



PJSC LUKOIL

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the three and nine-month periods ended 30 September 2020

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

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



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

To the Shareholders and Board of Directors

PJSC LUKOIL

Introduction

We have reviewed the accompanying consolidated statement of financial position of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group") as at 30 September 2020, and the related consolidated statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2020 and the related consolidated statements of changes in equity and cash flows for the nine - month period ended 30 September 2020, and notes to the condensed interim consolidated financial statements (the "condensed interim consolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: Public Joint Stock Company "Oil company "LUKOIL".
Registration No. in the Unified State Register of Legal Entities
1027700035769.
Moscow, Russia.

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

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

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.



PJSC LUKOIL

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements as at 30 September 2020 and for the three- and nine-month periods ended 30 September 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Klimanova L.V.

JSC "KPMG"


Moscow, Russia


23 November 2020



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

	Note	30 September 2020 (unaudited)	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	6	443,975	516,032
Accounts receivable, net	7	434,258	437,052
Other current financial assets	8	45,362	49,706
Inventories	9	401,421	413,910
Prepaid taxes	10	64,480	95,075
Other current assets	11	53,390	42,412
Total current assets		1,442,886	1,554,187
Property, plant and equipment	13	4,313,143	4,026,007
Investments in associates and joint ventures	12	283,435	220,004
Other non-current financial assets	14	46,763	38,231
Deferred income tax assets		27,244	28,673
Goodwill and other intangible assets		48,795	43,108
Other non-current assets		33,589	36,840
Total non-current assets		4,752,969	4,392,863
Total assets		6,195,855	5,947,050
Liabilities and equity			
Current liabilities			
Accounts payable	16	572,236	607,734
Short-term borrowings and current portion of long-term debt	17	174,551	130,300
Taxes payable	19	133,913	142,471
Provisions	21	46,755	37,232
Other current liabilities	20	24,008	168,952
Obligation to repurchase common shares	22	-	120,988
Total current liabilities		951,463	1,207,677
Long-term debt	18	628,144	422,932
Deferred income tax liabilities		271,362	264,159
Provisions	21	116,004	77,045
Other non-current liabilities		2,259	1,788
Total non-current liabilities		1,017,769	765,924
Total liabilities		1,969,232	1,973,601
Equity	22		
Share capital		938	968
Treasury shares (including obligation to repurchase common shares)		(71,920)	(308,160)
Additional paid-in capital		39,306	39,277
Other reserves		397,885	30,141
Retained earnings		3,852,652	4,203,138
Total equity attributable to PJSC LUKOIL shareholders		4,218,861	3,965,364
Non-controlling interests		7,762	8,085
Total equity		4,226,623	3,973,449
Total liabilities and equity		6,195,855	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 condensed interim consolidated financial statements.

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

		For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues					
Sales (including excise and export tariffs)	29	1,456,650	1,952,322	4,109,062	5,928,807
Costs and other deductions					
Operating expenses		(108,953)	(119,286)	(325,986)	(342,145)
Cost of purchased crude oil, gas and products		(790,660)	(1,050,010)	(2,157,305)	(3,247,918)
Transportation expenses		(61,388)	(67,349)	(221,006)	(204,603)
Selling, general and administrative expenses		(45,488)	(45,638)	(143,009)	(144,198)
Depreciation, depletion and amortisation		(103,439)	(104,504)	(314,882)	(314,064)
Taxes other than income taxes		(133,550)	(233,001)	(420,599)	(708,514)
Excise and export tariffs		(113,950)	(108,573)	(340,140)	(321,229)
Exploration expenses		(438)	(660)	(3,535)	(2,168)
Profit from operating activities		98,784	223,301	182,600	643,968
Finance income	24	3,625	6,944	11,121	19,003
Finance costs	24	(11,697)	(10,872)	(33,269)	(33,582)
Equity share in income of associates	12	4,029	5,496	8,457	16,618
Foreign exchange (loss) gain		(27,280)	(4,630)	(38,570)	878
Other (expenses) income	25	(1,293)	6,529	(92,370)	(3,803)
Profit before income taxes		66,168	226,768	37,969	643,082
Current income taxes		(17,325)	(36,954)	(42,041)	(119,010)
Deferred income taxes		2,069	1,073	(9,257)	(1,594)
Total income tax expense		(15,256)	(35,881)	(51,298)	(120,604)
Profit (loss) for the period		50,912	190,887	(13,329)	522,478
Profit (loss) for the period attributable to:					
PJSC LUKOIL shareholders		50,420	190,387	(14,260)	520,868
Non-controlling interests		492	500	931	1,610
Other comprehensive income (loss), net of income taxes					
<i>Items that may be reclassified to profit or loss:</i>					
Foreign currency translation differences for foreign operations		206,310	15,740	369,649	(116,715)
<i>Items that will never be reclassified to profit or loss:</i>					
Change in fair value of equity investments at fair value through other comprehensive income		(4)	(876)	(1,431)	(184)
Remeasurements of defined benefit liability / asset of pension plan		(291)	(13)	(463)	110
Other comprehensive income (loss)		206,015	14,851	367,755	(116,789)
Total comprehensive income for the period		256,927	205,738	354,426	405,689
Total comprehensive income for the period attributable to:					
PJSC LUKOIL shareholders		256,420	205,253	353,484	404,102
Non-controlling interests		507	485	942	1,587
Earnings per share					
Profit (loss) for the period attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):					
	22				
Basic		77.27	294.10	(21.92)	776.42
Diluted		74.42	285.01	(21.92)	754.92

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

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

	Share capital	Treasury shares	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC LUKOIL shareholders	Non-controlling interests	Total equity
31 December 2019	968	(308,160)	39,277	30,141	4,203,138	3,965,364	8,085	3,973,449
(Loss) profit for the period	-	-	-	-	(14,260)	(14,260)	931	(13,329)
Other comprehensive income	-	-	-	367,744	-	367,744	11	367,755
Total comprehensive income (loss)				367,744	(14,260)	353,484	942	354,426
Dividends on common stock	-	-	-	-	(228,374)	(228,374)	-	(228,374)
Stock purchased	-	(2,026)	-	-	-	(2,026)	-	(2,026)
Equity-settled share-based compensation plan	-	-	-	-	9,396	9,396	-	9,396
Obligation to repurchase common shares	-	120,988	-	-	-	120,988	-	120,988
Share capital reduction	(30)	117,278	-	-	(117,248)	-	-	-
Changes in non-controlling interests	-	-	29	-	-	29	(1,265)	(1,236)
30 September 2020	938	(71,920)	39,306	397,885	3,852,652	4,218,861	7,762	4,226,623
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 period	-	-	-	-	520,868	520,868	1,610	522,478
Other comprehensive loss	-	-	-	(116,766)	-	(116,766)	(23)	(116,789)
Total comprehensive (loss) income				(116,766)	520,868	404,102	1,587	405,689
Dividends on common stock	-	-	-	-	(104,316)	(104,316)	-	(104,316)
Stock purchased	-	(240,767)	-	-	-	(240,767)	-	(240,767)
Equity-settled share-based compensation plan	-	-	-	-	17,269	17,269	-	17,269
Share capital reduction	(47)	188,406	-	-	(188,359)	-	-	-
Changes in non-controlling interests	-	-	(54)	-	-	(54)	(1,238)	(1,292)
30 September 2019	968	(187,171)	39,119	79,788	4,209,090	4,141,794	8,315	4,150,109

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

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

	Note	For the nine months ended 30 September 2020 (unaudited)	For the nine months ended 30 September 2019 (unaudited)
Cash flows from operating activities			
(Loss) profit for the period attributable to PJSC LUKOIL shareholders		(14,260)	520,868
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		314,882	314,064
Equity share in income of associates, net of dividend income		(2,832)	(11,794)
Dry hole write-offs		2,311	1,085
Loss (gain) on disposals and impairments of assets		86,390	(3,335)
Income tax expense		51,298	120,604
Non-cash foreign exchange loss (gain)		38,504	(984)
Finance income		(11,121)	(19,003)
Finance costs		33,269	33,582
Allowance for expected credit losses		(812)	5,570
Equity-settled share-based compensation plan		23,525	23,525
All other items, net		6,564	(1,645)
Changes in operating assets and liabilities:			
Trade accounts receivable		95,002	(18,861)
Inventories		86,266	(79,969)
Accounts payable		(126,319)	34,632
Other taxes		19,839	22,528
Other current assets and liabilities		(15,841)	(10,071)
Income tax paid		(44,117)	(118,996)
Dividends received		5,651	4,814
Interests received		7,732	14,549
Net cash provided by operating activities		555,931	831,163
Cash flows from investing activities			
Acquisition of licenses		(131)	(2,334)
Capital expenditures		(360,282)	(314,038)
Proceeds from sale of property, plant and equipment		352	1,123
Purchases of financial assets		(4,142)	(3,725)
Proceeds from sale of financial assets		12,600	13,171
Sale of subsidiaries, net of cash disposed		-	9,261
Sale of associates		-	170
Acquisitions of interests in the projects and subsidiaries, net of cash acquired		(1,040)	(55,055)
Acquisitions of associates		(1,102)	(974)
Net cash used in investing activities		(353,745)	(352,401)
Cash flows from financing activities			
Proceeds from issuance of short-term borrowings		4,968	2,289
Principal repayments of short-term borrowings		(699)	(5,803)
Proceeds from issuance of long-term debt		108,250	-
Principal repayments of long-term debt		(66,230)	(44,447)
Interest paid		(23,367)	(26,783)
Dividends paid on Company common shares		(375,483)	(180,698)
Dividends paid to non-controlling interest shareholders		(2,472)	(3,301)
Financing received from non-controlling interest shareholders		42	84
Purchase of Company's stock		(2,026)	(243,691)
Purchases of non-controlling interest		-	(14)
Net cash used in financing activities		(357,017)	(502,364)
Effect of exchange rate changes on cash and cash equivalents		82,774	(21,880)
Net decrease in cash and cash equivalents		(72,057)	(45,482)
Cash and cash equivalents at beginning of period		516,032	492,650
Cash and cash equivalents at end of period	6	443,975	447,168

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

Note 1. Organisation and environment

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

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

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

Business and economic environment

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

COVID-19

In 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. Failure of OPEC+ countries to reach a new agreement on crude oil production quotas in the beginning of March put an incremental pressure on oil prices. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output starting from 1 May 2020. Under this agreement the Group cut its crude oil production in Russia and at some international projects. 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 in the middle of November 2020.

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.

Management has considered the impact of COVID-19 and oil price decline on these condensed interim 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 condensed interim consolidated financial statements. In the first quarter of 2020, management has reviewed the price assumptions used in value-in-use impairment testing of property, plant and equipment. Moreover, at the end of the second quarter of 2020, an additional impairment test was performed for the Group's projects in the Republic of Uzbekistan, taking into account the dynamics of gas production of these projects. For results of impairment test performed see Note 13 “Property, plant and equipment”.

Note 1. Organisation and environment (continued)

The oil price fluctuations also impacted carrying value of inventory, measured at the lower of cost or net realizable value. For more information see Note 9 “Inventories”.

All other significant accounting judgements and estimates disclosed in 2019 consolidated financial statements remain applicable and no new significant accounting judgements or estimates have been identified.

Management believes that the Group is in a solid financial condition as of the end of the third quarter 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the Group’s consolidated financial statements for 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last consolidated financial statements for 2019.

The accompanying condensed interim consolidated financial statements and notes thereto have not been audited by independent auditors, except for the consolidated statement of financial position at 31 December 2019.

The condensed interim consolidated financial statements were authorised by the President of the Company on 23 November 2020.

Functional and presentation currency

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

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

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

Note 3. Changes in accounting policies

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the consolidated financial statements for 2019.

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. Income taxes

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

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

The Group's effective income tax rate for the periods presented differs from the statutory income tax rate primarily due to domestic and foreign tax rate differences and the incurrence of costs that are either not tax deductible or only deductible to a certain limit.

Tax expense is recognised based on the management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Company and its Russian subsidiaries file income tax returns in Russia. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

Note 6. Cash and cash equivalents

	30 September 2020	31 December 2019
Cash held in RUB	28,851	189,055
Cash held in US dollars	368,948	303,046
Cash held in EUR	33,046	14,909
Cash held in other currencies	13,130	9,022
Total cash and cash equivalents	443,975	516,032

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

Note 7. Accounts receivable, net

	30 September 2020	31 December 2019
Trade accounts receivable (net of allowances of 29,734 million RUB and 26,593 million RUB at 30 September 2020 and 31 December 2019, respectively)	418,507	428,415
Other current accounts receivable (net of allowances of 5,316 million RUB and 4,694 million RUB at 30 September 2020 and 31 December 2019, respectively)	15,751	8,637
Total accounts receivable, net	434,258	437,052

Note 8. Other current financial assets

	30 September 2020	31 December 2019
Financial assets measured at amortised cost		
Short-term loans	8,947	6,814
Financial assets measured at fair value through profit or loss		
Short-term loans	36,415	42,892
Total other current financial assets	45,362	49,706

Note 9. Inventories

	30 September 2020	31 December 2019
Crude oil and petroleum products	342,126	366,795
Materials for extraction and drilling	28,694	22,811
Materials and supplies for refining	4,445	4,449
Other goods, materials and supplies	26,156	19,855
Total inventories	401,421	413,910

As a result of significant fluctuations in international hydrocarbon prices the cost of crude oil and petroleum products inventories was reduced to net realizable value by 18 billion RUB, 13 billion RUB, 108 billion RUB and 2 billion RUB at 30 September 2020, 30 June 2020, 31 March 2020 and 31 December 2019, respectively.

Note 10. Prepaid taxes

	30 September 2020	31 December 2019
Income tax prepaid	22,757	17,120
VAT and excise tax recoverable	20,803	30,660
Export duties prepaid	5,370	11,968
VAT prepaid	13,733	30,199
Other taxes prepaid	1,817	5,128
Total prepaid taxes	64,480	95,075

Note 11. Other current assets

	30 September 2020	31 December 2019
Advance payments	17,129	10,246
Prepaid expenses	22,457	23,673
Other assets	13,804	8,493
Total other current assets	53,390	42,412

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

Note 12. Investments in associates and joint ventures

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership		30 September 2020	31 December 2019
		30 September 2020	31 December 2019		
<i>Joint ventures:</i>					
Tengizchevroil	Kazakhstan	5.0%	5.0%	156,355	119,924
Caspian Pipeline Consortium	Kazakhstan	12.5%	12.5%	59,217	40,670
South Caucasus Pipeline Company	Azerbaijan	10.0%	10.0%	38,856	30,241
Others				180	655
<i>Associates:</i>					
Associates				28,827	28,514
Total				283,435	220,004

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	319,868	96,809	1,534	418,211
Acquisitions	1,209	-	-	1,209
Disposals	(22,495)	(26,203)	(451)	(49,149)
Foreign currency translation differences	409,053	171,147	3,867	584,067
Other	(6,954)	(447)	(130)	(7,531)
30 September 2020	5,496,355	1,751,821	81,066	7,329,242
Depreciation and impairment				
31 December 2019	(1,766,575)	(589,636)	(21,153)	(2,377,364)
Depreciation for the period	(216,986)	(102,334)	(2,765)	(322,085)
Impairment loss	(46,197)	(28,859)	-	(75,056)
Disposals	11,677	23,697	239	35,613
Foreign currency translation differences	(220,391)	(73,704)	(1,467)	(295,562)
Other	(715)	2,242	15	1,542
30 September 2020	(2,239,187)	(768,594)	(25,131)	(3,032,912)
Advance payments for property, plant and equipment				
31 December 2019	6,791	13,314	831	20,936
30 September 2020	9,684	6,441	688	16,813
Carrying amounts				
31 December 2019	3,035,890	934,193	55,924	4,026,007
30 September 2020	3,266,852	989,668	56,623	4,313,143

Note 13. Property, plant and equipment (continued)

	Exploration and production	Refining, marketing and distribution	Other	Total
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	282,572	50,510	1,414	334,496
Acquisition of the interest in the project	50,174	-	-	50,174
Disposals	(13,845)	(7,850)	(675)	(22,370)
Foreign currency translation differences	(108,588)	(60,692)	(1,303)	(170,583)
Other	3,535	10,539	(265)	13,809
30 September 2019	4,745,007	1,468,439	80,580	6,294,026
Depreciation and impairment				
31 December 2018	(1,586,508)	(513,668)	(19,380)	(2,119,556)
Depreciation for the period	(218,910)	(90,703)	(3,227)	(312,840)
Impairment loss	(146)	-	-	(146)
Disposals	6,066	6,363	186	12,615
Foreign currency translation differences	54,663	23,281	557	78,501
Other	(255)	4,455	149	4,349
30 September 2019	(1,745,090)	(570,272)	(21,715)	(2,337,077)
Advance payments for property, plant and equipment				
31 December 2018	5,916	15,669	686	22,271
30 September 2019	5,265	14,165	772	20,202
Carrying amounts				
31 December 2018	2,896,232	875,744	57,188	3,829,164
30 September 2019	3,005,182	912,332	59,637	3,977,151

The cost of assets under construction included in property, plant and equipment was 497,923 million RUB and 369,926 million RUB at 30 September 2020 and 31 December 2019, respectively.

Exploration and evaluation assets

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
1 January	129,951	107,105
Capitalised expenditures	29,793	24,302
Acquisitions through business combinations	362	-
Reclassified to development assets	(10,520)	(3,892)
Charged to expenses	(2,375)	(582)
Foreign currency translation differences	9,850	(2,107)
Other movements	(1,437)	236
30 September	155,624	125,062

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 billion RUB, for its international exploration and production assets in the amount of 2 billion RUB and for its international refining, marketing and distribution assets in the amount of 29 billion RUB.

Note 13. Property, plant and equipment (continued)

The recoverable amounts of CGUs subject to impairment in the first quarter of 2020 in the amount of 139 billion 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 39 billion RUB. Of this amount, 36 billion 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 billion 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.

Impairment loss is included in “Other expenses” in the consolidated statement of profit or loss and other comprehensive income.

Note 14. Other non-current financial assets

	30 September 2020	31 December 2019
Financial assets measured at fair value through other comprehensive income		
Equity instruments	1,629	2,656
Financial assets measured at amortised cost		
Long-term loans	35,379	26,008
Non-current accounts and notes receivable	1,276	1,371
Other financial assets	35	34
Financial assets measured at fair value through profit or loss		
Long-term loans	8,444	8,162
Total other non-current financial assets	46,763	38,231

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.

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Note 16. Accounts payable

	30 September 2020	31 December 2019
Trade accounts payable	508,662	555,823
Other accounts payable	63,574	51,911
Total accounts payable	572,236	607,734

Note 17. Short-term borrowings and current portion of long-term debt

	30 September 2020	31 December 2019
Short-term borrowings from third parties	23,240	13,940
Short-term borrowings from related parties	2,118	2,222
Current portion of long-term debt	149,193	114,138
Total short-term borrowings and current portion of long-term debt	174,551	130,300

Short-term borrowings from third parties include amounts repayable in US dollars of 21,834 million RUB and 12,694 million RUB and amounts repayable in other currencies of 1,406 million RUB and 1,246 million RUB at 30 September 2020 and 31 December 2019, respectively. The weighted-average interest rate on short-term borrowings from third parties was 2.29% and 4.00% per annum at 30 September 2020 and 31 December 2019, respectively. At 30 September 2020, short-term borrowings from third parties are unsecured.

Note 18. Long-term debt

	30 September 2020	31 December 2019
Long-term loans and borrowings from third parties	132,919	117,864
6.125% non-convertible US dollar bonds, maturing 2020	79,678	61,866
6.656% non-convertible US dollar bonds, maturing 2022	39,797	30,905
4.563% non-convertible US dollar bonds, maturing 2023	119,436	92,769
4.750% non-convertible US dollar bonds, maturing 2026	79,545	61,786
3.875% non-convertible US dollar bonds, maturing 2030	119,216	-
Lease obligations	206,746	171,880
Total long-term debt	777,337	537,070
Current portion of long-term debt	(149,193)	(114,138)
Total non-current portion of long-term debt	628,144	422,932

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 118,525 million RUB and 104,819 million RUB and amounts repayable in euros of 14,394 million RUB and 13,045 million RUB at 30 September 2020 and 31 December 2019, respectively. This debt has maturity dates from 2020 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 2.65% and 4.08% per annum at 30 September 2020 and 31 December 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 30 September 2020 are secured by shares of an associate, 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. 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.

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Note 18. Long-term debt (continued)

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	4,968	-	-	-	4,968
Principal repayments of short-term borrowings	(699)	-	-	-	(699)
Proceeds from issuance of long-term debt	-	108,250	-	-	108,250
Principal repayments of long-term debt	(18,639)	-	(47,591)	-	(66,230)
Interest paid	-	-	(7,997)	(15,370)	(23,367)
Dividends paid on Company common stock	-	-	-	(375,483)	(375,483)
Total changes from financing cash flows	(14,370)	108,250	(55,588)	(390,853)	(352,561)
Other changes:					
Interest accrued	1,200	98	7,997	20,369	29,664
Dividends declared on Company common stock	-	-	-	228,374	228,374
The effect of changes in foreign exchange rates	37,421	81,998	39,137	1,579	160,135
Non-cash additions to lease obligations	-	-	42,033	-	42,033
Other changes	-	-	1,287	14,818	16,105
Total other changes	38,621	82,096	90,454	265,140	476,311
30 September 2020	158,277	437,672	206,746	10,207	812,902

Note 19. Taxes payable

	30 September 2020	31 December 2019
Income tax	16,859	12,031
Mineral extraction tax	38,290	61,464
Tax on additional income from hydrocarbon production	882	3,380
VAT	34,170	38,566
Excise tax	30,724	14,359
Property tax	5,533	5,120
Other taxes	7,455	7,551
Total taxes payable	133,913	142,471

Note 20. Other current liabilities

	30 September 2020	31 December 2019
Advances received	19,894	30,868
Dividends payable	1,730	135,034
Other	2,384	3,050
Total other current liabilities	24,008	168,952

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Note 21. Provisions

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension liabilities	Provision for unused vacations	Other provisions	Total
30 September 2020	100,778	13,318	3,950	14,218	5,415	25,080	162,759
Incl.: Non-current	100,137	64	1,435	11,247	206	2,915	116,004
Current	641	13,254	2,515	2,971	5,209	22,165	46,755
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:

	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
1 January	63,387	36,424
Provisions made during the period	31,507	955
Reversal of provisions	(61)	(322)
Provisions used during the period	(239)	(110)
Accretion expense	2,951	1,984
Change in discount rate	(3,687)	8,553
Changes in estimates	(3,137)	(1,041)
Foreign currency translation differences	10,034	(1,287)
Other	23	53
30 September	100,778	45,209

Note 22. Equity

Common shares

	30 September 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.

Dividends

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.

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Note 22. Equity (continued)

At the annual general shareholders' meeting on 20 June 2019, dividends for 2018 were approved in the amount of 155.00 RUB per common share. At the extraordinary general shareholders' meeting on 3 December 2018, interim dividends for 2018 were approved in the amount of 95.00 RUB per common share. Total dividends for 2018 were approved in the amount of 250.00 RUB per common share.

Dividends on the Company's shares payable of 702 million RUB and 133,514 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 30 September 2020 and 31 December 2019, respectively.

Earnings per share

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

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	50,420	190,387	(14,260)	520,868
Weighted average number of common shares (thousands of shares)	652,499	647,356	650,451	670,862
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	25,049	20,017	-	18,865
Dilutive effect related to obligation to repurchase common shares (thousands of shares)	-	619	-	240
Weighted average number of common shares, assuming dilution (thousands of shares)	677,548	667,992	650,451	689,967
Profit (loss) per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):				
Basic	77.27	294.10	(21.92)	776.42
Diluted	74.42	285.01	(21.92)	754.92

Note 23. Personnel expenses

Personnel expenses were as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Payroll costs	38,123	36,721	115,296	108,599
Statutory insurance contributions	8,746	8,115	26,743	25,456
Share-based compensation	7,841	7,841	23,525	23,525
Total personnel expenses	54,710	52,677	165,564	157,580

Note 24. Finance income and costs

Finance income was as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Interest income from deposits	1,251	4,945	5,555	12,217
Interest income from loans	990	1,289	3,419	3,761
Other finance income	1,384	710	2,147	3,025
Total finance income	3,625	6,944	11,121	19,003

Note 24. Finance income and costs (continued)

Finance costs were as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Interest expenses	9,641	9,643	28,276	29,955
Accretion expenses	1,448	746	3,316	1,992
Other finance costs	608	483	1,677	1,635
Total finance costs	11,697	10,872	33,269	33,582

Note 25. Other income and expenses

Other income was as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Gain on disposal of assets	811	8,854	1,496	9,792
Reversal on impairments of assets	5,358	2,138	7,267	2,138
Other income	1,500	2,266	6,094	6,903
Total other income	7,669	13,258	14,857	18,833

Other expenses were as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Loss on disposal of assets	4,796	3,293	12,320	8,449
Impairments loss	-	-	82,833	146
Charity expenses	1,997	2,225	6,416	7,605
Other expenses	2,169	1,211	5,658	6,436
Total other expenses	8,962	6,729	107,227	22,636

Note 26. Commitments and contingencies

Capital commitments

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 497,610 million RUB and 517,977 million RUB at 30 September 2020 and 31 December 2019, respectively.

Taxation environment

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

Note 26. Commitments and contingencies (continued)

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.

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 (175.3 billion RUB) to \$1.5 billion (119.5 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 (119.5 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. The case was transferred to the Prahova Tribunal. The first court hearing was held 10 September 2020. At the hearing held 8 October 2020 the testimony of the accused was heard. The final court hearing was held on 5 November 2020. The decision is expected by 2 December 2020. 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 with respect to cost recovery in 2010–2015 (the “CR”) and the calculation of the “Fairness index” (the “FI”) in accordance with the Final Production Sharing Agreement relating to the Contract Area of the Karachaganak Oil and Gas Condensate Field. In relation to the CR, the parties are making efforts to resolve the dispute through negotiations and in relation to the FI the parties are taking part in an arbitration and management believes that the amounts of claims, as well as calculations of potential losses arising from these disputes to be preliminary and should not be disclosed in order to avoid any adverse impact on the arbitration process and the positions of the parties therein. At the same time management does not preclude the possibility of settlement of the FI related dispute and believes that the final outcome of the above mentioned disputes will not have a material adverse effect on the Group’s financial position.

Note 26. Commitments and contingencies (continued)

On 21 May 2020, the Federal Antimonopoly Service of Russia (hereinafter – FAS of Russia) filed a claim to the Arbitration court of the Arkhangelsk region for invalidating the transaction of PJSC LUKOIL for the sale of 100% of shares of JSC Arkhangelskgeoldobycha to LLC Otkritie Promyshlennye Investitsii in May 2017 and applying the consequences of its invalidity. On 29 July 2020, the Arbitration court of Arkhangelsk region passed the case to Arbitration court of Moscow. The hearing date is scheduled for 7 December 2020. The transaction to sell shares of JSC Arkhangelskgeoldobycha was concluded after a five-month due diligence and verification of information provided by the seller and the buyer, without any objections from regulatory authorities, in strict compliance with the Russian legislation, after an approval was obtained from the Governmental Commission for Control over Foreign Investments in the Russian Federation. In addition, a written approval was obtained from FAS of Russia to conduct this transaction. The price of the asset was agreed by the parties of the transaction as a result of the lengthy negotiations where largest investment banks were involved as advisers, which confirms the market nature of the deal. In this regard, the Company does not agree with the arguments set out in the claim of FAS of Russia and regards itself as a bona fide seller in this transaction, and will take all necessary measures to protect its rights and legitimate interests. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

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

Political situation

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

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

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

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

Note 26. Commitments and contingencies (continued)

Other matters

The Company and other Group companies have been notified by various counterparties of claims in respect of allegedly 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. The losses have not been fully defined or evidenced. Currently the consequences of the incident in terms of crude oil delivered by the Group to Hungary and Slovakia have been settled between the Company, PJSC Transneft and Hungarian oil and gas company MOL; remaining claims are in the process of settlement. Management does not believe that the ultimate resolution of these matters will have a material adverse impact on the Group's operating results or financial position.

Note 27. 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.

Outstanding balances with related parties were as follows:

	30 September 2020	31 December 2019
Accounts receivable and other current assets	2,523	1,079
Other financial assets	44,928	51,053
Total assets	47,451	52,132
Accounts payable	9,701	5,002
Loans and borrowings	2,118	2,222
Total liabilities	11,819	7,224

Related party transactions were as follows:

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Sales of oil and oil products	3,507	10,447	12,427	23,647
Other sales	468	383	1,663	1,640
Purchases of oil and oil products	21,244	21,593	48,548	71,151
Other purchases	3,298	2,610	8,883	6,832
Proceeds from sale of other financial assets, net	2,876	3,961	8,161	9,770
Proceeds from issuance (principal repayments) of loans, net	665	(698)	(134)	(1,304)

Note 28. 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.

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

Related to this share plan the Group recognised compensation expenses of 7,841 million RUB and 23,525 million RUB during the three and the nine months ended 30 September 2020 and 2019, respectively.

Note 29. 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.

Operating segments

For the three months ended 30 September 2020

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	33,572	1,417,836	5,242	-	1,456,650
Inter-segment	369,807	16,525	6,456	(392,788)	-
Total revenues	403,379	1,434,361	11,698	(392,788)	1,456,650
Operating expenses	62,166	51,013	3,614	(7,840)	108,953
Selling, general and administrative expenses	9,009	28,590	15,037	(7,148)	45,488
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	72,550	30,921	(38,695)	(14,356)	50,420
EBITDA	151,979	77,638	(12,619)	(14,775)	202,223
Income tax expense					(15,256)
Finance income					3,625
Finance costs					(11,697)
Foreign exchange loss					(27,280)
Equity share in income of associates					4,029
Other expenses					(1,293)
Depreciation, depletion and amortisation					(103,439)
Profit for the period attributable to non-controlling interests					(492)
Profit for the period attributable to PJSC LUKOIL shareholders					50,420

PJSC LUKOIL
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Note 29. Segment information (continued)

For the three months ended 30 September 2019

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	62,815	1,884,168	5,339	-	1,952,322
Inter-segment	507,618	18,182	10,338	(536,138)	-
Total revenues	570,433	1,902,350	15,677	(536,138)	1,952,322
Operating expenses	70,479	60,148	5,478	(16,819)	119,286
Selling, general and administrative expenses	8,585	30,016	14,978	(7,941)	45,638
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	117,777	69,795	(11,379)	14,194	190,387
EBITDA	211,958	116,380	(10,544)	10,011	327,805
Income tax expense					(35,881)
Finance income					6,944
Finance costs					(10,872)
Foreign exchange loss					(4,630)
Equity share in income of associates					5,496
Other income					6,529
Depreciation, depletion and amortisation					(104,504)
Profit for the period attributable to non-controlling interests					(500)
Profit for the period attributable to PJSC LUKOIL shareholders					190,387

For the nine months ended 30 September 2020

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	112,500	3,980,721	15,841	-	4,109,062
Inter-segment	980,888	53,440	30,696	(1,065,024)	-
Total revenues	1,093,388	4,034,161	46,537	(1,065,024)	4,109,062
Operating expenses	196,409	140,495	10,859	(21,777)	325,986
Selling, general and administrative expenses	32,373	89,014	46,790	(25,168)	143,009
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	48,547	26,473	(95,837)	6,557	(14,260)
EBITDA	333,514	196,673	(28,749)	(3,956)	497,482
Income tax expense					(51,298)
Finance income					11,121
Finance costs					(33,269)
Foreign exchange loss					(38,570)
Equity share in income of associates					8,457
Other expenses					(92,370)
Depreciation, depletion and amortisation					(314,882)
Profit for the period attributable to non-controlling interests					(931)
Loss for the period attributable to PJSC LUKOIL shareholders					(14,260)

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Note 29. Segment information (continued)

For the nine months ended 30 September 2019

	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	196,246	5,716,339	16,222	-	5,928,807
Inter-segment	1,588,438	56,261	35,508	(1,680,207)	-
Total revenues	1,784,684	5,772,600	51,730	(1,680,207)	5,928,807
Operating expenses	204,865	171,932	13,944	(48,596)	342,145
Selling, general and administrative expenses	34,661	89,944	46,016	(26,423)	144,198
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	375,806	152,528	(18,567)	11,101	520,868
EBITDA	682,164	289,485	(26,283)	12,666	958,032
Income tax expense					(120,604)
Finance income					19,003
Finance costs					(33,582)
Foreign exchange gain					878
Equity share in income of associates					16,618
Other expenses					(3,803)
Depreciation, depletion and amortisation					(314,064)
Profit for the period attributable to non-controlling interests					(1,610)
Profit for the period attributable to PJSC LUKOIL shareholders					520,868

Geographical segments

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Sales of crude oil within Russia	8,457	1,115	19,491	14,713
Export of crude oil and sales of crude oil by foreign subsidiaries	499,411	655,026	1,439,202	2,012,972
Sales of petroleum products within Russia	223,623	252,771	589,005	694,779
Export of petroleum products and sales of petroleum products by foreign subsidiaries	640,428	930,447	1,805,061	2,853,198
Sales of chemicals within Russia	7,356	10,379	25,912	32,832
Export of chemicals and sales of chemicals by foreign subsidiaries	13,244	20,863	42,115	76,772
Sales of gas within Russia	8,119	7,685	24,459	23,809
Sales of gas by foreign subsidiaries	7,973	32,790	37,920	102,004
Sales of energy and related services within Russia	10,010	10,483	37,704	38,833
Sales of energy and related services by foreign subsidiaries	3,796	4,451	8,528	11,652
Other sales within Russia	11,492	11,404	29,775	32,118
Other export sales and other sales of foreign subsidiaries	22,741	14,908	49,890	35,125
Total sales	1,456,650	1,952,322	4,109,062	5,928,807

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Note 29. Segment information (continued)

For the three months ended 30 September 2020

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	289,175	1,167,475	-	1,456,650
Inter-segment	222,142	343	(222,485)	-
Total revenues	511,317	1,167,818	(222,485)	1,456,650
Operating expenses	76,673	24,692	7,588	108,953
Selling, general and administrative expenses	23,799	22,425	(736)	45,488
Profit for the period attributable to PJSC LUKOIL shareholders	53,321	11,476	(14,377)	50,420
EBITDA	176,632	42,550	(16,959)	202,223

For the three months ended 30 September 2019

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	317,591	1,634,731	-	1,952,322
Inter-segment	384,298	346	(384,644)	-
Total revenues	701,889	1,635,077	(384,644)	1,952,322
Operating expenses	83,622	32,949	2,715	119,286
Selling, general and administrative expenses	23,287	22,982	(631)	45,638
Profit for the period attributable to PJSC LUKOIL shareholders	146,431	30,227	13,729	190,387
EBITDA	257,890	62,428	7,487	327,805

For the nine months ended 30 September 2020

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	776,607	3,332,455	-	4,109,062
Inter-segment	703,527	1,191	(704,718)	-
Total revenues	1,480,134	3,333,646	(704,718)	4,109,062
Operating expenses	234,193	63,570	28,223	325,986
Selling, general and administrative expenses	68,317	77,095	(2,403)	143,009
Profit (loss) for the period attributable to PJSC LUKOIL shareholders	94,779	(115,619)	6,580	(14,260)
EBITDA	404,152	92,481	849	497,482

For the nine months ended 30 September 2019

	Russia	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	910,648	5,018,159	-	5,928,807
Inter-segment	1,222,243	2,013	(1,224,256)	-
Total revenues	2,132,891	5,020,172	(1,224,256)	5,928,807
Operating expenses	243,543	91,734	6,868	342,145
Selling, general and administrative expenses	68,652	77,885	(2,339)	144,198
Profit for the period attributable to PJSC LUKOIL shareholders	453,891	56,366	10,611	520,868
EBITDA	792,824	159,678	5,530	958,032

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

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Note 29. Segment information (continued)

	For the three months ended 30 September 2020	For the three months ended 30 September 2019	For the nine months ended 30 September 2020	For the nine months ended 30 September 2019
Sales revenues				
in Switzerland	592,661	909,929	1,780,746	2,677,289
in the USA	165,220	247,982	495,904	881,303
in Singapore	116,120	87,291	251,547	335,298

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

Note 30. Fair value

There are the following methods of fair value measurement based on the valuation 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 30 September 2020 and 31 December 2019.

30 September 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	645	-	645	-	645
Financial assets at fair value through profit or loss	44,859	-	-	44,859	44,859
Financial assets at fair value through other comprehensive income	1,629	1,629	-	-	1,629
Financial liabilities:					
Commodity derivative contracts	278	-	278	-	278
Loans and borrowings	777,337	467,158	-	340,906	808,064

31 December 2019	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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 30 September 2020 and 31 December 2019.

Note 31. Subsequent events

In October 2020, Federal laws were adopted in Russia that introduce amendments to taxation of the oil industry from 1 January 2021. In particular, the mineral extraction tax benefits for depleted fields and for extra-viscous crude oil are canceled. Also certain reduced rates of export duty on crude oil are canceled. At the same time license areas with depleted reserves receive the right to be transferred to pay tax on additional income from hydrocarbon production (TAI). However, the procedure of TAI calculation is also amended.

The Company is in the process of evaluating the impact of these amendments on its future results of operations.