Rosexpertiza

Rosexpertiza LLC

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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.

Rosexpertiza

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.

Rosexperiza LLC
29 April 2016

General director **Kozlov A.V.**

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

Deputy of General director **Potekhin V.V.**

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

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, Mashi Poryvaevoy street, 34.

OJSC “SURGUTNEFTEGAS”

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

31 December 2015

Contents

(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

(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

The accompanying notes are an integral part of these consolidated financial statements.

(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**

(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.

(in millions of Russian rubles, unless otherwise stated)

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 (%)**
Oil and gas exploration and production			
OJSC "Surgutneftegas"	Oil and gas exploration and production	Parent company	Parent company
Oil refining			
LLC "KINEF"	Oil refining	100%	100%
Oil products sale			
LLC "Novgorodnefteproduct"	Oil products sale	100%	100%
LLC "Pskovnefteproduct"	Oil products sale	100%	100%
LLC "Kaliningradnefteproduct"	Oil products sale	100%	100%

(in millions of Russian rubles, unless otherwise stated)

LLC "MA "Tvernefteproduct"	Oil products sale	100%	100%
LLC "KIRISHIAVTOSERVIS"	Oil products sale	100%	100%
Other companies			
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.

(in millions of Russian rubles, unless otherwise stated)

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**
revenues from crude sales	501,271	-	-	-	501,271
revenues from oil products sales	-	223,160	-	-	223,160
revenues from gas products sales	-	-	-	-	-
other sales	-	-	-	-	-
Domestic market, including:	**168,911**	**184,654**	**3,275**	**(78,666)**	**278,174**
revenues from crude sales	144,996	-	-	(15,638)	129,358
revenues from oil products sales	-	173,535	-	(61,299)	112,236
revenues from gas and gas products sales	15,494	5,751	-	(6)	21,239
sale of other products and finished goods	2,846	3,897	1,516	(625)	7,634
other sales	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**

(in millions of Russian rubles, unless otherwise stated)

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**
revenues from crude sales	386,434	-	-	-	386,434
revenues from oil products sales	-	189,628	-	-	189,628
revenues from gas products sales	-	176	-	-	176
other sales	-	-	-	-	-
Domestic market, including:	**174,610**	**208,803**	**3,784**	**(72,861)**	**314,336**
revenues from crude sales	152,287	-	-	(13,408)	138,879
revenues from oil products sales	-	195,879	-	(57,793)	138,086
revenues from gas and gas products sales	14,564	7,405	-	(7)	21,962
sale of other products and finished goods	2,825	3,482	1,989	(716)	7,580
other sales	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**

(in millions of Russian rubles, unless otherwise stated)

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**

(in millions of Russian rubles, unless otherwise stated)

Placed cash represents short-term and long-terms 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.

(in millions of Russian rubles, unless otherwise stated)

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
impairment provision	(44)	(11)
Materials and supplies	56,933	42,650
impairment provision	(6,710)	(2,520)
Other reserves	6,222	7,646
impairment provision	(413)	(411)
Goods for resale	3,257	1,378
impairment provision	-	(5)
Work in progress	2,699	1,873
Gas and gas products	28	23
Total inventories	**75,844**	**65,446**

(in millions of Russian rubles, unless otherwise stated)

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).

(in millions of Russian rubles, unless otherwise stated)

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**

(in millions of Russian rubles, unless otherwise stated)

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).

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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

(in millions of Russian rubles, unless otherwise stated)

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%

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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

(in millions of Russian rubles, unless otherwise stated)

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**

(in millions of Russian rubles, unless otherwise stated)

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)**

(in millions of Russian rubles, unless otherwise stated)

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

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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
Commercial banks:		
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.

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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:

(in millions of Russian rubles, unless otherwise stated)

	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**

(in millions of Russian rubles, unless otherwise stated)

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.

(in millions of Russian rubles, unless otherwise stated)

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%

Deposits placed	**As of 31 December 2015**	**As of 31 December 2014**
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:

(in millions of Russian rubles, unless otherwise stated)

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 counterparty. The fair value of held-to-maturity investments has been determined by quotations of the demand.

(in millions of Russian rubles, unless otherwise stated)

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.

Rosexpertiza

Ref. 049-37/AZ-15

AUDIT REPORT

of independent audit company
Rosexpertiza LLC
for accounting (financial) statements of
OJSC “Surgutneftegas” for 2015

Rosexpertiza

To shareholders of Open Joint Stock Company “Surgutneftegas”

AUDIT REPORT
of independent audit company Rosexpertiza LLC
for accounting (financial) statements of OJSC “Surgutneftegas” for 2015

Audited entity:

- Name: Open Joint Stock Company “Surgutneftegas”
- State registration number: 1028600584540
- Location: ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug - Yugra, Tyumenskaya Oblast, Russian Federation, 628415.

Auditor:

- Name: Rosexpertiza Limited Liability Company.
- Certificate of state registration of Rosexpertiza LLC No. 183142 issued on September 23, 1993 by Moscow Registration Chamber.
- Certificate of Record of a legal entity registered prior to July 01, 2002 entered into the Uniform State Register of Legal Entities under main state registration number 1027739273946 on September 27, 2002.
- Location:
  - Legal address: ul.Mashi Poryvaevoy, 34, Moscow, Russian Federation, 107078
  - Mailing address: Tikhvinsky per., 7, building 3, Moscow, Russian Federation, 127055.
- A member of SROA (Self-Regulatory Organization of Auditors) “Nonprofit Partnership “Russian Collegium of Auditors” according to RCA Board decision dated April 23, 2007, Certificate No. 362-yu.
- Main registration number in the Auditors and Auditing Firms Register is 10205006556.

We have audited the accompanying accounting (financial) statements of OJSC “Surgutneftegas” consisting of the balance sheet as of December 31, 2015, income statement, statement of changes in equity, cash flow statement for 2015, and other appendices to the balance sheet and income statement.

These statements were prepared by the executive body of OJSC “Surgutneftegas” in accordance with Federal Law No. 402-FZ “On Accounting” dated December 06, 2011, “Accounting and Reporting Regulations 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 dated July 2, 2010 “Reporting Standards of Enterprises”.

Rosexpertiza

Responsibility of the audited entity for accounting (financial) statements

The management of the audited entity is responsible for preparation and accuracy of these accounting (financial) statements in compliance with the established rules for preparation of accounting (financial) statements and for the internal control system necessary to prepare accounting (financial) statements free of any material misstatements due to fraud or errors.

Auditor's responsibility

It is our responsibility to express, based on our audit, an opinion on the accuracy of these accounting (financial) statements.

We conducted our audit in accordance with:

- Federal Law No. 307-FZ dated December 30, 2008 "On Auditing Activity";
- Federal Rules (Standards) for Auditing Activity (Decree of the RF Government No. 696 dated September 23, 2002 as amended by Decrees of the RF Government No. 405 dated July 4, 2003, No. 532 dated October 7, 2004, No. 228 dated April 16, 2005, No. 523 dated August 25, 2006, No. 557 dated July 22, 2008, No. 863 dated November 19, 2008, No. 586 dated August 2, 2010, No. 30 dated January 27, 2011);
- Federal Standards of Auditing Activity (FSAA) (Orders of the Ministry of Finance of the Russian Federation No. 16n dated February 24, 2010, No. 46n dated May 20, 2010, No. 90n dated August 17, 2010, No. 99n dated August 16, 2011);
- Code of Professional Ethics for Auditors of Russia (approved by the Council for Auditing Activities on March 22, 2012, Minutes No. 4 (as amended by Minutes No. 9 dated June 27, 2013).

These standards require compliance with applicable ethical standards, as well as audit planning and performance, so as to obtain reasonable assurance about whether the accounting (financial) statements are free of material misstatements.

The audit included audit procedures to obtain audit evidence confirming numerical indicators in the accounting (financial) statements and disclosure of information in such statements. Selection of audit procedures is the subject of our judgment, which is based on assessment of material misstatement risk due to fraud or errors. In the course of assessment of this risk, we reviewed the internal control system that ensures preparation and accuracy of the accounting (financial) statements in order to select adequate audit procedures but not in order to express an opinion on efficiency of the internal control system.

The audit also included assessment of the proper nature of the applicable accounting policy and substantiation of estimates obtained by the management of the audited entity, as well as general evaluation of the accounting (financial) statements presentation.

We believe that audit evidence obtained in the course of the audit provides a reasonable basis for the opinion on accuracy of the accounting (financial) statements.

Opinion

In our opinion, the accounting (financial) statements of OJSC “Surgutneftegas” give a true and fair view of the state of the company’s financial standing as of December 31, 2015, the results of the company’s financial and business activity, and the cash flow for 2015 in accordance with the established rules for preparation of accounting (financial) statements.

Auditor A.M.Popov
Audit Director, Audit Services Department, Rosexpertiza LLC

Unified Auditor Qualification Certificate
No. 05-000323 dated February 08, 2013
issued for an unlimited period of time
Main registration number in the Register of Auditors and
Audit Organizations No. 29505019397
Member of Self-Regulatory Organization of Auditors
“Nonprofit Partnership “Russian Collegium of Auditors”
as per Resolution of the RCA Board dated August 14, 2009,
Certificate No. 3042

For management of Rosexpertiza LLC

Director General A.V.Kozlov

28 March 2016

Stamp

Balance Sheet
as of 31 December 2015

		Codes		
	Form by OKUD	0710001		
	Date (day, month, year)	31	12	2015
Company **OJSC “Surgutneftegas”**	by OKPO	05753490		
Taxpayer identification number	INN	8602060555		
Type of economic activity **oil production**	by OKVED	11.10.11		
Form of legal organization/form of ownership **open joint stock company/private property**	by OKOPF/OKFS	12247	16	
Unit of measure: **thousand RUB**	by OKEI	384		

Location (address) **628415, Russian Federation, Tyumenskaya Oblast**

Khanty-Mansiysky Autonomous Okrug – Yugra

Surgut, ul.Grigoriya Kukuyevitskogo 1, bld. 1

Notes	Indicator	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
	ASSETS				
	I. NON-CURRENT ASSETS				
3.1	Intangible assets	1110	548 352	515 101	440 909
3.2	R&D results	1120	213 665	160 404	138 515
3.3	Intangible prospecting assets	1130	36 423 674	73 240 752	70 051 419
	Tangible prospecting assets	1140	-	-	-
3.4	Fixed assets	1150	752 847 663	691 063 519	641 086 929
	including buildings, machinery, equipment, and other fixed assets, excluding land, objects of environmental management, and capital investments in progress	1151	676 370 601	627 944 689	589 652 193
3.4	Income yielding investments in tangible assets	1160	3 093 832	48 429	51 009
3.5	Financial investments	1170	2 007 179 799	1 280 457 334	707 816 723
	including other financial investments, excluding investments in organizations and loans granted	1171	1 866 481 918	1 154 646 709	588 536 763
3.10	Deferred tax assets	1180	26 166	32 313	45 016
	Other non-current assets	1190	59 369 781	14 125 572	12 718 149
	Total for Section I	1100	2 859 702 932	2 059 643 424	1 432 348 669
	II. CURRENT ASSETS				
3.6	Stocks	1210	81 154 030	81 425 788	68 279 281
	Value Added Tax on acquired valuables	1220	4 479 359	4 103 573	3 848 562
3.7	Accounts receivable	1230	206 168 244	180 790 266	161 489 569
3.5	Financial investments (excluding cash equivalents)	1240	479 972 123	658 014 455	408 139 542
	including other financial investments, excluding investments in organizations and loans granted	1241	479 972 123	651 832 161	402 139 542
3.8	Cash and cash equivalents	1250	72 125 809	30 922 038	29 017 245
	Other current assets	1260	877 956	1 989 624	2 003 481
	Total for Section II	1200	844 777 521	957 245 744	672 777 680
	BALANCE	**1600**	**3 704 480 453**	**3 016 889 168**	**2 105 126 349**

Notes	Indicator	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
	LIABILITIES				
	III. CAPITAL AND RESERVES				
3.9	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	490 607 359	482 261 224	477 878 998
	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	2 770 302 491	2 098 453 730	1 241 732 806
	Total for Section III	1300	3 503 363 827	2 823 168 931	1 962 065 781
	IV. LONG-TERM LIABILITIES				
	Borrowed funds	1410	-	-	-
3.10	Deferred tax liabilities	1420	70 670 532	65 034 039	54 699 539
	Estimated liabilities	1430	-	-	-
3.11	Other liabilities	1450	509 218	269 580	148 199
	Total for Section IV	1400	71 179 750	65 303 619	54 847 738
	V. SHORT-TERM LIABILITIES				
	Borrowed funds	1510	-	139 650	139 650
3.11	Accounts payable	1520	116 947 293	116 340 208	77 355 155
3.12	Deferred income	1530	314 861	516 885	716 490
3.13	Estimated liabilities	1540	12 203 314	10 715 949	9 675 073
	Other liabilities	1550	471 408	703 926	326 462
	Total for Section V	1500	129 936 876	128 416 618	88 212 830
	BALANCE	**1700**	**3 704 480 453**	**3 016 889 168**	**2 105 126 349**

First Deputy
Director General on Finance and Taxation
OJSC "Surgutneftegas"

_______________ (signature)   V.G.Barankov (printed name)

First Deputy Chief Accountant –
Head of Accounting and Reporting Division
OJSC "Surgutneftegas"

_______________ (signature)   P.V.Shevelev (printed name)

" 28 " March 2016

Income Statement
for 2015

	Codes
Form by OKUD	0710002
Date (day, month, year)	31 / 12 / 2015
Company **OJSC "Surgutneftegas"** by OKPO	05753490
Taxpayer identification number INN	8602060555
Type of economic activity **oil production** by OKVED	11.10.11
Form of legal organization/form of ownership **open joint stock company/private property** by OKOPF/OKFS	12247 / 16
Unit of measure: **thousand RUB** by OKEI	384

Notes	Indicator	Code	For January - December 2015	For January - December 2014
1	2	3	4	5
5.1	Revenue	2110	978 204 539	862 599 616
5.1	Cost of sales	2120	(664 341 334)	(621 309 902)
	Gross profit (loss)	2100	313 863 205	241 289 714
	Selling expenses	2210	(79 717 110)	(64 439 756)
	Management expenses	2220	-	-
	Sales profit (loss)	**2200**	**234 146 095**	**176 849 958**
	Income from participation in other organizations	2310	937 405	2 344 365
	Interest receivable	2320	99 858 474	62 497 864
	Interest payable	2330	(3 532)	(14)
5.2	Other income	2340	2 365 388 199	2 074 386 978
5.2	Other expenses	2350	(1 797 792 219)	(1 247 942 885)
	Profit (loss) before tax	**2300**	**902 534 422**	**1 068 136 266**
	Current profit tax	2410	(148 008 814)	(171 419 959)
3.10	including permanent tax liabilities (assets)	2421	3 942 640	4 740 150
3.10	Change in deferred tax liabilities	2430	(5 636 493)	(10 334 500)
3.10	Change in deferred tax assets	2450	(6 147)	(12 703)
	Other	2460	239 673	18 486
	Reallocation of profit tax within the consolidated group of taxpayers	2465	2 232 656	5 291 819
	Net profit (loss)	**2400**	**751 355 297**	**891 679 409**

Notes	Indicator	Code	For January - December 2015	For January - December 2014
1	2	3	4	5
	Results of revaluation of non-current assets not included in net profit (loss) of the period	2510	15 099 475	8 921 991
	Results of other operations not included in net profit (loss) of the period	2520	-	-
	For reference only **Comprehensive income of the period**	**2500**	**766 454 772**	**900 601 400**
5.3	Base profit (loss) per share	2900		
	Diluted profit (loss) per share	2910		

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(signature) (printed name)

First Deputy Chief Accountant –
Head of Accounting and Reporting Division
OJSC "Surgutneftegas" ____________ P.V.Shevelev

(signature) (printed name)

" 28 " March 2016

Statement of Changes in Equity
for 2015

	Codes
Form by OKUD	0710003
Date (day, month, year)	31.12.2015
by OKPO	05753490
INN	8602060555
by OKVED	11.10.11
by OKOPF/OKFS	12247 / 16
by OKEI	384

Company **OJSC “Surgutneftegas”**

Taxpayer identification number

Type of economic activity **oil production**

Form of legal organization/form of ownership
open joint stock company/private property

Unit of measure: **thousand RUB**

1. Capital flow

Indicator	Code	Charter capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained profit (uncovered loss)	Total
Capital as of 31 December 2013	**3100**	**43 427 993**	**-**	**670 390 784**	**6 514 198**	**1 241 732 806**	**1 962 065 781**
In 2014 **Increase in capital – total:**	**3210**	-	-	11 888 754	-	896 333 237	908 221 991
including: net profit	3211	x	x	x	x	891 679 409	891 679 409
revaluation of property	3212	x	x	11 888 754	x	-	11 888 754
income allocated directly to increase in capital	3213	x	x	-	x	4 653 828	4 653 828
additional issue of shares	3214	-	-	-	x	x	-
increase in par value of shares	3215	-	-	-	x	-	x
reorganization of a legal entity	3216	-	-	-	-	-	-

Decrease in capital – total:	**3220**	**-**	**-**	(7 506 528)	-	(39 612 313)	(47 118 841)
including: loss	3221	x	x	x	x	-	-
revaluation of property	3222	x	x	(2 966 763)	x	-	(2 966 763)
expenses allocated directly to decrease in capital	3223	x	x	(4 539 765)	x	-	(4 539 765)
decrease in par value of shares	3224	-	-	-	x	-	-
decrease in the number of shares	3225	-	-	-	x	-	-
reorganization of a legal entity	3226	-	-	-	-	-	-
dividends	3227	x	x	x	x	(39 612 313)	(39 612 313)
Change in additional capital	**3230**	x	x	-	-	-	x
Change in reserve capital	**3240**	x	x	x	-	-	x
Capital as of 31 December 2014	**3200**	**43 427 993**	**-**	**674 773 010**	**6 514 198**	**2 098 453 730**	**2 823 168 931**
In 2015 **Increase in capital – total:**	**3310**	-	-	16 871 824	-	758 304 063	775 175 887
including: net profit	3311	x	x	x	x	751 355 297	751 355 297
revaluation of property	3312	x	x	16 871 824	x	-	16 871 824
income allocated directly to increase in capital	3313	x	x	-	x	6 948 766	6 948 766
additional issue of shares	3314	-	-	-	x	x	-
increase in par value of shares	3315	-	-	-	x	-	x
reorganization of a legal entity	3316	-	-	-	-	-	-
Decrease in capital – total:	**3320**	**-**	**-**	(8 525 689)	-	(86 455 302)	(94 980 991)
including: loss	3321	x	x	x	x	-	-
revaluation of property	3322	x	x	(1 772 349)	x	-	(1 772 349)
expenses allocated directly to decrease in capital	3323	x	x	(6 753 340)	x	-	(6 753 340)
decrease in par value of shares	3324	-	-	-	x	-	-
decrease in the number of shares	3325	-	-	-	x	-	-
reorganization of a legal entity	3326	-	-	-	-	-	-
dividends	3327	x	x	x	x	(86 455 302)	(86 455 302)
Change in additional capital	**3330**	x	x	-	-	-	x
Change in reserve capital	**3340**	x	x	x	-	-	x
Capital as of 31 December 2015	**3300**	**43 427 993**	**-**	**683 119 145**	**6 514 198**	**2 770 302 491**	**3 503 363 827**

2. Adjustments due to changes in the accounting policy and error correction

Indicator	code	As of 31.12.2013	Changes in capital for 2014		As of 31.12.2014
			due to net profit (loss)	due to other factors	
Capital – total prior to adjustments	**3400**	-	-	-	-
adjustment due to: changes in the accounting policy	3410	-	-	-	-
error correction	3420	-	-	-	-
after adjustments	3500	-	-	-	-
including: retained profit (uncovered loss): prior to adjustments	3401	-	-	-	-
adjustment due to: changes in the accounting policy	3411	-	-	-	-
error correction	3421	-	-	-	-
after adjustments	3501	-	-	-	-
other adjusted capital items: (by items) prior to adjustments	3402	-	-	-	-
adjustment due to: changes in the accounting policy	3412	-	-	-	-
error correction	3422	-	-	-	-
after adjustments	3502	-	-	-	-

3. Net assets

Indicator	Code	As of 31.12.2015	As of 31.12.2014	As of 31.12.2013
Net assets	3600	3 503 678 688	2 823 685 816	1 962 782 271

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OJSC “Surgutneftegas”

(signature) P.V.Shevelev (printed name)

28 March 2016

Cash Flow Statement

for 2015

	Codes		
Form by OKUD	0710004		
Date (day, month, year)	31	12	2015
by OKPO	05753490		
INN	8602060555		
by OKVED	11.10.11		
by OKOPF/OKFS	12247	16	
by OKEI	384		

Company **OJSC "Surgutneftegas"**

Taxpayer identification number

Type of economic activity: **oil production**

Form of legal organization/form of ownership

open joint stock company/private property

Unit of measure: **thousand RUB**

Indicator	Code	For 2015	For 2014
Cash flow from operations **Proceeds – total**	**4110**	**1 012 242 620**	**934 073 040**
including: from sale of goods, products, works and services	4111	1 002 174 181	926 358 586
lease payments, license payments, royalty, commission, and other similar payments	4112	722 407	773 314
from resale of financial investments	4113	-	-
other proceeds	4119	9 346 032	6 941 140
Payments – total	**4120**	**(927 169 139)**	**(855 621 867)**
including: to suppliers (contractors) for raw materials, supplies, works and services	4121	(267 552 867)	(251 723 264)
due as remuneration of employees' labor	4122	(97 918 164)	(91 706 668)
debenture interest	4123	(64)	-
corporate profit tax	4124	(150 956 055)	(125 577 491)
taxes and charges (excl. profit tax)	4125	(398 276 004)	(370 166 037)
other payments	4129	(12 465 985)	(16 448 407)
Cash flow balance from operations	**4100**	**85 073 481**	**78 451 173**
Cash flow from investing **Proceeds – total**	**4210**	**106 846 994**	**65 809 432**
from sale of non-current assets (excl. financial investments)	4211	328 588	280 025
from sale of shares of (interest in) other organizations	4212	548	-
from repayment of loans granted and sale of debt securities (cash receivables from other persons)	4213	182 294	1 632 000
dividends, interest on financial debt investments, and similar proceeds from interest in other organizations	4214	106 237 150	63 776 383
other proceeds	4219	98 414	121 024

Indicator	Code	For 2015	For 2014
Payments – total	**4220**	**(69 966 436)**	**(119 933 167)**
including: due to acquisition, formation, modernization, reconstruction, and preparation of non-current assets for use	4221	(56 649 649)	(46 155 659)
due to acquisition of shares of (interest in) other organizations	4222	-	(183)
due to acquisition of debt securities (cash receivables from other persons) and loans granted to other persons	4223	(12 495 496)	(8 345 058)
debenture interest to be included in the cost of investment assets	4224	-	-
other payments	4229	(821 291)	(65 432 267)
Cash flow balance from investing	**4200**	**36 880 558**	**(54 123 735)**
Cash flow from financing **Proceeds – total**	**4310**	**-**	**-**
including: borrowings and loans received	4311	-	-
cash deposits by owners (members)	4312	-	-
from issue of shares and increase in interest	4313	-	-
from issue of bonds, bills of exchange, other debt securities, etc.	4314	-	-
other proceeds	4319	-	-
Payments – total	**4320**	**(82 190 388)**	**(37 719 308)**
including: to owners (members) due to repurchase of their shares of (interest in) the organization or cessation of their membership	4321	-	-
for payment of dividends and other payments related to distribution of profit among owners (members)	4322	(82 050 738)	(37 719 308)
due to payment (buyback) of bills of exchange and other debt securities and repayment of borrowings and loans	4323	(139 650)	-
other payments	4329	-	-
Cash flow balance from financing	**4300**	**(82 190 388)**	**(37 719 308)**
Cash flow balance for the reporting period	**4400**	**39 763 651**	**(13 391 870)**
Balance of cash and cash equivalents at the beginning of the reporting period	**4450**	**30 922 010**	**29 017 138**
Balance of cash and cash equivalents at the end of the reporting period	**4500**	**72 125 763**	**30 922 010**
Effect of changes in the exchange rates of foreign currency to the Russian ruble	4490	1 440 102	15 296 742

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(signature) (printed name)

28 March 2016

Notes to the Balance Sheet
and the Income Statement of OJSC “Surgutneftegas” for 2015 (thous. RUB)
(table)

1. Intangible assets and expenses on research and development engineering (R&D)

1.1. Availability and flow of intangible assets

Indicator	Line code	Period	At year beginning		Changes during the period							At period end	
					received	retired		accrued depreciation	loss from devaluation	revaluation			
			historical cost	accumulated depreciation and loss from devaluation		historical cost	accumulated depreciation and loss from devaluation			historical cost	accumulated depreciation	historical cost	accumulated depreciation and loss from devaluation
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Intangible assets – total	**5100**	**for 2015**	**1 166 315**	**(695 057)**	**98 835**	**(19 270)**	**14 220**	**(94 735)**	**-**	**-**	**-**	**1 245 880**	**(775 572)**
	5110	for 2014	1 028 139	(617 875)	162 728	(24 552)	8 393	(85 575)	-	-	-	1 166 315	(695 057)
exclusive rights to invention, industrial prototype, utility model	**5101**	**for 2015**	**30 174**	**(8 443)**	**-**	**(6 566)**	**2 266**	**(6 434)**	**-**	**-**	**-**	**23 608**	**(12 611)**
	5111	for 2014	44 496	(12 268)	8 538	(22 860)	7 004	(3 179)	-	-	-	30 174	(8 443)
exclusive rights to computer programs and databases	**5102**	**for 2015**	**1 133 423**	**(686 358)**	**98 835**	**(11 954)**	**11 954**	**(88 108)**	**-**	**-**	**-**	**1 220 304**	**(762 512)**
	5112	for 2014	981 675	(605 544)	153 440	(1 692)	1 389	(82 203)	-	-	-	1 133 423	(686 358)
exclusive rights to trademarks and service marks	**5103**	**for 2015**	**2 664**	**(212)**		**(750)**	**-**	**(191)**	**-**	**-**	**-**	**1 914**	**(403)**
	5113	for 2014	1 914	(21)	750	-	-	(191)	-	-	-	2 664	(212)
other protected results of intellectual activities and individualization means	**5104**	**for 2015**	**54**	**(44)**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**54**	**(46)**
	5114	for 2014	54	(42)	-	-	-	(2)	-	-	-	54	(44)
goodwill	**5105**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	5115	for 2014	-	-	-	-	-	-	-	-	-	-	-

1.2. Historical cost of intangible assets created by the organization

Indicator	Line code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
Total	5120	**765 228**	**675 798**	**519 911**
including: exclusive rights to invention, industrial prototype, utility model	5121	452	438	433
exclusive rights to computer programs and databases	5122	764 776	675 360	519 478
exclusive rights to trademarks and service marks	5123	-	-	-
other protected results of intellectual property and individualization means	5124	-	-	-

1.3. Intangible assets with fully redeemed cost

Indicator	Line code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
Total	5130	**383 821**	**385 411**	**378 119**
including: exclusive rights to invention, industrial prototype, utility model	5131	23	28	1 694
exclusive rights to computer programs and databases	5132	376 431	376 436	366 879
exclusive rights to trademarks and service marks	5133	11	11	11
other protected results of intellectual property and individualization means	5134	7 356	8 936	9 535
goodwill	5135	-	-	-

1.4. Availability and flow of R&D results

Indicator	Code	Period	At year beginning		Changes during the period				At period end	
			historical cost	part of the cost written off to expenses	received	retired: historical cost	retired: part of the cost written off to expenses	part of the cost written off to expenses for the period	historical cost	part of the cost written off to expenses
1	2	3	4	5	6	7	8	9	10	11
R&D – total	**5140**	**for 2015**	**173 194**	**(103 426)**	**131 474**	**-**	**-**	**(71 691)**	**304 668**	**(175 117)**
	5150	for 2014	102 698	(76 232)	70 496	-	-	(27 194)	173 194	(103 426)

1.5. R&D in progress, non-finalized R&D, acquisition of intangible assets in progress

Indicator	Code	Period	At year beginning	Changes during the period			At period end
				expenses for the period	expenses written off as those with negative results	recorded as intangible assets or R&D	
1	2	3	4	5	6	7	8
Expenses on research and development in progress – total	**5160**	**for 2015**	**90 636**	**207 906**	**-**	**(214 428)**	**84 114**
	5170	for 2014	112 049	161 132	-	(182 545)	90 636
Acquisition of intangible assets in progress – total	**5180**	**for 2015**	**43 843**	**50 082**	**-**	**(15 881)**	**78 044**
	5190	for 2014	30 645	64 015	-	(50 817)	43 843

1.6. Intangible prospecting assets

Indicator	Code	Period	At year beginning	Changes during the period					At period end
				proceeds and costs for the period	retired			results of devaluation	
					costs to be written off when minerals production/licence acquisition is recognized as unpromising/ impractical	transferred to other non-current assets	other disposal		
1	2	3	4	5	6	7	8	9	10
Intangible prospecting assets – total	**5191**	**for 2015**	**73 240 752**	**14 062 334**	**(2 665 470)**	**(47 605 662)**	**(979 662)**	**371 382**	**36 423 674**
	5192	for 2014	70 051 419	15 084 712	(5 315 727)	(1 784 468)	(797 989)	(3 997 195)	73 240 752
including: licenses	**51910**	**for 2015**	**53 118 704**	**855 543**	**(21 684)**	**(46 200 258)**	**-**	**(1)**	**7 752 304**
	51920	for 2014	49 698 838	3 639 509	(38 190)	-	-	(181 453)	53 118 704
geological exploration	**51911**	**for 2015**	**4 593 061**	**2 668 274**	**(141 624)**	**(757 121)**	**-**	**371 383**	**6 733 973**
	51921	for 2014	2 589 792	2 812 350	(152 898)	(269 130)	-	(387 053)	4 593 061
construction of prospecting and exploration wells	**51912**	**for 2015**	**14 549 325**	**9 762 704**	**(2 502 162)**	**(648 283)**	**-**	**-**	**21 161 584**
	51922	for 2014	16 964 800	7 653 191	(5 124 639)	(1 515 338)	-	(3 428 689)	14 549 325
advances issued for construction of prospecting and exploration wells	**51913**	**for 2015**	**979 662**	**775 813**	**-**	**-**	**(979 662)**	**-**	**775 813**
	51923	for 2014	797 989	979 662	-	-	(797 989)	-	979 662

2. Fixed assets

2.1. Availability and flow of fixed assets

Indicator	Code	Period	At year beginning		Changes during the period						At period end	
			historical cost	accumulated depreciation	received	Items retired		accrued depreciation	revaluation		historical cost	accumulated depreciation
						historical cost	accumulated depreciation		historical cost	accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
Fixed assets (net of income yielding investments in tangible assets) – total	**5200**	**for 2015**	**2 633 947 455**	**(1 992 185 384)**	**167 695 075**	**(32 022 151)**	**30 800 179**	**(131 618 783)**	**65 843 654**	**(52 342 489)**	**2 835 464 033**	**(2 145 346 477)**
	5210	for 2014	2 441 340 039	(1 836 271 402)	156 793 091	(21 397 901)	20 583 799	(125 518 885)	57 212 226	(50 978 896)	2 633 947 455	(1 992 185 384)
including: land and objects of environmental management	**5201**	**for 2015**	**13 817 382**	**-**	**204 134**	**(90 848)**	**-**	**-**	**(183 713)**	**-**	**13 746 955**	**-**
	5211	for 2014	15 416 444	-	55 891	(2 402)	-	-	(1 652 551)	-	13 817 382	-
buildings	**5202**	**for 2015**	**194 258 986**	**(88 405 710)**	**5 681 342**	**(669 630)**	**505 015**	**(7 240 034)**	**9 840 057**	**(6 207 666)**	**209 110 755**	**(101 348 395)**
	5212	for 2014	183 126 220	(80 611 960)	10 349 572	(803 061)	538 660	(7 243 294)	1 586 255	(1 089 116)	194 258 986	(88 405 710)
structures and transfer mechanisms	**5203**	**for 2015**	**1 964 771 683**	**(1 538 702 192)**	**112 592 622**	**(16 390 671)**	**15 571 626**	**(88 354 151)**	**24 403 267**	**(18 335 355)**	**2 085 376 901**	**(1 629 820 072)**
	5213	for 2014	1 818 803 578	(1 421 322 114)	108 641 195	(3 856 790)	3 482 128	(85 077 651)	41 183 700	(35 784 555)	1 964 771 683	(1 538 702 192)
machinery and equipment	**5204**	**for 2015**	**413 589 547**	**(334 187 328)**	**45 045 946**	**(12 619 376)**	**12 496 598**	**(31 848 993)**	**29 981 760**	**(26 469 821)**	**475 997 877**	**(380 009 544)**
	5214	for 2014	379 108 544	(305 211 990)	33 535 392	(13 303 695)	13 175 444	(29 295 110)	14 249 306	(12 855 672)	413 589 547	(334 187 328)
vehicles	**5205**	**for 2015**	**43 591 343**	**(27 848 283)**	**3 793 750**	**(2 115 450)**	**2 092 890**	**(3 960 542)**	**1 741 351**	**(1 271 827)**	**47 010 994**	**(30 987 762)**
	5215	for 2014	41 092 961	(26 266 658)	4 052 486	(3 353 466)	3 311 934	(3 670 289)	1 799 362	(1 223 270)	43 591 343	(27 848 283)
production and general purpose tools	**5206**	**for 2015**	**3 530 007**	**(2 880 964)**	**375 884**	**(135 494)**	**133 700**	**(198 002)**	**58 220**	**(55 198)**	**3 828 617**	**(3 000 464)**
	5216	for 2014	3 404 578	(2 714 670)	156 964	(76 583)	75 016	(215 541)	45 048	(25 769)	3 530 007	(2 880 964)

Indicator	Code	Period	At year beginning		Changes during the period						At period end	
			historical cost	accumulated depreciation	received	Items retired		accrued depreciation	revaluation		historical cost	accumulated depreciation
						historical cost	accumulated depreciation		historical cost	accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
draft livestock and producing livestock	**5207**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	5217	for 2014	-	-	-	-	-	-	-	-	-	-
other types of fixed assets	**5208**	**for 2015**	**388 507**	**(160 907)**	**1 397**	**(682)**	**350**	**(17 061)**	**2 712**	**(2 622)**	**391 934**	**(180 240)**
	5218	for 2014	387 714	(144 010)	1 591	(1 904)	617	(17 000)	1 106	(514)	388 507	(160 907)
Recorded as income yielding investments in tangible assets – total	**5220**	**for 2015**	**56 459**	**(8 030)**	**3 209 028**	**(1 989)**	**129**	**(161 765)**	**-**	**-**	**3 263 498**	**(169 666)**
	5230	for 2014	57 659	(6 650)	-	(1 200)	256	(1 636)	-	-	56 459	(8 030)
including: property given for temporary use (temporary possession and use)	**5221**	**for 2015**	**56 459**	**(8 030)**	**3 209 028**	**(1 989)**	**129**	**(161 765)**	**-**	**-**	**3 263 498**	**(169 666)**
	5231	for 2014	57 659	(6 650)	-	(1 200)	256	(1 636)	-	-	56 459	**(8 030)**

2.2. Capital investments in progress

Indicator	Code	Period	At year beginning	Changes during the period			At period end
				expenses for the period	delivered for assembly/retired	Recorded as fixed assets or increase in the value	
1	2	3	4	5	6	7	8
Construction in progress, acquisition, modernization, etc. of fixed assets in progress – total	**5240**	**for 2015**	**49 301 448**	**210 722 486**	**(26 231 945)**	**(171 061 882)**	**62 730 107**
	5250	for 2014	36 018 292	185 153 076	(15 756 224)	(156 113 696)	49 301 448
including: equipment requiring assembly	**5241**	**for 2015**	**5 245 704**	**22 439 193**	**(22 299 787)**	**-**	**5 385 110**
	5251	for 2014	4 866 750	15 475 448	(15 096 494)	-	5 245 704
acquisition of land and objects of environmental management	**5242**	**for 2015**	**505**	**204 108**	**-**	**(204 134)**	**479**
	5252	for 2014	571	55 825	-	(55 891)	505
acquisition of fixed assets	**5243**	**for 2015**	**174 206**	**38 860 128**	**(502)**	**(38 921 533)**	**112 299**
	5253	for 2014	84 419	25 998 861	-	(25 909 074)	174 206
construction in progress, including proprietary manufacturing of fixed assets	**5244**	**for 2015**	**40 022 256**	**148 900 917**	**(475 591)**	**(131 936 215)**	**56 511 367**
	5254	for 2014	30 810 363	139 823 346	(462 722)	(130 148 731)	40 022 256
advances issued for capital construction	**5245**	**for 2015**	**3 858 777**	**318 140**	**(3 456 065)**	**-**	**720 852**
	5255	for 2014	256 189	3 799 596	(197 008)	-	3 858 777

2.3. Change in the value of fixed assets resulting from additional construction, equipping, reconstruction, and partial liquidation

Indicator	code	For 2015	For 2014
1	2	3	4
Increase in the value of fixed assets resulting from additional construction, equipping, and reconstruction – total	**5260**	**33 296 206**	**32 398 406**
including: buildings	5261	1 322 599	1 086 049
structures and transfer mechanisms	5262	30 788 571	30 434 655
machinery, equipment and vehicles	5263	1 184 699	876 930
other fixed assets	5264	337	772
Decrease in the value of fixed assets resulting from partial liquidation – total:	**5270**	**(1 774 480)**	**(1 838 801)**
including: buildings	5271	(16 098)	(194 503)
structures and transfer mechanisms	5272	(343 099)	(297 393)
machinery, equipment and vehicles	5273	(1 415 268)	(1 345 643)
other fixed assets	5274	(15)	(1 262)

2.4. Other use of fixed assets

Indicator	code	As of 31.12.2015	As of 31.12.2014	As of 31.12.2013
1	2	3	4	5
Leased fixed assets on the balance	5280	15 315 366	14 776 106	6 449 426
Leased fixed assets off the balance	5281	-	-	-
Fixed assets on the balance received under lease	5282	-	-	-
Fixed assets off the balance received under lease	5283	17 317 946	17 433 351	15 452 012
Real estate accepted for operation and actually used, currently in the process of state registration	5284	8 960 889	5 007 184	3 261 065
Fixed assets transferred for preservation	5285	55 995 589	48 754 481	44 879 041
Other use of fixed assets	5286	-	-	-

3. Financial investments
3.1. Availability and flow of financial investments

Indicator	Code	Period	At year beginning		Changes during the period						At period end	
			historical cost	accumulated adjustment	received	retired (paid off)		accrual of interest (incl. bringing the historical cost to nominal)	current market value (loss from devaluation)	transfer from long-term to short-term investments	historical cost	accumulated adjustment
						historical cost	accumulated adjustment					
1	2	3	4	5	6	7	8	9	10	11	12	13
Long-term – total	**5301**	**for 2015**	**1 280 457 055**	**279**	**1 239 684 311**	**(106 399 832)**	**(379)**	**-**	**-**	**(406 561 635)**	**2 007 179 899**	**(100)**
	5311	for 2014	707 816 161	562	1 047 665 627	-	-	-	(283)	(475 024 733)	1 280 457 055	279
including: contributions to charter capital of other organizations	**5302**	**for 2015**	**17 532 837**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17 532 837**	**-**
	5312	for 2014	17 532 654	-	183	-	-	-	-	-	17 532 837	-
incl. subsidiaries and affiliates	**53020**	**for 2015**	**17 461 151**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17 461 151**	**-**
	53120	for 2014	17 460 968	-	183	-	-	-	-	-	17 461 151	-
securities issued by other organizations	**5303**	**for 2015**	**5 417 435**	**279**	**-**	**(44)**	**(379)**	**-**		**-**	**5 417 391**	**(100)**
	5313	for 2014	5 417 435	562	**-**	-	-	-	(283)	-	5 417 435	279
including: debt securities (bonds, bills of exchange)	**53030**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	53130	for 2014	-	-	-	-	-	-	-	-	-	-
loans granted	**5304**	**for 2015**	**102 860 074**	**-**	**14 887 679**	**-**	**-**	**-**	**-**	**-**	**117 747 753**	**-**
	5314	for 2014	96 329 309	-	6 530 765	-	-	-	-	-	102 860 074	-
deposits	**53041**	**for 2015**	**1 154 646 709**	**-**	**1 221 188 815**	**(102 791 971)**	**-**	**-**	**-**	**(406 561 635)**	**1 866 481 918**	**-**
	53141	for 2014	588 536 763	-	1 041 134 679	-	-	-	-	(475 024 733)	1 154 646 709	-
other	**53042**	**for 2015**	**-**	**-**	**3 607 817**	**(3 607 817)**	**-**	**-**	**-**	**-**	**0**	**-**
	53142	for 2014	-	-	-	-	-	-	-	-	-	-

Short-term – total	**5305**	**for 2015**	**658 014 455**	**-**	**141 381 904**	**(725 985 871)**	**-**	**-**	**-**	**406 561 635**	**479 972 123**	**-**
	5315	for 2014	408 139 542	-	237 211 101	(462 360 921)	-	-	-	475 024 733	658 014 455	-
including: securities issued by other organizations	**5306**	**for 2015**	**6 000 000**	**-**	**-**	**(6 000 000)**	**-**	**-**	**-**	**-**	**0**	**-**
	5316	for 2014	6 000 000	-	1 402 000	(1 402 000)	-	-	-	-	6 000 000	-
including: debt securities (bonds, bills of exchange)	**53060**	**for 2015**	**6 000 000**	**-**	**-**	**(6 000 000)**	**-**	**-**	**-**	**-**	**0**	**-**
	53160	for 2014	6 000 000	-	1 402 000	(1 402 000)	-	-	-	-	6 000 000	-
loans granted	**5307**	**for 2015**	**182 294**	**-**		**(182 294)**	**-**	**-**	**-**	**-**	**0**	**-**
	5317	for 2014	-	-	412 294	(230 000)	-	-	-	-	182 294	-
deposits	**5308**	**for 2015**	**651 832 161**	**-**	**141 381 904**	**(719 803 577)**				**406 561 635**	**479 972 123**	**-**
	5318	for 2014	402 139 542	-	235 396 807	(460 728 921)	-	-	-	475 024 733	651 832 161	-
other	**5309**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	5319	for 2014	-	-	-	-	-	-	-	-	-	-
Financial investments – total	**5300**	**for 2015**	**1 938 471 510**	**279**	**1 381 066 215**	**(832 385 703)**	**(379)**	**-**	**-**	**-**	**2 487 152 022**	**(100)**
	5310	for 2014	1 115 955 703	562	1 284 876 728	(462 360 921)	-	-	(283)	-	1 938 471 510	279

3.2. Other use of financial investments

Indicator	code	As of 31.12.2015	As of 31.12.2014	As of 31.12.2013
Pledged financial investments – total	**5320**	**0**	**61 457**	**61 457**
including: securities issued by other organizations	5321	-	61 457	61 457
incl. debt securities (bonds, bills of exchange)	5322	**-**	**-**	**-**

5. Accounts payable and receivable

5.1. Availability and flow of accounts receivable

Indicator	Code	Period	At year beginning		Changes during the period								At period end	
					received		retired							
			recorded as per contract terms and conditions	reserve for doubtful debts	resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	reserve restoration	written off to reserve amounts	reserve creation	transferred from long-term to short-term debt	recorded as per contract terms and conditions	reserve for doubtful debts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Long-term accounts receivable – total	**5501**	**for 2015**	**38 548 949**	**-**	**89 973 646**	**-**	**(6 077 387)**	**-**	**-**	**-**	**-**	**(33 749 364)**	**88 695 844**	**-**
	5521	for 2014	28 138 730	-	51 097 807	-	(265 537)	(1 706)	-	-	-	(40 420 345)	38 548 949	-
including: buyers and customers	**5502**	**for 2015**	**287 451**	**-**	**4 640**	**-**	**(95 836)**	**-**	**-**	**-**	**-**	**(32 177)**	**164 078**	**-**
	5522	for 2014	539 451	-	147 504	-	(216 227)	(1 575)	-	-	-	(181 702)	287 451	-
advances paid	**5503**	**for 2015**	**12 512**	**-**	**855**	**-**	**-**	**-**	**-**	**-**	**-**	**(12 800)**	**567**	**-**
	5523	for 2014	9 599	-	3 603	-	(108)	-	-	-	-	(582)	12 512	-
other	**5504**	**for 2015**	**38 248 986**	**-**	**89 968 151**	**-**	**(5 981 551)**	**-**	**-**	**-**	**-**	**(33 704 387)**	**88 531 199**	**-**
	5524	for 2014	27 589 680	-	50 946 700	-	(49 202)	(131)	-	-	-	(40 238 061)	**38 248 986**	-
Short-term accounts receivable – total	**5510**	**for 2015**	**142 555 853**	**(314 536)**	**75 799 935**	**-**	**(134 273 858)**	**(531)**	**179**	**(45 954)**	**(44 006)**	**33 749 364**	**117 784 809**	**(312 409)**
	5530	for 2014	133 657 154	(306 315)	101 833 745	-	(133 328 031)	(2 683)	3 692	(24 677)	(36 590)	40 420 345	142 555 853	(314 536)
including: buyers and customers	**5511**	**for 2015**	**55 737 063**	**(374)**	**52 249 362**	**-**	**(50 257 566)**	**-**	**-**	**-**	**(757)**	**32 177**	**57 761 036**	**(1 131)**
	5531	for 2014	84 590 923	(218)	55 569 815	-	(84 605 192)	(185)	76	-	(232)	181 702	55 737 063	(374)
advances paid	**5512**	**for 2015**	**13 728 233**	**-**	**8 309 154**	**-**	**(11 273 424)**	**-**	**-**	**-**	**-**	**12 800**	10 776 763	**-**
	5532	for 2014	7 458 026	-	13 721 792	-	(7 451 551)	(616)	-	-	-	582	13 728 233	-

Indicator	Code	Period	At year beginning		Changes during the period								At period end	
					received		retired							
			recorded as per contract terms and conditions	reserve for doubtful debts	resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	reserve restoration	written off to reserve amounts	reserve creation	transferred from long-term to short-term debt	recorded as per contract terms and conditions	reserve for doubtful debts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
incorporators	**5513**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	5534	for 2014	-	-	-	-	-	-	-	-	-	-	-	-
other	**5514**	**for 2015**	**73 090 557**	**(314 162)**	**15 241 419**	**-**	**(72 742 868)**	**(531)**	**179**	**(45 954)**	**(43 249)**	**33 704 387**	**49 247 010**	**(311 278)**
	5534	for 2014	41 608 205	(306 097)	32 542 138	-	(41 271 288)	(1 882)	3 616	(24 677)	(36 358)	40 238 061	73 090 557	(314 162)
Total	**5500**	**for 2015**	**181 104 802**	**(314 536)**	**165 773 581**	**-**	**(140 351 245)**	**(531)**	**179**	**(45 954)**	**(44 006)**	-	**206 480 653**	**(312 409)**
	5520	for 2014	161 795 884	**(306 315)**	152 931 552	-	**(133 593 568)**	**(4 389)**	**3 692**	**(24 677)**	**(36 590)**	-	181 104 802	(314 536)

5.2. Overdue accounts receivable

Indicator	Code	As of 31.12.2015		As of 31.12.2014		As of 31.12.2013	
		recorded as per contract terms and conditions	book value	recorded as per contract terms and conditions	book value	recorded as per contract terms and conditions	book value
1	2	3	4		5	6	7
Total	**5540**	**5 650 291**	**5 337 882**	**4 437 962**	**4 123 426**	**379 229**	**72 914**
including: buyers and customers	5541	5 339 013	5 337 882	4 123 800	4 123 426	73 132	72 914
advances paid	5542	-	-	-	-	-	-
other	5543	311 278	-	314 162	-	306 097	-

4. Stocks

4.1. Availability and flow of stock

Indicator	Code	Period	At year beginning		Changes during the period					At period end	
						retired					
			production costs	reserve for decreases in the value	proceeds and costs	production costs	reserve for decreases in the value	losses from decreases in the value	stock turnover among their groups (types)	production costs	reserve for decreases in the value
1	2	3	4	5	6	7	8	9	10	11	12
Stocks – total	**5400**	**for 2015**	**81 426 822**	**(1 034)**	**1 353 741 722**	**(1 354 014 332)**	**852**	**-**	**-**	**81 154 212**	**(182)**
	5420	for 2014	68 284 263	(4 982)	1 477 928 308	(1 464 785 749)	4 120	(172)	-	81 426 822	(1 034)
including: raw materials, supplies and other similar values	**5401**	**for 2015**	**44 128 347**	**(1 034)**	**138 406 218**	**(325 159 235)**	**852**	**-**	**201 582 782**	**58 958 112**	**(182)**
	5421	for 2014	39 372 030	(4 982)	114 622 461	(303 277 602)	4 120	(172)	193 411 458	44 128 347	(1 034)
work-in-progress expenses	**5402**	**for 2015**	**1 724 713**	**-**	**1 112 751**	**(1 413 170)**	**-**	**-**	**-**	**1 424 294**	**-**
	5422	for 2014	1 043 265	-	1 215 111	(533 663)	-	-	-	1 724 713	-
finished goods	**5403**	**for 2015**	**9 611 706**	**-**	**853 215 465**	**(184 376 319)**	**-**	**-**	**(669 916 169)**	**8 534 683**	**-**
	5423	for 2014	6 940 252	-	810 430 933	(219 718 394)	-	-	(588 041 085)	9 611 706	-
goods for resale	**5404**	**for 2015**	**204 083**	**-**	**1 035 046**	**(1 009 264)**	**-**	**-**	**-**	**229 865**	**-**
	5424	for 2014	163 559	-	1 011 828	(964 998)	-	-	(6 306)	204 083	-
goods shipped	**5405**	**for 2015**	**869 858**	**-**	**145 943**	**(468 539 466)**	**-**	**-**	**468 333 387**	**809 722**	**-**
	5425	for 2014	649 945	-	-	(394 416 020)	-	-	394 635 933	869 858	-
deferred expenses	**5406**	**for 2015**	**605 481**	**-**	**1 874 813**	**(1 840 174)**	**-**	**-**	**-**	**640 120**	**-**
	5426	for 2014	675 180	-	2 230 697	(2 300 396)	-	-	-	605 481	-
other stock and costs	**5407**	**for 2015**	**24 282 634**	**-**	**357 951 486**	**(371 676 704)**	**-**	**-**	**-**	**10 557 416**	**-**
	5427	for 2014	19 440 032	-	548 417 278	(543 574 676)	-	-	-	24 282 634	-

4.2. Pledged stock

Indicator	code	As of 31.12.2015	As of 31.12.2014	As of 31.12.2013
1	2	3	4	5
Stock unpaid at the reporting date – total	5440	**-**	**-**	**-**
Pledged stock under contract – total	5445	**-**	**-**	**-**

5.3. Availability and flow of accounts payable

Indicator	Code	Period	Balance at year beginning	Changes during the period					Balance at period end
				received		retired			
				resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	transferred from long-term to short-term debt	
1	2	3	4	5	6	7	8	9	10
Long-term accounts payable – total	**5551**	**for 2015**	**65 303 619**	**5 909 985**	**-**	**-**	**-**	**(33 854)**	**71 179 750**
	5571	for 2014	54 847 738	10 542 479	-	-	-	(86 598)	65 303 619
including: due to suppliers and contractors	**5552**	**for 2015**	**238 808**	**270 303**	**-**	**-**	**-**	**-**	**509 111**
	5572	for 2014	127 521	197 463	-	-	-	(86 176)	238 808
advances received	**5553**	**for 2015**	**30 772**	**3 189**	**-**	**-**	**-**	**(33 854)**	**107**
	5573	for 2014	20 678	10 516	-	-	-	(422)	30 772
borrowings and loans	**5554**	**for 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	5574	for 2014	-	-	-	-	-	-	-
deferred tax liabilities	**5555**	**for 2015**	**65 034 039**	**5 636 493**	**-**	**-**	**-**	**-**	**70 670 532**
	5575	for 2014	54 699 539	10 334 500	-	-	-	-	65 034 039
Short-term accounts payable – total	**5560**	**for 2015**	**116 479 858**	**116 160 286**	**-**	**(115 724 994)**	**(1 711)**	**33 854**	**116 947 293**
	5580	for 2014	77 494 805	115 693 438	14	(76 768 035)	(26 962)	86 598	116 479 858
including: due to suppliers and contractors	**5561**	**for 2015**	**16 147 048**	**19 268 573**	**-**	**(15 753 043)**	**(1 380)**	**-**	**19 661 198**
	5581	for 2014	14 162 468	15 848 138	-	(13 922 980)	(26 754)	86 176	16 147 048
advances received	**5562**	**for 2015**	**17 630 627**	**18 713 899**	**-**	**(17 628 395)**	**(249)**	**33 854**	**18 749 736**
	5582	for 2014	14 236 281	17 628 888	-	(14 234 960)	(4)	422	17 630 627
taxes, charges, payments to state non-budget funds	**5563**	**for 2015**	**69 554 647**	**64 037 046**	**-**	**(69 554 647)**	**-**	**-**	**64 037 046**
	5583	for 2014	36 151 203	69 554 647	-	(36 151 203)	-	-	69 554 647

Indicator	Code	Period	Balance at year beginning	Changes during the period					Balance at period end
				received		retired			
				resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	transferred from long-term to short-term debt	
1	2	3	4	5	6	7	8	9	10
profit payment due to incorporators	**5564**	**for 2015**	**581 856**	**747 174**	-	**(226 035)**	-	**-**	**1 102 995**
	5584	for 2014	493 738	238 261	-	(150 143)	-	-	581 856
borrowings and loans	**5565**	**for 2015**	**139 650**	**-**	-	**(139 650)**	-	**-**	**0**
	5585	for 2014	139 650	-	-	-	-	-	139 650
other	**5566**	**for 2015**	**12 426 030**	**13 393 594**	**-**	**(12 423 224)**	**(82)**	**-**	**13 396 318**
	5586	for 2014	12 311 465	12 423 504	14	(12 308 749)	(204)	-	12 426 030
Total	**5550**	**for 2015**	**181 783 477**	**122 070 271**	**-**	**(115 724 994)**	**(1 711)**	**-**	188 127 043
	5570	for 2014	132 342 543	126 235 917	14	(76 768 035)	(26 962)	-	181 783 477

5.4. Overdue accounts payable

Indicator	Code	As of 31.12.2015	As of 31.12.2014	As of 31.12.2013
1	2	3	4	5
Total	**5590**	**1 060**	**915**	**30 348**
including: due to suppliers and contractors	5591	1 060	629	29 870
borrowings and loans	5592	-	-	-
advances received	5593	-	286	478
other	5594	-	-	-

6. Costs of production

Indicator	Code	For 2015	For 2014
1	2	3	4
Material expenses	5610	180 507 349	172 429 756
Remuneration of labor	5620	81 611 480	76 431 713
Social expenditures	5630	17 290 243	14 992 395
Depreciation	5640	116 418 407	111 706 987
Other costs	5650	333 046 608	318 604 224
Total for elements	**5660**	**728 874 087**	**694 165 075**
Change in balances (increase [–], decrease [+]): for work in progress, finished goods, etc.	5670	15 184 357	(8 415 417)
Total expenses for ordinary activities	**5600**	**744 058 444**	**685 749 658**

7. Estimated liabilities

Indicator	Code	Balance at year beginning	Recognized	Paid off	Written off as extra amount	Balance at period end
1	2	3	4	5	6	7
Estimated liabilities – total	**5700**	**10 715 949**	**20 055 025**	**(18 152 760)**	**(414 900)**	**12 203 314**
Long-term estimated liabilities – total	5701	-	-	-	-	-
including: reserves for future expenses/reserves for assets liquidation	5702	-	-	-	-	-
reserves for future expenses/reserves for restoration of disturbed lands	5703	-	-	-	-	-
Short-term estimated liabilities – total	**5704**	**10 715 949**	**20 055 025**	**(18 152 760)**	**(414 900)**	**12 203 314**
including: reserves for future expenses/reserves for vacation payments	5705	10 715 949	20 050 268	(18 152 760)	(414 900)	12 198 557
reserves for future expenses/reserves for restoration of disturbed lands	5706	0	4 757	-	-	4 757

8. Collateral for obligations

Indicator	Code	as of 31.12.2015	as of 31.12.2014	as of 31.12.2013
1	2	3	4	5
Received – total	**5800**	**2 912 896**	**9 352 272**	**10 694 420**
including: fixed assets	5801	24 055	16 000	9 000
securities and other financial investments	5802	-	-	-
other	5803	2 888 841	9 336 272	10 685 420
Granted - total	**5810**	**21 982 701**	**10 561 457**	**61 457**
including: securities and other financial investments	5811	-	61 457	61 457
other	5812	21 982 701	10 500 000	-

First Deputy
Director General on Finance and Taxation
OJSC “Surgutneftegas”

(signature)

V.G.Barankov
(printed name)

First Deputy Chief Accountant –
Head of Accounting and Reporting Division
OJSC “Surgutneftegas”

(signature)

P.V.Shevelev
(printed name)

28 March 2016

Notes
to the Balance Sheet and the Income Statement of Open Joint Stock Company “Surgutneftegas” for 2015
(text form)

1. General Information on OJSC “Surgutneftegas”

Location: ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation.
Location of the issuer’s continuing executive body: ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation.
Mailing address: 628415 Russian Federation, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo 1, bld. 1.
Telephone: (3462) 42-60-28
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E-mail: secretary@surgutneftegas.ru.
Full corporate name: Open Joint Stock Company “Surgutneftegas”.
Abbreviated corporate name: OJSC “Surgutneftegas”.
Introduced: 27.06.96.
Grounds for introduction: Federal Law of the Russian Federation No. 208-FZ dated 26.12.1995 “On Joint Stock Companies”.
State registration of the issuer:
Initial state registration:
State registration number: 12-4782.
Date of state registration: 27.06.96.
Body that conducted the state registration: Administration of the city of Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast.
Registration of the legal entity:
Main state registration number of the legal person: 1028600584540.
Registration date: 18.09.2002.
Name of the registration authority*:* Inspectorate of the Ministry of Taxation of the Russian Federation for Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra.

1.1. Operations of OJSC “Surgutneftegas”

Core operations of OJSC “Surgutneftegas” (hereinafter the Company) include:
geological prospecting and exploration;
oil and oil (associated) gas production and treatment;
oil, gas and refined products sales.

1.2. Management structure

General Shareholders’ Meeting of the Company.
Board of Directors of the Company.
Executive body of the Company (Director General).

Members of the Board of Directors:
Erokhin Vladimir Petrovich (Chairperson);
Bogdanov Vladimir Leonidovich;
Bulanov Alexander Nikolaevich;
Dinichenko Ivan Kalistratovich;
Krivosheev Viktor Mikhailovich;
Matveev Nikolai Ivanovich;
Raritsky Vladimir Ivanovich;
Usmanov Ildus Shagalievich;
Shashkov Vladimir Aleksandrovich.

Additional information is available at the website: www.surgutneftegas.ru.

Individual executive body of the Company:
Bogdanov Vladimir Leonidovich – Director General.

1.3. Members (names) of the Company’s Auditing Committee

Klinovskaya Taisiya Petrovna;
Musikhina Valentina Viktorovna;
Oleynik Tamara Fedorovna.

1.4. Number of the Company’s employees

The average number of employees as of 2015 was 103 253 people.

2. Information on accounting policy and amendments thereto

The accounting policy of OJSC “Surgutneftegas” for 2015 for accounting purposes complies with the laws of the Russian Federation on accounting. Information on the accounting policy of the Company for 2015 is represented below in the relative sections of the explanatory note.

The accounting policy for 2015 has not undergone any significant changes. Changes in the accounting policy for 2016 are planned subject to any changes in the accounting standards as set forth by the law of the Russian Federation, as well as federal and (or) industry standards.

3. Notes to the Balance Sheet Items

3.1. Intangible assets (hereinafter IA)

The cost of IA is redeemed through amortization under the straight-line method within the fixed period of their useful life.

Useful life of IA is determined when an item is entered in accounting records, based on the term of a patent or certificate, other limitations for useful life of intellectual property under the law of the Russian Federation, and expected useful life of such item during which the Company can obtain economic benefits (profit).

The Company does not have intangible assets with an indefinite useful life.

Useful life of IA is checked by the Company annually during inventory to see whether it needs to be adjusted. If the duration of the period during which the Company expects to use the asset changes by more than 5%, the useful life of such asset is to be adjusted.

Changes in estimated values caused by this are shown in prospect.

Intangible assets are not revalued and are not tested for impairment.

Information on availability and flow of intangible assets is given in Tables 1.1, 1.2, 1.3, 1.5 of the Notes to the Balance Sheet and the Income Statement (table form).

3.2. Research and Development Engineering (R&D)

The R&D cost is written off as cost of manufacturing of products (performing of works, rendering of services) within the fixed period of their expected useful life (but not more than 5 years).

Information on availability and flow of R&D results is given in Tables 1.4, 1.5 of the Notes to the Balance Sheet and the Income Statement (table form).

3.3. Intangible prospecting assets

Intangible prospecting assets include prospecting costs (costs of prospecting, hydrocarbon fields appraisal and hydrocarbon resources exploration) associated with acquisition of licenses, paid for discovery of hydrocarbon fields and preliminary appraisal of reserves.

The Company's intangible prospecting assets are ceased to be recognized in relation to a certain subsoil area when hydrocarbons production is proved to be commercially feasible or recognized as unpromising.

Intangible prospecting assets are not amortized during prospecting, hydrocarbon fields appraisal and hydrocarbon resources exploration, except for licenses which authorize to carry out prospecting, hydrocarbon fields appraisal and hydrocarbon resources exploration.

Part of the cost of licenses which authorize to carry out prospecting, hydrocarbon fields appraisal and hydrocarbon resources exploration is transferred equally during the term of these licenses. If at the moment when hydrocarbons production in the license area is proved to be commercially feasible such license is not written off, its residual value is included in the costs for creation of exploration assets in the month when hydrocarbons production is proved to be commercially feasible.

As of the end of the reporting period the Company analyzes factors which imply possible devaluation of intangible prospecting assets.

Intangible assets are not revalued.

If production of hydrocarbons in the relative license area (field) is recognized as unpromising, the cost of intangible prospecting asset constitutes the part of the Company's other expenses.

If production of hydrocarbons in a relevant license area is proved to be commercially feasible, intangible prospecting asset is tested for impairment and transferred to fixed assets or other non-current assets meant for exploration and extraction of mineral recourses:

costs of construction (drilling) of prospecting and exploration wells built when developing intangible prospecting assets recognized as productive are recorded as fixed assets;

prospecting costs paid by the Company for discovery of hydrocarbon fields and preliminary appraisal of reserves (including costs of subsoil rights acquisition, drilling of prospecting and exploration wells, etc.) before production was proved to be commercially feasible form the value of exploration assets recorded as investments in non-current assets.

In view of the confirmation of the commercial feasibility of the hydrocarbons production the license for subsoil use aimed at geological exploration, prospecting and production of hydrocarbons within the subsoil area of federal significance that includes part of the Shpilman field (Severo-Rogozhnikovskoye) located in Khanty-Mansiysky Autonomous Okrug – Yugra is transferred from the prospecting asset to other non-current assets in the amount of RUB 46 200 258 thousand.

Information on intangible prospecting assets is given in Table 1.6 of the Notes to the Balance Sheet and the Income Statement (table form).

3.4. Fixed assets and capital investments in progress

3.4.1. The historical cost of fixed assets recorded after 01.01.2002 is redeemed through straight-line depreciation in conformity with depreciation rates calculated on the basis of useful life of such assets determined when such assets are entered in accounting records.

The historical cost of fixed assets recorded before 01.01.2002 is redeemed according to the procedure valid at the time when such assets were recorded, through straight-line depreciation in conformity with depreciation rates for complete repair approved by Resolution No. 1072 of the USSR Council of Ministers dated 22.10.90.

In 2015, the Company did not acquire fixed assets under contracts providing fulfillment of obligations (payment) by non-monetary assets.

3.4.2. The amount of capital investments in progress in facilities (for their reconstruction, upgrading, reequipment, etc.), which later will be recorded as fixed assets, is included in Line 1150, “Fixed Assets” of the Balance Sheet.

The amount of capital investments in progress in other assets (excluding fixed assets) is recorded in the Balance Sheet in those lines where these assets will be recorded after the fulfillment of relative investments in non-current assets.

Information on availability and flow of fixed assets, capital investments in progress and income yielding investments in tangible assets is given in Tables 2.1, 2.2, 2.3, 2.4 of the Notes to the Balance Sheet and the Income Statement (table form).

3.5. Financial investments

Financial investments are recorded at their historical cost. The historical cost of financial investments acquired at a charge is the amount of the Company’s actual costs of their acquisition.

The Company does not evaluate the discounted value of debt securities and loans granted.

When financial investments with current market value that cannot be determined are retired, their value is determined on the basis of the historical cost of each unit of financial investments accounting.

When financial investments with current market value that can be determined are retired, their value is determined on the basis of the last evaluation.

As of 31 December, the Company carries out an inspection for devaluation of financial investments (not traded publicly) with current market value that cannot be determined. If the inspection confirms that the cost of financial investments is substantially and persistently reduced (by more than 5%), a reserve is formed for impairment of financial investments.

In 2015, an impairment reserve for financial investments was not formed.

Income from sales of securities, interest and other income are recognized as other income.

Long-term financial investments are transferred to short-term investments quarterly at the accounting date if they mature in less than 12 months. In case of prolongation the short-term debt is transferred to long-term.

Information on financial investments is given in Tables 3.1, 3.2 of the Notes to the Balance Sheet and the Income Statement (table form).

3.6 Stocks

Stocks are recorded at their actual cost.

Company generated stocks (except for assets with maximum value of RUB 40 000 per item) are written off to production or otherwise retired at their weighted average cost of production based on the quantity of the stocks and their price as of the beginning of the month and all monthly returns.

Purchased stocks (except for goods (with the exception of oil and petroleum products) and assets with maximum value of RUB 40 000 per item) are written off to production or otherwise retired at their sliding average cost of production based on the quantity of the stocks and their price as of the beginning of the month and all returns up to the moment of delivery.

Information on stocks is given in Tables 4.1, 4.2 of the Notes to the Balance Sheet and the Income Statement (table form).

3.7 Accounts receivable

Accounts receivable include amounts due to the Company from buyers and customers for shipped goods, completed works and rendered services, advances paid under existing contracts, settlements of claims, net of the reserve for doubtful debts, as well as settlements with the budget and non-budget funds and other receivables.

Long-term accounts receivable are transferred to short-term ones if, pursuant to the contract, the term to maturity lies within 12 months after the reporting date. Similarly, in case of delayed payment the short-term accounts receivable are transferred to long-term ones.

Information on accounts receivable is given in Tables 5.1, 5.2 of the Notes to the Balance Sheet and the Income Statement (table form).

3.8. Cash and cash equivalents

Cash and cash equivalents include balances on ruble and foreign currency settlement accounts, deposits with original maturities up to 3 months under the contract, petty cash and other monetary resources.

thousand RUB

Indicator	As of 31.12.2015	As of 31.12.2014
Cash and cash equivalents total, including:	72 125 809	30 922 038
letters of credit	13 693 150	12 590 658
deposits placed for up to 3 months	58 252 758	17 949 421
settlement account	89 438	229 188
foreign currency account	87 144	151 154
petty cash	1 183	1 256
other	2 136	361

Information on availability and flow of cash and cash equivalents in foreign currency at the beginning and the end of the reporting period is shown in the Cash Flow Statement in rubles and equal to the amount calculated at the official rate of foreign currency to ruble determined by the Central Bank of the Russian Federation on the date the payment is made or received.

The difference caused by recalculation of cash flows of the Company and balances of cash and cash equivalents in foreign currency at the exchange rates of different dates is shown in Cash Flow Statement in the line “Effect of changes in the exchange rates of foreign currency to the Russian ruble”.

Cash Flow Statement contains brief information concerning:

proceeds and payments in connection with quick return, large amounts and short payment periods;

indirect taxes (VAT) as a part of proceeds from buyers and customers, payments to suppliers and contractors and payments to the budgetary system of the Russian Federation or reimbursement from it;

other calculations that relate more to the counterparties’ activities than to the Company’s ones, and (or) when receipts from some persons determine relevant payments to other persons.

3.9. Capital

The Company’s charter capital as of 31.12.2015 is RUB 43 427 993 thousand. The charter capital is divided into 35 725 995 thousand ordinary shares and 7 701 998 thousand preference shares, and fully paid.

3.10. Deferred and permanent tax assets and liabilities

The Balance Sheet shows deferred tax assets and deferred tax liabilities with regard to profit tax in detail; the sum of permanent tax liabilities (assets) is shown in the income statement in short form. Provisional profit tax expense totals RUB 149 708 814 thousand.

thousand RUB

Indicator	As of 31.12.2014	Derived	Paid off	As of 31.12.2015
Deferred tax assets	32 313	1 172	(7 319)	26 166
Deferred tax liabilities	65 034 039	8 099 950	(2 463 457)	70 670 532
Permanent tax assets	x	-	x	x
Permanent tax liabilities	x	3 942 640	x	x

3.11. Accounts payable

Accounts payable include amounts currently due from the Company to suppliers and contractors for delivered inventories, completed works and rendered services; due to employees; due to the budget and non-budget funds, and for advances received from third parties under existing contracts, and other debts.

Long-term accounts payable are transferred to short-term ones if, pursuant to the contract, the term to maturity lies within 12 months after the reporting date. Similarly, in case of delayed payment the short-term accounts payable are transferred to long-term ones.

Information on accounts payable is given in Tables 5.3, 5.4 of the Notes to the Balance Sheet and the Income Statement (table form).

3.12. Deferred income

This line shows amounts of special purpose financing with regard to commissioned fixed assets.

Amortization of the amount of deferred income, that is formed through using special purpose financing, is shown as part of other income within accumulated depreciation that refers to amounts of special purpose financing.

3.13. Estimated liabilities

The Company creates estimated liabilities to account for vacation payments to employees, reclamation of disturbed lands.

Obligations are expected to be met within 12 months.

Information on estimated liabilities is given in Table 7 of the Notes to the Balance Sheet and the Income Statement (table form).

4. Net assets

Indicator	As of 31.12.2015	As of 31.12.2014
Net asset value of the Company, thousand RUB	3 503 678 688	2 823 685 816

Net asset value is calculated as per Order of the Ministry of Finance of the Russian Federation No. 84n dated 28.08.2014.

5. Notes to the Income Statement

5.1. Revenue, cost

For accounting purposes, revenue from sale of products, works (services), goods and property of the Company is recognized pursuant to the Accounting Regulations “Income of an Enterprise” PBU 9/99 approved by Order No. 32n of the Ministry of Finance of the Russian Federation dated 06.05.99.

Revenue from sale of products (works, services), goods does not include VAT, excises and export duties.

Expenses related to the sale of oil, gas, oil and gas refined products are included into selling expenses.

At the end of a reporting period these expenses are included in the cost of sales or other expenses subject to the type of assets sold or the way of their usage (disposal).

Revenue, cost of sales accounting for five or more percent of the Company’s total income:

thousand RUB

Indicator	For 2015	For 2014
Revenue (net), total	978 204 539	862 599 616
including:		
from oil sales	645 192 161	538 747 562
from sales of oil products	299 111 349	290 803 311

Indicator	For 2015	For 2014
Cost of sales, total	664 341 334	621 309 902
including:		
from oil sales	407 010 956	367 776 711
from sales of oil products	221 929 255	221 182 949

Costs of production (cost of sales, selling expenses) are shown in Table 6 of the Notes to the Balance Sheet and the Income Statement (table form).

5.2. Other income and other expenses

Other income accounting for five or more percent of the Company’s total income and relative expenses:

thousand RUB

Other income	For 2015	For 2014
Total other income	2 365 388 199	2 074 386 978
including:		
foreign exchange transactions	1 039 793 094	1 086 812 828
exchange rate differences	1 297 101 442	944 453 938

Other expenses	For 2015	For 2014
Total expenses	1 797 792 219	1 247 942 885
including:		
foreign exchange transactions	1 038 155 356	1 081 960 007
exchange rate differences	713 497 910	97 330 215

To reflect business transactions in foreign currency (including those to be paid in rubles) the official exchange rate of the relative currency, determined by the Central Bank of the Russian Federation on the date of transaction, was applied.

Exchange rates determined by the Central Bank of the Russian Federation as of 31 December:

	USD/RUB	EUR/RUB
2015	72.8827	79.6972
2014	56.2584	68.3427
2013	32.7292	44.9699

Exchange rate differences caused during the year by transactions on assets and liabilities in foreign currency (excluding received and issued advances) as well as by revaluation of their cost as of the reporting date are shown as part of other income or expenses.

5.3. Base profit per share

Base profit per share for 2015 is RUB 19.54.

6. Information on segments

Interpretation of revenue from sale of goods, products, works, services (less VAT, excises and customs duties) in the context of reportable segments is presented below:

thousand RUB

Indicator	For 2015	For 2014
Oil sales, total	645 192 161	538 747 562
including:		
export oil sales	500 196 362	386 460 276
domestic oil sales	144 995 799	152 287 286

Indicator	For 2015	For 2014
Sale of oil products	299 111 349	290 803 311
including:		
export sales of oil products	217 083 015	183 812 405
domestic oil sales	82 028 334	106 990 906

Indicator	For 2015	For 2014
Other sales, total	33 901 029	33 048 743
including:		
domestic sales	33 901 029	32 872 864
export sales (gas processing products)	-	175 879

7. Information on related parties

Subsidiaries and affiliates whose activities are affected by the Company and the share in their charter capital held by the Company, %:
LLC “KINEF” – 100.00;
LLC Pskovnefteproduct – 100.00;
LLC Kaliningradnefteproduct – 100.00;
LLC Tvernefteproduct – 100.00;
LLC Novgorodnefteproduct – 100.00;
LLC “Lengiproneftekhim” – 100.00;
KIRISHIAVTOSERVIS Ltd – 100.00;
LLC Syrgutmebel – 100.00;
OJSC “Sovkhoz “Chervishevsky” – 94.9996;
ZAO SNGB – 97.7591;
LLC Insurance Company Surgutneftegas – 100.00;
LLC “Media-Invest” – 100.00;
JSC “National Media Group” – 23.9752.

The full list of affiliates is available on the following website: www.surgutneftegas.ru.

Types of subsidiaries’ operations for 2015.

Revenue from sale of crude oil, oil products (including taxes):

thousand RUB

Indicator	in 2015	in 2014
Sale of oil	18 453 168	15 797 251
Sale of oil products	37 317 998	34 494 924

Remuneration, with the regional coefficient and the Northern allowance included (salary for the reporting period, taxes and other compulsory payments to relevant budgets and non-budget funds accrued to salary, annual paid vacation for work in the reporting period and similar payments) to key management personnel (9 722 people), including structural units, authorized and held responsible for planning, management and control of the Company’s operations during the reporting period was RUB 31 318 576 thousand.

8. Contingencies

There are no lawsuits or claim disputes where the Company is a participant and which may substantially affect accounting (financial) statements. There is also no information about any economic events related to possible risks of disputes with tax authorities.

9. Events after the reporting date

There were no economic events which affected or may affect the financial position, the cash flow or operating results of the Company in the period between the reporting date and the date when the accounting (financial) statements for the reporting period are signed.

10. The Company's environmental performance

The Company's activity meets the legal requirements on environmental protection. The Company's management believes that there are no factors which would interfere with the Company's environmental activity.

11. Joint activity

In 2015, the Company did not enter into contracts with other companies on any joint activity.

12. Conclusion

These annual accounting (financial) statements were preceded by inventory of the Company's assets and liabilities, including those recorded off the balance.

The accounting (financial) statements of OJSC "Surgutneftegas" for 2015 have been prepared in accordance with the Federal Law of the Russian Federation No. 402-FZ "On Accounting" dated 06.12.2011, "Accounting and Reporting Regulations in the Russian Federation" approved by Order No. 34n of the Ministry of Finance of the Russian Federation dated 29.07.98, "Accounting Regulations "Reporting of an Enterprise" PBU 4/99 approved by Order No. 43n of the Ministry of Finance of the Russian Federation dated 06.07.99, Order No. 66n of the Ministry of Finance of the Russian Federation "Reporting Standards of Enterprises" dated 02.07.2010, and approved regulations "Accounting Policy of OJSC "Surgutneftegas" for 2015 for Accounting Purposes" and "Accounting Policy of OJSC "Surgutneftegas" for Taxation Purposes in 2015".

First Deputy Director General
on Finance and Taxation
OJSC "Surgutneftegas" V.G.Barankov

First Deputy Chief Accountant –
Head of Accounting
and Reporting Division
OJSC "Surgutneftegas" P.V.Shevelev

28 March 2016