



SEVERNEFTEGAZPROM



ANNUAL REPORT 2013



SEVERNEFTEGAZPROM

*The Report is available on the
official website of the Company:
www.en.severneftegazprom.com*



Introduction

This Annual Report (hereinafter referred to as the Report) details the key performance indicators of Severneftegazprom Open Joint-Stock Company operations (hereinafter referred to as OJSC Severneftegazprom, the Company) for 2013 and the development prospects aimed at setting and reaching strategic goals and ensuring the Company's long-term sustainable development.

In the Report we have taken into account all significant information for potential readers. The provided information has been officially issued by the Company, supported by the internal documentation and released to the public. Information in the Report has been prepared employing comparable techniques used during the previous periods. The Report generally contains no specific terms or data requiring special knowledge.

The results of the Company's performance in the field of sustainable development are presented in the Report following GRI 3.1 (Global Reporting Initiative) recommendations for completeness of disclosure, level "B+", hereinafter – Guidelines. With regard to the materiality and completeness of disclosure of non-financial information and in accordance with international principles of good business practice, such part of the Report was certified by the independent auditor CJSC "Deloitte & Touche CIS".

The Report contains evaluations and forecasts of the Company's authorized management bodies regarding its performance and future plans and/or actions, considering the probability of occurrence.

Forward-looking statements, owing to the specifics, are connected with an inherent risk of uncertainties as whole and particular. We caution you in advance that actual results may differ materially from such forward-looking statements, expressed directly or indirectly.

The Report is published on the official website of the Company and distributed by direct mail to the interested parties.

It is important for the Company to know the opinions, comments and suggestions of all interested parties on how to improve the Report. For these purposes we enclose a questionnaire at the end of the Report and we would highly appreciate your feedback.



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Message from the Chairman of the Board of Directors



Alexander Medvedev
*Chairman of the Board
of Directors of
OJSC Severneftegazprom*

Dear shareholders!

In 2013, the Company once again demonstrated high efficacy and a successive approach to meeting strategic objectives. The operational goals achieved confirm the leadership positions of OJSC Severneftegazprom as one of the most efficient and high-end companies of the Gazprom Group.

To ensure uninterrupted energy supply to our European customers, a large-scale international infrastructural project named “Nord Stream” is being implemented, with the Yuzhno-Russkoye Field developed by OJSC Severneftegazprom being the principal resource base for the project. The Company’s responsibility calls upon improving its technologies used in the production and modernization of its production facilities on a regular basis.

The current project aimed at the development of the Turonian gas deposit from the Yuzhno-Russkoye Field has already contributed to the development of the gas production industry. The Company’s experts improve technologies aimed at the production of hard-to-recover natural gas reserves jointly with its Russian and foreign partners.

OJSC Severneftegazprom pays special attention to ensuring industrial and labor safety, efficient natural resources management and policy aimed at environmental risks reduction and energy conservation.

As a result of consistent work of the company’s management aimed at improving the operational efficacy, we managed to significantly inhibit growth of specific costs per unit of natural gas production.

Commitment and responsibility, professionalism and dedicated work of the Company’s employees as well as support of the management’s initiatives by the shareholders are essential prerequisites for successful achievement of Company’s long-term development goals.

*Sincerely yours,
Alexander Medvedev,
Vice-Chairman of the Board of JSC Gazprom
Chairman of the Board of Directors
of OJSC Severneftegazprom*

Message from the General Director



Stanislav Tsygankov
*General Director of
OJSC Severneftegazprom*

Dear shareholders, partners and colleagues!

The past 2013 year was another year of successful financial and production results for OJSC Severneftegazprom.

Energetic efforts of the Company in 2013 laid the foundation for further expansion of production activities, involving development of the Cenomanian and Turonian gas deposits at the Yuzhno-Russkoye Field.

Today we are among the industry leaders in terms of development of hard-to-recover natural gas resources though we have just recently launched the project.

In 2013, we produced as many as 100 million cubic meters from the first pilot well for the Turonian deposit. Commissioning the pilot development of the Turonian gas deposit at the Yuzhno-Russkoye oil and gas field emphasizes the technological leadership of the Company in implementing an effective and rational task of development of hard-to-recover gas reserves, which is the main task placed before the gas industry these days.

The successful experience that the Gazprom Group together with the German shareholders have gained in this area is a basis for further Company's development and reflects the leading global tendencies in ensuring effective gas production.

Despite unfavorable external factors such as unstable global financial markets, volatility of the national currency and growing MET rate, the employees' efforts towards operational performance improvement ensured high financial and economic results of the Company for the reporting period and enabled the Company to successfully service its debts under the Project facility Agreement and make distributions to its shareholders on a regular basis meanwhile remaining stable for further business development.

Considering that human capital is the most valuable asset of the Company and the prerequisite for success, in 2013 the Company's management continued its efforts aimed at streamlining occupational health and safety systems, ensuring healthy living of the employees, personnel training and advanced professional training, and meeting social guarantees and standards.

Professionalism of our employees and partners together with proper support on the side of our shareholders will ensure continuous operation and development of our Company as well as achievement of its long-term targets.

*Sincerely yours,
Stanislav Tsygankov,
General Director
of OJSC Severneftegazprom*

Key Events 2013

February

Following the results of the recertification audit of the Company's integrated management system (IMS) conducted by the international certification body, OJSC Severneftegazprom was granted certificates confirming compliance of quality management system, environmental protection, occupational health and safety of the Company with international standards ISO 14001:2004, ISO 9001:2008, OHSAS 18001:2007.

March

OJSC Severneftegazprom and the Government of the Yamal-Nenets Autonomous District signed the Cooperation Agreement for 2013–2017. Cooperation between the parties remains aimed at further development of the regional economy, improving the investment climate, creating favorable conditions for solving major social problems of the autonomous district and municipalities. The implementation of joint projects to support and preserve the history, customs and cultural traditions of the indigenous peoples of Yamal will be continued.

May

OJSC Severneftegazprom received a certificate of the Global Initiative (Global Reporting Initiative, GRI) "GRI Application Level Check Statement", confirming compliance of the Company's Annual report for 2012 with the level "C" of GRI standards.

June

OJSC Severneftegazprom and Krasnoselkup District Administration of the Yamal-Nenets Autonomous District signed the Cooperation Agreement for 2013.

The Annual General Meeting of Shareholders was held on June 28th, 2013. During the meeting the shareholders considered the results of the Company in 2012, unanimously approved the Annual report and Annual financial statements, the Company's auditor for 2013. Also at the meeting the members of the Board of Directors and the Audit Committee were elected, the list of interested party transactions for the next corporate year was approved, the decision to pay dividends following the results of work in 2012 was made.

July

OJSC Severneftegazprom and the Administration of the town of Novy Urengoy signed a Cooperation Agreement for 2013.

October

100 million m³ of natural gas were produced from the first Turonian trial production well № 174 at the Yuzhno-Russkoye oil and gas condensate field.

The Technical Committee of the Company's Board of Directors unanimously approved and recommended for adoption the Annual Work Program and the Budget of OJSC Severneftegazprom for 2014 which focused on the significant expansion of the Company's investment activity for implementation of the fundamental project documents ensuring steady functioning of the Company for development of the Turonian and Cenomanian gas deposits at the Yuzhno-Russkoye oil and gas field.

November

On November 29th, 2013 the Company's Board of Directors adopted the Annual Work Program and the Company's Budget for 2014.

December

Supplementary agreements confirming the gas supply for 2014 were duly issued in accordance with the terms of gas supply agreements signed by the Company with JSC Gazprom, CJSC Gazprom YRGM Trading and CJSC Gazprom YRGM Development.

The Company's innovative project "Development of an automated control system for gas losses after dry gas seals GCU BCS" took the lead in the nomination "The best innovative project in the field of environmental protection, ecology, recycling and reuse of operating supplies".

Key Events 2014

January

OJSC Severneftegazprom joined the international non-governmental non-profit organization European Business Congress.

February

On February 14th, 2014 a construction of another trial production well for extraction of hard-to-recover Turonian gas at the Yuzhno-Russkoye oil and gas field was launched.



Year of Environmental Protection

OJSC Severneftegazprom treats responsibly the problem of environmental protection in the areas where the Company carries out its production and economic activity.

2013 was officially declared the Year of environmental protection in Russia. The Presidential Decree dated August 10th, 2012 states that this important event is held in order to “ensure the right of every person to a healthy environment”. This means that the development of ecology in Russia has entered a new phase, in which special attention will be focused on the activity of the government and society.

OJSC Severneftegazprom treats responsibly the problem of environmental protection in the areas where the Company carries out its production and economic activity. All operating activities were executed to meet the requirements of environmental policy of OJSC Severneftegazprom, federal and regional regulations, international standards for environmental safety and environmental management.

The Company has developed and successfully implemented an activity plan for the 2013 Year of Environmental Protection.

The guidelines of the plan are as follows:

- *protection of outdoor air;*
- *waste disposal;*
- *environmental monitoring and others.*

Along with the measures aimed at reducing the environmental impact, OJSC Severneftegazprom is involved in active public awareness campaign for the protection of the environment and raising environmental awareness in performance areas.

A long-term target program “Environmental education for youth of Krasnoselkup District for 2012–2014” initiated by the municipal administration of Krasnoselkup District is implemented with the participation of OJSC Severneftegazprom.



Key Performance Indicators 2013

Production indicators

INDICATOR, BILLION M ³	2013	2012	2011	CHANGE, %	
				2012/2011	2013/2012
Gas reserves	1,071.493	1,096.628	1,122.427	-2%	-2%
Gross production	25.119	25.347	25.651	-1%	-1%
Gas sales	25.048	25.280	25.581	-1%	-1%

Financial indicators

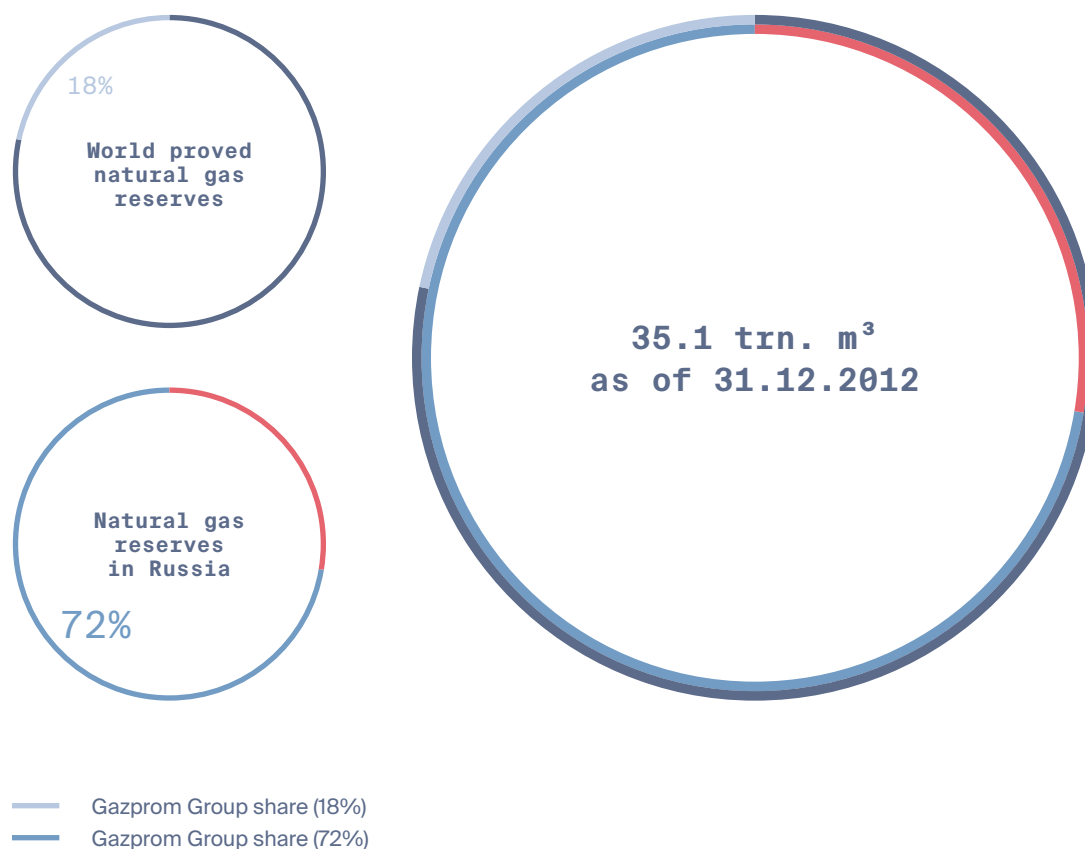
INDICATOR, RUB MLN	2013	2012	2011	CHANGE, %	
				2012/2011	2013/2012
Sales revenue	34,501	33,962	26,038	30%	2%
Sales profit	25,671	23,165	15,218	66%	10%
Net profit	5,016	8,717	5,940	47%	-42%
Net cash from performances (current performances)	12,771	14,934	13,796	8%	-14%
Net assets	42,945	41,073	34,188	20%	5%
Dividends distribution (net of tax liabilities)	2,936	1,711	12,329	-	72%
Current liquidity ratio	2.78	2.47	2.45	11%	1%

Position in the Industry and Development Prospects

OJSC Severneftegazprom forms part of the Gazprom Group, one of the largest vertically integrated energy companies in the world.

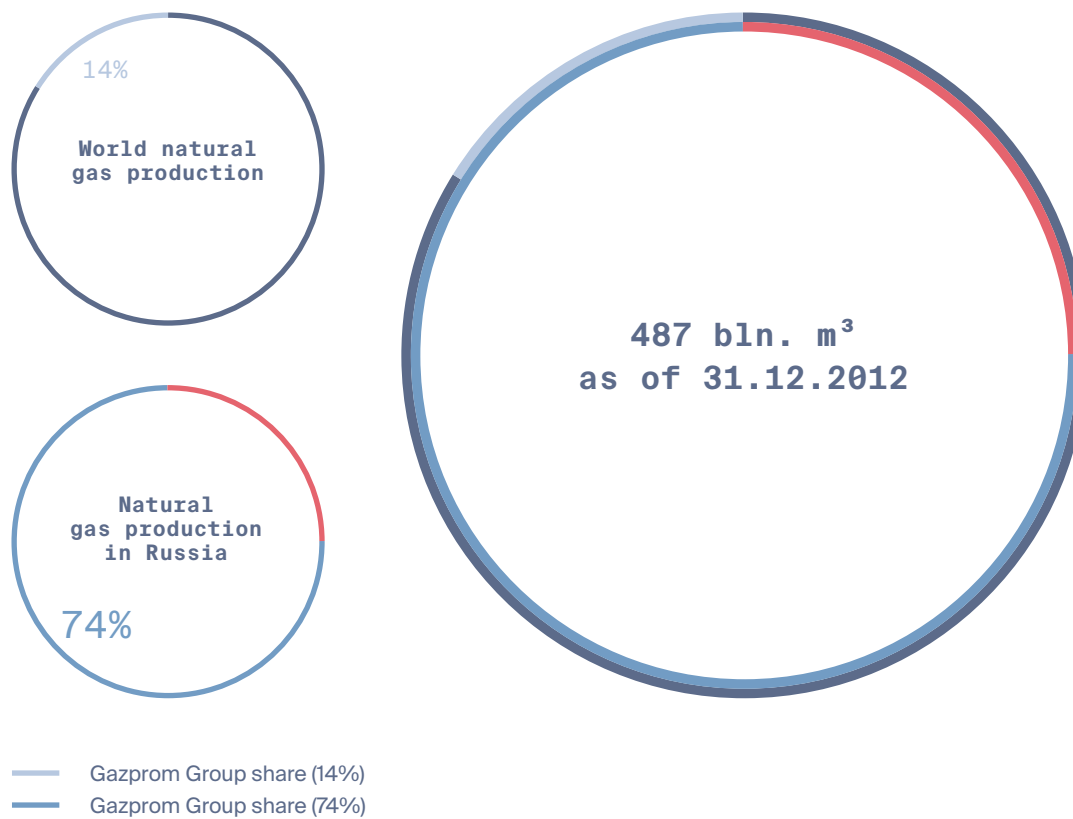
The Gazprom Group is the worldwide leader in terms of natural gas reserves and production.*

NATURAL GAS RESERVES OF THE GAZPROM GROUP



* JSC Gazprom website www.gazprom.ru

NATURAL GAS PRODUCTION VOLUME OF THE GAZPROM GROUP

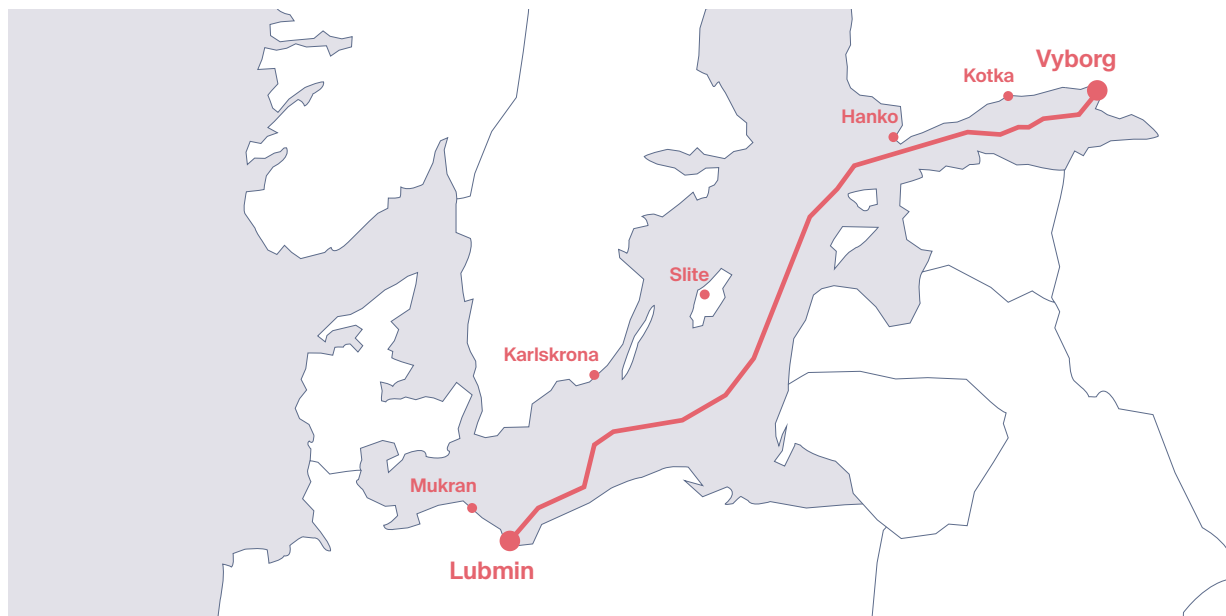


More than 90% of the natural gas production on the territory of the Russian Federation is attributed to the Ural Federal District. Following the results of the 2012 the Gazprom Group extracted 450.8 bln m³ of natural gas.



OJSC Severneftegazprom extracts 6% of the total volume of the natural gas extracted in the Ural Federal District. The Company holds the license for exploration and production of hydrocarbons in the Yuzhno-Russkoye oil and gas condensate field in the Yamal-Nenets Autonomous District. Since the field startup, the total cumulative gas production amounted to over 140 bln m³. Annually from the depths of the Yuzhno-Russkoye oil and gas field at least 25 bln m³ of gas is extracted.

The Yuzhno-Russkoye oil and gas condensate field is the main resource base for the supply of gas to European markets through the pipeline “Nord Stream”.



Commissioning the pilot development of the Turonian gas deposit in the Yuzhno-Russkoye oil and gas field emphasizes the technological leadership of the Company in implementing an effective and rational task of development of hard-to-recover gas reserves, which is the main task placed before the gas industry these days. The successful experience that we have gained in this area is a basis for further Company's development and reflects the leading global tendencies in ensuring effective gas production.

The Company is constantly looking for new technologies and innovative solutions to develop and equip the Yuzhno-Russkoye oil and gas field.

The priority areas of operation for OJSC Severneftegazprom are as follows:

- *fulfilling obligations under the license agreement on the right to use of the Yuzhno-Russkoye subsoil plot;*
- *ensuring the planned gas production level of 25 bln m³ per year;*
- *implementing design solutions and activities for the control of development of the Yuzhno-Russkoye oil and gas field;*
- *accomplishing the planned exploration works and reserve increase;*
- *undertaking works aimed at the reconstruction, modernization and technical upgrade of the Yuzhno-Russkoye oil and gas field facilities;*
- *complying with the Project Facility Agreement concluded with a consortium of foreign banks and the Russian OJSC Gazprombank;*
- *effective functioning of the integrated management system (IMS) for quality, health and safety, creation of comfortable conditions for the working personnel and environmental protection;*
- *participation in social and economic development of the local municipal units, the Krasnoselkup and Pur Districts, and implementation of the programs aimed at supporting indigenous minorities of the North.*

OJSC Severneftegazprom is an advanced company, using the latest technical solutions to increase efficiency, save energy and protect the environment. The Company is constantly looking for new technologies and innovative solutions to develop and equip the Yuzhno-Russkoye oil and gas field in order to fulfill the existing gas supply agreements.



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Management Bodies

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Management Bodies

Management and Control Bodies

Management Structure

General Meeting of Shareholders

Board of Directors

Technical Committee

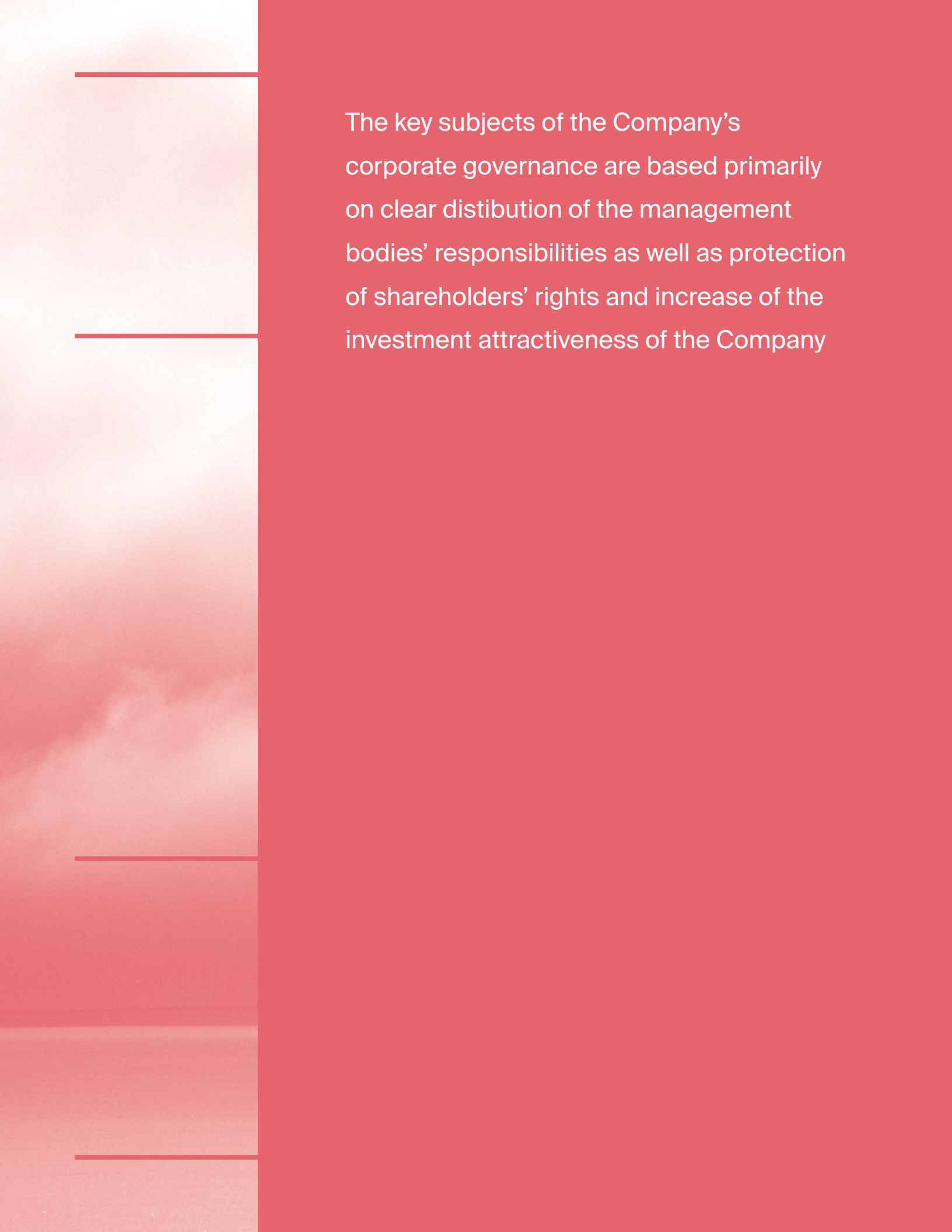
Board of Directors' Report on Development
in Priority Areas of Operation

Executive Body

Information on the Company's Auditor

Audit Commission





The key subjects of the Company's corporate governance are based primarily on clear distribution of the management bodies' responsibilities as well as protection of shareholders' rights and increase of the investment attractiveness of the Company



Management and Control Bodies

Management Structure

The General Meeting of Shareholders is the supreme management body of the Company. The Company secures the right of its shareholders to participate in management of the Company affairs.

The Board of Directors is the governing body that performs general management of the Company's operations and is responsible for strategic management aimed at accomplishing long-term objectives and goals, as well as controlling the Company's operating efficiency.

The Technical Committee is established by the Board of Directors.

The Technical Committee of the Board of Directors is a consulting and advisory body of the Board of Directors of the Company, responsible for preliminary comprehensive review of all issues in the competence of the Board of Directors.

The General Director is the sole executive body, managing operating performance of the Company and implementing the strategy defined by the Board of Directors.

The Audit Commission is a body ensuring an efficient control system over Company's financial and business activities and reporting directly to the General Meeting of Shareholders.

The Company engages an external auditor to conduct the annual audit of financial statements, prepared in accordance with the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS). The external auditor is annually approved by the General Meeting of Shareholders upon suggestion of the Board of Directors.

The issues associated with the establishment, competence and organization of activities of the management and control bodies are determined by the Company's Charter and relevant internal documents.



General Meeting of Shareholders

Three General Meetings of Shareholders were held in 2013, including the annual meeting dated June 28th, 2013. Following the results of this meeting the shareholders approved the Annual Report and the Annual financial statements of OJSC Severneftegazprom for 2012, as well as the Company's auditor for 2013, elected the members of the Board of Directors and the Internal Audit Commission, and reviewed the issues associated with the distribution of profits and payment of remuneration to the Board of Directors' members.

The extraordinary General meetings of the shareholders held on June 11th and December 20th, 2013 approved the amendments to gas supply agreements establishing price fixing for the second half of 2013 and the first half of 2014, as well as the volume of gas to be supplied in 2014.



Board of Directors

Pursuant to the Charter, the Board of Directors of the Company shall consist of 8 members.

The Members of the Company's Board of Directors at the End of the Reporting Period

**Alexander Ivanovich
Medvedev,
Chairman of the Board
of Directors**

Born on August 14th, 1955 in the town of Shakhtersk, Sakhalin Region. Graduated from Moscow Physics and Technology Institute. Academic degree: Candidate of Economics. 2002–2008—Member of the Management Committee of JSC Gazprom, General Director of LLC Gazexport. Since 2005—Deputy Chairman of the Management Committee of JSC Gazprom, General Director of LLC Gazexport (since 2006—LLC Gazprom Export).

**Elena Vladimirovna
Mikhailova**

Born on April 28th, 1977 in the Pskov Region. Graduated from Moscow State Industrial University, majoring in Law, obtained a MBA from the Russian Presidential Academy of National Economy. Since 2003—Deputy General Director for Corporate Relations and Asset Management of LLC Gazprom Mezhhregiongaz. Since 2012—Member of the Management Committee of JSC Gazprom, Head of the Asset Management and Corporate Relations Department of JSC Gazprom.

**Alexander Pavlovich
Dushko**

Born on June 22nd, 1964 in Novodruzhesk. Graduated from Saint Petersburg State University of Engineering and Economics. Since 2005—Deputy Head of the Department of Finance and Economics of JSC Gazprom.

Dr. Rainer Seele

Born on September 2nd, 1960 in Bremerhaven (Germany). Graduated from the University of Göttingen (Germany). Has a PhD in Chemistry. Since 2009—Chairman of the Board of Executive Directors of Wintershall Holding GmbH, Managing Director of Wintershall Erdgas Beteiligungs GmbH.

Mario Mehren

Born on November 24th, 1970 in Koblenz (Germany). Graduated from Saarland University (Germany), majoring in Business Administration. 2006–2011—Head of the Finance and Information Management Department of Wintershall Holding GmbH, Managing Director of Heidkopf GmbH, Managing Director of Nordkaspische Explorations-und-Produktions GmbH, Managing Director of Wintershall Libyen Oil & Gas GmbH, Managing Director of Gewerkschaft Röchling GmbH, Managing Director of Wintershall Russland GmbH. 2007–2011—Member of the Management Board of Wintershall AG. 2009–2011—Managing Director of Wintershall Norwegen Explorations-und-Produktions GmbH. 2008–2011—Managing Director of Wintershall Middle East GmbH. Since 2011—Member of the Management Board of Wintershall Holding GmbH, Managing Director of Wintershall Lenkoran GmbH, Managing Director of Wintershall Wolga Petroleum GmbH.

**Vsevolod Vladimirovich
Cherepanov**

Born on November 25th, 1966 in Frunze. Graduated from M.V. Lomonosov Moscow State University. 2008–2010—Deputy Director General and Chief Geologist at LLC Gazprom Dobycha Nadym. Since 2010—Member of the Management Committee of JSC Gazprom, Head of the Gas, Gas Condensate and Oil Production Department of JSC Gazprom.

Alan James Weatherill

Born on December 17th, 1955 in Singapore. Graduated from the University of Southampton. Bachelor of Mechanical Engineering. 2005–2010—Chief Engineer of Shell Global Solutions B.V.(Netherlands). Since 2010 till October 31st, 2013—General Director of E.ON Exploration and Production Russia (the legal successor of E.ON Ruhrgas Exploration and Production Russia).

Frank Allan Sivertsen

Born on August 21st, 1957 in Time (Norway). Graduated from the Norwegian School of Economics and Business Administration. Master of Business Administration (MBA). 2005–2007—Managing Director of E.ON Ruhrgas UK North Sea (Great Britain). Since 2008—Chief Executive Officer of E.ON Exploration and Production GmbH (the legal successor of E.ON Ruhrgas E & P GmbH).

Information on Changes in the Company's Board of Directors in the Reporting Year

There were no changes in the Board of Directors in the reporting period.

The Chairman and Members of the Board of Directors did not hold any shares in the Company in the reporting year. There were no deals for the acquisition or transfer of Company shares conducted by the Members of the Board of Directors in the reporting year.

*OJSC Severneftegazprom
Board of Directors Meeting*



Technical Committee

The major task of the Technical Committee of the Board of Directors is to execute preliminary comprehensive review of all issues in the competence of the Company's Board of Directors and to develop proper recommendations.

The establishment and operation of the Technical Committee is determined by the Shareholders' Agreement of OJSC Severneftegazprom and the Regulations on the Technical Committee, approved by the Board of Directors.

The Technical Committee is composed of 8 members, who are elected by the Board of Directors. Candidates are proposed by the shareholders of the Company as follows: 4 candidates from JSC Gazprom, and 2 candidates each from Wintershall Holding GmbH and E.ON Exploration & Production GmbH.

One of the key objectives of the Technical Committee is to provide recommendations to the Board of Directors regarding all significant technical aspects in the competence of the Company's business, including the approval by the Board of the Long-Term Development Plan and Budget, the Additional Field Development Plan Draft, the Additional Field Development Plan and Annual Work Program and Budget, as well as any amendments and/or supplements thereto.

Professional skills of the members of the Technical Committee and their management experience, primarily in these specialized areas of business, enable to enhance efficiency of the Company's Board of Directors' activities and to exercise control over performance of the executive body of the Company.

The members of the Technical Committee as of December 31st, 2013:

**Tsygankov Stanislav
Evgenievich**

*OJSC Severneftegazprom
General Director*

**Sukhanova Yulia
Viktorovna**

*OJSC Severneftegazprom
Deputy General Director on Economics and Finance*

**Efimochkin Egor
Alekseevich**

*JSC Gazprom
Deputy Head of Business Development Directorate*

**Bilalov Nazhib
Abdulkadyrovich**

*JSC Gazprom
Deputy Head of Operational Capacities Reconstruction and Expansion Department
Gas, Gas Condensate, Oil Production Department*

Dr. Pilling Rolf Udo Norbert

*Wintershall Russland GmbH
Deputy Managing Director for Technical Development
and Joint Ventures Support*

Ubbenjans Hermann

*OJSC Severneftegazprom
Deputy General Director for Development and Strategic Planning*

**Dr. Stein-Khokhlov Maxim
Dmitrievich**

*E.ON E&P Russia GmbH
Technical Director*

**Anoshin Konstantin
Yurievich**

*E.ON E&P Russia GmbH
Deputy General Manager*

No members of the Technical Committee hold shares of the Company. There were no deals for the acquisition or transfer of Company shares conducted by members of the Technical Committee in the reporting year.

CHANGES IN THE COMPOSITION OF THE TECHNICAL COMMITTEE OF THE COMPANY DURING THE REPORTING YEAR:

COMPOSITION FROM JANUARY 01st
TILL NOVEMBER 15th, 2013

Tsygankov Stanislav Evgenievich
Sukhanova Yulia Viktorovna
Efimochkin Egor Alekseevich
Bilalov Nazhib Abdulkadyrovich
Dr. Pilling Rolf Udo Norbert
Ubbenjans Hermann
Weatherill Alan James
Dr. Peter Reichetseder

COMPOSITION FROM NOVEMBER 15th
TILL DECEMBER 31st, 2013

Tsygankov Stanislav Evgenievich
Sukhanova Yulia Viktorovna
Efimochkin Egor Alekseevich
Bilalov Nazhib Abdulkadyrovich
Dr. Pilling Rolf Udo Norbert
Ubbenjans Hermann
Dr. Stein-Khokhlov Maxim Dmitrievich
Anoshin Konstantin Yurievich

*OJSC Severnftegazprom
Technical Committee Meeting*



Board of Directors' Report on Development in Priority Areas of Operation

The Board of Directors is primarily focused on unswerving observance of rights of its shareholders, securing strategic operational management and efficient control over financial and economic activities of the Company.

The Board of Directors considers the performance of the Company in priority areas of operation as generally successful in the reporting year.

In 2013, 13 meetings of the Board of Directors took place which considered 36 questions on various aspects of the Company's activity.

The Board of Directors of OJSC Severneftegazprom reviewed a number of important issues related to the current activities of the Company:

- approval of interested party transactions;*
- reviewing the shareholders' proposals regarding candidates for the position of member of the Board of Directors;*
- the convocation of extraordinary General Meetings of Shareholders;*
- recommendations for dividends on shares resolution and terms of payment, based on the results of the 2012 financial year;*
- the approval of the Company's Annual work program and Budget for 2014;*
- the approval of the amount of remuneration for auditor services.*

As part of preparing for the extraordinary General Meetings of Shareholders, the Board of Directors considered the following matters:

- fixing the gas price for the second half of 2013 and the first half of 2014;*
- recommendations to the General Meeting of Shareholders for approval of the amendments to the gas supply agreements.*

Compensation to the Board of Directors members

In 2013 and following the results of 2012 the compensation paid by the Company to the members of the Board of Directors amounted to RUB 4,547,500.00.

Executive Body

According to the Charter of the Company, there is no collegial executive body of the Company (Management Board). The sole executive body of the Company is the General Director.

Brief Personal Profile of the General Director

Tsygankov Stanislav Evgenievich

Term of office: from 25/02/2011 to 24/02/2014

24/02/2014, following the decision of the Board of Directors the term of office of the General Director was extended till 24/02/2017.

Born on July 27th, 1966 in Moscow.

Graduated from the Plekhanov Russian University of Economics, majoring in Finance and Credit.

Positions occupied in the last 5 years:

2002-2011 – Head of the International Business Department of JSC Gazprom.

Since February 25th, 2011 – General Director of OJSC Severneftegazprom.

The labour remuneration of the Company's General Director is stipulated in the Agreement on labour remuneration, a supplement labour agreement, and also includes the list of social protection and compensation payments.

The General Director does not hold any shares in OJSC Severneftegazprom. No transactions for acquisition or transfer of Company shares were executed by the General Director in the reporting year.

Stanislav Tsygankov
General Director
OJSC Severneftegazprom



Information on the Company's Auditor

The auditor of the Company is CJSC PricewaterhouseCoopers Audit (CJSC PwC Audit).

Location and mailing address: 10 Butyrsky Val, Moscow, 125047, Russian Federation

The certificate of state registration of the joint-stock company № 008.890, issued by the Moscow Registration Chamber on February 28th, 1992.

The certificate of record entry into the Unified State Register of Legal Entities registered before July 1st, 2002 under № 1027700148431, dated August 22nd, 2002, issued by the Interdistrict Inspectorate of the Ministry for Taxes and Levies of the Russian Federation № 39 for Moscow.

Member of the non-commercial partnership "Russian Audit Chamber" (NP RAC), which is a self-regulatory organization of auditors - registration number 870 in the register of NP RAC members.

The audit was approved by the General Meeting of Shareholders of the Company on June 28th, 2013.



Audit Commission

The Audit Commission is a permanent internal control body, independent of the officials, management bodies and management of the Company.

The authority of the Audit Commission is determined by the Federal Law “On Joint-Stock Companies”, the Charter of the Company and the Regulations on the Audit Commission. Pursuant to the Charter of the Company, the Audit Commission consists of 3 members.

Members of the Company’s Audit Commission at the end of the Reporting Period

**Yulia Nikolaevna
Antonovskaya**

*JSC Gazprom
Chief Economist of the Organizational Directorate of the Department of Internal
Audit of the Management Committee Administration*

Ingo Lehmann

*Wintershall Russland GmbH
Chief of the Finance and Information technologies branch in Moscow*

Jan Ove Nesvik

*E.ON Exploration and Production Norge AC
General Finance manager of Norway and Russia*

No members of the Internal Audit Commission hold shares in the Company.
No transactions for acquisition or transfer of Company shares were executed
by members of the Internal Audit Commission in the reporting year.



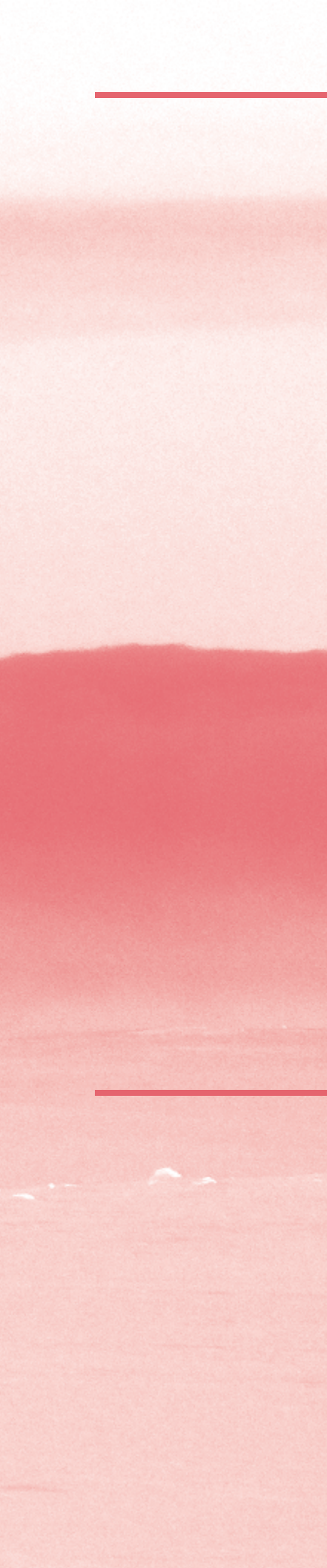


Charter Capital. Report on Dividend Policy

Charter Capital

Report on Announced (Accrued)
Dividend on Shares Payout







Charter Capital

Information on Charter Capital as of December 31st, 2013

The charter capital of the Company refers to the aggregate nominal value of the issued ordinary and preferred shares. The Company's charter capital amounts to RUB 39,999,749.40 divided into 533,330 shares. The Company's charter capital is fully paid.

Kind of securities	Issued shares	
	SHARES, PCS.	PAR VALUE, RUB.
Charter capital	533,330	–
Ordinary shares	533,324	60.00
Preferred shares, incl.:	6	–
– Type A	2	2,461,620.00
– Type B	3	666,692.40
– Type C	1	1,076,992.20

Registration Information on the Company's Equity Securities

Kind and category (type)	Nominal value of each security in the issue, RUB.	Total number of allotted securities in the issue	Registration issue number	Registration issue date
Ordinary registered shares	60.00	533,324	1-02-31375-D	05/07/2011
Type A preferred registered shares	2,461,620.00	2	2-10-31375-D	03/10/2011
Type B preferred registered shares	666,692.40	3	2-08-31375-D	03/10/2011
Type C preferred registered shares	1,076,992.20	1	2-09-31375-D	03/10/2011

All shares issued by the Company were registered by the Federal Service for Financial Markets Regional Office of the Ural Federal District.

The Company mobilized no financial and other assets resulting from the issue of securities in the reporting year.

The Company's securities were not declared for listing with stock market operators, nor have been market quoted.

Report on Announced (Accrued) Dividend on Shares Payout

Following the results of 2012, and in compliance with the decision of the extraordinary General Meeting of Shareholders held on June 28th, 2013 (Minutes №28/2013 of July 1st, 2013) RUB 3,143,251 thous were allocated to pay dividends.

Category of Security	Amount of Dividends Paid, TOTAL, RUB thousand	Dividend Payment Date
Ordinary registered shares	2,514,601	August 2013
Type A preferred registered shares	386,871	August 2013
Type B preferred registered shares	157,163	August 2013
Type C preferred registered shares	84,616	August 2013

Information on Changes in the Company's Capital Reserve

In compliance with the Company's Charter, the Company creates capital reserve funds in the amount of 5 percent of the Charter capital. The capital reserve amounting to RUB 2,000.00 thous was formed in full as of December 31st, 2013.

Information on Changes in the Company's Additional Capital

As of December 31st, 2013, the additional capital amounted to RUB 25,099,046 thous. In the reporting year, the additional capital amount did not change.

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Gas Exploration
and Production

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Investments

45

ANNUAL REPORT 2013



Gas Exploration and Production

Hydrocarbon Reserves

Development of the Cenomanian
and Turonian Gas Deposits

Exploration

Production Drilling

Gas Production





The long-term objective of the Company's activities is to continuously enhance the level of technology and keep improving exploration efficiency



The Company holds the SLKh №11049 NE license on the geological survey and hydrocarbon raw materials production within the Yuzhno-Russkoye subsoil plot. The plot includes three fields: the Yuzhno-Russkoye oil and gas field, brought into development in 2007; and the Yarovoye and Zapadno-Chaselskoye ones, registered in the governmental balance sheet as exploration fields.

Hydrocarbon reserves as of December 31st, 2013

	GAS, BLN. M ³		CONDENSATE, MLN. TONNES		CRUDE OIL, MLN. TONNES	
	ABC ₁	C ₂	ABC ₁	C ₂	ABC ₁	C ₂
Yuzhno-Russkoe oil and gas field	887.648	163.182	–	3.823	9.288	30.894
Yarovoe field	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye field	7.367	0.032	0.043	–	–	–
Total	897.811	173.682	0.255	4.816	9.345	32.097

As of December 31st, 2013 all the Company's license obligations related to the subsoil geological study were executed in full.

Reserves as of
December 31st, 2013[illegible]

Development of the Cenomanian and Turonian Gas Deposits

REVIEW OF PLANNED AND ACTUAL DEVELOPMENT INDEXES

Indexes	2013	
	PLAN	ACTUAL
Annual gas production, total, bln. m³/year, incl.:	25.066	25.135
Cenomanian (PK ₁)	25.000	25.084
Turonian (T ₁₋₂)	0.066	0.051
Total gas production, bln. m³, incl.:	140.430	140.792
Cenomanian (PK ₁)	140.300	140.654
Turonian (T ₁₋₂)	0.130	0.138
Gas production to initial proved reserves, %, incl.:		
Cenomanian (PK ₁)	21.09	21.15
Turonian (T ₁₋₂)	0.04	0.04
Gas production 2013 to initial proved reserves, %, incl.:		
Cenomanian (PK ₁)	3.76	3.80
Turonian (T ₁₋₂)	0.02	0.02
Wells stock as of year-end, pcs.	166	166
Production, incl.:	143	143
– Active	143	143
Observation	21	21
Absorbtion	2	2
Power Capacity of Booster Compressor Station	4*16 MW	4*16 MW
Well utilization rate	0.95	0.98
Well stock utilization rate	1	1

Exploration



The 2013 geological exploration in the Yuzhno-Russkoye subsoil plot was carried out in compliance with the requirements of the license obligations and the adjusted geological exploration assignment, approved by V. A. Markelov, Deputy Chairman of the Management Board of JSC Gazprom, in two main directions:

- *specific, and research and technical development (R&D) works;*
- *seismic survey.*

Changes in reserves in 2013 were only due to free gas production from PK₁ (Cenomanian) and T₁₋₂ (Turonian) deposits.

In 2013, the field stage of detailed seismic researches MOGT 3D with an increased density on Turonian and Cenomanian deposits on the northern – 407.25 km² and southern – 92.75 km² sites of the Yuzhno-Russkoye oil and gas condensate field, with a total area of 500 km² was completed.

As part of building a unified model of productive deposits of the South Russian subsoil plot in 2013 the following procedure was carried to completion, particularly – the processing and interpretation of complex materials of detailed seismic surveys CDP 3D in the amount of 420 km² of the Yuzhno-Russkoye oil and gas field was duly completed, and there was a start of the processing and interpretation of detailed seismic data of 500 km². The integrated interpretation of 3D CDP seasons 2011–2013 in the amount of 920 km² has been duly performed based on the results of the research.

As of 31/12/2013 five of seven steps were completed:

- *collection and preparation of materials;*
- *input field data description and assignment of geometry;*
- *sedimentological study of core material, selection of lithogenetic rock types;*
- *processing of seismic data of 500 km²;*
- *implementation of special core analysis for the reconstruction of the conditions of formation of productive deposits.*

In 2013, the development of project documentation for the construction of exploration wells №№ P-50, P-51, P-52, P-53, P-54, P-55 was completed. A positive conclusion of Glavgosekspertiza (Omsk branch) was received. Opinion of estimates of OJSC “Gazprom promgas” was obtained.

Production Drilling

In 2013, the development of project documentation for the construction of a production well number 184 of the Yuzhno-Russkoye oil and gas field for Turonian gas deposit was completed. A positive conclusion of Glavgosekspertiza (Omsk branch), as well as the conclusion of experts of OJSC "Gazprom promgaz" were duly obtained. Ground (dumping, barn) for delivery and installation of the rig was prepared. Well construction is planned from February to May 2014.

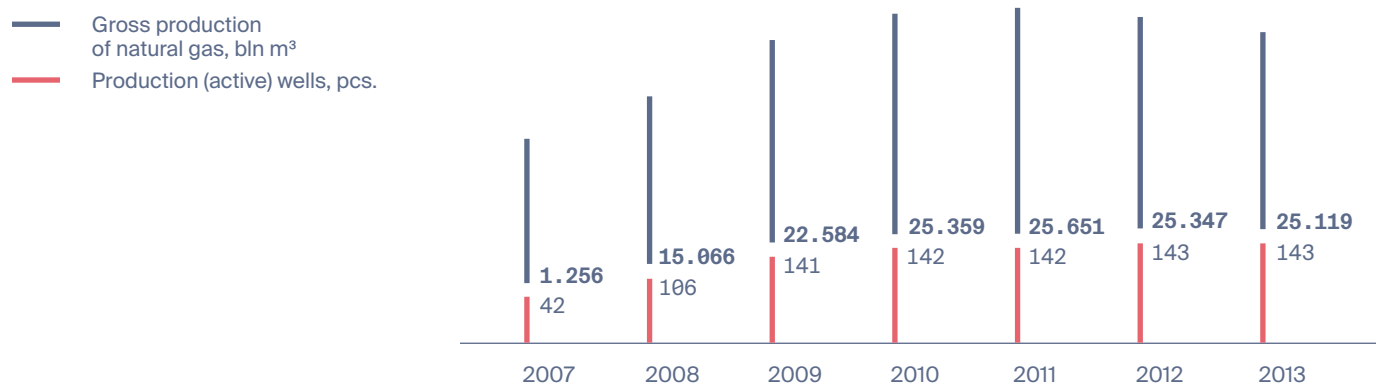
Gas Production

In 2013, gas production plan was 25.000 bln m³. The actual gross production in 2013 was 25.119 bln m³. The plan assignment was 101.48% (+119 bln m³) fulfilled.

GAS PRODUCTION, BLN. M³

Index	2013	2012	2011
Production (extracted from the deposit)	25.135	25.363	25.667
Technological losses	0.017	0.016	0.016
Gross production of natural gas	25.119	25.347	25.651
Gas for technical needs	0.069	0.065	0.068
Gas losses during operation of production facilities	0.002	0.002	0.002
Marketable gas	25.048	25.280	25.581

INDICATORS OF GROSS PRODUCTION OF NATURAL GAS FOR 2007–2013





Investments





Provision of reliable basis for future sustainable development is an essential aspect of the Company's activities



Investments

The Company's key objectives related to capital construction are:

- *achieving the key indicators of the Long-term Development Plan for the Cenomanian and Turonian Deposits in the Yuzhno-Russkoye oil and gas field;*
- *fulfilling the geological exploration works plan according to the existing license obligations;*
- *implementing the approved design solutions for commissioning, reconstructing and upgrading the main and auxiliary production facilities;*
- *minimizing risks.*

The main directions of investment activities in 2013 were:

- *completion of R&D and the beginning of construction and arrangement of the production well number 184 on the Turonian gas deposit in order to ensure commissioning in 2014;*
- *completion of R&D and the beginning of the preparatory work for the construction of complex objects BCS N°1 (second stage) in order to ensure commissioning in late 2015;*
- *reconstruction and modernization of production facilities in order to ensure safe operation in accordance with the requirements of industrial safety, occupational health and environmental protection.*



Expenditures, RUB mln, w/o VAT	2013	2012	Change 2013/2012	
	ACTUAL	ACTUAL	+ / -	%
Capital expenditures	1,256	1,162	94	8%

THE STRUCTURE OF CAPITAL EXPENDITURES, RUB MLN

2011	614	272	165	11
2012	954	50	127	29
2013	943	14	140	160

Construction
Drilling
Equipment not included in the construction estimate, Intangible assets
Miscellaneous

The main directions of the Company investment activities in the coming years are:

- completion of the well №184 in order to obtain the necessary technological information and start the process of basic design work on the arrangement of the Turonian gas deposit;
- construction of BCS №1 (second stage) in order to meet the technological conditions of the project of Cenomanian gas deposit development and provision of the required level of gas production;
- construction of exploration wells in order to meet the requirements of the license agreement.

Since 2013 the Company has been included into the list of the organizations enabling the implementation of priority investment projects in the territory of the Yamal-Nenets Autonomous District, approved by the Law of the Yamal-Nenets Autonomous District on December 23rd, 2011 №151-ZAO.

Entry of fixed assets in 2013 comprised RUB 394 mln.





Technology and Innovation

Well N° 184

Gas Losses and Greenhouse Gas Control
Systems

Participation in Innovation Competitions

Rationalization Efforts





OJSC Severneftegazprom promotes
invention and innovation, technical
and engineering progress



OJSC Severneftegazprom successfully implements new technologies at all stages – from exploration to sales of natural gas, actively develops its own unique technologies, and interacts with major research institutions. Development of innovative activity in priority areas of operation is a prerequisite for the successful development of the Company in the long-term. Successful implementation of the project on pilot development of Turonian deposits confirms strategic importance of innovations for the Company in its day-to-day activities.

Well №184

Successful implementation of the project on pilot development of Turonian deposits confirms strategic importance of innovations for the Company in its day-to-day activities.

In 2010, OJSC Severneftegazprom launched a pilot project aimed to construction of the first Turonian trial dual production well №174 for the Yuzhno-Russkoye oil and gas field. The well was brought into production in December 2011; 49.5 mln m³ of Turonian gas were extracted in 2013 and 110.8 mln m³ – all-in since the beginning of operation.

Analysis of the well operation showed that the increase in shaft sinking through the formation of up to 500 m and more can provide a substantial gain in productivity of a single bottom hole well. The highest productivity is typical for the wells with the rising profile of the barrel due to the increased length of the barrel and the best among the considered profiles capacity for fluid removal.

To justify the new technologies and clarify the properties of the deposit it was decided to build near well cluster №18 of a single bottom hole well riser ending with the drilled footage of 858 m in the productive deposit.

In well construction highly efficient and innovative technologies developed among others by the order of OJSC Severneftegazprom will be applied. Initial autopsy incision of Turonian deposits will be carried out on special drilling muds Rheliant developed by “MI Swaco” which helps to minimize any negative impact on the bottom hole formation zone. The control of the drilling process will be performed on-line via telemetry systems and LWD (Logging While Drilling) of Schlumberger.

Construction of well №184 with the rising profile will:

- *optimize the design of wells and earlier design decisions for the development of Turonian deposits in the Yuzhno-Russkoye oil and gas field;*
- *optimize costs and increase profitability of Turonian deposits development in the Yuzhno-Russkoye oil and gas field.*

In 2013 greenhouse gas emissions were reduced by 0.334 thous tonnes (4% of actual emissions in CO₂ equivalent).

Participation in Innovation Competitions

Following the contest of innovative projects in the Yamal-Nenets Autonomous District, conducted by the Chamber of Commerce and the Department of science and innovation in the category “Best innovative project in the field of environmental protection, ecology, recycling and reuse of raw materials”, 1st place was awarded to the project represented by OJSC Severneftegazprom.

At the XIV All-Russian competition “Engineer of the Year–2013” organized by the Russian Union of Scientific and Engineering Organizations:

- *in the category “Professional Engineers” Deputy General Director – Chief Engineer A.A. Kasyanenko was awarded with the title “Professional Engineer of Russia”;*
- *in the category “Engineering art of the young” Head of Department of Geology operational analysis, development and licensing of deposits T.V. Sopnev was awarded with a diploma “Engineer of the Year.”*

Acknowledgement from the Ministry of Energy of the Russian Federation was declared to the Company’s employees who presented at the XXI competition the best youth scientific and technical development on fuel and energy complex.

OJSC Severneftegazprom pays special attention to technical and engineering development, implementation of innovations in the sphere of technique and technologies.



Rationalization Efforts

According to the plan of submission of rationalization proposals in 2013 the supply structural units planned to submit 40 rationalization proposals, 41 proposals were filed, 3 of them with economic effect.

The economic effect of innovations in 2013 amounted to RUB 5.3 mln.



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Analysis of Change in Balance Indicators and the Statement of Financial Performance	62
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Analysis of Cash Flow

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Analysis of Key Financial Ratios

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ANNUAL REPORT 2013



Financial Results of the Company in the Reporting Period

Implementation of the Annual Work Program and Budget of the Company in 2013

Analysis of Change in Balance Indicators and the Statement of Financial Performance

Analysis of Change in the Asset Structure of the Company


Analysis of Change in the Liabilities Structure of the Company

Analysis of Loan Liabilities

Analysis of Cash Flow

Analysis of Key Financial Ratios



A vertical photograph of a misty landscape, possibly a coastal area, with a dark vertical line on the left side. The image is partially obscured by a dark blue overlay on the right.

This section represents the review of the financial status of OJSC Severneftegazprom as of December 31st, 2013 and shall be considered in association with the Financial statement of the Company for 2013, formed up in accordance with the Russian accounting standards (RAS) and available to all parties concerned on the Company's official web site at: www.en.severneftegazprom.com



Implementation of the Annual Work Program and Budget of the Company in 2013

The Annual Work Program and Budget of the Company for 2013 were approved by the Board of Directors by the resolution of the Minutes N° 64/2012 dated December 7th 2012.

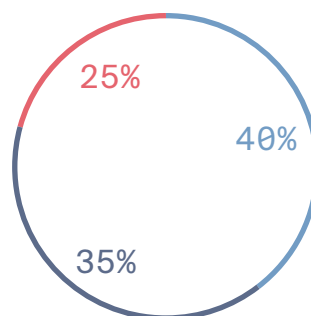
Annual work program, mln. m ³	2013		Deviation actual/planned 2013	
	PLAN	ACTUAL	IN MILLION M ³	%
Gross gas production	25,000	25,119	119	0
Volume of marketable gas	24,910	25,048	138	1%
Total marketable gas sales, incl.:	24,910	25,048	138	1%
JSC Gazprom	9,964	10,019	55	1%
CJSC Gazprom YRGM Trading	8,718	8,767	48	1%
CJSC Gazprom YRGM Development	6,227	6,262	35	1%



All gas produced by the Company is sold under long-term gas supply agreements to the following consumers:

STRUCTURE OF MARKETABLE GAS SALES

- 40 % – JSC Gazprom
- 35 % – CJSC Gazprom YRGM Trading
- 25 % – CJSC Gazprom YRGM Development



The quality requirements of the gas delivered to consumers is regulated in accordance with the corporate standard of Gazprom 089-2010 “Combustible natural gas supplied and transported via main gas pipelines. Technical specifications”. The given standard is aimed at improving the quality of production and ensuring the safety and efficiency in the function of gas transportation systems.

Current gas quality is measured at the gas measuring station in the Yuzhno-Russkoye oil and gas field using the interference dew point analyzer Kong-Prima-10 and flow chromatograph. Additionally, 4 times a month, according to the Technical Agreement between LLC Gazprom Transgaz Surgut and OJSC Severneftegazprom, gas laboratory analysis is performed in an accredited laboratory in the Yuzhno-Russkoye oil and gas field. Certificate of gas quality is issued based on the laboratory test results.

Total revenue, RUB mln, w/o VAT	2013		Deviation actual/planned 2013	
	PLAN	ACTUAL	IN RUB MLN	%
Total revenue, incl.:	34,309	34,501	192	1%
JSC Gazprom	13,724	13,800	76	1%
CJSC Gazprom YRGM Trading	12,008	12,075	67	1%
CJSC Gazprom YRGM Development	8,577	8,625	48	1%

Gas sales proceeds actually received in 2013 increased by 1% compared to the planned targets, and is mainly due to the increase of actual gas sales volume by 1%.

Expenditure, RUB mln, w/o VAT	2013		Deviation actual/planned 2013	
	PLAN	ACTUAL	IN RUB MLN	%
Current operating expenditure	28,655	27,995	-660	-2%
Materials	304	303	-1	-0,3%
Purchased energy	15	11	-4	-25%
Personnel expenses, compensation and social benefits	1,804	1,745	-60	-3%
Insurance contributions	295	300	6	2%
Depreciation charges	6,171	6,191	20	0
Lease of fixed assets	129	123	-6	-5%
Taxes and other mandatory payments, incl.:	15,966	16,064	97	1%
Mineral extraction tax (MET)	15,048	15,123	75	1%
Other taxes included into production costs	919	941	22	2%
Geological exploration works (on a contract basis)	566	558	-8	-1%
Expenses related to the insurance contracts	297	273	-23	-8%
Total repair and overhaul (contracting mode, excl. inventory)	0	0	0	0
Miscellaneous expenses, incl.:	3,108	2,427	-681	-22%
Periodic interest payments and lump-sum payments on loans and borrowings	1,432	1,139	-294	-21%

Following the results of 2013 the Company's actual expenses amounted to RUB 27,995 mln as compared to the planned value (equals to RUB 28,655 mln). The total savings of expenses amounted to RUB 660 mln or 2% of the spending plan in accordance with the approved Annual work program and Budget for 2013.

The reduction of costs is substantially related to cost reduction (optimization) measures taken by the Company as well as effective credit portfolio management.

Expenditures, RUB mln,
w/o VAT

2013

Deviation actual/planned 2013

	PLAN	ACTUAL	IN RUB MLN	%
Capital expenditures	2,336	1,256	-1,080	-46%

Deviation from the targets was mainly due to:

- duration of examinations of project designs related to the production well number 184 due to the high degree of complexity of the technological scheme of reserves extraction from the Turonian gas deposit;
- adjusting schedules of works on construction projects (due to revision of design and technical solutions);
- implementation of cost reduction (optimization) measures.

All figures in the Annual work program and the Company's Budget for 2013 were executed in full. Deviation of the actual performance from the planned performance is within allowable limits.



Analysis of Change in Balance Indicators and the Statement of Financial Performance

Item, RUB thous.	Line №	2013	2012	Change 2013/2012	
				ABS. VALUE	%
Revenue	2110	34,501,203	33,961,806	539,397	2%
Cost of sales	2120	-25,670,964	-23,165,380	-2,505,584	11%
Gross profit	2100	8,830,239	10,796,426	-1,966,187	-18%
Commercial expenses	2210	0	0	0	0
Administrative expenses	2220	-1,106,770	-1,134,394	-27,624	-2%
Sales profit	2200	7,723,469	9,662,032	-1,938,563	-20%
Interest receivable	2320	1,302,361	809,261	493,100	61%
Interest payable	2330	-1,132,049	-1,607,564	-475,515	-30%
Balance of other income and expenses	(2340+2350)	-1,592,340	1,172,116	-2,764,456	-236%
Profit before tax	2300	6,301,441	10,035,845	-3,734,404	-37%
Current profit tax	2410	-1,271,077	-1,502,988	-231,911	-15%
Tax on previous years profit	2411	-750	-193,527	-192,777	-100%
Change in deferred tax liabilities	2430	-19,817	-563,474	-543,657	-96%
Change in deferred tax assets	2450	5,618	49,237	-43,619	-89%
Other	2460	101	892,053	-891,952	-100%
Net profit for the reporting period	2400	5,015,516	8,717,146	-3,701,630	-42%

The following factors had influence on the indicators of the Statement of financial performance in the 2013 and accordingly on the amount of net profits in the reporting period, in comparison with the same figures in 2012:

- increase in gas sales revenue by RUB 539 mln (+2%) compared to 2012, which is due to an increase in gas prices, determined by a special formula set out in the Shareholders' Agreement and the Gas Supply Agreements. The average gas price in 2013 amounted to 1,377.40 RUB per 1,000 m³ of gas or 3% higher than the average price in 2012 (1,343.41 RUB per 1,000 m³ of gas);
- increase in cost of sales by RUB 2,506 mln or 11%, compared to last year. Increase was generally subject to the increased mineral extraction tax (MET) expenses determined by rise in MET rate (from 509 RUB per 1,000 m³ of gas in 2012 to 582 RUB per 1,000 m³ of gas in the first half of 2013 and 622 RUB per 1,000 m³ of gas in the 2nd half of 2013);
- reduction of administrative expenses by 2% or RUB 28 mln compared to the previous period, mainly due to cost reduction (optimization) measures;
- increase in interest income by 61% or RUB 493 mln compared to previous period, which is due to receipt of additional income from placing funds on deposit accounts, as well as additional interest income on the contingent liability for liquidation of fixed assets (in accordance with AR 8/2010 "Provisions, Contingent Liabilities and Contingent assets");
- reduction of interest expenses by 30% or RUB 476 mln compared to the previous period, mainly due to reduction of interest costs on loans and borrowings, as well as recognition of interest expense on the contingent liability for liquidation of fixed assets;
- major factor of the financial result reduction following the results of 2013 was national currency weakening, subsequent to liabilities denominated in foreign currency in the Company's credit portfolio. As a result of revaluation of exchange commitments in 2013 there was negative balance of other revenues and expenses in the amount of RUB 1,592 mln. In 2012 the Russian ruble was strengthening and the balance of other revenues and expenses was positive in the amount of RUB 1,172 mln (the rate of the ruble against the U.S. dollar in 31/12/2013 amounted to RUB/USD 32.73 (RUB/USD 30.37 in 31/12/2012), the ruble against the euro in 31/12/2013 amounted to RUB/EUR 44.97 (RUB/EUR 40.23 in 31/12/2012);
- The reduction of profit tax equaled to RUB 1,272 mln in 2013 (line 2410 + line 2411), that is less than the corresponding increase by RUB 425 mln or by 33% in 2012.

Major factor of the financial result reduction following the results of 2013 was national currency weakening, subsequent to liabilities denominated in foreign currency in the Company's credit portfolio.

Net profit of the Company for 2013 amounted to RUB 5,016 mln which is 42% or RUB 3,702 mln less than the 2012 figure.

Analysis of Change in the Asset Structure of the Company

I. NON-CURRENT ASSETS

Assets	Changes in natural terms					Change of specific weight in assets		
	LINE №	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE		SPECIFIC WEIGHT		
				RUB THOUSAND	%	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE SW
Non-current assets	1100	51,061,303	54,326,154	-3,264,851	-6%	65%	66%	-1%
Intangible assets	1110	9,565	3,192	6,373	200%	0	0	0
Research and development	1120	28,059	26,885	1,174	4%	0	0	0
Intangible development assets	1130	2,043	2,111	-68	-3%	0	0	0
Fixed assets, incl.:	1150	47,877,050	52,878,775	-5,001,725	-9%	61%	65%	-3%
Fixed assets items	1151	46,445,217	52,295,714	-5,850,497	-11%	59%	64%	-5%
Construction-in-progress	1154	1,431,833	583,061	848,772	146%	2%	1%	1%
Deferred tax assets	1180	267,979	263,625	4,354	2%	0	0	0
Other non-current assets	1190	2,876,607	1,151,566	1,725,041	150%	4%	1%	2%

II. CURRENT ASSETS

Assets	Changes in natural terms					Change of specific weight in assets		
	LINE №	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE		SPECIFIC WEIGHT		
				RUB THOUSAND	%	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE SW
Current assets	1200	27,084,874	27,385,599	-300,725	-1%	35%	34%	1%
Inventories, incl.:	1210	745,288	741,906	3,318	0	1%	1%	0
Raw materials, goods and similar assets	1211	723,288	730,517	-7,229	-1%	1%	1%	0
Finished products and goods for resale	1214	11,712	11,389	323	3%	0	0	0
Goods-in-transit	1215	10,224	0	10,224	100%	0	0	0
Input VAT	1220	0	0	0	0	0	0	0
Account Receivables, incl.:	1230	4,428,072	4,626,982	-198,910	-4%	6%	6%	0
Receivables due after 12 months	1231	152,557	291,172	-138,615	-48%	0	0	0
Receivables due within 12 months, incl:	1235	4,275,515	4,335,810	-60,295	-1%	6%	6%	0
Trade receivables	1236	3,816,404	3,902,004	-85,600	-2%	6%	6%	0
Advances given	1238	174,000	214,768	-40,768	-19%	0	0	0
Other receivables	1239	285,111	219,038	66,073	30%	0	0	0
Financial investments	1240	3,894,361	3,583,538	310,823	9%	5%	4%	1%
Cash and cash equivalents, incl.:	1250	17,957,352	18,362,514	-405,162	-2%	23%	23%	0
Bank account	1252	16,612,236	17,016,715	-404,479	-2%	21%	21%	0
Currency account	1253	18,151	192,834	-174,683	-91%	0	0	0
Other cash	1259	1,326,965	1,152,965	174,000	15%	2%	1%	0
Other current assets	1260	59,865	70,659	-10,794	-15%	0	0	0
Balance (1100+1200)	1600	78,146,177	81,711,753	-3,565,576	-4%	100%	100%	

During the reporting period the Company's assets as a whole decreased by RUB 3,566 mln (-4%) and amounted to RUB 78,146 mln.

Equity assets decreased compared to the previous period in the following balance sheet items:

- fixed assets decreased by RUB 5,850 mln, or 11%, primarily due to accumulated depreciation in the reporting period;*
- receivables decreased by RUB 199 mln or 4%, primarily due to reduction of relevant payments which are expected more than in 12 months after the reporting date (long-term receivables) by RUB 139 mln (or 48%), due to the repayment of JSC Gazprom of the debt (the penalty) for not drawing of gas, occurred in 2009. In accordance with the signed commitments under the Gas Supply Agreement, the mentioned penalty is payable within 5 years from 01/01/2011 to 31/12/2015;*
- cash and cash equivalents decreased by RUB 405 mln or 2%.*



NON-CURRENT ASSETS, RUB MLN

2012		52,296	583	1,152	295
2013	46,445	1,432		2,877	307

—	Fixed assets
—	Capital expenditures
—	Other non-current assets
—	Miscellaneous

CURRENT ASSETS, RUB MLN

2012		18,363	3,584	4,627	812
2013	17,957	3,894		4,428	806

—	Cash and cash equivalents
—	Financial investments
—	Receivables
—	Miscellaneous

Assets increased in comparison with the previous period in the following balance sheet items:

- construction-in-progress increased by RUB 849 mln or 146% due to beginning of construction of the objects determined by the investments plan;
- financial investments increased by RUB 311 mln or 9% due to revaluation of the remaining balance of currency resources placed into reserve accounts;
- other non-current assets increased by RUB 1,725 mln or 150% due to advance payment of the costs while placing orders for long lead time equipment for BCS-1 (second stage) as construction-in-progress object.



Analysis of Change in the Liabilities Structure of the Company

III. EQUITY AND RESERVES

Liabilities	Changes in natural terms					Change of specific weight in assets		
	LINE №	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE		SPECIFIC WEIGHT		
				RUB THOUSAND	%	END OF THE PERIOD	BEGINNING OF THE PERIOD	DEVIATION
Equity and reserves	1300	42,945,078	41,072,813	1,872,265	5%	55%	50%	5%
Charter Capital	1310	40,000	40,000	0	0	0	0	0
Revaluation of non-current assets	1340	47,142	47,142	0	0	0	0	0
Additional capital	1350	25,099,046	25,099,046	0	0	32%	31%	1%
Reserve fund	1360	2,000	2,000	0	0	0	0	0
Retained earnings	1370	17,756,890	15,884,625	1,872,265	12%	23%	19%	3%

IV. LONG-TERM LIABILITIES

Liabilities	Changes in natural terms					Change of specific weight in assets		
	LINE №	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE		SPECIFIC WEIGHT		
				RUB THOUSAND	%	END OF THE PERIOD	BEGINNING OF THE PERIOD	DEVIATION
Long-term liabilities	1400	25,507,206	29,670,357	-4,163,151	-14%	33%	36%	-4%
Loans and borrowings, incl.:	1410	19,747,535	23,778,741	-4,031,206	-17%	25%	29%	-4%
Bank loans due after 12 months	1411	19,747,535	23,778,741	-4,031,206	-17%	25%	29%	-4%
Deferred tax liabilities	1420	3,351,634	3,336,276	15,358	0	4%	4%	0
Contingent liabilities	1430	2,408,037	2,555,340	-147,303	-6%	3%	3%	0

V. SHORT-TERM LIABILITIES

Liabilities	Changes in natural terms					Change of specific weight in assets		
	LINE №	END OF THE PERIOD	BEGINNING OF THE PERIOD	CHANGE		SPECIFIC WEIGHT		
				RUB THOUSAND	%	END OF THE PERIOD	BEGINNING OF THE PERIOD	DEVIATION
Short-term liabilities	1500	9,693,893	10,968,583	-1,274,690	-12%	12%	13%	-1%
Loans and borrowings, incl.:	1510	5,734,081	7,106,006	-1,371,925	-19%	7%	9%	-1%
Current portion of long-term debt	1513	5,734,081	7,106,006	-1,371,925	-19%	7%	9%	-1%
Account payables, incl.:	1520	3,611,637	3,547,168	64,469	2%	5%	4%	0
Trade payables	1521	305,090	299,056	6,034	2%	0	0	0
Payables to state non-budget funds	1523	921	21,597	-20,676	-96%	0	0	0
Payables to personnel	1522	2,226	34,933	-32,707	-94%	0	0	0
Tax payables	1524	2,991,351	3,134,555	-143,204	-5%	4%	4%	0
Other creditors	1525	312,049	57,027	255,022	447%	0	0	0
Cotinent liabilities	1540	348,175	315,409	32,766	10%	0	0	0
Balance (lines 1300+1400+1500)	1700	78,146,177	81,711,753	-3,565,576	-4%	100%	100%	

During the reporting period liabilities decreased by RUB 3,566 mln or 4%, and amounted to RUB 78,146 mln.

Funds in liabilities decreased mainly due to the following balance sheet items:

- *loans and borrowings during the reporting period decreased by RUB 5,403 mln or 17% due to performance of obligations under the Project Facility Agreement;*
- *long-term liabilities decreased by the RUB 147 mln or 6% due to specification of estimates as of 31/12/2013 related to the contingent liability on withdrawal of fixed assets from operation and to restoration of natural resources.*

Funds in liabilities increased primarily due to the following balance sheet items:

- *retained earnings increased by RUB 1,872 mln or 12%;*
- *payables increased by RUB 64 mln or 2% mainly due to an increase in other creditors by RUB 255 mln, reduction of tax liabilities at the end of the reporting period by RUB 143 mln and reduction of indebtedness to the staff by RUB 32 mln.*

Shareholders' equity of the Company as of 31/12/2013 amounted to RUB 42,945 mln that is RUB 1,872 mln or 5% more than in the previous period due to increase of retained earnings.



LONG-TERM LIABILITIES, RUB MLN

2012	23,779	2,555	3,336
------	--------	-------	-------

2013	19,747	2,408	3,352
------	--------	-------	-------

— Loans and borrowings
 — Contingent liabilities
 — Deferred tax liabilities

SHORT-TERM LIABILITIES, RUB MLN

2012	728	3,135	7,106
------	-----	-------	-------

2013	969	2,991	5,734
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— Other payables
 — Tax payables
 — Current portion of long-term debt

EQUITY AND RESERVES, RUB MLN

2012	25,188	8,717	7,168
------	--------	-------	-------

2013	25,188	5,016	12,741
------	--------	-------	--------

— Capital
 — Net profit for the reporting period
 — Retained earnings

*Settlement of loan obligations
 under the Project Facility
 Agreement in 2013 reduced
 the debt burden by 24%.*

Analysis of Loan Liabilities

On May 25th, 2011 the Company successfully closed a EUR 1.1 bln financing deal subject to the Project Facility Agreement signed in March 2011. The deal brought together 12 international banks and Russian bank “Gazprombank” (Open Joint-Stock Company) in raising the funds. The loan repayment date is December 31st, 2018 with the possibility of prepayment (Cash sweep).

Settlement of loan obligations under the Project Facility Agreement in 2013 reduced the debt burden by 24%.

LOAN LIABILITIES, IN MLN

31.12.2012	324	450	4,098
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31.12.2013	247	342	3,118
------------	-----	-----	-------

— EUR
— USD
— RUB

Currency, in mln.	Raised funding under the Project Facility Agreement	Settlement in 2013	Settlement in 2012
EUR	474	77	78
USD	657	107	108
RUB	5,993	980	981

The interest rate on loans in foreign currency is provided in the amount Libor/Euribor + margin (2.35% from 2011 to 31st March 2014; 2.50% from 1st April, 2014 to 31st March, 2017, 2.75% from 1st April, 2017 to December 31st, 2018). The loan in rubles is provided with a fixed rate 11.4%.

ANNUAL AVERAGE INTEREST RATES

Interest rate	2013	2012	Change 2013/2012
Euro	2.55	3.14	-0.59
USD	2.61	2.81	-0.20
RUB	11.40	11.40	0

NET DEBT

Indicator, RUB mln	As of 31.12.2013	As of 31.12.2012	Change	Change in %
			2013/2012	2013/2012
Current portion of long-term debt	5,734	7,106	-1,372	-19%
Loans and borrowings	19,748	23,779	-4,031	-17%
Cash and cash equivalents, including cash deposited for terms over 3 months and accounted for as financial investments	-21,852	-21,946	-94	0
Net debt	3,630	8,939	-5,309	-59%



Analysis of Cash Flow

ANALYSIS OF CASH FLOW, RUB MLN

Indicator, RUB mln	2013	2012	Change	Change in %
			2013/2012	2013/2012 (+/-)
Net cash provided by operating activities	12,771	14,934	-2,163	-14%
Net cash from (used in) investment operations	-2,894	-4,706	1,812	-38%
Net cash from (used in) financial operations	-10,302	-9,402	900	10%

Net cash used in financial activities increase in 2013 is due to rising amounts of dividends paid.



- Net cash provided by operating activities decreased by 14% and amounted to RUB 12,771 mln. The decrease in net cash provided by operating activities is due to the increase of tax amount paid into budget for mineral extraction (RUB 14,872 mln in 2013 and RUB 12,271 mln in 2012);
- Increase in net cash flows from investing activities by 38% is mainly due to the movement of funds placed on deposit accounts for more than 3 months. As of 31/12/2013 funds were held on deposit accounts for more than 3 months in the reserve accounts in the offshore account bank in accordance with the terms of the Project Facility Agreement;
- Net cash used in financial activities increased by 10% compared to the previous year and amounted to RUB 10,302 mln. The change is due to rising amounts of dividends paid (RUB 2,936 mln in 2013, RUB 1,711 mln in 2012, net of income tax).



Analysis of Key Financial Ratios

KEY FINANCIAL STABILITY RATIOS

Ratio	As of 31/12/2013	As of 31/12/2012	Change over the period	Statutory value	Economic value of ratios
Equity Ratio	0.55	0.50	+0.05	≥ 0.65	Equity to Total Capital
Financial Leverage Ratio	0.82	0.99	-0.17	≤ 0.82	Borrowed Capital to Equity
Working capital financed by equity to total assets ratio	-0.30*	-0.48*	+0.18	≥ 0.10	Own current assets to total current assets
Investment coverage ratio	0.88	0.86	+0.02	≥ 0.85	Equity and long-term liabilities to total capital
Current Assets to Equity Ratio	-0.19*	-0.32*	+0.13	≥ 0.05	Own current assets to equity sources
Current Assets Mobility Ratio	0.81	0.80	+0.01	-	The most mobile part of current assets to total value of current assets
Reserves to Production Ratio	-10.89*	-17.86*	+6.97	≥ 0.05	Own current assets to stock (inventories) value

* For calculation of the above ratios, long-term liabilities under project financing are taken into account when determining own current assets. In the case of calculation of own current assets without taking into account long-term liabilities under project financing, the ratios have the following values:

- the Current Assets to Equity Ratio = 0.27 (as of 31/12/2012=0.26);
- the working capital financed by equity to total assets ratio = 0.43 (as of 31/12/2012 = 0.38);
- the Reserves to Production Ratio = 15.61 (as of 31/12/2012 = 14.19).

KEY LIQUIDITY RATIOS

Ratio	As of 31/12/2013	As of 31/12/2012	Change over the period	Statutory value	Economic value of ratios
Current Liquidity Ratio (Asset Coverage Ratio)	2.78	2.47	+0.31	≥ 2.0	Current assets to short-term liabilities. Shows coverage of short-term liabilities by all current assets
Quick (Intermediate) Liquidity Ratio	2.70	2.40	+0.30	≥ 1.0	Liquid assets to short-term liabilities. Shows security of short-term liabilities with monetary funds and short-term financial assets, and short-term receivables
Absolute Liquidity Ratio	2.25	2.00	+0.25	≥ 0.2	High-liquid assets to short-term liabilities. Shows the part of short-term liabilities which may be repaid immediately

PROFITABILITY ANALYSIS

Rates of Return	2013	2012	Change	Statutory value
Profit margin (in kopecks per ruble of revenues)	22.4	28.5	-6.1	-
Interest Payable Coverage Ratio (ICR)	6.6	7.2	-0.6	≥ 1.5

5

Sustainable
Development

81

Key Risks Associated
with the Business

113

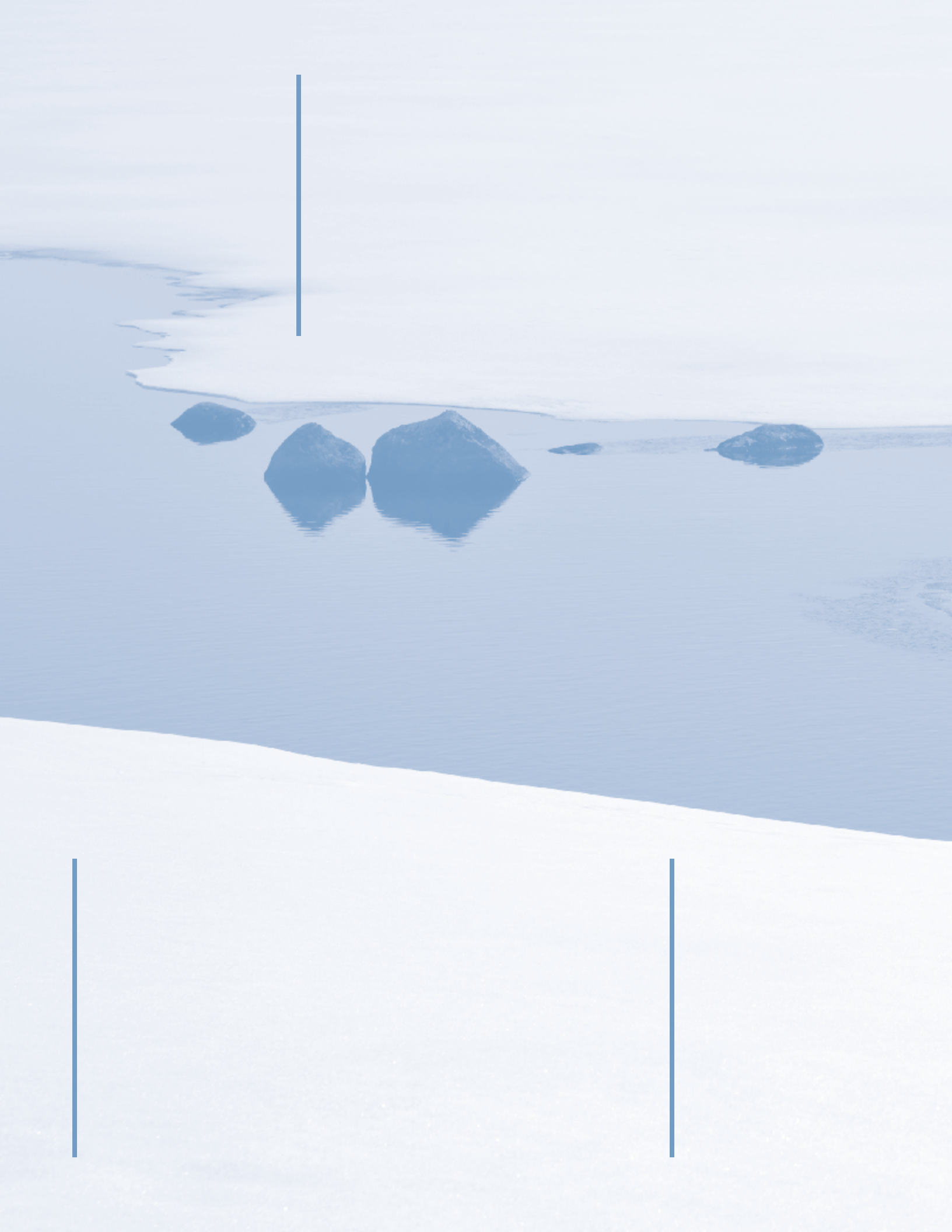
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ANNUAL REPORT 2013



Sustainable Development

Path to Success

Social Policy


Occupational Health and Safety

Environmental Protection

Energy Consumption and Energy
Saving

Interaction with the Interested
Parties





Sustainable development is a development
that meets the needs of the present
without comprising the ability of future
generation to meet their own needs

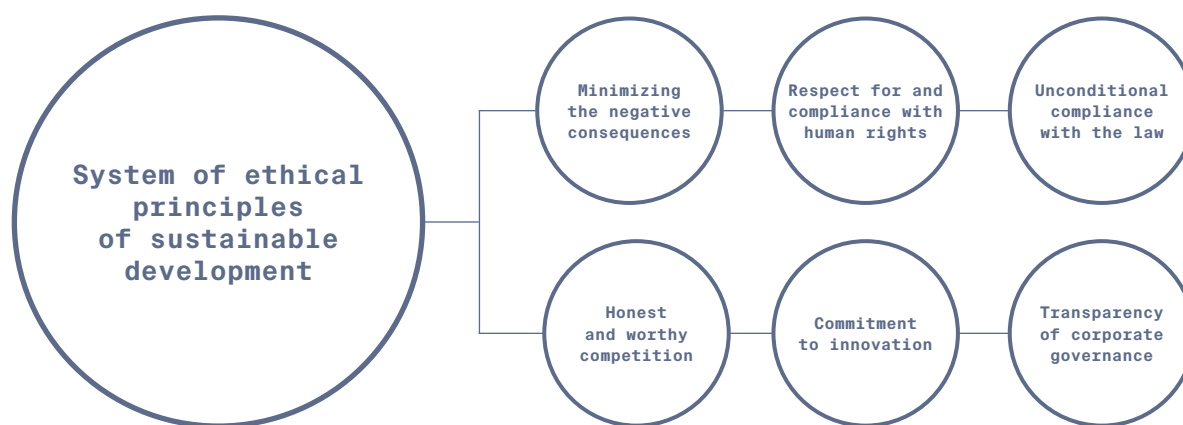
*United Nations World Commission
on Environment and Development*





Path to Success

Summing up the results of 2013, the Company can speak with certainty about the success of sustainable development. Over the years of business performance OJSC Severneftegazprom has developed a balanced system of ethical principles, which ensures compliance with the implemented strategic goals. The Company believes that the achievement of good results in the implementation of short-term and long-term projects is possible by balancing social, economic and environmental aspects.



Planning a wide range of aspects of the Company's activity and giving equal weight to each of them allows getting a comprehensive understanding of the long-term prospects, minimizing possible risks, providing a path to sustainable development. OJSC Severneftegazprom takes advantage of this approach for the effective organization of its activities.

In the social sphere, OJSC Severneftegazprom has influence on the development in the regions by providing attractive jobs, decent wages, professional development opportunities and the freedom to create unions. The Company is actively involved in supporting the local communities in the Yamal-Nenets Autonomous District through the implementation of social and charity programs. Responsible approach to the execution of commitments guarantees targeted support.

The Company is permanently monitoring and evaluating the impact of industrial activities on the environment and proactively taking steps to minimize the negative impact.

Far North regions represent a fragile and vulnerable ecosystem that needs careful handling and preserving their diversity. The Company pays special attention to the conservation of natural habitats and the way of life of indigenous people.

OJSC Severneftegazprom developed an integrated management system covering all activities and units of the Company. Unlike other management systems, the integrated approach improves the efficiency and control of internal processes.

The Company believes that the achievement of good results in the implementation of short-term and long-term projects is possible by balancing social, economic and environmental aspects.

The corporate management system is used as a single tool for managing and safeguarding of OJSC Severneftegazprom's stable supplies of natural gas and its compliance with the requirements of consumers, aimed at ensuring the protection of labor, environmental and industrial safety. The Company undertakes regular training activities and internal audits, to allow employees to form an idea of the requirements of international standards, apply them in their activities and achieve high quality results.

The management system of OJSC Severneftegazprom is certified according to international standards ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management Systems, OHSAS 18001:2007 Management Systems Occupational Health and Safety.

The scope of the integrated management system includes the processes of production, treatment and sales of hydrocarbons, including development and further exploration within the Yuzhno-Russkoye oil and gas condensate field.

Using modern technology and optimization of existing business processes allow combining high quality results in social development and environmental protection with the economic efficiency of the Company.

Organization of production activities in accordance with the principles of sustainable development and meeting the interests of the Company as well as of society provide opportunities for further economic growth.



Social Policy

Creating a solid unified team is a priority for the personnel management system which allows each employee to be a part of the team. Over the years of business, the Company has established itself as a responsible employer, building effective personnel policies and highly professional corporate culture, based on the provision of social partnership principles, occupational healthcare and labor safety.

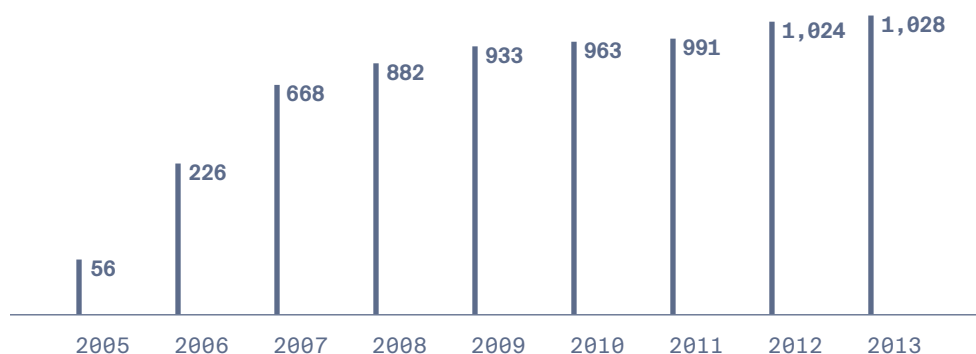
When implementing social programs, the Company is governed not only by Russian or International law, but also by the principles of social partnership in the sphere of labor and mutual interest.

The Company is constantly conducting works and activities aimed at maintaining the working atmosphere. Through consistent application of leading domestic and international practices, the Company creates conditions for personal and professional development by providing opportunities to participate in training programs. In addition, a policy aimed at improving the material situation of workers and the preservation of their health has been worked out.

Staff Composition

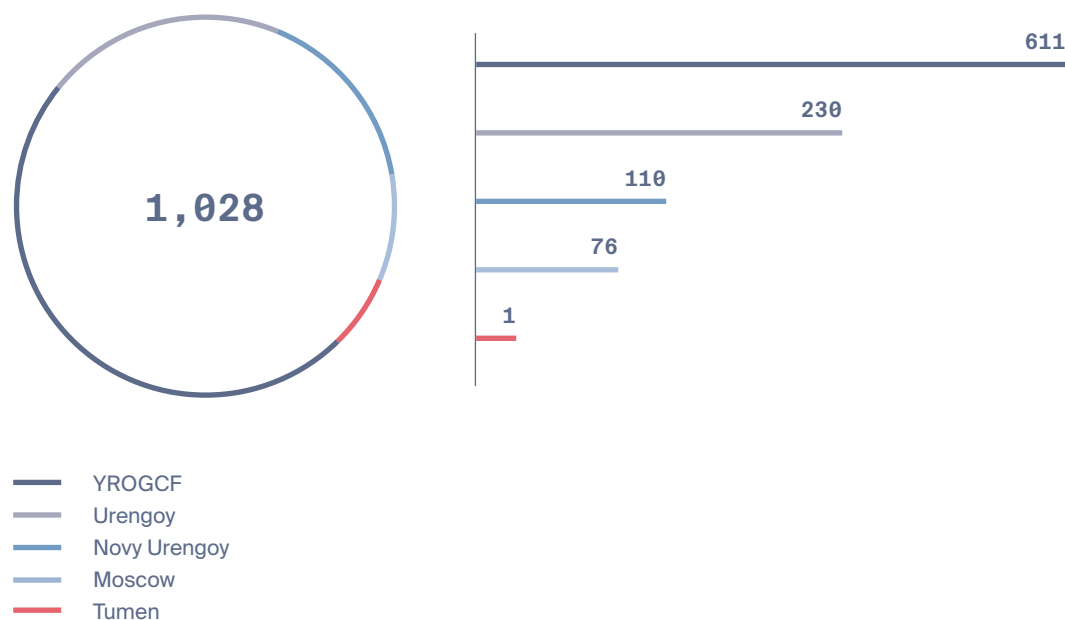
Headcount as of December 31st, 2013 was 1,028 and slightly increased compared with the year-end figure of 2012 by 4 people, whereby the number of staff employed on a term contract remained unchanged and amounted to 16 people.

NUMBER OF PERSONNEL DURING 2005–2013, EMPLOYEES



The main activity of the Company is concentrated in Krasnoselkup, Pur regions and the town of Novy Urengoy, located in the Yamal-Nenets Autonomous District. A significant number of staff of 611 employees work at the production facilities in the Yuzhno-Russkoye oil and gas condensate field. The number of administrative staff located in the Far North is 341 people.

REGIONAL SPLIT OF EMPLOYEES



The nature of the Company determines the structure of the staff. Most of the employees are men working in harsh climatic conditions. The Company addresses great importance to maintaining a reasonable balance of gender and equal payment terms.

The Company is actively attracting into the team young professionals under the age of 30, which account for 15% or 156 of the total number of employees. Initiative and talented employees discover prospects for stable operation and further growth for the Company.

PERSONNEL GENDER AND AGE COMPOSITION, EMPLOYEES

Personnel composition	Workers		Managers		Specialists		Total	
	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
Below 30	9	60	1	8	43	35	53	103
From 30 to 40	5	145	21	76	48	76	73	298
From 40 to 50	10	175	19	53	26	42	56	269
Above 50	5	91	10	34	16	20	31	145
Total	29	471	51	171	133	173	213	815

PERSONNEL COMPOSITION INDICATORS

Indicators	2013	2012
Leavers during the year, people	132	113
By gender, %		
Men	70	73
Women	30	27
New hires during the year, people	136	146
By gender, %		
Men	70	68
Women	30	32
Turnover*, %	3.85	4.00
Total number, people	1,028	1,024
By gender, %		
Men	79	79
Women	21	21
Retires, people	12	11

EMPLOYEES TURNOVER BY GENDER, AGE GROUP AND REGION

Indicator	Total	Incl. women	Regional breakdown								
			MOSCOW		N. URENGOY		URENGOY		TUMEN	YROGCF	
			TOTAL	INCL. WOMEN	TOTAL	INCL. WOMEN	TOTAL	INCL. WOMEN	TOTAL	TOTAL	INCL. WOMEN
Leavers	132	40	22	8	15	12	37	16	0	58	4
by age:											
Below 30	66	18	8	4	5	5	20	6	0	33	3
From 30 to 50	48	12	12	4	7	4	8	3	0	21	1
Above 50	18	10	2	0	3	3	9	7	0	4	0
New hires	136	41	14	7	8	6	44	19	0	70	9
by age:											
Below 30	90	30	9	7	6	6	29	11	0	46	6
From 30 to 50	36	7	4	0	2	0	10	4	0	20	3
Above 50	10	4	1	0	0	0	5	4	0	4	0

* Personnel turnover is calculated as the ratio of the workers who have quitted voluntary to the annual average number of employees

Organization of Work

The organization of the Company's operating activities is concentrated in the Yamal-Nenets Autonomous District of the Russian Federation characterised by the energy complex and highly competitive labor market of high qualified workforce. To ensure uninterrupted production at the facilities of the Yuzhno-Russkoye oil and gas condensate field, the work is organized in shifts. In remote areas especially with harsh climatic conditions, this approach is most common and appropriate. The proportion of workers employed in shifts amounted to 59% in the reporting period.

The internal Regulation of work on rotational basis, regarding the organization of work and rest, payment and working hours was implemented. According to the Regulation a complete shift should not exceed one month, but in case of urgency it is allowed to increase the duration of the working shift to up to three months. All adult employees who passed relevant medical examinations and having the required education are allowed to perform work in shifts in the Far North.

DURATION OF EMPLOYEES TRAINING

Employee group 2013

	TOTAL NUMBER OF EMPLOYEES		TOTAL HOURS OF TRAINING		AVERAGE HOURS OF TRAINING	
	TOTAL	INCL. WOMEN	TOTAL	INCL. WOMEN	TOTAL	INCL. WOMEN
Managers	233	37	13,978	1,832	63	50
Specialists	178	39	11,473	2,870	64	73
Workers	102	3	12,732	410	125	136
Total	513	79	38,183	5,112	74	65

Employee group 2012

	TOTAL NUMBER OF EMPLOYEES		TOTAL HOURS OF TRAINING		AVERAGE HOURS OF TRAINING	
	TOTAL		TOTAL		TOTAL	
Managers	216		14,460		67	
Specialists	140		10,104		72	
Workers	64		7,168		112	
Total	420		31,732		76	

“The Best Rationalizer and Inventor”

In June, 2013, the competition “The best rationalizer and inventor of OJSC Severneftegazprom following the results of work in 2012” was held on the Yuzhno-Russkoye oil and gas condensate field.

The purpose of the competition is to foster the innovative activity development, improvement of equipment and technologies used in the Company, and implementation of new organizational and administrative methods in the Company. The competition is held annually on the basis of applications for rationalization proposals from the Company's employees. Following the results of 2012, 35 people applied for participation presenting 24 rationalization proposals. The main assessment criteria composed of three indicators: complexity of the problem, economic or other effects from implementation and expediency of the proposal use within the Company's activity. The selection of the best rationalization and invention proposals was performed by the competition committee on three nominations.

Regarding the results of the competition the prize-winning places were distributed as follows:

The title “The best rationalizer and inventor of OJSC Severneftegazprom” was awarded to the chief mechanic, the head of department of the chief mechanical engineer Igor Kravchenko, the second place was taken by the head of department of the booster compressor station operation Andrey Evdokimov, the third place was divided between the head and the leading engineer of the electrotechnical laboratory Idar Halitov and Oleg Vagaytsev. The gas production department of the gas field became the best structural division in the sphere of intellectual activity.

The General Director of OJSC Severneftegazprom Stanislav Tsygankov thanked all participants of the competition and said, “Efficiency and quality of the Company's work directly depends on its innovative activity. Thanks to rationalization proposals of our experts, a large number of proposals promoting improvement of the technological base and development of the Company's intellectual activity were created and implemented”.

Participants of the competition on the Yuzhno-Russkoye oil and gas condensate field



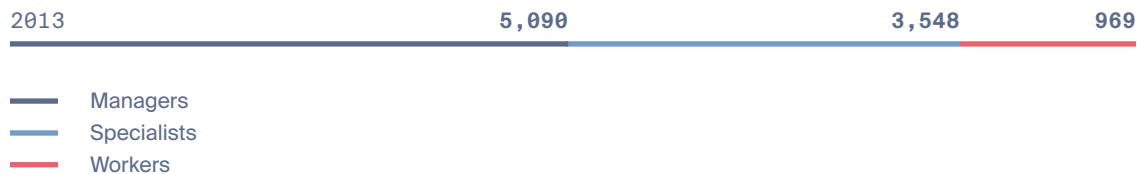
Staff Development and Training Programs

Training and staff capability are key areas of social policy and sustainable development. The Company provides educational programs for workers, specialists and managers at various levels to improve productivity and quality of the personnel, where main focus is on:

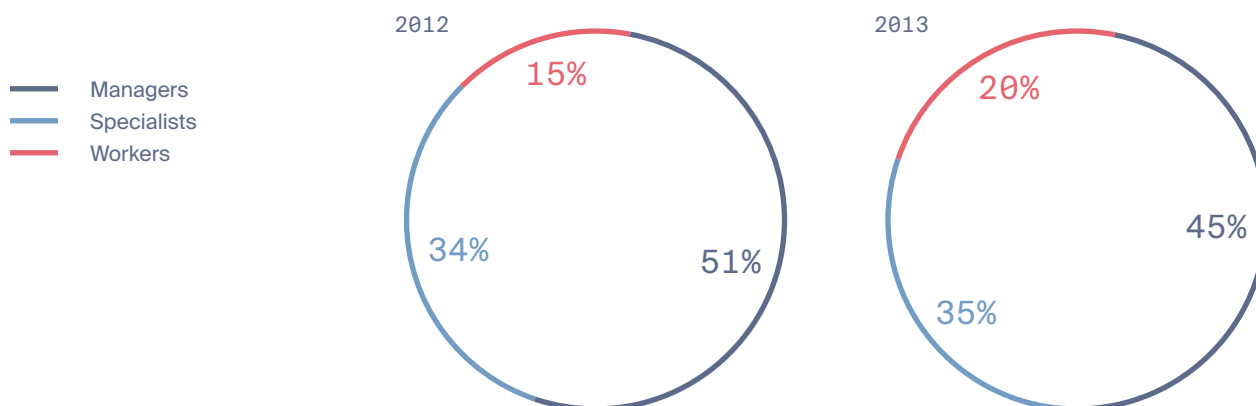
- *improving the professional skills of staff;*
- *systematically updating of employees' knowledge;*
- *motivating staff to improve performance.*

The Company offers the following types of training: professional training, upgrading training, pre-certification courses, certification, training for related professions and internships. Employees can undergo various types of training either full or part time without affecting the production process. Mainly training is executed in corporate training centers of JSC Gazprom. Additionally, employees are entitled to participate in educational programs of the leading national educational institutions and training centers of foreign partners.

TRAINING COST, RUB THOUS



STRUCTURE OF TRAINING PARTICIPANTS, %



Total number of employees participating in training programs, was 513, which exceeds the 2012 figure by 22%. The total number of training hours increased by 20%, or 6,451 hours and reached 38,183 hours in 2013.

The Company is interested in the availability of educational programs not only for senior and middle managers, but especially for the workers and employees of the Company. This is reflected in changes of the training programs' structure.

Social Benefits and Guarantees

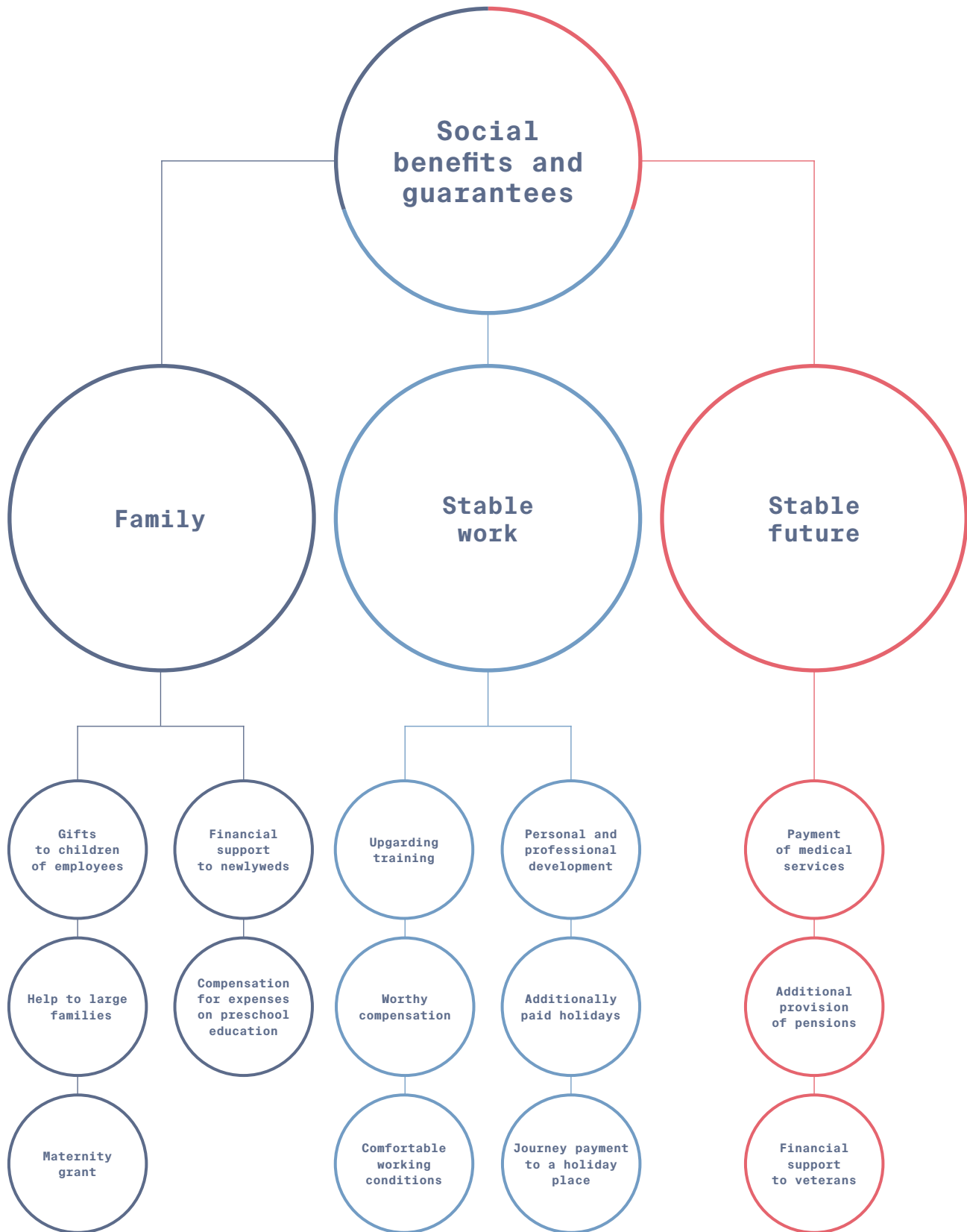
The current Agreement provides employees with a strong social support.

OJSC Severneftegazprom regularly monitors the needs and concerns of staff, tries to provide facilities for comfortable and safe work. Rights and privileges of workers are documented in the Collective Agreement valid for the period from 2013 to 2015. To control the execution of the terms of the Agreement, the Company implemented a Commission for the regulation of social and labor relations in the framework of which the Company's employees have the opportunity to influence management decision. The Commission is formed on an equal basis from representatives of the employer and employees, ensuring equal rights for participants while negotiations and freedom in regulations of social and labor relations.

The main tasks of the Commission are to organize collective negotiations, dispute settlement, as in the implementation of the provisions of the Collective Agreement, and in consideration of individual labor disputes. Members of the Commission organize panel discussions on preparation, conclusion and change of the Collective Agreement, interpret the provisions and comment to employees on the issues of the Collective Agreement application, as well as receive necessary information from dedicated specialists and experts to produce inhouse mutually acceptable decisions for participants of social partnership.

The current Agreement provides employees with a strong social support, which includes voluntary medical insurance, organization of sanitary-resort recovery and other benefits. Every employee of the Company has the right to apply for such type of benefits and compensations.

Upon the inquiries of employees who faced a difficult financial situation in 2013, 13 meetings of the Commission on the regulation of social and labor relations of OJSC Severneftegazprom were held. The Commission considered and took decisions on the provision of targeted financial assistance.



Support of Young Professionals

The Company is interested in the creation of a talent pool through development of young professionals. Attracting young people is achieved by ensuring decent working conditions and support of professional development. The Company offers a wide range of educational programs, internships and participation in local and international scientific conferences.

To assist young professionals in obtaining social benefits and guarantees, as well as to improve the cultural and socio-economic life, the Company maintains social work with young people, including organizational and financial support to young professionals. The Company increasingly hires young talent with managerial potential putting them to the pool for management candidates.

Care for Retirees

The social policy of OJSC Severneftegazprom naturally combines the development of the younger generation and care for employees with merits to the Company. The Company has created an environment providing a smooth process of replacing experienced professional staff with young professionals who have been trained to effectively perform professional duties for efficient work process.

All retired employees of the Company are guaranteed a decent retirement and social protection. The Company offers a supplementary pension program in cooperation with the non-State pension fund "Gazfond".

Salary and Labor Motivation

The Company is a responsible employer and provides its employees with competitive salaries. The remuneration system implies a time premium and time individual (contract) scheme.

Workers engaged in specific activities as well as employees working at facilities located in the 75 km zone to the south of the Arctic Circle, are offered higher tariff rates. The Company has implemented a well-developed system of individual motivation, including bonuses for achieving high results at work, as well as the following types of awards and distinctions: Gratitudes, Diplomas, posting on the Wall of Fame and in the Book of Honour.

The Company promotes scientific technical, inventional and rationalization activities of its employees by providing cash awards to authors and patent holders.

Occupational Health and Safety



Effective performance of the Company's Integrated management system in the sphere of quality, environmental protection, occupational and labor safety is the basis of its operation activity.

Safety is the basis of the Company's operations, considering health, and a favorable environment. Production activities and organization of work are carried out in accordance with the principles of sustainable development. Safety of citizens and employees is a priority for senior management, which is reflected in all key documents defining strategic development.

The Company has established itself as a responsible employer and uses most modern Russian and International standards and approaches in the field of occupational health and industrial safety. The warning system of safety violations aimed at continuous improvement of performance and is carried out by:

- identifying risks and hazards;
- professional development of personnel in the field of occupational safety, industrial and fire safety;
- operational control, fire and industrial safety;
- providing employees with personal protective equipment.

Labor Safety

The approach of the Company regarding labor safety is based on systematic observation of workers' health, conditions of employment and verification of compliance with the requirements of the Russian and International legislation. The Company supports an effective labor safety management system specific to the structure and organization of the gas industry and established practice in the system of JSC Gazprom.

Organization and control of security requirements are implemented on the basis of current industry regulations.

Since 2010, the Company has an Integrated Management System, which establishes the procedure for the administrative and industrial monitoring in compliance with rules and regulations of labor, industrial and fire safety, environmental protection. The Document established administrative control on four levels. Such a system of administrative control ensures early detection of violations and potentially life-threatening conditions.

In 2010, the Company received a certificate confirming compliance with integrated management system requirements of OHSAS 18001:2007 "Management Systems Occupational Health and Safety". Supervisory audits are held annually confirming compliance with required specifications.

For definition of hazardous and harmful factors and continuous improvement of working conditions, certification of workplaces was conducted. In the reporting period 199 workplaces were certified.

The Company has a provision of the Collective Agreement which determines the procedure of providing employees with personal protective equipment, developed on the basis of legal acts of the Russian Federation and industry regulations. Acquisition of PPE makes up for the largest share in the costs of the Company allocated to health and safety. The cost of purchased PPE in 2013 amounted to RUB 19,285 thousand.

ADMINISTRATIVE AND INDUSTRIAL CONTROL SYSTEM

Control level	Monitoring frequency	Coordinators
I	Every day	Foreman, mechanic
II	Once in 10 days	Business unit manager
III	Once a month	Commission at the facility (2-3 specialists)
IV	According to the inspection schedule	Central Permanent Commission

Preparation and Training of Employees for Labor Safety

To improve training of workers in labor safety, primary, repeated, unplanned and targeted briefings are conducted. The Company has developed instructions for different types of work and professions governing the rules of conduct in emergency situations and safety. Strict compliance with and fulfilment of the requirements is the basis for operational safety.

Preparation and training of employees of the Company in the field of health and safety is conducted in accordance with a specially developed program. The total number of employees trained in 2013 amounted to 162 people, the total number of training hours accounts for 5,824.

In accordance with established schedules each year managers and specialists of the Company are tested for the knowledge of labor safety requirements, contained in both internal and external regulations. During the reporting period 272 people were certified.

HOURS OF TRAINING IN AREAS

Category of employees	Number of people	Number of hours
Managers, among them:	86	2,816
Industrial safety	54	2,160
RTN certification	14	224
Electrical and heat safety	18	432
Specialists, among them:	76	3,008
Industrial safety	74	2,960
Electrical and heat safety	2	48
Workers	0	0
Total	162	5,824

Health Care

Health of workers is an important part of the effective operation of the enterprise and is prerequisite for sustainable development. The Company's management makes significant contributions to the organization of medical care and treatment and preventive measures for reducing morbidity.

Every employee regardless of position has to undergo medical examination at health care facilities. Particular attention is paid to the health of staff working in the Far North and in shifts. This group of employees is subject to additional measures upon check into the shift camp in the Yuzhno-Russkoye oil and gas condensate field. In the reporting period, based on the results of the periodic medical examination occupational diseases were not identified, work related injuries were not registered. If necessary, the gas field workers can be given first aid by personnel of the health center located in the camp.

In 2013, the Company continued its cooperation with the insurance group "SOGAZ" for the provision of voluntary health insurance. The concluded contract provided the following services:

- *outpatient medical care in clinics equipped with advanced medical technology and modern equipment for diagnosis and treatment;*
- *inpatient care;*
- *spa resort and rehabilitation treatment;*
- *providing dental care.*

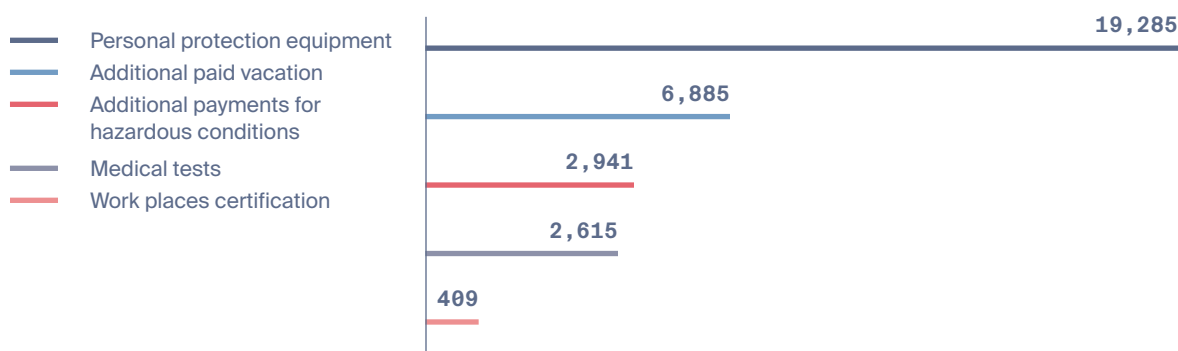
The number of clinics and sanatorium-and-spa resorts in Russia and abroad, available to employees of the Company under the voluntary health insurance increased from 1,324 in 2012 to 6,000 in 2013. 129 workers were sent to specialized clinics outside of the Far North, in cases when the state compulsory health insurance system could not cover the provision of medical services. During the reporting period 370 employees were able to take advantage of domestic and foreign rehabilitation and recovery centers.

The program of specific and non-specific immunization to prevent the spread of viral diseases with the help of vitamin complexes and antivirals made it possible to avoid outbreaks of flu.

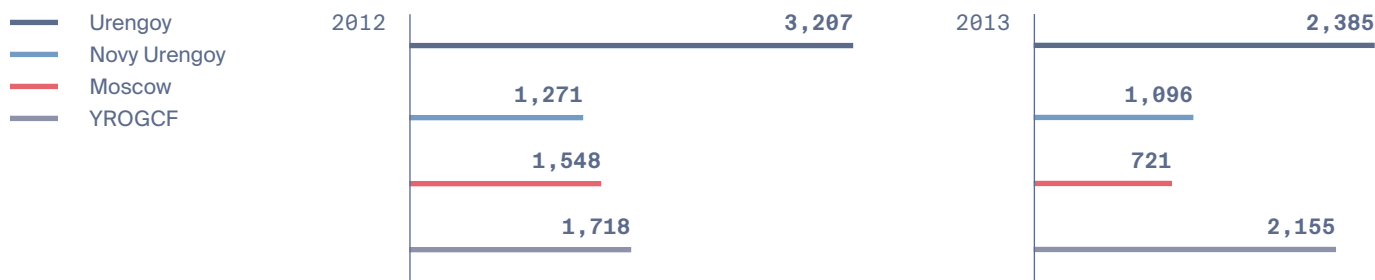
The effective management system in the field of labor safety has lead to the reduction of the number of absentee days by 22% (or 1,387 days) from 7,744 days in 2012 to 6,357 days in 2013.

By the end of 2013 the total cost of labor safety amounted to RUB 32,135 thousand (excl. voluntary medical insurance fee).

LABOR SAFETY EXPENDITURES, RUB THOUS



ABSENTEE DAYS BY REGION



Fitness and Sports Promotion

For the purposes of innovative efficient growth, the Company pays special attention to human development, one of the main priorities is to promote standards of healthy life style.

Implementation of this concept suggests physical education and employees' commitment to healthy lifestyle to be included and applied in the Company's practice.

The Company successfully performed activities, aimed to create the following conditions:

- active involving of employees to systematic physical trainings;*
- increasing funding and improving infrastructure of sport facilities at the Company's premises in the regions of operations;*
- following the Russian sports traditions;*
- promoting sport as a part of healthy lifestyle.*

At the living camp of the Yuzhno-Russkoye oil and gas condensate field there is a health center, where the competitions on darts, volleyball, football, basketball, pool billiard, swimming, athletic triathlon, table tennis and checks are held regularly.

In accordance with the Collective Agreement, employees of the Company, performing their activities out of the gas field, are compensated for actual expenditures on attending individual sport trainings (not exceeding 0.5 of minimal tariff per month).

In 2013, the team of OJSC Severneftegazprom have participated for the first time in the XVI Spartakiad of managers of JSC Gazprom subsidiaries of the Western Siberia and, also, in the XII Spartakiad of Urengoy among employees.

Besides, OJSC Severneftegazprom is a sponsor of children hockey club Geolog in Urengoy as well as the official partner of the Kontinental Hockey League Championship.

Industrial Safety

Observing of technological discipline and ensuring industrial safety are important pre-requisite for successful and efficient production activities of the Company.

Organization and management of operational safety are carried out on the basis of the "Regulations on the operational control and industrial safety at hazardous production facilities of OJSC Severneftegazprom". The document defines a set of measures aimed at ensuring safe operation of production facilities, hazard prevention and mitigation. Information on compliance with industrial safety standards are monitored by the North Ural Department of the Federal Service for Ecological, Technological and Nuclear Supervision.

In the reporting period during scheduled and unscheduled inspections at hazardous production facilities of OJSC Severneftegazprom minor violations of industrial safety requirements were identified. Based on the analysis of the results the causes of deviations were identified and relevant measures to address them were taken.

Due to changes in the requirements of the Federal Law of July 27th, 2007 № 116-FZ "On industrial safety of hazardous production facilities" hazardous production facilities were reclassified. At the end of 2013 the number of hazardous objects in the



Georgina Wien,
HSE Manager New Ventures,
Wintershall

“Fire safety is an important issue especially in remote areas like the Yuzhno-Russkoye gas condensate field. Key factors of effective firefighting and rescuing service are team and equipment. During the field visit, I had the opportunity to participate in a training session and the SNGP team members impressively demonstrated their preparedness, their skills and how to most effectively utilize modern equipment. I am convinced that things are in good hands out there”

facilities of the Yuzhno-Russkoye oil and gas condensate field amounted to 9 units. All hazardous production facilities have mandatory insurance policies on civil liability covering damages as well as injuries resulting from accidents or incidents. During the reporting period accidents and incidents at hazardous production facilities operated by OJSC Severneftegazprom were not registered.

Fire Safety

The Company pays special attention to the analysis of the fire safety state at industrial facilities and to staff training in fire safety measures.

In 2013, the Central Permanent Commission on Fire Safety was entrusted with the inspection the objects regarding fire safety. Daily monitoring and scheduled maintenance of fire equipment, inventory systems, automatic fire protection and the warning system ensure safe operation of production facilities. The Company made an independent risk assessment on fire safety of facilities which resulted in positive conclusions.

The Company has a fire brigade consisting of 56 people whose activities are directed on fire prevention at the Yuzhno-Russkoye oil and gas condensate field facilities. The division is staffed with highly professional workers, equipped with modern fire-fighting equipment. The fire brigade is part of Krasnoselkupsky fire quard district and is included into the relevant “Schedule of fire brigades work”; and is also involved in fire fighting in the Krasnoselkup municipality territory.

During the period from July to August 2013, the fire brigade together with the Krasnoselkup branch of the State Public Institution “Yamalspas” actively participated in extinction of tundra fires in the territory of the Krasnoselkup district, and having prevented fire spread.

On 3rd of July 2013, a Wintershall delegation visited the Yushno-Russkoye gas condensate field. During the visit, the SNGP firefighting team performed firefighting exercises including rescuing people from upper floors of buildings. Along with the training, a selection of special firefighting- and rescuing equipment was presented and explained, methods of firefighting with simulated fire seat using hand fire extinguisher and hand-held branch were demonstrated.

“Green Planet through Children’s Eyes”

In May, 2013, the results of children’s drawing contest on the topic “Green Planet through Children’s Eyes” were summed up in OJSC Severneftegazprom. The contest was held within the Year of Environment.

More than 200 works of participants from Krasnoselkupsky and Urengoy educational institutions and schools of art, children of the Company’s employees of three age categories: 4–7 years, 8–11 years, 12–16 years were presented to the attention of the contest committee composed of the Deputy General Director of OJSC Severneftegazprom Boris Sannikov, as well as the Company’s leading experts.

The contest was held to support talented children, to develop their art abilities, and also to form a pro-active approach to life in the sphere of environmental protection. In their works children represented their understanding of the careful attitude to nature and care of the world around.

Following the results of the contest the 1 place in the age category of 4–7 years was awarded to Ismailova Nazrin, pupil of Urengoy children’s art school.

OJSC Severneftegazprom gave all the participants and winners of the contest letters of thanks, diplomas and valuable presents: sets of water color and oil paints, easels and art brushes, other creative work items.

*The winner of the contest
“Green planet through
Children’s eyes”
Ismailova Nazrin
“The planet is our family”*



Environmental Protection

OJSC Severneftegazprom by means of its core business has an impact on the environment. Continuous improvement of approaches in the field of environmental safety allows the Company to achieve sustainable use of natural resources and minimize the negative impact on the environment. For governance and efficiency management of environmental issues the Company uses the certified version of the environmental management system ISO 14001:2004.

Continuous improvement of approaches in the field of environmental safety allows the Company to achieve sustainable use of natural resources and minimize the negative impact on the environment.

Major Landmarks in the Sphere of Environmental Activities

- *Focus on compliance with the requirements of internal and external users, the needs of the production process in gas field and complying with laws and regulations of the Russian Federation, as well as with the world's leading practices*
- *Application and constant updating and improvement of the integrated management system*
- *Implementation of modern technologies in the field of efficient use of natural resources and industrial safety*
- *Raising awareness among all interested parties about the Company's activities regarding environmental protection sphere*
- *Implementation of the package of measures aimed at preventing environmental damage*
- *Continuous monitoring and evaluation of the risks of negative impacts on the environment*

Under Presidential Decree №1157 of 10/08/2012 “On holding the Year of the Environmental Protection in the Russian Federation” the Company developed and implemented an action plan that includes employees involvement in the implementation of certain provisions of the policy on the environment, a set of measures aimed at minimizing the anthropogenic impact on the biosphere, reasonable and efficient use of natural resources.

In 2013, the Company was successfully audited by the Department of State control, supervision, protection of marine biological resources and their habitats on the Yamal-Nenets Autonomous District of the Nizhneobskoye Territorial Administration of the Federal Agency for Fisheries.

In accordance with the requirements of international standards in the field of environmental protection ISO 14001:2004 “Environmental Management System” in 2013 the Company underwent a scheduled identification of environmental aspects. Following the results of the work, 14 significant aspects were identified that are associated with the emission of harmful substances into the atmosphere, technological losses of natural gas, purifying of drinking water and wastewater. To effectively manage the environmental aspects, employees are regularly educated about the current legislation in the field of environmental protection.

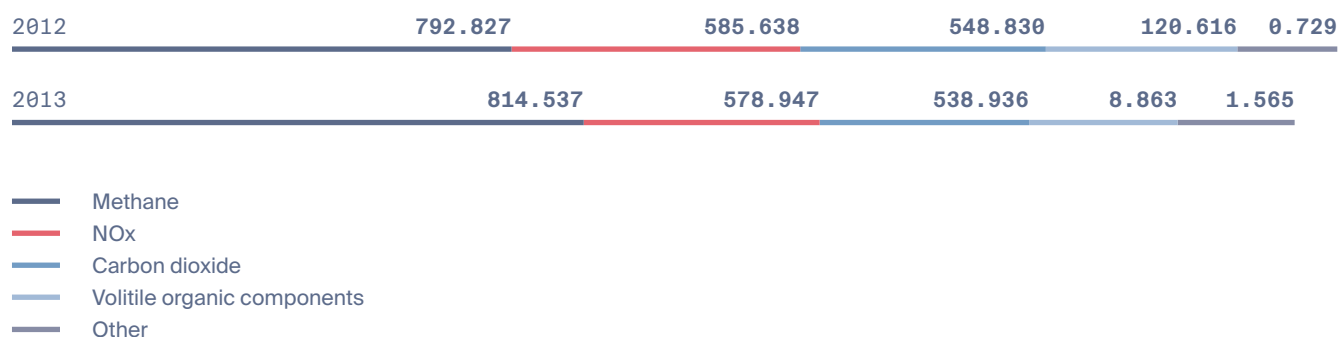
Emissions of Pollutants

During 2013, the Company managed to achieve significant results in reducing the amount of pollutants into the atmosphere. Thus, the mass of emissions decreased in 2013 by 105.79 tonnes and accounted for 1,942.85 tonnes.

OJSC Severneftegazprom analyzes the impact of its production activities on the climate. In order to assess the impact of regional effects on global processes, the Company conducts constant monitoring and evaluation of greenhouse gas emissions into the atmosphere.

Greenhouse gases are gaseous constituents of the atmosphere, both natural and caused by human activity. In the course of the Company's activities direct and indirect greenhouse gas emissions occur. Direct emissions are emissions generated from sources owned or controlled by the Company. For example, emissions from fuel combustion for power generation and heating of gas field facilities. Emissions accounting is made on the basis of STO Gazprom 102-2011 "Inventory of greenhouse gas emissions." For proper assessment the Company conducts a thorough analysis of the sources of greenhouse gases, data on natural gas consumption and technological losses and constantly monitors the reliability of the data.

STRUCTURE OF POLLUTANTS, TONNES



GREEN HOUSE GASES EMISSIONS, TONNES



Indirect emissions are also a consequence of the Company's activities, but occur from sources owned or controlled by other organizations. For the implementation of administrative activities, the Company is purchasing electricity for office space in the village of Urengoy. Emissions generated during production of this power are considered indirect for the Company. Estimating of the amount of indirect emissions is conducted on the basis of "Wintershall Holding GmbH" methods of calculation.

Methane, the major component of the emissions, is formed during venting and emptying the plant for gas treatment and gas gathering collectors for the purpose of conducting regular preventive work. Significant amounts of carbon monoxide and nitrogen oxides are formed during flaring while well testing, as well as during gas burning for Company's own needs (power generation, gas compression). The specific mass of pollutants released into the atmosphere was 0.077 tonnes/mln m³ of gas produced.

The Company is actively working to reduce the amount of methane emissions. In 2013, a Research & Development program, "Development of an automated control system for gas losses after dry gas seals of Gas Compressor Unit of the Booster Compressor Station" was implemented. Projected methane reduction is 2,592 m³/day. Annual reduction of greenhouse gases is expected to amount to 13.38 CO₂ tonnes/year.

By the end of 2013, the total costs of environmental protection amounted to RUB 113,968 thousand, with most of the money directed to the protection and rehabilitation of land—RUB 69,083 thousand.

Water Supply

In the Yuzhno-Russkoye oil and gas condensate field produced 67.52 thousand m³ of water were extracted:

- 5.43 thousand m³—stratum water extracted simultaneously with natural gas;
- 62.09 thousand m³—underground water from the quaternary horizon for industrial and domestic use.

OJSC Severneftegazprom understands the importance of conservation of water resources for future generations, so seeks to optimize water consumption. In order to reduce the amount of water consumed, the Company uses water recycling systems which represent a closed system and allow the re-use of treated water. During 2013 in the territory of Yuzhno-Russkoye oil and gas condensate field sports and recreational and household facilities used the water recycling system, including: a swimming pool, a bathing pool and a car wash. The total volume of recycled water totaled 575.36 thousand m³.

WATER CONSUMPTION, THOUS.M³

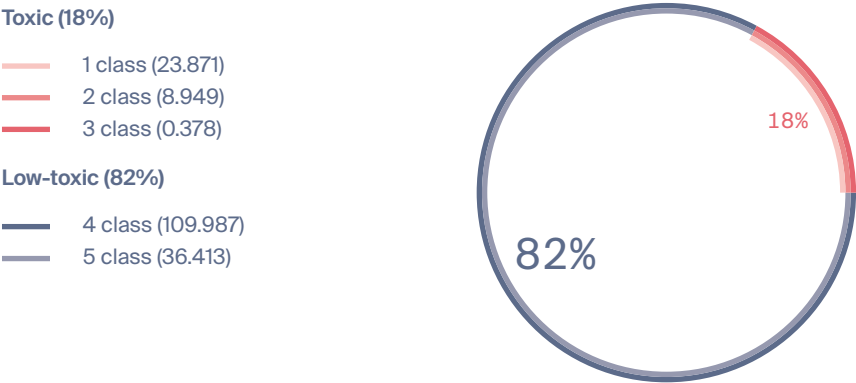


Recycling

When implementing programs of environmental protection, great attention is paid to recycling. As a result of the Company’s activities waste was divided in 45 types and 82% of them belong to the low-toxicity group of hazard class 4 and 5.

Wastes of hazard class 1-4 which cannot be disposed and recyclable wastes were transferred to third parties for either utilization, neutralization, or recycling. Thus, in 2013, 57.38 tonnes of waste were transferred to third parties.

COMPANY’S INDUSTRIAL ACTIVITY STRUCTURE OF WASTES IN 2013, TONNES



KEY INDICATORS OF ENVIRONMENTAL PROTECTION ACTIVITIES

Item	Unit of measurement	2013	2012	Deviation from 2012, %
Gross hazardous emissions into the atmosphere – total, including:	thous. tonnes	1.942	2.054	-5.4
Within permissible emission limits (PEL)	–	1.6	2.04	-21
Within temporarily approved emission limit (TAEL)	–	0	0	0
Above-limit emissions (above TAEL), including:	–	0.324	0.014	2,314
Gross emissions of methane	–	0.814	0.792	2.7
Specific NO _x emissions (per transport unit)	tonnes/bln. m ³ * km	0	0	0
Specific NO _x emissions (per unit of fuel gas)	thous. tonnes/ mln. m ³	0.008	0.008	0
Intake of water – total	thous. m ³	62.09	67.01	-7.3
Water discharge – total	thous. m ³	61.75	59.99	2.9
Wastes per year – total	thous. tonnes	0.179	0.155	15.4
Including wastes sent for disposal (% of waste produced during the reporting period taking into consideration the presence of waste at the beginning of the year)	%	62	44.23	40.9
Re-cultivated land area per year	hectare	28.04	155.51	-82
Expenses for environmental protection – total	mln. RUB	111.90	208.58	-46
Current expenses for environmental protection measures – total	kRUB	107,524	205,574	-47
Expenses for development and approval of environmental documents	kRUB	226	758	-70
Expenses for production environmental monitoring and production ecological control	kRUB	5,565.9	3,612	54
Expenses for major repairs of fixed assets involved in environmental protection	kRUB	0	0	0
Payment for negative environmental impacts – total, Including:	kRUB	2,019.48	365.39	452
Environmental impact within permitted limits	–	286.58	351.97	-18
Environmental impact above permitted limits	–	1,732.90	13.42	12,812
Fines imposed for breaking of environmental regulations	kRUB	0	0	0
Legal actions for recovery of compensation of damage caused to environment, including resulting from accidents	kRUB	0	0	0
Investments into Fixed capital, directed to environmental protection – total	mln. RUB	4.425	3.014	46.8
Number of inspections by state environmental agencies	number	1	0	100
Number of violations of environmental regulations (according to inspection acts of state environmental agencies)	number	0	0	0

Energy Consumption and Energy Saving



The Company is working to ensure the efficient use of energy resources, implementing the measures to reduce costs of heat and electricity and energy efficiency programs.

The main objectives to improve energy efficiency are:

- *use of best practices and approaches in the management of energy efficiency;*
- *optimization of existing processes and improvement of energy efficiency in terms of energy consumption while maintaining the key process parameters;*
- *permanent monitoring of economic and efficient use of energy;*
- *improving energy efficiency in the transmission and distribution of electricity and heat;*
- *use of energy efficiency criteria for analyzing and improving existing business processes, as well as the design and implementation of new production facilities;*
- *introduction of modern technological systems for energy accounting and technical accounting of basic technological parameters of manufacturing processes.*

ELECTRICITY CONSUMPTION, MLN KW/H

2012	25.963	27.065
2013	25.894	26.928

- Electricity consumption, incl.:
- In-house generated electricity

ENERGY CONSUMPTION IN PHYSICAL AND MONETARY TERMS

Energy resource type	2013			2012		Deviation from 2012	
	PLAN	REPORT	INCL.	REPORT	INCL.	+/-	%
	TOTAL	TOTAL	OWN PRODUCTION	TOTAL	OWN PRODUCTION		
Natural gas							
mln. m ³	–	69.56	69.56	64.87	64.87	4.69	7%
mln. RUB	–	71.12	71.12	59.44	59.44	11.68	20%
Electric energy							
thous. kW*hour	29,575	26,928	25,869	27,066	25,964	-138	-1%
mln. RUB	245.58	257.05	253.87	265.02	262.14	-7.97	-3%
Heat energy							
Gcal	38,537	35,360	32,231	32,958	29,709	2,402	7%
mln. RUB	98.08	100.41	90.50	81.96	71.58	18.45	23%
Diesel fuel							
thous. tonnes	–	0.76	–	0.74	–	0.02	2%
mln. RUB	–	22.44	–	22.01	–	0.43	2%
Car petrol AI-95							
thous. tonnes	–	0.31	–	0.29	–	0.02	7%
mln. RUB	–	9.08	–	9.09	–	-0.01	0
Car petrol AI-92							
thous. tonnes	–	0.21	–	0.25	–	-0.04	-16%
mln. RUB	–	5.47	–	6.74	–	-1.27	-19%

The Company, in order to improve performance, consistently pursues a policy of energy saving and energy efficiency upgrading production processes. This work is conducted in a systematic manner and involves medium and long-term planning.

In December 2011, planned energy-saving measures in OJSC Severneftegazprom units in the period of 2012–2014 were approved.

The main challenges the Company is facing in this area are:

- *maximizing of the energy saving potential in all the activities on the basis of energy saving programs and improving the management of the Company's energy efficiency;*
- *upgrading of the Company's energy efficiency through the use of innovative technologies and equipment;*
- *providing the reduction of anthropogenic impact on the environment.*

THE COMPANY'S ENERGY SAVING PERFORMANCE

Indicator	Resulting saving in fuel and energy resources							
	NATURAL GAS, MLN. M ³		ELECTRIC ENERGY, MLN. KW/HOUR		HEAT ENERGY, GCAL		FUEL AND ENERGY RESOURCES, TFOE	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
Key activities								
Operational tests of boiler equipment of the treatment facility, shift camp and gas treatment plant	0.021	0.010	-	-	-	-	-	-
Installing a filter at the separator for possibility to use separated gases as fuel gas for burniers of glycol regeneration 30BR-1-1.2	0.684	0	-	-	-	-	-	-
Gas recovery from dry gas seals of compressor unit in the treatment facility	0.946	0.425	-	-	-	-	-	-
Installing temperature regulators on the heating devices	-	-	-	-	11.300	35.480	-	-
Replacing incandescent lamps with energy saving ones	-	-	1.469	1.731	-	-	-	-
Total	1.651	0.435	1.469	1.731	11.300	35.480	-	-



Interaction with the Interested Parties



Sustainable development of the Company is closely linked to the maintenance of long-term partnership with the operation areas and interaction with the interested parties through joint projects in accordance with the principle of compliance with the commitments, as well as compliance with requirements from the interested parties.

In order to identify key interested parties, select channels of communication, integrate social ties that may affect or, conversely, be affected in the process of the production activity implementation, the Company has adopted the internal document, i.e. the “Public Consultation and Disclosure Plan”, which defines:

- *procedures for disclosure in accordance with the Russian legislation and international standards;*
- *the Company’s interested parties and programs to interact with them;*
- *accounting mechanism of feedback and comments.*

Being a socially responsible Company that respects environmental and social norms, OJSC Severneftegazprom strives to promote development of the areas where it carries out its operations and economic activities.

Relations with the regions are governed by the General Cooperation Agreement concluded between the Company and the municipal administrations of Krasnoselkup, Pur districts and Novy Urengoy, and are annually updated or amended.

In January 2013, for the first time a cooperation agreement with the Government of the Yamal-Nenets Autonomous District until December 31st, 2017 was signed.

The priority areas of the Agreements are such activities as:

- *increase of investments intended for reserve replenishment and the introduction of innovative technologies;*
- *rational and efficient use of subsoil and land located within the areas where the Company conducts its business activities;*
- *creating conditions for successful interaction aimed at solving social and economic issues of the local population;*
- *environmental preservation and environmental security.*

Following the results of 2013, OJSC Severneftegazprom fulfilled its obligations in accordance with the cooperation agreements in full for the total amount of RUB 60 million.

Within the framework of these agreements, OJSC Severneftegazprom carries out activities aimed at the social and economic development of the Yamal-Nenets Autonomous District, contributes to the preservation of cultural practices of indigenous people, provides funds for the development of settlements, purchase of transport, equipment, maintenance of national agricultural enterprises, provides financial funds for the authorized activities of the Association of Indigenous peoples of the North “Yamal—for the future generations”.

Being conscious and significant in the development of the region's presence, the Company seeks to support municipalities in solving all important social issues.

By tradition, among the main highlights of the year for natives are the Reindeer-Breeders day and Fishermen day. In 2013 representatives of the Company took part in the celebrations held in Krasnoselkup, the settlement of Tolka and the settlement of Ratta and awarded prizes from OJSC Severneftegazprom to the winners of competitions in national sports (races on reindeer sledges, a lasso throwing onto polecats, jumps over sledges).

Being conscious and significant in the development of the region's presence, the Company seeks to support municipalities in solving all important social issues. Beyond annual agreements charitable assistance worth RUB 8.4 million was provided in 2013.

In 2013, the Company donated an LED monitor to the settlement of Urengoy, acquired sports and recreation equipment for secondary school №17 in Novy Urengoy and for children of "Snowflake" kinder garden of Urengoy, financed the purchase of a musical instrument for the talented pupil of the children's Art School of Urengoy, organized a visit of children from Krasnoselkup low-income families on a summer holiday in Germany, funded the children's trip to the International Children's Art Competition "The Future of the Planet" in St. Petersburg, organized the procurement and delivery of Christmas gifts for children, supported indigenous—small population of Krasnoselkup District during the Reindeer-Breeders day and Fishermen day.

Considerable contribution of OJSC Severneftegazprom was made in the upbringing and education of the younger generation of indigenous people in Krasnoselkup region in 2013. For the purpose of career counseling of students, the Company organized tours in the Yuzhno-Russkoye oil and gas field for high school students in Krasnoselkup and Pur regions. The Company permanently assists students in practical training at the Yuzhno-Russkoye gas condensate field.

OJSC Severneftegazprom, supporting the population feels the importance of the steps that have been implemented in recent years, and is committed to continue constructive cooperation for the development of the Yamal-Nenets Autonomous District.

INTERACTION WITH STAKEHOLDERS

SUBJECT OF INTERACTION INTERESTED PARTIES

	STATE BODIES AND PUBLIC OFFICES	SUPPLIERS/ BUYERS	SHAREHOLDERS	NON-COMMERCIAL ORGANIZATIONS	MEDIA	GENERAL POPULATION	EMPLOYEES
Strategy and development	●		●				●
Corporate governance	●		●				
Legal regulation	●		●	●			●
Contractual obligations	●	●	●				●
Information disclosure	●	●	●	●	●	●	●
Environmental protection	●	●			●	●	●
Labor protection and industrial safety	●	●					●
Charity	●			●		●	

OJSC Severneftegazprom Takes Care of the Younger Generation in the Operation Areas

In June, 2013, the group of children from the Krasnoselkupsky district visited Germany. The trip was organized within the Company's social program aimed at the support and development of the younger generation in operation areas.

This year 12 children from families entitled to benefits could visit Germany. Various excursion programs to the cities of North Rhine-Westphalia were provided to them. The children visited the well-known Cologne Cathedral, travelled by ship down the Rhine, got acquainted with the historical center of Düsseldorf, and also visited the world famous Museum of steel and cold weapons in Solingen.

Following the results of the trip the head of the Krasnoselkupsky district Vasily Parshakov thanked the Company for care of children and organization of their summer holiday.

The General Director of OJSC Severneftegazprom Stanislav Tsygankov said, "The support of the younger generation is one of the priority areas of the Company's social policy. The trip to Germany allowed the children to get acquainted with the history and culture of another country, and also to broaden their horizons. I hope, this trip has given them a lot of positive impressions and will serve as an incentive for their further self-development".

At the square in front of the Cologne Cathedral





Key Risks Associated with the Company's Business

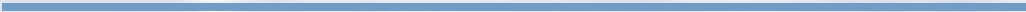
Operational Risks

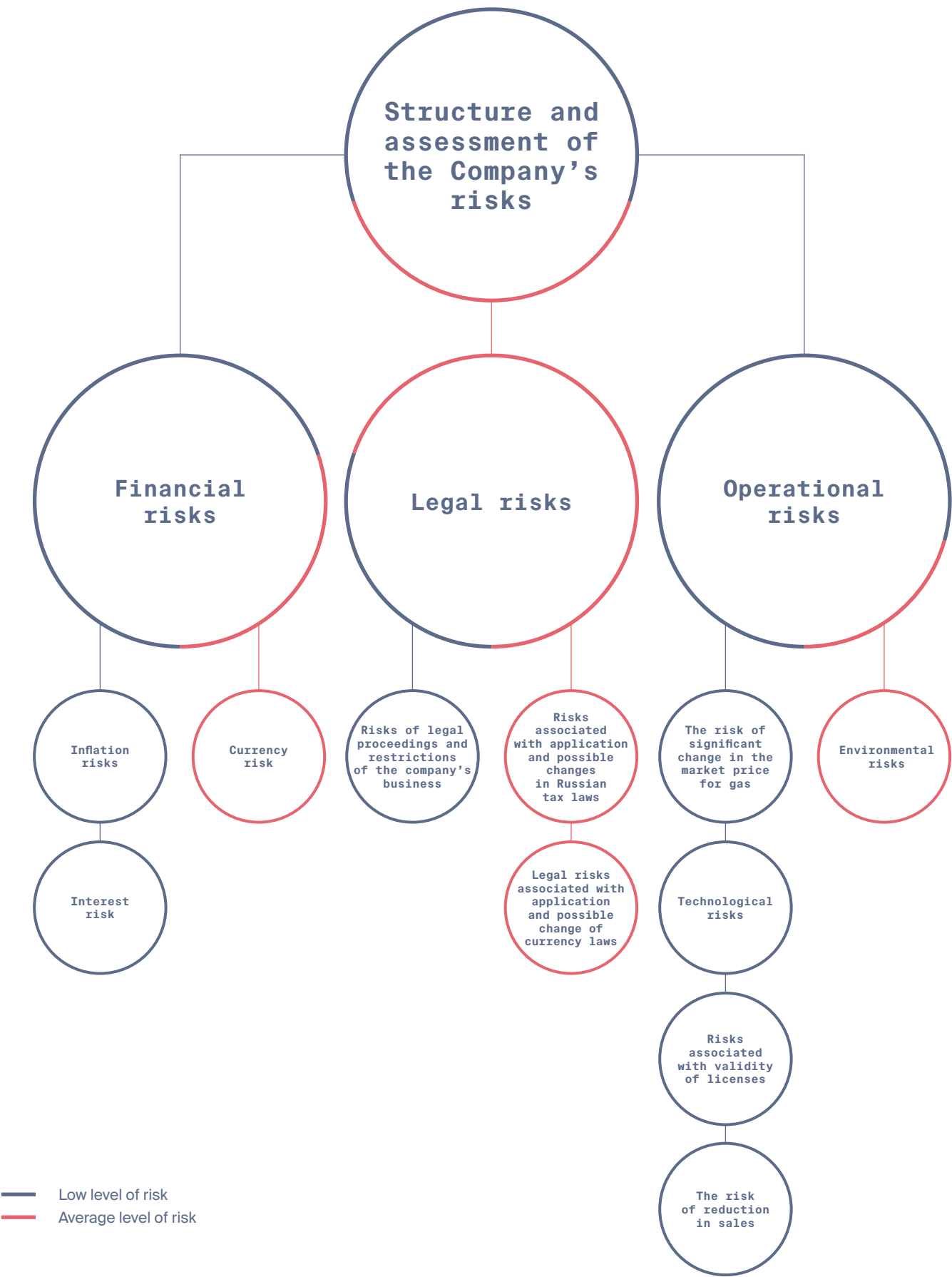
Financial Risks

Legal Risks









Operational Risks



The Company is exposed to operational risks when conducting its business, the most important being prices for raw hydrocarbons and technological risks associated with the particulars of the production process. Moreover, general operational risks include transport restrictions of a technological nature, which may become one of serious obstacles in achieving the long-term objectives of the Energy Strategy of Russia. Search and development of deposits, transportation and processing of gas and liquid hydrocarbons represent a complicated and capital-intensive process bearing technological and ecological risks. The company strictly observes industry requirements and standards, and implements new technologies and equipment at all stages of the production process, thus minimizing these risks.

The Risk of Reduction in Sales

The risk of reduction in sales is associated with the possibility of a long-term decline in the demand for hydrocarbons, which may in its turn adversely affect project indicators. However, according to long-term gas supply contracts, the purchaser pays for the entire volume of contracted gas notwithstanding the actual intake, which excludes the considered risk for the Company until expiration of such contracts.

The Risk of Significant Change in the Market Price for Gas

A significant decrease in the market price for gas may affect the cash flows required for stable production and business performances of the Company. The risk is considered low since, according to gas supply contracts, the price of gas is determined according to the formulae taking into account the Company's expenses and the required rate of return.

Risks Associated with Validity of Licenses

The Company undertakes activities in relation to the Yuzhno-Russkoye oil and gas field pursuant to the licenses for the use of subsoil and other licensed activities. Applicable laws of the Russian Federation and/or licenses provide for possibility of limitation, suspension or early termination of the right to use the subsoil/exercise a licensed activity in the case of non-observance of conditions of license agreements or violation of the requirements of applicable Russian laws in the area of licensing.

The Company completely fulfills the requirements of license agreements and takes all the necessary steps to observe the applicable laws governing licensing, in order to minimize this risk.

Environmental Risks

The Company's activities, associated with the development of the Yuzhno-Russkoye oil and gas field, are potentially exposed to the risk of environmental impact. Therefore, one of the priority directions of the Company's efforts is environmental protection. Key project solutions applied in the course of constructing of infrastructural and operational facilities at the deposit comply with the Russian environmental standards.

Technological Risks

The Company's production activities, associated with the performances of the Yuzhno-Russkoye oil and gas field, may be exposed to the impact of negative factors associated with the breakdown or failure of the equipment. Meanwhile, the technologies used for mining, treatment and transportation of gas comply with up-to-date requirements for reliability and safety in performances of the equipment, which enables minimization of said risks.

In addition, the Company conducts training and certification of staff in the area of occupational health, industrial, fire and well-kill safety, based on the course "Well Control. Control of Wells at Oil, Gas and Water Show", which also reduces the above risks.

For the purpose of resolving the primary objectives associated with planning of efforts for prevention and liquidation of extraordinary situations for hazardous production facilities at the field, the following documents were prepared: the Plan for the Liquidation of Possible Accidents, the Plan for the Prevention and Liquidation of Oil Spills at the Site of Technological Capacities of Reagents and Oils at the gas treatment unit of the Yuzhno-Russkoye oil and gas field of OJSC Severneftegazprom, the Plan for the Prevention and Liquidation of Oil Spills at Fuelling Stations (stations for the fuelling of motor transport) of OJSC Severneftegazprom, Technological regulations "On the performances of the gas treatment unit of the Yuzhno-Russkoye oil and gas field 05.125-TP" with Amendments № 1 and № 2. Pursuant to the above plans, emergency response drills are carried out constantly to train staff on emergency drill if any emergency.

In addition, in order to minimize and avoid emergency situations, a contract was concluded with LLC "Gazprom Gazobezopasnost" to ensure well-kill safety on wells situated on the Yuzhno-Russkoye license block, and with LLC "Gazprom Transgaz Surgut" for operating the Yuzhno-Russkoye oil and gas field traded gas pipeline. Administrative and production control of occupational health, industrial, and fire and well-kill safety has been organized and undertaken, that allows reducing the aforementioned risks.

Certified equipment and technical devices meeting up-to-date requirements on safety and reliability by performance are applied at hazardous production facilities of the field. The equipment and technical devices are maintained in a timely manner by the Company's personnel or specialized organizations, which also reduce the aforementioned risks.

Financial Risks



Inflation Risks

The inflation rate in 2013 was 6.5%. According to observations, inflation rates are relatively stable and the Russian Ministry of Finance forecasts that inflation in 2014 will correspond to the rate of predicted values of about 5.5-6%. On the basis of the said data, inference should be drawn that the inflation will not cause any material impact on the financial and economic indicators of the Company's activity in the foreseeable future.

Interest Risk

Being a large borrower, the Company is exposed to the risks associated with changes in interest rates. The most part of the debt portfolio of the Company within the frame of the raised project funding is the loans mainly denominated in USD and EUR. The interest rate for such loans service is based on the internal credit rates (LIBOR/Euribor). An increase in such interest rates may result in the appreciation of the Company's debt service. The cost increase of the loans for the Company may adversely affect solvency and liquidity indicators. However at the present time LIBOR rate is at a relatively low historical level and has a medium-term tendency towards stabilization. At the same time, taking into consideration that according to the gas supply contracts the price of gas is determined according to the formulae, which also considers the compensatory component, the risk is considered low.

Currency Risk

Since the structure of the debt portfolio of the Company includes liabilities, which are assessable, accruable and repayable in foreign currencies, fluctuations of exchange rates to the ruble materially affect the result of financial and business operations of the Company. Due to the absence of any revenues in foreign currency, the balanced currency structure of claims and liabilities, acting as a hedging mechanism, is not applicable to the Company. Taking into consideration that according to the gas supply contracts the price of gas is determined according to the formulae, which also considers the compensatory component, the risk is considered average.

Legal Risks

Risks Associated with the Application and Possible Changes in tax Laws of the Russian Federation

Some laws have been adopted during recent years which introduce significant amendments to the tax laws.

Amendments introduced into the system of the tax laws of the Russian Federation are aimed at eliminating its deficiencies, and therefore some provisions of the Russian Tax Code may be amended, that may result both in an increase or reduction of the tax burden versus the reporting year.

Amendments to the tax laws of the Russian Federation, which negatively affect the taxpayer, do not apply retrospectively as a rule (rather than various interpretations of some provisions of the tax laws).

Since interpretations of some norms of the tax law by tax authorities (the Ministry of Finance of the Russian Federation, judicial authorities) may not match interpretations made by the Company's management, the amount of tax liabilities following the results of tax audits at the Company, both in the reporting year and preceding periods, may change and cause tax risks (in particular, additional taxes as well as penalties and fines may be imposed on the Company).

In order to avoid tax risks, the Company regularly monitors any amendments made to the Russian Tax Code and law enforcement practice with further application of them in its performances.

Pursuant to Russian accounting rules, any change in tax liabilities over preceding periods is disclosed in the accounting statement over that period when such changes were actually effected.



Risks of Legal Proceedings and Restrictions of the Company's Activities

No change in legal practice in regard to matters associated with the Company's activities as well as rules of legal proceedings will have a material impact on the Company's activity since the Company tries to settle any disputes extra judicially /under a pre-action protocol.

At present, the Company is not involved in any significant legal proceedings and does not bear any liability for debts of the third parties that may result in limitation of the Company's activities.

Legal Risks Associated with the Application and Possible Change in Currency Laws

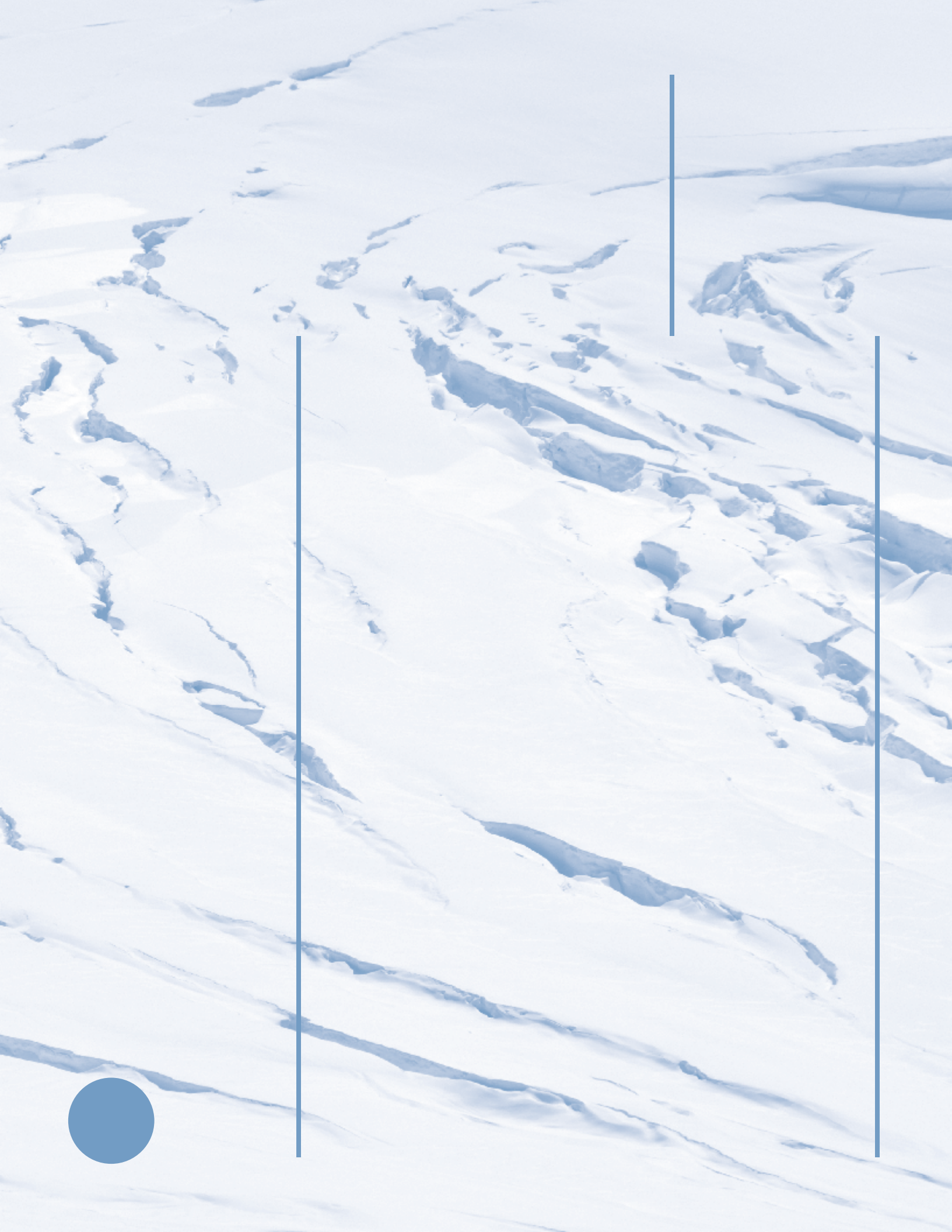
The Company concludes foreign economic transactions and executes currency performances with non-residents, and therefore changes in currency regulation may affect the fulfillment of the Company's liabilities to foreign counteragents. In particular, changes in currency regulation which may concern enforcement of control over execution of currency transactions and introduction of restrictions, may lead to losses under foreign trade contracts and/or delays in the fulfillment thereof. Due to the existence of foreign economic transactions, the Company is exposed to risks of imposition of administrative liability for violations of currency laws of the Russian Federation and acts of currency regulation, including without limitation, violation of the established unified rules of the execution (re-execution) of transaction passports and non-observance of the established procedure or terms of submission of accounting forms and reports on currency transactions. For the purpose of observing the currency laws of the Russian Federation, within the frame of relations with non-resident companies, structural subdivisions of the Company take measures of control over timely and quality submissions of documentation required for the execution of currency transactions.



Code of Corporate Governance Compliance Report







Code of Corporate Governance Compliance Report

OJSC Severneftegazprom, as an open joint stock company, strives to comply with the norms of the Code of Corporate Conduct, recommended by the Order issued by the Federal Securities Market Commission of Russian Federation under № 421/r on April 4th, 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 of notification about the general meeting of shareholders, and until the closure of the attendee meeting general meeting of shareholders, and in case of an absentee general meeting of shareholders—prior to the deadline fixed for accepting voting bulletins;*
- The shareholder have the opportunity to bring an item for the agenda of a general meeting of shareholders or require the convocation of a general meeting of shareholders without presenting an extract from the register of shareholders if the recording of his right to shares is executed in the system of the register of shareholders maintenance;*
- The Charter of the Company must provide the authority for the Board of Directors related to the annual approval of the Company's financial and economic plan (Annual work program and Budget);*
- Absence of the persons among the members of the Company's Board of Directors, which were found guilty of committing crimes in the field of economic activities or crimes against state authorities, interests of state service and local*



authorities, or to which administrative punishments for civil injuries in the field of entrepreneurial activities or in field of finances, taxes, charges or securities market were invoked;

- There are no persons in the Company's Board of Directors holding the position of the general director, member of the regulatory body or of employee of a legal entity competing with the Company;*
- The Charter of the Company must provide the requirement on the election of the Board of Directors by cumulative voting;*
- The meetings of the Company's Board of Directors must be hold according to the Plan of meetings approved by the Board of Directors;*
- The presence of the Company's internal documents approved by the Board of Directors, providing the procedure of forming and operating of the standing committees of the Board of Directors;*
- The presence of procedure of approving of the operations exceeding the limits of the Company's financial and economic plan in the Company's inner documents;*
- The presence of the special official (the Company's secretary) in the Company in charge to provide the 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;*
- The Charter or internal documents of the Company must provide for the requirement of approval of a large-scale transaction prior to it being implemented;*
- The absence in the Charter of the Company of the exemption of the transferee from the obligation to offer to the shareholders to sell the ordinary shares hold by them in the Company upon redemption;*
- The presence of a special department in the Company ensuring the compliance with the internal control procedures (internal audit department);*
- Absence of the persons among the members of the audit service, which were found guilty of committing crimes in the field of economic activities or crimes against state authorities, interests of state service and local authorities, or to which administrative punishments for civil injuries in the field of entrepreneurial activities or in field of finances, taxes, charges or securities market were invoked;*
- Absence of the persons among the members of the audit service, being the members of the executive board of the Company, as well as persons, holding the positions of the general director, member of the regulatory body or of employees of a legal entity competing with the Company.*





General Information

Registration Details

Company's Representative Offices







Registration Details

**Full company name:**

Open Joint-Stock Company Severneftegazprom

Short company name in Russian:

OJSC Severneftegazprom

Full company name in English:

Open Joint-Stock Company Severneftegazprom

Short company name in English:

OJSC Severneftegazprom

Legal address:

22 Lenin St, Krasnoselkup, Krasnoselkup District, Yamal-Nenets Autonomous District, 629380.

Postal address:

PO Box 1130, Novy Urengoy, Yamal-Nenets Autonomous District, 629300.

E-mail:

sngp@sngp.com

Information Sources, in which the Company Discloses Information in Compliance with Securities Law Requirements

Page of OJSC Severneftegazprom at the following URL – <http://www.e-disclosure.ru/portal/company.aspx?id=16965>, provided to the Company by the Interfax Information Agency (CJSC Interfax is a distributor of information on the securities market).

RSS News an information resource updated in online mode at the following URL: <http://www.e-disclosure.ru/index.aspx>.

OJSC Severneftegazprom website at the following URL: www.severneftegazprom.com

State Registration Date and Registered Number

Certificate № R-16625.16 of registration and entry in the state register of commercial entities, issued on June 15th, 2001 by the State Registration Chamber at the Ministry of Justice of the Russian Federation to OJSC Severneftegazprom in connection with the reorganization of OJSC Severneftegazprom based on Minutes № 5 of the extraordinary General Meeting of Company Members dated June 1st, 2001.

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

Information on the Company's Registrar

CJSC Specialized Registrar—Register-Keeper for Gas Industry Shareholders (CJSC SR-DRAGa).

Location and postal address:

31/72 Novocheremuskinskaya St, Moscow, 117420

Tel: +7(495)719-40-44, Tel: +7(495) 719-40-44, Fax: +7(495)719-45-85.

Register maintenance performances license dated December 26th, 2003
Nº10-000-1-00291, issued by the Federal Securities Market Commission of Russia without limitation as to period of validity.

Core Operations

- *Yuzhno-Russkoye oil and gas condensate field development and provision of the necessary facilities;*
- *recovery, collection, pre-transport treatment and sales of natural gas;*
- *prospecting and exploration work performance;*
- *construction management.*

The Company Holds the Following Main License:

a license for the exploration and recovery of raw hydrocarbons within the Yuzhno-Russkoye subsoil plot situated in the Krasnoselkup District of Yamal-Nenets Autonomous District of the Tyumen Region. Series SLKh N° 11049 NE.

Date license issued—June 22nd, 2001. License valid until December 31st, 2043.

Moreover, the Company holds over 10 permits (licenses) for other kinds of operations and is a member of Non-Commercial Partnership Association of Gas and Oil Industry Complexes Constructors.

Company's Representative Offices

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



Summary

Report Parameters

Disclosure of Information

Appendix 1

Appendix 2

Appendix 3

Appendix 4

Appendix 5

Questionnaire







Report Parameters



OJSC Severneftegazprom puts as the main goal achieving transparency of information about its activities. Full disclosure and ensuring the quality of published data is a core aim of the Report which is compiled on the basis of the principles of international reporting in the field of sustainable development. The basic approach in the preparation of the Report is to balance reliability and importance of the information about the economic, social and environmental activities.

The Contents and Limits of the Report

Report for 2013 presents an analysis of the Company's exploration and production of natural gas, business, social policy, industrial safety and environmental protection. The Company for the third time discloses such information in accordance with the Guidelines of the Global Reporting Initiative in the form of an integrated Annual report. Cycle of the report preparation is one calendar year. The report provides information on the activities of all divisions of the Company and all activities relating to sustainable development, including economic, environmental and social aspects.

Materiality

During the preparation of the Report the Company identified a list of significant issues affecting the interested parties in view of their significant financial impact and lasting effect. The Company believes the material issues reflecting steps to achieve strategic goals and mission of the Company are important. In order to address pressing issues, formed under the influence of independent external factors, the Company performs the interaction with interested parties and expert communities.

Interested parties Inclusiveness

The Company has a systematic approach to the interaction with interested parties, which allows to evaluate the susceptibility of the parties to the Report information and improve its quality from year to year. The partnership with interested parties, as well as accounting-based public expectations positively affect the operating activities of the Company.

Sustainability Context

The published financial information is closely related and illustrates the effectiveness of the Company's activities in the field of sustainable development in the context of operating activities, strategy, integrated management system, as well as corporate governance. Performance indicators for 2013 are presented in the report, together with the figures for 2012, which allows to the users of the report to analyze emerging trends.

Completeness

Provided in the report information corresponds to the application level of the «B+» in accordance with the requirements of the Global Reporting Initiative. The aggregation of subjects and indicators contained in the Report is sufficient for adequate provision of information and assessment of the impact of the Company on the economy, environment and society. The Company constantly strives to improve the depth of disclosure of information, then compared to the previous reporting periods the report for 2013 further discloses the level of injury, the average number of hours of training, saved electricity.

Principles of Quality Assurance Report

Balance

The Company strives to represent in the Report in a balanced manner the matters required by Russian law and generating interest among interested parties. Both positive and negative aspects of the Company's activities are represented in the Report, providing the users with adequate representation of the Report on the impact of the Company on the economy, environment and society.

Comparability

When publishing indices and indicators the Company bases mainly on the Russian standards of accounting, environmental protection and industrial safety. To ensure the comparability of the results of the Company's activities with companies doing business in foreign markets in the field natural gas extraction, the Company takes into account the methodology and recommendations of the Guidelines of the Global Reporting Initiative. In the reporting period, there were no significant changes in standards that enable the comparison of data.

Accuracy

The Company strives to the exact, specific and adequate representation of its activities for the objective assessment of all interested parties. When preparing the Report qualitative and quantitative information is used based on the data of standard financial and statistical reporting and internal reporting prepared in accordance with the Company's adopted procedures and methodologies. In the case of predictive values the reference to a source shall be provided or preconditions for their application shall be specified.

Timeliness

Preparation of the Report is carried out annually and has the planned nature including the design process, taking into account the views of interested parties, the assurances by the independent auditor and publishing. This Report is an integrated document containing information on the financial results and sustainable development that provides simultaneous provision of comparable and objective information about the Company's activities.

Clarity

The Report provides information intelligibly, without using of terms and vocabulary which require specialized knowledge. To improve perception tables, graphs, charts and diagrams are used. Abbreviations are explained at the first appearance in the text.

Reliability

The Report presents the data that are recognized by the Company and confirmed by internal documents and publicly available materials. The information presented in the Report was systematized in the framework of corporate information systems activities; financial reporting is certified by CJSC PricewaterhouseCoopers, a series of indicators of non-financial reporting received confirmation of CJSC Deloitte & Touche.

Contact Information for Issues Regarding the Report

Valentina Fyodorovna Veremyanina
Deputy General Director of Legal and Corporate Governance
Phone: +7(495)620-63-50
E-mail: VeremyaninaVF@sngp.com

Disclosure of Information

Appendix 1. GRI Content index

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• 1	Strategy and analysis	
• 1.1	Statement from the most senior decision-maker of the organization on the importance of sustainable development for the organization and its strategy	8-9
• 1.2	Key impacts, risks, and opportunities	114-119
• 2	Organizational profile	
• 2.1	Name of the organization	1, 126
• 2.2	Primary brands, products and/or services	59, 126
• 2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	22-31
• 2.4	Location of organization's headquarter	126
• 2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	14-17
• 2.6	Nature of ownership and legal form	34-35, 126
• 2.7	Markets served (including geographic breakdown, sectors served, and types of customer/beneficiaries)	14-17, 58-59
• 2.8	Scale of the reporting organization	58-59, 84-85
• 2.9	Significant changes during the reporting period regarding size, structure or ownership	No significant changes
• 2.10	Awards received in the reporting period	52-53
• 3	Report parameters	
• 3.1	Reporting period (e.g., fiscal/calendar year) for information provided	3, 130-131 Calendar year
• 3.2	Date of most recent previous report (if any)	June 2013
• 3.3	Reporting cycle (annual, biennial, etc.)	3, 130-131

Index	Page	Comments
• 3.4 Contact point for questions regarding the report or its contents	131	
• 3.5 Process for defining report content	3, 130–131	
• 3.6 Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3, 130–131	
• 3.7 Specific limitations on the scope or boundary of the report	3, 130–131	The report covers all the material aspects of the Company's performance
• 3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between other organizations		No basis
• 3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	101–102	Personnel turnover was calculated on the basis of JSC Gazprom corporate guidelines for fulfillment statistics reporting forms on headcount, structure, turnover and trainings of personnel
• 3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)		No re-statements were performed
• 3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		No changes were introduced
• 3.12 Table identifying the location of the Standard Disclosures in the report	132–143	
• 3.13 Policy and current practice with regard to seeking external assurance for the report	145–146	Sustainability report was externally assured
• 4 Governance, commitments, and engagement		
• 4.1 Governance structure of the organization including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	22–31	
• 4.2 Indicate whether the Chairman of the highest governance body is also an executive officer	29	General Director is not the Chairman of the Board of Directors

Index	Page	Comments
• 4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	24–25	There are no independence members of the Board of Directors. Neither of members of Board of Directors holds position in executive body
• 4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	22–31, 90	
• 4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departures arrangement), and the organization's performance (including social and environmental performance)		In 2013, the Company has developed a system of key governance body performance indicators. 12,5 % of performance indicators are related to sustainable development
• 4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided		In order to prevent conflicts of interest, the Company aims that all interested party transactions shall be approved by the Board of Directors or the General shareholders meeting
• 4.7 Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity to determine the organization's strategy on economic, environmental and social issues (sustainable development)		Members of the Board of Directors are nominated by the Company's shareholders at the ratio of "E.ON Exploration & Production GmbH" - 2 candidates, "Wintershall Holding GmbH" - 2 candidates, JSC Gazprom - 4 candidates in accordance with the provisions of the Shareholders' Agreement. Qualifications and competence of the members of the Board of Directors are determined by internal standards and procedures of shareholders. The Company shares the conviction that the members of the Board of Directors have extensive knowledge, skills and international expertise in the oil and gas industry
• 4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	90, 97–100, 108–110, 122–123	
• 4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles		Efficiency of sustainable development is evaluated by the Technical Committee of the Board of Directors on a quarterly basis according to the reported information on safety, health and environment
• 4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		Own performance evaluation was not conducted by the highest governance body in the reporting period
• 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	82, 130–131	
• 4.12 Externally developed economic, environmental and social charters, principles or other initiatives which the organization subscribes to or endorses		The Company did not adhere to externally developed charters. Since 2011, the Company joined the following standards of the International →

Index	Page	Comments
<ul style="list-style-type: none"> • 4 . 13 Memberships in associations (such as industry associations) and/or national and international advocacy organizations in which the organization <ul style="list-style-type: none"> – Has positions in governance bodies – Participates in projects or committees – Provides substantive funding beyond routine membership dues – Views membership as strategic 		<p>Finance Corporation:</p> <ul style="list-style-type: none"> – Performance Standards on environmental and social sustainability; – Environmental, Health and Safety general Guidelines – Environmental, Health and Safety Guidelines for onshore oil and gas development <p>The Company is a member of Noncommercial partnership “Self-regulated organization Association of gas and oil complex builders” and the European Business Congress</p>
<ul style="list-style-type: none"> • 4 . 14 List of stakeholder groups engaged by the organization 	110	
<ul style="list-style-type: none"> • 4 . 15 Basis for identification and selection of stakeholders with whom to engage 	108–110, 130	
<ul style="list-style-type: none"> • 4 . 16 Approaches to stakeholder engagement including frequency of engagement by type and by stakeholder groups <ul style="list-style-type: none"> • 4 . 17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns including through its reporting 		<p>The Company's main approach to stakeholder engagement is an ongoing dialogue and attention to their needs. The Company uses various forms of dialogue for different stakeholders. For effective interaction with authorities, suppliers and other organizations the Company holds regular personal meetings, uses newsletters, additional agreements and reporting documents, long-term cooperation agreements. Personal meetings and briefings, drawers for reactions and feedback, hotline are the most effective to take into account the views of staff and the local population. Also, the Company publishes various media announcements, reports, interviews and videos</p> <p>During the dialogue, the Company identifies key issues and concerns and timely responds to the needs of stakeholders. In 2013 the key issues and concerns were the following:</p> <ul style="list-style-type: none"> – State bodies and public offices – emergency recovery and response in the framework of social and economic Agreement 2013 – Shareholders – extension of R&D activity due to high interest of shareholders to improve efficiency of the Company's business performance – General population – the Company met the local population's needs providing financial assistance beyond the General Agreements with region Administration

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• Water	102-103	
• Biodiversity		
• Emissions, effluents and waste	101-104	
• Products and services	58	
• Compliance	82, 100	
• Transport	106, 138	
• Overall	100-107	
LA Aspects		
• Employment	84-87, 92	
• Labor/management relations	90	
• Occupational health and safety	93-97	
• Training and education	89, 95	
• Diversity and equal opportunity	82-92	
• Equal remuneration for women and men	85	
HR Aspects		
• Investments and procurement practices	46-47, 137	
• Non-discrimination	141	
• Freedom of association and collective bargaining	82, 90	
• Child labor	141	
• Prevention of forced and compulsory labor	141	
• Security practices		
• Indigenous rights	82-83, 108-110	
• Assessment		
• Remediation	90	
SO Aspects		
• Local communities	82-83, 108-110	
• Corruption		
• Public policy	108-110	
• Anti-competitive behavior		
• Compliance	108-110	

Index	Page	Comments
PR Aspects	58–59	
• Customer health and safety	58–59,	
• Product and service labelling	127	
• Marketing communications	97	
• Customer privacy		
• Compliance		
Indicators of economic performance		
• EC1 Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	58–77 , 109	
• EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change		
• EC3 Coverage of the organization's defined benefit plan obligations		
• EC4 Significant financial assistance received from government		No financial assistance was received during reporting period
• EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		
• EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		The Company, realizing its policy of competitive procedures, gives preference while other things being equal to local suppliers. The definition of local refers to suppliers who are registered in Yamal-Nenets Autonomous Area. During the reported period around 24% of local suppliers and contractors capex budget were spent on local suppliers.
• EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		
• EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement		
Indicators of environmental performance		
• EN1 Materials used specifying weight or volume		
• EN2 Percentage of materials used that are recycled input materials		
• EN3 Direct energy consumption specifying primary energy sources	106	Natural gas (m³): 69,560*39 = 2,713,536 GJoules Diesel fuel(t): 760*43.33 = 32,930 GJoules AI-95(t): 310*44.80 = 13,888 GJoules AI-92(t): 210*44.80 = 9,408 GJoules

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• EN4 Indirect energy consumption specifying primary energy sources	107	Electricity (kWh): 26,928,000*0.0036 = 96,940.8 GJoules Heating power (gCal): 35,360*0.00419 =148,158 GJoules
• EN5* Energy saved due to conservation and efficiency improvements	107	Saved energy amounted to 1,731,600 kWh, or 6,233.76 GJoules
• EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		
• EN7 Initiatives to reduce indirect energy consumption and reductions achieved		
• EN8 Total water withdrawal by source	102-103	
• EN9 Water sources significantly affected by withdrawal of water	102-103	
• EN10 Percentage and total volume of water recycled and reused	102	
• EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
• EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		
• EN13 Habitats protected or restored		
• EN14 Strategies, current actions, and future plans for managing impacts on biodiversity		
• EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		
• EN16* Total direct and indirect greenhouse gas emissions by weight	101, 104	Accounting for direct emissions is produced on the basis of Standards of Gazprom 102-2011 "Inventory of greenhouse gas emissions". Estimation of the indirect emissions is conducted on the basis of "Wintershall Holding GmbH" methods.
• EN17 Other relevant indirect greenhouse gas emissions by weight		
• EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved		
• EN19 Emissions of ozone-depleting substances by weight		

Index	Page	Comments
• EN20* NO _x , SO _x and other significant air emissions by type and weight	101, 104	In 2013, control of air emissions was changed from the manual method to instrumental
• EN21 Total water discharge by quality and destination		
• EN22 Total weight of waste by type and disposal method	103	
• EN23* Total number and volume of significant spills		No significant and insignificant spills during the reporting period
• EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		
• EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff		
• EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		
• EN27 Percentage of products sold and their packaging materials that are reclaimed by category		
• EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		
• EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		
• EN30 Total environmental protection expenditures and investments by type	102	Operating costs on environmental issues – 107,524 thousand RUB Fees for negative impact on environment – RUB 2,019.5 thousand RUB Capital expenditure on environment protection – RUB 4,425 thousand RUB
Indicators of labor practices and decent work performance		
• LA1 Total workforce by employment type, employment contract, and region	84–86	Total workforce: 1028 employees, including 213 women Permanent contract: 1012 employees, including 202 women Fixed-time contract: 16 employees, including 11 women All employees are full-time employed Regional split: YROGCF – 611 employees, incl. 46 women →

Index	Page	Comments
		Urengoy branch – 230 employees, incl. 67 women N. Urengou branch – 110 employees, incl. 56 women Moscow branch – 76 employees, incl. 43 women Tumen – 1 female employee
• LA2 * Total number and employee turnover by age group, gender, and region	86	Employee turnover index is calculated on the basis of the "Instructions for completion of forms of industry statistical reporting on the number, composition, movement and professional training by subsidiaries, agencies, branches and representative offices of JSC Gazprom
• LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		
• LA4 Percentage of employees covered by collective bargaining agreements		The collective bargaining agreement covers all employees of the Company
• LA5 Minimum notice period(s) regarding significant operational changes including whether it is specified in collective agreements		
• LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		
• LA7 * Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	95–96	<p>Neither micro injuries, professional diseases and fatalities were registered in the reporting period. The Company performs accounting and reporting on professional injuries, professional diseases and mortality based on the Federal Act (Decree FSGU № 645 from 20/12/2012), industrial sector standards, corporate standards of JSC Gazprom and internal standards</p> <p>Lost days rate:</p> $\text{LDR} = \frac{\text{Total lost days rate}^*}{\text{Total worked hours}} \times 200\,000$ $\text{LDR} = 43 / 1\,673\,173 \times 200\,000 = 5,1\%$ <p>*business days</p> <p>Absentee rate:</p> $\text{AR} = \frac{\text{Total number of days off work for the period}}{\text{Total number of worked days for the same period}} \times 200\,000$ $\text{AR} = 5\,302 / 209\,146 \times 200\,000 = 2,5\%$
• LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		

Index	Page	Comments
• LA9 Health and safety topics covered in formal agreements with trade unions		
• LA10* Average hours of training per year per employee by employee category	87, 95	
• LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		
• LA12 Percentage of employees receiving regular performance and career development reviews		
• LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		
• LA14 Ratio of basic salary of men to women by employee category		
Performance indicators: human rights		
• HR1 Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening		
• HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken		
• HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations including the percentage of employees trained		
• HR4 Total number of incidents of discrimination and corrective actions taken		During the reporting period incidents of discrimination are not registered
• HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	82, 90	
• HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		In the reporting period, the Company did not involve child labor
• HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor		In the reporting period, incidents of forced or compulsory labor are not registered
• HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations		

Index	Page	Comments
<ul style="list-style-type: none"> HR9 Total number of incidents of violations involving rights of indigenous people and actions taken 		
<ul style="list-style-type: none"> HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments 		
<ul style="list-style-type: none"> HR11 Number of grievance related to human rights field, addressed and resolved through formal grievance mechanisms 		
Indicators of interaction with society performance		
<ul style="list-style-type: none"> SO1 Nature, scope and effectiveness of any programs and practices that assess the impact of operations on communities and manage the impacts, including commencement of activity, its operation and completion 	108-109	
<ul style="list-style-type: none"> SO2 Percentage and total number of business units analyzed for risks related to corruption 		
<ul style="list-style-type: none"> SO3 Percentage of employees trained in organization's anti-corruption policies and procedures 		
<ul style="list-style-type: none"> SO4 Actions taken in response to incidents of corruption 		
<ul style="list-style-type: none"> SO5 Public policy positions and participation in public policy development and lobbying 		
<ul style="list-style-type: none"> SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country 		
<ul style="list-style-type: none"> SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes 		
<ul style="list-style-type: none"> SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations 		
Performance indicators: product responsibility		
<ul style="list-style-type: none"> PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures 		
<ul style="list-style-type: none"> PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes 		
<ul style="list-style-type: none"> PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements 	58	

Index	Page	Comments
● PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		
● PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		
● PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		
● PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		
● PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		
● PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		
● Fully disclosed		
● Not disclosed		
● Partially disclosed		
* Externally assured indicators		

Appendix 2. GRI Certificate



Statement GRI Application Level Check

GRI hereby states that **OJSC Severneftegazprom** has presented its report "Severneftegazprom annual report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 29 April 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The "+" has been added to this Application Level because **OJSC Severneftegazprom** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 8 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

Appendix 3. Independent Assurance Statement

This document is an independent assurance statement prepared by ZAO “Deloitte & Touche CIS” (‘Deloitte’) with regards to the Corporate Sustainability information disclosed on the Annual Report of OJSC Severneftegazprom for the year ended 31 December 2013. This assurance statement is not an assurance statement on financial reporting and is not an independent assurance statement on financial information disclosed on the Annual Report of OJSC Severneftegazprom.



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To the Board of Directors of OJSC Severneftegazprom. Our conclusions

Based on the scope of our work and the assurance procedures we performed, we conclude that:

- *Nothing has come to our attention that causes us to believe that the selected key performance data which we were engaged to provide assurance on are materially misstated;*
- *Nothing has come to our attention to suggest that OJSC Severneftegazprom GRI application level B+ is not fairly stated.*

Scope of our work and the assurance standards we used

We have been engaged by OJSC Severneftegazprom to perform limited assurance procedures on selected data as highlighted on page 143 on B+ level disclosed as per GRI 3.1.

We carried out limited assurance on reliability of information in accordance with the International Standard on Assurance Engagements (ISAE 3000). Providing of limited assurance requires from the auditor to perform a verification of the processes of generation, processing and consolidation of the information regarding to Corporate Sustainability. It is not required to perform detail testing of source data (e.g. substantive procedures) or testing of internal controls.

To form our conclusions, we undertook the following procedures:

- *Analysis of publicly disclosed information on OJSC Severneftegazprom practices in the field of occupational, health and safety and environmental control;*
- *Interviewing of management and specialists who are the processes owners of creating, processing and consolidation of the data related to Corporate Sustainability;*
- *Analysis of key policies and procedures related to the processes of creating, processing and consolidation of the data related to Corporate Sustainability;*
- *Visiting OJSC Severneftegazprom office in the city of Novy Urengoy;*
- *Reviewing data for completeness and correctness on consolidation to the Annual Report;*
- *Reviewing information for reasonableness regarding to statements about indicators disclosed in the Sustainability report for 2013;*

- *Checking that the GRI Content Index, for each of the standard disclosures required by the GRI guidance essential to level B+ contains the relevant indicator;*
- *Reviewing the content of the Report against the findings of the aforementioned procedures and, as necessary, provided recommendations for improvement.*

Our Independence and Competencies in Providing Assurance to OJSC Severneftegazprom

- *We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants in their role as independent auditors and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality and from any involvement in the preparation of the report. We have confirmed to OJSC Severneftegazprom that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.*
- *Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with a combination of environmental, sustainability and stakeholder engagement experience, including many years experience in providing sustainability report assurance.*

Roles and Responsibilities

- *The Management of OJSC Severneftegazprom is responsible for the preparation of the Sustainability Report and for the information and statements contained within it. They are responsible for determining the Sustainability goals, performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.*
- *We do not accept or assume responsibility to anyone other than OJSC Severneftegazprom for our work, for this statement, for the conclusions we have formed. Our responsibility is to express independently a conclusion on the Sustainability Report as defined within the scope of work above to OJSC Severneftegazprom in accordance with the binding Agreement. Our work has been undertaken so that we might state to OJSC Severneftegazprom those matters we are required to state to them in this statement and for no other purpose.*

ZAO "Deloitte and Touche CIS"
Moscow, 22 April 2014

Appendix 4. The list of transactions made by the Company in 2013 and recognized as transactions which were the subject to interest in accordance with the Federal Law "On Joint Stock Companies"

Essential conditions	Persons interested in settlement of transaction	Regulatory body adopted a resolution on approval of the transaction
1. Addendum №16 of 14/06/2013 to the Gas supply Contract №25 PK-2007 dated 13/12/2007 concluded with JSC Gazprom on the establishment of prices for gas delivered in the second half of 2013 in the amount of RUB 1,394.45 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom, the members of the Board of Directors A.I. Medvedev, E.V. Mikhailova, V.V. Cherepanov	General Shareholder Meeting, Minutes № 27/2013 dated 11/06/2013
2. Addendum №13 of 17/06/2013 to the Gas supply Contract № 28 PK-2007 dated 13/12/2007 concluded with CJSC Gazprom YRGM Trading on the establishment of prices for gas delivered in the second half of 2013 in the amount of RUB 1,394.45 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom, member of the Board of Directors M. Mehren	General Shareholder Meeting, Minutes № 27/2013 dated 11/06/2013
3. Addendum №9 of 11/06/2013 to the Gas supply Contract №144/SNGP-2009 dated 29/10/2009 concluded with CJSC Gazprom YRGM Development on the establishment of prices for gas delivered in the second half of 2013 in the amount of RUB 1,394.45 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom, the members of the Board of Directors F. Sivertsen, A. Weatherill	General Shareholders Meeting, Minutes № 27/2013 dated 11/06/2013
4. Contract № ADM - 142-2013-07 of 20/02/2013 concluded with LLC Georesurs for performance of geophysical exploration and works in wells by the control of the development of the Yuzhno-Russkoye Oil and Gas Condensate Field. Amount of the Contract is RUB 73,137,575.57 (excluding VAT). Period of work execution is from March 1 st , 2013 to February 28 th , 2013.	Shareholder - JSC Gazprom, member of the Board of Directors A.P. Dushko	Board of Directors, Minutes № 66/2013 dated 14/03/2013
5. Contract №1/1885 of 05/04/2013 concluded with OJSC Gaspromneft-Noyabrskneftegasgeofisika for performance of gas-hydrodynamic exploration in the experimental dual lateral well №174 of the Yuzhno-Russkoye Oil and Gas Condensate Field. Amount of the Contract is RUB 5,280,511.35 (including VAT) Period of work execution is from June 1 st , 2013 to October 30 th , 2013.	Shareholder - JSC Gazprom	Board of Directors, Minutes № 67/2013 dated 30/04/2013
6. Contract №13022 of 15/05/2013 concluded with YuzhNIIgiprogaz for performance of project works on determination of the effectiveness predictive values for the project "Yuzhno-Russkoye Oil Gas Condensate Field development and provision of the necessary facilities" Amount of the Contract is RUB 8,501,596.74 (including VAT). Period of work execution is from May, 15 th 2013 to September 30 th , 2013.	Shareholder - JSC Gazprom	Board of Directors, Minutes № 71/2013 of 27/06/2013

Essential conditions	Persons interested in settlement of transaction	Regulatory body adopted a resolution on approval of the transaction
7. Contract № 409–2013 of 28/02/2013, with the LLC Tyumen-Nilgiprogaz for Rendering of Services according to technical specifications “Author’s supervision of the technological project on development of Cenomanian gas deposit of the Yuzhno-Russkoye Oil and Gas Condensate Field”. Amount of the Contract is RUB 5,499,980.00 (including VAT). Term of services rendering is from March 1 st , 2013 to December 10 th , 2013	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 25/2012 dated 29/06/2012
8. Contract № 410–2013 of 28/02/2013, with the LLC Tyumen-Nilgiprogaz for Rendering of Services according to technical specifications “Author’s supervision of the technological schema on development of Turonian gas deposit of the Yuzhno-Russkoye Oil and Gas Condensate Field”. Amount of the Contract is RUB 3,299,988.00 (including VAT). Term of services rendering is from March 1 st , 2013 to December 10 th , 2013	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 25/2012 dated 29/06/2012
9. Contract № 132–13172–1 of 13/08/2013, with the LLC Gazprom Promgaz for performance of works on expertise of the cost estimating documents of the development well № 184, on expertise of the cost estimating documents of the exploratory wells № 50, 51, 52, 53, 54, 55. Amount of the Contract is RUB 1,215,400.00 (including VAT).	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 28/2013 of 28/06/2013
10. Contract of 14/08/2013 on the transfer to the Company of the right on acquisition of patent for utility invention “Management system for technological losses of gas of the gas seals”. The reward to the reviewers under the contract consists of: <ul style="list-style-type: none"> – lump-sum reward for the right on acquisition of patent transferred by the authors in the amount of RUB 194,640.00; – in the case of using of utility invention by the Company in its own production, of annual reward associated with inalienable copyright which size depends on the actual economic effect achieved by using of utility invention, calculated according to the internal corporate rules of evaluation of the effectiveness of research-and-development activities (STO Gazprom 1.12–096–2004 RD); – in the case of transfer by the Company of the right of use of utility invention or its alienation to the third party, one-time reward of 20 % of the Company’s income due to such transactions. 	General Director of the Company – S.E. Tsygankov	For the approval of the Company’s management was not submitted.
11. Contract of 14/08/2013 on the transfer to the Company of the right on acquisition of patent for utility model “System of withdrawal and collection of greenhouse gases from the gascompressor units”. The reward to the reviewers under the contract consists of: <ul style="list-style-type: none"> – lump-sum reward for the right on acquisition of patent transferred by the authors in the amount of RUB 116,784.00; 	General Director of the Company – S.E. Tsygankov	For the approval of the Company’s management was not submitted.

Essential conditions	Persons interested in settlement of transaction	Regulatory body adopted a resolution on approval of the transaction
<ul style="list-style-type: none"> — in the case of using of utility model by the Company in its own production, of annual reward associated with inalienable copyright which size depends on the actual economic effect achieved by using of utility model, calculated according to the internal corporate rules of evaluation of the effectiveness of research-and-development activities (STO Gazprom 1.12-096-2004 RD); — in the case of transfer by the Company of the right of use of utility model or its alienation to the third party, one-time reward of 20% of the Company's income due to such transactions. 		
<p>12. Contract of 14/08/2013 on the transfer to the Company of the right on acquisition of patent for utility model "Automated control system for gas losses of the gas-compressor units of the boosting compressor station". The reward to the reviewers under the contract consists of:</p> <ul style="list-style-type: none"> — lump-sum reward for the right on acquisition of patent transferred by the authors in the amount of RUB 116,784.00; — in the case of using of utility model by the Company in its own production, of annual reward associated with inalienable copyright which size depends on the actual economic effect achieved by using of utility model, calculated according to the internal corporate rules of evaluation of the effectiveness of research-and-development activities (STO Gazprom 1.12-096-2004 RD); — in the case of transfer by the Company of the right of use of utility model or its alienation to the third party, one-time reward of 20% of the Company's income due to such transactions. 	<p>General Director of the Company – S.E. Tsygankov</p>	<p>For the approval of the Company's management was not submitted.</p>
<p>13. Contract of 14/08/2013 on the transfer to the Company of the right on acquisition of patent for utility model "Evaporator with separate furnace and smoke paths". The reward to the reviewers under the contract consists of:</p> <ul style="list-style-type: none"> — lump-sum reward for the right on acquisition of patent transferred by the authors in the amount of RUB 194,640.00; — in the case of using of utility model by the Company in its own production, of annual reward associated with inalienable copyright which size depends on the actual economic effect achieved by using of utility model, calculated according to the internal corporate rules of evaluation of the effectiveness of research-and-development activities (STO Gazprom 1.12-096-2004 RD); — in the case of transfer by the Company of the right of use of utility model or its alienation to the third party, one-time reward of 20% of the Company's income due to such transactions. 	<p>General Director of the Company – S.E. Tsygankov</p>	<p>For the approval of the Company's management was not submitted.</p>

Essential conditions	Persons interested in settlement of transaction	Regulatory body adopted a resolution on approval of the transaction
14. Contract № 13PP169 of 30/04/2013 concluded with OJSC Org-energogaz for Rendering of Services on technical support of IN-FOTECH software. Amount of the Contract is RUB 1,400,000,00. (including VAT). Term of services rendering is from January 1 st , 2013 to December, 31 st 2013	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 25/2012 dated 29/06/2012
15. Addendum № 17 of 30/12/2013 to the Gas supply Contract № 25 Pk-2007 dated 13/12/2007 concluded with JSC Gazprom on the establishment of prices for gas delivered in the first half of 2014 in the amount of RUB 1,455.26 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom the members of the Board of Directors A.I. Medvedev, E.V. Mikhailova, V.V. Cherepanov	General Shareholders Meeting, Minutes № 29/2013 of 20/12/2013
16. Addendum № 14 of 30/12/2013 to the Gas supply Contract № 28 Pk-2007 dated 13/12/2007 concluded with CJSC Gazprom YRGM Trading on the establishment of prices for gas delivered in the first half of 2014 in the amount of RUB 1,455.26 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom, member of the Board of Directors M. Mehren	General Shareholders Meeting, Minutes № 29/2013 of 20/12/2013
17. Addendum № 10 of 25/12/2013 to the Gas supply Contract № 144/SNGP-2009 dated 29/10/2009 concluded with CJSC Gazprom YRGM Development on the establishment of prices for gas delivered in the first half of 2014 in the amount of RUB 1,455.26 per 1,000 m ³ of gas (excluding VAT).	Shareholder - JSC Gazprom, the members of the Board of Directors F. Sivertsen, A. Weatherill	General Shareholders Meeting, Minutes № 29/2013 of 20/12/2013
18. Non-residential lease contract № 159/SNGP-2013-A-O of 01/07/2013, concluded with CJSC Gazprom YURGM Trading. Subject of the Contract: The lease of non-residential premises located at the address: Lenina 22, Krasnoselkup, Krasnoselkup district, Yamal-Nenets Autonomous District, RF. Point of watches collection, the first floor, for the period from July 7 th , 2013 to May 31 st , 2014. Amount of the Contract for 11 months is RUB 537,789.56, including VAT 18%.	Shareholder - JSC Gazprom	For the approval of the Company's management was not submitted.
19. Contract of small-scale wholesale supply of petroleum products № 01204101019 on a prepaid basis of 01/06/2013, concluded with LLC Gazpromneft-regional sales. Payment for products shall be carried out on a prepaid basis, based on the range, quantity and shipping point specified in the Company's application for shipping, as well as on the wholesale price list of the supplier.	Shareholder - JSC Gazprom	For the approval of the Company's management was not submitted.

Essential conditions	Persons interested in settlement of transaction	Regulatory body adopted a resolution on approval of the transaction
<p>20. Ser vice contract on the delivery of oil-products №01204404341 of 05/09/2013, concluded with LLC Gazpromneft – regional sales. Payment for transport services shall be made on a prepaid basis, based on the price list for the transport services, as in effect on the date of invoice issuing or supplement, subject to the Customer's application for delivery.</p>	Shareholder - JSC Gazprom	For the approval of the Company's management was not submitted.
<p>21. Contracts of sale and purchase of foreign currency (including contracts for sale and purchase of foreign currency with performance of obligations on request (option contracts), concluding with OJSC GPB, with a maximum amount for each transaction, not exceeding RUB 1,000,000,000,00, or in the equivalent in foreign currency with exchange rate of the Central Bank of the Russian Federation on the date of the relevant transaction closing.</p>	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 28/2013 of 28/06/2013
<p>22. Deposit contracts in rubles or foreign currency, concluding with OJSC GPB, with a maximum amount for each transaction, not exceeding RUB 1,000,000,000,00, or in the equivalent in foreign currency with exchange rate of the Central Bank of the Russian Federation on the date of the relevant transaction 2 closing.</p>	Shareholder - JSC Gazprom	General Shareholders Meeting, Minutes № 28/2013 of 28/06/2013

Appendix 5. The list of transactions made by the Company in 2013 and recognized as major transactions in accordance with the Federal Law “On Joint Stock Companies”.

During the reporting period transactions recognized as major transactions in accordance with the Federal Law “On Joint Stock Companies” were not concluded.



Feedback form

Dear readers,

You have studied the Annual Report of OJSC Severneftegazprom for 2013, your opinion is very important for us and we will be grateful if you could help us to improve the quality of the reporting answering the following questions.

1. Have you got an idea about OJSC Severneftegazprom activity in the sphere of sustainable development after reading the Report?

- a. Mostly yes
- b. Mostly not
- c. Don't know
- d. Please, provide your feedback:

2. What impression have you got from the information provided in the Report?

- a. It is interesting
- b. It didn't entail any special impression
- c. Don't know

3. How do you estimate the Report from the point of view of reliability, objectivity and completeness of information?

- a. Favorably
- b. Adversely
- c. Neutrally
- d. Please, provide your feedback:

4. How do you estimate the Report from the point of view of the information search convenience?

- a. It is convenient
- b. It is usual
- c. It is inconvenient
- d. Please, provide your feedback:

5. Can you specify the most interesting section in your opinion:

6. In your opinion, what activities of OJSC Severneftegazprom do require improvement to increase the corporate social responsibility:



- 7. What additional information on the Company's activity in the sphere of sustainable development would you like to see in the Report:**

- 8. What are your general comments about the Annual Report of OJSC Severneftegazprom for 2013:**

- 9. Are you or your organization interested in discussions concerning the preparation of the report on the Company's sustainable development for 2014:**

a. Yes, our contact information:

b. No

- 10. In your opinion, what organizations shall be involved for discussions concerning preparation of the sustainable development report for 2014:**

- 11. What group of stakeholders do you refer to:**

- a. Company's employee**
- b. Investor**
- c. Shareholder**
- d. Client**
- e. Contractor**
- f. Representative of authorities**
- g. Representative of a public organization**
- h. Mass media**
- i. Inhabitant of the Company's operational area**
- j. Custom:**

- 11. Please specify your contact information:**

- 13. What way of communication do you prefer:**

Please send this form to the following address: OJSC Severneftegazprom, PR and authorities communication Department, Russian Federation, 629300, Yamal-Nenets Autonomous District, Novy Urengoy, Promyslovaya St., 22, p.o. box 1130.0.
