PJSC LUKOIL

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

KPMG

Independent Auditors' Report

To the Shareholders of PJSC LUKOIL

Opinion

We have audited the consolidated financial statements of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Property, plant and equipment (PP&E)	
Please refer to the Note 13 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Due to continuing volatility in prices for oil and oil products, caused by COVID-19 and the decline in oil extraction, there is a risk of impairment of the Group's PP&E, which are material to the consolidated financial statements as at 31 December 2020. Because of the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of impairment, this is one of the key judgmental areas that our audit is concentrated on.	In this area our audit procedures included testing of the principles and integrity of the Group's discounted cash flow models. We used our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group. We assessed management's macroeconomic assumptions, which include both short-term and long-term views on commodity prices, inflation rates and interest rates. We compared the short-term price assumptions used by management to the market forward curves. We also compared the short and long-term assumptions to views published by brokers, economists, consultancies and respected industry bodies. We compared the volumes of oil and gas reserves and resources used in the impairment test to the volumes estimated by reservoir engineers. Analyzing the exploration and evaluation assets for impairment, we considered the license terms, the management's plans to conduct further exploration and evaluation works in the respective areas and the expenditures for exploration and evaluation, included in the approved investment programs. We also considered the adequacy of the PP&E impairment disclosure included in the consolidated financial statements.

Estimation of oil and gas reserves and resources	
Please refer to the Note 4 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The estimate of oil and gas reserves and resources has a significant impact on the consolidated financial statements, particularly impairment testing and depreciation, depletion and amortization (DD&A) charges. The volumes of oil and gas are mainly used by the	In this area our audit procedures included the assessment of the competence, capabilities and objectivity of reservoir engineers, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation. Where volumetric movements had a material impact on the consolidated financial statements, we validated these volumes against underlying information and documentation, along with checking that assumptions used to estimate reserves and resources were made in compliance with relevant

management in its assessment of future cash flows to assess the recoverability of property, plant and equipment as described above.	regulations.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion & Analysis of Financial Condition and Results of Operations but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, the Annual Report and the Quarterly report of the issuer of securities for the first quarter of 2021, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Klimanova L.V.

JSC "KPMG"

Moscow, Russia

10 March 2021

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

	Note	31 December 2020	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	6	343,832	516,032
Accounts receivable, net	7	370,271	437,052
Other current financial assets	8	8,350	49,706
Inventories	9	426,536	413,910
Prepaid taxes	10	78,822	95,075
Other current assets	11	48,649	42,412
Total current assets		**1,276,460**	**1,554,187**
Property, plant and equipment	13	4,264,474	4,026,007
Investments in associates and joint ventures	12	281,637	220,004
Other non-current financial assets	14	68,692	38,231
Deferred income tax assets	29	16,298	28,673
Goodwill and other intangible assets	16	50,159	43,108
Other non-current assets		33,859	36,840
Total non-current assets		**4,715,119**	**4,392,863**
Total assets		**5,991,579**	**5,947,050**
Liabilities and equity			
Current liabilities			
Accounts payable	17	597,932	607,734
Short-term borrowings and current portion of long-term debt	18	82,636	130,300
Taxes payable	20	142,458	142,471
Provisions	22, 23	27,136	37,232
Other current liabilities	21	35,497	168,952
Obligation to repurchase common shares	24	-	120,988
Total current liabilities		**885,659**	**1,207,677**
Long-term debt	19	577,075	422,932
Deferred income tax liabilities	29	268,956	264,159
Provisions	22, 23	126,665	77,045
Other non-current liabilities		2,458	1,788
Total non-current liabilities		**975,154**	**765,924**
Total liabilities		**1,860,813**	**1,973,601**
Equity	24		
Share capital		938	968
Treasury shares (including obligation to repurchase common shares)		(71,920)	(308,160)
Additional paid-in capital		39,298	39,277
Other reserves		296,641	30,141
Retained earnings		3,858,057	4,203,138
Total equity attributable to PJSC LUKOIL shareholders		**4,123,014**	**3,965,364**
Non-controlling interests		7,752	8,085
Total equity		**4,130,766**	**3,973,449**
Total liabilities and equity		**5,991,579**	**5,947,050**

President of PJSC LUKOIL
Alekperov V.Y.

Chief accountant of PJSC LUKOIL
Verkhov V.A.

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

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

	Note	2020	2019
Revenues			
Sales (including excise and export tariffs)	33	5,639,401	7,841,246
Costs and other deductions			
Operating expenses		(439,973)	(457,710)
Cost of purchased crude oil, gas and products		(3,000,916)	(4,308,073)
Transportation expenses		(292,899)	(278,798)
Selling, general and administrative expenses		(199,027)	(197,172)
Depreciation, depletion and amortisation		(405,440)	(415,094)
Taxes other than income taxes		(569,078)	(928,190)
Excise and export tariffs		(444,300)	(425,763)
Exploration expenses		(6,114)	(9,348)
Profit from operating activities		**281,654**	**821,098**
Finance income	26	13,051	25,134
Finance costs	26	(44,122)	(44,356)
Equity share in income of associates and joint ventures	12	11,474	18,246
Foreign exchange (loss) gain		(26,110)	923
Other expenses	27	(137,160)	(27,691)
Profit before income taxes		**98,787**	**793,354**
Current income taxes		(61,362)	(144,615)
Deferred income taxes		(20,792)	(6,518)
Total income tax expense	29	**(82,154)**	**(151,133)**
Profit for the year		**16,633**	**642,221**
Profit for the year attributable to:			
PJSC LUKOIL shareholders		15,175	640,178
Non-controlling interests		1,458	2,043

	Note	2020	2019
Other comprehensive income (loss), net of income taxes			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		268,707	(164,117)
Items that will never be reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income		(767)	(348)
Remeasurements of defined benefit liability / asset of pension plan	23	(1,423)	(1,976)
Other comprehensive income (loss)		**266,517**	**(166,441)**
Total comprehensive income for the year		**283,150**	**475,780**
Total comprehensive income for the year attributable to:			
PJSC LUKOIL shareholders		281,675	473,765
Non-controlling interests		1,475	2,015

	Note	2020	2019
Earnings per share			
Profit for the year attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):	24		
Basic		23.31	963.28
Diluted		22.46	934.73

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

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

	Share capital	Treasury shares	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC LUKOIL shareholders	Non-controlling interests	Total equity
31 December 2019	968	(308,160)	39,277	30,141	4,203,138	**3,965,364**	8,085	**3,973,449**
Profit for the year	-	-	-	-	15,175	**15,175**	1,458	**16,633**
Other comprehensive income	-	-	-	266,500	-	**266,500**	17	**266,517**
Total comprehensive income				**266,500**	**15,175**	**281,675**	**1,475**	**283,150**
Dividends on common stock	-	-	-	-	(258,389)	**(258,389)**	-	**(258,389)**
Stock purchased	-	(2,026)	-	-	-	**(2,026)**	-	**(2,026)**
Equity-settled share-based compensation plan	-	-	-	-	15,381	**15,381**	-	**15,381**
Obligation to repurchase common shares	-	120,988	-	-	-	**120,988**	-	**120,988**
Share capital reduction	(30)	117,278	-	-	(117,248)	**-**	-	**-**
Changes in non-controlling interests	-	-	21	-	-	**21**	(1,808)	**(1,787)**
31 December 2020	**938**	**(71,920)**	**39,298**	**296,641**	**3,858,057**	**4,123,014**	**7,752**	**4,130,766**
31 December 2018	1,015	(134,810)	39,173	196,554	3,963,628	**4,065,560**	7,966	**4,073,526**
Profit for the year	-	-	-	-	640,178	**640,178**	2,043	**642,221**
Other comprehensive loss	-	-	-	(166,413)	-	**(166,413)**	(28)	**(166,441)**
Total comprehensive (loss) income				**(166,413)**	**640,178**	**473,765**	**2,015**	**475,780**
Dividends on common stock	-	-	-	-	(229,669)	**(229,669)**	-	**(229,669)**
Stock purchased	-	(240,767)	-	-	-	**(240,767)**	-	**(240,767)**
Equity-settled share-based compensation plan	-	-	-	-	17,359	**17,359**	-	**17,359**
Obligation to repurchase common shares	-	(120,988)	-	-	-	**(120,988)**	-	**(120,988)**
Share capital reduction	(47)	188,405	-	-	(188,358)	**-**	-	**-**
Changes in non-controlling interests	-	-	104	-	-	**104**	(1,896)	**(1,792)**
31 December 2019	**968**	**(308,160)**	**39,277**	**30,141**	**4,203,138**	**3,965,364**	**8,085**	**3,973,449**

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

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

	Note	2020	2019
Cash flows from operating activities			
Profit for the year attributable to PJSC LUKOIL shareholders		**15,175**	**640,178**
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		405,440	415,094
Equity share in income of associates and joint ventures, net of dividends received		(2,903)	(11,387)
Dry hole write-offs		4,425	7,694
Loss on disposals and impairments of assets		125,535	16,975
Income tax expense		82,154	151,133
Non-cash foreign exchange loss (gain)		26,037	(1,120)
Finance income		(13,051)	(25,134)
Finance costs		44,122	44,356
Allowance for expected credit losses		5,811	9,340
Equity-settled share-based compensation plan		31,366	31,366
All other items, net		5,538	1,823
Changes in operating assets and liabilities:			
Trade accounts receivable		128,139	(48,023)
Inventories		37,868	(69,171)
Accounts payable		(69,305)	88,977
Other taxes		10,200	24,053
Other current assets and liabilities		(23,725)	(2,617)
Income tax paid		(57,250)	(148,314)
Dividends received		9,448	6,636
Interests received		11,550	19,985
Net cash provided by operating activities		**776,574**	**1,151,844**
Cash flows from investing activities			
Acquisition of licenses		(235)	(8,925)
Capital expenditures		(495,443)	(449,975)
Proceeds from sale of property, plant and equipment		657	1,759
Purchases of financial assets		(8,232)	(7,198)
Proceeds from sale of financial assets		12,323	17,774
Sale of subsidiaries, net of cash disposed		17	9,261
Sale of associates		312	259
Acquisitions of interests in the projects and subsidiaries, net of cash acquired		(1,040)	(71,693)
Acquisitions of associates		(1,128)	(1,388)
Net cash used in investing activities		**(492,769)**	**(510,126)**
Cash flows from financing activities			
Proceeds from issuance of short-term borrowings		1,971	264
Principal repayments of short-term borrowings		(815)	(6,186)
Proceeds from issuance of long-term debt		108,796	-
Principal repayments of long-term debt		(171,980)	(106,625)
Interest paid		(39,100)	(41,589)
Dividends paid on Company common shares		(407,309)	(180,747)
Dividends paid to non-controlling interest shareholders		(3,589)	(4,040)
Financing received from non-controlling interest shareholders		47	297
Purchase of Company’s stock		(2,026)	(243,691)
Purchases of non-controlling interest		-	(27)
Net cash used in financing activities		**(514,005)**	**(582,344)**
Effect of exchange rate changes on cash and cash equivalents		58,000	(35,992)
Net (decrease) increase in cash and cash equivalents		**(172,200)**	**23,382**
Cash and cash equivalents at beginning of year		516,032	492,650
Cash and cash equivalents at end of year	6	**343,832**	**516,032**

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

Note 1. Organisation and environment

The primary activities of PJSC LUKOIL (the "Company") and its subsidiaries (together, the "Group") are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

The Group was established in accordance with Presidential Decree No. 1403, issued on 17 November 1992. Under this decree, on 5 April 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on 1 September 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of the twenty-four founding subsidiaries to 100%.

From formation, the Group has expanded substantially through consolidation of its interests, acquisition of new companies and establishment of new businesses.

Business and economic environment

The accompanying consolidated financial statements reflect management's assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management's assessment.

COVID-19

In December 2019, the emergence of a new strain of coronavirus (COVID-19) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy. Deceleration of economic activity resulted in a substantial decrease in demand for hydrocarbons leading to oversupply on the international oil market and a sharp decline in oil prices. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output starting from 1 May 2020. This coordinated production cut together with the negative impact of low oil prices on crude oil production in different countries resulted in lower supply of crude oil, reduction of surplus on the crude oil market and led to a gradual recovery of oil prices. This upward oil price trend was further supported by the start of gradual lifting of lockdowns in different countries, recovery in economic activity and respective growth in demand for hydrocarbons. Acceleration of COVID-19 spread in October 2020 resulted in a renewal of lockdown measures in different countries and a decline in oil prices. However, progress with testing of vaccines against COVID-19 pushed the oil prices up by the end of December 2020. This upward trend continued in the beginning of 2021.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted production processes.

The major impact of COVID-19 on the macroeconomic environment in the oil and gas industry resulted in a number of consequences on operational and financial performance of the Group. For example, due to the OPEC+ agreement the Group cut its crude oil production in Russia and at some international projects.

Management has considered the impact of COVID-19 and oil price decline on these consolidated financial statements. Current market conditions create additional estimation uncertainties and impact certain key assumptions in the valuation of assets used for preparation of these consolidated financial statements.

Management believes that the Group is in a solid financial condition as of the end of 2020. This represents an incremental support for continuous operations and meeting all of the Group's obligations, as well as adequate financing of the investment program in any macroeconomic situation. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

Note 2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on a historical cost basis, except certain assets and liabilities measured at fair value.

The consolidated financial statements were authorised by the President of the Company on 10 March 2021.

Functional and presentation currency

The functional currency of each of the Group's consolidated companies is the currency of the primary economic environment in which the company operates. The management has analysed factors that influence the choice of functional currency and has determined the functional currency for each Group company. For the majority of them the functional currency is the local currency. The functional currency of the Company is the Russian ruble ("RUB").

The presentation currency of the Group is the RUB. All financial information presented in the RUB has been rounded to the nearest million, except when otherwise indicated.

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

Note 3. Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the financial position and results of operations of the Company and controlled subsidiaries. A company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group's interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method. These investments include the Group's interests in associates, joint ventures and investments where the Company owns the majority of the voting interest but has no control. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Note 3. Summary of significant accounting policies (continued)

Group's share in jointly controlled operations is recognised in the consolidated financial statements based on its share in assets, liabilities, income and expenses. Jointly controlled operations are arrangements in which parties that have joint control over operating or financial policies have respective rights to use assets and responsibility for liabilities in the arrangements.

Certain of Group's unincorporated joint exploration and production activities are conducted through arrangements that are not jointly controlled, either because unanimous consent is not required among all parties involved, or no single group of parties has joint control over the activity. Such activities where control can be achieved through agreement between more than one combination of involved parties are considered to be outside the scope of IFRS 11 *Joint Arrangements*. In relation to its interests in these arrangements, the Group recognises its share of any assets, liabilities, income and expenses.

Business combinations

For each business combination the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of previous transactions. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the fair value of acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Note 3. Summary of significant accounting policies (continued)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of financial assets measured at fair value through other comprehensive income which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in a way that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Revenues

Revenues are recognised when a customer obtains control of the goods or services which usually occurs when the title is passed, provided that risks and rewards of ownership are assumed by the customer and the customer obtains obligation to pay for the goods or services.

Revenues include excise on petroleum products’ sales and duties on export sales of crude oil and petroleum products.

Revenue from the production of oil and natural gas in which the Group has an interest with other producers is recognised based on the Group’s working interest and the terms of the relevant production sharing contracts.

Revenues from non-cash sales are recognised at the fair value of the crude oil and petroleum products sold. If the fair value of the non-cash consideration cannot be reasonably estimated, the consideration shall be measured indirectly by reference to the stand-alone selling price of the goods or services promised to the customer in exchange for the consideration.

Note 3. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

Financial assets

The Group classifies financial assets into the following categories, as appropriate: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular instruments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group initially recognises as financial assets loans and receivables on the date when they are originated and debt securities on the date when they are acquired. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Note 3. Summary of significant accounting policies (continued)

Derivative instruments

The Group uses various derivative financial instruments to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Resulting realised and unrealised gains or losses are presented in profit or loss on a net basis. The Group does not use hedge accounting.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other delivery costs. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The disposal of finished goods is accounted for using the first-in first-out principle, the disposal of other inventories by using the “average cost” method.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment of major subsidiaries at 1 January 2014, the Group’s date of transition to IFRSs, was determined by reference to its fair value at that date.

The Group recognises exploration and evaluation costs using the successful efforts method. Under this method, all costs related to exploration and evaluation are capitalised and accounted for as construction in progress in the amount incurred less impairment (if any) until the discovery (or absence) of economically feasible oil and gas reserves has been established. When the technical feasibility and commercial viability of reserves extraction is confirmed, exploration and evaluation assets should be reclassified into property, plant and equipment. Prior to reclassification these assets should be reviewed for impairment and impairment loss (if any) expensed to the financial results. If the exploration and evaluation activity is evaluated as unsuccessful, the costs incurred should be expensed.

Depreciation, depletion and amortisation of capitalised 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.

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

Depreciation of assets not directly associated with 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	3 – 20 years

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

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 capitalised only to the extent that they are expected to result in future economic benefits to the Group. If capitalised, they are depreciated over their estimated economic lives.

Note 3. Summary of significant accounting policies (continued)

Impairment of non-current non-financial assets

The carrying amounts of the Group’s non-current non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or related cash-generating unit (“CGU”).

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to group of CGUs that are expected to benefit from the synergies of the combination. The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Asset retirement obligations

The Group records the present value of the estimated future costs to settle its legal obligations to abandon, dismantle or otherwise retire tangible non-current non-financial assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related non-current non-financial assets is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated using the same method as asset to be abandoned, dismantled or otherwise retired. Changes in the estimates of asset retirement obligations (“ARO”) occur as a result of changes in cost and timing of liquidation or change of discount rates and are accounted as part of cost of property, plant and equipment in the current period.

Lease

A single, on-balance sheet lease accounting model is used by lessees. A contract is, or contains, a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group has elected not to apply provided exemptions for short-term leases and leases for which the underlying asset is of low value. Lessors classify leases as finance or operating leases.

Note 3. Summary of significant accounting policies (continued)

The Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Assets classified as held for sale

Assets classified as held for sale are separately presented in the consolidated statement of financial position 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 classified as held for sale are presented in current assets and liabilities of the consolidated statement of financial position.

Income taxes

Deferred income tax assets and liabilities are recognised 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 consolidated statement of financial position and their respective tax bases. But as opposed to deferred tax liabilities, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Similarly a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available. At the end of each reporting period realizability of deferred tax assets (both recognised and unrecornized) should be reassessed. In case of existence of previously unrecognised deferred tax assets, they can be recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 recognised in profit or loss in the reporting period which includes the enactment date.

Employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Note 3. Summary of significant accounting policies (continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Treasury shares

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

Earnings per share

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Company by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Provisions and contingencies

Certain conditions may exist as of the consolidated financial statements 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.

Liabilities of the Group with high level of probability of loss are recognised in the consolidated financial statements as provisions. Liabilities of the Group with the level of probability that do not meet the conditions in order to be recognised as provisions are considered to be contingent liabilities. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements if probability of disposal of certain resources aimed to settle this liability is not remote. If probability of disposal of certain resources is remote the information about such contingencies is not disclosed.

Environmental expenditures

Estimated losses from environmental remediation obligations are generally recognised 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.

Share-based payments

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

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amendments to the existing standards effective as of 1 January 2020. These amendments did not have a significant impact on the consolidated financial statements:

- amendments to references to Conceptual Framework in IFRS Standards. In particular, the amendments introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses;
- definition of a business (amendments to IFRS 3 *Business Combinations*);

(Millions of Russian rubles, unless otherwise noted)

Note 3. Summary of significant accounting policies (continued)

- definition of a material (amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

Note 4. Use of estimates and judgments

Preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- estimation of oil and gas reserves;
- estimation of useful lives of property, plant and equipment;
- impairment of non-current assets;
- assessment and recognition of provisions and contingent liabilities;
- definition of leases.

Oil and gas reserves estimates that are used for the reporting purposes are made in accordance with the requirements adopted by U.S. Securities and Exchange Commission. Estimates are reassessed on an annual basis.

Note 5. New standards and interpretations not yet adopted

The following amendments to the standards are effective for annual periods beginning after 1 January 2021, available for early adoption:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*);
- COVID-19-Related Rent Concessions (Amendment to IFRS 16 *Leases*);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*);
- Reference to Conceptual Framework (Amendments to IFRS 3 *Business Combinations*);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*).

However, the Group did not make an early adoption of the amended standards in the preparation of these consolidated financial statements, which are not expected to have a significant impact on the Group's consolidated financial statements.

Note 6. Cash and cash equivalents

	31 December 2020	**31 December 2019**
Cash held in RUB	16,537	189,055
Cash held in US dollars	256,841	303,046
Cash held in EUR	59,009	14,909
Cash held in other currencies	11,445	9,022
Total cash and cash equivalents	**343,832**	**516,032**

(Millions of Russian rubles, unless otherwise noted)

Note 7. Accounts receivable, net

	31 December 2020	31 December 2019
Trade accounts receivable (net of allowances of 32,762 million RUB and 26,593 million RUB at 31 December 2020 and 2019, respectively)	357,159	428,415
Other current accounts receivable (net of allowances of 4,930 million RUB and 4,694 million RUB at 31 December 2020 and 2019, respectively)	13,112	8,637
Total accounts receivable, net	**370,271**	**437,052**

Note 8. Other current financial assets

	31 December 2020	31 December 2019
Financial assets measured at amortised cost		
Short-term loans	8,350	6,814
Financial assets measured at fair value through profit or loss		
Short-term loans	-	42,892
Total other current financial assets	**8,350**	**49,706**

Note 9. Inventories

	31 December 2020	31 December 2019
Crude oil and petroleum products	373,290	366,795
Materials for extraction and drilling	25,582	22,811
Materials and supplies for refining	4,681	4,449
Other goods, materials and supplies	22,983	19,855
Total inventories	**426,536**	**413,910**

Note 10. Prepaid taxes

	31 December 2020	31 December 2019
Income tax prepaid	17,983	17,120
VAT and excise tax recoverable	21,290	30,660
Export duties prepaid	8,009	11,968
VAT prepaid	26,407	30,199
Other taxes prepaid	5,133	5,128
Total prepaid taxes	**78,822**	**95,075**

Note 11. Other current assets

	31 December 2020	31 December 2019
Advance payments	15,904	10,246
Prepaid expenses	21,622	23,673
Other assets	11,123	8,493
Total other current assets	**48,649**	**42,412**

(Millions of Russian rubles, unless otherwise noted)

Note 12. Investments in associates and joint ventures

Carrying value of investments in associates and joint ventures:

		Ownership			
Name of the company	**Country**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Joint ventures:					
Tengizchevroil (TCO)	Kazakhstan	5.0%	5.0%	146,611	119,924
Caspian Pipeline Consortium (CPC)	Kazakhstan	12.5%	12.5%	56,027	40,670
South Caucasus Pipeline Company (SCPC)	Azerbaijan	10.0%	10.0%	34,663	30,241
Others				-	655
Associates:					
Associates				44,336	28,514
Total				**281,637**	**220,004**

TCO is engaged in development of hydrocarbon resources in Kazakhstan. The Group has classified its interest in TCO as a joint venture as it has rights to the net assets of the arrangement.

31 December 2020	**TCO**	**CPC**	**SCPC**	**Others**	**Associates**	**Total**
Current assets	185,179	49,950	17,923	85	37,049	**290,186**
Non-current assets	3,398,159	449,020	363,283	-	222,001	**4,432,463**
Current liabilities	153,329	39,529	17,584	85	22,011	**232,538**
Non-current liabilities	1,228,347	11,224	16,995	-	127,928	**1,384,494**
Net assets (100%)	2,201,662	448,217	346,627	-	109,111	**3,105,617**
Share in net assets	146,611	56,027	34,663	-	44,336	**281,637**

31 December 2019	**TCO**	**CPC**	**SCPC**	**Others**	**Associates**	**Total**
Current assets	127,066	21,376	10,196	3,183	36,785	**198,606**
Non-current assets	2,641,370	410,517	315,987	1,770	193,540	**3,563,184**
Current liabilities	195,807	88,698	9,311	568	136,443	**430,827**
Non-current liabilities	825,320	17,838	14,467	3,076	31,737	**892,438**
Net assets (100%)	1,747,309	325,357	302,405	1,309	62,145	**2,438,525**
Share in net assets	119,924	40,670	30,241	655	28,514	**220,004**

2020	**TCO**	**CPC**	**SCPC**	**Others**	**Associates**	**Total**
Revenues	657,608	151,648	50,221	4,627	74,160	**938,264**
Net income (loss), 100%	113,342	57,684	24,251	1,402	(6,194)	**190,485**
Share in net income (loss)	3,407	7,210	2,425	701	(2,269)	**11,474**

2019	**TCO**	**CPC**	**SCPC**	**Others**	**Associates**	**Total**
Revenues	1,055,783	146,646	37,944	6,988	122,041	**1,369,402**
Net income (loss), 100%	296,060	46,918	18,234	167	(8,219)	**353,160**
Share in net income (loss)	12,474	5,865	1,823	84	(2,000)	**18,246**

(Millions of Russian rubles, unless otherwise noted)

Note 13. Property, plant and equipment

	Exploration and production	Refining, marketing and distribution	Other	Total
Cost				
31 December 2019	4,795,674	1,510,515	76,246	**6,382,435**
Additions	424,751	144,941	4,864	**574,556**
Acquisitions	1,209	-	-	**1,209**
Disposals	(37,156)	(42,014)	(6,592)	**(85,762)**
Foreign currency translation differences	272,259	143,409	2,704	**418,372**
Other	(23,473)	(201)	(216)	**(23,890)**
31 December 2020	**5,433,264**	**1,756,650**	**77,006**	**7,266,920**
Depreciation and impairment				
31 December 2019	(1,766,575)	(589,636)	(21,153)	**(2,377,364)**
Depreciation for the period	(278,237)	(135,596)	(3,705)	**(417,538)**
Impairment loss	(48,740)	(58,129)	-	**(106,869)**
Disposals	18,358	38,776	3,477	**60,611**
Foreign currency translation differences	(144,090)	(60,206)	(1,032)	**(205,328)**
Other	25,550	1,914	45	**27,509**
31 December 2020	**(2,193,734)**	**(802,877)**	**(22,368)**	**(3,018,979)**
Advance payments for property, plant and equipment				
31 December 2019	6,791	13,314	831	**20,936**
31 December 2020	**10,218**	**5,757**	**558**	**16,533**
Carrying amounts				
31 December 2019	3,035,890	934,193	55,924	**4,026,007**
31 December 2020	**3,249,748**	**959,530**	**55,196**	**4,264,474**
Cost				
31 December 2018	4,476,824	1,373,743	75,882	**5,926,449**
Adjustment on adoption of IFRS 16	54,335	102,189	5,527	**162,051**
1 January 2019	4,531,159	1,475,932	81,409	**6,088,500**
Additions	397,031	120,221	2,133	**519,385**
Acquisition of the interest in the project	72,171	529	-	**72,700**
Disposals	(55,461)	(19,197)	(2,833)	**(77,491)**
Foreign currency translation differences	(165,027)	(71,067)	(1,804)	**(237,898)**
Other	15,801	4,097	(2,659)	**17,239**
31 December 2019	**4,795,674**	**1,510,515**	**76,246**	**6,382,435**
Depreciation and impairment				
31 December 2018	(1,586,508)	(513,668)	(19,380)	**(2,119,556)**
Depreciation for the period	(288,349)	(121,721)	(4,064)	**(414,134)**
Impairment loss	(21,559)	(1,324)	-	**(22,883)**
Impairment reversal	9,797	-	-	**9,797**
Disposals	36,114	15,289	789	**52,192**
Foreign currency translation differences	83,848	27,564	723	**112,135**
Other	82	4,224	779	**5,085**
31 December 2019	**(1,766,575)**	**(589,636)**	**(21,153)**	**(2,377,364)**
Advance payments for property, plant and equipment				
31 December 2018	5,916	15,669	686	**22,271**
31 December 2019	**6,791**	**13,314**	**831**	**20,936**
Carrying amounts				
31 December 2018	2,896,232	875,744	57,188	**3,829,164**
31 December 2019	**3,035,890**	**934,193**	**55,924**	**4,026,007**

(Millions of Russian rubles, unless otherwise noted)

Note 13. Property, plant and equipment (continued)

The cost of assets under construction included in property, plant and equipment was 458,265 million RUB and 369,926 million RUB at 31 December 2020 and 2019, respectively.

Exploration and evaluation assets

	2020	2019
1 January	129,951	107,105
Capitalised expenditures	36,881	41,446
Acquisitions through business combinations	362	-
Reclassified to development assets	(5,238)	(8,742)
Charged to expenses	(3,542)	(7,159)
Foreign currency translation differences	6,244	(3,537)
Other movements	(1,407)	838
31 December	**163,251**	**129,951**

Due to a significant deterioration in the macroeconomic environment in the first quarter of 2020, the Company revised the scenario conditions used in the impairment test at the end of 2019 and performed an impairment test for assets at 31 March 2020.

As a result, in the first quarter of 2020, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 5,219 million RUB, for its international exploration and production assets in the amount of 2,209 million RUB and for its international refining, marketing and distribution assets in the amount of 28,859 million RUB.

The recoverable amounts of CGUs subject to impairment in the first quarter of 2020 in the amount of 139,180 million RUB were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 9% discount rate for exploration and production assets in Russia, 8.2% discount rate for international exploration and production assets and 7.5% discount rate for international refining, marketing and distribution assets.

For impairment test purposes at 31 March 2020 the following Brent Blend price assumptions have been used: $40.0 per barrel in 2020–2021, $45.0 per barrel in 2022, $50.0 per barrel in 2023, $55.0 per barrel in 2024 and $60.0 per barrel from 2025.

Also, in the second quarter of 2020, the Group recognised an impairment loss for its international exploration and production assets in the amount of 38,148 million RUB. Of this amount, 35,986 million RUB relates to gas projects in the Republic of Uzbekistan and are determined based on the revised business model, which takes into account conservative approaches to assessing the structure of gas supplies and pricing.

The recoverable amounts of CGUs in the amount of 106,003 million RUB which relate to impaired assets were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 11.2% discount rate.

The Company performs a regular annual impairment test of its assets. The test is based on geological models and development programs, which are revised on a regular basis, at least annually.

In the fourth quarter of 2020, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 3,020 million RUB, for its international exploration and production assets in the amount of 144 million RUB, for its refining, marketing and distribution assets in Russia in the amount of 7,656 million RUB and for its international refining, marketing and distribution assets in the amount of 21,614 million RUB.

(Millions of Russian rubles, unless otherwise noted)

Note 13. Property, plant and equipment (continued)

The recoverable amounts of CGUs subject to impairment in the fourth quarter of 2020 in the amount of 51,843 million RUB were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets in Russia – 8%, for refining, marketing and distribution assets in Russia – from 10% to 13% and for international refining, marketing and distribution assets – 6.4%.

For impairment test purposes at 31 December 2020 the following Brent Blend price assumptions have been used: $50.0 per barrel in 2021, $54.0 per barrel in 2022, $57.0 per barrel in 2023, $58.0 per barrel in 2024 and $60.0 per barrel from 2025.

In the fourth quarter of 2019, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 20,142 million RUB, for its international exploration and production assets in the amount of 1,270 million RUB, for its refining, marketing and distribution assets in Russia in the amount of 476 million RUB and for its international refining, marketing and distribution assets in the amount of 848 million RUB. Also the Group recognised an impairment reversal of 9,651 million RUB, which was mainly a result of improvement of economic parameters of our production projects in Western Siberia and European part of Russia.

The recoverable amounts of CGUs subject to impairment and impairment reversal in 2019 in the amount of 55,822 million RUB and 100,270 million RUB, respectively, were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets in Russia – 8.5%, for refining, marketing and distribution assets in Russia – from 10% to 13%.

Impairment reversal and impairment loss are included in “Other income (expenses)” in the consolidated statement of profit or loss and other comprehensive income.

The measurement of recoverable amounts of property, plant and equipment is most sensitive to the volatility of oil and gas prices. However, price reductions would also result in changes in other factors used when estimating recoverable amounts. Quantitative assessment of suchlike impacts is very complicated, as it demands detailed technical, geological and economical evaluations based on hypothetical scenarios rather than existing business or development plans.

Note 14. Other non-current financial assets

	31 December 2020	31 December 2019
Financial assets measured at fair value through other comprehensive income		
Equity instruments	2,491	2,656
Financial assets measured at amortised cost		
Long-term loans	31,075	26,008
Non-current accounts and notes receivable	1,916	1,371
Other financial assets	15	34
Financial assets measured at fair value through profit or loss		
Long-term loans	33,195	8,162
Total other non-current financial assets	**68,692**	**38,231**

(Millions of Russian rubles, unless otherwise noted)

Note 15. Acquisition of interests in the projects

In the second quarter of 2019, a Group company entered into a contract with New Age M12 Holdings Limited to acquire a 25% interest in the Marine XII license in the Republic of Congo (Congo-Brazzaville) developed under the production sharing agreement. In September 2019, the transaction in the amount of 51.4 billion RUB ($768 million) was closed after all the customary conditions, including approval by the Government of the Republic of Congo, were fulfilled. The Company has completed allocation of the purchase price to the fair value of assets acquired and liabilities assumed which includes property plant and equipment and assets under construction in the amount of 51.3 billion RUB ($767 million), inventories in the amount of 0.9 billion RUB ($13 million), accounts receivable in the amount of 0.5 billion RUB ($7 million) and asset retirement obligations in the amount of 1.3 billion RUB ($19 million).

After acquisition the Group accounts for this project similar to accounting for jointly controlled operations.

Note 16. Goodwill and other intangible assets

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Cost					
31 December 2019	19,532	4,975	52,782	32,337	**109,626**
Additions as result of internal developments	1,914	1,859	-	-	**3,773**
Additions - separately acquired	-	-	5,597	-	**5,597**
Disposals	(190)	(23)	(11,088)	-	**(11,301)**
Foreign currency translation differences	281	4	3,617	6,239	**10,141**
Other	284	(242)	87	-	**129**
31 December 2020	**21,821**	**6,573**	**50,995**	**38,576**	**117,965**
Amortisation and impairment					
31 December 2019	(14,797)	(1,306)	(40,491)	(9,924)	**(66,518)**
Amortisation for the year	(917)	(299)	(4,881)	-	**(6,097)**
Impairment loss	-	(1)	(18)	-	**(19)**
Disposals	164	-	10,950	-	**11,114**
Foreign currency translation differences	(260)	(4)	(2,851)	(3,025)	**(6,140)**
Other	55	(2)	(199)	-	**(146)**
31 December 2020	**(15,755)**	**(1,612)**	**(37,490)**	**(12,949)**	**(67,806)**
Carrying amounts					
31 December 2019	4,735	3,669	12,291	22,413	**43,108**
31 December 2020	**6,066**	**4,961**	**13,505**	**25,627**	**50,159**

(Millions of Russian rubles, unless otherwise noted)

Note 16. Goodwill and other intangible assets (continued)

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Cost					
31 December 2018	17,714	3,538	50,296	35,681	**107,229**
Additions as result of internal developments	1,678	1,886	-	-	**3,564**
Acquisitions	-	-	16	-	**16**
Additions - separately acquired	-	-	6,922	-	**6,922**
Disposals	(7)	(7)	(1,030)	-	**(1,044)**
Foreign currency translation differences	(289)	(2)	(3,287)	(3,344)	**(6,922)**
Other	436	(440)	(135)	-	**(139)**
31 December 2019	**19,532**	**4,975**	**52,782**	**32,337**	**109,626**
Amortisation and impairment					
31 December 2018	(14,242)	(1,001)	(38,503)	(11,718)	**(65,464)**
Amortisation for the year	(837)	(298)	(5,329)	-	**(6,464)**
Disposals	7	5	706	-	**718**
Foreign currency translation differences	274	2	2,398	1,794	**4,468**
Other	1	(14)	237	-	**224**
31 December 2019	**(14,797)**	**(1,306)**	**(40,491)**	**(9,924)**	**(66,518)**
Carrying amounts					
31 December 2018	3,472	2,537	11,793	23,963	**41,765**
31 December 2019	**4,735**	**3,669**	**12,291**	**22,413**	**43,108**

Goodwill was tested for impairment and no impairment was identified.

Note 17. Accounts payable

	31 December 2020	31 December 2019
Trade accounts payable	533,598	555,823
Other accounts payable	64,334	51,911
Total accounts payable	**597,932**	**607,734**

Note 18. Short-term borrowings and current portion of long-term debt

	31 December 2020	31 December 2019
Short-term borrowings from third parties	18,736	13,940
Short-term borrowings from related parties	2,522	2,222
Current portion of long-term debt	61,378	114,138
Total short-term borrowings and current portion of long-term debt	**82,636**	**130,300**

Short-term borrowings from third parties include amounts repayable in US dollars of 17,510 million RUB and 12,694 million RUB and amounts repayable in other currencies of 1,226 million RUB and 1,246 million RUB at 31 December 2020 and 2019, respectively. The weighted-average interest rate on short-term borrowings from third parties was 2.63% and 4.00% per annum at 31 December 2020 and 2019, respectively. At 31 December 2020, short-term borrowings from third parties are unsecured.

(Millions of Russian rubles, unless otherwise noted)

Note 19. Long-term debt

	31 December 2020	31 December 2019
Long-term loans and borrowings from third parties	112,660	117,864
6.125% non-convertible US dollar bonds, maturing 2020	-	61,866
6.656% non-convertible US dollar bonds, maturing 2022	36,901	30,905
4.563% non-convertible US dollar bonds, maturing 2023	110,737	92,769
4.750% non-convertible US dollar bonds, maturing 2026	73,751	61,786
3.875% non-convertible US dollar bonds, maturing 2030	110,532	-
Lease obligations	193,872	171,880
Total long-term debt	638,453	537,070
Current portion of long-term debt	(61,378)	(114,138)
Total non-current portion of long-term debt	**577,075**	**422,932**

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 101,376 million RUB and 104,819 million RUB and amounts repayable in euros of 11,284 million RUB and 13,045 million RUB at 31 December 2020 and 2019, respectively. This debt has maturity dates from 2021 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 2.54% and 4.08% per annum at 31 December 2020 and 2019, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 51% of total long-term loans and borrowings from third parties at 31 December 2020 are secured by shares in a PSA project, export sales and property, plant and equipment.

Non-convertible bonds

On 6 May 2020, a Group company issued non-convertible bonds totaling $1.5 billion (110.8 billion RUB). The bonds were placed with a maturity of 10 years and a coupon yield of 3.875% per annum. All bonds were placed at face value and have a half year coupon period.

In November 2016, a Group company issued non-convertible bonds totaling $1 billion (73.9 billion RUB). The bonds were placed with a maturity of 10 years and a coupon yield of 4.750% per annum. All bonds were placed at face value and have a half year coupon period.

In April 2013, a Group company issued two tranches of non-convertible bonds totaling $3 billion (221.6 billion RUB). The first tranche totaling $1.5 billion (110.8 billion RUB) was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling $1.5 billion (110.8 billion RUB) 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 April 2018, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

In November 2010, a Group company issued two tranches of non-convertible bonds totaling $1 billion (73.9 billion RUB) with a maturity of 10 years and a coupon yield of 6.125%. The first tranche totaling $800 million (59.1 billion RUB) 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 (14.8 billion RUB) 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. In November 2020, a Group company redeemed all issued bonds of the first and second tranches in accordance with the conditions of the bond issue.

(Millions of Russian rubles, unless otherwise noted)

Note 19. Long-term debt (continued)

In November 2009, a Group company issued two tranches of non-convertible bonds totaling $1.5 billion (110.8 billion RUB). The first tranche totaling $900 million (66.5 billion RUB) 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 (44.3 billion RUB) 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 and 2019, a Group company redeemed all issued bonds of the first and second tranches in accordance with the conditions of the bond issue.

In June 2007, a Group company issued two tranches of non-convertible bonds totaling $1 billion (73.9 billion RUB). $500 million (36.95 billion RUB) were placed with a maturity of 10 years and a coupon yield of 6.356% per annum. Another $500 million (36.95 billion RUB) 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. In June 2017, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

Reconciliation of liabilities arising from financing activities

	Loans and borrowings	Bonds	Lease obligations	Other liabilities	Total
31 December 2019	134,026	247,326	171,880	135,920	**689,152**
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	1,971	-	-	-	**1,971**
Principal repayments of short-term borrowings	(815)	-	-	-	**(815)**
Proceeds from issuance of long-term debt	-	108,796	-	-	**108,796**
Principal repayments of long-term debt	(30,686)	(78,456)	(62,838)	-	**(171,980)**
Interest paid	-	-	(10,501)	(28,599)	**(39,100)**
Dividends paid on Company common stock	-	-	-	(407,309)	**(407,309)**
Total changes from financing cash flows	(29,530)	30,340	(73,339)	(435,908)	**(508,437)**
Other changes:					
Interest accrued	1,853	128	10,501	26,810	**39,292**
Dividends declared on Company common stock	-	-	-	258,389	**258,389**
The effect of changes in foreign exchange rates	27,010	54,125	29,688	1,082	**111,905**
Non-cash additions to lease obligations	-	-	50,009	-	**50,009**
Other changes	559	2	5,133	16,972	**22,666**
Total other changes	29,422	54,255	95,331	303,253	**482,261**
31 December 2020	**133,918**	**331,921**	**193,872**	**3,265**	**662,976**

Note 20. Taxes payable

	31 December 2020	31 December 2019
Income tax	16,614	12,031
Mineral extraction tax	49,332	61,464
Tax on additional income from hydrocarbon production	2,881	3,380
VAT	35,650	38,566
Excise tax	22,733	14,359
Property tax	5,675	5,120
Other taxes	9,573	7,551
Total taxes payable	**142,458**	**142,471**

(Millions of Russian rubles, unless otherwise noted)

Note 21. Other current liabilities

	31 December 2020	31 December 2019
Advances received	31,142	30,868
Dividends payable	1,610	135,034
Other	2,745	3,050
Total other current liabilities	**35,497**	**168,952**

Note 22. Provisions

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension liabilities	Provision for unused vacations	Other provisions	Total
31 December 2020	**111,614**	**10,939**	**4,204**	**13,794**	**6,326**	**6,924**	**153,801**
Incl.: Non-current	110,916	175	1,329	11,678	322	2,245	**126,665**
Current	698	10,764	2,875	2,116	6,004	4,679	**27,136**
31 December 2019	63,387	9,762	3,783	12,544	5,861	18,940	**114,277**
Incl.: Non-current	62,667	263	1,175	10,310	153	2,477	**77,045**
Current	720	9,499	2,608	2,234	5,708	16,463	**37,232**

Asset retirement obligations changed as follows:

	2020	2019
1 January	63,387	36,424
Provisions made during the period	39,826	2,158
Reversal of provisions	(154)	(387)
Provisions used during the period	(325)	(119)
Accretion expense	3,882	2,707
Change in discount rate	8,921	23,092
Changes in estimates	(9,395)	1,360
Foreign currency translation differences	5,450	(1,882)
Other	22	34
31 December	**111,614**	**63,387**

Note 23. Pension liabilities

The Group sponsors a postretirement defined benefit pension plan 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 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 payments are managed by a non-state pension fund, JSC "NPF Otkritie" (former "NPF 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 or invalidity.

The Company uses 31 December as the measurement date for its pension obligation. An independent actuary has assessed the benefit obligations at 31 December 2020 and 2019.

Note 23. Pension liabilities (continued)

The following table sets out movement in the pension liabilities before taxation during 2020 and 2019.

	2020	**2019**
1 January	12,544	8,910
Components of defined benefit costs recorded in profit or loss	1,771	3,182
Components of defined benefit costs recorded in other comprehensive loss	1,680	2,510
Contributions from employer	(1,566)	(1,385)
Benefits paid	(693)	(680)
Opening balance adjustment	49	(5)
Liability assumed in business combination	9	12
31 December	**13,794**	**12,544**

Note 24. Equity

Common shares

	31 December 2020 (thousands of shares)	**31 December 2019 (thousands of shares)**
Issued common shares, par value of 0.025 RUB each	692,866	715,000
Treasury shares	(40,367)	(62,119)
Outstanding common shares	**652,499**	**652,881**

The Company has the right to issue additional 85,000 thousands of common shares.

On 3 December 2019, at the extraordinary general shareholders' meeting a decision was made to reduce the share capital of the Company by purchase of a portion of issued shares in order to reduce the total number thereof. At 31 December 2019, the Group recognised an obligation to repurchase common shares in the amount of 120,988 million RUB. Share capital reduction to 693 million common shares by purchase and cancellation of 22 million common shares was executed on 10 February 2020. Most of the common shares were purchased from a Group company.

On 20 June 2019, at the annual general shareholders' meeting a decision was made to reduce the share capital of the Company to 715 million common shares by purchase and cancellation of 35 million common shares. Share cancellation and share capital reduction was executed on 28 August 2019. Out of 35 million common shares 15.5 million common shares were purchased from a Group company.

In 2019, a Group company purchased 24.5 million common shares and depositary receipts of the Company as part of the open market buyback programme announced on 30 August 2018.

Dividends

At the extraordinary general shareholders' meeting on 3 December 2020, interim dividends for 2020 were approved in the amount of 46.00 RUB per common share.

At the annual general shareholders' meeting on 23 June 2020, dividends for 2019 were approved in the amount of 350.00 RUB per common share. At the extraordinary shareholders' meeting on 3 December 2019, interim dividends for 2019 were approved in the amount of 192.00 RUB per common share. Total dividends for 2019 were approved in the amount of 542.00 RUB per common share.

Dividends on the Company's shares payable of 699 million RUB and 133,514 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 31 December 2020 and 2019, respectively.

Note 24. Equity (continued)

Earnings per share

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

	2020	2019
Profit for the year attributable to PJSC LUKOIL shareholders	15,175	640,178
Weighted average number of common shares (thousands of shares)	650,965	664,578
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	24,827	20,122
Dilutive effect related to obligation to repurchase common shares (thousands of shares)	-	180
Weighted average number of common shares, assuming dilution (thousands of shares)	675,792	684,880
Profit per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):		
Basic	23.31	963.28
Diluted	22.46	934.73

Note 25. Personnel expenses

Personnel expenses were as follows:

	2020	2019
Payroll costs	154,093	143,602
Statutory insurance contributions	35,063	33,417
Share-based compensation	31,366	31,366
Total personnel expenses	**220,522**	**208,385**

Note 26. Finance income and costs

Finance income was as follows:

	2020	2019
Interest income from deposits	6,244	15,452
Interest income from loans	4,245	4,878
Other finance income	2,562	4,804
Total finance income	**13,051**	**25,134**

Finance costs were as follows:

	2020	2019
Interest expenses	37,333	39,145
Accretion expenses	4,505	2,752
Other finance costs	2,284	2,459
Total finance costs	**44,122**	**44,356**

Note 27. Other income and expenses

Other income was as follows:

	2020	2019
Gain on disposal of assets	2,618	10,496
Reversal on impairments of assets	7,267	13,468
Other income	8,085	8,837
Total other income	**17,970**	**32,801**

(Millions of Russian rubles, unless otherwise noted)

Note 27. Other income and expenses (continued)

Other expenses were as follows:

	2020	**2019**
Loss on disposal of assets	20,755	18,056
Impairments loss	114,665	22,883
Charity expenses	8,423	9,228
Other expenses	11,287	10,325
Total other expenses	**155,130**	**60,492**

Note 28. Lease

Primarily the Group leases such assets as transport (vessels, tank cars), land, drilling rigs and other equipment, storage facilities. The lease typically runs for a period of 3–5 years. Some leases include an option to renew the lease for additional period after the end of the non-cancellable period. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal option. Moreover, in determining the lease term the Group also took into account economic factors, which influence asset usage duration in its activity.

	Exploration and production	**Refining, marketing and distribution**	**Other**	**Total**
Carrying amounts				
Property, plant and equipment owned	3,214,181	820,657	49,574	**4,084,412**
Right-of-use assets	35,567	138,873	5,622	**180,062**
31 December 2020	**3,249,748**	**959,530**	**55,196**	**4,264,474**
Property, plant and equipment owned	2,995,944	802,364	51,518	**3,849,826**
Right-of-use assets	39,946	131,829	4,406	**176,181**
31 December 2019	**3,035,890**	**934,193**	**55,924**	**4,026,007**

Right-of-use assets:

	Exploration and production	**Refining, marketing and distribution**	**Other**	**Total**
1 January 2020	39,946	131,829	4,406	**176,181**
Additions	2,589	45,573	1,868	**50,030**
Depreciation for the period	(10,322)	(54,497)	(754)	**(65,573)**
Other movements	3,354	15,968	102	**19,424**
31 December 2020	**35,567**	**138,873**	**5,622**	**180,062**
1 January 2019	54,335	125,657	5,527	**185,519**
Additions	7,513	35,011	94	**42,618**
Depreciation for the period	(13,326)	(31,850)	(818)	**(45,994)**
Other movements	(8,576)	3,011	(397)	**(5,962)**
31 December 2019	**39,946**	**131,829**	**4,406**	**176,181**

Lease liabilities:

31 December 2020	**193,872**
Incl.: Non-current	159,340
Current	34,532
31 December 2019	**171,880**
Incl.: Non-current	143,902
Current	27,978

(Millions of Russian rubles, unless otherwise noted)

Note 28. Lease (continued)

Within the consolidated statement of profit or loss and other comprehensive income the following expenses were recognized: interest on lease liabilities in the amount of 9,435 million RUB and 9,836 million RUB and variable lease payments not included in the measurement of lease liabilities in the amount of 10,853 million RUB and 9,418 million RUB during 2020 and 2019, respectively. Income from sub-leasing right-of-use assets was not material.

Within the consolidated statement of cash flows the total cash outflow under leases, including variable lease payments attributable to capital expenditure, amounted to 170,990 million RUB and 120,755 million RUB during 2020 and 2019, respectively.

Note 29. Income tax

Operations in the Russian Federation are subject to a 20% income tax rate. For the period from 2017 till 2024 (inclusive) the Federal income tax rate is set as 3.0% and the regional income tax rate is set as 17.0%. Regional income tax rate may be reduced for certain categories of taxpayers by the laws of constituent entities of the Russian Federation, however certain restrictions apply on the application of the reduced regional rates.

The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

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.

Income tax was as follows:

	2020	**2019**
Current income tax expense for the year	63,458	149,032
Adjustment for prior periods	(2,096)	(4,417)
Current income taxes	**61,362**	**144,615**
Deferred income tax	**20,792**	**6,518**
Total income tax expense	**82,154**	**151,133**

The following table is a reconciliation of the amount of income tax expense that would result from applying the Russian combined statutory income tax rate of 20% applicable to the Company to profit before income taxes to total income taxes.

	2020	**2019**
Profit before income taxes	98,787	793,354
Notional income tax at the Russian statutory rate	19,757	158,671
Increase (reduction) in income tax due to:		
Non-deductible items, net	9,483	18,056
Domestic and foreign rate differences	7,907	(17,709)
Adjustment for prior periods	(2,096)	(4,417)
Change in recognised deductible temporary differences	47,103	(3,468)
Total income tax expense	**82,154**	**151,133**

The following table sets out the tax effects of each type of temporary differences which give rise to deferred income tax assets and liabilities.

(Millions of Russian rubles, unless otherwise noted)

Note 29. Income tax (continued)

	31 December 2020	31 December 2019
Property, plant and equipment	9,221	5,332
Investments	53	60
Inventories	6,658	4,768
Accounts receivable	1,586	1,583
Accounts payable and provisions	9,691	11,052
Tax loss carry forward	22,614	35,344
Other	522	514
Total deferred income tax assets	50,345	58,653
Set off of tax	(34,047)	(29,980)
Deferred income tax assets	**16,298**	**28,673**
Property, plant and equipment	(290,641)	(276,175)
Investments	(1,863)	(1,517)
Inventories	(3,149)	(4,557)
Accounts receivable	(4,662)	(8,551)
Accounts payable and provisions	(652)	(1,518)
Other	(2,036)	(1,821)
Total deferred income tax liabilities	(303,003)	(294,139)
Set off of tax	34,047	29,980
Deferred income tax liabilities	**(268,956)**	**(264,159)**
Net deferred income tax liabilities	**(252,658)**	**(235,486)**

	31 December 2019	Recognition in profit or loss	Acquisitions and disposal	Foreign currency translation differences and other	31 December 2020
Property, plant and equipment	(270,843)	(9,859)	244	(962)	(281,420)
Investments	(1,457)	(306)	-	(47)	(1,810)
Inventories	211	3,110	(9)	197	3,509
Accounts and notes receivable	(6,968)	4,385	(13)	(480)	(3,076)
Accounts payable and provisions	9,534	(1,406)	(17)	928	9,039
Tax loss carry forward	35,344	(16,687)	(75)	4,032	22,614
Other	(1,307)	(29)	-	(178)	(1,514)
Net deferred income tax liabilities	**(235,486)**	**(20,792)**	**130**	**3,490**	**(252,658)**

	31 December 2018	Recognition in profit or loss	Acquisitions and disposal	Foreign currency translation differences and other	31 December 2019
Property, plant and equipment	(259,171)	(12,358)	(1,477)	2,163	(270,843)
Investments	(2,326)	835	-	34	(1,457)
Inventories	1,224	(1,016)	-	3	211
Accounts and notes receivable	(9,145)	1,742	-	435	(6,968)
Accounts payable and provisions	10,349	(217)	-	(598)	9,534
Tax loss carry forward	32,989	4,264	(4)	(1,905)	35,344
Other	(1,715)	232	-	176	(1,307)
Net deferred income tax liabilities	**(227,795)**	**(6,518)**	**(1,481)**	**308**	**(235,486)**

(Millions of Russian rubles, unless otherwise noted)

Note 29. Income tax (continued)

Deferred tax assets have not been recognised in respect of the temporary differences related to the following items:

	31 December 2020	31 December 2019
Property, plant and equipment	15,136	1,412
Tax loss carry forward	39,126	10,374
Other	5,670	1,043
Total unrecognised deferred tax assets	**59,932**	**12,829**

Management believes that it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

Amounts recognised in other comprehensive income during 2020:

	Before tax	Tax	Net of tax
Foreign currency translation differences for foreign operations	268,707	-	268,707
Change in fair value of financial assets at fair value through other comprehensive income	(767)	-	(767)
Remeasurements of defined benefit liability/asset of pension plan	(1,680)	257	(1,423)
Total	**266,260**	**257**	**266,517**

Amounts recognised in other comprehensive income during 2019:

	Before tax	Tax	Net of tax
Foreign currency translation differences for foreign operations	(164,117)	-	(164,117)
Change in fair value of financial assets at fair value through other comprehensive income	(348)	-	(348)
Remeasurements of defined benefit liability/asset of pension plan	(2,510)	534	(1,976)
Total	**(166,975)**	**534**	**(166,441)**

Retained earnings of foreign subsidiaries for which deferred taxation has not been provided included 1,361,368 million RUB and 1,109,000 million RUB at 31 December 2020 and 2019, respectively. This liability was not recognised because the Group considers such amounts to be indefinitely invested, i.e. management believes that they will not be returned in the foreseeable future. Moreover the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends.

The consequences of taxation in Russia of certain profits of controlled foreign corporations in accordance with applicable tax legislation are accounted for within current and deferred tax liabilities.

Note 30. Commitments and contingencies

Capital commitments

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 501,550 million RUB and 517,977 million RUB at 31 December 2020 and 2019, respectively.

Insurance

To provide insurance protection, the Group uses the services of Russian and international insurance companies with high ratings. The Group's most significant risks are reinsured at the first-class foreign markets. In respect of liability to third parties for damages to property and the environment resulting from accidents related to the Group's property or activities, the Group has insurance coverage that is generally higher than the limits set by law. Management believes that the Group has sufficient insurance coverage of its core operating assets, as well as risks, which could have a material effect on the Group’s operations and financial position.

Note 30. Commitments and contingencies (continued)

Environmental liabilities

Group companies and their predecessor companies have operated in the Russian Federation and other countries for many years, which resulted in certain environmental consequences. Environmental regulations are currently in development stage in the Russian Federation and other countries where the Group has operations. Group companies routinely assess and evaluate their environmental 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 recognised 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 material 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 capitalised or expensed as incurred.

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose substantial fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors significantly increase taxation risks in the Russian Federation and other emerging markets where Group companies operate, comparing to other countries where taxation regimes have been subject to development and clarification over longer periods.

The tax authorities in each region of the Russian Federation may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessfully defended by the Group in another region. There is some direction provided from the central authority based in Moscow on particular taxation issues.

The Group has implemented tax planning and management strategies based on existing legislation. The Group is subject to tax authority audits on an ongoing basis, which is a normal practice in the Russian Federation and other republics of the former Soviet Union, and, at times, the authorities have attempted to impose additional significant taxes on the Group. Management believes that it has adequately met the requirements and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Note 30. Commitments and contingencies (continued)

Litigation and claims

In July 2015, the prosecutors with the Ploesti Court of Appeals (hereinafter the "Prosecutor's Office") charged the general director and several officers of PETROTEL-LUKOIL S.A., a Group company, with bad faith use of the company's credit and money laundering. Similar charges were brought against LUKOIL Europe Holdings B.V., a Group company, for 2010–2014. On 10 May 2016, the Prahova Tribunal lifted all preventive measures that were in effect against the accused individuals. Upon preliminary hearings the Prosecutor's Office revised the amount of damage claimed from $2.2 billion (162.5 billion RUB) to $1.5 billion (110.8 billion RUB). An expertise of all relevant issues of the criminal case was carried out during 2017, the results of which were accepted by the Tribunal on 12 February 2018. At the final hearing on the case which was held on 23 October 2018 the court issued a not guilty decision to all the accused, including general director of PETROTEL-LUKOIL S.A., his deputies and PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. themselves. As a result freezing injunction in the amount of approximately $1.5 billion (110.8 billion RUB) was removed from all assets of the refinery, shares and accounts of PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. On 1 November 2018, this decision was appealed by the Prosecutor's Office to the Ploesti Court of Appeals. On 27 November 2019, the Ploesti Court of Appeals issued a decision to return the case for a new examination in the court of first instance. On 24 December 2019, the defendants appealed the decision in an order of extraordinary appeal to the Ploesti Court of Appeals. On 17 June 2020, the Ploesti Court of Appeals rejected the appeal of PETROTEL-LUKOIL S.A. and transferred the case to the Prahova Tribunal. On 9 December 2020, the Prahova Tribunal issued a repeated acquittal due to the absence of an event of a crime. On 16 December 2020, the Prosecutor's Office filed a protest against the court's verdict. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

LUKOIL Overseas Karachaganak B.V., a Group company, among other contractors, is involved in the disputes with the Republic of Kazakhstan arising from the Final Production Sharing Agreement relating to the Contract area of the Karachaganak Oil and Gas Condensate Field. Currently, within the framework of the dispute with respect to cost recovery in 2010-2016 the parties are making efforts to resolve the existing controversies by way of negotiations. Management believes that the ultimate outcome of this dispute will not have a material adverse effect on the financial position of the Group. Within the framework of the arbitration proceedings regarding the correctness of the calculation of the "Fairness index", the parties signed a settlement agreement. On 11 December 2020, after the fulfillment of conditions stipulated by the agreement, the arbitration dispute was settled (the Group's share in the settlement was $196 million). The case is over.

On 21 May 2020, the Federal Antimonopoly Service of Russia (hereinafter – FAS of Russia) filed a claim to the Arbitration court of the Arkhangelsk region for invalidating the transaction of PJSC LUKOIL for the sale of 100% of shares of JSC Arkhangelskgeoldobycha to LLC Otkritie Promyshlennye Investitsii in May 2017 and applying the consequences of its invalidity. On 31 July 2020, the Arbitration court of Arkhangelsk region passed the case to Arbitration court of Moscow. The hearing date was postponed to 19 March 2021. The transaction to sell shares of JSC Arkhangelskgeoldobycha was concluded after a five-month due diligence and verification of information provided by the seller and the buyer, without any objections from regulatory authorities, in strict compliance with the Russian legislation, after an approval was obtained from the Governmental Commission for Control over Foreign Investments in the Russian Federation. In addition, a written approval was obtained from FAS of Russia to conduct this transaction. The price of the asset was agreed by the parties of the transaction as a result of the lengthy negotiations where largest investment banks were involved as advisers, which confirms the market nature of the deal. In this regard, the Company does not agree with the arguments set out in the claim of FAS of Russia and regards itself as a bona fide seller in this transaction, and will take all necessary measures to protect its rights and legitimate interests. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

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

(Millions of Russian rubles, unless otherwise noted)

Note 30. Commitments and contingencies (continued)

Political situation

In July – September 2014, the United States (“US”), the European Union (“EU”) and several other countries imposed a set of sanctions on Russia, including sectoral sanctions which affect several Russian oil and gas companies. The US Department of the Treasury has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4 of the Office of foreign assets control (OFAC). Directive 4 prohibits US companies and individuals from providing, exporting, or re-exporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area spreading from the Russian territory and claimed by the Russian Federation.

From January 2018 (based on acts adopted in August – October 2017), the US expanded abovementioned sanctions to include certain categories of international oil projects initiated on or after 29 January 2018 in any part of the world, in which companies placed on the Sectoral Sanctions Identifications List subject to Directive 4 (including the Company) have an ownership interest of 33% or more, or ownership of a majority of the voting interests.

Management believes that current sanctions do not have a material adverse effect on the current or planned Group’s oil projects. At the same time the Company continues to monitor and evaluate potential risks for its operations in connection with sanctions.

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

Other matters

The Company and other Group companies have been notified by various counterparties of claims in respect of off-specification quantities of crude oil volumes delivered through the Druzhba pipeline (owned and operated by the state-owned company, PJSC Transneft) in the second quarter of 2019. The claims assert that the oil had an average organic chlorine content in excess of the contractual specification, which may allegedly cause the purchasers to suffer certain financial losses. According to publicly available information, this situation was caused by unlawful actions of certain third parties that were aimed at concealing thefts of oil from the pipeline. Currently, agreements have been signed between the Company, PJSC Transneft and all counterparties, which have settled all submitted claims related to this incident.

Note 31. Related party transactions

The senior management of the Company believes that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties and has disclosed all of the relationships identified which it deemed to be significant. Related party sales and purchases of oil and oil products were primarily to and from associates and joint ventures. Other financial assets mostly represent loans given to associates and joint ventures. Short-term borrowings and long-term debt mostly represent lease obligations.

Outstanding balances with related parties were as follows:

	31 December 2020	31 December 2019
Accounts receivable and other current assets	2,474	1,645
Other financial assets	32,403	51,053
Total assets	**34,877**	**52,698**
Accounts payable	6,902	5,002
Short-term borrowings and long-term debt	17,649	13,759
Total liabilities	**24,551**	**18,761**

(Millions of Russian rubles, unless otherwise noted)

Note 31. Related party transactions (continued)

Related party transactions were as follows:

	2020	2019
Sales of oil and oil products	15,351	31,028
Other sales	2,707	2,356
Purchases of oil and oil products	57,915	84,400
Other purchases	18,342	18,936
Proceeds from sale of other financial assets, net	5,075	10,872
Proceeds from issuance of short-term borrowings and long-term debt, net	2,080	2,964

Key management remuneration

Key management personnel includes members of the Board of Directors and members of the Management Board. Remuneration of key management personnel, including basic salary, bonuses and other payments, amounted to 1,728 million RUB and 1,866 million RUB during 2020 and 2019, respectively.

Also, a provision under the compensation plan (disclosed in Note 32 “Compensation plan”) was accrued in relation to the Company’s key management personnel in the amount of 3,137 million RUB during 2020 and 2019.

Note 32. Compensation plan

In late December 2017, the Company announced a compensation plan based on approximately 40 million shares available to certain members of management and key employees for the period from 2018 to 2022, which was implemented in July 2018 and recognised as equity-settled share-based compensation plan.

The fair value of the plan was estimated at the grant date at 156.8 billion RUB based on forecasting principles of Monte-Carlo model and is not going to be recalculated in the future. The fair value was estimated assuming a spot-price of the Company’s share in the amount of 4,355 RUB at the grant date, discount for illiquidity in the amount of 9.95% per annum, a risk-free interest rate of 7.50% per annum, an expected dividend yield of 4.99% per annum, an expected time to maturity of five years and a volatility factor of 25.68%. The expected volatility factor was estimated based on the historical volatility of the Company’s shares for the previous five years. The vesting of shares is contingent on meeting the requisite service period, certain KPIs and share price appreciation. The Group is planning to recognise expenses related to the plan evenly during the vesting period.

Related to this share plan the Group recognised compensation expenses of 31,366 million RUB during 2020 and 2019.

Note 33. Segment information

The Group has the following operating segments – exploration and production; refining, marketing and distribution; corporate and other. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments.

The exploration and production segment explores for, develops and produces crude oil and gas. The refining, marketing and distribution segment includes refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, generation, transportation and sales of electricity, heat and related services. The corporate and other business operating segment includes activities of the Company and businesses beyond the Group’s traditional operations.

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

(Millions of Russian rubles, unless otherwise noted)

Note 33. Segment information (continued)

Operating segments

2020	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	164,993	5,455,680	18,728	-	5,639,401
Inter-segment	1,377,246	70,300	40,892	(1,488,438)	-
Total revenues	1,542,239	5,525,980	59,620	(1,488,438)	5,639,401
Operating expenses	262,343	195,558	14,875	(32,803)	439,973
Selling, general and administrative expenses	48,670	120,607	62,838	(33,088)	199,027
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	125,192	(4,882)	(102,523)	(2,612)	15,175
EBITDA	500,081	243,322	(39,378)	(16,931)	687,094
Income tax expense					(82,154)
Finance income					13,051
Finance costs					(44,122)
Foreign exchange loss					(26,110)
Equity share in income of associates and joint ventures					11,474
Other expenses					(137,160)
Depreciation, depletion and amortisation					(405,440)
Profit for the year attributable to non-controlling interests					(1,458)
Profit for the year attributable to PJSC LUKOIL shareholders					15,175

2019	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	270,842	7,548,121	22,283	-	7,841,246
Inter-segment	2,093,342	76,077	45,601	(2,215,020)	-
Total revenues	2,364,184	7,624,198	67,884	(2,215,020)	7,841,246
Operating expenses	274,934	228,576	19,709	(65,509)	457,710
Selling, general and administrative expenses	47,964	121,383	63,515	(35,690)	197,172
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	473,517	190,998	(35,569)	11,232	640,178
EBITDA	893,950	371,642	(39,962)	10,562	1,236,192
Income tax expense					(151,133)
Finance income					25,134
Finance costs					(44,356)
Foreign exchange gain					923
Equity share in income of associates and joint ventures					18,246
Other expenses					(27,691)
Depreciation, depletion and amortisation					(415,094)
Profit for the year attributable to non-controlling interests					(2,043)
Profit for the year attributable to PJSC LUKOIL shareholders					640,178

(Millions of Russian rubles, unless otherwise noted)

Note 33. Segment information (continued)

Geographical segments

	2020	2019
Sales of crude oil within Russia	23,522	22,528
Export of crude oil and sales of crude oil by foreign subsidiaries	1,918,944	2,684,320
Sales of petroleum products within Russia	785,663	923,715
Export of petroleum products and sales of petroleum products by foreign subsidiaries	2,548,961	3,748,364
Sales of chemicals within Russia	36,386	40,971
Export of chemicals and sales of chemicals by foreign subsidiaries	57,036	91,687
Sales of gas within Russia	32,649	32,490
Sales of gas by foreign subsidiaries	68,200	138,997
Sales of energy and related services within Russia	53,607	53,276
Sales of energy and related services by foreign subsidiaries	10,451	14,604
Other sales within Russia	40,169	42,270
Other export sales and other sales of foreign subsidiaries	63,813	48,024
Total sales	**5,639,401**	**7,841,246**

2020	**Russia**	**International**	**Elimination**	**Consolidated**
Sales and other operating revenues				
Third parties	1,041,967	4,597,434	-	5,639,401
Inter-segment	994,845	1,670	(996,515)	-
Total revenues	2,036,812	4,599,104	(996,515)	5,639,401
Operating expenses	314,341	91,499	34,133	439,973
Selling, general and administrative expenses	91,727	110,938	(3,638)	199,027
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	202,309	(184,450)	(2,684)	15,175
EBITDA	590,553	105,065	(8,524)	687,094

2019	**Russia**	**International**	**Elimination**	**Consolidated**
Sales and other operating revenues				
Third parties	1,221,549	6,619,697	-	7,841,246
Inter-segment	1,606,632	2,726	(1,609,358)	-
Total revenues	2,828,181	6,622,423	(1,609,358)	7,841,246
Operating expenses	329,688	118,256	9,766	457,710
Selling, general and administrative expenses	93,963	106,939	(3,730)	197,172
Profit for the year attributable to PJSC LUKOIL shareholders	577,939	52,593	9,646	640,178
EBITDA	1,032,126	199,811	4,255	1,236,192

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

	2020	2019
Sales revenues		
in Switzerland	2,449,415	3,503,238
in the USA	680,033	1,128,181
in Singapore	357,647	482,132

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

(Millions of Russian rubles, unless otherwise noted)

Note 34. Subsidiaries

The most significant subsidiaries of the Group are presented below:

		31 December 2020		31 December 2019	
Subsidiary	**Country of incorporation**	Total shares	Voting shares	Total shares	Voting shares
LUKOIL-West Siberia LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-PERM LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Komi LLC	Russia	100.00%	100.00%	100.00%	100.00%
RITEK LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Permnefteorgsintez LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Nizhegorodnefteorgsintez LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Nizhnevolzhskneft LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Volgogradneftepererabotka LLC	Russia	100.00%	100.00%	100.00%	100.00%
ISAB S.r.l.	Italy	100.00%	100.00%	100.00%	100.00%
LITASCO SA	Switzerland	100.00%	100.00%	100.00%	100.00%
LUKARCO B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL INTERNATIONAL GmbH	Austria	100.00%	100.00%	100.00%	100.00%
LUKOIL International Upstream Holding B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Neftohim Burgas AD	Bulgaria	99.85%	99.85%	99.85%	99.85%
LUKOIL Overseas Karachaganak B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Shah Deniz Ltd.	Cyprus	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Uzbekistan Ltd.	Cyprus	100.00%	100.00%	100.00%	100.00%
LUKOIL Securities B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Pan Americas LLC	USA	100.00%	100.00%	100.00%	100.00%

Note 35. Fair value

There are the following methods of fair value measurement based on the valuation method:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – unobservable inputs.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 31 December 2020 and 2019.

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

(Millions of Russian rubles, unless otherwise noted)

Note 35. Fair value (continued)

31 December 2019	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets:					
Commodity derivative contracts	180	-	180	-	**180**
Financial assets at fair value through profit or loss	51,054	-	-	51,054	**51,054**
Financial assets at fair value through other comprehensive income	2,656	2,656	-	-	**2,656**
Financial liabilities:					
Commodity derivative contracts	550	-	550	-	**550**
Loans and borrowings	537,070	265,109	-	295,726	**560,835**

The fair values of cash and cash equivalents (Level 1), accounts receivable and long-term accounts receivable (Level 3), short-term borrowings (Level 3) are approximately equal to their value as disclosed in the consolidated statement of financial position. The fair value of long-term receivables was determined by discounting with estimated market interest rates for similar financing arrangements. The fair value of long-term loans (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing instruments. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar tenors, repayment schedules and other similar main terms. The fair value of bonds (Level 1) was determined based on market quotations at 31 December 2020 and 2019.

Note 36. Capital and risk management

The Group's governing bodies pay great attention to risk management issues to provide a reasonable guarantee for the achievement of the set objectives under the conditions characterized by uncertainties and negative impact factors. The Group is constantly identifying, describing, estimating and monitoring the possible events that may affect its activities, and is elaborating measures to prevent them or mitigate their negative impact to the greatest extent possible if such events do take place.

The Group seeks to actively promote risk management and is presently focusing its efforts on the improvement of a general enterprise risk management system (ERM) based on the best international practices. The Group is constantly improving the applicable regulatory methodological risk management base that establishes requirements aimed at organizing the risk management process at all stages, and defines management standards for certain risk types of utmost importance, which are uniform for all of Group organizations. The Risk Committee, a dedicated body under the President of the Company, was set up and began its work in 2011.

The information with regard to key financial risks of the Group is presented below.

Credit risk

The Group's most significant credit risks include first of all the risk of failure by its counterparties to perform their obligations in terms of payment for the products supplied by the Group. In order to mitigate these risks, the Group focuses on partnerships with counterparties that have high credit ratings, accepts letters of credit and guarantees issued by reputable banks and sometimes demands prepayment for the products supplied. In addition, it utilizes tools to limit the credit risks of a given counterparty.

Another group of credit risks includes risks associated with contractor banks' activities and potential impairment of their financial stability. In order to mitigate these risks, the Group is involved in centralized treasury operations, part of which are aimed at fund raising, investment and operations involving currency exchange and financial derivatives. The credit ratings of contractor banks are monitored on a regular basis.

The carrying amount of financial assets represents the maximum exposure to credit risk.

(Millions of Russian rubles, unless otherwise noted)

Note 36. Capital and risk management (continued)

Trade and other receivables

Analysis of the aging of receivables:

	31 December 2020	31 December 2019
Not past due	342,930	402,713
Past due less than 45 days	10,895	21,299
Past due from 46 to 180 days	4,315	8,809
Past due from 181 to 270 days	635	963
Past due from 271 to 365 days	11,053	587
Past due more than 365 days	443	2,681
Total trade and other receivables	**370,271**	**437,052**

Not past due accounts receivable are not considered of high credit risk.

Allowance for expected credit losses changed as follows during 2020:

31 December 2019	31,287
Increase in allowance charged to profit or loss	5,771
Write-off	(2,379)
Foreign currency translation differences	3,679
Other	(666)
31 December 2020	**37,692**

Allowance for expected credit losses changed as follows during 2019:

31 December 2018	27,798
Increase in allowance charged to profit or loss	9,270
Write-off	(3,381)
Foreign currency translation differences	(2,492)
Other	92
31 December 2019	**31,287**

Financial instruments used by the Group and potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.

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 Intercontinental Exchange (ICE Futures).

Liquidity risk

The Group's liquidity is managed on a centralized basis. There is an efficient global system in place to manage the Group's liquidity, which includes an automated system of concentrating and re-distributing the funds, corporate dealing and also rolling cash-flow forecasts. The liquidity indicators are monitored on a continuous basis.

(Millions of Russian rubles, unless otherwise noted)

Note 36. Capital and risk management (continued)

Contractual maturities of the Group's financial liabilities (the Group itself determines the grouping of the maturity based on contractual maturities and, where relevant, on judgment):

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	134,150	173,227	50,966	23,218	47,289	51,754
Bonds, including interest expense	334,255	407,958	15,295	50,764	135,780	206,119
Lease obligations	193,872	257,533	44,232	27,429	67,514	118,358
Trade and other payables	597,406	597,406	595,465	1,437	141	363
Derivative financial liabilities	418	418	418	-	-	-
31 December 2020	**1,260,101**	**1,436,542**	**706,376**	**102,848**	**250,724**	**376,594**

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	134,484	174,563	45,260	25,980	49,746	53,577
Bonds, including interest expense	249,274	290,545	71,091	9,225	136,712	73,517
Lease obligations	171,880	235,613	37,069	26,742	59,077	112,725
Trade and other payables	606,566	606,566	605,203	932	350	81
Derivative financial liabilities	550	550	550	-	-	-
31 December 2019	**1,162,754**	**1,307,837**	**759,173**	**62,879**	**245,885**	**239,900**

Currency risk

The Group is subject to foreign exchange risks since it operates in a number of countries. The exchange rate of the Russian ruble to the US dollar produces the greatest impact on transaction results, since the Group's export proceeds are denominated in dollars, while the major costs are incurred in Russia and are denominated in Russian rubles.

As part of the centralized approach to management of the treasury operations and liquidity of the Group, the risks associated with unfavorable changes in the exchange rates are generally consolidated at the corporate level. The Company uses an integrated approach to manage its currency risks, including the application of natural hedging mechanisms, which encompass management of the currency structure of its monetary assets and liabilities.

The carrying amounts of the Group's assets and liabilities which form currency risk at 31 December 2020 and 2019 are presented in the tables below and contain balances between Group companies whose functional currency is different from the currency of the contract.

31 December 2020	**USD**	**EUR**	**Other currencies**
Financial assets:			
Cash and cash equivalents	2,014	56,041	778
Trade and other receivables	79,401	181	4,516
Loans	260,894	3,452	-
Other financial assets	1,698	2	90
Financial liabilities:			
Loans and borrowings	(354,100)	(41,051)	(8,470)
Trade and other payables	(29,350)	(8,622)	(19,875)
Net exposure	**(39,443)**	**10,003**	**(22,961)**

(Millions of Russian rubles, unless otherwise noted)

Note 36. Capital and risk management (continued)

31 December 2019	**USD**	**EUR**	**Other currencies**
Financial assets:			
Cash and cash equivalents	64,708	12,309	761
Trade and other receivables	144,336	6,699	4,765
Loans	199,764	4,794	-
Other financial assets	2,651	54	124
Financial liabilities:			
Loans and borrowings	(399,921)	(37,104)	(3,651)
Trade and other payables	(51,560)	(14,655)	(11,696)
Net exposure	**(40,022)**	**(27,903)**	**(9,697)**

The following exchange rates applied:

	31 December 2020	**31 December 2019**
USD	73.88	61.91
EUR	90.68	69.34

Sensitivity analysis

Analysis of the currency position shows that the Group mainly uses RUR, US dollar and EUR in its operating activity. Thus sensitivity analysis shows how strengthening (weakening) of these currencies at 31 December 2020 and 2019 would have affected the measurement of financial assets and liabilities denominated in foreign currencies and affected profit (loss) before taxes. The analysis assumes that all other variables remain constant.

	Profit (loss)	
	2020	**2019**
US Dollar (increase by 10%)	(5,262)	(1,952)
Euro (increase by 10%)	1,121	222
Russian ruble (increase by 10%)	3,873	1,113

The weakening of these currencies by 10% will have equal effect on profit (loss) but with opposite sign.

Interest rate risk

The Group is exposed to a significant interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.

To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing and outstanding debt refinancing, extending the term of debt obligations.

The interest rate profiles of the Group are presented below:

	31 December 2020	**31 December 2019**
Fixed rate instruments:		
Financial assets	35,603	44,970
Financial liabilities	(527,063)	(420,239)
Net exposure	**(491,460)**	**(375,269)**
Variable rate instruments:		
Financial assets	39,523	41,596
Financial liabilities	(132,648)	(132,993)
Net exposure	**(93,125)**	**(91,397)**

(Millions of Russian rubles, unless otherwise noted)

Note 36. Capital and risk management (continued)

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at 31 December 2020 and 2019 would have increased (decreased) profit (loss) before taxes by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit (loss) before taxes	
	100 bp increase	**100 bp decrease**
2020		
Net financial liabilities	(931)	931
2019		
Net financial liabilities	(914)	914

Capital management

The Group's capital management objectives are to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders. The Company's management performs regular assessment of the net debt to equity ratio to ensure it meets the Company's current rating requirements. Equity includes share capital, reserves and retained earnings, as well as non-controlling interests. Net debt is a non-IFRS measure and is calculated as a sum of loans and borrowings, as presented in the consolidated statement of financial position, less cash and cash equivalents. Net debt to equity ratio enables the users to see how significant net debt is.

The Group's net debt to equity ratio was as follows:

	31 December 2020	**31 December 2019**
Total debt	659,711	553,232
Less cash and cash equivalents	(343,832)	(516,032)
Net debt	315,879	37,200
Equity	4,130,766	3,973,449
Net debt to equity ratio	**7.65%**	**0.94%**

(Millions of Russian rubles, unless otherwise noted)

Supplementary Information on Oil and Gas Exploration and Production Activities

IFRS do not require the information on oil and gas reserves to be disclosed in consolidated financial statements. However, management believes that this supplementary information will benefit the users of consolidated financial statements of the Group.

The information on oil and gas exploration and production activities is presented in six separate tables:

I. Capitalised costs relating to oil and gas producing activities.
II. Costs incurred in oil and gas property acquisition, exploration, and development activities.
III. Results of operations for oil and gas producing activities.
IV. Reserve quantity information.
V. Standardised measure of discounted future net cash flows.
VI. Principal sources of changes in the standardised measure of discounted future net cash flows.

Amounts shown for equity method companies represent the Group's share in its exploration and production associates and joint ventures, which are accounted for using the equity method of accounting.

I. Capitalised costs relating to oil and gas producing activities

31 December 2020	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Unproved oil and gas properties	105,907	123,493	229,400	37,901
Proved oil and gas properties	1,645,275	3,558,589	5,203,864	370,006
Accumulated DD&A	(980,878)	(1,212,856)	(2,193,734)	(120,843)
Net capitalised costs	**770,304**	**2,469,226**	**3,239,530**	**287,064**

31 December 2019	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Unproved oil and gas properties	84,203	109,313	193,516	28,692
Proved oil and gas properties	1,305,806	3,296,352	4,602,158	300,337
Accumulated DD&A	(720,304)	(1,046,271)	(1,766,575)	(99,189)
Net capitalised costs	**669,705**	**2,359,394**	**3,029,099**	**229,840**

II. Costs incurred in oil and gas property acquisition, exploration, and development activities

2020	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Acquisition of properties - Unproved	-	1,443	1,443	-
Exploration costs	8,151	30,862	39,013	237
Development costs	43,959	311,355	355,314	10,824
Total costs incurred	**52,110**	**343,660**	**395,770**	**11,061**

2019	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Acquisition of properties - Proved	31,393	2,317	33,710	-
Acquisition of properties - Unproved	32,419	14,937	47,356	-
Exploration costs	13,439	17,014	30,453	4,336
Development costs	53,495	309,797	363,292	11,254
Total costs incurred	**130,746**	**344,065**	**474,811**	**15,590**

(Millions of Russian rubles, unless otherwise noted)

III. Results of operations for oil and gas producing activities

The Group's results of operations for oil and gas producing activities are presented below. Sales and transfers to Group companies are based on market prices, income taxes are based on statutory rates. The results of operations exclude corporate overhead and interest costs.

2020	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Revenue				
Sales	123,966	645,991	769,957	33,879
Transfers	-	572,660	572,660	1,039
Total revenues	123,966	1,218,651	1,342,617	34,918
Production costs (excluding production taxes)	(40,583)	(158,328)	(198,911)	(7,395)
Exploration expenses	(3,163)	(2,951)	(6,114)	-
Depreciation, depletion and amortisation	(77,736)	(191,707)	(269,443)	(8,632)
Taxes other than income taxes	(755)	(611,640)	(612,395)	(8,864)
Related income taxes	(1,163)	(56,455)	(57,618)	(4,161)
Total results of operations for producing activities	**566**	**197,570**	**198,136**	**5,866**

2019	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Revenue				
Sales	211,230	961,273	1,172,503	60,642
Transfers	-	985,859	985,859	1,420
Total revenues	211,230	1,947,132	2,158,362	62,062
Production costs (excluding production taxes)	(40,277)	(170,590)	(210,867)	(5,899)
Exploration expenses	(7,493)	(1,855)	(9,348)	(33)
Depreciation, depletion and amortisation	(83,726)	(193,696)	(277,422)	(11,144)
Taxes other than income taxes	(531)	(1,035,635)	(1,036,166)	(15,446)
Related income taxes	(11,736)	(104,585)	(116,321)	(11,384)
Total results of operations for producing activities	**67,467**	**440,771**	**508,238**	**18,156**

IV. Reserve quantity information

Proved reserves are the estimated quantities of oil and gas reserves which according to geological and engineering data are going to be recoverable with reasonable certainty in future years from known reservoirs under existing economic and operating conditions. Existing economic and operating conditions are based on the 12-months average price and the year-end costs. Proved reserves do not include additional quantities of oil and gas reserves that may result from applying secondary or tertiary recovery techniques not yet tested and determined to be economic.

Proved developed reserves are the quantities of proved reserves expected to be recovered through existing wells with existing equipment and operating methods.

Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available.

(Millions of Russian rubles, unless otherwise noted)

Management has included within proved reserves significant quantities which the Group expects to produce after the expiry dates of certain of its current production licenses in the Russian Federation. The Subsoil Law of the Russian Federation states that, upon expiration, a license is subject to renewal at the initiative of the license holder provided that further exploration, appraisal, production or remediation activities are necessary and provided that the license holder has not violated the terms of the license. Since the law applies to both newly issued and old licenses and the Group has currently renewed 66% of its licenses, management believes that licenses will be renewed upon their expiration for the remainder of the economic life of each respective field.

Estimated net proved oil and gas reserves and changes thereto for 2020 and 2019 are shown in the tables set out below.

Millions of barrels	Consolidated subsidiaries			Group's share in equity method companies
Crude oil	**International**	**Russia**	**Total**	
31 December 2018	316	11,478	11,794	288
Revisions of previous estimates	43	(55)	(12)	1
Purchase of hydrocarbons in place	29	18	47	-
Extensions and discoveries	26	531	557	2
Production	(30)	(614)	(644)	(18)
31 December 2019	384	11,358	11,742	273
Revisions of previous estimates	140	(268)	(128)	6
Extensions and discoveries	28	373	401	2
Production	(39)	(549)	(588)	(16)
31 December 2020	**513**	**10,914**	**11,427**	**265**
Proved developed reserves				
31 December 2019	219	7,464	7,683	116
31 December 2020	**283**	**7,210**	**7,493**	**104**

The non-controlling interest share included in the above total proved reserves was 61 million barrels and 71 million barrels at 31 December 2020 and 2019, respectively. The non-controlling interest share included in the above proved developed reserves was 38 million barrels and 37 million barrels at 31 December 2020 and 2019, respectively. All non-controlling interests relate to reserves in the Russian Federation.

Billions of cubic feet	Consolidated subsidiaries			Group's share in equity method companies
Natural gas	**International**	**Russia**	**Total**	
31 December 2018	6,352	16,500	22,852	241
Revisions of previous estimates	(106)	124	18	18
Purchases of hydrocarbons in place	138	-	138	-
Extensions and discoveries	70	428	498	-
Production	(586)	(626)	(1,212)	(26)
31 December 2019	5,868	16,426	22,294	233
Revisions of previous estimates	204	73	277	11
Extensions and discoveries	15	350	365	-
Production	(381)	(617)	(998)	(26)
31 December 2020	**5,706**	**16,232**	**21,938**	**218**
Proved developed reserves				
31 December 2019	4,504	5,753	10,257	133
31 December 2020	**4,118**	**5,746**	**9,864**	**113**

The non-controlling interest share included in the above total proved reserves was 23 billion cubic feet and 26 billion cubic feet at 31 December 2020 and 2019, respectively. The non-controlling interest share included in the above proved developed reserves was 15 billion cubic feet and 14 billion cubic feet at 31 December 2020 and 2019, respectively. All non-controlling interests relate to reserves in the Russian Federation.

(Millions of Russian rubles, unless otherwise noted)

V. Standardised measure of discounted future net cash flows

Estimated future cash inflows from hydrocarbons production are computed by applying the 12-months average price for oil and gas and the year-end exchange rates to year-end quantities of estimated net proved reserves. Adjustments in this calculation for future price changes are limited to those required by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows, less the tax bases of related assets. Discounted future net cash flows have been calculated using a ten percent discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided in the tables set out below does not represent management's estimate of the Group's expected future cash flows or of the value of the Group's proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and amount of future development and production costs. The calculations should not be relied upon as an indication of the Group's future cash flows or of the value of its oil and gas reserves.

31 December 2020	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Future cash inflows	2,361,227	28,537,502	30,898,729	639,463
Future production and development costs	(1,462,485)	(23,445,365)	(24,907,850)	(392,022)
Future income tax expenses	(108,293)	(679,792)	(788,085)	(76,904)
Future net cash flows	790,449	4,412,345	5,202,794	170,537
Discount for estimated timing of cash flows (10% p.a.)	(306,616)	(2,345,485)	(2,652,101)	(84,307)
Discounted future net cash flows	**483,833**	**2,066,860**	**2,550,693**	**86,230**
Non-controlling share in discounted future net cash flows	-	12,861	12,861	-

31 December 2019	**International**	**Russia**	**Total consolidated companies**	**Group's share in equity method companies**
Future cash inflows	2,567,902	39,282,386	41,850,288	877,924
Future production and development costs	(1,488,826)	(30,022,601)	(31,511,427)	(537,056)
Future income tax expenses	(91,906)	(1,514,998)	(1,606,904)	(105,121)
Future net cash flows	987,170	7,744,787	8,731,957	235,747
Discount for estimated timing of cash flows (10% p.a.)	(375,184)	(4,129,628)	(4,504,812)	(110,174)
Discounted future net cash flows	**611,986**	**3,615,159**	**4,227,145**	**125,573**
Non-controlling share in discounted future net cash flows	-	26,963	26,963	-

(Millions of Russian rubles, unless otherwise noted)

VI. Principal sources of changes in the standardised measure of discounted future net cash flows

Consolidated companies	**2020**	**2019**
Discounted present value at 1 January	4,227,145	5,636,665
Net changes due to purchases and sales of minerals in place	23	31,212
Sales and transfers of oil and gas produced, net of production costs	(525,197)	(901,981)
Net changes in prices and production costs estimates	(4,640,038)	(4,542,732)
Net changes in mineral extraction taxes	2,622,343	2,640,183
Extensions and discoveries, less related costs	86,574	210,417
Previously estimated development cost incurred during the year	360,474	308,689
Revisions of previous quantity estimates	20,422	(6,476)
Net change in income taxes	381,202	389,446
Accretion of discount	461,076	616,850
Other changes	(443,331)	(155,128)
Discounted present value at 31 December	**2,550,693**	**4,227,145**

Group's share in equity method companies	**2020**	**2019**
Discounted present value at 1 January	125,573	158,208
Net changes due to purchases and sales of minerals in place	(60)	-
Sales and transfers of oil and gas produced, net of production costs	(18,659)	(40,684)
Net changes in prices and production costs estimates	(116,411)	(122,290)
Net changes in mineral extraction taxes	74,626	69,049
Extensions and discoveries, less related costs	1,047	452
Previously estimated development cost incurred during the year	26,199	38,478
Revisions of previous quantity estimates	2,013	1,254
Net change in income taxes	14,268	18,370
Accretion of discount	17,621	22,222
Other changes	(39,987)	(19,486)
Discounted present value at 31 December	**86,230**	**125,573**