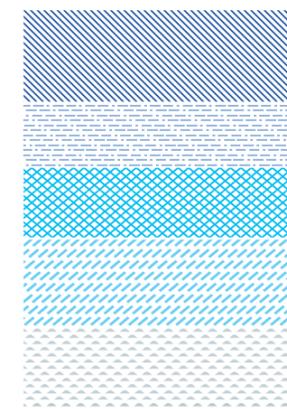
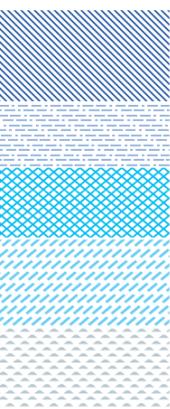




2018

ANNUAL REPORT

ANNUAL REPORT **2018**





Introduction

The presented Annual Report discloses the results of operational and business activities of Open Joint-Stock Company Severneftegazprom (hereinafter referred to as "OJSC Severneftegazprom" or "the Company") for 2018, as well as the focus areas of sustainable development ensuring the achievement of strategic objectives of the Company.

When preparing the Report, all significant information for the intended users has been considered. This document presents the data officially recognized by the Company and confirmed by internal documentation. The information in this Report has been prepared using the methodologies similar to those used for the previous periods. The Annual Report avoids the use of professional vocabulary and provides no data that requires special knowledge.

The results of the Company's performance in the area of sustainable development are compiled following the

standards of the Global Reporting Initiative — GRI Standards. The Annual Report of the Company compiles with the "Core" option of the GRI Standards. The validity of disclosure of the selected sustainable development indicators received assurance of the independent auditors NP Consult LLC.

The Report contains estimates and forecasts of the Company's authorized regulatory bodies regarding its performance and future events and/or activities, including plans of the Company, probability of occurrence of certain events, and carrying out of certain actions.

By their nature, forward-looking statements bear the 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 stakeholders. It is important for the Company to know the opinions, comments and suggestions of all stakeholders 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 Chairman of the Board of Directors

THE PRINCIPLES OF ECONOMIC FEASIBILITY, LONGSTANDING ACCIDENT-FREE OPERATION, INNOVATION AND INVENTION ACTIVITIES IN OJSC SEVERNEFTEGAZPROM ALLOW THE COMPANY'S MANAGEMENT TO IMPLEMENT THE STRATEGY FOR ENSURING THE MOST EFFICIENT MODES OF EQUIPMENT OPERATION.

Dear shareholders and colleagues,

In 2018, Open Joint-Stock Company Severneftegazprom successfully continued to develop its production activity. The Company advanced steadily while maintaining its stable position among the leading gas producers of PJSC Gazprom Group and providing an example of efficiently functioning international cooperation to keep strong and reliable relations with our foreign partners.

In the reporting year, the Company started implementation of the project on industrial development of hard-to-recover gas reserves of Yuzhno-Russkoye oil, gas and gas condensate field. We started to drill producing wells of the first startup complex to develop the Turonian deposits. This project is very important for PJSC Gazprom, Wintershall Holding GmbH, OMV AG and for the Russian Federation in general.

The beginning of construction of the Booster Compressor Station No. 2. became a remarkable event in 2018. Six gas compressor units with 16 MW single capacity to be commissioned in 2020 will provide a reliable basis for the long-term development of the Company.

The principles of economic feasibility, longstanding accident-free operation, innovation and invention activities in OJSC Severneftegazprom allow the Company's management to implement the strategy for ensuring the most efficient modes of equipment operation. I am happy to announce that in 2018 the Company received PJSC Gazprom's award in the field of science and technology and took the first place in the competition. The author

team presented their work for the creation and implementation of innovative methods for the development of fields with hard-to-recover gas reserves to increase production efficiency. This project may prove very useful for other gas producing companies to efficiently and effectively develop gas deposits.

The achievement of high production success ranks together with the solution of tasks to reduce the adverse environmental impact. The Company pays great attention to ensuring occupational safety and labor protection, personnel development, social responsibility, improvement of corporate culture and compliance with the requirements of the integrated quality management system.

I am positive that our joint efforts will ensure the continuous progress towards the key strategic goal, i.e. stable operation of the Company, maintaining gas production level, ability to find efficient solutions, realizing our potential and strengthening the leading positions in the industry.

Yours respectfully,
Alexander Medvedev,

Chairman of the Board of Directors of OJSC Severneftegazprom



Message from General Director

PJSC GAZPROM DECLARED 2018 THE YEAR OF QUALITY. OUR PERSONNEL TOOK AN ACTIVE PART IN THE IMPLEMENTATION OF MEASURES AIMED AT ENSURING COMPLIANCE OF WORK WITH THE QUALITY MANAGEMENT SYSTEM REQUIREMENTS.

Dear colleagues, shareholders and partners!

In 2018, OJSC Severneftegazprom proved its leading positions among Russian gas producing companies that advances economic development of the country's regions.

The Company is a reliable guarantor of stable natural gas supplies through the Nord Stream gas pipeline. Our activities are focused on solving strategic tasks, such as improvement of the management quality and professional competency of employees, production reliability and higher company efficiency.

PJSC Gazprom declared 2018 the Year of Quality. Our personnel took an active part in the implementation of measures aimed at ensuring compliance of work with the quality management system requirements. These include: safety awareness, full-scale use of employees' potential, efficient resources management, coordination of all processes, including inventive and innovative activities.

The Company successfully demonstrated the operating quality management system that ensures the implementation of performance targets for the production and supply of natural gas. Thanks to our achievements in this area, the Company was awarded in the competition "PJSC Gazprom Quality Award". Another social award named after N.K. Baybakov was granted to the Company for its innovative approach to the development and implementation of scientific and technical solutions to improve the efficiency of preventive maintenance of

wells with no need for overhaul. The proposed concept considerably reduces natural gas losses as well as adverse environmental impact.

Indeed, the Company's success greatly depends on professionalism, capability and competence of employees and their corporate spirit in the Company. I am positive that our achievements will give a new impulse to the development of OJSC Severneftegazprom and enable us to maintain and step up the Company's traditions, strengthen its stability, efficiency and safety.

Yours respectfully,
Vladimir Dmitruk,

General Director,
OJSC Severneftegazprom



Key Events 2018



JANUARY

The 20th anniversary of OJSC Severneftegazprom was marked by stable results achieved in operational activities.

OJSC Severneftegazprom and the Administration of Krasnoselkupsky District signed a Cooperation Agreement for 2018.

OJSC Severneftegazprom and the Administration of Novy Urengoy signed a Cooperation Agreement for 2018.

OJSC Severneftegazprom announced the Year of Volunteer and approved an Action Plan for 2018.



FEBRUARY

OJSC Severneftegazprom and the Administration of Purovsky District Municipal Entity signed a Cooperation Agreement for 2018.

OJSC Severneftegazprom summarized the results for 2017 related to the integrated quality management system, environmental protection, occupational health and safety, and the energy management system.

OJSC Severneftegazprom took part in the "Arctic Region. I live in Yamal" EcoForum and summarized the results of the Year of Ecology.

OJSC Severneftegazprom's team took part in the Arctic charitable volleyball competition.



MARCH

OJSC Severneftegazprom held a series of events dedicated to the 20th anniversary of the Company with the participation of multiple business partners.

OJSC Severneftegazprom took part in the Annual Gas Forum "Gas, Oil & Advanced Technologies for the Far North".



APRIL

PJSC Gazprom declared 2018 the Year of Quality. Thereunder, OJSC Severneftegazprom developed and approved an Action Plan for the implementation of the respective events.

OJSC Severneftegazprom summarized the results of the Professional Excellence Contest among firefighters — "Best in the Occupation".

Employees of OJSC Severneftegazprom took part in the National Competition "New Idea" for the best scientific and technical work. Based on the results of the competition, the Company was awarded the diploma for "Best Innovative Project".

OJSC Severneftegazprom held the first Spartakiad (a sports event).

A team of students ("Gas Guzzlers" from France) visited OJSC Severneftegazprom.



MAY

250 billion cubic meters of gas were produced at the Yuzhno-Russkoye oil, gas and gas condensate field.

Within the framework of scientific and technical cooperation, representatives of PJSC Gazprom, BASF SE, Wintershall Holding GmbH and OMV Exploration and Production GmbH visited field facilities of OJSC Severneftegazprom.

Employees of OJSC Severneftegazprom took part in the II Arctic Conference.



JUNE

OJSC Severneftegazprom held its annual general meeting of shareholders wherein the annual report and financial statements of the Company for 2017 were approved; the amount of dividends to be paid to the shareholders was set up; members of the Board of Directors and Auditing Commission were elected; the Company's auditor was approved.

On the eve of the Day of Inventor & Innovator, OJSC Severneftegazprom summarized the results of the competition "Best Innovator and Inventor in 2018". A new category — "Best Quality Innovator" — was introduced.

OJSC Severneftegazprom opened a competition of innovative projects between students and postgraduates of Russia's higher technical institutions.



JULY

OJSC Severneftegazprom won the competition "Best Employer in the field of Employment Support" established by the Employment Department of Yamal-Nenets Autonomous Okrug (YaNAO).

Technical Committee of the Board of Directors of OJSC Severneftegazprom reviewed the draft Annual Work Program and the Company's Budget for 2019 with regard for anticipated activity results; information on the current engineering and design status for the development of a project for reestimation of reserves of Cenomanian and Turonian gas deposits, phase one (88 wells); implementation of the Company's Investment Program for the 1st half of 2018.



AUGUST

OJSC Severneftegazprom took part in the foundation of labor teams. The Company employed 15 teenagers for the summer period.

Within the frame of the Year of Quality, OJSC Severneftegazprom summarized the results of the "Best in the Occupation" contest among operators of process compressors of BCS and among oil and gas production operators.

OJSC Severneftegazprom jointly with JSC Achimgaz and with the active participation of the Company's Youth Council organized a scientific and technical meeting of young specialists.

OJSC Severneftegazprom joined the National Campaign "Green Russia" and took part in a number of events dedicated to environmental protection.



Key Events 2018



SEPTEMBER

OJSC Severneftegazprom won the competition "Best Employer for temporary employment of minor citizens in the age of 14 to 18 during holidays in YaNAO".



OCTOBER

Representatives of OJSC Severneftegazprom received an honorable social award named after N.K. Baybakov.

OJSC Severneftegazprom took part in the VIII St. Petersburg International Gas Forum.

OJSC Severneftegazprom held a review contest to choose the best structural unit of Yuzhno-Russkoye oil, gas and gas condensate field (YROGGCF). According to the decision of the contest committee, the Corporate Fire Department was named as the best unit.



NOVEMBER

Production drilling started at the first startup complex of Turonian gas deposit of Yuzhno-Russkoye oil, gas and gas condensate field.

OJSC Severneftegazprom won the PJSC Gazprom's Science and Technology Award for 2018.

OJSC Severneftegazprom was the runner-up for the nationwide Russian High Social Efficiency Company contest.

OJSC Severneftegazprom successfully completed the re-certification audit of the integrated quality management system, environmental protection, occupational health and safety for the compliance with international standards.



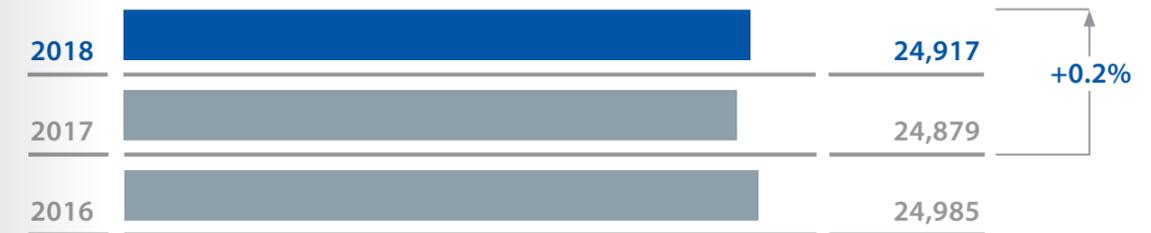
DECEMBER

The Government of Yamal-Nenets Autonomous Okrug (YaNAO) and OJSC Severneftegazprom signed a cooperation agreement for 2019.

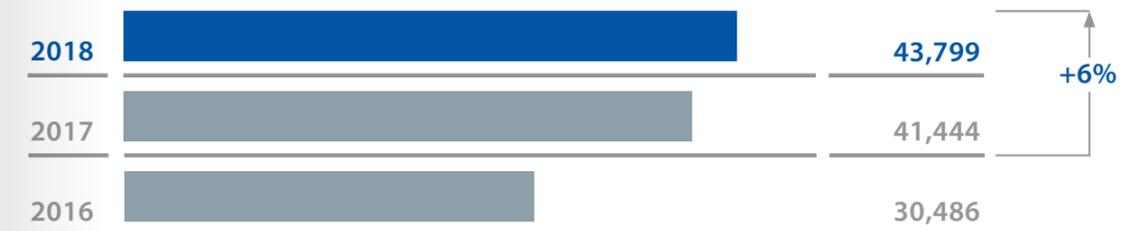
OJSC Severneftegazprom, the Administration of Municipal Formation of Krasnoselkupsky District and YaNAO's Association of Indigenous Peoples of the North "Yamal to its Descendants" signed the annual trilateral cooperation agreement for 2019.

OJSC Severneftegazprom was awarded the 3rd place at the PJSC Gazprom's Quality Awards.



Key performance indicators
2018GAS SALES, MILLION M³

PRIME COST*, MILLION RUBLES



* The prime cost supplement is caused by increased Mineral Production Tax (MPT) for natural gas in Q3 and Q4 2018 (due to changes made in the tax legislation of the Russian Federation)

SALES REVENUE*, MILLION RUBLES



* Reduced sales revenue is caused by the changed gas sales prices (due to reduction of depreciation expense)

CAPITAL INVESTMENT, MILLION RUBLES



STATUS IN THE INDUSTRY AND DEVELOPMENT PROSPECTS

OJSC SEVERNEFTEGAZPROM IS ONE OF THE MAJOR PRODUCING COMPANIES IN THE GAZPROM GROUP.

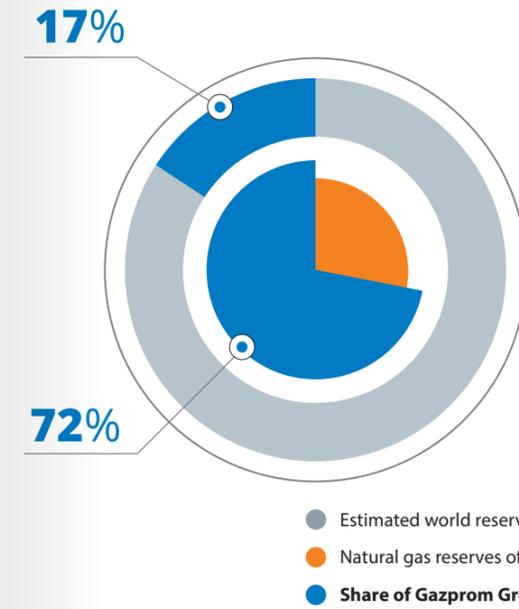
THE COMPANY'S KEY PROJECT IS THE DEVELOPMENT AND CONSTRUCTION OF THE YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD, WHICH IS ONE OF THE LARGEST OIL, GAS AND GAS CONDENSATE FIELDS IN RUSSIA.

TODAY, GAS PRODUCTION FACILITIES OF YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD ARE ONE OF THE MOST ADVANCED AND TECHNOLOGY-INTENSIVE SITES OF RUSSIA, WHICH BRING TOGETHER WESTERN TECHNOLOGIES AND RUSSIAN EXPERIENCE OF OPERATION IN HARSH CLIMATIC CONDITIONS.

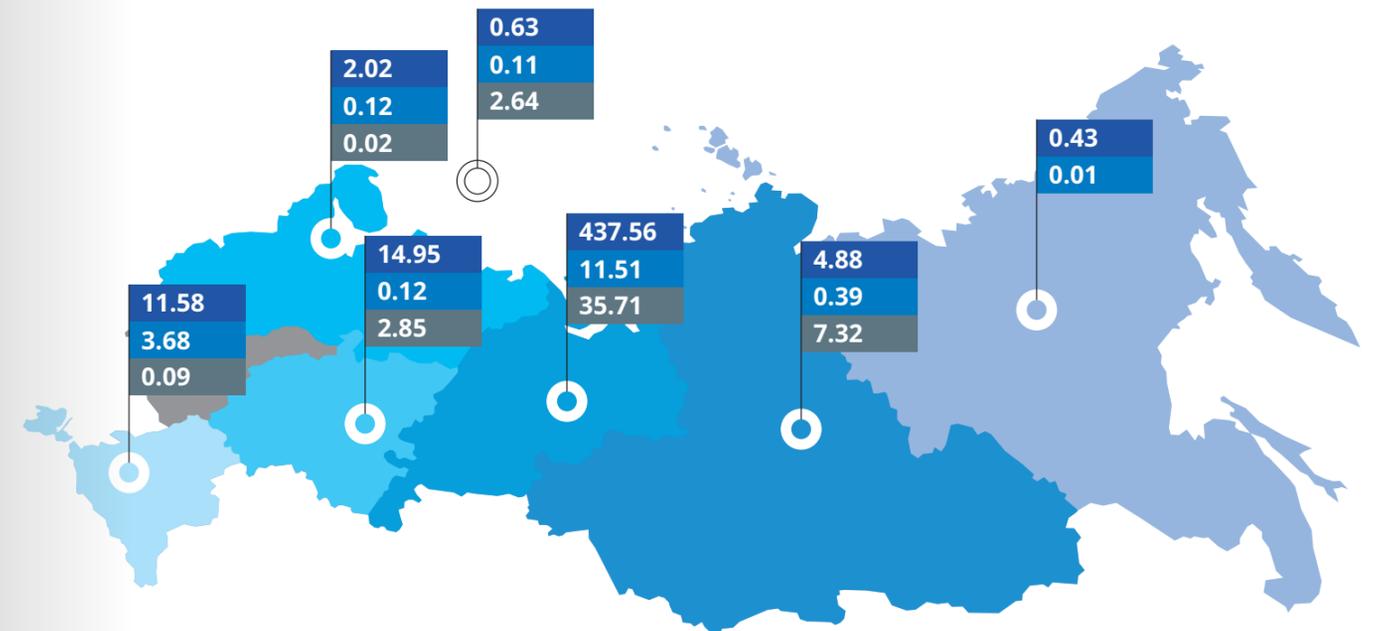
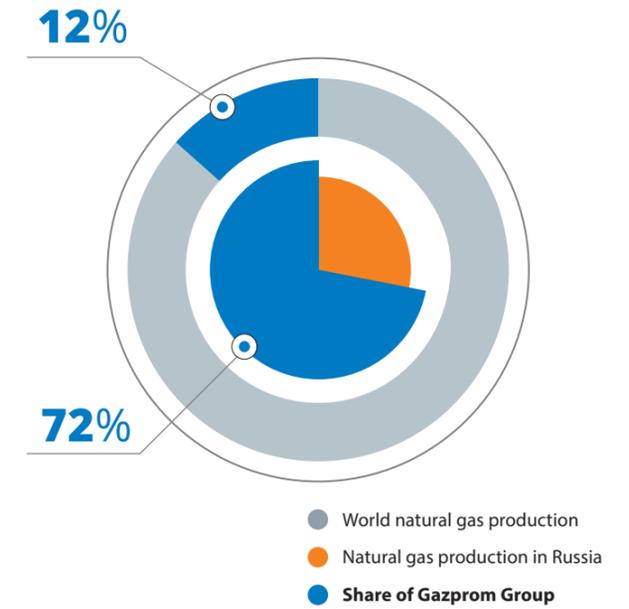


4

NATURAL GAS RESERVES AMOUNTS OF GAZPROM GROUP*



NATURAL GAS PRODUCTION VOLUME OF GAZPROM GROUP*



TOTAL*:

472.05

15.94

48.63

■ GAS, BILLION M³

■ GAS CONDENSATE, BILLION T

■ OIL, MLN TONS

● SIBERIAN DISTRICT

● URAL DISTRICT

● NORTHWESTERN DISTRICT

● PRIVOLZHISKY DISTRICT

● SOUTHERN AND NORTH CAUCASUS DISTRICTS

● FAR EAST DISTRICT

○ CONTINENTAL SHELF

Ural District remains the leader of gas production in the Russian Federation. In 2017, Gazprom Group companies produced 437.56 billion m³ of natural gas in the District

* Website of PJSC Gazprom (www.gazprom.ru)



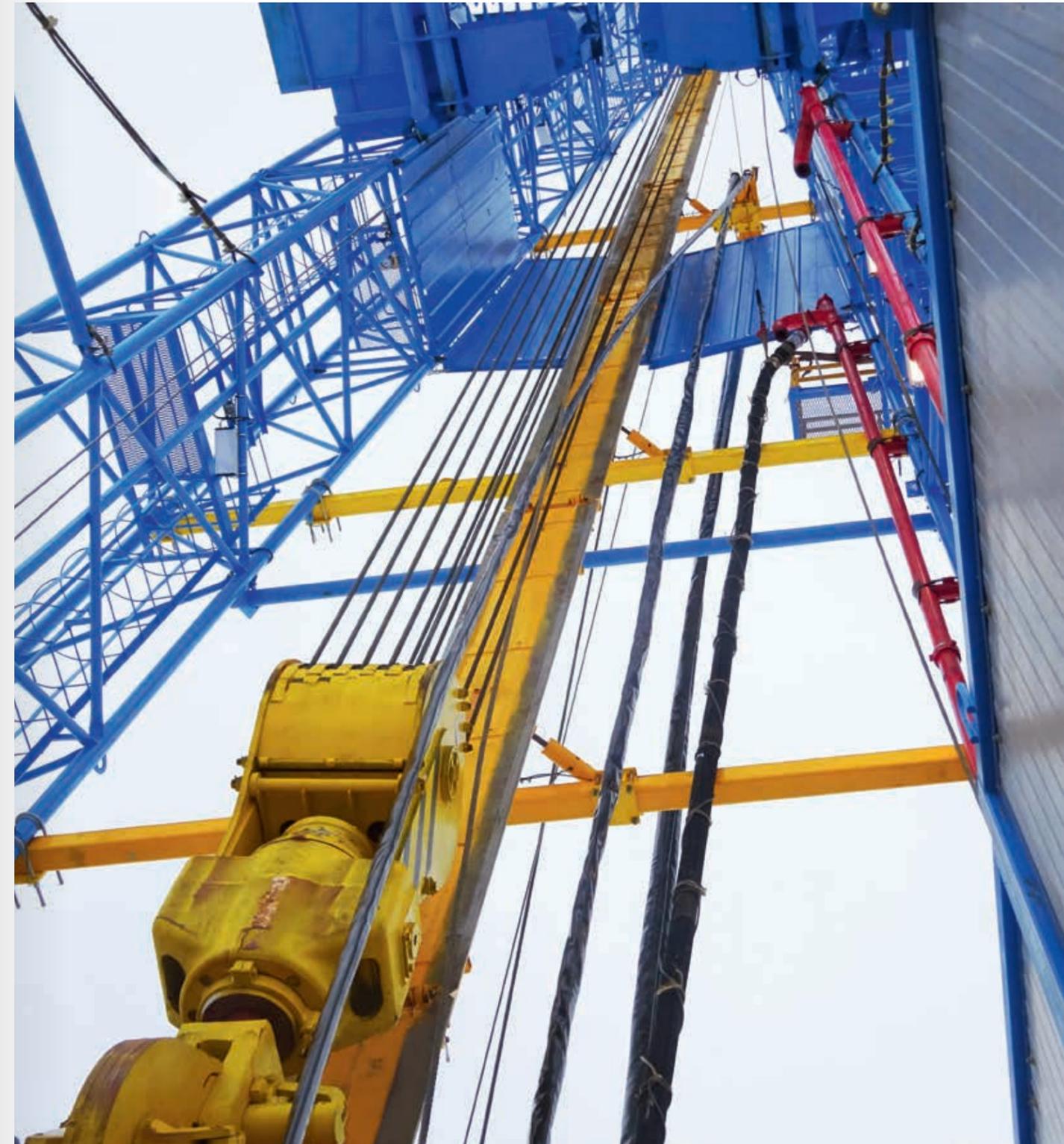
OJSC Severneftegazprom is an advanced company that uses optimal technical solutions to improve the existing industry's efficiency, resource and energy saving, and environmental protection. The Company is in the process of continuous

search for new technologies and innovative solutions for the development and construction of the Yuzhno-Russkoye oil, gas and gas condensate field to fulfill the terms and conditions of ongoing agreements for gas sales.

COMPANY'S DEVELOPMENT PROSPECTS BUSINESS PRIORITIES:

- Ensuring performance of the target tasks for the production of 25 billion m³ of gas per year;
- Fulfillment of all adopted design solutions in accordance with "Technological Plan of Development of Cenomanian and Turonian Gas Deposits of Yuzhno-Russkoye oil, gas and gas condensate field;
- Performance of geological prospecting activities and increasing hydrocarbon reserves in Yuzhno-Russkoye License Area;
- Implementation of the program of activities on equipment maintenance and repair, instrument calibration and research in the chemical analysis laboratory of the gas field facilities at the Yuzhno-Russkoye oil, gas and gas condensate field (hereinafter — YROGGCF);
- Implementation of the program of renovation, modernization, additional equipping, and technical upgrade of the YROGGCF;

- Implementation of research and development program, as well as carrying out innovation activities to improve the efficiency of the existing production processes;
- Carrying out health, safety and environmental protection activities in accordance with the requirements of the applicable legislation of the Russian Federation;
- Strict compliance with and improvement of the Integrated Management System (IMS) and the Energy Management System meeting the requirements of international standards ISO 9001:2008, ISO 14001-2015, ISO 50001:2011, OHSAS 18001-2007 for effective quality, health, safety, and environmental protection management and for improvement of energy efficiency.



YUZHNO-RUSSKOYE OIL, GAS AND GAS CONDENSATE FIELD FACILITIES

- 1 SWITCH VALVE STATION (SVS)**
Accommodates input manifold branches and gas collection system flow line
- 2 GAS SEPARATION BUILDING (GSB)**
In GSB, gas is cleaned from mechanical impurities, dripping liquid and is scrubbed from salts before delivering it to booster compressor yard
- 3 RECUPERATIVE HEAT EXCHANGERS**
These are used for exchange of heat between formation and compressed natural gas
- 4 BOOSTER COMPRESSOR STATION**
Provides compression of preliminary cleaned natural gas up to the pressure necessary for its transportation from the Gas Processing Facility to the Purtaozovskaya Compressor Station through marketable gas pipeline
- 5 GAS DEHYDRATION STATION**
It consists of two gas dehydration units KOG-1 and KOG-2. The Station is used to dry the cleaned gas up to necessary dew point in accordance with the requirements of industrial standard of Gazprom 089-2010 by means of absorption removal of water vapor. The used absorbent is tri-ethylene glycol (TEG).

- 6 GAS MEASURING STATION (GMS)**
Used for metering of the commercial-grade gas delivered to the marketable gas pipeline
- 7 CHEMICALS AND METHANOL WAREHOUSE**
Designed to store chemicals used in production processes
- 8 REPAIR AND OPERATION BUILDING (ROB)**
This is used for repairs and revision of equipment employed at YROGGCF
- 9 WATER TREATMENT FACILITIES (WTF)**
These are used to treat drinking and household water, store production and fire water reserves, delivery of water to individual production and fire water supply networks of GF
- 10 SERVICE AND OPERATIONS BUILDING (SOB)**
This two-level building is equipped with electricity supply, ventilation, water supply, heating and drainage systems. The Building features a spacious hall, 55 rooms of various purposes used by the administration and personnel of the field facilities, the master gas process, treatment and transportation control panel, a chemical control laboratory and a canteen for duty personnel of the field facilities
- 11 FIRE STATION**
A complex of rooms designed for accommodation of operators of Corporate Fire Department that carry out activities of prevention and firefighting of field facilities.
- 12 TRI-ETHYLENE GLYCOL REGENERATION UNIT**
This is designed for regeneration of the glycol saturated solution to the required concentration. The TEG Regeneration Unit consists of two processing lines having the rated capacity of 17 t/h each. All equipment of the Regeneration Unit, apart from regenerators is located within the main room of the TEG regeneration building. Glycol regenerators are located in a separate room.



13 BCS-2
PLANNED
COMMISSIONING
DEADLINE IS
2021



**EFFICIENCY OF GEOLOGICAL EXPLORATION
WORKS AND APPLICATION
OF THE STATE-OF-THE-ART TECHNOLOGIES
IS THE KEY FOR SUCCESSFUL OPERATION**

Yuzhno-Russkoye oil, gas and gas condensate field located in the north-eastern part of west Siberia is one of the largest fields in Russia in terms of reserve volume.

Resource base of the field ensures stable production and is the potential for ongoing development for many years ahead and high financial results.

25 BLN M³
VOLUME OF ANNUAL
GAS PRODUCTION

NATURAL GAS EXPLORATION AND PRODUCTION

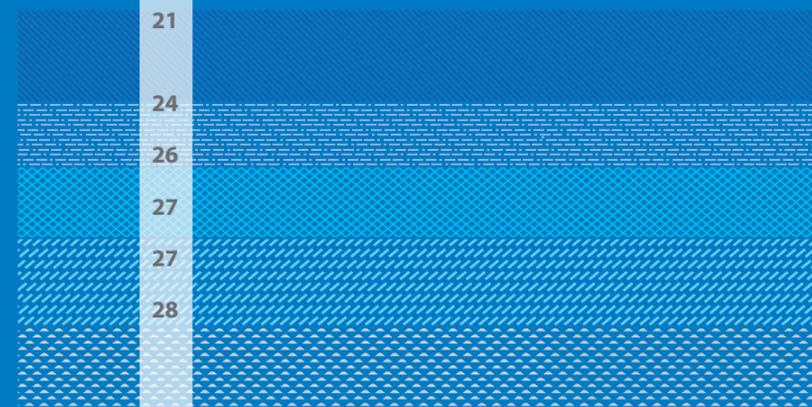
THE COMPANY'S DEVELOPMENT PROGRAM PROVIDES FOR INCREASE IN THE EFFICIENCY OF EXPLORATION AND DEVELOPMENT OF DEPOSITS OWING TO THE IMPLEMENTATION OF A SET OF ORGANIZATIONAL, LEGAL, FINANCIAL, DESIGN AND TECHNOLOGICAL MEASURES.



5

- Status of Raw Material Base
- Development of Cenomanian and Turonian deposits
- Exploration Activities
- Production Drilling
- Natural Gas Production
- Hard-to-recover reserves

21
24
26
27
27
28



Status of Raw Material Base

THE COMPANY HOLDS HYDROCARBON GEOLOGICAL SURVEY AND PRODUCTION LICENSE SLH NO. 11049 NE FOR THE YUZHNO-RUSSKOYE SUBSURFACE SITE. THERE ARE THREE FIELDS WITHIN THE SITE AREA: THE YUZHNO-RUSSKOYE FIELD, WHICH WAS BROUGHT INTO DEVELOPMENT IN 2007, THE YAROVOYE AND THE ZAPADNO-CHASELSKOYE FIELDS THAT ARE REGISTERED IN THE STATE RECORDS AS UNDEVELOPED FIELDS.

As of December 31st, 2018, the Company has fully completed all its license commitments related to subsoil geological study. Amendments to production license SLKH No. 11049 NE were registered on 15.11.2016, Reg. No. 5509.

CHARACTERISTICS OF THE RAW MATERIAL BASE AS OF THE END OF THE REPORTING PERIOD

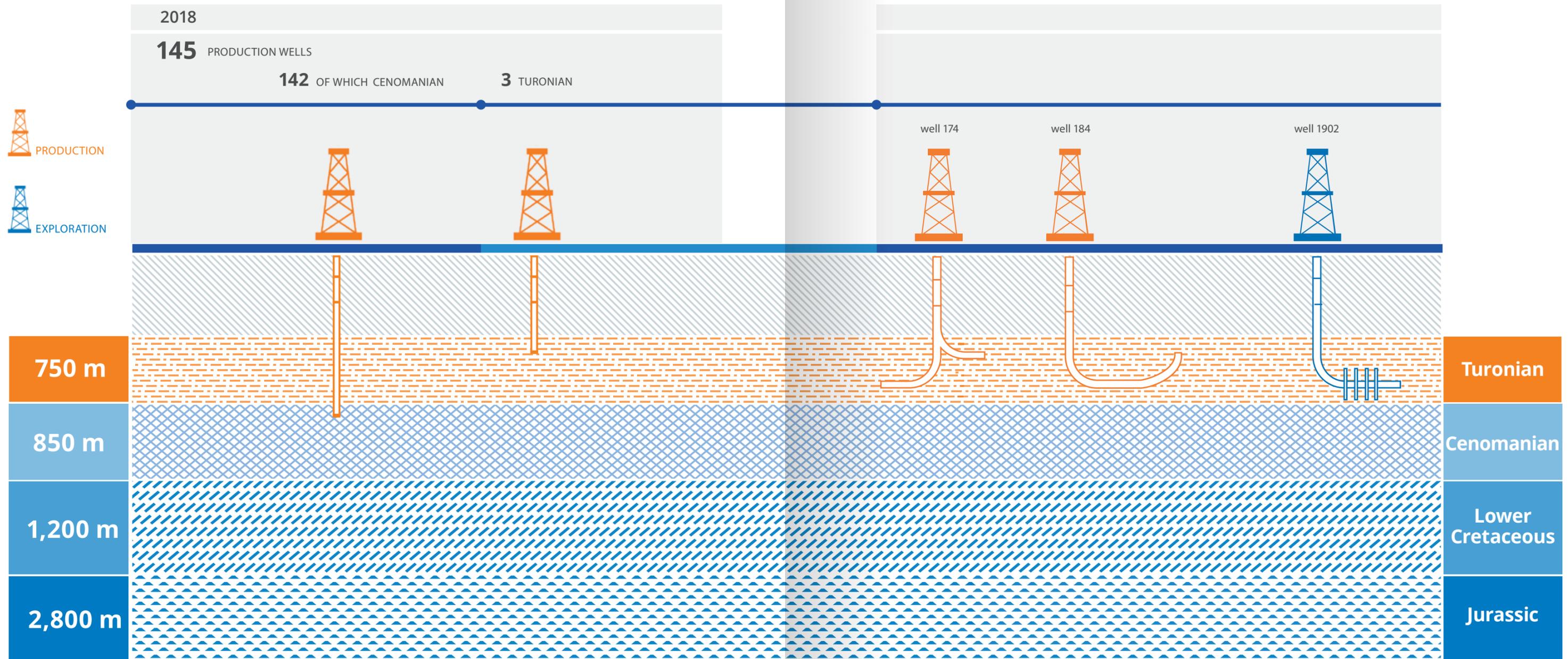
FIELD	HYDROCARBON RESERVES AS OF 31.12.2018					
	GAS, BLN M ³		CONDENSATE, MLN TONS		OIL, MLN TONS	
	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂
Yuzhno-Russkoye field	621.794	73.109	–	3.046	10.962	34.463
Yarovoye field	2.796	10.468	0.212	0.993	0.057	1.203
Zapadno-Chaselskoye field	7.968	0.079	0.157	–	–	0.160
Total	632.558	83.656	0.369	4.039	11.019	35.826

CHANGE IN RESERVES IN A+B₁+C₁ AND B₂+C₂ CATEGORIES DURING THE REPORTING PERIOD

HYDROCARBONS	RESERVES AS OF 01.01.2018		RESERVE CHANGES IN 2018						RESERVES AS OF 31.12.2018		
	A+B ₁ +C ₁	B ₂ +C ₂	PRODUCTION	EXPLORATION		REVALUATION		TRANSFER		A+B ₁ +C ₁	B ₂ +C ₂
				A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂	A+B ₁ +C ₁	B ₂ +C ₂		
Oil, mln tons	11.019	35.826	–	–	–	–	–	–	–	11.019	35.826
Gas, bln m ³	657.686	83.656	25.128	–	–	–	–	–	–	632.558	83.656
Gas condensate, mln tons	0.369	4.039	–	–	–	–	–	–	–	0.369	4.039



RAW MATERIAL BASE OF OJSC SEVERNEFTEGAZPROM



TURONIAN

32% of total reserves

HARD-TO-RECOVER GAS RESERVES

- ▶ Low permeability of headers.
- ▶ High vertical non-uniformity.
- ▶ Deposit area of more than 1,000 km².
- ▶ Anomalously high formation pressure.
- ▶ Low layer temperature.

CENOMANIAN

44% of total reserves

MAIN PRODUCTION FACILITY

- ▶ The deposit is characterized by high net thickness, high permeability and availability of gas-water contact.

LOWER CRETACEOUS

21% of total reserves

MORE THAN 20 FORMATIONS

- ▶ Small-size, low-amplitude gas, gas condensate and oil deposits widely spread within area and profile.
- ▶ Hard-to-recover reserves of oil are located mainly in thin oil leg layers.

JURASSIC

3% of total reserves

- ▶ Gas condensate and oil deposits having low net thickness.
- ▶ These are concentrated mainly in Yarovoye deposit.



Development of Cenomanian and Turonian deposits

COMPARISON OF THE PLANNED AND ACTUAL DEVELOPMENT INDICATORS

VALUE	2018	
	PLANNED	ACTUAL
Total gas production, billion m ³ /yr	25.017	25.128
including:		
Cenomanian (PK ₁)	24.798	24.938
Turonian (T ₁₋₂)	0.219	0.190
Cumulative gas production, billion m ³	266.102	266.255
including:		
Cenomanian (PK ₁)	265.132	265.359
Turonian (T ₁₋₂)	0.970	0.896
Gas offtake as percentage of initial balance reserves, %		
including:		
Cenomanian (PK ₁)	41.1	47.18
Turonian (T ₁₋₂)	0.300	0.375
Gas offtake for 2018 as percentage of initial balance reserves, %		
including:		
Cenomanian (PK ₁)	4.41	4.43
Turonian (T ₁₋₂)	0.092	0.08
Commissioning of wells, No	0	1
Production	0	1
Observation	0	0
Disposal	0	0
Wells stock as of the end of the year, No	176	177
Production,	145	146
including:		
Active	145	145
Observation	28	28
Disposal	3	3
Power capacity of BCS, MW	8*16	8*16
Well utilization rate	0.96	0.964
Well stock utilization rate	1	1

The development indicators for the Cenomanian and Turonian gas deposits correspond to the planned values. Design Center of Gazprom Proektirovanie LLC (Tyumen Branch) carries out the design supervision of the development projects on an annual basis.

In 2017, Design Center of Gazprom Proektirovanie LLC (Tyumen Branch) started to work out a Technological Plan of Development of the Cenomanian and Turonian Gas Deposits at the YROGGCF.



THE PROJECT WAS SUCCESSFULLY REVIEWED IN CCR OF ROSNEDRA CENTRAL COMMITTEE. THIS WAS CERTIFIED BY PROTOCOL NO. 7124 DATED 15.12.2017.)

The approved option provides for the following:

For Turonian gas deposit:

- Drilling of 123 uprising and 10 sub-horizontal wells with multi-stage hydraulic fracture of the layer, including:
 - in 2019 — commissioning of a startup complex consisting of 12 wells (3 clusters, 4 wells each), including 10 uprising and 2 sub-horizontal wells with multi-stage hydraulic fracturing;
 - in 2020–2023 — commissioning of 88 wells including: 83 wells with uphill completion, 5 horizontal wells with multi-stage hydraulic fracturing. The wells shall be located in close vicinity to existing cluster sites of the Cenomanian field;
 - in 2030–2034 — commissioning of 33 wells including: 30 wells with uphill completion, 3 horizontal wells with multi-stage hydraulic fracturing. The wells shall be located in peripheral areas of the deposit.

During 2019–2023, the commissioned wells shall be connected to the existing gas collecting system of the Cenomanian, to connect peripheral wells commissioned during 2030–2034, additional flowlines will be constructed.

Operation of the well stock of the producing Turonian wells — 138 units; observation Turonian wells — 15 units.

For Cenomanian gas deposit:

Operation of 142 wells; observation Cenomanian wells — 18 units;

Three sidetracking operations in 2020, one in 2022 and one in 2023, totally 5 units.



Commissioning of the second stage of Booster Compressor Station (BCS), including 6 gas pumping stations total capacity 16 MW in Q4 2020 (renovation of BCS-1 in 2021, BCS to extend operation period, increase the level of reserve recovery and ensure growth of gas recovery factor);

Construction of 47.5 km of loop lines: 43.6 km before 2030, 3.9 km after 2030 (this may be adjusted during the design phase of field infrastructure development project).

General Indicators:

Production time — 125 years;

Cumulative gas production in T1-2 layer (as of 2141) — 239.56 bln m³;

Cumulative gas production in PK1 layer (as of 2141) — 562.38 bln m³.

Ultimate gas recovery factor broken down by layers:

T₁₋₂ — 0.673;

PK₁ — 0.846.



Exploration Activities

IN 2018, EXPLORATION ACTIVITIES TO SURVEY THE SUBSURFACE OF YUZHNO-RUSSKOYE LICENSE AREA WERE CARRIED OUT IN ACCORDANCE WITH GEOLOGICAL PROJECT STATEMENT APPROVED BY PJSC GAZPROM.

IN 2018, CONSTRUCTION OF APPRAISAL AND EXPLORATION WELLS WAS NOT PLANNED OR PERFORMED

As part of the preparation for implementation of the program for the development of Lower Cretaceous deposits of Yuzhno-Russkoye field in 2018, the initial reserves of Lower Cretaceous deposits were re-estimated and the required scope of investigations and research for their further studies was determined. In 2019, the above materials will be delivered for examination by state expert review boards

SCIENTIFIC AND INDUSTRY-SPECIFIC RESEARCH ACTIVITIES

Scientific and industry-specific research activities were carried out in accordance with the approved geological project statement:

Activities to develop the design part of the project for additional exploration of lower cretaceous deposits of Yuzhno-Russkoye field were completed. In Q1 2019, the project is to be reviewed and discussed at the meeting of the E&A and Reserves Section of the Industry Commission for Field Development and Subsoil Use of PJSC Gazprom. In Q3 2019, the project is planned to be examined by FSFE Rosgeolexpertiza;

Preparation of the report for reestimation of the initial reserves of lower cretaceous deposits of Yuzhno-Russkoye field as of 01.01.2017 were completed. In Q2 2019, the report for reestimation of reserves and geological model is to be submitted to FSFE NRC for state expert examination alongside with the engineering design for the development of lower cretaceous deposits;

Activities to collect, classify and analyze data obtained from examination of cores and fluids taken in wells drilled on Yuzhno-Russkoye License Area in order to build up an information resource are underway (in 2018, the first stage was completed, 10 wells of Yuzhno-Russkoye License Area were analyzed as scheduled, and the report for the works completed was submitted accordingly). Moreover, the activities on formation and warehousing of reference and representative core samples taken in Yuzhno-Russkoye License Area were completed (in 2018, activities on 4 wells were completed as scheduled);

Activities to develop design documentation "Decommissioning and recovery of safety conditions of previously abandoned exploration and appraisal wells, environmental protection measures and site reclamation on Yuzhno-Russkoye License Area" were completed;

Activities to recover safety condition of abandoned exploration wells of old stock (6 wells) being on the books of Interregional Territorial department of the Federal Agency for State Property Management are underway. These wells are located on Yuzhno-Russkoye and Yarovoye fields of Yuzhno-Russkoye License Area. The activities are aimed to restore concrete pillars and benchmarks according to the requirements of Safety rules in oil and gas industry (Order of Rostekhnadzor No. 101 of 12.03.2013 as amended on 01.01.2017) as well as to remove waste metal left during wells construction from wellhead areas. In 2018, activities on three wells (8-R of Yuzhno-Russkoye field, 226-P and 227-R of Yarovoye field) were completed. Activities on the remaining three wells (5-R, 7-R of Yuzhno-Russkoye field and 229-R of Yarovoye field) are scheduled for 2019;

Activities to classify and store in Tyumen's Core House the core samples taken in exploration wells of the Yuzhno-Russkoye License Area are still underway.

Production Drilling

In 2018:

Group Well Design for the construction of uphill and horizontal producing wells on Turonian gas deposit was developed;

construction of 7 out of 12 producing wells (KGS 11 Nos. 1101, 1102, 1103; KGS 13 Nos. 1301, 1302; KGS 14 Nos. 1401, 1402) of the First Startup Complex on Turonian gas deposit of Yuzhno-Russkoye field was commenced. Among them: 6 wells completed with drilling, 3 wells (Nos. 1101, 1301, 1401) completed with construction. Well No. 1101 of KGS 11 was transferred to fixed assets;

activities for the depreservation and reconstruction of disposal well No. 2P with sidetracking on Yuzhno-Russkoye oil, gas and gas condensate field were performed. The works included well depreservation, sidetracking at 855–1109 m interval, installation of a 114 mm slotted liner, and completion through the variable pressure method (reservoir capacity test) at 1020.5–1104.0 m interval;

Natural Gas Production

IN 2018, THE PLANNED GAS PRODUCTION OF OJSC SEVERNEFTEGAZPROM WAS APPROVED IN THE AMOUNT OF

25,000 MLN M³

KEY PRODUCTION INDICATORS

INDICATOR	2018	2017	2016
Production (extracted from a layer)	25.128	25.050	25.149
Natural gas losses in gas well surveys	0.002	0.007	0.025
Gross natural gas production	25.126	25.043	25.124
Domestic technological needs	0.208	0.163	0.138
Natural gas loss in the operation of process facilities	0.001	0.001	0.001
Sales gas	24.917	24.879	24.985



Group Well Design for workover of producing wells of Yuzhno-Russkoye field was developed. The works are scheduled for 2019;

design documentation "Workover of producing wells of Yuzhno-Russkoye field with sidetracking procedure" was developed. The works are scheduled for 2019.

THE ACTUAL GROSS GAS PRODUCTION WAS

25,126 MLN M³

THE TARGET PLAN WAS FULFILLED BY

100.5% (+126 MLN M³)



Hard-to-recover reserves

DEVELOPMENT OF HARD-TO-RECOVER RESERVES OF TURONIAN GAS

The Turonian hydrogeological complex is a locally distributed, interlaying in thick clay mass (800–1000 m), which forms a regional top seal for large accumulations of gas in Cenomanian strata. Sometimes it contains commercial gas accumulations, for example, in Zapolyaroye and Yuzhno-Russkoye fields. From a lithological point of view, the deposit rocks are represented by sandstones and siltstones with interbedded silty clays nested in rocks and argillaceous minerals (montmorillonite and mixed-layer formations) that swell in contact with water, which adversely affect porosity values. Weighted average permeability is substantially less than in Cenomanian rocks ($52.35 \cdot 10^{-3} \mu\text{m}^2$ in Turonian vs $863.43 \cdot 10^{-3} \mu\text{m}^2$ in Cenomanian). Low reservoir temperatures (16–17 °C) causes the well operation in hydrate mode.

Independent exploration of Turonian deposit was started in 2007 based on the Project for Pilot Commercial Development of Turonian Gas Deposits of Yuzhno-Russkoye oil, gas and gas condensate field. Pilot production began in December 2011 by commissioning a two-hole well connected to gas collection system of Cenomanian production field. In 2014, a pilot producing well with uphill completion was drilled and commissioned. In 2016, a sub-horizontal well multi-stage fracking was drilled and commissioned.



In 2017, a new project was prepared — “Turonian and Cenomanian Gas Deposits Development Plan”. According to this document, the Turonian and Cenomanian deposits should be developed as separate facilities with single gas collection and conditioning system. The following technical solutions are provided for Turonian deposit:

development period — 125 years (2017–2141);

the use of single (existing) gas collection system.

IN 2018–2019, THE DRILLING PROGRAM OF OJSC SEVERNEFTEGAZPROM FOR TURONIAN DEPOSIT PROVIDES FOR THE CONSTRUCTION AND COMMISSIONING OF

12 WELLS



CONSTRUCTION AND DEVELOPMENT OF GAS PRODUCING WELLS IN TURONIAN DEPOSIT

In 2018, site preparation for multiple-well platforms Nos. 11T, 113 & 14T was completed. Construction of producing wells in Turonian gas deposit of the First Startup Complex was commenced. The construction is based on Turonian and Cenomanian Gas Deposits Development Plan (author of the project — Gazprom Proektirovanie LLC, Tyumen Branch) approved by the Protocol KGP of PJSC Gazprom No. 102-p/2017 of 31.10.2017 and Protocol of the Federal Agency on Subsoil Use (CKR Rosnedra for UVS) No. 7124 of 15.12.2017, and the Group Well Design for the construction of uphill and horizontal producing wells on Turonian gas deposit No. 85/17-1 approved by Order No. 230 of 04.06.2018.

The First Startup Complex includes 3 cluster sites, and each site will contain 4 producing wells:



Out of 12 wells located on 3 clusters, 9 wells are uprising (with uphill completion) and 3 wells are sub-horizontal with multistage fracking.

CLUSTER	WELL	DESIGN
11T	1101	Uphill completion
	1102	
	1103	
	1104	Sub-horizontal (multi-stage fracking)
13T	1301	Uphill completion
	1302	
	1303	Sub-horizontal (multi-stage fracking)
	1304	
14T	1401	Uphill completion
	1402	
	1403	
	1404	



IMPLEMENTATION OF ADVANCED TECHNOLOGIES

To ensure competitiveness and industrial safety OJSC Severneftegazprom traditionally focuses on the development of innovation activities and seeks to use the most advanced technologies and up-to-date equipment in its operations.

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REGISTERED PATENTS

TECHNOLOGY AND INNOVATION

FOCUSING ON THE DEVELOPMENT OF SCIENTIFIC AND TECHNICAL ACTIVITIES OJSC SEVERNEFTEGAZPROM IS ALWAYS SEARCHING FOR NEW NON-STANDARD SCIENTIFIC AND TECHNICAL APPROACHES. EFFECTIVE INNOVATIVE ACTIVITY HAS MADE IT POSSIBLE FOR THE COMPANY TO MAKE PRODUCTION FACILITIES OF YUZHNO-RUSSKOYE FIELD ONE OF THE MOST MODERNLY EQUIPPED FROM THE POINT OF VIEW OF ADVANCED TECHNOLOGICAL AND ENGINEERING SOLUTIONS



6

- Intellectual Property
- Rationalization Activities
- Promotion of Innovation Activities



Intellectual Property

INNOVATION ACTIVITIES AND THE INTENTION TO EMPLOY THE MOST ADVANCED TECHNOLOGY AND MODERN EQUIPMENT ARE THE TRADITIONAL FOCUS AREAS OF OJSC SEVERNEFTEGAZPROM.

Search for new efficient scientific and engineering solutions that should factor in the specifics of objectives of OJSC Severneftegazprom is carried out by the highly skilled team of engineers of the Company. All the most important, interesting and promising technical and organizational solutions and developments are subjected to patenting procedure with a view of their possible implementation in the fuel and energy industry companies under license agreements.



In 2018, the following patent right items were registered in the State Register of the Russian Federation:

- A device for the manufacture of clamped supports (utility model patent No. 176172);
- A method and device for extracting methanol from water methanol process mixtures for further reuse (patent for invention No. 2643540);
- Waste water treatment unit (patent for invention No. 2650152);
- A device for installation of changeable flow channel of gas compressor unit cover (utility model patent No. 178571).



Rationalization Activities

The purpose of rationalization activity is to enhance the efficiency of the existing process flows and organizational processes in OJSC Severneftegazprom.

Motivation of the Company employees through various incentives is ensured by way of growth of involvement and continuous search for unconventional engineering solutions.

The number of rationalization proposals (RPs), the number of employees involved in the Company's innovation activities and the number of implemented innovation proposals increase from year to year.

The continuous search for advanced engineering solutions is a key to the successful development of OJSC Severneftegazprom and determines the position of the YROGGCF as a venue for introducing prospective technologies and implementing innovative solutions.

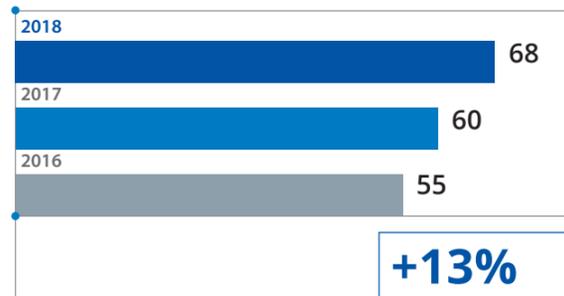
In 2018, the Company implemented several innovations in order to:

Reduce operational costs, optimize labor costs and reduce the number of personnel engaged in the manufacture of clamped supports;

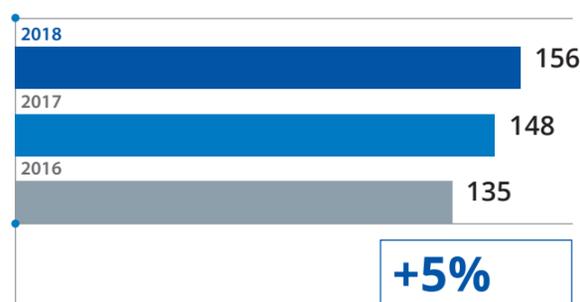
Reduce repair time for gas compressor units, exclude additional losses of gas and, consequently, reduce environmental impact fees; improve occupational safety by using the device for installation of changeable flow channel of gas compressor unit cover;

Ensure high quality of waste water treatment and prevent any dangerous and harmful effects caused to the maintenance personnel by exposure to toxic and explosive vapors of methanol and oil products.

NUMBER OF REGISTERED RPS, PCS.



NUMBER OF EMPLOYEES INVOLVED IN THE DEVELOPMENT OF INNOVATION ACTIVITIES, PERSONS



IN 2018, ECONOMIC EFFECT FROM THE USE OF INNOVATIVE SOLUTIONS IN PRODUCTION ACTIVITY AMOUNTED TO

58.63 MLN RUBLES.





Promotion of Innovation Activities

Popularization of innovation activity of employees of OJSC Severneftegazprom is an important prerequisite of sustained and dynamic development of production, as well as an element of goodwill of the Company.

The results of scientific and engineering research, technological and organizational solutions as well as examples of their successful implementation and practical application are presented during innovation competitions and conferences and published in trade magazines.

PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS AT CONFERENCES:

II Arctic Joint Conference of Young Scientists and Professionals of Gazprom Dobycha Urengoy LLC and Gazprom Dobycha Yamburg LLC

Report topics:
"Development of quality management system at OJSC Severneftegazprom";
"Introduction of printing control system at an enterprise".

II International Scientific and Practical Conference 2018 PJSC Gazprom "Burning Issues of Investigating O&G Stratal Systems"

Report topic:
"Method of calculating maximum permissible draw down pressure in order to reduce sand-related problems in gas wells".

Gazprom Vocational School Novy Urengoy Private Professional Education Institution, hands-on workshop: "Development of Quality Management System at enterprises of PJSC Gazprom"

Report topics:
"Experience of implementing risk management procedure in the quality management system of OJSC Severneftegazprom";
"Organizing internal audits of the quality management system of OJSC Severneftegazprom".

Administration of Novy Urengoy. Round Table: "Innovation Technologies at Fuel & Energy Complex"

Report topic:
"Results of innovation activity of OJSC Severneftegazprom".

Session of Scientific and Technical Cooperation Panel of OJSC Severneftegazprom on the occasion of 20th anniversary of the Company

Topic:
"A package of scientific and technical solutions aimed at increasing the efficiency of development of Gazprom Group's deposits".

Scientific and Technical Meeting of Young Specialists dedicated to 20th anniversary of OJSC Severneftegazprom and 15th anniversary of JSC Achimgaz

Topic:
"Innovative solutions developed in accordance with the principles of sustainable development and aimed to increase efficiency of enterprises of oil and gas industry".

Gas Forum "Gas, Oil, New Technologies for the Far North", Novy Urengoy

Topic of the exposition:
"Protecting the present, we preserve the future". The presented innovative technologies implemented at OJSC Severneftegazprom serve to increase the level of labor protection and occupational safety, reduce energy consumption and pollutant emissions to atmosphere and greenhouse gases, and to ensure sustainable development of the Company.



PRESENTATION OF THE COMPANY'S INNOVATIVE SOLUTIONS IN PUBLICATIONS:

Authors: V. V. Dmitruk; A. A. Kasyanenko; R. V. Kravtsov
"Organizing activity of OJSC Severneftegazprom to achieve zero accidents";

Authors: V. V. Dmitruk; E. P. Mironov; A.S. Zhurilin
"The experience of using spectral noise logging in wells to evaluate the volume of hard-to-recover gas reserves".

Authors: V. V. Dmitruk; A. A. Kasyanenko; A.E. Ozerina
"Developing an efficient integrated management system at OJSC Severneftegazprom";

CONTEST OF INNOVATIVE PROJECTS DEVELOPED BY STUDENTS AND PG STUDENTS OF THE RUSSIAN TECHNICAL UNIVERSITIES

This contest of innovative projects developed by students and PG students of the Russian technical universities held by OJSC Severneftegazprom since 2014 has already become traditional. The Contest's basic objectives include:

To determine scientific and technical developments existing in the universities for further possible use in the Company's operational activities;

To draw innovative technical solutions that may enhance gas recovery factor and fail safety, cut costs and process losses in gas production, treatment and transportation;

To encourage students and PG students of the Russian technical universities to carry out research and practice;

To provide students and PG students of technical universities with the opportunity to implement promising projects, which scope largely exceeds the laboratory resources of universities.

The innovative projects of students and PG students are appraised by the competition committee composed of the Company's experts by: their relevance and novelty, cost efficiency, prospects for cooperation with authors in implementation of the R&D program of OJSC Severneftegazprom and for the Russian fuel and energy industry in general.

Apart from diplomas and recognition prizes, the Competition's winners are given priority in apprenticeship at Yuzhno-Russkoye oil, gas and gas condensate field, which is one of the most advanced fields in Russia in terms of employed technology and engineering solutions.

The winners of the Contest in 2018:

PLACE	WINNER	UNIVERSITY	PROJECT
1	Alexander Voropaev	Tyumen Industrial University	"Development of a smart system for free piping to prevent flooding and self-killing of gas wells"
2	Alexander Verisokin	North-Caucasus Federal University	"Reduction of well completion time after fracking"
3	Valentin Kalinin	Gubkin Russian State University of Oil and Gas	"Providing geodynamic safety for oil and gas pipelines at areas with natural or technogenic hazards"



**EFFICIENT MANAGEMENT OF INVESTMENT
ACTIVITIES PROVIDE A RELIABLE BASIS FOR
A SUSTAINABLE DEVELOPMENT OF THE COMPANY**

Modernization, quality improvement and increased fixed asset volume creates the production potential to improve the efficiency of production and management of OJSC Severneftegazprom.

2.86 BLN RUB.

AMOUNT
OF CAPITAL
INVESTMENTS
IN 2018



INVESTMENT ACTIVITIES

THE PRIORITY DIRECTIONS OF OJSC SEVERNEFTEGAZPROM INVESTMENT PROGRAM IN 2018 WAS TO MAINTAIN A CURRENT LEVEL OF RELIABILITY, COMPLY WITH LICENSE OBLIGATIONS AND TARGETS, ESTABLISHED BY THE LONG-TERM SOUTH-RUSSIAN FIELD DEVELOPMENT PLAN, MAINTAIN A STABLE LEVEL OF ANNUAL NATURAL GAS PRODUCTION IN THE FRAMEWORK OF CONTRACTUAL OBLIGATIONS UNDER THE LONG-TERM GAS SUPPLY CONTRACTS AND IMPLEMENT STRATEGIC PROJECTS.



7

Key goals and objectives of the Company investment program:

implementation of key performance indicators of the Long-Term Plan for Development of the Cenomanian and Turonian deposits of YROGGCF;

implementation of the plan of exploration works in accordance with current license obligations;

implementation of approved design solutions, providing for commissioning, reconstruction, upgrading and retrofitting of production capacities at the main and auxiliary production sites;

risk minimization.

Implementation of the Company investment projects for reconstruction, modernization, retrofitting and upgrade aimed at increased production capacity through renovation, quality improvement and quantitative expansion of the fixed assets, as well as improved technical level, production and management efficiency.

The facilities are being constructed in close cooperation and with operative support of the Company services and contractors' representatives.



INVESTMENTS IN DEVELOPMENT AND IMPROVEMENT OF THE CENOMANIAN AND TURONIAN DEPOSITS

In accordance with the Process Development Plan of the Cenomanian and Turonian Gas Deposits of YROGGCF and current license obligations of the Company, during the reporting period, it commenced the works for construction and arrangement of:

Objects of the first launch complex of the Turonian gas deposit;

GPF. Booster compressor station No. 2;

Construction of well R-35;

Construction of well R-51.

The following projects are pending the development:

Additional development of the Cenomanian and Turonian gas deposits of YROGGCF. First stage;

Reconstruction of YROGGCF operating gas wells by sidetracking.



INVESTMENTS INTO RECONSTRUCTED, UPGRADED, RETROFITTED AND MODERNIZED FACILITIES

In 2018, the reconstruction of the following facilities was completed:

- Well No. 2P;
 - Customer's base as YROGGCF. Heated warehouse;
 - GPF: drinking water treatment station "Waterfall-50" and "Waterfall-150";
 - 10 kV overhead lines and overhead lines to GAS on the gas wells in clusters No. 13T;
 - 10 kV overhead lines and overhead lines to GAS on the gas wells in clusters No. 14T.
- The following order were upgraded:
- ICS: APCS EYURM: Automated control system of power supply to YROGGCF;
 - ICS: APCS GPF ICS DG: Automated process control system;
 - PPYUM: GPF APCS: Automated process control system;
 - ICS: A system of controlled points for remote control of gas well clusters.

The modernization of "GPF: Service operating unit" (change of design solutions and engineering systems) was completed.

The work to upgrade YROGGCF ICS remote controller ICS: Supervisory control system at the gas field level, is underway.

The following design works are completed:

- Upgrading of YROGGCF GPF facilities. BSC;
- Retrofitting of YROGGCF facilities with HVAC system (HPV, OAB at the customer's base);
- Reconstruction of YROGGCF roads. Highways: Urengoy — Krasnoselkup — YROGGCF section — Beregovoye GCF (68.7 km, road category IV); Access roads: YROGGCF (112.545 km, road category V); Access roads: Pipelines for marketable gas (12.099 km, road category V);
- Facility retrofitting. ITSO PPYUM: Engineering and technical means of guarding the PPYUM, GPF, ESN (equipment with an anti-ramming device ARD);
- Facility retrofitting. Communication hubs: FS-34, FS-65, FS-93, WWD-1 — retrofit with a complex of engineering and technical guards;
- Facility retrofitting. OAB at the customer's base — retrofitting with a complex of engineering and technical guards;
- Retrofitting of the Shift team muster station in Krasnoselkup;
- Retrofitting of YROGGCF facilities. (Installation of electricity meters at pipeline electrical heating shields);
- Retrofitting of auxiliaries' power supply complex.

INVESTMENTS IN ADMINISTRATIVE AND HOUSEHOLD FACILITIES

In order to improve the facility functional parameters, an office building, shift team muster station and an administrative unit in Novy Urengoy were retrofitted with HVAC system.

The non-residential premises owned by the Company at 26 Gubkina Avenue in Novy Urengoy were reconstructed.

The blown technical underground facilities of the shift camp at YROGGCF, namely dormitory No. 1, No. 2, No. 3, No. 4 were retrofitted.

The landscaping of the adjacent territory of the Company administrative buildings in Novy Urengoy, namely the administrative building, shift team muster station and administrative household unit, was performed.

CAPITAL INVESTMENTS DURING THE REPORTING PERIOD

Capital investments in 2018 amounted to RUB 2,858 million, which is 178% more than the indicator of the last year (RUB 1,027 million in 2017).

CAPITAL INVESTMENTS IN 2018 AMOUNTED TO

2.858 BILLION RUB.

CAPITAL INVESTMENTS IN THE REPORTING PERIOD

MILLION RUBLES, WITHOUT VAT

	2018	2017	CHANGE 2018/2017	
	ACTUAL	ACTUAL	+/-	%
Capital investments, TOTAL	2,858	1,027	1,831	178
including:				
Production drilling	1,462	59	1,403	2,378
Exploration works in the field	1	1	0	0
Survey works for future years	148	106	42	40
Equipment not included in construction estimated	135	151	-16	-11
Construction facilities	1,098	699	399	57
Acquisition of non-current assets	14	11	3	27

A significant increase in capital investments in the reporting period was caused by the following works:

- Construction and arrangement of facilities of the first start-up complex of the Turonian gas reservoir;
- Construction of the booster compressor station No. 2;
- Construction of wells R-35 and R-51;
- Upgrading of ICS of the Yuzhno-Russkoye oil, gas and gas condensate field.





THE TOTAL COST OF CONSTRUCTION FACILITIES AND FIXED ASSETS COMMISSIONED IN 2018 AMOUNTED TO

1,115 MILLION RUB

FACILITY COMMISSIONING IN THE REPORTING PERIOD

MILLION RUBLES, WITHOUT VAT

	2018	2017	CHANGE 2018/2017	
	ACTUAL	ACTUAL	+/-	%
Capital investments, TOTAL	1,115	1,315	-200	-15
including:				
Production drilling	377	59	318	539
Exploratory drilling	-	-	-	-
Equipment not included in construction estimates	135	151	-16	-11
Construction facilities	589	1,101	-512	-47
Non-current assets	14	4	10	250



In 2018, we completed the construction and commissioned:

- Operating well of GWC 11T No. 1101;
- Reconstruction of well No. 2P;
- Facility retrofitting. Construction of production checkpoint (Communication mast at the 68th km of Urengoy — Krasnoselkup road, YROGGCF — Beregovoye GCF plot), including:
 - Propelled mobile building “CALLISTO-4.02” — A checkpoint for roads, on the sled (2.8 x 8 m);
 - Propelled mobile building “Jupiter-1.16”, residential, for 5 persons, on the sled.
- Customer’s base at YROGGCF. Heated warehouse;
- GCTP: drinking water treatment station “Waterfall-50” and “Waterfall-150”;
- 10 kV overhead line and overhead line to GAS on the gas well cluster No. 13T, as a part of development of the Turonian gas reservoir, launch complex 1;
- 10 kV overhead line and overhead line to GAS on the gas well cluster No. 14T, as a part of development of the Turonian gas reservoir, launch complex 1;
- Facility retrofitting. Administrative building in Novy Urengoy (retrofitting of the building HVAC system, landscaping);
- Facility retrofitting. Administrative building in Novy Urengoy. Administrative household unit (retrofitting of the building HVAC system, landscaping);
- Facility retrofitting. Shift team muster station (retrofitting of the building HVAC system, landscaping);

Facility retrofitting. Shift camp (retrofitting of the blown technical underground);

Reconstruction of non-residential premises owned by the Company at 26 Gubkina Avenue, Novy Urengoy;

- The upgrading of ICS YROGGCF was performed:
- ICS: Automated process control system (APCS GCTP, APCS DG);
 - PPYUM: ICS: Automated process control system (APCS PPYUM);
 - ICS: The system of controlled points for remote control of gas well clusters;
 - ICS ACS E YURM: Automated control system of YROGGCF power supply (ACS E YURM).



CHANGES IN THE COST OF FACILITIES WITH CONSTRUCTION IN PROGRESS MILLION RUBLES, WITHOUT VAT

OBJECT (BY GROUPING PARAMETERS)	31.12.2018	31.12.2017	31.12.2016
Construction of fixed assets (industrial construction)	736	190	606
Construction of fixed assets (operational drilling)	1,089	–	–
Construction of fixed assets (exploratory drilling)	291	290	264
Survey works for the future periods	215	163	96
Acquisition of non-current assets	18	19	12
Equipment to be installed	41	8	43
Total construction in progress	2,390	670	1,021



The fixed assets with construction in progress as of 31.12.2018 include:

- Test drilling — Well No. No. P-54, P-61, P-62;
- Operating well CGS 14T No. 1401;
- Operating well CGS 14T No. 1402;
- Operating well CGS 14T No. 1403;
- Operating well CGS 14T No. 1404;
- Operating well CGS 13T No. 1301;
- Operating well CGS 13T No. 1302;
- Operating well CGS 13T No. 1303;
- Operating well CGS 13T No. 1304;
- Operating well CGS 11T No. 1102;
- Operating well CGS 11T No. 1103;
- Operating well CGS 11T No. 1104;
- Reconstruction of well No. 253;
- Reconstruction of well No. 403;
- Hydraulically placed quarry No. 201 at YROGGCF;
- Landscaping of the Yuzhno-Russkoye oil, gas and gas condensate. GCTP. Booster compressor shop No. 2;
- Construction of well P-35;
- Construction of well P-51;
- Highway of category IV-b to the gas well clusterNo. 11T (0.240 km);
- Highway of category IV-b to the gas well cluster No. 13T (0.513 km);
- Highway of category IV-b to the gas well cluster No. 14T (0.489 km);
- Gas well clusterNo. 11T. Engineering site preparation, structures, utility networks, piping of gas well No. 1101;
- Arrangement of cluster 11T. Piping of gas well No. 1102;
- Arrangement of cluster 11T. Piping of gas well No. 1103;
- Arrangement of cluster 11T. Piping of gas well No. 1104;
- Gas well clusterNo. 13T. Engineering site preparation, structures, utility networks, piping of gas well No.1301;
- Arrangement of cluster 13T. Piping of gas well No. 1302;
- Arrangement of cluster 13T. Piping of gas well No. 1303;
- Arrangement of cluster 13T. Piping of gas well No. 1304;
- Gas well clusterNo. 14T. Engineering site preparation, structures, utility networks, piping of gas well No. 1401;
- Arrangement of cluster 14T. Piping of gas well No. 1402;
- Arrangement of cluster 14T. Piping of gas well No. 1403;
- Arrangement of cluster 14T. Piping of gas well No. 1404;
- Upgrading of YROGGCF ICS;
- Partial reconstruction of highways of the Yuzhno-Russkoye oil, gas and gas condensate. Highways: Urengoy — Krasnoselkup — YROGGCF section portion — Beregovoye GCF (68.7 km, road category IV); Access roads: YROGGCF section (112.545 km, road category V); Access roads: Pipeline for marketable gas (12.099 km, road category V);
- Mineral soil quarry 3.2;
- Hydraulicallyquarry sandy soil 2G.
- Acquisition of non-current assets.



STRONG FINANCIAL POSITION IS THE BASIS OF RELIABLE PRODUCTION

The high level of cost control allowed to keep strong financial position of the company and achieving all operational goals to ensure a maintaining gas production level and further effective development of natural resources in 2018.

47,740 MLN RUB.

REVENUE
FROM SALE
OF NATURAL GAS
FOR 2018



KEY FINANCIAL INDICATORS

THIS SECTION PROVIDES AN OVERVIEW OF THE FINANCIAL SITUATION OF OJSC SEVERNEFTEGAZPROM AS OF DECEMBER 31ST, 2018 AND SHALL BE READ IN CONJUNCTION WITH THE COMPANY FINANCIAL STATEMENTS FOR 2018, PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS AND ACCESSIBLE TO ALL PARTIES CONCERNED AT THE COMPANY OFFICIAL WEBSITE AT: <http://www.severneftegazprom.com>



8

- Key financial indicators
- Financial Performance Report Indicators
- Cash flows for the reporting period
- Key Financial Ratios



Key financial indicators

MILLION RUBLES

INDICATOR	2018	2017	CHANGE IN%
Revenue	47,740	49,326	-3%
Gas production cost*	(3,803)	(3,693)	3%
rubles per 1000 m ³	(153)	(148)	3%
Depreciation deductions	(5,569)	(5,860)	-5%
Mineral extraction tax	(34,392)	(31,857)	8%
Exploration costs**	(36)	(35)	1%
Management expenses	(1,395)	(1,168)	19%
Operating profit	2,546	6,714	-62%
Net profit	1,840	5,817	-68%
Net cash from operating activities	7,990	12,331	-35%
Commissioning of fixed assets (incl. NMA and R&D)	1,115	1,315	-15%

* The gas production costs cover all costs included in the cost of goods (works, services), excluding depreciation, tax deductions and exploration.

** Exploration.

-1,586 MLN RUB. REVENUE

+2,622 MLN RUB. MET-GAS COSTS

-3,977 MLN RUB. NET PROFIT

The long-term contracts for sale of all produced gas concluded by OJSC Severneftegazprom ensure a regular receipt of revenue and guarantee a solvent sales market during the whole period of YROGGCF development.

The volume of natural gas sale in 2018 was 24,917 million m³.

Revenues from gas sales in 2018 was reduced by 3% YoY and amounted to RUB 47,740 million. The decrease in revenues in 2018 by 3% compared YoY was due to a cut in gas selling price provided for by the long-term contracts.

A high level of cost control has allowed to maintain a stable Company financial position and performance of all intended production tasks to ensure a stable level of natural gas production and further efficient development of natural resources in 2018.



Financial Performance Report Indicators

INDICATOR	MILLION RUBLES		
	2018	2017	CHANGE IN%
Revenue	47,740	49,326	-3%
Cost of sales, including:	(43,799)	(41,444)	6%
Taxes (MET, property tax, etc.)	(34,392)	(31,857)	8%
Depreciation deductions	(5,569)	(5,859)	-5%
Gas production costs*	(3,803)	(3,693)	3%
Exploration costs	(36)	(35)	1%
Gross profit	3,941	7,882	-50%
Management expenses	(1,395)	(1,168)	19%
Sales profit	2,546	6,714	-62%
Interest receivable	451	843	-46%
Interest payable (interest on provisions accrued) **	(458)	(424)	8%
Other income and expenses (net)	(-180)	280	-164%
Profit before tax	2,359	7,413	-68%
Net profit	1,840	5,817	-68%

* The gas production costs cover all costs included in the cost of goods (works, services), excluding depreciation, tax deductions and exploration.
 ** Accrued interest expenses on the provision for decommissioning of fixed assets and restoration of natural resources.
 These costs are due to the accrual of estimated liabilities for decommissioning of fixed assets and restoration of natural resources in accordance with AP 8/2010 "Estimated Liabilities, Contingent Liabilities and Contingent Assets".

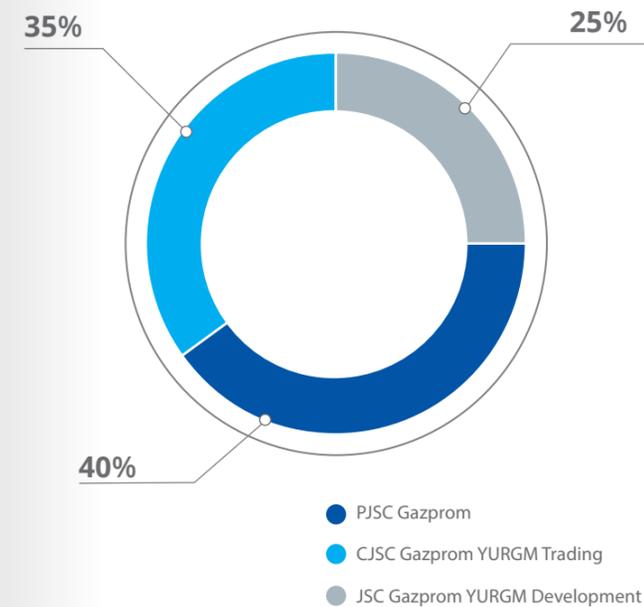
The Company net income in 2018 was adversely affected by the cost increase due to changes in tax deductions in connection with increase in MET-gas rate in the second half of the year. This increase is associated with amendments to the Tax Code of the Russian Federation in September 2018, as well as rise in oil prices and the dollar exchange rate (these figures affect the factors in the rate calculation).

In connection with the outflow of funds to finance capital investments associated with the start of BCS-2 construction and development of Turonian deposits, less funds were placed on deposit accounts in 2018 and, consequently, the interest income declined.

Decrease in other income in 2018 versus 2017 was due to the reflection of interest accrued on the estimated liability created for the cost of fixed asset decommissioning and environmental remediation as a part of this indicator.



STRUCTURE OF REVENUES FROM GAS SALES



Requirements for quality of the gas supplied to the Customers are regulated in accordance with the STO Gazprom 089-2010 "Combustible natural gas supplied and conveyed by the main pipelines. Specifications". This standard is aimed at improving the product quality and ensuring the efficiency and safety of operation of the gas transmission systems.

COMMERCIAL GAS SALES VOLUME

	MILLION M ³		
	2018	2017	2016
TOTAL, including:	24,917	24,879	24,985
PJSC Gazprom	9,967	9,952	17,517
JSC Gazprom YURGM Trading	8,721	8,708	3,928
JSC Gazprom YURGM Development	6,229	6,220	3,540



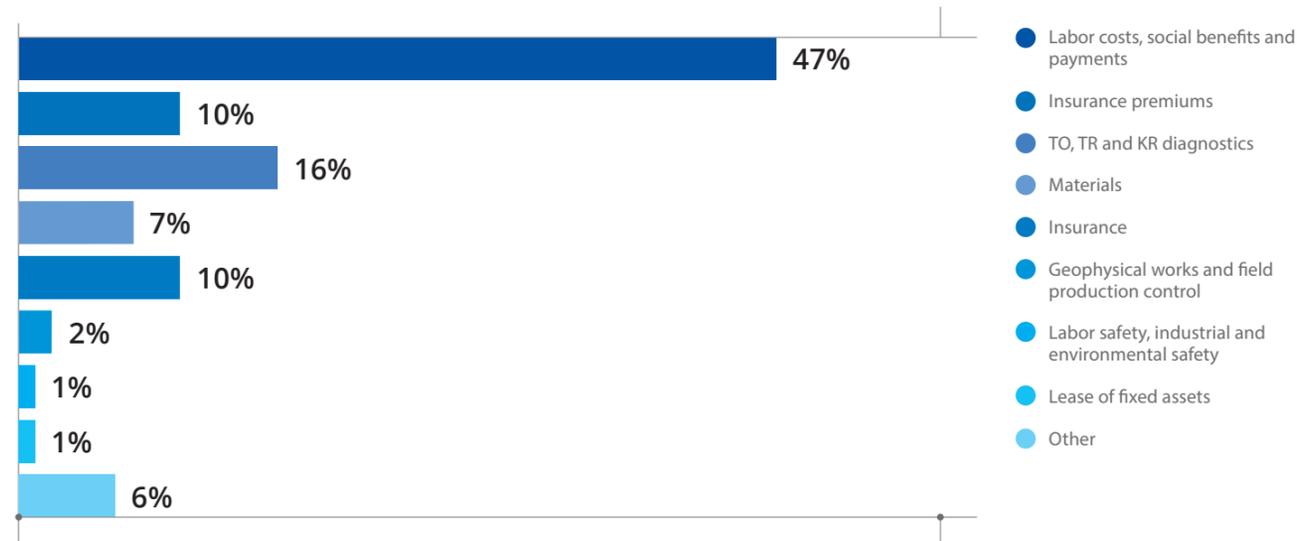


GAS PRODUCTION COSTS (excluding the tax, depreciation and exploration costs)

An increase in the gas production costs by 3% in 2018 was mainly due to the increase in labor costs, social benefits and payments by 6% (wages indexation) and, consequently, an increase in insurance premiums by 5%, as well as increase in insurance costs (non-governmental staff retirement plan).



GAS PRODUCTION COST STRUCTURE



CHANGE OF THE GAS PRODUCTION COSTS

MILLION RUBLES

INDICATOR	2018	2017	CHANGE IN %
Labor costs, social benefits and payments	1,782	1,688	6%
Insurance premiums	394	373	5%
Diagnostics, maintenance, repair and overhaul	616	663	-7%
Materials	249	264	-6%
Insurance	394	257	53%
Geophysical works and field production control	76	86	-12%
Labor protection, industrial and environmental safety	52	53	-1%
Lease of fixed assets	25	24	8%
Other	215	286	-25%
TOTAL	3,803	3,693	3%
Exploration	36	35	1%
TOTAL including the exploration costs	3,838	3,729	3%

TAXES (excluding the income tax)

MILLION RUBLES

INDICATOR	2018	2017	CHANGE IN %
MET	33,698	31,076	8%
Property tax	690	774	-11%
Other taxes	4	7	-41%
TOTAL taxes (excluding the income tax)	34,392	31,857	8%

The main part (98%) in the structure of taxes is represented by the deductions for the mineral extraction tax (MET).

In accordance with the Russian Tax Code, there is a calculation formula for MET rate for natural gas.

An increase in MET costs by 8% in 2018 is due to the growth of the average annual rate of this tax (from RUB 1,241 per thousand m³ for natural gas in 2017 up to RUB 1,341 per thousand m³ in 2018).



ASSETS

IN 2018, THERE WAS A SLIGHT INCREASE IN THE COMPANY ASSETS BY 0.2%, OR

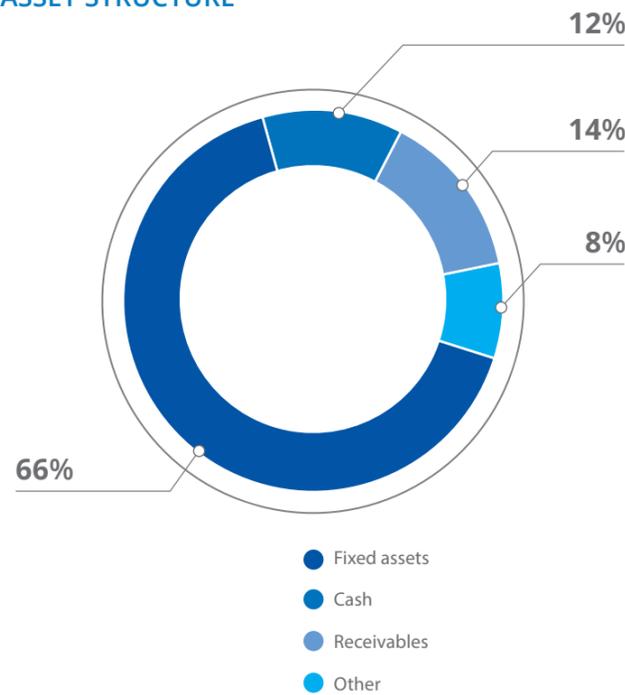
0.1 BILLION RUBLES

THE VALUE OF ASSETS AT THE END OF 2018 AMOUNTED TO

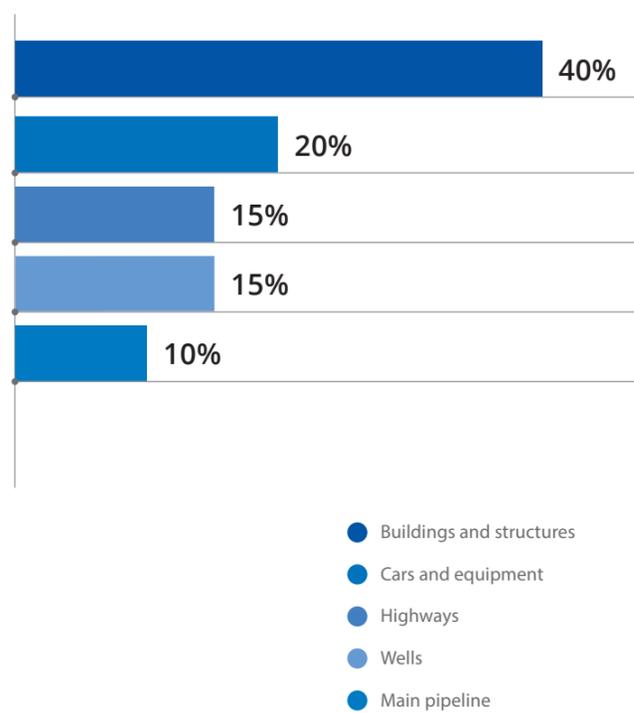
54.9 BILLION RUBLES



ASSET STRUCTURE



FIXED ASSET STRUCTURE



CHANGING THE COMPANY'S ASSETS FOR THE REPORTING PERIOD

MILLION RUBLES

	AS OF 31/12/2018	As of 31/12/2017	CHANGE IN %
FIXED ASSETS	40,092	41,002	-2%
Intangible assets	8	8	-
R&D results	32	27	21%
Intangible search assets	-	-	-
Fixed assets	36,367	39,250	-7%
Deferred tax assets	1,274	1,131	13%
Other noncurrent assets	2,410	586	312%
CURRENT ASSETS	14,810	13,791	7%
Stock	575	705	-18%
Receivables	7,413	5,487	35%
Financial investments	-	-	-
Cash	6,755	7,534	-10%
Other current assets	67	65	2%
TOTAL	54,902	54,793	0.2%

Changes in the Company assets in 2018 occurred in respect of the following items:

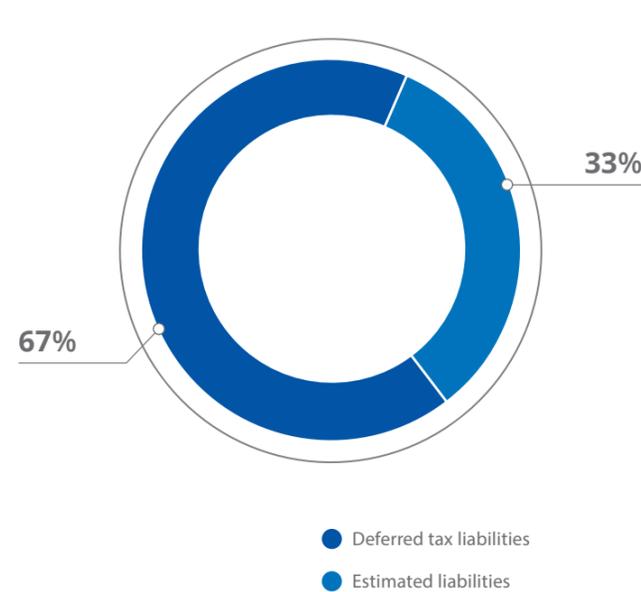
- the fixed assets decreased by RUB 2,883 million, or 7%, due to depreciation and decrease in the commissioning of facilities;
- accounts receivable increased by RUB 1,927 million, or 35%, due to an increase in arrears of the gas customers and advancing payments of future works and services.
- the other non-current assets increased by RUB 1825 million due to advance payments under construction contracts;



LONG-TERM AND SHORT-TERM LIABILITIES

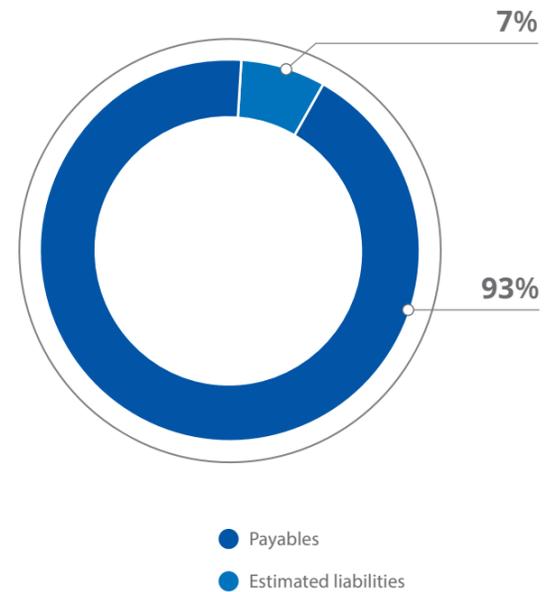
LONG TERM LIABILITIES

TOTAL: RUB 7.6 BILLION AS OF 31/12/2018



SHORT-TERM LIABILITIES

TOTAL: RUB 8.27 BILLION AS OF 31/12/2018



LONG-TERM AND SHORT-TERM LIABILITIES

MILLION RUBLES

	AS OF 31/12/2018	AS OF 31/12/2017	CHANGE IN %
LONG-TERM LIABILITIES	7,619	7,545	-1%
Bank loans maturing within 12 months, total, million rubles	-	-	-
Deferred tax liabilities	2,496	2,911	-14%
Estimated liabilities	5,072	4,589	11%
Other liabilities	50	45	10%
SHORT-TERM LIABILITIES	8,265	7,105	16%
Bank loans maturing within 12 months, total, million rubles	-	-	-
Accounts payable	7,670	6,506	18%
Estimated liabilities	595	599	-1%
TOTAL	15,884	14,650	8%



The changes in the Company liabilities in 2018 occurred in respect of the following items:

Reduction in long-term liabilities by RUB 73 million, or 1%, due to adjustment of the size of estimated liabilities for fixed asset decommissioning and restoration of natural resources;

Increase in short-term liabilities by RUB 1,160 million, or 16% due to an increase in accounts payable in respect of taxes and duties.

CAPITAL AND PROVISIONS

MILLION RUBLES

	AS OF 31/12/2018	AS OF 31/12/2017	CHANGE IN %
SHARE, ADDITIONAL CAPITAL AND PROVISIONS	25,187	25,187	-
Authorized capital	40	40	-
Revaluation of non-current assets	46	46	-
Additional capital	25,099	25,099	-
Reserve capital	2	2	-
RETAINED PROFIT	13,832	14,956	-8%
Profit for the accounting period	1,840	5,817	-68%
TOTAL CAPITAL AND PROVISIONS	39,018	40,143	-3%

In 2018, the Company capital and provisions decreased by RUB 1,125 million, or 3%, due to a reduction in the positive financial result by RUB 3,977 million in 2018





Cash flows for the reporting period

NET CASH GENERATED BY OPERATING ACTIVITIES DECREASED BY 35% AND AMOUNTED TO

7,990 MLN RUB.

NET CASH

MILLION RUBLES

NAME OF INDICATOR	2018	2017	DEVIATION 2018/2017	CHANGE IN %
Net cash generated by operating activities	7,990	12,331	(4,341)	-35%
Net cash used in investing activities	(6,047)	(1,418)	(4,629)	326%
Net cash used in financing activities	(2,722)	(13,248)	10,526	-79%

Note: Figures in brackets are negative.



Key Financial Ratios

KEY FINANCIAL STABILITY INDICATORS

FINANCIAL RATIO (RM)	AS OF 31/12/2018	AS OF 31/12/2017	CHANGE FOR THE PERIOD	RATIO ECONOMIC SIGNIFICANCE
Rm of autonomy	0.71	0.73	-0.02	Equity to total capital ratio
Rm of financial leverage	0.41	0.36	0.05	Debt to equity ratio
Rm of investments coverage	0.85	0.87	-0.02	Equity and long-term debt to total capital ratio
Rm of the equity maneuverability	1.13	0.86	0.27	Working capital to the sources of own funds ratio
Rm of the working capital mobility	0.46	0.55	-0.09	The ratio of the most mobile part of the working capital versus the total cost of the current assets

KEY LIQUIDITY RATIOS

FINANCIAL RATIO (RM)	AS OF 31/12/2018	AS OF 31/12/2017	CHANGE FOR THE PERIOD	RATIO ECONOMIC SIGNIFICANCE
Rm of the present (total) liquidity	1.79	1.94	-0.15	Current assets versus current liabilities ratio. Shows the provision of short-term liabilities with all current assets
Rm of the fast (intermediate) liquidity	1.72	1.84	-0.12	Liquid assets versus short-term liability ratio. Shows the provision of short-term liabilities with cash, short-term financial assets and short-term receivables
Rm of the absolute liquidity	0.82	1.06	-0.24	Ratio of liquid assets versus the short-term liabilities. It shows what part of the short-term debt can be repaid immediately

RETURN ANALYSIS

RETURN RATIOS	2018	2017	CHANGE FOR THE PERIOD
Return on sales in kopecks per ruble of revenue	5.3	13.6	-8.3
Return on sales for EBIT, %	5.9	16.0	-10.1
Sales net profit margin, kopeck per ruble of revenue	3.9	11.8	-7.9
Rm of interest payable coverage, ICR	6.2	18.5	-12.3



RESPONSIBLE BUSINESS MANAGEMENT IS THE BASIS FOR SUSTAINABLE DEVELOPMENT OF THE COMPANY

The sustainable development policy of OJSC Severneftegazprom is aimed at improving the economic, environmental and social performance of the Company through a well-balanced use of the natural resource potential, maintaining the stability of social and cultural systems to meet the needs of present and future generations.

THE COMPANY SHOULD ANNUALLY PREPARE A SUSTAINABLE DEVELOPMENT REPORT IN ACCORDANCE WITH **INTERNATIONAL STANDARDS**

GRI

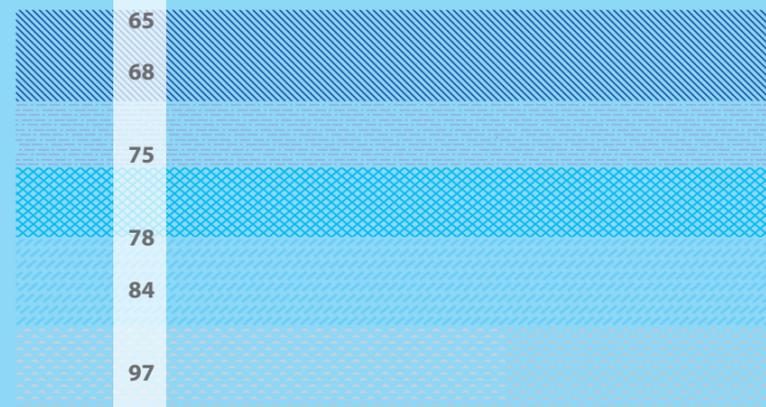
SUSTAINABLE DEVELOPMENT

THE COMPANY MAKES A SIGNIFICANT CONTRIBUTION TO THE SOCIO-ECONOMIC DEVELOPMENT OF THE ITS PRESENCE REGIONS, PRESERVATION AND MAINTENANCE OF THE SURROUNDING ENVIRONMENT. PRODUCTION SAFETY AND TAKING CARE OF EMPLOYEES ARE ALSO A SUSTAINABLE DEVELOPMENT PRIORITY.

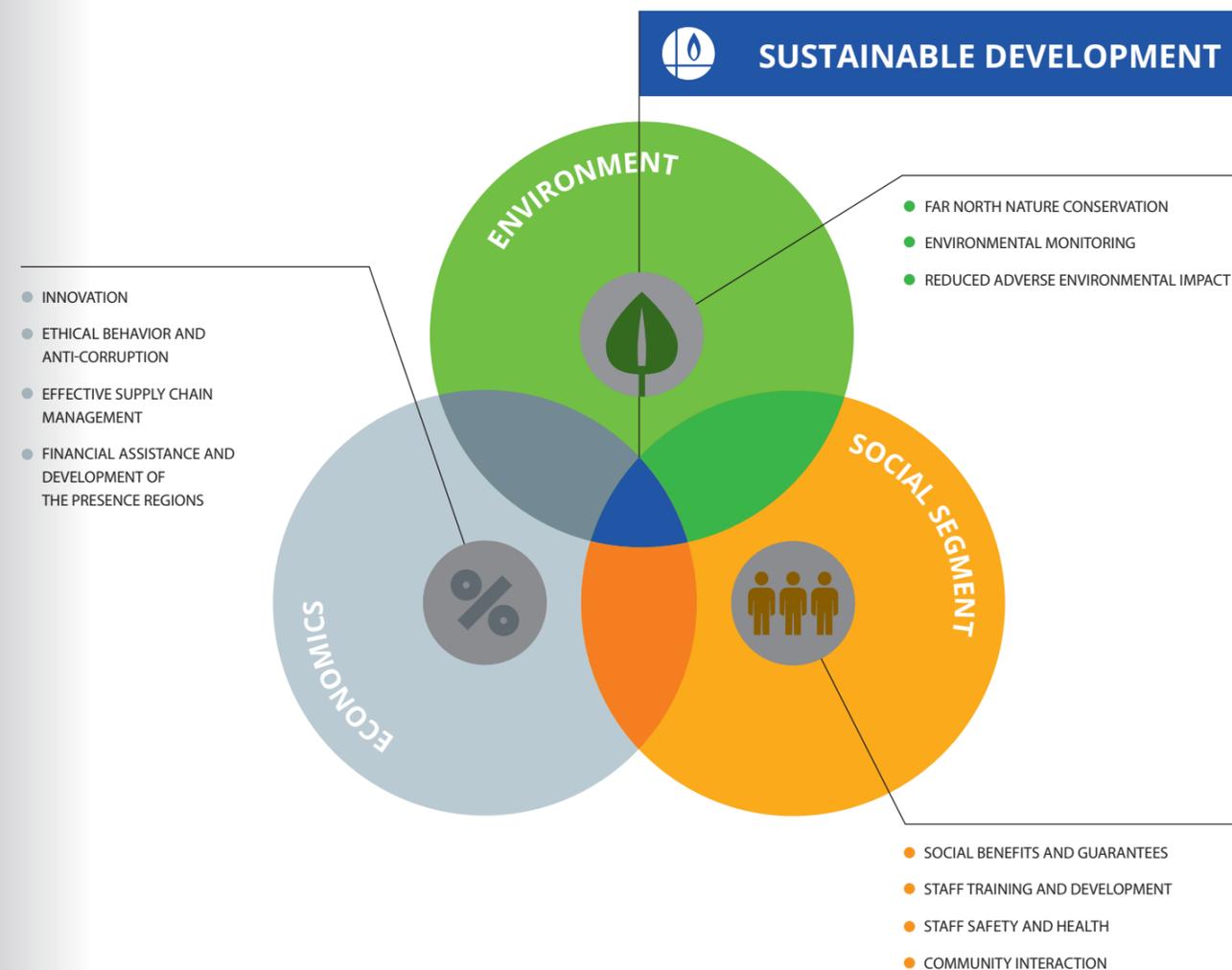


9

- Setting priorities
- Environmental Protection
- Energy Consumption and Energy Saving
- Personnel and Industrial Safety
- HR and Social Policy
- Interaction with Stakeholders



Setting priorities



OJSC Severneftegazprom builds its work in accordance with the sustainable development concept adopted by the Russian Federation and the global community, which provides for a balanced approach to solving the social and economic problems, issues of preserving a favorable environment and natural resource potential in order to meet the needs of the present and future generations.

Sustainable development is one of the Company strategic goals. During the reporting period, a number of positive results was achieved, the key one being the maintenance of high production performance and trouble-free field operation.

Since 2011, the Company has been disclosing its non-financial information in the field of sustainable development as a part of the Annual Report. When preparing this Report, the Company is focused primarily on the interests of

stakeholders, which may affect the Company operations and are affected thereby. The content of the Sustainable Development Report for 2018 was drafted on the basis of monitoring and determination of material topics in the process of stakeholder engagement.

According to the analysis of information received at the end of 2018, a meeting of the Sustainable Development working group was held, where the material topics to be included into the Company Annual Report for 2018 were approved.

When drawing up the non-financial statements, the Company followed the standards of the Global Reporting Initiative — GRI Standards, as well as industry application standards for the oil and gas industry (Oil and Gas Sector Disclosures). This report has been prepared in accordance with the GRI Standards: Core option.



The assessment performed by the working group identified the following material topics:

- employment;
- health and safety at the workplace;
- training and education;
- rights of indigenous minorities of the North;
- asset integrity and process safety;
- energy;
- water;
- emissions;
- discharges and waste;
- economic efficiency;
- procurement practices;
- reserves.

This Report, in addition to the material topics identified by the working group, considered the further aspects providing a comprehensive picture of the Company economic, social and environmental impact. The table containing a complete list of the material topics disclosed in the Report, as well as the pages with relevant indicators are presented in Annex 2, "GRI Content Index".

This Report is based on the data of management accounting, statistical and accounting statements of OJSC Severneftegazprom, drawn up in accordance with the Russian Accounting Standards (RAS), published on the official website at: www.severneftegazprom.com.





Environmental Protection

Continuous improvement of environmental safety approach allows the Company to arrange the most efficient use of natural resources and to achieve minimization of the adverse environmental impact.

OJSC Severneftegazprom uses the best international practices in the field of ecology, follows the environmental protection standards established by laws of the Russian Federation, and strictly adheres to the principle of environmental friendliness.

The Company continuously engages in activities aimed at:

- resource conservation and reduced adverse environmental impact;
- improved energy efficiency at all stages;
- pollution prevention, which means the priority of preventive action to avoid the adverse environmental impact;
- involvement of all Company staff in activities to reduce environmental risks;
- improvement of the environmental management system and environmental operational performance in the field of environmental protection.

A practical tool to implement the sustainable development principles in environmental protection is the environmental management system applied by the Company, certified for compliance with ISO 14001 international standard.

As regards the environmental legislation, the Company performs environmental monitoring at its facilities, which ensures compliance with established standards and reasonable use of natural resources.



Much attention in the environmental management system implemented by OJSC Severneftegazprom is paid to a continuous monitoring of the key environmental indicators in the area of operation of the core production facilities. The Company performs environmental monitoring in accordance with the Environmental Monitoring of YROGGCF Territory Program for 2016–2021, which provides for assessment of the anthropogenic load on environment and obtaining of objective information about the environmental status.

The results of these studies show that during the reporting period, no sign of environmental degradation caused by the Company operations has been identified. The environmental condition of YROGGCF territory remains satisfactory.



THE FORECAST FOR THE FUTURE IS OPTIMISTIC; THE CALCULATIONS SUGGEST THAT A STABLE ENVIRONMENTAL SITUATION WILL BE MAINTAINED IN THE FIELD OVER THE MEDIUM TERM. CONTINUOUS COMPANY EFFORTS TO PREVENT ACCIDENTS GIVEN THE CURRENT LEVEL OF ANTHROPOGENIC LOAD ALLOWS ASSESSING THE PROBABILITY OF MAINTAINING A CURRENT SATISFACTORY CONDITION AS HIGH.

THE INDUSTRIAL ENVIRONMENTAL MONITORING IS CONDUCTED IN THE FOLLOWING AREAS:

- IMPACT ON AIR;
- IMPACT ON SOIL;
- WATER USE AND THE IMPACT ON WATER BODIES;
- IMPACT ON THE OBJECTS OF WILDLIFE AND HABITATS;
- WASTE MANAGEMENT;
- IMPACT ON FORESTS AND VEGETATION.



EMISSIONS

One of the important directions of OJSC Severneftegazprom environmental activities is air protection.

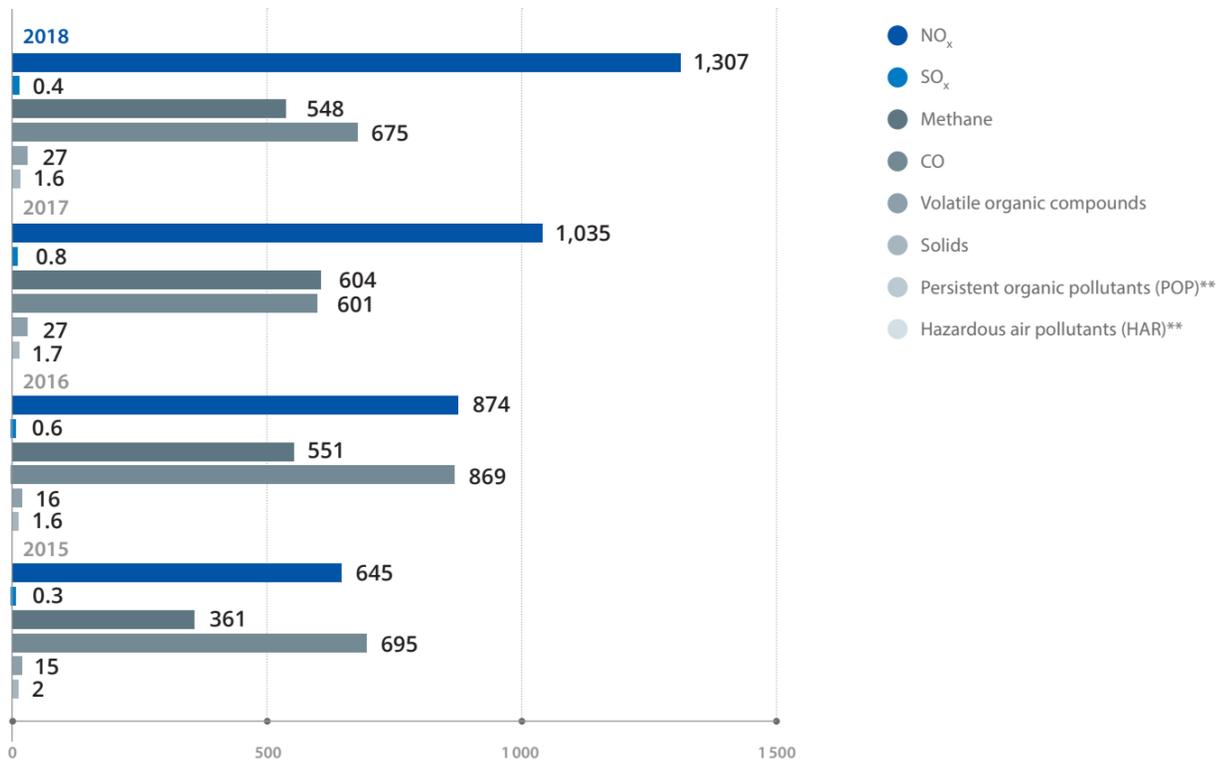
In 2018, the total mass of pollutants was 2.566 thousand tones (including 2.559 thousand tons are YROGGCF emissions and 0.007 thousand tons are emissions from other sources), which is 0.296 thousand tons more than in 2017. This is due to an increase in fuel gas consumption for compressing*.

The Company conducts regular research on assessment and accounting of greenhouse gas emissions. The direct emissions include emissions from sources owned by the Company. The volume of direct GHG emissions in 2018 totaled 398.940 thousand tons in CO₂ equivalent. The GHG emission intensity ratio is 15.876.

Indirect emissions come from sources owned by the other organizations. The applicable laws do not require keeping records of indirect Company emissions. To calculate the indirect emissions, the Company applies an OHSAS methodology by Wintershall Holding GmbH, whereby no indirect emissions have been recorded in the reporting period. This methodology involves the accounting of indirect greenhouse gas emissions at the production facilities only

In accordance with the Environmental Policy, one of the commitments voluntarily assumed by OJSC Severneftegazprom is the implementation of all possible measures to prevent the adverse environmental impact. The reduced greenhouse gas emissions to mitigate the climate change is recognized by the global community as a priority.

EMISSION STRUCTURE, T



* Compression is the technology of industrial gas processing and preparation (compression), and increase in the gas pressure using a compressor.

** POP and HAP are not emitted.

The data for 2018 are presented in respect of YROGGCF, and for the past years — in respect of the Company as a whole.



The Company continuously conducts R&D works to reduce the GHG emissions into the atmosphere. Innovative projects developed and implemented by OJSC Severneftegazprom specialists have provided a significant reduction in greenhouse gas emissions.

Therefore, in 2018, we managed to avoid additional direct greenhouse gas emissions of methane of 34.031 thousand tons in CO₂ equivalent.

According to the results of production control and laboratory tests, no exceeding of the established standards of the maximum permissible emissions for all emission sources in 2018 has been reported.

No emergency emission of pollutants into the environment occurred either.

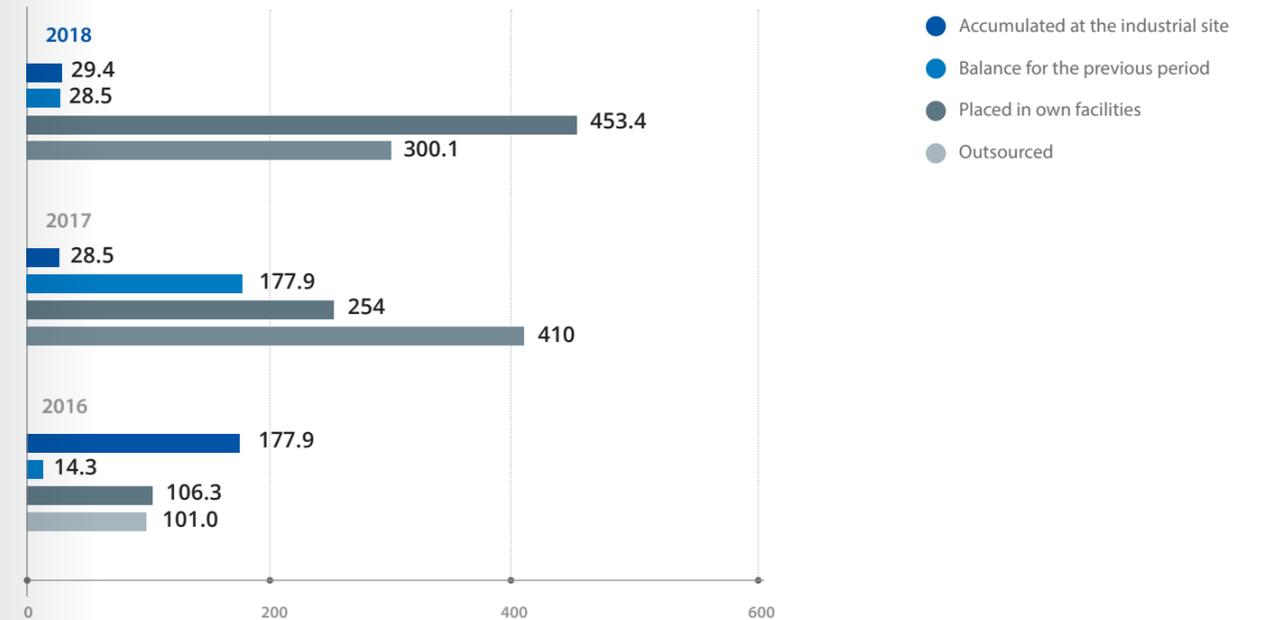
RECYCLING

Upon implementation of environmental programs, much attention was paid to the waste management. In the course of its production activity, OJSC Severneftegazprom seeks to introduce the most innovative practices and technologies to minimize the amount of waste, and steadily improves their recovery and recycling methods.

THE TOTAL WEIGHT OF WASTE GENERATED IN 2018 AMOUNTED TO

754 TONS

WEIGHT OF HAZARDOUS AND NON-HAZARDOUS COMPANY WASTE FOR 2018, T





LAND RECLAMATION

To reduce the impact of industrial activity on the soil cover, OJSC Severneftegazprom strives to effectively implement a set of measures for ecological restoration. The company regularly conducts rehabilitation of the temporarily occupied land plots to restore their original condition.

IN 2018, THE COMPANY RECLAIMED

2.4 HECTARES OF LANDS

The total weight of waste generated during 2018 amounted to 754 tons. Increased amount of waste generation is due to the planned reversal of logistical means not suitable for further use, an increase in the amount of cake during Flotvegg effluent equipment operation and reconstructions at the existing facilities.

In accordance with agreements concluded, the waste of hazard classes I–IV, not to be dumped, as well as waste of hazard class V, which are secondary resources, were outsourced for use, disposal or recycling.

During 2018, the waste was transferred as follows: hazard class I — 0.157 tons; hazard class II — 5.489 tons; hazard class III — 29.430 tons; hazard class IV — 118.646 tons; and hazard class V — 146.367 tons. The data include 28.515 tons of waste accumulated in 2017.

The Company income from sale of waste for recycling amounted to RUB 836 thousand.

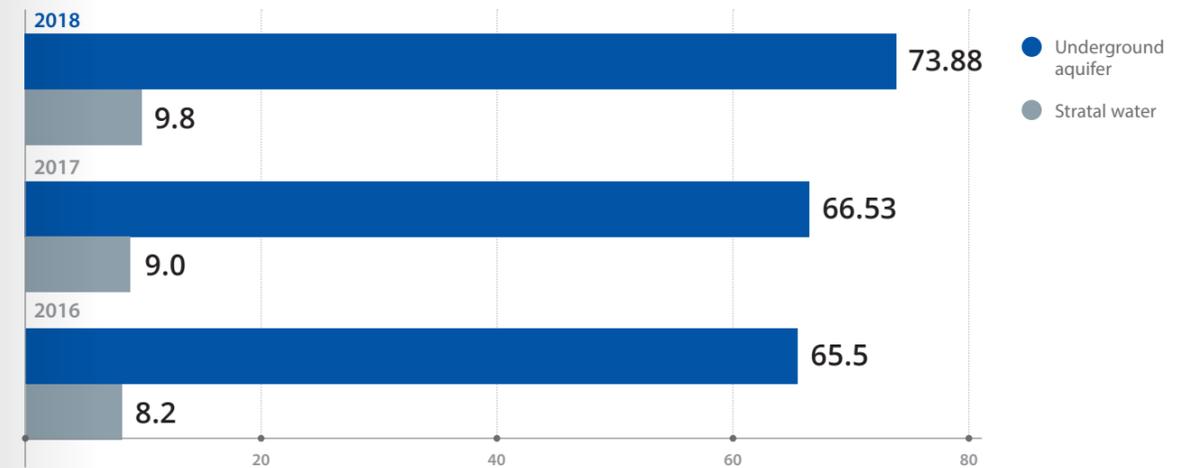
WATER SUPPLY

The water resources of Russia are rated as one of the largest in the world, but it does not relieve the national gas companies from their obligations in respect of their rational and careful use.

To meet its production and economic needs, the Company extracts water from the aquifers. The water is not extracted from the surface water bodies. During the reporting period, 83.71 thousand m³ of water was extracted from underground sources. Of these, 73.88 thousand m³ were extracted from an underground water horizon and 9.83 thousand m³ was the water extracted along with natural gas (of condensate origin).



GROUNDWATER EXTRACTION RATE FOR THE PERIOD FROM 2016 TO 2018, THOUSAND M³



The Company uses the water recycling system, which allows reusing the purified water. This system is installed in the sports, fitness and business facilities operated in the territory of YROGGCF. The total volume of water reused in 2018 through this system was 841.98 thousand m³.

Overall, the wastewater discharge into the absorbent horizon during the reporting period amounted to 74.10 thousand m³, which fully corresponds to the process project, including the unused strata water — 9.83 thousand m³, household and industrial wastewaters — 64.27 thousand m³.

The company regularly conducts laboratory and instrumental control of surface water, groundwater, soil and sewage water, upgrades and reconstructs the production facilities to enhance the effectiveness of the existing treatment facilities and introduction of new raw water and wastewater treatment technologies.

The water is discharged into Senoman aquifer by sewage pumping into disposal wells at the waste injection landfill. Before injection, the domestic wastewater is treated at the biological wastewater treatment plant "AE-150B", with a capacity of 150 m³/day, and industrial wastewater is treated in Flottvegg treatment facilities with a maximum capacity of 15 m³/h. The quality of wastewater channeled for injection complies with requirements.



KEY ENVIRONMENTAL PROTECTION INDICATORS

№	INDICATOR	UNIT	2018 FACT	2017 FACT	DEVIATION FROM 2017	
					+/-	+/-, %
1	Total emissions of harmful substances into the atmosphere — total	thousand tons	2.566	2.270	+0.296	+12%
	including:					
	within the standards	thousand tons	2.566	2.270	+0.296	+12%
	above the standards	thousand tons	0	0	-	-
	including: CH ₄ methane emissions	thousand tons	0.549	0.604	-0.055	-9%
2	Specific NO _x emissions (NO _x gross emissions per fuel gas unit)	thousand tons/ million m ³	0.000052	0.000041	+0.000011	+26%
3	Water withdrawn and obtained — total	thousand m ³	90.13	87.04	+3.09	+4%
4	Wastewater — total	thousand m ³	80.51	84.43	-3.92	-5%
5	Waste generated per year — total	thousand tons	0.754	0.515	+0.239	+46%
6	Ratio of waste sent for disposal (% of the amount generated during the reporting period based on availability at the beginning of the reporting year)	%	65.77	44.72	+21.05	+47%
7	Area of land reclaimed for the year	hectare	2.4	2.5	-0.1	-4%
8	Spending on environmental protection	thousand rubles	195,358	259,042	-63,702	-25%
9	Current (operational) costs for environmental measures	thousand rubles	56,229	58,043	-1,814	-3%
10	The cost of environmental protection services, including the land protection and reclamation	thousand rubles	80,172	170,210	-90,038	-53%
11	Cost of development and approval of environmental documentation	thousand rubles	422	695	-273	-39%
12	Cost of industrial environmental control and monitoring	thousand rubles	2,290	2,843	-553	-19%
13	Cost of major repairs of fixed assets for environmental protection	thousand rubles	0	1,947	-1,947	-100%
14	Fee for adverse environmental impact	thousand rubles	308	250	+58	+23%
	including:					
	within the standards, RUB thousand	thousand rubles	308	250	+58	+23%
	for excessive exposure, RUB thousand	thousand rubles	0	0	-	-
15	Investment in fixed capital (development) aimed at environmental protection	thousand rubles	58,632	28,592	+30,040	+105%
16	The number of inspections by state environmental agencies	pcs.	7	2	+5	+250%
17	The number of environmental legislation violations (according to certificates issued by the state environmental inspection authorities)	pcs.	7	0	+7	+100%
18	Penalties paid for violation of environmental legislation	thousand rubles	0	0	-	-
19	Claims for compensation of environmental damage	pcs.	0	0	-	-
	including:					
	as a result of accidents	pcs.	0	0	-	-
20	Environmental damage claimed	thousand rubles	0	0	-	-
	including:					
	as a result of accidents	thousand rubles	0	0	-	-

Energy Consumption and Energy Saving

In order to reduce the energy consumption, the Company regularly conducts studies and activities to implement the energy-saving technologies and improve the energy efficiency.

In 2018, an external supervisory audit of the energy management system in compliance with ISO 50001 international standard was passed successfully, as a result of which the system is determined to be successful, and no inconsistencies have been found by the auditors. The system is aimed at ensuring a continuous consumption improvement, more efficient use of existing energy sources, reduced greenhouse gas emissions and other environmental impacts. The scope of application of the energy management system includes main and auxiliary production processes of extraction, preparation and sale of the hydrocarbon feedstock.

The improved energy efficiency efforts of OJSC Severneftegazprom are governed by the Regulation on the Energy Management System and Energy Policy, in which the strategic objectives are formulated, the main directions are outlined to improve the energy efficiency, as well as specific targets and indicators, expected to be achieved till 2020*.

* Energy policy of OJSC Severneftegazprom is public and accessible to all parties concerned at the Company website (www.severneftegazprom.com).



POWER CONSUMPTION

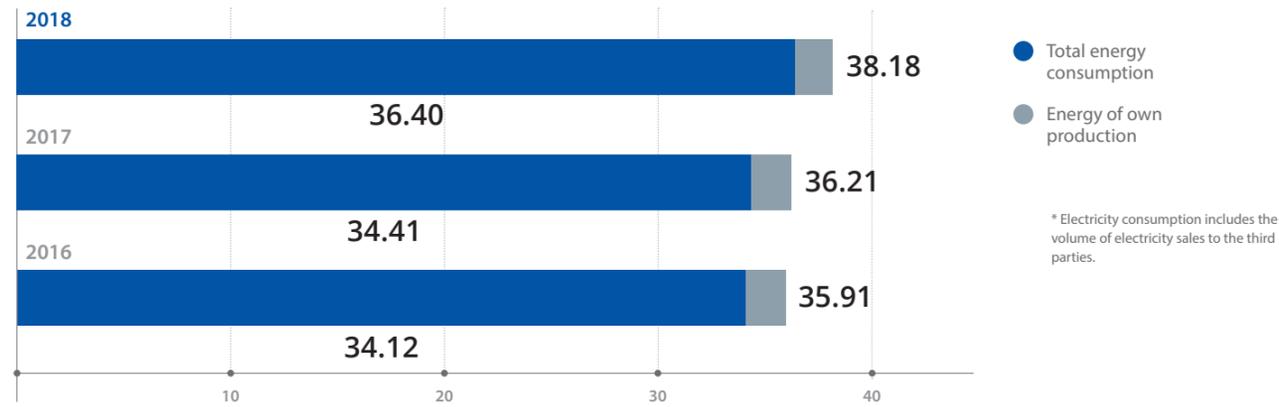
In 2018, as a part of the energy management system, the Company implemented the measures to reduce the energy consumption by replacing incandescent light bulbs with LEDs.

IN 2018, THE ELECTRICITY CONSUMPTION SAVINGS AMOUNTED MORE THAN

85 THOUSAND · KWH



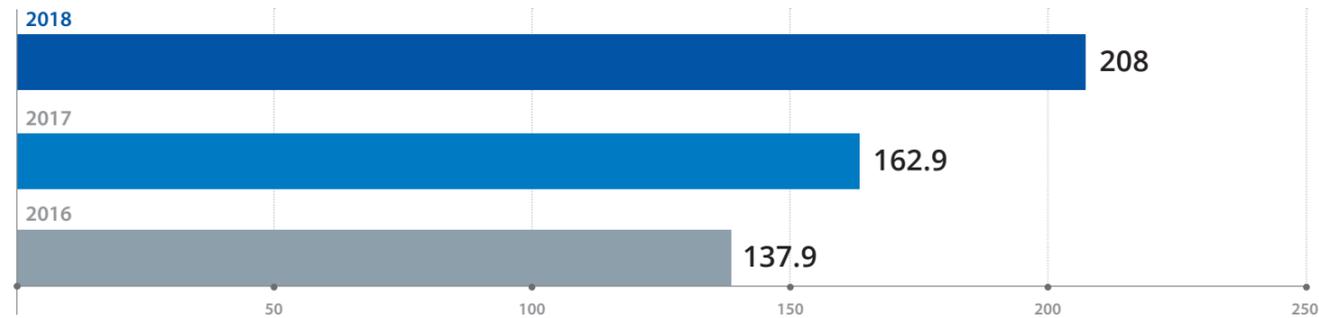
ENERGY CONSUMPTION, MILLION KW·H*



The increase in energy consumption compared to the figures for 2017 is due to the need in power supply to the capital construction facilities and commissioning of new facilities.

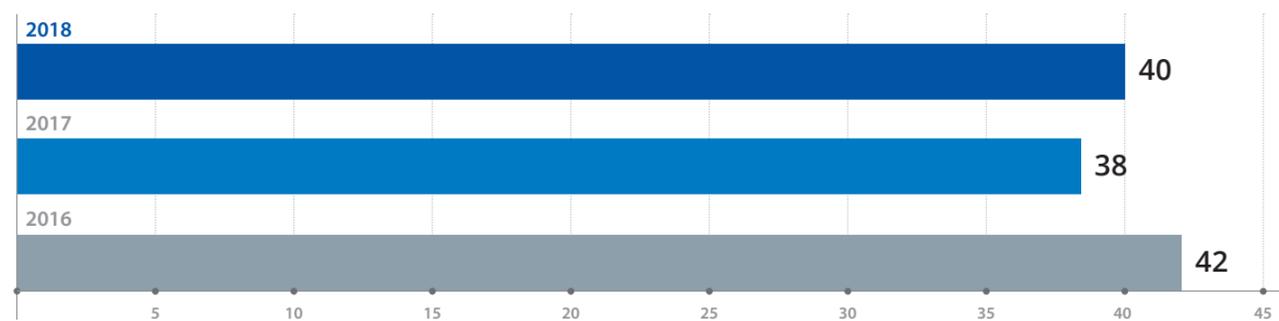
As one of the leading gas production companies, OJSC Severneftegazprom aims at minimizing the natural gas consumption during its production.

NATURAL GAS CONSUMPTION, MILLION M³



The increase in gas consumption for own needs in 2018 is due to a decrease in reservoir pressure and increase in the volume of fuel gas at BCS for compression purposes.

HEATING ENERGY CONSUMPTION, THOUSAND GCAL



A slight increase in heating energy consumption in comparison with the figures for 2017 is due to the need in heat supply to the capital construction facilities and commissioning of new facilities.



ENERGY CONSUMPTION REDUCTION

In order to improve the energy efficiency, OJSC Severneftegazprom implements a set of organizational, economic and technological efforts aimed at the reasonable use of energy resources in the industrial sector.

Society instructs to reduce the amount of energy consumption and environmental impact associated with the Company operations, for which OJSC Severneftegazprom developed and approved an Energy Saving Program and Energy Efficiency of OJSC Severneftegazprom for 2018, and set the goals and objectives in the field of energy management systems.



To reduce the amount of energy consumed, OJSC Severneftegazprom implements the efforts aimed at:

effective approach to and improvement of energy saving programs;

the use of advanced technologies to minimize the environmental impact.

COMPANY ENERGY SAVING PROGRAM PERFORMANCE IN 2018

CORE EFFORTS	SAVING OF ENERGY RESOURCES AS A RESULT OF THE ENERGY SAVING PROGRAM IMPLEMENTATION AND INCREASE IN ENERGY EFFICIENCY					
	NATURAL GAS, MILLION M ³		HEATING ENERGY, GCAL		ELECTRICITY, MILLION KW·H	
	PLAN	FACT	PLAN	FACT	PLAN	FACT
Optimization of gas turbine units (GTU) operation	1.5	6.309	-	-	-	-
Optimization of gas pumping units, depending on the process mode	1.6	11.219	-	-	-	-
Reduction of natural gas losses in the course of equipment evacuation	0.0077	0.054	-	-	-	-
Arrangement of monitoring of the heating and temperature control system operation at the heating devices via controllers in GCTP GF buildings	-	-	180	181.22	-	-
Replacing the incandescent and fluorescent bulbs with energy-saving light-emitting diodes	-	-	-	-	0.057	0.085
TOTAL	3.11	17.582	180	181.22	0.057	0.085



Personnel and Industrial Safety

OJSC SEVERNEFTEGAZPROM CONSIDERS THE LABOR PROTECTION AND INDUSTRIAL SAFETY AS THE KEY FACTORS FOR SUSTAINABLE BUSINESS DEVELOPMENT AND AS MAJOR COMPONENTS OF CORPORATE SOCIAL RESPONSIBILITY TOWARDS THE PRESENT AND FUTURE GENERATIONS.

A particular attention in OJSC Severneftegazpromis paid to creation of an effective industrial and occupational safety management system. This is due primarily to the fact that current gas fields are complex, potentially dangerous production facilities, and the risks of unexpected and emergency situations at such sites are fraught with serious consequences.

To this end, the Company implemented and effectively operates an integrated management system for quality, environment, occupational health and safety based on ISO 14001, ISO 9001, and BS OHSAS 18001. On the basis of these standards, since 2009, OJSC Severneftegazprom operates the Policy of Quality, Environmental Protection, Occupational Health and Safety. The document defined the basic principles of environmental management, protection of workers' health and safety.

Due to implementation of this policy, OJSC Severneftegazprom ensures an effective and trouble-free operation of all plants and facilities, pursues a coherent approach to managing the security issues and continuously improves its operation in this area. In 2016, the Policy of Quality, Environmental Protection, Occupational Health and Safety was updated.

THE BASIC PRINCIPLES OF THE COMPANY OPERATIONS IN THE FIELD OF OCCUPATIONAL HEALTH AND SAFETY:

- APPLICATION OF ADMINISTRATIVE AND PRODUCTION CONTROLS;
- HAZARD IDENTIFICATION, RISK ANALYSIS AND ASSESSMENT;
- PROFESSIONAL DEVELOPMENT AND TESTING OF EMPLOYEES' KNOWLEDGE;
- PREVENTION OF ACCIDENTS AT WORK;
- COMPLIANCE WITH LAWS, REGULATIONS AND OTHER REQUIREMENTS;
- IMPROVEMENT OF EXISTING PRODUCTION PROCESSES, IMPLEMENTATION OF NEW SOUND TECHNOLOGIES;
- THE USE OF INNOVATIVE INDIVIDUAL PROTECTION MEANS;
- ACTIVE STAFF INVOLVEMENT IN ENSURING THE INDUSTRIAL SAFETY AND OCCUPATIONAL HEALTH;
- APPLICATION OF THE BEST INTERNATIONAL PRACTICES AND STANDARDS;
- INFORMATION ACCESSIBILITY AND TRANSPARENCY;
- INFORMING THE CONTRACTORS ABOUT THE INDUSTRIAL AND OCCUPATIONAL SAFETY NORMS, POLICIES AND REQUIREMENTS, AS WELL AS MONITORING OF THEIR IMPLEMENTATION;
- INFORMING THE CONTRACTORS ABOUT THE INDUSTRIAL AND OCCUPATIONAL SAFETY NORMS, POLICIES AND REQUIREMENTS, AS WELL AS MONITORING OF THEIR IMPLEMENTATION.

* The Policy of Quality, Environmental Protection, Occupational Health and Safety is public and accessible to all parties concerned at the Company website (<http://www.severneftegazprom.com/>).



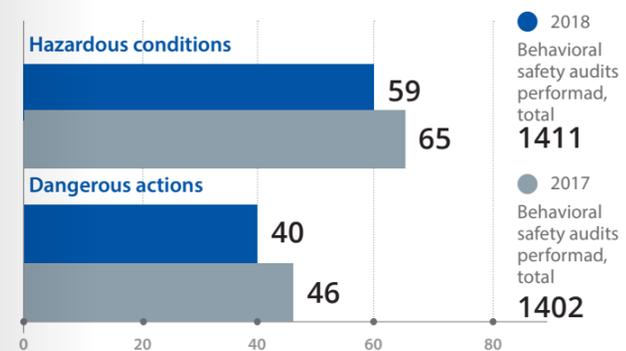
OCCUPATIONAL SAFETY AND HEALTH

Life and health of employees, as well as decent working conditions are a key priority for the management of OJSC Severneftegazprom. That is why the safety management system was developed by the Company in strict compliance with the Russian laws and international standards.

The Company has created the conditions under which the impact of harmful and hazardous factors on people is precluded or does not exceed the permissible limits. The use of a systemic approach, based on a regular analysis of the working conditions and control of the production environment allows timely identification of potential risks, dangerous staff actions and jobs with hazardous working conditions.

The integrated occupational health and safety management system of OJSC Severneftegazprom has been certified for compliance with BS OHSAS 18001 since 2010. Each year, the Company approves an internal audit program, within which the conformity of the Company's business processes to this standard is confirmed, the effectiveness of the integrated management system is assessed, and efforts to improve the same are determined.

CHANGES IN THE NUMBER OF REGISTERED HAZARDOUS CONDITIONS AND DANGEROUS STAFF ACTIONS IN 2017-2018



THE NUMBER OF ACCIDENTS IN 2014-2018

ACCIDENT CATEGORY	2014	2015	2016	2017	2018
Mild accidents	0	0	0	0	0
Severe accidents	0	0	0	0	0
Fatal accident	0	0	0	0	0
TOTAL	0	0	0	0	0

The conformity of the management system to the international requirements is confirmed by supervisory audits on a regular basis. Thus, in November 2018, the Limited Liability Company for DEKUES Management System Certification (representative of DQS international certification body, Germany) carried out a re-certification audit of the integrated quality, environment, occupational health and security management system (IMS) of OJSC Severneftegazprom for compliance with ISO 9001:2015, ISO 14001:2015, BSOHSAS 18001:2007 and the energy management system (EnMS) for compliance with ISO 50001:2011.

The audit assessed the effectiveness of OJSC Severneftegazprom management systems and identified the areas for improvement. No discrepancy has been reported.

To increase the staff responsibility for compliance with workplace safety and injury prevention, the Company implemented a procedure of behavioral safety audits. These efforts allow detecting and preventing dangerous actions of employees, evaluating the impact of occupational health and safety, as well as stimulating and maintain strict compliance with all required safety standards and rules.

In 2018, the Company authorized officials and experts held 1,411 of behavioral safety audits, and identified 99 unsafe personnel conditions and actions. The behavioral audit results were analyzed, and respective corrective and preventive actions were developed.

During the year, there was a positive trend towards reduction of hazardous conditions by 9% and actions by 13% in the production process in relation to 2017.

Regular behavioral safety audits enhance the responsibility of contractors, reduce the potentially hazardous conditions and actions of staff and, consequently, have a positive impact on improved safety at production sites and Company generally.



The accidents at work are registered in accordance with the Decree of the Ministry of Labor of the Russian Federation dated 24/10/2002 No. 73 on Approval of the Forms of Documents Required for Investigation and Registration of Industrial Accidents and the Regulation on Peculiarities of Investigating the Industrial Accidents at the Production Sites in Some Industries and Organizations.

During the reporting period, no accident was registered at OJSC Severneftegazprom.

In order to strengthen preventive work to prevent accidents and hazardous labor conditions, as well as improve the labor safety at hazardous production facilities, since March 2015, the Company implemented the Working Conditions Safety Control System of OJSC Severneftegazprom using SOS observation cards.

Through this system, in 2018, the staff submitted 4 proposals to improve the health and safety conditions. All proposals are implemented in a timely manner. For the most active workers, an incentive scheme was introduced.

In accordance with applicable Russian laws, the Company is identifying hazardous and harmful factors in the workplace through a special assessment of the working conditions.

NUMBER OF EMPLOYEES PROMOTED WITH VALUABLE GIFTS, PERSONS

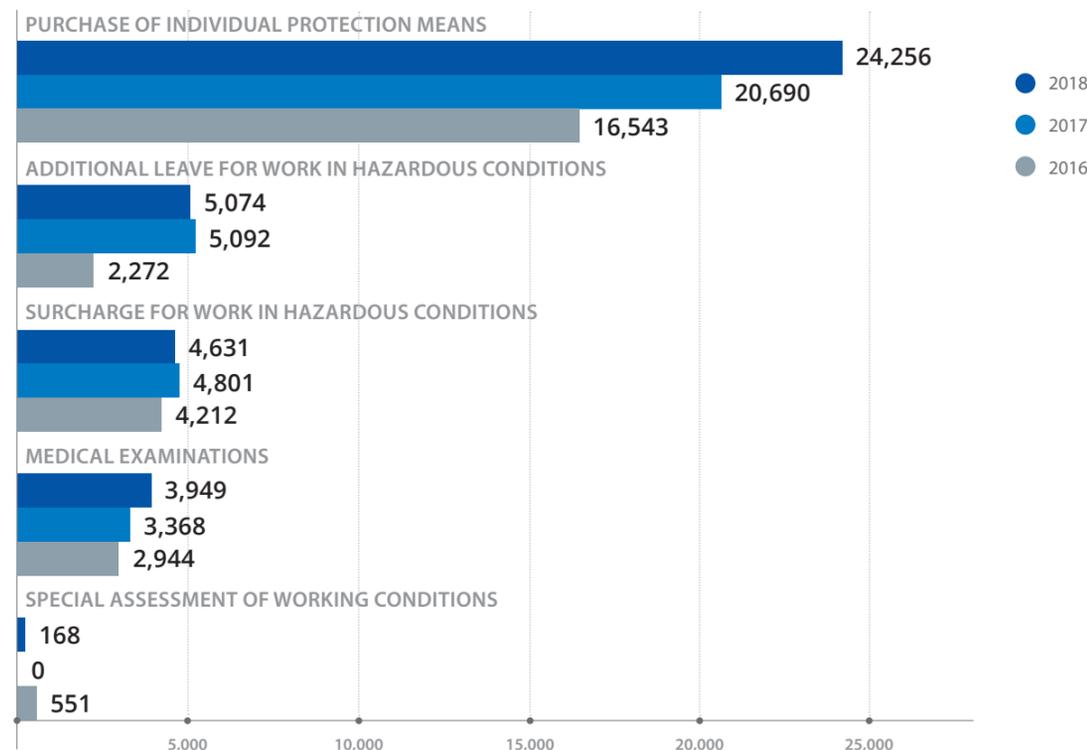
	2017	2018
Number of employees promoted with valuable gifts	3	1

In 2018, a special assessment of working conditions was conducted at 98 workplaces at YROGGCF and offices in Moscow and Novy Urengoy and the relevant documents were issued.

All Company employees working in hazardous or dangerous working conditions, as well as under special temperature and pollution-related conditions, are provided with special clothing, footwear and other means of individual and collective protection, as well as washing and neutralizing agents.

During the reporting period, the labor security costs amounted to RUB 38,073 thousand, while a large part of the costs, like in previous years, was used to purchase the personal protective equipment.

LABOR PROTECTION COST STRUCTURE, RUB THOUSAND



INDUSTRIAL AND FIRE SAFETY

The management of OJSC Severneftegazprom strictly follows the principle of compliance with industrial and fire safety rules and regulations to ensure a trouble-free production by the Company.

The Company applies the Industrial Safety Policy*. A comprehensive approach to security management of complex processes is entirely based on the principles laid down in the document, and reduces the risk of accidents and incidents.



BASIC PRINCIPLES OF THE COMPANY INDUSTRIAL SAFETY EFFORTS:

- COMPLIANCE WITH THE FEDERAL LAW NO. 116 ON INDUSTRIAL SAFETY AT HAZARDOUS PRODUCTION FACILITIES AND OTHER REGULATIONS;
- STAFF TRAINING AND CERTIFICATION;
- ORGANIZATION AND IMPLEMENTATION OF INDUSTRIAL CONTROL OVER COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS BY EMPLOYEES AND CONTRACTORS;
- EFFORTS TO PROTECT THE HEALTH AND LIFE OF WORKERS IN THE EVENT OF AN ACCIDENT AT THE HAZARDOUS PRODUCTION FACILITIES;
- EXAMINATION OF INDUSTRIAL SAFETY OF BUILDINGS AND STRUCTURES, AS WELL AS TECHNICAL DEVICES USED AT THE HAZARDOUS PRODUCTION FACILITIES;
- PARTICIPATION IN INVESTIGATION OF THE CAUSES OF ACCIDENTS AT THE HAZARDOUS PRODUCTION FACILITIES.

As a part of the Company's integrated management system, all business units are working to identify the hazards affecting staff health and safety, and to assess the risk. The results of assessment procedures minimize the risk of threats to the lives of employees and prevent the possibility of accidents.

In accordance with the Russian laws, since 2007, the Company has implemented a system of administrative and production control over compliance with labor protection and industrial safety, governed by special Regulations. The audits in this area are carried out at four levels by the central standing committee of administrative and production control for labor protection and industrial safety (hereinafter — the CSC for LP and IS) in accordance with the approved schedule. The meetings of the CSC for LP and IS are held at least twice a year (can be held more often if required) and represent a set of organizational and technical efforts aimed at compliance with industrial safety requirements, accident prevention and provision of preparedness for containment of their consequences.

In 2018, the 4th level of CSC for LP and IS carried out 6 checks: 4 target and 2 comprehensive ones. 98 violations were revealed and addressed in a timely manner.

Currently, the Company operates 9 hazardous production facilities (hereinafter — HPF). They all have policies of mandatory insurance of civil liability for damage resulting from an accident or an incident. Also, all worker operating hazardous production facilities are certified in the field of industrial safety.

*The Policy Statement of OJSC Severneftegazprom on Industrial Safety is public and accessible to all parties concerned at the Company website (<http://www.severneftegazprom.com/>).



For hazardous production facilities, the Company developed the Plans of Containment and Liquidation of Accident Consequences (hereinafter — the PLA). There are regular training sessions to practice the situations, as reflected in the PLA, in accordance with the approved schedule.

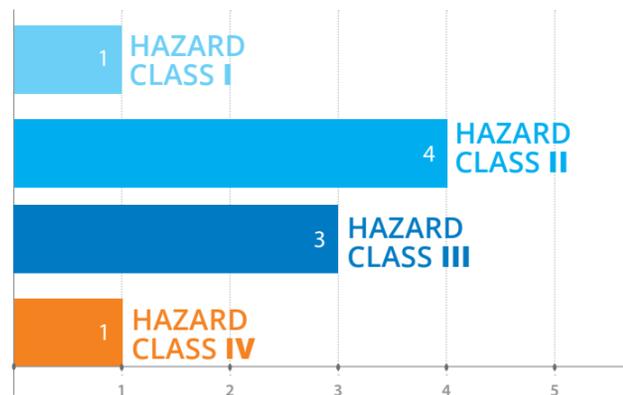
Information on the results of production control over observance of industrial safety requirements in respect of hazardous production facilities, the Company promptly submits to the North-Ural Department of the Federal Service for Environmental, Process and Nuclear Supervision.

In accordance with the RF fire safety requirements, the Company established a fire safety system, including the fire prevention system, fire protection system, and a complex of organizational and technical efforts to ensure the fire safety.

To ensure the fire safety of industrial facilities and implementation of required regulatory requirements, the Company operates a departmental fire brigade (hereinafter — the DFB). Its operations are focused on the fire prevention, updating of regulations, monitoring of compliance with fire safety requirements and analysis of the fire protection efforts. Effective implementation of functions by this brigade is provided by regular staff training.

During 2018, in accordance with the approved plans and schedules, a number of efforts to maintain the brigade combat readiness was made, in particular it has taken part in practicing of the emergency response plan, firefighting plan, tactical fire classes and fire-tactical exercises.

NUMBER OF HPFS BY HAZARD CLASS, PCS.



FIRE SAFETY COSTS IN 2018 AMOUNTED TO 18 MILLION RUB.

To this end, during the reporting period, the command and staff training on the topic of "Elimination of oil spill fire as a result of a rapid depressurization of process equipment of the diesel fuel storage tanks 074E-1-3 in the territory of the refueling point of motor vehicles of the Yuzhno-Russkoye oil, gas and gas condensate field" was conducted.

In total, during the reporting period, the EFB employees participated in 20 training sessions with the gas field services to simulate the emergency response at YROGGCF facilities in accordance with emergency response plans, and 405 employees were trained according to the minimum fire-technical curriculum

In 2017, the Company adopted an on-site program "Fire safety in the land plots of the forest fund leased by OJSC Severneftegazprom for 2017–2019 to prevent the forest fires. On this basis, the efforts for the spring-summer fire-hazardous period were approved and the procedure for attraction of forces and means for taking action to prevent the spread of forest fires was determined.

During the year, we organized and conducted the activities related to the fire-fighting arrangement of forests, including set up and staffed the points of fire-fighting equipment concentration on the perimeter of the facilities bordering the forest areas, the mineralized bands are being laid, and notices on fire prevention are installed within the forest areas.

During the reporting period, no wildfire was registered in the territory of the license area of OJSC Severneftegazprom.

In 2016, an independent fire risk assessment (fire safety audit) of the Company facilities was carried out by an expert organization accredited by the Ministry of Emergency Situations of Russia. The compliance of all objects with fire safety requirements was confirmed, and positive findings were obtained.

The oversight bodies of the Ministry of Emergency Situations of Russia did not conduct inspections in relation to OJSC Severneftegazprom facilities in 2018. The orders to eliminate the fire safety violations were not issued by the supervisors.

No fire or ignition was registered at the Company facilities in 2018.

The Company management is focused particularly on organizational and technical measures to ensure the fire safety:

- the instructions on fire safety efforts are developed and approved for all facilities;
- those responsible for the fire safety of facilities are assigned;

STAFF TRAINING AND KNOWLEDGE TESTING

A high production efficiency is possible only under the condition of a continuous staff training and their awareness of safe work practices, since an efficient and trouble-free equipment operation depends on the level of employees' competence. That's why OJSC Severneftegazprom regularly organizes training and testing of its employees' knowledge on occupational health and safety.

During the reporting period, training and certification was conducted in accordance with the Program of Training and Knowledge Testing on Occupational Health and Industrial Safety for Managers and Experts, approved



the procedure of organization and safe conduct of hot works was defined;

the commissions are created and the procedure of inspecting the fire protection systems and means was defined;

the work for operation, maintenance, repair and recharging of fire extinguishers was organized;

the departmental control over fire safety was organized;

the training of the Company employees in fire safety efforts is conducted.

by the Company CEO, using OLIMPOX tutorial. Further, an additional training of operating personnel in related professions and classes to obtain the permits required to perform certain types of work were organized.

The number of managers and experts, who have passed tests on occupational safety and certification on the general industrial safety rules and supervision types is given in the table.

Training and assessment of the Company employees' competence in the field of occupational health and safety not only contribute to the professional and personal growth of employees, but also ensure a trouble-free, safe, and therefore, stable and cost-efficient operation of all plants and facilities of OJSC Severneftegazprom.

THE NUMBER OF MANAGERS AND EXPERTS, WHO HAVE PASSED THE TESTS, PERSONS

CERTIFICATION TYPE NAME	PLAN	FACT	ADDITIONALLY TRAINED BEYOND THE PLAN (BY REASON OF EMPLOYMENT, TRANSFER TO ANOTHER POSITION, GOING ON VACATION, ETC.)
Occupational Health	136	173	37
Industrial Safety	104	148	44



HR and Social Policy

1,051 PERSONS

WERE INCLUDED IN THE COMPANY
STAFF AT THE END OF THE REPORTING
PERIOD

Skilled and close-knit team is the basis of high achievements of OJSC Severneftegazprom. The Company is a responsible employer, building a system of personnel management on the basis of respect for the rights of every worker, following the international standards regarding the wages, work hours and working conditions, social security, paid leave, health and safety.

The Company is working on an ongoing basis to attract and retain the qualified staff, conduct trainings, improve the labor efficiency, form the personnel reserve, considering the Company strategic objectives. Feeling respect for their work, care and attention on the part of the employer, the employees respond to such an attitude with effective, conscious and proactive approach to their professional activities.

Following the principle of priority of the human life and health, the company is fully aware of its responsibility for ensuring the trouble-free production operations, safe working conditions of employees and contractors, as well as for maintaining the health of the population living in the regions where the Company operates. This strengthens the team spirit, bringing people together, and providing a high Company performance.

For the long-term growth, it is important not only to achieve high Company economic performance, but also to meet the high standards in the field of personnel policy and social responsibility, which will ensure a sustainable Company development.

NUMBER AND STRUCTURE OF STAFF

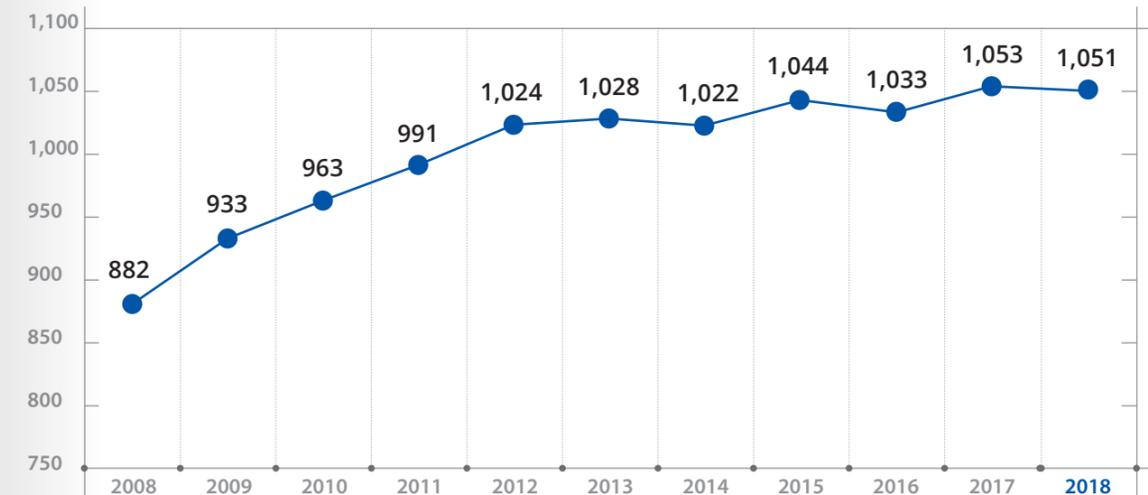
Investments in human capital is the foundation of the future sustainable development of OJSC Severneftegazprom. The company strives to attract and retain qualified personnel, designed to achieve high performance and development, to form a team with common aspirations and values. The personnel policy of OJSC Severneftegazprom blends the professionalism and skills of experienced workers with the initiative of young professionals. The active involvement of the local staff has a positive effect on the regional economy and enhances its attractiveness.

The Company production activity is focused on the Yamal-Nenets Autonomous Okrug, characterized by the development of fuel-energy complex and competitive market for qualified specialists. To ensure the production process at YROGGCF facilities, the rotational work method is used. In remote areas with difficult climatic conditions, such approach is the most common and expedient. The share of OJSC Severneftegazprom employees working on a rotational basis was 61% in 2018 (640 persons).

All in the Far North, a total of 1,007 persons were employed (192 women and 815 men) at the end of the year.



NUMBER OF STAFF IN 2008–2018, PERSONS



The total number of the Company employees at the end of the reporting period was 1,051 persons, and the average number of employees remained virtually unchanged and amounted to 1,032 persons (in 2017 — 1,023 persons).

The Company is committed to creating the most comfortable working conditions, which is reflected in the low turnover rate for the year, i.e. 3.4%. The turnover rate is calculated in accordance with the practice prevailing in PJSC Gazprom system.*

The age distribution of OJSC Severneftegazprom employees is fairly even. The most productive category of workers 30 to 50 years old account for 68% of the total number of employees.

At the end of 2018, the total staffing of the Company personnel was 95%, indicating a stable operation of OJSC Severneftegazprom management.

NUMBER OF EMPLOYEES

№	INDICATORS	NUMBER (PERS.) 2018
1	Actual number	1,051
	Of them:	
2	Working under a contract concluded for an indefinite period	1,028
3	Working under a fixed-term employment contract	23
4	Working on a rotational basis	640
5	Working according to the basic work organization method	411

* Guideline on completion of forms of the sectoral statistical reporting on the size, composition, and turnover of employees by subsidiaries, agencies, branches and representative offices of PJSC Gazprom. The calculation includes all employees discharged in accordance with para. 3 Article 77 of the LC RF, except in connection with retirement, childcare, change of residence.



RELATIONS WITH THE EMPLOYEES ARE BUILT ON THE BASIS OF THE COLLECTIVE EMPLOYMENT AGREEMENT DEVELOPED IN ACCORDANCE WITH THE MOST ADVANCED RUSSIAN AND INTERNATIONAL PRACTICES AND ENSURING AN EQUAL APPROACH TO EMPLOYEES.

STAFF DISTRIBUTION BY REGION, PERSONS

INDICATOR	TOTAL / INCLUDING WOMEN	MOSCOW / INCLUDING WOMEN	NOVY URENGOY / INCLUDING WOMEN	URENGOY / INCLUDING WOMEN	TYUMEN / INCLUDING WOMEN	KRASNOSELKUP / INCLUDING WOMEN
Number for 2018	1,051/213	43/20	357/145	–	1/1	650/47
Fixed-term employment contract	23/15	6/4	15/9	–	–	2/2

COMPANY STAFF COMPOSITION, PERSONS

WORKER CATEGORIES	TOTAL PERSONS ACCORDING TO THE LIST AS OF 31/12/2018	AGE				EDUCATION				WOMEN FROM GROUP 1		
		30 YEARS OLD	30 TO 40 YEARS OLD	40 TO 50 YEARS OLD	50 YEARS OLD AND SENIOR	INCLUDING		POSTGRADUATE	PROFESSIONAL			
						WOMEN 55 YEARS OLD AND SENIOR	MEN 60 YEARS OLD AND SENIOR		HIGHER		SECONDARY	
1	2	3	4	5	6	7	8	9	10	11	12	
Total operating	1,051	85	319	399	248	10	10	–	8	624	154	213
of them:												
Leaders	209	1	55	101	52	3	3	–	6	197	9	39
Specialists	325	32	141	100	52	5	3	–	2	286	27	131
Other employees	9	1	4	4	–	–	–	–	–	5	2	8
Working	508	51	119	194	144	2	4	–	–	136	116	35



STAFF TURNOVER FOR 2018, PERSONS

№	INDICATOR	TOTAL	INCLUDING WOMEN	INCLUDING BY GEOGRAPHICALLY SEPARATED UNITS:				
				MOSCOW / INCLUDING WOMEN	NOVY URENGOY / INCLUDING WOMEN	URENGOY / INCLUDING WOMEN	TYUMEN	KRASNOSELKUP / INCLUDING WOMEN
	The number as of 31.12.2018 year	1,051	213	43/20	357/145	–	1/1	650/47
Including by age group:								
	under 30 years old	85	19	7/5	20/8	–	–	58/6
	30 to 50 years old	718	149	28/13	270/108	–	1/1	419/27
	over 50 years old	248	45	8/2	67/29	–	–	173/14
1	Average number for 2018	1,032	187	41	341	0.5	1	649
2	The number of dismissed, total	108	33	8/6	58/18	–	–	42/9
Including by age group:								
2.1	under 30 years old	57	20	–	39/14	–	–	18/6
2.2	30 to 50 years old	27	11	6/6	13/3	–	–	8/2
2.3	over 50 years old	24	2	2/–	6/1	–	–	16/1
3	Number of employed, total	106	41	6/3	63/28	–	–	37/10
Including by age group:								
3.1	under 30 years old	69	24	3/2	40/14	–	–	26/8
3.2	30 to 50 years old	34	15	3/1	21/12	–	–	10/2
3.3	over 50 years old	3	2	–	2/2	–	–	1/–

The company provides equal rights to women and men to take a leave for child care, which facilitates the recruitment of qualified personnel, ensures the staff stability, improves staff morale and increases productivity. In accordance with Art. 256 of the Labor Code of the Russian Federation, at the request of a Company employee, s/he shall be granted a leave to care for a child under three years old. The leave for childcare may be used in whole or in part not only by the mother, but also by the father, grandmother, grandfather, another relative or caregiver actually caring for the child.

While the mother or the caregiver is on leave for childcare, s/he may apply for the further work to part-time work or remotely, while maintaining eligibility for state social insurance.

During the period of leave for childcare, the employee shall retain his/her job. In 2018, the rate of return to work after the leave for childcare was 87%, while the ratio of worker retention for 12 months after expiry of the leave for childcare amounted to 100%.

GRANTED LEAVE FOR CHILDCARE. TOTAL / INCLUDING MEN IN 2018	RETURNED TO WORK AFTER LEAVE FOR CHILDCARE, AFTER TAKING INTO ACCOUNT THE PREVIOUS PERIODS. TOTAL / INCLUDING MEN	STAYING AT WORK AFTER 12 MONTHS, TAKING INTO ACCOUNT THE PREVIOUS PERIODS. TOTAL / INCLUDING MEN
23/2	6/0	6/0



PERSONNEL MANAGEMENT

Employees are a key resource for the Company sustainable development, so the most important process in the human capital management is the skilled selection of qualified personnel. The work for the development and implementation of OJSC Severneftegazprom HR policy is carried out by business units led by the Deputy CEO for Personnel Management. In its work, these Company business units rely on the Constitution, the Labor Code, the Collective Employment Agreement a number of internal legal documents governing the labor relations. The Company is building partnerships with employees, creating all required conditions for high professional achievements, enhancement of their knowledge and skills, ensuring a comfortable and productive working environment.

OJSC Severneftegazprom developed, implemented and successfully implemented a comprehensive program to improve the efficiency of human resource management for 2016–2020. In line with it, the Company implements the efforts aimed at creating a competitive, highly professional, responsible and cohesive staff.

OJSC Severneftegazprom establishes the following strategic objectives in the field of personnel management:

- to provide the Company with qualified personnel;
- to maintain the corporate culture;
- to improve the organizational structure;
- to follow the most advanced international standards in the field of personnel management.

OJSC Severneftegazprom provides its employees with equal opportunities and does not discriminate on nationality, origin, gender, religion or any other ground. The Company management has taken a firm position, which implies the impossibility of using the child, forced or compulsory labor for commercial purposes in principle. Labor functions in the Company are carried out in accordance with an employment contract.



To maintain a healthy morale in the workplace and to avoid conflicts with the Company, there are mechanisms to prevent them by sending messages through special boxes and e-mail "Question to the administration" (Vopros@sngp.com). During the reporting period, no complaint about the labor practices has been reported.

Professional competitions held in the Company on a regular basis increase the prestige of the workers' and engineering professions, popularize innovation, facilitate the communication of the best manufacturing practices and strengthen the corporate culture.

In 2018, the following events were held in the Company:

- "The best innovator and inventor of OJSC Severneftegazprom";
- Professional competitions for the title of "The Best in Business" among firefighters, machinists of process compressors, oil and gas production operators;
- Contest for the best business unit of the Yuzhno-Russkoye oil, gas and gas condensate field.

The total number of participants in the competitions of "The Best in Business" was 43 persons; the competition was attended by 7 Company business units.

STAFF WAGES AND SOCIAL SUPPORT

Increased efficiency and productivity is one of the Company priorities. OJSC Severneftegazprom assumes extensive commitments related to social benefits and guarantees to motivate employees and achieve an optimal balance between work and rest, taking care of the health of its workers, and supporting the Company retirees.

In 2018, all employer's obligations with regard to provision of social benefits, guarantees and compensations to employees, provided for by the Company Collective Employment Agreement in the reporting year, were implemented in full. The Collective Employment Agreement shall apply to all Company employees.

The Company is a responsible employer and provides its employees with a decent wage. The Company uses two basic wage system: time-bonus and time-individual. Employees working in the Far North enjoy increased tariff rates and salaries.

An important component of non-financial incentive programs is recognition of merits and achievement as a performance evaluation element. The Company has developed a system of individual work motivation, which includes bonuses for achievement of outstanding results in work, as well as the following awards and distinctions: Letter of Appreciation, Commendation, Diploma, placement on the Honor Board, introduction to the Honor Book, the title of the Veteran of OJSC Severneftegazprom. The Company promotes science, technology, rationalization and inventive activity of its employees, providing for additional payments to the authors of innovations and objects of patent rights. The Company respects the family responsibilities of workers. In accordance with the Collective Employment Agreement, additional paid leaves and financial assistance is provided in the event of marriage registration or child birth.



One of the competitive advantages of OJSC Severneftegazprom is the social policy pursued by the Company, which increases its attractiveness in the labor market. In order to attract and retain the highly qualified staff for a long time, OJSC Severneftegazprom carries out regular monitoring of the needs and problems of employees, trying to provide them with appropriate facilities for their comfort and safety. The rights and benefits of the employees are enshrined in the Collective Employment Agreement for 2018–2019, the compliance with which is monitored by the Commission on regulation of social and labor relations.

The main tasks of the Commission are:

- reconciling the parties' interests on regulation of labor relations;
- conducting of collective negotiating, preparation of a draft Collective Employment Agreement and its conclusion;
- organizing and conducting preliminary consultations;
- development and discussion of drafts of internal regulations.

The current Collective Employment Agreement provides employees with a reliable social support, which includes voluntary medical insurance, accident insurance, organization of health improvement at resorts, as well as other benefits and guarantees. The right to use a certain type of benefits, guarantees and compensations is available to every company employee.

At the employees' requests, 15 meetings of the Commission on Regulation of Social and Labor Relations of OJSC Severneftegazprom were held in 2018, including on provision of additional financial assistance to the Company employees who found themselves in difficult situations. The Commission has considered the issues and decided to provide targeted financial assistance.



SOCIAL BENEFITS AND GUARANTEES

FAMILY

- FINANCIAL ASSISTANCE TO THE JUST MARRIED COUPLES
- ASSISTANCE UPON BIRTH OF A CHILD
- COMPENSATION OF EXPENSES FOR PRE-SCHOOL EDUCATION
- GIFTS TO THE EMPLOYEE'S CHILDREN
- ASSISTANCE TO FAMILIES WITH MANY CHILDREN

RELIABLE WORK

- DECENT WAGE
- PAYMENT FOR A TRIP ON HOLIDAY
- PERSONAL AND PROFESSIONAL DEVELOPMENT
- EXTRAPAID LEAVES
- IMPROVED QUALIFICATION
- COMFORTABLE WORK CONDITIONS

STABLE FUTURE

- ADDITIONAL PENSION SUPPORT
- PAYMENT FOR MEDICAL SERVICES
- FINANCIAL ASSISTANCE TO VETERANS

Social policy of OJSC Severneftegazprom smoothly combines concern for the young generation and employees with merits to the Company. The Company has created the conditions, providing for an organic process of replacement of experienced workers by young specialists, who have received the training required to carry out their professional duties effectively.

A new version of the Regulation on a private pension plan for OJSC Severneftegazprom workers was adopted in 2018.

All retired Company employees are guaranteed a decent level of social protection. Together with the Gazfond private pension plan, the Company operates an additional private pension plan. It complies with the principles of a long-term pension system development strategy in the Russian Federation, promotes effective human

resource management policy and provides for social protection of employees when they retire. In particular, it provides for compensation of the cost of dental services, financial assistance for rehabilitation, for the purchase of medicines, for festive dates and anniversaries, etc.

OJSC Severneftegazprom continues to apply the experience of PJSC Gazprom subsidiaries for the insurance protection of unemployed Company retirees. Social benefits of the Voluntary Health Insurance (VHI) are expended for 126 unemployed Company retirees. Two unemployed retirees received specialized medical care using the advanced medical technologies in leading Russian clinics. In 2018, 30 unemployed retirees took advantage of the social benefits of rehabilitation treatment at the expense of the voluntary health insurance plan.



PERSONNEL DEVELOPMENT AND PRODUCTIVITY MANAGEMENT

Staff training and skill development is one of the biggest challenges for the Company. With the rapid development of technology and management systems, staff training not only plays an important role in improving the Company efficiency and competitiveness, but in general has a significant positive impact on the level of training in the region, since OJSC Severneftegazprom is one of the largest companies in the YaNAO.

The Company employees are trained in the framework of a comprehensive training program. Trainings and workshops are conducted mainly on the basis of PJSC Gazprom corporate training centers. Further, the employees are entitled to take advantage of educational services offered by the leading national institutions. Training in leading educational centers makes OJSC Severneftegazprom an attractive and socially responsible employer.

OJSC Severneftegazprom identifies four basic employee training objectives:

- raising the professional qualification level;
- creation of an effective system of personnel reserve planning;
- development of leadership and management skills;
- motivation to improve the work efficiency.

The Company offers the following training types: vocational training, advanced training, pre-certification training and certification of workers, training in the second (related) professions and field experience. The employees can pass various types of full-time and part-time training, without disturbing the production process.

The total number of employees who participated in training programs in 2018 amounted to 559 persons. During the reporting period, the total time of employment training and skill development has exceeded 30 thousand hours. This indicator characterizes the management's desire to improve the level of theoretical knowledge and practical skills of its employees.

AVERAGE HOURS OF EMPLOYEE TRAINING IN 2018

№	EMPLOYEE CATEGORY	TRAINED (PERSONS)		THE TOTAL NUMBER OF TRAINING HOURS		AVERAGE NUMBER OF TRAINING HOURS PER TRAINED PERSON		AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE		
		TOTAL	INCLUDING WOMEN	TOTAL	INCLUDING WOMEN	TOTAL	INCLUDING WOMEN	TOTAL	INCLUDING MEN	INCLUDING WOMEN
1	Managers	165	12	11,156	1,698	68	142	53	56	44
2	Specialists	131	26	7,848	2,886	60	111	24	26	22
3	Other employees	2	2	144	144	72	72	16	-	18
4	Workers	261	1	11,215	56	43	56	22	24	2
	TOTAL:	559	41	30,363	4,784	54	117	29	31	22



To improve the staff qualification and productivity, as well as to support the personal development, the Company has applied the Regulation on Grants to employees engaged in scientific and technical activity since 2011. They are provided for training of employees of OJSC Severneftegazprom in postgraduate and doctoral classes of Russian higher educational institutions and scientific organizations.

The company pays a lot of attention not only to the development of professional skills, but also to assessment of the staff level. The Company operates a performance management system based on assessment of the professional competence level, key performance indicators and individual goals of employees.

Performance assessment of the managers and specialists has been held annually since 2008. Its main objectives are:

planning and organization of learning processes;

improved selection and formation of the personnel reserve;

creative potential disclosure and the most efficient use of employees' professional experience.

The assessment results are also used to prepare the proposals for the revision of the wage levels and adoption of new organizational decisions.



An automated Annual Interview program is used to reflect the employee assessment. Staff performance is assessed based on the following parameters:

organization and diligence;

responsibility and discipline;

independence and initiative;

the ability to process new information;

competence.

In 2018, an interview was held with Company 451 managers and experts, of which 18 persons were interviewed on their own initiative.* After the assessment, it was decided to include 58 Company employees in the professional development plan and send them for training.

CATEGORY	TOTAL	ASSESSED	INCLUDING WOMEN
Managers	209	167	21
Specialists, other employees	334	284	94

* The following persons are not subject to certification:
- workers;
- persons who have worked in the company less than one year;
- young professionals who have worked less than one year after graduation;
- pregnant women and women with children under 3 years old;
- women who have worked less than a year after the maternity leave or after the leave on care for a child under 3 years old.



TALENT POOL FORMATION AND DEALING WITH YOUNG PROFESSIONALS

To ensure the long-term staffing support, the Company creates and develops an internal talent pool. The Company systematically works at professional and personal development of young professionals, their promotion to key management positions, involvement in innovation, research and project work.

The talent pool formation allows identifying and developing the talented employees to maximize their potential in achieving the Company strategic objectives and helps retaining the best employees by providing them with career growth and development opportunities.

The Company is expanding the practice of entering the promising young workers with management capacity in the talent pool for eventual taking of positions of the heads of business units.

The main objectives of the talent pool handling are:

systematic and comprehensive development of professional and managerial competence of employees;

development of business and personal qualities;

improved labor efficiency;

development of motivation for further career growth.

Employees included in the talent pool receive the targeted training within the existing corporate system of continuous professional education, with involvement of the leading teachers from higher educational institutions of the Russian Federation and foreign countries in the preparatory process, as well as by way of self-education. Work with persons from the talent pool is based on the individual planning of training periods and types.

An important step in dealing with employees from the talent pool is a compilation of Individual Training Plans to ensure the acquisition of required theoretical and practical knowledge by young professionals, deeper learning of the content and nature of management. All plan objectives shall comply with the SMART-system.*

The Company conducts a regular (at least once a year) update of the talent pool list. The pool composition is revised and updated during the annual review of the managers' and specialists' placement. At the end of the year, each candidate from the talent pool is assessed.

In 2018, 7 employees from the Company Talent Pool were transferred to the managerial positions.

As a part of formation and development of the talent pool, OJSC Severneftegazprom pays great attention to dealing with young professionals, i.e. university graduates, providing them with career development opportunities through involvement and adaptation in research and production activities. The young people are involved in the team by provision of decent working conditions and support of their desire for professional development. The Company offers to its employees a wide range of educational programs, training and scientific conferences.

38 Company employees from the talent pool for promotion to senior positions have been trained in PJSC Gazprom corporate educational institutions and the leading higher educational establishments of the Russian Federation.

The Company actively engages young professionals under 30 years old in the team. They account for 8%, or 85 persons, from the total number of employees. Enterprising and talented people are discovering the prospects of stable operation and further growth for the Company.

Staff training and promotion, ensuring the management continuity, and operational rotation are some of the strategic directions of the Company personnel policy.

* SMART term defines the criteria of a competently set goal: Specific, Measurable, Achievable, Relevant, Timely.



HEALTH PROTECTION

Life in the harsh climatic conditions of the Far North requires special care for the health of employees, so the medical services are one of the priority areas of social policy. Ensuring the quality and accessibility of medical services is an integral part of the employee health care system implemented by OJSC Severneftegazprom. The program of voluntary medical insurance (VMI) implemented in collaboration with SOGAZ insurance group allows the Company employees to receive modern high-quality medical care, which is of particular importance in the Far North. VMI contract provides for the following services:

- outpatient medical care in clinics, equipped with advanced medical technologies and modern equipment for diagnostics and treatment;
- inpatient care;
- spa and rehabilitation treatment.

The contractual medical care is provided to the staff in more than 6,000 clinics and spa facilities of the Russian Federation and abroad. In 2018, 244 Company employees have received outpatient care using the innovative instrumental and laboratory examination methods. This year, 55 Company employees were referred for additional examination and treatment using advanced medical technology and unique treatments in the leading specialized clinics and research institutes of the Russian Federation. The clinic list includes the most famous hospitals in the Russian Federation, namely the State Clinical Hospital named after S. P. Botkin (Moscow), National Medical Research Center of Cardiovascular Surgery named after A. N. Bakulev (Moscow), Federal State Institution National Research Medical Center for Cardiology of the Ministry of Health of the Russian Federation (Moscow), State Budget-Funded Health Facility Republican Cardiology Center (Ufa), Tyumen Cardiology Center, the Central Clinical Hospital with a polyclinic at the Office of the President (Moscow), Medical Center named after P.A. Herzen (Moscow), the Eye Microsurgery named after Academician S. N. Fedorov, the Central Institute of Traumatology and Orthopedics named after N.N. Priorov (Moscow) etc.



In 2018, the Company employees were provided the expensive types of medical services, such as cardiac surgery, arthroscopic surgery to rebuild joints, surgery to cancer patients and their further treatment, etc. Further, the Company does not leave workers who find themselves in a serious situation, being disabled. Several times a year, this category of workers is treated in specialized clinics outside the Far North at the expense of the Company. In 2018, a modern wheelchair (made in Germany) was purchased for a pensioner with a disability.

The priority for the Company is improvement of personnel health at resorts of the Russian Federation. In 2018, 497 Company employees and 30 unemployed retirees took advantage of the social benefits of rehabilitation treatment at the expense of the voluntary health insurance.

Further, 173 workers with pathologies of the musculoskeletal system, nervous system and metabolism were referred for treatment abroad, to China.

Gas field employees can seek medical help in the health center of YROGGCF shift camp, equipped with required equipment and medicines, at any time. The main functions of health center personnel are first aid, prevention of injury, infectious and viral diseases, and medical examinations.

In 2018, YROGGCF health center was upgraded with a modern mobile ICU stocked with domestic and foreign medical equipment allowing to provide qualified emergency medical care right on time.

In accordance with laws of the Russian Federation, in order to prevent occupational diseases, each year all employees undergo a medical examination on the basis of approved lists of Position and Profession Categories Subject to Preliminary and Periodic Medical Examinations at OJSC Severneftegazprom. During the reporting period, 798 Company employees have passed periodic medical examinations. Based on the medical examination results, no occupational diseases were identified in the reporting period.

A big role in preservation of workers health is prevention as a priority issue in the Russian Federation health development.

The Company successfully implemented four prevention programs in 2018:

- Healthy Heart;
- Cancer Pathology Prevention Program;
- SARS and Flu Prevention;
- Healthy Weight — It's Great!

104 employees volunteered to participate in the prevention and healthy lifestyle programs. Staff involvement will allow identifying early the cardiovascular diseases, oncology, and prevent the morbidity growth.

Every year, a training on the methods of providing the first pre-medical aid is held for the Company employees. The training is organized by the medical service experts of OJSC Severneftegazprom in order to tell about the importance of the timely first aid in an accessible form and teach the basic techniques of saving human lives in the case of emergency.

In 2018, the methods of providing first pre-medical aid were taught to 1,038 Company employees.

A single comprehensive approach to the organization of work and leisure, preservation of health and staff labor capacity allows OJSC Severneftegazprom cope with production problems successfully.



PHYSICAL CULTURE AND SPORTS DEVELOPMENT

Promotion of healthy lifestyles, physical culture and sports is the task of the state-wide scale and importance.

THE COMPANY CONFIDENTLY BUILDS ITS ACTIVITIES FOLLOWING THE CONCEPT OF BUSINESS SOCIAL RESPONSIBILITY. DEVELOPING SPORTS INFRASTRUCTURE, SUPPORTING VARIOUS COMMUNITY INITIATIVES, TEAMS AND SPORTS CLUBS IN THE REGIONS WHERE IT OPERATES, OJSC SEVERNEFTEGAZPROM CONTRIBUTES TO SOLVING THE PROBLEMS OF THE STATE.

This is particularly important given that OJSC Severneftegazprom is working in the Far North, where the public base for practicing sport is less developed, opportunities for improvement without the business assistance are limited, while the harsh conditions make regular exercise a necessity. Such an activity not only contributes to improved level and quality of life of the regions where OJSC Severneftegazprom works, forms a positive Company image, but also helps to establish a close and fruitful cooperation with local authorities.

In 2018, OJSC Severneftegazprom representatives participated in a number of sporting events. The Company team took part in the shooting competition for the Cup of the CEO of OJSC Severneftegazprom, an Open Novy Urengoy Championship on mini-football among men's teams of "SUPER LEAGUE" and "VETERAN LEAGUE", ski race "Ski Track of Russia", an Open Novy Urengoy Championship for ski race, kayak racing "Yaha-Marathon", Fishing Contest, volleyball tournament and Cheerful Start contest, dedicated to the Day of the Oil and Gas Industry, a paintball tournament among the Company employees, a bowling competition among subsidiaries of PJSC Gazprom in Western Siberia, a billiard tournament for the Cup of PJSC Gazprom Chairman in Moscow, a bowling tournament among children of Company employees and a bowling tournament among Company employees. The 2018, the sports and athletic meeting was held for OJSC Severneftegazprom managers and employees. The Company managers and employees



participated in seven sports: table tennis, darts, chess, swimming, volleyball, billiards, and bowling. Also, in Novy Urengoy the Company leased sports facilities for volleyball, mini-football, billiards, and shooting.

In order to strengthen the corporate spirit, promote a healthy lifestyle and teambuilding, a youth team of OJSC Severneftegazprom took part in an entertaining open extreme sports event called Race of Champions 2018.

The efforts to promote the physical education and sport brings tangible benefits to the Company. Only a healthy and cheerful staff member may perform a truly effective, proactive and responsible work, so the physical education and sports play an important role in maintaining the physical and moral health of OJSC Severneftegazprom employees. The Company holds successful events aimed at an active involvement of the Company employees in regular physical training and sports, and improves the relevant material resources and infrastructure at the Company facilities. There is a fitness center, which includes a modern fitness room, multi-purpose sports hall, swimming pool and sauna, meeting rooms, gym, table tennis, and billiard in the territory of the shift camp of YROGGCF. It regularly hosts the contest in volleyball, football, basketball, swimming, athletic triathlon and other sports.

Further, in accordance with the Collective Employment Agreement, the Company's employees operating outside of the gas field are compensated the expenses to attend individual sports activities at actual costs (not more than 0.5 minimum wage rate per month).

Interactions with Stakeholders

An open dialogue with stakeholders creates conditions to improve business performance, allows achieving good results, and strengthens the Company image. During a regular interaction with stakeholders, it is possible to co-ordinate and clearly concentrate the Company efforts on achievement of the common goals in the field of sustainable development.

A high reputation of a reliable and effective partner in the Russian and international business community, authority and respect in society — it is difficult to express all these advantages in terms of financial categories.

However, in the modern world, where the information transparency and public confidence are essential for a stable and dynamic business development, they are indispensable for any successful company.

A sustainable development of OJSC Severneftegazprom is inextricably linked with maintenance of a long-term partnership with the regions of presence and interaction with stakeholders, based on the following principles:

- identification of stakeholders' expectations and fulfillment of commitments;
- respect for the interests and mutually beneficial cooperation;
- timely information about changes and core aspects of the Company activities.

SCOPE OF INTERACTION	STRATEGY AND DEVELOPMENT	CORPORATE GOVERNANCE	LEGAL REGULATION	CONTRACTUAL COMMITMENTS	MEDIA OPENNESS	ENVIRONMENTAL PROTECTION	LABOR SAFETY AND INDUSTRIAL HEALTH	CHARITY
Public bodies and institutions	●	●	●	●	●	●	●	●
Suppliers/customers				●	●	●	●	
Shareholders	●	●	●		●	●	●	
NPOs/NGOs					●			●
Media					●	●		
Population					●	●		●
Employees	●		●	●	●	●	●	



The company identifies a number of key stakeholder groups, whose interests are most closely associated with its business and which, in turn, may exercise the most significant effect on the Company's ability to implement its strategic objectives:

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

Identification and selection of stakeholders for interaction is carried out on the basis of geographical location, and the regional dimension. The representatives of the parties, which are subject to eventual impacts as a result of the Company production and business operations are identified by territorial belonging to the areas of the Company's industrial activity, namely YaNAO, MO Krasnoselkup and Purov districts, as well as Novy Urengoy.

The range of issues for dialogue with the stakeholders is formed on the basis of ongoing analysis of the internal and external social environment. This work is carried out systematically, considering the short-term and long-term plans of the Company. The main objective of cooperation is the search for a solution satisfying the majority of stakeholders, subject to compliance with laws and other applicable requirements.



SHAREHOLDERS

The most important stakeholder group is the Company shareholders. Following the best international experience, OJSC Severneftegazprom builds relationships with shareholders and their representatives on the basis of the principles of openness, media transparency and protection of their rights and legitimate interests. The main forms of such interaction are the general meetings of shareholders, discussing the most important Company issues, as well as an official disclosure of information about the Company operations at the request of shareholders.

In accordance with the Articles of Association, the shareholders shall participate in the management and control of the Company effectiveness through existing controls, such as the General Meeting of Shareholders, the Board of Directors, and the Technical Committee.



GOVERNMENTAL DEPARTMENTS

Being a socially responsible company complying with environmental and social standards, OJSC Severneftegazprom seeks to promote the development of the territories in which it operates. The Company is building a constructive dialogue with the public authorities in order to comply with all established legal procedures, as well as to promote the solution of social problems. The Company's work in this direction is based on the Action Plan for Public Consultations.

The relationship with the regions is governed by the General Agreements on Cooperation signed between the Company and the administrations of the Municipalities of Krasnoselkup and Purov districts, Novy Urengoy, and YaNAO Government.

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

- investment in infrastructure and social sphere;
- reporting on the Company operations to the supervisory bodies;
- employment of local population;
- tax deductions;
- implementation of projects for development of local communities and socially significant environmental projects;
- charitable assistance;
- disclosure of the Company operations on its corporate website.

In February 2018, OJSC Severneftegazprom took part in the ecological forum "Arctic. Yamal. Here I Live," devoted to the environmental issues. The event was held in Novy Urengoy involving the YaNAO Governor Dmitry Kobylkin, the authorities of the region and the city, heads of municipal enterprises and organizations. The purpose of the event was to promote a dialogue between representatives of the government, business, fuel and energy complex on such vital topics as improvement of laws on nature management and environmental protection using the regulatory mechanisms; introduction of resource-saving, energy-efficient and low-waste technologies, deep processing of raw materials and waste; discussion of territorial waste management schemes; enhancing the role of the population environmental education. The report of OJSC Severneftegazprom on the "Key Priorities — Environmental Concern and Social Activity" was presented by the Deputy CEO, Company Chief Geologist, Vladislav Vorobyov. In this report, he told the audience about environmental events and social projects implemented by the Company. An exhibition stand of OJSC Severneftegazprom was presented by an exposition demonstrating the Company environmental achievements and innovative technical solutions implemented in the Company and helping to minimize the adverse impact on the environment.

In 2018, within the framework of the cooperation agreement between the Government of the YaNAO and OJSC Severneftegazprom for 2018–2020 dated 21/12/2017, and annual additional agreements, the funding of initiatives related to YaNAO socio-economic development by the Company total ed RUB 60 million.



CARE OF THE INDIGENOUS POPULATION

OJSC Severneftegazprom implements programs to support the traditional lifestyle of peoples of the North, preservation of the unique culture and simultaneously their adaptation to the current economic and social trends.



LOCAL COMMUNITIES

OJSC Severneftegazprom develops its relations with local communities in the regions based on the principles of respect and equality.

Support for social and charitable programs addressing the economic and environmental problems in the regions where OJSC Severneftegazprom is present are one of the most important components of its regional policy and contribute to a constructive dialogue with the public.

Interaction with local communities is governed by the General Agreement on Cooperation, as well as by way of collecting the applications through the drawers and receipt of feedbacks and messages in OJSC Severneftegazprom offices. A key topic of interest to the population of the Far North is the financial assistance within the framework of existing agreements or upon relevant inquiries to the Company.

Responsibility for fulfillment of commitments under the agreements and for implementation of charitable events for the benefit of local communities on the basis of inquiries received is assigned to the PR and Media Service of OJSC Severneftegazprom.

During 2018, all operations to finance the socio-economic development and maintain the traditional economy methods of indigenous peoples have been carried out in full and within the timeframe stipulated in the agreements on cooperation.

The programs implemented by OJSC Severneftegazprom are designed to support the traditional lifestyle of the North peoples, preserve their unique culture and simultaneously adapt them to the current economic and social trends. It is important for the Company not only to ensure the preservation of the cultural traditions and lifestyles of indigenous peoples, but also not to expose them to the adverse impact in the course of its operations.



Due to the geographical remoteness of YROGGCF from habitats of indigenous peoples of the Far North, the Company operations do not affect small nations, including does not cause their resettlement to the other regions. Thus, there is no case of the local community displacement, both in terms of physical displacement by force, or in respect of violation of its economic condition (loss of assets or access to resources) or households.

There is no disagreement with local communities and indigenous peoples related to ongoing or planned Company operations, or incidents involving some degree of prejudice to the interests and rights of indigenous people (related to land and other related resources, etc.).

PARTNERS AND SUPPLIERS

OJSC Severneftegazprom procurement policy is implemented mainly on a competitive basis in order to optimize the selection of contractors to carry out works and services, supply the goods needed for the timely and proper meeting of the Company needs. Competitive procurements are carried out in accordance with corporate regulations.

During the reporting period, the Company performed 848 procurements totaling more than RUB 21.5 billion. Procurements from local suppliers and contractors registered YaNAO constitute 5% of the total procurement amount. The share of competitive procurements in the total Company procurements for 2018 is 91.59%. The overall decline in the price of contracts on the basis of competitive procurement (saving on the basis of competitive procurement) in 2018 amounted to more than RUB 1.2 billion.

The Company interaction with suppliers is based on the principles of business ethics, transparent and competitive selection mechanism. When dealing with contractors, OJSC Severneftegazprom is guided by the established Company requirements in the field of environmental protection, labor protection and industrial safety (EP, LP and IS).

MEDIA

The media play an important role in building and maintaining a positive Company image and strengthening of its business reputation. A properly structured media communication strategy allows timely informing the public about the Company operations.

The main objectives of the Company communications with the media are:

- development of a dialogue with external audience;
- information support of the Company operations in the regions of its presence;
- promotion of the Company image.



In 2018, OJSC Severneftegazprom published the materials in national and regional media, corporate publications of the Company shareholders, press releases on the Company website and corporate portal, as well as social and production videos in the electronic media.

The company regularly organizes press tours of the media representatives and excursions to YROGGCF to inform the stakeholders.

One of the main information disclosure channels is the corporate website of OJSC Severneftegazprom, providing information on its operational and financial performance, sustainability and corporate responsibility. The Company regularly updates and adds content to the website, trying to make it more informative and user-friendly. In 2018, 100 publications and 361 press releases were posted on the Company official and corporate websites.



NON-PROFIT ORGANIZATIONS AND MUNICIPAL INSTITUTIONS

OJSC Severneftegazprom implements the large-scale investment programs in the social infrastructure of the regions and provides targeted assistance to public organizations and institutions.

In 2018, within the framework of the cooperation agreement between the Government of YaNAO and OJSC Severneftegazprom, financial assistance in the amount of RUB 60 million was provided for:

socio-economic development of the municipality of Krasnoselkup district;

socio-economic development of the municipality of Novy Urengoy;

socio-economic development of the municipality of Purov district;

organization of medical and diagnostic assistance to seriously ill children and children with disabilities of the Yamal-Nenets Autonomous Okrug (YaNAO);

maintenance and management of authorized activity of the regional public organization YaNAO Automobile Sports Federation;

maintenance and management of authorized activity of the regional public organization YaNAO Hockey Federation;

maintenance and management of authorized activity of the regional public organization YaNAO Figure Skating Federation.

STAFF

Interaction of OJSC Severneftegazprom with its staff is based on the respect for personality and the rights of staff and is governed by local regulations and the Company Collective Employment Agreement.

The core mechanism of dialogue development with employees is the internal communications system. The employees can obtain information about the Company development plans, or their professional and career growth opportunities in the course of corporate events or by sending their questions through the boxes for feedbacks and inquiries placed in the Company offices or through the focal point of OJSC Severneftegazprom (Vopros@sngp.com, tel. +7-3494-932-932). In 2018 the Company management received 1 inquiry.

The Company employees may discuss the personal issues during appointment with both Deputy CEOs or the CEO himself. No complaint about the operations of OJSC Severneftegazprom associated with environmental aspects and environmental protection, occupational health and safety has been received from the Company employees.

Further, any employee can ask his/her question to a relevant business unit or Company management, as well as to suggest optimization of the working processes at the Company corporate portal.

OJSC Severneftegazprom regularly organizes various cultural and sports activities to strengthen the team spirit and team unity.



The background image shows an industrial facility, likely a refinery or chemical plant, during sunset. Several tall, lattice-structured towers are visible against the orange and yellow sky. In the foreground, there are large industrial buildings with complex piping and structures. The lighting is dramatic, with the sun low on the horizon, creating long shadows and highlighting the silhouettes of the towers.

**THE CORPORATE MANAGEMENT SYSTEM
OF OJSC SEVERNEFTEGAZPROM IS DEVELOPED
IN ACCORDANCE WITH THE BEST RUSSIAN
AND INTERNATIONAL PRACTICES AND
STANDARDS**

19 MEETINGS
OF THE BOARD
OF DIRECTORS IN 2018



FINANCIAL AND ECONOMIC ACTIVITIES CONTROL AND MANAGEMENT BODIES

CORPORATE MANAGEMENT IS AN INSTRUMENT TO ENSURE EFFECTIVE INTERACTION BETWEEN THE SHAREHOLDERS OF THE COMPANY, THE BOARD OF DIRECTORS AND THE EXECUTIVE BODY

THE ARTICLES OF ASSOCIATION, INTERNAL DOCUMENTS, AS WELL AS THE SHAREHOLDERS' AGREEMENT OF OJSC SEVERNEFTEGAZPROM GUARANTEE SHAREHOLDERS THE RIGHT TO PARTICIPATE IN THE COMPANY MANAGEMENT TO THE EXTENT PROVIDED FOR BY LAWS OF THE RUSSIAN FEDERATION. THE COMPANY STRIVES TO RAISE CORPORATE GOVERNANCE STANDARDS AND FOLLOW THE BEST CORPORATE PRACTICE.



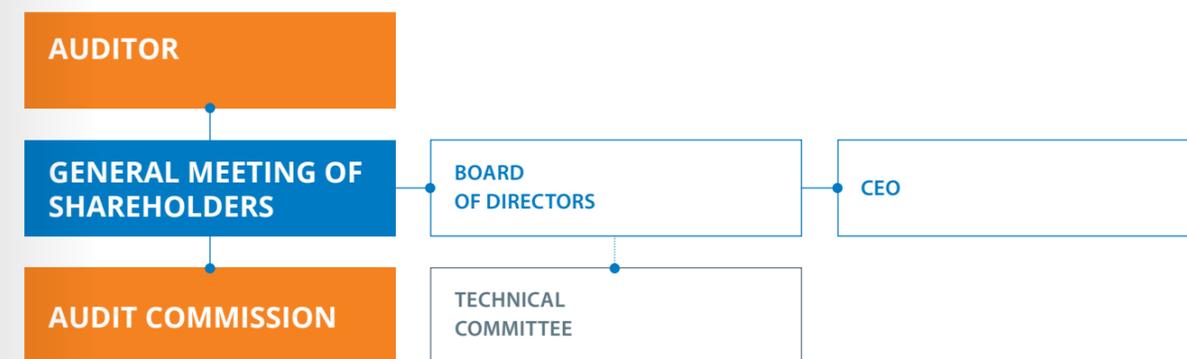
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- Management Structure
- General Meeting of Shareholders
- Board of Directors
- Technical Committee
- Executive Body
- Audit Commission
- Information about the Company's Auditor

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Management Structure

CORPORATE GOVERNANCE SCHEME OF OJSC SEVERNEFTEGAZPROM



GENERAL MEETING OF SHAREHOLDERS is a supreme Company management body through which the shareholders exercise their right to participate in the Company management.

BOARD OF DIRECTORS is a governing body exercising the overall Company management and responsible for strategic management, aimed at implementation of the long-term goals and objectives, as well as monitoring of the Company effectiveness.

The Board of Directors established a Technical Committee at the Board of Directors.

TECHNICAL COMMITTEE AT THE BOARD OF DIRECTORS is a consulting and advisory body at the Board of Directors established for preliminary consideration of significant technical issues related to the Board of Directors.

CEO is the sole executive body managing the Company current activities and implementing the strategy defined by the Board of Directors.

AUDIT COMMISSION is the body supervising the Company financial and economic activities, reporting directly to the General Meeting of the Company Shareholders.

To carry out a mandatory annual audit of the annual accounting (financial) statements in accordance with the Russian Accounting Standards (RAS) and in compliance with International Financial Reporting Standards (IFRS), the Company engages an external auditor. The Company auditor shall be approved by the General Meeting of Shareholders. The amount of fee for its services shall be determined by the Board of Directors.

The issues of formation, competence and organization of the management and control bodies' operations are defined by the Company Articles of Association, the Shareholders' Agreement of OJSC Severneftegazprom and the Company bylaws.

The Articles of Association is available for review to all stakeholders on the Company website at: <http://www.severneftegazprom.com/>, as well as on the webpage used for voluntary information disclosure at: <http://www.e-disclosure.ru/portal/company.aspx?id=16965>.



General Meeting of Shareholders

In 2018, 7 (seven) General Meetings of the Company Shareholders were held, including the Annual General Meeting of Shareholders (01/06/2018), at which the Annual Report, the Annual Financial Statements for 2017, and the Company auditor were approved, the Board of Directors and the Audit Commission were elected, as well as the issues of profit distribution and payment of remuneration to the members of the Board of Directors were addressed.

During the Extraordinary General Meeting of Shareholders on February 16, 2018, convened at the request of the new Company shareholder, OMV Exploration & Production GmbH, a new Company Board of Directors and the Audit Commission were elected.

At an Extraordinary General Meeting of Shareholders on October 1, 2018 it was decided on the Company's accession to the following self-regulatory organizations: the Union of Organizations Performing Engineering Surveys in the Gas and Oil Industry Engineer-Prospector Association and the Union of Organizations Performing Design Works in the Gas and Oil Industry Engineer-Designer Association.

At the Extraordinary General Meetings of Shareholders on March 20, June 28, November 8 and December 27, 2018, the issues of authorizing the conclusion of Additional Agreements to Gas Supply Agreements by fixing the volume of supply and the gas price, including its adjustments, were submitted for consideration as transactions with interest.



Board of Directors

In accordance with the Articles of Association, the Board of Directors consists of 8 members.

IN 2018:

7

GENERAL MEETINGS OF SHAREHOLDERS

19 MEETINGS

OF THE BOARD OF DIRECTORS

8 MEETINGS

OF THE TECHNICAL COMMITTEE



In the reporting year, 19 meetings of the Board of Directors were held, which discussed 75 issues on various Company operations.

The Board of Directors was focused on important matters of the general Company management related to:

approval of transactions with interest, including the issue of determining the cost of property being the subject of such transactions pursuant to Art. 77 of the Federal Law on Joint Stock Companies;

preparation for and convocation of an extraordinary general meetings of shareholders and the annual general meeting of shareholders, including the preliminary approval of the Annual Report, recommendations on the size and procedure of paying dividends on the Company shares;

adoption of the Annual Work Program and the Budget, the Investment Program of OJSC Severneftegazprom for 2018, other programs and internal documents within the competence of the Board of Directors;

election of the sole executive body, CEO, and the Technical Committee members.

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS

	2018	2017	2016
Strategic	12	6	7
including:			
budget planning	3	2	5
Corporate governance	63	41	92
including:			
approval of transactions	26	10	65
preparation for the General Meeting of Shareholders	11	6	18
staff	10	7	5
other	16	18	4
TOTAL	75	47	99

REMUNERATION OF THE BOARD MEMBERS:

By resolution of the General Meeting of Company Shareholders (Minutes dated 01/06/2018 No. 52/2018) on the results of 2017, the members of the Board of Directors were paid a total of RUB 6,001,000.

No other type of remuneration was paid to the members of the Board of Directors in the reporting year, and the costs associated with acting as a member of the Board of Directors were not compensated.



THE BOARD OF DIRECTORS AT THE END OF THE REPORTING PERIOD



ALEXANDER IVANOVICH MEDVEDEV

Chairman of the Board of Directors

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

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

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

Since 2005 — Deputy Chairman of PJSC Gazprom.



ELENA VLADIMIROVNA MIKHAILOVA

Born on April 28, 1977 in Ostrov, Pskov region.

Graduated from the Moscow State Industrial University, majoring in Jurisprudence (1999).

MBA degree from the Academy of National Economy at the Government of the Russian Federation.

Since 2003 — Deputy CEO for Corporate and Property Relations of Gazprom Mezhregiongaz LLC.

Since 2012 — Board Member, the Head of the Department in PJSC Gazprom.



VSEVOLOD VLADIMIROVICH CHEREPANOV

Born on November 25, 1966 in Frunze.

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

PhD in geological-mineralogical sciences.

Since 2010 — Board Member, the Head of the Department in PJSC Gazprom.



ALEXANDER PAVLOVICH DUSKO

Born on June 22, 1964 in Novodruzhesk.

Graduated from the State Saint Petersburg State Engineering Economic Academy with a degree as Engineer-Economist (1993).

Since 2005 — Deputy Head of the Department in PJSC Gazprom.

Since 2015 — Head of the Department in PJSC Gazprom.



THILO WIELAND

Born on October 27, 1969 in Berlin-Lichtenberg (Germany).

Graduated from the Technical University of Berlin with a degree of Engineer.

Since 2013 — Vice-President in Strategy and Portfolio Management of Wintershall Holding GmbH.

Since 2014 — General Manager of Wintershall Libya project.

Since 2015 — Board Member of Wintershall Holding GmbH.



MARIO MEHREN

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

Graduated from Saarlandsk University (Germany), with a degree in Business Administration.

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

Since 2015 — Board Chairman of Wintershall Holding GmbH (former name — Wintershall Holding AG).



JOHANN PLEININGER

Deputy Board Chairman and member of the Executive Committee of OMV Exploration & Production GmbH, responsible for exploration and production.



THOMAS GEOFFREY MORRIS

Senior Vice President, OMV Russia Upstream GmbH.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS DURING THE YEAR

COMPOSITION OF THE BOARD OF DIRECTORS DURING THE PERIOD FROM JANUARY 01 TO FEBRUARY 16, 2018	COMPOSITION OF THE BOARD OF DIRECTORS DURING THE PERIOD FROM FEBRUARY 16 TO JUNE 01, 2018	COMPOSITION OF THE BOARD OF DIRECTORS DURING THE PERIOD FROM JUNE 01 TO DECEMBER 31, 2018
A. I. Medvedev	A. I. Medvedev	A. I. Medvedev
E. V. Mikhailova	E. V. Mikhailova	E. V. Mikhailova
V. V. Cherepanov	V. V. Cherepanov	V. V. Cherepanov
A. P. Dusko	A. P. Dusko	A. P. Dusko
T. Wieland	T. Wieland	T. Wieland
M. Mehren	M. Mehren	M. Mehren
S. Bergmair	J. Pleininger	J. Pleininger
M. G. Shirokov	T. G. Morris	T. G. Morris

The chairman and members of the Board of Directors did not hold the Company shares during the year.

No transaction involving the acquisition or disposal of the Company shares by members of the Board of Directors was made in the reporting year.



Technical Committee

The Company established the Technical Committee at the Board of Directors for the purpose of a preliminary review and provision of recommendations for decision-making on substantive technical matters of the Company business within the competence of the Board of Directors.

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

The Technical Committee consists of 8 members appointed by the Board of Directors. The candidates are nominated by the Company shareholders in the following order: from

PJSC Gazprom — 4 candidates, from Wintershall Holding GmbH and OMV Exploration & Production GmbH — 2 candidates each.

The function of the Technical Committee is to provide advice to the Board of Directors on all significant technical matters of the Company within its competence, including the adoption of the Long-Term Development Plan and Budget, the Draft Additional Development Plan, the Additional Development Plan and the Annual Work Program and Budget, as well as any amendment thereto.

The operations of the committee, consisting of members with extensive experience and knowledge in specialized areas, improves the efficiency and quality of work of the Board of Directors and, consequently, creates effective pattern of managing the Company business.

The Technical Committee Members do not hold the Company shares. No transaction involving the acquisition or disposal of shares by the Technical Committee members was performed during the year.

COMPOSITION OF THE TECHNICAL COMMITTEE AT THE END OF THE REPORTING PERIOD:

№	FULL NAME	PLACE OF WORK	POSITION HELD
1	Dmitruk Vladimir Vladimirovich	OJSC Severneftegazprom	CEO
2	Chernyshov Andrey Aleksandrovich	OJSC Severneftegazprom	Deputy General Director for Economics and Finance
3	Efimochkin Yegor Alekseevich	PJSC Gazprom	Head of Department
4	Bilalov Najib Abdulkadyrovich	PJSC Gazprom	Head of department
5	Dr. Angelos Calogirou	Wintershall Russland GmbH	Adviser on Development
6	Matthias Stollenwerk	Wintershall Russland GmbH	Head of Exploration and Development
7	Lea Fuchs	OMV Russia Upstream GmbH	CFO
8	Drage Lars	OMV Russia Upstream GmbH	CTO (exploration, development and production)



INFORMATION ABOUT CHANGES IN THE COMPOSITION OF THE COMPANY TECHNICAL COMMITTEE, WHICH OCCURRED IN THE REPORTING YEAR:

COMPOSITION FROM JANUARY 01 TO NOVEMBER 20, 2018

COMPOSITION FROM NOVEMBER 20 TO DECEMBER 31, 2018

Dmitruk Vladimir Vladimirovich	Dmitruk Vladimir Vladimirovich
Chernyshov Andrey Aleksandrovich	Chernyshov Andrey Aleksandrovich
Efimochkin Yegor Alekseevich	Efimochkin Yegor Alekseevich
Bilalov Najib Abdulkadyrovich	Bilalov Najib Abdulkadyrovich
Dr. Rolf Udo Norbert Pilling	Dr. Angelos Calogirou
Matthias Stollenwerk	Matthias Stollenwerk
Lea Fuchs	Lea Fuchs
Drage Lars	Drage Lars



**CURRICULUM VITAE:****DMITRUK VLADIMIR VLADIMIROVICH**

Born on April 15, 1970 in Kaliningrad.

Graduated from the State Academy of Oil and Gas, named after I.M. Gubkin with a degree in Oil Drilling (1993).

Graduated from the Tyumen State Oil and Gas University with a degree in Economics and Management (2003).

PhD in Engineering.

Information on the principal place of employment over the past 5 years:

from 03.2007 to 02.2015 — the CEO of Gazprom Severpodzemremont LLC (from 2009 — Gazprom Podzemremont Urengoy LLC).

from 11.2015 — the CEO of OJSC Severneftegazprom (elected for another term (3 years) on 23/11/2018, Board of Directors meeting minutes No. 174/2018 dated 20/11/2018).

The CEO does not hold the Company shares. No transaction involving the acquisition or disposal of shares by the CEO was performed during the year.

Remuneration of the CEO shall be paid according to the time-based individual system, providing for payment of wages on the basis of the monthly salary established by the Wage Agreement, forming an annex to the employment contract, as well as payment of the compensation and incentives. The list of social guarantees and compensations to the CEO shall be established in the employment contract.

Executive Body

According to the Company Articles of Association, no collegial executive body is provided for. The sole executive body of the Company is the CEO.

The Company officer acting as the sole executive body (CEO) in the reporting period was Dmitruk Vladimir Vladimirovich.

**Audit Commission**

The Audit Commission is a permanent controlling body, independent of the Company officials, administration and management.

The Company Audit Commission members do not hold the Company shares. No transaction involving the acquisition or disposal of shares by the Audit Commission members was performed during the year.

In its activities, the Audit Commission is guided by the Federal Law on Joint Stock Companies, the Articles of Association, and the Regulation on the Audit Commission. In accordance with the Company Articles of Association, the Audit Commission consists of 3 members.

COMPOSITION OF THE COMPANY AUDIT COMMISSION AT THE END OF THE REPORTING PERIOD

№	FULL NAME	PLACE OF WORK	POSITION HELD
1	Salekhov Marat Hasanovic	PJSC Gazprom	Deputy Head of Department — Head of the Department
2	Oliver Hochmuth	Wintershall Russland GmbH	Head of the Department of Finance and Information Technology
3	Lea Fuchs	OMV Russia Upstream GmbH	CFO

Information on the Company's Auditor**LIMITED LIABILITY COMPANY FINANCIAL AND ACCOUNTING ADVICE (LLC FAC).**

A member of the self-regulating organization of auditors Non-Profit Partnership Audit Association of the Commonwealth. Main registration record number (MRRN) in the registry of auditors and auditing organizations — 11506030481.

Location: 44/1 Myasnitskaya St., Moscow, Russian Federation; tel. 8 (495) 737-53-53; fax 8 (495) 737-53-47.

The auditor was approved by resolution of the Annual General Meeting of Shareholders (AGM minutes No. 52/2018 dated 01/06/2018).

Севернефтегазпром

CHARTER CAPITAL AND
REPORT ON DIVIDEND DISTRIBUTION





Charter Capital

The authorized capital is reflected in the amount of the ordinary and registered shares at par value, negotiated by the Company. The Company authorized capital is divided into 533,330 shares, and at the end of the reporting period amounts to RUB 39,999,749.4.

The Company authorized capital is fully paid.

The state registration of all Company share issues was carried out by the Regional Office of the Federal Service for Financial Markets in the Ural Federal District.

In the reporting year, the Company did not raise cash or other funds as a result of the security issue.

The Company shares are not declared for trading by the organizers of trade in the securities market and do not have a quoted market price.

AUTHORIZED CAPITAL AS OF 31/12/2018

№	SECURITY TYPE	NEGOTIATED SHARES:		INCLUDING:	
		SHARES (PCS.)	PAR VALUE PER PC. (RUB.)	FULLY PAID (PCS.)	PARTLY PAID AT PAR VALUE (RUB.)
1	The Company authorized capital is made up by:	533,330	–	533,330	N/A
2	Ordinary shares	533,324	60.00	533,324	N/A
2.1	including credited to the balance	N/A	N/A	N/A	N/A
3	Privileged, including	6		6	N/A
3.1	A type privileged	2	2,461,620.00	2	N/A
3.1.1	including credited to the balance	N/A	N/A	N/A	N/A
3.2	B type privileged	3	666,692.40	3	N/A
3.2.1	including credited to the balance	N/A	N/A	N/A	N/A
3.3	C type privileged	1	1,076,992.20	1	N/A
3.3.1	including credited to the balance	N/A	N/A	N/A	N/A



COMPANY SECURITIES

KIND AND CATEGORY (TYPE) OF SECURITIES	PAR VALUE OF EACH SECURITY ISSUE, RUB.	THE TOTAL NUMBER OF NEGOTIATED SECURITIES, PIECES	STATE REGISTRATION NUMBER	STATE REGISTRATION DATE
ordinary registered shares	60	533,324	1-02-31375-D	05.07.2011
privileged shares type A	2,461,620	2	2-10-31375-D	03.10.2011
privileged shares type B	666,692.4	3	2-08-31375-D	03.10.2011
privileged shares type C	1,076,992.2	1	2-09-31375-D	03.10.2011

Report on Payment of Declared (Accrued) Dividends on the Company Shares

In 2018, by resolution of the Annual General Meeting of Shareholders held on June 1, 2018 (Minutes dated 01/06/2018 No. 52/2018), the Company paid the declared (accrued) dividends for 2017 in the amount of RUB 2,964,762 thousand.

AMOUNT OF DIVIDEND PAID

SECURITY CATEGORY (TYPE)	THE AMOUNT OF DIVIDENDS PAID, TOTAL, RUB THOUSAND	DIVIDEND PAYMENT DATE
Ordinary shares	2,371,810	June 2018
Privileged shares, type A	364,903	June 2018
Privileged shares, type B	148,238	June 2018
Privileged shares, type C	79,811	June 2018

As of December 31, 2018, the dividends were paid in full, with no arrear.

INFORMATION ON CHANGES IN THE COMPANY CAPITAL SURPLUS

The amount of added capital has not changed in the current year, and as of December 31, 2018 it represents RUB 25,144,593 thousand (including the revaluation of non-current assets in the amount of RUB 45,547 thousand).

INFORMATION ON CHANGES IN THE COMPANY RESERVE FUND

In accordance with the Articles of Association, the Company formed a reserve fund in the amount of 5 percent of the authorized capital. Reserve Fund as of December 31, 2018 is fully formed and amounts to RUB 2 000 thousand.



RISK MANAGEMENT SYSTEM

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- Industry Risks
- Financial Risks
- Legal Risks



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DESCRIPTION OF THE INTERNAL RISK CONTROL ENVIRONMENT IN THE COMPANY

The Company applies the following regulations on risk management and internal control:

In 2016, a documented procedure ISM DP 08 "Risk and opportunity management in the environmental management system", revision 3, was developed and implemented;

In 2017, ISM DP 09 "Risk and opportunity management in the quality management system", revision 1, was developed and implemented;

The Regulation on the contract work in the Company was developed and implemented;

In 2018, the Regulations on Procurement of Goods, Works and Services, version 6 was developed and approved.

MAJOR RISK FACTORS ASSOCIATED WITH OJSC SEVERNEFTEGAZPROM OPERATIONS

LEGAL RISKS

- RISKS OF ENFORCEMENT AND EVENTUAL AMENDMENT TO THE CURRENCY LAWS
- RISKS OF LITIGATION AND RESTRICTIONS ON THE COMPANY OPERATIONS
- RISKS OF ENFORCEMENT AND EVENTUAL AMENDMENT TO THE RF ENVIRONMENTAL LAWS
- RISKS ASSOCIATED WITH THE APPLICATION OF TAX LEGISLATION OF THE RUSSIAN FEDERATION

FINANCIAL RISKS

- LIQUIDITY RISK
- CREDIT RISK
- INFLATION RISKS

OPERATIONAL RISKS

- PROCESS RISKS
- ENVIRONMENTAL POLLUTION RISKS
- LICENSE VALIDITY RISKS
- RISK OF A SUBSTANTIAL GAS PRICE CHANGE
- RISK OF SALES VOLUME REDUCTION

MEDIUM

LOW



Industry Risks

The Company business is exposed to industry risks, the most important of which include hydrocarbon commodity prices and process risks associated with the manufacturing process peculiarities. Search for and development of fields, preparation and transportation of natural gas are complex and capital-intensive processes with inherent process and environmental risks. The Company, strictly adhering to the industry requirements and standards, and introducing new technologies and techniques at all stages of the production process, reduces these risks to a minimum.

THE RISK OF SALES VOLUME REDUCTION

The risk of sales volume reduction arises from the possibility of cut in demand for hydrocarbons in the long term, which, in turn, may adversely affect the project performance. However, in accordance with long-term gas supply contracts, the customer pays for the full amount of contracted gas, regardless of the actual production volume, which eliminates this risk to the Company until the expiry of the said contracts.

THE RISK OF SIGNIFICANT CHANGES IN THE GAS MARKET PRICES

A significant reduction of the gas market price can be reflected in the cash flows required to implement stable production and business Company operations. The risk is considered low, since in accordance with the Gas Supply Contracts, the gas price is determined by a formula taking into account the Company costs and the required rate of return.

LICENSE VALIDITY RISKS

The Company operations related to the development of the Yuzhno-Russkoye oil, gas and gas condensate field are carried out based on a license for subsoil use and implementation of the other licensed activities.

The Company fully complies with the license agreements and takes all required actions to comply with applicable licensing laws in order to minimize this risk.



ENVIRONMENTAL POLLUTION RISKS

The Company operations related to the development of the Yuzhno-Russkoye oil, gas and gas condensate field potentially pose a risk of damage to the environment. In this regard, one of the priority directions in the Company operations is to protect the environment. The basic design solutions used in the process of facilities construction and field operation comply with Russian and international standards on environmental protection.

PROCESS RISKS

The Company operations related to the development of the Yuzhno-Russkoye oil, gas and gas condensate field can be associated with exposure to adverse factors caused by equipment failure. However, the technology used in the gas production, treatment and transportation meet the current requirements for reliability and safety in operation, which helps to minimize these risks.

The hazardous production facilities of the field use certified equipment and technical devices, meeting the current requirements for reliability and safety upon their operation. The Company staff or specialized organizations conduct timely maintenance of equipment and technical devices, which also reduces the said risks.



Financial Risks

INFLATION RISKS

The inflation rate was 4.3% in 2018. Russian Ministry of Economic Development predicts that inflation in 2019 is expected to reach 4.6%. At the same time, inflation will not have a material impact on the Company financial and economic performance in the foreseeable future due to the established mechanism of the gas pricing, as well as the cost reduction program implemented by the Company.

CREDIT RISK

Credit risk, i.e. the risk of default by the natural gas customers is estimated as low. The natural gas customers are Gazprom Group companies, which have proven to be reliable partners never delaying the payment for supplies.

LIQUIDITY RISK

Liquidity ensuring principle. A high non-uniformity of certain types of cash flows creates a temporary shortage of the Company funds, which may have a significant impact on its insolvency. In 2018, the revenues were received uniformly, and Company did not need the borrowed capital.

The principle of reducing the risk of the Company liquidity loss. The Company revenue is determined by the cost included in the price formula. In the event of a cut in the current gas production volume, the cash flows will not be affected due to an increase in the price per production unit pro rata to the output reduction. The pattern of forming the gas sales prices significantly reduces the risk of the Company liquidity loss.

Legal Risks

RISKS ASSOCIATED WITH THE APPLICATION OF TAX LEGISLATION OF THE RUSSIAN FEDERATION

In recent years, a number of laws was adopted, which amended the tax legislation substantially, in particular.

In order to avoid tax risks, the Company regularly monitors the amendments to the Tax Code of the Russian Federation and the law-enforcement practice, and further implements the same in its operations.

According to the Russian accounting rules, a change in tax commitments over past periods is reflected in financial statements in the period when the relevant changes were implemented actually.

RISKS OF ENFORCEMENT AND EVENTUAL AMENDMENT TO THE RUSSIAN ENVIRONMENTAL LAWS

The Company production and economic activity largely involves the impact on the environment, therefore, non-compliance with environmental laws or failure to respond to any amendment thereto can cause adverse legal, financial and reputational effects.

Realizing the importance of preserving the environment, safety of operations and fulfillment of environmental commitments, the Company regularly monitors the amendments to environmental laws and nature management, controls compliance with legal requirements, availability and adequacy, the existing regulatory and licensing documentation, timely and accurate implementation of supervisory authorities' prescriptions.

RISKS OF LITIGATION AND RESTRICTIONS ON THE COMPANY OPERATIONS

Currently, the Company is not involved in material litigation and is not liable for the third party debts, which may result in restrictions on the Company operations.

The Company strives to settle the disputes out of court.



LEGAL RISKS OF ENFORCEMENT AND EVENTUAL AMENDMENT TO THE RUSSIAN CURRENCY LAWS

The Company enters into foreign economic transactions and carries out foreign exchange transactions with non-residents, and therefore the amendments in currency regulation may affect the Company commitments to its foreign counterparties. In particular, changes in the currency regulation, which may be related to stricter control over the currency operations, or administration of limitations can lead to a loss of foreign trade contracts and/or delays in their performance. Due to the presence of foreign trade transactions, the Company is exposed to the risks of being brought to administrative liability for violation of currency laws of the Russian Federation and acts of currency regulation bodies, in particular, expressed as a violation of the established uniform rules of registration (re-registration) of transaction documents and non-observance of the established order or terms of submitting the forms of accounting and reporting on currency transactions. With a view to compliance with the Russian currency laws, the Company business units, when dealing with non-residents, implement the required efforts to monitor the timely and proper provision of documentation need for currency transactions.



INFORMATION (REPORT) ON THE JOINT STOCK COMPANY COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE



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- Ethics and Integrity
- Registration Information

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OJSC Severneftegazprom, being a non-public company, nevertheless seeks to follow the rules of the Corporate Governance Code recommended for the jointstock companies, the securities of which are admitted to organized trading (Bank of Russia Letter dated 10/04/2014 No. 06-52/2463). The Company complies with the following provisions of the said document:

I. SHAREHOLDER RIGHTS AND EQUALITY OF SHAREHOLDERS WHEN THEY EXERCISE THEIR RIGHTS

1.1	The procedure of convening, preparation and holding of the General Meeting of Shareholders is regulated by the Articles of Association (approved by the GMS on 29/10/2009, Minutes No. 7/2009) and the Regulation on the General Meeting of Shareholders (approved by the general meeting of shareholders on 02/11/2009, minutes No. 8/2009).
1.2	The notice on the General Meeting of Shareholders contains all the information required for the Company shareholders to decide on participation, including the details of its venue. Non-resident shareholders are further provided with information in English
1.3	In order to improve the validity of resolutions adopted by the General Meeting of Shareholders, the Company shareholders are provided with the following information further to the required materials stipulated by laws: <ul style="list-style-type: none"> – the Board position regarding the issues on the agenda of the General Meeting (Extracts from the Board of Directors Minutes including a dissenting opinion of the Board of Directors member, if any); – when deciding on transactions with interest, the list of persons deemed interested in the transaction, explaining the grounds on which such persons are deemed to be interested; – justification for the proposed distribution of the net profit, including to pay the dividends and satisfy the Company own needs, with explanations and economic justifications. Also, when preparing the materials of the General Meeting of Shareholders, the shareholder, who nominated a candidate to the Board of Directors, is specified.
1.4	The Company does not deny to a shareholder in opportunity of the timely review of materials of the General Meeting of Shareholders where, in spite of typographical errors and other non-essential drawbacks, the request of the shareholder generally allows determining his/her will and to confirm his/her right to examine the materials, including to obtain the copies thereof.
1.5	The Company offers its shareholders an opportunity to review the list of persons entitled to attend the General Meeting from the date of its receipt by the Company.
1.6	The Company increased the term for submission of proposals on the agenda of the Annual General Meeting by shareholders from 30 days as provided for by laws to 60 days after the calendar year end.

1.7	Where the shareholder's proposal contains typographical errors and other non-essential drawbacks, the Company shall not refuse to include the proposed item in the agenda of the General Meeting of Shareholders and the nominated candidate — in the list of candidates for election to the relevant company body, where the content of the proposal generally determines the shareholders' will and confirms his/her right to submit a proposal.
1.8	At the General Meeting, the Company attracts the Company Registrar to perform the functions of the counting commission.
1.9	The General Meetings of Shareholders held in the form of joint presence of shareholders to discuss the agenda and adopt resolutions on the issues put to vote shall be completed within one day. The voting results are summed up and announced before closing of the General Meeting of Shareholders.
1.10	A resolution on dividend payment enables the Company shareholders to obtain comprehensive information regarding the size of dividends on shares from each category (type).
1.11	The Company pays an annual dividend to the shareholders by distributing the profits earned for the year. The dividends are paid in cash only to the shareholders' accounts.
1.12	After deciding on the dividend payment, the Company further informs the shareholders about the need for updating the data required for dividend payment (bank account details, mailing address, etc.).
1.13	The Company declares a dividend only when there is a sufficient level of profit for the year and cash flow, provided that the investment programs and all commitments under the project financing are fulfilled.
1.14	The Company provides for a reliable manner of accounting for the rights to shares by signing an agreement on keeping the registry of shareholders with a person having a statutory license, a positive reputation and established technologies, allowing the most efficient accounting for the shareholders' rights of ownership (the registrar is JSC DRAGA).

II. BOARD OF DIRECTORS

2.1	The Board of Directors provides for strategic management and supervises the activities of the Company sole executive body.
2.2	The rights and obligations of members of the Board of Directors are formulated and enshrined in the Articles of Association and the Regulation on the Company Board of Directors (approved by the General Meeting of Shareholders on 02/11/2009, Minutes No. 8/2009).
2.3	In accordance with the Company Articles of Association, the Board of Directors shall elect the CEO and may terminate his powers earlier.



2.4	The Board of Directors shall approve the annual Company program and budget for the coming year. The Board of Directors is also competent to determine the Company priority activities, approve the Company long-term plans and investment programs, as well as amend the existing long-term development plan and budget for YROGGCF.
2.5	The Annual Report discloses information on the number of Board of Directors' meetings held during the past year, as well as information on the most important items on the agenda discussed by the Board.
2.6	The Company shareholders are allowed to submit inquiries in writing to the Board Chairman on the competence of the Board of Directors, as well as to communicate their position to him through the office of the Chairman of the Board of Directors and the Company unit tasked with shareholder communication.
2.7	The Board of Directors does not include the persons who are members of a legal entity competing with the Company, holding positions in its executive bodies or being its employees.
2.8	The candidates nominated for election to the Board of Directors submit their consent in writing to be elected to the governing body. The consent details shall be provided to shareholders in the course of preparation for the General Meeting of Shareholders.
2.9	All Board decisions are subject to the environmental and social standards adopted by the Company, which meet the international standards, namely ISO 14001:2015 "Environmental Management System" and OHSAS 18001:2007 "Occupational Health and Safety Management Systems".
2.10	The Company provides the Board members with information required for effective performance of their duties in the course of preparation for the meetings of the Board of Directors (including the information in English), as well as additional information at the request of the Board members.
2.11	The duty of the heads of the main Company business units to provide information on the agenda of the Board meetings is established in the internal document approved by the order of the CEO.
2.12	The Articles of Association provides for the possibility of holding the Board meetings both in person and in absentia, as well as the opportunity to consider the opinion in writing, submitted by the Board member absent at the in-person meeting to determine the quorum availability and the voting results.
2.13	The minutes of the Board meeting contain information about how each Board member voted on the meeting agenda.
2.14	The Board meetings are held in accordance with the approved plan of work and when required, usually at least every two months.

2.15	The Company Articles of Association stipulates that a notice to convene the Board meeting in absentia, subject to enclosure of materials related to the agenda, shall be sent to the Board members at least 20 calendar days before the meeting and for the meeting in person — at least 15 calendar days before the meeting date.
2.16	The Articles of Association defined the content of the notice on the Board meeting, as well as the procedure of its sending, ensuring its efficient delivery.
2.17	The Company Articles of Association stipulates that resolutions on the most important issues of the Company business shall be adopted by elected Board members unanimously.
2.18	The Company has established the Technical Committee. The main function of the Committee is to provide advice to the Board of Directors on all significant technical matters of the Company business. The Regulation on the Technical Committee is approved by resolution of the Board of Directors (Minutes dated 29/10/2009 No. 19/2009). The Technical Committee is composed of 8 members. It may involve experts without a voting right. Appointment and termination of the Committee members is within the competence of the Board of Directors.
2.19	The Technical Committee of the Board of Directors shall hear the CEO's reports on implementation of the annual work program and Company budget; on implementation of the maintenance and repair programs; on implementation of the plan for reconstruction, upgrading and retrofitting of facilities; on progress in occupational health, safety and environmental protection; on the implementation of innovative and inventive activities.
III. CORPORATE SECRETARY	
3.1	The functions of the Board of Directors Secretary in the Company are performed by the Deputy CEO for Legal Affairs and Corporate Governance, V.F. Veremyanina, having a law degree and more than ten years of management experience. In 2011, 2012 and 2013, she ranked 2 nd and 3 rd in the TOP Corporate Governance Directors according to the Manager Association.
3.2	The Board of Directors Secretary shall be elected and dismissed by resolution of the Board of Directors.
3.3	The Company established a business unit (Corporate Regulation Department), which provides for interaction with shareholders, members of the Board of Directors and the Technical Committee.
IV. THE SYSTEM OF REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES AND OTHER KEY EXECUTIVES	
4.1	The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key executives creates enough motivation for them to work effectively, allowing the Company to attract and retain competent and qualified professionals.

4.2	The Board members are paid a fixed annual remuneration in cash, the amount of which is calculated on the basis of the basic remuneration taking into account the number of meetings attended by the Board member.
V. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM	
5.1	The Company operates a separate business unit for internal control, i.e. the Internal Audit Department.
5.2	The Company pursues an anti-corruption policy (as a section in the Code of Conduct), determining the efforts aimed at formation of the elements of corporate culture, organizational structure, rules and procedures for the corruption prevention.
VI. DISCLOSURE OF THE COMPANY INFORMATION, INFORMATION POLICY	
6.1	The CEO's order implemented the procedures in the Company ensuring the coordination of all services and business units related to the disclosure of information, or the operations of which may lead to the need for disclosure.
6.2	The Company official corporate website provides information about the Company operations, sufficient for a fair presentation of the essential aspects of its operations.
6.3	The Company discloses information about the Company corporate governance system, the Company executive bodies, the composition of the Board of Directors and the Technical Committee, as well as information about observance of the principles and recommendations of the Corporate Governance Code (Company Annual Report) on its official corporate website.
6.4	The official website further discloses information about the principal Company operations, the structure of its capital, including the information on the number of voting shares by category (type) of shares and shareholders holding more than 5% of the Company authorized capital, the information on social and environmental responsibility, including the Company Sustainability Report drawn up in accordance with internationally recognized GRI standards (incorporated into the Annual Report).

6.5	Further, the Company discloses on its official Internet website the details of its financial condition, posting the annual and interim Company financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The Company, along with information provided for by the law, includes the following additional information into the annual report: – letters to shareholders from the Board Chairman and the CEO containing an assessment of the Company operations for the year; – information about the Company securities; – key performance indicators of the Company; – results achieved by the Company for the year compared to the planned figures; – information on investment projects and strategic objectives of the Company; – Company development prospects (sales, productivity, revenue growth, profitability, debt to equity ratio); – description of the corporate governance system in the company; – description of social policy, social development, protection of employees' health, their professional training, and labor safety; – information on the Company environmental protection and ecology policy.
6.6	Where the shareholder's request for access to documents or for the copies of documents contains minor typos and other drawbacks, the Company shall not refuse to grant such a request.
VII. SIGNIFICANT CORPORATE ACTIONS	
7.1	The Articles of Association contains a list of transactions, which are significant for the Company. Consideration and approval of such transactions' conditions is within the competence of the Board of Directors.



Ethics and Integrity

THE CODE OF CONDUCT, SETTING OUT THE BASIC CORPORATE VALUES AND MOST IMPORTANT RULES OF BUSINESS CONDUCT BASED ON THE SAME AND ADOPTED BY THE COMPANY HAS BEEN IN EFFECT SINCE 2014. THE CODE OF CONDUCT APPLIES TO ALL COMPANY EMPLOYEES AND CONTRACTORS.

The Code of Conduct shall be read by all new Company employees upon employment. Further, the Company regularly holds trainings aimed at explaining the basic rules of business conduct stipulated by the Code. In 2018, all Company employees were trained in the provisions of the Code of Conduct.

Responsibility for organization of the work to implement the requirements and provisions of the Code rests with the Corporate Ethics Commission.

The Company has an arrangement to seek advice on the issues of ethical and legal behavior, as well as matters relating to bad faith.

This behavior shall be reported to:

the immediate supervisor;

Corporate Ethics Commission.

The mechanism of interaction is implemented via email and oral consultations by phone. All inquiries shall be considered by the Corporate Ethics Commission on a confidential basis. Anonymous reports are considered, too. The Company ensures that the provision of information by employees about the violations of the Code of Conduct will not cause adverse effects in relation to the position of the employee who reported the information.

Overall responsibility for informing mechanisms rests with the Corporate Ethics Commission.

In 2018, no case of a conflict or violation of the Company interests was found by the Commission based on inquiry consideration.

An important part of the Code of Conduct is the anti-corruption policy of, aimed at conformity of anti-corruption efforts implemented by the Company with applicable laws. The anti-corruption policy shall be based on the risk of corruption existing in the Company. OJSC Severneftegazprom openly informs the contractors, partners and the public about the anti-corruption standards adopted in the Company business. The Company management is actively involved in shaping the culture of zero tolerance to corruption and in creating an intra-organizational system of prevention and counteraction to corruption in the Company.

The Company employees are informed on the policies and methods of combating corruption in accordance with the Federal Law dated 25/12/2008 No. 273-FZ on Combating Corruption and the Code of Conduct. No fact of detection and confirmation of corruption in the Company has been identified in the reporting period.



CORPORATE VALUES AND ETHICAL PRINCIPLES OF OJSC SEVERNEFTEGAZPROM

PROFESSIONALISM	Profound knowledge of one's specialty, timely and skilled fulfillment of tasks, continuous improvement of knowledge and skills.
INITIATIVE	Activity and autonomy of employees in optimization of the production process.
THRIFT	Responsible and careful approach to the use of the Company assets, its own working time and that of the other workers.
MUTUAL RESPECT	Team spirit in work, trust, goodwill and cooperation in the process of the task fulfillment.
HONESTY	Acting honestly, in compliance with ethical and legal standards, willingness to take personal responsibility for one's actions.
OPENNESS TO DIALOGUE	Open and honest exchange of information, willingness to work together to develop the best solution.
SOCIAL RESPONSIBILITY	Responsibility to colleagues and partners, environmental protection and support for indigenous peoples of the North.
CONTINUITY	Respect for the work and experience of the older generations, communication between beginners and work veterans, professional training and mentoring.
GOODWILL	Use of techniques and strategies aimed at creating a positive opinion on the Company.



Registration Information

FULL COMPANY NAME:

Открытое акционерное общество «Севернефтегазпром»

Abbreviated Company name in Russian:

ОАО «Севернефтегазпром»

Full name in English:

Open Joint Stock Company "Severneftegazprom"

Abbreviated name in English:

OJSC "Severneftegazprom"

REGISTERED OFFICE AND MAILING ADDRESS:

Registered office: 22 Lenina St., Krasnoselkup village, Krasnoselkup district, Yamal-Nenets Autonomous Okrug, 629380.

Mailing address: P.O. box 1130, Novy Urengoy, Yamal-Nenets Autonomous Okrug, 629300.

E-mail: sngp@sngp.com.

INFORMATION SOURCES, IN WHICH THE COMPANY DISCLOSES INFORMATION AS REQUIRED BY LAWS ON THE SECURITIES MARKET:

OJSC Severneftegazprom website <http://www.e-disclosure.ru/portal/company.aspx?id=16965>, provided to the Company by Interfax news agency (LLC Interfax-TSRKI is an authorized agency to disclose information in the Russian securities market).

Newsfeed — an information resource updated in real time at <http://www.e-disclosure.ru/>.

Further, OJSC Severneftegazprom publishes information on the Company website at <http://www.severneftegazprom.com/>.

COMPANY STATE REGISTRATION DATE AND REGISTRATION NUMBER:

Certificate No. 1231 series PR-1 on the company state registration was issued by to LLC Severneftegazpromon 10/03/1998 by the Administration of Purov district in YaNAO based on the resolution No. 184 dated 10/03/1998.

Certificate No. P-16625.16 on registration and inclusion into the state register of commercial companies was issued to OJSC Severneftegazpromon 15/06/2001 by the State Registration Chamber of the Ministry of Justice of the Russian Federation in connection with OJSC Severneftegazpromreorganization by transformation on the basis of Minutes No. 5 of the Extraordinary General Meeting of Members dated 01/06/2001 (former registry number: P-16447.15 dated 31/05/2011).

The certificate of registration in the Unified State Registry of Legal Entities about the legal entity registered before July 1, 2002, with the main state registration number 1028900699035 dated December 19, 2002 was issued by the Interdistrict Inspectorate of the Ministry of Tax Service of Russia No. 3 for the Yamal-Nenets Autonomous Okrug.

INFORMATION ON THE COMPANY REGISTRAR:

JSC Specialized Registrar — Holder of Gas Industry Share Registries (JSC DRAGA).

Location and mailing address: 71/32 Novocheremushkinskaya St., Moscow 117420, tel.: (495) 719-40-44, fax: (495) 719-45-85.

The license to keep the registry of security holders was issued by the Federal Securities Commission of Russia on December 26, 2003 under No. 045-13996-000001 (Bank of Russia) for an indefinite term.

MAIN ACTIVITIES:

development and improvement of Yuzhno-Russkoye oil and gas condensate field;

geological exploration;

production, transportation and sale of the produced hydrocarbons and other raw materials;

developer's activities;

transportation of cargo and passengers by road, using both its own and outsourced vehicles;

activities of the nursing staff; organization of health centers.



LICENSES

The Company holds a license for exploration and production of hydrocarbons within the Yuzhno-Russkoye subsurface area, located in Krasnoselkup district of Yamalo-Nenets autonomous district in Tyumen region. Series SLKHNo. 11049 NE. Date of issue — 23/12/1993. The license expiry date is 31/12/2043.

Further, the Company holds more than 10 permits (licenses) to carry out the other activities, is a member of self-regulatory organizations of the Union of Builders of the Yamal-Nenets Autonomous Okrug, the Union of Organizations Performing Engineering Surveys in the Gas and Oil Industry Engineer-Prospector and the Union of Organizations Performing Design Work in the Gas and Oil Industry Engineer-Designer.

COMPANY REPRESENTATIVE OFFICES

OJSC Severneftegazprom has representative offices (business units at the location of workplaces in Novy Urengoy, Urengoy, Tyumen and Moscow). The Company has no subsidiary or affiliate.

CONCLUSION

102-46,102-48,102-49

Report preparation principles

The Company management confirms that it is responsible for the accuracy of data published herein on sustainable development to meet the reasonable needs of intended users in such information.

The business unit of the Deputy CEO for Development and Strategic Planning of OJSC Severneftegazprom is responsible for preparation of non-financial reporting and identification of the key priorities of its content. Key topics and issues of importance for both the Company and the public have been identified in the course of interaction with stakeholders and with heads of departments responsible for economic, social and environmental activities of the Company, as well as members of the Sustainable Development Taskforce.

The boundaries and the level of completeness of disclosing the material topics included in the Report have also been identified. They include the financial and economic results, the well-being of employees, including the professional development of staff, social projects in the regions where the Company is present, and environmental safety. A particular attention is paid to occupational health and safety issues, which reflect the Company's commitment to continuous improvement of performance in this area, as well as the volume of investments and labor.



The report provides information on the operations of all business units of OJSC Severneftegazprom in the social sphere, in the field of environmental outcomes and safety for the 2018 calendar year.

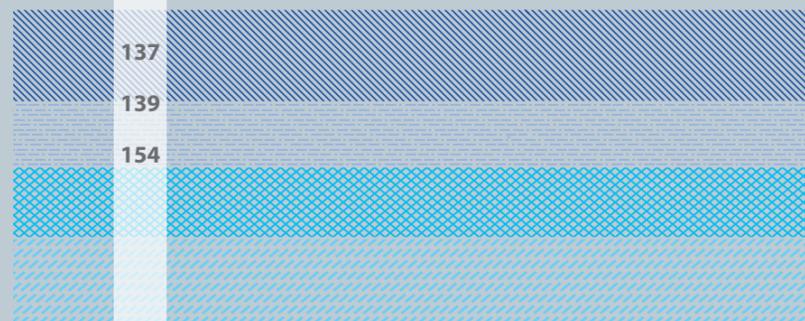
To prepare a Sustainable Development Report, the data were collected and systematized on the basis of internal corporate information requests.

OJSC Severneftegazprom sets the achievement of transparency of information about its activities as its main goal. Full disclosure and ensuring the quality of the published data area core Report value. It is based on the principles of international reporting on sustainable development. The basic approach to the Report preparation is the balance, reliability and importance of information about the economic, social and environmental activities of the Company.



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- Report preparation principles
- Information Disclosure
- Feedback Form





1. MATERIALITY. The report reflects all material topics, issues and indicators of economic, environmental and social impact made by the Company based on the best management estimates of its results for the period covered and the interest of stakeholders.

2. STAKEHOLDER INCLUSIVENESS. The Company pursues a systematized approach to stakeholder engagement, which allows reasonably taking into account the public opinion and expectations.

3. SUSTAINABILITY CONTEXT. The report represents the balanced and reasonable information on all aspects of the Company sustainable development.

4. COMPLETENESS. The report provides information on all aspects of sustainable Company development during the reporting period in accordance with the GRI Standards and sector supplements for the oil and gas sector.

5. BALANCE. The report includes information on both the Company's achievements and the need to improve certain processes.

6. COMPARABILITY. When disclosing information, the Company was guided by GRI, the standard of sustainable development information preparation. The transition to application of a new-generation GRI standard did not affect the ability to compare the report data to the information provided in Annual Reports for the previous periods. The reporting boundaries have not changed. The report does not contain reformulations as compared to the previous year.

7. ACCURACY. The Company is committed to accurate and complete reflection of its performance so that the stakeholders could evaluate it objectively. It uses both qualitative descriptions and quantitative information, based on data from financial and statistical reporting.

8. TIMELINESS. The preparation of this report is planned and includes the interaction of internal and external stakeholders, certification audit and publication.

9. CLARITY. The information in the report is presented in an understandable form, the report does not use the highly specialized technical terminology, etc.; it contains no information requiring special knowledge. The report repeatedly uses tables, charts and graphs to visualize the information.

10. RELIABILITY. The report provides reliable information, which can be verified and confirmed. Some information from the report on the Company sustainable development performance was independently confirmed by NP Consult.



Information Disclosure

ANNEX 1

THE LIST OF TRANSACTIONS PERFORMED BY THE COMPANY IN 2018, RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

In the reporting period, the Company did not conclude any transaction recognized as major transactions in accordance with the Federal Law on Joint Stock Companies and other transactions subject to the procedure for approval of major transactions in accordance with the Company Articles of Association.

THE LIST OF TRANSACTIONS PERFORMED BY THE COMPANY IN 2018, RECOGNIZED AS TRANSACTIONS WITH INTEREST IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

	SIGNIFICANT TRANSACTION TERMS	PERSONS INTERESTED IN THE TRANSACTION	MANAGEMENT BODY, WHICH RESOLVED TO APPROVE THE TRANSACTION
1	Addendum No. 26 to the Gas Supply Contract No. 25 Pk-2007 dated December 13, 2007 with PJSC Gazprom. Establishment of supply volumes and gas prices for the first half of 2018: RUB1,731.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Board Members: A. I. Medvedev, V. V. Cherepanov E. V. Mikhailova	General Meeting of Shareholders, Minutes No. 51/2018 dated 20/03/2018
2	Addendum No. 23 to the Gas Supply Contract No. 28 Pk-2007 dated December 13, 2007 with CJSC Gazprom YURGM Trading. Establishment of supply volumes and gas prices for the first half of 2018: RUB 1,731.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 51/2018 dated 20/03/2018
3	Addendum No. 19 to the Gas Supply Contract No. 144/SNGP-2009 dated 29/10/2009 with JSC Gazprom YURGM Development. Establishment of supply volumes and gas prices for the first half of 2018: RUB 1,731.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 51/2018 dated 20/03/2018
4	Addendum No. 27 to the Gas Supply Contract No. 25 Pk-2007 dated December 13, 2007 with PJSC Gazprom. Establishment of gas prices for the second half of 2018: RUB 1,721.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Board members: A. I. Medvedev, V. V. Cherepanov, E. V. Mikhailova	General Meeting of Shareholders, Minutes No. 53/2018 dated 28/06/2018
5	Addendum No. 24 to the Gas Supply Contract No. 28 Pk-2007 dated December 13, 2007 with CJSC Gazprom YURGM Trading. Establishment of gas prices for the second half of 2018: RUB 1,721.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 53/2018 dated 28/06/2018
6	Addendum No. 20 to the Gas Supply Contract No. 144/SNGP-2009 dated 29/10/2009 with JSC Gazprom YURGM Development. Establishment of gas prices for the second half of 2018: RUB 1,721.64 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 53/2018 dated 28/06/2018



7	Contract No. 320/SNGP 2018-U for geophysical studies and works in wells while monitoring development of the Yuzhno-Russkoye field dated 09/07/2018 with Gazprom Georesurs LLC. Geophysical researches and works in wells while monitoring the development of the Yuzhno-Russkoye field totaling RUB 77,036,182.37 (including VAT).	Company shareholder — PJSC Gazprom	On 22/06/2018, the Board members were sent a notice on intention to perform a transaction with interest. No request to convene a meeting of the Board of Directors has been received.
8	Contract No. 31/21-2018 dated 31/08/2018 for geophysical researches and works in the course of well construction in the Turonian gas field of the Yuzhno-Russkoye field with Gazprom Georesurs LLC. The price is RUB 247,878,781.60 (including VAT).	Company shareholder — PJSC Gazprom	On 01/08/2018, the Board members were sent a notice on intention to perform a transaction with interest. No request to convene a meeting of the Board of Directors has been received.
9	Addendum No. 28 to the Gas Supply Contract No. 25 Pk-2007 dated December 13, 2007 with PJSC Gazprom. Adjustment of gas prices in the second half of 2018: RUB 2,105.23 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Board members: A. I. Medvedev, V. V. Cherepanov, E. V. Mikhailova	General Meeting of Shareholders, Minutes No. 55/2018 dated 08/11/2018
10	Addendum No. 25 to the Gas Supply Contract No. 28 Pk-2007 dated December 13, 2007 with CJSC Gazprom YURGM Trading. Adjustment of gas prices in the second half of 2018: RUB 2,105.23 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 55/2018 dated 08/11/2018
11	Addendum No. 21 to the Gas Supply Contract No. 144/SNGP-2009 dated 29/10/2009 with JSC Gazprom YURGM Development. Adjustment of gas prices in the second half of 2018: RUB 2,105.23 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Board member: T. Z. Morris	General Meeting of Shareholders, Minutes No. 55/2018 dated 08/11/2018
12	Addendum No. 29 to the Gas Supply Contract No. 25 Pk-2007 dated December 13, 2007 with PJSC Gazprom. Establishment of supply volumes and gas prices for 2019 supply year as RUB 2,116.18 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Board members: A. I. Medvedev, V. V. Cherepanov, E. V. Mikhailova	General Meeting of Shareholders, Minutes No. 56/2018 of 28/12/2018
13	Addendum No. 26 to the Gas Supply Contract No. 28 Pk-2007 dated December 13, 2007 with CJSC Gazprom YURGM Trading. Establishment of supply volumes and gas prices for 2019 supply year as RUB 2,116.18 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom	General Meeting of Shareholders, Minutes No. 56/2018 dated 28/12/2018
14	Addendum No. 22 to the Gas Supply Contract No. 144/SNGP-2009 dated 29/10/2009 with JSC Gazprom YURGM Development. Establishment of supply volumes and gas prices for 2019 supply year as RUB 2,116.18 per 1,000 cubic meters of gas (VAT excluded).	Company shareholder — PJSC Gazprom Member of the Board member: T. Z. Morris	General Meeting of Shareholders, Minutes No. 56/2018 dated 28/12/2018
15	Loan agreement with JSC Gazprom YURGM Trading. The loan amount is RUB 1.75 billion, the interest for use is 8.25% per annum paid on a monthly basis. The term of use is from April 1, 2019 to March 31, 2020*.	Company shareholder — PJSC Gazprom	Board of Directors, Minutes No. 177/2018 dated 27/12/2018 On 07/12/2018, the Board members were sent a notice of intention to perform a transaction with interest.
16	Loan agreement with JSC Gazprom YURGM Development. The loan amount is RUB 1.75 billion, the interest for use is 8.25% per annum paid on a monthly basis. The term of use is from April 1, 2019 to March 31, 2020*.	Company shareholder — PJSC Gazprom Member of the Board member: T. Z. Morris	Board of Directors, Minutes No. 177/2018 dated 27/12/2018 On 07/12/2018, the Board members were sent a notice of intention to perform a transaction with interest.

* The transactions referred to in paragraphs 15 and 16 above are not finalized as of 31/12/2018.



ANNEX 2 GRI CONTENT INDEX

All GRI disclosures in this report are based on the GRI Standards 2016

GRI 101 FOUNDATION

INDICATOR	COMMENT	P.	EXTERNAL ASSURANCE
–	Report preparation principles		N/A

GRI 102 GENERAL DISCLOSURES

ELEMENT	COMMENT	P.	EXTERNAL ASSURANCE
ORGANIZATIONAL PROFILE			
102-1	Registration information	134	N/A
102-2	Commodity base status	21	N/A
102-3	Registration information	134	N/A
102-4	Registration information	134	N/A
102-5	Registration information	134	N/A
102-6	Position in the industry and development prospects	13–14	N/A
102-7	Financial Performance Report Indicators Number and structure of staff Registration information	52 84–87 134	N/A
102-8	Number and structure of staff	84–87	N/A
102-9	Interaction with stakeholders	97–104	N/A
102-10	The authorized capital structure did not change in the reporting period, and other actions for increase, maintenance, and change of the amount of capital were not committed		N/A
102-11	The company adheres to 15 principles of the UN Declaration on Environment and Development, adopted in Rio de Janeiro on June 3–4, 1992		N/A
102-12	The Company did not join the charters developed by external parties		N/A
102-13	The Company became a member of self-regulatory organizations: The Union of Organizations Engaged in Engineering Research in the Oil and Gas Industry “Engineer-Prospector” and the Union of Organizations Performing Design Works in the Oil and Gas Industry “Engineer-Designer”		N/A
STRATEGY			
102-14	Message from Chairman of the Board of Directors Message from General Director	4 5	N/A
102-15	Major risk factors	123–127	N/A
ETHICS AND INTEGRITY			
102-16	Ethics and integrity	132–133	N/A
102-17	Ethics and integrity	132–133	N/A
GOVERNANCE			
102-18	Management structure The General Meeting of Shareholders is the supreme Company management body through which the shareholders exercise their right to participate in the Company management. Board of Directors is the management body performing overall Company management and responsible for strategic management, aimed at implementation of long-term goals and objectives, as well as monitoring of the Company performance. The Technical Committee of the Board of Directors is the consulting and advisory body to the Board of Directors established for preliminary consideration of the most important technical issues within the Board competence. CEO is the sole executive body managing the Company current operations and implementing the strategy defined by the Board of Directors	109–117	N/A
102-22	Management body structure	109–117	N/A

The GRI Content Index Service was performed on the Russian version of the report.

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report



ELEMENT	COMMENT	P.	EXTERNAL ASSURANCE
102-23	The Board Chairman is not an executive director		N/A
102-25	In accordance with Article 82 of the Federal Law on Joint Stock Companies, the Board members, the CEO and the Company shareholders disclose information on their interest in the transaction. In order to prevent the conflicts of interest, the Company strives to ensure that all transactions with interest were previously approved by the Board of Directors or the General Meeting of Shareholders. The Company quarterly discloses its list of affiliates on its official website and Interfax newsfeed. The Company Annual Report discloses a list of transactions with interest, performed by the Company in the accounting year, indicating the person concerned for each transaction, the essential conditions and the Company management body, which decided to approve the same		
102-29	Interaction with stakeholders The Technical Committee of the Board of Directors considers the reports on implementation of the annual work program and budget, as well as performance related to the occupational health, safety, environmental protection, and integrated management system. Information about the Company's compliance with the Corporate Governance Code recommendations is submitted to the Technical Committee, as well as the Board of Directors within the preliminary review of the Annual Report	97-104	N/A
102-31	Interaction with stakeholders The Technical Committee at the Board of Directors considers the report on performance related to the occupational health, safety, environmental protection and integrated management system on a quarterly basis	97-104	N/A
102-32	The Company Sustainable Development Report as a part of the Company Annual Report shall be previously considered by the Technical Committee and the Board of Directors. The annual report shall be approved by the General Meeting of Shareholders		N/A
102-35	Salary. Remuneration to the Board members. Remuneration to the CEO is paid according to the time-based individual system, providing for the payment of wages on the basis of the monthly salary established by the Agreement on Wages, forming an annex to the Employment Contract, as well as payment of compensation and incentives. The list of social guarantees and compensations to the CEO established in the employment contract	109-117 129-131	N/A
STAKEHOLDER ENGAGEMENT			
102-40	Interaction with stakeholders	97	
102-41	In 2018, all of the employer's obligations regarding the provision of social benefits, guarantees and compensations to employees stipulated by the Company Collective Employment Agreement for 2018 were fully implemented. Staff coverage by the Collective Employment Agreement is 100%.		
102-42	Interaction with stakeholders	97	
102-43	Interaction with stakeholders General Meetings of Shareholders, at which the most important issues of the Company operations are submitted for discussion are held 2-4 times a year. Meetings of the Board of Directors for the purpose of interaction with representatives of the shareholders to discuss strategic issues and current activities of the Company are carried out regularly (at least twice per quarter) in accordance with the work plan for a year or as needed. The meetings of the Technical Committee for preliminary discussion and preparation of recommendations on all essential technical issues of the Company operations are conducted on a regular basis (at least once a quarter), in accordance with the work plan for the year	97-104	N/A
102-44	Interaction with stakeholders During the reporting period, the parties concerned did not announce the concerns related to interaction with the organization. Changes in gas supply contracts were examined by working groups consisting of representatives of the shareholders, the Board of Directors, as well as at the general meetings of shareholders	97-104	N/A
REPORTING PRACTICE			
102-45	Setting priorities	65-66	
102-46	Report preparation principles	137-138	N/A
102-47	Setting priorities	65-66	N/A
102-48	Report preparation principles	137-138	N/A
102-49	Report preparation principles	137-138	



ELEMENT	COMMENT	P.	EXTERNAL ASSURANCE
102-50	2018		N/A
102-51	June 6, 2018		N/A
102-52	Annual		N/A
102-53	Feedback form	154	N/A
102-54	Sustainable development	65	N/A
102-55	GRI content index	141-150	N/A
102-56	Conclusion based on the external assurance results	152-153	N/A

MATERIAL TOPICS

ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
STANDARD SERIES: ECONOMIC			
GRI 201 ECONOMIC PERFORMANCE			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Key financial indicators	51	
103-3	Evaluation of the management approach Key financial indicators	51	
201-1	Key financial indicators Financial Performance Report Indicators Interaction with stakeholders Report on payment of declared (accrued) dividends on the Company shares	51 52 97-104 121	N/A
201-3	Staff wages and social support	89-90	N/A
201-4	Key financial indicators Financial Performance Report Indicators Control and management bodies of financial and economic activities	51 52 109-117	N/A
GRI 204 PROCUREMENT PRACTICES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Interaction with stakeholders	103	
103-3	Evaluation of the management approach Interaction with stakeholders	103	
204-1	The share of local suppliers in the organization procurements	103	N/A
GRI 205 ANTI-CORRUPTION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Ethics and integrity	132-133	
103-3	Evaluation of the management approach Ethics and integrity	132-133	
205-2	Ethics and integrity	132-133	N/A
205-3	Ethics and integrity	132-133	N/A
RESERVES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
103-2	The management approach and its components The state of the commodity base	21–23	
103-3	Evaluation of the management approach The state of the commodity base	21–23	
OG-1	The state of the commodity base	21–23	N/A
STANDARDSERIES: ENVIRONMENTAL			
GRI 301 MATERIALS			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Environmental protection	68–69	
103-3	Evaluation of the management approach Environmental protection	68–69	
301-2	There is no reusable/recyclable material used for the production of basic products and services		N/A
GRI 302 ENERGY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Energy consumption and energy supply	75	
103-3	Evaluation of the management approach Energy consumption and energy supply	75	
302-1	Total fuel consumption in the organization of non-renewable energy sources: • Natural gas (total) — 208.2 million m ³ or 6,930,353.4 GJ, including 19.270 million m ³ or 641,440.49 GJ for power generation; 188.93 million m ³ or 6,288,912.91 GJ for process equipment operation • Gasoline — 223.00 tons or 9,738.83 GJ • Kerosene — 1,230 tons or 52.29 GJ • Diesel fuel — 628.00 tons or 27,057.82 GJ Total fuel consumption from renewable sources: 0 Total electricity consumption: 37,621,800.00 kWh or 135,438.48 GJ, including: • electricity consumption, own production — 35,831,982.00 kWh, or 128,995.14 GJ • energy consumption, purchase — 1,789,818.00 kWh, or 6,443.34 GJ Total heating energy consumption: 39,854.718 Gcal or 166,863.73 GJ, including: • heating energy consumption, own production — 35,392.678 Gcal or 148,182.06 GJ • heating energy consumption, purchase — 4,462.040 Gcal or 18,681.67 GJ Total energy consumption for cooling — 0 Total steam consumption — 0 Overall volume: • electricity sold: 564,808.00 kWh or 2,033.31 GJ • sold fuel/energy for heating: 0 • sold fuel/energy for cooling: 0 • sold steam: 0 The total energy consumption is: 6,990,294.04 GJ f. Standards, techniques and assumptions used. g. Conversion factor used: 1 kWh = 3.6*10 ⁻³ GJ 1 Gcal = 4.1868 GJ Natural gas: 1 thousand m ³ = 33.287 GJ Natural gas: 1 m ³ * (k = 1.154) = trf Gasoline: 1 ton = 1.49 * trf * (k = 29.31) = GJ DT: 1 ton = 1.47 * trf * (k = 29.31) = GJ Kerosene: * 1 ton = 1.45 trf * (k = 29.31) = GJ	75–76	Yes, in terms of the energy consumption



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
302-3	The energy consumption is 1.032 million kWh/billion m ³ Natural gas — 208,200.0 thousand m ³ or 6,930,353.40 GJ The ratio of energy intensity includes: fuel, electricity. The ratio is based on the energy consumption within the organization		N/A
302-4	The total reduction of energy consumption resulting from the energy saving initiatives is 583,011.06 GJ It was considered when calculating the saving on electricity, heat energy, and natural gas. The basis to calculate the reduction of energy consumption: – electric power in comparison with the reference 2017 (based on the goals and objectives of EMS); – heating energy and natural gas in comparison with the plan for 2018	75–77	Yes, in terms of the energy saving
GRI 303 WATER			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Water supply	72	
103-3	Evaluation of the management approach Water supply	72	
303-1	Water supply Surface waters, including the water from wetlands, rivers, lakes and oceans — 0 The groundwater — 83.71 thousand m ³ Rainwater, directly collected and stored by the organization — 0 Wastewater of another organization — 0 Municipal water supply or other public or private water utilities — 6.41 thousand m ³ To calculate the amount of water taken from OJSC Severneftegazprom, the meter readings are used. Data on the water supply are in the table "Key environmental protection indicators"	72–74	Yes, in terms of the total water withdrawal by source
303-2	Water supply The water withdrawal by the Company has no significant impact on water sources. The impact is assessed on the basis of issued licenses SLKh 01821 VE and SLKh 01383 VE for subsoil use, as well as inventory counting	72–74	N/A
303-3	Water supply The total amount of water recycled is 841.98 thousand m ³ The total volume of recycled water as a percentage of the total water intake specified in the reporting element 303-1 is 1,048% Standards, techniques and assumptions used are the monitoring and measuring devices	72–74	N/A
GRI 304 BIODIVERSITY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Environmental protection	68–69	
103-3	Evaluation of the management approach Environmental protection	68–69	
304-2	The organization does not have a significant direct and indirect impact on biodiversity		N/A
304-3	The area of 2.403 hectares was remediated. The lands were transferred to the owner after acceptance by the YaNAO department commission		N/A
304-4	There is no protected species in the areas affected by the Company operations		N/A
GRI 305 EMISSIONS			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Emissions	70	
103-3	Evaluation of the management approach Emissions	70	



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
305-1	Total direct greenhouse gas emissions in CO ₂ equivalent — 398.9399 tons Gases accounted for in calculation of the direct greenhouse gases emissions — CO ₂ , CH ₄ . CO ₂ emissions from the biomass decomposition (landfill) — 0.05085 thousand tons Reference year — not defined in connection with commissioning of new facilities, retrofitting or change in the scheduled work stopping methods. Order of the Ministry of Environment of Russia dated 30/06/2015 N 300 "On approval of the guidelines and regulation on quantification of greenhouse gas emissions by organizations performing economic and other activities in the Russian Federation". Global Warming Potential (GWP) — 25	70–71	N/A
305-2	In accordance with the regulatory and methodological base of the Russian Federation, the required information and reporting on indirect greenhouse gas emissions is not collected		N/A
305-3			N/A
305-4	The greenhouse gas emission intensity factor — 15.876 Organization-specific indicator selected to calculate this ratio: numerator — greenhouse gas emissions, tons; denominator — extracted natural gas, million m ³ . Types of greenhouse gases included in calculation of the stress intensity factor: direct emissions (coverage area 1). Gas considered when calculating this indicator — methane	70–71	N/A
305-5	Emissions The total amount of reduction in greenhouse gas emissions in CO ₂ equivalent — 34.031 thousand tons, of which: – reduction of CO ₂ emissions — 10.112 thousand tons; – reduction of CH ₄ greenhouse gas emissions equivalent to CO ₂ — 23.919 thousand tons Recorded gas — CO ₂ , CH ₄ Reference year — not defined in connection with commissioning of new facilities, retrofitting, change of scheduled work stops, change of the calculation of greenhouse gas emissions in connection with the Order of the Russian Ministry dated 30/06/2015 N 300 "On approval of guidelines and manuals to quantify the greenhouse gas emissions of organizations engaged in economic and other activities in the Russian Federation". The total volume of direct reduction of emissions (coverage area 1) in CO ₂ equivalent is 34.031 tons	70–71	N/A
305-6	There is no emission of ozone-depleting substances		N/A
305-7	Emissions	70–71	Yes, as regards the pollutant weight
GRI 306 EFFLUENTS AND WASTE			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Recycling	71	
103-3	Evaluation of the management approach Recycling	71	
306-1	Water supply Standard wastewater discharge is max 500 m ³ per day. 1. The wastewater is discharged by pumping into the absorbent horizon. 2. Installed wastewater quality standards: Mineral oil, max 150 mg/dm ³ . Suspended solids — max 300 mg/dm ³ . Methanol, max — 40,000 mg/dm ³ . TEG — max 4,000 mg/dm ³ . PH, min — 6.8 pH. Dissolved oxygen concentration, max — 5 mgO ₂ /dm ³ . Hydrogen sulfide, max — 15 mg/dm ³ . Sulfates — max 300 mg/dm ³ . Iron oxide, max — 3 mg/dm ³ . Domestic wastewater is supplied to AE-150 B biological wastewater treatment plant, where it is subject to the mechanical separation of impurities and bioremediation. 3. The wastewater is not re-used by the other organizations. Technological project of disposal of industrial and household wastewater in the Yuzhno-Russkoye oil, gas and gas condensate field	72–74	N/A



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
306-2	Total weight of hazardous waste — 609.968 tons, by recycling method(including 2.741 tons accumulated in 2017): • Reuse — 48.892 tons • Recycling — 0 tons • Composting — 0 tons • Recovery, including energy recovery — 34.642 tons • Incineration (mass burning) — 1.596 tons • Injection into deep aquifers — 0 tons • Placement in the landfill — 491.142 tons • Storage at the company site — 26.435 tons • Other (decontamination) — 10.002 tons The total weight of non-hazardous waste — 144.391 tons, by recycling method(including 25.774 tons accumulated in 2017): • Reuse — 0 tons • Recycling — 0 tons • Composting — 0 tons • Recovery, including energy recovery — 143.369 tons • Incineration (mass burning) — 0 tons • Injection into deep aquifers — 0 tons • Placement in the landfill — 23.819 tons • Storage at the company site — 2.977 tons • Other — 0 tons Information obtained on the basis of own data (waste disposed at own disposal facilities) and standard data from the waste disposal contractor (waste transferred to a third party). The principles of classifying the waste as hazardous and non-hazardous based on the Federal Law dated 24/06/1998 N 89-FZ (version dated 25/12/2018) on Production and Consumption Waste	71–72	Yes, in terms of the total mass of waste
306-3	In 2018, no spill has been recorded		N/A
306-4	Hazardous waste transportation: • Transported hazardous waste — 26.679 tons • Imported hazardous waste — 0 tons • Exported hazardous waste — 0 tons • Recycled hazardous waste — 0 tons Share of hazardous waste transported to foreign destinations — 0 tons Standards, techniques and assumptions used: Article 16 of the Federal Law on Production and Consumption Waste dated 24/06/1998 N 89-FZ (version dated 25/12/2018). I–IV hazard classes are classified as hazardous wastes. Wastes of V hazard class are classified as non-hazardous		N/A
306-5	There is no water body affected by wastewater		N/A
OG- 5	In accordance with technological project of industrial and household waste water burial in the Yuzhno-Russkoye oil, gas and gas condensate field, the wastewater is injected into the absorbent horizon The total volume of reservoir water is 9.83 thousand m ³ Volume/fraction of back-injected reservoir water — 9.83 thousand m ³ /100%		N/A
OG- 6	Hydrocarbon torch burning volume — 2881.106 thousand m ³ , including during the well study — 2,835.640 thousand m ³ Hydrocarbon constant burning volume — 34.098 thousand m ³ Bled hydrocarbon volume — 681.880 thousand m ³ Constantly bled hydrocarbon volume — 0 thousand m ³ Torch burning and bleeding volume for gas and oil production, including the production volume — 161.563 million barrels in oil equivalent		N/A
OG- 7	Record keeping and disposal of drilling waste shall be the contractor's responsibility		N/A
GRI 307 ENVIRONMENTAL COMPLIANCE			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Environmental protection	68–69	



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
103-3	Evaluation of the management approach Environmental protection	68–69	
307-1	According to the results of audit conducted by the Office of Rospryrodnadzorfor YaNAO, the Company was charged two fines it was billed for the total amount of RUB 200,000. For non-compliance with environmental legislation, 5 non-financial sanctions have been charged. Fines and non-monetary sanctions of the Company in 2018 are pending the judicial review At the time of the Report, the trial court reversed 3 sanctions and a fine totaling UAH 100,000		N/A
STANDARD SERIES: SOCIAL			
GRI 401 EMPLOYMENT			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	84	
103-3	Evaluation of the management approach Staff and social policy	84	
401-1	Number and structure of the staff 10.3% is the total turnover of the Company staff in 2018, calculated in accordance with the GRI Standards	87	Yes, in terms of the total turnover
401-3	Number and structure of staff	85–87	N/A
GRI 403 OCCUPATIONAL HEALTH AND SAFETY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Occupational Safety and Health	78	
103-3	Evaluation of the management approach Occupational Safety and Health	78	
403-1	OJSC Severneftegazprom created and operates a Central Standing Committee for Labor Protection and Industrial Safety of level IV. The commission includes 25 persons, who are the heads of the Company departments. The Commission considers the issues of industrial safety and health of employees		N/A
403-2	Health protection During the reporting period, no injuries of personnel were registered Absentee rate (AR) — 2.96%	79–80	Yes, in terms of injuries of personnel and absentee rate
403-3	Personnel and production safety The company does not have employees engaged in professional activity involving a high risk of injury or a high incidence of certain diseases		N/A
403-4	The relationship between employees and the Company are based on a Collective Employment Agreement		N/A
GRI 404 TRAINING AND EDUCATION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	91	
103-3	Evaluation of the management approach Staff and social policy	91	
404-1	Personnel development and management of labor efficiency	91–92	Yes, in terms of the average annual number of hours of training by employee gender and category



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
404-3	Personnel development and labor efficiency management Talent pool formation and dealing with young professionals	93	N/A
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	84–87	
103-3	Evaluation of the management approach Staff and social policy	84–87	
405-1	Staff size and structure	84–87	N/A
GRI 406 NON-DISCRIMINATION			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	88	
103-3	Evaluation of the management approach Staff and social policy	88	
406-1	Personnel management	88	N/A
GRI 408 CHILD LABOR			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	88	
103-3	Evaluation of the management approach Staff and social policy	88	
408-1	Personnel management	88	N/A
GRI 409 FORCED OR COMPULSORY LABOR			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Staff and social policy	88	
103-3	Evaluation of the management approach Staff and social policy	88	
409-1	Personnel management	88	N/A
GRI 411 RIGHTS OF INDIGENOUS PEOPLES			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65–66	
103-2	The management approach and its components Interaction with stakeholders	97	
103-3	Evaluation of the management approach Interaction with stakeholders	97	
411-1	Interaction with stakeholders	97–104	Yes
OG-9	Interaction with stakeholders	97–104	N/A



ELEMENT	COMMENTS	P.	EXTERNAL ASSURANCE
GRI 413 LOCAL COMMUNITIES			
GRI 103	Management approach		N/A
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Interaction with stakeholders	97	
103-3	Evaluation of the management approach Interaction with stakeholders	97	
413-1	Interaction with stakeholders	97-104	N/A
OG-10	Interaction with stakeholders	97-104	N/A
INVOLUNTARY RESETTLEMENT			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Interaction with stakeholders	97	
103-3	Evaluation of the management approach Interaction with stakeholders	97	
OG-12	Interaction with stakeholders	97-104	N/A
THE INTEGRITY OF THE ASSETS AND TECHNOLOGICAL SAFETY			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Personnel and production safety	78	
103-3	Evaluation of the management approach Personnel and production safety	78	
OG-13	Personnel and production safety No accident or incident was registered at the Company facilities	78-83	Yes, in terms of the number of accidents
GRI 417 MARKETING AND LABELING			
GRI 103	Management approach		
103-1	Explanation of the material topic and its Boundary	65-66	
103-2	The management approach and its components Interaction with stakeholders	97-104	
103-3	Evaluation of the management approach Interaction with stakeholders	97-104	
417-3	In 2018, no case of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship was revealed		N/A

ANNEX 3 METHOD OF CALCULATING THE INDEPENDENTLY VERIFIED MATERIAL INDICATORS OF THE COMPANY SUSTAINABLE DEVELOPMENT

INDICATORS	CALCULATION METHODOLOGY AND BOUNDARY
Total employee turnover	The staff turnover factor was calculated according to two methodologies: 1) PJSC Gazprom methodology: the ratio of employees retired voluntarily and without good reason versus the average number of employees during the reporting period (see "The staff number and structure"); 2) GRI standards methodology: ratio of the number of retired employees versus the number of employees at the end of the reporting period (Annex 2 "GRI Content Index"). This indicator takes into account the employees of all Company units in accordance with the Report boundaries.
Number of injuries of personnel	When calculating the number of accidents in 2018, the severity of injuries of all types, which caused the employee's disability for a period of not less than one day was considered. The indicator takes into account the employees of all Company units in accordance with the Report boundaries.
Pollutant emission weight	The pollutant emission weight is the sum of emissions of nitrogen oxides, sulfur oxides, methane, carbon monoxide, volatile organic compounds and solids, expressed in tons. The calculation was made by the Company emission sources, located at YROGGCF.
Total water withdrawal by source	The total volume of water is calculated as the total volume of taken groundwater, reservoir and acquired (municipal) water. Calculation includes the water consumption by the Company units in Urengoy, Novy Urengoy and at YROGGCF.
Total weight of waste generation	The total weight of waste is calculated as the total weight of waste of all hazard classes, formed by the Company units in Urengoy, Novy Urengoy and YROGGCF.
Total energy consumption	The total amount of energy consumption includes the consumption of non-renewable fuels (natural gas for energy production, gasoline, diesel and kerosene), purchased electricity net of energy sold to the third parties, and purchased heat. Amount of consumption of each energy type is translated into GJ, taking into account the conversion factors. The indicator includes the energy consumption by the company offices in Urengoy, Novy Urengoy and YROGGCF.
Percentage of competitive procedures from the total volume of procurements	The share of competitive procurement is calculated as the ratio of the amount under the contracts concluded with a counterparty, the winner of a competitive procurement, versus the total amount of contracts concluded during the reporting period. The indicator takes into account the procurements by all Company in accordance with the Report boundaries. The indicator is calculated with VAT included. The reporting year procurements include the procurement contracts with the date of conclusion related to the reporting year. Contracts designed for performance over several years shall be accounted for in the year of conclusion in full.
Number of cases of complaints about violations of the rights of indigenous peoples of the North	The cases of complaints about violations of the rights of indigenous peoples of the North for the period are calculated on the basis of records in a single log of inquiries and feedbacks, which consolidated all incoming inquiries from stakeholders. The indicator takes into account the cases of complaints about violations of the rights of indigenous peoples of the North, received by all Company units in accordance with the Report boundaries.
Absentee rate	Absenteeism at the workplace is calculated as the ratio of days of absence divided by the total time actually worked by the staff during the reporting period.
The average annual number of training hours per employee, by employee gender and category	The indicator is calculated in accordance with GRI Standards as the ratio of the number of hours of training versus the total number in the appropriate category or gender.
Number of accidents	This indicator is disclosed on the basis of data on the registered accidents during the reporting period. The accidents are understood in accordance with the Federal Law dated 21/07/1997 No. 116-FZ on Industrial Safety at Hazardous Production Facilities.
Reduction of energy consumption	It was considered when calculating the saving on electricity, heating energy and natural gas. The basis to calculate the reduction of energy consumption: • electric power in comparison with the reference 2017 (based on the goals and objectives of EMS); • heating energy and natural gas in comparison with the plan for 2018.



ANNEX 4 CONCLUSION ON THE RESULTS OF EXTERNAL ASSURANCE

INDEPENDENT ASSURANCE REPORT ON SELECTED MATERIAL SUSTAINABILITY PERFORMANCE INDICATORS PUBLISHED IN OJSC SEVERNEFTEGAZPROM ANNUAL REPORT 2018

INTRODUCTION

The Independent Assurance Report is addressed to the Management of OJSC Severneftegazprom.

The subject of assurance is information on sustainable development in the Annual Report for 2018 of OJSC Severneftegazprom (hereinafter referred to as Report), namely the following selected twelve material sustainability performance indicators published in the Report (hereinafter referred to as Selected Indicators):

- 1) Total employee turnover;
- 2) The average annual number of training hours per employee, by employee gender and category;
- 3) Number of accidents;
- 4) Number of injuries of personnel;
- 5) Absentee rate;
- 6) Number of cases of complaints about violations of the rights of indigenous peoples of the North;
- 7) Total energy consumption;
- 8) Reduction of energy consumption;
- 9) Total water withdrawal by source;
- 10) Pollutant emission weight;
- 11) Total weight of waste generation;
- 12) Percentage of competitive procedures from the total volume of procurements.

RESPONSIBILITIES

The management of OJSC Severneftegazprom bears full responsibility for the preparation and fair presentation of the Report. We are responsible for the results of independent assurance of the Selected Indicators only to OJSC Severneftegazprom within the engagement entered into with OJSC Severneftegazprom and do not assume any responsibility to any third party.

SCOPE, CRITERIA AND LEVEL OF ASSURANCE

The criterion of our engagement was compliance of the Selected Indicators to the requirements of GRI Sustainability Reporting Standards.

The engagement was planned and performed in accordance with the International Standard on Assurance Engagement ISAE 3000 (revised) "Assurance engagements other than audits or reviews of historical financial information" (limited level of assurance).

The selective verification of information in the Report performed under aforementioned level of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the management of the entity and its employees, publicly available information and analytical methods of verification. In relation to the quantitative information contained in the Report the work performed cannot be considered sufficient for identification of all possible deficiencies and misstatements. However, the collected evidence is sufficient for expressing our conclusion in accordance with the above level of assurance.

METHODOLOGY OF ASSURANCE

In our engagement, we have performed the following procedures:

- Interviewing the management and employees of OJSC Severneftegazprom and obtaining documentary confirmation related to the Selected Indicators;
- Study of information available on the website of OJSC Severneftegazprom related to its activities in the context of sustainable development;

- Study of public statements of third parties concerning economic, environmental and social aspects of the OJSC Severneftegazprom activities, in order to check validity of the declarations made in the Report;
- Benchmarking of the Report with non-financial reports of companies working in the similar market segment;
- Analysis of sustainability topics which are material for OJSC Severneftegazprom;
- Selective review of documents and data related to the Selected Indicators, including one on the efficiency of OJSC Severneftegazprom management systems of economic, environmental and social aspects of sustainable development;
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of information in the Report for compliance to the aforementioned criteria.

LIMITATIONS OF THE ENGAGEMENT

The engagement was performed only in relation to data for the year ended 31 December, 2018.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance of the Selected Indicators to the requirements of GRI Sustainability Reporting Standard. In respect to the quantitative performance indicators the conformity assessment to external and internal reporting documents provided to us is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of OJSC Severneftegazprom to take any action relating to the future. The assurance on the statements which are based on expert opinion is not performed.

CONCLUSIONS

The following conclusions are based on the assurance work performed within the limitations of the engagement specified above.

As a result and within the scope of our work, we did not identify material non-compliance of the Selected Indicators disclosing information on sustainable development of OJSC Severneftegazprom to the requirements of GRI Sustainability Reporting Standard.



STATEMENT OF COMPETENCE AND INDEPENDENCE

"NP Consult" LLC, an independent audit firm, professionally rendering assurance services, is a licensed provider of assurance services in accordance with AA1000 Assurance Standard. "NP Consult" LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". "NP Consult" LLC complies with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. "NP Consult" LLC applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. "NP Consult" LLC employs a system of quality control of audit services, including control of compliance to ethical norms.

"NP Consult" LLC states that the present assurance report is an independent auditor's conclusion on Selected Indicators. "NP Consult" LLC and its staff have no relations with OJSC Severneftegazprom that could result in the conflict of interest related to the independent assurance of the Selected Indicators.

General Director
"NP Consult" LLC _____ N.Y. Khrenov



Moscow, March 29, 2019



Feedback Form

DEAR READERS,

You have read the Annual Report of OJSC Severneftegazprom 2018. Your opinion is very important to us and we would be grateful if you could help us improve the quality of reporting by answering the questions on this form.

1. Have you got an idea on the sustainable development of OJSC Severneftegazprom after reading the report?

- a. Yes
- b. No
- c. Difficult to answer
- d. Please, leave a comment: _____

2. What is your impression concerning the information provided in the Report?

- a. Interesting
- b. Not impressive
- c. Difficult to answer

3. How do you assess the Report in terms of accuracy, objectivity and completeness of information?

- a. Good
- b. Bad
- c. Neutral
- d. Please, leave a comment: _____

4. How do you assess the report in terms of the convenience of finding information?

- a. Convenient
- b. Normal
- c. Inconvenient
- d. Please, leave a comment: _____

5. What section was the most interesting, in your opinion: _____

6. What operations of OJSC Severneftegazprom, in your opinion, need to be improved to enhance the corporate social responsibility: _____

7. What additional information about the Company efforts for sustainable development would you like to see in the Report: _____

8. Your general comments on the Annual Report of OJSC Severneftegazprom 2018: _____

9. Are you or your organization interested in a dialogue on preparation of the Company Sustainable Development Report for 2019:

- a. Yes, our contact details: _____
- b. No

10. What organizations, in your opinion, should be invited to the dialogue on preparation of a Sustainable Development Report for 2019: _____

11. To what stakeholder group do you belong:

- a. Company employee
- b. Investor
- c. Shareholder
- d. Customer
- e. Contractor
- f. Authority representative
- g. NGO representative
- h. Media
- i. A resident of the territory in which the Company operates
- j. Other: _____

12. Leave your contacts: _____

13. What is your preferred communication method: _____

Please, send the completed form to:

OJSC Severneftegazprom,
Public Relations and Media Service,
P.O. box 1130, Novy Urengoy,
Yamal-Nenets Autonomous Okrug,
Russian Federation, 629300

You can send this form, your opinions and questions about the Company operations and statements to: sngp@sngp.com

All incoming inquiries, opinions and questions will be considered when preparing the next Company Report.

