

To the Shareholders and Board of Directors  
of «Surgutneftegas» Open Joint Stock Company

## **INDEPENDENT AUDITOR'S REPORT**

### ***Opinion***

We have audited the accompanying consolidated financial statements of «Surgutneftegas» Open Joint Stock Company and its subsidiaries (hereinafter referred to as the Group) comprised of the consolidated statement of financial position as of December 31, 2016 and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2016 as well as notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory data.

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the Group's financial position as at December 31, 2016 as well as its consolidated financial performance and consolidated cash flows for 2016 in accordance with International financial reporting standards (IFRS).

### ***Audit opinion basis***

We conducted our audit in accordance with International standards on auditing (ISA). Our responsibility stipulated by these standards is described in section «Auditor's responsibility for the audit of the annual consolidated financial statements» of this report. We are independent in respect to the Group in accordance with the Independence Rules for Auditors and Audit Organizations and the Code of Professional Ethics which agree with the Code of Ethics for Professional Accountants developed by the Council for International Ethic Standards for Professional Accountants. We have performed other duties as required by the professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were the most significant for our audit of the annual consolidated financial statements for the current period. These matters were addressed in the context of our audit of the entire annual consolidated financial statements and in shaping our opinion about this report, and we do not express our individual opinion about these matters. A description of how these matters were addressed in the course of our audit is given below.

We have met the obligations related with these aspects as specified by the section «Auditor's responsibility for the audit of the annual consolidated financial statements» of our report. Our audit included the implementation of the procedures developed in response to our assessment of the risks related with material misstatement of the annual consolidated financial statements. The results of our audit procedures form the basis for our audit opinion on the attached annual consolidated financial statements.

### ***Impairment of fixed assets***

As required by the IFRS, the Group is obliged to check annually the value of fixed assets for impairment. This annual impairment test was significant for our audit, since the net book value of fixed assets as of December 31, 2016 is essential for the annual consolidated financial statements. In addition, the process of fixed assets impairment is complex and requires significant subjective judgments and assumptions on the part of the Group management.

A drop in oil prices, inflation and ruble exchange rate volatility as well as unstable economic situation can lead to the impairment of fixed assets of the Group.

Our audit procedures inter alia included the involvement of our experts to assess business for checking the impairment test and the calculation of the recoverable amount of the assets completed by the Group management. The validation process compared the price assumptions for oil and oil products used in the calculations made by the Group with a range of market price forecasts. We compared the discount rates applied by the Group with the discount rate typical for the industry in which the Group operates.

The impairment model used by the Group and the sensitivity analysis were checked for arithmetic truth, and a set of in-model applied formulas and calculations was compared with the previous periods.

We also focused our audit procedures on the adequacy of judgments and assumptions to which impairment test results are most sensitive and have quintessential impact on the determination of the recoverable amount of fixed assets, namely, estimate of oil and gas reserves, amounts of future capital expenditures, forecasting production and refining outputs of crude oil and petroleum products, anticipated prices for crude oil and petroleum products, determination of the applied discount rates.

Note 15 of the annual consolidated financial statements provides information on fixed assets as well as on impairment testing conducted.

### ***Estimate of oil and gas reserves***

Estimate of oil and gas reserves is important for our audit since it is used to calculate future cash flows which serve as major indicators of impairment of non-current assets as well as it affects the calculation of wear factors, depletion and depreciation of assets in terms of oil and gas production and exploration, and obligations related with disposal of assets.

Our audit procedures included an assessment of sufficiency, objectivity and reliability of data available to the Group with a view to estimate oil and gas reserves. We have found confirmation that the assumptions made by the estimate of oil and gas reserves such as petroleum production forecasts, operating costs and planned capital investments correspond to the operating performance data approved by Group management.

We have found out that the data obtained by the Group on oil and gas reserves has been used in the calculations to test for non-current assets impairment, to determine wear and tear factors, depletion and depreciation of assets for oil and gas production and exploration as well as obligations related with disposal of assets.

Note 4 to the annual consolidated financial statements provides information on significant accounting estimates made in connection with the assessment of oil and gas reserves.

### ***Revenue recognition***

Revenue recognition is important for our audit since the amount of revenue is essential for the annual consolidated financial statements. In addition, the Group has various sources of proceeds with pricing, title transfer, risks and benefits transition procedures varying considerably.

Despite the high level of standardization due to unified accounting system when generating the amount of revenue a large amount of contracts and a considerable number of transactions may



create a potential risk for misrepresentation of financial indicators of the annual consolidated financial statements.

Our procedures included verification of the consistent use of the accounting policies with respect to various sources of proceeds. We tested the efficiency of the controls for revenue recognition as well as analytical procedures by type of income. Our detailed procedures were aimed at checking arithmetical accuracy of revenue recognition. We also checked timeliness of revenue recognition as well as the Group's rights for recognized revenue based on the terms of contracts, related annexes and other documents.

Notes 3 and 7 contain information on the amount of revenue recognized in the accounts and the procedure for its recognition which is specified the Group's accounting policy.

### ***Accounting of current deposits***

Accounting of current deposits is important for our audit since the net book value of the current deposits is essential for the annual consolidated financial statements.

Our procedures were aimed at verification of deposits net book value recognized in the annual consolidated financial statements of the Group. We analyzed the data about the ratings of financial institutions in which the Group had placed deposits at reporting dates and verified that deposits had been placed with the banks having high credit rating. We have tested deposit agreements for accurate accounting recognition as stipulated by the contractual terms and conditions. We have also verified that the funds have been placed with the rates close to the market ones. We have tested mathematical accuracy of deposit net book value formation, their classification as long-term and short-term assets as well as the correctness of presentation by currencies and due dates.

Notes 10, 32 and 33 contains information on the amounts of deposits recognized in the annual consolidated financial statements of the Group.

### ***Other information***

The Group management is responsible for other information. Other information includes issuer's quarterly reports for quarters I, II, III and IV of 2016 (but does not include the annual consolidated financial statements and the related auditor's opinion) which we have received up to the date of this audit report as well as issuer's quarterly report for quarter I, 2017 which will be submitted to us after this date.

Our opinion on the annual consolidated financial statements does not apply to any other information, and we do not provide any conclusion which may ensure assurance in any form with regard to the information concerned.

In connection with the audit the annual consolidated financial statements conducted by us, it is our obligation to review other information and to decide if there are any significant inconsistencies between other information and the annual consolidated financial statements or our knowledge obtained during the audit, and if other information contains other signs of material misstatements. If based on the work conducted by us we will come to the conclusion that such other information contains a material misstatement, we are obliged to inform about this fact. We have detected no facts which have to be mentioned in our opinion.



***Responsibility of the auditee's management for the annual consolidated financial statements***

The Group management performs the supervising and is responsible for preparation and accuracy of the annual consolidated financial statements in compliance with the IFRSs as well as for the internal controls required for preparation of the annual consolidated financial statements free from any material misstatements due to fraud or error.

When preparing the annual consolidated financial statements the Group's management is responsible for the assessment of the Group's going concern capacity, and, where appropriate, for disclosure of going concern information and for preparation of reporting on the going concern assumption except for the cases when the management intends to liquidate the Group, to cease its activity or when they have no other real alternative other than business winding-up or termination.

***Auditor's responsibility for the audit of the annual consolidated financial statements***

Our purpose is to obtain reasonable assurance that the annual consolidated financial statements are free of material misstatements due to fraud or errors, and to make an audit's report containing our opinion. Reasonable assurance is a high degree of certainty but there is no guarantee that an audit conducted in accordance with the ISAs can always identify the significant distortions in their presence. Misstatements can be the result of fraud or errors and they are considered material if it can be reasonably assumed that separately or collectively they could influence user's economic decisions taken on the basis of the annual consolidated financial statements.

As part of the audit conducted in line with the ISAs we use professional judgment and maintain professional skepticism throughout the audit. In addition, we can carry out the following:

- a) we can identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or errors; we can develop and perform audit procedures in response to these risks; we can get audit evidence which are sufficient and appropriate to provide a basis for our opinion. Possible risk of material misstatement non-detection due to fraud is higher than the risk of failure to reveal a significant misstatement as a result of an error because unscrupulous actions can include conspiracy, counterfeit, intentional omission, data misrepresentation or bypassing of the internal control system;
- b) we can get an understanding of the internal control system relevant to the audit with a view to develop auditing procedures subject to the circumstances but not to express an opinion on the effectiveness of the auditee's internal control system;
- c) we can evaluate the appropriateness of the accounting policy applied, accounting estimates justification and corresponding disclosure of information prepared by the auditee's management;
- d) we can conclude on the legality of the auditee's management going concern assumption, and based on the audit evidence obtained we can decide whether there is substantial uncertainty in relation to the events or conditions which can result in significant doubt about the auditee's ability to continue as a going concern. If we come to a conclusion about the existence of significant uncertainty we should draw attention in our audit opinion to the appropriate disclosure of information in the annual consolidated financial statements or, if such disclosure is inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained before the date of our audit opinion. However, upcoming events or conditions can cause the auditee lose the ability to continue as a going concern;
- e) we can evaluate the annual consolidated financial statements submitted as a whole, its structure and content, including disclosure of information as well as whether the annual consolidated financial statements present the underlying transactions and events in an accurate and reliable way;



- f) we can obtain sufficient appropriate audit evidence related to corporate financial information or Group's internal activities so as to express an opinion on the annual consolidated financial statements. We are responsible for management, control and implementation of the Group audit. We remain fully responsible for our audit opinion.

We exchange information with the auditee's management, bring to their attention, inter alia, information on the planned scope and timing of the audit as well as on significant observations based on the results of the audit, including significant defects of the internal control system which we can reveal in the audit process.

We can also provide the auditee's management with a statement that we comply with all relevant ethical requirements with respect to independence and we have informed those persons about all relationships and other issues which may be reasonably regarded to affect the auditor's independence, and, where necessary, appropriate precaution measures.

Out of the issues which we have brought to the attention of the auditee's management we identified issues which were most important to audit the annual consolidated financial statements for the current period, hence they are key issues of the audit. We describe these issues in our auditor's report except for the cases when public disclosure of information on these matters is prohibited by a law or a regulation, or in very rare cases when we come to the conclusion that any particular information should not be reported in our opinion since it can be reasonably assumed that the negative effects of such information communication will exceed socially significant benefit from its communication.

Rosexpertiza LLC  
April 27, 2017

The Leader of the audit engagement,  
which has resulted in the auditor's report

**Deputy of General Director**

Auditor's qualification certificate № 05-000126,  
issued pursuant to Resolution of self-regulatory organization of auditors  
Non-Profit Partnership «Russian Collegium of Auditors»  
№ 20 dated 22.06.2012.

Primary registration number in the register of  
auditors and audit firms:  
21603057726, a member of a self-regulatory audit organization  
«Association «Russian Union of Auditors».  
The decision on admission to membership  
of the self-regulatory organization of auditors of 03.11.2016 № 277.

**General director**

Qualification general audit certificate № K 008734 dated 24.10.1994,  
issued for an indefinite period of time.

Primary registration number in the register of  
auditors and audit firms:  
21603057647, a member of a self-regulatory audit organization  
«Association «Russian Union of Auditors».  
The decision on admission to membership  
of the self-regulatory organization of auditors of 03.11.2016 № 277.



**V.V. Potekhin**



**A.V. Kozlov**



***Details of the audited entity***

Name: «Surgutneftegas» Open Joint Stock Company.

Primary State Registration Number (OGRN) 1028600584540.

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

***Auditor's Details***

Name: Rosexpertiza Limited Liability Company.

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

Primary State Registration Number (OGRN) 1027739273946.

Primary registration number in the Register of auditors and audit firms 11603046778

member of a self-regulatory audit organization «Association «Russian Union of Auditors».

Legal address: Russian Federation, 107078, Moscow, Mashi Poryvaevoy street, 34.

*Member of Crowe Horwath International*



**OJSC “SURGUTNEFTEGAS”**

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

**31 December 2016**



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



**OJSC “Surgutneftegas”**  
**Consolidated statement of financial position**  
*(in millions of Russian rubles, unless otherwise stated)*

| Notes  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| <b>ASSETS</b>                                    |                           |                           |
| <b>Current assets</b>                            |                           |                           |
| 9 Cash and cash equivalents                      | 107,453                   | 105,696                   |
| 9 Restricted cash                                | 943                       | 754                       |
| 10 Deposits placed                               | 465,854                   | 527,189                   |
| 13 Loans granted                                 | 18,167                    | 19,894                    |
| 18 Other financial assets                        | 5,353                     | 3,184                     |
| 11 Receivables                                   | 86,811                    | 59,522                    |
| 14 Inventories                                   | 85,131                    | 75,844                    |
| 12 Advances issued                               | 18,006                    | 22,281                    |
| VAT recoverable                                  | 7,269                     | 6,720                     |
| Income tax receivable                            | 19,842                    | 42                        |
| Other taxes recoverable                          | 110                       | 147                       |
| <b>Total current assets</b>                      | <b>814,939</b>            | <b>821,273</b>            |
| <b>Non-current assets</b>                        |                           |                           |
| 15 Property, plant and equipment                 | 1,331,593                 | 1,230,789                 |
| 16 Intangible assets                             | 9,271                     | 8,667                     |
| 10 Deposits placed                               | 1,714,883                 | 1,940,169                 |
| 18 Other financial assets                        | 10,325                    | 15,109                    |
| 17 Investments in associates                     | 6,121                     | 6,210                     |
| 28 Deferred tax assets                           | 198                       | 1,169                     |
| 13 Loans granted                                 | 29,234                    | 25,000                    |
| 11 Receivables                                   | 899                       | 549                       |
| Other non-current assets                         | 4,122                     | 2,824                     |
| <b>Total non-current assets</b>                  | <b>3,106,646</b>          | <b>3,230,486</b>          |
| <b>Total assets</b>                              | <b>3,921,585</b>          | <b>4,051,759</b>          |
| <b>LIABILITIES AND EQUITY</b>                    |                           |                           |
| <b>Current liabilities</b>                       |                           |                           |
| 19 Payables and accrued liabilities              | 48,890                    | 51,721                    |
| 20 Other financial liabilities                   | 89,747                    | 79,077                    |
| Advances received                                | 20,700                    | 21,094                    |
| 21 Other tax liabilities                         | 50,153                    | 31,002                    |
| Income tax liabilities                           | 50                        | 35,598                    |
| 22 Provisions for future liabilities and charges | 2,859                     | 2,628                     |
| <b>Total current liabilities</b>                 | <b>212,399</b>            | <b>221,120</b>            |
| <b>Non-current liabilities</b>                   |                           |                           |
| 20 Other financial liabilities                   | 16,512                    | 4,349                     |
| 28 Deferred tax liabilities                      | 126,665                   | 138,579                   |
| 22 Provisions for future liabilities and charges | 119,110                   | 104,330                   |
| Other non-current liabilities                    | 1,487                     | 756                       |
| <b>Total non-current liabilities</b>             | <b>263,774</b>            | <b>248,014</b>            |
| <b>Equity</b>                                    |                           |                           |
| 23 Share capital                                 | 154,666                   | 154,666                   |
| Additional paid-in capital                       | 4                         | 4                         |
| 23 Treasury shares                               | (30)                      | (30)                      |
| 23 Share premium                                 | 57,809                    | 57,809                    |
| Retained earnings                                | 3,232,704                 | 3,369,949                 |
| Other reserves                                   | 14                        | 41                        |
| <b>Total shareholders' equity</b>                | <b>3,445,167</b>          | <b>3,582,439</b>          |
| Non-controlling interests                        | 245                       | 186                       |
| <b>Total equity</b>                              | <b>3,445,412</b>          | <b>3,582,625</b>          |
| <b>Total liabilities and equity</b>              | <b>3,921,585</b>          | <b>4,051,759</b>          |

V.L.Bogdanov

Director General  
OJSC “Surgutneftegas”  
26 April 2017

A.V.Druchinin

Chief Accountant  
OJSC “Surgutneftegas”  
26 April 2017

**OJSC "Surgutneftegas"**
**Consolidated statement of profit or loss and other comprehensive income**
*(in millions of Russian rubles, unless otherwise stated)*

| Notes   | 2016             | 2015             |
|---|------------------|------------------|
| 7 <b>Sales</b>  | 1,222,181        | 1,274,262        |
| 24     less export duties   | (201,348)        | (271,657)        |
| 7 <b>Total sales revenue:</b>   | <b>1,020,833</b> | <b>1,002,605</b> |
| sale of oil   | 635,784          | 630,629          |
| sale of oil products  | 342,184          | 335,396          |
| sale of gas and gas products  | 22,327           | 21,239           |
| sale of other products and finished goods   | 9,299            | 7,634            |
| other sales   | 11,239           | 7,707            |
| 25 <b>Operating expenses</b>  | <b>(760,304)</b> | <b>(758,614)</b> |
| <b>Operating profit</b>   | <b>260,529</b>   | <b>243,991</b>   |
| 26 Finance income   | 116,837          | 108,285          |
| 26 Finance expenses   | (8,835)          | (15,852)         |
| 27 Exchange differences   | (438,601)        | 583,006          |
| Gain / (loss) on sale and other disposal of financial assets  | 22               | 22               |
| Share of profit / (loss) of associates  | (89)             | 299              |
| Other income / (expenses)   | (2,060)          | (229)            |
| <b>Profit / (loss) before tax</b>   | <b>(72,197)</b>  | <b>919,522</b>   |
| <b>Income tax</b>   |                  |                  |
| Current income tax  | (619)            | (146,349)        |
| Changes in deferred income tax  | 10,783           | (11,600)         |
| 28 <b>Total income / (expense) on income tax</b>  | <b>10,164</b>    | <b>(157,949)</b> |
| <b>Net profit / (loss)</b>  | <b>(62,033)</b>  | <b>761,573</b>   |
| <b>Other comprehensive income / (expense) that may be reclassified subsequently to profit / (loss), net of income tax</b>     |                  |                  |
| Changes in fair value of financial assets available-for-sale  | (29)             | 289              |
| Share of other comprehensive income / (expense) of associates   | -                | 153              |
| <b>Other comprehensive income / (expense) that may not be reclassified subsequently to profit / (loss), net of income tax</b> |                  |                  |
| Remeasurements of post-employment benefit obligations   | (411)            | (1,979)          |
| <b>Total other comprehensive income / (expense), net of income tax</b>  | <b>(440)</b>     | <b>(1,537)</b>   |
| <b>Total comprehensive income / (expense)</b>   | <b>(62,473)</b>  | <b>760,036</b>   |
| <b>Net profit / (loss)</b>  |                  |                  |
| attributable to shareholders  | (62,100)         | 761,558          |
| attributable to non-controlling interests   | 67               | 15               |
| <b>Total comprehensive income / (expense)</b>   |                  |                  |
| attributable to shareholders  | (62,538)         | 760,016          |
| attributable to non-controlling interests   | 65               | 20               |
| Net earnings / (loss) attributable to shareholders per one ordinary share (rubles)  |                  |                  |
| 29     basic and diluted  | (1.74)           | 19.83            |



**OJSC “Surgutneftegas”**  
**Consolidated statement of cash flows**  
*(in millions of Russian rubles, unless otherwise stated)*

| Notes  | 2016             | 2015            |
|--|------------------|-----------------|
| <b>Operating activities</b>  |                  |                 |
| Profit / (loss) before tax   | (72,197)         | 919,522         |
| Adjustments:   |                  |                 |
| 25 Depreciation, depletion and amortisation expenses   | 77,120           | 70,623          |
| 25 Expenses from disposal of exploration and production properties                           | 1,726            | 2,772           |
| Provision accrual / (recovery)   | (4,346)          | 2,021           |
| Exchange differences   | 427,656          | (568,118)       |
| (Gain) / loss on revaluation of financial assets   | (11)             | (20)            |
| (Gain) / loss on sale and other disposal of financial assets                                 | (22)             | (22)            |
| Share of (profit) / loss of associates   | 89               | (299)           |
| 26 Interest expenses from discounting, net   | 3,082            | 9,305           |
| 26 Interest receivable   | (116,807)        | (108,170)       |
| 26 Interest payable  | 5,723            | 6,432           |
| (Gain) / loss on sale and disposal of property, plant and equipment, and intangible assets   | 6,413            | 3,730           |
| 15 Impairment of non-financial assets  | 1,024            | 1,393           |
| <b>Cash flows from operating activities before changes in working capital and income tax</b> | <b>329,450</b>   | <b>339,169</b>  |
| Change in receivables  | (27,885)         | 4,596           |
| Change in advances issued  | 4,275            | 19,392          |
| Change in inventories  | (5,114)          | (14,618)        |
| Change in other assets   | (1,298)          | 199             |
| Change in trade and other payables   | 193              | 1,377           |
| Change in advances received  | (394)            | 706             |
| Change in restricted cash  | (189)            | (24)            |
| Changes in other taxes (other than income tax)   | 18,664           | (3,014)         |
| Change in other liabilities  | 723              | 469             |
| <b>Cash from operating activities before income tax</b>                                      | <b>318,425</b>   | <b>348,252</b>  |
| Income tax paid  | (55,993)         | (149,248)       |
| <b>Net cash from operating activities</b>  | <b>262,432</b>   | <b>199,004</b>  |
| <b>Investing activities</b>  |                  |                 |
| Capital expenditures   | (180,788)        | (170,849)       |
| Deposits placed  | (518,121)        | (827,634)       |
| Deposits refunded  | 433,682          | 827,311         |
| Loans granted  | (45,965)         | (44,918)        |
| Loans collected  | 44,469           | 41,592          |
| Interest received  | 63,883           | 115,265         |
| Proceeds from sale of financial assets   | 4,341            | 9,083           |
| Acquisition of financial assets  | (2,810)          | (12 167)        |
| Proceeds from sale of property, plant and equipment  | 330              | 231             |
| <b>Net cash used for investing activities</b>  | <b>(200,979)</b> | <b>(62,086)</b> |
| <b>Financing activities</b>  |                  |                 |
| Net proceeds of borrowings   | 24,917           | 30,457          |
| Dividends paid (incl. dividend tax)  | (74,221)         | (85,741)        |
| Interest paid  | (6,892)          | (5,696)         |
| <b>Net cash used for financing activities</b>  | <b>(56,196)</b>  | <b>(60,980)</b> |
| <b>Net change in balances of cash and cash equivalents</b>                                   | <b>5,257</b>     | <b>75,938</b>   |
| Effect of exchange rate changes against ruble on cash and cash equivalents                   | (3,500)          | 1,839           |
| 9 <b>Cash and cash equivalents at the beginning of the period</b>                            | <b>105,696</b>   | <b>27,919</b>   |
| 9 <b>Cash and cash equivalents at the end of the period</b>                                  | <b>107,453</b>   | <b>105,696</b>  |

**OJSC “Surgutneftegas”****Consolidated statement of changes in equity***(in millions of Russian rubles, unless otherwise stated)*

|  | Notes | Share capital  | Share premium | Additional paid-in capital | Treasury shares | Retained earnings | Other reserves | Total shareholders' equity | Non-controlling interest | Total equity     |
|--|-------|----------------|---------------|----------------------------|-----------------|-------------------|----------------|----------------------------|--------------------------|------------------|
| <b>Balance as of 31 December 2014</b>  | 23    | <b>154,666</b> | <b>57,809</b> | <b>4</b>                   | <b>(30)</b>     | <b>2,696,826</b>  | <b>(396)</b>   | <b>2,908,879</b>           | <b>169</b>               | <b>2,909,048</b> |
| Net income for the year                |       | -              | -             | -                          | -               | 761,558           | -              | 761,558                    | 15                       | 761,573          |
| Other comprehensive income / (expense) |       | -              | -             | -                          | -               | (1,979)           | 437            | (1,542)                    | 5                        | (1,537)          |
| Dividends declared                     |       | -              | -             | -                          | -               | (86,456)          | -              | (86,456)                   | (3)                      | (86,459)         |
| <b>Balance as of 31 December 2015</b>  | 23    | <b>154,666</b> | <b>57,809</b> | <b>4</b>                   | <b>(30)</b>     | <b>3,369,949</b>  | <b>41</b>      | <b>3,582,439</b>           | <b>186</b>               | <b>3,582,625</b> |
| Net profit / (loss) for the year       |       | -              | -             | -                          | -               | (62,100)          | -              | (62,100)                   | 67                       | (62,033)         |
| Other comprehensive income / (expense) |       | -              | -             | -                          | -               | (411)             | (27)           | (438)                      | (2)                      | (440)            |
| Dividends declared                     |       | -              | -             | -                          | -               | (74,734)          | -              | (74,734)                   | (6)                      | (74,740)         |
| <b>Balance as of 31 December 2016</b>  | 23    | <b>154,666</b> | <b>57,809</b> | <b>4</b>                   | <b>(30)</b>     | <b>3,232,704</b>  | <b>14</b>      | <b>3,445,167</b>           | <b>245</b>               | <b>3,445,412</b> |

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

## **1 General information**

Open Joint Stock Company “Surgutneftegas” (the Company) is one of the leading Russian oil companies in terms of hydrocarbon production.

The Company began its oil and gas production history in 1964 when it was established as oil producing division “Surgutneft”. In 1977, the Company was recognised as a diversified production association. In 1993, pursuant to Decree of the President of the Russian Federation No. 1403 dated 17.11.1992, Production Association “Surgutneftegas” was transformed into Joint Stock Company of Open Type “Surgutneftegas”.

The Company's shares are allocated to shareholders, neither of them being an ultimate controlling party or a party exercising a significant influence.

The core activities of the Company and its subsidiaries (together, “the Group”) are exploration, production, processing and sale of hydrocarbons produced as well as sale of oil and gas products.

Other financial and business activities include banking and insurance activities and provision of other goods, works and services.

The Company is exploring for oil and gas in three oil and gas provinces: Western Siberia, Eastern Siberia and Timano-Pechora. Oil and gas production is done in Western and Eastern Siberia.

In 2016, the Company produced 61.8 million tonnes of oil and 9.8 billion cubic meters of gas. The rate of associated petroleum gas utilisation was 99.34%.

The Company implements measures to replenish and develop its resource base: performs exploration at licence blocks, participates in auctions for new blocks and further explores the existing fields. At the end of the reporting period, the Company had 162 licences for subsoil use. Meterage drilled for exploration purposes totalled 201.4 thousand metres. Two-dimensional seismic surveys covered 4.4 thousand linear kilometres, three-dimensional – 0.9 thousand square kilometres. In 2016, the Company discovered two fields in Khanty-Mansiysky Autonomous Okrug – Yugra and one in Nenetsky Autonomous Okrug, as well as 20 oil deposits at the fields discovered earlier. The additions of recoverable AB1C1 oil reserves were 103.9 million tonnes. The replacement ratio was 168%.

The Company annually brings new hydrocarbon deposits into development and conducts a significant amount of geotechnical jobs at the existing fields to keep up a steady level of oil production. In 2016, two fields – Yuzhno-Nyuryskoye, Yuzhno-Lyaminskoye located in Western Siberia, and Yuzhno-Talakanskoye in Eastern Siberia – were put into development. Development drilling totalled 4,500 thousand metres; 1,260 new oil wells and 608 injection wells were brought online.

The Group incorporates a refinery in Leningradskaya Oblast – LLC “KINEF”– with a capacity of 20.1 million tonnes, a gas processing plant in Khanty-Mansiysky Autonomous Okrug – Yugra with a capacity of 7.3 billion cubic metres and five marketing subsidiaries located in the North-West of the Russian Federation.

The Company evaluates the economic efficiency of product supplies to various selling destinations. In 2016, the Company supplied oil mostly to non-CIS countries and KINEF refinery.

In 2016, the bulk of oil deliveries to non-CIS countries (83%) went through ports Primorsk, Kozmino and Ust-Luga. The rest of exported oil was supplied to the European markets via the pipeline operated by PJSC “AK “Transneft”.

The Group exports oil products, mostly fuel oil and diesel fuel. The share of fuel oil in oil products exports amounted to 50.1%. The share of diesel fuel was 37%. In 2016, the main ports for the shipping of oil products were Ust-Luga and Primorsk.

The Group domestically sells gasoline, diesel fuel, jet kero and other refined products. The Group sells oil products wholesale and retail. In 2016, the Group operated 295 gas stations; the retail turnover amounted to 801.3 thousand tonnes.

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

The average number of the Group's employees in 2016 is 117 thousand people (in 2015 – 118 thousand people).



## **2 Basic principles of financial reporting**

### **Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including all IFRS standards and interpretations adopted by the International Accounting Standards Board (IASB) and effective in the reporting period.

These consolidated financial statements have been prepared on the basis of the actual cost principle, except for financial instruments initially recognised at fair value, and revaluation of available-for-sale financial assets and financial instruments recognised at fair value through profit or loss.

These financial statements have been prepared on the basis of the accounting data as set out in the accounting and reporting regulations of the Russian Federation adjusted for the purpose of fair presentation under IFRS.

These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which means that the amount of assets shall be duly recovered and liabilities shall be duly settled in the ordinary course of business.

## **3 Summary of significant accounting policies**

The summary of significant accounting policies used to prepare these consolidated financial statements is presented below. These accounting policies have been consistently applied to all periods defined in these consolidated financial statements.

### **Subsidiaries**

The consolidated financial statements include data on the operations of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it has power that gives it the ability to direct the relevant activities (the activities that significantly affect the subsidiary's returns), when it has rights and is exposed to variable returns from its involvement with the entity. Acquisition date is a date on which control is transferred to the Group.

Investments in subsidiaries are recorded based on the acquisition method. The cost of an acquisition is evaluated as the aggregate of the consideration transferred, measured at its fair value at the acquisition date.

Non-controlling interest is a part of net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly, by the Group. Non-controlling interest is a separate component of the Group's equity.

Non-controlling interest that represents actual ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation is measured either individually for each transaction or: a) at fair value, or b) in proportion to the non-controlling interest in net assets of the acquired entity. Non-controlling interest that is not actual ownership interest is measured at fair value.

When acquiring (selling) non-controlling interests, the difference between the consideration transferred (received) and the carrying amount of the non-controlling interest acquired (sold) is recognised as an equity transaction and recorded within a statement of changes in equity.

### **Transactions eliminated during consolidation**

The following is eliminated from the consolidated financial statements:

carrying amount of the parent entity's investments in each subsidiary, the amount of share capital of each subsidiary as well as interests in other equity and retained earnings items as of the date on which the control over a subsidiary becomes effective;

intragroup cash flows;

balances, income and expenses resulting from intragroup transactions as well as unrealised gains and losses on such transactions, except losses from transactions between the Group's entities indicating an impairment and to be recognised in the financial statements.

### **Associates**

Associates are entities over which the Group has significant influence, but not control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control of those policies.

Investments in associates are accounted for using the equity method.

Investments are recognised at the acquisition cost. The excess of the consideration transferred over the fair value of the Group's interest in the associate's acquired net identifiable assets is recorded as goodwill within "Investments in associates" in the consolidated statement of financial position. Then the cost of the investment in an associate changes as the Group's share in changes in net assets of an associate is recognised after the acquisition date. Dividends received from associates reduce the carrying amount of the investment in associates. Other post-acquisition changes in the Group's share of net assets of associates are recognised as follows:

the Group's share of profits and losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates;

the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately;

all other changes in the Group's share of the carrying amount of net assets of associates are recognised in profit or loss within the share of result of associates.

When the Group's share of losses of an associate equals or exceeds its investments in the associate (including long-term receivables recorded as part of investments), the Group ceases to further recognise its share of losses, unless it has incurred obligations or made payments on behalf of the associate.

If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these associates; unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

#### **Application of uniform accounting policies**

The Group's entities use uniform accounting policies and consistent reporting periods. If the Group's entities use different accounting policies, their financial statements are duly adjusted and included in the consolidated financial statements of the Group.

#### **Cash and cash equivalents, restricted cash**

Cash and cash equivalents include cash in hand, cash in settlement accounts, cash held with correspondent banks and other short-term highly liquid investments (with an original maturity of less than three months) that are readily convertible to previously known amounts of cash and which are subject to an insignificant risk of changes in value. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Restricted cash is shown separately in the consolidated statement of financial position.

#### **Inventories**

Inventories consisting primarily of materials and supplies, oil and oil products are presented in the consolidated statement of financial position at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises the cost of raw materials and supplies, direct costs as well as related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and disposal.

The cost of inventories that are recognised as operating expenses is measured at the weighted average cost.

#### **Property, plant and equipment**

Property, plant and equipment is stated at actual cost of acquisition or construction, less accumulated depreciation and impairment losses, where required. The cost of property, plant and equipment also includes the initial estimate of the costs of removal of an item of property, plant and equipment and the estimate of obligations for land remediation and restoration.

Minor renewals which do not contribute to any quality technical improvements are charged to expenses in the current period. The costs of replacing major parts or components of property, plant and equipment are capitalised, and the cost of the parts to be replaced is concurrently written off. Enhancement or renovation of an asset which has already been recognised as an item of property, plant and equipment increases its carrying amount, if future economic benefits to be most likely obtained by the Group exceed the initial asset standard estimates.

## **Oil and gas properties**

### **Exploration and evaluation costs**

Costs of oil and gas exploration and evaluation at fields not brought into commercial production are recognised using the successful efforts method. Accordingly, costs associated with acquisition of licences for oil and gas reserves exploration and evaluation, exploratory and prospecting drilling, costs of equipment for exploratory wells and prospecting and appraisal wells, and topographical, geological and geophysical surveys costs are designated as exploration and evaluation assets until development of a field is proved to be commercially feasible and are capitalised within respective licence areas.

These costs are recognised to be written off pending the results of the works performed. Capitalised costs which have been ineffective are recognised within operating expenses for the reporting period.

Annually, all costs are measured for impairment from technical, economic and management perspectives. If any indications of impairment exist, an estimated amount is expensed and the value of an asset is reduced.

If oil and gas reserves have been discovered and a decision on bringing a field into development has been made, the capitalised costs, less losses from impairment of the respective exploration and evaluation assets, are classified as corresponding assets.

Other costs associated with protection of lands, subsoil and other natural resources as well as costs of engineering and geological surveys are expensed as incurred.

### **Development and production costs**

Costs incurred at fields brought into commercial production, which include expenses required to access recoverable reserves, expenses necessary for construction of exploratory wells and construction, installation and equipment of other facilities directly associated with development of a field, are capitalised as part of oil and gas assets.

### **Oil and gas exploration and production licences**

Oil and gas exploration and production licences are recorded within oil and gas exploration and production assets at actual cost, less accumulated amortisation and impairment loss.

### **Depletion, depreciation and amortisation**

Oil and gas properties and oil and gas exploration and production licences are depreciated using the unit-of-production method on a field-by-field basis starting from the commencement of commercial production of oil and gas.

Items of other property, plant and equipment and their respective estimated useful lives are as follows:

|                          |             |
|--------------------------|-------------|
| Buildings and structures | 10-40 years |
| Vehicles                 | 5-20 years  |
| Machinery and equipment  | 5-25 years  |
| Other properties         | 2-25 years  |

Capitalised costs are amortised over the useful life of an asset or its parts determined by the Group.

Abandoned, idle items of other property, plant and equipment (except for those classified as assets held for sale) are depreciated subject to general rules applied to the respective classes of assets. Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives.

Depreciation of an asset ceases at the earliest of the two dates: the date when the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date when the asset is derecognised.

Land and construction in progress are not depreciated.



The cumulative gain or loss on disposal of property, plant and equipment is the difference between the consideration received and the carrying amount; it is recognised as incurred in the statement of profit or loss.

### **Construction in progress**

Construction in progress includes expenses directly related to the construction of items of property, plant and equipment, including overhead costs allocated to such construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by the management.

Advances for acquisition of items of property, plant and equipment and construction projects are accounted for in construction in progress.

### **Recognition of asset retirement (decommissioning) obligations**

The Group has obligations related to decommissioning of facilities engaged in its core activities.

The Group's core activities are oil and gas exploration, development and production associated with operation of wells, equipment and adjacent sites, oil gathering and initial treatment facilities, pipelines to oil trunk lines. Exploration rights include requirements for decommissioning of oil production facilities and other facilities related to the Group's core activities. According to these requirements, the Group is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Group's estimates of these obligations are subject to current decommissioning obligations in respect of such facilities fulfilled to the extent that the Group is obliged to perform restoration works and include discounted costs which are expected to be incurred to fulfil such obligations. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability.

This liability is reviewed at the end of each reporting period. Changes in the estimates of the decommissioning obligations are subject to recognition as follows:

upon changes in the estimates of future cash flows (e.g., the costs of and timeframe for abandoning one well) or a discounting rate, changes in the estimates of the liability are included in the amount of the item of plant, property and equipment. However, if a decrease in the estimate of a liability exceeds the carrying amount of the relevant asset, the excess is recognised in profit or loss. In case of an increase in the liability, the amount of the adjusted item of property, plant and equipment may not exceed the recoverable amount of this item;

changes in the amount of the liability due to its nearing maturity (amortisation of discount) are included in finance expenses.

Future events that may affect the amount required to settle decommissioning and environmental protection obligations are reflected in the estimates of this liability where there is sufficient objective evidence that they will occur. Due to changes in the law of the Russian Federation, there could be future changes to decommissioning obligations.

### **Intangible assets**

To recognise the internally generated intangible assets, the Group classifies the generation of an asset into a research phase and a development phase.

Research expenditures are charged to operating expenses as incurred.

Costs incurred to develop an intangible asset are capitalised once technical and economic feasibility of a product or a process has been proved. Development expenditures that were initially recognised as expenses are not subsequently capitalised even if complying with conditions for the recognition of assets.

The cost of acquired intangible assets is an aggregate of expenditures incurred to acquire and put them into service.

Advances issued for acquisition of intangible assets are classified as non-current assets irrespective of the date when such assets have been delivered.

After initial recognition, the Group applies the cost model where an intangible asset is carried at its actual cost, less accumulated amortisation and any accumulated impairment losses, where required.

Amortisation of intangible assets begins when they are available for use. Intangible assets are amortised on a straight-line basis over their expected useful lives, and amortisation charges are recognised in

expenses in the current period. The amortisation methods and expected useful lives are reviewed at each reporting date, and all the changes in the estimates are accounted for in future periods.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss as other income or expense when the asset is derecognised.

### **Goodwill**

Goodwill arises from the acquisition of subsidiaries.

The excess of the consideration transferred, value of the acquired non-controlling interest and fair value of any interest previously held by the Group at the acquisition date over the Group's interest in fair value of the acquired net identifiable assets is recognised as goodwill within “Intangible assets” in the consolidated statement of financial position. If the actual cost of acquisition is lower than the fair value of the net assets of the subsidiary acquired, and in case the acquisition proves beneficial, the difference is directly recognised in the consolidated statement of profit or loss and other comprehensive income. Goodwill is reviewed for potential impairment at each reporting date.

Cash-generating units (CGU) to which the goodwill is allocated represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and within the operating segment only.

### **Impairment of non-current non-financial assets**

The Group's non-current non-financial assets, except for deferred tax assets, are reviewed for any indication of impairment at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped into the smallest group of cash-generating units that are independent of the cash inflows from other cash-generating units.

The recoverable amount of the CGU is the higher of two values of the CGU value in use and its fair value, less costs to sell.

The CGU value in use is determined using discounted cash flow models. Estimates of the CGU value in use are made using future cash flows projections.

The CGU future cash flows projections are based on external and internal factors forecasted in relation to the Group.

Forecasted external factors include: forecast of the market macroeconomic environment (oil, gas and oil products prices, inflation and interest rates) and tax environment (tax rates, export duties, fees and charges). These forecasts are based on the Management's assessments and macroeconomic forecasts available at the reporting date.

The expected future cash flows are discounted to their present value using a pre-tax discount rate estimated on the basis of the weighted average cost of capital.

An impairment loss is recognised if the carrying amount of an asset or its unit (CGU) exceeds its recoverable amount. An impairment loss is recorded in profit or loss. The CGU impairment losses are allocated first to reduce the carrying amount of the goodwill allocated to such CGU and then to reduce the carrying amount of other assets of the CGU on a pro rata basis. Goodwill impairment is not reversed.

Impairment losses relating to other assets recognised in prior reporting periods are assessed at each reporting date to confirm whether there is any indication that they may exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed in the manner that the value of an asset shall not exceed the carrying amount of an asset (net of amortisation or depreciation) had no impairment loss been recognised.

### **Financial assets**

The Group recognises a financial asset in the consolidated statement of financial position only when it becomes a party to the contract concerning such financial instrument.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, i.e. the date at which the Group commits to purchase or sell a financial asset. All other purchases and sales are

recognised at the delivery date with the change in value between the commitment date and delivery date not recognised for assets carried at cost or amortised cost; it is recognised in profit or loss for assets classified as financial assets at fair value through profit or loss; and it is recognised in other comprehensive income for assets classified as available for sale.

The Group classifies financial assets into the following categories: financial assets carried at fair value through profit or loss (financial assets at FVTPL), loans granted and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets carried at FVTPL are initially recognised at fair value. All other financial assets are initially recorded at fair value plus transaction costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value of a financial asset is price in an active market. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The category "Financial assets at fair value through profit or loss" includes financial assets held for trading and other financial assets classified as carried at FVTPL at initial recognition.

A financial asset is recognised in financial assets at FVTPL if the Group has an intention to purchase or sell it in the near term, or if it is part of a single portfolio of identified financial instruments for which there is evidence of an actual pattern of short-term profit-taking.

Upon initial recognition the fair value of financial assets of this category is measured as a quoted price in an active market at the measurement date.

Financial assets carried at FVTPL are recorded within other financial assets in the consolidated statement of financial position; gains or losses arising from changes in the fair value are recognised within other income (expenses) in the consolidated statement of profit or loss and other comprehensive income.

Granted loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that arise when providing money, goods or services to a borrower with no intention of selling them. Granted loans and receivables are further measured at amortised cost using the effective interest method, less provision for impairment. Amortised cost of discounts or premiums for granted loans and receivables based on the effective interest method is stated within finance income in the consolidated statement of profit or loss and other comprehensive income. An impairment loss on granted loans and receivables is recognised in profit or loss.

Placed deposits are classified by the Group as loans and receivables.

The category "Held-to-maturity investments" includes non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has an intention and ability to hold to maturity. On subsequent recognition, financial assets of this category are measured at amortised cost using the effective interest method, less provision for impairment.

All other financial assets are recognised by the Group at fair value within the category "Available-for-sale financial assets".

Gain or loss on available-for-sale financial assets is recognised in other comprehensive income, less impairment losses and due to changes in the exchange rates.

#### **Reclassification of financial assets**

The Group assesses the validity of classifying financial assets into a category at each reporting date.

Available-for-sale financial assets can be reclassified as held-to-maturity investments, if the Group changes its expectations and has the possibility of holding these securities to maturity.

#### **Impairment of financial assets**

At each reporting date the Group assesses whether there are any indications that financial assets of all categories are impaired except for those recognised at FVTPL.

Sings of impairment are:

- significant financial difficulty of the issuer or obligor;
- a breach of contract (failure to pay, delay in payment);
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;



- the lender, for economic or legal reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- observable data indicating that there is a decrease in the estimated future cash flows from a group of financial assets, although such decrease cannot yet be identified with the individual financial assets (e.g., negative changes in industry conditions that affect borrowers in the group);
- significant changes with an adverse effect have taken place in the technological, market, economic or legal environment in which the issuer operates indicating that investments in equity instruments cannot be recovered;
- a significant or prolonged decline in the fair value of financial assets below acquisition cost.

A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that affect the estimated future cash flows of the financial asset (provided that the sum of cash flows can be reliably estimated).

An impairment loss is recognised in the amount determined by:

- making provisions for financial assets measured at amortised cost (loans and receivables, held-to-maturity investments) as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the effective interest rate calculated at initial recognition;
- financial assets measured at historical cost (available-for-sale financial assets) as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset;
- available-for-sale financial assets (measured at fair value) if there is a decrease in fair value and objective evidence of impairment as the difference between the acquisition cost of the asset (net of principal repayment and amortisation) and the current fair value.

If there is objective evidence of impairment, accumulated loss, recognised in other comprehensive income, on available-for-sale financial assets is excluded from equity and recognised in profit or loss as a reclassification adjustment.

#### **Derecognition of financial assets**

The Group derecognises financial assets when these assets are redeemed or the rights to cash flows from these assets expired, or when the Group has transferred the rights to the cash flows from the financial assets or entered into a pass-through arrangement while also transferring all significant risks and rewards of ownership of the assets, or neither transferring nor retaining all significant risks and rewards of ownership but not retaining control in respect to these assets.

#### **Financial liabilities**

Financial liabilities of the Group are trade and other accounts payable as well as loans and credits received. Financial liabilities are recognised at amortised cost.

The Group derecognises a financial liability (or part of a financial liability) if it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the redemption amount, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

#### **Value added tax**

The amount of value added tax (VAT) payable to the budget at the end of each tax period is defined as output VAT, less input VAT, paid on the purchase of goods (works, services). The tax base is determined on delivery where delivery is recognised at the earliest of the dates: date of dispatch (transfer) of goods (works, services), property rights or date of payment, partial payment against future deliveries of goods (works, services), transfer of property rights.

The VAT rate is 18%.

Zero rate is applicable to export of goods. This application is substantiated by the documents which are submitted to the tax authorities as required under the law of the Russian Federation. Input VAT related to zero-rated transactions is deductible.

### **Mineral extraction tax**

Mineral extraction tax (MET) related to oil production is levied based on the quantities of mineral resources extracted and calculated on a monthly basis as the product of a quantity of mineral resources produced and fixed tax rate (in 2016 – RUB 857 per tonne, in 2015 – RUB 766 per tonne) adjusted depending on the monthly average global market prices of the Urals oil and RUB/USD exchange rate for the preceding month.

The Company qualifies for MET relief, i.e. fixed rate discounts subject to production areas, the degree of depletion and reserves availability at the subsoil area and the degree of complexity of extraction. MET is recorded within operating expenses.

### **Customs duties**

Hydrocarbons exported outside the territory of the Customs Union are subject to customs export duties, the amount of which is adopted on a monthly basis by the Government of the Russian Federation and reviewed depending on the average global market prices of the Urals oil for the preceding period.

### **Income tax**

The income tax expenses for the reporting period comprise current tax and deferred tax. Income tax is fully recognised in profit or loss, except if it arises from transactions which are directly recorded in equity or other comprehensive income.

Currently, the Group continues to apply the concept of the consolidated group of taxpayers which was introduced in the Russian law in 2012. Income tax in relation to companies which do not belong to the consolidated group of taxpayers is calculated based on income stated in their individual tax returns. These consolidated financial statements include deferred income tax assets and liabilities estimated by the Group under IAS 12 “Income taxes”.

Current income tax is the amount expected to be paid to (recovered from) the budget in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is recorded in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recorded for:

temporary differences on initial recognition of assets or liabilities in transactions other than business combinations and which do not affect neither accounting nor taxable profit or loss;

temporary differences associated with investments in subsidiaries and joint ventures to the extent where it is highly probable that they will not reverse in the foreseeable future;

temporary differences arising from the initial recognition of goodwill.

Deferred tax is measured at tax rates which are expected to apply to the period when the temporary differences will reverse based on the legal provisions enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities to the extent when they intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

In accordance with the law of the Russian Federation, tax effect of loss incurred in prior reporting periods can be recognised as deferred tax asset.

Deferred tax assets are recorded only to the extent that it is highly probable that future taxable profit will be available against which the occurred temporary difference could be utilised. The amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer highly probable that the respective benefit will be derived from its utilisation.

Deferred tax assets and liabilities are recognised in non-current assets and non-current liabilities respectively.

### **Uncertain tax positions**

The Group’s uncertain tax positions are assessed by the management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the management as more

likely to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Such assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

## **Employee benefits**

### **Pensions and other retirement benefits**

Pension expenses are accrued and recognised in payroll expenses. Pension liabilities are measured at current cost of the estimated cash outflows using the interest rates applicable to government securities which maturity is near the same as that of the liabilities. Costs related to pension liabilities are measured using the projected unit credit method. Actuarial gains and losses are shown in other comprehensive income in “Remeasurements of post-employment benefit obligations” in the period in which they occur.

In accordance with its collective agreements, the Group pays additional pension contributions and other post-employment benefits to its employees. Pursuant to its corporate plan, the Group makes employee contributions to JSC “NPF “Surgutneftegas”. Once contributions to JSC “NPF “Surgutneftegas” have been made and benefits due to employees have been paid, pension liabilities to the employees are regarded as covered, hence the Group does not incur actuarial and investment risks. Besides, the Group does not have assets attributed to pension plans.

In the course of its ordinary business, the Group contributes to the Pension Fund of the Russian Federation on behalf of its employees. Liabilities in respect to such contributions are recognised as employee benefits expenses incurred during the period when the respective services have been rendered by employees under employment agreements.

## **Operating leases**

Where the Group is a lessee in a lease which does not transfer all significant risks and rewards incidental to ownership from the lessor to the Group, the total lease payments inclusive of payments due to expected lease termination are charged to operating expenses in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. Property, plant and equipment leased on an operating leasehold basis are not accounted for in the consolidated statement of financial position.

## **Revenue recognition**

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of reimbursements, discounts and volume rebates. Revenue is recognised when all significant risks and rewards of ownership have been transferred to the buyer, consideration can be received, costs incurred can be measured reliably and return of goods can be assured, the seller retains no effective control over the goods sold and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs at a different time subject to the relevant terms of each sale and purchase agreement.

Domestic sales of oil and gas as well as oil products and materials are usually recognised when title passes.

Export sales of crude oil (transfer of title and risks of accidental loss) are normally FOB based (the seller fulfils its obligations to deliver when the goods have passed over the ship’s rail in the designated port), DAF (delivered at frontier) or DAP based (delivered at place). The title passes at the time when goods pass the tanker’s permanent hose connection at the port of loading, the border of the Russian Federation, or when the seller places the goods at the disposal of the buyer on the means of transport ready for unloading, at the named place, subject to delivery conditions. Oil products are normally sold on FCA basis (delivery to a named place for transfer to a carrier nominated by the buyer), and the respective sales proceeds are recognised once the goods have been cleared through customs and delivered to the buyer and FOB basis (the seller fulfils its obligations to deliver when the goods have passed over the ship’s rail in the designated port). Some oil products are exported on DAP and CPT basis (transportation is paid up to a point specified in the contract and the risk is transferred during the transferring of goods to the first carrier). Export of gas products is made on FCA and CPT basis. The Group covers transportation expenses, duties and taxes on such sales.

Revenue from other services is recognised when such services are rendered provided that the cost of services is determinable and no significant uncertainty in respect of potential proceeds exists.



### **Functional and presentation currency**

The currency of the Russian Federation is Russian ruble (RUB), which is the functional currency of the Group's companies and is used as the presentation currency of these consolidated financial statements.

All values presented in rubles are rounded to the nearest million except when otherwise indicated.

### **Transactions and balances in foreign currencies**

Foreign currency transactions are translated into the functional currency of the Group's entities at the exchange rate effective at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate effective at this date. Non-monetary assets and liabilities in foreign currencies measured at fair value are translated into the functional currency at the exchange rate effective at the date when their fair value has been determined. Exchange differences resulting from the translation of currencies are recognised in other income and expense.

### **Net earnings per share**

Earnings per share are calculated by dividing net income attributable to the holders of the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the reporting period, net of average number of treasury ordinary shares bought back by the Group's entities.

### **Equity**

#### **Ordinary and preference shares**

Ordinary and preference shares are classified as equity. Preference shares are entitled to vote on matters in respect of reorganisation and liquidation of the Company, and matters related to: releasing the Company from an obligation to disclose or provide information required under the law of the Russian Federation on securities; introducing amendments and addenda to the Company's charter which restrict the rights of holders of the preference shares of this type; filing an application for listing or delisting of preference shares of this type.

If dividends on preference shares per year have not been declared or paid, preference shares are entitled to vote on a par with ordinary shares unless dividends on preference shares are declared and paid.

#### **Additional paid-in capital**

Additional paid-in capital represents profit (loss) on operations, financial results of which shall be recognised directly in equity, including gains and losses on the sale of treasury shares and gains and losses on the purchase (sale) of a non-controlling interest (whole or its part) provided that the control is retained.

#### **Treasury shares**

If the Group purchases the Company's shares, these shares are deducted from equity. Treasury shares are recorded at the cost of acquisition. Gains and losses associated with purchase, sale, issue or cancellation of treasury shares must be recorded directly in equity.

#### **Share premium**

Share premium represents the excess of contributions received over the nominal value of the Company's ordinary shares issued, less flotation costs.

#### **Non-controlling interests**

Non-controlling interest is part of profit or loss and net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly through subsidiaries, by the Company.

Non-controlling interests are presented within equity, separately from the Group's equity, in the consolidated statement of financial position.

### **Dividends**

Dividends are recognised as liability attributable to the period when they have been declared.

### **Adoption of new or revised standards and interpretations**

The following new standards and interpretations became effective for annual periods beginning on 1 January 2016:

The amendments to IFRS 11 “Accounting for acquisitions of interests in joint operations” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments to IAS 16 and IAS 41 “Agriculture: bearer plants” – these amendments are not relevant to the Group.

IFRS 14 “Regulatory deferral accounts” – this standard does not apply to companies that already provide financial statements prepared in accordance with IFRS.

Amendments to IAS 27 “Equity method in separate financial statements” – these amendments are not relevant to the Group.

Annual improvements to IFRSs 2012-2014 – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments to IAS 1 “Disclosure initiative” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments to IFRS 10, IFRS 12 and IAS 28 “Investment entities: applying the consolidation exception” – these amendments did not have a material impact on the Group’s consolidated financial statements.

#### **4 Critical accounting judgements, estimates and assumptions**

The Group makes estimates and assumptions that affect assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgments are continuously evaluated and are based on the management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements that significantly affect the amounts recognised in the financial statements and estimates that may require adjustments of the carrying amount of assets and liabilities within the next financial year include:

##### ***Estimation of oil and gas reserves***

Estimates of oil and gas recoverable reserves are imprecise as they require application of personal judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes of other factors. The management makes certain assumptions while estimating actual volumes of available recoverable oil and gas reserves. Oil and gas reserves are estimated for the purpose of the present statements in accordance with the provisions of Federal Budgetary Institution “State Reserves Committee” (FBU “GKZ”).

Oil and gas estimation is used for depreciation of oil and gas assets and for impairment determination. Oil and gas estimation is made based on possible assumptions and is reviewed on an annual basis.

Assumptions and estimates may vary as additional information about oil and gas reserves, changes in forecast and assumptions become available.

Reserve estimations have an impact on certain amounts of financial statements – oil and gas assets depreciation value, and impairment losses. Depreciation of oil and gas assets is calculated using the unit-of-production method for each field based upon initial recoverable reserves under Russian classification. Oil and gas estimation under Russian classification is used for calculations of future cash flows to be the main evidence of asset impairment.

##### ***Useful life of other property, plant and equipment and intangible assets***

The Group estimates the remaining useful life of other property, plant and equipment at least once a year at the end of the financial year. If expected values differ from previous estimations, changes are recognised as changes in accounting estimates in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The Group’s Management determines useful life periods for property, plant and equipment and intangible assets subject to physical properties and terms during which they bring benefit to the Group.

### **Impairment of goodwill and other assets**

When assessed for possible impairment, forecast of cash flows requires a number of significant assumptions and estimates of such assessments as oil and gas production output, natural gas, oil and refined products prices, operating expenses, capital expenditures, hydrocarbon reserves, including such macroeconomic indicators as inflation rate and discount rate. Besides, assumptions are applied for determining generating groups of assets subject to assessment for impairment. Value of assets and generating groups of assets related to oil and gas production is determined based on production output projections.

### **Asset retirement (decommissioning) and environmental protection obligation**

Production and exploration operations of the Group are governed by a number of environmental safety regulations and statutory acts. The Group assesses environmental protection liabilities based on the Group's Management awareness of the current legislation, licence agreements and in-house engineering judgements. Decommissioning liabilities are recognised on a net discounted basis at the moment at which the relevant liability arose. Actual deferred expenses may significantly differ from the amount of liability formed. Additionally, such provision may be influenced by future changes in environmental safety legislation and statutory acts, discount rates and expected terms of field development.

### **Pension benefit obligations**

Pension benefit liabilities are assessed based on assumptions. Actual amounts may differ from the estimated values of the Group and may be adjusted in the future based on modified expectations of the Group.

Expected survival assumptions are based on published statistics and demographic tables of mortality. At present, the pension age in the Russian Federation is 60 and 55 years for men and women respectively.

## **5 New interpretations and standards**

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2017 and which the Group has not early adopted.

**IFRS 15 “Revenue from contracts with customers”** (issued in May 2014 and effective for periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any separate goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Group's Management expects that this amendment will not have any material impact on its consolidated financial statements.

**“Revenue from contracts with customers” – Amendments to IFRS 15** (issued in April 2016 and effective for periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard. The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; how to determine whether a company is a principal (the provider of the goods or service) or an agent (responsible for arranging for the goods or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Group's Management expects that these changes will not have any material impact on its consolidated financial statements.

**IFRS 9 “Financial instruments”** (with amendments introduced in July 2014 and effective for annual periods beginning on or after 1 January 2018).

The main differences of the new standard from IAS 39 “Financial instruments: recognition and measurement” are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income and those to be measured subsequently at fair value through profit or loss.
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest. If a debt instrument is intended to collect, it may be carried at amortised cost if it also meets the solely payments of principal and interest requirement. Debt instruments that require to pay only principal and interest and are held in the portfolio can be classified as subsequently measured at fair value in the other comprehensive income, if the entity both holds cash flows of assets and sells assets. Financial assets that do not contain cash flows, that are solely payments of principal and interest, must be measured at fair value, through profit or loss (for example, derivatives). Embedded derivatives are no longer separated from financial assets, but will be taken into consideration when assessing compliance with the payment of only principal and interest.
- Investments in equity instruments must always be measured at fair value. The management can make an irreversible decision to present changes in fair value in other comprehensive income in case the instrument is not intended for trading purposes. If the equity instrument is held for trading, the changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses: an expected credit loss model. There is a three-stage approach based on the change in the credit quality of financial assets since the initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month expected credit losses on initial recognition of financial assets that are not credit impaired (or lifetime expected credit losses for trade receivables). In case of a significant increase in credit risk, impairment is measured using lifetime expected credit losses rather than using 12-month expected credit losses. The model provides a simplified operational approach for trade and lease receivables.
- Requirements for hedge accounting were amended to ensure a better compliance of accounting with risk management. The standard gives entities the opportunity to choose between accounting policy with the application of the hedge accounting requirements of IFRS 9 and further application of IAS 39 to all hedge financial instruments because the standard does not consider macro hedge accounting now.

The Group’s Management is currently analysing the implications of the standard and its impact on the Group’s consolidated financial statements.

**IFRS 16 “Leases”** (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases in the statements. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss. Lessor accounting remains substantially the same as in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases in the statements in different ways.

The Group’s Management is currently analysing the implications of the standard and its impact on the Group’s consolidated financial statements.

**“Recognition of deferred tax assets for unrealised losses” – Amendments to IAS 12** (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment clarifies the requirement for recognition of deferred tax assets for unrealised losses on debt instruments. An entity shall recognise deferred tax assets for unrealised losses arising from discounted cash flows on debt instruments using market interest rates, even if it intends to hold the instrument to maturity and no

payment of taxes is expected after getting principal. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (taking into consideration the effect of discounting) without paying taxes on those gains.

The Group’s Management is currently assessing the impact of the amendments on its consolidated financial statements.

**“Disclosure initiative” – Amendments to IAS 7** (issued in January 2016 and effective for annual periods beginning on 1 January 2017). The amendments made to IAS 7 require disclosure of changes in liabilities arising from financing activities.

The Group’s Management is currently assessing the impact of the amendments on its consolidated financial statements.

**“Classification and measurement of share-based payment transactions” – Amendments to IFRS 2** (issued in June 2016 and effective for annual periods beginning on 1 January 2018). These amendments clarify the procedure for recording the terms for the transfer of rights in case of payments in cash; net settlement terms; as well as changes in payment terms that result in reclassification of operations from those that are to be settled by cash to those that are settled by equity instruments.

The Group’s Management is currently assessing the impact of the amendments on its consolidated financial statements.

It is expected that the following standards and interpretations, on their entry into force, will not affect significantly the Group’s consolidated financial statements:

**“Sale or contribution of assets between an investor and its associate or joint venture” – Amendments to IFRS 10 and IAS 28** (issued in September 2014 and effective for annual periods beginning after the date defined by IFRS Foundation).

**Applying IFRS 9 “Financial instruments” with IFRS 4 “Insurance Contracts” – Amendments to IFRS 4** (issued in September 2016 and effective depending on the chosen approach: for annual periods beginning on or after 1 January 2018 – for entities which have chosen a deferral approach and for annual periods beginning from the date the entity started to apply IFRS 9 – for entities which have chosen an overlay approach).

**Annual improvements to IFRSs 2014-2016** (issued in December 2016 and effective, in part of amendment application to IFRS 12 – for annual periods beginning on or after 1 January 2017, in part of amendment application to IFRS 1 and IAS 28 – for annual periods beginning on or after 1 January 2018).

**IFRIC 22 “Foreign currency transactions and advance consideration”** (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018).

**“Transfers of investments property” – Amendments to IAS 40** (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018).

## 6 Subsidiaries

The Company has the following subsidiaries registered and doing business in the Russian Federation:

|   |  | As of<br>31 December<br>2016 | As of<br>31 December<br>2015 |
|---|--|------------------------------|------------------------------|
| Description                                   | Area of activity                       | Ownership<br>interest<br>(%) | Ownership<br>interest<br>(%) |
| <i>Oil and gas exploration and production</i> |  |                              |                              |
| OJSC "Surgutneftegas"                         | Oil and gas exploration and production | Parent company               | Parent company               |
| <i>Oil refining</i>                           |  |                              |                              |
| LLC "KINEF"                                   | Oil refining                           | 100%                         | 100%                         |



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|  |   |          |          |
|--|---|----------|----------|
| <i>Oil products sale</i>                 |   |          |          |
| LLC “Novgorodnefteproduct”               | Oil products sale   | 100%     | 100%     |
| LLC “Pskovnefteproduct”                  | Oil products sale   | 100%     | 100%     |
| LLC “Kaliningradnefteproduct”            | Oil products sale   | 100%     | 100%     |
| LLC “MA “Tvernefteproduct”               | Oil products sale   | 100%     | 100%     |
| LLC “KIRISHIAVTOSERVIS”                  | Oil products sale   | 100%     | 100%     |
| <i>Other companies</i>                   |   |          |          |
| LLC “Insurance Company “Surgutneftegas”  | Insurance   | 100%     | 100%     |
| Joint Stock Company “Surgutneftegasbank” | Banking operations  | 97.7591% | 97.7591% |
| LLC “Surgutmebel”                        | Manufacture of wood construction items  | 100%     | 100%     |
| OJSC “Sovkhos “Chervishevsky””           | Agriculture   | 94.9996% | 94.9996% |
| LLC “Media-Invest”                       | Television and radio broadcasting, production and coverage of TV and radio programmes | 100%     | 100%     |
| LLC “Lengiproneftekhim”                  | Engineering   | 100%     | 100%     |
| LLC “DmitrovMontazhGrupp”                | Construction of buildings and structures  | 97.7591% | -        |

The presented list of subsidiaries is complete; the Group has no subsidiaries outside the Russian Federation.

In 2016, the Group's bank acquired 100% of the share capital of LLC “DmitrovMontazhGrupp”. As the result of the transaction the Group gained control over the subsidiary in the amount of 97.7591%. The costs of the acquisition of LLC “DmitrovMontazhGrupp”, its financial results for the reporting period and the amount of assets and liabilities as of the reporting date are not significant for the Group.

As of 31 December 2016, non-controlling interests in the amount of RUB 245 million (as of 31 December 2015 – RUB 186 million) are not significant for the Group.

## **7 Segment information**

Individual executive body represented by director general of the Company and deputies of director general covering different operations (the Management) make operational decisions and consider the information about the Group to comprise the following operating segments:

“Exploration and production” is part of the Company's activity related to exploration, evaluation, production of oil and gas, and oil and gas sale;

“Refining and sale” is part of the Company's activity related to oil and gas processing, and sale of refined products, and the activity of the Group's subsidiaries involved in refining and refined products sale;

“Other activity” includes all other non-significant segments having no similar economic performance and represents subsidiaries of the Group engaged in banking operations, insurance and production of other goods, jobs and services.

On a monthly basis the Management estimates performance results of the segments based on the revenue, profit and operating expenses to resolve on resource distribution and operating efficiency.

Results of separate significant operations and a number of adjustments required to bring RAS statements in line with the relevant IFRS amounts are considered by the Management across the whole Group without breakdown by segments.

Sales operations among operational segments recorded as “intersegment sales” are performed based on market prices.

**OJSC "Surgutneftegas"****Notes to the consolidated financial statements***(in millions of Russian rubles, unless otherwise stated)*

Performance results of production segments for 2016:

|   | Exploration<br>and<br>production | Refining<br>and sale | Other<br>activity | Intersegment<br>sales | Total            |
|---|----------------------------------|----------------------|-------------------|-----------------------|------------------|
| <b>Sales revenue</b>  |                                  |                      |                   |                       |                  |
| Export, including:  | <b>529,026</b>                   | <b>236,885</b>       | <b>38</b>         | <b>-</b>              | <b>765,949</b>   |
| <i>revenues from oil sales</i>                                  | 529,026                          | -                    | -                 | -                     | 529,026          |
| <i>revenues from oil products sales</i>                         | -                                | 236,867              | -                 | -                     | 236,867          |
| <i>revenues from gas products sales</i>                         | -                                | 18                   | -                 | -                     | 18               |
| <i>sale of other products and finished goods</i>                | -                                | -                    | 38                | -                     | 38               |
| Domestic market,<br>including:                                  | <b>149,778</b>                   | <b>182,498</b>       | <b>3,014</b>      | <b>(80,406)</b>       | <b>254,884</b>   |
| <i>revenues from oil sales</i>                                  | 122,226                          | -                    | -                 | (15,468)              | 106,758          |
| <i>revenues from oil products sales</i>                         | -                                | 168,938              | -                 | (63,621)              | 105,317          |
| <i>revenues from gas and gas products sales</i>                 | 16,340                           | 5,976                | -                 | (7)                   | 22,309           |
| <i>sale of other products and finished goods</i>                | 3,311                            | 5,393                | 1,215             | (658)                 | 9,261            |
| <i>other sales</i>  | 7,901                            | 2,191                | 1,799             | (652)                 | 11,239           |
| <b>Total sales revenue</b>                                      | <b>678,804</b>                   | <b>419,383</b>       | <b>3,052</b>      | <b>(80,406)</b>       | <b>1,020,833</b> |
| Operating expenses  | (467,506)                        | (367,630)            | (5,973)           | 80,805                | (760,304)        |
| <b>Operating profit / (loss)</b>                                | <b>211,298</b>                   | <b>51,753</b>        | <b>(2,921)</b>    | <b>399</b>            | <b>260,529</b>   |
| Finance income  |                                  |                      |                   |                       | 116,837          |
| Finance expenses  |                                  |                      |                   |                       | (8,835)          |
| Exchange differences  |                                  |                      |                   |                       | (438,601)        |
| Gain / (loss) on sale and other disposal of<br>financial assets |                                  |                      |                   |                       | 22               |
| Share of profit / (loss) of associates                          |                                  |                      |                   |                       | (89)             |
| Other income / (expenses)                                       |                                  |                      |                   |                       | (2,060)          |
| <b>Loss before tax</b>  |                                  |                      |                   |                       | <b>(72,197)</b>  |
| Income tax  |                                  |                      |                   |                       | 10,164           |
| <b>Net loss</b>   |                                  |                      |                   |                       | <b>(62,033)</b>  |

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Performance results of production segments for 2015:

|   | Exploration<br>and<br>production | Refining<br>and sale | Other<br>activity | Intersegment<br>sales | Total            |
|---|----------------------------------|----------------------|-------------------|-----------------------|------------------|
| <b>Sales revenue</b>  |                                  |                      |                   |                       |                  |
| Export, including:  | <b>501,271</b>                   | <b>223,160</b>       | -                 | -                     | <b>724,431</b>   |
| <i>revenues from oil sales</i>                                  | 501,271                          | -                    | -                 | -                     | 501,271          |
| <i>revenues from oil products sales</i>                         | -                                | 223,160              | -                 | -                     | 223,160          |
| Domestic market,<br>including:                                  | <b>168,911</b>                   | <b>184,654</b>       | <b>3,275</b>      | <b>(78,666)</b>       | <b>278,174</b>   |
| <i>revenues from oil sales</i>                                  | 144,996                          | -                    | -                 | (15,638)              | 129,358          |
| <i>revenues from oil products sales</i>                         | -                                | 173,535              | -                 | (61,299)              | 112,236          |
| <i>revenues from gas and gas products sales</i>                 | 15,494                           | 5,751                | -                 | (6)                   | 21,239           |
| <i>sale of other products and finished goods</i>                | 2,846                            | 3,897                | 1,516             | (625)                 | 7,634            |
| <i>other sales</i>  | 5,575                            | 1,471                | 1,759             | (1,098)               | 7,707            |
| <b>Total sales revenue</b>                                      | <b>670,182</b>                   | <b>407,814</b>       | <b>3,275</b>      | <b>(78,666)</b>       | <b>1,002,605</b> |
| Operating expenses  | (470,735)                        | (357,274)            | (8,607)           | 78,002                | (758,614)        |
| <b>Operating profit / (loss)</b>                                | <b>199,447</b>                   | <b>50,540</b>        | <b>(5,332)</b>    | <b>(664)</b>          | <b>243,991</b>   |
| Finance income  |                                  |                      |                   |                       | 108,285          |
| Finance expenses  |                                  |                      |                   |                       | (15,852)         |
| Exchange differences  |                                  |                      |                   |                       | 583,006          |
| Gain / (loss) on sale and other disposal of<br>financial assets |                                  |                      |                   |                       | 22               |
| Share of profit / (loss) of associates                          |                                  |                      |                   |                       | 299              |
| Other income / (expenses)                                       |                                  |                      |                   |                       | (229)            |
| <b>Profit before tax</b>  |                                  |                      |                   |                       | <b>919,522</b>   |
| Income tax  |                                  |                      |                   |                       | (157,949)        |
| <b>Net profit</b>   |                                  |                      |                   |                       | <b>761,573</b>   |

Sales comprise the following (based on the buyer's registration country):

| <b>Sales</b>                                    | <b>2016</b>      | <b>2015</b>      |
|---|------------------|------------------|
| export of crude oil – Europe                    | 410,769          | 454,646          |
| export of crude oil – Asia                      | 237,290          | 190,185          |
| export of crude oil – CIS, other than Russia    | 37,733           | 45,926           |
| export of crude oil – Canada                    | -                | 14,970           |
| domestic sales of crude oil                     | 106,758          | 129,358          |
| domestic sales of gas                           | 16,333           | 15,488           |
| <b>Total oil and gas sales</b>                  | <b>808,883</b>   | <b>850,573</b>   |
| export of oil products – Europe                 | 281,400          | 290,361          |
| export of oil products – Asia                   | 38               | -                |
| export of oil products – USA                    | 11               | -                |
| domestic sales of oil products                  | 105,317          | 112,236          |
| export of gas products – CIS, other than Russia | 16               | -                |
| export of gas products – Asia                   | 2                | -                |
| domestic sales of gas products                  | 5,976            | 5,751            |
| <b>Total oil and gas products sales</b>         | <b>392,760</b>   | <b>408,348</b>   |
| Other international sales                       | 38               | -                |
| Other domestic sales                            | 20,500           | 15,341           |
| <b>Total sales</b>                              | <b>1,222,181</b> | <b>1,274,262</b> |
| less export duties                              | (201,348)        | (271,657)        |
| <b>Total sales revenue</b>                      | <b>1,020,833</b> | <b>1,002,605</b> |

## Information about sales to the main buyers

The Group has one buyer accounting for over 10% of total revenues of the Group. Aggregate amount of revenues from oil sales to the main buyer for 2016 is RUB 130,893 million. This revenue is included in “Exploration and production”. For 2015, the amount of revenue from sales of oil products to the main buyer is RUB 134,975 million. This revenue is included in “Refining and sale”.

The Management does not believe that the Group depends on any individual buyer.

## 8 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in its financial and business activities as well as in making financial and operational decisions. While considering each possible related party's relationship, the economic essence of such relationship, not merely the legal form, is taken into account.

Related parties may enter into transactions, which unrelated parties might not exercise, and transactions between related parties may not be affected on the same terms and conditions as transactions between unrelated parties.

Within 2016 and 2015, the Group entered into transactions with JSC “NPF “Surgutneftegas” to finance pensions of employees retired within the year, and other related parties.

Within 2016 and 2015, the Group contributed to JSC “NPF “Surgutneftegas” RUB 1,049 million and RUB 1,212 million respectively.

As of 31 December 2016, the Group had RUB 2,751 million (as of 31 December 2015 – RUB 2,285 million) of loans received from the related parties (funds of the customers of the Group's bank).

The amount of compensation subject to the regional coefficient and Northern allowance (the salary for the reporting period with taxes and other obligatory budget and non-budget payments accrued, annual paid leave for the work performed in the reporting period and similar payments) to the key management personnel (9,906 people in 2016 and 9,835 people in 2015), including business units and subsidiaries of the Company, authorised to plan, manage and control the Group's operations in 2016 equalled RUB 33,769 million (for 2015 – RUB 32,061 million). Pension benefits are provided to the management personnel on a non-preferential basis.

## 9 Cash and cash equivalents, restricted cash

Cash and cash equivalents represent the following:

|   | As of<br>31 December 2016 | As of<br>31 December 2015 |
|---|---------------------------|---------------------------|
| Cash in hand and at settlement accounts                           | 8,697                     | 13,791                    |
| - rubles  | 5,909                     | 6,335                     |
| - foreign currency  | 2,788                     | 7,456                     |
| Deposits with original maturity under contract less than 3 months | 98,756                    | 91,905                    |
| <b>Total cash and cash equivalents</b>                            | <b>107,453</b>            | <b>105,696</b>            |

Restricted cash represents obligatory reserves of the Group's bank at the accounts of the Central Bank of the Russian Federation.

Information on cash and cash equivalents placed by currency and credit quality is presented in Note 32.

## 10 Deposits placed

Placed deposits comprise the following:

|                              | As of<br>31 December 2016 | As of<br>31 December 2015 |
|------------------------------|---------------------------|---------------------------|
| Bank deposits:               |                           |                           |
| - short-term                 | 465,854                   | 527,189                   |
| - long-term                  | 1,714,883                 | 1,940,169                 |
| <b>Total deposits placed</b> | <b>2,180,737</b>          | <b>2,467,358</b>          |

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Placed cash represents short-term and long-term bank deposits. Interest is paid mainly together with return of the principal amount to the current account. In accordance with deposit agreements, the Group loses its right to the part of the accrued interest in case of early return of the principal amount.

The amount of deposits interest received at current accounts of the Group for 2016 is RUB 50,409 million (for 2015 – RUB 100,828 million).

The classification of deposits by maturity is presented in the table below:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| with maturity less than 30 days        | 81,091                    | 136                       |
| with maturity between 31 and 90 days   | 89,249                    | 33,528                    |
| with maturity between 91 and 180 days  | 102,713                   | 188,969                   |
| with maturity between 181 and 270 days | 89,576                    | 162,915                   |
| with maturity between 271 and 365 days | 103,225                   | 141,641                   |
| with maturity more than 365 days       | 1,714,883                 | 1,940,169                 |
| <b>Total deposits placed</b>           | <b>2,180,737</b>          | <b>2,467,358</b>          |

The Group’s Management believes that in the foreseeable future the Group will not need to withdraw funds from financial instruments.

Information on deposits placed by currency and credit quality is presented in Note 32.

The fair value of deposits is disclosed in Note 33.

## 11 Receivables

Accounts receivable include:

|                                      | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--------------------------------------|---------------------------|---------------------------|
| Trade receivables                    | 84,887                    | 54,278                    |
| impairment provision                 | (172)                     | (172)                     |
| Other receivables                    | 3,130                     | 6,356                     |
| impairment provision                 | (135)                     | (391)                     |
| <b>Total receivables, including:</b> | <b>87,710</b>             | <b>60,071</b>             |
| short-term                           | 86,811                    | 59,522                    |
| long-term                            | 899                       | 549                       |

A provision for impairment of trade receivables and other receivables has been estimated based on the individual customers, payment history, debts repaid after the reporting date (on an individual basis).

Analysis of changes in impairment provision of receivables is presented below:

|   | Trade receivables | Other receivables |
|---|-------------------|-------------------|
| <b>Impairment provision of accounts receivable as of 1 January 2015</b>   | <b>(194)</b>      | <b>(421)</b>      |
| Impairment provision of accounts receivable charged                       | (4)               | (61)              |
| Impairment provision of accounts receivable used                          | -                 | 82                |
| Impairment provision of accounts receivable recovered                     | 26                | 9                 |
| <b>Impairment provision of accounts receivable as of 31 December 2015</b> | <b>(172)</b>      | <b>(391)</b>      |
| Impairment provision of accounts receivable charged                       | (1)               | (23)              |
| Impairment provision of accounts receivable used                          | 1                 | 269               |
| Impairment provision of accounts receivable recovered                     | -                 | 10                |
| <b>Impairment provision of accounts receivable as of 31 December 2016</b> | <b>(172)</b>      | <b>(135)</b>      |

As of 31 December 2016, the Group had five (as of 31 December 2015 – three) main debtors, each with at least 10% of total accounts receivable. These debtors provide about 38% of the Group’s revenue in 2016 (in 2015 – 19%).

Information on receivables by currency and credit quality is presented in Note 32.



## 12 Advances issued

Advances issued include:

|                              | As of<br>31 December 2016 | As of<br>31 December 2015 |
|------------------------------|---------------------------|---------------------------|
| Export custom duties         | 8,710                     | 11,832                    |
| Oil transport                | 4,537                     | 4,897                     |
| Other advances issued        | 4,759                     | 5,552                     |
| <b>Total advances issued</b> | <b>18,006</b>             | <b>22,281</b>             |

## 13 Loans granted

Short-term and long-term loans granted are represented by credits of the Group's bank and other loans:

|   | As of<br>31 December 2016 | As of<br>31 December 2015 |
|---|---------------------------|---------------------------|
| Due and unimpaired credits and loans      | 43,066                    | 36,365                    |
| Overdue and/or impaired credits and loans | 10,881                    | 16,171                    |
| Impairment provision                      | (6,546)                   | (7,642)                   |
| <b>Total loans granted, including:</b>    | <b>47,401</b>             | <b>44,894</b>             |
| short-term                                | 18,167                    | 19,894                    |
| long-term                                 | 29,234                    | 25,000                    |

Analysis of changes in provision for impairment of loans granted is presented below:

|   | 2016           | 2015           |
|---|----------------|----------------|
| <b>Impairment provision as of 1 January</b>     | <b>(7,642)</b> | <b>(4,973)</b> |
| (allocations to provision) / provision recovery | 1,096          | (2,669)        |
| <b>Impairment provision as of 31 December</b>   | <b>(6,546)</b> | <b>(7,642)</b> |

Analysis of loans granted by currency and credit quality as well as information on the fair value of the collateral are disclosed in Note 32.

## 14 Inventories

Inventories include:

|                             | As of<br>31 December 2016 | As of<br>31 December 2015 |
|-----------------------------|---------------------------|---------------------------|
| Oil and refined products    | 15,948                    | 13,872                    |
| <i>impairment provision</i> | (2)                       | (44)                      |
| Materials and supplies      | 58,945                    | 56,933                    |
| <i>impairment provision</i> | (2,895)                   | (6,710)                   |
| Other reserves              | 7,691                     | 6,222                     |
| <i>impairment provision</i> | (78)                      | (413)                     |
| Goods for resale            | 2,479                     | 3,257                     |
| <i>impairment provision</i> | (19)                      | -                         |
| Work in progress            | 3,024                     | 2,699                     |
| Gas and gas products        | 38                        | 28                        |
| <b>Total inventories</b>    | <b>85,131</b>             | <b>75,844</b>             |

## 15 Property, plant and equipment

|  | Oil and gas<br>exploration<br>and<br>production | Refining<br>and sale | Other<br>properties | Construction<br>in progress | Total            |
|--|---|----------------------|---------------------|-----------------------------|------------------|
| <b>Historical cost<br/>as of 31 December 2014</b>  | <b>1,015,260</b>                                | <b>225,637</b>       | <b>109,450</b>      | <b>34,588</b>               | <b>1,384,935</b> |
| Construction and acquisition   | 152,453   | 4,721                | 10,085              | 27,219                      | 194,478          |
| Reclassifications  | -   | 10,095               | 3,891               | (13,986)                    | -                |
| Internal movements   | (11,585)  | (929)                | 12,514              | -                           | -                |
| Changes in asset retirement<br>(decommissioning) obligations                               | 22,056  | -                    | -                   | -                           | 22,056           |
| Disposals, retirements and other<br>movements  | (8,782)   | (1,678)              | (1,616)             | (1,756)                     | (13,832)         |
| <b>Historical cost<br/>as of 31 December 2015</b>  | <b>1,169,402</b>                                | <b>237,846</b>       | <b>134,324</b>      | <b>46,065</b>               | <b>1,587,637</b> |
| Construction and acquisition   | 155,581   | 6,269                | 11,016              | 19,897                      | 192,763          |
| Reclassifications  | -   | 7,973                | 16,441              | (24,414)                    | -                |
| Internal movements   | (12,280)  | (648)                | 12,928              | -                           | -                |
| Changes in asset retirement<br>(decommissioning) obligations                               | 13,598  | -                    | -                   | -                           | 13,598           |
| Disposals, retirements and other<br>movements  | (13,530)  | (414)                | (1,222)             | (1,197)                     | (16,363)         |
| <b>Historical cost<br/>as of 31 December 2016</b>  | <b>1,312,771</b>                                | <b>251,026</b>       | <b>173,487</b>      | <b>40,351</b>               | <b>1,777,635</b> |
| <b>Accumulated depletion,<br/>depreciation and amortisation<br/>as of 31 December 2014</b> | <b>(186,824)</b>                                | <b>(56,116)</b>      | <b>(29,519)</b>     | <b>-</b>                    | <b>(272,459)</b> |
| Charge for the period  | (56,497)  | (21,347)             | (9,137)             | -                           | (86,981)         |
| Internal movements<br>(Impairment) / reversal of<br>impairment                             | 2,262   | (85)                 | (2,177)             | -                           | -                |
| Disposals, retirements and other<br>movements  | 270   | (1,627)              | (36)                | -                           | (1,393)          |
|  | 2,684   | 405                  | 896                 | -                           | 3,985            |
| <b>Accumulated depletion,<br/>depreciation and amortisation<br/>as of 31 December 2015</b> | <b>(238,105)</b>                                | <b>(78,770)</b>      | <b>(39,973)</b>     | <b>-</b>                    | <b>(356,848)</b> |
| Charge for the period  | (65,868)  | (21,107)             | (10,578)            | -                           | (97,553)         |
| Internal movements<br>(Impairment) / reversal of<br>impairment                             | 1,733   | 148                  | (1,881)             | -                           | -                |
| Disposals, retirements and other<br>movements  | (865)   | (104)                | (55)                | -                           | (1,024)          |
|  | 7,951   | 485                  | 947                 | -                           | 9,383            |
| <b>Accumulated depletion,<br/>depreciation and amortisation<br/>as of 31 December 2016</b> | <b>(295,154)</b>                                | <b>(99,348)</b>      | <b>(51,540)</b>     | <b>-</b>                    | <b>(446,042)</b> |
| <b>Carrying amount<br/>as of 31 December 2014</b>  | <b>828,436</b>                                  | <b>169,521</b>       | <b>79,931</b>       | <b>34,588</b>               | <b>1,112,476</b> |
| <b>Carrying amount<br/>as of 31 December 2015</b>  | <b>931,297</b>                                  | <b>159,076</b>       | <b>94,351</b>       | <b>46,065</b>               | <b>1,230,789</b> |
| <b>Carrying amount<br/>as of 31 December 2016</b>  | <b>1,017,617</b>                                | <b>151,678</b>       | <b>121,947</b>      | <b>40,351</b>               | <b>1,331,593</b> |

As of 31 December 2016, property, plant and equipment included advances for purchase and construction of property, plant and equipment in the amount of RUB 2,537 million (as of 31 December 2015 – RUB 6,848 million).

At each date of the consolidated financial statements, the Management estimates a decline in the recoverable value of the assets below their carrying amount. In 2016, the Group reversed the loss from impairment of the exploration and production assets in the amount of RUB 2,982 million and recognised the loss from impairment of the exploration and production assets in the amount of RUB 3,847 million. As

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of 31 December 2016, the amount of the loss from impairment of the exploration and production assets is RUB 6,665 million (as of 31 December 2015 – RUB 6,149 million).

In 2016, the Group recognised the loss from impairment of property, plant and equipment of sales companies in the amount of RUB 660 million and reversed the loss from impairment in the amount of RUB 556 million. As of 31 December 2016, the amount of the loss from impairment of property, plant and equipment of sales companies is RUB 2,109 million (as of 31 December 2015 – RUB 2,022 million).

In 2016, the Group recognised the loss from impairment of property, plant and equipment of other companies in the amount of RUB 55 million. As of 31 December 2016, the amount of the loss from impairment of property, plant and equipment of other companies is RUB 91 million (as of 31 December 2015 – RUB 36 million).

Depreciation on property, plant, and equipment includes the amount capitalised in construction in progress for 2016 in the amount of RUB 21,175 million (for 2015 – RUB 17,006 million).

Exploration and evaluation assets included in the cost of property, plant and equipment of oil and gas production and exploration changed over the period as follows:

|   | <b>2016</b>   | <b>2015</b>   |
|---|---------------|---------------|
| <b>As of 1 January</b>  | <b>52,532</b> | <b>40,781</b> |
| Capitalised costs   | 10,834        | 15,636        |
| Reclassified to property, plant and equipment                               | (3,723)       | (1,598)       |
| Disposal of expenses associated with ineffective exploration and evaluation | (2,244)       | (2,557)       |
| (Impairment) / reversal of impairment                                       | (667)         | 270           |
| <b>As of 31 December</b>  | <b>56,732</b> | <b>52,532</b> |

The cost of oil and gas exploration and production licences included in exploration and production properties changed as follows:

|  | <b>2016</b>   | <b>2015</b>   |
|--|---------------|---------------|
| Historical cost as of 1 January          | 66,764        | 65,943        |
| Impairment                               | (181)         | (181)         |
| Accumulated depreciation                 | (2,139)       | (1,884)       |
| <b>Carrying amount as of 1 January</b>   | <b>64,444</b> | <b>63,878</b> |
| Acquisition                              | 355           | 821           |
| Impairment                               | (198)         | -             |
| Depreciation charge                      | (535)         | (255)         |
| <b>Carrying amount as of 31 December</b> | <b>64,066</b> | <b>64,444</b> |

## 16 Intangible assets

|   | Software     | Goodwill     | Other      | Total        |
|---|--------------|--------------|------------|--------------|
| <b>Historical cost</b>                            |              |              |            |              |
| As of 31 December 2014                            | 5,335        | 5,788        | 531        | 11,654       |
| Additions   | 594          | -            | 203        | 797          |
| Disposal  | (397)        | -            | (44)       | (441)        |
| As of 31 December 2015                            | 5,532        | 5,788        | 690        | 12,010       |
| Additions   | 1,273        | -            | 131        | 1,404        |
| Disposal  | (280)        | -            | (24)       | (304)        |
| As of 31 December 2016                            | 6,525        | 5,788        | 797        | 13,110       |
| <b>Amortisation and impairment loss</b>           |              |              |            |              |
| As of 31 December 2014                            | (2,807)      | (148)        | (132)      | (3,087)      |
| Accumulated amortisation                          | (604)        | -            | (44)       | (648)        |
| Disposal  | 359          | -            | 33         | 392          |
| As of 31 December 2015                            | (3,052)      | (148)        | (143)      | (3,343)      |
| Accumulated amortisation                          | (665)        | -            | (83)       | (748)        |
| Disposal  | 229          | -            | 23         | 252          |
| As of 31 December 2016                            | (3,488)      | (148)        | (203)      | (3,839)      |
| <b>Net carrying amount as of 31 December 2014</b> | <b>2,528</b> | <b>5,640</b> | <b>399</b> | <b>8,567</b> |
| <b>Net carrying amount as of 31 December 2015</b> | <b>2,480</b> | <b>5,640</b> | <b>547</b> | <b>8,667</b> |
| <b>Net carrying amount as of 31 December 2016</b> | <b>3,037</b> | <b>5,640</b> | <b>594</b> | <b>9,271</b> |

In 2016, the amount of capitalised amortisation of intangible assets into property, plant and equipment is RUB 6 million. In 2015, amortisation of intangible assets was not capitalised into property, plant and equipment.

At each date of the consolidated financial statements, the Management estimates a decline in the recoverable value of the assets below their carrying amount. As of 31 December 2016 and 2015, no impairment of intangible assets has been identified.

As of 31 December 2016 and 2015, the Group had no intangible assets with indefinite useful lives (excluding goodwill).

### **Goodwill**

As of 31 December 2016 and 2015, the goodwill amount was allocated to “Refining and sale” segment. This goodwill is recognised as the Company and its subsidiaries represent a business combination.

As of 31 December 2016 and 2015, no impairment of goodwill has been identified.

## 17 Investments in associates

The Group has an equity-accounted investment in associated company CJSC “National Media Group” (NMG).

The Group’s interest in the capital of NMG as of 31 December 2016 and 2015 was 26.22%. NMG is a holding company with investments in companies involved in television and radio broadcasting in the Russian Federation, printing of periodicals (newspapers) as well as in other companies.

The carrying amount of the investment as of 31 December 2016 amounts to RUB 6,121 million (as of 31 December 2015 – RUB 6,210 million).

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Net assets of NMG as of 31 December 2016 amount to RUB 19,140 million (as of 31 December 2015 – RUB 19,480 million); the amount of goodwill recognised in the cost of investments as of 31 December 2016 and 2015 equalled RUB 1,103 million.

**18 Other financial assets**

Short-term and long-term financial assets include:

|   | As of<br>31 December 2016 | As of<br>31 December 2015 |
|---|---------------------------|---------------------------|
| <b>Short-term financial assets</b>                    |                           |                           |
| Financial assets at fair value through profit or loss | -                         | 33                        |
| Financial assets available-for-sale                   | 4,139                     | 1,900                     |
| Investments held-to-maturity                          | 1,214                     | 1,251                     |
| <b>Total short-term financial assets</b>              | <b>5,353</b>              | <b>3,184</b>              |
| <b>Long-term financial assets</b>                     |                           |                           |
| Financial assets at fair value through profit or loss | 66                        | 457                       |
| Financial assets available-for-sale                   | 10,259                    | 14,145                    |
| Investments held-to-maturity                          | -                         | 507                       |
| <b>Total long-term financial assets</b>               | <b>10,325</b>             | <b>15,109</b>             |

**Financial assets measured at fair value through profit or loss**

The structure of financial assets measured at fair value through profit or loss is presented below:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Corporate bonds  | -                         | 310                       |
| Government bonds   | 65                        | 97                        |
| Subfederal and municipal bonds                                     | -                         | 82                        |
| Shares   | 1                         | 1                         |
| <b>Total financial assets at fair value through profit or loss</b> | <b>66</b>                 | <b>490</b>                |

Corporate bonds are presented by interest bearing securities denominated in Russian rubles issued by major Russian companies and banks which are listed on Moscow Interbank Currency Exchange (MICEX).

Government securities are federal loan bonds issued by the Ministry of Finance of the Russian Federation and denominated in Russian rubles.

Securities recorded at fair value through profit or loss are reviewed by credit quality and currency in Note 32.

**Available-for-sale financial assets**

The structure of available-for-sale financial assets is presented below:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Shares   | 5,508                     | 5,531                     |
| Government, subfederal and municipal bonds       | 4,158                     | 4,430                     |
| Corporate eurobonds                              | 2,973                     | 4,317                     |
| Corporate bonds                                  | 1,662                     | 1,693                     |
| Contributions to share capitals                  | 97                        | 74                        |
| <b>Total financial assets available-for-sale</b> | <b>14,398</b>             | <b>16,045</b>             |

The movement in available-for-sale financial assets is presented below:

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|  | <b>2016</b>   | <b>2015</b>   |
|--|---------------|---------------|
| <b>Carrying amount as of 1 January</b>     | <b>16,045</b> | <b>9,207</b>  |
| Acquisition / reclassification             | 2,471         | 11,215        |
| Redemption / sale / reclassification       | (3,123)       | (5,650)       |
| Interest income accrued                    | 692           | 570           |
| Interest received                          | (778)         | (552)         |
| Exchange differences                       | (873)         | 896           |
| Gains / (losses) on fair value revaluation | (36)          | 359           |
| <b>Carrying amount as of 31 December</b>   | <b>14,398</b> | <b>16,045</b> |

Available-for-sale financial assets are reviewed by credit quality and currency in Note 32.

**Held-to-maturity investments**

The structure of held-to-maturity investments is presented below:

|   | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|---|-----------------------------------|-----------------------------------|
| Government bonds                          | 1,214                             | 1,576                             |
| Corporate bonds                           | -                                 | 102                               |
| Subfederal and municipal bonds            | -                                 | 80                                |
| <b>Total investments held-to-maturity</b> | <b>1,214</b>                      | <b>1,758</b>                      |

The movement in held-to-maturity investments is presented below:

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
| <b>Carrying amount as of 1 January</b>              | <b>1,758</b> | <b>4,210</b> |
| Additions / reclassification                        | 758          | 12,690       |
| Disposal / redemption / reclassification            | (1,182)      | (21,035)     |
| Interest income accrued                             | 140          | 785          |
| Interest received                                   | (213)        | (858)        |
| Exchange differences                                | (12)         | (70)         |
| Gains / (losses) from recognition at amortised cost | (35)         | 8            |
| Impairment provision                                | -            | 6,028        |
| <b>Carrying amount as of 31 December</b>            | <b>1,214</b> | <b>1,758</b> |

Held-to-maturity investments are reviewed by credit quality and currency in Note 32.

Information on the fair value of held-to-maturity investments is presented in Note 33.

**19 Payables and accrued liabilities**

Accounts payable and accrued liabilities include:

|   | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|---|-----------------------------------|-----------------------------------|
| Accounts payable to employees of the company                | 28,862                            | 27,238                            |
| Trade payables  | 9,415                             | 10,269                            |
| Accounts payable for acquired property, plant and equipment | 7,370                             | 11,815                            |
| Dividends payable   | 1,491                             | 1,103                             |
| Other accounts payable                                      | 1,752                             | 1,296                             |
| <b>Total accounts payable and liabilities accrued</b>       | <b>48,890</b>                     | <b>51,721</b>                     |
| Including the financial part of the accounts payable        | 20,002                            | 24,476                            |

The financial part of the accounts payable is reviewed by currency and maturity in Note 32.



## 20 Other financial liabilities

Other short-term and long-term financial liabilities are current accounts and customer deposits of the Group's bank.

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Current / settlement accounts and demand accounts    | 10,137                    | 10,413                    |
| Fixed-term deposits                                  | 96,122                    | 73,013                    |
| <b>Total other financial liabilities, including:</b> | <b>106,259</b>            | <b>83,426</b>             |
| short-term   | 89,747                    | 79,077                    |
| long-term  | 16,512                    | 4,349                     |

Interests on deposits are charged at rates ranging from 0.01% to 12% in rubles (in 2015 – from 0.01% to 18.25%) and from 0.01% to 5% in foreign currency (in 2015 – from 0.25% to 5%). Interests on settlement and current accounts range from 0.01% to 8.8% in rubles (in 2015 – from 0.01% to 14.5%) and from 0% to 0.17% in foreign currency (in 2015 – from 0% to 3.5%).

Other financial liabilities are reviewed by currency and maturity in Note 32.

## 21 Other tax liabilities

|                                    | As of<br>31 December 2016 | As of<br>31 December 2015 |
|------------------------------------|---------------------------|---------------------------|
| Mineral extraction tax             | 34,897                    | 19,708                    |
| Value added tax                    | 3,817                     | 1,616                     |
| Property tax                       | 3,387                     | 3,269                     |
| Other                              | 8,052                     | 6,409                     |
| <b>Total other tax liabilities</b> | <b>50,153</b>             | <b>31,002</b>             |

## 22 Provisions for future liabilities and charges

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Asset retirement obligations   | 102,656                   | 88,456                    |
| Post-employment benefit obligations                                    | 17,637                    | 16,966                    |
| Other liabilities  | 1,676                     | 1,536                     |
| <b>Total provisions for future liabilities and charges, including:</b> | <b>121,969</b>            | <b>106,958</b>            |
| short-term   | 2,859                     | 2,628                     |
| long-term  | 119,110                   | 104,330                   |

### **Asset retirement obligations**

Asset retirement obligations represent cost estimation of land recultivation, wells decommissioning and dismantling of field facilities.

|  | 2016           | 2015          |
|--|----------------|---------------|
| <b>Obligations as of 1 January</b>         | <b>88,456</b>  | <b>64,781</b> |
| Acquisition                                | 13,795         | 10,497        |
| Changes in estimates and discounting rates | 3,131          | 11,559        |
| Discount cost amortised                    | 2,692          | 1,997         |
| Provision used                             | (5,418)        | (378)         |
| <b>Obligations as of 31 December</b>       | <b>102,656</b> | <b>88,456</b> |

Obligations recognised as of 31 December 2016 and 2015 are long-term.

The estimated costs are assessed on the basis of information available at the reporting date. Upon changes of data the calculations made are adjusted.

**Post-employment benefit obligations**

Post-employment benefit obligations are performed by the Group at the time the employee retires. The right to pension benefits is given to employees who have been continuously employed by the Group for not less than five complete years and retired having reached the retirement age. The contribution to JSC “NPF “Surgutneftegas” and lump-sum payments depend on the length of service, the salary level and is defined in the collective agreement.

Expenses recognised in the consolidated statement of profit or loss and other comprehensive income and liabilities recognised in the consolidated statement of financial position are as follows:

|                                      | <b>2016</b>   | <b>2015</b>   |
|--------------------------------------|---------------|---------------|
| <b>Obligations as of 1 January</b>   | <b>16,966</b> | <b>14,584</b> |
| Interest liability expenses          | 841           | 934           |
| Current service cost                 | 471           | 389           |
| Benefits paid                        | (1,205)       | (1,389)       |
| Actuarial (gain) / loss              | 564           | 2,448         |
| <b>Obligations as of 31 December</b> | <b>17,637</b> | <b>16,966</b> |

Obligations by maturity are as follows:

|  | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|--|-----------------------------------|-----------------------------------|
| Short-term                                       | 1,183                             | 1,092                             |
| Long-term  | 16,454                            | 15,874                            |
| <b>Total post-employment benefit obligations</b> | <b>17,637</b>                     | <b>16,966</b>                     |

Expenses allocated to payrolls:

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| Current service cost                                       | 471          | 389          |
| Interest liability expenses                                | 841          | 934          |
| <b>Net expenses on post-employment benefit obligations</b> | <b>1,312</b> | <b>1,323</b> |

The main actuarial assumptions in the reporting period have the following weighted averages:

|   | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|---|-----------------------------------|-----------------------------------|
| Discount rate   | 8.51%                             | 9.49%                             |
| Average long-term employee compensation increase rate | 3.51%                             | 4.33%                             |
| Rate of inflation and growth of pension               | 3.51%                             | 4.33%                             |

## 23 Equity

### **Share capital and share premium**

As of 31 December 2016 and 2015:

#### **Share capital**

##### *Ordinary shares:*

|   |                |
|---|----------------|
| Number of shares issued, thousand             | 35,725,995     |
| Par value (1 ruble per share), million rubles | 35,726         |
| Amount adjusted for inflation, million rubles | <b>121,203</b> |

##### *Preference shares:*

|   |               |
|---|---------------|
| Number of shares issued, thousand             | 7,701,998     |
| Par value (1 ruble per share), million rubles | 7,702         |
| Amount adjusted for inflation, million rubles | <b>33,463</b> |

#### **Share premium**

|   |               |
|---|---------------|
| Amount by which the fair value of funds received exceeded the par value, million rubles | 35,245        |
| Amount adjusted for inflation, million rubles   | <b>57,809</b> |

The share capital is fully paid. In 2016 and 2015, changes in the structure of the share capital did not occur. The Company did not place any shares.

### **Treasury shares**

As of 31 December 2016 and 2015, the Group owned 650 thousand of ordinary shares, i.e. less than 1% of the total number of shares.

### **Dividends**

The Company's accounting statements prepared in accordance with Russian accounting standards which significantly differ from IFRS consolidated statements serve as the basis for the distribution of profits to shareholders. Net profit of the current year calculated in accordance with the law of the Russian Federation and recognised in the Company's statements prepared according to Russian Accounting Standards (RAS) is subject to distribution.

As of 29 June 2016, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2015 in the amount of RUB 0.6 per one ordinary share and RUB 6.92 per one preference share.

As of 27 June 2015, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2014 in the amount of RUB 0.65 per one ordinary share and RUB 8.21 per one preference share.

As of the date of these consolidated financial statements, the Company did not declare dividends for the year ended 31 December 2016.

## 24 Export duties

|                                     | <b>2016</b>    | <b>2015</b>    |
|-------------------------------------|----------------|----------------|
| Export duties on oil sales          | 156,766        | 204,456        |
| Export duties on oil products sales | 44,582         | 67,201         |
| <b>Total export duties</b>          | <b>201,348</b> | <b>271,657</b> |

Lower export duties are due to decrease in the average price of Urals oil as well as changes in the estimated coefficients used to calculate the rate of export duty on oil products.

## 25 Operating expenses

|   | 2016           | 2015           |
|---|----------------|----------------|
| Taxes, excluding income tax                                     | 340,993        | 363,328        |
| Selling and storage expenses                                    | 94,333         | 79,633         |
| Employee benefits   | 86,861         | 81,152         |
| Production services   | 78,002         | 87,033         |
| Depreciation, depletion and amortisation                        | 77,120         | 70,623         |
| Supplies  | 38,450         | 41,835         |
| Utility and electricity expenses                                | 28,483         | 31,287         |
| Goods for resale  | 10,596         | 7,476          |
| Expenses from disposal of exploration and production properties | 1,726          | 2,772          |
| Changes in inventory and work in progress                       | (4,193)        | (13,449)       |
| Other expenses  | 7,933          | 6,924          |
| <b>Total operating expenses</b>                                 | <b>760,304</b> | <b>758,614</b> |

Taxes, other than income tax, include:

|  | 2016           | 2015           |
|--|----------------|----------------|
| Mineral extraction tax                   | 311,980        | 340,359        |
| Excise                                   | 14,910         | 9,844          |
| Property tax                             | 13,467         | 12,439         |
| Other taxes                              | 636            | 686            |
| <b>Total taxes, excluding income tax</b> | <b>340,993</b> | <b>363,328</b> |

With the growth of the tax rate on oil production in 2016 to RUB 857 per tonne (in 2015 – RUB 766 per tonne), the Group's expenses on mineral extraction tax decreased as a result of a reduction in the average price level of Urals oil.

Employee benefits include:

|                                | 2016          | 2015          |
|--------------------------------|---------------|---------------|
| Salary and charges             | 85,978        | 80,293        |
| Contributions to pension funds | 883           | 859           |
| <b>Total employee benefits</b> | <b>86,861</b> | <b>81,152</b> |

## 26 Finance income and expenses

|                                   | 2016           | 2015            |
|-----------------------------------|----------------|-----------------|
| Interest receivable               | 116,807        | 108,170         |
| Interest income from discounting  | 30             | 115             |
| <b>Total finance income</b>       | <b>116,837</b> | <b>108,285</b>  |
|                                   | <b>2016</b>    | <b>2015</b>     |
| Interest payable                  | (5,723)        | (6,432)         |
| Interest expense from discounting | (3,112)        | (9,420)         |
| <b>Total finance expenses</b>     | <b>(8,835)</b> | <b>(15,852)</b> |

In the article “Interest expense from discounting” the amount of discount for placed deposits for 2016 in the amount of RUB 124 million is recognised (for 2015 – RUB 5,005 million).

## 27 Exchange differences

Exchange differences arise mainly in the result of oil and refined products sales denominated in foreign currency and are disclosed within placed deposits in foreign currency in the statement of financial position. The official exchange rates of the Central Bank of the Russian Federation for foreign currencies against ruble are presented in rubles below:

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**Notes to the consolidated financial statements**  
*(in millions of Russian rubles, unless otherwise stated)*

|           | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|-----------|-----------------------------------|-----------------------------------|
| US Dollar | 60.66                             | 72.88                             |
| Euro      | 63.81                             | 79.70                             |

Average exchange rates in 2016 and 2015 equalled:

|           | <b>2016</b> | <b>2015</b> |
|-----------|-------------|-------------|
| US Dollar | 67.03       | 60.96       |
| Euro      | 74.23       | 67.78       |

Exchange differences include:

|                                   | <b>2016</b>      | <b>2015</b>    |
|-----------------------------------|------------------|----------------|
| Income from exchange differences  | 382,508          | 1,382,900      |
| Expense from exchange differences | (821,109)        | (799,894)      |
| <b>Total exchange differences</b> | <b>(438,601)</b> | <b>583,006</b> |

## **28 Income tax**

|  | <b>2016</b>   | <b>2015</b>      |
|--|---------------|------------------|
| Current income tax                           | (619)         | (146,349)        |
| Changes in deferred tax assets / liabilities | 10,783        | (11,600)         |
| <b>Income / (expense) on income tax</b>      | <b>10,164</b> | <b>(157,949)</b> |

In 2016 and 2015, the rate of income tax currently applied in the Russian Federation was 20%.

Profit / (loss) before tax recognised in the financial statements correlates with income / (expense) on income tax as follows:

|  | <b>2016</b>   | <b>2015</b>      |
|--|---------------|------------------|
| Profit / (loss) before tax                                   | (72,197)      | 919,522          |
| Provisional income / (expense) on income tax                 | 14,439        | (183,904)        |
| Tax effect of the preferential tax rate                      | -             | 30,371           |
| Tax effect of items which are not accounted for tax purposes | (4,275)       | (4,416)          |
| <b>Total income / (expense) on income tax</b>                | <b>10,164</b> | <b>(157,949)</b> |

**OJSC "Surgutneftegas"****Notes to the consolidated financial statements***(in millions of Russian rubles, unless otherwise stated)*

Temporary differences arising between the data of these consolidated financial statements and the data of tax accounting resulted in the following deferred assets and liabilities for income tax for 2016:

|   | <b>As of<br/>31 December<br/>2016</b> | <b>Changes<br/>for the period<br/>recognised<br/>in profit (loss)<br/>for the period</b> | <b>Changes<br/>for the period<br/>in other<br/>comprehensive<br/>income</b> | <b>As of<br/>31 December<br/>2015</b> |
|---|---------------------------------------|--|---|---------------------------------------|
| <b>Tax effect of deductible temporary differences</b> |                                       |  |   |                                       |
| Inventories   | 1,756                                 | (422)  | -   | 2,178                                 |
| Property, plant and equipment                         | 25,746                                | 3,172  | -   | 22,574                                |
| Intangible assets                                     | 3,585                                 | (805)  | -   | 4,390                                 |
| Financial assets                                      | 2,987                                 | (1,028)  | 7   | 4,008                                 |
| Receivables   | 259                                   | (204)  | -   | 463                                   |
| Payables  | 329                                   | 46   | -   | 283                                   |
| Other accruals and additional charges                 | 3,787                                 | (846)  | 153   | 4,480                                 |
| Tax losses carried forward                            | 28,733                                | 28,733   | -   | -                                     |
| <b>Deferred tax assets</b>                            | <b>67,182</b>                         | <b>28,646</b>  | <b>160</b>  | <b>38,376</b>                         |
| Set off deferred tax assets / (liabilities)           | (66,984)                              |  |   | (37,207)                              |
| <b>Total deferred tax assets</b>                      | <b>198</b>                            |  |   | <b>1,169</b>                          |
| <b>Tax effect of taxable temporary differences</b>    |                                       |  |   |                                       |
| Inventories   | (2,544)                               | (202)  | -   | (2,342)                               |
| Property, plant and equipment                         | (174,966)                             | (18,910)   | -   | (156,056)                             |
| Intangible assets                                     | (13,632)                              | 681  | -   | (14,313)                              |
| Financial assets                                      | (139)                                 | 20   | -   | (159)                                 |
| Receivables   | (2,130)                               | 185  | -   | (2,315)                               |
| Payables  | (53)                                  | 2  | -   | (55)                                  |
| Other accruals and additional charges                 | (185)                                 | 361  | -   | (546)                                 |
| <b>Deferred tax liabilities</b>                       | <b>(193,649)</b>                      | <b>(17,863)</b>  | <b>-</b>  | <b>(175,786)</b>                      |
| Set off deferred tax assets / (liabilities)           | 66,984                                |  |   | 37,207                                |
| <b>Total deferred tax liabilities</b>                 | <b>(126,665)</b>                      |  |   | <b>(138,579)</b>                      |



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Temporary differences arising between the data of these consolidated financial statements and the data of tax accounting resulted in the following deferred assets and liabilities for income tax for 2015:

|   | As of<br>31 December<br>2015 | Changes<br>for the period<br>recognised<br>in profit (loss)<br>for the period | Changes<br>for the period<br>in other<br>comprehensive<br>income | As of<br>31 December<br>2014 |
|---|------------------------------|---|--|------------------------------|
| <b>Tax effect of deductible temporary differences</b> |                              |   |  |                              |
| Inventories   | 2,178                        | 502   | -  | 1,676                        |
| Property, plant and equipment                         | 22,574                       | (17,042)  | -  | 39,616                       |
| Intangible assets                                     | 4,390                        | 3,622   | -  | 768                          |
| Financial assets                                      | 4,008                        | (301)   | -  | 4,309                        |
| Receivables   | 463                          | (1,128)   | -  | 1,591                        |
| Payables  | 283                          | 66  | -  | 217                          |
| Other accruals and additional charges                 | 4,480                        | (1,263)   | 468  | 5,275                        |
| <b>Deferred tax assets</b>                            | <b>38,376</b>                | <b>(15,544)</b>   | <b>468</b>   | <b>53,452</b>                |
| Set off deferred tax assets / (liabilities)           | (37,207)                     |   |  | (52,356)                     |
| <b>Total deferred tax assets</b>                      | <b>1,169</b>                 |   |  | <b>1,096</b>                 |
| <b>Tax effect of taxable temporary differences</b>    |                              |   |  |                              |
| Inventories   | (2,342)                      | 119   | -  | (2,461)                      |
| Property, plant and equipment                         | (156,056)                    | (2,264)   | -  | (153,792)                    |
| Intangible assets                                     | (14,313)                     | (907)   | -  | (13,406)                     |
| Financial assets                                      | (159)                        | 1,667   | (72)   | (1,754)                      |
| Receivables   | (2,315)                      | 3,920   | -  | (6,235)                      |
| Payables  | (55)                         | 141   | -  | (196)                        |
| Other accruals and additional charges                 | (546)                        | 1,268   | -  | (1,814)                      |
| <b>Deferred tax liabilities</b>                       | <b>(175,786)</b>             | <b>3,944</b>  | <b>(72)</b>  | <b>(179,658)</b>             |
| Set off deferred tax assets / (liabilities)           | 37,207                       |   |  | 52,356                       |
| <b>Total deferred tax liabilities</b>                 | <b>(138,579)</b>             |   |  | <b>(127,302)</b>             |

As of 31 December 2016 and 2015, the Group did not recognise a deferred tax liability in respect of temporary differences associated with investments in subsidiaries, as the Group's Management believes that the zero rate of tax levied at source of income in respect of the distribution of dividends will be applied for the distribution of these dividends.

## 29 Earnings / (loss) per share

Basic earnings / (loss) per share for the year ended 31 December 2016 and for the year ended 31 December 2015 were calculated based on profit / (loss), attributable to holders of the Company's ordinary shares and the weighted average number of outstanding ordinary shares. The Company has no potential ordinary shares that have a dilutive effect.

|  | 2016              | 2015              |
|--|-------------------|-------------------|
| Shares outstanding as of 31 December, thousand                             | 35,725,995        | 35,725,995        |
| Effect of treasury shares, thousand  | (650)             | (650)             |
| Weighted average number of shares for the year ended 31 December, thousand | <b>35,725,345</b> | <b>35,725,345</b> |
| Net profit / (loss) for the reporting year attributable to shareholders    | (62,100)          | 761,558           |
| Dividends on preference shares, million rubles                             | -                 | (53,298)          |
| Basic and diluted earnings / (loss) per share, rubles                      | (1.74)            | 19.83             |

Basic and diluted earnings / (loss) per share for 2016 were calculated as a ratio of net loss for 2016 attributable to shareholders to the weighted average number of outstanding ordinary shares.

## 30 Contingencies and commitments

### **Court proceedings**

At the reporting date, the Group is a party to legal proceedings related to the Group's operations. The Group's Management believes that the results of these proceedings will not significantly affect the business operations and financial position of the Group.

### **Tax exposure**

Due to the constant changes in the tax system of the Russian Federation relating to the improvement of tax control mechanisms and regulation, the Group is exposed to tax risks associated with the occurrence of uncertain tax positions as a result of uncertainty in the interpretation of tax legislation.

The Management believes that the Group fully complies with the applicable tax legislation, so the results of tax audits have not affected and cannot significantly affect the business operations and financial position of the Group.

### **Capital expenditure commitments**

As of 31 December 2016, the Group has capital expenditure commitments related to the upgrading and construction of new capacities of LLC “KINEF” in the amount of RUB 7,552 million (as of 31 December 2015 – RUB 9,072 million). The obligations are to be executed in 2017.

### **Third-party commitments**

As of 31 December 2016, the Group has commitments in the form of surety in the amount of RUB 21,947 million.

As of 31 December 2015, the Group had commitments in the amount of RUB 22,138 million. Among them, issued bank guarantees equalled RUB 155 million, commitments in the form of surety – RUB 21,983 million.

### **Credit related commitments**

Credit related commitments of the Group's bank equal:

|   | As of<br>31 December 2016 | As of<br>31 December 2015 |
|---|---------------------------|---------------------------|
| Commitments to extend credit            | 3,521                     | 3,872                     |
| Import letters of credit                | 418                       | 508                       |
| Guarantees issued                       | 2,625                     | 4,821                     |
| <b>Total credit related commitments</b> | <b>6,564</b>              | <b>9,201</b>              |

### **Operating lease commitments**

Operating leases have various terms and conditions and primarily are agreements to lease land plots.

The total amount of operating lease expenses for 2016 amounts to RUB 1,163 million (for 2015 – RUB 1,258 million), and is included in the Group’s operating expenses. Future minimum lease payments under non-cancellable operating leases as of 31 December 2016 and 2015 are as follows:

|  | <b>2016</b>   | <b>2015</b>   |
|--|---------------|---------------|
| Less than 1 year                           | 1,263         | 1,270         |
| Between 1 and 5 years                      | 4,794         | 4,854         |
| More than 5 years                          | 39,673        | 41,483        |
| <b>Total future minimum lease payments</b> | <b>45,730</b> | <b>47,607</b> |

### **Environmental issues**

The Group complies with all the legal environmental standards and requirements. The Management believes that the Group efficiently minimises environmental risks by following industry standards and requirements, continuously monitoring its production facilities, employing modern machinery, technology and equipment and improving employees’ HSE expertise.

### **31 Operational risks**

The Group is exposed to risks inherent in the oil and gas sector in the process of its core activities. The most significant of them include the drop in oil and oil products prices, growth of prices for raw materials and services purchased which may lead to an increase in operational and capital expenditures.

The drop in hydrocarbon prices significantly influences the Company’s revenue, profitability and cash flow ratios. An extended period of low oil prices may lead to the postponement or cancellation of new projects implementation, reduced investment and impairment of the Company’s assets.

Hydrocarbon prices in the global and regional markets are affected by a number of factors. Among them there are: the state of the global economy, political situation in the countries which are the largest producers of hydrocarbons, change in energy resources consumption patterns, data on oil and oil products reserves, agreements of the OPEC member countries and other major oil producing countries on the volumes of oil production, investment volumes in the industry, availability of alternative fuels and development of hard-to-recover oil and gas reserves production.

In the Russian market oil and oil products prices depend on the trends of the global market. Additionally, prices for hydrocarbons are influenced by supply and demand balance in the domestic market, oil and gas sector regulation by the state and transportation costs.

Fundamentals that determine the pricing process in the hydrocarbons market are beyond the Group’s direct control.

The Group is subject to the risk of reduction in operation efficiency due to the operational and capital expenditures increase resulting from the growth of prices for materials, equipment, energy resources as well as tariff rates of the Company’s transport providers – PJSC “Transneft” and OJSC “RZD”. The Group pays much attention to cost control taking cost optimisation measures.

### **32 Capital and financial risk management**

The Group is exposed to different financial risks. The main of them are currency, interest, credit risks and risk of liquidity.

The Group has a risk management system and a number of procedures for quantitative evaluation of impact of risks and their control and selection of proper methods to manage risks. To optimise risks, the Group takes constant measures for improvement of the general methodology intended to identify, analyse, assess and monitor risks and to develop and implement technologies which can provide the Group’s continuous activity.

The Group does not apply derivative financial instruments to hedge financial risks, but takes into consideration their possible application in the operating and financial activities when developing investment projects, making plans and budgets. Besides, the Group insures its assets and operations to mitigate financial risks in the course of its financial and business activities.

### **Credit risk**

Credit risk is the risk of financial losses of the Group in case a counterparty defaults on its contractual obligations on the financial asset under the terms of the contract.

The Group is exposed to credit risk mainly in relation to accounts receivable and cash invested by the Group in fixed-term deposits in credit institutions. The Group's bank also performs crediting of legal entities and natural persons.

To mitigate such risk, the Group uses the system of integrated assessment of counterparties on the basis of qualitative and quantitative criteria to check their stable financial position and positive credit history. When concluding contracts with counterparties for the sale of products, the Group actively uses advance payment and payment by a letter of credit. Making advance payments to counterparties, the Group uses mechanisms of securing the payback: bank guarantees and sureties.

The Group has a well-reasoned approach to financial resources management and avoids excessive concentration of credit risk. To mitigate this risk, the Group uses its own formalised method of assessment of the financial position of banks which makes allowance for the credit portfolio quality, structure and dynamics of assets, liquidity level, efficiency of activity and other key indicators confirming the financial position of a credit institution. The Group monitors the financial position of counterparties' banks during the whole maturity period for its cash placement.

The carrying amount of financial assets is the maximum degree of credit risk.

**Cash and cash equivalents.** Cash and cash equivalents are placed into major banks with credit ratings given by the international agencies. The balances on all settlement accounts and short-term bank deposits with original maturity under contract less than three months are not overdue and not impaired.

As of 31 December 2016, RUB 3,497 million or 51% of cash is placed at settlement (correspondent) accounts with the Central Bank of the Russian Federation. As of 31 December 2015, RUB 5,469 million or 47% of cash was placed at settlement (correspondent) accounts with one bank with BBB+ international rating.

As of 31 December 2016, RUB 40,028 million or 41% of deposits with original maturity under contract less than three months are placed with one bank with BB+ international rating. As of 31 December 2015, RUB 32,121 million or 35% of deposits with original maturity under contract less than three months was placed with one bank with BB+ international rating.

Analysis of credit quality of the banks used by the Group to allocate cash and cash equivalents based on external credit ratings assigned to the banks at the reporting date is presented in the table below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

|  | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|--|-----------------------------------|-----------------------------------|
| Cash in hand                                 | 1,894                             | 2,103                             |
| Central bank of the Russian Federation       | 27,467                            | 3,711                             |
| <i>Commercial banks:</i>                     |                                   |                                   |
| Rating from A- to A+ (S&P)                   | 1,017                             | 133                               |
| Rating from BBB- to BBB+ (Fitch)             | 14,127                            | 26,255                            |
| Rating from BB- to BB+ (S&P, Moody's, Fitch) | 56,988                            | 73,020                            |
| Rating from B- to B+ (S&P)                   | 269                               | 441                               |
| No rating                                    | 5,691                             | 33                                |
| <b>Total cash and cash equivalents</b>       | <b>107,453</b>                    | <b>105,696</b>                    |

**Deposits placed.** The Group avoids excessive concentration of credit risk while placing the temporarily free cash in deposits with the banks. The Group has developed the methodology for assessment of the financial position of the banks that includes the analysis of the following criteria: the financial performance, the credit portfolio quality, the compliance of the norms with the accepted standards, the structure of the capital, other financial, non-financial, qualitative and quantitative indicators describing the

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position of a credit institution. The Group monitors the financial position of counterparties' banks during the whole maturity period for its cash placement.

On the basis of this assessment the Group determines the reliability of the banks, where the deposits are placed, as high, and, therefore, the Group's Management considers that there are no impairment indicators of investments in deposits at the reporting date.

Deposits are placed with the largest banks being tax residents of the Russian Federation.

The analysis of credit quality of the banks used by the Group to allocate deposits based on external credit ratings assigned to the banks at the reporting date is presented in the table below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Rating from BB- to BB+ (S&P, Moody's, Fitch) | 2,180,038                 | 2,465,934                 |
| Rating from B- to B+ (S&P)                   | -                         | 77                        |
| No rating                                    | 699                       | 1,347                     |
| <b>Total deposits placed</b>                 | <b>2,180,737</b>          | <b>2,467,358</b>          |

**Receivables.** While concluding a contract, the Group assesses the creditworthiness of buyers, their financial position and credit history. Afterwards, the Group is constantly controlling completeness and accuracy of settlements with counterparties.

The Group applies the letter of credit payment method to settle with debtors that substantially reduces credit risk. When advancing transactions, the Group uses bank guarantees and sureties to secure the payback.

Analysis of receivables as of 31 December 2016 by the period of delay from the due date is given below:

|                                | Amount<br>receivable as of<br>31 December 2016 | Amount of<br>provision as of<br>31 December 2016 | Amount receivable,<br>less provision as of<br>31 December 2016 |
|--------------------------------|--|--|--|
| <b>Trade receivables</b>       |  |  |  |
| not past due                   | 80,226   | (167)  | 80,059   |
| up to 6 months                 | 225  | -  | 225  |
| more than 1 year               | 4,436  | (5)  | 4,431  |
| <b>Total trade receivables</b> | <b>84,887</b>                                  | <b>(172)</b>                                     | <b>84,715</b>  |
| <b>Other receivables</b>       |  |  |  |
| not past due                   | 2,977  | (21)   | 2,956  |
| up to 6 months                 | 12   | -  | 12   |
| from 6 months to 1 year        | 9  | -  | 9  |
| more than 1 year               | 132  | (114)  | 18   |
| <b>Total other receivables</b> | <b>3,130</b>                                   | <b>(135)</b>                                     | <b>2,995</b>   |

Analysis of receivables as of 31 December 2015 by the period of delay from the due date is given below:

|                                | Amount<br>receivable as of<br>31 December 2015 | Amount of<br>provision as of<br>31 December 2015 | Amount receivable,<br>less provision as of<br>31 December 2015 |
|--------------------------------|--|--|--|
| <b>Trade receivables</b>       |  |  |  |
| not past due                   | 48,927   | (167)  | 48,760   |
| up to 6 months                 | 9  | (1)  | 8  |
| from 6 months to 1 year        | 2  | (2)  | -  |
| more than 1 year               | 5,340  | (2)  | 5,338  |
| <b>Total trade receivables</b> | <b>54,278</b>                                  | <b>(172)</b>                                     | <b>54,106</b>  |
| <b>Other receivables</b>       |  |  |  |
| not past due                   | 5,916  | (12)   | 5,904  |
| up to 6 months                 | 54   | (33)   | 21   |
| from 6 months to 1 year        | 12   | (6)  | 6  |
| more than 1 year               | 374  | (340)  | 34   |
| <b>Total other receivables</b> | <b>6,356</b>                                   | <b>(391)</b>                                     | <b>5,965</b>   |

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As of 31 December 2016, trade receivables in the amount of RUB 80,059 million (as of 31 December 2015 – RUB 48,760 million) are not overdue or impaired. The greater part of these receivables is mainly formed by trade receivables due from large Russian and foreign buyers of oil and oil products.

The redemption of the receivables can be influenced by economic factors, but the Management believes that there is no significant risk of loss to the Group exceeding the formed provision for the impairment of receivables.

Receivables are distributed geographically as follows:

|               | As of<br>31 December 2016 | As of<br>31 December 2015 |
|---------------|---------------------------|---------------------------|
| Europe        | 52,123                    | 36,880                    |
| Asia          | 24,167                    | 9,786                     |
| Russia        | 10,789                    | 13,405                    |
| CIS countries | 630                       | -                         |
| USA           | 1                         | -                         |
| <b>Total</b>  | <b>87,710</b>             | <b>60,071</b>             |

**Loans granted.** Short-term and long-term loans granted are represented by credits of the Group's bank and other loans. Credit risk management of the loan portfolio, granted by the Group's bank, is carried out by way of the volume limitation of credit operations as well as portfolio diversification according to the sectors and regions, the change of the amount and kind of the collateral, reservation as provided by the internal regulatory documents and the development of the optimal conditions for restructuring loans.

Credit and loan analysis by credit quality is presented below:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| <b>Due and unimpaired credits and loans:</b>                 |                           |                           |
| Borrowers with a credit history less than 1 year             | 14,764                    | 8,283                     |
| Borrowers with a credit history between 1 and 3 years        | 15,623                    | 17,108                    |
| Borrowers with a credit history more than 3 years            | 12,679                    | 10,974                    |
| <b>Overdue and/or impaired credits and loans:</b>            |                           |                           |
| Payment without delay  | 6,626                     | 12,178                    |
| Overdue for less than 30 days                                | 184                       | 169                       |
| Overdue between 30 and 360 days                              | 535                       | 493                       |
| Overdue more than 360 days                                   | 3,536                     | 3,331                     |
| <b>Total credits and loans gross of impairment provision</b> | <b>53,947</b>             | <b>52,536</b>             |

Overdue credits are supported by the collateral the fair value of which, as of 31 December 2016, equalled RUB 4,660 million (as of 31 December 2015 – RUB 1,557 million).

Interest credit cost by currency is presented below:

|            | As of<br>31 December 2016 | As of<br>31 December 2015 |
|------------|---------------------------|---------------------------|
| Rubles     | 13.14%                    | 13.73%                    |
| US Dollars | 3.66%                     | 4.89%                     |

**Other financial assets.** Short-term and long-term financial assets are represented by financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

Information on credit risk concerning financial assets at fair value through profit or loss is given below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

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|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Government bonds   | 65                        | 97                        |
| Subfederal and municipal bonds                                     |                           |                           |
| rating from B and higher (S&P)                                     | -                         | 82                        |
| Russian banks  |                           |                           |
| rating from B- to BB+ (S&P)  | -                         | 63                        |
| Russian companies  |                           |                           |
| rating from BBB- to BBB+ (S&P)                                     | -                         | 80                        |
| rating from B- to BB+ (S&P)  | -                         | 167                       |
| no rating  | 1                         | 1                         |
| <b>Total financial assets at fair value through profit or loss</b> | <b>66</b>                 | <b>490</b>                |

Information on credit risk concerning available-for-sale financial assets is presented below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Government, subfederal and municipal bonds       | 4,158                     | 4,430                     |
| Russian banks                                    |                           |                           |
| rating from BBB- to BBB+ (S&P)                   | 122                       | 115                       |
| rating from B- to BB+ (S&P, Moody's)             | 2,057                     | 2,040                     |
| no rating  | 1,067                     | 1,067                     |
| Foreign companies without rating                 | 4,218                     | 4,218                     |
| Russian companies                                |                           |                           |
| rating from BBB- to BBB+ (S&P)                   | 154                       | 945                       |
| rating from B- to BB+ (S&P, Moody's, Fitch)      | 2,403                     | 3,024                     |
| no rating  | 219                       | 206                       |
| <b>Total financial assets available-for-sale</b> | <b>14,398</b>             | <b>16,045</b>             |

In 2016 and 2015, no impairment of available-for-sale financial assets has been identified.

Information on credit risk on held-to-maturity investments is presented below. The relevant ratings are published by Standard & Poor's and other credit-rating agencies. The ratings are reconciled with the classification of Standard & Poor's:

|  | As of<br>31 December 2016 | As of<br>31 December 2015 |
|--|---------------------------|---------------------------|
| Government, subfederal and municipal bonds | 1,214                     | 1,656                     |
| Russian companies                          |                           |                           |
| rating from BBB- to BBB+ (S&P)             | -                         | 102                       |
| <b>Total investments held-to-maturity</b>  | <b>1,214</b>              | <b>1,758</b>              |

#### Liquidity risk

Liquidity risk is not significant to the Group, as the Group does not raise borrowed funds in money and credit markets to finance its current activities and implement new investment projects because it has sufficient liquid assets. The Group's system of financial planning allows us to make detailed schedules of future payments, establish a structure of the Group's cash flows that maintains sufficient liquidity for timely settlement of its liabilities.

The Group does not apply derivative financial instruments to hedge financial risks, but takes into consideration the possibility of their use when developing investment projects, plans and budgets. In order to reduce financial risks, the Group insures assets and operations in the process of financial and business activities.

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Information about the maturity of the financial liabilities of the Group in accordance with the contract dates remained to maturity dates is presented below. The sums show contractual undiscounted cash flows with future interest payments taken into consideration:

| <b>As of 31 December 2016</b>          | <b>Less than<br/>1 year</b> | <b>Between<br/>1 and 3<br/>years</b> | <b>Between<br/>3 and 5<br/>years</b> | <b>More<br/>than 5<br/>years</b> | <b>Total</b>   |
|--|-----------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------|
| Financial part of the accounts payable | 20,002                      | -                                    | -                                    | -                                | <b>20,002</b>  |
| Other financial liabilities            | 92,029                      | 18,876                               | 263                                  | -                                | <b>111,168</b> |
| Other liabilities                      | -                           | 894                                  | 89                                   | -                                | <b>983</b>     |
| <b>Total financial liabilities</b>     | <b>112,031</b>              | <b>19,770</b>                        | <b>352</b>                           | <b>-</b>                         | <b>132,153</b> |

| <b>As of 31 December 2015</b>          | <b>Less than<br/>1 year</b> | <b>Between<br/>1 and 3<br/>years</b> | <b>Between<br/>3 and 5<br/>years</b> | <b>More<br/>than 5<br/>years</b> | <b>Total</b>   |
|--|-----------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------|
| Financial part of the accounts payable | 24,476                      | -                                    | -                                    | -                                | <b>24,476</b>  |
| Other financial liabilities            | 79,149                      | 4,427                                | 162                                  | -                                | <b>83,738</b>  |
| Other liabilities                      | -                           | 920                                  | -                                    | -                                | <b>920</b>     |
| <b>Total financial liabilities</b>     | <b>103,625</b>              | <b>5,347</b>                         | <b>162</b>                           | <b>-</b>                         | <b>109,134</b> |

**Market risk**

Market risk is the risk that changes of currency rates, interest rates or commodity and service prices will have a negative effect on assessment of financial assets, financial liabilities and future cash flows of the Group. The Group's Management has developed the policies and guides used for market risk management.

**(a) Currency risk**

Currency risk is significant to the Group and can influence financial and production results of its activities. Significant part of the Group's revenue is formed by products export sales. Financial assets of the Group are placed in deposits mostly in US Dollars. Accordingly, changes of exchange rate of ruble to foreign currencies may worsen financial performance of the Group's activities.

The Group takes into account risks of exchange rate changes, estimates their possible influence on the key indicators of the Group's economic efficiency, determines parameters and scheme of placing financial reserves and performs current cash flow planning.

The Group regularly analyses the volatility of exchange rates, their influence on financial results of the Group, sensitivity of financial and business activity indicators to initial parameters and conducts relevant stress tests. The results of this work are considered by the Management when forming mid-term and short-term plans. However, due to existent internal reserves the Group has an opportunity to maintain the stable production process for the period of foreign currency fluctuations without debt financing.

The carrying amounts of the Group's financial instruments, as of 31 December 2016, denominated in the following currencies are presented below:

| <b>As of 31 December 2016</b>                         |                |                  |              |                  |
|---|----------------|------------------|--------------|------------------|
| <b>Assets</b>   | <b>Ruble</b>   | <b>US Dollar</b> | <b>Euro</b>  | <b>Total</b>     |
| Cash and cash equivalents                             | 102,098        | 4,258            | 1,097        | <b>107,453</b>   |
| Restricted cash                                       | 943            | -                | -            | <b>943</b>       |
| Deposits placed                                       | 3,356          | 2,177,371        | 10           | <b>2,180,737</b> |
| Financial assets at fair value through profit or loss | 66             | -                | -            | <b>66</b>        |
| Financial assets available-for-sale                   | 10,445         | 3,553            | 400          | <b>14,398</b>    |
| Investments held-to-maturity                          | 1,214          | -                | -            | <b>1,214</b>     |
| Receivables   | 10,349         | 77,037           | 324          | <b>87,710</b>    |
| Loans granted   | 46,128         | 1,273            | -            | <b>47,401</b>    |
| <b>Total financial assets</b>                         | <b>174,599</b> | <b>2,263,492</b> | <b>1,831</b> | <b>2,439,922</b> |



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|  |                |              |              |                |
|--|----------------|--------------|--------------|----------------|
| Financial part of the accounts payable | 16,852         | 2,850        | 300          | <b>20,002</b>  |
| Other financial liabilities            | 101,942        | 3,364        | 953          | <b>106,259</b> |
| Other liabilities                      | 805            | -            | -            | <b>805</b>     |
| <b>Total financial liabilities</b>     | <b>119,599</b> | <b>6,214</b> | <b>1,253</b> | <b>127,066</b> |

As of 31 December 2016, weakening of ruble by 20% against the US dollar with all the variables held constant would have positively influenced the Group's profit / (loss) before tax in the amount of RUB 451,456 million. The effect of corresponding strengthening of the Russian ruble against the US dollar is approximately equal and opposite.

The carrying amounts of the Group's financial instruments, as of 31 December 2015, denominated in the following currencies are presented below:

**As of 31 December 2015**

| <b>Assets</b>   | <b>Ruble</b>   | <b>US Dollar</b> | <b>Euro</b>  | <b>Total</b>     |
|---|----------------|------------------|--------------|------------------|
| Cash and cash equivalents                             | 51,250         | 52,841           | 1,605        | <b>105,696</b>   |
| Restricted cash                                       | 754            | -                | -            | <b>754</b>       |
| Deposits placed                                       | 4,084          | 2,463,262        | 12           | <b>2,467,358</b> |
| Financial assets at fair value through profit or loss | 490            | -                | -            | <b>490</b>       |
| Financial assets available-for-sale                   | 10,230         | 5,250            | 565          | <b>16,045</b>    |
| Investments held-to-maturity                          | 1,678          | -                | 80           | <b>1,758</b>     |
| Receivables   | 13,021         | 46,850           | 200          | <b>60,071</b>    |
| Loans granted   | 42,856         | 2,038            | -            | <b>44,894</b>    |
| <b>Total financial assets</b>                         | <b>124,363</b> | <b>2,570,241</b> | <b>2,462</b> | <b>2,697,066</b> |
| <b>Liabilities</b>                                    |                |                  |              |                  |
| Financial part of the accounts payable                | 19,049         | 5,010            | 417          | <b>24,476</b>    |
| Other financial liabilities                           | 78,507         | 3,806            | 1,113        | <b>83,426</b>    |
| Other liabilities                                     | 733            | -                | -            | <b>733</b>       |
| <b>Total financial liabilities</b>                    | <b>98,289</b>  | <b>8,816</b>     | <b>1,530</b> | <b>108,635</b>   |

As of 31 December 2015, weakening of ruble by 20% against the US dollar with all the variables held constant would have positively influenced the Group's profit / (loss) before tax in the amount of RUB 512,285 million. The effect of corresponding strengthening of the Russian ruble against the US dollar is approximately equal and opposite.

**(b) Interest rate risk**

Risk of fluctuations in the market interest rates has a limited impact on the Group's activities, as the Group finances capital investments and operating expenses from its own funds. At the same time, the Group constantly monitors the levels of profitability and risk in the money and capital markets in order to determine the best options for the placement of financial assets.

Information on interest rate ranges (annual) used to place financial assets sensitive to changes in interest rates is presented below:

| <b>Cash and cash equivalents</b>  | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|---|-----------------------------------|-----------------------------------|
| <b>Cash at settlement and correspondent accounts:</b>                     |                                   |                                   |
| US Dollars  | 0.00% - 1.00%                     | 0.01% - 1.00%                     |
| Euro  | 0.00% - 1.00%                     | 0.00% - 1.75%                     |
| Rubles  | 0.00% - 8.10%                     | 0.00% - 7.20%                     |
| <b>Deposits with original maturity under contract less than 3 months:</b> |                                   |                                   |
| US Dollars  | 2.10% - 3.00%                     | 0.47% - 0.70%                     |
| Rubles  | 6.00% - 10.50%                    | 4.10% - 11.35%                    |

| <b>Deposits placed</b> | <b>As of<br/>31 December 2016</b> | <b>As of<br/>31 December 2015</b> |
|------------------------|-----------------------------------|-----------------------------------|
| US Dollars             | 0.38% - 8.37%                     | 0.57% - 8.37%                     |
| Euro                   | 0.01%                             | 0.26%                             |
| Rubles                 | 7.5% - 11.30%                     | 7.50% - 14.57%                    |

### **(c) Commodity price risk**

The Group's performance is negatively influenced by inflation which implies higher essential costs of production affecting the profitability of the Group's current projects that may lead to a postponement or abandoning of new projects due to their economic inexpediency. The Group regularly analyses the impact of actual and expected inflation rates on the results of its current activities and feasibility of planned projects in the field of production, refining and marketing. To mitigate this risk, the Group holds procurement tenders and pays attention to finding the most reliable counterparties and the most favourable ways of goods and services delivery.

As of 31 December 2016, if the average oil and refined products prices related to the export market had weakened or strengthened by 20% with all other variables held constant, profit / (loss) before tax for 12 months of 2016 would have been lower or higher by RUB 153,137 million respectively.

As of 31 December 2015, if the average oil and refined products prices related to the export market had weakened or strengthened by 20% with all other variables held constant, profit / (loss) before tax for 12 months of 2015 would have been lower or higher by RUB 144,848 million respectively.

### **Capital risk management**

The Group's capital management seeks to continue as a going concern and to maximise the profit in the foreseeable future.

The Management considers equity and borrowed funds to be the principal elements of capital management. The Group's objective when managing capital risks is the ability to continue as a going concern in order to provide returns and benefits for shareholders. As of 31 December 2016, the total capital under the management of the Group is RUB 3,551,426 million (as of 31 December 2015 – RUB 3,665,865 million).

The Group finances its operations mainly from its own funds.

## **33 Fair value of assets and liabilities**

Fair value measurements are analysed and distributed by levels in the fair value hierarchy as follows: (a) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 measurements are valuations techniques with all significant inputs observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. calculated on the basis of the price); and (c) Level 3 measurements are valuations not based only on observable market data (i.e. a significant amount of unobservable data is required for assessment).

### **(a) Recurring fair value measurements**

Recurring fair value measurements are those that the financial reporting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the hierarchy of the fair value measurement for financial instruments recorded at fair value are given below:

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| <b>As of 31 December 2016</b>                                    | <b>Quoted prices in active markets (Level 1)</b> | <b>Valuation technique based on observable data (Level 2)</b> | <b>Valuation technique based on a significant amount of non-observable data (Level 3)</b> |
|--|--|---|---|
| Financial assets at fair value through profit or loss            | 65   | -   | 1   |
| Financial assets available-for-sale                              | 8,893  | -   | 5,505   |
| <b>Total financial assets at fair value on a recurring basis</b> | <b>8,958</b>                                     | <b>-</b>  | <b>5,506</b>  |
| <b>As of 31 December 2015</b>                                    | <b>Quoted prices in active markets (Level 1)</b> | <b>Valuation technique based on observable data (Level 2)</b> | <b>Valuation technique based on a significant amount of non-observable data (Level 3)</b> |
| Financial assets at fair value through profit or loss            | 489  | -   | 1   |
| Financial assets available-for-sale                              | 10,553   | -   | 5,492   |
| <b>Total financial assets at fair value on a recurring basis</b> | <b>11,042</b>                                    | <b>-</b>  | <b>5,493</b>  |

As of 31 December 2016 and 2015, the Group has no liabilities measured at fair value on a recurring basis.

The estimated fair value of a financial instrument is determined by the Group with reference to available market information (if any) and other valuation techniques as considered appropriate. The Management has used all available market information in estimating the fair value of financial instruments.

Valuation techniques such as discounted cash flow models and also models based on recent arm's length transactions or consideration of financial data of the investees are used to measure the fair value of certain financial instruments for which external market pricing information is not available.

Equity instruments which have no market quotation possess significant discrepancy between possible estimated fair values, and it is difficult to determine for certain the probability of applying this or that type of fair value assessment are accounted by their historical cost.

Within 2016 and 2015, there were no changes in valuation technique for Level 3 recurring fair value measurements.

**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

The comparison of the fair value and carrying amount of deposits and held-to-maturity investments is presented below. The carrying amounts of the remaining financial assets is approximately equal to their fair value.

|                              | <b>As of 31 December 2016</b> |                   | <b>As of 31 December 2015</b> |                   |
|------------------------------|-------------------------------|-------------------|-------------------------------|-------------------|
|                              | <b>Carrying amount</b>        | <b>Fair value</b> | <b>Carrying amount</b>        | <b>Fair value</b> |
| Deposits placed              | 2,180,737                     | 2,245,388         | 2,467,358                     | 2,460,605         |
| Investments held-to-maturity | 1,214                         | 1,228             | 1,758                         | 1,765             |

**Financial assets measured at amortised cost.** The estimated fair value of instruments with the fixed interest rate is based on discounting of expected cash flows coupled with applying interest rates to new instruments with similar credit risk and similar maturity. The discount rate used depends on the credit risk of the counterparty. The fair value of held-to-maturity investments has been determined by quotations of the demand.

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Financial assets by assessment categories are shown below:

| <b>As of<br/>31 December 2016</b> | <b>Loans and<br/>receivables</b> | <b>Assets<br/>available-for-<br/>sale</b> | <b>Assets<br/>at fair value<br/>through profit<br/>or loss</b> | <b>Investments<br/>held-to-<br/>maturity</b> | <b>Total</b>     |
|-----------------------------------|----------------------------------|---|--|--|------------------|
| Cash and cash equivalents         | 107,453                          | -   | -  | -  | 107,453          |
| Restricted cash                   | 943                              | -   | -  | -  | 943              |
| Deposits placed                   | 2,180,737                        | -   | -  | -  | 2,180,737        |
| Loans granted                     | 47,401                           | -   | -  | -  | 47,401           |
| Other financial assets            | -                                | 14,398                                    | 66   | 1,214  | 15,678           |
| Receivables                       | 87,710                           | -   | -  | -  | 87,710           |
| <b>Total financial assets</b>     | <b>2,424,244</b>                 | <b>14,398</b>                             | <b>66</b>  | <b>1,214</b>                                 | <b>2,439,922</b> |

  

| <b>As of<br/>31 December 2015</b> | <b>Loans and<br/>receivables</b> | <b>Assets<br/>available-for-<br/>sale</b> | <b>Assets<br/>at fair value<br/>through profit<br/>or loss</b> | <b>Investments<br/>held-to-<br/>maturity</b> | <b>Total</b>     |
|-----------------------------------|----------------------------------|---|--|--|------------------|
| Cash and cash equivalents         | 105,696                          | -   | -  | -  | 105,696          |
| Restricted cash                   | 754                              | -   | -  | -  | 754              |
| Deposits placed                   | 2,467,358                        | -   | -  | -  | 2,467,358        |
| Loans granted                     | 44,894                           | -   | -  | -  | 44,894           |
| Other financial assets            | -                                | 16,045                                    | 490  | 1,758  | 18,293           |
| Receivables                       | 60,071                           | -   | -  | -  | 60,071           |
| <b>Total financial assets</b>     | <b>2,678,773</b>                 | <b>16,045</b>                             | <b>490</b>   | <b>1,758</b>                                 | <b>2,697,066</b> |

**Liabilities measured at amortised cost**

All financial liabilities of the Group are measured at amortised cost. Financial liabilities are mainly funds of customers of the Group's bank, accounts payable to suppliers and contractors and other accounts payable.

The fair value of liabilities is determined by valuation techniques. The estimated fair value of instruments with the fixed interest rate and fixed maturity period is based on expected discounted cash flows coupled with applying interest rates to new instruments with similar credit risk and similar maturity period.

The carrying amount of liabilities measured at amortised cost is approximately equal to their fair value.

**34 Subsequent events**

Significant events, which have influenced or may influence the financial performance, the cash flow or operating results of the Group, did not take place in the period between the reporting date and the date these consolidated financial statements of the Group were signed.

# QUARTERLY REPORT

***Open Joint Stock Company “Surgutneftegas”***

***The issuer’s code: 00155-A***

**for 2Q2017**

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

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

Acting Director General

Date: 14 August 2017

\_\_\_\_\_ A.N.Bulanov  
signature

First Deputy Chief Accountant – Head of Accounting and  
Reporting Division

Date: 14 August 2017

\_\_\_\_\_ P.V.Shevelev  
signature  
STAMP

Contact person: **Anton I. Molchanov, Securities Division Head**

Telephone: **+7 (3462) 42 65 89**

Fax: **+7 (3462) 42 63 40**

E-mail: **Molchanov\_AI@surgutneftegas.ru**

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

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

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## Introduction

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

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

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

*The joint stock company is organized before 01 September 2014 and meets the criteria for public joint stock company.*

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

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

### **1.1. The issuer's bank accounts**

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

### **1.2. The issuer's auditor(s)**

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

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

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

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

INN: **7708000473**

OGRN: **1027739273946**

Telephone: **+7 (495) 721 3883**

Fax: **+7 (495) 721 3894**

E-mail: **office.msc@rosexpertiza.ru**

Auditor's membership in self-regulated audit organizations

Full name: **Self-Regulated Auditor Organization "Russian Union of Auditors"**

Location: **Petrovsky pereulok, 8, bld. 2 Russian Federation, Moscow, 107031**

Additional information: **LLC "Rosexpertiza" is entered into the Register of Auditors and Audit Organizations opened by Self-Regulated Auditor Organization "Russian Union of Auditors" under Main Registration Number (MRN) 11603046778.**

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

| <b>Accounting (financial) statements, year</b> | <b>Consolidated financial statements, year</b> |
|--|--|
| 2012   | 2012   |
| 2013   | 2013   |
| 2014   | 2014   |
| 2015   | 2015   |
| 2016   | 2016   |
| 2017   | 2017   |

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

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

Selection of the issuer's auditor

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

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

*There was no any special engagement of the auditor.*

Describe the procedure for determination of the auditor's (audit organization's) remuneration and specify the actual remuneration paid by the issuer to the auditor (audit organization) upon completion of the last completed financial year for which the auditor (audit organization) has carried out independent audit of annual accounting (financial) statements and (or) annual consolidated financial statements of the issuer: *LLC "Rosexpertiza" tenders its commercial offer to the Company's Board of Directors which specifies the audit procedure in all substantial aspects and contains an estimation of labor costs to conduct the audit of the Company's annual financial (accounting) statements and estimation of traveling expenses as well as includes a draft Auditing Services Agreement. If necessary, the Company may request information on additional estimations and explanations from LLC "Rosexpertiza". Based on the information provided, the Company's Board of Directors makes a decision in regard to the amount of remuneration to be paid to LLC "Rosexpertiza".*

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

### **1.3. The issuer's appraiser(s)**

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

### **1.4. The issuer's advisors**

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

### **1.5. Persons who signed the present quarterly report**

Name: *Bulanov Alexander Nikolaevich*

Year of birth: *1959*

Primary employment:

Company: *OJSC "Surgutneftegas"*

Position: *Chief Engineer – First Deputy Director General.*

Name: *Shevelev Pavel Vadimovich*

Year of birth: *1974*

Primary employment:

Company: *OJSC "Surgutneftegas"*

Position: *First Deputy Chief Accountant – Head of Accounting and Reporting Division*

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

### **2.1. The issuer's financial and economic performance**

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

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

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

| Indicator   | 2016, 6 months | 2017, 6 months |
|---|----------------|----------------|
| Labor productivity  | 4,566.99       | 5,243.81       |
| Debt to equity ratio  | 0.073          | 0.059          |
| Long-term debt to total amount of long-term debt and equity ratio | 0.022          | 0.022          |
| Debt to operating income (profit)                                 | 0.585          | 0.444          |
| Overdue debts, %  | 0.0001         | 0.0001         |

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

*Labor efficiency proves the effectiveness of labor potential use and operations. Increase of this indicator for 6 months of 2017 is due to positive dynamics of the Company's revenue.*

*Indicators "Debt to equity ratio" and "Long-term debt to total long-term debt and equity ratio" for 6 months of 2017 show a low level of the Company's dependence on raised and borrowed money, with indicator "Debt to equity ratio" retaining a decreasing tendency.*

*Indicator "Debt to operating income (profit)" demonstrates the Company's ability to cover its debts by operating income.*

*The level of the Company's overdue debts in the reporting period proves that the Company redeems its financial obligations in time. Credit risk is minimal.*

## 2.2. The issuer's market capitalization

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

Unit of measure: *thousand RUB*

| Indicator             | As of 31.12.2016 | As of 30.06.2017 |
|-----------------------|------------------|------------------|
| Market capitalization | 1,352,008,099.62 | 1,142,266,712.82 |

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

## 2.3. The issuer's liabilities

### 2.3.1. Borrowed funds and accounts payable

*As of 30.06.2017, the Company does not have borrowed funds.*

Structure of accounts payable

Unit of measure: *thousand RUB*

| Indicator | Indicator value |
|-----------|-----------------|
|-----------|-----------------|

|   |             |
|---|-------------|
| Total accounts payable                                    | 107,854,887 |
| including those overdue                                   | 280         |
| including   |             |
| accounts payable to the budget and state non-budget funds | 39,457,940  |
| including those overdue                                   |             |
| accounts payable to suppliers and contractors             | 22,937,967  |
| including those overdue                                   | 280         |
| accounts payable to personnel                             | 7,643,931   |
| including those overdue                                   |             |
| other   | 37,815,049  |
| including those overdue                                   |             |

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

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

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

### 2.3.2. The issuer's credit history

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

*The issuer did not have such obligations.*

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

As of 30.06.2017

Unit of measure: *thousand RUB*

| Indicator  | As of 30.06.2017 |
|--|------------------|
| Total amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard to which the issuer provided security if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full),                  | 21,836,197       |
| including liabilities of third parties   | 21,836,197       |
| Amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard to which the issuer provided security, if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full) in the form of pledge, |                  |
| including liabilities of third parties   |                  |
| Amount of security provided by the issuer (the amount (sum) of non-fulfilled liabilities in regard   | 17,430,527       |

|  |                   |
|--|-------------------|
| to which the issuer provided security, if in accordance with terms of provided security the fulfillment of the relevant liabilities is provided in full) in the form of guarantee, |                   |
| including liabilities of third parties   | <b>17,430,527</b> |

The issuer's liabilities related to security provided to third parties, including pledge or guarantee, that account for 5 and more percent of the book value of the issuer's assets as of the last date of the relevant reporting period: ***no such liabilities in this reporting period.***

#### **2.3.4. Other liabilities of the issuer**

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

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

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

### **Section III. Detailed information on the issuer**

#### **3.1. The issuer's history**

##### **3.1.1. The issuer's corporate name (name)**

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

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

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

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

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

Trademark registration

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

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

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

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

All previous names of the issuer during its existence

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

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

Introduced: ***15.09.1977***

Grounds for introduction:

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

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

Introduced: ***06.05.1993***

Grounds for introduction: ***Decree of the President of the Russian Federation No. 1403 "On Special Provisions for Privatization and Corporization of State Enterprises, Production and Scientific Production Associations in the Petroleum, Petroleum Refining and Petroleum Products Supply Industries" dated 17.11.1992.***

##### **3.1.2. State registration of the issuer**

Initial state registration

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

Date of state registration: **06.05.1993**

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

Registration of the legal entity:

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

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

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

### **3.1.3. Establishment and development of the issuer**

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

### **3.1.4. Contacts**

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

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

Telephone: **+7 (3462) 42 60 28; 42 61 33**

Fax: **+7 (3462) 42 64 94**

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

Website(s) where information about the issuer and securities issued and/or being issued by the issuer is available:

**<http://www.surgutneftegas.ru/ru/investors;>**

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

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

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

Telephone: **+7 (3462) 46 27 64**

Fax: **+7 (3462) 42 11 48**

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

**No website.**

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

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

Telephone: **+7 (495) 698 94 18**

Fax: **+7 (495) 698 94 14**

E-mail: **ir@surgutneftegas.ru**

Website: **www.surgutneftegas.ru**

### **3.1.5. Taxpayer identification number**

**8602060555**

### **3.1.6. Branches and representative offices of the issuer**

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

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

Head: **Bandura Sergei Nikolaevich**

Term of the Power of Attorney: **03.04.2018**

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

Head: **Kruglov Dmitry Valerievich**  
Term of the Power of Attorney: **03.04.2018**

### 3.2. Core operations of the issuer

#### 3.2.1. Core economic activities of the issuer

Code of economic activity which is core for the issuer

| OKVED2 codes   |
|----------------|
| <b>06.10.1</b> |

Other codes of economic activity assigned to the issuer

| OKVED2 codes   |
|----------------|
| <b>06.10.3</b> |
| <b>19.20.2</b> |
| <b>09.10.9</b> |
| <b>43.13</b>   |
| <b>46.71</b>   |
| <b>71.12.3</b> |

#### 3.2.2. Core operations of the issuer

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

Unit of measure: **thousand RUB**

Type of activity: **sale of oil**

| Indicator   | 2016, 6 months     | 2017, 6 months     |
|---|--------------------|--------------------|
| Revenue from sales (volume of sales) related to the specified type of activity, thousand RUB  | <b>305,862,428</b> | <b>335,275,102</b> |
| Revenue from sales (volume of sales) related to the specified type of activity in total revenue from sales (volume of sales) of the issuer, % | <b>65.5</b>        | <b>62.7</b>        |

Type of activity: **sale of oil products**

| Indicator   | 2016, 6 months     | 2017, 6 months     |
|---|--------------------|--------------------|
| Revenue from sales (volume of sales) related to the specified type of activity, thousand RUB  | <b>142,757,486</b> | <b>181,127,465</b> |
| Revenue from sales (volume of sales) related to the specified type of activity in total revenue from sales (volume of sales) of the issuer, % | <b>30.6</b>        | <b>33.9</b>        |

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



*For 6 months of 2017, the Company's revenue from sales (volume of sales) derived from core business operations on oil products increased by 26.9% as compared with the corresponding period of the previous year.*

*The key factor behind the increase in the Company's revenue on oil products is the growth of quotes and prices by 26.4% on average and increase in sales by 0.4%.*

#### Cost structure of the issuer

| Indicator  | 2016, 6 months | 2017, 6 months |
|--|----------------|----------------|
| Raw materials and supplies, %  | 4.34           | 3.41           |
| Acquired components and semi-finished articles, %  | 4.52           | 4.07           |
| Production works and services performed/rendered by third parties, %   | 19.97          | 17.15          |
| Fuel, %  | 0.24           | 0.33           |
| Energy, %  | 1.79           | 1.65           |
| Labor costs, %   | 13.33          | 11.14          |
| Interests on loans, %  | 0              | 0              |
| Rental payments, %   | 0.02           | 0.03           |
| Social expenditures, %   |                |                |
| Depreciation of fixed assets, %  | 17.02          | 16.44          |
| Taxes included in production costs, %  | 34.05          | 41.14          |
| Other costs, %   | 1.38           | 1.42           |
| amortization of intangible assets, %   | 0.13           | 0.15           |
| remuneration for innovation proposals, %   | 0              | 0              |
| compulsory insurance payments, %   | 0.07           | 0.06           |
| entertainment expenses, %  | 0              | 0              |
| other (facility guard and fire protection services, crew transportation services, information and computer services, advertising and auditing services, other expenses, including business travel expenses, expenses for voluntary insurance), % | 1.18           | 1.21           |
| Insurance premiums   | 3.34           | 3.22           |
| Total: Costs of production and sale of goods (works, services) (production costs), %   | 100            | 100            |
| For reference only: Revenue from sale of goods (works, services), % to cost of production  | 134.9          | 122.8          |

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

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

Standards (rules) used for accounting (financial) statements and calculations shown in this subparagraph: *The accounting (financial) statements of the Company have been prepared in accordance with the Federal Law of the Russian Federation No. 402-FZ "On Accounting" dated 06.12.2011, "Accounting and Reporting Regulations in the Russian Federation" approved by Order No. 34n of the Ministry of Finance of the Russian Federation dated 29.07.1998, "Accounting Regulations "Reporting of an Enterprise" PBU 4/99 approved by Order No. 43n of the Ministry of Finance of the Russian Federation dated 06.07.1999, 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 2017 for Accounting Purposes" and "Accounting Policy of OJSC "Surgutneftegas" for Taxation Purposes for 2017".*

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

#### For 6 months of 2017

Suppliers who provide at least 10 percent of all supplies of materials and goods (raw materials): *There are no*

*suppliers who provide at least 10 percent of all supplies of materials and goods (raw materials).*

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

*Changes in prices by more than 10 percent during 6 months of 2017 against the same period of 2016 refer to the following types of basic materials and goods (raw materials):*

- pipes;*
- fuel, lubricants and chemicals;*
- oil production equipment*
- building materials;*
- rolled metal products;*
- vehicles, tractors and oilfield machinery.*

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

*Imported materials and goods accounted for 16.2% of total supplies to the Company.*

*The financial position of OJSC "Surgutneftegas" ensures further availability of these sources and their alternatives.*

### **3.2.4. Marketing outlets for the issuer's products (works, services)**

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

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

*The issuer does not have permits (licenses), information about which must be specified in the quarterly report.*

### **3.2.6. Activity of certain categories of issuers**

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

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

#### **a) Mineral resources**

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

#### **1. Field: Zapadno-Surgutskoye**

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

Type of minerals: *oil*

Proved reserves: *ABC1 – 15,264 thous. tonnes; C2 – 2,765 thous. tonnes*

Production rate for the relevant reporting period (periods): *654.554 thous. tonnes*

#### **2. Field: Zapadno-Surgutskoye**

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

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 845 mn cub m; C2 – 140 mn cub m*

Production rate for the relevant reporting period (periods): *36.002218 mn cub m*

#### **3. Field: Vostochno-Surgutskoye**

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

Type of minerals: *oil*

Proved reserves: *ABC1 – 71,331 thous. tonnes; C2 – 10,552 thous. tonnes*

Production rate for the relevant reporting period (periods): *866.972 thous. tonnes*

#### **4. Field: Vostochno-Surgutskoye**

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

Type of minerals: *associated gas*

Proved reserves: *ABC1 – 4,303 mn cub m; C2 – 633 mn cub m*

Production rate for the relevant reporting period (periods): *51.454194 mn cub m*

#### **5. Field: Yaunlorskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 35,792 thous. tonnes; C2 – 3,099 thous. tonnes*  
Production rate for the relevant reporting period (periods): *468.531 thous. tonnes*

**6. Field: Yaunlorskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 3,987 mn cub m; C2 – 348 mn cub m*  
Production rate for the relevant reporting period (periods): *42.529650 mn cub m*

**7. Field: Fedorovskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 227,974 thous. tonnes; C2 – 35,488 thous. tonnes*  
Production rate for the relevant reporting period (periods): *2046.496 thous. tonnes*

**8. Field: Fedorovskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 130,699 mn cub m; C2 – 3,646 mn cub m*  
Production rate for the relevant reporting period (periods): *915.415230 mn cub m*

**9. Field: Lyantorskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 26,882 thous. tonnes; C2 – 409 thous. tonnes*  
Production rate for the relevant reporting period (periods): *1027.650 thous. tonnes*

**10. Field: Lyantorskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 104,407 mn cub m; C2 – 17 mn cub m*  
Production rate for the relevant reporting period (periods): *449.493079 mn cub m*

**11. Field: Bystrinskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 21,095 thous. tonnes; C2 – 1,420 thous. tonnes*  
Production rate for the relevant reporting period (periods): *631.859 thous. tonnes*

**12. Field: Bystrinskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 23,191 mn cub m; C2 – 64 mn cub m*  
Production rate for the relevant reporting period (periods): *177.137297 mn cub m*

**13. Field: Vachimskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 27,293 thous. tonnes; C2 – 1,780 thous. tonnes*  
Production rate for the relevant reporting period (periods): *310.081 thous. tonnes*

**14. Field: Vachimskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 10,583 mn cub m; C2 – 2,031 mn cub m*  
Production rate for the relevant reporting period (periods): *83.016866 mn cub m*

**15. Field: Rogozhnikovskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 89,031 thous. tonnes; C2 – 40,364 thous. tonnes*

Production rate for the relevant reporting period (periods): **792.356 thous. tonnes**

**16. Field: Rogozhnikovskoye**

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

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 6,594 mn cub m; C2 – 2,883 mn cub m**

Production rate for the relevant reporting period (periods): **55.804281 mn cub m**

**17. Field: Russkinskoye**

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

Type of minerals: *oil*

Proved reserves: **ABC1 – 56,251 thous. tonnes; C2 – 11,056 thous. tonnes**

Production rate for the relevant reporting period (periods): **762.053 thous. tonnes**

**18. Field: Russkinskoye**

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

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 2,346 mn cub m; C2 – 762 mn cub m**

Production rate for the relevant reporting period (periods): **39.518320 mn cub m**

**19. Field: Konitlorskoye**

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

Type of minerals: *oil*

Proved reserves: **ABC1 – 21,075 thous. tonnes; C2 – 172 thous. tonnes**

Production rate for the relevant reporting period (periods): **312.810 thous. tonnes**

**20. Field: Konitlorskoye**

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

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 896 mn cub m; C2 – 9 mn cub m**

Production rate for the relevant reporting period (periods): **24.975269 mn cub m**

**21. Field: Severo-Labatyuganskoye**

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

Type of minerals: *oil*

Proved reserves: **ABC1 – 51,246 thous. tonnes; C2 – 9,115 thous. tonnes**

Production rate for the relevant reporting period (periods): **1257.190 thous. tonnes**

**22. Field: Severo-Labatyuganskoye**

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

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 3,834 mn cub m; C2 – 721 mn cub m**

Production rate for the relevant reporting period (periods): **103.141989 mn cub m**

**23. Field: Zhumazhanovskoye**

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

Type of minerals: *oil*

Proved reserves: **ABC1 – 12,896 thous. tonnes; C2 – 7,534 thous. tonnes**

Production rate for the relevant reporting period (periods): **316.640 thous. tonnes**

**24. Field: Zhumazhanovskoye**

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

Type of minerals: *associated gas*

Proved reserves: **ABC1 – 793 mn cub m; C2 – 558 mn cub m**

Production rate for the relevant reporting period (periods): **17.632361 mn cub m**

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

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

Type of minerals: *oil*

Proved reserves: **ABC1 – 117,309 thous. tonnes; C2 – 2,809 thous. tonnes**

Production rate for the relevant reporting period (periods): **1254.094 thous. tonnes**

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

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 50,452 mn cub m; C2 – 5,941 mn cub m*  
Production rate for the relevant reporting period (periods): *124.504457 mn cub m*

**27. Field: Severo-Talakanskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *oil*  
Proved reserves: *ABC1 – 52,901 thous. tonnes; C2 – 24,664 thous. tonnes*  
Production rate for the relevant reporting period (periods): *471.680 thous. tonnes*

**28. Field: Severo-Talakanskoye**

Rights to the field are held by: *the issuer*  
Type of minerals: *associated gas*  
Proved reserves: *ABC1 – 23,863 mn cub m; C2 – 31,424 mn cub m*  
Production rate for the relevant reporting period (periods): *35.229377 mn cub m*

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

Legal entity that obtained a license: *the issuer*

**1. Number: KhMN 01525 NR**

Date of issue: *18.04.2001.*

Valid till: *31.12.2115.*

*according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Oktyabrsky and Khanty-Mansiysky Districts, area (sq. km) - 1271.50*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**2. Number: KhMN 11293 NE**

Date of issue: *05.09.2002*

Valid till: *31.12.2087*

*according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 1474.95*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**3. Number: KhMN 13455 NE**

Date of issue: **25.01.2006**

Valid till: **31.12.2094.**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**4. Number: YaKU 12061 NE**

Date of issue: **26.12.2003**

Valid till: **31.12.2081**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**5. Number: KhMN 00431 NE**

Date of issue: **05.03.1997**

Valid till: **31.12.2069**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**6. Number: KhMN 00435 NE**

Date of issue: **05.03.1997**

Valid till: **31.12.2100**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 1182.20**

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**7. Number: KhMN 00438 NE**

Date of issue: **05.03.1997**

Valid till: **31.12.2089**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

Description of subsoil plot provided for use:

**Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 457.578**

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**8. Number: KhMN 00408 NE**

Date of issue: **18.12.1996**

Valid till: **31.12.2129**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

Description of subsoil plot provided for use: **Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 1952.07**

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**9. Number: KhMN 00406 NE**

Date of issue: **18.12.1996**

Valid till: **31.12.2162**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 1815.72*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**10. Number: KhMN 00409 NE**

Date of issue: **18.12.1996**

Valid till: **31.12.2069**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**11. Number: KhMN 00407 NE**

Date of issue: **18.12.1996**

Valid till: **31.12.2129**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

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



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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**12. Number: KhMN 00417 NE**

Date of issue: **14.01.1997**

Valid till: **31.12.2083**

*according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

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

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**13. Number: KhMN 00564 NE**

Date of issue: **29.05.1997.**

Valid till: **31.12.2082**

*according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

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

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, area (sq. km) - 1046.28*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**14. Number: YaKU 14372 NE**

Date of issue: **21.01.2008**

Valid till: **01.02.2028**

*according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 “On Subsurface” dated 21.02.1992*

Description of subsoil plot provided for use: *the Republic of Sakha (Yakutia), Lensky District, area (sq. km) - 1188.46*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**15. Number: KhMN 14906 NR**

Date of issue: **27.04.2010**

Valid till: **31.12.2095**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**16. Number: KhMN 14757 NR**

Date of issue: **02.10.2009**

Valid till: **22.09.2034**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

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

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

Legal entity that obtained a license: *the issuer*

**17. Number: KhMN 13143 NR**

Date of issue: **18.05.2005**

Valid till: **16.05.2030**

*according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Basis for license issuance: *according to the Law of the Russian Federation No. 2395-1 "On Subsurface" dated 21.02.1992*

Description of subsoil plot provided for use: *Khanty-Mansiysky Autonomous Okrug – Yugra, Oktyabrsky and Khanty-Mansiysky Districts, area (sq. km) - 407.39*

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

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

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

Fulfillment by the issuer, its subsidiaries and affiliates of license obligations and any factors that may adversely affect fulfillment of license obligations and the possibility of their occurrence: *as of 30.06.2017, all conditions are being met.*

*This section provides a list of fields with production level of 2.0% and more of the total volume of oil produced by the Company in 2Q2017.*

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

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

*Oil, associated petroleum gas and natural gas production at the Company’s fields which are in development for 2Q2017 amounted to 15,002.028 thousand tonnes, 2,469.455883 million cubic meters and 23.337207 million cubic meters respectively.*

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

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

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

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

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

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

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

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

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

#### b) Mineral resources processing

Fixed assets used for processing

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

##### **OIL REFINING**

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

##### **GAS PROCESSING**

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

*The Company annually performs modernization and reconstruction of equipment and operational capacities.*

*The issuer, its subordinates do not engage any contractors to process mineral resources they produce.*

#### c) Products marketing

Permits granted by authorized government agencies for sale of mineral resources and their processed products and quotas, including export quotas: *In accordance with Federal Law of the Russian Federation No. 147-FZ “On Natural Monopolies” dated 17.08.1995, a duly registered oil producer and an organization being a parent company of an oil producer are granted with the right of access to the system of Russian trunk pipelines and terminals to transport oil out of the customs territory of the Russian Federation, proportionally to the volumes of produced oil pumped into the*

*system of trunk pipelines with a 100% trunk pipeline transmission capacity (subject to feasibility).*

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

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

### **3.3. Plans for the issuer's future activity**

*The long-term strategy of the Company is aimed at strengthening its position of a financially sustainable company with good production growth prospects in the domestic oil and gas sector. To achieve its goal, the Company is developing the following priority areas of business.*

#### *Oil and gas production:*

- to strengthen and enlarge the Company's mineral resource base through geological exploration and acquisition of new promising subsoil blocks;*
- to develop and apply innovative solutions, extend the introduction of advanced technologies and equipment enhancing the efficiency of geological exploration and field development, including fields with tight reserves;*
- to maintain production targets;*
- to form and develop new centers of hydrocarbon production;*
- to use the produced associated petroleum gas in the most efficient way;*
- to provide a high quality of work and control costs.*

#### *Oil refining and gas processing:*

- to enhance refining and processing efficiency through modernization and reconstruction of production facilities;*
- to increase an oil conversion ratio, share of light oil products yield and to reduce the volume of low-margin products;*
- to improve the quality of products and ensure compliance with Russian and international environmental quality standards;*
- to provide an extensive 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 sales of high-margin products;*
- to attract and retain consumers by providing high quality products and services at gas stations and implementation of loyalty programs;*
- to increase the efficiency of retail sales by developing a network of gas stations and expanding the range of related services.*

#### *Power generation:*

- to develop the energy complex which ensures generation, transmission and sale of electric and thermal energy;*
- to introduce energy-saving and energy efficient solutions and technologies 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 maintain the reputation of an attractive and responsible employer, creating environment for personnel development;*
- 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.*

*In 2017, the Company is planning to produce 61.1 million tonnes of oil, gas production will amount to 9.6 billion cubic meters. Programs for well construction and workover, well intervention services are designed and optimization of well stock operation modes is continued to ensure planned volume of production.*

*The Company is planning to put into development four new oil fields in 2017: the Sakhalinskoye field, the Yuzhno-Konitlorskoye field, the Filipenko field, the Logachev field. It is planned that the extent of prospecting and exploratory drilling will be about 200 thousand meters, development drilling – 4.6 million meters.*

*The Company's plans for oil and gas production may be adjusted depending on the situation in the hydrocarbons market.*

*In the refining sector, the Company will continue reconstruction and upgrading of the production facilities intended to enhance the range of products and improve the quality of fuel. In 2017, LLC "KINEF" is planning to refine 18.2 million tonnes of oil.*

*In the gas sector, the Company plans to refine 6.4 billion cubic meters of gas at its gas processing plant and utilize about 99% of associated petroleum gas.*

*In the marketing sector, the Company will focus on the strengthening competitive qualities of oil products, developing the network of gas filling stations though enhancing related products trade, expanding the range of products and improving the quality of service.*

*In the energy sector, the Company's efforts will focus on further development of its energy facilities and carrying out its energy conservation program. Power generated in-house by gas turbine and gas reciprocating engine power plants will be about 5.6 billion kWh.*

*In 2017, the Company will continue to pursue its environmental governance program. As part of its social responsibility initiatives, OJSC "Surgutneftegas" will promote comfortable work and leisure environment for its employees, implement various social programs and contribute to the social and economic development of the areas of its operations.*

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

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

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

#### **1. Full corporate name: *Limited Liability Company "Novgorodnefteproduct"***

Abbreviated corporate name: *LLC "Novgorodnefteproduct"*

Location: *Russian Federation, Veliky Novgorod*

INN: *5321059365*

OGRN: *1025300788644*

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

Type of control: *direct control*

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

| <b>Name</b>                      | <b>The person's share in the charter capital of the issuer, %:</b> | <b>The issuer's ordinary shares held by the person, %:</b> |
|----------------------------------|--|--|
| Serebrennikov Viktor Georgievich | <i>0</i>   | <i>0</i>   |

The company's collegiate executive body

*No provision is made for a collegiate executive body.*

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

Abbreviated corporate name: *LLC "Pskovnefteproduct"*

Location: *Russian Federation, Pskov*

INN: *6027042337*

OGRN: *1026000970049*

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

Type of control: *direct control*

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

**No provision is made for a collegiate executive body.**

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

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

Location: **Russian Federation, Tver, ul. Novotorzhskaya, 6**

INN: **6905041501**

OGRN: **1026900510647**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

**No provision is made for a collegiate executive body.**

4. Full corporate name: **Limited Liability Company "Kaliningradnefteproduct"**

Abbreviated corporate name: **LLC "Kaliningradnefteproduct"**

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

INN: **3900000136**

OGRN: **1023900589240**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

*No provision is made for a collegiate executive body.*

5. Full corporate name: **Limited Liability Company "Oil Refining and Petrochemical Enterprises Design Institute"**

Abbreviated corporate name: **LLC "Lengiproneftekhim"**

Location: **Russian Federation, Saint Petersburg, nab.Obvodnogo kanala, 94**

INN: **7810327462**

OGRN: **1057803105755**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

| Name                                 | The person's share in the charter capital of the issuer, %: | The issuer's ordinary shares held by the person, %: |
|--------------------------------------|---|---|
| Lebedskoy-Tambyev Mikhail Andreevich | 0   | 0   |

The company's collegiate executive body

*No provision is made for a collegiate executive body.*

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

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

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

INN: **7840016802**

OGRN: **1057807804064**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

*No provision is made for a collegiate executive body.*

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

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

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

INN: **8602103061**

OGRN: **1028600581811**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

*No provision is made for a collegiate executive body.*

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

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

Location: **Russian Federation, Leningradskaya Oblast, Kirishi**

INN: **4708007089**

OGRN: **1024701478735**

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

Type of control: **direct control**

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

*No provision is made for a collegiate executive body.*



9. Full corporate name: **Joint Stock Company “Surgutneftegasbank”**

Abbreviated corporate name: **JSC BANK “SNGB”**

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

INN: **8602190258**

OGRN: **1028600001792**

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

Type of control: **direct control**

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

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

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

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

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

The company's Board of Directors (Supervisory Board)

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

Individual executive body of the company

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

The company's collegiate executive body

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

**The Board is the collegial executive body of JSC BANK “SNGB”.**

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

As of 30.06.2017

Unit of measure: **thousand RUB**

| Name of fixed assets group                   | Historical (replacement) cost | Accumulated depreciation |
|--|-------------------------------|--------------------------|
| Land and objects of environmental management | 13,827,632                    |                          |

|   |                      |                      |
|---|----------------------|----------------------|
| Buildings, structures and transfer mechanisms | 2,711,815,783        | 2,069,604,604        |
| Machinery, equipment and vehicles             | 588,166,230          | 470,527,753          |
| Perennial growing stock                       | 127,527              | 18,168               |
| Other types of fixed assets                   | 5,253,933            | 3,585,209            |
| <b>TOTAL</b>                                  | <b>3,319,191,105</b> | <b>2,543,735,734</b> |

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

Reporting date: **30.06.2017**

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

Unit of measure: **thousand RUB**

| Name of fixed assets group                   | Historical (replacement) cost prior to revaluation | Residual (net of depreciation) historical (replacement) cost prior to revaluation | Date of revaluation | Full replacement cost after revaluation | Residual (net of depreciation) replacement cost after revaluation |
|--|--|---|---------------------|---|---|
| Land and objects of environmental management | 13,720,699   | 13,720,699  | 31.12.2016          | 13,839,793                              | 13,839,793  |
| Buildings and structures                     | 2,432,288,207                                      | 608,504,087   | 31.12.2016          | 2,645,884,706                           | 631,628,713   |
| Machinery, equipment and vehicles            | 554,215,204  | 118,693,435   | 31.12.2016          | 577,612,624                             | 121,499,177   |
| Perennial growing stock                      | 119,862  | 103,299   | 31.12.2016          | 119,862                                 | 103,299   |
| Other types of fixed assets                  | 4,817,910  | 1,417,175   | 31.12.2016          | 4,861,601                               | 1,423,900   |
| <b>Total</b>                                 | <b>3,005,161,882</b>                               | <b>742,438,695</b>  | <b>31.12.2016</b>   | <b>3,242,318,586</b>                    | <b>768,494,882</b>  |

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

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

## Section IV. Financial and business activities of the issuer

### 4.1. Results of the issuer's financial and business activities

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

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

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

| Indicator | 2016, 6 months | 2017, 6 months |
|-----------|----------------|----------------|
|-----------|----------------|----------------|

|  |                    |               |
|--|--------------------|---------------|
| Net profit margin, %   |                    | <b>11.845</b> |
| Asset turnover ratio, times  | <b>0.132</b>       | <b>0.149</b>  |
| Return on assets, %  |                    | <b>1.765</b>  |
| Return on equity, %  |                    | <b>1.869</b>  |
| Uncovered loss as of the reporting date                                | <b>141,896,132</b> |               |
| Uncovered loss as of the reporting date to book value of the assets, % | <b>4.023</b>       |               |

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

Economic analysis of profit/loss of the issuer based on the dynamics of these indicators as well as reasons which (according to the management bodies) led to the loss/profit of the issuer as shown in the accounting (financial) statements:

***indicators characterizing the Company's return and profitability for 6 months of 2017 indicate a stable financial position and effective use of the Company's assets;***

***increase in assets turnover ratio is due to increase in revenue from sales.***

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

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

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

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

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

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

| <b>Indicator</b>        | <b>2016, 6 months</b> | <b>2017, 6 months</b> |
|-------------------------|-----------------------|-----------------------|
| Net working capital     | <b>644,140,710</b>    | <b>624,983,798</b>    |
| Current liquidity ratio | <b>4.854</b>          | <b>6.187</b>          |
| Quick liquidity ratio   | <b>4.31</b>           | <b>5.463</b>          |

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

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

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

***changes in the net working capital and liquidity ratios are determined by reallocation of financial investments from current to non-current assets, as well as by decrease in the amount of dividends in accounts payable;***

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

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

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

#### 4.3. The issuer's financial investments

As of 30.06.2017

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

Investments in equity securities: *There are no investments in equity securities constituting 5 and more percent of all financial investments.*

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

Other financial investments

Object of financial investments: *deposits*

Amount of the investments in money terms: *2,118,367,337*

Unit of measure: *thousand RUB*

Returns from the object of financial investments or the procedure of its determination, the payment period: *deposit interest shall accrue from the date the funds are received into the deposit account until the date it is debited from that account and returned to the settlement/current account.*

Additional information: *no.*

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

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

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

#### 4.4. The issuer's intangible assets

As of 30.06.2017

Unit of measure: *thousand RUB*

| Name of intangible assets group | Historical (replacement) cost | Accumulated depreciation |
|---------------------------------|-------------------------------|--------------------------|
| TOTAL                           | 1,306,042                     | 859,866                  |

Accounting standards (rules) used by the issuer to disclose information about its intangible assets: *the Company records intangible assets in accordance with Order No. 153n dated 27.12.2007 of the Ministry of Finance of the Russian Federation "On Approval of Accounting Regulations "Intangible Assets Accounting" PBU 14/2007".*

Reporting date: *30.06.2017*

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

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

*For 6 months of 2017, the Company's R&D Institute "SurgutNIPIneft" carried out 91 research projects, and RUB 1,683,192 thousand was spent.*

*During 6 months of 2017, third-party contractors carried out 25 research projects, RUB 18,600 thousand was spent.*

*The total cost of 116 projects was RUB 1,701,792 thousand.*

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

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

*The section "Introduction of new operating procedures, production methods and equipment" of the innovative plan for 2017 includes 276 projects to introduce new equipment and technology. As many as 127 projects to introduce new technology were carried out during 6 months of 2017.*

*Thirty-nine business units of the Company were engaged in introduction of new engineering processes and new types of production methods and equipment.*

### **2. New equipment and technology testing.**

*The section "Pilot projects to test new equipment and technology" of the innovative plan for 2017 includes 133 projects. Subject to adjustments and amendments to the plan, tests during 6 months of 2017 were carried out under 103 projects. Tests of 20 models of new equipment were completed, 15 of them with positive results.*

### **3. Import substitution program.**

*In order to replace imported equipment, spare parts, and consumables with their domestic equivalents in 2017 there are 1,200 listed projects, which translates into savings of RUB 2,301,600 thousand.*

*During 6 months of 2017, 705 items of the plan were implemented with the economic benefit of more than RUB 760,500 thousand.*

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

*For 6 months of 2017, the Company drew up and submitted five applications to the Federal Institute of Industrial Property (FIPS): two applications for state registration of software and three applications for state registration of an invention.*

*The Company obtained two documents of title, including: 1 software program, 1 invention.*

*There are no risks connected with the possibility of patents term expiry, licenses for trademarks.*

*Rospatent is currently reviewing 10 applications, including: seven applications for inventions, one application for a utility model, two applications for software.*

*The obtained documents of title are recognized in the cost of the Company's intangible assets in amount of RUB 13,297 thousand for 6 months of 2017.*

Information on intellectual industrial property (inventions, utility models, industrial prototypes, trademarks) of the Company as of **30.06.2017**

| No. | Description of intellectual property   | Document of exclusive rights (patent, certificate) | Priority (commencement of document of title) | Period of validity of document of title |
|-----|--|--|--|---|
| 1   | 2  | 3  | 4  | 5                                       |
| 1.  | Trademark of STsBPO EPU (service mark)   | Certif. (TZ) No. 248903 dated 16.06.2003           | 02.11.1999                                   | 02.11.2019                              |
| 2.  | Well stream stimulation method   | Patent (I) No. 2209948 dated 10.08.2003            | 20.11.2000                                   | 20.11.2020                              |
| 3.  | Method of determination of SPM mass concentration with scratch resistance over 5 units by Mohs scale in a well production                    | Patent (I) No. 2273020 dated 27.03.2006            | 10.12.2003                                   | 10.12.2023                              |
| 4.  | BOP suspended manifold of modular-assembly drilling rigs   | Patent (PM) No. 43585 dated 27.01.2005             | 21.09.2004                                   | 21.09.2017                              |
| 5.  | Tubing-casing annulus sealing tool   | Patent (I) No. 2311525 dated 27.11.2007            | 10.01.2006                                   | 10.01.2026                              |
| 6.  | Method of hydraulic fracturing   | Patent (I) No. 2311528 dated 27.11.2007            | 10.01.2006                                   | 10.01.2026                              |
| 7.  | Bottom-hole formation zone protector   | Patent (PM) No. 72719 dated 27.04.2008             | 14.12.2007                                   | 14.12.2017                              |
| 8.  | Drilling bit design  | Patent (PM) No. 73017 dtd 10.05.2008               | 14.12.2007                                   | 14.12.2017                              |
| 9.  | Wash tank dewaxer  | Patent (PM) No. 79810 dtd 20.01.2009               | 14.02.2008                                   | 14.02.2018                              |
| 10. | Blowout valve  | Patent (PM) No. 80495 dated 10.02.2009             | 05.06.2008                                   | 05.06.2018                              |
| 11. | Loading control unit for natural gas liquids (NGL) and commercial propane/butane mixture (CPBM)  | Patent (PM) No. 89985 dated 27.12.2009             | 18.05.2009                                   | 18.05.2019                              |
| 12. | Method to remove insulating lacquer coatings of lacquer-impregnated windings of electric motors, including submersible electric motors (SEM) | Patent (I) No. 2396670 dated 10.08.2010            | 04.05.2009                                   | 04.05.2029                              |

|     |   |  |            |            |
|-----|---|--|------------|------------|
| 13. | Design of an adsorber vessel  | Patent (PM) No. 102307 dated 27.02.2011              | 19.07.2010 | 19.07.2020 |
| 14. | Restoration method of disturbed wetlands (swamplands)   | Patent (I) No. 2459397 dated 27.08.2012              | 22.09.2010 | 22.09.2030 |
| 15. | Production tree heater  | Patent (PM) No. 113902 dated 27.02.2012              | 20.07.2011 | 20.07.2021 |
| 16. | Sludge pump   | Patent (PM) No. 124335 dated 20.01.2013              | 14.12.2011 | 14.12.2021 |
| 17. | Method of determining kerogen parameters and its content in rocks   | Patent (I) No. 2485495 dated 20.06.2013              | 20.07.2011 | 20.07.2031 |
| 18. | Stand for pneumatic tests of screwed pipe joints  | Patent (PM) No. 136570 dated 10.01.2014              | 01.10.2012 | 01.10.2022 |
| 19. | Method for repairing a coiled tubing without retrieving the logging cable   | Patent (I) No. 2513319 dated 18.02.2014              | 27.07.2012 | 27.07.2032 |
| 20. | Design of the liner running into the well drilled under balance   | Patent (PM) No. 137571 dated 20.03.2014              | 26.03.2013 | 26.03.2023 |
| 21. | Open Joint Stock Company "Surgutneftegas"   | Certificate of trademark No. 438918 dated 09.06.2011 | 06.05.2010 | 06.05.2020 |
| 22. | Equipment for multizone well survey and operation   | Patent (PM) No. 131074 dated 10.08.2013              | 10.01.2013 | 10.01.2023 |
| 23. | Turning casing float valve  | Patent (PM) No. 135706 dated 20.12.2013              | 23.07.2013 | 23.07.2023 |
| 24. | Circular casing module  | Patent (PM) No. 146266 dated 03.09.2014              | 19.05.2014 | 19.05.2024 |
| 25. | Mobile pumping unit   | Patent (PM) No. 159093 dated 29.12.2015              | 01.06.2015 | 01.06.2025 |
| 26. | Tight connection design for running liner sections with multi-stage hydraulic fracturing equipment.   | Patent (PM) No. 158893 dated 22.12.2015              | 30.09.2015 | 30.09.2025 |
| 27. | Electric submersible pump of a packet assembly type comprised of stages stacked in series   | Patent (PM) No. 161445 dated 01.04.2016              | 30.04.2015 | 30.04.2025 |
| 28. | Open Joint Stock Company "Surgutneftegas" (logotype)  | Certificate of trademark No. 580396 dated 12.07.2016 | 25.03.2015 | 25.03.2025 |
| 29. | A method of reclamation of sludge pits without backfilling in the territory of the State Forest Fund of the middle taiga subzone of Western Siberia | Patent (I) No. 2617632 dated 25.04.2017              | 17.06.2015 | 17.06.2035 |
| 30. | The technique of making geological and hydrodynamic models of double deposit media of the Bazhenov play   | Patent (PM) No. 2601733 dated 13.10.2016             | 23.10.2014 | 23.10.2034 |

#### 4.6. Oil and gas industry trends analysis

*The development of oil and gas sector in Russia depends greatly on the ongoing changes in the global oil and gas industry as well as on the governmental control of this industry.*

*In 2016, the Russian oil and gas industry was influenced by low global oil price quotes and changes adopted in the tax legislation one year earlier.*

*In the reporting period, the volume of oil production in Russia increased by 2.5% compared to 2015 and totaled 547.5 million tonnes. Refined crude oil amounted to 52% which is 2% down against the previous year. The volume of oil refining at the Russian refineries has slightly lowered and equals 279.4 million tonnes, the production of basic oil products went down by 7.3%. Despite the decrease in oil refining, the main products output structure improved: production of fuel oil significantly decreased by 20%, production of motor gasoline and diesel fuel increased.*

*In the reporting period, oil and gas companies increased the amount of drilling by 11.8%: exploratory drilling – to 914 thousand meters; development drilling – to 24,680 thousand meters.*

*The Company is one of the leading vertically integrated oil companies in Russia. At the end of 2016, it accounted for over 11% of the industry production, about 7% of total Russian refining.*

*Oil production of the Company totaled 61.8 million tonnes in 2016, which is 0.4% higher than in 2015. A crucial role in sustaining the oil production belongs to East Siberian fields: in the reporting period, this region increased its share to 14.4%. The Company annually develops new fields, strives to use natural resources efficiently. Gas utilization by the Company reached 99.34% in 2016, which is one of the highest rates in the industry.*

*The Company increased the scope of development drilling by 4.5% against 2015 and it reached 4,500 thousand meters. The exploratory drilling meterage remained approximately on the level of the previous year and amounted to 201.4 thousand meters. In the reporting period, the Company ensured 18.2% of development drilling and 21.6% of exploratory drilling in Russia.*

*In January-December 2016, the volume of oil refining at the Company's refinery LLC "KINEF" totaled 18.5 million tonnes, which is about 30% of produced oil.*

*In 1H2017, we witnessed further recovery of oil prices in the global market that was largely facilitated by the agreements among oil producing countries on the volume of oil produced.*

*For 6 months of 2017, oil production in Russia insignificantly increased (by 0.9%) and totaled 272.3 million tonnes. The Russian refineries processed 138 million tonnes, or more than 50% of the crude produced. The volume of oil refining increased by 1.9% compared to the same period of the last year. The main products output structure showed the reduction of fuel oil and motor gasoline, while the production of diesel fuel increased.*

*In 1H2017, the amount of exploratory drilling in oil companies increased by 4.4% compared to the same period of the previous year and amounted to 522.2 thousand meters. The amount of development drilling for 6 months of 2017 reached 12,846.5 thousand meters that is 6.8% up on the same period in 2016.*

*In 1H2017, the Company produced 30.1 million tonnes of crude oil, which is 11% of the industry production. Surgutneftegas increased the scope of development drilling by 1.6% against the same period of 2016 and reached 2,245.7 thousand meters. Exploratory drilling performed by the Company amounted to 102.9 thousand meters, which is by 3.1% less compared to 1H2016. The share of the Company in the development drilling in Russia amounts to 17.5%, and in the exploratory drilling – 19.7%. Oil refining throughput at LLC "KINEF" amounted to 9.6 million tonnes for 6 months of 2017, which is 7% of Russian refining volumes.*

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

*The Company's financial results are affected by the following key factors:*

- hydrocarbon price trends in global and domestic markets;*
- tax burden ratio;*
- foreign exchanges/national currency rate;*
- inflation rate and natural monopoly tariffs;*
- operating figures.*

*Hydrocarbon price trends in global and domestic markets*

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

*In 2Q2017 against the previous quarter, world oil prices went down: the price of Brent – by 7.5%, Urals – by 6.8% and amounted to 49.64 USD/bbl and 48.67 USD/bbl respectively. Compared to the same period of 2016, oil prices went up: the price of Brent – by 8.9%, Urals – 11.1%.*

*The price in the domestic market of Russia depends on export alternatives and is based on seasonal demand for hydrocarbons, transportation costs and other factors. In 2Q2017, the weighted average oil price in the open Russian market decreased by 10.8% against the previous quarter, increased by 5.5% against the same quarter in 2016 and amounted to 16 thousand RUB/tonne (West-Siberian petroleum province).*

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

*Tax burden ratio*

*In 2017, "tax maneuver" policy was continued in the oil and gas industry: since 01 January 2017, a new MET base rate on oil as well as a new coefficient increasing a MET rate according to the determined indices have been introduced, the coefficient for crude export duty rate calculation has been reduced, and coefficients used to calculate the rate of export duty on oil products have been changed. Besides, since 01 January 2017, rates of excise duties on diesel fuel has been increased.*

*In 2Q2017, the average duty rate for oil to be exported to non-CIS countries dropped by 2.5% against the previous quarter and amounted to 84.3 USD/tonne, and increased by 25.5% against 2Q2016. At the same time, export duties reduced rate for East Siberian crude oil remained at a zero level.*

*Since 01 January 2017, the MET rate has increased to 919 RUB/tonne (in 2016, it was 857 RUB/tonne). In the reporting quarter, decrease of oil price quotes in the global market and strengthening of national currency against the US dollar was observed as compared to the previous quarter, which led to decrease of the MET effective rate by 11.7%. Under the influence of several factors (growth of base tax rate, weakening of the US dollar against the ruble, increasing global oil price quotes), MET effective rate grew by 14.5% compared to the same period of the previous year.*

*Foreign exchanges/national currency rate*

*A significant part of the Company's revenue from export of crude oil and oil products is denominated in foreign currency. Moreover, a significant part of the Company's investment is placed in deposit accounts in foreign currencies, mainly in US dollars. Therefore, any fluctuations in the exchange rate of the Russian ruble to main currencies significantly influence the Company's financial results, including revenue, other income, and other expenses.*

*During 2Q2017, the national currency continued strengthening against the US dollar. As a result, the average USD rate for the reporting quarter was 57.15 RUB/USD, or 2.9% lower than in the previous quarter. The USD/national currency rate decreased by 13.3% against 2Q2016.*

#### ***Inflation rate and natural monopoly tariffs***

*The Company's financial and business activity is adversely affected by inflation growth rates and higher natural monopoly tariffs because they lead to price growth and, therefore, the increase of the Company's costs.*

*In the reporting quarter, the growth of tariffs of PJSC "Transneft" for pipeline transportation and service tariffs for orders and supervision of crude delivery on the routes used by the Company equaled 3.4% compared to 2Q2016. There were no changes in tariffs compared to the previous quarter.*

*Inflation rate in 2Q2017 increased as compared to the previous quarter, and against 2Q2016, and amounted to 1.3%.*

#### ***Operating figures***

*Following the results of the reporting quarter, the Company's crude output decreased against the previous quarter and 2Q2016 and amounted to 15 million tonnes.*

*In 2Q2017, gas production totaled 2.49 billion cubic meters, 1.6% lower compared to the previous quarter. The volume of gas production increased by 2.4% compared to 2Q2016. The Company's gas processing plant processed 1.5 billion cubic meters of gas, a 6.3% decrease against the previous quarter. The volume of gas processing increased by 4.2% compared to 2Q2016.*

*In 2Q2017, the amount of development drilling of the Company increased by 12.5% against the previous quarter and totaled 1,189 thousand meters, and decreased by 1.5% against the same period in 2016. The exploratory drilling meterage amounted to 44 thousand meters, which is 25.4% less against the previous quarter, and by 9.7% – against 2Q2016.*

*The Company generated 1,321 million kWh of electric power at its gas turbine power stations, which is a 4% decrease from the previous quarter. Compared to the same period of 2016, it means a 1.5% increase.*

#### **4.8. The issuer's competitors**

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

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

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

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

### **5.2. Members of the issuer's management bodies**

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

Name: *Erokhin Vladimir Petrovich*

(Chairman)

Year of birth: *1949*

Education: *higher professional*

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

| Period |         | Organization                              | Position                           |
|--------|---------|---|------------------------------------|
| from   | to      |   |                                    |
| 2012   | present | Open Joint Stock Company "Surgutneftegas" | Chairman of the Board of Directors |



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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

Name: **Bogdanov Vladimir Leonidovich**

Year of birth: **1951**

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

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

| Period |              | Organization  | Position                                |
|--------|--------------|---|---|
| from   | to           |   |   |
| 2012   | present      | Open Joint Stock Company "Surgutneftegas"                 | Director General                        |
| 2012   | present      | Open Joint Stock Company "Surgutneftegas"                 | Vice Chairman of the Board of Directors |
| 2012   | January 2013 | Limited Liability Company "National Petroleum Consortium" | Member of the Board of Directors        |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

Name: **Bulanov Alexander Nikolaevich**

Year of birth: **1959**

Education: **higher professional**

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

| Period |         | Organization             | Position                               |
|--------|---------|--------------------------|--|
| from   | to      |                          |  |
| 2012   | present | Open Joint Stock Company | Chief Engineer – First Deputy Director |

| Period |         | Organization                                 | Position                         |
|--------|---------|--|----------------------------------|
|        |         | “Surgutneftegas”                             | General.                         |
| 2012   | present | Open Joint Stock Company<br>“Surgutneftegas” | Member of the Board of Directors |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

**The person does not have such shares.**

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

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

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

Name: **Dinichenko Ivan Kalistratovich**

**Independent Member of the Board of Directors**

Year of birth: **1946**

Education: **higher professional**

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

| Period    |         | Organization                                 | Position                         |
|-----------|---------|--|----------------------------------|
| from      | to      |  |                                  |
| June 2014 | present | Open Joint Stock Company<br>“Surgutneftegas” | Member of the Board of Directors |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

| Committee                                 | Chairman |
|---|----------|
| Audit Committee of the Board of Directors | No       |

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

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

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

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

Name: **Krivosheev Viktor Mikhailovich**

Year of birth: **1953**

Education: **higher professional**

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

| Period | Organization | Position |
|--------|--------------|----------|
|--------|--------------|----------|

| from      | to      |  |                                  |
|-----------|---------|--|----------------------------------|
| June 2014 | present | Open Joint Stock Company<br>“Surgutneftegas” | Member of the Board of Directors |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

Name: **Matveev Nikolai Ivanovich**

Year of birth: **1942**

Education: **higher professional**

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

| Period |         | Organization                                 | Position                         |
|--------|---------|--|----------------------------------|
| from   | to      |  |                                  |
| 2012   | present | Open Joint Stock Company<br>“Surgutneftegas” | Member of the Board of Directors |

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

| Committee                                 | Chairman |
|---|----------|
| Audit Committee of the Board of Directors | No       |

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

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

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

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

Name: **Raritsky Vladimir Ivanovich**

Year of birth: **1940**

Education: **higher professional**

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

| Period    |         | Organization                                 | Position                         |
|-----------|---------|--|----------------------------------|
| from      | to      |  |                                  |
| June 2014 | present | Open Joint Stock Company<br>“Surgutneftegas” | Member of the Board of Directors |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

Name: **Usmanov Ildus Shagalievich**

Year of birth: **1954**

Education: **higher professional**

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

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

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

Name: **Shashkov Vladimir Aleksandrovich**

**Independent Member of the Board of Directors**

Year of birth: **1946**

Education: **higher professional**

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

| Period |         | Organization             | Position                         |
|--------|---------|--------------------------|----------------------------------|
| from   | to      |                          |                                  |
| 2012   | present | Open Joint Stock Company | Member of the Board of Directors |

|  |  |                  |  |
|--|--|------------------|--|
|  |  | "Surgutneftegas" |  |
|--|--|------------------|--|

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

| Committee                                 | Chairman |
|---|----------|
| Audit Committee of the Board of Directors | Yes      |

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

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

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

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

### 5.2.2. Individual executive body of the issuer

Name: **Bogdanov Vladimir Leonidovich**

Year of birth: **1951**

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

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

| Period |              | Organization  | Position                                |
|--------|--------------|---|---|
| from   | to           |   |   |
| 2012   | present      | Open Joint Stock Company "Surgutneftegas"                 | Director General                        |
| 2012   | present      | Open Joint Stock Company "Surgutneftegas"                 | Vice Chairman of the Board of Directors |
| 2012   | January 2013 | Limited Liability Company "National Petroleum Consortium" | Member of the Board of Directors        |

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

**The person does not have such shares.**

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

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

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

### 5.2.3. The issuer's collegiate executive body

**No provision is made for a collegiate executive body.**

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

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

**Remuneration**

The Board of Directors

Unit of measure: *thousand RUB*

| Indicator   | 2017, 6 months  |
|---|-----------------|
| Remuneration for the participation in the work performed by the management body | <i>10,414.9</i> |
| Salary  |                 |
| Bonus   |                 |
| Commission  |                 |
| Other types of remuneration   | <i>132.6</i>    |
| TOTAL   | <i>10,547.5</i> |

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

Compensation

Unit of measure: *thousand RUB*

| Management body        | 2017, 6 months |
|------------------------|----------------|
| The Board of Directors | <i>4,177.7</i> |

Additional information: *no*.

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

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

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

Agency supervising the issuer's financial and business activities: *Auditing Committee*Name: *Klinovskaya Taisiya Petrovna*

(Chairman)

Year of birth: *1946*Education: *higher professional*

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

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

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

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: *the issuer did not issue any options.*

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

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

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

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

Name: **Oleynik Tamara Fedorovna**

Year of birth: **1947**

Education: **secondary professional**

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

| Period |    | Organization | Position |
|--------|----|--------------|----------|
| from   | to |              |          |

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

Name: **Musikhina Valentina Viktorovna**

Year of birth: **1960**

Education: **secondary professional**

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

| Period |    | Organization | Position |
|--------|----|--------------|----------|
| from   | to |              |          |

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

Number of the issuer's shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer's options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

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

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

Name: **Arteeva Alexandra Ivanovna**

Year of birth: **1959**

Education: **higher professional**

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

outside employment, in date order

| Period |         | Organization                                 | Position                       |
|--------|---------|--|--------------------------------|
| from   | to      |  |                                |
| 2012   | present | Open Joint Stock Company<br>“Surgutneftegas” | Head of Internal Audit Service |

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

Number of the issuer’s shares of each category (type) that may be acquired by the person as a result of exercise of rights to the issuer’s options held by the person: **the issuer did not issue any options.**

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

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

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

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

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

### Remuneration

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

Unit of measure: **thousand RUB**

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

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

Unit of measure: **thousand RUB**

| Indicator   | 2017, 6 months |
|---|----------------|
| Remuneration for the participation in the work performed by the agency supervising the issuer’s financial and business activities | 0              |
| Salary  |                |
| Bonus   |                |
| Commission  |                |
| Other types of remuneration   |                |
| TOTAL   | 0              |

Existing agreements in relation to such payments in the current financial year: **no.**

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

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

Unit of measure: **thousand RUB**



| Indicator   | 2017, 6 months |
|---|----------------|
| Remuneration for the participation in the work performed by the agency supervising the issuer's financial and business activities |                |
| Salary  | 5,099.2        |
| Bonus   | 832            |
| Commission  |                |
| Other types of remuneration   |                |
| TOTAL   | 5,931.2        |

Existing agreements in relation to such payments in the current financial year: *no*.

#### Compensation

Unit of measure: *thousand RUB*

| Supervising body (of the business unit) | 2017, 6 months |
|---|----------------|
| Auditing Committee                      | 72             |
| Internal Audit Service                  | 326.9          |

Additional information: *no*.

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

Unit of measure: *thousand RUB*

| Indicator                                | 2017, 6 months |
|--|----------------|
| Average number of employees, people      | 102,073        |
| Gross payroll for the reporting period   | 57,202,904.3   |
| Social payments for the reporting period | 493,387.9      |

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

#### 5.8. Obligations of the issuer to its employees (workers) relating to their possible participation in the issuer's charter capital

*The issuer has no obligations to its employees (workers) relating to their possible participation in the issuer's charter capital.*

### Section VI. The issuer's members (shareholders) and interested party transactions conducted by the issuer

#### 6.1. Total number of the issuer's shareholders (members)

The total number of persons having a non-zero balance accounts registered in the issuer's shareholder register as of the

end of the reporting quarter: **32,535**

Total number of the issuer's nominee shareholders: **6**

The total number of persons included in the most recently compiled list of persons who had (have) the right to participate in the issuer's general shareholders' meeting (other list of persons compiled in order to exercise (realize) rights to the issuer's shares, and for the compiling of which the nominee holders of the issuer's shares provided data on persons, on behalf of which they held (hold) the issuer's shares): **29,869**

Date when the list of persons included in the most recently compiled list of persons who had (have) the right to participate in the issuer's general shareholders' meeting is compiled (other list of persons compiled in order to exercise (realize) rights to the issuer's shares, and for the compiling of which the nominee holders of the issuer's shares provided data on persons, on behalf of which they held (hold) the issuer's shares): **4 June 2017**

Holders of the issuer's ordinary shares who were to be included in such list: **29,869**

Holders of the issuer's preference shares who were to be included in such list: **0**

Information on the number of treasury shares on the issuer's balance as of the day of the reporting quarter: ***There are no treasury shares on the issuer's balance.***

Information on the number of the issuer's shares held by its subordinates

Category of shares: ***ordinary***

Number of the issuer's shares held by its subordinates: **650,000**

**6.2. The issuer's members (shareholders) holding at least five percent of its charter capital or at least five percent of its ordinary shares as well as persons controlling such members (shareholders) and in absence of such persons – members (shareholders) of such persons who hold at least 20 percent of the charter capital or at least 20 percent of their ordinary shares**

The issuer's members (shareholders) holding at least five percent of its charter capital or at least five percent of its ordinary shares

***1. Nominee holder***

Information on nominee holder:

Full corporate name: ***Non-banking credit organization Joint-Stock Company "National Settlement Depository"***

Abbreviated corporate name: ***NCO JSC NSD***

Location: ***105066 Russia, Moscow, ul. Spartakovskaya, 12***

INN: ***7702165310***

OGRN: ***1027739132563***

Telephone: ***+7 (495) 232 0273***

Fax: ***+7 (495) 956 0938***

E-mail: ***reginfo@nsd.ru***

License of securities market professional participant

Number: ***045-12042-000100***

Date of issue: ***19.02.2009***

Valid till: ***unlimited***

Issuing authority: ***Federal Financial Markets Service (FSFR) of Russia***

Number of the issuer's ordinary shares registered in the issuer's shareholder register in the name of the said nominee holder: **3,900,898,401**

Number of the issuer's preference shares registered in the issuer's shareholder register in the name of the said nominee holder: **5,077,526,088**

Other information as the issuer may wish to disclose: ***no.***

**6.3. Share of the state or a municipal formation in the issuer's charter capital; any special rights ("golden share")**

Persons who administer blocks of shares owned by the state, municipal formations

***Municipal ownership***

Name: ***City district, the city of Surgut as represented by the Administration of the city of Surgut***

Location: ***628408 ul. Engelsa, 8, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast***

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0278%**

***Municipal ownership***

Name: ***Municipal unit Surgutsky District as represented by the Administration of Surgutsky District***

Location: ***628400, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra***

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0127%**

Persons who exercise functions of the issuer's member (shareholder) on behalf of the Russian Federation, an entity of the Russian Federation, or municipal formation

***Municipal ownership***

Name: ***City district, the city of Surgut as represented by the Administration of the city of Surgut***

Location: ***628408 ul.Engelsa, 8, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast***

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0278%**

***Municipal ownership***

Name: ***Municipal unit Surgutsky District as represented by the Administration of Surgutsky District***

Location: ***628400, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra***

Share of the charter capital of the issuer under state (federal, of constituent territories of the Russian Federation) municipal ownership: **0.0127%**

Special right of the Russian Federation, the constituent territories of the Russian Federation or municipalities to participate in the administration of the issuer – joint stock company ("golden share") and duration of the special right ("golden share")

***No such right.***

**6.4. Restrictions on participation in the issuer's charter capital**

***There are no restrictions on participation in the issuer's charter capital.***

**6.5. Changes in the list and the participation of the issuer's shareholders (members) holding at least five percent of its charter capital or at least five percent of its ordinary shares**

The issuer's shareholders (members) holding at least five percent of the issuer's charter capital, and for joint stock companies as issuers also holding at least five percent of the issuer's ordinary shares determined as of the date when the list was drawn up of persons entitled to participate in each general shareholders' (members') meeting of the issuer held in the last completed financial year preceding the end of the reporting quarter, and for the period from the date when the current financial year started till the date when the reporting quarter ended based on the list of persons entitled to participate in each of such meetings

Additional information: ***no.***

**6.6. Interested party transactions conducted by the issuer**

Number and value of transactions conducted by the issuer if such transactions are recognized under the law of the Russian Federation as interested party transactions that require approval by an authorized management body of the issuer, as of the last reporting quarter

Unit of measure: ***USD.***

| Indicator  | Total number    | Total value           |
|--|-----------------|-----------------------|
| Interested party transactions conducted by the issuer in the reporting period that required approval of an authorized management body of the issuer    | <b><i>1</i></b> | <b><i>106,000</i></b> |
| Interested party transactions conducted by the issuer in the reporting period and approved by a general members' (shareholders') meeting of the issuer | <b><i>1</i></b> | <b><i>106,000</i></b> |
| Interested party transactions conducted by the issuer in the reporting   |                 |                       |

|  |  |  |
|--|--|--|
| period and approved by the Board of Directors (Supervisory Board of the issuer)  |  |  |
| Interested party transactions conducted by the issuer in the reporting period that required approval of but were not approved by an authorized management body of the issuer |  |  |

Transactions (groups of interrelated transactions) with the value equal to or exceeding 5 percent of the book value of the issuer's assets as per its accounting statements as of the last reporting date prior to a transaction conducted by the issuer in the last reporting quarter

***No such transactions.***

Interested party transactions (groups of interrelated transactions) which the Board of Directors (Supervisory Board) or a general shareholders' (members') meeting of the issuer has not resolved to approve in cases when such approval is mandatory according to the law of the Russian Federation:

***No such transactions.***

## 6.7. Accounts receivable

As of 30.06.2017

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

| Indicator  | Indicator value |
|--|-----------------|
| Accounts receivable from buyers and customers                      | 62,974,408      |
| including those overdue  | 19,066          |
| Notes receivable   |                 |
| including those overdue  |                 |
| Members' (incorporators') arrears of charter capital contributions |                 |
| including those overdue  |                 |
| Other accounts receivable  | 172,567,216     |
| including those overdue  |                 |
| Total accounts receivable  | 235,541,624     |
| including total overdue accounts receivable                        | 19,066          |

Debtors who account for at least 10 percent of the total accounts receivable in the reporting period: ***no such debtors.***

## Section VII. The issuer's accounting (financial) statements and other financial information

### 7.1. Annual accounting (financial) statements of the issuer

Not subject to presentation in this reporting quarter

### 7.2. Interim accounting (financial) statements of the issuer

#### Balance Sheet As of 30.06.2017

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

Taxpayer identification number

Type of activity: **crude oil production**

Form of legal organization/form of ownership: **Open Joint Stock Company/Private property**

Unit of measure: **thousand RUB**

Location (address): **628415 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1.**

|               |                   |
|---------------|-------------------|
| Form by OKUD  | Codes             |
|               | <b>0710001</b>    |
| Date          | <b>30.06.2017</b> |
| by OKPO       | <b>05753490</b>   |
| INN           | <b>8602060555</b> |
| by OKVED2     | <b>06.10.1</b>    |
| by OKOPF/OKFS | <b>12247 / 16</b> |
| by OKEI       | <b>384</b>        |

| Notes | ASSETS  | Line code   | As of 30.06.2017     | As of 31.12.2016     | As of 31.12.2015     |
|-------|---|-------------|----------------------|----------------------|----------------------|
| 1     | 2   | 3           | 4                    | 5                    | 6                    |
|       | <b>I. NON-CURRENT ASSETS</b>  |             |                      |                      |                      |
|       | Intangible assets   | 1110        | 618,342              | 567,427              | 548,352              |
|       | R&D results   | 1120        | 211,223              | 143,419              | 213,665              |
|       | Intangible prospecting assets   | 1130        | 50,237,794           | 44,486,303           | 36,423,674           |
|       | Tangible prospecting assets   | 1140        |                      |                      |                      |
|       | Fixed assets  | 1150        | 822,765,761          | 817,489,027          | 752,847,663          |
|       | including   |             |                      |                      |                      |
|       | buildings, machinery, equipment, and other fixed assets, excluding land, objects of environmental management, and capital investments in progress | 1151        | 761,627,739          | 754,655,089          | 676,370,601          |
|       | Income yielding investments in tangible assets  | 1160        | 2,779,918            | 2,887,646            | 3,093,832            |
|       | Financial investments   | 1170        | 1,782,840,097        | 1,773,553,018        | 2,007,179,799        |
|       | including other financial investments, excluding investments in organizations and loans granted   | 1171        | 1,624,929,001        | 1,619,633,606        | 1,866,481,918        |
|       | Deferred tax assets   | 1180        | 16,978,116           | 23,718,078           | 26,166               |
|       | Other non-current assets  | 1190        | 56,213,426           | 58,032,386           | 59,369,781           |
|       | <b>TOTAL for Section I</b>  | <b>1100</b> | <b>2,732,644,677</b> | <b>2,720,877,304</b> | <b>2,859,702,932</b> |
|       | <b>II. CURRENT ASSETS</b>   |             |                      |                      |                      |
|       | Stocks  | 1210        | 83,205,202           | 84,612,290           | 81,154,030           |
|       | Value Added Tax on acquired valuables   | 1220        | 4,052,934            | 4,319,637            | 4,479,359            |
|       | Accounts receivable   | 1230        | 235,541,624          | 272,521,980          | 206,168,244          |

|  |   |      |               |               |               |
|--|---|------|---------------|---------------|---------------|
|  | Financial investments (excluding cash equivalents)  | 1240 | 493,438,336   | 414,155,608   | 479,972,123   |
|  | including other financial investments, excluding investments in organizations and loans granted | 1241 | 493,438,336   | 414,155,608   | 479,972,123   |
|  | Cash and cash equivalents   | 1250 | 39,490,356    | 42,293,015    | 72,125,809    |
|  | Other current assets  | 1260 | 823,450       | 1,585,023     | 877,956       |
|  | TOTAL for Section II  | 1200 | 856,551,902   | 819,487,553   | 844,777,521   |
|  | BALANCE (assets)  | 1600 | 3,589,196,579 | 3,540,364,857 | 3,704,480,453 |

| Notes | LIABILITIES   | Line code | As of<br>30.06.2017 | As of<br>31.12.2016 | As of<br>31.12.2015 |
|-------|---|-----------|---------------------|---------------------|---------------------|
| 1     | 2   | 3         | 4                   | 5                   | 6                   |
|       | <b>III. CAPITAL AND RESERVES</b>  |           |                     |                     |                     |
|       | 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      | 511,712,697         | 513,790,825         | 490,607,359         |
|       | 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      | 2,635,883,910       | 2,596,504,129       | 2,770,302,491       |
|       | TOTAL for Section III   | 1300      | 3,390,050,584       | 3,352,748,931       | 3,503,363,827       |
|       | <b>IV. LONG-TERM LIABILITIES</b>  |           |                     |                     |                     |
|       | Borrowed funds  | 1410      |                     |                     |                     |
|       | Deferred tax liabilities  | 1420      | 77,436,432          | 76,257,353          | 70,670,532          |
|       | Estimated liabilities   | 1430      |                     |                     |                     |
|       | Other liabilities   | 1450      | 572,850             | 639,292             | 509,218             |
|       | TOTAL for Section IV  | 1400      | 78,009,282          | 76,896,645          | 71,179,750          |
|       | <b>V. SHORT-TERM LIABILITIES</b>  |           |                     |                     |                     |
|       | Borrowed funds  | 1510      |                     |                     |                     |
|       | Accounts payable  | 1520      | 107,282,037         | 96,541,953          | 116,947,293         |
|       | Deferred income   | 1530      | 642,148             | 703,022             | 314,861             |
|       | Estimated liabilities   | 1540      | 12,927,109          | 13,077,807          | 12,203,314          |
|       | Other liabilities   | 1550      | 285,419             | 396,499             | 471,408             |
|       | TOTAL for Section V   | 1500      | 121,136,713         | 110,719,281         | 129,936,876         |
|       | BALANCE (liabilities)   | 1700      | 3,589,196,579       | 3,540,364,857       | 3,704,480,453       |

**Income Statement  
for January-June 2017**

Company: **Open Joint Stock Company “Surgutneftegas”**

Taxpayer identification number

Type of activity: **crude oil production**

Form of legal organization/form of ownership: **Open Joint Stock Company/Private property**

Unit of measure: **thousand RUB**

Location (address): **628415 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Grigoriya Kukuyevitskogo, 1, bld. 1. 1**

|               |                   |
|---------------|-------------------|
|               | Codes             |
| Form by OKUD  | <b>0710002</b>    |
| Date          | <b>30.06.2017</b> |
| by OKPO       | <b>05753490</b>   |
| INN           | <b>8602060555</b> |
| by OKVED2     | <b>06.10.1</b>    |
| by OKOPF/OKFS | <b>12247 / 16</b> |
| by OKEI       | <b>384</b>        |

| Notes | Indicator  | Line code | For 6 months of 2017 | For 6 months of 2016 |
|-------|--|-----------|----------------------|----------------------|
| 1     | 2  | 3         | 4                    | 5                    |
|       | Revenue  | 2110      | 534,874,208          | 467,157,627          |
|       | Cost of sales  | 2120      | -389,481,965         | -301,982,442         |
|       | Gross profit (loss)  | 2100      | 145,392,243          | 165,175,185          |
|       | Selling expenses   | 2210      | -46,221,742          | -44,194,975          |
|       | Management expenses  | 2220      |                      |                      |
|       | Sales profit (loss)  | 2200      | 99,170,501           | 120,980,210          |
|       | Income from participation in other organizations   | 2310      | 695,944              | 861,055              |
|       | Interest receivable  | 2320      | 45,724,487           | 53,255,464           |
|       | Interest payable   | 2330      |                      | -104                 |
|       | Other income   | 2340      | 523,682,453          | 596,207,350          |
|       | Other expenses   | 2350      | -591,927,853         | -911,405,345         |
|       | Profit (loss) before tax   | 2300      | 77,345,532           | -140,101,370         |
|       | Current profit tax   | 2410      | -13,219,755          |                      |
|       | incl. permanent tax liabilities (assets)   | 2421      | 8,409,471            | 25,262,515           |
|       | Change in deferred tax liabilities   | 2430      | -1,179,079           | -1,970,009           |
|       | Change in deferred tax assets  | 2450      | -6,739,962           | 2,031                |
|       | Other  | 2460      | 355,232              | -293                 |
|       | Reallocation of profit tax within the consolidated group of taxpayers                        | 2465      | 6,796,481            | 173,509              |
|       | Net profit (loss)  | 2400      | 63,358,449           | -141,896,132         |
|       | FOR REFERENCE ONLY   |           |                      |                      |
|       | Results of revaluation of non-current assets not included in net profit (loss) of the period | 2510      |                      |                      |
|       | Results of other operations not included in net profit (loss) of the period                  | 2520      |                      |                      |
|       | Comprehensive income of the period   | 2500      | 63,358,449           | -141,896,132         |
|       | Base profit (loss) per share   | 2900      |                      |                      |
|       | Diluted profit (loss) per share  | 2910      |                      |                      |

### 7.3. Consolidated financial statements of the issuer

2016 – IFRS/GAAP

Reporting period

Year: **2016**

Standards (rules) used for preparing consolidated financial statements shown in this section of the quarterly report:  
**IFRS**

*The information is provided in the appendix to the present quarterly report.*

### 7.4. Accounting policy of the issuer

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

### 7.5. Total export and share of export in total sales

Unit of measure: *thousand RUB*

| Indicator   | 2017, 6 months     |
|---|--------------------|
| Total earnings of the issuer from export of products (goods, works, services) | <b>389,646,846</b> |
| Share of such earnings in sales revenue, %                                    | <b>72.8</b>        |

### 7.6. Substantial changes in the issuer's property after the end of the last completed reporting year

Substantial changes in the issuer's property during 12 months prior to the end of the reporting quarter: *there were no substantial changes in the issuer's property during 12 months prior to the end date of the reporting quarter.*

Additional information: *no.*

### 7.7. The issuer's participation in litigations in case such participation may substantially affect financial and business activities of the issuer

*The issuer did not/does not participate in any litigations which affect/may affect financial and business activities for the period from the beginning of the last completed financial year and up to the end of the reporting quarter.*

## Section VIII. Further information on the issuer and equity securities placed by the issuer

### 8.1. Further information on the issuer

#### 8.1.1. Size and structure of the issuer's charter capital

The issuer's charter capital as of the end of the last reporting quarter, RUB: **43,427,992,940**

Ordinary shares

Total nominal value, RUB: **35,725,994,705**

Share in the charter capital, %: **82.2648994034**

Preference

Total nominal value, RUB: **7,701,998,235**



Share in the charter capital, %: **17.7351005966**

Specify if the amount of charter capital shown in this paragraph corresponds to the issuer's constituent documents:  
***the amount of the Company's charter capital corresponds to the constituent documents.***

***The issuer's shares are traded outside the Russian Federation by means of depositary securities trading (foreign issuers' securities which represent such shares of the Russian issuer).***

Category (type) of shares traded outside the Russian Federation

Type of securities: ***shares***

Category of shares: ***ordinary***

Shares traded outside the Russian Federation in the total number of shares of the same category (type), %: **6.2**

Foreign issuer whose securities represent the issuer's shares of the same category (type)

Full corporate name: ***The Bank of New York Mellon***

Location: ***USA, NY 10286, New York, 101 Barclay Street***

Summary of the issue program (type of the program) for the foreign issuer's depositary receipts representing shares of the relevant category (type):

***sponsored, level I. Each American Depositary Share represents 10 ordinary registered shares of the Company.***

On the Company's obtaining a permit issued by The Bank of Russia and (or) authorized government body (authorized state authority) of the Russian Federation to offer and (or) trade issuer's securities of the relevant category (type) outside the Russian Federation:

***not applicable.***

Foreign market maker(s) trading the issuer's shares (depositary receipts representing the issuer's shares) (if such trading exists):

***Berlin Stock Exchange, Frankfurt Stock Exchange, London Stock Exchange, Pink OTC Markets Inc.***

Other information about the issuer's shares traded outside the Russian Federation as the issuer may wish to disclose:

***the date when the program was launched is 30 December 1996.***

Type of securities: ***shares***

Category of shares: ***preference***

Type of shares: ***-***

Shares traded outside the Russian Federation in the total number of shares of the same category (type), %: **8.04**

Foreign issuer whose securities represent the issuer's shares of the same category (type)

Full corporate name: ***The Bank of New York Mellon***

Location: ***USA, NY 10286, New York, 101 Barclay Street***

Summary of the issue program (type of the program) for the foreign issuer's depositary receipts representing shares of the relevant category (type):

***sponsored, level I. Each American Depositary Share represents 10 preference registered shares of the Company.***

On the Company's obtaining a permit issued by The Bank of Russia and (or) authorized government body (authorized state authority) of the Russian Federation to offer and (or) trade issuer's securities of the relevant category (type) outside the Russian Federation:

***not applicable.***

Foreign market maker(s) trading the issuer's shares (depositary receipts representing the issuer's shares) (if such trading exists):

***Berlin Stock Exchange, Frankfurt Stock Exchange, Pink OTC Markets Inc.***

Other information about the issuer's shares traded outside the Russian Federation as the issuer may wish to disclose:

***The date when the program was launched is 19 March 1998.***

#### **8.1.2. Changes in the size of the issuer's charter capital**

***The size of the charter capital did not change during this period.***

### 8.1.3. Convening and holding a meeting (session) of the issuer's supreme management body

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

### 8.1.4. Commercial organizations where the issuer holds at least five percent of the charter capital or at least five percent of ordinary shares

Commercial organizations where the issuer holds at least five percent of the charter (share) capital (mutual fund) or at least five percent of ordinary shares as of the end of the last reporting quarter

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

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

Location: ***Russian Federation, Veliky Novgorod***

INN: ***5321059365***

OGRN: ***1025300788644***

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

The person's share in the charter capital of the issuer: ***0%***

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

2. Full corporate name: ***Limited Liability Company "Syrgutmebel"***

Abbreviated corporate name: ***LLC "Syrgutmebel"***

Location: ***Russian Federation, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgutsky District, poselok Barsovo, Vostochnaya industrial 1 territory, 2***

INN: ***8617013396***

OGRN: ***1028601679688***

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

The person's share in the charter capital of the issuer: ***0%***

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

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

Abbreviated corporate name: ***LLC "Pskovnesteproduct"***

Location: ***Russian Federation, Pskov***

INN: ***6027042337***

OGRN: ***1026000970049***

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

The person's share in the charter capital of the issuer: ***0%***

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

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

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

Location: ***Russian Federation, Tver, ul. Novotorzhskaya, 6***

INN: ***6905041501***

OGRN: ***1026900510647***

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

The person's share in the charter capital of the issuer: ***0%***

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

5. Full corporate name: ***Limited Liability Company "Kaliningradnesteproduct"***

Abbreviated corporate name: ***LLC "Kaliningradnesteproduct"***

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

INN: ***3900000136***

OGRN: ***1023900589240***

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

The person's share in the charter capital of the issuer: ***0%***

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

6. Full corporate name: ***Limited Liability Company "Oil Refining and Petrochemical Enterprises Design Institute"***

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

Location: **Russian Federation, Saint Petersburg, nab.Obvodnogo kanala, 94**

INN: **7810327462**

OGRN: **1057803105755**

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

The person's share in the charter capital of the issuer: **0%**

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

7. Full corporate name: **Limited Liability Company “Kirishiavtoservis”**

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

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

INN: **7840016802**

OGRN: **1057807804064**

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

The person's share in the charter capital of the issuer: **0%**

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

8. Full corporate name: **Limited Liability Company “Media-Invest”.**

Abbreviated corporate name: **LLC “Media-Invest”**

Location: **Russian Federation, Moscow**

INN: **7704667322**

OGRN: **1077762407580**

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

The person's share in the charter capital of the issuer: **0%**

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

9. Full corporate name: **Open Joint Stock Company “Sovkhoz “Chervishevsky”**

Abbreviated corporate name: **OJSC “Sovkhoz “Chervishevsky”**

Location: **Russian Federation, Tyumenskaya Oblast, Tyumensky District, s.Chervishevo.**

INN: **7224019466**

OGRN: **1027200789142**

The issuer's share in the charter capital of commercial organization: **94.9996%**

The Company's ordinary shares held by the issuer: **94.9996%**

The person's share in the charter capital of the issuer: **0%**

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

10. Full corporate name: **Limited Liability Company “Insurance Company “Surgutneftegas”**

Abbreviated corporate name: **LLC “Insurance Company “Surgutneftegas”**

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

INN: **8602103061**

OGRN: **1028600581811**

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

The person's share in the charter capital of the issuer: **0%**

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

11. Full corporate name: **Limited Liability Company “Production Association “Kirishinefteorgsintez”**

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

Location: **Russian Federation, Leningradskaya Oblast, Kirishi**

INN: **4708007089**

OGRN: **1024701478735**

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

The person's share in the charter capital of the issuer: **0%**

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

12. Full corporate name: **Joint Stock Company “Surgutneftegasbank”**  
Abbreviated corporate name: **JSC BANK “SNGB”**  
Location: **Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut**  
INN: **8602190258**  
OGRN: **1028600001792**  
The issuer’s share in the charter capital of commercial organization: **97.7591%**  
The Company’s ordinary shares held by the issuer: **98.2389%**  
The person’s share in the charter capital of the issuer: **0.0015%**  
The issuer’s ordinary shares held by the person: **0.0018%**
13. Full corporate name: **Limited Liability Company “Invest-Zaschita”**  
Abbreviated corporate name: **LLC “Invest-Zaschita”**  
Location: **ul.Entuziastov, 52/1, Surgut, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Russian Federation, 628400**  
INN: **8602102332**  
OGRN: **1028600581680**  
The issuer’s share in the charter capital of commercial organization: **15.13%**  
The person’s share in the charter capital of the issuer: **0.1106%**  
The issuer’s ordinary shares held by the person: **0.0236%**
14. Full corporate name: **Joint Stock Company “St. Petersburg International Mercantile Exchange”**  
Abbreviated corporate name: **JSC “SPIMEX”**  
Location: **Russian Federation, Saint Petersburg**  
INN: **7840389730**  
OGRN: **1089847188903**  
The issuer’s share in the charter capital of commercial organization: **8%**  
The Company’s ordinary shares held by the issuer: **8%**  
The person’s share in the charter capital of the issuer: **0%**  
The issuer’s ordinary shares held by the person: **0%**
15. Full corporate name: **Joint Stock Company “Aksionerny Bank “ROSSIYA”**  
Abbreviated corporate name: **JSC “AB “ROSSIYA”**  
Location: **Russian Federation, Saint Petersburg**  
INN: **7831000122**  
OGRN: **1027800000084**  
The issuer’s share in the charter capital of commercial organization: **5.42%**  
The Company’s ordinary shares held by the issuer: **0%**  
The person’s share in the charter capital of the issuer: **0%**  
The issuer’s ordinary shares held by the person: **0%**
16. Full corporate name: **Open Joint Stock Company “Airport Surgut”**  
Abbreviated corporate name: **OJSC “Airport Surgut”**  
Location: **628422 Russia, Tyumenskaya Oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, Surgut, ul.Aeroflotskaya, 49/1.**  
INN: **8602060523**  
OGRN: **1028600603998**  
The issuer’s share in the charter capital of commercial organization: **5%**  
The Company’s ordinary shares held by the issuer: **5%**  
The person’s share in the charter capital of the issuer: **0%**  
The issuer’s ordinary shares held by the person: **0%**
17. Full corporate name: **TELCREST INVESTMENTS LIMITED**  
Abbreviated corporate name: **TELCREST INVESTMENTS LIMITED**

Location: *Cyprus, JULIA HOUSE 1066, Nicosia, Cyprus, Themistokli Dervi, 3*  
The issuer's share in the charter capital of commercial organization: **9.5341%**  
The person's share in the charter capital of the issuer: **0%**  
The issuer's ordinary shares held by the person: **0%**

18. Full corporate name: *Closed Joint-Stock Company "National Media Group"*  
Abbreviated corporate name: *JSC "National Media Group"*  
Location: *119034 Russian Federation, Moscow, Prechistenskaya nab., 13, bld. 1*  
INN: **7704676655**  
OGRN: **1087746152207**  
The issuer's share in the charter capital of commercial organization: **23.9752%**  
The Company's ordinary shares held by the issuer: **23.9752%**  
The person's share in the charter capital of the issuer: **0%**  
The issuer's ordinary shares held by the person: **0%**

#### **8.1.5. Major transactions conducted by the issuer**

*No such transactions in the period under review.*

#### **8.1.6. Credit ratings of the issuer**

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

#### **8.2. Data on each category (type) of the issuer's shares**

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

#### **8.3. Previous issues of the issuer's equity securities excluding the issuer's shares**

##### **8.3.1. Issues with all securities redeemed**

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

##### **8.3.2. Issues with securities that are not redeemed**

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

#### **8.4. Person(s) who offered security for the issuer's secured bonds and security offered for the issuer's secured bonds**

*The issuer made no registration of the prospectus for secured bonds, no secured bonds were admitted to stock-exchange trade.*

##### **8.4.1. Additional information on the issuer's mortgage bonds**

*The issuer did not place any mortgage bonds with obligations not fulfilled yet.*

##### **8.4.2. Additional information on collateral for collateral bonds that includes money claims**

*The issuer did not place any collateral cash secured bonds with obligations not fulfilled yet.*

#### **8.5. Organizations keeping records of rights for the issuer's equity securities**

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

#### **8.6. Legislative acts regulating import and export of capital, which may influence the payment of dividends, interests, and other payments to non-residents**

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

## 8.7. Declared (accrued) and (or) paid dividends on the issuer's shares and the issuer's bond yield

### 8.7.1. Dividends declared and paid on the issuer's shares

Information for five last completed reporting years or for each completed reporting year if the issuer conducts its business for less than five years, and for the period from the date when the current financial year started till the date when the reporting quarter ended

| Indicator   | Indicator value for the relevant reporting period – 2012, full year  |
|---|--|
| Category of shares, for preference shares – type  | ordinary   |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 28.06.2013, Minutes No. 24 dated 01.07.2013  |
| Dividends declared per one share, RUB:  | 0.5  |
| Total dividends declared on all shares of this category (type), RUB:  | 17,862,997,352.50  |
| The date as of which the persons entitled to dividends are determined:  | 14.05.2013   |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2012, full year  |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on 27 August 2013.  |
| Form of declared dividend payment:  | cash   |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year   |
| Declared dividends ratio in the net profit of the reporting year, %   | 11.1   |
| Total dividends paid on shares of this category (type), RUB:  | 17,853,086,048.70  |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 99.94  |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | Obligations to pay dividends for 2012 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on the shareholder's banking details and/or mailing address he/she entered into a registered person's dividends questionnaire. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose   | Declared unclaimed dividends are reinstalled as part of the Company's undistributed profits.   |

| Indicator   | Indicator value for the relevant reporting period – 2012, full year                                       |
|---|---|
| Category of shares, for preference shares – type  | preference  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 28.06.2013, Minutes No. 24 dated 01.07.2013 |
| Dividends declared per one share, RUB:  | 1.48  |
| Total dividends declared on all shares of this category (type), RUB:  | 11,398,957,387.80   |
| The date as of which the persons entitled to dividends are determined:  | 14.05.2013  |
| Reporting period (year, quarter) for which (on the results of which)  | 2012, full year   |

|   |  |
|---|--|
| the dividends declared are (were) paid:   |  |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on 27 August 2013.  |
| Form of declared dividend payment:  | cash   |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund) | net profit of the reporting year   |
| Declared dividends ratio in the net profit of the reporting year, %   | 7.08   |
| Total dividends paid on shares of this category (type), RUB:  | 11,278,126,180.26  |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %                           | 98.94  |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends     | Obligations to pay dividends for 2012 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control when incorrect, incomplete or outdated information on banking details and/or mailing address were entered in a registered person's dividends questionnaire. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose                                   | Declared unclaimed dividends are reinstalled as part of the Company's undistributed profits.   |

| Indicator   | Indicator value for the relevant reporting period – 2013, full year   |
|---|---|
| Category of shares, for preference shares – type  | ordinary  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 27.06.2014, Minutes No. 25 dated 30.06.2014   |
| Dividends declared per one share, RUB:  | 0.6   |
| Total dividends declared on all shares of this category (type), RUB:  | 21,435,596,823.00   |
| The date as of which the persons entitled to dividends are determined:  | 16.07.2014  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2013, full year   |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on 20 August 2014.   |
| Form of declared dividend payment:  | cash  |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year  |
| Declared dividends ratio in the net profit of the reporting year, %   | 8.36  |
| Total dividends paid on shares of this category (type), RUB:  | 21,423,660,479.70   |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 99.94   |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | Obligations to pay dividends for 2013 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on the shareholder's banking details and/or mailing address he/she entered into a registered person's |

|   |                          |
|---|--------------------------|
|   | dividends questionnaire. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose |                          |

| Indicator   | Indicator value for the relevant reporting period – 2013, full year  |
|---|--|
| Category of shares, for preference shares – type  | preference   |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 27.06.2014, Minutes No. 25 dated 30.06.2014  |
| Dividends declared per one share, RUB:  | 2.36   |
| Total dividends declared on all shares of this category (type), RUB:  | 18,176,715,834.60  |
| The date as of which the persons entitled to dividends are determined:  | 16.07.2014   |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2013, full year  |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on 20 August 2014.  |
| Form of declared dividend payment:  | cash   |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year   |
| Declared dividends ratio in the net profit of the reporting year, %   | 7.09   |
| Total dividends paid on shares of this category (type), RUB:  | 17,991,724,130.81  |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 98.98  |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | Obligations to pay dividends for 2013 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control when incorrect, incomplete or outdated information on banking details and/or mailing address were entered in a registered person's dividends questionnaire. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose   |  |

| Indicator   | Indicator value for the relevant reporting period – 2014, full year                                       |
|---|---|
| Category of shares, for preference shares – type  | ordinary  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 27.06.2015, Minutes No. 26 dated 30.06.2015 |
| Dividends declared per one share, RUB:  | 0.65  |
| Total dividends declared on all shares of this category (type), RUB:  | 23,221,896,558.25   |
| The date as of which the persons entitled to dividends are determined:  | 16.07.2015  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2014, full year   |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on   |



|   |  |
|---|--|
|   | 20 August 2015.  |
| Form of declared dividend payment:  | cash   |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund) | net profit of the reporting year   |
| Declared dividends ratio in the net profit of the reporting year, %   | 2.6  |
| Total dividends paid on shares of this category (type), RUB:  | 23,207,754,378.50  |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %                           | 99.94  |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends     | Obligations to pay dividends for 2014 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control: incorrect, incomplete or outdated information on the shareholder's banking details and/or mailing address he/she entered into a registered person's dividends questionnaire. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose                                   |  |

| Indicator   | Indicator value for the relevant reporting period – 2014, full year  |
|---|--|
| Category of shares, for preference shares – type  | preference   |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 27.06.2015, Minutes No. 26 dated 30.06.2015  |
| Dividends declared per one share, RUB:  | 8.21   |
| Total dividends declared on all shares of this category (type), RUB:  | 63,233,405,509.35  |
| The date as of which the persons entitled to dividends are determined:  | 16.07.2015   |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2014, full year  |
| The due period (date) for declared dividend payment:  | Dividends shall be paid not later than on 20 August 2015.  |
| Form of declared dividend payment:  | cash   |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year   |
| Declared dividends ratio in the net profit of the reporting year, %   | 7.09   |
| Total dividends paid on shares of this category (type), RUB:  | 62,589,118,584.07  |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 98.98  |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | Obligations to pay dividends for 2014 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Article 44 of Federal Law "On Joint Stock Companies" for the reasons beyond the Company's control when incorrect, incomplete or outdated information on banking details and/or mailing address were entered in a registered person's dividends questionnaire. |
| Other information about declared and (or) paid dividends as the   |  |

|                             |  |
|-----------------------------|--|
| issuer may wish to disclose |  |
|-----------------------------|--|

| Indicator   | Indicator value for the relevant reporting period – 2015, full year   |
|---|---|
| Category of shares, for preference shares – type  | ordinary  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 29.06.2016, Minutes No. 27 dated 30.06.2016   |
| Dividends declared per one share, RUB:  | 0.6   |
| Total dividends declared on all shares of this category (type), RUB:  | 21,435,596,823.00   |
| The date as of which the persons entitled to dividends are determined:  | 18.07.2016  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2015, full year   |
| The due period (date) for declared dividend payment:  | 22.08.2016  |
| Form of declared dividend payment:  | cash  |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year  |
| Declared dividends ratio in the net profit of the reporting year, %   | 2.85  |
| Total dividends paid on shares of this category (type), RUB:  | 21,420,854,610.28   |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 99.93   |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | Obligations to pay dividends for 2015 on the Company's ordinary shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Clause 16 of Article 8.2 of Federal Law "On Securities Market" |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose   |   |

| Indicator   | Indicator value for the relevant reporting period – 2015, full year                                       |
|---|---|
| Category of shares, for preference shares – type  | preference  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 29.06.2016, Minutes No. 27 dated 30.06.2016 |
| Dividends declared per one share, RUB:  | 6.92  |
| Total dividends declared on all shares of this category (type), RUB:  | 53 297 827 786.20   |
| The date as of which the persons entitled to dividends are determined:  | 18.07.2016  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2015, full year   |
| The due period (date) for declared dividend payment:  | 22.08.2016  |
| Form of declared dividend payment:  | cash  |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | net profit of the reporting year  |
| Declared dividends ratio in the net profit of the reporting year, %   | 7.09  |
| Total dividends paid on shares of this category (type), RUB:  | 52,732,802,751.99   |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 98.94   |

|   |   |
|---|---|
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends | Obligations to pay dividends for 2015 on the Company's preference shares were fulfilled except the situations when the Company does not bear responsibility in accordance with Clause 16 of Article 8.2 of Federal Law "On Securities Market" |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose                               |   |

| Indicator   | Indicator value for the relevant reporting period – 2016, full year   |
|---|---|
| Category of shares, for preference shares – type  | ordinary  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 29.06.2017, Minutes No. 28 dated 29.06.2017   |
| Dividends declared per one share, RUB:  | 0.6   |
| Total dividends declared on all shares of this category (type), RUB:  | 21,435,596,823  |
| The date as of which the persons entitled to dividends are determined:  | 19/07/2017  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2016, full year   |
| The due period (date) for declared dividend payment:  | 23.08.2017  |
| Form of declared dividend payment:  | cash  |
| Sources of payment of the declared dividends (net profit of the reporting year, retained profit of prior years, special fund)   | retained profit of previous years   |
| Declared dividends ratio in the net profit of the reporting year, %   | -   |
| Total dividends paid on shares of this category (type), RUB:  | 0   |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %   | 0   |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends   | the Annual General Shareholders' Meeting for 2016 approved the date as of which the list of persons entitled to dividends is determined – 19.07.2017. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose   |   |

| Indicator   | Indicator value for the relevant reporting period – 2016, full year                                       |
|---|---|
| Category of shares, for preference shares – type  | preference  |
| The issuer's management body which passed a resolution of dividend declaration, date when such resolution was adopted, date and number of the minutes of the meeting (session) of the issuer's management body when such resolution was adopted | The resolution was adopted at a general shareholders' meeting 29.06.2017, Minutes No. 28 dated 29.06.2017 |
| Dividends declared per one share, RUB:  | 0.6   |
| Total dividends declared on all shares of this category (type), RUB:  | 4,621,198,941   |
| The date as of which the persons entitled to dividends are determined:  | 19.07.2017  |
| Reporting period (year, quarter) for which (on the results of which) the dividends declared are (were) paid:  | 2016, full year   |
| The due period (date) for declared dividend payment:  | 23.08.2017  |
| Form of declared dividend payment:  | cash  |
| Sources of payment of the declared dividends (net profit of the   | retained profit of previous years   |

|   |   |
|---|---|
| reporting year, retained profit of prior years, special fund)   |   |
| Declared dividends ratio in the net profit of the reporting year, %   | -   |
| Total dividends paid on shares of this category (type), RUB:  | 0   |
| Payout ratio in the total amount of the declared dividends on all shares of this category (type), %                       | 0   |
| In case declared dividends are not paid or paid by the issuer not in full – reasons for non-payment of declared dividends | the Annual General Shareholders' Meeting for 2016 approved the date as of which the list of persons entitled to dividends is determined – 19.07.2017. |
| Other information about declared and (or) paid dividends as the issuer may wish to disclose                               |   |

*Obligations to pay dividends for 2013 – 2015 on the Company's shares were fulfilled except the situations when the Company does not bear responsibility in accordance with the legislation of the Russian Federation.*

#### **8.7.2. Accrued and paid yield on the issuer's bonds**

*The issuer did not issue any bonds.*

#### **8.8. Miscellaneous information**

*The form of Section VII "The issuer's accounting (financial) statements and other financial information" of this report prepared does not meet the requirements of Federal Law of the Russian Federation No. 402-FZ "On Accounting" dated 06.12.2011; Order of the Ministry of Finance of the Russian Federation No. 66n "Reporting Standards of Enterprises" dated 02.07.2010.*

#### **8.9. Represented securities and the issuer of represented securities the title to which is evidenced by Russian Depositary Receipts**

*The issuer does not issue any represented securities the title to which is evidenced by Russian Depositary Receipts.*

**Appendix to the quarterly report. Annual consolidated accounting (consolidated financial) statements prepared in accordance with International financial reporting standards**