This Annual Report discloses the results of operational and business activities of Open Joint Stock Company Severneftegazprom (hereinafter referred to as the “OJSC Severneftegazprom”; “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 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.

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.
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 GUARANTEING 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.

**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.

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).
Key Events 2015

SEPTEMBER

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

OCTOBER

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

NOVEMBER

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

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.

DECEMBER

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

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.

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

Key Performance Indicators 2015

5 BILLION M³
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 ABC, + 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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>49,463</td>
<td>37,214</td>
<td>34,501</td>
</tr>
</tbody>
</table>

Cost Price, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Price</td>
<td>29,500</td>
<td>29,021</td>
<td>25,671</td>
</tr>
</tbody>
</table>

GAS SALES, BILLION M³

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas Sales</td>
<td>29,500</td>
<td>29,021</td>
<td>25,671</td>
</tr>
</tbody>
</table>

Net Cash from Operating Activities, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash from Operating Activities</td>
<td>19,888</td>
<td>12,925</td>
<td>12,771</td>
</tr>
</tbody>
</table>

Net Profit, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>10,118</td>
<td>34</td>
<td>5,016</td>
</tr>
</tbody>
</table>

Capital Expenditures, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures</td>
<td>7,814</td>
<td>4,277</td>
<td>1,256</td>
</tr>
</tbody>
</table>

Commissioning of Construction Facilities and Fixed Assets, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioning</td>
<td>8,980</td>
<td>1,205</td>
<td>415</td>
</tr>
</tbody>
</table>

Current Liquidity Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liquidity Ratio</td>
<td>2.61</td>
<td>3.30</td>
<td>2.78</td>
</tr>
</tbody>
</table>

Net Working Capital, Million Rubles

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Working Capital</td>
<td>23,662</td>
<td>21,348</td>
<td>17,674</td>
</tr>
</tbody>
</table>
STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS


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.

The main gas production center of Gazprom is the Ural 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).
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


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.
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 (RHE)**
- Designed for heat exchange between formation gas and compressed gas.

**4. Gas Dehydration Station (GDS)**
- It consists of two gas dehydration units (KOG-1 and KOG-2). It is designed for dehydration of separated natural 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.

**5. Gas Dehydration Station (GDS)**
- Designed for reversing of the sales gas delivered to the marketable gas pipeline.

**6. 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.

**7. 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 Purtazovskaya Compressor Station through the marketable gas pipeline.

**8. Gas Measuring Station (GMS)**
- Designed for metering of the sales gas delivered to the marketable gas pipeline.

**9. Chemicals and Methanol Warehouse (CMW)**
- Designed to store chemicals used in technical processes.

**10. Repair and Operation Building (ROB)**
- Designed for repair and inspection of the equipment at the Yuzhno-Russkoye oil, gas & condensate field.

**11. 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.

**12. 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.

**13. Tri-ethylene Glycol Regeneration Unit (REG)**
- 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 regeneration are situated in a separate building.

**BRC-1 (2 Phase) COMMISSIONED IN DECEMBER 2015**

**BRC-2 PLANNED COMMISSIONING IN 2021**
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.

25 BLN M³
ANNUAL GAS PRODUCTION
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


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

<table>
<thead>
<tr>
<th>FIELD</th>
<th>GAS, BILLION m³</th>
<th>CONDENSATE, MILLION TONS</th>
<th>OIL, MILLION TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ABC1</td>
<td>C2</td>
<td>ABC1</td>
</tr>
<tr>
<td>Yuzhno-Russkoye field</td>
<td>847.176</td>
<td>125.206</td>
<td>–</td>
</tr>
<tr>
<td>Yarovsky field</td>
<td>2.796</td>
<td>10.468</td>
<td>0.212</td>
</tr>
<tr>
<td>Zapadno-Chaselskoye field</td>
<td>7.367</td>
<td>0.032</td>
<td>0.043</td>
</tr>
<tr>
<td>Total</td>
<td>857.339</td>
<td>135.706</td>
<td>0.255</td>
</tr>
</tbody>
</table>

Change in Reserves on ABC1, and C2 Categories in the Reporting Period

<table>
<thead>
<tr>
<th>HYDROCARBONS</th>
<th>RESERVES AS OF JANUARY 1, 2015</th>
<th>RESERVES CHANGES IN 2015</th>
<th>RESERVES AS OF DECEMBER 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ABC1</td>
<td>C2</td>
<td>ABC1</td>
</tr>
<tr>
<td>Condensate, million tons</td>
<td>0.255</td>
<td>4.816</td>
<td>–</td>
</tr>
<tr>
<td>Oil, million tons</td>
<td>9.345</td>
<td>32.097</td>
<td>–</td>
</tr>
</tbody>
</table>

The oil and gas reserves changed in layers PK₁, PK₁, PK₁, PK₁, PK₁, PK₁, PK₁, PK₁, PK₁, PK₁, K₁, K₁, 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 PK₁, and a gas-and-oil deposit in layer PK₁, were discovered.
### Raw Materials Base of OJSC Severneftegazprom

#### Before 2015

<table>
<thead>
<tr>
<th>Wells Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing</td>
<td>144</td>
</tr>
<tr>
<td>Exploration</td>
<td>142</td>
</tr>
</tbody>
</table>

#### 2015

<table>
<thead>
<tr>
<th>Wells Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing</td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td>3</td>
</tr>
</tbody>
</table>

#### 2016

<table>
<thead>
<tr>
<th>Wells Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing</td>
<td>1</td>
</tr>
<tr>
<td>Exploration</td>
<td>2</td>
</tr>
</tbody>
</table>

---

#### Production Wells Production Well Targeted to Turonian (No. 1902)

#### Exploration Wells Targeted to Lower Cretaceous (Nos. 53, 54, 55)

---

#### Turonian
- Depth: 750 m
- 34% of total reserves
- Low reservoir permeability.
- High inhomogeneity in vertical direction.
- Deposit area covers more than 1000 km².
- Abnormally high reservoir pressure.
- Low reservoir temperature.

#### Cenomanian
- Depth: 850 m
- 48% of total reserves
- Main development target
- The deposit has a thick pay zone and pronounced inhomogeneity in horizontal and vertical direction.

#### Lower Cretaceous
- Depth: 1200 m
- 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
- Depth: 2800 m
- 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

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2015</th>
<th>PLANNED</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total gas production, billion m³/yr</td>
<td>25.184</td>
<td>25.067</td>
<td></td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>25.000</td>
<td>24.915</td>
<td></td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.184</td>
<td>0.152</td>
<td></td>
</tr>
<tr>
<td>Cumulative gas production, billion m³</td>
<td>190.692</td>
<td>190.927</td>
<td></td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>190.300</td>
<td>190.564</td>
<td></td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.392</td>
<td>0.363</td>
<td></td>
</tr>
<tr>
<td>Cumulative gas production as percentage of initial balance sheet reserves, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>28.6</td>
<td>28.7</td>
<td></td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.12</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td>Gas production for 2015 as percentage of initial balance sheet reserves, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>3.76</td>
<td>3.75</td>
<td></td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.054</td>
<td>0.045</td>
<td></td>
</tr>
<tr>
<td>Commissioning of wells, pcs.</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Observation</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Wells stock as of the end of the year, pcs.</td>
<td>168</td>
<td>168</td>
<td></td>
</tr>
<tr>
<td>including Active</td>
<td>144</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Observation</td>
<td>143</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td>Disposal</td>
<td>22</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Power capacity of BCS (Booster Pump Station), MW</td>
<td>8*16</td>
<td>8*16</td>
<td></td>
</tr>
<tr>
<td>Well utilization rate</td>
<td>0.95</td>
<td>0.98</td>
<td></td>
</tr>
<tr>
<td>Well stock utilization rate</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

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-RUSSКОYE 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 С1 category.

In addition to construction of the wells, in 2015, the re-testing of exploration well No. 113 above layer PK17 was performed. In total 10 prospective gas-and-oil objects were tested, of which 7 were productive.

LIST OF ACTIVITIES ON EXPLORATION WELLS

<table>
<thead>
<tr>
<th>WELL</th>
<th>ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. R-50</td>
<td>Final activities were performed, whereupon the well was put in conservation.</td>
</tr>
<tr>
<td>No. R-51</td>
<td>Final activities were performed, work on appraisal of the Turonian gas deposit was continued.</td>
</tr>
<tr>
<td>No. R-52</td>
<td>Construction was completed, and it was put in conservation for 1 year.</td>
</tr>
<tr>
<td>No. R-53</td>
<td>Construction was completed, final activities were being performed.</td>
</tr>
<tr>
<td>No. R-54</td>
<td>Drilling stage was completed, the well was being tested.</td>
</tr>
<tr>
<td>No. R-55</td>
<td>Drilling stage was completed, preparatory activities for facilities testing in the production casing were being performed.</td>
</tr>
</tbody>
</table>
NATURAL GAS EXPLORATION AND PRODUCTION

5

ANNUAL REPORT 2015

NATURAL GAS EXPLORATION AND PRODUCTION

5

ANNUAL REPORT 2015

NATURAL GAS EXPLORATION AND PRODUCTION

SCIENTIFIC AND THEMATIC STUDIES

The work was performed in accordance with the revised geological assignment approved on August 1, 2015. Fulfillment 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

TyumenNigiprogaz 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 С3, 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

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (extracted from layer)</td>
<td>25.067</td>
<td>25.068</td>
<td>25.135</td>
</tr>
<tr>
<td>Natural gas losses in gas well surveys</td>
<td>0.022</td>
<td>0.021</td>
<td>0.016</td>
</tr>
<tr>
<td>Gross natural gas production</td>
<td>25.045</td>
<td>25.047</td>
<td>25.119</td>
</tr>
<tr>
<td>Domestic technological needs</td>
<td>0.95</td>
<td>0.079</td>
<td>0.069</td>
</tr>
<tr>
<td>Natural gas losses in operation of technological facilities</td>
<td>0.001</td>
<td>0.005</td>
<td>0.002</td>
</tr>
<tr>
<td>Sales gas</td>
<td>24.949</td>
<td>24.963</td>
<td>25.048</td>
</tr>
</tbody>
</table>
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 SEVERNEFTGAZPROM HAS ACCUMULATED PRICELESS EXPERIENCE PERFECTING THE TECHNOLOGY IN THIS FIELD, THUS LAYING A SOLID GROUNDWORK FOR THE FUTURE AND STRENGTHENING ITS MARKET POSITIONS.

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.

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.

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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 TURONIOAN GAS DEPOSIT

<table>
<thead>
<tr>
<th>Year</th>
<th>Well Design</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>No. 174</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>No. 184</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>No. 1902 (with multi-stage fracking)</td>
<td></td>
</tr>
</tbody>
</table>

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-Russian 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-Russian 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 m$^3$ of gas was supplied to the unified gas supply system of PJSC GAZPROM.

STAGES OF THE COMMERCIAL EXPLOITATION OF THE TURONIAN GAS DEPOSIT

<table>
<thead>
<tr>
<th>Stage</th>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>2011–2018</td>
<td>3 pilot wells: No. 174, No. 184, No. 1902</td>
</tr>
<tr>
<td>Stage 2</td>
<td>2019–2021</td>
<td>12 production wells Statup complex</td>
</tr>
<tr>
<td>Stage 3</td>
<td>2022–2029</td>
<td>125 additional wells Operation of the main part of the deposit</td>
</tr>
<tr>
<td>Stage 4</td>
<td>Since 2030</td>
<td>88 additional wells Connection of the peripheral part of the deposit</td>
</tr>
</tbody>
</table>
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.

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 Т 1–2 testing (gas flow rate of 50 thousand m³ 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 m³ 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.
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.

VALID PATENTS
AS OF DECEMBER 31, 2015

21
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.

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.

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).

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

- Intellectual Property
- Optimization Activity
- Promotion of Innovation Activities
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.

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

**NUMBER OF REGISTERED OPTIMIZATION PROPOSALS, PCS.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>54</td>
</tr>
<tr>
<td>2014</td>
<td>45</td>
</tr>
<tr>
<td>2013</td>
<td>41</td>
</tr>
</tbody>
</table>

Increase by +20%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>119</td>
</tr>
<tr>
<td>2014</td>
<td>106</td>
</tr>
<tr>
<td>2013</td>
<td>80</td>
</tr>
</tbody>
</table>

Increase by +12%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>68.19</td>
</tr>
<tr>
<td>2014</td>
<td>30.82</td>
</tr>
<tr>
<td>2013</td>
<td>6.16</td>
</tr>
</tbody>
</table>

Increase by +121%
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


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”


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


The Second Scientific and Practical Conference “Innovation Management in PJSC Gazprom: 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

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

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

OJSC SEVERNEFTEGAZPROM IS EXPANDING AND UPGRAADING 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.

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
- Fulfilment 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 gas, 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.

<table>
<thead>
<tr>
<th>MILLION RUBLES, WITHOUT VAT</th>
<th>2015</th>
<th>2014</th>
<th>CHANGE 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL EXPENDITURES, TOTAL</td>
<td>7,814</td>
<td>4,277</td>
<td>3,537</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling</td>
<td>138</td>
<td>276</td>
<td>–138</td>
</tr>
<tr>
<td>Exploration activities at the field</td>
<td>848</td>
<td>543</td>
<td>305</td>
</tr>
<tr>
<td>Survey work for future years</td>
<td>56</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>Equipment not included into construction estimates</td>
<td>79</td>
<td>147</td>
<td>–68</td>
</tr>
<tr>
<td>Construction facilities</td>
<td>6,685</td>
<td>3,275</td>
<td>3,410</td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>8</td>
<td>10</td>
<td>–2</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
<th>CHANGE 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTUAL</td>
<td>ACTUAL</td>
<td>%</td>
</tr>
</tbody>
</table>

**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

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

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 Contractor'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
- Reconstruction of GCU of BCS No. 1 (1 phase) with replacement of changeable flow channel
- Process building at the industrial base with heated parking

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.
Main Financial Indicators

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2015</th>
<th>2014</th>
<th>CHANGE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>49,463</td>
<td>37,214</td>
<td>33%</td>
</tr>
<tr>
<td>Gas production expenses *</td>
<td>(3,051)</td>
<td>(2,986)</td>
<td>2%</td>
</tr>
<tr>
<td>rubles/1,000 m³</td>
<td>(130)</td>
<td>(123)</td>
<td>6%</td>
</tr>
<tr>
<td>Expenses on MET (mineral extraction tax)</td>
<td>(19,760)</td>
<td>(19,217)</td>
<td>3%</td>
</tr>
<tr>
<td>Expenses on EA **</td>
<td>(192)</td>
<td>(73)</td>
<td>163%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>18,695</td>
<td>7,015</td>
<td>166%</td>
</tr>
<tr>
<td>Net profit</td>
<td>10,118</td>
<td>34</td>
<td>by 296 times</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>19,888</td>
<td>12,925</td>
<td>54%</td>
</tr>
<tr>
<td>Commissioning of fixed production assets</td>
<td>8,972</td>
<td>1,191</td>
<td>653%</td>
</tr>
</tbody>
</table>

MILLION RUBLES

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 fulfillment 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

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2015</th>
<th>2014</th>
<th>CHANGE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>49,463</td>
<td>37,214</td>
<td>33%</td>
</tr>
<tr>
<td>Cost of sales, including:</td>
<td>(29,500)</td>
<td>(29,021)</td>
<td>2%</td>
</tr>
<tr>
<td>Taxes (mineral extraction tax, property tax, others)</td>
<td>(20,589)</td>
<td>(20,135)</td>
<td>2%</td>
</tr>
<tr>
<td>Depreciation deductions</td>
<td>(5,668)</td>
<td>(5,827)</td>
<td>-3%</td>
</tr>
<tr>
<td>Gas production expenses*</td>
<td>(3,051)</td>
<td>(2,986)</td>
<td>2%</td>
</tr>
<tr>
<td>Expenses on exploration activities</td>
<td>(192)</td>
<td>(73)</td>
<td>163%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>19,963</td>
<td>8,193</td>
<td>144%</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(1,269)</td>
<td>(1,178)</td>
<td>7%</td>
</tr>
<tr>
<td>Sales profit</td>
<td>18,695</td>
<td>7,015</td>
<td>166%</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,356</td>
<td>1,083</td>
<td>25%</td>
</tr>
<tr>
<td>Interest payable, including:</td>
<td>(2,073)</td>
<td>(1,068)</td>
<td>94%</td>
</tr>
<tr>
<td>Project Facility Agreement (PF)</td>
<td>(851)</td>
<td>(848)</td>
<td>0.3%</td>
</tr>
<tr>
<td>Interest expense on accrued reserves**</td>
<td>(1,222)</td>
<td>(220)</td>
<td>455%</td>
</tr>
<tr>
<td>Other income and expenses (net)</td>
<td>(5,182)</td>
<td>(6,674)</td>
<td>-22%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>12,796</td>
<td>3,357</td>
<td>by 35 times</td>
</tr>
<tr>
<td>Net profit</td>
<td>10,118</td>
<td>34</td>
<td>296 times more</td>
</tr>
</tbody>
</table>

**Main Financial Indicators**

Financial Performance Report Indicators

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.

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.

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)).

Structure of revenues from gas sales

- **PJSC Gazprom**: 40%
- **CJSC Gazprom YRGM Trading**: 25%
- **CJSC Gazprom YRGM Development**: 35%

VOLUME OF MARKETABLE GAS SALES, MILLION M³

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, including:</td>
<td>24,949</td>
<td>24,963</td>
<td>25,048</td>
</tr>
<tr>
<td>PJSC Gazprom</td>
<td>9,980</td>
<td>9,985</td>
<td>10,019</td>
</tr>
<tr>
<td>CJSC Gazprom YRGM Trading</td>
<td>8,732</td>
<td>8,737</td>
<td>8,767</td>
</tr>
<tr>
<td>CJSC Gazprom YRGM Development</td>
<td>6,237</td>
<td>6,241</td>
<td>6,262</td>
</tr>
</tbody>
</table>

* 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.”
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.

### Dynamics of Gas Production Expenses

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

### Taxes (excluding Income Tax)

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2015</th>
<th>2014</th>
<th>CHANGE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral extraction tax</td>
<td>19,760</td>
<td>19,217</td>
<td>3%</td>
</tr>
<tr>
<td>Property tax</td>
<td>814</td>
<td>912</td>
<td>-11%</td>
</tr>
<tr>
<td>Other taxes</td>
<td>15</td>
<td>5</td>
<td>200%</td>
</tr>
<tr>
<td>Aggregate taxes (excluding income tax)</td>
<td>20,589</td>
<td>20,135</td>
<td>2%</td>
</tr>
</tbody>
</table>

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


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).
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

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AS OF DECEMBER 31, 2015</th>
<th>AS OF DECEMBER 31, 2014</th>
<th>CHANGE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12</td>
<td>13</td>
<td>-4%</td>
</tr>
<tr>
<td>Research and development results</td>
<td>23</td>
<td>22</td>
<td>9%</td>
</tr>
<tr>
<td>Intangible development assets</td>
<td>2</td>
<td>2</td>
<td>-3%</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>48,490</td>
<td>46,182</td>
<td>5%</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>966</td>
<td>172</td>
<td>460%</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,013</td>
<td>3,304</td>
<td>-69%</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>805</td>
<td>660</td>
<td>22%</td>
</tr>
<tr>
<td>Receivables</td>
<td>6,871</td>
<td>5,700</td>
<td>20%</td>
</tr>
<tr>
<td>Financial investments</td>
<td>3,367</td>
<td>6,308</td>
<td>-47%</td>
</tr>
<tr>
<td>Cash</td>
<td>27,230</td>
<td>17,387</td>
<td>57%</td>
</tr>
<tr>
<td>Other current assets</td>
<td>49</td>
<td>65</td>
<td>-24%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>88,850</td>
<td>79,815</td>
<td>11%</td>
</tr>
</tbody>
</table>

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.
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.

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

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2015</th>
<th>2014</th>
<th>DEVIATION</th>
<th>2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest under the Project Facility Agreement</td>
<td>851</td>
<td>848</td>
<td>3</td>
<td>0.3%</td>
</tr>
<tr>
<td>Current portion of long-term facilities and loans</td>
<td>7,778</td>
<td>3,356</td>
<td>142%</td>
<td>152%</td>
</tr>
<tr>
<td>Long-term facilities and loans</td>
<td>19,789</td>
<td>26,049</td>
<td>–23%</td>
<td>–24%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(30,597)</td>
<td>(23,695)</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Net debt</td>
<td>(3,030)</td>
<td>5,710</td>
<td>–183%</td>
<td>–53%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>EQUITY AND RESERVES</th>
<th>AS OF DECEMBER 31, 2015</th>
<th>AS OF DECEMBER 31, 2014</th>
<th>CHANGE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter capital</td>
<td>40</td>
<td>40</td>
<td>–</td>
</tr>
<tr>
<td>Revaluation of non-current assets</td>
<td>47</td>
<td>47</td>
<td>–</td>
</tr>
<tr>
<td>Additional capital</td>
<td>25,099</td>
<td>25,099</td>
<td>–</td>
</tr>
<tr>
<td>Reserve capital</td>
<td>2</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>PROFIT</td>
<td>22,584</td>
<td>14,828</td>
<td>52%</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>12,466</td>
<td>14,794</td>
<td>–</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>10,118</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td>Total equity and reserves</td>
<td>47,773</td>
<td>40,016</td>
<td>19%</td>
</tr>
</tbody>
</table>

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.

Key Financial Ratios

KEY FINANCIAL STABILITY RATIOS

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

* 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

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

Profitability Analysis

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

Cash Movement for the Reporting Period

THE NET CASH FROM OPERATING ACTIVITIES INCREASED BY 54% AND AMOUNTED TO 19,888 MILLION RUBLES

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2015</th>
<th>2014</th>
<th>DEVIATION</th>
<th>CHANGE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities</td>
<td>19,888</td>
<td>12,925</td>
<td>6,963</td>
<td>54%</td>
</tr>
<tr>
<td>Net cash used in investment activities</td>
<td>(2,043)</td>
<td>(5,052)</td>
<td>3,009</td>
<td>-60%</td>
</tr>
<tr>
<td>Net cash used in financial activities</td>
<td>(9,281)</td>
<td>(9,763)</td>
<td>482</td>
<td>-5%</td>
</tr>
</tbody>
</table>
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.

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
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.

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.

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-Russian 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-Russian 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”.

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.

OPERATIONAL ENVIRONMENTAL MONITORING IS CARRIED OUT IN THE FOLLOWING AREAS:

- Impact on atmospheric air
- Impact on soil
- Impact on fauna and habitat
- Water use and impact on water bodies
- Waste management
- Impact on forests and flora

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.
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.

<table>
<thead>
<tr>
<th>STRUCTURE OF POLLUTANT EMISSIONS, TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
</tr>
<tr>
<td>0.3</td>
</tr>
<tr>
<td>0.4</td>
</tr>
<tr>
<td>2,395</td>
</tr>
</tbody>
</table>

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.

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.

The Company manages to avoid additional direct emissions of methane 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.

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

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
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 m$^3$ of water were extracted from groundwater sources. Therefrom 70.65 thousand m$^3$ were taken from the underground water horizon, and 6.74 thousand m$^3$ were extracted together with natural gas (condensate-borne).

TRENDS OF WATER EXTRACTION FROM UNDERGROUND SOURCES FOR THE PERIOD FROM 2013 TO 2015, THOUSAND M$^3$

<table>
<thead>
<tr>
<th></th>
<th>Underground water beaming stratum</th>
<th>Stratal water</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>70.7</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>5.8</td>
<td></td>
</tr>
</tbody>
</table>

In general, the volume of wastewater discharge into the disposal horizon for the reporting period amounted to 62.65 thousand m$^3$, 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 m$^3$.

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
### Key Indicators of the Company's Environmental Protection Activities

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Indicator</th>
<th>Unit</th>
<th>2015 Value</th>
<th>2014 Value</th>
<th>Deviation from 2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross hazardous emissions into the atmosphere – total</td>
<td>thousand tons</td>
<td>1.719</td>
<td>3.655</td>
<td>-1.936</td>
<td>-53%</td>
</tr>
<tr>
<td></td>
<td>within permissible limits</td>
<td>thousand tons</td>
<td>1.573</td>
<td>3.588</td>
<td>-2.015</td>
<td>-56%</td>
</tr>
<tr>
<td></td>
<td>above permissible limits</td>
<td>thousand tons</td>
<td>0.146</td>
<td>0.067</td>
<td>+0.079</td>
<td>+118%</td>
</tr>
<tr>
<td></td>
<td>including: emissions of methane CH₄</td>
<td>thousand tons</td>
<td>0.361</td>
<td>2.395</td>
<td>-2.034</td>
<td>-85%</td>
</tr>
<tr>
<td>2</td>
<td>Specific emissions of NOₓ (gross emissions of NOₓ per unit of fuel gas)</td>
<td>thousand tons/million m³</td>
<td>0.000026</td>
<td>0.000024</td>
<td>+0.000002</td>
<td>+8%</td>
</tr>
<tr>
<td>3</td>
<td>Intake of water – total</td>
<td>thousand m³</td>
<td>84.52</td>
<td>69.85</td>
<td>+14.67</td>
<td>+21%</td>
</tr>
<tr>
<td>4</td>
<td>Water discharge – total</td>
<td>thousand m³</td>
<td>69.77</td>
<td>66.15</td>
<td>+3.62</td>
<td>+5%</td>
</tr>
<tr>
<td>5</td>
<td>Waste per year – total</td>
<td>thousand tons</td>
<td>0.178</td>
<td>2.064</td>
<td>-1.886</td>
<td>-91%</td>
</tr>
<tr>
<td>6</td>
<td>Share of waste sent for disposal (% of waste produced during the reporting period taking into consideration waste at the beginning of the year)</td>
<td>%</td>
<td>46</td>
<td>33</td>
<td>+13</td>
<td>+39%</td>
</tr>
<tr>
<td>7</td>
<td>Recultivated land area per year</td>
<td>hectare</td>
<td>22</td>
<td>28.6</td>
<td>-6.6</td>
<td>-23%</td>
</tr>
<tr>
<td>8</td>
<td>Expenses for environmental protection</td>
<td>thousand rubles</td>
<td>121,413</td>
<td>199,855</td>
<td>-78,442</td>
<td>-39%</td>
</tr>
<tr>
<td>9</td>
<td>Current (operational) expenses for environmental protection measures</td>
<td>thousand rubles</td>
<td>42,980</td>
<td>20,227</td>
<td>+22,753</td>
<td>+112%</td>
</tr>
<tr>
<td>10</td>
<td>Expenses for the environment protection services, including protection and recultivation of land</td>
<td>thousand rubles</td>
<td>74,210</td>
<td>66,161</td>
<td>+8,049</td>
<td>+12%</td>
</tr>
<tr>
<td>11</td>
<td>Expenses for development and approval of environmental documents</td>
<td>thousand rubles</td>
<td>237</td>
<td>601</td>
<td>-364</td>
<td>-61%</td>
</tr>
<tr>
<td>12</td>
<td>Expenses for production environmental monitoring and production ecological control</td>
<td>thousand rubles</td>
<td>4,835</td>
<td>4,251</td>
<td>+584</td>
<td>+14%</td>
</tr>
<tr>
<td>13</td>
<td>Expenses for major repairs of fixed assets involved in environmental protection</td>
<td>thousand rubles</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>14</td>
<td>Payment for negative environmental impact</td>
<td>thousand rubles</td>
<td>436</td>
<td>5,152</td>
<td>-4,716</td>
<td>-92%</td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td>thousand rubles</td>
<td>0</td>
<td>279</td>
<td>-279</td>
<td>-100%</td>
</tr>
<tr>
<td></td>
<td>within permissible limits</td>
<td>thousand rubles</td>
<td>0</td>
<td>711</td>
<td>-711</td>
<td>-100%</td>
</tr>
<tr>
<td></td>
<td>above permissible limits</td>
<td>thousand rubles</td>
<td>0</td>
<td>244</td>
<td>-244</td>
<td>-100%</td>
</tr>
<tr>
<td>15</td>
<td>Investments into fixed capital (exploration) for environmental protection</td>
<td>thousand rubles</td>
<td>4,223</td>
<td>103,003</td>
<td>-98,780</td>
<td>-96%</td>
</tr>
<tr>
<td>16</td>
<td>Number of inspections by state environmental agencies</td>
<td>number</td>
<td>0</td>
<td>1</td>
<td>-1</td>
<td>-100%</td>
</tr>
<tr>
<td>17</td>
<td>Number of violations of environmental regulations (according to inspection acts of state environmental agencies)</td>
<td>number</td>
<td>0</td>
<td>9</td>
<td>-9</td>
<td>-100%</td>
</tr>
<tr>
<td>18</td>
<td>Fines paid for violation of environmental legislation</td>
<td>thousand rubles</td>
<td>100</td>
<td>320</td>
<td>-220</td>
<td>-69%</td>
</tr>
<tr>
<td>19</td>
<td>Claims for environmental damage compensation</td>
<td>thousand rubles</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td>thousand rubles</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>as a result of accidents</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>20</td>
<td>Environmental damage claimed for compensation</td>
<td>thousand rubles</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td>thousand rubles</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>as a result of accidents</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

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

**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 CONSUMPTION**

In 2015, the Company took measures to reduce energy consumption by replacing incandescent lamps with LED ones. Being one of the leading gas companies, OJSC Severneftegazprom aims at minimizing natural gas consumption during its production.

**IN 2015, THE COMPANY MANAGED TO SAVE 157 THOUSAND KWH**

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

### Energy Usage Reduction

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.**

### Heating Energy Consumption, Thousand GCal

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heat consumption, Thousand GCal</td>
<td>34.2</td>
<td>34.5</td>
<td>35.4</td>
</tr>
</tbody>
</table>

### Saved Fuel and Energy Resources as a Result of Achieved Goals and Objectives in the Sphere of Energy Management System

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Planned</th>
<th>Actual</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement of lighting equipment (incandescent lamps, arch sodium and fluorescent lamps) by LED lamps</td>
<td>–</td>
<td>–</td>
<td>0.132</td>
<td>0.132</td>
</tr>
<tr>
<td>Replacement of lighting equipment by LED lamps, control over lighting in maintenance shop within pre-set time periods by installation of ON/OFF timers</td>
<td>–</td>
<td>–</td>
<td>0.007</td>
<td>0.025</td>
</tr>
<tr>
<td>Replacement of pipeline hydraulic testing with pneumatic testing using production substance</td>
<td>2.420</td>
<td>2.513</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Use of degassed gases as a fuel for thermal regeneration unit</td>
<td>0.313</td>
<td>0.313</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Elimination of non-tightness of threaded connection “surface casing collar, mounting nozzle at casing head” at well without decommissioning for repair</td>
<td>11.718</td>
<td>11.718</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>14.451</td>
<td>14.544</td>
<td>0.139</td>
<td>0.157</td>
</tr>
</tbody>
</table>
Personnel and Operational Safety

OJSC Severneftegazprom considers occupational, 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.

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.

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 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.

The integrated management system management of OJSC Severneftegazprom 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.

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.

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NUMBER OF ACCIDENTS IN 2010-2015

<table>
<thead>
<tr>
<th>CATEGORY OF ACCIDENTS / PERIOD</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor industrial accidents</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Major accidents</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
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 conformance to labor conditions. 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 conformance to labor conditions. 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 conformance to labor conditions. 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

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Protective Equipment</td>
<td>15,129</td>
<td>23,811</td>
<td></td>
</tr>
<tr>
<td>Compensatory Leave for Harmful Working Conditions</td>
<td>18,264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardship Pay</td>
<td>8,292</td>
<td>8,623</td>
<td>6,885</td>
</tr>
<tr>
<td>Medical Examinations</td>
<td>3,602</td>
<td>3,507</td>
<td>2,941</td>
</tr>
<tr>
<td>Assessment of Work Places</td>
<td>2,615</td>
<td>2,693</td>
<td>3,087</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>593</td>
<td>418</td>
</tr>
</tbody>
</table>

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”.

### Accident-Free Operational Activities

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.

### The Principles of Industrial Safety Assurance in OJSC Severneftegazprom

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with Federal Law No. 116 “On Industrial Safety of Hazardous Industrial Facilities” and Other Regulatory Legal Acts;</td>
<td>Requires adherence to all laws and regulations governing industrial safety.</td>
<td>ERP compliance statements.</td>
</tr>
<tr>
<td>Organization and Implementation of Operational Control Over the Compliance with Industrial Safety Requirements by Employees and Contracting Companies;</td>
<td>Ensures a comprehensive approach towards the management of safety.</td>
<td>bowling safety.</td>
</tr>
<tr>
<td>Training and Assessment of Employees;</td>
<td>Provides training and regular assessment of industrial safety.</td>
<td>Employee training records.</td>
</tr>
<tr>
<td>Implementation of Measures to Protect Health and Life of Employees in Case of an Accident at a Hazardous Industrial Facility (HIF);</td>
<td>Ensures the health and safety of employees.</td>
<td>Safety measures at hazardous facilities.</td>
</tr>
<tr>
<td>Participation in the Investigation of Causes of Accidents at Hazardous Industrial Facilities;</td>
<td>Aids in the investigation of accidents.</td>
<td>Accident investigation reports.</td>
</tr>
</tbody>
</table>

*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 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 YNGCFF 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.

### 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 OLYMPOX. 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.
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.

**HR and Social Policy**

### 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).

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 rate — 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**

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>INDICATORS</th>
<th>NUMBER (PERSONS) 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Actual headcount</td>
<td>1,043</td>
</tr>
<tr>
<td>2</td>
<td>Persons working under the contract concluded for indefinite period</td>
<td>1,028</td>
</tr>
<tr>
<td>3</td>
<td>Persons working under the fixed-term labor contract</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Persons working on a rotational basis</td>
<td>629</td>
</tr>
<tr>
<td>5</td>
<td>Persons working under the basic work management method</td>
<td>414</td>
</tr>
</tbody>
</table>

*Instruction for filling out forms of industrial statistic reports on the size, structure, and transfers of employees by subsidiaries, institutions, branches, and representation 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

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>MOSCOW/ WOMEN</th>
<th>NOVY URENGOY / WOMEN</th>
<th>URENGOY / WOMEN</th>
<th>TYUMEN / WOMEN</th>
<th>KRASNOSELKUP / WOMEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total headcount for 2015</td>
<td>1,043/208</td>
<td>73/41</td>
<td>110/59</td>
<td>226/59</td>
<td>1/1</td>
</tr>
<tr>
<td>Persons working under the fixed-term labor contract</td>
<td>15/11</td>
<td>2/1</td>
<td>3/3</td>
<td>7/4</td>
<td>–</td>
</tr>
</tbody>
</table>

THE COMPANY’S STAFF STRUCTURE, PERSONS

<table>
<thead>
<tr>
<th>EMPLOYEE CATEGORIES</th>
<th>TOTAL NUMBER AS OF 31.12.2015</th>
<th>YOUNGER THAN 30 YEARS</th>
<th>FROM 30 TO 40 YEARS</th>
<th>FROM 40 TO 50 YEARS</th>
<th>50 YEARS AND OLDER</th>
<th>WOMEN 55 YEARS AND OLDER</th>
<th>MEN 60 YEARS AND OLDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employees</td>
<td>1,043</td>
<td>125</td>
<td>357</td>
<td>352</td>
<td>209</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>

LABOR TURNOVER IN 2015, PERSONS

<table>
<thead>
<tr>
<th>NO.</th>
<th>INDICATORS</th>
<th>TOTAL / MEN IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MOSCOW / WOMEN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,043</td>
</tr>
</tbody>
</table>

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, 11/14, 15/10, 40/8, 0, 143/12

1 Average listed headcount in 2015

2 Total number of resigned persons

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.

CHILD CARE LEAVE GRANTED: TOTAL / MEN IN 2015

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%.

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.

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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 governed 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.

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.

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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.
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:

1. Raising the level of professional competence;
2. Creating an effective system for planning the candidates pool;
3. Developing leadership and managerial competences;
4. 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.

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>EMPLOYEE CATEGORY</th>
<th>TRAINED TOTAL AMONG THEM WOMEN</th>
<th>TRAINING HOURS TOTAL AMONG THEM WOMEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Managers</td>
<td>185</td>
<td>28</td>
</tr>
<tr>
<td>2</td>
<td>Specialists</td>
<td>96</td>
<td>37</td>
</tr>
<tr>
<td>3</td>
<td>Other employees</td>
<td>2</td>
<td>112</td>
</tr>
<tr>
<td>4</td>
<td>Workers</td>
<td>113</td>
<td>2</td>
</tr>
</tbody>
</table>

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:

- Assessment of professional competences in the field of work;
- Evaluation of the employees’ qualification level.

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

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TOTAL</th>
<th>ASSESSED</th>
<th>AMONG THEM MEN</th>
<th>AMONG THEM WOMEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>232</td>
<td>206</td>
<td>162</td>
<td>44</td>
</tr>
<tr>
<td>Specialists</td>
<td>311</td>
<td>272</td>
<td>227</td>
<td>45</td>
</tr>
</tbody>
</table>

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.

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.

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 competences 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;
- 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 in more than 2,200 medical institutions. 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.

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 outbreak. 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:

- shareholders;
- government agencies;
- local communities;
- partners and suppliers;
- public media;
- non-profit organizations;
- staff.

<table>
<thead>
<tr>
<th>SUBJECT OF INTERACTION</th>
<th>CORPORATE GOVERNANCE</th>
<th>FINANCIAL REPORT</th>
<th>REGULATORY AUTHORITY</th>
<th>ENVIRONMENTAL AND SOCIAL ASPECTS</th>
<th>LABOR</th>
</tr>
</thead>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Suppliers/buyers</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Shareholders</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Non-profit organizations/ Municipal organizations</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Public media</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Population</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Employees</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

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 to purchase machinery and equipment for the traditionally marked Reindeer Herder’s Day.

In 2015, over 900 thousand rubles were issued to the Association to purchase machinery and equipment for the traditionally marked Reindeer Herder’s Day and over 1 million rubles – to mark the traditional holiday Fisherman’s Day and over 1 million rubles – to mark the traditional holiday Fisherman’s Day.

The Company provided financial aid to the Association to purchase machinery and equipment for the traditionally marked Reindeer Herder’s Day.

The Company considers rendering assistance to the young people 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 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.

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SUSTAINABLE DEVELOPMENT

10

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 Kindergarden” – 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.
In pursuing a policy of informational transparency, 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.

Corporate Governance Structure

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 DYNAMICALY 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.

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

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

<table>
<thead>
<tr>
<th>Subject</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic, incl.</td>
<td>7</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>budget planning</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Corporate governance, incl.</td>
<td>55</td>
<td>64</td>
<td>34</td>
</tr>
<tr>
<td>transaction approval</td>
<td>34</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>preparing for the General Meeting of Shareholders</td>
<td>13</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>HR</td>
<td>7</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>other</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>57</strong></td>
<td><strong>65</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

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.

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).

ALEXANDER DUSHKO
Born on June 22, 1964, in Novodruzhesk.
From 2005, Deputy Head of the Department in PJSC Gazprom.

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 January 2016, Uniper Exploration and Production GmbH.

MARIO MEHREN
Born on November 24, 1970, in Kielbasa (Kiewniki).
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 Produktion 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).

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 RuA).

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.

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

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

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

* From January 2016, Uniper NefteGaz LLC.
BACKGROUND PROFILE:

VLADIMIR DMITRIUK

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:
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.

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

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

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 A8, 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

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.

<table>
<thead>
<tr>
<th>NO.</th>
<th>TYPE OF SECURITY</th>
<th>PLACED SHARES:</th>
<th>INCLUDES:</th>
<th>FULLY PAID-UP SHARES (PCS)</th>
<th>PARTIALLY PAID AT PAR (RUBLES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Company’s Charter Capital amounts to:</td>
<td>533,330</td>
<td>533,330</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Ordinary shares,</td>
<td>533,324</td>
<td>533,324</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Preferred shares, including</td>
<td>6</td>
<td>6</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Preferred shares Type A</td>
<td>2</td>
<td>2,461,620.00</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>3.1.1</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Preferred shares Type B</td>
<td>3</td>
<td>666,692.40</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>3.2.1</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Preferred shares Type C</td>
<td>1</td>
<td>1,076,992.20</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td>3.3.1</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

INFORMATION ON THE COMPANY’S EQUITY SECURITIES

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

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.

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.

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

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

<table>
<thead>
<tr>
<th>CATEGORY TYPE OF SECURITY</th>
<th>DIVIDENDS DISTRIBUTED, TOTAL, THOUSAND RUBLES</th>
<th>DATE OF DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>1,889,550</td>
<td>August 2015</td>
</tr>
<tr>
<td>Preferred shares Type A</td>
<td>290,707</td>
<td>August 2015</td>
</tr>
<tr>
<td>Preferred shares Type B</td>
<td>118,097</td>
<td>August 2015</td>
</tr>
<tr>
<td>Preferred shares Type C</td>
<td>63,583</td>
<td>August 2015</td>
</tr>
</tbody>
</table>
### Major Risk Factors Associated with the Company’s Activities

<table>
<thead>
<tr>
<th>Type</th>
<th>Subtypes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Risks</td>
<td>Financial Risks, Legal Risks, Technological Risks, Environmental Risks</td>
</tr>
<tr>
<td>Financial Risks</td>
<td>Interest Risk, Currency Risk</td>
</tr>
<tr>
<td>Legal Risks</td>
<td>Risk of Significant Changes in the Market Price for Gas</td>
</tr>
<tr>
<td>Environment Risks</td>
<td>Risks Related to Licenses</td>
</tr>
<tr>
<td>Interest Risk</td>
<td></td>
</tr>
<tr>
<td>Currency Risk</td>
<td></td>
</tr>
<tr>
<td>Risk of Significant Changes in the Market Price for Gas</td>
<td></td>
</tr>
</tbody>
</table>

**Structure and Assessment of the Company’s Risks**

<table>
<thead>
<tr>
<th>Legal Risks</th>
<th>Financial Risks</th>
<th>Industry Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks associated with the application and possible changes of currency legislation</td>
<td>Credit Risk</td>
<td>Technological Risks</td>
</tr>
<tr>
<td>Risks associated with legal proceedings and restrictions on the company’s activities</td>
<td>Interest Risk</td>
<td>Environmental Risks</td>
</tr>
<tr>
<td>Risks associated with the application and possible changes in the Russian tax legislation</td>
<td>Currency Risk</td>
<td>Risks related to licenses</td>
</tr>
<tr>
<td>Risks associated with inflation</td>
<td>Risk of significant changes in the market price for gas</td>
<td>Average</td>
</tr>
</tbody>
</table>
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 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-Russian 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.

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.
MAJOR RISK FACTORS ASSOCIATED WITH THE COMPANY’S ACTIVITIES

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.

RISKS ASSOCIATED WITH THE APPLICATION OF AND POSSIBLE CHANGES IN THE RUSSIAN TAX LEGISLATION
As of the end of 2015, the inflation rate was 12.2%.
As a non-public company, OJSC Severneftegazprom 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.

1. 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 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:

- 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
- 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)

Moreover, prepared materials on the General Meeting of Shareholders state the shareholder nominating a candidate for election to the Board of Directors.

1.4 The Company allows its shareholders to examine the General Meeting of Shareholders materials if despite mistypes and other insignificant shortcomings, the Company does not refuse to include it in the agenda of the General Meeting of Shareholders. The Company does not refuse to include such a suggestion in general makes it possible to determine the shareholder’s will and confirm its right to submit the suggestion.

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.

2. 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 The Board of Directors includes election of the General Director.

The Board of Directors controls the activities of the sole executive body of the Company.
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-Russky 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 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 and protection and its innovation and inventive activities.

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 presence 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 presence, 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 plans, on the Company’s performance in health, safety, and environmental protection and its innovation and inventive activities.

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.

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.

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 servant 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 G4 Sustainable Development Report (Integrated into the Annual Report).

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.

8.1 The Company’s financial standing 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:

– 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

8.6 The Company does not refuse to satisfy shareholder’s requests for access to documents or provision of document copies in case of mistakes or other insignificant shortcomings in the request.

9.1 The Company discloses on its website information on how to access financial, legal, and other corporate information and how to get in touch with the Company.

10.1 The Company provides up-to-date information on its innovation and inventive activities.

10.2 The Company discloses on its website information on how to access financial, legal, and other corporate information and how to get in touch with the Company.

10.3 The Company discloses on its website information on how to access financial, legal, and other corporate information and how to get in touch with the Company.
## 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 Krasnoelkup, Krasnoelkupsky 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).
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 Krasnoelkupsky 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.
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.
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”

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<tr>
<th>ESSENTIAL CONDITIONS OF THE TRANSACTION</th>
<th>PARTIES INTERESTED IN THE TRANSACTION</th>
<th>REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION</th>
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**ESSENTIAL CONDITIONS OF THE TRANSACTION**

7. Contract dated February 13, 2015, for the Company’s Being Vested with the Right to Obtain the Patent (Vacuum Gas Compressing Disposing Unit) with the following remuneration paid to the author:

- Fixed component: 178,800.00 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

8. Contract dated February 13, 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 author:

- 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

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 author:

- 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

10. Property Insurance Contract No. 15 PT 0010 dated March 15, 2015, with SOGAZ

- Contract value (insurance premium): 46,400.00 rubles (exempt from VAT)

11. Amendment to Property Insurance Contract No. 15 PT 0010 dated March 15, 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

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): 37,100.00 rubles (exempt from VAT)

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

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): 27,100.00 rubles (exempt from VAT)

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

16. Environmental Insurance Contract No. 15 EL 0222 dated March 12, 2015, with SOGAZ

- Contract value (insurance premium): 4,930.00 rubles (exempt from VAT)

17. Amendment to Environmental Insurance Contract No. 15 EL 0222 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


- Contract value (insurance premium): 15,500.00 rubles (exempt from VAT)


- Contract value (insurance premium): 5,500.00 rubles (exempt from VAT)


- Contract value (insurance premium): 5,500.00 rubles (exempt from VAT)


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- Contract value (insurance premium): 5,500.00 rubles (exempt from VAT)


- Contract value (insurance premium): 5,500.00 rubles (exempt from VAT)

28. Contract for Volunteer Health Insurance of the Company’s Employees No. 2151 LM 0071 dated March 17, 2015, with SOGAZ

- Contract value (insurance premium): 56,376.00 rubles (exempt from VAT)

29. Contract for Accident and Illness Insurance No. 2154 LA 0071 dated March 24, 2015, with SOGAZ

- Contract value (insurance premium): 174,601.00 rubles (exempt from VAT)

30. Contract No. 2152 SWGP-2015-U1 dated April 23, 2015, with DOK Signal for Paid Services

- Contract value: 200,000.00 rubles (exempt from VAT)


- Contract value (insurance premium): 68,400.00 rubles (exempt from VAT)
ESSENTIAL CONDITIONS OF THE TRANSACTION
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 № 3-9) Contract value: 590,000.00 rubles (including VAT)
35. Contract No. 312/2 dated June 1, 2015, with Gazprom Georesource for Performing Survey Work on the Facility Being Installation of the Turonian Gas Deposit at YROGCF. First Startup Contract value: 7,848,747.01 rubles (including VAT)
36. Contract No. 185/1 dated June 1, 2015, with TyumenNIIgiprogaz for Geophysical Surveys and Work during Construction of Production Well № 1902 Contract value: 266,763.78 rubles (including VAT)
37. Contract No. 486/SNGP-2015-U-02-03-S-007 dated June 2, 2015, with Gazprom Dobycha Urengoy for Permit and Revocation Services to the Children of the Company's Employees Contract value: 1,152,000 rubles (exempt from VAT)
38. Confidentiality Contract No. GB-SKZ-15/003 dated July 1, 2015, with Gazprom Dobycha Urengoy for Review of the Estimates in the Design Documentation (Construction of Absorption Well № 3-9) Contract value: 5,889,983.00 rubles (including VAT)
39. Contract No. 3.1.2/1-2015 dated July 1, 2015, with Gazpromneft-NNGGF for Gas Surveys during Pilot Operation of Wells № 184 and № 174 Contract value: 3,594,434.05 rubles (including VAT)
41. Contract No. 1813/SNGP-2015 dated October 1, 2015, with TyumenNIIgiprogaz for Design Supervision of the Process for Development of the Cenomanian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 2,673,684.00 rubles (including VAT)
42. Contract No. 180/1 dated October 2, 2015, with TyumenNIIgiprogaz for Design Supervision of the Process for Development of the Cenomanian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 9,083,884.40 rubles (including VAT)
43. 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 № 3-9) Contract value: 285,015.80 rubles (including VAT)
44. Contract No. 84/SNGP-2015-U-02-03-S-007 dated June 2, 2015, with Gazprom Dobycha Urengoy for Supervision over Construction of Exploration Well № 1902 at YROGCF Contract value: 5,083,884.40 rubles (including VAT)
45. Contract No. 486/SNGP-2015-U-02-03-S-007 dated June 2, 2015, with Gazprom Dobycha Urengoy for Supervision over Construction of Exploration Well № 1902 at YROGCF Contract value: 590,000.00 rubles (including VAT)
46. Contract No. 76-15-1 dated May 18, 2015, with TyumenNIIgiprogaz for Design Supervision of the Process for Development of the Cenomanian Gas Deposit at the Yuzhno-Russkoye oil, gas and gas condensate field Contract value: 266,763.78 rubles (including VAT)
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)

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)

63. Addendum No. 18 dated December 31, 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 2016: 2,373.68 rubles per 1,000 cubic meters of gas (excluding VAT)

64. Addendum No. 14 dated December 29, 2015, to Gas Sales Agreement No. 144/SNGP-2009 dated December 28, 2015, 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)

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
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)

66. Contract dated February 12, 2015, for the Company’s Being Vested with the Right to Obtain
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)

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)
<table>
<thead>
<tr>
<th>ITEM</th>
<th>COMMENT</th>
<th>PAGE</th>
<th>EXTERNAL ASSURANCE</th>
<th>ITEM</th>
<th>COMMENT</th>
<th>PAGE</th>
<th>EXTERNAL ASSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-26</td>
<td>Interactions with Stakeholders, 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.</td>
<td>104–105</td>
<td>No</td>
<td>G4-27</td>
<td>Interactions with Stakeholders. No concerns have been raised by interested parties through stakeholder engagement during the reporting period.</td>
<td>102–110</td>
<td>No</td>
</tr>
<tr>
<td>G4-28</td>
<td>Reporting Completion Principles</td>
<td>143–144</td>
<td>No</td>
<td>G4-31</td>
<td>Feedback Form</td>
<td>160</td>
<td>No</td>
</tr>
<tr>
<td>G4-32</td>
<td>Introduction</td>
<td>2</td>
<td>No</td>
<td>G4-33</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>158–159</td>
<td>No</td>
</tr>
<tr>
<td>G4-34</td>
<td>Reporting Completion Principles</td>
<td>143–144</td>
<td>No</td>
<td>G4-35</td>
<td>Feedback Form</td>
<td>160</td>
<td>No</td>
</tr>
<tr>
<td>G4-36</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>115–123</td>
<td>No</td>
<td>G4-37</td>
<td>Feedback Form</td>
<td>160</td>
<td>No</td>
</tr>
<tr>
<td>G4-38</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>115–123</td>
<td>No</td>
<td>G4-39</td>
<td>The Chairman of the Board of Directors is not an executive director</td>
<td>115–123</td>
<td>No</td>
</tr>
<tr>
<td>G4-40</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-41</td>
<td>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.</td>
<td>104–110</td>
<td>No</td>
</tr>
<tr>
<td>G4-42</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-45</td>
<td>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</td>
<td>104–110</td>
<td>No</td>
</tr>
<tr>
<td>G4-46</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-49</td>
<td>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</td>
<td>104–110</td>
<td>No</td>
</tr>
<tr>
<td>G4-47</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-50</td>
<td>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</td>
<td>104–110</td>
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<tr>
<td>G4-48</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-51</td>
<td>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</td>
<td>104–110</td>
<td>No</td>
</tr>
<tr>
<td>G4-52</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>115–123</td>
<td>No</td>
<td>G4-53</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>158–159</td>
<td>No</td>
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<tr>
<td>G4-54</td>
<td>Interactions with Stakeholders</td>
<td>104–110</td>
<td>No</td>
<td>G4-55</td>
<td>Financial and Operational Activities Management and Supervision Bodies</td>
<td>115–123</td>
<td>No</td>
</tr>
<tr>
<td>G4-56</td>
<td>Ethics and Fair Practices</td>
<td>136–139</td>
<td>No</td>
<td>G4-57</td>
<td>Ethics and Fair Practices</td>
<td>136–139</td>
<td>No</td>
</tr>
<tr>
<td>G4-58</td>
<td>Ethics and Fair Practices</td>
<td>136–139</td>
<td>No</td>
<td>G4-59</td>
<td>Ethics and Fair Practices</td>
<td>136–139</td>
<td>No</td>
</tr>
</tbody>
</table>
### Water Supply

**EN-8 Water Supply**

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 78–81

- **Surface water withdrawal**: 0 m³
- **Rainwater collected directly and stored by the organization**: 0 m³
- **Waste water from another organization**: 0 m³
- **Waste water treated by the Company and reserved calculation**: 0 m³

#### EN-9 Water Supply

- **Impact assessment is based on both licenses No. СИ-121 ВС for subsoil usage rights issued to the Company and reserves calculation**: 0 m³
- **The volume of water reused was 5.5% of the total water withdrawn in 2015**: 0 m³

### Emissions Aspect

#### DMA Pollutant Emissions 76–77

- **Bio gas CO2 emissions (ODW landfill)**: 0.015 thousand tons
- **Methane permanently flared**: 43 thousand m³
- **Methane flared**: 24,703 thousand m³
- **Methane bled off**: 517 thousand m³
- **Methane permanently bled off**: 517 thousand m³
- **The methane flared is reported taking into account production in the amount of 161 million barrels in oil equivalent**

### Effluents and Waste Aspect

#### DMA Waste recycling

- **Enforcement of standards and methodologies**: No
- **The report provides information on effluent discharge, waste recycling and recovery, including drill cuttings both within and outside the Organization**: No
- **Waste recycling**: 77

#### DMA Waste recycling

- **Enforcement of standards and methodologies**: Yes
- **The report provides information on effluent discharge, waste recycling and recovery, including drill cuttings both within and outside the Organization**: No
- **Waste recycling**: 77
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 accidents were registered in the reporting period.

Professional diseases rate = \( \frac{\text{Number of professional diseases}}{\text{Working hours for the reporting period}} = 0; \)

Injury rate = \( \frac{\text{Number of injuries}}{\text{Working hours for the reporting period}} = 0; \)

Lost day rate = \( \frac{\text{Number of lost days due to injuries}}{\text{Working hours for the reporting period}} = 0; \)

Absentee rate: AR = \( \frac{\text{Total lost days for a period}}{\text{Total working hours of the workforce for the same period}} = 0; \)

According to the current legislation, the Company does not keep record of occupational injuries of independent contractor employees.

The report discloses the OHS management impact on the life and health of the Company’s employees.
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. 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, Novy 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.

Moscow, April 29, 2016
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.