterparties, partners, and general public on anticorruption business standards adopted in the Company. The Company's management is actively involved in creating a culture that is intolerant to corruption and a system for in-house corruption prevention and fighting.

The Company's employees are informed on the anticorruption enforcement policies and methods in accordance with Russian Federal Law 273-FZ dated December 25, 2008, and the Code of Corporate Ethics. No facts of corruption in the Company were revealed or confirmed in the reporting period.



OJSC SEVERNEFTEGAZPROM CORPORATE VALUES AND ETHICAL PRINCIPLES

PROFESSIONALISM	Deep knowledge of the specialty, timely and qualitative performance of tasks, continuous improvement of knowledge and skills
INITIATIVE	Activity and independence of employees in the optimization of the process flow
PRUDENCE	Responsible and cautious approach to the use of Company's assets, to own and other employees' working time
MUTUAL RESPECT	Team spirit in the work, trust, goodwill, and cooperation in the process of solving working tasks
HONESTY	Honest actions following ethical and legal standards, willingness to take personal responsibility for own actions
OPENNESS FOR DIALOGUE	Open and honest exchange of information, willingness to collaborate to develop an optimal solution
SOCIAL RESPONSIBILITY	Responsibility to colleagues and partners, preservation of the environment and support of indigenous minorities of the North
CONTINUITY	Respect for the work and experience of older generations, communication of newcomers and veteran workers, professional training and mentoring
IMAGE	Use of techniques and strategies to create a positive opinion of the Company



Registration Details

FULL TRADE NAME IN RUSSIAN:

Открытое акционерное общество «Севернефтегазпром»

Short trade name of the Company in Russian:

ОАО «Севернефтегазпром»

Full trade name in English:

Open Joint-Stock Company Severneftegazprom

Short name of the Company in English:

OJSC Severneftegazprom

LEGAL AND POSTAL ADDRESSES

Legal address: 22, Lenina St., village of Krasnoselkup, Krasnoselkupsky District, Yamal-Nenets Autonomous Area, 629380

Postal address: P.O. Box 1130, Novy Urengoy, Yamal-Nenets Autonomous Area, 629300

E-mail: sngp@sngp.com

INFORMATION SOURCES IN WHICH THE COMPANY DISCLOSES INFORMATION IN COMPLIANCE WITH THE STOCK MARKET LEGISLATION:

Webpage of OJSC Severneftegazprom on the Internet at <http://www.e-disclosure.ru/portal/company.aspx?id=16965> provided to the Company by Interfax Information Agency (CJSC Interfax is a news agency for the stock market).

News feed, an information resource updated in real time at <http://www.e-disclosure.ru/index.aspx>.

OJSC Severneftegazprom also publishes the information on the Company's website on the Internet at <http://www.en.severneftegazprom.com/>.

STATE REGISTRATION DATE OF THE COMPANY AND REGISTRATION NUMBER

Certificate No. 1231 series PR-1 of state registration of the company issued to LLC Severneftegazprom on March 10, 1998, by the Administration of Purovsky District, YNAO, based on resolution No. 184 dated March 10, 1998.

Certificate No. P-16625.16 of registration and entry in the state register of commercial entities is issued to OJSC Severneftegazprom on June 15, 2001, by the State Registration Chamber under the Ministry of Justice of the Russian Federation in connection with reorganization in the form of conversion of LLC Severneftegazprom based on minutes No. 5 of the extraordinary General Meeting of Members dated June 1, 2001 (previous registration number: P-16447.15 dated May 31, 2001).

Certificate of entry made in the Unified State Register of Legal Entities of a legal entity being OJSC Severneftegazprom registered before July 1, 2002, under Main State Registration Number 1028900699035 dated December 19, 2002, is issued by the Interdistrict Inspectorate of the Ministry of Taxation No. 3 for Yamal-Nenets Autonomous Area.

INFORMATION ON THE COMPANY'S REGISTRAR

CJSC Specialized Registrar – Gas Industry Shareholders' Registrar (CJSC SR-DRAGa).

Location and postal address: 71/32, Novocheremushkinskaya St., Moscow 117420;

Tel.: (495) 719-40-44, Fax: (495) 719-45-85.

Register maintenance operations license No. 10-000-1-00291 dated December 26, 2003, issued by the Federal Securities Market Commission of Russia for an indefinite term.



CORE ACTIVITIES

Yuzhno-Russkoye oil, gas and gas condensate field development and construction of facilities

Exploration activities

Production, transportation, and sales of produced hydrocarbons and other raw materials

Construction management

Cargo transportation and carriage of passengers by both own and leased motor vehicles

Activities of low-grade medical workers, health unit organization

LICENSES

The Company holds a license for hydrocarbon geological survey and production within the Yuzhno-Russkoye subsoil plot located in Krasnoselkupsky District, Yamalo-Nenets Autonomous Area, Tyumen Region. Series SLKh No. 11049 NE. Issued on June 22, 2001. Valid until December 31, 2043.

Moreover, the Company holds over 10 permits (licenses) for other types of activities and is a member of Association of Gas and Oil Industry Constructors Non-Profit Partnership.

COMPANY'S REPRESENTATIVE OFFICES

OJSC Severneftegazprom has representative offices and standalone subdivisions in Novy Urengoy, the settlement of Urengoy, Tyumen, and Moscow. The Company has no subsidiaries or affiliates.

SUMMARY

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Reporting Compilation Principles

The Company’s management confirms that it bears responsibility for the accuracy of the sustainable development information contained in this Report and designed to meet the target users’ justified need in such information.

The structural subdivision of the Deputy General Director for Development and Strategic Planning of OJSC Severneftegazprom is responsible for preparing non-financial statements and determining the key priorities of their contents. The key topics and issues, significant both for the Company and the general public were determined in the course of interaction with the interested parties and with the heads of subdivisions responsible for economic, social, and ecological activities of the Company, included in the Sustainable Development Work Group.

The scope and level of information disclosure on the key aspects included in this Report were determined. They include the financial and economic results, well-being of the employees, their professional development, social projects in the regions of presence, and environmental safety. Special attention is paid to the matters of occupational health and industrial safety, which is the evidence of the Company’s striving for the constant improvement of performance in this area, as well as to the volume of investments and labor costs.

The Report provides information on the activities of all structural subdivisions of OJSC Severneftegazprom related to the social sphere and results achieved in environmental protection and industrial safety in the calendar year 2015.



For the preparation of the Sustainable Development Report, the data were collected and organized based on the in-house information inquiries.

The main purpose of OJSC Severneftegazprom is to ensure easy access to information on its activities. The full disclosure of information and ensuring the quality of the published data constitute the main value of the Report and are realized based on the principles of international reporting on sustainable development. The main approach to the preparation of this Report involves the use of balanced, reliable, and relevant information on the economic, social, and environmental activities of the Company.



1) MATERIALITY. The Report covers all essential topics, issues, and indicators of the economic, environmental, and social impact of the Company's activities, taking into account the assessment of the results of such activities in the reporting period by the Company's management and the interest of the interested parties.

2) INTERESTED PARTY COVERAGE. The Company has a systematized method for interaction with the interested parties, which helps to reasonably consider public opinions and expectations.

3) SUSTAINABLE DEVELOPMENT CONTEXT. The Report contains the balanced and grounded information covering all the aspects of the Company's sustainable development.

4) COMPLETENESS. The Report contains the information on all areas of the Company's sustainable development in the reporting period in accordance with the requirements of GRI G-4 standard and industry-specific additions for the oil and gas sector.

5) BALANCE. The Report contains the information both on the Company's achievements and on the necessity to improve certain processes.

6) COMPARABILITY. In information disclosure, the Company was guided by the GRI standard for preparing the information on sustainable development. Adoption of the new GRI standard did not make it impossible to compare the Report data with the information provided in the Annual Reports for the previous periods. Reporting boundaries remained unchanged. The Report contains no revised formulations compared to previous year's report.

7) ACCURACY. The Company seeks to represent the results of its activities accurately and completely, so that the interested parties could assess them objectively. To that end, both qualitative descriptions and quantitative information, based on the data of financial and statistical statements, are used.

8) TIMELINESS. The preparation of this Report is performed on a plannable basis and includes the process of interaction with internal and external interested parties, certification by the auditors, and publication.

9) CLARITY. The Report presents information in a clear and understandable form, without using highly specialized technical terminology etc. and without providing data requiring special knowledge. The Report contains numerous tables, charts, and graphs for visual representation of the information.

10) RELIABILITY. The Report contains reliable information that can be verified and confirmed. Some data contained in the Report on the results of the Company's activities in the area of sustainable development was independently approved by Ernst & Young (CIS) B.V.



Information Disclosure

APPENDIX 1.

THE LIST OF TRANSACTIONS MADE BY THE COMPANY IN 2015 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

In the reporting period, the Company made no transactions recognized as major transactions in accordance with the Federal Law "On Joint-Stock Companies" or the Company's Charter.

THE LIST OF TRANSACTIONS MADE BY THE COMPANY IN 2015 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
1.	Contract No. 902-057-2015 dated January 30, 2015, with the Gubkin Russian State University of Oil and Gas for Educational Services Contract value: 393,400 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 98/2015 dated April 10, 2015
2.	Contract No. 128/SNGP-2015-KP-O dated January 27, 2015, with Gazprom Transgaz Surgut for Electricity Supply Contract value: 366,195.30 rubles (including VAT)	Company's shareholder, PJSC Gazprom	It was not submitted for approval of the Company's regulatory bodies
3.	Contract No. 192-OP dated February 26, 2015, with Zapsibgaztorg for Catering Services to Employees Contract value: 399,465.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 98/2015 dated April 10, 2015
4.	Contract No. 13-06/15 dated February 24, 2015, with Gazprom Gaznadzor for Supervision over the Provision of Safety of Work Performed with the Use of the Gas, Meeting the Industry Standards when Performing the Work Connected with the Construction, Reconstruction, Technical Upgrade of the Hazardous Facilities Contract value: 1,757,114.40 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
5.	Contract No. 5 dated February 25, 2015, with Gazprom Dobycha Urengoy for Services on Arrangement for Staff Meetings Contract value: 280,000 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 96/2015 dated March 02, 2015
6.	Contract No. 534-2015 dated March 3, 2015, with TyumenNIlgiprogaz for Performing Work on Analysis of the Isolated Core Selected in Wells Nos. R-52, R-53, R-54, and R-55 at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 72,032,009.21 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 96/2015 dated March 02, 2015



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
7.	Contract dated February 12, 2015, for the Company's Being Vested with the Right to Obtain the Patent (Vacuum Groundwater Degassing Unit) with the following remuneration paid to the authors: Fixed component: 178,080.00 rubles Variable component: depending on the achieved cost impact from use of such a utility model calculated in accordance with Company Standard Gazprom RD 1.12-096-2004: from 10 monthly rates (each equal to 7,420 rubles) In case of transfer of the right to use the utility model, 20% of the income obtained by the Company	General Director of the Company S. Ye. Tsygankov	It was not submitted for approval of the Company's regulatory bodies
8.	Contract dated February 12, 2015, for the Company's Being Vested with the Right to Obtain the Patent (Gas Turbine Unit Technical Diagnostics Method) with the following remuneration paid to the authors: Fixed component: 296,800.00 rubles Variable component: depending on the achieved cost impact from use of such invention, calculated in accordance with Company Standard Gazprom RD 1.12-096-2004: from 10 monthly rates (each equal to 7,420 rubles) In case of transfer of the right to use the invention, 20% of the income obtained by the Company	General Director of the Company S. Ye. Tsygankov	It was not submitted for approval of the Company's regulatory bodies
9.	Contract dated February 9, 2015, for the Company's Being Vested with the Right to Obtain the Patent (Multilayer Gas Deposit Development Method) with the following remuneration paid to the authors: Fixed component: 371,000.00 rubles Variable component: depending on the achieved cost impact from use of such invention, calculated in accordance with Company Standard Gazprom RD 1.12-096-2004: from 10 monthly rates (each equal to 7,420 rubles) In case of transfer of the right to use the invention, 20% of the income obtained by the Company	General Director of the Company S. Ye. Tsygankov	It was not submitted for approval of the Company's regulatory bodies
10.	Property Insurance Contract No. 15 PT 0050 dated March 12, 2015, with SOGAZ Contract value (insurance premium): 68,400,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
11.	Amendment to Property Insurance Contract No. 15 PT 0050 dated March 12, 2015, entered into with SOGAZ and London Office of ING Bank N.V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the moneys to be obtained under the Contract.	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
12.	Contract for Third-Party Liability Insurance against Damages Caused to Third Parties No. 15GL0521 dated March 12, 2015, with SOGAZ Contract value (insurance premium): 860,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
13.	Amendment to Contract for Third-Party Liability Insurance against Damages Caused to Third Parties No. 15GL0521 dated March 12, 2015, entered into with SOGAZ and London Office of ING Bank N.V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the money to be obtained under the Contract	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
14.	Contract for Insurance of Wells, Construction, and Assembly Risks during the Performance of the Well Activities No. 15 DR 019 dated March 12, 2015, with SOGAZ Contract value (insurance premium): 24,000,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
15.	Amendment to Contract for Insurance of Wells, Construction, and Assembly Risks during the Performance of the Well Activities No. 15 DR 019 dated March 12, 2015, entered into with SOGAZ and London Office of ING Bank N.V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the money to be obtained under the Contract	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
16.	Environmental Insurance Contract No. 15 EL 0522 dated March 12, 2015, with SOGAZ Contract value (insurance premium): 2,150,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
17.	Amendment to Environmental Insurance Contract No. 15 EL 0522 dated March 12, 2015, entered into with SOGAZ and London Office of ING Bank N.V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the money to be obtained under the Contract	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
18.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Well Stock) with SOGAZ series 111 No. 0100209958 dated March 16, 2015 Contract value (insurance premium): 105,000.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
19.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Transport Section) with SOGAZ series 111 No. 0100209959 dated March 16, 2015 Contract value (insurance premium): 34,000.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
20.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Gas Processing Facility) with SOGAZ series 111 No. 0100209960 dated March 16, 2015 Contract value (insurance premium): 37,100.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
21.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Main Gas Pipeline Section) with SOGAZ series 111 No. 0100209961 dated March 16, 2015 Contract value (insurance premium): 27,100.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
22.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Field Pipelines System) with SOGAZ series 111 No. 0100209962 dated March 16, 2015 Contract value (insurance premium): 37,100.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
23.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Tank and Handling Facilities Farm) with SOGAZ series 111 No. 0100209963 dated March 16, 2015 Contract value (insurance premium): 9,100.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
24.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Gas Consumption Network of the Gas Processing Facility) with SOGAZ series 111 No. 0100209964 dated March 16, 2015 Contract value (insurance premium): 42,500.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
25.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Heat and Water Supply Section of the Gas Field Facilities) with SOGAZ series 111 No. 0100209965 dated March 16, 2015 Contract value (insurance premium): 15,400.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
26.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Compressor Station Site) with SOGAZ series 111 No. 0100209864 dated March 16, 2015 Contract value (insurance premium): 37,100.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes dated July 1, 2014 No. 32/2014
27.	Contract (Policy) for Obligatory Third-Party Liability Insurance of the Owner of Hazardous Facilities (Lifts) with SOGAZ series 111 No. 0100209865 dated March 16, 2015 Contract value (insurance premium): 3,500.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
28.	Contract for Voluntary Health Insurance of the Company's Employees No. 2515 LM 0071 dated March 17, 2015, with SOGAZ Contract value (insurance premium): 56,376,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
29.	Contract for Accident and Illness Insurance No. 2514 LA 0071 dated March 24, 2015, with SOGAZ Contract value (insurance premium): 1,774,800 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
30.	Contract No. 162/SNGP-2015-U-O dated April 23, 2015, with DOK Signal for Paid Services Contract value: 305,550 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
31.	Non-residential Premises Lease Agreement No. 07/SNGP-2015-A-O dated April 28, 2015, with Gazprom YRGM Trading Contract value: 537,789.56 rubles (including VAT)	Company's shareholder, PJSC Gazprom, member of the Board of Directors M. Mehren	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
32.	Contract No. 76-15-1 dated May 18, 2015, with Gazprom Promgaz for Review of the Estimates in the Design Documentation (Construction of Production Well No. 1902) Contract value: 590,000.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 99/2015 dated May 15, 2015
33.	Contract No. 151/SNGP-2015-P-O dated May 18, 2015, with SOJSC Electrogaz of Gazprom, for Repair of Electric Motor Windings Contract value: 300,015.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 99/2015 dated May 15, 2015
34.	Contract No. 77-15-1 dated May 18, 2015, with Gazprom Promgaz for Review of the Estimates in the Design Documentation (Construction of Absorption Well No. 3-P) Contract value: 590,000.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 103/2015 dated June 11, 2015
35.	Contract No. 312/2 dated June 1, 2015, with Gazprom Georesource for Performing Geophysical Exploration Activities When Exercising Control over Development Contract value: 78,497,090.49 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
36.	Contract No. 1805 dated June 1, 2015, with TyumenNIlgiprogaz for Performing Survey Work at the Facility Being Installation of the Turonian Gas Deposit at YROGCF. First Startup Complex Contract value: 84,938,744.66 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
37.	Contract No. 168/SNGP-2015-U-O/02-04-SKP-67 dated June 2, 2015, with Gazprom Dobycha Urengoy for Resort and Recreation Services to the Children of the Company's Employees Contract value: 1,152,000 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	It was not submitted for approval of the Company's regulatory bodies
38.	Confidentiality Contract No. GB-SKZ-15/003 dated July 1, 2015, with Gazprom Gazobezопасnost	Company's shareholder, PJSC Gazprom	It was not submitted for approval of the Company's regulatory bodies
39.	Contract No. 3.1.2/1-2015 dated July 1, 2015, with Gazpromneft-NNGGF for Gas Hydrodynamic Surveys during Pilot Operation of Wells No. 184 and No. 174 Contract value: 5,889,983.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 104/2015 dated July 15, 2015
40.	Contract for Obligatory Motor Third-Party Liability Insurance No. 186/SNGP-2015-S-O dated July 1, 2015, with SOGAZ Contract value (insurance premium): 809,664.63 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 105/2015 dated August 10, 2015
41.	Contract No. 28k-2015 dated July 20, 2015, with TyumenNIlgiprogaz for Services on Core Material Storage in Core Repository Contract value: 3,594,434.05 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 104/2015 dated July 15, 2015
42.	Contract No. 569-2015 dated July 20, 2015, with TyumenNIlgiprogaz for Performing Work on Sampling and Laboratory Testing of Formation Fluids Selected in Wells Nos. R-52, R-53, R-54, R-55, and R-113 Contract value: 85,986,940.31 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 104/2015 dated July 15, 2015
43.	Contract No. 450-2015 dated August 20, 2015, with TyumenNIlgiprogaz for Services on Design Supervision of the Project for Development of the Cenomanian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field and for Design Supervision of Addendum to the Process Flowsheet for Development of the Turonian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 9,354,013.40 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014
44.	Contract No. 1813/SNGP-2015 dated October 1, 2015, with TyumenNIlgiprogaz for Performing Survey Work on the Project: Customer's Base at the Yuzhno-Russkoye oil, gas and gas condensate field. Administration and Welfare Building. Adjustment Contract value: 3,398,632.46 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
45.	Contract No. 06/08/SNGP-2015 dated September 1, 2015, with TyumenNIlgiprogaz for Performing Survey Work on the Project: Additional Equipping of Auxiliary Power Supply Complex. Power Module (2xGas Turbine Plants 1.8) No. 4 Contract value: 5,083,884.40 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015



	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
46.	Contract No. 761-2015 dated October 06, 2015 with TyumenNIlgiprogaz for Design Supervision over Construction of Exploration Well No. 1902 at YROGCF Contract value: 266,763.78 rubles (including VAT)	Company's shareholder, PJSC Gazprom	It was not submitted for approval of the Company's regulatory bodies
47.	Contract No. 09AN/SNGP-2015 dated December 14, 2015, with Gazprojectengineering for Design Supervision of the Project: Modernization and Additional Equipping of the Security Equipment at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 1,420,481.40 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
48.	Contract dated December 28, 2015, with Gazprom Transgaz Surgut for Electricity Supply Contract value: 440,870.42 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 111/2015 dated December 28, 2015
49.	Contract No. 34 dated October 30, 2015, with Gazprom Dobycha Urengoy for Services on Arrangement of a Staff Meeting Contract value: 315,000 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
50.	Contract No. 35 dated October 30, 2015, with Gazprom Dobycha Urengoy for Services on Arrangement for New Year's Children Matinee for the Children of the Company's Employees Contract value: 90,000.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
51.	Contract for Vehicle Insurance and Third-Party Liability Insurance No. 2515 MT 0042 dated November 3, 2015, with SOGAZ Contract value (insurance premium): 4,193,452.62 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 105/2015 dated August 10, 2015
52.	Contract No. 225/SNGP-2015-U-O dated November 20, 2015, with Tsentrenergogaz of Gazprom for Items Production and Repair Contract value: 766,172.00 rubles (including VAT)	Company's shareholder, PJSC Gazprom, member of the Board of Directors A. P. Dushko	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
53.	Contract No. 0172-2015 dated November 23, 2015, with TyumenNIlgiprogaz for Performing Survey Work on Exploration Wells No. R-61 and No. R-62 Contract value: 29,283,575.02 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 109/2015 dated November 24, 2015
54.	Contract No. 3.1.1/7-2015 dated November 27, 2015, with Gazprom Georesource for Performing Geophysical Surveys and Work during Construction of Production Well No. 1902 for the Turonian Gas Deposit Contract value: 33,392,558.69 rubles (including VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 109/2015 dated November 24, 2015
55.	Contract No. 2/16 dated November 23, 2015, with Gazprom Dobycha Urengoy for the Pre-trip and After-trip Medical Check-Ups Contract value: 707,600.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
56.	Contracts for Foreign Currency Sale and Purchase entered into by and between the Company and Bank GPB (JSC) with the maximum amount for each transaction not exceeding 5,000,000,000 rubles or the foreign exchange equivalent of that amount calculated at the rate of the Central Bank of the Russian Federation effective at the date of the respective transaction, without limitation to their number	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 32/2014 dated July 1, 2014; General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
57.	Addendum dated July 8, 2015, to Agency Agreement dated November 21, 2006, No. 50-60/38AD with Gazprom Komplektatsiya for Supply of Chemicals (Methanol, Tri-Ethylene Glycol) Maximum contract value: 82,500,000 rubles (excluding VAT)	Company's shareholder, PJSC Gazprom	General Meeting of Shareholders of the Company, minutes No. 35/2015 dated July 2, 2015
58.	Confidentiality Contract dated March 3, 2015, with E.ON Exploration and Production GmbH, F. A. Sivertsen	E.ON Exploration and Production GmbH, F. A. Sivertsen	Board of Directors, Minutes No. 96/2015 dated March 02, 2015
59.	Addendum No. 20 dated June 24, 2015, to Gas Sales Agreement No. 25 Pk-2007 dated December 13, 2007, entered with Gazprom Price for the gas supplied in the second six months of 2015: 2,373.68 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, members of the Board of Directors A. I. Medvedev, V. V. Cherepanov, E. V. Mikhailova	General Meeting of Shareholders of the Company, minutes No. 34/2015 dated June 24, 2015



ESSENTIAL CONDITIONS OF THE TRANSACTION		PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
60.	Addendum No. 17 dated June 29, 2015, to Gas Sales Agreement No. 28 Pk-2007 dated December 13, 2007, entered with Gazprom YRGM Trading Price for the gas supplied in the second six months of 2015: 2,373.68 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, member of the Board of Directors M. Mehren	General Meeting of Shareholders of the Company, minutes No. 34/2015 dated June 24, 2015
61.	Addendum No. 12 dated June 30, 2015, to Gas Sales Agreement No. 144/SNGP-2009 dated October 29, 2009, entered with Gazprom YRGM Development Price for the gas supplied in the second six months of 2015: 2,373.68 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, members of the Board of Directors F. A. Sivertsen, S. Bergmair	General Meeting of Shareholders of the Company, minutes No. 34/2015 dated June 24, 2015
62.	Addendum No. 21 dated December 31, 2015, to Gas Sales Agreement No. 25 Pk-2007 dated December 13, 2007, entered with Gazprom Price for the gas supplied in the first six months of 2016: 1,828.07 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, members of the Board of Directors A. I. Medvedev V. V. Cherepanov, E. V. Mikhailova	General Meeting of Shareholders of the Company, minutes No. 37/2015 dated December 29, 2015
63.	Addendum No. 18 dated December 31, 2015, to Gas Sales Agreement No. 28 Pk-2007 dated December 13, 2007, entered into with Gazprom YRGM Trading Price for the gas supplied in the first six months of 2016: 1,828.07 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, member of the Board of Directors M. Mehren	General Meeting of Shareholders of the Company, minutes No. 37/2015 dated December 29, 2015
64.	Addendum No. 14 dated December 29, 2015, to Gas Sales Agreement No. 144/SNGP-2009 dated October 29, 2009, entered into with Gazprom YRGM Development Price for the gas supplied in the first six months of 2016: 1,828.07 rubles per 1,000 cubic meters of gas (excluding VAT)	Company's shareholder, PJSC Gazprom, members of the Board of Directors F. A. Sivertsen, S. Bergmair	General Meeting of Shareholders of the Company, minutes No. 37/2015 dated December 29, 2015
65.	Contract (Policy) for Insurance against Risks Related to Damages (Losses) due to the Defects of the Construction Work Affecting Safety of the Capital Construction Objects No. 2516 GL 0001 dated December 16, 2015, with SOGAZ Contract value (insurance premium): 30,000.00 rubles (exempt from VAT)	Company's shareholder, PJSC Gazprom	Board of Directors, Minutes No. 111/2015 dated December 28, 2015
66.	Contract dated February 12, 2015, for the Company's Being Vested with the Right to Obtain the Patent (Tri-Ethylene Glycol Regeneration Method) with the following remuneration paid to the authors: Fixed component: 303,000.00 rubles Variable component: depending on the achieved cost impact of use of such an invention calculated in accordance with Company Standard Gazprom RD 1.12-096-2004: from 10 monthly rates (each equal to 6060 rubles) In case of transfer of the right to use the invention, 20% of the income obtained by the Company	General Director of the Company S. Ye. Tsygankov	It was not submitted for approval of the Company's regulatory bodies
67.	Contract dated August 14, 2015, for the Company's Being Vested with the Right to Obtain the Patent (Method of Sealing of Threaded Joint of the Coupling of a Conductor-Mounting Sleeve of the Casing Head at a Well without Overhaul) with the following remuneration paid to the authors: Fixed component: 371,000.00 rubles Variable component: depending on the achieved cost impact from use of such an invention calculated in accordance with Company Standard Gazprom RD 1.12-096-2004: from 10 monthly rates (each equal to 7,420 rubles) In case of transfer of the right to use the invention, 20% of the income obtained by the Company	General Director of the Company S. Ye. Tsygankov	It was not submitted for approval of the Company's regulatory bodies



APPENDIX 2. GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

ITEM	COMMENT	PAGE	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	Message from the Chairman of the Board of Directors	4	No
	Message from the General Director	5	
G4-2	Major Risk Factors Associated With The Company's Activities	129–133	No
ORGANIZATIONAL PROFILE			
G4-3	Registration Details	140	No
G4-4	Status of Raw Materials Base	21	No
G4-5	Registration Details	140	No
G4-6	Status in the Industry and Development Prospects	13–14	No
	Registration Details	140	
	Company's Representative Offices	141	
G4-7	Registration Details	140	No
G4-8	Status in the Industry and Development Prospects	13–14	No
G4-9	Financial Performance Report Indicators	56–57	No
	Staff Size and Composition	92–95	
	Company's Representative Offices	141	
G4-10	Staff Size and Composition	92–95	No
G4-11	Remuneration and Staff Social Support	97–98	No
G4-12	Interactions with Stakeholders	104–110	No
G4-13	There were no changes in the share capital structure in 2015		No
G4-14	The Company adheres to principle 15 of the UN Declaration on Environment and Development adopted in Rio de Janeiro on June 3–4, 1992		No
G4-15	The Company does not subscribe to any externally developed charters. Since 2011, the Company has been applying the International Finance Corporation standards: – Performance Standards on Environmental and Social Sustainability – Environmental, Health, and Safety Guidelines – Environmental, Health, and Safety Guidelines for Onshore Oil and Gas Development		No
G4-16	The Company is a member of Non-Profit Partnership, Self-Regulating Organization "Association of Gas and Oil Industry Constructors" and International Business Congress		No
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Defining the Priorities	71–72	No
G4-18	Reporting Compilation Principles	143–144	No
G4-19	Defining the Priorities	71–72	No
	GRI Content Index. Specific Standard Disclosures	153–157	
G4-20	Reporting Compilation Principles	143–144	No
	GRI Content Index. Specific Standard Disclosures	153–157	
G4-21	Reporting Compilation Principles	143–144	No
	GRI Content Index. Specific Standard Disclosures	153–157	
G4-22	Reporting Compilation Principles	144	No
G4-23	Reporting Compilation Principles	143–144	No
INTERACTIONS WITH STAKEHOLDERS			
G4-24	Interactions with Stakeholders	104	No
G4-25	Interactions with Stakeholders	104	No



ITEM	COMMENT	PAGE	EXTERNAL ASSURANCE
G4-26	Interactions with Stakeholders General Meetings of Shareholders, where the most important issues of the Company's activities are submitted for discussion, are held 2–4 times a year. To interact with the shareholders' representatives for discussion of strategic and daily issues of the Company's activities, the Board of Directors Meetings are held regularly in accordance with the annual work schedule at least twice a quarter. Technical Committee Meetings are held regularly in accordance with the annual work schedule at least once a quarter. The information on the Company's activities is disclosed regularly in accordance with the requirements of the legislation and local regulations of the Company on the Company's official website and on the website of the Interfax information agency on the Internet and upon request of the shareholders.	104–105 108–110	No
G4-27	Interactions with Stakeholders No concerns have been raised by interested parties through stakeholder engagement during the reporting period.	105 108–110	No
REPORT PROFILE			
G4-28	Reporting Compilation Principles	143–144	No
G4-29	July 3, 2015		No
G4-30	Annual		No
G4-31	Feedback Form	160	No
G4-32	Introduction GRI Content Index. Specific Standard Disclosures External Assurance Statement	2 153–157 158–159	No
G4-33	Reporting Compilation Principles External Assurance Statement	143–144 158–159	No
CORPORATE GOVERNANCE			
G4-34	Interactions with Stakeholders Financial and Operational Activities Management and Supervision Bodies	104–110 115–123	No
G4-38	Financial and Operational Activities Management and Supervision Bodies	115–123	No
G4-39	The Chairman of the Board of Directors is not an executive director		No
G4-41	In accordance with article 82 of the Federal Law "On Joint-Stock Companies", the members of the Board of Directors, the General Director, and the Company's shareholders shall disclose the information on any interest in conclusion of a transaction by the Company. To ensure conflicts of interests are avoided, the Company tends to make all interested party transactions approved in advance by the Board of Directors or the General Meeting of Shareholders. The Company quarterly discloses its list of affiliates on its official website and on the website of the Interfax information agency. In the annual report, the Company discloses a list of the interested party transactions made by the Company in the reporting year specifying the interested party, its essential conditions, and the regulatory body of the joint-stock company approving the transaction for each transaction.		No
G4-45	Interactions with Stakeholders The information on the Company's compliance with the recommendations of the Code of Corporate Governance is provided to the Technical Committee and the Board of Directors during the preliminary consideration of the Annual Report	104–110	No
G4-47	Interactions with Stakeholders	104–110	No
G4-48	The Company's Sustainable Development Report as part of the Annual Report shall be previously reviewed by the Technical Committee and the Board of Directors. The Annual Report shall be approved by the General Meeting of Shareholders.		No
G4-51	Financial and Operational Activities Management and Supervision Bodies Report on Compliance with the Code of Corporate Conduct	117, 122 135–137	No
ETHICS AND FAIR PRACTICES			
G4-56	Ethics and Fair Practices	138–139	No
G4-57	Ethics and Fair Practices	138–139	No
G4-58	Ethics and Fair Practices	138–139	No



SPECIFIC STANDARD DISCLOSURES

ITEM	COMMENTS	PAGE	EXTERNAL CERTIFICATION
CATEGORY: ECONOMICS			
ECONOMIC PERFORMANCE ASPECT			
Aspect Boundaries The report covers financial results of the Company's activities			
DMA	Main Financial Indicators	55	
EC- 1	Main Financial Indicators Financial Performance Report Indicators Interactions with Stakeholders Report on the Distribution of Declared (Accrued) Dividends on the Company's Shares	55 56–57 104–110 127	No
EC-3	Remuneration and Staff Social Support	97–98	No
EC-4	Main Financial Indicators Financial Performance Report Indicators Financial and Operational Activities Management and Supervision Bodies	55 56–63 115–123	No
PROCUREMENT PRACTICES ASPECT			
Aspect Boundaries The Company's approach to suppliers and contractors selection has an impact on successful achievement of production objectives.			
DMA	Interactions with Stakeholders	104–110	
EC-9	Interactions with Stakeholders	104–110	No
RESERVES ASPECT			
Aspect Boundaries The report provides information on status of raw materials base and stock movement at the Yuzhno-Russky subsoil plot where the Company has the right to perform hydrocarbon geological survey and production			
DMA	Status of Raw Materials Base	21–23	
OG-1	Status of Raw Materials Base	21–23	No
CATEGORY: ECOLOGY			
ENERGY ASPECT			
Aspect Boundaries The Report covers information on energy consumption within the organization, implementation of the Company's energy saving programs, and results of environmental impacts.			
DMA	Energy Consumption and Saving	82	
EN-3	Natural gas consumption to generate electricity: 17,419 thousand m ³ , or 639,451.490 GJ Purchased electricity consumption: 31,110,453 kW*h, or 111,997.630 GJ Sold electricity consumption: 1,778,534 kW*h, or 6,402.722 GJ Total energy consumption: 677,048.98 GJ 1 kilowatt*hour = 3.6*10 ⁻³ GJ (Natural gas) 1 thousand m ³ = 36.71 GJ 1 TFOE = 29.31 GJ		Yes
EN-5	Energy intensity: 1.19964 thousand kW*h /million m ³ The energy intensity ratio uses energy consumed within the organization, except for purchased electricity		No



ITEM	COMMENTS	PAGE	EXTERNAL CERTIFICATION
EN-6	Energy Consumption and Saving Total reduction of energy usage: 104,242.86 GJ The ratio uses electricity and natural gas saving Base year 2014 on the basis of the goals and objectives according to the Energy Management System 1 kilowatt*hour = 3.6*10 ⁻³ GJ; (Natural gas) 1 thousand m ³ = 36.71 GJ Natural gas consumption in monetary terms: 100.81 million rubles Electricity consumption in monetary terms: 262.44 million rubles Heat energy consumption in monetary terms: 116.98 million rubles Diesel fuel consumption in monetary terms: 25.54 million rubles AI-92 gasoline consumption in monetary terms: 4.98 million rubles AI-95 gasoline consumption in monetary terms: 8.84 million rubles	82–85	No
WATER ASPECT			
Aspect Boundaries The report discloses information on the results of impact of the Company's operational activities on the condition of water objects near and within the field.			
DMA	Water Supply	78	
EN-8	Water Supply Surface water withdrawal: 0 m ³ Rainwater collected directly and stored by the organization: 0 m ³ Waste water from another organization: 0 m ³ OJSC Severneftegazprom uses metering instruments to measure the quantity of the water withdrawn.	78–81	Yes
EN-9	Water Supply Impact assessment is based on both license No. SLKh 01821 VE for subsoil usage rights issued to the Company and reserves calculation.	78–81	No
EN-10	Water Supply The volume of water reused was 5.5% of the total water withdrawn in 2015. OJSC Severneftegazprom uses metering instruments to measure the quantity of the water withdrawn.	78–81	No
EMISSIONS ASPECT			
Aspect Boundaries The report provides information on the results of impact of the Company's activities on air.			
DMA	Pollutant Emissions	76	
EN-15	Pollutant Emissions Biogenic CO ₂ emissions (SDW landfill): 0.015 thousand tons No base year was chosen due to commissioning of new facilities, technical upgrades, change in scheduled shutdown procedures, change in greenhouse gas emission calculations in connection with introduction of PJSC Gazprom Company Standard 102-2011. Methodology: PJSC Gazprom Company Standard 102-2011 "Inventory of Greenhouse Gas Emissions"	76–77	No
EN-16	In accordance with Russian standards and methodologies, the Company neither collects necessary information nor reports on indirect greenhouse gas emissions.		No
EN-17			No
EN-18	Pollutant Emissions Numerator: greenhouse gas emissions, tons Denominator: natural gas withdrawn, million m ³ The intensity ratio calculation uses the data on direct greenhouse gas emissions Gas taken into account: methane	76–77	No
EN-19	Pollutant Emissions	76–77	No
EN-20	No emissions of ozone-depleting substances		No
EN-21	Pollutant Emissions	76–77	Yes
EFFLUENTS AND WASTE ASPECT			
Aspect Boundaries The report provides information on effluent discharge, waste recycling and recovery, including drill cuttings both within and outside the Organization.			
DMA	Waste recycling	77	



ITEM	COMMENTS	PAGE	EXTERNAL CERTIFICATION
EN-22	Water Supply No unplanned discharges Effluents were not reused The effluence volume data are calculated using the metering instruments. The effluence quality data is provided in accordance with the "Process Plan for Burying Industrial and Domestic Effluents at the Yuzhno-Russkoye Oil and Gas Field"	78–81	No
EN-23	Waste recycling Total weight of hazardous and non-hazardous waste: 178.434 tons with breakdown by the following management methods: Reuse (transfer to contractors for reuse): 0 tons Multiple use: 0 tons Composting: 0 tons Emission of valuable elements, including energy release (transfer to contractors): 0 tons Aggregate weight flaring (transfer to contractors for sterilization): 0 tons Deep injection: 0 tons Disposal on ground, mud pit: 95.644 tons Storage at industrial site of the Company: 14.294 tons Other method of disposal (transferred to other organizations): 99.907 tons Information source on waste disposal: Utilized without assistance: 95.644 tons Information provided by contractors on waste disposal: 0 tons Contractors' standard data on waste management for the organization: 99.907 tons (taking into account 31.411 tons accumulated in 2014)	77	Yes
EN-24	No spills reported in 2015		No
EN-25	There was no cross-border transportation of waste in the Company.		No
EN-26	No water was discharged into surface water bodies. Thus, water body biodiversity was not affected by the Company.		No
OG-5	Oilfield water recovery was by injection into a deep lost circulation horizon.		No
OG-6	Methane flaring and bleeding are connected with repairs and the gas production technology. Methane flared: 24,703 thousand m ³ Methane permanently flared: 43 thousand m ³ Methane bled off: 517 thousand m ³ Methane permanently bled off: 0 thousand m ³ The methane flared is reported taking into account production in the amount of 161 million barrels in oil equivalent.		No
OG-7	Drill cuttings are recorded and disposed by the contractor.		No
COMPLIANCE WITH REQUIREMENTS ASPECT			
EN-29	No material fines or non-financial sanctions imposed due to non-compliance with the environmental legislation and regulatory requirements were registered.		No
GENERAL INFORMATION ASPECT			
EN-31	The total expenses on environmental protection amounted to 121,413 thousand rubles, including: – Current (operating) costs on environmental protection: 42,980 thousand rubles – Expenses on prevention of impact on the environment and environmental management system: 74,210 thousand rubles – Costs on investment activities: 4,223 thousand rubles		No
CATEGORY: SOCIAL			
EMPLOYMENT ASPECT			
Aspect Boundaries Impact of the Employment Aspect is occurred inside the organization. The subject discloses the Company's human resource and social assistance policy influencing the employees' well-being and the Company's operating efficiency			
DMA	HR and Social Policy	92	
LA- 1	Staff Size and Composition 6.3% was the personnel turnover rate in the Company in 2015 as calculated in accordance with GRI G-4 Guidelines	95	Yes
LA- 3	Staff Size and Composition	93–95	No



ITEM	COMMENTS	PAGE	EXTERNAL CERTIFICATION
OCCUPATIONAL HEALTH AND SAFETY ASPECT			
Aspect Boundaries The report discloses the OHS management impact on the life and health of the Company's employees.			
DMA	Personnel and Operational Safety	86	
LA-5	There are no joint management–employee health and safety committees in the Company		No
LA-6	Occupational Safety Absentee rate: AR = total lost days for a period / total days worked by the workforce for the same period AR = 5,105 / 176,096 = 2.9% According to the current legislation, the Company does not keep record of occupational injuries of independent contractor employees. No accidents were registered in the reporting period. Injury rate = Number of injuries / Working hours for the reporting period = 0; Professional diseases rate = Number of professional diseases / Working hours for the reporting period = 0; Lost day rate = Number of lost days due to injuries / Working hours for the reporting period = 0.	87–88	Yes
LA-7	There are no employees who are involved in occupational activities with a high injury incidence or high risk of specific diseases. No workplaces with harmful conditions were identified.		No
LA-8	There are no agreements with trade unions in the Company.		No
TRAINING AND EDUCATION ASPECT			
Aspect Boundaries The Company's approach to organize personnel training and education has impacts on professional skills of employees and the Company's operating efficiency and occurs inside the Company. The report discloses information on results of implementation of the Company's personnel skills upgrade and expertise evaluation programs.			
DMA	Personnel Development and Performance Management	99	
LA-9	Personnel Development and Performance Management	99–100	No
LA-11	Formation of the Candidates Pool and Work with Young Specialists	101	No
DIVERSITY AND EQUAL OPPORTUNITY ASPECT			
G4-LA12	Staff Size and Composition	92–95	No
LABOR PRACTICE COMPLAINT MECHANISMS ASPECT			
G4-LA16	Staff Management	96	No
NON-DISCRIMINATION ASPECT			
G4-HR3	Staff Management	96	No
INDIGENOUS RIGHTS ASPECT			
Aspect Boundaries Results of interaction with local communities occur outside the Company. Due to implementation of public relations programs, the Company has successfully managed its activities aimed at supporting economic development and sustaining the culture and customs of indigenous minorities.			
DMA	Interactions with Stakeholders	104	
HR-8	Interactions with Stakeholders	104–110	Yes
OG-9	Interactions with Stakeholders	104–110	No
HUMAN RIGHTS GRIEVANCE MECHANISMS ASPECT			
HR-12	Interactions with Stakeholders	110	No
LOCAL COMMUNITIES ASPECT			
SO-1	Interactions with Stakeholders	104–110	No
OG-10	Interactions with Stakeholders	104–110	No
ANTI-CORRUPTION ASPECT			
SO-4	Ethics and Fair Practices	138–139	No
SO-5	Ethics and Fair Practices	138–139	No
INVOLUNTARY RESETTLEMENT ASPECT			
OG-12	Interactions with Stakeholders	104–110	No



ITEM	COMMENTS	PAGE	EXTERNAL CERTIFICATION
ASSETS INTEGRITY AND PROCESS SAFETY ASPECT			
Aspect Boundaries The operational safety has impacts on the health of employees, environment, and efficiency of operations. Impacts of the Assets Integrity and Process Safety Aspect are disclosed in the Report as occurring within the organization.			
DMA	Personnel and Operational Safety	86	
OG-13	Personnel and Operational Safety No accidents or incidents at the Company's facilities were registered.	86–91	No
MARKETING COMMUNICATIONS ASPECT			
PR-7	No inconsistencies with the regulatory requirements and voluntary codes on marketing communications, including advertising, product promotion, and sponsorship, were identified in 2015.		No

APPENDIX 3.

THE CALCULATION METHODS FOR THE COMPANY'S MATERIAL SUSTAINABILITY PERFORMANCE INDICATORS SUBJECT TO INDEPENDENT ASSURANCE

INDICATOR	CALCULATION METHOD AND BOUNDARIES
Employee turnover in 2015, %	The employee turnover rate is calculated using two methods: 1) Method used by PJSC Gazprom: the ratio of the number of employees who left the Company voluntarily or without good cause to the average staff number in the reporting period (Staff Size and Composition Section); 2) Method used in the GRI Guidelines: the ratio of all employees who left the Company to the average staff number in the reporting period (Appendix 2, GRI Content Index). The indicator includes the employees of all subdivisions of the Company in accordance with the boundaries of the Report.
Number of accidents in 2015	Calculation of the number of accidents in 2015 included injuries of all degrees of severity that resulted in employee's loss of labor capacity for not less than one day. The injury rate is calculated as the ratio of the number of injuries to the total working hours in the reporting period. Occupational diseases rate is calculated as the ratio of the number of newly identified occupational diseases to the total working hours. Lost day rate is calculated as the ratio of the total lost days to the total working hours. Absentee rate is calculated as the ratio of absentee days to the total number of days scheduled to be worked in the reporting period. The indicator includes the employees of all subdivisions of the Company in accordance with the boundaries of the Report.
Amount of air emissions in 2015, tons	The amount of air emissions is calculated as a sum-total of emissions of nitrogen oxides, sulfur oxides, methane, carbon monoxide, volatile organic compounds and solids measured in tons. The calculation was performed for the Company's emission sources in Urengoy settlement and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Total water withdrawal in 2015 by source, tons	The total volume of withdrawn water is calculated as an aggregate volume of withdrawn ground, formation and purchased (municipal) water. The calculation includes water consumption by the Company's subdivisions in Urengoy settlement and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Total weight of waste in 2015, tons	The total weight of waste is calculated as the cumulative weight of waste of all classes of hazard generated in the Company's subdivisions in Urengoy settlement and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Energy consumption in 2015, GJ	The cumulative energy consumption includes consumption of non-renewable fuel (natural gas, gasoline, diesel and kerosene) and purchased energy with the deduction of energy sold to the external parties. The consumed energy of each type is converted to GJ using the conversion factors. The calculation includes energy consumption by the Company's subdivisions in Urengoy settlement and at the Yuzhno-Russkoye oil, gas and gas condensate field.
Percentage of competitive procedures from the total number of procurements, %	The percentage of competitive procurements of the total number of the Company's procurements is calculated as the ratio of the value of contracts concluded with the winners of competitive bidding to the total value of contracts concluded in the reporting period. The indicator includes procurements of all subdivisions of the Company in accordance with the boundaries of the Report.
Number of complaints about violations involving rights of indigenous people	Number of complaints about violations involving rights of indigenous people is calculated based on entries in the Unified Journal of Received Complaints and Comments which consolidates all incoming entries from interested parties. The indicator includes complaints about violations involving rights of indigenous peoples of the North received by all the Company's subdivisions in accordance with the boundaries of the Report.



APPENDIX 4. INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY INDICATORS FOR THE YEAR ENDED 31 DECEMBER, 2015

To the Management of OJSC Severneftegazprom

IDENTIFICATION AND DESCRIPTION OF THE SUBJECT MATTER

At the request of OJSC Severneftegazprom (the "Company") we have provided a limited level assurance on the following eight material sustainability performance indicators published in the Company's Annual Report 2015 (the "Report") (the "Indicators"):

- Employee turnover (page 95 and 155 of the Report);
- Number of accidents (page 87 and 156 of the Report);
- Amount of air emissions (page 76 of the Report);
- Total water withdrawal by source (page 78 and 80 of the Report);
- Total weight of waste (page 77 and 155 of the Report);
- Energy consumption (page 153 of the Report);
- Percentage of competitive procedures from the total number of procurements (page 109 of the Report);
- Number of complaints about violations involving rights of indigenous people (page 108 of the Report).

The Indicators have been selected and prepared by the management of the Company based on relevant sustainability reporting principles and methods.

IDENTIFICATION OF THE CRITERIA

The criteria of our engagement were the sustainability reporting principles and methods applied for preparation of the Indicators disclosed in the chapter "Reporting Compilation Principles" on pages 143–144 of the Report and in the Appendix 3. "The calculation methods for the Company's material sustainability performance indicators subject to independent assurance" on page 157 of the Report. We believe that those criteria are appropriate given the purpose of our assurance engagement.

MANAGEMENT RESPONSIBILITIES

The management of the Company is responsible for preparation of the Indicators and for the fact that the Indicators are, in all material respects, a reliable representation of the Company's sustainability activities for the year ended December 31, 2015 in compliance with the sustainability reporting principles and methods disclosed in the chapter "Reporting Compilation Principles" on pages 143–144 of the Report and in the Appendix 3. "The calculation methods for the Company's material sustainability performance indicators subject to independent assurance" on page 157 of the Report. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Indicators that are free of material misstatements. The management of the Company is also responsible for selection and application of appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances.

OUR RESPONSIBILITIES

Our responsibility is to independently express a conclusion that the Indicators have, in all material respects, been fairly stated in compliance with the sustainability reporting principles and methods disclosed in the chapter "Reporting Compilation Principles" on pages 143–144 of the Report and in the Appendix 3. "The calculation methods for the Company's material sustainability performance indicators subject to independent assurance" on page 157 of the Report.

SUMMARY OF THE WORK PERFORMED

Our engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and, accordingly, included the following procedures:

- analysis of the Company's key documents concerning sustainability policies, activities and sustainability reporting relating to the Indicators;
- interviews with the managers and specialists in the Company's representative offices in Moscow, Noviy Urengoy and Urengoy settlement responsible for sustainability policies, activities and sustainability reporting relating to the Indicators;
- review of sustainability reports of selected national and international oil and gas companies;

- review of a selection of corporate and external publications with respect to the Company's sustainability policies, activities and related events in the year ended December 31, 2015;

- identification of sustainability issues material for the Company based on the procedures described above;

- analysis of the Company's procedures for collection, preparation, collation and reporting of data relating to the Indicators;

- review, on a sample basis, of data relating to the Indicators as well as the data collection processes, including selective review of documents substantiating the values of the Indicators for the year ended December 31, 2015 to assess whether these data have been collected, prepared, collated and reported appropriately at the Company level;

- analytical procedures with regard to the Indicators.



We believe that our procedures provide a basis on which we can provide limited assurance. Our evidence gathering procedures are more limited than for a reasonable assurance engagement, and, therefore, less assurance is obtained than in a reasonable assurance engagement.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that in compliance with the sustainability reporting principles and methods disclosed in the chapter "Reporting Compilation Principles" on pages 143–144 of the Report and in the Appendix 3. "The calculation methods for the Company's material sustainability performance indicators subject to independent assurance" on page 157 of the Report. The Indicators have not, in all material respects, been fairly stated.

*Ernst & Young Valuation
and Advisory Services, LLC*

Moscow, April 29, 2016



FEEDBACK FORM

DEAR READERS!

You have read the Annual Report of OJSC Severneftegazprom for 2015. Your opinion is very important to us, and we would appreciate it if you could help us improve the quality of the Company's reporting by answering the questions below.

1. Do you understand the nature of OJSC Severneftegazprom's sustainable development activities, after having read the Report?

- a. Yes
- b. No
- c. Not sure
- d. Please, write your comment: _____

2. What is your impression of the information provided in this Report?

- a. Interesting
- b. No particular impressions
- c. Not sure

3. How would you evaluate the Report in terms of reliability, objectivity, and completeness of information?

- a. Positive
- b. Negative
- c. Neutral
- d. Please, write your comment: _____

4. How would you evaluate the Report in terms of the ease of finding information??

- a. Easy
- b. Normal
- c. Hard
- d. Please, write your comment: _____

5. Which section of the Report proved to be the most interesting for you? _____

6. Which areas of OJSC Severneftegazprom's activities do you think need to be improved in order to increase the corporate social responsibility? _____

7. What sort of additional information on the Company's sustainable development activities would you like to see in the Report? _____

8. Your general comments on OJSC Severneftegazprom's Annual Report for 2015: _____

9. Are you or your organization interested in conducting dialogs on preparation of the Company's sustainable development report for 2016?

- a. Yes, our contact details: _____
- b. No

10. What organizations, in your opinion, should be invited to take part in the dialog on preparation of the sustainable development report for 2016? _____

11. What group of interested parties do you represent?

- a. Company's employee
- b. Investor
- c. Shareholder
- d. Client
- e. Contractor
- f. Government official
- g. Representative of a non-governmental organization
- h. Public media
- i. Local community member residing in the territory of the Company's operations
- j. Other: _____

12. Please, specify your contact details: _____

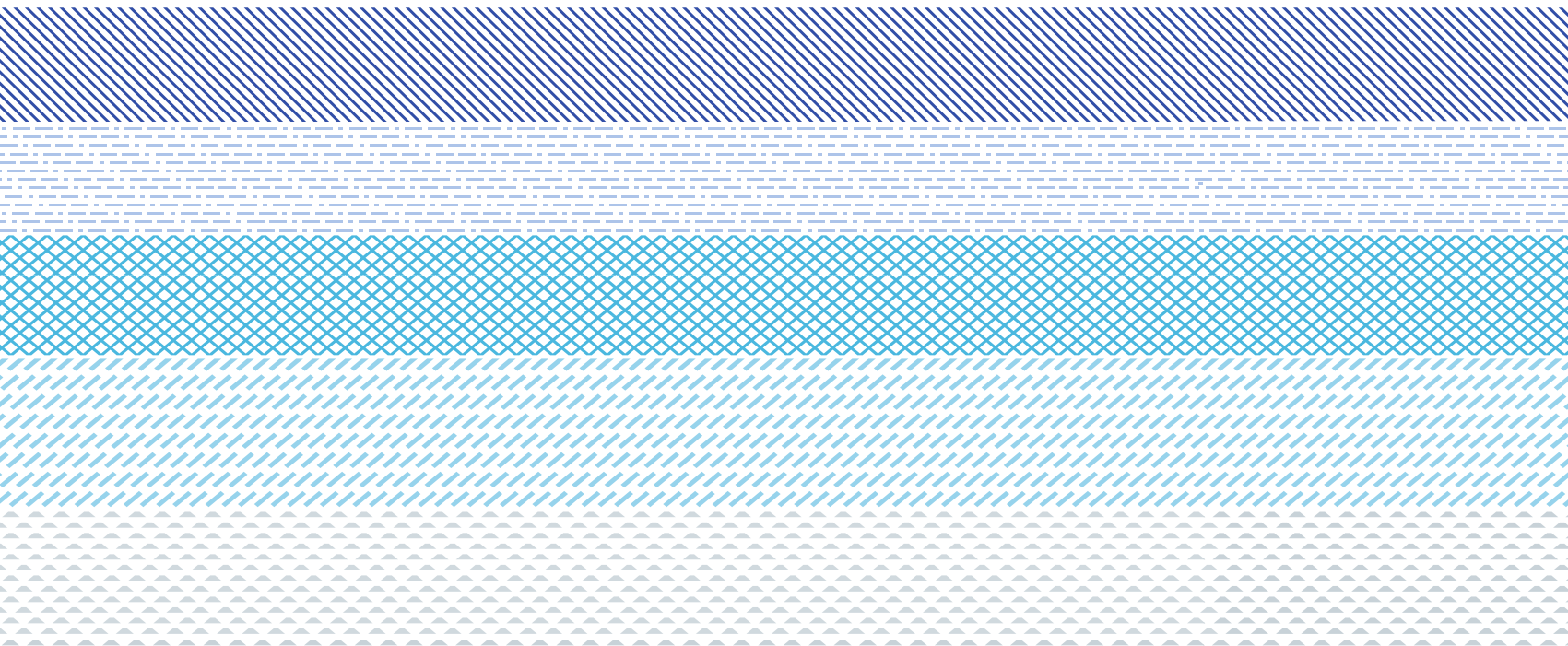
13. What contact method do you prefer _____

Please, send this form to:

OJSC Severneftegazprom,
Authorities and Public Relations Department,
Russian Federation, 629300,
Yamal-Nenets Autonomous Area,
11, Olimpiysky district, Novy Urengoy

You can also email this questionnaire, as well as your opinion and questions regarding the Company's activities and reporting to: severneftegazprom-info@sngp.com

All submitted requests, opinions, and questions will be considered during the preparation of Company's next Report.



SEVERNEFTEGAZPROM