PRESS RELEASE
NOVEMBER 24, 2020

LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2020

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

Financial highlights

3Q 2020	2Q 2020		9M 2020	9M 2019
		(RUB bln)		
1,456.7	986.4	Sales	4,109.1	5,928.8
202.2	**144.4**	**EBITDA**	**497.5**	**958.0**
152.0	72.3	Exploration and production	333.5	682.2
77.6	78.7	Refining, marketing and distribution	196.7	289.5
50.4	(18.7)	Profit (loss) for the period attributable to LUKOIL shareholders	(14.3)	520.9
112.8	117.2	Capital expenditures	360.3	314.0
114.6	**25.5**	**Free cash flow**	**195.6**	**517.1**
88.3	38.4	Free cash flow before changes in working capital	136.7	568.9

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 third quarter and the first nine months of 2020 with persisting negative effect in the fourth quarter of 2020.

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

The consequences of the pandemic for the Company's operating results 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 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 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. 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 certain 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. Production was then increased by approximately 30 thousand barrels per day in the middle of October.

Revenue

In the third quarter of 2020, our sales amounted to RUB 1,456.7 bln, up by 47.7% quarter-on-quarter. The growth was mainly attributable to higher hydrocarbon prices, higher production of refined products at the Group's refineries, as well as higher trading and retail sales volumes.

For the first nine months of 2020, our sales amounted to RUB 4,109.1 bln, down 30.7% year-on-year. Sales dynamics was negatively affected mainly 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

In the third quarter of 2020 EBITDA increased by 40.0% quarter-on-quarter to RUB 202.2 bln. The increase was due to better results of the Exploration and Production segment, while EBITDA of the Refining, Marketing and Distribution segment remained unchanged quarter-on-quarter.

In the Exploration and Production segment in Russia, besides the price factor, EBITDA dynamics was positively affected by better production structure and lower operating expenses, as well as weaker ruble. The growth was constrained by lower oil production volumes due to the OPEC+ agreement. Outside Russia, EBITDA dynamics was positively affected mainly by higher oil prices, as well as one-off factors in the second quarter of 2020 at the projects in Uzbekistan, that was partially offset by lower production volumes.

The increase in EBITDA of the Refining, Marketing and Distribution segment in Russia due to higher refinery throughput volumes and higher refining margins, better refinery product slate and higher retail sales volumes fully offset the decrease in EBITDA outside Russia due to lower refining and trading margins, as well as negative inventory effect at the refineries as compared to positive effect in the second quarter of 2020.

EBITDA for the first nine months of 2020 amounted to RUB 497.5 bln, down by 48.1% year-on-year. The decrease was mainly driven by negative impact of the COVID-19 pandemic on hydrocarbon prices, refining margins and production volumes of oil and refined products. 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, the specifics of accounting for hedging operations, better oil production structure in Russia, as well as ruble devaluation.

Profit for the period

In the third quarter of 2020, profit attributable to shareholders amounted to RUB 50.4 bln as compared to a loss of RUB 18.7 bln in the previous quarter. The amount of profit was negatively affected by non-cash foreign exchange loss due to ruble devaluation.

For the first nine months of 2020, the Company booked a loss in the amount of RUB 14.3 bln. The reason of the net loss amid positive operating profit was impairment loss booked in the first half of 2020, as well as non-cash foreign exchange loss.

Capital expenditures

In the third quarter of 2020, our capital expenditures amounted to RUB 112.8 bln, down by 3.8% quarter-on-quarter as a result of cost optimization measures. For the first nine months of 2020, capital expenditures totaled RUB 360.3 bln, up by 14.7% year-on-year.

Free cash flow

Free cash flow more than quadrupled quarter-on-quarter to RUB 114.6 bln in the third quarter of 2020. Free cash flow dynamics was positively affected by working capital release in the amount of RUB 26.3 bln as compared to RUB 12.9 bln working capital build-up in the second quarter of 2020.

As a result, free cash flow for the first nine months of 2020 totaled RUB 195.6 bln, down by 62.2% year-on-year. The decrease was mainly attributable to lower operating cash flow.

Operating highlights

3Q 2020	2Q 2020		9M 2020	9M 2019
1,927	**2,064**	**Hydrocarbon production, Kboepd**	**2,124**	**2,367**
1,885	**1,982**	**ex. West Qurna-2**	**2,065**	**2,337**
1,545	1,650	Liquid hydrocarbon production, Kbpd	1,678	1,815
1,503	1,568	ex. West Qurna-2	1,619	1,785
6,0	6,4	Gas production, bcm	20,8	25,6
14.0	**12.6**	**Production of refined products at own refineries, mln tonnes**	**42.6**	**49.0**

For the first nine months of 2020 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,065 kboe per day, which is 11.6% lower year-on-year. In the third quarter of 2020 hydrocarbon production was 1,885 kboe per day, which is 4.9% lower quarter-on-quarter. Production was reduced 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 nine months of 2020 production of liquid hydrocarbons excluding the West

Qurna-2 project was 1,619 thousand barrels per day, which is 9.3% lower year-on-year. In the third quarter of 2020 production of liquid hydrocarbons decreased by 4.1% quarter-on-quarter, to 1,503 thousand barrels per day. Oil production dynamics was driven by the OPEC+ agreement concluded in April 2020.

Despite a sharp decrease in oil prices and external limitations on production volumes, active development of the priority projects continued. In particular, in West Siberia total oil and gas condensate production for the first nine months of 2020 at the V. Vinogradov, Imilorskoye, Sredne-Nazymskoye and Pyakyakhinskoye fields increased by 23.6% year-on-year and exceeded 3.1 million tonnes.

High viscosity oil production at the Yaregskoye field and Permian reservoir of the Usinskoye field for the first nine months of 2020 increased by 5.1% year-on-year, to 3.9 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 for the first nine months of 2020 was 5.6 million tonnes, which is 2.0% higher year-on-year. In September 2020 jackets were installed in the Caspian Sea for the fixed ice-resistant platform as part of the V. Grayfer field development.

The share of the abovementioned projects in the LUKOIL Group's oil production excluding the West Qurna-2 project amounted to 21% for the nine months of 2020 as compared to 18% for the nine months of 2019.

Gas

For the first nine months of 2020, LUKOIL Group's gas production was 20.8 billion cubic meters, which is 18.9% lower year-on-year. In the third quarter of 2020 gas production decreased by 6.7% quarter-on-quarter, to 6.0 billion cubic meters. Production 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 for the first nine months of 2020 increased by 0.6% 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 first nine months of 2020 production of refined products at LUKOIL's refineries was 42.6 million tonnes, which is 13.1% lower year-on-year. The decline was due to throughput optimization at some of the Company's refineries in the

second and third quarters of 2020 on the back of lower demand for refined products and decline in refining margins due to the COVID-19 pandemic, as well as due to scheduled maintenance works. In the third quarter of 2020 production of refined products was increased by 10.5% quarter-on-quarter.

Production of refined products in Russia for the first nine months of 2020 decreased by 8.7% year-on-year, to 28.9 million tonnes, due to scheduled maintenance works and throughput optimization at Nizhny Novgorod and Ukhta refineries in the second quarter of 2020. In the third quarter of 2020 production of refined products in Russia was increased by 10.7% quarter-on-quarter.

Production of refined products in Europe for the first nine months of 2020 decreased by 21.2% year-on-year, to 13.7 million tonnes, due to scheduled maintenance works at refineries in Bulgaria and the Netherlands, as well as throughput optimization at European refineries in the second and third quarters of 2020. In the third quarter of 2020 production of refined products in Europe was increased by 10.0% quarter-on-quarter, to 4.2 million tonnes, mainly due to partial throughput recovery at refineries in Bulgaria and Italy.

Information:
Full set of PJSC LUKOIL condensed interim consolidated financial statements prepared in accordance with IFRS for the three and nine months ended 30 September 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".