LUKOIL

PJSC LUKOIL

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(prepared in accordance with US GAAP)

As of and for the three and six-month periods ended June 30, 2015

(unaudited)

These interim consolidated financial statements were prepared by PJSC LUKOIL in accordance with US GAAP and have not been audited by our independent auditor. If these 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' Review Report

The Shareholders and Board of Directors

PJSC LUKOIL:

Report on the Financial Statements

We have reviewed the accompanying consolidated balance sheet of PJSC LUKOIL and its subsidiaries as of June 30, 2015, the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, and the related consolidated statements of stockholders' equity and cash flows for the six-month periods ended June 30, 2015 and 2014.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Entity: Public Joint Stock Company "Oil company "LUKOIL"

Registered by Moscow Registration Chamber on 22 of April 1993, Registration No. 024020.

Entered in the Unified State Register of Legal Entities on 17 July 2002 by Department of the Ministry of Taxes and Duties, Registration No. 1027700035769, Certificate series 77 No 007892347

11, Sretensky Boulevard, Moscow, Russia, 101000

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.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

Oussov A.I.

Director, power of attorney No. 18/15 dated March 16, 2015

JSC "KPMG"

August 26, 2015

Moscow, Russian Federation

PJSC LUKOIL
Consolidated Balance Sheets
(millions of US dollars)

	Note	As of June 30, 2015 (unaudited)	As of December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	4	2,743	3,004
Short-term investments		253	234
Accounts receivable, net	5	7,964	9,213
Inventories		7,126	6,154
Prepaid taxes and other expenses		1,331	2,174
Other current assets		569	500
Assets held for sale	10	1,276	1,480
Total current assets		**21,262**	**22,759**
Investments	6	4,713	4,808
Property, plant and equipment	7, 8	82,422	81,467
Deferred income tax assets		821	725
Goodwill and other intangible assets	9	1,160	1,193
Other non-current assets		971	848
Total assets		**111,349**	**111,800**
Liabilities and equity			
Current liabilities			
Accounts payable		6,696	7,101
Short-term borrowings and current portion of long-term debt	11	1,425	2,168
Taxes payable		1,867	1,437
Other current liabilities		2,806	3,231
Liabilities related to assets held for sale	10	227	275
Total current liabilities		**13,021**	**14,212**
Long-term debt	12, 15	11,605	11,361
Deferred income tax liabilities		2,683	2,778
Asset retirement obligations	7	1,794	1,573
Other long-term liabilities		516	524
Total liabilities		**29,619**	**30,448**
Equity	14		
PJSC LUKOIL stockholders' equity			
Common stock		15	15
Treasury stock, at cost		(5,189)	(5,189)
Equity-linked notes		(2,500)	(2,500)
Additional paid-in capital		4,557	4,524
Retained earnings		84,700	84,317
Accumulated other comprehensive loss		(33)	(37)
Total PJSC LUKOIL stockholders' equity		**81,550**	**81,130**
Non-controlling interests		180	222
Total equity		**81,730**	**81,352**
Total liabilities and equity		**111,349**	**111,800**

Vice-president of
PJSC LUKOIL
Fedotov G.S.

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

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

PJSC LUKOIL
Consolidated Statements of Comprehensive Income
(millions of US dollars, unless otherwise noted)

	Note	For the three months ended June 30, 2015 (unaudited)	For the three months ended June 30, 2014 (unaudited)	For the six months ended June 30, 2015 (unaudited)	For the six months ended June 30, 2014 (unaudited)
Revenues					
Sales (including excise and export tariffs)	19	28,104	38,205	51,294	73,886
Costs and other deductions					
Operating expenses		(2,063)	(2,558)	(3,871)	(4,867)
Cost of purchased crude oil, gas and products		(14,864)	(18,871)	(26,102)	(36,114)
Transportation expenses		(1,310)	(1,557)	(2,613)	(3,110)
Selling, general and administrative expenses		(770)	(1,015)	(1,435)	(1,871)
Depreciation, depletion and amortization		(2,186)	(2,485)	(4,005)	(3,997)
Taxes other than income taxes		(2,606)	(3,408)	(4,745)	(6,854)
Excise and export tariffs		(2,367)	(5,339)	(5,400)	(10,826)
Exploration expenses		(309)	(64)	(388)	(269)
(Loss) gain on disposals and impairments of assets		(31)	1	(114)	(414)
Income from operating activities		**1,598**	**2,909**	**2,621**	**5,564**
Interest expense		(183)	(155)	(352)	(295)
Interest and dividend income		78	63	159	120
Equity share in income of affiliates	6	23	91	77	273
Currency translation (loss) gain		(183)	2	(220)	(268)
Other non-operating expense		(50)	(39)	(86)	(119)
Income before income taxes		**1,283**	**2,871**	**2,199**	**5,275**
Current income taxes		(363)	(541)	(701)	(1,346)
Deferred income taxes		96	70	215	208
Total income tax expense	3	**(267)**	**(471)**	**(486)**	**(1,138)**
Net income		**1,016**	**2,400**	**1,713**	**4,137**
Net income attributable to non-controlling interests		(11)	(11)	(18)	(15)
Net income attributable to PJSC LUKOIL		**1,005**	**2,389**	**1,695**	**4,122**
Earnings per share of common stock attributable to PJSC LUKOIL (US dollars):	14				
Basic		1.33	3.16	2.25	5.46
Diluted		1.32	3.10	2.23	5.35
Other comprehensive income, net of tax:					
Defined benefit pension plan:					
Prior service cost arising during the period		2	3	4	7
Other comprehensive income		**2**	**3**	**4**	**7**
Comprehensive income		**1,018**	**2,403**	**1,717**	**4,144**
Comprehensive income attributable to non-controlling interests		(11)	(11)	(18)	(15)
Comprehensive income attributable to PJSC LUKOIL		**1,007**	**2,392**	**1,699**	**4,129**

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

	Common stock	Treasury stock	Equity-linked notes	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total PJSC LUKOIL stockholders' equity	Non-controlling interests	Total equity
Six months ended June 30, 2015									
Balances as of December 31, 2014	15	(5,189)	(2,500)	4,524	84,317	(37)	**81,130**	222	**81,352**
Net income	-	-	-	-	1,695	-	**1,695**	18	**1,713**
Other comprehensive income	-	-	-	-	-	4	**4**	-	**4**
Comprehensive income					1,695	4	**1,699**	18	**1,717**
Dividends on common stock	-	-	-	-	(1,312)	-	**(1,312)**	-	**(1,312)**
Changes in non-controlling interests	-	-	-	33	-	-	**33**	(60)	**(27)**
Balances as of June 30, 2015	**15**	**(5,189)**	**(2,500)**	**4,557**	**84,700**	**(33)**	**81,550**	**180**	**81,730**
Six months ended June 30, 2014									
Balances as of December 31, 2013	15	(5,189)	(2,500)	4,574	81,733	(55)	**78,578**	277	**78,855**
Net income	-	-	-	-	4,122	-	**4,122**	15	**4,137**
Other comprehensive income	-	-	-	-	-	7	**7**	-	**7**
Comprehensive income					4,122	7	**4,129**	15	**4,144**
Dividends on common stock	-	-	-	-	(1,336)	-	**(1,336)**	-	**(1,336)**
Changes in non-controlling interests	-	-	-	(29)	-	-	**(29)**	(45)	**(74)**
Balances as of June 30, 2014	**15**	**(5,189)**	**(2,500)**	**4,545**	**84,519**	**(48)**	**81,342**	**247**	**81,589**

	Share activity (thousands of shares)	
	Common stock	**Treasury stock**
Six months ended June 30, 2015		
Balance as of December 31, 2014	850,563	(95,697)
Balance as of June 30, 2015	**850,563**	**(95,697)**
Six months ended June 31, 2014		
Balance as of December 31, 2013	850,563	(95,697)
Balance as of June 30, 2014	**850,563**	**(95,697)**

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

PJSC LUKOIL
Consolidated Statements of Cash Flows
(millions of US dollars)

	Note	For the six months ended June 30, 2015 (unaudited)	For the six months ended June 30, 2014 (unaudited)
Cash flows from operating activities			
Net income attributable to PJSC LUKOIL		**1,695**	**4,122**
Adjustments:			
Depreciation, depletion and amortization		4,005	3,997
Equity share in income of affiliates, net of dividends received		60	(67)
Dry hole write-offs		257	95
Loss on disposals and impairments of assets		114	414
Change in net deferred income tax liability		(185)	(238)
Non-cash currency translation gain		(198)	(5)
Non-cash investing activities		-	(23)
All other items – net		210	(116)
Changes in operating assets and liabilities:			
Trade accounts receivable		1,243	(1,483)
Inventories		(1,003)	(1,068)
Accounts payable		(22)	665
Taxes payable		430	191
Other current assets and liabilities		(461)	1,078
Net cash provided by operating activities		**6,145**	**7,562**
Cash flows from investing activities			
Acquisition of licenses		(6)	(82)
Capital expenditures		(5,551)	(7,133)
Proceeds from sale of property, plant and equipment		22	30
Purchases of investments		(50)	(68)
Proceeds from sale of investments		104	89
Sale of subsidiaries and equity method affiliates, net of cash disposed		186	15
Acquisitions of subsidiaries and equity method affiliates, net of cash acquired		(12)	221
Net cash used in investing activities		**(5,307)**	**(6,928)**
Cash flows from financing activities			
Net movements of short-term borrowings		787	26
Proceeds from issuance of long-term debt		389	1,043
Principal repayments of long-term debt		(1,646)	(631)
Dividends paid on Company common stock		(619)	(1)
Dividends paid to non-controlling interest stockholders		(13)	(48)
Financing received from non-controlling interest stockholders		1	1
Purchase of non-controlling interest		-	(28)
Net cash (used in) provided by financing activities		**(1,101)**	**362**
Effect of exchange rate changes on cash and cash equivalents		2	23
Change in cash related to assets held for sale	10	-	(432)
Net (decrease) increase in cash and cash equivalents		**(261)**	**587**
Cash and cash equivalents at beginning of period		3,004	1,712
Cash and cash equivalents at end of period	4	**2,743**	**2,299**

Supplemental disclosures of cash flow information		
Interest paid	335	300
Income taxes paid	676	1,058

The accompanying notes are an integral part of these 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 November 17, 1992. Under this decree, on April 5, 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 September 1, 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.

In July 2015, the Company changed its legal form to PJSC (Public Joint Stock Company) following the requirements of the amended Russian Civil Code.

Business and economic environment

The accompanying 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 environment may differ from management's assessment.

Basis of preparation

The accompanying interim consolidated financial statements and notes thereto have not been audited by independent accountants, except for the balance sheet as of December 31, 2014. In the opinion of the Company's management, the interim consolidated financial statements include all adjustments and disclosures necessary to present fairly the Group's financial position, results of operations and cash flows for the interim periods reported herein. These adjustments were of a normal recurring nature.

These interim consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("US GAAP") as applicable to interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Group's December 31, 2014 annual consolidated financial statements.

The results for the six-month period ended June 30, 2015 are not necessarily indicative of the results expected for the full year.

Note 2. Summary of significant accounting policies

Principles of consolidation

These interim consolidated financial statements include the financial position and results of the Company, controlled subsidiaries of which the Company directly or indirectly owns more than 50% of the voting interest, unless non-controlling stockholders have substantive participating rights, and variable interest entities where the Group is determined to be the primary beneficiary. Other significant investments in companies of which the Company directly or indirectly owns between 20% and 50% of the voting interest and over which it exercises significant influence but not control, are accounted for using the equity method of accounting. Investments in companies of which the Company directly or indirectly owns more than 50% of the voting interest but where non-controlling stockholders have substantive participating rights are also accounted for using the equity method of accounting. Undivided interests in oil and gas joint ventures are accounted for using the proportionate consolidation method. Investments in other companies are recorded at cost. Equity investments and investments in other companies are included in "Investments" in the consolidated balance sheet.

Note 2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of oil and gas properties and other property, plant and equipment, goodwill impairment assessment, asset retirement obligations, deferred income taxes, valuation of financial instruments, and obligations related to employee benefits. Eventual actual amounts could differ from those estimates.

Revenues

Revenues are recognized when title passes to customers at which point the risks and rewards of ownership are assumed by the customer and the price is fixed or determinable. Revenues include excise on petroleum products' sales and duties on export sales of crude oil and petroleum products.

Revenues from non-cash sales are recognized at the fair value of the crude oil and petroleum products sold.

Foreign currency translation

The Company maintains its accounting records in Russian rubles. The Company's functional currency is the US dollar and the Group's reporting currency is the US dollar.

For the majority of operations in the Russian Federation and outside the Russian Federation, the US dollar is the functional currency. Where the US dollar is the functional currency, monetary assets and liabilities have been translated into US dollars at the rate prevailing at each balance sheet date. Non-monetary assets and liabilities have been translated into US dollars at historical rates. Revenues, expenses and cash flows have been translated into US dollars at rates which approximate actual rates at the date of the transaction. Translation differences resulting from the use of these rates are included in profit or loss.

For certain other operations, where the US dollar is not the functional currency and the economy is not highly inflationary, assets and liabilities are translated into US dollars at period-end exchange rates and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are reflected as a separate component of other comprehensive income.

In all cases, foreign currency transaction gains and losses are included in profit or loss.

As of June 30, 2015 and December 31, 2014, exchange rates of 55.52 and 56.26 Russian rubles to the US dollar, respectively, have been used for translation purposes.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Cash with restrictions on immediate use

Cash funds for which restrictions on immediate use exist are accounted for within other non-current assets.

Note 2. Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable are recorded at their transaction amounts less provisions for doubtful debts. Provisions for doubtful debts are recorded to the extent that there is a likelihood that any of the amounts due will not be collected. Non-current receivables are discounted to the present value of expected cash flows in future periods using the original discount rate.

Inventories

The cost of finished goods and purchased products is determined using the first-in, first-out cost method (FIFO). The cost of all other inventory categories is determined using the "average cost" method.

Investments

Debt and equity securities are classified into one of three categories: trading, available-for-sale, or held-to-maturity.

Trading securities are bought and held principally for the purpose of selling in the near term. Held-to-maturity securities are those securities in which a Group company has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in profit or loss. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Dividends and interest income are recognized in profit or loss when earned.

A permanent decline in the market value of any available-for-sale or held-to-maturity security below cost is accounted for as a reduction in the carrying amount to fair value. The impairment is charged to profit or loss and a new cost base for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity or available-for-sale security as an adjustment to yield using the effective interest method and such amortization and accretion is recorded in profit or loss.

Property, plant and equipment

Oil and gas properties are accounted for using the successful efforts method of accounting whereby property acquisitions, successful exploratory wells, all development costs (including development dry holes and the Group's share of operators' expenses during the development stage of production sharing and risk service contracts), and support equipment and facilities are capitalized. Unsuccessful exploratory wells are expensed when a well is determined to be non-productive. Other exploratory expenditures, including geological and geophysical costs are expensed as incurred.

The Group continues to capitalize costs of exploratory wells and exploratory-type stratigraphic wells after the completion of drilling if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the Company is making sufficient progress towards assessing the reserves and the economic and operating viability of the project. If these conditions are not met or if information that raises substantial doubt about the economic or operational viability of the project is obtained, the well would be assumed impaired, and its costs, net of any salvage value, would be charged to expense.

Depreciation, depletion and amortization of capitalized costs of oil and gas properties is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs.

Note 2. Summary of significant accounting policies (continued)

Depreciation, depletion and amortization of the capitalized costs of risk service contract oil and gas properties is calculated using a depletion factor calculated as the ratio of value of the applicable crude oil production for the period to the total capitalized costs to be recovered.

Depreciation of assets not directly associated with oil production is calculated on a straight-line basis over the economic lives of such assets, estimated to be in the following ranges:

Buildings and constructions	5 – 40 years
Machinery and equipment	5 – 20 years

Production and related overhead costs are expensed as incurred.

In addition to production assets, certain Group companies also maintain and construct social assets for the use of local communities. Such assets are capitalized only to the extent that they are expected to result in future economic benefits to the Group. If capitalized, they are depreciated over their estimated economic lives.

Significant unproved properties are assessed for impairment individually on a regular basis and any estimated impairment is charged to expense.

Asset retirement obligations

The Group records the fair value of liabilities related to its legal obligations to abandon, dismantle or otherwise retire tangible long-lived assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related long-lived asset is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated using the unit-of-production method.

Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquired entity over the fair value of net assets acquired. It is assigned to reporting units as of the acquisition date. Goodwill is not amortized, but is tested for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment test requires assessing qualitative factors and then, if it is necessary, estimating the fair value of a reporting unit and comparing it with its carrying amount, including goodwill assigned to the reporting unit. If the estimated fair value of the reporting unit is less than its net carrying amount, including goodwill, then the goodwill is written down to its implied fair value.

Intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful or legal lives.

Impairment of long-lived assets

Long-lived assets, such as oil and gas properties (other than unproved properties), other property, plant, and equipment, and purchased intangibles subject to amortization, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to the estimated undiscounted future cash flows expected to be generated by that group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by writing down the carrying amount to the estimated fair value of the asset group, generally determined as discounted future net cash flows. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Note 2. Summary of significant accounting policies (continued)

Income taxes

Deferred income tax assets and liabilities are recognized in respect of the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purposes of the interim consolidated financial statements and their respective tax bases and in respect of operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets be recovered and liabilities settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in profit or loss in the reporting period which includes the enactment date. The estimated effective income tax rate expected to be applicable for the full fiscal year is used in providing for income taxes on a current year-to-date basis.

The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income in the reporting periods in which the originating expenditure becomes deductible. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that the deferred income tax assets will be realized. In making this assessment, management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies.

An income tax position is recognized only if the uncertain position is more likely than not of being sustained upon examination, based on its technical merits. A recognized income tax position is measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties relating to income tax in income tax expense.

Interest-bearing borrowings

Interest-bearing borrowings from third parties (except convertible notes) are initially recorded at the value of net proceeds received. Any difference between the net proceeds and the redemption value is amortized at a constant rate over the term of the borrowing. Amortization is included in profit or loss and the carrying amounts are adjusted as amortization accumulates.

For borrowings from related parties (except convertible notes) issued with an interest rate lower than the market interest rate, the Group determines book value using a market interest rate at the moment the borrowing is made. The resulting difference is allocated to additional paid-in capital and is amortized at a constant rate over the term of the borrowings. Amortization is included in profit or loss each period and the carrying amounts are adjusted as amortization accumulates.

For convertible notes issued with a cash conversion option, the Group allocates the proceeds from issuance between a liability component and an equity component. The Group records the equity component at an amount equal to the difference between the proceeds received and the fair value of the liability component, measured as the fair value of a similar liability that does not have an associated equity component. The Group recognizes the interest cost in subsequent periods at its borrowing rate for non-convertible debt.

If borrowings are repurchased or settled before maturity, any difference between the amount paid and the carrying amount is recognized in profit or loss in the period in which the repurchase or settlement occurs.

Pension benefits

The expected costs in respect of pension obligations of Group companies are determined by management based on the amount of pension obligations for the previous financial year calculated by an independent actuary. Obligations in respect of each employee are accrued over the periods during which the employee renders service in the Group.

Note 2. Summary of significant accounting policies (continued)

Treasury stock

Purchases by Group companies of the Company's outstanding stock are recorded at cost and classified as treasury stock within Stockholders' equity. Shares shown as Authorized and Issued include treasury stock. Shares shown as Outstanding do not include treasury stock.

Earnings per share

Basic earnings per share is computed by dividing net income available for distribution to common stockholders of the Company by the weighted-average number of shares of common stock outstanding during the reporting period. A calculation is carried out to establish if there is potential dilution in earnings per share if convertible securities were to be converted into shares of common stock or contracts to issue shares of common stock were to be exercised. If there is such dilution, diluted earnings per share is presented.

Contingencies

Certain conditions may exist as of the balance sheet date, which may result in losses to the Group but the impact of which will only be resolved when one or more future events occur or fail to occur.

If a Group company's assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued and charged to profit or loss. If the assessment indicates that a potentially material loss is not probable, but is reasonably possible, or is probable, but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, is disclosed in the notes to the interim consolidated financial statements. Loss contingencies considered remote or related to unasserted claims are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

Environmental expenditures

Estimated losses from environmental remediation obligations are generally recognized no later than completion of remedial feasibility studies. Group companies accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or circumstances change. Costs of expected future expenditures for environmental remediation obligations are not discounted to their present value.

Use of derivative instruments

The Group's derivative activity is limited to certain petroleum products' marketing and trading operations and hedging of commodity price risks. Currently this activity involves the use of futures and swaps contracts together with purchase and sale contracts that qualify as derivative instruments. The Group accounts for these activities under the mark-to-market methodology in which the derivatives are revalued each accounting period. Resulting realized and unrealized gains or losses are presented in profit or loss on a net basis. Unrealized gains and losses are carried as assets or liabilities on the consolidated balance sheet.

Share-based payments

The Group accounts for liability classified share-based payment awards to employees at fair value on the grant date and as of each reporting date. Expenses are recognized over the vesting period. Equity classified share-based payment awards to employees are valued at fair value on the grant date and expensed over the vesting period.

Comparative amounts

Certain prior period amounts have been reclassified to conform with the current period's presentation.

Note 2. Summary of significant accounting policies (continued)

Recent accounting pronouncements

In July 2015, the FASB issued ASU No. 2015-11, *"Inventory (Topic 330) – Simplifying the Measurement of Inventory."* Currently an entity is required to measure inventory at the lower of cost or market. ASU No. 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods and should be applied prospectively with earlier application permitted. The Group is evaluating the effect of the adoption of ASU No. 2015-11 and does not expect any material impact on its results of operations, financial position and cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *"Interest – Imputation of Interest (Subtopic 835-30),"* that simplifies presentation of debt issuance costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods and should be applied retrospectively. The Group is evaluating the effect of the adoption of ASU No. 2015-03 and does not expect any material impact on its results of operations, financial position and cash flows.

In February 2015, the FASB issued ASU No. 2015-02, *"Consolidation (Topic 810)."* ASU 2015-02 changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity ("VIE"), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The ASU also significantly changes how to evaluate voting rights for entities that are not similar to limited partnerships when determining whether the entity is a VIE, which may affect entities for which the decision making rights are conveyed though a contractual arrangement. ASU No. 2015-02 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods. The standard permits the use of either the retrospective or modified retrospective approach. The Group is evaluating the effect of the adoption of ASU No. 2015-02 and does not expect any material impact on its results of operations, financial position and cash flows.

Note 3. Income taxes

Operations in the Russian Federation are subject to a Federal income tax rate of 2.0% and a regional income tax rate that varies from 13.5% to 18.0% 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 rate differences, the incurrence of costs that are either not tax deductible or only deductible to a certain limit and taxable or deductible currency translation gains or losses of Russian Group companies.

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.

(millions of US dollars, unless otherwise noted)

Note 4. Cash and cash equivalents

	As of June 30, 2015	As of December 31, 2014
Cash held in Russian rubles	851	993
Cash held in US dollars	1,643	1,344
Cash held in other currencies	249	333
Cash held in related party banks in Russian rubles	-	311
Cash held in related party banks in other currencies	-	23
Total cash and cash equivalents	**2,743**	**3,004**

Note 5. Accounts receivable, net

	As of June 30, 2015	As of December 31, 2014
Trade accounts receivable (net of provisions of $231 million and $215 million as of June 30, 2015 and December 31, 2014, respectively)	6,831	7,004
Current VAT and excise recoverable	728	778
Other current accounts receivable (net of provisions of $36 million and as of June 30, 2015 and December 31, 2014)	405	1,431
Total accounts receivable, net	**7,964**	**9,213**

Note 6. Investments

	As of June 30, 2015	As of December 31, 2014
Investments in equity method affiliates and joint ventures	3,249	3,297
Long-term loans to equity method affiliates and joint ventures	1,448	1,494
Other long-term investments	16	17
Total long-term investments	**4,713**	**4,808**

Investments in equity method affiliates and corporate joint ventures

The summarized financial information below is in respect of equity method affiliates and corporate joint ventures. The companies are primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan, and refining operations in the Netherlands.

	For the three months ended June 30, 2015		For the three months ended June 30, 2014	
	Total	Group's share	Total	Group's share
Revenues	4,808	492	7,052	637
Income before income taxes	1,872	68	3,272	152
Less income taxes	(808)	(45)	(1,125)	(61)
Net income	**1,064**	**23**	**2,147**	**91**

	For the six months ended June 30, 2015		For the six months ended June 30, 2014	
	Total	Group's share	Total	Group's share
Revenues	9,191	945	14,402	1,296
Income before income taxes	3,654	160	6,844	379
Less income taxes	(1,470)	(83)	(2,240)	(106)
Net income	**2,184**	**77**	**4,604**	**273**

(millions of US dollars, unless otherwise noted)

Note 6. Investments (continued)

	As of June 30, 2015		As of December 31, 2014	
	Total	Group's share	Total	Group's share
Current assets	4,683	712	6,001	863
Property, plant and equipment	25,592	4,513	24,206	4,494
Other non-current assets	632	171	522	139
Total assets	30,907	5,396	30,729	5,496
Short-term debt	412	217	426	233
Other current liabilities	2,273	324	2,529	345
Long-term debt	7,779	1,338	9,424	1,433
Other non-current liabilities	2,294	268	730	188
Net assets	**18,149**	**3,249**	**17,620**	**3,297**

Note 7. Property, plant and equipment and asset retirement obligations

	At cost		Net	
	As of June 30, 2015	As of December 31, 2014	As of June 30, 2015	As of December 31, 2014
Exploration and Production:				
Russia	79,944	77,661	51,167	50,505
International	14,146	12,648	8,385	8,102
Total	94,090	90,309	59,552	58,607
Refining, Marketing, Distribution and Chemicals:				
Russia	18,647	17,859	11,274	11,001
International	11,043	10,840	7,427	7,406
Total	29,690	28,699	18,701	18,407
Power generation and other:				
Russia	5,866	5,892	3,911	4,162
International	421	457	258	291
Total	6,287	6,349	4,169	4,453
Total property, plant and equipment	**130,067**	**125,357**	**82,422**	**81,467**

As of June 30, 2015 and December 31, 2014, the asset retirement obligations amounted to $1,807 million and $1,579 million of which $13 million and $6 million were included in "Other current liabilities" in the consolidated balance sheets, respectively.

During the six-month periods ended June 30, 2015 and 2014, asset retirement obligations changed as follows:

	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Asset retirement obligations as of January 1	1,579	2,769
Accretion expense	65	112
New obligations	16	88
Changes in estimates of existing obligations	122	(123)
Spending on existing obligations	(4)	(2)
Property dispositions	-	(3)
Foreign currency translation and other adjustments	29	(152)
Asset retirement obligations as of June 30	**1,807**	**2,689**

The asset retirement obligations incurred during the six-month periods ended June 30, 2015 and 2014 were Level 3 (unobservable inputs) fair value measurements.

(millions of US dollars, unless otherwise noted)

Note 8. Suspended wells

Total suspended exploratory well costs capitalized were $360 million and $66 million as of June 30, 2015 and December 31, 2014, respectively. Suspended exploratory well costs capitalized for a period greater than one year amounted to $102 million and $54 million as of June 30, 2015 and December 31, 2014, respectively. No capitalized exploratory well costs were charged to expenses during the six-month period ended June 30, 2015.

Note 9. Goodwill and other intangible assets

The carrying value of goodwill and other intangible assets as of June 30, 2015 and December 31, 2014 was as follows:

	As of June 30, 2015	As of December 31, 2014
Amortized intangible assets		
Software	312	332
Licenses and other assets	244	257
Goodwill	604	604
Total goodwill and other intangible assets	**1,160**	**1,193**

All goodwill relates to the refining, marketing and distribution segment. During the six-month period ended June 30, 2015, there were no changes in goodwill.

Note 10. Assets held for sale

On April 15, 2014, a Group company entered into a contract with a Sinopec group company, to sell the Group’s 50% interest in Caspian Investment Resources Ltd., an exploration and production company operating in Kazakhstan. On June 3, 2015, a Group company made a substitute transaction with a Sinopec group company for the sale at a price of $1,067 million. The transaction’s closing was subject to requisite governmental consents and approvals and was completed on August 20, 2015. As of June 30, 2015, the Group has classified the associated assets and liabilities as “held for sale” in the consolidated balance sheet. “Assets held for sale” include property, plant and equipment of $1,140 million, cash and cash equivalents of $415 million, other current assets of $123 million and other non-current assets of $36 million. “Liabilities related to assets held for sale” include current liabilities of $56 million and non-current liabilities of $171 million, consisting primarily of long-term debt and accounts payable, directly related to and to be transferred with the assets held for sale. During 2014, the Group recognized an impairment loss related to assets held for sale amounting to $358 million. During the three months ended March 31, 2015, the Group recognized an additional impairment loss related to assets held for sale amounting to $80 million. Assets and liabilities held for sale relate to the exploration and production segment.

Note 11. Short-term borrowings and current portion of long-term debt

	As of June 30, 2015	As of December 31, 2014
Short-term borrowings from third parties	1,105	323
Short-term borrowings from related parties	80	84
Current portion of long-term debt	240	1,761
Total short-term borrowings and current portion of long-term debt	**1,425**	**2,168**

Short-term borrowings from third parties include amounts repayable in US dollars of $979 million and $230 million and amounts repayable in other currencies of $126 million and $93 million as of June 30, 2015 and December 31, 2014, respectively. The weighted-average interest rate on short-term borrowings from third parties was 2.77% and 4.44% per annum as of June 30, 2015 and December 31, 2014, respectively. Approximately 84% of total short-term borrowings from third parties are secured by inventories.

(millions of US dollars, unless otherwise noted)

Note 12. Long-term debt

	As of June 30, 2015	As of December 31, 2014
Long-term loans and borrowings from third parties	6,124	5,898
Long-term borrowings from related parties	1	-
2.625% convertible US dollar bonds, maturing 2015	-	1,488
6.356% non-convertible US dollar bonds, maturing 2017	500	500
3.416% non-convertible US dollar bonds, maturing 2018	1,500	1,500
7.250% non-convertible US dollar bonds, maturing 2019	598	597
6.125% non-convertible US dollar bonds, maturing 2020	998	998
6.656% non-convertible US dollar bonds, maturing 2022	500	500
4.563% non-convertible US dollar bonds, maturing 2023	1,500	1,500
Capital lease obligations	124	141
Total long-term debt	11,845	13,122
Current portion of long-term debt	(240)	(1,761)
Total non-current portion of long-term debt	**11,605**	**11,361**

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of $4,016 million and $4,121 million, amounts repayable in Russian rubles of $1,135 million and $1,121 million, amounts repayable in euros of $957 million and $640 million and amounts repayable in other currencies of $16 million and $16 million as of June 30, 2015 and December 31, 2014, respectively. This debt has maturity dates from 2015 through 2024. The weighted-average interest rate on long-term loans and borrowings from third parties was 4.85% and 4.65% per annum as of June 30, 2015 and December 31, 2014, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 6% of total long-term loans and borrowings from third parties are secured by export sales and property, plant and equipment.

US dollar convertible bonds

In December 2010, a Group company issued unsecured convertible bonds totaling $1.5 billion with a coupon yield of 2.625% and maturity in June 2015. The bonds were placed at face value. The bonds were convertible into LUKOIL ADRs (each representing one ordinary share of the Company). In June 2015, a Group company redeemed all issued bonds in accordance with the conditions of the bond issue.

US dollar non-convertible bonds

In April 2013, a Group company issued two tranches of non-convertible bonds totaling $3 billion. The first tranche totaling $1.5 billion was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling $1.5 billion was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period.

In November 2010, a Group company issued two tranches of non-convertible bonds totaling $1 billion with a maturity of 10 years and a coupon yield of 6.125%. The first tranche totaling $800 million was placed at a price of 99.081% of the bond’s face value with a resulting yield to maturity of 6.250%. The second tranche totaling $200 million was placed at a price of 102.44% of the bond’s face value with a resulting yield to maturity of 5.80%. All bonds have a half year coupon period.

Note 12. Long-term debt (continued)

In November 2009, a Group company issued two tranches of non-convertible bonds totaling $1.5 billion. The first tranche totaling $900 million with a coupon yield of 6.375% per annum was placed with a maturity of 5 years at a price of 99.474% of the bond's face value with a resulting yield to maturity of 6.500%. The second tranche totaling $600 million with a coupon yield of 7.250% per annum was placed with a maturity of 10 years at a price of 99.127% of the bond's face value with a resulting yield to maturity of 7.375%. All bonds have a half year coupon period. In November 2014, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

In June 2007, a Group company issued non-convertible bonds totaling $1 billion. $500 million were placed with a maturity of 10 years and a coupon yield of 6.356% per annum. Another $500 million were placed with a maturity of 15 years and a coupon yield of 6.656% per annum. All bonds were placed at face value and have a half year coupon period.

Note 13. Pension benefits

The Group sponsors a postretirement defined benefit pension program that covers the majority of the Group's employees. One type of pension plan is based on years of service, final remuneration levels as of the end of 2003 and employee gratitude, received during the period of work. The other type of pension plan is based on the salary. These plans are solely financed by Group companies. Simultaneously employees have the right to receive pension benefits with a partial payment by the Group (up to 4% of the annual salary of the employee). Plan assets and pensions payoffs are managed by a non-state pension fund, LUKOIL-GARANT. The Group also provides several long-term social benefits, including lump-sum death-in-service benefit, in case of disability and upon retirement payments. Also certain payments are received by retired employees upon reaching a certain old age and invalidity.

Components of net periodic benefit cost were as follows:

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Service cost	2	4	4	8
Interest cost	5	5	9	10
Less expected return on plan assets	(2)	(2)	(4)	(4)
Amortization of prior service cost	2	3	4	7
Total net periodic benefit cost	**7**	**10**	**13**	**21**

Note 14. Stockholders' equity

Common stock

	As of June 30, 2015 (thousands of shares)	As of December 31, 2014 (thousands of shares)
Authorized and issued common stock, par value of 0.025 Russian rubles each	850,563	850,563
Treasury stock	(95,697)	(95,697)
Outstanding common stock	**754,866**	**754,866**

Note 14. Stockholders' equity (continued)

Earnings per share

The calculation of basic and diluted earnings per share for the reporting periods was as follows:

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Net income attributable to PJSC LUKOIL	1,005	2,389	1,695	4,122
Add back interest and accretion on 2.625% convertible US dollar bonds, maturing 2015 (net of tax at effective rate)	14	17	30	33
Total diluted net income attributable to PJSC LUKOIL	1,019	2,406	1,725	4,155
Weighted average number of outstanding common shares (thousands of shares)	754,866	754,866	754,866	754,866
Add back treasury shares held in respect of convertible debt (thousands of shares)	18,291	21,617	19,945	21,617
Weighted average number of outstanding common shares, assuming dilution (thousands of shares)	773,157	776,483	774,811	776,483
Earnings per share of common stock attributable to PJSC LUKOIL (US dollars):				
Basic	1.33	3.16	2.25	5.46
Diluted	1.32	3.10	2.23	5.35

Dividends

At the annual stockholders' meeting on June 25, 2015, dividends for 2014 were declared in the amount of 94.00 Russian rubles per common share, which at the date of the meeting was equivalent to $1.74. At the extraordinary stockholders' meeting on December 12, 2014, interim dividends for 2014 were declared in the amount of 60.00 Russian rubles per common share, which at the date of the meeting was equivalent to $1.10. Total dividends for 2014 were declared in the amount of 154.00 Russian rubles per common share, which was equivalent to $2.84. Total dividends for 2013 were declared in the amount of 110.00 Russian rubles per common share, which was equivalent to $3.32. Dividends payable of $1,282 million and $733 million are included in "Other current liabilities" in the consolidated balance sheets as of June 30, 2015 and December 31, 2014, respectively.

Note 15. Financial and derivative instruments

Fair value

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 interim consolidated financial statements. 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 debt differs from the carrying amount in the interim consolidated financial statements. The estimated fair value of long-term debt as of June 30, 2015 and December 31, 2014 was $11,354 million and $11,259 million, respectively. 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 tenors, repayment schedules and similar other main terms. The fair value of bonds (Level 1) was determined based on market quotations as of June 30, 2015 and December 31, 2014, respectively.

During the six months ended June 30, 2015, the Group did not have significant transactions or events that would result in nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

(millions of US dollars, unless otherwise noted)

Note 15. Financial and derivative instruments (continued)

Derivative instruments

The Group uses financial and commodity-based derivative contracts to manage exposures to fluctuations in foreign currency exchange rates, commodity prices, or to exploit market opportunities. Since the Group is not currently using hedge accounting, defined by Topic 815, *"Derivative and hedging,"* of the Codification, all gains and losses, realized or unrealized, from derivative contracts have been recognized in profit or loss.

Topic 815 of the Codification requires purchase and sales contracts for commodities that are readily convertible to cash (e.g., crude oil, natural gas and gasoline) to be recorded on the balance sheet as derivatives unless the contracts are for quantities the Group expects to use or sell over a reasonable period in the normal course of business (i.e., contracts eligible for the normal purchases and normal sales exception). The Group does apply the normal purchases and normal sales exception to certain long-term contracts to sell oil products. This normal purchases and normal sales exception is applied to eligible crude oil and refined product commodity purchase and sales contracts. However, the Group may elect not to apply this exception (e.g., when another derivative instrument will be used to mitigate the risk of a purchase or sales contract but hedge accounting will not be applied; in which case both the purchase or sales contract and the derivative contract mitigating the resulting risk will be recorded on the balance sheet at fair value).

The fair value hierarchy for the Group's derivative assets and liabilities accounted for at fair value on a recurring basis was:

	As of June 30, 2015				As of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Commodity derivatives	-	1,918	-	**1,918**	-	7,688	-	**7,688**
Total assets	**-**	**1,918**	**-**	**1,918**	**-**	**7,688**	**-**	**7,688**
Liabilities								
Commodity derivatives	-	(1,909)	-	**(1,909)**	-	(6,688)	-	**(6,688)**
Total liabilities	**-**	**(1,909)**	**-**	**(1,909)**	**-**	**(6,688)**	**-**	**(6,688)**
Net assets	**-**	**9**	**-**	**9**	**-**	**1,000**	**-**	**1,000**

The derivative values above are based on an analysis of each contract as the fundamental unit of account as required by Topic 820, *"Fair Value Measurements and Disclosures,"* of the Codification. Therefore, derivative assets and liabilities with the same counterparty are not reflected net where the legal right of offset exists. Gains or losses from contracts in one level may be offset by gains or losses on contracts in another level or by changes in values of physical contracts or positions that are not reflected in the table above.

Commodity derivatives are valued using quotations provided by brokers and price index developers. These quotes are corroborated with market data and are classified as Level 2 fair value measurements. Commodity derivatives are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures.

Commodity derivative contracts

The Group operates in the worldwide crude oil, refined product, natural gas and natural gas liquids markets and is exposed to fluctuations in the prices for these commodities. These fluctuations can affect the Group's revenues as well as the cost of operating, investing and financing activities. Generally, the Group's policy is to remain exposed to the market prices of commodities. However, the Group uses futures, forwards, swaps and options in various markets to balance physical systems, meet customer needs, manage price exposures on specific transactions, and do an immaterial amount of trading not directly related to the Group's physical business. These activities may move the Group's profile away from market average prices.

(millions of US dollars, unless otherwise noted)

Note 15. Financial and derivative instruments (continued)

The fair value of commodity derivative assets and liabilities was:

	As of June 30, 2015	As of December 31, 2014
Assets		
Accounts receivable	1,918	7,688
Liabilities		
Accounts payable	(1,909)	(6,688)

Hedge accounting has not been used for items in the table.

As required under Topic 815 of the Codification the amounts shown in the preceding table are presented gross (i.e., without netting assets and liabilities with the same counterparty where the right of offset and intent to net exist). Derivative assets and liabilities resulting from eligible commodity contracts have been netted in the consolidated balance sheet and are recorded as accounts receivable in the amount of $166 million and accounts payable in the amount of $157 million.

Financial results from commodity derivatives were included in the consolidated statements of comprehensive income in “Cost of purchased crude oil, gas and products” and during the six months ended June 30, 2015 and 2014 amounted to net loss of $462 million (of which realized gain was $571 million and unrealized loss was $1,033 million) and net loss of $109 million (of which realized loss was $46 million and unrealized loss was $63 million), respectively.

For each Group trading company there is a limit (being a combination of quantity and value-at-risk) to the amount of unhedged fixed-price commodity positions permissible. The Group’s net commodity position is reviewed daily.

Financial and commodity-based derivative contracts are subject to fluctuations in value. These fluctuations are generally offset by the value of the underlying exposures being hedged. Future changes in the market values of certain financial instruments may result in off-balance-sheet risk in excess of the amounts currently recognized in the consolidated balance sheets.

Currency exchange rate derivative contracts

The Group has foreign currency exchange rate risk resulting from its international operations. The Group does not comprehensively hedge the exposure to currency rate changes, although the Group selectively hedges certain foreign currency exchange rate exposures, such as firm commitments for capital projects or local currency tax payments and dividends.

The fair value of foreign currency derivatives assets and liabilities open as of June 30, 2015 was not significant.

The impact from foreign currency derivatives during the six months ended June 30, 2015 on the consolidated statement of comprehensive income was not significant. The net position of outstanding foreign currency swap contracts as of June 30, 2015 also was not significant.

Credit risk

The Group’s financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-the-counter derivative contracts and trade receivables. Cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

Note 15. Financial and derivative instruments (continued)

The credit risk from the Group's over-the-counter derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction, typically a major bank or financial institution. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant non-performance. The Group also uses futures contracts, but futures have a negligible credit risk because they are traded on the New York Mercantile Exchange or the IntercontinentalExchange (ICE Futures).

Certain of the Group's derivative instruments contain provisions that require the Group to post collateral if the derivative exposure exceeds a threshold amount. The Group has contracts with fixed threshold amounts and other contracts with variable threshold amounts that are contingent on the Group's credit rating. The variable threshold amounts typically decline for lower credit ratings, while both the variable and fixed threshold amounts typically revert to zero if the Group's credit rating falls below investment grade. Cash is the primary collateral in all contracts; however, many contracts also permit the Group to post letters of credit as collateral.

There were no derivative instruments with such credit-risk-related contingent features that were in a liability position on June 30, 2015. The Group posted $7 million in collateral in the normal course of business for the over-the-counter derivatives. If the Group's credit rating were lowered one level from its "BBB-" rating (per Standard and Poors) on June 30, 2015, and it would be below investment grade, the Group would be required to post additional collateral of $8 million to the Group's counterparties for the over-the-counter derivatives, either with cash or letters of credit. The maximum additional collateral based on the lowest downgrade would be $20 million in total.

Note 16. Commitments and contingencies

Capital expenditure, exploration and investment programs

Under the terms of existing exploration and production license agreements in Russia the Group has to fulfill certain obligations: oil and gas exploration, wells drilling, fields development, etc., and the Group also has commitments to reach a defined level of extraction on the fields. Management believes that the Group's approved annual capital expenditure budgets fully cover all the requirements of the described license obligations.

In February 2013, the Group started to construct a vacuum gasoil refinery complex at OOO LUKOIL-Volgogradneftepererabotka. Completion is expected at the end of 2015. As of June 30, 2015, the amount of capital commitment related to this construction is evaluated as $220 million.

Group companies have commitments for capital expenditure contributions in the amount of $238 million related to various production sharing agreements over the next 23 years.

The Company has signed a three-year agreement for the years 2013-2015 for drilling services with EDC Group Advisory Company Limited. The volume of these services is based on the Group's capital construction program, which is re-evaluated on an annual basis. As of June 30, 2015, the amount of capital commitment under this agreement for the second half of 2015 is evaluated as $419 million.

The Company has signed a strategic agreement for the ongoing provision of construction, engineering and technical services with ZAO Globalstroy-Engineering. The volume of these services is based on the Group's capital construction program, which is re-evaluated on an annual basis. As of June 30, 2015, the amount of capital commitment under this agreement for the second half of 2015 is evaluated as $57 million.

The Group has signed a number of agreements for construction of offshore platforms in the Caspian region. As of June 30, 2015, the amount of this capital commitment is evaluated as $520 million.

(millions of US dollars, unless otherwise noted)

Note 16. Commitments and contingencies (continued)

Operating lease obligations

Group companies have commitments of $382 million primarily for the lease of vessels and petroleum distribution outlets. Operating lease expenses were $79 million, $74 million, $144 million and $162 million for the three months ended June 30, 2015 and 2014 and for the six months ended June 30, 2015 and 2014, respectively. Commitments for minimum rentals under these leases as of June 30, 2015 are as follows:

	As of June 30, 2015
For the six months ending December 31, 2015	111
2016 fiscal year	99
2017 fiscal year	51
2018 fiscal year	36
2019 fiscal year	32
beyond	53

Insurance

The insurance industry in the Russian Federation and certain other areas where the Group has operations is in the course of development. Management believes that the Group has adequate property damage coverage for its main production assets. In respect of third party liability for property and environmental damage arising from accidents on Group property or relating to Group operations, the Group has insurance coverage that is generally higher than insurance limits set by the local legal requirements. Management believes that the Group has adequate insurance coverage of the risks, which could have a material effect on the Group's operations and financial position.

Environmental liabilities

Group companies and their predecessor entities have operated in the Russian Federation and other countries for many years and, within certain parts of the operations, environmental related problems have developed. Environmental regulations are currently under consideration in the Russian Federation and other areas where the Group has operations. Group companies routinely assess and evaluate their obligations in response to new and changing legislation.

As liabilities in respect of the Group's environmental obligations are able to be determined, they are recognized in profit or loss. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Group.

Social assets

Certain Group companies contribute to Government sponsored programs, the maintenance of local infrastructure and the welfare of their employees within the Russian Federation and elsewhere. Such contributions include assistance with the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. The funding of such assistance is periodically determined by management and is appropriately capitalized (only to the extent that they are expected to result in future economic benefits to the Group) or expensed as incurred.

Note 16. Commitments and contingencies (continued)

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation and claims

On November 27, 2001, Archangel Diamond Corporation (“ADC”), a Canadian diamond development company, filed a lawsuit in the Denver District Court, Colorado against OAO Arkhangelskgeoldobycha (“AGD”), a Group company, and the Company (together the “Defendants”). ADC alleged that the Defendants interfered with the transfer of a diamond exploration license to Almazny Bereg, a joint venture between ADC and AGD. ADC claimed compensatory damages of $1.2 billion and punitive damages of $3.6 billion. On October 15, 2002, the District Court dismissed the lawsuit for lack of personal jurisdiction. This ruling was upheld by the Colorado Court of Appeals on March 25, 2004. However, on November 21, 2005, due to a procedural error, the Colorado Supreme Court remanded the case to the Colorado Court of Appeals and the Colorado Court of Appeals remanded the case to the District Court. On October 20, 2011, the Denver District Court dismissed all claims against the Company for lack of jurisdiction. On August 23, 2012, the Colorado Court of Appeals affirmed this decision. On July 1, 2013, the Colorado Supreme Court denied ADC’s Petition for Writ of Certiorari. The case in the state court is therefore over.

On January 6, 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the Federal Court case, the Company has filed a Motion to Dismiss. On December 18, 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and the doctrine of forum non conveniens. ADC filed a notice of appeal and the case is now pending in the US Court of Appeals for the Tenth Circuit. The Company plans to seek dismissal of the case and vigorously defend the matter. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group’s financial position.

Note 16. Commitments and contingencies (continued)

In 2011, the Prahova Police Inspectorate (Fraud Investigation Unit), Romania, initiated an investigation of several Romanian third parties (individuals and companies) in connection with alleged tax evasion and money laundering. The investigation was later extended to PETROTEL-LUKOIL S.A., a Group company. 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 and its general director based on alleged tax evasion and money laundering. The amount of the claim is approximately \$300 million. The following precautionary measures were adopted against the refinery: arrest of strategic inventory, fixed assets and money on accounts. At the moment a preliminary investigation of the criminal case is being conducted and a tax audit in respect of the period from 2010 through 2014 is ongoing. The results of this tax audit will affect further development of the case. On July 8, 2015, a new charge in respect of willful defalcation of credits and money laundering was brought against the general director of PETROTEL-LUKOIL S.A., five deputy directors and one member of the Administrative committee. On July 20, 2015, a similar charge was brought against LUKOIL Europe Holdings B.V., and on July 29, 2015 – against PETROTEL-LUKOIL S.A. The total amount of additional claims supplementary to the \$300 million is estimated at \$2.2 billion. This amount mentioned by the prosecutor in the indictment act is not final. During the entire criminal trial it can be revised by the Court on grounds of evidence which shall be produced. At the same time, management of PETROTEL-LUKOIL S.A. and its tax and legal consultants are actively defending the lawful rights and interests of the refinery, providing all required reports, clarifications and comments, and preparing an exhaustive set of evidence for challenging the charges of the Prosecutor's office. Management does not believe that the ultimate resolution 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

During 2014-2015, there was an increase of political and economic instability in Ukraine. Though the Group's assets and operations in Ukraine are not material, the Group monitors the situation and assesses the risks associated with its operations in Ukraine. As of December 31, 2014, the Group recognized an impairment loss related to assets held for sale amounting to \$85 million and relating to goodwill amounting to \$19 million. Management believes that there are no other material potential losses that can be identified and reasonably estimated with respect to the situation in Ukraine at present.

In July-September 2014, the United States ("US"), the European Union ("EU") and other countries imposed a number of sectorial sanctions on Russian entities, including the Company. These sanctions prohibit US and EU companies and individuals from the provision of goods, services or technology (except for financial services to the Company) that can be used on the territory of the Russian Federation in deepwater exploration and production of crude oil, exploration and production of crude oil in Arctic offshore and shale projects. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company'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 17. 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. Related party processing services were provided by an affiliated refinery.

Below are related party transactions not disclosed elsewhere in the interim consolidated financial statements. Refer also to Notes 4, 6, 11, 12 and 18 for other transactions with related parties.

Sales of oil and oil products to related parties were $170 million, $104 million, $302 million and $177 million during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively.

Other sales to related parties were $7 million, $7 million, $13 million and $16 million during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively.

Purchases of oil and oil products from related parties were $296 million, $615 million, $544 million and $1,114 million during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively.

Purchases of processing services from related parties were $37 million, $33 million, $79 million and $90 million during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively.

Other purchases from related parties were $40 million, $54 million, $80 million and $100 million during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively.

Amounts receivable from related parties, including short-term loans and advances, were $292 million and $235 million as of June 30, 2015 and December 31, 2014, respectively. Amounts payable to related parties were $236 million and $246 million as of June 30, 2015 and December 31, 2014, respectively.

Note 18. 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 stock 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 recognized a liability based on expected dividends and the number of assigned shares.

The second part of the share plan was also classified as liability settled. The grant date and reporting date fair value of this part of the plan was estimated at $249 million and $244 million, respectively, using the Black-Scholes-Merton option-pricing model. The reporting date fair value was estimated assuming a risk-free interest rate of 10.9% per annum, an expected dividend yield of 6.45% per annum, an expected time to maturity of three years and a volatility factor of 14.44%. 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 nine year period up to January 2015.

(millions of US dollars, unless otherwise noted)

Note 18. Compensation plan (continued)

Related to this share plan the Group recognized $5 million of income, $38 million, $62 million and $59 million of compensation expenses during the three months ended June 30, 2015 and 2014 and during the six months ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and December 31, 2014, $53 million and $44 million related to this plan are included in "Other current liabilities" in the consolidated balance sheets, respectively.

As of June 30, 2015, there was $122 million of total unrecognized compensation cost related to unvested benefits. This cost is expected to be recognized periodically by the Group up to December 2017.

Note 19. Segment information

Presented below is information about the Group's operating and geographical segments for the three and six months ended June 30, 2015 and 2014, in accordance with Topic 280, *"Segment reporting,"* of the Codification.

The Group has the following operating segments – exploration and production; refining, marketing and distribution; chemicals; power generation 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 and purchases, sells and transports crude oil and petroleum products. The chemicals segment refines and sells chemical products. The power generation segment produces steam and electricity, distributes them and provides related services. The activities of the other business operating segment include businesses beyond the Group's traditional operations.

Geographical segments are based on the area of operations and include two segments: Russia and International.

Operating segments

For the three months ended June 30, 2015

	Exploration and production	Refining, marketing and distribution	Chemicals	Power generation	Other	Elimination	Consolidated
Sales							
Third parties	1,287	26,261	263	228	65	-	28,104
Inter-segment	8,382	214	59	283	107	(9,045)	-
Total sales	9,669	26,475	322	511	172	(9,045)	28,104
Operating expenses	1,231	542	116	361	95	(282)	2,063
Depreciation, depletion and amortization	1,688	445	12	88	35	(82)	2,186
Interest expense	187	189	18	26	147	(384)	183
Income tax expense	243	27	4	-	-	(7)	267
Net income (loss)	798	547	(18)	(162)	(109)	(51)	1,005
Total assets	76,097	73,010	797	3,623	28,470	(70,648)	111,349
Capital expenditures	2,330	474	27	41	18	-	2,890

(millions of US dollars, unless otherwise noted)

Note 19. Segment information (continued)

For the three months ended June 30, 2014

	Exploration and production	**Refining, marketing and distribution**	**Chemicals**	**Power generation**	**Other**	**Elimination**	**Consolidated**
Sales							
Third parties	1,805	35,813	255	311	21	-	38,205
Inter-segment	10,703	325	66	440	222	(11,756)	-
Total sales	12,508	36,138	321	751	243	(11,756)	38,205
Operating expenses	1,617	745	153	516	178	(651)	2,558
Depreciation, depletion and amortization	2,024	373	8	84	30	(34)	2,485
Interest expense	170	170	11	33	182	(411)	155
Income tax expense	443	21	1	(2)	7	1	471
Net income (loss)	1,538	1,437	(64)	(148)	(300)	(74)	2,389
Total assets	82,680	78,859	664	4,587	21,737	(72,648)	115,879
Capital expenditures	3,445	892	48	70	35	-	4,490

For the six months ended June 30, 2015

	Exploration and production	**Refining, marketing and distribution**	**Chemicals**	**Power generation**	**Other**	**Elimination**	**Consolidated**
Sales							
Third parties	2,331	47,909	427	519	108	-	51,294
Inter-segment	15,231	420	106	557	202	(16,516)	-
Total sales	17,562	48,329	533	1,076	310	(16,516)	51,294
Operating expenses	2,334	998	230	679	177	(547)	3,871
Depreciation, depletion and amortization	3,017	791	18	182	77	(80)	4,005
Interest expense	317	331	31	44	277	(648)	352
Income tax expense	422	79	5	2	4	(26)	486
Net income (loss)	1,683	1,030	(18)	(151)	(687)	(162)	1,695
Total assets	76,097	73,010	797	3,623	28,470	(70,648)	111,349
Capital expenditures	4,306	875	56	49	34	-	5,320

For the six months ended June 30, 2014

	Exploration and production	**Refining, marketing and distribution**	**Chemicals**	**Power generation**	**Other**	**Elimination**	**Consolidated**
Sales							
Third parties	2,381	70,027	620	808	50	-	73,886
Inter-segment	21,296	724	163	888	613	(23,684)	-
Total sales	23,677	70,751	783	1,696	663	(23,684)	73,886
Operating expenses	2,959	1,502	328	1,046	497	(1,465)	4,867
Depreciation, depletion and amortization	3,002	756	17	169	59	(6)	3,997
Interest expense	328	326	21	59	359	(798)	295
Income tax expense	853	220	4	-	21	40	1,138
Net income (loss)	3,315	1,235	(75)	(76)	(339)	62	4,122
Total assets	82,680	78,859	664	4,587	21,737	(72,648)	115,879
Capital expenditures	6,170	1,339	80	78	55	-	7,722

(millions of US dollars, unless otherwise noted)

Note 19. Segment information (continued)

Geographical segments

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Sales of crude oil within Russia	710	953	1,312	1,937
Export of crude oil and sales of crude oil by foreign subsidiaries	7,477	8,869	13,640	16,363
Sales of petroleum products within Russia	2,841	4,198	4,986	7,902
Export of petroleum products and sales of petroleum products by foreign subsidiaries	15,529	22,318	28,373	43,637
Sales of chemicals within Russia	116	39	166	171
Export of chemicals and sales of chemicals by foreign subsidiaries	169	234	301	489
Other sales within Russia	585	799	1,169	1,792
Other export sales and other sales of foreign subsidiaries	677	795	1,347	1,595
Total sales	**28,104**	**38,205**	**51,294**	**73,886**

For the three months ended June 30, 2015

	Russia	International	Elimination	Consolidated
Sales				
Third parties	4,362	23,742	-	28,104
Inter-segment	6,075	28	(6,103)	-
Total sales	10,437	23,770	(6,103)	28,104
Operating expenses	1,480	524	59	2,063
Depreciation, depletion and amortization	1,311	876	(1)	2,186
Interest expense	66	153	(36)	183
Income taxes	218	56	(7)	267
Net income (loss)	1,245	(190)	(50)	1,005
Total assets	91,485	37,007	(17,143)	111,349
Capital expenditures	1,785	1,105	-	2,890

For the three months ended June 30, 2014

	Russia	International	Elimination	Consolidated
Sales				
Third parties	6,314	31,891	-	38,205
Inter-segment	9,902	19	(9,921)	-
Total sales	16,216	31,910	(9,921)	38,205
Operating expenses	1,962	586	10	2,558
Depreciation, depletion and amortization	1,208	1,277	-	2,485
Interest expense	24	153	(22)	155
Income taxes	438	32	1	471
Net income (loss)	2,538	(76)	(73)	2,389
Total assets	93,164	40,152	(17,437)	115,879
Capital expenditures	3,267	1,223	-	4,490

(millions of US dollars, unless otherwise noted)

Note 19. Segment information (continued)

For the six months ended June 30, 2015

	Russia	International	Elimination	Consolidated
Sales				
Third parties	7,844	43,450	-	51,294
Inter-segment	11,298	49	(11,347)	-
Total sales	19,142	43,499	(11,347)	51,294
Operating expenses	2,702	1,050	119	3,871
Depreciation, depletion and amortization	2,551	1,454	-	4,005
Interest expense	120	290	(58)	352
Income taxes	453	59	(26)	486
Net income (loss)	2,015	(158)	(162)	1,695
Total assets	91,485	37,007	(17,143)	111,349
Capital expenditures	3,288	2,032	-	5,320

For the six months ended June 30, 2014

	Russia	International	Elimination	Consolidated
Sales				
Third parties	12,341	61,545	-	73,886
Inter-segment	19,862	39	(19,901)	-
Total sales	32,203	61,584	(19,901)	73,886
Operating expenses	3,789	997	81	4,867
Depreciation, depletion and amortization	2,458	1,539	-	3,997
Interest expense	41	295	(41)	295
Income taxes	1,025	73	40	1,138
Net income (loss)	4,492	(434)	64	4,122
Total assets	93,164	40,152	(17,437)	115,879
Capital expenditures	5,519	2,203	-	7,722

The Group’s international sales to third parties include sales in Switzerland of $12,984 million, $18,079 million, $23,951 million and $36,563 million for the three months ended June 30, 2015 and 2014 and for the six months ended June 30, 2015 and 2014, respectively. The Group’s international sales to third parties include sales in the USA of $2,477 million, $2,667 million, $3,797 million and $5,006 million for the three months ended June 30, 2015 and 2014 and for the six months ended June 30, 2015 and 2014, respectively. These amounts are attributed to individual countries based on the jurisdiction of subsidiaries making the sale.

Note 20. Subsequent events

In accordance with the requirements of Topic 855, *“Subsequent events,”* of the Codification, the Group evaluated subsequent events through the date the interim consolidated financial statements were available to be issued. Therefore subsequent events were evaluated by the Group up to August 26, 2015.