PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE SECOND QUARTER AND SIX MONTHS OF 2020

PJSC LUKOIL today released its condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

2Q 2020	1Q 2020		6M 2020	6M 2019
		(RUB bln)		
986.4	1,666.0	Sales	2,652.4	3,976.5
144.5	**150.8**	**EBITDA**	**295.3**	**630.2**
72.3	109.2	Exploration and production	181.5	470.2
78.7	40.3	Refining, marketing and distribution	119.0	173.1
(18.7)	(46.0)	(Loss) profit for the period attributable to LUKOIL shareholders	(64.7)	330.5
117.2	130.2	Capital expenditures	247.5	205.0
25.5	**55.5**	**Free cash flow**	**81.0**	**308.3**
38.4	10.0	Free cash flow before changes in working capital	48.4	372.8

COVID-19

Since the start of COVID-19 pandemic, LUKOIL has been undertaking necessary measures to rule out the direct impact of the pandemic on the Group's operating activity, prioritizing proper protection of its employees, contractors personnel and clients, as well as continuity of production processes.

Weaker global economic activity amid the pandemic followed by an unprecedented slump in hydrocarbon demand and prices had a negative impact on operational and financial performance of the Group in the second quarter and the first half of 2020 with persisting negative effect in the third quarter of 2020.

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The consequences of the pandemic for the Company's operating results in the first half of 2020 and July-August 2020 include: crude oil production cut at the Company's fields in Russia and some international projects due to the new OPEC+ agreement; gas production cut in Uzbekistan due to lower demand for Uzbek gas from China; reduction of refinery throughput volumes due to lower refining margins owing to lower demand for refined products; and lower sales volumes of motor fuels through the Company's filling stations because of lower demand.

The main impact of the pandemic on the Company's financial performance is attributed to decline in prices for oil and refined products as well as production volumes.

OPEC+ agreement

On April 12, 2020 a number of oil-producing countries, including OPEC members and Russia, entered into an agreement valid until the end of April, 2022 that aims to reduce their collective crude oil output by 9.7 million barrels per day starting from May 1, 2020 with subsequent gradual increase. Due to the agreement, starting from May 1, 2020 the Company cut its crude oil production in Russia by approximately 310 thousand barrels per day as compared to the average daily production in the first quarter of 2020. In July, the Company increased crude oil production in Russia by approximately 20 thousand barrels per day followed by an increase in August by approximately 60 thousand barrels per day.

Crude oil production was also reduced at some international projects. In particular, production at the West Qurna-2 project in Iraq decreased by approximately 70 thousand barrels per day starting from May 1, 2020 and further by additional 50 thousand barrels per day starting from mid-June.

Revenue

In the second quarter of 2020, our sales amounted to RUB 986.4 bln, down by 40.8% quarter-on-quarter. As a result, for the six months of 2020 sales totaled RUB 2,652.4 bln, down by 33.3% year-on-year.

Sales dynamics in both periods was negatively affected mainly by lower hydrocarbon prices, lower hydrocarbon production volumes, lower oil and refined products trading volumes, and lower refined products sales volumes through filling stations. These factors were partially offset by ruble devaluation to US dollar.

EBITDA

Despite a significant decrease in sales, EBITDA in the second quarter of 2020

decreased only by 4.3% quarter-on-quarter to RUB 144.5 bln. This was due to higher EBITDA of the Refining, Marketing and Distribution segment, which almost fully offset the decrease in EBITDA of the Exploration and Production segment.

In the Exploration and Production segment in Russia the main factors for decrease in EBITDA quarter-on-quarter were lower oil prices and oil production cut due to the OPEC+ agreement. These factors were partially offset by a positive time lag effect of mineral extraction tax and export duty and ruble devaluation.

Outside Russia, besides price factor EBITDA was negatively affected by lower gas production in Uzbekistan and lower EBITDA of the West Qurna-2 project.

EBITDA of the Refining, Marketing and Distribution segment increased almost twofold quarter-on-quarter and surpassed EBITDA of the Exploration and Production segment. The main growth drivers were international assets of the Company due to the reversal of inventory write-down on the back of growing oil and refined products prices, as well as by higher trading margins and inventory effect at refineries. At the same time, lower benchmark refining margins in Europe and the specifics of accounting for hedging operations in international trading partially offset the positive effect from the abovementioned factors.

EBITDA of the Refining, Marketing and Distribution segment in Russia was negatively affected by lower benchmark refining margins, as well as seasonal decrease in financial results of power generation. These factors were partially offset by a positive inventory effect at refineries, as well as optimization of refinery utilization rates and product slate.

EBITDA for the six months of 2020 amounted to RUB 295.3 bln, down by 53.2% year-on-year. The decrease was driven mainly by a negative impact of the COVID-19 pandemic on sales prices and volumes, as well as by a negative time lag effect of mineral extraction tax and export duty and negative inventory effect at refineries. At the same time, EBITDA was supported by higher share of high-margin barrels in the crude oil production structure in Russia, higher trading margins, the specifics of accounting for hedging operations in international trading as well as ruble devaluation.

Net loss

In the second quarter of 2020, the Company booked a loss attributable to shareholders in the amount of RUB 18.7 bln. As a result, the loss for the first six months of 2020 amounted to RUB 64.7 bln as compared to RUB 330.5 bln profit for the first six months of 2019.

In addition to lower EBITDA, the loss for the first six months of 2020 was impacted by non-cash foreign exchange loss due to ruble devaluation, as well as assets impairment loss.

Capital expenditures

In the second quarter of 2020, our capital expenditures amounted to RUB 117.2 bln, down by 10.0% quarter-on-quarter as a result of optimization measures. For the first six months of 2020, capital expenditures totaled RUB 247.5 bln, up by 20.7% year-on-year.

Free cash flow

Free cash flow amounted to RUB 25.5 bln in the second quarter of 2020, a 54.1% decrease quarter-on-quarter. For the first six months of 2020, free cash flow totaled RUB 81.0 bln, down by 73.7% year-on-year. The decrease was mainly attributable to lower operating cash flow while working capital increase put additional pressure on free cash flow in the second quarter of 2020.

Operating highlights

2Q 2020	1Q 2020		6M 2020	6M 2019
2,064	**2,382**	**Hydrocarbon production, Kboepd**	**2,223**	**2,381**
1,982	**2,328**	**ex. West Qurna-2**	**2,155**	**2,352**
1,650	1,838	Liquid hydrocarbon production, Kbpd	1,744	1,817
1,568	1,784	ex. West Qurna-2	1,676	1,788
6.4	8.4	Gas production, bcm	14.8	17.4
12.6	**16.0**	**Production of refined products at own refineries, mln tonnes**	**28.6**	**31.8**

For the six months of 2020 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,155 thousand boe per day, which is 8.4% lower year-on-year as a result of a significant production cut in the second quarter of 2020. The cut was due to the new OPEC+ agreement and a decrease in gas supply from Uzbekistan to China, that were driven by a negative impact of the COVID-19 pandemic on hydrocarbon demand.

Liquid hydrocarbons

For the six months of 2020, production of liquid hydrocarbons excluding the West

Qurna-2 project was 1,676 thousand barrels per day, which is 6.3% lower year-on-year due to a 12.1% production cut in the second quarter of 2020 as compared to the first quarter. The cut was due to the new OPEC+ agreement.

Despite a decrease in oil prices and external limitations on production volumes, active development of the priority projects continued. In particular, in West Siberia overall oil and gas condensate production at the V. Vinogradov, Imilorskoye, Sredne-Nazymskoye and Pyakyakhinskoye fields increased for the six months of 2020 by 27% year-on-year and exceeded 2.0 million tonnes.

Further development of the Yaregskoye field and Permian reservoir of the Usinskoye field, including the launch of new steam-generation facilities, allowed to increase high viscosity oil production for the six months of 2020 by 4.5% year-on-year, to 2.5 million tonnes.

Implementation of drilling programs at the V. Filanovsky and Yu. Korchagin fields in the Caspian Sea allowed to maintain production at project levels. Total oil and gas condensate production at these fields for the six months of 2020 was 3.7 million tonnes, flat year-on-year.

The share of the abovementioned projects in the LUKOIL Group's oil production excluding the West Qurna-2 project amounted to 20% for the six months of 2020 as compared to the 18% for the six months of 2019.

Gas

For the six months of 2020, LUKOIL Group's gas production was 14.8 billion cubic meters, which is 14.6% lower year-on-year. The decline was due to lower demand from China for gas produced in Uzbekistan amid the COVID-19 pandemic. At the same time gas production in Russia increased by 1.3% year-on-year driven by the launch of the second stage of the booster compressor station at the Nakhodkinskoye field in December 2019.

Refined products

For the six months of 2020, production of refined products at LUKOIL's refineries was 28.6 million tonnes, which is 10.0% lower year-on-year. The decline was due to scheduled maintenance works and throughput optimization at some of the Company's refineries in the second quarter of 2020 on the back of decline in refining margins and lower demand for petroleum products due to the COVID-19 pandemic.

Production of refined products in Russia for the six months of 2020 decreased by

7.0% due to scheduled maintenance works and throughput optimization at Nizhny Novgorod and Ukhta refineries in the second quarter of 2020. At the same time, throughput at Perm and Volgograd refineries remained unchanged compared to the first quarter of 2020. Production of refined products in Europe for the six months of 2020 decreased by 15.4% due to scheduled maintenance works at refineries in Bulgaria and the Netherlands, as well as throughput optimization at European refineries in the second quarter of 2020.

Information:
Full set of PJSC LUKOIL condensed interim consolidated financial statements prepared in accordance with IFRS for the three and six-month periods ended 30 June 2020 is available on the Company's web site: www.lukoil.com. These condensed interim consolidated financial statements have been prepared by the 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.
PJSC LUKOIL is one of the largest publicly traded, vertically integrated oil and gas companies in the world in terms of proved hydrocarbon reserves and production; and the second largest producer of crude oil in Russia. Established in 1991, the Company currently operates in more than 30 countries with core upstream assets located in Russia. The full production cycle includes oil and gas exploration, production and refining; production of petrochemicals and lubricants; power generation; marketing and distribution providing LUKOIL with maximum synergies from its activities. The Company's shares are listed in Russia on Moscow Exchange under the ticker "LKOH" and depositary receipts are listed on the London Stock Exchange under the ticker "LKOD".