



**PJSC LUKOIL**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**for the three and six-month periods ended 30 June 2020**

**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 2020, and the related consolidated statements of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2020 and the related consolidated statements of changes in equity and cash flows for the six - month period ended 30 June 2020, 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-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.



**PJSC LUKOIL**

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### **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 2020 and for the three- and six-month periods ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Oussov A.I.


JSC "KPMG"

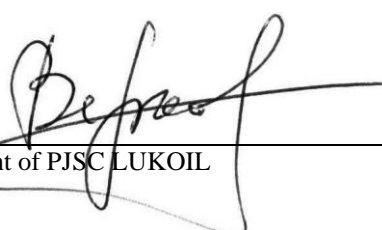
Moscow, Russia

27 August 2020

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

	Note	30 June 2020 (unaudited)	31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	616,207	516,032
Accounts receivable, net	7	332,803	437,052
Other current financial assets	8	46,485	49,706
Inventories	9	363,342	413,910
Prepaid taxes	10	70,425	95,075
Other current assets	11	45,868	42,412
<b>Total current assets</b>		<b>1,475,130</b>	<b>1,554,187</b>
Property, plant and equipment	13	4,145,254	4,026,007
Investments in associates and joint ventures	12	250,144	220,004
Other non-current financial assets	14	37,362	38,231
Deferred income tax assets		18,325	28,673
Goodwill and other intangible assets		45,017	43,108
Other non-current assets		31,254	36,840
<b>Total non-current assets</b>		<b>4,527,356</b>	<b>4,392,863</b>
<b>Total assets</b>		<b>6,002,486</b>	<b>5,947,050</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable	16	448,925	607,734
Short-term borrowings and current portion of long-term debt	17	235,252	130,300
Taxes payable	19	103,555	142,471
Provisions	21	39,862	37,232
Other current liabilities	20	277,623	168,952
Obligation to repurchase common shares	22	-	120,988
<b>Total current liabilities</b>		<b>1,105,217</b>	<b>1,207,677</b>
Long-term debt	18	562,347	422,932
Deferred income tax liabilities		264,532	264,159
Provisions	21	106,638	77,045
Other non-current liabilities		1,304	1,788
<b>Total non-current liabilities</b>		<b>934,821</b>	<b>765,924</b>
<b>Total liabilities</b>		<b>2,040,038</b>	<b>1,973,601</b>
<b>Equity</b>	22		
Share capital		938	968
Treasury shares (including obligation to repurchase common shares)		(71,920)	(308,160)
Additional paid-in capital		39,282	39,277
Other reserves		191,885	30,141
Retained earnings		3,794,391	4,203,138
<b>Total equity attributable to PJSC LUKOIL shareholders</b>		<b>3,954,576</b>	<b>3,965,364</b>
Non-controlling interests		7,872	8,085
<b>Total equity</b>		<b>3,962,448</b>	<b>3,973,449</b>
<b>Total liabilities and equity</b>		<b>6,002,486</b>	<b>5,947,050</b>

  
 President of PJSC LUKOIL  
 Alekperov V.Y.

  
 Chief accountant of PJSC LUKOIL  
 Verkhov V.A.

The accompanying notes are an integral part of these condensed interim 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 2020 (unaudited)	For the three months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2019 (unaudited)
<b>Revenues</b>					
Sales (including excise and export tariffs)	29	986,427	2,125,552	2,652,412	3,976,485
<b>Costs and other deductions</b>					
Operating expenses		(105,515)	(113,690)	(217,033)	(222,859)
Cost of purchased crude oil, gas and products		(394,970)	(1,210,383)	(1,366,645)	(2,197,908)
Transportation expenses		(79,559)	(64,032)	(159,618)	(137,254)
Selling, general and administrative expenses		(52,412)	(48,987)	(97,521)	(98,560)
Depreciation, depletion and amortisation		(100,725)	(105,730)	(211,443)	(209,560)
Taxes other than income taxes		(93,341)	(254,494)	(287,049)	(475,513)
Excise and export tariffs		(113,511)	(101,200)	(226,190)	(212,656)
Exploration expenses		(2,703)	(596)	(3,097)	(1,508)
<b>Profit from operating activities</b>		<b>43,691</b>	<b>226,440</b>	<b>83,816</b>	<b>420,667</b>
Finance income	24	2,685	6,075	7,496	12,059
Finance costs	24	(11,323)	(10,976)	(21,572)	(22,710)
Equity share in (loss) income of affiliates	12	(3)	4,942	4,428	11,122
Foreign exchange gain (loss)		3,620	3,607	(11,290)	5,508
Other expenses	25	(44,463)	(6,360)	(91,077)	(10,332)
<b>(Loss) profit before income taxes</b>		<b>(5,793)</b>	<b>223,728</b>	<b>(28,199)</b>	<b>416,314</b>
Current income taxes		(7,678)	(40,675)	(24,716)	(82,056)
Deferred income taxes		(4,986)	(1,252)	(11,326)	(2,667)
<b>Total income tax expense</b>		<b>(12,664)</b>	<b>(41,927)</b>	<b>(36,042)</b>	<b>(84,723)</b>
<b>(Loss) profit for the period</b>		<b>(18,457)</b>	<b>181,801</b>	<b>(64,241)</b>	<b>331,591</b>
<b>(Loss) profit for the period attributable to:</b>					
PJSC LUKOIL shareholders		(18,720)	181,245	(64,680)	330,481
Non-controlling interests		263	556	439	1,110
<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		(152,283)	(30,734)	163,339	(132,455)
<i>Items that will never be reclassified to profit or loss:</i>					
Change in fair value of equity investments at fair value through other comprehensive income		735	(486)	(1,427)	692
Remeasurements of defined benefit liability / asset of pension plan		160	26	(172)	123
<b>Other comprehensive (loss) income</b>		<b>(151,388)</b>	<b>(31,194)</b>	<b>161,740</b>	<b>(131,640)</b>
<b>Total comprehensive (loss) income for the period</b>		<b>(169,845)</b>	<b>150,607</b>	<b>97,499</b>	<b>199,951</b>
<b>Total comprehensive (loss) income for the period attributable to:</b>					
PJSC LUKOIL shareholders		(170,111)	150,050	97,064	198,849
Non-controlling interests		266	557	435	1,102
<b>Earnings per share</b>					
(Loss) profit for the period attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):					
Basic	22	(28.69)	268.96	(99.60)	484.00
Diluted		(27.68)	261.30	(96.01)	470.87

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

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

	Share capital	Treasury shares	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC LUKOIL shareholders	Non-controlling interests	Total equity
31 December 2019	968	(308,160)	39,277	30,141	4,203,138	<b>3,965,364</b>	8,085	<b>3,973,449</b>
(Loss) profit for the period	-	-	-	-	(64,680)	<b>(64,680)</b>	439	<b>(64,241)</b>
Other comprehensive income (loss)	-	-	-	161,744	-	<b>161,744</b>	(4)	<b>161,740</b>
<b>Total comprehensive income (loss)</b>				<b>161,744</b>	<b>(64,680)</b>	<b>97,064</b>	<b>435</b>	<b>97,499</b>
Dividends on common stock	-	-	-	-	(228,374)	<b>(228,374)</b>	-	<b>(228,374)</b>
Stock purchased	-	(2,026)	-	-	-	<b>(2,026)</b>	-	<b>(2,026)</b>
Equity-settled share-based compensation plan	-	-	-	-	1,555	<b>1,555</b>	-	<b>1,555</b>
Obligation to repurchase common shares	-	120,988	-	-	-	<b>120,988</b>	-	<b>120,988</b>
Share capital reduction	(30)	117,278	-	-	(117,248)	-	-	-
Changes in non-controlling interests	-	-	5	-	-	<b>5</b>	(648)	<b>(643)</b>
<b>30 June 2020</b>	<b>938</b>	<b>(71,920)</b>	<b>39,282</b>	<b>191,885</b>	<b>3,794,391</b>	<b>3,954,576</b>	<b>7,872</b>	<b>3,962,448</b>
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>

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

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

Note	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2019 (unaudited)
<b>Cash flows from operating activities</b>		
	<b>(64,680)</b>	<b>330,481</b>
<b>(Loss) profit for the period attributable to PJSC LUKOIL shareholders</b>		
Adjustments for non-cash items:		
Depreciation, depletion and amortisation	211,443	209,560
Equity share in income of affiliates, net of dividend income	(1,485)	(8,095)
Dry hole write-offs	2,276	800
Loss on disposals and impairments of assets	87,763	4,364
Income tax expense	36,042	84,723
Non-cash foreign exchange loss (gain)	9,458	(6,446)
Finance income	(7,496)	(12,059)
Finance costs	21,572	22,710
Allowance for expected credit losses	1,306	6,416
Equity-settled share-based compensation plan	15,684	15,684
All other items, net	8,525	(616)
Changes in operating assets and liabilities:		
Trade accounts receivable	151,611	(103,571)
Inventories	81,757	(62,541)
Accounts payable	(191,868)	71,688
Other taxes	(6,950)	26,815
Other current assets and liabilities	(1,908)	3,072
Income tax paid	(33,184)	(80,678)
Dividends received	3,517	2,918
Interests received	5,099	8,017
<b>Net cash provided by operating activities</b>	<b>328,482</b>	<b>513,242</b>
<b>Cash flows from investing activities</b>		
Acquisition of licenses	(129)	(2,276)
Capital expenditures	(247,456)	(204,976)
Proceeds from sale of property, plant and equipment	212	647
Purchases of financial assets	(2,785)	(6,463)
Proceeds from sale of financial assets	8,258	11,604
Sale of subsidiaries, net of cash disposed	-	719
Acquisitions of interests in the projects and subsidiaries, net of cash acquired	(1,040)	(7,464)
Acquisitions of equity method affiliates	(1,102)	(954)
<b>Net cash used in investing activities</b>	<b>(244,042)</b>	<b>(209,163)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term borrowings	80,193	1,217
Principal repayments of short-term borrowings	(834)	(5,487)
Proceeds from issuance of long-term debt	108,250	-
Principal repayments of long-term debt	(45,346)	(30,396)
Interest paid	(18,810)	(21,617)
Dividends paid on Company common shares	(133,072)	(70,216)
Dividends paid to non-controlling interest shareholders	(2,368)	(1,835)
Financing received from non-controlling interest shareholders	4	78
Purchase of Company's stock	(2,026)	(133,605)
Purchases of non-controlling interest	-	(14)
<b>Net cash used in financing activities</b>	<b>(14,009)</b>	<b>(261,875)</b>
Effect of exchange rate changes on cash and cash equivalents	29,744	(28,738)
<b>Net increase in cash and cash equivalents</b>	<b>100,175</b>	<b>13,466</b>
Cash and cash equivalents at beginning of period	516,032	492,650
<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b>506,116</b>

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

### ***COVID-19***

In December 2019, the emergence of a new strain of coronavirus (COVID-19) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy. Deceleration of economic activity resulted in a substantial decrease in demand for hydrocarbons leading to oversupply on the international oil market and a sharp decline in oil prices. Failure of OPEC+ countries to reach a new agreement on crude oil production quotas in the beginning of March put an incremental pressure on oil prices. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output starting from 1 May 2020. Under this agreement the Group cut its crude oil production in Russia and at some international projects. This coordinated production cut together with the negative impact of low oil prices on crude oil production in different countries resulted in lower supply of crude oil, reduction of surplus on the crude oil market and led to a gradual recovery of oil prices. This upward oil price trend was further supported by the start of gradual lifting of lockdowns in different countries, recovery in economic activity and respective growth in demand for hydrocarbons.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted production processes.

The major impact of COVID-19 on the macroeconomic environment in the oil and gas industry resulted in a number of consequences on operational and financial performance of the Group.

Management has considered the impact of COVID-19 and oil price decline on these condensed interim consolidated financial statements. Current market conditions create additional estimation uncertainties and impact certain key assumptions in the valuation of assets used for preparation of these condensed interim consolidated financial statements. Management has reviewed the price assumptions used in value-in-use impairment testing of property, plant and equipment. Moreover, at the end of the second quarter of 2020, an additional impairment test was performed for the Group's projects in the Republic of Uzbekistan, taking into account the dynamics of gas production for these projects. Results of impairment test performed see in Note 13 “Property, plant and equipment”.

The oil price fluctuations also impacted carrying value of inventory, measured at the lower of cost or net realizable value. For more information see Note 9 “Inventories”.



### **Note 1. Organisation and environment (continued)**

All other significant accounting judgements and estimates disclosed in 2019 consolidated financial statements remain applicable and no new significant accounting judgements or estimates have been identified.

Management believes that the Group is in a solid financial condition as of the end of the second quarter of 2020. This represents an incremental support for continuous operations and meeting all of the Group's obligations, as well as adequate financing of the investment program in any macroeconomic situation. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

### **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 2019 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 2019.

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 2019.

The condensed interim consolidated financial statements were authorised by the President of the Company on 27 August 2020.

#### *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. 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.

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 2019.

**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 is set as 17.0%. Regional income tax rate may be reduced for certain categories of taxpayers by the laws of constituent entities of the Russian Federation, however certain restrictions apply 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 2020</b>	<b>31 December 2019</b>
Cash held in RUB	249,119	189,055
Cash held in US dollars	324,322	303,046
Cash held in EUR	32,306	14,909
Cash held in other currencies	10,460	9,022
<b>Total cash and cash equivalents</b>	<b>616,207</b>	<b>516,032</b>

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

**Note 7. Accounts receivables, net**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade accounts receivable (net of allowances of 29,327 million RUB and 26,593 million RUB at 30 June 2020 and 31 December 2019, respectively)	319,298	428,415
Other current accounts receivable (net of allowances of 5,128 million RUB and 4,694 million RUB at 30 June 2020 and 31 December 2019, respectively)	13,505	8,637
<b>Total accounts receivable, net</b>	<b>332,803</b>	<b>437,052</b>

**Note 8. Other current financial assets**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Financial assets measured at amortised cost</b>		
Short-term loans	7,800	6,814
<b>Financial assets measured at fair value through profit or loss</b>		
Short-term loans	38,685	42,892
<b>Total other current financial assets</b>	<b>46,485</b>	<b>49,706</b>

**Note 9. Inventories**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Crude oil and petroleum products	308,115	366,795
Materials for extraction and drilling	26,604	22,811
Materials and supplies for refining	3,995	4,449
Other goods, materials and supplies	24,628	19,855
<b>Total inventories</b>	<b>363,342</b>	<b>413,910</b>

As a result of significant fluctuations in international hydrocarbon prices the cost of crude oil and petroleum products inventories was reduced to net realizable value by 13 billion RUB, 108 billion RUB and 2 billion RUB at 30 June 2020, 31 March 2020 and 31 December 2019, respectively.

**Note 10. Prepaid taxes**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Income tax prepaid	25,486	17,120
VAT and excise tax recoverable	17,487	30,660
Export duties prepaid	4,868	11,968
VAT prepaid	17,678	30,199
Other taxes prepaid	4,906	5,128
<b>Total prepaid taxes</b>	<b>70,425</b>	<b>95,075</b>

**Note 11. Other current assets**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Advance payments	13,075	10,246
Prepaid expenses	21,849	23,673
Other assets	10,944	8,493
<b>Total other current assets</b>	<b>45,868</b>	<b>42,412</b>

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**Note 12. Investments in associates and joint ventures**

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership		30 June 2020	31 December 2019
		30 June 2020	31 December 2019		
<i>Joint ventures:</i>					
Tengizchevroil	Kazakhstan	5.0%	5.0%	136,171	119,924
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	50,151	40,670
South Caucasus Pipeline Holding Company	Azerbaijan	10.0%	10.0%	34,957	30,241
Others				938	655
<i>Associates:</i>					
Associates				27,927	28,514
<b>Total</b>				<b>250,144</b>	<b>220,004</b>

**Note 13. Property, plant and equipment**

	Exploration and production	Refining, marketing and distribution	Other	Total
<b>Cost</b>				
31 December 2019	4,795,674	1,510,515	76,246	<b>6,382,435</b>
Additions	228,620	68,665	662	<b>297,947</b>
Acquisitions	1,209	-	-	<b>1,209</b>
Disposals	(15,663)	(16,747)	(274)	<b>(32,684)</b>
Foreign currency translation differences	181,449	65,408	1,612	<b>248,469</b>
Other	(3,576)	445	152	<b>(2,979)</b>
<b>30 June 2020</b>	<b>5,187,713</b>	<b>1,628,286</b>	<b>78,398</b>	<b>6,894,397</b>
<b>Depreciation and impairment</b>				
31 December 2019	(1,766,575)	(589,636)	(21,153)	<b>(2,377,364)</b>
Depreciation for the period	(151,771)	(66,650)	(1,864)	<b>(220,285)</b>
Impairment loss	(46,197)	(28,859)	-	<b>(75,056)</b>
Disposals	7,778	15,649	122	<b>23,549</b>
Foreign currency translation differences	(94,193)	(24,158)	(523)	<b>(118,874)</b>
Other	(732)	2,129	8	<b>1,405</b>
<b>30 June 2020</b>	<b>(2,051,690)</b>	<b>(691,525)</b>	<b>(23,410)</b>	<b>(2,766,625)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2019	6,791	13,314	831	<b>20,936</b>
<b>30 June 2020</b>	<b>9,228</b>	<b>7,470</b>	<b>784</b>	<b>17,482</b>
<b>Carrying amounts</b>				
31 December 2019	3,035,890	934,193	55,924	<b>4,026,007</b>
<b>30 June 2020</b>	<b>3,145,251</b>	<b>944,231</b>	<b>55,772</b>	<b>4,145,254</b>

**Note 13. Property, plant and equipment (continued)**

	Exploration and production	Refining, marketing and distribution	Other	Total
<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>

The cost of assets under construction included in property, plant and equipment was 462,714 million RUB and 369,926 million RUB at 30 June 2020 and 31 December 2019, respectively.

***Exploration and evaluation assets***

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
1 January	129,951	107,105
Capitalised expenditures	21,891	16,611
Acquisitions through business combinations	362	-
Reclassified to development assets	(8,278)	(2,572)
Charged to expenses	(2,339)	(446)
Foreign currency translation differences	4,302	(2,728)
Other movements	(1,460)	86
<b>30 June</b>	<b>144,429</b>	<b>118,056</b>

Due to a significant deterioration in the macroeconomic environment in the first quarter of 2020, the Company revised the scenario conditions used in the impairment test at the end of 2019 and performed an impairment test for assets at 31 March 2020.

As a result, in the first quarter of 2020, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 5 billion RUB, for its international exploration and production assets in the amount of 2 billion RUB and for its international refining, marketing and distribution assets in the amount of 29 billion RUB.

**Note 13. Property, plant and equipment (continued)**

The recoverable amounts of CGUs subject to impairment in the first quarter of 2020 in the amount of 139 billion RUB were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 9% discount rate for exploration and production assets in Russia, 8.2% discount rate for international exploration and production assets and 7.5% discount rate for international refining, marketing and distribution assets.

For impairment test purposes at 31 March 2020 the following Brent Blend price assumptions have been used: \$40.0 per barrel in 2020–2021, \$45.0 per barrel in 2022, \$50.0 per barrel in 2023, \$55.0 per barrel in 2024 and \$60.0 per barrel from 2025.

Also, in the second quarter of 2020, the Group recognised an impairment loss for its international exploration and production assets in the amount of 39 billion RUB. Of this amount, 36 billion RUB relates to gas projects in the Republic of Uzbekistan and are determined based on the revised business model, which takes into account conservative approaches to assessing the structure of gas supplies and pricing.

The recoverable amounts of CGUs in the amount of 106 billion RUB which relate to impaired assets were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 11.2% discount rate.

Impairment loss is included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income.

**Note 14. Other non-current financial assets**

	30 June 2020	31 December 2019
<b>Financial assets measured at fair value through other comprehensive income</b>		
Equity instruments	1,434	2,656
<b>Financial assets measured at amortised cost</b>		
Long-term loans	25,999	26,008
Non-current accounts and notes receivable	1,445	1,371
Other financial assets	24	34
<b>Financial assets measured at fair value through profit or loss</b>		
Long-term loans	8,460	8,162
<b>Total other non-current financial assets</b>	<b>37,362</b>	<b>38,231</b>

**Note 15. Acquisition of interests in the projects**

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 (Congo-Brazzaville) developed under the production sharing agreement. In September 2019, the transaction in the amount of 51.4 billion RUB (\$768 million) was closed after all the customary conditions, including approval by the Government of the Republic of Congo, were fulfilled. At 30 June 2020, allocation of the purchase price to the fair value of assets acquired and liabilities assumed includes property plant and equipment and assets under construction in the amount of 50.0 billion RUB (\$748 million), inventories in the amount of 0.9 billion RUB (\$13 million) and accounts receivable in the amount of 0.5 billion RUB (\$7 million).

After acquisition the Group accounts for this project similar to accounting for jointly controlled operations.

**Note 16. Accounts payable**

	30 June 2020	31 December 2019
Trade accounts payable	398,559	555,823
Other accounts payable	50,366	51,911
<b>Total accounts payable</b>	<b>448,925</b>	<b>607,734</b>

**PJSC LUKOIL****Notes to Condensed Interim Consolidated Financial Statements (unaudited)  
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	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term borrowings from third parties	95,482	13,940
Short-term borrowings from related parties	1,438	2,222
Current portion of long-term debt	138,332	114,138
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>235,252</b>	<b>130,300</b>

Short-term borrowings from third parties include amounts repayable in US dollars of 33,906 million RUB and 12,694 million RUB and amounts repayable in other currencies of 61,576 million RUB and 1,246 million RUB at 30 June 2020 and 31 December 2019, respectively. The weighted-average interest rate on short-term borrowings from third parties was 4.10% and 4.00% per annum at 30 June 2020 and 31 December 2019, respectively. Approximately 12% of total short-term borrowings from third parties at 30 June 2020 are secured by inventories.

**Note 18. Long-term debt**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Long-term loans and borrowings from third parties	119,517	117,864
6.125% non-convertible US dollar bonds, maturing 2020	69,932	61,866
6.656% non-convertible US dollar bonds, maturing 2022	34,931	30,905
4.563% non-convertible US dollar bonds, maturing 2023	104,840	92,769
4.750% non-convertible US dollar bonds, maturing 2026	69,825	61,786
3.875% non-convertible US dollar bonds, maturing 2030	104,648	-
Lease obligations	196,986	171,880
Total long-term debt	700,679	537,070
Current portion of long-term debt	(138,332)	(114,138)
<b>Total non-current portion of long-term debt</b>	<b>562,347</b>	<b>422,932</b>

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

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 107,446 million RUB and 104,819 million RUB and amounts repayable in euros of 12,071 million RUB and 13,045 million RUB at 30 June 2020 and 31 December 2019, respectively. This debt has maturity dates from 2020 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 2.70% and 4.08% per annum at 30 June 2020 and 31 December 2019, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 50% of total long-term loans and borrowings from third parties at 30 June 2020 are secured by shares of an associated company, export sales and property, plant and equipment.

***Non-convertible bonds***

On 6 May 2020, a Group company issued non-convertible bonds totaling \$1.5 billion. The bonds were placed with a maturity of 10 years and a coupon yield of 3.875% per annum. All bonds were placed at face value and have a half year coupon period.

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**Note 18. Long-term debt (continued)**

*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 2019	134,026	247,326	171,880	135,920	<b>689,152</b>
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	80,193	-	-	-	<b>80,193</b>
Principal repayments of short-term borrowings	(834)	-	-	-	<b>(834)</b>
Proceeds from issuance of long-term debt	-	108,250	-	-	<b>108,250</b>
Principal repayments of long-term debt	(14,917)	-	(30,429)	-	<b>(45,346)</b>
Interest paid	-	-	(5,291)	(13,519)	<b>(18,810)</b>
Dividends paid on Company common stock	-	-	-	(133,072)	<b>(133,072)</b>
<b>Total changes from financing cash flows</b>	<b>64,442</b>	<b>108,250</b>	<b>(35,720)</b>	<b>(146,591)</b>	<b>(9,619)</b>
Other changes:					
Interest accrued	-	-	5,291	12,057	<b>17,348</b>
Dividends declared on Company common stock	-	-	-	228,374	<b>228,374</b>
The effect of changes in foreign exchange rates	16,898	28,539	16,420	687	<b>62,544</b>
Non-cash additions to lease obligations	-	-	36,142	-	<b>36,142</b>
Other changes	1,071	61	2,973	15,557	<b>19,662</b>
<b>Total other changes</b>	<b>17,969</b>	<b>28,600</b>	<b>60,826</b>	<b>256,675</b>	<b>364,070</b>
<b>30 June 2020</b>	<b>216,437</b>	<b>384,176</b>	<b>196,986</b>	<b>246,004</b>	<b>1,043,603</b>

**Note 19. Taxes payable**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Income tax	12,764	12,031
Mineral extraction tax	28,611	61,464
Tax on additional income from hydrocarbon production	299	3,380
VAT	18,002	38,566
Excise tax	30,261	14,359
Property tax	5,545	5,120
Other taxes	8,073	7,551
<b>Total taxes payable</b>	<b>103,555</b>	<b>142,471</b>

**Note 20. Other current liabilities**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Advances received	31,619	30,868
Dividends payable	242,956	135,034
Other	3,048	3,050
<b>Total other current liabilities</b>	<b>277,623</b>	<b>168,952</b>



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**Note 21. Provisions**

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension liabilities	Provision for unused vacations	Other provisions	Total
<b>30 June 2020</b>	<b>92,472</b>	<b>9,095</b>	<b>3,917</b>	<b>13,432</b>	<b>6,803</b>	<b>20,781</b>	<b>146,500</b>
Incl.: Non-current	91,786	47	1,275	10,715	169	2,646	106,638
Current	686	9,048	2,642	2,717	6,634	18,135	39,862
<b>31 December 2019</b>	<b>63,387</b>	<b>9,762</b>	<b>3,783</b>	<b>12,544</b>	<b>5,861</b>	<b>18,940</b>	<b>114,277</b>
Incl.: Non-current	62,667	263	1,175	10,310	153	2,477	77,045
Current	720	9,499	2,608	2,234	5,708	16,463	37,232

Asset retirement obligations changed as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
1 January	63,387	36,424
Provisions made during the period	29,014	648
Reversal of provisions	(50)	(257)
Provisions used during the period	(155)	(53)
Accretion expense	1,863	1,240
Change in discount rate	(1,044)	11,492
Changes in estimates	(3,105)	(1,060)
Foreign currency translation differences	2,557	(1,520)
Other	5	57
<b>30 June</b>	<b>92,472</b>	<b>46,971</b>

**Note 22. Equity**

*Common shares*

	30 June 2020 (thousands of shares)	31 December 2019 (thousands of shares)
Issued common shares, par value of 0.025 RUB each	692,866	715,000
Treasury shares	(40,367)	(62,119)
<b>Outstanding common shares</b>	<b>652,499</b>	<b>652,881</b>

Number of authorised common shares at 30 June 2020 was 777,866 thousands of shares.

On 3 December 2019, at the extraordinary general shareholders' meeting a decision was made to reduce the share capital of the Company by purchase of a portion of issued shares in order to reduce the total number thereof. At 31 December 2019, the Group recognised an obligation to repurchase common shares in the amount of 120,988 million RUB. Share capital reduction to 693 million common shares by purchase and cancellation of 22 million common shares was executed on 10 February 2020. Most of the common shares were purchased from a Group company.

*Dividends*

At the annual general shareholders' meeting on 23 June 2020, dividends for 2019 were approved in the amount of 350.00 RUB per common share. At the extraordinary shareholders' meeting on 3 December 2019, interim dividends for 2019 were approved in the amount of 192.00 RUB per common share. Total dividends for 2019 were approved in the amount of 542.00 RUB per common share.

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.

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**Note 22. Equity (continued)**

Dividends on the Company's shares payable of 242,954 million RUB and 133,514 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 30 June 2020 and 31 December 2019, respectively.

*Earnings per share*

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

	<b>For the three months ended 30 June 2020</b>	<b>For the three months ended 30 June 2019</b>	<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 June 2019</b>
(Loss) profit for the period attributable to PJSC LUKOIL shareholders	(18,720)	181,245	(64,680)	330,481
Weighted average number of common shares (thousands of shares)	652,499	673,877	649,415	682,809
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	23,879	19,010	24,268	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)	676,378	693,619	673,683	701,857
(Loss) profit per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):				
Basic	(28.69)	268.96	(99.60)	484.00
Diluted	(27.68)	261.30	(96.01)	470.87

**Note 23. Personnel expenses**

Personnel expenses were as follows:

	<b>For the three months ended 30 June 2020</b>	<b>For the three months ended 30 June 2019</b>	<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 June 2019</b>
Payroll costs	43,131	37,664	77,173	71,878
Statutory insurance contributions	8,978	8,675	17,997	17,341
Share-based compensation	7,842	7,842	15,684	15,684
<b>Total personnel expenses</b>	<b>59,951</b>	<b>54,181</b>	<b>110,854</b>	<b>104,903</b>

**Note 24. Finance income and costs**

Finance income was as follows:

	<b>For the three months ended 30 June 2020</b>	<b>For the three months ended 30 June 2019</b>	<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 June 2019</b>
Interest income from deposits	1,306	3,981	4,304	7,272
Interest income from loans	1,053	1,231	2,429	2,472
Other finance income	326	863	763	2,315
<b>Total finance income</b>	<b>2,685</b>	<b>6,075</b>	<b>7,496</b>	<b>12,059</b>

**Note 24. Finance income and costs (continued)**

Finance costs were as follows:

	For the three months ended 30 June 2020	For the three months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Interest expenses	9,875	9,846	18,635	20,312
Accretion expenses	916	581	1,868	1,246
Other finance costs	532	549	1,069	1,152
<b>Total finance costs</b>	<b>11,323</b>	<b>10,976</b>	<b>21,572</b>	<b>22,710</b>

**Note 25. Other income and expenses**

Other income was as follows:

	For the three months ended 30 June 2020	For the three months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Gain on disposal of assets	347	438	685	938
Reversal on impairments of assets	1,787	-	1,909	-
Other income	1,513	2,327	4,594	4,637
<b>Total other income</b>	<b>3,647</b>	<b>2,765</b>	<b>7,188</b>	<b>5,575</b>

Other expenses were as follows:

	For the three months ended 30 June 2020	For the three months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Loss on disposal of assets	5,267	3,096	7,524	5,156
Impairments loss	38,769	146	82,833	146
Charity expenses	2,108	3,343	4,419	5,380
Other expenses	1,966	2,540	3,489	5,225
<b>Total other expenses</b>	<b>48,110</b>	<b>9,125</b>	<b>98,265</b>	<b>15,907</b>

**Note 26. Commitments and contingencies**

***Capital commitments***

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 496,472 million RUB and 517,977 million RUB at 30 June 2020 and 31 December 2019, respectively.

***Taxation environment***

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterised 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.

**Note 26. Commitments and contingencies (continued)**

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 (153.9 billion RUB) to \$1.5 billion (104.9 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 (104.9 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 to the Ploesti Court of Appeals. On 27 November 2019, the Ploesti Court of Appeals issued a decision to return the case for a new examination in the court of first instance. On 24 December 2019, the defendants appealed the decision in an order of extraordinary appeal to the Ploesti Court of Appeals. On 17 June 2020, the Ploesti Court of Appeals rejected the appeal of PETROTEL-LUKOIL S.A. The case was transferred to the Prahova Tribunal. The court hearing is scheduled for 10 September 2020. Management does not believe that the outcome of this matter will have a material adverse effect on the Group’s financial position.

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 2010–2015 (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 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.

**Note 26. Commitments and contingencies (continued)**

On 21 May 2020, the Federal Antimonopoly Service (hereinafter – FAS) of Russia filed a claim to the Arbitration court of the Arkhangelsk region for invalidating the transaction of PJSC LUKOIL for the sale of 100% of shares of JSC Arkhangelskgeoldobycha to LLC Otkritie Promyshlennye Investitsii in May 2017 and applying the consequences of its invalidity. On 29 July 2020, the Arbitration court of Arkhangelsk region passed the case to Arbitration court of Moscow. The hearing date has not yet been set. The transaction to sell shares of JSC Arkhangelskgeoldobycha was concluded after a five-month due diligence and verification of information provided by the seller and the buyer, without any objections from regulatory authorities, in strict compliance with the Russian legislation, after an approval was obtained from the Governmental Commission for Control over Foreign Investments in the Russian Federation. In addition, a written approval was obtained from FAS of Russia to conduct this transaction. The price of the asset was agreed by the parties of the transaction as a result of the lengthy negotiations where largest investment banks were involved as advisers, which confirms the market nature of the deal. In this regard, the Company does not agree with the arguments set out in the claim of FAS of Russia and regards itself as a bona fide seller in this transaction, and will take all necessary measures to protect its rights and legitimate interests. Management does not believe that the outcome of this matter will 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.

**Note 26. Commitments and contingencies (continued)**

*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, PJSC 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 may allegedly cause the purchasers to suffer certain financial losses. According to publicly available information, this situation was caused by unlawful actions of certain third parties that were aimed at concealing thefts of oil from the pipeline. The losses have not been fully defined or evidenced. Currently the consequences of the incident in terms of crude oil delivered by the Group to Hungary and Slovakia have been settled between the Company, PJSC Transneft and Hungarian oil and gas company MOL; remaining claims are in the process of settlement. 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.

**Note 27. Related party transactions**

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 2020</b>	<b>31 December 2019</b>
Accounts receivable and other current assets	1,676	1,079
Other financial assets	47,146	51,053
<b>Total assets</b>	<b>48,822</b>	<b>52,132</b>
Accounts payable	7,264	5,002
Loans and borrowings	1,438	2,222
<b>Total liabilities</b>	<b>8,702</b>	<b>7,224</b>

Related party transactions were as follows:

	<b>For the three months ended 30 June 2020</b>	<b>For the three months ended 30 June 2019</b>	<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 June 2019</b>
Sales of oil and oil products	2,635	7,876	8,920	13,200
Other sales	517	541	1,195	1,257
Purchases of oil and oil products	12,325	25,100	27,304	49,558
Other purchases	2,753	2,025	5,585	4,222
Proceeds from sale of other financial assets, net	3,006	2,719	5,285	5,809
Principal repayments of loans, net	(835)	(80)	(799)	(606)

**Note 28. Compensation plan**

In late December 2017, the Company announced a 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.

**PJSC LUKOIL****Notes to Condensed Interim Consolidated Financial Statements (unaudited)**  
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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 the six months ended 30 June 2020 and 2019, respectively.

**Note 29. 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.

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.

**Operating segments**

**For the three months ended 30 June 2020**

	<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	26,564	955,015	4,848	-	986,427
Inter-segment	225,594	16,411	15,310	(257,315)	-
<b>Total revenues</b>	<b>252,158</b>	<b>971,426</b>	<b>20,158</b>	<b>(257,315)</b>	<b>986,427</b>
Operating expenses	64,174	40,505	3,466	(2,630)	105,515
Selling, general and administrative expenses	10,378	33,248	16,824	(8,038)	52,412
(Loss) profit for the period attributable to PJSC LUKOIL shareholders	(46,468)	37,004	(12,199)	2,943	(18,720)
EBITDA	72,346	78,744	(5,441)	(1,233)	144,416
Income tax expense					(12,664)
Finance income					2,685
Finance costs					(11,323)
Foreign exchange gain					3,620
Equity share in loss of affiliates					(3)
Other expenses					(44,463)
Depreciation, depletion and amortisation					(100,725)
Profit for the period attributable to non-controlling interests					(263)
Loss for the period attributable to PJSC LUKOIL shareholders					(18,720)

**PJSC LUKOIL**  
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**Note 29. Segment information (continued)**

**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

**For the six months ended 30 June 2020**

	<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	78,928	2,562,885	10,599	-	2,652,412
Inter-segment	611,081	36,915	24,240	(672,236)	-
<b>Total revenues</b>	<b>690,009</b>	<b>2,599,800</b>	<b>34,839</b>	<b>(672,236)</b>	<b>2,652,412</b>
Operating expenses	134,243	89,482	7,245	(13,937)	217,033
Selling, general and administrative expenses	23,364	60,424	31,753	(18,020)	97,521
Loss for the period attributable to PJSC LUKOIL shareholders	(24,003)	(4,448)	(57,142)	20,913	(64,680)
EBITDA	181,535	119,035	(16,130)	10,819	295,259
Income tax expense					(36,042)
Finance income					7,496
Finance costs					(21,572)
Foreign exchange loss					(11,290)
Equity share in income of affiliates					4,428
Other expenses					(91,077)
Depreciation, depletion and amortisation					(211,443)
Profit for the period attributable to non-controlling interests					(439)
Loss for the period attributable to PJSC LUKOIL shareholders					(64,680)



**PJSC LUKOIL**  
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**Note 29. Segment information (continued)**

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

**Geographical segments**

	For the three months ended 30 June 2020	For the three months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Sales of crude oil within Russia	3,540	4,093	11,034	13,598
Export of crude oil and sales of crude oil by foreign subsidiaries	306,857	749,866	939,791	1,357,946
Sales of petroleum products within Russia	161,878	234,838	365,382	442,008
Export of petroleum products and sales of petroleum products by foreign subsidiaries	444,346	1,027,156	1,164,633	1,922,751
Sales of chemicals within Russia	8,128	11,509	18,556	22,453
Export of chemicals and sales of chemicals by foreign subsidiaries	13,080	24,530	28,871	55,909
Sales of gas within Russia	7,752	8,159	16,340	16,124
Sales of gas by foreign subsidiaries	4,910	30,985	29,947	69,214
Sales of energy and related services within Russia	10,114	10,462	27,694	28,350
Sales of energy and related services by foreign subsidiaries	1,984	3,125	4,732	7,201
Other sales within Russia	8,964	10,797	18,283	20,714
Other export sales and other sales of foreign subsidiaries	14,874	10,032	27,149	20,217
<b>Total sales</b>	<b>986,427</b>	<b>2,125,552</b>	<b>2,652,412</b>	<b>3,976,485</b>

**PJSC LUKOIL**  
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**Note 29. Segment information (continued)**

**For the three months ended 30 June 2020**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	216,153	770,274	-	986,427
Inter-segment	167,484	591	(168,075)	-
<b>Total revenues</b>	<b>383,637</b>	<b>770,865</b>	<b>(168,075)</b>	<b>986,427</b>
Operating expenses	75,648	17,064	12,803	105,515
Selling, general and administrative expenses	22,361	30,932	(881)	52,412
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	16,966	(38,626)	2,940	(18,720)
<b>EBITDA</b>	<b>95,743</b>	<b>44,688</b>	<b>3,985</b>	<b>144,416</b>

**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 six months ended 30 June 2020**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	487,432	2,164,980	-	2,652,412
Inter-segment	481,385	848	(482,233)	-
<b>Total revenues</b>	<b>968,817</b>	<b>2,165,828</b>	<b>(482,233)</b>	<b>2,652,412</b>
Operating expenses	157,520	38,878	20,635	217,033
Selling, general and administrative expenses	44,518	54,670	(1,667)	97,521
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	41,458	(127,095)	20,957	(64,680)
<b>EBITDA</b>	<b>227,520</b>	<b>49,931</b>	<b>17,808</b>	<b>295,259</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>

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**Note 29. Segment information (continued)**

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

	For the three months ended 30 June 2020	For the three months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Sales revenues				
in Switzerland	400,073	934,708	1,188,085	1,767,360
in the USA	87,205	386,604	330,684	633,321
in Singapore	70,768	126,322	135,427	248,007

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

**Note 30. 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 2020 and 31 December 2019.

30 June 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets:</b>					
Commodity derivative contracts	556	-	556	-	556
Financial assets at fair value through profit or loss	47,145	-	-	47,145	47,145
Financial assets at fair value through other comprehensive income	1,434	1,434	-	-	1,434
<b>Financial liabilities:</b>					
Commodity derivative contracts	622	-	622	-	622
Loans and borrowings	700,679	409,241	-	317,108	726,349

31 December 2019	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets:</b>					
Commodity derivative contracts	180	-	180	-	180
Financial assets at fair value through profit or loss	51,054	-	-	51,054	51,054
Financial assets at fair value through other comprehensive income	2,656	2,656	-	-	2,656
<b>Financial liabilities:</b>					
Commodity derivative contracts	550	-	550	-	550
Loans and borrowings	537,070	265,109	-	295,726	560,835

**Note 30. Fair value (continued)**

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 2020 and 31 December 2019.