PRESS RELEASE
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LUKOIL RELEASES FINANCIAL RESULTS UNDER IFRS FOR 2020

PJSC LUKOIL today released its audited consolidated financial statements for 2020 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial highlights

4Q 2020	3Q 2020		12M 2020	12M 2019
		(RUB bln)		
1,530.3	1,456.7	Sales	5,639.4	7,841.2
189.6	**202.2**	**EBITDA**	**687.1**	**1,236.2**
29.4	50.4	Profit for the period attributable to shareholders	15.2	640.2
135.2	112.8	Capital expenditures	495.4	450.0
85.5	**114.6**	**Free cash flow**	**281.1**	**701.9**
61.3	88.3	Free cash flow before changes in working capital	198.0	708.7

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 fourth quarter and the twelve months of 2020 with persisting negative effect in the first quarter of 2021.

The consequences of the pandemic for the Company's operating results in 2020 include: crude oil production cut at the Company's fields in Russia and certain international projects due to the new OPEC+ agreement; gas production cut in Uzbekistan due to temporarily 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 filling stations because of lower demand.

The main impact of the pandemic on the Company's financial performance in 2020 is attributed to decline in prices for oil and refined products as well as lower 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. By the end of 2020, the Company has gradually increased crude oil production in Russia by approximately 100 thousand barrels per day as compared to the level of May, 2020.

Crude oil production was also reduced at certain international projects. In particular, production at the West Qurna-2 project in Iraq as at the end of 2020 was 90 thousand barrels per day lower than the project capacity.

Revenue

In the fourth quarter of 2020, our sales amounted to RUB 1,530.3 bln, up by 5.1% quarter-on-quarter. The growth was mainly attributable to higher hydrocarbon prices and production, as well as ruble devaluation.

In 2020 our sales amounted to RUB 5,639.4 bln, down 28.1% year-on-year. Sales dynamics was negatively affected by lower hydrocarbon prices, lower hydrocarbon production volumes, lower production and trading volumes of refined products as well as lower retail sales of refined products. These factors were partially offset by ruble devaluation to US dollar.

EBITDA

EBITDA structure

4Q 2020	3Q 2020		12M 2020	12M 2019
		(RUB bln)		

189.6	**202.2**	**EBITDA**	**687.1**	**1 236.2**
166.6	**152.0**	**Exploration and production**	**500.1**	**894.0**
148.0	136.1	Russia	421.6	729.1
18.6	15.9	Outside Russia	78.5	164.9
46.6	**77.6**	**Refining, marketing and distribution**	**243.3**	**371.6**
43.5	42.3	Russia	180.7	301.1
3.1	35.3	Outside Russia	62.6	70.5

In the fourth quarter of 2020 EBITDA decreased by 6.2% quarter-on-quarter to RUB 189.6 bln. The decrease was due to weaker results of the Refining, marketing and distribution segment, which was partially offset by higher EBITDA of the Exploration and production segment.

The decrease in EBITDA of the Refining, Marketing and Distribution segment was mainly driven by the specifics of accounting for hedging operations in international trading and lower refining margins. At the same time, in Russia EBITDA increased mainly due to better results in petrochemical, retail and power businesses. The segment results were also positively influenced by the inventory effect at refineries in Russia and abroad.

In the Exploration and Production segment in Russia EBITDA dynamics was positively affected by partial recovery of oil production, ruble devaluation, and higher positive time lag effect of mineral extraction tax and export duty. Outside Russia, better results were primarily driven by recovery of production at gas projects in Uzbekistan.

In 2020, EBITDA amounted to RUB 687.1 bln, down by 44.4% year-on-year. The decrease was mainly driven by negative impact of the COVID-19 pandemic consequences on hydrocarbon prices, refining margins, and hydrocarbon production and refinery throughput volumes. Lower oil prices also led to negative time lag effect of mineral extraction tax and export duty and negative inventory effect at the refineries. At the same time, EBITDA was supported by higher trading margins and the specifics of accounting for hedging operations, as well as better oil production structure in Russia and ruble devaluation.

Profit

In the fourth quarter of 2020, profit attributable to shareholders amounted to RUB 29.4 bln, which is 41.6% lower quarter-on-quarter.

As a result, in 2020, the Company booked a profit in the amount of RUB 15.2 bln compared to RUB 640.2 bln profit in 2019. Besides lower EBITDA, the profit was negatively influenced by non-cash assets impairment and foreign exchange losses.

Capital expenditures

In the fourth quarter of 2020, capital expenditures amounted to RUB 135.2 bln, up by 19.8% quarter-on-quarter due to active development stage of V. Grayfer field in the Caspian region, as well as construction of a delayed coker complex at the Nizhny Novgorod refinery. As a result, in 2020, capital expenditures totaled RUB 495.4 bln, up by 10.1% year-on-year.

Free cash flow

Free cash flow amounted to RUB 85.5 bln in the fourth quarter of 2020, while for the twelve months of 2020 it was RUB 281.1 bln, which is 59.9% lower year-on-year. The decrease was mainly driven by lower operating cash flow.

Operating highlights

4Q 2020	3Q 2020		12M 2020	12M 2019
2,099	**1,927**	**Hydrocarbon production, Kboepd**	**2,117**	**2,380**
2,065	**1,885**	**ex. West Qurna-2**	**2,064**	**2,350**
1,573	1,545	Liquid hydrocarbon production, Kbpd	1,651	1,815
1,539	1,503	ex. West Qurna-2	1,598	1,785
8.2	6.0	Gas production, bcm	29.0	35.0
12.4	**14.0**	**Production of refined products at own refineries, mln tonnes**	**55.0**	**65.1**

In the fourth quarter of 2020 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,065 kboe per day, which is 9.5% higher quarter-on-quarter. The growth was attributable to the dynamics of the external limitations on oil production due to the OPEC+ agreement, as well as recovery of gas production in Uzbekistan. In 2020 average hydrocarbon production was 2,064 kboe per day, which is 12.2% lower year-on-year. Production was reduced due to the OPEC+ agreement and a temporary decrease in gas supply from Uzbekistan to China, that were driven by the negative impact of the COVID-19 pandemic on hydrocarbon demand.

Liquid hydrocarbons

Liquid hydrocarbons production excluding the West Qurna-2 project was 1,539 thousand barrels per day in the fourth quarter of 2020, which is 2.3% higher quarter-on-quarter. As a result, in 2020 liquid hydrocarbons production totaled 1,598 thousand barrels per day, which is 10.5% lower year-on-year. Liquid hydrocarbons production dynamics was driven by the OPEC+ agreement concluded in April 2020, which led to limitations on production by the Group in Russia and at certain international projects. In particular, due to the agreement crude oil production by the Group in Russia was cut in May 2020 by approximately 310 thousand barrels per day, or by 19%, as compared to the level of the first quarter of 2020. By the end of 2020 production was gradually increased by approximately 100 thousand barrels per day as compared to the May level.

Despite a sharp decrease in oil prices and external limitations on production volumes, development of the priority projects continued. In particular, in West Siberia total oil and gas condensate production in 2020 at the V. Vinogradov, Imilorskoye, Sredne-Nazymskoye and Pyakyakhinskoye fields increased by 20.4% year-on-year, to 4.2 million tonnes.

High viscosity oil production at the Yaregskoye field and Permian reservoir of the Usinskoye field in 2020 increased by 6.2% year-on-year, to 5.2 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 in 2020 totaled 7.4 million tonnes. The V. Grayfer field development continues: jackets have been installed in the Caspian Sea for the fixed ice-resistant platform and accommodation platform, topsides of both platforms are being built at the shipyards.

The share of the abovementioned projects in the LUKOIL Group's oil production excluding the West Qurna-2 project amounted to 22% in 2020 as compared to 18% in 2019.

Gas

In the fourth quarter of 2020, gas production increased by 37.8% quarter-on-quarter, to 8.2 billion cubic meters. The growth was driven by recovery of gas production in Uzbekistan. As a result, in 2020 gas production was 29.0 billion cubic meters, which is 17.2% lower year-on-year. Production decline was due to temporary decline in demand from China for gas produced in Uzbekistan amid the COVID-19 pandemic.

Refined products

In the fourth quarter of 2020 production of refined products at LUKOIL Group's refineries was 12.4 million tonnes, which is 11.2% lower quarter-on-quarter. As a result, in 2020 production of refined products was 55.0 million tonnes, which is 15.5% lower year-on-year. The decline was attributable to throughput optimization at some of the Company's refineries on the back of lower demand for petroleum products and decline in refining margins due to the COVID-19 pandemic, as well as to scheduled maintenance works.

Production of refined products in Russia in the fourth quarter of 2020 decreased by 5.0% quarter-on-quarter to 9.2 million tonnes due to scheduled maintenance works at Volgograd and Nizhny Novgorod refineries. As a result, in 2020 production of refined products in Russia was 38.1 million tonnes, which is 8.9% lower year-on-year due to scheduled maintenance works and throughput optimization at refineries.

Production of refined products in Europe in the fourth quarter of 2020 decreased by 25.5% quarter-on-quarter to 3.2 million tonnes mainly due to scheduled maintenance works and throughput optimization at refineries in Italy and Bulgaria. As a result, in 2020 production of refined products in Europe totaled 16.9 million tonnes, which is 27.4% lower year-on-year due to scheduled maintenance works at refineries in Bulgaria, Italy and the Netherlands, as well as throughput optimization at European refineries.

Information:
The full set of audited consolidated IFRS financial statements of PJSC "LUKOIL" for the year ended 31 December 2020 and the related notes as well as Management's Discussion and Analysis of Financial Condition and Results of Operations are available on the Company's websites: www.lukoil.com and www.lukoil.ru.
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".