ANNUAL REPORT

OJSC SEVERNEFTEGAZPROM

2010

PRELIMINARY APPROVED
by the Board of Directors
OJSC Severneftegazprom

Minutes No. XX/2011 dated 25 May 2011.

Chairman of the Board of Directors

_____/A.I. Medvedev/

APPROVED
by the General Meeting of Shareholders
OJSC Severneftegazprom

Minutes No. XX/2011 dated 29 June 2011

Chairman of the meeting

_____/A.I. Medvedev/

ANNUAL REPORT
OPEN JOINT STOCK COMPANY
SEVERNEFTEGAZPROM for 2010

General Director _____*signature*_____ S.E. Tsygankov

/STAMP/

Chief Accountant _____*signature*_____ T.M. Rasko

Disclaimer

Translation Note

The following text in English is a translation from the Russian original version. While every effort is made to ensure that the translation is accurate, there may nevertheless be differences of meaning between this and the original Russian version. Therefore, please, note that the following translation is provided for information only and is not intended for any other use.

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2010 Highlights

January

The new Collective Agreement for 2010–2012 came into force, specifying, within the framework of financial and economic capabilities of the Company, a higher level of preferences, guarantees and compensations as compared to the effective labor law. The new Collective Agreement is the result of gaining an optimum balance between the interests of the Company as of the employer and those of its employees within the framework of social partnership in the sphere of labor.

February

The Company successfully passed certification as regards the compliance of the integrated management system of Severneftegazprom in the sphere of quality, labor protection, professional health and safety, environment protection, with requirements of the international standards: ISO 9001:2008 "Quality management system"; ISO 14001:2004 "Environment protection management"; OHSAS 18001:2007 "Professional health and safety management". Certification was conducted by an international accredited organization: "Veritas Certification Bureau Rus".

May

The Company's board of directors preliminary summarized the annual results, issued recommendations to the Company's shareholders as regards the Annual Report and Accounting approval, distribution of profit as per the results of financial year 2009.

June

On June 7, the total volume of natural gas extracted from Yuzhno-Russkoje field exceeded 50 billion cubic meters, which was possible due to the fact that the field gas extraction capacity had been raised to the design level of 25 billion cubic meters in August 2009 one year ahead of schedule.

To refinance the bridge credit received in 2009, the Company obtained from a group of foreign banks headed by Societe Generale Bank three short-term multicurrency credits of 193 million EUR and 1,084 million USD (bridge financing with repayment till 31.03.2011) against security of OJSC Gazprom, BASF SE and E.ON AG in the ratio of 40%, 35% and 25%, respectively.

At the expense of the Company's own funds, the shareholders' loans in the amount equivalent to 423 million EUR were redeemed.

On 29 June the Annual General Meeting of Shareholders of OJSC Severneftegazprom was held where production and economic performance of the Company in 2009 was reviewed. The shareholders approved the Company's 2009 Annual Report, annual accounting statements and the Company's Auditor for 2010, and elected new members to the Board of Directors and the Audit Committee. Besides, in order to facilitate the procedure for entering into interested party transactions, the General Meeting resolved to approve 27 transactions that were to be entered into in the second part of 2010 – the first part of 2011 years during the Company's ordinary activities.

July

On July 29th, the board of directors of OJSC Severneftegazprom approved the preliminary conditions of attracting long-term financing of Yuzhno-Russkoje field project not exceeding an equivalent of 1,100,000,000 (one billion one hundred million) Euro. An information memorandum was approved for submission to potential lenders.

August

OJSC Severneftegazprom adopted new corporate logos, specified in the Book of corporate style of Severneftegazprom. The corporate logo of circular form, divided into three sections and painted corporate colors symbolizes the alliance of the Company's three shareholders with the purpose of Yuzhno-Russkoje field development.

September

With the purpose of preparing requests to potential lenders for their proposals of funding of the Company, an Information Memorandum was signed.

October

On October 13th, within the framework of execution of tasks, aimed at the development of Yuzhno–Russkoje field, the Company successfully put into industrial operation the Booster Compressor Station with a capacity of 64 MW (Block No.1, first construction line) as part of the existing Gas Treatment Unit.

November

Basing on results of the considerable preparatory work of attracting project funding, the Company received letters of commitment from 13 international banks and from Gazprombank (OJSC), regarding their readiness to finance the Company's activity in the amount of 1.4 billion EUR and up to 9 billion RUB accordingly.

December

The construction of experimental multibranch well No.174, intended for execution of research works according to the Project of pilot commercial development of Turon (T1, T2) gas deposits of Yuzhno–Russkoje field, was started.

SECTION 1

GENERAL INFORMATION
COMPANY'S STATUS IN THE INDUSTRY

1.1

Registration data and geographic location of the Company

Open Joint Stock Company Severneftegazprom ("the Company") was formed by reorganizing Severneftegazprom Limited liability Company and was registered on 15.06.2001 with the State Registration Chamber at the Russian Ministry of Justice (Certificate of registration and making alterations to the State Register of Profit Making Organizations No.R–16625.16 of 15.06.2001). The Company is the assignee of all rights and liabilities of LLC Severneftegazprom, including those specified in obtained licenses, certificates and other documents of entitlement.

Core activities of the Company:

- development of Yuzhno–Russkoje Field and infrastructure setup;
- production, collection, preparation for transport and sales of natural gas;
- exploration and prospecting;
- construction management business.

Basic licenses of the Company:

- for geologic survey and extraction of hydrocarbon material within Yuzhno–Russkoje subsoil area, located in Krasnoselkup Area, Yamalo–Nenets Autonomous District, Tyumen Region; series SLKh No.11049 NE. Date of issue – 22.06.2001. Date of the license expiry – 31.12.2043;
- for operating explosion hazardous industrial facilities № EV–00–007716 (DK). Commencement of the license validity – 07.08.2007. Date of the license expiry – 07.08.2012.

In addition, the Company has more than 10 permissions (licenses) for other types of activity and it is a member to the Non–profit Partnership "Association of Developers of Gas and Oil Industry".

The Company is located in Yamalo–Nenets Autonomous District, Krasnoselkup Area, the village of Krasnoselkup, Lenina str., 22.

OJSC Severneftegazprom has representative offices in Novy Urengoy, the town of Urengoy, Tyumen and Moscow. The Company has no subsidiaries.

Yuzhno–Russkoje Field is situated in the northeast part of Western Siberia in Krasnoselkup Area, Yamalo–Nenets Autonomous District, Tyumen Region, in the eastern part of Tazovsky oil–and–gas–bearing area (Pur–Tazovsky oil–and–gas–bearing region) is more than 85 km long and more than 14 km wide.

The localities situated nearest to the Field are the village of Krasnoselkup located 135 km east of the Field and the town of Urengoy situated 90 km west thereof. There are three 1,420 mm connecting pipelines Zapolyarnoe – Urengoy laid 60 km from the northern boundary of the license area. The nearest railway station is Korotchaevo located 110 km west of the Field boundary. Urengoy is the closest river port and airport with an unpaved runway.

Other registration data and contract information may be found in the appendix to this Report.

1.2

Yuzhno–Russkoje Field major development landmarks

17 November 1969	Yuzhno–Russkoje Field was discovered as a result of drilling exploration well No.6 and gas production inflow from Senoman reservoir was obtained when tested. The drilling was performed by the Urengoy oil exploratory expedition.
1979	Reserves in Senoman and Senon reservoirs were evaluated and approved by the USSR State Reserves Committee.
Since 1982	Yuzhno–Russkoje Field has been a site for detailed seismic investigations as oil and gas reservoirs were discovered in Lower Cretaceous and Jurassic deposits in Pur–Tazovsky region. Lower Cretaceous and Jurassic deposits productivity was shown by well testing.
1990	The second phase of exploration and appraisal drilling at Yuzhno–Russkoje Field.
1993–1994	the deposits exploitability was proved and gas/oil reserves were evaluated.
23 December 1993	The State Sub–soil Use License became effective as regards the use of Yuzhno–Russkoje field sub–soil area.

22 June 2001	License for geological survey and extraction of hydrocarbon feedstock within limits of Yuzhno–Russkoje field subsurface area was received by OJSC Severneftegazprom.
2004	The Project of development of Senoman (PK1) and Senon[1] (T1, T2) deposits of Yuzhno–Russkoje field (developer – TyumenNIIgiprogaz, LLC) was prepared.
11 November 2004	It was determined that the development of Yuzhno–Russkoje field should be executed using the methods of project funding (Decree No.51 of The Board of Gazprom "On primary measures for setting into operation of Yuzhno–Russkoje field subsurface area").
2005	Basing on the project of development of deposits, the Project of development of Yuzhno–Russkoje field (developer – OJSC YuzhNIIgiprogaz) was executed: this project later received approval of the departmental and Main State expertise.
January 2006	Start of infrastructure setup at Yuzhno–Russkoje field.
27 September 2007	A tie–in to OJSC Gazprom Unified Gas Supply System was performed to supply gas from Yuzhno–Russkoje Field.
25 October 2007	At 03:20 a.m. Moscow Time Yuzhno–Russkoje Field was put into commercial production.
November 2007	following an asset swap transaction between OJSC Gazprom and BASF AG, Wintershall Holding AG[2], a subsidiary of BASF AG, became a shareholder of the Company.
18 December 2007	A ceremony devoted to the commissioning of Yuzhno–Russkoje Field took place at OJSC Gazprom's Central Office and was attended by Dmitry A. Medvedev, First Vice Premier of the Russian Federation and Chairman of OJSC Gazprom's Board of Directors, and Frank–Walter Steinmeier, Vice Chancellor and Foreign Minister of Germany.
05 June 2009	a Shareholders Agreement between Russian and German investors specifying procedures for interaction in developing Yuzhno–Russkoje Field was signed.
August 2009	Yuzhno–Russkoje Field reached the design gas production capacity of 25 billion cubic m per year one year ahead the scheduled time.
October 2009	an asset swap transaction between OJSC Gazprom and E.ON Ruhrgas AG resulted in E.ON Ruhrgas E & P GmbH becoming a shareholder of the Company, a subsidiary of German company E.ON Ruhrgas AG.
7 June 2010	the first 50 billion cubic m of gas were developed at Yuzhno–Russkoje Field.

Today the total reserves of Yuzhno–Russkoje Field comprise about 1 trillion cubic m of gas.

1.3 Company's key performance indicators and priority lines of activity

Company's key economic/financial performance indicators, million RUB

Indicator	2010	2009	2008
Gas sales proceeds, VAT exclusive	36,901.90	16,890.5	14,626.8
Capital investment	4,329.80	12,844.41	21,724.6
Net assets	42,470.41	23,116.66	20,053.41
Accounts receivable as of the year end	7,477.13	5,374.37	11,853.18
Accounts payable as of the year end	43,502.97	61,191.61	52,386.61
Include credits and loans	40,849.52	59,590.3	50,909.35
Profit (loss) before tax	24,329.78	1,885.83	(4,292.75)
Net profit (loss)	19,353.75	1,423.75	(3,327.06)

Company's key production performance indicators

Indicator	2010	2009	2008

[1] Hereinafter referred to as Turon;

[2] starting from 01 March 2010 because of the change of the legal entity incorporation form it should be considered Wintershall Holding GmbH.

Gross gas production, billion cub m	25.359	22.584	15.066
Marketable gas sales, billion cub m	25.327	22.551	15.017
Reserves increment as per exploration and prospecting results, including			
gas, billion cub. m	15.636	14.768	48.897
gas condensate, million tons	–	0.068	–
oil, million tons	3.910	–	–
Staff on payroll, pers.	963	933	882

Company's priority lines of activity in 2010:

- maintain the Field's annual design production volume of 25 billion cubic m;
- placing in operation Boost Compressor Station (BCS–1, first order);
- meeting all license obligations;
- further exploration production characteristics of Turon (T1, T2) gas deposits;
- exploration & prospecting and reserves increment;
- implementation of design solutions and measures for the Field development supervision;
- implementation of environmental measures under applicable Russian laws;
- attraction of a long–term project financing for the Yuzhno–Russkoje Field development project;
- certification of an integrated management system (MS) under international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, for effective quality, accident prevention, environmental and industrial safety management;
- development of social partnership in labor sphere for optimal balance of interests between an employer and an employee.

1.4

Company's status in the industry and risk factors

OJSC Severneftegazprom belongs to the companies in the gas sector of Russia's fuel and energy industry and is a part of OJSC Gazprom Company Group.

The fuel and energy complex (FEC) plays a key role in the national economy and its development. FEC accounts for the bulk of value–added production of the national GDP, tax and customs payments to the public treasury and currency receipts from exports. The gas industry is the country's FEC most stable and efficient sector providing for more than 50% of domestic power consumption. Gas has been and is the most environmentally friendly and socially attractive energy carrier.

Today OJSC Gazprom accounts for 84% of Russian and over 14,5%[3] of world gas production. OJSC Gazprom has achieved the planned gas production levels by exploiting the existing fields and those put into production, including Yuzhno–Russkoje Field that is of critical importance. Alexey Miller, Chairman of OJSC Gazprom's Management Board, says: "The commissioning of Yuzhno–Russkoje Field is the most important event for OJSC Gazprom in 2007. This is a striking example of how the Company is implementing its consistent policy aimed to increase its production capacities and create a reliable reserve to provide stable and safe gas supplies to the domestic and external markets. The launch of Yuzhno–Russkoje Field shows OJSC Gazprom's success in applying new principles of cooperation with the world's energy giants."

Holding a license for use of the subsoil of Yuzhno–Russkoje Field, OJSC Severneftegazprom engages in gas production, preparation for transport, and natural gas sales in addition to exploration and prospecting. The Company has a steady market for its products and supplies gas under long term delivery contracts.

OJSC Severneftegazprom is a successfully developing gas producing company. OJSC Severneftegazprom output of natural gas accounted for about 4.9%[3] of the total gas produced by OJSC Gazprom Company Group in 2010.

Financial risks

Exchange rate change / inflation risks

The Company's financial standing depends on exchange rate variations as all the Company's credit and loan liabilities are denominated in foreign currencies (US dollar, euro). As a project implemented in Rus–

sia, the Yuzhno–Russkoje Field development project forms cash flows nominated in roubles. Thus in case of rouble devaluation the Company will incur foreign exchange losses that may lead to increased debt service costs in roubles in addition to losses resulting from increased rouble values of liabilities denominated in a foreign currency.

Therefore, an effect of variations in the national currency exchange rate on the Company's financial standing is estimated as significant.

Increasing inflation rates in Russia represent a substantial risk. Since planned inflation rates determined by the Russian Government tend to grow, it results in cost growth rates exceeding the basic forecast.

One of the basic mechanisms employed by the Company to minimize the above risks is the gas selling price formula specified in gas supply contracts, providing for cost overrun coverage, including as regards exchange rate differences.

Interest rate development risks

The Company is subject to interest rate risk due to the long–and short–term loans. Credits and loans with variable interest rates expose the Company at risk of the impact of changes in interest rates on cash flows. Credits and loans with fixed interest rates expose the Company at risk of the impact of changes in interest rates in the amount of the fair value of these loans.

In order to reduce the abovementioned risks the company conducts a periodic review of the current interest rates.

The Company does not use derivative instruments to hedge their cash flows and fair value of the impact of interest rate change risk.

Yet the risk is assessed as low, considering that under gas supply contracts the gas price is defined with the formula taking account of interest charges.

Risks related to the Company's business

License risks

In developing Yuzhno–Russkoje Field the Company uses a license for exploration and production of hydrocarbon material within Yuzhno–Russkoje subsoil area and a license for operating of explosion hazardous production facilities. Under applicable Russian laws and the licenses the right to use subsoil or carry on the licensed activity may be restricted, suspended or terminated before expiry of validity in case of failure to meet the terms and conditions of license agreements or provisions of the current Russian licensing laws.

The Company has fully complied with the terms and conditions of license agreements and taken every measure to meet provisions of the current Russian licensing laws, so this risk is regarded as unlikely to occur.

Technological risks

The Company's production activities are associated with operating hazardous production facilities where destruction of in–operation equipment or its failure may occur.

To minimize such risks, the design solutions provide for implementation of automatic process control systems and process/equipment monitoring, accident prevention and protection systems that ensure reliable, safe and trouble–free operation.

Special attention is given to meeting the accident prevention, industrial, fire and blowout safety requirements. The company provides occupational and emergency training for operating personnel and implements, on an ongoing basis, a package of scheduled preventive works and measures aimed to ensure functionality of production processes and reliable operation of equipment, which also reduces technological risks.

Environmental risks

The Company's development of Yuzhno–Russkoje Field is potentially associated with a risk of damaging the environment. The design solutions implemented by the Company in developing and exploiting the Field comply with Russian and international environmental standards. The Company has introduced an integrated environmental and industrial safety management system that meets international standards. Environmental protection is one of the Company's priority areas.

Legal risks

Legal risks related to the Company's business are primarily due to possible changes in the laws governing the activities carried on by Company.

Risks related to changes in currency laws may indirectly affect the Company's business because its credit and loan liabilities are denominated in foreign currencies (UD dollar, euro) and their servicing is associated with exchange transactions.

No alterations increasing tax rates are expected to be made to tax laws in the near future. A risk of increased taxes in the short term is regarded as low. If any alterations are made to the current taxation terms and procedures, the Company will allow for such alterations in planning its financial and economic activities.

Changes in judicial practice connected with the Company's business and in rules of court procedure are unlikely to have any significant effect on the Company's business as the Company tries to settle disputes using out–of–court procedures. At present the Company is not involved in any substantive legal proceedings and bears no liability for third parties' debts.

SECTION 2

CORPORATE MANAGEMENT

2.1 Corporate management practice

Corporate management is a tool for providing effective interaction between the Company's shareholders, Board of Directors and an executive body.

The Charter of OJSC Severneftegazprom, internal regulations and Shareholders Agreement ensure that the shareholders participate in managing the Company in the degree as provided by applicable Russian laws. The Company is seeking to raise the corporate management level and follow the best corporate practice.

Information on compliance by the Company with the provisions of the Corporate Conduct Code recommended for use by the Federal Commission for the Securities Market of Russia is given in the appendix to this Report.

2.2 Control and management bodies

2.2.1. General Meeting of Shareholders

The Company highest management body is the General Meeting of Shareholders. The General Meeting procedure (calling, preparation, summing up etc.) is determined by applicable Russian laws, the Charter and the Regulations for the Company's General Meeting of Shareholders.

In 2010, 5 general meetings of shareholders of OJSC Severneftegazprom were held, including the Annual General Meeting of shareholders, which approved the Annual Report of OJSC Severneftegazprom, annual accounting, the Company's auditor was elected, the board of directors and board of auditors were elected, the issues on profit distribution and remuneration to the Board of Directors members were considered. The annual meeting also approved 27 transactions, the striking of which is in some interest to Gazprom the conclusion of which was performed in the second half of 2010 in the process of execution of routine business.

At extraordinary general meetings of shareholders of OJSC Severneftegazprom held in 2010, the decisions regarding reelection of the board of directors, the approval of loan agreements, concluded due to re-financing of existing credits and the change of gas supply agreements in the part of price and supply volumes for 2011, were passed.

2.2.2. Board of Directors

The Board of Directors of OJSC Severneftegazprom carries out general management of the business subject to the procedures and within the terms of reference as determined by applicable Russian laws, Company's Articles of Association and Board of Directors Regulations.

In the reporting period, the Board of Directors efficiently performed its functions of protecting shareholders' interests and controlling the Company's management effectiveness.

In 2010, 16 meetings of the Board of Directors were held, where 59 items out of different Company's business fields were resolved.

In the reporting year the determinant became resolutions, adopted by the board of directors related to the Company's preparation for attraction of long-term project financing of Yuzhno-Russkoje field; on occasion of the change of gas price calculation order as well as due to the change of the long-term plan of development and budget of Yuzhno-Russkoje oil and gas field.

The board of directors adopted resolutions regarding refinancing of multi-currency credit, attracted by the Company in 2009, the re-approval of the Annual Work Schedule and the Company's Budget, as well as the prices for gas realization for 2011; regarding the approval of agreements, which are the deals which imply the interest; regarding the proposals to the General Meeting of Shareholders to approve supplementary agreements to the long-term gas supply agreements in the part of gas realization price and the supply volume in 2011.

The Company's Charter specifies that the Board of Directors of OJSC Severneftegazprom consists of 8 members.

Information on the members of the Board of Directors as of December 31, 2010



Medvedev Alexander Ivanovich

Chairman of the Board of Directors

Born on August 14, 1955 in Shakhtersk, Sakhalin Region. Graduated from Moscow Physics and Technology Institute. Academic degree: PhD in Economics

2002–2008 – OJSC Gazprom Management Board member, General Director, LLC Gazexport;

Since 2008 – Vice Chairman, OJSC Gazprom Management Board, General Director, LLC Gazprom Export.

Holds no shares of the Company



Pavlova Olga Petrovna

Born on August 17, 1953 in Vladivostok. Graduated from Far Eastern State University. Academic degree: PhD in Law.

Since 2003 – Head of Department for Property Management and Corporate Relations, OJSC Gazprom;

Since 2004 – OJSC Gazprom Management Board member.

Holds no shares of the Company



Cherepanov Vsevolod Vladimirovich

Born November 25, 1966 in Frunze. Graduated from Lomonosov Moscow State University. Academic degree: PhD in Geology.

2008–2010 – Deputy General Director – Chief geologist, LLC Gazprom Dobycha Nadym;

Since 2010 – Member of the Management Board of OJSC Gazprom, Head of the Gas, Gas Condensate, Oil Production Department of OJSC Gazprom.

Holds no shares of the Company.



Dushko Alexander Pavlovich

Born on June 22, 1964 in Novodrujesk. Graduated from Saint–Petersburg Academy of Engineering and Economics.

Since 2005 – Deputy Head of the Finance and Economics Department of OJSC Gazprom.

Holds no shares of the Company.



Dr. Rainer Seele

Born on September 2, 1960 in Bremerhaven, Germany. Graduated from University of Gцttingen, Germany. Academic degree: PhD in Chemistry

2000 – 2009 – Managing Director, WINGAS GmbH & Co. KG;

2002 – 2009 – Member of the Board of Executive Directors, Wintershall Holding GmbH;

2005 – 2009 – Managing Director, Wintershall Erdgas Handelshaus GmbH & Co. KG; Managing Director, WINGAS Holding GmbH;

Since 2009 – Chairman of the Board of Executive Directors, Wintershall Holding AG; Managing Director, Wintershall Erdgas Beteiligungs GmbH.

Holds no shares of the Company.



Dr. Ties Tiessen

Born on March 29, 1957 in Itzehoe, Germany. Graduated from Christian Albrecht University (study of legal and public sciences) at Kiel, Germany with an academic degree.

Since 2005 – Member of the Board of Executive Directors, Wintershall Holding GmbH;

2006 – 2010 Member of the Board of Executive Directors, Wintershall AG;

2008 – 2010 – Chairman of the Board of Executive Directors, Wintershall AG;

Since 2008 – Managing Director, Wintershall Russland GmbH;

Since 2009 – Managing Director, Wintershall Wolga Petroleum GmbH.

Holds no shares of the Company.



Henning Rolf Deters

Born on September 04, 1968 in Essen, Germany. Graduated from University Munster (Finance and international economic relations). Master of Business Administration (MBA)

Since 2004 – Member of the Management Board, E.ON Ruhrgas AG, Germany;

Holds no shares of the Company.



Frank Allan Sivertsen

Born on August 21, 1957 in Time, Norway. Graduated from Norwegian School of Economics and Business Administration. Master of Business Administration (MBA).

2005–2007 – Managing Director, E.ON Ruhrgas UK North Sea, UK;

Since 2008 – CEO, E.ON Ruhrgas E&P GmbH, Germany.

Holds no shares of the Company.

Information on changes in the composition of the Board of Directors in 2010

Board of Directors from 01.01.2010 till 30.07.2010	Board of Directors from 30.07.2010 till 30.11.2010	Board of Directors from 30.11.2010 till 31.12.2010
Medvedev, Alexander Ivanovich	Medvedev, Alexander Ivanovich	Medvedev, Alexander Ivanovich
Pavlova, Olga Petrovna	Pavlova, Olga Petrovna	Pavlova, Olga Petrovna
Poduyk, Vasily Grigorievich	Cherepanov Vsevolod Vladimirovich	Cherepanov Vsevolod Vladimirovich
Yatsenko, Sergey Viktorovich	Dushko Aleksandr Pavlovich	Dushko Aleksandr Pavlovich
Rainer Seele	Rainer Seele	Rainer Seele
Ties Tiessen	Ties Tiessen	Ties Tiessen
Jochen Weise	Jochen Weise	Henning Rolf Deters
Frank Allan Sivertsen	Frank Allan Sivertsen	Frank Allan Sivertsen

Report of the Company's Board of Directors on performance in the Company's priority business areas

In 2010 the board of directors was mainly focused on attraction of the long–term financing for development of Yuzhno–Russkoje field. The following decisions were taken by the board of directors within the frameworks of preparing for attraction of project financing:

– On approval of basic parameters of attraction of debt financing by the Company in the form of long–term project funding for issue of proposals to potential creditors;

– On approval of changes in the acting Long–term plan of development and budget of Yuzhno–Russkoje field in the part of increasing of capital and operational costs. The costs include the capitalized interests as per existing credits of OJSC Severneftegazprom the expenses of the preparatory period (2000–2004), cost of execution of geological survey work, of maintaining the extraction on planned level, of purchasing the equipment, not included into the cost estimates of construction sites, etc, considering the actual inflation indices;

– On approval of changes to calculation of the gas price with a view to increase the efficiency of the price formula as an instrument of the Company protection from potential risk of insufficient liquidity (in particular, as regards the devaluation of Ruble), as well as for the decrease of the loss compensation period from two years down to a shorter period.

In the center of attention of the board of directors of OJSC Severneftegazprom were the issues of the current business; the following decisions were taken in this regard:

– On approval of Annual Work Schedule and Budget of the Company for 2011
– On determining of the gas realization price for the 1st quarter year of 2011, considering the observance of the new gas price formula, specified by gas supply agreements.

Due to termination of construction activities licensing, the decision was passed as regards OJSC Severneftegazprom joining the Non–profit Partnership "Association of Developers of Gas and Oil Industry".

2.2.3. Technical Committee at the Board of Directors

The Company set up a Technical Committee to preliminary review critical issues coming within the terms of reference of the Board of Directors and to give recommendations for the Company to make decisions on such issues.

The Technical Committee setting up and operating procedures are regulated by the Shareholders Agreement and the Technical Committee Regulations approved by the Board of Directors.

Since November 2009 the Technical Committee consists of 8 members appointed by the Board of Directors. Candidates are nominated by the Company's shareholders as follows: 4 candidates from OJSC Gazprom, 2 candidates from Wintershall Holding GmbH and 2 candidates from E.ON Ruhrgas E & P GmbH.

The Technical Committee's primary function is giving recommendations to the Board of Directors on all essential technical issues of the Company's business, coming within its terms of reference, including approval by the Board of the Long–Term Development Plan and the budget, Draft Additional Plan of Field Development, Additional Plan of Field Development and Annual Work Program and the budget as well as any alterations and/or amendments thereto.

The Technical Committee consisting of members with extensive expertise in special areas helps enhance efficiency and quality of work of the Board of Directors, thereby providing effective mechanisms of supervision over the Company's executive body.

Technical Committee as of December 31, 2010:

Name	Position
Muzychenko, Alexander Alexandrovich	Deputy Director General for Economics and Finance, OJSC Severneftegazprom; Chairman of the Technical Committee
Popov, Alexander Pavlovich	Director General, OJSC Severneftegazprom
Efimochkin, Egor Alexeevich	Deputy Head of Department – Manager, Merger and Takeover Projects Office, Integrated International Projects Department, Foreign Economic Department, OJSC Gazprom
Zeigman, Evgeny Mikhailovich	Deputy Director General – Chief Engineer, OJSC Severneftegazprom
Hermann Ubbenjans	Deputy Director General for Development and Strategic Planning, OJSC Severneftegazprom
Robert Frimpong	Technology Director, Wintershall Holding GmbH
Dr. Peter Reichetseder	Managing Director for Production and Technologies, E.ON Ruhrgas E & P GmbH
Alan James Weatherill	Director General, LLC E.ON Ruhrgas E & P Russia

The Technical Committee members hold no shares of the Company.

In the reporting year the following person were also members of the Technical Committee:

Edward Mol till 18.09.2010	Deputy Director General for Development and Strategic Planning, OJSC Severneftegazprom
Rainer Scheuch	Director General, LLC E.ON Ruhrgas E & P Russia

till 02.11.2010

Remuneration to members of the Board of Directors

The remuneration amount paid to members of the Board of Directors in 2010 totaled 2,275,714 RUB (including the individual income tax). The amount of remuneration payable to members of the Board of Directors is approved by the Annual General Meeting of Shareholders.

2.2.4. General Director

Under the Charter, the Company's sole executive body is the Director General who manages day–to–day operations. The Charter provides for no collegial executive body to be set up.

The Company's Director General is Popov, Alexander Pavlovich.

Director General details:

Popov, Alexander Pavlovich

Born on June 6, 1965 in Rovnoe, Ochakov Area, Nikolaev Region, Ukrainian SSR.

In 1988, graduated from Leninsky Komsomol Industrial University, Tyumen, degree in Oil & Gas Well Drilling.

Positions filled over the resent 5 years:

2001 – 2006: Deputy General Director, Chief Engineer– Deputy General Director, OJSC Severneftegazprom;

2006 – 2008: Deputy General Director for development, geology and drilling, OJSC Severneftegazprom;

from December 24, 2008: General Director, OJSC Severneftegazprom

Honorable mention from the Russian Ministry of Energy (2001), OJSC Gazprom Certificate of Honor (2008).

By the resolution of the Board of Directors dated 24.02.2011 (minutes No. 43/2011 dated 24.02.2011) Tsy–gankov Stanislav Evgenjevich was appointed at the General Director of OJSC Severneftegazprom starting from 25.02.2011.

The Company's General Director is remunerated according to an individual time system that provides for pay–ments based on the monthly official salary established in a Remuneration Agreement attached to the Employment Contract, as well as for compensations and incentives. The list of social guarantees and compen–sations for the Director General is specified in the Employment Contract.

2.2.5. Audit Committee

The Company's Audit Committee is a continuing internal control body independent of the Company's management officials.

The Audit Committee's work is governed by the Federal Law "On joint stock companies", the Charter of the Company and Audit Committee Regulations. In accordance with the Charter of the Company, the Audit Committee consists of 3 members.

Members of the Audit Committee as of December 31, 2010

Name	Place of employment	Current position
Mikhailov, Ivan Le–onidovich	OJSC Gazprom	Deputy Head of Organization office at Department for Internal Audit, Management Board Administration
Esterlein, Eduard Vla–dimirovich	Wintershall Russland GmbH	Financial Director, Moscow Subsidiary
Judith Buss	E.ON Ruhrgas E & P GmbH	Managing Financial Director

The Audit Committee members hold no shares of the Company.

2.3 Company's Auditor and Registrar

The Company's Auditor inspects its financial and economic operations in accordance with legal acts of the Russian Federation, under a contract signed with the Auditor.

The Company's Auditor, CJSC PricewaterhouseCoopers Audit, was approved by the Annual General Meeting held on June 29, 2010. It is a member of the non–profit partnership "Audit Chamber of Russia" (NPP ACR) which is a self–regulated organization of auditors, registration number 870 in the register of members of NPP ACR.

Auditor's location: Russian Federation 125047, Moscow, Butyrsky Val str., bldg.10.

The Company's Shareholder Register is maintained by Closed Joint Stock Company "Specialized Registrar – Holder of the Gas Industry Shareholder Register" (CJSC SP–DRAGa).

Register Maintenance License No.10–000–1–00291 of 26.12.2003 was issued by the Federal Securities Commission of Russia for an indefinite validity period.

Register's location: Russian Federation 117420, Moscow, Novocheremushinskaya Str., 71/32. Tel.: (495) 719–40–44, fax: (495) 719–45–85.

2.4 Charter capital, distribution and issue of shares

The Company's charter capital amounts to 666,662.49 RUB and is divided into:

- 533,324 common registered shares at a par value of 1 RUB each,
- 2 Type A preferred registered shares at a par value of 41,027 RUB each;
- 3 Type B preferred shares at a par value of 11,111.54 RUB each;
- 1 Type C preferred share at a par value of 17,949.87 RUB.

There were no changes to the charter capital of the Company in 2010.

The Company has no own shares on the balance sheet.

The Company's shares have not been authorized by trade organizers for circulation on the securities market and have no market quotations.

Company's issuing history:

Class and category (type) of securities	Par value of each issued security, RUB	No. of placed issued shares, pcs	Issue state registration No.	State registration/issue date
Common registered uncertified shares	1.00	200,000	1–01–31375–D	12.07.2001
Common registered uncertified shares	1.00	0*	1–02–31375–D	04.09.2001
Common registered uncertified shares	1.00	66,665	1–01–31375–D–002D	09.10.2007
Preferred registered uncertified shares	41,027.00	1*	2–01–31375–D	09.10.2007
Common registered uncertified shares	1.00	266,655	1–01–31375–D–003D	18.12.2008
Preferred registered uncertified shares	41,027.00	1*	2–01–31375–D–001D	18.12. 2008
Common shares (CS)	1.00	4	1–01–31375–D–004D	03.09.2009
Type A preferred shares (PS)	41,027.00	2	2–02–31375–D	03.09.2009
Type B preferred shares	11,111.54	3	2–03–31375–D	03.09.2009
Type C preferred shares	17,949.87	1	2–04–31375–D	03.09.2009

**Under Order by the Regional Office of the Federal Commission for the Securities Market of Russia at Ural Federal District No. 923-3 of 24.04.2002, issue of the Company's common shares No.1-02-31375-D registered on 04.09.2001 was found invalid and its state registration was cancelled.*

** Type A preferred registered uncertified shares (issue state registration No.2-01-31375-D of 09.10.2007) have been cancelled (paid off) due to their conversion.*

All the Company's securities issues have been registered with the Regional Office of the Federal Financial Markets Service of Russia at Ural Federal District.

Charter capital structure as of December 31, 2010:

Shareholder's name	Share, %	No. of shares held, pcs	Ordinary share, %
OJSC Gazprom	40.0004506028	266,668 CS	50.0011250
Wintershall Holding AG	34.9999997750	133,328 CS 2 Type A PS 1 Type C PS	24.9994375
E.ON Ruhrgas E & P GmbH	24.9995496222	133,328 CS 3 Type B PS	24.9994375
Total:	100	533,330	100

2.5 Dividends

The dividend payment procedure in OJSC Severneftegazprom is determined by the provisions of the Federal Law "On joint–stock companies" and the Charter of the Company:

- The Company is entitled, at the end of the 1st quarter, half year and nine months of the financial year and/or at the end of the financial year, to resolve to pay (declare) dividends on the shares placed, unless otherwise provided by the Federal Law on Joint Stock Companies. A resolution to pay (declare) dividends at the end of the 1st quarter, half year and nine months of the financial year may be adopted within three months of the end of a respective period.
- Dividends shall be paid from the Company's net profit.
- A resolution on distribution of dividends, the amount and method of payment of dividends on common and preferred shares is passed by the Company's General Meeting. The dividend amount may not exceed the one recommended by the Company's Board of Directors.
- The Company may resolve to pay (declare) dividends on shares and may pay dividends taking account of the restrictions as set forth in Article 43 of the Federal Law "On joint–stock companies".
- The shareholders owning Type A preferred shares are entitled to receive a fixed annual dividend of 12.308% of the Company's accrued net profit for the financial year. The net profit allocated for payment of dividends on Type A preferred shares is distributed among the shareholders owning Type A preferred shares in proportion to the number of held Type A preferred shares of the total amount of Type A preferred shares placed by the Company;
- The shareholders owning Type B preferred shares are entitled to receive a fixed annual dividend of 5% of the Company's accrued net profit for the financial year. The net profit allocated for payment of dividends on Type B preferred shares is distributed among the shareholders owning Type B preferred shares in proportion to the number of held Type B preferred shares of the total number of Type B preferred shares placed by the Company. The dividends on Type B preferred shares are paid after those on Type A preferred shares have been paid in full.
- The shareholders owning Type C preferred shares are entitled to receive a fixed annual dividend of 2.692% of the Company's accrued net profit for the financial year. The net profit allocated for payment of dividends on Type C preferred shares is distributed among the shareholders owning Type B preferred shares in proportion to the number of held Type C preferred shares of the total number of Type C preferred shares placed by the Company. The dividends on Type C preferred shares are paid after those on Type A and Type B preferred shares have been paid in full.

A financial result of 1 ,423. 753 million RUB was received in 2009. By the resolution of the General Meeting of Shareholders the profit was left at the Company's disposal and no dividends were distributed as a result of 2009.

Currently the Company has no dividends in arrears.

SECTION 3

PRODUCTION
PERFORMANCE

3.1 Raw materials base & geological survey works

The Company's raw materials base comprises the following recoverable hydrocarbon reserves:

Description of hydrocarbon material (as of 31.12.2010)	ABC1	C2
Gas, billion cub. m	832.159	209.710
Condensate, mln ton	0.261	2.481
Oil, mln ton	9.617	26.405

In 2010, exploration and prospecting in the Yuzhno–Russkoje license area were carried out under the license agreement on the terms of use of Yuzhno–Russkoje subsoil area as well as in accordance with an updated geological survey task approved by A.G. Ananenkov, Vice Chairman of OJSC Gazprom.

Exploration and prospecting in 2010 were carried out in four primary areas:

- construction of prospecting and appraisal wells;
- seismic investigations;
- thematic and research works;
- environmental protection measures and elimination of adverse construction conditions.

Basic exploration & prospecting performance indicators

Type of work/Indicator	Plan	Actual
Constructed expendable wells, including: – object testing	1 11	2 11
Total rock drivage, m, including: – exploratory drilling – prospect drilling	3,030 3,030 –	3,030 3,030 –
Exploratory drilling efficiency (tons of equivalent fuel: TEF per m of drivage)	6,451	6,451
Hydrocarbon reserves increment, million TEF	19.546	19.546
Costs of increment of 1 TEF (RUB)	48.81	51.63

3.2 Production drilling

Key indicators

Exploratory drilling indicators	U of M	2010	
		plan	actual
Commencing of well into production, including:	well	4	5
producing	well	1	–
observation	well	3	5
Drivage	m	5,266	5,307
Total drilling cost (excluding capitalized interest on credit funds)	million RUB	545.80	419.28
Cost per m of drilling (excluding capitalized interest on credit funds)	RUB	103,646	79,005

3.3 Natural gas production and gas transportation preparation

In 2010, the Company produced 25.359 billion cub. m of gas. The plan gas production target (25.000 billion cub. m) was achieved and comprised 101.4%. Well use ratio comprised 0.98 – a one of the best indicators in OJSC Gazprom Group.

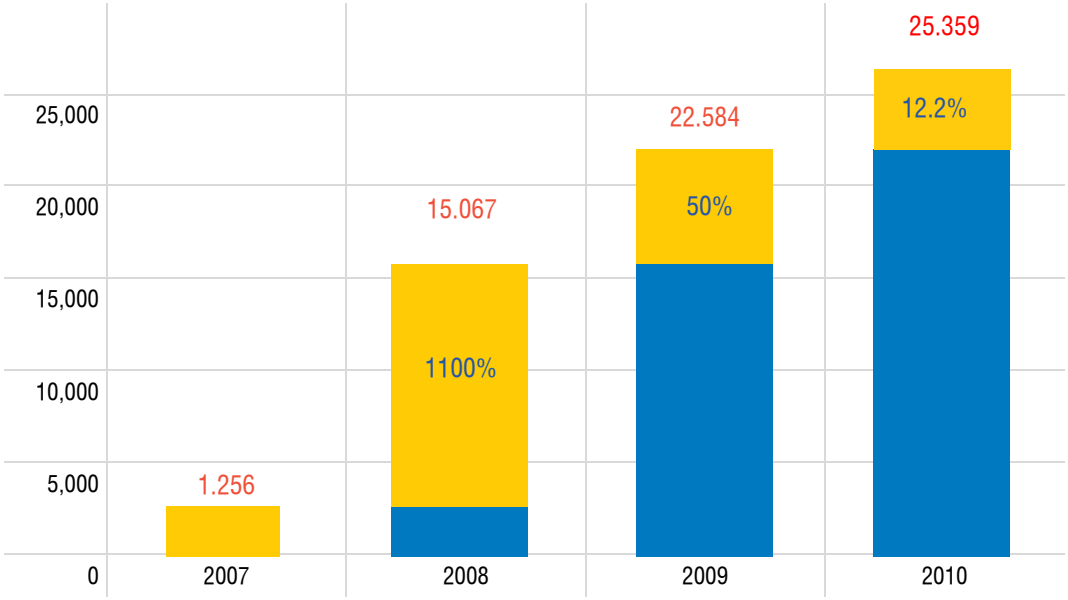
Indicators	2010	2009	2008
Gross gas production, billion cub m	25.359	22.584	15.066
Marketable gas, billion cub m	25.327	22.551	15.017

Execution of scheduled assignments on gas production became possible due to coordinated work of the Company's subdivisions, supervision of technological parameters, performance of design objectives, non–failure work of equipment, facilities renovation and commencing of the booster compressor station as well as strict observance of the industrial safety rules during the operation of hazardous industrial objects.

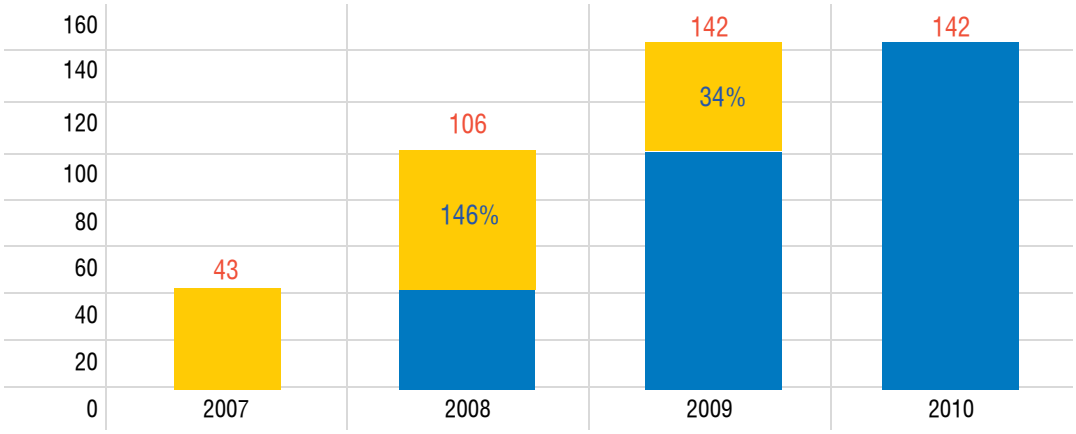
On October 13th, 2010, booster compression unit–1 (1st construction line) was put into industrial operation as part of the operated Gas Treatment Facility of Yuzhno–Russkoje field with the aggregate capacity of 64 MW. At booster compressor unit No.1, four gas compressor units GPA–16DKS–09 "Ural" (drive motor – PS–90GP–2, booster NC–16DKS–02) with S2M magnetic bearings and gas dynamic sealing by John Crane were installed.

Within the period from September 07 to 11, 2010, the full complex of scheduled preventive maintenance at the Gas Treatment Facility of Yuzhno–Russkoje field was performed. The work was executed in accordance with the schedule of complete shutdown of the Gas Treatment Facility.

Comparative production indicators per years, billion cub.m.



Producing well stock, wells



The Company does not transport natural gas to the end user.

Natural gas, produced by the Company, is supplied to OJSC Gazprom Unified Gas Supply System. The marketable gas connecting pipeline of Yuzhno–Russkoje Field is operated by LLC Gazprom Transgaz Surgut under a service contract.

The Company is operating the Yuzhno–Russkoje Field intrafield piping system of 208 km for natural gas collection.

To ensure reliability of the Yuzhno–Russkoje Field gas–collecting system, the Company implemented the following measures in the reporting period:

- Technical diagnostics of the gas well piping with overall length of 79.389 km.
- Technical diagnostics of marketable gas pipeline sections Dn 1000, Dn 1200, with overall length of 1.710 km.
- Certification of technical condition of equipment and pipelines of booster compression unit with overall length of 3.686 km.
- Electromechanical diagnostics, dedicated to measuring of protective potentials in control points of the pipeline–insert of marketable gas, methanol ducts and intrafield gas ducts of the field's gas collection network.

3.4 Sales of natural gas

The Company is a supplier of combustible natural gas. Natural gas produced by OJSC Severneftegaz–prom in 2010 was delivered to wholesale buyers under the long–term gas sales contracts entered into between OJSC Severneftegazprom, OJSC Gazprom (Buyer), CJSC Gazprom YRGM Trading (Buyer) and CJSC Gazprom YRGM Development (Buyer).

SECTION 4

ACCOUNTING STATEMENTS AND AUDIT COMMITTEE'S OPINION

4.1

Accounting balance sheet

Accounting balance sheet of OJSC "Severneftegazprom" as of 31.12.2010

		Codes
	Form №1 as per OKUD	0710001
	Date (year, month, date)	2010 12 31
Company: Severneftegazprom	As per OKPO	48 731 500
Identification Taxpayer number	INN	8912 001 990
Type of activity Natural Gas and Gas Condensate Production	As per OKVED	11.10.20
Form of incorporation / form of property		
Open Joint–Stock Company/joint private	As per OKOPF/OKFS	47/34
Unit of measurement: thous. RUB	As per OKEI	384
Location (address) RF, 629380, Tyumen region, Yamalo Nenetsky autohomous district, settlement Krasnoselkup, Lenina street, 22		

ASSETS	Indicator code	As of reporting year beginning	As of reporting period end
1	2	3	4
I. Non–current assets			
Intangible assets	110	39,948	9,286
including:			
Patents, licenses, trademarks (service trademarks) or other rights and assets similar thereto	111	–	–
organizational expenses	112	–	–
goodwill	113	–	–
Fixed assets	120	27,004,275	59,613,193
including:			
land plots and land use facilities	121	–	–
buildings, structures, machinery and equipment	122	26,835,097	59,458,816
Construction in progress	130	35,545,807	1,591,376
Income–bearing placements in inventory items	135	–	–
Long–term financial investments	140	–	–
including:			
investments in subsidiaries	141	–	–
investments in affiliated companies	142	–	–
investments in other entities	143	–	–
loans extended to entities for a period exceeding 12 months	144	–	–
Deferred tax assets	145	2,274,797	1,148,650
Other non–current assets	150	1,118,681	1,141,433
including:			

VAT on purchased values	151	–	–
Total for Section I	190	65,983,508	63,503,938
II. Current assets			
Inventory stocks	210	1,269,837	1,395,678
including:			
feedstock, materials and other similar values	211	1,144,759	1,079,128
rearers and fatteners	212	–	–
construction in progress costs	213	–	–
finished products and goods for resale	214	4,729	5,088
dispatched goods	215	–	–
deferred expenses	216	120,349	311,462
other stocks and costs	217	–	–
VAT on purchased values	220	33,243	5,926
Accounts receivable (payments expected in more than 12 months after the reporting date)	230	–	570,114
including:			
buyers and customers	231	–	–
bills receivable	232	–	–
prepayments made	234	–	–
other accounts receivable	235	–	570,114
Accounts receivable (payments expected within 12 months after the reporting date)	240	5,374,368	6,907,017
including:			
buyers and customers	241	2,124,464	5,634,799
bills receivable	242	–	–
founders' outstanding contributions to the authorized capital	244	–	–
prepayments made	245	1,225,744	247,339
other accounts receivable	246	2,024,160	1,024,879
Short-term financial investment	250	13,571,828	17,137,220
loans extended to entities for a period of less than 12 months	251	–	–
Cash assets	260	14,303	190,585
including:			
cash in hand	261	–	–
current accounts	262	13,497	8,050
foreign currency accounts	263	743	182,472
other cash assets	264	63	63
Other current assets	270	1,630	1,625
Total for Section II	290	20,265,209	26,208,165
BALANCE	300	86,248,717	89,712,103

LIABILITIES	Indicator code	As of reporting year beginning	As of reporting period end
1	2	3	4
III. Capital and reserves			
Authorized capital	410	667	667
Own shares bought from shareholders	411	–	–
Additional capital	420	25,185,521	25,185,521
Reserve capital	430	–	33
including:			
reserves set up under applicable laws	431	–	33
reserves set up under foundation documents	432	–	–
Retained profits (uncovered loss)	470	(2,069,525)	17,284,193
State–backed social fund	480	–	–
Total for Section III	490	23,116,663	42,470,414
IV. Long–term liabilities			
Loans and credits	510	–	–
bank credits to be repaid in more than 12 months after the reporting date	511	–	–
loans to be repaid in more than 12 months after the reporting date	512	–	–
Deferred tax liabilities	515	1,940,440	3,738,715
Other long–term liabilities	520	–	–
including:			
bills payable	522	–	–
outstanding investment contribution	523	–	–
Total for Section IV	590	1,940,440	3,738,715
V. Short–term liabilities			
Loans and credits	610	59,590,301	40,849,518
bank credits to be repaid within 12 months of the reporting date	611	41,233,713	40,849,518
loans to be repaid within 12 months of the reporting date	612	–	–
current portion of long–term loans and credits	613	18,356,588	–
Accounts payable	620	1,601,313	2,653,456
including:			
buyers and customers	621	469,140	362,203
outstanding payroll payments	622	28,265	1,041
outstanding payments to public extrabudgetary funds	623	732	–
outstanding o taxes and dues	624	1,039,843	2,277,179
other payables, including:	625	63,333	13,033
bills payable	626	–	–
prepayments received	627	–	–
other payables	628	63,333	13,033

Income payable to members (founders)	630	–	–
Deferred revenue	640	–	–
Expenses and provisions	650	–	–
Other short–term liabilities	660	–	–
Total for Section V	690	61,191,614	43,502,974
BALANCE	700	86,248,717	89,712,103

INFORMATION NOTE ON VALUABLES BOOKED ON OFF–BALANCE ACCOUNT

Indicator name	Indicator code	As of reporting year beginning	As of reporting period end
1	2	3	4
Leased fixed assets	910	85,202	261,448
including leasing	911	–	–
Abandoned wells at license areas	915	–	–
Goods and materials accepted for custody	920	17	4,854
Materials accepted for processing	921	–	–
Goods accepted for commission	930	–	–
Equipment accepted for installation	931	–	–
Indebtedness of insolvent debtors written off to losses	940	517	563
Expenses under construction contracts as of commence–ment of the contract performance	946	–	–
Securities received for obligations and payments	950	–	–
Securities given for obligations and payments	960	–	–
Housing stock depreciation	970	–	–
Land improvement and other similar facilities depreciation	980	–	–
Non–material assets granted for use	990	–	–
Pledged sale proceeds cost under export contracts	999	–	–

4.2 Profit and loss statements

Profit and loss statement of OJSC Severneftegazprom for 2010

		Codes
	Form №2 as per OKUD	0710002
	Date (year, month, date)	2010 12 31
Company: Severneftegazprom	As per OKPO	48 731 500
Identification Taxpayer number	INN	8912 001 990
Type of activity Natural Gas and Gas Condensate Production	As per OKVED	11.10.20
Form of incorporation / form of property		
Open Joint–Stock Company/joint private	As per OKOPF/OKFS	47/34
Unit of measurement: thous. RUB	As per OKEI	384

Indicator		For reporting period	For corresponding period of previous
Description	Code		
1	2	3	4
Profit and loss in ordinary activities			
Proceeds (net) from sales of goods, products, works, services (less VAT), excises and similar compulsory payments	010	36,901,899	16,890,504
including proceeds from sales of:			
gas	011	36,901,899	16,890,504
	012	–	–
	013	–	–
	014	–	–
	015	–	–
	016	–	–
	017	–	–
other	018	–	–
Cost of sold goods, products, works and services	020	(11,049,992)	(9,432,404)
including sold:			
gas	021	(11,049,992)	(9,432,404)
gas condensate	022	–	–
	023	–	–
	024	–	–
	025	–	–
	026	–	–
	027	–	–
other	028	–	–
Gross profit	029	25,851,907	7,458,100
Business expenses	030	–	–

Administrative expenses	040	(957,540)	(717,142)
Sales profit (loss)	050	24,894,367	6,740,958
Other income and expenditure			
Interest receivable	060	651,297	1,026,230
Interest payable	070	(1,626,896)	(2,381,592)
Participation capital	080	–	–
Reorganization expenses	085	–	–
Other income	105	19,375,067	42,412,503
Other expenses	110	(18, 964,051)	(45,912,266)
Profit (loss) before tax	140	24,329,784	1,885,833
Deferred tax assets	141	(1,027,039)	(334,827)
Deferred tax liabilities	142	(1,798,763)	(109,112)
Current profit tax	150	(2,051,544)	–
Previous profit tax	153	–	–
Other profit cost	156	(98,687)	(18,141)
Net profit (loss) of the reporting period	190	19,353,751	1,423,753
FOR REFERENCE ONLY			
Constant tax liabilities (assets)	200	11,389	66,772
Basic earnings (loss) per share	201	36	3
Diluted profit (loss) per share	202	–	–

Specification of some profits and losses

Indicator		For reporting period		For corresponding period of previous	
Description	Code	Profit	Loss	Profit	Loss
1	2	3	4	5	6
Fees, fines and forfeits admitted or determined by a court decision (arbitration court) on their recovery	210	30	205	1,477,447	118
Profit (loss) of the retained periods	220	277,540	2,667	2,742	1,697
Compensation for damages caused by failure or improper fulfillment of obligations	230	474	5	7,623	–
Foreign currency exchange rate difference	240	7,751,578	5,328,502	17,199,229	20,026,209
Withholdings on Revaluation reserves	250	X	–	X	–
Write-off of accounts receivable and accounts payable with expired period of limitations	260	190	46	100	115
Restoration of Revaluation reserves	270	–	X	–	X

4.3 Auditor's opinion

Summary of the Audit opinion on statements for 2010

pwc

Auditor's Report

To the shareholders of open joint-stock company Severneftegazprom.

Client

Open joint-stock company Severneftegazprom

State registration certificate P-16625.16 received on 15 June 2001 issued by the State Registration Chamber by the Ministry of Justice of the Russian Federation.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1028900699035 issued by the Interregional Inspectorate of the Russian Ministry of Taxes and Levies No 3 for the Hanty-Mansiysky AO on December 19, 2002.

Russian Federation, Tyumen Region, Yamalo-Nenetskiy AO, Krasnoselkupsky district, 629380, Krasnoselkup, Lenin st., 22.

Auditor

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit) located at: 125047, Russian Federation, Moscow, Butyrsky Val, 10.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 No. 1027700148431 issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 39 for the Moscow City on 22 August 2002.

Member of non-profit partnership "Audit Chamber of Russia" (NP ACR) being a self-regulating organisation of auditors – registration number 870 in the register of NP ACR members.

Major registration record number (ORNZ) in the register of auditors and audit organisations – 10201003683.

pwc

Auditor's Report

To the shareholders of open joint-stock company Severneftegazprom.

We have audited the attached financial statements of open joint-stock company Severneftegazprom (hereinafter – Company) which comprise the balance sheet as of 31 December 2010, and the profit and loss statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2010 and other supplements to the balance sheet and profit and loss statement and explanatory notes (hereinafter all the reports together are referred to as the "financial statements").

Company's responsibility for the financial statements

Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion as to whether the financial statements are fairly presented based on our audit. We conducted our audit in accordance with the Federal Auditing Standards and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of Company, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Company as of 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

Director of ZAO PricewaterhouseCoopers Audit M.E.Timchenko

4 March 2011

TRANSLATOR'S EXPLANATORY NOTE: This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation. This English translation does not contain the English translation of the explanatory notes, which are part of the official Russian version of the accompanying financial statements.

4.4

Internal Audit Committee's report

CONCLUSION
Of the Internal Audit Committee (Revision Commission) on the results of the audit of financial and operational activities of OJSC Severneftegazprom for 2010

16 May 2011 Moscow

The Audit Committee elected by the annual General Meeting of Shareholders of OJSC Severneftegazprom (minutes dated 29.06.2010 No. 11/2010) carried out audit and analysis of financial and operational activities of OJSC Severneftegazprom (the "Company") for the year 2010 in accordance with the approved plan of works.

Upon audit it considered the Annual Report for 2010, balance sheet and its annexes, profit and loss report, Audit Report of CJSC PricewaterhouseCoopers Audit, constitutional documents, orders of the Company.

The Financial statement for 2010 was drawn on the basis of the requirements of the Federal Law dated 21.11.1996 No. 129–FZ "On Accounting", Provision on accounting records maintenance and financial statement in the Russian Federation approved by the Order of Minister of Finance of the Russian Federation dated 29.07.1998 No. 34n, the Order of Ministry of Finance of the Russian Federation dated 22.07.2003 No. 67n "On the formats of financial statement of organizations" as well as other standard acts that are a part of the regulatory system of accounting and financial statement in the Russian Federation.

Accounting records in the Company are maintained on the basis of the Order of OJSC Severneftegazprom dated 29.12.2009 No. 451.

These financial statements for the reported period come under the responsibility of the Company's management.

Analysis of assets and liabilities structure shows that financial standing of the Company in the accounting period was steady.

The system of internal control over the accurate accounting and conducting of all standards and rules is operating in the Company.

The auditor's conclusion on the financial statements prepared in compliance with Russian accounting standards was performed on 04.03.2011 by CJSC PricewaterhouseCoopers Audit. In the auditors' opinion the financial statement of the Company reflects in all material respects a fair presentation of the Company's financial position of 31.12.2010 and the results of the financing and operating activities over the period from January 01 till December 31, 2010, in compliance with the requirements of the legislation of the Russian Federation in part of financial (accounting) statement preparation.

Following the results of the audit of the financial and economic activities of the Company the Audit Committee considers that:

– annual financial statement of the Company is drawn up in accordance with the legislation of the Russian Federation and reliably reflects in all material matters the financial position of the Company of 31.12.2010;

– financial information contained in the annual report of the Company is reliable in all material matters and corresponds to the data in the financial (accounting) statement.

Chairman of Audit Committee	signature	I. Tsoy
Members	signature	J.Buss
	signature	E. Esterlein

SECTION 5

FINANCIAL AND ECONOMIC PERFORMANCE
DATA OF THE COMPANY

5.1

Key financial performance indicators analysis

Key performance variables of financial activity of the Company in 2010 in comparison with 2009 (by accounting reporting data), thousand RUB

Name of variable	2009	2010	Deviation + / –
Income and expenditure on ordinary activities			
Net sales of goods, production, works, services (minus VAT, excise taxes and analogue mandatory payments)	16,890,504	36,901,899	20,011,395
Prime–cost of sold goods, production, works, services	(9,432,404)	(11,049,992)	(1,617,588)
Gross margin	7,458,100	25,851,907	18,393,807
Selling costs	–	–	–
Administrative expenses	(717,142)	(957,540)	(240,398)
Profit (loss) on sales	6,740,958	24,894,367	18,153,409
Other income and loss			
Interest receivable	1,026,230	651,297	(374,933)
Due interest	(2,381,592)	(1,626,896)	754,696
Participation capital	–	–	–
Other income	42,412,503	19,375,067	(23,037,436)
Other loss	(45,912,266)	(18,964,051)	26,948,215
Income (loss) before tax	1,885,833	24,329,784	22,443,951
Deferred tax assets	(334,827)	(1,027,039)	(692,212)
Deferred tax liabilities	(109,112)	(1 798 763)	(1 689 651)
Current income tax	–	(2 051 544)	(2 051 544)
Other losses out of income	(18,141)	(98 687)	(80 546)
Net income (loss)	1,423,753	19 353 751	17 929 998
FOR REFERENCE ONLY			
Constant tax liabilities (assets)	66,772	11 389	(55 383)
Base income (loss) per share	3	36	33

Performance of Annual Work Program and Budget of the Company

Budget of the Company for 2010 was approved by the Board of Directors (minutes No.22/2009 dated 22.12.2009) with the following indicators:

- Volume of commercial gas – 24,862,372 thous. cub. m;
- Disposal price of gas – 1,457 RUB net of VAT per 1,000 cub. m of gas;
- Income – 36,224 million RUB net of VAT;
- Expenditures – 22,662 million RUB net of VAT.
- Income from current activity – 10,996 million RUB.

According to the results of 2010 actual income of the Company on main activity was 36,901.9 million RUB with the planned value being 36,224.48 million RUB. Deviation from the planned variable was caused by the fact that the Company delivered to Customers 464,944 thous.cub.m of gas more compared to the planned contract value during accounting period. Thus, the over–fulfillment of the approved Budget of the Company in respect of revenue side is explained by the over–fulfillment of the plan on gas development and comprises 1.9%.

Basing on results of 2010, the actual expenses of the company amounted to 16,193.01 million RUB, compared to the design value of 22,661.88 million RUB. Thus, basing on results of the reporting year, the economy on basic business was reached in the amount of 6,468.86 million RUB or 28.5% of the approved plan of expenses.

The basic reason for the decrease in expenses is the saving on expenses as regards the credit and loans interest reimbursement. Primarily this is due to prolongation of the short–term credit in June 2010, basing on more beneficial terms. Besides, at the end of the first half year, the Company redeemed ahead of schedule the shareholders' loans. Apart from this, during the year of 2010, Russian Ruble demonstrated strengthening as compared to foreign currencies.

Thus, the saving on expenses as regards the cost of credit and loans interest amounted to 3,354.4 million. RUB.

Due to the shift of the project financing attraction term to 2011 and the payments, related to this, the decrease in expenses on credit servicing in the amount of 1,269.24 million RUB.

Considerable lowering of expenses by 1,027.56 million RUB took place as regards the accrued depreciation which was related to the shift in terms of commissioning of the gas well clusters as well as of the booster compressor unit from March to October. Consequently, the cost of maintenance and servicing of basic production assets were decreased by 311 million RUB or by 5% of the total sum of savings on expenses.

As a result of control over expenses and execution of Company's expenses optimization activities for the reporting period, the expenses saving in the amount of 539 million RUB (21 RUB per 1 000 cubic meters of marketable gas) was achieved, which constitutes 2.4% of the total sum of the budget expenses or 8% of the expenses saving amount.

Expenditure pattern of the Company

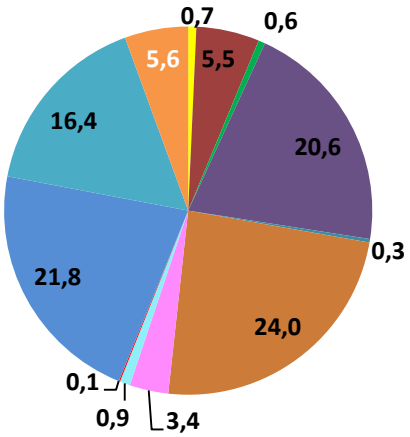
No.	Expenditure item	2009		2010	
		million RUB	%	million RUB	%
1	Materials	122	0.7	210	1.3
2	Expenses on salaries, social benefits and pay–outs	954	5.5	1,111	6.9
3	Social insurance, Unified Social Tax	101	0.6	85	0.5
4	Depreciation	3,546	20.6	4,659	28.8
5	Capital lease	53	0.3	62	0.4
6	Taxes and other mandatory payments	4,119	24.0	4,731	29.2
7	Geological exploration (under subcontract)	586	3.4	121	0.7
8	Costs on insurance contracts	156	0.9	181	1.1
9	Capital repairs	18	0.1	50	0.3
10	Interest on credits and loans, fees	3,754	21.8	2,408	14.9
11	Exchange rate difference (negative)	2,827	16.4	–0	0.0
12	Other	959	5.6	2,573	15.9
13	Total	17,195	100.0	16,193	100.0

In the Company's expenses structure for 2010, the share of fixed and provisionally fixed expenses amounted to 70% of the total expenses amount. Such fixed and provisionally fixed expenses include: the accrued depreciation, property tax and other taxes in the prime cost, lease expenses, guaranteed expenses of the labor remuneration and social transfers, interest to be paid for use of credit and loans, administrative and other expenses.

The share of non–regulated expenses (severance tax) constituted 23%. The share of variable and provisionally variable expenses amounted to 7%.

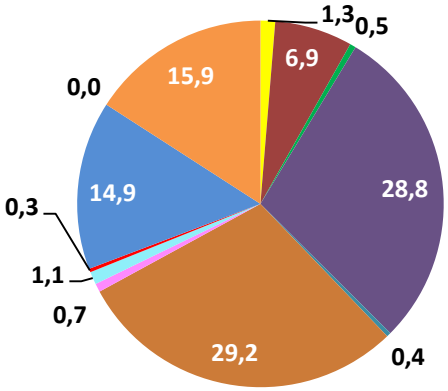
The change in the structure of expenses in 2010, as compared to that of 2009, was caused primarily by the decrease in the credit portfolio, decrease in the credit and loans interest payments, increase in the work scope as regards the maintenance of roads and repair of buildings and structures, abandonment of geological survey wells drilled earlier.

Expenses pattern in 2009, %



- Materials
- Expenses on salaries, social benefits and pay–outs
- Social insurance, Unified Social Tax
- Depreciation
- Capital lease
- Taxes and other mandatory payments
- Geological exploration (under subcontract)
- Costs on insurance contracts
- Capital repairs
- Interest on credits and loans, fees
- Exchange rate difference (negative)
- Other

Expenses pattern 2010, %



- Materials
- Expenses on salaries, social benefits and pay–outs
- Social insurance, Unified Social Tax
- Depreciation
- Capital lease
- Taxes and other mandatory payments
- Geological exploration (under subcontract)
- Costs on insurance contracts
- Capital repairs
- Interest on credits and loans, fees
- Exchange rate difference (negative)
- Other

5.2 Prime cost analysis

The prime cost of sold gas, considering managerial expenses, amounted to 12,007.53 million RUB, compared to the scheduled value of 13,801.56 million RUB. Thus, basing on results of the reporting year, the economy in the amount of 1,794.03 million RUB was ensured, which corresponds to the de–crease in the prime cost of sold gas by 13%.

The basic reason for this saving is the shift in commissioning of gas well clusters as well as of the booster compressor unit from March to October. As a result, the accrued depreciation and expenses on maintenance and servicing of basic production assets were decreased by 1,344 million RUB, which con–stitutes 75% of the total sum of economy of the gas extraction prime cost.

The actual prime cost of 1 000 cubic meters of marketable gas amounted to 474 RUB at scheduled value of 555 RUB, which corresponds to the decrease in the scheduled value by 15%.

The production cost of 1 000 cubic meters of marketable gas without taxes and depreciation amounted to 103 RUB at scheduled value of 135 RUB, which corresponds to the decrease in the specific expenses in the prime cost by 32 RUB.

5.3 Other income and expenditures

Other incomes and expenses are not related to extraction of gas and are non–production incomes and expenses.

The actual other incomes amounted to 20,026 million RUB. Due to the fact that the principle Company's credit and loan obligations are expressed in foreign currency, the decrease of USD and EUR to Ruble

exchange rate in the reporting year, resulted in the positive exchange rate difference in amount of 7,751 million RUB.

Additionally, the Company received non–scheduled income in the form of interest from placing of free cash on deposit bank accounts in amount of 651 million RUB.

The actual other expenses amounted to 20,591 million RUB. The basic constituents of the company's other expenses are the negative currency exchange rate in amount of 5,328 million RUB, credit and loans interest payment costs in amount of 1,626 million RUB, as well as the fee for organization of credit in amount of 781 million RUB.

Considerable influence on the reduction of negative financial result as per other incomes and expenses was executed by the events as follows:

– Shareholders' loans redemption ahead of schedule in June 2010;
– Shift of the term of attraction of project financing and related payments for 2011;
– Strengthening of the Russian ruble as compared to foreign currencies.

The financial result as per other incomes and expenses of the Company for the reporting period, constituted negative value in the amount of 565 million RUB. Thus, the reduction of the scheduled negative balance value of other incomes and costs was from 8 500 million RUB down 565 million RUB.

5.4 Net profit

Basing on final results of 2010, the Company's net profit amounted to 19,353.75 million RUB at scheduled value of 10,996.23 million RUB.

Basic factors influencing on growth of net profit:

- Reduction of non–production expenses as per Company's credit servicing and payment interest by 4,623.64 million RUB.
- Reduction of production expenses by 1,339 million RUB (accrued depreciation, maintenance and servicing of equipment), caused by process reasons of shifting of basic assets commissioning terms.
- Reduction of production expenses as a result of control over expenses and execution of Company's cost optimization activities in the amount of 539 million RUB.
- Increase in incomes derived from the Company's principle business by 677.42 million RUB due to increased volumes of the marketable gas sales.
- Receipt of incomes related to positive exchange rate of the Company's foreign currency obligations in the amount of 2,423 million RUB.
- Receipt of miscellaneous incomes in the amount of 651 million RUB in the form of interest from placing of free funds on deposit accounts.

The influence of the above stated factors resulted in increase in the scheduled net profit as per results of 2010 by 8,358 million RUB.

5.5 Assets Profile of the Company

Non–current assets, thousand RUB

	31.12.2009	31.12.2010
Fixed assets	27,004,275	59,613,193
Incomplete construction	35,545,807	1,591,376
Other non–current assets	3,433,426	2,299,369
Total:	65,983,508	63,503,938

During the financial year the Company has transferred into fixed capital assets the objects for a total sum of 39,610,379 thousand RUB. The above–mentioned objects include the following: a highway, observational wells, booster compressor station.

The objects out of non–completed construction with the price equivalent to 39,526,810 thousand RUB were finished by construction. In the reporting year, the state registration of rights for all Company's objects finished by construction and commissioned was performed.

Current assets, thousand RUB

	31.12.2009	31.12.2010
Stocks	1,269,837	1,395,678
Receivables	5,374,368	7,477,131
Short–term financial investments	13,571,828	17,137,220
Other current assets	49,176	198,136
Total:	20,265,209	26,208,165

The main share of current assets as of 31.12.2010 is made with short–term financial investments (65%). These are the monetary resources placed on deposit accounts at Commercial Bank Societe Generale Vostok (CJSC) and Gazprombank (OJSC). The share of receivables at the end of 2010 has made 28.5%.

Cost of stocks and expenses on incomplete construction during the financial period has increased by 10%. The significant share of inventory of accounting balance is made of construction materials which are used for construction and installation works.

There are no bills on the balance of the Company.

The share of cash settlements of the Company has made 100%. The principal source of income is sale of produced gas.

In 2010 the funds in the amount of 40,033.91 million RUB were obtained by commercial gas sales.

5.6 Analysis of accounts receivable and accounts payable

Accounts receivable, thousand RUB

	31.12.2009	31.12.2010
Customers and Clients	2,124,464	5,634,799
Advance payments made	1,225,744	247,339
Taxes and duties, social security contribution	8,103	
Other debtors	2,016,057	1,024,879
Total:	5,374,368	7,477,131

As of 31.12.2010, the sum of accounts receivable of the Company amounted to 7,477,131 thousand RUB. The increase constituted 39% as compared to the beginning of the reporting period.

Accounts receivable of customers for gas as of 31.12.2010 comprised 5,634,799 thousand RUB. According to the payment terms under entered agreements these accounts receivable are current. Periodicity of payment (time of accounts turnover of the issued invoices) during all the period was 35 days average after the end of the month of gas delivery.

Accounts payable, thousand RUB

	31.12.2009	31.12.2010
Suppliers and Contractors	469,140	362,203
Debt to staff	28,265	1,041
Taxes and duties, social security contribution	1,040,575	2,277,179
Other creditors	63,333	13,033
Total:	1,601,313	2,653,456

5.7

Credit policy and loans

According to the Long–term Plan of development and budget, the development of Yuzhno–Russkoje field is carried out with use of two basic funding methods of the Company: shareholders' loan and debt (credit) financing.

Within the frameworks of work as regards the attraction of long–term financing in July 2009, the multi–currency credit was issued to the Company, secured by payment guarantee of Gazprom and BASF in the amount of 193,183 thousand EUR and 1,084,142 thousand USD with redemption date in 2010. The share in payment guarantee of Gazprom is 65%, the share of BASF is 35%. The interest rate as per the debt, guaranteed by Gazprom nominated in Euro, amounted to EURIBOR + 4.50% of margin; EURIBOR + 1.25 % of margin in the part, guaranteed by BASF. The interest rate as per the debt, guaranteed by Gazprom nominated in USD, amounted to LIBOR + 4,5% of margin; LIBOR + 1.25% in the part, guaranteed by BASF.

In February 2010, the substitution of the guarantee portion of Gazprom as per multi–currency credit agreement "B" took place by the guarantee of E.ON AG by means of its refinancing and conclusion on terms, similar to terms of multi–currency agreement "B".

In June 2010, the Company concluded an agreement with "Societe Generale" (credit servicing agent) for prolongation of short–term multi–currency credit, secured by guarantee of Gazprom , BASF and E.ON AG in the amount of 193,183 thousand EUR and 1,084,142 thousand USD with redemption date in 2011. The share in guarantee of Gazprom is 40%, share of BASF is 35%, the share of E.ON AG is 25%.

After prolongation of the multi–currency credit, the debt interest rate, guaranteed by Gazprom nominated in Euro, amounted to EURIBOR + 1.75% of margin; EURIBOR + 0.6 % of margin – in the part, guaranteed by BASF; EURIBOR + 0.6 % of margin – in the part, guaranteed by E.ON AG. The debt interest rate, guaranteed by Gazprom nominated in USD, amounted to LIBOR + 1.75% of margin; LIBOR + 0.6% of margin – in the part, guaranteed by BASF; LIBOR + 0.6% of margin – in the part, guaranteed by E.ON.

In June 2010, the Company redeemed all the shareholders' loans in the total amount of 423,077 thousand Euro.

As of 31.12.2010, there are no long–term credits and loans.

As of the end of 2010, the Company has the credit debt as follows:

Credits and loans portfolio as of 31.12.2010

Kind of loan (credit)	Creditor	Sum of debt liability	Maturity date
Multi–currency credit (guaranteed by Gazprom)	Group of commercial banks	77,273.10 EUR	31.03.2011
	Group of commercial banks	433,656.64 USD	31.03.2011
Multi–currency credit (guaranteed by BASF SE)	Group of commercial banks	67,613.96 EUR	31.03.2011
	Group of commercial banks	379,449.56 USD	31.03.2011
Multi–currency credit (guaranteed by E.ON Ruhrgas AG)	Group of commercial banks	48,295.69 EUR	31.03.2011
	Group of commercial banks	271,035.40 USD	31.03.2011

The Company has no past–due debts on credits and loans as of 31.12.2010.

SECTION 6

INVESTMENT ACTIVITY

6.1 Investment measures

The main direction of investment activity of the Company is capital construction (arrangement of Yuzhno–Russkoje field and geological exploration).

Volume of the assimilated capital investments in financial year has made 4,329.8 million RUB, including construction and installation works in the amount of 3,175.7 million RUB.

During the financial year, the objects of the fixed assets were put into operation for the total cost of 10,219.7 million RUB, including:

- Booster Compressor Station (BCS–1) based on 4 Gas Pumping Units GPA16MW with energy block and gas separation unit, infrastructure and facilities of BCS–1 site;
- Observational wells – 5 wells;
- Pipeline inspector house at 34 km of the Commercial gas pipeline;
- Shelter for vehicles and mechanisms at the solid wastes landfill;
- Gatehouse at PK32+00 of the road to the Production site to the South of the field.

The sum of incomplete construction for the end of financial year has made 1,506.4 million RUB. The volumes of incomplete construction taking into account commenced facilities, where no state registration of rights was performed, comprised 1,591.4 million RUB. During the reported period the volume of incomplete construction has decreased by 82%.

During the financial year the works on reconstruction and modernizations of objects of fixed assets for the total sum 19.696 million RUB have been performed. The works on reconstruction of heat regeneration block of TEG, modernization of communication center equipment of URS5, Gas gathering and processing facility, PRS65, PRS34, PPYM, as well as office in Urengoy were performed. Design work on technical modernization of Gas boiler is being carried out at the moment.

6.2 Investment plans

The plan of capital investments and commissioning of facilities in 2011 is formed according to the Long–term plan of development and budget of the Company.

According to the mentioned plan the primary tasks of the investment program for 2011 are:

- Execution of geological exploration on Yuzhno–Russkoje licensed field in the part of seismic exploration work, thematic and scientific research work, environment protection activities and liquidation of unfavorable construction consequences;
- completing of construction and commissioning of site structures and facilities of Yuzhno–Russkoje field, designing and beginning of construction of object "Office building in Novy Urengoy";
- construction of health block on the territory of rotational camp (planned commissioning – in 2012);
- scheduled works on reconstruction and modernizations of gas production and maintenance facilities of Yuzhno–Russkoje field;
- Realization of design solutions and activities of control of the field development;
- Finishing construction of 1 observational wells at Senoman gas deposit;
- Finishing construction and putting into pilot production operation of experimental two–toe well No.174 for Turon deposits;

SECTION 7

ENVIRONMENTAL PROTECTION
AND POWER SAVING

7.1

Environmental protection

The Company has required permits (licenses) in the sphere of the natural resources use and impact on environment, including licenses: for execution of activities of collection, use, deactivation, transporting, placement of hazardous wastes (OT–59–000262 (89)); for the right to use natural resources for extraction of fresh subsurface water for potable and industrial water supply of the objects of development of Yuzhno–Russkoje oil and gas field (SLKh 01821 VE); for extraction of fresh subsurface potable and industrial water supply of cluster sites during construction of operating wells at Yuzhno–Russkoje field (SLKh № 01383 VE); as well as a number of other licenses and permits.

The Company is certified for compliance with integrated quality management system in environmental safety under requirements of international standards – ISO 14001:2004 "System of Eco Management"

The Company's production activity is generally related to emissions of hazardous substances into the atmosphere. In 2010, a considerable reduction of polluting emissions from fixed objects into the ambient air took place, which resulted from considerable reduction of the drilling work scope, as compared to 2009. The basic mass of emissions in the process of the field operation was due to purging of equipment and discharging of gas collectors during execution of intra–tube diagnosis, as well as during burning of gas at gas burners during the survey of wells.

Basing on the results of inspection, conducted by the Federal Accredited Laboratory (FGU "CLATI of Ural Federal District") in 2010, the excess standard of maximum allowable emissions of hazardous substances into the atmosphere was not registered.

The emergency emissions and discharges of pollutants into the environment were not registered.

Specific weight of pollution emissions into atmosphere in 2010 has made:

Name	Specific weight (kg/mln cub.m, kg/thous.t.equiv. fuel)	Specific permissible weight (kg/mln cub.m, kg/thous.t. equiv. fuel)
Carbon oxide – CO	17 / 14.9	241.3 / 209.89
Methane – CH_4	35.8 / 31.1	242.6 / 211.03
Nitrogen oxide – NO_x	6.06 / 5.2	243.7 / 212.4
Sulfur dioxide – SO_2	0.35 / 0.3	9.26 / 8.05
Other	6.89 / 6	42.84 / 36.68
Total	66.1 / 57.5	779.7 / 678.05

The main purpose of the Company activity in ecological sphere is the maximum possible environmental pollution prevention, decrease of negative effect of production and administrative activities on natural environment.

Achievement of this purpose is provided, first of all, by maintenance of technical condition of machinery of the Company on a proper level, and also by realization of environmental measures.

Expenses on environmental measures performed in 2010:

Name	Expenses, thous. RUB
Capital costs, including:	280,940
Land re–cultivation	64,585
Construction of sewage treatment facilities	216,355
Current expenses, including:	103,837.8
Protection of atmospheric air	8,670.4
Water resources conservancy	13,607
Environmental protection from production and consumption wastes	3,416.9
Re–cultivation of old stock of exploration, prospecting and appraisal wells	78,143.5

TOTAL:	384,767.8

Main indicators of ecological activity:

Indicator name	2008	2009	2010
Gross emissions of dangerous wastes into the atmosphere, thous. tones	5.237	4.820	1.678
Including above–limit, thous. tones	0	0	0
Intake from water resources, mln cub. m	0.137	0.116	0.079
Water discharge, thous. cub. m	65	37.5	47.8
Wastes per year, thous. tones	28.02	27.518	3.848
Land re–cultivated area, ha	77.778	62.22	1687.067
Emergency environmental damage (gas),	0	0	0
Current expenses on environmental protection measures, thous. RUB	15,233	107,299	103,837.8
Legal actions for recovery of damage compensation, caused by breaking of environmental regulations, including resulting from accidents	0	0	0
Investments into Fixed capital, directed to environmental protection, thous. RUB	103.59	191,652	280,940

7.2 Industrial safety and labor safety

Economic efficiency of industrial activity of the Company depends on reliable, secure operation of the equipment and on qualified actions of personnel, that is why special attention is paid to the matters of labor, industrial and fire safety.

Operation of dangerous industrial objects of the Company is performed on the basis and according to the requirements of norms and regulations acting in the sphere of industrial safety.

As of the end of financial year, 67 dangerous industrial objects of the Company are identified, they are registered in the State register of dangerous industrial objects and secured from the responsibility for causing harm of life, health or property of other persons and environment in case of emergency or accident.

The Company is certified for compliance with integrated quality management system in professional health and safety under requirements of international standards – OHSAS 18001:2007 “Professional Health and Safety”

In accordance with established order in the Company, the control of working conditions at workplaces is carried out on a regular basis, over correctness of application of equipment for the personal and collective protection of employees; over observance of safety requirements at operation of high–risk facilities, and also administrative–industrial inspection and supervision of carrying out of requirements, norms and regulations of HSE is performed. Works on maintenance of reliability and operation safety of industrial facilities are fulfilled.

For the mentioned measures on a labor safety 8.089 million RUB total were spent during the financial period.

Industrial inspection is carried out in accordance with Regulations on industrial inspection of observance of industrial safety requirements at dangerous industrial facilities of OJSC "Severneftegazprom".

6 inspections were carried out by permanent commission of OJSC "Severneftegazprom" within the limits of realization of administrative–industrial inspection (I, II, III and IV levels) over the conditions of labor, fire, industrial and ecological safety, and also with participation of representatives of the state supervision bodies.

In accordance with the results of inspections certificates were made, the corrective actions on elimination of violations were developed, responsible persons, execution period of measures and works were determined.

In November of the reporting year, the Severo–Uralsky Administration of the Federal environmental, process and nuclear supervision agency executed the scheduled on–site inspection of Company's hazardous industrial objects as regards the observance of industrial safety requirements

In conditions of strict observance of requirements, norms and regulations of labor, industrial and fire safety during the financial period, no accidents, alarms and incidents have been registered over the objects of the Company.

7.3 Power saving

Within the Policy of integrated management system (IMS) of OJSC Severneftegazprom in quality, environment protection, labor safety and industrial safety the following power saving and resources saving measures have been developed in the Company, which are planned for realization in 2010–2012:

1. Use of power saving light–emitting diode projectors and light fixtures providing electric power saving is aimed at reduction of fuel gas consumption gas–turbine power units (auxiliary power supply complex) and, as a result, decrease of the toxic wastes emissions (CO), contained in off–gases, into atmosphere;
2. Introduction of non–flare system of gas production for decrease consumption of gas for technical needs decrease emissions of dangerous wastes into the atmosphere.
3. Installation of filter separators for treatment of degassing gas in the TEG recovery premises to decrease losses of gas for technical needs and decrease of hazardous substance emissions into the atmosphere.

Power resources, used by the Company in 2010:

Type of resource used	Measurement unit	Volume of resource	Cost of resource, million RUB
Heat power	Gcal	36,196	55.30
Electric power	thou. kW*hr	28,356	224.08
Oil		–	–
Motor gasoline	l	468,243	12.03
Diesel fuel	l	730,675	16.82
Fuel oil		–	–
Natural gas	million cubic m	30.532	x
Coal		–	–
Slate coal		–	–
Peat		–	–
Other		–	–

SECTION 8

SOCIAL POLICY

8.1

Personnel

One of the main priorities of the Company is preservation of the highly professional, efficient and team–oriented team. The Company acts as the responsible employer, providing for the employees competitive wages and decent social security.

As of December the 31st, 2010 list number of employees of the Company has made 963 persons and an average list number comprised 938 persons.

Staff composition of the Company %:

– managers – 23.2
– specialists – 28
– common employees – 0.8
– workers – 48

Educational level of staff %

– postgraduate study – 0.4
– higher education – 49.6
– intermediate vocational – 17
– secondary – 33

Key directions of personnel department work of the Company is training and development of the person–nel.

In financial year 68 workers have passed vocational training, 29 persons have got second qualifications,, 128 managers, specialists and employees have raised their qualification. Within the limits of obligatory certification 165 persons were trained, including 100 persons on program “Industrial safety and labor safety", 49 persons – "Ecological safety", 15 persons – "Other technical programs (gas, oil and water inflow, welding, fire–fighting, etc.)”.

In 2010, 7 employees of the Company received training according to the programs, realized jointly with foreign companies (training in Germany at enterprises of Wintershall and E.ON–Ruhrgas AG, short–term workshops in France, Germany, Norway, with the following topics: “Organization of environmental man–agement”, “Efficient power saving technologies”, “Foreign experience of use of new technologies during development of hydrocarbon fields, experience in standardization and rate setting during construction of gas drilling, extraction and transporting objects”.)

The total sum of the Company’s costs for training and development of personnel in 2010 amounted to 13,423.26 thousand RUB (considering cost of business trips).

The company executes additional non–state staff retirement plan through “Gazfond” non–state pension fund in accordance with the Provision of non–state staff retirement plan of OJSC Severneftegazprom.

Proper level of motivation of personnel allows selection of highly qualified professionals to deal effec–tively with important industrial applications. Wage system, work and rest schedules, types of financial and non–financial incentives for workers are established according to the norms of the current Collective Agreement of the Company.

The Company, being a socially responsible employer, holds a set of measures to specify types and amount of compensation for work in adverse conditions. In April, 2010 special compensation surcharges for 98 working positions of the Company were established for work in harmful and (or) dangerous con–ditions, which had been confirmed by the results of working place conditions study. At year–end a compensation surcharge was set to 335 people as well as other types of additional compensation in accordance with the current Collective Agreement of the Company and the Russian Federation legislation were provided.

In the reporting year the new Collective Agreement for 2010–2012 came into force, specifying, within the framework of financial and economic capabilities of the Company, a higher level of preferences, guaran–tees and compensations as compared to the effective labor law. The new Collective Agreement is the result of gaining an optimum balance between the interests of the Company as of the employer and those of its employees within the framework of social partnership in the sphere of labor.

All obligation on social benefits, guarantees and compensations to workers and retired persons under the Collective Agreement are fulfilled completely.

8.2 Social assistance to the native population

The settlements nearest to Yuzhno–Russkoje oil and gas field are village Krasnoselkup (regional center, being the location of the Company), located 90 km to the East from the field, and settlement Urengoy located 135 km to the West from the field, which are places of residence of native minorities of the North.

At a stage of development and approval of the Project of arrangement of Yuzhno–Russkoje the public consultations of materials of the Environmental impact assessment of activity on field development have been successfully held which also included issues on protection of interests of the native minorities of the North. During the period of industrial activity of the Company, there were no protests against any kinds of activity of OJSC "Severneftegazprom" from the side of the native minorities of the North.

With a view of creation of conditions on development of traditional branches of farming and a way of life of low–numbered peoples of the North, rational use of the lands and complex development of field, and also with a view of fulfillment of conditions of the License agreement on conditions of using Yuzhno–Russkoje site of subsurface resources, the Company concluded General agreements with Administrations of municipal formations of Krasnoselkup and Purovskiy regions of Yamalo–Nenetsky Autonomous District about mutual cooperation in 2006.

Under such agreements and as coverage of damage to natural resources of the region OJSC Severneftegazprom using own funds finances the following various social and environment protection measures:

- House construction for persons from among native minorities of the North;
- Capital repair of child welfare and general educational institutions;
- Bonus payments to teachers of general educational institutions;
- Carrying out of festive events,
- Study of students from among native minorities of the North;
- Other actions aimed at habitat preservation of native minorities of regions and social development of areas.

The amount of finance directed by OJSC "Severneftegazprom" to support native minorities of the North, is defined annually. In 2010 the total sum of financing of the activities under the specified agreements has made 41 million RUB.

In September, 2009 within the limits of realization of strategy of observance of balance between economic purposes and ecological and social responsibility of the Company the Plan of measures on public consultations and disclosing of information was developed and put into operation which realization will allow various public groups to express their own point of view about the results of activity of the Company, based on the objective information. Realization of the program incorporated in the document, is called to contribute to the maintenance of meaningful dialogue between the Company and all interested parties that will allow avoid the risks related to possible untimely reaction to public responses during all life cycle of the project of development of Yuzhno–Russkoje field. The document can be found at the Company's website at http://www.sngp.org.

Moreover, OJSC "Severneftegazprom" on a regular base informs the population living in the regions of presence about significant events of the Company through municipal mass media.

OJSC "Severneftegazprom" actively participates in social assistance for native minorities of the North and makes all possible efforts for preservation of history, culture, customs and traditions of native minorities of the North.

SECTION 9

DEVELOPMENT PROSPECTS
OF THE COMPANY

9.1 Production activity

In 2011 the Company plans to undertake:

- Maintaining the design level of gas production in volume of 25 billion cub. m per year;
- realization of design decisions and measures on the control over development of Yuzhno–Russkoje field;
- Execution of "Yuzhno–Russkoje oil and gas field objects reconstruction, revamp and technical re–equipping schedule for 2011–12";
- Finishing of construction of experimental two–branch well No.174;
- Performance of the plan of geological exploration and reserves increment;
- Additional study of production characteristics of Turon (T1, T2) gas deposits of Yuzhno–Russkoje field.

9.2 License obligations

One of priority direction of activity of the Company is to carry out the license agreement in respect of conditions of using the Yuzhno–Russkoje subsurface site.

The Company intends to observe strictly the requirements of the license agreement, and also all other provided licenses.

9.3 Scientific research work

According to the Project of pilot development of Turon gas deposits of Yuzhno–Russkoje field in 2011 the Company plans to continue work with the experimental multibranch well with carrying out of a complex of research works for further enhanced development of Turon (T1, T2) gas deposits of Yuzhno–Russkoje field.

9.4 Project financing

In 2011 the Company plans to attract the long–term project financing provided by the consortium of foreign banks, for the period up to 7 years with the opportunity of advanced repayment.

9.5 Ecological and social management

Development of Yuzhno–Russkoje field is carried out in accordance with the requirements of the Laws of Russian Federation, including, regarding observance of social and ecological norms and standards.

The Company endeavors to carry out requirements of Equator Principles, and also the International Standards in the field of ecological and social management, established by the International Financial Corporation.

Strict observance of the requirements of the integrated management system (IMS) of OJSC Severneftegazprom meeting the requirements of the international standards ISO 9001:2008, ISO 14001–2004, OHAS 18001–2007, with the purpose of effective management of quality, labor protection, environmental and industrial safety (including passing of the first supervisory audit of the integrated management system with regard to quality, environment protection, labor protection and industrial safety to meet the requirements of the international standards: ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007).

APPENDIX 1

REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

Report on compliance with the code of corporate conduct

The Company complies with the following provisions of the Code of Corporate Conduct recommended for application by joint–stock companies according to the Order issued by the Federal Commission for the Securities Market of Russia under No. 421/r on April 4, 2002.

The shareholders must have access to the list of persons entitled to take part in the general meeting of shareholders beginning from the date when information about holding the general meeting of shareholders was published and until the closure of the general meeting of shareholders held in person, and in case of an absentee general meeting of shareholders – prior to the deadline fixed for accepting voting bulletins.

The shareholder must have an opportunity to bring in items for the agenda of a general meeting of shareholders or require the convention of a general meeting of shareholders without presenting an extract from the register of shareholders if the shareholder's right to shares is registered with the system of maintenance of the register of shareholders.

The Charter of the Company must provide for authorities of the Board of Directors related to annual approval of the Company's financial and economic plan.

Absence of people found guilty of committing crimes in the field of economic activities or crimes against state authorities, interests of state service and local governments or people, on which administrative punishments were imposed for civil injuries in the field of entrepreneurial activities, finances, taxes, charges or securities market, among members of the Company's Board of Directors.

Persons being a general director, a member of the management board or an employee of a legal person competing with the Company must not occupy positions in the Company's Board of Directors.

The Charter of the Company must provide for the requirement to elect the Board of Directors by cumulative voting.

Sessions of the Company's Board of Directors must be held for the year of preparing the annual report with the frequency of not less than once every sox weeks.

Presence of the Company's internal documents approved by the Board of Directors providing for the procedure of forming and operation of standing committees of the Board of Directors.

The procedure of approving of operations exceeding the limits of the Company's financial and economic plan must be provided in the Company's inner documents.

A special official (the Company's secretary) in charge of compliance with the procedural requirements guaranteeing the implementation of rights and legal interests of the Company's shareholders by the Company's bodies and officials must be employed by the Company.

The Charter of the Company or internal documents must provide for the requirement about approval of a large–scale transaction prior to its conduction.

The Charter of the Company must not exempt the transferee from the obligation to offer the shareholders to sell the ordinary shares held by them in the Company upon redemption.

Presence of a special department in the Company providing for compliance with the inner control procedures (audit service).

Absence of people found guilty of committing crimes in the field of economic activities or crimes against state authorities, interests of state service and local governments or people, on which administrative punishments were imposed for civil injuries in the field of entrepreneurial activities, finances, taxes, charges or securities market, among members of the audit service.

Persons being members of the Company's executive authorities as well as people being a general director, member of the management bodies or employee of a legal person competing with the Company must not occupy positions in the audit service.

APPENDIX 2

INFORMATION ON INTERESTED PARTY TRANSACTIONS AND MAJOR TRANSACTIONS MADE IN 2010

Information on interested party transactions and major transactions made in 2010

List of the Company's transactions in the reporting year, considered as interested party transactions in conformance with Federal law «On joint stock companies».

No.	Essential conditions	Persons, interested in settlement of a transaction	Management body, that made a decision on transaction approv–al
1.	Compensation Agreement between OJSC Severneftegazprom and E.ON AG. OJSC Severneftegazprom pays a fee to E.ON AG for guarantee provision under the Agreement on multicurrency loan facility. The agreement amount is not exceed–ing an amount equal to 4,000,000 EUR	E.ON Ruhrgas E&P GmbH, shareholder of the Company	Board of Directors of the Company, minutes No.25/2010 dated 30.03.2010
2.	Agreement No.09055 dated 31.03.2010 concluded with OJSC YuzhNIIgiprogaz (Contractor) on design work performance on the project: "Infrastructure setup of the two–hole production well 174 for Turon gas horizon of the Yuzhno–Russkoje oil and gas condensate field. Detailed design". The agreement amount is 6,949,621 RUB 80 kopecks VAT inclusive	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.25/2010 dated 30.03.2010
3.	Agreement No.10007 dated 31.03.2010 concluded with OJSC YuzhNIIgiprogaz (Contractor) on design work performance on the project: "Health rehabilitation center at the Shift village of the Yuzhno–Russkoje oil and gas condensate field. Detailed design." The agreement amount is 15, 609, 716 RUB 14 kopecks VAT inclusive	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.25/2010 dated 30.03.2010
4.	Supplementary Agreement No.7 dated 07.07.2010 to the Gas Delivery Agreement No.25 Pk–2007 dated 13 December 2007 concluded with OJSC Gazprom (Pur–chaser). The Purchaser undertakes to pay to the Supplier a penalty, charged by the Supplier due to default of the Purchaser to perform its obligations on gas volume off–take in 2009. The agreement amount is 697,354,952 RUB	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
5.	Compensation Agreement dated 11 June 2010 concluded with BASF SE. OJSC Severneftegazprom shall pay to BASF SE a compensation fee for guarantee pro–vision under the Agreement on Multicurrency Loan Facility refinancing / prolonging. The agreement amount is not exceeding an amount equal to 14,000,000 EUR	Wintershall Holding GmbH, shareholder of the Company	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
6.	Compensation Agreement dated 11 June 2010 concluded with E.ON AG. OJSC Severneftegazprom shall pay to E.ON AG a compensation fee for guarantee provi–sion under the Agreement on Multicurrency Loan Facility refinancing / prolonging. The agreement amount is not exceeding an amount equal to 10,000,000 EUR	E.ON Ruhrgas E&P GmbH, shareholder of the Company	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
7.	Supplementary Agreement No.8 to the Designer Supervision Agreement No.05125 AN dated 21 March 2006 concluded with OJSC YuzhNIIgiprogaz (Con–tractor) on designer's supervision over the construction of the projects: "Yuzhno–Russkoje gas and oil field infrastructure setup' including: "Field", "Shift village", "Marketable gas pipeline". The agreement amount is 1,016,498 RUB 02 kopecks VAT inclusive	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
8.	Supplementary Agreement No.02/10 dated 27.05.2010 to the Agreement No. 272 dated 01.04.2007 concluded with LLC Gazprom svyaz according to which LLC Gazprom svyaz provides telecommunications services with an access through Gazprom network. The agreement amount is 149,708.86 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meet–ing of Shareholders, minutes No.4/2009 dated 29.06.2009
9.	Supplementary Agreement No.8 to the Designer Supervision Agreement No.05125 AN dated 21 March 2006 concluded with OJSC YuzhNIIgiprogaz (Con–tractor) on designer's supervision over the construction of the projects: "Yuzhno–Russkoje gas and oil field infrastructure setup' including: "Field", "Shift village", "Marketable gas pipeline". The agreement amount is 1,016,498 RUB 02 kopecks VAT inclusive	OJSC Gazprom, shareholder of the Company	Annual General Meet–ing of Shareholders, minutes No.4/2009 dated 29.06.2009
10.	Agreement No.S1–10/066 dated 28.01.2010 with Supplementary Agreement No. 1 dated 25.05.2010 concluded with LLC Gazprom gazbezopasnost, according to which LLC Gazprom gazbezopasnost provides services on blowout safety control during construction of wells. The agreement amount is 3,104,572.92 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meet–ing of Shareholders, minutes No.4/2009 dated 29.06.2009
11.	Agreement No.C20–S28510 dated 01.01.2010 concluded with LLC Gazprom	OJSC Gazprom,	Annual General Meet–

	transgaz, according to which LLC Gazprom transgaz Surgut provides services on two antennas installation on the communications tower of "Purtazovskaya" Compressor Station (CS). The agreement amount is 293,211. 69 RUB	shareholder of the Company	ing of Shareholders, minutes No.11/2010 dated 29.06.2010
12.	Agreement No.S1–11/004 dated 12.10.2010 concluded with LLC Gazprom gazobezopasnost, according to which LLC Gazprom gazbezopasnost provides services on facilities preventive maintenance with the purpose of gas, water and oil showings as well as accidental release and blowouts. The agreement amount is 6,054,136.32 RUB.	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
13.	Supplementary Agreement No.5 dated 25.11.10 to the Agreement concluded with SOJSC Centrenergogas, the subsidiary of OJSC Gazprom, according to which SOJSC Centrenergogas provides services on production of specific technological equipment . The agreement amount is 638,000 RUB.	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
14.	Agreement No.S21–S 633 10 dated 29.10.2010 concluded with LLC Gazprom transgaz Surgut, according to which LLC Gazprom transgaz Surgut undertakes to service marketable gas pipeline "Yuzhno–Russkoje gas and oil field – CS Purtazovskaya" of the Novy Urengoy Local Operations & Maintenance Department for Main Gas Pipelines. The agreement amount is 41,991,889 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
15.	Agreement No.174/SNGP–2010–479/10 dated 01.09.2010 concluded with LLC Gazprom bureniye, according to which LLC Gazprom bureniye undertakes to built multibranch experimental well No.174. The agreement amount is 130,000,000 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
16.	Agreement No.348–2010 dated 05.03.2010 concluded with LLC TyumenNIIgiprogaz, according to which LLC TyumenNIIgiprogaz undertakes to execute the "Designer's supervision of the project of development of Senoman and Senon deposits of the Yuzhno–Russkoje field", – the regulatory document of OJSC Gazprom. The agreement amount is 7,000,000 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
17.	Agreement No.340–2010 dated 20.01.2010 concluded with LLC TyumenNIIgiprogaz, according to which LLC TyumenNIIgiprogaz undertakes to execute the "Designer's supervision of the project of development of Turon deposits of the Yuzhno–Russkoje field", – the regulatory document of OJSC Gazprom. The agreement amount is 2,000,000 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
18.	Agreement No.09021 dated 16.08.2010 concluded with OJSC YuzhNIIgiprogaz, according to which OJSC YuzhNIIgiprogaz shall carry out survey work regarding the following object: "Yuzhno–Russkoje oil and gas field infrastructure setup. Gas pipeline–reservoir, line 3 from PPYM (Production Site in the southern part of the field) to UKPG (Gas Processing Plant). Erosion sectors at the field and on the Marketable Gas Pipeline". The agreement amount is 35,188,370.74 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
19.	Supplementary Agreement No.n/a dated 03.08.2010 to the Agency agreement No.50–60–38–AD dated 21.11.06 concluded with LLC Gazprom complektatsya, according to which LLC Gazprom complektatsya on its behalf and on account of OJSC Severneftegazprom shall conclude agreements on OJSC Severneftegazprom product supply. The agreement amount is 114,000,000 RUB	OJSC Gazprom, shareholder of the Company	Annual General Meeting of Shareholders, minutes No.11/2010 dated 29.06.2010
20.	Agreement No.05.125TR 1 dated 22.10.2010 concluded with OJSC YuzhNIIgiprogaz (Contractor) on performance of design work on review and approval of Amendments No.1 to Technical Regulation on running the GPF (Gas Processing Facility) of Yuzhno–Russkoje gas and oil field No.05.125 TR under the project "Yuzhno–Russkoje gas and oil field infrastructure setup". The agreement amount is 236,464.92 RUB VAT inclusive	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.34/2010 dated 22.10.2010
21.	Agreement No.10057 dated 25.10.2010 concluded with OJSC YuzhNIIgiprogaz (Contractor) on performance of design work on ("Yuzhno–Russkoje gas and oil field infrastructure setup. Development of working sheets of estimated construction costs". The agreement amount is 1,347,560.00 RUB	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.34/2010 dated 22.10.2010
22.	Agreement No.S1–10/230 dated 18.08.2010 concluded with LLC Gazprom gazobezopasnost (Contractor) on performance of gas dangerous repairing works on replacement of 6 (six) sliding control valves without killing at wells of Yuzhno–Russkoje gas and oil field. The agreement amount is 1,897,192.20 RUB VAT inclusive	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.34/2010 dated 22.10.2010
23.	Supplementary Agreement No.8 dated 21.12.2010 to the Gas Supply Agreement No. 25 Pk–2007 dated 13 December 2007 concluded with OJSC Gazprom (Purchaser) on changes to the gas formulae and delivery period.	OJSC Gazprom, shareholder of the Company	Board of Directors of the Company, minutes No.36/2010 dated 15.11.2010
24.	Supplementary Agreement No.6 dated 10.12.2010 to the Gas Supply Agreement No. 28 Pk–2007 dated 13 December 2007 concluded with CJSC Gazprom YRGM	Wintershall Holding GmbH,	Board of Directors of the Company, minutes

	Trading (Purchaser) on changes to the gas formulae and delivery period.	shareholder of the Company	No.36/2010 dated 15.11.2010
25.	Supplementary Agreement No.2 dated 10.12.2010 to the Gas Supply Agreement No. 144/SNGP–2009 dated 29 October 2009 concluded with CJSC Gazprom YRGM Development (Purchaser) on changes to the gas formulae and delivery period.	E.ON Ruhrgas E&P GmbH, shareholder of the Company	Board of Directors of the Company, minutes No.36/2010 dated 15.11.2010
26.	Loan facility agreement between OJSC Gazprom (Lender) and OJSC Severnefte–gazprom (Borrower). The agreement amount is no bigger than 17,000,000,000.00 RUB	OJSC Gazprom, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.10/2010 dated 04.06.2010
27.	Loan facility agreement between E.ON Ruhrgas E&P GmbH (Lender) and OJSC Severneftegazprom (Borrower). The agreement amount is no bigger than 10,625,000,000.00 RUB.	E.ON Ruhrgas E&P GmbH, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.10/2010 dated 04.06.2010
28.	Loan facility agreement between Wintershall Vermцgensverwaltungs GmbH (Lender) and OJSC Severneftegazprom (Borrower). The agreement amount is no bigger than 14,875,000,000.00 RUB	Wintershall Holding GmbH, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.10/2010 dated 04.06.2010
29.	Supplementary agreement No.9 dated 09.03.2011 to the Gas Supply Agreement No. 25 Pk–2007 dated 13 December 2007 concluded with OJSC Gazprom (Pur–chaser) on determination of the gas price for the first semester of2010 and delivery volume for 2010.	OJSC Gazprom, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.14/2010 dated 30.12.2010
30.	Supplementary agreement No.7 dated 30.12.2010 to the Gas Supply Agreement No. 28 Pk–2007 dated 13 December 2007 concluded with CJSC Gazprom YRGM Trading (Purchaser) on determination of the gas price for the first semester of2010 and delivery volume for 2010.	Wintershall Holding GmbH, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.14/2010 dated 30.12.2010
31.	Supplementary agreement No.3 dated 30.12.2010 to the Gas Supply Agreement No. 144/SNGP–2009 dated 29 October 2009concluded with CJSC Gazprom YRGM Development (Purchaser) on determination of the gas price for the first semester of2010 and delivery volume for 2010.	E.ON Ruhrgas E&P GmbH, shareholder of the Company	Extraordinary General Meeting of Sharehold–ers, minutes No.14/2010 dated 30.12.2010

The list of the Company's transactions in the reporting year, considered as major transactions in con–formance with Federal law «On joint stock companies».

	Essential conditions	Management body, that made a decision on transaction approval
1.	Agreement dated 11.06.2010 with the group of banks headed by Societe Generale bank on extension of multicurrency credit, guaranteed by OJSC «Gazprom», in the amount equivalent to 77,273,101 EUR and 433,656,641 USD	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
2.	Agreement dated 11.06.2010 with the group of banks headed by Societe Generale bank on extension of multicurrency credit, guaranteed by BASF SE, in the amount equivalent not exceeding 67,613,963 EUR and 379,449,561 USD	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010
3.	Agreement dated 11.06.2010 with the group of banks headed by Societe Generale bank on extension of multicurrency credit, guaranteed by E.ON AG, in the amount equivalent not exceeding 48,295,688 EUR and 271,035,401 USD	Board of Directors of the Company, minutes No.26/2010 dated 13.05.2010

APPENDIX 3

CONTACTS AND REFERENCE INFORMATION

Contact and reference information

Location address

The Company is registered at the address: the Russian Federation, 629380, Yamal–Nenets Autonomous District, Krasnoselkup region, the village of Krasnoselkup, Lenina str., 22.

Postal address of the Company

The Russian Federation, 629300, Yamal–Nenets Autonomous District, the city of Novy Urengoy, P.O.B. 1130.

Telephone/fax

tel.: +7 (3494) 248–106 fax: +7 (3494) 248–116
tel.: +7 (495) 510–29–30 fax: +7 (495) 510–29–31

E–mail address

sngp@msk.sngp.org

Web page address

http://www.sngp.org

The Company's code according to OKPO (Russian National Classifier of Businesses and Organizations)

48731500

The Company's Tax Registration Reason Code (KPP)

891450001

Taxpayer Identification Number (INN)

8912001990

The Company is registered with Interregional Inspection of the Ministry of Taxation of the Russian Federation No.3 for Yamal–Nenets Autonomous District

Primary State Registration Number (OGRN)

1028900699035

Bank information

Beneficiary bank: «Gazprombank» (OJSC) in Moscow
settlement account 40702810600000002179
BIK 044525823
correspondent account 30101810200000000823

Contact information

Structural subdivision in charge of shareholders relations — Corporate Management Department of OJSC «Severneftegazprom».

Contact person: Volnyanskiy Denis Anatoljevich, Deputy General Director on Legal and Corporate Issues

tel./fax: +7 (495) 510–29–33
e–mail: VolnyanskiyDA@msk.sngp.org