

OJSC “SURGUTNEFTEGAS”

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
PREPARED IN ACCORDANCE WITH IAS 34**

30 JUNE 2014

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OJSC “Surgutneftegas”
Interim condensed consolidated statement of financial position
(in millions of Russian rubles, unless otherwise stated)

Note	As of 30 June 2014 (unaudited)	As of 31 December 2013
ASSETS		
Current assets		
7	46,102	32,990
	614	794
8	503,717	443,326
13	5,756	3,306
	9,076	8,905
9	87,094	83,297
11	59,882	54,975
10	24,196	28,487
	7,906	7,241
	5,582	2,746
	12	72
	749,937	666,139
Non-current assets		
12	1,080,831	1,047,798
	8,507	8,141
8	646,614	613,183
	10,948	9,981
	6,175	6,264
	1,094	1,166
13	33,648	28,269
9	793	1,097
	2,832	2,948
	1,791,442	1,718,847
	2,541,379	2,384,986
LIABILITIES AND EQUITY		
Current liabilities		
14	80,019	39,530
17	38,370	22,158
	14,947	16,489
15	40,194	39,094
	15	37
	145	147
16	3,970	3,314
	177,660	120,769
Non-current liabilities		
16	79,752	78,607
17	6,904	13,069
	118,295	108,849
	911	1,026
	205,862	201,551
Equity		
	154,666	154,666
	(111)	(111)
	57,809	57,809
	1,945,411	1,850,165
	(89)	(35)
	2,157,686	2,062,494
	171	172
	2,157,857	2,062,666
	2,541,379	2,384,986

V.G.Barankov

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

29 August 2014

A.V.Druchinin

Chief Accountant of
OJSC “Surgutneftegas”

29 August 2014

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

OJSC "Surgutneftegas"

Interim condensed consolidated statement of profit or loss and other comprehensive income

(in millions of Russian rubles, unless otherwise stated)

Note	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
5 Sales	710,088	631,735
18 less export duties	(239,968)	(239,412)
5 Total sales revenue:	470,120	392,323
sale of crude oil	281,028	235,895
sale of oil products	171,865	137,847
sale of gas and gas products	10,384	11,194
sale of other products and finished goods	3,177	3,930
other sales	3,666	3,457
19 Operating expenses	(361,711)	(293,575)
Operating income	108,409	98,748
20 Finance income	32,008	25,653
20 Finance expenses	(3,382)	(2,797)
21 Exchange differences	29,741	77,270
Gain on sale and other disposal of financial assets	12	2,364
Share of profit / (loss) of associates	(89)	36
Other expenses	(1,954)	(205)
Profit before tax	164,745	201,069
Income tax	(30,659)	(35,464)
Net income	134,086	165,605
Other comprehensive income / (expense) that may be reclassified subsequently to profit / (loss), excluding income tax		
Changes in fair value of available-for-sale financial assets	(57)	88
Other comprehensive income / (expense) that may not be reclassified subsequently to profit / (loss), excluding income tax		
Remeasurements of post-employment benefit obligations	776	(551)
Total other comprehensive income / (expense), excluding income tax	719	(463)
Total comprehensive income	134,805	165,142
Net income		
attributable to shareholders	134,077	165,600
attributable to non-controlling interests	9	5
Total comprehensive income		
attributable to shareholders	134,797	165,134
attributable to non-controlling interests	8	8
Net earnings attributable to shareholders per ordinary share (rubles)		
23 basic and diluted	3.75	4.64

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

OJSC "Surgutneftegas"**Interim condensed consolidated statement of cash flows***(in millions of Russian rubles, unless otherwise stated)*

Note	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Operating activities		
	164,745	201,069
	Profit before tax	
	Adjustments:	
19	31,079	23,891
19	3,613	-
	1,893	3,264
	(26,659)	(70,761)
	41	102
	(12)	(2,364)
	89	(36)
	2,190	2,013
20	(31,976)	(25,612)
20	1,160	743
	1,809	2,223
	Loss on sale and disposal of property, plant and equipment, and intangible assets	
Cash flows in operating activities before changes in working capital and income tax		
	147,972	134,532
	(3,447)	(2,492)
	4,291	8,099
	(5,213)	1,124
	39	650
	(1,177)	(4,335)
	(1,542)	(1,522)
	180	22
	495	(1,694)
	(117)	(206)
	141,481	134,178
	Cash from operating activities before income tax	
	(24,208)	(10,136)
	117,273	124,042
	Net change from operating activities	
Investing activities		
	(67,631)	(101,356)
	(259,824)	(306,002)
	196,602	263,750
	(26,989)	(48,388)
	19,388	42,251
	25,610	22,857
	-	6,007
	5,730	2,338
	(6,983)	(7,763)
	180	162
	(113,917)	(126,144)
	Net cash used for investing activities	
Financing activities		
	9,853	4,326
	(9)	-
	(991)	(442)
	8,853	3,884
	Net cash used for financing activities	
	12,209	1,782
	Net change in balances of cash and cash equivalents	
	903	392
	Effect of exchange rate changes against ruble on cash and cash equivalents	
7	32,990	40,964
7	46,102	43,138
	Cash and cash equivalents at the beginning of period	
	Cash and cash equivalents at the end of period	

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

OJSC "Surgutneftegas"**Interim condensed consolidated statement of changes in equity***(in millions of Russian rubles, unless otherwise stated)*

	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 31 December 2012	154,666	57,809	(111)	1,600,926	(111)	1,813,179	169	1,813,348
Net income for the period	-	-	-	165,600	-	165,600	5	165,605
Other comprehensive income / (expense)	-	-	-	(678)	212	(466)	3	(463)
Dividends declared	-	-	-	(29,266)	-	(29,266)	-	(29,266)
Balance as of 30 June 2013 (unaudited)	154,666	57,809	(111)	1,736,582	101	1,949,047	177	1,949,224
Balance as of 31 December 2013	154,666	57,809	(111)	1,850,165	(35)	2,062,494	172	2,062,666
Net income for the period	-	-	-	134,077	-	134,077	9	134,086
Other comprehensive income / (expense)	-	-	-	774	(54)	720	(1)	719
Dividends declared	-	-	-	(39,605)	-	(39,605)	(9)	(39,614)
Balance as of 30 June 2014 (unaudited)	154,666	57,809	(111)	1,945,411	(89)	2,157,686	171	2,157,857

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

1 General information

Open Joint Stock Company “Surgutneftegas” (the Company) is one of Russia’s major hydrocarbons producers.

The core activities of the Company and its subsidiaries (together, “the Group”) are:

hydrocarbon exploration and production: prospecting, exploration, and operation of oil and gas fields;

manufacturing and marketing of petroleum and petrochemical products, gas processing, crude oil refining and associated petroleum gas processing, wholesale and retail sales of fuel and related goods and services.

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

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

2 Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 “Interim financial reporting” and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These interim condensed consolidated financial statements are unaudited and do not include certain information and disclosures required for annual financial statements. Separate disclosures which duplicate the information contained in the annual consolidated financial statements for the year ended 31 December 2013 and as of that date have been omitted or condensed.

3 Significant accounting policies and new financial reporting standards

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied and described in the Group’s consolidated financial statements for 2013, except for new standards and interpretations required for annual periods beginning on 1 January 2014 and calculations of the income tax represented below.

The amendments of IFRS 10, IFRS 12 and IAS 27 “Investment entities” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments of IAS 36 “Recoverable amount disclosures for non-financial assets” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The amendments of IAS 32 “Offsetting Financial Assets and Financial Liabilities” – these amendments did not have a material impact on the Group’s consolidated financial statements.

The interpretation of IFRIC 21 “Levies” – the requirements of IFRIC 21 did not have a material impact on the Group’s consolidated financial statements.

Amendment “Novation of derivatives and continuation of hedge accounting” to IAS 39 “Financial instruments: recognition and measurement” – this amendment did not have a material impact on the Group’s consolidated financial statements.

For interim periods income tax is calculated based on the rate to be applied to an expected weighted average annual profit or loss.

The Group did not accept ahead of schedule new standards and interpretations which are disclosed in Note “New interpretations and standards” in the annual financial statements for 2013 and effective for reporting periods beginning on and after 1 July 2014.

IASB issued new standards and interpretations which were not disclosed in the annual consolidated financial statements for 2013:

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(unaudited)
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The amendment of IFRS 11 – the registration of transactions on acquisition of stakes in joint operations – (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016). This amendment introduces new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group’s management expects that this amendment will not have any material impact on its consolidated financial statements.

The amendments of IAS 16 and IAS 38 – interpretation of depreciation and amortisation methods for property, plant and equipment, and intangible assets – (issued in May 2014 and effective for periods beginning on or after 1 January 2016). In these amendments the IFRIC board explains that revenue-based methods cannot be used to calculate depreciation of an asset because the amount of the revenue, generated by the activity which includes the use of an asset, is usually the result of factors which are not connected with the use of economic benefits embodied in an asset. The Group’s management expects that this amendment will not have any material impact on its consolidated financial statements.

IFRS 15 “Revenue from contracts with customers” (issued in May 2014 and effective for periods beginning on or after 1 January 2017). The new standard introduces a key principle according to which the revenue shall be recognised when goods or services are rendered to a customer at a price of the transaction. Any separate lots of goods or services shall be recognised separately, and all discounts and retrospective discounts from the contractual price are, as a rule, distributed to the separate elements. If the amount of compensation may vary due to some reason, then minimal sums shall be accepted in case they are not subject to the substantial reconsideration risk. Expenditures associated with the support of contracts with customers shall be capitalised and depreciated for a term within which benefits from the contracts will be obtained. The Group’s management expects that this amendment will not have any material impact on its consolidated financial statements.

IFRS 9 “Financial instruments: classification and measurement” (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). IFRS 9 introduces new requirements for classification and measurement of financial assets and liabilities, and also introduces a new model of impairment loss recognition: an expected credit loss model. The Group is currently considering the impact of adopting the standard and the timing of its adoption by the Group.

The amendments of IAS 16 and IAS 41 – “Agriculture: Bearer Plants” (issued in June 2014 and effective for periods beginning on or after 1 January 2016). These amendments are not relevant to the Group.

Seasonality of operations

The Group’s operations are not seasonal. Income and expenses are recognised evenly during the year.

4 Subsidiaries

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

Description	Area of activity	As of 30 June 2014 Ownership interest (%)	As of 31 December 2013 Ownership interest (%)
<i>Oil and gas exploration and production</i>			
OJSC “Surgutneftegas”	Oil and gas exploration and production	Parent company	Parent company
<i>Oil refining</i>			
“KINEF” LLC	Oil refining	100 %	100 %
<i>Oil products sale</i>			
“Novgorodnefteproduct” LLC	Oil products sale	100 %	100 %
“Pskovnefteproduct” LLC	Oil products sale	100 %	100 %
“Kaliningradnefteproduct” LLC	Oil products sale	100 %	100 %

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“Tvernefteproduct” LLC	Oil products sale	100 %	100 %
“KIRISHIAVTOSERVIS” LLC	Oil products sale	100 %	100 %
<i>Other companies</i>			
“Insurance Company “Surgutneftegas” LLC	Insurance	99.9838 %	99.9838 %
Closed Joint Stock Company “Surgutneftegasbank” (ZAO “SNGB”)	Banking operations	97.7591 %	97.7591 %
“Surgutmebel” LLC	Manufacture of wood construction items	100 %	100 %
OJSC “Sovkhoz “Chervishevsky”	Agriculture	94.9996 %	94.9996 %
“Media-invest” LLC	Television and radio broadcasting, production and coverage of TV and radio programmes	100 %	100 %
“Lengiproneftekhim” LLC	Engineering	100 %	100 %

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

As of 30 June 2014, non-controlling interests in the amount of RUB 171 million (as of 31 December 2013: RUB 172 million) are not significant to the Group.

5 Segment information

The information about the Group is considered by individual executive body represented by director general of the Company and deputies of director general covering different operations (the Management) to comprise the following operating segments:

“Exploration and production” comprises the Company’s operations in exploration, evaluation, production of oil and gas, and oil sale;

“Refining and sale” includes the Company’s operations in oil and gas processing, and sale of refined products, in addition to subsidiaries of the Group involved in refining and refined products sale, and engineering services;

“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. This information was not presented separately as the Management does not make allowance for the performance of these segments when making decision regarding resource distribution or the total operating efficiency of the Group.

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 interim condensed consolidated financial statements
(unaudited)

(in millions of Russian rubles, unless otherwise stated)

Performance results of operational segments for the six months ended 30 June 2014 (unaudited):

	Exploration and production	Refining and sale	Other activity	Inter- segment sales	Total segment information
Sales revenue					
Export, including:	208,970	103,247	-	-	312,217
<i>revenues from crude oil sales</i>	208,970	-	-	-	208,970
<i>revenues from oil products sales</i>	-	103,071	-	-	103,071
<i>revenues from gas products sales</i>	-	176	-	-	176
Domestic market, including:	90,650	100,304	1,773	(34,824)	157,903
<i>revenues from crude oil sales</i>	79,415	-	-	(7,357)	72,058
<i>revenues from oil products sales</i>	-	95,348	-	(26,554)	68,794
<i>revenues from gas and gas products sales</i>	7,285	2,927	-	(4)	10,208
<i>sale of other products and finished goods</i>	1,182	1,492	1,003	(500)	3,177
<i>other sales</i>	2,768	537	770	(409)	3,666
Total sales revenue	299,620	203,551	1,773	(34,824)	470,120
Operating expenses	(229,489)	(163,569)	(3,622)	34,969	(361,711)
Operating profit / (loss)	70,131	39,982	(1,849)	145	108,409
Finance income					32,008
Finance expenses					(3,382)
Exchange differences					29,741
Gain / (loss) on sale and other disposal of financial assets					12
Share of profit / (loss) of associates					(89)
Other income / (expenses)					(1,954)
Profit before tax					164,745
Income tax					(30,659)
Net income					134,086

OJSC "Surgutneftegas"
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(in millions of Russian rubles, unless otherwise stated)

Performance results of operational segments for the six months ended 30 June 2013 (unaudited):

	Exploration and production	Refining and sale	Other activity	Inter- segment sales	Total segment information
Sales revenue					
Export, including:	195,087	92,070	-	-	287,157
<i>revenues from crude oil sales</i>	194,838	-	-	-	194,838
<i>revenues from oil products sales</i>	-	91,228	-	-	91,228
<i>revenues from gas products sales</i>	-	842	-	-	842
<i>other sales</i>	249	-	-	-	249
Domestic market, including:	60,160	68,918	1,350	(25,262)	105,166
<i>revenues from crude oil sales</i>	47,093	-	-	(6,036)	41,057
<i>revenues from oil products sales</i>	-	64,891	-	(18,272)	46,619
<i>revenues from gas and gas products sales</i>	8,615	1,740	-	(3)	10,352
<i>sale of other products and finished goods</i>	1,654	1,681	827	(232)	3,930
<i>other sales</i>	2,798	606	523	(719)	3,208
Total sales revenue	255,247	160,988	1,350	(25,262)	392,323
Operating expenses	(188,844)	(125,614)	(4,173)	25,056	(293,575)
Operating profit / (loss)	66,403	35,374	(2,823)	(206)	98,748
Finance income					25,653
Finance expenses					(2,797)
Exchange differences					77,270
Gain / (loss) on sale and other disposal of financial assets					2,364
Share of profit / (loss) of associates					36
Other income / (expenses)					(205)
Profit before tax					201,069
Income tax					(35,464)
Net income					165,605

OJSC “Surgutneftegas”
Notes to the interim condensed consolidated financial statements
(unaudited)

(in millions of Russian rubles, unless otherwise stated)

Sales comprise the following (based on the registration country):

Sales	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
export of crude oil – Europe	265,807	267,726
export of crude oil – Asia	86,517	84,937
export of crude oil – CIS, other than Russia	19,557	19,419
export of crude oil – USA	-	2,608
export of crude oil – Canada	16,560	-
domestic sales of crude oil	72,058	41,057
domestic sales of gas	7,281	8,665
Total oil and gas sales	467,780	424,412
export of oil products – Europe	163,453	150,120
domestic sales of oil products	68,794	46,619
export of gas products – Europe	291	1,510
domestic sales of gas products	2,927	1,687
Total oil and gas products sales	235,465	199,936
Other international market sales	-	249
Other domestic sales	6,843	7,138
Total sales	710,088	631,735
less export duties	(239,968)	(239,412)
Total sales revenue	470,120	392,323

Information about sales to the main buyers

The Company has one buyer accounting for over 10 % of total revenues of the Group. Aggregate amount of revenues from this buyer for the six months ended 30 June 2014 is RUB 93,766 million (for the six months ended 30 June 2013: RUB 89,175 million). Sales revenue from this buyer is included in “Refining and sale”.

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

6 Related party transactions

In these interim condensed consolidated financial statements, 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.

For the six months ended 30 June 2014 and 30 June 2013, the Group entered into transactions with NPF “Surgutneftegas” to finance pensions of employees retired within the last six months ended 30 June 2014 and 30 June 2013, and other related parties.

For the six months ended 30 June 2014, the Group contributed to NPF “Surgutneftegas” RUB 666 million (for the six months ended 30 June 2013: RUB 558 million).

As of 30 June 2014, the Group had RUB 1,831 million (as of 31 December 2013: RUB 2,890 million) of loans received from the related parties (funds of the customers of the Group’s bank).

Information about the employee benefits for the key management personnel will be disclosed in the consolidated financial statements for 2014.

The Group has no significant operations and balances on operations with other related parties.

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7 Cash and cash equivalents

Cash and cash equivalents represent the following:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Cash in hand and at current accounts:		
rubles	3,840	3,338
foreign currency	8,622	7,705
Deposits with original maturity under contract less than 3 months	33,640	21,947
Total	46,102	32,990

Interest rate range (annual) used to allocate cash and cash equivalents subject to currency rates are presented in the following table:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Cash at current and correspondent accounts:		
Rubles	0.02 % - 5.00 %	0.25 % - 4.00 %
US Dollars	0.05 % - 1.00 %	0.05 % - 1.00 %
Euro	0.75 % - 1.00 %	0.09 % - 1.75 %
Deposits with original maturity under contract less than 3 months:		
Rubles	6.96 % - 9.14 %	4.10 % - 7.42 %
US Dollars	-	0.02 % - 0.20 %
Euro	-	0.08 % - 0.16 %

As of 30 June 2014, RUB 7,280 million or 58 % of cash was placed at current (correspondent) accounts with one bank with A international rating (as of 31 December 2013: RUB 7,007 million or 63 % of cash – at current (correspondent) accounts with one bank with A+ international rating).

As of 30 June 2014, RUB 17,011 million or 51 % of deposits with original maturity under contract less than 3 months was placed with one bank with BBB+ international rating (as of 31 December 2013: RUB 14,719 million or 67 % of deposits with original maturity under contract less than 3 months was placed with one bank with BBB international rating).

The 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 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 classifications of Standard & Poor’s as of the reporting date:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Cash in hand	1,349	1,739
Central bank	1,213	1,879
Commercial banks:		
Rating from A- to A+	7,969	7,288
Rating from BBB- to BBB+	31,473	19,395
Rating from BB- to BB+	3,291	2,056
Rating from B- to B+	733	612
No rating	74	21
Total	46,102	32,990

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The carrying amounts of the Group’s cash and cash equivalents, as of 30 June 2014 and 31 December 2013, denominated in the following currencies:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Rubles	37,480	23,116
US Dollars	6,374	8,795
Euro	2,248	1,079
Total	46,102	32,990

Restricted cash represent obligatory reserves of the Group's bank at RF Central Bank accounts.

8 Deposits placed

Placed deposits comprise the following:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Bank deposits:		
short-term	503,717	443,326
long-term	646,614	613,183
Total	1,150,331	1,056,509

The amount of deposits interest received at current accounts of the Group for the six months ended 30 June 2014 is RUB 22,941 million (for the six months ended 30 June 2013: RUB 20,909 million).

The fair value of deposits is disclosed in Note 25.

The analysis of credit quality of the banks used by the Group to allocate deposits based on external credit ratings assigned to the banks 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 classifications of Standard & Poor’s as of the reporting date:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Rating from BBB- to BBB+	1,137,327	1,030,258
Rating from BB- to BB+	11,004	26,051
Rating from B- to B+	-	200
No rating	2,000	-
Total	1,150,331	1,056,509

The carrying amounts of placed deposits, as of 30 June 2014 and 31 December 2013, denominated in the following currencies:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Rubles	31,003	3,706
US Dollars	1,119,324	1,052,799
Euro	4	4
Total	1,150,331	1,056,509

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Interest rate range (annual) used to place deposits subject to currency rates are presented below:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Rubles	5.55 % - 9.52 %	5.69 % - 9.20 %
US Dollars	0.75 % - 6.15 %	1.31 % - 6.35 %
Euro	0.20 %	2.57 %

The classification of deposits by maturity is presented below:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
with maturity less than 30 days	38,035	46,644
with maturity more than 30 days, but less than 90 days	119,230	56,371
with maturity more than 90 days, but less than 180 days	122,960	100,693
with maturity more than 180 days, but less than 270 days	102,610	123,286
with maturity more than 270 days, but less than 365 days	120,882	116,332
with maturity more than 365 days	646,614	613,183
Total bank deposits	1,150,331	1,056,509

9 Receivables

Accounts receivable include:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Trade receivables	78,401	81,220
impairment provision	(225)	(266)
Other receivables	10,132	3,873
impairment provision	(421)	(433)
Total accounts receivable	87,887	84,394
short-term	87,094	83,297
long-term	793	1,097
Financial part of the accounts payable	87,887	84,394

As of 30 June 2014 and 31 December 2013, receivables were denominated in the following currencies:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Rubles	11,867	13,085
US Dollars	76,016	71,252
Euro	4	57
Total	87,887	84,394

As of 30 June 2014, receivables in the amount of RUB 78,176 million (as of 31 December 2013: RUB 80,947 million) are not overdue or impaired. The greater part of these receivables is mainly formed by trade receivables due from large Russian and foreign buyers of crude oil and petroleum products.

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).

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10 Advances issued

Advances issued include:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Export custom duties	14,932	20,008
Oil transport	4,026	4,367
Other advances issued	5,238	4,112
Total	24,196	28,487

11 Inventories

Inventories include:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Oil and refined products	11,774	11,615
Materials and supplies	40,134	36,066
Other reserves	7,490	7,350
Goods for resale	1,517	1,102
Work in progress	1,935	1,525
Gas and gas products	46	25
Impairment provision	(3,014)	(2,708)
Total	59,882	54,975

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12 Property, plant and equipment

Flow of property, plant and equipment during the six months ended 30 June 2014:

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 31 December 2013	890,659	215,553	93,549	26,673	1,226,434
Construction and proceeds	64,512	549	1,938	13,126	80,125
Reclassifications	-	1,770	1,235	(3,005)	-
Changes in asset retirement (decommissioning) obligations	1,205	-	-	-	1,205
Disposals, retirements and other movements	(5,559)	(675)	(1,165)	(381)	(7,780)
Historical cost as of 30 June 2014 (unaudited)	950,817	217,197	95,557	36,413	1,299,984
Accumulated depletion, depreciation and amortisation as of 31 December 2013	(117,840)	(32,521)	(28,275)	-	(178,636)
Charge for the period	(26,600)	(11,635)	(3,951)	-	(42,186)
Disposals, retirements and other movements	658	177	834	-	1,669
Accumulated depletion, depreciation and amortisation as of 30 June 2014 (unaudited)	(143,782)	(43,979)	(31,392)	-	(219,153)
Carrying amount as of 31 December 2013	772,819	183,032	65,274	26,673	1,047,798
Carrying amount as of 30 June 2014 (unaudited)	807,035	173,218	64,165	36,413	1,080,831

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Flow of property, plant and equipment during the six months ended 30 June 2013:

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 31 December 2012	723,945	133,902	94,347	85,782	1,037,976
Construction and proceeds	91,886	1,983	740	18,531	113,140
Reclassifications	-	1,408	3,689	(5,097)	-
Changes in asset retirement (decommissioning) obligations	685	-	-	-	685
Disposals, retirements and other movements	(2,098)	(122)	(1,901)	(22)	(4,143)
Historical cost as of 30 June 2013 (unaudited)	814,418	137,171	96,875	99,194	1,147,658
Accumulated depletion, depreciation and amortisation as of 31 December 2012	(74,838)	(20,972)	(21,690)	-	(117,500)
Charge for the period	(22,311)	(6,311)	(6,157)	-	(34,779)
Disposals, retirements and other movements	606	41	788	-	1,435
Accumulated depletion, depreciation and amortization as of 30 June 2013 (unaudited)	(96,543)	(27,242)	(27,059)	-	(150,844)
Carrying amount as of 31 December 2012	649,107	112,930	72,657	85,782	920,476
Carrying amount as of 30 June 2013 (unaudited)	717,875	109,929	69,816	99,194	996,814

Construction in progress mainly refers to the process of capital construction. As of 30 June 2014, property, plant and equipment included advances for purchase and construction of property, plant and equipment in the amount of RUB 5,163 million (as of 31 December 2013: RUB 2,831 million).

On each date of the consolidated financial statements, the management estimates a decline in the recoverable value of the assets below their carrying amount. As of 30 June 2014, no impairment of property, plant and equipment has been identified.

Depreciation on property, plant, and equipment includes the amount capitalised in construction in progress for the six months ended 30 June 2014, in the amount of RUB 11,662 million (for the six months ended 30 June: RUB 11,390 million).

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

	2014	2013
Historical cost as of 1 January	64,563	28,890
Accumulated depreciation	(1,681)	(1,477)
Carrying amount as of 1 January	62,882	27,413
Proceeds	345	34,722
Disposals	(53)	(360)
Depreciation charge	(104)	(84)
Carrying amount as of 30 June (unaudited)	63,070	61,691

Assets of exploration and evaluation included in the cost of property, plant and equipment as of 30 June 2014 equaled RUB 45,658 million (and as of 31 December 2013: RUB 42,651 million).

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13 Loans granted

Long-term and short-term loans granted are represented by loans of the Group’s Bank. As of 30 June 2014, the amount of the loans granted was RUB 39,404 million (as of 31 December 2013: RUB 31,575 million). The increasing number of loans granted is due to the changes in the amount of crediting of legal entities and natural persons.

14 Payables and accrued liabilities

Accounts payable and accrued liabilities include:

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Accounts payable to employees of the Company	17,907	22,863
Trade payables	14,339	8,987
Accounts payable for acquired property, plant and equipment	6,250	5,366
Other accounts payable	1,448	1,820
Dividends payable	40,075	494
Total accounts payable and liabilities accrued	80,019	39,530
Including the financial part of the accounts payable	62,112	16,667

Accounts payable are denominated mainly in rubles.

15 Other tax liabilities

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Value added tax	4,290	4,199
Property tax	3,169	2,790
Mineral extraction tax	27,367	26,470
Other	5,368	5,635
Other tax liabilities total	40,194	39,094

16 Provisions for liabilities and charges

	As of 30 June 2014 (unaudited)	As of 31 December 2013
Asset retirement obligations	64,944	63,223
Post-employment benefit obligations	15,885	16,359
Other liabilities	2,893	2,339
Total provisions for liabilities and charges including:	83,722	81,921
short-term	3,970	3,314
long-term	79,752	78,607

17 Other financial liabilities

Other current and non-current financial liabilities are current accounts and customer deposits of the Group’s bank. As of 30 June 2014, the amount of the liabilities was RUB 45,274 million (and as of 31 December 2013: RUB 35,227 million). The growth of financial liabilities is due to the changes in deposit balances of legal entities and natural persons.

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18 Export customs duty

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Export customs duty on oil sales	179,471	179,852
Export customs duty on oil and gas products sales	60,497	59,560
Total export customs duty	239,968	239,412

19 Operating expenses

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Taxes excluding income tax	179,963	134,710
Production services	38,790	35,652
Depreciation, depletion and amortisation	31,079	23,891
Selling and storage expenses	32,242	34,582
Employee benefits	44,087	40,423
Utility and electricity expenses	13,352	10,869
Goods for resale	6,672	3,861
Supplies	12,223	8,415
Expenses from disposal of exploration and production properties	3,613	-
Changes in inventory and work in progress	(4,790)	(5,559)
Other expenses	4,480	6,731
Total operating expenses	361,711	293,575

Employee benefits include:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Salary and charges	42,838	38,255
Provision for vacation	687	484
Contributions to pension funds	562	1,684
Total employee benefits	44,087	40,423

Taxes, other than income tax include:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Mineral extraction tax	164,920	124,192
Excise	8,149	5,009
Property tax	6,526	5,160
Other taxes	368	349
Total taxes excluding income tax	179,963	134,710

For the six months ended 30 June 2014, mineral extraction tax expenses equaled RUB 164,920 million (for the six months ended 30 June 2013: RUB 124,192 million). Mineral extraction tax expenses increased mostly due to higher crude production tax rate which in 2014 amounted to RUB 493 per tonne (in 2013: RUB 470 per tonne).

20 Finance income and expenses

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest receivable	31,976	25,612
Interest income from discounting	32	41
Total finance income	32,008	25,653

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	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest expense from discounting	2,222	2,054
Interest payable	1,160	743
Total finance expenses	3,382	2,797

The discount for placed deposits during the six months ended 30 June 2014 in the amount of RUB 1,478 million (for the six months ended 30 June 2013: RUB 1,218 million) is recognised in “Interest expense from discounting”.

21 Exchange differences

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

	As of 30 June 2014	As of 30 June 2013
US Dollars	33.63	32.71
Euro	45.83	42.72

Average exchange rates for the six months ended 30 June 2014 and 30 June 2013 equaled:

	Six months ended 30 June 2014	Six months ended 30 June 2013
US Dollars	34.98	31.02
Euro	47.99	40.74

22 Factors of financial risks

The Group’s activities are exposed to the following financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

These interim condensed consolidated financial statements do not include full information and comments to financial risks management which are disclosed in the annual financial statements because these statements shall be considered together with the annual consolidated financial statements of the Group as of 31 December 2013.

During the period started 31 December 2013, there were no changes in the risk management system.

23 Earnings per share

Basic earnings per share for the six months ended 30 June 2014 and 30 June 2013 were calculated based on income attributable to holders of the Company’s ordinary shares and the weighted average number of outstanding ordinary shares. The Company has no potential ordinary shares that have a dilutive effect.

	2014	2013
Shares outstanding as of 30 June, thousands	35,725,995	35,725,995
Effect of treasury shares, thousand	(650)	(650)
Weighted average number of shares for the six months ended 30 June, thousand	35,725,345	35,725,345
Net income for the reporting period attributable to shareholders	134,077	165,600
Dividends on preference shares, million rubles	-	-
Basic and diluted earnings per share, rubles	3.75	4.64

The Company neither declared nor paid out any dividend for the six months ended 30 June 2014 and 30 June 2013.

24 Dividends

On 27 June 2014, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2013 in the amount of 0.6 ruble for one ordinary share and 2.36 rubles for one preference share.

On 28 June 2013, the annual general meeting of shareholders of the Company declared dividends for the year ended 31 December 2012 in the amount of 0.5 ruble for one ordinary share and 1.48 rubles for one preference share.

25 Fair value of the financial instruments

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:

As of 30 June 2014 (unaudited)	Quoted prices in active markets (Level 1)	Valuation technique based on observable market data (Level 2)	Valuation technique with a significant amount of non-observable data (Level 3)
Financial assets at fair value through profit and loss	633	-	1
Financial assets available-for-sale	4,477	-	5,492
Total financial assets at fair value	5,110	-	5,493

As of 31 December 2013	Quoted prices in active markets (Level 1)	Valuation technique based on observable market data (Level 2)	Valuation technique with a significant amount of non-observable data (Level 3)
Financial assets at fair value through profit and loss	667	-	1
Financial assets available-for-sale	6,521	-	5,493
Total financial assets at fair value	7,188	-	5,494

As of 30 June 2014 and 31 December 2013, the Group has no liabilities measured at fair value.

The estimated fair value of a financial instrument is determined by the Group with reference to various 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.

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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 fair value of certain financial instruments for which external market pricing information is not available.

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

Within the six months ended 30 June 2014, there were no changes in valuation technique for Level 3 recurring fair value measurements.

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

The comparison of the fair value and carrying amount of deposits and investments held to maturity is presented below.

The carrying amount of all the remaining financial assets is approximately equal to their fair value.

	As of 30 June 2014 (unaudited)		As of 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits placed	1,150,331	1,156,561	1,056,509	1,083,193
Investments held-to-maturity	9,421	9,436	6,204	6,206

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

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

A reconciliation of classes of financial assets with the estimated categories is presented below:

As of 30 June 2014 (unaudited)	Loans and receivables	Assets available-for- sale	Assets measured at fair value with its changes reported through profit or loss	Held-to- maturity	Total
Cash and cash equivalents	46,102	-	-	-	46,102
Restricted cash	614	-	-	-	614
Deposits placed	1,150,331	-	-	-	1,150,331
Loans granted	39,404	-	-	-	39,404
Other financial assets		9,969	634	9,421	20,024
Receivables	87,887	-	-	-	87,887
Total financial assets	1,324,338	9,969	634	9,421	1,344,362

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As of 31 December 2013	Loans and receivables	Assets available-for- sale	Assets measured at fair value with its changes reported through profit or loss	Held-to- maturity	Total
Cash and cash equivalents	32,990	-	-	-	32,990
Restricted cash	794	-	-	-	794
Deposits placed	1,056,509	-	-	-	1,056,509
Loans granted	31,575	-	-	-	31,575
Other financial assets	-	12,014	668	6,204	18,886
Receivables	84,394	-	-	-	84,394
Total financial assets	1,206,262	12,014	668	6,204	1,225,148

All financial liabilities of the Group are recognised at amortised cost. Financial liabilities are mainly other financial liabilities (funds of the Group’s Bank customers), accounts payable to suppliers and contractors and other accounts payable.

Liabilities recorded at amortised cost. 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 the similar credit risk and maturity period.

26 Subsequent Events

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