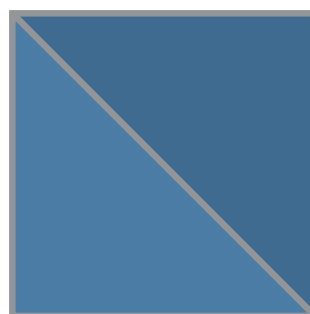
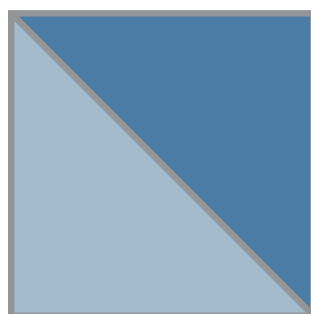
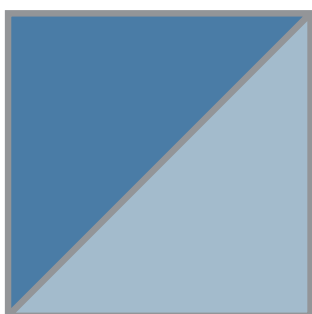
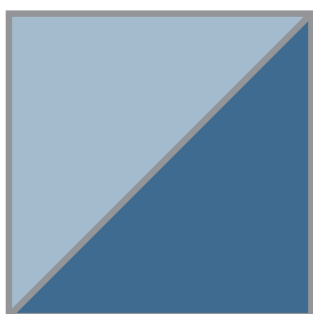
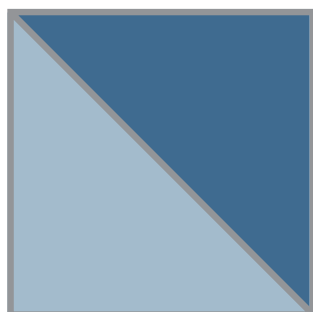
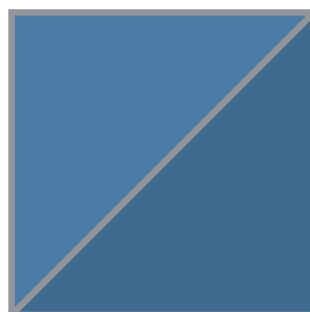
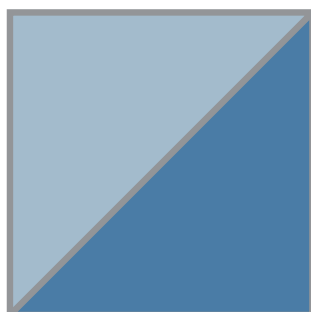
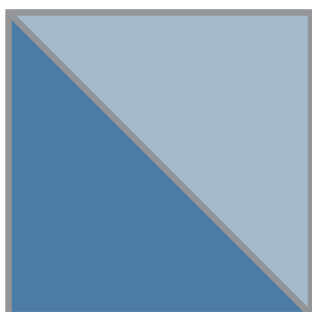


2014

# OJSC "SURGUTNEFTEGAS" ANNUAL REPORT



# CONTENTS

MESSAGE FROM DIRECTOR GENERAL 4

01 THE COMPANY'S PROFILE

The Company today	10
Events of the year	12
The Company and the oil and gas sector	16
Business priorities	22
Key risks related to the Company's operations	24
Key performance indicators of OJSC "Surgutneftegas"	31

REPORT OF THE BOARD OF DIRECTORS OF OJSC "SURGUTNEFTEGAS" ON THE COMPANY'S PERFORMANCE AND PROSPECTS FOR DEVELOPMENT OF BUSINESS PRIORITIES

02 PRODUCTION OPERATIONS

Resource policy	34
Oil and gas production	40
Oil refining and gas processing	49
Sales of petroleum products	53
Power generation	57

03 RESEARCH AND TECHNOLOGY

R&D profile	62
Innovations	63
Information technologies	66

04 SOCIAL RESPONSIBILITY

Environmental safety	70
Personnel development	77
Charity and social activity	82

05 CORPORATE GOVERNANCE AND SECURITIES

Board of Directors	90
Individual executive body	93
Remuneration paid to the members of the Company's Board of Directors	93
Report on the Company's compliance with recommendations of Corporate Governance Code	94
Report on declared dividend payments	97

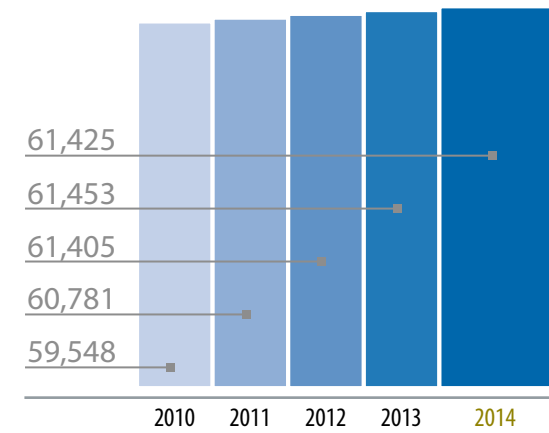
06 ADDITIONAL INFORMATION

List of the Company's transactions carried out in the reporting year	100
Energy resources utilized by the Company	101

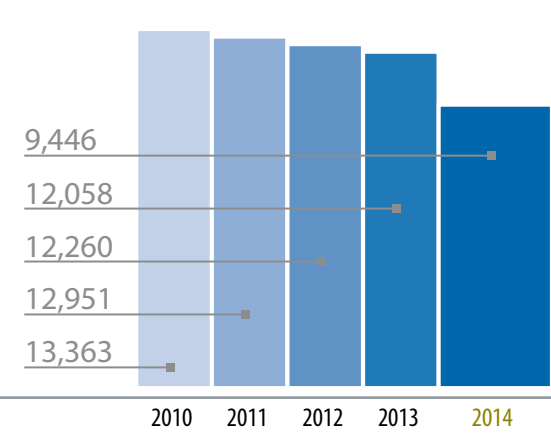
07 BACKGROUND INFORMATION

Information about the Company in the Internet	104
Full Company's name	104
Representative offices	104

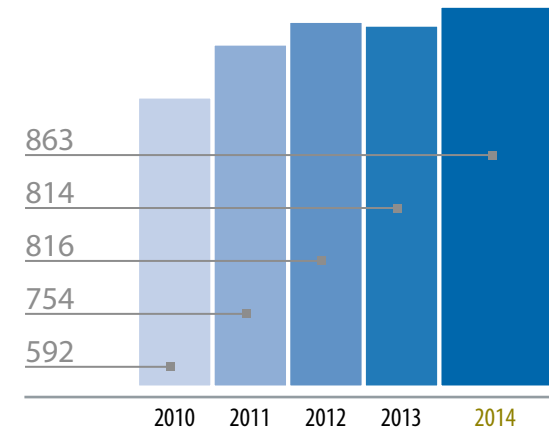
Oil production '000 tonnes



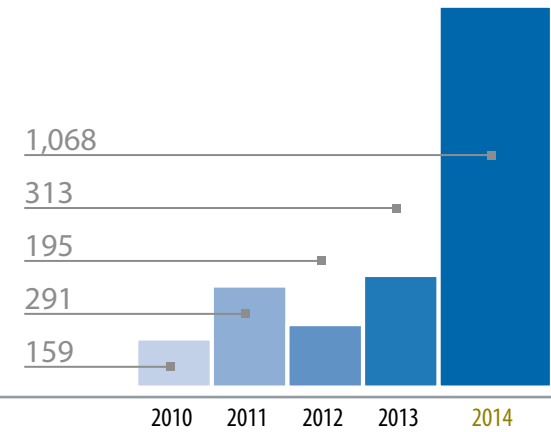
Gas production mn cub m



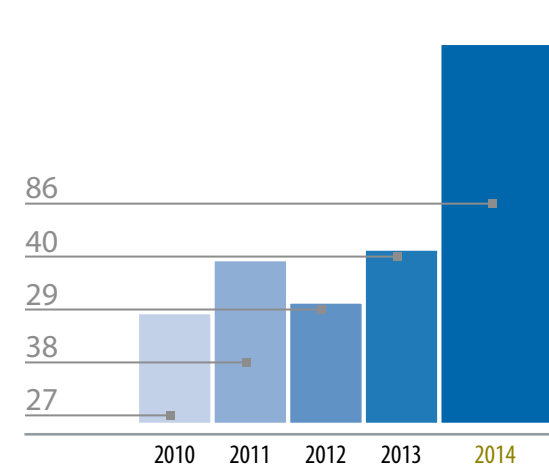
Revenue (RSBU) RUB bn



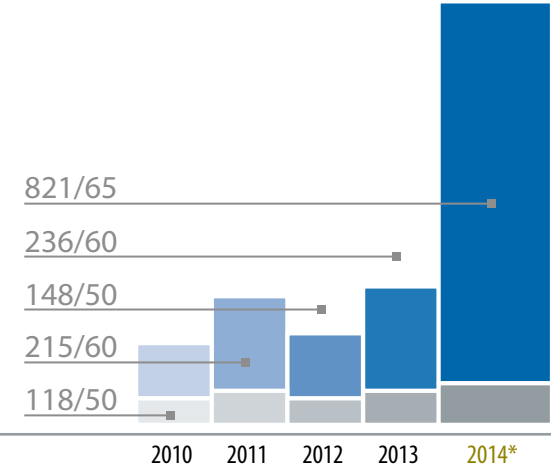
Pretax profit (RSBU) RUB bn



Total dividends declared RUB bn



Dividend per share kop.



■ Dividend per preference share  
■ Dividend per ordinary share

\* Recommended by the Board of Directors

OJSC "Surgutneftegas", "Company", "Surgutneftegas", "we", "our", "us" and "joint stock company" used in the text of the Brochure are interchangeable terms that relate to Surgutneftegas group of companies as a whole, OJSC "Surgutneftegas" and/or its subsidiaries subject to the context.





## MESSAGE FROM DIRECTOR GENERAL

### Dear fellow shareholders!

There is every reason to assess the year of 2014 as the significant and successful stage of the development of OJSC "Surgutneftegas". In the past year, our Company faced challenging external economic conditions which required our efforts to raise efficiency. Despite these conditions, we strictly followed our plans: increased the reserve base, actively developed the fields, opened up new provinces, continued upgrading refining capacities and development of our own electric power solutions, implementation of environmental and socially significant programs.

In the reporting year, oil production of OJSC "Surgutneftegas" totaled 61.4 million tonnes and gas production amounted to 9.4 billion cubic meters. We still see the mid-term goal for the annual oil production at 61–62 million tonnes; there are plans for sustaining this level in place: large-scale exploration and drilling operations, new fields exploitation, and a number of well intervention and stimulation operations to enhance oil production.

Increasing a resource base is a key factor for the Company's stable operation. Every year we ensure reserves additions above the level of production. In 2014, following the exploratory drilling campaign, two fields and 32 new oil accumulations were discovered; reserves additions of C1 recoverable oil totaled 76.8 million tonnes. All in all, we have added oil reserves by 56% more than we produced over the last five years.

The Company continues to increase its production in Eastern Siberia; the input of Eastern Siberia in oil production increased to 13% in the reporting year. Oil production was 7.7 million tonnes, or 7.1% up on 2013.

In 2014, oil production in Western Siberia was 53.7 million tonnes, or 1% down on the previous year. The Company manages to control the process of oil production decline, natural for the fields at the later stages of development. It is possible to achieve such results due to extensive application

of EOR methods, well operation optimization, maintaining the formation pressure and drilling for new oil accumulations.

OJSC "Surgutneftegas" started developing three new fields in Western Siberia in 2014 – Vysotnoye, Kochevskoye and Verkhnekazymskoye.

The prospects for the Company in our traditional region are associated with the development of tight oil reserves that will not only slow down the production decline rates, but will also boost oil production at many fields in exploitation. Another important line of activity in Western Siberia is building new production clusters.

The Rogozhnikovskoye group of fields is one of such clusters; at year-end 2014, it includes three active fields. The next important step will be putting online the field named after V. I. Spielman (Severo-Rogozhnikovskoye) in 2015, where building the infrastructure was in progress in the reporting year. Together with this field, the Rogozhnikovskoye group will yield about 5 million tonnes of oil a year.

The prospects for the Company development in Western Siberia are also related to forming a new production cluster in Uvatsky District in Tyumenskaya Oblast and adjacent territories of the south of Khanty-Mansiysky Autonomous Okrug – Yugra where OJSC "Surgutneftegas" holds 12 license areas covering seven oil fields with over 40 million tonnes of class C1+C2 oil. Preparation is planned for the year 2015 for building the infrastructure at the Yuzhno-Nyurymskoye field that will be put online in 2016. We will determine the time of development of the other fields of this cluster based on the exploration results.

More remote prospects for the development of the Company's upstream sector are associated with Timano-Pechora, a new territory for us. This will be the third oil and gas province where OJSC "Surgutneftegas" will be producing oil and gas commercially. There is a plan to start development of two fields in Nenetsky Autonomous Okrug in 2018.

In the downstream sector, the quality of products has significantly increased. Due to the start of operation of the deep conversion plant in 2013, and upgrade of the existing units of the KINEF plant, the output of light petroleum products grew by 1.1 million tonnes. At the year-end, all of the diesel fuel produced complies with the requirements of the environmental Class 5.

As a part of a step-by-step upgrading of the refinery process scheme, building of the high-octane LK-2B gasoline plant with a capacity of 2.3 million tonnes a year continued in 2014. The operation of the plant will result in the increased output and quality of the commercial gasoline. Design of a number of the plant facilities, construction and erection work, and purchase of equipment were accomplished in the reporting year.

Renovation of the L-24/6 diesel and kerosene hydrotreater continues; it is planned to be finished in 2015. Upon commissioning this unit the Company will complete the cycle of renovation of the units responsible for the production of these types of fuel.

In the marketing sector, the Company continued to develop its network of gas filling stations and expand additional services. Average daily sales of fuel at one gas station increased by 2% on the previous year and amounted to 8.3 tonnes. Given the high level of competition in petroleum retail business, the marketing divisions of OJSC "Surgutneftegas" ensure the efficient work by offering the associated goods and services; their revenues grew by 15.5% in 2014.

In the energy sector, the Company continued to build its own generation capacities. In the reporting year, a 36 MW gas turbine power plant was put in operation at the Fedorovskoye field. All in all, the Company's power plants generated 5.3 billion kWh of electric power in 2014, which covered 44% of OJSC "Surgutneftegas" consumption needs in the upstream sector.

Increasing the efficiency through control over expenses, rational use of resources, good work performance,

implementation of new technological solutions, stimulation of rationalizing and inventive activity play an important role under conditions of geographical presence extension, rising costs and complication of production process.

The Company pays particular attention to energy saving. An extensive energy-saving program is implemented consistently: energy saving technologies and equipment, various administrative and technical measures are introduced. In the reporting year, the economic benefit of the program amounted to RUB 1.2 billion, and energy savings reached over 1 billion kWh of electric power and 7.4 thousand Gcal of heat.

Over many years, OJSC "Surgutneftegas" has been carrying out systematic development and implementation of innovative equipment and technology at all stages of the production process. Every year, the Company gets significant economic benefit: in the reporting year, the benefit from mastering new operating procedures, production methods and equipment resulted in RUB 11.1 billion, the benefit from rationalizing activity was over RUB 1 billion.

Our innovation approach is underlain by the following principle: instead of buying turn-key services, we strive for implementation of our own developments, adaptation and improvement of the world's best technologies and equipment and close cooperation with manufacturers. By developing our own business units and personnel, we gain competitive advantages from combining our hands-on experience with the leading industrial developments.

Despite the fulfillment of production plans and tasks, core business profitability was under pressure in the reporting year due to the fall in world oil prices and objective increase of production costs in the oil and gas industry. The outrunning growth of the taxes – that are a part of the costs – had a negative effect as well. The total increase in costs amounted to RUB 71.2 billion, including over RUB 53 billion of taxes. The final financial result of 2014

was influenced by the exchange rate shift. By virtue of the significant effect from revaluation of foreign currency assets, net profit of OJSC "Surgutneftegas" grew almost 3.5 times and amounted to RUB 891.7 billion.

According to the financial results of the reporting year, the Board of Directors resolved to recommend to pay dividends in the amount of RUB 8.21 per preference share and RUB 0.65 per ordinary share in compliance with the Company's Charter of OJSC "Surgutneftegas". Total amount of the dividends paid will be over RUB 86 billion.

Along with production and financial results, adherence to the principles of socially responsible business is not least important. The Company invests heavily in environmental activities, providing comfortable and safe working conditions, ensuring additional benefits and guarantees for personnel, stronger social and economic partnership with the regions. We believe that being a reliable and trusted company that builds long-term relations with society, adheres to the highest environmental safety

standards, appreciates and encourages its employees – all that means business advantages in the long run.

The main pride of OJSC "Surgutneftegas" has always been its team. I am convinced that the results achieved by our employees in the reporting year, their experience and professionalism, initiative and creative approach to solving large-scale technical problems will be a solid foundation for realization of further development plans of the Company. I greatly appreciate the contribution of our employees, management team and the Board of Directors to the achievements of the Company.

We enter 2015 with a stable financial position and good operational indicators. We have knowledge and experience, continuous scientific and technical search, adherence to the best working traditions, and leading positions in a number of activity directions. These factors will allow the Company to overcome present difficulties, confidently plan our future and subsequently achieve the goals set for us by the shareholders.

Director General  
OJSC "Surgutneftegas"  
Vladimir L. Bogdanov





## THE COMPANY'S PROFILE

The Company today

Events of the year

The Company and the oil and gas sector

Business priorities

Key risks related to the Company's operations

Key performance indicators  
of OJSC "Surgutneftegas"



Open Joint Stock Company “Surgutneftegas” is a stable developing vertically integrated oil company bringing together exploration, drilling, producing units, oil and gas processing and marketing enterprises, research-design and project centers.

The sphere of the Company’s activity comprises prospecting, exploration, development and operation of oil and gas fields; oil refining, manufacturing and marketing of a wide range of petroleum and petrochemical products; processing of associated petroleum gas, sales of commercial gas and liquid hydrocarbons, generation of electrical and heat power.

OJSC “Surgutneftegas” carries on its business in a number of the Russian regions, from the Baltic to the Far East, and develops long-term relationships with hundreds of domestic enterprises of allied industries and business partners in dozens of CIS and non-CIS countries.

The Company carries out prospecting and production of hydrocarbons in three largest oil and gas provinces – Western Siberia, Eastern Siberia and Timano-Pechora.

The Company’s oil refinery is located in the city of Kirishi, Leningradskaya Oblast and the gas processing plant – in Surgutsky District, Tyumenskaya Oblast.











The marketing segment is represented by five marketing subsidiaries carrying out wholesale and retail distribution of petroleum products in Saint Petersburg, Leningradskaya, Tverskaya, Novgorodskaya, Pskovskaya and Kaliningradskaya Oblasts.

Research centers of the Company providing R&D support of hydrocarbon production and refining are located in Surgut, Tyumen and Saint Petersburg.






OJSC “Surgutneftegas” is the company aimed at sustainable development and a higher rate of a long term economic efficiency. This is the goal that drives the Company’s operational, financial, human resources, and social policy. The Company successfully implements programs of hydrocarbons recovery, enhancement of energy efficiency, resource conservation, production facilities upgrade and improvement of business processes quality.

OJSC “Surgutneftegas” greatly esteems its reputation of a reliable partner, industrial, technological and innovation leader and its title of the company with high production standards.

#### PRINCIPLES OF THE COMPANY:

-  systematic reserve increment able to replenish current production level;
-  ensuring stable level of hydrocarbon production;
-  development and effective use of the Company’s own powerful service complex;
-  systematic approach to the issues of energy saving and efficiency, constant control over production expenses;
-  strengthening the position of production with high added value in the market;
-  forming innovative environment and hi-tech production infrastructure;
-  maximal assistance for scientific and technological activity of the personnel;
-  preservation of the environment and rational use of natural resources;
-  strict compliance with its obligations to the state, shareholders, business partners and consumers;
-  deep involvement in social and economic development of its areas of operation.

Adherence to these principles allows the Company to reach high production results:

-  to ensure a steady level of oil production in the amount of 61 million tonnes per year;
-  to keep yearly initial processing of hydrocarbons at the level of 19–20 million tonnes;
-  to produce all main types of oil products in the amount of about 19 million tonnes;
-  to bring total established generating capacity up to 781.6 MW;
-  to ensure the highest associated petroleum gas utilization rate of above 99% in the industry.

Long-term experience of the Company’s personnel together with striving to innovations, constant technical and technological development, maintaining environmental balance in every region of its operations and commitment to dynamic development give grounds to believe that the Company will be able to keep and strengthen its advantages and achieve stable production results henceforth.

## FEBRUARY

The Company obtains the license for exploration and production of hydrocarbons in the Yuzhno-Konitlorsky license area in Khanty-Mansiysky Autonomous Okrug – Yugra. The field's recoverable C1+C2 oil reserves amount to 19.5 million tonnes.



## MARCH

Oil and gas production division "Surgutneft", on the basis of which OJSC "Surgutneftegas" was established, turns 50. Over this period, the Company has recovered from the field of the business unit 295 million tonnes of oil and 14 billion cubic meters of gas.



## APRIL

Surgutneftegas holds the XXXIV Scientific and Technical Conference for young professionals and scientists attended by 881 employees of the Company's business units.



Offsite meeting of the Committee of the Federation Council on economic policy on the subject "Role of energy sector of Western Siberia in the development of the Russian Federation economy" takes place on the basis of the Tyumen branch of Surgut Research and Design Institute.



## MAY

For the first time ever, the title of Hero of Labor of the Russian Federation, the highest award in Russia, is given to the representative of the oil industry Ivan Aidullin, a well overhaul foreman working in well workover and production enhancement division of OJSC "Surgutneftegas".



Director General of OJSC "Surgutneftegas" Vladimir L. Bogdanov and the governor of KhMAO – Yugra Natalia V. Komarova sign an agreement on cooperation between the Government of Yugra and OJSC "Surgutneftegas" for 2014–2016 in the field of social and economic development of the Autonomous Okrug, environmental protection, assistance for development of scientific, technical and investment attractiveness of the region, development and implementation of joint investment projects in the field of energy efficiency and ecology.

## JUNE

The Company obtains the license for the oil field discovered by its own efforts. The oil field got its name after Nikolai Ya. Medvedev who held a position of a chief geologist of OJSC "Surgutneftegas" for 26 years and contributed much to the development of the raw material base of the fuel and energy complex. The field's recoverable C1+C2 oil reserves amount to 10.5 million tonnes.



Social fund for environmental safety provision "ECO-Safety" presents the Company the international social award "Tree of Ecology" for the particular contribution to environmental safety.





JULY

The Company commences production at the Vysotnoye field in Western Siberia.

The Company obtains the license for geological study, exploration and production of hydrocarbons at the Yugansky 10 block in Western Siberia.



SEPTEMBER

OJSC “Surgutneftegas” has become a tenth-time winner in the category “The company of the year of KhMAO-Yugra” in the annual regional contest “Black Gold of Yugra”. Representatives and business units of the Company are considered the best in more than a dozen of categories.



AUGUST

Gas turbine power station with a capacity of 36 MW is commissioned at the Fedorovskoye field. Total established generating capacity of the Company has reached 781.6 MW.



In tribute to the professional holiday – Day of Oil and Gas Industry Workers, 1,063 employees of OJSC “Surgutneftegas” and its subsidiaries pick up the awards of all ranks, including state, regional and municipal ones, as well as departmental labor insignia.



OCTOBER

The Company obtains the license for geological study, exploration and production of hydrocarbons at the Zapadno-Polunyakhskoye block in Western Siberia. The field’s recoverable C1+C2 oil reserves amount to 8.1 million tonnes.



NOVEMBER

The Company commences production at the Kochevskoye field in Western Siberia.

The Company launches an up-to-date hi-tech complex for applying internal anti-corrosion pipe coating for field lines.



DECEMBER

The Company commences production at the Verkhnekazymskoye field in Western Siberia.

OJSC “Surgutneftegas” wins the prize in the national contest of implemented energy saving projects and improving energy efficiency “ENES” in the category “The best management system in the sphere of energy saving and energy efficiency in the enterprise of fuel and energy complex”.





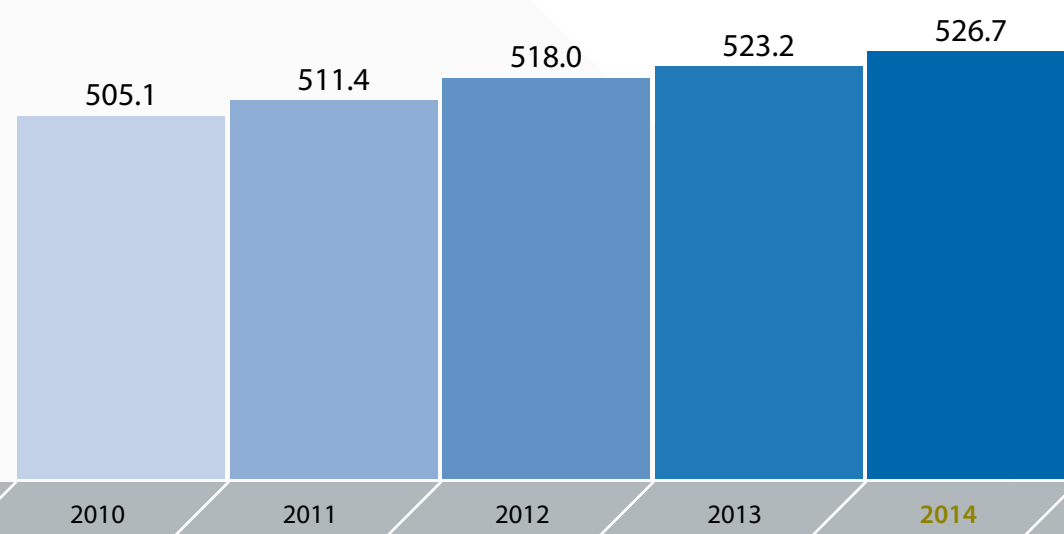
### DEVELOPMENT TRENDS IN THE SECTOR IN THE REPORTING YEAR

One of the key factors defining the world's oil and gas industry development is the price for oil. Over the last three years the oil price remained relatively stable and varied in the range of 100–120 USD/barrel. In 2014, the situation changed and in the second half of the year the price for oil started to fall. By the end of December, the price for oil bottomed at 54.97 USD/barrel. There were several factors behind this, including mainly the imbalance between the oil supply and demand due to economic slowdown in China (from 10% to 7.4%) and European countries as well as the increase in oil production in the USA. Thus, the weighted average Brent price in the reporting year was 98.99 USD/barrel, which is 8.9% less than in the previous year.

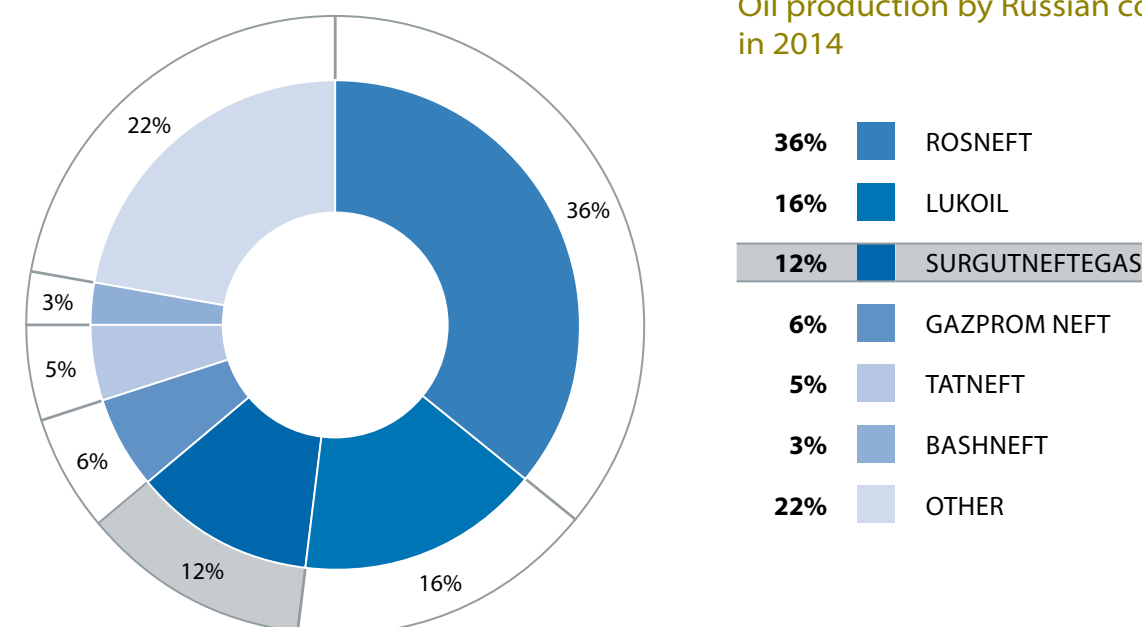
The world oil demand in 2014 increased by 1%, and the oil production increased by 1.8%, which is the highest increase for the last decade. Seven countries: the USA, China, Japan, India, Russia, Saudi Arabia and Brazil account for more than 52% of world oil consumption. The highest increase in oil demand was noted in India (by 12%), Brazil (by 6.2%) and Saudi Arabia (by 3.4%). China and the USA – leading oil consumers (they make the third of the world oil consumption) have seen the reduction in the growth rate: in China, it went down to 2.6% against 4% in 2013, in the USA – to 0.8% against 2.1%.

At year-end 2014, proved global oil reserves increased by 0.4% to 232.4 billion tonnes, and 85% of those reserves is held by 10 countries: Venezuela, Saudi Arabia, Canada, Iran, Iraq, Russia, Kuwait, United Arab Emirates, Libya and the USA. Venezuela is the world's leader in terms of oil reserves – 40.6 billion tonnes. The USA and Iran had

### Oil production in Russia mn tonnes



### Oil production by Russian companies in 2014



the maximum reserves growth in the reporting year. For the first time, the United States left Nigeria behind and entered the top ten in oil reserves. The steepest reserves decline occurred in Canada, Argentina and Norway.

In 2014, global oil production totaled 3.8 billion tonnes. The growth amounted to 65.8 million tonnes. That was achieved by the countries of North America with their production grown by 9.3%. It is largely due to the technology development allowing to implement shale oil production projects. The leading countries in oil production are still Russia, Saudi Arabia, the USA, China and Canada which account for more than 48% of global oil production, and their share in global oil production increases every year. Over the last years, Russia has been the leader in oil production – about 14% of global oil output.

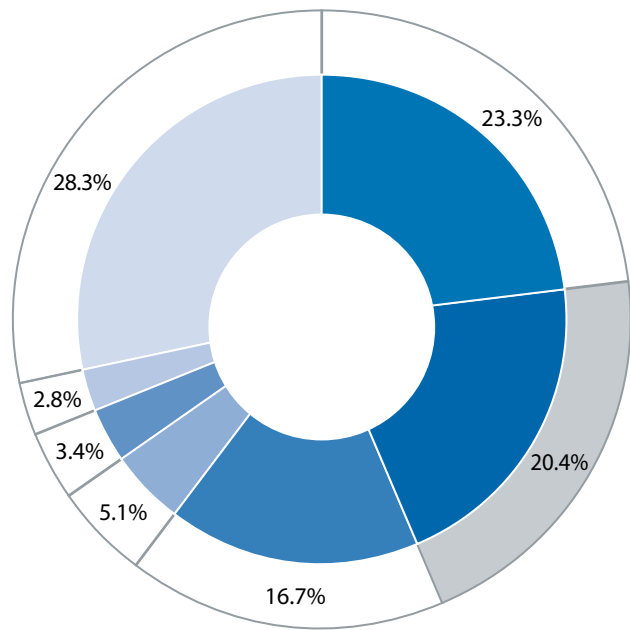
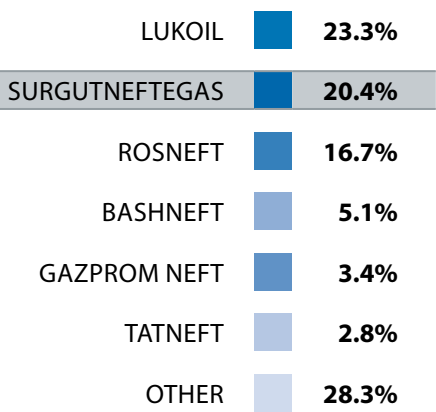
During 2014, the world's gas reserves increased by 0.5%. Russia, the USA, China and Iran demonstrated the highest growth of gas reserves. The biggest reduction (29%) occurred in Australia. This year, China entered the top ten list for the amount of gas reserves

for the first time. The growth of reserves in Russia amounted to 14%. Over the last years, Russia has been the leader in proved reserves holding 23.8% of the world's gas reserves.

In the reporting year, versus 2013, the world's gas production grew by 3.3% to 3.5 trillion cubic meters with the ten major producers accounting for nearly 68% of that amount. In the reporting year, the top ten list of gas producers changed: for the first time Turkmenistan entered the list superseding Indonesia. The USA is still the world's leading gas producer.

In 2014, the volume of crude oil production in Russia reached 526.7 million tonnes, 0.7% higher than in 2013. The bulk of Russian oil production refers to vertically integrated oil companies. The share of independent companies is about 16%. In the reporting year, oil fields put online several years ago in Eastern Siberia and new fields in Krasnoyarsky Krai and Nenetsky Autonomous Okrug showed a rise in production. The share of new fields (active no longer than five years) in the total output

Prospecting and exploratory drilling by Russian companies in 2014



in the reporting year was 7.7% (in 2013 – 6.4%). In addition, oil companies managed to halt the decline in production in brown fields, which is the result of the active work aimed at improving the wells’ operation carried out in recent years.

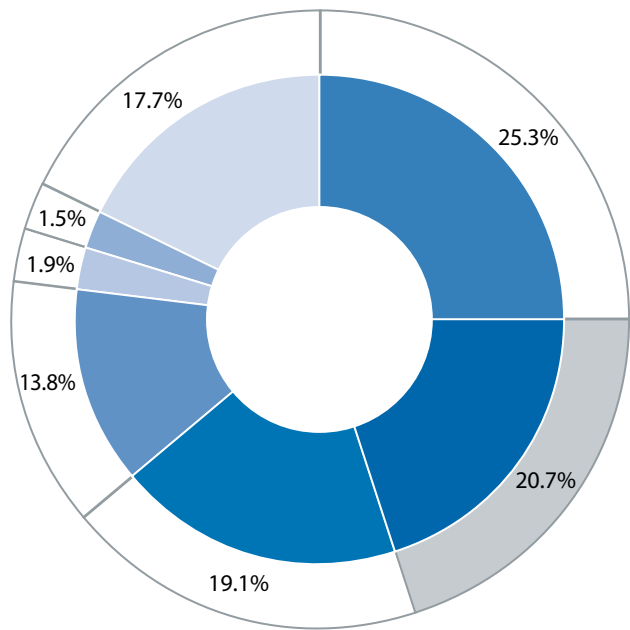
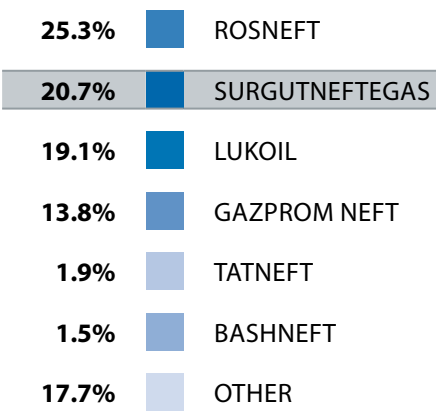
The total number of production wells under operation by the end of 2014 was 168.3 thousand. The Company put online 6,065 new oil wells. The share of inactive wells remained unchanged and amounted to 13.1%. Russian oil and gas producers continued to expand their exploratory drilling operations, and by the end of the year the growth accounted for 21.6%, the meterage totaled 993.9 thousand meters. In contrast to this, the volume of development drilling decreased by 5.1%.

Despite the record-high oil production, the export of oil in the reporting year decreased by 6.8% and amounted to 42% of oil produced. Reduced supplies were observed both for CIS and non-CIS countries. The greater portion of exports to non-CIS countries was delivered via marine terminals. However, in recent years, there

has been a decreasing tendency for such kind of export. In 2014, the share of marine terminal exports amounted to 58.7% against 66.1% in 2013. At the same time, transportation of crude oil via pipelines increases, mainly due to Asian countries. Oil exports to Asia, mainly to China, increased by 28% and reached the record level of about 24.3% of all oil exported to non-CIS countries.

In 2014, the Russian refineries received 289.9 million tonnes of oil, which is 5.3% up against 2013. The capacity operation is still high and amounted to 94.1% and the conversion ratio on refineries increased to 72.4% (against 71% in 2013). The industry continued an extensive upgrade of refineries aimed at higher conversion ratio and compliance with Technical Regulations on the quality characteristics of oil products. The investments of oil companies in development and upgrading of refineries in the reporting year amounted to RUB 290 billion, or 7.8% up compared with 2013; 13 processing units were commissioned. Since 2011, 47 processing units have been commissioned

Development drilling by Russian companies in 2014

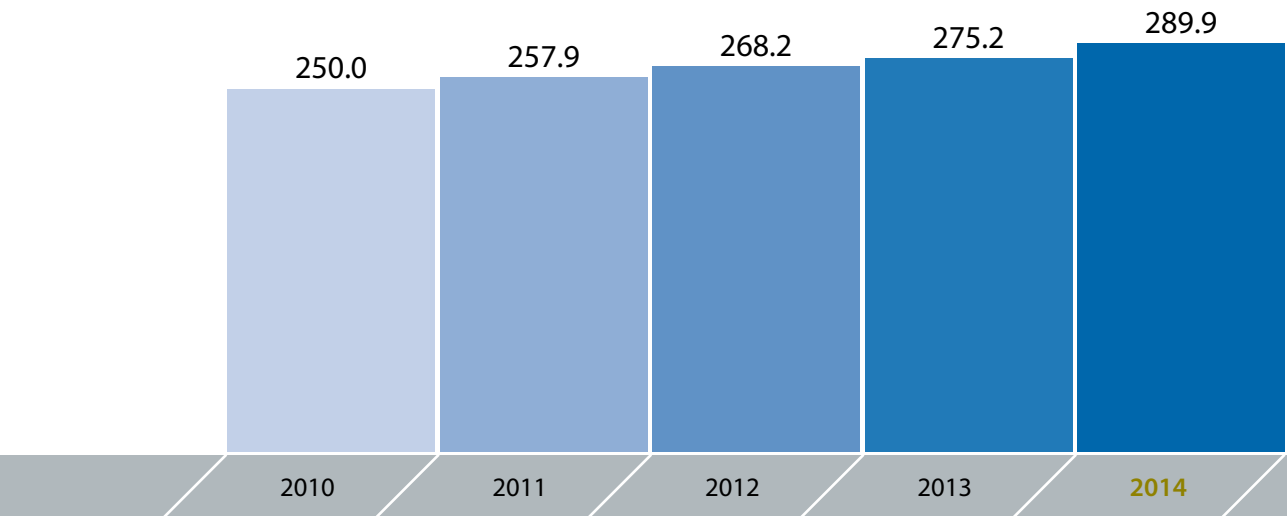


and upgraded, allowing to increase the production of oil products of higher environmental standards.

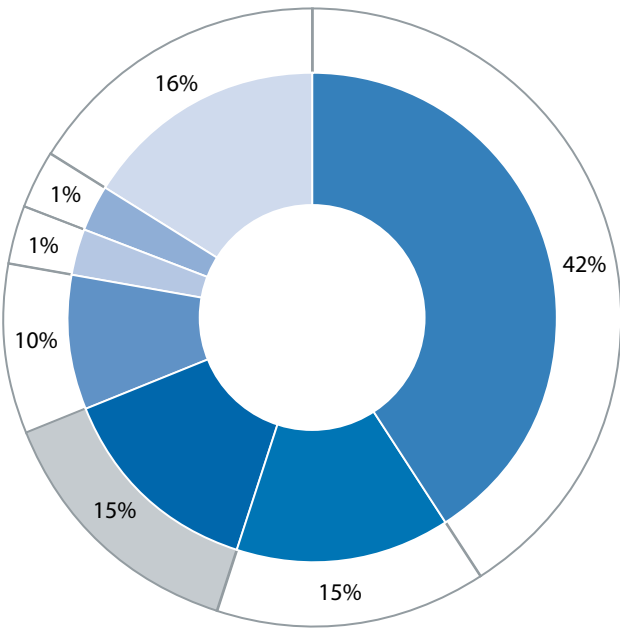
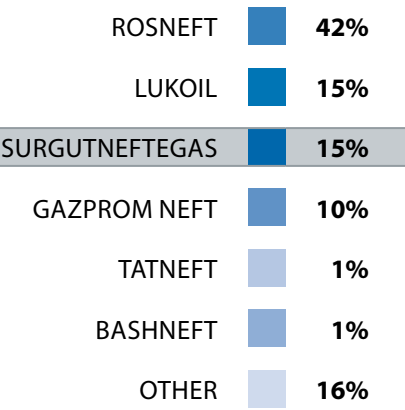
In 2014, the output of basic petroleum products, mostly a diesel fuel, increased

by 5.5%, due to the fact that the retrofitted refineries are adapted specifically for this product. Its production increased by 8.2% and amounted to 77.4 thousand tonnes. Aviation fuel production grew significantly

Oil refining in Russia  
mn tonnes



Actual APG production  
by Russian companies  
in 2014\*



\* Excl. flared gas

(by 5.4%). Automobile gasolines production decreased slightly (by 1%). The share of environmental Class 5 products increased in the general structure of petroleum products: for diesel fuel – from 43% to 58%, for gasoline – from 63% to 75%. Supplies of major oil products for the domestic market increased by 8.3% compared with the level of 2013 and amounted to over 46% from the level of their production. Diesel fuel deliveries grew by 3.4%, and within this sector the share of Class 5 products grew to 74%.

In 2014, natural gas production in Russia amounted to 654.2 billion cubic meters. OAO Gazprom and OAO NOVATEK generated the bulk of production. The share of oil companies engaged in domestic gas production continued to grow and reached 14% in the reporting year, which is due to a more active involvement in production of gas through both purchase of gas assets, development of gas fields, and compliance with legal requirements for maintaining APG utilization rate at 95%. In 2014, the domestic APG utilization rate reached 84% against 78.8% in 2013.

All in all, Russian oil and gas industry reflected the following development trends in 2014:

- deterioration of oil market pricing environment;
- slowdown of oil production growth rates;
- increase in exploratory drilling and the growth of capital investments made by oil companies in exploratory drilling;
- increase in domestic oil supplies, and, as a result, reduction in exports;
- ongoing extensive upgrades of refineries; shifts in the range and quality of products caused by transition to new standards and fuel classes;
- increase in gas volumes produced by oil companies; implementation of effective APG utilization projects.

THE COMPANY AMONG ITS PEERS

OJSC “Surgutneftegas” is one of the top players in the domestic oil and gas sector. The Company accounts for almost 12% of Russia’s total crude output and about 15% of associated petroleum gas output, as well as nearly 7% of the crude refining.

In 2014, Surgutneftegas produced 61.4 million tonnes of oil. A crucial role in sustaining the oil production belongs to East Siberian fields – in the reporting year, this region accounted for 13% of the Company’s total oil output.

The Company produced 9.4 billion cubic meters of gas. OJSC “Surgutneftegas” has a well-developed infrastructure for collection and utilization of gas, allowing it to boast the industry’s highest level of associated petroleum gas utilization. In the reporting year, it reached 99.14% rate.

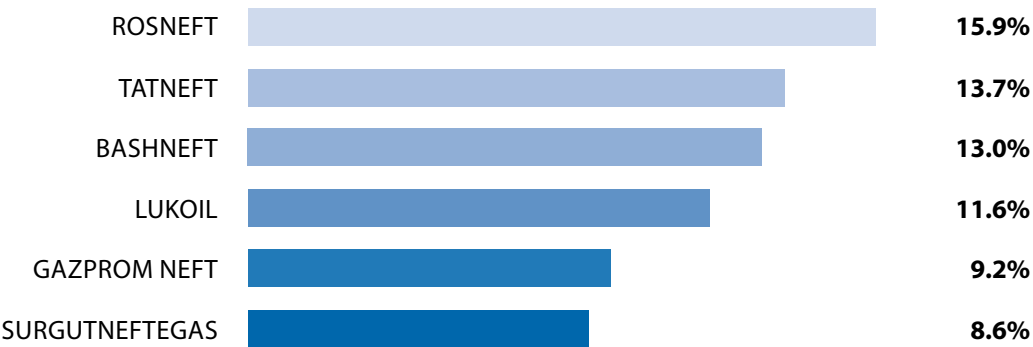
At the end of 2014, the operating well count of OJSC “Surgutneftegas” reached 22,380 wells, whereas the share of inactive well count is 8.6%, which is the lowest figure in the industry.

Every year, the Company carries out a significant amount of drilling. In 2014, OJSC “Surgutneftegas” accounted for 20.4% and 20.7% of exploratory and production drilling respectively. The Company put online 1,183 new oil wells.

The Company’s refinery, LLC “KINEF”, is one of Russia’s leading refineries in terms of refining output. In the reporting year, the refinery produced 18.5 million tonnes of oil products, a deep conversion plant was put to its full capacity allowing to reduce mazut production and increase the light oil products yield.







The Company’s sales network with its 289 gas stations covers five regions in the North-West of Russia. High quality of oil products distributed by the Company as well as a wide range of high-end products and services make the marketing subsidiaries of OJSC “Surgutneftegas” strong leaders in the areas of their operations. In the reporting year, the Company’s sales network sold over 1.3 million tonnes of petroleum products.

Idle wells in total well stock of Russian oil companies  
at the end of 2014







Average for oil companies – 12.9%




**OIL AND GAS PRODUCTION:**

-  to strengthen and enlarge the Company's mineral resource base through geological exploration and acquisition of new promising areas;
-  to develop and apply innovative solutions, introduce advanced equipment and technologies in order to enhance efficiency of oil and gas exploration and field development, including fields with tight oil reserves;
-  to maintain production targets;
-  to form new centers of hydrocarbon production;
-  to take a comprehensive approach to gas sector development: to provide for a high utilization level and maximize efficient use of associated petroleum gas;
-  to provide a high quality of work and control costs.



**OIL REFINING AND GAS PROCESSING:**

-  to increase oil conversion ratio and light oil products yield;
-  to improve the quality of products and ensure compliance with Russian and international quality standards;
-  to enhance refining and processing efficiency through modernization and reconstruction of production facilities;
-  to extend the range of products in accordance with the market needs.





**MARKETING:**

-  to diversify product supplies by entering new markets and developing Russian transportation infrastructure;
-  to increase consumer's loyalty by providing high quality products and services at gas stations;
-  to increase the efficiency of retail sales through extending the range of products and boosting sales of associated goods and services.

**POWER SECTOR:**

-  to develop energy complex which ensures generation, transmission and sale of electric and thermal energy, and provides for rational use of hydrocarbons produced;
-  to introduce energy-saving and energy efficient solutions and technology within every area of the Company's operations.

**SOCIAL RESPONSIBILITY:**

-  to mitigate the environmental impact, ensure environmental safety of production facilities and use natural resources in a responsible and rational way;
-  to assure high industrial and occupational safety standards;
-  to contribute to balanced social and economic development of the areas where the Company operates and preserve the status of a reliable partner and supplier of high quality products;
-  to offer extra social benefits and guarantees for the employees, their families, and retired employees.



## KEY RISKS RELATED TO THE COMPANY'S OPERATIONS

In the course of its activities OJSC "Surgutneftegas" is exposed to various kinds of risks, including those related to the peculiarities of the oil and gas industry, as well as financial, legal, country and other kinds of risks. The risk management system of OJSC "Surgutneftegas" is designed to minimize their impact on the operating and financial performance by means of ongoing early risk identification and assessment, and development of measures aimed at rundown of contingency and mitigation of the possible negative impact on the ongoing operations and prospects of the Company.

### INDUSTRY RISKS

Industry risks of OJSC "Surgutneftegas" are related to the Company's core businesses: production and processing of oil and gas, and marketing of hydrocarbons. These include the risk of drop in hydrocarbon prices, increased competition between oil companies, shortage of the industry specialists, higher operating and capital costs, geological, technological and environmental risks.

Hydrocarbon price reduction is recognized as a serious risk for the Company as it has the most significant impact on the Company's financial performance.

Hydrocarbon prices depend on several factors, including supply-demand balance in the global and regional markets, the world economy expected growth rate, production and consumption forecasts for the main types of energy, political and economic situation in the countries which are the largest producers and consumers of hydrocarbons, data on oil and petroleum products reserves, investment levels, development rates of hard-to-recover reserves, and alternative energy sources development.

In the Russian market, hydrocarbon prices depend on the trends of the world market, as well as on internal factors: the level of oil and petroleum products

demand and supply, state tax and tariff policy, and the cost of logistics.

OJSC "Surgutneftegas" has no opportunity to affect market prices for oil, gas, and petroleum products. The Company monitors trends of hydrocarbon market to assess current and plan future activities related to its commodity flow directions, investment programs and projects, and cost reduction based on different price scenarios. At the same time, OJSC "Surgutneftegas" has internal resources that provide the ability of maintaining a stable production process during price fluctuations without borrowing.

Activities of oil companies are characterized by a high level of competition in the acquisition of new production assets at an affordable price and access to markets.

Due to the depletion of old fields, deterioration of reserves, and a limited number of promising license areas in the unallocated fund, oil companies are competing for the right to acquire new production assets. As a result, there are risks of field development projects' economic efficiency decrease due to increased costs for acquisition of new licenses and the need for industrial and social infrastructure development in remote areas of production. To reduce possible losses from this risk realization, Surgutneftegas monitors areas available for purchase taking into account the Company's further development plans and thoroughly evaluates hydrocarbon potential of these areas and return on the required investment in their development and operation.

Limited absorptive capacity of oil and petroleum products markets as well as insufficient transport infrastructure in certain delivery directions may lead to lower prices and/or sales volumes in the most attractive markets and adversely affect the Company's financial results.

In order to reduce the risk of limited access to markets and transport infrastructure, OJSC "Surgutneftegas" plans in advance the amount and timing of product delivery, maintains long-term mutually beneficial relationships with the Company's fellow partners, and provides stable supplies of hydrocarbons to the most popular delivery directions.

Shortage of skilled workers and engineering personnel due to the growing sophistication of production methods, use of state-of-the-art equipment and technologies, and expansion of industrial activity territory are significant risks to the oil and gas industry.

In order to mitigate this risk, OJSC "Surgutneftegas" collaborates with specialist training institutions, provides professional retraining and development of staff, and develops its own training centers based on production needs. The Company provides a comfortable working environment for its employees, implements programs of additional social guarantees, creates a candidate pool and attractive image of the Company.

OJSC "Surgutneftegas" is subject to the risk of operating and capital costs increase due to higher prices for energy resources, basic and auxiliary materials, metal products, and equipment, as well as to the risk of higher tariff rates of the Company's main transport providers: OJSC "AK" Transneft", OJSC "AK" Transnefteprodukt" and JSC "Russian Railways".

In order to reduce the negative impact of these risks, OJSC "Surgutneftegas" regularly carries out operating and capital costs optimization in all areas of its activities. The Company holds equipment procurement tenders, implements programs ensuring energy efficiency of its industrial activity,

constructs in-house power generation facilities, and considers alternative variants of its suppliers for the whole range of products purchased.

Uncertainty and risk of failure to discover commercially significant oil and gas reserves are present at all stages of geological exploration activities of the Company. Geological risks are higher when operating in less-studied areas and areas with a complex structure of deposits. OJSC "Surgutneftegas" takes these risks into account when it evaluates the prospects of new license areas and new operation regions and decides to drill exploratory and prospect wells. The Company has extensive experience in geological exploration works, its own units, qualified staff and modern equipment allowing to obtain necessary amount of drilling data and geophysical studies, as well as advanced programs for their interpretation, which leads to mitigation of geological risks.

Oil and gas production and processing operations and use of sophisticated equipment and technologies expose the Company to technological and environmental risks related to possible abnormal and emergency situations that may adversely affect people and the environment, disrupt production processes and, as a consequence, have negative impact on the Company's operating and financial performance and reputation. The key factors of such situations are non-compliance with operating procedures and safety measures, and problems with the quality of materials and equipment.

To mitigate technological and environmental risks, Surgutneftegas strictly complies with the requirements in the field of environmental protection and industrial safety at production facilities. The Company constantly monitors the state of production facilities and timely conducts their maintenance and replacement. Incoming materials and equipment go through receipt

inspection. The Company collaborates with manufacturers in order to design equipment meeting its requirements. OJSC "Surgutneftegas" has its own service companies taking into account the specificity and complexity of the equipment and increasing workover interval of its operation. The Company has a system of labor protection and industrial safety, provides training and skills development of its personnel, and carries out a special workplace assessment.

### COUNTRY AND REGIONAL RISKS

OJSC "Surgutneftegas" carries out its business in the Russian Federation and is exposed to the country risk of Russia.

External macroeconomic factors may have a negative effect on the economic situation in Russia and lead to demand reduction for the Company's products. To reduce the possible loss, OJSC "Surgutneftegas" carefully analyzes marketing prospects and evaluates profitability of different delivery directions and demand for the product range produced.

Major production facilities of OJSC "Surgutneftegas" are located in socially stable regions. The Company contributes significantly to the development of social and transport infrastructure, economic growth and stability in the regions of its presence; pays taxes and makes other obligatory payments in full.

Operating activities of OJSC "Surgutneftegas" may be affected by unforeseen circumstances related to weather conditions, natural hazards and disasters.

The regions of the Company's presence are not prone to earthquakes, hurricanes and other natural disasters. Extremely low temperatures may greatly affect the efficiency of the Company's hydrocarbon production. Moreover, geographical remoteness of certain operating assets of OJSC "Surgutneftegas" from the regions

with good infrastructure exposes the Company to the risk of transport connection breakdown due to unfavorable weather conditions. Given that a large part of the Company's finished goods is exported through ports, force majeure weather conditions can lead to delivery time extension and upset conditions during shipping of finished products.

OJSC "Surgutneftegas" takes into account the specific nature of work in the areas with severe climatic conditions and absence of transport infrastructure. The Company carefully plans the installation of production facilities and transportation of staff, periods and amounts of cargo delivery to the fields, and develops necessary infrastructure in remote areas of hydrocarbon production.

### FINANCIAL RISKS

In the course of its activities OJSC "Surgutneftegas" is exposed to financial risks that may have a negative impact on the Company's cash flow, profit, and value of financial assets. The most significant financial risks are currency risk, interest rate risk, inflation risk, credit risk, and liquidity risk.

OJSC "Surgutneftegas" is exposed to the risk of foreign exchange fluctuations, mainly the US dollar against the ruble. An essential part of the Company's production is sold in the foreign market with settlements in foreign currencies. An adverse change in foreign exchange rates against the ruble may lead to lower profitability and deterioration of the Company's financial performance.

OJSC "Surgutneftegas" regularly carries out analysis of exchange rate volatility and its impact on the Company's financial performance, and based on its results the Company defines the parameters and structure of its financial reserves placement and carries out current planning of the cash flow.

Interest rate risk has no significant impact on the financial and economic activity

of OJSC "Surgutneftegas", as the Company does not attract borrowed capital to finance current and capital expenditures. Given that the Company's investments consist mainly of bank deposits, in order to ensure an acceptable return on them, OJSC "Surgutneftegas" constantly analyzes the level of interest rates on financial instruments in money and capital market and places funds in bank deposits with fixed rates.

OJSC "Surgutneftegas" is subject to inflation risk, realization of which may lead to increased production costs and reduced profitability of operations, increased capital expenditures and adjustment of the Company's investment project portfolio.

OJSC "Surgutneftegas" carries out a regular analysis of the impact of the inflation risk on the efficiency of its current activities, feasibility of new production projects, and processing and marketing of products. To reduce the negative impact, the Company implements a complex of measures to curb rising costs, holds tenders to select contractors' products and services, and has a balanced approach to setting up contract terms.

OJSC "Surgutneftegas" is exposed to credit risk due to accounts receivable, advanced payment of transactions with counterparties, and fund placement on deposit accounts in banks.

The Company has established a system of permanent and comprehensive solvency assessment of counterparties based on qualitative and quantitative criteria, including check on a credit history and financial soundness. Making advance payments to counterparties, the Company uses tools of ensuring the repayment of money in the form of bank guarantees and sureties.

OJSC "Surgutneftegas" avoids excessive concentration of credit risk in the placement of temporary free funds, carefully choosing credit institutions on the basis of the thoroughly developed and approved methodology for assessing the financial



condition of banks, which considers financial performance, equity holding structure, credit rating, capital structure and other indicators of financial stability of a credit institution. Monitoring of counterparty banks in terms of their financial condition is carried out during the whole period of fund allocation.

Liquidity risk arises from the possibility of occurrence of difficulties in the Company's performance of its financial obligations. Liquidity risk for OJSC "Surgutneftegas" is minimal, as the Company maintains the necessary level of liquid assets to redeem its financial obligations, taking into account the uncertainties related to day-to-day operation cash flow. The Company's system of detailed financial planning allows establishing such financial structure that maintains sufficient liquidity for timely settlement of the liabilities.

OJSC "Surgutneftegas" does not use derivative financial instruments to mitigate financial risks, but takes into account their possible impact on the financial and operating activities of the Company in the course of the development of investment projects, plans, and budgets. OJSC "Surgutneftegas" uses tools of asset and transaction insuring to guarantee timely settlement of its current liabilities.

### LEGAL RISKS

Activities of OJSC "Surgutneftegas" are characterized by a multitude of legal risks that may have a significant impact on the Company's performance under the conditions of limited ability to control them and reduce the negative impact of their realization. The biggest risk for OJSC "Surgutneftegas" is the risk of changes and updates in the existing norms regulating the activities of oil companies, including tax and customs legislation, exchange regulations, licensing requirements and competition control, environmental requirements and charges.

Changes in tax legislation towards heavier tax burden on oil industry may impair

the Company's financial performance, make the development of some of the deposits unprofitable, and reduce the efficiency of hydrocarbon processing sector.

OJSC "Surgutneftegas" carries on business in strict compliance with the Russian tax legislation. The Company pays taxes in full at all levels of the budget system and makes the required payments to non-budgetary funds of the Russian Federation.

OJSC "Surgutneftegas" closely monitors changes in the tax legislation and transfer pricing tax regulation in setting prices for transactions between related parties, takes part in discussions and makes suggestions related to the improvement of the existing legal acts and development of new ones in the field of taxation in order to encourage the development of the oil industry.

OJSC "Surgutneftegas" conducts foreign trade transactions settled in foreign currency. Changes related to the currency control legislation in the Russian Federation may affect the profitability of the Company's export operations and increase its business costs. OJSC "Surgutneftegas" fully complies with the requirements of the Russian legislation in the field of currency regulation and control.

Export-import operations of OJSC "Surgutneftegas" are exposed to risk of changes in customs regulation. Thus, increased terms of customs clearance and higher export duties may make export of oil and petroleum products less attractive and reduce the efficiency of field development and oil refining. In order to mitigate the risk, Surgutneftegas assesses the efficiency of foreign trade transactions by product range and export region, participates in discussions on initiatives to change the obligatory fees, and submits proposals for their optimization.

OJSC "Surgutneftegas" has its own network of filling stations. The Company's capabilities of distribution network development in the regions of its presence may be limited by the existing provisions

of antitrust laws. This may adversely affect sales volume and profitability of the Company's retail division.

OJSC "Surgutneftegas" is involved in the creation of conditions for effective operation of commodity markets and free circulation of goods in the territory of the Russian Federation. The Company ensures equal access to the procurement of crude oil and petroleum products for all counterparties on arm's length terms and complies with the requirements of antitrust laws.

Expansion of time for licensing procedures and approval of permits for infrastructure facilities' construction is a significant risk of operational efficiency reduction for oil companies. In addition, upgrading of penalties for failure to comply with license obligations and revocation of licenses may have a negative impact on companies' activities.

OJSC "Surgutneftegas" strictly fulfills the obligations under the license agreements, ensures scheduled volumes of exploration, and puts producing fields into operation as per schedule, reducing the possibility of potential losses from these risks realization.

### REPUTATION RISK

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

Main types of products produced by OJSC "Surgutneftegas" (oil, gas, refined products) are standardized and their quality characteristics are determined by the requirements of the regulations. When using pipeline transport, compliance with standards is a prerequisite for putting products into the pipeline system. The Company strictly complies with the applicable requirements for product quality.

Carrying out oil and gas production Surgutneftegas performs their processing

and conditioning at its own facilities. Performing production and marketing of petroleum and gas products the Company carries out constant multilevel control of their quality characteristics in its own accredited laboratories.

OJSC "Surgutneftegas" has the reputation of a stable, reliable, and financially sound company. The Company conducts a Corporate social responsibility policy: implements a complex of programs providing additional social benefits and guarantees for the staff, high standards of industrial, environmental, and labor safety, and participates in social and economic development of the regions of its presence. This minimizes the possibility of getting a negative impression of the Company and appearance of reputation risks.

### STRATEGY RISK

Strategy risk is related to the possibility of losses caused by mistakes made in decisions that determine the strategy of the Company's activities, as well as administrative errors in the implementation of this strategy.

A significant strategy risk for the Company is the underestimation of internal and external threats that may adversely affect its activity.

The Company minimizes this risk through regular analysis of key factors influencing oil and gas industry. To reduce the uncertainty in the long-run prospect and mitigate the risk in the decision-making process, the Company uses methods of strategic analysis which give a clearer picture of potential internal and external hazards. Based on the results obtained, the Company reviews its development plans.

Making wrong or unfounded decisions when determining promising areas of activity where the Company can gain competitive advantage, new areas of industrial activity and markets may prevent the Company from achieving the desired goals.

OJSC "Surgutneftegas" on a continuing basis makes assessment of its operating performance in all major business areas, monitors trends in the Company's key markets, and assesses the possibilities to increase product supply to the most attractive destinations. The Company evaluates investment feasibility in different areas of its business and new areas of activity according to economic efficiency and investment payback principles. In addition, the Company carries out analysis and models scenarios of development under various conditions.

Risks of lack or insufficient provision of necessary financial, inventory, and human resources, as well as managerial procedures may lead to the failure of achieving the strategic objectives of the Company.

OJSC "Surgutneftegas" has sufficient financial reserves and develops in advance its production program according to which planning of necessary resources and procurement are carried out. Moreover, the Company has a unified procedure for discussion and making decisions and their implementation control which minimizes these risks.

CONSOLIDATED OPERATING RESULTS

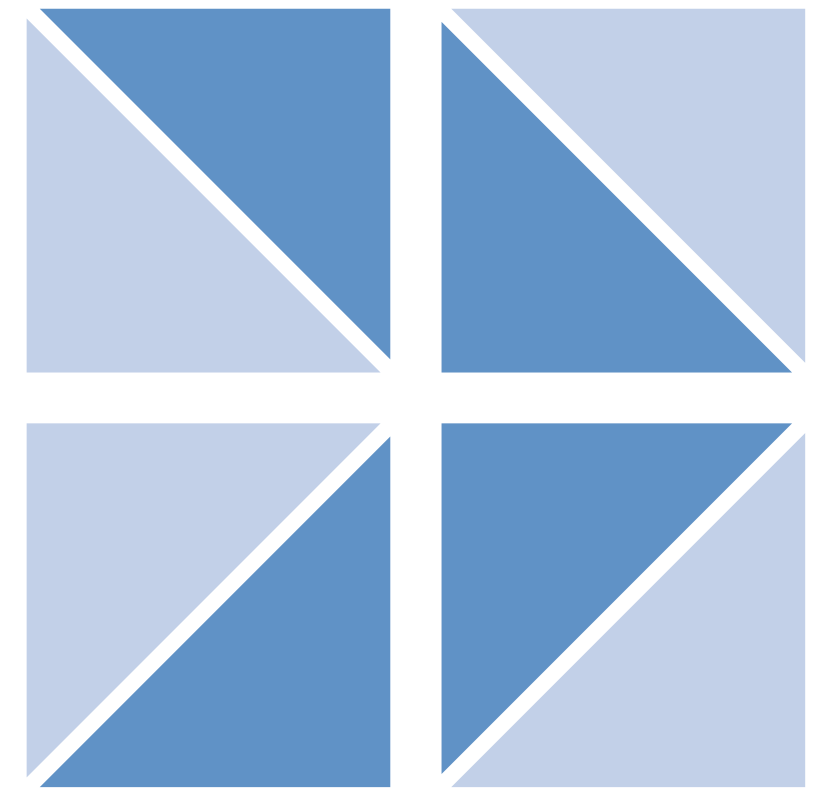
Indicator	Unit	2014
Oil production	mn tonnes	61.4
Gas production	bcm	9.4
Primary hydrocarbon processing	mn tonnes	19.3
Output of main types of petroleum products:	mn tonnes	18.5
– gasoline		2.5
– diesel fuel		5.8
– jet kero		0.7
– fuel oil		8.5
– others		1.0
Power generation (output)	mn kWh	5,270
Gas processing	bcm	6.2
Total capital investments:	mn RUB	196,518
– oil production		187,155
– oil refining		8,234
– marketing		1,129
New oil wells brought onstream	wells	1,183
New injection wells brought onstream	wells	635
Gas stations put into operation and upgraded	stations	12
Average number of production wells onstream	wells	20,893
Gas stations in operation	stations	289
Average number of personnel	people	115,507
– oil production		103,421
– oil refining		8,031
– marketing		4,055

FINANCIAL PERFORMANCE (RSBU)

Revenue	mn RUB	862,600
Cost of sales	mn RUB	621,310
Net profit (loss)	mn RUB	891,679
Average annual value of assets	mn RUB	2,561,008
Sales margin	%	20.5
Dividend per share*:		
– ordinary share	kop.	65
– preference share	kop.	821

\* Recommended by the Board of Directors





## PRODUCTION OPERATIONS

Resource policy

Oil and gas production

Oil refining and gas processing

Sales of petroleum products

Power generation



One of the priorities for OJSC “Surgutneftegas” is increasing its mineral resource base as a prerequisite for a stable production. The Company has been ensuring substantial reserves replacement for years – annual additions in oil reserves exceed the respective volumes of production.

At year-end 2014, the Company’s resource base was made up of 148 subsoil licenses in Western Siberia, Eastern Siberia, and in Timano-Pechora oil and gas provinces, including 126 licenses for exploration and production of oil and gas, and 22 licenses for prospecting and evaluation of hydrocarbon fields. The Company continues to obtain new licenses and update its resource base depending on the geological survey data acquired.

In the reporting year, OJSC “Surgutneftegas” obtained four new licenses, including three licenses acquired at auctions and one license following a field discovery by the Company. Based on the exploration work accomplished, due to little promise of oil yield, seven licenses were terminated, including four ones for geological study, prospecting and evaluation of hydrocarbons.

In the reporting year, the exploratory drilling meterage totaled 202.8 thousand meters; 80 wells were drilled with 56 of them being productive. The efficiency of exploratory drilling amounted to 70%. With a view to providing maximum oil reserves additions, the Company extensively uses the emerging technology and equipment during geological survey,

seismic data processing and interpretation. Besides, all the Company’s work as far as prospecting and exploration are concerned is supported by nearly 30 research & development and design institutes involved in different areas of interest. The Company’s SurgutNIPIneft Institute does the bulk of the research.

In the reporting year, the Company significantly increased the scope of seismic survey for mapping reservoir properties with greater detail and also in order to prepare target zones for deep exploration drilling: the scope of 2D seismics amounted to 3.5 thousand linear kilometers, up by more than 2.5 times on 2013, 3D seismic survey totaled 2.1 thousand square kilometers (up twofold). With a view to deep exploration drilling, studies were carried out on 20 targets in eight geological structures containing 17.3 million tonnes of recoverable oil, and on 10 targets in two structures with 40.5 billion cubic meters of natural gas.

In 2014, the Company completed 99 research studies, including oil and gas reserves appraisal for four fields, drew up 26 projects for exploration and evaluation. The State Committee for Mineral Reserves reviewed reserves assessment reports for three oil

#### SURGUTNEFTEGAS LICENSES BY REGION

Region	Number of licenses
Western Siberia	118
Eastern Siberia	23
Timano-Pechora	7

and gas fields. The Company filed and submitted for revision the information on the current reserves estimates for 67 more fields.

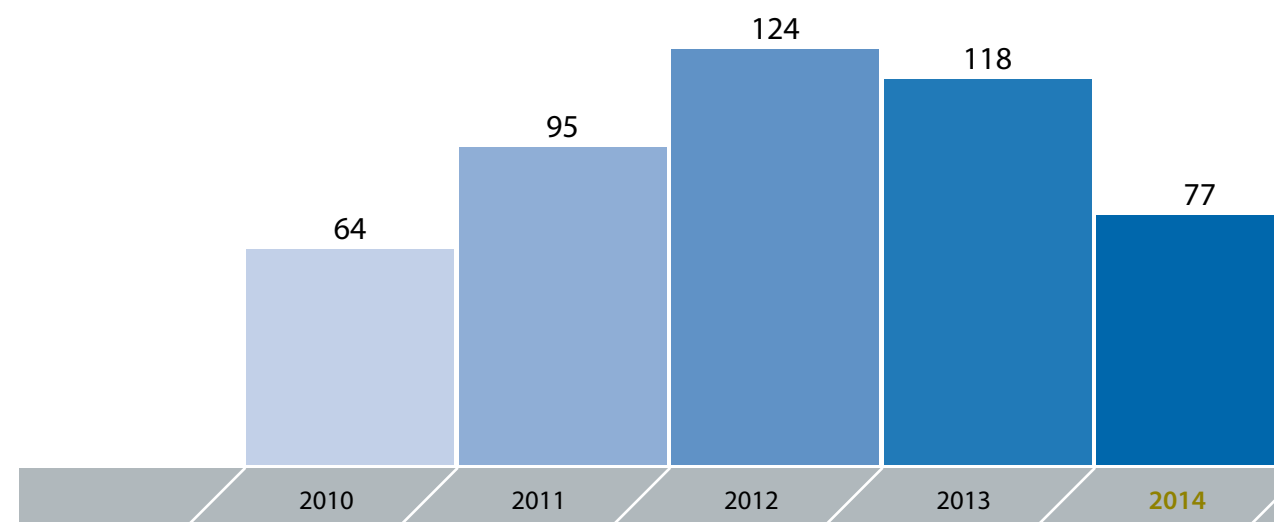
As a result of exploration performed by the Company in the reporting year, some discoveries were made: one new oil field in Khanty-Mansiysky Autonomous Okrug – Yugra and one gas condensate field in Nenetsky Autonomous Okrug, and 32 new oil accumulations at the fields discovered earlier. The additions of recoverable C1 oil reserves were 76.8 million tonnes, of natural gas reserves – 8 billion cubic meters.

For the last five years, the Company has provided additions of C1 oil reserves 1.5 times of the volume it has produced over the period.

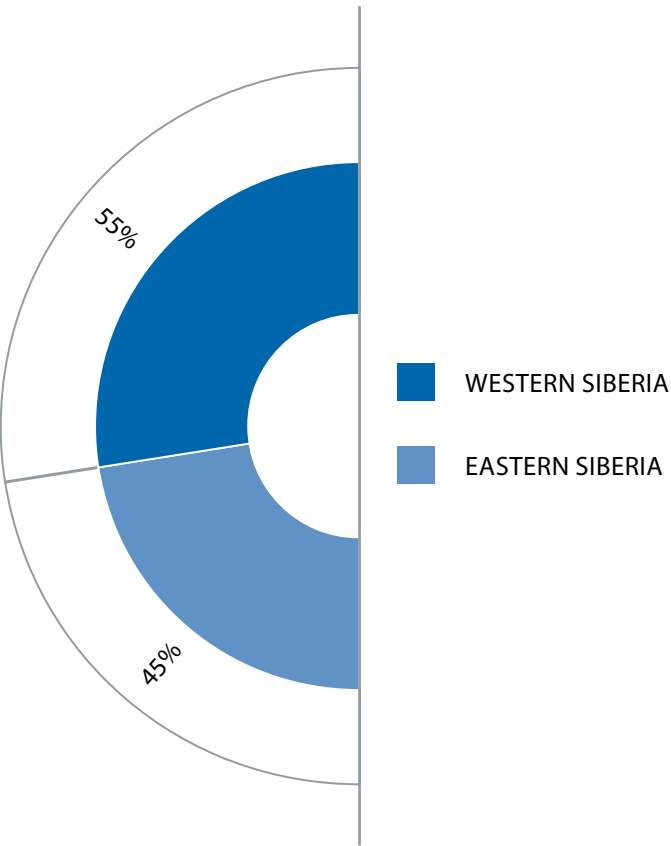
#### Western Siberia

As far as Western Siberia is concerned, the Company was operating in Khanty-Mansiysky Autonomous Okrug – Yugra, Yamalo-Nentsky Autonomous Okrug, in the south of Tyumenskaya Oblast and in Novosibirskaya Oblast. Western Siberia keeps the title of the main oil production hub, and the Company is working hard to develop

#### Additions of class C1 recoverable oil reserves mn tonnes



2D Seismics in 2014



its resource base: lower production intervals are being further explored, reserves are being evaluated and new promising licenses are acquired. Large-scale work bears fruit: new fields and accumulations are discovered every year.

The Company penetrated 151.7 thousand meters of rock in Western Siberia – or 74.8% of the total meterage – during its exploratory drilling campaign in 2014.

The bulk of work was performed in Khanty-Mansiysky Autonomous Okrug – Yugra where OJSC “Surgutneftegas” owns 92 licenses for production and 12 licenses for geological survey, prospecting and evaluation of hydrocarbon fields. In 2014, the area of operation covered 49 license blocks: exploration drilling meterage amounted to 136.4 thousand meters, 2D seismic survey totaled 215 linear kilometers, and 3D survey covered the area of 1,760 square kilometers. The Company drilled 47 wells, 36 of them proved productive – the efficiency of exploratory drilling reached 76.6%. Following the exploration work a discovery was registered for one oil field (named after N.Y. Medvedev) and 25 new accumulations at previously discovered fields.

To further explore the underlying beds at the fields under development, 21 production wells were deepened. The Company performed this work alongside with the full spectrum of geological and geophysical survey.

The fulfillment of the whole range of work and purchase of new licenses allowed the Company to add 62 million tonnes of C1 recoverable oil reserves in Khanty-Mansiysky Autonomous Okrug – Yugra. In Yamalo-Nenetsky Autonomous Okrug, OJSC “Surgutneftegas” owns 11 licenses for subsoil use, including six production licenses. The extent of exploratory drilling in the reporting year was 6.6 thousand meters; a substantial amount of 2D seismic survey was accomplished: 1.7 thousand linear kilometers at three license blocks, one new accumulation was discovered.

OJSC “Surgutneftegas” holds three licenses for geological survey, exploration and production of hydrocarbons in the south of Tyumenskaya Oblast and in Novosibirskaya Oblast. In these regions, in 2014, the Company drilled 8.7 thousand meters for exploration purposes, built four wells and struck one oil accumulation.

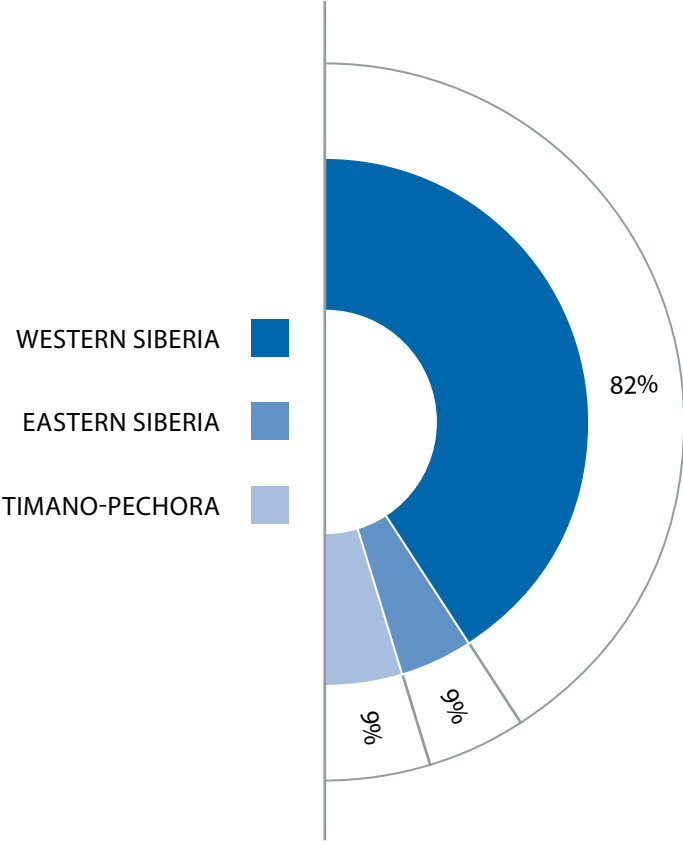
Eastern Siberia

Eastern Siberia is a strategically important region of Surgutneftegas activity where the Company continues to enlarge its resource base in order to ensure the further growth of hydrocarbon production. In the reporting year, the Company operated at 23 license blocks in the Republic of Sakha (Yakutia), Irkutskaya Oblast and Krasnoyarsky Krai.

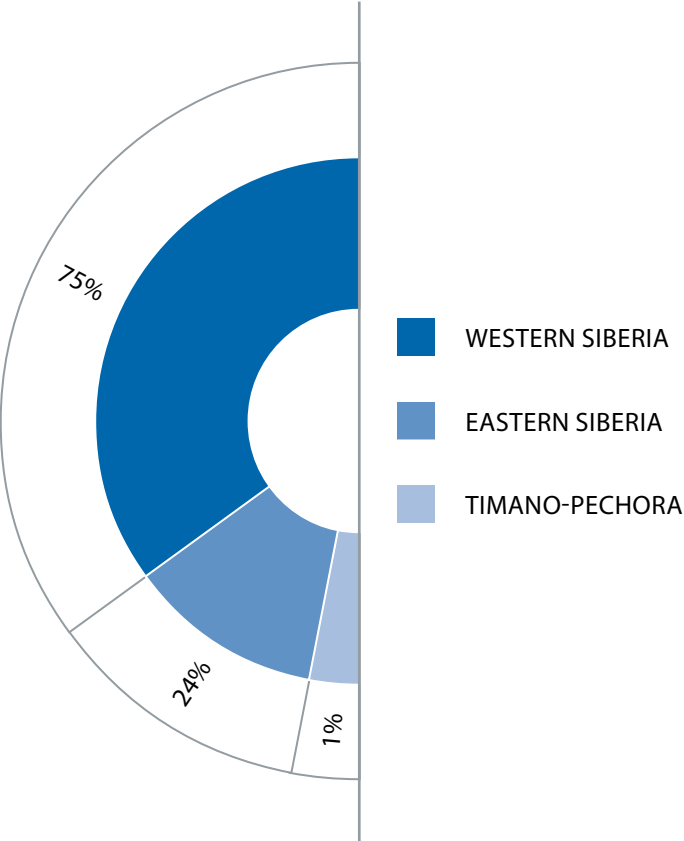
The Company penetrated 47.9 thousand meters of rock in Eastern Siberia, or 23.6% of its total exploratory drilling meterage in 2014. It covered 1,574 linear kilometers of 2D and 197 square kilometers of 3D seismic survey.

The Company has 20 licenses for subsoil use in the Republic of Sakha (Yakutia), including three licenses for geological survey aimed at prospecting and appraisal of hydrocarbon fields. In 2014, the exploratory drilling meterage in Yakutia amounted to 40.6 thousand meters, with 51.3% being for prospecting purposes; the scope of 2D seismics more than doubled and totaled 1,574 linear kilometers. Electromagnetic survey was accomplished in the amount of 3,037 shots, 19 wells were built, including eight exploration wells. There were 76 targets tested through the exploration wells; 25 yielded oil at commercial rates. Four production wells were deepened to allow exploration of lower intervals. Through these operations the Company obtained new geological and geophysical data which helped ascertain the hydrocarbon reserves at three fields; three new accumulations were discovered and 13.5 million tonnes of C1 recoverable oil reserves added.

3D Seismics in 2014



Exploratory Drilling in 2014 by region



The Khamakinsky formation at Alinsky and Vostochno-Alinsky license areas is one of the most promising.

At the end of 2014, Surgutneftegas held two subsoil licenses in Irkutskaya Oblast – Rassokhinsky and Pilyudinsky leases. In 2014, exploratory drilling totaled 7.3 thousand meters, four wells were built, 3D seismic survey was accomplished over the area of 116 square kilometers. Studies of the core from the drilled wells were conducted during the year.

Surgutneftegas holds one license for Agapsky block in Krasnoyarsky Krai authorizing the subsoil study, exploration and production of hydrocarbons. Preparations for drilling an exploratory well were made over 2014.

**Timano-Pechora**

In Timano-Pechora oil and gas province, Surgutneftegas holds seven license blocks located in Nenetsky Autonomous Okrug. In 2014, the Company drilled 3.2 thousand meters of rock in this region for exploration purposes, tested 11 zones in the open hole, conducted 3D seismic survey over the area of 180 square kilometers and revised 3D seismic data of the previous years for 201 square kilometers, 2D – for 670 linear kilometers. Four wells were built, including two productive ones.

Following exploration at the Nenetskoye field, two new oil accumulations were found in Middle Devonian sediments. The Yuzhno-Khalmeryuskoye gas condensate field was discovered at Severo-Layavozhsky lease; it was used to build a model of the oil accumulation and evaluate reserves of free gas and condensate. The addition of the recoverable C1 oil reserves totaled 2.8 million tonnes.

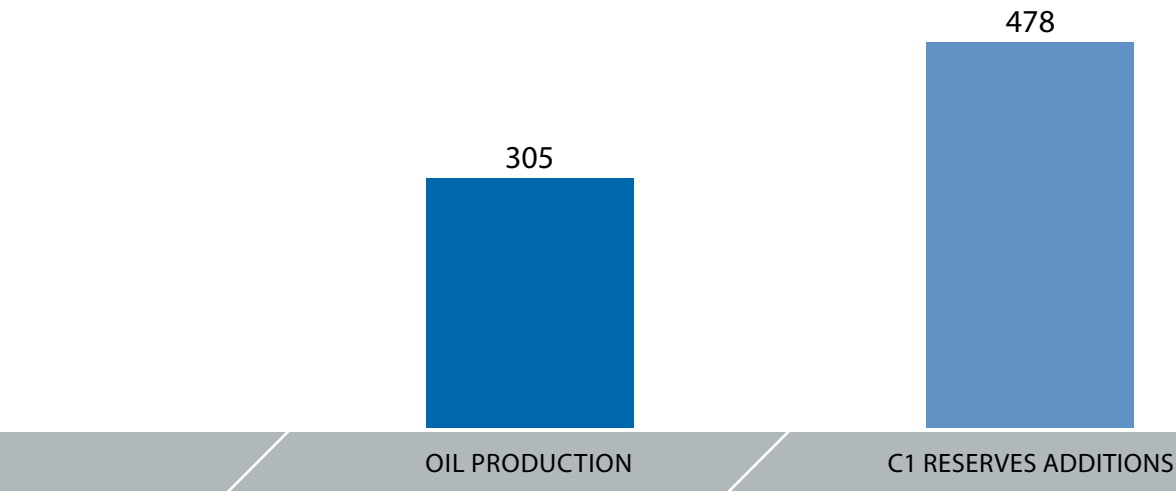
The Company’s goal is to expand its resource base in the region to ensure efficient commercial oil production. In the reporting year, one new license block was acquired, Yuzhno-Sarutayusky.

PLANS AND PROSPECTS

The plans of OJSC “Surgutneftegas” include further expanding its resource base in its areas of operation: prospecting and exploration operations, seismic survey, research and acquiring new leases. Prospects for enlargement of the Company’s resource base lie in involving new deposits and accumulations in development, as well as in efficient further exploration of the fields under development and in finding new reservoirs.

In 2015, OJSC “Surgutneftegas” plans to accomplish exploratory drilling of 197.6 thousand meters. A slightly lower amount is related to entering new regions and increasing share of prospect drilling by 43%. The volume of seismic survey will be increased significantly: 2D seismics will be increased by more than 28% and amount to 4,431 linear kilometers, 3D – 2,328 square kilometers, 71 wells will be drilled.

Replacement of C1 oil reserves from 2010 to 2014  
mn tonnes





In the upstream sector, OJSC “Surgutneftegas” is focused on ensuring a steady level of production. Increasing oil recovery ratio by EOR methods at the producing fields, preparing and putting online new deposits, building and developing new production hubs were the Company’s priorities in the reporting year.

In 2014, Surgutneftegas produced 61.4 million tonnes of oil and 9.4 billion cubic meters of gas.

The investment in oil and gas production grew by 8.4% to RUB 187.2 billion, with 88% for Western Siberia, 11.6% for Eastern Siberia and 0.4% for Timano-Pechora province.

#### OIL PRODUCTION

In the reporting year, OJSC “Surgutneftegas” was developing 67 oil fields, including 62 fields in Western Siberia and five fields in Eastern Siberia. Oil production remained the same as in 2013 and totaled 61.4 million tonnes.

About 68% of the production comes from 10 biggest Company fields: Fedorovskoye, Severo-Labatyuganskoye, Central Block of Talakanskoye oil and gas condensate field, Lyantorskoye, Vostochno-Surgutskoye, Rogozhnikovskoye, Russkinskoye, Bystrinskoye, Zapadno-Surgutskoye, Konitlorskoye, of which five fields showed a growth in oil production in 2014, including Fedorovskoye, the largest one. The greatest increase in production was achieved at the Russkinskoye, Vostochno-Surgutskoye and Severo-Labatyuganskoye fields.

That is a result of intensive drilling in new areas and developing new reservoirs, including the ones with tight oil reserves.

The oil production of OJSC “Surgutneftegas” comes mainly from the fields at late stages of development, and the Company’s efforts at these fields are, for the most part, aimed at slowing down a natural drop in the levels of production. With that purpose in mind, OJSC “Surgutneftegas” performs a large amount of EOR operations aimed at optimization of well operation and field development systems, it employs modern production technology and enters lower pay zones. In 2014, about 9 thousand well stimulation operations were performed to ensure additional oil production, these included formation fracturing, sidetracking and other physical and chemical methods of oil recovery enhancement.

On top of that, OJSC “Surgutneftegas” constantly works on preparing and putting online new fields, building new oil production hubs that play a more and more active role in achieving the Company’s output. Thus, the input of Eastern Siberia in oil production in the reporting year increased to 13%.

#### OIL PRODUCTION IN 2014, BY FIELD

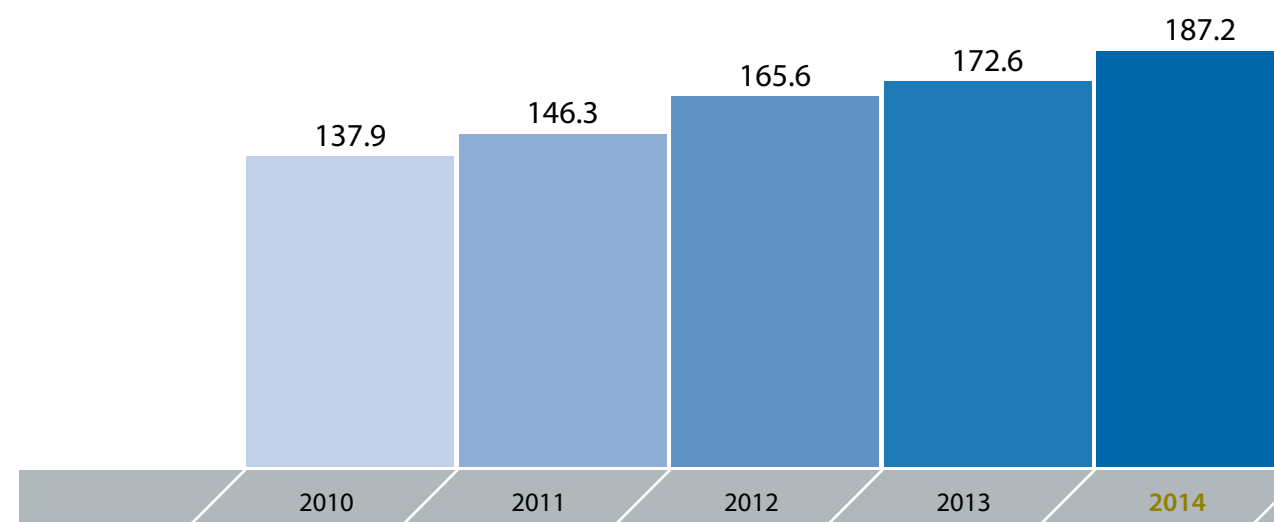
Fields	Production, '000 tonnes
Fedorovskoye	8,332
Severo-Labatyuganskoye	5,852
Central Block of the Talakanskoye oil and gas condensate field	5,514
Lyantorskoye	4,155
Vostochno-Surgutskoye	3,695
Rogozhnikovskoye	3,362
Russkinskoye	3,035
Bystrinskoye	2,970
Zapadno-Surgutskoye	2,807
Konitlorskoye	1,853
Other	19,850

OJSC “Surgutneftegas” started developing three new fields in Western Siberia in 2014 – Vysotnoye, Kochevskoye and Verkhnekazymskoye.

The Vysotnoye field is a part of the Rogozhnikovskoye field cluster situated west of the main West Siberian

assets of the Company. At the end of 2014, the cluster included three active fields. The next important step will be putting online the field named after V.I. Spielman (Severo-Rogozhnikovskoye), where building the infrastructure was in progress: roads, oil and gas pipelines; construction of a booster

#### Company’s investment in oil production RUB bn



pump station began. It is not only that the Company has a potential in this emerging hub of oil production, but it also ensured further growth in output by building the necessary infrastructure that includes roads, oil and gas collecting pipeline networks, Company's own LACT unit for transfer of oil to OJSC "AK "Transneft" pipeline system.

Every year, OJSC "Surgutneftegas" performs an extensive development drilling program applying up-to-date technology for better efficiency. In the reporting year, development drilling totaled 4,103 thousand meters, 1,818 wells were put online, including 1,183 oil wells. Given the increased scope of drilling at the fields of complicated structure, at accumulations of difficult-to-recover reserves, in 2014, the Company paid special attention to maintaining the efficiency of drilling and ensuring high quality of well construction which led to reduced rate of penetration and, correspondingly,

to smaller drilling volumes as compared to 2013. The stock of producing oil wells increased by 2% with 22,380 wells by the year-end. The share of idle wells among the production well stock was 8.6%.

Western Siberia

In the reporting year, oil production in Western Siberia, the main region of the Company's operations, was 53.7 million tonnes, or 1% less than in 2013. The Company strives to keep control of the process of oil production decline caused by the natural laws of the field development at the later stages. For the last few years, production decline in the region has stayed within 1%. It was possible to achieve such a result due to extensive application of EOR methods, well operation optimization program, maintaining the formation pressure and drilling for new oil accumulations.

Very soon the Company plans to develop tight oil reserves from US2 formation; they have a great potential at many fields that are being developed, and it will not only slow down the decline rate, but will also increase the oil production rate. Fedorovskoye is one of these fields. Currently, new target zones below 2,700 meters are being developed; new accumulations are being discovered in the Achimov formation and in the top section of the Tyumen play. Despite the long period of development of the Fedorovskoye field – since 1971 (by the reporting year, cumulative oil production at this field reached 600 million tonnes) – annual increase in production is expected in the next 5–10 years.

In 2014, a great deal of development drilling was performed at the Fedorovskoye, Vostochno-Surgutskoye and Russkinskoye fields – the drilling meterage amounted to 1,556 thousand meters or about 40% of the total drilling performed in the region. All in all, production drilling in Western Siberia

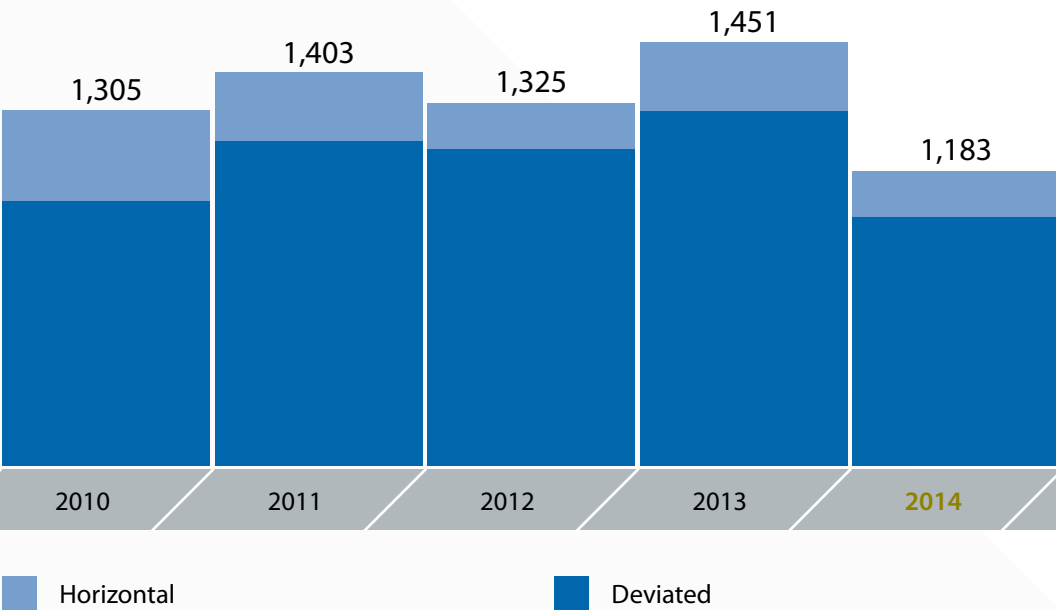
totaled 3,848 thousand meters, 1,056 new oil wells were put on stream. Total number of producing oil wells in the region by the year end was 21,826 with 8.8% of idle wells. The operating rate for the oil wells remained high at 0.977, the utilization rate – 0.919.

The Company took steps to maintain the reservoir pressure in order to keep the oil accumulations in the proper energy state. In 2014, 583.4 million cubic meters of water was injected, with 9,873 active injection wells at the year-end.

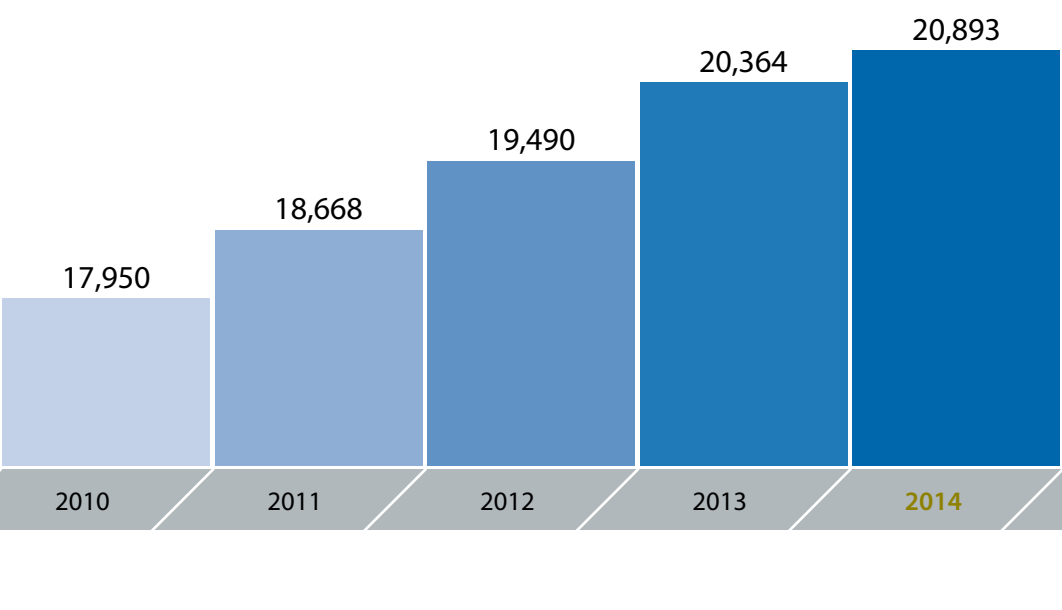
Eastern Siberia

In 2014, cumulative production of the Company in Eastern Siberia reached 34.8 million tonnes. After a 10-year development of the oil and gas province, the Company has created a solid production infrastructure: more than 800 production and injection wells drilled, over 800 kilometers of pipeline laid, 500 kilometers of power line erected,

New oil wells brought onstream wells



Average producing wells wells



300 kilometers of road built; thanks to the newly built Company's airport, there has been created a commuting route by air comfortable for the personnel.

One more important facility was built and commissioned in the reporting year – the Company's river terminal for handling oil products; it is located near a small town called Vitim and the Talakanskoye field with a capacity of 40,000 tonnes of oil products per navigation period. It includes a pump station, pipelines for each kind of fuel, tank farm, a Company lab, a warehouse for motor oil, an automated loading system for diesel and aviation fuel. With commissioning the facility, the Company solved the problem of providing its production process in the region with petroleum products and got the opportunity to significantly save time and money spent on fuel replenishment.

Every year, the Company invests over RUB 20 billion in development of oil and gas production in Eastern Siberia;

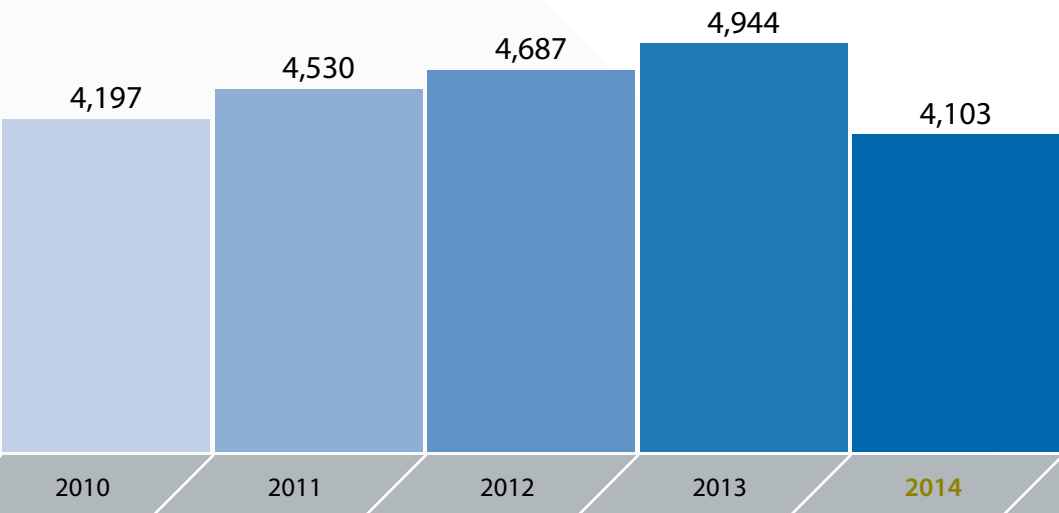
the investment made in 2014 was RUB 21.8 billion.

The oil production in the reporting year totaled 7.7 million tonnes or 7.1% up on the year 2013. A substantial addition was provided by an increased oil extraction at the Severo-Talakanskoye field and Eastern Block of the Talakanskoye field. Development drilling reached 255 thousand meters in 2014, 127 new oil wells were put on stream, the number of producing wells grew to 554 by the year-end.

Deposits in Eastern Siberia are in the early stage of development, with almost a zero watercut. The Company performs targeted activities to enhance oil recovery.

Water and surplus amounts of associated petroleum gas are injected into the formation in order to maintain the reservoir pressure. In 2014, the volume of injected water was 10.5 million cubic meters, the volume of injected associated gas – 455 million cubic meters.

Development drilling  
'000 meters



GAS PRODUCTION

A strategic priority of OJSC "Surgutneftegas" in the gas sector is the rational use of associated petroleum gas produced. For that purpose, the Company has created an integrated system of gas gathering, compression, delivery and utilization.

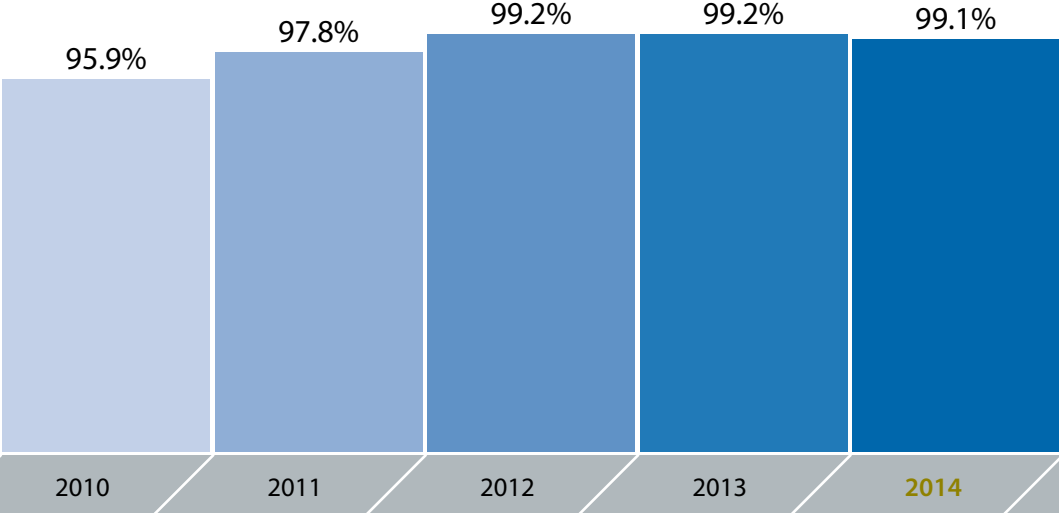
In 2014, the Company produced about 9.4 billion cubic meters of associated petroleum gas, and 0.07 billion cubic meters of natural gas. The volume of production of associated gas is determined by the oil recovery rates and gas/oil ratio at the Company's fields, in Western Siberia in the first place. OJSC "Surgutneftegas" maintains a high level of gas utilization: it was 99.14% in the reporting year.

The Company has a full cycle of associated petroleum gas utilization starting with pipeline gathering and dehydration, all the way up to the finished products with added value. In 2014, about 63% of the extracted gas was sent to the Company's gas processing plant, around 20% – to gas turbine and gas reciprocating engine power plants of the Company

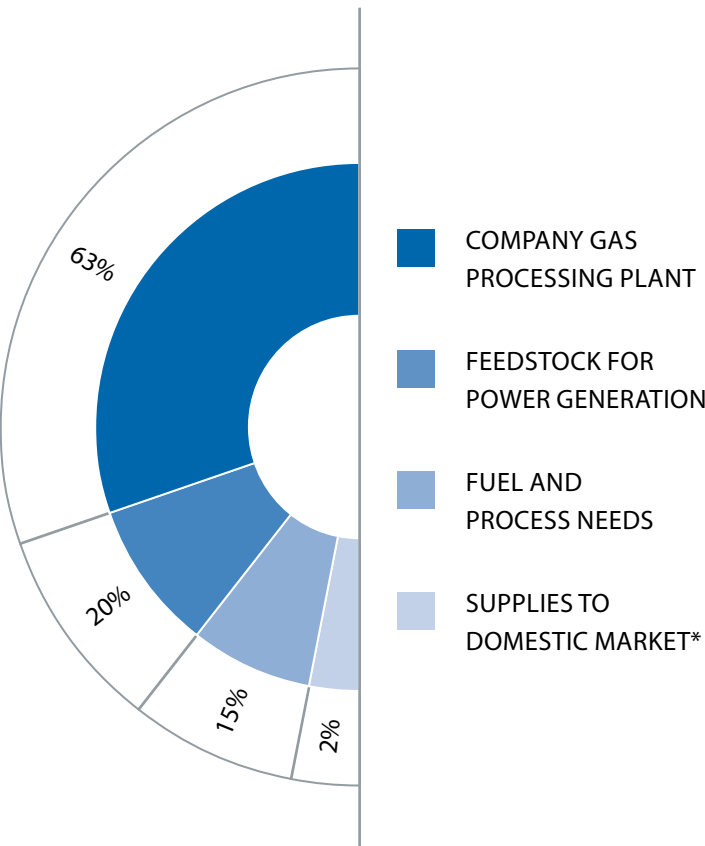
for power generation, 15% was consumed as fuel and process feedstock, and 2% was marketed domestically. After treatment at the gas processing plant, the gas is supplied to consumers on the domestic market. Given these volumes, overall sales of the Company's gas to the domestic market account for 62% of production.

The capacities of OJSC "Surgutneftegas" for the collection and use of gas include a network of field and main gas pipelines, transport compressor stations, compressor stations for the final stages of separation, gas processing plants, gas turbine and gas reciprocating engine power plants and allow a very rational approach to its use. In the reporting year, the Company continued to develop the infrastructure for collecting and utilization of gas: a 36 MW gas turbine power plant was commissioned at the Fedorovskoye field, a gas turbine plant was renovated at the Zapadno-Kamynskoye field, a compressor station was retrofitted at the Bitemskoye field, about 31 kilometers of gas pipeline was built, including a field gas line from the booster pump station 2 at the Vatlorskoye field and a field gas line

APG utilization by the Company



Applications of associated gas in 2014



\* Overall volume of gas supply to domestic market (incl. processed at the plant) is 62%

to the gas reciprocating engine power plant at the Severo-Seliyarovskoye field. The compressor station commissioned a year earlier at the Muryaunskoye field started to operate at full capacity in 2014 utilizing associated petroleum gas and providing the feedstock gas to gas turbine power plants at the Muryaunskoye, Yukyaunskoye, Lukyavinskoye and Tromyeganskoye fields.

COST REDUCTION PROGRAM

Over the years, a cost reduction program has been one of the key factors for improving the efficiency of operation; its goal is control over costs and search for opportunities to reduce them in all spheres of the Company's operation. The program is aimed at improvement of the technical and organizational levels of production, the efficiency of production capacity and key assets; at saving electrical power, feedstock and materials; import substitution and reuse of equipment.

In 2014, the overall savings from the cost reduction program was RUB 5.1 billion, or RUB 83 per tonne of the recovered oil, 6% up on the year 2013. The biggest effect – above 35% savings – was achieved with auxiliary process divisions, 32% in the main production, 24% in construction, 7% in drilling.

The Company pays much attention to energy saving. An energy-saving program is implemented at each stage of the production process: energy-saving equipment and technology are introduced, measures for lower energy consumption are taken. In the reporting year, the economic benefit of the program amounted to RUB 1.2 billion, and energy savings reached 1,031 million kWh of electric power and 7,435 Gcal of heat for a total amount of RUB 2.5 billion.

Re-use of equipment and materials, practiced in OJSC "Surgutneftegas" since 2005, reduces material intensity of products, extends the run life of equipment and thereby reduces the need for new equipment and materials and ensures

high utilization rates of equipment. Powerful service divisions and highly qualified personnel of the Company ensure the program efficiency. The overall economic benefit from its implementation in 2014 was RUB 1.55 billion, or 8% up on the year 2013.

The import substitution program is one of the most important areas for the Company; it involves close cooperation with domestic manufacturers of machinery and equipment in search of possible replacements and creation of analogues of imported spare parts and components for the equipment used. In the reporting year, Russian enterprises manufactured 408 types of products for the Company with the resulting economic benefit in the amount of RUB 815.6 million. Upon the order from OJSC "Surgutneftegas", Russian companies manufactured over 200 items of spare parts and materials for drilling operations.

Having its own service divisions enables OJSC "Surgutneftegas" to apply the best techniques, adapting them to complicated conditions of reserves development, exploit difficult-to-recover reserves, lower the risks of oil production, keep a tight control over the costs.

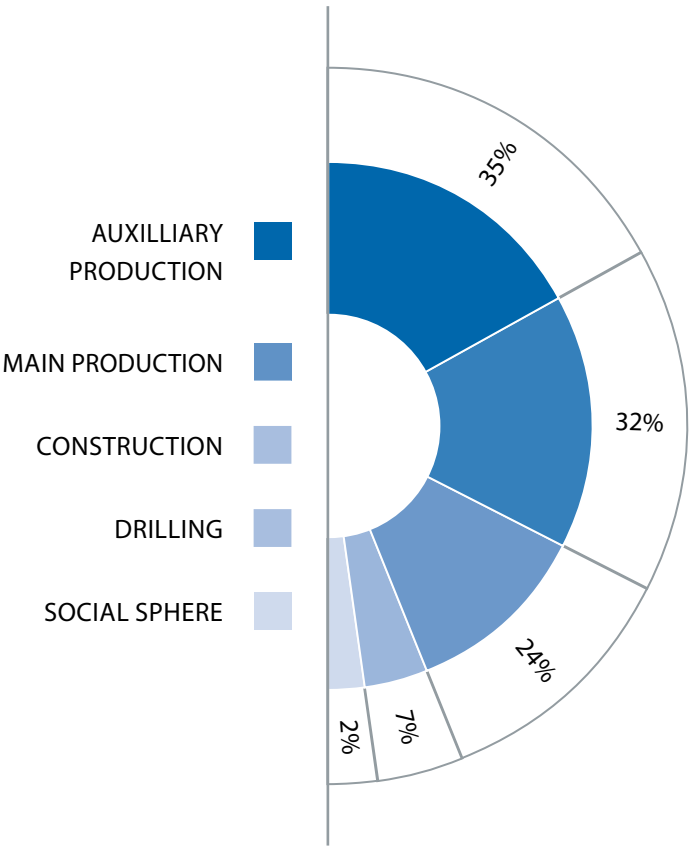
PLANS AND PROSPECTS

The Company's mid-term plans include maintaining the target level of oil production at 61–62 million tonnes per year. In 2015, oil production is expected to be 61.4 million tonnes and gas generation at 9.3 billion cubic meters.

The Company intends to achieve these results by accomplishing the planned drilling program, increasing the flow rate of the new wells, improving the efficiency of reservoir treatment operations, and involving new fields into development.

There will be 4.3 million meters of development drilling completed, including about 250 thousand meters in Eastern Siberia. The Company plans to put online 1,164 new oil wells. In order to maintain the reservoir pressure, 553 injection wells are

Benefit pattern from cost reduction in 2014





to be turned on, including 267 newly drilled. Implementation of the oil recovery enhancement program will be continued.

In 2015, the Company plans to develop two new fields in Western Siberia: Yuzhno-Vatlorskoye and Spielman (Severo-Rogozhnikovskoye).

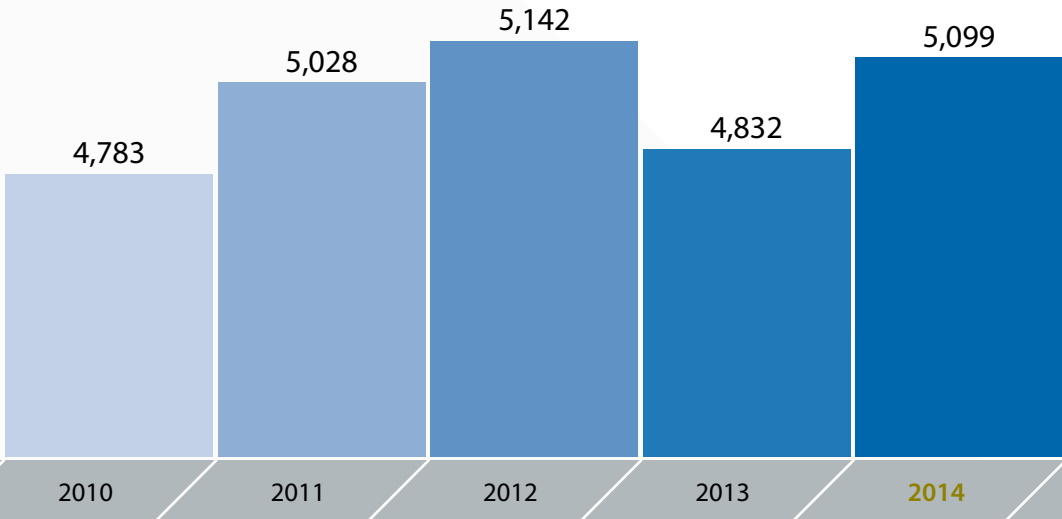
The Spielman field (Severo-Rogozhnikovskoye), being a big one in terms of its reserves, will provide 2.5–3 million tonnes of oil a year after it reaches its estimated flow rate. As a result, the Rogozhnikovskoye field cluster can contribute considerably to the Company's development: the expected level of oil production is at about 5 million tonnes. Besides, the Company plans to get a synergistic effect from using the full production infrastructure.

The prospects for the Company development in Western Siberia are also related to forming a new production cluster in Uvatsky District in Tyumenskaya Oblast and adjacent territories of the south of Khanty-Mansiysky Autonomous Okrug – Yugra where OJSC "Surgutneftegas" holds 12 license areas with seven oil fields with

over 40 million tonnes of class C1+C2 oil. There is a plan for 2015 to prepare building the infrastructure at the Yuzhno-Nyuryskoye field that will be put online in 2016. The plans to start production of other fields will be defined based on the exploration results – seismic survey and drilling of 19 exploration wells is envisioned for the next three years.

As far the gas sector is concerned, Surgutneftegas intends to focus on maintaining a high level of associated petroleum gas utilization – at about 99%. The Company will continue to extend the infrastructure for gathering and transmission of gas: plans for 2015 include building and commissioning the final stage separators for the booster pump station 3 at the Severo-Labatyuganskoye field; renovating the process lines of the gas turbine power plant at the Bitemskoye field, as well as two final stage separators at Central Processing Facility and booster pump station 2 at the Talakanskoye oil and gas condensate field; construction of 97 kilometers of gas pipelines.

The total economic benefit from the comprehensive cost reduction program  
RUB mn



02 OIL REFINING AND GAS PROCESSING

In the field of oil refining and gas processing, the main objective for OJSC "Surgutneftegas" is the creation of efficient production that meets the needs of the market. The Company produces a wide range of oil products, petrochemicals and liquid hydrocarbons. The Company's priorities are providing high quality of its products and improving fuel environmental and performance characteristics.

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

OIL REFINING

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

In 2014, the volume of hydrocarbon processing at the refinery totaled 19.3 million tonnes, the volume of oil products – 18.5 million tonnes, while

the share of light oils output increased from 40.5% in 2013 to 47.3%. Production of light oils increased by more than 1.1 million tonnes due to the operation of hydrodewaxing unit and hydrocracking unit at deep conversion plant. In the reporting year, total production accounted for 2.5 million tonnes of gasoline, 5.8 million tonnes of diesel, 0.7 million tonnes of aviation kerosene, 8.5 million tonnes of mazut and 1 million tonnes of other oil products.

As a result of stable operation of units producing components of motor gasoline and the increase of resource base due to additional quantity of components produced at deep conversion plant, the proportion of gasoline corresponding to environmental Class 5 in the structure of gasoline production increased by 9% and amounted to 56.3% of the total volume. The share of gasoline Class 3 and below decreased by 9%.

The improvement of diesel fuel quality was due to a large degree to the deep

conversion plant that had been put into operation in 2013 and reached its design capacity in 2014. At present, the entire volume of diesel fuel produced refers to environmental Class 5. The plant produces summer diesel fuel that is in demand in the European market; it also produces winter and arctic fuels for the Russian market. The complex consists of hi-tech units that are capable of performing combined operations – the hydrocracking unit is designed to operate in a mode of receiving the maximum volume of diesel fuel or kerosene, or the maximum volume of production of both product types. In the reporting year, equipment setting up and adjustment were carried out in order to select the optimum operation mode.

In 2014, as part of the gradual modernization of the Company's technological scheme, LLC "KINEF" continued construction of new facilities and expansion of operating ones. Following the deep conversion plant, a large-scale construction project related to the construction of a complex producing high-octane

gasoline components LK-2B with a capacity of 2.3 million tonnes per year is currently being implemented. In the reporting year, the design of a number of complex facilities was completed; equipment procurement and preparatory work on the construction site were carried out. The complex will operate units of hydrotreatment, isomerization and catalytic reforming with continuous catalyst regeneration. The complex is designed for the processing of straight-run gasoline and gasoline of secondary origin into the high-octane components of commercial gasolines.

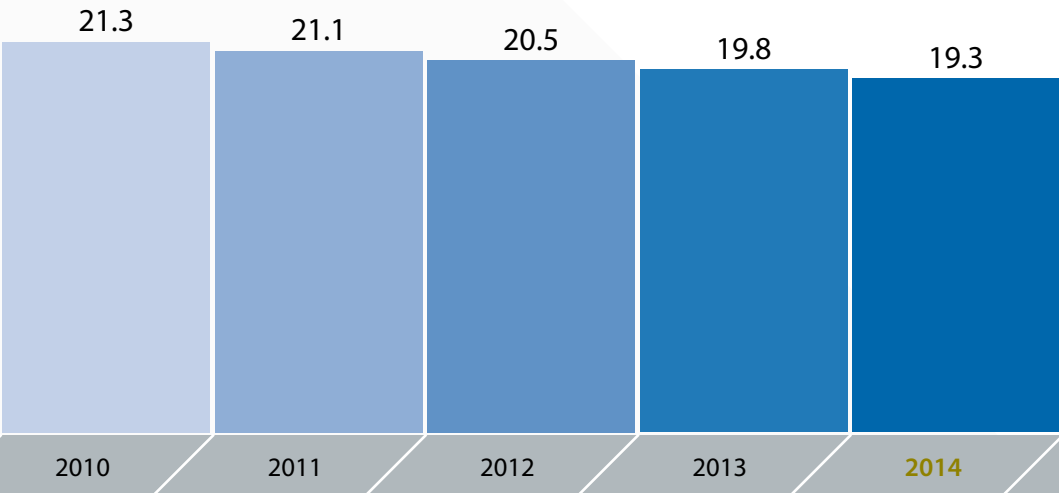
The Company continued reconstruction of diesel and kerosene hydrotreater L-24/6: completed erection of foundation blocks, installed reactors R-101 and R-102 weighing 200 tonnes each, and is carrying out steel erection and processing facilities installation.

In 2014, sulfide waste stripper designed to separate hydrogen sulfide and ammonia from industrial wastewater at elemental sulfur production unit and an automated on-spot station for loading of light oils in tank cars were put into operation.

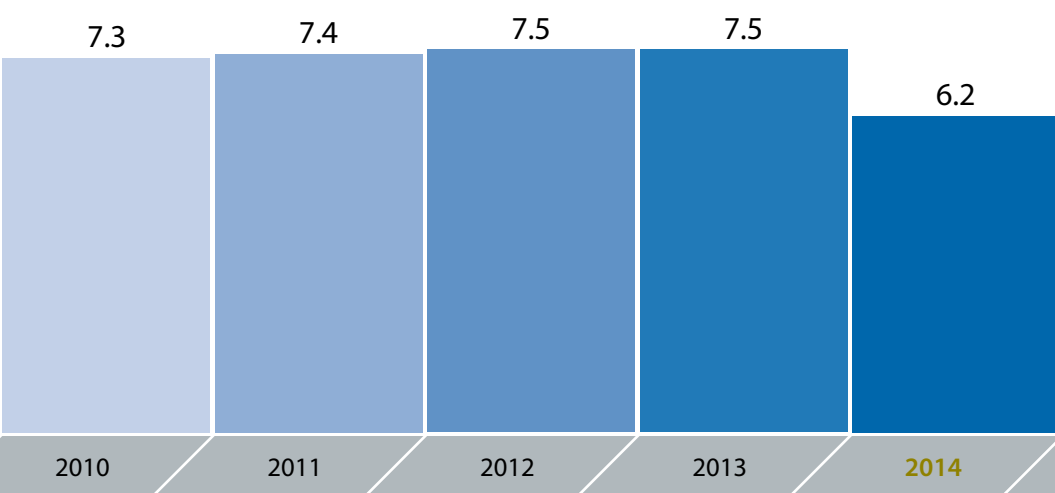
- To improve the quality of products, deepen oil refining, reduce operational costs, as well as ensure industrial and environmental safety, the Company carries out ongoing modernization and reconstruction of existing production units. In the reporting year, the Company:
- finished scheduled capital overhaul of the catalytic reforming unit of gasoline L-35-11/600, including replacement of furnace roof arch coils and the hydrotreater unit. During the repairs, oil underdrainage scheme was implemented; at the end of work, hydrotreating and reforming catalysts, that had proven themselves at a similar unit and would ensure processing of high-octane gasoline components of proper quality, were loaded.
  - installed a bonding strip at the diesel hydrotreater LCH-24/9, allowing diesel fuel production of a higher class.

- finished technical re-equipment of crude distillation unit AVT-2.
- In the reporting year, capital investments for reconstruction and modernization of existing facilities amounted to RUB 3.6 billion.
- In order to maintain the equipment in good technical condition and ensure the reliable operation of the installations, all scheduled preventive maintenance of the units with 20 shutdowns for routine maintenance was successfully completed during the year. The vessels, equipment, furnaces and pipelines were checked during repairs of the units.
- In the reporting year, the "LAB-LABS" unit produced 18 thousand tonnes of LAB and 52.3 thousand tonnes of LABSK, which serve as a basis for synthetic detergents and are in demand both in the domestic market and abroad. "Isoflex" manufactured 3.3 million square meters of roofing materials.

LLC "KINEF" processing volumes  
mn tonnes



Gas processing  
bcm





In 2014, the Company's total investments in oil refining amounted to more than RUB 8.2 billion.

GAS PROCESSING

The gas processing plant is a worthy representative of the Company in the hydrocarbon market, meeting the challenges in the collection and utilization of associated gas and producing a wide range of high quality products.

In 2014, the volume of processed gas at the OJSC "Surgutneftegas" gas processing plant amounted to 6.2 billion cubic meters. The decline in gas processing is related to the decrease in its production. Raw materials supplied for processing contain few impurities, and this additional factor allows the plant's products to meet modern standards. In 2014, the Company processed 5.9 billion cubic meters of dry stripped gas and about 630 thousand tonnes of liquid hydrocarbons. In the structure of products the Company has significantly increased – to 48% – the production share of NGL (Natural Gas Liquids) which is a valuable product in the petrochemical industry. The share of technical propane-butane amounted to 47.9%, propane and stable natural gasoline – about 4.1%.

The Company performs modernization and reconstruction of equipment and operational capacities annually. In the reporting year, the Company finished the reconstruction of tank farm 1, including the replacement of a spherical tank and the installation of quick shutdown valves with remote control, replaced power equipment at the switch house, and upgraded the fire station equipment. Investments for these purposes amounted to RUB 888 million.

PLANS AND PROSPECTS

In 2015, the Company plans to process 18.8 million tonnes of oil

at the refinery and 6.1 billion cubic meters of gas at the gas processing plant.

For 2015 in the refining sector it is scheduled to complete the reconstruction of the diesel and kerosene hydrotreater L-24/6 with regard to pre-commissioning. With the unit commissioning the Company will complete the reconstruction cycle of the units responsible for diesel and kerosene production, which will increase the production of diesel complying with environmental Class 5.

The Company plans to increase production volumes of light oil products by 2.3%, while the production of heavy oil products will be reduced by more than 0.7 million tonnes. The volume of diesel fuel and kerosene production will be about 6.1 million tonnes and 0.7 million tonnes respectively.

As per the design of the integrated unit for production of high-octane gasoline components LK-2B, it is scheduled for 2015 to continue construction and installation works at the site, and equipment is being purchased.

Under the current production process the Company has prepared a perspective plan for routine maintenance, partial equipment replacement at the plant for the period up to 2020, providing in 2015 replacement of worn and obsolete equipment.

For 2015 the investment volume of LLC "KINEF" is scheduled at the level of RUB 18.3 billion.

The strategic outlook plans to consider options for the further increase of high-quality light oil yield with oil refining depth growth.

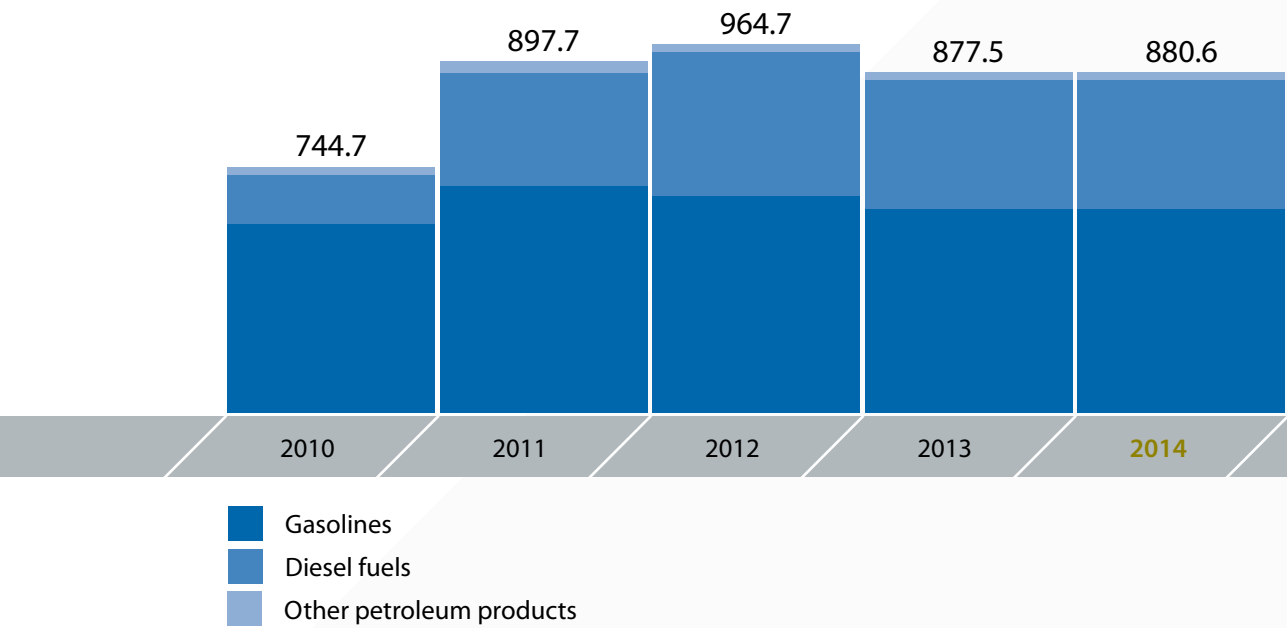
At the gas processing plant, under the framework of the modernization and reconstruction program, it is planned to finish the reconstruction of tank farm 1, begin technical re-equipment of three gas processing and compression units and improve gas collection systems, including the construction of an industrial gas pipeline to a gas metering station.

The marketing priorities of the Company include improvement of operational efficiency, maintaining firm positions in the regional markets, performing customer-oriented policy and retaining the status of a reliable supplier of high quality products.

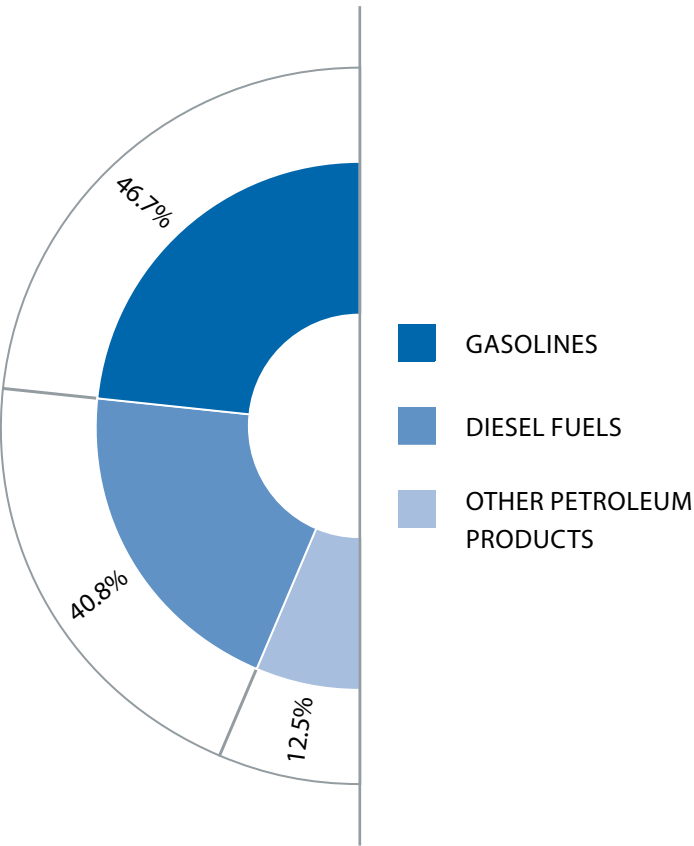
The Company has a distribution network represented by five subsidiaries producing petroleum products that operate in the North-West of Russia. At the end of 2014, the marketing companies operated

289 gas stations (including 11 gas stations selling liquefied gas), more than two dozens of oil storage depots with a tank capacity of 297 thousand cubic meters, tank farms, and a fleet of modern tanker trucks.

Retail turnover of marketing subsidiaries of the Company  
'000 tonnes



Marketing subsidiaries turnover in 2014



Marketing subsidiaries are engaged in the wholesale and retail trade of oil products, provide services for their storage and transportation, as well as sell related products and services at the gas stations.

During the reporting year, the Company sold more than 1.3 million tonnes of petroleum products, which is 35.1% more than last year, and retail turnover increased by 0.4% to 880.6 thousand tonnes.

The main volume of petroleum products sales (68%) at distribution network accounts for retail sales through a network of gas stations. In 2014, the average fuel sales at one gas station increased by 2% compared to the previous year and amounted to 8.3 tonnes.

Efficiency improvement of the retail sales segment is performed through favorable location and provision of additional services at gas stations. Most gas stations have shops with a wide range of goods, cafes, car washes, car parks, payment terminals installed to receive cash and non-cash payments, and take Surgutneftegas fuel cards. At the end of 2014, the Company's gas stations operated 279 shops and retail outlets, 43 cafes, 10 car washes, six car parks and 24 service stations. Services of water adding and tire pumping up are available for motorists. The marketing subsidiary KIRISHIAVTOSERVIS LTD sells its own brand goods (motor oils, winter windscreen washer fluids, etc.). In order to attract and retain customers, the Company conducted a variety of stimulating events and granted discounts. In addition, in the reporting year, the Company started to develop customer loyalty program which would be based on bonus point accumulating system and marketing actions on related products' trade. In 2014, proceeds from the sale of related products and services at OJSC "Surgutneftegas" distribution network increased by more than 15.5%.

In 2014, the Company continued work on optimizing marketing network assets, key areas of which were reconstruction of existing gas stations and construction of new ones, and closing of underperforming

stations and bases. As a result, in the reporting year, two gas stations were built and put into operation and 10 gas stations were reconstructed. Commissioned gas stations are equipped with modern systems of fuel dispensing and meet all requirements for the quality of petroleum products and service.

For customers' convenience, many reconstructed and new gas stations are equipped with a large number of fuel dispensers, depending on gas station location their number reaches 12–14 pieces, separate high-speed fuel dispensers for heavy trucks, and convenient entrance from the road. Also, gas stations have a mirror arrangement on busy highways, which allows drivers to use the services of the Company's gas stations regardless of the driving direction. The gas stations are equipped with LED lighting and electroconvector heating. An extensive system of petroleum storage depots, tank farms and own fleet of fuel trucks allows the marketing subsidiaries to ensure stable, uninterrupted

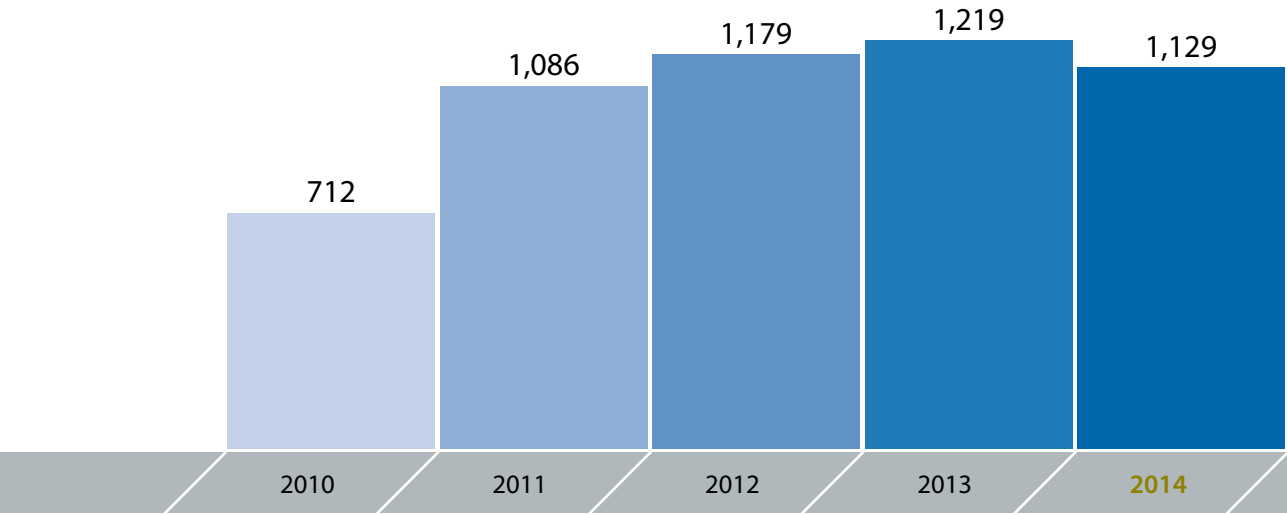
and timely supply of petroleum products to the gas stations.

The Company pays much attention to the confirmation of the status of a reliable supplier of high quality products. Every marketing subsidiary has its own accredited testing laboratory to analyze petroleum products. They thoroughly monitor fuel dispensed at the OJSC "Surgutneftegas" gas stations at all stages of its flow. In addition, any consumer can see the quality certificates of fuel purchased. Quality assurance is also provided due to the fact that marketing subsidiaries get a significant amount of fuel from the Company's own refinery LLC "KINEF".

Due to the high quality of products sold and a broad range of services provided, the Company's marketing subsidiaries occupy a strong position in the fuel markets of the regions of their presence.

In the reporting year, the volume of investments in the development of the Company's distribution network amounted to RUB 1.13 billion.

Investments in the Company's marketing subsidiaries  
RUB mn



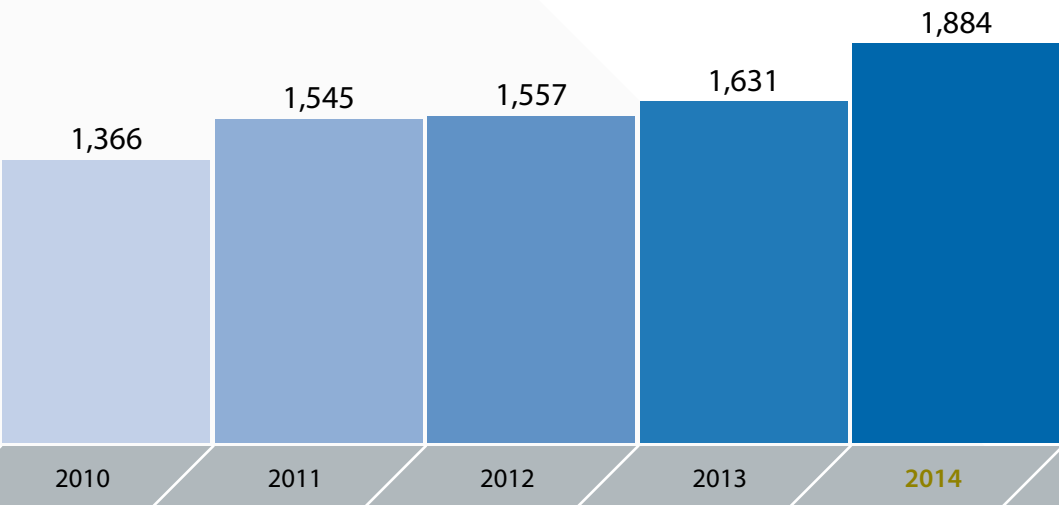


PLANS AND PROSPECTS

For 2015, the Company plans to continue work on asset optimization, expansion of gas station network and related products range, including products of its own marketing subsidiaries' brands, expansion of automatic gas stations, and development of additional services for clients, including loyalty program.

Investments in the Company's distribution network are expected to exceed RUB 1.6 billion. The Company has plans for reconstruction of 13 gas stations and construction of five new ones, complying with all requirements of environmental safety and offering a wide range of additional services for clients.

Revenues from sales of related products at gas stations  
RUB mn



One of the key factors of the Company's successful activity is rational use of energy resources. OJSC "Surgutneftegas" has established its own energy complex, including gas turbine and gas reciprocating engine power plants, a network of stationary and mobile boiler houses, electricity transmission lines, substations and other facilities. An up-to-date integrated control system, energy saving and energy efficiency increasing programs implementation allow the Company to save resources and have a significant economic effect.

In-house power capacities allow the Company to provide its facilities with continuous power and heat supply, solve problems associated with increasing energy intensity of oil and gas production processes, put online new oil fields far from extended infrastructure faster, reduce expenses on energy resources acquisition.

Since 2001, the Company has been implementing a large-scale program of construction of gas turbine and gas reciprocating engine power plants aimed at provision of remote oil fields with electric power, increase of efficiency of associated petroleum gas use. In the reporting year, a new gas turbine power plant with a capacity of 36 MW was commissioned at the Fedoroskoye field. At the end of 2014, the Company ran

on the whole 22 gas turbine and seven gas reciprocating engine power plants with established capacity of 781.6 MW.

Throughout the program implementation period, the Company produced over 35 billion kWh of electric power, including 5,269.6 million kWh in the reporting year, using its own generating capacities, which allowed to cover the Company's requirements of 44% in the production sector.

The Company's oil fields in Eastern Siberia are supplied with power by gas turbine power plant and gas reciprocating engine power plant located at the Talakanskoye oil field. Having a capacity of 157 MW, today they are the only guaranteed electric power and heat suppliers of the Company's production facilities and two oil pumping facilities of Eastern Siberia – Pacific Ocean

trunk oil pipeline. In the reporting year, the volume of power generation by the Talakan power plants increased by 11% and daily power output reached 1.23 million kWh.

The fuel used for gas turbine power plant and gas reciprocating engine power plant is associated petroleum gas that allows to utilize it directly at oil fields. In 2014, about 20% of produced gas was directed to the Company's power plants resulting in reduction of pollutants emission into the atmosphere by 997 thousand tonnes.

Development of production infrastructure and putting online new oil fields lead to expansion of heat and power facilities. By the end of the reporting year, the Company's heat and power facilities were represented by 419 stationary and mobile boilers; eight of them were commissioned in 2014. The volume of heat power production accounted for 1,740.9 Gcal, 91.4% of total demand of OJSC "Surgutneftegas".

One of the relevant objectives of the Company under conditions of increasing production requirements of energy resources is implementation of energy saving and energy efficiency increasing programs aimed at economy of energy resources in all spheres of operations. OJSC "Surgutneftegas" runs the system of energy management functions, implements the system of continuous automated energy audit, carries out optimization of engineering processes aimed at energy intensity reduction, implements energy saving technologies and equipment. The work is carried out on the basis of a corporate standard compliant with the basic regulations of the Federal law No. 261-FZ "On energy saving and energy efficiency increasing and amendments to certain laws of the Russian Federation" and general requirements of the international standard ISO 50001 and GOST ISO 50001-2012. In the reporting year, energy resources economy within the present program accounted for 1,031 million kWh of electric power and 7,435 Gcal of heat energy.

OJSC "Surgutneftegas" makes active use of automated information systems for implementing the energy saving program. Metering and management of the power supply system of production facilities is performed with the help of Energy software solution, automated control system for power facilities. The project for electrical and heat power metering system is integrated into the Energy software solution. In 2014, the Company gained the certificate of State registration of the technology for maintenance of databases of electrical equipment of OJSC "Surgutneftegas" and the technology for planning and accounting of maintenance and repair of electrical equipment in the Federal Intellectual Property Service.

In the reporting year, the automated system for metering heat energy consumption and output was implemented and commissioned. As a result, the single data storage for accounting energy resources installed at the facilities of production and consumption of heat energy was created. Within the present work in the reporting year, 400 boilers were automatized, which allowed to implement reliable and transparent accounting of output and consumption of heat power of the Company, establish control over the operation of the metering devices mounted at electric and heat power facilities, reduce time needed for report preparation, reduce energy resources consumption.

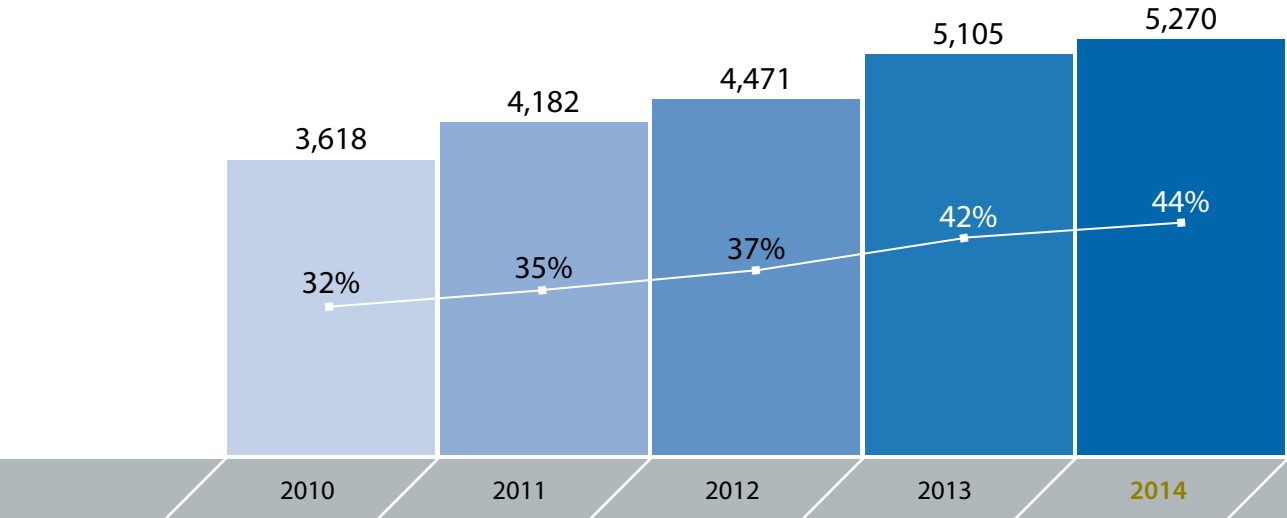
All information systems of OJSC "Surgutneftegas" used for energy resources accounting (ASUTP of "Stationary facility", IS OKO TSITS Energy) are integrated with each other.

The work of the Company in the sphere of energy saving earned a special mention at the national level: OJSC "Surgutneftegas" won a prize in the contest organized by the Ministry of Energy of the Russian Federation within the third International Forum on Energy Efficiency and Energy Saving ENES-2014 in the category "The best management system in the sphere of energy saving and energy efficiency in the enterprises of fuel and energy complex".

PLANS AND PROSPECTS

In 2015, it is planned that in-house electricity production will reach 5,364.4 million kWh, which will help to meet 43% of total demand of OJSC "Surgutneftegas". During the year, the works on provision of the Yuzhno-Nyuryskoye oil field with power generating capacities will be continued; commissioning of a power plant with a capacity of 8 MW at the oil field is scheduled for 2017. Besides, the Company is planning measures for optimization of equipment at production facilities and implementation of energy saving equipment.

Power generated in-house and its share of the total demand  
mn kWh







## RESEARCH AND TECHNOLOGY

R&D profile

Innovations

Information technologies



Yearly, OJSC “Surgutneftegas” invests heavily in implementation of new technologies, upgrading and technical re-equipment of production, scientific research and development, thus augmenting its intellectual and technological potential and strengthening its competitive advantages.

The scientific base of OJSC “Surgutneftegas” is represented by two major research centers: SurgutNIPneft Research and Development Institute with a branch in Tyumen, and Lengiproneftekhim Institute for Engineering of Petrochemical and Oil Refining Facilities in Saint Petersburg. SurgutNIPneft provides R&D activities for oil and gas production of the Company and works on the development of effective technologies with regard to the Company’s resource base. Up-to-date equipment of engineering facilities and laboratories, the Company’s own core warehouses and highly professional personnel allow to solve difficult problems of well drilling, prospecting, exploration and development of oil and gas fields by own efforts under constantly complicating geological and economical conditions and at the same time take into consideration environmental risks and apply rational approach to subsoil use.

In 2014, SurgutNIPneft drew up project documentation for 27 oil fields and made technical and economical substantiation of oil recovery factor for two fields.

In addition, it monitored geological reserves of 26 fields and developed geological models for four fields.

LLC “Lengiproneftekhim” performs research and designing in the refining sector. Designing of technological facilities of oil refining and petrochemical production in the institute is carried out with the help of up-to-date equipment and software.

Within the investment program of modernization of production capacities of the Company’s oil refinery LLC “KINEF” in the reporting year, specialists of the institute finished drawing up work documentation for the number of facilities of high-octane gasoline production (LK-2B) and work documentation and operating procedure for diesel fuel and kerosene hydrotreater plant L-24/6. The institute carries out the designer supervision of building and installation works conformity at these facilities. In addition, in the reporting year, the institute developed work documentation for technical re-equipment of the deep conversion plant facilities and the facility of liquid paraffins production – PAREKS-2 with partial replacement of equipment.

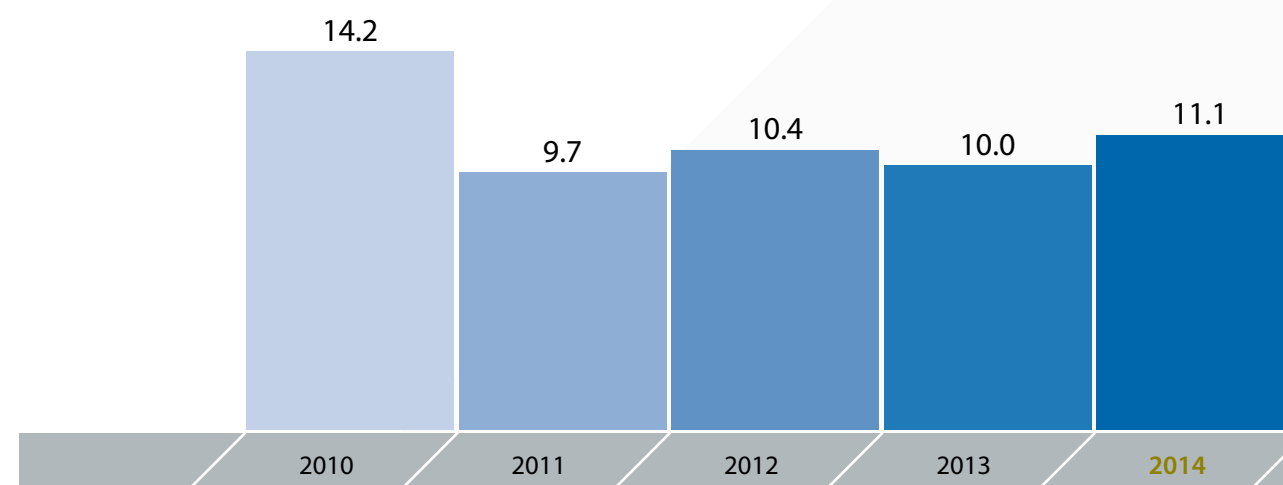
Stable economic growth, increasing of the production efficiency, rational approach to field development, competitive level of expenses on oil production and refining are determined by the high level of the Company’s technological development.

Over many years, OJSC “Surgutneftegas” carries out systematic development and implementation of innovative equipment and technology at all the stages of the production process: prospecting and development of fields, oil and gas production, hydrocarbons refining and marketing. At the same time, the Company along with the best global standards implements and widely uses its own projects and technologies. Education of the personnel for achieving maximal effect from using up-to-date equipment and technologies is of high importance.

In the reporting year, Surgutneftegas completed 241 projects introducing new engineering processes, new types of production techniques and equipment which yielded RUB 11.1 billion and conducted 99 tests of new equipment and technologies.

In the sphere of geological prospecting and oil and gas production, the Company’s key priorities are development and use of technologies which allow to improve the quality of geological information, increase the efficiency of hard-to-recover reserves exploration, reduce expenses on prospecting and exploration, restore the productivity of old wells and extend working service of fields. OJSC “Surgutneftegas” uses hi-tech methods of oil production intensification and enhanced oil recovery, including physical, chemical, hydrodynamical formation stimulation. In 2014, 9% of the yearly

Economic benefit from new technological processes, production methods and equipment  
RUB bn





oil output was produced with the use of these methods.

Eight electrohydrators fitted out with the up-to-date control system integrated with information systems of technological process control of pumping and oil treatment facilities were re-equipped in oil and gas production divisions.

During 2014, in the sector of drilling, OJSC “Surgutneftegas” upgraded circulation systems of 14 drilling rigs which would increase industrial safety and extend working service of the equipment in the operational process. The Company commissioned an automated facility for cement acceptance and conveyance which allows to speed up and simplify the process of control, conveyance and processing of bulk materials, improve working conditions and safety. In 2014, the construction trust of OJSC “Surgutneftegas” started implementing the technology of road construction using geoweb by virtue of which the thickness of stone and slug filling can be reduced by 30% in problematic road sections, abandon preliminary works on filling infield roads before starting capital construction and reduce expenses significantly. Capital construction of an upgraded casting shop equipped with up-to-date smelters and automated control system was finished. Such smelters allow to perform new types of casting from stainless steel for drilling and oil field equipment. This increased productivity and by virtue of optimal mode of melting, controlled by special software, the process consumes minimum of energy. In the reporting year, the Company implemented new automated laser cutting facility with programmed numeric control used in production of filters for drilling strings, which significantly reduced labor intensity of the process and time needed for manufacturing of one unit of output. OJSC “Surgutneftegas” commissioned an up-to-date mobile device for additional oil separation equipped with tricanter centrifuge intended for reservoir cleaning at any facility.

The use of the unique device will return to production the significant amount of oil contained in bottom settlings.

In the reporting year, the Company completed the construction of a sulfide waste stripper for the sulfur production from hydrogen sulfide in the oil refinery. The construction was carried out with the use of the complex of measures, including software support on the basis of 3D model and laser scanning of the results of construction and mounting works, which gave an opportunity to reveal efficiently deviations from the project documentary requirements and carry out repair and reconstruction during working service of the facility more effectively. Later, the present technology will be used in the construction of other facilities of the plant. In 2014, the Company changed internal devices of the secondary fractionation block of the mixed xylenes production unit.

In 2014, in the sphere of marketing, the Company took measures for reconstruction and upgrading of tank farms and gas stations and constructed new ones. Video control systems, tank lorries loading equipment were upgraded; development of the automated gas station network was continued. Measures implemented in the reporting year are aimed at higher oil tank farms work efficiency, development and automation of customer service, increasing of equipment run-time and ensuring of environmental safety.

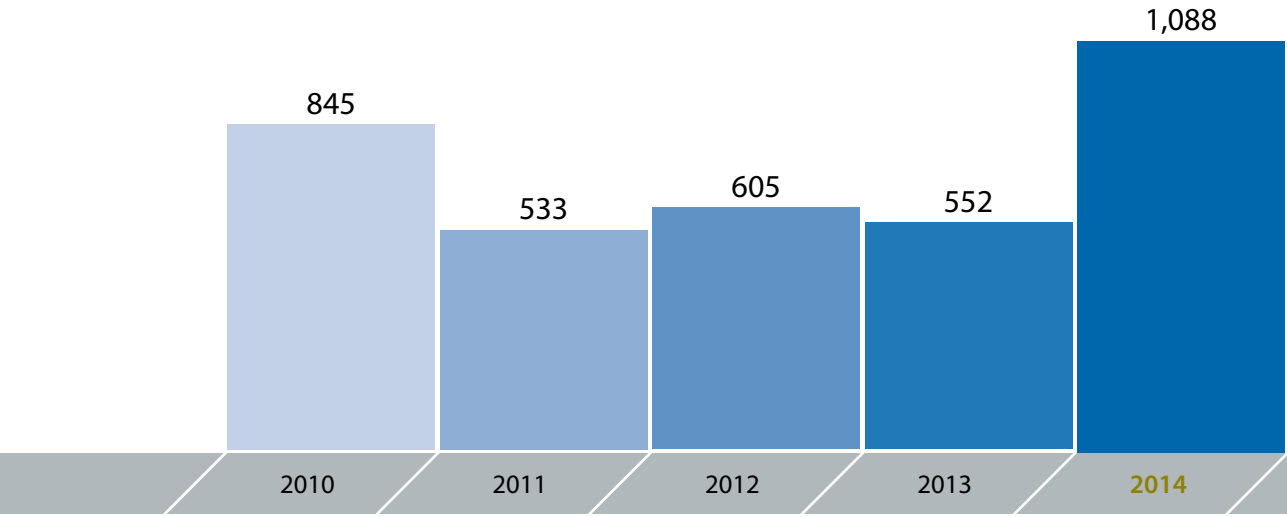
Participation of OJSC “Surgutneftegas” in annual specialized exhibitions of oil and gas industry allows to exchange the experience and learn about the latest researches and developments of Russian and foreign companies in the sphere of oil and gas production, transportation and processing. In 2014, the Company took part in the XIX International Specialized Exhibition “Surgut. Oil and Gas – 2014” (24–26 September, Surgut) and in the 21st World Petroleum Congress and Oil Exhibition (15–19 June, Moscow).

Rationalizing and inventive activity of the Company’s employees enables to find effective solutions to industrial problems and encourages the realization of innovative potential of the Company. In 2014, 3,350 specialists of the Company presented their rationalizing works, 2,182 rationalizing suggestions with the economical effect of over RUB 1 billion have been implemented, which is almost twice more comparing to the previous year.

The Company pays great attention to the patent protection of scientific and technical developments of its specialists. In the reporting year, the Company gained patents for an invention “Method for repairing tubing without removing

the logging cable” and three utility models “Stand for pneumatic testing of threaded pipe joints”, “Circulation casing module”, “Design of the liner running into the well drilled underbalanced” and registered them in the Federal Intellectual Property Service. In 2014, the Company issued and sent 12 intellectual property applications to the Federal Institute of Industrial Property, and received 19 documents of title, including one document for invention, three documents for utility models, eight documents for databases, seven documents for software, which allowed to increase the value of intangible assets of OJSC “Surgutneftegas” by RUB 136.6 million.

Economic benefit from innovation proposal  
RUB mn



Constant development and improvement of the solutions in the sphere of information technologies allows OJSC "Surgutneftegas" to remain one of the industry leaders in the scale of their implementation in production during a number of years.

All levels and stages of production processes of the Company are provided with information systems integrated in single information space. Such an approach allows the Company to obtain online information about the facilities condition, provide centralized storage and use of data, process large data arrays and generate analytical reports, the use of which gives a possibility of making operative decisions and ensures safe equipment work.

Top level of operative control over all technological systems of oil and gas production is ensured by the family of OKO information systems, Display Wall program complexes, Well Stock Unified System and Alpha oil field IT platform analyzing and systematizing incoming information online. In 2014, the operating well stock equipped with production rate remote metering systems was 99.99%, the artificial-lift well stock controlled remotely reached 99.97%, and the operating injection well stock equipped with water injection flow meters accounted for 99.98%. There are 59 unified remote metering systems "OKO of the oilfield" in oil field facilities of OJSC "Surgutneftegas". The system is developed by the Company.

In the reporting year, OJSC "Surgutneftegas" implemented within the Well Stock Unified System program complex the mechanism of metering and account for energy consumption for the processes of mechanized liquid extraction and water injection, the mechanism of automation of submersible equipment array analysis and selection of energy efficient design of electric centrifugal pump units

and the mechanism of reference measuring for inactive well stock. The present development will allow the Company to carry out current analysis and control over energy consumption of production process of mechanized liquid extraction.

In 2014, the development of module "Construction of bore holes" of the field-geological information portal has been carried out. It will ensure reduction of time spent on the analysis of wells planned for geotechnical jobs by virtue of 2D and 3D visualization of the construction of a bore hole. Alpha carries out the development of module "Complex maps of field development" which allows to increase the efficiency of geotechnical jobs by virtue of automation of collection and preliminary processing of data from production and geological databases.

In 2014, the OKO TsITS Exploration system, which allows to perform full-time monitoring of exploration brigades work aimed at prevention of accidents and reduction of idle time, was developed and commissioned.

The issues of documentation and organization support of the activity of the Company's production units are of great importance under the conditions of constant optimization of production and administrative processes. In the reporting year, OJSC "Surgutneftegas" commissioned a new control system of electronic document flow. The system increases the control over document execution, reduces time needed for delivery of the documents and expenses on paper and printer cartridges. By the end of 2014, the amount of users of the system accounted for over 9.5 thousand employees.

In 2014, OJSC "Surgutneftegas" implemented the system of working clothes accounting based on RFID technology integrated with the Company's corporate

information system. RFID technology implementation simplified the processes of accepting, distribution and inventory of working clothes, reduced time needed for documents preparation in the information system. Optimization of the processes of working clothes movement and accounting registration is the first stage of RFID technology implementation.

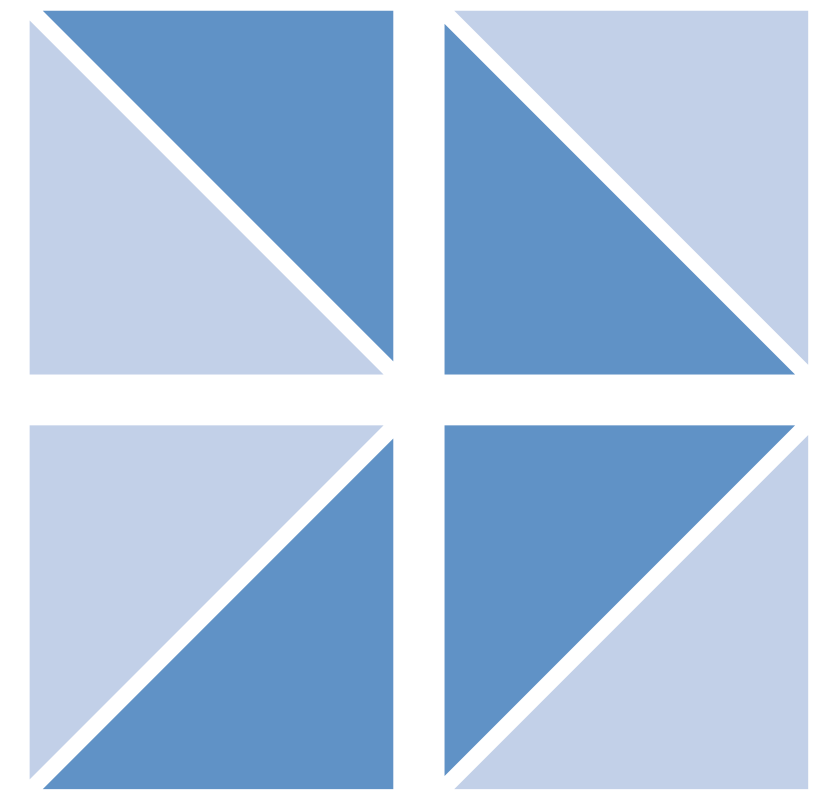
In the reporting year, OJSC "Surgutneftegas" completed the module of maintenance of geotechnical investigation spacial information for linear field facilities as a part of geoinformation system development. It will reduce expenses on geotechnical investigations.

In 2014, the existing software at the Company's oil refinery was modified and new modules in automated systems of core production and shipping of oil products were developed due to changes in the legislation and optimization of data processing. Within the works on implementation of integrated

information system in 2014 performed by the oil refinery, business processes of the first implementation stage were developed and approved, commissioning of the system was prepared and works on ensuring of reliable information pure transition between LLC "KINEF" and OJSC "Surgutneftegas" were carried out. In the reporting year, the works on integration of LLC "KINEF" and OJSC "RZD" information systems were performed; the server of video conference communication was brought into operation.

In marketing subsidiaries, the Company undertook update of software and hardware of the corporate smart card payment system, developed and implemented the remote monitoring system for metering of petroleum products at tank farms and gas stations, integration with information systems of the Company. Surgutneftegas commissioned software which automates the process of taking oil products on charge at fuel stations with automated document formation.





## SOCIAL RESPONSIBILITY

Environmental safety





Personnel development

Charity and social activity



The environmental policy of OJSC “Surgutneftegas” is aimed at rational use of natural resources and systematic reduction of industrial impact upon the environment. Resource-saving approach to the production activity and strict adherence to the environmental legislation are ensured by virtue of the effective system of environmental management.

OJSC “Surgutneftegas” carries out its environmental activity within the Ecology program which includes the complex of the following measures:

-  air protection;
-  protection and rational use of land resources;
-  protection and rational use of water resources;
-  safe management of production and consumption wastes.

The annual funding for the program accounts for RUB 20 billion. The Company carries out works on the construction of environmental facilities, monitoring of the environment and production facilities, prevention of accidents, utilization of industrial sewage and decontamination of production wastes. Besides, OJSC “Surgutneftegas” pays much attention to R&D activities and environmental training programs, develops corporate respect to natural

environment. In 2014, the Company’s investments in environmental measures totaled RUB 21.5 billion, including RUB 18.6 billion and RUB 2.9 billion spent on the upstream and downstream sectors respectively.

In the reporting year, OJSC “Surgutneftegas” carried out works on the quality monitoring of environmental components, estimation of initial pollution level and changes occurred in 129 license areas at 4,550 points. The Company regularly performs sampling of surface and ground waters, bottom sediments, soils, snow cover and ambient air in its 11 laboratories fitted out with up-to-date equipment. Most of the samples taken from the Company’s fields are analyzed in the Central Base Laboratory for Ecoanalytical and Technological Studies of the Engineering and Economic Implementation Center of OJSC “Surgutneftegas”. It is accredited to perform the analysis and radiation survey of 758 parameters. The production and research laboratory of the R&D and production work site in oil and gas production division “Talakanneft”

is accredited for 222 positions, including 15 radiological ones.

The Company’s services perform remote monitoring based on the aerial surveillance, large-scale aerial photography and UHD satellite imagery aimed at full coverage of the Company’s production activity, landscape mapping, making inventories of disturbed lands and increasing the efficiency of implementation of other environmental measures.

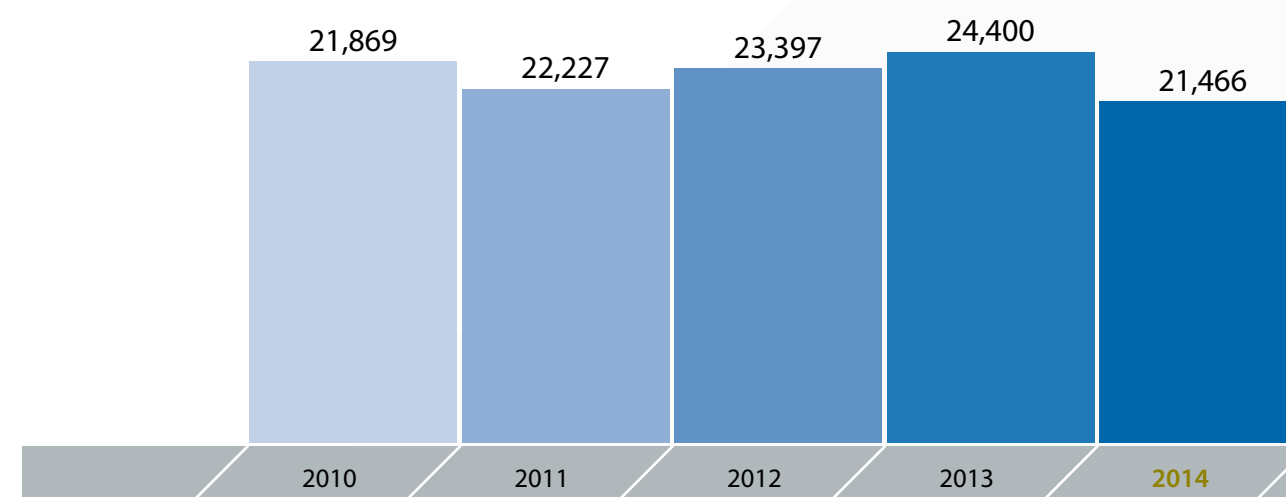
OJSC “Surgutneftegas” thoroughly controls the conditions of oil production facilities; special attention is paid to pipelines. Focused work on increasing pipelines reliability ensures safety and ecological compatibility of their use. In order to ensure their trouble-free operation, timely detection and minimization of the accident risks, the Company runs efficient system of pipes receipt inspection.

To assess pipeline integrity and choose efficient anti-corrosion methods, the system of corrosion rate monitoring at 793 control points that cover about

5 thousand kilometers is created. On the basis of monitoring data the Company estimates the corrosivity of pumped liquids, further plans and implements corrosion protection measures and controls their efficiency.

Inhibitor protection is one of the means to ensure safe operation and mitigate corrosion damage to pipes. In 2014, inhibitor protection was performed along the distance of 3,486 kilometers of pipelines, and 5,368 tonnes of corrosion inhibitors were used. The main requirement for the necessary efficiency of inhibitor protection is the stability of properties and characteristics determining the quality of inhibitors. In 2014, the Company organized a three-phase receipt quality control of all incoming batches of inhibitors. All batches of reactants conformed to the standard specimen on 96–99%; the effectiveness of pipeline inhibitor protection employed to reduce corrosion rate accounted for 80–100%. At present, the results of spectral analysis are of crucial importance in determining the quality of reactants.

Environmental investments  
RUB mn



The programs of inhibitor pipeline protection were developed together with the overhaul program using pipes with internal anti-corrosion coating and taking into consideration technical and economical indicators. It allowed the Company to reduce the specific consumption of reactants used to protect one kilometer of pipelines from 1.65 tonnes per kilometer in 2013 to 1.54 tonnes per kilometer in 2014.

In 2014, OJSC "Surgutneftegas" commissioned the complex for applying corrosion resistant coatings to the inner surface of pipes and pipeline fittings used in pipeline construction. A capacity of the complex is optimized for throughput of 684 kilometers of pipes and 15 thousand of fittings per year. This complex will allow the Company to reduce expenses on pipes purchase, minimize technological and environmental risks, extend service life and time between pipeline repair, increase their rate of flow by reducing the amount of residuing paraffins and salts on the internal surface of pipes. In 2014, the Company introduced 738.9 kilometers of pipelines with internal anti-corrosion coating. For additional anti-corrosion protection of the machinery, external surfaces of oil tanks and other hardware, the Company uses the coating compliant with the operating conditions.

OJSC "Surgutneftegas" runs its own production of protective sleeves, has complexes of automated welding system Rotoweld2000 which allow to increase the reliability of welded junctions of pipelines and ensure their additional protection. All pipes intended for pipeline capital construction, repair and internal anti-corrosion coating are inspected by various methods. In 2014, the Company checked 482.2 kilometers (18.4%) of pipes by destructive methods and rejected 3.49 kilometers (0.7%) of tested pipes. The quality of threaded pipe joints is tested on a special stand for air pressure testing.

In order to mitigate the risk of accidents and pollution with tank waters, the Company implements the complex of preventive

measures: reducing the length of tank water pipelines, dewatering, descaling and pipe pigging. For pumping of extremely corrosive water, the Company uses pipelines made of fiberglass materials.

OJSC "Surgutneftegas" has eight out-of-staff accident rescue units created on the basis of the Company's business units for emergency oil spill elimination; one of them has been created in the Republic of Sakha (Yakutia) in the reporting year. The most of employees of accident rescue units are rescue workers certified by the territorial commissions. The Company regularly carries out spill response training employing up-to-date skimming equipment such as oil-skimmers, clean-up boats, Truxor amphibious machines equipped with attached system for water bodies and inshore zone integrated treatment, small track-type transporters, vacuum dump trucks and other engineering equipment. The Company uses Mobistek road mats to minimize the damage to soils from special vehicles when carrying out works of oil spill elimination, diagnostics and inspection of pipelines, reclamation of land and peat extraction.

In 2014, works on reclamation of previously oil-contaminated land were performed in the territory of 503.8 hectares; nine areas of 6 hectares of reclaimed land were inspected and excluded from the disturbed land register.

Air protection actions of the Company are intended to provide rational use of associated petroleum gas (APG), and diminish air pollutants emission.

As a measure to diminish air pollutant emission to the atmosphere, the Company performs operating setup of fuel-fired equipment, controls and inspects operational effectiveness of dust and gas catchers, performs their inspection, current repair and overhaul on a regular basis. The Company provides total control of air pollutant emissions at all stationary and mobile units.

However, there is reduction of investments in construction and repair

of facilities for associated petroleum gas utilization (in 2014, financing accounted for RUB 2.7 billion; in 2013 – RUB 5.3 billion). It is determined by the fact that OJSC "Surgutneftegas" has a complete infrastructure for APG utilization (including small-scale power generation facilities) in the active facilities and investments are made for ensuring APG effective use at new oil fields.

Along with the construction and operation of the small-scale power generation facilities, OJSC "Surgutneftegas" develops other ways of APG use: for processing at the Company's own gas processing plant, compression and injection into formation for maintenance of formation pressure (in the Republic of Sakha (Yakutia)); as fuel for different equipment – boilers, furnaces, IWSUs, oil treatment, production premises and motor vehicles heating systems, etc.

Applying such an approach for several years now, OJSC "Surgutneftegas" has been remaining the industry leader in terms of APG utilization and has been achieving significant reduction of pollutants emission, including greenhouse gas, into the ambient air. In 2014, the Company gained an international social award "Tree of Ecology" for the effective work in the sphere of APG utilization.

The Company's measures on safe and rational water resources management are aimed at their prevention from discharge of sewage, industrial and consumption wastes. The Company performs surface and ground water intake in accordance with the standards and requirements of the regulatory documents, reduces systematically the consumption of fresh water used in technological processes, updates and reconstructs previously built oil production facilities in compliance with the environmental legislation requirements.

In 2014, the Company provided 46 well pads with drain tanks, reconstructed ramps and installed barrier gates at 253 sites, performed inspection of pipeline crossings with water bodies, carried out construction of the station for biological treatment

of sewage waters, units for initial water separation and formation water utilization, and sewage facilities, etc.

OJSC "Surgutneftegas" utilizes all the treated sewage waters in the territory of Khanty-Mansiysky Autonomous Okrug – Yugra into the formation pressure maintenance system, thus, reducing the consumption of fresh water from surface and ground sources for these aims. In the territory of the Republic of Sakha (Yakutia), the Company uses household sewage treatment plants for safe utilization of treated sewage water into water bodies. Rational use of water resources allows the Company to reduce systematically the consumption of water by 2% per year.

To estimate the influence of well construction process upon water resources and take timely measures for the reduction of possible negative environmental impact, the ecologists of the Company perform monitoring of environment components around drilling well pads.

Surgutneftegas performs evaluation and revaluation of the amount of fresh ground water at new and running water supply points, on the basis of which it makes appropriate additions to the license agreements for subsoil use. The Company developed sanitary protection zone projects for drinking water supply points and obtained positive sanitary and epidemiological conclusions.







In 2014, the Company's capital investments in construction of water protective facilities totaled RUB 954.4 million, including RUB 84 million in the territory of the Republic of Sakha (Yakutia).

The Company's safe waste management measures are aimed at reduction and drawing wastes into production circulation by means of searching and implementation of new technologies of its processing, decontamination and use as raw materials. The Company utilizes completely oil sludge, used oils, casing tires with fabric and metal cord in its own production process.



One of the important directions of the Company's activity in the sphere of environmental safety of well construction (drilling) is the technology of drilling sludge use as soil for well pads construction. Application of water-based biodegradable clay muds and highly effective drilling mud treatment systems, with which the drilling rig fleet of the Company is equipped, makes it possible to use drilling sludge. Environmental and economical effect of such technology consists in cancellation of significant amount of sand production for well pads construction and lack of necessity of oil sludge transportation to utilization sites.

In 2014, the Company used:

-  a special landfill for production wastes intended for accumulation of oil sludge and disposal of the equipment for thermal treatment;
-  six centers for oily soil decontamination, including equipment for processing solid and liquid phases, a sludge collector and a field laboratory;
-  three centers with sludge pits for sludge decontamination, units for utilization of oily fluid recovery equipped with three-phase separators allowing to perform more effective phase separation of oil sludge and involvement of recycled oil in production;
-  six units for thermal treatment of oil sludge;
-  four sludge pits;
-  four mobile units for tank cleaning and initial sludge treatment, including an experimental kit for oil separation with tricanter centrifuge separating bottom settlings into three component parts: solid phase, water and oil.

Solid oil-containing wastes decontamination was performed in nine mobile units for thermal treatment, including two of them purchased in the reporting year. The Company's solid domestic and industrial wastes are buried in four special landfills.

The Company runs the production of casing tires recycling into rubber crumbs later used at its asphalt concrete plants to modify bitumen used for road construction. In the reporting year, the Company tested a complex for paper and cardboard for their involvement in further production, carried out development works on recycling of polymer wastes (tanks, cans, pipe plugs, etc.) for further sale as raw materials.

The Company's sludge pits are subject to reclamation by the most effective methods of disturbed land reclamation after completion of works. Totally, in 2014, the Company reclaimed 257 sludge pits and drilling wastewater tanks and turned over 175 land parcels previously occupied by sludge pits to the State Forest Fund of the Russian Federation.

In the territory of Khanty-Mansiysky Autonomous Okrug – Yugra, the lands occupied by the Company's sludge pits are reclaimed after the completion of works by means of the technology developed by OJSC "Surgutneftegas". The technology is aimed at early transformation of oil sludge into soil forming material, which favors the creation of phytocenoses surpassing dominating ones in productivity and biological diversity. In 2014, the Company reclaimed 156 land parcels occupied by sludge pits using this technology.

Lands in the territory of Khanty-Mansiysky Autonomous Okrug – Yugra occupied by sludge pits were turned over to the State Forest Fund of the Russian Federation in 2014 by the commission with State inspectors of the Department for environmental, wildlife and forestry affairs control of Khanty-Mansiysky Autonomous Okrug – Yugra. Regarding

the results of the work of the commission, the Company turned over 142 land parcels occupied by sludge pits to the State Forest Fund of the Russian Federation.

OJSC "Surgutneftegas" became the leader of the "Common Sense" rating of environmental responsibility of domestic oil companies. World Wildlife Fund (WWF) of Russia was one of the initiators of drawing up this rating. The rating gives estimation of the companies' environmental responsibility and the scale of impact of their activity upon the environment, and favors the increase of the quality of environmental risk management when producing, transporting and processing hydrocarbons.

Environmental measures of OJSC "Surgutneftegas" in the sphere of oil refining are aimed at increasing production safety and conservation of wildlife environment.

In the reporting year, the accredited sanitary laboratory of LLC "KINEF" carried out scheduled activities on sanitary and hygienic monitoring of atmospheric air parameters, noise level on the borders of the approved sanitary protection zone around the refinery and pollutants emission level. The Company studied the quality of natural water and bottom sediments, estimated effectiveness of cleaning and decontamination of household sewage, controlled influence of the complex of waste disposal and burial on soils, surface and subsurface waters.

The Company implements measures for protection and rational use of water resources on a regular basis. All sewage is subject to cleaning in the plant facilities; the water turnover ratio for technological needs is the highest in the industry and accounts for 99.7%. The volume of discharged sewage into the water bodies remained at the same level after commissioning the deep oil refining complex by virtue of rational use of water, although, its consumption for technological needs increased.

In addition, in 2014, LLC "KINEF" commissioned a sulfide waste stripper for an elemental sulfur production unit, which allows to re-use cleaned water for production needs, reduce hydrogen sulfide emission from open surfaces of treatment facilities by over 7% and ensure the compliance with regulatory standards of sulfides and hydrogen sulfide concentration in sewage incoming to plant facilities.

In the reporting year, the Company continues scheduled works on biochemical cleaning of household sewage to reduce the amount of phosphates and eutrophication of waters (water bloom) in clearing pools and compensating basins, treatment of circulating water with reactants to reduce the risk of corrosion, scaling and biofouling in the water circulation system. Besides, the Company performed cleaning of storm water tank and storm water collector from bottom sediments and cleaning of a sludge pit to increase the reliability of drain system, reduce the amount of hydrocarbon emission from open surfaces and bottom sediments.

Air protection at the oil refinery is ensured by use of air proof equipment at the plant units. Complexes and units fitted out with up-to-date equipment are used for reduction of harmful emissions into the atmosphere and their contamination. Thus, the plant runs elemental sulfur unit, vapor recovery unit, technological condensate steam distillation unit.

In 2014, according to the results of measurements made by the Company's own laboratory and involved accredited organizations, the emissions of pollutants into the atmosphere on the border of sanitary-protection zone of LLC "KINEF" remained within approved standards.

The Company implements environmental measures on production and consumption waste management at the oil refinery with responsible care. In the territory of the plant,

the system of selective waste collection, decontamination and utilization is organized. Construction wastes are processed in the crushing equipment for using obtained crushed stone for strengthening storage pond dams and as an insulating layer for burial sites.

In 2014, the Company's marketing subsidiaries continued implementation of environmental measures aimed at reduction of pollutants emissions into the atmosphere, resources conservation and environmentally safe use of water bodies, protection of land resources, selective collection, utilization and account of wastes.

The Company's facilities have up-to-date laboratories to control the quality of sold fuel and environmental conditions. In the reporting year, monitoring of ambient air conditions, noise level on the borders of sanitary protection zones, storm sewage, soil analysis, control of technical conditions of motor vehicles, tanks and gas station pipelines was carried out.

In 2014, the marketing subsidiaries performed overhaul and maintenance of drain systems and treatment facilities, financed the purchasing of assets for improvement of the sewage treatment quality. In addition, the Company developed the projects of standards for waste production and disposal limits, carried out works on oil traps cleaning and filters replacement. In the reporting year, hazardous wastes were turned over to licensed companies on a negotiable basis.

PLANS AND PROSPECTS

In 2015, OJSC "Surgutneftegas" will continue the implementation of measures within the main direction of the Ecology program.

The program of inhibitor protection of 3,441 kilometers of pipelines for 2015 has been created on the basis of corrosion monitoring results, new corrosion inhibitor testing is planned. In 2015, the Company is planning to carry out works on applying internal anti-corrosion coating for pipes and fittings volumed 437.3 kilometers and 10,325 items respectively on its own production capacities.

OJSC "Surgutneftegas" is planning the construction of water protection facilities, including sewage pumping stations, initial water separation units and drain systems.

In 2015, it is planned to complete the works on updating and technical re-equipment of oil sludge utilization site at the Zapadno-Surgutskoye field, sludge pit DNS-6 at the Lyantorskoye field and center for oil sludge and oily soil decontamination at the Alekhinskoye field, start the construction of oil sludge utilization site at the Savuyskoye field within measures for production waste management.

The Company will continue implementation of environmental measures, including environmental conditions monitoring, construction and updating of environmental facilities, carrying out of works on reduction of industrial impact upon the environment at the oil refinery "KINEF" and the Company's marketing subsidiaries.

Achievements of OJSC "Surgutneftegas" are the result of teamwork, extensive experience, deep knowledge and commitment on the part of each employee. The Company creates favorable conditions for the employees to realize their creative potential and develop professionally.

In 2014, the average number of employees at OJSC "Surgutneftegas" equaled 115.5 thousand people (a 0.6% increase from the previous year); 89.5% of them are engaged in oil and gas production and gas processing, 7% – in refining and 3.5% – in marketing.

The Company's priority for personnel management is to create a competitive, qualified and tight-knit team by

- attracting highly professional specialists with necessary knowledge and skills;
- improving skills and developing professional competences of employees;
- vocational training of employees and secondary school graduates;
- improving the comprehensive system of personnel motivation.

OJSC "Surgutneftegas" pays much attention to the education and development of employees. There is a system of personnel training and development aimed at obtaining necessary knowledge and skills in the Company. Training is

conducted at corporate training centers, as well as at the best Russian and foreign educational organizations. It involves the whole range of educational tools, including media technologies that allow to conduct online seminars (webinars) using web conferencing. Training includes vocational education and continuing professional development. In the reporting year, 61.6 thousand people were trained in various programs, which is 53.3% of the average number of the Company's employees. About 39.7 thousand employees were trained at the Company's training centers: the Polytechnic Training Center (PTC) and the vocational training and retraining center of LLC "KINEF".

The base for vocational training and professional development of the Company's managers and specialists is PTC that has the main office in the city of Surgut and four branches, three of which are located in Khanty-Mansiysky Autonomous Okrug – Yugra and one – in the Republic of Sakha (Yakutia). The process of training specialists at PTC is focused on obtaining practical knowledge and skills needed in the workplace. In order to learn best practices, put theoretical knowledge into practice and use it effectively, there are

training facilities for well maintenance and workover, exploratory and development drilling, lifting machines and equipment, oil and gas production and a site for in-the-seat training that replicate real working conditions at PTC. PTC assesses vocational competences of employees, provides industrial safety training, vocational training, retraining and continuing professional development for office employees and workers.

At the end of the reporting year, PTC offered 1,699 vocational training programs, 30 of which were developed and introduced in 2014. The center is working on the improvement of training and methodology: new vocational programs and training materials are being developed and existing ones are being revised.

For better recruitment of needed professionals at the Company's business units, preliminary examination of professional knowledge for blue-collar candidates was introduced in October 2014. The profession of oil and gas production operator was chosen as pilot for initial testing. It is planned to expand the range of jobs subject to initial testing to 200.

The Company continues to develop in-house training facilities. In 2015, it is planned to commission a new training center located at the Zapadno-Surgutskoye field that will provide a full cycle of theoretical and practical training in the main areas of the Company's operation (drilling, oil and gas production, well maintenance and workover, transport, industrial electrical equipment, etc.). The new training center will help personnel learn high-performance practices, master mechanisms, machinery, equipment, instruments and techniques used in production and gain safety skills, which will increase productivity, reduce flaws, technological and other violations, losses and expenses associated with them. In the reporting year, 37,898 employees received training at this center, which is 2.5% higher than in 2013.

KINEF's center of vocational training, retraining and continuing professional

development is licensed to deliver 87 training programs. The classrooms of the center are equipped with modern automated systems. In 2014, 1,786 employees of LLC "KINEF" underwent training under 45 licensed programs of vocational training, retraining and continuing professional development, 10 of which had been revised and approved by the North-Western Branch of the Federal Service for the Supervision of Environment, Technology and Nuclear Management. OJSC "Surgutneftegas" has created and operates a comprehensive system of evaluation and development of vocational competences of personnel aimed at identifying actual training needs. The evaluation results are used to plan and provide timely training, develop and revise vocational programs and create a candidate pool.

In the reporting year, 1,630 specialists of the Company underwent the assessment of their professional competences. The system has been complemented by the direction "Transport: operation of motor vehicles and special-purpose (oilfield) machines". Based on the assessment, the Company developed modular programs and provided targeted training for 688 specialists in 719 courses in the field of Transport, Geophysics, Power generation, Production, processing, transportation and utilization of gas, Technology and equipment for crude production, Environmental management and safety.

The Company is working on the development of managerial skills of senior staff and creating a candidate pool. It has introduced a mentoring system for newly employed personnel.

OJSC "Surgutneftegas" takes regular measures to promote professions and specialties of oil and gas industry. In this connection, it organizes thematic meetings on its core business and familiarization trips to the production sites within the framework of comprehensive cooperation with educational institutions in the city of Surgut.

Over many years, the Company has been collaborating with various educational organizations of the Russian Federation, including Tyumen State Oil and Gas University, National University of Minerals and Reserves "Gorny", Gubkin Russian State University of Oil and Gas, National Research Tomsk Polytechnic University, North-Eastern Federal University in Yakutsk, Ufa State Petroleum Technological University, Surgut Oil Technical School, Surgut Polytechnic College.

As part of this collaboration, OJSC "Surgutneftegas" provides educational establishments with annual financial support to improve facilities, build new training laboratories and introduce advanced teaching methods as well as participates in open days and recruiting events. Such collaboration helps improve a learning process, develop and implement special programs for better training as required by the Company.

Tyumen State Oil and Gas University remains the key university to train main oil

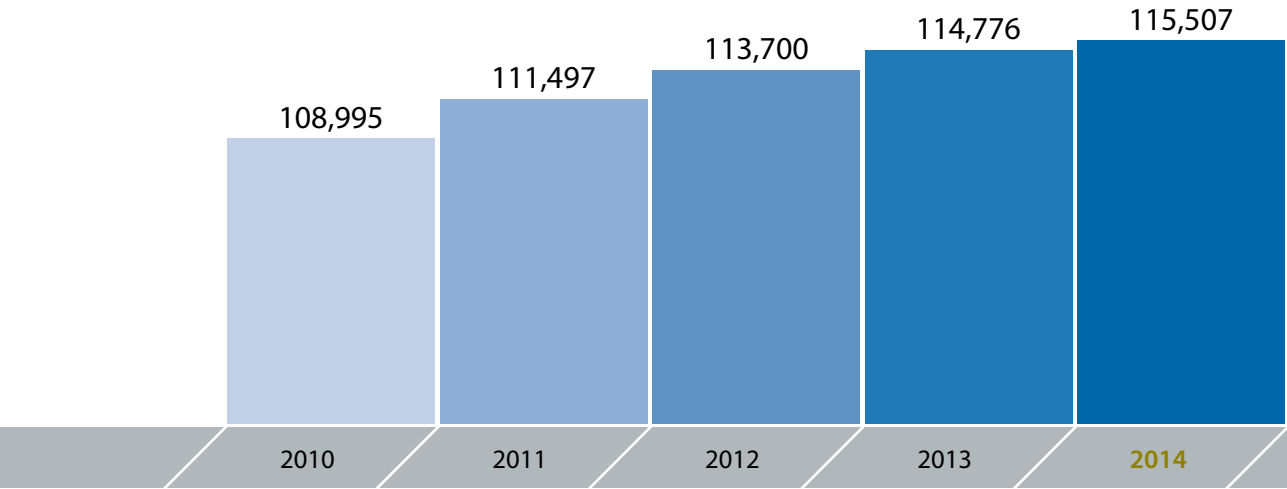
and gas specialists for the Company. At the end of 2014, more than 7,000 graduates of the university were employed in OJSC "Surgutneftegas".

The Company reimburses employees and their child dependents for expenses associated with vocational training and higher education. As many as 1,878 students participated in the tuition assistance program in 2014. Besides, 41 persons studied under the Treaty on Cooperation in Economic Development of Municipal Unit "Lensky District", the Republic of Sakha (Yakutia).

Students can intern at the Company's business units to reinforce and improve their knowledge of the specialty or field of study, learn the ins and outs of the job and acquire work experience. In the reporting year, 2,800 students completed internship at the business units of OJSC "Surgutneftegas".

An integrated approach to personnel training, within which the Company provides job-related training, employs students as interns at its business units and gives

Average number of employees people





financial support, allows to establish a strong partnership with educational institutions and bring together education, science and production.

Working with young professionals is one of the priorities of the HR policy at OJSC "Surgutneftegas". The use of intellectual and creative potential of young people to solve actual production problems gives more opportunities for innovative development of the Company. The Company has built a comprehensive system of working with young professionals which includes their adaptation to the workplace, training and development, mentoring and motivation. The leading specialists, department of personnel management and the Youth Association of OJSC "Surgutneftegas" take part in this activity. In the reporting year, 522 young professionals were employed by the Company.

For more than 30 years, the Company has been holding an annual scientific and technical conference for young professionals and scientists of OJSC "Surgutneftegas" which gives the opportunity to engage young professionals to improve processes, introduce new technologies and enhance production efficiency. There were 21 sections and 881 speakers at the XXXIV conference in 2014. First place winners visited other leading oil and gas companies to learn about best practice in the energy sector.

Four young professionals won the Victor Deshura Award for innovative research and development projects bringing the greatest economic benefit. The expected economic benefit from their introduction is RUB 88.7 million.

A high level of professionalism and commitment are confirmed by the results of young professionals at national and regional scientific and specialized conferences, forums and contests. In 2014, Surgutneftegas employees became the winners of the regional contest of youth projects "Conveyor of youth projects" and the regional contest "Black Gold

of Yugra". In 2014, 19 young employees of OJSC "Surgutneftegas" took part in the XIV regional scientific conference for young professionals of the companies engaged in subsoil development within Khanty-Mansiysky Autonomous Okrug – Yugra, seven of them won prizes.

The employees of LLC "KINEF" and LLC "Lengiproneftekhim" participated in thematic industry conferences and forums and won third prize at the Russian national contest "New Idea" for the best research and development project between young employees of energy companies.

Another important factor in the HR policy is the ongoing employee incentive program which is designed to meet the strategic objectives of the Company and includes material and moral stimulation of employees.

Financial incentives involve premiums paid to recognize strong production, technical and economic performance and contribution to saving material, technical, energy and financial resources. Salaries and wages are revised annually to reflect inflation rates and individual performance.

One way to motivate is to encourage and reward employees for significant contribution to the development of the Company and industry. In the reporting year, 3,644 employees of the Company were awarded for many years of hard work, professionalism and successful performance: 26 of them received national awards, 510 – industry awards, 266 – regional awards, 1,912 – Surgutneftegas awards and 930 – subsidiaries awards. Besides, 6,282 employees received awards of Surgutneftegas business units in 2014.

Of particular note is the assignment of the title of Hero of Labor of the Russian Federation – the top honors for work – to Ivan Aidullin, a well overhaul foreman at OJSC "Surgutneftegas".

As many as 10 employees of the Company became holders of the Viktor Muravlenko Award for significant personal contribution

to the introduction of new technologies and achievement of high performance in drilling, rigging up, oil and gas production and well workover.

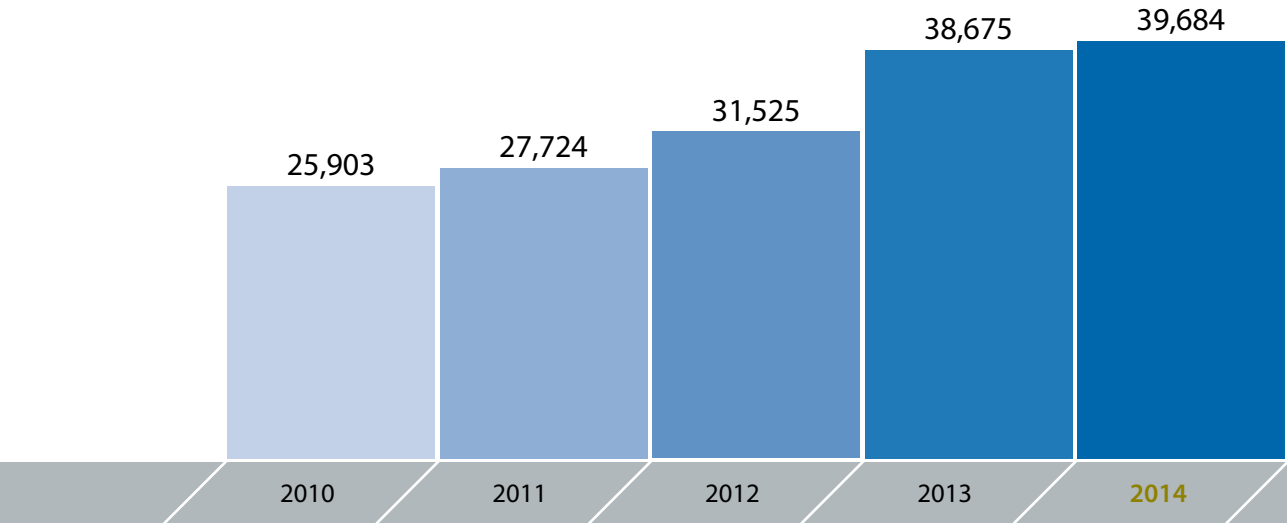
The Company provides rewards for conscientious performance of employment duties, increased labor efficiency, improved product quality, continuous and flawless work, innovations and other achievements at work. Among them are badges of honor "For Distinguished Service", title "Veteran of Labor" of OJSC "Surgutneftegas", listing in the books of honor of OJSC "Surgutneftegas" and LLC "KINEF", Certificates of Merit of OJSC "Surgutneftegas" and citations.

To increase labor efficiency and involve employees deeper in the Company's

operations, OJSC "Surgutneftegas" annually holds professional skills competitions ("Best-in-Profession", "Best gas station"), competitions devoted to vehicle maintenance, labor protection, industrial and fire safety, culture of production and contests among crews and shops. The winners are awarded certificates and prize money.

In the reporting year, in addition to the traditional contest for the Alexander Usoltsev Award, the Company held economic competition among oil and gas production units for the second time. First, second and third place winners were awarded certificates, the heads of the winning units were given gold badges and the employees were paid prize money.

In-house training people



Social protection of personnel, high standards of occupational safety and production, promotion of healthy lifestyles, sponsorship and charitable assistance, participation in regional development are integral components of the Company's activity.

For many years, OJSC "Surgutneftegas" has been providing its personnel with a wide range of social support. It creates comfortable and safe working conditions, gives employees the opportunity to improve health, provides non-state pension coverage, supports its retired employees financially. OJSC "Surgutneftegas" actively develops social partnership with government authorities and society, thereby contributing to better social and economic climate in the areas of its operation.

The basis of social policy at OJSC "Surgutneftegas" is collective agreements which make provision for incentive programs, additional social benefits, guarantees and compensations and take into account the specifics of the Company's activity and the region of its presence.

#### HEALTH CARE

OJSC "Surgutneftegas" pays great attention to the rest and recreation of its personnel, their families and retired employees. Difficult climatic conditions in the regions of presence and specifics of work at the Company require increased attention to the health of employees, so the implementation of a health care program is a priority of the Company's social policy.

As part of the program, the Company provides voluntary medical insurance, annual medical examinations to prevent diseases, health resort treatment, sports and recreational activities. Each year, the Company chooses health resorts where its employees will get rest and treatment. In 2014, these were 56 health resorts in various climatic zones in Russia and abroad visited by 38.8 thousand employees, their family members and retired people. The Company spent more than RUB 2 billion on their health improvement.

The majority of them (91.2%) went to the recreation facilities run by the Company: health center "Kedrov Log" in the city of Surgut, health resorts "Lermontovo" and "Neftyanik Sibiry" and children's health resort "Yuny Neftyanik" on the shores of the Black Sea in Krasnodarsky Krai, health resort "Priozhny" and recreation center "Mechta" in Leningradskaya Oblast. These are unique health resorts, which harmoniously combine natural and premature medicinal factors, effective recovery, rehabilitation and recreation. All health resorts have knowledgeable professionals, treatment and diagnostic centers, latest equipment. The Company's health resorts constantly improve their treatment and diagnostic

facilities, develop and implement various preventive and treatment programs, introduce new equipment.

In the reporting year, 13.7 thousand employees and their family members visited health resorts "Neftyanik Sibiry" and "Lermontovo", 3.8 thousand children went to children's health resort "Yuny Neftyanik", 7.1 thousand people received treatment at "Kedrov Log". The high level of services provided at the health resorts is confirmed by awards won at interregional and international competitions. In 2014, children's health resort "Yuny Neftyanik" won the annual competition between children's health resorts held by the Russian trade union of workers of the oil and gas industries and construction; health resort "Lermontovo" took third prize in the category "The Best Health Resort" at the territory contest among the leaders of the tourist industry "Resort Olympus 2014" held by the Ministry of Resorts and Tourism of Krasnodarsky Krai.

The recreation complex of the Company's refinery is represented by recreation center "Mechta" and health resort "Priozhny" located in Leningradskaya Oblast.

In the reporting year, they welcomed more than 10 thousand employees, their family members and retired employees of LLC "KINEF".

In 2014, the Company's employees and their family members had the opportunity to undergo spa treatment at health resorts of Belokurikha, Caucasian Mineral Waters region, Tyumen, the Czech Republic and Hungary, relax at the resorts of Krasnodarsky Krai, Turkey, Greece and Bulgaria.

OJSC "Surgutneftegas" provides for preliminary (pre-employment) and regular medical examinations in accordance with the acting regulations. Systematic monitoring of the employee's health allows to detect occupational diseases in early stages, form the groups of risks based on their development and identify the impact of harmful and hazardous production factors on the health of employees.

This approach allows to take timely preventive and rehabilitation measures to maintain and restore the health of employees. In the reporting year, 104.6 thousand employees of the Company underwent medical examinations. OJSC "Surgutneftegas" does a lot to prevent the emergence and spread of diseases, including regular vaccination of personnel against influenza.

#### WORK SAFETY AND PRODUCTION STANDARDS

A necessary condition for stable and efficient operation of the enterprise is a reliable system of occupational, industrial, fire and electrical safety. To protect lives and health of its employees, minimize risks of accidents and incidents at hazardous production facilities, prevent injuries and occupational diseases are the Company's safety priorities.

In the reporting year, OJSC "Surgutneftegas" implemented a full range of administrative and technical measures to prevent injuries, accidents and fires, mitigate occupational risks.

Much attention is paid to prevention of occupational injuries. Thus, the Company's managers and employees receive regular training and share experiences in this area, including by means of tutorial meetings, seminars, interactive visual instructions, conferences, competitions, educational films. In 2014, OJSC "Surgutneftegas" introduced an optimized multi-level system of industrial safety certification for the Company's managers and specialists and created certification commissions.

Immediate supervisors were given personal occupational safety books in order to improve motivation for safety.

In the reporting year, the Company created virtual 3D routes for production facilities indicating hazardous production factors, started marking safe routes for vehicles and personnel at all workplaces as well as work zones taking into account the impact of hazards to improve safety.



Special assessment of working conditions was made as scheduled. The Company took measures and updated equipment in order to reduce the number of workplaces with hazardous working conditions. Thus, there were 62,235 workplaces with normal working conditions and 4,970 workplaces with hazardous working conditions at OJSC "Surgutneftegas" in 2014.

In the reporting year, to reduce the risk of man-caused emergencies at production facilities, the Company developed and put into effect all the necessary local regulations to provide a uniform procedure and the functioning of a safety management system to ensure safe operation of hazardous production facilities. Expert inspection of technical devices and facilities was carried out to assess the possibility of their further safe operation. The Company checked 10,438 units of oilfield and drilling equipment, 769 units of boiler inspection objects and lifting facilities, 26 units of industrial smokestacks, 6,608.2 kilometers of field and process pipelines.

OJSC "Surgutneftegas" allocates significant funds to improve work and leisure environment, ensures the functioning of social amenities, reimburses employees for the cost of meals in canteens.

At the end of the reporting year, there were 203 recreation facilities with lounges, kitchens and showers located in residential areas and at the oilfields and industrial sites of OJSC "Surgutneftegas". Besides, the Company has 429 canteens that serve meals to 27 thousand employees daily. In 2014, OJSC "Surgutneftegas" commissioned five recreation facilities for shift workers and three stationary canteens.

The Company spent more than RUB 763 million to renovate dormitories, canteens and other social amenities in the reporting year.

### REGIONAL DEVELOPMENT PROMOTION

OJSC "Surgutneftegas" follows the principles of mutually beneficial

social and economic cooperation with the regional authorities, local residents and indigenous people. The Company contributes significantly to the construction of infrastructure in the regions of its presence, pays attention to environmental protection, the development of scientific and technical potential, helps maintain social stability and improve the life of indigenous population.

The Company is a major taxpayer. It fully pays taxes and makes other obligatory payments at all levels of the budget system of the Russian Federation. In addition, OJSC "Surgutneftegas" duly fulfills its obligations to employees under existing collective agreements, which promotes a high level of social and economic stability in the regions of its operation.

OJSC "Surgutneftegas" is a partner of a number of regions under the license agreements. The Company signed agreements on social and economic cooperation with Khanty-Mansiysky Autonomous Okrug – Yugra, the Republic of Sakha (Yakutia), Krasnoyarsky Krai, Irkutskaya Oblast, Nenetsky Autonomous Okrug and Yamalo-Nenetsky Autonomous Okrug. The Company also cooperates with local authorities in the regions of its presence.

In cooperation with regional authorities, OJSC "Surgutneftegas" undertakes major investment and infrastructure projects which give impetus to the development of the economic potential of regions, attract new investments and create a favorable investment climate. Thus, airport "Talakan" in Eastern Siberia, which was put into operation in 2013, greatly improved the accessibility and economic attractiveness of the remote region. In addition, OJSC "Surgutneftegas" builds roads, bridges, piers and other objects of industrial and social infrastructure.

The Company strives to achieve a balance of mutual interests with indigenous people going fishing and hunting and doing traditional farming in the natural area by signing economic

agreements and coordinating the placement of production facilities in the territories of traditional nature use. As part of these agreements, OJSC "Surgutneftegas" annually donates boats, snowmobiles, fuel, lubricants, power plants and other things which improve living conditions to indigenous people. Besides, the Company pays tuition and accommodation fees for aboriginal children, compensates for the costs of treatment and rehabilitation, finances competitions in national sports. To ensure that economic agreements are implemented on time and in full, the Company uses special software "Database of Indigenous Population". To increase the effectiveness of cooperation, the Company's specialists submit proposals to improve the legislation on the regulation of relations between indigenous people and oil companies.

For the contribution to social and economic development of the region and cooperation with indigenous people of the North, OJSC "Surgutneftegas" was recognized as the winner at regional contest "Black Gold of Yugra" in the categories "Social and economic partnership between enterprises producing more than 5 million tonnes of crude oil" and "Efficient use of mineral resources", and was also awarded in the category "Cooperation with aboriginal population".

### SPORT FOR ALL

OJSC "Surgutneftegas" contributes to the development of sports and promotion of healthy lifestyles by getting all the Company's employees and their families involved in sports and giving them the opportunity to attend sports centers. There are 21 sports facilities belonging to the Company in Surgut and Surgutsky District. They include 15 sports halls and six sports centers offering gyms, swimming pools and an ice rink. The Company has sports center "Neftyanik" in Leningradskaya Oblast, and rents sports halls and centers in other regions as well. In the reporting year, above

18 thousand employees were doing more than 20 sports in the facilities.

The Company annually holds about 600 tournaments and championships in various sports. It has become a tradition to hold competitions among its business units, managers and veterans, involving more than 13.5 thousand people. After the end of the competitions in the reporting year, the Company held contest "Sporting Elite – 2014" of OJSC "Surgutneftegas" following which 50 winners in 13 categories were awarded prizes. Football, futsal and women's volleyball teams became the hallmark of the Company at the city championships.

Competitions in volleyball, streetball, chess and relay race are always included in the program of celebrating Day of Oil and Gas Industry Workers.

The Company promotes youth sports and supports activities aimed at promoting healthy lifestyles. It annually provides support to Charitable Fund of Tennis Development in Surgut and Olympic Reserve School "Neftyanik" in Surgut. The Olympic Reserve School provides the children of the Company's employees with the opportunity to do such sports as futsal, hockey, swimming, skiing and boxing. The number of its pupils is growing every year. In the reporting year, 1,244 young sportsmen took part in sports and recreational activities.

Sports center "Neftyanik" located in Kirishi has a water sports center used for training by the national men's and women's water polo teams and the Major League water polo team "KINEF-Surgutneftegas". The center annually hosts international water polo competitions, including KIRISHI CUP, a prestigious international water polo tournament, in which the best teams of the world participate.

In the reporting year, the sports center hosted 28 national and international competitions in water polo (the quarterfinals of the Euroleague between women's teams, KIRISHI CUP international women's water

polo tournament, XXII Championship of Russia between women's and men's teams, junior national competitions), swimming and synchronized swimming.

Russian national team took third place in the KIRISHI CUP international women's water polo tournament.

At the XXII Championship of Russia in water polo, KINEF-Surgutneftegas women's team took first prize and became a twelfth-time champion of Russia and seventh-time winner of the Cup of Russia; KINEF-Surgutneftegas men's team ranked fifth. In addition, KINEF-Surgutneftegas men's team became one of the four strongest teams in Russia and won the pass to the European Cup among club teams.

The Company's teams in volleyball, karate, athletics, polyathlon, motorsport, tourism, swimming and other sports were leaders in the championships of Leningradskaya Oblast, intercity tournaments, cups and championships of Saint Petersburg.

In 2014, KINEF's employees became winners in various sports: at international competitions – 96 people, at the championships of the Northwestern Federal District and the Russian Federation – 365, at the championships of Saint Petersburg and Leningradskaya Oblast – 264 people, at the national and international tournaments – 143 people.

### SUPPORT OF RETIRED EMPLOYEES

The implementation of a corporate program to support retired employees is another important direction of the Company's social policy.

At the end of the reporting year, the number of retired employees was 28.2 thousand, including 338 veterans of the Great Patriotic War.

The Collective bargaining agreement of OJSC "Surgutneftegas" provides its retired employees, combat veterans and combat disabled veterans, veterans and participants of the Great Patriotic War with a range of support: financial aid on special occasions, reimbursement of medical

expenses, vacation vouchers and a number of other benefits.

Various cultural events on special occasions were organized for retired employees in 2014. They included honoring veterans by the Company and presenting gift sets on Fatherland Defenders' Day, Victory Day and Older People' Day. In addition, the employees of OJSC "Surgutneftegas" participated in the city commemorative meeting at the Memorial of Glory dedicated to Victory Day. As part of celebrating Day of Oil and Gas Industry Workers, the traditional exhibition contest "Urozhai – 2014" (The Harvest) and the talent contest "Your talents, Surgutneftegas!" were held.

The Association of Retired Employees of OJSC "Surgutneftegas", formed in November 1992, unites former employees of the Company and acts as a link between the Company's management and retired employees, helping protect the rights and interests of older people, improve their social status, provide psychological and social support. Currently, there are more than five thousand people registered in the Association. It runs clubs, a fitness group, a chess club and a grassroots arts group and organizes various exhibitions, competitions, joint trips and activities on special occasions. The Company encourages all initiatives of the Association of Retired Employees aimed at supporting their social and cultural activities.

The proven life values – succession of generations, respect for the history and traditions underlying the team's activities – are fully implemented in the collaboration of the Company with veterans' organizations. OJSC "Surgutneftegas" is a long-term partner of organizations uniting veterans of the Great Patriotic War, rear workers, labor veterans, pioneers and honored industry workers. In 2014, the Company transferred money to fund statutory activity and individual initiatives of the Tyumen regional public fund named for Viktor Muravlenko, public organization

"Association "Old Residents of Surgut", local public organization of the village of Vitim "The Council of Veterans of War, Home Front and Labor", public fund "The Victory Fund" (Surgut), the regional public organization of veterans (pensioners) of war and labor, the armed forces and law-enforcement authorities (Ust-Kut), charitable foundation "Foundation in memory of Farman Salmanov" (Khanty-Mansiysk), foundation "Veteran of oil and gas industry construction" named for Boris Shcherbina (Moscow) and LLC "Union of Oil and Gas Producers of Russia" (Moscow).

To increase the level of social protection of its employees, the Company has a corporate pension program which gives employees the opportunity to save money for retirement in advance by participating in pension plans.

### CHARITY AND SPONSORSHIP

Charity is a traditional area of social activity of OJSC "Surgutneftegas". The Company considers it one of the fundamental principles of effective work and an important factor in long-term development in all regions of its presence. In the reporting year, charitable activity of OJSC "Surgutneftegas" was focused on social support of citizens, funding of industrial research, educational and social institutions, development of culture and sports facilities, support of public and religious associations.

The Company collaborates with institutions of science, education, culture and art and supports a number of socially significant projects, including organization of children's ecological expedition in the municipal unit "Lensky District" of the Republic of Sakha (Yakutia), publication of the book "The Call of Oil" by the Museum of Geology, Oil and Gas (the city of Khanty-Mansiysk) and the anthology "Surgut in Literature" by the city public fund of Russian literature development "Slovesnost" (the city of Surgut). In the reporting year, OJSC "Surgutneftegas"

followed the long-standing tradition to participate in the organization of the International Forum of Visual Humor KARIKATURUM held annually at the Surgut Art Museum. The Company supports creativity of young people and pays special attention to the development of interest in the history of the industry, oil trades and local area. In 2014, this was done through a creativity contest involving regional media.

Among the priorities of charitable activity of OJSC "Surgutneftegas" is collaboration with national and religious associations and organizations in order to help strengthen the spiritual foundation of society. Thus, in the reporting year, the Company participated in the continued construction of the Cathedral Mosque of Surgut, helped to celebrate Sabantuy festival and provide live coverage of Easter service by GTRK "Region-Tyumen". The Company helps build the Church of the Nativity of the Most Holy Mother of God (the city of Kirishi, Leningradskaya Oblast) and supports school in the name of Saint Nicholas the Wonderworker at the Church of the Transfiguration of Our Lord (the city of Surgut).

In the reporting year, the public charity organization "Zabota", in close partnership with OJSC "Surgutneftegas", held a series of events with the participation of poorly protected categories of citizens: children and adults with disabilities, large and single-parent families and the elderly. The Khanty-Mansiysk regional branch of the Russian Association of Disabled People, Russian Society of Invalids and Veterans (Krasnodar) and GBU "Republican Hospital No. 1 – National Medical Center" in the Republic of Sakha (Yakutia) also got support from the Company.

The high degree of responsibility of OJSC "Surgutneftegas" is caused not only by its large-scale production, but also by a conscious desire to maintain and develop the social potential of the employees and residents of the regions in which the Company operates.





## CORPORATE GOVERNANCE AND SECURITIES

Board of Directors

Individual executive body

Remuneration paid to the members  
of the Company's Board of Directors

Report on the Company's compliance  
with recommendations  
of Corporate Governance Code

Report on declared dividend payments



Vladimir P. EROKHIN

Chairman  
of the Board of Directors

Born in 1949.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0104  
Ordinary shares,  
31.12.2014, % 0.0126



Vladimir L. BOGDANOV

Born in 1951.  
Higher professional education,  
Doctor of Economics.  
Director General  
of OJSC "Surgutneftegas".

Share in the charter capital,  
31.12.2014, % 0.3028  
Ordinary shares,  
31.12.2014, % 0.3673



Alexander N. BULANOV

Born in 1959.  
Higher professional education.  
Chief Engineer,  
First Deputy Director General  
of OJSC "Surgutneftegas".

Share in the charter capital,  
31.12.2014, % 0.0005  
Ordinary shares,  
31.12.2014, % 0.0002



Ivan K. DINICHENKO

Born in 1946.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0003  
Ordinary shares,  
31.12.2014, % 0



Viktor M. KRIVOSHEEV

Born in 1953.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0064  
Ordinary shares,  
31.12.2014, % 0.0072



Nikolai I. MATVEEV

Born in 1942.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0  
Ordinary shares,  
31.12.2014, % 0





Vladimir I. RARITSKY

Born in 1940.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0079  
Ordinary shares,  
31.12.2014, % 0.0089



Ildus S. USMANOV

Born in 1954.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0018  
Ordinary shares,  
31.12.2014, % 0.0022



Vladimir A. SHASHKOV

Born in 1946.  
Higher professional education.  
Retiree.

Share in the charter capital,  
31.12.2014, % 0.0094  
Ordinary shares,  
31.12.2014, % 0.0115

Data on changes in the membership of the Company's Board of Directors in the reporting year: the resolution of Annual General Shareholders' Meeting of OJSC "Surgutneftegas" dated June 27.06.2014 terminated the powers of the following members of the Company's Board of Directors: Sergei A. Ananiev, Igor N. Gorbunov, Taisiya P. Klinovskaya, and

Alexander F. Rezyapov; Ivan K. Dinichenko, Viktor M. Krivosheev, Vladimir I. Raritsky, and Ildus S. Usmanov were elected into the Board of Directors of OJSC "Surgutneftegas".  
In the reporting year, since the election of the Board of Directors, transactions in acquisition or carve-out of shares by the members of the Company's Board of Directors did not take place.

05 INDIVIDUAL EXECUTIVE BODY

Vladimir L. BOGDANOV

Born in 1951.  
Higher professional education, Doctor of Economics.  
Director General of OJSC "Surgutneftegas" since 1993.

05 REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

Remuneration is paid to the members of the Board of Directors in compliance with OJSC "Surgutneftegas" Charter.  
Remuneration and expenses reimbursement paid to the members of the Board of Directors of OJSC "Surgutneftegas" in 2014 totaled RUB 21,583 thousand.



## REPORT ON THE COMPANY'S COMPLIANCE WITH RECOMMENDATIONS OF CORPORATE GOVERNANCE CODE

The claim of the Board of Directors regarding the compliance with recommendations of corporate governance vested in the Corporate Governance Code is that the Company continuously improves the system of corporate governance according to the standards of corporate governance approved by the world's economic community, that are very important for stable development and effective work of the Company in the longer term and sustaining shareholders' loyalty. OJSC "Surgutneftegas" complies with the provisions of the Russian Corporate Governance Code, as well as international standards and recommendations. The Company runs its business under strict adherence to the Russian and applicable foreign and international legislation, including corporate law, anti-corruption law and securities law. In addition, the Company is committed to spreading the principles of corporate governance among its functional and business units, subsidiaries and employees of the Company regardless of their position and place of work, as well as all members of the management bodies.

The general shareholders' meeting is the supreme management body of the Company. Its terms of reference are determined by the Charter of the Company and comply with the requirements of legislation of the Russian Federation.

The Board of Directors carries out the general management of the Company's activities and has the right to make decisions on any matters concerning the Company's activities except those, which the Company's Charter limits to the terms of reference for the general shareholders' meeting.

The members of the Board of Directors of the Company are elected by the annual general shareholders' meeting as stipulated

by the Company's Charter for a term lasting till the next annual general shareholders' meeting, from the number of candidates nominated by the Company's shareholders. The members of the Board of Directors can be re-elected an unlimited number of times.





According to the Charter, the Company does not have a collegiate executive body.






Director General is the individual executive body of the Company and manages the Company's current activities in the order and within the terms of reference determined by the Company's Charter as well as in accordance with resolutions of the Board of Directors and the general shareholders' meeting. The Company's Board of Directors appoints Director General of the Company for a five-year period.

Upon expiration of Director General's term of office, the Board of Directors can appoint this person for the same period an unlimited number of times. Director General reports to the Board of Directors and the Company's general shareholders' meeting.

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

The examination of compliance with recommendations of Corporate Governance Code includes the following measures:

-  distribution of powers between the management bodies;
-  work flow management for the Board of Directors, including cooperation with executive and regulatory bodies of the Company;
-  control over the implementation of the Company's development strategy;
-  coordination of risk management;

-  prevention of corporate disputes and conflicts of interest;
-  relations with affiliates;
-  definition of rules and procedures ensuring the compliance with principles of corporate governance;
-  coordination of information disclosure;
-  monitoring of the internal control system.




The Company monitors the implementation of measures to eliminate flaws discovered during the examination of corporate governance status.

When making significant corporate actions affecting the rights and interests of shareholders, OJSC "Surgutneftegas" is always committed to the principle of equal treatment of all shareholders and protects the rights and interests of its shareholders either by strict adherence to the applicable laws of the Russian Federation and prevention of their violation by third parties, as well as through certain measures provided by the Corporate Governance Code, including ones that are not presented in the Company's internal documents. Thus the actual date of information disclosure about the date of compiling the list of persons entitled to participate in a general shareholders' meeting not only strictly comply with the current legislation of the Russian Federation, but also with the time limit recommended by the Corporate Governance Code, or exceed them.

The shareholders have an equal and just opportunity to participate in profits of the Company via receiving dividends. The dividend payment procedure, including the procedure of defining the share of net profit allocated for dividend payment, the conditions under which dividends are declared, and the amount of dividends paid on Company's shares of different categories (types) are defined in the Company's Charter

and in the Dividend Payment Procedure for allotted shares approved by the general shareholders' meeting.

Regulation for the Board of Directors of the Company defines the procedure for arranging and holding the meeting of the Board, which gives the opportunity to the members of the Company's Board of Directors to adequately prepare for these meetings and provides:

-  terms for giving notifications for the members of the Board of Directors regarding the forthcoming meeting;
-  the deadline for sending ballot papers to the shareholders and receiving completed ballot papers, in case a general shareholders' meeting is held through absent voting;
-  an opportunity to send and take into account a written opinion on issues of the meeting agenda of a member of the Board absent for the meeting.

There are other extra opportunities for discussing the cases regarding the efficient functioning of the Board of Directors of the Company.

The Board of Directors reviews the issues concerning the formation of an efficient and transparent remuneration policy, human resource planning (succession planning), occupational pattern and the efficient functioning of the Board of Directors.

The Board of Directors is formed at the general shareholders' meeting from the number of candidates nominated by the Company's shareholders under the law of the Russian Federation.

Functions of the Corporate Secretary are carried out by the Secretary of the Board of Directors appointed and removed from office by the Board of Directors among the employees of the Company. Rights and duties of the Secretary of the Board of Directors of the Company

defined by the Provision on the secretary of the Board of Directors of the Company.

Monitoring and auditing system includes the necessary set of functional units and monitoring instruments. Internal audit and external audit of the Company are within the competence of the Audit Committee of the Board of Directors to which the Internal Audit Service whose functions defined in the regulation on Internal Audit Service reports.

The Company's Auditing Committee is elected by the general shareholders' meeting to supervise the Company's financial and operating activities. To have annual accounting (financial) statements audited and confirmed, the Company hires an independent auditor. An Independent auditor is assigned by the general shareholders' meeting on the proposal of the Board of Directors.

Information policy of the Company is aimed at observance of rights and interests of stakeholders, and strictly complies with the current legislation of the Russian Federation and principal recommendations of Corporate Governance Code. Information policy involves different ways of interaction with the shareholder of the Company and other interested

parties, including creation of a special page on the Company's website which contains contact information like e-mail addresses and telephone numbers of persons responsible for relations with investors and shareholders. In addition, investors and shareholders can receive current information during presentations and meetings with the members of management bodies and other key management employees of the Company, including those related to major investment projects, the Company's strategic development plans, and significant corporate events.

Recognizing the importance of effective corporate governance for the successful development of the Company and for the achievement of mutual understanding between all parties interested in the Company, Surgutneftegas will continue to implement the best practices of corporate governance, including those based on the principles of the Corporate Governance Code, both through the adoption of internal documents regulating the activities of the Company, and by amending the existing internal documents regulating the activities of the management and control of the executive bodies of the Company.

Dividend rates for 2013:

- Dividends accrued for an ordinary share (RUB): 0.60;
- Dividends accrued for a preference share (RUB): 2.36;
- Dividends accrued for all ordinary shares (RUB): 21,435,596,823;
- Dividends accrued for all preference shares (RUB): 18,176,715,834.6;
- Dividends paid for all ordinary shares as of 31.12.2014 (RUB): 21,418,975,119.83;
- Dividends paid for all preference shares as of 31.12.2014 (RUB): 17,955,078,051.27.

The Company's management body which passed a resolution (declared) to pay dividends on Surgutneftegas shares: general shareholders' meeting.

Date of the meeting (session) of the Company's management body when the resolution to pay (declare) dividends was passed: 27.06.2014.

Date and number of the Minutes of the meeting of the Company's management body: 30.06.2014 No. 25.

The due period for declared dividend payment: dividends shall be paid not later than on August 20, 2014.

Form and other conditions of declared dividend payment: cash in compliance with the established and approved dividend payment procedure.

Obligations to pay dividends on the Company's shares were fulfilled except when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" due to reasons beyond control of the Company such as incorrect, incomplete or outdated bank details and/or mailing address specified by a shareholder in the registered persons questionnaires for receipt of dividends.





## ADDITIONAL INFORMATION

List of the Company's transactions carried out  
in the reporting year

Energy resources utilized by the Company



## LIST OF THE COMPANY'S TRANSACTIONS CARRIED OUT IN THE REPORTING YEAR

### LARGE-SCALE TRANSACTIONS CARRIED OUT BY THE COMPANY

In 2014, the Company's general shareholders' meeting and Board of Directors did not take decisions on approval of transactions recognized in accordance with Federal Law "On Joint Stock Companies" as large-scale transactions.

### INTERESTED PARTY TRANSACTIONS CARRIED OUT BY THE COMPANY

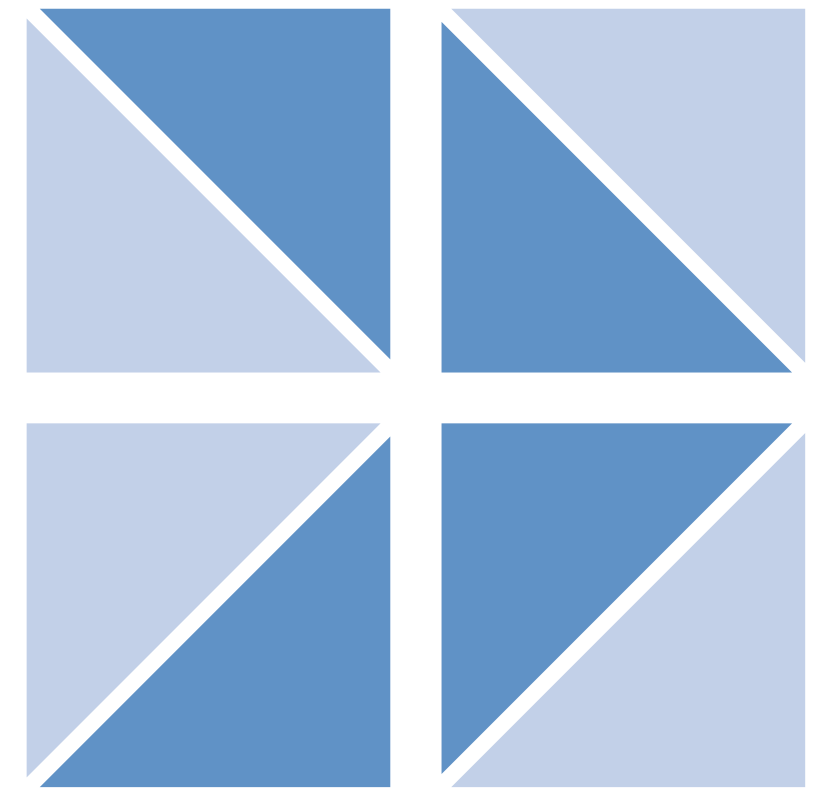
In 2014, transactions recognized in accordance with Federal Law "On Joint Stock Companies" as interested party transactions were not carried out by the Company.

## ENERGY RESOURCES UTILIZED BY THE COMPANY

OJSC "Surgutneftegas" utilized the following energy resources in 2014:

Name of the utilized energy resources, unit of measure	Consumption	
	Volume in kind	Cost, thousand RUB
Thermal energy, thousand Gcal	1,870	5,029
Electric energy, thousand kWh	12,076,103	24,979,482
Motor gasoline, tonnes	17,611	516,835
Diesel fuel, tonnes	269,672	7,377,937
Kerosene, tonnes	88	2,060
Fuel oil, tonnes	693	9,204
Oil, tonnes	39,330	336,416
Associated gas, thousand cub m	1,876,388	3,621,631
Natural gas, thousand cub m	20,321	48,465





## BACKGROUND INFORMATION

Information about the Company  
in the Internet

Full Company's name

Representative offices



**INFORMATION ABOUT THE COMPANY IN THE INTERNET**

The Company's web address: [www.surgutneftegas.ru](http://www.surgutneftegas.ru)

**FULL COMPANY'S NAME**

Open Joint Stock Company "Surgutneftegas"

Address: ul.Grigoriya Kukuyevitskogo 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation, 628415.

**REPRESENTATIVE OFFICES**

Moscow representative office of Open Joint Stock Company "Surgutneftegas"

Address: ul.Myasnitckaya 34, Moscow, Russian Federation.

Saint Petersburg representative office of Open Joint Stock Company "Surgutneftegas"

Address: ul.Podkovyrova 37, St. Petersburg, Russian Federation.

Yakutsk representative office of Open Joint Stock Company "Surgutneftegas"

Address: ul.Otdzhonikidze 36, Yakutsk, Republic of Sakha (Yakutia), Russian Federation.



**Balance Sheet  
as of 31 December 2014**

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**

Form by OKUD

Date (date, month, year)

by OKPO

INN

by OKVED

by OKOPF/OKFS

by OKEI

Codes		
0710001		
31	12	2014
05753490		
8602060555		
11.10.11		
12247		16
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	As of 31 December	As of 31 December
			2014	2013	2012
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
3.1	Intangible assets	1110	515 101	440 909	402 173
3.2	R&D results	1120	160 404	138 515	79 712
3.3	Intangible prospecting assets	1130	73 240 752	70 051 419	12 796 912
	Tangible prospecting assets	1140	-	-	-
3.4	Fixed assets	1150	691 063 519	641 086 929	564 003 118
	including buildings, machinery, equipment, and other fixed assets, excluding land, objects of environmental management, and capital investments in progress	1151	627 944 689	589 652 193	529 582 150
3.4	Income yielding investments in tangible assets	1160	48 429	51 009	54 506
3.5	Financial investments	1170	1 280 457 334	707 816 723	646 161 955
	including other financial investments, excluding investments in organizations and loans granted	1171	1 154 646 709	588 536 763	533 808 601
3.10	Deferred tax assets	1180	32 313	45 016	127 157
	Other non-current assets	1190	14 125 572	12 718 149	13 686 513
	Total for Section I	1100	2 059 643 424	1 432 348 669	1 237 312 046
	<b>II. CURRENT ASSETS</b>				
3.6	Stocks	1210	81 425 788	68 279 281	65 664 959
	Value Added Tax on acquired valuables	1220	4 103 573	3 848 562	4 034 860
3.7	Accounts receivable	1230	180 790 266	161 489 569	152 253 838
3.5	Financial investments (excluding cash equivalents)	1240	658 014 455	408 139 542	301 387 763
	including other financial investments, excluding investments in organizations and loans granted	1241	651 832 161	402 139 542	301 387 763
3.8	Cash and cash equivalents	1250	30 922 038	29 017 245	35 275 667
	Other current assets	1260	1 989 624	2 003 481	1 136 574
	Total for Section II	1200	957 245 744	672 777 680	559 753 661
	<b>BALANCE</b>	<b>1600</b>	<b>3 016 889 168</b>	<b>2 105 126 349</b>	<b>1 797 065 707</b>

Notes	Indicator	Code	As of 31 December	As of 31 December	As of 31 December
			2014	2013	2012
	<b>LIABILITIES</b>				
	<b>III. CAPITAL AND RESERVES</b>				
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	482 261 224	477 878 998	437 867 973
	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	2 098 453 730	1 241 732 806	1 009 573 263
	Total for Section III	1300	2 823 168 931	1 962 065 781	1 689 895 213
	<b>IV. LONG-TERM LIABILITIES</b>				
	Borrowed funds	1410	-	-	-
3.10	Deferred tax liabilities	1420	65 034 039	54 699 539	36 171 564
	Estimated liabilities	1430	-	-	-
3.11	Other liabilities	1450	269 580	148 199	209 954
	Total for Section IV	1400	65 303 619	54 847 738	36 381 518
	<b>V. SHORT-TERM LIABILITIES</b>				
3.11	Borrowed funds	1510	139 650	139 650	232 890
3.11	Accounts payable	1520	116 340 208	77 355 155	59 616 241
3.12	Deferred income	1530	516 885	716 490	938 530
3.13	Estimated liabilities	1540	10 715 949	9 675 073	9 483 744
	Other liabilities	1550	703 926	326 462	517 571
	Total for Section V	1500	128 416 618	88 212 830	70 788 976
	<b>BALANCE</b>	<b>1700</b>	<b>3 016 889 168</b>	<b>2 105 126 349</b>	<b>1 797 065 707</b>

First Deputy

Director General on Finance and Taxation

OJSC "Surgutneftegas"

(signature)

V.G.Barankov

(printed name)

Chief Accountant

OJSC "Surgutneftegas"

(signature)

A.V.Druchinin

(printed name)

" 27 " March 2015



**Income Statement  
For 2014**

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**

Form by OKUD  
Date (date, month, year)

by OKPO

INN

by

OKVED

by OKOPF/OKFS

by OKEI

Codes		
0710002		
31	12	2014
05753490		
8602060555		
11.10.11		
12247	16	
384		

Notes	Indicator	Code	For January - December	For January - December
			2014	2013
1	2	3	4	5
5.1	Revenue	2110	862 599 616	814 187 839
5.1	Cost of sales	2120	( 621 309 902 )	( 546 726 123 )
	Gross profit (loss)	2100	241 289 714	267 461 716
5.1	Selling expenses	2210	( 64 439 756 )	( 67 790 404 )
	Management expenses	2220	-	-
	Sales profit (loss)	2200	176 849 958	199 671 312
	Income from participation in other organizations	2310	2 344 365	1 100 616
	Interest receivable	2320	62 497 864	49 666 241
	Interest payable	2330	( 14 )	( 541 )
5.2	Other income	2340	2 074 386 978	1 165 271 871
5.2	Other expenses	2350	( 1 247 942 885 )	( 1 102 591 714 )
	Profit (loss) before tax	2300	1 068 136 266	313 117 785
	Current profit tax	2410	( 171 419 959 )	( 38 065 768 )
3.10	including permanent tax liabilities (assets)	2421	4 740 150	4 811 933
3.10	Change in deferred tax liabilities	2430	( 10 334 500 )	( 18 527 975 )
3.10	Change in deferred tax assets	2450	( 12 703 )	( 82 141 )
	Other	2460	18 486	( 498 )
	Reallocation of profit tax within the consolidated group of taxpayers	2465	5 291 819	75 107
	Net profit (loss)	2400	891 679 409	256 516 510

Notes	Indicator	Code	For January - December	For January - December
			2014	2013
1	2	3	4	5
	<b>FOR REFERENCE ONLY</b>			
	Results of revaluation of non-current assets not included in net profit (loss) of the period	2510	8 921 991	44 812 261
	Results of other operations not included in net profit (loss) of the period	2520	-	-
	Comprehensive income of the period	2500	900 601 400	301 328 771
5.3	Base profit (loss) per share	2900		
	Diluted profit (loss) per share	2910		

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

\_\_\_\_\_  
(signature)      V.G.Barankov  
(printed name)

Chief Accountant  
OJSC "Surgutneftegas"

\_\_\_\_\_  
(signature)      A.V.Druchinin  
(printed name)

" 27 " March 2015 \_\_\_\_\_



**Statement of Changes in Equity  
For 2014**

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

Form by OKUD	Codes
Date (date, month, year)	0710003
by OKPO	31.12.2014
INN	05753490
by OKVED	8602060555
by OKOPF/OKFS	11.10.11
by OKEI	12247 16
	384

**1. Capital flow**

Indicator	Code	Charter capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained profit (uncovered loss)	Total
<b>Capital as of 31 December 2012</b>	<b>3100</b>	<b>43 427 993</b>	-	<b>630 379 759</b>	<b>6 514 198</b>	<b>1 009 573 263</b>	<b>1 689 895 213</b>
<b>In 2013</b>							
<b>Increase in capital – total:</b>	<b>3210</b>	-	-	52 759 396	-	261 421 498	314 180 894
including:							
net profit	3211	x	x	x	x	256 516 510	256 516 510
revaluation of property	3212	x	x	52 759 396	x	-	52 759 396
income allocated directly to increase in capital	3213	x	x	-	x	4 904 988	4 904 988
additional issue of shares	3214	-	-	-	x	x	-
increase in par value of shares	3215	-	-	-	x	-	x
reorganization of a legal entity	3216	-	-	-	-	-	-

<b>Decrease in capital – total:</b>	<b>3220</b>	-	-	-	(12 748 371)	-	(29 261 955)	(42 010 326)
including:								
loss	3221	x	x		x	x	-	-
revaluation of property	3222	x	x		(7 947 135)	x	-	(7 947 135)
expenses allocated directly to decrease in capital	3223	x	x		(4 801 236)	x	-	(4 801 236)
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	(29 261 955)	(29 261 955)
<b>Change in additional capital</b>	<b>3230</b>	x	x		-	-	-	x
<b>Change in reserve capital</b>	<b>3240</b>	x	x		x	-	-	x
<b>Capital as of 31 December 2013</b>	<b>3200</b>	<b>43 427 993</b>			<b>670 390 784</b>	<b>6 514 198</b>	<b>1 241 732 806</b>	<b>1 962 065 781</b>
<b>In 2014</b>								
<b>Increase in capital – total:</b>	<b>3310</b>	-	-	-	11 888 754	-	896 333 237	908 221 991
including:								
net profit	3311	x	x		x	x	891 679 409	891 679 409
revaluation of property	3312	x	x		11 888 754	x	-	11 888 754
income allocated directly to increase in capital	3313	x	x		-	x	4 653 828	4 653 828
additional issue of shares	3314	-	-	-	-	x	x	-
increase in par value of shares	3315	-	-	-	-	x	-	x
reorganization of a legal entity	3316	-	-	-	-	-	-	-
<b>Decrease in capital – total:</b>	<b>3320</b>	-	-	-	(7 506 528)	-	(39 612 313)	(47 118 841)
including:								
loss	3321	x	x		x	x	-	-
revaluation of property	3322	x	x		(2 966 763)	x	-	(2 966 763)
expenses allocated directly to decrease in capital	3323	x	x		(4 539 765)	x	-	(4 539 765)
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	(39 612 313)	(39 612 313)
<b>Change in additional capital</b>	<b>3330</b>	x	x		-	-	-	x
<b>Change in reserve capital</b>	<b>3340</b>	x	x		x	-	-	x
<b>Capital as of 31 December 2014</b>	<b>3300</b>	<b>43 427 993</b>	-	-	<b>674 773 010</b>	<b>6 514 198</b>	<b>2 098 453 730</b>	<b>2 823 168 931</b>



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

Indicator	code	As of 31.12.2012	Changes in capital for 2013		As of 31.12.2013
			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 31.12.2014	As of 31.12.2013	As of 31.12.2012
Net assets	3600	2 823 685 816	1 962 782 271	1 690 833 743

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

\_\_\_\_\_  
V.G.Barankov  
(printed name)

\_\_\_\_\_  
(signature)

Chief Accountant  
OJSC "Surgutneftegas"

\_\_\_\_\_  
A.V.Druchinin  
(printed name)

\_\_\_\_\_  
(signature)

27 March 2015

**Cash Flow Statement**  
**For 2014**

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**

Codes		
0710004		
31	12	2014
by OKPO 05753490		
INN 8602060555		
by OKVED 11.10.11		
by OKOPF/OKFS 12247 16		
by OKEI 384		

Indicator	Code	For 2014	For 2013
<b>Cash flow from operations</b>			
<b>Proceeds – total</b>	<b>4110</b>	<b>934 073 040</b>	<b>826 993 519</b>
including:			
from sale of goods, products, works and services	4111	926 358 586	820 981 962
lease payments, license payments, royalty, commission, and other similar payments	4112	773 314	978 600
from resale of financial investments	4113	-	-
other proceeds	4119	6 941 140	5 032 957
<b>Payments – total</b>	<b>4120</b>	<b>(855 621 867)</b>	<b>( 672 172 489)</b>
including:			
to suppliers (contractors) for raw materials, supplies, works and services	4121	(251 723 264)	( 233 569 289 )
due as remuneration of employees' labor	4122	(91 706 668)	( 82 375 885)
debenture interest	4123	-	(42)
corporate profit tax	4124	(125 577 491)	( 36 441 475 )
taxes and charges (excl. profit tax)	4125	(370 166 037)	( 304 926 242 )
other payments	4129	(16 448 407)	(14 859 556 )
<b>Cash flow balance from operations</b>	<b>4100</b>	<b>78 451 173</b>	<b>154 821 030</b>
<b>Cash flow from investing</b>			
<b>Proceeds – total</b>	<b>4210</b>	<b>65 809 432</b>	<b>42 325 379</b>
from sale of non-current assets (excl. financial investments)			
	4211	280 025	575 839
from sale of shares of (interest in) other organizations	4212	-	6 007 105
from repayment of loans granted and sale of debt securities (cash receivables from other persons)	4213	1 632 000	5 036 420
dividends, interest on financial debt investments, and similar proceeds from interest in other organizations	4214	63 776 383	30 573 042
other proceeds	4219	121 024	132 973



Indicator	Code	For 2014	For 2013
<b>Payments – total</b>	<b>4220</b>	<b>(119 933 167)</b>	<b>( 177 099 958 )</b>
including: due to acquisition, formation, modernization, reconstruction, and preparation of non-current assets for use	4221	(46 155 659)	(67 298 298 )
due to acquisition of shares of (interest in) other organizations	4222	(183)	( 500 000 )
due to acquisition of debt securities (cash receivables from other persons) and loans granted to other persons	4223	(8 345 058)	(21 614 397 )
debenture interest to be included in the cost of investment assets	4224	-	-
other payments	4229	(65 432 267)	( 87 687 263 )
<b>Cash flow balance from investing</b>	<b>4200</b>	<b>(54 123 735)</b>	<b>( 134 774 579 )</b>
<b>Cash flow from financing</b>			
<b>Proceeds – total</b>	<b>4310</b>	-	-
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	-	-
<b>Payments – total</b>	<b>4320</b>	<b>(37 719 308)</b>	<b>( 26 528 310 )</b>
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	(37 719 308)	( 26 528 310 )
due to payment (buyback) of bills of exchange and other debt securities and repayment of borrowings and loans	4323	-	-
other payments	4329	-	-
<b>Cash flow balance from financing</b>	<b>4300</b>	<b>(37 719 308)</b>	<b>( 26 528 310 )</b>
<b>Cash flow balance for the reporting period</b>	<b>4400</b>	<b>(13 391 870)</b>	<b>(6 481 859)</b>
<b>Balance of cash and cash equivalents at the beginning of the reporting period</b>	<b>4450</b>	<b>29 017 138</b>	<b>35 275 584</b>
<b>Balance of cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>30 922 010</b>	<b>29 017 138</b>
Effect of changes in the exchange rates of foreign currency to the Russian ruble	4490	15 296 742	223 413

First Deputy

Director General on Finance and Taxation

OJSC "Surgutneftegas"

V.G.Barankov

(signature)

(printed name)

Chief Accountant

OJSC "Surgutneftegas"

A.V.Druchinin

(signature)

(printed name)

27 March 2015

1. Intangible assets and expenses on research, development (R&D) and technological works

100  
101  
102

## 1.2. Historical cost of intangible assets created by the organization

Indicator	Line code	As of 31 December	As of 31 December	As of 31 December
		2014	2013	2012
<b>Total</b>	5120	<b>675 798</b>	<b>519 911</b>	<b>385 523</b>
including:				
exclusive rights to invention, industrial prototype, utility model	5121	438	433	369
exclusive rights to computer programs and databases	5122	675 360	519 478	385 154
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	As of 31 December	As of 31 December
		2014	2013	2012
<b>Total</b>	5130	<b>385 411</b>	<b>378 119</b>	<b>392 615</b>
including:				
exclusive rights to invention, industrial prototype, utility model	5131	28	1 694	6 694
exclusive rights to computer programs and databases	5132	376 436	366 879	385 893
exclusive rights to trademarks and service marks	5133	11	11	11
other protected results of intellectual property and individualization means	5134	8 936	9 535	17
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		part of the cost written off to expenses for the period	historical cost	part of the cost written off to expenses
						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 2014	102 698	( 76 232)	70 496	-	-	(27 194)	173 194	(103 426)
	5150	for 2013	273 294	( 261 894)	26 467	(197 063)	197 063	(11 401)	102 698	(76 232)

#### 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 2014	112 049	161 132	-	(182 545)	90 636
	5170	for 2013	68 312	149 084	-	(105 347)	112 049
Acquisition of intangible assets in progress - total	5180	for 2014	30 645	64 015	-	(50 817)	43 843
	5190	for 2013	554	34 105	(208)	(3 806)	30 645

### 1.6. Intangible prospecting assets

Indicator	Code	Period	At year beginning	Changes during the period				results of devaluation	At period end
				proceeds and costs for the period	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 2014	70 051 419	15 084 712	(5 315 727)	(1 784 468)	(797 989)	(3 997 195)	73 240 752
	5192	for 2013	12 796 912	60 628 859	(2 063 118)	(655 813)	-	(655 421)	70 051 419
including: licenses	51910	for 2014	49 698 838	3 639 509	(38 190)	-	-	(181 453)	53 118 704
	51920	for 2013	606 794	49 109 417	(17 373)	-	-	-	49 698 838
geological exploration	51911	for 2014	2 589 792	2 812 350	(152 898)	(269 130)	-	(387 053)	4 593 061
	51921	for 2013	1 496 000	1 255 083	(21 087)	(133 774)	-	(6 430)	2 589 792
construction of prospecting and exploration wells	51912	for 2014	16 964 800	7 653 191	(5 124 639)	(1 515 338)	-	(3 428 689)	14 549 325
	51922	for 2013	10 694 118	9 466 370	(2 024 658)	(522 039)	-	(648 991)	16 964 800
advances issued for construction of prospecting and exploration wells	51913	for 2014	797 989	979 662	-	-	(797 989)	-	979 662
	51923	for 2013	-	797 989	-	-	-	-	797 989

## 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 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)
	5210	for 2013	1 975 390 535	(1 445 405 362)	154 563 922	(20 283 170)	19 407 144	(124 020 429)	331 668 752	(286 252 755)	2 441 340 039	(1 836 271 402)
including: land and objects of environmental management	5201	for 2014	15 416 444	-	55 891	(2 402)	-	-	(1 652 551)	-	13 819 782	-
	5211	for 2013	403 023	-	27 731	(1 036)	-	-	14 986 726	-	15 416 444	-
buildings	5202	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)
	5212	for 2013	169 804 655	(71 235 384)	7 475 396	(1 073 622)	701 121	(6 966 597)	6 919 791	(3 111 100)	183 126 220	(80 611 960)
structures and transfer mechanisms	5203	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)
	5213	for 2013	1 404 903 359	(1 062 474 213)	112 788 276	(2 319 648)	2 171 756	(83 003 632)	303 431 591	(278 016 025)	1 818 803 578	(1 421 322 114)
machinery and equipment	5204	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)
	5214	for 2013	357 534 354	(283 976 729)	30 008 267	(13 881 247)	13 569 843	(30 252 354)	5 447 170	(4 552 750)	379 108 544	(305 211 990)
vehicles	5205	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)
	5215	for 2013	38 689 661	(24 676 940)	4 061 975	(2 938 186)	2 896 767	(3 522 177)	1 279 511	(964 308)	41 092 961	(26 266 658)
production and general purpose tools	5206	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)
	5216	for 2013	3 686 858	(2 916 912)	200 361	(67 865)	66 832	(259 579)	(414 776)	394 989	3 404 578	(2 714 670)



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
1	2	3	4	5	6	7	8	9	10	11	12	13
draft livestock and producing livestock	5207	for 2014	-	-	-	-	-	-	-	-	-	-
	5217	for 2013	-	-	-	-	-	-	-	-	-	-
other types of fixed assets	5208	for 2014	387 714	(144 010)	1 591	(1 904)	617	(17 000)	1 106	(514)	388 507	(160 907)
	5218	for 2013	368 625	(125 184)	1 916	(1 566)	825	(16 090)	18 739	(3 561)	387 714	(144 010)
Recorded as income yielding investments in tangible assets – total	5220	for 2014	57 659	(6 650)	-	(1 200)	256	(1 636)	-	-	56 459	(8 030)
	5230	for 2013	59 942	(5 436)	5 379	(7 662)	399	(1 613)	-	-	57 659	(6 650)
including: property given for temporary use (temporary possession and use)	5221	for 2014	57 659	(6 650)	-	(1 200)	256	(1 636)	-	-	56 459	(8 030)
	5231	for 2013	59 942	(5 436)	5 379	(7 662)	399	(1 613)	-	-	57 659	(6 650)

## 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 2014	36 018 292	185 153 076	(15 756 224)	(156 113 696)	49 301 448
	5250	for 2013	34 017 945	171 097 034	(14 582 652)	(154 514 035)	36 018 292
including:	5241	for 2014	4 866 750	15 475 448	(15 096 494)	-	5 245 704
equipment requiring assembly	5251	for 2013	4 640 458	14 138 552	(13 912 260)	-	4 866 750
acquisition of land and objects of environmental management	5242	for 2014	571	55 825	-	(55 891)	505
	5252	for 2013	638	27 664	-	(27 731)	571
acquisition of fixed assets	5243	for 2014	84 419	25 998 861		(25 909 074)	174 206
	5253	for 2013	80 720	22 876 618		(22 872 919)	84 419
construction in progress, including proprietary manufacturing of fixed assets	5244	for 2014	30 810 363	139 823 346	(462 722)	(130 148 731)	40 022 256
	5254	for 2013	28 741 517	133 966 147	(283 916)	(131 613 385)	30 810 363
advances issued for capital construction	5245	for 2014	256 189	3 799 596	(197 008)	-	3 858 777
	5255	for 2013	554 612	88 053	(386 476)	-	256 189

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

Indicator	code	For 2014	For 2013
1	2	3	4
<b>Increase in the value of fixed assets resulting from additional construction, equipping, reconstruction, and partial liquidation – total</b>	<b>5260</b>	<b>32 398 406</b>	<b>31 091 606</b>
including: buildings	5261	1 086 049	1 094 074
structures and transfer mechanisms	5262	30 434 655	29 192 842
machinery, equipment and vehicles	5263	876 930	804 658
other fixed assets	5264	772	32
<b>Decrease in the value of fixed assets resulting from partial liquidation – total:</b>	<b>5270</b>	<b>(1 838 801)</b>	<b>(2 044 656)</b>
including: buildings	5271	(194 503)	(77 428)
structures and transfer mechanisms	5272	(297 393)	(177 342)
machinery, equipment and vehicles	5273	(1 345 643)	(1 789 631)
other fixed assets	5274	(1 262)	(255)



## 2.4. Other use of fixed assets

Indicator	code	As of 31.12.2014	As of 31.12.2013	As of 31.12.2012
1	2	3	4	5
Leased fixed assets on the balance	5280	14 776 106	6 449 426	5 497 992
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	17 433 351	15 452 012	15 773 734
Real estate accepted for operation and actually used, currently in the process of state registration	5284	5 007 184	3 261 065	7 158 192
Fixed assets transferred for preservation	5285	48 754 481	44 879 041	21 948 651
Other use of fixed assets	5286	-	-	-

### 3. Financial investments

[illegible]

Short-term – total	5305	for 2014	408 139 542	-	237 211 101	(462 360 921)	-	-	-	475 024 733	658 014 455	-
	5315	for 2013	301 387 763	-	25 295 200	(314 689 819)	-	-	-	396 146 398	408 139 542	-
including: securities issued by other organizations	5306	for 2014	6 000 000	-	1 402 000	(1 402 000)	-	-	-	-	6 000 000	-
	5316	for 2013	-	-	11 000 000	(5 000 000)	-	-	-	-	6 000 000	-
including: debt securities (bonds, bills of exchange)	53060	for 2014	6 000 000	-	1 402 000	(1 402 000)	-	-	-	-	6 000 000	-
	53160	for 2013	-	-	11 000 000	(5 000 000)	-	-	-	-	6 000 000	-
loans granted	5307	for 2014	-	-	412 294	(230 000)	-	-	-	-	182 294	-
	5317	for 2013	-	-	-	-	-	-	-	-	-	-
deposits	5308	for 2014	402 139 542	-	235 396 807	(460 728 921)	-	-	-	475 024 733	651 832 161	-
	5318	for 2013	301 387 763	-	14 295 200	(309 689 819)	-	-	-	396 146 398	402 139 542	-
other	5309	for 2014	-	-	-	-	-	-	-	-	-	-
	5319	for 2013	-	-	-	-	-	-	-	-	-	-
Financial investments – total	5300	for 2014	1 115 955 703	562	1 284 876 728	(462 360 921)	-	-	(283)	-	1 938 471 510	279
	5310	for 2013	947 549 207	511	487 284 156	(318 877 660)	-	-	51	-	1 115 955 703	562

### 3.2. Other use of financial investments

Indicator	code	As of 31.12.2014	As of 31.12.2013	As of 31.12.2012
Pledged financial investments – total	5320	61 457	61 457	61 457
including: securities issued by other organizations	5321	61 457	61 457	61 457
incl. debt securities (bonds, bills of exchange)	5322	-	-	-



## 4. Stocks

### 4.1. Availability and flow of stock

Indicator	Code	Period	At year beginning		Changes during the period					At period end	
			production costs	reserve for decreases in the value	proceeds and costs	retired	production costs	reserve for decreases in the value	losses from decreases in the value	stock turnover among their groups (types)	production costs
1	2	3	4	5	6	7	8	9	10	11	12
Stocks - total	5400	for 2014	68 284 263	(4 982)	1 477 928 308	(1 464 785 749)	4 120	(172)	-	81 426 822	(1 034)
	5420	for 2013	65 666 269	(1 310)	1 396 061 284	(1 393 443 290)	-	(3 672)	-	68 284 263	(4 982)
including: raw materials, supplies and other similar values	5401	for 2014	39 372 030	(4 982)	114 622 461	(303 277 602)	4 120	(172)	193 411 458	44 128 347	(1 034)
	5421	for 2013	38 835 256	(1 310)	109 945 587	(287 074 321)	-	(3 672)	177 665 508	39 372 030	(4 982)
work-in-progress expenses	5402	for 2014	1 043 265	-	1 215 111	(533 663)	-	-	-	1 724 713	-
	5422	for 2013	977 161	-	699 823	(633 719)	-	-	-	1 043 265	-
finished goods	5403	for 2014	6 940 252	-	810 430 933	(219 718 394)	-	-	(588 041 085)	9 611 706	-
	5423	for 2013	4 478 940	-	731 817 709	(178 355 597)	-	-	(551 000 800)	6 940 252	-
goods for resale	5404	for 2014	163 559	-	1 011 828	(964 998)	-	-	(6 306)	204 083	-
	5424	for 2013	165 294	-	1 032 313	(1 022 589)	-	-	(11 459)	163 559	-
goods shipped	5405	for 2014	649 945	-	-	(394 416 020)	-	-	394 635 933	869 858	-
	5425	for 2013	1 030 423	-	-	(373 727 229)	-	-	373 346 751	649 945	-
deferred expenses	5406	for 2014	675 180	-	2 230 697	(2 300 396)	-	-	-	605 481	-
	5426	for 2013	637 613	-	2 686 667	(2 649 100)	-	-	-	675 180	-
other stock and costs	5407	for 2014	19 440 032	-	548 417 278	(543 574 676)	-	-	-	24 282 634	-
	5427	for 2013	19 541 582	-	549 879 185	(549 980 735)	-	-	-	19 440 032	-

### 4.2. Pledged stock

Indicator	code	As of 31.12.2014	As of 31.12.2013	As of 31.12.2012
1	2	3	4	5
Stock unpaid at the reporting date – total	5440	-	-	-
Pledged stock under contract – total	5445	-	-	-

## 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	
			recorded as per contract terms and conditions	reserve for doubtful debts	received		retired						reserve creation	transferred from long-term to short-term debt	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	repaid	written off to financial result	reserve restoration	written off to reserve amounts						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Long-term accounts receivable – total	5501	for 2014	28 138 730	-	51 097 807	-	(265 537)	(1 706)	-	-	-	(40 420 345)	38 548 949	-		
	5521	for 2013	1 383 764	-	27 723 514	-	(815 708)	(1 422)	-	-	-	(151 418)	28 138 730	-		
including: buyers and customers	5502	for 2014	539 451	-	147 504	-	(216 227)	(1 575)	-	-	-	(181 702)	287 451	-		
	5522	for 2013	874 579	-	191 655	-	(398 683)	(1 422)	-	-	-	(126 678)	539 451	-		
advances paid	5503	for 2014	9 599	-	3 603	-	(108)	-	-	-	-	(582)	12 512	-		
	5523	for 2013	385 880	-	1 597	-	(369 212)	-	-	-	-	(8 666)	9 599	-		
other	5504	for 2014	27 589 680	-	50 946 700	-	(49 202)	(131)	-	-	-	(40 238 061)	38 248 986	-		
	5524	for 2013	123 305	-	27 530 262	-	(47 813)	-	-	-	-	(16 074)	27 589 680	-		
Short-term accounts receivable – total	5510	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)		
	5530	for 2013	150 942 149	(72 075)	108 030 707	-	(125 424 876)	(41 906)	46	(338)	(234 624)	151 418	133 657 154	(306 315)		
including: buyers and customers	5511	for 2014	84 590 923	(218)	55 569 815	-	(84 605 192)	(185)	76	-	(232)	181 702	55 737 063	(374)		
	5531	for 2013	81 931 642	-	84 377 527	-	(81 844 829)	(95)	-	-	(218)	126 678	84 590 923	(218)		
advances paid	5512	for 2014	7 458 026	-	13 721 792	-	(7 451 551)	(616)	-	-	-	582	13 728 233	-		
	5532	for 2013	21 605 092	-	7 426 330	-	(21 582 062)	-	-	-	-	8 666	7 458 026	-		

Indicator	Code	Period	At year beginning		Changes during the period							At period end		
			recorded as per contract terms and conditions	reserve for doubtful debts	received		retired					transferred from long-term to short-term debt	recorded as per contract terms and conditions	reserve for doubtful debts
			4	5	6	7	8	9	10	11	12	13	14	15
incorporators	2	3												
	5513	for 2014	-	-	-	-	-	-	-	-	-	-	-	-
	5534	for 2013	-	-	-	-	-	-	-	-	-	-	-	-
other	5514	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)
	5534	for 2013	47 405 415	(72 075)	16 226 850	-	(21 997 985)	(41 811)	46	(338)	(234 406)	16 074	41 608 205	(306 097)
Total	5500	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)
	5520	for 2013	152 325 913	(72 075)	135 754 221	-	(126 240 584)	(43 328)	46	(338)	(234 624)	-	161 795 884	(306 315)

## 5.2. Overdue accounts receivable

Indicator	Code	As of 31.12.2014		As of 31.12.2013		As of 31.12.2012	
		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	8
Total	5540	4 437 962	4 123 426	379 229	72 914	118 650	46 575
including: buyers and customers	5541	4 123 800	4 123 426	73 132	72 914	46 497	46 497
advances paid	5542	-	-	-	-	78	78
other	5543	314 162	-	306 097	-	72 075	-



### 5.3. Availability and flow of accounts payable

Indicator	Code	Period	Balance at year beginning	Changes during the period					transferred from long-term to short-term debt	Balance at period end
				received		repaid	written off to financial result			
				resulting from business transactions (the amount of debt under a transaction or	interest, fines, and other charges due					
1	2	3	4	5	6	7	8	9	10	
Long-term accounts payable – total	5551	for 2014	54 847 738	10 542 479	-	-	-	(86 598)	65 303 619	
	5571	for 2013	36 381 518	18 645 491	-	-	-	(179 271)	54 847 738	
including: due to suppliers and contractors	5552	for 2014	127 521	197 463	-	-	-	(86 176)	238 808	
	5572	for 2013	109 063	103 123	-	-	-	(84 665)	127 521	
advances received	5553	for 2014	20 678	10 516	-	-	-	(422)	30 772	
	5573	for 2013	100 891	14 393	-	-	-	(94 606)	20 678	
borrowings and loans	5554	for 2014	-	-	-	-	-	-	-	
	5574	for 2013	-	-	-	-	-	-	-	
deferred tax liabilities	5555	for 2014	54 699 539	10 334 500	-	-	-	-	65 034 039	
	5575	for 2013	36 171 564	18 527 975	-	-	-	-	54 699 539	
Short-term accounts payable – total	5560	for 2014	77 494 805	115 693 438	14	(76 768 035)	(26 962)	86 598	116 479 858	
	5580	for 2013	59 849 131	76 622 411	14	(59 154 666)	(1 356)	179 271	77 494 805	
including: due to suppliers and contractors	5561	for 2014	14 162 468	15 848 138	-	(13 922 980)	(26 754)	86 176	16 147 048	
	5581	for 2013	12 621 321	13 755 486	-	(12 297 740)	(1 264)	84 665	14 162 468	
advances received	5562	for 2014	14 236 281	17 628 888	-	(14 234 960)	(4)	422	17 630 627	
	5582	for 2013	7 786 819	14 234 457	-	(7 879 601)	-	94 606	14 236 281	
taxes, charges, payments to state non-budget funds	5563	for 2014	36 151 203	69 554 647	-	(36 151 203)	-	-	69 554 647	
	5583	for 2013	27 478 683	36 151 203	-	(27 478 683)	-	-	36 151 203	

Indicator	Code	Period	Balance at year beginning	Changes during the period					transferred from long-term to short-term debt	Balance at period end
				received		repaid	written off to financial result			
				resulting from business transactions (the amount of debt under a transaction or	interest, fines, and other charges due					
1	2	3	4	5	6	7	8	9	10	
profit payment due to incorporators	5564	for 2014	493 738	238 261	-	(150 143)	-	-	581 856	
	5584	for 2013	463 600	170 142	-	(140 004)	-	-	493 738	
borrowings and loans	5565	for 2014	139 650	-	-	-	-	-	139 650	
	5585	for 2013	232 890	-	-	(93 240)	-	-	139 650	
other	5566	for 2014	12 311 465	12 423 504	14	(12 308 749)	(204)	-	12 426 030	
	5586	for 2013	11 265 818	12 311 123	14	(11 265 398)	(92)	-	12 311 465	
Total	5550	for 2014	132 342 543	126 235 917	14	(76 768 035)	(26 962)	-	181 783 477	
	5570	for 2013	96 230 649	95 267 902	14	(59 154 666)	(1 356)	-	132 342 543	

#### 5.4. Overdue accounts payable

Indicator	Code	as of 31.12.2014		As of 31.12.2013		As of 31.12.2012	
		1	2	3	4	5	6
Total	5590			915	30 348		43 437
including: due to suppliers and contractors	5591			629	29 870		43 406
borrowings and loans	5592			-	-		-
advances received	5593			286	478		31
other	5594			-	-		-

## 6. Costs of production

Indicator 1	Code	For 2014		For 2013	
		3	4		
Material expenses	5610	172 429 756		158 512 168	
Remuneration of labor	5620	76 431 713		69 291 802	
Social expenditures	5630	14 992 395		13 926 999	
Depreciation	5640	111 706 987		107 956 420	
Other costs	5650	318 604 224		266 874 526	
<b>Total for elements</b>	<b>5660</b>	<b>694 165 075</b>		<b>616 561 915</b>	
Change in balances (increase [-], decrease [+]):					
for work in progress, finished goods, etc.	5670	(8 415 417)		(2 045 388)	
<b>Total expenses for ordinary activities</b>	<b>5600</b>	<b>685 749 658</b>		<b>614 516 527</b>	

## 7. Estimated liabilities

Indicator 1	Code	Balance at year beginning 3	Recognized 4	Paid off 5	Written off as extra amount 6	Balance at period end	
						7	
<b>Estimated liabilities – total</b>	<b>5700</b>	<b>9 675 073</b>	<b>18 637 044</b>	<b>(16 655 155)</b>	<b>(941 013)</b>	<b>10 715 949</b>	
<b>Long-term estimated liabilities – total</b>	<b>5701</b>	-	-	-	-	-	
including: reserves for future expenses / reserves for assets liquidation	5702	-	-	-	-	-	
reserves for future expenses / reserves for restoration of disturbed lands	5703	-	-	-	-	-	
<b>Short-term estimated liabilities – total</b>	<b>5704</b>	<b>9 675 073</b>	<b>18 637 044</b>	<b>(16 655 155)</b>	<b>(941 013)</b>	<b>10 715 949</b>	
including: reserves for future expenses / reserves for vacation payments	5705	9 672 994	18 637 044	(16 654 511)	(939 578)	10 715 949	
reserves for future expenses / reserves for restoration of disturbed lands	5706	2 079		(644)	(1 435)	0	



## 8. Collateral for obligations

Indicator 1	Code 2	As of 31.12.2014 3	As of 31.12.2013 4	As of 31.12.2012 5
<b>Received – total</b>	<b>5800</b>	<b>9 352 272</b>	<b>10 694 420</b>	<b>10 895 239</b>
including: fixed assets	5801	16 000	9 000	14 741
securities and other financial investments	5802	-	-	-
other	5803	9 336 272	10 685 420	10 880 498
<b>Granted - total</b>	<b>5810</b>	<b>10 561 457</b>	<b>61 457</b>	<b>61 457</b>
including: securities and other financial investments	5811	61 457	61 457	61 457
other	5812	10 500 000	-	-

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

V.G.Barankov  
(printed name)

\_\_\_\_\_  
(signature)

Chief Accountant  
OJSC "Surgutneftegas"

A.V.Druchinin  
(printed name)

\_\_\_\_\_  
(signature)

27 March 2015

**Notes**  
**to the Balance Sheet and the Income Statement of Open Joint Stock**  
**Company “Surgutneftegas” for 2014**  
**(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

Fax: (3462) 42-64-94

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 No. 208-FZ dated 26.12.95 “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](http://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 2014 was 103 421 people.

## **2. Information on accounting policy and amendments thereto**

The accounting policy of OJSC "Surgutneftegas" for 2014 for accounting purposes complies with the laws of the Russian Federation on accounting. Information on the accounting policy of the Company for 2014 is represented below in the relative sections of the explanatory note.

The accounting policy for 2014 has not undergone any significant changes. Changes in accounting policy for 2015 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 (Sub-clause 1, Clause 6, Article 8 of the Federal Law No. 402-FZ).

## **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 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, development and technological works (R&D)**

The R&D cost is written off as cost of manufacturing of goods (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 subsurface 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 on 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 resources:

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.

*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 of 22.10.90.

In 2014, 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 devaluation of financial investments.

In 2014, a reserve for devaluation of 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 its actual cost.

Own 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 to 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.

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 payable 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 31.12.2014	As of 31.12.2013
Cash and cash equivalents total including:	30 922 038	29 017 245
letters of credit	12 590 658	9 114 306
deposits placed for up to 3 months	17 949 421	17 122 045
settlement account	229 188	34 655
foreign currency account	151 154	2 742 064
petty cash	1 256	2 206
other	361	1 969

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 31.12.2014 is RUB 43 427 993 thousand. The charter capital is divided into 35 725 995 thousand ordinary shares and 7 701 998 thousand preferred 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 177 027 012 thousand.

thousand RUB				
Indicator	as of 01.01.2014	Derived	Paid off	As of 31.12.2014
Deferred tax assets	45 016	487	(13 190)	32 313
Deferred tax liabilities	54 699 539	10 371 229	(36 729)	65 034 039

Permanent tax assets	x	(1 581 731)	x	x
Permanent tax liabilities	x	3 158 419	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; on loans; due to employees; due to the budget and non-budget funds, and for advances received from third parties under existing contracts.

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.

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 31.12.2014	As of 31.12.2013
Net asset value of the Company, thousand RUB	2 823 685 816	1 962 782 271

Net asset value is calculated as per Order of the RF Ministry of Finance 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 are 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 of 06.05.99.

Revenue from sale of products (works, services) 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 2014	For 2013
Revenue (net), total	862 599 616	814 187 839
including:		
from oil sales	538 747 562	512 732 444
from sales of oil products	290 803 311	266 266 241
Cost of sales, total	621 309 902	546 726 123
including:		
from oil sales	367 776 711	319 361 926
from sales of oil products	221 182 949	193 882 141

*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 expenses

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

thousand RUB		
Other income	For 2014	For 2013
Total other income	2 074 386 978	1 165 271 871
including:		
foreign exchange transactions	1 086 812 828	998 284 522
exchange rate differences	944 453 938	147 228 288
Other expenses	For 2014	For 2013
Total expenses	1 247 942 885	1 102 591 714
including:		
foreign exchange transactions	1 081 960 007	998 147 631
exchange rate differences	97 330 215	70 601 738



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
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 2014 is RUB 23.19.

## 6. Information on segments

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

thousand RUB		
Indicator	For 2014	For 2013
Oil sales, total	538 747 562	512 732 444
including:		
Export oil sales	386 460 276	399 450 378
Domestic oil sales	152 287 286	113 282 066

Indicator	For 2014	For 2013
Sale of oil products	290 803 311	266 266 241
including:		
Export sales of oil products	183 812 405	185 565 654
Domestic oil sales	106 990 906	80 700 587

Indicator	For 2014	For 2013
Other sales, total	33 048 743	35 189 154
including:		
Domestic oil sales	32 872 864	33 866 162
Export sales (gas refined products)	175 879	1 322 992

## 7. Information on related parties

Subsidiaries and affiliates whose activities are affected by the Company and percentage shares 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](http://www.surgutneftegas.ru).

Types of subsidiaries' operations for 2014.

Revenue from sale of crude oil, oil products and other sales (including taxes) to the subsidiaries:

Indicator	thousand RUB	
	For 2014	For 2013
Sale of oil	15 797 251	15 232 504
Sale of oil products	34 494 924	26 312 518
Other sale	89 162	14 933

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 (9608 people), including structural units, authorized and held responsible for planning, management and control of the Company's operations during the reporting period was RUB 28 638 656 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 2014, 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 2014 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 Russia 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 2014 for Accounting Purposes" and "Accounting Policy of OJSC "Surgutneftegas" for Taxation Purposes in 2014".

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

V.G.Barankov

Chief Accountant  
OJSC "Surgutneftegas"

A.V.Druchinin

27 March 2015



## **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 2014, 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 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

### ***Audited entity's responsibility for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit.

We conducted our audit in accordance with Federal Standards of Auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

Rosexperiza LLC  
28 April 2015

**General director**

Qualification Certificate in General Audit No. K 008734 of 24.10.1994,  
issued without limitation of the period of validity.  
The Main Registration Number in Register  
of Individual Auditors and Audit Organizations is  
29405012883, a member of "NP Russian Collegium of Auditors"  
a self-regulating organization of auditors  
in accordance with decision by RCA Board of 29.06.2000.  
Certificate No. 758



**Kozlov A.V.**

**Deputy of General director**

Auditor's qualification certificate with No. 05-000126  
on the basis of self-regulatory organization  
decision of "NP Russian Collegium of Auditors"  
Decision No. 20 of 22.06.2012  
ORNZ 20205019596,  
a member of "NP Russian Collegium of Auditors"  
a self-regulating organization of auditors  
in accordance with decision by RCA Board of 12.11.2009.  
Certificate No. 3453

**Potekhin V.V.**

**Details of the audited entity**

Name: Open Joint Stock Company "Surgutneftegas"

Information about the State Register of Legal Entities Concerning a Legal Entity: 1028600584540.

Address: Russian Federation, 628415, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Surgut, ul. Grigoriya Kukuyevitskogo, 1, bld. 1

**Details of the auditor**

Name: Rosexpertiza LLC

State registration certificate № 183.142, issued by the Moscow Registration Bureau on 23 September 1993.

Main State Registration Number 1027739273946.

Certificate of membership in self-regulatory organization of auditors Non-Profit Partnership «Russian Collegium of Auditors» № 362-ю, main registration number 10205006556.

Legal address: Russian Federation, 107078, Moscow, Mashki Poryvaevoy street, 11.