



NOVATEK

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NOVATEK SUSTAINABILITY REPORT
ON THE TERRITORY OF THE
RUSSIAN FEDERATION IN 2013

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LETTER FROM THE CHIEF EXECUTIVE OFFICER



DEAR STAKEHOLDERS,

I am very pleased to present our latest Sustainability Report for 2013 and our ongoing commitment to operating in a sustainable manner. The main objective of our corporate development strategy consists of creating shareholder value along with the adherence to the most stringent Health, Safety and Environmental ("HSE") standards. To meet our corporate objectives, we work

on developing our resource base, increasing our hydrocarbon production, expanding our processing facilities and marketing channels by carefully following sustainable development principles. The application of these sustainable development principles underlies our management decision-making process and is imbedded throughout the organization and our corporate training guidelines.

In 2013, we launched new hydrocarbon production facilities and expanded our Purovsky Gas Condensate Processing Plant by completing the construction of the plant's third stage. The first and second stages of the Stable Gas Condensate Fractionation and Transshipment Complex at the Ust-Luga port on the Baltic Sea were also put into operation. The Ust-Luga Complex is equipped with state-of-the-art systems and has become a new link in our vertically integrated value chain for gas condensate, which enables us to increase the value added of our products. With the successful launches we have completed the expansion of our processing segment and have balanced our gas condensate processing capacities with the relevant production potential.

The final investment decision on the Yamal LNG Project in late 2013 became a stand-out event for NOVATEK. As part of the project, as at year end 2013, main tenders were held and main contracts for equipment supplies and construction works concluded, as well as significant progress was achieved in concluding long-term LNG sales contracts.

As part of our long-term strategy we pay special attention to the international LNG markets, as this represents the most dynamic segment amongst all other hydrocarbon markets. This growth is

largely due to the competitive advantages of natural gas as compared to other energy sources. Natural gas is cheaper than liquid hydrocarbons and renewable energy sources, and much more environmentally friendly than coal and safer than atomic energy. According to independent forecasts, the LNG market will continue growing at a rapid pace and by 2025 its volume may exceed 460 million tons, which is virtually two times higher than its current volume.

Russia's share in the global LNG market currently comprises less than 5%, but is expected to increase with the successful implementation of new LNG projects. In this case, LNG production at the Yamal peninsula compares favorably with other projects due to huge conventional resource base, low production costs and high competitiveness in all major consuming markets. The development of LNG production on the Yamal peninsula will lead to further development of the Northern Sea Route and create additional incentives for the development of the Russian industry.

In 2013, NOVATEK achieved another year of solid financial results and continued to demonstrate excellent operating dynamics. Due to our successful geological exploration works the Company managed to record a more than 130% reserve replacement rate during the past year. Gross natural

gas production increased by 8.5%, whereas our liquid hydrocarbon production increased by 11.4%. Following the results of the past year, NOVATEK's share in Russia's gross natural gas production totaled 9.3%, an increase of 0.5 percentage points compared with 2012.

In implementing our marketing strategy, we methodically expanded the share of end consumers in our overall gas sales volumes mix by significantly increasing our market presence in the Moscow and Kostroma regions. We also continued expanding our retail chain for liquefied petroleum gas, and in 2013, our sales of this environmentally friendly fuel through our wholly owned stations increased by 5%. In the Chelyabinsk Region, NOVATEK initiated discussions with the local administration on the possible replacement of gasoline and diesel fuel used by municipal vehicles with liquefied petroleum gas.

We act in close collaboration with stakeholders by developing interaction with industrial consumers, increasing customer service level and arranging for a transparent and competitive procurement system. We discuss matters of production development with representatives of local communities. In the reporting year, we put up for public debates our plans related to the Utrenneye field development and Sabetta sea port construction.

To mitigate the negative environmental impact, we work on associated petroleum gas (APG) utilization. The level of APG use has almost doubled against the previous reporting period reaching 93.7% (including 95% at the East-Tarkosalinskoye field), and as a result, NOVATEK ranked among the top five Russian oil-and-gas companies in terms of APG utilization efficiency.

Demonstrating openness and accountability to society, in 2013, NOVATEK continued its participation in the Carbon Disclosure Project (CDP), which disclosed information on greenhouse gas emissions and energy production efficiency, as well as the CDP Water Disclosure Project, which disclosed information on the use of water resources.

NOVATEK promotes mutually beneficial co-operation and partnership with the federal, regional and local authorities, and we are interested in creating and promoting a mutually favorable social environment in the areas of our operation, and accordingly, we invest funds in social infrastructure development. In 2013, NOVATEK invested RR 197 million in social-economic development of the regions where it operates. We provide continuous support to indigenous minority populations of the Far North through educational programs and charitable contributions in various areas.

We would never reach the level of success we have achieved without the dedication and commitment of our employees, who are truly considered one of our key assets and the foundation for implementing our corporate strategy. It is because of their commitment coupled with our support that we create safe workplaces, various opportunities for development and growth, social protection and a wide range of benefits.

Two thousand and fourteen is a special year for the Company as we celebrate our 20th Anniversary, and throughout this time period we have built a world-class natural gas company. We are sincerely grateful to all those who have been with us throughout these past twenty years, and we look forward to the next decade with shared optimism as we continue to construct our Yamal LNG project and begin the process of transforming NOVATEK into a global natural gas company.

CHIEF EXECUTIVE OFFICER,
OAO NOVATEK
LEONID MIKHELSON



REPORT AND REPORTING PROCESS



NOVATEK prepares its Sustainability Reports in accordance
with the Global Reporting Initiative (GRI) guidelines.

REPORT AND REPORTING PROCESS

We consider the regular reporting of NOVATEK's sustainable development practices as one of our fundamental responsibilities to stakeholders. Therefore, along with information on financial and operating results provided in our Annual Report, we also report our contribution and progress toward sustainable development on an annual basis.

We attempt to analyze how the development of our business affects the Company's stability and economic development of the territories of its operation. We publish our Sustainability

Report and disclose the information on our achievements in social and economic development of the regions where we operate, our workplace health and safety, and our progress towards minimizing the environmental impact at our production operations. Implementing human resources and social policies is also an essential issue. We discuss relationships with our industry partners, government authorities, NGOs and indigenous communities.

USING NON-FINANCIAL REPORTING SYSTEMS AND VERIFICATION

The Company uses an Annual Reporting cycle. This Sustainability Report for 2013 (hereafter referred to as the "Report") is our seventh such report and has been developed using approaches, and quantitative and qualitative performance indicators suggested by Sustainability Reporting Guidelines of the Reporting Guidelines of the Global Reporting Initiative (GRI 3.1), and GRI Oil and Gas Sector Supplement for the companies in the oil and gas sector. The present report included 19 new indicators previously undisclosed and complies with the Application Level GRI B+.

Verification of the report's data and an Assurance Statement of compliance with the principles and requirements of the GRI reporting system have been prepared by SGS Vostok Ltd. An independent review is published on page 61 of this Report.

PRINCIPLES FOR PRESENTING AND SELECTING INFORMATION

In preparing this Report we were guided by the principles of balance, comparability, accuracy, clarity and reliability.

When the Report concept was being developed, a working group consisting of representatives of our core business units responsible for preparing the report compiled a list of the Company's high-priority issues directly related to the economic, environmental and social impact of our operations, which we felt was of the highest interest to our stakeholders. In preparing the report we took into account the analysis of global trends in the oil and gas industry, best reporting practices of world industry leaders, stakeholders' requests and opinions expressed in the course of monitoring, regular communications, joint events and dialogs. Media publications about the Company and auditors' recommendations were also taken into consideration.

REPORT BOUNDARY

The Report presents information on NOVATEK activity in the period from 1 January through 31 December 2013, and essential information outside the reporting period important for evaluation of facts and events, which occurred in 2013. Data from previous years was used to report on trends with respect to a number of indicators.

The key performance indicators in the Report, including those making up the GRI EC1 indicator are presented according to International Financial Reporting Standards (IFRS). We also used data from management accounts, financial statements, government statistics reports and subsidiaries' reports; internal audit reports and inspection reports on subsidiaries from government control and supervisory authorities. Proven hydrocarbon reserves are independently appraised according to standards promulgated by the U.S. Securities and Exchange Commission (SEC).

To convert natural gas reserves into barrels of oil equivalent ("boe") we used a single conversion ratio: 1,000 cubic meters = 6.54 boe. To convert crude oil and gas condensate reserves from tons to barrels we used various conversion ratios depending on the liquid hydrocarbon density at each field applied by DeGolyer & MacNaughton in their appraisal report of our reserves.

The reporting boundaries for 2013 include OAO NOVATEK, its core subsidiaries and joint ventures. Information in sections on personnel and environmental impact of industrial activity is provided in relation to Russian assets.

Environmental impact assessment in 2013 applies to industrial facilities of the NOVATEK Group of Companies including:

- NOVATEK-TARKOSALENEFTEGAS
- NOVATEK-YURKHAROVNEFTEGAS
- Yamal LNG
- Terneftegas
- Sibneftegas
- YARGEO
- NOVATEK-Purovsky ZPK
- NOVATEK-Transervice
- NOVATEK-Ust-Luga
- Nortgas
- NOVATEK-AZK

The Company's current corporate structure is provided at our website: <http://www.novatek.ru/ru/about/company/structure/>.

In 2013, we additionally included NOVATEK – Moscow Region, NOVATEK – Kostroma, Arcticgas and Nortgas in the reporting boundaries as compared with the previous report.

The scope of data on OAO NOVATEK, NOVATEK Polska and NOVATEK Gas & Power is limited due to the non-productive nature of activities of these companies. For the purposes of data consolidation for a number of quantitative environmental indicators these companies have not been included in the reporting boundary.

To avoid repetition, information already disclosed in our Annual Report or previous sustainability reports is referenced in the respective documents.

A table of standard GRI reporting elements is presented on page 63 of this Report.

Publication of the next report is planned in Q4 2015. Hereafter in the Report, the expressions, "Company", "NOVATEK" and "we" refer to OAO NOVATEK, its subsidiaries and joint ventures, unless otherwise indicated.

COMPANY PROFILE

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ОАО NOVATEK is Russia's largest independent natural gas producer and the second-largest natural gas producer in Russia.

COMPANY PROFILE

NOVATEK is Russia's largest independent natural gas producer and the second-largest natural gas producer in Russia.

We are principally engaged in the exploration, production, processing, transportation and marketing of natural gas and liquid hydrocarbons.

We are ranked number four (4) among the public companies worldwide in terms of proven natural gas reserves (according to the SEC reserve methodology) and number seven (7) in terms of natural gas production (according to industry publications). The Company's main producing and processing assets are concentrated in the Yamal-Nenets Autonomous Region (YNAO), one of the world's largest natural gas producing regions.

NOVATEK plays a significant role in Russia's energy sector: in 2013, the Company accounted for approximately 9.3% of total Russian natural gas production, 34.5% of natural gas produced by the Russian independent producers and 18.4% of total natural gas deliveries to the domestic market through the Unified Gas Supply System.

During 2013, we supplied natural gas to 29 regions of the Russian Federation. The Company's primary liquid hydrocarbon sales volumes in 2013 were comprised of stable gas condensate, petroleum products and liquefied petroleum gas. Following the initial launch of the Stable Gas Condensate Fractionation and Transshipment Complex at Ust-Luga in June 2013 naphtha became the main product in NOVATEK's liquids sales volumes mix. We also produce crude oil, which is sold both on the domestic and international markets. In 2013, we sold 1,078 thousand tons of LPG, of which more than half (53.4%) was sold in the international markets – in Poland, Lithuania, Hungary, Romania, Slovakia and Finland.

Due to the commissioning of our Ust-Luga Complex we began selling petroleum products rather raw materials. Since commissioning, a total of 1,606 thousand tons of petroleum products were sold from the Ust-Luga Complex in 2013.

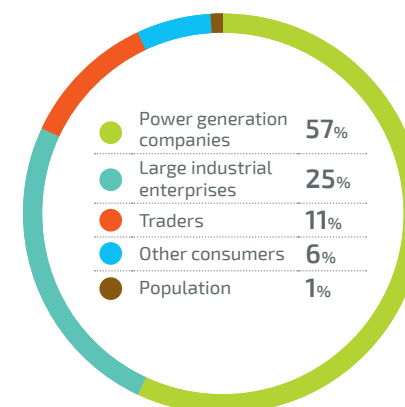
We sold 94% of naphtha to the Asian-Pacific region with the remaining naphtha volumes sold to South America. The other petroleum products produced from the Ust-Luga Complex were fully sold on the European markets.

During 2013, we sold 627 thousand tons of crude oil, a 41.9% increase as compared to the volumes sold in 2012. We sold 63.2% of our crude oil volumes on the domestic market, with the remaining volumes exported to international markets.

The headcount of OAO NOVATEK, its subsidiaries and joint ventures (included in the boundaries of this report) as of 31 December 2013 was 7,784 people.

NATURAL GAS SALES IN 2013 WITH BREAKDOWN BY CONSUMERS, %

Power generation companies still remain our primary consumers for natural gas.



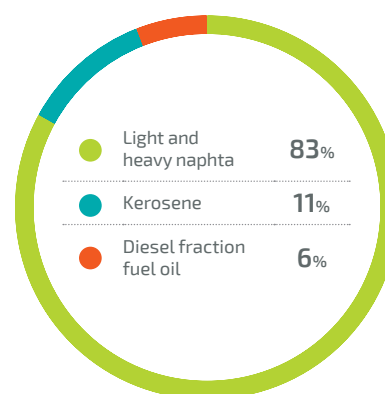
GROSS HYDROCARBON PRODUCTION

		2011	2012	2013
Total	mmbobe	385	411	447
Gross production of natural gas	bcm	53.54	57.32	62.22
Gross production of liquid hydrocarbons	mt	4,124	4,287	4,774

MAIN RESULTS FOR 2013

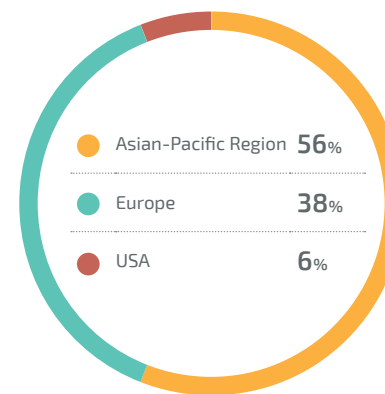
- Total proved hydrocarbon reserves increased by 1.2% to 12.5 billion barrels of oil equivalent (boe) according to the SEC proven reserve standards.
- In 2013, we added 582 mmboe of proved reserves, inclusive of 2013 production, and recorded a 132% reserve replacement rate.
- At year-end 2013, the Company's reserve to production ratio (or R/P ratio) was 29 years.
- Our reserve replacement costs over the last three years were RR 61.24 (USD 1.95) per boe and lifting costs were RR 18.8 (USD 0.59) per boe.
- Gross natural gas production (including the Company's share in production of joint ventures) increased by 8.5% to 62.22 billion cubic meters (bcm) as compared to 2012.
- Gross liquid hydrocarbon production amounted to 4.77 mmt (of which 84.2% was unstable de-ethanized gas condensate), representing an 11.4% increase over the prior year.
- Crude oil production increased by 45.8% to 755 thousand tons.
- NOVATEK's share in Russia's natural gas production increased from 8.8% in 2012 to 9.3% in 2013.
- NOVATEK's share in gas deliveries to the domestic market via the UGSS was 18.4% in 2013.
- Total revenues increased to RR 298.2 billion, or by 41.3% as compared to 2012, while natural gas sales volumes increased by 9.0%, including a 39.7% increase in volumes sold to end-consumers.

UST-LUGA COMPLEX OUTPUT STRUCTURE IN 2013, %

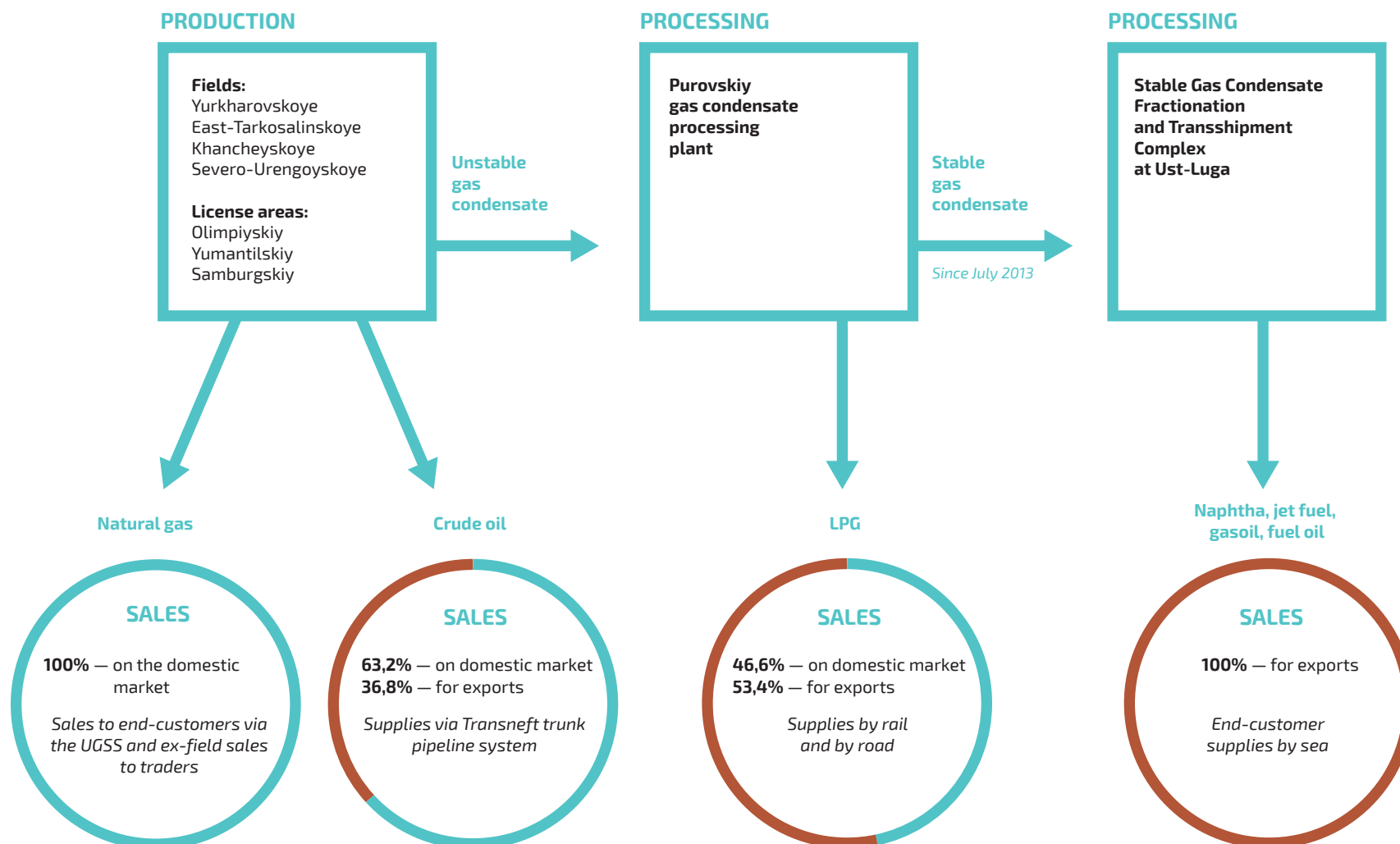


MAIN SGC EXPORT REGIONS, %

During 2013, we sold 2,117 thousand tons of stable gas condensate, whereas more than half of our stable gas condensate export volumes (56%) were sold to the Asian-Pacific region



OPERATING SCHEME OF NOVATEK IN 2013



CREATED AND DISTRIBUTED ECONOMIC VALUE, RR MILLION*

	2011	2012	2013
Generated direct economic value			
Revenues	178 665	212 704	300 499
Distributed economic value			
Operating costs	62 464	86 251	143 907
Employee wages and benefits	7 603	10 677	10 903
Payments to providers of capital	20 588	25 420	30 561
Payments to governments	29 026	32 988	45 037
Community investments	135	177	192
Retained economic value	58 849	57 191	69 899

* Pursuant to the EC1 (GRI G3.1) indicator and some reclassifications were due to improvement of methodology on the basis of the consolidated financial statements in accordance with IFRS.

AWARDS

- NOVATEK retained its position among the top ten fastest growing companies in Europe, Middle East and Africa in the “250 major global energy companies” rating by Platt’s;
- Highly commended in the “Best Investor Relations, Russia” category of IR Magazine Awards Europe 2013;
- NOVATEK won in the “Transaction of the Year” nomination as part of the “Results of the Year in the Urals and Siberia” Award of the expert information channel UralPolit.Ru with the support of the authorized representative of RF President in the Ural Federal District;
- NOVATEK is listed among four Russian companies perceived by investors as the best companies in terms of IR and corporate governance according to the results of the study conducted by J.P. Morgan Depositary Receipts Services;
- The study “Telemechanics Management Information System at the Yurkharovskoe Field — Purovsky Plant Condensate Pipeline” won the public prize of the N.K. Baibakov International Fuel-Power Association (IFPA) in the realm of power engineering and community sustainable development;
- NOVATEK’s Project “Drill Cuttings Treatment Technology” won the tenth commemorative Vernadsky National Environmental Prize in the Innovative Eco-efficient Technologies for Industrial Application category. The National Environmental Prize was established by the V.I. Vernadsky Nongovernmental Environmental Foundation.



ECONOMIC PERFORMANCE AND SUSTAINABILITY

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Economic, environmental and social principles of sustainable development are an integral part of our Corporate Strategy.

ECONOMIC PERFORMANCE AND SUSTAINABILITY

HYDROCARBON EXPLORATION AND PRODUCTION

EXPLORATION

As of 31 December 2013, the Company's SEC proved reserves (including our equity ownership interest in the proved reserves of joint ventures) totaled 12,537 mmboe, representing a 1.2% increase as compared to proved reserves as of the end of 2012, inclusive of production totaling 582 mmboe. In 2013, we managed to replace our proved reserves by 132% despite selling a 20% stake in the Yamal LNG project and divesting our 51% stake in Sibneftegas. The increase in our proved reserves under international reserve reporting standards was due to successful exploration works at the Company's fields, ongoing production drilling, acquisition of a license for the East-Tazovskoye field and an increase of our equity stake in the SeverEnergiya Joint

Venture to almost 60%. The increase of our effective share in this joint venture resulted in higher share of liquids in our proved reserves. Our proved reserves of liquid hydrocarbons increased by 26% as compared to year-end 2012, and their share in the overall proved hydrocarbon reserves increased to 9%.

Ongoing exploration activities on the Gydan Peninsula and in the Gulf of Ob are potential reserve replacement drivers in the future. In 2013, we continued full-scale exploration works in this region, including assessment of the resource potential of the license areas and preparatory works for exploration drilling on the Gydan Peninsula. The Company also continued exploration work activities at its fields and license areas in the Nadym-Pur-Taz region, including the license areas of SeverEnergiya.

PRODUCTION

In 2013, NOVATEK carried out commercial hydrocarbon production at 10 fields. NOVATEK's gross production (including the Company's share in production of joint ventures) totaled 447 mmboe (439 mmboe of sales production), representing an 8.8% increase as compared to the level of 2012.

Gross natural gas production (including the Company's share in production of joint ventures) increased by 8.5% to 62.22 bcm as compared to 2012. In 2013, the Company's share in gross natural gas production in Russia was 9%. Gross production of liquid hydrocarbons increased by 11.4% as compared to 2012. Sales production totaled 4.75 mmt.

The growth in our natural gas and gas condensate production was primarily due to expansion of production capacities at the Yurkharovskoye field and acquisition of an equity stake in the Nortgas joint venture developing the North-Urengoyevskoye field, as well as the launch of the second phase of gas treatment facility at our Samburgskoye field and drilling new development wells at the field.

In 2013, we completed the works on commissioning the second phase of the booster compressor station at our Yurkharovskoye field, which included four compressor units with a total capacity of 100 MW, thus increasing the overall compressor capacity at the station to 175 MW. The station is essential for maintaining plateau gas production level at the field.

A new record was set for the wellbore length at the Yurkharovskoye field following the completion of an 8,495-meter well with a horizontal section of 1,500 meters. A total of six (6) new gas condensate wells were launched at the field with an average initial flow rate of 1.8 mmcm of natural gas per day. Within the pilot oil program the second oil well was drilled at the field and achieved the initial flow rate of 74 tons per day.

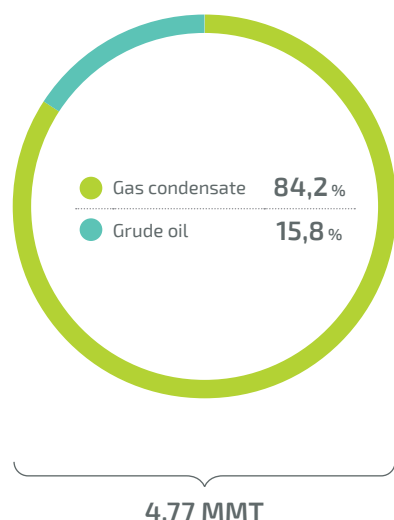
In October 2013, NOVATEK launched a part of the Urengoyevskoye field located within the Company's Olimpiyskiy license area with the field's production capacity estimated at one (1) bcm of natural gas per annum. Four (4) production wells were operating at this field as of the end of 2013.

In 2013, active development of the Eastern Dome of the North-Uren-goyskoye field was underway as part of the Nortgas joint venture. The Eastern Dome was launched in October 2013. Twenty-three (23) production wells have been completed at the Eastern Dome at year-end and its infrastructure included a gas treatment facility with annual capacity of six (6) bcm, gas gathering networks, and gas and gas condensate pipelines connected to the Western Dome of the field.

In 2013, commercial oil production was conducted at three NOVATEK's fields – East-Tarkosalinskoye, Khancheyskoye and Yurkharovskoye. Maximum oil volumes exceeding two (2) thousand tons per day were produced at the East-Tarkosalinskoye field, where intensive drilling was carried out, which ensured the significant increase in crude oil production. In 2013, we drilled and commissioned 21 oil wells at this field with an average initial flow rate of 85 tons per day. During the reporting year, overall crude oil production of NOVATEK increased by 45.8% to 755 thousand tons.

Works were underway at the Yarudeyskoye oil field including backfilling of well pads, roads, and central oil treatment facility, construction of electricity lines, oil and gas pipelines.

GROSS LIQUID HYDROCARBON PRODUCTION
(INCLUDING THE COMPANY'S SHARE IN PRODUCTION
OF JOINT VENTURES), %



YAMAL LNG PROJECT

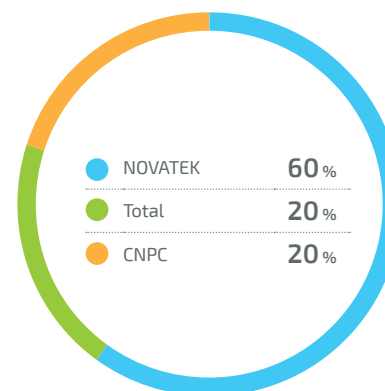
The Yamal peninsula with its unique hydrocarbon resource base is one of the most important strategic centers of the Russian oil and gas producing industry.

Since 2010, the Yamal LNG project is being implemented on the peninsula, and envisages the construction of an LNG plant including three (3) trains with overall capacity of 16.5 mmt of LNG per annum. The final investment decision, or FID, for the project was made in December 2013 with the planned commercial launch of the first LNG train in 2017.

Yamal LNG (a JV between NOVATEK, Total and CNPC) is the operator of the project, the license holder and owner of all the assets. The project is based on the resource base of the South-Tambeyskoye field, which 2P PRMS reserves are estimated at 927 bcm of natural gas. The field development plan provides for drilling 208 wells at 19 well pads. Production drilling began at the field in 2013 with eight (8) production wells completed during the year — their testing confirmed the basic parameters of the geological model.

In 2013, the main tenders were completed and key contracts (including contracts for the long-lead items) were signed as a part of the project implementation. In particular, the EPC contract has been

**YAMAL LNG'S SHAREHOLDING
STRUCTURE AS OF 31.12.2013, %**



awarded to the joint venture of Technip, JGC and Chiyoda. A slot reservation agreement was signed with Daewoo Shipbuilding & Marine Engineering Company for construction of up to 16 ARC-7 ice-class LNG carriers.

In 2013, construction sites for the first train of the LNG plant, power plant and LNG storage facilities were prepared. Basic infrastructure was being built in 2013, including the airport, roads, fuel storages, power station, utility networks, boiler house, living quarters and canteens. Sixty percent (60%) of the airstrip was completed and the construction of the airport terminal and other specialized operational facilities began.

In 2013, we sold a 20% stake in the project to China National Petroleum Corporation (CNPC). In addition to direct participation in the project, the new partner will annually purchase a minimum of three (3) million tons of LNG, thus providing access for the project to the fast-growing Chinese market. Collaboration with CNPC also envisages the provision of external financing for the project from the Chinese financial institutions.

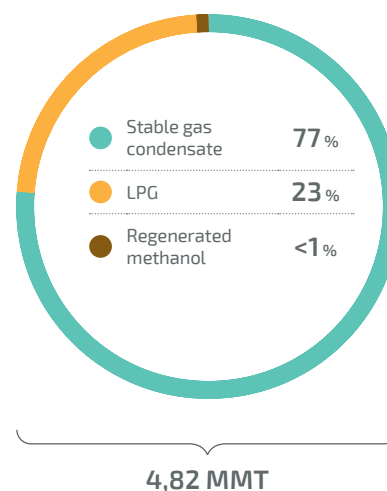
PROCESSING

EXPANDING CAPACITY OF THE PUROVSKY PLANT

The Purovsky Gas Condensate Processing Plant is the main processing asset of NOVATEK and the central element in our vertically integrated gas condensate production chain. The main products obtained after processing at the Purovsky Plant are stable gas condensate (SGC) and liquefied petroleum gas (LPG).

Due to the planned increase in gas condensate production volumes the capacity of the Purovsky plant was expanded in 2013 from five (5) to 11 mmt per annum following the launch of four (4) new gas condensate stabilization trains with six (6) million tons per annum overall capacity. The expanded capacities are

STRUCTURE AND OUTPUT OF THE PUROVSKY PLANT IN 2013, %



able to produce more than eight (8) million tons of stable gas condensate and three (3) million tons of LPG per annum.

Moreover, in 2013, the automated process control system of the Purovsky Plant was modernized. The system was significantly expanded thus allowing us to combine several production segments into a single information space in order to control the entire technology process from a single control center.

Due to production growth at the Samburgskoye field, start of deliveries to the Purovsky Plant of de-ethanized gas condensate from the North-Urengoykoye field and launch of the Eastern Dome of the field in October 2013, the volumes of de-ethanized gas condensate processed at the Purovsky Plant increased to 4.86 million tons in the reporting year, or by 20.5% compared with the previous period. We produced 3,712 thousand tons of stable gas condensate, 1,088 thousand tons of LPG, and 16 thousand tons of regenerated methanol.

Since June 2013 substantially all of the stable gas condensate produced at the Purovsky Plant is delivered by rail to the Ust-Luga Complex for further processing.

UST-LUGA COMPLEX

In 2013, we launched the Gas Condensate Fractionation and Transshipment Complex located at the all-season port of Ust-Luga on the Baltic Sea. The complex processes stable gas condensate delivered from the Purovsky Plant into naphtha, gasoil, jet fuel and fuel oil, and also enables to ship the refined petroleum products to our customers by sea.

The complex includes a stable gas condensate fractionation unit with six (6) mmt per annum capacity, 520 thousand cubic meters of storage facilities for feedstock and products, two (2) deep-water berths equipped with loading arms, administrative buildings and living quarters, engineering systems and networks, and sewage treatment facilities. The first phase of the Complex with three (3) mmt per annum capacity was launched in June 2013, the second phase of the same capacity — in October 2013.

The main product of the Ust-Luga Complex is naphtha, which used as a feedstock for the petrochemical industry.

The deeper processing of gas condensate enabled us to expand the range of higher value-added products, diversify markets and extend our customer base. Commissioning of the Complex also allowed us to optimize logistics and reduce mileage of rail transportation by 383 km due to more favorable geographical location of Ust-Luga compared to the port of Vitino, through which we had previously exported our stable gas condensate.

For the Leningrad Region, the successful launch of the Ust-Luga Complex created a new large industrial center on its territory, new jobs and additional tax revenues. For Russia the Ust-Luga Complex is a contribution to the development of deeper processing of hydrocarbons, and a move toward more value-added goods.

The Ust-Luga Complex is equipped with a modern management information system which ensures maximum possible automation level and includes emergency shutdown systems, distributed control systems, automatic fire extinguishing systems, automated power supply control systems, level measuring systems, vibration monitoring systems, alerting systems, information multi-display systems (video walls).

In 2013, the Ust-Luga Complex processed 1,873 thousand tons of stable gas condensate into 1,831 thousand tons of end products, including 1,522 thousand tons of light and heavy naphtha, 190 thousand tons of jet fuel and 119 thousand tons of fuel oil and gasoil.

TRANSPORTATION

MARINE TRANSPORTATION

Petroleum products are shipped from the Ust-Luga port by tankers to our customers in Asian-Pacific countries, Europe, South America. The complex includes two berths from which different products can be loaded simultaneously onto two tankers. In June 2013, the first delivery to Brazil was carried out and by year-end 2013, twenty six (26) tankers of different deadweight were shipped to different countries.

In 2013, as part of the St. Petersburg International Economic Forum, NOVATEK, Sovcomflot and Vnesheconombank signed a Memorandum of Cooperation providing for the construction of two LNG carriers for the Yamal LNG project. Vnesheconombank will finance the construction of LNG carriers and Sovcomflot will operate them. The agreement provides for the transfer of LNG vessel construction technologies to the Russian party, arrangement for Russian specialists training at foreign shipyards and subsequent technological support to organize construction of such vessels in Russia. Daewoo Shipbuilding & Marine Engineering was awarded the contract for the construction of the Arctic class LNG tankers based on tender results.

CONSTRUCTION OF SABETTA PORT

The Yamal LNG project implementation envisages construction of transport infrastructure near Sabetta village in the North-eastern part of the Yamal peninsula, which shall include a seaport and an airport facility. A new international seaport in Yamal is expected to become the biggest transportation junction on the Northern Sea Route that will provide for year-round navigation. The project is being implemented under a public-private partnership whereby the dredging works and construction of ice-protection walls are financed by the government, while the construction of berths and other main facilities is funded by Yamal LNG.

At the stage of elaborating design documentation, numerous engineering and ecological surveys and mathematical simulation-based studies were carried out. In order to increase results accuracy of assessing the project's anthropogenic impact on the environment, investigations have been conducted during a lengthy period of time. Famous biologists also took part in this work. The results of such surveys, investigations and expert evaluations show that the anthropogenic impact of the construction in the Gulf of Ob would be temporary and would not lead to irreversible changes in the state of the ecosystem and its individual components. Negative impact will be compensated by fish stock restoration and strict compliance with environmental protection arrangements.

In 2013, design documentation for construction of seaport facilities near Sabetta village on the Yamal peninsula, including a navigable approach channel in the Gulf of Ob, gained approval from the state environmental expert review.

In 2013, operation of the materials offloading berths began enabling the first winter navigation at the port, which ensures year-round delivery of construction materials. In late 2013, construction of the main port facilities began.

The significance of the new port for the development of Russia's transport infrastructure is proved by the fact that the issues pertaining to the construction of the port and the Yamal LNG project were discussed in September 2013 at a special meeting in Salekhard under the chairmanship of President of Russia.

For more detailed information on the stakeholders' engagement regarding the port construction programs see section "Public Hearings on the Port of Sabetta Construction Programs".

RAILWAY TRANSPORTATION

The liquid hydrocarbons produced at the Purovsky Plant are transported to our Ust-Luga Complex by OOO NOVATEK-Transservice, a 100% subsidiary of NOVATEK. In 2013, 7,900 rail cisterns were owned or leased for these purposes, of which 4,500 were used for the transportation of LPG and the remaining part for the transportation of stable gas condensate.

In 2013, NOVATEK-Transservice completed implementation of an Automated Control System for a Non-Public Railway Tracks at Zavodskaya Station. As a result of the system implementation the Company's specialists are able to conduct on-line monitoring of railway situation, control rail cisterns loading process at the loading facilities and monitor rail cars movement via rail network. The implemented ACS is integrated into the automated system of Russian Railways. It increased the efficiency of transport planning, reduced the human factor impact and facilitated significant savings in resources, in particular, energy.

MARKETING AND SALES

NATURAL GAS SALES

In 2013, the Company successfully continued implementing its marketing strategy aimed at increasing the share of end consumers in its overall natural gas sales volumes mix and expanding its market presence in the regions of strategic importance for the Company. The share of end customers in our overall gas sales volumes mix increased to 88.9% as compared to 69.3% in 2012. This became possible due to new contracts concluded with end customers and acquisition of a 82% participation interest in Gazprom Mezhregiongas Kostroma in December 2012 (renamed NOVATEK-Kostroma).

In 2013, NOVATEK's natural gas sales volumes increased by 9% compared to 2012. We increased our natural gas supplies to the Moscow region (Moscow Citi and Moscow Region), Kostroma Region, Vologda Region, Tyumen Region and Perm Territory. In the reporting year we supplied natural to 29 regions of the Russian Federation. The main regions of our natural gas sales, including Chelyabinsk, Moscow, Kostroma, Orenburg, Vologda, Sverdlovsk, Tyumen regions, Moscow Citi and St. Petersburg, Perm Territory and Khanty-Mansiysk Autonomous Area accounted for 82% of our total gas sales.

The Company accounted for 18.4% of total natural gas deliveries to the domestic

market through the Unified Gas Supply System (UGSS), representing an increase of 2.1% percentage points as compared to 2012.

During 2013, our total revenues from natural gas sales increased to RR 205 billion or by 43.7%, as compared to 2012, due to the combination of higher volumes sold, the increase of sales to the end-customer segment and an increase in the regulated gas tariff.

INTERACTION WITH INDIVIDUAL NATURAL GAS CONSUMERS

The Company takes responsibility not only for reliable supply of consumers with energy resources, but also strives to use modern approaches towards relationships with consumers and constantly improve customer service in order to save their money and time.

The Chelyabinsk Region was the first one where NOVATEK started working with individual consumers as an independent supplier. As of the end of 2013, the number of individual consumers here was 847 thousand people. The Chelyabinsk region is supplied by NOVATEK-Chelyabinsk, a subsidiary of NOVATEK.

In 2013, we supplied 763 mcm of natural gas to the population of the Chelyabinsk Region. Residents of Chelyabinsk and

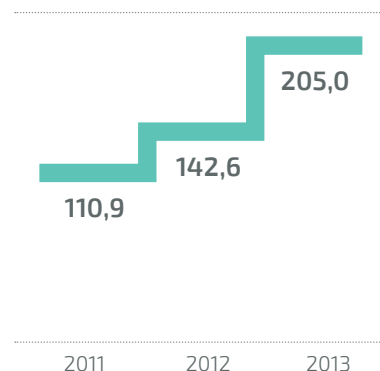
NATURAL GAS SALES, BCM



Magnitogorsk accounted for a little less than a half of the energy carrier volume supplied.

NOVATEK-Chelyabinsk customers are able to solve most problems related to natural gas supply via the customer telephone help desk. Calls to the single number of the Contact-center 8-800-700-80-74 are free of charge for the entire population of the region. Customer's Personal Account and the electronic form "Ask a Question" are available on the website www.novatek74.ru. The Customer's Personal Account enables browsing of payment and charge history, monitoring personal account balance, entering meter indications, and paying for gas by debit card. The number of electronic services is constantly increasing. In 2013,

REVENUE FROM NATURAL GAS SALES, RR BILLION



customers received the opportunity to set in advance the day and time of their visit to the customer section. Information in Customer's Personal Account is updated on a daily basis, and consumers' personal data are securely protected. In 2013, more than 20 thousand consumers used this service, while the number of incoming calls exceeded 70 thousand.

One thousand and six hundred inquiries on different issues related to regional gas supplier activity were received by the Company in 2013 via gaz@rg74.novatek.ru and the Customer's Personal Account on the corporate web-page.

Numbers of daily visits to customer centers varies from 500 to 3,000 people. In 2013 2,500 legal entities applied to consumer centers on such matters as

metering station check-up, contractual work and bookkeeping documentation. In 2013, a new customer center was opened in the central office building of NOVATEK-Chelyabinsk. Here, modern personal reception technologies and services are implemented including: electronic registry and the "one contact" system.

Since January 2013 NOVATEK also supplies gas to all customer categories in Kostroma Region through NOVATEK-Kostroma.

LPG RETAIL NETWORK

NOVATEK has an extensive retail LPG sales network. In 2013, it consisted of 64 refueling stations and seven (7) gas-filling stations using state-of-the-art equipment.

In the Chelyabinsk Region, the LPG retail network of NOVATEK constitutes one fifth of the regional market. In 2013, activities on bringing filling station design into compliance with the unified corporate style continued. To improve efficiency of consumer informing on fuel sales conditions, the price board standard was changed. The price board is an important decoration element, a distinctive visiting

card of a filling station, and the first visual mark, which determines that the filling station is owned by the Company. One hundred and eight thousand tons of LPG were sold through NOVATEK's station network in Chelyabinsk, Volgograd, Rostov and Astrakhan regions in 2013, which is 4.9% more than in 2012.

PROMOTION OF LPG AS AN ENVIRONMENTALLY FRIENDLY AND COST-EFFICIENT FUEL

In order to increase LPG retail sales, NOVATEK launched a program involving transition of the car fleet of legal entities and individuals in the Chelyabinsk, Volgograd and Rostov regions to environmentally friendly fuel. Aside from environmental advantages of LNG as a motor fuel, the following technical and economic aspects of motor vehicle transition to gas-cylinder equipment are important for car owners: extension of engine life and service interval mileage. The practice of operating motor vehicles using LPG fuel proves high reliability of gas-cylinder equipment which is constantly improving and allows switching any gasoline car to gas usage. At that the same time, even at average mileage, the re-equipment investment is

paid off within a maximum of 6–12 months while fuel expenses are at least halved. As the number of gas propelled vehicles is still insignificant and the daily average number of fueling per one gas filling station is incomparable with the same for filling stations, the Company considers the vehicle transfer to LPG to be a long-term program.

Increase of maintenance level, service quality and expansion of services range at gas filling stations is another priority area of the Company's activity. NOVATEK-AZK has ensured favorable service terms for private car owners and legal entities with installed gas-cylinder equipment. Individuals, who participate in the Switch to Gas program, are entitled to a discount card with a fixed discount, partly compensating for equipment installation expenses. Almost 4 thousand drivers residing in Rostov, Volgograd and Chelyabinsk region have already taken advantage of this opportunity.

For corporate clients, the Company offers a corporate loyalty program, as part of which they are entitled to a discount for fuel, with a discount rate

depending on procured volumes and duration of cooperation. Already at the initial stage, the minimal discount for corporate clients is 7%. Over the course of 2013, 279 enterprises became corporate clients of NOVATEK, of which 206 are in Chelyabinsk Region with sales volumes of 1,744 tons, and 73 in the Volgograd and Rostov Regions with sales volumes of 444 tons.

In Chelyabinsk Region in 2013, NOVATEK has initiated discussions on replacement of gasoline and diesel fuel used by municipal vehicles with liquefied petroleum gas. According to the results of the meeting, a working group was created including managers of Chelyabinsk Region Transport Department, NOVATEK-AZK and OAO GTLK. As part of this project, the decision was taken on Chelyabinsk Region acquiring 100 mid-range PAZ-class buses, using LPG as engine fuel, to transport passengers in Chelyabinsk and Zlatoust. Moreover, the issue of transferring municipal motor vehicles to LPG was discussed jointly with regional ministries.

DIALOG WITH INDUSTRIAL CONSUMERS

INCREASE OF EFFECTIVENESS OF INDUSTRIAL CONSUMER GAS SUPPLY AND CONSUMPTION METERING

In 2013, NOVATEK-Chelyabinsk started a program on implementation of a unified information system for dispatch control and operative metering of gas supplied to industrial consumers. The system will allow automating activities of Company's specialists as regards to the collection and processing of technological and commercial data. At that the same time, it will be integrated with external informational resources of gas transmission enterprises, gas-distributing organizations and other partners participating in gas production, transportation, processing, storage and consumption. All this will help to ensure the accuracy and reliability of data, and thereby reduce labor costs and human factor impact, increase the manageability level and reduce time of interaction with consumers.

Dialog with Industrial Consumers

To maintain systematic and open dialog with stakeholders, in mid-April 2013 the senior management of OAO NOVATEK took part in a meeting arranged by the Kostroma regional government to find a solution to the problem of the low payment discipline of natural gas consumers and repayment of accumulated debts to the supplier. Based on the results of the meeting, decisions were taken to eliminate the non-payment problem.

Customer Service Quality Improvement

Increasing the customer service level is an important constituent of the overall customer-oriented strategy of the Company. Regional sales companies pay special attention to the professionalism of specialists directly interacting with the Company's end users, in particular, to the efficiency of the work of gas service inspectors.

To increase the efficiency of work with clients NOVATEK develops its employees' communication skills, ability to clearly present new services. Thus, to develop professional skills and create a team of agents for promotion of the Customer's Personal Account internet service, a seminar-workshop was carried out for NOVATEK-Chelyabinsk employees in 2013. About 30 inspectors from the region center and remote territories of Chelyabinsk Region underwent such training. Moreover, in

2013 a group of Chelyabinsk Region customer service managers, during a business trip to Germany, became familiar with the experience of their colleagues – operators from the European energy company E.On.

NOVATEK-AZK's gas filling station No. 12 was declared the winner of the first city contest for the best refueling station organized by Chelyabinsk government jointly with regional administrations in the category The Best Gas Refueling Station. The winner was selected based on a whole range of criteria, including external and interior appearance, availability of information for customers. Other factors were also considered, including condition and availability of process equipment, level of work place arrangement, development and implementation of new types of service, personnel qualification, availability of discounts and bonus programs for customers.

PURCHASE OF GOODS AND SERVICES

NOVATEK adheres to principles of fair competition, and all corporate procurement is carried out exclusively on a tender basis.

Any company may take part in a tender, as long as it complies with the tender conditions and has filed an application, completed as per the tender requirements. Counterparties are selected based on the quality of their products or services, financial stability

and bid prices. All things being equal, preference is given to local suppliers. NOVATEK has a decentralized supply structure. The tenders are organized by subsidiaries of the Company, while OAO NOVATEK controls the procurement process. This approach allows participation of subsidiary representatives in the process of supplier selection, thereby increasing the responsibility level of subsidiaries for the end result.

Business partner interaction approaches are communicated by Company representatives to suppliers and contractors during specialized exhibitions, forums and other public events. For example, in 2013 a representative of NOVATEK made a presentation: "Procurement Activities of the NOVATEK Group of Companies" at the Procurement in Oil and Gas Industry (NEFTEGASSNAB-2013) conference and reported on organization of a procurement system in the Group and work with suppliers.

CORPORATE GOVERNANCE

NOVATEK considers high standards of corporate governance as means of increasing operating efficiency and business integrity, and raising the Company's reputation.

The Company has established an effective and transparent system of corporate governance complying with both Russian and international standards. NOVATEK's supreme governing body is the General Meeting of Shareholders. The corporate governance system also includes the Board of Directors, the Board Committees, and the Management Board, as well as the internal control and audit bodies. The Company's corporate governance procedures and practices is governed by the Charter and internal documentation, including: Corporate Governance Code, Code of Business Conduct, etc. The activity of all these bodies is governed by the applicable laws of the Russian Federation, NOVATEK's Charter and internal documents available on our website: (<http://www.novatek.ru/en/about/management/doc>).

Details of NOVATEK's corporate governance system are given in the corresponding chapter of the Company's Annual Report for 2013, published on the corporate web-page: <http://www.novatek.ru/en/investors/reviews>.

NOVATEK strives to consider the principles of corporate governance outlined in the Corporate Governance Code recommended by the Russian Federation's Federal Commission for the Securities Market*, as well as follows recommendations of the UK Financial Reporting Council's Combined Code on Corporate Governance to the extent possible, and suggests to shareholders and investors other solutions aimed at protection of their legitimate rights and interests.

As of the end of 2013, the Board of Directors was comprised of nine (9) persons including six (6) independent directors (as at the election date) according to the Russian Federal Law On Joint-Stock Companies.

In 2013, the structure of corporate

governance bodies and the functions they perform have not changed. The Company's corporate governance structure and current membership in governance bodies can be found on our website at <http://www.novatek.ru/en/about/management>.

Total dividends accrued for 2013 amounted to RR 23.96 bln (RR 20.8 bln in 2012). Total dividend payments for 2013 including the interim dividends paid for the first half of the year amounted to RR 7.89 per ordinary share or RR 78.9 per GDR, which exceeds the payments for 2012 by 15%.

Based on results of a research carried out in August 2013 by the Arsagera Management Company, NOVATEK featured in the Top-5 companies with the best corporate governance. Member of the Board of Directors of NOVATEK, Burckhard Bergmann was considered to be one of the 50 best independent directors based on the rating of professionals in corporate governance in 2013 prepared by Independent Directors Association for Director of the Year 2013 National Award.

SHARE CAPITAL STRUCTURE AS OF
31 DECEMBER 2013, %



Deutsche Bank Trust Company Americas	25 %
000 Santata	13 %
Total E&P Arctic Russia	14 %
Gazfin Cyprus Limited	10 %
000 Levit	7 %
000 Belona	6 %
SWGI Growth Fund (Cyprus) Limited	6 %
Other (share less 5%)	19 %

* Directive No. 421/p of the Federal Securities Commission of Russia of 4 April 2002



ENVIRONMENTAL PROTECTION



NOVATEK's Integrated Management System for Environmental Protection, Occupational Health and Safety (IMS) is the primary tool for implementing OAO NOVATEK's HSE Policy.

ENVIRONMENTAL PROTECTION

ENVIRONMENTAL PROTECTION MANAGEMENT

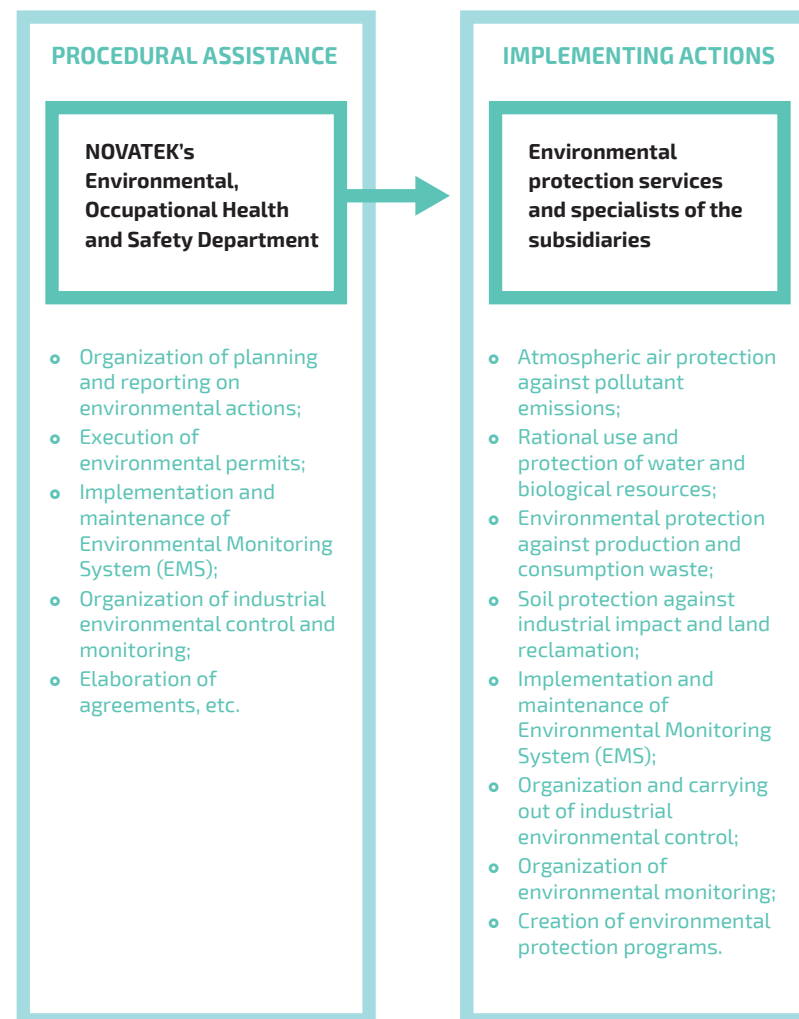
To exercise environmental protection activity the environmental services were established and are operating in every subsidiary of OAO NOVATEK. Depending on the specifics of production and economic activity, as well as environmental impact level, they were formed as independent structural subdivisions, departments as a part of structural subdivisions/services or represented by individual environmental specialists. In total, 39 specialists were involved in environmental protection at enterprises of NOVATEK Group in 2013.

Personnel duties and responsibilities are defined throughout the entire governance system. Procedures were elaborated for environmental support of

the decision-making process from a review of any investment project through its implementation. Mechanisms were developed for distinguishing priority environmental aspects, based on which environmental protection is planned. Employees of NOVATEK's Environmental, Occupational Health and Safety Department provide guidance to the environmental services of the subsidiaries.

All our subdivisions operate with due consideration of NOVATEK's Health, Safety and Environment Policy, the text of which is available on our corporate website: <http://www.novatek.ru/common/upload/Policy.pdf>

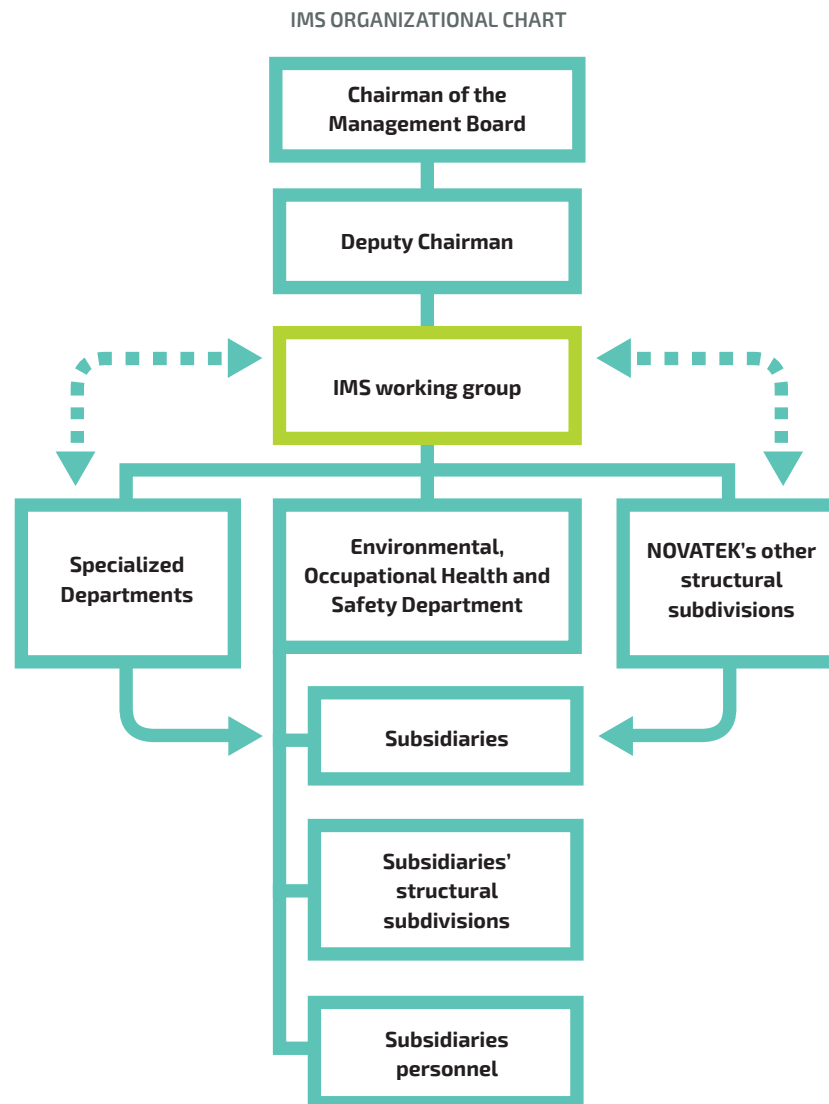
To control the governance of our subsidiaries and our own structural subdivisions in compliance with international standards ISO 14001:2004 and OHSAS 18001:2007, we have implemented the Integrated Management System (IMS) for Environmental Protection, Occupational Health and Safety, an integral part of the Company's general management system.



IMS helps to follow a comprehensive approach and comply with the sustainable development principles while solving the Company's strategic tasks on increasing hydrocarbon production and processing capacity.

A detailed description of IMS is presented in our Sustainability Report for 2008–2009.

The Company's subsidiaries have implemented annually approved environmental programs. These programs define primary challenges faced by our subsidiaries, the actions on environmental management system enhancement, decreasing negative production impact on the environment, exercising environmental monitoring of the sources of such impact, etc.



COMPLIANCE WITH INTERNATIONAL STANDARDS

In 2013 (the Year of Environmental Protection) Bureau Veritas Certification carried out in NOVATEK and its subsidiaries the audits of the Environmental Protection, Occupational Health and Safety Management System for compliance with the requirements of ISO 14001:2004, OHSAS 18001:2007 international standards. In total, 6 subsidiaries of the NOVATEK Group were certified at year end 2013.

Auditors highlighted strong aspects of IMS in NOVATEK, including the following:

- High competency and experience of the personnel in the management and production activities;
- Multilevel control of production activities;
- Transparency of the Company's environmental activities;
- Implementation of the Corporate Technical Competency Assessment System etc.

Yamal LNG and NOVATEK-Ust-Luga also plan to certify their Integrated Management Systems (IMS) for Environmental Protection, Occupational Health and Safety. As part of IMS implementation, Yamal LNG has elaborated and implemented the main procedures of the Integrated Environmental Protection and

Occupational Safety Guidelines, Register of Significant Health and Safety Risks, as well as Environmental Aspects of Yamal LNG's Activity, etc.

ENVIRONMENTAL MONITORING AND INDUSTRIAL CONTROL

In order to obtain objective, complete and reliable information on the environmental conditions at our production sites, the Company performs annual environmental monitoring in the area impacted by its industrial facilities. Environmental monitoring is carried out by independent specialized organizations with qualified experts in accordance with the approved programs and methodologies. This activity was also performed on the license areas and production facilities of NOVATEK Group during 2013.

We examine the conditions of environment components in the course of the monitoring. Soil, ground, water and seabed sediment samples are

taken. We check the conditions of plants, animals and microorganisms living in the same habitat. We also assess the level of atmospheric air pollution. The conditions of the fish population and nutritive base are studied in water areas, whereas hydrological and hydro-chemical parameters are also analyzed. The conditions of environmental components and their dynamics throughout the year are assessed based on the laboratory testing results.

Visual inspection and photographing of the areas along the routes of cross-country vehicles and walking routes is performed during the monitoring. In the course of the environmental monitoring in the tundra zone we use transport with low-pressure tires to preserve the fragile topsoil.

In general, the studies showed predominantly unharmed conditions of environmental components in targeted monitoring areas. At all areas located

outside the technogenic impact zone, the conditions of the environment have been assessed as stable and corresponding to the background level. In 2013, NOVATEK Group has spent RR 43.5 million on organizing and conducting environmental monitoring on its license areas.

In order to reduce the negative impact on the environment a multistage system of Environmental Monitoring and Industrial Control (EMIC) operates at the Company's enterprises. Every major production entity of NOVATEK has a chemical analytical laboratory equipped with all necessary tools for operational analysis. Analysis and optimization of technological processes is performed based on EMIC results. We have implemented extensive monitoring of the environmental conditions during the construction and commissioning of our Stable Gas Condensate Transshipment and Fractionation Complex at Ust-Luga. The eco-analytical laboratory of the Complex successfully underwent accreditation procedure. Special attention is paid to the conditions of Luga Bay of the Gulf of Finland and its water protection zone. Analysis of the samples taken in the Luga Bay in 2013 shows that hydro-chemical parameters and concentrations of pollutants in the sea water fall within the allowable limits for commercial fishing waters.

ENVIRONMENTAL PROTECTION TRAINING

Consistent with the Company's environmental policy we annually implement the program of employees training and development with further assessment of acquired knowledge in order to increase their EHS skills and responsibility. In 2013, 51 employees from eight subsidiaries underwent training to improve their qualifications and skills. A total of 339 specialists were trained over the last five years. The training was conducted at the country's leading universities and specialized training centers in Yekaterinburg, Ufa, St. Petersburg and Moscow.

Another important element allowing us to reduce environmental risks is internal audit of the Company's management system; it enables the Company's employees with requisite competence and experience to detect imperfections in the current management system. In February 2013, a group of specialists from NOVATEK-Transervice underwent training pursuant to the ISO 14001:2004 and OHSAS 18001:2007 IMS Internal Audit Program and was awarded respective certificates. In April, an environment and labor safety survey was conducted among the employees, as well as measures were planned and performed on employees' proposals.

In November 2013, the representatives of NOVATEK's subsidiaries took part in a one-day seminar-workshop on updates in the environmental legislation. Participants of the seminar discussed the issues of interaction between the natural resources users and Federal Service for Supervision of Natural Resources Usage of the Yamal-Nenets Autonomous Region in regards to the outstanding aspects of environmental audit, reporting, administration of payments and supervisory activity.

The cost of initial and advanced Environment Protection and Ecological Safety training for specialists and managers amounted in 2013 to RR 529 thousand.

ENVIRONMENTAL EXPENDITURES

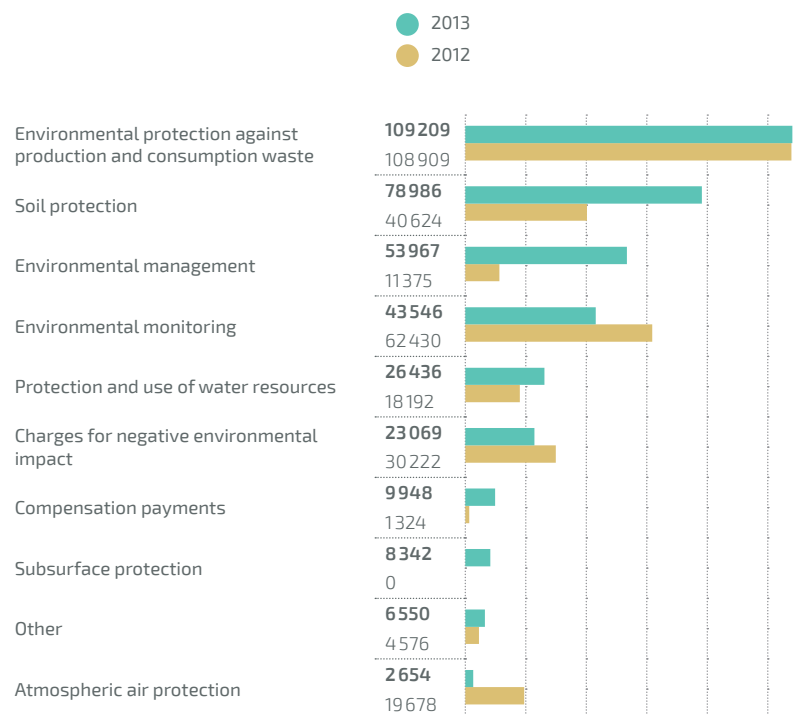
In 2013, expenditures of the Company (including subsidiaries and joint ventures) on environmental protection activities increased by almost 22% compared to the previous period to RR 363 million.

The main part of expenditures accounts for disposal of production and consumption waste comprising of more than RR 109 million. Expenses on limiting the negative impact of industrial waste on the environment (processing and decontamination) including the cost of drilling waste processing amounted to approximately RR 89 million. For example, production wells at our Termokarstovoye gas condensate field were drilled using pitless drilling technology whereby drilling waste is decontaminated and converted into a construction material.

Our land care costs almost doubled reaching RR 79 million. Such expenses were mainly related to the removal from our license areas of scrap metal and other objects left by the previous subsurface users.

Expenditures for environmental management amounted to RR 54 million. Their increase compared to 2012 was mainly due to the involvement of external advisers to provide a large scope of services to the Yamal LNG project.

ENVIRONMENTAL EXPENDITURES (INCLUDING SUBSIDIARIES AND JOINT VENTURES), RR THOUSAND



RESULTS OF INSPECTIONS CONDUCTED AT SUBSIDIARIES BY SUPERVISORY AUTHORITIES

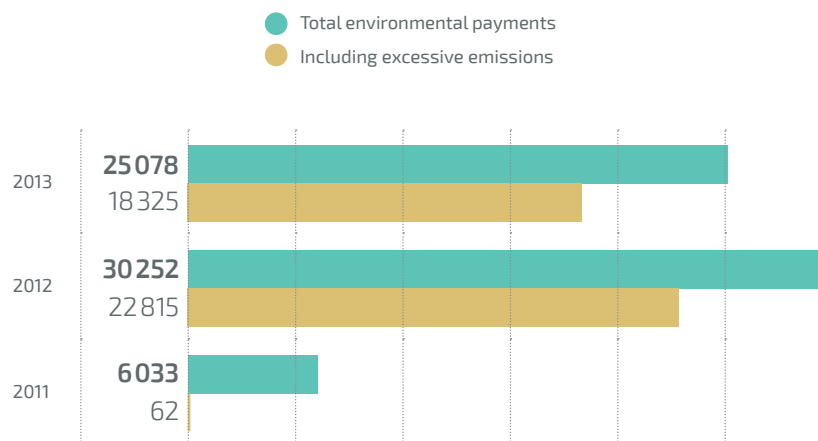
In 2013, supervisory authorities carried out 17 inspections for compliance with environment protection and rational nature management laws at six enterprises of NOVATEK Group (36 inspections in 2012). Controlling authorities issued 21 prescriptions with strict deadlines of violations elimination. A complex of measures to remedy all violations completely and on time was implemented based on the issued orders.

CHARGES FOR NEGATIVE ENVIRONMENTAL IMPACT

The Russian legislation prescribes charges payable by natural resources users for negative impact on environment, including charges for atmospheric pollutant emissions by stationary and mobile sources of emissions, wastewater discharges to surface and subsurface water bodies and production and consumption waste disposal.

Since 1 January 2012, new principles for calculating fees for flaring associated petroleum gas (APG) have come into effect. Companies received permission to dispose this way a maximum of 5% of APG produced. In case this indicator is exceeded, the fine for environmental pollution is calculated as an excessive emission. Since 1 January 2013, the Russian Government has increased penalties for flared APG. This led to an increase of payments for above-limit gas flaring and, as a result, an increase of payments for negative environmental impact by practically all companies in the industry. Due to implementation of Rational APG Utilization Program (see chapter Rational APG Utilization Program) payments of NOVATEK Group for negative environmental impact were reduced by 17.1% as compared to the previous year to RR 25 million.

CHARGES FOR NEGATIVE ENVIRONMENTAL IMPACT ACROSS THE NOVATEK GROUP, RR THOUSAND



STAKEHOLDER ENGAGEMENT

NOVATEK maintains a dialog with all stakeholders on various aspects, including the nature resources management. The Company interacts actively with federal and regional authorities of the executive and legislative branches, as well as local administrations in order to improve the conditions of functioning of the industry and ensure efficient natural resources use.

- As of the publication date of this report, Methods of Calculating Lost Profit for Withdrawal of Reindeer Grazing Lands of Indigenous Minority Populations of the Far North, Siberia and Far East were being considered by the Expert Board of the Russian Gas Society.

- As of the publication date of this report the Company representatives were taking part in discussing new oil and gas reserves classification elaborated by the Ministry of Natural Resources upon instructions from the Russian Government.
- In the course of discussions organized by the Russian Ministry of Natural Resources, NOVATEK developed amendments to the draft legislation On the Arctic Zone of the Russian Federation.
- In 2013 we continued ongoing cooperation with the Open Government of Russian Federation on improvements to the environmental legislation. Similar work was conducted with the Chamber of Commerce and Industry, the Ministry for Economic Development, the Federal Forestry Agency, the Russian Ministry of Natural Resources and the Russian Gas Society.
- During the reporting year the Company representatives actively cooperated with federal authorities on the issue of the amendments to forestry legislation of the Russian Federation.

NOVATEK also interacts with non-governmental organizations. We worked jointly with I.V. Vernadsky Foundation on implementation of our cooperation plan and on improvements in the environmental legislation. A number of NOVATEK employees had won awards from the Foundation.

During 2013, the Company's experts have repeatedly spoken at public events (seminars, forums, congresses), which focused on improving land relations in the course of subsoil use. NOVATEK's representatives took an active part in the Exploration, Production, Processing 2013 International Exhibition-Forum and events of the 5-th All-Russian Convention on Environmental Protection held in Moscow under the aegis of the Russian Ministry of Natural Resources and Ecology.

A conference called "Natural Gas — New History. Alternative Gasification. Gas-engine Fuel Market" was conducted in Chelyabinsk on the Company's initiative. About 250 business representatives from Russia, CIS and non-CIS countries, as well as experts and representatives of government agencies took part in the conference.

In 2014, we plan to continue the practice of holding seminar meetings attended by the experts from environmental services of NOVATEK subsidiaries with involvement of specialists from the Russian Ministry of Natural Resources, Rosprirodnadzor and various environmental institutions.

PUBLIC HEARINGS ON THE PORT OF SABETTA CONSTRUCTION PROGRAMS

At the stage of development of major projects affecting the interests of local populations and having impact on the environment, we always assess environmental, economic and social risks that arise in the course of construction and further operation of our facilities.

In November 2013, the public hearings took place regarding the construction of Sabetta seaport and a navigable channel in the Gulf of Ob in the Tazov district of YNAO. It is planned to build special berths for heavy ships, open storage areas, ice barriers, a fire fighting pump station, electric transformer substation, parking and many other facilities on the territory exceeding 100 hectares. The main objective of the future complex is to ensure the safety of vessels carrying liquefied natural gas and gas condensate.

More than 600 people were present at public hearings in the Tazov district, and 400 of them cast affirmative votes for seaport construction. In Gydan, Antipayuta and Tazov tundra, field community liaison offices were also organized. Out of 590 people surveyed, 392 local residents spoke in favor of operations, provided that environmental legislation is observed.

The need to minimize the negative environmental impact of the Sabetta port construction was pointed out in the course of the hearings. The participants of the hearings believe that this should primarily be facilitated by restoration of aquatic habitats and biological resources.

The recommendations and suggestions made in the course of the public hearings were taken into account in the seaport construction project.

PUBLIC HEARINGS ON UTRENNEYE FIELD DEVELOPMENT

In April 2013, NOVATEK conducted public hearings in the town of Tazov, where Company representatives shared plans for the development of two oil and gas condensate fields – Utrenneye and Geofizicheskoye, located in the Gydan peninsula. The local residents learned about the declaration of intent on the Utrenneye field development project. In the run-up to the hearings, the Company representatives had expected to receive suggestions on how to build mutually beneficial co-operation, revise the project accordingly and minimize the Company' footprint on the lifestyle of the indigenous tundra population, and among other things, to reduce the impact on traditional folk crafts such as deer breeding and fishing. Also, there are 22 sacred and ceremonial sites of Yamal's indigenous population within the boundaries of the Utrenneye field and the adjacent areas. Specific issues related to the field development infrastructure were raised at the hearings: pipeline laying methods, building crossings for deer herds, soil restoration, and creation of jobs for the indigenous population.

A representative of the Siberian Scientific Analytical Research Center, the designer of the field's development project addressed the community members. He covered the planned work scope, as well as the preliminary surveys schedule.

Since the local community is poorly informed about oil and gas companies' activities or possible environmentally friendly technologies, we conducted an awareness-raising campaign covering the residents of intersettlement tundra areas.

Company representatives confirmed that the opinions and expectations of the town and intersettlement areas residents would be taken into account in the engineering design.

NEW TECHNICAL SOLUTIONS FOR ENVIRONMENTAL RISK MITIGATION

WASTE UTILIZATION SOLUTIONS

A drilling mud and cuttings utilization plant has been in operation at the Yurkharovskoye oil and gas condensate field since 2008. The technology employed allows us to separate and reuse water and drilling mud. The drilling cuttings separated in the process are stored at a specialized landfill. Over the past five years of its operation, the plant has demonstrated high efficiency, and this technology is planned to be applied at other fields.

In 2013, the company's project Drill Cutting Processing Technology at the Yurkharovskoye Field won the V.I. Vernadsky National Environmental Award in the Innovative Eco-effective Industrial Technologies category.

TRANSPORTATION RISK MITIGATION SOLUTIONS

The only two Arctic Circle small-sized methanol production units with a capacity of 40 and 12.5 thousand tons per annum, operate at the Yurkharovskoye field. The use of these units enables to avoid transportation of this hazardous (subclass 6a) cargo to the field, thus minimizing environmental risks associated with accidents and spills.

ATMOSPHERIC EMISSIONS REDUCTION SOLUTIONS

A new-type flaring system allowing to reduce the amounts of hazardous emissions was commissioned at the Ust-Luga Stable Gas Condensate Fractionation and Transshipment Complex. Given that the conventional flaring systems protection zone exceeds 100 meters, which is impossible in the densely built-up Ust-Luga, we have chosen an option to build a compact closed fire flaring system. This unit, serving both the gas condensate fractionation plant and berthing facilities, produces no smoke, steam, visible flame, odor, noise or thermal plume. The efficiency of combustion product disposal exceeds 99.9% - the top performance in terms of reduction of sulphur and nitrogen oxides, and other hazardous emissions. Benzopyrene emissions are fully eliminated, and there are but small quantities of nitrogen and carbon oxides emitted into the atmosphere that are significantly lower compared to pollution standards.

PREVENTION OF WATER POLLUTION

At the Ust-Luga Complex, carriers are loaded via special loading arms designed for loading and offloading liquid hydrocarbons with an airtight connection to vessel process pipelines. There is an automatic system for arms disconnection and closing electrically driven valves to avoid spills in case of emergency on a berth-moored carrier. Here, a comprehensive automation system is also implemented to measure pipeline pressure, and monitor the condition of valves and pumps.

UNMANNED TECHNOLOGIES

We have developed basic technical solutions to apply unmanned technologies to develop gas fields with a production capacity of up to five (5) bcm per annum. The specific feature of this approach is uninterrupted and accident-free operation of the preliminary gas treatment unit and gas well pads in the absence of field maintenance personnel. At the Urengoyskoye and Dobrovolskoye fields, located within the Olimpiyskiy license area, there is an optical cable laid along the entire gas-gathering system for real-time equipment monitoring, leak detection system control, and visual monitoring by video cameras. The unmanned technology is

planned to be implemented at the North-Khancheyevskoye field as well. Thus, there will be no need for construction of a solid household waste dump, water treatment or drainage systems, or regular cruises along the entire facility route.

USE OF RENEWABLE ENERGY

The 326 kilometer long Yurkharovskoye field — Purovsky Plant condensate pipeline has a remote control system powered by renewable energy sources on the basis of solar cells and wind turbines. The system automatically collects and transfers the parameters of the transported substance, tracks cleaning and diagnostics pigs, sends an alert notice in case of leak detection, manages final control elements and feeds process equipment in case of external power supply failures. The system has proved its efficiency over five years of operation. The innovative solution is patented, and the solution itself is recorded in the Russian State Utility Model Register and won a public award from the N.K. Baibakov International Fuel and Energy Association for sustainable development of power engineering and the society in 2013.

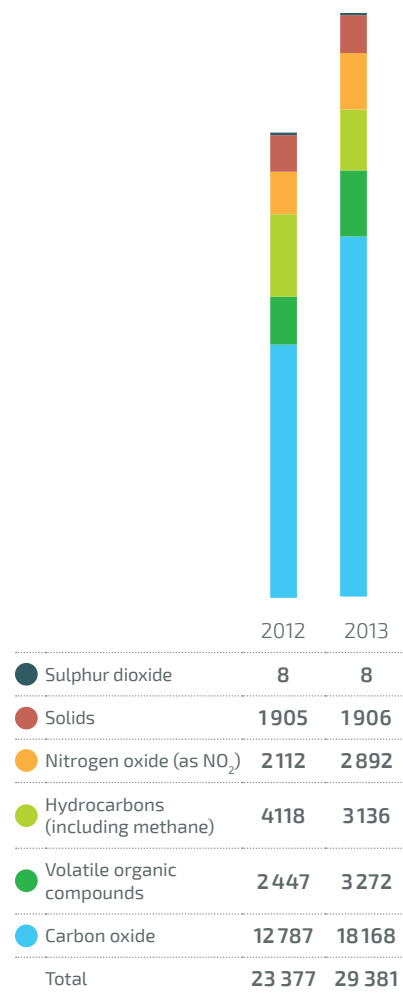
KEY IMPACTS

The specific feature of the Urengoykoye and Dobrovolskoye fields located within the Olimpiyskiy license area, is their remote location from the existing infrastructure. The Urengoykoye reservoir is 20 km long and the Dobrovolskoye reservoir exceeds 40 km. Well operation technology based on alternative energy sources such as solar panels and wind generators is implemented there. It allowed to avoid building power transmission lines, and save operating and maintenance expenses, and mitigate environmental risks.

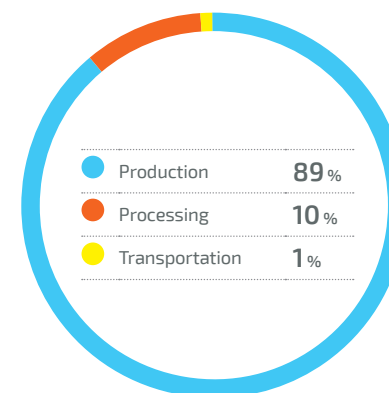
ATMOSPHERIC EMISSIONS

The Company faces a strategic task on mitigating specific emissions levels while increasing production and output volumes. Extensive construction activities in 2013 and the commissioning of new facilities resulted in an increased number of sources of atmospheric pollutant emissions. The number of such sources of emissions by NOVATEK Group's facilities increased from 1,618 in 2012 to 1,791 in 2013. As a result, the volumes of pollutant emissions into atmospheric air increased by more than a quarter as compared to the previous period, to 29,435 tons. Emissions of gaseous and liquid pollutants prevailed (27,529 tons). At the same time, methane emissions decreased, while solid particles and sulphur dioxide emissions remained unchanged compared to the previous year.

EMISSIONS OF MAIN POLLUTANTS INTO THE ATMOSPHERE RESULTING FROM NOVATEK GROUP PRODUCTION ACTIVITIES IN 2012–2013, TONS



SHARE OF NOVATEK GROUP'S TYPES OF BUSINESS ACTIVITIES IN POLLUTANT ATMOSPHERIC EMISSIONS IN 2013, %



The largest volume of emissions is generated by our producing companies. In 2013, overall permitted air pollutant emission levels have not been exceeded across the NOVATEK Group.

ASSOCIATED PETROLEUM GAS UTILIZATION

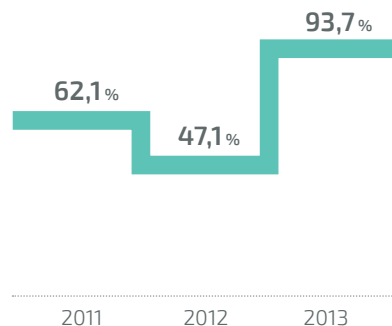
Emissions from flared associated petroleum gas (APG) represent a significant part of overall atmospheric pollutant emissions (19.5%). Increasing the overall APG utilization level is our most important environmental objective. In 2013, the APG utilization efficiency at NOVATEK-TARKOSALENEFTEGAS achieved 95% due to carrying out a set of measures at oil production sites.

As part of APG Recovery Program the following facilities have been built:

- Intra-field gas pipeline and booster compression station at the central oil treatment facility (second stage) at the East-Tarkosalinskoye field.
- APG booster compression station as a part of the oil treatment facility and a gas pipeline at the Khancheyeskoye field.

The dehydrated and compressed APG is now channeled to the gas transmission network to be further delivered to our end consumers. The implemented arrangements resulted in 1.5 times less APG flaring than in the previous year, while at the same time CO₂ and CH₄

APG UTILIZATION DYNAMICS AT NOVATEK FIELDS IN 2011–2013, %



emissions were reduced since APG flaring is characterized by a high under-burning ratio and is followed by significant methane emissions.

The APG utilization rate has also grown significantly across the NOVATEK Group as a whole. This indicator almost doubled from 47.1% in 2012 to 93.7% in the reporting year, which was much higher than average across Russia (78.8%). In 2013, NOVATEK ranked among the top five Russian oil & gas companies in terms of APG utilization efficiency.

GREENHOUSE GASES AND CLIMATE CHANGE

On background of general production growth, greenhouse gas emissions in 2013 increased to 2.5 mmt of CO₂ equivalent. Their major part (92%) is generated by our upstream subsidiaries.

The increase of nitrogen and carbon oxides emissions was due to growth of production activities by NOVATEK Group, and, primarily, to increased usage of natural gas at compressor stations, a larger number of well pads and expansion of flare facilities.

At the same time, efficient implementation of the APG Utilization Program at our East-Tarkosalinskoye field allowed NOVATEK to reduce greenhouse gases emissions by 772 thousand tons of CO₂ equivalent.

To meet our commitments to society and stakeholders NOVATEK continued its participation in the Carbon Disclosure Project (CDP), which discloses information on greenhouse gas emissions and the energy efficiency of production. This information is available for registered users on the project's website.

GASIFICATION OF TRANSPORT

Apart from developing a network of gas filling stations for gas-propelled vehicles (see "Retail LPG Network" for details), NOVATEK promotes gasification of public transports. Automobile transport has become the main source of atmospheric pollution in the cities contributing on average more than 40% of pollutant emissions. Switching to natural gas will facilitate improvement of the environmental situation and a significant decrease in operating costs. Developing of a network of gas filling stations enabled the Company to reduce emissions by 53 thousand tons of CO₂ equivalent in 2013.

To stimulate transition to LPG, in 2013 NOVATEK-AZK implemented a pilot project on vehicles conversion to LPG in the town of Zlatoust (Chelyabinsk Region). The Company assumed all the costs of gas equipment acquisition and installation at 20 buses at the Zlatoust motor transport enterprise, and the vehicles owned by the municipal Children's Creativity Center. In Chelyabinsk Region, LPG is especially attractive as motor fuel, since environmental pollution issue remains particularly acute for this region. NOVATEK-AZK plans to continue expanding activities on municipal transport transition to LPG in the other regions where it operates.

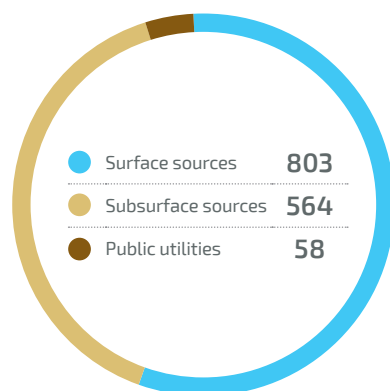
WATER USE AND WASTEWATER

Production sites of NOVATEK are located in the areas that experience no water scarcity. However, we seek solicitous attitude towards water resources and focus our subsidiaries' efforts on preserving the territory's stable water balance. NOVATEK carries out water intake for its industrial (75%) and domestic purposes (25%) mainly from surface and, partly, from subsurface water sources. We use water based on licenses for the right to use subsurface resources for groundwater extraction and under agreements for water intake from surface water bodies. We constantly use metering devices to assess the quality and volumes of water withdrawn and discharged during operations.

The volume of water consumption by our subsidiaries and joint ventures increased by 61.1% in 2013 to 1,425 thousand cubic meters, including 1,204 thousand cubic meters for production purposes and 221 thousand cubic meters for domestic needs.

This indicator increased significantly due to the launch of new facilities at our producing fields and the fields being prepared for launching, including ZAO Nortgas into the boundaries of this report and the start of operations at the Gas Condensate Fractionation and Transshipment Complex at the port of

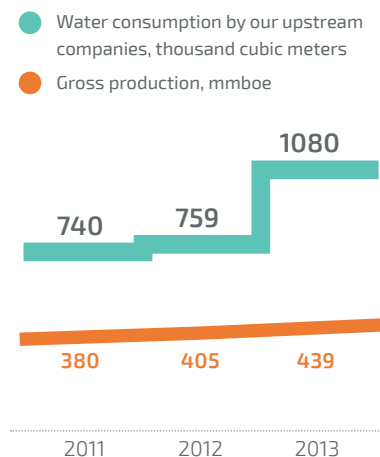
WATER WITHDRAWAL VOLUMES BY SOURCES, THOUSAND CUBIC METERS



Ust-Luga, including water consumption during the hydraulic tests of the Complex, and commissioning of the third stage of the Purovsky Plant.

Seventy six percent (76%) of NOVATEK Group's total water consumption accounts for our upstream companies, which use water mainly for drilling operations. At the East-Tarkosalinskoye field, water is also used to maintain formation pressure. The volume of water consumption by our upstream companies increased to 1,080 thousand cubic meters in 2013. Water intake by our upstream companies does not have any significant effect on the water sources.

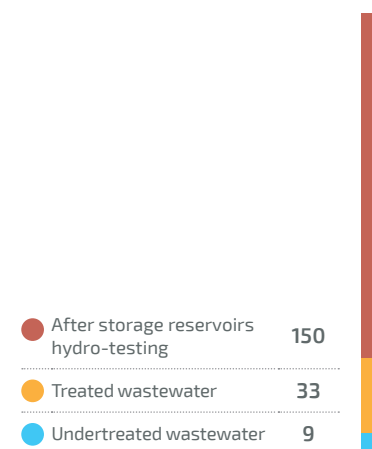
DYNAMICS OF WATER CONSUMPTION BY OUR SUBSIDIARIES AND JOINT VENTURES



In the reporting period, water consumption limits set for our enterprises were not exceeded.

The amount of wastewater discharge in 2013 totaled 818 thousand cubic meters as compared to 575 thousand cubic meters in 2012. This growth resulted from the overall water consumption increase. The overall discharge of wastewater to water bodies totaled 193 thousand cubic meters across the Group, including 150 thousand cubic meters accounting for the hydro-testing of storage reservoirs.

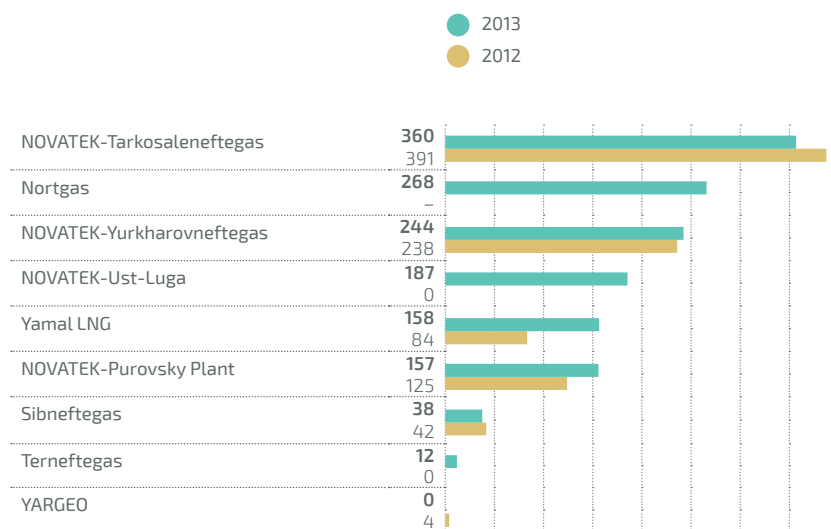
DISCHARGE TO WATER BODIES, THOUSAND CUBIC METERS



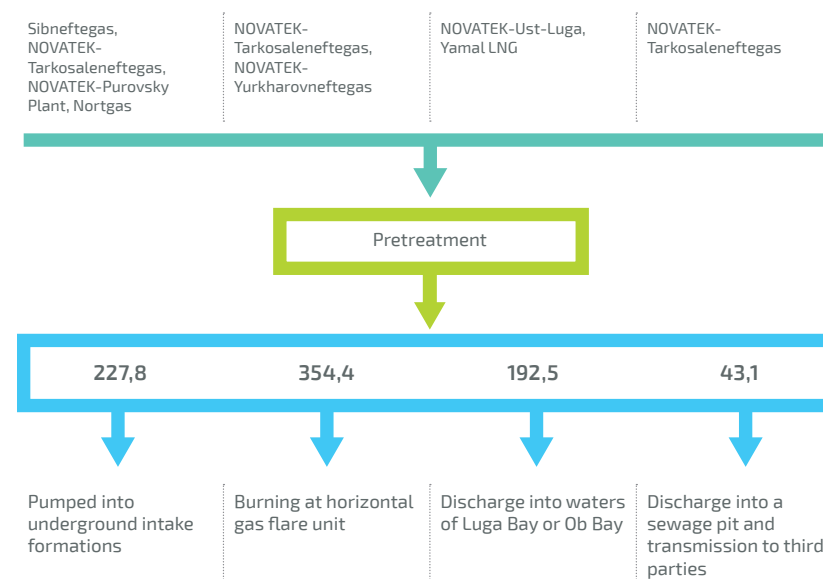
All types of wastewater generated undergo treatment from contaminants at biological and industrial wastewater treatment facilities and subsequently burned at gas flaring systems, discharged to surface water sources and intake pits or injected into formations.

The primary record of water use and consumption, as well as industrial environmental control over operation of water treatment facilities and monitoring of wastewater treatment quality is organized at all our enterprises.

VOLUME OF WATER CONSUMPTION BY NOVATEK GROUP,
THOUSAND CUBIC METERS



WASTEWATER VOLUME AND DISPOSAL IN 2013, THOUSAND CUBIC METERS



We operate our Stable Gas Condensate Transshipment and Fractionation Complex at Ust-Luga in strict compliance with the existing environmental legislation of the Russian Federation and international treaties. Here, we installed equipment allowing us to ensure a maximum possible level of industrial and environmental safety, in particular, the Ust-Luga Complex is also equipped with an advanced biological wastewater

treatment facility with the capacity of 100 cubic meters per day. The Complex has elaborated standards of admissible discharge and obtained appropriate permits. Wastewater monitoring has been organized to check the quality of effluents discharged into the waters of Luga Bay. Analysis of the samples taken in the Luga Bay in 2013 shows that hydro-chemical parameters and concentrations of pollutants in the sea water fall within the limits for commercial fishing waters.

In accordance with the Environmental Policy, the Company's subsidiaries and joint ventures strive to rationally use water and introduce environmentally efficient technologies where possible. Since 2011, NOVATEK has been participating in the CDP Water Disclosure Project, which discloses information on the use of water resources.

In 2013, NOVATEK Group's expenditures for water resources protection and rational use increased by 30% as compared with the prior period and amounted to RR 26 million.

WASTE

Production and consumption waste management is one of the most important areas of environmental activities at our enterprises. The Company set a course for reduction of waste generation, as well as waste processing and environmentally sound disposal. In 2013, the overall amount of waste generation by NOVATEK Group was 17.5 thousand tons, which is 30.8% less than in 2012. Drill cuttings constitute slightly less than a half (43.5%) of overall waste generation. Drill cuttings may largely be classified as non-hazardous or low-hazardous waste materials accounting for an overwhelming majority (approximately 90%) of the waste produced. The share of class I and II hazardous waste (high-hazard) is insignificant and are mainly found in mercury lamps and luminescent tubes containing mercury.

Waste generation rates are correlated with the scale of production activities at our upstream enterprises, which account

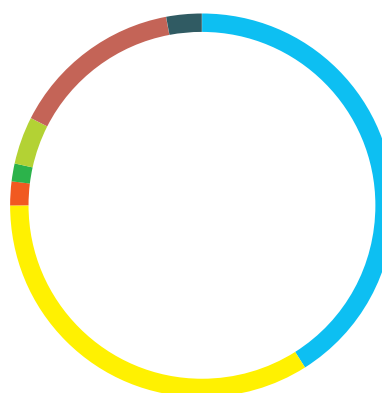
for three quarters of the Group's overall waste. Production and consumption waste management is carried out in accordance with the approved guidelines. Our own waste disposal sites for low-hazardous and practically non-hazardous wastes accommodate approximately one half of these types of waste. Environmental monitoring and industrial control is exercised at our waste disposal and temporary waste storage facilities. We employ innovative eco-efficient waste recycling technologies and equipment.

A part of waste is passed over for disposal by specialized organizations under agreements. The remaining waste, including water separated from crude oil during its treatment and gas condensate bearing oil products, are used for our own needs and are injected into the East-Tarkosalinskoye field's reservoirs to maintain pressure levels.

DRILL CUTTINGS TREATMENT IN A SPECIALIZED WORKSHOP, TONS

2011	2012	2013
7352	6793	4436

SHARE OF NOVATEK'S CORE PRODUCING ASSETS IN WASTE GENERATION IN 2013, %



000 NOVATEK-TARKOSALENTEGAS	41 %
NOVATEK-Yurkharovneftegas	34 %
NOVATEK-Purovsky Plant	2 %
NOVATEK-Transervice	1 %
Sibneftegas	4 %
Nortgas	15 %
Others	3 %

LAND USE AND RECLAMATION

In 2013, the total area of land plots leased by the NOVATEK Group of companies increased by 37% to 24.8 thousand hectares. Forest-covered areas accounted for 57% of the entire leased land area, whereas industrial and other special-purpose lands accounted for 43%, and populated land areas – for less than 1%.

In 2013, we continued to further optimize land use to minimize land withdrawal and ensure maximum preservation of natural resources, including forest reserves and reindeer pastures. In 2013 land plots were delineated for geological exploration, hydrocarbon field production facilities construction and completion of the Purovsky Plant third stage.

Our subsidiaries are also engaged in production of commonly occurring mineral resources, mainly sand excavation. In 2013, production of commonly occurring mineral resources totaled 19.2 million cubic meters of soil.

In the reporting period, we continued our efforts to reclaim disturbed and contaminated land. Land remediation is one of the most important elements in the environmental programs of the subsidiaries and joint ventures. In 2013, the total remediated land area was 127.8 ha. In the reporting period, expenditures for these purposes totaled RR 97 million.

BIODIVERSITY PRESERVATION

In 2013, we remediated land areas at the East-Tarkosalinskoye field disturbed during construction of well pads that were to be relinquished as forest land. The environment was rehabilitated on such land areas: the area was cleaned from industrial waste, the vegetation was restored and sludge pits were eliminated.

Within the East-Tarkosalinskoye field we are also implementing a program to cap idle and failed wells (drilled before the acquisition of the respective license by NOVATEK). The wells that are not capped pose a threat to the environment in case of breakouts of mineralized water, various solutions or hydrocarbons and pose a risk of water breakthrough to productive hydrocarbon-bearing formations. Such works are mainly carried out at old exploration wells often located in impassable and hard-to-reach areas.

Environmental protection actions provide for removal of track machines left near wells, cleaning the area from industrial waste, chemical and analytical tests of soil and water of nearby water basins in order to assess natural habitats pollution levels. All program-related work is done in coordination with, and under supervision of the North-Urals Department of Rostekhnadzor. More than twenty wells were capped in 2013 and another 11 wells were capped over the winter season of 2013–2014. The Company is planning to cap all idle and failed wells in 2014.

We practically doubled the amounts channeled to finance land protection in 2013, which amounted to RR 79 million (compared with RR 41 million in 2012). Such funds were mainly spent to clean the areas from metal scrap and other things (drilling rigs, and structures) left by the previous subsurface users.

Industrial development in the Far North imposes a great responsibility for ecosystem preservation on upstream companies. With the expansion of hydrocarbon production geography, the problem of water resources preservation and reproduction in northern rivers becomes more acute. In 2013, more than nine million juvenile whitefishes, including two million of muksun fish, were released into the rivers of the Ob-Irtysh basin. One of the participants of this project implemented by the Federal Fisheries Agency of the Russian Federation is our joint venture company Yamal LNG, where a water resources support program has been implemented since 2011. In August 2013, the Company employees together with representatives of the Regional Scientific and Production Fisheries Center participated in similar actions within the Khanty-Mansiysk Autonomous Region. As a result of monitoring, juvenile fishes successfully naturalized in the Ob River. With the participation of Yamal LNG, more than five (5) million muksun larvae, four (4) million broad whitefish larvae and 10 million Siberian whitefish larvae were additionally added for raising. A new series of these fish juveniles is

planned to be released into Siberian river tributaries upon completion of incubation. Preservation of a sufficient quantity of the whitefish population is a matter of great commercial importance for the indigenous ethnic groups of the north of Western Siberia — the Khants and Nenets.

As agreed between the Company and the YNAO government, in 2013 NOVATEK is covering half of the costs for the construction of a whitefish reproduction plant on the Sob river. The second half will be funded from the district's budget. The enterprise is planned to be built within two years.

Our employees take part in the work of an expert-advisory group for walrus preservation and research on the South-east of Barents Sea and adjacent water areas. In 2013, two conferences were held, where ecologists and subsurface users learnt the results of population monitoring, discussed measures for walrus preservation under conditions of active shelf development and heard oil and gas companies' plans to minimize possible negative impact on these animals.

ENERGY CONSUMPTION AND EFFICIENCY

CONSUMPTION AND PRODUCTION OF FUEL AND ENERGY RESOURCES

In 2013, our gross hydrocarbon production totaled 447 mmboe or 2.6 billion GJ of primary energy. A part of the hydrocarbon fuel produced was used for NOVATEK's own electricity generation and heat energy generation. Also, a part of electricity was produced from the renewable sources of energy (solar and wind power generation). Direct energy purchase, including gasoline, diesel and other types of fuel, totaled 1.45 mln GJ.

The increase in hydrocarbon production and processing volumes inevitably leads to an increase in the consumption of main energy types. In 2012, our electric energy and heat energy consumption grew by 12.7% and 12.0% accordingly. Consumption of natural gas to produce own electrical and heat energy decreased by 8.8% due to installation of exhaust heat boilers and heat exchangers on our gas-turbine electric power stations and gas compressor units.

CONSUMPTION OF FUEL AND ENERGY RESOURCES

	unit	2012	2013
Electricity (total):	mln kWh	226,2	255,0
incl. purchased	mln kWh	147,5	203,5
incl. produced (own)	mln kWh	78,7	51,5
Heating energy (own)	thousand Gcal	215,4	241,2
Fuel resources consumption to electric and heating energy production	thousand GJ	4 247	3 873

ENERGY EFFICIENCY

In order to ensure sustainable utilization of energy and fuel resources, NOVATEK has developed the Energy Saving Program for 2013–2016 based on the conducted energy audit. The Company employees annually update the program by introducing economically viable energy-saving arrangements. The program implies calculation of the per-unit resource consumption rates for major technological processes and auxiliary facilities.

At the Yurkharovskoye field, cogeneration gas turbine plants are used. The cogeneration system driven by a gas turbine makes it possible to efficiently recuperate and convert into useful thermal energy heat, which otherwise would be lost in the course of electricity generation. Off-gases go to heat exchangers and are used for heating shift camps. Waste heat recovery results in essential fuel gas savings, reduction of pollutant emissions and makes it possible to significantly increase the overall efficiency of the plant from the conventional 40–50% to 70% and above.

In 2013, 54 2.5kW sets of wind generators and solar panels were used to produce renewable energy (vs. 50 sets in 2012), installed primarily at the Yurkharovskoye field – Purovsky Plant gas condensate pipeline. 394 thousand kWh (1,419 GJ) were generated by wind and solar energy in 2013. Moreover, possibility for remote control and real-time monitoring of gas condensate pipeline operating conditions makes it possible to almost fully stop using vehicles for inspection of the gas condensate pipeline route, thus reducing indirect energy consumption.

In 2013, energy savings resulting from the Energy Saving Program for 2013–2016: electricity - 7.4 mln kWh, heat - 8.6 thousand Gcal, fuel (natural gas for thermal generation) - 6.7 thousand GJ.

OCCUPATIONAL HEALTH, INDUSTRIAL AND FIRE SAFETY

0
5
%

We developed measures to prevent oil and gas condensate spills, and protect the environment, employees and local residents.

OCCUPATIONAL HEALTH, INDUSTRIAL AND FIRE SAFETY

OCCUPATIONAL HEALTH AND SAFETY GOALS AND OBJECTIVES

The Occupational health and safety (OHS) goals and objectives are set out in the NOVATEK Health, Safety and Environmental Policy adopted in 2005 and published on the corporate website (http://www.novatek.ru/common/upload/80_78.pdf). They were detailed in previous reports, in particular, in the similarly named section of the NOVATEK 2010 Sustainability Report, and have not been subjected to any material changes in 2013.

All activities planned for 2013, including the purchase of personal protective equipment, personnel safety training and certification, medical checks, improvement of working conditions, etc. was successfully fulfilled.

The 2013 Occupational Health and Safety expenditures amounted to RR 262 million.

WORKFORCE ENGAGEMENT IN OCCUPATIONAL HEALTH AND SAFETY, AND PROVISION OF PROTECTIVE CLOTHING

Various aspects of occupational safety such as providing personnel with personal and collective protective equipment and compensation for work-related harm to health caused by occupational diseases or otherwise are subject to negotiations between the company management and the workforce represented by trade unions and are recorded in collective bargaining agreements.

Experts of the Company's core business departments are members of a commission that conducts comprehensive HSE compliance audits of streams and functions.

Sanitary compliance in conditions of exposure of humans to adverse factors is based on international occupational safety standards (OHSAS 18001:2007) with due regard to feedback from Company employees.

Since 2012, a uniform corporate protective clothing style has been adopted by the subsidiaries. Technical Specifications for protective clothing are planned to be revised in 2014 based on the testing results.

OCCUPATIONAL HEALTH AND SAFETY TRAINING

All streams and functions conduct safety training and all types of briefings (induction, initial, repeated, unscheduled and targeted); personnel training and development programs are offered, among others, by specialized training centers, and there is a knowledge assessment system. In 2013, 38% of white and blue-collar workers upgraded their skills, including 58% of the Company's engineers and technicians who completed certified operational health and safety courses.

ADMINISTRATIVE AND OPERATIONAL CONTROL

OPERATIONAL CONTROL

Operational control (OC) programs in all NOVATEK subsidiaries have been developed in line with the requirements of state sanitary regulations. Production areas, buildings, structures, processes, transportation, workplaces and the environment are all subject to control.

Pursuant to regulatory requirements, all Company subsidiaries have developed rules for arrangement and execution of industrial control at hazardous production facilities and have set up operational control commissions, which conduct regular occupational health and safety compliance checks in the streams and functions.

In 2013, operational compliance discovered violations of occupational health and safety requirements with practically all of them rectified.

COMPREHENSIVE INSPECTIONS

In 2013, the NOVATEK commission continued comprehensive inspections of NOVATEK subsidiaries for occupational health, industrial, fire and environmental safety requirements. In the course of comprehensive inspections, occupational health, industrial, fire and environmental safety control systems are audited for compliance with international standards.

Comprehensive inspections are conducted by the commission composed of experts from core departments: power engineering, automatic control systems, control and measuring equipment, operating procedures, and Health, Safety and the Environment.

Inspection findings are published in reports recording discovered violations and feedback as well as recommended remedial actions. Company streams and functions analyze shortcomings revealed in the course of the comprehensive inspections and draw up corrective action plans.

In 2013, the NOVATEK's commission performed comprehensive inspections of five Company entities: NOVATEK-Purovsky Plant, NOVATEK-Transervice, NOVATEK-Yurkharovneftegas, NOVATEK-AZK, and NOVATEK-Ust-Luga. As of the end of 2013, about 70% of all discovered shortcomings and violations were rectified by the Company entities and work is in progress to rectify the remaining ones.

RESULTS OF SUBSIDIARIES' INSPECTIONS BY STATE SUPERVISORY AUTHORITIES

In 2013, state supervisory authorities (regional agencies of Rostekhnadzor) carried out three scheduled inspections of two Company entities (NOVATEK-Tarkosalenefegas and NOVATEK-Ust-Luga).

All shortcomings and points of criticism were rectified except for those that require new design solutions and material tangible costs that are provided for in the 2014 business plans.

WORKPLACE CERTIFICATION

To mitigate the risk of work-related injuries the Company's entities perform regular workplace certification. Actions for improvement and sanitation of working conditions are developed and implemented based on certification results. In 2013, all NOVATEK subsidiaries continued these efforts. In total, 91% of existing workplaces were examined at seven Company entities, including those certified with qualifications. As a result, no workplaces with unacceptable working conditions were identified.

INJURY RATE

In 2013, the number of injuries more than halved y-o-y.

There were four accidents in 2013, one being a multiple accident (minor injuries). Nine people were injured, all of them suffered minor injuries. The key root causes of the accidents were established as follows:

- Personal negligence of those injured;
- Disciplinary violations caused by non-compliance with occupational safety rules as set out in operating procedures and occupational health and safety guidelines;
- Inadequate snow removal and ice-crusted ground on site.

FIRE SAFETY

The Company puts a particular focus on fire prevention, including:

- Internal fire safety supervision;
- Fire safety training and emergency response drills;
- Developing standards and specifications.

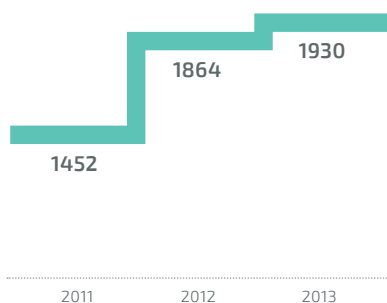
Five NOVATEK subsidiaries had licenses for firefighting equipment maintenance and firefighting operations in 2013. Hazardous industrial facilities for production, gathering, processing and manufacturing of explosives and flammable substances are protected by 12 private fire brigades. Seven of them are in-house and belong to the

subsidiaries they protect; Sibneftegas and Arcticgas facilities were safeguarded by contracted fire brigades in 2013; and Nortgas operating facilities were within the boundaries of the Yamal-Nenets Region Federal Firefighting Service response area.

The total headcount of fire brigades serving the facilities on a 24-hour basis increased by 57% y-o-y and stood at 401 people.

In 2013, the Company's subsidiaries developed, amended and adopted 280 local regulatory and administrative fire safety documents. 277 construction and upgrading projects for fire safety compliance were reviewed.

CERTIFIED WORKPLACES
(INCLUDING CERTIFIED WITH QUALIFICATIONS)



TOTAL ACCIDENTS BREAKDOWN

Accidents by degree of severity	2011	2012	2013
Minor	4	6	4
Serious	0	3	0
Serious, including fatalities	0	0	0

ACCIDENT FREQUENCY RATE
(NUMBER OF ACCIDENTS/ MILLION WORKING HOURS)

	2011	2012	2013
	214	290	922*

* The severity rate growth is associated with the Purovsky Plant multiple accident. Based on investigation findings, actions were taken to improve work safety to prevent such accidents in the future.

ACCIDENT SEVERITY RATE
(NUMBER OF HOURS OF DISABILITY/NUMBER OF ACCIDENTS)

	2011	2012	2013
	0,30	0,92	0,41

TRAINING AND EDUCATION

Occupational health and safety (OHS) and fire safety briefings and training are mandatory at all subsidiaries. Such training sessions and emergency response drills are conducted by in-house experts and are intended for newly recruited employees and visitors, including student interns or contractors' representatives (induction) and for employees assuming new functions (introductory briefing).

Company's fire safety experts are trained in the basics of fire safety and attend refresher courses on a regular basis. All other safe working practices training, including certifiable training is provided by licensed organizations on the basis of tailor-made programs.

In 2013, fire safety inductions were held for 20,496 people (including contractors), and 3,576 were trained in the basics of fire safety.

Drills are held on subsidiaries' sites to check emergency response readiness of Company's in-house fire brigades and personnel and assess the effectiveness of professional emergency response and rescue teams and other organizations engaged in emergency response.

More than 900 fire and evacuation drills were held in the reporting year.

ACCIDENTS AND INCIDENTS

NOVATEK production facilities classified as hazardous include the production and storage facilities as well as an extensive network of in-field and inter-field pipelines.

An adequate preventive action system is developed by the Company's business divisions to ensure safety of hazardous industrial facilities, prevent oil and gas condensate spills, protect the environment, employees and local residents.

There were no accidents at NOVATEK subsidiaries in 2013. No damage to the environment was registered as a result of four incidents recorded by NOVATEK-Tarkosalenftegas and NOVATEK-Purovsky Plant.

In October 2013, a fire broke out at the NOVATEK-Purovsky Plant LPG loading rack in the course of gas hazardous operations that partially damaged the rack. The incident had no impact on the production process and did not lead to suspension of production or shipment of the products. As a result of the incident, actions were taken to prevent similar occurrences in the future.

In 2013, there were eight fires on contractors' sites; therefore, the Company put a major focus on contractors' fire safety compliance and working conditions and recommended 1,252 corrective actions to contractors.

Due to the ramping up of hydrocarbon production and the growing number of hazardous sites and infrastructure facilities, it is planned to build three new fire stations, create four new fire brigades and increase the headcount to ensure fire safety by 2015.



HUMAN RESOURCES AND SOCIAL POLICIES

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The Company encourages the development of leadership skills and provides incentives to employees for personal development and increase professional competencies by creating the necessary conditions for professional training and learning.

HUMAN RESOURCES AND SOCIAL POLICIES

HUMAN RESOURCES MANAGEMENT AND LABOR RESOURCES

NOVATEK's Human Resources Department carries out overall personnel management. The department also provides methodological and practical assistance to subsidiaries personnel services.

The Company's Human Resource Policy is based on strict compliance with Russian law and the international standards developed by the International Labor Organization.

Personnel services of the Company conduct the following missions:

- Human resource planning;
- Hiring;
- Personnel training and development;
- Building a pool of successors for senior positions and career planning for all employees;
- Employee evaluation and performance appraisal;
- Employee motivation.

In relations with its employees, the Company strives to respect the full scope of human rights. In so doing, personnel services are governed by the following approaches:

- Equal opportunities for candidates when applying for a job subject to compliance of a candidate's qualifications with the Company's requirements.
- No discrimination of employees based on gender, race, nationality or any other reason whatsoever.
- Priority to local citizens under otherwise equal conditions;
- Material incentives with sole consideration of the position, qualification and business qualities of the employee.
- Maintaining a balance between the employer's and employees' interests.
- Non-use of child labor or forced labor.

The Company abides by applicable legislation and adheres to best practices in labor relations. Learning & instructional meetings for the subsidiaries' experts on Human Resources are arranged in Moscow on a regular basis.

PERSONNEL PROFILE

In 2013, the number of the Company's employees (including OAO NOVATEK, its subsidiaries and joint ventures, included into the reporting boundaries) increased compared with the previous period from 6,023 to 7,784 people, primarily due to including Arcticgas, Nortgas, NOVATEK-Kostroma and NOVATEK Moscow Region into the reporting boundaries. At the same time, the share of the people engaged in exploration and production increased from 50,0% to 53.1%. The number of people involved in processing insignificantly increased, while the share of administrative staff and personnel involved in transportation and sales slightly decreased. Almost all employees are staff members, while the share of external secondary job employees or people employed under civil law contracts is insignificant.

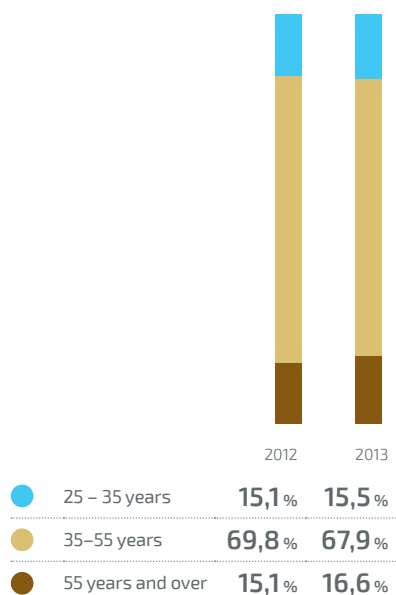
In terms of geographic location of employees, NOVATEK retained the strongest presence in the Yamal Nenets Autonomous Region. Even though its share in the Company's headcount decreased from 59.2% in 2012 to 56.9% in 2013, the number of employees in YNAO increased in absolute terms. The regional staff structure changed primarily due to the expansion of NOVATEK-AZK activities in Volgograd and Rostov. The share of headcount in Chelyabinsk region and our foreign subsidiaries decreased insignificantly.

WORKFORCE BREAKDOWN BY REGIONS, %



COMPOSITION OF NOVATEK'S MANAGEMENT BODIES BROKEN DOWN BY AGE, %

The middle-aged group (35–55 years) prevails in the structure of NOVATEK's managing bodies



MATERIAL INCENTIVES

The Company's subsidiaries have introduced an integral approach to compensation and incentive mechanisms in accordance with the corporate Procedures for Employees' Compensation and Incentives. Salaries and wages are indexed annually to compensate for the negative impact of inflation.

The men to women basic salary ratio in the executive category (in the YNAO) is on average 1.12. The men to women basic salary ratio in the specialist category (in the YNAO) is on average 1.19.

The standard entry level wage for the Company's employees in the main regions of its presence exceeds the fixed local minimum wage e.g. in Chelyabinsk region it is 1.7 times higher, while in the Yamal-Nenets Autonomous Region - 2.3 times higher.

In order to increase the management efficiency, bonuses for managers of the Company's functional units depend on compliance with key performance indicators. In some cases, such indicators are related to efficiency in the area of sustainable development.

To retain and motivate highly qualified managers we have also introduced a Share-Based Option Program covering the period from 2010 to 2013. Program participants approved by the NOVATEK Management Board generate income based on the increase in the share price of NOVATEK's GDRs.

LEARNING AND DEVELOPMENT

The Company has created a multilevel system of training and learning for employees, including targeted education programs. We still give priority to professional learning and training to ensure a safe environment at our production facilities.

THE COMPANY'S MAIN TASKS IN EDUCATION AND DEVELOPMENT



WORKING WITH YOUNG SPECIALISTS

Steps in Discovering Talents Program

The Company annually hires young specialists based on open and competitive employment practices. To ensure effective adaptation of this category of employees and create favorable conditions for their professional development, the Company elaborated a "Steps in Discovering Talents Program". The Program implies assigning a mentor, an experienced specialist with high professional competencies, to supervise a young specialist (who has worked in the Company for less than a year). Recent university graduates receive information on the Company's organizational structure, participate in trainings designed to develop information technology skills, time management and effective teamwork. They meet experts from various areas of the Company's business and participate in business games. At the end of the year, a commission consisting of department heads, representatives of personnel services and mentors assess the performance results of all program participants. In 2013, the first participants graduated from the program: 40 young specialists completed the training under the Program, and 58 persons continued

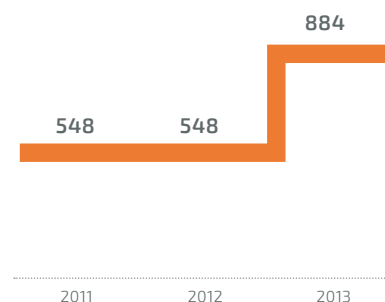
the two-year course. Program graduates receive certificates and different types of incentives based on the recommendations of the evaluation commissions.

The Company continues to form mentoring for young specialists. We set a course for the development of pedagogical skills and interpersonal and vocal communication of mentors. In 2013, 10 mentors participated in a Mentorship Practicum, which became a platform for the discussion of new skills of working with young specialists and sharing experience.

Foreign Practical Training

In 2013, two of the Company's employees underwent practical training in France at Total's Research and Development Center in Pau. An individual plan was elaborated for each participant; a personal mentor was assigned from among world-class experts. Our specialists took part in the implementation of real projects. For example, the activity of one of the project groups was dedicated to Pazflor-UM2 deep-water oil field in Angola, an extremely complicated project, development of which required employment of unique technologies.

NUMBER OF YOUNG SPECIALISTS EMPLOYED BY THE COMPANY



Research-to-Practice Conference for Young Specialists

The 8th Interregional Research-to-Practice Conference for the Company's young specialists was held in Moscow in 2013, which was attended by 74 young specialists representing 11 enterprises of the NOVATEK Group. The representatives of Yamal LNG and NOVATEK-AZK participated in the conference for the first time. The Conference gathered a record number of participants since its inception. All of them were speakers at the regional conferences conducted earlier at our subsidiaries and JVs.

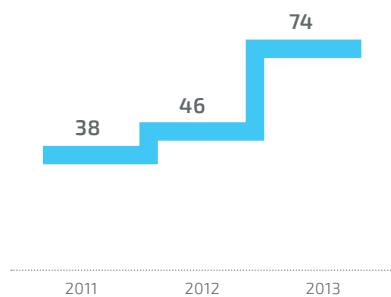
The contest commission listened to and evaluated 66 research-to-practice reports in seven sections, which covered almost all of NOVATEK's lines of business: geology, production, processing, transportation, engineering, energy, economy and environment. The contest jury consisted of subsidiary representatives and the Company's heads of departments. To ensure objective evaluation of the projects, for the first time we engaged expert reviewers from specific fields of expertise. In reviewing the reports, we took into account not only topic relevancy, but also report presentation format, quality of the presentation, and, ultimately, substantiation of the scientific conclusion and economic feasibility of their implementation.

Based on the results of the conference 33 laureates received diplomas and cash prizes, while ten (10) of the first place winners were also awarded a trip to a petroleum-training center in South Korea. Moreover, the winner nominated in the category "Best Implemented Project" was awarded a cash prize, and the top 14 projects advanced to the FEC-2013 Competition for Youth Projects held by the Russian Federation Ministry

of Energy. In 2013, a NOVATEK's representative, who became the winner of the FEC-2013 Competition, received commendations from the Ministry of Energy of the Russian Federation.

In the unofficial team classification, the team of NOVATEK-Yurkharovneftegas participants achieved significant results and won eight prizes. Over the last three years, 12 projects of conference participants were implemented at NOVATEK enterprises, including three projects in 2013.

NUMBER OF PARTICIPANTS IN THE CONFERENCE FOR YOUNG SPECIALISTS



TECHNICAL TRAINING

In 2011, OAO NOVATEK and its core subsidiaries (NOVATEK-Yurkharovneftegas, NOVATEK-Tarkosaleneftegas and NOVATEK-Purovsky Plant) introduced the Corporate Technical Competency Assessment System designed for testing professional potential of their engineers and technical specialists.

The system allows to monitor the growth of employees' technical competencies and to assess them when employing people or promoting them for higher positions.

A total of 744 people were tested under the system during 2013 against 103 in 2012 (including 47 people during the hiring process to fill vacant positions and 41 employees promoted to more senior positions). Under the Corporate Technical Competency Assessment System tests for several new areas were developed in the reporting year: APCS, instrumentation and metrology, mechanics, and energy sector. In assessing the candidates we use a list of qualifications, which describes compliance of the required level of specialists' knowledge in a certain position with a technical competency template. In 2013, we started to develop such lists of qualifications for Arcticgas.

One hundred and thirty one (131) employees have been included in the Technical Training program for 2014 as a result of testing employees.

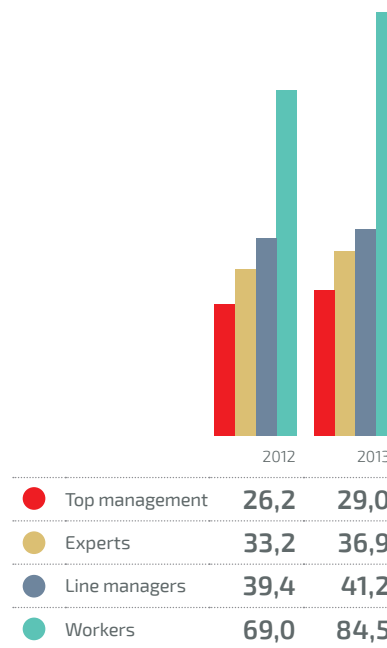
The training process was organized taking into account the specifics of each enterprise. Highly qualified employees possessing theoretical knowledge and practical experience of the production process were involved in the educational process as instructors at NOVATEK-Purovsky Plant. The special educational course was developed by the I.M. Gubkin FEC Training and Research Center for the employees of NOVATEK-Yurkharovneftegas. Professors of the Tomsk Polytechnic University conducted a five-day course in Moscow for the employees of OAO NOVATEK, NOVATEK-Tarkosaleneftegas, NOVATEK-Yurkharovneftegas and several other subsidiaries. Corporate courses were taught by Schlumberger and Petroleum Experts for OAO NOVATEK employees and experts of several other subsidiaries.

A significant number of specialists demonstrated higher scores in the course of reassessment after the training. The assessment results improved for 68.9% of OAO NOVATEK employees involved in the Technical Training Program, for 54.5% of NOVATEK-Tarkosaleneftegas emplo-

yees, and for 55.6% of NOVATEK-Yurkharovneftegas employees.

In 2013, the average number of training hours increased for all employee categories, and most noticeably — for workers.

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE IN 2013 AND BREAKDOWN BY EMPLOYEE CATEGORY, TRAINING HOURS PER EMPLOYEE



SUCCESSION POOL

The Management Board of OAO NOVATEK has approved the Successor Program for top management succession training, which provides for improved management knowledge and skills with a focus on competencies required by the Company. The Company's management directly participated in determining the competencies that are part of the Program's key elements.

In an assessment undertaken in 2012, 12 out of 56 executives, their deputies and production department heads were selected to further participate in the Program. In 2013, they underwent training on the first two modules – System Analysis & Organization Life Cycle and Management Organizational Function – as a part of the Program elaborated by the Higher School of Management on the basis of the Higher School of Economics. The Program consists of six modules with training courses conducted in Moscow and Novy Urengoy. Meetings with the Company's top management, involvement in implementing NOVATEK projects, performing a senior manager's functional duties during his/her absence, and even practical training at foreign oil and gas companies are available for the program participants. Upon the program

completion its participants will defend individual projects before NOVATEK's management.

PROFESSIONAL CONTESTS

Subsidiaries' employees participate in professional contests for specialists and blue-collar workers. The best specialists and blue-collar workers are selected based on the results of theoretical and practical tests.

The Best in the Field contest was held at NOVATEK-yurkharovneftegas and NOVATEK-Transervice in 2013. A total of 128 people took part in the contests, and 30 of them won awards.

In the regional contest for the best occupational safety performance held by the Purovsky district government NOVATEK-Purovsky Plant won the first prize as the Top Occupational Safety Organization in the Purovsky District.

INTERACTION WITH TRADE UNIONS

The Company respects the right of employees to freedom of association and has strong ties with trade unions, which operate in the majority of Company's subsidiaries. In 2013, 54.4% of employees belonged to a union. All aspects of relations between employees and the employer are regulated by a system of collective bargaining agreements signed

every three years. Such agreements apply to all employees irrespective of their affiliation with trade unions. Open discussion of disputable matters and issues helps strengthen partnership relations. An indispensable element of social partnership is feedback received during townhall meetings, participation in trade union committee meetings, and trade union conferences. Due to the close ties of the Company's management with trade unions and a constructive dialogue with workers' representatives any possible social tension is relieved through negotiations at the earliest possible stage. Over the entire history of the Company's existence, there has never been a single case of stoppages or strikes due to labor disputes.

A traditional area of cooperation among trade unions and the management of the Company's subsidiaries is the organization of recreational, athletic, and cultural events. In 2013, the Company spent RR 4.3 million to support trade unions (RUB 3.5 million in 2012).

IMPROVEMENT OF WORKING CONDITIONS

The Company places a strong emphasis on the social and living conditions of its employees. In particular, it concerns the rotational team method, which imposes special requirements in terms of workplace management and staff recreation. E.g. this is the way the majority of NOVATEK-Ust-Luga employees work. A new rotation camp

NUMBER OF TRADE UNIONS IN 2013

Subsidiary	Headcount, ppl	Trade union members, ppl	%
NOVATEK-Yurkharovneftegas	785	778	99,1
NOVATEK-Tarkosaleneftogas	1323	1030	77,8
NOVATEK-Transervice	298	155	52,0
NOVATEK-Purovsky Plant	719	415	57,7
OAO NOVATEK	557	32	5,7
NOVATEK-Ust-Luga	510	40	7,8

SOCIAL POLICY CONCEPT

for comfortable accommodation of rotation teams for 275 people was commissioned in 2013 ensuring maximum convenience of temporary accommodation. The rooms have showers and are equipped with TV sets, fridges and other requisite household appliances. The camp canteen has state-of-the-art equipment and highly skilled cooks offer a wide range of dishes. The camp grounds are developed and landscaped. The recreation space has billiard rooms and table tennis, and a gym.

The Company's dynamic development is, to a great extent, dependent on the professionalism and skills of its employees. Production targets can only be delivered, if there is a comprehensive solution to staffing and social issues. The policy document, which defines NOVATEK's top priority social initiatives is the Core Concept of the Company's Social Policy. The document defines social guarantees

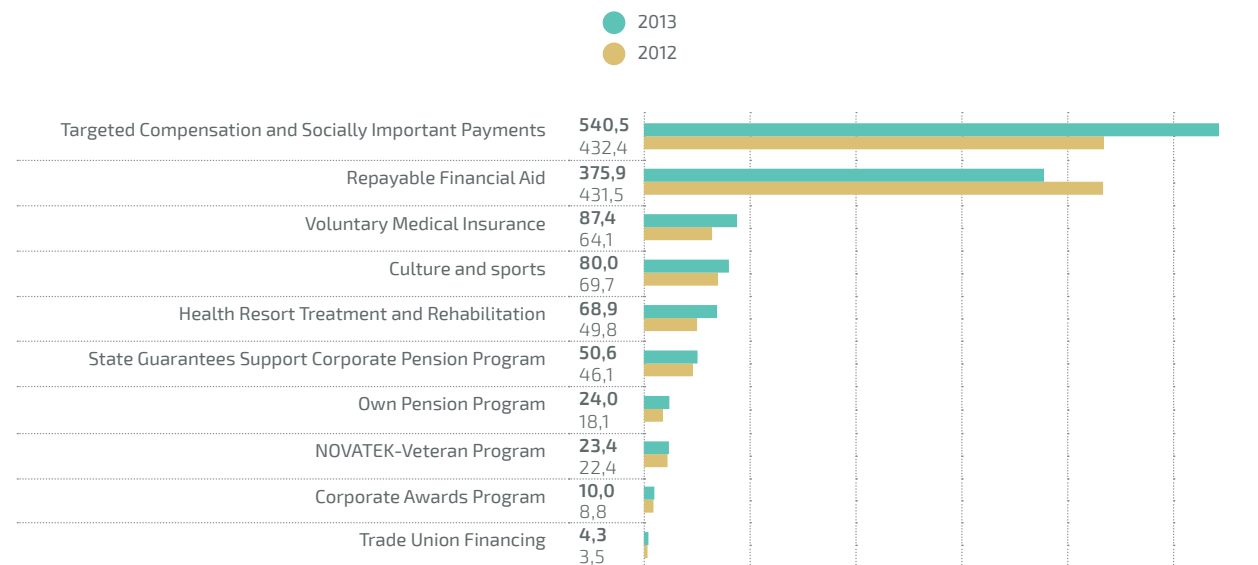
and benefits provided to employees, their families, and retirees.

By continuously monitoring the policy we are able to promptly respond to workforce dynamics, make timely adjustments, and define the list of objectives to achieve at the next stage. Every year, Management Board members review the implementation of the social policy and

employees' suggestions for making it more effective. New approaches to further improve employees' social security are developed consistent with Company's capabilities.

In 2013, the Core Concept of the Company's Social Policy was in effect as approved by the NOVATEK Management Board and reviewed and discussed with the Company workforce in 2012.

SOCIAL EXPENDITURES, RR MLN



SOCIAL PROGRAMS IN 2013

The social package for NOVATEK employees is revised annually. In 2013, the overall social expenditures increased by 9.4% year-on-year and amounted to RR 1,265 million*. The biggest portion of the allocated funds (43%) was traditionally used to provide welfare assistance to employees in adverse life circumstances.

A detailed description of the programs is given in the Company Social Programs Section of the 2010 Sustainability Report. This Report outlines changes in comparison to 2012 and results achieved in 2013.

Targeted Compensation and Socially Important Payments Program

This program provides targeted free support to Company's employees in adverse life circumstances.

The 2013 program expenditures amounted to RR 540.5 million.

Workforce Voluntary Medical Insurance

The voluntary medical insurance program is implemented along with the mandatory medical insurance program. The program provides maximum coverage for the insured and includes full outpatient care, dental care, and emergency and scheduled hospitalization.

* Without consideration of expenses for charity and sponsorship, and support of unproductive sphere facilities.

To help mitigate the risk of occupational diseases at facilities located in the Far North the Company's employees undergo comprehensive medical examinations by mobile teams of highly qualified doctors once every two years. 72 employees were referred to hospitals for surgical treatment in 2013. In the reporting year, the Moscow office employees aged 35 and older who had served with the Company for no less than two years underwent an extensive medical examination by Euromedservice Clinical and Diagnostic Center.

The 2013 program expenditures amounted to RR 87.4 million.

State Guarantees Support Program

The program applies to employees working in the Far North and equal-status localities and provides for reimbursement of vacation travel expenses and luggage transportation to/from vacation destinations. In 2013, 2,587 employees and unemployed members of their families took advantage of the program. In 2013, the program expenditures increased to RR 50.6 million.

Health Resort Treatment and Rehabilitation Program

In 2013, 1,876 employees and members of their families recuperated using subsidized vouchers provided by the Company. Vouchers are provided to employees and their children under 18 for 10% of their cost and to spouses and

children aged 18 to 23, inclusively, – for 50% of their cost. NOVATEK-Chelyabinsk, NOVATEK-Kostroma, NOVATEK-Perm and Arcticgas joined the program for the first time in the reporting year.

Employees were able to choose their vacation destination out of 38 health resorts the Company had contracts with located in the most popular resort areas on the Black Sea coast, in Siberia, Altai, Caucasian mineral waters, and the Republic of Bashkortostan.

In 2013, the program expenditures amounted to RR 68.9 million.

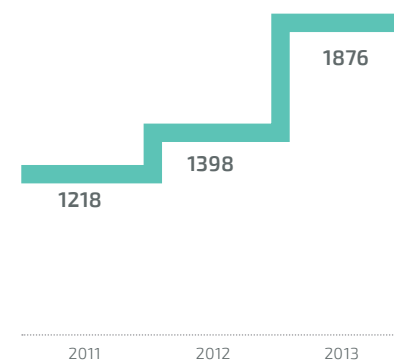
Repayable Financial Aid Program

This program has two focus areas:

- targeted short-term one-year loans – 132 people made use of this program in 2013;
- Interest-free targeted home loans to employees residing in Tarko-Sale, Novy Urengoy, Moscow, and Tyumen.

The Program was developed and approved by NOVATEK's Management Board in 2007. Since 2008, it has been applied to employees residing in Tarko-Sale and Novy Urengoy, and, since May 2011 - to employees residing in Moscow. Since 2013, employees of NOVATEK R&D Center, Tyumen, have also participated in the Program. Loans are granted for a period of up to 10 years.

NUMBER OF VACATIONERS USING NOVATEK SANATORIUM-RESORT VOUCHERS



In the reporting year, 38 families made use of the interest-free targeted home loans program; and construction of 156 apartments in the town of Tarko-Sale went on throughout the year.

In 2013, 80 apartments for employees of NOVATEK-Ust-Luga were commissioned in Sosnovy Bor (Leningrad Region).

The 2013 program expenditures amounted to RR 375.9 million..

Retirement Program

The program is implemented both, via the corporate retirement plan and NOVATEK-Veteran Social Protection Foundation, a non-profit organization.

The Foundation has been operating in the Purovsky region of YNAO since 2005. In 2013, 936 people were registered with the NOVATEK-Veteran Foundation. Apart from local oil and gas veterans, the Foundation also supports retirees of NOVATEK-Polimer, Novokuibyshevsk (divested in 2010). The Foundation makes quarterly welfare assistance payments and pays one-off benefits to those in adverse circumstances, gives vouchers to convalescent centers and health resorts to veterans, and organizes cultural and leisure activities.

An action group composed of the Foundation employees and keen retirees actively helps the disabled. Computer courses were offered to the beneficiaries of the NOVATEK-Veteran Foundation by NOVATEK-Tarkosaleftegas in 2013. A comprehensive computer literacy program for elderly people was developed by the Company's Youth Council. Computer skills make it possible to compensate for lack of communication and contact relatives and friends residing in other regions.

As of 1 January 2012, quarterly welfare assistance payments to pensioners registered with the Foundation were indexed by 6%. The 2013 NOVATEK-Veteran Social Protection Foundation expenditures amounted to RR 23.4 million.

As of 31 December 2013, the number of participants of the corporate Pension Program increased by 116 people as compared to 2012 and counted 481. Since January 2013, 43 retirees from NOVATEK-Chelyabinsk have joined the program.

The monthly social benefits are calculated in accordance with the Regulations on Social Benefits for Retired NOVATEK Group Employees and depend on the employee's length of service with the Company, income, and the geographic adjustment factor. The amount of aid is indexed on an annual basis. In 2013, it was indexed by 6%.

The 2013 average monthly social benefit paid in Moscow, St. Petersburg, Far North and equal-status localities was RR 5,710 and RR 1,850 in Chelyabinsk, Perm, and Novokuibyshevsk.

The 2013 Pension Program expenditures amounted to RR 24 million.

Corporate Awards Program

Top performers receive government, industry and corporate awards and certificates of merit from subsidiaries for professional excellence and meritorious service to the Company on the occasion of professional holidays and jubilees.

In 2013, 461 employees were rewarded, including:

Corporate awards:

- Honored Employee of NOVATEK — 5
- NOVATEK Certificate of Merit — 113
- NOVATEK Letter of Gratitude — 120
- Subsidiaries Certificate of Merit — 191

Departmental awards:

- Letter of Acknowledgement from the Russian Ministry of Energy — 15
- Certificate of Merit from the Russian Ministry of Energy — 10
- Honored Employee of the Russian Oil and Gas Industry — 5
- Honored Employee of the Gas Industry — 1

One employee received a government award — Second Class Order of Merit to the Fatherland.

There are one-off bonuses payable with corporate awards. The 2013 program expenditures amounted to RR 10 million.

Corporate Cultural and Sporting Events Program

NOVATEK cooperates with the country's famous museums on an ongoing basis so that employees and their families, friends, and partners have an opportunity to take part in events organized with the Company's support.

On Oil and Gas Men's Day and City Days, the Company organizes events and concerts attended by not only employees and their families but also includes all city residents. The subsidiaries host events dedicated to the International Women's Day on 8 March and New Year parties for employees' children. The Wits and Humor Panel Game corporate league was launched on 9 December 2013 and continued in 2014, the NOVATEK anniversary year.

In 2013, there were corporate sports competitions in cross-country skiing, swimming, and indoor soccer.

The NOVATEK-Chelyabinsk team had a three-day rafting trip on the Ay river the most lengthy and full-flowing river in Southern Urals.

In the reporting year, the fifth Know and Love Your Land Youth Festival was conducted in the forest area near Tarko-Sale. The festival agenda included a tent camp pitching competition, paddling, and free rope competitions, as well as creative contests.

The 2013 program expenditures amounted to RR 80 million.

LOCAL COMMUNITIES

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The Company supports human rights initiatives through corporate policies and projects that create long-term relationships with indigenous peoples and local communities.

LOCAL COMMUNITIES

NOVATEK assumes responsibility for the economic and social development of the regions of its presence and for the welfare of local communities. The Company develops cooperation with regional authorities, local governments, public organizations, and Northern indigenous minorities' communities. In 2013, NOVATEK geographic spread included the Yamal-Nenets Autonomous Region (YNAO) as the Company's core region, the Kingisepp District in the Leningrad Region, the city of Novokuibyshevsk in the Samara region, and the Tyumen and Chelyabinsk regions.

When implementing the policy of social responsibility in the areas of its production activities, the Company relies on:

- General Cooperation Agreement with the Administration of the Yamal-Nenets Autonomous Region and NOVATEK Cooperation Agreements with the administrations of municipal entities of the district and other regions;
- Cooperation Agreements with the Yamal for Descendants Regional Association and its district offices, as well as the Association of Indigenous Minorities of the Far North, Siberia and Far East, and other public organizations;
- Direct applications from national communities to the Company and its subsidiaries for help in solving social issues.

COOPERATION WITH REGIONAL AUTHORITIES AND MUNICIPAL ENTITIES

In partnership with local authorities, the Company is implementing programs to improve the living standards of local communities in the regions of its presence. Largest funds are invested by NOVATEK to facilitate the social and economic development of the Yamal-Nenets Autonomous Region (YNAO), the Company's core region.

The Company has been developing stable and mutually beneficial partnership relations with YNAO for about ten years with reliance on the General Agreement renewed every three years. In the reporting year, the 2012–2015 Cooperation Agreement signed in 2012 was effective. This document defines the key areas of interaction, while specific activities and targets for aid are annually itemized in supplementary agreements made, in particular, with municipal entities. Regional authorities are well aware of the most acute needs of the territories, and they coordinate the joint development programs upon consent of the parties.

Thus, in 2013 the Company entered into another cooperation agreement with the Tazov district administration. Under the agreement, the promising Utrenneye field located in the same district will be developed together with a package of social and economic projects aimed at further sustainable development of the territory. In the reporting year, NOVATEK allocated over RR 36 million for the Tazov district social and economic development.

Also, the Company continued its cooperation with the administrations of Novy Urengoy, Purovsky, Nadym, Yamal, and the Krasnoselkup regions in Yamal.

Within the framework of the 2012 agreement with the administration of the Kingisepp District of the Leningrad Region, the Company is implementing a number of joint projects to improve the living standards of the local residents. In the reporting year, financial aid was earmarked for public utilities and municipal state-funded educational institutions.

In August 2013, a trilateral agreement for cooperation in the development of the natural gas motor fuel market and alternative gasification was signed by the Chelyabinsk regional government, NOVATEK-Chelyabinsk and Energo-techgroup.

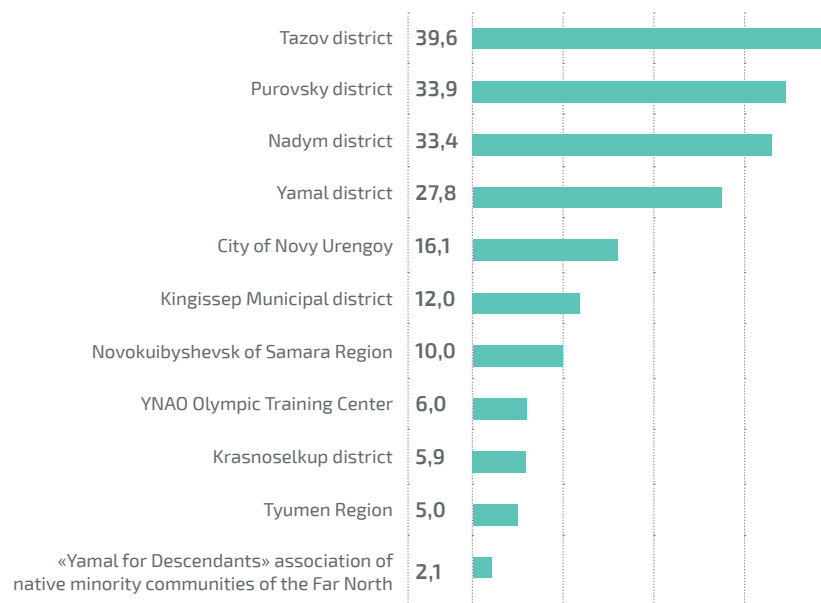
In 2013, NOVATEK, together with its subsidiaries, allocated RR 192 million as investment into the socio-economic development of the regions of its presence. RR 12 million was spent on repairs in pre-school and educational institutions in the Leningrad Region, RR 6 million – for the implementation of the Warmth and Comfort project; and RR 5 million – for the support and development of children & youth sports in the Tyumen Region.

CONSTRUCTION AND REPAIR OF VITAL AND SOCIAL INFRASTRUCTURE

NOVATEK and its subsidiaries provide funding for repairs, improvements, and equipment of educational and health care institutions, as well as social and recreational facilities. The Company allocates funds for the construction and repair of municipal facilities, utility networks and vital infrastructure.

In the reporting year, the Company continued financing a large-scale project to construct a refrigerating facility with a 100-ton processing plant in the village of Gyda, and allocated funds to develop trading stations in Gydan in the YNAO Tazov District.

MAIN RECIPIENTS OF SOCIAL INVESTMENTS IN 2013,
RR MLN

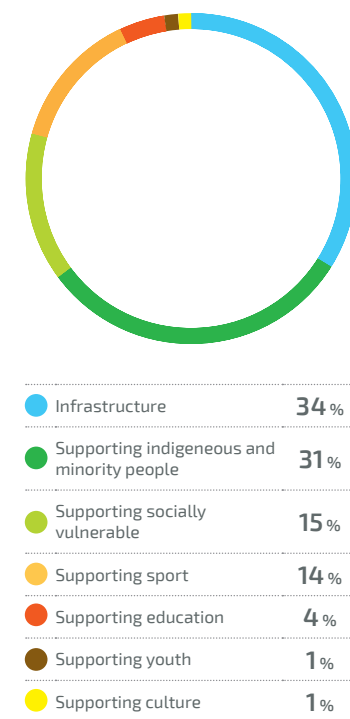


The Company financed road construction, installation of utility networks, and repair of the local clinic, nursery, boiler house, a water treatment plant and diesel power plant in the national village of Kutopyugan as part of the social partnership with the Nadym district administration. Wooden walkways in the village were replaced with proper

concrete sidewalks, storm water drains were constructed and slopes were reinforced by a special geogrid.

In 2013, NOVATEK, together with the administration of the Kingissep district in the Leningrad region, allocated funds for a major overhaul of six state-financed educational institutions. In addition,

MAIN AREAS OF SOCIAL INVESTMENTS
IN 2013, %



funds were allocated to a municipal nursery to repair its swimming pool. Providers of public utility services in the village of Vistino and in the rural settlement of Kotelskoye received new equipment with financial support from the Company.

CULTURAL AND SPORTS PROJECTS

Support for cultural and sports projects mainly goes toward public events to preserve the national traditions of Far North indigenous minorities, as well as local and professional holidays such as the City Day, Fishermen's Day, and Oil and Gas Men's Day. In 2013, the Company supported the organization of festivals on the occasion of Fishermen's Day in the Nadym district. The cultural program included a concert featuring performers from the Nadym Center of National Cultures, a National Dress competition, and exhibition of folk art. There were also boating, archery and lasso throwing tournaments.

In 2013, NOVATEK supported an important cultural event, the Art-Arctic International Festival of Arctic Countries in Salekhard. It is an annual event to support and discover talents, develop culture of music and art, as well as support dialogue between different national cultures of the northern regions of Russia and the world community. The Salekhard festival guests and participants got acquainted with the traditional and modern culture of northern peoples and visited the Gornoknyazevsk natural and ethnographic complex and the Magic World of the Arctic photography exhibition.

NOVATEK pays special attention to the development of children and youth sports in the regions of presence. In 2012-2013, the Company supported the first children indoor soccer tournament Step towards Big Football for the NOVATEK Cup in the Chelyabinsk region, Southern Urals. More than 10,000 schoolchildren from 40 municipal areas participated in that first regional tournament. The Company built five athletic fields for the winners of the NOVATEK Cup. New sporting facilities were constructed in the settlements of Nasledinsky in the Bredinsky district and Krasnogorsky in the Emanzhelinsky district, as well as the towns of Korkino and Yuzhnouralsk, and in the Varnensky district.

In 2013, the Company supported an annual school sports day for children with disabilities. During the competitions, the children were strongly supported by professional athletes - volunteers from the Order of Mercy Children Activity Center located in Tarko-Sale, and the Mercy public organization.

NOVATEK supported the world's largest sailboat Sedov around-the-world cruise, which finished in Saint Petersburg in July 2013. The cruise lasted 14 months and the boat covered 47 thousand miles.

FUNDING EDUCATIONAL EVENTS AND PROJECTS

In 2013, NOVATEK continued gifted children education and development projects, as well as funding grant programs for school students and teachers of the Purovsky District, YNAO. The details of this project are described in Company's Educational Initiatives.

The Company initiated a new educational project in the Kostroma region. NOVATEK-Kostroma specialists drew up a household gas safety program to train children and gave a master class in the Veterok camp in Kostroma. The children were told about gas properties and rules of using gas appliances, how gas fields are developed, and how natural gas gets to houses and plants.

In October 2013, the Company was closely involved in organizing Vocational Training Days in the Kostroma region. There was a guided tour to NOVATEK-Kostroma for 10th-grade students from school No. 38, which helped many senior students to make a career choice.

SOCIAL SUPPORT TO SELECTED CATEGORIES

Pursuant to the Cooperation Agreements, the Company continued to allocate funds to render targeted assistance to welfare beneficiaries: children and minors, the disabled and the elderly, WW II veterans and home front workers, and large families in 2013. The Company also financed upgrading facilities of state-funded organizations and institutions, earmarked significant funds for the needs of the native minority communities of the Far North and nomadic populace. In 2013, as part of the targeted assistance for the disabled, the Company provided funds to purchase rehabilitation equipment and special transportation vehicles, including those that are not on the federal list.

The 2013 largest social projects include the Warmth and Comfort project intended to improve the quality of life of retirees from educational, healthcare and cultural institutions in the city of Novokuibyshevsk, Samara region.

LICENSE COMPLIANCE

Along with funds allocated as charitable social investments, license holders in Russia assume social commitments.

In June 2013, in connection with the upcoming development of the Utrenneye field in the Tazov district of YNAO, NOVATEK-Yurkharovneftegas signed an agreement with the district administration for payment of compensation in an amount of RR 36 million. The funds are earmarked for district social and economic development programs and improvement of living standards of indigenous minorities: construction and repair of residential housing, municipal schools, social and cultural facilities, infrastructure, and facilities for storing and processing traditional products. The program also envisages education of indigenous minorities for employability in the Company.

COOPERATION WITH INDIGENOUS AND MINORITY PEOPLES OF THE FAR NORTH

YNAO is the home of about 20 minority peoples of the Far North – the Khanty, Nenets, Komi-Izhemets, Selkup, and others. Minorities make up 7% of the region's total population (about 38,000 people). More than a third of them (over 13,000 people) are nomads.

The Company maintains special operating restrictions in the areas of traditional inhabitation and economic activity of indigenous minorities and in the vicinity of their cultural and spiritual heritage sites. In the course of commercial development of such territories, NOVATEK takes into account the opinions and suggestions expressed by local residents and ensures maximum preservation of existing ecosystems, as well as sites, which are sacred for the indigenous population. NOVATEK has been implementing the Company's Indigenous Peoples Support Program in accordance with the recommendations of the World Bank. This is the second largest area of NOVATEK's social investments.

The Company provides support to the indigenous population by financing the development and improvement of settlements, including housing construction and repair and maintenance of social and public facilities. People working in the tundra get free medical care, drug deliveries, and snowmobiles and motor-boats maintenance services. NOVATEK finances the supply of fuel for transportation of nomadic communities and delivery of foodstuffs to hard-to-reach areas.

In 2013, the Company's financed the following:

- Legal and consultancy services, training courses and seminars, and publication of printed products of the Association of Russian North, Siberia and Far East Indigenous Minorities;
- Upgrading agricultural facilities of the Purovsky and Krasnoselkup districts;

- Purchase of vehicles (snowmobiles and fishing motor boats) for fishermen and reindeer herders in the remote areas of the Tazov district of YNAO;
- Construction of a refrigerating facility in the village of Gyda in the Tazov district;
- Repair of houses in the trading stations of Tanamo and Razvilka;
- Construction of a residential building in the village of Nyda in the Nadym district;
- Development and improvement of the settlement of Seyakha in the Yamal district;
- Organization and holding of national heritage and festive events. A concert on Fishermen's Day featuring performers from the Nadym Center of National Cultures.

NOVATEK's new projects are agreed with local residents in order to preserve ancestral habitats and wildlife management. For details, please refer to Stakeholder Engagement.

SUPPORT TO NATIONAL NON-PROFIT ORGANIZATIONS

In 2013, NOVATEK continued to provide financial support to the Association of Russian North, Siberia and Far East Indigenous Minorities as well as the Yamal for Descendants Association and its district branches. The Company takes an active part in financing events focused on fulfilling statutory goals of the above organizations and supports their youth branches.

NOVATEK helps YAMINE, a children support charitable foundation in YNAO that provides medical and diagnostic assistance to critically ill and disabled children. The Company sponsored high-tech treatment of children and their rehabilitation in a dolphinarium. The Company representatives were invited for the YAMINE charitable foundation award ceremony in Salekhard, which was attended by the Head of the Region Dmitry Kobylykin. In addition, the Company has sent to the foundation RR 400,000 earned from recycling metal scrap and wood collected by NOVATEK volunteers during an environmental expedition to clean the Bely Island.

EDUCATIONAL INITIATIVES

Gifted Children Program

For many years NOVATEK has been developing a continuous learning project intended to attract highly educated and qualified young people from the regions of the Company's presence.

Recruitment and career guidance for high-potential employees starts with the targeted comprehensive program entitled Gifted Children, which is focused on education and development of intellectually endowed children. High School No. 8 in Novokuibyshevsk and High School No. 2 in Tarko-Sale select, on a competitive basis, talented children from grades 10 and 11 who demonstrate above-average academic performance and participate in regional, district, and national contests in core school subjects.

In 2013, 19 graduates of Tarko-Sale school No.2 completed advanced programs in physics and mathematics. Based on the final contests, seven of them were admitted to the Mining University as NOVATEK scholarship students and two of them were enrolled at the Tyumen Oil and Gas University. 38 students finished Novokuibyshevsk School No.8. Their school program included a wide range of academic subjects, including special courses in business etiquette, economics, draftsmanship, and law. Many participants of the program became participants, winners, and awardees of national competitions, festivals, conferences, and contests.

As part of the Gifted Children Program, the Company financed a trip by grade 7-11 students from Tarko-Sale school No.2 to attend a physics and mathematics course offered by the Urals Regional Experimental Educational and Research Centre at a computing school in the town of Beloretsk in Bashkiriya. The purpose of the course was to develop children's creativity and to prepare school students for the Unified National Exam and participation in contests. In 2013, the Company spent RR 3.5 million on the Gifted Children Program in Tarko-Sale. The Novokuibyshevsk classes are financed by the Viktoria Charity Foundation.

Grants Program

Over ten years, the Company has been implementing the Grants Program for schoolchildren and teachers in the Purovsky district. Under the Grants Program for grades 5 through 11, students are awarded cash bonuses; the Program is intended to support their intellectual development and creativity, and encourage a responsible attitude to learning. In 2013, a new NOVATEK Regulation on Grants was adopted taking into account feedback from school principals, the Department of Education, and the Purovsky district administration. The new document increases the size of the grants and expands the list of eligibility criteria.

Over the life of the program, 764 candidates became awardees for their academic performance and winning contests, with many of them receiving grants several times. In November 2013, the "Geolog" Cultural and Sporting Center in Tarko-Sale held an anniversary ceremony to award NOVATEK grants to students and teachers. 74 students received Company grants for their academic excellence and creativity.

NOVATEK is implementing a Grants Program for Purovsky district teachers intended to raise the prestige of the teaching profession and create favorable conditions to discover new talents. A grant of RR 40,000 is awarded once a year to teachers who used up-to-date education technologies in their work, improved their skills, and shared their teaching experience, and who also trained at least 5 students to receive a NOVATEK grant in the year preceding the year of the competition. Over the life of the program, 45 teachers participated in the program and five of them were awarded with grants in 2013.

In 2013, the Company spent RR 393,000 on the Grants Program.

NOVATEK-VUZ Program

In order to ensure continuous succession and create the conditions for effective use of university capabilities in professional training of students, the Company has developed and is

successfully implementing a NOVATEK-VUZ Program. The program is an action plan to train specialists with higher education in disciplines critical for the development of the Company's business and meet its staffing requirements. The Company's subsidiaries, in cooperation with NOVATEK departments, define the need for young graduates in specific disciplines and their qualifications. Every year, plan is updated and school leavers get career guidance with due regard to the business requirements. The Company cooperates with core higher education institutions such as the State Mining Institute in Saint Petersburg (technical university), Gubkin Russian State Oil and Gas University in Moscow, and the Tyumen Oil and Gas University, among other things, with respect to pre-university training.

The children of those employed by NOVATEK subsidiaries, the Purovsky district valedictorians, as well as holders of NOVATEK grants and Gifted Children Program graduates have an opportunity to apply for Company scholarships. Students demonstrating good academic progress receive supplemental monthly payments from NOVATEK in addition to government scholarships and have an opportunity of internship with the Company, which allows them to apply knowledge obtained at lectures and seminars to real life situations and 'try their hand' in the profession, while the Company gets an opportunity to get to

know potential employees better. The Company signs an apprenticeship agreement with every participant of the NOVATEK-VUZ program under which students receive financial support in the form of scholarships, compensations, and payment of travel expenses to and from the place of internship. As of the end of 2013, there were 86 apprenticeship agreements signed. The program participants were trained in 27 disciplines at 11 technical universities. 39 students had salaried internship in the Company's subsidiaries.

In 2013, more than 70 students from the leading universities of Samara, Saint Petersburg, Moscow, and Tyumen participated in the VIth forum of NOVATEK-VUZ grant holders. Following tradition, the participants of the Gifted Children Program and their teachers were also invited to attend the forum. It was the first time when the Company management hosted the participants in the Moscow office. The students met the Company CEO, and his deputies. During the panel discussions the Company grant holders were informed of opportunities for internship, potential employment, terms of future employment, and career prospects. The event was concluded with a team-building Sea Battle game and a boat trip on the Moscow River.

Company representatives keep in touch with partner universities' management and students. In October 2013, the head of NOVATEK corporate programs department met with the Mining University scholarship students. At the meeting, the students learned about Company's recent achievements and development prospects, its staffing policy and opportunities for young graduates. 1-4-year students' internship placement and employment of future graduates were discussed. The meeting was attended by 44 students from first to five-year students.

Based on academic performance and feedback from internship supervisors, the best NOVATEK-VUZ graduates are selected to be employed with the NOVATEK group and other companies. In 2013, 17 of 19 graduates of this program who were parties to apprenticeship agreements were employed by NOVATEK and other companies.

In 2013, the Company spent RR 38 million on the NOVATEK-VUZ Program.

THE ALL-TOGETHER VOLUNTEER MOVEMENT AND CHARITY PROJECTS

The All-Together Volunteer Movement founded in 2008 continued its work in 2013. Our volunteers assist orphaned children, children suffering from various illnesses, veterans, animal shelters, donor initiatives, etc.

The All Together volunteers have been assisting orphanage no. 2 in Vyshny Volochok since 2011. The orphanage is a home for mentally retarded children whose social adaptation requires continuous communication and additional training along with professional medical assistance. Volunteers regularly visit the children, watch movies with them, organize sporting events, cooking and handiwork classes, which facilitate the development of fine motor skills, diligence, and a result-oriented attitude. In 2013, the ten best students of the orphanage who showed the best academic performance and were actively involved in social life visited the NOVATEK volunteers. Their program in Moscow was full of cultural events and entertainment and helped adapt the children to life outside the orphanage.

Over the last five years, the Company has been organizing the Road to School event prior to each new academic year. An improvised schoolbag-container is installed in the lounge of the Company's central office, where each employee can put school supplies for schoolchildren. Presents from employees were sent to the Vyshny Volochok orphans.

In 2013, a family-type child care home was set up in the Petrovsky settlement of the Gavrilovo-Posadsky district, Ivanovo region as part of the partnership of the Company's volunteer movement with the ROST charity foundation. Charity funds transferred by NOVATEK to the foundation were spent to buy a three-room apartment to accommodate five children from a closed orphanage in Petrovsky. The children were adopted by one of their former teachers. The Company volunteers regularly visit that family-type childcare home to help children to improve their living conditions and organize their leisure time.

In 2013, 250 employees of Yamal LNG took part in a cleanup day in the Talalikhin orphanage near Moscow. The outdoor territory around the orphanage was improved with curbs painted, trees planted, children-made birdhouses hung on the trees, flower beds arranged, and a marked path with traffic signs built.

In January 2013, NOVATEK-Tarkosaleftegas organized a New Year celebration with an entertainment program, surprises, and presents for the children of the 'Luch Nadezhdy' orphanage in Tarko-Sale.

In the reporting year, the Company continued its partnership with the Gift of Life Foundation. The donor movement organized as part of the foundation's charity activities gathers more and more participants every year. In 2013, two campaigns were organized at the Company's Moscow office to donate blood for the patients of the Russian Children's Clinical Hospital. The funds collected at the events jointly arranged with the Gift of Life charity foundation are sent to children's hospitals to purchase modern medical equipment.

In 2013, NOVATEK also provided financial and organizational support for the cleanup expedition to the Bely Island. The volunteers collected around 290 tons of garbage. The expedition cleaned the area of the M.V. Popov Polar Marine Weather Station located on the island of old buildings, spilled oil, and other chemicals. The money received for the metal scrap was handed over to the YAMINE charity foundation.

CULTURAL DEVELOPMENT

NOVATEK continues Russian charity and patronage traditions and allocates funds to support events to preserve and revive Russia's historical and cultural heritage.

In the reporting year, the Company continued its partnership with the leading Russian museums: Russian State Museum (St. Petersburg), the Moscow Kremlin Museum, the State Tretyakov Gallery, the Multimedia Art Museum (the Moscow House of Photography), the Moscow Museum of Modern Art, and the Samara Regional Art Museum.

In 2013, the following art exhibitions and cultural projects were organized and implemented with NOVATEK's support:

The Russian State Museum (St. Petersburg)

- Imperial Gardens of Russia Festival;
- Malevich. Before and after the Square Exhibition.

The Moscow Museum of Modern Art

- Yury Albert's "I am not..." Exhibition.

NOVATEK also continued acting as the General Partner of the Moscow Soloists Chamber Ensemble under the direction of Yuri Bashmet.

SPORTS

Programs to develop mass sports in Russia are the Company's top priority. The Company, its subsidiaries and JVs hold regular tournaments in the most popular sports such as soccer, volleyball, swimming, indoor soccer, etc. NOVATEK's indoor soccer, volleyball, and hockey teams take part in annual corporate tournaments in Moscow. In 2013, the NOVATEK soccer team won the Business Champions League Cup and the volleyball and hockey teams won medals in various tournaments.

The Company supports the following clubs:

- Spartak Basketball Club (St. Petersburg);
- NOVA Volleyball Club (Novokuybishevsk);
- Dynamo Joint Hockey Club (Moscow).

In 2013, NOVATEK signed a cooperation and partnership agreement with the Football Union of Russia and became the General Partner of the Russian national football team.

SGS VOSTOK' S REPORT ON SUSTAINABILITY ACTIVITIES IN THE OAO NOVATEK SUSTAINABILITY REPORT FOR 2013

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Vostok Limited was commissioned by OAO NOVATEK to conduct an independent assurance of the Sustainability Report 2013. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2013 data in accompanying tables, contained in this report. Information and data on the company website, other than that included in the text of this report, were not included in this assurance process.

The information in OAO NOVATEK Sustainability Report 2013 and its presentation are the responsibility of the directors and management of OAO NOVATEK. SGS Vostok Limited has not been involved in the preparation of any of the material included in the Sustainability Report 2013.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all OAO NOVATEK stakeholders.

This report has been assured at a high level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G3.1 2011).

The assurance comprised a combination of pre-assurance research, documentation and record review, and interviews with employees during visits to the Head office of OAO NOVATEK, based in Moscow.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Vostok Limited affirms our independence from OAO NOVATEK, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered which comprised Sustainability Assurance Practitioner Auditor, Lead Quality and SA8000 Auditor, Environmental, social and sustainability auditor.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within OAO NOVATEK Sustainability Report 2013 is accurate, reliable and provides a fair and balanced representation of OAO NOVATEK sustainability activities in 2013.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the OAO NOVATEK Sustainability Report 2013 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level B+.

Principles — In our opinion the content and quality of the report adheres to the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- **Stakeholder Inclusiveness:** The descriptions and inclusion of stakeholder engagement continues to improve over previous reports but would still benefit from clearer presentation from engagement planning to responses.
- **Comparability:** Comparability year-on-year has improved as history of performance goes back to 2011. This could be improved by including strategic goals and targets for each area so that the reader can see performance against targets in addition to history.

More detailed improvements opportunities are incorporated to the Internal Management report for the organization.

Standard Disclosures — All of the standard disclosures required for reporting at an application level B+ were included or referenced in the report

Indicators — More than the required minimum number of indicators including those from the Oil & Gas Sector Supplement are included in the report.

In our opinion:

- The large increase in the number of indicators addressed in the report compared to the previous reporting years reflects the organisation's commitment to continuous improvement of reporting and transparency.
- Reporting is now more mature and the organisation is close to increasing the level of reporting and assurance against the GRI Guidelines.

SIGNED:
FOR AND ON BEHALF OF SGS VOSTOK
LIMITED



K. TIMOSCHECHKIN
REGIONAL BUSINESS DEVELOPMENT
MANAGER
FOR EASTERN EUROPE, SYSTEM AND
SERVICES CERTIFICATION
SGS VOSTOK LIMITED
OCTOBER 2014

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GRI G3.1 CONTENT INDEX

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
1. STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organization	Fully		3-4
1.2	Description of key impacts, risks, and opportunities	Fully	Additionally please see NOVATEK Annual Report 2013, pp. 12, 68-72: http://www.novatek.ru/en/about/strategy	3-4
2. ORGANIZATIONAL PROFILE				
2.1	Name of the organization	Fully	ОАО NOVATEK	
2.2	Primary brands, products and/or services	Fully	"Company Profile"	9
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Fully	http://www.novatek.ru/en/about/general/structure	
2.4	Location of organization's headquarters	Fully	2 Udaltsova St., Moscow, Russia	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	"Company Profile"	9
2.6	Nature of ownership and legal form	Fully	Part ownership, Joint Stock Company	
2.7	Markets served (including geographical breakdown, sectors served, and types of customers/ beneficiaries)	Fully	"Company Profile"	9
2.8	Scale of the reporting organization	Fully	"Company Profile"	9, 22
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully	"The reporting boundaries" "Natural gas sales" "Yamal LNG project"	6, 15, 18
2.10	Rewards received in the reporting period	Fully	"Company Profile", "Awards", Additionally please see: http://www.novatek.ru/en/about/achievements/index.php?quarter_4=0	12
3. REPORT PARAMETERS				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	Fully	2013 calendar year	
3.2	Date of most recent previous report (if any)	Fully	4Q of 2013	
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual	
3.4	Contact point for questions regarding the report or its contents	Fully	"Feedback Questionnaire and contact details"	77
3.5	Process for defining report content	Fully	"Report and Reporting Process"	6
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Fully	"Report and Reporting Process"	6
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Fully	"Report and Reporting Process"	6

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Fully	"Report and Reporting Process"	6
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Fully	"Report and Reporting Process"	6
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and reasons for such restatement.	Fully	The Report does not contain any restatements	
3.11	Significant changes from previous reporting periods in the scope, boundary, and measurement methods applied in the report	Fully	No material changes occurred	
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	"GRI G3.1 Content Index"	63
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	The Company applies to a professional auditor for report verification. The verification report is enclosed.	61
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Fully	"Corporate Governance" Additionally please see NOVATEK Annual Report 2013, pp. 60-61	22
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	No	
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	Fully	As of the end of 2013, the Board of Directors comprised nine (9) persons including six (6) independent directors (as of their election date) according to the Russian Federal Law on Joint-Stock Companies	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	These mechanisms include Shareholder Meetings, discussion of Collective Agreements, Company management's meetings with employees, etc	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Fully	The procedure for and criteria of calculating remuneration to members of NOVATEK's Board of Directors, as well as the compensation of their expenses, are prescribed in the Company's Charter and Regulations on NOVATEK's Board of Directors: http://www.novatek.ru/common/upload/us_18-04-14.pdf http://www.novatek.ru/common/upload/polsden.pdf NOVATEK's Corporate Governance and Remuneration Committee is responsible for determining the policy for executive remuneration and for the remuneration and benefits of individual executive directors and senior executives: http://www.novatek.ru/en/about/management/BOD/	

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Members of the Board of Directors and the Management Board shall declare any personal, commercial or other interest (direct or indirect) in the framework of transactions, contracts, and projects related to the Company, including the intention to make a deal with its shares or shares of its subsidiaries. Additional information: OAO NOVATEK'S CODE OF BUSINESS CONDUCT AND ETHICS http://www.novatek.ru/en/about/management/doc	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Fully	Qualification and competence of members, including in Sustainability issues, are taken into account to determine appointment to a post, as well as educational level and experience on the boards of other companies. The Company has no specific procedures in place for this process	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	Charter and Corporate Documents: http://www.novatek.ru/en/about/management/doc/ http://www.novatek.ru/common/upload/doc/Code_of_Corp_Governance.pdf http://www.novatek.ru/common/upload/doc/Code_of_Ethics_ENG.pdf http://www.novatek.ru/common/upload/Anticorpolen.pdf	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Fully	Reports on key sustainability areas (such as HSE, human resource management, interaction with local communities) are submitted to the highest governance body on a regular basis	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Fully	The highest governance bodies evaluate their own performance annually, in preparation for annual meetings	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Partially	The precautionary principle is applied in the planning of new facilities or the introduction of new products in order to avoid serious or irreversible environmental impacts. We use the common approach to the management of environmental risks, taking into account existing regulations and standards of industrial and environmental safety. NOVATEK has implemented an Environmental, Health and Safety Policy, while at the same time an Integrated Management System for Environmental Protection, Occupational Health and Safety (IMS) in compliance with requirements of international standards has been implemented at all of our main subsidiaries. "IMS Organizational Chart"	

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Fully	NOVATEK participates in the global Carbon Disclosure Project (CDP) and CDP Water Disclosure. The Company shares the basic ethical principles of the Russian Code of Business Ethics (Chamber of Commerce and Industry of the Russian Federation, 1998), the Charter of corporate ethics (the Russian Union of Industrialists and Entrepreneurs, 2003)	
4.13	Membership in associations	Fully	Russian Gas Society, Regional Association "The Urals Industrial – the Urals Polar"	
4.14	List of stakeholder groups engaged by the organization	Partially	The Company interacts regularly with the main stakeholder groups, including shareholders, investors, business partners, media, employees, indigenous peoples, communities, and legislative and executive authorities	
4.15	Basis for identification and selection of stakeholders with whom to engage	Partially	Basis for identification and selection of stakeholders are regular business processes, obligations under existing contracts and agreements, as well as requirements of the initiatives, in which the Company participates	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Partially	"Interaction with individual natural gas consumers"; "Dialog with industrial consumers";	21, 29
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Fully	"Purchase of goods and services"; "Stakeholder engagement"; "Interaction with employees on HSE, provision of safety clothing"; "Relations with trade unions"; "Cooperation with regional authorities and municipal entities"	40, 49, 54, 57
ECONOMIC PERFORMANCE				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, payments to capital providers and governments	Fully	Main operational and production results for 2013 Additionally please see NOVATEK's IFRS Consolidated Financial Statements for the years ended 31 December 2013 and 2012: http://www.novatek.ru/en/investors/results http://www.novatek.ru/common/upload/doc/NOVATEK_FS_12m2013[1].pdf	
EC3	Coverage of the organization's defined benefit plan obligations	Fully	The Company provides for a non-assignable-contributory defined benefit program to employees after retirement, the payment amount depends on the length of employment and average salary. Additionally please see NOVATEK's IFRS Consolidated Financial Statements for the years ended 31 December 2013 and 2012: http://www.novatek.ru/en/investors/results	

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
EC4	Significant financial assistance received from government	Fully	Pursuant to the RF Tax Code, zero oil and gas production tax rate is applied in relation to the crude oil produced in the license areas to the north of 65 degrees north latitude within YNAO. All of the Group's fields producing crude oil match this definition, therefore zero oil and gas production tax rate is applied to the oil produced by these fields. Additionally please see NOVATEK's IFRS Consolidated Financial Statements for the years ended 31 December 2013 and 2012. NOVATEK is also on the list of organizations implementing priority investment projects in the Yamal-Nenets Autonomous Region and benefits from several regional tax privileges	
MARKET PRESENCE				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation by gender	Fully	"Material Incentives"	46
EC6	Policies, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Fully	"Purchase of goods and services"	21
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Partially	Given the fact that NOVATEK operates mainly in Russia, the term "local populations" in this Report only applies to indigenous peoples of the Far North. Employees living in the YNAO and other regions of operation have priority during hiring. The Company recruits representatives of indigenous peoples of the Far North who have the required qualifications. No specific procedures are associated with this process	
INDIRECT ECONOMIC IMPACTS				
EC8	Development and impact of infrastructure investments, and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	"Local Communities"	54
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	"Construction of the Sabetta port" "Ust-Luga Complex"	18, 17
ENVIRONMENTAL				
MATERIALS				
EN1	Materials used by weight or volume	Partially	"Company Profile" "Production" Along with the extracted natural resources used for conversion into products, the subsidiaries purchase construction materials as well as drilling and completion materials from third-party suppliers	9, 14
EN2	Percentage of materials used that are recycled input materials	Partially	"Environmental expenditures"	27

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
ENERGY				
EN3	Direct energy consumption by primary energy source	Partially	"Energy Consumption and Efficiency Improvement"	38
EN4	Indirect energy consumption by primary energy source	Fully	"Energy Consumption and Efficiency Improvement"	38
EN5	Energy saved due to conservation and efficiency improvements	Fully	"Energy Consumption and Efficiency Improvement"	38
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives	Fully	"Use of Renewable Energy Sources" "Energy Consumption and Efficiency Improvement" "Energy Efficiency"	31, 38
EN7	Initiatives to reduce indirect energy consumption, and reductions achieved	Fully	"Energy Consumption and Efficiency Improvement" "Unmanned Production"	38
WATER				
EN8	Total water withdrawal by source	Fully	"Water Use and Wastewater"	34
EN9	Water sources significantly affected by withdrawal of water	Fully	"Water Use and Wastewater"	34
EN10	Percentage and total volume of water recycled and reused	Partially	NOVATEK's disclosure report for the Water Disclosure Project www.cdproject.net (The report is available for registered users)	
BIODIVERSITY				
EN11	Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	Fully	The Company does not locate its facilities on internationally important wetlands, important bird areas, or especially vulnerable marine areas and marine mammal protection zones, and does not have any significant impact on them.	
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Fully	"Biodiversity Preservation"	37
EN13	Habitats protected or restored	Fully	"Biodiversity Preservation"	37
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Partially	"Biodiversity Preservation" The Company's facilities are not located near walrus rookeries, but there is a potential risk of exposure to them during transportation of hydrocarbons, therefore the Company representatives participate in the Expert Advisory group on the conservation and study of the Atlantic walrus of the southeastern Barents Sea and adjacent waters	37

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
EMISSIONS, EFFLUENTS, AND WASTE				
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	NOVATEK impact on ambient air 2011-2013, tons Company's overall greenhouse gas emissions in 2013, tons Additionally please see NOVATEK's annual disclosure report on greenhouse gas emissions and energy efficiency of the Carbon Disclosure Project at www.cdproject.net (The report is available for registered users)	
EN17	Other relevant indirect greenhouse gas emissions by weight			
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			
EN19	Emissions of ozone-depleting substances by weight			
EN20	NO, SO, and other significant air emissions by type and weight			
EN21	Total water discharge by quality and destination		"Water Use and Wastewater"	34
EN22	Total weight of waste by type and disposal method		Total weight of waste 17,5, "Waste"	36
EN23	Total number and volume of significant spills		No significant spills occurred in the reporting period	36
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous		"Waste"	
PRODUCTS AND SERVICES				
EN26	Initiatives to mitigate the environmental impact of products and services, and extent of impact mitigation	Fully	"Land Reclamation" "New Technical Concepts for Environmental Risk Mitigation" "Use of Renewable Energy Sources" "Gasification of transport"	36, 33, 31
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Irrelevant	This indicator is irrelevant due to the specific nature of the production activity. The products are not packed	
COMPLIANCE				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Fully	Results of inspections conducted at subsidiaries by supervisory authorities	
TRANSPORT				
EN29	Significant environmental impact of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Partially	Product transportation generates only 1% of the total emissions into the ambient air from NOVATEK sites	
OVERALL				
EN30	Total environmental protection expenditures, and investments by type	Fully	"Environmental expenditures"	27

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
EMPLOYMENT				
EMPLOYMENT				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Partially	"Personnel profile"	45
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Partially	"Working with Young Specialists"	47
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations	Fully	"Company Social Programs"	51
LABOR/MANAGEMENT RELATIONS				
LA4	Percentage of employees covered by collective bargaining agreements	Fully	"Interaction with trade unions"	49
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Fully	2 months in accordance with the law	
OCCUPATIONAL HEALTH AND SAFETY				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Fully	Formed on an equal basis with the participation of the administration and employee representatives	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	Partially	"Injury Rate"	42
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Fully	"Workforce Voluntary Medical Insurance"	51
LA9	Health and safety topics covered in formal agreements with trade unions	Fully	The Collective Agreement effective during the reporting period contains an "Occupational health" section	
TRAINING AND EDUCATION				
LA10	Average hours of training per year per employee by gender, and by employee category	Fully	Average number of training hours per employee and breakdown by employee category	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	There were Corporate English courses for employees of OAO NOVATEK in the reporting period. Effective Training and Development, Presentation Skills, and Self-Organization training courses were held for the young employees, aimed at developing their personal skills	

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
DIVERSITY AND EQUAL OPPORTUNITY				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Partially	"Composition of NOVATEK's management broken down by age"	22, 46
EQUAL REMUNERATION FOR WOMEN AND MEN				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Fully	"Material Incentive"	46
LA15	Return to work and retention rates afterparental leave, by gender	Partially	Virtually all employees return to their job after maternity leave upon the expiration of 2 years and remain in the organization. For this purpose the Company assists in the child attending pre-school or provides monthly financial support of 10 thousand RR for each child between the ages of two to six years if there are no vacant places in the pre-school in the area where the family lives	
PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Potential negative health and safety implications of the Company's products and services are assessed at each stage of the life cycle, including hydrocarbon exploration, extraction, and processing, as well as transportation and sale of the products. This is governed by the law of the Russian Federation and the Company standards	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Fully	No cases of non-compliance were detected	
PRODUCT AND SERVICE LABELLING				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Fully	Information on the approved quality of the product, including information on its safe/dangerous characteristics is governed by technical regulations and is contained in the regulatory and contractual documents for a specific product type. Thus, physical values of the rated LNG quality parameters produced by laboratory tests are contained in the quality certificate. The LNG transportation vehicles are marked with warning signs characterizing the transportation hazard of the cargo	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Fully	No cases of non-compliance were detected	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Fully	"Interaction with individual natural gas consumers" "Customer service quality improvement"	19, 21

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
MARKETING COMMUNICATIONS				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Fully	While advertising its products and services and promoting the Company brand by means of sponsor projects, NOVATEK strictly adheres to the Federal Law No. 38 "About Advertisement" dated 13 March, 2006	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication including advertising, promotion and sponsorship, by type of outcomes	Fully	No cases of non-compliance were detected	
CUSTOMER PRIVACY				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	No cases of data loss were detected. Information on individuals made available to subsidiaries supplying gas to individual consumers is stored in accordance with Federal Law No.152 "About Personal Information"	
COMPLIANCE				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	The Office of the Federal Antimonopoly Service of Russian Federation in Chelyabinsk imposed a penalty of RR 300 thousand to OOO Gazprom mezhregiongas Chelyabinsk the successor of which is OOO NOVATEK-Chelyabinsk, for increasing the gas price	
HUMAN RIGHTS				
INVESTMENT AND PROCUREMENT PRACTICES				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Fully	No contracts	
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	Fully	100% of significant suppliers, contractors. The Company has a Tender Committee which is responsible for the selection of suppliers of goods (products) and service providers for the needs of NOVATEK and its subsidiaries. The Committee activities are governed by NOVATEK's internal Regulations on the organization of competitive tendering, approved in 2006. When selecting suppliers, research is carried out on several items, including credit history, reputation, management practices, and reliability	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained	Fully	557 hours 21%	

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
NON-DISCRIMINATION				
HR4	Total number of incidents of discrimination and corrective actions taken	Fully	No cases were recorded in the reporting period	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	No cases were detected	
CHILD LABOR				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Fully	No cases were detected	
FORCED AND COMPULSORY LABOR				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Fully	No cases were detected	
INDIGENOUS RIGHTS				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Fully	No cases were detected	
ASSESSMENT				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Partially	"Stakeholder Engagement" "Cooperation with Indigenous and Minority Peoples of the Far North"	57, 29
REMEDiation				
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	Fully	Such activities were not detected during the reporting period	
SOCIETY				
LOCAL COMMUNITIES				
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Fully	"Local Communities" 100% of operations	54

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
CORRUPTION				
S02	Percentage and total number of business units analyzed for risks related to corruption	Partially	The Company's security office and/or internal audit department carries out regular checking for risks related to corruption, mainly for procurement departments	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Partially	The Company's anti-corruption approach is stated in the Code of Business Conduct and Ethics followed by all employees	
S04	Actions taken in response to incidents of corruption	Fully	Such activities were not detected during the reporting period	
PUBLIC POLICY				
S05	Public policy positions and participation in public policy development and lobbying	Fully	According to clause 4.2.3 of OAO NOVATEK Code of Business Conduct and Ethics, the Company «avoids unlawful efforts to influence the decisions of governmental and/or local authorities" Additionally please see OAO NOVATEK Code of Business Conduct and Ethics http://www.novatek.ru/en/about/management/doc At the same time the Company's representatives participate in the work of the advisory bodies and expert councils of the authorities for the purpose of improving the legal basis of the industry and creating a favorable business environment	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Fully	According to clause 4.2.3 of OAO NOVATEK Code of Business Conduct and Ethics, the Company «does not directly (or indirectly) participate in political movements or organizations" Additionally please see OAO NOVATEK Code of Business Conduct and Ethics http://www.novatek.ru/en/about/management/doc	
ANTI-COMPETITIVE BEHAVIOR				
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fully	See comment to PR9	
COMPLIANCE				
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	See PR9	
S09	Operations with significant potential or actual negative impacts on local communities	Fully	"Main impacts" "Stakeholder Engagement"	32, 29
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Fully	"Stakeholder Engagement" "Cooperation with Indigenous and Minority Peoples of the Far North"	29, 57

Profile Disclosure ↓	Description ↓	Level of reporting ↓	Cross-reference/Direct answer /Comment ↓	Page in the Report ↓
OIL & GAS SECTOR SUPPLEMENT				
OG1	Volume and type of estimated proved reserves and production	Fully	NOVATEK Annual Report 2013, pp. 47, 50	
OG3	Total amount of generated renewable energy by sources	Fully	"Consumption and Production of Fuel and Energy Resources"	38
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Partially	"Environmental Monitoring and Industrial Control"	26
OG5	Volume of formation or produced water	Fully	"Water Use and Wastewater" 41,4 (maintain formation pressure)	34
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Fully	"Waste"	36
OG8	Benzene, Lead, and Sulfur content in fuels	Fully	We do not produce fuels	
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Fully	"Stakeholder Engagement" "Cooperation with Indigenous and Minority Peoples of the Far North"	29, 57
OG10	Number and description of significant disputes with local communities and indigenous peoples	Fully	No cases recorded	
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	Fully	None of the sites were decommissioned	
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	Fully	No cases recorded	
OG13	Number of process safety events, by business activity	Fully	"Occupational Health and Safety Training"	40
OG14	Volume of biofuels produced and purchased meeting sustainability criteria	Fully	We do not produce/ purchase such fuels	

ABBREVIATIONS

CDP	Carbon Disclosure Project
CNPC	China National Petroleum Corporation
ISO	International Organization for Standardization
OHSAS	Occupational Health and Safety Management Systems
PRMS	Petroleum Resources Management System
SEC	United States Securities and Exchange Commission
GFS	Gas filling station
AZK	Fuel filling complex
AZS	Fuel filling station
ACS	Automated Control System
CAPCS	Computer-Aided Process Control System
APR	Asian-Pacific Region
boe	barrels of oil equivalent.
ETSF	East-Tarkosalinskoye field
GC	Group of companies
GSM	fuel and lubricants
CBS	compressor booster station
USD	United States Dollar
UGSS	Unified Gas Supply System
ZPK	Condensate processing plant
ICS	Integrated control system
sq.km	square kilometer
Instrumentation	Instrumentation and automatic control equipment
km	kilometer(s)
KMNS	indigenous minorities of the Far North

CNG	compressed natural gas
EC	efficiency coefficient
KPI	key performance indicators
cu.m	cubic meter(s)
M	million
B	billion
MNR	Ministry of Natural Resources and Environment
IUCN	International Union for Conservation of Nature
COMR	commonly occurring natural resources
IC	industrial control
APG	Associated Petroleum Gas
IEC	Industrial environmental control
SGC	stable gas condensate
NSR	The Northern Sea Route
LNG	liquefied natural gas
LPG	liquid petroleum gases
k	thousand
FEC	fuel and energy complex
HC	Hydrocarbons
OFAS	Office of the Federal Antimonopoly Service
SPF	Social Protection Fund
FCSM	Federal Commission for Securities Market
YNAO	Yamal-Nenets Autonomous Region
EMS	Environmental Monitoring System

FEEDBACK QUESTIONNAIRE AND CONTACT DETAILS

FEEDBACK QUESTIONNAIRE

DEAR READERS,

You have just read NOVATEK's seventh Sustainability Report.

Your opinion is important to us, and we would be grateful for your responses to the questions below so that we might improve the Report's quality in the future. If you have any questions or comments, please call +7 495 730 6013.

Please mail the completed questionnaire to: 2, Udaltsova street, Moscow, Russia, 119415. You can also e-mail it to: ir@novatek.ru.

1. WHAT TYPE OF STAKEHOLDER ARE YOU?

- a. Government authorities
- b. Investor
- c. Partner
- d. Client
- e. Employee
- f. Shareholder
- g. Other _____

2. WHAT IS YOUR OVERALL IMPRESSION OF THE REPORT?

- a. Very interesting
- b. Interesting
- c. Not interesting

3. HOW WOULD YOU RATE DATA COMPLETENESS?

- a. High
- b. Satisfactory
- c. Low

4. HOW WOULD YOU RATE DATA RELIABILITY AND OBJECTIVITY?

- a. High
- b. Satisfactory
- c. Low

5. HOW WOULD YOU RATE THE REPORT'S SEARCH CONVENIENCE?

- a. High
- b. Satisfactory
- c. Low

6. HOW WOULD YOU RATE THE DESIGN?

- a. High
- b. Satisfactory
- c. Low

7. HAS THE REPORT CONTRIBUTED TO YOUR UNDERSTANDING OF THE SUSTAINABILITY OF NOVATEK'S ACTIVITIES?

- a. Yes, completely
- b. Yes, somewhat
- c. No, not exactly
- d. No, totally unclear

WHAT KIND OF INFORMATION WOULD YOU LIKE TO SEE INCLUDED IN FUTURE SUSTAINABILITY REPORTS BY NOVATEK?

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