This Annual Report shows the results of production and business activities of Open Joint Stock Company Severneftegazprom (hereinafter referred to as OJSC Severneftegazprom, the Company) for 2014 and priorities of development to ensure the achievement of strategic objectives and sustainable development of the Company.

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

Results of the Company’s performance in the area of sustainable development are presented in the Report following the GRI 4 recommendations for the completeness of disclosure on the results of the Company’s performance in accordance with international principles of best business practice. The Report contains estimates and forecasts of the Company’s authorized management bodies regarding its performance and future events and/or actions, including the plans of the Company, the probability of occurrence of certain events, and commission of certain actions. Forward-looking statements, owing to their nature, bear an inherent risk of uncertainties both general and specific. The Company points out that actual results may differ materially from such forward-looking statements expressed directly or indirectly.

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

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Message from the Chairman of the Board of Directors

HIGH ECONOMIC AND OPERATIONAL EFFICIENCY, TIMELINESS AND CORRECTNESS OF MANAGEMENT DECISIONS, ABILITY TO WORK FOR THE LONG-TERM PERSPECTIVE ARE THE TRUE KEYS TO THE COMPANY’S SUCCESS IN ACHIEVING ITS STRATEGIC GOALS

Dear shareholders!

For many decades, the gas industry has been the basis for the country’s welfare and its international reputation as a reliable energy exporter, and today, it plays a key role in ensuring Russia’s economic stability.

A significant contribution to this important mission is made by OJSC Severneftegazprom as being a resource base of the international infrastructural project “Nord Stream”. The cumulative gas production by the Company as of the end of 2014 amounted to 166 billion m³.

High economic and operational efficiency, timeliness and correctness of management decisions, ability to work for the long-term perspective are the true keys to the Company’s success in achieving its strategic goals.

The Company takes all necessary measures to continue its steady growth, even given today’s economic instability. Partnership with German shareholders is a reliable guarantee of OJSC Severneftegazprom’s development as well. This cooperation is an important and extremely relevant example of how the principles of economic viability, stability of fulfillment of all production tasks, and securing the interests of shareholders — can continue to successfully solve the most challenging and important tasks.

Dear shareholders, partners, and colleagues!

Today, all over the world, it is especially important to develop hard-to-recover reserves. Going forward with the development project of Turonian gas deposit of the Yuzhno-Russkoye oil and gas condensate field, OJSC Severneftegazprom is becoming one of the pioneers in the development of hard-to-recover gas reserves in Russia. The experience gained by the Company in the development of Turonian gas reserves places it among technology industry leaders and shall undoubtedly be in demand by many other members of the domestic gas production in the future.

Search for unconventional solutions and work under difficult conditions are a remarkable training ground of professionalism for the Company and its employees. Particularly high requirements are being applied to quality and technological level of production, to the system of industrial safety, as well as natural resources sustainable use. And, by all means, to the qualification of the specialists and to the team spirit.

I would like to thank the management and staff of OJSC Severneftegazprom on behalf of the Board of Directors. Through their highly skilled and conscientious work, their initiative, and creativity, these people provide the Company with a leadership position allowing speaking with confidence about the new production and financial success awaiting the Company.

Sincerely yours,

Alexander Medvedev
Deputy Chairman of the Management Committee of OAO Gazprom
Chairman of the Board of Directors of OJSC Severneftegazprom

Message from the General Director

THE PRINCIPLES OF ECONOMIC VIABILITY, STABILITY OF FULFILLMENT OF ALL PRODUCTION TASKS, AND SECURING THE INTERESTS OF SHAREHOLDERS MAKE THE BASIS OF ITS ACTIVITIES, PROVIDING OJSC SEVERNEFT-GAZPROM WITH A STABLE FINANCIAL POSITION AND RESOURCES NEEDED TO IMPLEMENT FURTHER AMBITIOUS PLANS

Dear shareholders, partners, and colleagues!

The year 2014 opened a new phase in the development of our Company. The year has been difficult, nevertheless successful, and rich in landmark events. The projects started last year have laid a solid foundation for OJSC Severneftegazprom’s long-term development.

To maintain a stable level of annual natural gas production of 25 billion m³, OJSC Severneftegazprom implements a program for large-scale investments. Thanks to this, last year, the second phase construction of the Booster compressor station No. 1 at the Yuzhno-Russkoye oil and gas condensate field was started, the Turonian gas well No. 184 was commissioned, exploration activities in the Lower Cretaceous deposits, as well as reconstruction and modernization of the main production capacities are being carried out.

At the same time, despite the deterioration of macroeconomic situation, the targets of the Annual Work Program approved by the Board of Directors have been fully met. Moreover, a course taken to cost optimization and the continuous monitoring of operating costs allowed us to find resource saving opportunities when solving production problems.

The principles of economic viability, stability of fulfillment of all production tasks, and securing the interests of shareholders make the basis of its activities, providing OJSC Severnefte-gazprom with a stable financial position and resources needed to implement further ambitious plans.

The Company has fully met its loan obligations in the reporting year within the framework of a Project Facility Agreement entered into with a consortium of foreign banks and Bank GPB (JSC).

Sincerely yours,

Stanislav Tsyganov
General Director of OJSC Severneftegazprom
The Board of Directors has pre-approved the results of the Company’s financial and business activities for 2013. Award of the Global Reporting Initiative (GRI) certificate “Statement GRI Application Level Check” confirming the Company’s 2013 Annual Report compliance with the “B+” level.

The annual General Meeting of Shareholders of OJSC Severneftegazprom was held to approve the Annual Report and annual financial statements for 2013, the amount of dividends payable to shareholders, the auditor of the Company for 2014, and to elect Members of the Board of Directors and Audit Commission.

The OJSC Severneftegazprom delegation participated in the solemn events. The OJSC Severneftegazprom employees became the winners of the All-Russian Competition "Engineer of the Year 2013." The competition aims to draw attention to the problems of quality of engineering personnel in Russia and increase the attractiveness of the engineering work and professionalism.

The second phase construction of the Booster compressor station No. 1 at the Yuzhno-Russkoye oil and gas condensate field was started within the framework of the approved project decisions for the field development. The OJSC Severneftegazprom’s Corporate Fire Department specialists visited industrial and firefighting facilities of Wintershall Holding GmbH and BASF SE in Germany to exchange experience in the field of industrial and fire safety.

OJSC Severneftegazprom took part in ceremonies dedicated to the 70th Anniversary of the Krasnoselkupsky district, the location of the Company’s main operational activities. Vasily Parskhov, the head of the Krasnoselkupsky District, noted “Our cooperation has been going on for a long time, and all this time, OJSC Severneftegazprom has been a model of a socially responsible company.”
Key Events 2014

SEPTEMBER
Plimsoll Publishing Limited, which is the leader in the industry reports compilation, for the first time included OJSC Severneftegazprom into the industry overview of the 500 largest oil and gas sector companies in the world — The Crude Oil & Gas Extraction (Global) Industry — 2014 (ID & Gas Industry — 2014).

OCTOBER
Well No. 184 was brought into operation within the framework of the pilot production development of the Turonian gas deposit of Yuzhno-Russkoye oil and gas condensate field. Geological and field data obtained during the implementation of the project for the construction and operation of the above mentioned well shall be used to create a general concept of the development of hard-to-recover gas deposit.

NOVEMBER
The Board of Directors approved the Company’s Annual Work Program and Budget for 2015.

DECEMBER

Ice Hockey Championship was held for the OJSC Severneftegazprom’s Cup among juniors born in 2001–2002. The competition was held on the indoor ice arena of the “Geolog” Sports School, where the artificial ice preparation system equipment was completely installed in mid-October. OJSC Severneftegazprom implemented the project in accordance with the Cooperation Agreement entered into by the YNAO Government and the Company for 2013–2017.

IN 2015 OJSC SEVERNEFTEGAZPROM WILL CONTINUE TO IMPLEMENT THE APPROVED DESIGN SOLUTIONS ON THE DEVELOPMENT OF THE CENOMANIAN AND TURONIAN GAS DEPOSITS, AS WELL AS THE MODERNIZATION OF A NUMBER OF CapacITIES, IMPROVEMENT OF THEIR ENERGY EFFICIENCY AND LEVEL OF INDUSTRIAL AND ENVIRONMENTAL SAFETY. THE LOGICAL RESULT OF THIS WILL BE FURTHER PROGRESS TOWARDS SUSTAINABLE DEVELOPMENT OF BOTH THE COMPANY AND THE AREA OF ITS OPERATION

2015 OJSC Severneftegazprom started drilling of the exploration well No. 54 at the Yuzhno-Russkoye oil and gas condensate field.

The Company partially repaid its loan ahead of schedule under the Project Facility Agreement entered into with a consortium of foreign banks and Bank GPB (JSC). Payments were made in three currency tranches totaling: 43 million euro; 59 million US dollars; and 454 million rubles. The Company’s debt burden subsequently decreased by 23 percent.

JANUARY / 2015
OJSC Severneftegazprom started drilling of the exploration well No. 54 at the Yuzhno-Russkoye oil and gas condensate field.

MARCH / 2015
The Company partially repaid its loan ahead of schedule under the Project Facility Agreement entered into with a consortium of foreign banks and Bank GPB (JSC). Payments were made in three currency tranches totaling: 43 million euro; 59 million US dollars; and 454 million rubles. The Company’s debt burden subsequently decreased by 23 percent.

The Board of Directors approved the Company’s Annual Work Program and Budget for 2015.

The additional agreements to the long-term Gas Supply Agreements entered into by the Company with OAO Gazprom, CJSC Gazprom YRGM Development, and CJSC Gazprom YRGM Trading was approved at the extraordinary General Meeting of Shareholders. The gas supply volumes were determined for 2015, along with the price per 1 thousand m³ of gas for the first half of 2015.

The drilling of exploration well No. 52 was completed ahead of schedule during the implementation of the project for additional exploration of Yuzhno-Russkoye oil and gas condensate field.
Key Performance Indicators 2014

5th
GAS PRODUCING COMPANY IN GAZPROM GROUP

166 BLN M³
CUMULATIVE GAS PRODUCTION

25 BLN M³
VOLUME OF ANNUAL GAS EXTRACTION

1,047 BLN M³
GAS RESERVES (ON ABC+С₂)

1,804 METERS
PRODUCTION DRILLING FOOTAGE

5,453 METERS
EXPLORATION DRILLING FOOTAGE

76 BLN RUBLES
BALANCE SHEET VALUE OF FIXED ASSETS

1,015
AVERAGE NUMBER OF EMPLOYEES

16
REGISTERED PATENTS

2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012
2014
2013
2012

GAS SALES REVENUE, MLN RUBLES
37,214
34,501
33,962
+8%

COST PRICE, MLN RUBLES
29,021
25,671
23,165
+13%

GAS SALES, MLN M³
24,963
25,042
25,280
-0.3%

NET CASH FROM OPERATING ACTIVITIES, MLN RUBLES
12,925
12,771
14,934
+1%

PROFIT, MLN RUBLES
7,571
7,898
8,743

CAPITAL EXPENDITURES, MLN RUBLES
4,277
1,256
1,162
+241%

CURRENT LIQUIDITY RATIO
3.30
2.78
2.48
+19%

NET WORKING CAPITAL, MLN RUBLES
21,377
17,739
16,732
+21%

DIVIDENDS, MLN RUBLES
2,963
3,143
1,832
-6%

Key Performance Indicators 2014

GAS SALES REVENUE, MLN RUBLES
CUMULATIVE GAS PRODUCTION
VOLUME OF ANNUAL GAS EXTRACTION
GAS RESERVES (ON ABC+С₂)
PRODUCTION DRILLING FOOTAGE
EXPLORATION DRILLING FOOTAGE
BALANCE SHEET VALUE OF FIXED ASSETS
AVERAGE NUMBER OF EMPLOYEES
REGISTERED PATENTS
GAS SALES REVENUE, MLN RUBLES
CUMULATIVE GAS PRODUCTION
VOLUME OF ANNUAL GAS EXTRACTION
GAS RESERVES (ON ABC+С₂)
PRODUCTION DRILLING FOOTAGE
EXPLORATION DRILLING FOOTAGE
BALANCE SHEET VALUE OF FIXED ASSETS
AVERAGE NUMBER OF EMPLOYEES
REGISTERED PATENTS
More than 90 percent of the natural gas production in the territory of the Russian Federation comes from the Urals Federal District. Following the results of the 2013, the Gazprom Group companies produced 452.2 billion m³ of natural gas in the territory of that district.

**STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS**

OJSC Severneftegazprom is part of the Gazprom Group — one of the largest vertically integrated energy companies in the world. The company holds a license for hydrocarbon geological survey and production in the Yuzhno-Russkoye Oil and Gas Condensate Field — one of the largest in Russia. Milestones in the history of its development have already been inscribed in the annals of the development of domestic oil and gas sector, while the outlined prospects only confirm this unique status.
The Yuzhno-Russkoye oil and gas condensate field is one of the largest in the country. Its total estimated natural gas reserves are more than 1 trillion m³. The period from the second half of the ‘60s of the last century to the early ‘70s became the golden age of hydrocarbon discoveries for the Russian domestic geology. At this time, several giant gas fields were discovered in the North of the Western Siberia, which provided the country with the world’s largest reserves of ‘blue fuel’ for the decades to come. It was during this period when the Yuzhno-Russkoye oil and gas condensate field emerged on the map of domestic gas industry. It was discovered on November 17, 1969, when (during the drilling of exploration well No. 6) natural gas was produced from the Cenomanian deposits. The relative remoteness of the Yuzhno-Russkoye oil and gas condensate field from the existing transport infrastructure put off the timing of its development for some time. However, over that period, its geological structure was explored in detail and the reserves were estimated. The conclusion drawn by the experts was extremely encouraging, the studies confirmed the development benefits not only for the Cenomanian deposits but also for the Turonian, Lower Cretaceous, and Jurassic ones.

YUZHNO-RUSSKOYE OIL AND GAS CONDENSATE FIELD IS ONE OF THE MAIN REOURSE BASES FOR GAS SUPPLY TO EUROPEAN MARKETS THROUGH THE NORD STREAM GAS PIPELINE

In 2001, OJSC Severneftegazprom obtained a license for the hydrocarbon geological survey and field production. The Company embarked on the field infrastructure construction, in 2007, Yuzhno-Russkoye oil and gas condensate field was commissioned, and in 2009 — one year ahead of schedule — it reached the maximum target capacity of 25 billion m³ a year. In accordance with the development project, gas production from the Cenomanian deposits should continue until 2021. However, the unique structure of the Yuzhno-Russkoye oil and gas condensate field allows extending its maximum active development period due to the phased commissioning of the Turonian gas deposit.

In 2011, OJSC Severneftegazprom is now successfully engaged in handling this complex, large-scale, and — in many ways — unique production challenge.

THE FOLLOWING AREAS ARE HELD IN HIGH PRIORITY FOR OJSC SEVERNEFTEGAZPROM

- Meeting the terms of the license agreement on conditions of using the Yuzhno-Russkoye field subsoil plot and providing for the gas production target of 25 billion m³ a year;
- Effective functioning of the Integrated Management System in the sphere of quality, labor safety, occupational health and security, creating comfortable conditions for employees, environmental protection;
- Implementation of design solutions and control measures in connection with the development of the Cenomanian and Turonian deposits of the Yuzhno-Russkoye oil and gas condensate field;
- Participation in social and economic development of local municipalities — that is, in Krasnoselkupsky and Purovsky Districts and the city of Novy Urengoy, as well as in the implementation of programs aimed at supporting the North indigenous minorities.
- Reconstruction, modernization, and technical upgrade of the Yuzhno-Russkoye oil and gas condensate field facilities;
- OJSC Severneftegazprom is an advanced Company that uses the best technical solutions to improve efficiency, energy saving, and environmental protection. The Company is in the process of constant search for new technologies and innovative solutions for the development and construction of the Yuzhno-Russkoye oil and gas condensate field to fulfill the terms of existing Gas Supply Agreements.

The following areas are held in high priority for OJSC Severneftegazprom:

- Meeting the terms of the license agreement on conditions of using the Yuzhno-Russkoye field subsoil plot and providing for the gas production target of 25 billion m³ a year;
- Effective functioning of the Integrated Management System in the sphere of quality, labor safety, occupational health and security, creating comfortable conditions for employees, environmental protection;
- Implementation of design solutions and control measures in connection with the development of the Cenomanian and Turonian deposits of the Yuzhno-Russkoye oil and gas condensate field;
- Participation in social and economic development of local municipalities — that is, in Krasnoselkupsky and Purovsky Districts and the city of Novy Urengoy, as well as in the implementation of programs aimed at supporting the North indigenous minorities.
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RICH RESOURCE BASE IS
A GUARANTEE FOR STABLE PRODUCTION
AND UNINTERRUPTED SUPPLY
TO CONSUMERS

OJSC Severneftegazonprom deserves the title of a unique Company as it operates in the field which has no analogues in Russia by a number of parameters.
RAW MATERIALS BASE OF OJSC SEVERNEFTEGAZPROM

THE INCREASE IN THE EFFICIENCY OF GEOLOGICAL EXPLORATION AND THE APPLICATION OF MODERN TECHNOLOGY PROVIDE THE COMPANY WITH GROWING RESERVES AND CREATE A POTENTIAL FOR BOTH LONG-TERM SUSTAINABLE DEVELOPMENT AND ACHIEVEMENT OF HIGH PRODUCTION AND FINANCIAL PERFORMANCE GOALS

- Status of Raw Materials Base
- Development of Cenomanian and Turonian Gas Deposits
- Exploration Activities
- Natural Gas Production

RAW MATERIALS BASE OF OJSC SEVERNEFTEGAZPROM

YUZHO-RUSSKOYE FIELD HAS A COMPLICATED GEOLOGICAL STRUCTURE

- Hard-to-recover gas reserves
  - Low reservoir permeability
  - High inhomogeneity in vertical direction
  - Deposit area covers 100 km²
  - Abnormally high reservoir pressure
  - Low reservoir temperature

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

- Reserves in total
  - Cenomanian: 33%
  - Turonian: 57%
  - Lower Cretaceous: 10%
  - Jurassic: <1%

- Production and Exploration Wells
  - Before 2014
    - Producing wells: 143
    - Exploration wells: 142
  - 2014
    - Targeted to Turonian: 1 (No. 184)
    - Targeted to Lower Cretaceous (Nos. 50, 51, 52)
    - Targeted to Turonian (No. 1902)
    - Targeted to Lower Cretaceous (Nos. 53, 54, 55)
    - Targeted to Jurassic (Nos. 61, 62)
  - Status of Raw Materials Base
  - Development of Cenomanian and Turonian Gas Deposits
  - Exploration Activities
  - Natural Gas Production
Status of Raw Materials Base

As of December 31, 2014, all the Company’s license obligations related to subsoil geological study were fully met. Hydrocarbon reserves of the license area are calculated in accordance with the current Russian legislation.

Characteristics of the Raw Material Base as of the End of the Reporting Period

<table>
<thead>
<tr>
<th>FIELD</th>
<th>HYDROCARBON RESERVES AS OF DECEMBER 31, 2014</th>
<th>GAS, BILLION m³</th>
<th>CONDENSATE, MILLION TONS</th>
<th>OIL, MILLION TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yuzhno-Russkoye</td>
<td>862.580</td>
<td>163.182</td>
<td>—</td>
<td>3.823</td>
</tr>
<tr>
<td>Yarovoye</td>
<td>2.796</td>
<td>10.468</td>
<td>0.212</td>
<td>0.993</td>
</tr>
<tr>
<td>Zapadno-Chaselskoye</td>
<td>7.367</td>
<td>0.032</td>
<td>0.043</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>872.743</td>
<td>173.682</td>
<td>0.255</td>
<td>4.816</td>
</tr>
</tbody>
</table>

Change in Reserves of the ABC1 and C2 Categories in the Reporting Period

<table>
<thead>
<tr>
<th>HYDROCARBONS</th>
<th>RESERVES AS OF FEBRUARY 1, 2014</th>
<th>RESERVES CHANGES IN 2014</th>
<th>RESERVES AS OF DECEMBER 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ABC</td>
<td>C1</td>
<td>ABC</td>
</tr>
<tr>
<td>Oil (million tons)</td>
<td>9.345</td>
<td>32.097</td>
<td>—</td>
</tr>
<tr>
<td>Gas (million m³)</td>
<td>897.811</td>
<td>173.682</td>
<td>25.068</td>
</tr>
<tr>
<td>Condensate (million tons)</td>
<td>0.255</td>
<td>4.816</td>
<td>—</td>
</tr>
</tbody>
</table>

Development of Cenomanian and Turonian Gas Deposits

Comparison of the Planned and Actual Development Indicators

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2014 PLAN</th>
<th>2014 ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual gas production, billion m³</td>
<td>25.077</td>
<td>25.068</td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>25.000</td>
<td>26.995</td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.077</td>
<td>0.073</td>
</tr>
<tr>
<td>Cumulative gas production, billion m³</td>
<td>165.529</td>
<td>165.860</td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>165.300</td>
<td>165.649</td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.229</td>
<td>0.211</td>
</tr>
<tr>
<td>Cumulative gas production as percentage of initial balance sheet reserves, percent</td>
<td>24.9</td>
<td>24.9</td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>24.9</td>
<td>24.9</td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.07</td>
<td>0.06</td>
</tr>
<tr>
<td>Gas production for 2014 as percentage of initial proved reserves, percent</td>
<td>3.76</td>
<td>3.76</td>
</tr>
<tr>
<td>including Cenomanian (PK1)</td>
<td>3.76</td>
<td>3.76</td>
</tr>
<tr>
<td>Turonian (T1–2)</td>
<td>0.023</td>
<td>0.022</td>
</tr>
<tr>
<td>Commissioning of wells, in pcs</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Production</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Observation</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Wells stock as of the end of the year, in pcs</td>
<td>168</td>
<td>168</td>
</tr>
<tr>
<td>Production</td>
<td>144</td>
<td>144</td>
</tr>
<tr>
<td>including Active</td>
<td>144</td>
<td>144</td>
</tr>
<tr>
<td>Observation</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Disposal</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Power Capacity of Booster Compressor Station, Booster Pump Station, MW</td>
<td>4*16</td>
<td>4*16</td>
</tr>
<tr>
<td>Well utilization rate</td>
<td>0.95</td>
<td>0.98</td>
</tr>
<tr>
<td>Well stock utilization rate</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
Exploration Activities

IN 2014, EXPLORATION ACTIVITIES WITHIN THE YUZHO-RUSSKOE FIELD LICENSE AREA WERE CONDUCTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LICENSE AGREEMENT AND PURSUANT TO THE GEOLOGICAL TASK APPROVED BY OAO GAZPROM IN THE MAIN AREAS

CONSTRUCTION OF EXPLORATION WELLS

The construction of exploration wells was conducted on the basis of the design documentation: “Construction of Exploration Wells Nos. R-50, R-51, R-52, R-53, R-54, R-55 at the Yuzhno-Russkoye Oil and Gas Condensate Field” (TyumenNIIgiprogaz LLC, 2013).

During the year, the following activities related to the construction of four exploration wells were carried out:

- Construction of wells Nos. 50 and 51 completed;
- Drilling of well No. 52 completed;
- Preparatory activities related to well No. 54 construction are completed (construction of the well site and access road). Drilling of the well started in January 2015.

Well construction was accompanied by geophysical research, sampling, and laboratory testing of the core material and formation fluids.

Cumulative footage of prospecting and exploration drilling in 2014 amounted to 5,453 linear meters. Flow tests of 17 objects were accomplished, three new deposits in the layers AT7-8, PK11, and PK7 were discovered.

Work related to the operational hydrocarbon reserves calculation in the layers of the Yuzhno-Russkoye oil and gas condensate field started following the results of construction of exploration wells Nos. R-50 and R-51. The work is planned to be completed in 2015 followed by the approval of reserves volume by Federal State-Funded Institution “State Reserves Committee” (FSFI SRC).

The construction of eight exploration wells is scheduled to be completed at the Yuzhno-Russkoye license area in the period from 2014 to 2017, with an cumulative footage drilled exceeding 17 thousand linear meters. The increase of recoverable hydrocarbon reserves of the C1 category based on the results of reservoir testing is expected to be in excess of 45 million tons of conventional fuel.

SCIENTIFIC RESEARCH AND CASE STUDIES

The processing of seismic survey data on a 3D high density seismic acquisition covering an area of 920 km² was completed. The above work after being reviewed by the Scientific and Technical Council of the Company was approved in the final version.

All planned indicators for the Annual Program approved by the Board of Directors were accomplished in 2014 with regards to exploration activities.

Natural Gas Production

IN 2014, THE PLANNED VOLUME OF GAS PRODUCTION WAS APPROVED BY OJSC SEVERNENGETGAZPROM AT 25,000 BLN M³

ACTUAL GROSS PRODUCTION AMOUNTED TO 25,047 BLN M³

THE TARGET WAS ACCOMPLISHED BY 100.2% (+47 MLN M³)
YUZHNO-RUSSKOE OIL AND GAS CONDENSATE FIELD

1. SWITCH VALVE STATION (SWS) - To disconnect the shut manifold and gas gathering system.
2. GAS SEPARATION UNIT (GSU) - Purification of gas from mechanical impurities, dropping liquid and gas cooling before the Compressor Station.
3. RECOUPERSATIVE HEAT EXCHANGER - Heat exchange between formation gas and compressed gas.
4. GAS DEHYDRATION STATION - Consists of two gas dehydration units KSG-1, KSG-2. The Gas Dehydration Station is designed for dehydration of separated gas to desired gas dew point temperature in accordance with the requirements of OAO Gazprom Company.
5. COMPRESSOR STATION BOOSTER - Ensures compression of preliminary compressed gas from the Gas Separation Unit to the pressure requirements of OAO Gazprom Company.
6. GAS MEASURING STATION (GMS) - Storage of chemicals, used in technical processes.
7. CHEMICALS AND METHANOL STORAGE - Storage of chemicals, used in technical processes.
8. REPAIR WORKSHOP (RW) - For repair and inspection of equipment at the Yuzhno-Russkoye oil and gas condensate field.
9. WATER TREATMENT FACILITIES (WTF) - For regeneration of the glycol saturated with water, Tri-ethylene glycol is used as an absorbent.
10. SERVICE AND OPERATIONS BUILDING (SOB) - A one-level building equipped with power supply, ventilation, water supply, heating, and sewage systems. The building includes a canteen for staff of the gas field, a laboratory for chemical analysis and a common room for staff of the gas field.
11. FIRE STATION - Buildings and constructions for accommodation of Internal Fire Department employees and firefighting equipment, carrying out fire prevention and extinguishing at the gas field facilities.
12. TRI-ETHYLENE GLYCOL REGENERATION UNIT - The Tri-Ethylene Glycol Regeneration Unit consists of two processing lines of a rated capacity of 17 t/h each. An equipment of the Regeneration Unit besides the regenerator is located in the main building of the Tri-Ethylene Glycol Regeneration Unit.
13. BOOMER COMPRESSOR STATION STATION-1 (2nd PHASE) - COMMISSIONING PLANNED FOR 2015
14. BOOMER COMPRESSOR STATION STATION-2 - COMMISSIONING PLANNED FOR 2021

QJSC Severneftegazprom's production capacities are characterized by a high level of process automation, the latest Russian and foreign equipment, combining state-of-the-art technologies with industrial and economic efficiency.
The development of hard-to-recover hydrocarbon reserves is becoming a major trend in the global oil and gas production practices. The companies who are first to achieve a technological breakthrough in this field and gain invaluable expertise in the unconventional reserves development can build up a solid basis for their future stability and sustainable development.
HARD-TO-RECOVER TURONIAN GAS RESERVES

The development of hard-to-recover hydrocarbon reserves is becoming a major trend in the global oil and gas production practices. The companies who are first to achieve a technological breakthrough in this field and gain invaluable expertise in the unconventional reserves development can build up a solid basis for their future stability and sustainable development.

OJSC Severneftegazprom is one of the Russian pioneers in hard-to-recover reserves development successfully introducing the most modern technologies and methods of the Turonian gas production at the Yuzhno-Russkoye oil and gas condensate field.

The estimated Turonian gas reserves at the Yuzhno-Russkoye oil and gas condensate field exceed 300 BLN m³.

TURONIAN GAS LIES AT A DEPTH OF 750–1,000 METERS. WESTERN SIBERIA ALONE HAS AN ESTIMATED TURONIAN GAS RESERVES OF 3 TRILLION M³.

At the same time, the field is characterized by a very complex geological structure, with its hydrocarbon deposits distributed in four layers: Turonian, Cenomanian, Lower Cretaceous, and Jurassic geological periods.

Turonian gas production is viewed as top priority for OJSC Severneftegazprom’s future strategy. The fastest possible adoption of its production technology is one of the important challenges that the Company faces today.

According to the Company’s plans, the development of Turonian deposits is designed for the field for 2019, it is expected to produce an annual 5–8 billion m³ of Turonian gas, thereby making up for the gradual Cenomanian deposit depletion.

OJSC Severneftegazprom will be producing Turonian gas at the field utilizing the fully developed existing infrastructure. This will allow reducing the costs of implementation of the new large-scale project substantially and avoiding many problems commonly associated with the commissioning of new field facilities.

As a result of the OJSC Severneftegazprom implementation of its strategic plans, the Yuzhno-Russkoye oil and gas condensate field will get a second wind, to use a sports language. The Turonian gas production, gradually replacing the Cenomanian production, will not only extend the active field life but shall improve the economics of its development, as a whole, due to the integrated approach.

Russia has the world’s largest natural gas reserves. However, even these huge underground treasures are exhaustible. In addition, the exploration and development of new deposits, the setting up of key infrastructure for the production and transportation of raw materials to the end user require substantial investments.

In this situation, one of the most promising and feasible ways of maintaining hydrocarbon production volumes is the development of hard-to-recover reserves lying in the depths of already producing fields.

The notion of hard-to-recover reserves is extremely wide-ranging. It includes hydrocarbon deposits belonging to different geological periods and therefore positioned underground at different depths, in the rock structures that have strikingly different properties and characteristics. For successful gas production from such geological formations, original solutions and innovative technologies are required.
OJSC Severneftegazprom is one of pioneers in Russia in development of hard-to-recover resources, implementing state-of-art technologies and methods for Turonian gas development at the unique Yuzhno-Russkoye oil and gas condensate field.

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

Commissioning of Turonian gas deposit will allow to compensate the gradual decline of Cenomanian production.

25 BLN M³ ANNUAL GAS PRODUCTION
The main difficulty with the Turonian gas production is that the traditional technologies are not suitable. For this reason, for several years, the Yuzhno-Russkoye oil and gas condensate field developed by OJSC Severneftegazprom has turned from the ordinary field into a kind of a pilot industrial testing ground to search and develop further unique technological solutions for the development of Turonian deposits.

In 2011, the well No. 174 was the first in the row of pilot projects of the Turonian deposits development at the Yuzhno-Russkoye oil and gas condensate field. In terms of construction, it consists of two holes: the main located in the lower horizon and the lateral one drilled slightly higher. An important feature of that two-bottom-hole subhorizontal well is that it makes it possible to conduct geological field research of the two holes and, at the same time, provides for the industrial flow rate being twice higher than that of conventional vertical wells.

Within the framework of implementation of the production drilling program, in 2014, the complex of works on the construction, installation, and commissioning of the well No. 184 at the Turonian gas deposit has been accomplished (layer T1–2). The well No. 184 is a single-bottom-hole, with a rising profile of the end of the hole. The footage was 1,804 m in rock formation or 100 percent fulfillment. The obtained gas flow has significantly exceeded the target values.

At the same time, in 2014, work on construction design of production well No. 1902 at the Turonian gas deposit (layer T1–2) with multfracking was started.

Based on the data of research conducted at the mentioned pilot wells, OJSC Severneftegazprom specialists intend to develop optimal solutions for further development of Turonian deposit.

In general, the Turonian deposit is planned to be developed at the Yuzhno-Russkoye oil and gas condensate field in several stages. During the first stage being already in progress and to last until 2018, it is planned to construct three wells, two of which are already in operation, and the third one is planned to be commissioned in 2016.

During the second stage expected to cover the period from 2019 to 2021, 12 production wells in the central part of the deposit are planned to be drilled. They shall make up a start-up complex and become the beginning of an active industrial Turonian gas production at the later stages.

The OJSC Severneftegazprom project for the Turonian gas production will result in not only growth of production and better economics of the Company but in its contribution to the creation of modern domestic gas production technologies, much needed today for the Russian oil and gas industry.
Today, the hydrocarbon production industry has become one of the most high-tech sectors of the Russian industry. OJSC Severneftegazprom’s activities in the field of development and implementation of the most advanced technologies and innovative solutions at all stages of the production cycle from the natural gas exploration to sales appear to be one of the most successful in the oil and gas sector in Russia.
INNOVATIVE TECHNOLOGY FOR GROUNDWATER TREATMENT AND PURIFICATION

OJSC Severneftegazprom has developed a strategy aimed at addressing one of the most topical and socially significant problems: the provision of the Yuzhno-Russkoye oil and gas condensate field personnel with good quality drinking water.

The water purification process is based on a modern ecologically friendly oxidation technology.

The unique method is based on a comprehensive approach including:
- electro discharge (oxidation) installation
- high-efficiency fine zoned settler of original design
- filters with granular charge, ion exchange resin, and activated carbon

Today, the Yuzhno-Russkoye oil and gas field is one of the most advanced in Russia in terms of applied technological and engineering solutions. This is facilitated by close cooperation with leading Russian scientific and production centers and foreign shareholders, as well as by active scientific and technological effort, optimization, and innovative work of the employees of the company.

Clean water is the fundamental of human life and the most important resource for the production development.

In 2014, the innovative technologies for the preparation and treatment of groundwater introduced within the field have become an important step toward the strategy implementation. It is based on the developments of the Russian specialized research institutes. Another important fact is that the equipment used for the implementation of highly efficient and environmentally friendly water treatment technology has also been produced domestically.

Technological and Innovation

- Intellectual Property
- Optimization Activity
- Participation in Innovation Competitions
**The OJSC Severneftegazprom’s Production Capabilities Are Distinguished by a High Degree of Automation of All Processes, Technologically Advanced Equipment Made by Russian and Foreign Producers That Combines Modern High-Precision Technology with Production and Cost Effectiveness.**

The Company uses modern management systems equipped with the software and hardware of the last generation at all stages of the process flow. It may be visually exemplified by virtually any production facility and any technological system operating at the Yuzhno-Russkoye oil and gas condensate field which, among other, include:

- **Gas processing facility having no analogs in Russia in many respects;**
- **Power station that meets the energy needs of the field facilities and equipped with seven autonomous gas turbine units providing impressive total power generation and being characterized by reliable and high thermo technical, economic, and environmental indicators;**
- **Teleautomatics software and hardware carrying out the monitoring and management over the mode of operation of the gas well clusters and gas gathering collectors;**
- **Absorbers with upgraded internal devices allowing reduction of triethylene glycol carryover and increasing the equipment productivity and gas drying quality;**
- **Equipment complex of the first phase of the Booster compressor station No. 1, first implemented by OJSC Severneftegazprom among other companies of Gazprom Group who are in active search for the new and most efficient scientific and technical solutions that take into account the specificity of the challenges faced by OJSC Severneftegazprom.**

One can estimate the intensiveness and utility of the corporate specialists’ intellectual activity by the number of registered patent rights to the innovative business solutions. The most important, interesting, and promising results of the intellectual and creative activity of the Company’s employees become subject to the patent procedure. This not only allows us to provide for the copyright protection but also opens opportunities for further cooperation in the implementation of innovative business solutions with other companies of the fuel and energy industry under the terms of the license agreements.

The Company has built its own engineering team of professionals, who are in active search for the new and most efficient scientific and technical solutions that take into account the specificity of the challenges faced by OJSC Severneftegazprom. The work is organized on a systematic basis, for which purpose the Company has developed two governing documents — the Regulation “On the Procedure for the Planning, Organization, Acceptance, and Use of the Results of Scientific Research, Pilot & Design, and Technological Activities at OJSC Severneftegazprom” and Regulation “On the Optimization and Innovation Activities at OJSC Severneftegazprom.”

**In 2014, Patent to Utility Model “The System of Extraction and Storage of Gas for Technical Needs from the Gas Compressor Units with the Use of Ejector” Was Registered in Germany Under No. 20 102967.2.**

In particular, during that period, the following patent rights have been registered with the State Register of the Russian Federation:

- Patent for Utility Model No. 139072 “The System of Extraction and Storage of Gas for Technical Needs from the Gas Compressor Units with the Use of Ejector”
- Patent for Utility Model No. 139074 “Remote Flare Ignition Device”
- Patent for Utility Model No. 142754 “Gas Seal System”
- Patent for Invention No. 2527232 “Triethylene Regeneration Method”
- Patent for Utility Model No. 146681 “Gas Fire Extinguishing Unit”
- Patent for Invention No. 2536523 “Multilayer-Gas Deposit Development Method”
- Patent for Invention No. 2536759 “Gas Turbine Unit Technical Diagnostics Method”

The innovative business solutions developed by OJSC Severneftegazprom are considered as advanced by foreign colleagues as well.
Optimization Activity

The development of employees’ scientific-technical creativity is a challenge that is complex and multidimensional. This activity in OJSC Severneftegazprom is based on a systematic approach. The Company’s employees are motivated for a constant search for unconventional technical solutions. As a result, individual innovative solutions, scientific and technical discoveries become a kind of elements that form the whole complex, modern, and high-tech systems in total.

However, such work has the initial level known as optimization. Being the closest to the specifics and realities of production, it is no less important. It has even more space for innovation activity, and the hidden reserves of increased efficiency in some areas and in specific process flows and nodes are more noticeable. Therefore it is important that the scientific, technical creativity and initiative of OJSC Severneftegazprom’s employees find visible embodiment in the optimization process as well.

The Company has a growing number of employees making various optimization proposals. In 2013, they were 82, in 2014, 106 employees.

The number of implemented optimization initiatives is constantly growing as well. In particular, in 2014, the Company implemented innovations concerning:

- Seasonal limiting of methanol feed into the annular space of gas wells during their work in the hydrate-free mode with the subsequent transfer to a year-round operation without inhibition;
- Triethylene glycol water extraction by means of a coagulant for reuse;
- Technologies of leaks elimination during the repair of threaded connection using the method of manual arc welding without taking a well out of service for overhaul;
- Improvement of methods and tools used in health, safety, and environment protection education, etc.

Such a large-scale optimization activity of OJSC Severneftegazprom’s employees, as well as the Company’s management attention to the submitted proposals logically result in the serious and year-to-year growing economic effect of the most promising innovations implementation.

WHILE IN 2013 THE IMPLEMENTED RATIONALIZATION INITIATIVES BROUGHT 5.3 MILLION RUBLES TO THE COMPANY, IN 2014, THE GAIN INCREASED TO 30.8 MLN RUBLES.

Participation in Innovation Competitions

The Company itself constantly holds a variety of activities intended to promote the employees’ scientific-technical creativity, to make their progress visible throughout the Company, and to emphasize that such activity is worthy of the utmost respect from colleagues. It has become a good tradition to hold the Company’s competition “The Best Rationalizer and Inventor of OJSC Severneftegazprom.” At the same time, OJSC Severneftegazprom’s promotion of scientific-technical creativity now extends not only to the Company’s employees but also to those who may replenish their ranks in the future. In 2014, the Company announced the competition for innovative solutions and projects developed by students and graduate students of the Russian Technical Universities. All parties have benefited from this initiative. Students and graduates of the specialized universities had the opportunity to bring to life the most interesting of their proposals and developments and to acquire invaluable practical experience in the real production process. The Company has found a powerful source of new ideas and the ability to eventually recruit already proven young, talented, and proactive employees.

The Company’s employees are regular participants and winners of competitions held under the auspices of the annual All-Russian Scientific and Practical Conference of Young Scientists and Specialists “Ensuring the Gas Industry Efficient Operation,” which the VNAG Public Chamber and the Administration of the city of Novy Urengoy conduct within the framework of Gas Forum “Oil. Gas. New Technology to the Far North.”

The Company’s executives set an example to their employees with regard to an active and creative approach to the development and implementation of modern technological solutions.

Stanislav Tyagaykov, General Director of OJSC Severneftegazprom, participated in the 12th International Technology Congress “The New Technologies of the Oil and Gas Industry, Power Engineering, and Telecommunications” held in Kaliningrad in 2014 where he made a report dedicated to the introduction of innovative business solutions for the exploration and development of the Turonian gas deposit at the Yuzhno-Russkoye oil and gas condensate field.

In 2014, the Company’s employees were awarded winners at the All-Russia Competition “Engineer of the Year.” In particular, by the decision of jury, Deputy General Director and Chief Engineer of OJSC Severneftegazprom Andrey Kasyanenko was awarded the title “Professional Engineer of Russia.”

By developing the employees’ scientific and technical creativity and encouraging this activity in every possible way, as well as by proving in practice the relevance of the proposed developments, OJSC Severneftegazprom formed a highly professional team of engineering staff, repeatedly awarded the highest scores in a variety of corporate, regional, sectoral, and national competitions of innovative developments.

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GUARANTEEING STABLE DEVELOPMENT

Investments in the expansion and modernization of production as a way to increase operational efficiency.
INVESTMENT ACTIVITIES

THE COMPANY CARRIES OUT A BALANCED INVESTMENT POLICY AIMED AT EXPANDING THE BASIC PRODUCTION ASSETS AND CAPACITIES UPGRADE, WITH THE PRINCIPLES OF ECONOMIC EFFICIENCY, CONTROL OVER THE RATIONAL USE OF RESOURCES, AND CAREFUL SELECTION OF SUPPLIERS OF WORKS AND SERVICES, TECHNOLOGIES, AND EQUIPMENT, SUCH AN APPROACH ENSURES FINANCIAL STABILITY UNDER HIGH PACE OF DEVELOPMENT.

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

- Meeting of key indicators of the Long-Term Development Plan of the Cenomanian and Turonian Deposits of the Yuzhno-Russkoye oil and gas condensate field;
- Fulfillment of exploration activities plan in accordance with the respective licensing obligations;
- Implementation of the approved design solutions, ensuring the commissioning, reconstruction, modernization, and additional equipping of production capacities of the main and auxiliary production;
- Risk minimization.

CAPITAL EXPENDITURES FOR THE REPORTING PERIOD

Capital expenditures in 2014 amounted to 4,277 million rubles, which was 3,021 million rubles or 241 percent higher than in 2013.

Increase in capital expenditures in the reporting period is mainly due to:

- The start of construction of the second stage of the Booster compressor station No. 1 at the Yuzhno-Russkoye oil and gas condensate field in accordance with the design solutions approved. The facility is to be commissioned at the end of 2015;
- Completion of construction of 4 exploration wells within the framework of the project of additional exploration of the Yuzhno-Russkoye oil and gas condensate field in accordance with the design solutions approved. The facilities are to be commissioned at the end of 2015;
- Completion of a full complex of works on the construction and installation of production well No. 184 at the Turonian gas deposit;
- Further implementation of the program for reconstruction, modernization, and technical upgrade of the main and auxiliary production facilities.

CAPITAL EXPENDITURES IN 2014 AMOUNTED TO

4.3 MLN RUBLES

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>CHANGE 2014 / 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTUAL</td>
<td>ACTUAL</td>
<td>%</td>
</tr>
<tr>
<td>Capital expenditures, TOTAL</td>
<td>4,277</td>
<td>1,256</td>
</tr>
<tr>
<td>including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production drilling</td>
<td>276</td>
<td>5</td>
</tr>
<tr>
<td>Exploration activities at the field</td>
<td>543</td>
<td>9</td>
</tr>
<tr>
<td>R&amp;D work for future years</td>
<td>26</td>
<td>149</td>
</tr>
<tr>
<td>Equipment not included into construction estimates</td>
<td>147</td>
<td>138</td>
</tr>
<tr>
<td>Construction sites</td>
<td>3,275</td>
<td>963</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>

IN MILLION RUBLES, WITHOUT VAT
The implementation of the mentioned investment projects shall ensure in the foreseeable future a stable annual production of natural gas to fulfill contractual obligations of long-term Gas Supply Agreements, as well as compliance with the license obligations and indicators established by the Long-Term Development Plan of the Yuzhno-Russkoye oil and gas condensate field.

The well considered and forward-looking investment program of OJSC Severneftegazprom is supported and approved by the regional authorities. In accordance with Law of YNAO No. 151-ZAO, dated December 23, 2011, beginning from 2013, the Company has been included into the list of companies carrying out the implementation of priority (strategic) investment projects within the YNAO. The synergistic effect of the investments attracted to the region shall ensure a stable source of budgets funding of all levels and increased population employment through the creation of new workplaces not only by the Company but also by local suppliers and contractors engaged by its activity. In its turn, such a high status of projects provides for OJSC Severneftegazprom increase in the economic efficiency of investment.

Main construction facilities commissioned during 2014 are:
- Gas production well No. 184, including construction (site, binding);
- Contractor accommodation site No. 1;
- Equipment not included into the construction sites estimates and requiring no assembly, including the gas turbine engine PS-90GP-2;
- GPF (Gas Processing Facility) heat supply booster station;
- Boiler room as a part of a complex of buildings and structures of GPF, Booster Compressor Station DK-5-1 (2 phase) Yuzhno-Russkoye oil and gas condensate field.

The total value of commissioned construction, fixed assets, and intangible assets in 2014 amounted to 1,205 MLN RUBLES.

<table>
<thead>
<tr>
<th>IN MILLION RUBLES, WITHOUT VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>1,205</td>
</tr>
<tr>
<td>including:</td>
</tr>
<tr>
<td>Production drilling</td>
</tr>
<tr>
<td>Equipment not included into construction estimates</td>
</tr>
<tr>
<td>Construction sites</td>
</tr>
<tr>
<td>Intangible assets</td>
</tr>
</tbody>
</table>
OJSC Severneftegazprom's long-term contracts on sales of produced gas provide a regular income of revenue and guarantee a solvent market outlet during the whole development period of the Yuzhno-Russkoye oil and gas field to the fullest extent.

STABLE ECONOMY OF A RELIABLE PRODUCTION

37.2 BLN RUB

Revenue from natural gas sales in 2014
### Main Financial Indicators


<table>
<thead>
<tr>
<th>ITEM</th>
<th>2014</th>
<th>2013</th>
<th>CHANGE IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>37,214</td>
<td>34,501</td>
<td>+8</td>
</tr>
<tr>
<td>Expenses on gas production*</td>
<td>(3,059)</td>
<td>(3,510)</td>
<td>–13</td>
</tr>
<tr>
<td>Rubles 1,000 m³</td>
<td>123</td>
<td>140</td>
<td>–12</td>
</tr>
<tr>
<td>Expenses for MET (Mineral Extraction Tax)</td>
<td>(19,217)</td>
<td>(15,123)</td>
<td>+27</td>
</tr>
<tr>
<td>Operating profit</td>
<td>7,015</td>
<td>7,723</td>
<td>–9</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>12,925</td>
<td>12,771</td>
<td>+1</td>
</tr>
<tr>
<td>Current portion of long-term loans</td>
<td>3,356</td>
<td>5,734</td>
<td>–41</td>
</tr>
<tr>
<td>Current liquidity ratio</td>
<td>3.30</td>
<td>2.78</td>
<td>+19</td>
</tr>
</tbody>
</table>

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

Despite the deterioration of the macroeconomic situation in 2014, OJSC Severneftegazprom managed to provide a stable financial position through a sustained reduction in the unit production costs, lower use of borrowed funds, and maintaining a high level of liquidity.

Long-term contracts for the produced gas sale entered into by OJSC Severneftegazprom ensure a regular flow of revenue and guarantee the financial solvency of a sales market during the whole period of development of the Yuzhno-Russkoye oil and gas condensate field.

The Company is constantly working to improve the economic efficiency of its operational activities. Thanks to the strict cost control in 2014, the cost of production of thousand m³ of natural gas (excluding taxes and depreciation) decreased by 12 percent. The 9 percent decrease in the Company’s operating profit in 2014 is caused by the increased tax burden due to the increase of the mineral extraction tax (MET) rate applied to natural gas.
**Financial Performance Report Indicators**

**MLN RUBLES**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2014</th>
<th>2013</th>
<th>CHANGE IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>37,214</td>
<td>34,501</td>
<td>+8</td>
</tr>
<tr>
<td>Prime cost, including:</td>
<td>(29,021)</td>
<td>(25,671)</td>
<td>+13</td>
</tr>
<tr>
<td>Taxes (MET, property tax, others)</td>
<td>(20,135)</td>
<td>(16,062)</td>
<td>+25</td>
</tr>
<tr>
<td>Depreciation deductions</td>
<td>(5,827)</td>
<td>(6,099)</td>
<td>-4</td>
</tr>
<tr>
<td>Expenses for gas production*</td>
<td>(3,059)</td>
<td>(3,510)</td>
<td>-13</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8,193</td>
<td>8,830</td>
<td>-7</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(1,179)</td>
<td>(1,107)</td>
<td>+6</td>
</tr>
<tr>
<td>Sales profit</td>
<td>7,015</td>
<td>7,723</td>
<td>-9</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,063</td>
<td>989</td>
<td>+10</td>
</tr>
<tr>
<td>Interest payable, incl.</td>
<td>(1,068)</td>
<td>(1,132)</td>
<td>-6</td>
</tr>
<tr>
<td>Project Facility Agreement (PF)</td>
<td>(460)</td>
<td>(468)</td>
<td>-2</td>
</tr>
<tr>
<td>Interest expense for accrued reserves**</td>
<td>(220)</td>
<td>(144)</td>
<td>+56</td>
</tr>
<tr>
<td>Other income and expenses (balance), including:</td>
<td>(6,676)</td>
<td>(1,279)</td>
<td>+422</td>
</tr>
<tr>
<td>Effect of negative exchange rate difference***</td>
<td>(7,216)</td>
<td>(1,597)</td>
<td>+352</td>
</tr>
<tr>
<td>Other income and expenses (net)</td>
<td>540</td>
<td>318</td>
<td>+70</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>357</td>
<td>6,301</td>
<td>-96</td>
</tr>
<tr>
<td>Net profit</td>
<td>34</td>
<td>5,016</td>
<td>-99</td>
</tr>
</tbody>
</table>

**THE RESULTS OF 2014 IN COMPARISON WITH 2013**

The increase in selling price and stable volumes of production and sales of natural gas provided for a 8 percent revenue growth in 2014.

The increase in the cost of marketable gas in 2014 by 13 percent was due to a 27 percent increase of tax liabilities following the increase of the MET rate applied to natural gas. This increase was partially offset by the reduced production costs of gas production and decreased depreciation deductions.

The Company’s net profit for 2014 was negatively influenced by non-cash effect of the costs of accounting for liabilities denominated in foreign currency (foreign exchange differences) due to the deterioration in the macroeconomic situation and the significant weakening of the ruble against the US dollar and the euro in the second half of 2014.

A 12 percent reduction of expenses for the interest payable under the Project Facility Agreement**** and a 10 percent increase of income on the interest receivable are caused by the reduction of credit obligations and efficient debt and financial assets management.

Revenue from gas sales in 2014 increased by 8 percent compared to 2013 and amounted to 37,214 million rubles.

Volume of natural gas sales in 2014 amounted to 24,963 million m³, comparable to 2013 figures.

The revenue growth is driven by the increased gas selling price determined by the formula prescribed by the long-term consumer Gas Supply Agreements.

**STRUCTURE OF REVENUES FROM GAS SALES**

- **40%** OAO Gazprom
- **35%** CJSC Gazprom YRGM Trading
- **25%** CJSC Gazprom YRGM Development

**VOLUME OF MARKETABLE GAS SALES, IN MILLION M³**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, including:</td>
<td>26,763</td>
<td>25,048</td>
<td>25,280</td>
</tr>
<tr>
<td>OAO Gazprom</td>
<td>9,985</td>
<td>10,019</td>
<td>10,112</td>
</tr>
<tr>
<td>CJSC Gazprom YRGM Trading</td>
<td>8,737</td>
<td>8,767</td>
<td>8,848</td>
</tr>
<tr>
<td>CJSC Gazprom YRGM Development</td>
<td>6,261</td>
<td>6,262</td>
<td>6,320</td>
</tr>
</tbody>
</table>

*Prime production expenses include all expenses attributable to the cost price, excluding depreciation and tax liabilities.
**Accrued interest expense for the provision for retired fixed assets and restoration of natural resources.
***The net balance on income and expense from the accounting for liabilities and assets denominated in foreign currency.
****Project Facility Agreement with consortium of banks.
GAS PRODUCTION EXPENSES
(Excluding Taxes and Depreciation)

In 2014, the Company ensured the fulfillment of all production indicators established by the Annual Work Program having achieved a significant reduction in the production expenses (excluding taxes and depreciation).

The key factors in reducing gas production expenses by 13 percent, compared to 2013, are a strict cost control, expansion of the number of suppliers for the establishment of a more competitive environment, increase in the efficiency of raw materials used, and a strong focus on expanding the range of services in the field of maintenance and current repair to minimize the involvement of external services.

GAS PRODUCTION EXPENSES
(Excluding Taxes and Depreciation)

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2014</th>
<th>2013</th>
<th>CHANGE IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor compensation, social benefits, and payments</td>
<td>1,283</td>
<td>1,156</td>
<td>+11</td>
</tr>
<tr>
<td>Insurance payments to the labor compensation fund</td>
<td>226</td>
<td>208</td>
<td>+9</td>
</tr>
<tr>
<td>Diagnostics, maintenance, and current repair</td>
<td>688</td>
<td>509</td>
<td>+4</td>
</tr>
<tr>
<td>Materials</td>
<td>267</td>
<td>274</td>
<td>–2</td>
</tr>
<tr>
<td>Insurance</td>
<td>199</td>
<td>208</td>
<td>–5</td>
</tr>
<tr>
<td>Geophysical works and development control</td>
<td>112</td>
<td>102</td>
<td>+10</td>
</tr>
<tr>
<td>Occupational health protection, industrial, and environment safety</td>
<td>94</td>
<td>132</td>
<td>–29</td>
</tr>
<tr>
<td>Exploration activities (current activities)</td>
<td>73</td>
<td>558</td>
<td>–87</td>
</tr>
<tr>
<td>Lease of fixed assets</td>
<td>27</td>
<td>35</td>
<td>–23</td>
</tr>
<tr>
<td>Others</td>
<td>290</td>
<td>330</td>
<td>–12</td>
</tr>
<tr>
<td>Total</td>
<td>3,059</td>
<td>3,510</td>
<td>–13</td>
</tr>
</tbody>
</table>

TAXES
(excluding income tax)

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2014</th>
<th>2013</th>
<th>CHANGE IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral extraction tax</td>
<td>19,217</td>
<td>15,123</td>
<td>+27</td>
</tr>
<tr>
<td>Property tax</td>
<td>912</td>
<td>934</td>
<td>–2</td>
</tr>
<tr>
<td>Other taxes</td>
<td>5.3</td>
<td>4.6</td>
<td>+15</td>
</tr>
<tr>
<td>Aggregate taxes (excluding income tax)</td>
<td>20,135</td>
<td>16,062</td>
<td>+25</td>
</tr>
</tbody>
</table>

The main part (95 percent) in the tax structure relates to the mineral extraction (MET) tax liabilities. In accordance with Federal Law of the Russian Federation “On Amendments to Chapter 26 of the Second Part of the Tax Code of the Russian Federation to Article 3.1 of Law of the Russian Federation “On Customs Tariff” dated September 30, 2013, a calculation formula of the MET rate for the natural gas has been established from June 1, 2014.

Increased MET expenses in 2014 by 27 percent is caused by the growth of the weighted average annual rate of this tax (from 602 rubles per thousand m³ of natural gas in 2013 up to 767 rubles per thousand m³ in 2014). The growth in other taxes by 0.7 million rubles or by 15 percent is caused by the increase in payments for the negative environment impact due to the emptying of marketable gas pipeline during repair.
ASSETS
IN 2014 COMPANY’S ASSETS INCREASED BY 3 PERCENT OR BY 2 BLN RUBLES

CHANGE IN THE COMPANY’S ASSETS FOR THE REPORTING PERIOD

<table>
<thead>
<tr>
<th>AS OF DECEMBER 31, 2014</th>
<th>AS OF DECEMBER 31, 2013</th>
<th>CHANGE IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON-CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Research and development results</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Intangible development assets</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>46,182</td>
<td>47,877</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>172</td>
<td>268</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>3,655</td>
<td>2,877</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>660</td>
<td>745</td>
</tr>
<tr>
<td>Receivables</td>
<td>5,706</td>
<td>4,428</td>
</tr>
<tr>
<td>Financial investments</td>
<td>6,308</td>
<td>3,894</td>
</tr>
<tr>
<td>Cash</td>
<td>17,387</td>
<td>17,957</td>
</tr>
<tr>
<td>Other current assets</td>
<td>65</td>
<td>60</td>
</tr>
<tr>
<td>TOTAL</td>
<td>80,172</td>
<td>78,146</td>
</tr>
</tbody>
</table>

Changes to assets in 2014 occurred in the following items:

Fixed assets decreased by 1,695 million rubles or by 4 percent due to three factors: depreciation of fixed assets (accumulated depreciation) in the amount of 5,962 million rubles, increased cost of construction in progress by 3,073 million rubles in accordance with the capital expenditures plan fulfillment for 2014, and fixed assets acquisition by 1,194 million rubles;

Receivables increased by 1,278 million rubles or 29 percent due to the increased debt of buyers through the gas selling price growth, as well as due to the increased advance tax payments on income tax;

Other non-current assets increased by 778 million rubles or 27 percent due to the financing of the equipment with long period of manufacturing for the purposes of implementation of the approved capital expenditures program;

Financial investments increased by 2,414 million rubles or 62 percent due to the revaluation of cash held in foreign currency and placed on deposits accounts exceeding 3 months;

Cash decreased by 570 million rubles or 3 percent primarily due to the increased tax payments.
LONG-TERM AND SHORT-TERM LIABILITIES

AMOUNT OF LONG-TERM LOAN LIABILITIES IN FOREIGN CURRENCY DECREASED BY 15%

Liabilities changes in 2014 resulted from the following items:

- Increase in long-term debt liabilities by 6,301 million rubles or 32 percent as of the end of the reporting period is caused by the revaluation of the balance of the debt liabilities under the Project Facility Agreement as of the end of the year due to a substantial weakening of the ruble against the US dollar by 72 percent and against the euro by 52 percent. At the same time, the amount of long-term debt liabilities in foreign currency decreased by 15 percent.

- Decrease in the short-term portion of debt under the Project Facility Agreement amounted to 62 percent in foreign currency and 41 percent in the ruble equivalent due to a significant reduction in short-term loan liabilities with payments expected to be made within 12 months, as well as to a revaluation of debt in foreign currency as of the end of the reporting period.

- Increase in payables by 1,780 million rubles or 49 percent primarily due to an increase in tax liabilities.
**Liabilities under the Project Facility Agreement**

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

The structure of the raised funds has around 86 percent of debt in foreign currency (US dollars and euros). It was the first deal in the Russian financial market in the form of on-shore project financing for the companies belonging to the oil and gas production sector.

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

- A basic schedule stipulating the debt to be finally repaid in December 2018;
- A tailor-made schedule of accelerated repayment of the loan based on the possibility of early repayment given the data on the free cash flow in the reporting year (Cash Sweep Repayment).

For the purposes of effective debt management, the Company primarily uses a form of accelerated repayment of loans. In 2014, the scheduled loan repayment within the framework of the Project Facility Agreement was carried out under the basic schedule, as well as within the Cash Sweep Repayment framework which led to a 25 percent decrease in the debt load in the reporting year.

In Q1 2015, early repayment was made under the individual schedule of accelerated repayment of loan (Cash Sweep Repayment) in the following amount: 33 million euros, 45 million US dollars, and 414 million rubles. Additionally, taking into account the flawless execution of all financial and information covenants under the existing Project Facility Agreement, the syndicate of lending banks has consented to the Company’s request (waiver) to amend the original terms of the agreement on decreasing balance in the Debt Service Reserve Accounts (DSRA) and for directing the released funds for early repayment. As a result of the above measures, in Q1 2015, the funds released from DSRA in the amount of 18 million euros, 14 million US dollars, and 40 million rubles have also been applied towards prepayment of loans.

---

### THE LOAN REPAYMENT DYNAMICS*, TOTAL, IN THE EQUIVALENT OF MILLION EUROS

<table>
<thead>
<tr>
<th>Item</th>
<th>DEBT BALANCE (MARCH 2015)</th>
<th>DEBT BALANCE (MAY 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>343</td>
<td>1,092</td>
</tr>
<tr>
<td>2014</td>
<td>1,877</td>
<td>5,993</td>
</tr>
<tr>
<td>2013</td>
<td>142</td>
<td>674</td>
</tr>
<tr>
<td>2012</td>
<td>197</td>
<td>657</td>
</tr>
</tbody>
</table>

*Note: Conversion into euro is made at the average exchange rate for the period.
**Equity and Reserves**

In 2014, equity and reserves of the Company decreased by 2,929 million rubles or by 7 percent due to the decreased net profit of the reporting period to 34 million rubles, as well as through accrued dividends in the amount of 2,963 million rubles. According to the decision of the Annual General Meeting of Shareholders, based on the results of Company’s performance for 2013, dividends were paid in full.

**Cash Movement for the Reporting Period**

<table>
<thead>
<tr>
<th>ITEM, MILLION RUBLES</th>
<th>2014</th>
<th>2013</th>
<th>CHANGE 2014/2013 (+/-) IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities</td>
<td>12,925</td>
<td>12,771</td>
<td>+1</td>
</tr>
<tr>
<td>Net cash used in investment activity</td>
<td>(5,052)</td>
<td>(2,894)</td>
<td>(2,158)</td>
</tr>
<tr>
<td>Net cash used in financial activity</td>
<td>(9,763)</td>
<td>(10,302)</td>
<td>539</td>
</tr>
</tbody>
</table>

**NET CASH FROM OPERATING ACTIVITIES INCREASED BY 1 PERCENT AND AMOUNTED TO**

12,9 BLN RUBLES
## Key Financial Ratios

### Key Financial Stability Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>As of December 31, 2014</th>
<th>As of December 31, 2013</th>
<th>Change in the Period</th>
<th>Economic Value of Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Ratio</td>
<td>0.50</td>
<td>0.55</td>
<td>-0.05</td>
<td>Equity to Total Capital</td>
</tr>
<tr>
<td>Financial Leverage Ratio</td>
<td>1.0</td>
<td>0.82</td>
<td>+0.18</td>
<td>Borrowed Capital to Equity</td>
</tr>
<tr>
<td>Working Capital Financed by Equity to Total Assets Ratio</td>
<td>-0.33*</td>
<td>-0.30*</td>
<td>-0.03</td>
<td>Own current assets to current assets ratio</td>
</tr>
<tr>
<td>Investment Coverage Ratio</td>
<td>0.89</td>
<td>0.88</td>
<td>-0.01</td>
<td>Equity and long-term debt to total capital ratio</td>
</tr>
<tr>
<td>Capital Mobility Ratio</td>
<td>-0.25*</td>
<td>-0.19*</td>
<td>-0.06</td>
<td>Own current assets to equity sources</td>
</tr>
<tr>
<td>Current Assets Mobility Ratio</td>
<td>0.79</td>
<td>0.81</td>
<td>-0.02</td>
<td>The most mobile part of current assets to total value of current assets</td>
</tr>
<tr>
<td>Reserves to Production Ratio</td>
<td>-15.2*</td>
<td>-10.89*</td>
<td>-4.31</td>
<td>Own current assets to inventories value ratio</td>
</tr>
</tbody>
</table>

* For calculation of the above ratios, long-term liabilities under project financing are factored in where other financing were current assets. In the case of calculation of own current assets and not taking into account long-term liabilities under project financing, our values have the following returns:
  - the Working Capital financed by Equity to Total Assets Ratio = 0.53 (as of December 31, 2013 = 0.43);
  - the Capital Mobility Ratio = 0.40 (as of December 31, 2013 = 0.27);
  - the Reserves to Production Ratio = 24.28 (as of December 31, 2013 = 15.61).

### Key Liquidity Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>As of December 31, 2014</th>
<th>As of December 31, 2013</th>
<th>Change in the Period</th>
<th>Economic Value of Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current (general) Liquidity Ratio</td>
<td>3.30</td>
<td>2.78</td>
<td>+0.52</td>
<td>Current assets to short-term liabilities. Shows coverage of short-term liabilities by all current assets</td>
</tr>
<tr>
<td>Quick (mid-term) Liquidity Ratio</td>
<td>3.23</td>
<td>2.70</td>
<td>+0.53</td>
<td>Liquid assets to short-term liabilities. Shows coverage of short-term liabilities by monetary funds, short-term financial assets, and short-term receivables</td>
</tr>
<tr>
<td>Total Liquidity Ratio</td>
<td>2.60</td>
<td>2.25</td>
<td>-0.35</td>
<td>Highly-liquid assets to short-term liabilities. Shows the part of short-term liabilities which may be repaid immediately</td>
</tr>
</tbody>
</table>

### Profitability Analysis

<table>
<thead>
<tr>
<th>Profitability Indicators</th>
<th>2014</th>
<th>2013</th>
<th>Change in the Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit margin (in kopecks per ruble of revenues)</td>
<td>18.9</td>
<td>22.4</td>
<td>-3.5</td>
</tr>
<tr>
<td>EBIT Profit margin, in %</td>
<td>3.8</td>
<td>21.5</td>
<td>-17.7</td>
</tr>
<tr>
<td>Net profit margin (in kopecks per ruble of revenues)</td>
<td>0.1</td>
<td>14.5</td>
<td>-14.4</td>
</tr>
<tr>
<td>Interest Payable Coverage Ratio (ICR)</td>
<td>1.3</td>
<td>6.6</td>
<td>-5.3</td>
</tr>
</tbody>
</table>
In recent decades, the environmental aspects of the production and active environmental activities have become one of the main conditions for a successful business. A company that does not pay due attention to these areas of work cannot be cost-effective in the modern context.
DEFINING THE PRIORITIES

SUSTAINABLE DEVELOPMENT
REDUCING THE RISK OF NEGATIVE IMPACT ON THE ENVIRONMENT IS ONE OF THE PRIORITIES OF THE COMPANY’S ACTIVITIES. COMPLIANCE WITH ALL ENVIRONMENTAL REGULATIONS, IMPLEMENTATION OF THE PRINCIPLES OF RATIONAL NATURE MANAGEMENT, APPLICATION OF ENVIRONMENTALLY FRIENDLY SOLUTIONS, TRANSPARENCY, AND CONSTANT DIALOG WITH THE PUBLIC CLEARLY DEMONSTRATE THAT THE COMPANY IS AWARE OF THE IMPORTANCE OF ITS SOCIAL MISSION AND OF ITS RESPONSIBILITY TO PRESENT AND FUTURE GENERATIONS.

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

Starting from 2011, the Company has been annually disclosing non-financial information in the field of sustainable development in the Annual Report, which allows interested parties to obtain a comprehensive picture of the achievements and long-term prospects of the Company.

When drawing up the non-financial reporting, the Company followed the principles of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). In 2014, an important decision was made to switch to the new version of the G4 standard, encouraging to examine and report on the most important and priority areas of work. Besides, when preparing this Report, the GRI recommendations on application of the GRI sector supplement for the oil and gas sector were taken into account. In accordance with the GRI Guidelines, the "Core" variant of reporting was chosen.

This report reviewed both material and additional aspects that provide the most complete picture of the Company’s impact on the economy, social sphere, and environment.

When preparing this Report, data of the managerial accounting was used as well as statistical and accounting reporting of OJSC Severneftegazprom executed in accordance with the Russian Accounting Standards (RAS) and published on the Company’s official website at www.en.severneftegazprom.com.

DEFINING THE PRIORITIES

SUSTAINABLE DEVELOPMENT

- Energy Consumption
- Personnel and Operational Safety
- HR and Social Policy
- Interactions with Stakeholders

SOCIAL BENEFITS AND GUARANTEES
- Employees Training and Development
- Safety and Health of Employees
- Public Relations

INNOVATION ACTIVITIES
- Ethical Behavior and Anti-Corruption Measures
- Efficient Supply Chain Management
- Financial Assistance and Development of the Regions of Presence

EFICIENT SUPPLY CHAIN MANAGEMENT
- Environmental Monitoring
- Reduction of Negative Environmental Impact

CONSERVATION OF THE FAR NORTH NATURE
- Social Benefits and Guarantees
- Innovation Activities
- Environmental Sphere
- Economic Sphere
- Social Sphere
Environmental Protection

Over the past decades, the environmental aspects of production and the active environmental activities have become one of the main factors to conduct successful business. A company paying no due attention to these areas of work cannot be economically sustainable in the modern conditions.

To implement this principle, the Company is constantly taking measures aimed at:

- ensuring the resource saving and reducing the impact on the environment;
- increasing the energy efficiency of production processes at all stages;
- preventing pollution, which means the priority of preventive actions aimed to prevent negative impacts on the environment;
- involving all personnel of the Company into the activities to reduce environmental risks;
- improvement of environmental management system and better performance in the field of environment protection.

Within the framework of Integrated Management System, the Company conducts operational environmental monitoring at its facilities which ensures compliance with the environmental legislation requirements, compliance with the established standards, as well as rational use of natural resources.

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

In the environmental management system, OJSC Severneftegazprom attaches great importance to the continuous monitoring over the key environmental indicators in the area of operation of the main production facilities. For these purposes, the Company has a program of environmental monitoring of the territory of the Yuzhno-Russkoye oil and gas condensate field for 2011–2015. It provides an assessment of anthropogenic impact on the environment and obtaining unbiased information about the state of environment.

These studies show that during the reporting period no evidence of environmental deterioration resulting from the Company’s operational activities was detected. Over the past three years, the ecological state of the territory of the Yuzhno-Russkoye oil and gas condensate field remained consistently positive. OUTLOOK FOR THE FUTURE IS FAVORABLE AS WELL. THE CALCULATIONS SUGGEST THAT THE FIELD STABLE ECOLOGICAL SITUATION WILL BE KEPT IN THE MEDIUM TERM. THE PROBABILITY OF PRESERVATION OF THE CURRENT ENVIRONMENTAL WELL-BEING UNDER PRESENT-DAY LEVEL OF ANTHROPOGENIC IMPACT AND NO EMERGENCY SITUATIONS WHICH THE COMPANY CONSTANTLY ENDEAVOURS TO PREVENT ARE ASSESSED AS “HIGH.”

OPERATIONAL ENVIRONMENTAL MONITORING IS CARRIED OUT IN THE FOLLOWING AREAS:

- IMPACT ON ATMOSPHERE
- IMPACT ON SOIL
- USAGE OF WATER AND IMPACT ON WATER
- IMPACT ON ANIMALS AND HABITATS
- WASTE MANAGEMENT
- IMPACT ON FORESTS AND FLORA

Not only legislation and international standards of environmental safety, but also the responsibility to the future generations require prudent and careful treatment of nature on the part of gas production companies. Stable production and investment activities in conjunction with the most rational use of natural resources and reduction of the negative impact on the environment constitute key priorities of OJSC Severneftegazprom.

This approach is of particular importance for the extremely fragile nature of the Far North, and therefore in its activities, OJSC Severneftegazprom is guided by strict compliance with the environmental standards established by the legislation of the Russian Federation. The Company uses the most advanced international environmental experience and strictly adheres to the principle of respect to the environment.
In its operational activities, OJSC Severneftegazprom endeavors to prevent environmental pollution. In cases where the specificity of the Company’s activity does not allow avoiding the negative impact on the environment, it is committed to minimize it and to carry it out in strict accordance with the applicable environmental regulations.

Protection of atmospheric air is one of the main areas of the Company’s environmental activities. In 2014, the amount of pollutant emissions reached 3.7 thousand tons.

The Company regularly conducts measurements to assess and record the direct and indirect greenhouse gas emissions. The direct emissions include the emissions deriving from sources owned by the Company. Methane makes the main part of direct greenhouse gas emissions and is recorded in accordance with the company standard “Gazprom” 102-2011 “Inventory of Greenhouse Gas Emissions.” The volume of direct greenhouse gas emissions in 2014 amounted to 243.2 thousand tons in the CO₂ equivalent. Greenhouse gas emission intensity ratio amounted to 9.7.

Indirect emissions derive from sources belonging to other organizations. Within the framework of legislation in force, the Company is not required to account for indirect emissions. To calculate indirect emissions, the Company applies the Wintershall Holding GmbH’s OHSAS (Occupational Health and Safety Assessment System) methodology, according to which no indirect emissions have been recorded during the reporting period. This methodology suggests records of indirect greenhouse gas emissions be kept at the production facilities only.

Increased methane emission in 2014 was caused by release of this gas when blowing through and emptying of the sales gas pipeline, Gas processing facility technological equipment, and the gas collectors for the purpose of conducting scheduled maintenance works.

The innovative system of handling gas for technical needs and losses after dry gas seals at the gas compressor units of the Booster compressor station No. 1 has become one of the most important and complex developments implemented by the OJSC Severneftegazprom specialists. The implementation of the above innovative solution has the most direct and positive effect not only on the production and economic performance, but also results in the improvement of environmental situation.

The Company succeeded in decreasing additional direct greenhouse gas emissions of methane by 13,123 thousand tons in the CO₂ equivalent.

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

**COMPOSITION OF POLLUTANT EMISSIONS, TONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>NOx</th>
<th>SOx</th>
<th>Methane</th>
<th>CO</th>
<th>Volatile organic compounds</th>
<th>Solids</th>
<th>Persistent organic pollutants (CO₂)</th>
<th>Hazardous Air Pollutants (HAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>243.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td>240.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td>237.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td>235.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td>232.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**AGGREGATE WEIGHT OF HAZARDOUS AND NON-HAZARDOUS WASTE FOR 2014 AMOUNTED TO 2 THOUSAND TONS**

- Transferred to other organizations: 1,374 Tons
- Placed at own facilities: 679 Tons
- Accumulation at industrial site: 31 Tons
Volume of drill cuttings (drilling mud and sludge generated in the process of normal activity of contractors at the field) amounted to 0.8 thousand tons, of which 0.2 thousand tons repeatedly used, and 0.6 thousand tons buried in the sludge pits. Following the treatment of drilling mud, the obtained water is repeatedly used for the subsequent cycles of well clean-up. According to the results of environmental monitoring, during the summer period of 2014, no maximum allowable concentrations have been exceeded at the location of drill cuttings disposal.

**LAND RECLAMATION**

To mitigate the impact of its activities on the surface soil, OJSC Severneftegazprom seeks to maximize the reduction in the number of used areas. The Company regularly carries out work for the rehabilitation of disturbed and contaminated lands primarily aimed at the elimination of the past years environmental damage.

**WATER SUPPLY**

Many experts predict that in future the competition for water resources will become globally not less acute than the current competition for control over the hydrocarbon reserves. Water resources of Russia are estimated as one of the largest in the world, but it does not release national gas companies from obligation to use them in a rational and careful manner.

In this regard, OJSC Severneftegazprom is constantly and actively working on ensuring adequate water quality and reducing water consumption at production facilities. A decrease in the effluents intake and discharge, as well as the quality of procedures for its cleaning constitute the key elements of this activity.

To meet its industrial and commercial needs, the Company takes water from aquifers. No water is taken from surface water bodies. During the reporting period, 75.7 thousand m³ of water was extracted from groundwater sources. Thereof 69.9 thousand m³ was taken from the underground water horizon, and 5.8 thousand m³ was water extracted together with the natural gas.

The Company has its own drainage system within its gas field facilities, which provides for deep injection of industrial and domestic waste water in subsol. The injection follows treatment on the special facilities where both biological and physical and chemical methods are used.

In general, the volume of wastewater discharge into the lost circulation horizon for the reporting period amounted to 66 thousand m³, which is fully consistent with the planned targets and technological project.

### The Dynamics of Water Intake from Underground Water for the Period from 2011 to 2014, Thousand m³

<table>
<thead>
<tr>
<th>Year</th>
<th>Groundwater</th>
<th>Formation Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8.2</td>
<td>7.2</td>
</tr>
<tr>
<td>2012</td>
<td>5.4</td>
<td>67.0</td>
</tr>
<tr>
<td>2013</td>
<td>5.8</td>
<td>62.1</td>
</tr>
<tr>
<td>2014</td>
<td>69.9</td>
<td></td>
</tr>
</tbody>
</table>

A slight increase in the volume of water intake in 2014 (12 per cent compared to 2013) is due to an increase in the number of capital construction objects and commissioning of new production facilities.

The Company regularly conducts laboratory and instrumental control over the surface and underground wastewater, upgrades, and reconstructs production capacities with a view of improving the efficiency of the existing treatment facilities and introducing new technologies for the raw and waste water treatment.

**IN 2014, THE COMPANY RECLAMATED DISTURBED LAND OF 28.6 HECTARES**

The Company uses water recycling system, which reuses the treated water. The water recycling system supplies water to sports, recreation, and economic facilities exploited within the area of the Yuzhno-Russkoye oil and gas condensate field. As a result of this system application, the total volume of reused water in 2014 amounted to 519.5 thousand m³.
### KEY INDICATORS OF THE COMPANY’S ENVIRONMENTAL PROTECTION ACTIVITIES

<table>
<thead>
<tr>
<th>NO.</th>
<th>ITEM</th>
<th>UNIT OF MEASUREMENT</th>
<th>2014</th>
<th>2013</th>
<th>DEVIATION FROM 2013</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gross air emissions, total</td>
<td>thou tons</td>
<td>3.655</td>
<td>1.942</td>
<td>+1.713</td>
<td>+88</td>
<td></td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>within permissible limits</td>
<td>thou tons</td>
<td>3.588</td>
<td>1.618</td>
<td>+1.970</td>
<td>+122</td>
<td></td>
</tr>
<tr>
<td></td>
<td>above-limit emissions</td>
<td>thou tons</td>
<td>0.067</td>
<td>0.326</td>
<td>-0.259</td>
<td>-79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>including: emissions of methane CH₄</td>
<td>thou tons</td>
<td>2.395</td>
<td>0.814</td>
<td>+1.581</td>
<td>+194</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Specific emissions NOx (gross emissions NOx per unit of fuel gas)</td>
<td>thou tons/ m³</td>
<td>0.000024</td>
<td>0.000008</td>
<td>-0.000016</td>
<td>-70</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Intake of water, total</td>
<td>thou m³</td>
<td>69.85</td>
<td>62.09</td>
<td>+7.767</td>
<td>+13</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Water discharge, total</td>
<td>thou m³</td>
<td>66.15</td>
<td>61.75</td>
<td>+4.4</td>
<td>+7</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Total waste generated, total</td>
<td>thou tons</td>
<td>2.064</td>
<td>0.179</td>
<td>+1.885</td>
<td>+1,053</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Share of wastes sent for disposal (percent of waste produced during the reporting period taking into consideration waste at the beginning of the year)</td>
<td>%</td>
<td>33</td>
<td>62</td>
<td>-29</td>
<td>-53</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Recultivated land area per year</td>
<td>hectare</td>
<td>28.6</td>
<td>28.04</td>
<td>+0.56</td>
<td>+2</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Expenses for environmental protection</td>
<td>thou rubles</td>
<td>199,855</td>
<td>119,760</td>
<td>+80,095</td>
<td>+67</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Current (operational) expenses for environmental protection measures</td>
<td>thou rubles</td>
<td>20,227</td>
<td>21,321</td>
<td>-1,094</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Expenses for the environment protection services, including protection and recultivation of land</td>
<td>thou rubles</td>
<td>66,616</td>
<td>86,203</td>
<td>-19,587</td>
<td>-23</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Expenses for development and approval of environmental documents</td>
<td>thou rubles</td>
<td>601</td>
<td>226</td>
<td>+375</td>
<td>+166</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Expenses for production environmental monitoring and production ecological control</td>
<td>thou rubles</td>
<td>4,251</td>
<td>5,565</td>
<td>-1,314</td>
<td>-23</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Expenses for major repairs of fixed assets involved in environmental protection</td>
<td>thou rubles</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Payments for negative environmental impacts</td>
<td>thou rubles</td>
<td>5,157</td>
<td>2,019</td>
<td>+3,138</td>
<td>+155</td>
<td></td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>within permissible limits</td>
<td>thou rubles</td>
<td>716</td>
<td>286</td>
<td>+430</td>
<td>+150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>above permitted limits</td>
<td>thou rubles</td>
<td>4,441</td>
<td>1,733</td>
<td>+2,708</td>
<td>+156</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Investments into fixed capital (exploration) for environmental protection</td>
<td>thou rubles</td>
<td>103,003</td>
<td>4,425</td>
<td>+98,578</td>
<td>+2,228</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Number of inspections by state environmental agencies</td>
<td></td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Number of violations of environmental regulations (according to inspection acts of state environmental agencies)</td>
<td></td>
<td>9</td>
<td>0</td>
<td>+9</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Fines paid for violation of environmental legislation</td>
<td>thou rubles</td>
<td>320</td>
<td>0</td>
<td>+320</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Claims for environmental damage compensation</td>
<td>thou rubles</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>as a result of accidents</td>
<td>thou rubles</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Environmental damaged claimed for compensation</td>
<td>thou rubles</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>as a result of accidents</td>
<td>thou rubles</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

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**Gazprom Group has announced the year 2014 as Year of Environmental Awareness. In this regard, the activities for the environmental education of population and personnel carried out by OJSC Severneftegazprom on a permanent basis has been particularly large-scale.**

Within the Year of Environmental Awareness, the Company has conducted a range of activities aimed at increasing the level of environmental responsibility: volunteer cleaning-up, environmentally focused contests.

Children’s painting competition on the theme “Nature is Our Home” was one of those activities which were carried out in 2014 and caused great public interest. The jury was presented with 32 works created by the students of educational institutions within the regions of the Company’s activities and by the children of employees. The creative competition was held in three age categories: for children of 4–7, 8–11, and 12–16 years old. OJSC Severneftegazprom awarded all participants of the competition with valuable gifts and prizes and announced the following persons to become winners: Velizaveta Kuzmenko, Vladimir Sergeyev, and Kirill Konkov.

The photo contest “Nature of the Far North” has also been held among the Company’s employees to exhibit more than 100 photos depicting the beauty of the Far North. The 1st Category engineer of the industrial engineering department Nikolai Brukhno was named the winner for his photographic work “The White Night.” All the winners were awarded with diplomas and valuable gifts.

Company’s employees participated in the All-Russian ecological events “Green Spring”, “Green Russia”, and the International Ecological Clean-Up. Thanks to their efforts, the territory of 6 hectares has been cleaned in the Urengoy settlement and at the Yuzhno-Russkoye oil and gas condensate field, as well as rendering information about it to the Company’s employees is one of the ways to solve this problem.

**“OUR COMPANY IS RESPONSABLY ADDRESSING THE ISSUE OF ENVIRONMENT PROTECTION. WE ARE TRYING TO MAKE EACH EMPLOYEE BE AWARE OF THEIR INVOLVEMENT IN THE COMPANY’S ENVIRONMENTAL ACTIVITIES.”**

— General Director, OJSC Severneftegazprom

Stanislav Tsygankov

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**The Company strives to make sure that love and respect for nature become a natural inner need and a behavioral fundamental of each OJSC Severneftegazprom employee. The monitoring of the protected species of animals and plants of the territory of the Yuzhno-Russkoye oil and gas condensate field, as well as rendering information about it to the Company’s employees is one of the ways to solve this problem.**
Being one of the leading gas companies, OJSC Severneftegazprom aims to minimize the natural gas consumption during its production. In 2014, the Company has developed a number of corrective measures, which allowed avoiding additional natural gas consumption in the amount of 3.3 mln М3.

The positive natural gas consumption dynamics is associated with reduced formation pressure and the need to increase the natural gas volume for the compression of the BCS prior to the transportation over the trunk pipeline.

To reduce energy consumption, the Company constantly monitors this indicator at its facilities, conducts research, and implements measures to introduce energy-saving technologies and to increase energy efficiency. Besides, to achieve this goal, the equipment and technological processes are being upgraded and improved.

In 2014, the Company introduced energy management system developed in accordance with the international standard ISO 50001:2011. This system is aimed at ensuring the continuous improvement of the indicators of consumption, increased efficiency of use of the available energy sources, at reducing greenhouse gas emissions, and other environmental impacts. The scope of application of the energy management system includes main and auxiliary processes of production, preparation, and sale of hydrocarbon raw materials.

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

**ENERGY SAVING IN 2014, WHICH EXCEEDED THE PREVIOUSLY SCHEDULED FIGURES BY 33 THOUSAND KW·H.**

In 2014, the Company took measures to reduce energy consumption by replacing incandescent lamps with LED ones. Despite the implemented measures to reduce the volume of energy consumption, an increase of energy consumption was observed in 2014 which is caused by increase in the number of capital construction objects and the drilling operations at the Yuzhno-Russkoye oil and gas condensate field.

**INCREASE OF THE ENERGY EFFICIENCY CONSTITUTES ONE OF THE KEY AREAS OF ACTIVITIES OF OJSC SEVERNEFTEGAZPROM IN THE FIELD OF ENSURING ENVIRONMENTAL SAFETY AND PROTECTION.**

**ENERGY CONSUMPTION**

In 2014, the Company introduced energy management system developed in accordance with the international standard ISO 50001:2011. This system is aimed at ensuring the continuous improvement of the indicators of consumption, increased efficiency of use of the available energy sources, at reducing greenhouse gas emissions, and other environmental impacts. The scope of application of the energy management system includes main and auxiliary processes of production, preparation, and sale of hydrocarbon raw materials.

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

**ENERGY SAVING IN 2014, WHICH EXCEEDED THE PREVIOUSLY SCHEDULED FIGURES BY 33 THOUSAND KW·H.**

**IN 2014, THE COMPANY HAS DEVELOPED A NUMBER OF CORRECTIVE MEASURES, WHICH ALLOWED AVOIDING ADDITIONAL NATURAL GAS CONSUMPTION IN THE AMOUNT OF 3.3 MLN М3.**

**INCREASE OF THE ENERGY EFFICIENCY CONSTITUTES ONE OF THE KEY AREAS OF ACTIVITIES OF OJSC SEVERNEFTEGAZPROM IN THE FIELD OF ENSURING ENVIRONMENTAL SAFETY AND PROTECTION.**

**ENERGY CONSUMPTION, MILLION KW·H**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Consumption</th>
<th>Consumption Related to Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>30.9</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>29.8</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>26.9</td>
<td>25.9</td>
</tr>
</tbody>
</table>

**ENERGY CONSUMPTION, MILLION M3**

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural Gas Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>79.4</td>
</tr>
<tr>
<td>2013</td>
<td>69.6</td>
</tr>
<tr>
<td>2012</td>
<td>64.9</td>
</tr>
</tbody>
</table>

*Energy Policy of OJSC Severneftegazprom is public and available for all interested parties on the Company’s website (www.severneftegazprom.com).
Fulfillment of the Energy Saving Program and Intensive Optimization Activity of the OJSC Severneftegazprom Employees in 2014 Made it Possible to Reduce Consumption of Heating Energy by 3,555 GCAL against the Plan for 2014 and by 1,100 GCAL Against the Actual Consumption Level of 2013.

The Company’s Energy Saving Program Performance

<table>
<thead>
<tr>
<th>KEY ACTIVITY</th>
<th>PLAN</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installing temperature regulators on the heating devices</td>
<td>— —</td>
<td>15 15</td>
</tr>
<tr>
<td>Elimination of heat leaks at the junctions of window and door units with wall panels</td>
<td>— —</td>
<td>619 619</td>
</tr>
<tr>
<td>Installation of filter separator to use degassing gases as a fuel gas on the regeneration unit</td>
<td>0.362 0.323</td>
<td>— — — — — —</td>
</tr>
<tr>
<td>Exclusion of TD-1000 hours from the regulation of GTU OPRA maintenance providing for gas loss when pipelines emptying and blowing through</td>
<td>0.002 0.002</td>
<td>— — — — — —</td>
</tr>
<tr>
<td>Conducting conservation of DVS DES at the gas well clusters in a hydrate free mode</td>
<td>— — — — — —</td>
<td>3.093 0.515</td>
</tr>
<tr>
<td>Sealing of threaded joint of the coupling of a conductor-mounting sleeve of the wellhead</td>
<td>3.976 2.835</td>
<td>— — — — — —</td>
</tr>
<tr>
<td>Installation of LEDs</td>
<td>0.099 0.105 0.258 0.291</td>
<td>— — — — — —</td>
</tr>
<tr>
<td>Exclusion of TD-1 (1,500 hours) from the regulation of GCU-16BCS-09 maintenance providing for gas loss when compressor contour and pipelines emptying, packing, and blowing through</td>
<td>0.017 0.017</td>
<td>— — — — — —</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4.456</strong> <strong>3.282</strong> <strong>0.258</strong> <strong>0.291</strong> <strong>634</strong> <strong>634</strong> <strong>3.093</strong> <strong>0.515</strong></td>
<td></td>
</tr>
</tbody>
</table>

Energy Consumption

Energy Usage Reduction

The Company is actively working to improve energy efficiency through the use of short-term, medium-term, and long-term planning mechanisms. Thanks to these mechanisms, the possible ways of optimizing the process flows are identified. In its activities, the Company sets targets for the energy consumption and environmental impact reduction. OJSC Severneftegazprom has developed an action plan for energy saving at the industrial and other facilities.

Energy Usage Reduction

To reduce energy consumption, OAO Severneftegazprom takes measures towards:

- using the advanced methods and approaches of the energy efficiency management;
- upgrading technological equipment and introducing energy-saving technologies;
- reducing the impact on the environment.
Personnel and Operational Safety

OJSC SEVERNEfteGAZPROM CONSIDERS OCCUPATIONAL, ENVIRONMENTAL, AND OPERATIONAL SAFETY AS THE KEY FACTORS FOR SUSTAINABLE DEVELOPMENT OF ITS BUSINESS AS THE MOST IMPORTANT COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY TO THE LIVING AND FUTURE GENERATIONS.

By virtue of implementing this policy, OJSC Severneftegazprom ensures effective and accident-free functioning of all plants and facilities, applies systemic approach toward the management of safety issues, and keeps improving its activity in this area.

CORE PRINCIPLES OF THE COMPANY’S ACTIVITY IN THE FIELD OF OPERATIONAL SAFETY AND OCCUPATIONAL SAFETY

CONTINUOUS IMPROVEMENT OF THE INTEGRATED MANAGEMENT SYSTEM

IDENTIFICATION OF HAZARDS, ANALYSIS, AND ASSESSMENT OF RISKS

AVAILABILITY OF INFORMATION AND TRANSPARENCY

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

ACTIVE ENGAGEMENT OF THE PERSONNEL IN THE INDUSTRIAL SAFETY AND LABOR HEALTH ASSURANCE

COMPLIANCE WITH LAWS, REGULATORY LEGAL ACTS, AND OTHER REQUIREMENTS

APPLICATION OF ADMINISTRATIVE AND OPERATIONAL CONTROL MEASURES

ADVANCED TRAINING OF EMPLOYEES AND KNOWLEDGE ASSESSMENT

PROVIDING INFORMATION TO THE COUNTERPARTIES ON THE STANDARDS, POLICY, AND REQUIREMENTS IN THE FIELD OF OPERATIONAL AND PROFESSIONAL SAFETY, AND CONTROL OVER COMPLIANCE THERETO

APPLICATION OF THE BEST INTERNATIONAL PRACTICES AND STANDARDS

PREVENTION OF INDUSTRIAL ACCIDENTS

OCCUPATIONAL SAFETY

OJSC Severneftegazprom realizes its responsibility for the health and life of its employees and builds the occupational safety management system in strict compliance with requirements of Russian laws and international standards.

An overriding priority for the Company’s management is to ensure safe labor environment—that is, the conditions in which the impacts of harmful or hazardous industrial factors on humans are eliminated or do not exceed acceptable levels. Application of the systemic approach based on a regular analysis of labor conditions and control over the state of industrial environment allows discovering in due time potential risks, personnel’s hazardous actions, and work places with harmful labor conditions.

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

In November 2014, the Company went through the compliance audit, which confirmed once again a full compliance of the management system applied in OJSC Severneftegazprom with the highest international requirements.

In 2014, the Company implemented a procedure for behavioral safety auditing to increase the personnel’s liability for the compliance with safety rules at the work place and to prevent injuries. The work in these areas helps identify and prevent the employees’ hazardous actions, assess performance efficiency in the field of occupational and professional safety, and stimulate and support rigorous compliance with all necessary safety standards and rules.

Many areas of activity and facilities functioning as a part of modern gas facilities are classified as potentially hazardous. Abnormal and emergency situations therewith may result in grave consequences and considerable losses. Thus, close attention OJSC Severneftegazprom pays to creation of an effective operational and professional safety management system.

The Company has introduced and uses an integrated quality, environmental, occupational health and safety management system that complies with requirements of the international standards ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007. Based on these standards, OJSC Severneftegazprom has been using the Quality and HSE Policy since 2012. The document sets out core principles of effective nature management, employees’ health protection, and operational safety*.

* The Quality and HSE Policy is public and available for all interested parties on the Company’s website (www.en.severneftegazprom.com).

OJSC SEVERNEfteGAZPROM CONSIDERS OCCUPATIONAL, ENVIRONMENTAL, AND OPERATIONAL SAFETY AS THE KEY FACTORS FOR SUSTAINABLE DEVELOPMENT OF ITS BUSINESS AS THE MOST IMPORTANT COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY TO THE LIVING AND FUTURE GENERATIONS.
The management of OJSC Severneftegazprom is sure that accident free operational activity is possible only in conditions of strict compliance with requirements of industrial and fire safety standards and rules. At the end of 2013, the Company approved a document outlining the principles of implementing the industrial safety policy* of OJSC Severneftegazprom. Implementation of these principles ensures a complex approach toward management of safety of complex technological processes and reduces the risk of accidents and incidents.

At the moment, the Company is operating 9 hazardous industrial facilities (HIF). All of them have the policies of mandatory civil liability for the harm caused as a result of accident or incident. No accidents and incidents at such facilities in OJSC Severneftegazprom have been registered in 2010–2014.

Registration of industrial accidents is carried out in compliance with the Resolution of the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002, “On approving forms of documents required to investigate and account for industrial accidents, and regulation on the specific aspects of industrial accidents investigation in certain areas and organizations.” No industrial accidents and injuries have been registered in OJSC Severneftegazprom in the reporting period.

In accordance with the current legislation of the Russian Federation, the Company discovers hazardous and harmful industrial factors at the work places by carrying out special assessment of labor conditions. In the reporting period, the Company carried out planned assessment of 215 work places, 102 of which were qualified as work places with harmful conditions of classes 3.1 and 3.2. To minimize impact of harmful factors the Company provides its employees with the relevant compensations and benefits, sends them for health resort treatment, and supplies them with personal protective equipment.

The expenses on the labor safety improvement in the reporting period made 39.6 million rubles comparing to 31.1 million rubles in 2013; most of this sum was spent on purchasing personal protective equipment.

### NUMBER OF ACCIDENTS IN 2010–2014

<table>
<thead>
<tr>
<th>CATEGORY OF ACCIDENTS/PERIOD</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor industrial accidents</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Major accidents</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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### OCCUPATIONAL SAFETY COST STRUCTURE, MLN RUBLES

<table>
<thead>
<tr>
<th>COST CATEGORY</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal protective equipment</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Additional leave for those working in harmful lab</td>
<td>6.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Additional payment for working in harmful lab</td>
<td>2.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Medical examinations</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Assessment of work places</td>
<td>0.4</td>
<td>0.6</td>
</tr>
</tbody>
</table>

The statement of Industrial Safety Policy of OJSC Severneftegazprom is public and available for all interested parties on the Company’s website (www.en.severneftegazprom.com).
As part of the Company's integrated management system, all structural subdivisions conduct work on assessment of risks and identification of hazards affecting personnel's health and safety. The results of assessment procedures provide an opportunity to minimize the probability of threats for employees' life and to prevent possible accidents. Since 2007, the Company in accordance with the Russian laws applies the system of administrative and operational control over the compliance with industrial safety requirements, which is governed by a specially elaborated Regulation. Inspections in this area are conducted at four levels by a permanent commission according to the approved schedule. These inspections represent a scope of organizational and technical activities aimed at complying with industrial safety requirements, preventing accidents, and ensuring readiness to respond to them. In 2014, 99 violations were discovered as a result of such inspections, which is 39 percent less comparing to 2013. 95 violations have been eliminated, another 4 violations are planned for elimination in 2015.

All data on the results of operational control and the state of industrial safety at hazardous industrial facilities is submitted by the Company to the local authorities. No fire or inflammation has happened in the reporting period. The Department maintains its permanent readiness for fire localization, extinguishing, and for emergency rescuing works. No fire or inflammation has happened in the reporting period.

Thanks to professional competence of the team, effective operation of modern hardware and equipment, the Fire Department maintains its permanent readiness for fire localization, extinguishing, and for emergency rescuing works. No fire or inflammation has happened in the reporting period.

In June 2014, the IFD employees of OJSC Severneftegazprom visited industrial and fire fighting facilities of Wintershall Holding GmbH and BASF SE for exchanging experience in the field of industrial and fire safety. The employees of OJSC Severneftegazprom were shown fire fighting trainings, exercises under the special program of BASF SE, and activities on rescuing people from the height. Following the trip, the Company pointed out that 79 senior managers and specialists underwent training and assessment in occupational safety issues; 79 senior managers and specialists underwent training in the general rules of industrial safety and in the forms of supervision.

It is important to specify that such training and assessment of competence of the Company’s employees in occupational and industrial safety not only facilitates their professional and personal development, but also ensures accident free—a stable, safe, and economically effective—functioning of all plants and facilities of OJSC Severneftegazprom.

THE EXPENSES ON FIRE SAFETY ASSURANCE IN 2014 MADE

204 MLN RUBLES

control over the compliance with fire safety requirements, and analysis of performance of fire preventive measures. Effective performance of this department is ensured by regular advanced training of its personnel. In the reporting period, the duty fire watches made 74 set-offs for the purpose of fire line training and practicing control standards, 20 set-offs for the purpose of trainings on resolving fire tactical tasks, and 271 employees completed the necessary training.

In the reporting period professional training and assessment of their employees in the field of occupational and industrial safety not only facilitates their professional and personal development, but also ensures accident free—a stable, safe, and economically effective—functioning of all plants and facilities of OJSC Severneftegazprom.

KNOWLEDGE ASSESSMENT AND TRAINING OF EMPLOYEES

Advanced training and enhancement of personnel awareness in the field of safe working methods is one of the basic factors for achieving high production efficiency. On a regular basis, OJSC Severneftegazprom organizes training and knowledge assessment of their employees in the field of occupational and industrial safety, as safe and accident free equipment operation directly depends on the employees’ competence level.

In the reporting period professional training and assessment have been done in compliance with the Program of Training and Knowledge Assessment of Occupational Safety Requirements by Senior Managers and Specialists and branch-specific training software “OLIMPOX.” Besides, working personnel received additional training in related professions and lessons for obtaining admissions required to perform certain kinds of work. In 2014, 154 senior managers and specialists and 494 workers of the Company underwent training and assessment in occupational safety issues; 79 senior managers and specialists underwent training in the general rules of industrial safety and in the forms of supervision.
As of the end of the year, there were 947 persons (171 female and 776 male) working in the Far North regions. The number of administrative and managerial staff working in the Far North regions makes 465 persons. The total number of Company’s personnel as of the end of the reporting period made 1,022 persons, with the employee turnover rate in the reporting period made 4 percent. The employee turnover rate is calculated in accordance with the practice established by OAO Gazprom.*

In the reporting period, 100 persons were dismissed from the Company in Krasnoselkupsky and Purovsky districts and in Novy Urengoy (including 47 persons dismissed upon expiry of their industrial practical training) and 16 persons were dismissed in other regions of operation. As of the end of 2014, the total availability of Company’s staff made 96 percent, which corresponds to year 2013 and proves stable operation of HR Department of OJSC Severneftegazprom.

HR and Social Policy

**COMPANY’S STAFF SIZE AS OF DECEMBER 31, 2014**

A competitive, highly professional, and united team is an important condition for achieving strategic and operational goals set by OJSC Severneftegazprom. As a responsible employer building its personnel management system based on the observance of rights of each employee, the Company provides its employees with a competitive salary, benefits package, and with opportunities for professional and career development. The Company is consistently enhancing the efficiency of HR development and personnel social support programs. Labor relations may become really fruitful only when they are based on the observance of human rights and basic moral values. Feeling respect to their labor, care and attention from the employer, the employees give back an effective, conscientious, and proactive attitude toward their professional activity. On this understanding, OJSC Severneftegazprom builds its relations with the personnel on the basis of strict compliance with the Russian laws and international standards, principles of respect, and equality-based dialog between an employee and an employer. The Company considers provision of its employees with a respectable salary, opportunities for professional advancement and development, and diversified social support to be its direct duty toward the employees and a mandatory condition for an effective business. Finally, all of these strengthen team spirit, unites people, and ensures higher performance results of the Company.

**HEADCOUNT**

### NO. INDICATORS

1. Actual headcount 1,022

Including:

2. Persons working under the contract concluded for indefinite period 1,005

3. Persons working under the fixed-term labor contract 17

4. Persons working under the rotational work-shift method 600

5. Persons working under the basic work management method 422

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

The headcount covers all employees dismissed in accordance with item 3 of Article 77 Labor Code of the Russian Federation, except the employees dismissed: due to retirement, child care leave, or changing their place of residence.

The Company considers provision of its employees with a respectable salary, opportunities for professional advancement and development, and diversified social support to be its direct duty toward the employees and a mandatory condition for an effective business. Finally, all of these strengthen team spirit, unites people, and ensures higher performance results of the Company.

**Staff Size and Composition**

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

Operational activity of the Company is concentrated in the Yamal-Nenets Autonomous Area, which differs in its developed fuel and energy industry and competitive labor market of highly qualified specialists. The Company uses a rotational work management method to maintain the process flow at the facilities of Yuzhno-Russkoye oil and gas condensate field. In remote areas with severe geographic and climate conditions, this approach is the most popular and feasible. The share of employees of OJSC Severneftegazprom conducting their labor activity in a rotational (shift) manner made 58 percent (600 persons) in 2014.

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PEOPLE ARE THE KEY ASSET AND MOST IMPORTANT COMPETITIVE ADVANTAGE OF OJSC SEVERNEfteGAZPROM. THE COMPANY ALWAYS STRIVES TO ATTRACT QUALIFIED STAFF IN THE REGIONS OF ITS OPERATION AND PROVIDES THEM WITH THE OPPORTUNITIES FOR FURTHER DEVELOPMENT. IN ITS HR POLICY, OJSC SEVERNEfteGAZPROM HARMONICALLY COMBINES COMPETENCE AND EXPERTISE OF EXPERIENCED EMPLOYEES WITH THE CREATIVITY OF YOUNG SPECIALISTS.

REGIONAL DISTRIBUTION OF PERSONNEL

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>TOTAL/ FEMALE</th>
<th>MOSCOW/ FEMALE</th>
<th>NOVY URENGOY/ FEMALE</th>
<th>URENGOY SETTLEMENT/ FEMALE</th>
<th>TYUMEN/ FEMALE</th>
<th>KRASNOSELKUP VILLAGE/ FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount for 2014</td>
<td>1,022/215</td>
<td>75/63</td>
<td>110/60</td>
<td>232/64</td>
<td>1/1</td>
<td>604/47</td>
</tr>
<tr>
<td>Persons working under the fixed-term labor contract</td>
<td>17/13</td>
<td>2/0</td>
<td>3/3</td>
<td>9/7</td>
<td>3/3</td>
<td></td>
</tr>
</tbody>
</table>

COMPANY’S PERSONNEL STRUCTURE, PERSON

<table>
<thead>
<tr>
<th>CATEGORY OF MEMBERS</th>
<th>TOTAL listing year as of December 31, 2014</th>
<th>EXECUTIVE</th>
<th>PERMANENTLY ASSIGNED</th>
<th>PERMANENTLY DESIGNATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers</td>
<td>226</td>
<td>7</td>
<td>87</td>
<td>82</td>
</tr>
<tr>
<td>Specialists</td>
<td>295</td>
<td>64</td>
<td>131</td>
<td>63</td>
</tr>
<tr>
<td>Other employees</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Workers</td>
<td>494</td>
<td>62</td>
<td>140</td>
<td>186</td>
</tr>
</tbody>
</table>

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

A work place is reserved for the employee for the time of child care leave. In 2014, the rate of returning to work after the end of child care leave made 100 percent, and the rate of employees’ retention at the work place within 12 months after returning to work from the child care leave made 83 percent.

PERSONNEL TURNOVER IN 2014, PERSON

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>TOTAL/ FEMALE</th>
<th>MOSCOW/ FEMALE</th>
<th>NOVY URENGOY/ FEMALE</th>
<th>URENGOY SETTLEMENT/ FEMALE</th>
<th>TYUMEN/ FEMALE</th>
<th>KRASNOSELKUP VILLAGE/ FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount as of December 31, 2014</td>
<td>1,022/215</td>
<td>75/63</td>
<td>110/60</td>
<td>232/64</td>
<td>1/1</td>
<td>604/47</td>
</tr>
<tr>
<td>Broken down by age groups:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Under 30 years old</td>
<td>137</td>
<td>45</td>
<td>21</td>
<td>12</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>2. 30 to 50 years old</td>
<td>727</td>
<td>143</td>
<td>45</td>
<td>28</td>
<td>90</td>
<td>47</td>
</tr>
<tr>
<td>3. Over 50 years old</td>
<td>158</td>
<td>27</td>
<td>9</td>
<td>3</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Average listed headcount in 2014</td>
<td>1,015</td>
<td>194</td>
<td>73</td>
<td>107</td>
<td>221</td>
<td>1</td>
</tr>
<tr>
<td>2.1 Under 30 years old</td>
<td>62</td>
<td>20</td>
<td>7</td>
<td>3</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>2.2 30 to 50 years old</td>
<td>33</td>
<td>8</td>
<td>7</td>
<td>3</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>2.3 Over 50 years old</td>
<td>21</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>3. Total number of employed persons</td>
<td>110</td>
<td>35</td>
<td>13</td>
<td>14</td>
<td>34</td>
<td>13</td>
</tr>
<tr>
<td>Broken down by age groups:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Under 30 years old</td>
<td>69</td>
<td>20</td>
<td>3</td>
<td>0</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>3.2 30 to 50 years old</td>
<td>38</td>
<td>16</td>
<td>10</td>
<td>7</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>3.3 Over 50 years old</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
PERSONNEL MANAGEMENT

OJSC Severneftegazprom elaborates and implements its HR Policy through its structural subdivisions under the management of Deputy General Director for HR and Administrative Support, HR Directorate of the Company is guided by the Constitution of the Russian Federation, Labor Code of the Russian Federation, Collective Contract, and a number of internal regulatory legal documents governing labor relations. The Company builds its relations with the employees in the spirit of partnership and strives to create worthy and comfortable labor conditions.

OJSC Severneftegazprom puts the following strategic goals in the field of personnel management:

- Supplying the Company with qualified staff;
- Supporting the corporate culture;
- Improving the organizational structure;
- Following the latest international standards in the field of personnel management.

OJSC Severneftegazprom provides its employees with equal opportunities and does not tolerate nationality, origin, gender, religion, and any other discrimination. The Company’s management adheres to zero tolerance to the use of forced, mandatory, or child labor for commercial purposes. The employees perform their responsibilities in line with their labor contract.

To support healthy moral environment in the work team and to avoid conflicts, the Company operates the mechanisms to support healthy moral environment in the work team and their responsibilities in line with their labor contract.

OJSC Severneftegazprom has developed, implemented, and is successfully realizing the Integrated HR Management Program. In accordance with this Program, the Company holds regular contests aimed at improving labor conditions, motivating the innovation activity, and applying applicable technologies.

In 2014, the Company held following events: Best Innovator and Inventor, Best Structural Subdivision of the Yuzhno-Russkoye oil and gas condensate field, contexts of professional competence for the Best in Profession among oil and gas production opera tors, electric fitters, operators of process compressors, fitters of process units, and car drivers in OJSC Severneftegazprom.

“PARTICIPATION IN THE CONTESTS CONTRIBUTES TO ADVANCED PROFESSIONAL TRAINING OF THE EMPLOYEES, THEIR SUCCESSFUL SELF-FULFILLMENT AT OUR ENTERPRISE. ELABORATION OF INNOVATIVE PROPOSALS AND THEIR IMPLEMENTATIONS ALLOWS OJSC SEVERNITE-GAZPROM NOT ONLY TO REMAIN ONE OF THE MOST UP-TO-DATE ENTERPRISES IN THE OIL AND GAS PRODUCTION INDUSTRY OF RUSSIA BUT ALSO TO BE A GROUNDBREAKER IN THE IMPLEMENTATION OF SUCH COMPLEX PROJECTS AS PRODUCTION OF HARD-TO-RECOVER TURONIAN GAS.”

General Director, OJSC Severneftegazprom
Stanislav Tsygankov

REMUNERATION AND STAFF SOCIAL SUPPORT

In 2014 all obligations foreseen by Company’s Collective Contract for 2013–2015 concerning provision of social benefits, guarantees and compensations to the personnel, were carried out in full. The Collective Contract applies to all employees of the Company.

The Company is a responsible employer and provides its employees a decent remuneration. The remuneration system provides for the time-plus-bonus and time-rate individual (contract) salary systems.

The employees engaged in the Far North regions are paid higher tariff rates. The Company has a system of individual labor motivation, which includes bonus payment for achieving high working results, as well as the following forms of awards and incentives: Acknowledgement, Certificate of Merit, entering on the Board of Honor and in the Book of Honor. The Company supports research and development, optimization, and invention activity of its employees by paying additional bonus to the authors of optimization proposals and inventions coverable by patent rights.

OJSC Severneftegazprom maintains regular monitoring of employees’ demands and problems and tries to provide them with the comfortable and safe labor conditions. Rights and benefits of all employees are fixed in the Collective Contract concluded for a period of 2013 to 2015. To control the fulfillment of terms and conditions of the Collective Contract, the Company runs a Commission for Social and Labor Relations, the main tasks of which are:

- Alignment of interests of the parties on the issues of labor relations;
- Organization and holding of preliminary consultations;
- Elaboration and discussion of draft internal regulations.

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

All retired employees of the Company are guaranteed worthy level of social security at their well-earned rest. The Company has a program of additional non-state pension provision, which is run together with the non-state pension fund “Gazfond.” It is in line with the principles of the Strategy for the Long-Term Development of Pension System of the Russian Federation, facilitates the implementation of effective HR management policy, and ensures social protection of the employees on their retirement.
PERSONNEL DEVELOPMENT AND PERFORMANCE MANAGEMENT

In conditions of rapid development of technology and management systems, personnel training is playing a more important role in the enhancement of Company’s operating efficiency and competitiveness. Moreover, this activity brings results not only for the Company but makes a positive impact region-wise — being one of the largest enterprises in Yamal-Nenets Autonomous Area, OJSC Severneftegazprom makes a considerable impact on the proficiency of local specialists.

Training of the Company’s employees is provided as part of the integrated advanced training program. Trainings and seminars are mainly held in the corporate training centers of OAO Gazprom. In addition, the employees are entitled to use educational opportunities of the leading national educational institutions and training centers of foreign partners.

OJSC Severneftegazprom sets four main objectives for staff training:

- Raising the level of professional competence;
- Creating an effective system for planning the candidates pool;
- Developing leadership and managerial competences;
- Motivating to labor efficiency enhancement.

The Company offers the following kinds of training: professional training, advanced training, pre-assessment training and assessment of employees, training for the second (related) professions, and practical training. The employees may receive different kinds of full or partial off-job training without affecting the process flow.

382 employees took part in the advanced training programs. In the reporting period, the total time of training and advanced training for the employees exceeded 24 thousand hours. This figure proves the aspiration of the Company’s management to improve the level of theoretical knowledge and practical skills of its employees. Regular training in the leading training centers makes OJSC Severneftegazprom an attractive and socially responsible employer.

In 2014, Company’s employees participated in joint programs to exchange knowledge and practical experience with foreign companies (Wintershall Holding GmbH, Halliburton, GDF Suez and others); as part of the study programs, the companies BASF SE, Wintershall Holding GmbH, Overgas Inc. AD visited the Yuzhno-Russkoye oil and gas condensate field.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEES IN 2014

<table>
<thead>
<tr>
<th>CATEGORY OF EMPLOYEES</th>
<th>TRAINED (TOTAL)</th>
<th>TOTAL TRAINING HOURS</th>
<th>AVERAGE TRAINING HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FEMALE</td>
<td>MALE</td>
<td>FEMALE</td>
</tr>
<tr>
<td>1. Senior managers</td>
<td>149</td>
<td>43</td>
<td>7,807</td>
</tr>
<tr>
<td>2. Specialists</td>
<td>97</td>
<td>50</td>
<td>4,785</td>
</tr>
<tr>
<td>3. Other employees</td>
<td>1</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>4. Workers</td>
<td>135</td>
<td>3</td>
<td>11,886</td>
</tr>
<tr>
<td>Total</td>
<td>382</td>
<td>97</td>
<td>26,474</td>
</tr>
</tbody>
</table>
In order to increase the personnel qualification and enhance labor efficiency, as well as to support and develop scientific and technical activity among the employees, the Company adopted the Regulation on Grants in 2011. Grants are provided for training the staff of OJSC Severneftegazprom in post-graduate and higher doctorate Russian higher educational institutions and research organizations.

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

Operating efficiency assessment of senior managers and specialists has been done on an annual basis since 2008. Its main tasks include:

- Planning and organizing training processes;
- Improving work on recruitment and formation of the candidates pool;
- Revealing creative potential and most effective use of professional experience of the employees.

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

For assessment of the employees the Company uses an automated software “Annual Interview”. In 2014, 466 senior managers and specialists of the Company (44 percent) were interviewed; 9 of them were interviewed on their own initiative*. The system of personnel training and development is an integral part of the Company’s HR policy, which aims at improving the professional skills of employees in accordance with the priorities and objectives of the Company.

Formation and development of the qualified candidates pool is one of the most important conditions for achieving strategic goals set by OJSC Severneftegazprom. The Company implements a consistent work on identifying promising employees and provides for their professional and personal development and advancement to key executive positions. For the Company, it guarantees timely and full satisfaction of its demands for personnel and growth of business efficiency, for the Company’s employees, an opportunity for development and career advancement.

For the purpose of planning and organizing effective activity in recruitment and career development for promising employees, the Company adopted in 2008 the Regulation on the Work with the Candidates Pool for Promotion to Executive Positions. The Company extends the practice of including promising young employees with the managerial potential in the candidates pool for later replacement of heads of structural subdivisions. Following the annual interview in 2014, 8 employees of the Company were included in the lists of the candidates pool for executive positions.

The main tasks of working with the candidates pool include:

- Regular and comprehensive development of professional and managerial competence of the employees;
- Development of business and personal qualities;
- Labor efficiency enhancement;
- Building motivation for further career development.

As part of its work on formation and development of the candidates pool, OJSC Severneftegazprom pays much attention to work with young professionals—graduates of higher educational institutions, ensuring their career development by means of their involvement and adaptation in the research and operational activity. Involvement of the youth in the team is achieved by means of ensuring worthy working conditions and supporting the aspiration toward professional development. The Company offers its employees a wide choice of participation in the educational programs and practical trainings, scientific and practical conferences of the national and international levels.

The Company actively attracts young specialists under 30, who make 13 percent or 137 persons in the total headcount. Proactive and talented employees contribute to stable work and further development for the Company.

The quantity of young specialists working in the Company in 2014 was 137.

* The following persons shall not be subject to assessment:
  - Persons working at the enterprise for less than a year;
  - Young professionals working for less than one year after graduation;
  - Pregnant women and women with children under 3;
  - Women working for less than a year after a maternity leave or after a child care leave (children under 3).
HEALTHCARE

Healthcare and maintaining of working capacity of the employees is one of the Company’s corporate values. Assurance of quality and affordability of medical services is an integral part of the employees’ healthcare system in OJSC Severneftegazprom. The program of voluntary health insurance (VHI) implemented in cooperation with SOGAZ OJSC Insurance Group enables all employees of the Company to receive timely qualified medical aid, which is especially important in the Far North regions. The VHI agreement provides for such services as outpatient medical care, dental care, inpatient care, and rehabilitation treatment. Medical care for the employees under the agreement is provided in more than 4,000 medical institutions. In the reporting period rehabilitation treatment was arranged for 403 employees of the Company under the VHI agreement in the health and resort centers of the Russian Federation and abroad, which makes 33 persons more than in 2013.

The gas field employees may apply for medical aid at any time of the day at the medical aid post of the rotational camp at Yuzhno-Russkoye oil and gas condensate field, which is equipped with the necessary equipment and medicines. The main functions of the personnel at the medical aid post include: provision of first medical aid, prevention of injuries, infectious and viral diseases, medical examinations.

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

For the purpose of preventing ARVI and influenza, the Company carried out immunization of employees and prevention of viral diseases epidemics in 2014, as a result of which the influenza outbreak was prevented. Another mandatory preventive measure against the growth of infectious and viral diseases is medical examination of the employees settling in the rotational camp.

DEVELOPMENT OF PHYSICAL TRAINING AND SPORTS

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

Developing in the regions of its activity the necessary infrastructure, building and re-equipping sports facilities, supporting different public initiatives, teams and sports sections, the Company acts in compliance with the concept of social responsibility of business to the society. It is especially important considering that OJSC Severneftegazprom operates in the northern regions, where the basis for the population to go in for sports is not very developed, possibilities for their improvement without the Company’s help are limited, and severe conditions make regular exercises a vital necessity. Such activity not only contributes to enhancement of life level and quality of population in the regions of operation of OJSC Severneftegazprom, forms in the people’s eyes a positive image of the enterprise, but also facilitates establishment of close and fruitful cooperation with the representatives of local government.


In 2014, the first OJSC Severneftegazprom Cup Hockey Championship was held in Urengoy settlement with the teams from Novy Urengoy and Purovsky district. The competition was held on the indoor ice rink of the “Geolog” Sports School, where the artificial ice preparation system equipment was finished in mid-October. The project for about 20 million rubles was implemented with the support of OJSC Severneftegazprom as part of the agreement on the social and economic cooperation with the Government of Yamal-Nenets Autonomous Area for 2013–2017.

During the solemn opening ceremony of the competitions, Alexander Medvedev, Chairman of the Board of Directors of OJSC Severneftegazprom, spoke via video call communications system to young hockey players: “AFTER WAITING FOR SO LONG, YOU ENJOY THE PRIVILEGE TO BE THE FIRST HOCKEY PLAYERS AND FANS TO TRY ARTIFICIAL ICE IN URENGOY SETTLEMENT. I AM HAPPY WE WERE ABLE TO HELP MANY DEVOTEES OF THIS WONDERFUL GAME, AND THAT NOW THEY ARE ABLE TO PLAY HOCKEY ALL YEAR ROUND. WELL, THE SPORT OF HIGH ACHIEVEMENTS IS BORN ON THE CHILDREN’S PLAYGROUNDS!”
OJSC Severneftegazprom supported a group of young sportsmen from Krasnoyelkysky district, thanks to which they were able to take part in the district competitions in sports tourism, where the children took the fourth place of honor.

The activity on promoting physical training and sports and bring the Company itself great benefit. Only healthy, alert, and cheerful employees may work effectively, creatively, and responsibly at their workplace. Therefore, physical training and sports play an important role in supporting physical and moral health of employees in OJSC Severneftegazprom. The possibility to go in for favorite sports and to participate in corporate competitions of different level unites people, strengthens their loyalty, develops creativity, aspiration toward continuous self-improvement, and at the same time teaches how to work in the team. All of these in their return make a positive impact on the moral and psychological environment among co-workers and serves a basis for new operational achievements.

There is a physical training complex in the territory of the rotational camp at the Yuzhno-Russkoye oil and gas condensate field, where volleyball, football, basketball, swimming, athletic triathlon, and other sports competitions are held on a regular basis.

In accordance with the Collective Contract, the Company’s employees working outside the gas facilities shall receive compensation of their expenses on individual sports exercises based on the actual amounts of expenses (maximum 0.5 of the minimum tariff rate per month).

It is also important that senior managers of the Company show a confident personal example of active physical exercises to the Company’s employees.

The representatives of OJSC Severneftegazprom took part in 150 km snow rally “Along the Frozen Rivers of Siberian North,” a sports event held for the second time and combining a health improvement aspect and acquaintance with historical and cultural specifics of the region.

The team of OJSC Severneftegazprom took part in the 17th Spartakiada of Managers of West Siberian Affiliates of OAO Gazprom held in Novy Urengoy. In the course of this grand-scale corporate holiday that has already become a good tradition, the competitions in swimming, shooting, chess, table tennis, basketball, as well as competitions in darts, billiards, and benchpress were held. The team of OJSC Severneftegazprom took the 3rd place in the competitions between Deputy General Directors of subsidiary production companies. At the volleyball competition held in February 2015 in Novy Urengoy and dedicated to the Defender of the Fatherland Day, the team of OJSC Severneftegazprom won the 3rd place.
Interactions with Stakeholders

High reputation of a reliable and effective partner in Russian and international business circles, authority and respect in the society — all these reputational advantages are hard to be evaluated through financial categories.

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

OJSC Severneftegazprom’s sustainable development is inseparably connected with the maintenance of long-term partnership with the regions of presence and interaction with the interested parties through the implementation of joint projects in accordance with the principle of compliance with assumed obligations and with the expectations of the interested parties.

The Company singles out a number of key groups of interested parties, whose interests are most appreciably connected with its activity and which in their turn may have the most significant impact on the Company’s ability to implement its strategic goals:

- Shareholders;
- Government bodies;
- Local communities;
- Employees;
- Suppliers /buyers;
- Non-profit organizations;
- Public media;
- Partners and suppliers;
- Personnel;
- Relations with the regions are governed by General Cooperation Agreements concluded between the Company and administrations of municipal entities of Krasnoselkupsky, Purovsky districts.

The principle of finding and screening the interested parties for the interaction is mainly determined by the regional aspect.

The parties imposed to possible effect from the Company’s activity are identified by their territorial belonging to the areas of Company’s industrial activity (Novy Urengoy, municipal entities Krasnoselkupsky and Purovsky districts).

A circle of issues for the dialog with the interested parties is formed on the basis of continuous analysis of internal and external social environment. This work is done on a continuous basis with due regard to short-term and long-term plans of the Company. The main task of interaction is to search for the decision that would satisfy most of the interested parties subject to its compliance with the law provisions and other applicable requirements.

The Technical Committee considers such issues and documents relating to the economic, environmental, and social aspects of Company’s industrial activity (Novy Urengoy, municipal entities Krasnoselkupsky, Purovsky districts).

The Regional Policy of OJSC Severneftegazprom is based on the implementation of the following activities:

1. Investments in the infrastructure and social sphere;
2. Presentation of reports on the Company’s activity to the supervisory bodies;
3. Employment of local population;
4. Tax deductions;
5. Changing Gas Supply Agreements for 2014–2015, determining the gas price and supply volumes; Development of Turonian gas deposits of Yuzhno-Russkoye oil and gas condensate field.
6. Implementation of projects on development of local communities, socially important and environmental projects;
7. Charity support;
8. Information disclosure about the Company’s activity at the corporate website.

In the reporting period, the Company spent over 101 million rubles on the socially significant projects in the course of fulfilling General Agreements. The total sum spent by the Company on these goals in 2006–2014 exceeds 364 million rubles.

"COOPERATION AGREEMENT IS NOT JUST A DOCUMENT OUTLINING THE DEVELOPMENT OF LONG-TERM RELATIONS BETWEEN THE REGION AND THE COMPANY, IT MEANS AN OPPORTUNITY TO IMPLEMENT LARGE-SCALE PROJECTS, IN THE RESULT OF WHICH LIFE QUALITY OF YNAD RESIDENTS WILL CONTINUE IMPROVING."

Stanislav Tsygankov
General Director, OJSC Severneftegazprom

In 2014, the main topics discussed with shareholders were:
- 2014 annual budget for the next year. Detailed information on the activities considered in the Financial and Operational Activities Supervision Bodies section.
- Budget for the next year. Detailed information on the activities of regulatory bodies and on the key topics and issues discussed during the reporting year is considered in the Financial and Operational Activities Supervisor Bodies section.
- In accordance with the Charter, shareholders take part in the management and control of the Company’s operating efficiency through the existing regulatory bodies: General Meeting of Shareholders, Board of Directors, Technical Committee.
- The Technical Committee considers such issues and documents relating to the economic, environmental, and social aspects of the Company’s activity — that is, a report on work results in the field of occupational, industrial, and environmental safety (on a quarterly basis), report on the fulfillment and preliminary consideration of the Company’s Annual Work Program, and Budget for the next year. Detailed information on the activities of regulatory bodies and on the key topics and issues discussed during the reporting year is considered in the Financial and Operational Activities Supervisor Bodies section.
One of the priorities of the Company's social policy in the region of its work performance has been and remains support for the indigenous peoples of the North, aid in the preservation of their historical and cultural heritage, and at the same time ensuring the current state of life, economic and social integration.
LOCAL COMMUNITIES

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

Interaction with local communities is regulated by General Cooperation Agreements and by collecting addresses through the mailboxes for references and addresses placed in the offices of OJSC Severneftegazprom. Key topic interesting for the Far North population is provision of financial aid under the existing agreements or at the corresponding requests sent to the Company.

Responsibility for the fulfillment of obligations under the agreements and for the implementation of charity events in OJSC Severneftegazprom is imposed on the Authorities and Public Relations Department.

Throughout 2014, all activities on financing social and economic development and preserving culture and traditions of indigenous peoples were fulfilled to their fullest extent. The Company provided financial aid to the Association of Indigenous Minorities of the North “Yamal to Descendants” in the amount of 3 million rubles, took part in the organization of traditional holidays for indigenous residents of Far North — Rindeer Herder’s Day and Fisherman’s Day — and awarded the winners of competitions in the national kinds of sports for a sum of over 2 million rubles.

It is important for OJSC Severneftegazprom not only to ensure preservation of cultural traditions and life style of indigenous minorities but also to not impose them to the negative impact in the course of its operational activities. Because of territorial remoteness of Yuzhno-Russkoye oil and gas condensate field and in Urengoy settlement. As a rule, key topics concerning various aspects of social support—that is, compensations, benefits, transportation to the work place, planned relocation of the office to Novy Urengoy. All questions filed to General Director will be considered in preparing amendments to the Collective Contract in 2015.

Besides, the Company’s employees may send their questions through the mailboxes for references and addresses placed in the Company’s offices and through the contact center of OJSC Severneftegazprom (Vippro@ingap.com, telephone +7–3494–932–932). In 2014, the Company’s management received 6 requests containing 27 questions. The Company’s employees may discuss personal questions by preliminary appointment with the Deputy General Directors. No complaints were received in the reporting period in connection with the infringement upon human rights.

In 2014, the Company initiated the work on development of its corporate portal to cover not only its operational activities but also social and cultural projects implemented by the Company. The Company has been also optimizing work processes and information exchange among the Company’s employees.

In the reporting period, the Company took part in the charity marathon “A Hundred Good Deeds,” the purpose of which was to attract attention to the problems of children from needy families; as part of the Year of Environmental Awareness, the Company organized an excursion for students of Krasnoselkup village to the facilities of Yuzhno-Russkoye village and oil and gas field, and held a number of other activities in educational institutions to bring up careful attitude toward nature in the young generation.

OJSC SEVERNEFTEGAZPROM HAS AN ACTIVE DIALOGUE WITH REPRESENTATIVES OF LOCAL COMMUNITIES INFORMING INTERESTED PARTIES ON COMPANY’S ACTIVITIES ON A REGULAR BASIS.

PARTNERS AND SUPPLIERS

The procurement activity of OJSC Severneftegazprom is conducted on a competitive basis to provide for the optimal screening of contractors for performance of works and provision of services, as well as terms and conditions for supply of the goods required for timely and quality satisfaction of demands of Company’s subdivisions. The contractors screening procedures are carried out using the methods of competitive procurement in accordance with the corporate regulations.

In the reporting year, the Company implemented the competitive procurement procedures for a sum of about 2 billion rubles, 30 percent of which comprised procurement from local suppliers and contractors registered in Yamal-Nenets Autonomous Area.

In its work with the contractors, OJSC Severneftegazprom complies with the health, safety, and environment (HSE) requirements established in the Company. In the process of screening procedures, contractors’ compliance with the Company’s HSE requirements is one of important qualification criteria.

In 2014, OJSC Severneftegazprom published materials in the federal and regional public media, press releases on the Company’s website, and video clips in the electronic media.

Each year the Company organizes excursions and press tours for the purpose of informing interested parties. In February 2014, the Company organized 2 press tours for the representatives of YNAO public media and Russia 24 TV channel and held an excursion for the students from school in Novy Urengoy aimed to their professional orientation.

OJSC SEVERNEFTEGAZPROM NON-PROFIT ORGANIZATIONS

Based on the requests received by the Company during the reporting period, financial aid was provided to the following non-profit organizations:

- Municipal Budget-Funded Education Institution Secondary School No. 17 in Novy Urengoy received 147,000 rubles to purchase commemorative prizes for students and teachers.
- Non-Profit Organization Charitable Fund “Help Children” received 78,370 rubles to purchase the necessary commodities and supplies for families with low income in Urengoy settlement.
- Institutions in Novy Urengoy, Krasnoselkupsky, and Purovsky districts received 529,200 rubles for delivery of New Years presents for children.

PUBLIC MEDIA

Mass media plays an important role to create and maintain a positive image and strengthening the business reputation of the Company. An adequate strategy of information interaction of the Company with mass media will allow for timely notification of the wide public on the Company’s achievements.

In 2014, OJSC Severneftegazprom published materials in the federal and regional public media, press releases on the Company’s website, and video clips in the electronic media. Meetings of Stanislav Tsygankov, General Director of OJSC Severneftegazprom, with the labor collective are held on an annual basis at the field of Yuzhno-Russkoye oil and gas condensate field in and Urengoy settlement. As a rule, key topics considered in the addresses and questions of the employees concern various aspects of social support—that is, compensations, benefits, transportation to the work place, planned relocation of the office to Novy Urengoy. All questions filed to General Director will be considered in preparing amendments to the Collective Contract in 2015.

The employees may receive information on the Company’s development plans, opportunities for their professional and career development during corporate events.

Interactions with Stakeholders

Local Communities

Partners and Suppliers

PERSONNEL

The employees may receive information on the Company’s development plans, opportunities for their professional and career development during corporate events.
EFFECTIVE MANAGEMENT AT EUROPEAN LEVEL

Today, hydrocarbon production is a scope of activity that requires from companies dynamic development, usage of the most modern technology, understanding and skilful use of market conditions. All this can be achieved only through a truly efficient and modern corporate management system that meets the highest international standards and covering all phases and activities of the Company.
Corporate Governance Structure

Corporate Governance Structure of OJSC Severneftegazprom

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

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

The Company’s Board of Directors establishes a Technical Committee of the Board of Directors.

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

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

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

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

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

The Charter is available for review to all stakeholders on the Company’s website at www.en.severneftegazprom.com
Today, Hydrocarbon Production is a Business Area requiring that the Company dynamically develops, uses modern technologies, and understands and takes benefit of the market environment. All this can only be ensured by means of a really efficient and up-to-date corporate governance system that meets the highest international standards and covers all areas of the Company’s activities.

As a joint venture of OAO Gazprom, Wintershall Holding GmbH and E.ON Exploration and Production GmbH, OJSC Severneftegazprom is a successful project of international cooperation. Close partnership with foreign colleagues and integration into the international business community makes the corporate governance system of OJSC Severneftegazprom highly efficient in terms of decision making and up to the world’s best practices.

General Meeting of Shareholders

In 2014, the Company held four General Meetings of Shareholders, including the annual one (on June 30, 2014) at which the shareholders approved the Company’s Annual Report and Annual Financial Statements of OJSC Severneftegazprom for the year 2013, approved the auditor for 2014, elected the Board of Directors and the Audit Commission, considered the issues of distributing the profits and paying the fees to the members of the Board of Directors.

On January 30, 2014, new members of the Board of Directors were elected at the extraordinary General Meeting of Shareholders.

The extraordinary General Meetings of Shareholders held on June 26 and December 23, 2014, approved the amendments to the long-term Gas Supply Agreements in terms of the prices set for the second six months of 2014 and the first six months of 2015, as well as the gas volumes to be supplied in 2015.

Board of Directors

The Board of Directors is a regulatory body that carries out the overall management of the Company’s activities and is responsible for strategic management aimed at attaining the Company’s prospective goals and objectives and controlling its performance.

Pursuant to the Charter, the Board of Directors of OJSC Severneftegazprom is elected in the amount of 8 members. Of them, four members of the Board of Directors are the representatives of OAO Gazprom, two members represent Wintershall Holding GmbH, and two members are the representatives of E.ON Exploration and Production GmbH. The Board of Directors doesn’t include any individual members. None of the Board of Directors members belongs to the executive management.

OJSC Severneftegazprom corporate governance system has a clear structure, the appropriate level of interaction between individual regulatory bodies and, as a result, highly efficient decisions. Such approach guarantees transparency and availability of information about all main events and business areas of the Company to all its stakeholders and, first of all, its shareholders. Moreover, the cooperation with major German concerns facilitates access for OJSC Severneftegazprom to cutting-edge foreign technology solutions. The participation of a major German business in the Charter Capital of OJSC Severneftegazprom is an additional guarantee of stable demand for its products creating a positive international image of the Company and helping it build and strengthen foreign business relations. All these factors are the basis of the Company’s stability, profitability, and further sustainable development.

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FEES PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

In 2014, based on the work performance the members of the Board of Directors were paid the fees for 2013 in the total amount of 4.8 million rubles.

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Issues Considered</th>
<th>2013</th>
<th>2012</th>
<th>2014</th>
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<td>113</td>
<td>112</td>
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<tr>
<td>including budget planning</td>
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<td>3</td>
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<tr>
<td>Corporate governance</td>
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<tr>
<td>including approval of transactions</td>
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<tr>
<td>— preparing for the General Meeting of Shareholders</td>
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<tr>
<td>— HR</td>
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<tr>
<td>other</td>
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<tr>
<td>TOTAL</td>
<td>45</td>
<td>36</td>
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Report on the Board of Directors Performance in Priority Areas

The Board of Directors plays the key role in protecting the shareholders’ rights, forming the Company’s strategy, and ensuring its successful financial and operational activities.

The Board of Directors assesses the overall outcomes of the Company’s work in its priority areas in the reporting period as successful.

In the reporting year, the Board of Directors held 18 meetings and considered 65 issues in various areas of the Company’s activities.

The OJSC Severneftegazprom Board of Directors focused on the important issues of the Company’s daily operations:

- Convocation of extraordinary General Meetings of Shareholders;
- Recommendations as to the amount of dividends on the Company’s shares and the procedure for their payment as of the end of the 2013 financial year;
- Approval of the Company’s Annual Work Program and the Budget for 2015;
- Determining the auditor’s fee.

While preparing for the extraordinary General Meeting of Shareholders, the Board of Directors considered the following issues: Determining the selling price for gas for the second six months of 2014 and the first six months of 2015, and Recommendations to the General Meeting of Shareholders to approve the additional agreement to the long-term Gas Supply Agreements.

- Election of the General Director;
- Approval of related-party transactions;
- Considering the nominees proposed by the shareholders to be elected to the Company’s Board of Directors;
- Assigning the members of the Technical Committee;
MEMBERS OF THE COMPANY’S BOARD OF DIRECTORS AS OF THE END OF THE REPORTING PERIOD

ALEXANDER MEDVEDEV
Chairman of the Board of Directors
Born on August 14, 1955, in Shakhtersk, Sakhalin Region.

VSEVOLOD CHEREPANOV
Born on November 25, 1964, in Frunze.
Graduated from the Moscow State University with a degree in Geology (1991). PhD in Geology and Mineral Science. 2008–2010, Deputy General Director, Chief Geologist at Gazprom Dobycha Nadym, LLC. Since 2010, Member of the Management Committee, Head of the Department at OAO Gazprom.

ELENA MIKHAILOVA
Born on April 28, 1977, in Pskov Region.
Graduated from the Moscow State Industrial University with a degree in Geology (1997). Since 2003, Deputy General Director of Corporate and Property Relations at OAO Gazprom. Since 2012, Member of the Management Committee, Head of the Department at OAO Gazprom.

ALEXANDER DUSHKO
Born on June 22, 1976, in Novodruzhesk.

INFORMATION ABOUT THE CHANGES IN THE COMPOSITION OF THE COMPANY’S BOARD OF DIRECTORS IN THE REPORTING YEAR

By decision of the Company’s extraordinary General Meeting of Shareholders as of January 30, 2014, the members of the Board of Directors were re-elected ahead of schedule (Minutes of the extraordinary General Meeting of Shareholders №30/2014 as of January 30, 2014). Alan James Weatherill terminated the authority as the Board of Directors member, Stefan Bergmaier entered Company’s Board of Directors.
Technical Committee

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

Creating a Committee that includes members with an extensive experience and knowledge in specific areas enhances the Board of Directors’ performance and quality of work and, as a result, provides efficient mechanisms of control over the activities of the Company’s executive body.

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

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

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

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

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

The members of the Audit Commission hold no shares of the Company.

Composition of the Company’s Audit Commission as of the end of the reporting period

<table>
<thead>
<tr>
<th>FULL NAME</th>
<th>PLACE OF EMPLOYMENT</th>
<th>POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yulia Antonovskaya</td>
<td>OAO Gazprom</td>
<td>Chief Economist</td>
</tr>
<tr>
<td>Ingo Lehmann</td>
<td>Wintershall Russland GmbH</td>
<td>Head of the Finance and IT Department of the Moscow Branch</td>
</tr>
<tr>
<td>Jan Ove Nesvik</td>
<td>E.ON Exploration &amp; Production Norge AS</td>
<td>General Finance Manager for Norway and Russia</td>
</tr>
</tbody>
</table>

Information about the Company’s Auditor

CJSC PricewaterhouseCoopers Audit (CJSC PwC Audit).

Member of the Self-Regulated Organization, Non-Profit Partnership Audit Chamber of Russia (SRO NPP ACR). Principal Number of Registration Entry (PNRE) in the register of auditors and audit companies: 10201003683 (Resolution on admission to SRO No. 55 dated December 21, 2009).

Location: 10, Butyrsky Val St., Moscow, 125067 Russia;
Tel.: +7 (495) 967-60-00; Fax: +7 (495) 967-60-01.

The auditor is approved by the resolution of the Company’s Annual General Meeting of Shareholders (Minutes No. 32/2014 dated July 1, 2014).
Charter Capital

INFORMATION ABOUT THE CHARTER CAPITAL AS OF DECEMBER 31, 2014

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

The Company’s Charter Capital is fully paid up. State registration of all issues of the Company’s shares is made by the Ural Federal District Regional Department of the Federal Financial Markets Service. In the reporting year, the Company raised no monetary or other funds resulting from the issue of its securities. The Company’s securities are not listed with the trade organizers at the securities market and have no market quotations.

INFORMATION ABOUT THE CHARTER CAPITAL AS OF DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>NO.</th>
<th>TYPE OF SECURITY</th>
<th>PLACED SHARES</th>
<th>NOMINAL AMOUNT PER SHARE (RUBLES)</th>
<th>FULLY PAID-UP SHARES (PCS)</th>
<th>PARTIALLY PAID-UP SHARES (RUBLES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Company’s Charter Capital</td>
<td>533,330</td>
<td>—</td>
<td>533,330</td>
<td>No</td>
</tr>
<tr>
<td>2.</td>
<td>Ordinary shares</td>
<td>533,324</td>
<td>60.00</td>
<td>533,324</td>
<td>No</td>
</tr>
<tr>
<td>2.1.</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3.</td>
<td>Preferred shares, including</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3.1.</td>
<td>preferred shares Type A</td>
<td>2</td>
<td>2,661,620.00</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>3.1.1.</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3.2.</td>
<td>preferred shares Type B</td>
<td>3</td>
<td>666,692.40</td>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>3.2.1.</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3.3.</td>
<td>preferred shares Type C</td>
<td>1</td>
<td>1,076,992.20</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td>3.3.1.</td>
<td>including credited to the account</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

INFORMATION ABOUT THE COMPANY’S EQUITY SECURITIES

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

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

As of the end of 2013, based on the resolution of the Company’s Annual General Meeting of Shareholders held on June 30, 2014 (Minutes No. 32/2014 dated July 1, 2014), 2,763 million rubles was allocated to pay out dividends.

INFORMATION ABOUT THE CHANGES IN THE COMPANY’S ADDITIONAL CAPITAL

As of December 31, 2014, the additional capital amounts to 29,099,046.00 rubles. For the reporting year, the amount of the additional capital did not change.

AMOUNT OF DIVIDENDS PAID, IN THOUSAND RUB

<table>
<thead>
<tr>
<th>CATEGORY TYPE OF SECURITY</th>
<th>DIVIDENDS PAID, THOUSAND RUBLES</th>
<th>DIVIDEND PAYMENT DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>2,370,275</td>
<td>August 2014</td>
</tr>
<tr>
<td>Preferred shares Type A</td>
<td>364,667</td>
<td>August 2014</td>
</tr>
<tr>
<td>Preferred shares Type B</td>
<td>148,142</td>
<td>August 2014</td>
</tr>
<tr>
<td>Preferred shares Type C</td>
<td>79,760</td>
<td>August 2014</td>
</tr>
</tbody>
</table>
MAJOR RISK FACTORS ASSOCIATED WITH THE COMPANY’S ACTIVITIES

STRUCTURE AND ASSESSMENT OF THE COMPANY’S RISKS

<table>
<thead>
<tr>
<th>LEGAL RISKS</th>
<th>FINANCIAL RISKS</th>
<th>INDUSTRY RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES OF CURRENCY LAWS</td>
<td>INTEREST RISK</td>
<td>TECHNOLOGICAL RISKS</td>
</tr>
<tr>
<td>RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY’S ACTIVITIES</td>
<td>CURRENCY RISK</td>
<td>ENVIRONMENTAL RISKS</td>
</tr>
<tr>
<td>RISKS ASSOCIATED WITH INFLATION</td>
<td>RISKS ASSOCIATED WITH INFLATION</td>
<td>RISKS RELATED TO LICENSES</td>
</tr>
<tr>
<td>RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES IN THE RUSSIAN TAX LAWS</td>
<td>RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS</td>
<td>RISK OF REDUCED SALES</td>
</tr>
</tbody>
</table>

AVERAGE RISK LEVEL

LOW RISK LEVEL

- Industry Risks
- Financial Risks
- Legal Risks
Industry Risks

In carrying out its activities, the Company is exposed to industry risks, the most critical of which include the prices for raw hydrocarbons, and technological risks related to the specifics of the flow process. The general industry risks also include transport technology restrictions that can become one of various obstacles in attaining the long-term objectives of Russia’s Energy Strategy. Prospecting and development of fields and transportation and treatment of gas and liquid hydrocarbons are a complex and capital-intensive process bearing technological and environmental risks. By strictly adhering to the industry requirements and standards, the Company minimizes such risks when implementing new technologies and equipment at all stages of its process flow.

RISK OF REDUCED SALES

The risk of reduced sales is related to the probability of reduced demand for hydrocarbons in a long-term perspective, which in turn can have an adverse effect on the project indicators. Moreover, the Company’s production activities for operating the Yuzhno-Russkoye oil and gas condensate field may be fraught with adverse factors related to breakdowns or failures of equipment. To address the key objectives in planning measures to prevent and liquidate emergencies for the field hazardous facilities, the Company has developed: the Plan of Potential Emergency Liquidation, the Plan for Preventing and Liquidating Oil Spills at the Site of Reservoirs with Reagents and Oils of the Gas Processing Facility at the Yuzhno-Russkoye oil and gas condensate field, and the Plan for Preventing and Liquidating Oil Spills at OJSC Severneftegazprom Filling Stations, and Process Regulations for the Operation of the Gas Processing Facility of the Yuzhno-Russkoye oil and gas condensate field 05.125–TR. As per the above plans, the Company provides regular emergency drills for its personnel.

The Company’s operations for the development of the Yuzhno-Russkoye oil and gas condensate field bears potential environmental risks. In this respect, environmental protection is one of the priority areas of the Company’s activities. The key design solutions used in the construction and exploitation of field facilities meet Russian and international environmental standards.

ENVIRONMENTAL RISKS

The Company’s operations for the development of the Yuzhno-Russkoye oil and gas condensate field may be fraught with adverse factors related to breakdowns or failures of equipment. In addition, to reduce and prevent emergencies, the Company has made agreements with Gazprom Gazobezopasnost LLC to ensure blowout safety for the wells located at the Yuzhno-Russkoye licensed field and with Gazprom Transgaz Surgut LLC for the operation of the sales gas pipeline of the Yuzhno-Russkoye oil and gas condensate field. The Company has arranged for and maintains administrative and operational control over the labor, industrial, fire, and well blowout safety, which reduces the mentioned risks.

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Financial risks

RISKS ASSOCIATED WITH INFLATION
As of the end of 2014, the inflation rate was 7.8 percent. The Ministry of Economic Development of the Russian Federation expects the inflation of 12–16 percent in 2015. In the foreseeable future, however, the inflation will not have a material effect on the Company’s financial performance due to its gas pricing mechanism and cost reduction program.

INTEREST RISK
As a major borrower, the Company is subject to the risks of changes in the interest rates. Most of the Company’s debt portfolio under the project financing is constituted by the loans denominated in dollars and euros. The interest rate for servicing such loans is based on interbank loan rates (LIBOR/Euribor). Any increase in the interest rates may lead to the appreciation of the Company’s debt servicing. The increased loan value may adversely affect the Company’s solvency and liquidity ratios. The increased loan value may adversely affect the Company’s solvency and liquidity ratios. However, now LIBOR is at a relatively low historical level and has a medium-term tendency for stabilization. At the same time, in view of the fact that under the Gas Supply Agreements the gas price is determined by the formula that factors in the compensation component, the risk is assessed as low.

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

Legal Risks

RISKS ASSOCIATED WITH THE APPLICATION OF AND POSSIBLE CHANGES IN THE RUSSIAN TAX LAWS
For the last years, a number of laws have been adopted that made substantial amendments to the tax law. The amendments to the Russian tax law are intended to eliminate its faults and thus make it possible to change individual provisions of the Russian Tax Code, which can in future lead to both an increase and a decrease in the tax burden as compared to the reporting year. As a rule, the amendments to the Russian tax law that deteriorate the taxpayer’s position do not apply in retrospective (unlike various interpretations of individual tax law provisions). Since tax authorities (the Ministry of Finance of Russia or judicial bodies) may interpret individual tax regulations differently from the Company’s executives, the amount of tax liabilities based on the results of the Company tax audits may both for the reporting year and for the previous periods change and lead to tax risks (in particular, additional taxes, penalties, or fines may be charged to the Company).

RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY’S ACTIVITIES
No changes in the judicial practice regarding the issues related to the Company’s activities or the rules of court will have a material effect on the Company, as it strives to resolve disputes out of court. Currently, the Company is not involved in any significant legal proceedings and does not bear liability for any third party debts that may entail any restrictions on the Company’s activities.

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

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

According to the Russian accounting rules, any changes in the tax liabilities for the previous periods are recognized in the accounting statements of the period when the changes were actually made.
1. SHAREHOLDER RIGHTS AND EQUAL TREATMENT OF SHAREHOLDERS

1.1. The procedure of convocation, preparation, and conduction a General Meeting of Shareholders is specified in the Company’s Charter and the Regulation on General Meetings of Shareholders approved by the General Meeting of Shareholders on November 2, 2009 (Minutes No. 8/2009 dated November 2, 2009).

1.2. A notice of General Meeting of Shareholders contains all information Company’s shareholders may need to make decision on participating in the meeting, including on the premises where the meeting will take place. General Meeting of Shareholders data is also available in English for foreign shareholders.

1.3. To ensure that decisions made by the General Meeting of Shareholders are more reasoned, in addition to statutory materials, Company’s shareholders are provided with the following information:

- Position of the Board of Directors with respect to General Meeting agenda items (extracts from Board of Directors minutes, including a special opinion of a member of the Board of Directors, if any);
- When approving interested-party transactions, a list of persons recognized as interested in the transaction with the grounds why such persons are recognized interested;
- Justification of proposed allocation of net profit, including for the General Meeting of Shareholders state the person who nominated a candidate for election to the Board of Directors.

1.4. The Company allows its shareholders to examine General Meeting of Shareholders materials, if, despite mistypes and other insignificant shortcomings, the Company does not refuse to include it in the agenda of the General Meeting of Shareholders and the nominated candidate to the list of candidates for election in the respective body of the Company if the content of such suggestion, in general, makes it possible to determine the shareholder’s will and confirm his/her right to submit the suggestion.

1.5. The Company enables its shareholders to examine the list of persons entitled to participate in the General Meeting from the date it was obtained by the Company.

1.6. A dividend distribution decision enables a Company’s shareholder to obtain comprehensive information on the amount of dividends payable on shares of each category (type).

1.7. If a shareholder’s suggestion contains any mistypes or other significant shortcomings, the suggestion is considered to be inadmissible. In such case, the Company engages the Company registered to act as a counting board, when holding a General Meeting.

1.8. The Company engages the Company registrar to act as a counting board, when holding a General Meeting.

1.9. It takes one day for the General Meeting of Shareholders held in the form of joint presence to discuss agenda items and make decisions on voting issues. Voting results are summed up and announced before termination of the General Meeting of Shareholders.

1.10. A dividend distribution decision enables a Company’s shareholder to obtain comprehensive information on the amount of dividends payable on shares of each category (type).

1.11. The Company pays out dividends to its shareholders annually, profits being distributed in accordance with the Russian laws. Dividends are only paid out in cash to shareholders’ accounts.

1.12. After a dividend distribution decision is made, the Company gives its shareholders additional notice requiring to update their data necessary to pay out dividends (bank details, post address, etc.)

1.13. The Company declares dividends only in the case of sufficient profit margin and subject to no restrictions on the payment of dividends prescribed by the Project Facility Agreement entered into with a consortium of foreign banks and Bank GPB (JSC).

1.14. The Company ensures a reliable method of share right registration and use of modern technologies enabling registration of shareholders’ ownership titles in the most efficient way (registrator CJSC SR-DRAGa).

1.15. The Company ensures a reliable method of share right registration by entering into a shareholder register maintenance agreement with a reputable entity holding a statutory license and having tried and tested technologies enabling registration of shareholders’ ownership titles in the most efficient way (registrator CJSC SR-DRAGa).

1.16. If a shareholder’s suggestion contains any mistypes or other significant shortcomings, the suggestion is considered to be inadmissible. In such case, the Company engages the Company registered to act as a counting board, when holding a General Meeting.

1.17. The Company engages the Company registrar to act as a counting board, when holding a General Meeting.
2.13. The duty of managers of main structural subdivisions of the Company to provide information on agenda items of Board of Directors Meetings is held in accordance with the approved work program and when necessary, generally at least once every two months.

2.14. The Board of Directors Meetings are held in accordance with the approved work program and when necessary, generally at least once every two months.

2.15. In accordance with the Company’s Charter, notice of the Board of Directors Meeting to be held in praesentia, with materials relating to agenda items attached, shall be given to the members of the Board of Directors no later than 15 calendar days prior to its holding or, if an absentee vote is taken, no later than 25 calendar days prior to its holding.

2.16. The Company’s Charter determines the content of a notice of the Board of Directors Meeting and the notification procedure ensuring that the notice is promptly received.

2.17. In accordance with the Company’s Charter, decisions on the most important matters relating to the Company’s business shall be approved by a unanimous vote of the elected members of the Board of Directors.

2.18. There is a Technical Committee established in the Company. The main function of the Technical Committee is to provide recommendations to the Board of Directors regarding all significant technical aspects of the Company’s business. The Regulation on the Technical Committee was approved by a decision of the Board of Directors (Minutes No. 11/2009 dated October 25, 2009). The Technical Committee consists of 8 members and may engage experts who carry no voting rights. Members of the Committee are appointed and their powers are terminated by the Board of Directors.

2.19. The Technical Committee of the Board of Directors revised the Committee’s reports on fulfillment of the Annual Work Program and Budget, on fulfillment of maintenance and overhaul programs; on fulfillment of the facility reconstruction, modernization and technical corporate plan; on the Company’s performance in health, safety, and environmental protection, and on its innovation and inventive activities.

3.1. The duties of the Secretary of the Board of Directors of the Company are performed by V. Vertyaevna, Deputy General Director for Legal and Corporate Governance Issues, with higher education in law and more than ten years of leadership experience. As of year-end 2011, 2012, and 2013, she ranked Nos. 2 and 3 in the Corporate Governance Issues, with higher education in law and more than ten years of leadership experience. As of year-end 2011, 2012, and 2013, she ranked Nos. 2 and 3 in the Corporate Governance Issues, with higher education in law and more than ten years of leadership experience.

3.2. The Secretary of the Board of Directors is elected and is authorized to express his/her position through the Board of Directors.

5.1. There is a separate structural subdivision in the Company to exercise internal control, Internal Audit Department.

5.2. There is an anti-corruption policy approved in the Company (section of the Code of Corporate Ethics) to determine measures aimed at creating elements of corporate culture, organizational structure, and rules and regulations preventing occurrence of corruption.

6.1. There are procedures introduced in the Company by decision of the General Director to ensure coordination of all services and structural subdivisions connected with information disclosure whose activities may necessitate such disclosure.

6.2. Information on the Company’s activities available on the official corporate website of the Company is sufficient to form an objective view of material aspects of its activities.

6.3. The Company discloses on its official corporate website information on the corporate governance system, the executive body, composition of the Board of Directors and Technical Committee, as well as information on compliance with principles and recommendations of the Code of Corporate Governance (Annual Reports of the Company).

6.4. The official site also discloses information on the key areas of the Company’s activities, its capital structure, including the number of voting shares with breakdown by share category (type) and shareholders owning over 5 percent of the Company’s Charter Capital, social and environmental responsibility data, including the Company’s internationally recognized GRI Sustainable Development Report (integrated into the Annual Report).

6.5. Moreover, the Company’s official site discloses information on the Company’s financial standing by making available the Annual and Interim Financial Statements of the Company prepared under the Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS). In addition to the data required by law, the Company includes in the Annual Report the following supplementary information:

- Messages to shareholders from the Chairman of the Board of Directors and the General Director of the Company with performance appraisal for the reporting year;
- Information on the Company’s securities;
- Key performance indicators of the Company;
- Annual achievements against planned;
- Investment projects and strategic objectives;
- Prospects for the Company’s development (sales, performance, growth of income, profitability, growth ratio);
- Description of the Company’s corporate governance system;
- Description of the Company’s social policy, information on social development, employees’ health care, their professional training, promotion of occupational safety;
- Information on the Company’s environmental policy, etc.

7.1. The Charter establishes a list of major transactions. Consideration of such transactions is within the competence of the Board of Directors.
Ethics and Fair Practices

In 2014, the company approved and introduced the Code of Corporate Ethics establishing the main corporate values, as well as the most important rules of business conduct based on such values and adopted in the company. The Code of Corporate Ethics applies to all employees and counterparties of the company.

The Code of Corporate Ethics shall be examined by all new employees of the company when hired. Besides, the company provides regular training events to explain the main rules of business conduct established by the Code. The Corporate Ethics Committee is responsible for ensuring compliance with the requirements and provisions of the Code. There is a procedure established in the company for submitting requests for advice on ethic and law-abiding conduct and on bad faith issues by e-mail and obtaining oral advice by phone. The Corporate Ethics Committee treats all requests as confidential. Anonymous messages are also subject to consideration. In 2014, the Committee considered one written request and held more than ten oral consultations on application of the Code or Corporate Ethics.

The company has a procedure for reporting on unethical or unlawful conduct, as well as on bad faith issues arising in the Company. The Corporate Ethics Committee has the overall responsibility for the reporting structure.

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

Professionalism

Deep knowledge of his/her specialty, timely and qualitative performance of tasks, continuous improvement of knowledge and skills

Initiative

Activity and independence of employees in the optimization of the process flow

Prudence

Responsible and cautious approach to the use of Company’s assets, to his/her own and colleagues’ working time

Mutual Respect

Team spirit in the work, trust, goodwill and cooperation in the process of solving working tasks

Honesty

Act honest, following ethical and legal standards, willingness to take personal responsibility for his/her actions

Openness for Dialogue

Open and honest exchange of information, willingness to collaborate to develop an optimal solution

Social Responsibility

Responsibility to colleagues and partners, preservation of the environment and support of indigenous minorities

Continuity

Respect for the work and experience of older generations, communication of new-comers and veteran workers, professional training and mentoring

Image

Use of techniques and strategies to create a positive opinion of the Company
Registration Details

FULL TRADE NAME
SEVERNEFTGAZPROM OPEN JOINT STOCK COMPANY
Short trade name of the Company in Russian: OJSC SEVERNEFTGAZPROM
Full trade name in English: OPEN JOINT STOCK COMPANY SEVERNEFTGAZPROM
Short name of the Company in English: OJSC SEVERNEFTGAZPROM

LEGAL AND POSTAL ADDRESS
Legal address: 22 Lenin St, Krasnoselkup village, Krasnoselkupsky District, Yamal-Nenets Autonomous Area, 629380
Postal address: PO Box 1130, Novy Urengoy, Yamal-Nenets Autonomous Area, 629300
E-mail: sngp@sngp.com

INFORMATION SOURCES IN WHICH THE COMPANY DISCLOSES INFORMATION IN COMPLIANCE WITH THE STOCK MARKET LAWS
OJSC Severneftegazprom web page at www.e-disclosure.ru/portal/company.aspx?id=16965 provided to the Company by Interfax Information Agency (CJSC Interfax is a news agency for the stock market).
In addition, OJSC Severneftegazprom places information on the Company’s website at www.en.severneftegazprom.com.

STATE REGISTRATION DATE AND REGISTRATION NUMBER
Certificate No. Р-16625.16 of registration and entry in the state register of commercial entities, issued to OJSC Severneftegazprom on June 15, 2001 by the State Registration Chamber under the Ministry of Justice of the Russian Federation in connection with reorganization in the form of conversion of LLC Severneftegazprom based on Minutes No. 5 of the extraordinary General Meeting of Company Members dated June 01, 2001 (previous registration number: Р-16447.15 dated May 31, 2011).

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

INFORMATION ON THE COMPANY’S REGISTRAR
CJSC “Specialized Registrar — Gas Industry Shareholders’ Registrar” (CJSC SR-DRAGaz).
Location and postal address: 71/32, Novocheremuskinskaya St, Moscow, 117420; Tel.: (495) 719-40-44, Fax: (495) 719-46-85.
Register maintenance operations licence dated December 26, 2003, No. 10-000-1-00291 issued by the Federal Securities Market Commission of Russia for an indefinite term.

GENERAL INFORMATION

15

The Company’s Representative Offices

OJSC SEVERNEFTGAZPROM HAS REPRESENTATIVE OFFICES AND STANDALONE SUBDIVISIONS IN:
- NOVY URENGOY,
- URENGOY SETTLEMENT,
- TYUMEN,
- MOSCOW.

THE COMPANY HAS NO SUBSIDIARIES OR AFFILIATES.

CORE OPERATIONS
- Yuzhno-Russkoye oil and gas condensate field development and construction of facilities;
- Exploration activities;
- Production, transportation and sales of produced hydrocarbons and other raw materials;
- Construction management;
- Cargo transportation and carriage of passengers by both own and leased vehicles;
- Activities of low-grade medical workers, health unit organization.

The Company’s Representative Offices

- NOVY URENGOY,
- URENGOY SETTLEMENT,
- TYUMEN,
- MOSCOW.

THE COMPANY HAS NO SUBSIDIARIES OR AFFILIATES.

Core Operations
- Yuzhno-Russkoye oil and gas condensate field development and construction of facilities;
- Exploration activities;
- Production, transportation and sales of produced hydrocarbons and other raw materials;
- Construction management;
- Cargo transportation and carriage of passengers by both own and leased vehicles;
- Activities of low-grade medical workers, health unit organization.

The Company’s Representative Offices

OJSC SEVERNEFTGAZPROM HAS REPRESENTATIVE OFFICES AND STANDALONE SUBDIVISIONS IN:
- NOVY URENGOY,
- URENGOY SETTLEMENT,
- TYUMEN,
- MOSCOW.

THE COMPANY HAS NO SUBSIDIARIES OR AFFILIATES.
The Company’s management bears responsibility for the accuracy of the sustainable development-related information contained in this Report to ensure the satisfaction of the target users’ reasonable need for such information.

Creation of the nonfinancial statements and determination the key priorities of their contents is executed by the structural subdivision of the Deputy General Director for Development and Strategic Planning of OJSC Severneftegazprom. The key topics and issues, significant both for the Company and general public, were determined in the course of interaction with the interested parties and the heads of subdivisions, responsible for economic, social, and ecological activities of the Company.

At the same time, the scope and the comprehension level of the information about the key aspects included in the Report were determined. Those include the financial and economic results, the wellbeing of the employees, particularly, the professional development of the employees, the social projects realized in the regions of presence, and environmental safety. Special attention is paid to the matters of the labor protection and industrial safety (which is the evidence of the Company’s striving for the constant improvement of performance in this area), the volume of investments and labor costs.

The Report provides for the information about the activities of all structural subdivisions of OJSC Severneftegazprom, related to the social sphere and results obtained in the areas of environmental protection and industrial safety in 2014.

For the preparation of the Sustainable Development Report in accordance with the Global Reporting Initiative (GRI), the data were collected and organized based on the in-house information inquiries. For the purposes to improve the information gathering process, in 2014 the Company started to implement the integrated system for collection and consolidation of the data related to the sustainable development in accordance with the requirements of GRI Guidelines, version 4 (G4).

The main tasks of OJSC Severneftegazprom is ensuring the clarity and accessibility of the information about its activities. The full disclosure of information and ensuring the quality of the published data represent the main value of the Report and are realized based on the principles of international reporting in the area of sustainable development. The main principle of the Report preparation is using the balanced, reliable, and essential information about the economic, social, and environmental activities of the Company.
ANNUAL REPORT

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

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

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

4) COMPLETENESS. The Report contains the information about all areas of the Company’s sustainable development in the reporting period in accordance with the requirements of GRI 04 and industry-specific additions for the oil and gas sector.

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

6) COMPARABILITY. When revealing the information, the Company was guided by the GRI standard for preparing the report, which helps reasonably consider public opinions and expectations.

7) ACCURACY. The Company strains after the full and accurate representation of the results of its activities, so that the interested parties could objectively estimate them. To that end, both the qualitative descriptions and the quantitative information, based on the data of financial and statistical statements, are used.

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

9) CLEARNESS. The reported information is presented in clear and understandable form without using the overspecialized technical terminology and without providing the data requiring the special knowledge. The Report contains numerous tables, charts, and graphs presenting the information in visual form.

10) RELIABILITY. The Report contains the reliable information, which can be checked and proved. A significant portion of information contained in the Report on the Results of the Company’s Activities in the Area of Sustainable Development was independently corroborated by CJSC KPMG.

APPENDIX 1.
THE LIST OF TRANSACTIONS MADE BY THE COMPANY IN 2014 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW “ON JOINT-STOCK COMPANIES”

In the reporting period, the Company made no transactions recognised as major transactions in accordance with the Federal Law “On Joint-Stock Companies” or the Company’s Charter.

THE LIST OF TRANSACTIONS MADE BY THE COMPANY IN 2014 AND RECOGNIZED AS INTERESTED-PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW “ON JOINT-STOCK COMPANIES”

<table>
<thead>
<tr>
<th>PARTIES INTERESTED IN THE TRANSACTION</th>
<th>ESSENTIAL CONDITIONS OF THE TRANSACTION</th>
<th>REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company’s shareholder — OAO Gazprom</td>
<td>Contract No. 429-2014 of March 27, 2014, with TyumenNIIgiprogaz LLC, for the Services of Performing Geophysical Exploration Activities when Exercising Control over the Development of the Turonian Gas Deposit of Yuzhno-Russkoye Oil and Gas Condensate Field</td>
<td>Minutes 28/2013 of June 28, 2013</td>
</tr>
<tr>
<td>Company’s shareholder — OAO Gazprom</td>
<td>Contract No. 430-2014 of March 27, 2014, with TyumenNIIgiprogaz LLC, for the Services of Performing Geophysical Exploration Activities when Exercising Control over the Development of the Cenomanian Gas Deposit of Yuzhno-Russkoye Oil and Gas Condensate Field</td>
<td>Minutes 28/2013 of June 28, 2013</td>
</tr>
</tbody>
</table>


13. Medical Service Contract No. 3-14 of March 17, 2014, with Gazprom Dobylitbyt Ulietnye LLC, for Performing Obligatory Medical Check-ups for the Transport Drivers. Company’s shareholder — OAO Gazprom.


17. Additional Agreement to the Property Insurance Contract No. 1.6000/03 of March 12, 2014, concluded with SSGG DUG and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the monies to be obtained under the Contract. Company’s shareholder — OAO Gazprom.

18. Contract No. 1.6412/12 of March 12, 2014, with SSGG DUG, for the Insurance of the General Civil Liability for the Damage Caused to Third Parties, Insured event: Insufficiency of liability of the Insurant to reimburse for the damage caused to the life, health or property of the third parties during the performance of insured activities / occurrence of events not precluded by the Rules of the Contract. Insured amount: 56,000,000.00 rubles for each (any) insured event. Insurance premium: USD 21,375.00 in rubles at the rate of the Central Bank of the Russian Federation effective at the date of payment (free of VAT). Company’s shareholder — OAO Gazprom.

19. Additional Agreement to the Contract for Insurance of the General Civil Liability for the Damage Caused to Third Parties. No. 16022/12 of February 28, 2014, concluded with SSGG DUG and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the monies to be obtained under the Contract. Company’s shareholder — OAO Gazprom.

20. Environmental Insurance Contract No. 1.6013/13 of March 12, 2014, with SSGG DUG. Insured event: Causing damage to the environment and/or life, health and/or property of the third parties as a result of any event, occurring in the course of the Insurer’s performance of the insured activities and entailing the pollution of the environment, exceeding the established permissible environmental exposure limits. Insured amount: 1,150,000,000.00 rubles for each (any) insured event. Insurance premium: USD 15,501.00 in rubles at the rate of the Central Bank of the Russian Federation effective at the date of payment (free of VAT). Company’s shareholder — OAO Gazprom.

21. Additional Agreement to the Environmental Insurance Contract No. 1.6013/13 of March 12, 2014, concluded with SSGG DUG and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the monies to be obtained under the Contract. Company’s shareholder — OAO Gazprom.


24. Contract No. 1.6354/14 of April 14, 2014, with INSTITUTE YUZHNIIGIPROGAZ PJSC, for Design Supervision of the Project “Construction of Yuzhno-Russky and gas condensate field Geometric processing facility. Rosser compressor workshop — 1 — stage”; purposed to ensure the continuity of the construction and exploitation works performed at the site due to the decisions stipulated in the working documentation. Contract value: 10,677,430.32 rubles (inclusive of VAT). Company’s shareholder — OAO Gazprom.

26. Accident and illness Insurance Contract No. 2514-144 of April 14, 2014, with SOGAZ LLC. Issued even to company personnel, including the loss of occupational capacity, as a result of a death, disease caused by an accident, first diagnosed illness from the day of the signature, the total number of insured persons: 1,073,260,000 rubles. Insurance premium: 1,931,868.00 rubles (excluded of VAT).


32. Foreign exchange purchase and sale contracts (including foreign exchange purchase and sale contracts with discharge of obligations or demand of options contracts) with Gazprombank SOCG, with the maximum amount for each transaction not exceeding 2,000,000,000 rubles or the foreign exchange equivalent of that amount calculated at the rate of the Central Bank of the Russian Federation effective at the date of the respective transaction.

33. Radio or foreign exchange deposit contracts with SOCG OJSC, with the maximum amount for each transaction not exceeding 2,000,000,000 rubles or the foreign exchange equivalent of that amount calculated at the rate of the Central Bank of the Russian Federation effective at the date of the respective transaction.


Contract No. 743-2014 of November 19, 2014, with TyumenNIIgiprogaz LLC, for Design Supervision over the Development of the Exploration Well No. 95-05 of VYUGOZ.

Contract value: 495,018.54 rubles (inclusive of VAT)


Contract value: 350,000.00 rubles (inclusive of VAT)

57. Contract No. 71-130414-2014-2128 of June 02, 2014, with Gazprom Telekom LLC, for Communication Services to Be Provided in the city of Moscow in the Volume Necessary for the Creation and Use of the Digital Communications Channels. The total contract value is the aggregate of the lump sum payment of 312,908.86 rubles (inclusive of VAT) and the monthly fee equaling 64,672.46 rubles per month.


Contract value: 20,820.00 rubles (exclusive of VAT)
Another contract of August 15, 2014, for the Company's being vested with the right to obtain the Patent for the Utility Model 'Gas Seal System' with the following remuneration paid to the authors:

- the fixed component equaling 178,080 rubles;
- the variable component: if the Company uses the utility model in its own production, the amount is calculated in accordance with the rules for internal R&D assessment (Company Standard Gazprom RD 1.12–096–2004) from 10 monthly rates, each equaling 7,420 rubles, to 15 percent of the actual annual cost impact; if the Company transfers the right to use or alienates the utility model to the third party — the lump sum equaling 20 percent of the income obtained by the Company as a result of such transaction.

Summary

The company has not submitted for approval of the Company's regulatory bodies.

APPENDIX 2. GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>REFERENCE</th>
<th>EXTERNAL GUIDELINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1.1</td>
<td>Message from the Chairman of the Board of Directors, 4</td>
<td>No</td>
</tr>
<tr>
<td>G1.2</td>
<td>Message from the General Director, 5</td>
<td>No</td>
</tr>
<tr>
<td>G2.1</td>
<td>Status of Raw Material Base, 20</td>
<td>No</td>
</tr>
<tr>
<td>G2.5</td>
<td>Registration Details, 136</td>
<td>No</td>
</tr>
<tr>
<td>G2.6</td>
<td>Status in the Industry and Development Prospects, 13–15</td>
<td>No</td>
</tr>
<tr>
<td>G3.1</td>
<td>Charter Capital, 122</td>
<td>No</td>
</tr>
<tr>
<td>G3.6</td>
<td>Status in the Industry and Development Prospects, 15</td>
<td>No</td>
</tr>
<tr>
<td>G4.9</td>
<td>Status in the Industry and Development Prospects, 13–15</td>
<td>No</td>
</tr>
<tr>
<td>G5.9</td>
<td>HSE and Social Policy, 98–95</td>
<td>No</td>
</tr>
<tr>
<td>G5.10</td>
<td>The Company's Representative Offices, 137</td>
<td>No</td>
</tr>
<tr>
<td>G5.11</td>
<td>Financial Performance Report Indicators, 53</td>
<td>No</td>
</tr>
<tr>
<td>G7.12</td>
<td>Interactions with Stakeholders, 106</td>
<td>No</td>
</tr>
<tr>
<td>G7.13</td>
<td>There were no significant changes regarding size, structure or ownership of the Company during the reporting period</td>
<td>No</td>
</tr>
<tr>
<td>G7.15</td>
<td>The Company does not subscribe to any externally developed charters. Since 2011, the Company has been applying the International Finance Corporation standards: — Policy on Environmental and Social Sustainability — Environmental, Health, and Safety Guidelines — Environmental, Health, and Safety Guidelines for Onshore Oil and Gas Development</td>
<td>No</td>
</tr>
<tr>
<td>G7.16</td>
<td>The Company is a member of Non-Profit Partnership “Association of Gas and Oil Industry Constructors” and European Business Congress</td>
<td>No</td>
</tr>
</tbody>
</table>

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>G17.7</td>
<td>Defining the Priorities, 69</td>
</tr>
<tr>
<td>G18.8</td>
<td>Reporting Compilation Principles, 139–140</td>
</tr>
<tr>
<td>G19.9</td>
<td>GRI Content Index, Specific Standard Disclosures, 151–156</td>
</tr>
<tr>
<td>G20.20</td>
<td>GRI Content Index, Specific Standard Disclosures, 151–156</td>
</tr>
</tbody>
</table>
The Company's Sustainable Development Report as part of the Annual Report shall be previously reviewed by the Board of Directors and the General Meeting of Shareholders. The Annual Report shall be approved by the General Meeting of Shareholders.

No concerns have been raised by interested parties through stakeholder engagement during the reporting period.

No joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

Information on the Company's activities is disclosed on the Company's official web-site and the web-site of the information agency, as well as upon request of shareholders in accordance with the laws and the Company's local acts.

Meetings of the Board of Directors are held regularly in accordance with the annual work schedule.

Meetings of the Technical Committee are held regularly in accordance with the annual work schedule.

Information on the Company's activities is disclosed on the Company's official website and the website of the information agency, as well as upon request of shareholders in accordance with the laws and the Company's local acts.

No joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no employees who are involved in occupational activities with a high injury incidence or high risk of specific diseases.

There are no joint management–employee health and safety committees in the Company.

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There are no employees who are involved in occupational activities with high injury incidence or high risk of specific diseases.

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There are no joint management–employee health and safety committees in the Company.

There are no employees who are involved in occupational activities with high injury incidence or high risk of specific diseases.

There are no joint management–employee health and safety committees in the Company.

There are no joint management–employee health and safety committees in the Company.

The report discloses information on results of implementation of the Company's personnel skills upgrade and expertise evaluation programs.

No joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no employees who are involved in occupational activities with high injury incidence or high risk of specific diseases.

There are no joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.

There are no employees who are involved in occupational activities with high injury incidence or high risk of specific diseases.

There are no joint management–employee health and safety committees in the Company.

There are no agreements with trade unions.
The report discloses information on the results of impact of the Company’s operational activities on air.

Aspect Boundaries
The report provides information on the results of impact of the Company’s activities on air.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-15</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>Biogenic CO₂ emissions (SDW landfill) — 0.056 thousand tons</td>
<td></td>
</tr>
</tbody>
</table>

The report provides information on the results of impact of the Company’s operational activities on water.

Aspect Boundaries
The report discloses information on the results of impact of the Company’s operational activities on water.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-16</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No base year was chosen due to commissioning of new facilities, technical upgrades, changes in scheduled shutdown procedures, changes in O&amp;G emission calculations in connection with introduction of Gazprom Company Standard 102-2011.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on waste.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on waste.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-17</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No emissions of ozone-depleting substances.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on personnel and operational safety.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on personnel and operational safety.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-18</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>Numerator — greenhouse gas emissions, tons; Denominator — natural gas withdrawn, million m³. The intensity ratio calculation includes direct GHG emissions. The intensity ratio calculation includes methane.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on asset integrity and process safety.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on asset integrity and process safety.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-19</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No emissions of ozone-depleting substances.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on energy.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on energy.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
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<tbody>
<tr>
<td>EN-20</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No emissions of ozone-depleting substances.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on energy consumption.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on energy consumption.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-21</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No emissions of ozone-depleting substances.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on waste water.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on waste water.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-22</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No unplanned discharges.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on effluent discharge.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on effluent discharge.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-23</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>Aggregate weight of hazardous and non-hazardous wastes — 2,064.7 tons broken down by following inversion methods: — Recycle — 1,016 tons, including: • Multiple use — 6 tons; • Compacting — 0 tons; • Elimination of valuable elements, including energy release — 0 tons; • Aggregate weight favouring — 0 tons; • Deep-ground discharge — 0 tons; — Disposal on ground, must p — 678.8 tons; — Storage at industrial site of the Company — 31.4 tons; — Other method of disposal (transferred to other organizations) — 1,356.4 tons. Utilized without assistance 678 tons of wastes. Information provided by the contractor on wastes disposal — 0 tons. Contractors’ standard data on waste management for the organization — 1,356.4 tons.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on water consumption.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on water consumption.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-24</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No spills reported in 2014</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on water withdrawal.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on water withdrawal.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-25</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No water withdrawals from surface water bodies. Thus, water body biodiversity is not affected by the Company.</td>
<td></td>
</tr>
</tbody>
</table>

The report includes information on the results of impact of the Company’s operational activities on surface water withdrawal.

Aspect Boundaries
The report includes information on the results of impact of the Company’s operational activities on surface water withdrawal.

<table>
<thead>
<tr>
<th>DMA</th>
<th>Environmental Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN-26</td>
<td>Environmental Protection</td>
</tr>
<tr>
<td>No water withdrawals from surface water bodies. Thus, water body biodiversity is not affected by the Company.</td>
<td></td>
</tr>
</tbody>
</table>
The report provides information on status of raw materials base and stock movement at the Yuzhno-Russkoye subsoil plot where the Company has the right to perform hydrocarbon geological survey and production.

**RESERVES ASPECT**

Aspect Boundaries
The report covers financial results of the Company’s activities.

**DMA**
Main Financial Indicators

**EC-1**
Main Financial Indicators;
Financial Performance Report Indicators;
Interactions with Stakeholders;
Report on Dividends Distribution

**EC-3**
HR and Social Policy

**EC-6**
Main Financial Indicators;
Financial Performance Report Indicators;
Financial and Operational Activities Management and Supervision Bodies

**PROCUREMENT PRACTICES ASPECT**

Aspect Boundaries
The Company’s approach to suppliers and contractors selection has impact on successful achievement of production objectives.

**DMA**
Interactions with Stakeholders

**EC-9**
Interactions with Stakeholders

**INDEPENDENT LIMITED ASSURANCE REPORT**

**MANAGEMENT’S RESPONSIBILITY AND APPLICABLE CRITERIA**

Management is responsible for the preparation and presentation of the information on sustainable development included in the annual report of the Company for the year ended 31 December 2014 in accordance with the Sustainability Reporting Guidelines of the GRI G4 Core Option, as described in the Report Compilation Principles section of the Annual Report of the Company, and the information and assertions contained within it; for determining the Company’s objectives in respect of the sustainable development performance and reporting, including the identification of its stakeholders and issues that are material to its stakeholders; and for establishing and maintaining appropriate performance management and internal control systems from which the reported sustainability-related information is derived.

**OUR RESPONSIBILITY AND APPLICABLE STANDARDS**

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether Management’s assertion regarding the information on sustainable development included in the Annual Report of the Company for the year ended 31 December 2014 is, in all material respects, fairly stated, in accordance with the GRI G4 Core Option.

**PROCESSES**

A limited assurance engagement on sustainability-related information consists of making inquiries, primarily of persons responsible for the preparation of such information, and applying analytical and other evidence gathering procedures, as appropriate. Our procedures included, but were not limited to, the following:

- information inquiries to the Management to obtain understanding of processes for identification of topics and areas that are material to key stakeholders of the Company; interviews with the Management and responsible employees in the Company’s central office and on selected sites, namely sites in the city of Novy Urengoy and the settlement of Urengoy as well as at the Yuzhno-Russkoye gas-condensate field, to obtain understanding of the Company's stakeholder interaction processes, of its sustainable development strategy and policies, regulating the key sustainability-related areas and of the extent of their implementation, as well as to obtain understanding of the procedures for gathering the sustainability-related information for the purposes of preparation of the Annual Report of the Company;
- comparing the information on sustainable development with information from other sources to check it for completeness and consistency;
- assessing whether qualitative and quantitative information on sustainable development is complete within the context of compliance with the GRI G4 Core Option’s guidelines;
- review and analysis of the information on sustainable development to ascertain whether it is in line with our general understanding and knowledge of the Company’s sustainability performance;
- analysis of any relationships, based on our available information of the Company’s activities, including relationships between financial and non-financial information and against such comparable information for prior periods;
- analytical review of sustainability performance measures by consideration of any relationships between financial and non-financial information and against such comparable information for prior periods; and
detailed testing of qualitative and quantitative information using one or more testing techniques.
The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our judgment, including the assessment of risk of misstatement of the information on sustainable development included in the Annual Report of the Company for the year ended 31 December 2014.

In making these risk assessments, we considered internal control relevant to the Company’s preparation and presentation of the sustainability-related information in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company’s internal control.

Limited assurance is less than reasonable assurance. Evidence-gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

CRITERIA

The Global Reporting Initiative’s Sustainability Reporting Guidelines G4 Core Option were used as criteria and are located by the link: https://www.globalreporting.org/reporting/g4/Pages/default.aspx

CONCLUSION

Our conclusion has been formed on the basis of and with due consideration of the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed, which are briefly described in this report, nothing has come to our attention that causes us to believe that Management’s assertion that the information on sustainable development included in the Annual Report of the Company for the year ended 31 December 2014 is properly prepared and fairly presented, in all material respects, in accordance with the GRI G4 Core Option, is not fairly stated.

JSC “KPMG”
14.05.2015

FEEDBACK FORM

DEAR READERS!

You have read the Annual Report of OJSC Severneftegazprom for 2014. Your opinion is very important to us and we would appreciate it if you could help us improve the quality of the Company’s reporting by answering the questions below:

1. Have you clarified your thinking on OJSC Severneftegazprom sustainable development activities after having read the Report?
   a. Generally, yes
   b. Generally, no
   c. Cannot say
   d. Please, write your comment:

2. What is your impression of the information provided in this Report?
   a. Interesting
   b. No particular impressions
   c. Cannot say

3. How would you evaluate the Report in terms of reliability, objectivity, and completeness of information?
   a. Positive
   b. Negative
   c. Neutral
   d. Please, write your comment:

4. How would you evaluate the Report in terms of how easy the data is to find?
   a. Easy
   b. As usual
   c. Hard
   d. Please, write your comment:

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

6. What areas of OJSC Severneftegazprom activities do you think need improvement to increase the corporate social responsibility?

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

8. Your general comments on OJSC Severneftegazprom Annual Report for 2014:

9. Are you, or is your organization, interested in conducting dialogs on preparation of the Company’s sustainable development report for 2015?
   a. Yes, our contact details:
   b. No

10. What organizations do you think shall be invited to take part in the dialog on preparation of the sustainable development report for 2015?

11. What group of interested parties do you represent?
   a. Company’s employee
   b. Investor
   c. Shareholder
   d. Customer
   e. Contractor
   f. Government official
   g. Representative of a non-governmental organization
   h. Public media
   i. Local community member
   j. Other: ____________________________

12. Specify your contact details:

13. What contact method is preferable to you?

Please, send this form at
Promyslovaya Street, Novy Urengoy, Yamalo-Nenets Autonomous Area, 629300 Russian Federation, P.O.B. 1130 to OJSC Severneftegazprom, Authorities and Public Relations Department.