



**PJSC LUKOIL**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**for the three and six-month periods ended 30 June 2019**

**prepared in accordance with IFRS  
(unaudited)**

These condensed interim consolidated financial statements were prepared by PJSC LUKOIL in accordance with IFRS and have not been audited by our independent auditor. If these condensed interim consolidated financial statements are audited in the future, the audit could reveal differences in our consolidated financial results and we can not assure that any such differences would not be material.



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## **Independent Auditors' Report on Review of Condensed Interim Consolidated Financial Statements**

To the Shareholders and Board of Directors

PJSC LUKOIL

### ***Introduction***

We have reviewed the accompanying consolidated statement of financial position of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group") as at 30 June 2019, and the related consolidated statements of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2019 and the related consolidated statements of changes in equity and cash flows for the six - month period ended 30 June 2019, and notes to the condensed interim consolidated financial statements (the "condensed interim consolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: Public Joint Stock Company "Oil company  
"LUKOIL"

Registration No. in the Unified State Register of Legal Entities  
1027700035769

Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities  
1027700125628

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations No 11603053203.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements as at 30 June 2019 and for the three- and six-month periods ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

  
Oussov A.I.  
JSC "KPMG"  
Moscow, Russia

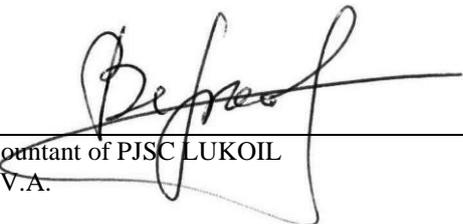


27 August 2019

**PJSC LUKOIL**  
**Consolidated Statement of Financial Position**  
**(Millions of Russian rubles)**

	Note	30 June 2019 (unaudited)	31 December 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	506,116	492,650
Accounts receivable, net	7	498,462	429,945
Other current financial assets		31,504	26,200
Inventories	8	413,866	381,737
Prepaid taxes	9	98,635	95,611
Other current assets	10	37,834	52,336
<b>Total current assets</b>		<b>1,586,417</b>	<b>1,478,479</b>
Property, plant and equipment	12	3,918,119	3,829,164
Investments in associates and joint ventures	11	218,150	228,053
Other non-current financial assets	13	64,197	82,568
Deferred income tax assets		29,667	31,041
Goodwill and other intangible assets		39,704	41,765
Other non-current assets		42,124	41,312
<b>Total non-current assets</b>		<b>4,311,961</b>	<b>4,253,903</b>
<b>Total assets</b>		<b>5,898,378</b>	<b>5,732,382</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable	15	580,251	547,128
Short-term borrowings and current portion of long-term debt	16	113,332	99,625
Taxes payable	18	153,892	123,974
Provisions	20	35,321	38,266
Other current liabilities	19	143,043	105,567
Obligation to repurchase common shares	21	171,169	-
<b>Total current liabilities</b>		<b>1,197,008</b>	<b>914,560</b>
Long-term debt	17	506,910	435,422
Deferred income tax liabilities		260,969	258,836
Provisions	20	55,963	47,923
Other non-current liabilities		2,576	2,115
<b>Total non-current liabilities</b>		<b>826,418</b>	<b>744,296</b>
<b>Total liabilities</b>		<b>2,023,426</b>	<b>1,658,856</b>
<b>Equity</b>			
Share capital	21	1,015	1,015
Treasury shares (including obligation to repurchase common shares)		(437,145)	(134,810)
Additional paid-in capital		39,116	39,173
Other reserves		64,922	196,554
Retained earnings		4,199,220	3,963,628
<b>Total equity attributable to PJSC LUKOIL shareholders</b>		<b>3,867,128</b>	<b>4,065,560</b>
Non-controlling interests		7,824	7,966
<b>Total equity</b>		<b>3,874,952</b>	<b>4,073,526</b>
<b>Total liabilities and equity</b>		<b>5,898,378</b>	<b>5,732,382</b>

  
 Acting President of PJSC LUKOIL  
 Maganov R.U.

  
 Chief accountant of PJSC LUKOIL  
 Verkhov V.A.

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

**PJSC LUKOIL**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
(Millions of Russian rubles, unless otherwise noted)

	Note	For the three months ended 30 June 2019 (unaudited)	For the three months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
<b>Revenues</b>					
Sales (including excise and export tariffs)	28	2,125,552	2,056,058	3,976,485	3,686,786
<b>Costs and other deductions</b>					
Operating expenses		(113,690)	(112,221)	(222,859)	(220,861)
Cost of purchased crude oil, gas and products		(1,210,383)	(1,187,883)	(2,197,908)	(2,079,312)
Transportation expenses		(64,032)	(68,207)	(137,254)	(134,262)
Selling, general and administrative expenses		(48,987)	(40,409)	(98,560)	(77,163)
Depreciation, depletion and amortisation		(105,730)	(97,593)	(209,560)	(185,283)
Taxes other than income taxes		(254,494)	(213,970)	(475,513)	(400,637)
Excise and export tariffs		(101,200)	(137,402)	(212,656)	(258,593)
Exploration expenses		(596)	(815)	(1,508)	(1,283)
<b>Profit from operating activities</b>		<b>226,440</b>	<b>197,558</b>	<b>420,667</b>	<b>329,392</b>
Finance income	23	6,075	4,648	12,059	8,162
Finance costs	23	(10,976)	(8,279)	(22,710)	(15,601)
Equity share in income of affiliates	11	4,942	6,104	11,122	11,353
Foreign exchange gain		3,607	22,394	5,508	20,962
Other expenses	24	(6,360)	(10,562)	(10,332)	(9,863)
<b>Profit before income taxes</b>		<b>223,728</b>	<b>211,863</b>	<b>416,314</b>	<b>344,405</b>
Current income taxes		(40,675)	(39,952)	(82,056)	(58,189)
Deferred income taxes		(1,252)	(3,916)	(2,667)	(8,796)
<b>Total income tax expense</b>		<b>(41,927)</b>	<b>(43,868)</b>	<b>(84,723)</b>	<b>(66,985)</b>
<b>Profit for the period</b>		<b>181,801</b>	<b>167,995</b>	<b>331,591</b>	<b>277,420</b>
Profit for the period attributable to non-controlling interests		(556)	(673)	(1,110)	(1,040)
<b>Profit for the period attributable to PJSC LUKOIL shareholders</b>		<b>181,245</b>	<b>167,322</b>	<b>330,481</b>	<b>276,380</b>
<b>Other comprehensive income (loss), net of income taxes</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Foreign currency translation differences for foreign operations		(30,734)	57,972	(132,455)	61,666
Change in fair value of equity investments at fair value through other comprehensive income		(486)	1,152	692	919
<i>Items that will never be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability / asset of pension plan		26	(104)	123	(114)
<b>Other comprehensive (loss) income</b>		<b>(31,194)</b>	<b>59,020</b>	<b>(131,640)</b>	<b>62,471</b>
<b>Total comprehensive income for the period</b>		<b>150,607</b>	<b>227,015</b>	<b>199,951</b>	<b>339,891</b>
Total comprehensive income for the period attributable to non-controlling interests		(557)	(665)	(1,102)	(1,038)
<b>Total comprehensive income for the period attributable to PJSC LUKOIL shareholders</b>		<b>150,050</b>	<b>226,350</b>	<b>198,849</b>	<b>338,853</b>
<b>Earnings per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):</b>					
	21				
Basic		268.96	235.79	484.00	389.47
Diluted		261.30	235.79	470.87	389.47

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

**PJSC LUKOIL**  
**Consolidated Statement of Changes in Equity (unaudited)**  
**(Millions of Russian rubles)**

	Share capital	Treasury shares (including obligation to repurchase)	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC LUKOIL shareholders	Non-controlling interests	Total equity
31 December 2018	1,015	(134,810)	39,173	196,554	3,963,628	<b>4,065,560</b>	7,966	<b>4,073,526</b>
Profit for the period	-	-	-	-	330,481	<b>330,481</b>	1,110	<b>331,591</b>
Other comprehensive loss	-	-	-	(131,632)	-	<b>(131,632)</b>	(8)	<b>(131,640)</b>
<b>Total comprehensive (loss) income</b>				<b>(131,632)</b>	<b>330,481</b>	<b>198,849</b>	<b>1,102</b>	<b>199,951</b>
Dividends on common stock	-	-	-	-	(104,316)	<b>(104,316)</b>	-	<b>(104,316)</b>
Stock purchased	-	(131,166)	-	-	-	<b>(131,166)</b>	-	<b>(131,166)</b>
Equity-settled share-based compensation plan	-	-	-	-	9,427	<b>9,427</b>	-	<b>9,427</b>
Obligation to repurchase common shares	-	(171,169)	-	-	-	<b>(171,169)</b>	-	<b>(171,169)</b>
Changes in non-controlling interests	-	-	(57)	-	-	<b>(57)</b>	(1,244)	<b>(1,301)</b>
<b>30 June 2019</b>	<b>1,015</b>	<b>(437,145)</b>	<b>39,116</b>	<b>64,922</b>	<b>4,199,220</b>	<b>3,867,128</b>	<b>7,824</b>	<b>3,874,952</b>
31 December 2017	1,151	(251,089)	129,641	27,090	3,576,158	<b>3,482,951</b>	7,448	<b>3,490,399</b>
Adjustment on adoption of IFRS 9, net of tax	-	-	-	-	(6,831)	<b>(6,831)</b>	-	<b>(6,831)</b>
1 January 2018	1,151	(251,089)	129,641	27,090	3,569,327	<b>3,476,120</b>	7,448	<b>3,483,568</b>
Profit for the period	-	-	-	-	276,380	<b>276,380</b>	1,040	<b>277,420</b>
Other comprehensive income (loss)	-	-	-	62,473	-	<b>62,473</b>	(2)	<b>62,471</b>
<b>Total comprehensive income</b>				<b>62,473</b>	<b>276,380</b>	<b>338,853</b>	<b>1,038</b>	<b>339,891</b>
Dividends on common stock	-	-	-	-	(92,252)	<b>(92,252)</b>	-	<b>(92,252)</b>
Changes in non-controlling interests	-	-	71	-	-	<b>71</b>	(824)	<b>(753)</b>
<b>30 June 2018</b>	<b>1,151</b>	<b>(251,089)</b>	<b>129,712</b>	<b>89,563</b>	<b>3,753,455</b>	<b>3,722,792</b>	<b>7,662</b>	<b>3,730,454</b>

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

**PJSC LUKOIL**  
**Consolidated Statement of Cash Flows**  
**(Millions of Russian rubles)**

Note	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit for the period attributable to PJSC LUKOIL shareholders</b>	<b>330,481</b>	<b>276,380</b>
Adjustments for non-cash items:		
Depreciation, depletion and amortisation	209,560	185,283
Equity share in income of affiliates, net of dividends received	(8,095)	(7,671)
Dry hole write-offs	800	324
Loss on disposals and impairments of assets	4,364	10,900
Income tax expense	84,723	66,985
Non-cash foreign exchange gain	(6,446)	(20,707)
Finance income	(12,059)	(8,162)
Finance costs	22,710	15,601
Allowance for expected credit losses	6,416	510
Equity-settled share-based compensation plan	15,684	-
All other items – net	(616)	3,693
Changes in operating assets and liabilities:		
Trade accounts receivable	(103,571)	(43,226)
Inventories	(62,541)	(40,826)
Accounts payable	71,688	13,864
Other taxes	26,815	25,908
Other current assets and liabilities	3,072	(23,573)
Income tax paid	(80,678)	(55,151)
Dividends received	2,918	4,454
Interests received	8,017	5,355
<b>Net cash provided by operating activities</b>	<b>513,242</b>	<b>409,941</b>
<b>Cash flows from investing activities</b>		
Acquisition of licenses	(2,276)	(246)
Capital expenditures	(204,976)	(226,834)
Proceeds from sale of property, plant and equipment	647	1,167
Purchases of financial assets	(6,463)	(1,388)
Proceeds from sale of financial assets	11,604	14,367
Sale of subsidiaries, net of cash disposed	719	-
Acquisitions of subsidiaries, net of cash acquired	(7,464)	-
Acquisitions of equity method affiliates	(954)	(1,378)
<b>Net cash used in investing activities</b>	<b>(209,163)</b>	<b>(214,312)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term borrowings	1,217	28,937
Principal repayments of short-term borrowings	(5,487)	(9,482)
Principal repayments of long-term debt	(30,396)	(145,468)
Interest paid	(21,617)	(19,343)
Dividends paid on Company common shares	(70,216)	(60,895)
Dividends paid to non-controlling interest shareholders	(1,835)	(1,040)
Financing received from non-controlling interest shareholders	78	77
Purchase of Company's stock	(133,605)	-
Sale of non-controlling interest	-	4
Purchases of non-controlling interest	(14)	-
<b>Net cash used in financing activities</b>	<b>(261,875)</b>	<b>(207,210)</b>
Effect of exchange rate changes on cash and cash equivalents	(28,738)	20,400
<b>Net increase in cash and cash equivalents</b>	<b>13,466</b>	<b>8,819</b>
Cash and cash equivalents at beginning of period	492,650	330,390
<b>Cash and cash equivalents at end of the period</b>	<b>6</b>	<b>339,209</b>

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

## **Note 1. Organisation and environment**

The primary activities of PJSC LUKOIL (the “Company”) and its subsidiaries (together, the “Group”) are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

The Group was established in accordance with Presidential Decree No. 1403, issued on 17 November 1992. Under this decree, on 5 April 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on 1 September 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of the twenty-four founding subsidiaries to 100%.

From formation, the Group has expanded substantially through consolidation of its interests, acquisition of new companies and establishment of new businesses.

### ***Business and economic environment***

The accompanying condensed interim consolidated financial statements reflect management’s assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management’s assessment.

## **Note 2. Basis of preparation**

### ***Statement of compliance***

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the Group’s consolidated financial statements for 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last consolidated financial statements for 2018.

The accompanying condensed interim consolidated financial statements and notes thereto have not been audited by independent auditors, except for the consolidated statement of financial position at 31 December 2018.

The condensed interim consolidated financial statements were authorised by the Acting president of the Company on 27 August 2019.

### ***Functional and presentation currency***

The functional currency of each of the Group’s consolidated companies is the currency of the primary economic environment in which the company operates. The management has analysed factors that influence the choice of functional currency and has determined the functional currency for each Group company. For the majority of them the functional currency is the local currency. The functional currency of the Company is the Russian ruble (“RUB”).

The presentation currency of the Group is the RUB. All financial information presented in the RUB has been rounded to the nearest million, except when otherwise indicated.

**Note 2. Basis of preparation (continued)**

The results and financial position of Group companies whose functional currency is different from the presentation currency of the Group are translated into presentation currency using the following procedures. Assets and liabilities are translated at period-end exchange rates, income and expenses are translated at rates which approximate actual rates at the date of the transaction. Resulting exchange differences are recognised in other comprehensive income.

**Note 3. Changes in accounting policies**

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the consolidated financial statements for 2018 except for IFRS 16 *Leases* (“IFRS 16”) the Group has adopted with effect from 1 January 2019.

IFRS 16, issued in January 2016, replaced existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16, a contract is, or contains, a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The nature of expenses related to new assets and liabilities recognised for operating leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously the Group recognised lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group applied IFRS 16 using the modified retrospective approach by one-off recognition of non-current assets and financial liabilities of 162 billion RUB at 1 January 2019 measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019.

Primarily the Group leases such assets as transport (vessels, tank cars), land, drilling rigs and other equipment, storage facilities. The lease typically runs for a period of 3–5 years. Some leases include an option to renew the lease for additional period after the end of the non-cancellable period. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal option. Moreover, in determining the lease term the Group also took into account economic factors, which influence asset usage duration in its activity.

At 30 June 2019, the Group recognised 181,059 million RUB of right-of-use assets as part of “Property, plant and equipment”, 175,798 million RUB of lease liabilities as part of long-term debt, of which 31,589 million RUB are included in its current portion. Also the Group recognised a depreciation charge of right-of-use assets of 11,292 million RUB and 22,478 million RUB and interest expense in relation to lease liabilities of 3,303 million RUB and 5,792 million RUB during the three and six months ended 30 June 2019, respectively (including arrangements earlier treated as leases under IAS 17 *Leases*).

***Lease liabilities reconciliation***

<b>Operating lease commitments at 31 December 2018</b>	<b>182,742</b>
Payments for the rent of land related to exploration and evaluation	(30,417)
Leases not yet commenced	(22,835)
Effect of discounting using incremental borrowing rate as of the date of initial application	(33,754)
Other	(847)
<b>Discounted using incremental borrowing rate</b>	<b>94,889</b>
Extension and termination options reasonably certain to be exercised	10,721
Service agreements classified as lease	56,585
Other	(144)
<b>Total lease liabilities at 1 January 2019</b>	<b>162,051</b>

#### **Note 4. Use of estimates and judgments**

Preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- estimation of oil and gas reserves;
- estimation of useful lives of property, plant and equipment;
- impairment of non-current assets;
- assessment and recognition of provisions and contingent liabilities;
- definition of leases.

Oil and gas reserves estimates that are used for the reporting purposes are made in accordance with the requirements adopted by U.S. Securities and Exchange Commission. Estimates are reassessed on an annual basis.

#### **Note 5. Income taxes**

Operations in the Russian Federation are subject to a 20% income tax rate. For the period from 2017 till 2024 (inclusive) the Federal income tax rate is set as 3.0% and the regional income tax rate varies from 12.5% to 17.0% at the discretion of the regional administration. Legislation sets certain restrictions on the application of the reduced regional rates.

The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

The Group's effective income tax rate for the periods presented differs from the statutory income tax rate primarily due to domestic and foreign tax rate differences and the incurrence of costs that are either not tax deductible or only deductible to a certain limit.

Tax expense is recognised based on the management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Company and its Russian subsidiaries file income tax returns in Russia. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

#### **Note 6. Cash and cash equivalents**

	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
Cash held in RUB	214,577	201,073
Cash held in US dollars	267,454	264,538
Cash held in EUR	14,487	18,350
Cash held in other currencies	9,598	8,689
<b>Total cash and cash equivalents</b>	<b>506,116</b>	<b>492,650</b>

**PJSC LUKOIL**  
**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 7. Accounts receivables**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Trade accounts receivable (net of allowances of 26,496 million RUB and 23,031 million RUB at 30 June 2019 and 31 December 2018, respectively)	488,935	411,247
Other current accounts receivable (net of allowances of 4,705 million RUB and 4,767 million RUB at 30 June 2019 and 31 December 2018, respectively)	9,527	18,698
<b>Total accounts receivable, net</b>	<b>498,462</b>	<b>429,945</b>

**Note 8. Inventories**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Crude oil and petroleum products	354,841	325,563
Materials for extraction and drilling	23,207	23,128
Materials and supplies for refining	4,786	4,084
Other goods, materials and supplies	31,032	28,962
<b>Total inventories</b>	<b>413,866</b>	<b>381,737</b>

**Note 9. Prepaid taxes**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Income tax prepaid	12,757	12,165
VAT and excise tax recoverable	43,351	37,832
Export duties prepaid	10,082	23,093
VAT prepaid	28,179	18,498
Other taxes prepaid	4,266	4,023
<b>Total prepaid taxes</b>	<b>98,635</b>	<b>95,611</b>

**Note 10. Other current assets**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Advance payments	8,254	19,851
Prepaid expenses	19,735	22,139
Other assets	9,845	10,346
<b>Total other current assets</b>	<b>37,834</b>	<b>52,336</b>

**Note 11. Investments in associates and joint ventures**

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership		30 June 2019	31 December 2018
		30 June 2019	31 December 2018		
<i>Joint ventures:</i>					
Tengizchevroil	Kazakhstan	5.0%	5.0%	116,679	121,204
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	38,357	39,346
South Caucasus Pipeline Holding Company	Azerbaijan	10.0%	10.0%	31,773	34,789
Others				456	623
<i>Associates:</i>					
Associates				30,885	32,091
<b>Total</b>				<b>218,150</b>	<b>228,053</b>

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**Note 12. Property, plant and equipment**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>				
31 December 2018	4,476,824	1,373,743	75,882	<b>5,926,449</b>
Adjustment on adoption of IFRS 16	54,335	102,189	5,527	<b>162,051</b>
1 January 2019	4,531,159	1,475,932	81,409	<b>6,088,500</b>
Additions	188,893	31,653	965	<b>221,511</b>
Disposals	(8,254)	(4,418)	(546)	<b>(13,218)</b>
Foreign currency translation differences	(135,430)	(53,654)	(1,506)	<b>(190,590)</b>
Other	9,440	8,861	(100)	<b>18,201</b>
<b>30 June 2019</b>	<b>4,585,808</b>	<b>1,458,374</b>	<b>80,222</b>	<b>6,124,404</b>
<b>Depreciation and impairment</b>				
31 December 2018	(1,586,508)	(513,668)	(19,380)	<b>(2,119,556)</b>
Depreciation for the period	(146,333)	(60,479)	(2,183)	<b>(208,995)</b>
Impairment loss	(146)	-	-	<b>(146)</b>
Disposals	3,564	3,304	163	<b>7,031</b>
Foreign currency translation differences	69,777	20,192	585	<b>90,554</b>
Other	(1)	4,390	42	<b>4,431</b>
<b>30 June 2019</b>	<b>(1,659,647)</b>	<b>(546,261)</b>	<b>(20,773)</b>	<b>(2,226,681)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2018	5,916	15,669	686	<b>22,271</b>
<b>30 June 2019</b>	<b>4,631</b>	<b>15,110</b>	<b>655</b>	<b>20,396</b>
<b>Carrying amounts</b>				
31 December 2018	2,896,232	875,744	57,188	<b>3,829,164</b>
<b>30 June 2019</b>	<b>2,930,792</b>	<b>927,223</b>	<b>60,104</b>	<b>3,918,119</b>
<b>Cost</b>				
31 December 2017	3,902,267	1,236,552	72,543	<b>5,211,362</b>
Additions	184,861	26,019	632	<b>211,512</b>
Disposals	(23,554)	(5,999)	(395)	<b>(29,948)</b>
Foreign currency translation differences	106,113	24,009	1,051	<b>131,173</b>
Other	12,764	(733)	89	<b>12,120</b>
<b>30 June 2018</b>	<b>4,182,451</b>	<b>1,279,848</b>	<b>73,920</b>	<b>5,536,219</b>
<b>Depreciation and impairment</b>				
31 December 2017	(1,230,717)	(403,445)	(15,617)	<b>(1,649,779)</b>
Depreciation for the period	(138,974)	(47,293)	(1,771)	<b>(188,038)</b>
Impairment	(5,010)	-	-	<b>(5,010)</b>
Disposals	19,166	3,283	133	<b>22,582</b>
Foreign currency translation differences	(52,404)	(8,875)	(307)	<b>(61,586)</b>
Other	2	766	15	<b>783</b>
<b>30 June 2018</b>	<b>(1,407,937)</b>	<b>(455,564)</b>	<b>(17,547)</b>	<b>(1,881,048)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2017	10,732	2,717	133	<b>13,582</b>
<b>30 June 2018</b>	<b>7,340</b>	<b>2,586</b>	<b>617</b>	<b>10,543</b>
<b>Carrying amounts</b>				
31 December 2017	2,682,282	835,824	57,059	<b>3,575,165</b>
<b>30 June 2018</b>	<b>2,781,854</b>	<b>826,870</b>	<b>56,990</b>	<b>3,665,714</b>

The cost of assets under construction included in property, plant and equipment was 467,682 million RUB and 335,312 million RUB at 30 June 2019 and 31 December 2018, respectively.

In the second quarter of 2018, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 5 billion RUB.

**Note 12. Property, plant and equipment (continued)**

*Exploration and evaluation assets*

	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>
1 January	107,106	86,134
Capitalised expenditures	16,611	16,607
Reclassified to development assets	(2,572)	(3,833)
Charged to expenses	(446)	(5,801)
Foreign currency translation differences	(2,728)	1,323
Other movements	85	(14)
<b>30 June</b>	<b>118,056</b>	<b>94,416</b>

**Note 13. Other non-current financial assets**

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Equity instruments	3,725	3,388
<b>Financial assets measured at amortised cost</b>		
Long-term loans	8,976	19,468
Non-current accounts and notes receivable	1,394	2,469
Other financial assets	86	102
<b>Financial assets measured at fair value through profit or loss</b>		
Long-term loans	50,016	57,064
Other financial assets	-	77
<b>Total other non-current financial assets</b>	<b>64,197</b>	<b>82,568</b>

**Note 14. Business combinations**

In the second quarter of 2019, a Group company entered into a contract with New Age M12 Holdings Limited to acquire a 25% interest in the Marine XII license in the Republic of Congo for \$800 million, of which \$60 million were paid as security deposit. The transaction is subject to customary conditions, including approval by the government of the Republic of Congo.

**Note 15. Accounts payable**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Trade accounts payable	532,720	477,444
Other accounts payable	47,531	69,684
<b>Total accounts payable</b>	<b>580,251</b>	<b>547,128</b>

**Note 16. Short-term borrowings and current portion of long-term debt**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Short-term borrowings from third parties	15,402	20,885
Short-term borrowings from related parties	2,716	7,843
Current portion of long-term debt	95,214	70,897
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>113,332</b>	<b>99,625</b>

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Short-term borrowings from third parties include amounts repayable in US dollars of 13,975 million RUB and 15,541 million RUB and amounts repayable in other currencies of 1,427 million RUB and 5,344 million RUB at 30 June 2019 and 31 December 2018, respectively. The weighted-average interest rate on short-term borrowings from third parties was 5.73% and 9.83% per annum at 30 June 2019 and 31 December 2018, respectively. At 30 June 2019, short-term borrowings from third parties are unsecured.

**Note 17. Long-term debt**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Long-term loans and borrowings from third parties	136,570	161,314
7.250% non-convertible US dollar bonds, maturing 2019	37,800	41,584
6.125% non-convertible US dollar bonds, maturing 2020	63,017	69,385
6.656% non-convertible US dollar bonds, maturing 2022	31,481	34,663
4.563% non-convertible US dollar bonds, maturing 2023	94,511	104,079
4.750% non-convertible US dollar bonds, maturing 2026	62,947	69,321
Lease obligations	175,798	25,973
Total long-term debt	602,124	506,319
Current portion of long-term debt	(95,214)	(70,897)
<b>Total non-current portion of long-term debt</b>	<b>506,910</b>	<b>435,422</b>

***Long-term loans and borrowings***

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 117,417 million RUB and 137,439 million RUB and amounts repayable in euros of 19,153 million RUB and 23,875 million RUB at 30 June 2019 and 31 December 2018, respectively. This debt has maturity dates from 2019 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 4.41% and 4.87% per annum at 30 June 2019 and 31 December 2018, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 48% of total long-term loans and borrowings from third parties at 30 June 2019 are secured by shares of an associated company, export sales and property, plant and equipment.

***Reconciliation of liabilities arising from financing activities***

	<b>Loans and borrowings</b>	<b>Bonds</b>	<b>Lease obligations</b>	<b>Other liabilities</b>	<b>Total</b>
31 December 2018	190,042	319,032	25,973	73,920	<b>608,967</b>
Adjustment on adoption of IFRS 16	-	-	162,051	-	<b>162,051</b>
1 January 2019	190,042	319,032	188,024	73,920	<b>771,018</b>
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	1,217	-	-	-	<b>1,217</b>
Principal repayments of short-term borrowings	(5,487)	-	-	-	<b>(5,487)</b>
Principal repayments of long-term debt	(10,342)	-	(20,054)	-	<b>(30,396)</b>
Interest paid	-	-	(5,792)	(15,825)	<b>(21,617)</b>
Dividends paid on Company common stock	-	-	-	(70,216)	<b>(70,216)</b>
Total changes from financing cash flows	(14,612)	-	(25,846)	(86,041)	<b>(126,499)</b>
Other changes:					
Interest accrued	-	-	5,792	16,691	<b>22,483</b>
Dividends declared on Company common stock	-	-	-	104,316	<b>104,316</b>
Changes arising from obtaining or losing control over subsidiaries	(4,448)	-	-	-	<b>(4,448)</b>
The effect of changes in foreign exchange rates	(16,597)	(29,371)	(12,498)	(427)	<b>(58,893)</b>
Other changes	303	95	20,326	5,346	<b>26,070</b>
Total other changes	(20,742)	(29,276)	13,620	125,926	<b>89,528</b>
<b>30 June 2019</b>	<b>154,688</b>	<b>289,756</b>	<b>175,798</b>	<b>113,805</b>	<b>734,047</b>

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**Note 18. Taxes payable**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Income tax	12,654	11,316
Mineral extraction tax	62,977	46,532
Tax on additional income from hydrocarbon production	5,108	-
VAT	46,090	34,823
Excise tax	15,619	18,887
Property tax	5,180	4,985
Other taxes	6,264	7,431
<b>Total taxes payable</b>	<b>153,892</b>	<b>123,974</b>

**Note 19. Other current liabilities**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Advances received	27,124	30,249
Dividends payable	113,022	72,103
Other	2,897	3,215
<b>Total other current liabilities</b>	<b>143,043</b>	<b>105,567</b>

**Note 20. Provisions**

	<b>Asset retirement obligation</b>	<b>Provision for employee compensations</b>	<b>Provision for environmental liabilities</b>	<b>Pension provisions</b>	<b>Provision for unused vacations</b>	<b>Other provisions</b>	<b>Total</b>
<b>30 June 2019</b>	<b>46,971</b>	<b>8,170</b>	<b>3,602</b>	<b>8,584</b>	<b>5,901</b>	<b>18,056</b>	<b>91,284</b>
Incl.: Non-current	46,756	72	1,278	5,656	127	2,074	<b>55,963</b>
Current	215	8,098	2,324	2,928	5,774	15,982	<b>35,321</b>
<b>31 December 2018</b>	<b>36,424</b>	<b>9,401</b>	<b>4,014</b>	<b>8,910</b>	<b>5,968</b>	<b>21,472</b>	<b>86,189</b>
Incl.: Non-current	36,042	263	1,604	5,916	178	3,920	<b>47,923</b>
Current	382	9,138	2,410	2,994	5,790	17,552	<b>38,266</b>

Assets retirement obligation:

	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>
1 January	36,424	36,668
Provisions made during the period	648	1,465
Reversal of provisions	(257)	(58)
Provisions used during the period	(53)	(66)
Accretion expense	1,240	1,403
Change in discount rate	11,492	8,545
Changes in estimates	(1,060)	(495)
Foreign currency translation differences	(1,520)	1,285
Other	57	18
<b>30 June</b>	<b>46,971</b>	<b>48,765</b>

**Note 21. Equity**

*Common shares*

	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>(thousands of shares)</b>	<b>(thousands of shares)</b>
Authorised and issued common shares, par value of 0.025 RUB each	750,000	750,000
Treasury shares	(76,991)	(53,107)
<b>Outstanding common stock</b>	<b>673,009</b>	<b>696,893</b>

On 20 June 2019, at the annual general shareholders' meeting a decision was made to reduce the charter capital to 715 million common shares by purchase and cancellation of 35 million common shares. At 30 June 2019, the Group recognised an obligation to repurchase common shares in the amount of 171,169 million RUB.

*Dividends*

At the annual general shareholders' meeting on 20 June 2019, dividends for 2018 were approved in the amount of 155.00 RUB per common share. At the extraordinary general shareholders' meeting on 3 December 2018, interim dividends for 2018 were approved in the amount of 95.00 RUB per common share. Total dividends for 2018 were approved in the amount of 250.00 RUB per common share.

At the annual general shareholders' meeting on 21 June 2018, dividends for 2017 were approved in the amount of 130.00 RUB per common share. At the extraordinary general shareholders' meeting on 4 December 2017, interim dividends for 2017 were approved in the amount of 85.00 RUB per common share. Total dividends for 2017 were approved in the amount of 215.00 RUB per common share.

Dividends on the Company's shares payable of 110,929 million RUB and 70,610 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 30 June 2019 and 31 December 2018, respectively.

*Earnings per share*

The calculation of basic and diluted earnings per share was as follows:

	<b>For the three months ended 30 June 2019</b>	<b>For the three months ended 30 June 2018</b>	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>
Profit for the period attributable to PJSC LUKOIL	181,245	167,322	330,481	276,380
Weighted average number of common shares (thousands of shares)	673,877	709,633	682,809	709,633
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	19,010	-	18,316	-
Dilutive effect related to obligation to repurchase common shares (thousands of shares)	732	-	732	-
Weighted average number of common shares, assuming dilution (thousands of shares)	693,619	709,633	701,857	709,633
Earnings per share of common stock attributable to PJSC LUKOIL (in Russian rubles):				
Basic	268.96	235.79	484.00	389.47
Diluted	261.30	235.79	470.87	389.47

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**Note 22. Personnel expenses**

Personnel expenses were as follows:

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Salary	37,664	34,648	71,878	65,968
Statutory insurance contributions	8,675	8,578	17,341	16,809
Share-based compensation	7,842	-	15,684	190
<b>Total personnel expenses</b>	<b>54,181</b>	<b>43,226</b>	<b>104,903</b>	<b>82,967</b>

**Note 23. Finance income and costs**

Finance income was as follows:

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Interest income from deposits	3,981	2,156	7,272	3,699
Interest income from loans	1,231	1,873	2,472	3,299
Other finance income	863	619	2,315	1,164
<b>Total finance income</b>	<b>6,075</b>	<b>4,648</b>	<b>12,059</b>	<b>8,162</b>

Finance costs were as follows:

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Interest expenses	9,846	7,101	20,312	13,423
Accretion expenses	581	761	1,246	1,407
Other finance costs	549	417	1,152	771
<b>Total finance costs</b>	<b>10,976</b>	<b>8,279</b>	<b>22,710</b>	<b>15,601</b>

**Note 24. Other income and expenses**

Other income was as follows:

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Gain on disposal of assets	438	413	938	602
Other income	2,327	1,928	4,637	6,365
<b>Total other income</b>	<b>2,765</b>	<b>2,341</b>	<b>5,575</b>	<b>6,967</b>

Other expenses were as follows:

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Loss on disposal of assets	3,096	4,683	5,156	6,492
Impairments loss	146	5,010	146	5,010
Charity expenses	3,343	2,518	5,380	4,171
Other expenses	2,540	692	5,225	1,157
<b>Total other expenses</b>	<b>9,125</b>	<b>12,903</b>	<b>15,907</b>	<b>16,830</b>

## **Note 25. Commitments and contingencies**

### ***Capital commitments***

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 489,952 million RUB and 473,615 million RUB at 30 June 2019 and 31 December 2018, respectively.

### ***Taxation environment***

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose substantial fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors significantly increase taxation risks in the Russian Federation and other emerging markets where Group companies operate, comparing to other countries where taxation regimes have been subject to development and clarification over longer periods.

The tax authorities in each region of the Russian Federation may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessfully defended by the Group in another region. There is some direction provided from the central authority based in Moscow on particular taxation issues.

The Group has implemented tax planning and management strategies based on existing legislation. The Group is subject to tax authority audits on an ongoing basis, which is a normal practice in the Russian Federation and other republics of the former Soviet Union, and, at times, the authorities have attempted to impose additional significant taxes on the Group. Management believes that it has adequately met the requirements and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

### ***Litigation and claims***

In July 2015, the prosecutors with the Ploesti Court of Appeals (hereinafter the “Prosecutor’s Office”) charged the general director and several officers of PETROTEL-LUKOIL S.A., a Group company, with bad faith use of the company’s credit and money laundering. Similar charges were brought against LUKOIL Europe Holdings B.V., a Group company, for 2010–2014. On 10 May 2016, the Prahova Tribunal lifted all preventive measures that were in effect against the accused individuals. Upon preliminary hearings the Prosecutor’s Office revised the amount of damage claimed from \$2.2 billion (138.8 billion RUB) to \$1.5 billion (94.6 billion RUB). An expertise of all relevant issues of the criminal case was carried out during 2017, the results of which were accepted by the Tribunal on 12 February 2018. At the final hearing on the case which was held on 23 October 2018 the court issued a not guilty decision to all the accused, including general director of PETROTEL-LUKOIL S.A., his deputies and PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. themselves. As a result freezing injunction in the amount of approximately \$1.5 billion (94.6 billion RUB) was removed from all assets of the refinery, shares and accounts of PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. On 1 November 2018, this decision was appealed by the Prosecutor’s Office. It is expected that the hearing of the appeal will take place by the end of 2019. Management does not believe that the outcome of this matter will have a material adverse effect on the Group’s financial position.

**Note 25. Commitments and contingencies (continued)**

LUKOIL Overseas Karachaganak B.V., a Group company, among other contractors, is involved in the disputes with the Republic of Kazakhstan with respect to cost recovery in 2010–2014 (the “CR”) and the calculation of the “Fairness index” (the “FI”) in accordance with the Final Production Sharing Agreement relating to the Contract Area of the Karachaganak Oil and Gas Condensate Field. In relation to the CR, the parties are making efforts to resolve the dispute through negotiations and in relation to the FI the parties are taking part in an arbitration which is at its initial stage, and management believes that the amounts of claims, as well as calculations of potential losses arising from these disputes to be preliminary and should not be disclosed in order to avoid any adverse impact on the arbitration process and the positions of the parties therein. At the same time management does not preclude the possibility of settlement of the FI related dispute and believes that the final outcome of the above mentioned disputes will not have a material adverse effect on the Group’s financial position.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group’s operating results or financial position.

***Political situation***

In July – September 2014, the United States (“US”), the European Union (“EU”) and several other countries imposed a set of sanctions on Russia, including sectoral sanctions which affect several Russian oil and gas companies. The US Department of the Treasury has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4 of the Office of foreign assets control (OFAC). Directive 4 prohibits US companies and individuals from providing, exporting, or re-exporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area spreading from the Russian territory and claimed by the Russian Federation.

From January 2018 (based on acts adopted in August – October 2017), the US expanded abovementioned sanctions to include certain categories of international oil projects initiated on or after 29 January 2018 in any part of the world, in which companies placed on the Sectoral Sanctions Identifications List subject to Directive 4 (including the Company) have an ownership interest of 33% or more, or ownership of a majority of the voting interests.

Management believes that current sanctions do not have a material adverse effect on the current or planned Group’s oil projects. At the same time the Company continues to monitor and evaluate potential risks for its operations in connection with sanctions.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors these risks and believes that there is no adverse effect on the Group’s financial position that can be reasonably estimated at present.

***Other matters***

The Company and other group companies have been notified by various counterparties of claims in respect of allegedly off-specification quantities of crude oil volumes delivered through the Druzhba pipeline (owned and operated by the state-owned company, Transneft) in the second quarter of 2019. The claims assert that the oil had an average organic chlorine content in excess of the contractual specification, which has allegedly caused the purchasers to suffer actual and future financial losses. According to publicly available information, this situation was caused by unlawful actions of certain shippers that were aimed at concealing thefts of oil from the pipeline. The losses have not been fully defined or evidenced. The Company is unable to estimate reliably the amount of the claims and the likelihood or prospects of their success but management does not believe that the ultimate resolution of these matters will have a material adverse impact on the Group’s operating results or financial position.

**PJSC LUKOIL****Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
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The senior management of the Company believes that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties and has disclosed all of the relationships identified which it deemed to be significant. Related party sales and purchases of oil and oil products were primarily to and from associates and joint ventures. Other financial assets mostly represent loans given to associates and joint ventures.

Outstanding balances with related parties were as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Accounts receivable	2,699	1,927
Other financial assets	57,551	64,007
<b>Total assets</b>	<b>60,250</b>	<b>65,934</b>
Accounts payable	10,442	13,492
Loans and borrowings	2,716	3,356
<b>Total liabilities</b>	<b>13,158</b>	<b>16,848</b>

Related party transactions were as follows:

	<b>For the three months ended 30 June 2019</b>	<b>For the three months ended 30 June 2018</b>	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>
Sales of oil and oil products	7,876	12,091	13,200	18,922
Other sales	541	1,475	1,257	2,685
Purchases of oil and oil products	25,100	43,814	49,558	103,817
Other purchases	2,025	3,164	4,222	5,114
Proceeds from sale of other financial assets, net (Principal repayments) proceeds from issuance of loans, net	2,719 (80)	20,114 80	5,809 (606)	13,092 (108)

**Note 27. Compensation plan**

In late December 2017, the Company announced a new compensation plan based on approximately 40 million shares available to certain members of management and key employees for the period from 2018 to 2022, which was implemented in July 2018 and recognised as equity-settled share-based compensation plan.

The fair value of the plan was estimated at the grant date at 156.8 billion RUB based on forecasting principles of Monte-Carlo model and is not going to be recalculated in the future. The fair value was estimated assuming a spot-price of the Company's share in the amount of 4,355 RUB at the grant date, discount for illiquidity in the amount of 9.95% per annum, a risk-free interest rate of 7.50% per annum, an expected dividend yield of 4.99% per annum, an expected time to maturity of five years and a volatility factor of 25.68%. The expected volatility factor was estimated based on the historical volatility of the Company's shares for the previous five years. The vesting of shares is contingent on meeting the requisite service period, certain KPIs and share price appreciation. The Group is planning to recognise expenses related to the plan evenly during the vesting period.

Related to this share plan the Group recognised compensation expenses of 7,842 million RUB and 15,684 million RUB during the three and six months ended 30 June 2019, respectively.

**Note 28. Segment information**

The Group has the following operating segments – exploration and production; refining, marketing and distribution; corporate and other. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments.

**PJSC LUKOIL****Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
(Millions of Russian rubles, unless otherwise noted)****Note 28. Segment information (continued)**

The exploration and production segment explores for, develops and produces crude oil and gas. The refining, marketing and distribution segment includes refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, generation, transportation and sales of electricity, heat and related services. The corporate and other business operating segment includes activities of the Company and businesses beyond the Group's traditional operations.

Geographical segments are based on the area of operations and include two segments: Russia and International.

The Group decided to introduce a new key performance indicator in order to evaluate activity of the Group and business segments starting from the three-month period ended 31 March 2019, by changing "operating earnings" measure to "EBITDA" which is not defined under IFRS. The Group defines EBITDA as profit from operating activities before depreciation, depletion and amortisation. EBITDA is an indicator of the strength and performance of business operations of the Group, including ability to finance capital expenditures, acquisitions and other investments and to raise and service debt.

For comparison purposes earlier periods were restated accordingly.

**Operating segments****For the three months ended 30 June 2019**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	61,193	2,058,781	5,578	-	2,125,552
Inter-segment	559,753	18,307	12,915	(590,975)	-
<b>Total revenues</b>	<b>620,946</b>	<b>2,077,088</b>	<b>18,493</b>	<b>(590,975)</b>	<b>2,125,552</b>
Operating expenses	69,100	55,887	4,483	(15,780)	113,690
Selling, general and administrative expenses	11,008	29,783	16,530	(8,334)	48,987
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	129,570	51,185	(6,225)	6,715	181,245
EBITDA	235,074	93,167	(8,671)	12,600	332,170
Income tax expense					(41,927)
Finance income					6,075
Finance costs					(10,976)
Foreign exchange gain					3,607
Equity share in income of affiliates					4,942
Other expenses					(6,360)
Depreciation, depletion and amortisation					(105,730)
Profit for the period attributable to non-controlling interests					(556)
Profit for the period attributable to PJSC LUKOIL shareholders					181,245

**PJSC LUKOIL**  
**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**  
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**Note 28. Segment information (continued)**

**For the three months ended 30 June 2018**

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	58,830	1,990,579	6,649	-	2,056,058
Inter-segment	564,525	17,081	12,236	(593,842)	-
<b>Total revenues</b>	<b>623,355</b>	<b>2,007,660</b>	<b>18,885</b>	<b>(593,842)</b>	<b>2,056,058</b>
Operating expenses	68,342	56,558	7,060	(19,739)	112,221
Selling, general and administrative expenses	8,207	31,406	8,770	(7,974)	40,409
Profit for the period attributable to PJSC LUKOIL shareholders	133,568	38,868	6,597	(11,711)	167,322
EBITDA	239,699	71,620	(3,724)	(12,444)	295,151
Income tax expense					(43,868)
Finance income					4,648
Finance costs					(8,279)
Foreign exchange gain					22,394
Equity share in income of affiliates					6,104
Other expenses					(10,562)
Depreciation, depletion and amortisation					(97,593)
Profit for the period attributable to non-controlling interests					(673)
Profit for the period attributable to PJSC LUKOIL shareholders					167,322

**For the six months ended 30 June 2019**

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	133,431	3,832,171	10,883	-	3,976,485
Inter-segment	1,080,820	38,079	25,170	(1,144,069)	-
<b>Total revenues</b>	<b>1,214,251</b>	<b>3,870,250</b>	<b>36,053</b>	<b>(1,144,069)</b>	<b>3,976,485</b>
Operating expenses	134,386	111,784	8,466	(31,777)	222,859
Selling, general and administrative expenses	26,076	59,928	31,038	(18,482)	98,560
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	258,029	82,733	(7,188)	(3,093)	330,481
EBITDA	470,206	173,105	(15,739)	2,655	630,227
Income tax expense					(84,723)
Finance income					12,059
Finance costs					(22,710)
Foreign exchange gain					5,508
Equity share in income of affiliates					11,122
Other expenses					(10,332)
Depreciation, depletion and amortisation					(209,560)
Profit for the period attributable to non-controlling interests					(1,110)
Profit for the period attributable to PJSC LUKOIL shareholders					330,481

**PJSC LUKOIL**  
**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 28. Segment information (continued)**

For the six months ended 30 June 2018

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	109,136	3,565,213	12,437	-	3,686,786
Inter-segment	1,006,802	34,975	24,141	(1,065,918)	-
<b>Total revenues</b>	<b>1,115,938</b>	<b>3,600,188</b>	<b>36,578</b>	<b>(1,065,918)</b>	<b>3,686,786</b>
Operating expenses	133,010	113,055	10,494	(35,698)	220,861
Selling, general and administrative expenses	18,754	60,399	16,108	(18,098)	77,163
Profit for the period attributable to PJSC LUKOIL shareholders	220,574	57,251	6,326	(7,771)	276,380
EBITDA	411,617	118,469	(3,205)	(12,206)	514,675
Income tax expense					(66,985)
Finance income					8,162
Finance costs					(15,601)
Foreign exchange gain					20,962
Equity share in income of affiliates					11,353
Other expenses					(9,863)
Depreciation, depletion and amortisation					(185,283)
Profit for the period attributable to non-controlling interests					(1,040)
Profit for the period attributable to PJSC LUKOIL shareholders					276,380

**Geographical segments**

	For the three months ended 30 June 2019	For the three months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Sales of crude oil within Russia	4,093	10,626	13,598	24,244
Export of crude oil and sales of crude oil by foreign subsidiaries	749,866	730,019	1,357,946	1,207,770
Sales of petroleum products within Russia	234,838	232,517	442,008	421,018
Export of petroleum products and sales of petroleum products by foreign subsidiaries	1,027,156	984,018	1,922,751	1,839,979
Sales of chemicals within Russia	11,509	11,189	22,453	21,769
Export of chemicals and sales of chemicals by foreign subsidiaries	24,530	15,068	55,909	30,622
Sales of gas within Russia	8,159	8,420	16,124	16,750
Sales of gas by foreign subsidiaries	30,985	26,266	69,214	46,246
Sales of energy and related services within Russia	10,462	10,545	28,350	28,303
Sales of energy and related services by foreign subsidiaries	3,125	3,413	7,201	6,035
Other sales within Russia	10,797	12,084	20,714	22,263
Other export sales and other sales of foreign subsidiaries	10,032	11,893	20,217	21,787
<b>Total sales</b>	<b>2,125,552</b>	<b>2,056,058</b>	<b>3,976,485</b>	<b>3,686,786</b>

**PJSC LUKOIL**  
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**Note 28. Segment information (continued)**

**For the three months ended 30 June 2019**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	302,968	1,822,584	-	2,125,552
Inter-segment	420,387	668	(421,055)	-
<b>Total revenues</b>	<b>723,355</b>	<b>1,823,252</b>	<b>(421,055)</b>	<b>2,125,552</b>
Operating expenses	82,536	28,874	2,280	113,690
Selling, general and administrative expenses	23,724	26,231	(968)	48,987
Profit for the period attributable to PJSC LUKOIL shareholders	151,875	22,718	6,652	181,245
<b>EBITDA</b>	<b>265,379</b>	<b>57,154</b>	<b>9,637</b>	<b>332,170</b>

**For the three months ended 30 June 2018**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	307,977	1,748,081	-	2,056,058
Inter-segment	404,172	860	(405,032)	-
<b>Total revenues</b>	<b>712,149</b>	<b>1,748,941</b>	<b>(405,032)</b>	<b>2,056,058</b>
Operating expenses	81,927	30,721	(427)	112,221
Selling, general and administrative expenses	24,924	16,282	(797)	40,409
Profit for the period attributable to PJSC LUKOIL shareholders	161,262	20,250	(14,190)	167,322
<b>EBITDA</b>	<b>254,803</b>	<b>53,646</b>	<b>(13,298)</b>	<b>295,151</b>

**For the six months ended 30 June 2019**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	593,057	3,383,428	-	3,976,485
Inter-segment	837,945	1,667	(839,612)	-
<b>Total revenues</b>	<b>1,431,002</b>	<b>3,385,095</b>	<b>(839,612)</b>	<b>3,976,485</b>
Operating expenses	159,921	58,785	4,153	222,859
Selling, general and administrative expenses	45,365	54,903	(1,708)	98,560
Profit for the period attributable to PJSC LUKOIL shareholders	307,460	26,139	(3,118)	330,481
<b>EBITDA</b>	<b>534,934</b>	<b>97,250</b>	<b>(1,957)</b>	<b>630,227</b>

**For the six months ended 30 June 2018**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	584,388	3,102,398	-	3,686,786
Inter-segment	752,226	1,555	(753,781)	-
<b>Total revenues</b>	<b>1,336,614</b>	<b>3,103,953</b>	<b>(753,781)</b>	<b>3,686,786</b>
Operating expenses	160,702	59,941	218	220,861
Selling, general and administrative expenses	46,800	32,085	(1,722)	77,163
Profit for the period attributable to PJSC LUKOIL shareholders	255,177	31,453	(10,250)	276,380
<b>EBITDA</b>	<b>437,624</b>	<b>84,499</b>	<b>(7,448)</b>	<b>514,675</b>

In the International segment the Group receives the most substantial revenues in Switzerland, the USA and Singapore.

	<b>For the three months ended 30 June 2019</b>	<b>For the three months ended 30 June 2018</b>	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>
Sales revenues				
in Switzerland	934,708	1,005,183	1,767,360	1,796,768
in the USA	386,604	201,904	633,321	361,526
in Singapore	126,322	174,441	248,007	302,365

These amounts are attributed to individual countries based on the jurisdiction of subsidiaries making the sale.

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**Note 29. Fair value**

There are the following methods of fair value measurement based on the valuation method:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 30 June 2019 and 31 December 2018:

<b>30 June 2019</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>					
Commodity derivative contracts	861	-	861	-	<b>861</b>
Financial assets at fair value through profit and loss	57,537	-	-	57,537	<b>57,537</b>
Financial assets at fair value through other comprehensive income	3,725	3,725	-	-	<b>3,725</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	910	-	910	-	<b>910</b>
Loans and borrowings	602,124	302,283	-	317,981	<b>620,264</b>

<b>31 December 2018</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>					
Commodity derivative contracts	8,676	-	8,676	-	<b>8,676</b>
Financial assets at fair value through profit and loss	64,038	-	-	64,038	<b>64,038</b>
Financial assets at fair value through other comprehensive income	3,388	3,388	-	-	<b>3,388</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	8,413	-	8,413	-	<b>8,413</b>
Loans and borrowings	506,319	321,535	-	192,519	<b>514,054</b>

The fair values of cash and cash equivalents (Level 1), accounts receivable and long-term accounts receivable (Level 3), short-term borrowings (Level 3) are approximately equal to their value as disclosed in the consolidated statement of financial position. The fair value of long-term receivables was determined by discounting with estimated market interest rates for similar financing arrangements. The fair value of long-term loans (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing instruments. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar tenors, repayment schedules and other similar main terms. The fair value of bonds (Level 1) was determined based on market quotations at 30 June 2019 and 31 December 2018.