

## APPENDICES

PJSC LUKOIL  
ANNUAL REPORT 2020

## CONTENTS

1

**APPENDIX 1**

Corporate Governance Code  
Compliance Report

31

**APPENDIX 2**

Risks

41

**APPENDIX 3**

Major and Interested Party  
Transactions

53

**APPENDIX 4**

Transactions with PJSC LUKOIL Ordinary Shares by Members of the  
Board of Directors and Management Committee of PJSC LUKOIL

55

**APPENDIX 5**

Consolidated Financial Statements and Management's Discussion  
and Analysis of Financial Condition and Results of Operations



# Corporate Governance Code Compliance Report



This Report on compliance with the Corporate Governance Code (the "Code"), recommended by the Bank of Russia as a guidance for all publicly traded joint stock companies, is included in the Annual Report in line with Chapter 70 of the Bank of Russia's Regulations No. 454-P On Information Disclosure by Securities Issuers dated December 30, 2014.

Incorporated in Russia, PJSC "LUKOIL" is guided in its business operations by the corporate governance principles recommended by Russian securities market regulators, as well as by the international best practices.

The Code is the key document regulating national corporate governance standards and is available on the Bank of Russia's website at <http://www.cbr.ru/publ/Vestnik/ves140418040.pdf>.

The Code consists of 79 principles. At the end of the reporting year, PJSC "LUKOIL" fully or partially complied with all principles of the Code. The share of the fully met principles of the Code was 77.2%<sup>1</sup>, up by 4 percentage points year-on-year. Accordingly, the share of partial compliance decreased to 22.8%, while non-compliance reduced to zero.

The Code includes core principles and Tier 2 principles. The Board of Directors confirms that as at the end of the reporting year the Company complied with all core principles of the Code.

Compliance with the Code was influenced by the following events in 2020.

In December 2020, in line with the Code's recommendation to assess the Board's performance by engaging an independent advisor at least once in three years, the Company's Board of Directors resolved to conduct the 2020 assessment and appointed an external advisor to conduct an independent assessment of the Board's performance. The assessment was conducted in the first quarter of 2021. The assessment results are presented in the Corporate Governance section of the Annual Report.

In early 2020, LUKOIL SECURITIES LIMITED (a wholly-owned subsidiary of the Company) that implemented a buyback program held 21.8 million shares in PJSC "LUKOIL". In February 2020, the Company repurchased and canceled these shares, as well as a small number of shares offered by minority shareholders, thus reducing the number of quasi-treasury shares to zero.

Notwithstanding a variety of internal regulations already containing, among other things, anti-corruption provisions, in order to follow the best practices and implement the recommendations of the Code more precisely, the Company developed the Anti-Corruption Policy of PJSC "LUKOIL", which was approved by its Board of Directors in July 2020. The Policy establishes the principles, key elements and activities to prevent and combat corruption.

It should be noted that the full compliance of the Company with clauses 1.1.3 and 1.1.6 of the Code was assessed given the COVID-19-related measures in the reporting year. Guided by Article 2 of Federal Law No. 50-FZ dated March 18, 2020 and the restrictions on in-person meetings, in May 2020, the Company's Board of Directors decided to forgo its usual practice of holding the Annual General Meeting of Shareholders in the form of joint shareholder presence and opt for the form of absentee voting in 2020. This resulted in partial inapplicability of some criteria specified in the above clauses such as, for instance, the possibility of asking questions to members of the Company's governance bodies, the availability of candidates to the Board of Directors for questions during the meeting, etc., which is indicated in notes to these clauses.

An overview of the core corporate governance aspects and practices adopted by PJSC "LUKOIL" is presented in the Corporate Governance section of the Annual Report.

Currently, the Company's corporate governance has some inconsistencies with the Tier 2 principles of the Code:

- the Chairman of the Board of Directors is a non-executive director, whereas independent directors have not appointed a senior independent director;
- the Company's Charter does not list any material (as defined by the principles and recommendations of the Code) corporate actions that would be subject to special review and approval rules and require additional procedures, restrictions, and obligations exceeding the requirements of the laws currently in effect.

The Company fully complies with the corporate governance requirements set out in the Listing Rules of PJSC Moscow Exchange guided by the recommendations of the Corporate Governance Code, which compliance helps maintain the Company's shares in the Level One Quotation List of the Moscow Exchange.

The Board of Directors believes that the overall performance of the corporate governance at PJSC "LUKOIL" is in line with the Company's goals and targets.

The compliance assessment against the recommendations of the Corporate Governance Code is presented below using the table template included in the Bank of Russia's Letter No. IN-06-52/8 dated February 17, 2016 and follows the filling out guidelines described in the letter. The result is based on our self-assessment, taking into account the existing integrated data on the Company's approach to incorporating Code requirements and the reasons for non-compliance (following the "comply or explain" principle).

The Board of Directors certifies that the data in this Report contains full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2020.

---

<sup>1</sup> The methodology for compliance assessment is based on a comparison of LUKOIL's practices with the detailed recommendations of the Code. If at least one of the detailed recommendations is not complied with, the respective clause is deemed partially complied with. If all the detailed recommendations are not complied with, the respective clause is deemed not complied with.

Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
<b>1.1 The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.</b>			
1.1.1 The company shall ensure 1. The company's internal document approved by the most favorable conditions for its shareholders general shareholders meeting to participate in the general meeting, develop an informed position on items on shareholders is publicly available.	1. The company's internal document approved by the general shareholders meeting to hold general meetings of shareholders is publicly available.	► Full ► Partial ► None	
1.1.2 The procedure for giving notice of, and providing relevant materials for, the general meeting shall enable shareholders to properly prepare for attending the general meeting.	1. The notice of an upcoming general meeting is posted online at least 30 days prior to the date of the general meeting.  2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission.  3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's board of directors and the audit commission.	► Full ► Partial ► None	

1.1.3	<p>In preparation for the general meeting and during the shareholders were given an opportunity to put questions to members of executive bodies and receive information about, bodies and members of the and all materials related to, board of directors in advance of the meeting, put questions of and during the annual general meeting, put questions of and during the annual general meeting.</p> <p>members of the board of directors, as well as communicating with each other, in an unobstructed and timely manner.</p> <p>2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general shareholders meeting.</p> <p>3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, in all instances of general meetings held in the reporting period.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><b>Note.</b></p> <p><i>Criterion 1 may not be fully applicable, since the Annual General Shareholders Meeting was held in 2020 in the form of absentee voting pursuant to the resolution made by the Board of Directors on May 18, 2020 in accordance with Article 2 of Federal Law No. 50-FZ dated March 18, 2020.</i></p>
1.1.4	<p>Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governance bodies, and to make proposals for the agenda of the general meeting.</p> <p>1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year.</p> <p>2. In the reporting period, the company did not reject proposals for the agenda or candidates to governance bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.5	<p>Each shareholder shall be enabled to freely exercise his/her voting right in the simplest and most convenient way.</p> <p>1. The internal document contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

1.1.6	The general meeting procedure established by the company shall equally enable all persons attending a meeting (joint presence of the meeting to voice their shareholders), sufficient time opinion and ask questions. was allocated for reports on and discussion of the agenda items.	1. During general shareholders meetings held in the reporting period in the form of joint presence of the meeting to voice their shareholders), sufficient time opinion and ask questions. was allocated for reports on and discussion of the agenda items.	► Full ► Partial ► None	<u>Note</u> <i>Criterea 1-3 may not be fully applicable, since the Annual General Shareholders Meeting was held in 2020 in the form of absentee voting pursuant to the resolution made by the Board of Directors on May 18, 2020 in accordance with Article 2 of Federal Law No. 50-FZ dated March 18, 2020. Along with that the Company usually complies with this principle when it holds in-person general shareholder meetings.</i>
1.2	<b>Shareholders have equal and fair rights to share profits of the company by receiving dividends.</b>			

1.2.1	The company has developed and introduced a policy transparent and clear by the board of directors and mechanism for determining the dividend amount and paying dividends.	1. The company's dividend policy is developed, approved by the board of directors and disclosed.	► Full ► Partial ► None
		2. If the company's dividend policy uses the company's reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.	

1.2.2	The company shall not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is the company shall not pay out dividends and may lead to a false representation of the company's performance.	1. The company's dividend policy contains clear indications of financial/ economic circumstances under which the company shall not pay out dividends.	► Full ► Partial ► None
		2. If the company's dividend policy uses the company's reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.	

1.2.3	The company shall not allow the dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	► Full ► Partial ► None
		2. If the company's dividend policy uses the company's reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.	

1.2.4	The company shall strive to 1. To exclude any ways for exclude any ways for its its shareholders to receive profit (income) from the company other than dividends and liquidation value, the company's internal documents provide for controls to ensure timely identification and procedure for approval of transactions with affiliates (associates) of the company's significant shareholders (persons entitled to use the votes attached to voting shares) in cases when the law does not formally recognize these transactions as interested party transactions.	▶ Full ▶ Partial ▶ None	Criterion 1 is partially not complied with.
			The Company's internal documents detail procedures for prior consent or subsequent approval of transactions recognized as interested party transactions only for relationships covered by the Federal Law On Joint Stock Companies.
			The Company's internal documents, however, set additional transaction controls.
			The Company has in place the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations, which establish a uniform procedure for avoiding conflicts of interest, and if such a situation arises – for measures to avoid its adverse impact on the business process and performance of LUKOIL Group entities.
			Moreover, according to the Contracting Rules of PJSC "LUKOIL", the Department for Corporate Security should inform the Company's business units on available information that could prevent the Company from entering into contracts. Such contracts are subject to further analysis.
	In accordance with the Federal Law On Joint Stock Companies, members of the Company's governance bodies, including significant shareholders, also send PJSC "LUKOIL" notifications on whether they may be deemed interested in a joined stock company making transactions as per the form recommended by the Bank of Russia's Directive No. 4338-U dated April 3, 2017.		
<b>1.3</b>	<b>Corporate governance system and practices ensure equal treatment for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.</b>		
1.3.1	The company has created 1. In the reporting period, the procedures for managing potential conflicts of interest by the governance bodies among significant shareholders and the company's control entities, including conditions for fair treatment of minority shareholders by major shareholders.	▶ Full ▶ Partial ▶ None	
1.3.2	The company shall not perform actions which lead or may lead to artificial redistribution of corporate control.	▶ Full ▶ Partial ▶ None	

<b>1.4</b>	<b>Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.</b>	
1.4.1	Shareholders are provided 1. The quality and reliability <input checked="" type="checkbox"/> Full with reliable and effective of the securities register <input type="checkbox"/> Partial methods for recording their maintained by the company's rights in shares, as well as registrar meet the requirements are enabled to freely dispose of the company and its pose of their shares without shareholders. any hindrance.	<input type="checkbox"/> None
<b>2.1</b>	<b>The board of directors shall carry out the strategic management of the company, establish the basic principles of, and approaches to, setting up a risk management and internal control system in the company, control the activities of the company's executive bodies, and perform other key functions.</b>	
2.1.1	2.1.1 The board of directors shall 2. The board of directors <input checked="" type="checkbox"/> Full be responsible for passing has the authority stipulated in <input type="checkbox"/> Partial resolutions related to ap- the charter to appoint and re- pointment and removal of more members of executive <input type="checkbox"/> None executive bodies, including bodies and to set out the due to their inadequate per- terms and conditions of their formance. The board of di- contracts. 2. The board of rectors shall also ensure rectors reviewed the re- that the company's execu- port(s) by the sole executive tive bodies act in accord- body or members of the col- ance with the approved lective executive body on the growth strategy and along implementation of the com- the company's core lines of pany's strategy. business.	
2.1.2	2.1.2 The board of directors shall 1. In the reporting period, <input checked="" type="checkbox"/> Full define the main long-term the board of directors re- <input type="checkbox"/> Partial targets of the company's viewed at its meetings mat- <input type="checkbox"/> None operations, assess and ap- ters related to the progress prove its key performance in the implementation of the indicators and key business strategy and its updates, ap- goals, as well as the strat- proval of the company's fi- egy and business plans for nancial and business plan the company's core lines of (budget), and consideration of business. the implementation criteria and performance (including interim criteria and perfor- mance) of the company's strategy and business plans.	
2.1.3	2.1.3 The board of directors shall 1. The board of directors has <input checked="" type="checkbox"/> Full determined the principles of, determined the principles of, <input type="checkbox"/> Partial and approaches to, organiz- and approaches to, organiz- <input type="checkbox"/> None ing a risk management and ing a risk management and in- internal control system in ternal control system in the the company. 2. The board of directors as- sessed the risk management and internal control system in the company during the re- porting period.	

---

2.1.4 The board of directors shall 1. The company has developed the company's policy and put in place the policy on remuneration due to key (policies) on remuneration and/or reimbursement and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives, approved by the board of directors.

2. In the reporting period, the board of directors reviewed at its meetings matters related to the said policy (policies).

2.1.5 The board of directors shall 1. The board of directors plays a key role in preventing internal conflicts between natural conflicts, the company's bodies. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.

2.1.6 The board of directors shall 1. The board of directors plays a key role in ensuring the company's transparency, the timeliness and completeness of its information disclosures, and unimpeded access to the company's documents for shareholders.

2.1.7 The board of directors shall 1. In the reporting period, control the company's corporate governance practices and play a key role in its significant corporate events.

**2.2 The board of directors shall be accountable to the company shareholders.**

2.2.1 Performance of the board 1. The company's annual report for the reporting period closed and made available to the shareholders includes the information on individual attendance at board of directors and committee meetings.

2. The annual report contains key results of assessment of the board of directors' work in the reporting period.

2.2.2 The chairman of the board 1. The company has in place a transparent procedure enabling shareholders to forward questions to the chairman of the board of directors and express their respective position.

---

**2.3 The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.**

2.3.1 Only persons with impeccable business and personal reputation, possessing the tors' knowledge and expertise required to make decisions and to perform its functions and to the board of directors. 1. The procedure for assessing the board of directors of the board members. 2. In the reporting period, shall be elected the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.

2.3.2 The company's board of directors shall be elected as the general shareholders per a transparent procedure enabling shareholders to receive information about nominees which is sufficient to get an idea of their personal and professional qualities. 1. Whenever the agenda of a meeting included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102-107 of the Code, as well as the nominees' written consent to be elected to the board of directors.

2.3.3 The board of directors shall be balanced, including in the terms of qualifications of its members, their experience, knowledge and business qualities, and it shall have professional qualifications, the trust of shareholders. 1. As part of assessment of the board of directors carried out in the reporting period, the board of directors analyzed its needs in terms of experience, and business skills.

2.3.4 The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of members on the board of the board of directors was in line with and enable the company's significant minority shareholders to elect a nominee to the board of directors for whom they vote. 1. As part of the assessment of the board of directors carried out in the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.

- Full
- Partial
- None

**2.4 The board of directors shall include a sufficient number of independent directors.**

2.4.1 An independent director 1. In the reporting period, all  **Full** shall be a person of sufficient professionalism, experience and selfreliance to form his/her own opinion, in Recommendations 102-107 able to make impartial judgements in good faith independent from the company's executive bodies, particular groups of shareholders or other stakeholders. It should also be taken into account that in normal conditions a nominee (elected member of the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company's competitor, or the government.

**Partial**  
 **None**

2.4.2 The compliance of nominees 1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its and a regular review of compliance of independent members of the board of directors and presented directors with such respective opinions to shall be performed. Sub-stance shall prevail over 2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors listed by the company in its annual report as independent directors.

3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.

2.4.3 At least one third of the total elected number of members of the board of directors shall be constituted by independent directors.

1. At least one third of the total number of members of the board of directors is constituted by independent directors.

**Full**  
 **Partial**  
 **None**

2.4.4	Independent directors shall 1. Independent directors play a key role in preventing (who do not have a conflict of internal conflicts in the company and in the performance by the latter of material corporate actions. corporate actions implying a possible conflict of interest, and the results of such assessment are presented to the board of directors.	<input type="radio"/> Full <input checked="" type="radio"/> Partial <input type="radio"/> None	Criterion 1 is partially not complied with.
2.5	<b>The chairman of the board of directors shall facilitate the best performance of assigned duties by the board of directors.</b>		<p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions.</p> <p>In the context of absence of a uniform approach to defining "material corporate actions" in the Russian legislation, the Company intends to amend its internal documents alongside with amendments to the applicable laws.</p> <p>The Company also organizes meetings of its President with Directors prior to each scheduled in-person meeting of the Board of Directors, to brief them on ongoing material transactions, negotiations underway, etc., to enable the Directors to assess their decisions, including for possible conflicts of interest.</p> <p>In connection with COVID-19 pandemic the number of such meetings has been reduced to meet recommendations on social distancing.</p>
2.5.1	1. The board of directors is be chaired by an independent director, or a senior independent director shall be chosen from among the elected independent directors. 2. The role, rights and duties of independent directors and enable the interaction with the chairman of the board of directors. 3. The performance of the chairman of the board of directors shall maintain a chairman of the board of directors was assessed as part at meetings, enable free discussions of agenda items, sessing the efficiency of the and supervise the execution of resolutions passed by the board of directors.	<input type="radio"/> Full <input checked="" type="radio"/> Partial <input type="radio"/> None	<p>Criterion 1 is not complied with.</p> <p>In the reporting year, the office of the Chairman of the Board of Directors was held by non-executive directors, whereas independent directors did not appoint a senior independent director.</p> <p>The Chairman of the new Board of Directors was elected unanimously by all Directors in 2020. He excels in professional skills and industry expertise, having worked with the Company for a long time in management positions responsible for one of the Group's core business streams.</p> <p>The Company admits that all Directors have equal rights and that independent directors did not propose to appoint a senior independent director.</p>
2.5.2	1. The performance of the chairman of the board of directors shall maintain a chairman of the board of directors was assessed as part at meetings, enable free discussions of agenda items, sessing the efficiency of the and supervise the execution of resolutions passed by the board of directors.	<input checked="" type="radio"/> Full <input type="radio"/> Partial <input type="radio"/> None	

2.5.3	The chairman of the board 1. The company's internal documents of directors shall take all documents set out the duty of the chairman of the board timely provision to members of the board of directors to take all steps necessary for the timely provision of information required to pass resolutions on board of directors of materials regarding items on the agenda items.	► Full ► Partial ► None	
<b>2.6 Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.</b>			
2.6.1	Members of the board of directors shall make decisions based on all information available, without conflict of interest, subject to equal treatment of the company shareholders, and assuming of any item on the agenda of normal business risks.	1. The company's internal documents provide that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest in respect of any item on the agenda of the board meeting or the board's committee meeting, prior to the discussion of the relevant agenda item. 2. The company's internal documents provide that a member of the board of directors shall abstain from voting on any item in connection with which he/she has a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.	► Full ► Partial ► None
Criterion 3 is partially not complied with.			
2.6.2	The rights and obligations of members of the board of directors shall be clearly defined and set out in the company's internal documents.	1. The company has adopted internal documents clearly defining the rights and obligations of members of the board of directors.	► Full ► Partial ► None

2.6.3	Members of the board of directors shall have sufficient time to perform their duties, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period.	1. Individual attendance at meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period.	<input checked="" type="checkbox"/> Full
		2. In accordance with the company's internal documents, members of the board of directors shall inform the board of their intentions to join governance bodies of other organizations (except for entities controlled by, or affiliated to, the company), or of the relevant appointment made.	<input type="checkbox"/> Partial <input type="checkbox"/> None
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the company and entities under the board of directors as soon as possible.	1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to documents and make queries regarding the board of directors as soon as possible.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
		2. The company has in place a formalized induction program for newly elected members of the board of directors.	<input type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
<b>2.7</b>	<b>Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors shall ensure efficient performance by the board of directors.</b>		
2.7.1	Meetings of the board of directors shall be held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors shall be held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
		2. The company has an internal procedure for preparation and holding of meetings of the board of directors, that describes the procedure for arranging and holding the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
2.7.2		1. The company has an internal procedure for preparation and holding of meetings of the board of directors, that describes the procedure for arranging and holding the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None

2.7.3 The format of the meeting 1. The company's charter or of the board of directors internal document provides for the most important matters to be determined taking into account the importance of items on the Recommendation 168 of the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.	<input type="radio"/> Full <input checked="" type="radio"/> Partial <input type="radio"/> None	Criterion 1 is partially not complied with.
		The Regulations on the Board of Directors of PJSC "LUKOIL" list matters to be discussed only at in-person meetings of the Board of Directors.
2.7.4 Resolutions on most important matters relating to the company's operations shall be passed at a meeting set out in Recommendation 170 of the Code to be passed by a qualified majority or by a majority of all elected board members.	<input type="radio"/> Full <input checked="" type="radio"/> Partial <input type="radio"/> None	Criterion 1 is partially not complied with.
		The Company's Charter provides for resolutions on certain material matters within the scope of authority of the Board of Directors (such as an increase in the charter capital, or public offering by the Company of its bonds or other issue-grade securities) to be passed unanimously by all Directors.
		The most essential matters brought up for approval by the Board of Directors are subject to preliminary discussion by core Committees of the Board of Directors, which ensures a unanimous approach to the final decision in most cases. In 2020, resolutions on the matters set out in paragraphs 1, 4, 10 of Recommendation 170 of the Code were passed by the Company's Board of Directors by a majority of at least three quarters of all Directors. The Board of Directors did not consider in 2020 any matters set out in paragraphs 2, 3, 5, 6, 7, 8, 9 of Recommendation 170.

**2.8 The board of directors shall set up committees for preliminary consideration of the most important matters related to the business of the company.**

2.8.1	<p>To preview matters related to controlling the Company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.</p> <ol style="list-style-type: none"> <li>1. The board of directors has set up an audit committee comprised solely of independent directors.</li> <li>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</li> <li>3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements.</li> <li>4. Meetings of the audit committee were held at least once a quarter during the reporting period.</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.2	<p>To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee shall be set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.</p> <ol style="list-style-type: none"> <li>1. The board of directors has set up a remuneration committee comprised solely of independent directors.</li> <li>2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors.</li> <li>3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.</li> </ol>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 3 is partially not complied with.</p> <p>The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors.</p> <p>The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC "LUKOIL", include the tasks listed in Recommendation 180 of the Code, save for the task specified in paragraph 5 of Recommendation 180 – selection of an independent advisor on remuneration of members of executive bodies and other key employees.</p> <p>This is due to the fact that until now the Company has never engaged an independent advisor for such purposes and does not intend to do so in the short term.</p> <p>The Company believes that such engagement will involve additional time to be spent on preparing and sending all necessary information to the advisor, as well as additional financial expenses for the Company, and will eventually affect shareholders' income. However, the Company may engage such independent advisor should any significant shareholders express their interest.</p> <p>The HR and Compensation Committee of the Board of Directors regularly considers at its meetings matters related to remuneration of members of executive bodies and other key employees, which enables the Committee to oversee the introduction and implementation of the Company's policy on remuneration of members of executive bodies and other key employees.</p>

2.8.3	To preview matters related to talent management (such as nomination planning), professional composition and efficiency of the board of directors, a nomination (appointment, HR) committee comprised of independent directors shall be set up, predominantly comprised of independent directors.	1. The board of directors has set up a nomination committee (or its tasks listed in the Code are fulfilled by another committee) predominantly comprised of independent directors.	2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.	► Full ► Partial ► None	Criterion 2 is partially not complied with.
2.8.4	Taking into account the company's scale of operations and level of risks, the company's board of directors considered whether the composition of its committees was fully in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period, the board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	► Full ► Partial ► None	The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors. The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC "LUKOIL", include (with minor text revisions) the tasks listed in Recommendation 186 of the Code, save for the task set out in paragraph 4 of Recommendation 186 (description of individual duties of directors and the Chairman of the Board of Directors, including the time to be spent on the company's activities, both inside and outside meetings, as part of scheduled and unscheduled work). Time commitments of the Company's Directors considerably depend on the Board of Directors' and Committees' activity plans, the number of ad hoc meetings which cannot be predicted, and on involvement of a Director with one or more committees, professional expertise, and a Director's term on the Board. Therefore, it was difficult in the reporting year for the Company to reliably assess time commitment to estimate general hours for all Directors in the long term.	

2.8.5 Committees shall be composed so as to enable comprehensive discussions of dependent directors. matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
	2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	
2.8.6 Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.	1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None

**2.9 The board of directors shall ensure performance assessment of the board of directors, its committees, and members of the board of directors.**

2.9.1 The board of directors' performance assessment shall be aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's development requirements, as well as monitoring the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors, its committees, individual members of the board of directors, and the board of directors in general.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	Criterion 1 is partially not complied with.
	2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.		<p>The self-assessment of the Board of Directors' performance carried out in the reporting period included the assessment of performance of Committees and the Board of Directors in general but did not include any formal assessment of individual Directors (except for assessment of the performance of the Chairman of the Board of Directors and Chairmen of the Board of Directors' Committees).</p> <p>The incumbent Directors of PJSC "LUKOIL" are unique in terms of their expertise, reputation, and involvement in other activities. They are representatives of business culture of different countries and, therefore, it is hard to formalize the procedure for their individual assessment.</p>

2.9.2	Performance of the board 1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once a year. An external performance advisor shall be engaged at least once in three reporting periods. 2. The company engaged an independent assessment of the board of directors' performance.	Full Partial None	Criterion 1 is partially not complied with.
			In 2018-2020, the assessment of the Board of Directors' performance was carried out using the effective internal assessment procedure developed with the help of an internationally recognized independent advisor. In December 2020, the Board of Directors resolved to conduct an independent assessment of the Board of Directors' performance for 2020 and approved an independent advisor to carry out the assessment. The assessment was conducted in the first quarter of 2021.
<b>3.1 The company's corporate secretary shall ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests, and support the activities of the board of directors.</b>			
3.1.1	1. The company has an internal document – regulations sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.	Full Partial None	
3.1.2	1. The board of directors approves the appointment, independent of the company's dismissal and additional re-executive bodies and have muneration of the corporate powers and resources secretary, required to perform his/her tasks.	Full Partial None	<b>Note.</b> In accordance with paragraph 5.1 of the Regulations on the Corporate Secretary of PJSC "LUKOIL", the size of remuneration (official salary) of the Corporate Secretary is determined by the Board of Directors of PJSC "LUKOIL"; in accordance with paragraph 5.2 of the same, the cost of living adjustments and bonus payments for the Corporate Secretary are made in compliance with the Company's local regulations on remuneration, unless otherwise established by resolution of the Board of Directors.

**4.1** Remuneration payable by the company shall be sufficient to attract, motivate and retain people with competencies and qualifications required by the company. Remuneration payable to members of the board of directors, executive bodies and other key executives of the company shall be in compliance with the approved remuneration policy of the company.

**4.1.1** The amount of remuneration paid by the company to an internal document (internal documents) – the policy members of the board of directors, executive bodies (policies) on remuneration of and other key executives members of the board of directors, executive bodies and shall create sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company employees.

- Full
- Partial
- None

**4.1.2** The company's remuneration policy shall be devised by the remuneration committee and approved by the board of directors. The board of directors, assisted (their) introduction and presented relevant recommendations, shall ensure control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.

- Full
- Partial
- None

**4.1.3** The company's remuneration policy shall include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulate all types of expenses, benefits and privileges provided to such persons.

- Full
- Partial
- None

4.1.4	The company shall define a policy on reimbursement (policies) defines (define) the (compensation) of expenses rules for reimbursement of detailing a list of reimburs- able expenses and specify- ing service levels that mem- bers of the board of direc- tors, executive bodies and other key executives of the company can claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy defines (define) the rules for reimbursement of costs incurred by members of the board of directors, executive bodies and other key executives of the company.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
<b>4.2 The system of remuneration of members of the board of directors shall ensure alignment of financial interests of directors with long term financial interests of shareholders.</b>			
4.2.1	1. Fixed annual remuneration was the only form of remuneration pay- able to members of the board of directors. The company shall not pay remuneration of directors for their service for attending particular meetings of the board of directors or its committees. The company shall not apply any form of short-term motivation or additional financial incentive for members of the board of directors.	1. Fixed annual remuneration was the only form of remuneration pay- able to members of the board of directors. The company shall not pay remuneration of directors for their service for attending particular meetings of the board of directors or its committees. The company shall not apply any form of short-term motivation or additional financial incentive for members of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None
4.2.2	1. If the company's internal documents of PJSC "LUKOIL" do not stipulate any share options for its Directors.	1. If the company's internal documents of PJSC "LUKOIL" do not stipulate any share options for its Directors.	<u>Note</u> <i>Internal documents of PJSC "LUKOIL" do not stipulate any share options for its Directors.</i>
4.2.3	1. The company does not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	1. The company does not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None

**4.3 The company shall consider its performance and the personal contribution of each executive to the achievement of such performance, when determining the amount of remuneration payable to members of executive bodies and other key executives of the company.**

4.3.1	<p>Remuneration due to members of executive bodies and other key executives of the company shall be determined in a manner providing for reasonable and justifiable ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.</p>	1. In the reporting period, annual performance results and other key executives of the company shall be determined in a manner providing for reasonable and justifiable ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 3 is not complied with.</p> <p>The Company does not have in place a procedure that guarantees return to the Company of bonus payments illegally received by members of executive bodies and other key executives of the Company since the Company has a clear framework of bonus payments to members of executive bodies and other executives. Should any such situations arise, the Company will solve these issues in compliance with the applicable law.</p>
		2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.		
		3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.		
4.3.2	<p>The company shall put in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (options shares (financial instruments and other derivative instruments where the company shares). Shares are the underlying asset).</p>	1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (options shares (financial instruments and other derivative instruments where the company shares)).	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 2 is partially not complied with.</p> <p>The Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022 provides for other terms and conditions for the right to dispose of the shares distributed to members of the Program during its term. The Company believes, however, that the terms of the above Program more efficiently support the interest of the Program members in achieving long-term goals.</p>
		2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program shall take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.		

4.3.3 The compensation (golden 1. In the reporting period,  Full  
parachute) payable by the the compensation (golden  Partial  
company in case of early parachute) payable by the  None  
termination of powers of company in case of early ter-  
mination of powers of members of executive bod-  
members or key executives at the bers of executive bodies or  
company's initiative, pro- key executives at the com-  
vided that there have been pany's initiative, provided  
no actions in bad faith on that there have been no ac-  
their part, shall not exceed tions in bad faith on their  
the double amount of the part, did not exceed the dou-  
fixed part of their annual ble amount of the fixed part  
remuneration. of their annual remuneration.

**5.1 The company shall put in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.**

5.1.1 The company's board of di- 1. Functions of different  Full  
rectors shall determine the management bodies and  Partial  
principles of, and ap- units of the company in the  None  
proaches to, organizing a risk management system and  
risk management and inter- internal control are clearly  
nal control system at the defined in the company's in-  
company. ternal documents/relevant  
policy approved by the board  
of directors.

5.1.2 The company's executive 1. The company's executive  Full  
bodies shall ensure estab- bodies ensured the distribu-  
lishment and continuous tion of functions and powers  Partial  
operation of an efficient related to risk management  None  
risk management and inter- and internal control between  
nal control system in the the heads (managers) of units  
company. and departments accounta-  
ble to them.

5.1.3 The company's risk man- 1. The company has in place  Full  
agement and internal con- the anti-corruption policy.  Partial  
trol system ensures an ob- 2. The company has ar-  
jective, fair and clear repre- ranged for accessible means  
sentation of the current of notifying the board of di-  
state of the company and rectors or the board's audit  
its future prospects, the in- committee about violations  
tegrity and transparency of the law, the company's in-  
of the company's reporting, ternal procedures and code  
as well as reasonable and of ethics.  
acceptable risk exposure.

5.1.4 The company's board of di- 1. In the reporting period,  Full  
rectors shall take neces- the board of directors or the  Partial  
sary measures to make board's audit committee as-  None  
sure that the company's sessed the efficiency of the  
risk management and inter- company's risk management  
nal control system is con- and internal control system.  
sistent with the principles The information on the key  
of, and approaches to, its results of this assessment is  
organization determined by included in the company's an-  
the board of directors, and nual report.  
that the system is function-  
ing efficiently.

**5.2 The company shall perform internal audit for the regular independent assessment of the reliability and effectiveness of the risk management and internal control system and corporate governance.**

5.2.1 The company shall set up a 1. To perform internal audit separate business unit or units, the company has set up engage an independent external organization to functionally reporting to the carry out internal audits. The functional and administrative subordination of the independent external organization internal audit unit shall be separated. The internal audit unit shall functionally report to the board of directors.

5.2.2 The internal audit unit shall 1. In the reporting period, assess the performance of the internal control, risk management, and corporate governance systems. The company shall apply generally accepted standards of internal audit. 2. The company applies generally accepted approaches to internal audit and risk management.

► Full  
► Partial  
► None

**6.1 The company and its business shall be transparent for shareholders, investors, and other stakeholders.**

6.1.1 The company shall develop 1. The company's board of directors approved an information policy ensuring an efficient exchange of information between the company, its shareholders, investors, and other stakeholders. 2. The board of directors (or one of its committees) considered matters related to the company's compliance with its information policy at least once in the reporting period.

6.1.2 The company shall disclose 1. The company discloses information on its corporate governance system and general practices, including detailed information on compliance with the principles of the Code. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership in the board's committees (as defined in the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out the latter's plans for the company's corporate governance.

► Full  
► Partial  
► None

► Full  
► Partial  
► None

**6.2 The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.**

6.2.1 The company shall disclose 1. The company's information based on the information policy defines the application principles of regularity, approaches to, and criteria of, consistency and prompt identification of information completeness, as well as availability, that can have a material impact on the company's evaluation and comparability of disclosed data.

- Full
- Partial
- None

2. If the company's securities are traded on foreign regulated markets, the company shall ensure concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period.

3. If foreign shareholders hold a significant amount of the company's shares, during the reporting year, information was disclosed not only in the Russian language, but also in one of the most widespread foreign languages.

**Note.**

*The Regulations on Information Policy of PJSC "LUKOIL" include a reference to the Insider Information Regulations of PJSC "LUKOIL" which contain provisions prescribed by criterion 1.*

6.2.2 The company shall strive to 1. In the reporting period, avoid a formalistic approach to information disclosure, and to disclose critical information about IFRS. The company's annual report for the reporting period contains annual financial statements prepared under the IFRS, along with the auditor's report.

- Full
- Partial
- None

2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company.

6.2.3 The annual report, as one of the most important tools of information exchange with the key aspects of the company's operations and its financial stakeholders, shall contain information enabling assessment of the company's performance in the reporting year.

- Full
- Partial
- None

2. The company's annual report contains information on the environmental and social aspects of the company's operations.

**6.3 The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.**

6.3.1	The company shall provide 1. The company's information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	Criterion 1 is partially not complied with.
			<p>The Company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.</p> <p>When providing information requested by shareholders, the Company is guided by Article 91 of the Federal Law On Joint Stock Companies that provides for no obligation of the Company to share information on legal entities controlled by it with its shareholders.</p> <p>The Company discloses brief information on legal entities controlled by it in the List of Affiliates and more detailed information on controlled legal entities material to the Company in quarterly issuer reports.</p> <p>In addition, the majority of PJSC "LUKOIL" subsidiaries, including those material to the Company, have their own websites which describe their operations. These websites can also be accessed via PJSC LUKOIL's official website.</p>
6.3.2	<p>When providing information to shareholders, the company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	<p><u>Note.</u></p> <p>The Regulations on Information Policy of PJSC "LUKOIL" include a reference to the Insider Information Regulations on Provision of Information to Shareholders of PJSC "LUKOIL" which contain provisions prescribed by criterion 2.</p>

**7.1 Actions that significantly impact or may significantly impact the share capital structure or financial condition of the company and, respectively, shareholders' position (material corporate actions) shall be fairly executed providing observance of the rights and interests of shareholders and other stakeholders.**

7.1.1	Material corporate actions 1. The company's charter shall include restructuring provides for a list of transactions or other actions classified as material corporate actions of 30% or more of the company's voting shares (takeover), execution by the company of significant material corporate actions, increase or decrease of the company's charter capital, listing or delisting of the company corporate actions is expressly referred by law to shareholders, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The charter of the company shall provide a list of transactions, or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>Criterion 2 is not complied with.</p> <p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).</p> <p>The decision-making procedure (procedure for referring such decisions to the competence of the Board of Directors or the General Shareholders Meeting under the Company's Charter or relevant laws) recommended by the Code is met with respect to most corporate actions that are deemed by the Code to be material corporate actions.</p> <p>Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves the Board of Directors' position and recommendations for shareholders for voting on all agenda items, including those which may be regarded as material corporate actions.</p> <p>There are inconsistencies with the Code's recommendations with respect to transactions involving controlled legal entities, which are specified in Recommendation 307 of the Code and which the Code recommends to refer to the Board of Directors.</p> <p>Due to the large number of the Company's subsidiaries, coordination of their operations, preliminary approval of their decisions regarding stakes in other entities, as well as decisions on acquiring subsoil licenses, which may result in investments exceeding an amount in rubles equivalent to USD 150 million, decisions to approve material transactions by the Company's subsidiaries, and decisions on acquisition and disposal of equity interests in other entities are referred by the Charter to the competence of the Management Committee.</p> <p>The Company also notes that the term "controlled legal entity material to the Company" used in Recommendation 307 of the Code is used in the applicable Russian laws only for disclosure purposes. Therefore, until this term is consolidated in the corporate law, the Company's Charter cannot refer this matter to the competence of the Board of Directors.</p>
	2. Under the charter, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (takeover), entering in significant transactions, increase or reduction of the company's charter capital, listing or delisting of the company shares.		

7.1.2	The board of directors shall 1. The company has in place a key role in making decisions or working out recommendations regarding their opinions on material material corporate actions, corporate actions prior to relying on the opinions of the company's independent directors.	Full ► Partial None	Criterion 1 is partially not complied with.
			<p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).</p> <p>At the same time, in accordance with procedures provided for by the Regulations on the Board of Directors of PJSC "LUKOIL", all members of the Board of Directors may participate in debates, put forward proposals, make comments, and speak on the substance of the matter under discussion.</p>
7.1.3	When taking material corporate actions affecting the specifics of the company's rights and legitimate interests of shareholders, equal charter establishes lower terms and conditions shall be ensured for all shareholders of the company and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures shall be taken to protect the rights and legitimate interests of the company shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	Full ► Partial None	Criterion 1 is partially not complied with.
			<p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).</p> <p>At the same time, under the Company's Charter, the authority of the Board of Directors covers approval of a transaction or several associated transactions related to acquisition, disposal or potential disposal of property worth from 10% to 25% of the book value of the Company's assets, which exceeds the statutory requirements.</p>

**7.2 The company shall execute material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.**

7.2.1	Information about material 1. In the reporting period, corporate actions shall be the company disclosed information about its material of the grounds, circumstances and consequences, and in detail, including the grounds for, and timelines of, such actions.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>Criterion 1 is partially not complied with.</p> <p>The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).</p> <p>In the reporting period, there were no such actions as reorganization of PJSC "LUKOIL"; acquisition of 30 or more percent of voting shares in PJSC "LUKOIL"; listing or delisting of shares in PJSC "LUKOIL"; or other actions that could lead to material changes in the rights of shareholders or to violation of their interests.</p> <p>In the reporting period, the Company reduced its charter capital through acquisition of a portion of PJSC "LUKOIL" issued shares in order to reduce the total number thereof. In doing so, the Company made timely and detailed disclosures of all relevant information.</p> <p>The Company also timely disclosed information on PJSC LUKOIL's transactions worth 10 or more percent of the book value of its assets in line with the Regulations on Information Disclosure by Securities Issuers.</p>
-------	--	---	---

7.2.2 Rules and procedures related to material corporate actions taken by the company shall be set out in the company's internal documents.	1. The company's internal documents provide for the procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.	➤ Full procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.	➤ Partial procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.	➤ None	Criterion 3 is not complied with.
	2. The company's internal documents provide for the procedure for engaging an independent appraiser to assess the value of the company shares at their repurchase or redemption.				The Company's internal documents do not provide for an expanded list of grounds on which the Company's Directors and other persons as per the applicable law are deemed to be interested parties to the Company's transactions.
	3. The company's internal documents provide for an expanded list of grounds on which members of the company's board of directors as well as other persons as per the applicable law are deemed to be interested parties to the company's transactions.				The Company duly notes that in 2017 provisions of the Federal Law On Joint Stock Companies regarding interested party transactions came into force, reducing the scope of interested parties: to define interested parties, the term "affiliated" was replaced with the term "controlled", the procedure for entering into interested party transactions was simplified, and the list of transactions with parties that would appear to qualify as interested but not subject to the rules on interested party transactions was expanded.
					The above amendments to the Federal Law On Joint Stock Companies were made after the Code had come into force, were approved by the industry, relied on the accumulated expertise, and were aimed at reducing the number of interested party transactions and lowering the administrative burden on companies associated with approving transactions. The Company welcomes this trend and has no reasons to expand the list of grounds for transactions to be deemed interested party transactions in its internal documents. The Regulations on the Board of Directors of PJSC "LUKOIL" instruct Directors to: <ul style="list-style-type: none"> <li>- notify the Board of Directors of any conflict of interest they may have in respect of any item on the agenda of the Board meeting or the Board's Committee meeting, prior to the discussion of the relevant agenda item; and</li> <li>- abstain from voting on any item in connection with which they have a conflict of interest.</li> </ul> The above instructions for Directors enable the Board of Directors to make unbiased decisions, and help restrict decision-making for Directors whose stance may be affected by circumstances not formalized in the applicable law.



# Risks



## 1. Macroeconomic risks

Risk description	Risk management
<p>Our financial performance could be adversely affected by macroeconomic changes due to volatility of global energy prices, FX fluctuations, inflation, ongoing trend of global transition to a low-carbon economy, a drop in global demand for energy products, shifts in fiscal and monetary policies, along with changes in the structure and balance of energy supply and demand.</p>	<p>We use a scenario-based approach for macroeconomic forecasting. A base scenario is chosen to illustrate the most likely course of macroeconomic developments according to our management. Apart from that, we develop stress scenarios assuming adverse changes in the external environment. The stress scenario aids in identifying assets and investment projects most susceptible to negative macroeconomic changes, and management decisions are made based on its analysis.</p> <p>We regularly review our production and sales plans to reflect the changing market environment. When planning a revision of the output and product mix, the Company primarily focuses on economic efficiency.</p>

## 2. Country risks

Risk description	Risk management
<p>LUKOIL Group operates in a number of countries with a high level of risks (Iraq, Egypt, Uzbekistan, and West African countries) which, should they materialize, could adversely impact and even halt our operations.</p> <p>Key factors that could have an adverse effect on the business of LUKOIL Group in these countries:</p> <ul style="list-style-type: none"> <li>• political disruption;</li> <li>• escalation of armed conflicts;</li> <li>• macroeconomic instability;</li> <li>• expropriation of the Company's assets; and</li> <li>• inefficiencies in the judicial system and flawed legal framework.</li> </ul>	<p>Most of our production and refining assets are located within Russia, which limits our exposure to the risk. We also seek to further diversify our international operations.</p> <p>We place higher requirements on the returns profile of our projects located in regions with high risk. Additionally, in case of adverse changes in the political or social and economic environment in the regions of our operation, PJSC "LUKOIL" can implement a number of anti-crisis measures, including cost reduction, investment program optimization, reducing our stake in a project, and engaging partners.</p>

## 3. Price risks

Risk description	Risk management
<p>We have limited influence over the prices of our products, as they largely depend on regulatory actions and/or the market environment. Declines in crude oil and petroleum product prices could adversely impact our financial performance.</p>	<p>PJSC "LUKOIL" is a vertically integrated company that combines assets in oil production, refining, and distribution. This structure serves as a natural hedging technique, where different risk factors offset each other.</p> <p>A high share of investments in Russia gives the Company stability due to the compensatory mechanism of Russia's current tax system and a high share of the ruble in the Company's investments. This helps restrain the costs relative to our mostly US dollar-denominated revenue.</p> <p>Additionally, we implement a range of measures to mitigate price risks:</p> <ul style="list-style-type: none"> <li>• a scenario-based approach when designing long-term development programs;</li> <li>• managing our investment project portfolio according to each project's price sensitivity;</li> <li>• commodity supply management, ensuring prompt responses to market changes and the ability to make arbitrage shipments;</li> <li>• hedging transactions in international operations.</li> </ul>

## 4. Industry risks

### 4.1. Risks related to well construction and development of fields with hard-to-recover hydrocarbon reserves

Risk description	Risk management
<p>Group entities and its contractors purchase the majority of well construction equipment and materials from suppliers in the EU and USA. The ban on the imports of equipment and materials could have an adverse effect on our operations.</p>	<p>We currently have a one-year supply of spare parts, equipment, and materials for use in the Company's projects, and we have developed a set of measures which allow to substitute chemical reagents that are being sourced at present from the EU and USA, used to prepare and condition drilling muds, with products from Russia and other countries.</p>

### 4.2. Risks of tariff and vendor price hikes

Risk description	Risk management
<p>We use third-party products and services, including energy and transportation services, in our operations. The costs of procuring third-party products and services directly impact our financial performance.</p> <p>We engage with transportation monopolies such as JSC RZD, PJSC Transneft, PJSC Gazprom, and other similar companies across the Group's countries of operation. Their prices are revised upwards on a regular basis.</p> <p>We are also exposed to the risk of higher prices from other suppliers for their products and services, such as vehicle transportation, customs brokerage, warehousing, etc.</p>	<p>We minimize both the risk of higher tariffs charged by monopolies operating across the Company's geography and the risk of higher prices for other suppliers' services by:</p> <ul style="list-style-type: none"> <li>• diversifying transportation channels, including the development of alternative routes;</li> <li>• cooperating with other consumers to prevent accelerated growth of tariffs charged by monopolies;</li> <li>• using tender procedures to enter into long-term contracts with vendors; and</li> <li>• entering into long-term transportation agreements.</li> </ul> <p>To mitigate the risk of higher prices for products and services, we enhance our tender procedures and encourage competition by broadening our list of suppliers of products and services.</p>

### 4.3. Risk of non-discovery of reserves or unmet projections

Risk description	Risk management
<p>Non-discovery of commercially productive oil and gas reserves and/or discovery of reserves that do not meet the levels projected during prospecting drilling or new project implementation poses a risk, which may require expensing the subsequent costs while our financial performance is negatively affected.</p>	<p>We have been consistently improving our exploration technologies and phasing our operations when plans for the next phase are based on results of the one prior. By working with leading global oil and gas players, we can study and successfully implement their best exploration practices at the Group's assets.</p>

#### 4.4. Subsoil use and licensing risks

Risk description	Risk management
<p>We face certain risks associated with the Russian legislation on subsoil use and licensing of exploration and mining operations. The key risks include:</p> <ul style="list-style-type: none"> <li>• early termination of subsoil licenses or administrative fines due to a breach of license agreements;</li> <li>• subsoil licenses not being granted to a company that has discovered a subsoil deposit of federal significance or a field within subsoil areas of federal significance, including companies with foreign capital; and</li> <li>• non-acceptance of application documents for tenders or auctions for subsoil use.</li> </ul>	<p>We mitigate subsoil use and licensing risks by:</p> <ul style="list-style-type: none"> <li>• monitoring changes in legislation on subsoil use and licensing while making proposals to update the existing legal framework;</li> <li>• updating our list of open acreage areas that are of interest to the Group;</li> <li>• preparing applications for tenders and auctions for subsoil use, and documents for license renewals;</li> <li>• running annual professional development training courses for licensing and subsoil use experts and sending experts to key subsoil use and licensing workshops;</li> <li>• employing a dedicated information system to monitor subsoil use; and</li> <li>• liaising with regulatory authorities to mitigate the risk of early termination of subsoil licenses.</li> </ul>

#### 4.5. Risk of underperformance in projected technological effect of well intervention and production drilling programs

Risk description	Risk management
<p>Well intervention and production drilling programs may not result in their projected technological effect, which could lead to the downgrading of hydrocarbon production targets and adversely affect the Company's financial performance.</p>	<p>PJSC "LUKOIL" takes a range of measures to allow it to promptly respond to this risk in case it occurs, such as by preemptively preparing an additional set of effective well interventions, and by maintaining a reserve pool of potential production drilling wells. We plan main types of well interventions by designing targeted programs aimed at delivering on the hydrocarbon production plan and development targets. These programs rely on state-of-the-art tools of field geological analysis and geological and hydrodynamic modeling. For certain facilities, we also use integrated modeling, which significantly improves field management quality based on the objective assessment of correlations among various production elements, including the formation, well and surface facilities. We make appropriate adjustments to current well intervention and production drilling programs based on actual monthly and quarterly performance.</p>

#### 4.6. Geological and process risks related to restarting wells shut down as a result of Russia's production cut commitments in line with the OPEC agreement

Risk description	Risk management
<p>Restarting wells shut down as a result of Russia's commitments under the OPEC agreement could give rise to geological and technological risks of delayed recovery of oil production depending on, <i>inter alia</i>, the well shut-down period, seasonality, and region of production.</p>	<p>As much as anything else, we selected wells for shutting down with a view to minimizing negative effects on our development. The wells to be shut down (both production and significant injection wells) are mostly grouped within a single area, deposit or field, which minimizes the risks of development imbalances.</p> <p>In case of a longer shut-down period continuing into winter, efforts are made to mothball wells and pipelines in order to prevent freezing.</p>

## 5. Financial risks

### 5.1. Liquidity risks

Risk description	Risk management
<p>High volatility in prices for hydrocarbons and their derivatives, as well as foreign currency exchange rates, challenges of energy demand recovery, and other exogenous factors could cause discrepancies in our plans, budgets, and investment programs, thus leading to a shortage of liquidity and financing sources.</p>	<p>Our main tool for Group-wide centralized liquidity management is a global liquidity management system of LUKOIL Group comprising automatic cash concentration and disbursement, and corporate dealing. As part of the operational and strategic management of LUKOIL Group's consolidated cash balance, we regularly forecast consolidated cash flows and cash position in the mid- and long-term, and continuously monitor liquidity ratios, assessing the sensitivity of the figures laid out in our plans, budgets, and investment programs in relation to macroeconomic changes. If necessary, we adjust plans, reduce spending in transitioning to the stress scenario, shift payment and project implementation dates, include optional projects in the current plan if the macroeconomic situation improves, as well as ensure timely financing of our business activities.</p>

Currently, PJSC "LUKOIL" has investment-grade ratings from three major international rating agencies – S&P (BBB), Fitch (BBB+), and Moody's (Baa2).

We regularly monitor our financials to ensure they meet the requirements of rating agencies. Our Treasury also maintains revolving credit lines to provide sufficient liquidity in a volatile market environment.

### 5.2. FX risks

Risk description	Risk management
<p>The bulk of our revenues is derived from oil and petroleum product sales in US dollars, while the majority of operating and capital expenses are denominated in rubles. Therefore, FX fluctuations could have a significant effect on our financial performance.</p>	<p>We manage FX risks using a comprehensive approach, including natural hedging techniques, managing currency balances of monetary assets and obligations.</p>

### 5.3. Counterparty default and non-payment risks

Risk description	Risk management
<p>A counterparty default could cause underpayments or delayed payments for our supplied products. In the case of financing counterparties, a default may prevent us from withdrawing all or a part of funds from an account held with a counterparty, which could adversely affect our financial performance and require us to raise additional funding in order to meet our financial obligations.</p>	<p>We mitigate counterparty default and non-payment risks by doing business with third parties outside the Group on a prepayment basis or requiring security instruments (letters of credit or bank guarantees) from end customers. We conduct regular end-to-end analyses and use tools for rating banks and financial institutions to prepare a list of approved banking counterparties, including in trade finance.</p>

## 6. Legal risks

Risk description	Risk management
<p>Legislative changes, including those in subsoil use, power generation, environmental protection, climate change, industrial safety and corporate governance) could have an adverse effect on our financial performance.</p> <p>We are exposed to a number of uncertainties related to:</p> <ul style="list-style-type: none"> <li>• profit taxation of controlled foreign companies following amendments to the Russian Tax Code and changes in the law enforcement practice;</li> <li>• transfer pricing laws as a result of internationally implemented measures to prevent base erosion and profit shifting by multinational enterprises; and</li> <li>• introduction of tax measures in the countries of LUKOIL Group's presence which aim to stimulate and financially improve the national economies, in particular through the adoption of additional taxes and levies and revision of tax treaties, including the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).</li> </ul>	<p>We constantly monitor changes in legislation, law enforcement and judicial practice and take steps to obtain information about them at the preliminary discussion stage. Our representatives participate in such discussions to clarify our views on respective matters, as well as risks and uncertainties in relation to the proposed changes.</p> <p>Our representatives are also involved in expert panels that discuss and develop effective means of applying new laws.</p>

## 7. Reputational risks

Risk description	Risk management
<p>PJSC "LUKOIL" is exposed to various factors that may cause reputational risks, adversely impacting our financial performance and market value of our shares. These risks may occur due to both internal and external factors, including non-compliance with statutory requirements, constituent documents, or internal regulations, as well as through breach of contractual obligations, poor product quality, and a rise in negative perceptions of our financial stability and position.</p>	<p>To mitigate this risk, we work to:</p> <ul style="list-style-type: none"> <li>• maintain regular communication with our stakeholders;</li> <li>• provide unbiased information on our financial and operational performance, corporate governance, and sustainability indicators in a timely manner;</li> <li>• ensure continuous monitoring of PJSC "LUKOIL" compliance with statutory requirements and effective agreements; and</li> <li>• effect timely payments to counterparties.</li> </ul> <p>The Company controls the quality of its products and services. For instance, the Filling Stations Hotline has been set up to promptly address any comments and suggestions regarding filling stations' operation.</p> <p>We pay close attention to safety and environmental protection, and operate in line with the best HSE standards.</p> <p>We place a great emphasis on social responsibility and working conditions, maintaining and improving our effective occupational health and social security framework through targeted programs.</p>

## 8. Strategic risks

Risk description	Risk management
<p>At the end of 2017, the Board of Directors approved the Strategic Development Program of LUKOIL Group for 2018–2027, which outlines key risks related to pursuing the program. The risks include delays in investment project implementation dates, low return on investments, a heavier tax burden, and operational accidents.</p>	<p>We regularly identify strategic risks when developing our strategy. As part of our strategic planning process, we assess the risks and effectiveness of various strategic initiatives and prepare a set of optimal strategic solutions in terms of the risk/return ratio.</p> <p>To mitigate strategic risks, our management closely monitors the macroeconomic situation and industry trends, as well as analyzes the performance of our business units and peers. When developing the strategy and investment program, we actively use scenario and probabilistic modelling tools to assess various risks.</p>

## 9. Other risks related to our operations

### 9.1. Public health and epidemic risks

Risk description	Risk management
<p>The events of 2020 demonstrated that the global economy was highly exposed to public health and epidemic risks. When materialized, these risks could result in lower demand for energy products and weaker oil prices, thus leading to a deterioration of our operating efficiency and financial performance, including partial impairment of our assets.</p>	<p>Amid the spread of COVID-19, we took the following measures to ensure health and safety of our personnel and maintain our operating efficiency:</p> <ul style="list-style-type: none"> <li>• a task force was set up to quickly respond to the coronavirus outbreak;</li> <li>• regular coronavirus tests were arranged for employees coming back from remote work and vacation;</li> <li>• our employees were required to wear masks and gloves at LUKOIL's offices, as well as to maintain a safe distance of 1.5 meters at workplace and in common areas;</li> <li>• our employees were required to visit catering facilities as per the approved schedule;</li> <li>• office employees of LUKOIL Group entities were required to work from home, while critical personnel stayed at their workplaces;</li> <li>• we do our best to ensure industrial safety and accident-free operation in compliance with the HSE standards;</li> <li>• arrangements were made for employee development and training via a distance learning system; and</li> <li>• amendments were made to shift work schedules without sacrificing social safeguards.</li> </ul> <p>We take further steps to prevent the epidemic from spreading across our offices and facilities, including temperature checks, additional disinfectants, and disposable medical masks.</p>

## 9.2. Risk of terrorism and wrongful acts of third parties

Risk description	Risk management
<p>LUKOIL Group operates in several countries with a high risk of terrorism and other criminal acts made against the Group's assets. The risk of wrongful acts against our employees and assets may also increase as a result of various destabilizing factors, including social degradation caused by the epidemic. We are also exposed to the risks of unlawful competitive practices, including unfair competition, financial abuse or other kinds of abuse by employees, embezzlement, and theft of moneys or tangible assets.</p>	<p>Given the specific situation in each of the countries of our presence, we mitigate these risks by:</p> <ul style="list-style-type: none"> <li>ensuring sufficient and adequate engineering, special and physical protection of our personnel and facilities in compliance with local statutory requirements, interacting with local competent bodies to prevent possible terrorist and criminal acts against the LUKOIL. In Russia, we participate in events organized by the National Anti-Terrorism Committee to enhance anti-terrorist security of our facilities;</li> <li>identifying employees who may damage the interests of PJSC "LUKOIL" through act or omission; and</li> <li>planning and hosting events aimed at strengthening information security.</li> </ul>

## 9.3. HSE risks

Risk description	Risk management
<p>The Group's facilities are exposed to risks of process disruptions, hazardous releases, environmental damage, accidents, fires, and incidents that may result in unscheduled idle time at these facilities.</p>	<p>To mitigate these risks, we designed and successfully deployed the Environmental Protection, Occupational Health and Safety Management System certified to ISO 14001 and ISO 45001, as well as implemented:</p> <ul style="list-style-type: none"> <li>distribution of HSE responsibilities at all management levels;</li> <li>target corporate HSE programs based on best available technologies;</li> <li>industrial control over the operation of hazardous production facilities and environmentally unfriendly facilities;</li> <li>diagnostics (non-destructive testing) and monitoring of equipment performance;</li> <li>repair and timely replacement of equipment;</li> <li>control over contractors' end-to-end compliance with mandatory HSE requirements;</li> <li>development of leadership tools and safety culture; leadership visits and Safety Days, compliance with key safety rules, and HSE best practices;</li> <li>appointment of qualified staff across various business levels of the Group;</li> <li>special assessments and improvements of working conditions;</li> <li>development of the Plans to Localize and Mitigate the Consequences of Accidents at Hazardous Production Facilities (PLMA) and the Spill Prevention, Control, and Countermeasure (SPCC) Plans; maintaining a pool of emergency personnel and resources; and training personnel who operate hazardous production facilities as well as the emergency response teams applying PLMA and SPCC Plans; and</li> <li>other measures aimed at reducing accident and injury rates at production sites of LUKOIL Group entities.</li> </ul>

#### 9.4. Climate change risk

Risk description	Risk management
<p>In our operations, we face climate change risks, including:</p> <ul style="list-style-type: none"> <li>• <i>market risks</i> (associated with changes in demand and customer preferences);</li> <li>• <i>political, legal, and regulatory risks</i> (associated with the global transition to a low-carbon economy and steps taken to toughen GHG emission regulations in countries where the Company operates);</li> <li>• <i>reputational risks</i> (associated with stakeholder perception of the Company's contribution / refusal to contribute towards transition to a low-carbon economy);</li> <li>• <i>technology risks</i> (associated with the accelerated global transition to a low-carbon economy driven by the advance and better efficiency of relevant technologies); and</li> <li>• <i>physical risks</i> (associated with changing weather, climate, and other environmental conditions in the Company's regions of operation that can affect the reliability of equipment or people's health, including natural calamities and permafrost thawing).</li> </ul> <p>These risks can adversely impact operations of PJSC "LUKOIL" as a major fossil fuel producer and greenhouse gas emitter by driving costs up and profitability down and limiting growth potential.</p>	<p>We mitigate these risks by taking all necessary steps, including the following:</p> <ul style="list-style-type: none"> <li>• <i>market risks</i>: using a scenario-based approach to macroeconomic forecasting, including various climate change scenarios and an internal carbon price. These mechanisms aid in identifying the assets and investment projects most susceptible to negative macroeconomic changes and in making management decisions;</li> <li>• <i>political, legal, and regulatory risks</i>: carrying out constant monitoring of legislative changes related to climate change topic and taking steps to obtain information about them at the preliminary discussion stage, as well as ensuring our representatives participate during the preliminary discussions so that the risks and uncertainties that may arise from new legislative initiatives are clarified and the Company's views in relation to the proposed changes have been represented;</li> <li>• <i>reputational risks</i>: regularly disclosing data on climate change management and GHG emissions, both direct and indirect, in accordance with the GHG Protocol international standard;</li> <li>• <i>technology risks</i>: carrying out constant monitoring and developing in-house energy efficiency solutions; and</li> <li>• <i>physical risks</i>: assessing the climate change impact when designing and constructing facilities in environmentally sensitive areas (the Arctic Zone, low-water regions, and offshore areas) and monitoring the environment for changes in relevant parameters to ensure timely response when needed.</li> </ul>

#### 9.5. Risk of investment program non-delivery

Risk description	Risk management
<p>When implementing our investment projects, we face risks of cost overruns and delays in commissioning production facilities.</p> <p>Project delays including delays related to preparing design documentation and cost estimates, obtaining permits, entering into contracts, failing to meet deadlines, and changing field development roadmaps based on new geological data may lead to a deterioration in operating performance in future years and a decrease in investment project efficiency.</p> <p>Given the deteriorating macro environment and the risk of further COVID-19 spread, the additional risks of non-delivery of the investment program include a potentially weaker financial position or bankruptcy of contractors and our inability to contract out a part of the work due to epidemic-related restrictions.</p> <p>Furthermore, as the Company is part of the global supply chain, a lasting epidemiological crisis may cause a delay in the supply of project equipment and materials.</p>	<p>We manage this risk by tracking the progress of all our projects on a quarterly basis. The availability of initial permits for the coming year is monitored when drafting the investment program.</p> <p>The Company has put in place an Integrated Project Management System aimed at ensuring quality decision-making and predictability of large-scale CAPEX projects, and works to improve it.</p> <p>We are also flexible in managing our investment activities. Given the unstable macro environment, we have made it possible to adjust the approved investment program during the year.</p>

## 9.6. Risks related to competition

Risk description	Risk management
<p>The oil and gas industry is a highly competitive space. We compete with other major Russian and international companies in:</p> <ul style="list-style-type: none"> <li>• obtaining exploration and production licenses based on the results of the auctions and tenders for subsoil use;</li> <li>• purchasing assets, equipment, and stakes in new projects;</li> <li>• engaging specialized third-party organizations to perform services;</li> <li>• recruiting qualified and experienced staff;</li> <li>• gaining access to key transportation infrastructure;</li> <li>• developing, seeking out, purchasing, and deploying technologies;</li> <li>• distributing finished products; and</li> <li>• gaining access to capital.</li> </ul> <p>Additionally, PJSC "LUKOIL" may be faced with the challenge of competing against alternative and green renewable energy providers.</p>	<p>PJSC "LUKOIL" is one of the largest vertically integrated oil companies in Russia and the world. Many years of robust performance have made the Group a leader in the industry and a strong contender. PJSC "LUKOIL" is recognized as a reliable partner with a stable financial position. We carry out strategic planning to reduce potential risks associated with increased competition.</p> <p>As part of our long-term vision of the market, we commit to the most efficient assets and forms of equity participation. We regularly monitor the market situation to promptly respond to its changes and sharpen our competitive edge by developing the professional and managerial proficiency of our staff and introducing new technology into our operations and business processes.</p>

## 9.7. Risk of shortages in qualified personnel

Risk description	Risk management
<p>Insufficient skills or qualifications of personnel may have an adverse effect on our financial performance.</p>	<p>To mitigate this risk, we focus on the comprehensive development of our talent pool. LUKOIL's talent management strategy is aligned with its development strategy and the staffing demand of its business segments based on planning and budgeting processes that enable the workforce to be efficiently reallocated through insourcing as well as flexible recruitment, professional training, and developing talent.</p>

## 9.8. Cyber risks

Risk description	Risk management
<p>Information technology and IT solutions for automating processes which affect our financial position and operational performance, the reliability of financial and accounting information, as well as our ability to fulfill our obligations operate in a shared information environment and are inevitably exposed to external and internal cyberattack risks threatening the confidentiality, integrity, and availability of the information in our IT systems.</p> <p>We believe that we should safeguard not only our information and the means of its processing, but also the data entrusted to us by government authorities, shareholders, business partners, and personal data against cyber risks.</p>	<p>We comply with recognized international standards and best practices in information security, strive to make better use of our deployed security measures, and constantly improve our internal information security services. However, evolving cyber threats also require constant readiness to repel unprecedented cyberattacks. The success of these efforts relies on early identification of new cyber threats before they are launched against the Company and real-time counteraction to cyberattacks, helping to prevent or minimize their consequences.</p> <p>LUKOIL pays special attention to changes in the universe of cyber threats, promptly modifying its IT security architecture, purchasing and deploying additional solutions, and ramping up monitoring. We continue reinforcing our server farm, which gives users remote access to their automated workplaces and corporate business applications.</p>

**9.9. IT risks**

Risk description	Risk management
<p>In addition to cyber risks threatening the confidentiality, integrity, and availability of information in the IT systems used by the issuer, the information technology used to support its management and financial activities is exposed to risks not related to a breach of information security. These risks include the failure of projects aimed at the building and upgrading of IT systems, faults and failures in IT systems, an inability to obtain IT services from external suppliers (due to extended international sanctions as well), and the loss of our market share caused by a lag in deploying innovative digital technology.</p>	<p>In addressing risks related to running projects that build and upgrade IT systems, we apply and improve modern development management practices and focus on proven technical solutions with reliable technical support. In addition to preventive measures aimed at mitigating risks, including the creation of a resilient IT infrastructure, testing IT systems prior to their commissioning, and monitoring changes, we also pay close attention to planning proactive actions upon a risk's occurrence to resume critical business operations and decision-making processes before the resulting impact becomes unacceptable.</p> <p>We mitigate risks related to external suppliers' participation in our IT services through our robust supplier selection and monitoring processes, as well as building internal skills for developing the most critical IT services for the Group.</p> <p>Sanction risk management activities are also in progress, and an action plan to respond to the toughened sanction regime has been prepared. We have included digitalization initiatives into our IT Strategy.</p>

**9.10. Securities trading risks**

Risk description	Risk management
<p>The Company's securities are traded both on the domestic and foreign regulated markets. Changes to issuer requirements brought in by regulatory authorities and stock exchanges may require us to modify our corporate governance framework and adopt additional obligations in information disclosure and shareholder relations. Failure to comply with issuer requirements or meet obligations in a timely manner could cause a change of listing level for the Company's securities or delisting, potentially having an adverse effect on their liquidity and value.</p>	<p>We keep track of changes made to listing rules and other requirements of stock exchanges and regulatory bodies. Our representatives participate in workshops and other events for issuers organized by stock exchanges and other organizations providing consulting and informational services to issuers. We also strive to implement international best practices of corporate governance.</p>

**9.11. Risks related to disclosure obligations**

Risk description	Risk management
<p>We perform mandatory disclosures to maintain our securities on the stock exchange list, following the procedures and timelines established by regulatory and stock exchange requirements. Disclosures are made electronically by submitting information via the websites and emails to information disclosure agencies authorized by regulators. Issues affecting our engagement with information disclosure agencies, such as technical failures, cyberattacks, and failures of the Company's information systems and other resources used by employees who had to switch to remote working, may cause a disruption in our ability to disclose required information on time, which could be considered as a breach of obligations and lead to the securities market regulator imposing a fine on PJSC "LUKOIL" and/or its management.</p>	<p>We mitigate these risks by signing if needed the agreements with several information disclosure agencies at once, and by providing information disclosures ahead of established timelines to have ample time to fix potential technical problems; and, if necessary, the Company's authorized employees promptly interact with employees of information disclosure agencies. We ensure that all employees working remotely receive the necessary technical support and advice from the Company's IT units, and monitor the rules and regulations applicable to remote work.</p>



## Major and Interested Party Transactions



**LIST OF TRANSACTIONS MADE BY PJSC "LUKOIL" IN 2020 AND RECOGNISED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES**

In 2020 PJSC "LUKOIL" did not perform any transactions that are recognised as major transactions in accordance with the Federal Law On Joint Stock Companies.

**INTERESTED PARTY TRANSACTION ENTERED INTO BY PJSC "LUKOIL" IN 2020, WHERE DECISION ON CONSENT TO PERFORM THE TRANSACTION IN ACCORDANCE WITH THE FEDERAL LAW «ON JOINT STOCK COMPANIES» WAS TAKEN BY THE ANNUAL GENERAL SHAREHOLDERS MEETING OF PJSC "LUKOIL" ON 23 JUNE 2020**

<b>1. Reference Number of the transaction 1</b>	
2. Price	Not more than USD 1,000,000 – Insurance premium for coverage A, B and C.
3. Names of parties	PJSC "LUKOIL" (Policyholder) Ingosstrakh Insurance Company (Insurer)
4. Names of beneficiaries	Under Cover A – the sole executive body, members of governing bodies, employees of PJSC "LUKOIL" and/or subsidiaries of PJSC "LUKOIL", and/or other organisations with the participation of PJSC "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of governing bodies of such organisations were elected (hereinafter, the Insured Person). Under Cover B – PJSC "LUKOIL", subsidiaries of PJSC "LUKOIL", other organisations with the participation of PJSC "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of governing bodies of such organisations were elected (hereinafter, the Company for the purposes of Cover B). Under Cover C – PJSC "LUKOIL", subsidiaries of PJSC "LUKOIL" (hereinafter the "Company"). The above parties are collectively named the Insured Party.
5. Name of the transaction	Contract (Policy) on Directors, Officers and Companies Liability Insurance (hereinafter the "Policy").
6. Subject of the transaction	The Insurer undertakes, for the payment stipulated in the Policy (Insurance Premium), to pay the insurance coverage (indemnification) under the Policy to (as the case may be) the respective Insured Party and/or any other person entitled to such indemnification should any insured event specified in the Policy occur, within the insurance premium (liability limit) determined by the Policy.  <u>An insured event for the purposes of Cover A in respect of cover for the liability of any Insured Person for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Insured Person arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Insured Person, and (b) any Claim made against such Insured Person during the Period of Insurance (means the effective period during which the insurance set forth in the Policy shall be valid, starting from the first day of the Policy Period and ending on the expiry date of the Policy Period or, if there is a Discovery Period (a 60-day period immediately following the expiry of the Policy Period or early termination/cancellation of the Policy, during which written notice may be given to the Insurer of any Claim first made during such period or during the Policy Period in connection with any Wrongful Act committed prior to the end of the Policy Period), ending on the expiry date of the Discovery Period). An insured event shall be deemed to have occurred upon the Claim being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. The Policy also covers any Loss incurred by any Insured Person and/or which any Insured Person will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties</u>

(including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or other similar competent body/institution subsequent to the Period of Insurance), but in connection with any Claim made during the Period of Insurance.

For the purposes of Cover A the Insurer shall pay to or on behalf of any Insured Person any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, except when and to the extent that the Company has indemnified such Loss.

An insured event for the purposes of Cover B shall be deemed to be the incurrence of any expenses by any Company for the purposes of Cover B in connection with the indemnification for any Loss by such Company for the purposes of Cover B to any Insured Person and/or other person or entity in the interests of any Insured Person in connection with any Claim made against any Insured Person and/or the liability of any Insured Person for any Loss incurred by third parties. For the purposes of Cover B the Policy also covers such expenses incurred by any Company subsequent to the Period of Insurance but relating to any Claim made during the Period of Insurance and/or in connection with the liability of any Insured Person for any Loss incurred by third parties in relation to which a Claim was made during the Period of Insurance.

For the purposes of Cover B the Insurer shall pay to or on behalf of any Company for the purposes of Cover B any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, but only to the extent that such Company has indemnified such Loss for the purposes of Cover B.

An insured event for the purposes of Cover C in respect of cover for the liability of any Company for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Company arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Company, and (b) any Securities Claim made against such Company during the Period of Insurance in connection with the Loss of any third parties. An insured event shall be deemed to have occurred upon the Securities Claim being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. The Policy also covers any Loss incurred by any Company and/or which any Company will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties (including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or similar competent body/institution subsequent to the Period of Insurance), but in connection with any Securities Claim made during the Period of Insurance.

For the purposes of Cover C the Insurer shall pay to any Company or on behalf of any Company any Loss related to any Securities Claim first made against any Company during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy. Insurance cover C is without any prejudice to Insurance cover A in respect of any Securities Claims.

7. Interested parties, grounds for being recognised as such

The President, members of the Board of Directors and Management Committee of PJSC "LUKOIL" are simultaneously beneficiaries under the transaction.

---

8. Other material terms of the transaction	<p>The policy is effective from 19 July 2020 through 18 July 2021.</p> <p>The insurance premium (liability limit) is at least USD 50,000,000 (total aggregate limit for coverage A, B and C, including legal defense costs).</p> <p>The insurance premium will be paid in roubles at the exchange rate determined by the Parties as of the date the Policy is signed, pursuant to the terms of the Policy.</p>
--	--

---

**LIST OF INTERESTED PARTY TRANSACTIONS ENTERED INTO BY PJSC "LUKOIL" IN 2020, WHERE DECISIONS ON CONSENT TO PERFORM THE TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES WERE TAKEN BY THE BOARD OF DIRECTORS OF PJSC "LUKOIL"**

**1. Reference Number of the transaction 1**

2.1. Price (amount in US dollars)	The approximate interest fee to maturity of the Loan Agreement is USD 29,242,628.77.
2.2. Price (amount in roubles)	The approximate interest fee to maturity of the Loan Agreement is RUB 1,828,541,576.93.
3. Names of parties	PJSC "LUKOIL" (Lender) OOO "TsentrCaspneftgaz" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No.0710253 of 09.04.2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement and the Supplemental Agreements thereto, the Lender provides the Borrower with a special-purpose loan in an amount of up to RUB 1,920,000,000, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement to the Loan Agreement: 1. Point 4.1 of the Agreement shall be revised to extend the Loan through 25.12.2020, with the early repayment option. 2. From 01.01.2020, the interest rate under the Agreement and point 5.1 of the Agreement shall be revised whereby the Borrower shall pay the Lender an interest on the loan amount received, based on 110 percent of the Bank of Russia reference rate effective on the interest accrual date for the entire term of the actual use of borrowed funds under the Agreement.
7. Interested party, basis for being recognised as such	Ilya Emmanuilovich Mandrik, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OOO "TsentrCaspneftgaz".
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing and applies to the legal relations between the Parties arising from 24.12.2019, except Point 1.2 of the Supplemental Agreement. Point 1.2 of the Supplemental Agreement applies to the legal relations between the Parties arising from 01.01.2020.

**1. Reference Number of the transaction 2**

2.1. Price (amount in US dollars)	The approximate interest fee to maturity of the Loan Agreement is USD 29,588,014.82.
2.2. Price (amount in roubles)	The approximate interest fee to maturity of the Loan Agreement is RUB 1,850,138,566.56.
3. Names of parties	PJSC "LUKOIL" (Lender) OOO "TsentrCaspneftgaz" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0810300 of 29.04.2008 (hereinafter the "Agreement").

6. Subject of the transaction	<p>In accordance with the Agreement and the Supplemental Agreements thereto, the Lender provides the Borrower with a special-purpose loan in an amount of RUB 2,346,217,000, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.</p> <p>In accordance with the Supplemental Agreement to the Loan Agreement:</p> <ol style="list-style-type: none"> <li>1. From 01.01.2020, the interest rate under the Agreement and point 2.1 of the Agreement shall be revised whereby the Borrower shall pay the Lender an interest on the loan amount received, based on 110 percent on the Bank of Russia reference rate effective on the interest accrual date for the entire term of the actual use of borrowed funds under the Agreement.</li> <li>2. Point 3.1 of the Agreement shall be revised to extend the Loan through 25.12.2020, with the early repayment option.</li> </ol>
7. Interested party, basis for being recognised as such	Ilya Emmanuilovich Mandrik, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OOO "TsentrCaspnetgaz".
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing and applies to the legal relations between the Parties arising from 24.12.2019, except Point 1.1 of the Supplemental Agreement. Point 1.1 of the Supplemental Agreement applies to the legal relations between the Parties arising from 01.01.2020.
<b>1. Reference Number of the transaction</b>	<b>3</b>
2.1. Price (amount in US dollars)	Credit line of USD 500,000,000, plus interest of no more than USD 15,424,400.
2.2. Price (amount in roubles)	Credit line of RUB 38,605,000,000, plus interest of no more than RUB 1,190,917,924.
3. Names of parties	PJSC "LUKOIL" (Guarantor) CITIBANK N.A., LONDON BRANCH (Bank)
4. Names of beneficiaries	LUKINTER FINANCE B.V. (Principal)
5. Name of transaction	Corporate Guarantee for Specific Liabilities (hereinafter – Guarantee).
6. Subject of the transaction	Pursuant to the Guarantee, the Guarantor irrevocably and unconditionally guarantees to the Bank the due and punctual performance by the Principal of all the Principal's obligations totaling USD 500,000,000 under the Facility Agreement signed between the Principal and the Bank (the Facility Agreement), plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable (or stated to be payable) to the Bank under or in connection with the Facility Agreement.
7. Interested party, basis for being recognised as such	Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V. Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.
8. Other material terms of the transaction	Interest rate: LIBOR + 2 percent per annum. This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

## 1. Reference Number of the transaction 4

2.1. Price (amount in US dollars)	Credit line of USD 500,000,000, plus interest of no more than USD 15,424,400; the fee of no more than USD 3,750,000.
2.2. Price (amount in roubles)	Credit line of RUB 38,605,000,000, plus interest of no more than RUB 1,190,917,924; the fee of no more than RUB 289,537,500.
3. Names of the parties	PJSC "LUKOIL" (Guarantor) LUKINTER FINANCE B.V. (Debtor)
4. Name of the beneficiary	-
5. Name of the transaction	Contract of Indemnification (hereinafter the "Contract").
6. Subject of the transaction	The Parties signed the Contract in connection with the Corporate Guarantee for Specific Liabilities issued by the Guarantor (the "Guaranteee") as a guarantee to CITIBANK N.A., LONDON BRANCH (the "Bank") for meeting the Debtor's liabilities worth USD 500,000,000 under the Facility Agreement, plus interest, penalties, forfeits, fines and other amounts due and payable (the Facility Agreement). The Parties have agreed to deem the amount paid by the Guarantor to the Bank in fulfillment of obligations under the Guaranteee the amount payable by the Debtor to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract.
7. Interested parties, basis for being recognised as such	Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.  Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.
8. Other material terms of the transaction	The Debtor undertakes obligation to pay a remuneration to the Guarantor for the provision of services to ensure the obligation of the Debtor by the Guaranteee.  The service charge for providing guarantee for the Debtor's liabilities shall be 0.75% per annum of the liabilities to the Bank covered by the surety of the Debtor's obligations to the Bank under the Facility Agreement, calculated for each day of the settlement period. The rate specified above shall remain unchanged throughout the term of the Agreement, unless otherwise duly agreed in writing by the Parties. The actual number of days in a year (365/366) shall be used to calculate the amount of payment for the surety of the Borrower's performance.  The Debtor shall pay the Guarantor an interest at LIBOR 3M+3% per annum on the funds transferred by the Guarantor to the Bank. LIBOR 3M shall mean for any payment the London Inter-Bank offered USD deposit rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) with a three-months maturity as of 15:00 Moscow time for two (2) business days before the Guaranteee obligations are executed by the Guarantor.

## 1. Reference Number of the transaction 5

2.1. Price (amount in US dollars)	Credit line of USD 200,000,000, plus interest of no more than USD 12,780,520.
2.2. Price (amount in roubles)	Credit line of RUB 15,546,000,000, plus interest of no more than RUB 993,429,819.60.
3. Names of the parties	PJSC "LUKOIL" (Guarantor) UNICREDIT S.P.A. (the Lender)

4. Name of the beneficiaries	LUKINTER FINANCE B.V. (Borrower).
5. Name of the transaction	Confirmation and Amendment Deed to Deed of Guaranty No. 1810371 of 07.06.2018 (hereinafter – the Guarantee).
6. Subject of the transaction	<p>Under the Guarantee the Guarantor unconditionally and irrevocably guarantees the Lender the due and timely fulfilment of all of the obligations undertaken by the Borrower under the Facility Agreement signed between the Lender and the Borrower (the Facility Agreement), for the amount of USD 200,000,000 plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable (or stated to be payable) to the Lender under the Facility Agreement or in connection with it.</p> <p>Pursuant to the Confirmation and the Amendment Deed to the Guarantee the Guarantor confirms its obligations under the Guarantee in connection with Supplemental Agreement No.1 to the Facility Agreement, providing for the extension of the validity of the Facility Agreement for two years from the date the Supplemental Agreement No. 1 is signed and appoints LUKOIL Capital Markets Limited, as its agent for service of process in relation to any proceedings commenced in accordance with this Guarantee.</p>
7. Interested parties, basis for being recognised as such	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p>
8. Other material terms of the transaction	This Confirmation and Amendment Deed to Deed of Guaranty and any non-contractual obligations arising out of or in connection with it are governed by English law.
<b>1. Reference Number of the transaction</b>	<b>6</b>
2.1. Price (amount in US dollars)	Credit line of USD 200,000,000, plus interest of no more than USD 12,780,520; the fee of no more than USD 3,000,000.
2.2. Price (amount in roubles)	Credit line of RUB 15,546,000,000, plus interest of no more than RUB 993,429,819.60; the fee of no more than RUB 233,190,000.
3. Names of the parties	<p>PJSC "LUKOIL" (Guarantor)</p> <p>LUKINTER FINANCE B.V. (Borrower)</p>
4. Name of the beneficiary	-
5. Name of the transaction	The Supplemental Agreement to the Contract of Indemnification No.1810361 of 07.06.2018 (hereinafter the "Contract").

6. Subject of the transaction	<p>The Parties have entered into the Contract in connection with the Deed of Guarantee (hereinafter – the Guarantee) to be signed by the Guarantor and UNICREDIT S.P.A. (the Bank) to ensure the Borrower's obligations before the Bank under the Facility agreement entered into on the date of the Deed (or a date close thereto) to the total amount of USD 200,000,000 (hereinafter – the Facility Agreement) plus all interest, forfeits, fines, penalties and other guaranteed amounts payable. The Parties have agreed that the amount paid by the Guarantor to the Bank in fulfillment of obligations under the Guarantee shall be deemed the amount payable by the Debtor to the Guarantor plus the interest for using the money on the terms and conditions, by the deadlines and in accordance with the procedure determined by the Contract.</p> <p>Under the Supplemental Agreement to the Contract and in connection with the extension of the validity of the Deed of Guarantee No. 1810371 of 07.06.2018 by the Confirmation and Amendment Deed to the Guarantee Clause 3.2 of the Article 3 of the Contract is being revised to stipulate that the cost of the Guarantee Service for the Debtor's obligation amounts to 0.75% per annum of the amount of the Debtor's obligations to the Bank under the Facility Agreement covered by the Guarantee and calculated for each day of the reporting period. The said rate shall not change during the validity of the Contract unless duly stipulated by the Parties in writing. In calculating the amount payable for the Guarantee Service provided the actual number of days in a year shall be used (365/366).</p>
7. Interested parties, basis for being recognised as such	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p>
8. Other material terms of the transaction	The Contract shall enter into force from the date of signing by the Parties.
<b>1. Reference Number of the transaction 7</b>	
2.1. Price (amount in US dollars)	The approximate amount of the transaction will be USD 2,517,923,972.60 (loan amount – up to USD 2,500,000,000, accrued interest of not more than USD 17,923,972.60).
2.2. Price (amount in roubles)	The approximate amount of the transaction will be RUB 179,024,394,451.86 (loan amount – up to RUB 177,750,000,000, accrued interest of not more than RUB 1,274,394,445.86).
3. Names of the parties	LUKINTER FINANCE B.V. (Lender) PJSC "LUKOIL" (Borrower)
4. Name of the beneficiaries	-
5. Name of the transaction	Loan Agreement (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to this Agreement, the Lender agrees to provide a USD 2,500,000,000 (two billion five hundred million) special-purpose loan facility to the Borrower on a revolving basis under the terms and conditions of Agreement, while the Borrower undertakes to repay the amount received along with the interest within the timeline and in line with the procedure specified in the Agreement. The loan may be provided in full or in parts upon the Borrower's instructions. The loan shall be repayable, subject to a term, interest, and purpose.

7. Interested parties, grounds for being recognised as such, interested parties' equity share in the charter (joint stock) capital (percentage of the shares that belonged to the interested parties) of PJSC "LUKOIL" and the legal entity, a party to the transaction as of the transaction date <sup>1</sup>	Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V., interested party's equity share in the charter capital of PJSC "LUKOIL" – 0.39%, interested party's equity share in the charter capital of LUKINTER FINANCE B.V. – 0%.  Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V., interested party's equity share in the charter capital of PJSC "LUKOIL" – 0.44%, interested party's equity share in the charter capital of LUKINTER FINANCE B.V. – 0%.
8. Other material terms of the transaction	<p>The loan funds shall be provided to finance the Borrower's activities according to its Articles of Association. The Borrower shall not utilize the loan funds for any purposes other than those specified in Agreement.</p> <p>The Borrower shall pay to the Lender the interest at the rate of LIBOR + 0.83% per annum. The interest shall accrue on the Borrower's actual debt on a monthly basis.</p> <p>The loan shall be repaid on or before 31.12.2020, with the right of early repayment. If neither Party notifies the other in writing to the contrary on or before December 30, the term of the Loan shall be automatically extended to December 31 of the following year.</p> <p>This Agreement becomes effective the moment the funds are transferred to the Borrower, and shall cease to be in force the moment the Parties have performed their respective obligations.</p> <p>This Agreement shall be governed by and construed in accordance with the law of the Russian Federation (without regard to conflict of law principles).</p>

## 1. Reference Number of the transaction 8

2.1. Price (amount in US dollars)	Credit line of USD 200,000,000, plus interest of no more than USD 10,960,000.
2.2. Price (amount in roubles)	Credit line of RUB 15,122,000,000, plus interest of no more than RUB 828,685,600.
3. Names of the parties	PJSC "LUKOIL" (Guarantor) CITIBANK N.A., LONDON BRANCH (Lender)
4. Name of the beneficiaries	LUKINTER FINANCE B.V. (Borrower).
5. Name of the transaction	Amended Facility Agreement – Second Guarantee Confirmation and Second Amendment to the Guarantee No.1710237 of 12.04.2017 in connection with amendment to the Facility Agreement (Guarantee Confirmation).

<sup>1</sup> The amount of the transaction exceeds 2 percent of the book value of the Company's assets as of the date of the transaction

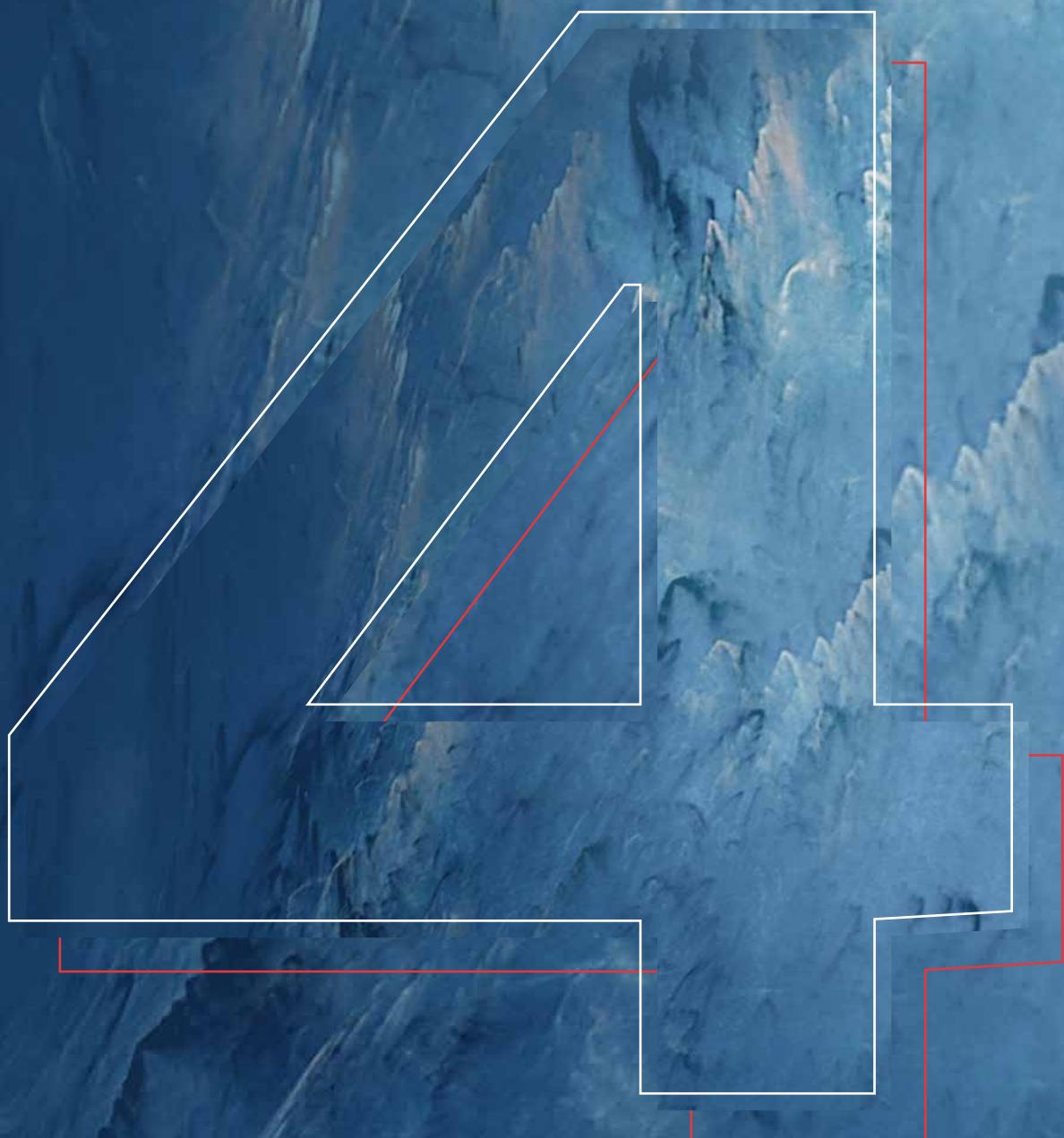
6. Subject of the transaction	<p>In accordance with the Guarantee No.1710237 of 12.04.2017 (hereinafter, the Guarantee), the Guarantor shall guarantee performance of the Borrower's obligations to the Lender under the Facility Agreement dated 12 April 2017 (hereinafter, the "Facility Agreement") for the principal amount of debt of USD 250,000,000, plus all accrued interest, penalties, fees, documented costs, expenses and other amounts due and payable to the Lender.</p> <p>According to the Guarantee Confirmation:</p> <p>1) the Guarantor confirms its consent to the amendments made by the Amendment Letter to the Facility Agreement, which provide for:</p> <ul style="list-style-type: none"> <li>- reduction of the loan amount to USD 200,000,000;</li> <li>- reduction of the Commitment Fee Rate for using the credit line limit to 0.5% per annum;</li> <li>- extension of the term of the Facility Agreement for 2 years from the date of signing the specified Amendment Letter;</li> </ul> <p>2) the Guarantee shall be amended as follows:</p> <ul style="list-style-type: none"> <li>- the definition of the term "Facility Agreement" in point 1.1 shall be revised to reduce the loan amount from USD 250,000,000 to USD 200,000,000;</li> <li>- Sub-point (b) of point 2.8 (Term and Amount of Guarantee) of the Guarantee shall be amended by replacing "USD 250,000,000" with "USD 200,000,000";</li> </ul> <p>3) the Guarantor confirms that its obligations under the Guarantee shall remain in full force and effect, subject to the above changes.</p>
7. Interested parties, basis for being recognised as such	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Pavel Vladimirovich Zhdanov<sup>1</sup>, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a Member of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p>
8. Other material terms of the transaction	Guarantee Confirmation shall be governed by, and construed in accordance with English law. Any dispute shall be referred to and finally resolved by arbitration under the LCIA Rules.
1. Reference Number of the transaction	9
2.1. Price (amount in US dollars)	Credit line of USD 200,000,000, plus interest of no more than USD 10,960,000; the fee of no more than USD 3,000,000.
2.2. Price (amount in roubles)	Credit line of RUB 15,122,000,000, plus interest of no more than RUB 828,685,600; the fee of no more than RUB 226,830,000.
3. Names of the parties	PJSC "LUKOIL" (Guarantor) LUKINTER FINANCE B.V. (Debtor)
4. Name of the beneficiaries	-
5. Name of the transaction	Supplemental Agreement to the Indemnity Agreement No.1710198 of 12 April 2017 (hereinafter the Agreement).

<sup>1</sup> Pavel Vladimirovich Zhdanov elected to the Management Committee of PJSC "LUKOIL" by the Board of the Directors on 14.07.2020 (Minutes No.12).

6. Subject of the transaction	<p>The Parties signed the Agreement in connection with the Deed of Guarantee No.1710237 of 12 April 2017 (hereinafter, the Guarantee) issued by the Guarantor as a guarantee to CITIBANK N.A., LONDON BRANCH (the "Bank") for meeting the Debtor's liabilities worth USD 250,000,000 under the Facility Agreement between the Debtor and the Bank, plus interest, penalties, forfeits, fines and other amounts due and payable (the Facility Agreement). The Parties have agreed to deem the amount paid by the Guarantor to the Bank in fulfillment of obligations under the Guarantee the amount payable by the Debtor to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Agreement. The Debtor undertakes to pay the Guarantor a fee for the service of providing the Guarantee for the Debtor's obligation amounting to 1% per annum of the amount of the Debtor's obligations to the Bank covered by the Guarantee under the Facility Agreement and calculated for each day of the reporting period.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> <li>- due to reduction of the loan amount to USD 200,000,000 and extension of the validity period of the Guarantee in point 1.1. of the Agreement shall be revised to replace "USD 250,000,000" with "USD 200,000,000".</li> <li>- point 3.2 of the Agreement shall be revised to stipulate that the cost of the service of the Guarantee for the Debtor's obligation shall amount to 0.75% per annum of the amount of the Debtor's obligations to the Bank under the Facility Agreement and calculated for each day of the reporting period. The said rate shall not change during the validity of the Agreement unless duly stipulated by the Parties in writing. In calculating the amount payable for the Service provided the actual number of days in a year shall be used (365/366).</li> </ul>
7. Interested parties, basis for being recognised as such	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Pavel Vladimirovich Zhdanov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a Member of the Supervisory Board of LUKINTER FINANCE B.V.</p> <p>Liubov Nikolaevna Khoba, a member of the Board of Directors of PJSC "LUKOIL" and the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKINTER FINANCE B.V.</p>
8. Other material terms of the transaction	Supplemental Agreement shall become effective upon being signed by the Parties.



# Transactions with PJSC LUKOIL Ordinary Shares by Members of the Board of Directors and Management Committee of PJSC LUKOIL



**INFORMATION ON TRANSACTIONS WITH PJSC "LUKOIL" ORDINARY SHARES / DRs PERFORMED BY MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE OF PJSC "LUKOIL" IN 2020**

<b>Member of the Board of Directors / Management Committee</b>	<b>Type of transaction</b>	<b>Date of transaction</b>	<b>Number of shares/DRs</b>
Vagit Alekperov	purchase	11.03.2020	200,000
	purchase*	24.07.2020	50,000
Vyacheslav Verkhov	purchase*	24.07.2020	20,000
	purchase	28.08.2020	3,000
Vadim Vorobyov	purchase*	24.07.2020	25,000
	purchase	05.06.2020	549
Denis Dolgov	purchase	05.06.2020	13,180
	purchase*	24.07.2020	20,000
Pavel Zhdanov	purchase*	24.07.2020	20,000
Ravil Maganov	purchase*	24.07.2020	30,000
Ilya Mandrik	purchase*	24.07.2020	20,000
Ivan Maslyaev	purchase*	24.07.2020	20,000
Alexander Matytsyn	purchase*	24.07.2020	25,000
Anatoly Moskalenko	transfer by gift	24.03.2020	10,000
	purchase*	24.07.2020	20,000
Nikolay Nikolaev	purchase*	24.07.2020	15,000
Oleg Pashaev	purchase*	24.07.2020	20,000
Denis Rogachev	purchase*	24.07.2020	20,000
Gennady Fedotov	purchase*	24.07.2020	20,000
Leonid Fedun	purchase*	24.07.2020	20,000
Evgeny Khavkin	purchase*	24.07.2020	20,000
Azat Shamsuarov	purchase*	24.07.2020	20,000

\* Acquisition of shares as part of the Long-Term Incentive Program for Key Employees of LUKOIL Group



# Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations





# Independent Auditors' Report

## To the Shareholders of PJSC LUKOIL

### Opinion

We have audited the consolidated financial statements of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audited entity: Public Joint Stock Company "Oil company "LUKOIL".

Registration No. in the Unified State Register of Legal Entities  
1027700035769.

Moscow, Russia

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities  
No. 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.



**PJSC LUKOIL**  
*Independent Auditors' Report*  
 Page 2

<b>Impairment of Property, plant and equipment (PP&amp;E)</b>	
Please refer to the Note 13 in the consolidated financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
Due to continuing volatility in prices for oil and oil products, caused by COVID-19 and the decline in oil extraction, there is a risk of impairment of the Group's PP&E, which are material to the consolidated financial statements as at 31 December 2020. Because of the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of impairment, this is one of the key judgmental areas that our audit is concentrated on.	<p>In this area our audit procedures included testing of the principles and integrity of the Group's discounted cash flow models.</p> <p>We used our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group. We assessed management's macroeconomic assumptions, which include both short-term and long-term views on commodity prices, inflation rates and interest rates. We compared the short-term price assumptions used by management to the market forward curves. We also compared the short and long-term assumptions to views published by brokers, economists, consultancies and respected industry bodies. We compared the volumes of oil and gas reserves and resources used in the impairment test to the volumes estimated by reservoir engineers. Analyzing the exploration and evaluation assets for impairment, we considered the license terms, the management's plans to conduct further exploration and evaluation works in the respective areas and the expenditures for exploration and evaluation, included in the approved investment programs.</p> <p>We also considered the adequacy of the PP&amp;E impairment disclosure included in the consolidated financial statements.</p>

<b>Estimation of oil and gas reserves and resources</b>	
Please refer to the Note 4 in the consolidated financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
The estimate of oil and gas reserves and resources has a significant impact on the consolidated financial statements, particularly impairment testing and depreciation, depletion and amortization (DD&A) charges. The volumes of oil and gas are mainly used by the	<p>In this area our audit procedures included the assessment of the competence, capabilities and objectivity of reservoir engineers, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation. Where volumetric movements had a material impact on the consolidated financial statements, we validated these volumes against underlying information and documentation, along with checking that assumptions used to estimate reserves and resources were made in compliance with relevant</p>



management in its assessment of future cash flows to assess the recoverability of property, plant and equipment as described above.	regulations.
---	--------------

#### Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion & Analysis of Financial Condition and Results of Operations but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, the Annual Report and the Quarterly report of the issuer of securities for the first quarter of 2021, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs



will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in



**PJSC LUKOIL**  
Independent Auditors' Report  
Page 5

our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Klimanova L.V.  
JSC "KPMG"  
Moscow, Russia

10 March 2021



**PJSC LUKOIL**  
**Consolidated Statement of Financial Position**  
**(Millions of Russian rubles)**

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	343,832	516,032
Accounts receivable, net	7	370,271	437,052
Other current financial assets	8	8,350	49,706
Inventories	9	426,536	413,910
Prepaid taxes	10	78,822	95,075
Other current assets	11	48,649	42,412
<b>Total current assets</b>		<b>1,276,460</b>	<b>1,554,187</b>
Property, plant and equipment	13	4,264,474	4,026,007
Investments in associates and joint ventures	12	281,637	220,004
Other non-current financial assets	14	68,692	38,231
Deferred income tax assets	29	16,298	28,673
Goodwill and other intangible assets	16	50,159	43,108
Other non-current assets		33,859	36,840
<b>Total non-current assets</b>		<b>4,715,119</b>	<b>4,392,863</b>
<b>Total assets</b>		<b>5,991,579</b>	<b>5,947,050</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable	17	597,932	607,734
Short-term borrowings and current portion of long-term debt	18	82,636	130,300
Taxes payable	20	142,458	142,471
Provisions	22, 23	27,136	37,232
Other current liabilities	21	35,497	168,952
Obligation to repurchase common shares	24	-	120,988
<b>Total current liabilities</b>		<b>885,659</b>	<b>1,207,677</b>
Long-term debt	19	577,075	422,932
Deferred income tax liabilities	29	268,956	264,159
Provisions	22, 23	126,665	77,045
Other non-current liabilities		2,458	1,788
<b>Total non-current liabilities</b>		<b>975,154</b>	<b>765,924</b>
<b>Total liabilities</b>		<b>1,860,813</b>	<b>1,973,601</b>
<b>Equity</b>	24		
Share capital		938	968
Treasury shares (including obligation to repurchase common shares)		(71,920)	(308,160)
Additional paid-in capital		39,298	39,277
Other reserves		296,641	30,141
Retained earnings		3,858,057	4,203,138
<b>Total equity attributable to PJSC LUKOIL shareholders</b>		<b>4,123,014</b>	<b>3,965,364</b>
Non-controlling interests		7,752	8,085
<b>Total equity</b>		<b>4,130,766</b>	<b>3,973,449</b>
<b>Total liabilities and equity</b>		<b>5,991,579</b>	<b>5,947,050</b>




**PJSC LUKOIL****Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**(Millions of Russian rubles, unless otherwise noted)**

	Note	2020	2019
<b>Revenues</b>			
Sales (including excise and export tariffs)	33	5,639,401	7,841,246
<b>Costs and other deductions</b>			
Operating expenses		(439,973)	(457,710)
Cost of purchased crude oil, gas and products		(3,000,916)	(4,308,073)
Transportation expenses		(292,899)	(278,798)
Selling, general and administrative expenses		(199,027)	(197,172)
Depreciation, depletion and amortisation		(405,440)	(415,094)
Taxes other than income taxes		(569,078)	(928,190)
Excise and export tariffs		(444,300)	(425,763)
Exploration expenses		(6,114)	(9,348)
<b>Profit from operating activities</b>		<b>281,654</b>	<b>821,098</b>
Finance income	26	13,051	25,134
Finance costs	26	(44,122)	(44,356)
Equity share in income of associates and joint ventures	12	11,474	18,246
Foreign exchange (loss) gain		(26,110)	923
Other expenses	27	(137,160)	(27,691)
<b>Profit before income taxes</b>		<b>98,787</b>	<b>793,354</b>
Current income taxes		(61,362)	(144,615)
Deferred income taxes		(20,792)	(6,518)
<b>Total income tax expense</b>	29	<b>(82,154)</b>	<b>(151,133)</b>
<b>Profit for the year</b>		<b>16,633</b>	<b>642,221</b>
<b>Profit for the year attributable to:</b>			
PJSC LUKOIL shareholders		15,175	640,178
Non-controlling interests		1,458	2,043
<b>Other comprehensive income (loss), net of income taxes</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		268,707	(164,117)
<i>Items that will never be reclassified to profit or loss:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income		(767)	(348)
Remeasurements of defined benefit liability / asset of pension plan	23	(1,423)	(1,976)
<b>Other comprehensive income (loss)</b>		<b>266,517</b>	<b>(166,441)</b>
<b>Total comprehensive income for the year</b>		<b>283,150</b>	<b>475,780</b>
<b>Total comprehensive income for the year attributable to:</b>			
PJSC LUKOIL shareholders		281,675	473,765
Non-controlling interests		1,475	2,015
<b>Earnings per share</b>			
Profit for the year attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):	24		
Basic		23.31	963.28
Diluted		22.46	934.73

The accompanying notes are an integral part of these consolidated financial statements.

**PJSC LUKOIL**  
**Consolidated Statement of Changes in Equity**  
**(Millions of Russian rubles)**

	Share capital	Treasury shares	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC LUKOIL shareholders	Non-controlling interests	Total equity
31 December 2019	968	(308,160)	39,277	30,141	4,203,138	<b>3,965,364</b>	8,085	<b>3,973,449</b>
Profit for the year	-	-	-	-	15,175	<b>15,175</b>	1,458	<b>16,633</b>
Other comprehensive income	-	-	-	266,500	-	<b>266,500</b>	17	<b>266,517</b>
<b>Total comprehensive income</b>				<b>266,500</b>	<b>15,175</b>	<b>281,675</b>	<b>1,475</b>	<b>283,150</b>
Dividends on common stock	-	-	-	-	(258,389)	(258,389)	-	(258,389)
Stock purchased	-	(2,026)	-	-	-	(2,026)	-	(2,026)
Equity-settled share-based compensation plan	-	-	-	-	15,381	<b>15,381</b>	-	<b>15,381</b>
Obligation to repurchase common shares	-	120,988	-	-	-	<b>120,988</b>	-	<b>120,988</b>
Share capital reduction	(30)	117,278	-	-	(117,248)	-	-	-
Changes in non-controlling interests	-	-	21	-	-	<b>21</b>	(1,808)	(1,787)
<b>31 December 2020</b>	<b>938</b>	<b>(71,920)</b>	<b>39,298</b>	<b>296,641</b>	<b>3,858,057</b>	<b>4,123,014</b>	<b>7,752</b>	<b>4,130,766</b>
31 December 2018	1,015	(134,810)	39,173	196,554	3,963,628	<b>4,065,560</b>	7,966	<b>4,073,526</b>
Profit for the year	-	-	-	-	640,178	<b>640,178</b>	2,043	<b>642,221</b>
Other comprehensive loss	-	-	-	(166,413)	-	(166,413)	(28)	(166,441)
<b>Total comprehensive (loss) income</b>				<b>(166,413)</b>	<b>640,178</b>	<b>473,765</b>	<b>2,015</b>	<b>475,780</b>
Dividends on common stock	-	-	-	-	(229,669)	(229,669)	-	(229,669)
Stock purchased	-	(240,767)	-	-	-	(240,767)	-	(240,767)
Equity-settled share-based compensation plan	-	-	-	-	17,359	<b>17,359</b>	-	<b>17,359</b>
Obligation to repurchase common shares	-	(120,988)	-	-	-	(120,988)	-	(120,988)
Share capital reduction	(47)	188,405	-	-	(188,358)	-	-	-
Changes in non-controlling interests	-	-	104	-	-	<b>104</b>	(1,896)	(1,792)
<b>31 December 2019</b>	<b>968</b>	<b>(308,160)</b>	<b>39,277</b>	<b>30,141</b>	<b>4,203,138</b>	<b>3,965,364</b>	<b>8,085</b>	<b>3,973,449</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PJSC LUKOIL**  
**Consolidated Statement of Cash Flows**  
**(Millions of Russian rubles)**

	Note	2020	2019
<b>Cash flows from operating activities</b>			
<b>Profit for the year attributable to PJSC LUKOIL shareholders</b>		<b>15,175</b>	<b>640,178</b>
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		405,440	415,094
Equity share in income of associates and joint ventures, net of dividends received		(2,903)	(11,387)
Dry hole write-offs		4,425	7,694
Loss on disposals and impairments of assets		125,535	16,975
Income tax expense		82,154	151,133
Non-cash foreign exchange loss (gain)		26,037	(1,120)
Finance income		(13,051)	(25,134)
Finance costs		44,122	44,356
Allowance for expected credit losses		5,811	9,340
Equity-settled share-based compensation plan		31,366	31,366
All other items, net		5,538	1,823
Changes in operating assets and liabilities:			
Trade accounts receivable		128,139	(48,023)
Inventories		37,868	(69,171)
Accounts payable		(69,305)	88,977
Other taxes		10,200	24,053
Other current assets and liabilities		(23,725)	(2,617)
Income tax paid		(57,250)	(148,314)
Dividends received		9,448	6,636
Interests received		11,550	19,985
<b>Net cash provided by operating activities</b>		<b>776,574</b>	<b>1,151,844</b>
<b>Cash flows from investing activities</b>			
Acquisition of licenses		(235)	(8,925)
Capital expenditures		(495,443)	(449,975)
Proceeds from sale of property, plant and equipment		657	1,759
Purchases of financial assets		(8,232)	(7,198)
Proceeds from sale of financial assets		12,323	17,774
Sale of subsidiaries, net of cash disposed		17	9,261
Sale of associates		312	259
Acquisitions of interests in the projects and subsidiaries, net of cash acquired		(1,040)	(71,693)
Acquisitions of associates		(1,128)	(1,388)
<b>Net cash used in investing activities</b>		<b>(492,769)</b>	<b>(510,126)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of short-term borrowings		1,971	264
Principal repayments of short-term borrowings		(815)	(6,186)
Proceeds from issuance of long-term debt		108,796	-
Principal repayments of long-term debt		(171,980)	(106,625)
Interest paid		(39,100)	(41,589)
Dividends paid on Company common shares		(407,309)	(180,747)
Dividends paid to non-controlling interest shareholders		(3,589)	(4,040)
Financing received from non-controlling interest shareholders		47	297
Purchase of Company's stock		(2,026)	(243,691)
Purchases of non-controlling interest		-	(27)
<b>Net cash used in financing activities</b>		<b>(514,005)</b>	<b>(582,344)</b>
Effect of exchange rate changes on cash and cash equivalents		58,000	(35,992)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(172,200)</b>	<b>23,382</b>
Cash and cash equivalents at beginning of year		516,032	492,650
<b>Cash and cash equivalents at end of year</b>	6	<b>343,832</b>	<b>516,032</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 1. Organisation and environment**

The primary activities of PJSC LUKOIL (the “Company”) and its subsidiaries (together, the “Group”) are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

The Group was established in accordance with Presidential Decree No. 1403, issued on 17 November 1992. Under this decree, on 5 April 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on 1 September 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of the twenty-four founding subsidiaries to 100%.

From formation, the Group has expanded substantially through consolidation of its interests, acquisition of new companies and establishment of new businesses.

***Business and economic environment***

The accompanying consolidated financial statements reflect management’s assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management’s assessment.

***COVID-19***

In December 2019, the emergence of a new strain of coronavirus (COVID-19) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy. Deceleration of economic activity resulted in a substantial decrease in demand for hydrocarbons leading to oversupply on the international oil market and a sharp decline in oil prices. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output starting from 1 May 2020. This coordinated production cut together with the negative impact of low oil prices on crude oil production in different countries resulted in lower supply of crude oil, reduction of surplus on the crude oil market and led to a gradual recovery of oil prices. This upward oil price trend was further supported by the start of gradual lifting of lockdowns in different countries, recovery in economic activity and respective growth in demand for hydrocarbons. Acceleration of COVID-19 spread in October 2020 resulted in a renewal of lockdown measures in different countries and a decline in oil prices. However, progress with testing of vaccines against COVID-19 pushed the oil prices up by the end of December 2020. This upward trend continued in the beginning of 2021.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted production processes.

The major impact of COVID-19 on the macroeconomic environment in the oil and gas industry resulted in a number of consequences on operational and financial performance of the Group. For example, due to the OPEC+ agreement the Group cut its crude oil production in Russia and at some international projects.

Management has considered the impact of COVID-19 and oil price decline on these consolidated financial statements. Current market conditions create additional estimation uncertainties and impact certain key assumptions in the valuation of assets used for preparation of these consolidated financial statements.

Management believes that the Group is in a solid financial condition as of the end of 2020. This represents an incremental support for continuous operations and meeting all of the Group’s obligations, as well as adequate financing of the investment program in any macroeconomic situation. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

---

**Note 2. Basis of preparation**

***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared on a historical cost basis, except certain assets and liabilities measured at fair value.

The consolidated financial statements were authorised by the President of the Company on 10 March 2021.

***Functional and presentation currency***

The functional currency of each of the Group’s consolidated companies is the currency of the primary economic environment in which the company operates. The management has analysed factors that influence the choice of functional currency and has determined the functional currency for each Group company. For the majority of them the functional currency is the local currency. The functional currency of the Company is the Russian ruble (“RUB”).

The presentation currency of the Group is the RUB. All financial information presented in the RUB has been rounded to the nearest million, except when otherwise indicated.

The results and financial position of Group companies whose functional currency is different from the presentation currency of the Group are translated into presentation currency using the following procedures. Assets and liabilities are translated at period-end exchange rates, income and expenses are translated at rates which approximate actual rates at the date of the transaction. Resulting exchange differences are recognised in other comprehensive income.

**Note 3. Summary of significant accounting policies**

***Principles of consolidation***

These consolidated financial statements include the financial position and results of operations of the Company and controlled subsidiaries. A company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group’s interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method. These investments include the Group’s interests in associates, joint ventures and investments where the Company owns the majority of the voting interest but has no control. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)**

Group's share in jointly controlled operations is recognised in the consolidated financial statements based on its share in assets, liabilities, income and expenses. Jointly controlled operations are arrangements in which parties that have joint control over operating or financial policies have respective rights to use assets and responsibility for liabilities in the arrangements.

Certain of Group's unincorporated joint exploration and production activities are conducted through arrangements that are not jointly controlled, either because unanimous consent is not required among all parties involved, or no single group of parties has joint control over the activity. Such activities where control can be achieved through agreement between more than one combination of involved parties are considered to be outside the scope of IFRS 11 *Joint Arrangements*. In relation to its interests in these arrangements, the Group recognises its share of any assets, liabilities, income and expenses.

***Business combinations***

For each business combination the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of previous transactions. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

***Non-controlling interests***

Non-controlling interests are measured at their proportionate share of the fair value of acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)*****Foreign currency******Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of financial assets measured at fair value through other comprehensive income which are recognised in other comprehensive income.

***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in a way that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

***Revenues***

Revenues are recognised when a customer obtains control of the goods or services which usually occurs when the title is passed, provided that risks and rewards of ownership are assumed by the customer and the customer obtains obligation to pay for the goods or services.

Revenues include excise on petroleum products' sales and duties on export sales of crude oil and petroleum products.

Revenue from the production of oil and natural gas in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts.

Revenues from non-cash sales are recognised at the fair value of the crude oil and petroleum products sold. If the fair value of the non-cash consideration cannot be reasonably estimated, the consideration shall be measured indirectly by reference to the stand-alone selling price of the goods or services promised to the customer in exchange for the consideration.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)*****Cash and cash equivalents***

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

***Financial assets***

The Group classifies financial assets into the following categories, as appropriate: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular instruments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group initially recognises as financial assets loans and receivables on the date when they are originated and debt securities on the date when they are acquired. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

***Non-derivative financial liabilities***

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)*****Derivative instruments***

The Group uses various derivative financial instruments to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Resulting realised and unrealised gains or losses are presented in profit or loss on a net basis. The Group does not use hedge accounting.

***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other delivery costs. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The disposal of finished goods is accounted for using the first-in first-out principle, the disposal of other inventories by using the “average cost” method.

***Property, plant and equipment***

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment of major subsidiaries at 1 January 2014, the Group’s date of transition to IFRSs, was determined by reference to its fair value at that date.

The Group recognises exploration and evaluation costs using the successful efforts method. Under this method, all costs related to exploration and evaluation are capitalised and accounted for as construction in progress in the amount incurred less impairment (if any) until the discovery (or absence) of economically feasible oil and gas reserves has been established. When the technical feasibility and commercial viability of reserves extraction is confirmed, exploration and evaluation assets should be reclassified into property, plant and equipment. Prior to reclassification these assets should be reviewed for impairment and impairment loss (if any) expensed to the financial results. If the exploration and evaluation activity is evaluated as unsuccessful, the costs incurred should be expensed.

Depreciation, depletion and amortisation of capitalised costs of oil and gas properties is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs.

Depreciation, depletion and amortisation of the capitalised costs of oil and gas properties related to risk service contract is calculated using a depletion factor calculated as the ratio of value of the applicable crude oil production for the period to the total capitalised costs to be recovered.

Depreciation of assets not directly associated with production is calculated on a straight-line basis over the economic lives of such assets, estimated to be in the following ranges:

Buildings and constructions	5 – 40 years
Machinery and equipment	3 – 20 years

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Production and related overhead costs are expensed as incurred.

In addition to production assets, certain Group companies also maintain and construct social assets for the use of local communities. Such assets are capitalised only to the extent that they are expected to result in future economic benefits to the Group. If capitalised, they are depreciated over their estimated economic lives.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)*****Impairment of non-current non-financial assets***

The carrying amounts of the Group's non-current non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or related cash-generating unit ("CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to group of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Significant unproved properties are assessed for impairment individually on a regular basis and any estimated impairment is charged to expense.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Asset retirement obligations***

The Group records the present value of the estimated future costs to settle its legal obligations to abandon, dismantle or otherwise retire tangible non-current non-financial assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related non-current non-financial assets is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated using the same method as asset to be abandoned, dismantled or otherwise retired. Changes in the estimates of asset retirement obligations ("ARO") occur as a result of changes in cost and timing of liquidation or change of discount rates and are accounted as part of cost of property, plant and equipment in the current period.

***Lease***

A single, on-balance sheet lease accounting model is used by lessees. A contract is, or contains, a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group has elected not to apply provided exemptions for short-term leases and leases for which the underlying asset is of low value. Lessors classify leases as finance or operating leases.

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)**

The Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities.

***Assets classified as held for sale***

Assets classified as held for sale are separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities classified as held for sale are presented in current assets and liabilities of the consolidated statement of financial position.

***Income taxes***

Deferred income tax assets and liabilities are recognised in respect of the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purposes of the consolidated statement of financial position and their respective tax bases. But as opposed to deferred tax liabilities, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Similarly a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available. At the end of each reporting period realizability of deferred tax assets (both recognised and unrecognised) should be reassessed. In case of existence of previously unrecognised deferred tax assets, they can be recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets be recovered and liabilities settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognised in profit or loss in the reporting period which includes the enactment date.

***Employee benefits***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***Treasury shares***

Purchases by Group companies of the Company's outstanding shares are recorded at cost and classified as treasury shares within equity. Shares shown as Authorised and Issued include treasury shares. Shares shown as Outstanding do not include treasury shares.

***Earnings per share***

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Company by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

***Provisions and contingencies***

Certain conditions may exist as of the consolidated financial statements date, which may result in losses to the Group but the impact of which will only be resolved when one or more future events occur or fail to occur.

Liabilities of the Group with high level of probability of loss are recognised in the consolidated financial statements as provisions. Liabilities of the Group with the level of probability that do not meet the conditions in order to be recognised as provisions are considered to be contingent liabilities. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements if probability of disposal of certain resources aimed to settle this liability is not remote. If probability of disposal of certain resources is remote the information about such contingencies is not disclosed.

***Environmental expenditures***

Estimated losses from environmental remediation obligations are generally recognised no later than completion of remedial feasibility studies. Group companies accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or circumstances change.

***Share-based payments***

The Group accounts for cash-settled share-based payment awards to employees at fair value on the grant date and as of each reporting date. Expenses are recognised over the vesting period. Equity-settled share-based payment awards to employees are valued at fair value on the grant date and expensed over the vesting period.

***Changes in accounting policies and disclosures***

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amendments to the existing standards effective as of 1 January 2020. These amendments did not have a significant impact on the consolidated financial statements:

- amendments to references to Conceptual Framework in IFRS Standards. In particular, the amendments introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses;
- definition of a business (amendments to IFRS 3 *Business Combinations*);

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 3. Summary of significant accounting policies (continued)**

- definition of a material (amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

**Note 4. Use of estimates and judgments**

Preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- estimation of oil and gas reserves;
- estimation of useful lives of property, plant and equipment;
- impairment of non-current assets;
- assessment and recognition of provisions and contingent liabilities;
- definition of leases.

Oil and gas reserves estimates that are used for the reporting purposes are made in accordance with the requirements adopted by U.S. Securities and Exchange Commission. Estimates are reassessed on an annual basis.

**Note 5. New standards and interpretations not yet adopted**

The following amendments to the standards are effective for annual periods beginning after 1 January 2021, available for early adoption:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*);
- COVID-19-Related Rent Concessions (Amendment to IFRS 16 *Leases*);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*);
- Reference to Conceptual Framework (Amendments to IFRS 3 *Business Combinations*);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*).

However, the Group did not make an early adoption of the amended standards in the preparation of these consolidated financial statements, which are not expected to have a significant impact on the Group's consolidated financial statements.

**Note 6. Cash and cash equivalents**

	31 December 2020	31 December 2019
Cash held in RUB	16,537	189,055
Cash held in US dollars	256,841	303,046
Cash held in EUR	59,009	14,909
Cash held in other currencies	11,445	9,022
<b>Total cash and cash equivalents</b>	<b>343,832</b>	<b>516,032</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 7. Accounts receivable, net**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade accounts receivable (net of allowances of 32,762 million RUB and 26,593 million RUB at 31 December 2020 and 2019, respectively)	357,159	428,415
Other current accounts receivable (net of allowances of 4,930 million RUB and 4,694 million RUB at 31 December 2020 and 2019, respectively)	13,112	8,637
<b>Total accounts receivable, net</b>	<b>370,271</b>	<b>437,052</b>

**Note 8. Other current financial assets**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Financial assets measured at amortised cost</b>		
Short-term loans	8,350	6,814
<b>Financial assets measured at fair value through profit or loss</b>		
Short-term loans	-	42,892
<b>Total other current financial assets</b>	<b>8,350</b>	<b>49,706</b>

**Note 9. Inventories**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Crude oil and petroleum products	373,290	366,795
Materials for extraction and drilling	25,582	22,811
Materials and supplies for refining	4,681	4,449
Other goods, materials and supplies	22,983	19,855
<b>Total inventories</b>	<b>426,536</b>	<b>413,910</b>

**Note 10. Prepaid taxes**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income tax prepaid	17,983	17,120
VAT and excise tax recoverable	21,290	30,660
Export duties prepaid	8,009	11,968
VAT prepaid	26,407	30,199
Other taxes prepaid	5,133	5,128
<b>Total prepaid taxes</b>	<b>78,822</b>	<b>95,075</b>

**Note 11. Other current assets**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Advance payments	15,904	10,246
Prepaid expenses	21,622	23,673
Other assets	11,123	8,493
<b>Total other current assets</b>	<b>48,649</b>	<b>42,412</b>

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 12. Investments in associates and joint ventures**

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership			
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
<i>Joint ventures:</i>					
Tengizchevroil (TCO)	Kazakhstan	5.0%	5.0%	146,611	119,924
Caspian Pipeline Consortium (CPC)	Kazakhstan	12.5%	12.5%	56,027	40,670
South Caucasus Pipeline Company (SCPC)	Azerbaijan	10.0%	10.0%	34,663	30,241
Others				-	655
<i>Associates:</i>					
Associates				44,336	28,514
<b>Total</b>				<b>281,637</b>	<b>220,004</b>

TCO is engaged in development of hydrocarbon resources in Kazakhstan. The Group has classified its interest in TCO as a joint venture as it has rights to the net assets of the arrangement.

31 December 2020	TCO	CPC	SCPC	Others	Associates	Total
Current assets	185,179	49,950	17,923	85	37,049	<b>290,186</b>
Non-current assets	3,398,159	449,020	363,283	-	222,001	<b>4,432,463</b>
Current liabilities	153,329	39,529	17,584	85	22,011	<b>232,538</b>
Non-current liabilities	1,228,347	11,224	16,995	-	127,928	<b>1,384,494</b>
Net assets (100%)	2,201,662	448,217	346,627	-	109,111	<b>3,105,617</b>
Share in net assets	146,611	56,027	34,663	-	44,336	<b>281,637</b>

31 December 2019	TCO	CPC	SCPC	Others	Associates	Total
Current assets	127,066	21,376	10,196	3,183	36,785	<b>198,606</b>
Non-current assets	2,641,370	410,517	315,987	1,770	193,540	<b>3,563,184</b>
Current liabilities	195,807	88,698	9,311	568	136,443	<b>430,827</b>
Non-current liabilities	825,320	17,838	14,467	3,076	31,737	<b>892,438</b>
Net assets (100%)	1,747,309	325,357	302,405	1,309	62,145	<b>2,438,525</b>
Share in net assets	119,924	40,670	30,241	655	28,514	<b>220,004</b>

2020	TCO	CPC	SCPC	Others	Associates	Total
Revenues	657,608	151,648	50,221	4,627	74,160	<b>938,264</b>
Net income (loss), 100%	113,342	57,684	24,251	1,402	(6,194)	<b>190,485</b>
Share in net income (loss)	3,407	7,210	2,425	701	(2,269)	<b>11,474</b>

2019	TCO	CPC	SCPC	Others	Associates	Total
Revenues	1,055,783	146,646	37,944	6,988	122,041	<b>1,369,402</b>
Net income (loss), 100%	296,060	46,918	18,234	167	(8,219)	<b>353,160</b>
Share in net income (loss)	12,474	5,865	1,823	84	(2,000)	<b>18,246</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 13. Property, plant and equipment**

	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>				
31 December 2019	4,795,674	1,510,515	76,246	6,382,435
Additions	424,751	144,941	4,864	574,556
Acquisitions	1,209	-	-	1,209
Disposals	(37,156)	(42,014)	(6,592)	(85,762)
Foreign currency translation differences	272,259	143,409	2,704	418,372
Other	(23,473)	(201)	(216)	(23,890)
<b>31 December 2020</b>	<b>5,433,264</b>	<b>1,756,650</b>	<b>77,006</b>	<b>7,266,920</b>
<b>Depreciation and impairment</b>				
31 December 2019	(1,766,575)	(589,636)	(21,153)	(2,377,364)
Depreciation for the period	(278,237)	(135,596)	(3,705)	(417,538)
Impairment loss	(48,740)	(58,129)	-	(106,869)
Disposals	18,358	38,776	3,477	60,611
Foreign currency translation differences	(144,090)	(60,206)	(1,032)	(205,328)
Other	25,550	1,914	45	27,509
<b>31 December 2020</b>	<b>(2,193,734)</b>	<b>(802,877)</b>	<b>(22,368)</b>	<b>(3,018,979)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2019	6,791	13,314	831	20,936
<b>31 December 2020</b>	<b>10,218</b>	<b>5,757</b>	<b>558</b>	<b>16,533</b>
<b>Carrying amounts</b>				
31 December 2019	3,035,890	934,193	55,924	4,026,007
<b>31 December 2020</b>	<b>3,249,748</b>	<b>959,530</b>	<b>55,196</b>	<b>4,264,474</b>
<b>Cost</b>				
31 December 2018	4,476,824	1,373,743	75,882	5,926,449
Adjustment on adoption of IFRS 16	54,335	102,189	5,527	162,051
1 January 2019	4,531,159	1,475,932	81,409	6,088,500
Additions	397,031	120,221	2,133	519,385
Acquisition of the interest in the project	72,171	529	-	72,700
Disposals	(55,461)	(19,197)	(2,833)	(77,491)
Foreign currency translation differences	(165,027)	(71,067)	(1,804)	(237,898)
Other	15,801	4,097	(2,659)	17,239
<b>31 December 2019</b>	<b>4,795,674</b>	<b>1,510,515</b>	<b>76,246</b>	<b>6,382,435</b>
<b>Depreciation and impairment</b>				
31 December 2018	(1,586,508)	(513,668)	(19,380)	(2,119,556)
Depreciation for the period	(288,349)	(121,721)	(4,064)	(414,134)
Impairment loss	(21,559)	(1,324)	-	(22,883)
Impairment reversal	9,797	-	-	9,797
Disposals	36,114	15,289	789	52,192
Foreign currency translation differences	83,848	27,564	723	112,135
Other	82	4,224	779	5,085
<b>31 December 2019</b>	<b>(1,766,575)</b>	<b>(589,636)</b>	<b>(21,153)</b>	<b>(2,377,364)</b>
<b>Advance payments for property, plant and equipment</b>				
31 December 2018	5,916	15,669	686	22,271
<b>31 December 2019</b>	<b>6,791</b>	<b>13,314</b>	<b>831</b>	<b>20,936</b>
<b>Carrying amounts</b>				
31 December 2018	2,896,232	875,744	57,188	3,829,164
<b>31 December 2019</b>	<b>3,035,890</b>	<b>934,193</b>	<b>55,924</b>	<b>4,026,007</b>

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 13. Property, plant and equipment (continued)**

The cost of assets under construction included in property, plant and equipment was 458,265 million RUB and 369,926 million RUB at 31 December 2020 and 2019, respectively.

***Exploration and evaluation assets***

	<b>2020</b>	<b>2019</b>
1 January	129,951	107,105
Capitalised expenditures	36,881	41,446
Acquisitions through business combinations	362	-
Reclassified to development assets	(5,238)	(8,742)
Charged to expenses	(3,542)	(7,159)
Foreign currency translation differences	6,244	(3,537)
Other movements	(1,407)	838
<b>31 December</b>	<b>163,251</b>	<b>129,951</b>

Due to a significant deterioration in the macroeconomic environment in the first quarter of 2020, the Company revised the scenario conditions used in the impairment test at the end of 2019 and performed an impairment test for assets at 31 March 2020.

As a result, in the first quarter of 2020, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 5,219 million RUB, for its international exploration and production assets in the amount of 2,209 million RUB and for its international refining, marketing and distribution assets in the amount of 28,859 million RUB.

The recoverable amounts of CGUs subject to impairment in the first quarter of 2020 in the amount of 139,180 million RUB were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 9% discount rate for exploration and production assets in Russia, 8.2% discount rate for international exploration and production assets and 7.5% discount rate for international refining, marketing and distribution assets.

For impairment test purposes at 31 March 2020 the following Brent Blend price assumptions have been used: \$40.0 per barrel in 2020–2021, \$45.0 per barrel in 2022, \$50.0 per barrel in 2023, \$55.0 per barrel in 2024 and \$60.0 per barrel from 2025.

Also, in the second quarter of 2020, the Group recognised an impairment loss for its international exploration and production assets in the amount of 38,148 million RUB. Of this amount, 35,986 million RUB relates to gas projects in the Republic of Uzbekistan and are determined based on the revised business model, which takes into account conservative approaches to assessing the structure of gas supplies and pricing.

The recoverable amounts of CGUs in the amount of 106,003 million RUB which relate to impaired assets were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using 11.2% discount rate.

The Company performs a regular annual impairment test of its assets. The test is based on geological models and development programs, which are revised on a regular basis, at least annually.

In the fourth quarter of 2020, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 3,020 million RUB, for its international exploration and production assets in the amount of 144 million RUB, for its refining, marketing and distribution assets in Russia in the amount of 7,656 million RUB and for its international refining, marketing and distribution assets in the amount of 21,614 million RUB.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 13. Property, plant and equipment (continued)**

The recoverable amounts of CGUs subject to impairment in the fourth quarter of 2020 in the amount of 51,843 million RUB were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets in Russia – 8%, for refining, marketing and distribution assets in Russia – from 10% to 13% and for international refining, marketing and distribution assets – 6.4%.

For impairment test purposes at 31 December 2020 the following Brent Blend price assumptions have been used: \$50.0 per barrel in 2021, \$54.0 per barrel in 2022, \$57.0 per barrel in 2023, \$58.0 per barrel in 2024 and \$60.0 per barrel from 2025.

In the fourth quarter of 2019, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 20,142 million RUB, for its international exploration and production assets in the amount of 1,270 million RUB, for its refining, marketing and distribution assets in Russia in the amount of 476 million RUB and for its international refining, marketing and distribution assets in the amount of 848 million RUB. Also the Group recognised an impairment reversal of 9,651 million RUB, which was mainly a result of improvement of economic parameters of our production projects in Western Siberia and European part of Russia.

The recoverable amounts of CGUs subject to impairment and impairment reversal in 2019 in the amount of 55,822 million RUB and 100,270 million RUB, respectively, were determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets in Russia – 8.5%, for refining, marketing and distribution assets in Russia – from 10% to 13%.

Impairment reversal and impairment loss are included in “Other income (expenses)” in the consolidated statement of profit or loss and other comprehensive income.

The measurement of recoverable amounts of property, plant and equipment is most sensitive to the volatility of oil and gas prices. However, price reductions would also result in changes in other factors used when estimating recoverable amounts. Quantitative assessment of suchlike impacts is very complicated, as it demands detailed technical, geological and economical evaluations based on hypothetical scenarios rather than existing business or development plans.

**Note 14. Other non-current financial assets**

	31 December 2020	31 December 2019
<b>Financial assets measured at fair value through other comprehensive income</b>		
Equity instruments	2,491	2,656
<b>Financial assets measured at amortised cost</b>		
Long-term loans	31,075	26,008
Non-current accounts and notes receivable	1,916	1,371
Other financial assets	15	34
<b>Financial assets measured at fair value through profit or loss</b>		
Long-term loans	33,195	8,162
<b>Total other non-current financial assets</b>	<b>68,692</b>	<b>38,231</b>

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 15. Acquisition of interests in the projects**

In the second quarter of 2019, a Group company entered into a contract with New Age M12 Holdings Limited to acquire a 25% interest in the Marine XII license in the Republic of Congo (Congo-Brazzaville) developed under the production sharing agreement. In September 2019, the transaction in the amount of 51.4 billion RUB (\$768 million) was closed after all the customary conditions, including approval by the Government of the Republic of Congo, were fulfilled. The Company has completed allocation of the purchase price to the fair value of assets acquired and liabilities assumed which includes property plant and equipment and assets under construction in the amount of 51.3 billion RUB (\$767 million), inventories in the amount of 0.9 billion RUB (\$13 million), accounts receivable in the amount of 0.5 billion RUB (\$7 million) and asset retirement obligations in the amount of 1.3 billion RUB (\$19 million).

After acquisition the Group accounts for this project similar to accounting for jointly controlled operations.

**Note 16. Goodwill and other intangible assets**

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
<b>Cost</b>					
31 December 2019	19,532	4,975	52,782	32,337	<b>109,626</b>
Additions as result of internal developments	1,914	1,859	-	-	<b>3,773</b>
Additions - separately acquired	-	-	5,597	-	<b>5,597</b>
Disposals	(190)	(23)	(11,088)	-	<b>(11,301)</b>
Foreign currency translation differences	281	4	3,617	6,239	<b>10,141</b>
Other	284	(242)	87	-	<b>129</b>
<b>31 December 2020</b>	<b>21,821</b>	<b>6,573</b>	<b>50,995</b>	<b>38,576</b>	<b>117,965</b>
<b>Amortisation and impairment</b>					
31 December 2019	(14,797)	(1,306)	(40,491)	(9,924)	<b>(66,518)</b>
Amortisation for the year	(917)	(299)	(4,881)	-	<b>(6,097)</b>
Impairment loss	-	(1)	(18)	-	<b>(19)</b>
Disposals	164	-	10,950	-	<b>11,114</b>
Foreign currency translation differences	(260)	(4)	(2,851)	(3,025)	<b>(6,140)</b>
Other	55	(2)	(199)	-	<b>(146)</b>
<b>31 December 2020</b>	<b>(15,755)</b>	<b>(1,612)</b>	<b>(37,490)</b>	<b>(12,949)</b>	<b>(67,806)</b>
<b>Carrying amounts</b>					
31 December 2019	4,735	3,669	12,291	22,413	<b>43,108</b>
<b>31 December 2020</b>	<b>6,066</b>	<b>4,961</b>	<b>13,505</b>	<b>25,627</b>	<b>50,159</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 16. Goodwill and other intangible assets (continued)**

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
<b>Cost</b>					
31 December 2018	17,714	3,538	50,296	35,681	<b>107,229</b>
Additions as result of internal developments	1,678	1,886	-	-	<b>3,564</b>
Acquisitions	-	-	16	-	<b>16</b>
Additions - separately acquired	-	-	6,922	-	<b>6,922</b>
Disposals	(7)	(7)	(1,030)	-	<b>(1,044)</b>
Foreign currency translation differences	(289)	(2)	(3,287)	(3,344)	<b>(6,922)</b>
Other	436	(440)	(135)	-	<b>(139)</b>
<b>31 December 2019</b>	<b>19,532</b>	<b>4,975</b>	<b>52,782</b>	<b>32,337</b>	<b>109,626</b>
<b>Amortisation and impairment</b>					
31 December 2018	(14,242)	(1,001)	(38,503)	(11,718)	<b>(65,464)</b>
Amortisation for the year	(837)	(298)	(5,329)	-	<b>(6,464)</b>
Disposals	7	5	706	-	<b>718</b>
Foreign currency translation differences	274	2	2,398	1,794	<b>4,468</b>
Other	1	(14)	237	-	<b>224</b>
<b>31 December 2019</b>	<b>(14,797)</b>	<b>(1,306)</b>	<b>(40,491)</b>	<b>(9,924)</b>	<b>(66,518)</b>
<b>Carrying amounts</b>					
31 December 2018	3,472	2,537	11,793	23,963	<b>41,765</b>
<b>31 December 2019</b>	<b>4,735</b>	<b>3,669</b>	<b>12,291</b>	<b>22,413</b>	<b>43,108</b>

Goodwill was tested for impairment and no impairment was identified.

**Note 17. Accounts payable**

	31 December 2020	31 December 2019
Trade accounts payable	533,598	555,823
Other accounts payable	64,334	51,911
<b>Total accounts payable</b>	<b>597,932</b>	<b>607,734</b>

**Note 18. Short-term borrowings and current portion of long-term debt**

	31 December 2020	31 December 2019
Short-term borrowings from third parties	18,736	13,940
Short-term borrowings from related parties	2,522	2,222
Current portion of long-term debt	61,378	114,138
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>82,636</b>	<b>130,300</b>

Short-term borrowings from third parties include amounts repayable in US dollars of 17,510 million RUB and 12,694 million RUB and amounts repayable in other currencies of 1,226 million RUB and 1,246 million RUB at 31 December 2020 and 2019, respectively. The weighted-average interest rate on short-term borrowings from third parties was 2.63% and 4.00% per annum at 31 December 2020 and 2019, respectively. At 31 December 2020, short-term borrowings from third parties are unsecured.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 19. Long-term debt**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Long-term loans and borrowings from third parties	112,660	117,864
6.125% non-convertible US dollar bonds, maturing 2020	-	61,866
6.656% non-convertible US dollar bonds, maturing 2022	36,901	30,905
4.563% non-convertible US dollar bonds, maturing 2023	110,737	92,769
4.750% non-convertible US dollar bonds, maturing 2026	73,751	61,786
3.875% non-convertible US dollar bonds, maturing 2030	110,532	-
Lease obligations	193,872	171,880
Total long-term debt	638,453	537,070
Current portion of long-term debt	(61,378)	(114,138)
<b>Total non-current portion of long-term debt</b>	<b>577,075</b>	<b>422,932</b>

***Long-term loans and borrowings***

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 101,376 million RUB and 104,819 million RUB and amounts repayable in euros of 11,284 million RUB and 13,045 million RUB at 31 December 2020 and 2019, respectively. This debt has maturity dates from 2021 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 2.54% and 4.08% per annum at 31 December 2020 and 2019, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 51% of total long-term loans and borrowings from third parties at 31 December 2020 are secured by shares in a PSA project, export sales and property, plant and equipment.

***Non-convertible bonds***

On 6 May 2020, a Group company issued non-convertible bonds totaling \$1.5 billion (110.8 billion RUB). The bonds were placed with a maturity of 10 years and a coupon yield of 3.875% per annum. All bonds were placed at face value and have a half year coupon period.

In November 2016, a Group company issued non-convertible bonds totaling \$1 billion (73.9 billion RUB). The bonds were placed with a maturity of 10 years and a coupon yield of 4.750% per annum. All bonds were placed at face value and have a half year coupon period.

In April 2013, a Group company issued two tranches of non-convertible bonds totaling \$3 billion (221.6 billion RUB). The first tranche totaling \$1.5 billion (110.8 billion RUB) was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling \$1.5 billion (110.8 billion RUB) was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period. In April 2018, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

In November 2010, a Group company issued two tranches of non-convertible bonds totaling \$1 billion (73.9 billion RUB) with a maturity of 10 years and a coupon yield of 6.125%. The first tranche totaling \$800 million (59.1 billion RUB) was placed at a price of 99.081% of the bond's face value with a resulting yield to maturity of 6.250%. The second tranche totaling \$200 million (14.8 billion RUB) was placed at a price of 102.44% of the bond's face value with a resulting yield to maturity of 5.80%. All bonds have a half year coupon period. In November 2020, a Group company redeemed all issued bonds of the first and second tranches in accordance with the conditions of the bond issue.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 19. Long-term debt (continued)**

In November 2009, a Group company issued two tranches of non-convertible bonds totaling \$1.5 billion (110.8 billion RUB). The first tranche totaling \$900 million (66.5 billion RUB) with a coupon yield of 6.375% per annum was placed with a maturity of 5 years at a price of 99.474% of the bond's face value with a resulting yield to maturity of 6.500%. The second tranche totaling \$600 million (44.3 billion RUB) with a coupon yield of 7.250% per annum was placed with a maturity of 10 years at a price of 99.127% of the bond's face value with a resulting yield to maturity of 7.375%. All bonds have a half year coupon period. In November 2014 and 2019, a Group company redeemed all issued bonds of the first and second tranches in accordance with the conditions of the bond issue.

In June 2007, a Group company issued two tranches of non-convertible bonds totaling \$1 billion (73.9 billion RUB). \$500 million (36.95 billion RUB) were placed with a maturity of 10 years and a coupon yield of 6.356% per annum. Another \$500 million (36.95 billion RUB) were placed with a maturity of 15 years and a coupon yield of 6.656% per annum. All bonds were placed at face value and have a half year coupon period. In June 2017, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

***Reconciliation of liabilities arising from financing activities***

	<b>Loans and borrowings</b>	<b>Bonds</b>	<b>Lease obligations</b>	<b>Other liabilities</b>	<b>Total</b>
<b>31 December 2019</b>	<b>134,026</b>	<b>247,326</b>	<b>171,880</b>	<b>135,920</b>	<b>689,152</b>
Changes from financing cash flows:					
Proceeds from issuance of short-term borrowings	1,971	-	-	-	<b>1,971</b>
Principal repayments of short-term borrowings	(815)	-	-	-	<b>(815)</b>
Proceeds from issuance of long-term debt	-	108,796	-	-	<b>108,796</b>
Principal repayments of long-term debt	(30,686)	(78,456)	(62,838)	-	<b>(171,980)</b>
Interest paid	-	-	(10,501)	(28,599)	<b>(39,100)</b>
Dividends paid on Company common stock	-	-	-	(407,309)	<b>(407,309)</b>
<b>Total changes from financing cash flows</b>	<b>(29,530)</b>	<b>30,340</b>	<b>(73,339)</b>	<b>(435,908)</b>	<b>(508,437)</b>
Other changes:					
Interest accrued	1,853	128	10,501	26,810	<b>39,292</b>
Dividends declared on Company common stock	-	-	-	258,389	<b>258,389</b>
The effect of changes in foreign exchange rates	27,010	54,125	29,688	1,082	<b>111,905</b>
Non-cash additions to lease obligations	-	-	50,009	-	<b>50,009</b>
Other changes	559	2	5,133	16,972	<b>22,666</b>
<b>Total other changes</b>	<b>29,422</b>	<b>54,255</b>	<b>95,331</b>	<b>303,253</b>	<b>482,261</b>
<b>31 December 2020</b>	<b>133,918</b>	<b>331,921</b>	<b>193,872</b>	<b>3,265</b>	<b>662,976</b>

**Note 20. Taxes payable**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income tax	16,614	12,031
Mineral extraction tax	49,332	61,464
Tax on additional income from hydrocarbon production	2,881	3,380
VAT	35,650	38,566
Excise tax	22,733	14,359
Property tax	5,675	5,120
Other taxes	9,573	7,551
<b>Total taxes payable</b>	<b>142,458</b>	<b>142,471</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
(Millions of Russian rubles, unless otherwise noted)

**Note 21. Other current liabilities**

	31 December 2020	31 December 2019
Advances received	31,142	30,868
Dividends payable	1,610	135,034
Other	2,745	3,050
<b>Total other current liabilities</b>	<b>35,497</b>	<b>168,952</b>

**Note 22. Provisions**

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension liabilities	Provision for unused vacations	Other provisions	Total
<b>31 December 2020</b>	<b>111,614</b>	<b>10,939</b>	<b>4,204</b>	<b>13,794</b>	<b>6,326</b>	<b>6,924</b>	<b>153,801</b>
Incl.: Non-current	110,916	175	1,329	11,678	322	2,245	126,665
Current	698	10,764	2,875	2,116	6,004	4,679	27,136
<b>31 December 2019</b>	<b>63,387</b>	<b>9,762</b>	<b>3,783</b>	<b>12,544</b>	<b>5,861</b>	<b>18,940</b>	<b>114,277</b>
Incl.: Non-current	62,667	263	1,175	10,310	153	2,477	77,045
Current	720	9,499	2,608	2,234	5,708	16,463	37,232

Asset retirement obligations changed as follows:

	2020	2019
1 January	63,387	36,424
Provisions made during the period	39,826	2,158
Reversal of provisions	(154)	(387)
Provisions used during the period	(325)	(119)
Accretion expense	3,882	2,707
Change in discount rate	8,921	23,092
Changes in estimates	(9,395)	1,360
Foreign currency translation differences	5,450	(1,882)
Other	22	34
<b>31 December</b>	<b>111,614</b>	<b>63,387</b>

**Note 23. Pension liabilities**

The Group sponsors a postretirement defined benefit pension plan that covers the majority of the Group's employees. One type of pension plan is based on years of service, final remuneration levels as of the end of 2003 and employee gratitude, received during the period of work. The other type of pension plan is based on salary. These plans are solely financed by Group companies. Simultaneously employees have the right to receive pension benefits with a partial payment by the Group (up to 4% of the annual salary of the employee).

Plan assets and pensions payments are managed by a non-state pension fund, JSC "NPF Otkritie" (former "NPF LUKOIL-GARANT"). The Group also provides several long-term social benefits, including lump-sum death-in-service benefit, in case of disability and upon retirement payments. Also certain payments are received by retired employees upon reaching a certain old age or invalidity.

The Company uses 31 December as the measurement date for its pension obligation. An independent actuary has assessed the benefit obligations at 31 December 2020 and 2019.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 23. Pension liabilities (continued)**

The following table sets out movement in the pension liabilities before taxation during 2020 and 2019.

	<b>2020</b>	<b>2019</b>
1 January	12,544	8,910
Components of defined benefit costs recorded in profit or loss	1,771	3,182
Components of defined benefit costs recorded in other comprehensive loss	1,680	2,510
Contributions from employer	(1,566)	(1,385)
Benefits paid	(693)	(680)
Opening balance adjustment	49	(5)
Liability assumed in business combination	9	12
<b>31 December</b>	<b>13,794</b>	<b>12,544</b>

**Note 24. Equity**

*Common shares*

	<b>31 December 2020</b> (thousands of shares)	<b>31 December 2019</b> (thousands of shares)
Issued common shares, par value of 0.025 RUB each	692,866	715,000
Treasury shares	(40,367)	(62,119)
<b>Outstanding common shares</b>	<b>652,499</b>	<b>652,881</b>

The Company has the right to issue additional 85,000 thousands of common shares.

On 3 December 2019, at the extraordinary general shareholders' meeting a decision was made to reduce the share capital of the Company by purchase of a portion of issued shares in order to reduce the total number thereof. At 31 December 2019, the Group recognised an obligation to repurchase common shares in the amount of 120,988 million RUB. Share capital reduction to 693 million common shares by purchase and cancellation of 22 million common shares was executed on 10 February 2020. Most of the common shares were purchased from a Group company.

On 20 June 2019, at the annual general shareholders' meeting a decision was made to reduce the share capital of the Company to 715 million common shares by purchase and cancellation of 35 million common shares. Share cancellation and share capital reduction was executed on 28 August 2019. Out of 35 million common shares 15.5 million common shares were purchased from a Group company.

In 2019, a Group company purchased 24.5 million common shares and depositary receipts of the Company as part of the open market buyback programme announced on 30 August 2018.

*Dividends*

At the extraordinary general shareholders' meeting on 3 December 2020, interim dividends for 2020 were approved in the amount of 46.00 RUB per common share.

At the annual general shareholders' meeting on 23 June 2020, dividends for 2019 were approved in the amount of 350.00 RUB per common share. At the extraordinary shareholders' meeting on 3 December 2019, interim dividends for 2019 were approved in the amount of 192.00 RUB per common share. Total dividends for 2019 were approved in the amount of 542.00 RUB per common share.

Dividends on the Company's shares payable of 699 million RUB and 133,514 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 31 December 2020 and 2019, respectively.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 24. Equity (continued)**

***Earnings per share***

The calculation of basic and diluted earnings per share was as follows:

	<b>2020</b>	<b>2019</b>
Profit for the year attributable to PJSC LUKOIL shareholders	15,175	640,178
Weighted average number of common shares (thousands of shares)	650,965	664,578
Dilutive effect of equity-settled share-based compensation plan (thousands of shares)	24,827	20,122
Dilutive effect related to obligation to repurchase common shares (thousands of shares)	-	180
Weighted average number of common shares, assuming dilution (thousands of shares)	675,792	684,880
Profit per share of common stock attributable to PJSC LUKOIL shareholders (in Russian rubles):		
Basic	23.31	963.28
Diluted	22.46	934.73

**Note 25. Personnel expenses**

Personnel expenses were as follows:

	<b>2020</b>	<b>2019</b>
Payroll costs	154,093	143,602
Statutory insurance contributions	35,063	33,417
Share-based compensation	31,366	31,366
<b>Total personnel expenses</b>	<b>220,522</b>	<b>208,385</b>

**Note 26. Finance income and costs**

Finance income was as follows:

	<b>2020</b>	<b>2019</b>
Interest income from deposits	6,244	15,452
Interest income from loans	4,245	4,878
Other finance income	2,562	4,804
<b>Total finance income</b>	<b>13,051</b>	<b>25,134</b>

Finance costs were as follows:

	<b>2020</b>	<b>2019</b>
Interest expenses	37,333	39,145
Accretion expenses	4,505	2,752
Other finance costs	2,284	2,459
<b>Total finance costs</b>	<b>44,122</b>	<b>44,356</b>

**Note 27. Other income and expenses**

Other income was as follows:

	<b>2020</b>	<b>2019</b>
Gain on disposal of assets	2,618	10,496
Reversal on impairments of assets	7,267	13,468
Other income	8,085	8,837
<b>Total other income</b>	<b>17,970</b>	<b>32,801</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 27. Other income and expenses (continued)**

Other expenses were as follows:

	<b>2020</b>	<b>2019</b>
Loss on disposal of assets	20,755	18,056
Impairments loss	114,665	22,883
Charity expenses	8,423	9,228
<b>Other expenses</b>	<b>11,287</b>	<b>10,325</b>
<b>Total other expenses</b>	<b>155,130</b>	<b>60,492</b>

**Note 28. Lease**

Primarily the Group leases such assets as transport (vessels, tank cars), land, drilling rigs and other equipment, storage facilities. The lease typically runs for a period of 3–5 years. Some leases include an option to renew the lease for additional period after the end of the non-cancellable period. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal option. Moreover, in determining the lease term the Group also took into account economic factors, which influence asset usage duration in its activity.

	Exploration and production	Refining, marketing and distribution	Other	Total
<b>Carrying amounts</b>				
Property, plant and equipment owned	3,214,181	820,657	49,574	<b>4,084,412</b>
Right-of-use assets	35,567	138,873	5,622	<b>180,062</b>
<b>31 December 2020</b>	<b>3,249,748</b>	<b>959,530</b>	<b>55,196</b>	<b>4,264,474</b>
Property, plant and equipment owned	2,995,944	802,364	51,518	<b>3,849,826</b>
Right-of-use assets	39,946	131,829	4,406	<b>176,181</b>
<b>31 December 2019</b>	<b>3,035,890</b>	<b>934,193</b>	<b>55,924</b>	<b>4,026,007</b>

Right-of-use assets:

	Exploration and production	Refining, marketing and distribution	Other	Total
1 January 2020	39,946	131,829	4,406	<b>176,181</b>
Additions	2,589	45,573	1,868	<b>50,030</b>
Depreciation for the period	(10,322)	(54,497)	(754)	<b>(65,573)</b>
Other movements	3,354	15,968	102	<b>19,424</b>
<b>31 December 2020</b>	<b>35,567</b>	<b>138,873</b>	<b>5,622</b>	<b>180,062</b>
1 January 2019	54,335	125,657	5,527	<b>185,519</b>
Additions	7,513	35,011	94	<b>42,618</b>
Depreciation for the period	(13,326)	(31,850)	(818)	<b>(45,994)</b>
Other movements	(8,576)	3,011	(397)	<b>(5,962)</b>
<b>31 December 2019</b>	<b>39,946</b>	<b>131,829</b>	<b>4,406</b>	<b>176,181</b>

Lease liabilities:

<b>31 December 2020</b>	<b>193,872</b>
Incl.: Non-current	159,340
Current	34,532
<b>31 December 2019</b>	<b>171,880</b>
Incl.: Non-current	143,902
Current	27,978

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 28. Lease (continued)**

Within the consolidated statement of profit or loss and other comprehensive income the following expenses were recognized: interest on lease liabilities in the amount of 9,435 million RUB and 9,836 million RUB and variable lease payments not included in the measurement of lease liabilities in the amount of 10,853 million RUB and 9,418 million RUB during 2020 and 2019, respectively. Income from sub-leasing right-of-use assets was not material.

Within the consolidated statement of cash flows the total cash outflow under leases, including variable lease payments attributable to capital expenditure, amounted to 170,990 million RUB and 120,755 million RUB during 2020 and 2019, respectively.

**Note 29. Income tax**

Operations in the Russian Federation are subject to a 20% income tax rate. For the period from 2017 till 2024 (inclusive) the Federal income tax rate is set as 3.0% and the regional income tax rate is set as 17.0%. Regional income tax rate may be reduced for certain categories of taxpayers by the laws of constituent entities of the Russian Federation, however certain restrictions apply on the application of the reduced regional rates.

The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

Income tax was as follows:

	<b>2020</b>	<b>2019</b>
Current income tax expense for the year	63,458	149,032
Adjustment for prior periods	(2,096)	(4,417)
<b>Current income taxes</b>	<b>61,362</b>	<b>144,615</b>
<b>Deferred income tax</b>	<b>20,792</b>	<b>6,518</b>
<b>Total income tax expense</b>	<b>82,154</b>	<b>151,133</b>

The following table is a reconciliation of the amount of income tax expense that would result from applying the Russian combined statutory income tax rate of 20% applicable to the Company to profit before income taxes to total income taxes.

	<b>2020</b>	<b>2019</b>
Profit before income taxes	98,787	793,354
Notional income tax at the Russian statutory rate	19,757	158,671
Increase (reduction) in income tax due to:		
Non-deductible items, net	9,483	18,056
Domestic and foreign rate differences	7,907	(17,709)
Adjustment for prior periods	(2,096)	(4,417)
Change in recognised deductible temporary differences	47,103	(3,468)
<b>Total income tax expense</b>	<b>82,154</b>	<b>151,133</b>

The following table sets out the tax effects of each type of temporary differences which give rise to deferred income tax assets and liabilities.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 29. Income tax (continued)**

	31 December 2020	31 December 2019
Property, plant and equipment	9,221	5,332
Investments	53	60
Inventories	6,658	4,768
Accounts receivable	1,586	1,583
Accounts payable and provisions	9,691	11,052
Tax loss carry forward	22,614	35,344
Other	522	514
Total deferred income tax assets	50,345	58,653
Set off of tax	(34,047)	(29,980)
<b>Deferred income tax assets</b>	<b>16,298</b>	<b>28,673</b>
Property, plant and equipment	(290,641)	(276,175)
Investments	(1,863)	(1,517)
Inventories	(3,149)	(4,557)
Accounts receivable	(4,662)	(8,551)
Accounts payable and provisions	(652)	(1,518)
Other	(2,036)	(1,821)
Total deferred income tax liabilities	(303,003)	(294,139)
Set off of tax	34,047	29,980
<b>Deferred income tax liabilities</b>	<b>(268,956)</b>	<b>(264,159)</b>
<b>Net deferred income tax liabilities</b>	<b>(252,658)</b>	<b>(235,486)</b>

	31 December 2019	Recognition in profit or loss	Acquisitions and disposal	Foreign currency translation differences and other	31 December 2020
Property, plant and equipment	(270,843)	(9,859)	244	(962)	(281,420)
Investments	(1,457)	(306)	-	(47)	(1,810)
Inventories	211	3,110	(9)	197	3,509
Accounts and notes receivable	(6,968)	4,385	(13)	(480)	(3,076)
Accounts payable and provisions	9,534	(1,406)	(17)	928	9,039
Tax loss carry forward	35,344	(16,687)	(75)	4,032	22,614
Other	(1,307)	(29)	-	(178)	(1,514)
<b>Net deferred income tax liabilities</b>	<b>(235,486)</b>	<b>(20,792)</b>	<b>130</b>	<b>3,490</b>	<b>(252,658)</b>

	31 December 2018	Recognition in profit or loss	Acquisitions and disposal	Foreign currency translation differences and other	31 December 2019
Property, plant and equipment	(259,171)	(12,358)	(1,477)	2,163	(270,843)
Investments	(2,326)	835	-	34	(1,457)
Inventories	1,224	(1,016)	-	3	211
Accounts and notes receivable	(9,145)	1,742	-	435	(6,968)
Accounts payable and provisions	10,349	(217)	-	(598)	9,534
Tax loss carry forward	32,989	4,264	(4)	(1,905)	35,344
Other	(1,715)	232	-	176	(1,307)
<b>Net deferred income tax liabilities</b>	<b>(227,795)</b>	<b>(6,518)</b>	<b>(1,481)</b>	<b>308</b>	<b>(235,486)</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 29. Income tax (continued)**

Deferred tax assets have not been recognised in respect of the temporary differences related to the following items:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Property, plant and equipment	15,136	1,412
Tax loss carry forward	39,126	10,374
Other	5,670	1,043
<b>Total unrecognised deferred tax assets</b>	<b>59,932</b>	<b>12,829</b>

Management believes that it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

Amounts recognised in other comprehensive income during 2020:

	<b>Before tax</b>	<b>Tax</b>	<b>Net of tax</b>
Foreign currency translation differences for foreign operations	268,707	-	268,707
Change in fair value of financial assets at fair value through other comprehensive income	(767)	-	(767)
Remeasurements of defined benefit liability/asset of pension plan	(1,680)	257	(1,423)
<b>Total</b>	<b>266,260</b>	<b>257</b>	<b>266,517</b>

Amounts recognised in other comprehensive income during 2019:

	<b>Before tax</b>	<b>Tax</b>	<b>Net of tax</b>
Foreign currency translation differences for foreign operations	(164,117)	-	(164,117)
Change in fair value of financial assets at fair value through other comprehensive income	(348)	-	(348)
Remeasurements of defined benefit liability/asset of pension plan	(2,510)	534	(1,976)
<b>Total</b>	<b>(166,975)</b>	<b>534</b>	<b>(166,441)</b>

Retained earnings of foreign subsidiaries for which deferred taxation has not been provided included 1,361,368 million RUB and 1,109,000 million RUB at 31 December 2020 and 2019, respectively. This liability was not recognised because the Group considers such amounts to be indefinitely invested, i.e. management believes that they will not be returned in the foreseeable future. Moreover the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends.

The consequences of taxation in Russia of certain profits of controlled foreign corporations in accordance with applicable tax legislation are accounted for within current and deferred tax liabilities.

**Note 30. Commitments and contingencies**

***Capital commitments***

Capital commitments of the Group relating to construction and acquisition of property, plant and equipment amount to 501,550 million RUB and 517,977 million RUB at 31 December 2020 and 2019, respectively.

***Insurance***

To provide insurance protection, the Group uses the services of Russian and international insurance companies with high ratings. The Group's most significant risks are reinsured at the first-class foreign markets. In respect of liability to third parties for damages to property and the environment resulting from accidents related to the Group's property or activities, the Group has insurance coverage that is generally higher than the limits set by law. Management believes that the Group has sufficient insurance coverage of its core operating assets, as well as risks, which could have a material effect on the Group's operations and financial position.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 30. Commitments and contingencies (continued)*****Environmental liabilities***

Group companies and their predecessor companies have operated in the Russian Federation and other countries for many years, which resulted in certain environmental consequences. Environmental regulations are currently in development stage in the Russian Federation and other countries where the Group has operations. Group companies routinely assess and evaluate their environmental obligations in response to new and changing legislation.

As liabilities in respect of the Group's environmental obligations are able to be determined, they are recognised in profit or loss. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a material adverse effect on the operating results or financial position of the Group.

***Social assets***

Certain Group companies contribute to Government sponsored programs, the maintenance of local infrastructure and the welfare of their employees within the Russian Federation and elsewhere. Such contributions include assistance with the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

***Taxation environment***

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose substantial fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors significantly increase taxation risks in the Russian Federation and other emerging markets where Group companies operate, comparing to other countries where taxation regimes have been subject to development and clarification over longer periods.

The tax authorities in each region of the Russian Federation may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessfully defended by the Group in another region. There is some direction provided from the central authority based in Moscow on particular taxation issues.

The Group has implemented tax planning and management strategies based on existing legislation. The Group is subject to tax authority audits on an ongoing basis, which is a normal practice in the Russian Federation and other republics of the former Soviet Union, and, at times, the authorities have attempted to impose additional significant taxes on the Group. Management believes that it has adequately met the requirements and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 30. Commitments and contingencies (continued)*****Litigation and claims***

In July 2015, the prosecutors with the Ploesti Court of Appeals (hereinafter the "Prosecutor's Office") charged the general director and several officers of PETROTEL-LUKOIL S.A., a Group company, with bad faith use of the company's credit and money laundering. Similar charges were brought against LUKOIL Europe Holdings B.V., a Group company, for 2010–2014. On 10 May 2016, the Prahova Tribunal lifted all preventive measures that were in effect against the accused individuals. Upon preliminary hearings the Prosecutor's Office revised the amount of damage claimed from \$2.2 billion (162.5 billion RUB) to \$1.5 billion (110.8 billion RUB). An expertise of all relevant issues of the criminal case was carried out during 2017, the results of which were accepted by the Tribunal on 12 February 2018. At the final hearing on the case which was held on 23 October 2018 the court issued a not guilty decision to all the accused, including general director of PETROTEL-LUKOIL S.A., his deputies and PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. themselves. As a result freezing injunction in the amount of approximately \$1.5 billion (110.8 billion RUB) was removed from all assets of the refinery, shares and accounts of PETROTEL-LUKOIL S.A. and LUKOIL Europe Holdings B.V. On 1 November 2018, this decision was appealed by the Prosecutor's Office to the Ploesti Court of Appeals. On 27 November 2019, the Ploesti Court of Appeals issued a decision to return the case for a new examination in the court of first instance. On 24 December 2019, the defendants appealed the decision in an order of extraordinary appeal to the Ploesti Court of Appeals. On 17 June 2020, the Ploesti Court of Appeals rejected the appeal of PETROTEL-LUKOIL S.A. and transferred the case to the Prahova Tribunal. On 9 December 2020, the Prahova Tribunal issued a repeated acquittal due to the absence of an event of a crime. On 16 December 2020, the Prosecutor's Office filed a protest against the court's verdict. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

LUKOIL Overseas Karachaganak B.V., a Group company, among other contractors, is involved in the disputes with the Republic of Kazakhstan arising from the Final Production Sharing Agreement relating to the Contract area of the Karachaganak Oil and Gas Condensate Field. Currently, within the framework of the dispute with respect to cost recovery in 2010-2016 the parties are making efforts to resolve the existing controversies by way of negotiations. Management believes that the ultimate outcome of this dispute will not have a material adverse effect on the financial position of the Group. Within the framework of the arbitration proceedings regarding the correctness of the calculation of the "Fairness index", the parties signed a settlement agreement. On 11 December 2020, after the fulfillment of conditions stipulated by the agreement, the arbitration dispute was settled (the Group's share in the settlement was \$196 million). The case is over.

On 21 May 2020, the Federal Antimonopoly Service of Russia (hereinafter – FAS of Russia) filed a claim to the Arbitration court of the Arkhangelsk region for invalidating the transaction of PJSC LUKOIL for the sale of 100% of shares of JSC Arkhangelskgeoldobycha to LLC Otkritie Promyshlennye Investitsii in May 2017 and applying the consequences of its invalidity. On 31 July 2020, the Arbitration court of Arkhangelsk region passed the case to Arbitration court of Moscow. The hearing date was postponed to 19 March 2021. The transaction to sell shares of JSC Arkhangelskgeoldobycha was concluded after a five-month due diligence and verification of information provided by the seller and the buyer, without any objections from regulatory authorities, in strict compliance with the Russian legislation, after an approval was obtained from the Governmental Commission for Control over Foreign Investments in the Russian Federation. In addition, a written approval was obtained from FAS of Russia to conduct this transaction. The price of the asset was agreed by the parties of the transaction as a result of the lengthy negotiations where largest investment banks were involved as advisers, which confirms the market nature of the deal. In this regard, the Company does not agree with the arguments set out in the claim of FAS of Russia and regards itself as a bona fide seller in this transaction, and will take all necessary measures to protect its rights and legitimate interests. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial position.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 30. Commitments and contingencies (continued)*****Political situation***

In July – September 2014, the United States (“US”), the European Union (“EU”) and several other countries imposed a set of sanctions on Russia, including sectoral sanctions which affect several Russian oil and gas companies. The US Department of the Treasury has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4 of the Office of foreign assets control (OFAC). Directive 4 prohibits US companies and individuals from providing, exporting, or re-exporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area spreading from the Russian territory and claimed by the Russian Federation.

From January 2018 (based on acts adopted in August – October 2017), the US expanded abovementioned sanctions to include certain categories of international oil projects initiated on or after 29 January 2018 in any part of the world, in which companies placed on the Sectoral Sanctions Identifications List subject to Directive 4 (including the Company) have an ownership interest of 33% or more, or ownership of a majority of the voting interests.

Management believes that current sanctions do not have a material adverse effect on the current or planned Group’s oil projects. At the same time the Company continues to monitor and evaluate potential risks for its operations in connection with sanctions.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors these risks and believes that there is no adverse effect on the Group’s financial position that can be reasonably estimated at present.

***Other matters***

The Company and other Group companies have been notified by various counterparties of claims in respect of off-specification quantities of crude oil volumes delivered through the Druzhba pipeline (owned and operated by the state-owned company, PJSC Transneft) in the second quarter of 2019. The claims assert that the oil had an average organic chlorine content in excess of the contractual specification, which may allegedly cause the purchasers to suffer certain financial losses. According to publicly available information, this situation was caused by unlawful actions of certain third parties that were aimed at concealing thefts of oil from the pipeline. Currently, agreements have been signed between the Company, PJSC Transneft and all counterparties, which have settled all submitted claims related to this incident.

**Note 31. Related party transactions**

The senior management of the Company believes that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties and has disclosed all of the relationships identified which it deemed to be significant. Related party sales and purchases of oil and oil products were primarily to and from associates and joint ventures. Other financial assets mostly represent loans given to associates and joint ventures. Short-term borrowings and long-term debt mostly represent lease obligations.

Outstanding balances with related parties were as follows:

	31 December 2020	31 December 2019
Accounts receivable and other current assets	2,474	1,645
Other financial assets	32,403	51,053
<b>Total assets</b>	<b>34,877</b>	<b>52,698</b>
Accounts payable	6,902	5,002
Short-term borrowings and long-term debt	17,649	13,759
<b>Total liabilities</b>	<b>24,551</b>	<b>18,761</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 31. Related party transactions (continued)**

Related party transactions were as follows:

	<b>2020</b>	<b>2019</b>
Sales of oil and oil products	15,351	31,028
Other sales	2,707	2,356
Purchases of oil and oil products	57,915	84,400
Other purchases	18,342	18,936
Proceeds from sale of other financial assets, net	5,075	10,872
Proceeds from issuance of short-term borrowings and long-term debt, net	2,080	2,964

*Key management remuneration*

Key management personnel includes members of the Board of Directors and members of the Management Board. Remuneration of key management personnel, including basic salary, bonuses and other payments, amounted to 1,728 million RUB and 1,866 million RUB during 2020 and 2019, respectively.

Also, a provision under the compensation plan (disclosed in Note 32 “Compensation plan”) was accrued in relation to the Company’s key management personnel in the amount of 3,137 million RUB during 2020 and 2019.

**Note 32. Compensation plan**

In late December 2017, the Company announced a compensation plan based on approximately 40 million shares available to certain members of management and key employees for the period from 2018 to 2022, which was implemented in July 2018 and recognised as equity-settled share-based compensation plan.

The fair value of the plan was estimated at the grant date at 156.8 billion RUB based on forecasting principles of Monte-Carlo model and is not going to be recalculated in the future. The fair value was estimated assuming a spot-price of the Company’s share in the amount of 4,355 RUB at the grant date, discount for illiquidity in the amount of 9.95% per annum, a risk-free interest rate of 7.50% per annum, an expected dividend yield of 4.99% per annum, an expected time to maturity of five years and a volatility factor of 25.68%. The expected volatility factor was estimated based on the historical volatility of the Company’s shares for the previous five years. The vesting of shares is contingent on meeting the requisite service period, certain KPIs and share price appreciation. The Group is planning to recognise expenses related to the plan evenly during the vesting period.

Related to this share plan the Group recognised compensation expenses of 31,366 million RUB during 2020 and 2019.

**Note 33. Segment information**

The Group has the following operating segments – exploration and production; refining, marketing and distribution; corporate and other. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments.

The exploration and production segment explores for, develops and produces crude oil and gas. The refining, marketing and distribution segment includes refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, generation, transportation and sales of electricity, heat and related services. The corporate and other business operating segment includes activities of the Company and businesses beyond the Group’s traditional operations.

Geographical segments are based on the area of operations and include two segments: Russia and International.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 33. Segment information (continued)**

**Operating segments**

<b>2020</b>	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	164,993	5,455,680	18,728	-	5,639,401
Inter-segment	1,377,246	70,300	40,892	(1,488,438)	-
Total revenues	1,542,239	5,525,980	59,620	(1,488,438)	5,639,401
Operating expenses	262,343	195,558	14,875	(32,803)	439,973
Selling, general and administrative expenses	48,670	120,607	62,838	(33,088)	199,027
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	125,192	(4,882)	(102,523)	(2,612)	15,175
EBITDA	500,081	243,322	(39,378)	(16,931)	687,094
Income tax expense					(82,154)
Finance income					13,051
Finance costs					(44,122)
Foreign exchange loss					(26,110)
Equity share in income of associates and joint ventures					11,474
Other expenses					(137,160)
Depreciation, depletion and amortisation					(405,440)
Profit for the year attributable to non-controlling interests					(1,458)
Profit for the year attributable to PJSC LUKOIL shareholders					15,175

<b>2019</b>	<b>Exploration and production</b>	<b>Refining, marketing and distribution</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues					
Third parties	270,842	7,548,121	22,283	-	7,841,246
Inter-segment	2,093,342	76,077	45,601	(2,215,020)	-
Total revenues	2,364,184	7,624,198	67,884	(2,215,020)	7,841,246
Operating expenses	274,934	228,576	19,709	(65,509)	457,710
Selling, general and administrative expenses	47,964	121,383	63,515	(35,690)	197,172
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	473,517	190,998	(35,569)	11,232	640,178
EBITDA	893,950	371,642	(39,962)	10,562	1,236,192
Income tax expense					(151,133)
Finance income					25,134
Finance costs					(44,356)
Foreign exchange gain					923
Equity share in income of associates and joint ventures					18,246
Other expenses					(27,691)
Depreciation, depletion and amortisation					(415,094)
Profit for the year attributable to non-controlling interests					(2,043)
Profit for the year attributable to PJSC LUKOIL shareholders					640,178

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 33. Segment information (continued)****Geographical segments**

	<b>2020</b>	<b>2019</b>
Sales of crude oil within Russia	23,522	22,528
Export of crude oil and sales of crude oil by foreign subsidiaries	1,918,944	2,684,320
Sales of petroleum products within Russia	785,663	923,715
Export of petroleum products and sales of petroleum products by foreign subsidiaries	2,548,961	3,748,364
Sales of chemicals within Russia	36,386	40,971
Export of chemicals and sales of chemicals by foreign subsidiaries	57,036	91,687
Sales of gas within Russia	32,649	32,490
Sales of gas by foreign subsidiaries	68,200	138,997
Sales of energy and related services within Russia	53,607	53,276
Sales of energy and related services by foreign subsidiaries	10,451	14,604
Other sales within Russia	40,169	42,270
Other export sales and other sales of foreign subsidiaries	63,813	48,024
<b>Total sales</b>	<b>5,639,401</b>	<b>7,841,246</b>

<b>2020</b>	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	1,041,967	4,597,434	-	5,639,401
Inter-segment	994,845	1,670	(996,515)	-
<b>Total revenues</b>	<b>2,036,812</b>	<b>4,599,104</b>	<b>(996,515)</b>	<b>5,639,401</b>
Operating expenses	314,341	91,499	34,133	439,973
Selling, general and administrative expenses	91,727	110,938	(3,638)	199,027
Profit (loss) for the year attributable to PJSC LUKOIL shareholders	202,309	(184,450)	(2,684)	15,175
<b>EBITDA</b>	<b>590,553</b>	<b>105,065</b>	<b>(8,524)</b>	<b>687,094</b>

<b>2019</b>	<b>Russia</b>	<b>International</b>	<b>Elimination</b>	<b>Consolidated</b>
Sales and other operating revenues				
Third parties	1,221,549	6,619,697	-	7,841,246
Inter-segment	1,606,632	2,726	(1,609,358)	-
<b>Total revenues</b>	<b>2,828,181</b>	<b>6,622,423</b>	<b>(1,609,358)</b>	<b>7,841,246</b>
Operating expenses	329,688	118,256	9,766	457,710
Selling, general and administrative expenses	93,963	106,939	(3,730)	197,172
Profit for the year attributable to PJSC LUKOIL shareholders	577,939	52,593	9,646	640,178
<b>EBITDA</b>	<b>1,032,126</b>	<b>199,811</b>	<b>4,255</b>	<b>1,236,192</b>

In the International segment the Group receives the most substantial revenues in Switzerland, the USA and Singapore.

	<b>2020</b>	<b>2019</b>
Sales revenues		
in Switzerland	2,449,415	3,503,238
in the USA	680,033	1,128,181
in Singapore	357,647	482,132

These amounts are attributed to individual countries based on the jurisdiction of subsidiaries making the sale.

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 34. Subsidiaries**

The most significant subsidiaries of the Group are presented below:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
		Total shares	Voting shares	Total shares	Voting shares
LUKOIL-West Siberia LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-PERM LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Komi LLC	Russia	100.00%	100.00%	100.00%	100.00%
RITEK LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Permnefteorgsintez LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Nizhegorodnefteorgsintez LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Nizhnevolzhskneft LLC	Russia	100.00%	100.00%	100.00%	100.00%
LUKOIL-Volgogradneftepererabotka LLC	Russia	100.00%	100.00%	100.00%	100.00%
ISAB S.r.l.	Italy	100.00%	100.00%	100.00%	100.00%
LITASCO SA	Switzerland	100.00%	100.00%	100.00%	100.00%
LUKARCO B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL INTERNATIONAL GmbH	Austria	100.00%	100.00%	100.00%	100.00%
LUKOIL International Upstream Holding B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Neftohim Burgas AD	Bulgaria	99.85%	99.85%	99.85%	99.85%
LUKOIL Overseas Karachaganak B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Shah Deniz Ltd.	Cyprus	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Uzbekistan Ltd.	Cyprus	100.00%	100.00%	100.00%	100.00%
LUKOIL Securities B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
LUKOIL Pan Americas LLC	USA	100.00%	100.00%	100.00%	100.00%

**Note 35. Fair value**

There are the following methods of fair value measurement based on the valuation method:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 31 December 2020 and 2019.

<b>31 December 2020</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>					
Commodity derivative contracts	316	-	316	-	<b>316</b>
Financial assets at fair value through profit or loss	33,195	-	-	33,195	<b>33,195</b>
Financial assets at fair value through other comprehensive income	2,491	2,491	-	-	<b>2,491</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	418	-	418	-	<b>418</b>
Loans and borrowings	638,453	362,818	-	307,832	<b>670,650</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 35. Fair value (continued)**

31 December 2019	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets:</b>					
Commodity derivative contracts	180	-	180	-	<b>180</b>
Financial assets at fair value through profit or loss	51,054	-	-	51,054	<b>51,054</b>
Financial assets at fair value through other comprehensive income	2,656	2,656	-	-	<b>2,656</b>
<b>Financial liabilities:</b>					
Commodity derivative contracts	550	-	550	-	<b>550</b>
Loans and borrowings	537,070	265,109	-	295,726	<b>560,835</b>

The fair values of cash and cash equivalents (Level 1), accounts receivable and long-term accounts receivable (Level 3), short-term borrowings (Level 3) are approximately equal to their value as disclosed in the consolidated statement of financial position. The fair value of long-term receivables was determined by discounting with estimated market interest rates for similar financing arrangements. The fair value of long-term loans (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing instruments. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar tenors, repayment schedules and other similar main terms. The fair value of bonds (Level 1) was determined based on market quotations at 31 December 2020 and 2019.

**Note 36. Capital and risk management**

The Group's governing bodies pay great attention to risk management issues to provide a reasonable guarantee for the achievement of the set objectives under the conditions characterized by uncertainties and negative impact factors. The Group is constantly identifying, describing, estimating and monitoring the possible events that may affect its activities, and is elaborating measures to prevent them or mitigate their negative impact to the greatest extent possible if such events do take place.

The Group seeks to actively promote risk management and is presently focusing its efforts on the improvement of a general enterprise risk management system (ERM) based on the best international practices. The Group is constantly improving the applicable regulatory methodological risk management base that establishes requirements aimed at organizing the risk management process at all stages, and defines management standards for certain risk types of utmost importance, which are uniform for all of Group organizations. The Risk Committee, a dedicated body under the President of the Company, was set up and began its work in 2011.

The information with regard to key financial risks of the Group is presented below.

***Credit risk***

The Group's most significant credit risks include first of all the risk of failure by its counterparties to perform their obligations in terms of payment for the products supplied by the Group. In order to mitigate these risks, the Group focuses on partnerships with counterparties that have high credit ratings, accepts letters of credit and guarantees issued by reputable banks and sometimes demands prepayment for the products supplied. In addition, it utilizes tools to limit the credit risks of a given counterparty.

Another group of credit risks includes risks associated with contractor banks' activities and potential impairment of their financial stability. In order to mitigate these risks, the Group is involved in centralized treasury operations, part of which are aimed at fund raising, investment and operations involving currency exchange and financial derivatives. The credit ratings of contractor banks are monitored on a regular basis.

The carrying amount of financial assets represents the maximum exposure to credit risk.

**PJSC LUKOIL****Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)****Note 36. Capital and risk management (continued)*****Trade and other receivables***

Analysis of the aging of receivables:

	31 December 2020	31 December 2019
Not past due	342,930	402,713
Past due less than 45 days	10,895	21,299
Past due from 46 to 180 days	4,315	8,809
Past due from 181 to 270 days	635	963
Past due from 271 to 365 days	11,053	587
Past due more than 365 days	443	2,681
<b>Total trade and other receivables</b>	<b>370,271</b>	<b>437,052</b>

Not past due accounts receivable are not considered of high credit risk.

Allowance for expected credit losses changed as follows during 2020:

31 December 2019	31,287
Increase in allowance charged to profit or loss	5,771
Write-off	(2,379)
Foreign currency translation differences	3,679
Other	(666)
<b>31 December 2020</b>	<b>37,692</b>

Allowance for expected credit losses changed as follows during 2019:

31 December 2018	27,798
Increase in allowance charged to profit or loss	9,270
Write-off	(3,381)
Foreign currency translation differences	(2,492)
Other	92
<b>31 December 2019</b>	<b>31,287</b>

Financial instruments used by the Group and potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.

The credit risk from the Group's over-the-counter derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction, typically a major bank or financial institution. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant non-performance. The Group also uses futures contracts, but futures have a negligible credit risk because they are traded on the New York Mercantile Exchange or the Intercontinental Exchange (ICE Futures).

***Liquidity risk***

The Group's liquidity is managed on a centralized basis. There is an efficient global system in place to manage the Group's liquidity, which includes an automated system of concentrating and re-distributing the funds, corporate dealing and also rolling cash-flow forecasts. The liquidity indicators are monitored on a continuous basis.

**PJSC LUKOIL****Notes to Consolidated Financial Statements****(Millions of Russian rubles, unless otherwise noted)****Note 36. Capital and risk management (continued)**

Contractual maturities of the Group's financial liabilities (the Group itself determines the grouping of the maturity based on contractual maturities and, where relevant, on judgment):

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	134,150	173,227	50,966	23,218	47,289	51,754
Bonds, including interest expense	334,255	407,958	15,295	50,764	135,780	206,119
Lease obligations	193,872	257,533	44,232	27,429	67,514	118,358
Trade and other payables	597,406	597,406	595,465	1,437	141	363
Derivative financial liabilities	418	418	418	-	-	-
<b>31 December 2020</b>	<b>1,260,101</b>	<b>1,436,542</b>	<b>706,376</b>	<b>102,848</b>	<b>250,724</b>	<b>376,594</b>

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	134,484	174,563	45,260	25,980	49,746	53,577
Bonds, including interest expense	249,274	290,545	71,091	9,225	136,712	73,517
Lease obligations	171,880	235,613	37,069	26,742	59,077	112,725
Trade and other payables	606,566	606,566	605,203	932	350	81
Derivative financial liabilities	550	550	550	-	-	-
<b>31 December 2019</b>	<b>1,162,754</b>	<b>1,307,837</b>	<b>759,173</b>	<b>62,879</b>	<b>245,885</b>	<b>239,900</b>

**Currency risk**

The Group is subject to foreign exchange risks since it operates in a number of countries. The exchange rate of the Russian ruble to the US dollar produces the greatest impact on transaction results, since the Group's export proceeds are denominated in dollars, while the major costs are incurred in Russia and are denominated in Russian rubles.

As part of the centralized approach to management of the treasury operations and liquidity of the Group, the risks associated with unfavorable changes in the exchange rates are generally consolidated at the corporate level. The Company uses an integrated approach to manage its currency risks, including the application of natural hedging mechanisms, which encompass management of the currency structure of its monetary assets and liabilities.

The carrying amounts of the Group's assets and liabilities which form currency risk at 31 December 2020 and 2019 are presented in the tables below and contain balances between Group companies whose functional currency is different from the currency of the contract.

<b>31 December 2020</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
<b>Financial assets:</b>			
Cash and cash equivalents	2,014	56,041	778
Trade and other receivables	79,401	181	4,516
Loans	260,894	3,452	-
Other financial assets	1,698	2	90
<b>Financial liabilities:</b>			
Loans and borrowings	(354,100)	(41,051)	(8,470)
Trade and other payables	(29,350)	(8,622)	(19,875)
<b>Net exposure</b>	<b>(39,443)</b>	<b>10,003</b>	<b>(22,961)</b>

**PJSC LUKOIL**  
**Notes to Consolidated Financial Statements**  
**(Millions of Russian rubles, unless otherwise noted)**

**Note 36. Capital and risk management (continued)**

<b>31 December 2019</b>	<b>USD</b>	<b>EUR</b>	<b>Other currencies</b>
<b>Financial assets:</b>			
Cash and cash equivalents	64,708	12,309	761
Trade and other receivables	144,336	6,699	4,765
Loans	199,764	4,794	-
Other financial assets	2,651	54	124
<b>Financial liabilities:</b>			
Loans and borrowings	(399,921)	(37,104)	(3,651)
Trade and other payables	(51,560)	(14,655)	(11,696)
<b>Net exposure</b>	<b>(40,022)</b>	<b>(27,903)</b>	<b>(9,697)</b>

The following exchange rates applied:

	<b>31 December 2020</b>	<b>31 December 2019</b>
USD	73.88	61.91
EUR	90.68	69.34

*Sensitivity analysis*

Analysis of the currency position shows that the Group mainly uses RUR, US dollar and EUR in its operating activity. Thus sensitivity analysis shows how strengthening (weakening) of these currencies at 31 December 2020 and 2019 would have affected the measurement of financial assets and liabilities denominated in foreign currencies and affected profit (loss) before taxes. The analysis assumes that all other variables remain constant.

	<b>Profit (loss)</b>	
	<b>2020</b>	<b>2019</b>
US Dollar (increase by 10%)	(5,262)	(1,952)
Euro (increase by 10%)	1,121	222
Russian ruble (increase by 10%)	3,873	1,113

The weakening of these currencies by 10% will have equal effect on profit (loss) but with opposite sign.

*Interest rate risk*

The Group is exposed to a significant interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.

To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing and outstanding debt refinancing, extending the term of debt obligations.

The interest rate profiles of the Group are presented below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<i>Fixed rate instruments:</i>		
Financial assets	35,603	44,970
Financial liabilities	(527,063)	(420,239)
<b>Net exposure</b>	<b>(491,460)</b>	<b>(375,269)</b>
<i>Variable rate instruments:</i>		
Financial assets	39,523	41,596
Financial liabilities	(132,648)	(132,993)
<b>Net exposure</b>	<b>(93,125)</b>	<b>(91,397)</b>

*(millions of Russian rubles, unless otherwise noted)***Note 36. Capital and risk management (continued)***Sensitivity analysis for variable rate instruments*

A reasonably possible change of 100 basis points in interest rates at 31 December 2020 and 2019 would have increased (decreased) profit (loss) before taxes by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit (loss) before taxes	
	100 bp increase	100 bp decrease
<b>2020</b>		
Net financial liabilities	(931)	931
<b>2019</b>		
Net financial liabilities	(914)	914

**Capital management**

The Group's capital management objectives are to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders. The Company's management performs regular assessment of the net debt to equity ratio to ensure it meets the Company's current rating requirements. Equity includes share capital, reserves and retained earnings, as well as non-controlling interests. Net debt is a non-IFRS measure and is calculated as a sum of loans and borrowings, as presented in the consolidated statement of financial position, less cash and cash equivalents. Net debt to equity ratio enables the users to see how significant net debt is.

The Group's net debt to equity ratio was as follows:

	31 December 2020	31 December 2019
Total debt	659,711	553,232
Less cash and cash equivalents	(343,832)	(516,032)
Net debt	315,879	37,200
Equity	4,130,766	3,973,449
<b>Net debt to equity ratio</b>	<b>7.65%</b>	<b>0.94%</b>

**PJSC LUKOIL****Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)  
(Millions of Russian rubles, unless otherwise noted)****Supplementary Information on Oil and Gas Exploration and Production Activities**

IFRS do not require the information on oil and gas reserves to be disclosed in consolidated financial statements. However, management believes that this supplementary information will benefit the users of consolidated financial statements of the Group.

The information on oil and gas exploration and production activities is presented in six separate tables:

- I. Capitalised costs relating to oil and gas producing activities.
- II. Costs incurred in oil and gas property acquisition, exploration, and development activities.
- III. Results of operations for oil and gas producing activities.
- IV. Reserve quantity information.
- V. Standardised measure of discounted future net cash flows.
- VI. Principal sources of changes in the standardised measure of discounted future net cash flows.

Amounts shown for equity method companies represent the Group's share in its exploration and production associates and joint ventures, which are accounted for using the equity method of accounting.

***I. Capitalised costs relating to oil and gas producing activities***

<b>31 December 2020</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Unproved oil and gas properties	105,907	123,493	229,400	37,901
Proved oil and gas properties	1,645,275	3,558,589	5,203,864	370,006
Accumulated DD&A	(980,878)	(1,212,856)	(2,193,734)	(120,843)
<b>Net capitalised costs</b>	<b>770,304</b>	<b>2,469,226</b>	<b>3,239,530</b>	<b>287,064</b>

<b>31 December 2019</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Unproved oil and gas properties	84,203	109,313	193,516	28,692
Proved oil and gas properties	1,305,806	3,296,352	4,602,158	300,337
Accumulated DD&A	(720,304)	(1,046,271)	(1,766,575)	(99,189)
<b>Net capitalised costs</b>	<b>669,705</b>	<b>2,359,394</b>	<b>3,029,099</b>	<b>229,840</b>

***II. Costs incurred in oil and gas property acquisition, exploration, and development activities***

<b>2020</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Acquisition of properties - Unproved	-	1,443	1,443	-
Exploration costs	8,151	30,862	39,013	237
Development costs	43,959	311,355	355,314	10,824
<b>Total costs incurred</b>	<b>52,110</b>	<b>343,660</b>	<b>395,770</b>	<b>11,061</b>

<b>2019</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Acquisition of properties - Proved	31,393	2,317	33,710	-
Acquisition of properties - Unproved	32,419	14,937	47,356	-
Exploration costs	13,439	17,014	30,453	4,336
Development costs	53,495	309,797	363,292	11,254
<b>Total costs incurred</b>	<b>130,746</b>	<b>344,065</b>	<b>474,811</b>	<b>15,590</b>

**PJSC LUKOIL****Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)  
(Millions of Russian rubles, unless otherwise noted)*****III. Results of operations for oil and gas producing activities***

The Group's results of operations for oil and gas producing activities are presented below. Sales and transfers to Group companies are based on market prices, income taxes are based on statutory rates. The results of operations exclude corporate overhead and interest costs.

<b>2020</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Revenue				
Sales	123,966	645,991	769,957	33,879
Transfers	-	572,660	572,660	1,039
<b>Total revenues</b>	<b>123,966</b>	<b>1,218,651</b>	<b>1,342,617</b>	<b>34,918</b>
Production costs (excluding production taxes)	(40,583)	(158,328)	(198,911)	(7,395)
Exploration expenses	(3,163)	(2,951)	(6,114)	-
Depreciation, depletion and amortisation	(77,736)	(191,707)	(269,443)	(8,632)
Taxes other than income taxes	(755)	(611,640)	(612,395)	(8,864)
Related income taxes	(1,163)	(56,455)	(57,618)	(4,161)
<b>Total results of operations for producing activities</b>	<b>566</b>	<b>197,570</b>	<b>198,136</b>	<b>5,866</b>

<b>2019</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Revenue				
Sales	211,230	961,273	1,172,503	60,642
Transfers	-	985,859	985,859	1,420
<b>Total revenues</b>	<b>211,230</b>	<b>1,947,132</b>	<b>2,158,362</b>	<b>62,062</b>
Production costs (excluding production taxes)	(40,277)	(170,590)	(210,867)	(5,899)
Exploration expenses	(7,493)	(1,855)	(9,348)	(33)
Depreciation, depletion and amortisation	(83,726)	(193,696)	(277,422)	(11,144)
Taxes other than income taxes	(531)	(1,035,635)	(1,036,166)	(15,446)
Related income taxes	(11,736)	(104,585)	(116,321)	(11,384)
<b>Total results of operations for producing activities</b>	<b>67,467</b>	<b>440,771</b>	<b>508,238</b>	<b>18,156</b>

***IV. Reserve quantity information***

Proved reserves are the estimated quantities of oil and gas reserves which according to geological and engineering data are going to be recoverable with reasonable certainty in future years from known reservoirs under existing economic and operating conditions. Existing economic and operating conditions are based on the 12-months average price and the year-end costs. Proved reserves do not include additional quantities of oil and gas reserves that may result from applying secondary or tertiary recovery techniques not yet tested and determined to be economic.

Proved developed reserves are the quantities of proved reserves expected to be recovered through existing wells with existing equipment and operating methods.

Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available.

**PJSC LUKOIL****Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)  
(Millions of Russian rubles, unless otherwise noted)**

Management has included within proved reserves significant quantities which the Group expects to produce after the expiry dates of certain of its current production licenses in the Russian Federation. The Subsoil Law of the Russian Federation states that, upon expiration, a license is subject to renewal at the initiative of the license holder provided that further exploration, appraisal, production or remediation activities are necessary and provided that the license holder has not violated the terms of the license. Since the law applies to both newly issued and old licenses and the Group has currently renewed 66% of its licenses, management believes that licenses will be renewed upon their expiration for the remainder of the economic life of each respective field.

Estimated net proved oil and gas reserves and changes thereto for 2020 and 2019 are shown in the tables set out below.

Millions of barrels	Consolidated subsidiaries			Group's share in equity method companies
Crude oil	International	Russia	Total	
31 December 2018	316	11,478	11,794	288
Revisions of previous estimates	43	(55)	(12)	1
Purchase of hydrocarbons in place	29	18	47	-
Extensions and discoveries	26	531	557	2
Production	(30)	(614)	(644)	(18)
31 December 2019	384	11,358	11,742	273
Revisions of previous estimates	140	(268)	(128)	6
Extensions and discoveries	28	373	401	2
Production	(39)	(549)	(588)	(16)
<b>31 December 2020</b>	<b>513</b>	<b>10,914</b>	<b>11,427</b>	<b>265</b>
Proved developed reserves				
31 December 2019	219	7,464	7,683	116
<b>31 December 2020</b>	<b>283</b>	<b>7,210</b>	<b>7,493</b>	<b>104</b>

The non-controlling interest share included in the above total proved reserves was 61 million barrels and 71 million barrels at 31 December 2020 and 2019, respectively. The non-controlling interest share included in the above proved developed reserves was 38 million barrels and 37 million barrels at 31 December 2020 and 2019, respectively. All non-controlling interests relate to reserves in the Russian Federation.

Billions of cubic feet	Consolidated subsidiaries			Group's share in equity method companies
Natural gas	International	Russia	Total	
31 December 2018	6,352	16,500	22,852	241
Revisions of previous estimates	(106)	124	18	18
Purchases of hydrocarbons in place	138	-	138	-
Extensions and discoveries	70	428	498	-
Production	(586)	(626)	(1,212)	(26)
31 December 2019	5,868	16,426	22,294	233
Revisions of previous estimates	204	73	277	11
Extensions and discoveries	15	350	365	-
Production	(381)	(617)	(998)	(26)
<b>31 December 2020</b>	<b>5,706</b>	<b>16,232</b>	<b>21,938</b>	<b>218</b>
Proved developed reserves				
31 December 2019	4,504	5,753	10,257	133
<b>31 December 2020</b>	<b>4,118</b>	<b>5,746</b>	<b>9,864</b>	<b>113</b>

The non-controlling interest share included in the above total proved reserves was 23 billion cubic feet and 26 billion cubic feet at 31 December 2020 and 2019, respectively. The non-controlling interest share included in the above proved developed reserves was 15 billion cubic feet and 14 billion cubic feet at 31 December 2020 and 2019, respectively. All non-controlling interests relate to reserves in the Russian Federation.

**PJSC LUKOIL****Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)**  
**(Millions of Russian rubles, unless otherwise noted)*****V. Standardised measure of discounted future net cash flows***

Estimated future cash inflows from hydrocarbons production are computed by applying the 12-months average price for oil and gas and the year-end exchange rates to year-end quantities of estimated net proved reserves. Adjustments in this calculation for future price changes are limited to those required by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows, less the tax bases of related assets. Discounted future net cash flows have been calculated using a ten percent discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided in the tables set out below does not represent management's estimate of the Group's expected future cash flows or of the value of the Group's proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and amount of future development and production costs. The calculations should not be relied upon as an indication of the Group's future cash flows or of the value of its oil and gas reserves.

<b>31 December 2020</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Future cash inflows	2,361,227	28,537,502	30,898,729	639,463
Future production and development costs	(1,462,485)	(23,445,365)	(24,907,850)	(392,022)
Future income tax expenses	(108,293)	(679,792)	(788,085)	(76,904)
Future net cash flows	790,449	4,412,345	5,202,794	170,537
Discount for estimated timing of cash flows (10% p.a.)	(306,616)	(2,345,485)	(2,652,101)	(84,307)
<b>Discounted future net cash flows</b>	<b>483,833</b>	<b>2,066,860</b>	<b>2,550,693</b>	<b>86,230</b>
Non-controlling share in discounted future net cash flows	-	12,861	12,861	-

<b>31 December 2019</b>	<b>International</b>	<b>Russia</b>	<b>Total consolidated companies</b>	<b>Group's share in equity method companies</b>
Future cash inflows	2,567,902	39,282,386	41,850,288	877,924
Future production and development costs	(1,488,826)	(30,022,601)	(31,511,427)	(537,056)
Future income tax expenses	(91,906)	(1,514,998)	(1,606,904)	(105,121)
Future net cash flows	987,170	7,744,787	8,731,957	235,747
Discount for estimated timing of cash flows (10% p.a.)	(375,184)	(4,129,628)	(4,504,812)	(110,174)
<b>Discounted future net cash flows</b>	<b>611,986</b>	<b>3,615,159</b>	<b>4,227,145</b>	<b>125,573</b>
Non-controlling share in discounted future net cash flows	-	26,963	26,963	-

**PJSC LUKOIL****Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)  
(Millions of Russian rubles, unless otherwise noted)*****VI. Principal sources of changes in the standardised measure of discounted future net cash flows***

<b>Consolidated companies</b>	<b>2020</b>	<b>2019</b>
Discounted present value at 1 January	4,227,145	5,636,665
Net changes due to purchases and sales of minerals in place	23	31,212
Sales and transfers of oil and gas produced, net of production costs	(525,197)	(901,981)
Net changes in prices and production costs estimates	(4,640,038)	(4,542,732)
Net changes in mineral extraction taxes	2,622,343	2,640,183
Extensions and discoveries, less related costs	86,574	210,417
Previously estimated development cost incurred during the year	360,474	308,689
Revisions of previous quantity estimates	20,422	(6,476)
Net change in income taxes	381,202	389,446
Accretion of discount	461,076	616,850
Other changes	(443,331)	(155,128)
<b>Discounted present value at 31 December</b>	<b>2,550,693</b>	<b>4,227,145</b>

<b>Group's share in equity method companies</b>	<b>2020</b>	<b>2019</b>
Discounted present value at 1 January	125,573	158,208
Net changes due to purchases and sales of minerals in place	(60)	-
Sales and transfers of oil and gas produced, net of production costs	(18,659)	(40,684)
Net changes in prices and production costs estimates	(116,411)	(122,290)
Net changes in mineral extraction taxes	74,626	69,049
Extensions and discoveries, less related costs	1,047	452
Previously estimated development cost incurred during the year	26,199	38,478
Revisions of previous quantity estimates	2,013	1,254
Net change in income taxes	14,268	18,370
Accretion of discount	17,621	22,222
Other changes	(39,987)	(19,486)
<b>Discounted present value at 31 December</b>	<b>86,230</b>	<b>125,573</b>



## **PJSC LUKOIL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**for the three-month periods ended  
31 December and 30 September 2020  
and for the years  
2020 and 2019**

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

The following report contains a discussion and analysis of the financial position of PJSC LUKOIL at 31 December 2020 and results of its operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019, as well as significant factors that may affect its future performance. It should be read in conjunction with our International Financial Reporting Standards ("IFRS") consolidated financial statements, including notes and supplementary information on oil and gas exploration and production activities.

References to "LUKOIL," "the Company," "the Group," "we" or "us" are references to PJSC LUKOIL and its subsidiaries and associates. All ruble amounts are in millions of Russian rubles ("RUB"), unless otherwise indicated. Income and expenses of our foreign subsidiaries were translated to rubles at rates, which approximate actual rates at the date of the transaction. Tonnes of crude oil and natural gas liquids produced were translated into barrels using conversion rates characterizing the density of crude oil from each of our oilfields and the actual density of liquids produced at our gas processing plants. Hydrocarbon extraction expenses per barrel were calculated using these actual production volumes. Other operational indicators expressed in barrels were translated into barrels using an average conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet were made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent ("BOE") were made at the rate of 1 barrel per BOE and of cubic feet – at the rate of 6 thousand cubic feet per BOE.

*This report includes forward-looking statements – words such as "believes," "anticipates," "expects," "estimates," "intends," "plans," etc. – that reflect management's current estimates and beliefs, but are not guarantees of future results. Please see "Forward-looking statements" on page 44 for a discussion of some factors that could cause actual results to differ materially.*

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Business overview**

The primary activities of LUKOIL and its subsidiaries are hydrocarbon exploration, production, refining, marketing and distribution.

LUKOIL is one of the world's largest publicly traded vertically integrated energy companies. Our proved reserves under SEC standards amounted to 15.4 billion BOE at 1 January 2021 and comprised of 11.7 billion barrels of crude oil and 22.2 trillion cubic feet of gas. Most of our reserves are conventional. We undertake exploration for, and production of, crude oil and gas in Russia and internationally. In Russia, our major oil producing regions are West Siberia, Timan-Pechora, Ural and Volga region. Our international upstream segment includes stakes in PSAs and other projects in Kazakhstan, Azerbaijan, Uzbekistan, Romania, Iraq, Egypt, Ghana, Norway, Cameroon, Nigeria, Mexico, the Republic of Congo and the UAE. Our daily hydrocarbon production in 2020 amounted to 2.1 million BOE, with liquid hydrocarbons representing approximately 78% of our overall production volumes.

LUKOIL has geographically diversified downstream assets portfolio primarily in Russia and Europe. Our downstream operations include crude oil refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, retail sales of refined products, power generation, transportation and sales of electricity, heat and related services.

We own and operate four refineries located in European Russia and three refineries located outside Russia – in Bulgaria, Romania, and Italy. Moreover, we have a 45% interest in the Zeeland refinery in the Netherlands. We also own two petrochemical plants in Russia and have petrochemical facilities at our refineries in Bulgaria and Italy. Along with our own production of refined products, we refine crude oil at third party refineries depending on market conditions and other factors. Throughput at our refineries in 2020 amounted to 1.2 million barrels per day, and we produced 1.2 million tonnes of petrochemicals, including olefins, polyolefins and products of organic synthesis.

We market our own and purchased crude oil and refined products through our sales channels in Russia, Europe, South-East Asia, Central and North America and other regions. We own petrol stations in 19 countries. Most of our retail networks are located close to our refineries. Our retail sales in 2020 amounted to 12.7 million tonnes of refined products. We also supply jet fuel to airports and bunker fuel to sea and river ports in and outside Russia.

We are involved in production, distribution and marketing of electrical energy and heat both in Russia and internationally. In 2020, our total output of commercial electrical energy was 17.1 billion kWh.

Our operations and finance activities are coordinated from headquarters in Moscow. We divide our operations into three main business segments: "Exploration and production," "Refining, marketing and distribution," and "Corporate and other".

**Impact of COVID-19 on the Group's operations**

In December 2019, the emergence of a new strain of coronavirus (COVID-2019) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy. Deceleration of economic activity resulted in a substantial decrease in demand for hydrocarbons leading to oversupply on the international oil market and a sharp decline in oil prices. Failure of OPEC+ countries to reach a new agreement on crude oil production quotas in the beginning of March put an incremental pressure on oil prices. As a result, the price for Brent collapsed to a 20-years minimum of \$13 per barrel in April. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output by 9.7 million barrels per day starting from 1 May 2020. This coordinated production cut together with the negative impact of low oil prices on crude oil production in different countries resulted in lower supply of crude oil and reduction of surplus on the crude oil market and led to a gradual recovery of oil prices. This upward oil price trend was further supported by the gradual lifting of lockdowns in different countries, recovery in economic activity and respective growth in demand for hydrocarbons. As a result, the price for Brent exceeded \$46 per barrel in August 2020. Acceleration of COVID-19 spread in October 2020 resulted in a renewal of lockdown measures in different countries and a decline in the price for Brent to \$36 per barrel. Progress with testing of vaccines against COVID-19 pushed the price for Brent up to \$52 per barrel by the end of December 2020.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted production processes.

The major impact of COVID-19 on the macroeconomic environment in the oil and gas industry resulted in a number of consequences on operational and financial performance of the Group.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

From February through August 2020, we reduced production of gas at our projects in Uzbekistan to approximately 20% of the projects capacity due to lower demand for Uzbek gas from China. At the same time, since September we have been recovering our gas production in Uzbekistan on the back of growing demand for gas from China, and as of December 2020 production was back to the project levels.

Due to the new OPEC+ agreement we cut our crude oil production in Russia in May 2020 by approximately 310 thousand barrels per day, or by 19%, as compared to our daily crude oil production in Russia in the first quarter of 2020. To minimize the negative impact of this production cut on our financial performance the cut was implemented at the least profitable fields. By the end of 2020, production stepped up sequentially by approximately 100 thousand barrels per day as compared to the May level. Due to the agreement crude oil production was also cut at some of our international projects. For example, production at the West Qurna-2 project in Iraq was 90 thousand barrels per day below its capacity as at the end of 2020.

Our refining and marketing segment was also affected as demand for jet fuel and motor fuels declined substantially, which had a negative impact on the benchmark refining margins and sales volumes. We adjusted the product slate and optimized utilization rates at our refineries starting from the second quarter of 2020 in order to efficiently react to the adverse macro changes. As a result of optimization, as well as major scheduled maintenance works at several refineries, average daily refinery throughput volumes in 2020 were approximately 25% lower at our European refineries and approximately 9% lower at our Russian refineries as compared to 2019.

We also faced a steep decline in the retail sales volumes of motor fuels at our filling stations in Russia and other countries in April 2020, when volumes were 40% lower compared to April 2019. However, from May 2020 retail sales volumes started recovering on the back of the recovery in economic activity in different countries and, in the second half of 2020, reached approximately 94% of the level of the second half of 2019.

The impact of the pandemic on the Group's financial performance in 2020 is discussed in detail in the below discussion and analysis. Management expects that as a result of the effects of the pandemic the macroeconomic environment in the oil and gas industry will remain volatile. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

Management believes that the Group is in a solid financial condition and has adequate liquidity with net financial debt position (excluding lease obligations) of only 122 billion RUB at the end of 2020. This represents an incremental support for continuous operations and meeting all of the Group's obligations, as well as adequate financing of the investment programme.

**PJSC LUKOIL**

**Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Key financial and operational results**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
Sales .....	1,530,339	1,456,650	5.1	5,639,401	7,841,246	(28.1)
EBITDA <sup>1</sup> , including .....	189,612	202,223	(6.2)	687,094	1,236,192	(44.4)
Exploration and production segment.....	166,567	151,979	9.6	500,081	893,950	(44.1)
Refining, marketing and distribution segment .....	46,649	77,638	(39.9)	243,322	371,642	(34.5)
EBITDA <sup>1</sup> net of West Qurna-2 project.....	182,496	196,008	(6.9)	655,098	1,214,502	(46.1)
Profit for the period attributable to LUKOIL shareholders.....	29,435	50,420	(41.6)	15,175	640,178	(97.6)
Capital expenditures .....	135,161	112,826	19.8	495,443	449,975	10.1
Free cash flow <sup>2</sup> .....	85,482	114,623	(25.4)	281,131	701,869	(59.9)
Free cash flow before changes in working capital .....	61,252	88,318	(30.6)	197,954	708,650	(72.1)
(thousand BOE per day)						
Production of hydrocarbons, including our share in associates and joint ventures.....	2,099	1,927	8.9	2,117	2,380	(11.1)
crude oil and natural gas liquids.....	1,573	1,545	1.8	1,651	1,815	(9.0)
gas.....	526	382	37.7	466	565	(17.5)
Refinery throughput at the Group refineries .....	1,047	1,183	(11.5)	1,174	1,381	(15.0)

<sup>1</sup> Profit from operating activities before depreciation, depletion and amortization.

<sup>2</sup> Cash flow from operating activities less capital expenditures.

In the fourth quarter of 2020, compared to the previous quarter, our results were positively impacted by an increase in international gas production volumes, higher crude oil production volumes, the ruble depreciation, an increase in international hydrocarbon prices, higher positive export duty lag effect, as well as positive inventory effect at our refineries. At the same time, these were more than offset by the accounting specifics of our international trading operations, lower refinery throughput volumes, weaker refining and trading margins.

The dynamics of our results compared to 2019 was largely defined by the impacts of the COVID-19 pandemic, such as a decrease in international hydrocarbon prices and refining margins, lower hydrocarbon production and refinery throughput volumes, a decrease in sales volumes at our filling stations, as well as negative export duty lag effect and negative inventory effect at our refineries. At the same time, our results were supported by the ruble depreciation, higher trading margin and accounting specifics of our international trading operations and an increase in share of high-margin volumes in our domestic crude oil production.

As a result, our EBITDA decreased by 6.2% and by 44.4% compared to the third quarter of 2020 and the full year 2019, respectively.

Stronger ruble as at the fourth quarter end as compared to the beginning of the quarter resulted in a currency exchange gain of 12 billion RUB in the fourth quarter of 2020 compared to a loss of 27 billion RUB in the third quarter of 2020. The ruble depreciation in 2020 resulted in a currency exchange loss of 26 billion RUB in 2020, as opposed to a gain of 1 billion RUB in 2019 as a result of the ruble appreciation.

Compared to the third quarter of 2020 and the full year 2019, our depreciation, depletion and amortization expenses decreased by 12.5% and by 2.3%, respectively. The decrease in the fourth quarter of 2020 was mainly due to positive effect of an increase in proved developed hydrocarbon reserves at Group's certain fields at the end of 2020 and consequent recalculation of depletion of respective fixed assets for the full year, despite an increase in depletion expenses in Uzbekistan following the recovery of gas production volumes.

Due to a significant deterioration in the macroeconomic environment, the Group recognized impairment loss of property, plant and equipment and other non-current assets in the total amount of 115 billion RUB during 2020.

In the fourth quarter of 2020, profit attributable to LUKOIL shareholders amounted to 29 billion RUB, compared to profit in the amount of 50 billion RUB in the third quarter of 2020. In 2020, profit attributable to LUKOIL shareholders amounted to 15 billion RUB compared to profit in the amount of 640 billion RUB in 2019.

Our capital expenditures increased by 22 billion RUB, or by 19.8%, compared to the third quarter of 2020, and by 45 billion RUB, or by 10.1%, compared to 2019.

Our free cash flow amounted to 85 billion RUB in the fourth quarter of 2020, a decrease of 25.4% compared to the third quarter of 2020, that was mainly a result of an increase in capital expenditures, as well as the dynamics of the working capital.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Our free cash flow amounted to 281 billion RUB in 2020, a decrease of 59.9% compared to 2019. Such decline was a result of a decrease in profitability of our core operations, as well as higher capital expenditures.

The Group's average daily hydrocarbon production increased by 8.9% compared to the third quarter of 2020 mainly as a result of gas production recovery in Uzbekistan, as well as due to partial lifting of external limitations on oil production under the new OPEC+ agreement. In 2020, the Group's average daily hydrocarbon production decreased by 11.1% compared to 2019 mainly due to the new OPEC+ agreement and a temporary decrease in gas supplies from Uzbekistan to China, that were driven by the negative impact of the COVID-19 pandemic on hydrocarbon demand.

Compared to the third quarter of 2020 and full year 2019, average daily throughput volumes at our refineries decreased by 11.5% and by 15.0%, respectively, mainly due to throughput optimization at some of the Group'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 scheduled maintenance works.

**Changes in the Group structure**

In October 2019, a Group company acquired a 5% interest in the Ghasha Concession in the United Arab Emirates from the Abu Dhabi National Oil Company for approximately 13.8 billion RUB (\$214 million).

In the second quarter of 2019, a Group company entered into a contract with New Age M12 Holdings Limited to acquire a 25% interest in the Marine XII license in the Republic of Congo (Congo-Brazzaville). In September 2019, the transaction in the amount of 51.4 billion RUB (\$768 million) was closed after all the customary conditions, including approval by the government of the Republic of Congo, were fulfilled.

**PJSC LUKOIL**

**Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

## Main macroeconomic factors affecting our results of operations

### International crude oil and refined products prices

The price at which we sell crude oil and refined products is the primary driver of the Group's revenues.

The dynamics of our realized prices on international markets generally matches the dynamics of commonly used spot benchmarks such as Brent crude oil price, however our average prices are usually different from such benchmarks due to different delivery terms, quality mix, as well as specifics of regional markets in case of petroleum product sales.

During 2020, the price for Brent crude oil dropped sharply from \$70.0 per barrel in January to \$13.2 per barrel in the end of April as a result of a substantial decrease in global demand for crude oil due to the COVID-19 pandemic. Gradual recovery of global demand together with the new OPEC+ agreement led to a price increase to \$52.0 per barrel by the end of December. As a result, average price increased by 3.0% compared to the third quarter of 2020, and decreased by 35.0% compared to 2019.

The following tables show the average crude oil and refined product prices.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(US dollars per barrel)						
Brent FOB dated.....	44.24	42.93	3.0	41.79	64.28	(35.0)
Urals crude (average MED and Rotterdam) .....	44.31	43.24	2.5	41.39	63.89	(35.2)
(US dollars per tonne)						
Diesel fuel 10 ppm (FOB Rotterdam) .....	364.68	353.88	3.1	367.07	591.28	(37.9)
High-octane gasoline (FOB Rotterdam).....	397.03	394.45	0.7	382.61	614.96	(37.8)
Naphtha (FOB Rotterdam) .....	389.10	372.17	4.5	351.35	501.31	(29.9)
Jet fuel (FOB Rotterdam).....	376.52	340.70	10.5	361.50	630.10	(42.6)
Vacuum gas oil (FOB Rotterdam).....	311.54	297.22	4.8	297.95	450.36	(33.8)
Marine fuel 0.5% (FOB Rotterdam).....	326.37	296.40	10.1	311.50	451.30	(31.0)
Fuel oil 3.5% (FOB Rotterdam) .....	255.45	240.35	6.3	221.37	329.97	(32.9)

Source: Platts, Argus.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(rubles per barrel)						
Brent FOB dated.....	3,372	3,158	6.8	3,015	4,161	(27.5)
Urals crude (average MED and Rotterdam) .....	3,377	3,181	6.2	2,986	4,136	(27.8)
(rubles per tonne)						
Diesel fuel 10 ppm (FOB Rotterdam) .....	27,797	26,031	6.8	26,483	38,277	(30.8)
High-octane gasoline (FOB Rotterdam).....	30,263	29,015	4.3	27,604	39,810	(30.7)
Naphtha (FOB Rotterdam) .....	29,658	27,377	8.3	25,349	32,453	(21.9)
Jet fuel (FOB Rotterdam).....	28,700	25,062	14.5	26,081	40,790	(36.1)
Vacuum gas oil (FOB Rotterdam).....	23,746	21,863	8.6	21,496	29,154	(26.3)
Marine fuel 0.5% (FOB Rotterdam).....	24,877	21,803	14.1	22,473	29,215	(23.1)
Fuel oil 3.5% (FOB Rotterdam) .....	19,471	17,680	10.1	15,971	21,361	(25.2)

Translated to rubles using average exchange rate for the period.

### Domestic crude oil and refined products prices

Most of the crude oil in Russia is produced and then refined or exported by vertically integrated oil companies. As a result, there is no liquid spot market for crude oil in Russia and no publicly available spot price benchmark. Domestic prices may deviate significantly from export netbacks and they also vary between different regions of Russia driven by supply-demand balance on regional markets.

Domestic prices for refined products correlate to some extent with export netbacks, but are also materially affected by supply-demand balance on regional markets.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

The table below represents average domestic wholesale prices for refined products for the respective periods.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(rubles per tonne)					
Diesel fuel .....	39,226	38,892	0.9	37,292	40,724	(8.4)
High-octane gasoline (Regular).....	39,139	42,049	(6.9)	39,727	38,243	3.9
High-octane gasoline (Premium).....	40,944	44,292	(7.6)	41,866	40,487	3.4
Fuel oil .....	13,889	10,625	30.7	10,990	14,514	(24.3)

Source: InfoTEK (excluding VAT).

**Changes in ruble exchange rate and inflation**

A substantial part of our revenue is either denominated in US dollars and euro or correlated to some extent with US dollar crude oil prices, while most of our costs are settled in Russian rubles. Therefore, a depreciation of the ruble against the US dollar and euro generally causes our revenues to increase in ruble terms, and vice versa. Ruble inflation also affects the results of our operations.

The following table provides data on inflation in Russia and change in the ruble-dollar and the ruble-euro exchange rates.

	Q4 2020	Q3 2020	12 months of 2020	12 months of 2019
Ruble inflation (CPI), %.....	2.0	0.2	4.9	3.0
Ruble to US dollar exchange rate				
Average for the period .....	76.2	73.6	72.1	64.7
At the beginning of the period .....	79.7	70.0	61.9	69.5
At the end of the period .....	73.9	79.7	73.9	61.9
Ruble to euro exchange rate				
Average for the period .....	90.8	86.0	82.4	72.5
At the beginning of the period .....	93.0	78.7	69.3	79.5
At the end of the period .....	90.7	93.0	90.7	69.3

Source: CBR, Federal State Statistics Service.

**Taxation**

**Key upstream tax rates.** The following tables represent average statutory enacted rates applicable to our upstream operations in Russia with no taxation incentives:

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(US dollars per tonne)					
Mineral extraction tax <sup>1</sup> .....	131.34	127.87	2.7	120.87	201.40	(40.0)
Export duty on crude oil.....	43.21	44.03	(1.9)	45.87	93.77	(51.1)

<sup>1</sup> Translated from rubles using average exchange rate for the period.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(rubles per tonne)					
Mineral extraction tax .....	10,011	9,406	6.4	8,720	13,038	(33.1)
Export duty on crude oil <sup>1</sup> .....	3,294	3,239	1.7	3,309	6,070	(45.5)

<sup>1</sup> Translated to rubles using average exchange rate for the period.

These rates are linked to international crude oil prices and change in line with them.

**Tax manoeuvre.** The Russian Government has been implementing the so-called tax manoeuvre in the oil industry, which involves reduction of export duty rate and increase in the crude oil extraction tax and excise tax rates, as well as an introduction of a negative excise tax on refinery feedstock.

In 2018, new laws were adopted which came into effect on 1 January 2019. These laws provide for concluding the tax manoeuvre by 2024 through the gradual reduction of crude oil export duty rate to zero and the equivalent increase in the mineral extraction tax rate for crude oil. To eliminate the negative effect of export duty reduction on refining margins, a negative excise on refinery feedstock was introduced. To reduce the sensitivity of domestic prices for motor fuel to changes in international prices, a so-called damper coefficient was included into the negative excise formula, which also led to increase in mineral extraction tax rate.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Crude oil extraction tax rate** is calculated on a monthly basis. Crude oil extraction tax is payable in rubles per metric tonne extracted. The tax rate is calculated according to the formula below:

$$\text{Rate} = 919 \times (\text{Price} - 15) \times \frac{\text{Exchange Rate}}{261} - \text{Incentive} + 428 \\ + \text{Tax Manoeuvre Factor} + \text{Damper Factors},$$

where *Price* is a Urals blend price in US dollars per barrel and *Exchange Rate* is an average ruble exchange rate to US dollar during the period. The *Incentive Factor* represents incentives discussed further in this section. The *Tax Manoeuvre Factor* is derived as Export duty reduction factor multiplied by the base export duty rate. The two fixed *Damper Factors* are applicable when the corresponding components of a negative excise formula are positive. From 2020, a new variable *Damper Factor* was added to the formula in addition to the fixed factors. The new factor is linked to the export netbacks for gasoline and diesel fuel.

The table below sets out key fixed components of the extraction tax formula for crude oil.

	1 January to 30 September 2019	1 October to 31 December 2019	2020	2021	2022	2023	2024 and further
Export duty reduction factor.....	0.167	0.167	0.333 (rubles)	0.500	0.667	0.833	1
Damper Factor for gasoline.....	125	200	105	105	105	105	105
Damper Factor for diesel fuel.....	110	185	92	92	92	92	92

Mineral extraction tax on crude oil has the following types of tax incentives applied to our fields and deposits:

- A special reducing coefficient is applied to the standard tax rate depending on location, size and complexity of a particular field. This type of incentive with different coefficients is applied to our Yu. Korchagin field located in the Caspian offshore, a number of fields in the Nenets Autonomous region, as well as to our new small-sized fields (recoverable reserves less than 5 million tonnes) and fields and deposits with low permeability like V. Vinogradov, Sredne-Nazymskoye and Imilorskoye fields and Tyumen deposits. Before the end of 2020 the incentive was applied to our highly depleted fields (more than 80% depletion), the Permian layers of our Usinskoye field in Timano-Pechora producing high-viscous crude oil as well as our Yaregskoye field producing extra-viscous crude oil. After the adoption of amendments to the Russian Tax Code in October 2020 these tax incentives have been cancelled as of 1 January 2021. The cancellation of mineral extraction tax incentives for our highly depleted fields was followed by allowance of inclusion of the respective license areas into Group 3 of tax on additional income (hereinafter TAI) regime (see below) as of beginning of 2021;
- A fixed tax rate of 15% of the Urals price is applied to our V. Filanovsky offshore field and other greenfields, located in the Caspian Sea;
- A fixed tax rate of 30% of the Urals price is applied to our offshore greenfields, located in the Baltic Sea;
- A special tax rate is applied to crude oil produced at license areas with TAI regime. For Groups 1 and 4 of TAI a discount to special tax rate is applied depending on the duration of commercial production at the particular license area. For highly depleted license areas in Group 3 of TAI a 20% discount is applied to special tax rate starting from 1 January 2024.

Some of the mineral extraction tax incentives are limited in time or capped by cumulative oil production volumes.

**Tax on additional income.** Starting from 2019, a tax on additional income from the crude oil and gas condensate production has been implemented for certain license areas. The TAI rate is set at 50% and is applied to the estimated sales revenue less actual and estimated costs, where actual costs include both operating expenses and capital expenditures. Moreover, TAI tax base may be reduced by the historical cumulative losses attributable to the license area. For crude oil production subject to TAI, a special mineral extraction tax rate formula is applied. The special mineral extraction tax rate (in US dollars per barrel) equals to 50% of the difference between Urals oil price and \$15 less the enacted export duty rate.

TAI is implemented for five groups of license areas. In Group 1, LUKOIL has nineteen license areas with greenfields in the Yamal-Nenets Autonomous District, including Pyakyakhinskoye field, and a number of fields in Timan-Pechora. In Group 3, LUKOIL has eight license areas with brownfields in West Siberia adopted TAI regime as of 1 January 2019, as well as 105 license areas with depleted reserves in different regions transferred to TAI regime since 1 January 2021. In Group 4, LUKOIL has two license areas with greenfields in traditional regions (West Siberia). LUKOIL has license areas neither in Group 2 nor in Group 5 of the TAI regime.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Crude oil export duty rate** is denominated in US dollars per tonne of crude oil exported and is calculated by multiplying the base export duty rate calculated on a monthly basis by the adjusting factor from tables below.

International Urals price	Base export duty rate
Less than, or equal to, \$109.5 per tonne (\$15 per barrel)	\$0 per tonne
Above \$109.5 but less than, or equal to, \$146.0 per tonne (\$20 per barrel)	35% of the difference between the actual price and \$109.5 per tonne (or \$0.35 per barrel per each \$1 increase in crude oil price over \$15 per barrel)
Above \$146.0 but less than, or equal to, \$182.5 per tonne (\$25 per barrel)	\$12.78 per tonne plus 45% of the difference between the actual price and \$146.0 per tonne (or \$1.75 plus \$0.45 per barrel per each \$1 increase in crude oil price over \$20 per barrel)
Above \$182.5 per tonne (\$25 per barrel)	\$29.2 per tonne plus 30% of the difference between the actual price and \$182.5 per tonne (or \$4 plus \$0.3 per barrel per each \$1 increase in crude oil price over \$25 per barrel)
	<b>2024 and further</b>
	<b>2019</b>
Adjusting factor .....	0.833
	<b>2020</b>
Adjusting factor .....	0.667
	<b>2021</b>
Adjusting factor .....	0.500
	<b>2022</b>
Adjusting factor .....	0.333
	<b>2023</b>
Adjusting factor .....	0.167
	<b>0</b>

The rate for the next month is being based on average Urals price for the period from the 15<sup>th</sup> day of the previous month to the 14<sup>th</sup> day of the current month. This calculation methodology results in the so-called "export duty lag effect," when export duty rate lags the oil price changes, which may result in sizeable impact on our financial results in the periods of high oil price volatility. As a result of the tax manoeuvre, the lag effect will gradually migrate from the export duty to the mineral extraction tax by 2024.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(US dollars per barrel)						
Urals price (Argus).....	44.31	43.24	2.5	41.39	63.89	(35.2)
Export duty on crude oil .....	5.92	6.03	(1.8)	6.28	12.85	(51.1)
Mineral extraction tax on crude oil .....	17.99	17.52	2.7	16.56	27.59	(40.0)
Net Urals price <sup>1</sup> .....	20.40	19.69	3.6	18.55	23.45	(20.9)
Export duty lag effect.....	0.61	0.28	>100	(0.39)	0.20	-
Mineral extraction tax lag effect.....	0.31	0.14	>100	(0.20)	0.03	-
Net Urals price <sup>1</sup> assuming no lag .....	19.48	19.27	1.1	19.14	23.22	(17.6)
(rubles per barrel) <sup>2</sup>						
Urals price (Argus).....	3,377	3,181	6.2	2,986	4,136	(27.8)
Export duty on crude oil .....	451	444	1.6	453	832	(45.6)
Mineral extraction tax on crude oil .....	1,371	1,288	6.4	1,195	1,786	(33.1)
Net Urals price <sup>1</sup> .....	1,555	1,449	7.3	1,338	1,518	(11.9)
Export duty lag effect.....	46	21	>100	(28)	13	-
Mineral extraction tax lag effect.....	23	10	>100	(14)	2	-
Net Urals price <sup>1</sup> assuming no lag .....	1,486	1,418	4.8	1,380	1,503	(8.2)

<sup>1</sup> Urals price net of export duty and mineral extraction tax on crude oil.

<sup>2</sup> Translated to rubles for Urals and export duty on crude oil using average exchange rate for the period.

Crude oil produced at some of our fields and license areas under special tax regimes is subject to zero export duty. In particular, a zero rate applies to crude oil of our V. Filanovsky field and other offshore greenfields located in the Caspian Sea, the offshore greenfields in the Baltic Sea as well as license areas belonging to the Group 1 of the TAI regime.

A reduced rate was applied to crude oil produced at our Yaregskoye field producing extra-viscous crude oil and our Yu. Korchagin field in the Caspian offshore. In October 2020, amendments to the Russian customs legislation were adopted, providing for the cancellation of reduced export duty rates applied to crude oil produced at these fields starting from 1 January 2021.

Crude oil exported to member countries of the Customs Union in the Eurasian Economic Union of Russia, Belarus, Kazakhstan, Armenia and the Kyrgyz Republic (Customs Union) is not subject to export duties.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Crude oil and refined products exported from Russia are subject to two steps of customs declaration and duty payments: temporary and complete. A temporary declaration is submitted based on preliminary exports volumes and the duty is paid in rubles translated from US dollars at the date of the temporary declaration. A complete declaration is submitted after receiving the actual data on the exported volumes, but no later than six months after the date of the temporary declaration. The final amount of the export duty is adjusted depending on the actual volumes, the ruble-US dollar exchange rate at the date of the complete declaration (except for pipeline deliveries for which the exchange rate at the temporary declaration date is used) and the export duty rate. If temporary and complete declarations are submitted in different reporting periods, the final amount of the export duty is adjusted in the period of submission of the complete declaration. The high volatility of the ruble-dollar exchange rates may lead to significant adjustments. For the purposes of the IFRS consolidated financial statements, data from temporary declarations at the reporting period end is translated to rubles from US dollars using the period-end exchange rate.

**Tax incentives**

The table below illustrates the impact of tax incentives on taxation of crude oil production from different fields and deposits in our portfolio calculated at \$50 per barrel Urals price and zero damper factors.

	Mineral extraction tax	Export duty	Total (in US dollars per barrel)	As % of oil price
<b>Under 2020 tax formulas</b>				
Standard .....	21.6	7.7	29.3	58.6
Yu. Korchagin field .....	7.5	0.0	7.5	15.0
V. Filanovsky field .....	7.5	0.0	7.5	15.0
D41 field .....	15.0	0.0	15.0	30.0
V. Vinogradov and Imilorskoye fields .....	13.4	7.7	21.1	42.1
New fields with reserves below 5 million tonnes .....	15.2–21.6	7.7	22.9–29.3	45.7–58.6
Tyumen deposits .....	19.5	7.7	27.2	54.5

**Natural gas extraction tax rate** is calculated using a special formula depending on average regulated wholesale natural gas price in Russia, Urals price, the share of gas production in total hydrocarbon production at particular license area, regional location and complexity of particular gas field. Reinjecting natural gas and associated petroleum gas are subject to zero extraction tax rate.

Gas produced from our two major fields in Russia, Nakhodkinskoye and Pyakyakhinskoye, is taxed at the rates subject to application of reducing coefficients due to the fields' geographical location and the depth of reservoir.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
(US dollars per thousand cubic meters) <sup>1</sup>						
Nakhodkinskoye field .....	5.42	5.56	(2.5)	5.63	5.48	2.7
Pyakyakhinskoye field .....	7.05	7.06	(0.1)	6.97	8.26	(15.6)

<sup>1</sup> Translated from rubles using average exchange rate for the period.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
(rubles per thousand cubic meters)						
Nakhodkinskoye field .....	413	409	1.0	406	355	14.4
Pyakyakhinskoye field .....	537	519	3.5	503	535	(6.0)

**Export duty rates on refined products** are calculated by multiplying the enacted crude oil export duty rate by a coefficient according to the table below.

**2019 and further**

Multiplier for:

Gasolines, diesel fuel and other light and middle distillates .....	0.30
Straight-run gasoline .....	0.55
Fuel oil .....	1.00

Refined products exported to member countries of the Customs Union are not subject to export duties.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Excise taxes on refined products.** The responsibility to pay excises on refined products in Russia is imposed on refined product producers (except for straight-run gasoline). Only domestic sales volumes are subject to excises.

Excise tax expense on straight-run gasoline used as a petrochemical feedstock is reimbursed with a coefficient of 1.7, and excise tax expense on middle distillates used as refinery feedstock, bunker fuel or fuel at power plants is reimbursed in double amount. Since 1 April 2020, the fixed excise tax rate for middle distillates was replaced with formula-based rate linked to the level of damper for diesel fuel.

In other countries where the Group operates, excise taxes are paid by either producers or retailers depending on the local legislation.

Excise rates on motor fuels in Russia are tied to the ecological class of fuel. Average excise tax rates for the periods considered are listed below.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(rubles per tonne)					
Gasoline (below Euro-5) .....	13,100	13,100	-	13,100	13,100	-
Gasoline (Euro-5) .....	12,752	12,752	-	12,752	12,314	3.6
Diesel fuel .....	8,835	8,835	-	8,835	8,541	3.4
Motor oils .....	5,616	5,616	-	5,616	5,400	4.0
Middle distillates* .....	13,766	15,075	(8.7)	14,524	9,241	57.2

\*Excise tax rates for middle distillates after 1 April 2020 are calculated by formula.

Established excise tax rates are listed below.

	2020	2021	2022	2023
Gasoline (below Euro-5) .....	13,100	13,624	14,169	14,736
Gasoline (Euro-5) .....	12,752	13,262	13,793	14,345
Diesel fuel .....	8,835	9,188	9,556	9,938
Motor oils .....	5,616	5,841	6,075	6,318

**Negative excise tax on refinery feedstock**

The reduction of export duties on crude oil in the course of the tax manoeuvre in Russia leads to an increase in feedstock costs for the domestic refineries. This negative effect is partially compensated by a decrease in export duties on refined products, with the remaining part of the negative effect being fully offset by the negative excise tax implemented from 1 January 2019. The negative excise tax is payable by the Government to the refineries. The negative excise tax rate is calculated separately for each refinery based on the average Urals crude oil price and refinery slate during the month. Our Ukhta refinery benefits from a special uplift regional coefficient of 1.3 applied to the negative excise tax.

The negative excise tax formula also includes the damper coefficient for gasoline and diesel fuel sold on the domestic market and starting from 2021 also includes an investment factor. The damper coefficient is calculated by multiplying the corresponding Compensation Coefficients and a difference between gasoline and diesel fuel export netbacks at North-Western Russia delivery basis and corresponding Fixed benchmarks. When the damper coefficient is positive, it is payable by the Government to the refinery, and vice versa.

The investment factor is a multiplier to the negative excise tax excluding the damper, which is applicable when a special agreement is signed with the Government providing for at least 60 billion RUB of investments into development of a refinery. The amount of the multiplier depends on the refinery's geography.

The *Fixed benchmarks* and *Compensation Coefficients* are presented in the tables below:

	1 January to 30 June 2019	1 July to 31 December 2019	2020	2021	2022	2023	2024
	(rubles per tonne)						
Fixed benchmark for gasoline .....	56,000	51,000	53,600	56,300	59,000	62,000	65,000
Fixed benchmark for diesel fuel .....	50,000	46,000	48,300	50,700	53,250	56,000	58,700

	1 January to 30 June 2019	1 July to 31 December 2019	2020 and further
Compensation coefficient for gasoline .....	0.60	0.75	0.68
Compensation coefficient for diesel fuel .....	0.60	0.70	0.65

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

The following tables present the average enacted damper coefficients for the respective periods:

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(US dollars per tonne) <sup>1</sup>						
Gasoline .....	(45.90)	(61.19)	(25.0)	(89.65)	56.52	-
Diesel fuel .....	(54.85)	(74.63)	(26.5)	(78.06)	72.93	-

<sup>1</sup> Translated from rubles using average exchange rate for the period.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(rubles per tonne)						
Gasoline .....	(3,498)	(4,501)	(22.3)	(6,468)	3,659	-
Diesel fuel .....	(4,181)	(5,490)	(23.8)	(5,632)	4,721	-

**Income tax.** Operations in the Russian Federation are subject to a 20% income tax rate. For the period from 2017 till 2024 (inclusive) a Federal income tax rate is set as 3.0% and a regional income tax rate is set as 17.0%. Regional income tax rate may be reduced for certain categories of taxpayers by the laws of constituent entities of the Russian Federation, however certain restrictions apply on the application of the reduced regional rates.

The Company and its Russian subsidiaries file income tax returns in Russia. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

#### **Transportation tariffs on crude oil, natural gas and refined products in Russia**

Many of our production assets are located relatively far from our customers. As a result, transportation tariffs are an important factor affecting our profitability.

Crude oil produced at our fields in Russia is transported to refineries and exported primarily through the trunk oil pipeline system of the state-owned company, Transneft. In some cases, crude oil is also shipped via railway infrastructure of the state-owned company, Russian Railways.

Refined products produced at our Russian refineries are transported primarily by railway (Russian Railways) and the pipeline system of Transnefteproduct, a subsidiary of Transneft.

Gas that is not sold at the wellhead is transported through the Unified Gas Supply System owned and operated by Gazprom.

Transneft, Russian Railways and Gazprom are state-controlled natural transportation infrastructure monopolies and their tariffs are regulated by the Federal Antimonopoly Service of Russia and set in rubles.

The following table sets forth the changes in the average tariffs charged by the state-controlled transportation service providers in Russia.

	<b>Q4 2020 to Q3 2020</b>	<b>12 months of 2020 to 12 months of 2019</b>
Transneft (crude oil) .....	0.0%	3.4%
Russian Railways (crude oil and refined products) .....	0.0%	3.5%

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Reserves base**

The tables below summarize the net proved reserves of our consolidated subsidiaries and our share in net proved reserves of our associates and joint ventures under the standards of the US Securities and Exchange Commission (until the economic limit of commercial production is reached) that have been derived from our reserve reports audited by Miller and Lents Ltd, our independent reservoir engineers, at 31 December 2020 and 2019.

(hydrocarbons, millions of BOE)	Changes in 2020			
	31 December 2020	Production <sup>(1)</sup>	Extensions, discoveries and changes in structure	Revision of previous estimates
				31 December 2019
West Siberia .....	7,884	(319)	284	(265)
Timan-Pechora .....	2,403	(113)	42	60
Ural region .....	2,156	(124)	93	(60)
Volga region .....	1,116	(90)	40	(8)
Other in Russia .....	163	(11)	3	(5)
Outside Russia .....	1,663	(118)	2	205
<b>Proved oil and gas reserves .....</b>	<b>15,385</b>	<b>(775)</b>	<b>464</b>	<b>(73)</b>
<b>Probable oil and gas reserves .....</b>	<b>5,581</b>			
<b>Possible oil and gas reserves .....</b>	<b>2,802</b>			
				<b>3,000</b>

<sup>1</sup> Gas production shown before own consumption.

(crude oil, millions of barrels)	Changes in 2020			
	31 December 2020	Production	Extensions, discoveries and changes in structure	Revision of previous estimates
				31 December 2019
West Siberia .....	5,789	(245)	235	(271)
Timan-Pechora .....	2,278	(102)	39	52
Ural region .....	2,030	(115)	88	(55)
Volga region .....	756	(80)	36	(10)
Other in Russia .....	160	(11)	3	(6)
Outside Russia .....	679	(51)	2	168
<b>Proved oil reserves .....</b>	<b>11,692</b>	<b>(604)</b>	<b>403</b>	<b>(122)</b>
<b>Probable oil reserves .....</b>	<b>4,105</b>			
<b>Possible oil reserves .....</b>	<b>2,314</b>			
				<b>2,506</b>

(gas, billions of cubic feet)	Changes in 2020			
	31 December 2020	Production <sup>(1)</sup>	Extensions, discoveries and changes in structure	Revision of previous estimates
				31 December 2019
West Siberia .....	12,572	(444)	289	39
Timan-Pechora .....	750	(65)	20	47
Ural region .....	754	(51)	31	(38)
Volga region .....	2,159	(58)	25	10
Other in Russia .....	16	(2)	-	4
Outside Russia .....	5,905	(404)	-	226
<b>Proved gas reserves .....</b>	<b>22,156</b>	<b>(1,024)</b>	<b>365</b>	<b>288</b>
<b>Probable gas reserves .....</b>	<b>8,861</b>			
<b>Possible gas reserves .....</b>	<b>2,927</b>			
				<b>2,966</b>

<sup>1</sup> Gas production shown before own consumption.

The Company's proved hydrocarbon reserves at 31 December 2020 amounted to 15.4 billion BOE and comprised of 11.7 billion barrels of crude oil and 22.2 trillion cubic feet of gas.

As a result of geological exploration and production drilling conducted in 2020, LUKOIL added 464 million barrels of oil equivalent to proved reserves. The largest contribution was made by the assets in West Siberia, Ural region and Russian sector of the Caspian Sea.

Optimization of development systems and wellwork programmes at existing fields, as well as conversion of contingent resources to reserves added 258 million barrels of oil equivalent to proved reserves, which was more than offset by a 34% decrease in annual average oil price used for reserves estimate.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Segments highlights**

Our operations are divided into three main business segments:

- **Exploration and Production** – which includes our exploration, development and production operations related to crude oil and gas. These activities are primarily located within Russia, with additional activities in Azerbaijan, Kazakhstan, Uzbekistan, the Middle East, Northern and Western Africa, Norway, Romania and Mexico.
- **Refining, Marketing and Distribution** – which includes refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, generation, transportation and sales of electricity, heat and related services.
- **Corporate and other** – which includes operations related to our headquarters (which coordinates operations of the Group companies), finance activities, and certain other activities, that are not primary to the Group.

Each of our segments is dependent on the others, with a portion of the revenues of one segment being a part of the costs of the others. In particular, our Refining, Marketing and Distribution segment purchases crude oil from our Exploration and Production segment. As a result of certain factors considered in the “Domestic crude oil and refined products prices” section on p. 8, benchmark crude oil market prices in Russia cannot be determined with certainty. Therefore, the prices set for inter-segment purchases of crude oil reflect a combination of market factors, primarily international crude oil market prices, transportation costs, regional market conditions, the cost of crude oil refining and other factors. We present the financial data for each segment in Note 33 “Segment information” to our consolidated financial statements.

**Exploration and production**

The following table summarizes key figures on our Exploration and production segment:

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
EBITDA .....	166,567	151,979	9.6	500,081	893,950	(44.1)
in Russia.....	147,964	136,108	8.7	421,573	729,077	(42.2)
outside Russia and Iraq .....	11,487	9,656	19.0	46,512	143,183	(67.5)
in Iraq.....	7,116	6,215	14.5	31,996	21,690	47.5
Hydrocarbon extraction expenses.....	51,037	46,670	9.4	198,911	210,867	(5.7)
in Russia.....	39,532	37,552	5.3	158,328	170,590	(7.2)
outside Russia and Iraq .....	6,567	5,297	24.0	23,371	23,267	0.4
in Iraq.....	4,938	3,821	29.2	17,212	17,010	1.2
(rubles per BOE)						
Hydrocarbon unit extraction expenses (excluding Iraq).....	249	254	(1.8)	247	232	6.4
in Russia.....	251	241	4.0	243	237	2.2
outside Russia and Iraq .....	240	404	(40.6)	282	200	41.3
(US dollars per BOE)						
Hydrocarbon unit extraction expenses (excluding Iraq).....	3.27	3.45	(5.2)	3.42	3.59	(4.5)
in Russia.....	3.29	3.28	0.3	3.36	3.67	(8.3)
outside Russia and Iraq .....	3.15	5.50	(42.7)	3.91	3.09	26.3

Our upstream EBITDA increased by 9.6% compared to the third quarter of 2020. In Russia, the increase was mainly a result of the effect of the ruble depreciation, higher crude oil prices, higher positive export duty lag effect, as well as higher crude oil production volumes, while an increase in operating expenses was a restraining factor. Outside Russia and Iraq, our EBITDA increased mainly as a result of an increased gas production volumes in Uzbekistan on the back of a recovery of demand for Uzbek gas from China. This was also supported by an increase in crude oil production volumes, the effect of the ruble depreciation and an increase in international hydrocarbon prices.

Compared to 2019, our upstream EBITDA decreased by 44.1%. In Russia, the decrease was mainly due to lower crude oil prices, negative export duty lag effect, and crude oil production cut due to the new OPEC+ agreement, that was partially offset by the ruble depreciation, lower operating expenses and bigger share of high-margin volumes in crude oil production. Outside Russia and Iraq, our upstream EBITDA decreased mainly owing to a decrease in international hydrocarbon prices and gas production volumes in Uzbekistan. The weaker ruble and higher volumes of crude oil production outside Russia and Iraq partially offset the impact of these negative factors.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

The dynamics of EBITDA of the West Qurna-2 project was mainly a result of changes in cost compensation.

The following table summarizes our hydrocarbon production by major regions.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(thousand BOE per day)					
<b>Crude oil and natural gas liquids</b>						
Consolidated subsidiaries						
West Siberia .....	641	620	3.4	669	765	(12.5)
Timan-Pechora .....	250	255	(2.0)	274	317	(13.6)
Ural region .....	314	304	3.3	313	334	(6.3)
Volga region .....	209	212	(1.4)	217	235	(7.7)
Other in Russia .....	27	29	(6.9)	29	32	(9.4)
Total in Russia .....	1,441	1,420	1.5	1,502	1,683	(10.8)
Iraq <sup>1</sup> .....	34	42	(19.0)	53	30	76.7
Other outside Russia .....	57	44	29.5	53	52	1.9
Total outside Russia .....	91	86	5.8	106	82	29.3
<b>Total consolidated subsidiaries .....</b>	<b>1,532</b>	<b>1,506</b>	<b>1.7</b>	<b>1,608</b>	<b>1,765</b>	<b>(8.9)</b>
Our share in associates						
in Russia .....	11	10	10.0	11	13	(15.4)
outside Russia .....	30	29	3.4	32	37	(13.5)
<b>Total share in production of associates .....</b>	<b>41</b>	<b>39</b>	<b>5.1</b>	<b>43</b>	<b>50</b>	<b>(14.0)</b>
<b>Total crude oil and natural gas liquids .....</b>	<b>1,573</b>	<b>1,545</b>	<b>1.8</b>	<b>1,651</b>	<b>1,815</b>	<b>(9.0)</b>
<b>Natural and petroleum gas<sup>2</sup></b>						
Consolidated subsidiaries						
West Siberia .....	194	200	(3.0)	203	201	1.0
Timan-Pechora .....	28	27	3.7	29	33	(12.1)
Ural region .....	26	21	23.8	23	23	-
Volga region .....	25	25	-	26	28	(7.1)
Other in Russia .....	0	0	-	0	1	(100.0)
Total in Russia .....	273	273	-	281	286	(1.7)
Uzbekistan .....	191	58	>100	128	228	(43.9)
Other outside Russia .....	50	40	25.0	46	40	15.0
Total outside Russia .....	241	98	>100	174	268	(35.1)
<b>Total consolidated subsidiaries .....</b>	<b>514</b>	<b>371</b>	<b>38.5</b>	<b>455</b>	<b>554</b>	<b>(17.9)</b>
Share in associates						
in Russia .....	2	2	97.8	1	1	28.9
outside Russia .....	10	9	(2.0)	10	10	(4.3)
<b>Total share in production of associates .....</b>	<b>12</b>	<b>11</b>	<b>9.2</b>	<b>11</b>	<b>11</b>	<b>(0.3)</b>
<b>Total natural and petroleum gas .....</b>	<b>526</b>	<b>382</b>	<b>37.7</b>	<b>466</b>	<b>565</b>	<b>(17.5)</b>
<b>Total daily hydrocarbon production (excluding the West Qurna-2 project) .....</b>	<b>2,065</b>	<b>1,885</b>	<b>9.5</b>	<b>2,064</b>	<b>2,350</b>	<b>(12.2)</b>
<b>Total daily hydrocarbon production .....</b>	<b>2,099</b>	<b>1,927</b>	<b>8.9</b>	<b>2,117</b>	<b>2,380</b>	<b>(11.1)</b>
Including natural gas liquids produced at the gas processing plants .....	39	34	15.3	39	44	(11.6)

<sup>1</sup> Compensation crude oil related to the Group.

<sup>2</sup> Natural and petroleum gas production excluding flaring, reinjected gas and gas used in production of natural gas liquids.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Crude oil production** by major regions is presented in the table below.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>2019</b>	<b>Change, %</b>
	(thousands of tonnes)					
West Siberia .....	7,802	7,558	3.2	32,448	36,999	(12.3)
Timan-Pechora .....	3,335	3,275	1.8	14,102	16,099	(12.4)
Ural region .....	3,664	3,554	3.1	14,565	15,527	(6.2)
Volga region .....	2,509	2,531	(0.9)	10,339	11,207	(7.7)
Other in Russia .....	353	374	(5.6)	1,486	1,626	(8.6)
Crude oil produced in Russia .....	17,663	17,292	2.1	72,940	81,458	(10.5)
 Iraq <sup>1</sup> .....	463	565	(18.1)	2,843	1,616	75.9
Other outside Russia .....	605	496	22.0	2,256	2,110	6.9
Crude oil produced outside Russia .....	1,068	1,061	0.7	5,099	3,726	36.8
 <b>Total crude oil produced by consolidated subsidiaries</b> .....	<b>18,731</b>	<b>18,353</b>	<b>2.1</b>	<b>78,039</b>	<b>85,184</b>	<b>(8.4)</b>
 <b>Our share in crude oil produced by associates:</b>						
in Russia .....	138	124	11.3	519	610	(14.9)
outside Russia .....	349	338	3.3	1,491	1,694	(12.0)
 <b>Total crude oil produced</b> .....	<b>19,218</b>	<b>18,815</b>	<b>2.1</b>	<b>80,049</b>	<b>87,488</b>	<b>(8.5)</b>

<sup>1</sup> Compensation crude oil related to the Group.

Our main oil producing region is West Siberia where we produced 41.7% and 41.6% of our crude oil in the fourth quarter and the full year 2020 (41.2% in the third quarter of 2020 and 43.4% in 2019). Our crude oil production increased by 2.1% compared to the third quarter of 2020, and decreased by 8.5% compared to 2019.

The dynamics of our crude oil production volumes in Russia since the beginning of 2017 has been driven by external limitations due to an agreement of OPEC and some of the non-OPEC countries, including Russia, (the OPEC+ countries) to cap production levels in order to stabilize the global crude oil market. In December 2018, the OPEC+ countries agreed to decrease crude oil production relative to October 2018 levels until June 2019, which subsequently was prolonged until March 2020. Following these agreements, the Group limited production in its traditional regions (West Siberia, Timan-Pechora, and Ural) at the least-productive fields and fields with high water-cuts.

In April 2020, OPEC+ countries entered into a new agreement to reduce their collective output by 9.7 million barrels per day starting from 1 May 2020 as a response to a dramatic contraction in demand for crude oil due to the COVID-19 pandemic. The agreement expires at the end of April 2022. Initially it provided for stepped increases in crude oil production from August 2020 and January 2021, but this schedule has been adjusted depending on the market situation. Russia committed to reduce its crude oil production to 8.5 million barrels per day from May 2020 with further increases according to the agreement. Due to the agreement, from May 2020, the Group reduced its crude oil production in Russia by approximately 310 thousand barrels per day, or by 19%, as compared to the average daily crude oil production level in the first quarter of 2020. The Group then increased crude oil production in Russia by approximately 20 thousand barrels per day in July and incrementally by approximately 60 thousand barrels per day in August. By the end of 2020 crude oil production in Russia was gradually increased by approximately 100 thousand barrels per day as compared to the May level.

The new OPEC+ agreement also led to limitations on oil production by the Group at certain international projects.

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

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

In 2020, high viscosity oil production at the Yaregskoye field and Permian reservoir of the Usinskoye field 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. In 2020, total oil and gas condensate production 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.

**Gas production** (excluding flaring, reinjected gas and gas used in production of natural gas liquids) by major regions is presented in the table below.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of cubic meters)					
West Siberia, including:						
Nakhodkinskoye field	3,038	3,118	(2.6)	12,592	12,492	0.8
Pyakyakhinskoye field	1,296	1,355	(4.4)	5,376	4,848	10.9
Other fields	880	902	(2.4)	3,599	3,433	4.8
Timan-Pechora	862	861	0.1	3,617	4,211	(14.1)
Ural region	434	415	4.6	1,810	2,050	(11.7)
Volga region	407	336	21.1	1,451	1,432	1.3
Other in Russia	388	394	(1.5)	1,593	1,711	(6.9)
Gas produced in Russia	2	4	(50.0)	17	24	(29.2)
Gas produced in Russia	4,269	4,267	-	17,463	17,709	(1.4)
Uzbekistan	2,994	910	>100	7,947	14,130	(43.8)
Other outside Russia	765	622	23.0	2,861	2,478	15.5
Gas produced outside Russia	3,759	1,532	>100	10,808	16,608	(34.9)
<b>Total gas produced by consolidated subsidiaries..</b>	<b>8,028</b>	<b>5,799</b>	<b>38.4</b>	<b>28,271</b>	<b>34,317</b>	<b>(17.6)</b>
<b>Our share in gas produced by associates:</b>						
in Russia	40	32	25.0	115	88	30.7
outside Russia	157	138	13.8	619	641	(3.4)
<b>Total gas produced.....</b>	<b>8,225</b>	<b>5,969</b>	<b>37.8</b>	<b>29,005</b>	<b>35,046</b>	<b>(17.2)</b>

In the fourth quarter and the full year 2020, LUKOIL Group's gas production was 8.2 billion cubic meters and 29.0 billion cubic meters, respectively, which was 37.8% higher quarter-on-quarter, and 17.2% lower year-on-year. In Russia, our major gas production region is West Siberia (Bolshekhetskaya depression), where gas is produced from the Nakhodkinskoe and Pyakyakhinskoe fields. Our gas production in Russia did not change significantly compared to the third quarter of 2020, and decreased by 1.4% compared to 2019 due to lower associated petroleum gas production that followed the crude oil production cut. Outside Russia, the main gas production region is Uzbekistan where we have shares in two PSAs. Our international gas production (including our share in associates' production) increased by 134.5% quarter-on-quarter as a result of a recovery of gas production in Uzbekistan, and decreased by 33.8% year-on-year, mainly due to temporarily lower demand from China for gas produced in Uzbekistan amid the COVID-19 pandemic.

**West Qurna-2 project**

The West Qurna-2 field in Iraq is developed under the service contract, signed in January 2010. In May 2018, a Group company and Iraqi party signed a new field development plan, according to which, crude oil production is planned to increase to 800 thousand barrels per day. Starting from 1 May 2020, crude oil production at the field was reduced following the request from the Iraqi government due to the new OPEC+ agreement. As of the end of 2020, production at the field was approximately 90 thousand barrels per day below its capacity.

Accounting for the cost compensation within the West Qurna-2 project in our consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income is as follows.

Capital expenditures are recognized in *Property, plant and equipment*. Extraction expenses are recognized in *Operating expenses* in respect of all the volume of crude oil production at the field regardless of the volume of compensation crude oil the Group is eligible for. As the compensation revenue is recognized, capitalized costs are amortized.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

There are two steps of revenue recognition:

- The Iraqi party, on a quarterly basis, approves invoice for cost recovery and remuneration fee for which the Group is eligible for in the reporting period. Amount of the invoice depends on crude oil production volumes during the period and amount of costs claimed for reimbursement. Approved invoice amount for the reporting quarter is recognized in crude oil sales revenue.
- Based on the approved invoices, the Iraqi party arranges schedule of crude oil shipments against its liability for cost compensation and remuneration. As this crude oil is actually shipped, its cost is recognized at current market price in Cost of purchased crude oil, gas and products. Further, revenue from sales of this crude oil, or products from its refining, is recognized in *Sales*. Unsold crude oil and refined products are recognized in *Inventories*.

The following table summarizes data on capital and operating costs incurred, compensation crude oil received, costs yet unrecovered and remuneration fee.

(millions of US dollars)	Costs incurred <sup>1</sup>	Remuneration fee	Crude oil received	Crude oil to be received
Cumulative at 31 December 2019 .....	9,229	548	9,242	535
Change in 2020 .....	549	127	626	50
<b>Cumulative at 31 December 2020.....</b>	<b>9,778</b>	<b>675</b>	<b>9,868</b>	<b>585</b>

<sup>1</sup> Including prepayments.

The West Qurna-2 project summary is presented below:

	Q4 2020		Q3 2020		Change, %	
	(thousand barrels)	(thousand tonnes)	(thousand barrels)	(thousand tonnes)		
Total production .....	28,783	4,208	27,002	3,948	6.6	6.6
Production related to cost compensation and remuneration .....	3,168	463	3,864	565	(18.1)	(18.1)
Shipment of compensation crude oil <sup>1</sup> .....	3,726	545	5,572	814	(33.0)	(33.0)
	(millions of rubles)	(millions of US dollars)	(millions of rubles)	(millions of US dollars)		
Cost compensation .....	10,788	142	8,441	114	27.8	24.6
Remuneration fee .....	1,894	25	1,409	19	34.4	31.6
	12,682	167	9,850	133	28.8	25.6
Cost of compensation crude oil, received as liability settlement (included in Cost of purchased crude oil, gas and products) <sup>1</sup> .....	11,994	157	17,193	234	(30.2)	(32.9)
Extraction expenses .....	4,938	65	3,821	52	29.2	25.0
Depreciation, depletion and amortization .....	5,940	78	4,678	63	27.0	23.8
EBITDA .....	7,116	93	6,215	85	14.5	9.4

<sup>1</sup> This crude oil is sold to third party customers or delivered to our refineries. After realization of these products, respective sales revenues are recognized.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

	12 months of				Change, %	
	2020	2019	(thousand barrels)	(thousand tonnes)	(thousand barrels)	(thousand tonnes)
Total production .....	124,295	18,172	142,684	20,860	(12.9)	(12.9)
Production related to cost compensation and remuneration .....	19,447	2,843	11,054	1,616	75.9	75.9
Shipment of compensation crude oil <sup>1</sup> .....	18,996	2,777	9,412	1,376	>100	>100
Cost compensation .....	(millions of rubles)	(millions of US dollars)	(millions of rubles)	(millions of US dollars)		
Cost compensation .....	42,604	597	35,836	554	18.9	7.8
Remuneration fee .....	7,694	107	8,023	124	(4.1)	(13.7)
	50,298	704	43,859	678	14.7	3.8
Cost of compensation crude oil, received as liability settlement (included in Cost of purchased crude oil, gas and products) <sup>1</sup> .....	45,428	626	36,225	560	25.4	11.8
Extraction expenses .....	17,212	239	17,010	263	1.2	(9.1)
Depreciation, depletion and amortization .....	25,630	361	18,950	293	35.3	23.2
EBITDA .....	31,996	450	21,690	334	47.5	34.7

<sup>1</sup> This crude oil is sold to third party customers or delivered to our refineries. After realization of these products, respective sales revenues are recognized.

**Refining, marketing and distribution**

The following table summarizes key figures on our Refining, marketing and distribution segment:

	Q4	Q3	Change,	12 months of		Change,
	2020	2020	%	2020	2019	%
(millions of rubles)						
EBITDA .....	46,649	77,638	(39.9)	243,322	371,642	(34.5)
in Russia .....	43,573	42,357	2.9	180,753	301,136	(40.0)
outside Russia .....	3,076	35,281	(91.3)	62,569	70,506	(11.3)
Refining expenses at the Group refineries .....	25,563	24,165	5.8	92,613	96,543	(4.1)
in Russia .....	12,539	10,961	14.4	42,614	42,555	0.1
outside Russia .....	13,024	13,204	(1.4)	49,999	53,988	(7.4)
(rubles per tonne)						
Unit refining expenses at the Group refineries .....	1,945	1,628	19.5	1,580	1,404	12.5
in Russia .....	1,295	1,074	20.6	1,062	964	10.2
outside Russia .....	3,760	2,845	32.2	2,703	2,195	23.1
(US dollars per tonne)						
Unit refining expenses at the Group refineries .....	25.51	22.13	15.3	21.90	21.70	0.9
in Russia .....	16.99	14.60	16.4	14.73	14.90	(1.2)
outside Russia .....	49.33	38.68	27.5	37.46	33.91	10.5

Our refining, marketing and distribution EBITDA was 39.9% lower than in the third quarter of 2020. At the same time, in Russia, refining, marketing and distribution EBITDA increased by 2.9% largely due to a seasonal increase in profitability of our power generation business, positive inventory effect at our refineries, better results of our petrochemical and retail businesses. This growth was restrained by a decrease in refining margins, higher operating expenses at refineries and lower refinery throughput volumes. Outside Russia, our refining, marketing and distribution EBITDA decreased by 91.3% primarily due to the accounting specifics of our international trading operations. Moreover, our results outside Russia were negatively affected by lower refinery throughput volumes, refining and trading margins and weaker results of our retail network due to COVID-19 related lockdowns in Europe. The positive inventory effect at our foreign refineries partially offset the impact of these negative factors.

Compared to 2019, our refining, marketing and distribution EBITDA decreased by 34.5%. In Russia, our downstream EBITDA decreased largely due to a decline in refining margin, negative inventory effect at our refineries, weaker results of petrochemical and retail businesses, lower refinery throughput volumes, that was partially offset by optimization of refinery product slate. Outside Russia, our downstream EBITDA decreased by 11.3%. A decline in benchmark refining margin and negative inventory effect at our refineries were largely offset by an increase in trading margin, the accounting specifics of our international trading operations, as well as the ruble depreciation.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Refining and petrochemicals**

The following table summarizes key figures for our refining and petrochemical volumes.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>2019</b>	<b>Change, %</b>
	(thousands of tonnes)					
Refinery throughput at the Group refineries .....	13,145	14,848	(11.5)	58,608	68,746	(14.7)
in Russia .....	9,682	10,207	(5.1)	40,109	44,154	(9.2)
outside Russia, including .....	3,463	4,641	(25.4)	18,499	24,592	(24.8)
crude oil .....	3,085	4,215	(26.8)	16,888	22,673	(25.5)
refined products .....	378	426	(11.3)	1,611	1,919	(16.1)
Refinery throughput at third party refineries .....	28	41	(31.7)	146	4,460	(96.7)
<b>Total refinery throughput.....</b>	<b>13,173</b>	<b>14,889</b>	<b>(11.5)</b>	<b>58,754</b>	<b>73,206</b>	<b>(19.7)</b>
<b>Production of the Group refineries in Russia<sup>1</sup> .....</b>	<b>9,234</b>	<b>9,722</b>	<b>(5.0)</b>	<b>38,090</b>	<b>41,831</b>	<b>(8.9)</b>
diesel fuel .....	3,760	4,010	(6.2)	16,084	16,532	(2.7)
motor gasoline .....	1,479	2,104	(29.7)	7,076	7,864	(10.0)
fuel oil .....	965	839	15.0	3,142	4,657	(32.5)
jet fuel .....	487	692	(29.6)	2,182	2,843	(23.3)
lubricants and components .....	255	202	26.2	923	963	(4.2)
straight-run gasoline .....	636	430	47.9	2,458	2,655	(7.4)
vacuum gas oil .....	438	131	>100	589	332	77.4
bitumen .....	145	275	(47.3)	904	908	(0.4)
coke .....	257	265	(3.0)	1,108	1,072	3.4
bunker fuel .....	576	385	49.6	2,022	1,546	30.8
gas products .....	68	90	(24.4)	307	317	(3.2)
petrochemicals .....	53	82	(35.4)	298	392	(24.0)
other products .....	115	217	(47.0)	997	1,750	(43.0)
<b>Production of the Group refineries outside Russia .....</b>	<b>3,163</b>	<b>4,246</b>	<b>(25.5)</b>	<b>16,874</b>	<b>23,250</b>	<b>(27.4)</b>
diesel fuel .....	1,599	2,146	(25.5)	8,334	10,570	(21.2)
motor gasoline .....	608	1,064	(42.9)	3,778	5,065	(25.4)
fuel oil .....	77	193	(60.1)	754	2,121	(64.5)
jet fuel .....	127	86	47.7	539	1,149	(53.1)
straight-run gasoline .....	449	284	58.1	1,616	2,285	(29.3)
coke .....	24	16	50.0	76	107	(29.0)
bunker fuel .....	116	103	12.6	438	99	-
gas products .....	88	122	(27.9)	462	588	(21.4)
petrochemicals .....	11	11	-	45	43	4.7
other products .....	64	221	(71.0)	832	1,223	(32.0)
<b>Refined products produced by the Group .....</b>	<b>12,397</b>	<b>13,968</b>	<b>(11.2)</b>	<b>54,964</b>	<b>65,081</b>	<b>(15.5)</b>
Refined products produced at third party refineries ..	26	37	(29.7)	139	4,215	(96.7)
<b>Total refined products produced.....</b>	<b>12,423</b>	<b>14,005</b>	<b>(11.3)</b>	<b>55,103</b>	<b>69,296</b>	<b>(20.5)</b>
Reference: Net of cross-supplies of refined products between the Group refineries.....	158	455	(65.3)	1,397	1,561	(10.5)
<b>Products produced at petrochemical plants and facilities .....</b>	<b>332</b>	<b>283</b>	<b>17.3</b>	<b>1,228</b>	<b>1,137</b>	<b>8.0</b>
in Russia .....	253	198	27.8	898	790	13.7
outside Russia .....	79	85	(7.1)	330	347	(4.9)

<sup>1</sup> Net of cross-supplies of refined products among the Group.

In the fourth quarter and the full year 2020, refinery throughput at the Group refineries was 13.1 million tonnes and 58.6 million tonnes, respectively, which is 11.5% lower quarter-on-quarter and 14.7% lower year-on-year. The decline was attributable to throughput optimization at some of the Group'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.

In the fourth quarter of 2020, refinery throughput decreased by 5.1% in Russia mainly due to scheduled maintenance works at Volgograd and Nizhny Novgorod refineries, and decreased by 25.4% outside Russia, mainly due to scheduled maintenance works and throughput optimization at refineries in Italy and Bulgaria.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

In 2020, refinery throughput in Russia was 9.2% lower year-on-year due to scheduled maintenance works and throughput optimization at refineries. Our refinery throughput in Europe was 24.8% lower year-on-year due to scheduled maintenance works at refineries in Bulgaria, Italy and the Netherlands, as well as throughput optimization.

In the periods considered, we processed our crude oil at third party refineries in Belarus and Kazakhstan.

In 2016, a Group company entered into a tolling agreement with a Canadian refinery originally valid through 2019. Subsequently, it was prolonged until 31 August 2022 with modification of certain provisions that changed its substance from a tolling agreement to a financial arrangement. Therefore, from September 2019, we ceased to recognize throughput and production costs related to this arrangement. The Group recognizes interest it earns on the financing provided and administrative fee.

**Marketing and trading**

In addition to our production, we purchase crude oil in Russia and on international markets. In Russia, we primarily purchase crude oil from associated producing companies and other producers. Then we either refine or export purchased crude oil. Crude oil purchased on international markets is used for trading activities, for supplying our international refineries or for processing at third party refineries.

In Russia, we purchase refined products on occasion, primarily to manage supply chain bottlenecks. Refined products purchases outside Russia are either traded or supplied to our international refineries and our retail chains.

We undertake trading operations on international markets through our 100% subsidiary LITASCO SA. We use traditional physical volumes hedging techniques to hedge our trading operations to secure trading margin.

The following table shows the volumes of crude oil purchases by the Group during the periods considered.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(thousands of tonnes)					
<b>Crude oil purchases</b>						
In Russia.....	245	85	>100	704	756	(6.9)
For trading internationally .....	10,807	13,728	(21.3)	51,678	52,299	(1.2)
For refining internationally .....	2,880	3,761	(23.4)	13,241	21,686	(38.9)
Shipment of the West Qurna-2 compensation crude oil.....	545	814	(33.0)	2,777	1,376	>100
<b>Total crude oil purchased .....</b>	<b>14,477</b>	<b>18,388</b>	<b>(21.3)</b>	<b>68,400</b>	<b>76,117</b>	<b>(10.1)</b>

The table below summarizes figures for our refined products and petrochemicals marketing and trading activities.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(thousands of tonnes)					
<b>Refined products purchases</b>						
In Russia.....	227	114	99.1	730	920	(20.7)
For trading internationally .....	14,820	11,840	25.2	49,455	51,179	(3.4)
For refining internationally .....	266	392	(32.3)	1,558	2,095	(25.6)
<b>Total refined products purchased .....</b>	<b>15,313</b>	<b>12,346</b>	<b>24.0</b>	<b>51,743</b>	<b>54,194</b>	<b>(4.5)</b>
<b>Petrochemical products purchases</b>						
In Russia.....	34	36	(5.6)	135	39	>100
For trading internationally .....	130	134	(3.1)	606	863	(29.7)
For refining internationally .....	48	46	4.6	177	186	(5.0)
<b>Total petrochemical products purchased .....</b>	<b>212</b>	<b>216</b>	<b>(1.9)</b>	<b>918</b>	<b>1,088</b>	<b>(15.6)</b>

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Exports of crude oil, refined and petrochemical products from Russia** by our subsidiaries and export revenues (both to the Group companies and third parties) are summarized as follows:

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(millions of rubles)						
Exports of crude oil to Customs Union .....	11,675	12,633	(7.6)	29,913	63,879	(53.2)
Exports of crude oil beyond Customs Union.....	170,215	138,690	22.7	584,474	996,096	(41.3)
<b>Total crude oil exports .....</b>	<b>181,890</b>	<b>151,323</b>	<b>20.2</b>	<b>614,387</b>	<b>1,059,975</b>	<b>(42.0)</b>
(thousands of tonnes)						
Exports of crude oil to Customs Union .....	664	664	-	1,779	2,716	(34.5)
Exports of crude oil beyond Customs Union.....	7,371	6,121	20.4	30,330	34,378	(11.8)
<b>Total crude oil exports .....</b>	<b>8,035</b>	<b>6,785</b>	<b>18.4</b>	<b>32,109</b>	<b>37,094</b>	<b>(13.4)</b>
Exports of crude oil through Transneft, excluding ESPO pipeline.....	4,675	3,268	43.1	18,440	21,255	(13.2)
ESPO pipeline .....	600	599	0.2	1,739	1,738	0.1
CPC pipeline .....	1,402	1,341	4.5	5,317	5,281	0.7
Exports of crude oil through the Group's transportation infrastructure .....	1,358	1,577	(13.9)	6,613	8,820	(25.0)
<b>Total crude oil exports .....</b>	<b>8,035</b>	<b>6,785</b>	<b>18.4</b>	<b>32,109</b>	<b>37,094</b>	<b>(13.4)</b>
<b>Supply of exported crude oil to refineries .....</b>	<b>239</b>	<b>395</b>	<b>(39.5)</b>	<b>3,131</b>	<b>3,354</b>	<b>(6.6)</b>
	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>12 months of 2019</b>	<b>Change, %</b>
(millions of rubles)						
<b>Refined and petrochemical products exports.....</b>	<b>119,827</b>	<b>89,799</b>	<b>33.4</b>	<b>419,665</b>	<b>623,632</b>	<b>(32.7)</b>
(thousands of tonnes)						
<b>Refined products exports</b>						
diesel fuel.....	2,050	2,227	(7.9)	9,716	10,205	(4.8)
gasoline.....	2	-	-	654	491	33.2
fuel oil.....	744	631	17.9	1,916	1,962	(2.3)
jet fuel .....	10	2	>100	19	10	90.0
lubricants and components.....	167	128	30.5	607	629	(3.5)
gas refinery products.....	146	145	0.7	695	769	(9.6)
other products .....	1,377	629	>100	4,314	4,663	(7.5)
<b>Total refined products exports .....</b>	<b>4,496</b>	<b>3,762</b>	<b>19.5</b>	<b>17,921</b>	<b>18,729</b>	<b>(4.3)</b>
<b>Total petrochemicals exports.....</b>	<b>102</b>	<b>110</b>	<b>(7.3)</b>	<b>388</b>	<b>302</b>	<b>28.5</b>

The volume of our crude oil exports from Russia increased by 18.4% compared to the third quarter of 2020 as a result of lower throughput at our domestic refineries and higher crude oil production volumes, and decreased by 13.4% compared to 2019 due to crude oil production cut resulting from the new OPEC+ agreement. In the fourth quarter and the full year 2020, we exported 45.5% and 44.0% of our domestic crude oil production (39.2% in the third quarter of 2020 and 45.5% in 2019), respectively.

The volume of our refined products exports increased by 19.5% compared to the third quarter of 2020 due to a seasonal decrease in domestic demand, and decreased by 4.3% compared to 2019 due to lower production.

Substantially, we use the Transneft infrastructure to export our crude oil. Nevertheless, a sizeable amount of crude oil is exported through our own infrastructure that allows us to reduce transportation costs and preserve the premium quality of crude oil and thus enables to achieve higher netbacks. All the volume of crude oil exported that bypassed Transneft was routed beyond the Customs Union.

Besides our own infrastructure, we also export the light crude oil through the Caspian Pipeline Consortium and Eastern Siberia – Pacific Ocean pipelines that also allows us to preserve the premium quality of crude oil and to achieve higher netbacks compared to traditional export routes.

**Priority sales channels.** We develop our priority sales channels aiming at increasing our margin on sale of refined products produced by the Group. In 2020, our retail sales of motor fuels and jet fuel supplies both in and outside Russia were negatively affected by a decrease in demand due to the consequences of the COVID-19 pandemic.

In the fourth quarter and the full year 2020, we sold 2.3 million tonnes and 9.0 million tonnes of motor fuels via our domestic retail network, which was 10.3% less compared to the third quarter of 2020 and 9.1% less compared to 2019. Outside Russia, retail sales decreased by 7.3% compared to the third quarter of 2020 and by 12.6% compared to 2019.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

In the fourth quarter and the full year 2020, our jet fuel deliveries volume net of trading operations amounted to 0.6 million tonnes and 2.5 million tonnes compared to 0.7 million tonnes in the third quarter of 2020 and 3.4 million tonnes in 2019.

In the fourth quarter and the full year 2020, our bunkering volume net of trading operations amounted to 0.5 million tonnes and 2.7 million tonnes compared to 0.6 million tonnes in the third quarter of 2020 and 4.3 million tonnes in 2019.

**Power generation.** We own commercial electricity and heat generation facilities in the Southern regions of European Russia, Romania and Italy. We also own renewable energy capacity in Russia and abroad. In the fourth quarter and the full year 2020, our total output of commercial electrical energy was 4.4 billion kWh and 17.1 billion kWh (3.7 billion kWh in the third quarter of 2020 and 18.3 billion kWh in 2019), and our total output of commercial heat energy was approximately 3.6 million Gcal and 10.0 million Gcal (0.8 million Gcal in the third quarter of 2020 and 10.1 million Gcal in 2019), respectively.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Financial results**

The table below sets forth data from our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Change, %</b>	<b>12 months of 2020</b>	<b>2019</b>	<b>Change, %</b>
	(millions of rubles)					
<b>Revenues</b>						
Sales (including excise and export tariffs).....	1,530,339	1,456,650	5.1	5,639,401	7,841,246	(28.1)
<b>Costs and other deductions</b>						
Operating expenses .....	(113,987)	(108,953)	4.6	(439,973)	(457,710)	(3.9)
Cost of purchased crude oil, gas and products.....	(843,611)	(790,660)	6.7	(3,000,916)	(4,308,073)	(30.3)
Transportation expenses.....	(71,893)	(61,388)	17.1	(292,899)	(278,798)	5.1
Selling, general and administrative expenses .....	(56,018)	(45,488)	23.1	(199,027)	(197,172)	0.9
Depreciation, depletion and amortization.....	(90,558)	(103,439)	(12.5)	(405,440)	(415,094)	(2.3)
Taxes other than income taxes .....	(148,479)	(133,550)	11.2	(569,078)	(928,190)	(38.7)
Excise and export tariffs.....	(104,160)	(113,950)	(8.6)	(444,300)	(425,763)	4.4
Exploration expenses.....	(2,579)	(438)	>100	(6,114)	(9,348)	(34.6)
<b>Profit from operating activities .....</b>	<b>99,054</b>	<b>98,784</b>	<b>0.3</b>	<b>281,654</b>	<b>821,098</b>	<b>(65.7)</b>
Finance income .....	1,930	3,625	(46.8)	13,051	25,134	(48.1)
Finance costs .....	(10,853)	(11,697)	(7.2)	(44,122)	(44,356)	(0.5)
Equity share in income of associates and joint ventures .....	3,017	4,029	(25.1)	11,474	18,246	(37.1)
Foreign exchange gain (loss).....	12,460	(27,280)	-	(26,110)	923	-
Other expenses .....	(44,790)	(1,293)	>100	(137,160)	(27,691)	>100
<b>Profit before income taxes .....</b>	<b>60,818</b>	<b>66,168</b>	<b>(8.1)</b>	<b>98,787</b>	<b>793,354</b>	<b>(87.5)</b>
Current income taxes.....	(19,321)	(17,325)	11.5	(61,362)	(144,615)	(57.6)
Deferred income taxes.....	(11,535)	2,069	-	(20,792)	(6,518)	>100
<b>Total income tax expense .....</b>	<b>(30,856)</b>	<b>(15,256)</b>	<b>&gt;100</b>	<b>(82,154)</b>	<b>(151,133)</b>	<b>(45.6)</b>
<b>Profit for the period .....</b>	<b>29,962</b>	<b>50,912</b>	<b>(41.1)</b>	<b>16,633</b>	<b>642,221</b>	<b>(97.4)</b>
<b>Profit for the period attributable to:</b>						
PJSC LUKOIL shareholders .....	29,435	50,420	(41.6)	15,175	640,178	(97.6)
Non-controlling interests.....	527	492	7.1	1,458	2,043	(28.6)
<b>Earnings per share</b>						
Profit for the period attributable to PJSC LUKOIL shareholders per share of common stock (in Russian rubles):						
Basic .....	45.11	77.27	(41.6)	23.31	963.28	(97.6)
Diluted.....	43.38	74.42	(41.7)	22.46	934.73	(97.6)

The analysis of the main financial indicators of the financial statements is provided below.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Sales revenues**

Sales breakdown	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of rubles)					
<b>Crude oil</b>						
Export and sales on international markets other than Customs Union .....	455,450	476,913	(4.5)	1,838,509	2,575,571	(28.6)
Export and sales to Customs Union .....	11,610	12,648	(8.2)	30,137	64,890	(53.6)
Domestic sales .....	4,031	8,457	(52.3)	23,522	22,528	4.4
	<b>471,091</b>	<b>498,018</b>	<b>(5.4)</b>	<b>1,892,168</b>	<b>2,662,989</b>	<b>(28.9)</b>
Cost compensation and remuneration at the West Qurna-2 project .....	12,682	9,850	28.8	50,298	43,859	14.7
	<b>483,773</b>	<b>507,868</b>	<b>(4.7)</b>	<b>1,942,466</b>	<b>2,706,848</b>	<b>(28.2)</b>
<b>Refined products</b>						
Export and sales on international markets						
Wholesales .....	661,087	555,275	19.1	2,245,940	3,403,202	(34.0)
Retail .....	82,813	85,153	(2.7)	303,021	345,162	(12.2)
Domestic sales						
Wholesales .....	81,085	94,013	(13.8)	340,320	443,667	(23.3)
Retail .....	115,573	129,610	(10.8)	445,343	480,048	(7.2)
	<b>940,558</b>	<b>864,051</b>	<b>8.9</b>	<b>3,334,624</b>	<b>4,672,079</b>	<b>(28.6)</b>
<b>Petrochemicals</b>						
Export and sales on international markets .....	14,921	13,244	12.7	57,036	91,687	(37.8)
Domestic sales .....	10,474	7,356	42.4	36,386	40,971	(11.2)
	<b>25,395</b>	<b>20,600</b>	<b>23.3</b>	<b>93,422</b>	<b>132,658</b>	<b>(29.6)</b>
<b>Gas</b>						
Sales on international markets .....	30,280	7,973	>100	68,200	138,997	(50.9)
Domestic sales .....	8,190	8,119	0.9	32,649	32,490	0.5
	<b>38,470</b>	<b>16,092</b>	<b>&gt;100</b>	<b>100,849</b>	<b>171,487</b>	<b>(41.2)</b>
<b>Sales of energy and related services</b>						
Sales on international markets .....	1,923	3,796	(49.3)	10,451	14,604	(28.4)
Domestic sales .....	15,903	10,010	58.9	53,607	53,276	0.6
	<b>17,826</b>	<b>13,806</b>	<b>29.1</b>	<b>64,058</b>	<b>67,880</b>	<b>(5.6)</b>
<b>Other</b>						
Export and sales on international markets .....	13,923	22,741	(38.8)	63,813	48,024	32.9
Domestic sales .....	10,394	11,492	(9.6)	40,169	42,270	(5.0)
	<b>24,317</b>	<b>34,233</b>	<b>(29.0)</b>	<b>103,982</b>	<b>90,294</b>	<b>15.2</b>
<b>Total sales .....</b>	<b>1,530,339</b>	<b>1,456,650</b>	<b>5.1</b>	<b>5,639,401</b>	<b>7,841,246</b>	<b>(28.1)</b>

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Sales volumes	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
(thousands of tonnes)						
<b>Crude oil</b>						
Export and sales on international markets other than Customs Union .....	18,687	20,670	(9.6)	81,391	84,281	(3.4)
Export and sales to Customs Union.....	669	669	-	1,799	2,753	(34.7)
Domestic sales.....	190	449	(57.7)	1,415	947	49.4
	<b>19,546</b>	<b>21,788</b>	<b>(10.3)</b>	<b>84,605</b>	<b>87,981</b>	<b>(3.8)</b>
Crude oil volumes related to cost compensation and remuneration at the West Qurna-2 project .....	463	565	(18.1)	2,843	1,616	75.9
	<b>20,009</b>	<b>22,353</b>	<b>(10.5)</b>	<b>87,448</b>	<b>89,597</b>	<b>(2.4)</b>
<b>Refined products</b>						
Export and sales on international markets						
Wholesales .....	21,703	19,569	10.9	80,095	92,392	(13.3)
Retail .....	933	1,006	(7.3)	3,667	4,194	(12.6)
Domestic sales						
Wholesales .....	2,726	3,230	(15.6)	12,011	14,506	(17.2)
Retail .....	2,327	2,595	(10.3)	9,032	9,935	(9.1)
	<b>27,689</b>	<b>26,400</b>	<b>4.9</b>	<b>104,805</b>	<b>121,027</b>	<b>(13.4)</b>
<b>Petrochemicals</b>						
Export and sales on international markets .....	284	295	(3.7)	1,269	1,547	(18.0)
Domestic sales.....	190	163	16.6	771	699	10.3
	<b>474</b>	<b>458</b>	<b>3.5</b>	<b>2,040</b>	<b>2,246</b>	<b>(9.2)</b>
(millions of cubic meters)						
<b>Gas</b>						
Sales on international markets .....	4,223	1,616	161.3	11,288	15,785	(28.5)
Domestic sales.....	3,107	3,171	(2.0)	12,777	12,942	(1.3)
	<b>7,330</b>	<b>4,787</b>	<b>53.1</b>	<b>24,065</b>	<b>28,727</b>	<b>(16.2)</b>

Realized average sales prices	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %	
<b>Average realized price on international markets</b>							
Crude oil (beyond Customs Union) <sup>1</sup> ..	(RUB/barrel)	3,325	3,148	5.6	3,082	4,169	(26.1)
Crude oil (Customs Union) .....	(RUB/barrel)	2,368	2,579	(8.2)	2,285	3,216	(28.9)
Refined products							
Wholesales.....	(RUB/tonne)	30,461	28,375	7.3	28,041	36,834	(23.9)
Retail.....	(RUB/tonne)	88,760	84,645	4.9	82,635	82,299	0.4
Petrochemicals .....	(RUB/tonne)	52,539	44,895	17.0	44,946	59,268	(24.2)
Gas (excluding royalty) .....	(RUB/1,000 m <sup>3</sup> )	7,170	4,934	45.3	6,042	8,806	(31.4)
Crude oil (beyond Customs Union) <sup>1</sup> ..	(\$/barrel)	43.62	42.79	1.9	42.71	64.40	(33.7)
Crude oil (Customs Union) .....	(\$/barrel)	31.06	35.06	(11.4)	31.68	49.67	(36.2)
Refined products							
Wholesales.....	(\$/tonne)	400	386	3.6	389	569	(31.7)
Retail.....	(\$/tonne)	1,164	1,151	1.2	1,145	1,271	(9.9)
Petrochemicals .....	(\$/tonne)	689	610	12.9	623	916	(32.0)
Gas (excluding royalty) .....	(\$/1,000 m <sup>3</sup> )	94	67	40.3	84	136	(38.4)
<b>Average realized price within Russia</b>							
Crude oil.....	(RUB/barrel)	2,894	2,570	12.6	2,268	3,245	(30.1)
Refined products							
Wholesales.....	(RUB/tonne)	29,745	29,106	2.2	28,334	30,585	(7.4)
Retail.....	(RUB/tonne)	49,666	49,946	(0.6)	49,307	48,319	2.0
Petrochemicals .....	(RUB/tonne)	55,126	45,129	22.2	47,193	58,614	(19.5)
Gas <sup>2</sup> .....	(RUB/1,000 m <sup>3</sup> )	2,636	2,560	3.0	2,555	2,510	1.8

<sup>1</sup> Excluding cost compensation and remuneration at the West Qurna-2 project.<sup>2</sup> The price does not include cost of transportation by Unified Gas Supply System of Gazprom, as most of our gas production in Russia is sold ex-field.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

In the fourth quarter of 2020, our revenues were positively affected by higher volumes of refined products trading, recovery of gas production in Uzbekistan, an increase in crude oil production as a result of partial lifting of the external limitations on oil production under the new OPEC+ agreement, the ruble depreciation as well as an increase in international hydrocarbon prices. Among main adverse factors were lower volumes of crude oil trading and a decrease in retail sales volumes.

In 2020, our revenues were negatively affected by a sharp decrease in international hydrocarbon prices, crude oil production cut in Russia due to the new OPEC+ agreement, a decrease in refinery throughput volumes, refined products trading volumes and retail sales volumes, as well as a reduction in gas production in Uzbekistan due to temporary lower demand for Uzbek gas from China.

*Sales of crude oil*

Compared to the third quarter of 2020, our crude oil sales revenue decreased by 52.3% in Russia due to lower domestic sales volumes because of their redirection to export, and by 4.5% outside Russia largely as a result of lower international trading volumes, that was partially offset by the ruble depreciation and an increase in crude oil prices.

Compared to 2019, our international crude oil sales revenue decreased by 28.6% mainly as a result of a decrease in crude oil prices by 26.1%. Our domestic crude oil sales revenue increased by 4.4%, despite a decrease in crude oil prices by 30.1%, due to an increase in sales volumes by 49.4%.

*Sales of refined products*

Sales breakdown	Q4 2020	Q3 2020	Change, %	12 months of 2020		Change, %
			(millions of rubles)	2020	2019	
<b>Wholesales outside Russia.....</b>	<b>661,086</b>	<b>555,275</b>	<b>19.1</b>	<b>2,245,939</b>	<b>3,403,202</b>	<b>(34.0)</b>
diesel fuel.....	260,898	230,128	13.4	937,614	1,637,550	(42.7)
motor gasoline.....	122,540	135,036	(9.3)	440,292	637,327	(30.9)
fuel oil.....	127,681	107,307	19.0	414,171	521,882	(20.6)
jet fuel .....	5,017	5,925	(15.3)	20,866	97,202	(78.5)
lubricants and components.....	18,500	15,477	19.5	67,454	65,726	2.6
gas products .....	21,336	17,545	21.6	76,703	53,515	43.3
others.....	105,114	43,857	>100	288,839	390,000	(25.9)
<b>Retail outside Russia .....</b>	<b>82,813</b>	<b>85,153</b>	<b>(2.7)</b>	<b>303,021</b>	<b>345,162</b>	<b>(12.2)</b>
<b>Wholesales in Russia .....</b>	<b>81,085</b>	<b>94,013</b>	<b>(13.8)</b>	<b>340,320</b>	<b>443,667</b>	<b>(23.3)</b>
diesel fuel.....	26,104	28,645	(8.9)	110,395	116,906	(5.6)
motor gasoline.....	10,327	15,411	(33.0)	43,959	48,539	(9.4)
fuel oil.....	2,514	2,492	0.9	8,789	33,124	(73.5)
jet fuel .....	16,779	20,217	(17.0)	77,138	128,672	(40.1)
lubricants and components.....	6,513	7,397	(12.0)	25,866	25,265	2.4
gas products .....	4,038	3,683	9.6	11,805	10,903	8.3
others.....	14,810	16,168	(8.4)	62,368	80,258	(22.3)
<b>Retail in Russia .....</b>	<b>115,573</b>	<b>129,610</b>	<b>(10.8)</b>	<b>445,343</b>	<b>480,048</b>	<b>(7.2)</b>
<b>Total refined products sales .....</b>	<b>940,557</b>	<b>864,051</b>	<b>8.9</b>	<b>3,334,623</b>	<b>4,672,079</b>	<b>(28.6)</b>

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Sales volumes	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(thousands of tonnes)					
<b>Wholesales outside Russia .....</b>	<b>21,704</b>	<b>19,569</b>	<b>10.9</b>	<b>80,096</b>	<b>92,392</b>	<b>(13.3)</b>
diesel fuel .....	7,796	7,310	6.6	29,745	39,002	(23.7)
motor gasoline .....	3,648	4,284	(14.8)	13,926	15,015	(7.3)
fuel oil .....	5,400	5,410	(0.2)	20,415	20,121	1.5
jet fuel.....	143	213	(32.9)	654	2,323	(71.8)
lubricants and components .....	289	217	33.2	1,075	997	7.8
gas products.....	641	645	(0.6)	2,855	1,902	50.1
others .....	3,787	1,490	>100	11,426	13,032	(12.3)
<b>Retail outside Russia .....</b>	<b>933</b>	<b>1,006</b>	<b>(7.3)</b>	<b>3,667</b>	<b>4,194</b>	<b>(12.6)</b>
diesel fuel .....	645	676	(4.6)	2,508	2,814	(10.9)
motor gasoline .....	251	287	(12.5)	1,012	1,195	(15.3)
gas products.....	37	43	(14.0)	147	185	(20.5)
<b>Wholesales in Russia .....</b>	<b>2,726</b>	<b>3,230</b>	<b>(15.6)</b>	<b>12,011</b>	<b>14,506</b>	<b>(17.2)</b>
diesel fuel .....	650	712	(8.7)	2,720	2,733	(0.5)
motor gasoline .....	256	353	(27.5)	1,091	1,257	(13.2)
fuel oil .....	190	224	(15.2)	899	2,184	(58.8)
jet fuel.....	556	691	(19.5)	2,401	3,138	(23.5)
lubricants and components .....	88	103	(14.6)	373	361	3.3
gas products.....	163	158	3.2	598	648	(7.7)
others .....	823	989	(16.8)	3,929	4,185	(6.1)
<b>Retail in Russia.....</b>	<b>2,327</b>	<b>2,595</b>	<b>(10.3)</b>	<b>9,032</b>	<b>9,935</b>	<b>(9.1)</b>
diesel fuel .....	905	940	(3.7)	3,450	3,715	(7.1)
motor gasoline .....	1,408	1,640	(14.1)	5,527	6,161	(10.3)
gas products.....	14	15	(6.7)	55	59	(6.8)
<b>Total refined products volumes.....</b>	<b>27,690</b>	<b>26,400</b>	<b>4.9</b>	<b>104,806</b>	<b>121,027</b>	<b>(13.4)</b>

Compared to 2019, our refined products sales revenue was significantly affected by lower sales volumes and prices as a result of a sharp decrease in demand due to the COVID-19 pandemic.

The fourth quarter of 2020 vs. the third quarter of 2020

- Our revenue from the wholesales of refined products outside Russia increased by 19.1% due to an increase in average realized prices by 7.3% and volumes by 10.9% as a result of an increase in volumes of trading operations.
- International retail revenue decreased by 2.7% due to a decrease in sales volumes by 7.3% as a result of lower demand for refined products due to a resumption of COVID-19 related restrictions in Europe, as well as a seasonality factor.
- Revenue from the wholesale and retail sales of refined products on the domestic market decreased by 13.8% and by 10.8%, respectively, mainly as a result of a seasonal decrease in sales volumes.

Full year 2020 vs. full year 2019

- Our revenue from the wholesales of refined products outside Russia decreased by 34.0% as a result of a decrease in average realized prices by 23.9% and sales volumes by 13.3% due to a decrease in volumes of trading operations and production.
- Our international retail revenue decreased by 12.2% as a result of a decrease in sales volumes and prices that was partially offset by the ruble depreciation.
- Our revenue from the wholesales of refined products on the domestic market decreased by 23.3% as a result of a decrease in sales volumes and our average realized prices.
- Our revenue from refined products retail sales in Russia decreased by 7.2% as a result of a decrease in sales volumes that was partially offset by an increase in our average realized prices.

*Sales of petrochemical products*

Compared to the third quarter of 2020, our revenue from sales of petrochemical products increased by 23.3%, as a result of higher production volumes in Russia, as well as an increase in realized prices.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Compared to 2019, our revenue from sales of petrochemical products decreased by 29.6%, mainly as a result of a decline in trading volumes outside Russia and realized prices.

*Sales of gas*

Compared to the third quarter of 2020, our revenue from gas sales increased by 139.1% as a result of a recovery of gas production in Uzbekistan that followed the resumption of gas exports from Uzbekistan to China.

During 2020, as a result of temporary decline in demand for Uzbek gas from China, we reduced gas production. As a result, our revenue from gas sales decreased by 41.2% compared to 2019.

*Sales of energy and related services*

Our revenue from sales of energy and related services increased by 29.1% compared to the third quarter of 2020, mainly due to a seasonality factor in Russia, and decreased by 5.6% compared to 2019, mainly due to changes in energy tariffs and sales volumes in Italy.

*Other sales*

Other sales include non-petroleum sales through our retail network, transportation services, rental revenue, crude oil extraction services, and other revenue of our production and marketing companies from sales of goods and services not related to our primary activities.

Compared to the third quarter of 2020, revenue from other sales decreased by 29.0% largely as a result of a decrease in non-petrol revenue of our retail network due to seasonality in Russia and Europe, as well as lower demand due to a resumption of COVID-19 related restrictions in Europe.

Compared to 2019, revenue from other sales increased by 15.2% largely as a result of an increase in revenues from transportation services outside Russia due to higher tariffs and volumes, as well as an increase in non-petrol revenue of our retail network.

Moreover, other sales revenue for the third quarter and the full year 2020 included 5.9 billion RUB (approximately €68 million) of loss compensation in relation to energy supplies in Sicily, Italy in 2015 (other sales revenue for 2019 included 2.2 billion RUB (approximately €30 million) of similar compensation related to 2016 supplies).

**Operating expenses**

Operating expenses include the following:

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
Hydrocarbon extraction expenses <sup>1</sup> .....	46,099	42,849	7.6	181,699	193,857	(6.3)
Extraction expenses at the West Qurna-2 field.....	4,938	3,821	29.2	17,212	17,010	1.2
Own refining expenses .....	25,563	24,165	5.8	92,613	96,543	(4.1)
Refining expenses at third-party refineries .....	103	148	(30.4)	524	7,175	(92.7)
Expenses for feedstock transportation to refineries ..	10,715	11,919	(10.1)	51,693	52,884	(2.3)
Power generation and distribution expenses.....	8,250	7,406	11.4	29,991	30,432	(1.4)
Petrochemical expenses.....	3,700	3,057	21.0	12,731	12,463	2.2
Other operating expenses .....	14,619	15,588	(6.2)	53,510	47,346	13.0
<b>Total operating expenses.....</b>	<b>113,987</b>	<b>108,953</b>	<b>4.6</b>	<b>439,973</b>	<b>457,710</b>	<b>(3.9)</b>

<sup>1</sup> Excluding extraction expenses at the West Qurna-2 field.

The method of allocation of operating expenses above differs from the approach used in preparing data for Note 33 "Segment information" to our consolidated financial statements. Expenditures in the segment reporting are grouped depending on the segment to which a particular company belongs, are not divided by the type of expenses within one company and do not include adjustments related to elimination of intra-group service margin. Operating expenses for the purposes of this analysis are grouped based on the nature of the costs incurred.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019***Hydrocarbon extraction expenses*

Our extraction expenses include expenditures related to repairs of extraction equipment, labour costs, expenses on artificial stimulation of reservoirs, fuel and electricity costs, cost of extraction of natural gas liquids, property insurance of extraction equipment and other similar costs.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
Hydrocarbon extraction expenses.....	46,099	42,849	7.6	181,699	193,857	(6.3)
in Russia .....	39,532	37,552	5.3	158,328	170,590	(7.2)
outside Russia <sup>1</sup> .....	6,567	5,297	24.0	23,371	23,267	0.4
(rubles per BOE)						
Hydrocarbon unit extraction expenses.....	249	254	(1.8)	247	232	6.4
in Russia .....	251	241	4.0	243	237	2.2
outside Russia <sup>1</sup> .....	240	404	(40.6)	282	200	41.3

<sup>1</sup> Excluding extraction expenses at the West Qurna-2 field.

Compared to the third quarter, our extraction expenses in Russia increased by 5.3% mainly due to higher production volumes and a seasonal increase in energy and transport costs. At the same time, hydrocarbon unit extraction expenses in Russia increased by only 4.0%. Our extraction expenses outside Russia increased by 24.0% due to a recovery of gas production in Uzbekistan, that also led to a decrease in our hydrocarbon unit extraction expenses outside Russia by 40.6% as gas has lower unit extraction expenses compared to crude oil.

Compared to 2019, our extraction expenses in Russia decreased by 7.2% mainly due to lower production volumes and cost reduction programme. However, our hydrocarbon unit extraction expenses increased by 2.2% due to certain share of fixed costs. Outside Russia, our hydrocarbon extraction expenses were flat despite lower production volumes. A decrease in extraction expenses in Uzbekistan as a result of production cut was offset by higher expenses due to the effect of acquisition of a share in the Marine XII project in the Republic of Congo. Our hydrocarbon unit extraction expenses outside Russia increased by 41.3% mainly as a result of a decrease in share of gas in our hydrocarbon production, which has lower unit extraction expenses compared to crude oil. The ruble depreciation also contributed to the increase in extraction expenses outside Russia.

*Own refining expenses*

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
Refining expenses at the Group refineries.....	25,563	24,165	5.8	92,613	96,543	(4.1)
in Russia .....	12,539	10,961	14.4	42,614	42,555	0.1
outside Russia .....	13,024	13,204	(1.4)	49,999	53,988	(7.4)
(rubles per tonne)						
Unit refining expenses at the Group refineries .....	1,945	1,628	19.5	1,580	1,404	12.5
in Russia .....	1,295	1,074	20.6	1,062	964	10.2
outside Russia .....	3,760	2,845	32.2	2,703	2,195	23.1

Compared to the third quarter of 2020, refining expenses at the Group refineries increased by 5.8%. In Russia, refining expenses increased by 14.4% mainly as a result of an increase in maintenance costs. Outside Russia, refining expenses decreased by 1.4% due to lower throughput volumes that was partly offset by an increase in energy and fuel costs and effect of ruble depreciation against euro.

Compared to 2019, expenses at our refineries decreased by 4.1%. In Russia, refining expenses did not change, as the effect of lower throughput volumes was offset by higher maintenance cost. Outside Russia, expenses at our refineries decreased by 7.4% mainly due to lower throughput volumes, as well as a decline in fuel and energy costs, despite the ruble depreciation against euro.

*Refining expenses at third-party refineries*

Along with our own production of refined products, we process crude oil at third-party refineries.

At the end of 2016, as part of our trading business development, a Group company entered into a 3-year tolling agreement with a Canadian refinery. Related refining expenses represented variable toll that was mostly the difference between the price of feedstock supplied, including various related costs, and the selling price of the refined products taken. When the refined products were sold, this toll was naturally offset by the respective refined products sales revenue. The agreed compensation was received by the Group company for execution of this agreement.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

In August 2019, the agreement was extended till 2022 with modification of certain provisions. As a result, the agreement is now treated as a financing arrangement with recognizing in the profit or loss statement only interest earned on the financing provided and administrative fee. Thus, we do not recognize the tolling fee starting from September 2019.

*Expenses for feedstock transportation to refineries*

Expenses for feedstock transportation to refineries include pipeline, railway, freight and other costs related to delivery of crude oil and refined products to refineries for further processing.

Our expenses for feedstock transportation to refineries decreased by 10.1% compared to the third quarter of 2020 mainly due to lower refinery throughput and decreased by 2.3% compared to 2019.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
(millions of rubles)						
Own feedstock transportation to our domestic refineries.....	9,618	10,910	(11.8)	41,179	40,648	1.3
Own feedstock transportation from Russia to our international refineries.....	460	155	>100	5,175	6,182	(16.3)
Other feedstock transportation costs outside Russia..	637	854	(25.4)	5,339	6,054	(11.8)
<b>Feedstock transportation to refineries .....</b>	<b>10,715</b>	<b>11,919</b>	<b>(10.1)</b>	<b>51,693</b>	<b>52,884</b>	<b>(2.3)</b>

*Power generation and distribution expenses*

Power generation and distribution expenses increased by 11.4% compared to the third quarter of 2020 mainly due to a seasonal factor, and decreased by 1.4% compared to 2019.

*Petrochemical expenses*

Compared to the third quarter of 2020, our petrochemical expenses increased by 21.0% mainly due to an increase in output in Russia. In 2020, petrochemical expenses increased by 2.2% compared to 2019, an effect of higher production volumes was nearly offset by lower maintenance costs in Russia in 2020.

*Other operating expenses*

Other operating expenses include expenses of the Group's upstream and downstream entities that do not relate to their core activities, namely transportation and extraction services, costs of other services provided and goods sold by our production and marketing companies, and of non-core businesses of the Group.

Compared to the third quarter of 2020, other operating expenses decreased by 6.2%, largely as a result of lower volumes of non-petrol sales through our retail network. Compared to 2019, they increased by 13.0%, as a result of an increase in volumes of non-petrol sales through our retail network and increase in volumes of transportation services rendered.

**Cost of purchased crude oil, gas and products**

Cost of purchased crude oil, gas and products includes cost of crude oil and refined products purchased for trading or refining, gas and fuel oil to supply our power generation entities and the result of hedging of crude oil and refined products sales.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of rubles)					
Cost of purchased crude oil in Russia .....	5,354	1,637	>100	13,788	18,123	(23.9)
Cost of purchased crude oil outside Russia .....	331,310	394,981	(16.1)	1,461,688	2,229,352	(34.4)
Compensation crude oil related to West Qurna-2 project.....	11,994	17,193	(30.2)	45,428	36,225	25.4
<b>Cost of purchased crude oil .....</b>	<b>348,658</b>	<b>413,811</b>	<b>(15.7)</b>	<b>1,520,904</b>	<b>2,283,700</b>	<b>(33.4)</b>
Cost of purchased refined products in Russia.....	9,846	5,573	76.7	31,043	37,146	(16.4)
Cost of purchased refined products outside Russia ...	457,157	351,106	30.2	1,420,226	1,930,711	(26.4)
<b>Cost of purchased refined products .....</b>	<b>467,003</b>	<b>356,679</b>	<b>30.9</b>	<b>1,451,269</b>	<b>1,967,857</b>	<b>(26.3)</b>
Other purchases.....	24,380	11,767	>100	64,139	82,157	(21.9)
Net loss/(gain) from hedging of trading operations...	38,224	(3,690)	-	(79,614)	61,333	-
Change in crude oil and petroleum products inventory .....	(34,654)	12,093	-	44,218	(86,974)	-
<b>Total cost of purchased crude oil, gas and products.....</b>	<b>843,611</b>	<b>790,660</b>	<b>6.7</b>	<b>3,000,916</b>	<b>4,308,073</b>	<b>(30.3)</b>

In the fourth quarter and the full year 2020, cost of purchased crude oil, gas and products increased by 6.7% quarter-on-quarter and decreased by 30.3% year-on-year.

An increase in domestic purchases of crude oil and refined products compared to the previous quarter was mostly related to refinery and petrochemical feedstock. Outside Russia, a decrease in crude oil purchases and an increase in refined products purchases compared to the third quarter of 2020 were both driven by the respective changes in volumes of trading. A more than two-fold quarter-on-quarter increase in other purchases was largely a result of development of our gas trading activities in Europe.

A year-on-year decrease was mostly driven by the dynamics of international crude oil and refined products prices.

**Transportation expenses**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of rubles)					
Crude oil transportation expenses.....	23,260	21,562	7.9	107,147	98,406	8.9
in Russia .....	11,387	10,938	4.1	46,110	46,946	(1.8)
outside Russia.....	11,873	10,624	11.8	61,037	51,460	18.6
Refined products transportation expenses .....	41,205	36,832	11.9	169,526	162,648	4.2
in Russia .....	19,385	19,402	(0.1)	84,723	89,842	(5.7)
outside Russia.....	21,820	17,430	25.2	84,803	72,806	16.5
Other transportation expenses .....	7,428	2,994	>100	16,226	17,744	(8.6)
in Russia .....	836	1,310	(36.2)	3,269	2,200	48.6
outside Russia.....	6,592	1,684	>100	12,957	15,544	(16.6)
<b>Total transportation expenses .....</b>	<b>71,893</b>	<b>61,388</b>	<b>17.1</b>	<b>292,899</b>	<b>278,798</b>	<b>5.1</b>

Compared to the third quarter of 2020, our expenses for transportation of crude oil and refined products increased by 7.9% and 11.9%, respectively. In Russia, our expenses for transportation of crude oil increased mainly as a result of higher export volumes, while our expenses for transportation of refined products did not change significantly. Outside Russia, our expenses increased as a result of higher volumes of refined products transportation, higher volumes of crude oil transportation by pipeline transport and the ruble depreciation, which was partly offset by lower volumes of crude oil transportation by sea.

Compared to 2019, our expenses for transportation of crude oil and refined products increased by 8.9% and 4.2%, respectively. In Russia, our expenses for transportation of crude oil decreased as a result of lower export volumes, that was partly offset by tariffs indexation, negative inventory effect and higher domestic sales volumes. Our expenses for transportation of refined products in Russia decreased as a result of lower supplies, despite tariffs indexation. Outside Russia, our expenses for transportation of crude oil and refined products increased mainly as a result of higher freight rates, storage expenses increase and the ruble depreciation, despite lower volumes of supplies.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

An increase in other transportation expenses compared to the third quarter of 2020 was due to commencement of gas supplies from our project in Azerbaijan to Europe and resumption of gas supplies from our projects in Uzbekistan to China. A decrease in other transportation expenses compared to 2019 resulted mainly from a decline of gas supplies from our projects in Uzbekistan to China.

**Selling, general and administrative expenses**

Selling, general and administrative expenses include payroll costs (excluding production staff costs of extraction entities, refineries and power generation entities), insurance costs (except for property insurance related to extraction, refinery and power generation equipment), costs of maintenance of social infrastructure, movement in allowance for expected credit losses and other expenses. Our selling, general and administrative expenses are roughly equally split between domestic and international operations.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
Payroll costs included in selling, general and administrative expenses.....	18,563	18,204	2.0	75,257	68,380	10.1
Other selling, general and administrative expenses...	22,991	21,561	6.6	86,593	88,086	(1.7)
Share-based compensation .....	7,841	7,841	-	31,366	31,366	-
Expenses on allowance for expected credit losses.....	6,623	(2,118)	-	5,811	9,340	(37.8)
<b>Total selling, general and administrative expenses.....</b>	<b>56,018</b>	<b>45,488</b>	<b>23.1</b>	<b>199,027</b>	<b>197,172</b>	<b>0.9</b>

Our selling, general and administrative expenses increased by 23.1% compared to the third quarter of 2020 mainly as a result of a change in an allowance for expected credit losses, as well as the ruble depreciation.

Compared to 2019, our selling, general and administrative expenses did not change significantly. A decrease in expenses on allowance for expected credit losses was partially offset by an increase in payroll costs of our international subsidiaries due to the ruble depreciation.

**Depreciation, depletion and amortization**

Compared to the third quarter of 2020, our depreciation, depletion and amortization expenses decreased by 12.5% mainly due to positive effect of an increase in proved developed hydrocarbon reserves at Group's certain fields as at the end of 2020 and consequent recalculation of depletion of respective fixed assets for the full year. This was partially offset by an increase in depletion expenses in Uzbekistan following the recovery of gas production volumes. Compared to 2019, our depreciation, depletion and amortization expenses decreased by 2.3%

**Equity share in income of associates and joint ventures**

The Group has investments in equity method associates and corporate joint ventures. These companies are primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan. Currently, our largest associates are Tengizchevroil, an exploration and production company, operating in Kazakhstan, Bashneft-Polus, an exploration and production company that develops the Trebs and Titov oilfields in Timan-Pechora, Russia, South Caucasus Pipeline Company and Caspian Pipeline Consortium, midstream companies in Azerbaijan and Kazakhstan, respectively.

In the fourth quarter of 2020, our share in income of associates and joint ventures decreased by 25.1%.

In 2020, our share in income of associates and joint ventures decreased by 37.1%, compared to 2019, mainly due to a decrease in hydrocarbon prices.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Taxes other than income taxes**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
<b>In Russia</b>						
Mineral extraction taxes.....	129,118	115,938	11.4	495,877	849,445	(41.6)
Tax on additional income .....	2,985	1,026	>100	6,645	16,229	(59.1)
Social security taxes and contributions .....	6,471	7,072	(8.5)	28,437	27,308	4.1
Property tax .....	6,189	6,110	1.3	24,800	22,663	9.4
Other taxes.....	491	671	(26.8)	2,112	2,515	(16.0)
<b>Total in Russia .....</b>	<b>145,254</b>	<b>130,817</b>	<b>11.0</b>	<b>557,871</b>	<b>918,160</b>	<b>(39.2)</b>
<b>International</b>						
Mineral extraction taxes.....	4	7	(42.9)	23	22	4.5
Social security taxes and contributions .....	1,849	1,674	10.5	6,626	6,109	8.5
Property tax .....	331	235	40.9	1,005	906	10.9
Other taxes.....	1,041	817	27.4	3,553	2,993	18.7
<b>Total internationally .....</b>	<b>3,225</b>	<b>2,733</b>	<b>18.0</b>	<b>11,207</b>	<b>10,030</b>	<b>11.7</b>
<b>Total taxes other than income taxes.....</b>	<b>148,479</b>	<b>133,550</b>	<b>11.2</b>	<b>569,078</b>	<b>928,190</b>	<b>(38.7)</b>

Our taxes other than income taxes increased by 11.2% compared to the third quarter of 2020 mainly as a result of an increase in mineral extraction tax expense on the back of an increase in the tax rate by 6.4% due to higher crude oil prices and the ruble depreciation, as well as due to higher crude oil extraction volumes, which was partially compensated by inventory effect. TAI expenses increased due to higher crude oil prices. Also, TAI expenses for the third quarter of 2020 include a downward adjustment related to 2019 in the amount of 1.5 billion RUB.

Compared to 2019, our taxes other than income taxes decreased by 38.7% mainly as a result of a decrease in mineral extraction tax expense on the back of a decrease in the tax rate by 33.1% due to lower crude oil prices and lower crude oil extraction volumes. TAI expenses decreased due to a decline of crude oil prices.

The following table summarizes data on application of reduced and zero mineral extraction tax rates for crude oil produced in Russia (excluding special tax regimes).

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
<b>Decrease in extraction taxes from application of reduced rates for crude oil production .....</b>						
reduced rates for crude oil production .....	23,235	21,322	9.0	79,146	127,018	(37.7)
(thousands of tonnes)						
Volume of crude oil production subject to:						
reduced rates (ultra-high viscosity).....	599	624	(4.0)	2,427	2,157	12.5
reduced rates (tax holidays for specific regions and high viscosity oil).....	1,146	1,074	6.7	4,289	4,221	1.6
reduced rates (low permeability deposits).....	434	409	6.1	1,628	1,422	14.5
reduced rates (Tyumen deposits) .....	174	168	3.6	736	725	1.5
reduced rates (depleted fields) .....	4,358	4,339	0.4	18,456	19,050	(3.1)
reduced rates (other) .....	595	482	23.4	2,216	2,503	(11.5)
<b>Total volume of production subject to reduced rates .....</b>	<b>7,306</b>	<b>7,096</b>	<b>3.0</b>	<b>29,752</b>	<b>30,078</b>	<b>(1.1)</b>

A special tax regime is applied for crude oil production at certain Group's offshore fields and deposits. In the fourth quarter and the full year 2020, volumes of production subject to such regimes amounted to 1,533 thousand tonnes and 6,389 thousand tonnes, respectively (compared to 1,659 thousand tonnes in the third quarter of 2020 and 6,436 thousand tonnes in 2019).

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

The table below summarizes our production from license areas subject to TAI in the respective periods.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
<b>Mineral extraction tax for crude oil and gas condensate on license areas under TAI</b> .....	<b>5,483</b>	<b>5,084</b>	<b>7.8</b>	<b>18,521</b>	<b>25,429</b>	<b>(27.2)</b>
				(thousands of tonnes)		
Group 1.....	496	525	(5.5)	2,071	2,011	3.0
Group 3.....	748	747	0.1	3,030	2,896	4.6
Group 4.....	23	25	(8.0)	95	41	>100
<b>Total volume of crude oil and gas condensate production at license areas subject to TAI</b> .....	<b>1,267</b>	<b>1,297</b>	<b>(2.3)</b>	<b>5,196</b>	<b>4,948</b>	<b>5.0</b>

**Excise and export tariffs**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
(millions of rubles)						
<b>In Russia</b>						
Excise tax on refined products.....	31,438	39,168	(19.7)	132,303	140,659	(5.9)
Excise tax on oil feedstock (excluding damper) .....	(9,781)	(10,515)	(7.0)	(37,881)	(31,212)	21.4
Damper .....	11,807	18,334	(35.6)	73,086	(57,237)	-
Crude oil export tariffs.....	14,895	9,162	62.6	70,885	141,622	(49.9)
Refined products export tariffs .....	7,781	4,720	64.9	26,460	46,058	(42.6)
<b>Total in Russia</b> .....	<b>56,140</b>	<b>60,869</b>	<b>(7.8)</b>	<b>264,853</b>	<b>239,890</b>	<b>10.4</b>
<b>International</b>						
Excise tax and sales taxes on refined products .....	47,875	53,002	(9.7)	179,179	186,078	(3.7)
Crude oil export tariffs.....	15	14	7.1	48	51	(5.9)
Refined products export and import tariffs, net .....	130	65	100.0	220	(256)	-
<b>Total internationally</b> .....	<b>48,020</b>	<b>53,081</b>	<b>(9.5)</b>	<b>179,447</b>	<b>185,873</b>	<b>(3.5)</b>
<b>Total excise and export tariffs</b> .....	<b>104,160</b>	<b>113,950</b>	<b>(8.6)</b>	<b>444,300</b>	<b>425,763</b>	<b>4.4</b>

Compared to the third quarter of 2020, crude oil export tariffs increased mainly due to an increase in crude oil export volumes beyond Customs Union and a simultaneous decrease in the share of crude oil subject to export duty incentives in overall export volume, and also due to inventory effect. An increase in refined products export tariffs was influenced by an increase in total export volume of refined products beyond Customs Union and an increase in the share of exports of heavy refined products with a higher export duty rate.

In the fourth quarter of 2020, excise tax on refined products in Russia and internationally decreased compared to the previous quarter mainly due to lower sales volumes subject to excise taxes as a result of a seasonal decrease in demand. Internationally, this effect was partially compensated by the ruble depreciation.

Compared to 2019, crude oil and refined products export tariffs declined mainly due to a decline in crude oil prices and a decrease in export duty rates as a result of ongoing tax manoeuvre, which was partially offset by the export duty lag effect, inventory effect and the ruble depreciation. Export tariffs also declined due to a decrease in volumes of crude oil and refined products export beyond Customs Union.

Compared to 2019, excise tax in Russia and internationally decreased due to lower sales volumes. In Russia this effect was partially offset by excise tax rates increase. Internationally, a decrease was partially compensated by the ruble depreciation.

Proceeds from excise tax on feedstock, excluding damper, decreased by 7.0% compared to the third quarter of 2020 as a result of decreased volumes of refined products output and changes in refined products slate, which was partially compensated by excise tax rate increase due to higher crude oil prices and the ruble depreciation. Compared to 2019, proceeds from excise tax on feedstock, excluding damper, increased by 21.4% due to ongoing tax manoeuvre and as a result of improvements in refined products slate and the ruble depreciation, which was almost entirely offset by a decline in crude oil prices.

In 2020, the damper became negative as a result of a decrease in export netbacks for gasoline and diesel fuel below respective fixed benchmarks and was paid to the budget. In the fourth quarter of 2020, damper expenses decreased as a result of higher gasoline and diesel fuel export netback and a decrease in sales volumes in Russia due to a decrease in demand.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

Negative values of international refined products export and import tariffs in 2019 are a result of the compensation of import tariffs in the USA.

**Exploration expenses**

In 2020, we charged to expense the costs of dry exploratory wells in Romania, Norway and Timan-Pechora region of Russia.

In 2019, we charged to expense approximately 5.8 billion RUB related to dry exploratory well in Romania.

**Foreign exchange gain (loss)**

Foreign exchange gains or losses are mostly related to revaluation of US dollar and euro net monetary position of the Group entities that largely consists of accounts receivables of our international subsidiaries and loans, mostly intra-group, given or received in currencies other than the entities' functional currencies ("other currencies").

Foreign exchange gains in the fourth quarter and foreign exchange losses in 2020 resulted mostly from the ruble appreciation in the fourth quarter and the ruble depreciation in 2020. That was amplified by an increase in negative net monetary position in other currencies due to a decrease in accounts receivables after the crude oil price drop and an increase in indebtedness in US dollars. A foreign exchange loss in the third quarter of 2020 was a result of the ruble depreciation during that period. In 2019, the Group's net monetary position in other currencies was more balanced and the ruble exchange rate was less volatile that both resulted in a relatively insignificant foreign exchange gains.

**Other expenses**

Other income (expenses) include the financial effects of disposals of assets, impairment losses, revisions of estimates and other non-operating gains and losses.

In the fourth quarter of 2020, the Group recognized an impairment loss for its exploration and production assets in Russia in the amount of 3.0 billion RUB and abroad in the amount of 0.1 billion RUB. The Group also recognized an impairment loss for its refining, marketing and distribution assets in Russia and abroad in the amount of 7.7 billion RUB and 21.6 billion RUB, respectively.

In the third quarter of 2020, the Group recognized a reversal of impairment of receivables related to our project in Egypt in the amount of 5.3 billion RUB.

In the second quarter of 2020, the Group recognized an impairment loss for its international exploration and production assets in the amount of 38 billion RUB, 36 billion RUB of which related to the projects in Uzbekistan, and a reversal of impairment of receivables related to our project in Egypt in the amount of 2 billion RUB.

In the first quarter of 2020, the Group recognized an impairment loss for its exploration and production assets in Russia and abroad in the amount of 8 billion RUB, as well as fixed assets and other non-current assets for its refining, marketing and distribution assets outside Russia in the amount of 36 billion RUB.

In the fourth quarter of 2019, the Group recognized an impairment loss for its exploration and production assets in Russia and abroad in the amount of 21.4 billion RUB, as well as for its refining, marketing and distribution assets in Russia and abroad in the amount of 1.3 billion RUB. At the same time, the Group recognized an impairment reversal of 9.7 billion RUB in 2019, which was mainly a result of improvement of economic parameters of our production projects in West Siberia and European part of Russia.

**Income taxes**

The maximum statutory income tax rate in Russia is 20%. Nevertheless, the actual effective income tax rate may be higher due to non-deductible expenses or lower due to certain non-taxable gains and application of reduced regional income tax rates in Russia.

Our total income tax expense increased by 16 billion RUB, or by 102.3%, compared to the third quarter of 2020, and decreased by 69 billion RUB, or by 45.6%, compared to 2019.

High effective income tax rate in 2020 resulted from write-offs of deferred tax assets related to tax loss carry forwards in certain international downstream subsidiaries as it is not probable that taxable profit will be available against which these temporary differences can be utilized, and changes in tax rates of certain regional income tax incentives.

**PJSC LUKOIL**

**Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

**Non-GAAP items reconciliation****EBITDA reconciliation**

EBITDA is not defined under IFRS. We define EBITDA as profit from operating activities before depreciation, depletion and amortization. We believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and to raise and service debt. EBITDA should not be considered in isolation as an alternative to profit or any other measure of performance under IFRS.

	Q4 2020	Q3 2020	12 months of 2020	2019
	(millions of rubles)			
<b>Profit for the period attributable to PJSC LUKOIL shareholders .....</b>	<b>29,435</b>	<b>50,420</b>	<b>15,175</b>	<b>640,178</b>
Add back				
Profit for the period attributable to non-controlling interests .....	527	492	1,458	2,043
Income tax expense .....	30,856	15,256	82,154	151,133
Financial income .....	(1,930)	(3,625)	(13,051)	(25,134)
Financial costs .....	10,853	11,697	44,122	44,356
Foreign exchange (gain) loss .....	(12,460)	27,280	26,110	(923)
Equity share in income of associates and joint ventures .....	(3,017)	(4,029)	(11,474)	(18,246)
Other expenses .....	44,790	1,293	137,160	27,691
Depreciation, depletion and amortization .....	90,558	103,439	405,440	415,094
<b>EBITDA.....</b>	<b>189,612</b>	<b>202,223</b>	<b>687,094</b>	<b>1,236,192</b>

**EBITDA by operating segments****Exploration and production segment**

Sales (including excise and export tariffs) .....	448,851	403,379	1,542,239	2,364,184
Operating expenses .....	(65,934)	(62,166)	(262,343)	(274,934)
Cost of purchased crude oil, gas and products .....	(12,546)	(19,819)	(52,784)	(40,350)
Transportation expenses .....	(19,893)	(13,375)	(63,364)	(69,589)
Selling, general and administrative expenses .....	(16,297)	(9,009)	(48,670)	(47,964)
Taxes other than income taxes .....	(149,506)	(135,366)	(540,587)	(891,051)
Excise and export tariffs .....	(15,529)	(11,227)	(68,309)	(136,998)
Exploration expenses .....	(2,579)	(438)	(6,101)	(9,348)
<b>EBITDA of Exploration and production segment .....</b>	<b>166,567</b>	<b>151,979</b>	<b>500,081</b>	<b>893,950</b>

**Refining, marketing and distribution segment**

Sales (including excise and export tariffs) .....	1,491,819	1,434,361	5,525,980	7,624,198
Operating expenses .....	(55,063)	(51,013)	(195,558)	(228,576)
Cost of purchased crude oil, gas and products .....	(1,203,280)	(1,110,035)	(4,302,803)	(6,362,401)
Transportation expenses .....	(60,222)	(56,781)	(269,656)	(229,007)
Selling, general and administrative expenses .....	(31,593)	(28,590)	(120,607)	(121,383)
Taxes other than income taxes .....	(6,508)	(6,538)	(25,908)	(25,323)
Excise and export tariffs .....	(88,504)	(103,766)	(368,126)	(285,866)
<b>EBITDA of Refining, marketing and distribution segment .....</b>	<b>46,649</b>	<b>77,638</b>	<b>243,322</b>	<b>371,642</b>
<b>EBITDA of Corporate and other segment.....</b>	<b>(10,629)</b>	<b>(12,619)</b>	<b>(39,378)</b>	<b>(39,962)</b>
<b>Elimination.....</b>	<b>(12,975)</b>	<b>(14,775)</b>	<b>(16,931)</b>	<b>10,562</b>
<b>EBITDA.....</b>	<b>189,612</b>	<b>202,223</b>	<b>687,094</b>	<b>1,236,192</b>

**Free cash flow reconciliation**

	Q4 2020	Q3 2020	12 months of 2020	2019
	(millions of rubles)			
Net cash provided by operating activities .....	220,643	227,449	776,574	1,151,844
Capital expenditures .....	(135,161)	(112,826)	(495,443)	(449,975)
<b>Free cash flow .....</b>	<b>85,482</b>	<b>114,623</b>	<b>281,131</b>	<b>701,869</b>

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Liquidity and capital resources**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
Net cash provided by operating activities.....	220,643	227,449	(3.0)	776,574	1,151,844	(32.6)
including decrease (increase) in working capital ..	24,230	26,305	(7.9)	83,177	(6,781)	-
Net cash used in investing activities.....	(139,024)	(109,703)	26.7	(492,769)	(510,126)	(3.4)
Net cash used in financing activities .....	(156,988)	(343,008)	(54.2)	(514,005)	(582,344)	(11.7)

Changes in operating assets and liabilities:

	Q4 2020	Q3 2020	Change, %	12 months of 2020	12 months of 2019	Change, %
	(millions of rubles)					
Decrease (increase) in accounts receivable .....	33,137	(56,609)	-	128,139	(48,023)	-
(Increase) decrease in inventory .....	(48,398)	4,509	-	37,868	(69,171)	-
Increase (decrease) in accounts payable .....	57,014	65,549	(13.0)	(69,305)	88,977	-
(Decrease) increase in net taxes other than on income payable.....	(9,639)	26,789	-	10,200	24,053	(57.6)
Change in other current assets and liabilities.....	(7,884)	(13,933)	(43.4)	(23,725)	(2,617)	>100
<b>Total decrease (increase) in working capital.....</b>	<b>24,230</b>	<b>26,305</b>	<b>(7.9)</b>	<b>83,177</b>	<b>(6,781)</b>	<b>-</b>

**Operating activities**

Our primary source of cash flow is funds generated from our operations. Our cash generated from operations decreased by 3.0% and by 32.6% compared to the third quarter of 2020 and full year 2019, respectively, as a result of a decrease in profitability of our core operations. Moreover, our operating cash flow was positively impacted by the dynamics in working capital.

**Investing activities**

Compared to the previous quarter, our cash used in investing activities increased by 26.7% largely as a result of an increase in capital expenditures. Compared to 2019, our cash used in investing activities decreased by 3.4%, an increase in capital expenditures was more than offset by lower spending on acquisitions of subsidiaries.

Our capital expenditures increased by 19.8% compared to the third quarter of 2020, and by 10.1% compared to 2019.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of rubles)					
<b>Capital expenditures</b>						
Exploration and production						
West Siberia.....	31,921	31,614	1.0	150,167	141,266	6.3
Timan-Pechora.....	19,103	19,844	(3.7)	81,967	66,808	22.7
Ural region.....	9,280	9,374	(1.0)	39,733	37,243	6.7
Volga region .....	25,974	16,649	56.0	61,739	43,798	41.0
Other in Russia .....	2,803	2,962	(5.4)	9,686	10,778	(10.1)
Total in Russia.....	89,081	80,443	10.7	343,292	299,893	14.5
Iraq.....	6,565	4,620	42.1	26,379	22,833	15.5
Other outside Russia .....	6,732	5,166	30.3	29,882	42,214	(29.2)
Total outside Russia .....	13,297	9,786	35.9	56,261	65,047	(13.5)
<b>Total exploration and production .....</b>	<b>102,378</b>	<b>90,229</b>	<b>13.5</b>	<b>399,553</b>	<b>364,940</b>	<b>9.5</b>
Refining, marketing and distribution						
Russia .....	25,277	17,090	47.9	72,486	62,740	15.5
refining.....	16,152	12,563	28.6	51,566	39,912	29.2
retail .....	1,883	562	>100	4,528	4,189	8.1
other .....	7,242	3,965	82.6	16,392	18,639	(12.1)
International.....	6,298	4,882	29.0	20,558	18,400	11.7
refining.....	4,753	4,121	15.3	16,506	12,327	33.9
retail .....	1,216	695	75.0	3,479	4,318	(19.4)
other .....	329	66	>100	573	1,755	(67.4)
<b>Total refining, marketing and distribution .....</b>	<b>31,575</b>	<b>21,972</b>	<b>43.7</b>	<b>93,044</b>	<b>81,140</b>	<b>14.7</b>
Corporate and other .....	1,208	625	93.3	2,846	3,895	(26.9)
<b>Total capital expenditures .....</b>	<b>135,161</b>	<b>112,826</b>	<b>19.8</b>	<b>495,443</b>	<b>449,975</b>	<b>10.1</b>

Compared to the third quarter of 2020, an increase in our upstream capital expenditures in Russia was mainly due to development of V. Grayfer field in the Caspian Sea.

Quarter-on-quarter dynamics of capital expenditures of our refining and marketing segment in Russia was mainly defined by construction schedule of delayed coker unit at our refinery in Nizhny Novgorod.

Year-on-year increase in exploration and production capital expenditures in Russia was mainly due to active development of fields in Timan-Pechora and of V. Grayfer field in the Caspian Sea. Year-on-year increase in capital expenditures of our refining and marketing segment in Russia was mainly a result of construction of delayed coker unit at our refinery in Nizhny Novgorod. Outside Russia, the increase in capital expenditures of our refining and marketing segment was due to modernization works and overhauls at our refineries. Dynamics of our capital expenditures was also affected by the ruble depreciation.

The table below presents exploration and production capital expenditures at our growth projects.

	Q4 2020	Q3 2020	Change, %	12 months of 2020	2019	Change, %
	(millions of rubles)					
West Siberia (Yamal) .....	3,547	2,112	67.9	16,920	21,383	(20.9)
Caspian region (Projects in Russia).....	24,265	15,450	57.1	56,083	36,362	54.2
Timan-Pechora (Yaregskoye field) .....	390	3,660	(89.3)	9,871	7,756	27.3
Iraq (West Qurna-2 project) .....	6,028	4,163	44.8	24,235	19,967	21.4
Iraq (Block-10).....	537	457	17.5	2,144	2,866	(25.2)
Uzbekistan.....	1,126	19	>100	3,890	11,605	(66.5)
<b>Total .....</b>	<b>35,893</b>	<b>25,861</b>	<b>38.8</b>	<b>113,143</b>	<b>99,939</b>	<b>13.2</b>

**Financing activities**

In the fourth quarter of 2020, net movements of short-term and long-term debt generated an outflow of 108 billion RUB, compared to an outflow of 96 billion RUB in the third quarter of 2020. In 2020, net movements of short-term and long-term debt generated an outflow of 62 billion RUB, compared to an outflow of 113 billion RUB in 2019.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019**

On 6 May 2020, a Group company raised new debt via issuance of non-convertible bonds totaling \$1.5 billion. The bonds were placed with a maturity of 10 years and a coupon yield of 3.875% per annum. All bonds were placed at face value and have a half year coupon period. LUKOIL intends to use the net proceeds of the issuance for general corporate purposes. The bonds have been assigned a rating of BBB+ by Fitch and BBB by Standard & Poor's.

In November 2020, a Group company repaid the bonds issued in 2010 in the amount of \$1 billion.

In August 2018, we announced the start of an open market buyback programme, which was completed on 20 August 2019. In 2019, a Group company spent 243,691 million RUB in relation to this programme. From the start of the programme and also taking into account tender offers that took place in July–August 2019 and December 2019–January 2020, 57.1 million ordinary shares and depositary receipts of the Company were purchased in aggregate. All of the purchased shares were cancelled.

**Credit rating**

Standard & Poor's Ratings Services set the Company's issuer credit rating to BBB.

Moody's set the Company's long-term issuer rating to Baa2.

Fitch Ratings set the Company's long-term issuer default rating to BBB+.

**Debt maturity**

The following table displays the breakdown of our total debt obligation by maturity dates.

	<b>Total</b>	<b>2021</b>	<b>2022</b>	<b>2023</b> (millions of rubles)	<b>2024</b>	<b>2025</b>	<b>After</b>
Short term debt .....	21,258	21,258	-	-	-	-	-
Long-term bank loans and borrowings .	112,660	26,846	21,082	15,499	15,452	12,708	21,073
6.656% Non-convertible US dollar bonds, maturing 2022 .....	36,901	-	36,901	-	-	-	-
4.563% Non-convertible US dollar bonds, maturing 2023 .....	110,737	-	-	110,737	-	-	-
4.750% Non-convertible US dollar bonds, maturing 2026 .....	73,751	-	-	-	-	-	73,751
3.875% Non-convertible US dollar bonds, maturing 2030 .....	110,532	-	-	-	-	-	110,532
Lease obligation <sup>1</sup> .....	193,872	34,532	19,609	17,744	17,029	15,699	89,259
<b>Total.....</b>	<b>659,711</b>	<b>82,636</b>	<b>77,592</b>	<b>143,980</b>	<b>32,481</b>	<b>28,407</b>	<b>294,615</b>

<sup>1</sup> Discounted amounts. Undiscounted cash flows are presented in Note 36 «Capital and risk management» to our consolidated financial statements.

**Litigation and claims**

The Group is involved in various claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition. See Note 30 "Commitments and contingencies" to our consolidated financial statements for detailed information on claims and legal proceedings involving the Group.

**Critical accounting policies**

The preparation of financial statements in conformity with IFRS requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. See Note 3 "Summary of significant accounting policies" to our consolidated financial statements for descriptions of the Company's major accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Other information****Sectoral sanctions against the Russian companies**

In July–September 2014, the United States (“US”), the European Union (“EU”) and several other countries imposed a set of sanctions on Russia, including sectoral sanctions, which affect several Russian oil and gas companies. The US Department of the Treasury has placed the Company onto the Sectoral Sanctions Identifications List subject to Directive 4 of the Office of foreign assets control (OFAC). Directive 4 prohibits US companies and individuals from providing, exporting, or re-exporting directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area spreading from the Russian territory and claimed by the Russian Federation.

From January 2018 (based on acts adopted in August–October 2017), the US expanded abovementioned sanctions to include certain categories of international oil projects initiated on or after 29 January 2018 in any part of the world, in which companies placed on the Sectoral Sanctions Identifications List subject to Directive 4 (including the Company) have an ownership interest of 33% or more, or ownership of a majority of the voting interests.

Management believes that current sanctions do not have a material adverse effect on the current or planned Group's oil projects. At the same time, the Company continues to monitor and evaluate potential risks for its operations in connection with sanctions.

**Operations in Iraq**

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors these risks and believes that there is no adverse effect on the Group's financial position that can be reasonably estimated at present.

**PJSC LUKOIL****Management's discussion and analysis of financial condition and results of operations for the three-month periods ended 31 December and 30 September 2020 and for the years 2020 and 2019****Forward-looking statements**

Certain statements in this document are not historical facts and are "forward-looking." We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of our plans, objectives or goals, including those related to products or services
- statements of future economic performance
- statements of assumptions underlying such statements.

Forward looking statements that may be made by us from time to time (but that are not included in this document) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios. Words such as "believes," "anticipates," "expects," "estimates," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include:

- inflation, interest rate and exchange rate fluctuations
- the price of oil
- the effects of, and changes in, Russian government policy
- the effects of competition in the geographic and business areas in which we conduct operations
- the effects of changes in laws, regulations, taxation or accounting standards or practices
- our ability to increase market share for our products and control expenses
- acquisitions or divestitures
- technological changes
- our success at managing the risks of the aforementioned factors.

*This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and, subject to any continuing obligations under the Listing Rules of the U.K. Listing Authority, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.*

## Reference Information

### About the Company

Public Joint Stock Company "Oil Company 'LUKOIL' (hereinafter, the "Company") was established in accordance with Decree No. 1403 of the President of the Russian Federation On Specific Features of the Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial

and Research Industrial Associations in the Oil and Oil Refining Industries and Oil Product Supply, dated November 17, 1992 and Directive No. 299 of the Council of Ministers – Government of the Russian Federation On the Establishment of Open Joint Stock Company "Oil company 'LUKOIL', dated April 5, 1993, for the purpose

of industrial, economic, financial, and investment activity. PJSC LUKOIL is the corporate center of LUKOIL Group (hereinafter, the "Group") which coordinates the operations of the Group entities. It focuses on coordination and management of subsidiaries in terms of organizational set-up, investments and financial operations.

### Legal address and head office

Postal address: 11, Sretensky Blvd, Moscow, 101000, Russia  
Website: [www.lukoil.ru](http://www.lukoil.ru) (Russian), [www.lukoil.com](http://www.lukoil.com) (English)

### Central Information Service

Tel.: +7 495 627 4444,  
+7 495 628 9841  
Fax: +7 495 625 7016

### Shareholder Relations

Tel.: +7 800 200 9402 (Russia toll-free)  
Fax: +7 495 627 4564  
Email: [shareholder@lukoil.com](mailto:shareholder@lukoil.com)  
Shareholder's personal account:



### Investor Relations

Tel.: +7 495 627 1696  
Email: [ir@lukoil.com](mailto:ir@lukoil.com)

### Press Service

Tel.: +7 495 627 1677  
Email: [media@lukoil.com](mailto:media@lukoil.com)

### Filling Stations Hotline

Tel.: +7 800 100 0911  
Email: [hotline@lukoil.com](mailto:hotline@lukoil.com)

### Business Ethics Commission

Tel.: +7 495 627 8259  
Email: [ethics@lukoil.com](mailto:ethics@lukoil.com)

### Registrar

LLC Registrar "Garant"  
Postal address: 8, Krasnopresnenskaya Embankment, Moscow, 123100, Russia  
Tel.: Tel.: +7 495 221 3112,  
+7 800 500 2947  
Fax: +7 495 646 9236  
Email: [mail@reggarant.ru](mailto:mail@reggarant.ru)

### Depository in the depository receipt program

Citibank, N.A.  
Russian office: 6, Gasheka St.,  
Moscow, 125047, Russia  
UK office: GB E14 5LB, London, 25  
Canada Square  
US offices: 10013, New York, NY, 388  
Greenwich Street; NJ 07310, Jersey  
City, NJ, 480 Washington Boulevard,  
30th Floor  
Tel.: +7 495 642 7644  
Email: [michael.klochkov@citi.com](mailto:michael.klochkov@citi.com),  
[drdividends@citi.com](mailto:drdividends@citi.com)

### Auditor

JSC KPMG (Joint Stock Company KPMG)  
Postal address: 16, Olimpiyskiy Ave.,  
Bld. 5, 3d floor, premises 1, office 24e,  
Moscow, 129110, Russia  
Tel.: +7 495 937 4477  
Fax: +7 495 937 4499  
Email: [moscow@kpmg.ru](mailto:moscow@kpmg.ru)

### Self-Regulatory Organization of Auditors

Russian Union of Auditors (Association)  
Postal address: 8, Petrovskiy Side St.,  
Bld. 2, Moscow, 107031, Russia  
Tel.: +7 495 694 0156  
Fax: +7 495 694 0108.

### Business proposals

Postal address: 11, Sretensky Blvd,  
Moscow, 101000, Russia  
Fax: +7 495 625 7016,  
+7 495 627 4999  
Business proposals are to be made  
in writing on the official letterhead  
and sent by mail or fax. Business  
proposals submitted by email  
will not be considered.

