

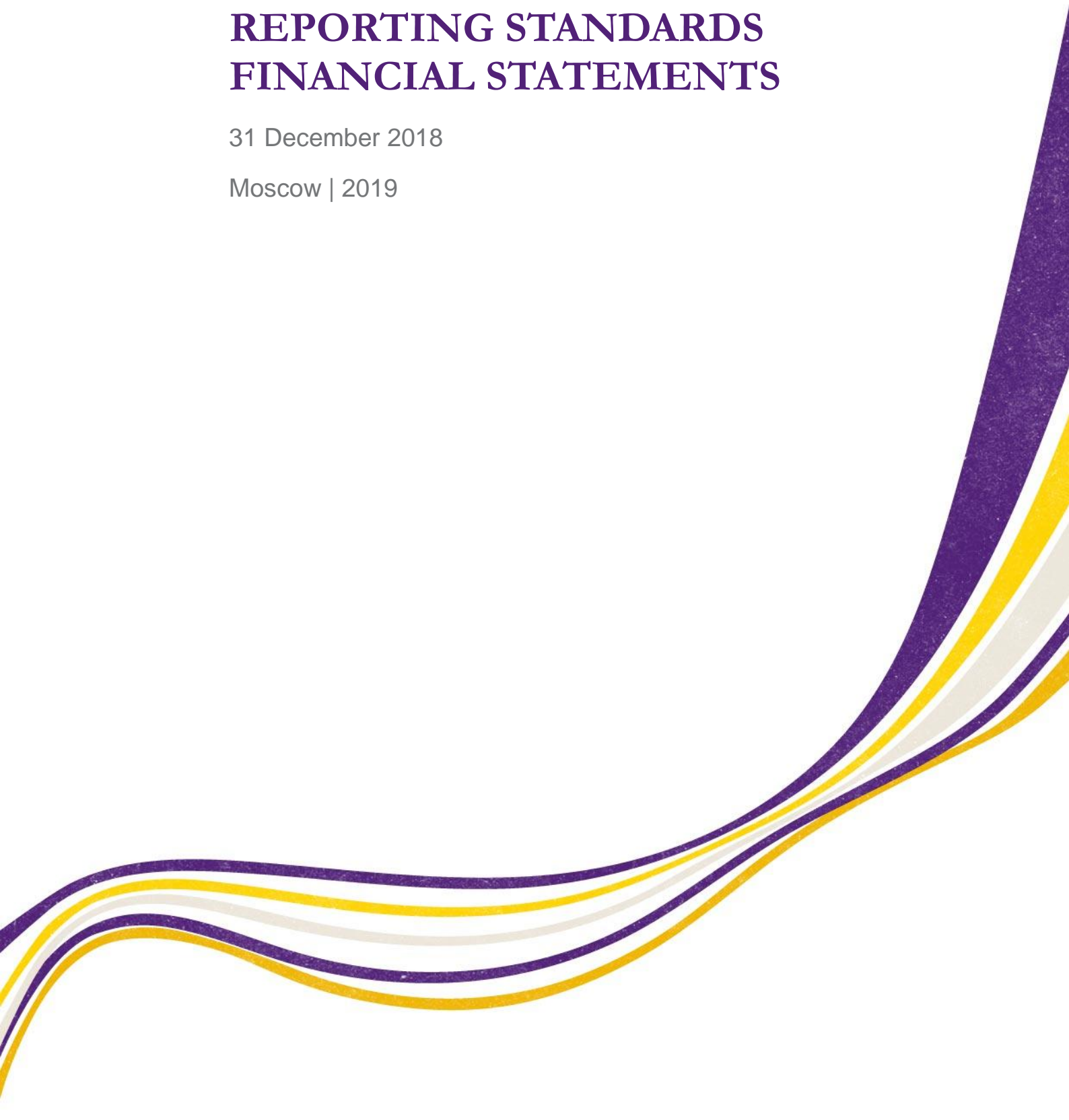
# ФБК

OJSC SEVERNEFTEGAZPROM

## INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL STATEMENTS

31 December 2018

Moscow | 2019



## Contents

INDEPENDENT AUDITOR'S REPORT .....	3
STATEMENT OF FINANCIAL POSITION .....	6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	7
STATEMENT OF CASH FLOWS.....	8
STATEMENT OF CHANGES IN EQUITY .....	9
NOTES TO THE FINANCIAL STATEMENTS:	
1. MAIN ACTIVITY .....	10
2. OPERATING ENVIRONMENT .....	10
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	10
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .	18
5. FINANCIAL RISK MANAGEMENT.....	19
6. FINANCIAL INSTRUMENTS.....	21
7. CASH AND CASH EQUIVALENTS .....	22
8. TRADE AND OTHER ACCOUNTS RECEIVABLE.....	22
9. INVENTORIES .....	23
10. OTHER CURRENT ASSETS.....	23
11. PROPERTY, PLANT AND EQUIPMENT .....	24
12. LONG-TERM ACCOUNTS RECEIVABLE .....	25
13. ACCOUNTS PAYABLE AND PROVISIONS .....	25
14. TAXES PAYABLE OTHER THAN INCOME TAX.....	26
15. PROVISIONS .....	26
16. INCOME TAX.....	28
17. LONG-TERM ACCOUNTS PAYABLE.....	29
18. EQUITY.....	29
19. REVENUE .....	31
20. COST OF SALES .....	31
21. GENERAL AND ADMINISTRATIVE EXPENSES .....	31
22. OTHER OPERATING INCOME .....	32
23. OTHER OPERATING EXPENSES .....	32
24. FINANCE INCOME.....	32
25. FINANCE EXPENSE .....	32
26. CONTINGENCIES, COMMITMENTS AND OTHER RISKS .....	32
27. RELATED PARTY TRANSACTIONS .....	33
28. SUBSEQUENT EVENTS.....	35

















**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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## **1. MAIN ACTIVITY**

The core activities of Open Joint Stock Company Severneftegazprom (the “Company”) are exploration and development of the Yuzhno-Russkoye oil and gas field, prospecting, production and sales of gas.

The Company was established in 2001 as a result of reorganisation of Limited Liability Company Severneftegazprom. The Company is its successor, including the rights and obligations contained in the licenses received, certificates and other constitutive documents issued by governmental and controlling bodies.

As at 31 December 2018 shareholders of the Company were represented by PJSC Gazprom which holds 50 % of ordinary shares plus 6 ordinary shares, Wintershall Holding GmbH which holds 25 % of ordinary shares minus 3 ordinary shares plus 2 class “A” and 1 class “C” preference shares and OMV Exploration & Production GmbH which holds 25 % of ordinary shares minus 3 ordinary shares plus 3 class “B” preference shares. On 30 November 2017 UniPer Exploration and Production GmbH withdrew from the shareholders of Severneftegazprom by selling shares to the Austrian oil and gas company OMV Exploration and Production GmbH.

The Company holds the license for the development of Yuzhno-Russkoye oil and gas field located in the Yamalo-Nenets Autonomous District of the Russian Federation. The license expires in 2043, however it may be extended in case of increase of the period of production.

Production at the Yuzhno-Russkoye oil and gas field began in October 2007.

Registered address and place of business: 22, Lenin street, Krasnoselkup village, Krasnoselkupskiy district, the Yamalo-Nenets Autonomous District, Tyumen region, Russian Federation, 629380.

## **2. OPERATING ENVIRONMENT**

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The political and economic instability, situation in Ukraine, the current impact and ongoing situation with sanctions, uncertainty and volatility of the financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russian Federation to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Company’s business in the current business and economic environment. The future economic and regulatory situation and its impact on the Company’s operations may differ from management’s current expectations.

The official Russian Rouble to US Dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 69.4706 and 57.6002 as at 31 December 2018 and 31 December 2017, respectively. The official Russian Rouble to Euro (“EUR”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 79.4605 and 68.8668 as at 31 December 2018 and 31 December 2017, respectively.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention except for assets held for sale. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented.

The Company is incorporated in the Russian Federation and maintains its statutory accounting records and prepares statutory financial reports in accordance with the Regulations on Accounting and Reporting of the Russian Federation; its functional and presentation currency is the Russian Rouble (“RUB”).

### **(b) Property, plant and equipment**

Property, plant and equipment comprise costs incurred in developing oil and gas fields as well as costs related to construction and acquisition of oil and gas assets.

Property, plant and equipment are carried at historical cost of acquisition or construction and adjusted for accumulated depreciation and impairment where required. Historical cost includes expenditures directly attributable to the

acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost of replaced part is retired. Costs of minor repairs and maintenance are expensed when incurred.

The cost of property, plant and equipment includes an initial estimate of costs of dismantling and removing the items and the restoring the site on which they were located. The estimate of the recognised obligation for dismantling and removing items of property, plant and equipment is reviewed at the end of the financial year. The effect of a change in the valuation of a provision recognised as a change in accounting estimates increases or decreases the value of the corresponding asset, with the distribution of the effect on the initial value and the accumulated depreciation of the objects.

Interest for borrowing are capitalised as part of the cost of qualifying assets during the period of time that is required to construct and prepare the asset for its intended use.

Gains and losses arising from the disposal of property, plant and equipment are included in the profit or loss as incurred. They are measured as the difference between carrying amount and disposal proceeds.

***Impairment of property, plant and equipment***

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less expenses for sale and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the profit or loss in current year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's recoverable amount (see Note 11).

***Oil and gas exploration assets***

Oil and gas exploration and development activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property as well as costs of drilling and equipping productive wells, including development dry wells, and related production facilities are capitalised.

Other exploration expenses, including geological and geophysical expenses and the costs of carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalised as exploration and evaluation assets on a "field by field" basis pending determination of whether proved reserves have been found. In an area requiring a major capital expenditure before production can begin, exploratory well remains capitalised if additional exploration drilling is underway or firmly planned. Exploration costs not meeting these criteria are charged to expense.

Exploration and evaluation costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured.

If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of respective exploration and evaluation assets, is classified as development assets. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

***Depreciation***

Property, plant and equipment are depreciated from the moment when they are placed in use.

Depreciation of pipelines, wells, buildings, plant and equipment used to extraction of gas is calculated using the units-of-production method based upon proved developed reserves. Gas reserves for this purpose are determined mainly in accordance with the guidelines of the Society of Petroleum Engineers and the World Petroleum Congress, and were estimated by independent reservoir engineers.

Depreciation of assets not directly associated with production is calculated on a straight-line basis over their estimated useful life.

Assets under construction are not depreciated until they are placed in service.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

Summary of useful lives and alternative basis for depreciation:

	<b>Assets related to extraction of oil and gas</b>	<b>Other assets</b>
Buildings and facilities	Units of production	5- 30 years
Pipeline	Units of production	-
Machinery and equipment	Units of production	1-15 years
Wells	Units of production	-
Roads	Units of production	-
Other	-	1-20 years

The depreciation rate for the property, plant and equipment depreciated on a units of production basis was 8.154 % for the period ended 31 December 2018 (period ended 31 December 2017: 7.538 %).

**(c) Provisions (including dismantlement provision)**

Provisions are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are calculated at each reporting period and reassessed at the end of financial year and are included in the financial statements at their expected net present values using pre-tax discount rates appropriate to the Company that reflect current market assessments of the time value of money and those risks specific to the liability.

After the end of exploitation of the deposit the Company is obliged to bear costs for decommissioning of the deposit and environmental restoration. The initial provision for decommissioning and site restoration together with any changes in estimation of the ultimate restoration liability is recorded in the statement of financial position, with a corresponding amount recorded as part of property, plant and equipment in accordance with IAS 16 "Property, Plant and Equipment". This amount is depreciated over the term of the field development.

Changes in the provision for decommissioning and site restoration resulting from the passage of time are reflected in the profit or loss each period under finance costs. Other changes in the provision, relating to a change in the discount rate applied, in the expected pattern of settlement of the obligation or in the estimated amount of the obligation, are treated as a change in accounting estimate in the period of the change. The effects of such changes are added to, or deducted from, the cost of the related asset.

**(d) Uncertain tax positions**

The Company's uncertain tax positions (potential tax expenses and tax assets) are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

**(e) Inventories**

Inventories are valued at the lower of the cost and net realisable value.

Cost of inventories is determined by the weighted average cost method. Cost of finished goods and work in progress includes the costs of raw materials and supplies, direct labour costs and other direct costs and related normal production overhead. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

**(f) Assets held for sale**

Assets are classified as assets held for sale if their value is recovered mainly as a result of the sale, and not as a result of further use. Assets held for sale are carried at the lower of the carrying amounts and their fair value net of expenses for sale. Impairment loss is accounted as other operating expenses. Assets held for sale are not depreciated. Assets held for sale are disclosed in the Statement of financial position.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

**(h) Restricted cash**

Restricted cash balances comprise balances of cash and cash equivalents which are restricted as to withdrawal under the terms of certain borrowings or under banking regulations. Restricted cash balances are excluded from cash and cash equivalents in the statement of cash flows.

Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

**(i) Value added tax (VAT)**

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the other receivable from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of accounts receivable, impairment loss is recorded for the gross amount of the debtor, including VAT.

**(j) Financial instruments**

*Classification and measurement of financial assets*

Company classifies financial assets into three measurement categories: those measured subsequently at amortised cost, those measured subsequently at fair value with changes recognised in other comprehensive income, and those measured subsequently at fair value with changes recognised in profit or loss.

Classification of financial assets one or another category takes place on the basis of the business model used by Company for management of the financial assets connected with the cash flows provided by the contract.

*Financial assets measured subsequently at amortised cost*

Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being payments of principal and interest.

The loans issued, account receivable, deposits, cash and cash equivalents belong to this category of financial assets of the Company. The loans issued and accounts receivable include financial assets with the fixed or determinable payments that are not quoted in an active market. After initial recognition the loans issued and accounts receivable are estimated at the amortised cost using the effective interest method.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

*Financial assets measured subsequently at fair value with changes recognised in other comprehensive income*

Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being payments of principal and interest.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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Gains and losses associated with this category of financial assets are recognised in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When a financial asset is disposed of, cumulative previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and included in financial income.

*Financial assets measured subsequently at fair value with changes recognised through profit or loss*

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss.

*Impairment of financial assets*

Company applies the expected credit loss model to financial assets measured at amortised cost or at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade accounts receivable or contract assets, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses are applied.

***Classification and measurement of financial liabilities***

Company classifies all financial liabilities as measured subsequently at amortised cost.

Financial liabilities consist of trade accounts payable, other accounts payable, loans and borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

**(k) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. For the Company, Level 1 inputs include held-for-trading financial assets that are actively traded on the Russian domestic markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For the Company, Level 2 inputs include observable market value measures applied to available for sale securities.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Cash and cash equivalents are included into Level 1 of fair value hierarchy, all other financial instruments - Level 3 of fair value hierarchy.

The fair values in Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

**(l) Prepayments**

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

***Capitalisation of borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

**(m) Other reserves**

Borrowings received from shareholders are recognised initially at fair value, net of transaction costs incurred. The difference between the fair value of the loan and the amount of funds as at the receipt date is treated as an addition to equity and recorded in "Other reserves".

Other reserves include other comprehensive income related to reameasurements of post-employment benefit obligations.

**(n) Pension liabilities and other long-term employee benefits**

In the normal course of business the Company contributes to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, are expensed when incurred and are included in wages, salaries and other staff costs in cost of sales and in general and administrative expenses.

The Company also operates non-State post-employment benefits, which are recorded in the financial statements under IAS 19 Employee Benefits. Defined benefit plan covers the majority of employees of the Company. The cost of providing pensions is accrued and charged to staff costs in the statement of profit and loss and other comprehensive income reflecting the cost of benefits as they are earned over the service lives of employees (Note 15). Actuarial gains and losses on assets and liabilities arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices.

Actuarial gains or losses on other long-term employee benefits are recognised in profit or loss in the period in which they arise.

**(o) Social liabilities**

Social costs relating to the maintenance of housing are expensed when incurred.

Discretionary and voluntary payments made to support social programs and related operations are expensed as incurred and shown in Statement of profit and loss and other comprehensive income.

**(p) Non-cash transactions**

Non-cash transactions are measured at the fair value of the consideration received or receivable.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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Non-cash transactions have been excluded from the cash flow provided by operating, investing and financing activities in the accompanying statement of cash flows.

**(q) Equity**

***Share capital***

Share capital consists of ordinary and non-redeemable preference shares, which are classified as equity.

The excess of consideration received over the face-value of issued shares is recorded as a share premium in the statement of changes in equity.

***Dividends***

Dividends are payable only with the respective decision of shareholders. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved at the General Meeting of Shareholders on or before the end of the reporting period. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

**(r) Revenue recognition**

Revenues from sale of gas are recognised for financial reporting purposes when gas is delivered to customers and title passes at transfer points in accordance with the agreements on the basis of technical acceptance-handover reports. Revenues are stated net of VAT. Revenues are measured at the fair value of the consideration received or receivable.

When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

Interest income is recognised on accrual basis that takes into account the effective yield on the asset.

**(s) Mineral extraction tax**

Mineral extraction tax (MET) on natural gas is defined monthly as the amount of volume produced per tax rate.

Average MET rate for the year 2018 was approximately RUB 1,349 per 1,000 cubic meters for the Cenomanian gas and RUB 263 per 1,000 cubic meters for the Turonian gas. MET is recorded within Cost of sales in the Statement of Profit or Loss and Other Comprehensive Income.

Average MET rate for the year 2017 was approximately RUB 1,157 per 1,000 cubic meters for the Cenomanian gas and RUB 263 per 1,000 cubic meters for the Turonian gas. MET is recorded within Cost of sales in the Statement of Profit or Loss and Other Comprehensive Income.

**(t) Employee benefits**

Wages, salaries, contributions to the social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. In the normal course of business the Company contributes to the Russian Federation State Pension Fund on behalf of its employees. Mandatory contributions to the Fund are expensed when incurred and are included within staff costs in operating expenses.

**(u) Income tax**

Income tax have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax comprises current tax and deferred tax and is recognised in profit or loss for the year, unless it is recognised in other comprehensive income or directly in equity relating to transactions that are also recognised in the same or a different period in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profit or loss for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than income tax are recorded within operating expenses.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if



**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

**(v) Foreign currency translation**

The functional and presentation currency of the Company is the national currency of the Russian Federation, Russian Roubles (“RUB”).

Monetary assets and liabilities are translated into Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation (“CBRF”) at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Russian Roubles at year-end official exchange rates of the CBRF are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

**(w) Recent accounting pronouncements**

*Application of new IFRSs*

**IFRS 9 Financial Instruments (issued in November 2009 and effective for annual periods beginning on or after 1 January 2018)**

Application of IFRS 9 Financial Instruments had no significant impact on the financial statements of the Company. Accordingly, comparative data and the opening balance of retained earnings as at 1 January 2018 were not restated.

**IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018)**

Revenue is recognised as the obligation to perform is fulfilled by transferring a promised good or service to a customer. As asset is transferred when the control over such asset is passed to the customer.

Application of IFRS 15 Revenue from Contracts with Customers had no significant impact on the financial statements of the Company. Therefore, comparative data and the opening balance of retained earnings as at 1 January 2018 were not restated.

*Application of Interpretations and Amendments to existing Standards*

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.
- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

The Company has reviewed these interpretations and amendments to standards while preparing the financial statements. The interpretations and amendments to standards had no significant impact on the financial statements.

*Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Company*

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Company has not early adopted the standards and amendments:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard replaces the previous IAS 17 Leases and establishes a general accounting model for

all types of lease agreements in financial statements. All leases should be accounted in accordance with applicable principles of the financial lease accounting. Lessees are required to recognise assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors.

The Company will apply the modified retrospective approach, which means that the cumulative effect of initially applying IFRS 16 will be recognised at the date of initial application, i.e. 1 January 2019, without restatement of the comparative information. According to preliminary estimates of the Company's management, the increase in non-current assets in the form of right-of-use assets and financial lease liabilities will be approximately RUB 183 million as of 1 January 2019. This amount may be adjusted if the judgments and estimates made by the Company's management are updated.

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify how obtaining control (or joint control) of a business that is a joint operation should be accounted if the entity already holds an interest in that business.
- The amendments to IAS 12 Income taxes (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.
- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company is currently assessing the impact of the new standard, interpretations and amendments on its financial position and results of operations.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

##### ***Tax legislation***

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 26).

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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***Useful lives of property, plant and equipment***

Items of property, plant and equipment are stated at cost less accumulated depreciation. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

***Classification of production licenses***

Management treats cost of production licenses as cost of acquisition of oil and gas properties, accordingly, production licenses are included in property, plant and equipment in these financial statements.

***Site restoration and environmental costs***

Site restoration costs that may be incurred by the Company at the end of the operating life of certain of the Company facilities and properties are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated in accordance with the unit-of-production method during the whole usage period of these assets and reported in the comprehensive income. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

For details of discounting rates used see Note 15.

	Change in	31 December 2018	31 December 2017
Discount rate	+1 %	(1,068,910)	(1,002,902)
	-1 %	1,357,100	1,284,925

***Reserves estimation***

Unit-of-production depreciation charges are principally measured based on Company's estimates of proved developed reserves. Proved developed reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to Company's estimates of proved developed reserves affect prospectively the amounts of depreciation charged and, consequently, the carrying amounts of production assets.

***Accounting for assets and liabilities of the pension plan***

The assessment of the obligations of the pension plan is based on the use of actuarial techniques and assumptions (see Note 15). Actual results may differ from estimates, and the Company's estimates may be adjusted in the future based on changes in the economic and financial situation. Management uses judgments on selected models, cash flows and their distribution over time, as well as other indicators, including the discount rate. The recognition of the assets of the pension plan is limited to an assessment of the present value of future benefits available to the Company under this plan. The cost of future benefits is determined on the basis of actuarial techniques and prerequisites. The value of the assets of the pension plan and these restrictions can be adjusted in the future.

**5. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks, including market risk (currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on minimising potential adverse effects on the financial performance of the Company.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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**(a) Currency risk**

Company's assets and borrowings denominated in foreign currency lead to the foreign exchange risk mainly it concerns Euro.

In respect of currency risk management sets limits on the level of exposure to currency and in total. The positions are monitored monthly.

The table below summarised the Company's exposure to foreign currency exchange rate risk at the end of the reporting period. Financial assets and liabilities in foreign currencies, denominated in thousands of Russian Roubles:

	<b>EUR</b>
<b>31 December 2018</b>	
<b>Liabilities</b>	
Trade accounts payable	(148)
<b>Net financial liabilities in foreign currencies</b>	<b>(148)</b>
	<b>EUR</b>
<b>31 December 2017</b>	
<b>Liabilities</b>	
Trade accounts payable	(946)
<b>Net financial liabilities in foreign currencies</b>	<b>(946)</b>

As at 31 December 2018, if the Russian Rouble had depreciated by 15 % against the Euro with all other variables held constant, profit before tax would have been lower by RUB 22 thousand (as at 31 December 2017 if the Russian Rouble had depreciated by 15 % against the Euro, profit before tax would be lower by RUB 142 thousand), mainly as a result of foreign exchange losses on translation of Euro denominated accounts payable. The effect of related Russian Rouble appreciated against the Euro would have been approximately the same amount with opposite impact.

**b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and accounts receivable. The banks with which the Company places funds have insignificant risk of default since the Company places its funds in highly rated leading foreign banks and Russian banks with state participation which minimises the risk of default. As the main debtors of the Company are related parties, management believes that the credit risk is low. Accounts receivable from related parties relate to sales performed in 2018 and the Company has no past due nor impaired accounts receivable as at 31 December 2018.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position (refer to notes 7, 8, 12, 13, 17).

**c) Credit risks concentration**

The Company is exposed to concentrations of credit risk. As at 31 December 2018 and 31 December 2017 the Company had three counterparties with the total amount of these balances RUB 5,591,409 thousand (31 December 2017: RUB 5,127,352 thousand) or 97 % of the gross amount of financial accounts receivable net of allowance for expected credit losses (31 December 2017 – 97 %).

In 2018 and 2017 the Company's bank deposits were held in several bank accounts with different banks (refer to Note 7 for credit ratings).

**d) Commodity price risk**

Commodity price risk is the risk or uncertainty arising from possible movements in prices for gas, and their impact on the Company's future performance and results of the Company's operations. A decline in the prices could result in a decrease in net income and cash flows. The Company's overall strategy in production and sales of gas is centrally managed.

The Company assesses on a regular basis potential scenarios for future fluctuation in commodity prices and their impacts on operational and investment decisions.

However, in the current environment management estimates may materially differ from actual future impact on the Company's financial position. Actual results and the impact on the Company's operations and financial position, may differ from management's estimates of potential scenarios.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

*e) Liquidity risk*

The Company's liquidity management objective involves projecting cash flows in major currencies and estimation of the level of liquid assets necessary to meet obligations and maintaining debt financing plans.

The table below analyses the Company's liabilities into relevant maturity grouping based on the remaining period in the statement of financial position date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include future interest payments.

	Note	within 1 year	from 1 to 5 years	over 5 years
<b>31 December 2018</b>				
Trade accounts payable	13, 17	807,866	49,653	-
Accounts payable to related parties	13, 17	90,773	768	-
Other accounts payable	13	8,162	-	-
<b>Total financial liabilities</b>		<b>906,801</b>	<b>50,421</b>	-
	Note	within 1 year	from 1 to 5 years	over 5 years
<b>31 December 2017</b>				
Trade accounts payable	13	494,827	-	-
Accounts payable to related parties	13	48,652	-	-
Other accounts payable	13	8,415	-	-
<b>Total financial liabilities</b>		<b>551,894</b>	-	-

*f) Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the statement of financial position, less cash and cash equivalents and restricted cash. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

As at 31 December 2018 and 31 December 2017 financial leverage is not calculated because there are no borrowings and loans in the Company.

**6. FINANCIAL INSTRUMENTS**

	Note	31 December 2018	31 December 2017
<b>Current assets</b>			
Cash and cash equivalents	7	6,754,924	7,534,064
Accounts receivable from related parties	8	5,596,840	5,132,700
Other short-term accounts receivable	8	142,140	62,889
<b>Non-current assets</b>			
Long-term other accounts receivable	12	32,863	37,502
<b>Total financial assets at amortised cost</b>		<b>12,526,767</b>	<b>12,767,155</b>
	Note	31 December 2018	31 December 2017
<b>Current liabilities</b>			
Trade accounts payable	13	807,866	494,827
Accounts payable to related parties	13	90,773	48,652
Other accounts payable	13	8,162	8,415
<b>Non-current liabilities</b>			
Trade accounts payable	17	49,653	-
Account payable to related parties	17	768	-
<b>Total financial liabilities at amortised cost</b>		<b>957,222</b>	<b>551,894</b>

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

**7. CASH AND CASH EQUIVALENTS**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Deposit accounts	6,753,800	7,532,400
Current accounts	1,124	1,664
<b>Total cash and cash equivalents</b>	<b>6,754,924</b>	<b>7,534,064</b>

As at 31 December 2018 and as at 31 December 2017 cash was placed on deposit accounts for the period less than 3 months.

As at 31 December 2018 the weighted average interest rate on the deposit accounts of the Company was 6.07 % for Russian Roubles.

As at 31 December 2017 the weighted average interest rate on the deposit accounts of the Company was 6.58 % for Russian Roubles.

The fair value of cash and cash equivalents as at 31 December 2018 and 31 December 2017 approximates their carrying value.

The table below analyses the credit quality of banks at which the Company holds cash and cash equivalents at the reporting date:

	<b>Rating</b>	<b>Rating agency</b>	<b>Credit limit for one bank</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Bank GPB (JSC)	Baa3	Moody's	Not set	5,254,924	7,534,054
VTB Bank (PJSC)	Baa3	Moody's	Not set	1,500,000	10
<b>Total cash and cash equivalents</b>				<b>6,754,924</b>	<b>7,534,064</b>

**8. TRADE AND OTHER ACCOUNTS RECEIVABLE**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Financial assets</b>		
Accounts receivable from related parties (Note 27)	5,596,840	5,132,700
Other accounts receivable	2,053,572	1,961,750
Allowance for expected credit losses	(1,911,432)	(1,898,861)
<b>Total financial accounts receivable</b>	<b>5,738,980</b>	<b>5,195,589</b>
<b>Non-financial assets</b>		
VAT recoverable	498,619	211
Advances to suppliers	47,527	76,082
Prepaid taxes, other than income tax	6,490	5,678
<b>Total non-financial accounts receivable</b>	<b>552,636</b>	<b>81,971</b>
<b>Total trade and other accounts receivable</b>	<b>6,291,616</b>	<b>5,277,560</b>

As at 31 December 2018 and 31 December 2017 accounts receivable from related parties are related to gas sales in the Russian Federation.

As at 30 September 2015 cash in the amount of RUB 1,851,570 thousand was placed on deposit accounts in LLC Vneshprombank. As a result, in 2015 the Company reclassified the deposit in the amount of RUB 1,851,570 thousand into accounts receivable and accrued allowance for expected credit losses for the whole amount. Due to the revocation of the bank license on 21 January 2016 the return probability of the deposit is assessed as low.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

The ageing analysis of trade and other accounts receivable is as follows:

Ageing from the due date	Total overdue accounts receivable as at		Total allowance for expected credit losses as at		Total overdue accounts receivable net of allowance for expected credit losses as at	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Up to 1 year past due	12,948	-	(12,948)	-	-
1 to 3 years past due	-	1,898,520	-	(1,896,520)	-	-
Over 3 years past due	1,898,484	2,341	(1,898,484)	(2,341)	-	-
<b>Total</b>	<b>1,911,432</b>	<b>1,898,861</b>	<b>(1,911,432)</b>	<b>(1,898,861)</b>	-	-

Change in the allowance for expected credit losses of accounts receivable is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
<b>Allowance for expected credit losses as at 1 January</b>	<b>(1,898,861)</b>	<b>(1,901,560)</b>
Accrued of allowance	(12,948)	-
Reversal of allowance	-	2,699
Write-off of accounts receivable against allowance	377	-
<b>Allowance for expected credit losses as at 31 December</b>	<b>(1,911,432)</b>	<b>(1,898,861)</b>

As the principal debtors of the Company are related parties, the Company believes that the default risk is low. No accounts receivable from related parties were past due or impaired as at 31 December 2018 and of 31 December 2017.

The fair value of accounts receivable as at 31 December 2018 and 31 December 2017 approximates their carrying value.

## 9. INVENTORIES

	31 December 2018	31 December 2017
Materials for extraction and goods for resale	716,497	822,533
Other materials	26,301	22,633
Impairment of materials for extraction	(231,297)	(232,938)
<b>Total inventories</b>	<b>511,501</b>	<b>612,228</b>

## 10. OTHER CURRENT ASSETS

	31 December 2018	31 December 2017
Assets held for sale	1,207	4,905
<b>Total other current assets</b>	<b>1,207</b>	<b>4,905</b>

As at 31 December 2018 assets held for sale are presented by one flat situated in the Urengoy settlement.

As at 31 December 2017 assets held for sale are presented by flats situated in the Urengoy settlement.

As at 31 December 2018 and 31 December 2017 assets held for sale were recognised at fair value net of expenses for sale.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

**11. PROPERTY, PLANT AND EQUIPMENT**

	Pipelines	Wells	Buildings and facilities	Machinery and equipment	Roads	Others	Prepayments and assets under construction	Total
<b>Cost as at 1 January 2017</b>	<b>9,754,068</b>	<b>11,630,318</b>	<b>39,062,599</b>	<b>17,540,886</b>	<b>13,684,925</b>	<b>193,256</b>	<b>1,720,732</b>	<b>93,586,784</b>
Additions	-	-	54,365	92,362	-	20,829	770,763	938,319
Change in component for decommissioning and site restoration obligation (Note 15)	(143,921)	(103,954)	(596,889)	(47,181)	-	-	-	(891,945)
Disposals	-	(8)	(620)	(41,510)	-	(1,601)	(62,757)	(106,496)
Transfer	-	55,940	419,298	686,043	-	-	(1,161,281)	-
Capitalised borrowing costs	-	299,448	185,300	18,291	95	-	(503,134)	-
<b>Cost as at 31 December 2017</b>	<b>9,610,147</b>	<b>11,881,744</b>	<b>39,124,053</b>	<b>18,248,891</b>	<b>13,685,020</b>	<b>212,484</b>	<b>764,323</b>	<b>93,526,662</b>
Additions	-	2,336	-	112,591	-	22,342	5,447,651	5,584,920
Change in component for decommissioning and site restoration obligation (Note 15)	15,618	13,669	66,025	6,792	-	-	-	102,104
Disposals	-	-	-	(33,692)	-	(12,255)	-	(45,947)
Transfer to inventories	-	-	-	-	-	-	(16,330)	(16,330)
Transfer	-	310,756	300,415	340,504	-	7,027	(958,702)	-
<b>Cost as at 31 December 2018</b>	<b>9,625,765</b>	<b>12,208,505</b>	<b>39,490,493</b>	<b>18,675,086</b>	<b>13,685,020</b>	<b>229,598</b>	<b>5,236,942</b>	<b>99,151,409</b>
<b>Accumulated depreciation as at 1 January 2017</b>	<b>(3,239,043)</b>	<b>(3,156,782)</b>	<b>(11,326,628)</b>	<b>(5,063,327)</b>	<b>(4,363,336)</b>	<b>(132,935)</b>	-	<b>(27,282,051)</b>
Depreciation	(491,053)	(665,459)	(2,128,288)	(1,128,843)	(702,598)	(18,533)	-	(5,134,774)
Disposals	-	2	277	28,095	-	1,600	-	29,974
Change in component for decommissioning and site restoration obligation (Note 15)	46,224	21,548	205,087	6,195	-	-	-	279,054
<b>Accumulated depreciation as at 31 December 2017</b>	<b>(3,683,872)</b>	<b>(3,800,691)</b>	<b>(13,249,552)</b>	<b>(6,157,880)</b>	<b>(5,065,934)</b>	<b>(149,868)</b>	-	<b>(32,107,797)</b>
Depreciation	(483,239)	(658,943)	(2,121,814)	(1,184,650)	(702,816)	(18,890)	-	(5,170,352)
Change in component for decommissioning and site restoration obligation (Note 15)	(5,926)	(5,470)	(26,916)	(2,387)	-	-	-	(40,699)
Disposals	-	-	-	32,696	-	12,238	-	44,934
<b>Accumulated depreciation as at 31 December 2018</b>	<b>(4,173,037)</b>	<b>(4,465,104)</b>	<b>(15,398,282)</b>	<b>(7,312,221)</b>	<b>(5,768,750)</b>	<b>(156,520)</b>	-	<b>(37,273,914)</b>
<b>Net book value as at 1 January 2017</b>	<b>6,515,025</b>	<b>8,473,536</b>	<b>27,735,971</b>	<b>12,477,559</b>	<b>9,321,589</b>	<b>60,321</b>	<b>1,720,732</b>	<b>66,304,733</b>
<b>Net book value as at 31 December 2017</b>	<b>5,926,275</b>	<b>8,081,053</b>	<b>25,874,501</b>	<b>12,091,011</b>	<b>8,619,086</b>	<b>62,616</b>	<b>764,323</b>	<b>61,418,865</b>
<b>Net book value as at 31 December 2018</b>	<b>5,452,728</b>	<b>7,743,401</b>	<b>24,092,211</b>	<b>11,362,865</b>	<b>7,916,270</b>	<b>73,078</b>	<b>5,236,942</b>	<b>61,877,495</b>

At the end of each reporting period management assesses whether there is any indication that the recoverable value has declined below the carrying value of property, plant and equipment.

As at 31 December 2018 the Company performed a test for impairment of property, plant and equipment at the cash-generating unit level.

The recoverable amount of each cash-generating unit was determined on the basis of the value in use indicator. The value of use was determined by discounting future cash flows that would result from the continued use of the unit. In determining the recoverable amount of future cash flows the following key assumptions were used:

- cash flow forecasts used in the calculations were based on the Company's budgets for a three-year period. Cash flows beyond the three-year period have been forecasted based on the information about a volume of production and a forecast of gas prices;
- the forecast of gas prices was based on the approved tariffs by the Federal Tariff Service;
- the discount rate of 16.11 % for determining the value of use was calculated on the basis of the industry average rates of the weighted average cost of capital.

As at 31 December 2018 an impairment of property, plant and equipment was not identified.

As at 31 December 2017 an impairment of property, plant and equipment was not identified.

As at 31 December 2018 property, plant and equipment included prepayments for assets under construction in the amount of RUB 2,770,046 thousand (RUB 314 thousand as at 31 December 2017).



**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

Unit-of-production depreciation, depletion and amortisation charged are principally measured based on Company's estimates of proved developed gas reserves. Proved developed reserves are estimated by independent international reservoir engineers, by reference to available geological and engineering data, and only include volumes for which access to market is assured with reasonable certainty.

Estimates of gas reserves are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to Company's estimates of proved developed reserves affect prospectively the amounts of depreciation charged and, consequently, the carrying amounts of property, plant and equipment.

**12. LONG-TERM ACCOUNTS RECEIVABLE**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Other accounts receivable	32,863	37,502
<b>Total long-term accounts receivable</b>	<b>32,863</b>	<b>37,502</b>

The fair value of long-term accounts receivable as at 31 December 2018 and 31 December 2017 approximates their carrying value.

**13. ACCOUNTS PAYABLE AND PROVISIONS**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Financial liabilities</b>		
Trade accounts payable	807,866	494,827
Accounts payable to related parties (Note 27)	90,773	48,652
Other accounts payable	8,162	8,415
<b>Total financial liabilities</b>	<b>906,801</b>	<b>551,894</b>
<b>Non-financial liabilities</b>		
Wages and salaries	243,292	247,273
Provision for employee bonuses	155,991	196,805
Provision for revegetation	9,683	21,119
Advances received	64	-
<b>Total non-financial liabilities</b>	<b>409,030</b>	<b>465,197</b>
<b>Total accounts payable and provisions</b>	<b>1,315,831</b>	<b>1,017,091</b>

The Company is obliged to perform revegetation works on the pit of mineral soil which was used for construction purposes. Provision for revegetation was recognised in the financial statement in respect of revegetation works to be performed in 2019.

Verification of movements between liabilities and cash flows used in financial activities is as follows:

	<b>Dividends for payment</b>	<b>Total</b>
<b>As at 31 December 2016</b>	-	-
Cash flow from financing activities		
Dividends paid	(14,431,059)	(14,431,059)
<b>Net cash flow used in financing activities</b>	<b>(14,431,059)</b>	<b>(14,431,059)</b>
Dividends announced	14,431,059	14,431,059
<b>As at 31 December 2017</b>	-	-
Cash flow from financing activities		
Dividends paid	(2,964,762)	(2,964,762)
<b>Net cash flow used in financing activities</b>	<b>(2,964,762)</b>	<b>(2,964,762)</b>
Dividends announced	2,964,762	2,964,762
<b>As at 31 December 2018</b>	-	-

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

**14. TAXES PAYABLE OTHER THAN INCOME TAX**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Mineral extraction tax (MET)	4,332,456	3,530,065
Value added tax (VAT)	2,622,095	2,202,064
Property tax	131,808	148,183
Insurance contributions for employees	104,727	116,423
Personal income tax	16,543	17,501
Other taxes and accruals	658	758
<b>Total taxes payable other than income tax</b>	<b>7,208,287</b>	<b>6,014,994</b>

Mineral extraction tax payable has increased due to the increase of the tax rate in 2018 compared to the tax rate in 2017.

**15. PROVISIONS**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Provision for decommissioning and site restoration	5,251,727	4,744,241
Provision for employee benefits	939,110	1,610,156
<b>Total provisions</b>	<b>6,190,837</b>	<b>6,354,397</b>

*Provision for decommissioning and site restoration*

	<b>Note</b>	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
<b>At the beginning of the year</b>		<b>4,744,241</b>	<b>4,920,664</b>
Provision accrual		20,048	15,259
Change in estimate of provision	11	61,405	(612,891)
Increase of discount	25	426,033	421,209
<b>At the end of the year</b>		<b>5,251,727</b>	<b>4,744,241</b>

The Company is obliged to bear expenses for decommissioning and site restoration of the Yuzhno-Russkoye deposit after its development. The discount rate used to calculate the net present value of the future cash outflows relating to decommissioning and site restoration as at 31 December 2018 was 8.94 % (as at 31 December 2017 – 8.98 %), which represents the pre-tax rate which reflects market assessment of time value of money at the end of the reporting period.

*Provisions for employee benefits*

The Company operates post-employment and other long-term benefits system, which is recorded as defined benefit plan in the financial statements under IAS 19 Employee benefits. Defined benefit plan covers the majority employees of the Company. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and post-retirement benefits from the Company provided upon retirement. The amount of post-employment and other long-term benefits depends on the time of work experience of employees, wages in recent years prior to retirement, a predetermined fixed amount or a combination of these factors.

Principal actuarial assumptions are provided below:

	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Nominal discount rate	8.60 %	7.50 %	8.50 %
Future salary and pension increases (nominal)	5.10 %	5.00 %	6.00 %
Mortality rate	Russia – 2014	Russia - 2014	JSC NPF GAZFUND
Turnover ratio p.a.	4.1 % in average, employment period- related curve of resign	4.6 % in average, employment period - related curve of resign	3.8 % in average, employment period - related curve of resign

Weighted-average duration of obligations is 11.6 years.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

Provision for employee benefits recognised in the balance sheet is provided below:

	<b>Provision for employee benefits as at</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
Present value of benefit obligations	1,589,427	2,085,118
Fair value of plan assets	(650,317)	(474,962)
<b>Total</b>	<b>939,110</b>	<b>1,610,156</b>

Changes in the present value of the defined benefit obligations and fair value of plan assets for the years ended 31 December 2018 and 31 December 2017 are provided below.

	<b>Provision for employee benefits (post- employment benefits)</b>	<b>Provision for employee benefits (other long-term benefits)</b>	<b>Fair value of plan assets</b>	<b>Net liability / (asset)</b>
<b>As at 31 December 2017</b>	<b>2,003,894</b>	<b>81,224</b>	<b>(474,962)</b>	<b>1,610,156</b>
Current service cost	307,173	13,523	-	320,696
Interest expense / (income)	147,627	5,769	(35,622)	117,774
Loss from remeasurements of other long-term benefits	-	40,130	-	40,130
(Decrease)/Increase in obligations as a result of plan amendments	(655,689)	3,006	-	(652,683)
<b>Total expenses included in staff costs</b>	<b>(200,889)</b>	<b>62,428</b>	<b>(35,622)</b>	<b>(174,083)</b>
Profit from remeasurements of post-employment benefit obligations	(277,565)	-	-	(277,565)
Return on plan assets excluding amounts included in net interest expense	-	-	96,036	96,036
<b>Total recognised in the other comprehensive income</b>	<b>(277,565)</b>	<b>-</b>	<b>96,036</b>	<b>(181,529)</b>
Benefits paid	(71,063)	(8,602)	18,550	(61,115)
Contributions by employer	-	-	(254,319)	(254,319)
<b>Closing balance as at 31 December 2018</b>	<b>1,454,377</b>	<b>135,050</b>	<b>(650,317)</b>	<b>939,110</b>

	<b>Provision for employee benefits (post- employment benefits)</b>	<b>Provision for employee benefits (other long-term benefits)</b>	<b>Fair value of plan assets</b>	<b>Net liability / (asset)</b>
<b>As at 31 December 2016</b>	<b>1,801,461</b>	<b>-</b>	<b>(509,816)</b>	<b>1,291,645</b>
Current service cost	299,957	-	-	299,957
Interest expense / (income)	142,295	-	(43,334)	98,961
Increase in obligations as a result of plan amendments	22,937	81,224	-	104,161
<b>Total expenses included in staff costs</b>	<b>465,189</b>	<b>81,224</b>	<b>(43,334)</b>	<b>503,079</b>
Profit from remeasurements of post-employment benefit obligations	(7,952)	-	-	(7,952)
Return on plan assets excluding amounts included in net interest expense	-	-	-	-
<b>Total recognised in the other comprehensive income</b>	<b>(7,952)</b>	<b>-</b>	<b>-</b>	<b>(7,952)</b>
Benefits paid	(254,804)	-	220,895	(33,909)
Contributions by employer	-	-	(142,707)	(142,707)
<b>Closing balance as at 31 December 2017</b>	<b>2,003,894</b>	<b>81,224</b>	<b>(474,962)</b>	<b>1,610,156</b>

**Information about benefit plans and related risks**

As a rule, the above employee benefits are indexed in accordance with inflation or salary growth for benefits that depend on salary level. In addition to the inflation risk, all employee benefit obligations are exposed to mortality risk.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

The sensitivity analysis of the defined benefit obligation to changes in the principal actuarial assumptions as at 31 December 2018 is presented below:

	Increase / (decrease) of defined benefit obligation	Increase / (decrease) of defined benefit obligation, %
Mortality rates lower by 20 %	67,822	4.27 %
Mortality rates higher by 20 %	(61,671)	(3.88 %)
Discount rate lower by 1 p.p.	182,856	11.50 %
Discount rate higher by 1 p.p.	(154,260)	(9.71 %)
Growth rate of pensions and allowances lower by 1 p.p.	(158,265)	(9.96 %)
Growth rate of pensions and allowances higher by 1 p.p.	185,320	11.66 %
Staff turnover lower by 1 p.p. for all ages	29,380	1.85 %
Staff turnover higher by 1 p.p. for all ages	(27,965)	(1.76 %)

**16. INCOME TAX**

Income tax expense comprises the following:

	Year ended 31 December 2018	Year ended 31 December 2017
Current tax expense	1,075,331	1,872,130
Deferred tax expense	(244,829)	(236,319)
<b>Total tax expense</b>	<b>830,502</b>	<b>1,635,811</b>

	Year ended 31 December 2018	Year ended 31 December 2017
<b>Profit before income tax</b>	<b>3,470,247</b>	<b>7,429,104</b>
Theoretical income tax expense	(694,049)	(1,485,821)
Effects related to the change in provision for decommissioning and site restoration	(97,955)	35,285
Tax effect of expenses and losses not deductible for income tax purposes	(38,498)	(185,275)
<b>Income tax expense</b>	<b>(830,502)</b>	<b>(1,635,811)</b>

Differences between the recognition criteria in IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement in these temporary differences is recorded at the rate of 20 %.

	31 December 2018	Recognised in profit or loss	Tax effect of movement in temporary differences Recognised in other comprehensive income	1 January 2018
<b>Tax effect of taxable temporary differences:</b>				
Property, plant and equipment	(7,072,740)	339,811	-	(7,412,551)
<b>Total</b>	<b>(7,072,740)</b>	<b>339,811</b>	<b>-</b>	<b>(7,412,551)</b>
<b>Tax effect of deductible temporary differences:</b>				
Inventories	38,957	(2,416)	-	41,373
Trade accounts receivable	373,934	4,466	-	369,468
Other deductible temporary differences	73,740	(97,032)	(27,920)	198,692
<b>Total</b>	<b>486,631</b>	<b>(94,982)</b>	<b>(27,920)</b>	<b>609,533</b>
<b>Total net deferred tax assets (liabilities)</b>	<b>(6,586,109)</b>	<b>244,829</b>	<b>(27,920)</b>	<b>(6,803,018)</b>

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

	31 December 2017	Recognised in profit or loss	Tax effect of movement in temporary differences Recognised in other comprehensive income	1 January 2017
<b>Tax effect of taxable temporary differences:</b>				
Property, plant and equipment	(7,412,551)	237,475	-	(7,650,026)
<b>Total</b>	<b>(7,412,551)</b>	<b>237,475</b>	<b>-</b>	<b>(7,650,026)</b>
<b>Tax effect of deductible temporary differences:</b>				
Inventories	41,373	(10,174)	-	51,547
Trade accounts receivable	369,468	491	-	368,977
Other deductible temporary differences	198,692	8,527	2,440	187,726
<b>Total</b>	<b>609,533</b>	<b>(1,156)</b>	<b>2,440</b>	<b>608,250</b>
<b>Total net deferred tax assets (liabilities)</b>	<b>(6,803,018)</b>	<b>236,319</b>	<b>2,440</b>	<b>(7,041,776)</b>

As at 31 December 2018 and as at 31 December 2017 all deferred tax assets and deferred tax liabilities formed during the period activity of the Company recalculated on the basis of the income tax rate of 20 % (including 2 % to the Federal budget).

Based on the amount of proved gas reserves and contracted sales, management believes that the Company will generate sufficient taxable profit in the future periods against which the deductible temporary differences will be reversed.

#### **17. LONG-TERM ACCOUNTS PAYABLE**

	31 December 2018	31 December 2017
Trade accounts payable	49,653	-
Account payable to related parties	768	-
<b>Total trade accounts payable</b>	<b>50,421</b>	<b>-</b>

#### **18. EQUITY**

##### *Share capital*

Share capital of the Company authorised, issued and paid totals RUB 40,000 thousand as at 31 December 2018 and 31 December 2017 and consists of 533,324 ordinary shares with the nominal value of RUB 60 per share and 2 preference shares (type "A") with the nominal value of RUB 2,462 thousand per share, 3 preference shares (type "B") with the nominal value of RUB 667 thousand per share and 1 preference share (type "C") with the nominal value of RUB 1,077 thousand.

The excess of the proceeds from share issuance over the nominal value was recorded in equity as the share premium. After the share capital increase from its own funds (from the share premium) in 2011, the share premium amounted to RUB 25,099,045 thousand.

As at 31 December 2018 and 31 December 2017 all issued preference and ordinary shares are fully paid.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation. The preference shares give its holders the right to participate at general shareholders' meetings without voting rights unless decisions are made in relation to reorganisation and liquidation of the Company and changes and amendments to the Company's charter which restrict the rights of preference shareholders are proposed. Upon a positive decision of the shareholders meeting to pay dividends, dividends on preference shares (type "A") are calculated as 12.308 % of the portion of the profit of the Company which has been allocated for dividends payment in accordance with the resolution of the shareholders meeting; preference shares (type "B") as 5 % of the allocated profit for dividends; preference shares (type "C") as 2.692 % of the profit allocated for dividends. These preference dividends rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until the dividend is paid.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

**Other reserves**

Before 1 January 2007 the Company received loans from its shareholders. Indebtedness under the loans was recognised in the financial statements at the fair value calculated using average interest rates on similar loans. The difference between the fair value of the loans and the amount received net of related tax was recorded in equity as Other reserves. During 2007-2008 years the Company redeemed all the loans for which Other reserves were recognised. The fair value effect in the amount of RUB 873,253 thousand, net of income tax RUB 275,810 thousand, was recognised in Other reserves.

Other reserves include other comprehensive income related to the reassessment of post-employment benefit obligations net of related income tax (Note 15).

**Dividends**

The Annual General Meeting of the Shareholders of the Company held on 1 June 2018 decided to pay dividends in the amount of RUB 2,964,762 thousand for the year ended 31 December 2017. The amount of dividends paid in 2018, net of tax, was RUB 2,721,650 thousand.

In 2017, the Company accrued dividends in the amount of RUB 14,431,059 thousand. The amount of dividends paid, net of tax, was RUB 13,247,702 thousand.

The Extraordinary General Meeting of Shareholders of OJSC Severneftegazprom, held on 15 December 2017, decided to pay dividends in the amount of RUB 4,200,000 thousand for the nine months ended 30 September 2017.

The Extraordinary General Meeting of Shareholders of OJSC Severneftegazprom, held on 2 June 2017, decided to pay dividends in the amount of RUB 3,800,000 thousand for the three months ended 31 March 2017.

The Annual General Meeting of the Shareholders of the Company held on 16 June 2017 decided to pay dividends in the amount of RUB 6,431,059 thousand for the year ended 31 December 2016.

Dividends declared and paid during the year were as follows:

	<b>2018</b>			
	<b>Ordinary shares</b>	<b>Preference shares:</b>		
	<b>class "A"</b>	<b>class "B"</b>	<b>class "C"</b>	
<b>Dividends payable as at 1 January</b>	-	-	-	-
Dividends declared during the year	2,371,810	364,903	148,238	79,811
Dividends paid during the year	(2,371,810)	(364,903)	(148,238)	(79,811)
<b>Dividends payable as at 31 December</b>	-	-	-	-
<b>Dividends per share declared during the year</b>	<b>4.4</b>	<b>182,451</b>	<b>49,413</b>	<b>79,811</b>

	<b>2017</b>			
	<b>Ordinary shares</b>	<b>Preference shares:</b>		
	<b>class "A"</b>	<b>class "B"</b>	<b>class "A"</b>	
<b>Dividends payable as at 1 January</b>	-	-	-	-
Dividends declared during the year	11,544,847	1,776,175	721,553	388,484
Dividends paid during the year	(11,544,847)	(1,776,175)	(721,553)	(388,484)
<b>Dividends payable as at 31 December</b>	-	-	-	-
<b>Dividends per share declared during the year</b>	<b>21.6</b>	<b>888,087</b>	<b>240,517</b>	<b>388,484</b>

All dividends are declared and paid in Russian Roubles. In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian statutory accounting. The statutory accounting reports of the Company are the basis for profit distribution according to legislation of the Russian Federation.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

**19. REVENUE**

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
Revenue from gas sales	47,740,178	49,326,224
<b>Total revenue</b>	<b>47,740,178</b>	<b>49,326,224</b>

All customers of the Company are related parties (see Note 27).

**20. COST OF SALES**

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
Mineral extraction tax	33,701,935	31,082,707
Depreciation	5,150,908	5,114,936
Staff costs	1,978,674	2,420,352
Property tax	690,177	776,361
Repairment and technical maintenance	633,271	659,394
Materials	212,504	238,054
Insurance	143,572	153,811
Geophysical services	68,715	63,235
Transportation costs	65,554	66,747
Other outsourced production services	64,848	76,658
Fire safety and security services	50,687	52,316
Software support costs	43,237	55,433
Fuel costs	42,650	41,880
Rent expenses	20,747	24,947
Other	84,230	71,792
<b>Total cost of sales</b>	<b>42,951,709</b>	<b>40,898,623</b>

Depreciation in the amount of RUB 19,444 thousand for the year ended 31 December 2018 was capitalised into assets under construction (for the year ended 31 December 2017: RUB 19,838 thousand).

Staff costs include the income from the revaluation of the pension obligations in the amount of RUB 466,413 thousand for the year ended 31 December 2018, mainly related to the increase in the retirement age.

Mineral extraction tax compared to mineral extraction tax rate in 2017 increased due to the increase of the tax rate in 2018.

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
Administrative staff costs	678,196	741,672
Rent	80,936	79,815
Insurance	38,179	37,038
Other administrative expenses	215,922	175,385
<b>Total general and administrative expenses</b>	<b>1,013,233</b>	<b>1,033,910</b>

Administrative staff costs include the income in the amount of 186,270 thousand from the revaluation of the pension obligations, mainly related to the increase in the retirement age for the year ended 31 December 2018.

**OJSC SEVERNEFTEGAZPROM****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018***(In thousands of Russian Roubles, unless otherwise stated)***22. OTHER OPERATING INCOME**

	Year ended 31 December 2018	Year ended 31 December 2017
Reversal of impairment allowance on materials for extraction	35,186	43,637
Compensation for caused damages after court decision	12,998	-
Gain on disposal of assets classified as held for sale	6,250	17,330
Fees and penalties due to violation of contract covenants	5,574	15,340
Gain on disposal of property, plant and equipment	663	8,817
Reimbursement of the road maintenance costs	187	1,208
Gain on sale of foreign currency	-	2,302
Other	11,600	13,638
<b>Total other operating income</b>	<b>72,458</b>	<b>102,272</b>

**23. OTHER OPERATING EXPENSES**

	Year ended 31 December 2018	Year ended 31 December 2017
Social costs	103,282	88,139
Loss from remeasurement of post-employment benefit obligations	40,130	-
Provision for impairment materials for extraction	33,545	15,992
Loss on disposal of materials	11,219	819
Remuneration for participation in the work of the Board of Directors	6,001	5,780
Non-refundable VAT	4,987	67,027
Loss on changes in the fair value of assets held for sale	-	154,793
Other	36,802	31,738
<b>Total other operating expenses</b>	<b>235,966</b>	<b>364,288</b>

**24. FINANCE INCOME**

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income	451,051	842,869
Foreign currency exchange gains	52	32,111
<b>Total finance income</b>	<b>451,103</b>	<b>874,980</b>

**25. FINANCE EXPENSE**

	Year ended 31 December 2018	Year ended 31 December 2017
Unwinding of discount cost of provision for decommissioning and site restoration (Note 15)	426,033	421,209
Interest expense on provision for employee benefits (Note 15)	117,774	98,961
Foreign currency exchange losses	276	24,820
<b>Total finance expense</b>	<b>544,083</b>	<b>544,990</b>

**26. CONTINGENCIES, COMMITMENTS AND OTHER RISKS****(a) Tax legislation**

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was amended with effect from 1 January 2012 are more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for



**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

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Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy used in 2018 and preceding years is meets market condition. Company has implemented measures of internal controls to be in compliance with the transfer pricing legislation.

Given the specifics of transfer pricing rules, the impact of any challenge to the Company's transfer prices cannot be reliably estimated, however, it may be significant to the financial conditions and/or the overall operations of the Company.

**(b) Legal proceedings**

The Company is subject of, or party to a number of court proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in the financial statement.

**(c) Capital commitments**

The total investment program for 2019 is RUB 9,464,914 thousand.

**(d) Environmental matters**

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage that have not already been provided for.

**(e) Operating lease commitments**

As at 31 December 2018 and 31 December 2017 the Company does not have significant liabilities related to operating leases.

**27. RELATED PARTY TRANSACTIONS**

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

***Transactions with shareholders and its related parties***

The Company is under the control of PJSC Gazprom and is included in the Gazprom Group. PJSC Gazprom is the Immediate and Ultimate Parent entity. The Government of the Russian Federation is the ultimate controlling party of the Company. At the same time Wintershall Holding GmbH, which is part of the BASF SE Group and OMV Exploration & Production GmbH, which is part of the OMV Group have significant influence on the Company (see Note 1).

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**  
*(In thousands of Russian Roubles, unless otherwise stated)*

Transactions of the Company with related parties for the periods ended 31 December 2018 and 31 December 2017 are presented below:

	Note	Year ended 31 December 2018	Year ended 31 December 2017
Sales of gas to PJSC Gazprom (Gazprom Group)	19	19,096,071	19,730,490
Sales of gas to CJSC Gazprom YRGM Trading (BASF SE Group)	19	16,709,062	17,264,178
Sales of gas to JSC Gazprom YRGM Development (till 30.11.2017 – E.ON Group, since 01.12.2017 - OMV Group)	19	11,935,045	12,331,556
Other sales		908	818
Purchases of goods and services from Gazprom Group		277,670	349,757

Information on significant transactions concerning cash and cash equivalents with related parties:

Cash and cash equivalents	Note	31 December 2018	31 December 2017
Bank GPB (JSC)	7	5,254,924	7,534,054
<b>Total cash and cash equivalents</b>		<b>5,254,924</b>	<b>7,534,054</b>

Information on significant transactions concerning interest income with related parties:

Interest income	Year ended 31 December 2018	Year ended 31 December 2017
Bank GPB (JSC)	443,077	795,545
<b>Total interest income</b>	<b>443,077</b>	<b>795,545</b>

Significant balances with related parties are summarised as follows:

Trade and other accounts receivable	Note	31 December 2018	31 December 2017
PJSC Gazprom		2,236,564	2,050,941
CJSC Gazprom YRGM Trading		1,956,993	1,794,573
JSC Gazprom Development		1,397,852	1,281,838
Bank GPB (JSC)		2,173	3,793
Gazprom Group companies		1,989	1,555
<b>Total trade and other accounts receivable</b>	<b>8</b>	<b>5,595,571</b>	<b>5,132,700</b>

As at 31 December 2018 and 31 December 2017 short-term accounts receivable of related parties were non-interest bearing, had maturity within one year and were denominated in Russian Roubles.

Trade and other accounts payable	Note	31 December 2018	31 December 2017
Gazprom Group companies	13	65,423	48,652
<b>Total trade and other accounts payable</b>		<b>65,423</b>	<b>48,652</b>

***Transactions with parties under control of the Government***

Information on significant transactions with parties under control of the Government:

Cash and cash equivalents	Note	31 December 2018	31 December 2017
VTB Bank (PJSC)	7	1,500,000	10
<b>Total cash and cash equivalents</b>		<b>1,500,000</b>	<b>10</b>

Interest income	Year ended 31 December 2018	Year ended 31 December 2017
VTB Bank (PJSC)	7,976	47,324
<b>Total interest income</b>	<b>7,976</b>	<b>47,324</b>

**OJSC SEVERNEFTEGAZPROM****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018***(In thousands of Russian Roubles, unless otherwise stated)*

<b>Other accounts receivable</b>	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
VTB Bank (PJSC)	8	1,269	-
<b>Total other accounts receivable</b>		<b>1,269</b>	-

<b>Trade accounts payable</b>	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
JSC United Engine Corporation	13	25,350	-
<b>Total trade accounts payable</b>		<b>25,350</b>	-

**Transactions with Key Management Personnel**

Key management personnel of the Company consists of the Board of directors, the General Director and his ten deputies.

The General Director and his ten deputies compensation is presented below:

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
Short-term benefits	341,665	284,479
Other long-term benefits	39,332	15,933
<b>Total compensation</b>	<b>380,997</b>	<b>300,412</b>

The Annual General Meeting of the Shareholders held in June 2018 has decided to pay compensation to the members of the Board of directors amounting to RUB 6,001 thousand.

The Annual General Meeting of the Shareholders held in June 2017 has decided to pay compensation to the members of the Board of directors amounting to RUB 5,780 thousand.

**28. SUBSEQUENT EVENTS**

There were no subsequent events to disclosure.