

Audit Report

of independent audit company

“Crowe Expertiza” LLC

for accounting (financial) statements of

“Surgutneftegas” PJSC

for 2018

“Crowe Expertiza” LLC

Member of Crowe Global

127055, Moscow,
Tikhvinsky per., 7, building 3

Tel.: +7 (800) 700 77 62

Tel.: +7 (495) 721 38 83

Fax: +7 (495) 721 38 94

office.msc@rosexpertiza.ru

www.rosexpertiza.ru

**To shareholders of “Surgutneftegas”
Public Joint Stock Company**

To shareholders of “Surgutneftegas” Public Joint Stock Company

AUDIT REPORT

Opinion

We have audited the accompanying annual accounting (financial) statements of “Surgutneftegas” Public Joint Stock Company (hereinafter – the Company) (State Registration Number: 1028600584540, ul.Grigoriya Kukuyevitskogo, 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation, 628415) consisting of the Balance Sheet as of December 31, 2018, Income Statement for 2018, appendices to the Balance Sheet and Income Statement, including Statement of Changes in Equity for 2018, Cash Flow Statement for 2018, Notes to the Balance Sheet and Income Statement for 2018.

In our opinion, the accompanying annual accounting (financial) statements give a true and fair view in all material respects of the Company’s financial standing as of December 31, 2018, the results of the Company’s financial activity, and the cash flow for 2018 in accordance with the rules for preparation of accounting (financial) statements established in the Russian Federation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Annual Accounting (Financial) Statements section of this report. We are independent of the audited entity in accordance with Auditors and Audit Organizations Independence Regulations and Code of Professional Ethics of Auditors compliant with Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounting (financial) statements for the current period. These matters were addressed in the context of our audit of the annual accounting (financial) statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Revenue recognition is material to our audit, because the amount of revenue is material to the annual accounting (financial) statements of the Company.

Our procedures included revenue recognition control efficiency tests, analytical procedures and detailed procedures, and were focused on testing completeness, timeliness, arithmetic accuracy and assessment of revenue recognition based on the terms and conditions of contracts, appendices thereto and other documents.

Note 5.1 contains information on the amount of revenue recognized in the annual accounting (financial) statements and the procedure of its recognition according to the accounting policy of the Company.

Accounting for Financial Investments



Accounting for long-term and short-term financial investments is material to our audit because their book value is material to the annual accounting (financial) statements of the Company.

Our procedures were focused on confirmation of the book value of financial investments recorded in annual accounting (financial) statements of the Company based on the analysis of deposit and other agreements. We have verified formation of the book value of deposits and loans granted, their classification by breakdown into long-term and short-term assets, carried out impairment tests and verified disclosures in Notes.

Note 3.5 and information in tables 3.1, 3.2 of the Notes to the Balance Sheet and the Income Statement (table form) contain information on the amounts of financial investments according to their types recorded in annual accounting (financial) statements of the Company.

Other information

The management is responsible for the other information. The other information represents the annual report, which is expected to be available to us after the date of this auditor's report.

Our opinion on the annual accounting (financial) statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounting (financial) statements, our responsibility is to study the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounting (financial) statements or our knowledge obtained in the audit and otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Audit Committee of the Board of Directors of the Audited Entity for the Annual Accounting (Financial) Statements

The management is responsible for the preparation of these annual accounting (financial) statements that give a true and fair view in accordance with the rules for the preparation of accounting (financial) statements established in the Russian Federation and for such internal control as the management deems necessary for the preparation of annual accounting (financial) statements that are free from any material misstatement, whether due to fraud or error.

In preparing the annual accounting (financial) statements, the management is responsible for assessing the audited entity's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern assumption basis of accounting unless the management either intends to liquidate the audited entity or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the preparation of the Company's accounting (financial) statements.

Auditor's Responsibilities for the Audit of the Annual Accounting (Financial) Statements

Our objectives are to obtain reasonable assurance of whether the annual accounting (financial) statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual



accounting (financial) statements.

As part of the audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the annual accounting (financial) statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the efficiency of the audited entity's internal control;
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates calculated by the management and related disclosures made by the management;
- d) Conclude on the appropriateness of the use by the management of the audited entity of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the audited entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounting (financial) statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern;
- e) Evaluate the overall presentation, structure and content of the annual accounting (financial) statements, including the disclosures, and whether the annual accounting (financial) statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and the Audit Committee of the Board of Directors of the audited entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the management and the Audit Committee of the Board of Directors of the audited entity with a statement that we have complied with all relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated to the management and the Audit Committee of the Board of Directors of the audited entity, we have determined those matters that were of most significance in the audit of the annual accounting (financial) statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Engagement partner
in audit following which the Audit Report was compiled

A.M.Popov

Director General

A.V.Kozlov

Auditing organization:

“Crowe Expertiza” Limited Liability Company,
State Registration Number: 1027739273946,
ul.Mashi Poryvaevoy, 34, Moscow, Russian Federation, 107078,
A member of Self-Regulating Organization of Auditors “Russian Union of Auditors
(Association)”,
MRN: 11603046778

“ 29 ” March 2019

Balance Sheet
as of 31 December 2018

Company **“Surgutneftegas” PJSC**
Taxpayer identification number
Type of economic activity **crude oil production**
Form of legal organization/form of ownership **public joint stock company/private property**
Unit of measure: **thousand RUB**

Form by OKUD
Date (day, month, year)
by OKPO
INN
by OKVED2
by OKOPF/OKFS
by OKEI

Codes		
0710001		
31	12	2018
05753490		
8602060555		
06.10.1		
12247	16	
384		

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

Khanty-Mansiysky Autonomous Okrug – Yugra

Surgut, ul.Grigoriya Kukuyevitskogo 1, bld. 1

Notes	Indicator	Code	As of 31 December	As of 31 December	As of 31 December
			2018	2017	2016
	ASSETS				
	I. NON-CURRENT ASSETS				
3.1	Intangible assets	1110	443 364	572 897	567 427
3.2	R&D results	1120	99 755	267 803	143 419
3.3	Intangible prospecting assets	1130	57 899 221	47 979 317	44 486 303
	Tangible prospecting assets	1140	-	-	-
3.4	Fixed assets	1150	866 873 313	836 009 871	817 489 027
	including buildings, machinery, equipment, and other fixed assets, excluding land, objects of environmental management, and capital investments in progress	1151	807 921 080	772 133 643	754 655 089
3.4	Income yielding investments in tangible assets	1160	2 456 728	2 672 188	2 887 646
3.5	Financial investments	1170	2 256 249 325	1 539 907 397	1 773 553 018
	including other financial investments, excluding investments in organizations and loans granted	1171	2 180 334 781	1 409 937 695	1 619 633 606
3.11	Deferred tax assets	1180	39 534	8 693 537	23 718 078
3.6	Other non-current assets	1190	53 984 986	59 352 979	58 032 386
	Total for Section I	1100	3 238 046 226	2 495 455 989	2 720 877 304
	II. CURRENT ASSETS				
3.7	Stocks	1210	107 540 945	86 965 050	84 612 290
	Value Added Tax on acquired valuables	1220	6 098 816	4 921 233	4 319 637
3.8	Accounts receivable	1230	311 271 618	281 648 471	272 521 980
3.5	Financial investments (excluding cash equivalents)	1240	807 894 926	765 615 792	414 155 608
	including other financial investments, excluding investments in organizations and loans granted	1241	732 775 889	738 351 384	414 155 608
3.9	Cash and cash equivalents	1250	71 923 660	62 235 108	42 293 015
	Other current assets	1260	2 070 149	1 960 542	1 585 023
	Total for Section II	1200	1 306 800 114	1 203 346 196	819 487 553
	BALANCE	1600	4 544 846 340	3 698 802 185	3 540 364 857

Notes	Indicator	Code	As of 31 December	As of 31 December	As of 31 December
			2018	2017	2016
	LIABILITIES				
	III. CAPITAL AND RESERVES				
3.10	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	514 666 175	518 252 396	513 790 825
	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	3 524 225 549	2 725 058 334	2 596 504 129
	Total for Section III	1300	4 281 345 701	3 485 764 707	3 352 748 931
	IV. LONG-TERM LIABILITIES				
	Borrowed funds	1410	-	-	-
3.11	Deferred tax liabilities	1420	94 495 005	81 281 076	76 257 353
	Estimated liabilities	1430	-	-	-
3.12	Other liabilities	1450	174 768	199 902	639 292
	Total for Section IV	1400	94 669 773	81 480 978	76 896 645
	V. SHORT-TERM LIABILITIES				
	Borrowed funds	1510	-	-	-
3.12	Accounts payable	1520	153 562 013	117 173 980	96 541 953
3.13	Deferred income	1530	927 073	689 238	703 022
3.14	Estimated liabilities	1540	14 025 450	13 339 290	13 077 807
	Other liabilities	1550	316 330	353 992	396 499
	Total for Section V	1500	168 830 866	131 556 500	110 719 281
	BALANCE	1700	4 544 846 340	3 698 802 185	3 540 364 857

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

(signature)

V.G.Barankov

(printed name)

Chief Accountant
"Surgutneftegas" PJSC

(signature)

A.V.Druchinin

(printed name)

**Income Statement
for 2018**

Company **“Surgutneftegas” PJSC**

Taxpayer identification number

Type of economic

activity **crude oil production**

Form of legal organization/form of ownership

public joint stock company/private property

Unit of measure: **thousand RUB**

Form by OKUD

Date (day, month, year)

by OKPO

INN

by OKVED2

by OKOPF/OKFS

by OKEI

Codes		
0710002		
31	12	2018
05753490		
8602060555		
06.10.1		
12247	16	
384		

Notes	Indicator	Code	For January –	For January –
			December	December
1	2	3	2018	2017
			4	5
5.1	Revenue	2110	1 524 947 700	1 144 372 835
5.1	Cost of sales	2120	(1 033 857 472)	(818 592 909)
	Gross profit (loss)	2100	491 090 228	325 779 926
	Selling expenses	2210	(99 303 190)	(93 569 907)
	Management expenses	2220	-	-
	Sales profit (loss)	2200	391 787 038	232 210 019
	Income from participation in other organizations	2310	800 982	962 230
	Interest receivable	2320	106 160 339	91 434 086
	Interest payable	2330	-	-
5.2	Other income	2340	2 040 068 002	1 018 492 577
5.2	Other expenses	2350	(1 530 425 890)	(1 158 599 685)
	Profit (loss) before tax	2300	1 008 390 471	184 499 227
3.11	Current profit tax	2410	(161 206 175)	(15 352 412)
3.11	including permanent tax liabilities (assets)	2421	8 486 214	4 948 922
3.11	Change in deferred tax liabilities	2430	(13 213 929)	(5 023 723)
3.11	Change in deferred tax assets	2450	(8 654 003)	(15 024 541)
	Other	2460	377 948	354 998
	Reallocation of profit tax within the consolidated group of taxpayers	2465	1 946 981	283 039
	Net profit (loss)	2400	827 641 293	149 736 588

Notes	Indicator	Code	For January –	For January –
			December	December
1	2	3	2018	2017
			4	5
	Results of revaluation of non-current assets not included in net profit (loss) for the period	2510	1 163 363	9 140 576
	Results of other operations not included in net profit (loss) for the period	2520	-	-
	For reference only Comprehensive income for the period	2500	828 804 656	158 877 164
5.3	Base profit (loss) per share	2900		
	Diluted profit (loss) per share	2910	-	-

First Deputy
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on Finance and Taxation

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(printed name)

Chief Accountant
“Surgutneftegas” PJSC

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

“ 28 ” March 2019

Decrease in capital – total:	3220	-	-	(6 805 557)	-	(26 056 796)	(32 862 353)
including:							
loss	3221	x	x	x	x	-	-
revaluation of property	3222	x	x	(2 126 552)	x	-	(2 126 552)
expenses allocated directly to decrease in capital	3223	x	x	(4 679 005)	x	-	(4 679 005)
decrease in par value of shares	3224	-	-	-	x	-	-
decrease in the number of shares	3225	-	-	-	x	-	-
reorganization of a legal entity	3226	-	-	-	-	-	-
dividends	3227	x	x	x	x	(26 056 796)	(26 056 796)
Change in additional capital	3230	x	x	-	-	-	x
Change in reserve capital	3240	x	x	x	-	-	x
Capital as of 31 December 2017	3200	43 427 993	-	710 764 182	6 514 198	2 725 058 334	3 485 764 707
In 2018							
Increase in capital – total:	3310	-	-	2 703 133	-	833 017 869	835 721 002
including:							
net profit	3311	x	x	x	x	827 641 293	827 641 293
revaluation of property	3312	x	x	2 703 133	x	-	2 703 133
income allocated directly to increase in capital	3313	x	x	-	x	5 376 576	5 376 576
additional issue of shares	3314	-	-	-	x	x	-
increase in par value of shares	3315	-	-	-	x	-	x
reorganization of a legal entity	3316	-	-	-	-	-	-
Decrease in capital – total:	3320	-	-	(6 289 354)	-	(33 850 654)	(40 140 008)
including:							
loss	3321	x	x	x	x	-	-
revaluation of property	3322	x	x	(1 539 770)	x	-	(1 539 770)
expenses allocated directly to decrease in capital	3323	x	x	(4 749 584)	x	-	(4 749 584)
decrease in par value of shares	3324	-	-	-	x	-	-
decrease in the number of shares	3325	-	-	-	x	-	-
reorganization of a legal entity	3326	-	-	-	-	-	-
dividends	3327	x	x	x	x	(33 850 654)	(33 850 654)
Change in additional capital	3330	x	x	-	-	-	x
Change in reserve capital	3340	x	x	x	-	-	x
Capital as of 31 December 2018	3300	43 427 993	-	707 177 961	6 514 198	3 524 225 549	4 281 345 701

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

Indicator	Code	As of 31.12.2016	Changes in capital for 2017		As of 31.12.2017
			due to net profit (loss)	due to other factors	
Capital – total prior to adjustments	3400	-	-	-	-
adjustment due to: changes in the accounting policy	3410	-	-	-	-
error correction	3420	-	-	-	-
after adjustments	3500	-	-	-	-
including: retained profit (uncovered loss): prior to adjustments	3401	-	-	-	-
adjustment due to: changes in the accounting policy	3411	-	-	-	-
error correction	3421	-	-	-	-
after adjustments	3501	-	-	-	-
other adjusted capital items: (by items) prior to adjustments	3402	-	-	-	-
adjustment due to: changes in the accounting policy	3412	-	-	-	-
error correction	3422	-	-	-	-
after adjustments	3502	-	-	-	-

3. Net assets

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
Net assets	3600	4 282 272 774	3 486 453 945	3 353 451 953

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

(signature)

V.G.Barankov
(printed name)

Chief Accountant
"Surgutneftegas" PJSC

(signature)

A.V.Druchinin
(printed name)

"28" March 2019

**Cash Flow Statement
for 2018**

Company **“Surgutneftegas” PJSC**
 Taxpayer identification number
 Type of economic activity: **crude oil production**
 Form of legal organization/form of ownership
public joint stock company/private property
 Unit of measure: **thousand RUB**

Codes			
Form by OKUD 0710004			
Date (day, month, year)	31	12	2018
by OKPO	05753490		
INN	8602060555		
by OKVED2	06.10.1		
by OKOPF/OKFS	12247	16	
by OKEI	384		

Indicator	Code	For 2018	For 2017
Cash flow from current operations			
Proceeds – total	4110	1 536 248 737	1 165 553 107
including:			
from sales of goods, products, works and services	4111	1 522 897 807	1 131 448 353
lease payments, license payments, royalty, commission and other similar payments	4112	730 152	703 987
from resale of financial investments	4113	-	-
other proceeds	4119	12 620 778	33 400 767
Payments – total	4120	(1 290 318 965)	(911 884 002)
including:			
to suppliers (contractors) for raw materials, supplies, works and services	4121	(300 309 455)	(288 911 904)
due to remuneration of employees' labor	4122	(112 067 100)	(109 354 017)
debenture interest	4123	-	-
corporate profit tax	4124	(135 947 451)	(17 414 246)
taxes and charges (excl. profit tax)	4125	(732 339 766)	(486 587 629)
other payments	4129	(9 655 193)	(9 616 206)
Cash flow balance from current operations	4100	245 929 772	253 669 105
Cash flow from investing			
Proceeds – total	4210	127 111 581	60 382 109
including:			
from sale of non-current assets (excl. financial investments)	4211	422 350	413 403
from sale of shares of (interest in) other organizations	4212	4 123 886	958 139
from repayment of loans granted and sale of debt securities (cash receivables from other persons)	4213	307 900	-
dividends, interest on financial debt investments and similar proceeds from interest in other organizations	4214	121 841 521	58 819 774
other proceeds	4219	415 924	190 793

Indicator	Code	For 2018	For 2017
Payments – total	4220	(334 042 307)	(267 905 601)
including: due to acquisition, formation, modernization, reconstruction and preparation of non-current assets for use	4221	(43 904 017)	(42 986 491)
due to acquisition of shares of (interest in) other organizations	4222	-	-
due to acquisition of debt securities (cash receivables from other persons) and loans granted to other persons	4223	(1 273 692)	(7 143 299)
debenture interest to be included in the cost of investment assets	4224	-	-
other payments	4229	(288 864 598)	(217 775 811)
Cash flow balance from investing	4200	(206 930 726)	(207 523 492)
Cash flow from financing			
Proceeds – total	4310	-	-
including: borrowings and loans received	4311	-	-
cash deposits by owners (members)	4312	-	-
from issue of shares and increase in interest	4313	-	-
from issue of bonds, bills of exchange, other debt securities, etc.	4314	-	-
other proceeds	4319	-	-
Payments – total	4320	(31 530 243)	(23 773 048)
including: to owners (members) due to repurchase of their shares of (interest in) the organization or cessation of their membership	4321	-	-
for payment of dividends and other payments related to distribution of profit among owners (members)	4322	(31 530 243)	(23 773 048)
due to payment (buyback) of bills of exchange and other debt securities and repayment of borrowings and loans	4323	-	-
other payments	4329	-	-
Cash flow balance from financing	4300	(31 530 243)	(23 773 048)
Cash flow balance for the reporting period	4400	7 468 803	22 372 565
Balance of cash and cash equivalents at the beginning of the reporting period	4450	62 235 094	42 292 970
Balance of cash and cash equivalents at the end of the reporting period	4500	71 923 611	62 235 094
Effect of changes in the exchange rates of foreign currency to the Russian ruble	4490	2 219 714	(2 430 441)

First Deputy

Director General "Surgutneftegas" PJSC
on Finance and Taxation

Chief Accountant
"Surgutneftegas" PJSC

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

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

"28" March 2019

1.2. Historical cost of intangible assets created by the organization

Indicator	Code	As of 31 December	As of 31 December	As of 31 December
		<u>2018</u>	<u>2017</u>	<u>2016</u>
Total	5120	862 574	843 362	823 836
including:				
exclusive rights to invention, industrial prototype, utility model	5121	8 606	8 343	8 166
exclusive rights to computer programs and databases	5122	853 915	834 966	815 617
exclusive rights to trademarks and service marks	5123	53	53	53
other protected results of intellectual property and individualization means	5124	-	-	-

1.3. Intangible assets with fully redeemed cost

Indicator	Code	As of 31 December	As of 31 December	As of 31 December
		<u>2018</u>	<u>2017</u>	<u>2016</u>
Total	5130	422 911	351 055	373 769
including:				
exclusive rights to invention, industrial prototype, utility model	5131	65	20	20
exclusive rights to computer programs and databases	5132	422 804	351 012	366 382
exclusive rights to trademarks and service marks	5133	-	11	11
other protected results of intellectual property and individualization means	5134	42	12	7 356
goodwill	5135	-	-	-

1.4. Availability and flow of R&D results

Indicator	Code	Period	At year beginning		Changes during the period				At period end	
			historical cost	part of the cost written off to expenses	received	retired		part of the cost written off to expenses for the period	historical cost	part of the cost written off to expenses
						historical cost	part of the cost written off to expenses			
1	2	3	4	5	6	7	8	9	10	11
R&D – total	5140	for 2018	664 350	(406 321)	45 785	-	-	(258 029)	710 135	(664 350)
	5150	for 2017	402 965	(307 850)	261 385	-	-	(98 471)	664 350	(406 321)

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

Indicator	Code	Period	At year beginning	Changes during the period			At period end
				expenses for the period	expenses written off as those with negative results	recorded as assets/retired	
1	2	3	4	5	6	7	8
Expenses on research and development in progress – total	5160	for 2018	9 774	99 759	-	(55 563)	53 970
	5170	for 2017	48 304	268 968	-	(307 498)	9 774
Acquisition of intangible assets in progress – total	5180	for 2018	123 712	87 963	(1 497)	(153 042)	57 136
	5190	for 2017	99 478	157 850	(108 549)	(25 067)	123 712
including advances issued for intangible assets	5181	for 2018	12 485	-	-	(9 948)	2 537
	51901	for 2017	-	12 485	-	-	12 485

1.6. Intangible prospecting assets

Indicator	Code	Period	At year beginning	Changes during the period				Results of impairment	At period end
				proceeds and costs for the period	retired				
					costs to be written off when minerals production/license acquisition is recognized as unpromising/impractical	transferred to other non-current assets	other retirement		
1	2	3	4	5	6	7	8	9	10
Intangible prospecting assets – total	5191	for 2018	47 979 317	10 852 682	(1 659 293)	-	(36 110)	762 625	57 899 221
	5192	for 2017	44 486 303	10 526 688	(874 667)	(6 065 736)	(268 160)	174 889	47 979 317
including: licenses	51910	for 2018	6 354 002	66 250	(211 646)	-	-	(16 974)	6 191 632
	51920	for 2017	7 912 584	304 830	(49 761)	(2 191 844)	-	378 193	6 354 002
geological exploration	51911	for 2018	9 012 222	1 547 242	(230 152)	-	-	283 390	10 612 702
	51921	for 2017	8 609 576	1 610 491	(36 564)	(1 188 860)	-	17 579	9 012 222
construction of prospecting and exploration wells	51912	for 2018	32 576 983	8 640 224	(1 217 495)	-	-	496 209	40 495 921
	51922	for 2017	27 695 983	8 575 257	(788 342)	(2 685 032)	-	(220 883)	32 576 983
advances issued for construction of prospecting and exploration wells	51913	for 2018	36 110	598 966	-	-	(36 110)	-	598 966
	51923	for 2017	268 160	36 110	-	-	(268 160)	-	36 110

2. Fixed assets

2.1. Availability and flow of fixed assets

Indicator	Code	Period	At year beginning		Changes during the period						At period end	
			historical cost	accumulated depreciation	received	items retired		accrued depreciation	revaluation		historical cost	accumulated depreciation
						historical cost	accumulated depreciation		historical cost	accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
Fixed assets (net of income yielding investments in tangible assets) – total	5200	for 2018	3 510 271 044	(2 724 118 626)	190 719 205	(36 902 407)	35 633 068	(154 614 455)	6 180 774	(5 357 094)	3 670 268 616	(2 848 457 107)
	5210	for 2017	3 242 318 586	(2 473 823 704)	180 367 039	(33 638 654)	32 479 408	(167 734 386)	121 224 073	(115 039 944)	3 510 271 044	(2 724 118 626)
including: land and objects of environmental management	5201	for 2018	14 018 775	-	-	(130 914)	-	-	2 568	-	13 890 429	-
	5211	for 2017	13 839 793	-	-	(22 410)	-	-	201 392	-	14 018 775	-
buildings, structures and transfer mechanisms	5202	for 2018	2 852 693 912	(2 199 303 864)	151 147 250	(16 292 482)	15 324 943	(118 374 559)	(2 639 982)	2 642 429	2 984 908 698	(2 299 711 051)
	5212	for 2017	2 634 374 658	(2 002 666 660)	142 056 325	(13 081 598)	12 155 508	(123 483 924)	89 344 527	(85 308 788)	2 852 693 912	(2 199 303 864)
machinery, equipment and vehicles	5203	for 2018	637 968 754	(520 992 526)	39 388 327	(20 364 950)	20 194 860	(35 877 649)	8 795 842	(7 985 136)	665 787 973	(544 660 451)
	5213	for 2017	589 101 648	(467 682 620)	37 749 283	(20 492 988)	20 283 249	(43 907 105)	31 610 811	(29 686 050)	637 968 754	(520 992 526)
other types of fixed assets	5204	for 2018	5 589 603	(3 822 236)	183 628	(114 061)	113 265	(362 247)	22 346	(14 387)	5 681 516	(4 085 605)
	5214	for 2017	5 002 487	(3 474 424)	561 431	(41 658)	40 651	(343 357)	67 343	(45 106)	5 589 603	(3 822 236)
Recorded as income yielding investments in tangible assets – total	5220	for 2018	3 272 720	(600 532)	-	-	-	(215 460)	-	-	3 272 720	(815 992)
	5230	for 2017	3 272 720	(385 074)	-	-	-	(215 458)	-	-	3 272 720	(600 532)
including: property given for temporary use (temporary possession and use)	5221	for 2018	3 272 720	(600 532)	-	-	-	(215 460)	-	-	3 272 720	(815 992)
	5231	for 2017	3 272 720	(385 074)	-	-	-	(215 458)	-	-	3 272 720	(600 532)

2.2. Capital investments in progress

Indicator	Code	Period	At year beginning	Changes during the period			At period end
				expenses for the period	delivered for assembly/retired	recorded as fixed assets or increase in the value	
1	2	3	4	5	6	7	8
Construction in progress, acquisition, modernization, etc. of fixed assets in progress – total	5240	for 2018	49 857 453	195 275 912	(9 448 428)	(190 623 133)	45 061 804
	5250	for 2017	48 994 145	192 472 117	(10 734 860)	(180 873 949)	49 857 453
including: equipment requiring assembly	5241	for 2018	3 163 887	8 391 059	(8 808 932)	-	2 746 014
	5251	for 2017	3 745 770	9 577 060	(10 158 943)	-	3 163 887
acquisition of land and objects of environmental management	5242	for 2018	372	-	-	-	372
	5252	for 2017	479	-	(107)	-	372
acquisition of fixed assets	5243	for 2018	1 148 488	27 595 694	-	(28 289 071)	455 111
	5253	for 2017	378 250	25 899 585	(223)	(25 129 124)	1 148 488
construction in progress, including proprietary manufacturing of fixed assets	5244	for 2018	45 292 469	159 166 460	(390 044)	(162 334 062)	41 734 823
	5254	for 2017	44 591 712	156 747 235	(301 653)	(155 744 825)	45 292 469
advances issued for capital construction	5245	for 2018	252 237	122 699	(249 452)	-	125 484
	5255	for 2017	277 934	248 237	(273 934)	-	252 237

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

Indicator	Code	For 2018	For 2017
1	2	3	4
Increase in the value of fixed assets resulting from additional construction, equipping, reconstruction – total	5260	37 228 006	36 827 641
including:			
buildings, structures and transfer mechanisms	5261	36 008 680	35 821 460
machinery, equipment and vehicles	5262	1 217 267	1 005 008
other fixed assets	5263	2 059	1 173
Decrease in the value of fixed assets resulting from partial liquidation – total:	5270	(6 531 470)	(5 933 611)
including:			
buildings, structures and transfer mechanisms	5271	(5 025 184)	(4 379 810)
machinery, equipment and vehicles	5272	(1 506 174)	(1 543 547)
other fixed assets	5273	(112)	(10 254)

2.4. Other use of fixed assets

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
1	2	3	4	5
Leased fixed assets on the balance	5280	16 047 841	16 145 062	15 612 397
Leased fixed assets off the balance	5281	-	-	-
Fixed assets on the balance received under lease	5282	-	-	-
Fixed assets off the balance received under lease	5283	18 388 808	18 401 849	17 967 079
Real estate accepted for operation and actually used, currently in the process of state registration	5284	7 986 395	5 007 773	10 725 530
Fixed assets transferred for preservation	5285	114 828 400	97 210 655	81 849 901
Other use of fixed assets	5286	-	-	-

Short-term – total	5305	for 2018	765 615 792	-	382 267	(813 504 033)	-	-	-	119 845 725	735 555 175	807 894 926	-
	5315	for 2017	414 155 608	-	5 525 550	(402 148 251)	-	-	-	(19 991 116)	768 074 001	765 615 792	-
including: securities issued by other organizations	5306	for 2018	0	-	-	-	-	-	-	-	-	0	-
	5316	for 2017	0	-	-	-	-	-	-	-	-	0	-
including: debt securities (bonds, bills of exchange)	53060	for 2018	0	-	-	-	-	-	-	-	-	0	-
	53160	for 2017	0	-	-	-	-	-	-	-	-	0	-
loans granted	5307	for 2018	27 264 408	-	382 267	(57 900)	-	-	-	-	47 530 262	75 119 037	-
	5317	for 2017	0	-	20 000	-	-	-	-	-	27 244 408	27 264 408	-
deposits	5308	for 2018	738 351 384	-	-	(813 446 133)	-	-	-	119 845 725	688 024 913	732 775 889	-
	5318	for 2017	414 155 608	-	5 505 550	(402 148 251)	-	-	-	(19 991 116)	740 829 593	738 351 384	-
other	5309	for 2018	-	-	-	-	-	-	-	-	-	-	-
	5319	for 2017	-	-	-	-	-	-	-	-	-	-	-
Financial investments – total	5300	for 2018	2 305 523 189	-	1 103 584 424	(814 920 354)	-	-	(6 000 000)	475 956 992	0	3 070 144 251	(6 000 000)
	5310	for 2017	2 187 708 626	-	634 865 541	(413 775 032)	-	-	-	(103 275 946)	0	2 305 523 189	-

3.2. Other use of financial investments

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
Pledged financial investments – total	5320	-	-	-
including: securities issued by other organizations	5321	-	-	-
incl. debt securities (bonds, bills of exchange)	5322	-	-	-

4. Stocks

4.1. Availability and flow of stock

Indicator	Code	Period	At year beginning		Changes during the period					At period end	
			production costs	reserve for decreases in the value	proceeds and costs	retired		losses from decreases in the value	stock turnover among their groups (types)	production costs	reserve for decreases in the value
						production costs	reserve for decreases in the value				
1	2	3	4	5	6	7	8	9	10	11	12
Stocks – total	5400	for 2018	86 966 283	(1 233)	1 885 979 249	(1 865 403 366)	12	-	-	107 542 166	(1 221)
	5420	for 2017	84 612 355	(65)	1 449 475 020	(1 447 121 092)	-	(1 168)	-	86 966 283	(1 233)
including: raw materials, supplies and other similar values	5401	for 2018	61 345 609	(1 233)	113 868 578	(424 975 950)	12	-	314 069 446	64 307 683	(1 221)
	5421	for 2017	61 187 381	(65)	105 725 396	(352 437 749)	-	(1 168)	246 870 581	61 345 609	(1 233)
work-in-progress expenses	5402	for 2018	3 069 327	-	4 190 180	(1 098 292)	-	-	-	6 161 215	-
	5422	for 2017	2 522 545	-	1 489 828	(943 046)	-	-	-	3 069 327	-
finished goods	5403	for 2018	10 194 114	-	1 345 527 935	(274 190 845)	-	-	(1 064 608 159)	16 923 045	-
	5423	for 2017	10 293 825	-	1 052 571 862	(243 841 430)	-	-	(808 830 143)	10 194 114	-
goods for resale	5404	for 2018	257 103	-	1 105 936	(1 103 750)	-	-	-	259 289	-
	5424	for 2017	280 322	-	1 127 509	(1 138 585)	-	-	(12 143)	257 103	-
goods shipped	5405	for 2018	2 634 013	-	148 635	(749 245 485)	-	-	750 538 713	4 075 876	-
	5425	for 2017	1 398 747	-	41 579	(560 778 018)	-	-	561 971 705	2 634 013	-
deferred expenses	5406	for 2018	628 318	-	1 901 081	(1 837 434)	-	-	-	691 965	-
	5426	for 2017	706 417	-	1 891 422	(1 969 521)	-	-	-	628 318	-
other stock and costs	5407	for 2018	8 837 799	-	419 236 904	(412 951 610)	-	-	-	15 123 093	-
	5427	for 2017	8 223 118	-	286 627 424	(286 012 743)	-	-	-	8 837 799	-

4.2. Pledged stock

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
1	2	3	4	5
Stock unpaid at the reporting date – total	5440	-	-	-
Pledged stock under contract – total	5445	-	-	-

5. Accounts receivable and payable

5.1. Availability and flow of accounts receivable

Indicator	Code	Period	At year beginning		Changes during the period								At period end	
			recorded as per contract terms and conditions	reserve for doubtful debts	received		retired				reserve creation	transferred from long-term to short-term debt	recorded as per contract terms and conditions	reserve for doubtful debts
					resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	reserve restoration	written off to reserve amounts				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Long-term accounts receivable – total	5501	for 2018	86 572 353	-	90 559 626	-	(150 280)	-	-	-	-	(92 208 688)	84 773 011	-
	5521	for 2017	108 051 605	-	62 296 109	-	(725 806)	-	-	-	-	(83 049 555)	86 572 353	-
including: settlements with buyers and customers	5502	for 2018	426 624	-	1 850	-	(123 307)	-	-	-	-	165 065	470 232	-
	5522	for 2017	175 885	-	352 472	-	(58 784)	-	-	-	-	(42 949)	426 624	-
advances paid	5503	for 2018	1 105 638	-	28	-	-	-	-	-	-	(1 103 794)	1 872	-
	5523	for 2017	1 719 173	-	496 248	-	-	-	-	-	-	(1 109 783)	1 105 638	-
other	5504	for 2018	85 040 091	-	90 557 748	-	(26 973)	-	-	-	-	(91 269 959)	84 300 907	-
	5524	for 2017	106 156 547	-	61 447 389	-	(667 022)	-	-	-	-	(81 896 823)	85 040 091	-
Short-term accounts receivable – total	5510	for 2018	195 131 670	(55 552)	135 280 338	665	(195 939 586)	(1 621)	37	-	(126 032)	92 208 688	226 680 154	(181 547)
	5530	for 2017	164 518 990	(48 615)	112 955 437	1 007	(161 194 862)	(4 194 691)	326	(3 766)	(11 029)	83 049 555	195 131 670	(55 552)
including: settlements with buyers and customers	5511	for 2018	91 079 176	(51)	111 144 934	665	(90 910 776)	-	-	-	(170)	(165 065)	111 148 934	(221)
	5531	for 2017	88 659 428	(365)	90 891 479	1 007	(84 320 928)	(4 194 445)	-	(314)	-	42 949	91 079 176	(51)
advances paid	5512	for 2018	6 423 763	-	7 152 185	-	(7 504 920)	-	-	-	-	1 103 794	7 174 822	-
	5532	for 2017	6 748 746	-	6 423 072	-	(7 857 838)	-	-	-	-	1 109 783	6 423 763	-

Indicator	Code	Period	At year beginning		Changes during the period								At period end	
			recorded as per contract terms and conditions	reserve for doubtful debts	received		retired				reserve creation	transferred from long-term to short-term debt	recorded as per contract terms and conditions	reserve for doubtful debts
					resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result	reserve restoration	written off to reserve amounts				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
settlements with incorporators	5513	for 2018	-	-	-	-	-	-	-	-	-	-	-	-
	5534	for 2017	-	-	-	-	-	-	-	-	-	-	-	-
other	5514	for 2018	97 628 731	(55 501)	16 983 219	-	(97 523 890)	(1 621)	37	-	(125 862)	91 269 959	108 356 398	(181 326)
	5534	for 2017	69 110 816	(48 250)	15 640 886	-	(69 016 096)	(246)	326	(3 452)	(11 029)	81 896 823	97 628 731	(55 501)
Total	5500	for 2018	281 704 023	(55 552)	225 839 964	665	(196 089 866)	(1 621)	37	-	(126 032)	-	311 453 165	(181 547)
	5520	for 2017	272 570 595	(48 615)	175 251 546	1 007	(161 920 668)	(4 194 691)	326	(3 766)	(11 029)	-	281 704 023	(55 552)

5.2. Overdue accounts receivable

Indicator	Code	As of 31.12.2018		As of 31.12.2017		As of 31.12.2016	
		recorded as per contract terms and conditions	book value	recorded as per contract terms and conditions	book value	recorded as per contract terms and conditions	book value
1	2	3	4	5	6	7	8
Total	5540	515 972	334 425	55 830	278	4 479 830	4 431 215
including: settlements with buyers and customers	5541	324 969	324 748	329	278	4 431 580	4 431 215
advances paid	5542	9 677	9 677	-	-	-	-
other	5543	181 326	-	55 501	-	48 250	-

5.3. Availability and flow of accounts payable

Indicator	Code	Period	Balance at year beginning	Changes during the period					Balance at period end
				received		retired		transferred from long-term to short-term debt	
				resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result		
1	2	3	4	5	6	7	8	9	10
Long-term accounts payable – total	5551	for 2018	81 480 978	13 213 933	-	-	-	(25 138)	94 669 773
	5571	for 2017	76 896 645	5 113 805	-	-	-	(529 472)	81 480 978
including: settlements with suppliers and contractors	5552	for 2018	25 128	-	-	-	-	(25 128)	0
	5572	for 2017	549 780	4 815	-	-	-	(529 467)	25 128
advances received	5553	for 2018	14	4	-	-	-	(10)	8
	5573	for 2017	5	14	-	-	-	(5)	14
borrowings and loans	5554	for 2018	0	-	-	-	-	-	0
	5574	for 2017	0	-	-	-	-	-	0
deferred tax liabilities	5555	for 2018	81 281 076	13 213 929	-	-	-	-	94 495 005
	5575	for 2017	76 257 353	5 023 723	-	-	-	-	81 281 076
other	5556	for 2018	174 760	-	-	-	-	-	174 760
	5576	for 2017	89 507	85 253	-	-	-	-	174 760
Short-term accounts payable – total	5560	for 2018	117 173 980	152 152 779	-	(115 733 499)	(56 385)	25 138	153 562 013
	5580	for 2017	96 541 953	115 347 916	-	(95 243 383)	(1 978)	529 472	117 173 980
including: settlements with suppliers and contractors	5561	for 2018	17 993 363	21 691 911	-	(17 143 251)	(56 013)	25 128	22 511 138
	5581	for 2017	16 835 722	17 369 096	-	(16 739 454)	(1 468)	529 467	17 993 363
advances received	5562	for 2018	20 639 005	30 025 139	-	(20 637 703)	(116)	10	30 026 335
	5582	for 2017	18 045 540	20 634 779	-	(18 041 304)	(15)	5	20 639 005
taxes, charges, payments to the budget and state non-budget funds settlements	5563	for 2018	62 695 083	85 544 570	-	(62 695 083)	-	-	85 544 570
	5583	for 2017	46 001 820	62 695 083	-	(46 001 820)	-	-	62 695 083

Indicator	Code	Period	Balance at year beginning	Changes during the period					Balance at period end
				received		retired		transferred from long-term to short-term debt	
				resulting from business transactions (the amount of debt under a transaction or operation)	interest, fines, and other charges due	paid off	written off to financial result		
1	2	3	4	5	6	7	8	9	10
settlements with incorporators for income payment	5564	for 2018	1 263 021	138 219	-	(675 082)	-	-	726 158
	5584	for 2017	1 490 350	66 001	-	(293 330)	-	-	1 263 021
borrowings and loans	5565	for 2018	0	-	-	-	-	-	0
	5585	for 2017	0	-	-	-	-	-	0
other	5566	for 2018	14 583 508	14 752 940	-	(14 582 380)	(256)	-	14 753 812
	5586	for 2017	14 168 521	14 582 957	-	(14 167 475)	(495)	-	14 583 508
Total	5550	for 2018	198 654 958	165 366 712	-	(115 733 499)	(56 385)	-	248 231 786
	5570	for 2017	173 438 598	120 461 721	-	(95 243 383)	(1 978)	-	198 654 958

5.4. Overdue accounts payable

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
1	2	3	4	5
Total	5590	451 073	66 497	100
including: settlements with suppliers and contractors	5591	451 073	66 497	85
borrowings and loans	5592	-	-	-
advances received	5593	-	-	15
other	5594	-	-	-

6. Costs of production

Indicator 1	Code 2	For 2018 3	For 2017 4
Material expenses	5610	221 050 163	208 523 701
Remuneration of labor	5620	95 879 713	92 039 597
Social expenditures	5630	21 510 446	20 005 627
Depreciation	5640	142 701 568	152 000 806
Other costs	5650	669 588 129	441 867 232
Total for the elements	5660	1 150 730 019	914 436 963
Change in balances (increase [-], decrease [+]): for work-in-progress, finished goods, etc.	5670	(17 569 357)	(2 274 147)
Total expenses for ordinary activities	5600	1 133 160 662	912 162 816

7. Estimated liabilities

Indicator 1	Code 2	Balance at year beginning 3	Recognized 4	Paid off 5	Written off as extra amount 6	Balance at period end 7
Estimated liabilities – total	5700	13 339 290	21 005 572	(19 820 318)	(499 094)	14 025 450
Long-term estimated liabilities – total	5701	-	-	-	-	-
including: reserves for future expenses/reserves for assets liquidation	5702	-	-	-	-	-
reserves for future expenses/reserves for reclamation of disturbed lands	5703	-	-	-	-	-
Short-term estimated liabilities – total	5704	13 339 290	21 005 572	(19 820 318)	(499 094)	14 025 450
including: reserves for future expenses/reserves for vacation payments to employees	5705	13 325 087	21 005 572	(19 811 766)	(493 443)	14 025 450
reserves for future expenses/reserves for reclamation of disturbed lands	5706	14 203	-	(8 552)	(5 651)	0

8. Collateral for obligations

Indicator	Code	As of 31.12.2018	As of 31.12.2017	As of 31.12.2016
1	2	3	4	5
Received – total	5800	1 750 780	2 017 082	2 541 300
including: fixed assets	5801	-	-	-
securities and other financial investments	5802	-	-	-
other	5803	1 750 780	2 017 082	2 541 300
Granted – total	5810	22 005 525	21 687 529	21 947 432
including: securities and other financial investments	5811	-	-	-
other	5812	22 005 525	21 687 529	21 947 432

9. Government aid

Indicator	Code	For 2018		For 2017	
1	2	3		4	
Budgetary funds received – total	5900	522 749		225 098	
including: for current expenses	5901	106 825		34 306	
for investments in non-current assets	5905	415 924		190 792	
Budgetary loans – total		At year beginning	Received during the year	Repaid during the year	At year end
	<u>2018</u>	5910	-	-	-
	<u>2017</u>	5920	-	-	-
including:					
	<u>2018</u>	5911	-	-	-
	<u>2017</u>	5921	-	-	-

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

(signature)

V.G.Barankov
(printed name)

Chief Accountant
“Surgutneftegas” PJSC

(signature)

A.V.Druchinin
(printed name)

“28” March 2019

Notes
to the Balance Sheet and the Income Statement of
“Surgutneftegas” Public Joint Stock Company for 2018
(text form)

1. General Information on “Surgutneftegas” PJSC

Location: ul.Grigoriya Kukuyevitskogo, 1, building 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation.

Location of the issuer’s continuing executive body: ul.Grigoriya Kukuyevitskogo, 1, building 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation.

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

Full corporate name: “Surgutneftegas” Public Joint Stock Company.

Abbreviated corporate name: “Surgutneftegas” PJSC.

Date of introduction of the existing name: 03.07.2018.

Grounds for introduction of the corporate name: Federal Law of the Russian Federation No. 208-FZ dated 26.12.1995 “On Joint Stock Companies”.

State registration of the issuer:

Initial state registration:

State registration number: 12-4782.

Date of state registration: 27.06.1996.

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

Registration of the legal entity:

Main state registration number of the legal entity: 1028600584540.

Registration date: 18.09.2002.

Name of the registration authority: Inspectorate of the Ministry of Taxation of the Russian Federation for Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra.

1.1. Core operations of “Surgutneftegas” PJSC

Core operations of “Surgutneftegas” PJSC (hereinafter – the Company) include:

crude oil, petroleum (associated) and natural gas production;
processing and marketing of oil and gas as well as their products and other related activities.

1.2. Management structure of the Company

General Shareholders’ Meeting of the Company.

Board of Directors of the Company.

Executive body of the Company (Director General).

The General Shareholders’ Meeting of the Company is the supreme management body of the Company.

Members of the Board of Directors:
Erokhin Vladimir Petrovich (Chairperson)
Bogdanov Vladimir Leonidovich
Bulanov Alexander Nikolaevich
Dinichenko Ivan Kalistratovich
Egorov Valery Nikolaevich
Krivosheev Viktor Mikhailovich
Matveev Nikolai Ivanovich
Mukhamadeev Georgy Rashitovich
Usmanov Ildus Shagalievich.

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

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

1.3. Members of the Company's Auditing Committee

Oleynik Tamara Fedorovna
Prishchepova Lyudmila Arkadyevna
Musikhina Valentina Viktorovna

1.4. Number of the Company's employees

The average number of employees for 2018 was 101,540 people.

2. Information on accounting policy and amendments thereto

The accounting policy of "Surgutneftegas" PJSC for 2018 for accounting purposes complies with the legislation of the Russian Federation on accounting.

The accounting policy for 2018 has not undergone any significant amendments. Amendments in the Company's accounting policy are made subject to any amendments in the legislation of the Russian Federation and (or) accounting legal regulations when the Company develops or chooses a new method for accounting, which, when applied, increases the quality of information on an object of accounting and significant amendments in the operational conditions of the Company.

Significant methods for accounting are disclosed in the relevant sections of the Notes to the Company's Balance Sheet and the Income Statement.

3. Notes to the Balance Sheet Items

3.1. Intangible assets (hereinafter – IA)

The Company's IA include:
exclusive rights to invention, industrial prototype, utility model;
exclusive rights to computer programs and databases;
exclusive rights to trademarks and service marks;
other protected results of intellectual activities and individualization means.

Intangible assets are recorded at their actual (historical) cost determined as of the date when such assets were recorded.

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

The useful life of IA is determined when an item is entered in accounting records based on the term of a patent or certificate, and other limitations for the useful life of intellectual property in accordance with the legislation of the Russian Federation, and the expected useful life of such an item during which the Company expects to obtain economic benefits (income).

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

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

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

Intangible assets are not revalued and not tested for impairment.

In the Balance Sheet, IA are recorded at residual value with advances issued to acquire and make IA, as well as costs of creation (acquisition) of IA.

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

3.2. Research and Development Engineering (R&D)

The historical cost of R&D assets is the amount of actual expenses on their acquisition or development.

R&D cost is written off as cost of production of goods (performing of works, rendering of services) evenly under the straight-line method within the fixed period of their expected useful life (but within 5 years) from the first day of a month following the month when the R&D results were first applied.

Once R&D results have ceased to be used and when there is a clear proof that the use of R&D results will not bring economic benefits in the future, the residual value of R&D assets is subject to write-off as other expenses.

The Balance Sheet includes finalized R&D as well as R&D in progress (non-finalized R&D) recognized in investments in non-current assets.

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

3.3. Intangible prospecting assets

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

Prospecting costs paid by the Company for discovery of hydrocarbon fields and preliminary appraisal of reserves before production was proved to be commercially feasible are accumulated within a group of objects in every license block and recorded as investments in non-current assets.

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

Part of the cost of licenses which authorize to carry out prospecting and appraisal of hydrocarbon fields and hydrocarbon resources exploration is transferred equally during the term of these licenses and is included in the costs for creation of an exploration asset.

As of December 31, the Company analyzes factors which imply potential impairment of intangible prospecting assets.

Intangible prospecting assets are not revalued.

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

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

prospecting and exploration wells built in the process of formation of intangible prospecting assets and recognized by the Company as suitable for further use in production activity are recorded as fixed assets;

prospecting costs for discovery of hydrocarbon fields and preliminary appraisal of reserves form the value of exploration assets.

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

In the Balance Sheet, intangible prospecting assets are recorded with regard to advances issued.

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

3.4. Fixed assets and capital investments in progress

Assets are recorded as fixed assets if the requirements defined in Clause 4 of Accounting Regulations "Accounting of fixed assets" PBU 6/01 approved by Order of the Ministry of Finance of the Russian Federation No. 26n dated 30.03.2001 are all met.

The historical (replacement) cost of fixed assets recorded before 01.01.2002 is redeemed according to the procedure valid at the time when such assets were recorded, through depreciation under the straight-line method in conformity with depreciation rates for complete repair approved by Resolution No. 1072 of the USSR Council of Ministers dated 22.10.1990.

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

The following fixed assets are not depreciated:

objects with consumer properties that do not vary with time (land, objects of environmental management, etc.);

inactive objects that are not used in production of goods, performing of works, rendering of services.

In the Balance Sheet, fixed assets are recorded at residual value with regard to advances issued for construction, acquisition, production of fixed assets. This line also shows capital investments in progress that were made in the facilities which later will be recorded as fixed assets as well as expenses related to their reconstruction, upgrading, reequipment, etc.

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

3.5. Financial investments

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

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

When financial investments with current market value not being determined are retired, their value is determined at their historical cost of each unit of financial investments accounting.

When financial investments with current market value being determined are retired, their value is determined on the basis of their current book value.

As of December 31, the Company carries out an inspection for impairment of financial investments (not traded in any established securities market) with current market value that cannot be determined. If the inspection confirms that the cost of financial investments is substantially and persistently reducing (by more than 5%), an impairment reserve for financial investments is formed, for granted loans a reserve for doubtful debts is formed.

In the Balance Sheet the financial investments are recorded net of the formed reserve.

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

Long-term financial investments are transferred to short-term investments quarterly as of the date of preparation of the accounting (financial) statements if they mature in less than 12 months. In case of extension of maturity for contracts, short-term financial investments are transferred to long-term investments.

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

3.6. Other non-current assets

Other non-current assets of the Company include:

non-exclusive rights to the use of software products;

licenses;

certificates, permissions;

deferred expenses with the write-off period exceeding 12 months after the reporting date;

exploration assets.

The value of the exploration asset is charged to the cost of oil and gas production evenly within the fixed period of its useful life starting from the month following the month when the exploration asset was entered in accounting records. The useful life is determined when the asset is entered in accounting record based on its expected life during which the Company expects to obtain economic benefits (income).

In the Balance Sheet, other non-current assets are recorded at residual value.

3.7. Stocks

The Company accepts the following assets as material and production stocks (hereinafter – stocks):

assets used as raw materials, supplies, etc. in production of goods, performing works or rendering services;
assets for sale.

Stocks are recorded at their actual cost.

Stocks (except for goods and assets with maximum value of RUB 40 000 per item) are written off to production or otherwise retired at their average cost. Assets with maximum value RUB 40 000 per item are retired at cost of every item.

As of December 31, the Company forms a reserve for decreases in the value of tangible assets for slow moving stocks the market price of which went down during the reporting year or which became obsolete or which lost, either fully or partially, their original qualities.

In the Balance Sheet, stocks are recorded net of the formed reserve.

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

3.8. Accounts receivable

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

As of December 31, the Company forms reserves for doubtful debts for accounts receivable if they are not redeemed or if there is a high risk of their non-redemption within the periods established by the contracts, and if they are not duly guaranteed.

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

In the Balance Sheet, accounts receivable are recorded net of the formed reserves.

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

3.9. Cash and cash equivalents

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

Indicator	thousand RUB	
	As of 31.12.2018	As of 31.12.2017
Cash and cash equivalents total, including:	71 923 660	62 235 108
letters of credit	800 968	6 091 845
deposits placed for up to 3 months	68 883 327	51 430 414
settlement account	2 233 373	4 705 869
petty cash	5 979	2 994
other monetary resources	13	3 986

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

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

Cash Flow Statement contains brief information concerning:

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

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

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

3.10. Capital

The Company's charter capital as of 31.12.2018 is RUB 43 427 993 thousand. The charter capital is divided into 35 725 995 thousand ordinary shares and 7 701 998 thousand preference shares, and is fully paid.

3.11. Deferred and permanent tax assets and liabilities, profit tax

The Company is a responsible member of the consolidated group of taxpayers.

Discovered temporary and permanent differences are determined by the Company based on its income and expenses included in consolidated tax base of the consolidated group of taxpayers subject to provisions of the Tax Code of the Russian Federation for the consolidated group of taxpayers.

The Balance Sheet shows deferred tax assets and deferred tax liabilities with regard to profit tax in detail; the sum of permanent tax liabilities (assets) is recorded in the Income Statement in short form. Provisional profit tax expense totals RUB 174 587 893 thousand.

Indicator	thousand RUB			
	As of 31.12.2017	Derived	Paid off	As of 31.12.2018
Deferred tax assets	8 693 537	7 528	(8 661 531)	39 534
Deferred tax liabilities	81 281 076	13 226 449	(12 520)	94 495 005
Permanent tax (assets)	x	-	x	x
Permanent tax liabilities	x	8 486 214	x	x

The amount of current tax calculated by the Company based on the tax base included in consolidated tax base of the consolidated group of taxpayers, is recorded in the Income Statement in line 2410 "Current profit tax".

3.12. Accounts payable

Accounts payable include amounts currently due from the Company to suppliers and contractors for delivered tangible assets, completed works and rendered services, for advances received from third parties under the existing contracts, due to the budget and non-budget funds, due to remuneration of labor and other operations.

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

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

3.13. Deferred income

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

The charged-off amount of deferred income that is formed using special purpose financing resources is recorded in other income within accumulated depreciation that refers to amounts of special purpose financing.

3.14. Estimated liabilities

The Company creates estimated liabilities which are reserves for future expenses for vacation payments to employees, reclamation of disturbed lands.

Obligations are expected to be met within 12 months.

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

4. Net assets

thousand RUB

Indicator	As of 31.12.2018	As of 31.12.2017
The Company's net asset value	4 282 272 774	3 486 453 945

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

5. Notes to the Income Statement

5.1. Revenue, cost

For accounting purposes, revenue from sales of products (goods), works (services) of the Company is recognized pursuant to the Accounting Regulations "Income of an Enterprise" PBU 9/99 approved by Order No. 32n of the Ministry of Finance of the Russian Federation dated 06.05.1999.

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

Expenses related to the sale of oil, gas, oil products and gas refined products are included in selling expenses which are included in the cost of sales or other expenses at the end of a reporting period subject to the type of assets sold.

The Company's revenue accounting for five or more percent of the total income and relative cost of sales:

thousand RUB

Indicator	For 2018	For 2017
Revenue (net) from sales, total	1 524 947 700	1 144 372 835
including:		
oil	1 011 114 933	743 749 709
oil products	474 803 426	362 930 693

Indicator	For 2018	For 2017
Cost of sales, total	1 033 857 472	818 592 909
including:		
oil	666 715 990	509 005 435
oil products	330 649 217	269 301 150

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

5.2. Other income and other expenses

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

	thousand RUB	
Other income	For 2018	For 2017
Total other income	2 040 068 002	1 018 492 577
including:		
foreign exchange transactions	1 288 324 977	826 043 843
exchange rate differences	740 532 129	173 258 943

	thousand RUB	
Other expenses	For 2018	For 2017
Total expenses	1 530 425 890	1 158 599 685
including:		
foreign exchange transactions	1 284 458 451	825 016 249
exchange rate differences	210 974 031	291 297 418

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

Exchange rate differences caused during the year by transactions on assets and liabilities in a foreign currency as well as by revaluation of their cost as of the reporting date are shown as part of other income and expenses.

5.3. Base profit per share

Base profit per share for 2018 is RUB 21,52.

6. Information on segments

Revenue from sales of products (goods), works (services) in the context of reported segments is given below:

	thousand RUB	
Indicator	For 2018	For 2017
Oil sales, total	1 011 114 933	743 749 709
including:		
export oil sales	792 353 091	564 704 024
domestic oil sales	218 761 842	179 045 685

	thousand RUB	
Indicator	For 2018	For 2017
Sales of oil products	474 803 426	362 930 693
including:		
export sales of oil products	361 342 887	268 737 155
domestic sales of oil products	113 460 539	94 193 538

	thousand RUB	
Indicator	For 2018	For 2017
Other sales, total	39 029 341	37 692 433
including:		
domestic sales	39 029 341	37 692 433

7. Information on related parties

Subsidiaries which activities are affected by the Company and the share in their charter capital held by the Company, %:

LLC "KINEF" – 100,00;
 LLC "Pskovnefteproduct" – 100,00;
 LLC "Kaliningradnefteproduct" – 100,00;
 LLC "MA "Tvernefteproduct" – 100,00;
 LLC "Novgorodnefteproduct" – 100,00;
 LLC "Lengiproneftekhim" – 100,00;
 LLC "Kirishiavtoservis" – 100,00;
 LLC "Syrgutmebel" – 100,00;
 JSC BANK SNGB – 97,7591;
 LLC "Insurance Company "Surgutneftegas" – 100,00
 LLC "Media-Invest" – 100,00;

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

Information on operations with subsidiaries for 2018.

Revenue from sales of oil, oil products (including VAT) to the subsidiaries:

Indicator	thousand RUB	
	For 2018	For 2017
Sales of oil	27 274 158	21 629 724
Sales of oil products	47 034 388	37 775 707

Information on remuneration to key management personnel.

Remuneration with the regional coefficient and the Northern allowance included (salary for the reporting period, taxes and other compulsory payments to relevant budgets and non-budget funds accrued to salary, annual paid vacation for work in the reporting period and similar payments) to key management personnel (9 980 people), including business units, authorized and held responsible for planning, management and control of the Company's operations during the reporting period was RUB 35 228 681 thousand.

8. Contingencies

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

9. Subsequent Events

There were no economic events which affected or may affect the financial position, the cash flow or operating results of the Company in the period between

the reporting date and the date when the accounting (financial) statements for the reporting period were signed.

10. The Company's environmental performance

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

11. Joint activity

In 2018, the Company did not enter into contracts with other companies on any joint activity.

Conclusion

The accounting (financial) statements of the Company for 2018 have been prepared in accordance with 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, the applicable accounting standards of the Russian Federation included in accounting and reporting regulation system in the Russian Federation.

The accounting (financial) statements of the Company are confirmed by the results of assets and liabilities inventory.

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

V.G.Barankov

Chief Accountant
"Surgutneftegas" PJSC

A.V.Druchinin

"28" March 2019