



SEVERNEFTEGAZPROM

ANNUAL REPORT **2014**



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**HIGH REPUTATION IN RUSSIAN AND INTERNATIONAL BUSINESS COMMUNITIES, AUTHORITY AND RESPECT IN THE SOCIETY ARE AN IMPORTANT RESOURCE FOR STABLE AND SUSTAINABLE DEVELOPMENT OF OJSC SEVERNEFTEGAZPROM. THE POSITIVE IMAGE OF THE COMPANY IS MADE UP OF MANY ASPECTS AND IS AN INTEGRAL PART OF THE INFORMATION TRANSPARENCY POLICY**

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 of information of the Global Reporting Initiative regarding the

sustainability reporting (Global Reporting Initiative — GRI, G4) and in accordance with the "Core" application level which is evidenced by the independent auditor CJSC KPMG with regard to materiality and completeness of the disclosure of non-financial information 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 m<sup>3</sup>.

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 business is able to overcome periods of global recession to the mutual benefit of all participants.

The foreign partners interest in Russian energy resources and obligations of uninterrupted supplies to the domestic consumers not only provide OJSC Severneftegazprom with a reliable and attractive market but also impose greater responsibility on the Company. Recognizing this, OJSC Severneftegazprom is committed to implementing new technologies and actively expanding the resource base. As regards this issue, similarly to all others, the Company operates in full compliance with a unified strategy that coordinates and directs all companies of the gas industry.

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 SEVERNEFTEGAZPROM 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 m<sup>3</sup>, OJSC Severneftegazprom implements a program of 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 of 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 Severneftegazprom 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).

The successful combination of experience gained by Gazprom Group and international companies in the application of new technology and innovative equipment is the basis for further development of the Company. As of today, the business of the Yuzhno-Russkoye oil and gas condensate field, from the perspective of technological and engineering solutions used, is one of the most advanced in Russia.

OJSC Severneftegazprom shall continue to work steadily, to implement long-term plans, to fulfill its obligations to shareholders and partners, and to make its own contribution to the further development of the region of its operations and the country as a whole.

It is people, their interests, and aspirations that have always been and remain at the center of our attention. This fully applies to the Yamal-Nenets Autonomous Area residents and, firstly, to the employees of OJSC Severneftegazprom. They constitute our core asset, and thanks to their dedication, initiative, and professional work, the Company — with the proper support from the shareholders — can continue to successfully solve the most challenging and important tasks.

Sincerely yours,  
Stanislav Tsygankov

General Director of OJSC Severneftegazprom



## Key Events 2014



### JANUARY

OJSC Severneftegazprom joined the international non-governmental non-profit organization European Business Congress. The Congress is engaged in developing proposals aimed at removing obstacles for the economic cooperation and creating favorable conditions for the effective and safe entrepreneurship.



### FEBRUARY

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 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.



### MARCH

Celebration of the 40<sup>th</sup> anniversary of the start of the Russian gas supplies to Germany under a long-term contract entered into with E.ON SE took place. OJSC Severneftegazprom delegation participated in the solemn events.



### APRIL

OJSC Severneftegazprom and the Government of Yamal-Nenets Autonomous Area entered into a Cooperation Agreement for 2014. The activities aimed at the further development of the regional economy, improvement of the investment climate, and creation of favorable conditions for the solution of the major social problems of the Autonomous Area and municipal entities remain a priority for the parties cooperation.

The Company's employees were among the winners of the 4<sup>th</sup> All-Russia Science and Practice Conference of the Young Scientists and Specialists "Ensuring the Effective Functioning of the Gas Industry."



### MAY

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.



### JUNE

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'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.



### JULY

Technical Committee of the Board of Directors considered a draft Annual Work Program and Budget of OJSC Severneftegazprom for 2015 and planning period of 2016–2017, as well as the Company's performance in health, safety, and environment protection.



### AUGUST

The drilling of exploration wells Nos. 50 and 51 was completed within the framework of implementation of the additional exploration project in the Yuzhno-Russkoye field license area. The construction of eight exploration wells is scheduled to be completed in the period from 2014 to 2017 with a cumulative footage exceeding 17 thousand linear meters.

OJSC Severneftegazprom took part in ceremonies dedicated to the 70<sup>th</sup> Anniversary of the Krasnoselkupsky district, the location of the Company's main operational activities. Vasily Parshkov, 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 (Oil & 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.

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.



### NOVEMBER

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

The Company successfully passed the second compliance audit of the integrated quality, labor, industrial safety, and environment management system that complies with requirements of the international standards ISO 9001:2008, ISO 14001:2004, and ISO 18001:2007.



### DECEMBER

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 m<sup>3</sup> 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.

## Events after the Reporting Date

**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**



### 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 tranch totalling: 43 million euro; 59 million US dollars; and 454 million rubles. The Company's debt burden subsequently decreased by 23 percent.

Key Performance  
Indicators 20145<sup>TH</sup>GAS PRODUCING COMPANY  
IN GAZPROM GROUP166 BLN M<sup>3</sup>CUMULATIVE  
GAS PRODUCTION25 BLN M<sup>3</sup>VOLUME OF ANNUAL  
GAS EXTRACTION1,047 BLN M<sup>3</sup>GAS RESERVES  
(ON ABC<sub>1</sub>+C<sub>2</sub>)

1,804 METERS

PRODUCTION DRILLING  
FOOTAGE

5,453 METERS

EXPLORATION  
DRILLING FOOTAGE

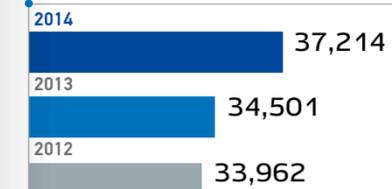
76 BLN RUBLES

BALANCE SHEET VALUE  
OF FIXED ASSETS

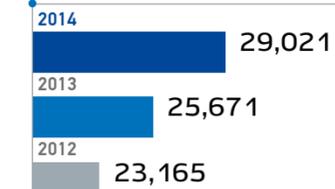
1,015

AVERAGE NUMBER  
OF EMPLOYEES

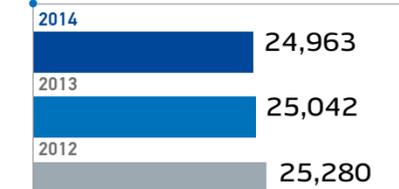
16

REGISTERED  
PATENTSGAS SALES REVENUE,  
MLN RUBLES

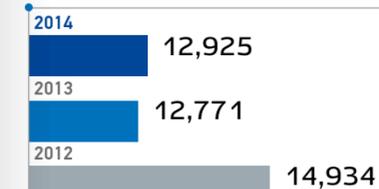
+8%

COST PRICE,  
MLN RUBLES

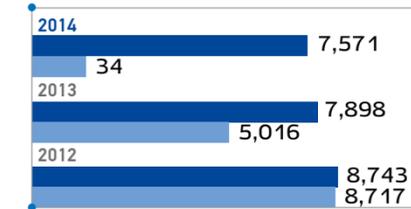
+13%

GAS SALES,  
MLN M<sup>3</sup>

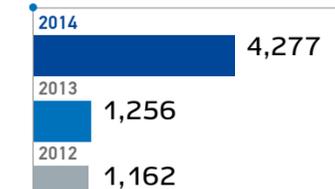
-0.3%

NET CASH FROM OPERATING  
ACTIVITIES, MLN RUBLES

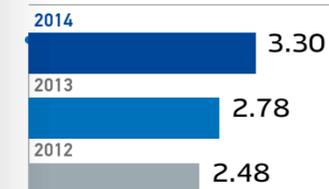
+1%

PROFIT,  
MLN RUBLES

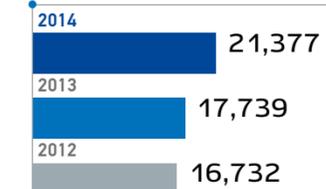
- Net profit before tax (excluding exchange rate difference)
- Net profit

CAPITAL EXPENDITURES,  
MLN RUBLES

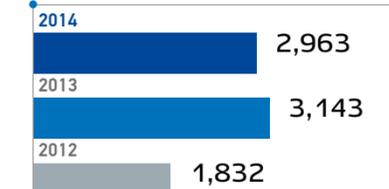
+241%

CURRENT LIQUIDITY  
RATIO

+19%

NET WORKING CAPITAL,  
MLN RUBLES

+21%

DIVIDENDS,  
MLN RUBLES

-6%

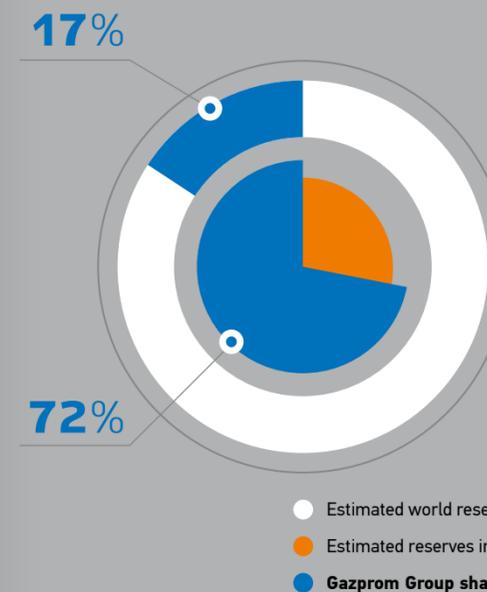
## STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS

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

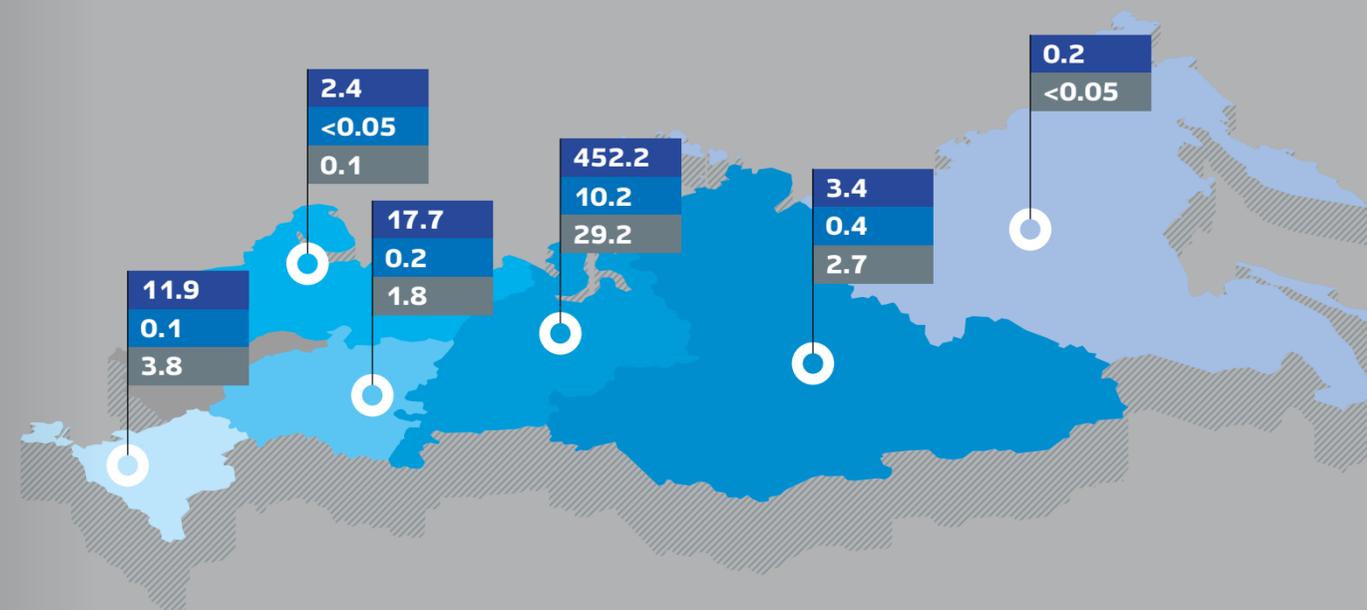
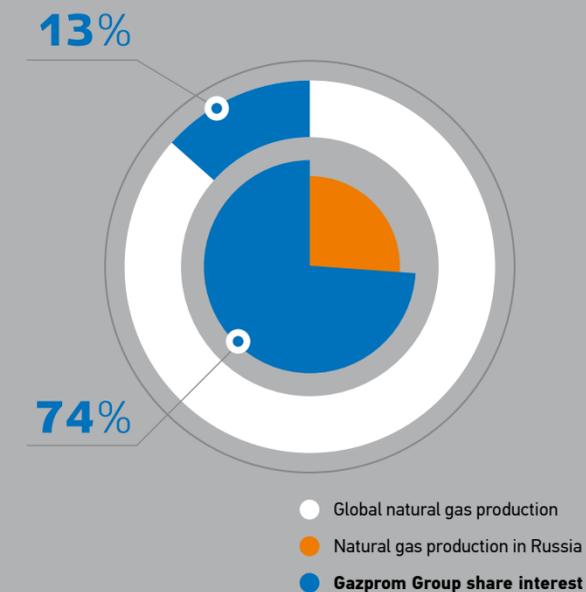
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### NATURAL GAS RESERVES AMOUNT OF GAZPROM GROUP\*



### NATURAL GAS PRODUCTION AMOUNT OF GAZPROM GROUP



#### TOTAL\*:

**487.4**  
**14.7**  
**33.8**

NATURAL GAS, BLN M<sup>3</sup>  
CONDENSATE, MLN TONS  
OIL, MLN TONS

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

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 m<sup>3</sup> of natural gas in the territory of that district.

\* OAO Gazprom website (www.gazprom.ru)



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 m<sup>3</sup>.

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 RECOURSE 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 m<sup>3</sup> 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.

Turonian gas is considered as hard-to-recover, therefore, its industrial production in Russia has not been started until 2011. Nevertheless, 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 m<sup>3</sup> a year;

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;

Fulfillment of exploration activities and reserves growth plan;

Reconstruction, modernization, and technical upgrade of the Yuzhno-Russkoye oil and gas condensate field facilities;

Fulfillment of the Project Facility Agreement entered into with a consortium of foreign banks and Russian Bank GPB (JSC);

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;

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.

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.



**RICH RESOURCE BASE IS  
A GUARANTEE FOR STABLE PRODUCTION  
AND UNINTERRUPTED SUPPLY  
TO CONSUMERS**

OJSC Severneftegazprom deserves the title of a unique Company as it operates in the field which has no analogues in Russia by a number of parameters

**1** TRLN M<sup>3</sup>

**NATURAL GAS RESERVES**  
AS OF DECEMBER 31, 2014  
IN THE CATEGORY ABC<sub>1</sub> + C<sub>2</sub>

**25** BLN M<sup>3</sup>

**ANNUAL GAS  
PRODUCTION**

# NATURAL GAS EXPLORATION AND PRODUCTION

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

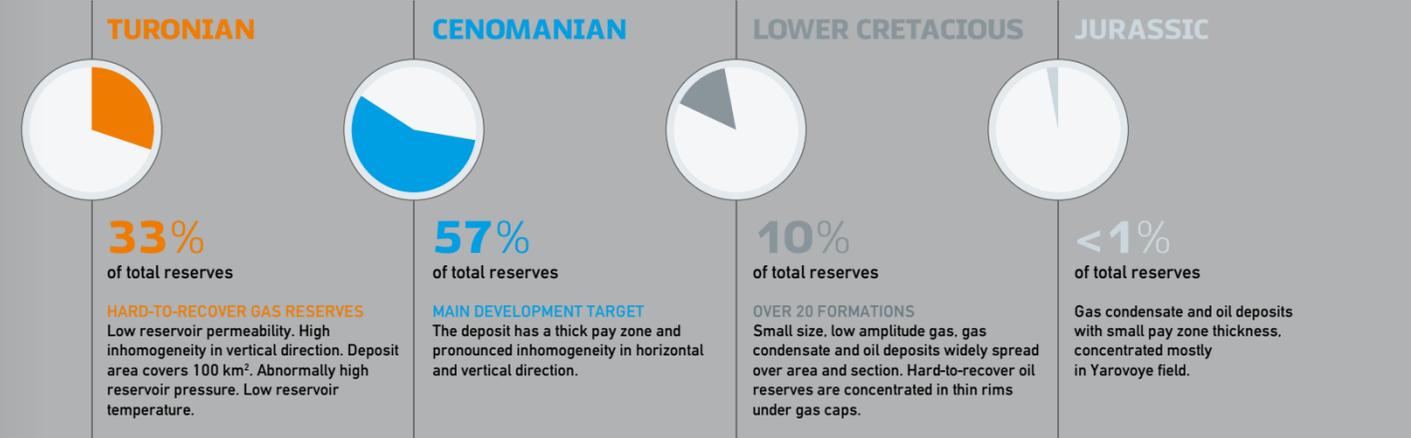
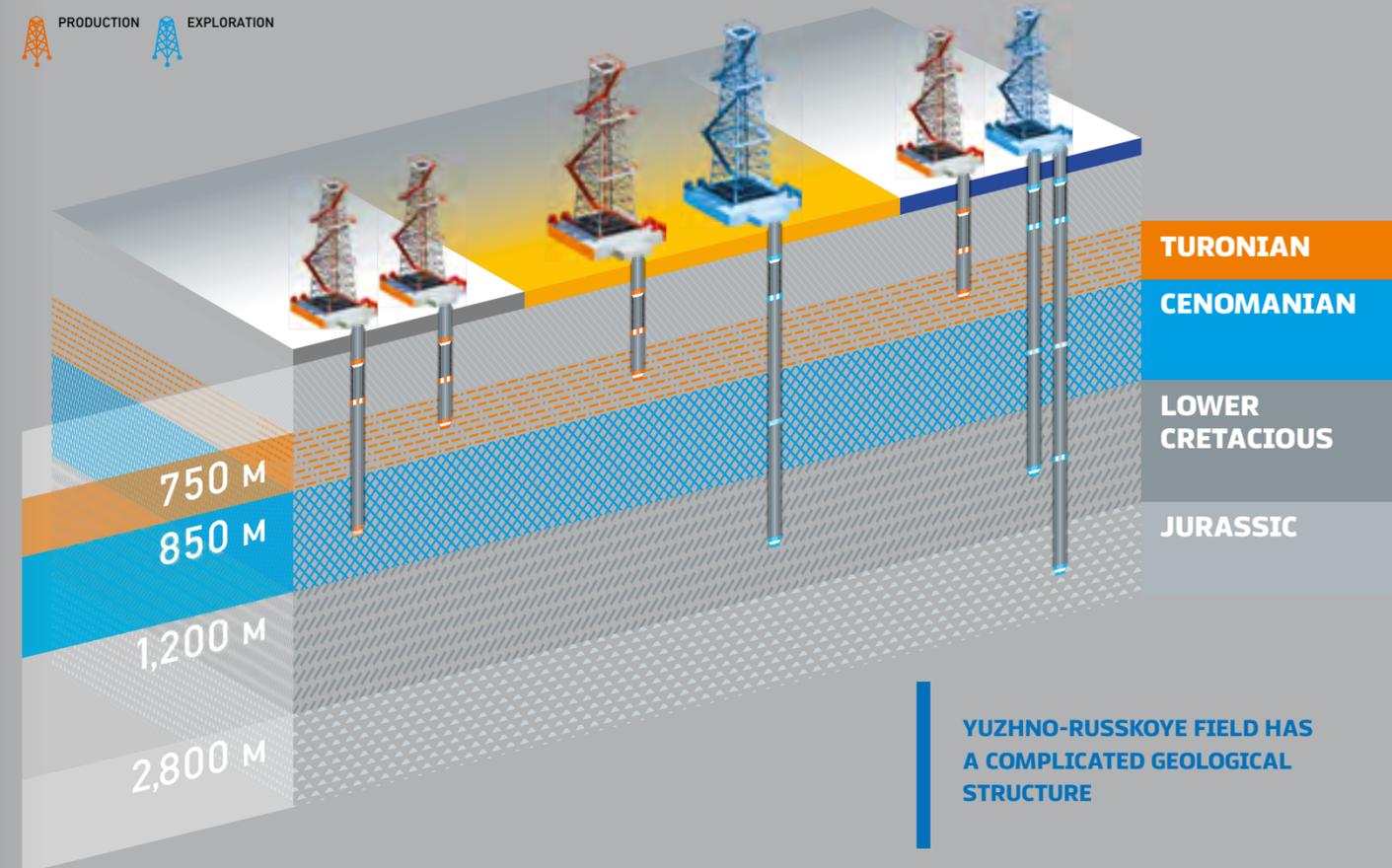
# 5



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

20  
21  
22  
23

# RAW MATERIALS BASE OF OJSC SEVERNEFTEGAZPROM





## Status of Raw Materials Base

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

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

FIELD	HYDROCARBON RESERVES AS OF DECEMBER 31, 2014					
	GAS, BILLION M <sup>3</sup>		CONDENSATE, MILLION TONS		OIL, MILLION TONS	
	ABC <sub>1</sub>	C <sub>2</sub>	ABC <sub>1</sub>	C <sub>2</sub>	ABC <sub>1</sub>	C <sub>2</sub>
Yuzhno-Russkoye	862.580	163.182	—	3.823	9.288	30.894
Yarovoye	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye	7.367	0.032	0.043	—	—	—
<b>Total</b>	<b>872.743</b>	<b>173.682</b>	<b>0.255</b>	<b>4.816</b>	<b>9.345</b>	<b>32.097</b>

### CHANGE IN RESERVES OF THE ABC<sub>1</sub> AND C<sub>2</sub> CATEGORIES IN THE REPORTING PERIOD

HYDROCARBONS	RESERVES AS OF FEBRUARY 1, 2014		RESERVES CHANGES IN 2014						RESERVES AS OF DECEMBER 31, 2014		
	ABC <sub>1</sub>	C <sub>2</sub>	PRODUCTION + LOSS	EXPLORATION		REVALUATION		TRANSFER		ABC <sub>1</sub>	C <sub>2</sub>
				ABC <sub>1</sub>	C <sub>2</sub>	ABC <sub>1</sub>	C <sub>2</sub>	ABC <sub>1</sub>	C <sub>2</sub>		
Oil (million tons)	9.345	32.097	—	—	—	—	—	—	—	9.345	32.097
Gas (million m <sup>3</sup> )	897.811	173.682	25.068	—	—	—	—	—	—	872.743	173.682
Condensate (million tons)	0.255	4.816	—	—	—	—	—	—	—	0.255	4.816

## Development of Cenomanian and Turonian Gas Deposits

### COMPARISON OF THE PLANNED AND ACTUAL DEVELOPMENT INDICATORS

INDICATOR	2014	
	PLAN	ACTUAL
Annual gas production, billion m <sup>3</sup>	25.077	25.068
including		
Cenomanian (PK <sub>1</sub> )	25.000	24.995
Turonian (T <sub>1-2</sub> )	0.077	0.073
Cumulative gas production, billion m <sup>3</sup>	165.529	165.860
including		
Cenomanian (PK <sub>1</sub> )	165.300	165.649
Turonian (T <sub>1-2</sub> )	0.229	0.211
Cumulative gas production as percentage of initial balance sheet reserves, percent		
including		
Cenomanian (PK <sub>1</sub> )	24.9	24.9
Turonian (T <sub>1-2</sub> )	0.07	0.06
Gas production for 2014 as percentage of initial proved reserves, percent		
including		
Cenomanian (PK <sub>1</sub> )	3.76	3.76
Turonian (T <sub>1-2</sub> )	0.023	0.022
Commissioning of wells, in pcs	2	2
Production	1	1
Observation	1	1
Wells stock as of the end of the year, in pcs	168	168
Production,	144	144
including Active	144	144
Observation	22	22
Disposal	2	2
Power Capacity of Booster Compressor Station, Booster Pump Station, MW	4*16	4*16
Well utilization rate	0.95	0.98
Well stock utilization rate	1	1



## Exploration Activities

**IN 2014, EXPLORATION ACTIVITIES WITHIN THE YUZHNO-RUSSKOYE FIELD LICENSE AREA WERE CONDUCTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LICENSE AGREEMENT AND PURSUANT TO THE GEOLOGICAL TASK APPROVED BY 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 C<sub>1</sub> 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 km<sup>2</sup> 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 SEVERNEFTEGAZPROM AT**

**25,000** BLN M<sup>3</sup>

**ACTUAL GROSS  
PRODUCTION AMOUNTED TO**

**25,047** BLN M<sup>3</sup>

**THE TARGET WAS ACCOMPLISHED BY**

**100.2%** (+47 MLN M<sup>3</sup>)



INDICATOR	2014	2013	2012
Production (extracted from layer)	25.068	25.135	25.363
Technological loss	0.021	0.016	0.016
Gross natural gas production	25.047	25.119	25.347
Internal technological needs	0.079	0.069	0.065
Natural gas loss under operation of technological facilities	0.005	0.002	0.002
Marketable gas	24.963	25.048	25.280

# YUZHNO-RUSSKOYE OIL AND GAS CONDENSATE FIELD

- 1 SWITCH VALVE STATION (SWS)**  
To disconnect the inlet manifold and gas gathering system.
- 2 GAS SEPARATION UNIT (GSU)**  
Purification of Gas from mechanical impurities, dropping liquid and gas washing from salt before delivery to the Booster Compressor Station.
- 3 RECUPERATIVE HEAT EXCHANGER**  
Heat exchange between formation gas and compressed gas.
- 4 BOOSTER COMPRESSOR STATION**  
Ensures compression of preliminary separated natural gas to the pressure needed for its transport from the Gas Processing Facility to the Compressor Station Purtašovskaya through the sales gas pipeline.
- 5 GAS DEHYDRATION STATION**  
Consists of two gas dehydration units KOG-1, KOG-2. The Gas Dehydration Station is designed for dehydration of separated gas to desired gas dew point temperature in accordance with requirements of DAO Gazprom Company Standard 089–2010 by method of absorption dehydration of water vapors. Tri-ethylene glycol is used as an absorbent.

- 6 GAS MEASURING STATION (GMS)**  
Metering of the marketable gas, delivered to the sales gas pipeline.
- 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)**  
Treatment of drinking and household water, storage of industrial and firefighting water, and delivery of water to separated networks of industrial and firefighting, drinking and household water of the gas field.
- 10 SERVICE AND OPERATIONS BUILDING (SOB)**  
A two-level building equipped with power supply, ventilation, water supply, heating, and sewage systems. The building includes a spacious entrance hall, 55 rooms of different purpose for administration and personnel of the gas field, the main control panel of gas production, treatment and transport, a laboratory for chemical analysis and a canteen 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 firefighting at the gas field facilities.
- 12 TRI-ETHYLENE GLYCOL REGENERATION UNIT**  
For regeneration of the glycol saturated solution to the required concentration. The Tri-Ethylene Glycol Regeneration Unit consists of two processing lines of a rated capacity of 17 t/h each. All equipment of the Regeneration Unit besides the regenerator is located in the main building of the Tri-Ethylene Glycol Regeneration Unit. The glycol regenerators are situated in a separate building.

OJSC Severneftegazproms' 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.

- 13 BOOSTER COMPRESSOR STATION-1 (2<sup>ND</sup> PHASE). COMMISSIONING PLANNED FOR 2015**
- 14 BOOSTER COMPRESSOR STATION-2. COMMISSIONING PLANNED FOR 2021**



## A FOCUS ON THE TURONIAN GAS DEVELOPMENT

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.

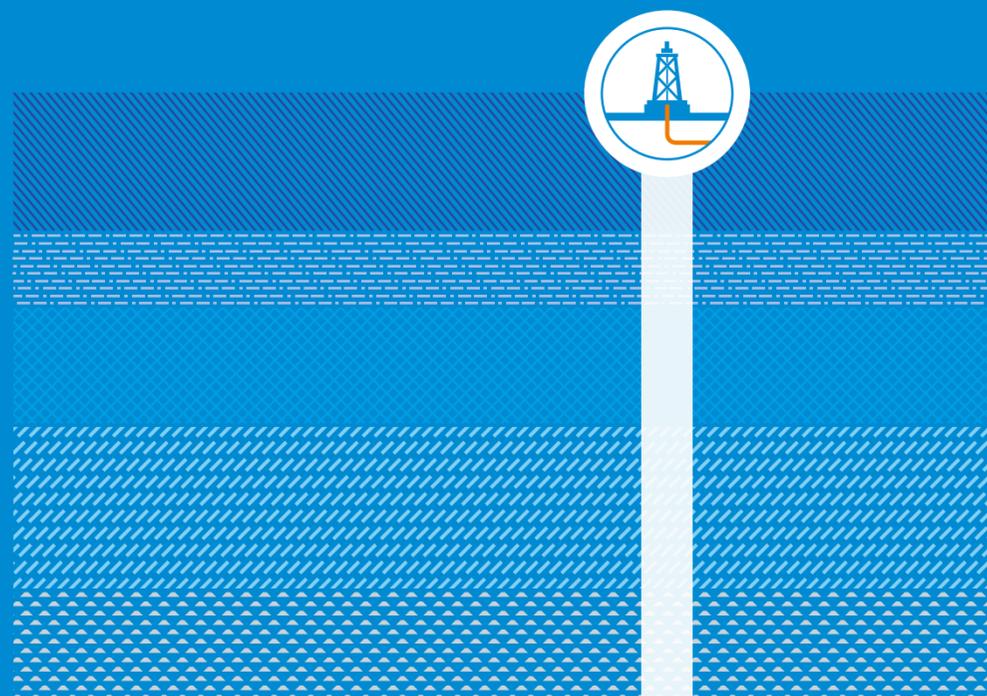
**> 750**  
BLN M<sup>3</sup>

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

## 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.

# 6



- The Construction and Commissioning of Well No.184 at the Turonian Gas Deposit in 2014

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**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 M<sup>3</sup>

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.



**TURONIAN GAS LIES AT A DEPTH OF 750–1,000 METERS. WESTERN SIBERIA ALONE HAS AN ESTIMATED TURONIAN GAS RESERVES OF 3 TRILLION M<sup>3</sup>.**

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.

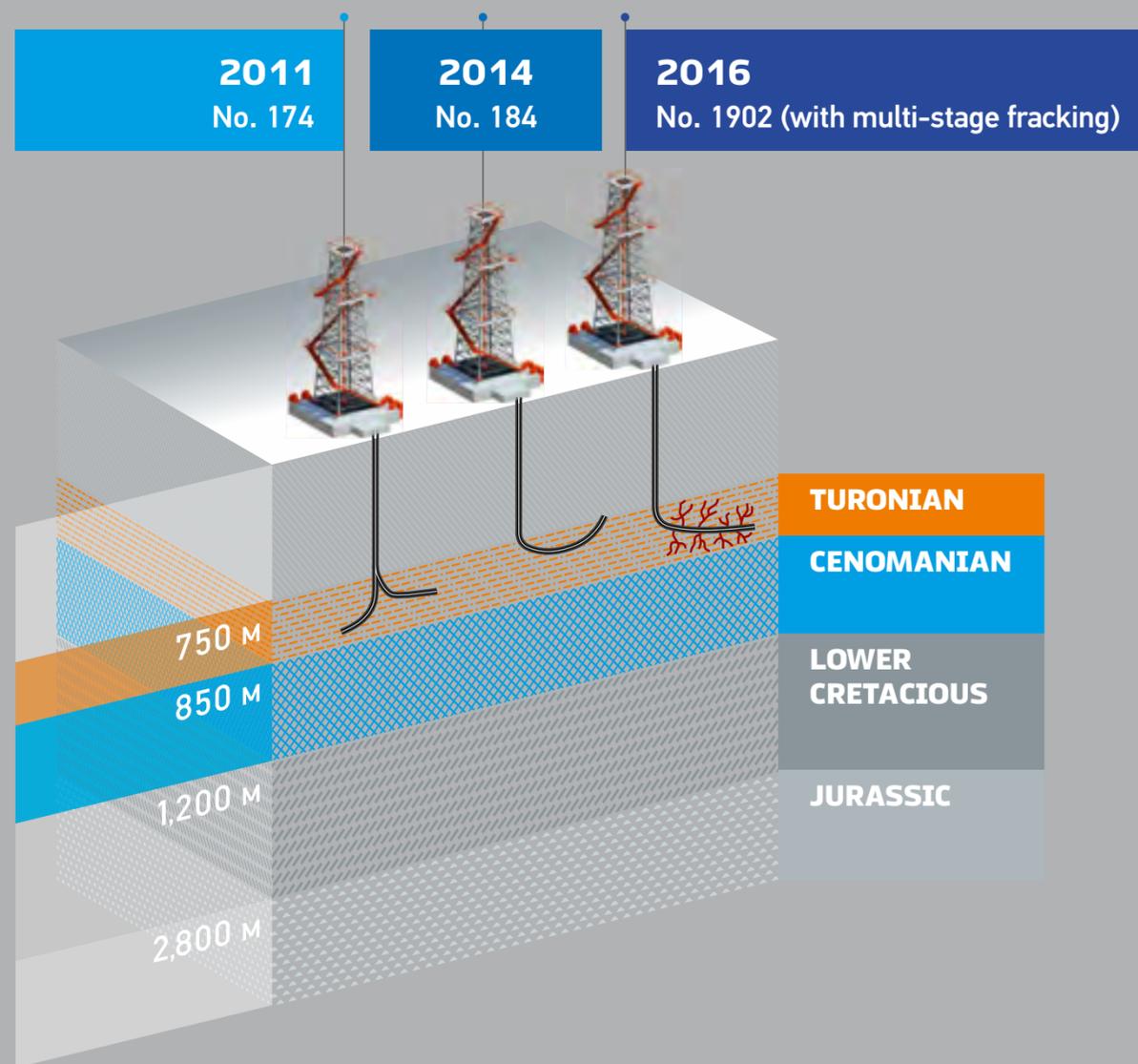
Turonian gas production is viewed as top priority for OJSC Severneftegazprom's future strategy. The fastest possible adoption of its production technology is one of the important challenges that the Company faces today.

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 m<sup>3</sup> of Turonian gas, thereby making up for the gradual Cenomanian deposit depletion.

OJSC Severneftegazprom will be producing Turonian gas at the field utilising 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. And 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.

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



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

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

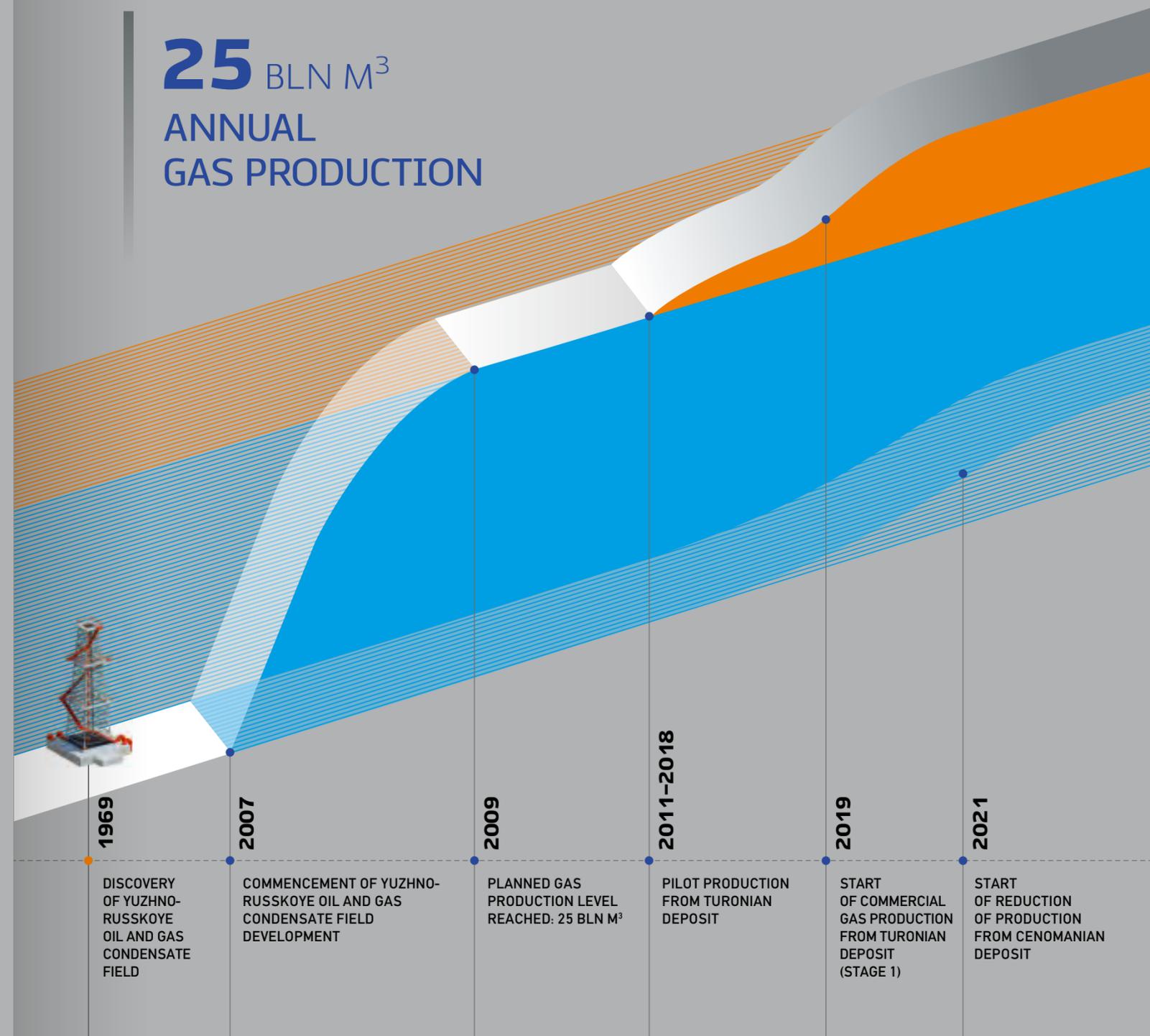
## HISTORY OF DEVELOPMENT OF TURONIAN AND CENOMANIAN DEPOSITS

TURONIAN

CENOMANIAN

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

**25** BLN M<sup>3</sup>  
ANNUAL  
GAS PRODUCTION





# The Construction and Commissioning of the Well No. 184 at the Turonian Gas Deposit in 2014

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 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 T<sub>1-2</sub>). 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 T<sub>1-2</sub>) with multifracking 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.

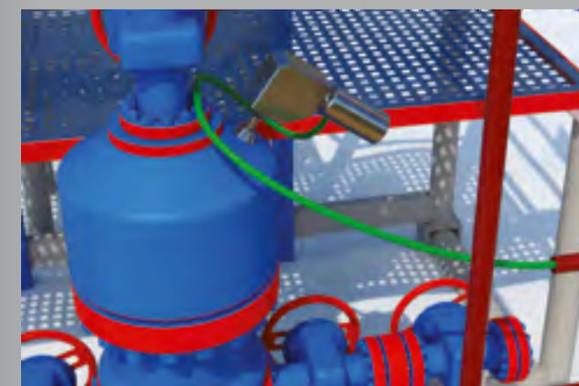
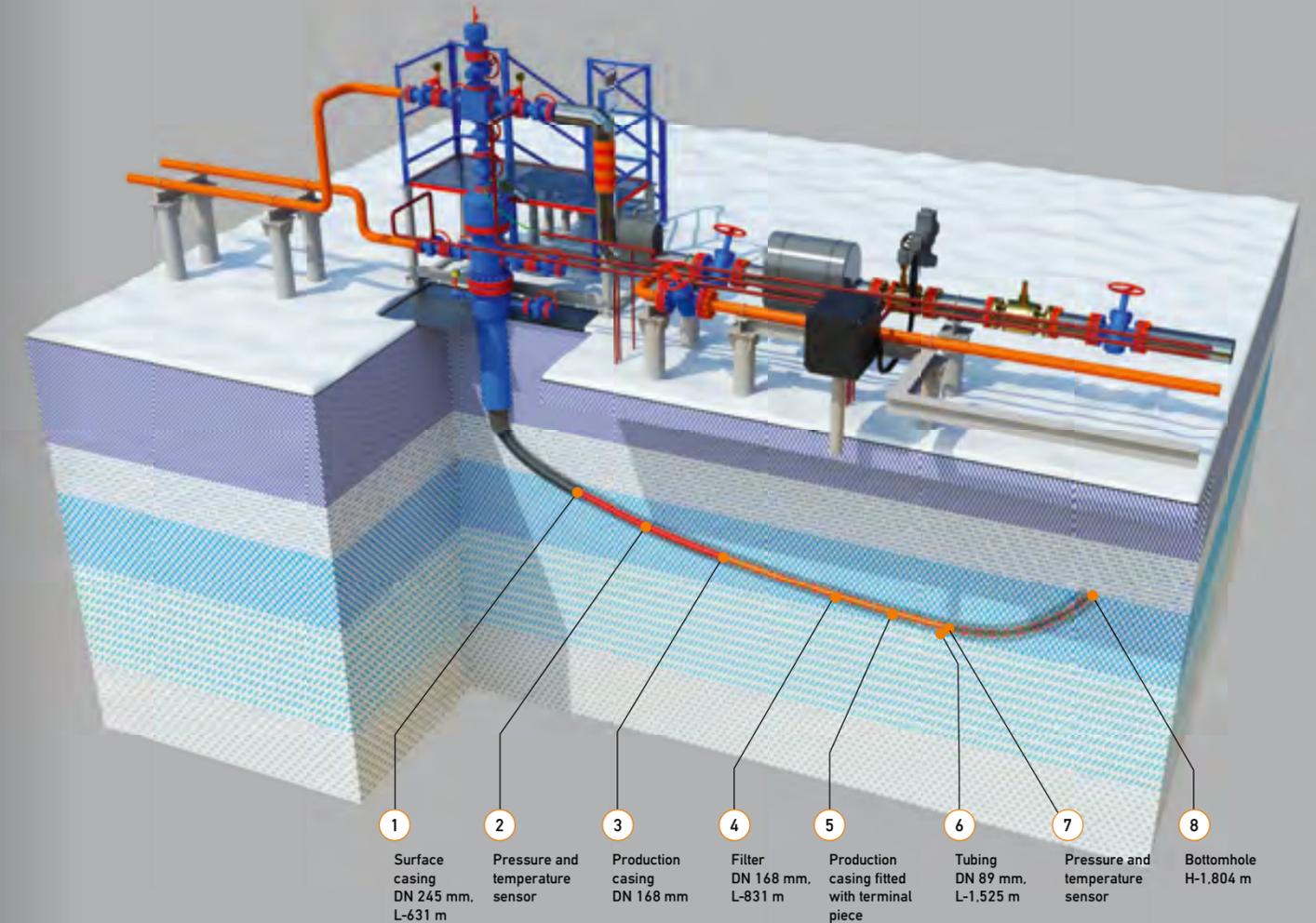
## WELL No. 184

### INNOVATIVE SOLUTIONS:

- Twofold increase of penetrated pay zone by use of uprising borehole profile
- Implementation of wellbore self-drainage mechanism by lowering the production string to liquid accumulation zone
- Use of real time operating parameters monitoring technology based on fiber optic cable and downhole sensors

### ADVANTAGES:

- Extension of deposit drainage area
- Significant enhancement of well efficiency
- No complicated and expensive downhole and wellhead equipment
- No complex processes during operation and maintenance
- Possibility of continuous monitoring and control of well production



### WELLHEAD CABLE OUTLET

Wellhead cable outlet for X-mas tree represents a mechanical barrier for high pressure and contains a socket for connection of downhole cable. This device ensures a safe barrier through which the optic cable for transmission of signals from the sensor is routed through producer wellhead. Wellhead cable outlet is intended to ensure adequate mechanical, hydraulic, and electrical interface with wellhead equipment.



## INDUSTRIAL POWER OF INTELLIGENCE

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.

# 16

REGISTERED  
PATENTS  
AS OF DECEMBER 31,  
2014

## TECHNOLOGY AND INNOVATION

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

# 7



- Intellectual Property
- Optimization Activity
- Participation in Innovation Competitions

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## 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 grainy charge, ion exchange resin, and activated carbon

**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.



### LEGEND

- TRT1 Technological Reaction Tower №1
- EDU1 Electro Discharge Unit of TRT1
- TRT2 Technological Reaction Tower №2
- EDU2 Electro Discharge Unit of TRT2
- FT1 Flocculation Tank
- FZS1 Fine Zoned Settler
- CF1 Clarifying Filter №1
- CF2 Clarifying Filter №2
- IEF1 Ion Exchange Filter
- SF1 Sorption Filter

**THE OJSC SEVERNEFTEGAZPROM'S PRODUCTION CAPACITIES 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;

Modern automated process control system;

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;

Reliable, precise, and easy-to-maintain ultrasonic flowmeters guaranteeing a very low error in the marketable gas commercial accounting;

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;

Equipment complex of the first phase of the Booster compressor station No. 1, first implemented by OJSC Severneftegazprom among other companies of Gazprom Group that allows not only to significantly improve the reliability of operation of the facility, but also to reduce the cost of materials used during the operation and the negative environmental impact.

## Intellectual Property

OJSC Severneftegazprom is well aware that the development of innovation activities is a prerequisite for successful long-term development. At the same time, in its intent to use the most advanced technology and modern equipment during the work, the Company relies not only on ready-made know-how.

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: 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."

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.

For the OJSC Severneftegazprom specialists, the year of 2014 proved to be very rich in official recognition of their intellectual superiority in solving a variety of important industrial and technical challenges.

**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 2014 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. 138853  
"The Hydrate Inhibitor Distribution and Metering System"

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. 145179 "Testing Stand for Intercepting Device Testing and Configuration"

Patent for Utility Model No. 146061  
"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"

Patent for Utility Model No. 147866  
"Vacuum Groundwater Degassing Unit"

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

**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.**

The Company's employees are regular participants and winners of competitions held under the auspices of the annual All-Russia Scientific and Practical Conference of Young Scientists and Specialists "Ensuring the Gas Industry Efficient Operation," which the YNAO 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 Tsygankov, General Director of OJSC Severneftegazprom, participated in the 12<sup>th</sup> 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."



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 image shows a large industrial facility, likely a refinery or chemical plant. The main structures are blue with corrugated metal roofs. In the foreground, there are grey metal walkways with red and blue railings. To the right, there are yellow pipes and more industrial equipment. The sky is clear and blue.

## GUARANTEEING STABLE DEVELOPMENT

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

**4.3** BLN RUB

AMOUNT OF CAPITAL EXPENDITURES FOR 2014

## 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

# 8



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 (construction of wells Nos. 50 and 51 accomplished; well No. 52 drilling stage accomplished; preparatory works with regard to construction of well No. 54 accomplished);

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

IN MILLION RUBLES, WITHOUT VAT

	2014	2013	CHANGE 2014 / 2013	
	ACTUAL	ACTUAL	+/-	%
Capital expenditures, TOTAL	4,277	1,256	3,021	241
including				
Production drilling	276	5	271	
Exploration activities at the field	543	9	534	
R&D work for future years	26	149	-123	
Equipment not included into construction estimates	147	138	9	
Construction sites	3,275	943	2,332	
Purchase of capital assets	10	12	-2	



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.

**THE TOTAL VALUE OF COMMISSIONED CONSTRUCTION, FIXED ASSETS, AND INTANGIBLE ASSETS IN 2014 AMOUNTED TO**

**1,205 MLN RUBLES**



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 DKS-1 (2 phase) Yuzhno-Russkoye oil and gas condensate field.

IN MILLION RUBLES, WITHOUT VAT

	2014	2013	CHANGE 2014 / 2013	
	ACTUAL	ACTUAL	+/-	%
<b>TOTAL</b>	<b>1,205</b>	<b>415</b>	<b>790</b>	<b>190</b>
including:				
Production drilling	284	0	284	100
Equipment not included into construction estimates	148	140	8	6
Construction sites	759	253	506	200
Intangible assets	14	21	-7	-33



A photograph of an industrial gas pipeline in a winter setting. The ground is covered in snow, and the sky is a pale blue. In the foreground, a large yellow vertical pipe stands prominently. In the background, a long horizontal pipeline runs across the frame, supported by metal structures. The scene is set against a backdrop of tall, thin evergreen trees.

## STABLE ECONOMY OF A RELIABLE PRODUCTION

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.

**37.2** BLN RUB

REVENUE FROM  
**NATURAL GAS SALES**  
IN 2014



## MAIN FINANCIAL INDICATORS

THIS SECTION REPRESENTS AN OVERVIEW OF OJSC SEVERNEFTEGAZPROM'S FINANCIAL POSITION AS OF DECEMBER 31, 2014, AND IS SUBJECT TO REVIEW TOGETHER WITH THE COMPANY'S ACCOUNTING STATEMENTS FOR 2014 PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS AND AVAILABLE FOR ALL INTERESTED PARTIES ON THE COMPANY'S OFFICIAL WEBSITE WWW.EN.SEVERNEFTEGAZPROM.COM

# 9



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## Main Financial Indicators

MLN RUBLES

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

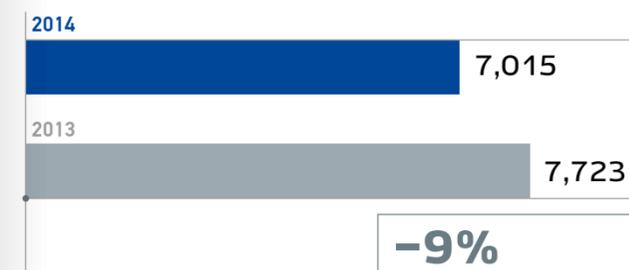
\* Gas production expenses include all expenses attributable to the prime cost, excluding depreciation and tax liabilities.

**+2,713** MLN RUB **REVENUE INCREASE**

**-451** MLN RUB **REDUCTION OF EXPENSES FOR GAS PRODUCTION**

**+4,094** MLN RUB **INCREASE OF EXPENSES FOR MET**

OPERATING PROFIT,  
MLN RUBLES



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 of 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 m<sup>3</sup> 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

ITEM	2014	2013	CHANGE IN %
Revenue	37,214	34,501	+8
Prime cost, including:	(29,021)	(25,671)	+13
Taxes (MET, property tax, others)	(20,135)	(16,062)	+25
Depreciation deductions	(5,827)	(6,099)	-4
Expenses for gas production*	(3,059)	(3,510)	-13
Gross profit	8,193	8,830	-7
Administrative expenses	(1,178)	(1,107)	+6
Sales profit	7,015	7,723	-9
Interest receivable	1,083	989	+10
Interest payable, incl.	(1,068)	(1,132)	-6
Project Facility Agreement (PF)	(848)	(968)	-12
Interest expense for accrued reserves**	(220)	(164)	+34
Other income and expenses (balance), including:	(6,674)	(1,279)	+422
Effect of negative exchange rate difference***	(7,214)	(1,597)	+352
Other income and expenses (net)	540	318	+70
Profit before tax	357	6,301	-94
Net profit	34	5,016	-99

### 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.

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.

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 difference) 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.

\* Gas 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.



## REVENUE

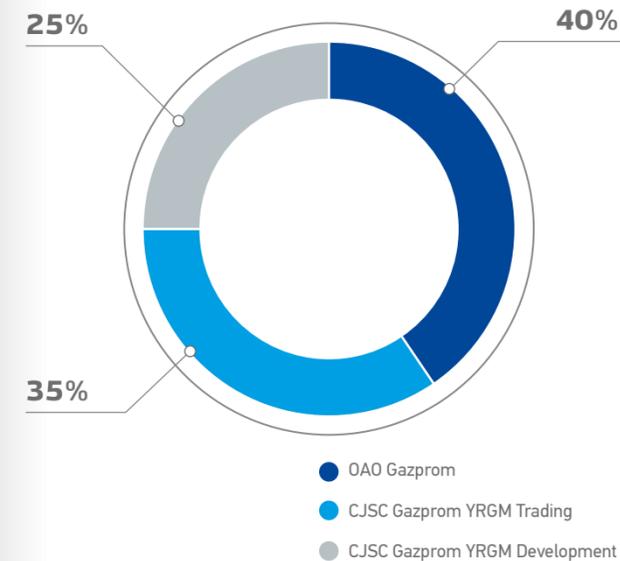
Revenue from gas sales in 2014 increased by 8 percent compared to 2013 and amounted to 37,214 million rubles.

Volume of natural gas sales in 2014 amounted to 24,963 million m<sup>3</sup>, 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



The quality requirements for gas supplied to the buyers are regulated in accordance with OAO Gazprom Company Standard 089-2010 "Combustible natural gas supplied and transported via trunk gas pipelines. Technical conditions." This standard aims to improve product quality and to ensure the effectiveness and safety of the gas transmission systems functioning.

### VOLUME OF MARKETABLE GAS SALES, IN MILLION M<sup>3</sup>

	2014	2013	2012
Total, including:	24,963	25,048	25,280
OAO Gazprom	9,985	10,019	10,112
CJSC Gazprom YRGM Trading	8,737	8,767	8,848
CJSC Gazprom YRGM Development	6,241	6,262	6,320



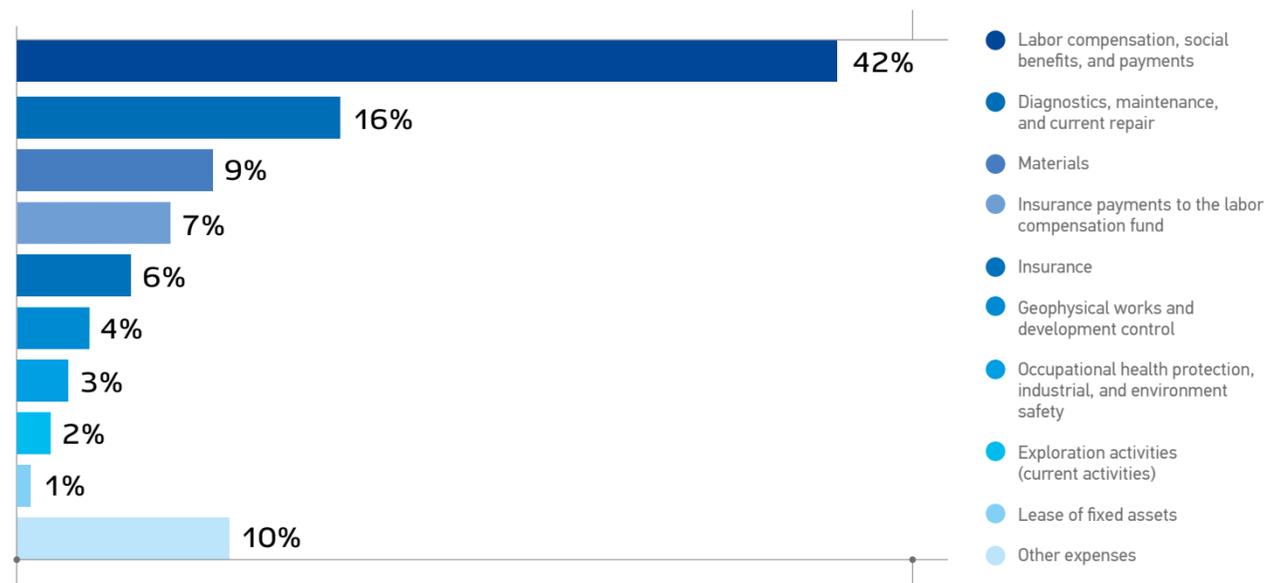
## GAS PRODUCTION EXPENSES (Excluding Taxes and Depreciation)

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.



## STRUCTURE OF GAS PRODUCTION EXPENSES



## GAS PRODUCTION EXPENSES

MLN RUBLES

ITEM	2014	2013	CHANGE IN %
Labor compensation, social benefits, and payments	1,283	1,154	+11
Insurance payments to the labor compensation fund	226	208	+9
Diagnostics, maintenance, and current repair	488	509	-4
Materials	267	274	-2
Insurance	199	208	-5
Geophysical works and development control	112	102	+10
Occupational health protection, industrial, and environment safety	94	132	-29
Exploration activities (current activities)	73	558	-87
Lease of fixed assets	27	35	-23
Others	290	330	-12
<b>Total</b>	<b>3,059</b>	<b>3,510</b>	<b>-13</b>

## TAXES (excluding income tax)

MLN RUBLES

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

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 m<sup>3</sup> of natural gas in 2013 up to 767 rubles per thousand m<sup>3</sup> 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.



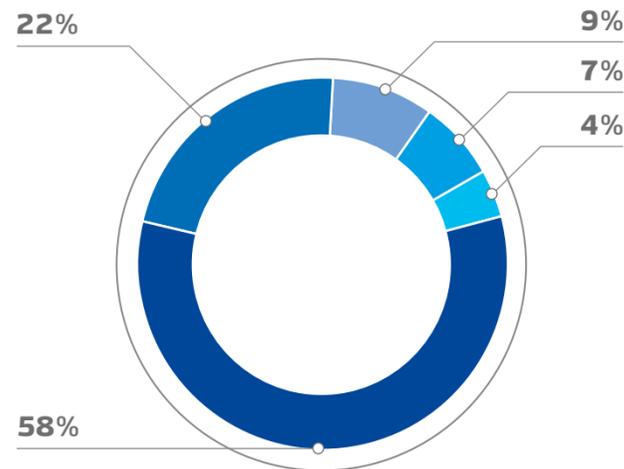
ASSETS

IN 2014 COMPANY'S ASSETS INCREASED BY 3 PERCENT OR

BY **2** BLN RUBLES

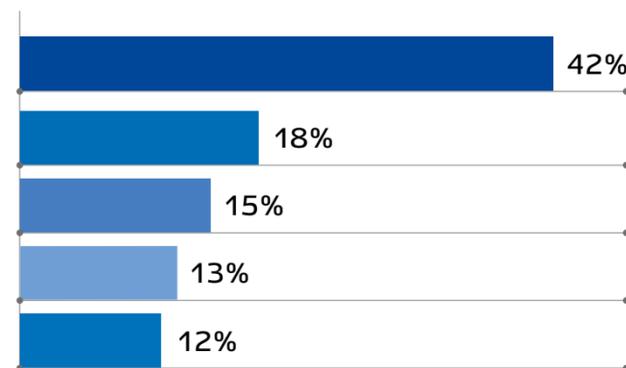


STRUCTURE OF ASSETS



- Fixed assets
- Cash
- Financial investments
- Receivables
- Other

STRUCTURE OF FIXED ASSETS



- Buildings and constructions
- Roads
- Wells
- Machinery and equipment
- Trunk gas pipeline

CHANGE IN THE COMPANY'S ASSETS FOR THE REPORTING PERIOD

MLN RUBLES

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	CHANGE IN %
<b>NON-CURRENT ASSETS</b>	<b>50,047</b>	<b>51,061</b>	<b>-2</b>
Intangible assets	13	10	+30
Research and development results	22	28	-21
Intangible development assets	2	2	-
Fixed assets	46,182	47,877	-4
Deferred tax assets	172	268	-36
Other non-current assets	3,655	2,877	+27
<b>CURRENT ASSETS</b>	<b>30,126</b>	<b>27,085</b>	<b>+11</b>
Inventories	660	745	-11
Receivables	5,706	4,428	+29
Financial investments	6,308	3,894	+62
Cash	17,387	17,957	-3
Other current assets	65	60	+8
<b>TOTAL</b>	<b>80,172</b>	<b>78,146</b>	<b>+3</b>

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.



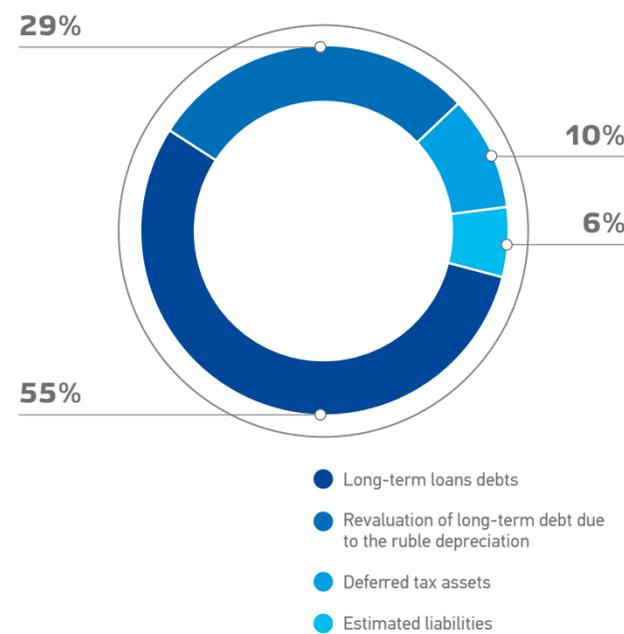
LONG-TERM AND SHORT-TERM LIABILITIES

AMOUNT OF LONG-TERM LOAN LIABILITIES IN FOREIGN CURRENCY DECREASED

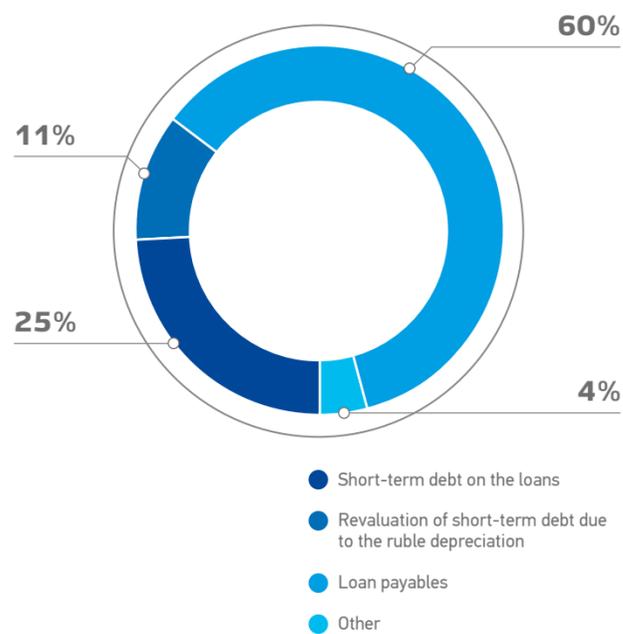
BY **15%**



LONG-TERM LIABILITIES  
TOTAL: 31 BILLION AS OF DECEMBER 31, 2014



SHORT-TERM LIABILITIES  
TOTAL: 9.1 BILLION AS OF DECEMBER 31, 2014



MLN PCS

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	CHANGE IN %
<b>LONG-TERM LIABILITIES</b>	<b>31,027</b>	<b>25,507</b>	<b>+22</b>
Bank loans due and payable beyond 12 months, total in million rubles, including:	26,049	19,748	+32
in million US dollars	227	266	-15
in million euros	164	192	-15
in million rubles	2,071	2,423	-15
Deferred tax liabilities	3,057	3,352	-9
Estimated liabilities	1,921	2,408	-20
<b>SHORT-TERM LIABILITIES</b>	<b>9,129</b>	<b>9,694</b>	<b>-6</b>
Bank loans due and payable within 12 months, total in million rubles, including:	3,356	5,734	-41
in million US dollars	29	76	-62
in million euros	21	55	-62
in million rubles	261	695	-62
Loan payables	5,392	3,612	+49
Estimated liabilities	381	348	+9
<b>TOTAL</b>	<b>40,166</b>	<b>35,201</b>	<b>+14</b>

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).

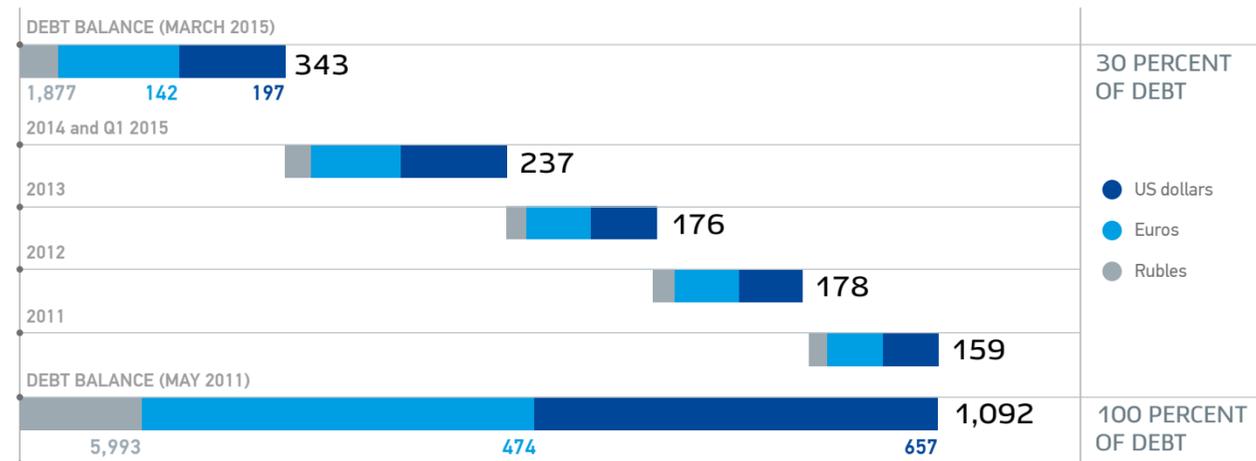
For the purposes of effective debt management, the Company primarily uses a form of accelerated repayment of loans.

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 10 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



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



### PRINCIPAL DEBT AMOUNT, MLN PCS

	AS OF DECEMBER 31, 2013	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2015
Tranche in US dollars	342	256	197
Tranche in euros	247	184	141
Tranche in rubles	3,118	2,332	1,877
Outstanding balance on the loan, %	52	39	30

Total, for the period May 2011–March 2015, the Company repaid 70 percent of the principal debt under the Project Facility Agreement.

### AVERAGE ANNUAL INTEREST RATES ON THE LOANS, %

INTEREST RATE, IN PERCENT	2014	2013	DEVIATION 2013–2014
Under the US dollar dollars	2.7	2.61	+0.09
Under the euro tranche	2.7	2.55	+0.15
Under the ruble tranche	11.4	11.4	0

### INTEREST ON THE LOAN, MLN RUBLES

ITEM	2014	2013	DEVIATION 2013–2014
Interest under the Project Facility Agreement	848	968	-12%

### NET DEBT, MLN RUBLES

ITEM	DECEMBER 31, 2014	DECEMBER 31, 2013	CHANGE 2014/2013, %
Current portion of long-term facilities and loans	3,356	5,734	-41
Long-term facilities and loans	26,049	19,748	+32
Cash and cash equivalents	(23,695)	(21,852)	8
Net debt	5,710	3,630	+57
Short-term loans / to total debt, %	11	23	-49



## Equity and Reserves

MLN RUBLES

	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	CHANGE IN %
Charter, additional capital and reserves	25,188	25,188	0
Charter Capital	40	40	-
Revaluation of non-current assets	47	47	-
Additional capital	25,099	25,099	-
Reserve capital	2	2	-
Profit	14,828	17,757	-16
Retained earnings	14,794	12,741	-
Profit for the reporting period	34	5,016	-
<b>TOTAL EQUITY AND RESERVES</b>	<b>40,016</b>	<b>42,945</b>	<b>-7</b>

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

MLN RUBLES

ITEM, MILLION RUBLES	2014	2013	DEVIATION 2014 / 2013	CHANGE 2014/2013 (+/-) IN %
Net cash from operating activities	12,925	12,771	155	+1
Net cash used in investment activity	(5,052)	(2,894)	(2,158)	-75
Net cash used in financial activity	(9,763)	(10,302)	539	+5



A 75 percent increase in net cash used in investment activities resulted from:

- Increase in the monetary funds for creation, acquisition, and reconstruction of non-current assets in accordance with the approved capital expenditures program.
- Increase in monetary funds placed in deposit accounts for more than 3 months. As of December 31, 2014, funds in the reserve accounts with the foreign account bank were placed in deposit accounts with the maturity over 3 months in accordance with the terms of the Project Facility Agreement.

Net cash used in financial activities decreased by 5 percent as compared to 2013 and amounted to 9,763 million rubles. Change is due to decreased amount of paid dividend (2,767 million rubles in 2014, 2,936 million rubles in 2013, net of income tax).



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

**12,9** BLN RUBLES



## Key Financial Ratios

### KEY FINANCIAL STABILITY RATIOS

RATIO	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	CHANGE IN THE PERIOD	ECONOMIC VALUE OF RATIOS
Equity Ratio	0.50	0.55	-0.05	Equity to Total Capital
Financial Leverage Ratio	1.0	0.82	+0.18	Borrowed Capital to Equity
Working Capital Financed by Equity to Total Assets Ratio	-0.33*	-0.30*	-0.03	Own current assets to current assets ratio
Investment Coverage Ratio	0.89	0.88	+0.01	Equity and long-term debt to total capital ratio
Capital Mobility Ratio	-0.25*	-0.19*	-0.06	Own current assets to equity sources
Current Assets Mobility Ratio	0.79	0.81	-0.02	The most mobile part of current assets to total value of current assets
Reserves to Production Ratio	-15.2*	-10.89*	-4.31	Own current assets to inventories value ratio

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

RATIO	AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013	CHANGE IN THE PERIOD	ECONOMIC VALUE OF RATIOS
Current (general) Liquidity Ratio	3.30	2.78	+0.52	Current assets to short-term liabilities. Shows coverage of short-term liabilities by all current assets
Quick (mid-term) Liquidity Ratio	3.23	2.70	+0.53	Liquid assets to short-term liabilities. Shows coverage of short-term liabilities by monetary funds, short-term financial assets, and short-term receivables
Total Liquidity Ratio	2,60	2,25	+0,35	Highly-liquid assets to short-term liabilities. Shows the part of short-term liabilities which may be repaid immediately

### PROFITABILITY ANALYSIS

PROFITABILITY INDICATORS	2014	2013	CHANGE IN THE PERIOD
Profit margin (in kopecks per ruble of revenues)	18.9	22.4	-3.5
EBIT Profit margin, in %	3.8	21.5	-17.7
Net profit margin (in kopecks per ruble of revenues)	0.1	14.5	-14.4
Interest Payable Coverage Ratio (ICR)	1.3	6.6	-5.3





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

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.

**THE COMPANY  
IS CERTIFIED**  
FOR COMPLIANCE WITH  
THE ENVIRONMENTAL  
MANAGEMENT SYSTEM  
STANDARD

ISO  
**14001:  
2004**

# 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

# 10



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# DEFINING THE PRIORITIES



OJSC Severneftegazprom conducts its work in accordance with the concept of sustainable development accepted in the Russian Federation and in the international community, which provides 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](http://www.en.severneftegazprom.com)



## 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.

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.

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



### POLLUTANT EMISSIONS

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.

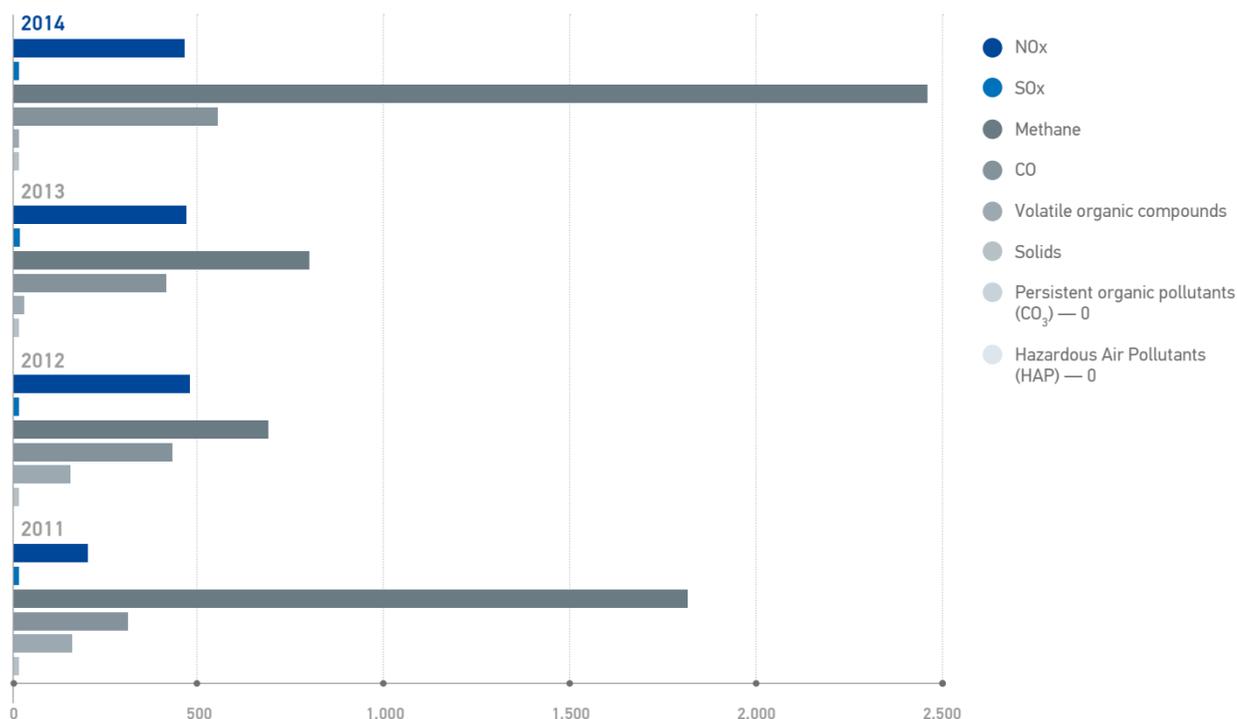
Protection of atmospheric air is one of the main areas of the Company's environmental activities. In 2014, the amount of pollutant emissions reached 3.7 thousand tons.

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 CO<sub>2</sub> 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.

### COMPOSITION OF POLLUTANT EMISSIONS, TONS



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.

### RECYCLING

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

### AGGREGATE WEIGHT OF HAZARDOUS AND NON-HAZARDOUS WASTE FOR 2014 AMOUNTED TO

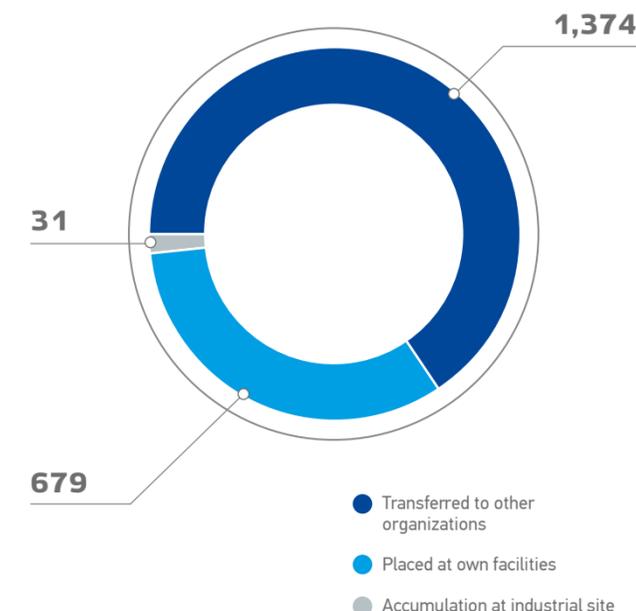
# 2 THOUSAND TONS



The Company succeeded in decreasing additional direct greenhouse gas emissions of methane by 13.123 thousand tons in the CO<sub>2</sub> 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.

### DISPOSAL OF HAZARDOUS AND NON-HAZARDOUS WASTE FOR 2014, 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 RECULTIVATION

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.

### IN 2014, THE COMPANY RECULTIVATED DISTURBED LAND OF

# 28.6 HECTARES



### 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.

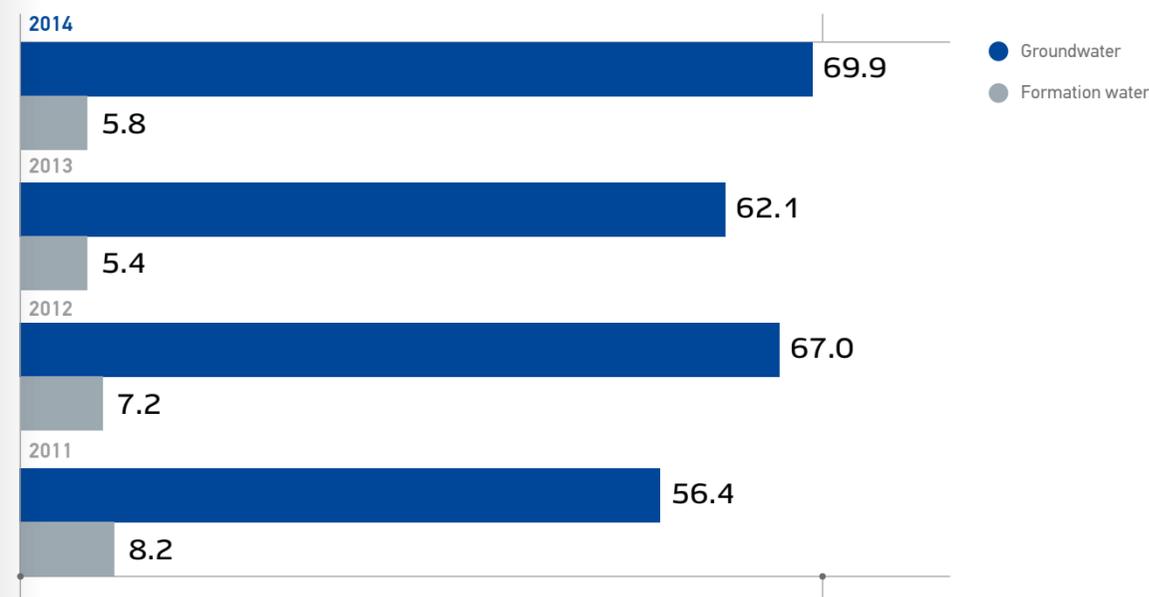
To meet its industrial and commercial needs, the Company takes water from aquifers. No water is taken from surface water bodies. During the reporting period, 75.7 thousand m<sup>3</sup> of water was extracted from groundwater sources. Thereof 69.9 thousand m<sup>3</sup> was taken from the underground water horizon, and 5.8 thousand m<sup>3</sup> 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 subsoil. 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 m<sup>3</sup>, 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 M<sup>3</sup>



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

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 m<sup>3</sup>.

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 intruding new technologies for the raw and waste water treatment.

KEY INDICATORS OF THE COMPANY'S  
ENVIRONMENTAL PROTECTION ACTIVITIES

NO.	ITEM	UNIT OF MEASUREMENT	2014	2013	DEVIATION FROM 2013	
					+/-	+/-, %
1.	Gross air emissions, total	thou tons	3.655	1.942	+1.713	+88
	including:					
	within permissible limits	thou tons	3.588	1.618	+1.970	+122
	above-limit emissions	thou tons	0.067	0.324	-0.257	-79
	including: emissions of methane CH <sub>4</sub>	thou tons	2.395	0.814	+1.581	+194
2.	Specific emissions NOx (gross emissions NOx per unit of fuel gas)	thou tons/ mln m <sup>3</sup>	0.000024	0.00008	-0.000056	-70
3.	Intake of water, total	thou m <sup>3</sup>	69.85	62.09	+7.767	+13
4.	Water discharge, total	thou m <sup>3</sup>	66.15	61.75	+4.4	+7
5.	Total waste generated, total	thou tons	2.064	0.179	+1.885	+1,053
6.	Share of wastes sent for disposal (percent of waste produced during the reporting period taking into consideration waste at the beginning of the year)	%	33	62	-29	-53
7.	Recultivated land area per year	hectare	28.6	28.04	+0.56	+2
8.	Expenses for environmental protection	thou rubles	199,855	119,760	+80,095	+67
9.	Current (operational) expenses for environmental protection measures	thou rubles	20,227	21,321	-1,094	-5
10.	Expenses for the environment protection services, including protection and recultivation of land	thou rubles	66,616	86,203	-19,587	-23
11.	Expenses for development and approval of environmental documents	thou rubles	601	226	+375	+166
12.	Expenses for production environmental monitoring and production ecological control	thou rubles	4,251	5,565.9	-1,314.9	-23
13.	Expenses for major repairs of fixed assets involved in environmental protection	thou rubles	0	0	0	0
14.	Payments for negative environmental impacts	thou rubles	5,157	2,019	+3,138	+155
	including:	thou rubles				
	within permissible limits	thou rubles	716	286	+430	+150
	above permitted limits	thou rubles	4,441	1,733	+2,708	+156
15.	Investments into fixed capital (exploration) for environmental protection	thou rubles	103,003	4,425	+98,578	+2,228
16.	Number of inspections by state environmental agencies	number	1	1	0	0
17.	Number of violations of environmental regulations (according to inspection acts of state environmental agencies)	number	9	0	+9	—
18.	Fines paid for violation of environmental legislation	thou rubles	320	0	+320	—
19.	Claims for environmental damage compensation	number	0	0	0	0
	including:					
	as a result of accidents	number	0	0	0	0
20.	Environmental damaged claimed for compensation	thou rubles	0	0	0	0
	including:					
	as a result of accidents	thou rubles	0	0	0	0



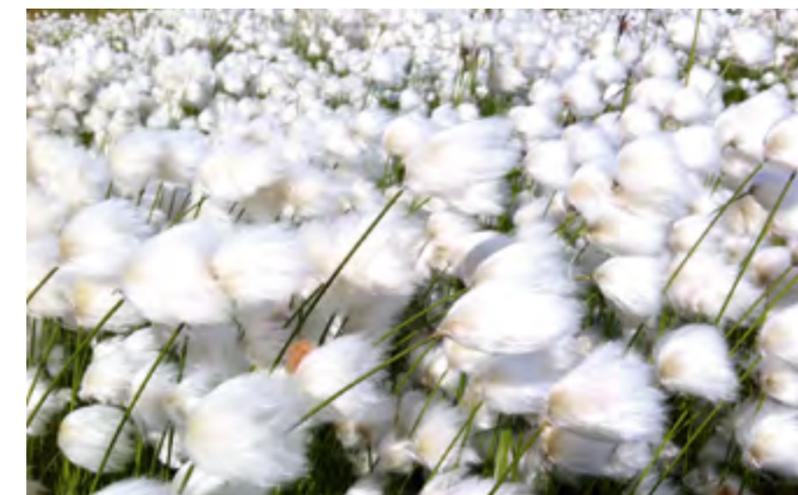
Gazprom Group has announced the year 2014 as Year of Environmental Awareness. In this regard, the activities for the environmental education of population and personnel carried out by OJSC Severneftegazprom on a permanent basis has been particularly large-scale.

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 competitions.

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: Yelizaveta Kuzmenko, Vladimir Sergeev, 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 its 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. Numerous planting stocks of fir, mountain ash, and birch have enjoyed the necessary care.



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.

**"OUR COMPANY IS RESPONSIBLY APPROACHING 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



## Energy Consumption

**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.**

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 CONSUMPTION

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.

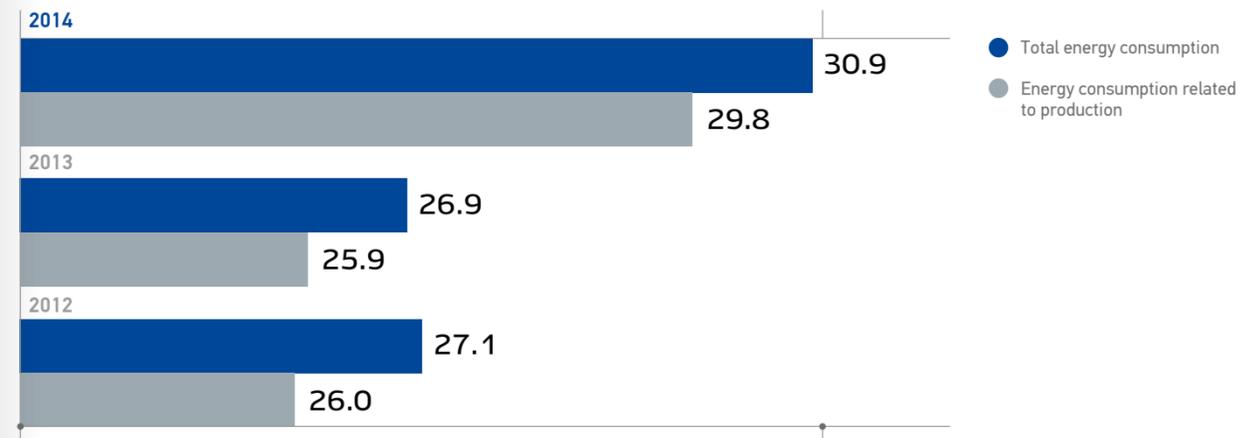
# 291 THOUSAND KW\*H

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

\*Energy Policy of OJSC Severneftegazprom is public and available for all interested parties on the Company's website ([www.severneftegazprom.com](http://www.severneftegazprom.com)).



### ENERGY CONSUMPTION, MILLION KW\*H



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 m<sup>3</sup>.

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.

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

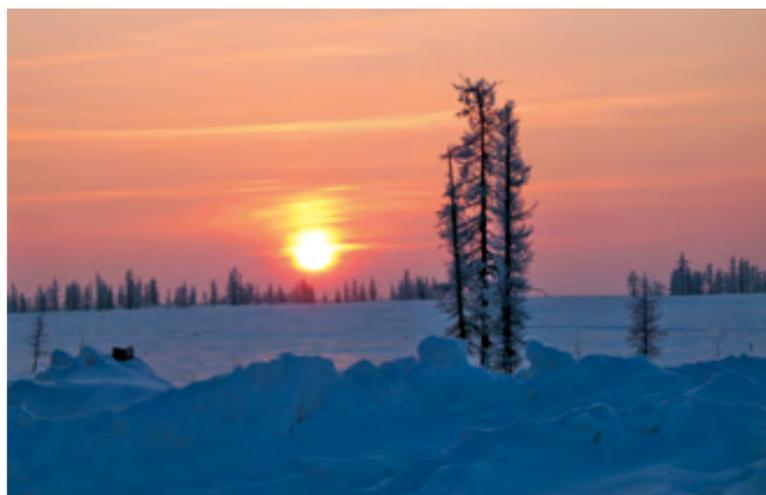
# 3.3 MLN M<sup>3</sup>

### NATURAL GAS CONSUMPTION, MILLION M<sup>3</sup>

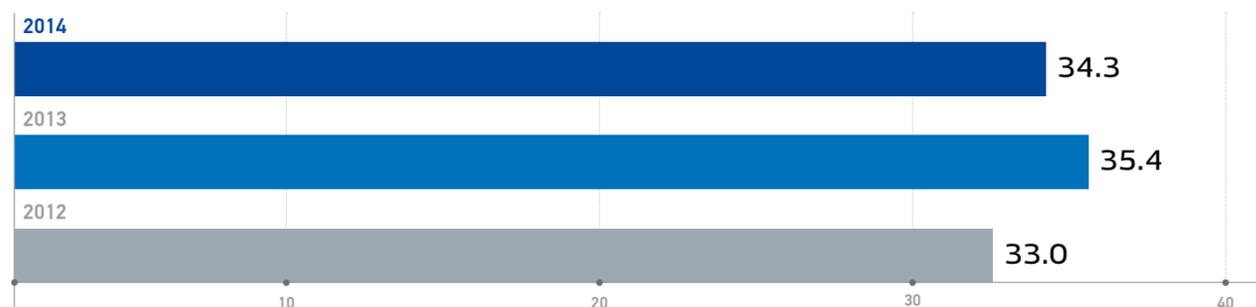




FULFILLMENT OF THE ENERGY SAVING PROGRAM AND INTENSIVE OPTIMIZATION ACITVITY OF THE OJSC SEVERNEFTEGAZPROM EMPLOYEES IN 2014 MADE IT POSSIBLE TO REDUCE CONSUMPTION OF HEATING ENERGY BY 3,555 GCAL AGAINST THE PLAN FOR 2014 AND BY 1,100 GCAL AGAINST THE ACTUAL CONSUMPTION LEVEL OF 2013.



HEATING ENERGY CONSUMPTION, THOUSAND GCAL



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.

To reduce energy consumption, OAO Severneftegazprom takes measures toward:

- 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.



THE COMPANY'S ENERGY SAVING PROGRAM PERFORMANCE

KEY ACTIVITIES	FUEL AND ENERGY RESOURCES (TER) SAVING BY IMPLEMENTING COMPANY'S ENERGY SAVING PROGRAM							
	NATURAL GAS, MILLION M <sup>3</sup>		ELECTRIC ENERGY, MILLION KW/HOUR		HEATING ENERGY, GCAL		TER (FUEL AND ENERGY RESOURCES), TONS OF FUEL OIL EQUIVALENT	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
Installing temperature regulators on the heating devices	—	—	—	—	15	15	—	—
Elimination of heat leaks at the junctions of window and door units with wall panels	—	—	—	—	619	619	—	—
Installation of filter separator to use degassing gases as a fuel gas on the regeneration unit	0.362	0.323	—	—	—	—	—	—
Exclusion of TO-1000 hours from the regulation of GTU OPRA maintenance providing for gas loss when pipelines emptying and blowing through	0.002	0.002	—	—	—	—	—	—
Conducting conservation of DVS DES at the gas well clusters in a hydrate free mode	—	—	—	—	—	—	3.093	0.515
Sealing of threaded joint of the coupling of a conductor-mounting sleeve of the wellhead	3.976	2.835	—	—	—	—	—	—
Installation of LEDs	0.099	0.105	0.258	0.291	—	—	—	—
Exclusion of TO-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	0.017	0.017	—	—	—	—	—	—
<b>TOTAL</b>	<b>4.456</b>	<b>3.282</b>	<b>0.258</b>	<b>0.291</b>	<b>634</b>	<b>634</b>	<b>3.093</b>	<b>0.515</b>



## 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.

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](http://www.en.severneftegazprom.com)).



### 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
- USE OF MODERN PERSONAL PROTECTIVE EQUIPMENT
- 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 operational safety has been certified for the 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 this areas helps identify and prevent the employees' hazardous actions, assess performance efficiency in the field of occupational and operational safety, and stimulate and support rigorous compliance with all necessary safety standards and rules.



### NUMBER OF ACCIDENTS IN 2010–2014

CATEGORY OF ACCIDENTS/PERIOD	2010	2011	2012	2013	2014
Minor industrial accidents	3	0	1	0	0
Major accidents	0	1	0	0	0
Fatalities	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

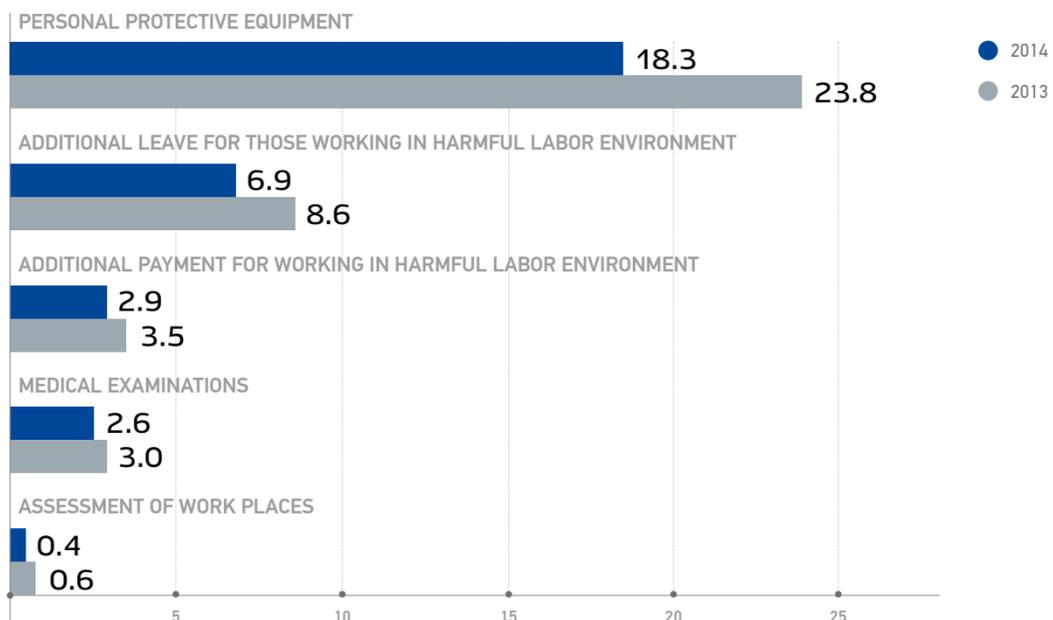
Registration of industrial accidents is carried out in compliance with the Resolution of the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002, "On approving forms of documents required to investigate and account for industrial accidents, and regulation on the specific aspects 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.

### OCCUPATIONAL SAFETY COST STRUCTURE, MLN RUBLES



### INDUSTRIAL AND FIRE SAFETY

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.



# 153 PERSONS

## OPERATING HAZARDOUS INDUSTRIAL FACILITIES HAVE BEEN DULY ASSESSED IN THE FIELD OF INDUSTRIAL SAFETY

### THE PRINCIPLES OF INDUSTRIAL SAFETY ASSURANCE IN OJSC SEVERNEFTEGAZPROM

- COMPLIANCE WITH FEDERAL LAW NO. 116 "ON INDUSTRIAL SAFETY OF HAZARDOUS INDUSTRIAL FACILITIES" AND OTHER REGULATORY LEGAL ACTS
- ORGANIZATION AND IMPLEMENTATION OF OPERATIONAL CONTROL OVER THE COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS BY EMPLOYEES AND CONTRACTING COMPANIES
- EXPERT EVALUATION OF INDUSTRIAL SAFETY OF BUILDINGS, CONSTRUCTION, AND HARDWARE USED AT HIF
- TRAINING AND ASSESSMENT OF EMPLOYEES
- IMPLEMENTATION OF MEASURES FOR PROTECTING HEALTH AND LIFE OF THE EMPLOYEES AT A HAZARDOUS INDUSTRIAL FACILITY (HIF)
- PARTICIPATION IN THE INVESTIGATION OF CAUSES OF ACCIDENTS AT A HIF

\*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](http://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 on a quarterly basis to Novy Urengoy Division of North-Urals Department of the Federal Service for Environmental, Technological, and Nuclear Supervision.

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

There is an Internal Fire Department (IFD) in the Company to ensure fire safety of production facilities and to implement the necessary regulatory requirements. Its activity includes preventive fire safety measures, updating of regulatory documents,

THE EXPENSES ON FIRE SAFETY ASSURANCE IN 2014 MADE

204 MLN RUBLES

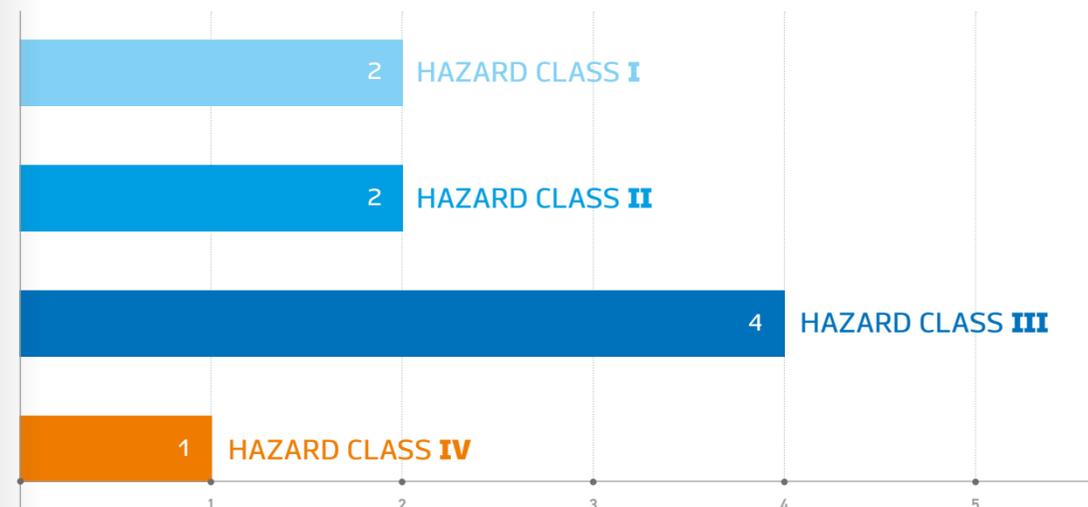
control over the compliance with fire safety requirements, and analysis of performance of fire preventive measures. Effective performance of this department is ensured by regular advanced training of its personnel. In the reporting period, the duty fire watches made 74 set-offs for the purpose of fire 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.

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 high professionalism and good practical skills of using fire fighting equipment of the German firefighting colleagues.



NUMBER OF HAZARDOUS INDUSTRIAL FACILITIES BY HAZARD CLASSES, PCS



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.

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 —that is, safe, stable, and economically effective —functioning of all plants and facilities of OJSC Severneftegazprom.



## HR and Social Policy

# 1,022

### 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.

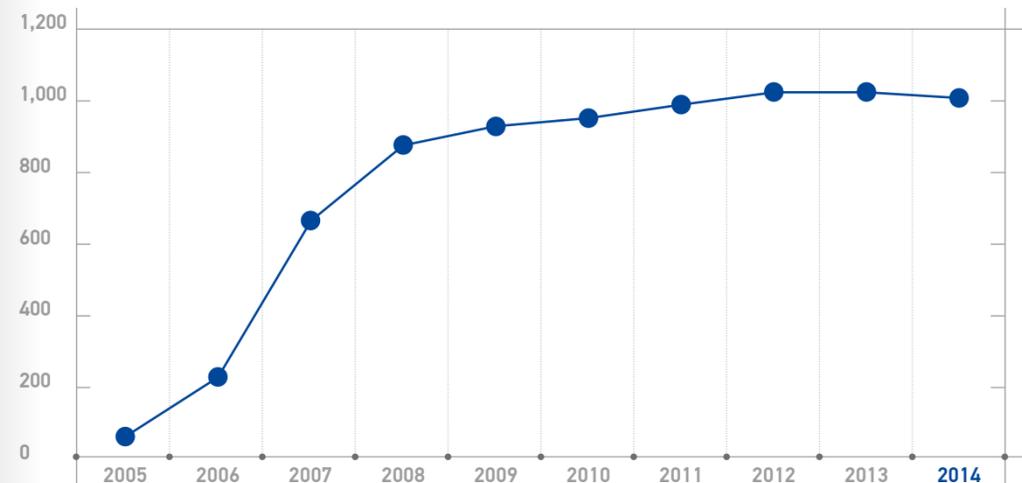
### STAFF SIZE AND COMPOSITION

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 harmonically 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.



### STAFF SIZE IN 2005-2014, PERSONS



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 of 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.

### HEADCOUNT

NO.	INDICATORS	HEADCOUNT (PERSONS), 2014
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

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



**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**

INDICATORS	TOTAL/FEMALE	MOSCOW/FEMALE	NOVY URENGOY/FEMALE	URENGOY SETTLEMENT/FEMALE	TYUMEN/FEMALE	KRASNOSELKUP VILLAGE/FEMALE
Headcount for 2014	1,022/215	75/43	110/60	232/64	1/1	604/47
Persons working under the fixed-term labor contract	17/13	2/0	3/3	9/7		3/3

**COMPANY'S PERSONNEL STRUCTURE, PERSON**

CATEGORIES OF WORKERS	TOTAL LISTED NUMBER AS OF DEC. 31, 2014	AGE				EDUCATION						FROM
		UNDER 30 YEARS OLD	30 TO 40 YEARS OLD	40 TO 50 YEARS OLD	50 YEARS OLD AND OLDER	INCLUDING		POST-GRADUATE	HIGHER	SECONDARY	GR. 1	FEMALE
						FEMALE 65 YEARS OLD AND OLDER	MALE 40 YEARS OLD AND OLDER					
	1	2	3	4	5	6	7	8	9	10	11	15
Total employees	1,022	137	359	333	193	6	4		7	567	144	215
including:												
Senior managers	226	7	87	82	50	4	1		5	204	20	52
Specialists	295	64	131	63	37	1	1		2	249	33	126
Other employees	7	4	1	2						3	3	7
Workers	494	62	140	186	106	1	2			111	88	30



**PERSONNEL TURNOVER IN 2014, PERSON**

NO.	INDICATORS	TOTAL	FEMALE AMONG THEM	INCLUDING IN THE BRANCH OFFICES								
				MOSCOW/FEMALE	NOVY URENGOY/FEMALE	URENGOY SETTLEMENT/FEMALE	TYUMEN	KRASNOSELKUP VILLAGE/FEMALE				
	Headcount as of December 31, 2014	1,022	215	75	43	110	60	232	64	1	604	47
Broken down by age groups:												
	Under 30 years old	137	45	21	12	9	5	31	15		76	13
	30 to 50 years old	727	143	45	28	90	47	166	41	1	425	26
	Over 50 years old	158	27	9	3	11	8	35	8		103	8
1.	Average listed headcount in 2014	1,015	194	73		107		221		1	613	
2.	Total number of dismissed persons	116	33	16	6	21	9	29	14	0	50	4
Broken down by age groups:												
2.1	Under 30 years old	62	20	7	3	10	6	17	8	0	28	3
2.2	30 to 50 years old	33	8	7	3	7	0	8	4	0	11	1
2.3	Over 50 years old	21	5	2	0	4	3	4	2	0	11	0
3.	Total number of employed persons	110	35	13	7	14	10	34	13	0	49	5
Broken down by age groups:												
3.1	Under 30 years old	69	20	3	0	11	7	23	9	0	32	4
3.2	30 to 50 years old	38	14	10	7	3	3	10	3	0	15	1
3.3	Over 50 years old	3	1	0	0	0	0	1	1	0	2	0

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.

CHILD CARE LEAVE GRANTED. TOTAL /MEN IN 2014	EMPLOYEES RETURNING TO WORK AFTER THE END OF CHILD CARE LEAVE, WITH REGARD TO PREVIOUS PERIODS. TOTAL /MEN	EMPLOYEES WHO STAYED AT WORK UPON EXPIRY OF 12 MONTHS, WITH REGARD TO PREVIOUS PERIODS. TOTAL /MEN
7/0	12/2	10/1



### 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 of conflict prevention by filing complaints through special mailboxes and e-mail "Question to the administration" (Vopros@sngp.com). No complaints at the practice of labor relations were received in the reporting period.

OJSC Severneftegazprom has developed, implemented, and is successfully realizing the Integrated HR Management Program. In accordance with this Program, the Company holds regular contests aimed at improving labor conditions, motivating the innovation activity, and improving 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, contests of professional competence for the Best in Profession among oil and gas production operators, 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 SEVERNEFTGAZPROM 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 existing Collective Contract provides the employees with reliable social support, which includes voluntary health insurance, insurance against accidents, resort and spa health improvement, and other benefits and guarantees. Every employee of the Company is entitled to use a certain kind of benefits, guarantees, and compensations.

The Commission for Social and Labor Relations of OJSC Severneftegazprom held 6 meetings in 2014 to consider the requests of the employees who suffered financial problems. The Commission considered their applications and made decisions on the targeted financial assistance.

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.



### SOCIAL BENEFITS AND GUARANTEES

#### FAMILY

FINANCIAL SUPPORT OF NEWLY MARRIED COUPLES

COMPENSATION OF EXPENSES ON PRE-SCHOOL EDUCATION

CHILD BIRTH ALLOWANCE BENEFIT

GIFTS TO CHILDREN OF EMPLOYEES

AID FOR LARGE FAMILIES

#### RELIABLE PERFORMANCE

WORTHY LABOR REMUNERATION

PAYMENT FOR THE TRAVEL TO THE PLACE OF VACATION

PERSONAL AND PROFESSIONAL DEVELOPMENT

ADDITIONALLY PAID LEAVES

ADVANCED TRAINING

COMFORTABLE WORKING CONDITIONS

#### STABLE FUTURE

ADDITIONAL PENSION BENEFITS

COVERAGE OF MEDICAL SERVICES FOR PENSIONERS

FINANCIAL AID TO VETERANS

### 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

NO.	CATEGORY OF EMPLOYEES	TRAINED (TOTAL)		TOTAL TRAINING HOURS		AVERAGE TRAINING HOURS	
			FEMALE		FEMALE		FEMALE
1.	Senior managers	149	43	7,807	2,219	52	52
2.	Specialists	97	50	4,765	2,018	49	40
3.	Other employees	1	1	16	16	16	16
4.	Workers	135	3	11,886	224	88	75
	Total	382	97	24,474	4,477	64	46



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 (46 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.**

CATEGORY	TOTAL	ASSESSED	FEMALE
Senior managers	226	207	39
Specialists	302	259	81

\* 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).



**FORMATION OF THE CANDIDATES POOL AND WORK WITH YOUNG PROFESSIONALS**

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.

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**QUANTITY OF YOUNG SPECIALISTS WORKING IN THE COMPANY IN 2014**



### 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 6,000 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.



### THE COMPANY IMPLEMENTS IN THE REGIONS OF ITS PRESENCE THE PROGRAMS AIMED AT CREATING SPORTS INFRASTRUCTURE AND SUPPORTING CHILDREN AND YOUTH'S SPORTS SCHOOLS AND CLUBS, THE TEAMS OF WHICH ARE SUCCESSFULLY PARTICIPATING IN THE ALL-RUSSIAN AND INTERNATIONAL COMPETITIONS.

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 KRASNOSELKUPSKY 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 work place, 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 17<sup>th</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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;

- Partners and suppliers;
- Public media;
- Non-profit organizations;
- Personnel.

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.

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

# SHAREHOLDERS

Following the best international practices, OJSC Severneftegazprom actively interacts with shareholders and their representatives. The main forms of such interaction include General Meetings of Shareholders, in the course of which the most important issues of Company's activity are submitted for discussion, official disclosure, and provision of information on the Company's activity upon shareholders' requests.

In accordance with the Charter, shareholders take part in the management and control of the Company's operating efficiency through the existing regulatory bodies: General Meeting of Shareholders, Board of Directors, Technical Committee. The Technical Committee considers such issues and documents relating to the economic, environmental, and social aspects

# GOVERNMENT BODIES

Being a socially responsible Company that complies with environmental and social norms, OJSC Severneftegazprom strives for contributing to the development of the territories of its activity. The Company permanently works on maintaining effective relations with the government bodies, which would be based on the principles of responsibility, conscientiousness, and compliance with mutual interests.

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

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

- Investments in the infrastructure and social sphere;
- Presentation of reports on the Company's activity to the supervisory bodies;
- Employment of local population;
- Tax deductions;



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 Supervision Bodies section.

In 2014, the main topics discussed with shareholders were:

- 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.

Implementation of projects on development of local communities, socially important and environmental projects;

Charity support;

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 YNAO RESIDENTS WILL CONTINUE IMPROVING.”**

General Director, OJSC Severneftegazprom  
Stanislav Tsygankov



## SAVING CULTURAL TRADITIONS

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 people 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 not to 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 from the areas inhabited by indigenous peoples of Far North, the Company's activity does not require their relocation to other regions.

Today, we can state with pleasure that there have been no disagreements with the local communities and indigenous people associated with the Company's ongoing or future works, as well as no incidents that might imply any infringement of indigenous minorities' interests.

The Company considers assistance to the most needy social groups and growing generation in the regions of its presence to be one of the priority lines of its activities.

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 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.

### 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.

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.



### 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.



### PERSONNEL

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

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 and in 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.

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 (Vopros@sngp.com, telephone +7-3494-932-932). In 2014, the Company's management received 6 requests containing 29 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.

On a regular basis, OJSC Severneftegazprom organizes various cultural and sports events aimed at strengthening the team spirit and group cohesion.



## 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.

# 65 ISSUES

CONSIDERED  
BY THE BOARD  
OF DIRECTORS IN 2014



# FINANCIAL AND OPERATIONAL ACTIVITIES MANAGEMENT AND SUPERVISION BODIES

KEY PRINCIPLE OF THE COMPANY'S CORPORATE GOVERNANCE: INTERACTION AND DISTRIBUTION OF COMPETENCES EXERCISED BY THE REGULATORY BODIES TO MEET THE SHAREHOLDERS' INTERESTS AND TO ENHANCE THE COMPANY'S INVESTMENT ATTRACTIVENESS

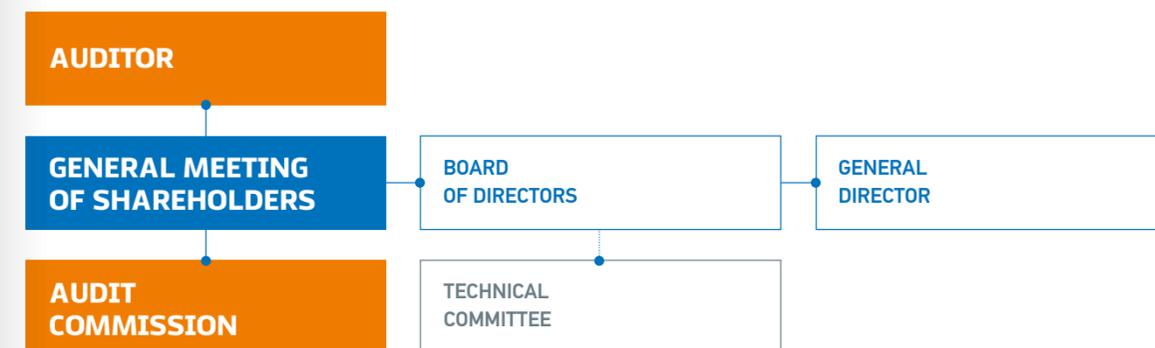
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## Corporate Governance Structure

### CORPORATE GOVERNANCE CHART OF OJSC SEVERNEFTEGAZPROM



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

**BOARD OF DIRECTORS** is a regulatory body that carries out the overall management of the Company's activities and is responsible for strategic management aimed at attaining the 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](http://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.

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.

## 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 Company's Board of Directors 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.

## 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

	2014	2013	2012
Strategic	1	2	1
including budget planning	1	1	1
Corporate governance	64	34	33
including approval of transactions	30	5	5
— preparing for the General Meeting of Shareholders	23	23	22
— HR	8	3	4
— other	3	3	2
<b>TOTAL</b>	<b>65</b>	<b>36</b>	<b>34</b>

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

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;

General Meeting of Shareholders

Board of Directors

Report on the Board of Directors Performance in Priority Areas



**IN THE REPORTING YEAR, THE BOARD OF DIRECTORS HELD**

**18 MEETINGS**

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.

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

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

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

PhD Economics. Member of the International Academy of Investments and Construction Economics.

Since 2005, Deputy Chairman of the Management Committee at OAO Gazprom.

**VSEVOLOD  
CHEREPANOV**

Born on November 25, 1966, in Frunze.

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

PhD in Geology and Mineral 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 Jurisprudence (1999).

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

Since 2003, Deputy General Director of Corporate and Property Relations at Mezhregiongaz, LLC.

Since 2012, Member of the Management Committee, Head of the Department at OAO Gazprom.

**ALEXANDER  
DUSHKO**

Born on June 22, 1964, in Novodruzhesk.

Graduated from the St. Petersburg State Academy of Engineering and Economics with a decree in Engineer-economist (1993).

Since 2005, Deputy Head of the Department at OAO Gazprom.

**DR. RAINER SEELE**

Born on September 2, 1960, in Bremerhaven (Germany).

Graduated from the University of Göttingen (Germany) (1987).

PhD in Chemistry.

Since 2009, Chairman of the Board of Executive Directors at Wintershall Holding GmbH (former Wintershall Holding AG); Member of the Management Board at Nord Stream AG, Managing Director at Wintershall Erdgas Beteiligungs GmbH.

Since 2012, Member of the Management Board at South Stream Transport B.V.

**MARIO MEHREN**

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

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

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

2007–2011, Member of the Management Board at Wintershall AG.

2008–2011, Managing Director of Wintershall Middle East GmbH and E&A Internationale Explorations-und-Produktions GmbH.

2009–2011, Managing Director of Wintershall Norwegen Explorations-und-Produktions GmbH.

Since 2011, Member of the Management Board at Wintershall Holding GmbH (former Wintershall Holding AG); Managing Director of Wintershall Lenkoran GmbH and Wintershall Volga Petroleum GmbH.

**FRANK ALLAN  
SIVERTSEN**

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

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

Master of Business Administration (MBA).

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

**STEFAN BERGMAIR**

Born on 1971, in Germany.

University degree in Economics.

Since 2013, General Director of E.ON E&P Russia (former E.ON Ruhrgas Geological Exploration and Production Russia).

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.

The Chairman and the members of the Board of Directors hold no shares of the Company.



## Technical Committee

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

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

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

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

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



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

COMPOSITION IN THE PERIOD FROM JANUARY 1 TO SEPTEMBER 24, 2014	COMPOSITION IN THE PERIOD FROM SEPTEMBER 24 TO DECEMBER 31, 2014
Stanislav Tsygankov	Stanislav Tsygankov
Yulia Sukhanova	Yulia Sukhanova
Egor Efimochkin	Egor Efimochkin
Nazhib Bilalov	Nazhib Bilalov
Dr. Rolf Udo Norbert Pilling	Dr. Rolf Udo Norbert Pilling
Hermann Ubbenjans	Matthias Stollenwerk
Maxim Stein-Khokhlov	Maxim Stein-Khokhlov
Konstantin Anoshin	Igor Rakovich





## EXECUTIVE BODY

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

## BRIEF BIOGRAPHICAL INFORMATION OF THE GENERAL DIRECTOR

### STANISLAV TSYGANKOV

Born on July 27, 1966, in Moscow. Graduated from the Plekhanov Russian Academy of Economics with a degree in Finance and Credit.

#### Positions held for the last 5 years:

2002–2011, Head of the International Business Department at OAO Gazprom.

Since 25 February 2011, General Director of OJSC Severneftegazprom.

The Company's General Director is remunerated based on the Labor Remuneration Agreement made as an Annex to the Labor Contract which also provides for a list of social guarantees and compensations for the benefit of the General Director.

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



## Audit Commission

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

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

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.

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

FULL NAME	PLACE OF EMPLOYMENT	POSITION
Yulia Antonovskaya	OAO Gazprom	Chief Economist
Ingo Lehmann	Wintershall Russland GmbH	Head of the Finance and IT Department of the Moscow Branch
Jan Ove Nesvik	E.ON Exploration & Production Norge AS	General Finance Manager for Norway and Russia

## 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, 125047 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 AND REPORT  
ON DIVIDENDS DISTRIBUTION**



## 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.

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

### INFORMATION ABOUT THE COMPANY'S EQUITY SECURITIES

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



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

As of the end of 2013, based on the resolution of the Company's Annual General Meeting of Shareholders held on June 30, 2014 (Minutes No. 32/3014 dated July 1, 2014), 2,963 million rubles was allocated to pay out dividends.

As of December 31, 2014, dividends are paid up in full and have no arrears.

### INFORMATION ABOUT THE CHANGES IN THE COMPANY'S ADDITIONAL CAPITAL

As of December 31, 2014, the additional capital amounts to 25,099,046.00 rubles. For the reporting year, the amount of the additional capital did not change.

### INFORMATION ABOUT THE CHANGES IN THE COMPANY'S RESERVE FUND

As per the Charter, the Company forms a reserve fund in the amount of 5 percent of its authorized capital. As of December 31, 2014, the reserve fund is fully formed and amounts to 2,000.00 rubles.

### AMOUNT OF DIVIDENDS PAID, IN THOUSAND RUB

CATEGORY (TYPE) OF SECURITY	DIVIDENDS PAID, THOUSAND RUBLES	DIVIDEND PAYMENT DATE
Ordinary shares	2,370,275	August 2014
Preferred shares Type A	364,667	August 2014
Preferred shares Type B	148,142	August 2014
Preferred shares Type C	79,760	August 2014



# MAJOR RISK FACTORS ASSOCIATED WITH THE COMPANY'S ACTIVITIES

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- Financial Risks 128
- Legal Risks 129

## STRUCTURE AND ASSESSMENT OF THE COMPANY'S RISKS

### LEGAL RISKS

- RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES OF CURRENCY LAWS
- RISKS ASSOCIATED WITH LEGAL PROCEEDINGS AND RESTRICTIONS ON THE COMPANY'S ACTIVITIES
- RISKS ASSOCIATED WITH THE APPLICATION AND POSSIBLE CHANGES IN THE RUSSIAN TAX LAWS

### FINANCIAL RISKS

- INTEREST RISK
- CURRENCY RISK
- RISKS ASSOCIATED WITH INFLATION

### INDUSTRY RISKS

- TECHNOLOGICAL RISKS
- ENVIRONMENTAL RISKS
- RISKS RELATED TO LICENSES
- RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS
- RISK OF REDUCED SALES

AVERAGE RISK LEVEL
  LOW RISK LEVEL



## 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 serious 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 its turn can have an adverse effect on the project indicators. However, according to the long-term Gas Supply Agreement, the buyer pays for the whole volume of contracted gas regardless of its actual consumption, which makes the Company not exposed to such risk until the expiry of the said agreements.

### RISK OF SIGNIFICANT CHANGES IN THE MARKET PRICE FOR GAS

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

### RISKS ASSOCIATED WITH LICENSES

The Company develops the Yuzhno-Russkoye oil and gas condensate field based on the licenses for the right to use subsoil and carry out other licensed types of activities. The applicable Russian laws and/or licenses provide for a restriction, suspension, or long-term termination of the right to use subsoil or carry out a licensed type of activity in the event of failure to meet the license agreements or the applicable licensing laws of the Russian Federation.

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

## ENVIRONMENTAL RISKS

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.

## TECHNOLOGICAL RISKS

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. At the same time, the technologies used in gas production, preparation, and transportation meet the up-to-date requirements for reliable and safe equipment operation which allows the Company to minimize the said risks.

Moreover, the Company provides instruction and certifies its personnel in labor, industrial and fire safety, including well blowout safety, by means of the course on Well Control, Well Management upon Oil, Gas, and Water Show, which also reduces the mentioned risks.

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 of OJSC Severneftegazprom, the Plan for Preventing and Liquidating the Spills of Oil Products 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.



In addition, to reduce and prevent emergencies, the Company has made agreements with Gazprom Gazobezопасnost 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.

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

\* 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.



## 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. 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).

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

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



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

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

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

### LEGAL RISKS ASSOCIATED WITH THE APPLICATION 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 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.



# REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

# 14



● Ethics and Fair Practices

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OJSC Severneftegazprom, as a non-public company, strives to comply with the provisions of the Code of Corporate Governance approved by the Board of Directors of the Bank of Russia (Letter of the Russian Central Bank No. 06-52/2463 dated April 10, 2014) by adhering to the following corporate governance rules:

I. 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: <ul style="list-style-type: none"> <li>– 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);</li> <li>– When approving interested-party transactions, a list of persons recognized as interested in the transaction with the grounds why such persons are recognized interested;</li> <li>– Justification of proposed allocation of net profit, including for distribution of dividends and the Company's in-house needs with explanation and economic justification of such needs.</li> </ul> Moreover, prepared materials on 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, shareholder's requirement, in general, makes it possible to determine the shareholder's will and confirm his/her right to examine the materials, including to obtain their copies.
1.5.	The Company enables its shareholders to examine the list of persons entitled to participate in the General Meeting from the date it was obtained by the Company.
1.6.	The Company extended the time when shareholders can make suggestions on agenda items of the annual General Meeting of Shareholders from statutory 30 days to 60 days of the end of a calendar year.

1.7.	If a shareholder's suggestion contains any mistypes or other insignificant shortcomings, the Company does not refuse to include it in the agenda of the General Meeting of Shareholders and the nominated candidate to the list of candidates for election to the respective 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.
1.8.	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 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).
II. BOARD OF DIRECTORS	
2.1.	The Board of Directors performs strategic management and controls the activities of the sole executive body of the Company.
2.2.	The rights and obligations of members of the Board of Directors are specified and set forth in the Charter and Regulation on the Board of Directors of the Company.
2.3.	In accordance with the Company's Charter, the competence of the Board of Directors includes election of the General Director and early termination of his/her office.



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

2.14.	The Board of Directors Meetings are held in accordance with the approved work program and when necessary, generally at least once every two months.
2.15.	In accordance with the 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 20 calendar days prior to its holding.
2.16.	The Company's Charter determines the content of a notice of the Board of Directors Meeting and the notification procedure ensuring that the notice is promptly received.
2.17.	In accordance with the 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. 19/2009 dated October 29, 2009). The Technical Committee consists of 8 members and may engage experts who carry no voting rights. Members of the Committee are appointed and their powers are terminated by the Board of Directors.
2.19.	The Technical Committee of the Board of Directors hears Company's reports on fulfillment of the Annual Work Program and Budget; on fulfillment of maintenance and overhaul programs; on fulfillment of the facility reconstruction, modernization and technical upgrade plan; on the Company's performance in health, safety, and environmental protection, and on its innovation and inventive activities.
<b>III. CORPORATE SECRETARY OF THE COMPANY</b>	
3.1.	The duties of the Secretary of the Board of Directors of the Company are performed by V. Veremyanina, 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 Directors Rating according to the Management Association.
3.2.	The Secretary of the Board of Directors is elected and his/her powers are terminated by decision of the Board of Directors.

3.3.	There is a structural subdivision established in the Company to ensure interaction with Company's shareholders and members of the Board of Directors.
<b>IV. REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES, AND OTHER TOP OFFICIALS OF THE COMPANY</b>	
4.1.	The level of remuneration payable by the Company to members of the Board of Directors, the executive body, and other top officials creates sufficient motivation for their efficient performance and allows the Company to engage and retain competent and skilled specialists.
4.2.	Members of the Board of Directors are paid a fixed annual fee based on the basic amount of remuneration subject to the number of meetings where the member of the Board of Directors took part.
<b>V. SYSTEM OF GOVERNANCE RISK &amp; INTERNAL CONTROLS (GRIC)</b>	
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.
<b>VI. DISCLOSURE OF COMPANY INFORMATION, INFORMATION POLICY</b>	
6.1.	There are procedures introduced in the Company by decision of the General Director to ensure coordination of all services and structural subdivisions connected with information disclosure or 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: <ul style="list-style-type: none"> <li>- 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;</li> <li>- Information on the Company's securities;</li> <li>- Key performance indicators of the Company;</li> <li>- Annual achievements against planned;</li> <li>- Investment projects and strategic objectives;</li> <li>- Prospects for the Company's development (sales, performance, growth of income, profitability, gearing ratio);</li> <li>- Description of the Company's corporate governance system;</li> <li>- Description of the Company's social policy, information on social development, employees' health care, their professional training, promotion of occupational safety;</li> <li>- Information on the Company's environmental policy, etc.</li> </ul>
6.6.	The Company does not refuse to satisfy shareholder's requests for access to documents or provision of document copies in case of mistypes or other insignificant shortcomings in the request.
<b>VII. SIGNIFICANT CORPORATE ACTIONS</b>	
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 COUNTERAGENTS 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.

Such conduct shall be reported to:

- Line manager;
- Corporate Ethics Committee.

The Company guarantees that its employees reporting violation of the Code of Corporate Ethics will not suffer any negative consequences affecting their employment status.

In 2014, no unethical or unlawful conduct or bad faith issues arising in the Company were reported.

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

*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.*



# OJSC SEVERNEFTEGAZPROM CORPORATE VALUES AND ETHICAL PRINCIPLES

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



## Registration Details

### FULL TRADE NAME

#### SEVERNEFTEGAZPROM OPEN JOINT STOCK COMPANY

Short trade name of the Company in Russian:

**OJSC SEVERNEFTEGAZPROM**

Full trade name in English:

**OPEN JOINT STOCK COMPANY SEVERNEFTEGAZPROM**

Short name of the Company in English:

**OJSC SEVERNEFTEGAZPROM**

### 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](mailto: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](http://www.e-disclosure.ru/portal/company.aspx?id=16965) provided to the Company by Interfax Information Agency (CJSC Interfax is a news agency for the stock market).

News feed, an information resource updated in real time at [www.e-disclosure.ru/index.aspx](http://www.e-disclosure.ru/index.aspx).

In addition, OJSC Severneftegazprom places information on the Company's website at [www.en.severneftegazprom.com](http://www.en.severneftegazprom.com).

### STATE REGISTRATION DATE AND REGISTRATION NUMBER

Certificate No. R-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: P-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-DRAGa).

Location and postal address: 71/32, Novocheremuskinskaya St, Moscow, 117420; Tel.: (495) 719-40-44, Fax: (495) 719-45-85.

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.

## 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 HOLDS THE MAIN LICENSE:

For hydrocarbon geological survey and production within the Yuzhno-Russkoye mining site situated in the Krasnoselkupsky District of Yamal-Nenets Autonomous Area of the Tyumen Region. Series SLKh No. 11049 NE. Issued on June 22, 2001. Valid until December 31, 2043.

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



## The Company's Representative Offices

### OJSC SEVERNEFTEGAZPROM HAS REPRESENTATIVE OFFICES AND STANDALONE SUBDIVISIONS IN:

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

**THE COMPANY HAS NO SUBSIDIARIES OR AFFILIATES.**

# SUMMARY

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## Reporting Compilation Principles

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.



**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 G4 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 information about the sustainable development. Adoption of the new GRI standard did not make it impossible to compare the report data with the information provided in the Annual Reports for the previous periods. Reporting boundaries haven't changed. The Report doesn't contain any restatements of information provided in previous reports.

**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.



## Information Disclosure

### 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"

	ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
1.	Contract No. 429-2014 of March 27, 2014, with TyumenNilgiprogaz LLC, for the Services Stipulated by the Technical Specifications: 'Design Supervision of the Technological Project for Development of the Cenomanian Gas Deposit of Yuzhno-Russkoye Oil and Gas Condensate Field' Contract value: 5,800,880.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
2.	Contract No. 430-2014 of March 27, 2014, with TyumenNilgiprogaz LLC, for the Services Stipulated by the Technical Specifications: 'Design Supervision of the Process Flowsheet for the Development of the Turonian Gas Deposit of Yuzhno-Russkoye Oil and Gas Condensate Field' Contract value: 3,478,640.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
3.	Contract No. 3.1.2/2-2014 of February 28, 2014, with Gazprom Georesource LLC, for Performing Geophysical Exploration Activities when Exercising Control over the Development of Yuzhno-Russkoye Oil and Gas Condensate Field (YROGCF). Duration of works: March 01, 2014–February 28, 2015 Contract value: 84,198,773.72 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
4.	Contract No. 742-2014 of June 25, 2014, with TyumenNilgiprogaz LLC, for Design Supervision over the Development of the Production Well No. 184 of YROGCF. Duration of works: March 01, 2014–September 30, 2014 Contract value: 419,183.20 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
5.	Contract No. Adm-248-2014-06/14 of February 25, 2014, with Gazprom Georesource LLC, for Performing Geophysical Works during the Development of the Production Well No. 184. Duration of works: March 05, 2014–July 01, 2014 Contract value: 29,996,232.60 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
6. Additional Agreement No. 1 of January 27, 2014, to the Contract No. 333/SNGP-2012-U-O of December 21, 2012, with Gasinformservice LLC, for the Services of the Certification Authority Connected with the Organization of Electronic Confidential Document Management. Contract value: 166,699.95 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
7. Contract No.14.2 of April 8, 2014, with INSTITUTE YUZHNIIGIPROGAZ PJSC, for Design Supervision of the Project 'Construction of YROGCF'. Contract value: 1,661,822.32 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
8. Agreement No. 01/14 of March 12, 2014, to the Communications Service Contract No. 272 of April 1, 2007, with Gazprom Svyaz LLC. Contract value: 258,703.20 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
9. Contract No. S 20- S 51713 of April 23, 2014, with Gazprom Transgaz Surgut LLC, for Installation of Communications Equipment on the Antenna Mast Structure. Contract value: 219,417.70 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes 28/2013 of June 28, 2013
10. Contract No. 231/SNGP-2013-U-K of March 28, 2014, with Gazprom Gazobezopasnost LLC for the Provision of Well Blowout and Gas Safety when Using the Wells Located in the Territory of Yuzhno-Russky License Area. Contract value: 13,182,833.92 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 79/2014 of February 20, 2014
11. Contract No. 13-02/14 of February 28, 2014, with Gazprom Gaznadzor LLC, for the Supervision over the Provision of Safety of Works Performed with the Use of the Gas, Meeting the Industry Standards when Performing the Works Connected with the Construction, Reconstruction, Technical Upgrade of the Customer's Hazardous Facilities, as Well as Issuing a Completions Report with regard to the Completely Constructed, Reconstructed or Upgraded Hazardous Facilities and Issuing the Permits for the Gas Supply. Contract value: 1,757,114.40 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 79/2014 of February 20, 2014
12. Contract No. 6KD-13-14 of February 28, 2014, with Elektrogaz SOJSC of OAO Gazprom, for Repair of Electric Motor Windings. Contract value: 100,005.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 79/2014 of February 20, 2014
13. Medical Services Contract No. 3/14 of March 17, 2014, with Gazprom Dobycha Urengoy LLC, for Performing Obligatory Pre-Trip and After-Trip Medical Check-Ups for the Transport Drivers. Contract value: 884,500.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
14. Contract No. 14DR008 of March 12, 2014, with SOGAZ OJSC, for the Insurance of Wells, Construction and Assembly Risks during the Performance of the Well Activities. Insured event: Loss of control over the well. Repeated drilling of the well. Civil liability of the Insurant for the infliction of harm to the life, health or property of the third parties, as well as for the pollution of the environment due to the loss of control over the wells specified in the insurance contract. Loss of or damage to the insured Drilling Equipment, not fully owned by the Insurant and purposed for the well activities, caused by whatever external reason (not connected with the internal breakdowns). Loss of or damage to the insured Drilling Equipment, fully owned by the Insurant and purposed for the well activities, caused by whatever external reason (not connected with the internal breakdowns). Downhole risks. Insured amount: 11,773,333,530.48 rubles Insurance premium: 39,581,640.05 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
15. Additional Agreement to the Contract of Insurance of Wells No. 14DR008 of March 12, 2014, concluded with SOGAZ OJSC and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the moneys to be obtained under the Contract.	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
16. Property Insurance Contract No. 14RT0013 of March 12, 2014, with SOGAZ OJSC. Insured event: Loss of or damage to the insured property with the responsibility covering 'all risks'. Insured amount: 82,135,739,032.53 rubles Insurance premium: 63,394,008.14 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
17. Additional Agreement to the Property Insurance Contract No. 14RT0013 of March 12, 2014, concluded with SOGAZ OJSC and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the moneys to be obtained under the Contract.	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
18. Contract No.14GL0512 of March 12, 2014, with SOGAZ OJSC, for the Insurance of the General Civil Liability for the Damage Caused to Third Parties. Insured event: Incurrence 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 or the Contract. Insured amount: ruble equivalent of USD 10,000,000.00 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	Board of Directors, Minutes No. 82/2014 of March 12, 2014
19. Additional Agreement to the Contract for Insurance of the General Civil Liability for the Damage Caused to Third Parties No. 14GL0512 of March 12, 2014, concluded with SOGAZ OJSC and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the moneys to be obtained under the Contract.	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
20. Environmental Insurance Contract No. 14EL0513 of March 12, 2014, with SOGAZ OJSC. 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 Insurant's performance of the insured activities and entailing the pollution of the environment, exceeding the established permissible environmental exposure limit. Insured amount: ruble equivalent of USD 10,000,000.00 for each (any) insured event Insurance premium: USD 53,010.00 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	Board of Directors, Minutes No. 82/2014 of March 12, 2014
21. Additional Agreement to the Environmental Insurance Contract No. 14EL0513 of March 12, 2014, concluded with SOGAZ OJSC and LONDON BRANCH of ING BANK N. V. (Beneficiary), according to which the Company concedes to the Beneficiary all rights to the moneys to be obtained under the Contract.	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
22. Contract (Insurance Policies) of March 13, 2014: Series 111 No. 0100208411; Series 111 No. 0100208412; Series 111 No. 0100208413; Series 111 No. 0100208414; Series 111 No. 0100208415; Series 111 No. 0100208416; Series 111 No. 0100208417; Series 111 No. 0100208418; Series 111 No. 0100208419; Series 111 No. 0100208420 for Obligatory Insurance of the Civil Liability of the Owner of Hazardous Facilities for the Damage Caused as a Result of Accidents at the Hazardous Facilities of the Company with SOGAZ OJSC. Insured event: Incurrence of the civil liability of the Insurant for the obligations arising due to the harm caused to the aggrieved parties, which entails the Insurant's obligation to make the insurance payment to the aggrieved parties. Insured amount: 115,000,000.00 rubles Insurance premium: 342,500.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 82/2014 of March 12, 2014
23. Additional Agreement No. 1 of March 31, 2014, to the Contract No. 13PP169 of April 30, 2013, with Orgenergogaz OJSC, for the Maintenance and Technical Support of the Software and Dataware of the Terminal of Infotech System. Contract value: 4,950,000.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 83/2014 of March 31, 2014
24. Contract No.12026AN of April 01, 2014, with INSTITUTE YUZHNIIGIPROGAZ PJSC, for Design Supervision of the Project: 'Construction of Yuzhno-Russkoye oil and gas condensate field. Gas processing facility. Booster compressor workshop — 1 (2 stage)' purposed to ensure the conformity of the construction and installation works performed at the site to the decisions stipulated in the working documentation. Contract value: 14,437,402.39 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 83/2014 of March 31, 2014



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
25. License Contract No. GP-013/6-75 of April 14, 2014, with OAO Gazprom, stipulating for the provision of the Licensee with the ordinary (non-exclusive) license for using the electronic database 'Company Regulations of OAO Gazprom' for three (3) years after the date of signature of the transfer certificate by the parties, to be used in the territory of the Russian Federation. Contract value: 1000 rubles.	Company's shareholder — OAO Gazprom, members of the Board of Directors A. I. Medvedev, E. V. Mikhailova V. V. Cherepanov	Board of Directors, Minutes No. 84/2014 of April 11, 2014
26. Accident and Illness Insurance Contract No. 2514 LA 0071 of April 14, 2014, with SOGAZ OJSC. Insured events: temporary or permanent disability, including the loss of occupational earning capacity, as a result of an accident, death caused by an accident, first diagnosed illness from the list given in the Appendix. The total number of insured persons: 1,042. The total insured amount: 1,073,260,000 rubles. Insurance premium: 1,931,868.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 84/2014 of April 11, 2014
27. Contract No. 218 of May 26, 2014, with Gazprom Podzemremont Urengoy LLC, for Diagnostics and Repairs (Recovery) of Pumping and Compression Pipes. Contract value: 852,606.46 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 85/2014 of April 25, 2014
28. Contract No. 433-2014 of March 18, 2014, with TyumenNilgiprogaz LLC, for the Works Stipulated in the Technical Specifications 'Project for the Pilot Operation of the Site Located in the Area of the Well No. 1902 of Yuzhno-Russkoye Oil And Gas-Condensate Field (Deposit of the Layer T1-2)'. Duration of works: March 18, 2014–September 30, 2014. Contract value: 2,999,560.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 85/2014 of April 25, 2014
29. Additional Agreement No. 18 of June 26, 2014, to the Gas Supply Contract No. 25 Pk-2007 of December 13, 2007, concluded with OAO Gazprom. Price for the gas supplied in the second half of the year 2014: 1,527.84 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom, members of the Board of Directors A. I. Medvedev, E. V. Mikhailova V. V. Cherepanov	General Meeting of Shareholders, Minutes No. 31/2014 of June 26, 2014
30. Additional Agreement No. 15 of June 30, 2014, to the Gas Supply Contract No. 28 Pk-2007 of December 13, 2007, concluded with CJSC Gazprom YRGM Trading. Price for the gas supplied in the second half of the year 2014: 1,527.84 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom Member of the Board of Directors M. Mehren	General Meeting of Shareholders, Minutes No. 31/2014 of June 26, 2014
31. Additional Agreement No. 11 of June 27, 2014, to the Gas Supply Contract No. 144/SNGP-2009 of October 29, 2009, concluded with CJSC Gazprom YRGM Development. Price for the gas supplied in the second half of the year 2014: 1,527.84 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom Members of the Board of Directors F. Sivertsen, S. Bergmair	General Meeting of Shareholders, Minutes No. 31/2014 of June 26, 2014
32. Foreign exchange purchase and sale contracts (including foreign exchange purchase and sale contracts with discharge of obligations on demand (of options contracts) with Gazprombank OJSC, with the maximum amount for each transaction not exceeding 6,000,000,000 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.*	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 28/2013 of June 28, 2013; General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
33. Ruble or foreign exchange deposit contracts with GPB OJSC, with the maximum amount for each transaction not exceeding 6,000,000,000 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.*	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 28/2013 of June 28, 2013; General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
34. Contract No. 115/SNGP-2014-U-O of December 10, 2014, with Tsentrenergogaz SOJSC of OAO Gazprom, for Production and Repair of the Standard and Special Equipment of Yuzhno-Russkoye Oil and Gas Condensate Field. Contract value: 970,000.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
35. Communications Service Contract No. 5171/GS of August 25, 2014, with Gazprom Svyaz LLC. Contract value: 9,440.00 rubles (inclusive of VAT) per month.	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
36. Contract No. 3.1.2/4-2014 of July 01, 2014, with Gazpromneft-Noyabrskneftegazgeofizika OJSC, for the Gas-Hydrodynamic Testing Works to be Performed in the Course of the Pilot Operation of the Pilot Well No. 184 (Turonian) and Dual Lateral Well No. 174 with Hydrodynamic Model Adaptation. Duration of works: April 01, 2014–December 31, 2014. Contract value: 7,465,612.41 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
37. Contract No. 744-2014 of November 19, 2014, with TyumenNilgiprogaz LLC, for Design Supervision over the Development of the Exploration Well No. R-52 of YROGCF. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
38. Contract No. 746-2014 of November 19, 2014, with TyumenNilgiprogaz LLC, for Design Supervision over the Development of the Exploration Well No. R-54 of YROGCF. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
39. Contract No. 3/15 of November 10, 2014, with Gazprom Dobycha Urengoy LLC, for the Pre-Trip and After-Trip Medical Check-Ups for the Transport Drivers. Contract value: 884,500.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
40. Contract (Policy) No 2515 GL 001 of December 02, 2014, for the Insurance of Risks Connected with the Infliction of Harm (Loss) Due to the Defects of the Construction Works Impairing the Safety of the Capital Construction Objects, with SOGAZ OJSC. Insured event: causing harm to the life or health of individuals, the property of individuals or legal entities, state-owned or municipal property, the environment, life or health of animals and plants, objects of cultural heritage of the peoples of the Russian Federation due to the defects committed by an Insured Member of a self-regulated organisation when performing the construction works specified in the policy, which impair the safety of the capital construction objects, giving rise to the obligation to reimburse for the incurred harm (losses). Insured amount: 18,000,000.00 rubles. Insurance premium: 30,000.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 32/2014 of June 30, 2014
41. Contract No. 77/SNGP-2014-U of May 19, 2014, with Detskiy Ozdorovitelnyi Komplex Signal LLC for the Provision of Health-Improving Rest to the Children. Contract value: 45,276.00 rubles (VAT free) per one voucher.	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 89/2014 of July 15, 2014
42. Contract No. 22/PIR/SNGP-2014, of July 21, 2014, with TyumenNilgiprogaz LLC, for Making Design Documentation for the Construction and Installation of the Production Well No. 1902 for the Turonian Gas Deposits of YROGCF. Duration of works: July 21, 2014–September 30, 2015. Contract value: 28,520,790.22 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 90/2014 of July 21, 2014
43. Non-Residential Lease Agreement No. 35/SNGP-2014-A-O of August 21, 2014, with CJSC Gazprom YRGM Trading. The premises with the area of 10.46 square meters, located at the address: Yamal-Nenets Autonomous Area, Krasnoselkupsky District, Krasnoselkup Settlement, Lenin Street 22, Shift Team Collection Point, First Floor. The term of lease of the non-residential premises: June 01, 2014 — March 31, 2015. Contract value: 488,899.60 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom Member of the Board of Directors M. Mehren	Board of Directors, Minutes No. 90/2014 of July 21, 2014
44. Additional Agreement No. 14 of June 10, 2014, to the Communications Services Contract No. K2-065/SNGP-2004 of November 01, 2004, with Gazprom Kosmicheskiye Sistemy OJSC, for the Provision of the Communications Channel Based on the Effective License. Contract value: 9,680.00 rubles per month (net of VAT).	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 91/2014 of August 11, 2014
45. Contract No. 0150-2014 of August 20, 2014, with TyumenNilgiprogaz LLC, for Making Design Documentation for the Project 'Construction and Installation of the Absorption Well No. 3-P at the Bottom-Hole Area of YROGCF'. Duration of works: September 01, 2014–December 30, 2015. Contract value: 24,631,698.04 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 91/2014 of August 11, 2014
46. Contract No. 733-2014 of November 19, 2014, with TyumenNilgiprogaz LLC, for Design Supervision over the Development of the Exploration Well No. R-50 of YROGCF. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 92/2014 of September 24, 2014



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
47. Contract No. 743-2014 of November 19, 2014, with TyumenNIIgiprogaz LLC, for Design Supervision over the Development of the Exploration Well No. R-51 of YROGCF. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 92/2014 of September 24, 2014
48. Contract No. 745-2014 of November 19, 2014, with TyumenNIIgiprogaz LLC, for the Services Stipulated by the Technical Specifications 'Design Supervision over the Development of the Exploration Well No. R-53 of YROGCF'. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 92/2014 of September 24, 2014
49. Contract No. 747-2014 of November 19, 2014, with TyumenNIIgiprogaz LLC, for the Services Stipulated by the Technical Specifications 'Design Supervision over the Development of the Exploration Well No. R-55 of YROGCF'. Contract value: 495,018.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 92/2014 of September 24, 2014
50. Additional Agreement No. 19 of November 24, 2014, to the Contract No. E-203-2005 of August 15, 2005, with CJSC SR-DRAGa, for the Performance of Functions of the Counting Board. Contract value: 20,000.00 rubles (VAT free)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 93/2014 of November 21, 2014
51. Communications Service Contract No. K2-989/SNGP-14/402 of September 2, 2014, with Gazprom Kosmicheskiye Sistemi OJSC. Contract value: The cost of services is determined in accordance with the tariffs: — subscription fee for the data communication service: 2,400.00 rubles per month (net of VAT); — payment for the summary traffic (for 1 megabyte of traffic in forward and backward direction): 1.00 rubles (net of VAT); — subscription fee for the provision of terrestrial communications channels: 900,00 rubles per month (net of VAT); — provision of the phone connection in Moscow in excess of the limit equaling 600 minutes per month, included into the subscription fee, per minute: 0.45 rubles (net of VAT).	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 94/2014 of December 5, 2014
52. Contract No. 41 of December 11, 2014, with Gazprom Dobycha Urengoy LLC, for the Lease of Non-Residential Premises of the Cultural and Sports Centre 'Gazodobytkhik' Contract value: 84,000.00 rubles (net of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 94/2014 of December 5, 2014
53. Contract No. 42 of December 11, 2014, with Gazprom Dobycha Urengoy LLC, for the Lease of Non-Residential Premises of the Cultural and Sports Centre 'Gazodobytkhik' Contract value: 250,000.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 94/2014 of December 5, 2014
54. Additional Agreement No. 19 of December 30, 2014, to the Gas Supply Contract No. 25 Pk-2007 of December 13, 2007, concluded with OAO Gazprom. Price for the gas supplied in the first half of the year 2015: 1,600.32 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom, members of the Board of Directors A. I. Medvedev, E. V. Mikhailova V. V. Cherepanov	General Meeting of Shareholders, Minutes No. 33/2014 of December 24, 2014
55. Additional Agreement No. 16 of December 31, 2014, to the Gas Supply Contract No. 28 Pk-2007 of December 13, 2007, concluded with CJSC Gazprom YRGM Trading. Price for the gas supplied in the first half of the year 2015: 1,600.32 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom Member of the Board of Directors M. Mehren	General Meeting of Shareholders, Minutes No. 33/2014 of December 24, 2014
56. Additional Agreement No. 12 of December 31, 2014, to the Gas Supply Contract No. 144/SNGP-2009 of October 29, 2009, concluded with CJSC Gazprom YRGM Development. Price for the gas supplied in the first half of the year 2015: 1600.32 rubles per 1,000 cubic meters of the gas (net of VAT).	Company's shareholder — OAO Gazprom Members of the Board of Directors F. Sivertsen, S. Bergmair	General Meeting of Shareholders, Minutes No. 33/2014 of December 24, 2014
57. Contract No. 112/SNGP-2014-U-O of December 29, 2014, with Firma Gazenergonaladka LLC of Gazenergoservis OJSC, for the Process Flow Testing of Thermotechnical Equipment. Duration of works: December 10, 2014–December 31, 2014 Contract value: 568,999.54 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Board of Directors, Minutes No. 95/2014 of December 29, 2014



ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
58. Contract No. 77-130314-2014-2128 of June 02, 2014, with Gazprom Telecom LLC, for Communication Services to Be Provided in the city of Moscow in the Volume Necessary for the Connection and Use of the Digital Communications Channel E1. 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 46,631.24 rubles per month.	Company's shareholder — OAO Gazprom	General Meeting of Shareholders, Minutes No. 28/2013 of June 28, 2013
59. Contract No. 2101414924 of September 18, 2014, with Gazprom VNIIGAZ LLC, for the Expert Examination (Review) of the 'Expert Opinion No. 5945-I/Ts of August 04, 2014, Based on the Findings of the Technical Appraisal Performed to Determine, if It Is Possible to Refer the Sales Gas Pipeline of 'Yuzhno-Russkoe Oil and Gas Field — Purtazovskaya Compressor Station of OJSC Severneftegazprom and the Property Related to the Said Pipeline to the Trunk Gas Pipelines or Their Integral Technical Part in accordance with the Laws of the Russian Federation and the Standard Process Documentation. Contract value: 350,000.00 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Was not submitted for approval of the Company's regulatory bodies.
60. Contract of August 05, 2014, for the Company's Being Vested with the Right to Obtain the Patent for the Utility Model 'The Hydrate Inhibitor Distribution and Metering System' with the following remuneration paid to the authors: — the fixed component equaling 222,600 rubles; — the variable component: if the Company uses the utility model in its own production, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
61. Contract of August 05, 2014, for the Company's Being Vested with the Right to Obtain the Patent for the Utility Model 'The System of Extraction and Gathering of Gas for Technical Needs from the Gas Compressor Units with the Use of Ejector' with the following remuneration paid to the authors: — the fixed component equaling 222,600 rubles; — the variable component: if the Company uses the utility model in its own production, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
62. Contract of August 5, 2014, for the Company's Being Vested with the Right to Obtain the Patent for the Utility Model 'Remote Flare Ignition Device' 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, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
63. Contract of August 15, 2014, for the Company's Being Vested with the Right to Obtain the Patent for the Utility Model 'Gas Fire Extinguishing Unit' with the following remuneration paid to the authors: — the fixed component equaling 222,600 rubles; — the variable component: if the Company uses the utility model in its own production, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.



## APPENDIX 2. GRI CONTENT INDEX

### GENERAL STANDARD DISCLOSURES

ITEM	REFERENCE	EXTERNAL ASSURANCE
<b>STRATEGY AND ANALYSIS</b>		
G4-1	Message from the Chairman of the Board of Directors, 4 Message from the General Director, 5	No
G4-2	Major Risk Factors Associated with the Company's Activities, 125–129	No
<b>ORGANIZATIONAL PROFILE</b>		
G4-3	Registration Details, 136–137	No
G4-4	Status of Raw Material Base, 20	No
G4-5	Registration Details, 136	No
G4-6	Status in the Industry and Development Prospects, 13–15 Registration Details, 136 The Company's Representative Officers, 137	No
G4-7	Charter Capital, 122 Registration Details, 136	No
G4-8	Status in the Industry and Development Prospects, 15	No
G4-9	HR and Social Policy, 88–90 The Company's Representative Offices, 137 Financial Performance Report Indicators, 53	No
G4-10	HR and Social Policy, 88–90	No
G4-11	HR and Social Policy, 93	No
G4-12	Interactions with Stakeholders, 106	No
G4-13	There were no significant changes regarding size, structure or ownership of the Company during the reporting period	No
G4-14	The Company adheres to the principle 15 of the UN Declaration on Environment and Development, adopted in Rio de Janeiro in June 3th–4th, 1992.	No
G4-15	The Company does not subscribe to any externally developed charters. Since 2011, the Company has been applying the International Finance Corporation standards: — Policy on Environmental and Social Sustainability — Environmental, Health, and Safety Guidelines — Environmental, Health, and Safety Guidelines for Onshore Oil and Gas Development	No
G4-16	The Company is a member of Non-Profit Partnership Self-Regulating Organization "Association of Gas and Oil Industry Constructors" and European Business Congress	No
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	Defining the Priorities, 69	No
G4-18	Reporting Compilation Principles, 139–140	No
G4-19	GRI Content Index. Specific Standard Disclosures, 151–154	No
G4-20	Reporting Compilation Principles, 139–140 GRI Content Index. Specific Standard Disclosures, 151–154	No

ESSENTIAL CONDITIONS OF THE TRANSACTION	PARTIES INTERESTED IN THE TRANSACTION	REGULATORY BODY THAT DECIDED TO APPROVE THE TRANSACTION
64. 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, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
65. Contract of August 15, 2014, for the Company's Being Vested with the Right to Obtain the Patent for the Utility Model 'Stand for Intercepting Device Testing and Configuration' with the following remuneration paid to the authors: — the fixed component equaling 222,600 rubles; — the variable component: if the Company uses the utility model in its own production, depending on the achieved cost impact of use of such utility model, 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.	General Director of the Company — S. E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
66. Voluntary Health Insurance Contract No. 2514 LM 0071 of March 06, 2014, with SOGAZ OJSC. The insured event: the insured persons' seeking treatment in a health care institution, where medical assistance can be obtained, in accordance with the contract, under the program of voluntary health insurance. The insurance covers the insured events occurring in the period: from 00:00 of March 26, 2014, to 24:00 of March 25, 2015. The total number of insured persons: 1,042. The total insured amount equals 10,420,000,000 rubles. The total insurance premium equals 58,352,000 rubles.	Company's shareholder — OAO Gazprom, General Director of the Company — S.E. Tsygankov	Was not submitted for approval of the Company's regulatory bodies.
67. Additional Agreement No. 1 of April 03, 2014, to the Contract of Safe Custody No. 14k-2013 of April 01, 2014, with TyumenNilgiprogaz LLC, for the Extension of the Term of Storage of the Core Material of the License Areas of the Company. Additional Agreement value: 279,599.87 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Was not submitted for approval of the Company's regulatory bodies.
68. Contract No. 0113-2012AN.14 of January 09, 2014, with TyumenNilgiprogaz LLC, for Design Supervision of the Project: 'Construction of the Production Well No. 184 of YROGCF' purposed to ensure the conformity of the construction and installation works performed at the site to the decisions stipulated in the working documentation. Duration of works: January 09, 2014–December 25, 2014 Contract value: 913,485.20 rubles (inclusive of VAT)	Company's shareholder — OAO Gazprom	Was not submitted for approval of the Company's regulatory bodies.

\*The contracts were executed by means of filing the applications.



ITEM	REFERENCE	EXTERNAL ASSURANCE
G4-21	Reporting Compilation Principles, 139–140 GRI Content Index. Specific Standard Disclosures, 151–154	No
G4-22	Reporting Compilation Principles, 140	No
G4-23	Reporting Compilation Principles, 139–140	No
STAKEHOLDER ENGAGEMENT		
G4-24	Interactions with Stakeholders, 102	No
G4-25	Interactions with Stakeholders, 102	No
G4-26	Interactions with Stakeholders, 102 General Meeting of Shareholders is held 2–3 times a year. 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 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.	No
G4-27	Interactions with Stakeholders, 103, 106–107 No concerns have been raised by interested parties through stakeholder engagement during the reporting period.	No
REPORT PROFILE		
G4-28	Reporting Compilation Principles, 139–140	No
G4-29	July 02, 2013	No
G4-30	Annual	No
G4-31	Feedback Form, 157	No
G4-32	GRI Content Index. Specific Standard Disclosures, 151–154 External Assurance Statement, 155–156	No
G4-33	Reporting Compilation Principles, 139–140 External Assurance Statement, 155–156	No
GOVERNANCE		
G4-34	Financial and Operational Activities Management and Supervision Bodies, 111 Interactions with Stakeholders, 103	No
G4-38	Financial and Operational Activities Management and Supervision Bodies, 111–119	No
G4-39	The Chairman of the Board of Directors is not an executive director	No
G4-41	In order to ensure conflicts of interests are avoided, the Company tends to make all interested party transactions approved in advance by the Board of Directors or General Meeting of Shareholders. Information on any interest in conclusion of a transaction by the Company shall be disclosed by interested parties in accordance with the procedure provided for in Article 82 of the Federal Law "On Joint Stock Companies"	No
G4-48	The Company's Sustainable Development Report as part of the Annual Report shall be previously reviewed by the Technical Committee and the Board of Directors. The Annual Report shall be approved by the General Meeting of Shareholders.	No
G4-51	Financial and Operational Activities Management and Supervision Bodies, 113, 118 Report on Compliance with the Code of Corporate Conduct, 131–133	No
ETHICS AND INTEGRITY		
G4-56	Ethics and Fair Practices, 134–135	



## SPECIFIC STANDARD DISCLOSURES

ITEM	COMMENTS	PAGE	EXTERNAL ASSURANCE
EMPLOYMENT ASPECT			
Aspect Boundaries Impact of the Employment Aspect is occurred inside the organization. The subject discloses the Company's human resource and social assistance policy influencing the employees' well-being and the Company's operating efficiency.			
DMA	HR and Social Policy	88–89	No
LA- 1	HR and Social Policy Company's employee turnover rate calculated in accordance with the GRI G4 Guidelines in 2014 amounted to 11.4 percent.	88–89	Yes
LA- 3	HR and Social Policy	91	No
OCCUPATIONAL HEALTH AND SAFETY ASPECT			
Aspect Boundaries The report discloses the OHS management impact on the life and health of the Company's employees.			
DMA	Personnel and Operational Safety	82–84	
LA- 5	There are no joint management–employee health and safety committees in the Company		No
LA- 6	Personnel and Operational Safety Absentee rate: AR = Total lost days for a period / Total days worked by the workforce for the same period AR = 4,725/181,382 = 2.6 percent According to the legislation in force, the Company does not keep record of occupational injuries of independent contractor employees.	83–86, 98	Yes
LA- 7	There are no employees who are involved in occupational activities with a high injury incidence or high risk of specific diseases.		No
LA- 8	There are no agreements with trade unions		No
TRAINING AND EDUCATION ASPECT			
Aspect Boundaries The Company's approach to organize personnel training and education has impacts on professional skills of employees and the Company's operating efficiency and occurs inside the Company. The report discloses information on results of implementation of the Company's personnel skills upgrade and expertise evaluation programs.			
DMA	Personnel and Operational Safety HR and Social Policy	87, 95–96	
LA- 9	HR and Social Policy	95–96	No
LA- 11	HR and Social Policy	95–96	No
INDIGENOUS RIGHTS ASPECT			
Aspect Boundaries Results of interaction with local communities occur outside the Organization. Due to implementation of public relations programs, the Company has successfully managed its activities aimed at supporting economic development and sustaining the culture and customs of indigenous minorities.			
DMA	Interactions with Stakeholders	102, 106	
HR- 8	Interactions with Stakeholders	106	No
OG-9	Interactions with Stakeholders	106	No



ITEM	COMMENTS	PAGE	EXTERNAL ASSURANCE
<b>ASSET INTEGRITY AND PROCESS SAFETY ASPECT</b>			
<b>Aspect Boundaries</b> The operational safety has impacts on the health of employees, environment and efficiency of operations. Impacts of the Assets Integrity and Process Safety Aspect are disclosed in the Report as occurring within the Organization.			
DMA	Personnel and Operational Safety	85-87	
OG- 13	Personnel and Operational Safety	85-86	No
<b>ENERGY ASPECT</b>			
<b>Aspect Boundaries</b> The Report covers information on energy consumption within the organization, implementation of the Company's energy saving programs and results of environmental impacts.			
DMA	Energy Consumption	78	
EN- 3	Energy Consumption Natural gas consumption to generate electricity was the following: 16,678 thousand m <sup>3</sup> or 612,249.38 GJ. Total energy consumption: 721,643.02 GJ. 1 kWh = 3.6*10 <sup>-3</sup> GJ. 1 thousand m <sup>3</sup> = 36.71 GJ. The total electricity sold in 2014 was: 547,699 kWh.	78-79	No
EN- 5	Energy intensity: 1,189.92 kWh/million m <sup>3</sup> of gas The energy intensity ratio uses energy consumed within the organization, except for purchased electricity		No
EN- 6	Energy Consumption Total energy usage reduction: 244,516 GJ. Types of energy included in the reductions: Heating: 634 Gcal or 2,654.43 GJ. Electricity: 291,125 kWh or 1,048 GJ. Natural gas: 3,282 thousand m <sup>3</sup> or 120,482 GJ. Fuel: 0.515 TFOE or 15,095 GJ. Waste heat: 4,105 TFOE or 120,317.55 GJ. 1 kWh = 3.6*10 <sup>-3</sup> GJ. 1 thousand m <sup>3</sup> = 36.71 GJ. 1 Gcal = 4.1868 GJ. 1 TFOE = 29.31 GJ.	78-81	No
<b>WATER ASPECT</b>			
<b>Aspect Boundaries</b> The report discloses information on the results of impact of the Company's operational activities on the condition of water objects near and within the field.			
DMA	Environmental Protection	74-75	
EN- 8	Environmental Protection Surface water withdrawal — 0 m <sup>3</sup> ; Rainwater collected directly and stored by the organization — 0 m <sup>3</sup> ; Waste water from another organization — 0 m <sup>3</sup> ; Municipal water supplies or other water utilities — 0 m <sup>3</sup> . OJSC Severneftegazprom uses metering instruments to measure the quantity of the water consumption .	74-75	No
EN- 9	Environmental Protection Impact assessment is based on both license SLKh No. 01821 VE for the right to use subsurface mineral resources, issued to the Company and reserves calculation.	74-75	No
EN- 10	Environmental Protection The volume of water reused was 5.6 percent of the total water consumption in 2014 OJSC Severneftegazprom uses metering instruments to measure the quantity of the water consumption.	74-75	No



ITEM	COMMENTS	PAGE	EXTERNAL ASSURANCE
<b>EMISSIONS ASPECT</b>			
<b>Aspect Boundaries</b> The report provides information on the results of impact of the Company's activities on air.			
DMA	Environmental Protection	72-73	
EN- 15	Environmental Protection Biogenic CO <sub>2</sub> emissions (SDW landfill) — 0.056 thousand tons No base year was chosen due to commissioning of new facilities, technical upgrades, changes in scheduled shutdown procedures, changes in GHG emission calculations in connection with introduction of Gazprom Company Standard 102-2011.	72-73	No
EN- 16	In accordance with Russian standards and methodologies, the Company neither collects necessary information nor reports on indirect greenhouse gas emissions		No
EN- 17			No
EN- 18	Environmental Protection Numerator — greenhouse gas emissions, tons; Denominator — natural gas withdrawn, million m <sup>3</sup> . The intensity ratio calculation includes direct GHG emissions. The intensity ratio calculation includes methane.	72-73	No
EN- 19	Environmental Protection	72-73	No
EN- 20	No emissions of ozone-depleting substances.		No
EN- 21	Environmental Protection	72-73	Yes
<b>EFFLUENTS AND WASTE ASPECT</b>			
<b>Aspect Boundaries</b> The report provides information on effluent discharge, waste recycling and recovery, including drill cuttings both within and outside the Organization.			
DMA	Environmental Protection	73-74	
EN- 22	Environmental Protection No unplanned discharges. Effluents were not reused. Effluence quantity data were calculated with the use of metering instruments; effluence quality data are provided in accordance with "Process plan for burying industrial and domestic effluents at Yuzhno-Russkoye oil and gas field".	73-75	Yes
EN- 23	Environmental Protection Aggregate weight of wastes broken down by types and inversion methods: Aggregate weight of hazardous and non-hazardous wastes — 2,064.7 tons broken down by following inversion methods: — Recycling — 0 tons, including: — Multiple use — 0 tons; — Composting — 0 tons; — Emitting of valuable elements, including energy release — 0 tons; — Aggregate weight flaring — 0 tons; — Deep ground discharge — 0 tons; — Disposal on ground, mud pit — 678.8 tons; — Storage at industrial site of the Company — 31.4 tons; — Other method of disposal (transferred to other organizations) — 1,354.4 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 — 1,354.4 tons.	73	Yes
EN- 24	No spills reported in 2014		No
EN- 25	There was no cross-border transportation of waste in the Company		No
EN- 26	No water discharges into surface water bodies. Thus, water body biodiversity is not affected by the Company.		No



ITEM	COMMENTS	PAGE	EXTERNAL ASSURANCE
OG- 5	Oilfield water recover was by injection into a deep lost circulation horizon		No
OG- 6	Methane burning and bleeding is connected with repairs and the gas production technology. — Methane flared: 23,143 thousand m <sup>3</sup> ; — Methane permanently flared: 197 thousand m <sup>3</sup> ; — Methane bled off: 3,535 thousand m <sup>3</sup> ; — Methane permanently bled off: 0		No
OG- 7	Environmental Protection Drill cuttings are placed in a moisture-proof sludge dump which prevents pollutants from escaping into the environment. Reuse of drilling mud liquid phase (treated water) for subsequent cycles of well construction: — Liquid phase treatment by chemical coagulation and flocculation — Drill cuttings, drilling mud solid phase, are placed in a moisture-proof sludge dump which prevents pollutants from escaping into the environment	74	No
<b>COMPLIANCE</b>			
EN — 29	Key Indicators of the Company's Environmental Protection Activities	76	Yes
<b>ECONOMIC PERFORMANCE ASPECT</b>			
Aspect Boundaries The report covers financial results of the Company's activities.			
DMA	Main Financial Indicators	51	
EC- 1	Main Financial Indicators; Financial Performance Report Indicators; Interactions with Stakeholders; Report on Dividends Distribution	51 52 106 123	No
EC- 3	HR and Social Policy	93	No
EC- 4	Main Financial Indicators; Financial Performance Report Indicators; Financial and Operational Activities Management and Supervision Bodies	51 52 112	No
<b>PROCUREMENT PRACTICES ASPECT</b>			
Aspect Boundaries The Company's approach to suppliers and contractors selection has impact on successful achievement of production objectives.			
DMA	Interactions with Stakeholders	102, 106	
EC- 9	Interactions with Stakeholders	102, 106	Yes
<b>RESERVES ASPECT</b>			
Aspect Boundaries. 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.			
DMA	Status of Raw Materials Base	20	
OG- 1	Status of Raw Materials Base	20	No



## APPENDIX 3. INDEPENDENT LIMITED ASSURANCE REPORT

### MANAGEMENT OJSC SEVERNEFTEGAZPROM

#### INTRODUCTION

We were engaged by the Management of OJSC Severneftegazprom ("the Management") to provide limited assurance on its assertion that the information on sustainable development included in the Annual Report of OJSC Severneftegazprom ("the Company") for the year ended 31 December 2014, comprising the following: employee turnover rate, number of injuries, gross air emissions, water discharge, total waste generated, environmental payments for negative impact, procurement from local suppliers and contractors, and activities on financing social and economic development and preserving culture and traditions of indigenous people, is properly prepared and fairly presented, in all material respects, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) G4 Core option.

#### 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.

#### PROCEDURES

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 information and/or non-financial data and other information; and
- detailed testing of quantitative and qualitative 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



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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's 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.

