

PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE SECOND
QUARTER AND SIX MONTHS OF 2021

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

Financial Highlights

| 2Q 2021 | 1Q 2021 | | 6M 2021 | 6M 2020 |
|--------------|--------------|--|--------------|--------------|
| | | (RUB bln) | | |
| 2,201.9 | 1,876.5 | Sales | 4,078.4 | 2,652.4 |
| 339.8 | 314.4 | EBITDA | 654.2 | 295.3 |
| 189.8 | 157.4 | Profit (loss) for the period attributable to LUKOIL shareholders | 347.2 | (64.7) |
| 104.2 | 107.2 | Capital expenditures | 211.4 | 247.5 |
| 112.2 | 163.6 | Free cash flow | 275.8 | 81.0 |
| 212.0 | 187.7 | Free cash flow before changes in working capital | 399.7 | 45.4 |

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 the first half of 2021.

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 OPEC+ agreement; gas production cut in Uzbekistan in 2020 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.

OPEC+ agreement

On April 12, 2020 a number of oil-producing countries, including OPEC members and Russia, entered into an agreement that aims to reduce their collective crude oil output starting from May 1, 2020 with subsequent gradual increase. 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. Later the Company has been gradually increasing crude oil production in Russia. As a result, in the second quarter of 2021 the Group's crude oil production in Russia was approximately 170 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 second quarter of 2021 was approximately 50 thousand barrels per day lower than the project capacity.

Sales

In the second quarter of 2021, our sales amounted to RUB 2,201.9 bln, up 17.3% quarter-on-quarter. The growth was mainly attributable to higher prices for crude oil and refined products, higher oil production and trading volumes, as well as higher refinery throughput volumes and retail sales volumes of refined products in Russia and internationally. These factors were partially offset by lower refined products trading volumes.

As compared to the six months of 2020, our sales increased by 53.8% mainly due to higher hydrocarbon prices and ruble devaluation. The growth was constrained by lower oil production and refinery throughput volumes, as well as trading volumes.

EBITDA

| 2Q 2021 | 1Q 2021 | | 6M 2021 | 6M 2020 |
|--------------|--------------|---|--------------|--------------|
| | | (RUB bln) | | |
| 339.8 | 314.4 | EBITDA | 654.2 | 295.3 |
| 220.9 | 223.8 | Exploration and production | 444.7 | 181.5 |
| 193.4 | 187.0 | Russia | 380.3 | 137.5 |
| 27.5 | 36.8 | Outside Russia | 64.4 | 44.0 |
| 126.9 | 120.2 | Refining, marketing and distribution | 247.2 | 119.0 |
| 85.0 | 66.6 | Russia | 151.6 | 94.8 |
| 41.9 | 53.6 | Outside Russia | 95.5 | 24.2 |

In the second quarter of 2021, EBITDA increased by 8.1% quarter-on-quarter to RUB 339.8 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 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 lower costs at the West Qurna-2 project, as well as lower 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 throughput volumes, as well as better results in petrochemicals, lubricants and aircraft fueling. The growth was constrained by lower positive inventory effect at the refineries and lower retail margins. Outside Russia EBITDA was lower mainly due to the specifics of accounting for hedging operations in international trading, as well as lower positive inventory effect at the refineries. The negative impact of these factors was partially offset by better results of international trading and retail businesses, as well as higher refinery throughput volumes and margins.

As compared to the six months of 2020, EBITDA more than doubled mainly as a result of higher hydrocarbon prices, ruble devaluation, positive time lag effect of export duty and MET, as well as inventory effect at the refineries and better results in international trading and petrochemicals. EBITDA growth was constrained by lower oil production volumes, elimination of tax incentives for high-viscous crude oil and lower international refining margins.

Profit for the period

In the second quarter of 2021, profit attributable to PJSC LUKOIL shareholders amounted to RUB 189.8 bln, which is 20.5% higher quarter-on-quarter. As a result, for the first six months of 2021 profit was up to RUB 347.2 bln as compared to a loss of RUB 64.7 bln for the six months of 2020.

Besides higher EBITDA, profit dynamics is attributable to non-cash losses from assets impairment in 2020.

Free cash flow

In the second quarter of 2021, free cash flow before changes in working capital amounted to RUB 212.0 bln, which is 12.9% higher quarter-on-quarter. As a result, for the first six months of 2021 it increased to RUB 399.7 bln as compared to RUB 45.4 bln for the six months of 2020. The growth is attributable to higher operating margins and lower capital expenditures.

Operating highlights

| 2Q 2021 | 1Q 2021 | | 6M 2021 | 6M 2020 |
|---------|---------|---|---------|---------|
| 2,100 | 2,198 | Hydrocarbon production, Kboepd | 2,149 | 2,223 |
| 2,065 | 2,152 | excluding West Qurna-2 | 2,109 | 2,155 |
| 1,643 | 1,624 | Liquid hydrocarbon production, Kbpd | 1,633 | 1,744 |
| 1,608 | 1,578 | excluding West Qurna-2 | 1,593 | 1,676 |
| 7.1 | 8.8 | Gas production, billion cubic meters | 15.9 | 14.8 |
| 15.1 | 13.6 | Production of refined products at own refineries, million tonnes | 28.7 | 28.6 |

For the six months of 2021 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,109 thousand boe per day, which is 2.1% lower year-on-year, while in the second quarter of 2021 hydrocarbon production increased by 4.2% year-on-year. The production dynamics was attributable to the dynamics of the external limitations on oil production due to the OPEC+ agreement. Hydrocarbon production was 4.0% lower quarter-on-quarter due to the dynamics of gas production in Uzbekistan.

Liquid hydrocarbons

Liquid hydrocarbons production excluding the West Qurna-2 project was 1,593 thousand barrels per day for the six months of 2021, which is 5.0% lower year-on-year, while in the second quarter of 2021 liquid hydrocarbon production increased by 1.9% quarter-on-quarter to 1,608 thousand barrels per day. Oil 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 external limitations on production volumes, development of the priority projects continued. In particular, in West Siberia total oil and gas condensate production for the six months of 2021 at the V. Vinogradov, Imilorskoye, Sredne-Nazymkoye and Pyakyakhinskoye fields increased by 7.3% year-on-year, to 2.2 million tonnes.

High-viscous oil production at the Yaregskoye field and Permian reservoir of the Usinskoye field for the six months of 2021 increased by 5.1% year-on-year, to 2.6 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 six months of 2021 by 1.7% year-on-year, to 3.7 million tonnes. The V. Grayfer field development continued: subsea pipelines and cable lines are being laid, topsides of the platforms are being constructed at the shipyards .

Gas

For the six months of 2021, gas production increased in average daily terms by 7.7% year-on-year, to 15.9 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 second quarter of 2021, gas production decreased in average daily terms by 20.4% quarter-on-quarter, to 7.1 billion cubic meters. The decrease was mainly attributable to scheduled maintenance works at the projects in Uzbekistan.

Refined products

For the six months of 2021 production of refined products at LUKOIL Group's refineries was 28.7 million tonnes, which is 1.1% higher year-on-year in average daily terms.

In the second quarter of 2021 production of refined products was 15.1 million tonnes, which is 11.2% higher quarter-on-quarter and 19.7% higher year-on-year. The increase in production of refined products both in and outside Russia was attributable to the recovery of refineries utilization rates after scheduled maintenance works, as well as throughput optimization at some of the refineries driven by the changes in macro environment.

Information:

Full set of PJSC “LUKOIL” condensed interim consolidated financial statements prepared in accordance with IFRS for the second quarter and six 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”.