

QUARTERLY REPORT

Open Joint Stock Company “Surgutneftegas”

The issuer’s code: 00155-A

for 2Q2016

The issuer’s location: **Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1**

The information contained herein is subject to disclosure pursuant to the Securities Legislation of the Russian Federation

Acting Director General

Date: 12 August 2016

_____ A.N.Bulanov
signature

Chief Accountant

Date: 12 August 2016

_____ A.V.Druchinin
signature
L.S.

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The information presented herein is disclosed at the website(s): **<http://www.surgutneftegas.ru/ru/investors>;**

<http://www.e-disclosure.ru/portal/company.aspx?id=312>

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Introduction

Grounds for the issuer's obligation to disclose information in the form of a quarterly report

State registration of an issue (additional issue) of the issuer's securities was accompanied by registration of the issue prospectus and such securities were offered publicly or privately to more than 500 persons.

The issuer is a joint stock company formed through privatization of state and/or municipal enterprises (their business units); under the duly approved privatization plan, which was the issue prospectus of such enterprise as of the date of its approval, the issuer's securities may be disposed of in favor of more than 500 acquirers or the general public.

The present quarterly report contains estimates and forecasts of the issuer's authorized management bodies as to the forthcoming events and/or actions, prospects of development of the issuer's main industry and the issuer's operating results, including the issuer's plans, probability of certain events and actions. Investors should not entirely rely on the estimates and forecasts of the issuer's management bodies since the issuer's future actual operating results may differ from the forecast results for many reasons. Acquisition of the issuer's securities may entail risks described in the present quarterly report.

Section I. The issuer's bank accounts, auditor (audit organization), appraiser and financial adviser as well as persons who signed the present quarterly report

1.1. The issuer's bank accounts

There were no changes in the information contained in this section of the quarterly report

1.2. The issuer's auditor(s)

Specify the auditor (auditor organization) who is in charge of or has/have prepared independent audit of accounting (financial) statements of the issuer and consolidated financial statements of the issuer incorporated into a quarterly report as well as the auditor (auditor organization) approved (selected) for audit of annual accounting (financial) statements including the issuer's consolidated financial statements for the current and last completed financial year.

Full corporate name: **Limited Liability Company "Rosexpertiza"**

Abbreviated corporate name: **LLC "Rosexpertiza"**

Location: **ul.Mashi Poryvaevoy, 34, Moscow, Russian Federation, 107078**

INN: **7708000473**

OGRN: **1027739273946**

Telephone: **(495) 721-3883**

Fax: **(495) 721-3894**

E-mail: **rosexp@online.ru**

Auditor's membership in self-regulatory audit organizations

Full name: **Self-Regulatory Auditor Organization Nonprofit Partnership "Russian Collegium of Auditors"**

Location: **2nd Goncharny pereulok, 3, bld. 1, Russia, Moscow, 115172**

Additional information: **LLC "Rosexpertiza" is entered into the Register of Auditors and Audit Organizations opened by Nonprofit Partnership "Russian Collegium of Auditors" under Main Registration Number (MRN) 10205006556.**

Reporting year (years) for the period of five last completed financial years and current financial year for which the auditor has carried or will carry out independent audit of accounting (financial) statements of the issuer

Accounting (financial) statements, year	Consolidated financial statements, year
2011	
2012	2012
2013	2013
2014	2014
2015	2015
2016	2016

Describe factors that may affect the auditor's (audit organization's) independence from the issuer, including any material interests between the auditor (officers of the management bodies and bodies supervising the financial activities of the audit organization) and the issuer (officers of the management bodies and bodies supervising the financial activities of the issuer):

There are no factors that may affect the auditor's (audit organization's) independence from the issuer, including any material interests between the auditor (officers of the management bodies and bodies supervising the financial activities of the audit organization) and the issuer (officers of the management bodies and bodies supervising the financial activities of the issuer).

Selection of the issuer's auditor

Tender procedure for auditor selection, if any, and its basic terms and conditions: ***No tender has been held.***

Auditor nomination for approval by the shareholders' (members') meeting, including the management body adopting such resolution: ***The Company's Board of Directors at its meeting considers proposals from various auditing companies received by the date of the meeting. The Board of Directors reviews the proposals from auditing companies and (based on recommendations of the Audit Committee of the Board of Directors) adopts a resolution to recommend an auditor to be further approved by a general shareholders' meeting.***

There was not any special engagement of the auditor

Describe the procedure for determination of the auditor's (audit organization's) remuneration and specify the actual remuneration paid by the issuer to the auditor (audit organization) upon completion of the last completed financial year for which the auditor (audit organization) has carried out independent audit of annual accounting (financial) statements and (or) annual consolidated financial statements of the issuer:

LLC "Rosexpertiza" tenders its commercial offer to the Company's Board of Directors which specifies the audit procedure in all substantial aspects and contains an estimation of labor costs to conduct the audit of the Company's annual financial (accounting) statements and estimation of traveling expenses as well as includes a draft Auditing Services Agreement. If necessary, the Company may request information on additional estimations and explanations from LLC "Rosexpertiza". Based on the information provided, the Company's Board of Directors makes a decision in regard to the amount of remuneration to be paid to LLC "Rosexpertiza".

The Company does not have any deferred and overdue payments for the services provided by the auditor

1.3. The issuer's appraiser(s)

There were no changes in the information contained in this section of the quarterly report

1.4. The issuer's advisors

With reference to this section, the Company has not engaged any advisors during 12 months prior to the end of the reporting quarter

1.5. Persons who signed the present quarterly report

Name: *Bulanov Alexander Nikolaevich*

Year of birth: *1959*

Primary employment:

Company: *OJSC "Surgutneftegas"*

Position: *Acting Director General*

Name: *Druchinin Andrei Vladislavovich*

Year of birth: *1969*

Primary employment:

Company: *OJSC "Surgutneftegas"*

Position: *Chief Accountant*

Section II. General information on the issuer's financial and economic position

2.1. The issuer's financial and economic performance

The dynamics of indicators of the issuer's financial and economic performance calculated on the basis of accounting (financial) statements

Standard (rules) of accounting (financial) statements in accordance with which the accounting (financial) figures are calculated: *Russian accounting standards (RSBU)*

Measurement unit of labor productivity: *thousand RUB per person*

Indicator	2015, 6 months	2016, 6 months
Labor productivity	5,091.2	4,566.99
Debt to equity ratio	0.083	0.073
Long-term debt to total amount of long-term debt and equity ratio	0.022	0.022
Debt to operating income (profit)	0.473	0.585
Overdue debts, %	0.001	0.0001

Economic analysis of the issuer's liquidity and solvency based on the economic analysis of the above performance:

Labor efficiency proves the effectiveness of labor potential use and operations. The change in this indicator for 2Q2016 is caused by the dynamics of revenues in accordance with a fall in exchange rates.

Such indicators as “Debt to equity ratio” and “Long-term debt to total long-term debt and equity ratio” show a low level of the Company’s dependence on raised and borrowed money in 2H2016, with indicator “Debt to equity ratio” having a decreasing tendency.

Indicator “Debt to operating income (profit)” remains on a low level, which demonstrates the Company’s ability to cover its debts by operating income.

Low level of the Company’s overdue debts in the reporting periods proves that the Company redeems its financial obligations in time. Credit risk is minimal.

2.2. The issuer’s market capitalization

Market capitalization is calculated by taking the total number of shares of a certain category (type) and multiplying it by the relevant share market price which is disclosed by a securities market trading organizer

Unit of measure: *thousand RUB*

Indicator	As of 31.12.2015	As of 30.06.2016
Market capitalization	1,560,520,221.18	1,478,496,876.85

Securities market trading organizer who provides data for market capitalization calculation and any other additional information on outstanding securities at the issuer’s discretion: *The Company’s market capitalization is calculated in accordance with data of MICEX Stock Exchange CJSC.*

2.3. The issuer’s liabilities

2.3.1. Borrowed funds and accounts payable

As of 30.06.2016

Structure of borrowed funds

Unit of measure: *thousand RUB*

Indicator	Indicator value
Long-term borrowed funds	
including:	
loans	
borrowings, excluding bonded loans	
bonded loans	
Short-term borrowed funds	
including:	
loans	
borrowings, excluding bonded loans	
bonded loans	
Total overdue amount of borrowed funds	
including:	
loans	
borrowings, excluding bonded loans	
bonded loans	

Structure of accounts payable

Unit of measure: *thousand RUB*

Indicator	Indicator value
Total accounts payable	155,885,383
including those overdue	356

including	
accounts payable to the budget and state non-budget funds	37,303,668
including those overdue	
accounts payable to suppliers and contractors	21,402,696
including those overdue	341
accounts payable to personnel	7,432,002
including those overdue	
other	89,747,017
including those overdue	15

In case of any overdue accounts payable, including those under loan agreements, specify the reasons for non-fulfillment of obligations and consequences (both actual and possible) arising for the issuer from such non-fulfillment, including sanctions imposed against the issuer and the date when overdue accounts payable or overdue amount of borrowed funds will be or are expected to be paid.

Non-fulfillment of overdue accounts payable obligations will not have any consequences for the Company in the future.

Creditors accounting for at least 10 percent of the total accounts payable or at least 10 percent of the total long-term and short-term borrowed funds: ***no such creditors.***

2.3.2. The issuer's credit history

The history of the issuer's obligations fulfilled under credit and (or) loan agreements having been in force during the last completed reporting and current years, including those in the form of bonds issued and sold, the principal amount of which equaled to or exceeded five percent of the book value of the issuer's assets as of the last day of the last completed reporting period of 3, 6, 9 or 12 months preceding the conclusion of such agreement as well as obligations under other credit and (or) loan agreements which the issuer deems significant.

The issuer did not have such obligations

2.3.3. The issuer's liabilities related to security provided by the issuer

As of 30.06.2016

Unit of measure: ***thousand RUB***

Indicator	As of 30.06.2016
Total amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard to which the issuer provided security, if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full)	21,982,701
including liabilities of third parties	21,982,701
Amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard to which the issuer provided security, if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full) in the form of pledge	
including liabilities of third parties	
Amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard to which the issuer provided security, if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full) in the form of guarantee	21,982,701
including liabilities of third parties	21,982,701

The issuer's liabilities related to security provided to third parties, including pledge or guarantee, that account for 5 and more percent of the book value of the issuer's assets as of the last date of the relevant reporting period

No such liabilities in this reporting period.

2.3.4. Other liabilities of the issuer

There are no other liabilities not shown in the balance sheet which may significantly affect the issuer's financial position, its liquidity, sources of funds, terms of their use, performance results and expenses.

2.4. Risks related to acquisition of placed securities or those being placed

Risk management policy of the issuer: *In the course of its activities, the Company seeks to fulfill its obligations and minimize the impact of the risks.*

2.4.1. Industry risks

Industry risks of the Company are related to the operating activities of the Company: production and processing of oil and gas, and marketing of finished products. These include the drop in oil and oil products prices, increased competition between oil companies, personnel shortage, higher operating and capital costs as well as geological, technological and environmental risks.

A big drop in hydrocarbon prices is the most significant risk because it can have the greatest impact on the operating and financial performance of the Company, its plans of development in the medium and long term.

Hydrocarbon prices depend on many factors directly related to the oil and gas industry as well as those that indirectly determine the state of the market. Hydrocarbon prices are influenced by supply and demand balance in the global and regional markets, data on oil and oil products reserves, level of investment in the industry and development rates of hard-to-recover oil and gas reserves. In addition, prices are based on the expected rate of economic growth (also in the countries that are major consumers of hydrocarbons), consumption forecasts for the main types of energy, geopolitical situation in resource producing regions, development of alternative energy sources and availability of new technologies.

Hydrocarbon prices in the Russian market are set on the basis of conditions in the world market and internal factors such as the level of local demand and supply of oil and oil products, state policy of tax and tariff regulation, transportation costs.

The Company has no opportunity to affect pricing factors in the market of oil, gas and refined products. The Company closely monitors trends with a potential impact on hydrocarbon prices to evaluate and plan investments in current and new projects in the field of production and refining, determine promising marketing channels for finished products and develops measures to reduce operating costs.

The Company operates in a high level of competition for the acquisition of new subsoil licenses and a share in the premium and promising markets.

With the depletion of traditional oil production regions and deterioration of the resource base, the competition between oil companies for the acquisition of new license blocks located near the territories with developed infrastructure may adversely affect the economic efficiency of the development of new fields. Additional costs of purchasing licenses as well as the need to create production, transport and social infrastructure in new regions of production can result in lower profitability of the Company's operations or refusal of new projects for field development. To reduce possible losses from this risk realization, the Company monitors fields available for purchase taking into consideration the Company's further development plans, thoroughly evaluates return on the investment in their development and operation, makes decisions to enter new regions and acquire new license blocks on the principles of the highest economic efficiency of allocating resources available to the Company.

Oil and gas companies are competing for a share in the promising and premium markets. The Company is exposed to the risk of the limited access to transport infrastructure and market share decline in the premium marketing channels for finished products. To mitigate the negative impact of this risk, the Company provides information about the time and volume of production transportation in advance, timely fulfills its obligations to the counterparties to deliver oil and petroleum products in accordance with current agreements.

The Company is exposed to the risk of shortage of skilled workers and technical personnel due to the expansion of the Company's activities in new regions of production, higher requirements to the competence of personnel due to the growing sophistication of production methods as well as the need to use modern equipment and new technologies.

In order to mitigate this risk, the Company prudently manages the number of its personnel and applies effective mechanisms to attract and retain highly qualified employees. The Company actively cooperates with relevant educational institutions, informs about most demanded professions and required skills in the Company, provides job-oriented training as well as professional training and further education for the personnel, develops in-house training centers based on its production needs and creates a candidate pool.

The Company is subject to the risk of operating and capital costs increase due to higher prices for energy resources, equipment, basic and auxiliary materials as well as to the risk of tariff rates growth of the Company's transport providers: OJSC "AK "Transneft", OJSC "AK "Transnefteproduct" and OJSC "RZD".

The Company regularly takes measures to optimize operating and capital costs in all spheres of its activity. The Company purchases machinery, equipment and materials on a tender basis, implements programs ensuring energy efficiency, constructs in-house power generation facilities, evaluates the attractiveness of alternative suppliers and monitors the quality of the whole range of goods and services procured.

Exploration activities are notable for high level of uncertainty and risks of deviation of actual volumes of oil and gas reserves from the forecasted ones. When assessing the feasibility of drilling prospecting and exploration wells, the Company takes into account the objective complexity of geological structure of fields and deterioration of the resource base which may increase potential losses in case commercially significant oil and gas reserves are not confirmed. The Company takes these risks into account when evaluating the prospects of new license blocks and new

regions of operation. In-house scientific and geological divisions staffed by qualified personnel, extensive experience in exploration, use of modern methods of geological and geophysical data processing and modeling of geological objects help the Company reduce these risks.

In the course of its activities, the Company is highly exposed to technological and environmental risks. Development of oil and gas fields involves the use of a large number of modern equipment and technologies, methods for intensifying production, an extensive network of pipelines and oil treatment facilities as well as other industrial infrastructure. Non-compliance with rules and procedures, unsafe practices, severe weather conditions and increased wear of equipment as well as insufficient qualification of personnel can lead to technological accidents and environmental damage in the territories of the Company's performance.

To mitigate these risks, the Company is attentive to the state of its production assets, objects of transport infrastructure, compliance with production culture and ownership of safety. The Company constantly inspects production facilities and equipment, schedules their repair and replacement. To prevent the supply of low-quality equipment and materials, the Company carries out input control of purchased products, together with manufacturers develops and conducts operational testing of equipment made in accordance with the Company's technical and economic requirements. High-quality and timely repair of production facilities is provided by the Company's service divisions. The Company has implemented and uses a system of labor protection and industrial safety, holds induction meetings, provides its personnel with training, retraining and advanced training and carries out a special workplace assessment.

Annual environmental protection measures also help to reduce the environmental risks of the Company.

2.4.2. Country and regional risks

The Company operates in several regions of the Russian Federation and is subject to the country and regional risks of Russia.

Worsening of the economic situation in the country under the influence of internal and external factors, including lower hydrocarbon prices in the world markets, may adversely affect the consumer demand for the Company's products and its financial results. To reduce possible losses from this risk realization, the Company diversifies sales markets and segments delivery directions by the volume and range of products sold.

Regions of the Company's activity have a stable social and economic climate. The Company makes a positive contribution to the development of the regions of its presence, pays salaries in time and in full, pays taxes and makes other obligatory payments, promotes the development of social and transport infrastructure.

The Company operates in the areas with stable climatic conditions that are not characterized by high seismic activity, hurricanes and other natural disasters. The efficiency of the Company's operations when producing oil and gas may decrease because of extremely low temperatures. Adverse weather conditions can also lead to disruption of delivery schedules for feedstock and materials necessary to maintain a stable production process at the fields that are far from the well-developed transport infrastructure and cause breakdown of transport connection of production assets that are remote from regions with good infrastructure. Given that a large part of the Company's finished goods is exported through ports, force majeure weather conditions can lead to delivery time extension and upset conditions during shipping of finished products.

The Company carefully evaluates the risks associated with difficult weather conditions and remote transport infrastructure. The Company uses proper machinery and equipment, develops transport infrastructure at the fields and plans the amount and time of delivery to the fields taking into account peculiarities of logistics in remote regions of production.

2.4.3. Financial risks

The Company is exposed to various financial risks, the most significant of which are currency risk, interest rate risk, inflation risk, credit risk and liquidity risk.

Currency risk is important to the Company. It can influence the financial results of its operations. A considerable part of the Company's revenue is formed by the export of products. Financial assets of the Company are placed in deposit accounts mainly in US dollars. Thus, changes in the exchange rates of the Russian ruble to foreign currencies can worsen the financial performance of the Company.

The Company considers currency risks, evaluates their possible impact on the key indicators of the Company's economic efficiency, defines parameters and structure of financial reserves placement, carries out current planning of cash flows.

Interest rate risk has a limited influence on the Company's activity because the Company finances capital and operating expenditures from its own funds without using borrowings. At the same time, the Company takes into account the interest rate risk when placing financial assets, analyzes the temporal structure and level of interest rates in the money and capital markets and opens deposit accounts with a fixed rate.

The financial performance of the Company is significantly influenced by the inflation risk consisting in higher costs of production and sale of finished products. This risk may result in lower profitability of the Company and abandoning new projects with highly uncertain future capital and operating costs.

The Company regularly analyzes the impact of actual and expected inflation rates on its operating and investing activities, evaluates the feasibility of capital investments in existing facilities and implementation of new

projects in the field of production, refining and marketing. In order to optimize purchasing prices, the Company conducts procurement procedures through tendering, pays attention to finding most favorable ways of goods and services delivery.

The Company is exposed to credit risk mainly with respect to receivables and cash placed by the Company in time deposit accounts with Russian credit organizations.

In order to mitigate this risk, the Company has established a system for comprehensive assessment of counterparties which takes into account their financial position, credit history and status of settlements with the budget. When concluding contracts for the sale of products, the Company actively uses advance payment and payment by a letter of credit. Making advance payments to counterparties, the Company uses mechanisms of ensuring money repayment: bank guarantees and sureties.

The Company has a balanced approach to financial management and avoids excessive concentration of credit risk. At the same time, The Company deposits available cash in the major highly reliable Russian credit organizations. In order to assess the reliability of credit organizations, the Company has established its own formalized methodology for assessing financial condition of banks which takes into account loan portfolio quality, structure and dynamics of assets, liquidity, operational efficiency and other key indicators of a credit institution's financial stability. The Company monitors the financial position of counterparties' banks during the whole maturity period for its cash placement.

Liquidity risk arises from the possibility of losses due to the imbalance of financial assets and liabilities of the Company. The Company is resistant to this risk, because it has sufficient liquid assets to settle all current obligations. The Company's system of financial planning enables us to make detailed schedules of future expenses and payments, establishing such financial structure that maintains sufficient liquidity for timely settlement of its liabilities.

The Company does not use derivative financial instruments to hedge financial risks, but takes into account the possibility of their use in operational and financial activities when developing investment projects, financial plans and budgets. In addition, the Company insures assets and operations in the process of financial and economic activities in order to reduce financial risks.

2.4.4. Legal risks

The financial and operating performance of the Company largely depends on a variety of legal risks which can be hardly influenced by the Company. The most significant legal risks are risks of changes and adjustments to the existing legal regulations in the field of tax, customs, currency and environmental legislation, antitrust regulation and licensing.

Unstable tax treatment of oil and gas industry and increase of the tax burden may result in reduced investments in production and refining segments, worsening of the Company's financial and operating performance. The Company strictly complies with the current norms of the Russian tax legislation. The Company pays taxes in time and in full at all levels of the budget system and makes the required payments to non-budgetary funds of the Russian Federation. The Company closely monitors changes in the tax legislation of the Russian Federation and transfer pricing tax regulation in setting prices for transactions between related parties, which allows to evaluate the consequences of such changes in advance and take them into account. The Company cooperates with state authorities when considering initiatives to improve the efficiency of the tax system for sustainable development of the oil and gas industry.

The Company conducts export and import operations in foreign currency. Changes related to the currency control legislation in the Russian Federation may result in more time-consuming transactions in foreign currency and higher costs of settlements with counterparties. The Company has a responsible approach to compliance and implementation of the Russian Federation legislation in the field of currency regulation and control.

The Company carries out a significant number of foreign trade operations in the process of its operating activities. Thus, the Company is exposed to the risk of complicated and lengthy customs control and higher rates of customs duties. As a result of these risks realization, the operating performance of the Company may decrease. The Company takes into account the impact of these factors on the economic attractiveness of export and import operations with various product groups.

The Company distributes oil products through its own gas stations. The expansion of the network of gas stations in the regions of the Company's presence may be limited by the antitrust laws of the Russian Federation. This risk may reduce the profitability of the marketing sector and worsen the financial performance of the Company. The Company complies with the requirements of antitrust laws, actively participates in the work of institutions on competitive pricing for oil and oil products in the Russian Federation, thereby ensuring equal access to the procurement of the Company's products for all market participants.

The efficiency of oil and gas companies can be significantly influenced by the risks of changes in the state licensing system with regard to longer procedures related to licensing, complicated processes of getting permits for construction of production and infrastructure facilities and other approvals.

The Company fully meets its obligations under current license agreements, has enough material and human resources to carry out the planned volume of exploration work in time and further develop existing fields, thus minimizing these risks.

2.4.5. Reputation risk

Reputation risk is related to the loss of counterparties due to lower confidence in the quality of products as well as in the Company as a reliable and financially stable partner.

The main products of the Company (oil, gas and refined products) are standardized; their quality characteristics are determined by the requirements of the regulations and all oil and gas companies must comply with them. Besides, compliance with standards is a prerequisite for putting products into the pipeline system for transportation. The Company ensures reliable operation and timely upgrading of equipment for preparing the produced oil and gas and bringing them into compliance with the standards. When producing and selling oil and gas products, the Company continuously monitors their quality in its own accredited laboratories.

The Company fulfills its obligations with regard to the settlements with counterparties, taxes and other payments in time and in full. Thus, the Company has a reputation of a reliable and responsible subject of economic activity in the part of performance of financial obligations.

The Company makes heavy investments in the modernization and upgrading of industrial equipment, pipeline infrastructure, environmental programs, maintaining the reputation of a company with high standards of technological and environmental safety. The Company implements programs to improve the safety of working conditions, provides additional guarantees and social benefits, timely pays salaries, thereby maintaining the reputation of an attractive employer. Thus, the Company minimizes the possibility of giving a negative impression about itself and reputation risks.

2.4.6. Strategy risk

Strategy risk is related to the possibility of losses caused by mistakes made in decisions that determine the strategy of the Company's activities and development.

The Company is exposed to the risks of not detecting or underestimating potential hazards that may affect its operations.

The Company analyzes internal and external business environment, identifies potential threats that can disrupt current business processes and takes measures to prevent these risks. In order to mitigate these risks, the Company uses methods of strategic analysis taking into account the macro- and microeconomic factors that can significantly influence the Company's operating and financial performance. Based on the results, the Company adjusts its development plans.

The Company is exposed to the significant risk of wrong or unfounded decisions when determining promising areas of activity, new regions of production and sales markets, entering which it can gain an advantage in competing with other companies.

The Company regularly analyzes the results of its current activities, evaluates the investment attractiveness of new projects based on the criteria of risk and return. In addition, the Company monitors trends in the energy market, including supply and demand trends in the global and regional hydrocarbon markets, and the development of new technologies for the production of hard-to-recover oil. Based on the information received, the Company evaluates possible consequences of making strategic decisions for its further development.

Errors in strategic decision-making can lead to a lack of financial, inventory and human resources, result in losses and failure to achieve strategic goals of the Company.

The Company is able to implement current and future projects that require significant financial, logistical and human resources. The Company's unified procedure for approval, adoption and implementation of management decisions minimizes the risks of lack or insufficient provision of resources necessary to carry out core activities.

2.4.7. Risks related to the issuer's operations

In the course of its activities, the Company is exposed to various risks caused by the uncertainty of environmental factors and peculiarities of production processes. The Company improves its risk management and internal control systems in order to minimize the possible negative impact of risks on the results of its financial and economic activities and ensure sustainable development of the Company in the long term. With regard to the key risks, the Company is continuously working on their identification, assessment, prevention and determination of response methods in case of their realization.

Section III. Detailed information on the issuer

3.1.1. The issuer's corporate name (name):

The Issuer's full corporate name *Open Joint Stock Company "Surgutneftegas"*

Date of introduction of the issuer's existing full corporate name: **27.06.1996**

The issuer's abbreviated corporate name: *OJSC "Surgutneftegas"*

Date of introduction of the issuer's existing abbreviated name: **27.06.1996**

The issuer's corporate name (name for a nonprofit organization) is registered as a trademark or a service mark.

Trademark registration:

Trademark: ***Open Joint Stock Company "Surgutneftegas"***

Certificate of trademark: ***No. 438918 dated 09.06.2011***

Priority (commencement of document of title): ***06.05.2010***

Validity period of the document of title: ***06.05.2020***

All previous names of the issuer during its existence

Full corporate name: ***Production Association "Surgutneftegas"***

Abbreviated corporate name: ***PO "Surgutneftegas"***

Introduced: ***15.09.1977***

Grounds for introduction:

Full corporate name: ***Joint Stock Company of Open Type "Surgutneftegas"***

Abbreviated corporate name: ***AOOT "Surgutneftegas"***

Introduced: ***06.05.1993***

Grounds for introduction: ***Decree of the President of the Russian Federation No. 1403 "On Special Provisions for Privatization and Corporization of State Enterprises, Production and Scientific Production Associations in the Petroleum, Petroleum Refining and Petroleum Products Supply Industries" dated 17.11.92.***

3.1.2. State registration of the issuer:

Initial state registration

State registration number: ***12-4782***

Date of state registration: ***06.05.1993***

Body that conducted the state registration: ***Administration of the city of Surgut, Khanty-Mansiysky Autonomous Okrug, Tyumenskaya Oblast***

Registration of the legal entity:

Main state registration number of the legal person: ***1028600584540***

Date of entry of the legal body registered prior to 1 July 2002 into the Uniform State Register of Legal Entities: ***18.09.2002***

Name of the registration authority: ***Inspectorate of the Ministry of Taxation of Russia for Surgut, Khanty-Mansiysky Autonomous Okrug***

3.1.3. Establishment and development of the issuer

There were no changes in the information contained in this section of the quarterly report

3.1.4. Contacts

The issuer's location: ***Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1***

Address of the issuer indicated in the uniform state register of legal entities: ***628415 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug - Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1. 1***

Telephone: ***(3462) 42-60-28; 42-61-33***

Fax: ***(3462) 42-64-94***

E-mail: ***Bogdanov-VL-REF@surgutneftegas.ru***

Website(s) where information about the issuer and securities issued and/or being issued by the issuer is available:
<http://www.surgutneftegas.ru/ru/investors>;
<http://www.e-disclosure.ru/portal/company.aspx?id=312>

The issuer's special division for shareholder and investor relations: ***Limited Liability Company Invest-Zaschita***

Division's location: ***ul.Entuziastov, 52/1, Surgut, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Russian Federation, 628400***

Telephone: ***(3462) 46-27-64***

Fax: ***(3462) 46-46-50***

E-mail: ***invz@yandex.ru***

No website.

The issuer's special division for shareholder and investor relations: *Investor relations and DR program support department of OJSC "Surgutneftegas"*

Division's location: *ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation, 628415*

Telephone: *(495) 698-94-18*

Fax: *(495) 698-94-14*

E-mail: *ir@surgutneftegas.ru*

Website: *www.surgutneftegas.ru*

3.1.5. Taxpayer identification number

8602060555

3.1.6. Branches and representative offices of the issuer

Changes in the list of branches and representative offices of the issuer during the reporting quarter; in the event of any changes in the name or location of a branch or representative office or the first, middle or last names of its head, term of the power of attorney issued by the issuer to the head of a branch or representative office, please also include information about such changes

In the reporting quarter, the Company issued the Powers of Attorney to the heads of St. Petersburg Representative Office of OJSC "Surgutneftegas" and Yakutsk Representative Office of OJSC "Surgutneftegas".

1. Name: *St. Petersburg Representative Office of OJSC "Surgutneftegas"*

Head: *Fortov Vladimir Ivanovich*

Term of the Power of Attorney: **21.04.2017**

2. Name: *Yakutsk Representative Office of OJSC "Surgutneftegas"*

Head: *Bandura Sergei Nikolaevich*

Term of the Power of Attorney: **31.05.2017**

3.2. Core operations of the issuer

3.2.1. Core economic activities of the issuer

Code of economic activity which is core for the issuer

OKVED codes
11.10.11

OKVED codes
11.10.12
11.20.4
45.12
51.51.2
51.51.3
74.20.2

3.2.2. Core operations of the issuer

Types of operations (business activities, types of products (works, services)) that accounted for at least 10 percent of the issuer's revenue (income) in the reporting period

Unit of measure: *thousand RUB*

Type of activity: *oil*

Indicator	2015, 6 months	2016, 6 months
Revenue from sales (volume of sales) related to the specified type of activity, thousand RUB	344,154,740	305,862,428
Revenue from sales (volume of sales) related to the specified type of activity in total revenue from sales (volume of sales) of the issuer, %	65.5	65.5

Changes in the issuer's operating revenue (income) equal to or exceeding 10 percent as compared with the corresponding reporting period of the previous year and the reasons for such changes

The change of the Company's revenues from oil sales in the first six months of 2016 as compared to the same period of the previous year was 88.9%.

Type of activity: ***petroleum products***

Indicator	2015, 6 months	2016, 6 months
Revenue from sales (volume of sales) related to the specified type of activity, thousand RUB	164,592,977	142,757,486
Revenue from sales (volume of sales) related to the specified type of activity in total revenue from sales (volume of sales) of the issuer, %	31.3	30.6

Changes in the issuer's operating revenue (income) equal to or exceeding 10 percent as compared with the corresponding reporting period of the previous year and the reasons for such changes

The change of the Company's revenues from oil products sales in the first six months of 2016 compared to the same period of the previous year was 86.7%.

The key factor behind the decrease in the Company's revenue is a fall in prices for hydrocarbons and refined products by 31.2% and 35.4% respectively.

Cost structure of the issuer

Indicator	2015, 6 months	2016, 6 months
Raw materials and supplies, %	3.77	4.34
Acquired components and semi-finished articles, %	3.58	4.52
Production works and services performed/rendered by third parties, %	17.22	19.97
Fuel, %	0.45	0.24
Energy, %	1.67	1.79
Labor costs, %	11.96	13.33
Interests on loans, %	0	0
Rental payments, %	0.01	0.02
Social expenditures, %		
Depreciation of fixed assets, %	14.32	17.02
Taxes included in production costs, %	42.71	34.05
Other costs, %	1.29	1.38
amortization of intangible assets, %	0.1	0.13
remuneration for innovation proposals, %	0	0
compulsory insurance payments, %	0.06	0.07
entertainment expenses, %	0	0
other (facility guard and fire protection services, crew transportation services, information and computer services, advertising and auditing services, other expenses, including business travel expenses, expenses for voluntary insurance), %	1.13	1.18
Insurance premiums	3.02	3.34
Total: Costs of production and sale of goods (works, services) (production costs), %	100	100
For reference only: Revenue from sale of goods (works, services), % to cost of production	137.6	134.9

Essential new types of products (works, services) offered by the issuer in its core market, to the extent that corresponds to publicly available information about such products (works, services). Specify the development status of such types of products (works, services).

There are no essential new types of products (works, services).

Standards (rules) used for accounting (financial) statements and calculations shown in this subparagraph: ***The***

accounting (financial) statements of OJSC “Surgutneftegas” have been prepared in accordance with the applicable accounting standards of the Russian Federation as per Federal Law of the Russian Federation No. 402-FZ “On Accounting” dated December 6, 2011, “Regulations on Accounting and Reporting in the Russian Federation” approved by Order No. 34n of the Ministry of Finance of the Russian Federation dated July 29, 1998, “Accounting Regulations “Reporting of an Enterprise” PBU 4/99 approved by Order No. 43n of the Ministry of Finance of the Russian Federation dated July 6, 1999 and Order No. 66n of the Ministry of Finance of the Russian Federation “Reporting Standards of Enterprises” dated July 2, 2010; approved regulations “Accounting Policy of OJSC “Surgutneftegas” for 2016 for Accounting Purposes” and “Accounting Policy of OJSC “Surgutneftegas” for Taxation Purposes for 2016”.

3.2.3. The issuer’s supplies, goods (raw materials) and suppliers

For 6 months of 2016

Suppliers who provide at least 10 percent of all supplies of materials and goods (raw materials)

There are no suppliers who provide at least 10 percent of all supplies of materials and goods (raw materials).

Change in prices by more than 10 percent for basic materials and goods (raw materials) during the reporting period against the corresponding reporting period of the previous year

Changes in prices by more than 10 percent during 6 months of 2016 against the corresponding period of 2015 were for the following types of basic materials and goods (raw materials):

- pipes;
- spare parts for drilling and oilfield equipment;
- lubricants and chemicals;
- oil production equipment
- cables;
- building materials;
- vehicles, tractors and oilfield machinery;
- rolled metal products;
- inert materials;
- valves and formed parts.

The share of imported materials and goods in total supplies, expected availability of import sources in the future and possible alternative sources

Imported materials and goods accounted for 16% of total supplies to the Company.

The financial position of OJSC “Surgutneftegas” ensures further availability of these sources and their alternatives.

3.2.4. Marketing outlets for the issuer’s products (works, services)

Key markets where the issuer operates: OIL	6 months of 2016
- on the territory of Russia	<i>the Northwestern Federal District the Southern Federal District the Volga Federal District the Urals Federal District the Far Eastern Federal District</i>
- export	<i>Non-CIS countries CIS countries</i>
PETROLEUM PRODUCTS	6 months of 2016
- on the territory of Russia	<i>the Northwestern Federal District the Central Federal District the Urals Federal District</i>
- export	<i>European countries and the USA</i>

Factors that can adversely affect the issuer’s sales of goods (works, services) and steps that may be taken by the issuer to mitigate such impact: *Some of the factors that can adversely affect the Company’s sales include changes in world oil*

prices, tax legislation and natural monopoly prices. To minimize the impact of the above factors on sales, the Company monitors prices in foreign and domestic oil and oil products markets on a routine basis and redirects export flows choosing those with better prices.

3.2.5. The issuer's permits (licenses) or authorizations for certain types of works

The issuer doesn't have permits (licenses) information about which must be specified in the Quarterly Report.

3.2.6. Activity of certain categories of issuers

The issuer is not a stock investment fund, insurance or lending institution, mortgage agent.

3.2.7. Additional information on issuers whose primary activity is mineral resources extraction

a) Mineral resources

The list of mineral deposits which have a significant financial and business importance for the issuer, to which the issuer or its subsidiaries hold the right of use

1. Field: Zapadno-Surgutskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: *ABC1 – 19,499 thous. tonnes; C2 – 3,047 thous. tonnes*

Production rate for the relevant reporting period (periods): *711.011 thous. tonnes*

2. Field: Zapadno-Surgutskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 732 mn cub m; C2 – 154 mn cub m*

Production rate for the relevant reporting period (periods): *37.108773 mn cub m*

3. Field: Vostochno-Surgutskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: *ABC1 – 70,560 thous. tonnes; C2 – 11,741 thous. tonnes*

Production rate for the relevant reporting period (periods): *874.343 thous. tonnes*

4. Field: Vostochno-Surgutskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 4,224 mn cub m; C2 – 704 mn cub m*

Production rate for the relevant reporting period (periods): *52.221685 mn cub m*

5. Field: Yaunlorskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: *ABC1 – 32,136 thous. tonnes; C2 – 1,093 thous. tonnes*

Production rate for the relevant reporting period (periods): *428.051 thous. tonnes*

6. Field: Yaunlorskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 3,895 mn cub m; C2 – 236 mn cub m*

Production rate for the relevant reporting period (periods): *40.301613 mn cub m*

7. Field: Fedorovskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: *ABC1 – 226,473 thous. tonnes; C2 – 36,518 thous. tonnes*

Production rate for the relevant reporting period (periods): *2,130.708 thous. tonnes*

8. Field: Fedorovskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 136,397 mn cub m; C2 – 3,706 mn cub m*

Production rate for the relevant reporting period (periods): **894.580192 mn cub m**

9. Field: Lyantorskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: **ABC1 – 35,905 thous. tonnes; C2 – 104 thous. tonnes**

Production rate for the relevant reporting period (periods): **1,049.326 thous. tonnes**

10. Field: Lyantorskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 107,148 mn cub m; C2 – 4 mn cub m**

Production rate for the relevant reporting period (periods): **403.727271 mn cub m**

11. Field: Bystrinskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: **ABC1 – 25,979 thous. tonnes; C2 – 1,465 thous. tonnes**

Production rate for the relevant reporting period (periods): **681.530 thous. tonnes**

12. Field: Bystrinskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 24,535 mn cub m; C2 – 66 mn cub m**

Production rate for the relevant reporting period (periods): **172.234086 mn cub m**

13. Field: Vachimskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: **ABC1 – 30,778 thous. tonnes; C2 – 1,836 thous. tonnes**

Production rate for the relevant reporting period (periods): **380.608 thous. tonnes**

14. Field: Vachimskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 11,613 mn cub m; C2 – 2,031 mn cub m**

Production rate for the relevant reporting period (periods): **101.546863 mn cub m**

15. Field: Rogozhnikovskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: **ABC1 – 82,672 thous. tonnes; C2 – 77,857 thous. tonnes**

Production rate for the relevant reporting period (periods): **756.262 thous. tonnes**

16. Field: Rogozhnikovskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 5,519 mn cub m; C2 – 5,323 mn cub m**

Production rate for the relevant reporting period (periods): **62.244725 mn cub m**

17. Field: Russkinskoye

Rights to the field are held by: *the issuer*

Type of minerals: *oil*

Proved reserves: **ABC1 – 53,333 thous. tonnes; C2 – 10,991 thous. tonnes**

Production rate for the relevant reporting period (periods): **762.234 thous. tonnes**

18. Field: Russkinskoye

Rights to the field are held by: *the issuer*

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 2,312 mn cub m; C2 – 770 mn cub m**

Production rate for the relevant reporting period (periods): **41.643539 mn cub m**

19. Field: Konitlorskoye

Rights to the field are held by: *the issuer*
Type of minerals: *oil*
Proved reserves: *ABC1 – 51,007 thous. tonnes; C2 – 1,061 thous. tonnes*
Production rate for the relevant reporting period (periods): *366.683 thous. tonnes*

20. Field: Konitlorskoye

Rights to the field are held by: *the issuer*
Type of minerals: *associated gas*
Proved reserves: *ABC1 – 2,147 mn cub m; C2 – 63 mn cub m*
Production rate for the relevant reporting period (periods): *26.110861 mn cub m*

21. Field: Severo-Labatyuganskoye

Rights to the field are held by: *the issuer*
Type of minerals: *oil*
Proved reserves: *ABC1 – 58,264 thous. tonnes; C2 – 10,245 thous. tonnes*
Production rate for the relevant reporting period (periods): *1,464.009 thous. tonnes*

22. Field: Severo-Labatyuganskoye

Rights to the field are held by: *the issuer*
Type of minerals: *associated gas*
Proved reserves: *ABC1 – 4,363 mn cub m; C2 – 772 mn cub m*
Production rate for the relevant reporting period (periods): *112.595972 mn cub m*

23. Field: Zhumazhanovskoye

Rights to the field are held by: *the issuer*
Type of minerals: *oil*
Proved reserves: *ABC1 – 13,926 thous. tonnes; C2 – 11,310 thous. tonnes*
Production rate for the relevant reporting period (periods): *377.375 thous. tonnes*

24. Field: Zhumazhanovskoye

Rights to the field are held by: *the issuer*
Type of minerals: *associated gas*
Proved reserves: *ABC1 – 994 mn cub m; C2 – 852 mn cub m*
Production rate for the relevant reporting period (periods): *22.341061 mn cub m*

25. Field: Central Block of the Talakanskoye oil and gas condensate field

Rights to the field are held by: *the issuer*
Type of minerals: *oil*
Proved reserves: *ABC1 – 99,789 thous. tonnes; C2 – 3,494 thous. tonnes*
Production rate for the relevant reporting period (periods): *1,329.461 thous. tonnes*

26. Field: Central Block of the Talakanskoye oil and gas condensate field

Rights to the field are held by: *the issuer*
Type of minerals: *associated gas*
Proved reserves: *ABC1 – 45,403 mn cub m; C2 – 8,035 mn cub m*
Production rate for the relevant reporting period (periods): *123.384137 mn cub m*

27. Field: Severo-Talakanskoye

Rights to the field are held by: *the issuer*
Type of minerals: *oil*
Proved reserves: *ABC1 – 27,907 thous. tonnes; C2 – 38,785 thous. tonnes*
Production rate for the relevant reporting period (periods): *495.450 thous. tonnes*

28. Field: Severo-Talakanskoye

Rights to the field are held by: *the issuer*
Type of minerals: *associated gas*
Proved reserves: *ABC1 – 5,591 mn cub m; C2 – 11,184 mn cub m*
Production rate for the relevant reporting period (periods): *36.058581 mn cub m*

Licenses for subsoil use obtained by the issuer or subsidiaries for the fields use which have a significant financial and economic importance

Legal person that obtained a license: *the issuer*

1. Number: KhMN 01525 NR

Date of issue: **18.04.2001.**

Term of the license: **31.12.2115.**

according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92

Basis for license issuance: **according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92**

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug, Oktyabrsky and Khanty-Mansiysky Districts, area (sq. km) - 1,271.50**

Type of the license: **for geological survey, including prospecting and evaluation of mineral deposits, exploration and production of mineral resources.**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: **as of 30.06.2016, all conditions are being met.**

Legal person that obtained a license: *the issuer*

2. Number: KhMN 11293 NE

Date of issue: **05.09.2002**

Term of the license: **31.12.2087**

according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92

Basis for license issuance: **according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92**

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 1,474.95**

Type of the license: **oil and gas exploration and production**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: **as of 30.06.2016, all conditions are being met.**

Legal person that obtained a license: *the issuer*

3. Number: KhMN 13455 NE

Date of issue: **25.01.2006**

Term of the license: **01.02.2068**

according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92

Basis for license issuance: **according to RF Law No. 2395-1 “On Subsurface” dated 21.02.92**

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 483.90**

Type of the license: **exploration and production of hydrocarbons as well as injection of surface, formation and salt underground water to maintain formation pressure**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

4. Number: YaKU 12061 NE

Date of issue: **26.12.2003**

Term of the license: **31.12.2081**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: **according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92**

Description of subsoil plot provided for use: **Republic of Sakha (Yakutia), Lensky District, area (sq. km) - 410.57**

Type of the license: **for exploration and production of mineral resources**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

5. Number: KhMN 00431 NE

Date of issue: **05.03.1997**

Term of the license: **31.12.2039**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: **according to the Regulations for Subsurface Use Licensing Procedure**

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 544.03**

Type of the license: **oil and gas production**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **fields commissioning operations according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

6. Number: KhMN 00435 NE

Date of issue: **05.03.1997**

Term of the license: **31.12.2100**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: **according to the Regulations for Subsurface Use Licensing Procedure**

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 1,182.20**

Type of the license: **oil and gas production**

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: **prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license**

Compulsory payments to be made under license terms and conditions: **all kinds of payments are made in compliance with the law currently in force in the Russian Federation.**

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

7. Number: KhMN 00438 NE

Date of issue: **05.03.1997**

Term of the license: **31.12.2089**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 457.578*

Type of the license: *exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

8. Number: KhMN 00408 NE

Date of issue: **18.12.1996**

Term of the license: **31.12.2129**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 1,952.07*

Type of the license: *exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

9. Number: KhMN 00406 NE

Date of issue: **18.12.1996**

Valid till: **31.12.2162**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 1,815.72*

Type of the license: *exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in*

compliance with the law currently in force in the Russian Federation.

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

10. Number: KhMN 00409 NE

Date of issue: **18.12.1996**

Valid till: **31.12.2069**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 528.793*

Type of the license: *for exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

11. Number: KhMN 00407 NE

Date of issue: **18.12.1996**

Term of the license: **31.12.2129**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 658.76*

Type of the license: *exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

12. Number: KhMN 00417 NE

Date of issue: **14.01.1997**

Valid till: **31.12.2048**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 959.79*

Type of the license: *oil and gas production as well as injection of surface, formation and salt underground water to maintain formation pressure*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according*

to the terms and conditions of the license

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

13. Number: KhMN 00564 NE

Date of issue: **29.05.1997**

Term of the license: **31.12.2055**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to the Regulations for Subsurface Use Licensing Procedure*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug, Surgutsky District, area (sq. km) - 1,046.28*

Type of the license: *oil and gas production as well as injection of formation and salt underground water to maintain formation pressure*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

14. Number: YaKU 14372 NE

Date of issue: **21.01.2008**

Term of the license: **01.02.2028**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92*

Description of subsoil plot provided for use: *Republic of Sakha (Yakutia), Lensky District, area (sq. km) - 1,188.46*

Type of the license: *for exploration and production of mineral resources*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

15. Number: KhMN 14906 NR

Date of issue: **27.04.2010**

Term of the license: **31.12.2095**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 167.45*

Type of the license: *geological survey, exploration and production of hydrocarbons.*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

Legal person that obtained a license: *the issuer*

16. Number: KhMN 14757 NR

Date of issue: **02.10.2009**

Valid till: **22.09.2034**

according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92

Basis for license issuance: *according to RF Law No. 2395-1 "On Subsurface" dated 21.02.92*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 156.50*

Type of the license: *geological survey, exploration and production of hydrocarbons within the Chanatoysky block.*

The main license provisions concerning subsoil user obligations indicating the period of given obligations performance: *prospecting and exploratory drilling, seismic surveys and putting fields into development according to the terms and conditions of the license*

Compulsory payments to be made under license terms and conditions: *all kinds of payments are made in compliance with the law currently in force in the Russian Federation.*

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2016, all conditions are being met.*

This section provides a list of fields with production level of 2.0% and more of the total volume of oil produced by the Company in 2Q2016.

In the lines "Proved reserves" the current recoverable oil and condensate reserves in respect of oil are shown under the Russian classification of hydrocarbon reserves and resources.

In the lines "Proved reserves" the current recoverable associated gas reserves in respect of associated gas are shown under the Russian classification of hydrocarbon reserves and resources.

Oil, associated petroleum gas and natural gas production on the Company fields which are in development for the 2Q2016 amounted to 15,304.817 thousand tonnes, 2,409.868319 million cubic meters and 24.279863 million cubic meters respectively.

License KhMN 00431 NE is issued in lieu of License KhMN 00051 NE dated 13.07.1993.

License KhMN 00435 NE is issued in lieu of License KhMN 00049 NE dated 13.07.1993.

License KhMN 00438 NE is issued in lieu of License KhMN 00057 NE dated 14.07.1993.

License KhMN 00408 NE is issued in lieu of License KhMN 00052 NE dated 14.07.1993.

License KhMN 00406 NE is issued in lieu of License KhMN 00062 NE dated 15.07.1993.

License KhMN 00409 NE is issued in lieu of License KhMN 00047 NE dated 13.07.1993.

License KhMN 00407 NE is issued in lieu of License KhMN 00104 NE dated 29.09.1993.

License KhMN 00417 NE is issued in lieu of License KhMN 00054 NE dated 14.07.1993.

License KhMN 00564 NE is issued in lieu of License KhMN 00106 NE dated 29.09.1993.

b) Mineral resources processing

Fixed assets used for processing:

Oil and gas processing sector of OJSC "Surgutneftegas" is represented by one of the largest refineries in Russia – LLC "KINEF" with a processing capacity of 20.1 million tonnes of oil per year and gas processing complex with a capacity of 7.3 billion cubic meters.

OIL REFINING

The refinery, being one of the key units of the Company's production complex, possesses state-of-the-art technological equipment for oil refining and produces more than 80 types of high quality products: all kinds of motor fuels, petrochemicals, waterproofing and roofing materials, bases for synthetic detergents ("LAB-LABS"). Convenient geographical location enables efficient delivery of finished products to foreign and domestic markets.

GAS PROCESSING

The gas processing plant is a worthy representative of the Company in the hydrocarbon market, meeting the challenges in the collection and utilization of associated gas and producing a wide range of high-quality products. The Company annually performs modernization and reconstruction of equipment and operational capacities.

The issuer, its subsidiaries or affiliates do not engage any contractors to process mineral resources they produce.

c) Products marketing

Permits granted by authorized government agencies for sale of mineral resources and their processed products and quotas, including export quotas:

In accordance with RF Federal Law No. 147-FZ "On Natural Monopolies" dated 17.08.1995, a duly registered oil producer and an organization being a parent company of an oil producer are granted with the right of access to the system of Russian trunk pipelines and terminals to transport oil out of the customs territory of the Russian Federation, proportionally to the volumes of produced oil pumped into the system of trunk pipelines with a 100% trunk pipeline transmission capacity (subject to feasibility).

3.2.8. Additional requirements to be met by issuers whose primary activity is telecommunication services provision

Telecommunication services provision is not the primary activity of the issuer.

3.3. Plans for the issuer's future activity

There were no changes in the information contained in this section of the quarterly report

3.4. The issuer's share in banking groups, bank holding companies, holdings and associations

There were no changes in the information contained in this section of the quarterly report

3.5. Organizations under the issuer's control which are material to the issuer

1. Full corporate name: **Limited Liability Company "Novgorodnesteproduct"**

Abbreviated corporate name: **LLC "Novgorodnesteproduct"**

Location: **Russia, Veliky Novgorod**

INN: **5321059365**

OGRN: **1025300788644**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **procurement, storage and marketing of petroleum products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Serebrennikov Viktor Georgievich	0	0

The company's collegiate executive body

No provision is made for a collegiate executive body

2. Full corporate name: **Limited Liability Company Marketing Association Pskovnefteproduct**

Abbreviated corporate name: **LLC "Pskovnefteproduct"**

Location: **Russia, Pskov**

INN: **6027042337**

OGRN: **1026000970049**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **procurement, storage and marketing of petroleum products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Maleshin Yury Vladimirovich	0	0

The company's collegiate executive body

No provision is made for a collegiate executive body

3. Full corporate name: **Limited Liability Company Marketing Association Tvernefteproduct**

Abbreviated corporate name: **LLC "Tvernefteproduct"**

Location: **Russia, Tver, ul.Novotorzhskaya, 6**

INN: **6905041501**

OGRN: **1026900510647**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **procurement, storage and marketing of petroleum products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Klinovsky Alexander Eduardovich	0.0025	0.0014

The company's collegiate executive body

No provision is made for a collegiate executive body

4. Full corporate name: **Limited Liability Company “Kaliningradnefteproduct”**

Abbreviated corporate name: **LLC “Kaliningradnefteproduct”**

Location: **Russia, Kaliningrad, Central District, ul. Komsomolskaya, 22-b**

INN: **3900000136**

OGRN: **1023900589240**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **procurement, storage and marketing of petroleum products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Berdnikov Igor Vladimirovich	0	0

The company's collegiate executive body

No provision is made for a collegiate executive body

5. Full corporate name: **Limited Liability Company “Oil Refining and Petrochemical Facilities Design Institute”**

Abbreviated corporate name: **LLC “Lengiproneftekhim”**

Location: **Russia, Saint Petersburg, nab. Obvodnogo kanala, 94**

INN: **7810327462**

OGRN: **1057803105755**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **design of buildings and constructions including process design of facilities and constructions for fuel, mining and processing industry.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:

Lebedskoy-Tambyev Mikhail Andreevich	0	0
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The company's collegiate executive body

No provision is made for a collegiate executive body

6. Full corporate name: **Limited Liability Company "Kirishiavtoservis"**

Abbreviated corporate name: **LLC "Kirishiavtoservis"**

Location: **196084, Russia, Saint Petersburg, ul.Smolenskaya, 12, lit. A**

INN: **7840016802**

OGRN: **1057807804064**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control):

equity position in the organization controlled by the issuer.

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **procurement, storage and marketing of petroleum products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Farbman Valery Evseevich	0	0

The company's collegiate executive body

No provision is made for a collegiate executive body

7. Full corporate name: **Limited Liability Company "Insurance Company "Surgutneftegas"**

Abbreviated corporate name: **LLC "Insurance Company "Surgutneftegas"**

Location: **Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut**

INN: **8602103061**

OGRN: **1028600581811**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **providing various types of insurance.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the	The issuer's ordinary
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	charter capital of the issuer, %:	shares held by the person, %:
Solovyeva Elvira Damirovna	0	0

The company's collegiate executive body

No provision is made for a collegiate executive body

8. Full corporate name: **Limited Liability Company "Production Association "Kirishinefteorgsintez"**

Abbreviated corporate name: **LLC "KINEF"**

Location: **Russia, Leningradskaya Oblast, Kirishi**

INN: **4708007089**

OGRN: **1024701478735**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer.**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **100%**

The share of the controlled organization in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the controlled organization: **0%**

Description of the company's core business: **oil refining, production and marketing of oil products: motor gasoline, diesel and boiler fuels, petroleum bitumen, aromatic hydrocarbons and other refined and petrochemical products.**

The company's Board of Directors (Supervisory Board)

No provision is made for the Board of Directors (Supervisory Board).

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Somov Vadim Evseevich	0.0086	0.0103

The company's collegiate executive body

No provision is made for a collegiate executive body

9. Full corporate name: **Closed Joint Stock Company "Surgutneftegasbank"**

Abbreviated corporate name: **CJSC "SNGB"**

Location: **628400 Russia, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Kukuyevitskogo, 19**

INN: **8602190258**

OGRN: **1028600001792**

Reason(s) whereby the issuer exercises control over the organization under control (equity position in the organization controlled by the issuer, trust deed, simple partnership agreement, agency contract, shareholder agreement, other agreement in force the subject of which is the exercise of rights certified by the shares (stakes) of an organization under the issuer's control): **equity position in the organization controlled by the issuer**

The characteristics of the issuer's control exercised over the organization in respect to which the issuer is a controlling entity: **right to control over 50 percent of votes in the supreme management body of the organization under the issuer's control.**

Type of control: **direct control**

The issuer's share in the charter capital of the controlled organization: **97.7591%**

Fraction of the ordinary shares held by the issuer: **98.2389%**

The share of the controlled organization in the charter capital of the issuer: **0.0015%**

The issuer's ordinary shares held by the controlled organization: **0.0018%**

Description of the company's core business: **banking.**

The company's Board of Directors (Supervisory Board)

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Barankov Vladislav Georgievich (Chairperson)	0.0139	0.0153
Burtsev Gennady Alekseevich	0	0
Zhernovkov Alexander Georgievich	0.0007	0.0001
Pospelova Natalia Evgenyevna	0.0002	0.0002
Druchinin Andrei Vladislavovich	0.0006	0.0004
Sobakinskikh Valery Leonidovich	0	0
Tarasova Olga Ivanovna	0	0

Individual executive body of the company

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Korol Andrei Vitalyevich	0.0003	0.0003

The company's collegiate executive body

Name	The person's share in the charter capital of the issuer, %:	The issuer's ordinary shares held by the person, %:
Korol Andrei Vitalyevich (Chairperson)	0.0003	0.0003
Chaplin Dmitry Vladimirovich	0	0
Chernozhukov Evgeny Nikolaevich	0	0
Krotov Sergei Grigoryevich	0	0
Potapova Vera Vladimirovna	0	0

The Board is the collegial executive body of CJSC "SNGB".

3.6. Constitution, structure and cost of the issuer's fixed assets; information on plans to purchase, replace and dispose of fixed assets as well as on all facts of encumbrance of the issuer's fixed assets

As of 30.06.2016

Unit of measure: *thousand RUB*

Name of fixed assets group	Historical (replacement) cost	Accumulated depreciation
Land and objects of environmental management	13,738,494	
Buildings, structures and transfer mechanisms	2,352,851,506	1,775,875,747
Machinery, equipment and vehicles	538,992,627	424,572,097
Perennial growing stock	103,830	15,048
Other types of fixed assets	4,408,430	3,275,915
TOTAL	2,910,094,887	2,203,738,807

Depreciation methods for different groups of fixed assets:

Historical (replacement) cost of fixed assets is redeemed through depreciation under the straight-line method in conformity with depreciation rates calculated on the basis of useful life of such assets.

Reporting date: **30.06.2016**

The results of the last revaluation of fixed assets and long-term leased fixed assets for the last completed financial year, specifying the date of revaluation, full and residual (net of depreciation) of book value of fixed assets before revaluation and of full and residual (net of depreciation) replacement cost of fixed assets with regard to this revaluation. The information is provided for groups of fixed assets. Information on depreciation methods for different groups of fixed assets.

Unit of measure: *thousand RUB*

Name of fixed assets group	Full value prior to revaluation	Residual (net of depreciation) value prior to revaluation	Date of revaluation	Full replacement cost after revaluation	Residual (net of depreciation) replacement value after revaluation
Land and objects of environmental management	13,930,668	13,930,668	31.12.2015	13,746,955	13,746,955
Buildings and structures	2,260,244,332	553,618,886	31.12.2015	2,294,487,656	563,319,189
Machinery, equipment and vehicles	491,285,760	108,030,102	31.12.2015	523,008,871	112,011,565
Perennial growing stock	97,803	83,975	31.12.2015	97,803	83,975
Other types of fixed assets	4,061,816	952,760	31.12.2015	4,122,748	955,872
Total	2,769,620,379	676,616,391	31.12.2015	2,835,464,033	690,117,556

Specify the method of fixed assets revaluation (using the factors of the federal statistics body of executive authority or the market value of such fixed assets supported by documents or expert opinions. In case of an expert opinion, specify the assessment procedure): **revaluation of fixed assets was based on the replacement cost of the fixed assets.**

Specify any plans to purchase, replace and dispose of fixed assets, the value of which is 10 and more percent of the value of the issuer's fixed assets and other fixed assets at the issuer's discretion. Specify all facts of encumbrance of the issuer's fixed assets (stating the nature of encumbrance, the date when such encumbrance occurred, its duration and other conditions at the issuer's discretion): **as of the last day of the reporting quarter, there are no plans to purchase, replace, or dispose of fixed assets, the value of which is 10 and more percent of the value of the Company's fixed assets as well as facts of encumbrance of the issuer's fixed assets.**

Section IV. Financial and operating activities of the issuer

4.1. Results of the issuer's financial and operating activities

The dynamics of indicators characterizing the financial results of the issuer including its profit and loss calculated on the basis of accounting (financial) statements

Standard (rules) of accounting (financial) statements in accordance with which the accounting (financial) figures are calculated: **Russian accounting standards (RSBU)**

The unit of measure for the amount of uncovered loss: **thousand RUB**

Indicator	2015, 6 months	2016, 6 months
Net profit margin, %	24.599	
Asset turnover ratio, times	0.169	0.132
Return on assets, %	4.165	
Return on equity, %	4.51	
Uncovered loss as of the reporting date	0	141,896,132
Uncovered loss as of the reporting date to book value of the assets, %	0	4.023

The above indicators are based on the recommended accounting practices.

Economic analysis of profit/loss of the issuer based on the dynamics of these indicators as well as reasons which (according to the management bodies) led to the loss/profit of the issuer as shown in the accounting (financial) statements: **loss from financial and business activities in 2Q2016 is caused by the reflection of the foreign exchange losses in the expenses according to change in exchange rates.**

The opinions of the issuer's management bodies regarding the reasons or level of their influence on the financial and operating results of the issuer are different: **no.**

A member of the issuer's Board of Directors (Supervisory Board) or collegiate executive body has his/her dissenting opinion on the specified reasons and/or level of their influence on financial and operating results of the issuer, which is recorded in the minutes of the meeting (session) of the issuer's Board of Directors (Supervisory Board) or collegiate executive body considering relative issues, and presses for this opinion to be included in a quarterly report: **no.**

4.2. The issuer's liquidity position, capital and current assets adequacy

The dynamics of indicators of the issuer's liquidity position calculated based on accounting (financial) statements

Standard (rules) of accounting (financial) statements in accordance with which the accounting (financial) figures are calculated: **Russian accounting standards (RSBU)**

The unit of measure for net working capital: **thousand RUB**

Indicator	2015, 6 months	2016, 6 months
Net working capital	619,683,751	644,140,710
Current liquidity ratio	4.611	4.854
Quick liquidity ratio	4.18	4.31

At the issuer's discretion, the dynamics of indicators of the issuer's liquidity position based on the issuer's consolidated accounting (financial) statements incorporated in the quarterly report: **no**.

The above indicators are based on the recommended accounting practices: **yes**.

Economic analysis of the issuer's liquidity and solvency as well as adequacy of the issuer's equity to fulfill short-term liabilities and cover current operating costs based on the economic analysis of the above performance with a description of factors which (in the opinion of the issuer's management bodies) have the most considerable influence on the issuer's liquidity and solvency

Changes in the net working capital and current and quick liquidity ratios are determined by changes in the volume of reserves.

Liquidity ratios are significantly higher than recommended levels, which proves that the Company enjoys a high level of financial solvency.

The opinions of the issuer's management bodies regarding the reasons or level of their influence on the financial and operating results of the issuer are different: **no**.

A member of the issuer's Board of Directors (Supervisory Board) or collegiate executive body has his/her dissenting opinion on the specified reasons and/or level of their influence on financial and operating results of the issuer, which is recorded in the minutes of the meeting (session) of the issuer's Board of Directors (Supervisory Board) or collegiate executive body considering relative issues, and presses for this opinion to be included in a quarterly report: **no**.

4.3. The issuer's financial investments

As of 30.06.2016

Financial investments of the issuer constituting 5 and more percent of its total financial investments as of the last day of the reporting period

Investments in the issuer's equity securities

There are no investments in the issuer's equity securities constituting 5 and more percent of all financial investments.

Investments in the issuer's non-equity securities

There are no investments in non-equity securities constituting 5 and more percent of all financial investments.

The issuer has formed a reserve for devaluation of financial investments in equity securities

The reserve for devaluation of financial investments in equity securities as of the first and last day of the completed financial year before the end date of the last reporting quarter:

- **the reserve for devaluation of financial investments as of 01.01.2015 and 31.12.2015 amounted to RUB 100,000;**
- **the Company's financial investments are shown at book value net of the amount of a reserve formed for their devaluation.**

Other financial investments

Object of financial investments: **deposits**

Amount of the investments in money terms: **2,097,325,981**

Unit of measure: **thousand RUB**

Returns from the object of financial investments or the procedure of its determination, the payment period: **interests shall accrue from the day following the day when the funds were received into the account till the day of deposit return (charge-off) inclusive.**

Additional information: **no**.

Amount of potential losses due to bankruptcy of organizations (enterprises) in which investments have been made, by each type of such investments: **no**.

Losses are included in the issuer's assessment of financial investments shown in the issuer's accounting statements for the period from the beginning of the reporting year till the last day of the last reporting quarter.

Reporting standards (rules) used by the issuer to make calculations shown in this section of the quarterly report: **in accordance with Order No. 126n dated 10.12.2002 of the RF Ministry of Finance "Accounting Regulations "Financial Investments Recognition" PBU 19/02"**.

4.4. The issuer's intangible assets

As of 30.06.2016

Unit of measure: *thousand RUB*

Name of intangible assets group	Historical (replacement) cost	Accumulated depreciation
TOTAL	1,236,150	803,306

Accounting standards (rules) used by the issuer to disclose information about its intangible assets:

- *intangible assets are recorded at their actual (historical) cost determined as of the date when such assets were recorded;*
- *the Company records intangible assets in accordance with Order No. 153n dated 27.12.2007 of the RF Ministry of Finance "On Approval of Accounting Regulations "Intangible Assets Accounting" PBU 14/2007".*

Reporting date: 30.06.2016

4.5. Data on the issuer's policy and expenses for scientific and technical development, licenses and patents, new developments and research

Research and development (R&D) activity of the Company.

In 1H2016, the Company's R&D Institute "SurgutNIPIneft" carried out 96 research projects, while third-party contractors completed another 57 projects. During 6 months of 2016, the Company's expenses for 153 projects totaled RUB 1,257.423 mn.

Introduction and testing of new equipment and technology. Import substitution program.

1. Introduction of new operating procedures, production methods and equipment.

The section "Introduction of new operating procedures, production methods and equipment" of the innovative plan for 2016 includes 247 projects to introduce new equipment and technology. As many as 135 projects to introduce new technology were carried out during 6 months of 2016.

Forty structural units of the Company were engaged in introduction of new operating procedures and new types of production methods and equipment.

2. New equipment and technology testing.

The section "Pilot projects to test new equipment and technology" of the innovative plan for 2016 includes 149 projects. Subject to adjustments and amendments to the plan, tests during 6 months of 2016 were carried out under a total of 108 projects. Tests of 19 models of new equipment were completed, 16 of them with positive results.

3. Import substitution program.

In order to replace imported equipment, spare parts and consumables with their domestic equivalents 1,060 items are to be manufactured in 2016, which translates into savings of RUB 1,570.9 million.

During 6 months of 2016, there were 679 planned items used with the economic benefit of more than RUB 849.6 million.

The Company's rationalization and invention activities and acquisition of patents.

For 6 months of 2016, the Company drew up and submitted 5 applications to the Federal Institute of Industrial Property (FIPS): 2 applications for state registration of databases, 1 application for state registration of software, 1 application for state registration of an invention and 1 application for state registration of a utility model.

The Company obtained 5 documents of title, including: one database, one software and three utility models.

There are no risk factors related to termination of these documents of title.

Rospatent is currently reviewing 7 applications, including: 1 application for a trademark, 3 applications for inventions, 1 application for a utility model and 2 applications for software.

The obtained documents of title increased the cost of the Company's intangible assets by RUB 3,498.451 thousand in the first six months of 2016.

Information on intellectual industrial property (inventions, utility models, industrial prototypes, trademarks) of the Company as of **30.06.2016**

No.	Description of intellectual property	Document of exclusive rights (patent, certificate)	Priority (commencement of document of title)	Period of validity of document of title
1	2	3	4	5
1	Trademark of STsBPO EPU (service mark)	Certif. (TZ) No. 248903 dated 16.06.2003	02.11.1999	02.11.2019
2	Well stream stimulation method	Patent (I) No. 2209948 dated 10.08.2003	20.11.2000	20.11.2020
3	SPM and foreign objects protection device for cutoff valve (KOC) GUIBERSON during well operation	Patent (PM) No. 36998 dated 10.04.2004	28.08.2003	28.08.2016
4	Design of securing seating for derrick man evacuation device at cluster rig	Patent (PM) No. 36432 dated 10.03.2004	06.10.2003	06.10.2016
5	Method of determination of SPM mass concentration with scratch resistance over 5 units by Mohs scale in a well production	Patent (I) No. 2273020 dated 27.03.2006	10.12.2003	10.12.2023
6	BOP suspended manifold of modular-assembly rigs	Patent (PM) No. 43585 dated 27.01.2005	21.09.2004	21.09.2017
7	Tubing-casing annulus sealing tool	Patent (I) No. 2311525 dated 27.11.2007	10.01.2006	10.01.2026
8	Method of hydraulic fracturing	Patent (I) No. 2311528 dated 27.11.2007	10.01.2006	10.01.2026
9	Safety screen for fire monitor (options)	Patent (PM) No. 65767 dated 27.08.2007	18.01.2007	18.01.2017
10	Automatic winding drum shelter UNKRT-2M	Patent (PM) No. 67643 dated 27.10.2007	31.05.2007	31.05.2017
11	Bottom-hole formation zone protector	Patent (PM) No. 72719 dated 27.04.2008	14.12.2007	14.12.2017
12	Drilling bit design	Patent (PM) No. 73017 dtd 10.05.2008	14.12.2007	14.12.2017
13	Wash tank dewaxer	Patent (PM) No. 79810 dtd 20.01.2009	14.02.2008	14.02.2018
14	Blowout valve	Patent (PM) No. 80495 dated 10.02.2009	05.06.2008	05.06.2018
15	Loading control unit for natural gas liquids (NGL) and commercial propane/butane mixture (CPBM)	Patent (PM) No. 89985 dated 27.12.2009	18.05.2009	18.05.2019
16	Method to remove insulating lacquer coatings of lacquer-impregnated windings of electric motors, including submersible electric motors (SEM)	Patent (I) No. 2396670 dated 10.08.2010	04.05.2009	04.05.2029
17	Design of an adsorber vessel	Patent (PM) No. 102307 dated 27.02.2011	19.07.2010	19.07.2020
18	Restoration method of disturbed wetlands (swamplands)	Patent (I) No. 2459397 dated 27.08.2012	22.09.2010	22.09.2030
19	Production tree heater	Patent (PM) No. 113902 dated 27.02.2012	20.07.2011	20.07.2021
20	Sludge pump	Patent (PM) No. 124335 dated 20.01.2013	14.12.2011	14.12.2021
21	Method of determining kerogen parameters and its content in rocks	Patent (I) No. 2485495 dated 20.06.2013	20.07.2011	20.07.2031
22	Method for repairing a coiled tubing without removing the logging cable	Patent (I) No. 2513319 dated 18.02.2014	27.07.2012	27.07.2032
23	Stand for pneumatic tests of screwed pipe joints	Patent (PM) No. 136570 dated 20.12.2014	01.10.2012	01.10.2022
24	Design of the liner running into the well drilled under balance	Patent (PM) No. 137571 dated 20.03.2014	26.03.2013	26.03.2023
25	Open Joint Stock Company "Surgutneftegas"	Certificate of trademark No. 438918 dated 09.06.2011	06.05.2010	06.05.2020
26	Equipment for multizone well survey and operation	Patent (PM) No. 131074 dated 10.08.2013	10.01.2013	10.01.2023

No.	Description of intellectual property	Document of exclusive rights (patent, certificate)	Priority (commencement of document of title)	Period of validity of document of title
27	Turning casing float valve	Patent (PM) No. 135706 dated 20.12.2013	23.07.2013	23.07.2023
28	Circular casing module	Patent (PM) No. 146266 dated 03.09.2014	19.05.2014	19.05.2024
29	Mobile pumping unit	Patent (PM) No. 159093 dated 29.12.2015	01.06.2015	01.06.2025
30	Tight connection design for running liner sections with multi-stage hydraulic fracturing equipment.	Patent (PM) No. 158893 dated 22.12.2015	30.09.2015	30.09.2025
31	Electric submersible pump of a packet assembly type comprised of stages stacked in series	Patent (PM) No. 161445 dated 01.04.2016	30.04.2015	30.04.2025

4.6. Oil and gas industry trends analysis

The development of oil and gas industry in Russia depends greatly on the ongoing changes in the global oil and gas industry.

In 2015, the Russian oil and gas industry was influenced by significantly lower global oil price quotes and implemented changes in the tax legislation – “tax maneuver”.

In the reporting period, the volume of oil production in Russia increased by 1.4% compared with 2014 and totaled 534 million tonnes. 54% of the crude produced was refined. The volume of oil refining at the Russian refineries exceeded 282 million tonnes, the production of basic petroleum products decreased by 5.1%. The main products output structure showed the reduction of mazut (by 2.4%) and jet fuel, while the production of gasoline and diesel fuel increased by 1.4%.

In the reporting period, oil and gas companies reduced exploratory drilling to 817.7 thousand meters – 17.7% down on the year 2014. On the contrary, development drilling increased by 11.6% and amounted to 22,065.4 thousand meters.

The crude oil exports increased in 2015 compared to the previous year, with the bulk of deliveries coming through the seaside terminals as before.

The Company is one of the leading vertically integrated oil companies in Russia. At the end of 2015, it accounted for 12% of the industry production, over 6% of total Russian processing.

Oil production of the Company totaled 61.6 million tonnes in 2015, which was 0.3% higher than in 2014. A crucial role in sustaining the oil production belongs to East Siberian fields – in the reporting period, this region accounted for 13.7% of the Company’s total oil output. The Company annually develops new fields, strives to use natural resources efficiently. Gas utilization by the Company reached 99.38% in 2015, which is one of the highest rates in the industry.

The Company increased the scope of development drilling by 5% against 2014 and reached 4,306.7 thousand meters. The exploratory drilling meterage remained on the level of 2014 and amounted to 202.2 thousand meters. In the reporting period, the share of the Company in the development drilling in Russia was around 20%, in the exploration drilling – over 25%.

In January-December 2015, the volume of oil refining at the Company’s refinery LLC “KINEF” totaled 18.8 million tonnes, which is more than 30% of produced oil. The production of gasoline and diesel fuel is increased and the production of mazut is decreased in the structure of products.

In 1H2016, the Russian oil and gas industry was further influenced by significant fluctuations in oil prices in the world market.

According to the State Enterprise “CDU TEK”, oil production in Russia in 1H2016 increased by 2.2% compared with the corresponding period of the previous year and totaled 269.9 million tonnes of which over 50% was delivered to the Russian refineries resulting in about 135 million tonnes processed.

The Russian oil companies increased the amount of drilling: exploratory – by 14.6% to 500.2 thousand meters; development – by 16.6% to 12, 025.7 thousand meters.

In 1Q2016, Russia increased the crude oil exports to non-CIS countries against the same period of the previous year. The crude oil exports via Transneft pipeline system increased by 4.2% and totaled more than 109 million tonnes. The bulk of deliveries comes through the seaside terminals, with an increase of 6.6% against the six months of 2015.

In 1Q2016, the Company produced 30.6 million tonnes of crude oil, which is 11.3% of the industry production. Compared to the same period of 2015, the Company increased the amount of drilling: development – by 5.3% to 2,210.8 thousand meters; exploratory – by 0.9% to 102.3 thousand meters. The share of the Company in the development drilling in Russia was 18.4%, in the exploration drilling – 20.5%. The amount of exploratory drilling of the Company is one of the highest in the industry.

Oil refining throughput at LLC “KINEF” amounted to 9.7 million tonnes, which is 7.2% of Russian refining volumes.

4.7. Analysis of the factors influencing the issuer's activity

*The Company's financial results are affected by the following key factors:
hydrocarbon price trends on global and domestic markets;
tax burden ratio;
foreign exchanges/national currency rate;
inflation rate and natural monopoly tariffs;
operating figures.*

Hydrocarbon price trends on global and domestic markets

The Company's operation is mostly affected by oil and petroleum products prices on domestic and global markets.

In 2Q2016, Brent price amounted to 45.6 USD/bbl. In the reporting quarter, the oil price recovered gradually against 1Q2016 with a growth amounted to 34.5% or 11.7 USD/bbl. Compared to 2Q2015 the oil price decreased by 26.4% (by 16.32 USD/bbl).

The weighted average Urals price showed the same dynamics. The oil price increased by 36.4% (11.7 USD/bbl) against 1Q2016 and amounted to 43.8 USD/bbl. Compared to the same period of the previous year the decline in oil price amounted to 29.1% (17.96 USD/bbl).

The prices in the domestic market of Russia depend on export alternatives and take into account seasonal demand for hydrocarbons, changes in excise duties on oil products and other factors. In 2Q2016, the weighted average oil price in the open Russian market increased by 38.4% against the previous quarter, and against the same quarter in 2015 decreased by 5.3% to 15.2 thousand RUB/tonne (West-Siberian petroleum province).

To fairly estimate the impact of the price factor on the Company's activities, it is essential to take into account the tax burden ratio, since any change of global oil quotations results in corresponding changes of export duties and the Mineral Extraction Tax.

Tax burden ratio

In 2016 the oil and gas sector tax system continued to change: Since January 2016, a new MET rate has been in effect with the coefficient for crude export duty rate calculation remaining at the same level as in 2015, excise duty rate on petroleum products are gradually increasing.

In the reporting period, the average duty rate for crude oil to be exported to non-CIS countries increased by 22% against the previous quarter and amounted to 67.2 USD/tonne and decreased by 48.5% against 2Q2015 (1.9 times). At the same time, export duties reduced rate for East-Siberian crude remained on a zero level.

Since 1 January 2016, the MET rate increased to 857 RUB/ tonne (in 2015, it was 766 RUB/tonne). In the reporting quarter, gradual recovery of oil price quotes in the global market and rising of national currency against the US dollar was observed as compared to the previous quarter, which led to increase of the MET effective rate by 50.5% (1.5 times). Under the influence of several factors (significant growth of base tax rate, strengthening of the US dollar against the ruble, lowering global oil price quotes), MET effective rate decreased by 13.2% compared to the same period of last year.

Foreign exchanges/national currency rate

A significant part of the Company's revenue from export of crude oil and oil products is denominated in foreign currency. As a result, any fluctuations in the exchange rate of the Russian ruble to main currencies strongly influence the Company's financial results, mostly the revenue figures.

During 2Q2016, national currency rising against the US dollar occurred. As a result, the average USD rate for the quarter under review was 65.8883 RUB/USD, 11.7% lower than in the previous quarter. The USD/national currency rate increased by 25.1% against 2Q2015.

Inflation rate and natural monopoly tariffs

The Company's performance is adversely affected by inflation growth rates and higher natural monopoly tariffs because soaring prices drive up the Company's costs.

In the reporting quarter, Transneft tariffs for pipeline transportation and service tariffs for orders and crude delivery supervision did not change compared with the previous quarter. The tariffs were 6% higher against the corresponding period of the previous year.

Inflation rate in 2Q2016 decreased as compared to the previous quarter and amounted to 1.2%, the increase was 1.1% as compared against the same period in 2015.

Operating figures

In the reporting quarter, the Company's crude production remained at the level of previous quarters and amounted to 15.3 million tonnes.

In 2Q2016, gas production totaled 2.4 billion cubic meters, 1.9% lower compared to the previous quarter. The volume of gas production increased by 2.6% compared to 2Q2015. The Company's gas processing plant processed 1.5

billion cubic meters of gas, a 9.5% decrease against the previous quarter. The volume of gas production increased by 2.9% compared to 2Q2015.

In 2Q2016, the amount of development drilling increased by 20.3% against the previous quarter and totaled 1,207.3 thousand meters, and increased by 7.7% against the same period in 2015. The exploratory drilling meterage amounted to 48.7 thousand meters, 15.4% less against the previous quarter. The volume of exploratory drilling remained almost at the same level compared to 2Q2015.

The Company generated 1,301.4 million kWh of electric power at its gas turbine power stations, which is a 5.2% decrease from the previous quarter. Compared to the same period of 2015, it means a 2.4% increase.

4.8. The issuer's competitors

The main Company's competitors in terms of production operation are Russian vertically integrated oil companies: LUKOIL, Rosneft, Gazprom neft, Bashneft, and Tatneft n.a. D.V.Shashnin.

Key competitive strengths of the Company include sound resource base and availability of advanced equipment and technologies for oil production which ensure development of difficult-to-recover reserves and enhanced oil recovery at the Company's fields.

Key competitive strengths of the refining segment include high quality of products and close proximity of the Company's refinery to the sea ports and own marketing outlets which ensure efficient petroleum products supply.

The Company's key competitive strength in the gas sector is the complete cycle for production, utilization and processing of associated petroleum gas.

Section V. Detailed data on members of the issuer's management bodies, the issuer's agencies supervising its financial and business activities, and summary on its staff (employees)

5.1. Structure and terms of reference for the issuer's management bodies

Full description of the structure of the issuer's management bodies and their terms of reference in accordance with the issuer's charter (constituent documents):

The general shareholders' meeting is the supreme management body of the Company.

The Board of Directors carries out the general management of the Company's activities and has the right to make decisions on any matters concerning the Company's activities except those, which the Company's Charter limits to the terms of reference for the general shareholders' meeting. The members of the Board of Directors in the number determined by a resolution of the Company's general shareholders' meeting are elected by the annual general shareholders' meeting in the order stipulated by the Company's Charter for a term lasting till the next annual general shareholders' meeting. The members of the Board of Directors can be re-elected an unlimited number of times.

Director General is the individual executive body of the Company and manages the Company's current activities in the order and within the terms of reference determined by the Company's Charter as well as in accordance with resolutions of the Board of Directors and the general shareholders' meeting. The Company's Board of Directors appoints Director General of the Company for a five-year period. At expiration of Director General's term of office, the Board of Directors can appoint this person for the same period an unlimited number of times.

Director General reports to the Board of Directors and the Company's general meeting of shareholders.

The powers of the Company's management bodies are determined by the Company's Charter.

The terms of reference for the Company's general shareholders' (members') meeting, as determined by its Charter (constituent documents).

The terms of reference for the general shareholders' meeting include the following issues (the resolutions on these issues are adopted if shareholders who own more than 50% of the Company's voting shares and take part in the general shareholders' meeting have voted for it, except as otherwise provided by the Company's Charter):

1) To amend the Company's Charter or to approve the Company's Charter in a new wording excluding cases stipulated by the Federal Law "On Joint Stock Companies" and the Company's Charter

2) To decrease the charter capital through reduction of par value of shares, acquisition of a portion of shares by the Company to reduce their total amount or to redeem partly paid-in shares and through redemption of shares acquired or bought back by the Company

3) To approve the Company's annual reports and annual accounting statements, including profit and loss accounts (profit and loss statements) of the Company and its profit and loss distribution

4) To adopt a resolution to pay annual dividends, to approve the dividend size and the form of its payment on shares of each category (type). Such resolution is adopted on the Board of Directors' recommendation. The annual dividend size can not exceed the size recommended by the Board of Directors

5) To elect members to the Company's Auditing Committee and to terminate their powers ahead of schedule, to approve the Company's Regulations on the Auditing Committee

- 6) To adopt resolutions to restructure the Company
- 7) To adopt resolutions to liquidate the Company, to appoint the liquidation commission and approve interim and final liquidation balance sheets
- 8) To determine the number of members of the Company's Board of Directors, to elect members to the Board of Directors and terminate their powers ahead of schedule
- 9) To determine the amount of declared shares, their par value, their category (type) and rights granted by these shares
- 10) To approve the Company's auditor
- 11) To determine the procedure of a general shareholders' meeting
- 12) To establish the counting commission
- 13) To determine the procedure following which the Company provides information (materials) subject to presentation to shareholders while preparing for a general shareholders' meeting, including choice of a press agency in case of publication
- 14) To carry out share split and share consolidation
- 15) To adopt a resolution on the Company's approval of interested party transactions in accordance with the Federal Law "On Joint Stock Companies"
- 16) To adopt a resolution on the Company's approval of major transactions in accordance with the Federal Law "On Joint Stock Companies", Article 79, Item 3
- 17) To increase the Company's charter capital through placement of additional ordinary shares through public subscription if the quantity of the ordinary shares to be additionally placed exceeds 25 percent of the ordinary shares previously placed
- 18) To increase the Company's charter capital through placement of additional shares through private subscription;
- 19) To place equity securities convertible into shares through private subscription. To place through public subscription convertible equity securities which can be converted into ordinary shares exceeding 25 percent of the ordinary shares previously placed
- 20) To increase the Company's charter capital through increase in par value of shares
- 21) To pass a resolution to participate in holding companies, financial and industrial groups, associations and other unions of business
- 22) To approve internal documents governing the activities of the Company's bodies
- 23) Other issues provided for by the law of the Russian Federation currently in force.

Issues within the terms of reference for the general shareholders' meeting cannot be delegated to the Board of Directors and Director General of the Company.

The terms of reference for the Company's Board of Directors (Supervisory Board), as determined by its Charter (constituent documents).

The terms of reference for the Board of Directors include the following issues:

- 1) To submit issues stipulated by the Company's Charter to a general shareholders' meeting for adopting a resolution
- 2) To recommend the size of dividends to be paid to shareholders and the procedure for dividend payment
- 3) To determine priority lines of the Company's activity
- 4) To convene annual and extraordinary general shareholders' meetings of the Company
- 5) To adopt the agenda for general shareholders' meetings
- 6) To determine the date for making up the list of persons having the right to participate in a general shareholders' meeting as well as the date, venue and time of a general shareholders' meeting, informing shareholders of holding a meeting, of the list of materials (information) to be presented to shareholders while preparing for a general shareholders' meeting, of the form and text of a ballot paper
- 7) To preliminarily approve annual reports, balance sheets, profit and loss accounts of the Company
- 8) To increase the Company's charter capital through placement by the Company of:
additional ordinary shares through public subscription within the quantity and the category (type) of declared shares if the quantity of the ordinary shares to be placed additionally amounts to 25% or less of the ordinary shares placed earlier by the Company
 - additional preference shares through public subscription
 - additional shares at the expense of the Company's property;
- 9) To approve reports on results of issues and purchases of the Company's shares by the Company
- 10) To amend the Company's Charter after an increase in its charter capital resulting from an increase in the par value of shares
- 11) To amend the Company's Charter after an increase in its charter capital resulting from the placement of additional shares
- 12) Placement by the Company of:
 - bonds and other equity securities convertible into shares if the mentioned bonds (other equity securities) are placed through public subscription and can be converted into the Company's ordinary shares amounting to 25% or less of the ordinary shares placed earlier;

- bonds and other equity securities if they are not convertible into the Company's shares under the subscription terms;

13) To determine the market value of the Company's property

14) To purchase and buy back shares, bonds and other securities placed by the Company in cases stipulated by the Company's Charter

15) To dispose of shares purchased and bought back by the Company and of shares which came to the disposal of the Company due to the fact that their buyers have not fulfilled their payment obligations

16) To elect the Chairperson of the Board of Directors and the Deputy Chairperson of the Board of Directors out of the members of the Board of Directors

17) To appoint the Director General of the Company, to determine the size of bonuses and compensations paid to him

18) To recommend the size of bonuses and compensations paid to the members of the Company's Auditing Committee and to determine the amount of auditor's service payment

19) To determine ways of application of the Company's reserve, purpose-oriented and other funds

20) To approve the Company's internal documents excluding those internal documents which, in conformity with the Federal Law "On Joint Stock Companies", are to be approved by a General shareholders' meeting, and other internal documents of the Company which, according to the Company's Charter, are to be approved by the Director General

21) To establish branches and to open representative offices of the Company

22) To amend the Company's Charter because of newly established branches and representative offices and their liquidation

23) To adopt resolutions on the Company's approval of major transactions in accordance with the Federal Law "On Joint Stock Companies"

24) To adopt resolutions on the Company's approval of interested party transactions in accordance with the Federal Law "On Joint Stock Companies"

25) To approve the Company's registrar, to approve and to cancel an agreement with the Company's registrar

26) Other issues, as provided by the law of the Russian Federation.

The terms of reference for the individual and collegial executive bodies of the Company, as provided by its Charter (constituent documents).

The terms of reference for Director General of the Company include the following:

1) To implement resolutions of a general shareholders' meeting and the Company's Board of Directors

2) To issue orders, instructions, decrees, directions and other acts concerning the Company's activities, which all the Company's employees are required to follow

3) Within the rights granted to him/her, to take all necessary actions to exercise legal powers to possess, use and dispose of the Company's property, including conclusion of contracts on acquisition and alienation of the Company's property, loan, credit, and other agreements on behalf of the Company and in accordance with the law of the Russian Federation currently in force and the present Charter

4) To act on behalf of the Company in relations with any Russian or foreign legal and natural persons, to sign contracts and agreements in the Russian Federation and abroad, to carry out other transactions on behalf of the Company including signing contracts on acquisition of property accounting for up to 25% of the book value of the Company's assets as per the Company's accounting statements as of the last reporting date, to employ the Company's reserve, purpose-oriented and other funds in compliance with the directions of the Company's Board of Directors, to give letters of attorney to carry out transactions, to open settlement accounts and other accounts with banks and other organizations and institutions

5) To deal with issues concerning investments in the development of enterprises and organizations

6) To approve and change the Company's structure, to establish and abolish the Company's structural units, to approve the provisions on the Company's structural units

7) To approve the manning table, office expenses estimates, amount and type of compensation for the Company's employees as well as Internal Labor Regulations and job descriptions for all categories of the Company's employees

8) To employ, appoint, dismiss, and discharge the Company's employees, heads of structural units, to determine their salaries and bonuses as well as incentives for and sanctions against them, to pass resolutions on their material responsibility, to sign employment agreements (contracts) with employees on behalf of the Company

9) To take decisions on the social development of the Company and its subsidiaries

10) On behalf of the Company, to pass resolutions to raise claims and take legal actions against legal and natural persons both in the Russian Federation and abroad, as determined by the legislation.

The Director General of the Company also has the right to pass resolutions on management of any current activities of the Company and its subsidiaries, which do not pertain to the terms of reference for the general shareholders' meeting and the Company's Board of Directors. The Director General passes resolutions on issues within his/her terms of reference independently.

For a period of his/her absence and under any other circumstances, the Director General has the right to appoint any of the Company's officials as an acting Director General.

For the last reporting period the issuer's charter (constituent documents) or internal documents governing the activities of the issuer's bodies were amended

Information on the amendments made into the issuer's charter and internal documents governing the activities of the issuer's bodies for the last reporting period:

The resolution of Annual General Meeting of Shareholders of OJSC "Surgutneftegas" No. 27 dated 30.06.2016 the following amendments to the Regulations on the Board of Directors of OJSC "Surgutneftegas" were made:

1) To present Clause 5.2 of the Regulations in the following wording:

"5.2. Under the resolution of the general shareholders' meeting of the Company, the members of the Company's Board of Directors who do not act as Chairman of the Board of Directors or Director General of the Company and are not employees of the Company shall be paid remuneration, the amount of which is determined in accordance with the resolution of the Company's general shareholders' meeting, during the period when they perform their duties.

The basic remuneration for each member of the Board of Directors specified in the first paragraph of this clause is RUB 4,000,000 (four million). The members of the Board of Directors who acted as chairmen of the committees of the Board of Directors shall be paid additional remuneration in the amount of RUB 1,000,000 (one million).

The Board of Directors has the right to recommend to the general shareholders' meeting to reduce the amount of remuneration to individual members of the Board of Directors in relation to the basic remuneration, if they participated in less than half meetings of the Board of Directors during the period when they performed their duties.

The amounts of remuneration determined by the Regulations include taxes payable by a member of the Board of Directors in accordance with the current Russian legislation. The payment of remuneration specified in this clause of the Regulations shall be made not later than 30 calendar days from the date of the general shareholders' meeting of the Company which passed the resolution to pay remuneration to the members of the Board of Directors."

2) To present Clauses 6.15 and 6.16 of the Regulations in the following wording:

"6.15. The Corporate Secretary shall perform the functions of the secretary of the Board of Directors.

6.16. The procedure for the appointment of the Corporate Secretary of the Company and exercise of his/her functions is determined by the Regulations on the Corporate Secretary of the Company approved by the Board of Directors."

5.2. Members of the issuer's management bodies

5.2.1. The issuer's Board of Directors (Supervisory Board)

Name: *Erokhin Vladimir Petrovich*

(*Chairman*)

Year of birth: *1949*

Education: *higher professional*

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company "Surgutneftegas"	Chairman of the Board of Directors

The person's share in the charter capital of the issuer, %: *0.0104*

The issuer's ordinary shares held by the person, %: *0.0126*

Participation in the work of the committees of the Board of Directors: *The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)*

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: *The person does not have such shares*

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: *No such kinship*

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: *There were no administrative or criminal actions brought against the person*

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in

the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Bogdanov Vladimir Leonidovich***

Year of birth: ***1951***

Education: ***higher professional, Doctor of Economics***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company “Surgutneftegas”	Director General
2011	present	Open Joint Stock Company “Surgutneftegas”	Vice Chairperson of the Board of Directors
2011	May 2012	Closed Joint Stock Company “Surgutneftegasbank”	Chairman of the Board of Directors
2011	June 2012	Open Joint Stock Company “Oil Company “Rosneft”	Member of the Board of Directors
2011	January 2013	Limited Liability Company “National Petroleum Consortium”	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: ***0.3028***

The issuer's ordinary shares held by the person, %: ***0.3673***

Participation in the work of the committees of the Board of Directors: ***The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)***

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: ***The person does not have such shares***

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Bulanov Alexander Nikolaevich***

Year of birth: ***1959***

Education: ***higher professional***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company “Surgutneftegas”	Chief Engineer – First Deputy Director General.
2011	present	Open Joint Stock Company “Surgutneftegas”	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: ***0.0005***

The issuer's ordinary shares held by the person, %: ***0.0002***

Participation in the work of the committees of the Board of Directors: ***The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)***

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates:

The person does not have such shares

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal

prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Dinichenko Ivan Kalistratovich***

Year of birth: ***1946***

Education: ***higher professional***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
June 2014	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: ***0.0003***

The issuer's ordinary shares held by the person, %: ***0***

Participation in the work of the committees of the Board of Directors

Committee	Chairman
Audit Committee of the Board of Directors	No

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: ***The person does not have such shares***

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Krivosheev Viktor Mikhailovich***

Year of birth: ***1953***

Education: ***higher professional***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
June 2014	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: ***0.0064***

The issuer's ordinary shares held by the person, %: ***0.0072***

Participation in the work of the committees of the Board of Directors: ***The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)***

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: ***The person does not have such shares***

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any

bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Matveev Nikolai Ivanovich***

Year of birth: ***1942***

Education: ***higher professional***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

No share in the charter capital of the issuer/ordinary shares

Participation in the work of the committees of the Board of Directors

Committee	Chairman
Audit Committee of the Board of Directors	No

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: ***The person does not have such shares***

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Raritsky Vladimir Ivanovich***

Year of birth: ***1940***

Education: ***higher professional***

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
June 2014	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: ***0.0079***

The issuer's ordinary shares held by the person, %: ***0.0089***

Participation in the work of the committees of the Board of Directors: ***The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)***

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: ***The person does not have such shares***

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: ***No such kinship***

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: ***There were no administrative or criminal actions brought against the person***

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: ***The person did not hold such positions***

Name: ***Usmanov Ildus Shagalievich***

Year of birth: **1954**

Education: **higher professional**

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
June 2014	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: **0.0018**

The issuer's ordinary shares held by the person, %: **0.0022**

Participation in the work of the committees of the Board of Directors: **The member of the Board of Directors (Supervisory Board) does not participate in the work of the committees of the Board of Directors (Supervisory Board)**

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: **The person does not have such shares**

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: **No such kinship**

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: **There were no administrative or criminal actions brought against the person**

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: **The person did not hold such positions**

Name: **Shashkov Vladimir Aleksandrovich**

Year of birth: **1946**

Education: **higher professional**

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
June 2012	present	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: **0.0094**

The issuer's ordinary shares held by the person, %: **0.0115**

Participation in the work of the committees of the Board of Directors

Committee	Chairman
Audit Committee of the Board of Directors	Yes

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: **The person does not have such shares**

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: **No such kinship**

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: **There were no administrative or criminal actions brought against the person**

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: **The person did not hold such positions**

5.2.2. Individual executive body of the issuer

Name: **Bogdanov Vladimir Leonidovich**

Year of birth: **1951**

Education: **higher professional, Doctor of Economics**

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company "Surgutneftegas"	Director General
2011	present	Open Joint Stock Company "Surgutneftegas"	Vice Chairperson of the Board of Directors
2011	May 2012	Closed Joint Stock Company "Surgutneftegasbank"	Chairman of the Board of Directors
2011	June 2012	Open Joint Stock Company "Oil Company "Rosneft"	Member of the Board of Directors
2011	January 2013	Limited Liability Company "National Petroleum Consortium"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: **0.3028**

The issuer's ordinary shares held by the person, %: **0.3673**

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates:

The person does not have such shares

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: **No such kinship**

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: **There were no administrative or criminal actions brought against the person**

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: **The person did not hold such positions**

5.2.3. The issuer's collegiate executive body

No provision is made for a collegiate executive body

5.3. Remuneration and/or compensation for expenses for each management body of the issuer

Remuneration for each management body (except for the individual who performs the functions of the individual executive body of the issuer). Specify all types of remuneration, including salary, bonuses, commissions, benefits and/or compensations for expenses and other material representations:

Remuneration

Board of Directors

Unit of measure: **thousand RUB**

Indicator	2016, 6 months
Remuneration for the participation in the work performed by the management body	10,037.9
Salary	
Bonus	
Commission	
Other types of remuneration	88.8
TOTAL	10,126.7

Data on existing agreements in relation to such payments in the current financial year: **remunerations are paid to the members of the Company's Board of Directors in accordance with the Company's Charter.**

Compensation

Unit of measure: **thousand RUB**

Management body	2016, 6 months
Board of Directors	1,816.6

Additional information: *no*.

5.4. Structure and terms of reference for the agencies supervising the issuer's financial and business activities and organization of risk management system and internal control

There were no changes in the information contained in this section of the quarterly report

5.5. Members of the agencies supervising the issuer's financial and business activities

Agency supervising the issuer's financial and business activities: *Auditing Committee*

Name: *Klinovskaya Taisiya Petrovna*

(*Chairman*)

Year of birth: *1946*

Education: *higher professional*

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	January 2013	Open Joint Stock Company "Surgutneftegas"	Financial Division Head
June 2012	June 2014	Open Joint Stock Company "Surgutneftegas"	Member of the Board of Directors

The person's share in the charter capital of the issuer, %: *0.0091*

The issuer's ordinary shares held by the person, %: *0.0053*

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates:

The person does not have such shares

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: *No such kinship*

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: *There were no administrative or criminal actions brought against the person*

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: *The person did not hold such positions*

Name: *Oleynik Tamara Fedorovna*

Year of birth: *1947*

Education: *secondary professional*

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		

No share in the charter capital of the issuer/ordinary shares

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: *The person does not have such shares*

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: *No such kinship*

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: *There were no administrative or criminal actions brought against the person*

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: *The person did not hold such positions*

Name: *Musikhina Valentina Viktorovna*

Year of birth: **1960**

Education: **secondary professional**

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
May 2011	June 2012	Open Joint Stock Company "Surgutneftegas"	Deputy Head of Accounting and Reporting Division

No share in the charter capital of the issuer/ordinary shares

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: **The person does not have such shares**

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: **No such kinship**

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: **There were no administrative or criminal actions brought against the person**

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation: **The person did not hold such positions**

Agency supervising the issuer's financial and business activities: **Other**

Internal Audit Service

Head of such separate business unit (body) of the issuer

Position of the head of the business unit: **Head of service**

Name: **Arteeva Alexandra Ivanovna**

Year of birth: **1959**

Education: **higher professional**

All positions held by the person in the issuer and other organizations over the last 5 years and at present, including outside employment, in date order

Period		Organization	Position
from	by		
2011	present	Open Joint Stock Company "Surgutneftegas"	Head of Internal Audit Service

No share in the charter capital of the issuer/ordinary shares

Share of the person in the charter (share) capital (mutual fund) of the issuer's subsidiaries and affiliates: **The person does not have such shares**

Nature of any kinship with other persons who are members of the issuer's management bodies and/or agencies supervising the issuer's financial and business activities: **No such kinship**

Administrative actions taken against such person for any financial, tax/charge, securities market violations or criminal prosecution (criminal record) of the person for economic crimes or crimes against the state: **There were no administrative or criminal actions brought against the person**

Positions held by such person in management bodies of commercial organizations during the period when any bankruptcy proceedings and/or a bankruptcy procedure were initiated in relation to such organizations as provided for in the bankruptcy (insolvency) legislation of the Russian Federation:

The person did not hold such positions

5.6. Remuneration and (or) compensation for expenses for the agency supervising the issuer's financial and business activity

Remuneration

For each agency supervising the issuer's financial and business activities (except for the individual who holds the position (who performs the functions) of the issuer's Auditor) all types of remuneration with their amount are specified, including salaries of the members of the agencies supervising the issuer's financial and business activities, who are (were) its employees, including ones having (had) other employment, bonuses, commissions, benefits paid separately for the participation in the work performed by the agency supervising the issuer's financial and business activities, other types of remuneration paid by the issuer during the reporting period, and also costs for performing the duties of the members of the agency supervising the issuer's financial and business activities remunerated by the issuer for the reporting period are specified with their amount.

Unit of measure: *thousand RUB*

Agency supervising the issuer's financial and business activities: *Auditing Committee*

Remuneration for the participation in the work performed by the supervising agency

Unit of measure: *thousand RUB*

Indicator	2016, 6 months
Remuneration for the participation in the work performed by the agency supervising the issuer's financial and business activities	210
Salary	
Bonus	
Commission	
Other types of remuneration	
TOTAL	210

Data on existing agreements in relation to such payments in the current financial year: *no*.

Agency supervising the issuer's financial and business activities: *Internal Audit Service*

Remuneration for the participation in the work performed by the supervising agency

Unit of measure: *thousand RUB*

Indicator	2016, 6 months
Remuneration for the participation in the work performed by the agency supervising the issuer's financial and business activities	
Salary	4,758.9
Bonus	692
Commission	
Other types of remuneration	0
TOTAL	5,450.9

Data on existing agreements in relation to such payments in the current financial year: *no*.

Compensation

Unit of measure: *thousand RUB*

Supervising body (of the business unit)	2016, 6 months
Auditing Committee	30.3
Internal Audit Service	242.2

Additional information: *no*.

5.7. Number of the issuer's employees (workers), their categories and changes in their number

Unit of measure: *thousand RUB*

Indicator	2016, 6 months
Average number of employees, people	102,362

Gross payroll for the reporting period	55,357,880
Social payments for the reporting period	550,663

The employees (workers) of the Company formed a trade union body.

5.8. Obligations of the issuer to its employees (workers) relating to their possible participation in the issuer's charter capital

The issuer has no obligations to its employees (workers) relating to their possible participation in the issuer's charter capital

Section VI. The issuer's members (shareholders) and interested party transactions conducted by the issuer

6.1. Total number of the issuer's shareholders (members)

The total number of persons having a non-zero balance accounts registered in the issuer's shareholder register as of the end of the reporting quarter: **32,785**

Total number of the issuer's nominee shareholders: **6**

The total number of persons included in the most recently compiled list of persons who had (have) the right to participate in the issuer's general shareholders' meeting (other list of persons compiled in order to exercise (realize) rights to the issuer's shares, and for the compiling of which the nominee holders of the issuer's shares provided data on persons, on behalf of which they held (hold) the issuer's shares): **29,783**

Date when the list of persons included in the most recently compiled list of persons who had (have) the right to participate in the issuer's general shareholders' meeting is compiled (other list of persons compiled in order to exercise (realize) rights to the issuer's shares, and for the compiling of which the nominee holders of the issuer's shares provided data on persons, on behalf of which they held (hold) the issuer's shares): **16 May 2016.**

Holders of the issuer's ordinary shares who were to be included in such list: **29,783**

Holders of the issuer's preference shares who were to be included in such list: **0**

Information on the number of treasury shares on the issuer's balance as of the day of the reporting quarter: **there are no treasury shares on the issuer's balance**

Information on the number of the issuer's shares held by its subordinates

Category of shares: **ordinary**

Number of the issuer's shares held by its subordinates: **650,000**

6.2. The issuer's members (shareholders) holding at least five percent of its charter capital or at least five percent of its ordinary shares as well as persons controlling such members (shareholders) and in absence of such persons – members (shareholders) of such persons who hold at least 20 percent of the charter capital or at least 20 percent of their ordinary shares

The issuer's members (shareholders) holding at least five percent of its charter capital or at least five percent of its ordinary shares

1.Nominee holder

Information on nominee holder:

Full corporate name: **Non-banking credit organization Closed Joint-Stock Company "National Settlement Depository"**

Abbreviated corporate name: **NCO CJSC NSD**

Location: **Russia, Moscow, ul.Spartakovskaya, 12**

INN: **7702165310**

OGRN: **1027739132563**

Telephone: **(495) 232-0273**

Fax: **(495) 965-0938**

E-mail: **reginfo@nsd.ru**

License of securities market professional participant

Number: **177-12042-000100**

Date of issue: **19.02.2009**

Valid till: **unlimited**

Issuing authority: **Bank of Russia**

Number of the issuer's ordinary shares registered in the issuer's shareholder register in the name of the said nominee holder: **3,884,542,733**

Number of the issuer's preference shares registered in the issuer's shareholder register in the name of the said nominee holder: **5,099,942,346**

Other information as the issuer may wish to disclose: **no**.

6.3. Share of the state or a municipal formation in the issuer's charter capital; any special rights ("golden share")

Persons who administer blocks of shares owned by the state, municipal formations

Municipal ownership

Name: **Administration of the city of Surgut**

Location: **ul.Engelsa, 8, Surgut, KhMAO – Yugra, Tyumenskaya Oblast, 628408**

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0278**

Municipal ownership

Name: **Administration of Surgutsky District**

Location: **628400, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut**

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0127**

Persons who exercise functions of the issuer's member (shareholder) on behalf of the Russian Federation, an entity of the Russian Federation, or municipal formation

Municipal ownership

Name: **Administration of the city of Surgut**

Location: **ul.Engelsa, 8, Surgut, KhMAO – Yugra, Tyumenskaya Oblast, Russia, 628408**

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0278**

Municipal ownership

Name: **Administration of Surgutsky District**

Location: **628400, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut**

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0127**

Special right of the Russian Federation, the constituent territories of the Russian Federation or municipalities to participate in the administration of the issuer - joint stock company ("golden share") and duration of the special right ("golden share"): **no such right**

6.4. Restrictions on participation in the issuer's charter capital

There are no restrictions on participation in the issuer's charter capital

6.5. Changes in the list and the participation of the issuer's shareholders (members) holding at least five percent of its charter capital or at least five percent of its ordinary shares

The issuer's shareholders (members) holding at least five percent of the issuer's charter capital, and for joint stock companies as issuers also holding at least five percent of the issuer's ordinary shares determined as of the date when the list was drawn up of persons entitled to participate in each general shareholders' (members') meeting of the issuer held

in the last completed financial year preceding the end of the reporting quarter, and for the period from the date when the current financial year started till the date when the reporting quarter ended based on the list of persons entitled to participate in each of such meetings

Additional information: **no**.

6.6. Interested party transactions conducted by the issuer

Number and value of transactions conducted by the issuer if such transactions are recognized under the law of the Russian Federation as interested party transactions that require approval by an authorized management body of the issuer, as of the last reporting quarter

Unit of measure: **RUB**

Indicator	Total number	Total value
Interested party transactions conducted by the issuer in the reporting period that required approval of an authorized management body of the issuer	2	147,959
Interested party transactions conducted by the issuer in the reporting period and approved by a general members' (shareholders') meeting of the issuer	1	125,837
Interested party transactions conducted by the issuer in the reporting period and approved by the Board of Directors (Supervisory Board of the issuer)	1	22,122
Interested party transactions conducted by the issuer in the reporting period that required approval of but were not approved by an authorized management body of the issuer		

Transactions (groups of interrelated transactions) with the value equal to or exceeding 5 percent of the book value of the issuer's assets as per its accounting statements as of the last reporting date prior to a transaction conducted by the issuer in the last reporting quarter

No such transactions.

Interested party transactions (groups of interrelated transactions) which the Board of Directors (Supervisory Board) or a general shareholders' (members') meeting of the issuer has not resolved to approve in cases when such approval is mandatory according to the law of the Russian Federation:

No such transactions.

Additional information: **Transaction value in money terms in this section is shown in US dollars.**

6.7. Accounts receivable

As of 30.06.2016

Unit of measure: **thousand RUB**

Indicator	Indicator value
Accounts receivable from buyers and customers	78,200,683
including those overdue	4,706,816
Notes receivable	
including those overdue	
Members' (incorporators') arrears of charter capital contributions	
including those overdue	
Other accounts receivable	181,910,672
including those overdue	51
Total accounts receivable	260,111,355
including total overdue accounts receivable	4,706,867

Debtors who account for at least 10 percent of the total accounts receivable in the reporting period: **no such debtors**

Section VII. The issuer's accounting (financial) statements and other financial information

7.1. Annual accounting (financial) statements of the issuer

Not subject to presentation in this reporting quarter

7.2. Interim accounting (financial) statements of the issuer

Balance Sheet as of 30.06.2016

Company: **Open Joint Stock Company “Surgutneftegas”**

Taxpayer identification number

Type of activity: **oil production**

Form of legal organization/form of ownership: **Open Joint Stock Company/Private property**

Unit of measure: **thousand RUB**

Location (address): **Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1**

	Codes
Form by OKUD	0710001
Date	30.06.2016
by OKPO	05753490
INN	8602060555
by OKVED	11.10.11
by OKOPF/OKFS	12247/16
by OKEI	384

Notes	ASSETS	Line code	As of 30.06.2016	As of 31.12.2015	As of 31.12.2014
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	535,499	548,352	515,101
	R&D results	1120	218,067	213,665	160,404
	Intangible prospecting assets	1130	40,902,185	36,423,674	73,240,752
	Tangible prospecting assets	1140			
	Fixed assets	1150	773,573,254	752,847,663	691,063,519
	including buildings, machinery, equipment, and other fixed assets, excluding land, objects of environmental management, and capital investments in progress	1151	692,617,586	676,370,601	627,944,689
	Income yielding investments in tangible assets	1160	2,995,377	3,093,832	48,429
	Financial investments	1170	1,742,402,051	2,007,179,799	1,280,457,334
	including other financial investments, excluding investments in organizations and loans granted	1171	1,594,832,331	1,866,481,918	1,154,646,709
	Deferred tax assets	1180	28,197	26,166	32,313
	Other non-current assets	1190	58,471,689	59,369,781	14,125,572
	TOTAL for Section I	1100	2,619,126,319	2,859,702,932	2,059,643,424
	II. CURRENT ASSETS				
	Inventories	1210	87,030,037	81,154,030	81,425,788
	Value Added Tax on acquired valuables	1220	3,929,882	4,479,359	4,103,573
	Accounts receivable	1230	260,111,355	206,168,244	180,790,266
	Financial investments (excluding cash equivalents)	1240	502,493,650	479,972,123	658,014,455
	including other financial investments, excluding investments in organizations and loans granted	1241	502,493,650	479,972,123	651,832,161
	Cash and cash equivalents	1250	53,881,801	72,125,809	30,922,038
	Other current assets	1260	693,381	877,956	1,989,624

	TOTAL for Section II	1200	908,140,106	844,777,521	957,245,744
	BALANCE (assets)	1600	3,527,266,425	3,704,480,453	3,016,889,168

Notes	LIABILITIES	Line code	As of 30.06.2016	As of 31.12.2015	As of 31.12.2014
1	2	3	4	5	6
	III. CAPITAL AND RESERVES				
	Charter capital (share capital, authorized fund, partners' contributions)	1310	43,427,993	43,427,993	43,427,993
	Treasury shares	1320			
	Revaluation of non-current assets	1340	487,878,959	490,607,359	482,261,224
	Additional capital (no revaluation)	1350	192,511,786	192,511,786	192,511,786
	Reserve capital	1360	6,514,198	6,514,198	6,514,198
	Retained profit (uncovered loss)	1370	2,556,401,365	2,770,302,491	2,098,453,730
	TOTAL for Section III	1300	3,286,734,301	3,503,363,827	2,823,168,931
	IV. LONG-TERM LIABILITIES				
	Borrowed funds	1410			
	Deferred tax liabilities	1420	72,640,541	70,670,532	65,034,039
	Estimated liabilities	1430			
	Other liabilities	1450	511,823	509,218	269,580
	TOTAL for Section IV	1400	73,152,364	71,179,750	65,303,619
	V. SHORT-TERM LIABILITIES				
	Borrowed funds	1510			139,650
	Accounts payable	1520	155,373,560	116,947,293	116,340,208
	Deferred income	1530	240,092	314,861	516,885
	Estimated liabilities	1540	11,411,771	12,203,314	10,715,949
	Other liabilities	1550	354,337	471,408	703,926
	TOTAL for Section V	1500	167,379,760	129,936,876	128,416,618
	BALANCE (liabilities)	1700	3,527,266,425	3,704,480,453	3,016,889,168

**Income Statement
for January-June 2016**

Company: **Open Joint Stock Company “Surgutneftegas”**

Taxpayer identification number

Type of activity: **oil production**

Form of legal organization/form of ownership: **Open Joint Stock Company/Private property**

Unit of measure: **thousand RUB**

Location (address): **Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1**

	Codes
Form by OKUD	0710002
Date	30.06.2016
by OKPO	05753490
INN	8602060555
by OKVED	11.10.11
by OKOPF/OKFS	12247/16
by OKEI	384

No tes	Indicator	Line code	For 6 months of 2016	For 6 months of 2015
1	2	3	4	5
	Revenue	2110	467,157,627	525,498,847
	Cost of sales	2120	-301,982,442	-342,224,396
	Gross profit (loss)	2100	165,175,185	183,274,451
	Selling expenses	2210	-44,194,975	-39,689,446
	Management expenses	2220		
	Sales profit (loss)	2200	120,980,210	143,585,005
	Income from participation in other organizations	2310	861,055	924,952
	Interest receivable	2320	53,255,464	46,447,107
	Interest payable	2330	-104	-7
	Other income	2340	596,207,350	1,152,156,687
	Other expenses	2350	-911,405,345	-1,188,307,495
	Profit (loss) before tax	2300	-140,101,370	154,806,249
	Current profit tax	2410		-26,525,377
	incl. permanent tax liabilities (assets)	2421	25,262,515	1,070,375
	Change in deferred tax liabilities	2430	-1,970,009	-122,280
	Change in deferred tax assets	2450	2,031	-3,828
	Other	2460	-293	239,764
	Reallocation of profit tax within the consolidated group of taxpayers	2465	173,509	875,457
	Net profit (loss)	2400	-141,896,132	129,269,985
	FOR REFERENCE ONLY:			
	Results of revaluation of non-current assets not included in net profit (loss) of the period	2510		
	Results of other operations not included in net profit (loss) of the period	2520		
	Comprehensive income of the period	2500	-141,896,132	129,269,985
	Base profit (loss) per share	2900		
	Diluted profit (loss) per share	2910		

7.3. Consolidated financial statements of the issuer

2015 – IFRS/GAAP

Reporting period

Year: **2015**

Quarter: **IV**

Standards (rules) used for preparing consolidated financial statements shown in this section of the quarterly report:
IFRS

The information is provided in the appendix to the present quarterly report.

7.4. Accounting policy of the issuer

There were no changes in the information contained in this section of the quarterly report

7.5. Total export and share of export in total sales

Unit of measure: *thousand RUB*

Indicator	2016, 6 months
Total earnings of the issuer from export of products (goods, works, services)	357,029,960
Share of such earnings in sales revenue, %	76.4

7.6. Substantial changes in the issuer's property after the end of the last completed reporting year

Substantial changes in the issuer's property during 12 months prior to the end of the reporting quarter: *there were no substantial changes in the issuer's property during 12 months prior to the end date of the reporting quarter.*

Additional information: *no.*

7.7. The issuer's participation in litigations in case such participation may substantially affect financial and business activities of the issuer

The issuer did not/does not participate in any litigations which affect/may affect financial and business activities for the period from the beginning of the last completed financial year and up to the end of the reporting quarter.

Section VIII. Further information on the issuer and equity securities placed by the issuer

8.1. Further information on the issuer

8.1.1. Size and structure of the issuer's charter capital

The issuer's charter capital as of the end of the last reporting quarter, RUB: **43,427,992,940**

Ordinary shares

Total nominal value: **35,725,994,705**

Share in the charter capital, %: **82.264899**

Preference

Total nominal value: **7,701,998,235**

Share in the charter capital, %: **17.735101**

Specify if the amount of charter capital shown in this paragraph corresponds to the issuer's constituent documents: *the amount of the Company's charter capital corresponds to the constituent documents.*

The issuer's shares are traded outside the Russian Federation by means of depositary securities trading (foreign issuers' securities which represent such shares of the Russian issuer)

Category (type) of shares traded outside the Russian Federation

Type of securities: *shares*

Category of shares: *ordinary*

Shares traded outside the Russian Federation in the total number of shares of the same category (type): **6.55**

Foreign issuer whose securities represent the issuer's shares of the same category (type):

Full corporate name: *The Bank of New York Mellon*

Location: *USA, NY 10286, New York, 101 Barclay Street*

Summary of the issue program (type of the program) for the foreign issuer's depository receipts representing shares of the relevant category (type): *sponsored, level I. Each American Depositary Share represents 10 ordinary registered shares of the Company.*

On the Company's obtaining a permit issued by The Bank of Russia and (or) authorized government body (authorized state authority) of the Russian Federation to offer and (or) trade issuer's securities of the relevant category (type) outside the Russian Federation: *not applicable.*

Foreign market maker(s) trading the issuer's shares (depository receipts representing the issuer's shares) (if such trading exists): *Berlin Stock Exchange, Frankfurt Stock Exchange, London Stock Exchange, Pink OTC Markets Inc.*

Other information about the issuer's shares traded outside the Russian Federation as the issuer may wish to disclose: *The date when the program was launched is 30 December 1996.*

Type of securities: *shares*

Category of shares: *preference*

Type of shares: -

Shares traded outside the Russian Federation in the total number of shares of the same category (type): **9.33**

Foreign issuer whose securities represent the issuer's shares of the same category (type):

Full corporate name: *The Bank of New York Mellon*

Location: *USA, NY 10286, New York, 101 Barclay Street*

Summary of the issue program (type of the program) for the foreign issuer's depository receipts representing shares of the relevant category (type): *sponsored, level I. Each American Depositary Share represents 10 preferred registered shares of the Company.*

On the Company's obtaining a permit issued by The Bank of Russia and (or) authorized government body (authorized state authority) of the Russian Federation to offer and (or) trade issuer's securities of the relevant category (type) outside the Russian Federation: *not applicable.*

Foreign market maker(s) trading the issuer's shares (depository receipts representing the issuer's shares) (if such trading exists): *Berlin Stock Exchange, Frankfurt Stock Exchange, Pink OTC Markets Inc.*

Other information about the issuer's shares traded outside the Russian Federation as the issuer may wish to disclose: *The date when the program was launched is March 19, 1998.*

8.1.2. Changes in the size of the issuer's charter capital

The size of the charter capital did not change during this period

8.1.3. Convening and holding a meeting (session) of the issuer's supreme management body

There were no changes in the information contained in this section of the quarterly report

8.1.4. Commercial organizations where the issuer holds at least five percent of the charter capital or at least five percent of ordinary shares

Commercial organizations where the issuer holds at least five percent of the charter (share) capital (mutual fund) or at least five percent of ordinary shares as of the end of the last reporting quarter

1. Full corporate name: Limited Liability Company "Novgorodnefteproduct"

Abbreviated corporate name: *LLC "Novgorodnefteproduct"*

Location: *Russia, Veliky Novgorod*

INN: *5321059365*

OGRN: *1025300788644*

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

2. Full corporate name: Limited Liability Company “Syrgutmebel”

Abbreviated corporate name: **LLC “Syrgutmebel”**

Location: **Russia, Khanty-Mansiysky Autonomous Okrug - Yugra, Surgutsky District, poselok Barsovo, Vostochnaya industrial 1 territory, 2.**

INN: **8617013396**

OGRN: **1028601679688**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

3. Full corporate name: Limited Liability Company “Marketing Association “Pskovnefteproduct”

Abbreviated corporate name: **LLC “Pskovnefteproduct”**

Location: **Russia, Pskov**

INN: **6027042337**

OGRN: **1026000970049**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

4. Full corporate name: Limited Liability Company Marketing Association Tvernefteproduct

Abbreviated corporate name: **LLC “Tvernefteproduct”**

Location: **Russia, Tver, ul.Novotorzhskaya, 6**

INN: **6905041501**

OGRN: **1026900510647**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

5. Full corporate name: Limited Liability Company “Kaliningradnefteproduct”

Abbreviated corporate name: **LLC “Kaliningradnefteproduct”**

Location: **Russia, Kaliningrad, Central District, ul.Komsomolskaya, 22-b**

INN: **3900000136**

OGRN: **1023900589240**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

6. Full corporate name: Limited Liability Company “Oil Refining and Petrochemical Facilities Design Institute”

Abbreviated corporate name: **LLC “Lengiproneftekhim”**

Location: **Russia, Saint Petersburg, nab.Obvodnogo kanala, 94**

INN: **7810327462**

OGRN: **1057803105755**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

7. Full corporate name: Limited Liability Company “Kirishiavtoservis”

Abbreviated corporate name: **LLC “Kirishiavtoservis”**

Location: **196084, Russia, Saint Petersburg, ul.Smolenskaya, 12, lit. A**

INN: **7840016802**

OGRN: **1057807804064**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

8. Full corporate name: Limited Liability Company "Media-Invest".

Abbreviated corporate name: **LLC "Media-Invest"**

Location: **119847 Russia, Moscow, Zubovsky boulevard, 17, bld.1**

INN: **7704667322**

OGRN: **1077762407580**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

9. Full corporate name: Open Joint Stock Company "Sovkhoz "Chervishevsky"

Abbreviated corporate name: **OJSC "Sovkhoz "Chervishevsky"**

Location: **Russia, Tyumenskaya Oblast, Tyumensky District, s.Chervishevo**

INN: **7224019466**

OGRN: **1027200789142**

The issuer's share in the charter capital of commercial organization: **94.9996%**

The Company's ordinary shares held by the issuer: **94.9996%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

10. Full corporate name: Limited Liability Company "Insurance Company "Surgutneftegas"

Abbreviated corporate name: **LLC "Insurance Company "Surgutneftegas"**

Location: **Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut**

INN: **8602103061**

OGRN: **1028600581811**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

11. Full corporate name: Limited Liability Company "Production Association "Kirishinefteorgsintez"

Abbreviated corporate name: **LLC "KINEF"**

Location: **Russia, Leningradskaya Oblast, Kirishi**

INN: **4708007089**

OGRN: **1024701478735**

The issuer's share in the charter capital of commercial organization: **100%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

12. Full corporate name: Closed Joint Stock Company "Surgutneftegasbank"

Abbreviated corporate name: **CJSC "SNGB"**

Location: **628400 Russia, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Kukuyevitskogo, 19**

INN: **8602190258**

OGRN: **1028600001792**

The issuer's share in the charter capital of commercial organization: **97.7591%**

The Company's ordinary shares held by the issuer: **98.2389%**

The person's share in the charter capital of the issuer: **0.0015%**

The issuer's ordinary shares held by the person: **0.0018%**

13. Full corporate name: Closed Joint Stock Company "Surgutinvestneft"

Abbreviated corporate name: **CJSC "Surgutinvestneft"**

Location: **Russia, Tyumenskaya Oblast, Surgut**

INN: **8602039063**

OGRN: **1028600588246**

The issuer's share in the charter capital of commercial organization: **16.5043%**

The Company's ordinary shares held by the issuer: **16.5043%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

14. Full corporate name: Limited Liability Company "Invest-Zaschita"

Abbreviated corporate name: **LLC "Invest-Zaschita"**

Location: **628400 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Entuziastov, 52/1**

INN: **8602102332**

OGRN: **1028600581680**

The issuer's share in the charter capital of commercial organization: **15.13%**

The person's share in the charter capital of the issuer: **0.1106%**

The issuer's ordinary shares held by the person: **0.0236%**

15. Full corporate name: Closed Joint Stock Company "St. Petersburg International Mercantile Exchange"

Abbreviated corporate name: **CJSC "SPIMEX"**

Location: **191119 Russia, Saint Petersburg, ul.Marata, 69-71, lit. A**

INN: **7840389730**

OGRN: **1089847188903**

The issuer's share in the charter capital of commercial organization: **8%**

The Company's ordinary shares held by the issuer: **8%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

16. Full corporate name: Open Joint Stock Company "Aktionerny Bank "ROSSIYA"

Abbreviated corporate name: **OJSC "AB "ROSSIYA"**

Location: **Russia, Saint Petersburg**

INN: **7831000122**

OGRN: **1027800000084**

The issuer's share in the charter capital of commercial organization: **5.42%**

The Company's ordinary shares held by the issuer: **0%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

17. Full corporate name: Open Joint Stock Company "Airport Surgut"

Abbreviated corporate name: **OJSC "Airport Surgut"**

Location: **628422 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Aeroflotskaya, 49/1**

INN: **8602060523**

OGRN: **1028600603998**

The issuer's share in the charter capital of commercial organization: **5%**

The Company's ordinary shares held by the issuer: **5%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

18. Full corporate name: TELCREST INVESTMENTS LIMITED

Abbreviated corporate name: **TELCREST INVESTMENTS LIMITED**

Location: **Cyprus, JULIA HOUSE 1066, Nicosia, Cyprus, Themistokli Dervi, 3**

The issuer's share in the charter capital of commercial organization: **9.53%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

19. Full corporate name: Joint-Stock Company "National Media Group"

Abbreviated corporate name: **JSC "National Media Group"**

Location: **119034 Russia, Moscow, Prechistenskaya nab., 13, bld. 1**

INN: **7704676655**

OGRN: **1087746152207**

The issuer's share in the charter capital of commercial organization: **23.9752%**

The Company's ordinary shares held by the issuer: **23.9752%**

The person's share in the charter capital of the issuer: **0%**

The issuer's ordinary shares held by the person: **0%**

8.1.5. Major transactions conducted by the issuer

No such transactions in the period under review

8.1.6. Credit ratings of the issuer

There were no changes in the information contained in this section of the quarterly report

8.2. Data on each category (type) of the issuer's shares

There were no changes in the information contained in this section of the quarterly report

8.3. Previous issues of the issuer's equity securities excluding the issuer's shares

8.3.1. Issues with all securities redeemed

There were no changes in the information contained in this section of the quarterly report

8.3.2. Issues with securities that are not redeemed

There were no changes in the information contained in this section of the quarterly report

8.4. Person(s) who offered security for the issuer's secured bonds and security offered for the issuer's secured bonds

The issuer made no registration of the prospectus for secured bonds, no secured bonds were admitted to stock-exchange trade

8.4.1. Additional information on the issuer's mortgage bonds

The issuer did not place any mortgage bonds with obligations not fulfilled yet

8.4.2. Additional information on collateral for collateral bonds that includes money claims

The issuer did not place any collateral cash secured bonds with obligations not fulfilled yet

8.5. Organizations keeping records of rights for the issuer's equity securities

There were no changes in the information contained in this section of the quarterly report

8.6. Legislative acts regulating import and export of capital, which may influence the payment of dividends, interests, and other payments to non-residents

As of 30.06.2016, the following legislative acts were in force regulating import and export of capital that may influence the payment of dividends, interests or other payments to non-residents:

Federal Law No. 173-FZ dated 10.12.2003 “On Currency Exchange Regulation and Control”;

Federal Law No. 208-FZ dated 26.12.95 “On Joint Stock Companies”;

Federal Law No. 160-FZ dated 09.07.1999 “On Foreign Investments in the Russian Federation”;

Federal Law No. 39-FZ dated 25.02.1999 “On Investment Activities in the Form of Capital Investments in the Russian Federation”;

Tax Code of the Russian Federation;

Federal Law No. 115-FZ dated 07.08.2001 “On Counteraction of the Legitimization of Proceeds of Crime and the Financing of Terrorism”;

Double taxation treaties between the Russian Federation and foreign states where holders of the Company’s securities reside.

8.7. Declared (accrued) and (or) paid dividends on the issuer’s shares and the issuer’s bond yield

8.7.1. Dividends declared and paid on the issuer’s shares

Information for 5 last completed reporting years or for each completed reporting year the issuer conducts its business for less than 5 years, and for the period from the date when the current financial year started till the date when the reporting quarter ended

Indicator	Indicator value for the relevant reporting period – 2011, full year
Category of shares, for preference shares – type	ordinary
The issuer’s management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer’s management body when such resolution was adopted	The resolution was adopted at a general shareholders’ meeting 29.06.2012, Minutes No. 23 dated 02.07.2012
Dividends declared per one share, RUB:	0.6
Total dividends declared on all shares of this category (type), RUB:	21,435,596,823
The date as of which the persons entitled to dividends are determined:	14.05.2012
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2011, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on 28 August 2012
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	9.19
Total dividends paid on shares of this category (type), RUB:	21,423,212,808.85
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	99.94
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2011 on the Company’s ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law “On Joint Stock Companies” for the reasons beyond the Company’s control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person’s dividends questionnaire.
Other information about declared and (or) paid dividends as the	Declared unclaimed dividends are reinstalled as part

Indicator	Indicator value for the relevant reporting period – 2011, full year
issuer may wish to disclose	of the Company's undistributed profits.

Indicator	Indicator value for the relevant reporting period – 2011, full year
Category of shares, for preference shares – type	preference
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 29.06.2012, Minutes No. 23 dated 02.07.2012
Dividends declared per one share, RUB:	2.15
Total dividends declared on all shares of this category (type), RUB:	16,559,296,205.25
The date as of which the persons entitled to dividends are determined:	14.05.2012
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2011, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on 28 August 2012
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	7.1
Total dividends paid on shares of this category (type), RUB:	16,376,227,937.31
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	98.89
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2011 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	Declared unclaimed dividends are reinstalled as part of the Company's undistributed profits.

Indicator	Indicator value for the relevant reporting period – 2012, full year
Category of shares, for preference shares – type	ordinary
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 28.06.2013, Minutes No. 24 dated 01.07.2013
Dividends declared per one share, RUB:	0.5
Total dividends declared on all shares of this category (type), RUB:	17,862,997,352.5

Indicator	Indicator value for the relevant reporting period – 2012, full year
The date as of which the persons entitled to dividends are determined:	14.05.2013
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2012, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 27, 2013
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	11.1
Total dividends paid on shares of this category (type), RUB:	17,852,798,130.19
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	99.94
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2012 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2012, full year
Category of shares, for preference shares – type	preference
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 28.06.2013, Minutes No. 24 dated 01.07.2013
Dividends declared per one share, RUB:	1.48
Total dividends declared on all shares of this category (type), RUB:	11,398,957,387.8
The date as of which the persons entitled to dividends are determined:	14.05.2013
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2012, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 27, 2013
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	7.08
Total dividends paid on shares of this category (type), RUB:	11,276,896,792.38
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	98.93
In case declared dividends are not paid or paid by the issuer not in	Obligations to pay dividends for 2012 on the

Indicator	Indicator value for the relevant reporting period – 2012, full year
full – reasons for non-payment of declared dividends:	Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2013, full year
Category of shares, for preference shares – type	ordinary
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 27.06.2014, Minutes No. 25 dated 30.06.2014
Dividends declared per one share, RUB:	0.6
Total dividends declared on all shares of this category (type), RUB:	21,435,596,823
The date as of which the persons entitled to dividends are determined:	16.07.2014
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2013, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 20, 2014.
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	8.36
Total dividends paid on shares of this category (type), RUB:	21,422,424,283.83
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	99.94
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2013 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2013, full year
Category of shares, for preference shares – type	preference

Indicator	Indicator value for the relevant reporting period – 2013, full year
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 27.06.2014, Minutes No. 25 dated 30.06.2014
Dividends declared per one share, RUB:	2.36
Total dividends declared on all shares of this category (type), RUB:	18,176,715,834.6
The date as of which the persons entitled to dividends are determined:	16.07.2014
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2013, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 20, 2014.
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	7.09
Total dividends paid on shares of this category (type), RUB:	17,979,075,212.67
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	98.91
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2014 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2014, full year
Category of shares, for preference shares – type	ordinary
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 27.06.2015, Minutes No. 26 dated 30.06.2015
Dividends declared per one share, RUB:	0.65
Total dividends declared on all shares of this category (type), RUB:	23,221,896,558.25
The date as of which the persons entitled to dividends are determined:	16.07.2015
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2014, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 20, 2015.
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	2.6

Indicator	Indicator value for the relevant reporting period – 2014, full year
Total dividends paid on shares of this category (type), RUB:	23,205,948,515.63
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	99.93
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2014 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on the shareholder's banking details and/or mailing address he/she entered into a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2014, full year
Category of shares, for preference shares – type	preference
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 27.06.2015, Minutes No. 26 dated 30.06.2015
Dividends declared per one share, RUB:	8.21
Total dividends declared on all shares of this category (type), RUB:	63,233,405,509.35
The date as of which the persons entitled to dividends are determined:	16.07.2015
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2014, full year
The due period (date) for declared dividend payment:	dividends shall be paid not later than on August 20, 2015.
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	7.09
Total dividends paid on shares of this category (type), RUB:	62,536,787,326.76
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	98.9
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	Obligations to pay dividends for 2014 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on banking details and/or mailing address in a registered person's dividends questionnaire.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2015, full year
Category of shares, for preference shares – type	ordinary
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 29.06.2016, Minutes No. 27 dated 30.06.2016
Dividends declared per one share, RUB:	0.6
Total dividends declared on all shares of this category (type), RUB:	21,435,596,823
The date as of which the persons entitled to dividends are determined:	18.07.2016
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2015, full year
The due period (date) for declared dividend payment:	22.08.2016
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	2.85
Total dividends paid on shares of this category (type), RUB:	0
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	0
In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends:	the Annual General Shareholders' Meeting for 2015 approved the date as of which the list of persons entitled to dividends is determined – 18.07.2016.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Indicator	Indicator value for the relevant reporting period – 2015, full year
Category of shares, for preference shares – type	preference
The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted	The resolution was adopted at a general shareholders' meeting 29.06.2016, Minutes No. 27 dated 30.06.2016
Dividends declared per one share, RUB:	6.92
Total dividends declared on all shares of this category (type), RUB:	53,297,827,786.2
The date as of which the persons entitled to dividends are determined:	18.07.2016
Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:	2015, full year
The due period (date) for declared dividend payment:	22.08.2016
Form of declared dividend payment:	cash
Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund):	net profit of the reporting year
Declared dividends ratio in the net profit of the reporting year, %:	7.09
Total dividends paid on shares of this category (type), RUB:	0
Payout ratio in the total amount of the declared dividends on all shares of this category (type), %:	0
In case declared dividends are not paid or paid by the issuer not in	the Annual General Shareholders' Meeting for 2015

Indicator	Indicator value for the relevant reporting period – 2015, full year
full – reasons for non-payment of declared dividends:	approved the date as of which the list of persons entitled to dividends is determined – 18.07.2016.
Other information about declared and (or) paid dividends as the issuer may wish to disclose	

Obligations to pay dividends for 2012 -2014 on the Company's shares were fulfilled except as stated below when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies".

8.7.2. Accrued and paid yield on the issuer's bonds

There were no changes in the information contained in this section of the quarterly report

8.8. Miscellaneous information

In view of specific features of the electronic form provided by the Federal Financial Markets Service of Russia:

1. The form of Section VII "Issuer's Accounting (Financial) Statements and Other Financial Information" of the present report prepared with the help of software questionnaire (version 3.0.9) of the Federal Financial Markets Service of Russia for the issuer's quarterly report does not meet the requirements of Order of the Ministry of Finance of the Russian Federation dated July 2, 2010 No. 66n "Reporting Standards of Enterprises".

2. In paragraph 3.6.1, columns 2 and 3 of the table "Results of the latest reappraisal of fixed assets as of 31 December 2015" shall be interpreted as "Historical (replacement) cost prior to reappraisal" and "Residual (net of depreciation) historical (replacement) cost prior to reappraisal" respectively.

8.9. Represented securities and the issuer of represented securities the title to which is evidenced by Russian Depositary Receipts

The issuer does not issue any represented securities the title to which is evidenced by Russian Depositary Receipts

Appendix to the quarterly report. Annual consolidated financial statements prepared in accordance with International financial reporting standards or other internationally recognized rules different from IFRS

OJSC “SURGUTNEFTEGAS”

**CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS)**

31 December 2015

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The accompanying notes are an integral part of these consolidated financial statements.

OJSC "Surgutneftegas"
Consolidated statement of financial position
(in millions of Russian rubles, unless otherwise stated)

Notes	As of 31 December 2015	As of 31 December 2014
ASSETS		
Current assets		
9 Cash and cash equivalents	105,696	27,919
9 Restricted cash	754	730
10 Deposits placed	527,189	727,419
13 Loans granted	19,894	21,541
18 Other financial assets	3,184	4,823
11 Receivables	59,522	60,419
14 Inventories	75,844	65,446
12 Advances issued	22,281	41,673
VAT recoverable	6,720	7,309
Income tax receivable	42	125
Other taxes recoverable	147	96
Total current assets	821,273	957,500
Non-current assets		
15 Property, plant and equipment	1,230,789	1,112,476
16 Intangible assets	8,667	8,567
10 Deposits placed	1,940,169	1,186,001
18 Other financial assets	15,109	9,137
17 Investments in associates	6,210	5,758
28 Deferred tax assets	1,169	1,096
13 Loans granted	25,000	21,821
11 Receivables	549	711
Other non-current assets	2,824	3,026
Total non-current assets	3,230,486	2,348,593
Total assets	4,051,759	3,306,093
LIABILITIES AND EQUITY		
Current liabilities		
19 Payables and accrued liabilities	51,721	43,121
20 Other financial liabilities	79,077	37,671
Advances received	21,094	20,388
21 Other tax liabilities	31,002	35,020
Income tax liabilities	35,598	38,024
Other current liabilities	-	140
22 Provisions for liabilities and charges	2,628	3,489
Total current liabilities	221,120	177,853
Non-current liabilities		
20 Other financial liabilities	4,349	13,198
28 Deferred tax liabilities	138,579	127,302
22 Provisions for liabilities and charges	104,330	78,328
Other non-current liabilities	756	364
Total non-current liabilities	248,014	219,192
Equity		
23 Share capital	154,666	154,666
Additional paid-in capital	4	4
23 Treasury shares	(30)	(30)
23 Share premium	57,809	57,809
Retained earnings	3,369,949	2,696,826
Other reserves	41	(396)
Total shareholders' equity	3,582,439	2,908,879
Non-controlling interests	186	169
Total equity	3,582,625	2,909,048
Total liabilities and equity	4,051,759	3,306,093

V.L.Bogdanov

Director General
OJSC "Surgutneftegas"
29 April 2016

A.V.Druchinin

Chief Accountant
OJSC "Surgutneftegas"
29 April 2016

OJSC "Surgutneftegas"**Consolidated statement of profit and loss and other comprehensive income***(in millions of Russian rubles, unless otherwise stated)*

Notes	2015	2014
7 Sales	1,274,262	1,360,533
24 less export duties	(271,657)	(469,959)
7 Total sales revenue:	1,002,605	890,574
sale of crude oil	630,629	525,313
sale of oil products	335,396	327,714
sale of gas and gas products	21,239	22,138
sale of other products and finished goods	7,634	7,580
other sales	7,707	7,829
25 Operating expenses	(758,614)	(727,774)
Operating income	243,991	162,800
26 Finance income	108,285	69,297
26 Finance expenses	(15,852)	(7,135)
27 Exchange differences	583,006	845,940
Gain / (loss) on sale and other disposal of financial assets	22	(9)
Share of profit / (loss) of associates	299	(353)
Other income / (expenses)	(229)	(1,001)
Profit before tax	919,522	1,069,539
Income tax		
Current income tax	(146,349)	(166,515)
Changes in deferred income tax	(11,600)	(18,191)
28 Total income tax expense	(157,949)	(184,706)
Net income	761,573	884,833
Other comprehensive income / (expense) that may be reclassified subsequently to profit / (loss), net of income tax		
Changes in fair value of financial assets available-for-sale	289	(215)
Share of other comprehensive income / (expense) of associates	153	(153)
Other comprehensive income / (expense) that may not be reclassified subsequently to profit / (loss), net of income tax		
Remeasurements of post-employment benefit obligations	(1,979)	1,447
Total other comprehensive income / (expense), net of income tax	(1,537)	1,079
Total comprehensive income	760,036	885,912
Net income		
attributable to shareholders	761,558	884,824
attributable to non-controlling interests	15	9
Total comprehensive income		
attributable to shareholders	760,016	885,906
attributable to non-controlling interests	20	6
Net earnings attributable to shareholders per ordinary share (rubles)		
29 basic and diluted	19.83	23.00

OJSC “Surgutneftegas”
Consolidated statement of cash flows
(in millions of Russian rubles, unless otherwise stated)

Notes	2015	2014
Operating activities		
Profit before tax	919,522	1,069,539
Adjustments:		
25 Depreciation, depletion and amortisation expenses	70,623	74,611
25 Expenses on disposal of prospecting and exploration properties	2,772	7,745
Provisions	2,021	9,014
Exchange differences	(568,118)	(803,097)
(Gain) / loss on revaluation of financial assets	(20)	148
(Gain) / loss on sale and other disposal of financial assets	(22)	9
Share of (profit) / loss of associates	(299)	353
26 Interest expenses from discounting	9,305	4,413
26 Interest receivable	(108,170)	(69,233)
26 Interest payable	6,432	2,658
Loss on sale and disposal of property, plant and equipment, and intangible assets	3,730	2,572
15, 16 Impairment / (reversal of impairment) of non-financial assets	1,393	6,962
Cash flows from operating activities before changes in working capital and income tax	339,169	305,694
Change in receivables	4,596	23,305
Change in advances issued	19,392	(13,186)
Change in inventories	(14,618)	(10,710)
Change in other assets	199	(162)
Change in trade and other payables	1,377	2,916
Change in advances received	706	3,899
Change in restricted cash	(24)	64
Changes in other taxes (other than income tax)	(3,014)	(4,166)
Change in other liabilities	469	(640)
Cash from operating activities before income tax	348,252	307,014
Income tax paid	(149,248)	(125,833)
Net cash from operating activities	199,004	181,181
Investing activities		
Capital expenditures	(170,849)	(159,152)
Deposits placed	(827,634)	(557,396)
Deposits refunded	827,311	491,517
Loans granted	(44,918)	(52,453)
Loans collected	41,592	41,165
Interest received	115,265	68,379
Proceeds from sale of financial assets	9,083	7,191
Acquisition of financial assets	(12,167)	(8,092)
Proceeds from sale of property, plant and equipment	231	352
Net cash used for investing activities	(62,086)	(168,489)
Financing activities		
Net proceeds from borrowings	30,457	13,642
Dividends paid (incl. dividend tax)	(85,741)	(39,415)
Interest paid	(5,696)	(2,640)
Proceeds from sale of treasury shares	-	85
Net cash used for financing activities	(60,980)	(28,328)
Net change in balances of cash and cash equivalents	75,938	(15,636)
Effect of exchange rate changes against ruble on cash and cash equivalents	1,839	10,565
9 Cash and cash equivalents as of the beginning of the period	27,919	32,990
9 Cash and cash equivalents as of the end of the period	105,696	27,919

OJSC “Surgutneftegas”**Consolidated statement of changes in equity***(in millions of Russian rubles, unless otherwise stated)*

	Notes	Share capital	Share premium	Additional paid-in capital	Treasury shares	Retained earnings	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
Balance as of 31 December 2013		154,666	57,809	-	(111)	1,850,165	(35)	2,062,494	172	2,062,666
Net income for the year		-	-	-	-	884,824	-	884,824	9	884,833
Sale of treasury shares		-	-	4	81	-	-	85	-	85
Other comprehensive income / (expense)		-	-	-	-	1,443	(361)	1,082	(3)	1,079
Dividends declared		-	-	-	-	(39,606)	-	(39,606)	(9)	(39,615)
Balance as of 31 December 2014	23	154,666	57,809	4	(30)	2,696,826	(396)	2,908,879	169	2,909,048
Net income for the year		-	-	-	-	761,558	-	761,558	15	761,573
Other comprehensive income / (expense)		-	-	-	-	(1,979)	437	(1,542)	5	(1,537)
Dividends declared		-	-	-	-	(86,456)	-	(86,456)	(3)	(86,459)
Balance as of 31 December 2015	23	154,666	57,809	4	(30)	3,369,949	41	3,582,439	186	3,582,625

The accompanying notes are an integral part of these consolidated financial statements.

1 General information

Open Joint Stock Company “Surgutneftegas” (the Company) is one of the leading Russian oil companies in terms of hydrocarbon production.

The Company began its oil and gas production history in 1964 when it was established as oil producing division “Surgutneft”. In 1977, the Company was recognised as a diversified production association. In 1993, pursuant to Decree of the President of the Russian Federation No. 1403 dated 17.11.1992, Production Association “Surgutneftegas” was transformed into Joint Stock Company of Open Type “Surgutneftegas”.

The Company's shares are allocated to shareholders, neither of them being an ultimate controlling party or a party exercising a significant influence.

The core activities of the Company and its subsidiaries (together, “the Group”) are exploration, production, processing and sale of oil and gas as well as sale of oil and gas products.

Other financial and business activities include banking and insurance activities and provision of other goods, works and services.

The Company is exploring for oil and gas in Western Siberia, Eastern Siberia and Timano-Pechora oil and gas provinces and producing oil and gas in Western and Eastern Siberia.

In 2015, the Company produced 61.6 million tonnes of oil and 9.6 billion cubic metres of gas. The rate of associated petroleum gas utilisation was 99.38%.

The Company implements measures to expand and develop its resource base: performs exploration at licence blocks, acquires new prospects and further explores the existing fields. At the end of the reporting period, the Company had 155 licences for subsoil use. In 2015, meterage drilled for exploration purposes totalled 202.2 thousand metres. 2D seismic surveys covered 4 thousand linear kilometres, 3D – 2.2 thousand square kilometres. As a result of exploration, the Company discovered two oil fields in Khanty-Mansiysky Autonomous Okrug – Yugra and in the south of Tyumenskaya Oblast as well as 30 new oil accumulations at the fields discovered earlier. The additions of recoverable C1 oil reserves were 74.8 million tonnes. The replacement ratio was 121%.

The Company's sound resource base and investments in field development allow to maintain a stable level of oil production in recent years. The Company annually brings new fields on stream, actively employs EOR techniques and optimises well performance. In 2015, two new fields in Western Siberia – Yuzhno-Vatlorskoye and Shpilman (Severo-Rogozhnikovskoye) – were put into development. Development drilling totalled 4,307 thousand metres; 1,212 oil wells and 658 injection wells were brought online.

The Group incorporates a refinery in Leningradskaya Oblast – LLC “KINEF”– with a capacity of 20.1 million tonnes, a gas processing plant in Khanty-Mansiysky Autonomous Okrug – Yugra with a capacity of 7.3 billion cubic metres and five marketing subsidiaries located in the North-West of the Russian Federation. In 2015, the refinery processed 18.8 million tonnes of feedstock and produced 18.0 million tonnes of oil products. The output of light oil products totalled 51.2%.

The Company determines selling destinations on the basis of the largest commercial feasibility taking into account the market demand. In 2015, the Company supplied crude oil mostly to non-CIS countries and KINEF refinery; these supplies accounted for 48.5% and 30.4% of crude oil produced by the Company respectively. Crude oil supplied to CIS countries accounted for 5.1%. The rest was sold domestically to refineries.

In 2015, the Company exported 21.8 million tonnes of crude oil through the ports of Kozmino, Ust-Luga, Primorsk and Novorossiysk, which was 73% of all crude oil supplied to non-CIS countries. The rest of exported crude oil was supplied to the European markets via the pipeline operated by OJSC “AK “Transneft”.

The Company exports oil products, mostly fuel oil and diesel fuel. In 2015, the share of fuel oil in total export decreased compared to 2014 from 59.5% to 51.9% respectively. In 2015, oil products were exported mainly through the ports of Ust-Luga and Primorsk.

The Group domestically sells a wide range of oil products, including gasoline, diesel fuel, jet kero and other refined products. The Group sells oil products wholesale and retail. In 2015, the Group operated 293 gas stations; the retail turnover amounted to 850.4 thousand tonnes.

The Company's location: ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation, 628415.

The average number of the Group's employees in 2015 and 2014 was 118 thousand people.

2 Basic principles of financial reporting

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including all IFRS standards and interpretations adopted by the International Accounting Standards Board (IASB) and effective in the reporting period.

These consolidated financial statements have been prepared on the basis of the actual cost principle, except for financial instruments initially recognised at fair value, and revaluation of available-for-sale financial assets and financial instruments recognised at fair value through profit or loss.

These financial statements have been prepared on the basis of the accounting data as set out in the accounting and reporting regulations of the Russian Federation adjusted for the purpose of fair presentation under IFRS.

These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which means that the amount of assets shall be duly recovered and liabilities shall be duly settled in the ordinary course of business.

3 Summary of significant accounting policies

The summary of significant accounting policies used to prepare these consolidated financial statements is presented below. These accounting policies have been consistently applied to all periods defined in these consolidated financial statements.

Subsidiaries

The consolidated financial statements include data on the operations of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it has power that gives it the ability to direct the relevant activities (the activities that significantly affect the subsidiary's returns), when it has rights and is exposed to variable returns from its involvement with the entity. Acquisition date is a date on which control is transferred to the Group.

Investments in subsidiaries are recorded based on the acquisition method. The cost of an acquisition is evaluated as the aggregate of the consideration transferred, measured at its fair value at the acquisition date.

Non-controlling interest is a part of net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly, by the Group. Non-controlling interest is a separate component of the Group's equity.

Non-controlling interest that represents actual ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation is measured either individually for each transaction or a) at fair value, b) in proportion to the non-controlling interest in net assets of the acquired entity. Non-controlling interest that is not actual ownership interest is measured at fair value.

When acquiring (selling) non-controlling interests, the difference between the consideration transferred (received) and the carrying amount of the non-controlling interest acquired (sold) is recognised as an equity transaction and recorded within a statement of changes in equity.

Transactions eliminated during consolidation

The following is eliminated from the consolidated financial statements:

carrying amount of the parent entity's investments in each subsidiary, the amount of share capital of each subsidiary as well as interests in other equity and retained earnings items as of the date on which the control over a subsidiary becomes effective;

intragroup cash flows;

balances, income and expenses resulting from intragroup transactions as well as unrealised gains and losses on such transactions, except losses from transactions between the Group's entities indicating an impairment and to be recognised in the financial statements.

Associates

Associates are entities over which the Group has significant influence, but not control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control of those policies.

Investments in associates are accounted for using the equity method.

Investments are recognised at the acquisition cost. The excess of the consideration transferred over the fair value of the Group's interest in the associate's acquired net identifiable assets is recorded as goodwill within investments in associates in the consolidated statement of financial position. Then the cost of the investment in an associate changes as the Group's share in changes in net assets of an associate is recognised after the acquisition date. Dividends received from associates reduce the carrying amount of the investment in associates. Other post-acquisition changes in the Group's share of net assets of associates are recognised as follows:

the Group's share of profits and losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates;

the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately;

all other changes in the Group's share of the carrying amount of net assets of associates are recognised in profit or loss within the share of result of associates.

When the Group's share of losses in an associate equals or exceeds its investments in the associate (including long-term receivables recorded as part of investments), the Group ceases to further recognise its share in losses, unless it has incurred obligations or made payments on behalf of the associate.

If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these associates; unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Application of uniform accounting policies

The Group's entities use uniform accounting policies and consistent reporting periods. If the Group's entities use different accounting policies, their financial statements are duly adjusted and included in the consolidated financial statements of the Group.

Cash and cash equivalents, restricted cash

Cash and cash equivalents include cash in hand, cash in current accounts, cash held with correspondent banks and other short-term highly liquid investments (with an original maturity of less than three months) that are readily convertible to previously known amounts of cash and which are subject to an insignificant risk of changes in value. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Restricted cash is shown separately in the consolidated statement of financial position.

Inventories

Inventories consisting primarily of materials and supplies, crude oil and oil products are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises the cost of raw materials and supplies, direct costs as well as related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and disposal.

The cost of inventories that are recognised as operating expenses is measured at the weighted average cost.

Property, plant and equipment

Property, plant and equipment is stated at actual cost of acquisition or construction, less accumulated depreciation and impairment losses, where required. The cost of property, plant and equipment also includes the initial estimate of the costs of removal of an item of property, plant and equipment and the estimate of obligations for land remediation and restoration.

Minor renewals which do not contribute to any quality technical improvements are charged to expenses in the current period. The costs of replacing major parts or components of property, plant and equipment are capitalised, and the cost of the parts to be replaced is concurrently written off. Enhancement or renovation of an asset which has already been recognised as an item of property, plant and equipment increases its carrying amount, if future economic benefits to be most likely obtained by the Group exceed the initial asset standard estimates.

Oil and gas properties

Exploration and evaluation costs

Costs of oil and gas exploration and evaluation at fields not brought into commercial production are recognised using the successful efforts method. Accordingly, costs associated with acquisition of licences for oil and gas reserves exploration and evaluation, prospecting and exploratory drilling, costs of equipment for exploratory wells and prospecting and appraisal wells, and topographical, geological and geophysical surveys costs are designated as exploration and evaluation assets until development of a field is proved to be commercially feasible and are capitalised within respective licence areas.

These costs are recognised to be written off pending the results of the works performed. Capitalised costs which have been ineffective are recognised within loss for the reporting period.

Annually, all costs are measured for impairment from technical, economic and management perspectives. If any indications of impairment exist, an estimated amount is expensed and an asset is written down.

If oil and gas reserves have been discovered and a decision on bringing a field into development has been made, the capitalised costs, less losses from impairment of the respective exploration and evaluation assets, are classified as corresponding assets.

Other costs associated with protection of lands, minerals and other natural resources as well as costs of engineering and geological surveys are expensed as incurred.

Development and production costs

Costs incurred at fields brought into commercial production, which include expenses required to access recoverable reserves, expenses necessary for construction of exploratory wells and construction, installation and equipment of other facilities directly associated with development of a field, are capitalised as part of oil and gas assets.

Oil and gas exploration and production licences

Oil and gas exploration and production licences are recorded within oil and gas exploration and production assets at actual cost, less accumulated amortisation and impairment loss.

Depletion, depreciation and amortisation

Oil and gas properties and oil and gas exploration and production licences are depreciated using the unit-of-production method on a field-by-field basis starting from the commencement of commercial production.

Items of other property, plant and equipment and their respective estimated useful lives are as follows:

Buildings and structures	10-40 years
Vehicles	5-20 years
Machinery and equipment	5-25 years
Other properties	2-25 years

Capitalised costs are amortised over the useful life of an asset or its parts determined by the Group.

Abandoned, idle items of other property, plant and equipment (except for those classified as assets held for sale) are depreciated subject to general rules applied to the respective classes of assets. Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

Land and construction in progress are not depreciated.

The cumulative gain or loss on disposal of property, plant and equipment is the difference between the consideration received and the carrying amount; it is recognised as incurred in the statement of profit or loss.

Construction in progress

Construction in progress includes expenses directly related to the construction of items of property, plant and equipment, including overhead costs allocated to such construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by the management.

Advances for acquisition of items of property, plant and equipment and construction projects are accounted for in construction in progress.

Recognition of asset retirement (decommissioning) obligations

The Group has liabilities related to decommissioning of facilities engaged in its core activities.

The Group's core activities are oil and gas exploration, development and production associated with operation of wells, equipment and adjacent sites, oil gathering and initial treatment facilities, pipelines to oil trunk lines. Exploration rights include requirements for decommissioning of oil production facilities and other facilities related to the Group's core activities. According to these requirements, the Group is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Group's estimates of these liabilities are subject to current decommissioning obligations in respect of such facilities fulfilled to the extent that the Group is obliged to perform restoration works and include discounted costs which are expected to be incurred to fulfil such liabilities. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability.

This liability is reviewed at the end of each reporting period. Changes in the estimates of the decommissioning liabilities are subject to recognition as follows:

upon changes in the estimates of future cash flows (e.g., the costs of and timeframe for abandoning one well) or a discounting rate, changes in the estimates of the liability are included in the amount of the item of plant, property and equipment. However, if a decrease in the estimate of a liability exceeds the carrying amount of the relevant asset, the excess is recognised in profit or loss. In case of an increase in the liability, the amount of the adjusted item of property, plant and equipment may not exceed the recoverable amount of this item;

changes in the amount of the liability due to its nearing maturity (amortisation of discount) are included in finance expenses.

Future events that may affect the amount required to settle decommissioning and environmental protection liabilities are reflected in the estimates of this liability where there is sufficient objective evidence that they will occur. Due to changes in the law of the Russian Federation, there could be future changes to decommissioning liabilities.

Intangible assets

To recognise the internally generated intangible assets, the Group classifies the generation of an asset into a research phase and a development phase.

Research expenditures are charged to operating expenses as incurred.

Costs incurred to develop an intangible asset are capitalised once technical and economic feasibility of a product or a process has been proved. Development expenditures that were initially recognised as expenses are not subsequently capitalised even if complying with conditions for the recognition of assets.

The cost of acquired intangible assets is an aggregate of expenditures incurred to acquire and put them into service.

Advances issued for acquisition of intangible assets are classified as non-current assets irrespective of the date when such assets have been delivered.

After initial recognition, the Group applies the cost model where an intangible asset is carried at its actual cost, less accumulated amortisation and any accumulated impairment losses, where required.

Amortisation of intangible assets begins when they are available for use. Intangible assets are amortised on a straight-line basis over their expected useful lives, and amortisation charges are recognised in expenses in the current period. The amortisation methods and expected useful lives are reviewed at each reporting date, and all the changes in the estimates are accounted for in future periods.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset which are recognised in profit or loss as other income or expense when the asset is derecognised.

Goodwill

Goodwill arises from the acquisition of subsidiaries.

The excess of the consideration transferred, value of the acquired non-controlling interest and fair value of any interest previously held by the Group at the acquisition date over the Group's interest in fair value of the acquired net identifiable assets is recognised as goodwill within intangible assets in the consolidated statement of financial position. If the actual cost of acquisition is lower than the fair value of the net assets of the subsidiary acquired, and in case the acquisition proves beneficial, the difference is directly recognised in the consolidated statement of profit and loss and other comprehensive income. Goodwill is reviewed for potential impairment at each reporting date.

Cash-generating units (CGU) to which the goodwill is allocated represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and within the operating segment only.

Impairment of non-current non-financial assets

The Group's non-current non-financial assets, except for deferred tax assets, are reviewed for any indication of impairment at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped into the smallest group of cash-generating units that are independent of the cash inflows from other cash-generating units.

The recoverable amount of the CGU is the higher of its value in use and its fair value, less costs to sell.

The CGU value in use is determined using discounted cash flow models. Estimates of the CGU value in use are made using future cash flows projections.

The CGU future cash flows projections are based on external and internal factors forecasted in relation to the Group.

Forecasted external factors include: forecast of the market macroeconomic environment (oil, gas and oil products prices, inflation and interest rates) and tax environment (tax rates, export duties, fees and charges). These forecasts are based on the Management's assessments and macroeconomic forecasts available at the reporting date.

The expected future cash flows are discounted to their present value using a pre-tax discount rate estimated on the basis of the weighted average cost of capital.

An impairment loss is recognised if the carrying amount of an asset or its unit (CGU) exceeds its recoverable amount. An impairment loss is recorded in profit or loss. The CGU impairment losses are allocated first to reduce the carrying amount of the goodwill allocated to such CGU, and then to reduce the carrying amount of other assets of the CGU on a pro rata basis. Goodwill impairment is not reversed.

Impairment losses relating to other assets recognised in prior reporting periods are assessed at each reporting date to confirm whether there is any indication that they may exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed in the manner that the value of an asset shall not

exceed the carrying amount of an asset (net of amortisation or depreciation) had no impairment loss been recognised.

Financial assets

The Group recognises a financial asset in the consolidated statement of financial position only when it becomes a party to the contract concerning such financial instrument.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, i.e. the date on which the Group commits to purchase or sell a financial asset. All other purchases and sales are recognised at the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; it is recognised in profit or loss for assets classified as financial assets at fair value through profit and loss; and it is recognised in other comprehensive income for assets classified as available for sale.

The Group classifies financial assets into the following categories: financial assets at fair value through profit and loss (financial assets at FVTPL), loans granted and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets at FVTPL are initially recognised at fair value. All other financial assets are initially recorded at fair value plus transaction costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value of a financial asset is price in an active market. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Financial assets at FVTPL include financial assets held for trading and other financial assets classified as recorded at FVTPL at initial recognition.

A financial asset is recognised in financial assets at FVTPL if the Group has an intention to purchase or sell it in the near term, or if it is part of a single portfolio of identified financial instruments for which there is evidence of an actual pattern of short-term profit-taking.

Upon initial recognition the fair value of financial assets of this category is measured as a quoted price in an active market at the measurement date.

Financial assets at FVTPL are recorded within other financial assets in the consolidated statement of financial position; gains or losses arising from changes in the fair value are recognised within other income (expenses) in the consolidated statement of profit and loss and other comprehensive income.

Granted loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that arise when providing money, goods or services to a borrower with no intention of selling them. Granted loans and receivables are further measured at amortised cost using the effective interest method, less provision for impairment. Amortised cost of discounts or premiums for granted loans and receivables based on the effective interest method is stated within finance income in the consolidated statement of profit and loss and other comprehensive income. An impairment loss on granted loans and receivables is recognised in profit or loss.

Placed deposits are classified by the Group as loans and receivables.

Held-to-maturity investments include non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold to maturity. On subsequent recognition, financial assets of this category are measured at amortised cost using the effective interest method, less provision for impairment.

All other financial assets are recognised by the Group at fair value within available-for-sale financial assets.

Gain or loss on available-for-sale financial assets is recognised in other comprehensive income, less impairment losses and foreign exchange gains and losses.

Reclassification of financial assets

The Group assesses the validity of classifying financial assets into a category at each reporting date.

Available-for-sale financial assets can be reclassified as held-to-maturity investments, if the Group changes its expectations and has the possibility of holding these securities to maturity.

Impairment of financial assets

At each reporting period the Group assesses whether there are any indications that financial assets of all categories are impaired except for those recognised at FVTPL.

Sings of impairment are:

- significant financial difficulty of the issuer or obligor;
- a breach of contract (failure to pay, delay in payment);
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a decrease in the estimated future cash flows from a group of financial assets, although the decrease cannot yet be identified with the individual financial assets (e.g., negative changes in industry conditions that affect borrowers in the group);
- significant changes with an adverse effect have taken place in the technological, market, economic or legal environment in which the issuer operates indicating that investments in equity instruments cannot be recovered;
- a significant or prolonged decline in the fair value of financial assets below acquisition cost.

A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that affect the estimated future cash flows of the financial asset (provided that the sum of cash flows can be reliably estimated).

An impairment loss is recognised in the amount determined by:

- making provisions for financial assets measured at amortised cost (loans and receivables, held-to-maturity investments) as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated at initial recognition;
- financial assets measured at historical cost (available-for-sale financial assets) as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset;
- available-for-sale financial assets (measured at fair value) if there is a decrease in fair value and objective evidence of impairment as the difference between the acquisition cost of the asset (net of principal repayment and amortisation) and the current fair value.

If there is objective evidence of impairment, accumulated loss, recognised in other comprehensive income, on available-for-sale financial assets is excluded from equity and recognised in profit or loss as a reclassification adjustment.

Derecognition of financial assets

The Group derecognises financial assets when these assets are redeemed or the rights to cash flows from these assets expired, or when the Group has transferred the rights to the cash flows from the financial assets or entered into a pass-through arrangement while also transferring all significant risks and rewards of ownership of the assets, or neither transferring nor retaining all significant risks and rewards of ownership but not retaining control in respect to these assets.

Financial liabilities

Financial liabilities of the Group are trade and other payables as well as loans and borrowings received. Financial liabilities are recognised at amortised cost.

The Group derecognises a financial liability (or part of a financial liability) if it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the redemption amount, including any non-cash assets transferred or liabilities assumed is recognised in profit and loss.

Value added tax

The amount of value added tax (VAT) payable to the budget at the end of each tax period is defined as output VAT, less input VAT, paid on the purchase of goods (works, services). The tax base is determined on delivery where delivery is recognised on the earliest of the dates: date of dispatch (transfer) of goods

(works, services), property rights or date of payment, partial payment against future deliveries of goods (works, services), property rights.

The VAT rate is 18%.

Zero rate is applicable to export of goods. This application is substantiated by the documents which are submitted to the tax authorities as required under the law of the Russian Federation. Input VAT related to zero-rated transactions is deductible.

Mineral extraction tax

Mineral extraction tax (MET) related to crude oil production is levied based on the quantities of mineral resources extracted and calculated on a monthly basis as the product of a quantity of mineral resources produced and fixed tax rate (in 2015 – RUB 766/tonne, in 2014 – RUB 493/tonne) adjusted depending on the monthly average world market prices of the Urals oil and RUB/USD exchange rate for the preceding month.

The Company qualifies for MET relief, i.e. fixed rate discounts subject to production areas, the degree of depletion and reserves availability at the subsoil area and the degree of complexity of extraction. MET is recorded within operating expenses.

Customs duties

Hydrocarbons exported outside the territory of the Customs Union are subject to customs export duties, the amount of which is adopted on a monthly basis by the Government of the Russian Federation and reviewed depending on the average world market prices of the Urals oil for the preceding period.

Income tax

The income tax expenses for the reporting period comprise current tax and deferred tax. Income tax is fully recognised in profit or loss, except if it arises from transactions which are directly recorded in equity or other comprehensive income.

Currently, the Group continues to apply the concept of the consolidated group of taxpayers which was introduced in the Russian law in 2012. Income tax in relation to companies which do not belong to the consolidated group of taxpayers is calculated based on income stated in their individual tax returns. These consolidated financial statements include deferred income tax assets and liabilities estimated by the Group under IAS 12 “Income taxes”.

Current income tax is the amount expected to be paid to (recovered from) the budget in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is recorded in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are not recorded for:

temporary differences on initial recognition of assets or liabilities in transactions other than business combinations and which do not affect neither accounting nor taxable profit or loss;

temporary differences associated with investments in subsidiaries and joint ventures to the extent where it is highly probable that they will not reverse in the foreseeable future;

temporary differences arising from the initial recognition of goodwill.

Deferred tax is measured at tax rates which are expected to apply to the period when the temporary differences will reverse based on the legal provisions enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities to the extent when they intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

In accordance with the law of the Russian Federation, tax effect of loss incurred in prior reporting periods can be recognised as deferred tax asset.

Deferred tax assets are recorded only to the extent that it is highly probable that future taxable profit will be available against which the occurred temporary difference could be utilised. The amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer highly probable that the respective benefit will be derived from its utilisation.

Deferred tax assets and liabilities are shown in non-current assets and non-current liabilities respectively.

Uncertain tax positions

The Group’s uncertain tax positions are assessed by the management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the management as more likely to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Such assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Employee benefits

Pensions and other retirement benefits

Pension expenses are accrued and recognised in payroll expenses. Pension liabilities are measured at current cost of the estimated cash outflows using the interest rates applicable to government securities which maturity is near the same as that of the liabilities. Costs related to pension liabilities are measured using the projected unit credit method. Actuarial gains and losses are shown in other comprehensive income in “remeasurements of post-employment benefit obligations” in the period in which they occur.

In accordance with its collective bargaining agreements, the Group pays additional pension contributions and other post-employment benefits to its employees. Pursuant to its corporate plan, the Group makes employee contributions to JSC “NPF “Surgutneftegas”. Once contributions to JSC “NPF “Surgutneftegas” have been made and benefits due to employees have been paid, pension liabilities to the employees are regarded as covered, hence the Group does not incur actuarial and investment risks. Besides, the Group does not have assets attributed to pension plans.

In the course of its ordinary business, the Group contributes to the Pension Fund of the Russian Federation on behalf of its employees. Liabilities in respect to such contributions are recognised as employee benefits expenses incurred during the period when the respective services have been rendered by employees under employment agreements.

Operating leases

Where the Group is a lessee in a lease which does not transfer all significant risks and rewards incidental to ownership from the lessor to the Group, the total lease payments inclusive of payments due to expected lease termination are charged to operating expenses in the consolidated statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease. Leased operating assets, including property, plant and equipment are not accounted for in the consolidated statement of financial position.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of reimbursements, discounts and volume rebates. Revenue is recognised when all significant risks and rewards of ownership have been transferred to the buyer, consideration can be received, costs incurred can be measured reliably and return of goods can be assured, the seller retains no effective control over the goods sold and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs at a different time subject to the relevant terms of each sale and purchase agreement.

Domestic sales of crude oil and gas as well as oil products and materials are usually recognised when title passes.

Export sales of crude oil (transfer of title and risks of accidental loss) are normally FOB based (the seller fulfils its obligations to deliver when the goods have passed over the ship’s rail in the designated port), DAF (delivered at frontier) or DAP based (delivered at place). The title passes at the time when goods pass the tanker’s permanent hose connection at the port of loading, the border of the Russian Federation, or when the seller places the goods at the disposal of the buyer on the means of transport ready for unloading, at the named place, subject to delivery conditions. Oil products are normally sold on FCA basis (delivery to a named place for transfer to a carrier nominated by the buyer), and the respective

sales proceeds are recognised once the goods have been cleared through customs and delivered to the buyer. Some oil products and petrochemicals are exported on FOB and DAP basis. The Group covers transportation expenses, duties and taxes on such sales.

Revenue from other services is recognised when such services are rendered provided that the cost of services is determinable and no significant uncertainty in respect of potential proceeds exists.

Functional and presentation currency

The national currency of the Russian Federation is Russian ruble (RUB), which is used by the Group as the functional currency and presentation currency of these consolidated financial statements.

All values presented in rubles are rounded to the nearest million except when otherwise indicated.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency of the Group's entities at the exchange rate effective at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate effective at this date. Non-monetary assets and liabilities in foreign currencies measured at fair value are translated into the functional currency at the exchange rate effective at the date when their fair value has been determined. Exchange differences resulting from the translation of currencies are recognised in other income and expense.

Net earnings per share

Earnings per share are calculated by dividing net income attributable to the holders of the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the reporting period, net of average number of treasury ordinary shares bought back by the Group's entities.

Equity

Ordinary and preference shares

Ordinary and preference shares are classified as equity. Preference shares are entitled to vote on matters in respect of reorganisation and liquidation of the Company, and matters related to: releasing the Company from an obligation to disclose or provide information required under the law of the Russian Federation on securities; introducing amendments and addenda to the Company's Charter which restrict the rights of holders of the preference shares of this type; filing an application for listing or delisting of preference shares of this type.

If dividends on preference shares per year have not been declared or paid, preference shares are entitled to vote on a par with ordinary shares unless dividends on preference shares are declared and paid.

Additional paid-in capital

Additional paid-in capital represents profit (loss) on operations, financial results of which shall be recognised directly in equity, including gains and losses on the sale of treasury shares and gains and losses on the purchase (sale) of a non-controlling interest (whole or its part) provided that the control is retained.

Treasury shares

If the Group purchases the Company's shares, these shares are deducted from equity. Treasury shares are recorded at the cost of acquisition. Gains and losses associated with purchase, sale, issue or cancellation of treasury shares must be recorded directly in equity.

Share premium

Share premium represents the excess of contributions received over the nominal value of the Company's ordinary shares issued, less flotation costs.

Non-controlling interests

Non-controlling interest is the part of profit or loss and net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly through subsidiaries, by the Company.

Non-controlling interests are presented within equity, separately from the Group's equity, in the consolidated statement of financial position.

Dividends

Dividends are recognised as liability attributable to the period when they have been declared.

Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for annual periods beginning on 1 January 2015:

The amendments to IAS 19 “Defined benefit plans: employee contributions” – these amendments did not have a material impact on the Group’s consolidated financial statements.

Annual improvements to IFRSs 2012 – these amendments did not have a material impact on the Group’s consolidated financial statements.

Annual improvements to IFRSs 2013 – these amendments did not have a material impact on the Group’s consolidated financial statements.

4 Critical accounting judgements, estimates and assumptions

The Group makes estimates and assumptions that affect assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgments are continuously evaluated and are based on the management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements that significantly affect the amounts recognised in the financial statements and estimates that may require adjustments of the carrying amount of assets and liabilities within the next financial year include:

Estimation of oil and gas reserves

Estimates of oil and gas recoverable reserves are imprecise as they require application of personal judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes of other factors. The management makes certain assumptions while estimating actual volumes of available recoverable oil and gas reserves. Oil and gas reserves are estimated for the purpose of the present statements in accordance with the provisions of Federal Budgetary Institution “State Reserves Committee” (FBU “GKZ”).

Oil and gas estimation is used for depreciation of oil and gas assets and for impairment determination. Oil and gas estimation is made based on possible assumptions and is reviewed on an annual basis.

Assumptions and estimates may vary as new information about oil and gas field reserves, change in forecast and assumptions become available.

Reserve estimations have an impact on certain amounts of financial statements – oil and gas assets depreciation value, and impairment losses. Depreciation of oil and gas assets is calculated using the unit-of-production method for each field based upon initial recoverable reserves (under Russian classification – A, B, C1 categories). Oil and gas estimation (under Russian classification – A, B, C1, C2 categories) is also used for calculations of future cash flows to be the main evidence of asset impairment.

Useful life of other property, plant and equipment and intangible assets

The Group estimates the remaining useful life of other property, plant and equipment at least once a year at the end of financial year. If expected values differ from previous estimations, changes are recognised as changes in accounting estimates in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The Management of the Group determines useful life periods for property, plant and equipment and intangible assets subject to physical properties and terms during which they bring benefit to the Group.

Impairment of goodwill and other assets

When assessed for possible impairment, forecast of cash flows requires a number of significant assumptions and estimates of such assessments as oil and gas production output, natural gas, oil and refined products prices, operating expenses, capital expenditures, hydrocarbon reserves, including such macroeconomic indicators as inflation rate and discount rate. Besides, assumptions are applied for determining generating group of assets subject to assessment for impairment. Value of assets and group

of generating assets related to oil and gas production is determined based on production output projections.

Asset retirement (decommissioning) and environmental protection obligation

Production and exploration operations of the Group are governed by a number of environmental safety regulations and statutory acts. The Group assesses environmental protection liabilities based on the Group's Management awareness of the current legislation, licence agreements and in-house engineering judgements. Decommissioning liabilities are recognised on a net discounted basis at the moment at which the relevant liability arose. Actual deferred expenses may significantly differ from the amount of liability formed. Additionally, such provision may be influenced by future changes in environmental safety legislation and statutory acts, discount rates and expected terms of field development.

Pension benefit obligations

Pension benefit liabilities are assessed based on assumptions. Actual amounts may differ from the estimated values of the Group and may be adjusted in the future based on modified expectations of the Group.

Expected survival assumptions are based on published statistics and demographic tables of mortality. At present, the pension age in the Russian Federation is 60 and 55 years for men and women respectively.

5 New interpretations and standards

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2016 and which the Group has not early adopted.

“Accounting for acquisitions of interests in joint operations” – Amendments to IFRS 11 (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016). This amendment introduces new guidance on how to account for the acquisition of an interest in a joint operation that is a business. The Group's Management expects that this amendment will not have any material impact on its consolidated financial statements.

“Clarification of acceptable methods of depreciation and amortisation” – Amendments to IAS 16 and IAS 38 (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016). In the amendment the IASB clarifies that revenue-based methods are not appropriate to calculate the depreciation of an asset because the revenue from activities involving the use of an asset, usually takes into account factors other than the consumption of economic benefits associated with the asset. The Group's Management expects that this amendment will not have any material impact on its consolidated financial statements.

IFRS 15 “Revenue from contracts with customers” (issued in May 2014 and effective for periods beginning on or after 1 January 2018). The new standard introduces a key principle according to which the revenue shall be recognised when goods or services are rendered to a customer at a price of the transaction. Any separate lots of goods or services shall be recognised separately, and all discounts and retrospective discounts from the contractual price are, as a rule, distributed to the separate elements. If the amount of compensation may vary due to some reason, then minimal sums shall be accepted in case they are not subject to the significant reversal risk. Expenditures associated with the support of contracts with customers shall be capitalised and depreciated for a term within which benefits from the contracts are obtained. The Group's Management expects that this amendment will not have any material impact on its consolidated financial statements.

IFRS 9 “Financial instruments” (with amendments introduced in July 2014 and effective for annual periods beginning on or after 1 January 2018).

The main differences of this standard from IAS 39 “Financial Instruments: Recognition and Measurement” are as follows:

- financial assets must be classified into three measurement categories: subsequently measured at amortised cost, subsequently measured at fair value through other comprehensive income and subsequently measured at fair value through profit or loss.
- The classification of debt instruments depends on the business model for managing financial assets of the entity and on whether contractual cash flows are solely payments of principal and interest. If a debt instrument is held to raise funds, it can be measured at amortised cost, if it is also

consistent with the requirement to pay only principal and interest. Debt instruments meeting the requirement to pay only principal and interest held in the portfolio, when the entity both holds cash flows of assets and sells assets, can be classified as measured at fair value through other comprehensive income. Financial assets that do not contain cash flows meeting the requirement to pay only principal and interest must be measured at fair value through profit or loss (for example, derivatives). Embedded derivatives are not separated from financial assets and are included in them when assessing compliance with the payment of only principal and interest.

- Investments in equity instruments are always measured at fair value. The management can make an irreversible decision to present changes in fair value in other comprehensive income in case the instrument is not intended for trading purposes. If the equity instrument is classified as held for trading, the changes in fair value are presented in profit or loss.
- Most requirements for classification and measurement of financial liabilities were transferred from IAS 39 to IFRS 9 unchanged. The main difference is the requirement for the entity to present the effect of changes in its credit risk of financial liabilities classified as measured at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model of impairment loss recognition: an expected credit loss model. The model provides a three-stage approach based on the change in the credit quality of financial assets since their initial recognition. In practice, these new rules mean that entities must account for immediate losses equal to 12-month expected credit losses at initial recognition of financial assets that are not credit-impaired assets (or lifetime expected credit losses for trade receivables). In case of a significant increase in credit risk, impairment is measured using lifetime expected credit losses rather than using 12-month expected credit losses. The model provides a simplified approach for trade and lease receivables.
- Revised requirements for hedge accounting ensure a closer connection of accounting with risk management. This standard gives entities the opportunity to choose accounting policy: they may apply the hedge accounting requirements of IFRS 9 or continue to apply the requirements of IAS 39, because the standard does not consider macro hedge accounting now.

The Group is currently analysing the implications of the standard and its impact on the Group's consolidated financial statements.

“Agriculture: Bearer Plants” – Amendments to IAS 16 and IAS 41 (issued in June 2014 and effective for annual periods beginning on 1 January 2016). These amendments are not relevant to the Group.

IFRS 14 “Regulatory deferral accounts” (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The standard permits first-time adopters of IFRS to continue recognising amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and that do not recognise these amounts, the standard requires that the effect from rate regulation must be presented separately from other items. This standard does not apply to companies that already provide financial statements prepared in accordance with IFRS.

“Equity method in separate financial statements” – Amendments to IAS 27 (issued in August 2014 and effective for annual periods beginning on 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. These amendments are not relevant to the Group.

“Sale or contribution of assets between an investor and its associate or joint venture” – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and initially planned to be effective for annual periods beginning on or after 1 January 2016 – postponed). These amendments eliminate the mismatch between the requirements of IFRS 10 and IAS 28 relating to sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that gain or loss is recognised in full if the transaction constitutes a business. If the assets do not constitute a business, profit or loss is recognised partially, even if the assets belong to a subsidiary. The Group's Management expects that this amendment will not have any material impact on its consolidated financial statements. These amendments have not been adopted for use in the Russian Federation.

Annual improvements to IFRSs 2012-2014 (issued in September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments affect four standards.

The purpose of the amendments to IFRS 5 is to clarify that a change the method of disposal (transfer

from category “held for sale” to “held for distribution” or vice versa) is not a change of the plan of sales or distribution and shall not be accounted for as a change of this plan.

The amendment to IFRS 7 provides additional guidance to help the management determine whether servicing arrangements are representative of continuing involvement in a transferred financial asset for the purpose of the transfer disclosures in accordance with IFRS 7. In addition, the amendment clarifies that requirements for offsetting disclosure set out in IFRS 7 are not applicable to interim financial statements unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.

IAS 34 will require a cross reference from the interim consolidated financial statements to the location of “information disclosed elsewhere in the interim financial statements”.

The Group’s Management does not expect the amendments to have a material impact on the Group’s consolidated financial statements.

“Disclosure initiative” – Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explain that the company does not need to provide disclosures required by IFRS if they are not material even if such disclosures are included in the list of requirements of a certain international financial reporting standard or are the minimum required disclosures. The standard also includes new guidance on disclosures in the financial statements of subtotals, according to which the subtotals (a) should be made up of items that are recognised and evaluated in accordance with IFRS; (b) should be presented and labelled in a manner that makes the components of the subtotal understandable; (c) should be consistent from period to period; and (d) should not be displayed with more prominence than the subtotals and totals required by IFRS.

The Group is currently assessing the impact of the amendments on its financial statements.

“Investment Entities: Applying the Consolidation Exception” – Amendments to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments explain that the investment company is required to measure its investments in subsidiaries that are investment companies at fair value through profit or loss. In addition, the exception to the requirement to present consolidated financial statements, if the ultimate or any parent company of the enterprise provides consolidated financial statements available for public use, is supplemented with an explanation that this exception applies regardless of whether the subsidiary is included in consolidation or measured at fair value through profit or loss in accordance with IFRS 10 in consolidated financial statements of the ultimate or any parent company. The Group’s Management does not expect the amendments to have a material impact on the Group’s consolidated financial statements.

IFRS 16 “Leases” (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This standard has not been adopted for use in the Russian Federation.

The Group is currently assessing the impact of the amendments on the Group’s consolidated financial statements.

“Recognition of deferred tax assets for unrealised losses” – Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment clarifies the requirement for recognition of deferred tax assets for unrealised losses on debt instruments.

An entity shall recognise deferred tax assets for unrealised losses arising from discounted cash flows on debt instruments using market interest rates, even if it intends to hold the instrument to maturity and no payment of taxes is expected after getting principal. The economic benefit embodied in the related deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (taking into account the effect of discounting) without paying taxes on those gains.

The Group is considering the impact of the amendments on its financial statements.

IAS 7 “Statement of cash flows” (issued in February 2016 and effective for periods beginning on 1 January 2017). The amendments are intended to improve information about an entity’s financing activities that allows to evaluate changes in liabilities arising from financing activities, which requires the disclosure of the following changes in liabilities:

changes from financing cash flows;

changes arising from obtaining or losing control of subsidiaries or other businesses;

the effect of changes in foreign exchange rates;

changes in fair value;

other changes.

New disclosure requirements also relate to changes in financial assets.

The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The Group is currently assessing the impact of the amendments on its financial statements.

“Revenue from contracts with customers” – Amendments to IFRS 15 (issued in April 2016 and effective for periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard. The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for a good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Group is currently assessing the impact of the amendments on its financial statements. These amendments have not been adopted for use in the Russian Federation.

6 Subsidiaries

The Company has the following subsidiaries registered and doing business in the Russian Federation:

Description	Area of activity	As of 31 December 2015 Ownership interest (%)	As of 31 December 2014 Ownership interest (%)
<i>Oil and gas exploration and production</i>			
OJSC “Surgutneftegas”	Oil and gas exploration and production	Parent company	Parent company
<i>Oil refining</i>			
LLC “KINEF”	Oil refining	100%	100%
<i>Oil products sale</i>			
LLC “Novgorodnefteproduct”	Oil products sale	100%	100%
LLC “Pskovnefteproduct”	Oil products sale	100%	100%
LLC “Kaliningradnefteproduct”	Oil products sale	100%	100%

OJSC “Surgutneftegas”
Notes to the consolidated financial statements
(in millions of Russian rubles, unless otherwise stated)

LLC “MA “Tvernefteproduct”	Oil products sale	100%	100%
LLC “KIRISHIAVTOSERVIS”	Oil products sale	100%	100%
<i>Other companies</i>			
LLC “Insurance Company “Surgutneftegas”	Insurance	100%	100%
Closed Joint Stock Company “Surgutneftegasbank” (ZAO “SNGB”)	Banking operations	97.7591%	97.7591%
LLC “Surgutmebel”	Manufacture of wood construction items	100%	100%
OJSC “Sovkhoz “Chervishevsky”	Agriculture	94.9996%	94.9996%
LLC “Media-Invest”	Television and radio broadcasting, production and coverage of TV and radio programmes	100%	100%
LLC “Lengiproneftekhim”	Engineering	100%	100%

The presented list of subsidiaries is complete; the Group has no subsidiaries outside the Russian Federation.

As of 31 December 2015, non-controlling interests in the amount of RUB 186 million (as of 31 December 2014 – RUB 169 million) are not significant to the Group.

7 Segment information

Information about the Group is considered by individual executive body represented by director general of the Company and deputies of director general covering different operations (the Management) to comprise the following operating segments:

“Exploration and production” is part of the Company’s activity related to exploration, evaluation, production of oil and gas, and oil sale;

“Refining and sale” is part of the Company’s activity related to oil and gas processing, and sale of refined products, and the activity of the Group’s subsidiaries involved in refining and refined products sale;

“Other activity” includes all other non-significant segments having no similar economic performance and represents subsidiaries of the Group engaged in banking operations, insurance and production of other goods, jobs and services.

On a monthly basis the Management estimates performance results of the segments based on the revenue, profit and operating expenses to resolve on resource distribution and operating efficiency.

Results of separate significant operations and a number of adjustments required to bring RAS statements in line with the relevant IFRS amounts are considered by the Management across the whole Group without breakdown by segments.

Sales operations among operational segments recorded as “intersegment sales” are performed based on market prices.

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Performance results of production segments for 2015:

	Exploration and production	Refining and sale	Other activity	Intersegment sales	Total
Sales revenue					
Export, including:	501,271	223,160	-	-	724,431
<i>revenues from crude sales</i>	501,271	-	-	-	501,271
<i>revenues from oil products sales</i>	-	223,160	-	-	223,160
<i>revenues from gas products sales</i>	-	-	-	-	-
<i>other sales</i>	-	-	-	-	-
Domestic market, including:	168,911	184,654	3,275	(78,666)	278,174
<i>revenues from crude sales</i>	144,996	-	-	(15,638)	129,358
<i>revenues from oil products sales</i>	-	173,535	-	(61,299)	112,236
<i>revenues from gas and gas products sales</i>	15,494	5,751	-	(6)	21,239
<i>sale of other products and finished goods</i>	2,846	3,897	1,516	(625)	7,634
<i>other sales</i>	5,575	1,471	1,759	(1,098)	7,707
Total sales revenue	670,182	407,814	3,275	(78,666)	1,002,605
Operating expenses	(470,735)	(357,274)	(8,607)	78,002	(758,614)
Operating profit / (loss)	199,447	50,540	(5,332)	(664)	243,991
Finance income					108,285
Finance expenses					(15,852)
Exchange differences					583,006
Gain / (loss) on sale and other disposal of financial assets					22
Share of profit / (loss) of associates					299
Other income / (expenses)					(229)
Profit before tax					919,522
Income tax					(157,949)
Net income					761,573

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Performance results of production segments for 2014:

	Exploration and production	Refining and sale	Other activity	Intersegment sales	Total
Sales revenue					
Export, including:	386,434	189,804	-	-	576,238
<i>revenues from crude sales</i>	386,434	-	-	-	386,434
<i>revenues from oil products sales</i>	-	189,628	-	-	189,628
<i>revenues from gas products sales</i>	-	176	-	-	176
<i>other sales</i>	-	-	-	-	-
Domestic market, including:	174,610	208,803	3,784	(72,861)	314,336
<i>revenues from crude sales</i>	152,287	-	-	(13,408)	138,879
<i>revenues from oil products sales</i>	-	195,879	-	(57,793)	138,086
<i>revenues from gas and gas products sales</i>	14,564	7,405	-	(7)	21,962
<i>sale of other products and finished goods</i>	2,825	3,482	1,989	(716)	7,580
<i>other sales</i>	4,934	2,037	1,795	(937)	7,829
Total sales revenue	561,044	398,607	3,784	(72,861)	890,574
Operating expenses	(445,925)	(345,361)	(8,825)	72,337	(727,774)
Operating profit / (loss)	115,119	53,246	(5,041)	(524)	162,800
Finance income					69,297
Finance expenses					(7,135)
Exchange differences					845,940
Gain / (loss) on sale and other disposal of financial assets					(9)
Share of profit / (loss) of associates					(353)
Other income / (expenses)					(1,001)
Profit before tax					1,069,539
Income tax					(184,706)
Net income					884,833

Sales comprise the following (based on the registration country):

Sales	2015	2014
export of crude oil – Europe	454,646	507,214
export of crude oil – Asia	190,185	160,484
export of crude oil – CIS, other than Russia	45,926	36,871
export of crude oil – Canada	14,970	26,670
domestic sales of crude oil	129,358	138,879
domestic sales of gas	15,488	14,557
Total oil and gas sales	850,573	884,675
export of oil products – Europe	290,361	314,667
domestic sales of oil products	112,236	138,086
export of gas products – Europe	-	291
domestic sales of gas products	5,751	7,405
Total oil and gas products sales	408,348	460,449
Other domestic sales	15,341	15,409
Total sales	1,274,262	1,360,533
less export duties	(271,657)	(469,959)
Total sales revenue	1,002,605	890,574

Information about sales to the main buyers

The Group has one buyer accounting for over 10% of total revenues of the Group. Aggregate amount of revenues from the main buyer for 2015 is RUB 134,975 million (for 2014 – RUB 142,791 million). This revenue is included in “Refining and sale”.

The Management does not believe that the Group depends on any individual buyer.

8 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in its financial and business activities as well as in making financial and operational decisions. While considering each possible related party's relationship, the economic essence of such relationship, not merely the legal form, is taken into account.

Related parties may enter into transactions, which unrelated parties might not exercise, and transactions between related parties may not be affected on the same terms and conditions as transactions between unrelated parties.

Within 2015 and 2014, the Group entered into transactions with JSC “NPF “Surgutneftegas” to finance pensions of employees retired within the year, and other related parties.

Within 2015 and 2014, the Group contributed to JSC “NPF “Surgutneftegas” RUB 1,212 million and RUB 1,118 million respectively.

As of 31 December 2015, the Group had RUB 2,285 million (as of 31 December 2014 – RUB 2,051 million) of loans received from the related parties (funds of the customers of the Group's bank).

The amount of compensation subject to the regional coefficient and Northern allowance (the salary for the reporting period with taxes and other obligatory budget and non-budget payments accrued, annual paid leave for the work performed in the reporting period and similar payments) to the key management personnel (9,835 people in 2015 and 9,732 people in 2014), including structural units and subsidiaries of the Company, authorised to plan and control the Group's operations in 2015 equalled RUB 32,061 million (for 2014 – RUB 29,417 million). Pension benefits are provided to the management personnel on a non-preferential basis.

9 Cash and cash equivalents, restricted cash

Cash and cash equivalents represent the following:

	As of 31 December 2015	As of 31 December 2014
Cash in hand and at current accounts	13,791	6,391
- rubles	6,335	4,870
- foreign currency	7,456	1,521
Deposits with original maturity under contract less than 3 months	91,905	21,528
Total cash and cash equivalents	105,696	27,919

Restricted cash represents obligatory reserves of the Group's bank at the accounts of the Central Bank of the Russian Federation.

Information on cash and cash equivalents placed by currency and credit quality is presented in Note 32.

10 Deposits placed

Placed deposits comprise the following:

	As of 31 December 2015	As of 31 December 2014
Bank deposits:		
- short-term	527,189	727,419
- long-term	1,940,169	1,186,001
Total deposits placed	2,467,358	1,913,420

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Placed cash represents short-term and long-term bank deposits. Interest is paid mainly together with return of the principal amount to the current account. In accordance with deposit agreement, the Group loses its right to part of the accrued interest in case of early return of the principal amount.

The amount of deposits interest received at current accounts of the Group for 2015 is RUB 100,828 million (for 2014 – RUB 58,291 million).

The classification of deposits by maturity is presented in the table below:

	As of 31 December 2015	As of 31 December 2014
with maturity less than 30 days	136	59,217
with maturity between 31 and 90 days	33,528	117,144
with maturity between 91 and 180 days	188,969	208,065
with maturity between 181 and 270 days	162,915	153,003
with maturity between 271 and 365 days	141,641	189,990
with maturity more than 365 days	1,940,169	1,186,001
Total bank deposits	2,467,358	1,913,420

The Management believes that in the foreseeable future the Group will not need to withdraw funds from financial instruments.

Information on deposits placed by currency and credit quality is presented in Note 32.

The fair value of deposits is disclosed in Note 33.

11 Receivables

Accounts receivable include:

	As of 31 December 2015	As of 31 December 2014
Trade receivables	54,278	51,548
impairment provision	(172)	(194)
Other receivables	6,356	10,197
impairment provision	(391)	(421)
Total receivables, including:	60,071	61,130
short-term	59,522	60,419
long-term	549	711

A provision for impairment of trade receivables and other receivables has been estimated based on the individual customers, payment history, debts repaid after the reporting date (on an individual basis).

Analysis of changes in impairment provision of receivables is presented below:

	Trade receivables	Other receivables
Impairment provision of accounts receivable as of 1 January 2014	(266)	(433)
Impairment provision of accounts receivable charged	(1)	(42)
Impairment provision of accounts receivable used	-	26
Impairment provision of accounts receivable recovered	73	28
Impairment provision of accounts receivable as of 31 December 2014	(194)	(421)
Impairment provision of accounts receivable charged	(4)	(61)
Impairment provision of accounts receivable used	-	82
Impairment provision of accounts receivable recovered	26	9
Impairment provision of accounts receivable as of 31 December 2015	(172)	(391)

As of 31 December 2015, the Group had three (as of 31 December 2014 – three) main debtors, each with at least 10% of total accounts receivable. These debtors provide about 19% of the Group's revenue in 2015 (in 2014 – 18%).

Information on receivables by currency and credit quality is presented in Note 32.

12 Advances issued

Advances issued include:

	As of 31 December 2015	As of 31 December 2014
Export custom duties	11,832	27,148
Oil transport	4,897	9,576
Other advances issued	5,552	4,949
Total advances issued	22,281	41,673

13 Loans granted

Short-term and long-term loans granted are represented by credits of the Group's bank and other loans:

	As of 31 December 2015	As of 31 December 2014
Current credits and loans	36,365	41,528
Overdue and/or impaired credits and loans	16,171	6,807
Impairment provision	(7,642)	(4,973)
Total loans granted, including:	44,894	43,362
short-term	19,894	21,541
long-term	25,000	21,821

Analysis of changes in provision for impairment of loans granted is presented below:

	2015	2014
Impairment provision as of 1 January	(4,973)	(3,950)
(allocations to provision) / provision recovery	(2,669)	(1,023)
Impairment provision as of 31 December	(7,642)	(4,973)

Analysis of loans granted by currency and credit quality as well as information on the fair value of the collateral are disclosed in Note 32.

14 Inventories

Inventories include:

	As of 31 December 2015	As of 31 December 2014
Oil and refined products	13,872	14,823
<i>impairment provision</i>	(44)	(11)
Materials and supplies	56,933	42,650
<i>impairment provision</i>	(6,710)	(2,520)
Other reserves	6,222	7,646
<i>impairment provision</i>	(413)	(411)
Goods for resale	3,257	1,378
<i>impairment provision</i>	-	(5)
Work in progress	2,699	1,873
Gas and gas products	28	23
Total inventories	75,844	65,446

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15 Property, plant and equipment

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 31 December 2013	890,659	215,553	93,549	26,673	1,226,434
Construction and proceeds	143,049	2,412	6,765	22,457	174,683
Reclassifications	-	8,521	5,492	(14,013)	-
Internal movements	(6,352)	5	6,347	-	-
Changes in asset retirement (decommissioning) obligations	118	-	-	-	118
Disposals, retirements and other movements	(12,214)	(854)	(2,703)	(529)	(16,300)
Historical cost as of 31 December 2014	1,015,260	225,637	109,450	34,588	1,384,935
Construction and proceeds	152,453	4,721	10,085	27,219	194,478
Reclassifications	-	10,095	3,891	(13,986)	-
Internal movements	(11,585)	(929)	12,514	-	-
Changes in asset retirement (decommissioning) obligations	22,056	-	-	-	22,056
Disposals, retirements and other movements	(8,782)	(1,678)	(1,616)	(1,756)	(13,832)
Historical cost as of 31 December 2015	1,169,402	237,846	134,324	46,065	1,587,637
Accumulated depletion, depreciation and amortisation as of 31 December 2013	(117,840)	(32,521)	(28,275)	-	(178,636)
Charge for the period	(59,848)	(23,292)	(7,607)	-	(90,747)
Internal movements	(4,302)	(205)	4,507	-	-
Impairment	(6,419)	(395)	-	-	(6,814)
Disposals, retirements and other movements	1,585	297	1,856	-	3,738
Accumulated depletion, depreciation and amortisation as of 31 December 2014	(186,824)	(56,116)	(29,519)	-	(272,459)
Charge for the period	(56,497)	(21,347)	(9,137)	-	(86,981)
Internal movements	2,262	(85)	(2,177)	-	-
(Impairment) / reversal of impairment	270	(1,627)	(36)	-	(1,393)
Disposals, retirements and other movements	2,684	405	896	-	3,985
Accumulated depletion, depreciation and amortisation as of 31 December 2015	(238,105)	(78,770)	(39,973)	-	(356,848)
Carrying amount as of 31 December 2013	772,819	183,032	65,274	26,673	1,047,798
Carrying amount as of 31 December 2014	828,436	169,521	79,931	34,588	1,112,476
Carrying amount as of 31 December 2015	931,297	159,076	94,351	46,065	1,230,789

As of 31 December 2015, property, plant and equipment included advances for purchase and construction of property, plant and equipment in the amount of RUB 6,848 million (as of 31 December 2014 – RUB 11,224 million).

On each date of the consolidated financial statements, the Management estimates a decline in the recoverable value of the assets below their carrying amount. In 2015, the Group reversed the loss from impairment of the exploration and production assets in the amount of RUB 270 million. As of 31 December 2015, the amount of the loss from impairment of the exploration and production assets was RUB 6,149 million (as of 31 December 2014 – RUB 6,419 million).

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In 2015, the Group recognised the loss from impairment of property, plant and equipment of sales companies in the amount of RUB 1,627 million. As of 31 December 2015, the amount of the loss from impairment of property, plant and equipment of sales companies was RUB 2,022 million (as of 31 December 2014 – RUB 395 million).

As of 31 December 2015, the Group recognised the loss from impairment of property, plant and equipment of other companies in the amount of RUB 36 million (as of 31 December 2014 – no impairment has been identified).

Depreciation on property, plant and equipment includes the amount capitalised in construction in progress for 2015 in the amount of RUB 17,006 million (for 2014 – RUB 16,891 million).

Exploration and evaluation assets included in the cost of property, plant and equipment of oil and gas production and exploration changed over the period as follows:

	2015	2014
As of 1 January	40,781	42,651
Capitalised costs	15,636	17,256
Reclassified to property, plant and equipment	(1,598)	(5,832)
Disposal of expenses associated with ineffective exploration and evaluation	(2,557)	(7,377)
(Impairment) / reversals of impairment	270	(5,917)
As of 31 December	52,532	40,781

The cost of oil and gas exploration and production licences included in exploration and production properties changed as follows:

	2015	2014
Historical cost as of 1 January	65,943	64,563
Impairment	(181)	-
Accumulated depreciation	(1,884)	(1,681)
Carrying amount as of 1 January	63,878	62,882
Proceeds	821	1,748
Disposals and retirement of assets by exploration and evaluation	-	(368)
Impairment	-	(181)
Depreciation charge	(255)	(203)
Carrying amount as of 31 December	64,444	63,878

16 Intangible assets

	Software	Goodwill	Other	Total
Historical cost				
As of 31 December 2013	5,036	5,788	461	11,285
Proceeds	1,273	-	106	1,379
Disposal	(974)	-	(36)	(1,010)
As of 31 December 2014	5,335	5,788	531	11,654
Proceeds	594	-	203	797
Disposal	(397)	-	(44)	(441)
As of 31 December 2015	5,532	5,788	690	12,010
Depreciation and impairment loss				
As of 31 December 2013	(3,027)	-	(117)	(3,144)
Accumulated depreciation	(736)	-	(35)	(771)
Impairment	-	(148)	-	(148)
Disposal	956	-	20	976
As of 31 December 2014	(2,807)	(148)	(132)	(3,087)
Accumulated depreciation	(604)	-	(44)	(648)
Disposal	359	-	33	392
As of 31 December 2015	(3,052)	(148)	(143)	(3,343)
Net carrying amount as of 31 December 2013	2,009	5,788	344	8,141
Net carrying amount as of 31 December 2014	2,528	5,640	399	8,567
Net carrying amount as of 31 December 2015	2,480	5,640	547	8,667

In 2015, amortisation of intangible assets was not capitalised into property, plant and equipment. In 2014, the amount of capitalised amortisation of intangible assets into property, plant and equipment was RUB 16 million.

On each date of the consolidated financial statements, the Management estimates a decline in the recoverable value of the assets below their carrying amount. As of 31 December 2015, no impairment of intangible assets has been identified. As of 31 December 2014, no impairment of intangible assets, excluding goodwill, has been identified.

As of 31 December 2015 and 2014, the Group had no intangible assets with indefinite useful lives (excluding goodwill).

Goodwill

As of 31 December 2015 and 2014, the goodwill amount was allocated to “Refining and distribution” segment. This goodwill is recognised as the Company and its subsidiaries represent a business combination.

As of 31 December 2015, no impairment of goodwill has been identified. As of 31 December 2014, the amount of the recognised loss from impairment was RUB 148 million.

17 Investments in associates

The Group has an equity-accounted investment in associated company CJSC “National Media Group” (NMG).

The Group’s interest in the capital of NMG as of 31 December 2015 and 2014 was 26.22%. NMG is a holding company with investments in companies involved in television and radio broadcasting in the Russian Federation, printing of periodicals (newspapers) as well as in other companies.

The carrying amount of the investment as of 31 December 2015 amounted to RUB 6,210 million (as of 31 December 2014 – RUB 5,758 million).

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Net assets of NMG as of 31 December 2015 amounted to RUB 19,480 million (as of 31 December 2014 – RUB 17,759 million); the amount of goodwill recognised in the cost of investments as of 31 December 2015 and 2014 equalled RUB 1,103 million.

18 Other financial assets

Short-term and long-term financial assets include:

	As of 31 December 2015	As of 31 December 2014
Short-term financial assets		
Financial assets at fair value through profit and loss	33	485
Financial assets available-for-sale	1,900	1,547
Investments held-to-maturity	1,251	2,791
Total short-term financial assets	3,184	4,823
Long-term financial assets		
Financial assets at fair value through profit and loss	457	58
Financial assets available-for-sale	14,145	7,660
Investments held-to-maturity	507	1,419
Total long-term financial assets	15,109	9,137

Financial assets recorded at fair value through profit and loss

The structure of financial assets recorded at fair value through profit and loss is presented below:

	As of 31 December 2015	As of 31 December 2014
Corporate bonds	310	177
Government bonds	97	217
Subfederal and municipal bonds	82	2
Shares	1	3
Corporate eurobonds	-	144
Total financial assets recorded at fair value through profit and loss	490	543

Corporate bonds are presented by interest bearing securities denominated in Russian rubles issued by major Russian companies and banks which are listed on Moscow Interbank Currency Exchange (MICEX).

Corporate eurobonds are presented by interest bearing securities denominated in US dollars issued by major Russian companies and freely traded internationally.

Government securities are federal loan bonds (FLB) issued by the Ministry of Finance of the Russian Federation and denominated in Russian rubles.

As of 31 December 2015, there were no securities held in trust (as of 31 December 2014 – the value of securities held in trust amounted to RUB 341 million).

Securities recorded at fair value through profit and loss are reviewed by credit quality and currency in Note 32.

Available-for-sale financial assets

The structure of available-for-sale financial assets is presented below:

	As of 31 December 2015	As of 31 December 2014
Shares	5,531	5,494
Government, subfederal and municipal bonds	4,430	646
Corporate eurobonds	4,317	1,745
Corporate bonds	1,693	1,248
Contributions to share capitals	74	74
Total financial assets available-for-sale	16,045	9,207

Movements in available-for-sale financial assets are presented below:

	2015	2014
Carrying amount as of 1 January	9,207	12,014
Acquisition / reclassification	11,215	5,259
Redemption / sale / reclassification	(5,650)	(8,175)
Accrued interest income	570	294
Interest received	(552)	(365)
Exchange differences	896	449
Gains / (losses) on fair value revaluation	359	(269)
Carrying amount as of 31 December	16,045	9,207

Available-for-sale financial assets are reviewed by credit quality and currency in Note 32.

Held-to-maturity investments

Structure of held-to-maturity investments is presented below:

	As of 31 December 2015	As of 31 December 2014
Government bonds	1,576	2,828
Corporate bonds	102	589
Subfederal and municipal bonds	80	269
Corporate eurobonds	-	524
Total investments held-to-maturity	1,758	4,210

The movement in held-to-maturity investments is presented below:

	2015	2014
Carrying amount as of 1 January	4,210	6,204
Proceeds / reclassification	12,690	7,254
Disposal / redemption / reclassification	(21,035)	(3,385)
Accrued interest income	785	634
Interest received	(858)	(586)
Exchange differences	(70)	129
Gains / (losses) from reflection at amortised cost	8	(12)
Impairment provision	6,028	(6,028)
Carrying amount as of 31 December	1,758	4,210

In 2015, the Group recovered impairment provision of the part of held-to-maturity investments due to asset disposal. In 2014, the reserve amounted to RUB 6,028 million.

In 2015, the Group did not change its position concerning the classification of available-for-sale financial assets. In 2014, the Group reclassified the part of investments in bonds from the category of available-for-sale financial assets into the category of held-to-maturity investments. At the date of this reclassification, the fair value of these securities equalled RUB 4,421 million.

Held-to-maturity investments are reviewed by credit quality and currency in Note 32.

Information on the fair value of held-to-maturity investments is presented in Note 33.

19 Payables and accrued liabilities

Accounts payable and accrued liabilities include:

	As of 31 December 2015	As of 31 December 2014
Accounts payable to employees of the Company	27,238	24,460
Accounts payable for acquired property, plant and equipment	11,815	6,448
Trade payables	10,269	10,128
Dividends payable	1,103	582
Other accounts payable	1,296	1,503
Total payables and liabilities accrued	51,721	43,121
Including the financial part of the accounts payable	24,476	18,661

The financial part of the accounts payable is reviewed by currency and maturity in Note 32.

20 Other financial liabilities

Other short-term and long-term financial liabilities are current accounts and customer deposits of the Group's bank.

	As of 31 December 2015	As of 31 December 2014
Current / settlement accounts and demand accounts	10,413	8,724
Fixed-term deposits	73,013	42,145
Total other financial liabilities, including:	83,426	50,869
short-term	79,077	37,671
long-term	4,349	13,198

Interest rates on deposits are charged at rates ranging from 0.01% to 18.25% in rubles (in 2014 – from 0.01% to 16%) and from 0.25% to 5% in foreign currency (in 2014 – from 0% to 5%). Interests on settlement and current accounts range from 0.01% to 14.5% in rubles (in 2014 – from 0% to 14.5%) and from 0% to 3.5% in foreign currency (in 2014 – from 0% to 3.5%).

Other financial liabilities are reviewed by currency and maturity in Note 32.

21 Other tax liabilities

	As of 31 December 2015	As of 31 December 2014
Mineral extraction tax	19,708	22,068
Property tax	3,269	3,249
Value added tax	1,616	3,818
Other	6,409	5,885
Total other tax liabilities	31,002	35,020

22 Provisions for liabilities and charges

	As of 31 December 2015	As of 31 December 2014
Asset retirement obligations	88,456	64,781
Post-employment benefit obligations	16,966	14,584
Other liabilities	1,536	2,452
Total provisions for liabilities and charges, including:	106,958	81,817
short-term	2,628	3,489
long-term	104,330	78,328

Asset retirement obligations

Asset retirement obligations represent cost estimation of land recultivation, wells decommissioning and dismantling of field facilities.

	2015	2014
Obligations as of 1 January	64,781	63,223
Proceeds	10,497	11,008
Changes in estimates and discounting rates	11,559	(10,890)
Discount cost amortised	1,997	2,061
Provision used	(378)	(621)
Obligations as of 31 December	88,456	64,781

Obligations recognised as of 31 December 2015 and 2014 are long-term.

The estimated costs are assessed on the basis of information available at the reporting date. Upon changes of data the calculations made are adjusted.

Post-employment benefit obligations

Post-employment benefit obligations are performed by the Group at the time the employee retires. The right to pension benefits is given to workers who have been continuously employed by the Group for not less than five complete years and retired on or after the retirement age. The contribution to JSC “NPF “Surgutneftegas” and lump-sum payments depend on the length of service, the salary level and is defined in the collective agreement.

Expenses recognised in the consolidated statement of profit and loss and other comprehensive income and liabilities recognised in the consolidated statement of financial position are as follows:

	2015	2014
Obligations as of 1 January	14,584	16,359
Interest liability expenses	934	802
Current service cost	389	467
Benefits paid	(1,389)	(1,212)
Actuarial (gain) / loss	2,448	(1,832)
Obligations as of 31 December	16,966	14,584

Obligations by maturity are as follows:

	As of 31 December 2015	As of 31 December 2014
Short-term	1,092	1,037
Long-term	15,874	13,547
Total post-employment benefit obligations	16,966	14,584

Expenses allocated to payrolls:

	2015	2014
Current service cost	389	467
Interest liability expenses	934	802
Net expenses on pension benefits	1,323	1,269

The main actuarial assumptions in the reporting period have the following weighted averages:

	As of 31 December 2015	As of 31 December 2014
Discount rate	9.49%	13.00%
Average long-term increase in employee compensation	4.33%	4.56%
Rate of inflation and growth of pension	4.33%	4.56%

23 Equity

Share capital and share premium

As of 31 December 2015 and 2014:

Share capital

Ordinary shares:

Number of shares issued, thousand	35,725,995
Par value (1 ruble per share), million rubles	35,726
Amount adjusted for inflation, million rubles	121,203

Preference shares:

Number of shares issued, thousand	7,701,998
Par value (1 ruble per share), million rubles	7,702
Amount adjusted for inflation, million rubles	33,463

Share premium

Amount by which the fair value of funds received exceeded the par value, million rubles	35,245
Amount adjusted for inflation, million rubles	57,809

The share capital is fully paid. In 2015 and 2014, changes in the structure of the share capital did not occur. The Company did not place any shares.

Treasury shares

As of 31 December 2015 and 2014, the Group owned 650 thousand of ordinary shares, i.e. less than 1% of the total number of shares.

Dividends

The Company's accounting statement prepared in accordance with Russian accounting standards which differ significantly from IFRS consolidated statement serves as the basis for the distribution of profits to shareholders. Net income of the current year calculated in accordance with the applicable law of the Russian Federation and recognised in the Company's statements prepared according to Russian Accounting Standards (RAS) is subject for distribution.

As of 27 June 2015, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2014 in the amount of RUB 0.65 per one ordinary share and RUB 8.21 per one preference share.

As of 27 June 2014, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2013 in the amount of RUB 0.6 per one ordinary share and RUB 2.36 per one preference share.

As of the date of these consolidated financial statements, the Company did not declare dividends for the year ended 31 December 2015.

24 Export duties

	2015	2014
Export duties on oil sales	204,456	344,805
Export duties on oil and gas products sales	67,201	125,154
Total export duties	271,657	469,959

Lower export duties are mainly due to the change of the rate of the customs export duty for crude oil.

25 Operating expenses

	2015	2014
Taxes, excluding income tax	363,328	346,019
Production services	87,033	87,196
Employee benefits	81,152	71,446
Selling and storage expenses	79,633	64,252
Depreciation, depletion and amortisation	70,623	74,611
Supplies	41,835	29,154
Utility and electricity expenses	31,287	29,182
Goods for resale	7,476	10,227
Expenses from disposal of exploration and production properties	2,772	7,745
Changes in inventory and work in progress	(13,449)	(9,605)
Other expenses	6,924	17,547
Total operating expenses	758,614	727,774

Employee benefits include:

	2015	2014
Salary and charges	78,649	69,588
Provision for vacation	1,644	1,053
Contributions to pension funds	859	805
Total employee benefits	81,152	71,446

Taxes, other than income tax, include:

	2015	2014
Mineral extraction tax	340,359	316,457
Property tax	12,439	12,948
Excise	9,844	15,978
Other taxes	686	636
Total taxes, excluding income tax	363,328	346,019

26 Finance income and expenses

	2015	2014
Interest receivable	108,170	69,233
Interest income from discounting	115	64
Total financial income	108,285	69,297

	2015	2014
Interest expense from discounting	(9,420)	(4,477)
Interest payable	(6,432)	(2,658)
Total financial expenses	(15,852)	(7,135)

In the article “Interest expense from discounting” the amount of discount for placed deposits for 2015 in the amount of RUB 5,005 million is recognised (for 2014 – RUB 2,219 million).

27 Exchange differences

Exchange differences arise in the result of oil and refined products sales denominated in foreign currency and are disclosed within placed deposits in foreign currency in the statement of financial position. The official exchange rates of the Central Bank of the Russian Federation for foreign currencies against ruble are presented in rubles below:

	As of 31 December 2015	As of 31 December 2014
US Dollar	72.88	56.26
Euro	79.70	68.34

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Average exchange rates in 2015 and 2014 equalled:

	2015	2014
US Dollar	60.96	38.42
Euro	67.78	50.82

Exchange differences include:

	2015	2014
Income from exchange differences	1,382,900	991,363
Expense from exchange differences	(799,894)	(145,423)
Total exchange differences	583,006	845,940

28 Income tax

	2015	2014
Current income tax	146,349	166,515
Changes in deferred tax assets / liabilities	11,600	18,191
Income tax expense	157,949	184,706

In 2015 and 2014, the rate of income tax currently applied in the Russian Federation was 20%.

Profit before tax recognised in the financial statements correlates with income tax expenses as follows:

	2015	2014
Profit before tax	919,522	1,069,539
Provisional profits tax expense	183,904	213,908
Tax effect of the preferential tax rate	(30,371)	(34,788)
Tax effect of items which are not accounted for tax purposes	4,416	5,586
Total income tax expense	157,949	184,706

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Temporary differences arising between the data of these consolidated financial statements and the data of tax accounting resulted in the following deferred assets and liabilities for income tax for 2015:

	As of 31 December 2015	Changes for the period recognised in profit (loss) for the period	Changes for the period in the other comprehensive income	As of 31 December 2014
Tax effect of deductible temporary differences				
Inventories	2,178	502	-	1,676
Property, plant and equipment	22,574	(17,042)	-	39,616
Intangible assets	4,390	3,622	-	768
Financial assets	4,008	(301)	-	4,309
Receivables	463	(1,128)	-	1,591
Payables	283	66	-	217
Other accruals and additional charges	4,480	(1,263)	468	5,275
Deferred tax assets	38,376	(15,544)	468	53,452
Set off deferred tax assets / (liabilities)	(37,207)			(52,356)
Total deferred tax assets	1,169			1,096
Tax effect of taxable temporary differences				
Inventories	(2,342)	119	-	(2,461)
Property, plant and equipment	(156,056)	(2,264)	-	(153,792)
Intangible assets	(14,313)	(907)	-	(13,406)
Financial assets	(159)	1,667	(72)	(1,754)
Receivables	(2,315)	3,920	-	(6,235)
Payables	(55)	141	-	(196)
Other accruals and additional charges	(546)	1,268	-	(1,814)
Deferred tax liabilities	(175,786)	(3,944)	(72)	(179,658)
Set off deferred tax assets / (liabilities)	37,207			52,356
Total deferred tax liabilities	(138,579)			(127,302)

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Temporary differences arising between the data of these consolidated financial statements and the data of tax accounting resulted in the following deferred assets and liabilities for income tax for 2014:

	As of 31 December 2014	Changes for the period recognised in profit (loss) for the period	Changes for the period in the other comprehensive income	As of 31 December 2013
Tax effect of deductible temporary differences				
Inventories	1,676	349	-	1,327
Property, plant and equipment	39,616	7,962	-	31,654
Intangible assets	768	96	-	672
Financial assets	4,309	2,338	54	1,917
Receivables	1,591	407	-	1,184
Payables	217	62	-	155
Other accruals and additional charges	5,275	232	-	5,043
Deferred tax assets	53,452	11,446	54	41,952
Set off deferred tax assets / (liabilities)	(52,356)			(40,786)
Total deferred tax assets	1,096			1,166
Tax effect of taxable temporary differences				
Inventories	(2,461)	(618)	-	(1,843)
Property, plant and equipment	(153,792)	(26,253)	-	(127,539)
Intangible assets	(13,406)	(772)	-	(12,634)
Financial assets	(1,754)	(633)	-	(1,121)
Receivables	(6,235)	(1,164)	-	(5,071)
Payables	(196)	(27)	-	(169)
Other accruals and additional charges	(1,814)	(170)	(386)	(1,258)
Deferred tax liabilities	(179,658)	(29,637)	(386)	(149,635)
Set off deferred tax assets / (liabilities)	52,356			40,786
Total deferred tax liabilities	(127,302)			(108,849)

As of 31 December 2015 and 2014, the Group did not recognise a deferred tax liability in respect of temporary differences associated with investments in subsidiaries, as the Management believes that the zero rate of tax levied at source of income in respect of dividends will be applied for the distribution of these dividends.

29 Earnings per share

Basic earnings per share for the year ended 31 December 2015 and for the year ended 31 December 2014 were calculated based on income attributable to holders of the Company's ordinary shares and the weighted average number of outstanding ordinary shares. The Company has no potential ordinary shares that have a dilutive effect.

	2015	2014
Shares outstanding as of 31 December, thousand	35,725,995	35,725,995
Effect of treasury shares, thousand	(650)	(650)
Weighted average number of shares for the year ended 31 December, thousand	35,725,345	35,725,345
Net income for the year attributable to shareholders	761,558	884,824
Dividends on preference shares, million rubles	(53,298)	(63,233)
Basic and diluted earnings per share, rubles	19.83	23.00

30 Contingencies and commitments

Court proceedings

At the reporting date, the Group is a party to legal proceedings related to Group’s operations. The Group’s Management believes that the results of these proceedings will not significantly affect the business operations and financial position of the Group.

Tax exposure

Due to the constant changes in the tax system of the Russian Federation relating to the improvement of tax control mechanisms and regulation, the Group is exposed to tax risks associated with the occurrence of uncertain tax positions as a result of uncertainty in the interpretation of tax legislation.

The Management believes that the Group fully complies with the applicable tax legislation, so the results of tax audits have not affected and cannot significantly affect the business activities and financial position of the Group.

Capital expenditure commitments

As of 31 December 2015, the Group has capital expenditure commitments related to the upgrading and construction of new capacities of LLC “KINEF” in the amount of RUB 9,072 million (as of 31 December 2014 – RUB 13,557 million). The obligations are to be executed in the period from 2016 till 2017.

Third-party commitments

As of 31 December 2015, the Group has commitments in the amount of RUB 22,138 million. Among them, issued bank guarantees equalled RUB 155 million, commitments in the form of surety agreement – RUB 21,983 million.

As of 31 December 2014, the Group had commitments in the amount of RUB 30,257 million. Among them, issued bank guarantees equalled RUB 19,696 million, commitments in the form of surety agreement – RUB 10,500 million and liabilities on other securities – RUB 61 million.

Credit related commitments

Credit related commitments of the Group’s bank equal:

	As of 31 December 2015	As of 31 December 2014
Commitments to extend credit	3,872	3,789
Import letters of credit	508	138
Guarantees issued	4,821	5,951
Total credit related commitments	9,201	9,878

Operating lease commitments

Operating leases have various terms and conditions and primarily are agreements to lease land plots.

The total amount of operating lease expenses for the year 2015 amounts to RUB 1,258 million (for 2014 – RUB 1,077 million), and is included in the Group’s operating expenses. Future minimum lease payments under non-cancellable operating leases as of 31 December 2015 and 2014 are as follows:

	2015	2014
Less than 1 year	1,270	1,193
Between 1 and 5 years	4,854	4,337
More than 5 years	41,483	31,769
Total future minimum lease payments	47,607	37,299

Environmental issues

The Group complies with all the legal environmental standards and requirements. The Management believes that the Group efficiently minimises environmental risks by following industry standards and requirements, continuously monitoring its production facilities, employing modern machinery, technology and equipment and improving employees’ HSE expertise.

31 Operational risks

The actions of the Group are exposed to different types of risks determined by the uncertainty of environmental factors and the peculiarities of production processes. The Group improves its risk management and internal control systems to mitigate the possible negative influence of the risks on the results of its financial and business activities and to ensure sustainable development of the Group in the long term. The constant work is underway to identify, estimate, prevent key risks and determine methods of response in case of the risk occurrence.

Industry risks of the Group are connected with the Group's operating activities – production and processing of oil and gas and sale of finished goods. The Group's key risks include those of oil and oil products price reduction and growing operational and capital expenditures.

The Group is subject to the risk of growing operational and capital expenditures as a result of increasing prices for purchased energy resources, equipment, basic and auxiliary production materials as well as the risk of increase in rates of OJSC “AK “Transneft”, JSC “AK” Transnefteproduct” and OJSC “RZD”, the leading companies providing transportation.

The Group regularly performs optimisation of operational and capital expenditures in all directions of its operations. The Group holds procurement tenders for machinery, equipment and materials, implements programmes aimed at better energy efficiency, develops in-house power generating facilities, reviews alternative suppliers' offers and monitors the quality of the whole range of purchased goods and services.

32 Capital and financial risk management

The Group is exposed to different financial risks. The main of them are currency, interest, credit risks and risk of liquidity.

The Group has developed a risk management system and a number of procedures for quantitative risk evaluation, assessment, monitoring and selection of proper methods to manage risks. To optimise risks, the Group takes constant measures for improvement of the general methodology intended to identify, analyse, assess and monitor risks and to develop and implement technologies which can provide the Group's continuous activity.

The Group does not apply derivative financial instruments to hedge financial risks, but takes into consideration their possible application in the operating and financial activities when developing investment projects, making plans and budgets. Besides, the Group insures its assets and operations to mitigate financial risks in the course of its financial and business activities.

Credit risk

Credit risk is the risk of a potential financial loss to the Group in case when a counterparty defaults on its contractual obligations on the financial asset under the terms of the contract.

The Group is exposed to credit risk mainly in relation to accounts receivable and cash invested in fixed-term deposits in Russian credit institutions. The Group's bank also performs crediting of legal entities and natural persons.

To mitigate such risk, the Group created the system of regular integrated assessment of counterparties' paying capacity on the basis of qualitative and quantitative criteria, which monitors their credit history and financial position. To secure payback, the Group uses bank guarantees and applies the letter of credit payment method for settlement of payments with suppliers and contractors.

The Group has a well-reasoned approach to financial resources management and avoids excessive concentration of credit risk. At the same time the Group invests its free cash in the largest highly reliable Russian credit institutions. To mitigate this risk, the Group has its own formalised method of estimation of the financial position of banks which makes allowance for the portfolio credit quality, structure and dynamics of assets, liquidity, efficiency of activity and other indicators confirming sound position of a credit institution. The Group monitors the financial position of counterparties' banks during the whole maturity period for its cash placement.

The carrying amount of financial assets is the maximum degree of credit risk.

Cash and cash equivalents. Cash and cash equivalents are placed into major banks with credit ratings given by the international agencies. The balances on all settlement accounts and short-term bank deposits with original maturity under contract less than three months are not overdue and not impaired.

As of 31 December 2015, RUB 5,469 million or 47% of cash is placed at current (correspondent) accounts with one bank with BBB+ international rating. As of 31 December 2014, RUB 1,211 million or 30% of cash at current (correspondent) accounts was placed with the Central Bank of the Russian Federation.

As of 31 December 2015, RUB 32,121 million or 35% of deposits with original maturity under contract less than 3 months was placed with one bank with BB+ international rating. As of 31 December 2014, RUB 7,541 million or 35% of deposits with original maturity under contract less than 3 months was placed with one bank with BBB- international rating.

Analysis of credit quality of the banks used by the Group to allocate cash and cash equivalents based on external credit ratings assigned to the banks at the reporting date is presented in the table below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with classifications of Standard & Poor's:

	As of 31 December 2015	As of 31 December 2014
Cash in hand	2,103	2,395
Central bank of the Russian Federation	3,711	8,751
<i>Commercial banks:</i>		
Rating from A- to A+ (S&P)	133	418
Rating from BBB- to BBB+ (S&P, Fitch)	26,255	13,732
Rating from BB- to BB+ (S&P, Moody's, Fitch)	73,020	1,777
Rating from B- to B+ (S&P)	441	746
No rating	33	100
Total cash and cash equivalents	105,696	27,919

Deposits placed. The Group avoids excessive concentration of credit risk while placing the temporarily free cash in deposits with the banks. The Group has developed the methodology for the assessment of the financial position of the banks that includes the analysis of the following criteria: the financial performance, the portfolio credit quality, the compliance of the norms with the accepted standards, the structure of the capital, other financial, non-financial, qualitative and quantitative indicators describing the position of a credit institution. The Group monitors the financial position of counterparties' banks during the whole maturity period for its cash placement.

On the basis of this assessment the Group determines the reliability of the banks, where the deposits are placed, as high, and, therefore, the Group's Management considers that there are no impairment indicators of investments in deposits at the reporting date.

Deposits are placed with Russian largest banks.

The analysis of credit quality of the banks used by the Group to allocate deposits based on external credit ratings assigned to the banks at the reporting date is presented in the table below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with classifications of Standard & Poor's:

	As of 31 December 2015	As of 31 December 2014
Rating from BBB- to BBB+ (S&P)	-	942,174
Rating from BB- to BB+ (S&P, Moody's)	2,465,934	969,846
Rating from B- to B+ (S&P)	77	-
No rating	1,347	1,400
Total deposits placed	2,467,358	1,913,420

Receivables. While concluding a contract the Group evaluates the creditworthiness of buyers, their financial position and credit history. Afterwards, the Group is constantly controlling completeness and accuracy of settlements with counterparties.

The Group applies the letter of credit payment method to settle with debtors that substantially reduces credit risk. When advancing transactions, the Group uses bank guarantees to secure the payback.

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Analysis of receivables as of 31 December 2015 by the period of delay from the due date is given below:

	Amount receivable as of 31 December 2015	Amount of personal provision as of 31 December 2015	Amount receivable less provision as of 31 December 2015
Trade receivables			
not past due	48,927	(167)	48,760
up to 6 months	9	(1)	8
from 6 months to 1 year	2	(2)	-
more than 1 year	5,340	(2)	5,338
Total trade receivables	54,278	(172)	54,106
Other receivables			
not past due	5,916	(12)	5,904
up to 6 months	54	(33)	21
from 6 months to 1 year	12	(6)	6
more than 1 year	374	(340)	34
Total other receivables	6,356	(391)	5,965

Analysis of receivables as of 31 December 2014 by the period of delay from the due date is given below:

	Amount receivable as of 31 December 2014	Amount of personal provision as of 31 December 2014	Amount receivable less provision as of 31 December 2014
Trade receivables			
not past due	47,396	(168)	47,228
up to 6 months	12	-	12
from 6 months to 1 year	4,114	-	4,114
more than 1 year	26	(26)	-
Total trade receivables	51,548	(194)	51,354
Other receivables			
not past due	9,780	(4)	9,776
up to 6 months	26	(26)	-
from 6 months to 1 year	2	(2)	-
more than 1 year	389	(389)	-
Total other receivables	10,197	(421)	9,776

As of 31 December 2015, trade receivables in the amount of RUB 48,760 million (as of 31 December 2014 – RUB 47,228 million) are not overdue or impaired. The greater part of these receivables is mainly formed by trade receivables due from large Russian and foreign buyers of crude and oil products.

The redemption of the receivables can be influenced by economic factors, but the Management believes that there is no significant risk of loss to the Group exceeding the formed provision for the impairment of receivables.

Receivables are distributed geographically as follows:

	As of 31 December 2015	As of 31 December 2014
Europe	36,880	39,032
Russia	13,405	14,309
Asia	9,786	7,789
Total	60,071	61,130

Loans granted. Short-term and long-term loans granted are represented by credits of the Group’s bank and other loans. Credit risk management of the loan portfolio, granted by the Group’s bank, is carried out by way of the volume limitation of credit operations as well as portfolio diversification according to the sectors and regions, the change of the amount and kind of the collateral, reservation as provided by the internal regulatory documents and the development of the optimal conditions for restructuring loans.

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Credit and loan analysis by credit quality is presented below:

	As of 31 December 2015	As of 31 December 2014
Due and unimpaired credits and loans:		
Borrowers with a credit history less than 1 year	8,283	18,248
Borrowers with a credit history between 1 and 3 years	17,108	16,783
Borrowers with a credit history more than 3 years	10,974	6,497
Overdue and/or impaired credits and loans:		
Payment without delay	12,178	2,772
Overdue for less than 30 days	169	156
Overdue between 30 and 360 days	493	248
Overdue more than 360 days	3,331	3,631
Total credits and loans before impairment	52,536	48,335

Overdue credits are supported by the collateral the fair value of which, as of 31 December 2015, equalled RUB 1,557 million (as of 31 December 2014 – RUB 1,010 million).

Interest credit cost by currency is presented below:

	As of 31 December 2015	As of 31 December 2014
Rubles	13.73%	12.82%
US Dollars	4.89%	5.68%

Other financial assets. Short-term and long-term financial assets are represented by financial assets at fair value through profit and loss, available-for-sale financial assets and held-to-maturity investments.

Information on credit risk concerning financial assets at fair value through profit and loss is given below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

	As of 31 December 2015	As of 31 December 2014
Government bonds	97	217
Subfederal and municipal bonds		
rating from B and higher (S&P)	82	2
Russian banks		
rating from BBB- to BBB+ (S&P)	-	18
rating from B- to BB+ (S&P)	63	-
Russian companies		
rating from BBB- to BBB+ (S&P)	80	162
rating from B- to BB+ (S&P)	167	143
no rating	1	1
Total financial assets at fair value through profit and loss	490	543

Information on credit risk concerning available-for-sale financial assets is presented below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

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	As of 31 December 2015	As of 31 December 2014
Government, subfederal and municipal bonds	4,430	646
Russian banks		
rating from BBB- to BBB+ (S&P)	115	2,604
rating from B- to BB+ (S&P, Moody's)	2,040	3
no rating	1,067	1,067
Foreign companies without rating	4,218	4,218
Russian companies		
rating from BBB- to BBB+ (S&P)	945	434
rating from B- to BB+ (S&P, Moody's, Fitch)	3,024	29
no rating	206	206
Total financial assets available-for-sale	16,045	9,207

In 2015 and 2014, no impairment of available-for-sale financial assets has been identified.

Information on credit risk on held-to-maturity investments is presented below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

	As of 31 December 2015	As of 31 December 2014
Government, subfederal and municipal bonds	1,656	3,097
Russian companies		
rating from BBB- to BBB+ (S&P)	102	827
no rating	-	286
Total investments held-to-maturity	1,758	4,210

Information on the amount of impairment provision of held-to-maturity investments is presented in Note 18.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in fulfilling financial liabilities which are to be settled by cash or financial assets. Financial liabilities of the Group are short-term accounts payable and other financial liabilities.

Liquidity risk for the Group is minimal because the Group keeps the necessary amount of liquid assets to meet its liabilities. Drafting well-balanced plans of cash flow allows to keep necessary liquidity level of the Group. Periods to maturity of the Group and to the Group, the use of offset, the letter of credit payment method and bank guarantees are taken into account while planning. Taking into consideration high volatility in the markets, the Group adjusts plans for the future periods from a week to a year. In addition, due to sufficient volume of assets the Group has access to credit assets which can be used for supporting liquidity if necessary.

Information about the maturity of the financial liabilities of the Group in accordance with the contract dates remained to maturity dates is presented below. The sums show contractual undiscounted cash flows with future interest payments taken into consideration:

As of 31 December 2015	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Financial part of the accounts payable	24,476	-	-	-	24,476
Other financial liabilities	79,149	4,427	162	-	83,738
Other liabilities	-	920	-	-	920
Total financial liabilities	103,625	5,347	162	-	109,134

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As of 31 December 2014	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Financial part of the accounts payable	18,661	-	-	-	18,661
Other financial liabilities	39,736	14,073	140	-	53,949
Other liabilities	140	212	237	-	589
Total financial liabilities	58,537	14,285	377	-	73,199

Market risk

Market risk is the risk that changes of currency rates, interest rates or commodity and service prices will have a negative effect on assessment of financial assets, financial liabilities and future cash flows of the Group. The Group's Management has developed the policies and guides used for market risk management.

(a) Currency risk

Currency risk is significant to the Group and can influence financial and production results of its activities. Significant part of the Group's revenue is formed by products export sales. Financial assets of the Group are placed in deposits mostly in US Dollars. Accordingly, changes of exchange rate of ruble to foreign currencies may worsen financial performance of the Group's activities.

The Group takes into account risks of exchange rate changes, estimates their possible influence on the key indicators of the Group's economic efficiency, determines parameters and scheme of placing financial reserves and performs current cash flow planning.

The Group regularly analyses the volatility of exchange rates, their influence on financial results of the Group, sensitivity of financial and business activity indicators to initial parameters and conducts relevant stress tests. The results of this work are considered by the Management when forming mid-term and short-term plans. However, due to existent internal reserves the Group has an opportunity to maintain the stable production process for the period of foreign currency fluctuations without debt financing.

The carrying amounts of the Group's financial instruments, as of 31 December 2015, denominated in the following currencies are presented below:

As of 31 December 2015				
Assets	Ruble	US Dollar	Euro	Total
Cash and cash equivalents	51,250	52,841	1,605	105,696
Restricted cash	754	-	-	754
Deposits placed	4,084	2,463,262	12	2,467,358
Financial assets at fair value through profit and loss	490	-	-	490
Financial assets available-for-sale	10,230	5,250	565	16,045
Investments held-to-maturity	1,678	-	80	1,758
Receivables	13,021	46,850	200	60,071
Loans granted	42,856	2,038	-	44,894
Total financial assets	124,363	2,570,241	2,462	2,697,066
Liabilities				
Financial part of the accounts payable	19,049	5,010	417	24,476
Other financial liabilities	78,507	3,806	1,113	83,426
Other liabilities	733	-	-	733
Total financial liabilities	98,289	8,816	1,530	108,635

As of 31 December 2015, if the ruble had weakened by 20% against the US dollar with all the variables held constant, pre-tax profit would have increased by about RUB 512,285 million. The effect of a corresponding strengthening of the Russian ruble against the US dollar is approximately equal and opposite.

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The carrying amounts of the Group's financial instruments, as of 31 December 2014, denominated in the following currencies are presented below:

As of 31 December 2014

Assets	Ruble	US Dollar	Euro	Total
Cash and cash equivalents	26,398	817	704	27,919
Restricted cash	730	-	-	730
Deposits placed	4,192	1,909,222	6	1,913,420
Financial assets at fair value through profit and loss	399	144	-	543
Financial assets available-for-sale	7,462	1,519	226	9,207
Investments held-to-maturity	1,901	2,240	69	4,210
Receivables	7,254	52,441	1,435	61,130
Loans granted	40,748	2,614	-	43,362
Total financial assets	89,084	1,968,997	2,440	2,060,521
Liabilities				
Financial part of the accounts payable	15,988	1,398	1,275	18,661
Other financial liabilities	45,845	4,064	960	50,869
Other liabilities	480	-	-	480
Total financial liabilities	62,313	5,462	2,235	70,010

As of 31 December 2014, if the ruble had weakened by 20% against the US dollar with all the variables held constant, pre-tax profit would have increased by about RUB 392,707 million. The effect of a corresponding strengthening of the Russian ruble against the US dollar is approximately equal and opposite.

(b) Interest rate risk

Interest rate risk has a limited effect on the Group's activities because the Group finances capital and operational expenditures with its own cash sources without debt financing. At the same time, the Group considers interest rate risk when placing financial assets, analyses term structure and level of interest rates in the money and capital markets, opens deposit accounts with fixed rate.

Information on interest rate ranges (annual) used to allocate financial assets sensitive to changes in interest rates is presented below:

Cash and cash equivalents

	As of 31 December 2015	As of 31 December 2014
Cash at current and correspondent accounts:		
US Dollars	0.01% - 1.00%	0.03% - 1.00%
Euro	0.00% - 1.75%	0.75% - 1.75%
Rubles	0.00% - 7.20%	1.00% - 4.00%
Deposits with original maturity under contract less than 3 months:		
US Dollars	0.47% - 0.70%	-
Rubles	4.10% - 11.35%	9.01% - 29.11%

	As of 31 December 2015	As of 31 December 2014
Deposits placed		
US Dollars	0.57% - 8.37%	0.75% - 6.55%
Euro	0.26%	0.20%
Rubles	7.50% - 14.57%	7.25% - 21.88%

(c) Commodity price risk

Significant decline of hydrocarbons prices may have the greatest influence on production and financial performance of the Group's activities, development plans in mid and long term and is the most substantial risk.

Hydrocarbons prices depend on a vast number of factors directly connected with oil and gas industry as well as those indirectly determining the conjuncture of the market. Hydrocarbons prices are also influenced by the balance between demand and supply in the global and regional markets, data on the reserves of oil and oil products, the level of investments and the development rate of hard-to-recover oil and gas reserves. Besides, prices are set on the basis of the expected growth rate of global economy, including countries being the largest consumers of hydrocarbons, the forecast of the balance of main energy sources consumption, geopolitical situation in resource-producing regions, dynamics of the development of alternative energy sources and availability to use new technologies.

The Group has no possibility to influence the pricing factors in the market of oil, gas and their products. The Group closely monitors trends which may influence the hydrocarbons prices to estimate and plan investments in live and new projects in the sphere of production and refining, determine prospective directions of finished goods sales and develops measures on operating expenditures reduction.

Pricing mechanism in the Group is based on the market factors which suggest a stable, regular and cost-beneficial demand fulfilment as well as nondiscriminatory and equal contract terms, the pricing procedure unified for all the buyers groups, inadmissibility of price making or changing that is not conditioned by objective economic factors.

As of 31 December 2015, if the average oil and refined products prices related to the export market had weakened or strengthened by 20% with all other variables held constant, pre-tax profit for 12 months of 2015 would have been lower or higher by RUB 144,848 million respectively.

As of 31 December 2014, if the average oil and refined products prices related to the export market had weakened or strengthened by 20% with all other variables held constant, pre-tax profit for 12 months of 2014 would have been lower or higher by RUB 115,472 million respectively.

Capital risk management

The Group's capital management seeks to continue as a going concern and to maximise the profit in the foreseeable future.

The Management considers equity and debt to be the principal elements of capital management. The Group's objective when managing capital risks is the ability to continue as a going concern in order to provide returns and benefits for shareholders. As of 31 December 2015, the total capital under the management of the Group was RUB 3,665,865 million (as of 31 December 2014 – RUB 2,959,748 million).

The Group finances its operations mainly from its own funds.

33 Fair value of assets and liabilities

Fair value measurements are analysed and distributed by levels in the fair value hierarchy as follows: (a) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 measurements are valuations techniques with all significant inputs observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. calculated on the basis of the price); and (c) Level 3 measurements are valuations not based only on observable market data (i.e. a significant amount of unobservable data is required for assessment).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the financial reporting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the hierarchy of the fair value measurement for financial instruments recorded at fair value are given below:

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As of 31 December 2015	Quoted prices in active markets (Level 1)	Valuation technique based on observable data (Level 2)	Valuation technique based on a significant amount of non-observable data (Level 3)
Financial assets at fair value through profit and loss	489	-	1
Financial assets available-for-sale	10,553	-	5,492
Total financial assets measured at fair value on a recurring basis	11,042	-	5,493
As of 31 December 2014	Quoted prices in active markets (Level 1)	Valuation technique based on observable data (Level 2)	Valuation technique based on a significant amount of non-observable data (Level 3)
Financial assets at fair value through profit and loss	542	-	1
Financial assets available-for-sale	3,715	-	5,492
Total financial assets measured at fair value on a recurring basis	4,257	-	5,493

As of 31 December 2015 and 2014, the Group has no liabilities recurring fair value measurements in the consolidated statement of financial position.

The estimated fair value of a financial instrument is determined by the Group with reference to available market information (if any) and other valuation techniques as considered appropriate. The Management has used all available market information in estimating the fair value of financial instruments.

Valuation techniques such as discounted cash flow models and also models based on recent arm's length transactions or consideration of financial data of the investees are used to measure the fair value of certain financial instruments for which external market pricing information is not available.

Equity instruments which have no market quotation possess significant discrepancy between possible estimated fair values, and it is difficult to determine for certain the probability of applying this or that type of fair value estimation are accounted by their historical cost.

Within 2015 and 2014, there were no changes in valuation technique for Level 3 recurring fair value measurements.

(b) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The comparison of the fair value and carrying amount of deposits and held-to-maturity investments is presented below. The carrying amount of the remaining financial assets is approximately equal to their fair value.

	As of 31 December 2015		As of 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits placed	2,467,358	2,460,605	1,913,420	1,848,016
Investments held-to-maturity	1,758	1,765	4,210	4,139

The carrying amount of liabilities carried at amortised cost is approximately equal to their fair value.

Financial assets carried at amortised cost. The estimated fair value of instruments with the fixed interest rate is based on discounting of expected cash flows coupled with applying interest rates to new instruments with similar credit risk and maturity. The discount rate used depends on the credit risk of the

OJSC "Surgutneftegas"**Notes to the consolidated financial statements***(in millions of Russian rubles, unless otherwise stated)*

counterparty. The fair value of held-to-maturity investments has been determined by quotations of the demand.

Financial assets by evaluation categories are shown below:

As of 31 December 2015	Loans and receivables	Assets available-for- sale	Assets at fair value through profit or loss	Investments held-to-maturity	Total
Cash and cash equivalents	105,696	-	-	-	105,696
Restricted cash	754	-	-	-	754
Deposits placed	2,467,358	-	-	-	2,467,358
Loans granted	44,894	-	-	-	44,894
Other financial assets	-	16,045	490	1,758	18,293
Receivables	60,071	-	-	-	60,071
Total financial assets	2,678,773	16,045	490	1,758	2,697,066

As of 31 December 2014	Loans and receivables	Assets available-for- sale	Assets at fair value through profit or loss	Investments held-to-maturity	Total
Cash and cash equivalents	27,919	-	-	-	27,919
Restricted cash	730	-	-	-	730
Deposits placed	1,913,420	-	-	-	1,913,420
Loans granted	43,362	-	-	-	43,362
Other financial assets	-	9,207	543	4,210	13,960
Receivables	61,130	-	-	-	61,130
Total financial assets	2,046,561	9,207	543	4,210	2,060,521

Liabilities recorded at amortised cost

All financial liabilities of the Group are recognised at amortised cost. Financial liabilities are mainly funds of the Group's bank customers, current accounts payable to suppliers and contractors and other accounts payable.

The fair value of liabilities is determined by valuation techniques. The estimated fair value of instruments with the fixed interest rate and fixed maturity period is based on expected discounted cash flows coupled with applying interest rates to new instruments with similar credit risk and maturity.

34 Subsequent events

Significant events, which have influenced or may influence the financial performance, the cash flow or operating results of the Group, did not take place in the period between the reporting date and the date these consolidated financial statements of the Group were issued.

Independent auditor's report

To the Shareholders of
Open Joint Stock Company "Surgutneftegas"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Surgutneftegas" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit.

We conducted our audit in accordance with Federal Standards of Auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Rosexpertiza LLC
29 April 2016

General director

Qualification Certificate in General Audit No. K 008734 of 24.10.1994, issued without limitation of the period of validity.
The Main Registration Number in Register of Individual Auditors and Audit Organizations is 29405012883, a member of "NP Russian Collegium of Auditors" a self-regulating organization of auditors in accordance with decision by RCA Board of 29.06.2000. Certificate No. 758


Kozlov A.V.**Deputy of General director**

Auditor's qualification certificate with No. 05-000126 on the basis of self-regulatory organization decision of "NP Russian Collegium of Auditors" Decision No. 20 of 22.06.2012 ORNZ 20205019596, a member of "NP Russian Collegium of Auditors" a self-regulating organization of auditors in accordance with decision by RCA Board of 12.11.2009. Certificate No. 3453

**Botekhin V.V.****Details of the audited entity**

Name: Open Joint Stock Company "Surgutneftegas"

Information about the State Register of Legal Entities Concerning a Legal Entity: 1028600584540.

Address: Russian Federation, 628415, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Surgut, ul. Grigoriya Kukuyevitskogo, 1, bld. 1

Details of the auditor

Name: Rosexpertiza LLC

State registration certificate № 183.142, issued by the Moscow Registration Bureau on 23 September 1993.

Main State Registration Number 1027739273946.

Certificate of membership in self-regulatory organization of auditors Non-Profit Partnership «Russian Collegium of Auditors» № 362-ю, main registration number 10205006556.

Legal address: Russian Federation, 107078, Moscow, Mashkova street, 34.