PJSC LUKOIL

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three-month period ended 31 March 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 31 March 2019, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three - month period then ended, 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.

Audited entity: Public Joint Stock Company "Oil company "LUKOIL".

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

Moscow, Russia.

Independent auditor: 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 31 March 2019 and for the three-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Oussov A.

Director

JSC "KPMG"

Moscow, Russia

28 May 2019

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

	Note	31 March 2019 (unaudited)	31 December 2018
Assets			
Current assets			
Cash and cash equivalents	6	444,494	492,650
Accounts receivable, net	7	425,986	429,945
Other current financial assets		27,111	26,200
Inventories	8	459,125	381,737
Prepaid taxes	9	91,776	95,611
Other current assets	10	49,654	52,336
Total current assets		**1,498,146**	**1,478,479**
Property, plant and equipment	12	3,921,362	3,829,164
Investments in associates and joint ventures	11	219,759	228,053
Other non-current financial assets	13	72,531	82,568
Deferred income tax assets		32,303	31,041
Goodwill and other intangible assets		40,311	41,765
Other non-current assets		38,862	41,312
Total non-current assets		**4,325,128**	**4,253,903**
Total assets		**5,823,274**	**5,732,382**
Liabilities and equity			
Current liabilities			
Accounts payable	14	589,928	547,128
Short-term borrowings and current portion of long-term debt	15	111,021	99,625
Taxes payable	17	160,787	123,974
Provisions	19	40,003	38,266
Other current liabilities	18	22,466	105,567
Total current liabilities		**924,205**	**914,560**
Long-term debt	16	530,925	435,422
Deferred income tax liabilities		262,506	258,836
Provisions	19	46,335	47,923
Other non-current liabilities		2,519	2,115
Total non-current liabilities		**842,285**	**744,296**
Total liabilities		**1,766,490**	**1,658,856**
Equity	20		
Share capital		1,015	1,015
Treasury shares		(208,763)	(134,810)
Additional paid-in capital		39,132	39,173
Other reserves		96,117	196,554
Retained earnings		4,120,706	3,963,628
Total equity attributable to PJSC LUKOIL shareholders		**4,048,207**	**4,065,560**
Non-controlling interests		8,577	7,966
Total equity		**4,056,784**	**4,073,526**
Total liabilities and equity		**5,823,274**	**5,732,382**

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 31 March 2019 (unaudited)	For the three months ended 31 March 2018 (unaudited)
Revenues			
Sales (including excise and export tariffs)	27	1,850,933	1,630,728
Costs and other deductions			
Operating expenses		(109,169)	(108,640)
Cost of purchased crude oil, gas and products		(987,525)	(891,429)
Transportation expenses		(73,222)	(66,055)
Selling, general and administrative expenses		(49,573)	(36,754)
Depreciation, depletion and amortisation		(103,830)	(87,690)
Taxes other than income taxes		(221,019)	(186,667)
Excise and export tariffs		(111,456)	(121,191)
Exploration expenses		(912)	(468)
Profit from operating activities		**194,227**	**131,834**
Finance income	22	5,984	3,514
Finance costs	22	(11,734)	(7,322)
Equity share in income of affiliates	11	6,180	5,249
Foreign exchange gain (loss)		1,901	(1,432)
Other (expenses) income	23	(3,972)	699
Profit before income taxes		**192,586**	**132,542**
Current income taxes		(41,381)	(18,237)
Deferred income taxes		(1,415)	(4,880)
Total income tax expense		**(42,796)**	**(23,117)**
Profit for the period		**149,790**	**109,425**
Profit for the period attributable to non-controlling interests		(554)	(367)
Profit for the period attributable to PJSC LUKOIL shareholders		**149,236**	**109,058**
Other comprehensive income (loss), net of income taxes			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(101,721)	3,694
Change in fair value of equity investments at fair value through other comprehensive income		1,178	(233)
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability / asset of pension plan		97	(10)
Other comprehensive (loss) income		**(100,446)**	**3,451**
Total comprehensive income for the period		**49,344**	**112,876**
Total comprehensive income for the period attributable to non-controlling interests		(545)	(373)
Total comprehensive income for the period attributable to PJSC LUKOIL shareholders		**48,799**	**112,503**
Earnings per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):	20		
Basic		215.71	153.68
Diluted		210.35	153.68

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 2018	1,015	(134,810)	39,173	196,554	3,963,628	**4,065,560**	7,966	**4,073,526**
Profit for the period	-	-	-	-	149,236	**149,236**	554	**149,790**
Other comprehensive (loss) income	-	-	-	(100,437)	-	**(100,437)**	(9)	**(100,446)**
Total comprehensive (loss) income				**(100,437)**	**149,236**	**48,799**	**545**	**49,344**
Stock purchased	-	(73,953)	-	-	-	**(73,953)**	-	**(73,953)**
Equity-settled share-based compensation plan	-	-	-	-	7,842	**7,842**	-	**7,842**
Changes in non-controlling interests	-	-	(41)	-	-	**(41)**	66	**25**
31 March 2019	**1,015**	**(208,763)**	**39,132**	**96,117**	**4,120,706**	**4,048,207**	**8,577**	**4,056,784**
31 December 2017	1,151	(251,089)	129,641	27,090	3,576,158	**3,482,951**	7,448	**3,490,399**
Adjustment on adoption of IFRS 9, net of tax	-	-	-	-	(6,831)	**(6,831)**		**(6,831)**
1 January 2018	1,151	(251,089)	129,641	27,090	3,569,327	**3,476,120**	7,448	**3,483,568**
Profit for the period	-	-	-	-	109,058	**109,058**	367	**109,425**
Other comprehensive income	-	-	-	3,445	-	**3,445**	6	**3,451**
Total comprehensive income				**3,445**	**109,058**	**112,503**	**373**	**112,876**
Changes in non-controlling interests	-	-	21	-	-	**21**	(62)	**(41)**
31 March 2018	**1,151**	**(251,089)**	**129,662**	**30,535**	**3,678,385**	**3,588,644**	**7,759**	**3,596,403**

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 three months ended 31 March 2019 (unaudited)	For the three months ended 31 March 2018 (unaudited)
Cash flows from operating activities			
Profit for the period attributable to PJSC LUKOIL shareholders		**149,236**	**109,058**
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		103,830	87,690
Equity share in income of affiliates, net of dividends received		(5,801)	(4,270)
Dry hole write-offs		512	6
Loss on disposals and impairments of assets		1,560	1,620
Income tax expense		42,796	23,117
Non-cash foreign exchange (gain) loss		(1,667)	2,323
Finance income		(5,984)	(3,514)
Finance costs		11,734	7,322
Allowance for expected credit losses		4,795	948
Equity-settled share-based compensation plan		7,842	-
All other items – net		2,441	4,399
Changes in operating assets and liabilities:			
Trade accounts receivable		(17,767)	33,570
Inventories		(101,788)	(24,946)
Accounts payable		56,889	(37,914)
Other taxes		35,794	5,143
Other current assets and liabilities		(10,562)	(23,709)
Income tax paid		(35,429)	(17,718)
Dividends received		632	1,462
Interests received		4,261	2,405
Net cash provided by operating activities		**243,324**	**166,992**
Cash flows from investing activities			
Acquisition of licenses		(1,524)	(29)
Capital expenditures		(97,421)	(121,057)
Proceeds from sale of property, plant and equipment		324	288
Purchases of financial assets		(3,108)	(9,556)
Proceeds from sale of financial assets		6,161	2,595
Acquisitions of subsidiaries, net of cash acquired		(3,666)	-
Acquisitions of equity method affiliates		(317)	(641)
Net cash used in investing activities		**(99,551)**	**(128,400)**
Cash flows from financing activities			
Proceeds from issuance of short-term borrowings		142	2,571
Principal repayments of short-term borrowings		(7,564)	(5,410)
Principal repayments of long-term debt		(13,486)	(2,266)
Interest paid		(5,748)	(3,466)
Dividends paid on Company common shares		(70,199)	(60,868)
Dividends paid to non-controlling interest shareholders		(1,494)	(971)
Financing received from non-controlling interest shareholders		44	5
Purchase of Company's stock		(71,488)	-
Sale of non-controlling interest		-	4
Purchases of non-controlling interest		(14)	-
Net cash used in financing activities		**(169,807)**	**(70,401)**
Effect of exchange rate changes on cash and cash equivalents		(22,122)	(1,826)
Net decrease in cash and cash equivalents		**(48,156)**	**(33,635)**
Cash and cash equivalents at beginning of period		492,650	330,390
Cash and cash equivalents at end of period	6	**444,494**	**296,755**

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 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 President of the Company on 28 May 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* the Group has adopted with effect from 1 January 2019.

IFRS 16 *Leases*, 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 the contract 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 include 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 31 March 2019, the Group recognised 187,214 million RUB of right-of-use assets included in "Property, plant and equipment", 182,296 million RUB of lease liabilities as part of long-term debt, of which 33,776 million RUB are included in its current portion. Also the Group recognised a depreciation charge of right-of-use assets of 11,065 million RUB and interest expense in relation to lease liabilities of 2,489 million RUB during the three months ended 31 March 2019 (including arrangements treated as leases under IAS 17).

Lease liabilities reconciliation

Operating lease commitments at 31 December 2018	**182,742**
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)
Discounted using incremental borrowing rate	**94,889**
Extension and termination options reasonably certain to be exercised	10,721
Service agreements classified as lease	56,585
Other	(144)
Total lease liabilities at 1 January 2019	**162,051**

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

	31 March 2019	31 December 2018
Cash held in RUB	56,216	201,073
Cash held in US dollars	360,463	264,538
Cash held in EUR	19,453	18,350
Cash held in other currencies	8,362	8,689
Total cash and cash equivalents	**444,494**	**492,650**

Note 7. Accounts receivable, net

	31 March 2019	31 December 2018
Trade accounts receivable (net of allowances of 25,975 million RUB and 23,031 million RUB at 31 March 2019 and 31 December 2018, respectively)	414,240	411,247
Other current accounts receivable (net of allowances of 4,950 million RUB and 4,767 million RUB at 31 March 2019 and 31 December 2018, respectively)	11,746	18,698
Total accounts receivable, net	**425,986**	**429,945**

Note 8. Inventories

	31 March 2019	31 December 2018
Crude oil and petroleum products	401,417	325,563
Materials for extraction and drilling	22,725	23,128
Materials and supplies for refining	4,264	4,084
Other goods, materials and supplies	30,719	28,962
Total inventories	**459,125**	**381,737**

Note 9. Prepaid taxes

	31 March 2019	31 December 2018
Income tax prepaid	9,777	12,165
VAT and excise tax recoverable	39,360	37,832
Export duties prepaid	9,939	23,093
VAT prepaid	29,231	18,498
Other taxes prepaid	3,469	4,023
Total prepaid taxes	**91,776**	**95,611**

Note 10. Other current assets

	31 March 2019	31 December 2018
Advance payments	11,791	19,851
Prepaid expenses	21,292	22,139
Other assets	16,571	10,346
Total other current assets	**49,654**	**52,336**

Note 11. Investments in associates and joint ventures

Carrying value of investments in associates and joint ventures:

		Ownership			
Name of the company	**Country**	**31 March 2019**	**31 December 2018**	**31 March 2019**	**31 December 2018**
Joint Ventures:					
Tengizchevroil	Kazakhstan	5.0%	5.0%	116,448	121,204
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	38,131	39,346
South Caucasus Pipeline Company	Azerbaijan	10.0%	10.0%	32,904	34,789
Others				574	623
Associates:					
Associates				31,702	32,091
Total				**219,759**	**228,053**

Note 12. Property, plant and equipment

	Exploration and production	Refining, marketing and distribution	Other	Total
Cost				
31 December 2018	4,476,824	1,373,743	75,882	**5,926,449**
Adjustment on adoption of IFRS 16	54,335	102,147	5,569	**162,051**
1 January 2019	4,531,159	1,475,890	81,451	**6,088,500**
Additions	95,101	13,059	237	**108,397**
Disposals	(3,894)	(1,599)	(72)	**(5,565)**
Foreign currency translation differences	(99,876)	(46,533)	(1,165)	**(147,574)**
Other	590	3,878	(58)	**4,410**
31 March 2019	**4,523,080**	**1,444,695**	**80,393**	**6,048,168**
Depreciation and impairment				
31 December 2018	(1,586,508)	(513,668)	(19,380)	**(2,119,556)**
Depreciation for the period	(72,817)	(30,340)	(1,111)	**(104,268)**
Disposals	1,617	988	21	**2,626**
Foreign currency translation differences	51,063	17,423	475	**68,961**
Other	(3)	3,972	20	**3,989**
31 March 2019	**(1,606,648)**	**(521,625)**	**(19,975)**	**(2,148,248)**
Advance payments for property, plant and equipment				
31 December 2018	5,916	15,669	686	**22,271**
31 March 2019	**4,905**	**15,861**	**676**	**21,442**
Carrying amounts				
31 December 2018	2,896,232	875,744	57,188	**3,829,164**
31 March 2019	**2,921,337**	**938,931**	**61,094**	**3,921,362**
Cost				
31 December 2017	3,902,267	1,236,552	72,543	**5,211,362**
Additions	90,617	11,205	261	**102,083**
Disposals	(2,534)	(1,694)	(59)	**(4,287)**
Foreign currency translation differences	(6,684)	7,383	(49)	**650**
Other	5,720	(283)	(41)	**5,396**
31 March 2018	**3,989,386**	**1,253,163**	**72,655**	**5,315,204**
Depreciation and impairment				
31 December 2017	(1,230,717)	(403,445)	(15,617)	**(1,649,779)**
Depreciation for the period	(67,164)	(23,987)	(935)	**(92,086)**
Disposals	1,011	973	17	**2,001**
Foreign currency translation differences	3,238	(2,660)	1	**579**
Other	3	540	12	**555**
31 March 2018	**(1,293,629)**	**(428,579)**	**(16,522)**	**(1,738,730)**
Advance payments for property, plant and equipment				
31 December 2017	10,732	2,717	133	**13,582**
31 March 2018	**9,124**	**2,693**	**232**	**12,049**
Carrying amounts				
31 December 2017	2,682,282	835,824	57,059	**3,575,165**
31 March 2018	**2,704,881**	**827,277**	**56,365**	**3,588,523**

The cost of assets under construction included in property, plant and equipment was 338,919 million RUB and 335,312 million RUB at 31 March 2019 and 31 December 2018, respectively.

Note 12. Property, plant and equipment (continued)

Exploration and evaluation assets:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
1 January	107,106	86,134
Capitalised expenditures	8,116	8,519
Reclassified to development assets	(2,392)	(2,566)
Charged to expenses	(404)	(23)
Foreign currency translation differences	(1,954)	(71)
Other movements	88	(14)
31 March	**110,560**	**91,979**

Note 13. Other non-current financial assets

	31 March 2019	31 December 2018
Financial assets measured at fair value through other comprehensive income		
Equity instruments	4,311	3,388
Financial assets measured at amortised cost		
Long-term loans	13,720	19,468
Non-current accounts and notes receivable	1,571	2,469
Other financial assets	90	102
Financial assets measured at fair value through profit or loss		
Long-term loans	52,839	57,064
Other financial assets	-	77
Total other non-current financial assets	**72,531**	**82,568**

Note 14. Accounts payable

	31 March 2019	31 December 2018
Trade accounts payable	526,700	477,444
Other accounts payable	63,228	69,684
Total accounts payable	**589,928**	**547,128**

Note 15. Short-term borrowings and current portion of long-term debt

	31 March 2019	31 December 2018
Short-term borrowings from third parties	12,561	20,885
Short-term borrowings from related parties	2,815	7,843
Current portion of long-term debt	95,645	70,897
Total short-term borrowings and current portion of long-term debt	**111,021**	**99,625**

Short-term borrowings from third parties include amounts repayable in US dollars of 11,489 million RUB and 15,541 million RUB and amounts repayable in other currencies of 1,072 million RUB and 5,344 million RUB at 31 March 2019 and 31 December 2018, respectively. The weighted-average interest rate on short-term borrowings from third parties was 5.74% and 9.83% per annum at 31 March 2019 and 31 December 2018, respectively. At 31 March 2019, short-term borrowings from third parties are unsecured.

Note 16. Long-term debt

	31 March 2019	31 December 2018
Long-term loans and borrowings from third parties	146,945	161,314
7.250% non-convertible US dollar bonds, maturing 2019	38,772	41,584
6.125% non-convertible US dollar bonds, maturing 2020	64,664	69,385
6.656% non-convertible US dollar bonds, maturing 2022	32,304	34,663
4.563% non-convertible US dollar bonds, maturing 2023	96,990	104,079
4.750% non-convertible US dollar bonds, maturing 2026	64,599	69,321
Lease obligations	182,296	25,973
Total long-term debt	626,570	506,319
Current portion of long-term debt	(95,645)	(70,897)
Total non-current portion of long-term debt	**530,925**	**435,422**

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 125,082 million RUB and 137,439 million RUB and amounts repayable in euros of 21,863 million RUB and 23,875 million RUB at 31 March 2019 and 31 December 2018, 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 4.78% and 4.87% per annum at 31 March 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 47% of total long-term loans and borrowings from third parties at 31 March 2019 are secured by shares of an associated company, export sales and property, plant and equipment.

Reconciliation of liabilities arising from financing activities

	Loans and borrowings	Bonds	Lease obligations	Other liabilities	Total
31 December 2018	190,042	319,032	25,973	73,920	**608,967**
Adjustment on adoption of IFRS 16	-	-	162,031	-	**162,031**
1 January 2019	190,042	319,032	188,004	73,920	**770,998**
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	142	-	-	-	**142**
Principal repayments of short-term borrowings	(7,564)	-	-	-	**(7,564)**
Principal repayments of long-term debt	(3,297)	-	(10,189)	-	**(13,486)**
Interest paid	-	-	(2,966)	(2,782)	**(5,748)**
Dividends paid on Company common stock	-	-	-	(70,199)	**(70,199)**
Total changes from financing cash flows	(10,719)	-	(13,155)	(72,981)	**(96,855)**
Other changes:					
Interest accrued	-	-	2,966	7,653	**10,619**
Changes arising from obtaining or losing control over subsidiaries	(4,448)	-	-	-	**(4,448)**
The effect of changes in foreign exchange rates	(12,853)	(21,750)	(9,795)	(340)	**(44,738)**
Other changes	299	47	14,276	475	**15,097**
Total other changes	(17,002)	(21,703)	7,447	7,788	**(23,470)**
31 March 2019	**162,321**	**297,329**	**182,296**	**8,727**	**650,673**

Note 17. Taxes payable

	31 March 2019	31 December 2018
Income tax	14,284	11,316
Mineral extraction tax	66,870	46,532
Tax on additional income from hydrocarbon production	4,353	-
VAT	46,386	34,823
Excise tax	12,955	18,887
Property tax	10,097	4,985
Other taxes	5,842	7,431
Total taxes payable	**160,787**	**123,974**

Note 18. Other current liabilities

	31 March 2019	31 December 2018
Advances received	19,292	30,249
Dividends payable	451	72,103
Other	2,723	3,215
Total other current liabilities	**22,466**	**105,567**

Note 19. Provisions

	Asset retirement obligation	Provision for employee compensations	Provision for environmental liabilities	Pension provisions	Provision for unused vacations	Other provisions	Total
31 March 2019	**35,696**	**12,689**	**3,645**	**8,668**	**6,149**	**19,491**	**86,338**
Incl.: Non-current	35,511	253	1,255	5,728	172	3,416	**46,335**
Current	185	12,436	2,390	2,940	5,977	16,075	**40,003**
31 December 2018	36,424	9,401	4,014	8,910	5,968	21,472	**86,189**
Incl.: Non-current	36,042	263	1,604	5,916	178	3,920	**47,923**
Current	382	9,138	2,410	2,994	5,790	17,552	**38,266**

Assets retirement obligation:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
1 January	36,424	36,668
Provisions made during the period	167	1,276
Reversal of provisions	(72)	(28)
Provisions used during the period	(58)	(19)
Accretion expense	662	643
Change in discount rate	446	4,017
Changes in estimates	(747)	(493)
Foreign currency translation differences	(1,126)	(49)
Other	-	22
31 March	**35,696**	**42,037**

Note 20. Equity

Common shares

	31 March 2019 (thousands of shares)	31 December 2018 (thousands of shares)
Authorised and issued common shares, par value of 0.025 RUB each	750,000	750,000
Treasury shares	(66,528)	(53,107)
Outstanding common shares	**683,472**	**696,893**

Earnings per share

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

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Profit for the period attributable to PJSC LUKOIL	149,236	109,058
Weighted average number of common shares (thousands of shares)	691,841	709,633
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	17,625	-
Weighted average number of common shares, assuming dilution (thousands of shares)	709,466	709,633
Earnings per share of common stock attributable to PJSC LUKOIL (in Russian rubles):		
Basic	215.71	153.68
Diluted	210.35	153.68

Note 21. Personnel expenses

Personnel expenses were as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Salary	34,214	31,320
Statutory insurance contributions	8,666	8,231
Share-based compensation	7,842	190
Total personnel expenses	**50,722**	**39,741**

Note 22. Finance income and costs

Finance income was as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Interest income from deposits	3,291	1,543
Interest income from loans	1,241	1,426
Other finance income	1,452	545
Total finance income	**5,984**	**3,514**

Finance costs were as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Interest expenses	10,466	6,322
Accretion expenses	665	646
Other finance costs	603	354
Total finance costs	**11,734**	**7,322**

Note 23. Other income and expenses

Other income was as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Gain on disposal of assets	500	189
Other income	2,310	4,437
Total other income	**2,810**	**4,626**

Other expenses were as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Loss on disposal of assets	2,060	1,809
Charity expenses	2,037	1,653
Other expenses	2,685	465
Total other expenses	**6,782**	**3,927**

Note 24. Commitments and contingencies

Capital commitments

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount 493,888 million RUB and 473,615 million RUB at 31 March 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.

Note 24. Commitments and contingencies (continued)

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 (142.4 billion RUB) to $1.5 billion (97.1 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 (97.1 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.

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.

Note 24. Commitments and contingencies (continued)

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 25. 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:

	31 March 2019	31 December 2018
Accounts receivable	1,694	1,927
Other financial assets	60,018	64,007
Total assets	**61,712**	**65,934**
Accounts payable	11,086	13,492
Loans and borrowings	2,761	3,356
Total liabilities	**13,847**	**16,848**

Related party transactions were as follows:

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Sales of oil and oil products	5,324	6,831
Other sales	716	1,210
Purchases of oil and oil products	24,458	60,003
Other purchases	2,197	1,950
Proceeds from sale (purchases) of other financial assets, net	3,090	(7,022)
Principal repayments of loans, net	(526)	(188)

Note 26. 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 during the three months ended 31 March 2019.

Note 27. 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 primarily crude oil. The refining, marketing and distribution segment processes crude oil into refined products, purchases, sells and transports crude oil and refined petroleum products, refines and sells chemical products, produces steam and electricity, distributes them and provides 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 amortization. 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 31 March 2019

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	72,238	1,773,390	5,305	-	1,850,933
Inter-segment	521,067	19,772	12,255	(553,094)	-
Total revenues	593,305	1,793,162	17,560	(553,094)	1,850,933
Operating expenses	65,286	55,897	3,983	(15,997)	109,169
Selling, general and administrative expenses	15,068	30,145	14,508	(10,148)	49,573
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	128,459	31,548	(963)	(9,808)	149,236
EBITDA	235,132	79,938	(7,068)	(9,945)	298,057
Income tax expense					(42,796)
Finance income					5,984
Finance costs					(11,734)
Foreign exchange gain					1,901
Equity share in income of affiliates					6,180
Other expenses					(3,972)
Depreciation, depletion and amortisation					(103,830)
Profit for the period attributable to non-controlling interests					(554)
Profit for the period attributable to PJSC LUKOIL shareholders					149,236

Note 27. Segment information (continued)

For the three months ended 31 March 2018

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	50,306	1,574,634	5,788	-	1,630,728
Inter-segment	442,277	17,894	11,905	(472,076)	-
Total revenues	492,583	1,592,528	17,693	(472,076)	1,630,728
Operating expenses	64,668	56,497	3,434	(15,959)	108,640
Selling, general and administrative expenses	10,547	28,993	7,338	(10,124)	36,754
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	87,006	18,383	(271)	3,940	109,058
EBITDA	171,918	46,849	519	238	219,524
Income tax expense					(23,117)
Finance income					3,514
Finance costs					(7,322)
Foreign exchange loss					(1,432)
Equity share in income of affiliates					5,249
Other income					699
Depreciation, depletion and amortisation					(87,690)
Profit for the period attributable to non-controlling interests					(367)
Profit for the period attributable to PJSC LUKOIL shareholders					109,058

Geographical segments

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Sales of crude oil within Russia	9,505	13,618
Export of crude oil and sales of crude oil by foreign subsidiaries	608,080	477,751
Sales of petroleum products within Russia	207,170	188,501
Export of petroleum products and sales of petroleum products by foreign subsidiaries	895,595	855,961
Sales of chemicals within Russia	10,944	10,580
Export of chemicals and sales of chemicals by foreign subsidiaries	31,379	15,554
Sales of gas within Russia	7,965	8,330
Sales of gas by foreign subsidiaries	38,229	19,980
Sales of energy and related services within Russia	17,888	17,758
Sales of energy and related services by foreign subsidiaries	4,076	2,622
Other sales within Russia	9,917	10,179
Other export sales and other sales of foreign subsidiaries	10,185	9,894
Total sales	**1,850,933**	**1,630,728**

Note 27. Segment information (continued)

For the three months ended 31 March 2019

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	290,089	1,560,844	-	1,850,933
Inter-segment	417,558	999	(418,557)	-
Total revenues	707,647	1,561,843	(418,557)	1,850,933
Operating expenses	77,385	29,911	1,873	109,169
Selling, general and administrative expenses	21,641	28,672	(740)	49,573
Profit for the period attributable to PJSC LUKOIL shareholders	155,585	3,421	(9,770)	149,236
EBITDA	269,555	40,096	(11,594)	298,057

For the three months ended 31 March 2018

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	276,411	1,354,317	-	1,630,728
Inter-segment	348,054	695	(348,749)	-
Total revenues	624,465	1,355,012	(348,749)	1,630,728
Operating expenses	78,775	29,220	645	108,640
Selling, general and administrative expenses	21,876	15,803	(925)	36,754
Profit for the period attributable to PJSC LUKOIL shareholders	93,915	11,203	3,940	109,058
EBITDA	182,821	30,853	5,850	219,524

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

	For the three months ended 31 March 2019	For the three months ended 31 March 2018
Sales revenues		
in Switzerland	832,652	791,585
in the USA	246,717	159,622
in Singapore	121,685	127,924

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

Note 28. 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.

Note 28. Fair value (continued)

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 31 March 2019 and 31 December 2018:

		Fair value			
31 March 2019	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Commodity derivative contracts	1,909	-	1,909	-	**1,909**
Financial assets at fair value through profit or loss	60,018	-	-	60,018	**60,018**
Financial assets at fair value through other comprehensive income	4,311	4,311	-	-	**4,311**
Financial liabilities:					
Commodity derivative contracts	2,309	-	2,309	-	**2,309**
Loans and borrowings	626,570	306,334	-	334,331	**640,665**

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

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 31 March 2019 and 31 December 2018.