



PJSC LUKOIL

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the three-month period ended 31 March 2021

**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 2021, 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.

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.

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

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: 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 31 March 2021 and for the three-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Klimanova L.V.

JSC "KPMG"


Moscow, Russia


26 May 2021



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

	Note	31 March 2021 (unaudited)	31 December 2020
Assets			
Current assets			
Cash and cash equivalents	6	489,180	343,832
Accounts receivable, net	7	444,582	370,271
Other current financial assets		9,135	8,350
Inventories	8	496,465	426,536
Prepaid taxes	9	112,316	78,822
Other current assets	10	99,722	48,649
Total current assets		1,651,400	1,276,460
Property, plant and equipment	12	4,255,270	4,264,474
Investments in associates and joint ventures	11	292,958	281,637
Other non-current financial assets	13	71,076	68,692
Deferred income tax assets		22,750	16,298
Goodwill and other intangible assets		50,201	50,159
Other non-current assets		34,664	33,859
Total non-current assets		4,726,919	4,715,119
Total assets		6,378,319	5,991,579
Liabilities and equity			
Current liabilities			
Accounts payable	14	701,840	597,932
Short-term borrowings and current portion of long-term debt	15	77,027	82,636
Taxes payable	17	229,628	142,458
Provisions	19	32,078	27,136
Other current liabilities	18	30,278	35,497
Total current liabilities		1,070,851	885,659
Long-term debt	16	583,973	577,075
Deferred income tax liabilities		280,249	268,956
Provisions	19	121,784	126,665
Other non-current liabilities		2,013	2,458
Total non-current liabilities		988,019	975,154
Total liabilities		2,058,870	1,860,813
Equity	20		
Share capital		938	938
Treasury shares		(71,920)	(71,920)
Additional paid-in capital		39,314	39,298
Other reserves		319,501	296,641
Retained earnings		4,023,326	3,858,057
Total equity attributable to PJSC LUKOIL shareholders		4,311,159	4,123,014
Non-controlling interests		8,290	7,752
Total equity		4,319,449	4,130,766
Total liabilities and equity		6,378,319	5,991,579


 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 2021 (unaudited)	For the three months ended 31 March 2020 (unaudited)
Revenues			
Sales (including excise and export tariffs)	27	1,876,483	1,665,985
Costs and other deductions			
Operating expenses		(116,038)	(111,518)
Cost of purchased crude oil, gas and products		(1,029,125)	(971,675)
Transportation expenses		(68,018)	(80,059)
Selling, general and administrative expenses		(46,032)	(45,109)
Depreciation, depletion and amortisation		(113,714)	(110,718)
Taxes other than income taxes		(236,612)	(193,708)
Excise and export tariffs		(65,865)	(112,679)
Exploration expenses		(413)	(394)
Profit from operating activities		200,666	40,125
Finance income	22	2,164	4,811
Finance costs	22	(9,351)	(10,249)
Equity share in income of associates and joint ventures		6,488	4,431
Foreign exchange loss		(1,145)	(14,910)
Other income (expenses)	23	157	(46,614)
Profit (loss) before income taxes		198,979	(22,406)
Current income taxes		(36,369)	(17,038)
Deferred income taxes		(4,643)	(6,340)
Total income tax expense		(41,012)	(23,378)
Profit (loss) for the period		157,967	(45,784)
Profit (loss) for the period attributable to:			
PJSC LUKOIL shareholders		157,427	(45,960)
Non-controlling interests		540	176
Other comprehensive income, net of income taxes			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		21,156	315,622
<i>Items that will never be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income		1,683	(2,162)
Remeasurements of defined benefit liability / asset of pension plan		12	(332)
Other comprehensive income		22,851	313,128
Total comprehensive income for the period		180,818	267,344
Total comprehensive income for the period attributable to:			
PJSC LUKOIL shareholders		180,287	267,175
Non-controlling interests		531	169
Earnings per share			
Profit (loss) for the period attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):			
	20		
Basic		241.27	(71.11)
Diluted		230.69	(71.11)

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 2020	938	(71,920)	39,298	296,641	3,858,057	4,123,014	7,752	4,130,766
Profit for the period	-	-	-	-	157,427	157,427	540	157,967
Other comprehensive income (loss)	-	-	-	22,860	-	22,860	(9)	22,851
Total comprehensive income				22,860	157,427	180,287	531	180,818
Equity-settled share-based compensation plan	-	-	-	-	7,842	7,842	-	7,842
Changes in non-controlling interests	-	-	16	-	-	16	7	23
31 March 2021	938	(71,920)	39,314	319,501	4,023,326	4,311,159	8,290	4,319,449
31 December 2019	968	(308,160)	39,277	30,141	4,203,138	3,965,364	8,085	3,973,449
(Loss) profit for the period	-	-	-	-	(45,960)	(45,960)	176	(45,784)
Other comprehensive income (loss)	-	-	-	313,135	-	313,135	(7)	313,128
Total comprehensive income (loss)				313,135	(45,960)	267,175	169	267,344
Stock purchased	-	(2,026)	-	-	-	(2,026)	-	(2,026)
Equity-settled share-based compensation plan	-	-	-	-	7,842	7,842	-	7,842
Obligation to repurchase common shares	-	120,988	-	-	-	120,988	-	120,988
Share capital reduction	(30)	117,278	-	-	(117,248)	-	-	-
Changes in non-controlling interests	-	-	(2)	-	-	(2)	2	-
31 March 2020	938	(71,920)	39,275	343,276	4,047,772	4,359,341	8,256	4,367,597

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 2021 (unaudited)	For the three months ended 31 March 2020 (unaudited)
Cash flows from operating activities			
Profit (loss) for the period attributable to PJSC LUKOIL shareholders		157,427	(45,960)
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		113,714	110,718
Equity share in income of associates and joint ventures		(6,488)	(4,431)
Dry hole write-offs		16	14
Loss on disposals and impairments of assets		1,426	45,861
Income tax expense		41,012	23,378
Non-cash foreign exchange loss		1,199	14,114
Finance income		(2,164)	(4,811)
Finance costs		9,351	10,249
Allowance for expected credit losses		724	1,005
Equity-settled share-based compensation plan		7,842	7,842
All other items, net		75	2,527
Changes in operating assets and liabilities:			
Trade accounts receivable		(66,253)	71,465
Inventories		(62,014)	164,663
Accounts payable		104,591	(164,651)
Other taxes		47,601	(13,347)
Other current assets and liabilities		(48,006)	(11,831)
Income tax paid		(30,406)	(26,306)
Dividends received		73	943
Interests received		1,125	4,288
Net cash provided by operating activities		270,845	185,730
Cash flows from investing activities			
Acquisition of licenses		(33)	(129)
Capital expenditures		(107,220)	(130,211)
Proceeds from sale of property, plant and equipment		3,095	85
Purchases of financial assets		(679)	(1,861)
Proceeds from sale of financial assets		62	4,233
Sale of associates		83	-
Acquisitions of interests in the projects and subsidiaries, net of cash acquired		-	(1,040)
Acquisitions of associates		-	(795)
Net cash used in investing activities		(104,692)	(129,718)
Cash flows from financing activities			
Proceeds from issuance of short-term borrowings		2,527	4,599
Principal repayments of short-term borrowings		(229)	(102)
Proceeds from issuance of long-term debt		417	-
Principal repayments of long-term debt		(27,930)	(15,141)
Interest paid		(3,697)	(4,715)
Dividends paid on Company common shares		(86)	(133,060)
Dividends paid to non-controlling interest shareholders		(910)	(1,187)
Financing received from non-controlling interest shareholders		18	2
Purchase of Company's stock		-	(2,026)
Net cash used in financing activities		(29,890)	(151,630)
Effect of exchange rate changes on cash and cash equivalents		9,085	80,239
Net increase (decrease) in cash and cash equivalents		145,348	(15,379)
Cash and cash equivalents at beginning of period		343,832	516,032
Cash and cash equivalents at end of period	6	489,180	500,653

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 2021, the negative impact of COVID-19 on the global economy and energy demand continued. Management has considered the impact of COVID-19 pandemic, oil price volatility and related risks and uncertainties on these condensed interim consolidated financial statements. Management believes that the Group is in a solid financial condition as of the end of the first quarter of 2021. 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 2020 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 2020.

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 2020.

The condensed interim consolidated financial statements were authorised by the President of the Company on 26 May 2021.

Note 2. Basis of preparation (continued)

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 2020.

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 condensed interim 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.

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

Note 5. Income taxes (continued)

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 2021	31 December 2020
Cash held in RUB	34,998	16,537
Cash held in US dollars	392,626	256,841
Cash held in EUR	50,908	59,009
Cash held in other currencies	10,648	11,445
Total cash and cash equivalents	489,180	343,832

Note 7. Accounts receivable, net

	31 March 2021	31 December 2020
Trade accounts receivable (net of allowances of 33,003 million RUB and 32,762 million RUB at 31 March 2021 and 31 December 2020, respectively)	429,972	357,159
Other current accounts receivable (net of allowances of 5,032 million RUB and 4,930 million RUB at 31 March 2021 and 31 December 2020, respectively)	14,610	13,112
Total accounts receivable, net	444,582	370,271

Note 8. Inventories

	31 March 2021	31 December 2020
Crude oil and petroleum products	443,629	373,290
Materials for extraction and drilling	25,820	25,582
Materials and supplies for refining	3,952	4,681
Other goods, materials and supplies	23,064	22,983
Total inventories	496,465	426,536

Note 9. Prepaid taxes

	31 March 2021	31 December 2020
Income tax	15,543	17,983
VAT recoverable	11,380	12,940
Excise tax recoverable	22,582	8,350
Export duties	7,312	8,009
VAT	51,566	26,407
Other taxes	3,933	5,133
Total prepaid taxes	112,316	78,822

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

Note 10. Other current assets

	31 March 2021	31 December 2020
Advance payments	41,769	15,904
Prepaid expenses	19,094	21,622
Other assets	38,859	11,123
Total other current assets	99,722	48,649

Note 11. Investments in associates and joint ventures

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership		31 March 2021	31 December 2020
		31 March 2021	31 December 2020		
<i>Joint ventures:</i>					
Tengizchevroil	Kazakhstan	5.0%	5.0%	152,910	146,611
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	59,462	56,027
South Caucasus Pipeline Company	Azerbaijan	10.0%	10.0%	36,791	34,663
<i>Associates:</i>					
Associates				43,795	44,336
Total				292,958	281,637

Note 12. Property, plant and equipment

	Exploration and production	Refining, marketing and distribution	Other	Total
Cost				
31 December 2020	5,433,264	1,756,650	77,006	7,266,920
Additions	75,127	26,272	277	101,676
Disposals	(10,403)	(13,129)	(116)	(23,648)
Foreign currency translation differences	43,387	(10,229)	348	33,506
Other	(7,022)	1,269	(1,895)	(7,648)
31 March 2021	5,534,353	1,760,833	75,620	7,370,806
Depreciation and impairment				
31 December 2020	(2,193,734)	(802,877)	(22,368)	(3,018,979)
Depreciation for the period	(83,941)	(30,907)	(896)	(115,744)
Disposals	5,571	12,843	75	18,489
Foreign currency translation differences	(24,755)	5,753	(162)	(19,164)
Other	87	16	507	610
31 March 2021	(2,296,772)	(815,172)	(22,844)	(3,134,788)
Advance payments for property, plant and equipment				
31 December 2020	10,218	5,757	558	16,533
31 March 2021	13,308	5,351	593	19,252
Carrying amounts				
31 December 2020	3,249,748	959,530	55,196	4,264,474
31 March 2021	3,250,889	951,012	53,369	4,255,270

Note 12. Property, plant and equipment (continued)

	Exploration and production	Refining, marketing and distribution	Other	Total
Cost				
31 December 2019	4,795,674	1,510,515	76,246	6,382,435
Additions	115,841	28,748	294	144,883
Acquisition of the interest in the project	1,209	-	-	1,209
Disposals	(6,393)	(5,828)	(191)	(12,412)
Foreign currency translation differences	360,560	119,075	3,269	482,904
Other	(4,277)	(755)	(82)	(5,114)
31 March 2020	5,262,614	1,651,755	79,536	6,993,905
Depreciation and impairment				
31 December 2019	(1,766,575)	(589,636)	(21,153)	(2,377,364)
Depreciation for the period	(82,415)	(30,223)	(960)	(113,598)
Impairment loss	(7,428)	(28,859)	-	(36,287)
Disposals	4,855	5,247	98	10,200
Foreign currency translation differences	(188,542)	(48,139)	(1,139)	(237,820)
Other	(732)	2,123	(1)	1,390
31 March 2020	(2,040,837)	(689,487)	(23,155)	(2,753,479)
Advance payments for property, plant and equipment				
31 December 2019	6,791	13,314	831	20,936
31 March 2020	8,077	8,938	842	17,857
Carrying amounts				
31 December 2019	3,035,890	934,193	55,924	4,026,007
31 March 2020	3,229,854	971,206	57,223	4,258,283

The cost of assets under construction included in property, plant and equipment was 476,469 million RUB and 458,265 million RUB at 31 March 2021 and 31 December 2020, respectively.

Exploration and evaluation assets

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
1 January	163,251	129,951
Capitalised expenditures	7,307	12,008
Acquisitions through business combinations	-	362
Reclassified to development assets	(2,182)	(5,712)
Charged to expenses	(9)	(116)
Foreign currency translation differences	1,280	8,592
Other movements	27	26
31 March	169,674	145,111

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 5,219 million RUB, for its international exploration and production assets in the amount of 2,209 million RUB and for its international refining, marketing and distribution assets in the amount of 28,859 million RUB.

Note 12. Property, plant and equipment (continued)

The recoverable amounts of CGUs subject to impairment in the first quarter of 2020 in the amount of 139,180 million 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.

Note 13. Other non-current financial assets

	31 March 2021	31 December 2020
Financial assets measured at fair value through other comprehensive income		
Equity instruments	4,265	2,491
Financial assets measured at amortised cost		
Long-term loans	29,979	31,075
Non-current accounts and notes receivable	1,819	1,916
Other financial assets	14	15
Financial assets measured at fair value through profit or loss		
Long-term loans	34,999	33,195
Total other non-current financial assets	71,076	68,692

Note 14. Accounts payable

	31 March 2021	31 December 2020
Trade accounts payable	621,027	533,598
Other accounts payable	80,813	64,334
Total accounts payable	701,840	597,932

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

	31 March 2021	31 December 2020
Short-term borrowings from third parties	21,488	18,736
Short-term borrowings from related parties	2,463	2,522
Current portion of long-term debt	53,076	61,378
Total short-term borrowings and current portion of long-term debt	77,027	82,636

Short-term borrowings from third parties include amounts repayable in US dollars of 20,364 million RUB and 17,510 million RUB and amounts repayable in other currencies of 1,124 million RUB and 1,226 million RUB at 31 March 2021 and 31 December 2020, respectively. The weighted-average interest rate on short-term borrowings from third parties was 2.46% and 2.63% per annum at 31 March 2021 and 31 December 2020, respectively. Short-term borrowings from third parties are unsecured at 31 March 2021 and 31 December 2020.

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

Note 16. Long-term debt

	31 March 2021	31 December 2020
Long-term loans and borrowings from third parties	101,105	112,660
6.656% non-convertible US dollar bonds, maturing 2022	37,819	36,901
4.563% non-convertible US dollar bonds, maturing 2023	113,482	110,737
4.750% non-convertible US dollar bonds, maturing 2026	75,579	73,751
3.875% non-convertible US dollar bonds, maturing 2030	113,271	110,532
Lease obligations	195,793	193,872
Total long-term debt	637,049	638,453
Current portion of long-term debt	(53,076)	(61,378)
Total non-current portion of long-term debt	583,973	577,075

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 100,274 million RUB and 101,376 million RUB and amounts repayable in euros of 414 million RUB and 11,284 million RUB at 31 March 2021 and 31 December 2020, respectively. This debt has maturity dates from 2021 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 2.59% and 2.54% per annum at 31 March 2021 and 31 December 2020, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 59% and 51% of total long-term loans and borrowings from third parties are secured by shares in a PSA project, export sales and property, plant and equipment at 31 March 2021 and 31 December 2020, respectively.

Reconciliation of liabilities arising from financing activities

	Loans and borrowings	Bonds	Lease obligations	Other liabilities	Total
31 December 2020	133,918	331,921	193,872	3,265	662,976
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	2,527	-	-	-	2,527
Principal repayments of short-term borrowings	(229)	-	-	-	(229)
Proceeds from issuance of long-term debt	417	-	-	-	417
Principal repayments of long-term debt	(14,459)	-	(13,471)	-	(27,930)
Interest paid	-	-	(2,573)	(1,124)	(3,697)
Dividends paid on Company common stock	-	-	-	(86)	(86)
Total changes from financing cash flows	(11,744)	-	(16,044)	(1,210)	(28,998)
Other changes:					
Interest accrued	171	24	2,572	5,474	8,241
The effect of changes in foreign exchange rates	2,708	8,207	958	141	12,014
Non-cash additions to lease obligations	-	-	15,305	-	15,305
Other changes	3	(1)	(870)	(43)	(911)
Total other changes	2,882	8,230	17,965	5,572	34,649
31 March 2021	125,056	340,151	195,793	7,627	668,627

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Note 17. Taxes payable

	31 March 2021	31 December 2020
Income tax	20,168	16,614
Mineral extraction tax	82,084	49,332
Tax on additional income from hydrocarbon production	27,864	2,881
VAT	59,335	35,650
Excise tax	23,902	22,733
Property tax	7,405	5,675
Other taxes	8,870	9,573
Total taxes payable	229,628	142,458

Note 18. Other current liabilities

	31 March 2021	31 December 2020
Advances received	25,662	31,142
Dividends payable	631	1,610
Other	3,985	2,745
Total other current liabilities	30,278	35,497

Note 19. Provisions

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension liabilities	Provision for unused vacations	Other provisions	Total
31 March 2021	106,534	14,736	4,143	13,678	7,258	7,513	153,862
Incl.: Non-current	105,953	159	1,448	11,661	315	2,248	121,784
Current	581	14,577	2,695	2,017	6,943	5,265	32,078
31 December 2020	111,614	10,939	4,204	13,794	6,326	6,924	153,801
Incl.: Non-current	110,916	175	1,329	11,678	322	2,245	126,665
Current	698	10,764	2,875	2,116	6,004	4,679	27,136

Asset retirement obligations changed as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
1 January	111,614	63,387
Provisions made during the period	226	15,901
Reversal of provisions	(8)	(45)
Provisions used during the period	(31)	(56)
Accretion expense	963	949
Change in discount rate	(7,977)	(6,556)
Changes in estimates	261	120
Foreign currency translation differences	1,471	7,008
Other	15	4
31 March	106,534	80,712

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Note 20. Equity

Common shares

	31 March 2021	31 December 2020
	(thousands of shares)	(thousands of shares)
Issued common shares, par value of 0.025 RUB each	692,866	692,866
Treasury shares	(40,367)	(40,367)
Outstanding common shares	652,499	652,499

The Company has the right to issue additional 85 million of common shares.

Earnings per share

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

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	157,427	(45,960)
Weighted average number of common shares (thousands of shares)	652,499	646,332
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	29,909	-
Weighted average number of common shares, assuming dilution (thousands of shares)	682,408	646,332
Profit (loss) per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):		
Basic	241.27	(71.11)
Diluted	230.69	(71.11)

Note 21. Personnel expenses

Personnel expenses were as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Payroll costs	36,278	34,677
Statutory insurance contributions	9,223	9,019
Share-based compensation	7,842	7,842
Total personnel expenses	53,343	51,538

Note 22. Finance income and costs

Finance income was as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Interest income from deposits	665	2,998
Interest income from loans	978	1,376
Other finance income	521	437
Total finance income	2,164	4,811

Finance costs were as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Interest expenses	7,747	8,760
Accretion expenses	1,109	952
Other finance costs	495	537
Total finance costs	9,351	10,249

Note 23. Other income and expenses

Other income was as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Gain on disposal of assets	660	338
Reversal of impairment of assets	-	122
Other income	3,500	3,081
Total other income	4,160	3,541

Other expenses were as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Loss on disposal of assets	2,086	2,257
Impairment loss	-	44,064
Charity expenses	1,615	2,311
Other expenses	302	1,523
Total other expenses	4,003	50,155

Note 24. Commitments and contingencies

Capital commitments

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 498,396 million RUB and 501,550 million RUB at 31 March 2021 and 31 December 2020, 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.

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.

Note 24. Commitments and contingencies (continued)

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 (166.5 billion RUB) to \$1.5 billion (113.6 billion RUB). An expertise of all relevant issues of the criminal case was carried out during 2017, the results of which were accepted by the Tribunal on 12 February 2018. At the final hearing on the case which was held on 23 October 2018 the court issued a not guilty decision to all the accused, including general director of PETROTEL-LUKOIL S.A., his deputies and PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. themselves. As a result freezing injunction in the amount of approximately \$1.5 billion (113.6 billion RUB) was removed from all assets of the refinery, shares and accounts of PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. On 1 November 2018, this decision was appealed by the Prosecutor’s Office 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. and transferred the case to the Prahova Tribunal. On 9 December 2020, the Prahova Tribunal issued a repeated acquittal due to the absence of an event of a crime. On 16 December 2020, the Prosecutor’s Office filed a protest against the court’s verdict. The hearing date has not yet been set. 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 dispute with the Republic of Kazakhstan arising from the Final Production Sharing Agreement relating to the Contract area of the Karachaganak Oil and Gas Condensate Field with respect to cost recovery in 2010-2017. Currently, within the framework of the dispute the parties are making efforts to resolve the existing controversies by way of negotiations and management believes that the amounts of claim, as well as calculations of potential losses arising from the dispute to be preliminary and should not be disclosed in order to avoid any adverse impact on the process. Management also believes that the ultimate outcome of this dispute will not have a material adverse effect on the financial position of the Group.

Note 24. Commitments and contingencies (continued)

On 21 May 2020, the Federal Antimonopoly Service of Russia (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 31 July 2020, the Arbitration court of Arkhangelsk region passed the case to Arbitration court of Moscow. The hearing date was postponed to 4 June 2021. 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 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. Loans and borrowings mostly represent lease obligations.

Note 25. Related party transactions (continued)

Outstanding balances with related parties were as follows:

	31 March 2021	31 December 2020
Accounts receivable and other current assets	2,836	2,474
Other financial assets	33,598	32,403
Total assets	36,434	34,877
Accounts payable	10,600	6,902
Short term borrowings and long-term debt	18,208	17,649
Total liabilities	28,808	24,551

Related party transactions were as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Sales of oil and oil products	3,787	6,285
Other sales	834	678
Purchases of oil and oil products	20,901	14,979
Other purchases	3,791	4,095
(Purchases) proceeds from sale of other financial assets, net	(34)	2,279
Proceeds from issuance of short term borrowings and long-term debt, net	212	558

Note 26. 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.

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 2021 and 2020.

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 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.

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Note 27. Segment information (continued)

Operating segments

For the three months ended 31 March 2021

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	65,808	1,806,211	4,464	-	1,876,483
Inter-segment	533,141	18,008	12,280	(563,429)	-
Total revenues	598,949	1,824,219	16,744	(563,429)	1,876,483
Operating expenses	65,341	58,015	4,460	(11,778)	116,038
Selling, general and administrative expenses	11,519	29,842	15,112	(10,441)	46,032
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	112,594	78,243	(18,484)	(14,926)	157,427
EBITDA	223,793	120,210	(11,009)	(18,614)	314,380
Income tax expense					(41,012)
Finance income					2,164
Finance costs					(9,351)
Foreign exchange loss					(1,145)
Equity share in income of associates and joint ventures					6,488
Other income					157
Depreciation, depletion and amortisation					(113,714)
Profit for the period attributable to non-controlling interests					(540)
Profit for the period attributable to PJSC LUKOIL shareholders					157,427

For the three months ended 31 March 2020

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	52,364	1,607,870	5,751	-	1,665,985
Inter-segment	385,487	20,504	8,930	(414,921)	-
Total revenues	437,851	1,628,374	14,681	(414,921)	1,665,985
Operating expenses	70,069	48,977	3,779	(11,307)	111,518
Selling, general and administrative expenses	12,986	27,176	14,929	(9,982)	45,109
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	22,465	(41,452)	(44,943)	17,970	(45,960)
EBITDA	109,189	40,291	(10,689)	12,052	150,843
Income tax expense					(23,378)
Finance income					4,811
Finance costs					(10,249)
Foreign exchange loss					(14,910)
Equity share in income of associates and joint ventures					4,431
Other expenses					(46,614)
Depreciation, depletion and amortisation					(110,718)
Profit for the period attributable to non-controlling interests					(176)
Loss for the period attributable to PJSC LUKOIL shareholders					(45,960)

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Note 27. Segment information (continued)

Geographical segments

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Sales of crude oil within Russia	13,894	7,494
Export of crude oil and sales of crude oil by foreign subsidiaries	665,795	632,934
Sales of petroleum products within Russia	193,659	203,504
Export of petroleum products and sales of petroleum products by foreign subsidiaries	882,481	720,287
Sales of chemicals within Russia	12,689	10,428
Export of chemicals and sales of chemicals by foreign subsidiaries	24,429	15,791
Sales of gas within Russia	7,626	8,588
Sales of gas by foreign subsidiaries	28,158	25,037
Sales of energy and related services within Russia	19,840	17,580
Sales of energy and related services by foreign subsidiaries	2,061	2,748
Other sales within Russia	10,310	9,319
Other export sales and other sales of foreign subsidiaries	15,541	12,275
Total sales	1,876,483	1,665,985

For the three months ended 31 March 2021

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	288,390	1,588,093	-	1,876,483
Inter-segment	378,358	923	(379,281)	-
Total revenues	666,748	1,589,016	(379,281)	1,876,483
Operating expenses	81,162	30,210	4,666	116,038
Selling, general and administrative expenses	20,595	26,389	(952)	46,032
Profit for the period attributable to PJSC LUKOIL shareholders	138,528	33,810	(14,911)	157,427
EBITDA	249,471	82,276	(17,367)	314,380

For the three months ended 31 March 2020

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	271,279	1,394,706	-	1,665,985
Inter-segment	313,901	257	(314,158)	-
Total revenues	585,180	1,394,963	(314,158)	1,665,985
Operating expenses	81,872	21,814	7,832	111,518
Selling, general and administrative expenses	22,157	23,738	(786)	45,109
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	24,492	(88,469)	18,017	(45,960)
EBITDA	131,777	5,243	13,823	150,843

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

	For the three months ended 31 March 2021	For the three months ended 31 March 2020
Sales revenues		
in Switzerland	858,257	788,012
in the USA	235,821	243,479
in Singapore	154,314	64,659

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.

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 2021 and 31 December 2020.

31 March 2021	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	87	-	87	-	87
Financial assets at fair value through profit or loss	34,999	-	-	34,999	34,999
Financial assets at fair value through other comprehensive income	4,265	4,265	-	-	4,265
Financial liabilities:					
Commodity derivative contracts	170	-	170	-	170
Loans and borrowings	637,049	360,917	-	297,219	658,136

31 December 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	316	-	316	-	316
Financial assets at fair value through profit or loss	33,195	-	-	33,195	33,195
Financial assets at fair value through other comprehensive income	2,491	2,491	-	-	2,491
Financial liabilities:					
Commodity derivative contracts	418	-	418	-	418
Loans and borrowings	638,453	362,818	-	307,832	670,650

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 2021 and 31 December 2020.