



## **PJSC LUKOIL**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**for the three and six-month periods ended 30 June 2017**

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

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



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

To the Shareholders and Board of Directors

PJSC LUKOIL

### ***Introduction***

We have reviewed the accompanying consolidated statement of financial position of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, and the related consolidated statements of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2017 and the related consolidated statements of changes in equity and cash flows for the six - month period ended 30 June 2017, 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 International Financial Reporting Standard 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.



**PJSC LUKOIL**

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### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements as at 30 June 2017, and for the three- and six-month periods ended 30 June 2017 are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Oussov A.I.

Director

JSC "KPMG"

Moscow, Russia

28 August 2017

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

	Note	30 June 2017 (unaudited)	31 December 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	299,676	261,367
Accounts receivable, net	7	322,121	360,897
Other current financial assets		16,359	16,934
Inventories	8	365,889	404,284
Income tax prepaid		10,542	19,646
Other taxes receivable	9	57,397	74,029
Other current assets	10	54,590	83,175
Assets held for sale	14	-	35,309
<b>Total current assets</b>		<b>1,126,574</b>	<b>1,255,641</b>
Property, plant and equipment	12	3,471,528	3,391,366
Investments in associates and joint ventures	11	166,520	162,405
Other non-current financial assets	13	92,806	101,812
Deferred income tax assets		27,842	29,079
Goodwill and other intangible assets		42,857	43,134
Other non-current assets		32,353	31,236
<b>Total non-current assets</b>		<b>3,833,906</b>	<b>3,759,032</b>
<b>Total assets</b>		<b>4,960,480</b>	<b>5,014,673</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable	15	401,825	550,247
Short-term borrowings and current portion of long-term debt	16	116,184	58,429
Income tax payable		7,380	6,591
Other taxes payable	18	87,575	88,364
Provisions	20	43,669	26,015
Other current liabilities	19	132,237	97,110
Liabilities related to assets held for sale	14	-	3,930
<b>Total current liabilities</b>		<b>788,870</b>	<b>830,686</b>
Long-term debt	17	532,743	640,161
Deferred income tax liabilities		240,008	239,811
Provisions	20	48,932	69,944
Other non-current liabilities		4,845	6,407
<b>Total non-current liabilities</b>		<b>826,528</b>	<b>956,323</b>
<b>Total liabilities</b>		<b>1,615,398</b>	<b>1,787,009</b>
<b>Equity</b>	21		
Share capital		1,151	1,151
Treasury shares		(251,089)	(241,615)
Additional paid-in capital		129,637	129,514
Other reserves		40,348	28,975
Retained earnings		3,418,624	3,302,855
<b>Total equity attributable to PJSC LUKOIL shareholders</b>		<b>3,338,671</b>	<b>3,220,880</b>
Non-controlling interests		6,411	6,784
<b>Total equity</b>		<b>3,345,082</b>	<b>3,227,664</b>
<b>Total liabilities and equity</b>		<b>4,960,480</b>	<b>5,014,673</b>

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Vice-president of  
PJSC LUKOIL  
Fedotov G.S.

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Acting Vice-president – Chief accountant of  
PJSC LUKOIL  
Kozyrev I.A.

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

**PJSC LUKOIL**

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

	Note	For the three months ended 30 June 2017 (unaudited)	For the three months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Revenues</b>					
Sales (including excise and export tariffs)	29	1,359,170	1,338,959	2,790,769	2,516,633
<b>Costs and other deductions</b>					
Operating expenses		(110,574)	(113,709)	(218,066)	(226,953)
Cost of purchased crude oil, gas and products		(701,164)	(677,297)	(1,443,733)	(1,215,030)
Transportation expenses		(67,516)	(77,665)	(141,230)	(164,364)
Selling, general and administrative expenses		(39,245)	(45,302)	(75,531)	(93,125)
Depreciation, depletion and amortization		(84,162)	(71,608)	(164,936)	(155,956)
Taxes other than income taxes		(145,640)	(118,724)	(299,322)	(202,277)
Excise and export tariffs		(115,328)	(113,820)	(224,775)	(228,769)
Exploration expenses		(659)	(2,871)	(1,423)	(4,552)
<b>Profit from operating activities</b>		<b>94,882</b>	<b>117,963</b>	<b>221,753</b>	<b>225,607</b>
Finance income	23	3,102	3,511	6,401	7,342
Finance costs	23	(6,767)	(11,098)	(16,237)	(21,469)
Equity share in income of affiliates		3,955	3,425	7,685	5,778
Foreign exchange gain (loss)		27,786	(28,945)	(15,708)	(74,323)
Other income (expenses)	24	47,828	(4,205)	45,341	(7,548)
<b>Profit before income taxes</b>		<b>170,786</b>	<b>80,651</b>	<b>249,235</b>	<b>135,387</b>
Current income taxes		(32,183)	(17,183)	(44,939)	(27,659)
Deferred income taxes		191	(774)	(2,818)	(2,064)
<b>Total income tax expense</b>		<b>(31,992)</b>	<b>(17,957)</b>	<b>(47,757)</b>	<b>(29,723)</b>
<b>Profit for the period</b>		<b>138,794</b>	<b>62,694</b>	<b>201,478</b>	<b>105,664</b>
Profit for the period attributable to non-controlling interests		(146)	(127)	(524)	(272)
<b>Profit for the period attributable to PJSC LUKOIL shareholders</b>		<b>138,648</b>	<b>62,567</b>	<b>200,954</b>	<b>105,392</b>
<b>Other comprehensive income (loss), net of income taxes</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Foreign currency translation differences for foreign operations		32,045	(21,923)	14,343	(37,314)
Change in fair value of available-for-sale financial assets		(1,715)	-	(2,990)	-
<i>Items that will never be reclassified to profit or loss:</i>					
Remeasurement of defined benefit liability / asset of pension plan		(12)	13	13	33
<b>Other comprehensive income (loss)</b>		<b>30,318</b>	<b>(21,910)</b>	<b>11,366</b>	<b>(37,281)</b>
<b>Total comprehensive income for the period</b>		<b>169,112</b>	<b>40,784</b>	<b>212,844</b>	<b>68,383</b>
Total comprehensive income for the period attributable to non-controlling interests		(166)	(119)	(546)	(298)
<b>Total comprehensive income for the period attributable to PJSC LUKOIL shareholders</b>		<b>168,946</b>	<b>40,665</b>	<b>212,298</b>	<b>68,085</b>
Basic and diluted earnings per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):					
	21	194.91	87.76	282.19	147.83

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 2016	1,151	(241,615)	129,514	28,975	3,302,855	<b>3,220,880</b>	6,784	<b>3,227,664</b>
Profit for the period	-	-	-	-	200,954	<b>200,954</b>	524	<b>201,478</b>
Other comprehensive income (loss)	-	-	-	11,373	(29)	<b>11,344</b>	22	<b>11,366</b>
<b>Total comprehensive income</b>				<b>11,373</b>	<b>200,925</b>	<b>212,298</b>	<b>546</b>	<b>212,844</b>
Dividends on common stock	-	-	-	-	(85,156)	<b>(85,156)</b>	-	<b>(85,156)</b>
Stock purchased	-	(9,474)	-	-	-	<b>(9,474)</b>	-	<b>(9,474)</b>
Changes in non-controlling interests	-	-	123	-	-	<b>123</b>	(919)	<b>(796)</b>
<b>30 June 2017</b>	<b>1,151</b>	<b>(251,089)</b>	<b>129,637</b>	<b>40,348</b>	<b>3,418,624</b>	<b>3,338,671</b>	<b>6,411</b>	<b>3,345,082</b>
31 December 2015	1,151	(241,615)	129,403	104,150	3,229,379	<b>3,222,468</b>	8,906	<b>3,231,374</b>
Profit for the period	-	-	-	-	105,392	<b>105,392</b>	272	<b>105,664</b>
Other comprehensive income (loss)	-	-	-	(37,307)	-	<b>(37,307)</b>	26	<b>(37,281)</b>
<b>Total comprehensive income (loss)</b>				<b>(37,307)</b>	<b>105,392</b>	<b>68,085</b>	<b>298</b>	<b>68,383</b>
Dividends on common stock	-	-	-	-	(79,848)	<b>(79,848)</b>	-	<b>(79,848)</b>
Changes in non-controlling interests	-	-	105	(52)	-	<b>53</b>	(2,718)	<b>(2,665)</b>
<b>30 June 2016</b>	<b>1,151</b>	<b>(241,615)</b>	<b>129,508</b>	<b>66,791</b>	<b>3,254,923</b>	<b>3,210,758</b>	<b>6,486</b>	<b>3,217,244</b>

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

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

Note	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit for the period attributable to PJSC LUKOIL shareholders</b>	<b>200,954</b>	<b>105,392</b>
Adjustments for non-cash items:		
Depreciation, depletion and amortization	164,936	155,956
Equity share in income of affiliates, net of dividends received	(4,652)	(3,839)
Dry hole write-offs	8	522
(Gain) loss on disposals and impairments of assets	(43,495)	4,718
Income tax expense	47,757	29,723
Non-cash foreign exchange loss	16,629	70,506
Non-cash investing activities	26	(69)
Finance income	(6,401)	(7,342)
Finance costs	16,237	21,469
Bad debt provision	2,779	2,913
All other items – net	(4,435)	6,374
Changes in operating assets and liabilities:		
Trade accounts receivable	27,726	2,458
Inventories	28,491	(87,849)
Accounts payable	(127,939)	85,588
Other taxes	15,723	37,183
Other current assets and liabilities	28,773	(49,754)
Income tax paid	(31,772)	(35,788)
Dividends received	2,665	2,102
Interests received	3,891	4,215
<b>Net cash provided by operating activities</b>	<b>337,901</b>	<b>344,478</b>
<b>Cash flows from investing activities</b>		
Acquisition of licenses	(54)	(2,408)
Capital expenditures	(254,868)	(248,664)
Proceeds from sale of property, plant and equipment	600	624
Purchases of financial assets	(1,677)	(13,299)
Proceeds from sale of financial assets	5,942	5,651
Sale of subsidiaries, net of cash disposed	81,689	1,414
Sale of equity method affiliates	475	-
Acquisitions of equity method affiliates	(1,993)	(1,833)
<b>Net cash used in investing activities</b>	<b>(169,886)</b>	<b>(258,515)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of short-term borrowings	4,609	46,941
Principal repayments of short-term borrowings	(7,066)	(12,178)
Proceeds from issuance of long-term debt	68,049	89,276
Principal repayments of long-term debt	(105,047)	(14,050)
Interest paid	(20,370)	(23,574)
Dividends paid on Company common shares	(53,975)	(46,324)
Dividends paid to non-controlling interest shareholders	(1,566)	(1,587)
Financing received from non-controlling interest shareholders	23	48
Purchase of Company's stock	(9,474)	-
Sale of non-controlling interests	30	-
Purchases of non-controlling interests	(5)	(1,285)
<b>Net cash (used in) provided by financing activities</b>	<b>(124,792)</b>	<b>37,267</b>
Effect of exchange rate changes on cash and cash equivalents	(4,917)	(33,790)
Change in cash related to assets held for sale	3	-
<b>Net increase in cash and cash equivalents</b>	<b>38,309</b>	<b>89,440</b>
Cash and cash equivalents at beginning of period	261,367	257,263
<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b>346,703</b>

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

## **Note 1. Organization 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 2016 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 2016.

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 2016.

The condensed interim consolidated financial statements were authorised by the Vice-president of the Company on 28 August 2017.

### ***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”).



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

The presentation currency of the consolidated financial statements 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. Summary of significant 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 2016.

## **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.

## **Note 5. Income taxes**

Before 2017, operations in the Russian Federation were subject to a Federal income tax rate of 2.0% and a regional income tax rate that varied from 13.5% to 18.0% at the discretion of the individual regional administration.

For the period from 2017 till 2020 (inclusive) operations in the Russian Federation are subject to a Federal income tax rate of 3.0% and a regional income tax rate that varies from 12.5% to 17.0% at the discretion of the individual regional administration. 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.

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

**Note 6. Cash and cash equivalents**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Cash held in RUB	44,978	33,151
Cash held in US dollars	238,942	162,673
Cash held in EUR	9,291	59,135
Cash held in other currencies	6,465	6,408
<b>Total cash and cash equivalents</b>	<b>299,676</b>	<b>261,367</b>

**Note 7. Accounts receivable, net**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Trade accounts receivable (net of allowances of 19,555 million RUB and 18,270 million RUB at 30 June 2017 and 31 December 2016, respectively)	292,124	332,975
Other current accounts receivable (net of allowances of 2,354 million RUB and 1,919 million RUB at 30 June 2017 and 31 December 2016, respectively)	29,997	27,922
<b>Total accounts receivable, net</b>	<b>322,121</b>	<b>360,897</b>

**Note 8. Inventories**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Crude oil and petroleum products	312,860	349,153
Materials for extraction and drilling	20,323	20,182
Materials and supplies for refining	2,778	2,741
Other goods, materials and supplies	29,928	32,208
<b>Total inventories</b>	<b>365,889</b>	<b>404,284</b>

**Note 9. Other taxes receivable**

	<b>30 June 2017</b>	<b>31 December 2016</b>
VAT and excise tax recoverable	33,301	34,436
Export duties prepaid	6,545	17,113
Other taxes prepaid	17,551	22,480
<b>Total other taxes receivable</b>	<b>57,397</b>	<b>74,029</b>

**Note 10. Other current assets**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Advance payments	22,009	48,157
Prepaid expenses	21,090	23,172
Other assets	11,491	11,846
<b>Total other current assets</b>	<b>54,590</b>	<b>83,175</b>

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

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

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership, %		30 June 2017	31 December 2016
		30 June 2017	31 December 2016		
<i>Joint Ventures:</i>					
Tengizchevroil	Kazakhstan	5.0%	5.0%	88,991	86,851
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	26,045	25,032
Turgai Petroleum	Kazakhstan	50.0%	50.0%	1,210	1,650
South Caucasus Pipeline Company	Azerbaijan	10.0%	10.0%	25,489	23,738
<i>Associates:</i>					
Associates				24,785	25,134
<b>Total</b>				<b>166,520</b>	<b>162,405</b>

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

	Exploration and production	Refining, marketing and distribution	Other	Total
<b>Cost</b>				
31 December 2016	3,478,050	1,155,388	70,186	<b>4,703,624</b>
Additions	233,673	20,355	623	<b>254,651</b>
Capitalised borrowing costs	6,536	45	-	<b>6,581</b>
Disposals	(17,839)	(5,745)	(75)	<b>(23,659)</b>
Foreign currency translation differences	(26,264)	18,441	(238)	<b>(8,061)</b>
Other	223	(587)	(123)	<b>(487)</b>
<b>30 June 2017</b>	<b>3,674,379</b>	<b>1,187,897</b>	<b>70,373</b>	<b>4,932,649</b>
<b>Depreciation and impairment</b>				
31 December 2016	(1,058,116)	(307,641)	(11,794)	<b>(1,377,551)</b>
Depreciation for the period	(112,307)	(46,710)	(1,708)	<b>(160,725)</b>
Impairment loss	(1,429)	(1,029)	-	<b>(2,458)</b>
Disposals	13,063	3,858	17	<b>16,938</b>
Foreign currency translation differences	14,386	(6,660)	(16)	<b>7,710</b>
Other	12	223	1	<b>236</b>
<b>30 June 2017</b>	<b>(1,144,391)</b>	<b>(357,959)</b>	<b>(13,500)</b>	<b>(1,515,850)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2016	64,764	486	43	<b>65,293</b>
<b>30 June 2017</b>	<b>54,048</b>	<b>524</b>	<b>157</b>	<b>54,729</b>
<b>Carrying amounts</b>				
31 December 2016	2,484,698	848,233	58,435	<b>3,391,366</b>
<b>30 June 2017</b>	<b>2,584,036</b>	<b>830,462</b>	<b>57,030</b>	<b>3,471,528</b>

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

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

	Exploration and production	Refining, marketing and distribution	Other	Total
<b>Cost</b>				
31 December 2015	3,232,673	1,206,252	103,587	4,542,512
Additions	203,974	28,882	1,041	233,897
Capitalised borrowing costs	4,694	211	-	4,905
Disposals	(5,845)	(17,437)	(516)	(23,798)
Foreign currency translation differences	(138,021)	(48,226)	(1,825)	(188,072)
Other	(4,215)	6,171	338	2,294
<b>30 June 2016</b>	<b>3,293,260</b>	<b>1,175,853</b>	<b>102,625</b>	<b>4,571,738</b>
<b>Depreciation and impairment</b>				
31 December 2015	(953,254)	(259,515)	(14,627)	(1,227,396)
Depreciation for the period	(106,474)	(43,491)	(3,058)	(153,023)
Impairment loss	-	(78)	-	(78)
Disposals	1,209	9,486	268	10,963
Foreign currency translation differences	77,554	16,444	404	94,402
Other	(83)	(1,893)	(11)	(1,987)
<b>30 June 2016</b>	<b>(981,048)</b>	<b>(279,047)</b>	<b>(17,024)</b>	<b>(1,277,119)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2015	94,619	1,280	138	96,037
<b>30 June 2016</b>	<b>85,300</b>	<b>776</b>	<b>116</b>	<b>86,192</b>
<b>Carrying amounts</b>				
31 December 2015	2,374,038	948,017	89,098	3,411,153
<b>30 June 2016</b>	<b>2,397,512</b>	<b>897,582</b>	<b>85,717</b>	<b>3,380,811</b>

The cost of assets under construction included in Property, plant and equipment was 681,200 million RUB and 593,970 million RUB at 30 June 2017 and 31 December 2016, respectively.

**Exploration and evaluation assets:**

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
31 December	69,829	52,302
Capitalised expenditures	16,735	15,317
Reclassified to development assets	(1,996)	(3,633)
Charged to expenses	(1,159)	(483)
Foreign currency translation differences	(208)	(1,160)
Other movements	(30)	(127)
<b>30 June</b>	<b>83,171</b>	<b>62,216</b>

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

	30 June 2017	31 December 2016
Long-term loans	80,392	86,387
Non-current accounts and notes receivable	7,925	7,916
Other non-current financial assets	4,489	7,509
<b>Total other non-current financial assets</b>	<b>92,806</b>	<b>101,812</b>

**Note 14. Assets held for sale**

In December 2016, the Company entered into a contract with a company of the “Otkrytie Holding” group to sell the Group’s 100% interest in JSC “Arkhangelskgeoldobycha” (“AGD”), a company developing the diamond field named after V.P. Grib located in Arkhangelsk region of Russia. The transaction in the amount of Russian ruble equivalent of \$1.45 billion was completed on 24 May 2017 after all necessary governmental approvals were received. As a result the Group recognized profit before income tax in the amount of 48 billion RUB that is included in “Other income (expenses)” in the consolidated statement of profit or loss and other comprehensive income (profit after income tax – 38 billion RUB).

**Note 15. Accounts payable**

	30 June 2017	31 December 2016
Trade accounts payable	363,629	478,673
Other accounts payable	38,196	71,574
<b>Total accounts payable</b>	<b>401,825</b>	<b>550,247</b>

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

	30 June 2017	31 December 2016
Short-term borrowings from third parties	11,190	14,305
Short-term borrowings from related parties	3,898	3,743
Current portion of long-term debt	101,096	40,381
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>116,184</b>	<b>58,429</b>

Short-term borrowings from third parties include amounts repayable in US dollars of 655 million RUB and 667 million RUB and amounts repayable in other currencies of 10,535 million RUB and 13,638 million RUB at 30 June 2017 and 31 December 2016, respectively. The weighted-average interest rate on short-term borrowings from third parties was 14.07% and 9.42% per annum at 30 June 2017 and 31 December 2016, respectively. Approximately 6% of total short-term borrowings from third parties at 30 June 2017 are secured by inventories.

**Note 17. Long-term debt**

	30 June 2017	31 December 2016
Long-term loans and borrowings from third parties	270,850	277,404
6.356% non-convertible US dollar bonds, maturing 2017	-	30,328
3.416% non-convertible US dollar bonds, maturing 2018	88,588	90,689
7.250% non-convertible US dollar bonds, maturing 2019	35,373	36,304
6.125% non-convertible US dollar bonds, maturing 2020	58,973	60,585
6.656% non-convertible US dollar bonds, maturing 2022	29,483	30,328
4.563% non-convertible US dollar bonds, maturing 2023	88,443	90,689
4.750% non-convertible US dollar bonds, maturing 2026	58,925	60,657
Finance lease obligations	3,204	3,558
Total long-term debt	633,839	680,542
Current portion of long-term debt	(101,096)	(40,381)
<b>Total non-current portion of long-term debt</b>	<b>532,743</b>	<b>640,161</b>

**Note 17. Long-term debt (continued)**

*Long-term loans and borrowings*

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 219,910 million RUB and 155,720 million RUB, amounts repayable in euros of 50,940 million RUB and 50,496 million RUB, amounts repayable in Russian rubles of nill and 70,000 million RUB and amounts repayable in other currencies of nill and 1,188 million RUB at 30 June 2017 and 31 December 2016, respectively. This debt has maturity dates from 2017 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 4.02% and 6.06% per annum at 30 June 2017 and 31 December 2016, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 26% of total long-term loans and borrowings from third parties at 30 June 2017 are secured by shares of an associated company, export sales and property, plant and equipment.

**Note 18. Other taxes payable**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Mineral extraction tax	34,800	37,583
VAT	23,291	23,960
Excise tax	19,238	16,606
Property tax	3,319	3,899
Other taxes	6,927	6,316
<b>Total other taxes payable</b>	<b>87,575</b>	<b>88,364</b>

**Note 19. Other current liabilities**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Advances received	40,100	35,261
Dividends payable	86,545	55,285
Other	5,592	6,564
<b>Total other current liabilities</b>	<b>132,237</b>	<b>97,110</b>

**Note 20. Provisions**

	<b>Asset retirement obligation</b>	<b>Provision for employee compensations</b>	<b>Provision for environmental liabilities</b>	<b>Pension provisions</b>	<b>Provision for unused vacations</b>	<b>Other provisions</b>	<b>Total</b>
<b>30 June 2017</b>	<b>38,478</b>	<b>31,314</b>	<b>4,292</b>	<b>7,767</b>	<b>5,461</b>	<b>5,289</b>	<b>92,601</b>
Incl.: Non-current	38,092	1,853	1,834	6,251	42	860	<b>48,932</b>
Current	386	29,461	2,458	1,516	5,419	4,429	<b>43,669</b>
<b>31 December 2016</b>	<b>37,460</b>	<b>35,803</b>	<b>4,489</b>	<b>8,049</b>	<b>4,913</b>	<b>5,245</b>	<b>95,959</b>
Incl.: Non-current	35,939	23,377	2,523	6,531	60	1,514	<b>69,944</b>
Current	1,521	12,426	1,966	1,518	4,853	3,731	<b>26,015</b>

**Note 20. Provisions (continued)**

Assets retirement obligation:

	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
31 December	37,460	32,919
Provisions made during the period	1,221	1,816
Reversal of provisions	(70)	(38)
Provisions used during the period	(1,237)	(44)
Accretion expense	1,336	1,117
Change in discount rate	171	-
Changes in estimates	(180)	40
Foreign currency translation differences	(339)	(2,157)
Other	116	(187)
<b>30 June</b>	<b>38,478</b>	<b>33,466</b>

**Note 21. Equity**

*Common shares*

	<b>30 June 2017 (thousands of shares)</b>	<b>31 December 2016 (thousands of shares)</b>
Authorized common shares, par value of 0.025 RUB each	850,563	850,563
Issued common shares, par value of 0.025 RUB each	850,563	850,563
Treasury shares	(140,930)	(137,630)
<b>Outstanding common shares</b>	<b>709,633</b>	<b>712,933</b>

*Dividends*

At the annual shareholders' meeting on 21 June 2017, dividends for 2016 were approved in the amount of 120.00 RUB per common share. At the extraordinary shareholders' meeting on 5 December 2016, interim dividends for 2016 were approved in the amount of 75.00 RUB per common share. Total dividends for 2016 were approved in the amount of 195.00 RUB per common share.

At the annual shareholders' meeting on 23 June 2016, dividends for 2015 were approved in the amount of 112.00 RUB per common share. At the extraordinary shareholders' meeting on 16 December 2015, interim dividends for 2015 were approved in the amount of 65.00 RUB per common share. Total dividends for 2015 were approved in the amount of 177.00 RUB per common share.

Dividends on the Company's shares payable of 85,472 million RUB and 54,301 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 30 June 2017 and 31 December 2016, respectively.

*Earnings per share*

The weighted average number of outstanding common shares was 711,337 and 712,131 thousand shares for the three and six months ended 30 June 2017, respectively and 712,933 thousand shares for the three and six months ended 30 June 2016. There is no potential dilution in earnings available to common stockholders and as such diluted earnings per share are not disclosed.

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**Note 22. Personnel expenses**

Personnel expenses were as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Salary	32,057	35,137	63,466	69,852
Statutory insurance contributions	7,896	7,394	15,837	14,994
Share-based compensation	454	2,400	(2,718)	6,344
<b>Total personnel expenses</b>	<b>40,407</b>	<b>44,931</b>	<b>76,585</b>	<b>91,190</b>

**Note 23. Finance income and costs**

Finance income was as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Interest income from deposits	1,204	1,354	2,014	2,849
Interest income from loans	1,664	1,819	3,631	3,697
Other finance income	234	338	756	796
<b>Total finance income</b>	<b>3,102</b>	<b>3,511</b>	<b>6,401</b>	<b>7,342</b>

Finance costs were as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Interest expenses	5,838	10,259	13,765	20,184
Accretion expenses	672	751	1,341	1,124
Other finance costs	257	88	1,131	161
<b>Total finance costs</b>	<b>6,767</b>	<b>11,098</b>	<b>16,237</b>	<b>21,469</b>

**Note 24. Other income and expenses**

Other income was as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Gain on disposal of assets	50,209	176	50,419	916
Reversal on impairments of assets	4,257	-	4,257	-
Other income	3,817	3,948	8,425	7,808
<b>Total other income</b>	<b>58,283</b>	<b>4,124</b>	<b>63,101</b>	<b>8,724</b>

Other expenses were as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Loss on disposal of assets	5,248	2,825	8,723	5,170
Impairment loss	2,458	356	2,458	464
Charity expenses	2,361	3,926	4,495	6,343
Other expenses	388	1,222	2,084	4,295
<b>Total other expenses</b>	<b>10,455</b>	<b>8,329</b>	<b>17,760</b>	<b>16,272</b>



## **Note 25. Operating lease**

At 30 June 2017 and 31 December 2016, Group companies had commitments primarily related to the lease of vessels, tank-cars, storage facilities and petroleum distribution outlets. Commitments for minimum rentals under these leases are payable as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Less than a year	24,812	31,184
1-5 years	52,975	57,429
More than 5 years	90,302	103,199
<b>Total</b>	<b>168,089</b>	<b>191,812</b>

## **Note 26. Commitments and contingencies**

### *Capital commitments*

At 30 June 2017, capital commitments of the Group relating to construction and acquisition of property, plant and equipment are evaluated as 387,989 million RUB.

### *Taxation environment*

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during the 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 may create substantially more significant taxation risks in the Russian Federation and other emerging markets where Group companies operate, than those in other countries where taxation regimes have been subject to development and clarification over long periods.

The tax authorities in each region may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessful 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 at the time of implementation. The Group is subject to tax authority audits on an ongoing basis, as is normal in the Russian environment 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 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 26. Commitments and contingencies (continued)**

*Litigation and claims*

In June 2014, the prosecutors with the Ploesti Court of Appeals (hereinafter the “Prosecutor’s Office”) issued an order on initiation of criminal proceedings and brought charges against PETROTEL-LUKOIL S.A. refinery, a Group company, and its general director based on alleged tax evasion and money laundering. Later the Prosecutor’s Office added bad faith use of the company’s credit and money laundering charges for 2008-2010 against LUKOIL Europe Holdings B.V., a Group company. The amount of the claim is not finalised. LUKOIL LUBRICANTS EAST EUROPE S.R.L., LUKOIL ENERGY & GAS ROMANIA S.R.L., Group companies, and a number of Romanian legal entities not affiliated with the Group are also considered to be suspects in this criminal case. At the moment a preliminary investigation of the criminal case is being conducted. Tax audits of PETROTEL-LUKOIL S.A. have not revealed any material violations so far. In July 2015, a new charge in respect of bad faith use of the company’s credit and money laundering was brought against the general director and several officers of PETROTEL-LUKOIL S.A. A similar charge was brought against LUKOIL Europe Holdings B.V. and PETROTEL-LUKOIL S.A. for 2011-2014. On 3 August 2015, the Prosecutor’s Office issued the final indictment on the new charges and submitted the case to the Prahova Tribunal for further consideration by the preliminary chamber judge. The allegations of bad faith use of the company’s credit in respect of PETROTEL-LUKOIL S.A. were excluded from the final indictment. Following the preliminary hearing the Prosecutor’s Office revised the amount of damage claimed from \$2.2 billion (130.0 billion RUB) to \$1.5 billion (88.6 billion RUB). This amount is not final. During the entire trial it may be revised by the Tribunal on the basis of evidence produced. On 15 December 2015, the Prahova Tribunal ascertained that there are numerous irregularities in the indictment act and returned the criminal file to the Prosecutor’s Office. The solution was confirmed by the Ploesti Court of Appeal on 19 January 2016. However, on 22 January 2016 the Prosecutor has prepared a new indictment act based on the same accusations which were submitted to the Prahova Tribunal. On 18 April 2016, the preliminary hearing chamber of the Prahova Tribunal decided on the hearing of the case on the merits. Moreover, on 10 May 2016, the Prahova Tribunal lifted all preventive measures that were in effect against the accused individuals. On 27 January 2017, a court hearing took place and the attorneys requested that an expert examination be performed. On 19 May 2017, the Prahova Tribunal issued a decision on appointment of experts. The next hearing is scheduled for 6 September 2017. Management of PETROTEL-LUKOIL S.A. and its tax and legal counsel are actively defending the lawful rights and interests of the refinery, provide all required opinions, clarifications and comments, and prepare an exhaustive set of evidence to fully rebut the charges brought by the Prosecutor’s Office. 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 related to cost recovery in 2010-2013 and calculation of the “objectivity index” in accordance with the Final Production Sharing Agreement in respect of the Karachaganak field in Kazakhstan. Currently, the parties are in the process of preparation for the arbitration with regard to the cost recovery issue and in the process of coordination of procedural issues of arbitration proceeding with regard to correctness of “objectivity index” calculation. The parties undertake effort in order to resolve the disagreements in both disputes during negotiation process therefore management believes that all the calculations of possible losses are preliminary and are not subject to disclosure in order to avoid an adverse impact on course of the negotiations and position of the parties in it. As at the date of the signing of these condensed interim consolidated financial statements, management can not make a sufficient judgement on the influence of “objectivity index” on the Group’s financial position due to absence of the amount of the claim from the Republic of Kazakhstan and complexity of “objectivity index” calculation.

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

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 condition.

***Political situation***

In July-September 2014, the United States ("US"), the European Union ("EU") and other countries imposed a set of economic sanctions on Russia, including certain sectoral sanctions which affect several Russian oil and gas companies, including the Company. Such sectoral sanctions prohibit US and EU companies and individuals from providing, exporting, or reexporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects within the territory of the Russian Federation.

In August 2017, the US issued a law that expands abovementioned sanctions on new projects not only within the territory of the Russian Federation, but also worldwide. Sanctions shall cover new projects in which the Company (among Russian oil and gas companies placed on the Sectoral Sanctions Identifications List), has a controlling interest or ownership interest of 33% or more. As of today these sanctions have not come into effect yet and certain key terms such as "controlling interest" and criteria used to determine that the project qualifies as "new" for the purpose of sanctions application, remain undefined.

The Company takes the abovementioned sanctions into consideration in its activities, continuously monitors them and analyses the effect of the sanctions, including new sanctions, on the Group's financial position and results of operations.

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

**Note 27. Related party transactions**

In the rapidly developing business environment in the Russian Federation, companies and individuals have frequently used nominees and other forms of intermediary companies in 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 in this environment 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 affiliated companies.

Outstanding balances with related parties were as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Accounts receivable	10,464	8,209
Other financial assets	87,733	93,453
<b>Total assets</b>	<b>98,197</b>	<b>101,662</b>
Accounts payable	6,731	8,436
Loans and borrowings	3,903	3,743
<b>Total liabilities</b>	<b>10,634</b>	<b>12,179</b>

**Note 27. Related party transactions (continued)**

Related party transactions were as follows:

	For the three months ended 30 June 2017	For the three months ended 30 June 2016	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Sales of oil and oil products	3,461	5,453	6,918	9,834
Other sales	1,078	452	2,156	846
Purchases of oil and oil products	22,542	22,297	47,180	35,442
Other purchases	1,573	461	2,796	2,685
Loans given	1,063	4,105	1,725	12,529
Loans received	693	1,548	1,926	2,238

**Note 28. Compensation plan**

In December 2012, the Company introduced a compensation plan available to certain members of management for the period from 2013 to 2017, which is based on assigned shares and provides compensation consisting of two parts. The first part represents annual bonuses that are based on the number of assigned shares and amount of dividend per share. The payment of these bonuses is contingent on the Group meeting certain financial KPIs in each financial year. The second part is based upon the Company's common shares appreciation from 2013 to 2017, with rights vesting after the date of the compensation plan's termination. The number of assigned shares is approximately 19 million shares.

For the first part of the share plan the Group recognised a liability based on expected dividends and number of assigned shares. The second part of the share plan was also classified as liability settled. The reporting date fair value of this part of the plan was estimated at 20,717 million RUB, using the Black-Scholes-Merton option-pricing model. The fair value was estimated assuming a risk-free interest rate of 8.09% per annum, an expected dividend yield of 6.43% per annum, an expected time to maturity of six months and a volatility factor of 14.40%. The expected volatility factor for the annual weighted average share price was estimated based on the historical volatility of the Company's shares for the previous eleven years from 2006 till 2016.

Related to this share plan the Group recognised expense of 454 million RUB and income of 2,718 million RUB during the three and six months ended 30 June 2017, respectively and expense of 2,400 million RUB and 6,344 million RUB during the three and six months ended 30 June 2016, respectively. At 30 June 2017 and 31 December 2016, amounts of 24,203 million RUB and 26,921 million RUB related to this plan are included in "Provisions" of the consolidated statement of financial position, respectively.

At 30 June 2017, there was 2,072 million RUB of total unrecognised compensation cost related to unvested benefits. This cost is expected to be recognised periodically by the Group up to December 2017.

**Note 29. Segment information**

The Group has the following operating segments – exploration and production; refining, marketing and distribution; corporate and other business segments. 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.

Operating earnings are supplemental non-IFRS financial measure used by management to evaluate segments performance. Operating earnings are defined as profit before finance income and costs, income tax expense, depreciation, depletion and amortisation.

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

**Operating segments**

**For the three months ended 30 June 2017**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	38,251	1,313,725	7,194	-	1,359,170
Inter-segment	337,648	17,613	10,870	(366,131)	-
<b>Total revenues</b>	<b>375,899</b>	<b>1,331,338</b>	<b>18,064</b>	<b>(366,131)</b>	<b>1,359,170</b>
Operating expenses	67,103	55,212	5,301	(17,042)	110,574
Selling, general and administrative expenses	10,646	28,696	9,912	(10,009)	39,245
Profit for the period	48,251	32,266	54,887	3,244	138,648
Operating earnings	120,872	67,493	65,276	4,826	258,467
Income tax expense					(31,992)
Finance income					3,102
Finance costs					(6,767)
Depreciation, depletion and amortisation					(84,162)
Profit for the period attributable to PJSC LUKOIL shareholders					138,648

**For the three months ended 30 June 2016**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	42,485	1,288,758	7,716	-	1,338,959
Inter-segment	382,814	15,782	12,457	(411,053)	-
<b>Total revenues</b>	<b>425,299</b>	<b>1,304,540</b>	<b>20,173</b>	<b>(411,053)</b>	<b>1,338,959</b>
Operating expenses	67,355	59,393	5,063	(18,102)	113,709
Selling, general and administrative expenses	9,957	30,866	12,858	(8,379)	45,302
Profit (loss) for the period	67,519	24,299	(28,071)	(1,180)	62,567
Operating earnings	134,701	50,192	(26,532)	1,358	159,719
Income tax expense					(17,957)
Finance income					3,511
Finance costs					(11,098)
Depreciation, depletion and amortisation					(71,608)
Profit for the period attributable to PJSC LUKOIL shareholders					62,567

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

**For the six months ended 30 June 2017**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	72,113	2,701,310	17,346	-	2,790,769
Inter-segment	717,912	35,833	22,453	(776,198)	-
<b>Total revenues</b>	<b>790,025</b>	<b>2,737,143</b>	<b>39,799</b>	<b>(776,198)</b>	<b>2,790,769</b>
Operating expenses	130,983	108,277	10,321	(31,515)	218,066
Selling, general and administrative expenses	22,288	58,250	15,616	(20,623)	75,531
Profit for the period	103,992	70,423	21,315	5,224	200,954
Operating earnings	244,236	136,162	34,423	8,662	423,483
Income tax expense					(47,757)
Finance income					6,401
Finance costs					(16,237)
Depreciation, depletion and amortisation					(164,936)
Profit for the period attributable to PJSC LUKOIL shareholders					200,954

**For the six months ended 30 June 2016**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	95,462	2,400,709	20,462	-	2,516,633
Inter-segment	693,546	31,983	25,906	(751,435)	-
<b>Total revenues</b>	<b>789,008</b>	<b>2,432,692</b>	<b>46,368</b>	<b>(751,435)</b>	<b>2,516,633</b>
Operating expenses	133,623	104,645	9,524	(20,839)	226,953
Selling, general and administrative expenses	19,976	66,697	24,903	(18,451)	93,125
Profit (loss) for the period	117,994	56,211	(68,727)	(86)	105,392
Operating earnings	261,611	109,991	(66,422)	18	305,198
Income tax expense					(29,723)
Finance income					7,342
Finance costs					(21,469)
Depreciation, depletion and amortisation					(155,956)
Profit for the period attributable to PJSC LUKOIL shareholders					105,392

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

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

**Geographical segments**

	<b>For the three months ended 30 June 2017</b>	<b>For the three months ended 30 June 2016</b>	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Sales of crude oil within Russia	9,110	23,404	18,012	44,744
Export of crude oil and sales of crude oil by foreign subsidiaries	365,115	340,858	761,535	633,406
Sales of petroleum products within Russia	185,335	147,771	347,705	280,033
Export of petroleum products and sales of petroleum products by foreign subsidiaries	719,614	752,369	1,496,662	1,390,405
Sales of chemicals within Russia	9,361	8,915	19,107	18,094
Export of chemicals and sales of chemicals by foreign subsidiaries	13,336	8,804	25,462	18,962
Sales of gas within Russia	7,898	6,921	14,931	14,073
Sales of gas by foreign subsidiaries	12,583	8,256	22,181	19,515
Sales of energy and related services within Russia	12,126	11,642	32,188	30,678
Sales of energy and related services by foreign subsidiaries	2,204	2,797	5,591	6,525
Other sales within Russia	11,403	12,677	21,680	22,896
Other export sales and other sales of foreign subsidiaries	11,085	14,545	25,715	37,302
<b>Total sales</b>	<b>1,359,170</b>	<b>1,338,959</b>	<b>2,790,769</b>	<b>2,516,633</b>

**For the three months ended 30 June 2017**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	253,854	1,105,316	-	1,359,170
Inter-segment	271,193	876	(272,069)	-
<b>Total revenues</b>	<b>525,047</b>	<b>1,106,192</b>	<b>(272,069)</b>	<b>1,359,170</b>
Operating expenses	83,303	26,579	692	110,574
Selling, general and administrative expenses	24,159	16,919	(1,833)	39,245
Profit for the period	130,583	5,633	2,432	138,648
Operating earnings	222,931	30,579	4,957	258,467

**For the three months ended 30 June 2016**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	224,961	1,113,998	-	1,338,959
Inter-segment	272,210	732	(272,942)	-
<b>Total revenues</b>	<b>497,171</b>	<b>1,114,730</b>	<b>(272,942)</b>	<b>1,338,959</b>
Operating expenses	81,746	29,386	2,577	113,709
Selling, general and administrative expenses	24,937	21,286	(921)	45,302
Profit for the period	58,503	6,049	(1,985)	62,567
Operating earnings	125,434	35,635	(1,350)	159,719

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

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

**For the six months ended 30 June 2017**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	490,175	2,300,594	-	2,790,769
Inter-segment	581,774	1,597	(583,371)	-
<b>Total revenues</b>	<b>1,071,949</b>	<b>2,302,191</b>	<b>(583,371)</b>	<b>2,790,769</b>
Operating expenses	163,727	50,717	3,622	218,066
Selling, general and administrative expenses	43,573	34,475	(2,517)	75,531
Profit for the period	168,004	28,538	4,412	200,954
Operating earnings	334,333	82,505	6,645	423,483

**For the six months ended 30 June 2016**

	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	429,952	2,086,681	-	2,516,633
Inter-segment	509,437	1,327	(510,764)	-
<b>Total revenues</b>	<b>939,389</b>	<b>2,088,008</b>	<b>(510,764)</b>	<b>2,516,633</b>
Operating expenses	155,859	61,275	9,819	226,953
Selling, general and administrative expenses	48,874	46,058	(1,807)	93,125
Profit for the period	99,012	7,277	(897)	105,392
Operating earnings	219,209	86,517	(528)	305,198

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

	<b>For the three months ended 30 June 2017</b>	<b>For the three months ended 30 June 2016</b>	<b>For the six months ended 30 June 2017</b>	<b>For the six months ended 30 June 2016</b>
Sales revenues				
in Switzerland	595,745	641,323	1,280,730	1,148,389
in the USA	152,985	127,777	300,451	210,305
in Singapore	115,270	67,216	232,069	141,095

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

**Note 30. Fair value**

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

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 30. Fair value (continued)**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 30 June 2017 and 31 December 2016.

<b>30 June 2017</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>					
Commodity derivative contracts	13,425	-	13,425	-	<b>13,425</b>
Available for sale securities	4,411	-	-	4,411	<b>4,411</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	4,428	-	4,428	-	<b>4,428</b>
Loans and borrowings	633,839	376,374	-	282,446	<b>658,820</b>

  

<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>					
Commodity derivative contracts	13,380	-	13,380	-	<b>13,380</b>
Available for sale securities	7,437	-	-	7,437	<b>7,437</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	36,935	-	36,935	-	<b>36,935</b>
Loans and borrowings	680,542	414,214	-	290,622	<b>704,836</b>

The fair values of cash and cash equivalents (Level 1), current and long-term accounts receivable (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 arrangements. 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 periods, repayment schedules and similar other main terms. The fair value of bonds (Level 1) was determined based on market quotations at 30 June 2017 and 31 December 2016.