PJSC LUKOIL

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three and six-month periods ended 30 June 2018

prepared in accordance with IFRS
(unaudited)

These condensed interim consolidated financial statements were prepared by PJSC LUKOIL in accordanc
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 financia
results and we can not assure that any such differences would be material.

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123

Conclusion

We have reviewed the accompanying condensed interim consolidated financial statements of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group") as at 30 June 2018 and the related condensed interim consolidated statements of comprehensive income for the three- and six-month periods ended 30 June 2018 and changes in equity and cash flows for the six-month period ended 30 June 2018 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.

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".

The accompanying notes are an integral part of these condensed

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

Note 1. Organization and environment

The primary activities of PJSC LUKOIL (the "Company") and its subsidiaries (together, the "Group") are oil exploration, production

Note 2. Basis of preparation (continued)

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

Note 3. Changes in accounting policies

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the consolidated financial statements for 2017 except for IFRS 9 *Financial instruments* and IFRS 15 *Revenue from Contracts with Customers* that the Group has adopted with effect from 1 January 2018.

IFRS 9, issued in July 2014, replaced the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaced the current 'incurred loss' model with a forward-looking 'expected credit loss' model. The adoption of IFRS 9 resulted in recognition of additional provisions for impairment of receivables under the expected credit loss model. The overall impact of applying the standard resulted in recognition of additional allowance on accounts receivables recognized directly in equity in the amount of 6,831 million RUB net of deferred income tax at 1 January 2018. As permitted by IFRS 9 comparatives have not been restated.

IFRS 15, issued in May 2014, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue when a customer obtains control of the goods. Based on management's analysis performed the standard does not have a material effect on the Group's consolidated financial statements, no transition adjustment has been made and comparative information has not been restated.

Note 4. Use of estimates and judgments

Preparation of the consolidated financial statements in 3(gJ ET BT1 0 0 1 169.(FR)6(S)-8(t5 Tm [(UR.)15

Note 5. Income taxes

Operations in the Russian Federation are subject to a Federal income tax rate of 3.0% and a regional incor tax rate that varies from 12.5% to 17.0% at the discretion of

Note 12. Property, plant and equipment (continued)

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

Note 16. Long-term debt

	30 June 2018	31 December 2017
Long-		

Note 20. Equity

Common shares

	30 June 2018 (thousands of shares)	31 December 2017 (thousands of shares)
Authorized and issued common shares, par value 0.025 RUB each	850,563	850,563
Treasury shares	(140,930)	(140,930)
Outstanding common shares	**709,633**	**709,633**

Dividends

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

At the annual general shareholders' meeting on 21 June 2017, dividends for 2016 were approved in the amount of 120.00 RUB per common share. At the extraordinary general 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.

Dividends on the Company's shares payable of 92,607 million RUB and 61,283 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 30 June 2018 and 31 December 2017, respectively.

Earnings per share

The weighted average number of outstanding common shares used for calculation of earnings per share was 709,633 thousand shares for the three and six months ended 30 June 2018, 711,337 thousand shares and 712,131 thousand shares for the three and six months ended 30 June 2017, respectively. There is no potential dilution in earnings available to common stockholders and as such diluted earnings per share are not disclosed.

Note 21. Personnel expenses

Personnel expenses were as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Salary	34,648	32,057	65,968	63,466
Statutory insurance contributions	8,578	7,896	16,809	15,837
Share-based compensation	-	454	190	(2,718)
Total personnel expenses	**43,226**	**40,407**	**82,967**	**76,585**

Note 22. Finance income and costs

Finance income was as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Interest income from deposits	2,156	1,204	3,699	2,014
Interest income from loans	1,873	1,664	3,299	3,631
Other finance income	619	234	1,164	756
Total finance income	**4,648**	**3,102**	**8,162**	**6,401**

Note 22. Finance income and costs (continued)

Finance costs were as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Interest expenses	7,101	5,838	13,423	13,765
Accretion expenses	761	672	1,407	1,341
Other finance costs	417	257	771	1,131
Total finance costs	**8,279**	**6,767**	**15,601**	**16,237**

Note 23. Other income and expenses

Other income was as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Gain on disposal of assets	413	50,209	602	50,419
Reversal of impairments of assets	-	4,257	-	4,257
Other income	1,928	3,817	6,365	8,425
Total other income	**2,341**	**58,283**	**6,967**	**63,101**

Other expenses were as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Loss on disposal of assets	4,683	5,248	6,492	8,723
Impairment loss	5,010	2,458	5,010	2,458
Charity expenses	2,518	2,361	4,171	4,495
Other expenses	692	388	1,157	

Note 25. Commitments and contingencies (continued)

At the same time management does not preclude the possibility of settlement of the FI related dispute and believes that the final outcome of the above mentioned disputes will not have a material adverse effect on the Group's financial position.

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

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 has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4. 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 claimed by the Russian Federation and extending from its territory.

Note 26. Related party transactions (continued)

Related party transactions were as follows:

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Sales of oil and oil products	12,091	3,461	18,922	6,918
Other sales	1,475	1,078	2,685	2,156
Purchases of oil and oil products	43,814	22,542	103,817	47,180
Other purchases	3,164	1,573	5,114	2,796
Proceeds from sale (purchases) of other financial assets, net	20,114	1,991	13,092	3,838
Proceeds from issuance (principal repayments) of loans, net	80	94	(108)	(16)

During the second quarter of 2017, a Group company acquired from a related party 330 000 ordinary shares of the Company for 9,474 million RUB.

Note 27. Compensation plan

During the period from 2013 to 2017, the Company had a compensation plan available to certain members of management, which was based on assigned shares and provided compensation consisting of two parts. The first part represented annual bonuses that were based on the number of assigned shares and amount of dividend per share. The payment of these bonuses was contingent on the Group meeting certain financial KPIs in each financial year. The second part was based upon the Company's common shares appreciation from 2013 to 2017, with rights vested in December 2017. The number of assigned shares for this compensation plan was approximately 19 million shares.

Note 28. Segment information (continued)

For the six months ended 30 June 2018

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	584,388	3,102,398	-	3,686,786
Inter-segment	752,226	1,555	(753,781)	-
Total revenues	1,336,614	3,103,953	(753,781)	3,686,786
Operating expenses	160,702	59,941	218	220,861
Selling, general and administrative expenses	46,800	32,085	(1,722)	77,163
Profit for the peri149s	255,177	31,453	(10,250)	276,380
Operating earnings s	449,505	96,000	(9,418)	536,087

Note 29. Fair value (continued)

		Fair value			
30 June 2018	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Commodityderivative contracts	5,946	-	5,946	-	**5,946**
Financial assets at fair value through other comprehensive income	6,407	6,407	-	-	**6,407**
Financial liabilities:					
Commodity derivative contracts	7,539	-	7,539	-	**7,539**
Loans and borrowings	502,778	296,089	-	221,628	**517,717**

		Fair value			
31 December 2017	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					