PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2021

PJSC LUKOIL today released its condensed interim consolidated financial statements for the three and nine month periods ended 30 September 2021, prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

3Q 2021	2Q 2021		9M 2021	9M 2020
		(RUB bln)		
2,588.7	2,201.9	Sales	6,667.1	4,109.1
355.2	**339.8**	**EBITDA**	**1,009.4**	**497.5**
192.5	189.8	Profit (loss) for the period attributable to LUKOIL shareholders	539.7	(14.3)
94.3	104.2	Capital expenditures	305.8	360.3
227.7	**112.2**	**Free cash flow**	**503.5**	**195.6**
233.5	212.0	Free cash flow before changes in working capital	633.2	131.1

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 significant negative impact on operational and financial performance of the Group in 2020 with persisting negative effect in 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 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 and lower demand for some 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 is attributed to volatility in prices for crude oil and refined products as well as lower production volumes in 2020.

OPEC+ agreement

In April 2020, a number of oil-producing countries, including OPEC members and Russia, entered into an agreement to reduce their collective crude oil output starting from May 1, 2020 with subsequent gradual recovery. Due to the agreement, in May 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. After the cut the Company has been gradually increasing crude oil production in Russia. As a result, in the third quarter of 2021 the Group's crude oil production in Russia was approximately 210 thousand barrels per day higher 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 in the third quarter of 2021 was approximately 50 thousand barrels per day lower than the project capacity.

Sales

In the third quarter of 2021, our sales amounted to RUB 2,588.7 bln, up 17.6% quarter-on-quarter. The growth was attributable to higher prices for crude oil and refined products, higher hydrocarbon production and refinery throughput volumes, higher oil and refined products trading volumes, as well as higher refined products retail sales volumes.

As compared to the nine months of 2020, our sales increased by 62.3% mainly due to higher hydrocarbon prices, ruble devaluation, higher gas production volumes, as well as higher refinery throughput and oil and refined products trading volumes.

EBITDA

3Q 2021	2Q 2021		9M 2021	9M 2020
		(RUB bln)		
355.2	**339.8**	**EBITDA**	**1,009.4**	**497.5**
245.0	**220.9**	**Exploration and production**	**689.7**	**333.5**
206.9	193.4	Russia	587.3	273.6
38.1	27.5	Outside Russia	102.4	59.9
125.8	**126.9**	**Refining, marketing and distribution**	**372.9**	**196.7**
107.9	85.0	Russia	259.5	137.2
17.9	41.9	Outside Russia	113.4	59.5

In the third quarter of 2021, EBITDA increased by 4.5% quarter-on-quarter to RUB 355.2 bln.

Besides higher oil prices, EBITDA of the Exploration and production segment in Russia was positively affected by higher oil production volumes due to the changes in external limitations under the OPEC+ agreement. The growth was constrained by lower positive time lag effect of export duty and MET. Outside Russia, EBITDA dynamics was mainly attributable to higher gas prices and recovery of gas production in Uzbekistan.

The main growth factors for the EBITDA of the Refining, Marketing and Distribution segment in Russia were higher refining margins and refinery throughput volumes. The growth was constrained by lower positive inventory effect at the refineries, as well as weaker results of petrochemicals and retail businesses. Outside Russia EBITDA was lower mainly due to weaker results in international trading and lower positive inventory effect at the refineries. The negative impact of these factors was partially offset by the accounting specifics of hedging operations in international trading, higher refinery throughput volumes and margins, as well as better results of retail business.

As compared to the nine months of 2020, EBITDA more than doubled mainly as a result of higher hydrocarbon prices, ruble devaluation, positive inventory effect at the refineries, higher refining margin in Russia, positive time lag effect of export duty and MET, as well as higher gas production volumes outside Russia. EBITDA growth was constrained by elimination of tax incentives for high-viscous crude oil and weaker results of retail business in Russia.

Profit for the period

In the third quarter of 2021, profit attributable to PJSC LUKOIL shareholders amounted to RUB 192.5 bln, which is 1.4% higher quarter-on-quarter. As a result, for the first nine months of 2021 profit was up to RUB 539.7 bln as compared to a loss of RUB 14.3 bln for the same period of 2020. Besides higher EBITDA, profit dynamics is attributable to non-cash losses from assets impairment and foreign exchange loss in 2020.

Free cash flow

In the third quarter of 2021, free cash flow more than doubled quarter-on-quarter and amounted to RUB 227.7 bln. The growth was mainly attributable to working capital build-up in the second quarter of 2021.

For the first nine months of 2021, free cash flow increased to RUB 503.5 bln as compared to RUB 195.6 bln for the same period of 2020. The growth is attributable to higher operating margins and lower capital expenditures.

Operating highlights

3Q 2021	2Q 2021		9M 2021	9M 2020
2,152	**2,100**	**Hydrocarbon production, Kboepd**	**2,150**	**2,124**
2,132	**2,065**	**excluding West Qurna-2**	**2,116**	**2,065**
1,662	1,643	Liquid hydrocarbon production, Kbpd	1,643	1,678
1,642	1,608	excluding West Qurna-2	1,609	1,619
7.7	7.1	Gas production, billion cubic meters	23.5	20.8
16.5	**15.1**	**Production of refined products at own refineries, million tonnes**	**45.2**	**42.6**

For the nine months of 2021 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,116 thousand boe per day, which is 2.5% higher year-on-year, while in the third quarter of 2021 hydrocarbon production increased by 3.2% quarter-on-quarter. The production growth was attributable to the dynamics of the external limitations on oil production due to the OPEC+ agreement, as well as higher gas production volumes.

Liquid hydrocarbons

For the nine months of 2021, liquid hydrocarbons production excluding the West Qurna-2 project was 1,609 thousand barrels per day, which remained unchanged year-on-year. In the third quarter of 2021, liquid hydrocarbons production was 1,642 thousand barrels per day, up by 2.1% quarter-on-quarter. Liquid hydrocarbons production dynamics was driven by the OPEC+ agreement concluded in April 2020, which led to limitations on oil production by the Group in Russia and at certain international projects.

Despite the external limitations on crude oil production volumes, development of the priority projects continued. In particular, in West Siberia total oil and gas condensate production for the nine months of 2021 at the V. Vinogradov, Imilorskoye, Sredne-Nazymskoye and Pyakyakhinskoye fields increased by 6.8% year-on-year, to 3.3 million tonnes.

Implementation of drilling programs at the V. Filanovsky and Yu. Korchagin fields in the Caspian Sea allowed to increase total oil and gas condensate production for the nine months of 2021 by 0.6% year-on-year, to 5.6 million tonnes. The V. Grayfer field development continues: cable lines construction is complete, subsea pipelines are being laid, shipyards are finishing construction of topsides of the platforms.

Gas

For the nine months of 2021, gas production increased in average daily terms by 13.7% year-on-year, to 23.5 billion cubic meters. The growth was driven by recovery of gas production in Uzbekistan after temporary decline in 2020 due to lower demand from China for gas produced in Uzbekistan amid the COVID-19 pandemic.

In the third quarter of 2021, gas production increased in average daily terms by 7.2% quarter-on-quarter and amounted to 7.7 billion cubic meters. The increase was mainly attributable to completion of scheduled maintenance works at the projects in Uzbekistan.

Refined products

For the nine months of 2021, production of refined products at LUKOIL Group's refineries was 45.2 million tonnes, which is 6.2% higher year-on-year.

In the third quarter of 2021, production of refined products was 16.5 million tonnes, which is 8.7% higher quarter-on-quarter. The increase in production of

refined products both in and outside Russia was attributable to the recovery of refineries utilization rates after maintenance works, as well as throughput optimization at the refineries driven by the changes in macro environment.

Справка:
Full set of PJSC "LUKOIL" condensed interim consolidated financial statements prepared in accordance with IFRS for the third quarter and nine months of 2021 is available on the Company's web site: www.lukoil.com. These condensed interim consolidated financial statements have been prepared by the Company in accordance with IFRS and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal discrepancies, and we cannot give any assurance that any such discrepancies 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. 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".