



ANNUAL REPORT
2020

Resilience

proven
over time



Resilience

proven
over time



The reporting year became one of the most difficult years for the oil and gas industry. Despite all the pandemic-related limitations, our management team successfully tackled the multiple crises of the reporting year it faced, while LUKOIL once again demonstrated its resilience to external shocks, delivered strong financial performance in unfavorable market environment and maintained robust financial position. We have thus maintained our strong commitment to sustainability principles and continued to contribute to the United Nations Sustainable Development Goals.



In 2021, LUKOIL celebrates the 30th anniversary of its founding. Over these years, we have managed to transform a small regional company into one of the world's largest public oil and gas corporations.

A whole range of LUKOIL's competitive edges is premised on a sound strategy, high responsibility and constant focus on efficiency. All of these help the Company stay resilient and ensure steady development in a volatile external environment.

Vagit Alekperov
President,
Chairman of the Management
Committee of PJSC LUKOIL

RESILIENCE FACTORS



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References to "PJSC LUKOIL," "LUKOIL Group," "the Group," "LUKOIL," "the Company," "we," and "our" throughout this document are all equivalent for the purposes of this Report and refer to LUKOIL Group, PJSC LUKOIL and/or its subsidiaries, depending upon the context in which the terms are used.



For more details on LUKOIL, see the Reference Information section on page 138

KEY EVENTS IN 2020



West Siberia

Pilot production started at Khalmerpayutinskoye, the Company's fourth field in the Bolshekhetskaya Depression



Timan-Pechora

New steam-generation facilities launched with a capacity of 70 tonnes of steam per hour at the Yaregskoye and Usinskoye high-viscosity oil fields

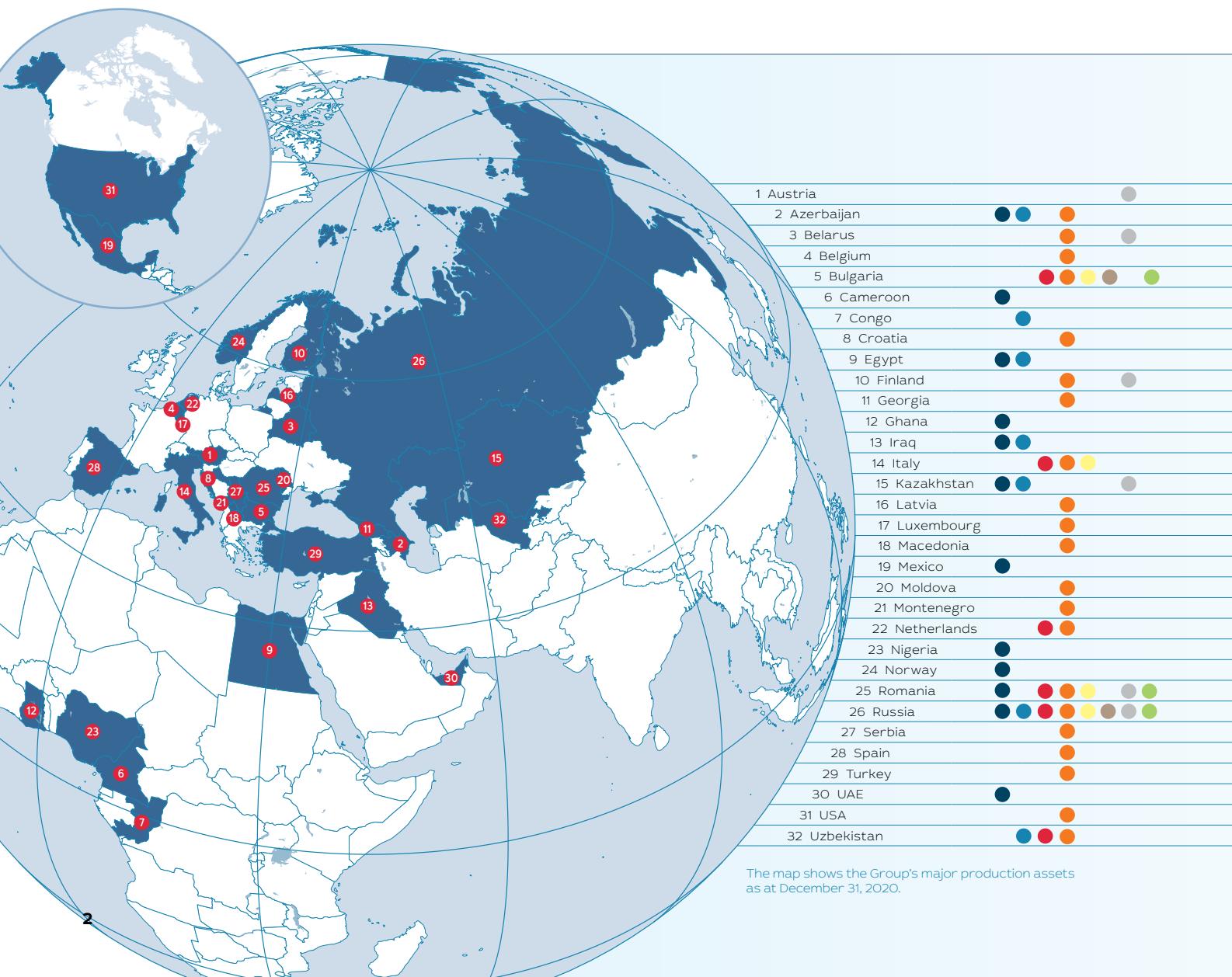


Caspian Sea

Test production started at the fields of the Komandirshorskaya cluster

Offshore jackets installed for the ice-resistant stationary platform and the living quarters platform at the V.I. Grayfer field

Exploration drilling at promising strata, near the V.I. Grayfer field, and in the southern part, within the Khazri and Titonskaya structures



**Mexico**

Joint venture with 20% LUKOIL share discovered the Saasken oilfield at Block 10

**Nizhny Novgorod**

Bituminous material shipment center opened with a throughput capacity of 200 bitumen trucks per day as part of the Company's bitumen business development

**Volgograd**

The Volgograd Refinery completed construction of a de-asphalting unit forming a part of a high-viscosity index lubricants production complex

Successfully completed a state review for the construction project of bitumen production facility

>30

countries

>60

Russian regions

- Exploration
- Production of oil & gas
- Oil refining, gas processing and petrochemicals
- Marketing and transportation
- Power generation
- Aircraft refueling
- Lubricants
- Renewables

DEVELOPMENT OF RENEWABLE POWER GENERATION

We expand our power generating facilities on the base of renewable sources and look into new opportunities in regions of our operation with appropriate climate conditions and programs supporting renewable energy in place.

- The Company started the construction of the second solar power plant with an installed capacity of 20 MW at the Volgograd Refinery
- LUKOIL's project of a 2.4 MW solar power plant at the Krasnodar combined heat and power plant was included in the program of government support of renewable energy sources on the retail electricity market
- We completed the reconstruction of hydraulic facilities at the Krasnopolyanskaya hydropower plant in the Krasnodar Region.
- Wind monitoring is underway in the Rostov Region for a potential wind power plant construction near the Tsimlyansk hydropower plant

DEVELOPMENT OF SUSTAINABILITY MANAGEMENT SYSTEM

Increased control over climate matters became an important change in the sustainability management in 2020. The Strategy, Investment and Sustainability Committee of the Board of Directors was renamed as the Strategy, Investment, Sustainability and Climate Adaptation Committee, with its functions expanded accordingly and a Board member appointed to supervise LUKOIL's climate change matters.

The Company set up the Working Group on Decarbonization and Climate Change Adaptation to explore climate change matters in coordination with LUKOIL's Working Group on Sustainability.



LETTER FROM THE PRESIDENT, CHAIRMAN OF THE MANAGEMENT COMMITTEE

DEAR SHAREHOLDERS,

The reporting year became one of the most difficult years for the oil and gas industry. The COVID-19 pandemic threatened the health and well-being of our employees. Furthermore, the travel restrictions led to unprecedented slump in demand for energy products and a steep decline in hydrocarbon prices, as well as strong volatility and imbalance of key macro parameters.

Under these circumstances, we had to act promptly and with maximum flexibility. Despite all the pandemic-related limitations, our management team successfully tackled the multiple crises of the reporting year it faced, while LUKOIL once again demonstrated its **resilience to external shocks**, delivered strong financial performance in unfavorable market environment and maintained robust financial position.

Our key priority was to protect the health of our employees and clients. We took quick necessary actions, set up response teams across all our entities, provided testing for employees, and ensured the availability of protective equipment and disinfectants. We also provided support to the Russian regions and other countries where we operate. LUKOIL has allocated a total of more than RUB 2 billion to help fight the spread of COVID-19. These timely measures helped contain the spread of the virus and ensure uninterrupted operation across our production and marketing entities.

The Company's hydrocarbon production in 2020 was driven by external factors beyond our control. Due to the new OPEC+ agreement that played a crucial role in stabilizing the global oil market, LUKOIL cut oil production in Russia and at some of its

international projects. Thanks to our diversified production portfolio, we were able to **cut production in a highly efficient manner**, thus limiting the impact of such a reduction on the financial results. Despite external production limitations and a weak pricing environment, **we continued developing our priority projects in Russia.** The share of these priority projects in LUKOIL's total production reached 26%, which is 4 percentage points higher than in 2019.

Throughout 2020, we maintained high drilling rates to support spare production capacity in order **to keep readiness to promptly recover full-scale production.** We also accelerated the roll-out of new drilling technologies to bring additional oil reserves into production and to make our business even more resilient in a volatile market environment owing to higher efficiency and lower costs.

The pandemic also affected the Company's gas production. The production at our projects in Uzbekistan was reduced due to a decline in demand for pipe gas from China. However, when demand rebounded, **gas production was quickly increased** to the design capacity by the end of the year. In mid-2020, our average daily hydrocarbon production was down by almost 25% compared to the beginning of the year. However, by the end of the year, the deviation was only 10% reflecting the partial oil and full-scale gas production recovery.

The reporting year was extremely challenging for the refining segment, with the gross benchmark refining margin going into negative area during the year. **The high quality of LUKOIL's refining fleet and access to well-developed sales channels** were the key

RUB **281** billion
Free cash flow in 2020

RUB **79** billion
Environmental, industrial safety, and social expenses in 2020

factors that helped the Company to withstand the sharply lower margins and decline in demand for petroleum products. Our multi-year efforts aimed at upgrading the refineries and enhancing vertical integration brought excellent results. We successfully optimized our refinery throughput to mitigate the negative impact of lower crack spreads for motor fuel. **Having our own trading arm** helped ensure high refinery utilization rates in the period when demand was at its lowest.

By optimizing utilization rates and enhancing efficiency we continued improving our petroleum product slate, with the share of high sulphur fuel oil down to a record low of 7%. Despite the difficult market environment and travel restrictions, **the construction of new refining units in Russia carried on.** These facilities, which are scheduled to come on stream in 2021, will further enhance the production slate. As an example, launching the delayed coker complex at the Nizhny Novgorod refinery will enable us to reduce the share of fuel oil in the production mix of our refineries to the level below 4%.



With a significantly lower demand for motor fuels due to travel restrictions, sales of motor fuels at LUKOIL filling stations decreased by 10% year-on-year. Despite lower traffic at our filling stations, we managed to increase revenue from sales of non-fuel goods and services.

Our efficient business model, high quality assets, low production costs, well-developed governance system, and natural hedges helped considerably to offset the negative impact of external factors on the Company's financial performance.

EBITDA for the reporting year came in at RUB 687 billion, while free cash flow totalled RUB 281 billion. **The free**

cash flow remained positive in each of the quarters of 2020, including the most challenging second quarter.

Considerable support for our financial results came from the timely measures that we took to reduce our expenses across the board. It should be noted here that this **optimization did not affect our key investment projects** in the upstream and downstream segments, nor any of the core aspects of the sustainable development such as industrial safety, environment, and social responsibility. In fact, expenses in these areas increased compared to 2019, totalling almost RUB 80 billion. We have thus maintained

our strong commitment to sustainability principles and continued to contribute to the United Nations Sustainable Development Goals.

I would like to stress that we have maintained our **strong financial position** despite all the external challenges. This gives us a major competitive edge, and provides additional flexibility in decision making, enabling us to develop our business fully in line with our strategy and to honor all our obligations to lenders and shareholders.

We remain committed to our dividend policy. We believe it is the most efficient in our industry, as it places no restrictions on our investment potential, creates no risks to our robust financial standing, and provides for the optimal capital distribution in any market environment. The total dividend per share recommended by the Board of Directors for 2020 is RUB 259. For fair reasons this is below the 2019 dividend, but still above what was paid out for 2018.

In 2021, LUKOIL celebrates the 30th anniversary of its founding. Over these years, we have managed to transform a small regional company into one of the world's largest public oil and gas corporations. A whole range of LUKOIL's competitive edges is premised on a sound strategy, high responsibility and constant focus on efficiency. All of these help the Company stay resilient and ensure steady development in a volatile external environment.

During these 30 years we have tackled several crises, while significantly increasing the scale of our business and our financial capabilities. Our success rests on a well-developed governance system, a highly professional and dedicated team, and an enormous technological potential. This success would have been impossible without the **commitment to sustainable development**

principles. This commitment motivates us to take thoughtful and well-informed decisions with due respect of the opinion of all our stakeholders.

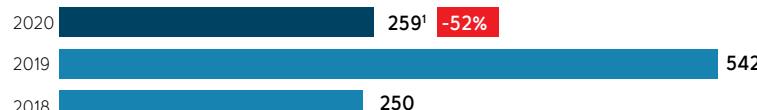
Today, the world is undergoing rapid changes as **the sustainability and, primarily, the climate agenda come to the fore.**

For the hydrocarbon industry the climate agenda is of particular significance given that the global economy is rapidly moving along the energy transformation path. This transformation presents both threats and additional opportunities.

In 2021, we plan to update the Company's strategy placing a major emphasis on the climate and other aspects of the sustainability agenda. **We have already drawn up several oil demand scenarios,** which helped to outline a complete list of climate change drivers for detailed analysis of risks and opportunities. All of these scenarios provide for a much larger share of renewable energy and recyclable plastics, as well as a faster transition to electric vehicles. Furthermore, a key driver behind lower total greenhouse gas emissions across all scenarios is massive development of negative emissions through implementation of nature-based and technological solutions for carbon capture and storage.

Each scenario represents a major challenge for the global community. It is extremely important that **the energy transition remains aligned with the other UN Sustainable Development Goals.** To achieve that, the alternative energy has to be affordable and abundant not only to gradually reduce reliance on fossil fuels but also to fuel the growth of the global economy. It is worth noting that none of the scenarios projects an end to the use of fossil fuels. Therefore,

Dividend per share, RUB.



¹ Total dividend for 2020 including interim dividend of RUB 46 per ordinary share and recommended by Board of Directors final dividend of RUB 213 per ordinary share.

GHG emissions (Scope 1 and 2), million tonnes of CO₂ equivalent



in the long run, the hydrocarbons will continue to be an important part of the global energy mix and an essential feedstock for consumer goods.

Against this backdrop, the oil and gas industry needs to focus on producing the most efficient barrels that should also have the minimum carbon footprint. Our hydrocarbons meet these criteria, and thus we have defined LUKOIL's mission amid the global energy transition as **a responsible producer of hydrocarbons.** We believe that our most valuable contribution to the global climate agenda would be to continue supplying the global economy with the most efficient fossil fuel-based energy while focusing on reducing its carbon footprint. To this end, we have already developed a decarbonization program for LUKOIL until 2030.

We fully share **the ambition to achieve carbon neutrality by 2050 for the controlled emissions.** Currently we do not see

a sufficient set of efficient tools to deliver this result, but we will continue looking into this matter and will actively participate in creating the necessary conditions to address it.

Dear shareholders, in conclusion, I would like to thank you for your continued trust in the Company and assure you that LUKOIL will do its best to keep delivering shareholder value despite all external challenges.

Vagit Alekperov
President and Chairman
of the Management
Committee of PJSC LUKOIL

Worsened market conditions

In 2020, a drop in oil demand as a result of the COVID-19 pandemic caused a 35% year-on-year decline in the average annual price of Brent crude oil. A slump in demand for motor fuel was followed by more than a twofold reduction in the average annual refining margin in Russia and Europe year-on-year.

LUKOIL's high-quality assets were its key resilience factor amid a weak market environment.

Most of the Company's production comes from the development of conventional hydrocarbon reserves in Russia. It is an important competitive advantage, which, alongside our efforts to cut costs and improve efficiency, ensures lower unit development and production costs. Low costs combined with the specifics of the taxation system allow us to keep production profitable even at extremely low crude oil prices.

Due to our significant investments in refining, LUKOIL's refineries are notable for a top-quality petroleum product slate and high operational efficiency. This helps us deliver a positive financial performance even when the benchmark refining margin is low.

Continued focus on higher efficiency and lower costs is a part of LUKOIL's strategy. The Company is implementing targeted cost optimization programs based on a wide array of tools. LUKOIL rolls out and scales up new technologies, continuously streamlines its production processes, deploys energy efficient equipment and digital solutions. As market conditions deteriorated in 2020, we incrementally intensified our efforts to reduce costs.

HIGH-QUALITY ASSETS

Focusing
on efficiency

\$13

EBITDA PER BOE
IN 2020

LEADERSHIP
IN EFFICIENCY



Sum of Strategic Decisions

Anniversary



L U K oil
LANGEPAS URAY KOGALYM

 **LUKOIL**

1991

2021

3 upstream subsidiaries

42 licenses **2** refineries

>30 countries

563 licenses

8 refineries

5 005 filling stations

5 gas processing plants

4 petrochemical plants



Establishing PJSC LUKOIL

Russian Government's resolution No. 18 on establishing the Oil Concern Langepasuraykogalymneft comprising three oil production entities and two refineries in Perm and Volgograd.

Growing the resource base

The Company increased and diversified its asset portfolio while also expanding its geography through new acquisitions and investments in business development.



For more details see page [38](#)

Evolution of technological potential

Since its inception, LUKOIL has been investing in innovations and deploying cutting-edge technologies and solutions. This allowed us to involve into production large volumes of high-viscosity oil reserves and oil from low-permeability reservoirs, as well as to become the leader in Russian offshore fields development.



For more details see page [46](#)

Continuous upgrade of refineries

Since its incorporation, LUKOIL has been investing in upgrade of refining facilities. The major upgrade program completed back in 2016 made LUKOIL a leader of the Russian refining industry in terms of petroleum product slate quality.



For more details see page [52](#)

Developing premium businesses

Thanks to its continuous focus on the access to end-customers and high value-added products with improved performance, LUKOIL holds a significant share in the premium markets of lubricants, aircraft refueling, and marine bunkering.



For more details see page [61](#)

Sustainable business

Since its inception, LUKOIL has been efficiently managing sustainability matters, strictly complying with laws, promptly addressing stakeholders' concerns, and following international best practices for responsible business. LUKOIL supports the United Nations Global Compact, contributes to sustainable development goals, including through cooperation with international labor and environmental organizations and investments in social infrastructure in the regions of operations.



For more details see page [62](#)

STRATEGY

Despite the difficult market environment in the reporting year, we proceeded with the implementation of our long-term strategy. However, some of our strategic goals became irrelevant in 2020 due to a drop in demand and deterioration in the market environment amid the COVID-19 pandemic.

EXPLORATION AND PRODUCTION

UNLOCKING POTENTIAL



MATURE FIELDS

- Efficiency improvement, cost reduction
- Slowing down production decline rates at West Siberia's mature fields **to 2-3 percent**



NEW FIELDS, HARD-TO-RECOVER RESERVES

- Efficient delivery of new projects
- Accelerated involvement of hard-to-recover reserves into production

EXECUTION

- **2 and 9 percent** decrease in per barrel lifting costs and per meter drilling costs respectively in Russia vs. 2017
- The goal for slowing down production decline rates at mature fields was irrelevant in the reporting year due to external production limitations following the OPEC+ agreement
- Production decline at West Siberia's mature fields was the key tool for production management amid external limitations

- V. Grayfer field infrastructure development in the Caspian Sea
- The share of priority projects in the Company's production excluding West Qurna-2 project increased **to 26 percent**



For the list of key strategic risks, see Appendix 2. Risks



For the list of key performance indicators reflecting the Group's factors of success and measuring achievement of the strategic goals, see pages **30-31**

In 2020, for a better integration of the climate change agenda into the strategy, in the reporting year we looked into climate change scenarios in detail and formulated key provisions of our climate strategy to update LUKOIL's long-term strategy.

REFINING, MARKETING, AND DISTRIBUTION

Goal

Continuous upgrade of refineries and efficiency improvement in retail network, development of premium sales channels with maximizing free cash flow

EFFICIENCY IMPROVEMENT



REFINERY PORTFOLIO POST A LARGE-SCALE UPGRADE PROGRAM

- Continuous enhancement of operating efficiency and optimization of maintenance capital expenditures

ORGANIC GROWTH PROJECTS

- Selective projects at our Russian refineries to enhance the Company's petroleum product slate

FILLING STATION NETWORK AIRCRAFT REFUELING AND MARINE BUNKERING

- Efficiency improvement and sales growth at filling stations
- Maintaining a high market share in aircraft refueling and marine bunkering

ORGANIC GROWTH PROJECTS: LUBRICANTS, BITUMENS

- Growth in high-margin segments and launch of new products

EXECUTION

- Over **310** optimization initiatives in 2020

- Construction of a delayed coker complex and an isomerization unit at Nizhny Novgorod Refinery, which were **86** and **88 percent** complete as at the end of 2020, respectively, and de-asphalting unit at the Volgograd Refinery (commissioned in January 2021)

- Growth of gross profit from sales of non-fuel goods and services by **42 percent** vs. 2017
- Maintaining a high market share in aircraft refueling and marine bunkering

- Product range expansion
- Expanding lubricant market share vs. 2017

OPEC+ agreement

The COVID-19 pandemic caused a significant imbalance between supply and demand in the global oil market. To normalize the situation, OPEC+ countries agreed upon an unprecedented oil production cut followed by gradual increases.

Due to the OPEC+ agreement, LUKOIL cut its oil production in Russia and some of its international projects. In May 2020, LUKOIL cut its daily oil production in Russia by 19% as compared to average daily production in 2019. By the end of 2020, one third of this production cut has been recovered in accordance with the instructions

of the Ministry of Energy of Russia.

An important contributor to LUKOIL's resilience amid production restrictions was diversified asset portfolio, which allowed the Company to quickly adapt to the new conditions and manage production efficiently, minimizing the impact on its financial performance.

The production was reduced by shutting in the least profitable wells, predominantly at mature fields in the key regions of operation with geological and process risks factored in. This sophisticated approach to the production cut allows the Company to quickly recover production.

DIVERSIFIED ASSET PORTFOLIO

Flexibly managing production



Exploration and Production

2020 RESULTS

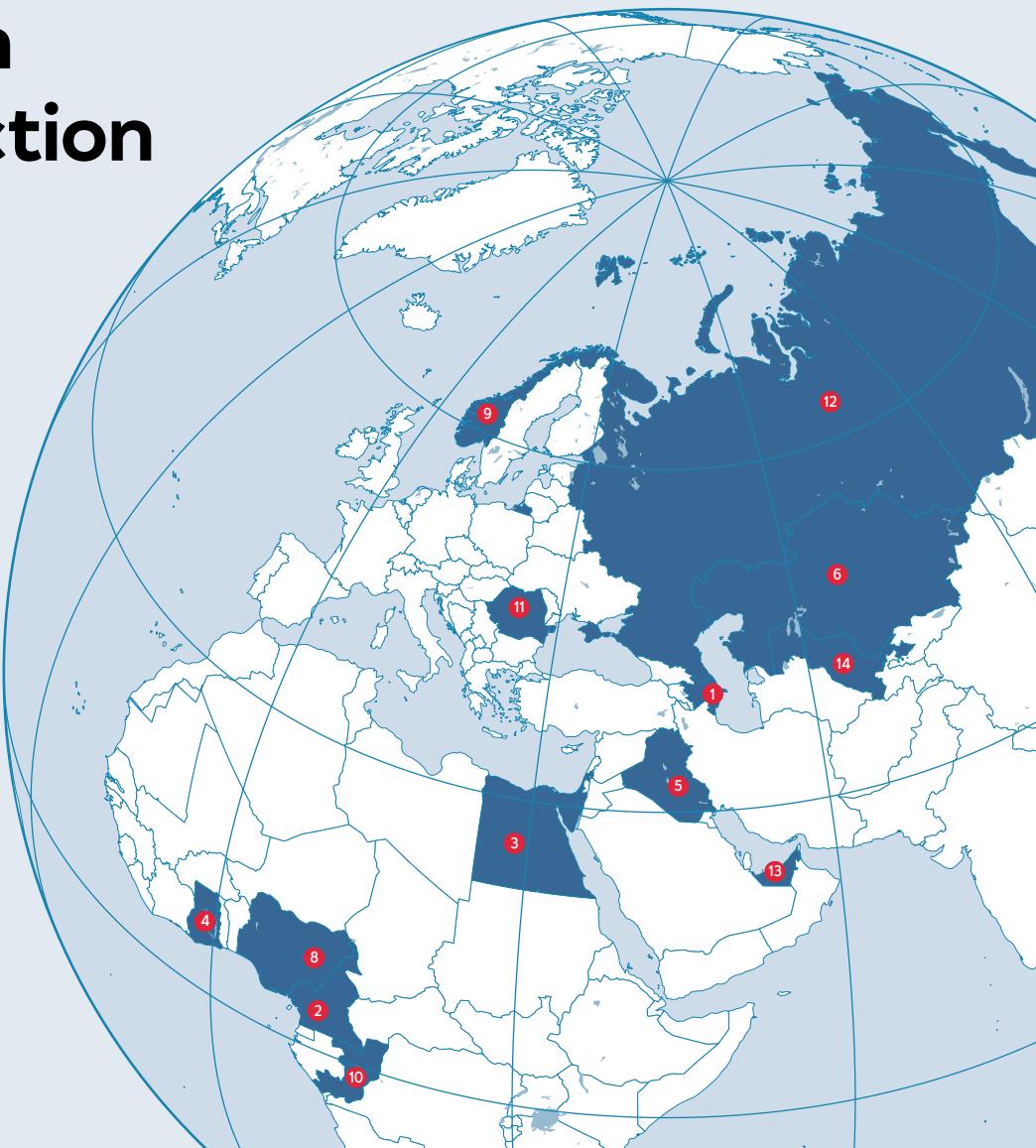
In 2020, our prospecting and exploration drilling success rate reached a multi-year high of 90 percent. We discovered two fields and 54 deposits in Russia, as well as Saasken oilfield at Block 10 in Mexico. The proved reserves replacement ratio for hydrocarbons, excluding the effect of changes in macroeconomic factors on evaluation, totaled 93 percent in 2020.

In 2020, the Group's hydrocarbon production, excluding West Qurna-2, amounted to 2.1 million boe per day, down 12.2 percent year-on-year. The lower production was attributable to external limitations in 2020.

Nevertheless, priority projects were implemented as scheduled with their oil production increasing by 6.4 percent year-on-year.

Oil production at the Caspian Sea V. Filanovsky field in 2020 was at the design plateau level and amounted to 6.3 million tonnes, while at the Yu. Korchagin field production grew in 2020 by 8.4 percent, reaching 1.1 million tonnes.

In Timan-Pechora, the development of the Yaregskoye field and the Permian reservoir of the Usinskoye field enabled a 6.2 percent year-on-year growth



in high-viscosity oil production, to 5.2 million tonnes.

Oil production at key fields with low-permeability reservoirs (Imilorskoye, V. Vinogradov, Sredne-Nazymskoye) grew by 35.1 percent, exceeding 2.5 million tonnes.

ENHANCING EFFICIENCY

We continued with implementation of targeted operational excellence programs, which form an important component of our long-term strategy and include a broad range of measures in cost reduction and scaling up technologies. In 2020, we managed to keep the growth of unit extraction expenses in Russia at a level significantly lower than inflation despite a significant production cut.

ENHANCING TECHNOLOGICAL EDGE

Active work continued on putting hard-to-recover reserves into development. Horizontal wells accounted for 32 percent of total wells put into operation across Russia in 2020. Furthermore, the number of small-diameter wells and simplified-design horizontal wells drilled was substantially increased.

We continued leveraging digital technologies. For example, we further rolled out the intelligent field concept based on integrated models. The number of models put into operation during the year grew by 36 percent to 61 models as at the end of 2020.



775
million boe
hydrocarbon
production
in 2020

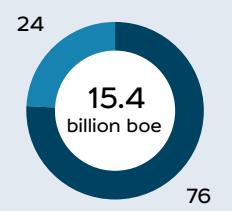
15,385
million boe
hydrocarbon
proved reserves
as at the
end of 2020

The map shows the Group's main production assets in the Exploration and Production segment as at December 31, 2020.

2021 AND MID-TERM PRIORITIES

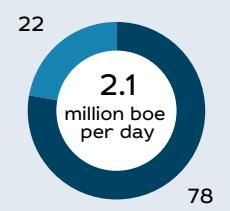
- Exploration works near existing fields and in promising regions to support reserve replacement
- Focus on growth projects: increase in hard-to-recover oil production; development of new fields in the Caspian and Baltic seas; implementation of new production plans at mature fields under the tax on addition income (TAI)
- Implementation of efficiency improvement programs and building up technological expertise in complex reserves development
- Scaling and rolling out of efficient technologies, digitalization

Proved hydrocarbon reserves as at December 31, 2020, %



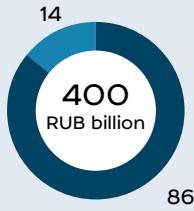
■ Liquid hydrocarbons
■ Gas

Hydrocarbon production in 2020, %



■ Liquid hydrocarbons
■ Gas

Capital expenditures in Exploration and Production segment in 2020, %



■ Russia
■ International projects

Average headcount in Exploration and Production segment in 2020, %



■ Russia
■ International projects

26%
share of priority projects in total production in 2020¹

500
RUB billion
EBITDA of the Exploration and Production segment in 2020

370
horizontal wells drilled in Russia

¹ Excluding West Qurna-2 project

Priority projects: V. Filanovsky, Yu. Korchagin, V. Vinogradov, Yaregskoye, Usinskoye (Permian deposit), Imilorskoye, Sredne-Nazymskoye, as well as Pyakyakhinskoye and other TAI (tax on additional income) projects.

Decline in demand

In 2020, travel restrictions due to the COVID-19 pandemic resulted in a 10% decline in global demand for liquid hydrocarbons, with peak reduction of 17% in the second quarter. Motor fuel and jet fuel showed the sharpest decline in demand.

Under these circumstances, our vertically integrated business model became a key resilience factor ensuring effective access to end consumer markets, hydrocarbon transportation and storage facilities, as well as flexible redistribution of produced hydrocarbons between sales in the market and refining at the Company's own facilities, thus enabling us to adjust our product slate to the market environment.

Since its establishment, LUKOIL has been continuously working to expand its vertical integration, which is an important strategic goal. Our vertically integrated business model has repeatedly proven its high efficiency and resilience to external shocks.

In 2020, we quickly optimized the refining capacity utilization and product slate to minimize the impact of weak market conditions in refining on our financial performance, while our well-developed sales channels helped to support the utilization of refineries. The Company's own trading business became an important additional driver factor that enabled us to sell our products even when the demand was at its lowest, while our access to transportation and storage facilities contributed to implementing efficient trading strategies.

VERTICALLY INTEGRATED BUSINESS MODEL

Using well-developed
sales channels



73%

THE RATIO OF REFINERY
THROUGHPUT TO OIL
PRODUCTION IN 2020

Refining, Marketing and Distribution

2020 RESULTS

ENHANCING EFFICIENCY AT REFINERIES

We continued our efforts to cut costs and streamline processes at the Group's refineries, which was particularly important in the challenging environment of 2020. All our refineries have operational efficiency enhancing roadmaps in place, which are updated on an annual basis. The roadmaps include a range of comprehensive operational measures that either require zero investments or have very short payback periods. This effort is further supported by special projects launched at a number of our facilities and aimed at breakthrough improvements.

IMPROVING PETROLEUM PRODUCT SLATE AND PETROCHEMICALS DEVELOPMENT

In the reporting year, the Company improved its petroleum product slate, reducing the output of fuel oil at its refineries by 42 percent or 2.8 million tonnes year-on-year, while its share in the total refinery throughput fell from 10 to 7 percent. As a result, the refining depth grew from 89 to 93 percent in 2020.

We continued to implement selective projects at our refineries in Russia to improve our product slate, in particular the construction of a delayed coker complex and isomerization unit at the Nizhny Novgorod Refinery with commissioning scheduled for 2021. The Volgograd Refinery completed construction of a de-asphalting unit that was commissioned in January 2021.

We continued designing of the polypropylene production units for the Nizhny Novgorod Refinery and the Burgas Refinery in Bulgaria.



IMPROVING SALES PERFORMANCE AND DEVELOPING PREMIUM SALES CHANNELS

Although retail sales of motor fuels were adversely affected by the pandemic, the Company ramped up its sales of premium ECTO-100 motor gasolines, and increased share of ECTO fuels in its retail sales to 79 percent.

We continued to develop sales of non-fuel goods and services. In spite of lower customer traffic at filling stations, the gross profit from non-fuel sales was up 9 percent year-on-year.

The sales of LUKOIL-branded lubricants grew by 6 percent, hitting a record of 611 thousand tonnes due to the product range development.

On the back of high price volatility in 2020, LITASCO, the Company's trading unit, significantly improved its financial performance due to its efficient trading strategies.

DEVELOPING RENEWABLE POWER GENERATION PROJECTS

In 2020, the Company continued to build more solar generation capacity at other unutilized industrial sites at its production facilities, in particular, the second solar power plant at the Volgograd Refinery with an installed capacity of 20 MW. We also commenced preliminary works for the construction of a solar power plant at the Krasnodar combined heat and power plant, which was included in the program of government support of renewable energy sources on the retail electricity market.

RUSSIA

Oil refining
Volgograd Refinery
Nizhny Novgorod Refinery
Perm Refinery
Ukhta Refinery
Mini-refineries in Uray and Kogalym

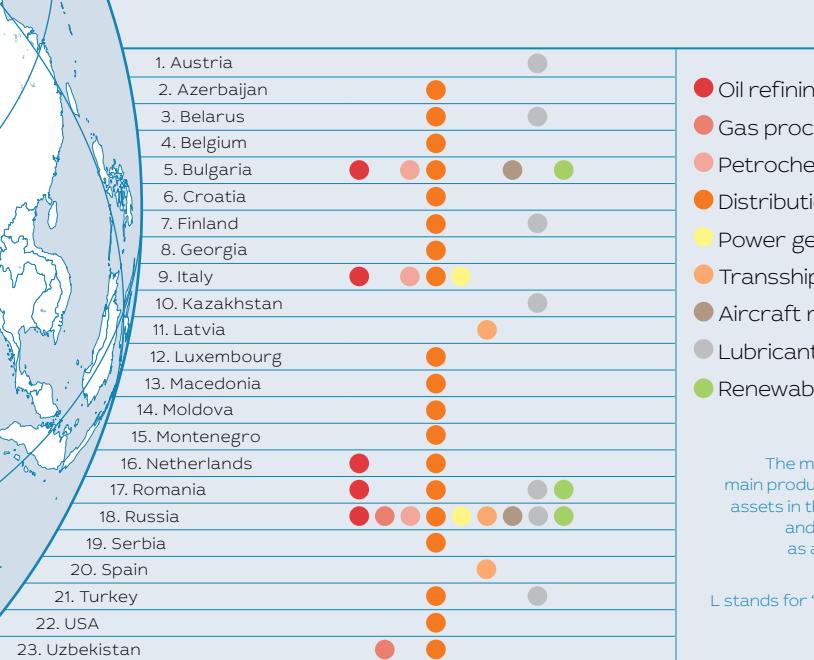
Gas processing
Korobkovsky GPP
Lokosovsky GPP
Perm Refinery with gas processing complex
Stavrolen
Usinsky GPP

Power generation
L-Astrakhanenergo
L-Volgogradenergo
L-Kubanenergo
L-Rostovenergo
L-Stavropolenergo

Renewables
L-Ecoenergo (HPP)

Petrochemicals
Saratovorgsintez
Stavrolen

Lubricants
Volgograd Refinery
Perm Refinery



- Oil refining
- Gas processing
- Petrochemicals
- Distribution
- Power generation
- Transshipment
- Aircraft refueling
- Lubricants
- Renewables

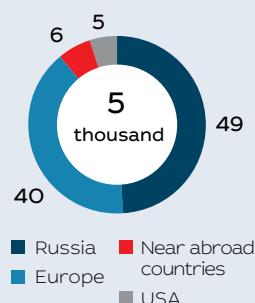
The map shows the Group's main production and distribution assets in the Refining, Marketing and Distribution segment as at December 31, 2020.

L stands for "LUKOIL" in the entity's full name.

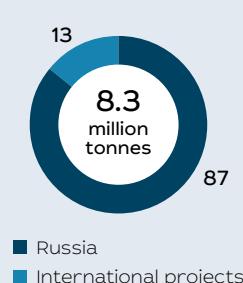
2021 AND MID-TERM PRIORITIES

- Flexible production and sales management, as well as improving the petroleum product slate through optimized utilization of equipment, strengthening inter-plant integration, and commissioning a delayed coker complex and isomerization unit at the Nizhny Novgorod Refinery.
- Implementing the roadmaps for improving efficiency at our refineries, further work on petrochemical projects
- Increasing the efficiency of our retail network, growth focus in the non-fuel segment
- Retaining our high market share in aircraft refueling and marine bunkering
- Growth focus and launch of new products in our lubricants and bitumen segments

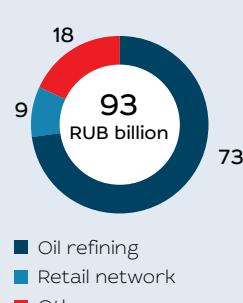
Retail network* as at December 31, 2020, %



Sales of ECTO premium fuels in 2020, %



Capital expenditures in Refining, Marketing and Distribution segment in 2020, %



Average headcount in Refining, Marketing and Distribution segment in 2020, %



58.6
million tonnes
refinery throughput

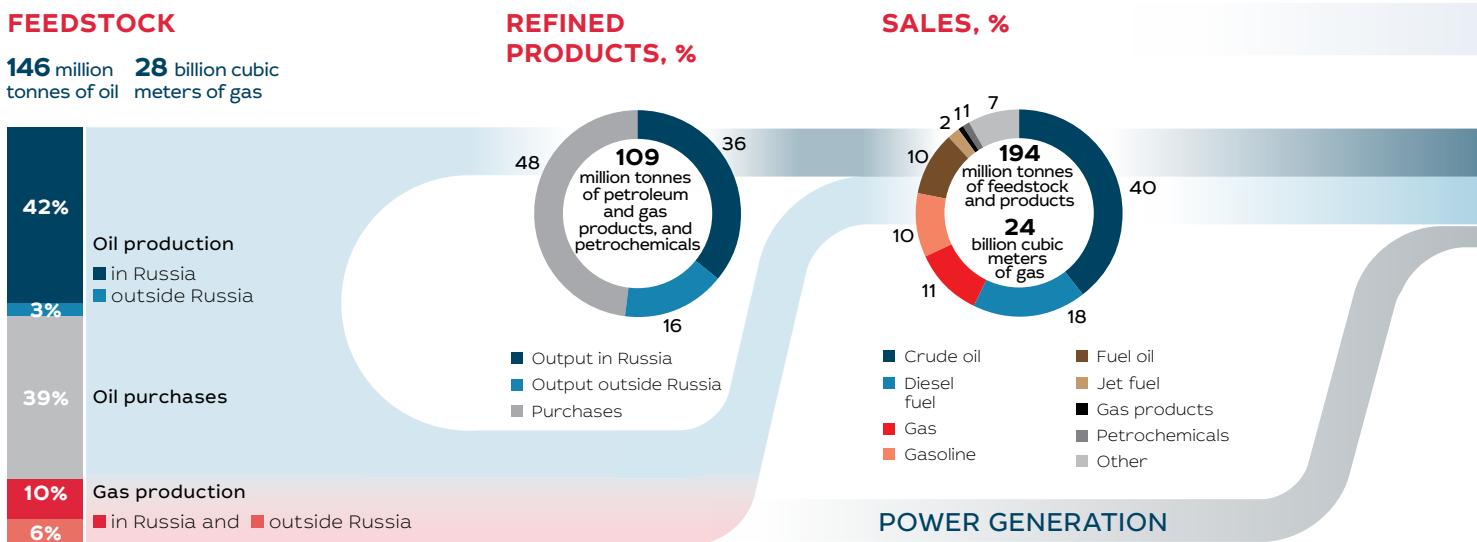
7%
fuel oil yield
in 2020

243 RUB billion
EBITDA of the Refining, Marketing and Distribution segment

¹ Owned, leased and franchised.

BUSINESS MODEL

Our business model is based on the principle of maximum vertical integration and commitment to the sustainable development principles in order to create added value and further reinforce the high resilience of our business to the changing macroeconomic environment through risk diversification.



EXPLORATION AND PRODUCTION

14 countries

85% of total production is conducted in Russia

563 licenses

EXPLORATION

Unlocking resource potential and building up commercial reserves

DEVELOPMENT

Field development and construction of supporting infrastructure

PRODUCTION

Drilling and hydrocarbon production

REFINING

6 countries

68%

Russia's share in refining

8 refineries

5 gas processing plants

4 petrochemical production facilities

OIL REFINING

Creating added value by processing crude oil into various petroleum products at eight refineries

GAS PROCESSING

Efficient use of associated petroleum gas at five gas processing plants and production facilities within oil refineries

PETROCHEMICALS

Deep conversion of hydrocarbon feedstock into complex petrochemicals at four plants and production facilities within oil refineries

MARKETING AND DISTRIBUTION

12%

of total sales volumes of crude oil, petroleum and gas products, and petrochemicals is sold in Russia

107

million tonnes Petroleum and gas products, petrochemicals

>100 countries

INTERNATIONAL TRADING

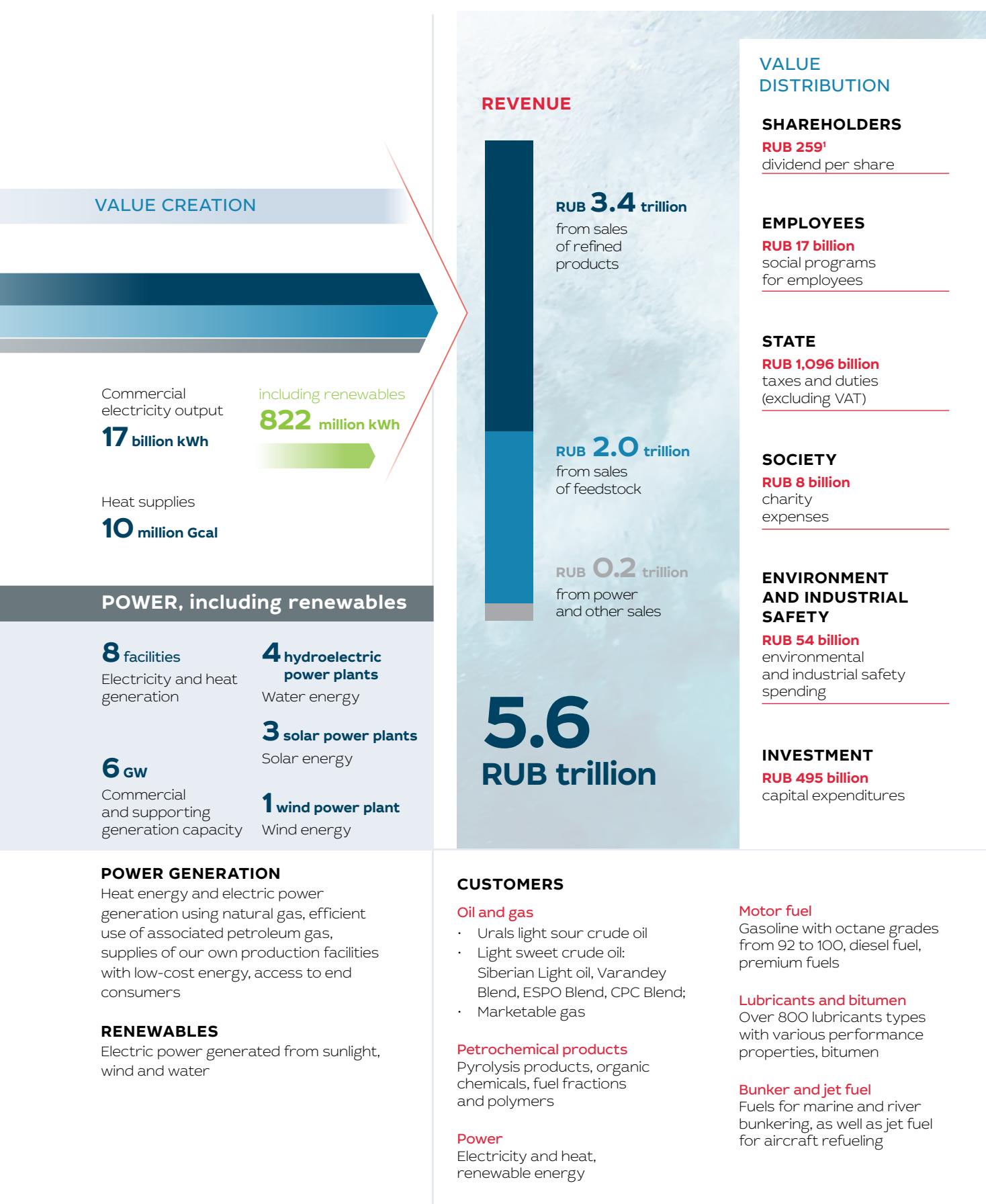
- The most efficient wholesale marketing of our crude oil and petroleum products; supplies to our own refineries in Europe and retail networks
- Incremental value added from trading third-party hydrocarbons

PREMIUM SALES CHANNELS

- Lubricants production and marketing
- Marine and river bunkering
- Aircraft refueling

RETAIL SALES

Access to end consumers across various regions, incremental value added from premium fuel sales, additional diversification through non-fuel sales



¹ Total dividend for 2020 including interim dividend of RUB 46 per ordinary share and recommended by Board of Directors final dividend of RUB 213 per ordinary share.

The product breakdown reflects the sales of crude oil, refined products and petrochemicals by the Group, excluding affiliates, own consumption, production losses, change in inventories and other items. Due to rounding, inflow and outflow totals may differ. Other sales include non-fuel revenues from filling stations, services related to crude oil production, transport services, lease, and other non-core revenues.

COVID-19 pandemic

In 2020, the spread of COVID-19 threatened the health of employees and adversely affected the economic environment in the regions where we operate.

Our responsible approach to conducting business and effective management system allowed us to address the crisis and avoid massive spread of infection at the Company's facilities. We provided maximum protection to our employees, contractor staff, and customers, and ensured continuity of all our business processes.

The Company promptly established emergency response teams for daily monitoring of the situation, facilitated the switch to remote work, and extended shift periods. In addition to providing our employees with personal protective equipment and disinfectants, we arranged regular coronavirus testing.

Special protective equipment and information materials were made available at the Company's filling stations. The convenience provided by our mobile app increased the number of customers using contactless service at our filling stations.

As a socially responsible company, LUKOIL made a significant contribution to fighting the pandemic in 24 Russian regions and 14 countries of operation. Production of sanitizers has been arranged at the Company's facilities. Our key focus areas included comprehensive support to medical institutions such as purchases of necessary equipment, construction and renovations of premises, the purchases of individual protection equipment and provision of fuel to emergency vehicles. The Company also provided aid for vulnerable groups and pensioners.

HIGH RESPONSIBILITY

Prioritizing
health and safety

2 RUB BILLION

SPENT ON FIGHTING
COVID-19

INCLUDES SPENDING ON EMPLOYEE SAFETY
AND EXTERNAL SOCIAL SUPPORT

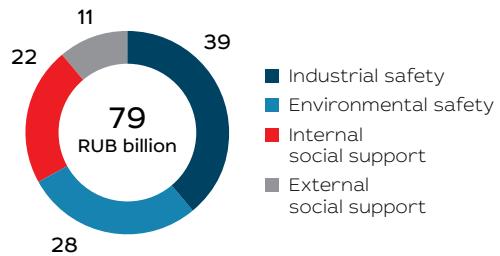


SUSTAINABLE DEVELOPMENT

Since its inception, LUKOIL has been following the sustainable development principles, strictly complying with laws, promptly addressing stakeholders' concerns, and following international best practices for responsible business. LUKOIL supports the United Nations Global Compact and cooperates with international labor and environmental organizations.



Sustainability-related expenses in 2020, %



2020 RESULTS

HEALTH AND SAFETY AMID THE PANDEMIC

The Company was swift to take all measures needed to protect health of its employees and customers. We provided support to regions of Russia and countries of our operation. LUKOIL has allocated a total of more than RUB 2 billion to help fight the spread of COVID-19.





2021 AND MID-TERM PRIORITIES

- Climate strategy development and integration into corporate strategy
- Reducing our negative environmental footprint
- Preventing work-related injuries
- Implementing social programs
- Improving efficiency of our HR potential use

DEVELOPMENT OF THE SUSTAINABILITY MANAGEMENT SYSTEM

In 2020, we focused on climate change issues, and to this end, expanded the functions of the Strategy, Investment and Sustainability Committee of the Board of Directors, appointed a Board member responsible for climate change matters, and established the Working Group on Decarbonization and Climate Adaptation.

The Company continued to enhance its regulatory framework and, toward this end, approved the Anticorruption Policy, Human Capital Management Policy and Regulations on HSE Best Practices, as well as amended its HSE Policy in regards to integration of climate change matters.

CLIMATE STRATEGY DEVELOPMENT

As part of the climate strategy development, we made an inventory of greenhouse gas emission sources and calculated direct and indirect GHG emissions under the GHG Protocol standard, as well as evaluated physical risks in the Arctic Zone. In early 2021, the Company finalized its work on oil demand scenarios to factor in the climate agenda.

REDUCING OUR ENVIRONMENTAL IMPACT

Despite the unfavorable market environment and cost optimization measures of 2020, we did not interrupt any of our industrial safety and environmental protection programs. LUKOIL increased the APG use to an all-time high of 97.8 percent, while air pollutant emissions were reduced by 8 percent.

GHG emissions, million tonnes of CO₂ equivalent



Per unit GHG emissions (Scope 1 and 2) in Exploration and Production segment, kilograms of CO₂ equivalent per boe



APG flaring, million cubic meters



Air pollutant emissions, thousand tonnes



High price volatility

2020 was marked by unprecedented price volatility in the oil market. The drop in oil demand due to the consequences of the COVID-19 pandemic caused the Brent oil price to fall fivefold from the maximum price of USD 70 per barrel reached in early 2020. In April 2020, Brent prices tumbled to a 20-year low – below USD 15 per barrel. For some crude oil blends, the prices went into a negative territory for the first time in history.

Robust financial standing is an important driver of resilience to price shocks. LUKOIL's conservative financial policy allows the Company to consistently maintain low leverage and high level of available liquidity. This gives us flexibility to move forward in accordance with our strategy, while fulfilling our commitments to creditors and shareholders in any market environment.

The rapid deterioration in the market environment in 2020 had a limited impact on the Company's financial standing. As at the end of 2020, the cash on the Group's balance sheet and committed credit lines exceeded the net financial debt, while the net financial debt to EBITDA ratio was as low as 0.2.

The Company redeemed 10-year Eurobonds for USD 1.0 billion as per the schedule and paid dividends for 2019 in line with the Dividend Policy. In spite of the market volatility, LUKOIL's credit ratings and their outlook remained unchanged.

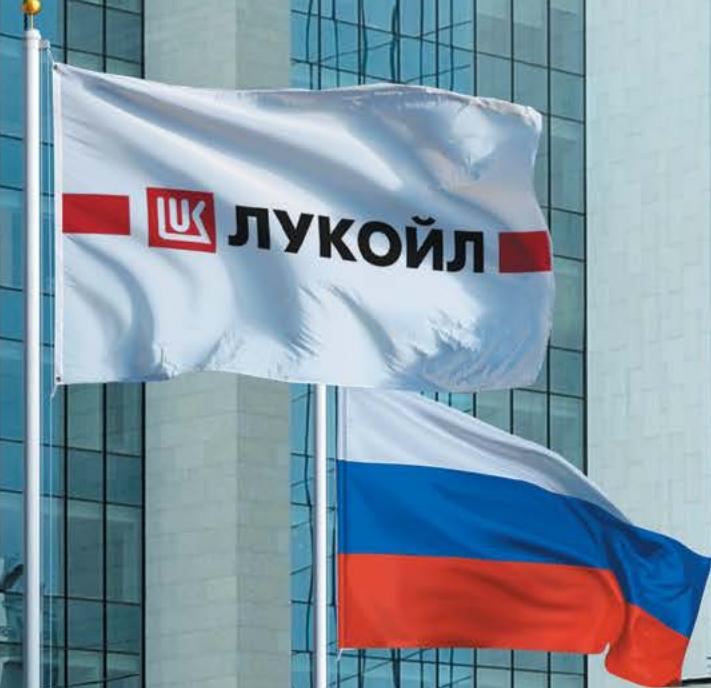
ROBUST FINANCIAL STANDING

Keeping conservative
financial policy

0.2

NET FINANCIAL
DEBT TO EBITDA

LEADING POSITIONS
AMONG RUSSIAN
AND INTERNATIONAL
OIL AND GAS
COMPANIES

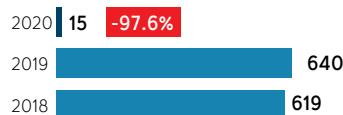


KEY PERFORMANCE INDICATORS

FINANCIAL EFFICIENCY

Profit, RUB billion

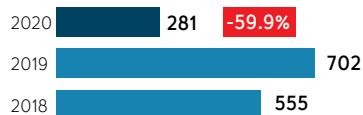
15 RUB billion



Key financial result.

Free cash flow, RUB billion

281 RUB billion



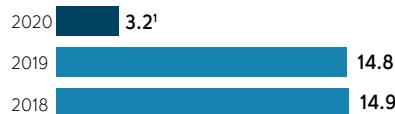
Key metric to assess the Company's value; the starting point for dividend calculation and a cash source for dividend payouts.

Lower income is attributable to EBITDA reduction because of market environment deterioration and adverse impact of non-cash losses from asset impairment and exchange rate fluctuations.

The reduction was mainly due to lower operating cash flow because of market environment deterioration.

Return on average capital employed (ROACE), %

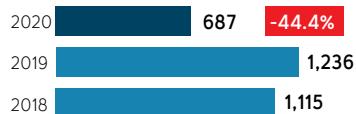
3.2%¹



Key indicator of the efficient use of capital employed. Used for benchmarking performance across oil and gas industry.

EBITDA, RUB billion

687 RUB billion



Financial result of core operations, a key analytical metric used to calculate valuation multiples for peer comparisons.

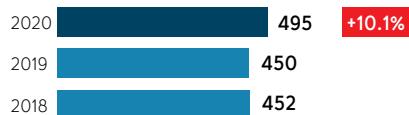
ROACE declined due to lower income.

The decline was driven by adverse impact of the COVID-19 pandemic on hydrocarbon prices, refining margin, production, and throughput. The decline was partially offset by improved Russian production mix and trading performance, as well as ruble devaluation.

OPTIMAL BALANCE

Capital expenditures, RUB billion

495 RUB billion

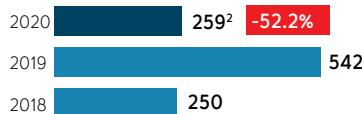


Investment in maintenance and growth of the Company's business operations.

Capital expenditures grew year-on-year on the back of further development of upstream projects in Timan-Pechora and the Caspian Sea, as well as upgrade selective projects in oil refining.

Dividend per share, RUB

259 RUB²



Cash distributions to shareholders in line with the Dividend Policy.

The amount of dividend reflects the 2020 performance. The decline is attributable to lower free cash flow because of market environment deterioration.

¹ adjusted for losses on asset impairment.
² Total dividend for 2020 including interim dividend of RUB 46 per ordinary share and recommended by Board of Directors final dividend of RUB 213 per ordinary share.

FINANCIAL RESILIENCE

Net financial debt / EBITDA, %

17.8%

2020		17.8	+28.7 p.p.
2019		-10.9	
2018		1.5	

Reflects the level of debt burden.

Due to conservative financial policy the Company leads among Russian and international peers with low leverage. This supports a strong financial position in an environment of volatile hydrocarbon price and foreign exchange rates.

OPERATIONAL EFFICIENCY

Hydrocarbon production³, thousand boe per day

2,064 thousand boe per day

2020		2,064	-12.2%
2019		2,350	
2018		2,319	



Key operational indicator.

The production was reduced following the OPEC+ agreement and temporary decline in gas supplies from Uzbekistan to China because of the pandemic-driven drop in demand for hydrocarbons.

HIGH CORPORATE RESPONSIBILITY

Efficient APG use, %

97.8%

2020		97.8	0.2 p.p.
2019		97.6	
2018		97.4	



Influences direct emissions into the atmosphere and is used to calculate the HSE Compliance KPI.

In 2020, efficient APG use was higher in the Company's key operating regions – West Siberia, Timan-Pechora and Urals.

Refining depth, %

92.6%

2020		92.6	3.2 p.p.
2019		89.4	
2018		88.0	



Reflects the quality of the petroleum product slate at the Company's refineries and directly impacts refining margins.

The higher refining depth results from optimizations made to refinery unit operating modes amid drop in demand for petroleum products and lower refining margin.

Lost-time injury frequency rate (LTIFR)

0.15

2020		0.15
2019		0.13
2018		0.12



One of the key indicators used to calculate the HSE Compliance KPI.

The work-related injury performance worsened in 2020. Following relevant investigations, the Company stepped up the work on employee training and awareness.

³ Excluding the West Qurna-2 project.

A professional portrait of a middle-aged man with grey hair, wearing a dark blue suit, a light blue shirt, and a dark blue tie with small white dots. He is looking directly at the camera with a neutral expression. The background is a solid, dark grey.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

I am very pleased to report that LUKOIL's strategy and governance system have proved highly efficient in tackling the challenges of the reporting year. The selected strategic priorities enabled LUKOIL to build up such important resilience factors as vertical integration, diversified asset portfolio, low cost base, strong financial position. A well-developed corporate governance system provided the Company with sufficient flexibility to react to the challenges of the reporting year and withstand the external shocks. As a result, LUKOIL continued steadily developing its business and making strong contribution to the UN Sustainable Development Goals.

LUKOIL's advanced digital systems allowed the Board of Directors to operate without disruptions amid the travel restrictions due to the COVID-19 pandemic. The number of meetings remained the same as in 2019, and work proceeded as planned. However, due to the restrictions the Company had to hold its Annual General Shareholders Meeting for the first time in the form of absentee voting in compliance with changes in legislation. Despite the absentee format, a high quorum was achieved owing to the smooth functioning of LUKOIL's electronic voting service.

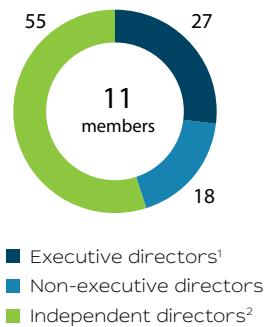
In the reporting year, the Board placed the greatest emphasis on various matters of sustainable development, including corporate governance and climate change. By doing so, in the reporting year the decision was taken to expand the functions of the Board's Strategy, Investment and Sustainability Committee renaming it Strategy, Investment, Sustainability and Climate

Adaptation Committee. From among the members of the Committee, the director was appointed to supervise the Company's climate activity. Leonid Fedun, who is also heading LUKOIL's strategy division, was elected to take this responsibility. Along with already functioning Working Group on Sustainability the Company set up the Working Group on Decarbonization and Climate Adaptation to explore in details climate change issues.

To develop a better awareness of the climate change agenda, the Board of Directors particularly reviewed reports comparing decarbonization strategies of oil and gas companies, as well as on LUKOIL's development in the context of energy transition. I would also like to highlight improvements in the Company's climate information accounting system and disclosure. In the reporting year, LUKOIL for the first time disclosed its direct and indirect emissions under international standards following an inventory of GHG emission sources.

The year saw continued efforts by the Board of Directors to develop and enhance the Company's corporate governance system. An important step in this direction was the approval of the Anti-Corruption Policy of PJSC LUKOIL. The Policy outlines the principles, key elements and activities to prevent and combat corruption and ensure compliance with anti-corruption laws by the Company and its counterparties. This will improve the Company's corporate culture and enhance responsible business practices.

Composition of the Board of Directors, %



77.2%

Share of compliance with the principles of the Corporate Governance Code in 2020

18%

Share of women on the Board of Directors

¹ Members of the Company's executive bodies and persons employed by the Company.

² Recognized as independent directors as defined in the Listing Rules of the Moscow Exchange and recommendations set out in the Corporate Governance Code. Victor Blazhev was determined to be independent by the Resolution of the Board of Directors of PJSC LUKOIL (Minutes No. 11 dated June 23, 2020).

Another major development was the approval of the Human Capital Management Policy of PJSC LUKOIL aimed to further improve the Company's corporate culture, strengthen corporate values, and build an effective talent management system.

In line with the Corporate Governance Code calling for regular external assessment of the Board of Directors' performance, in the reporting year the Board resolved to conduct such an assessment for 2020 in the first quarter of 2021. Given that this is the first external assessment of the Board's performance, I am particularly happy to note that an independent advisor made a conclusion about strong expertise as well as wide scope of competence

and skills of the members of the Board of Directors. The Board's work organization along with degree of key functions implementation were also highly praised.

Improvements in corporate governance helped increase compliance with the Corporate Governance Code. The share of the fully complied principles of the Code rose to 77% in the reporting year from 73% in 2019. As a result, we can state that as at the end of 2020, the Company fully or partially complied with all of the Corporate Governance Code principles.

LUKOIL's responsible business approach and efforts to increase transparency and improve corporate governance system have

received international recognition. In the reporting year, the Company stepped up in six acknowledged international ESG ratings, with particular positive evaluations for the Company's carbon management and anti-corruption initiatives. The enhanced positions in these ratings are of major importance for the Company's investment case, given the growing prominence of the global sustainable development agenda.

On behalf of the Board of Directors, I would like to thank all our shareholders for their trust in the Company and its management, and their confidence in LUKOIL's long-term development potential. I am pleased to present to you the Board of Directors Report on the Results of the Priority Business Directions Development of PJSC LUKOIL in 2020.

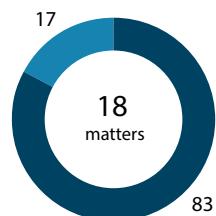
Ravil Maganov
Chairman of the Board of Directors
of PJSC LUKOIL



Sergey Shatalov
Chairman
of the Strategy,
Investment,
Sustainability
and Climate
Adaptation Committee

We recognize the increasing impact of the global climate change agenda on the oil and gas industry and the recent intensification of Russian regulatory efforts in this area. Therefore, climate change matters were at the center of attention for the Committee in the reporting year. Particular consideration was given to the opportunities in renewable power generation and the review of the Roadmap for Development of the Climate Adaptation Strategy. We also addressed development of the Company's core business, giving due consideration to matters related to the prospects for developing hard-to-recover reserves, expanding our resource base, and developing gas-to-chemicals and petrochemicals.

Matters discussed by the Committee, %



- In person
- In absentia

Members:

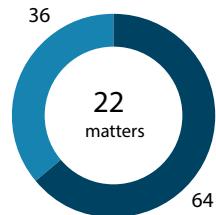
- Two executive directors
- Two independent directors



Victor Blazhev
Chairman
of the Audit
Committee

In the reporting year, the Committee focused on enhancing the internal audit system and improving the effectiveness of the risk management systems and internal control. Given the increasing role of sustainability issues and recommendations of the Corporate Governance Code, in 2020 the Committee's functions were expanded by adding to the list set forth in the Regulations on the Audit Committee the development and improvement of the corporate governance system and practices. In this regard, the Committee reviewed the Anti-Corruption Policy of PJSC LUKOIL. This important document summarizes corporate practices aimed at preventing corruption.

Matters discussed by the Committee, %



- In person
- In absentia

Members:

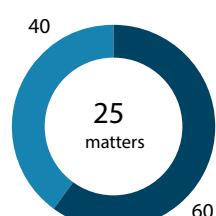
- Three independent directors



Roger Munnings
Chairman of the HR
and Compensation
Committee

As part of advancing responsible business practices, in 2020 the Committee reviewed the Human Capital Management Policy of PJSC LUKOIL, which contains the key provisions of employees' motivation and remuneration management system taking into account global best practices. Given the continuing and sustained rise in importance of the climate change agenda, the Board of Directors was recommended to include in the list of candidates to the Board of Directors Mr. Boris Porfirev, a member of the Russian Academy of Sciences and a renowned expert in the economics of climate change. To improve the corporate governance system, the Committee recommended that the Board of Directors hold an external assessment of its performance in 2021.

Matters discussed by the Committee, %



- In person
- In absentia

Members:

- Three independent directors

BOARD OF DIRECTORS REPORT

ON THE RESULTS OF THE PRIORITY BUSINESS DIRECTIONS DEVELOPMENT

FINANCIAL PERFORMANCE

In 2020, the global economic downturn caused by the COVID-19 pandemic and the resulting unprecedented decline in demand and prices for hydrocarbons had a negative impact on the Company's financial results.

Our **revenue** for 2020 was RUB 5,639 billion, down by 28.1 percent year-on-year. This was driven by weaker prices and lower volumes of hydrocarbon production as well as reduced output, trading and retail sales volumes of petroleum products. The impact of these factors was partially offset by ruble devaluation.

EBITDA for 2020 went down by 44.4 percent year-on-year to RUB 687 billion. The decline was mainly driven by the adverse impact of the COVID-19 pandemic on hydrocarbon prices, refining margins, as well as on production volumes and refinery throughput. Lower oil prices also resulted in a negative time lag effect for the export duty and mineral extraction tax (MET), along with a negative inventory effect at our refineries. However, EBITDA benefited from a higher trading margin, accounting specifics of hedging transactions, as well as improved oil production structure in Russia, and ruble devaluation.

In 2020, **profit for the year** attributable to PJSC LUKOIL shareholders was RUB 15 billion as compared to RUB 640 billion in 2019. In addition to the lower EBITDA, profit was negatively affected by non-cash losses from asset impairment and FX differences.

IFRS consolidated financial results, RUB billion

	2018	2019	2020	Change 2020/2019, %
Revenue	8,036	7,841	5,639	-28.1
EBITDA	1,115	1,236	687	-44.4
Profit attributable to PJSC LUKOIL shareholders	619	640	15	-97.6
Capital expenditures	452	450	495	10.1
Free cash flow	555	702	281	-59.9
Total debt	535	553	660	19.2
Net debt	42	37	316	749.1

EBITDA structure in 2020, RUB billion

EBITDA	687
Exploration and Production in Russia	422
Exploration and Production outside Russia	78
Refining, Marketing and Distribution in Russia	181
Refining, Marketing and Distribution outside Russia	62
Corporate and other	-56

Capital expenditures for 2020 were RUB 495 billion, up 10.1 percent year-on-year. The increase was driven by active development of the V. Grayfer field in the Caspian Sea and fields in the Timan-Pechora region, as well as the construction of a delayed coker complex at the Nizhny Novgorod refinery.

Our 2020 **free cash flow** was RUB 281 billion, down 59.9 percent year-on-year. The reduction was mainly due to lower operating cash flow. Our free cash flow remained positive in each of the four quarters of 2020.

Total debt as at the end of 2020 was RUB 660 billion, going up by 19.2 percent from the end of 2019, mostly as a result of ruble devaluation. Net financial debt (excluding lease) as at the end of 2020 stood at RUB 122 billion, with net financial debt / EBITDA staying below 0.2.



For more details on the financial performance of LUKOIL Group, see Appendix 5: Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

EXPLORATION AND PRODUCTION

MACRO ENVIRONMENT

In 2020, the oil market was heavily negatively affected by the COVID-19 pandemic. In the first half of the year, global travel restrictions resulted in a sharp drop in international demand for oil, causing the price of Russia's Urals crude oil to plunge to USD 12 per barrel in April from USD 67 per barrel at the beginning of 2020. In the second half, the Urals price gradually recovered, reaching USD 50 per barrel by

the end of 2020, mainly as a result of production restrictions by OPEC+ countries, rebounding demand as mobility restrictions were lifted, and successful development and tests of vaccines.

As a result, the average price of Urals crude in 2020 was down by 35.2 percent year-on-year and stood at USD 41.4 per barrel. However, the net price of Urals (net of MET and export duty)

was down by only 20.9 percent due to the progressive scale used to calculate MET and export duty.

The ruble depreciated against the US dollar by 11.4 percent on average to RUB/USD 72.1, having a positive impact on the ruble-denominated Urals price, which was down by 27.8 percent year-on-year. The ruble-denominated Urals net price was down by 11.9 percent.

Russian oil exporter's revenue breakdown

	2018	2019	2020	Change 2020/2019, %
\$ per barrel				
Urals crude price	69.7	63.9	41.4	-35.2
Mineral extraction tax	27.2	27.6	16.6	-40.0
Export duty	17.6	12.9	6.3	-51.1
Net oil price	24.9	23.4	18.5	-20.9
RUB per barrel				
Urals crude price	4,374	4,136	2,986	-27.8
Mineral extraction tax	1,708	1,786	1,195	-33.1
Export duty	1,104	832	453	-45.6
Net oil price	1,562	1,518	1,338	-11.9

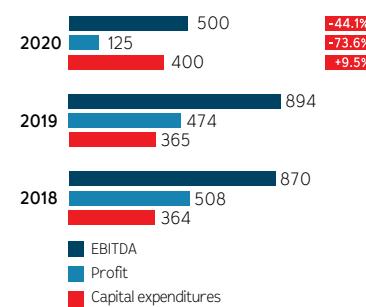
EXPLORATION AND PRODUCTION SEGMENT FINANCIAL HIGHLIGHTS

Exploration and Production segment EBITDA for 2020 was RUB 500 billion, down by 44.1 percent year-on-year. The reduction was mainly driven by the negative impact of COVID-19 pandemic on hydrocarbon prices and forced oil and gas production cuts in Russia and Uzbekistan, respectively. Lower oil prices also resulted in a negative time lag effect for the export duty and MET. At the same time EBITDA was supported by lower operating expenses, better production structure in Russia, and ruble devaluation.

The hydrocarbon unit extraction expenses, excluding the West Qurna-2 project, were down by 4.5 percent year-on-year and stood at USD 3.4 per barrel of oil equivalent.

Exploration and Production segment capital expenditures increased by 9.5 percent year-on-year and amounted to RUB 400 billion as the V. Grayfer field in the Caspian Sea and fields in Timan-Pechora entered an active phase of development.

Exploration and Production segment performance, RUB billion



RESERVES

LUKOIL Group has proved hydrocarbon reserves in eight countries. The majority of the proved reserves are conventional, providing the Company with a significant competitive advantage that ensures low unit development and production costs. Moreover, LUKOIL is one of the leading international and Russian companies in terms of proved liquid hydrocarbon reserves life and volume.

As at the end of 2020, the Group's SEC proved hydrocarbon reserves amounted to 15.4 billion barrels of oil equivalent, 76 percent of which were liquid hydrocarbons. The hydrocarbon proved reserves replacement ratio, excluding the effect of changes in macroeconomic factors on evaluation, totalled 93 percent in 2020. The Company's proved hydrocarbon reserves life is 20 years.

Concentrated mainly in West Siberia, 89 percent of the Group's proved hydrocarbon reserves are located in Russia. 40 percent of LUKOIL's proved reserves outside Russia are located in Uzbekistan, where the Company is developing major gas projects.

The Company has 60 percent of its proved hydrocarbon reserves classified as developed, in that they can be extracted from existing wells using currently available technologies and equipment.

In 2020, LUKOIL added 464 million barrels of oil equivalent to its proved reserves through geological exploration and production drilling. The largest contribution was from the assets in West Siberia, Urals, Timan-Pechora and the Russian sector of the Caspian seabed.



DEVELOPING THE RESOURCE BASE

Since 1991, when the Company was founded by consolidation of three oil production entities in West Siberia and two refineries, LUKOIL has substantially grown its portfolio of assets, expanding its footprint into new geographies.

The resource base was strengthened through extensive investments. Exploration drilling increased to over 5 thousand km, with more than 200 fields and 600 deposits discovered. The number of licenses rose by over 500. With its foreign assets, the first of which was acquired in 1994, LUKOIL's exploration and hydrocarbon production operations now span three continents and 14 countries.

Since the first comprehensive audit of reserves completed under international standards in 2000, LUKOIL has added 18 billion barrels of oil equivalent to its proved reserves, with two thirds of that volume secured through geological exploration and production drilling. Over this period, the proved reserves replacement ratio exceeded 112 percent.

The Company focused its efforts on boosting production and unlocking the resource potential in Russia. In 1999, LUKOIL started the development of the Timan-Pechora oil and gas province, one of the key drivers behind the production growth (17 percent of the Company's hydrocarbon production in 2020 came from the Timan-Pechora fields). The region has seen a number of cutting-edge projects being implemented by the Company to recover high-viscosity oil.

In 2020, LUKOIL discovered the first field in the Russian sector of the Caspian Seabed, part of a new oil and gas province with combined initial recoverable reserves of over 7 billion barrels of oil equivalent.

The first offshore field, the Kravtsovskoye, was put on stream in the Baltic Sea in 2004. Today, LUKOIL leads the way in terms of shelf operations in Russia. In 2020, offshore fields accounted for 10 percent of the Company's hydrocarbon production in Russia.

The core regions have always been at the forefront of our attention. In 2014, the Company commissioned Imlorskoye field, one of the biggest new fields in West Siberia. The field was developed using advanced technologies employed by LUKOIL to tap low-permeability reservoirs.

Optimization of development systems and wellwork programs at existing fields, as well as conversion of contingent resources to reserves, added 258 million barrels of oil equivalent to proved reserves.

The reserves dynamics was negatively affected by a 34 percent decrease in the average annual oil price used for reserves evaluation.

Hydrocarbon reserves as at December 31¹, million boe

	2018	2019	2020	Change 2020/2019, %
Total proved reserves	15,931	15,769	15,385	-2.4
Liquid hydrocarbons	12,082	12,015	11,692	-2.7
Gas	3,849	3,754	3,693	-1.6
Developed	9,768	9,531	9,260	-2.8
Undeveloped	6,163	6,238	6,125	-1.8
Russia	14,330	14,195	13,722	-3.3
International projects	1,601	1,574	1,663	5.7
Probable reserves	6,424	6,217	5,581	-10.2
Possible reserves	3,242	3,000	2,802	-6.6

¹An independent audit of proved reserves was performed by Miller & Lents based on the commercial life-of-field approach.

LICENSES

Pursuant to the Russian legislation, hydrocarbon exploration and production operations require a subsoil license. LUKOIL continuously works to build its resource potential and drive its oil and gas assets portfolio performance by participating in auctions, acquiring equity in third-party companies, optimizing its license portfolio, obtaining new licenses, and securing license renewals in reorganizations of its subsidiaries.

At the end of 2020, the Group held 563 licenses in Russia, with 90 percent of them granting hydrocarbon exploration and production rights. The average remaining lifespan of these licenses was around 30 years.

The remaining 10 percent of the Company's licenses grant the right to prospect, explore, and appraise hydrocarbon deposits, with an average remaining lifespan of about three years.

In the reporting year, 25 licenses were added to LUKOIL's portfolio. The new license areas are located mostly in our core producing regions of West Siberia, Urals, Timan-Pechora and Volga. New licenses in regions with a well-developed infrastructure enable maximum synergies with existing assets, reduce exploration and development costs and speed up production launch. In the reporting year, the Company expanded its license portfolio through the acquisition of license

areas in the Volgograd Region, Yamalo-Nenets Autonomous Area, Khanty-Mansi Autonomous Area-Yugra, as well as Udmurt Republic and the Perm Region.

In the reporting year, the Group's license portfolio evolved as follows: 9 licenses were renewed, 39 license amendments were registered to extend the underlying licenses, 1 license was returned upon its expiry. Additionally, 56 license amendments were secured to modify the time and volumes of activities underway, adjust license fees, and include some open acreage reserves into our license areas.

Number of LUKOIL Group's licenses in Russia as at December 31, licenses

	2018	2019	2020
Total	528	539	563
Exploration and production	366	367	372
Prospecting and appraisal	49	53	58
Geological survey, exploration and production	113	119	133

EXPLORATION

LUKOIL Group carries out exploration in 12 countries, with a focus mostly on Russia. Outside Russia, we participate in exploration projects in Mexico, Iraq, Egypt, the Persian Gulf and Gulf of Guinea, the Black Sea, and the Caspian and the Barents Seas.

Our exploration activities have consistently delivered good results. In 2020, LUKOIL completed 58 prospecting wells with a 90 percent overall success rate, a multi-year high. By this metric, LUKOIL is a top performer among Russian oil and gas companies. In Iraq, Egypt, Mexico, and also in Russia's

Bolshekhetskaya Depression, Caspian Sea, Timan-Pechora and the Urals, we were able to achieve a 100 percent success rate. Three new fields and 54 deposits were discovered. Our high efficiency is driven by advanced exploration techniques and selection of the most promising areas based on research results.

LUKOIL conducts 3D and 2D seismic surveys to prepare an inventory of prospects in its exploration areas and to better understand the geology of previously discovered deposits. In 2020, 3D and 2D seismic volumes were

down by 21 percent and 52 percent, respectively, mainly as a result of the completion of seismic surveys phase at the contract area of Block 10 in Iraq in 2019.

Exploration drilling was 179 thousand meters in 2020, down by 18 percent year-on-year. This reflected the lower activity in our international offshore projects and in onshore projects in Russia's Volga region and Timan-Pechora.

Exploration costs in 2020 stood at RUB 39.0 billion.

Exploration

	2018	2019	2020	Change 2020/2019, %
2D seismic surveys, linear km	2,050	1,247	598	-52.0
3D seismic surveys, square km	8,632	7,601	6,040	-20.5
Exploration drilling, km	214	218	179	-17.8
Exploration costs*, RUB million	29,355	30,453	39,013	28.1

* Across subsidiaries, including non-cash items.

Exploration drilling in 2020, %



KEY EXPLORATION PROJECTS IN 2020

West Siberia

West Siberia historically accounts for approximately a half of LUKOIL's exploration activities. In 2020, 3D seismic surveys were conducted to prepare an inventory of prospects in exploration areas before deciding on further geological surveying and to better understand the geology of previously discovered deposits, with further hydrocarbon exploration carried out to prepare sites for production drilling. Exploration well tests were conducted in the Bolshekhetskaya Depression.

Low permeability reservoirs were also explored in 2020. Exploration drilling at the Sredne-Nazymskoye and Aprelskoye fields confirmed the presence of oil in pre-Jurassic and Tyumen formations.

Volga region (onshore)

The Zhuravskoye oil field was discovered in the Volga region in 2020 following the drilling of a prospecting well within the Zhuravsky license area in the north of the Volgograd Region.

Caspian Sea

One of LUKOIL's priorities is further exploration in the Caspian Sea, given the potential synergies with major field discoveries made in the region earlier.

In 2020, field 3D seismic surveys were conducted in the Severny license area, Severo-Rakushechnaya structure, and near the V. Grayfer field, with a prospecting well successfully drilled.

In the Central Caspian license area, a prospecting and appraisal well was drilled at Khazri structure, confirming the productivity of Lower Cretaceous and Upper Jurassic deposits.

The Company started the appraisal of drilling results. In late 2020, the drilling of a new prospecting well started at the Titonskaya structure.

International projects

Most of our international exploration activities were concentrated at Block 10 in Iraq where LUKOIL holds 60 percent as project operator and INPEX holds 40 percent. Appraisal of the previously discovered Eridu field continued under the approved exploration program. Three new appraisal wells were drilled, confirming the field's approved geological model and resource base.

On the Gulf of Mexico shelf, Block 10 (LUKOIL – 20 percent; CAIRN – 15 percent; ENI – 65 percent as project operator), tests of a well drilled in 2019 resulted in the discovery of the Saasken field, and preparation of an appraisal plan for the field is now completed.

In each of Egypt's WEEM (LUKOIL – 50 percent; EGPC – 50 percent) and WEEM Extension (LUKOIL – 25 percent; Tharwa – 25 percent; Ganope – 50 percent) projects, one exploration well was drilled, both of them successful. The WEEM exploration well determined the presence of oil in horizons between the Tawoos and Tanan fields. The well put into production after tests were completed. At the WEEM project, the exploration well determined the presence of oil in horizons at the Abu Marwa block. The well was put into production after acid fracturing was carried out.

In Uzbekistan, LUKOIL and Uzbekneftegaz signed a memorandum of understanding in 2020, setting forth the basic principles of a new joint venture to be established to focus on exploration and commercial production of hydrocarbons in Uzbekistan.

DEVELOPMENT AND PRODUCTION

LUKOIL Group produces oil and gas in seven countries. Our core operations are concentrated in four federal districts of the Russian Federation, specifically in the North-Western Federal District (the Nenets Autonomous Area, the Komi Republic and the Kaliningrad Region), the Volga Federal District (the Perm Territory and the Republic of Tatarstan), the Urals Federal District (the Yamal-Nenets Autonomous Area and the Khanty-Mansi Autonomous Area – Yugra) and in the Southern

Federal District (the Volgograd Region, the Astrakhan Region and the Republic of Kalmykia).

Hydrocarbon production in 2020 totaled 2.1 million barrels of oil equivalent per day, with liquid hydrocarbons accounting for 78 percent of the total, and natural and associated petroleum gas accounting for 22 percent. The production, excluding the West Qurna-2 project, declined by 12.2 percent year-on-year on the back

of forced oil production cuts as a result of the OPEC+ deal and lower gas production in Uzbekistan amid a temporary decline in demand in China in response to COVID-19.

Capital expenditures for oil and gas development and production, including non-cash items, were RUB 355.3 billion in 2020, down by 2.2 percent year-on-year.

Hydrocarbon production, thousand boe per day

	2018	2019	2020	Change 2020/2019, %
Total hydrocarbons	2,347	2,380	2,117	-11.1
Liquid hydrocarbons	1,806	1,815	1,651	-9.0
Gas	541	565	466	-17.5
Total hydrocarbons, excluding the West Qurna-2 project	2,319	2,350	2,064	-12.2

CRUDE OIL

Excluding the West Qurna-2 project, our 2020 oil and gas condensate production totalled 77.2 million tonnes, down by 10.1 percent year-on-year. The volume and dynamics of the Company's oil production in Russia and at certain international projects were influenced by the parameters of OPEC+ agreement. LUKOIL swiftly responded to amendments in the agreement by flexibly adjusting its production.

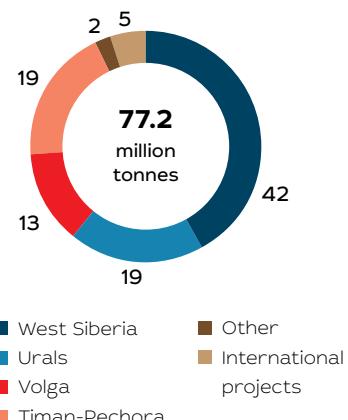
In 2020, LUKOIL produced 73.5 million tonnes of crude oil and gas condensate in Russia, down by 10.5 percent year-on-year. This accounted for 14.3 percent of Russia's total production, as reported by the Central Dispatching Department of the Fuel and Energy Complex of Russia.

Under the reduced permitted total volume of oil production we continued to ramp up our production at priority projects as planned, while making production cuts at our mature fields in West Siberia, Timan-Pechora, and the Urals. In particular, we continued to increase production at our fields in North Caspian fields and low permeability fields (V. Vinogradov, Imlorskoye and Sredne-Nazymskoye fields in West Siberia), stepped up production of high-viscosity oil at the Yaregskoye and Usinskoye fields in Timan-Pechora, as well as at subsoil areas subject to the TAI (tax on additional income), including the Pyakyakhinskoye field. As a result, the share of these projects in LUKOIL Group's total production of oil and gas condensate, excluding the West Qurna-2 project, totalled 26 percent in 2020, up by four percentage points year-on-year.

Oil production was launched at 9 new fields in West Siberia, the Volga region, the Urals and Timan-Pechora.

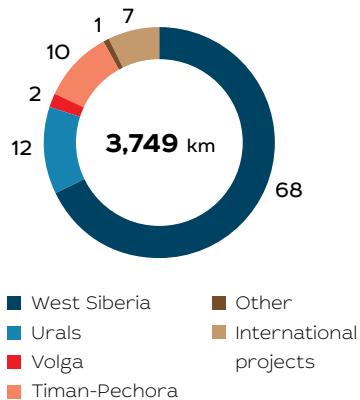
Our international oil and gas condensate production, excluding the West Qurna-2 project, was down by 1.5 percent year-on-year, to 3.7 million tonnes. The decline in oil production was mainly attributable to the Tengiz and Kumkol projects in Kazakhstan as a result of

Oil production structure in 2020, excluding the West Qurna-2 project, %



the OPEC+ deal, while gas condensate production declined as a result of lower gas production in Uzbekistan. Excluding shares in equity affiliates and the Iraq project, production outside Russia grew by 6.9 percent to 2.3 million tonnes. The main production growth drivers were our entry in a project in the Republic of the Congo in 2019, development of projects in Azerbaijan and Kazakhstan, and higher volumes of compensation oil from projects under production sharing agreements due to the lower average annual oil price.

Production drilling in 2020, %

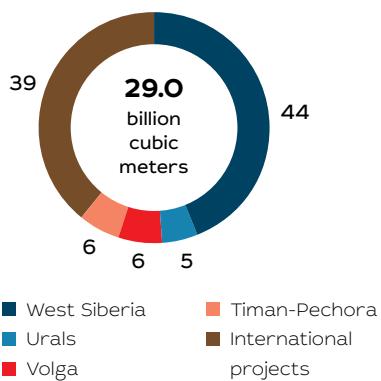


In 2020, the Group completed 3,749 thousand meters of production drilling, down by 2.7 percent following the strong growth seen in 2019 and driven mostly by external limitations on oil production as a result of the OPEC+ agreement. In Russia, our

drilling was down by 2.5 percent, predominantly on the back of lower activities in the Bolshekhetskaya Depression and the Volga region. We commissioned 1,205 new oil production wells, including 1,151 in Russia (where 32 percent were horizontal wells). A total of 28 thousand oil production wells were in operation at the end of the reporting year.

GAS

Gas production structure in 2020, %



In 2020, gas production came in at 29 billion cubic meters, down by 17.2 percent year-on-year.

Overall 2020 gas production in Russia totalled 17.6 billion cubic meters, down by 1.2 percent compared to 2019 as a result of reduced associated petroleum gas production following forced oil cuts in line with the OPEC+ agreement. Natural gas production in Russia was up by 3.2 percent year-on-year after Phase 2 of the booster compressor station was commissioned at the Nakhodkinskoye field.

Gas production from our international projects declined by 33.8 percent to 11.4 billion cubic meters. The main negative impact came from lower production at projects in Uzbekistan amid a temporary decrease in China's demand due to the pandemic. Excluding Uzbekistan, we increased gas production from international projects by 11.6 percent driven by developing projects in Azerbaijan and Kazakhstan and joining the Marine XII project in the Republic of the Congo.

GROWTH PROJECTS

With its vast resource base, LUKOIL is especially focused on developing new projects to ramp up production. The new projects include both greenfield developments and boosting recovery at mature fields through advanced technologies, increased production drilling and a higher number of enhanced oil recovery (EOR) well operations.

NORTH CASPIAN

LUKOIL has pioneered the development of the Russian sector of the Caspian Seabed, with its efforts resulting in the discovery of nine fields in the region with combined initial recoverable reserves of 7 billion barrels of oil equivalent.

V. Filanovsky field

The V. Filanovsky field, discovered in 2005, is the largest oil field in the Russian sector of the Caspian Seabed. The field has a unique geology, with highly permeable collectors yielding record-high initial flow rates.

Since 2018, production at the field has been at the design plateau level of 6 million tonnes of crude oil per year. The field's development comprises three phases.

Phase 1 infrastructure, commissioned in 2016, includes an ice-resistant fixed platform, a living quarters platform, a riser block, and a central processing platform. Phase 2, commissioned in 2017, comprises an ice-resistant fixed platform and a living quarters platform. Phase 3, commissioned in 2019, comprises a well-head platform (mini-platform). In 2020, as part of Phase 3 construction, a producing well and a sidetrack were drilled and commissioned.

The field produced 6.3 million tonnes of oil in 2020. A total of 24 wells (18 production and 6 injection wells) have been drilled at the field since the development started.

The V. Filanovsky field's infrastructure generates considerable synergies for LUKOIL's other Caspian projects. For example, the V. Grayfer field output is

planned to be delivered for treatment to the V. Filanovsky field's central processing platform and then exported via the Caspian Pipeline Consortium (CPC) system. The Yu. Kuvykin field could also benefit from the V. Filanovsky field's transportation infrastructure.

The field implements an integrated model based on the intelligent field concept, enabling field development to be managed in the most efficient way.

Yu. Korchagin field

The Yu. Korchagin field was discovered in 2000 and became the first field in the Caspian put on stream by LUKOIL. Production commenced in 2010.

The field is developed in two phases. Phase 1 infrastructure comprises an ice-resistant fixed platform with drilling facilities, a living quarters platform, and an offshore transshipment facility.

Phase 2 infrastructure comprises a well-head platform, commissioned in 2018. We continued with the drilling program within Phase 2 field development in 2020, which included drilling and bringing online two wells with lengths of 5.0 km and 6.8 km.

Drilling within Phase 2 of the field development drove an increase in 2020 liquid hydrocarbons production by 8.4 percent year-on-year, to 1.1 million tonnes.

The field also applies an integrated model as part of the intelligent field concept, which helps to develop the field with highest efficiency.

V. Grayfer field

The V. Grayfer field, discovered in 2001, became LUKOIL's third field under development in the Caspian region. Commercial oil production is scheduled for 2022, with a projected production level of 1.2 million tonnes per year.

Construction of an ice-resistant platform and a living quarters platform was under way during the reporting period. The project will use the existing

infrastructure of the V. Filanovsky field for hydrocarbons treatment, thereby driving considerable capital expenditures savings.

In 2020, offshore jackets for both platforms were installed, piles were driven for the offshore jackets, and the installation of subsea risers started. The Company continued the construction of topside facilities of the ice-resistant platform and living quarters platform.

In spite of the pandemic, none of such priority projects as the V. Grayfer field was disrupted. As a result, the project was 67 percent completed at year-end.

THE BALTIC SEA

LUKOIL has unparalleled expertise in Baltics operations. Our first offshore field, the Kravtsovskoye, was put on stream in the Baltics in 2004. New fields in the Baltic Sea were discovered in 2015, opening up new prospects for the region's development.

D41 field

In 2019, production was launched at the D41 field situated near the coastline. Wells were drilled from onshore, which made it possible to bring the field to production in the shortest possible time and to achieve considerable capital expenditures savings compared to the standard approach of developing offshore fields from a platform. Crude oil output from the field totalled 0.1 million tonnes in 2020.

D33 field

The D33 field was discovered on the Baltic Sea shelf in 2015, and the exploration and production license was granted in 2016.

In 2020, the design documentation for the field's Phase 1 development was completed, the contractor was selected for production well drilling using a jack-up floating drilling rig, and a procedure was launched to select suppliers and contractors for the construction of offshore and onshore facilities. The final investment decision is expected in 2021.

BOLSHEKHETSKAYA DEPRESSION (NORTHERN PART OF WEST SIBERIA)

The Bolsheketskaya Depression fields are LUKOIL's key gas producing assets in Russia.

In 2020, our largest gas field, the Nakhodkinskoye, put on stream in 2005, increased its production by 10.9 percent year-on-year to 5.4 billion cubic meters after launching Phase 2 of the booster compressor station in the end of 2019. The field operates an integrated model based on the intelligent field concept.

The Pyakyakhinskoye field, put on stream in 2016, produced 1.7 million tonnes of oil and gas condensate in 2020, up 3.2 percent year-on-year, and 3.6 billion cubic meters of gas.

Pilot production started at the Yuzhno-Messoyakhskoye field in 2019, and 2020 saw the beginning of pilot production at the Khalmerpayutinskoye field. In 2020 at the Yuzhno-Messoyakhskoye field, the Company produced 73 million cubic meters of natural gas and 6 thousand tonnes of gas condensate from two multi-hole wells. In December 2020, the first production well was launched at the Khalmerpayutinskoye field.

Pyakyakhinskoye field

The Pyakyakhinskoye field has a challenging geology complicated by gas caps and oil rims. Therefore its core assets are developed through horizontal drilling and multi-hole wells. The oil reservoir development method of using both multi-hole production wells and horizontal injection wells is unique for Russia and protected by the Company's patent.

In 2020, four new multi-hole oil wells and six gas condensate wells were launched

at the field. The average daily flow rate of a single gas well at the Pyakyakhinskoye field is approximately 236 thousand cubic meters, while that of an oil well at the field is over 42 tonnes.

In 2019, in a positive development for its production potential, the TAI regime was extended to the field. The field also implements integrated models (separately for the oil and gas parts of the field) based on the intelligent field concept.

TIMAN-PECHORA

The Timan-Pechora oil and gas province has strong potential for high-viscosity oil production growth. High-viscosity crude oil accounts for 6.3 percent of the Group's proved hydrocarbon reserves, which are predominantly located in the Yaregskoye and Usinskoye fields.

To unlock the potential of the Timan-Pechora oil and gas province, test production was started in 2020 at three fields from the Komandirshorskaya cluster: Komandirshorskoye, Severo-Komandirshorskoye, and Zapadno-Komandirshorskoye, which are situated near the Denisovskaya Depression. The fields' production totalled 25 thousand tonnes of oil in 2020.

Yaregskoye field

The Group's largest source of high-viscosity oil is located at the Yaregskoye field, which is comprised of two main producing structures: the Yaregskoye structure, developed by underground mining techniques and thermal steam treatment methods; and the Lyael structure, where oil is produced using steam-assisted gravity drainage (SAGD) technology. In 2020, the field's output grew by 12.5 percent to 2.4 million tonnes.

At the Yaregskoye structure, our commercial use of underground low-angle upward wells of up to 800 meters in length has significantly reduced the scope and cost of mining operations while speeding up reserves development. In the reporting year, the Company commissioned 323 underground and 66 surface wells at the Yaregskoye structure.

In the reporting period, 21 production wells and eight SAGD steam injection wells were commissioned at the Lyael area, including two pairs of wells to pilot the Steam-flood technology.

The 75 MW Yarega power generating center has been operating at the field since 2017, providing the Yaregskoye field production facilities with an independent source of power supply. In 2020, LUKOIL continued to expand its steam-generating facilities by commissioning a steam generator with a capacity of 50 tonnes of steam per hour.

Usinskoye field

The Permian-Carboniferous reservoir at the Usinskoye field has high-viscosity oil and is developed using thermal recovery methods. In 2020, the reservoir produced 2.8 million tonnes of crude oil, up 1.2 percent year-on-year, due to the commissioning of 62 production wells, the optimization of cyclic steam injection technology, and efficient tapping into reserves on the margins of the deposit.

Commissioned in 2016, the 100 MW Usa power generating center operates at the Usinskoye field, providing an independent source of power supply to production facilities and the Denisovskaya Depression fields. In 2020, a steam generator with a combined capacity of 20 tonnes of steam per hour was commissioned at the field.

WEST SIBERIA (EXCLUDING THE BOLSHEKHETSKAYA DEPRESSION)

West Siberia is LUKOIL's core oil producing region, accounting for 38.5 percent of LUKOIL Group's 2020 crude oil output (excluding the Bolsheketskaya Depression), and its core resource base, constituting 47.0 percent of LUKOIL Group's proved crude oil reserves as at the end of 2020.

Imilorskoye field

The Imilorskoye field has considerable geological potential, and its close proximity to existing, well-developed infrastructure supported the field's preparation for commercial development within a brief period of about three years. The classification of over 70 percent of the field's in-place reserves as hard-to-recover (with a permeability of less than 2 millidarcy) was substantiated, making the project eligible for special tax incentives. Considering the field's complex multilayer structure, a wide range of advanced well construction and completion technologies are applied in its development.

We were able to increase the field's design capacity from 2.5 million tonnes of oil per year in 2018 to 3.1 million tonnes in 2020 through cost optimization initiatives and the use of modern approaches to developing hard-to-recover reserves efficiently. 2020 saw oil production growth by 22.4 percent to 1.4 million tonnes on the commissioning of 117 production wells.

V. Vinogradov field

The V. Vinogradov field is located within two license areas, Bolshoy and Olkhovsky. Consisting mostly of low-permeability reservoirs, the field

has a complex geology and is therefore developed using unique technologies and tax incentives. In 2020, crude oil production grew by 28 percent year-on-year to 0.6 million tonnes while 25 production wells were commissioned.

Also during the year, pilot testing of a unique for Russia development system continued at the field. The system is based on the technology patented by the Company in Russia allowing to drill horizontal wells using multi-zone hydraulic fracturing (MZHF) for both oil production and reservoir pressure maintenance. The goal is to prepare the field for commercial production.

Sredne-Nazymskoye field

The Sredne-Nazymskoye field, situated in the Khanty-Mansi Autonomous Area – Yugra, 100 km southeast of the V. Vinogradov field, has a similarly complex geology with mostly low-permeability reservoirs. The field continues to implement new efficient drilling technologies. In 2020, the improved well design helped increase the drilling speed at the field by more than 30 percent, reducing the per unit drilling costs by 14 percent year-on-year. In 2020, crude oil production grew by 92.9 percent to 0.6 million tonnes, while 44 production wells were commissioned.

LICENSE AREAS WITH THE TAX ON ADDITIONAL INCOME (TAI) REGIME

Since 2019, some subsoil areas developed by the Group have been covered by the TAI regime.

As at the end of 2020, the Company had 19 license areas in greenfield regions that fall into Group 1, including the Pyakyakhinskoye field and a number of fields in Timan-Pechora, with a total 2020

oil and gas condensate production of 2.1 million tonnes, up 3.0 percent year-on-year. Eight of our licenses are in Group 3; these are mature fields in West Siberia with a total oil production of 3.0 million tonnes in 2020, up 4.6 percent year-on-year. We also have two license areas that are Group 4; these are new fields in West Siberia with a total 2020 oil production of 0.1 million tonnes.

PROJECTS IN UZBEKISTAN

In 2020, Uzbekistan accounted for 27.4 percent of the gas produced by LUKOIL Group and 69.5 percent of the Group's overall gas production outside Russia. Production in Uzbekistan fell by 43.8 percent year-on-year to 7.9 billion cubic meters of gas (LUKOIL's share). The decrease was attributable to a temporary decline in China's demand for gas produced in Uzbekistan because of the COVID-19 pandemic. Production started to fall in February 2020, but by November it was back to the level of the beginning of the year.

We are developing two gas projects in Uzbekistan: Kandym and Gissar. Gissar consists of seven fields in the Qashqadaryo Region of Uzbekistan. Kandym comprises six gas fields in the Qorako'l District, Bukhara Region, near the Turkmenistan border. In 2018, we commissioned the Kandym Gas Processing Complex, with its capacity of 8 billion cubic meters per annum making it one of the largest complexes in Central Asia. In 2019, integrated models were implemented based on the intelligent field concept at the Kandym (Kandym project) and Adamtash (Gissar project) fields.

In 2020, LUKOIL's share in gas production from Gissar was 2.1 billion cubic meters, and from Kandym it was 5.8 billion cubic meters.

TECHNOLOGIES

LUKOIL has been actively developing and deploying advanced technologies to maximize hydrocarbon recovery and streamline its operations and technological solutions. These efforts help improve our operational efficiency, reduce costs, bring new reserves into production, increase oil recovery ratios and develop new products. We have been pursuing our R&D

program, which is focused on innovative development through the deployment of cutting-edge technologies and solutions. Using the latest technologies has a major positive effect on our oil recovery and production rates as well as on the commercial development of high-viscosity, low permeability, and hard-to-recover oil reserves at mature fields.

across the Group's Russian assets in 2020. Around 80 percent of completed horizontal wells were in West Siberia.

ENHANCED OIL RECOVERY

In 2020, 27 percent of LUKOIL's oil in Russia was produced through enhanced oil recovery (EOR) projects implemented during the reporting year or in previous years. LUKOIL uses physical, chemical, hydrodynamic, and thermal techniques to stimulate productive formations. EOR methods were used at 7.5 thousand wells in 2020. Physical methods were the biggest contributor to the Group's incremental production growth of 12.4 million tonnes.

Sidetracking is a highly efficient EOR method, and the Group continued to rely heavily on this technique in 2020. LUKOIL drilled a total of 273 sidetracks in Russia in 2020, which brought incremental 2020 production to 5.8 million tonnes of crude, including production from sidetracks drilled in previous years. The high efficiency of this technique is primarily due to robust R&D miniprojects based on hydrodynamic modeling and more accurate forecasting of geology and reserves structure where sidetracks are drilled.

LUKOIL successfully tested an open hole technology at its fields in the Komi Republic and in West Siberia, where hydraulic fracturing is used to stabilize hydrocarbons production and stimulate wells. Equipment used for the open hole technology allows recovery of the well bottom after hydraulic fracturing, breaking proppant plugs while avoiding fluid circulation in low pressure wells. The technology helps retrieving broken particles providing for minimum negative impact of drive fluid on bottom hole zone. The technology application reduces costs and allows early commissioning after workover.



UNLEASHING TECHNOLOGICAL POTENTIAL

Since its inception, LUKOIL has remained focused on making the most of its strengths in technology. Back in 1992, the Company established the Russian Innovation Fuel and Energy Company (RITEK), which has evolved into a key platform for research and development projects. Later, the Company created a number of R&D centers specializing in exploration and production and refining and distribution.

During these 30 years, LUKOIL Group entities have obtained over 780 patents for developments in a variety of fields, from production, refining and distribution to power generation and environmental protection. These efforts resulted in more than 450 new technologies, highly important R&D deliverables and pilot operations programs. LUKOIL Group's inventions and R&D outputs were awarded accolades on numerous occasions.

The development and commercial use of geological and geophysical methods and environmentally friendly offshore drilling technologies made it possible to identify a new big oil and gas province in the Russian sector of the Caspian Seabed.

With its consistent focus on technological advances, LUKOIL remains a leader in technology when it comes to hard-to-recover reserves and the most efficient methods for their development. As a result of LUKOIL's efforts, high-viscosity crude production and production at low permeability fields have been growing at a fast pace in recent years.

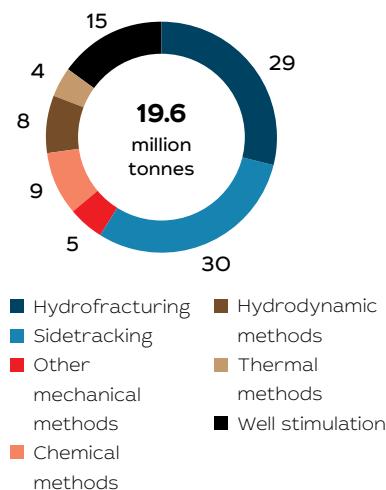
Modern technologies are conducive to the development and improvement of high value-added premium products such as lubricants, bitumen and ECTO branded fuels, giving the Company a strong competitive edge.

HI-TECH DRILLING

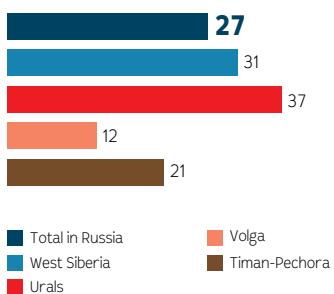
In 2020, across the Group's fields in Russia we commissioned 370 horizontal wells with an average daily flow rate of

26 tonnes, 166 of which are MZHF wells. Horizontal wells accounted for 32 percent of total wells put into operation

Incremental production from EOR technologies¹ in Russia in 2020, %



Share of incremental production from EOR technologies in each region's total production¹ in Russia in 2020, %



¹ Including carry-overs.

SMALL-DIAMETER WELLS

The small-diameter well construction technique, first successfully applied in the Urals, was then rolled out to the Volga region and the Republic of Komi. Small-diameter wells reduce construction costs, enabling more oil reserves to be brought on stream. Average savings compared to standard well

costs amount to almost 50 percent. Another advantage of small-diameter wells is the reduced well pad costs.

In 2020, the Company almost doubled the number of such wells in Russia to total 133. Small-diameter wells proved useful in tapping low-productivity formations, margins of deposits, and low reserve density areas. Based on these initial findings the technology is being rolled out for wider use. In 2020, the Company started drilling small-diameter wells to deeper, Tournaisian stage horizons (average depth of 1,640 meters), whereas the previous wells reached only the Bashkirian stage horizons (average depth of 1,514 meters).

The technology has a huge potential, therefore we plan to considerably increase the share of small-diameter wells in our total well stock.

LIGHTER THREE-STRING WELLS

We have been successfully applying lighter three-string horizontal well construction technology in West Siberia. The use of this technology accelerates construction time by 35 percent on average (or by 50 percent in some cases) and reduces costs by approximately 20 percent as compared to the standard four-string design of horizontal wells.

In 2020, 83 three-string horizontal wells were drilled, up by 14 percent year-on-year.

Also in 2020, multi-zone hydraulic fracturing (MZHF) continued to be applied in the three-string wells using modern MZHF technology that enables putting the wells on stream faster and at lower cost.

Overall, 34 three-string multi-hole wells were drilled in 2020, which is 70 percent more than in 2019. In 2020,

the Company for the first time drilled a multi-hole three-string horizontal well with five branches. This technology helps expand profitable drilling opportunities by reducing the risk of high water cut.

Efforts continued to eliminate technical limitations for wider application of this technology going forward. In 2020, the Company expanded its use outside West Siberia and started drilling three-string wells in the Urals.

HARD-TO-RECOVER RESERVES

We continue our efforts to identify and deploy the best technologies for developing hard-to-recover reserves, primarily in West Siberia.

At the V. Vinogradov and Sredne-Nazymskoye fields, using batch drilling for horizontal wells in 2020 drove commercial drilling speed up by 9 percent and 39 percent respectively year-on-year. The V. Vinogradov field was the first in Russia to successfully test and adopt a horizontal drilling technique using a unique method for completing horizontal boreholes reaching over 2 thousand meters and with up to 16 fracturing ports. Crude oil output from the field grew by 28 percent year-on-year in 2020.

The Sredne-Nazymskoye field saw improvement of the well design and drilling technology, as well as construction of well completion equipment outfit developed to facilitate import substitution. Crude oil output from the field grew by 92.9 percent year-on-year in 2020.

On the back of wide application of horizontal wells, including MZHF ones, the Imlorskoye field saw a 22.4 percent year-on-year increase in crude oil output in 2020.

HIGH-VISCOSITY OIL

LUKOIL actively applies advanced technologies to recover high-viscosity oil. Most of our expertise in recovering high-viscosity oil reserves comes from Timan-Pechora, where the Group develops the Yaregskoye field and the Permian reservoir of the Usinskoye field. In 2020, we produced 5.2 million tonnes of high-viscosity oil, up by 6.2 percent year-on-year. Thermal EOR techniques are used in production. In 2020, steam generators with a combined capacity of 70 tonnes of steam per hour were commissioned.

In the Permian reservoir of the Usinskoye field, in 2020 we continued solidifying our practice in drilling optimized-design wells (similar in design to small-diameter wells) without sacrificing process efficiency. The progress made in studying reservoir heat exchange processes and the geological model review helped optimize the steam injection technology and efficiently tap the margins of the deposit.

RESEARCH AND DEVELOPMENT

LUKOIL's Research and Development (R&D) Program is focused on methodological support and innovative development through the deployment of cutting-edge technologies and solutions, as well as adaption of international best practices and lessons learned in developing hard-to-recover reserves. The R&D program for the Exploration and Production business segment is focused, among other things, on preparation of design and process documentation for field development, core sample and

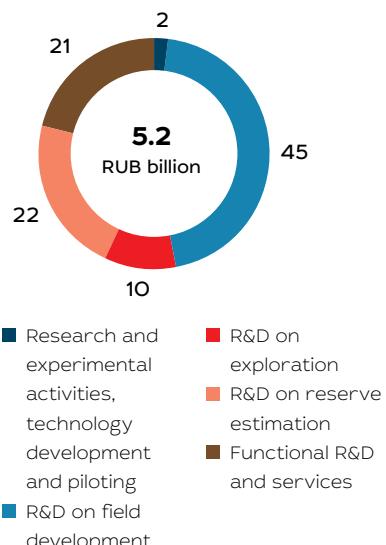
formation fluid analysis, geological and hydrodynamic modeling, monitoring of field development and reservoir pressure maintenance systems, estimation of reserves, and development of well intervention programs and other works.

At refineries operated by the Group, research efforts are focused on achieving enhanced energy and economic efficiency. Our R&D program also benefits from partnerships with specialized universities. The R&D projects in the Refining, Marketing and Distribution business segment are focused on developing new types of oil processing and petrochemical products along with technologies for improving their quality, devising new production processes, testing new types of equipment technologies and products, and other works.

The Group has major segment-specific R&D centers:

- VolgogradNIPImorneft is the Group's general designer for the construction of offshore fields
- KogalymNIPIneft is a leading research and project center in Russia, engaged in well construction design and is responsible for the R&D support of LUKOIL's operations in West Siberia
- PermNIPIneft provides R&D support for the Group in the Urals and Timan-Pechora, among other things specializing in high-viscosity oil production technology
- LUKOIL-Nizhegorodniinefteproyekt is the Group's general designer in the Refining, Marketing and Distribution business segment

R&D cost breakdown in 2020, %



Projects implemented in 2020 under the Research and experimental activities, technology development and piloting program for the Exploration and Production business segment focused on well construction enhancement, field development, enhanced oil recovery, and hard-to-recover reserves, while in the Refining, Marketing and Distribution business segment focused on removing sulphur compounds from gas products to mitigate environmental impact, developing advanced lubricants, motor oils and additives, and gasification of petroleum coke for the production of adsorbents in order to expand the areas of application of products.

DIGITALIZATION

Technological advances and business process automation are increasingly driven by digital data, which offers considerable competitive advantages in a dynamic external environment.

In 2018, the Board of Directors approved the IT Strategy of LUKOIL Group, a functional program focused on digitizing the Company's business processes to improve efficiency. The IT Strategy forms an essential part of our long-term Strategic Development Program for 2018–2027 and includes close to 100 initiatives.

As part of its IT Strategy, LUKOIL focused in 2020 on building digital programs across its business segments and dealt with specific tasks the Company faced due to the pandemic.

DIGITALIZATION IN THE EXPLORATION AND PRODUCTION BUSINESS SEGMENT

Our digital programs in the Exploration and Production business segment are mainly focused on enhancing oil recovery, reducing operating expenses, and increasing the efficiency of field development.

Major efforts were made during the year to establish integrated operations centers, create a single digital platform for data analysis and management, model drilling conditions and processes, as well as automate various management, planning, and control processes. New integrated models for fields in development were designed.

The application of neural networks to manage production and flooding at the pilot sites of mature fields has proven highly efficient, while preparation works for full-scale implementation of the technology were underway.

Adoption of the intelligent field concept is an important digital project for LUKOIL.

INTELLIGENT FIELD

The intelligent field concept (LIFE-Field) integrates field management processes based on automated computer systems and high-tech data collection systems. The concept covers the entire project development cycle from prospecting and exploration through to decommissioning, and includes integrated modeling, integrated planning, integrated operations center, and other modules. The concept has strong potential for operational process optimization aimed at boosting production and cutting costs. The key source of this optimization is identifying bottlenecks and developing methods for their efficient elimination. Specifically, enhancing alignment between geological modeling and modeling of the field's infrastructure enables considerable savings.

By the end of 2020, 61 integrated models had been built for fields accounting for over a third of the Group's total hydrocarbon output. During the year, 16 integrated models were built, including for such major fields as the Imlorskoye field, the V. Vinogradov field, and the V. Grayfer

field. The Imlorskoye field model includes two configurations: a simplified model for day-to-day operation and ongoing calculations, and a configuration integrated with the hydrodynamic model for long-term calculations. Since the project launch, additional hydrocarbon production of 15 million barrels of oil equivalent has been achieved through this comprehensive approach driving faster and better decisions.

The intelligent field concept can also be highly effective when applied at an early stage of field development. The V. Filanovsky field is an example where an integrated model was used to efficiently adjust the existing solutions for placing and designing production wells at the implementation stage. As a result, the field was ramped up to design capacity in a record time of less than two years. This experience will be applied to the V. Grayfer field.

DIGITALIZATION IN THE REFINING, MARKETING AND DISTRIBUTION BUSINESS SEGMENT

Digital programs in the Refining, Marketing and Distribution business segment primarily aim to enhance equipment efficiency and reliability, improve control over the environmental impact of operations, and provide better customer service.

We ran a series of successful digital initiatives in the Refining, Marketing and Distribution business segment in 2020. In refining, a Competence Center on refining and petrochemical production systems was established to implement new and develop existing corporate production information systems, scale down and remove legacy systems, and support information systems at our refineries. The Perm Refinery successfully implemented a predictive equipment diagnostics system. As a result, the Company started rolling out this technology across all its refining assets in Russia. We are actively developing and implementing advanced production management systems.

In the Russian retail market, we continued rolling out the unified management system and completed business process unification.

In power generation, we implemented the information computing system to manage power generation and power trading, which makes it possible to improve profitability of the generating companies operating in the wholesale electricity and capacity market. Energy metering, vibration monitoring and IT equipment were also upgraded.

DIGITALIZATION IN THE CORPORATE BUSINESS SEGMENT

Digital programs for the Corporate business segment mainly focus on accelerating and improving management decision-making processes while increasing workforce productivity, automating HR management and organizational development processes, and reducing the risk of cyber attacks.

In 2020, a counterparty due diligence system was implemented, and a new corporate platform for LUKOIL Group entities in Russia was created for staff servicing. A staff performance management system covering competence management, goal setting, and career development plans was implemented.

DIGITALIZATION DURING THE COVID-19 PANDEMIC

The pandemic resulting in mass switch to working from home significantly boosted the need for organizing and protecting remote access and out-of-office workplaces.

The Company managed to promptly arrange the processes for switching to remote work, providing the necessary hardware and software, as well as access to information resources and technical support.

The head office of the Company set up the equipment for remote work with corporate applications. Prompt implementation of the projects allowed us to scale up and deploy a universal remote connection system providing both convenient access to data and the required security level. Extra laptops, server hardware, and remote access licenses were purchased to meet the needs of employees working from home.

The mass switch to remote working entailed the need for numerous online meetings and conferences. We promptly arranged mass deployment of the required software applications, user training, and technical support.

REFINING, MARKETING AND DISTRIBUTION

MACRO ENVIRONMENT

In 2020, the refining market was adversely affected by the COVID-19 pandemic as global travel restrictions caused a considerable slump in demand for aviation and motor fuels. As a result, light product spreads significantly were reduced and the margin

of a reference refinery in Europe thus fell by half year-on-year to the lowest level for the last decade.

The benchmark refining margin of an average refinery in the European part of Russia likewise declined by half year-on-year to slightly below USD 1

per barrel in 2020. An additional driver behind the margin decline in Russia was a smaller difference between export duties for crude oil and petroleum products due to lower oil prices.

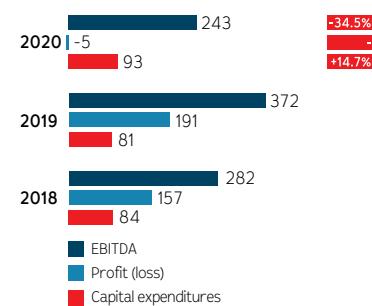
REFINING, MARKETING AND DISTRIBUTION FINANCIAL HIGHLIGHTS

Despite the extraordinarily high volatility of the global petroleum product markets, EBITDA of Refining, Marketing and Distribution segment remained positive in each quarter of 2020, totaling RUB 243 billion in the reporting year, down 34.5 percent year-on-year. The decline was mainly driven by the adverse impact of the COVID-19 pandemic on the margin and refinery throughput volumes. The slump in crude oil prices also resulted in a negative inventory effect at refineries. However, EBITDA benefited from a higher trading margin, accounting specifics of hedging transactions, and ruble devaluation.

The net loss of RUB 5 billion was due to a non-cash asset impairment loss. Excluding this factor, the segment would have achieved positive results.

The capital expenditures of the Refining, Marketing and Distribution segment amounted to RUB 93 billion, up 14.7 percent year-on-year. The increase was driven by the active construction phase of the delayed coker complex at the Nizhny Novgorod Refinery.

Refining, Marketing and Distribution segment performance, RUB billion



OIL REFINING

LUKOIL Group owns four refineries in Russia (in Perm, Volgograd, Nizhny Novgorod and Ukhta), three refineries in Europe (Italy, Romania and Bulgaria) and has a 45 percent interest in a refinery in the Netherlands. The aggregate capacity of these refineries is 80.4 million tonnes per year.

In 2020, the Group's throughput at its own refineries was down 14.7 percent year-on-year to 58.6 million tonnes. The decline was due to optimized utilization of some of the Group's refineries on top of lower demand for petroleum

products and lower refining margin because of the pandemic, as well as scheduled maintenance.

Throughput in 2020 amounted to 73 percent of LUKOIL's total oil production. Refineries in Russia accounted for 68 percent of total throughput volumes.

In 2020, the Group's refineries placed more emphasis on enhancing operational efficiency amid the drop in demand due to the COVID-19 pandemic. The key activities were aimed at increasing secondary capacity, streamlining feedstock and intermediate

products across the refineries, improving conversion of secondary processes, and optimization of operating expenses.



ONGOING REFINERIES UPGRADE

At the time of its inception, the Company comprised two refineries in Perm and Volgograd. A strategic goal was to enhance vertical integration and expand its footprint. Today, LUKOIL Group includes eight modern plants in Russia and Europe with an aggregate capacity of 80 million tonnes per year, all in close proximity to the Company's key markets.

The Company allocated substantial funds to improve its product mix and enhance advantages to the consumers of its products. Thanks to ongoing upgrade, LUKOIL's facilities outperform their peers in markets of its presence both in terms of equipment and average efficiency.

In 2016, LUKOIL completed a large-scale upgrade program worth an estimated USD 12 billion to build 12 units for secondary processing and treatment of the feedstock (11 in Russia and one in Bulgaria). The program helped LUKOIL become the first company in Russia to produce fuels to Euro 5 standards. In addition, the Company was able to boost manufacturing efficiency and increase the share of high value-added petroleum products in its mix.

Since 2017, LUKOIL has been implementing selective projects to upgrade its Russian facilities, the biggest being the delayed coker complex project at the Nizhny Novgorod Refinery.

REFINERIES IN RUSSIA

The throughput volumes at LUKOIL's refineries in Russia was down 9.2 percent year-on-year and amounted to 40.1 million tonnes. The decline was due to optimized utilization of the refining fleet in reaction to lower demand for petroleum products and lower refining margin because of the COVID-19 pandemic, as well as scheduled maintenance at Russian refineries. Capital expenditures of Russian refineries amounted to RUB 52 billion in 2020, up 29.2 percent year-on-year. The increase was driven by implementation of selective projects, including construction of the delayed coker complex at the Nizhny Novgorod Refinery, which proceeded in 2020 as planned despite the pandemic.

The annual feedstock capacity of the delayed coker complex at Nizhny Novgorod Refinery is 2.1 million tonnes. The complex will use heavy residues from the refining process as feedstock and produce mainly diesel fuel, straight-run gasoline and gas fractions, as well as heavy products such as vacuum gas oil and coke. The launch of the delayed

coker complex and related optimization measures will increase the light product yield at the Nizhny Novgorod Refinery by more than 10 percentage points. The increased secondary refining capacity and optimized refinery utilization will help considerably to reduce fuel oil output. In 2020, oversized long-lead process equipment was installed, while the installation of intra-site pipelines and process piping, cabling and wiring, and equipment insulation were under way. The project was 86 percent complete at the end of 2020.

Another project aimed at improving the high value-added product output at the Nizhny Novgorod Refinery is the construction of an isomerization unit to ramp up our output of motor gasolines. In 2020, on-site equipment was installed, main construction and installation operations were completed, and pipeline testing commenced. The project was 88 percent complete at the end of 2020.

In 2020, the Volgograd Refinery completed construction of a de-asphalting unit and a fractionation unit for unconverted oil, forming part

of a high-viscosity index oils production complex. After its launch in the beginning of 2021, it will help to expand the production of high-viscosity index oils and reduce unit production costs, as well as the output of fuel oil.

Commissioning of new refining units and optimized utilization rates of secondary processing units at our refineries in Russia considerably improved the refining depth and reduced the fuel oil yield from 22 percent in 2014 to 8 percent in 2020. The fuel oil output was reduced by a third year-on-year, mainly due to a lower output of this product at the Nizhny Novgorod Refinery because of scheduled maintenance, as well as higher production volumes of low-sulfur bunker fuel with improved environmental performance at the Volgograd Refinery.

As a result, light product yield at Russian refineries was 70.3 percent in 2020 (69.9 percent in 2019), while the refining depth reached 91.4 percent (88.7 percent in 2019), excluding mini-refineries.

REFINERIES IN EUROPE

In 2020, throughput volumes at LUKOIL's refineries in Europe decreased by 24.8 percent year-on-year to 18.5 million tonnes. The decline was due to the optimized utilization of the European refineries and scheduled maintenance at refineries in Bulgaria, Italy, and the Netherlands.

The European refineries implemented a number of energy efficiency improvement projects and continued reconstruction and upgrading projects. Change in the feedstock pool and utilization rates made it possible to improve the refining depth from 90.8 percent in 2019 to 95.3 percent in 2020.

The capital expenditures of the Group's refineries in Europe totaled RUB 17 billion in 2020, up 33.9 percent year-on-year due to major repairs and ruble devaluation.

Refinery throughput and production of petroleum products at LUKOIL Group refineries

	2018	2019	2020	Change 2020/2019, %
Refinery throughput, thousand tonnes	67,316	68,746	58,608	-14.7
Petroleum products output, thousand tonnes	63,774	65,081	54,964	-15.5
Light product yield, %	71	73	72	-1 p.p.
Fuel oil yield, %	11	10	7	-3 p.p.
Refining depth, %	88	89	93	+4 p.p.
Nelson Index	9.1	9.1	9.1	-

LUBRICANT PRODUCTION AND MARKETING

LUKOIL Group produces lubricants at eight of its own sites, within two joint ventures, and at 25 contracted plants. Our Russian assets comprise full cycle lubricant production facilities at the refineries in Perm and Volgograd, a lubricant blending plant in Tyumen, and a joint venture between LUKOIL and Russian Railways, INTESMO, producing greases in Volgograd. LUKOIL's overseas production assets include its own plants in Austria, Kazakhstan, Romania, Turkey, and Finland, as well as LLK-NAFTAN joint venture in Belarus, producing additives.

In 2020, about 30 percent of total lubricants in Russia were produced at facilities operated by the LUKOIL Group. LUKOIL's lubricant production (full cycle) in 2020 decreased by 4.2 percent year-on-year to 923 thousand tonnes, while sales of LUKOIL-branded lubricants increased by 6.4 percent to 611 thousand tonnes due to efforts to increase the share of branded products in the sales mix.

Lubricant blending in 2020 increased by 16.7 percent, mainly due to the launching of lubricants plant in Kazakhstan in

2019. During the first complete year of operation, the plant won tenders and delivered lubricants to the country's major companies. In particular, a contract with ERG, the largest lubricant consumer in Kazakhstan, was made. The launch of the plant allowed the Company to expand its lubricants market share in some Central Asian countries to double digits.

In 2020, we continued upgrading our production sites in Perm, Volgograd, and Tyumen to boost the quality and volume of the growing product range. In Perm, the Company launched a thickening agent mixing complex and an OEM lubricant filling line, purchased on-site equipment, and commenced construction and installation operations to upgrade the process scheme. In Volgograd, selective projects were implemented to upgrade the process scheme. In Tyumen, a production facility retrofit project was completed.

One of the Group's key priorities is to develop its product range in line with modern requirements. In 2020, we developed 67 formulations, including

29 new products. We continued innovating formulations of some commercial and industrial oils, replacing Group 1 base oils with Group 2 hi-tech products. We had over 800 products within the lubricant category at the end of 2020.

In 2020, LUKOIL sold its lubricants to all Russia-based plants of foreign automotive manufacturers where car engines are assembled and filled. LUKOIL's largest automotive partners in Russia are Renault-Nissan-Mitsubishi Alliance, PSA Group, Volkswagen and others. We continue cooperation with commercial and specialized vehicle manufacturers: IVECO, MAN, CNH Industrial, Ford, and others.

In 2020, LUKOIL continued to foster cooperation with some of the world's leading equipment manufacturers. In particular, we expanded our cooperation with Volkswagen in Russia and Europe. LUKOIL became the major lubricants supplier to the MAN motor plant in Nuremberg, Germany.

We continued supplying to the leading manufacturers of industrial equipment and specialized machinery: PALFINGER, Jungheinrich, PO EIAZ and others. The Company won long-term tenders to supply products developed according to the latest specifications to the world's largest automotive manufacturers and Russian industrial companies.

As part of LUKOIL's ongoing digital transformation, we have been embracing digital solutions to develop

formulations and control the quality of lubricants and greases, manage storage facilities, streamline our logistics, and work with dealers and corporate customers.

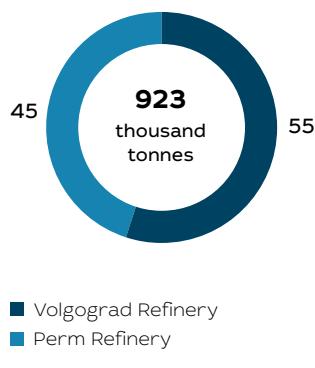
The largest Russian grease producer and a joint venture with Russian Railways, INTESMO, has increased output by 33 percent since its launch in 2014. The plant houses an engineering center, unique in Russia, where greases are developed and tested. During the six years of operation, the

center adopted 211 testing methods for greases and lubricants, developed and launched the production of 133 types of products, including greases, pastes, oils, and special liquids with quality comparable to the best international peers. As part of the initiative to launch an R&D center for lubricants and greases, an analytical laboratory to develop new and reformulated products was opened on April 1, 2020.

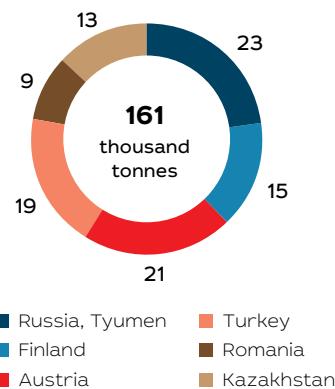
Lubricant production and blending, thousand tonnes

	2018	2019	2020	Change 2020/2019, %
Full cycle lubricant production	961	963	923	-4.2
Lubricant blending	131	138	161	16.7

Full cycle lubricant production in 2020, %



Lubricant blending in 2020, %



GAS PROCESSING

LUKOIL Group processes gas and natural gas liquids at three gas processing plants (GPPs) in West Siberia, Timan-Pechora, Volga regions, as well as at its Perm Refinery and Stavrolen petrochemical complex in the Stavropol Region. The Group's GPPs process the APG produced by LUKOIL into liquid

hydrocarbons and marketable gas, and treat natural gas coming from the Company's fields.

Our 2020 gas processing and treatment volume was 4 billion cubic meters. Lower processing at Lokosovsky GPP due to external limitations of oil

production was partly offset by higher throughput at the Perm Refinery's gas processing complex.

In 2020, the output of liquefied petroleum gases and liquid hydrocarbons at the Group's GPPs was 1.6 million tonnes, and the marketable gas production – 2.2 billion cubic meters.

Gas processing and treatment in Russia, million cubic meters

Total	2018	2019	2020	Change 2020/2019, %
	4,308	4,239	3,977	-6.2
Lokosovsky GPP	1,454	1,473	1,146	-22.2
Perm Refinery's gas processing complex	1,211	1,203	1,284	6.7
Korobkovsky GPP	384	357	344	-3.8
Usinsky GPP	149	153	159	3.9
Stavrolen gas processing complex	1,110	1,053	1,044	-0.8

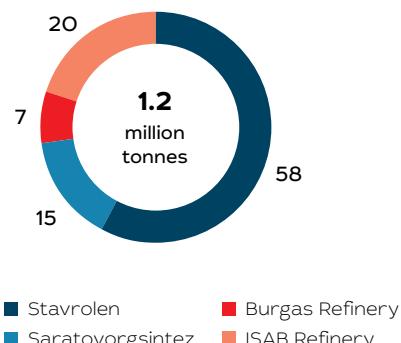
PETROCHEMICALS

LUKOIL Group produces petrochemicals at two plants in Russia and at its refineries in Italy and Bulgaria. The output includes a wide range of polymers, organic synthesis products and other petrochemicals. LUKOIL meets a significant portion of domestic demand for various petrochemicals and is also a large petrochemicals exporter to more than 30 countries.

In 2020, our petrochemicals output was 1.2 million tonnes, up by 8 percent year-on-year, primarily due to higher utilization at Stavrolen after maintenance was completed in 2019.

Growth prospects in petrochemicals depend on the development of petrochemicals production at existing sites and the monetization of available feedstock. In 2020, we continued design works under the polypropylene production projects for the Nizhny Novgorod Refinery and the Burgas Refinery in Bulgaria. The concept stipulates an increase in propylene output from the existing catalytic cracking units and using it as feedstock for polypropylene production.

Petrochemicals output in 2020, %



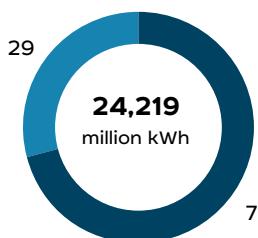
Petrochemicals output, %

	2018	2019	2020	Change 2020/2019
Marketable products output, thousand tonnes	1,246	1,137	1,228	8.0%
Polymers and monomers	37.4	39.3	40.8	1.5 p.p.
Organic synthesis products	36.0	40.1	36.2	-3.9 p.p.
Pyrolysis products	26.4	20.3	22.7	2.4 p.p.
Other	0.2	0.3	0.3	0.0 p.p.

POWER GENERATION

LUKOIL's power generating facilities are located in Russia, Romania, Bulgaria and Italy. Our aggregate power generation capacity, excluding the West Qurna-2 project, is 6.2 GW, with commercial power generation accounting for 70 percent of the total, and supporting power generation for the remaining 30 percent.

Electric power generation in 2020, %



COMMERCIAL POWER GENERATION

In the South of European Russia LUKOIL's main commercial heat and power generating facilities account for 90 percent of electricity generation in the Astrakhan Region and 57 percent in the Krasnodar Region. Our commercial electricity generation in 2020 totaled 17.1 billion kWh, while heat supplies totaled 10.0 million Gcal.

In 2020, LUKOIL commenced implementation of the project for the upgrade of three units of Krasnodar CHPP, 150 MW

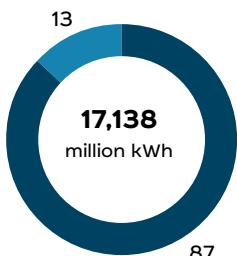
each, to be re-commissioned in 2022–2024. The project is part of the CSA-2 program (the upgrade investments are recovered through a preferential electric power rate), and it calls for full replacement of steam turbines and boiler equipment, which will improve the plant's operating performance and extend its service life. In 2020, agreements for on-site equipment supply were made; design and development of engineering documentation were under way.

- Commercial power generation
- Supporting power generation

Commercial electricity output and commercial heat supplies

	2018	2019	2020	Change 2020/2019, %
Electricity, million kWh	19,919	18,307	17,138	-6.4
Including renewable power generation, million kWh	1,365	1,100	822	-25.3
Heat, million Gcal	11.0	10.1	10.0	-0.4

Commercial electricity output in 2020, %



Commercial heat supplies in 2020, %



RENEWABLE POWER GENERATION

Renewable power generating facilities also contribute to commercial power generation. The Group's core assets comprise four hydroelectric power

plants (HPPs) located in Russia with a combined capacity of 291 MW and a combined output of 598 million kWh in 2020.

In 2020, LUKOIL completed the reconstruction of hydraulic structures making up the Krasnopolyanskaya HPP's hydropower complex in the Krasnodar Territory. The reconstruction made it possible to increase the volume of water flowing to the daily runoff pond from the mountain river of Beshenka and thus augment power generation at the HPP.

We also operate three solar power plants: in Russia at the Volgograd Refinery (10 MW), in Romania (9 MW) and in Bulgaria (1.3 MW). The plants are built on unutilized industrial sites of the refineries. In 2020, their total electricity output was 26 million kWh.

In 2020, construction of the second solar power plant at the Volgograd Refinery with an installed capacity of 20 MW was under way. It will be launched in 2021. We commenced the preliminary works to prepare land plots and infrastructure for the construction of a 2.35 MW solar power plant at Krasnodar CHPP. The project is to be included in the program of government support of renewable energy sources on the retail electricity market.

LUKOIL also owns the 84 MW Land Power wind power plant in Romania. The annual output of the plant totaled 211 million kWh in 2020.

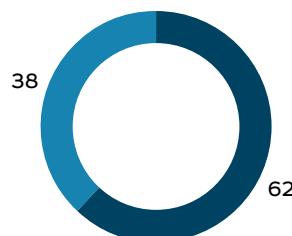
SUPPORTING POWER GENERATION

Development of in-house electricity generation at fields and plants helps the Group reduce its electricity costs and achieve higher efficient APG use, for example as a fuel for gas power plants.

In 2020, LUKOIL launched the 16 MW Chashkino gas turbine power plant (GTPP) in the Perm Region as part of its comprehensive production project, including APG collection, transportation, treatment, compression, and power generation, distribution, and use. GTPP uses APG produced at the Zhilinskoye, Rostovitskoye, and Belskoye fields. The generated electricity is both used to cover our own needs and supplied to external consumers.

In 2020, supporting power generation by the Group totaled 7,080 million kWh, while its share in LUKOIL's total electricity consumption for production purposes increased from 35 percent to 38 percent due to lower power purchase amid external limitations of oil production due to OPEC+ agreement.

Power consumption by the Group's production entities in 2020, %



■ Purchased
■ In-house generation

WHOLESALE AND TRADING

LUKOIL sells crude oil, gas and petroleum products in the domestic and international markets, distributing optimized flows to suit the market environment. We own pipelines and crude oil and petroleum product transshipment facilities, thus minimizing our transportation costs. A well-developed trading arm within the Group maximizes efficient sales of our crude oil and petroleum products while generating additional income from sales of purchased hydrocarbons.

The combined sales of crude oil, petroleum products, gas products, and petrochemicals totaled 194.3 million tonnes in 2020, down by 8.7 percent year-on-year due to lower volumes of hydrocarbon production and petroleum product output, as well as a decline in trading volumes caused by the pandemic.

CRUDE OIL

In 2020, crude oil sales volumes decreased by 2.4 percent to 87.4 million tonnes, primarily due to lower oil production in Russia because of external limitations. Markets outside of the Customs Union accounted for approximately 96.3 percent of LUKOIL's total crude oil sales volumes, while 1.6 percent was sold in Russia and 2.1 percent in countries belonging to the Customs Union.

Domestic sales volumes of crude oil amounted to 1.4 million tonnes, up 49.4 percent year-on-year. The increase was mainly driven by lower supplies of crude oil to our own refineries due to their optimized utilization and re-allocation of resources based on economic efficiency. In 2020, LUKOIL's crude oil export volumes were down by

13.4 percent year-on-year to 32.1 million tonnes. International crude oil sales decreased to 86.0 million tonnes or by 3.0 percent, due to lower oil production and trading volumes.

Crude oil supplies to the Group's refineries in Russia amounted to 40.1 million tonnes in 2020, down by 9.2 percent year-on-year. Crude oil supplies to the Group's refineries in Europe totaled 16.9 million tonnes in 2020, down by 25.5 percent year-on-year. Supplies of oil for processing at third-party refineries totaled 0.1 million tonnes (4.5 million tonnes in 2019). The decline in oil supplies was due to optimized utilization of some of the Group's refineries on the back of lower demand for petroleum products and lower refining margin because of the COVID-19 pandemic, as well as scheduled maintenance.

Oil supplies and sales, million tonnes

	2018	2019	2020	Change 2020/2019, %
Sales in Russia	2.1	0.9	1.4	49.4
Supplies to LUKOIL's Russian refineries	43.2	44.2	40.1	-9.2
Exports from Russia	36.7	37.1	32.1	-13.4
Sales outside Russia	83.2	88.7	86.0	-3.0
Supplies to LUKOIL's European refineries	21.3	22.7	16.9	-25.5

PETROLEUM PRODUCTS

Sales of petroleum products and gas products amounted to 104.8 million tonnes in 2020, down by 13.4 percent year-on-year. The decline was due to lower refinery utilization and lower petroleum product trading volumes.

Sales of petroleum products in Russia accounted for approximately 20 percent of the total sales, or 21.0 million

tonnes. Sales in Russia were down 13.9 percent year-on-year, mostly in wholesale due to a slump in demand as a result of the COVID-19 pandemic. LUKOIL's retail sales volumes in Russia amounted to 9.0 million tonnes, down by 9.1 percent year-on-year.

LUKOIL's 2020 petroleum product exports were down by 4.3 percent year-on-year to 17.9 million tonnes due to lower production volumes.

A total of 79.9 percent of LUKOIL's petroleum products were sold in the international market. Wholesale sales outside Russia decreased by 13.3 percent to 80.1 million tonnes, mostly due to lower throughput volumes at our own and at third party refineries, as well as lower trading volumes of petroleum products. Retail sales outside Russia decreased by 12.6 percent to 3.7 million tonnes.

Sales of petroleum and gas products, million tonnes

	2018	2019	2020	Change 2020/2019, %
Total	123.5	121.0	104.8	-13.4
Russia	25.6	24.4	21.0	-13.9
Outside Russia	97.9	96.6	83.8	-13.3

Exports of petroleum and gas products, million tonnes

	2018	2019	2020	Change 2020/2019, %
Total	16.2	18.7	17.9	-4.3
Diesel fuel	9.8	10.2	9.7	-4.8
Gasoline	0.2	0.5	0.7	33.2
Jet fuel	0.05	0.01	0.02	90.0
Lubricants	0.6	0.6	0.6	-3.5
Gas products	0.7	0.8	0.7	-9.6
Fuel oil	1.5	2.0	1.9	-2.3
Other	3.4	4.6	4.3	-7.5

GAS

In 2020, LUKOIL Group sold 24.1 billion cubic meters of gas (natural gas, APG and dry stripped gas), down by 16.2 percent year-on-year. Russia accounted for 53.1 percent of the

Group's total gas sales volumes, at 12.8 billion cubic meters, of which 11.0 billion cubic meters were sold to Gazprom Group. International gas sales volumes totaled 11.3 billion cubic meters, down 28.5 percent year-on-year, due to gas production decline in

Uzbekistan because of a temporary pandemic-driven drop in demand from China. As a result, the share of international sales in the total gas sales volumes was down by 8 percentage points year-on-year, to 46.9 percent.

Gas sales, million cubic meters

	2018	2019	2020	Change 2020/2019, %
Total	27,896	28,727	24,065	-16.2
Russia	13,723	12,942	12,777	-1.3
To Gazprom Group	11,925	11,149	10,989	-1.4
To other consumers	1,798	1,793	1,788	-0.3
Outside Russia	14,173	15,785	11,288	-28.5

LUKOIL'S TRANSPORTATION INFRASTRUCTURE AND DEDICATED SUPPLY CHANNELS

Our priority when selling crude oil and petroleum products is efficient logistics and maximum utilization of our transportation infrastructure to reduce transportation costs and optimize routes. LUKOIL Group owns three crude oil and petroleum products transshipment terminals in Russia (Varandey in Timan-Pechora on the Barents Sea, one in the port of Svetly in the Kaliningrad Region, and one in the port of Vysotsk on the Baltic Sea), and a terminal in the port of Barcelona in Spain. The combined capacity is 36 million tonnes of oil and petroleum products per year. LUKOIL also uses its own floating oil storage unit in the Caspian Sea for oil transshipment.

In 2020, transshipment via LUKOIL's own infrastructure in Russia was down by 16.9 percent year-on-year and totaled 18.5 million tonnes of crude oil and petroleum products.

Crude oil transshipped via our terminals in Russia decreased by 23.6 percent year-on-year to 7.5 million tonnes due to lower own crude oil exports through Varandey terminal.

Petroleum products transshipped via our terminals in Russia declined by 11.6 percent to 11.0 million tonnes, primarily due to lower transshipment in the port of Vysotsk, at 10.5 million tonnes.

LUKOIL also holds a 12.5 percent stake in the Caspian Pipeline Consortium (CPC). LUKOIL's oil exports via the CPC were virtually flat year-on-year, at 5.3 million tonnes, as the production at the Caspian Sea fields remained flat

year-on-year. The CPC's oil quality bank ensures that LUKOIL's selling prices reflect the high quality of its crude.

In 2020, LUKOIL exported 1.7 million tonnes of crude oil via the East Siberia – Pacific Ocean (ESPO) pipeline, flat year-on-year. This route enables transporting our light oil from West Siberia with a corresponding premium for its quality as compared to conventional Urals crude exports to the west. The average ESPO premium to Urals was USD 5.5 per barrel in 2020.

As a result of joint projects with Transneft, in 2018–2020 LUKOIL was able to significantly increase the share of pipeline shipments in its total petroleum product exports (from 26 percent in 2017 to 45 percent in 2020) and thus reduce the share of more expensive rail transportation and achieve major savings in transportation costs.

TRADING

LUKOIL performs its trading operations in all regions of the world through its subsidiary, LITASCO. LITASCO's main functions include maximizing sales efficiency for LUKOIL's crude oil and petroleum products and boosting profits through trading third-party volumes.

To maximize the efficiency of its trading operations, LITASCO builds long-term relations with major refineries in South-East Asia, the USA, Canada and other countries, and supplies the Group's refineries in Europe. Crude oil and petroleum products produced by LUKOIL Group accounted for one third of LITASCO's total trading volumes in

2020, while trading third-party crude oil and petroleum products accounted for the remaining two thirds.

Good financial performance of LITASCO in 2020 was driven by trading strategies adopted amidst high market volatility.

PRIORITY SALES CHANNELS

RETAIL SALES

LUKOIL sells the bulk of its petroleum products in the retail market via its well-diversified retail network of 5,005 filling stations located in 19 countries.

Our main focus in retail during the year was on improving efficiency and maximizing free cash flow. We also continued optimizing the retail network by reducing the number of leased and franchised filling stations.

In 2020, our retail sales of petroleum products totaled 12.7 million tonnes.

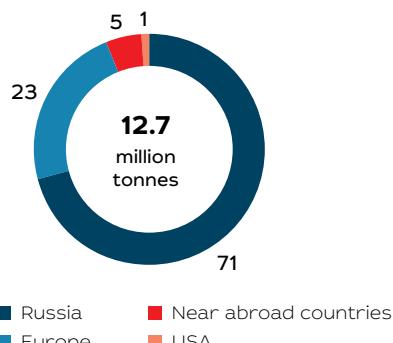
Retail sales volumes of petroleum products in Russia were 9.0 million tonnes, down by 9.1 percent year-on-year. International retail sales were 3.7 million tonnes, down by 12.6 percent year-on-year. The reduction was due to lower customer traffic at filling stations as a result of pandemic restrictions.

Retail sales of petroleum products

	2018	2019	2020	Change 2020/2019, %
Number of filling stations¹ as at December 31	5,168	5,044	5,005	-0.8
Russia	2,556	2,469	2,474	0.2
Outside Russia	2,612	2,575	2,531	-1.7
Total retail sales volumes, thousand tonnes	15,144	14,129	12,699	-10.1
Russia	10,927	9,935	9,032	-9.1
Outside Russia	4,217	4,194	3,667	-12.6
Average daily sales volumes at LUKOIL's filling stations, tonnes per day	10.7	10.0	9.0	-10.3
Russia	13.8	12.7	11.5	-9.5
Outside Russia	6.8	6.8	5.9	-12.5

¹ Including owned, leased, franchised, and suspended stations.

Breakdown of retail sales volumes of LUKOIL petroleum products in 2020, %



BRANDED FUEL

LUKOIL actively promotes sales of its fuels under the ECTO brand, which provides improved efficiency and environmental performance. In 2020, sales volumes of ECTO fuels in Russia were 7.2 million tonnes: their share in total domestic retail sales increased year-on-year to 79 percent. Sales of

premium ECTO 100 motor gasoline were launched in 2017. LUKOIL's retail network of filling stations has fully replaced ECTO Sport (Euro-5 AI-98) with the new, improved, higher performance ECTO 100 fuel. In 2020, ECTO 100 gasoline sales in Russia and outside Russia were up by 27 percent to 164 thousand tonnes.

NON-FUEL GOODS AND SERVICES

In 2020, we continued our efforts to develop sales of non-fuel goods and services at our filling stations. Despite lower client traffic at these stations, gross profit from sales of non-fuel goods and services in Russia grew by 8 percent year-on-year to RUB 9.3 billion, and gross profit from sales outside Russia grew by 10.3 percent to RUB 7.1 billion. LUKOIL's profit from sales of non-fuel goods and services is boosted by product range adaptation, continuous marketing efforts and by developing additional services, rolling out best retail practices, focusing on customer service excellence, enhancing conversion and upgrading filling stations, as well as a new loyalty program.

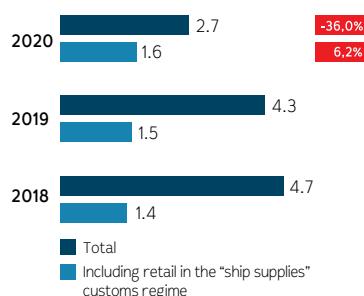
MARINE BUNKERING

LUKOIL is one of the largest suppliers of bunker fuels, with bunkering operations in 25 ports across six Russian regions. LUKOIL also carries out its overseas operations in Bulgarian and Romanian ports. We operate mainly in ports on the Baltic Sea, the Barents Sea and the Black Sea, and on inland waterways.

In 2020, the Group sold 2.7 million tonnes of bunker fuel. The year-on-year decrease was due to the effect of the pandemic. In particular, travel restrictions were reflected in lower water freight volumes and cancellations of passenger navigation in 2020. Despite a reduction in total sales, the Company managed to increase retail sales in the "ship

supplies" customs regime by 6 percent to 1.6 million tonnes, earning additional margin. The high quality of our bunker fuel helps LUKOIL retain its significant market share.

Bunker fuel sales volumes, million tonnes



LOW-SULFUR BUNKER FUEL

In 2019, LUKOIL launched sales of bunker fuel (fuel oil) with 0.5 percent sulfur content. The fuel is produced at the Volgograd Refinery and is MARPOL compliant. In 2020, the Group produced 1.0 million tonnes of this product.

In addition to low-sulfur fuel oil, LUKOIL sells other bunker fuels with improved environmental performance for marine bunkering in the Baltic Sea, which is the Sulfur Emissions Control Area (SECA).

For example, starting from 2015, Perm Refinery produces environmentally safer bunker fuel ("TSE") with lower sulfur content (0.1 percent). In 2020, the Company produced over 0.6 million tonnes of TSE.

AIRCRAFT FUELING

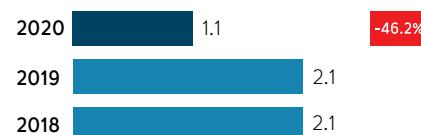
LUKOIL sells both its own and purchased jet fuel, mostly through aircraft fueling, at airports in Russia and Bulgaria using its own sales network or through contracts with third-party refueling companies.

In 2020, jet fuel sales in Russia amounted to 2.5 million tonnes, down by 24.4 percent year-on-year; and sales in a form of aircraft fueling decreased by 46.2 percent to 1.1 million tonnes. These negative dynamics are attributable to the pandemic, including

lower passenger air traffic and subsequent reduced consumption of jet fuel by civil aviation companies. High-margin retail sales of aircraft fueling accounted for nearly a half (45 percent) of total sales in 2020. LUKOIL's long-standing consumers of jet fuel include major Russian and international airlines and civil aviation companies.

Our current network for aircraft fueling covers 33 Russian airports, 19 of which have jet-refueling complexes that are operated by LUKOIL or are joint ventures.

Aircraft fueling sales volumes (including share in equity affiliates), million tonnes



BITUMENS

The bitumen segment is an important area of business development for LUKOIL.

In 2020, our bitumen sales totaled 894 thousand tonnes, almost flat year-on-year. During the year, we expanded the bitumen portfolio to 40 items, including Superpave products to construct heavy-duty road surfaces.

In 2020, the Company continued developing the bitumen cluster at the Nizhny Novgorod Refinery. We opened a bitumen terminal with a loading capacity of up to 200 bitumen distributors per day. The new logistics center is highly digitalized, which ensures timely shipment of bituminous materials and increases logistics efficiency due to faster processing procedures.

We also continued our bitumen production project at the Nizhny Novgorod Refinery. In 2020, the state expert review was successfully completed,

the delivery of equipment for the polymer-bitumen binder production unit was at the final stage, and construction and installation operations commenced.

Bitumen sales volumes, thousand tonnes



CREATING PREMIUM BUSINESSES

Since its establishment, LUKOIL has placed a strong emphasis on creating and expanding high value-added premium businesses. The efforts in this direction help strengthen our vertical integration, delivering greater efficiency and resilience to our business and extending the reach of our products to end consumers.

In 1998, the Company made its first supply of bunker fuel in St. Petersburg. Today, bunkering operations cover 25 ports in Russia, as well as Bulgarian and Romanian ports. In 2020, we provided bunkering services to every third vessel in the European part of Russia.

In 2003, LUKOIL split off its aircraft refueling operations into a separate strategic business line. With one of the most advanced refueling complexes, the Company supplies jet fuel to 33 Russian airports and is now one of the three major players in the Russian market. In 2020, we provided jet fuel to every fourth civil aircraft in Russia.

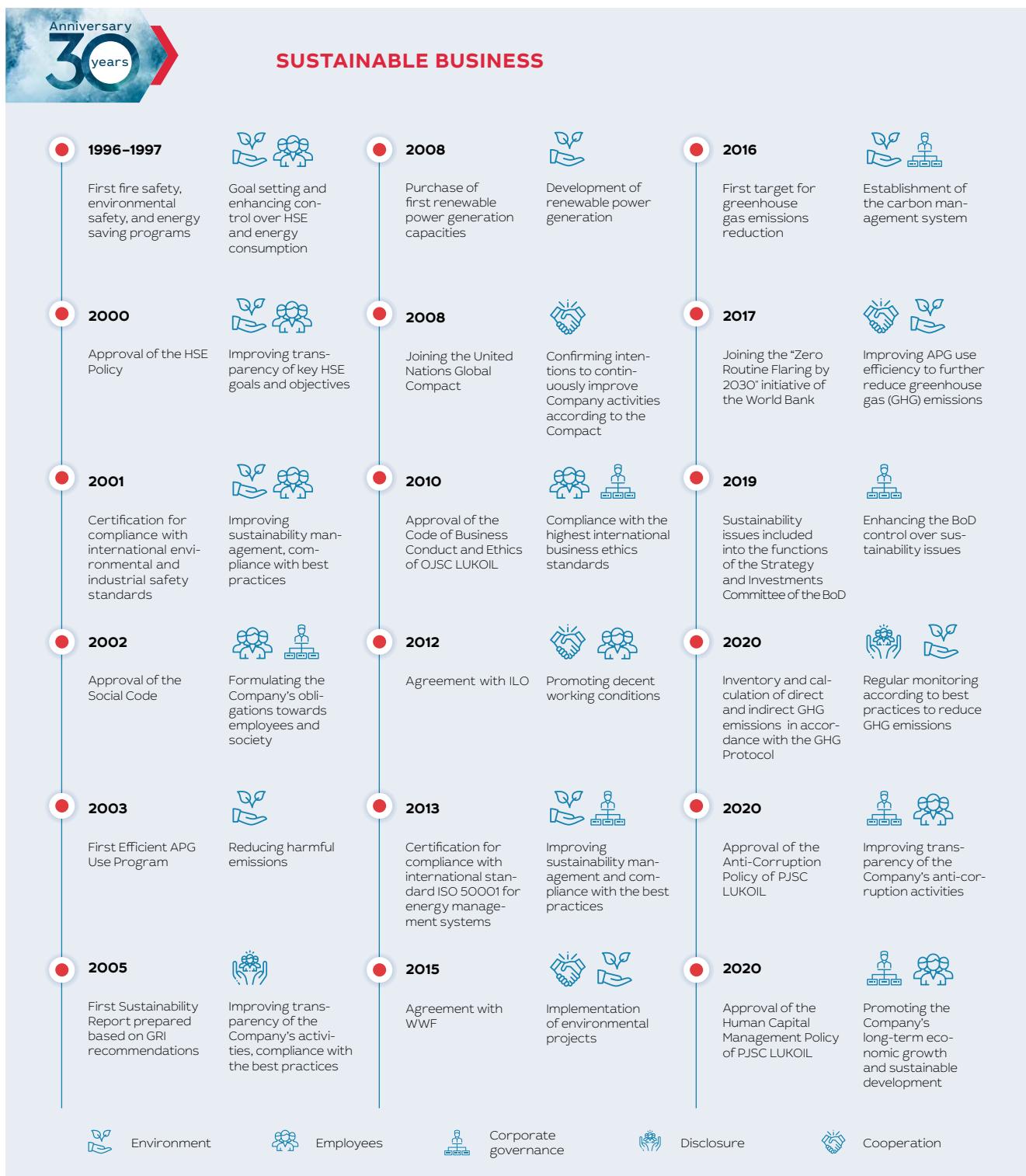
15 years ago, we decided to reinforce our focus on the lubricants business. Today, our lubricants are internationally recognised value-added products of the highest quality and are used by the leading global automotive manufacturers for the first fill up. In 2020, LUKOIL had a one-third share in the Russian lubricants market and was among the Top 3 largest players in the global marine lubricants market.

In 2017, LUKOIL made a strategic decision to upgrade existing bitumens production facilities and expand the range of bitumens, paying particular attention to the polymer bitumen products. To this end, the Company established an R&D center and started the modernization of facilities.

Thanks to many years of focused efforts on the premium business development, LUKOIL has secured leadership in its key markets and continues to grow sales of high value-added products.

SUSTAINABLE DEVELOPMENT

Since its incorporation, LUKOIL has conducted its business in a responsible manner, seeking to strike a balance between environmental sustainability and social and economic development. LUKOIL, as a signatory of the United Nations Global Compact, manages sustainable development aspects on a base of aligning the Company's interests and plans with universal human values, global trends, and national and regional development priorities. This assures that economic, environmental and social goals and objectives are integrated into our corporate decision-making system.



SUSTAINABILITY MANAGEMENT SYSTEM

The Strategic Development Program of LUKOIL Group for 2018–2027 considers sustainability to be one of the Company's strategic goals.

The achievement of sustainability objectives is controlled strategically (by the Board of Directors and the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors) and operationally (by the Management Committee, the Health, Safety and Environmental Committee of PJSC LUKOIL, by heads of functional and business units at PJSC LUKOIL and by heads of LUKOIL Group entities).

Increased attention to environment and climate matters led to important changes concerning

how these issues are managed. In 2020 the Strategy, Investment and Sustainability Committee of the Board of Directors was renamed into the Strategy, Investment, Sustainability and Climate Adaptation Committee and its functions were expanded accordingly, a Director responsible for the climate-related issues was appointed.

[For more details, see the Strategy, Investment, Sustainability and Climate Adaptation Committee section on page 104](#)

The Company has cross-functional working groups of key executives and specialists from various business units addresses sustainability issues. For example, in 2020 PJSC LUKOIL established the Working Group on

Decarbonization and Climate Change Adaptation. In 2017, the Working Group on preparing the Sustainability Report was organized to enhance the system of collecting, preparing, and disclosing sustainability information. In 2019, its functions were expanded to include additional sustainability issues and it was renamed into the Working Group on Sustainability.

Sustainability indicators are included in the Set of KPIs used for planning, performance management, and motivation of employees, of PJSC LUKOIL's key executives, and of heads of LUKOIL Group entities.

Sustainability management system at PJSC LUKOIL

Members	Key roles
Board of Directors Chairman – Ravil Maganov	<ul style="list-style-type: none"> Defines general principles and approaches Determines the Company's business priorities Aligns and approves long- and mid-term strategic development plans and programs Monitors the implementation of strategic objectives, plans and development programs
Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors Chairman – Sergei Shatalov, an independent director	<ul style="list-style-type: none"> Develops recommendations to the Board of Directors defining the Company's business priorities and long-term strategy, including sustainable development (industrial safety, environment protection, climate, social responsibility, and corporate governance) and climate adaptation Analyzes existing corporate development concepts, programs and plans, as well as the broader competitive environment Analyzes risks associated with climate change and climate adaptation Develops recommendations to the Board of Directors which assess stakeholder engagement with the Company on sustainability and the climate adaptation agenda Develops recommendations to the Board of Directors on industrial safety, and measures to improve occupational safety Reviews sustainability reports, including the LUKOIL Group Sustainability Report
Audit Committee of the Board of Directors Chairman – Victor Blazheev, an independent director	<ul style="list-style-type: none"> Monitors the reliability and performance of the risk management and internal control system, as well as the corporate governance system Analyzes and assesses compliance with the Risk Management and Internal Control Policy Develops and improves the corporate governance system and practices Analyzes and assesses compliance with management policy regarding conflicts of interest

Members	Key roles
HR and Compensation Committee of the Board of Directors Chairman – Roger Munnings, an independent director	<ul style="list-style-type: none"> Develops recommendations to the Board of Directors on defining business priorities of the Company in terms of HR and remuneration to the members of the Board of Directors, Management Committee, the President, and other top executives, as well as on HR planning (succession planning), composition and performance of the Company's Board of Directors Monitors the introduction and implementation of the Company's remuneration policy and various motivation programs, including long-term incentive plans for employees of the Company and its subsidiaries
Management Committee Chairman – Vagit Alekperov, President of PJSC LUKOIL	<ul style="list-style-type: none"> Elaborates and approves the Company's quarterly, annual and perspective activity plans Develops and approves budgets and investment programs, including the Environmental Safety Program of LUKOIL Group Entities and the Industrial Safety, Labor Conditions Improvement and Protection, Emergency Prevention and Response Program of LUKOIL Group Entities Monitors progress against activity plans Develops and implements the overall strategy of the Company's subsidiaries
Health, Safety and Environmental Committee of PJSC LUKOIL Chairman – Vadim Vorobyev, First Executive Vice President of PJSC LUKOIL	<ul style="list-style-type: none"> Develops the HSE Policy, objectives, targets, and KPI of LUKOIL Group entities Analyzes the effect of HSE initiatives Develops proposals to improve the HSE Management System of LUKOIL Group Reviews measures for management of material HSE risks

Heads of sustainability

Head of climate change Leonid Fedun, a member of the Board of Directors of PJSC LUKOIL, Vice President for Strategic Development	<ul style="list-style-type: none"> Develops recommendations on strategic goals and GHG reduction measures Develops the overall corporate position on climate change and climate adaptation Proposes the value of the internal carbon prices Interacts with industry associations on climate-related matters
Head of sustainability – Evgeny Khavkin, a member of the Management Committee of PJSC LUKOIL, Vice President – Chief of Staff of PJSC LUKOIL	<p>Organizes and coordinates:</p> <ul style="list-style-type: none"> Efforts to shape the overall corporate position on sustainability Stakeholder engagement on the Company's sustainability agenda Efforts to shape and implement the corporate sustainability information policy with regard to all stakeholders Development of local regulations on sustainability Preparation of the Company's Sustainability Report
Corporate Secretary of PJSC LUKOIL Natalia Podolskaya	<ul style="list-style-type: none"> Interacts with members of the Board of Directors on sustainability-related matters Coordinates stakeholder engagement with members of the Board of Directors on the sustainability agenda Develops recommendations on improving sustainability management Participates in stakeholder engagement on sustainability matters Arranges the activity of the Working Group on Sustainability, coordinates preparation of sustainability reports

Sustainability working groups

Members	Key roles
Working Group on Decarbonization and Climate Change Adaptation Head of the Group – Vadim Vorobyev, First Executive Vice President of PJSC LUKOIL	<ul style="list-style-type: none"> Assesses identified climate-related risks facing the Company and opportunities Develops the LUKOIL Group Decarbonization Program Develops criteria to assess performance of the investment projects aimed at GHG reduction Analyzes the effect of decarbonization initiatives Enhances Decarbonization and Climate Change Adaptation business processes Defines and develops the approaches used to disclose information about LUKOIL Group's activity with regard to greenhouse gas emissions, decarbonization, and climate change adaptation
Working Group on Sustainability Head of sustainability – Evgeny Khavkin, a member of the Management Committee of PJSC LUKOIL, Vice President – Chief of Staff of PJSC LUKOIL	<ul style="list-style-type: none"> Develops a unified corporate position related to sustainable development issues Develops sustainability recommendations for the Company's governance bodies Analyzes sustainability feedback from stakeholders Coordinates sustainability-related communications and interactions between the Company's business units Consistently improves the system of collecting, preparing, and disclosing sustainability reporting information Organizes and monitors the preparation of LUKOIL Group's Sustainability Report

SUSTAINABILITY DISCLOSURE

The Company is committed to maximum transparency, publishing annual disclosures of material information on sustainable development in its sustainability reports, special booklets, press releases, and statements. LUKOIL discloses the information in accordance with international best practice – sustainability reports are prepared under GRI standards taking into account the disclosure guidelines with regard to contribution to the achievement of the UN Sustainable Development Goals and other international standards. The information and reports are also audited by third parties.

The level and quality of disclosure win recognition at annual report contests organized by the Moscow Exchange and bolster the Company's position in sustainability ratings. For example, in 2020 the LUKOIL's sustainability ratings were upgraded by six international agencies: CDP, SAM S&P (formerly, RobecoSAM), Sustainalytics, ISS, MSCI, and CHRB. The Company's improved carbon management and development of anti-corruption practices earned special praise.



HEALTH AND SAFETY

Ensuring high level of Health, Safety and Environment (HSE) compliance is one of the key elements of LUKOIL's sustainable development policy.

HSE MANAGEMENT SYSTEM

LUKOIL's HSE Management System is certified to international standards ISO 14001 and ISO 45001, and is based on principles of preventive actions and personal accountability of both managers and line employees.

Due to the transition of LUKOIL Group to ISO 45001 (instead of OHSAS 18001), the Company continued adjusting corporate HSE standards and local regulations in 2020.

The Health, Safety and Environment Policy Implemented by LUKOIL Group in the Twenty-First Century (the HSE Policy) defines our HSE Management System. In 2020, the HSE Policy was amended by adding the priority task to minimize the impact of the Company's and other Group entities' activity on climate by using the best available technologies, as well as the commitment to continuous reduction of climate impact and assessment of climate-related risks at the planning stage. The Company also confirmed its commitment to consulting its employees with regard to industrial, fire, environmental, and occupational safety, emergency prevention and response.

To develop the HSE Management System, the Company has in place the Health, Safety and Environmental Committee chaired by its First Executive Vice President.

The Committee reviews relevant HSE matters: policy development, measures for material risks management, proposals for motivating the Group entities' employees to comply with HSE requirements (including through KPI), HSE compliance performance, and activities performance analysis, as well as responses to regulatory and other changes. The Committee also prepares proposals to the Company's governance bodies for approving key HSE documents, such as the Health, Safety

and Environment Policy of LUKOIL Group in the Twenty-First Century, targeted segment-specific functional programs, and the Company's local regulations. The Committee had two meetings in 2020. To implement the HSE Policy, the Company develops three-year targeted HSE programs, approved by an executive order of PJSC LUKOIL. Targeted program performance is reviewed annually at a Management Committee meeting. PJSC LUKOIL's Board of Directors also annually reviews issues on the Company's HSE status and measures to improve occupational safety, and makes decisions on the priority areas for improving the HSE Management System.

HSE INDICATORS IN THE MOTIVATION SYSTEM

To strengthen accountability, HSE Compliance was added to LUKOIL Group's Set KPIs. The metrics for assessing this KPI include:

- Zero fatalities caused by employer action, as well as among contractor employees
- Compliance of the HSE Management System with the requirements of international standards
- Lost-time accident frequency rate (LTAFR)
- Per unit air pollutant emissions
- Per unit polluted wastewater discharge into surface water bodies
- Ratio of annual waste disposal volume to new waste generation, and other indicators

HSE compliance assessments at LUKOIL are used in the incentive system for managers at all levels, as well as for workers and specialists.



For more details on the HSE Policy, see the Responsibility section on the Company's website.



INDUSTRIAL SAFETY EXPENDITURES

LUKOIL's spending under the industrial safety program totaled RUB 31 billion in 2020. This was twice as much as in 2019 due to carrying some emergency prevention and response expenses (including those for improving pipeline reliability) from the environmental safety program to the industrial safety program.

Improving industrial safety, reducing work-related injuries and accident-free operation of production facilities have always been top priorities for the Company.

Industrial safety program expenditures (capital and operating) across the Group in 2020, %



- Reliability of equipment, buildings, and structures
- Emergency response and prevention¹
- Improved working conditions and provision of personal protective equipment
- Use of modern technologies for improving HSE and working conditions
- Management system optimization and regulatory support
- Other

LUKOIL places a special focus on improving its health and safety management system. In addition, the accident frequency rate has been maintained at a level below the industry average. Due to the actions undertaken, the Company witnessed sustainable reduction in a number of fatalities over past five years. However, the work-related injury performance declined in 2020 year-on-year, primarily due to an increased number of occupational accidents outside Russia. Investigations revealed that injuries in the reporting year were mainly caused by violation of workplace discipline and personal contributory negligence. In response, the Company has stepped up the work on employee training and awareness.

¹ Including fire safety related works and services, procurement of firefighting and protection equipment, activities to implement radiation safety standards, etc.

Work-related injury indicators at LUKOIL Group

	2018	2019	2020	Change 2020/2019, %
Number of occupational accidents	21	19	28	+47
Number of injured employees	23	25	28	+12
Fatalities	1	2	2	0
Lost-time accident frequency rate (LTAFR) ²	0.20	0.19	0.28	+47
Lost-time injury frequency rate (LTIFR) ³	0.12	0.13	0.15	+15

² LTAFR is calculated as the number of work-related injuries per thousand people of the average headcount during the reporting period.

³ LTIFR is calculated as the number of lost-time injuries per million of total man-hours worked.

In 2020, fatalities from two falls from height fatalities occurred: at LLC LUKOIL-Perm and LLC LUKOIL-Nizhegorodnefteorgsintez. The first fatality was caused by personal contributory negligence. To prevent similar accidents, the causes and circumstances of the accident were

communicated to employees; the subsidiary's personnel underwent an unscheduled safety briefing and knowledge assessment. The second fatality was caused by a violation of workplace discipline, in particular, the inspection route. Following the results of the investigation, additional control

measures using video surveillance systems and means of communication were taken; the possibility of unauthorized access to the premises was eliminated. The corporate training center was equipped with a work-at-height simulator.

Accidents at LUKOIL's production facilities

	2018	2019	2020
Accidents	0	2	4

In 2020, four accidents occurred at the Group's production facilities.

On January 9, an accident occurred at the Ukhta Refinery (LLC LUKOIL-UNP) with a subsequent fire at the additives feeding unit, which was extinguished within seven hours. It was caused by violation of technological safety procedures. No production processes were disrupted due to the accident.

On October 17, an accident occurred at LLC LUKOIL-Komi. This involved the loss of non-functioning pipeline integrity during emptying and subsequent leakage of oil-containing fluids into the Kolva River. The technical investigation revealed that the pipeline damage was caused by a weld of the repair area break resulting from internal overpressure. Due to the containment of the leakage within two hours (placement of containment boom, construction of a dam), concerted efforts of the Group's management and emergency response teams, as well as contracted professional response teams, the area of the environmental incident was cleaned up within ten days of round-the-clock operations. The clean-up operations included treatment of the water body with sorbent agents, as well as collection, removal, and disposal of oil-containing fluids. Prompt response prevented contaminated water from

entering water-intake facilities and drinking water sources. Biological rehabilitation is scheduled for 2021.

On November 1, a fire broke out at oil mine No. 3 of Yareganeft (LLC LUKOIL-Komi), killing two employees hired by a contractor. The operation of the mine has been suspended. Upon completion of the recovery works, the investigation committee will determine the causes of the accident.

On December 28, a fire broke out in the plant room of the gas compressor station at the Yuzhno-Yagunskoye field (LLC LUKOIL-West Siberia). The fire was extinguished within seven hours. No production processes were disrupted following the accident. An investigation is in progress.

All information about accidents was reviewed at the Health, Safety and Environment Committee of PJSC LUKOIL and at the Company's Board of Directors meeting in December 2020. To improve transparency, the latest information about the accidents and the status of investigation is published on subsidiaries' websites.

Increased number of injuries and accidents in 2020 adversely affected the assessment of the HSE Compliance KPI with corresponding bonus reduction.

NOTIFICATION SYSTEM

LUKOIL Group has uniform requirements for the notification, recording and analysis procedures for occupational accidents. All injuries at the Group facilities, including those involving contractor employees, are promptly reported to all stakeholders, including structural units and PJSC LUKOIL's executives, to decide on further rapid response actions. The information received is registered in our RISK PB corporate information management system. The findings of the analysis of circumstances and causes following an investigation of each incident are communicated to the Group entities and contractors, and additionally discussed both at the Health, Safety and Environment Committee of PJSC LUKOIL and at Safety Days with the involvement of trade unions and key contractors. Organizational and technical measures to prevent injuries are developed, implemented and tested. The occupational accident analysis results are included in the annual report to the Management Committee and are on the agenda of Board of Directors meetings.

LEADERSHIP AND A CULTURE OF SAFETY

LUKOIL puts a particular focus on fostering leadership and a culture of safety. The Company conducts annual safety days involving LUKOIL's top management, managers of Group entities, trade union representatives and key contractors to review the root causes of injuries and best practices in health and safety. At the 2020 Safety Day, the best practices in developing a culture of safety among employees stressing occupational health were introduced.

Efforts were made during the year to develop leadership tools and a culture of safety at all management levels of the Company. The Company approved the Regulations on HSE Best Practices of LUKOIL Group to better motivate employees of LUKOIL Group entities and contractors/ subcontractors to implement HSE initiatives. The Regulations define the requirements in the process of identifying and rolling out the best practices in industrial, fire, and radiation safety, emergency prevention and response, occupational safety, and environment protection across the LUKOIL Group. The Company implemented the best practices in health and safety digitization and trained the health and safety officers under the Leadership and

Safety Culture program. Efforts were made to roll out the application of key safety rules among employees and contractors. As part of the shared agenda with the International Association of Trade Union Organizations of PJSC LUKOIL, we continued implementing the initiatives aimed at improving the competence of the workplace technical inspectors of the Association with regard to the culture of safety.

ACCIDENT INSURANCE

The Group's Russian entities have employee insurance agreements covering such negative consequences of accidents as temporary disability, disability of category I, II, III, or death. In 2020, the accident insurance expenditures totaled RUB 42 million.

TRAININGS AND DRILLS

In order to improve accident response, the Group conducts regular trainings and drills with the involvement of professional emergency response teams. Over 12 thousand on-site trainings were

conducted, with over 83 thousand LUKOIL Group employees participating in the drills and training sessions. The readiness of the Group's resources and personnel was highly esteemed by the committees and official representatives of the government authorities watching the drills. To make management decisions during the drills, as well as in case of accidents and emergencies, the Company uses mobile workstations and video surveillance tools transmitting video images to the Emergency Response Center of PJSC LUKOIL.

ASSESSMENT OF WORKING CONDITIONS

Every year, LUKOIL carries out special assessment of working conditions as required by the labor laws. Employees exposed to harmful conditions are compensated depending on the class of work conditions with either increased pay, additional vacation time, or a shorter work week. Such workers accounted for approximately 32 percent of the average headcount at our Russian entities in 2020.

163 drills of different levels were conducted in 2020, including 94 drills on oil and petroleum products spills liquidation.

HSE COMPLIANCE FOR CONTRACTORS

Contractor selection follows the Regulations on Holding Tenders to Select Suppliers and Contractors of LUKOIL Group Entities and local regulations setting forth HSE requirements.

Contractors are audited for HSE compliance during the prequalification process prior to taking part in competitive tender procedures, and are screened out of the tendering process upon failure to comply with the established requirements. Contractors must also ensure compliance with requirements by their sub-contractors.

HSE compliance by contractors is monitored during contract performance (with HSE standards included in the contracts), including through technical audits.

CORPORATE SUPERVISION AND INDUSTRIAL CONTROL

An important tool in maintaining high-level HSE standards is high-quality compliance control. LUKOIL has developed key safety rules and appropriate accountability mechanisms to ensure compliance among both Group employees and contractors. Approximately 5.5 thousand

inspections were conducted across LUKOIL Group as part of corporate supervision and industrial control in 2020, including contractor inspections. For any violations identified, disciplinary action is taken against non-complying employees, while contractors face penalties. Typical issues identified through inspections during 2020 included violation of requirements to release operational and executive documentation,

deviation from work plan requirements, and failure to observe documentation familiarization and briefing procedures. A special reward system is in place to encourage employees to take an active role in identifying violations and preventing non-compliant behaviors, including by contractors.

CLIMATE CHANGE

The oil and gas industry is faced with new challenges as the world transitions to a low-carbon economy. The world needs to reduce greenhouse gas (GHG) emissions to prevent climate change, while still continuing sustainable economic growth – which inevitably will require continued high levels of energy consumption.

LUKOIL recognizes the importance of preventing global climate change, takes measures to reduce Scope 1 and Scope 2 emissions, and supports Russia's involvement in the global effort to reduce greenhouse gas emissions

CLIMATE CHANGE MANAGEMENT

The matters relating to climate change are overseen by the Board of Directors and come under the remit of the Strategy, Investment, Sustainability and Climate Adaptation Committee. The Company's action to address

climate change is coordinated by Leonid Fedun. PJSC LUKOIL set up the Working Group on Decarbonization and Climate Change Adaptation led by Vadim Vorobyev, First Executive Vice President, and a business unit

responsible for the day-to-day management of GHG emissions and decarbonization within LUKOIL Group.



For more details, see the Sustainability Management System section on page 63

CLIMATE TRAINING

To raise awareness about climate matters among its employees, the Company ran a training workshop on Global Climate Change and GHG Management at the Company Level. It was attended by 584 employees of the Head Office and 50 Group entities, including management.

CLIMATE RISKS

We place special focus on climate risk

management to provide reasonable assurance of achieving our strategic objectives despite uncertainties and

negative impacts. LUKOIL implements a wide range of measures to manage climate risks and identify opportunities.

Risk category	Description	Management
Market risks	Risks associated with changes in demand and customer preferences	<p>The Company uses a scenario-based approach to macroeconomic forecasting, including various climate scenarios. In early 2021, LUKOIL finalized its work to update the oil demand scenarios. In addition to the Evolution scenario that had been presented earlier, it also thoroughly reviewed three other scenarios: Equilibrium, Transformation, and 2 Degrees Celsius. As a result, a complete list of climate change factors was drawn up to be used as a basis for a detailed analysis of threats and opportunities. By 2030, the balancing oil price under different demand scenarios is estimated at USD 40–50 per barrel in real terms.</p> <p>In addition, the Company uses an internal carbon pricing mechanism based on specific regional conditions.</p>
Political, legal and regulatory risks	Risks associated with the global transition to a low-carbon economy and steps taken to toughen GHG emission regulations in countries where the Group operates	<p>LUKOIL continuously monitors developments in climate legislation and takes part in discussing relevant draft regulations to present its position on these matters, including risks and uncertainties that come with new legislative proposals.</p> <p>In the reporting year, the Company presented its opinions on five draft laws, orders and inquiries from the Russian Federation authorities. As part of the Russian Union of Industrialists and Entrepreneurs (RSPP) Climate Committee, LUKOIL contributed to preparing RSPP's official position on the following matters: compliance with the Paris Agreement, Russia's strategy for low-carbon development, accounting for the climate projects, carbon border adjustment mechanism, establishment of the system of GHG emissions monitoring and tracking.</p>
Reputational risks	Risks associated with stakeholder perception of the Company's contribution / lack of formal commitment to a low-carbon economy	<p>The Company regularly discloses information on climate management and GHG emissions to address stakeholder concerns.</p> <p>In the reporting year, LUKOIL completed an inventory of GHG emissions sources and emissions calculations in accordance with the international GHG Protocol (previously, a Russian methodology was used). On top of that, in 2020, the Company made its first disclosure of Scope 3 and other GHG emissions. The calculation was verified by the international audit company KPMG. Since 2013, LUKOIL has been participating in the Carbon Disclosure Project (CDP), an international initiative for the disclosure of GHG emissions volumes. Following its CDP disclosure in 2020, LUKOIL improved its score to a "C" as a result of its carbon management initiatives.</p> <p>The Company maintains an active dialogue with the Climate Action 100+ global investment initiative.</p>
Technology risks	Risks associated with the accelerated global transition to a low-carbon economy driven by technological advances and greater efficiency of relevant technologies	<p>LUKOIL carries out constant monitoring and develops its proprietary solutions to improve energy efficiency. The Company's carbon management is focused on increasing the energy efficiency of operations through energy conservation, energy management, and optimization of industrial processes.</p> <p> For more details, see the the Energy Efficiency section on page  72</p>
Physical risks	Risks associated with changing weather, climate, and other environmental conditions in the Group's regions of operation that can affect the reliability of equipment or people's health, including natural calamities and permafrost thawing.	<p>LUKOIL assesses the climate change impact when designing and constructing facilities in environmentally sensitive areas (the Arctic Zone, low-water regions, and offshore areas) and monitors these environments for changes in relevant parameters to ensure timely response when needed.</p> <p>In 2020, the Company evaluated the physical risks in the Arctic zone by making scenario-based forecasts of how the weather and the climatic conditions might change there in 2031–2050 compared with 1991–2010, covering a number of scenarios involving human-induced climate change.</p>

ENERGY EFFICIENCY

Improving energy efficiency is one of the key tools for achieving strategic increase in LUKOIL Group's efficiency and is a key factor affecting production costs and energy intensity.

To improve energy efficiency along the value chain, in 2020 the Company introduced a KPI for LUKOIL Group entities measuring the performance of the Approved Energy Conservation

Program, which is the ratio of actual to planned savings in fuel and energy resources in value terms. In 2020, all LUKOIL Group entities achieved the planned savings.

The Company approved the Energy Conservation Program for LUKOIL Group entities for 2021 and 2022–2023. Key energy conservation initiatives in 2020 included replacing pumps,

optimizing pump operation, installing energy saving pumps and variable frequency drives, replacing and upgrading on-site equipment to boost the efficiency factor, optimizing condensate collection and return, upgrading lighting and heating solutions, and replacement and adjustment of furnaces.

Results of energy efficiency initiatives across LUKOIL Group

	2018	2019	2020
Electricity savings, million kWh	98	159	146
Heat savings, thousand Gcal	101	92	175
Saving of boiler and furnace fuels, tonnes of reference fuel	135	116	55

Energy consumption by PJSC LUKOIL

	2020 consumption	
	by volume	by monetary value (including VAT), RUB million
Electric power	19,712 thousand kWh	115
Heat energy	13,119 Gcal	25

ENERGY EFFICIENCY IN THE EXPLORATION AND PRODUCTION BUSINESS SEGMENT

Installing energy saving pumps to maintain reservoir pressure help reduce energy use by 14 percent compared to conventional pumps. As of the end of 2020, the Company has commissioned 232 energy saving pumps, which is 15 percent more than at the beginning of the year. Another tool for increasing energy efficiency is the use of proprietary submersible permanent magnet motors. In the reporting year, LUKOIL installed 2.4 thousand permanent magnet motors (PMSM), up 9.4 percent year-on-year. As of the end of 2020, PMSMs were installed at 61 percent of all wells with pumps, compared to about 20 percent in 2018.

LUKOIL is also committed to reducing energy costs when developing hard-to-recover reserves, which tend to have higher per unit energy consumption. For example, at the Yaregskoye field, successful implementation of steam-assisted gravity drainage (SAGD), an advanced technology for the production of high viscosity oil, significantly improved energy efficiency of production, bringing steam-oil ratio down by 16 percent year-on-year.

ENERGY EFFICIENCY IN THE REFINING, MARKETING AND DISTRIBUTION BUSINESS SEGMENT

In 2018–2020, as part of the roadmaps for improving efficiency in the Refining, Marketing and Distribution business segment, more than 800 measures

were implemented, resulting in better economic performance and enhanced energy efficiency of the plants. The initiatives were primarily focused on heat generation, improving furnace efficiency, and maximizing efficient industrial gas use.

As part of the continuous effort to increase energy efficiency, the Company developed relevant programs of measures to be implemented at the LUKOIL Group refineries in 2020–2030. Such programs are mainly aimed at optimizing the use of equipment in order to reduce the consumption of fuel, heat and electricity.

The fuel and energy consumed by LUKOIL Group (excluding the Power Generation business segment) include electricity (11 percent), heat (4 percent), and fuel (85 percent).

In 2020, 38 percent of total industrial power consumption was covered by our own sources.

EFFICIENT ASSOCIATED PETROLEUM GAS USE

LUKOIL uses APG reinjection to maintain reservoir pressure while also transporting APG to its gas processing plants (GPPs). APG is also used as a fuel for on-site gas-fired power plants, which helps reduce electricity and oil production costs.

We annually increase our overall APG utilization rate through the Efficient APG Use Program launched in 2003. In 2020, efficient APG use across the Group reached a record

97.8 percent, with the Group's Russian entities reporting a 97.7 percent efficient APG use.

Efficient APG use, %

	2018	2019	2020
Total	97.4	97.6	97.8
Russia	97.3	97.5	97.7
West Siberia	97.9	98.0	98.2
Urals	97.5	97.3	98.5
Volga	98.1	98.1	97.8
Timan-Pechora	94.6	95.2	95.4
Other	98.6	97.6	98.6
International projects	98.1	98.9	99.4

In the reporting year, LUKOIL commissioned 12 facilities under the Group's Efficient APG Use Program for 2020–2022.

Region	Field	Construction and commissioning of efficient APG use facilities in 2020
Timan-Pechora	Usinskoye	<ul style="list-style-type: none"> • Commissioning of thermal steam treatment facilities • Construction and retrofitting of gas pipelines
Urals	Pavlovskoye Borovitskoye Osokinskoye Kasibskoye Dorokhovskaya cluster of fields	<ul style="list-style-type: none"> • Commissioning of process units of gas compressor stations • Construction of gas pipeline • Construction of heat generators
West Siberia	Sredne-Nazymskoye V. Vinogradov	<ul style="list-style-type: none"> • Setting up and launch of a mobile initial water separation unit • Commissioning of horizontal flare

Gross APG production across the Group, %

	2018	2019	2020
Flaring	3	2	2
Reinjection	15	15	18
Consumption for operational needs ¹	21	23	21
Processing at GPPs	31	30	29
Supply to third parties	30	30	30

¹ Including consumption for power generation, boiler house needs, line heaters, etc.

RENEWABLE POWER GENERATION

The Company develops renewable power generation projects to reduce its environmental footprint and diversify its business. LUKOIL has a large portfolio of renewable power

generation assets, accounting for 5 percent of total commercial power generated by the Group in 2020. In the reporting year, a number of renewable energy assets were upgraded.



For more details on renewable energy, see the Power Generation section on page 55

GREENHOUSE GAS EMISSIONS

To improve its emission monitoring, in 2020, LUKOIL completed an inventory of GHG emissions sources and emissions calculations in accordance with the international GHG Protocol. Previously, a Russian methodology was used. The Company expanded the scope of organizations and operations covered by emission measurement and made its first disclosure relating to indirect energy and other

indirect GHG emissions. Previous years' results were adjusted for the sake of comparability.

In 2019, Scope 1 and Scope 2 GHG emissions for the Group in accordance with the GHG Protocol amounted to 49.1 million tonnes of CO₂ equivalent, 3.0 percent below the 2017 base. A decrease in GHG emissions from controlled sources amid an increase in production was mainly achieved thanks

to measures put in place to ensure efficient APG use and enhance energy efficiency.

In 2020, Scope 1 and Scope 2 GHG emissions for the Group amounted to 45.2 million tonnes of CO₂ equivalent, down 7.9 percent year-on-year. The decrease is mainly attributable to the pandemic-related decline in production.

Group-wide GHG emissions from controlled sources, million tonnes of CO₂ equivalent

	2017	2018	2019	2020	Change 2020/2019, %	Change 2019/2017, %
Total	50.6	49.3	49.1	45.2	-7.9	-3.0
By geography						
Russia	43.1	42.0	41.5	38.5	-7.2	-3.8
International projects	7.5	7.2	7.6	6.7	-12.0	1.4
By scope						
Scope 1	41.8	40.9	40.7	38.3	-5.9	-2.6
Scope 2	8.8	8.4	8.4	6.9	-17.9	-5.1

The data was calculated according to the GHG Protocol. Previous years' results were adjusted to reflect the change in methodology in 2020

In 2020, per unit emissions amounted to 21.8 kg of CO₂ equivalent per barrel of oil equivalent, down 1.9% year-on-year. In 2019, per unit emissions amounted to 22.2 kg of CO₂ equivalent per barrel of oil equivalent (5.5 percent below the 2017 base), below the 2017 base, with the reduction mainly attributed to decreased flaring and reduced energy consumption.

LUKOIL holds a leading position among the international private oil and gas companies with the lowest GHG emissions per unit (Scope 1 and Scope 2) in the Exploration and Production segment.

ENVIRONMENTAL PROTECTION

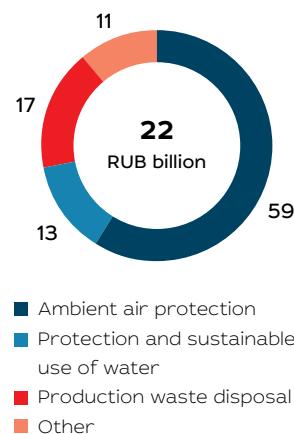
We are highly aware of our social responsibility to preserve the environment and use natural resources sustainably, conform with the highest environmental protection standards, and strictly comply with the national legislation of the countries in which we operate.

ENVIRONMENTAL EXPENDITURES

LUKOIL's environmental spending totaled RUB 22.4 billion in 2020, of which capital expenditures were RUB 17.8 billion. The Group's Russian entities accounted for RUB 19.4 billion; international entities spent RUB 3.0 billion. The biggest item in the reporting year was ambient air protection (RUB 13.3 billion, including LUKOIL Group's Efficient APG Use Program for 2020–2022).

The 37.5 percent decrease in total environmental spending vs. 2019 was attributable to a reallocation of some of the emergency prevention and response expenses (including those to increase pipeline transport reliability) from the environmental safety program to the industrial safety program. At the same time the overall expenditures under these programs grew by 12 percent to RUB 53 billion.

Environmental expenditures (capital and operating) in 2020, %



WATER

The Company is committed to sustainable use of water and preventing water pollution. We use circulating supply and also reuse water and build, renovate and retrofit water and wastewater treatment facilities.

In 2020, water withdrawal and consumption reduced by 12 percent and 11 percent, respectively, mainly due to

lower hydrocarbon production amid external limitations under the OPEC+ agreement. Around 52 percent of our water consumption for operational needs is used in industrial processes in power and heat generation, and approximately 11 percent is utilized for formation pressure maintenance systems.

Wastewater discharge shrank by 15 percent on lower withdrawal and consumption, with an additional positive effect from the treatment facilities launched at the Yaregskoye field and decreased polluted discharges in the Komi Republic by a factor of 10 (to 43 thousand cubic meters) as a result.

Water consumption by Group entities , million cubic meters

	2018	2019	2020	Change 2020/2019, %
Total water withdrawal,	450	694	610	-12
Russia	429	441	394	-11
International projects	21	253	216	-15
Total water consumption for operational needs,	375	609	544	-11
Russia	355	358	329	-9
International projects	20	251	215	-14
Total water discharge,	353	568	480	-15
into seas or surface water bodies or onto land	229	438	350	-20
including contaminated (untreated and insufficiently treated) wastewater	0.9	11.6	8.8	-24
Russia	338	345	293	-15
International projects	15	223	187	-16

In 2019, the reporting boundaries were extended. For more details on how these boundaries changed in 2018–2019 and comparative data, see the Sustainability Report for 2019



BIODIVERSITY CONSERVATION

Preserving biodiversity is one of LUKOIL's priorities. LUKOIL has been implementing a biodiversity conservation program for its production facilities in the Russian Arctic Zone, including the annual monitoring of environmental components. We are involved in artificial reproduction of aquatic bioresources, having released 9.87 million young fish worth RUB 254 million roubles into water bodies in 2020.

In 2015, an agreement with WWF Russia entered into force, giving rise to a roadmap for joint projects that is revised and approved every two years. Another cooperation agreement, with the Ministry of Natural Resources and Environment of Russia, was concluded in the reporting year to advance the federal project for Conservation of Biological Diversity and Development of Ecotourism (part of the national Ecology project) by extending LUKOIL's Biodiversity Conservation Program to include a plan for protecting and reintroducing saiga antelopes.

 For more details on the Company's efforts to preserve biodiversity, see our sustainability reports or visit our website



AMBIENT AIR PROTECTION

LUKOIL works to minimize its air pollutant emissions, the bulk of which are generated by Russian oil and gas producing entities and the power generation segment (mainly as a result of APG flaring or burning fuels to produce heat or electricity). In the reporting year air pollutant emissions across the Group decreased by 8 percent to 395 thousand tonnes, while APG flaring reduced by 11 percent to 276 million cubic meters on lower hydrocarbon production amid external limitations under the OPEC+ agreement and due to LUKOIL Group's Efficient APG Use Program.

Air impact across the Group

	2018	2019	2020	Change 2020/2019, %
Air pollutant emissions by the Group's Russian entities , thousand tonnes	451	429	395	-8
Russia	433	402	376	-6
International projects	18	27	19	-30
Gas flaring, million cubic meters	328	310	276	-11
Russia	313	299	269	-10
International projects	15	11	7	-41

In 2019, the reporting boundaries were extended. For more details on how these boundaries changed in 2018–2019 and comparative data, see the Sustainability Report for 2019

PREVENTING LAND POLLUTION

LUKOIL has implemented a robust system to improve the reliability of its oil-field and trunk pipelines based on federal laws, rules, and standards and its own local regulations. This system covers all management levels from senior executives to the relevant units at LUKOIL Group entities. A higher reliability is achieved through a holistic approach encompassing technical evaluations, renovations, cleaning, major repairs, the use of corrosion inhibitors, and expert reviews to ascertain industrial safety. We also prepare our

pipelines for floods and the fall-winter season, including proactive inspections to address potential oil spills, and more frequent check-ups. Sections that might become exposed to snowmelt or rain are checked most carefully. Once a year, the Company evaluates the effect of measures taken, with corporate supervision in place to ensure compliance with federal and industry requirements. Spill Prevention, Control, and Countermeasure Plans have been developed for all facilities at risk of oil spill emergencies.

In 2020, this reliability system helped reduce the pipeline failure rate¹ across the Group's Russian entities to 0.063 per km, extending the previous years' declines. Contaminated land, however, expanded in the reporting year due to the 2019 incident in the Republic of Komi.

 See the Health and Safety section on page 66

¹ A pipeline failure means a failure of performance associated with a sudden total or partial shutdown of the pipeline due to compromised airtightness of the pipeline itself or shut-off and control valves or a blockage of the pipeline. Such a failure does not always entail a spill of crude oil, petroleum products, or formation water, or a gas leak. Rates are based on the total length of pipelines (oil, gas, and water pipelines).

Land impact across the Group's Russian entities

	2018	2019	2020	Change 2020/2019, %
Contaminated land as at December 31, hectares	59	43	135	218
Rehabilitated land, hectares	50	57	44	-23
Oil-containing fluids spilled, tonnes	32	16	43	169
Material oil spills	0	0	3	-
Pipeline failures per km	0.092	0.082	0.063	-23
Annually replaced pipelines, % of total length	2.5	2.4	2.3	-4
Pipelines with anti-corrosion coating, %	27	30	31	3

Material spill is an accident involving a spill of over 10 tonnes of oil-containing fluids (or less in case of water spill if pollution exceeds the legally established allowable standards).

PRODUCTION WASTE MANAGEMENT

In waste management, LUKOIL prioritizes maintaining its disposal-to-generation ratio at 1 to prevent waste accumulation and has been able to do so for many years. The key measures include using advanced technologies to reduce waste generation, storing waste at special up-to-date facilities, and disposing it expeditiously.

In 2020, waste generation added 22 percent, mostly on higher production drilling volumes in the Republic of Komi and increased construction waste at the Nizhny Novgorod and Volgograd refineries.

Pre-privatization waste across the Group was reduced by 9 percent year-on-year to 549 thousand tonnes via implementation of a number of

projects. The Volgograd Refinery disposed of such waste altogether, completing in a reporting year a 17-year project to process more than 921 thousand cubic meters of old oily sludge. As a result, annual air pollutant emissions were cut by 1.5 thousand tonnes, with a large part of the site cleared of treatment facilities and restored to its original state.

Waste management at Group entities

	2018	2019	2020	Change 2020/2019, %
Waste generation, thousand tonnes	1,556	1,783	2,178	22
Russia	1,529	1,672	1,960	17
Hazardous waste (hazard classes I to III), %	3	15	16	7
International projects	27	111	218	96
Waste disposal, thousand tonnes	1,582	1,751	2,217	27
Russia	n/a	1,642	2,000	22
International projects	n/a	109	217	99
Waste disposal-to-generation ratio	1.0	1.0	1.0	-
Pre-privatization waste as at December 31, thousand tonnes	666	602	549	-9
Russia	269	223	184	-17
International projects	397	379	365	-4

In 2019, the reporting boundaries were extended. For more details on how these boundaries changed in 2018–2019 and comparative data, see the Sustainability Report for 2019

PERSONNEL

A strong and stable corporate culture and clear corporate values are at the heart of LUKOIL Group's HR policy. All elements of the HR Policy are structured to ensure best use of the workforce and to ensure maximum flexibility for the Company amid the rapidly changing market environment.

To facilitate this, there are planning and budgeting processes in place that enable the workforce to be most productive and efficiently reallocated through insourcing as well as flexible recruitment, professional training, and development of talent.

As the Strategic Development Program of LUKOIL Group for 2018–2027 is aimed, among other things, at improving the Company's operational efficiency, our talent management strategy is focused on boosting labor productivity through business process digitization and automation, as well as upgrading employee capabilities.

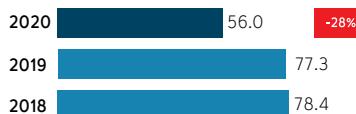
In 2020, a resolution was passed to build out a service model and establish service subsidiaries. This will improve the corporate structure and governance system of LUKOIL Group while helping achieve business goals, boost productivity and cut costs. Routine functions are being transferred from LUKOIL's Corporate Center to these service subsidiaries.

In 2020, the Group's average headcount was 100.8 thousand employees, down 1 percent year-on-year as a result of reorganization and the divestment of LUKOIL-INFORM. Revenue per employee decreased by 28 percent to RUB 56 million due to the lower overall revenue of the Group in 2020. Employee turnover went down by 0.8 percentage points year-on-year to 6.7 percent.

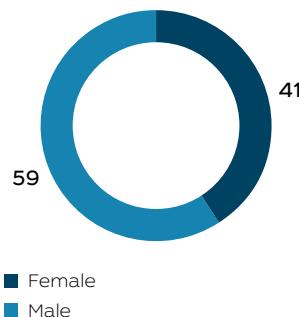
PERSONNEL ROTATION

LUKOIL rotates its management personnel. Based on a pre-determined schedule, management personnel rotates from one entity to another, or to a different region or business sector. This generates more opportunities for them to realize their potential, gain a broader perspective, work in different conditions, and hence be more flexible in adapting to changes at the Company. Additionally, rotation promotes best practices and exchange of fresh ideas and knowledge, which ends up making the Company more efficient. In 2020, 112 people worked in rotations.

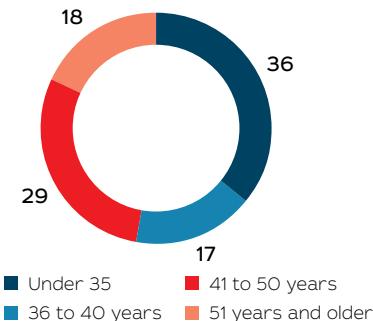
Revenue per employee, RUB million



Personnel by gender as at December 31, 2020, %



Personnel by age as at December 31, 2020, %

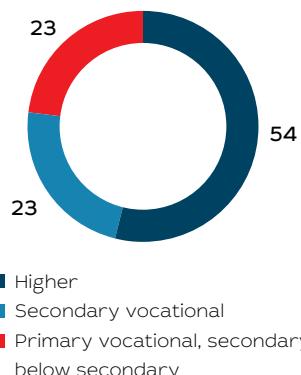
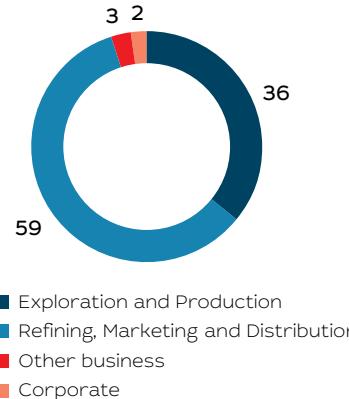
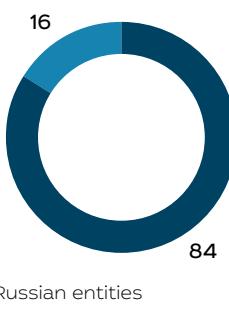


MENTORING

To fast-track the acclimation of incoming employees and to facilitate the development of young professionals, the Company has been running the institute of mentorship since 2008. This mechanism aids career advancement, professional and personal growth, productivity, as well as knowledge and experience sharing. Mentorship continues from anywhere between three months to one year. After being mentored, employees demonstrate higher quality of work and more efficient time management, and also cause fewer mistakes and accidents.

Personnel by job type as at December 31, 2020, %



Personnel by education level as at December 31, 2020, %**Personnel by segment as at December 31, 2020, %****Personnel by geography as at December 31, 2020, %**

TALENT MANAGEMENT

In December 2020, the Board of Directors approved PJSC LUKOIL's Human Capital Management Policy, which details the employee incentive and remuneration management system. The policy is based on LUKOIL Group's business strategy and serves as a tool to manage risks and respond to current challenges. Its strategic

objective is the achievement of sustainable development goals through enabling accelerated development of employees, giving care and attention to each team member and their competencies, and fostering a favorable organizational environment conducive to self-improvement.

The full text of the Human Capital Management Policy of PJSC LUKOIL is available on the Company's website



INCENTIVE SYSTEM

The Company employs various incentives to boost staff performance and productivity, as well as motivate employees to achieve corporate goals. LUKOIL accounts for each employee's contribution and makes sure to provide fair remuneration for results achieved.

Total remuneration is made up of financial and non-financial incentives. Financial incentives are split into direct (fixed component – base salary and additional payments; variable component – short-term and annual

bonuses, long-term incentive program) and indirect (social benefit programs and additional benefit programs ones). Non-financial incentives include state, ministerial and corporate awards, such as certificates of merit and letters of gratitude.

Top managers are remunerated according to the Regulations on PJSC LUKOIL Management Remuneration and Incentive System

Staff performance assessments are carried out annually and are designed to motivate employees to improve their productivity and performance, strengthen their accountability, and encourage initiative. Performance assessments are carried out by employees' immediate supervisors based on self-assessment and an expert assessment, if applicable. Both specialists and managers are assessed.

[Regulations on PJSC LUKOIL Management Remuneration and Incentive System](#)



For more details on top management remuneration, see the Top Management Remuneration System section on page 116

MANAGING PERSONNEL AMID THE COVID-19 PANDEMIC

During the spread of the coronavirus, LUKOIL was able to maintain production continuity while making sure to take all the required anti-virus measures. To curb the spread of the coronavirus infection, the Company moved employees to working from home, providing the necessary technological support in the process. The number and categories of employees who switched to remote work was different based on sanitary and epidemiological situation in the regions. The Company took action to move shift change timelines while arranging testing and observing quarantine, along with measures to ensure self-isolation of employees who had been in contact with those infected with the virus. The Company also introduced mandatory social distancing, provided employees with personal protective equipment, and arranged temperature checks. To make working from home more efficient, the Company held 27 webinars via its corporate app which were dedicated to setting up work from home, time management, self motivation, mental health during self-isolation, eliminating stress in remote work, and developing communication skills.

EMPLOYEE DEVELOPMENT SYSTEM

The Company has a continuous training system in place to provide its personnel with all the necessary knowledge and skills to meet existing and new business objectives. Employee development is based on annual professional development plans.

Professional Training Days are held twice a year for all managers of the Group entities to discuss the most pressing matters. In 2020, topics discussed included management of personal and corporate safety risks during the pandemic, digitalization, environmental safety, and adaptation to new working conditions.

In order to perform its employee training, the Company uses workshops, seminars, trainings, secondments, professional development and retraining programs, as well as professional training days. In 2020, 80 thousand employees completed training (or 79 percent of the average headcount) for a total of 585 thousand person-courses.

LUKOIL has a distance learning system that helps to optimize compulsory training costs. The Group has 57 entities connected to the system with more than 95 thousand users. More than 472 thousand training courses were taught in 2020, including over 26 thousand courses on health and safety and over 14 thousand courses on civil defense and protection against disasters. Training time exceeded 5 million hours.

We also deployed a Corporate Knowledge Management System (covering around 13 thousand employees) to improve operational efficiency and drive innovation from within the Group. This framework helps to capture and disseminate best practices, ensure effective communications, and jointly explore and address common operational problems.

YOUNG TALENT

Work with young employees and professionals is one of the key areas of the Human Capital Management Policy of PJSC LUKOIL that ensures continuity in management and operations. The Company has Councils of Young Professionals and hosts R&D competitions and conferences. In 2020, all events were held online. We organize the Best Young Professional of the Year contest to encourage the activity of young talent, help unlock professional and creative potential, and improve motivation. Winners are entitled to a lump sum bonus and a salary supplement that remains valid for one year. They may also be included in the talent pool and secondment schedules. In 2020, 41 young professionals were rewarded through the contest.

TALENT POOL MANAGEMENT

Building our talent pool ensures the continuity of management. The grounds for being added to the talent pool include employee performance, professional and business qualities, and potential for managerial tasks. Employees included in the talent pool undergo regular training in management and corporate skills in line with their development plans. Following the approval of the Human Capital Management Policy in 2020, we have

been working on a new succession methodology, including, among other things, talent pool management.

DIVERSIFICATION

In implementing its HR Policy, LUKOIL is guided by the principles outlined in the conventions of the UN and the ILO. LUKOIL has zero tolerance for any form of discrimination and provides equal opportunities to all its employees.

To facilitate employment opportunities for people with disabilities, LUKOIL have local regulations in place on job quotas for disabled persons. The quota is on average 2 percent to 3 percent of the Company's average headcount and is set up in line with regional laws of Russian Federation. Special working conditions, benefits, and guarantees are provided for disabled employees, including shorter working hours for the full salary, and longer annual leave.

SOCIAL POLICY FOR EMPLOYEES

Our social policy is governed by the Social Code of PJSC LUKOIL, the Agreement between the Employer and the Trade Union Association of Public Joint Stock Company "Oil Company "LUKOIL" for 2015–2020, collective bargaining agreements, and other internal regulations on social policy. LUKOIL

also pursues an extensive social policy offering a variety of guarantees and privileges to which all employees of the Group entities are entitled. Collective bargaining agreements cover 96 percent of the employees at our Russian entities and 51 percent of employees at our international entities.

Total 2020 expenditures for social programs for employees, members of their families, and non-working retired employees amounted to about

RUB 17 billion.

Expenses on internal social support for employees, RUB billion

	2018	2019	2020
Total	16.9	17.4	16.7
Social benefits from payroll	8.5	9.3	8.7
Includes one-off entitlements to annual leave, allowances for housing rental and meals, lump sum incentive payments and sick leave allowances above the statutory minimum			
Other social benefits and guarantees	8.4	8.1	8.0
Includes contributions under voluntary health insurance and accident insurance agreements, coverage of travel expenses, severance payments, coverage of services provided by healthcare facilities, payments for vacation packages and compensations for treatment and leisure, one-off financial assistance, coverage of children's gifts expenses, temporary disability, maternity, childbirth and parental leave allowances, payments to Otkritie Non-State Pension Fund, housing expenses and financial support to non-working retirees.			

BUSINESS ETHICS

LUKOIL's corporate values are the cornerstone of its activities and help ensure commitment to the highest ethical standards, including strict adherence to respect of human rights, full legislative compliance, and zero tolerance for any form of corruption.

Our core principles and approaches in business ethics, human rights and stakeholder engagement are set forth in the Code of Business Conduct and Ethics of PJSC LUKOIL. The Code is a compilation of individual and collective behavior standards and rules regulating the moral and ethical aspects of the internal relations across teams and describing requirements and expectations for ethical business practices in dealing with external parties.

The provisions of the Code are aligned with the UN and ILO conventions on ethical business conduct. The Code is included into the mandatory written orientation materials for new hires. The Code compliance is also routinely reviewed at corporate events, including with top management participation, and during the Professional Training Days for managers of the Group entities. The importance of employees' compliance with the Code is brought to the notice of HR departments at their annual meetings.

Employees can discuss business ethics and human rights matters with entity-level HR departments and with independent trade union organizations. To ensure compliance with the corporate business ethics standards, including respect for human rights, the Business Ethics Commission was set up, chaired by LUKOIL's President. Any employee (including from international entities) can approach Company management. Other stakeholders can liaise with the Business Ethics Commission using the contact phone numbers listed in the Whistleblowing section of the Code of Business Conduct and Ethics. LUKOIL accepts anonymous reports that may be submitted via communication channels available on a 24-hour basis (email, call in hotline).

All reports are investigated, including with the involvement of the employer entity and, if necessary, a trade union representative. The reporting individual is always kept informed about the progress and the outcome of their complaint. If any breaches of the law or corporate policies are established, the incident is raised with the manager, recommendations for remediation are made, and a feedback channel is established with the reporting individual.

The Business Ethics Commission registered nine reports in 2020. All of them were reviewed within two weeks. In each case, measures were taken to prevent negative situations from escalating. Several of the reports were of a

purely informative nature. For example, a filling station team submitted their proposals on changing the system of remuneration for employees of filling stations. In 2020, LUKOIL did not receive any complaints concerning corruption, violations of the rights of indigenous minorities of the North by the Company or violations of human rights, including with regard to human right breaches committed by contractors working at the Group's facilities.

 The full text of the Code of Business Conduct and Ethics of PJSC LUKOIL is available on the Company's website



 See the Reference Information section for contact information regarding business ethics issues on page 139

The Company's key principles and approaches to social responsibility are described in the Social Code of PJSC LUKOIL.

 The full text of the Social Code of PJSC LUKOIL is available on the Company's website



ANTI-CORRUPTION MEASURES

In 2020, the Board of Directors approved the Anti-Corruption Policy of PJSC LUKOIL (the "Policy") in order to consolidate corporate anti-corruption practices. The Policy's approval was an important milestone in improving the Company's corporate culture and enhancing responsible business practices.

It was developed on the basis of Russian and international laws in line with the recommendations of the Corporate Governance Code and global best practices. It establishes the

principles, key elements and activities to prevent and combat corruption and ensure compliance with anti-corruption laws by the Company and its counterparties. The Board of Directors of the Company exercises control over compliance with the Policy.

LUKOIL has launched a 24/7 Whistleblowing Hotline to report violations of anti-corruption laws. Any employee, counterparty and other stakeholder can report corruption-related issues via anticorruption@lukoil.com in Russian

and English, as well as in any national language of the countries where LUKOIL Group operates.



The full text of the Anti-Corruption Policy of PJSC LUKOIL is available on the Company's website



PREVENTING ABUSE AND FRAUD BY COMPANY EMPLOYEES

Pursuant to the Corporate Security Policy of LUKOIL Group, abuse of official position, fraud and a conflict of interest are recognized as internal threats to the security of the Company. These are defined as intentional or unintentional actions by employees causing financial, economic, material, reputational, or other damage to LUKOIL Group entities.

To ensure compliance with the requirements of the Code of Business Conduct and Ethics of PJSC LUKOIL and establish a uniform procedure for preventing conflict of interest situations, as well as eliminate the negative impact of any actual conflict of interest situation on the process and results of the Group's operations, the Management Committee adopted the Regulations on the Actions of LUKOIL Group Entities and Their Employees in Conflict of Interest Situations. Compliance with these Regulations is mandatory for all employees at Group entities.

In line with recommendations set out in the Corporate Governance Code, the Company's corporate governance system has been enhanced with a set of preventive and control procedures designed to prevent abuse of official positions, conflict of interest situations and other violations.

Upon discovering indications of unlawful behavior, abuse, or conflicts of interest, official investigations and, if necessary, additional measures are carried out to identify the root causes and circumstances of violations committed.

A conflict of interest situation is assessed through industry (line) and functional internal control and during audits carried out by the Internal Audit Service of PJSC LUKOIL. The facts and risks of negative implications of conflicts of interest identified through internal control and internal audit are

duly reported to LUKOIL's President and, if necessary, to the Business Ethics Commission.

To avoid conflicts of interest, members of the Management Committee need approval of the Board of Directors to be able to hold several positions.

LUKOIL's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct, and the Company's management is invited to attend guidance meetings. Key executives of LUKOIL Group entities and employees of corporate security units are examined annually for the knowledge of methods to identify and respond to conflict of interest situations.

The distribution of functions related to organizing preventive measures, identifying and preventing ethical standard violations, corporate fraud and corruption

Members	Functions
Business Ethics Commission	Supervision of corporate ethical business relations and implementation of the standards and rules of the Code of Business Conduct and Ethics of PJSC LUKOIL and the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations
Internal Audit Service	Audits and audit consulting which include: <ul style="list-style-type: none"> • Assessment of the reliability and efficiency of the risk management, internal control and corporate governance systems at LUKOIL Group entities • Organization and monitoring of the implementation of action plans to eliminate gaps and irregularities and enhance risk management, internal control and corporate governance systems at LUKOIL Group • Identification of the reasons, conditions and circumstances which led to such gaps and irregularities, with an assessment of their consequences and risks
Internal Control Department	<ul style="list-style-type: none"> • Overall coordination of the Company's activities to improve and develop the Internal Control System (ICS) • Development of corporate standards of, and requirements to, the ICS, aimed at: <ul style="list-style-type: none"> - Preventing (mitigating) opportunities of corporate fraud related to the misrepresentation of financial statements, and illegal use of resources or assets, during risk identification and assessment - Providing for the separation of functions, authorities and duties in control procedure development, which should reduce the risk of ill-intentioned avoidance of control procedures by employees in order to engage in corporate fraud or corrupt activities • Supervision of corporate standards of, and requirements to, the ICS, through: <ul style="list-style-type: none"> - Analyzing regular reports from LUKOIL's business units and subsidiaries on the results of internal control monitoring, identified violations and shortcomings of the internal control and response measures - Reviewing LUKOIL's draft regulations brought up for approval by its governance bodies
Corporate Security Department	Coordination of LUKOIL Group's activities to ensure economic and internal security, and implementation of expert, analytics and inspection measures at the following stages: <ul style="list-style-type: none"> • Bidding and contract signing • Reviewing candidates for positions at LUKOIL • Rotating and appointing managers

During these activities, we carry out a risk assessment to identify potential conflict of interest situations or abuse by employees. Should a risk be identified, we notify the head of the relevant business unit who will review the risk and make a decision on its mitigation

For the past six years, the Company has prepared annual Reports on Payments to Governments pursuant to foreign laws applicable to PJSC LUKOIL as an issuer of publicly traded securities listed on the London Stock Exchange. These reports serve to increase the transparency of payments made by companies from extractive industries and may be helpful to different groups of stakeholders.

 PJSC LUKOIL's Reports on Payments to Governments are available on the Company's website



HUMAN RIGHTS

LUKOIL embraces and respects fundamental human rights and is committed to the fundamental principles of the Universal Declaration of Human Rights in its activities. These include employee equality and prohibiting any form of forced or child labor, discrimination, or degrading or humiliating treatment. We comply with the statutory working hours applied in our countries of operation, while being committed to promoting the development of employees, maintaining an effective employee remuneration system, offering equal pay for equal work. Our commitments under the UN Global Compact apply to all regions and activities of the Company.

We also encourage all organizations we work with to support and respect human rights. When signing agreements with contractors and during their performance of contracted works or services, the relevant units of the Company audit their compliance, including with human rights laws and regulations. If any breaches are identified, we suspend all engagements with the counterparty until these breaches are remedied, or terminate engagement if they are not.

LABOR RIGHTS COMPLIANCE MONITORING

HR audits are a tool to monitor employee labor rights compliance. These are conducted by our HR team, either separately or together with the Internal Audit Service of PJSC LUKOIL. This type of monitoring looks at compliance of the Company's regulations and policies with labor laws. The audit looks at having proper employment contracts in place, employee pay and incentive arrangements, employee personal data protection, and provision of compensations and guarantees.

CONTRIBUTION TO SOCIETY

Being aware of our responsibility to the communities of which we are a part, LUKOIL maintains a regular dialogue with stakeholders and implements targeted programs taking into account cultural and historical specifics of the regions and countries where it operates.

The Company outlines the following categories of stakeholders:

- Shareholders and investors
- Employees and trade unions
- Local communities
- Suppliers and contractors
- Customers
- Federal and local legislative and executive authorities

Social and charitable initiatives are a part of our corporate strategy supporting productive cooperation with regions, the business community and society. Each initiative is tailored to its specific region and leverages the expertise and human capital available in the area. LUKOIL supports numerous social projects in its operating regions in Russia and abroad every year and helps address the economic issues of local communities while supporting their culture, sports, research, educational, environmental and health initiatives.

In selecting charity recipients, we favor civic initiatives aimed at fostering economic growth and social stability in our operating regions. LUKOIL's corporate philanthropy is structured around these values. Significant projects supported by LUKOIL are run through social partnerships with Russian regions.

We also support projects aimed at developing local communities, such as support for vulnerable groups, children, and youth, the conservation and development of cultural and historic heritage sites, funding local cultural, educational and sports organizations, supporting socially significant research and campaigns, and participating in charitable events.

We carry out social research and questionnaires, whereby local residents in our operating regions are surveyed to ensure effective project planning and then we assess project performance. We also hold meetings with the administrations of municipalities to discuss the efficient implementation of our cooperative agreements, establish joint working groups, regularly monitor the social and economic environment in these regions and survey local residents in our operating regions.

Expenses on external social support in 2020, %



Our social investments focus on charitable programs in education, culture, sports, environment, and implementation of socially significant initiatives of local communities.

In 2020, LUKOIL implemented a number of large-scale projects in the regions of operation. The Uray Arena sports complex with a total area of 2 thousand square meters opened in Uray. The complex was built entirely with the Company's donations. Neftegrad, a large-scale project for the construction of children's interactive playgrounds, was implemented in 11 Russian cities.

The concept of the facilities involves introducing children to the oil and gas industry in the form of a game. The elements of the playgrounds represent an offshore oil production platform, an oil refinery, a gasoline truck, etc.

For more details on the projects and results of the external social policy, see our sustainability reports



EXTERNAL SOCIAL SUPPORT DURING THE COVID-19 PANDEMIC

Since the outbreak of the COVID-19 pandemic, LUKOIL has been providing support both in Russia and abroad in areas of operation, helping to treat patients and combat the spread of the infection. In 2020, we provided assistance to 24 regions of Russia and 14 countries in multiple areas, including purchase of medical equipment, medicines, protective suits for doctors, disinfectants and other personal protective gear, as well as modernization of medical facilities. The Company provided free refuelling for vehicles of state-funded healthcare institutions in the regions of its operations, supported World War II veterans and disabled people, and schoolchildren from low-income families.

For more details on the external social support during the COVID-19 pandemic, see our sustainability reports.

Around RUB 1 billion – expenses on external social support during the COVID-19 pandemic

RESPONSIBILITY TO CUSTOMERS

LUKOIL has an extensive network of filling stations in 19 countries around the world. The Company's top priority is to ensure the highest standards of product and service quality, and maintaining our customers' loyalty. To this end, the quality of fuel sold is monitored at all stages of production, transportation and sales. Metrological performance is regularly monitored at filling station dispensers, and the required accuracy of petroleum product dispensing is ensured. The LUKOIL filling station loyalty program "Fill up with Profit" and the mobile app "LUKOIL Filling Stations" are available to motorists. By the end of 2020, the number of mobile app users reached more than 4 million. A number of measures are being implemented to improve the quality of service, including development of feedback mechanisms in the mobile app,

monthly analysis of incoming requests, control over compliance of filling station personnel with customer communication guidelines, regular training and development courses for all categories of filling station personnel and among others improvement of customer communication in the mobile app.

During the COVID-19 pandemic, the safety and protection of customer health was our absolute priority. In order to mitigate the risk of COVID-19, at our filling stations we installed protective screens, used social distance warning tapes, and regularly treated premises and work surfaces with antiseptics. The filling stations were equipped with informational materials promoting the use of contactless payments and safety precautions. Filling station employees

were given with face masks, gloves and hand sanitizers. Personal protective equipment was also provided for sale at the Group's filling stations.

TRUST RATING LEADERSHIP

In 2020, the Company secured the leadership in trust and awareness ratings among the largest fuel sellers in the Russian market. The rating is compiled by Romir using the international GRI methodology. The research showed that LUKOIL's trust index reached 84 percentage points in 2020 (the difference between the share of respondents' positive and negative evaluations).

INTERACTION WITH LOCAL COMMUNITIES IN THE REPUBLIC OF KOMI

We engage with local communities in the Republic of Komi on a regular basis. In 2020, the Company continued the practice of public hearings and meetings with the residents (Ust-Usa and Novikbozh villages) to inform them about construction and infrastructure development of oil production facilities, which helped establish an effective dialog with the local residents.

The local people can get in touch with the Company by sending a letter to LLC LUKOIL-Komi mailing address, or via email, social media or call in hotline, as well as during public hearings, community outreach initiatives and management meetings with local people.

In 2020, the hotline received 14 inquiries regarding environmental safety and ecological issues. Upon examination of the inquiries, no violations of environmental safety standards were identified, and the applicants were informed of the actual status of the Group's facilities.

GOVERNMENT RELATIONS

LUKOIL is involved in developing a modern, robust and efficient government regulatory framework through a public consultation process on draft regulatory documents.

In 2020, upon monitoring lawmaking initiatives, the Company submitted proposals on 364 draft regulations affecting the interests of the Group to the federal authorities of the Russian Federation. These focused primarily on climate change issues, as follows:

- Long-term low-carbon development strategy of the Russian Federation until 2050
- Energy Strategy of the Russian Federation until 2035
- Draft Federal law "On Limiting Greenhouse Gas Emissions"

- Draft Federal law "On Amending the Federal Law On the Electric Power Industry and Certain Legislative Acts of the Russian Federation in Connection with the Introduction of Low-Carbon Certificates"
- Draft Order of the Ministry of Natural Resources and Environment of the Russian Federation "On Amending the Methodological Guidelines for the Quantification of Indirect Energy Emissions of Greenhouse Gases, approved by Order No. 330 of the Ministry of Natural Resources and Environment of Russia dated 29.06.2017"
- Draft Order of the Ministry of Economic Development of Russia "On Approval of Methodological

Recommendations and Target Indicators for Adapting to the Climate Change"

In addition, in response to government authorities' requests, the Company submitted its position on state support measures to reduce greenhouse gas emissions, carbon border tax mechanisms, and support for export of hydrogen for power generation. As part of its work in the RSPP Committee on Climate Policy and Carbon Regulation in 2020, the Company contributed to preparing RSPP's position on compliance with the Paris Agreement and the effects of carbon border adjustment mechanisms.

CORPORATE GOVERNANCE

An efficiently functioning corporate governance system is an important factor for sustainable development and successful implementation of the Company's strategy to build shareholder value.

The Company has an advanced corporate governance system based on international standards of corporate conduct and business ethics, Russian law, the Listing Rules of the Moscow Exchange and the principles of the Corporate Governance Code recommended by the Bank of Russia (hereinafter, also the "Code").

LUKOIL's corporate governance system is based on the following key principles:

- Observance of the rights and interests of shareholders, investors, and other stakeholders
- Consistent and collegial decision-making
- Proactivity and professionalism of the members of governance bodies
- Stable and transparent Dividend policy
- Information openness and transparency
- Prompt response to external challenges

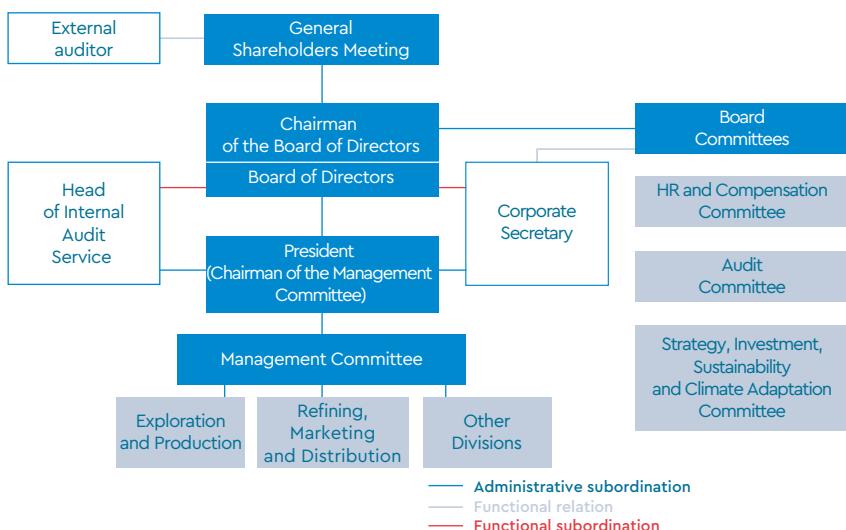
- Zero tolerance for any form of corruption
- Adherence to ethical standards
- Corporate social responsibility



The internal documents regulating corporate governance principles, practices and specific procedures are available on the Company's website at



CORPORATE GOVERNANCE STRUCTURE OF PJSC LUKOIL AS AT DECEMBER 31, 2020



Specific committees:

- Risk Committee
- Health, Safety and Environmental Committee
- Investment and Coordination Committee
- Tender Committee
- Major E&P Projects Committee
- Priority Refining and Distribution Projects Committee

PJSC LUKOIL's corporate governance system is shaped in line with the principles and recommendations outlined in the Corporate Governance Code, recommended by the Bank of Russia. The Code regulations take into account international corporate governance practice as well as the corporate governance principles developed by the Organization for Economic Co-operation and Development (OECD).

DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM

In 2020, we continued to improve our internal corporate procedures and practices and focused on the following areas.

- **The functions of the Board Strategy, Investment and Sustainability Committee were expanded.** In October 2020, the Strategy, Investment and Sustainability Committee was renamed the Strategy, Investment, Sustainability and Climate Adaptation Committee, and the new Regulation on this Committee was approved. The Board of Directors also put Leonid Fedun, a member of the Board of Directors and Vice President for Strategic Development, in charge of the Company's climate change activities.
- **The number of quasi-treasury shares was reduced to zero.** Pursuant to the decision of the Extraordinary General Shareholders Meeting of PJSC LUKOIL dated December 3, 2019 on reducing the Company's charter capital through acquisition of a portion of issued shares, the Company acquired 22.1 million ordinary shares from shareholders, thus reducing their

total number, and canceled these shares in February 2020. All shares (21.8 million) owned by the Company's 100 percent subsidiary LUKOIL SECURITIES LIMITED and purchased by this company on the open market as part of the buyback program were acquired and canceled. As a result, the number of issued ordinary shares in PJSC LUKOIL decreased to 692.9 million shares and the number of quasi-treasury share was reduced to zero.

- **The Anti-Corruption Policy of PJSC LUKOIL was approved.** Following the recommendations of the Corporate Governance Code and best practices, in July 2020, the Board of Directors approved the Anti-Corruption Policy of PJSC LUKOIL, which establishes the principles, goals, objectives, key elements and measures for preventing and combating corruption and compliance with anti-corruption laws of the Russian Federation, as well as foreign legislation and international guidelines.
- **The Human Capital Management Policy of PJSC LUKOIL was approved.** The Policy is the Company's key document in the

field of human capital management and applies to the Company, other LUKOIL Group entities, and their employees. Its main objective is the achievement of sustainability goals through enabling accelerated development of employees, fostering each team member's talents, and creating a favorable organizational environment.

- **A decision on conducting an external assessment of the Board's performance was made.** This decision was made to implement recommendations of the Corporate Governance Code. JSC KPMG was approved as an independent external consultant and engaged to conduct the assessment. The assessment was carried out in the first quarter of 2021.

As at the end of the reporting year, the Company fully or partially complied with all principles of the Code, having thus reduced the number of the non-complied principles to zero. The share of the Code principles that PJSC LUKOIL fully complied with rose to 77.2 percent from 73.4 percent in 2019. Accordingly, the share of the principles with partial compliance decreased to 22.8 percent.

Self-assessment by the Company of the corporate governance practices for compliance with the principles and recommendations of the Corporate Governance Code

Corporate guidance principles	Number of principles recommended by the Code	2019			2020		
		Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance
Rights and equal opportunities for shareholders in exercising their rights	13	10	3	-	12	1	-
Board of Directors	36	27	8	1	27	9	-
Corporate Secretary of the Company	2	2	-	-	2	-	-
Remuneration system for Directors, executive bodies and other key executives of the Company	10	8	2	-	8	2	-
Risk Management and Internal Control System	6	5	1	-	6	-	-
Company disclosures and information policy	7	6	1	-	6	1	-
Material corporate actions	5	-	5	-	-	5	-
Total score	79	58	20	1	61	18	-
	100.0%	73.4%	25.3%	1.3%	77.2%	22.8%	-

Code compliance is assessed using guidelines based on comparisons between LUKOIL's practices and detailed Code recommendations. Compliance with a paragraph of the Code is considered as partial if any single detailed recommendation in the paragraph has not been complied with. If none of the detailed recommendations in a paragraph have been complied with, the Company will be considered as noncompliant with the paragraph.

Statistics provided based on the Corporate Governance Code Principles and Recommendations Compliance Report.

The Company endeavors to continue developing its corporate governance to improve efficiency and sharpen its competitive edge.



For more details on the Corporate Governance Code compliance, see Appendix 1. Corporate Governance Code Principles and Recommendations Compliance Report.

GENERAL SHAREHOLDERS MEETING

The General Shareholders Meeting is the supreme governance body of PJSC LUKOIL and is responsible for making decisions on matters most crucial to the Company, including: approval of the Charter and other documents regulating the Company's activities, election of the Board of Directors members, approval of the Annual report and annual accounting (financial) statements, dividend payment (announcement), approval of the auditor, decisions on transactions or their future approval, etc.

The full list of matters falling within the authority of the General Shareholders Meeting is set out in Federal Law No. 208 FZ On Joint-Stock Companies dated December 26, 1995.

decided to hold the Annual General Shareholders Meeting by absentee vote in accordance with Article 2 of Federal Law No. 50-FZ dated March 18, 2020.



For more details, see the [Regulation on the Procedure for Preparing and Holding the General Shareholders Meeting of PJSC LUKOIL on the Company's website](#)



General Shareholders Meetings of PJSC LUKOIL held in 2020

Annual General Shareholders Meeting June 23, 2020

absentee voting

PJSC LUKOIL 2019 Annual Report and annual accounting (financial) statements were approved.

The resolution on dividend payment for 2019 was passed.

The new Board of Directors was elected.

Decision on remuneration and compensation of expenses to the members of the Board of Directors was made, and remuneration amounts for the newly elected members of the Board of Directors were established.

PJSC LUKOIL's independent auditor was approved.

An interested party transaction was approved.

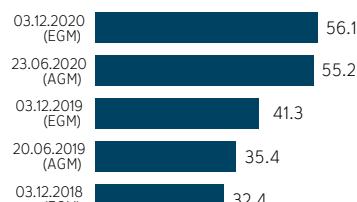
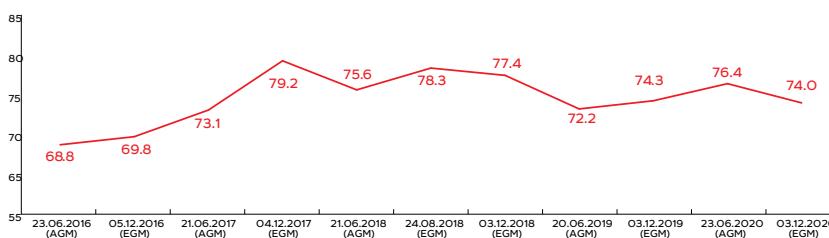
Extraordinary General Shareholders Meeting December 3, 2020

absentee voting

A resolution was passed on the dividend payment for nine months of 2020. A decision was made to pay a part of the remuneration to the members of the Board of Directors for the performance of their duties starting from the date of the decision on the election of the Board members until the date of the decision taken by the Extraordinary General Shareholders Meeting.

At the General Shareholders Meetings, shareholders demonstrated strong support for each resolution on the agenda items¹. Votes "in favor" on all agenda items ranged from 97.8 percent to 99.6 percent.

The share of shareholders who used electronic voting services in the total number of Meeting participants



Reports on voting results are available on the Company's website



Since 2017, the Company has been operating an electronic voting service, which in 2020 was used by more than 55 percent of the total number of shareholders who participated in general meetings. Due to the ease of use, this service gained particular relevance in the reporting year, when the Company held its general shareholders meetings in absentia due to restrictions related to the COVID-19 pandemic.

¹ Percentage of the number of votes by persons attending the General Shareholders Meetings and voting on respective agenda items (excluding the election of PJSC LUKOIL's Board of Directors).

BOARD OF DIRECTORS

The Board of Directors is responsible for general management of the Company, except for the matters reserved to the General Shareholders Meeting. The Board of Directors plays a crucial role in designing and developing the corporate governance system, ensures the protection and exercise of shareholders rights, and supervises executive bodies.

The Board's authority and formation process as well as procedures for convening and holding Board meetings are determined by the Charter and Regulations on the Board of Directors of PJSC LUKOIL.

 The Charter of PJSC LUKOIL and the Regulation on the Board of Directors of PJSC LUKOIL are available on the Company's website



The Board of Directors, in particular, is responsible for:

- Establishment of the Company's business priorities
- Convocation of Annual and Extraordinary General Shareholders Meetings and preparations for General Shareholders Meetings
- Formation of the Management Committee, the Company's collective executive body
- Approval of the Company's internal documents, excluding the internal regulations to be approved by the General Shareholders Meeting and the Company's executive bodies
- Approval of the Company's registrar and terms of the contract with the registrar and its termination
- Consent to transactions or subsequent approval of transactions in cases stipulated by law and the Company's Charter
- Decisions on appointment and dismissal of the Company's Corporate Secretary and Head of the Internal Audit Service

Consisting of 11 members, the Board of Directors is elected during the General Shareholders Meeting through cumulative voting, whereby nominees with the highest number of votes are elected to the Board of Directors.

 For more details on procedure for nominating candidates to the Board of Directors and their election, see the Charter of LUKOIL and the Regulation on the Procedure for Preparing and Holding the General Shareholders Meeting of PJSC LUKOIL on the Company's website



Meetings of the Board of Directors are held in person and in absentia according to the approved plan, and when necessary, but generally at least once every two months.

BOARD OF DIRECTORS' PERFORMANCE

In 2020, the Board of Directors held 20 meetings, including 8 in-person meetings and 12 meetings in absentia. Most of the matters were associated with corporate governance, and, in addition, close attention was also paid to matters of sustainable development.

In connection with the COVID-19 pandemic in 2020, a retreat for the Board of Directors scheduled to be held in Kaliningrad was canceled, the format of some meetings was changed from in-person to in-absentia, and the use of video conferencing at meetings of the Board of Directors was expanded.

Meetings

2020	8	12	20
2019	9	11	20
2018	8	11	19

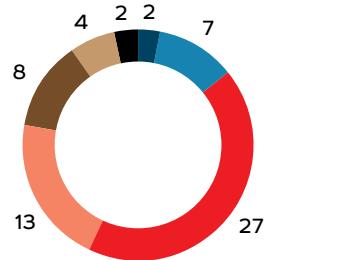
■ In person
■ In absentia

Matters discussed

2020	46	17	63
2019	47	18	65
2018	42	22	64

■ In person
■ In absentia

Matters discussed by the Board of Directors in 2020



■ Strategy
■ Finance
■ Corporate governance
■ Sustainable development
■ Approval of transactions
■ Local regulations
■ Other

Key decisions of the Board of Directors in 2020

Agenda and decisions	Initial review by the Committees of the Board of Directors
Corporate governance	
Decisions were adopted as part of preparing for the Company's Annual and Extraordinary General Shareholders Meetings; specifically, the Board of Directors proposed nominees for election to the Board of Directors on the Company's Annual General Shareholders Meeting	SISCAC, AC, HRCC
The reports on the submission of applications by shareholders of PJSC LUKOIL for the sale of their shares of PJSC LUKOIL and on acquisition of shares were approved for the purpose of cancellation of shares and reduction of the charter capital	
Functioning and improvement of the Company's Risk Management and Internal Control System was reviewed	AC
Independence of members of the Board of Directors of PJSC LUKOIL, including recognition of Victor Blazhev as an independent member of the Board of Directors was considered	HRCC
The Regulations on the Audit Committee of the Board of Directors of LUKOIL were amended and extended	AC
External (efficiency) assessment of LUKOIL's Board of Directors performance was discussed	HRCC
PJSC LUKOIL investor and shareholder relations were discussed	SISCAC
The Regulations on PJSC LUKOIL Management Remuneration and Incentive System were amended	HRCC
The Regulation on the HR and Compensation Committee of PJSC LUKOIL Board of Directors was amended and extended	HRCC
Strategy, operations and financial issues	
LUKOIL Group's preliminary results in 2019 and priorities for 2020 under the Strategic Development Program of LUKOIL Group for 2018–2027, as well as LUKOIL Group's results for the first half of 2020 and performance of the LUKOIL Group's Budget and the Investment Program for 2020 were discussed	
Key indicators of the LUKOIL Group Budget for 2021–2023 were approved	SISCAC
Recommendations were provided on the distribution of the Company's profits based on 2019 full-year results, on the amount of dividends on PJSC LUKOIL shares based on the results for full year 2019, and on the dividend payment procedure	SISCAC
Amount of dividends on PJSC LUKOIL shares for the first nine months of 2020 was discussed	SISCAC
Petrochemicals and gas chemicals industry development program was discussed	SISCAC
Building up the Company's resource base was discussed	SISCAC
Sustainable development, technology, innovation	
Renaming the Strategy, Investment and Sustainability Committee of the Board of Directors as the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors was discussed. The Regulations on Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors were approved. A member of the Board of Directors was appointed to be in charge of the Company's climate change activities	SISCAC
LUKOIL Group's development in the context of energy transformation was discussed	SISCAC
The Company's comparative performance metrics over the recent years was discussed and decarbonization strategies of oil and gas companies were compared	
LUKOIL Group Sustainability Report for 2019 was discussed	SISCAC
Health and safety performance and efforts to improve occupational safety were discussed	SISCAC
Application of the MIS to support and ensure the effectiveness of business processes in the Company was discussed	SISCAC
The Anti-Corruption Policy of PJSC LUKOIL was approved	AC
The Human Capital Management Policy of PJSC LUKOIL was approved	HRCC

SISCAC – Strategy, Investment, Sustainability and Climate Adaptation Committee; AC – Audit Committee; HRCC – Human Resources and Compensation Committee.

During the reporting year, members of the Board of Directors actively participated in meetings of the Board of Directors and its committees.

In-person participation of Directors in BoD and its Committees meetings in 2020

BoD members	BoD in-person meetings (8 meetings)	Strategy, Investment, Sustainability and Climate Adaptation Committee (6 meetings)	Audit Committee (5 meetings)	HR and Compensation Committee (4 meetings)
Valery Grayfer (until April 2020) ¹	0/2			
Vagit Alekperov	7/8			
Victor Blazheev	8/8 (2)		5/5 (2)	4/4
Toby Gati	8/8 (6)	6/6 (6)		
Ravil Maganov	8/8	3/3 (until June 23, 2020)		
Roger Munnings	8/8 (6)			4/4 (4)
Nikolay Nikolaev (from June 2020)	5/5	3/3 (1)		
Pavel Teplukhin	8/8 (2)		5/5 (4)	
Leonid Fedun	7/8	5/6		
Liubov Khoba	7/8 (4)			
Sergey Shatalov	8/8 (2)	5/6 (1)	4/5 (2)	
Wolfgang Schüssel	8/8 (7)			4/4 (4)

¹ Valery Grayfer left the Board of Directors in April 2020.

Participation in a meeting held in the form of joint attendance via telephone or a video conference call shall qualify as attendance in person.

"8/8 (2)" layout in the table signifies attendance at eight out of eight meetings held, including two meetings by means of video conferencing. The coincidence in the number of meetings held and actually attended is generally indicative of an extensive involvement of the director in the work of the Board of Directors and/or committee.

BOARD OF DIRECTORS' PERFORMANCE ASSESSMENT

The Board of Directors relies on the assessment procedure to ensure constant improvement of its performance. In 2020, the Board of Directors conducted self-assessment of its performance, whereby the members of the Board of Directors were surveyed through questionnaires on the performance of the Board as a governance body during their tenure.

The Board of Directors' performance assessment includes an overall assessment of its activities and the activities of each of its Committees. In addition to improving the Board performance, the assessment aims to provide an objective basis for determining the remuneration payable to the members of the Board of Directors.

The questionnaire on the annual performance assessment of the Board of Directors and its Committees included 52 questions split into several groups.

Criteria groups for the Board of Directors	Criteria groups for the Board of Directors' Committees
<ul style="list-style-type: none"> • Board of Directors' composition • Overall performance of the Board of Directors • Exercise of key functions of the Board of Directors • Proceedings and awareness of the Board of Directors 	<ul style="list-style-type: none"> • Composition and administration of the Board of Directors' Committee • Exercising key functions of the Board of Directors' Committee • Initiatives to improve performance of the Board of Directors' Committee

The assessment results are summarized based on the questionnaires filled out by the members of the Board of Directors. As part of the assessment, the Chairman of the Board of Directors discusses the results of relevant Committees' performance assessment with the Committee Chairmen and members, and reports these results at the meeting of the Board of Directors during the discussion of the aggregate annual assessment results. Granular discussion with the members of the Board of Directors serves to analyze matters that require special attention from the Board of Directors, and identify possible solutions.

Average annual performance assessment of the Board of Directors and its Committees in 2019–2020 was 4.9 out of 5.0. Based on the Board of Directors Performance Report for 2019–2020 and self-assessment results, the Board of Directors gave a positive assessment of its performance in 2019–2020.

As part of further improvement of corporate governance practices in accordance with the recommendations of the Corporate Governance Code, in 2020 the Board of Directors considered undertaking an external assessment of its performance and analyzed relevant

service proposals. The Board decided to conduct the external assessment of its 2020 performance and approved the engagement of JSC KPMG to carry out the assessment as an independent external consultant. The assessment was carried out in the first quarter of 2021.

EXTERNAL INDEPENDENT ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

PJSC LUKOIL is committed to continuous improvement of the Board of Directors' performance and seeks to maximise the Board of Directors' effectiveness for the benefit of its shareholders, investors, and other stakeholders. PJSC LUKOIL was one of the pioneers in the Russian oil and gas market to start assessing the performance of the Board and its Committees on a regular basis. The Company introduced this practice back in 2010.

In 2021, JSC KPMG, our external independent consultant, completed an external independent assessment

of performance of the Board and its Committees. The consultant reviewed the following components of the Board's performance in 2018-2020:

- structure, composition and independence of the Board of Directors and its Committees
- organization of activities of the Board of Directors and its Committees
- performance of the key functions by the Board of Directors and its Committees

The assessment included questionnaires and interviews with members of the Board and its Committees, review of PJSC LUKOIL's internal documents governing and describing the activities of the Board and its Committees. On top of that, the consultant benchmarked performance PJSC LUKOIL's Board of Directors against the practices of Russian and global oil and gas majors, along with the Russian and international corporate governance codes and guidelines.



KEY RESULTS OF THE INDEPENDENT PERFORMANCE ASSESSMENT OF THE BOARD OF DIRECTORS

Structure, composition of the Board of Directors and its Committees; independence of Board members

The independent consultant has concluded that the Board of Directors is a highly professional team possessing a diverse range of competencies and skills. Among the strengths, it highlighted the availability of a committee focusing on sustainable development and climate change, along with foreign directors on the Board, which provides diversity of opinions, expertise, and high independence. It was also noted that PJSC LUKOIL is comparable with global oil and gas companies in terms of the share of foreign members on the Board of Directors, while in terms of independence – more than twice as high as Russian oil and gas companies. Furthermore, the Audit Committee and the HR and Compensation Committee are comprised entirely of independent directors, which is in line with best corporate governance practices.

Organization of activities of the Board of Directors and its Committees

Organization of activities and teamwork of the Board of Directors and its Committees were praised. Among the strengths, the consultant spotlighted the key role of the Chairman of the Board of Directors, effective planning of and high attendance at meetings, regular performance assessment of the Board and its Committees, and quality of the Corporate Secretary's work.

On a separate note, the highly effective induction program for new members was mentioned.

Performance of the key functions by the Board of Directors and its Committees

The extent to which the key functions of the Board of Directors and its Committees are performed was assessed as high by the independent consultant. It noted that the Board deals with a wide range of matters and pays special attention to matters important for the Company, such as strategy development, analysis of operating results and monitoring of financial statements.

Special emphasis was placed on the Board's involvement in sustainability and climate change matters.

Areas for further development

To further streamline the processes of the Board of Directors, a list of key areas for development was drawn up based on the assessment results, including:

- establishing an informal dialog between the Board, top management, and key executives
- further developing sustainable development practices
- adjusting the strategy to meet the new challenges of a low-carbon economy
- regularly reviewing key risks at meetings of the Board of Directors

These areas for development will be taken into account in the activity plans of the Board of Directors and its Committees for 2021/2022 and beyond.

Following the assessment, the independent consultant praised a high degree of involvement of Board members in the assessment process, each of them providing active feedback and demonstrating a strong focus on performance.

BOARD OF DIRECTORS' COMPOSITION

PJSC LUKOIL's Board of Directors consists of highly professional individuals. We believe that our Board of Directors has the optimal number of members and is both well-balanced in the share of independent, executive and non-executive directors, and well-diversified in terms of Directors' professional qualifications and sociocultural diversity.

A high share of independent directors (55 percent) ensures impartial consideration of matters while their independent judgements help improve

the Board's performance and the Company's corporate governance system as a whole.

In 2020, the composition of the Board of Directors changed: Valery Grayfer left the Board in April 2020, and Vice President Nikolay Nikolaev was nominated by the Board of Directors and appointed Director in June 2020.

As at the end of 2020, the Board of Directors included three executive directors, thus enabling deep integration of the Board and

PJSC LUKOIL's executive bodies, and promoting well-informed managerial decision-making based on industry knowledge. Current members of the Board of Directors at the end of the reporting year had sufficient time to perform their duties. Almost half of the directors did not hold executive positions at other companies, and executive directors held no more than two positions at companies outside LUKOIL Group.

Board of Directors' membership as at December 31, 2020

Executive directors ¹	Vagit Alekperov, Nikolay Nikolaev, Leonid Fedun
Non-executive directors, including the Chairman of the Board of Directors	Ravil Maganov, Liubov Khoba
Independent directors	Victor Blazhev ² , Toby Gati, Roger Munnings, Pavel Teplukhin, Sergey Shatalov, Wolfgang Schüssel
Total	11 members

¹ In line with the Corporate Governance Code recommendations, executive directors are both members of the Management Committee of PJSC LUKOIL and Company employees.

² Considered independent by the Resolution of the Board of Directors dated June 23, 2020 (Minutes No. 11).

BOARD OF DIRECTORS CHAIRMAN'S ROLE

The Chairman of the Board of Directors plays the key role in ensuring strong performance of the Board of Directors and its Committees. The Chairman of the Board of Directors is elected at the first meeting of the newly elected Board of Directors. The Board of Directors is entitled to re-elect its Chairman at any time by a majority vote. The Chairman of the Board of Directors organizes the Board's work, convenes and chairs its meetings, and arranges for keeping the minutes of meetings. The Chairman proposes nominees to the Committees of the Board of Directors based on their professional and personal qualities and taking into consideration Directors' individual proposals on committees setup. As at the end of the reporting year, the Chairman of the

Board of Directors was not a member of any Committee of the Board of Directors.

In the absence of the Chairman, the above functions are performed by the Vice Chairman.

Valery Grayfer was the Chairman of the Board of Directors of PJSC LUKOIL from 2000 to April 2020.

Ravil Maganov was elected Chairman of the Board of Directors and Victor Blazhev was elected Vice Chairman at the meeting of the Board held on June 23, 2020 (Minutes No. 11).

We deeply regret that Valery Grayfer, who had served as Chairman of PJSC LUKOIL Board of Directors since 2000, died in April 2020. Mr. Grayfer made an invaluable contribution to the development of the Company and the Russian oil industry in general.

Key skills of Board members as at December 31, 2020

Board members	Status	Key skills (based on professional experience)	Industry experience, years	Share in the charter capital, %	
Ravil Maganov	Chairman Non-executive	● ● ● ● ● ● ● ● ● ●	43	0.48	● Strategy
Vagit Alekperov	Executive	● ● ● ● ● ● ● ● ● ●	52	3.12 (28.33 ¹)	● Finance and audit
Victor Blazhev	Independent ²	● ● ● ● ● ● ● ● ● ●	11		● Oil and gas, power generation
Toby Gati	Independent	● ● ● ● ● ● ● ● ● ●	4		● Law and corporate governance
Roger Munnings	Independent	● ● ● ● ● ● ● ● ● ●	28		● Risk management
Nikolay Nikolaev	Executive	● ● ● ● ● ● ● ● ● ●	41	0.03	● GR/IR/PR
Pavel Teplukhin	Independent	● ● ● ● ● ● ● ● ● ●	2		● HSE
Leonid Fedun	Executive	● ● ● ● ● ● ● ● ● ●	27	1.45 (9.32 ³)	● HR management
Liubov Khoba	Non-executive	● ● ● ● ● ● ● ● ● ●	38	0.44	
Sergey Shatalov	Independent	● ● ● ● ● ● ● ● ● ●	2		
Wolfgang Schüssel	Independent	● ● ● ● ● ● ● ● ● ●	2		

¹ As of December 31, 2020, Mr. Alekperov directly owned 3.117 percent of PJSC LUKOIL shares, and was a beneficiary (including through family trusts and mutual funds) of 25.210 percent of the shares in PJSC LUKOIL.

² Considered independent by the Resolution of the Board of Directors dated June 23, 2020 (Minutes No. 11).

³ As of December 31, 2020, Mr. Fedun directly owned 1.452 percent of PJSC LUKOIL shares, and was an indirect owner or beneficiary of 7.863 percent of the shares in PJSC LUKOIL.

INDEPENDENT DIRECTORS

Independent directors play an important role in effective implementation of the duties of the Board of Directors, particularly on the issues related to the Company's development strategy and managing risks, as well as protecting the interests of both shareholders and investors. Independent directors help develop objective and well-balanced opinions on the matters discussed at meetings.

The Company's Board of Directors comprised eleven members at the end of the reporting year, six of which were independent directors – a sufficient number for an objective and well-informed decision-making process. All independent directors are members of Committees, with three of them serving as Chairmen of Committees and two being members of two Committees simultaneously.

The independence of each Director and nominee to the Board of Directors was assessed during 2020 as per the Listing Rules of the Moscow Exchange and provisions of the Corporate Governance Code, through questionnaires filled out by Board members or nominees and the analysis of available information by the Company. The HR and Remuneration Committee assessed Directors' independence three times in 2020. In March 2020, the Committee analyzed the qualification and independence of all nominees, and the results of independence assessment were included into the materials provided for review in preparation for the Annual General Meeting of Shareholders. In July, the Committee assessed the independence of the newly elected Board of Directors and prepared its recommendations to the Board. Next, the independence of all members of the Board of Directors was reviewed by the Board. The HR and

Compensation Committee reviewed the Board's independence again in October 2020.

Furthermore, by the resolution of the Board of Directors dated June 23, 2020 (Minutes No. 11), Victor Blazhev was considered independent, although he met the formal criteria of being related to the Company due to having exceeded the seven-year tenure as a Director as stipulated in the Corporate Governance Code and the Listing Rules of the Moscow Exchange. Both the Listing Rules and the Code permit the above procedure, provided that the total tenure does not exceed 12 years.

BEST INDEPENDENT DIRECTORS

Three independent members of the Board of Directors, Victor Blazhev, Roger Munnings and Pavel Teplukhin, were ranked in the "50 Best Independent Directors" category of the 15th "Director of the Year" National Award.

Independent member of the Board of Directors Toby Gati made it to the Top 10 directors in the "Best Independent Director" category of the Top 1000 Russian Managers Award set up by the Russian Institute of Directors.

BIOGRAPHIES OF MEMBERS OF THE BOARD OF DIRECTORS



Ravil Maganov

Chairman of the Board of Directors
Non-Executive Director



Vagit Alekperov

Executive Director
President
Chairman of the Management Committee



Victor Blazhev

Vice Chairman of the Board of Directors
Independent Director¹
Chairman of the Audit Committee
Member of the HR and Compensation Committee

Born in 1954.

Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation, Honored Oil Specialist, Honored Fuel and Energy Industry Specialist. Awarded five orders and five medals, awarded a Certificate of Honor from the President of the Russian Federation. Has a Letter of Acknowledgement from the Government of the Russian Federation. Three times winner of the Russian Government Prize in Science and Engineering. Distinguished employee of the Company.

1988–1993: Chief Engineer, Deputy General Director, General Director of Production Association Langepasneftegaz.

1993–1994: Vice President for Oil Production of OJSC LUKOIL.

1994–2006: First Vice President of OJSC LUKOIL (E&P).

2006–2020: First Executive Vice President of PJSC LUKOIL (E&P).

2016–2020: Vice Chairman of the Board of Directors of PJSC LUKOIL.

2000–2020: Member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH.

Since 2020: Chairman of the Board of Directors of PJSC LUKOIL

Since 1993: Member of the Board of Directors of PJSC LUKOIL (formerly, OJSC LUKOIL).

Membership in the governance bodies of other organizations:

None

Born in 1950.

Graduated from M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Honored Fuel and Energy Industry Specialist, Honored Oil Specialist. Awarded six orders and eight medals, awarded a Certificate of Honor, and three Letters of Acknowledgement from the President of the Russian Federation, and a Certificate of Honor from the Government of the Russian Federation. Two-time winner of the Russian Government Prize. Distinguished employee of the Company.

1968: started to work at oil fields in Azerbaijan and West Siberia.

1987–1990: General Director of Production Association Kogalymneftegaz of Glavyumenneftegaz of the USSR Ministry of Oil and Gas.

1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas.

1992–1993: President of the Oil Concern Langepasraikogalymneft.

1993–2000: Chairman of the Board of Directors of OJSC LUKOIL.

1993–2015: President of OJSC LUKOIL.

Since 2015: President of PJSC LUKOIL.

Since 1993: Member of the Board of Directors of PJSC LUKOIL (formerly, OJSC LUKOIL).

Membership in the governance bodies of other organizations:

Chairman of the Supervisory Board of LUKOIL INTERNATIONAL GmbH

Chairman of the Council of Our Future Fund for Regional Social Programs

Member of the Management Bureau of the all-Russian public organization – Russian Union of Industrialists and Entrepreneurs

Born in 1961.

Graduated from the evening department of All-Union Extra-Mural Law Institute (AELI) in 1987. Completed a postgraduate program at AELI-Moscow Law Institute, the department of civil litigation, in 1990. Candidate of Law (PhD), Professor. Distinguished Lawyer of the Russian Federation, Honored Worker of Higher Professional Education of the Russian Federation, Honored Worker of Science and Technology of the Russian Federation. Awarded a Medal of the Order "For Merit to the Fatherland", 2nd class. Since 1999, he has combined his teaching activities with various official administrative positions at Moscow State Law Academy (MSAL).

1999–2001: Dean of the full-time department at MSAL.

2001–2002: Academic Vice President at MSAL.

2002–2007: First Academic Vice President at MSAL.

Since 2017: President of MSAL.

Since 2009: Member of the Board of Directors of PJSC LUKOIL (formerly, OJSC LUKOIL).

Membership in the governance bodies of other organizations:

President of O.E. Kutafin Moscow State Law University (MSAL)

¹ Determined to be independent by the Resolution of the Board of Directors dated June 23, 2020 (Minutes No. 11).



Toby Gati

Independent Director

Member of the Strategy, Investment, Sustainability and Climate Adaptation Committee

Roger Munnings

Independent Director

Chairman of the HR and Compensation Committee

Nikolay Nikolaev

Executive Director

Member of the Strategy, Investment, Sustainability and Climate Adaptation Committee

Vice President

Born in 1946.

Graduated from Pennsylvania State University in 1967 (Bachelor's degree in Russian Literature and Language), Columbia University in 1970 (Master's degree in Russian Literature) and the Harriman Institute at Columbia University in 1972 (Master's degree in International Affairs and Certificate in Russian Studies).

1997–2016: Senior Advisor on matters of international cooperation and international relations at law firm Akin Gump Strauss Hauer & Feld LLP.

Participant of the Valdai International Discussion Club.

Since 2016: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Member of the U.S.–Russia Business Council (USRBC)

President of TTG Global LLC

Born in 1950.

Graduated from the University of Oxford in 1972 with a Master of Arts degree in Politics, Philosophy and Economics. Fellow of the Institute of Chartered Accountants in England and Wales, made a Commander of the Most Excellent Order of the British Empire C.B.E.

1993–2008: Chairman of KPMG's Global Energy and Natural Resources Practice.

1996–2008: President of KPMG Russia and CIS.

1998–2008: Member of KPMG's International Council (ultimate governance body).

Currently a member of the Russian National Council on Corporate Governance and a member of the Expert Council of the Russian Institute of Directors.

Since 2015: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Independent member of the Board of Directors of PJSFC Sistema

Chairman of the Russian-British Chamber of Commerce

Independent member of the Board of Directors of PJSC MMC NORILSK NICKEL

Born in 1954.

Graduated from Moscow Institute of Petrochemical and Gas Industry named after Ivan Gubkin in 1982, Tyumen Industrial Institute in 1994. Candidate of Engineering (PhD). Honored Worker of the Oil and Gas Industry of the Russian Federation. Honored Fuel and Energy Industry Specialist, Honored Oil Specialist. Awarded two orders and six medals, awarded a Certificate of Honor from the President of the Russian Federation. Winner of the Russian Government Prize. Distinguished employee of the Company.

1996–1997: General Director of OJSC LUKOIL-Langepasneftegaz.

1997–2001: General Director of TPU Langepasneftegaz of LLC LUKOIL-West Siberia.

2001–2009: General Director of LLC LUKOIL-Nizhnevolzhskneftegaz.

2009–2010: General Director of LLC LUKOIL-Volgogradneftegaz.

2010–2020: General Director of JSC RITEK, LLC RITEK.

Since 2013: Vice President of PJSC LUKOIL.

Since 2020: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

General Director of LLC LUKOIL-BSC.

General Director of LLC LUKOIL-MBSC.

Chairman of the Supervisory Board of LLC JV Wolgodeminoil



Pavel Teplukhin

Independent Director
Member of the Audit Committee



Leonid Fedun

Executive Director
Member of the Strategy, Investment,
Sustainability and Climate Adaptation
Committee
Vice President for Strategic Development



Liubov Khoba

Non-Executive
Director

Born in 1964.

Graduated with distinction from economics faculty of Lomonosov Moscow State University in 1986, Candidate of Economics (PhD). Graduated from the London School of Economics with a Master of Science degree in Economics in 1993.

2008–2015: member of the Supervisory Board of JSC WTC Moscow.

2010–2013: Member of the Board of Directors of OJSC VTB.

2012–2016: Chief Executive Officer of Deutsche Bank Ltd.

Since 2017: President of LLC Matrix Advisors.

Since 2019: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Member of the Board of Directors of JSC RUSNANO

President of LLC Matrix Advisors

Born in 1956.

Graduated from M.I. Nedelin Higher Military Command School in Rostov-on-Don in 1977. Graduated from the Higher School of Privatization and Entrepreneurship in 1993. Candidate of Philosophy (PhD). Honored Oil Specialist. Awarded three orders and four medals. Distinguished employee of the Company.

1993–1994: CEO of JSC LUKOIL-Consulting.
1994–2012: Vice President, Head of the Main Division of Strategic Development and Investment Analysis of OJSC LUKOIL.

Since 2012: Vice President for Strategic Development of PJSC LUKOIL.

Since 2013: Member of the Board of Directors of PJSC LUKOIL (formerly, OJSC LUKOIL).

Membership in the governance bodies of other organizations:

Chairman of the Board of Directors of Football Club Spartak Moscow

Member of the Management Board of the all-Russian public organization Russian Union of Industrialists and Entrepreneurs

Born in 1957.

Graduated from the Sverdlovsk Institute of National Economy in 1992. Candidate of Economics (PhD). Distinguished Economist of the Russian Federation. Honored Oil Specialist, Honored Fuel and Energy Industry Specialist. Awarded two orders and two medals. Distinguished employee of the Company.

1991–1993: Chief Accountant of Production Association Kogalymneftegaz.

1993–2000: Chief Accountant of OJSC LUKOIL.

2000–2003: Vice President of OJSC LUKOIL, Head of the Main Division of Financial Accounting of OJSC LUKOIL.

2003–2004: Chief Accountant – Vice President of OJSC LUKOIL.

2004–2012: Chief Accountant of OJSC LUKOIL.

2012–2018: Vice President – Chief Accountant of PJSC LUKOIL.

2001–2019: Member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH.

Since 2017: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Chairperson of the Supervisory Board of LUKOIL Accounting and Finance Europe s.r.o.



Sergey Shatalov

Independent Director

Chairman of the Strategy, Investment, Sustainability and Climate Adaptation Committee

Member of the Audit Committee



Wolfgang Schüssel

Independent Director

Member of the HR and Compensation Committee

i

The biography of Valery Grayfer, who left the Board of Directors in April 2020, is available in the PJSC LUKOIL 2019 Annual Report



Born in 1950.

Graduated from A.A. Zhdanov Leningrad State University with a degree in Mathematics in 1972. Defended his doctoral thesis on the methodology of forming and developing the tax system in the Russian Federation in 2003.

External Tax Policy Advisor at the Ministry of Finance of the Russian Federation. State Counselor of the Russian Federation, 1st class.

1990–1993: Member of the Supreme Council of the Russian Federation.

1993–1995: Director of the Tax Department of JSC Foreign Investment and Privatization Center.

1995–1998: Deputy Minister of Finance of the Russian Federation.

1998–2000: Director of the Tax Department of PricewaterhouseCoopers and CJSC PricewaterhouseCoopers Audit.

2000 – January 18, 2016: Deputy Minister of Finance of the Russian Federation.

2016–2018: Vice President of Action-MCFR Mediagroup.

Since 2019: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Member of the Board of Directors of LLC Avtotor Holding

Born in 1945.

Graduated from the University of Vienna with a degree in Economics and Law in 1977. Holds a doctoral degree.

1989–1995: Austrian Federal Minister of Economic Affairs.

1995–1999: Vice Chancellor and Federal Minister of Foreign Affairs of the Republic of Austria.

1979–2011: Member of the Austrian National Council.

1995–2007: Chairman of the Austrian People's Party.

2000–2007: Federal Chancellor of the Republic of Austria.

2007–2016: Member of the Board of Trustees of Bertelsmann Foundation.

Since 2019: Member of the Board of Directors of PJSC LUKOIL.

Membership in the governance bodies of other organizations:

Chairman of the Board of Trustees of Konrad Adenauer Stiftung

President of the Foreign Policy and United Nations Association of Austria (UNA-Austria)

Member of the Supervisory Board of RWE AG

DIVERSITY IN THE BOARD OF DIRECTORS

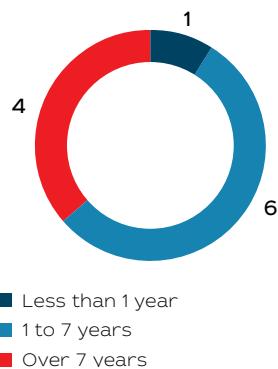
According to the Corporate Governance Code, nominees to the Company's governance bodies must have relevant professional qualifications, knowledge, experience, expertise and business skills.

The current version of the Code does not outline recommendations on ensuring a fair representation of gender, age or any other diversity in corporate governance bodies. Therefore, PJSC LUKOIL does not currently have policies or other local regulations formalizing the application of such approaches.

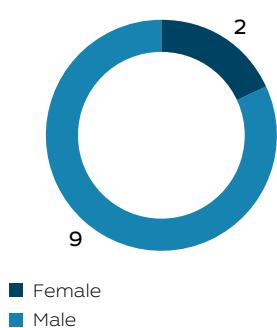
At the same time, we believe that the performance of the Board of Directors is positively affected by the diversity of professional qualifications and sociocultural diversity based on gender, age, nationality, social and economic background, etc. Such diversity provides the Board of Directors with different points of view; helps avoid group think, brings new ideas to discussions, and contributes to well-balanced decision-making.

The current Board of Directors is sufficiently diversified and balanced.

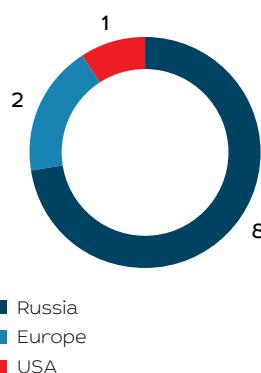
Length of service on the Board of Directors as at December 31, 2020



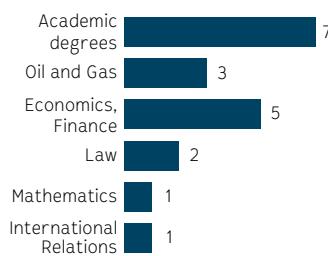
By gender



Geography



Education¹



INDUCTION OF NEW MEMBERS OF THE BOARD OF DIRECTORS AND INFORMATION SUPPORT OF THE BOARD'S ACTIVITIES

Newly elected Directors complete an induction training program no later than 30 days following their election date.

Key elements of the program:

- **Personal meetings** with PJSC LUKOIL's President, the elected Chairman of the Board of Directors, the Corporate Secretary, top management and/or heads of corporate business units;
- **Familiarization with internal documents;**
- **Familiarization with operations,** including on-site visits to the Group's production facilities.

The Corporate Secretary runs the induction training program for newly elected Directors of PJSC LUKOIL and

coordinates interaction between all involved parties with the assistance and management of the HR and Compensation Committee.

Nikolay Nikolaev, who was elected to the Board of Directors for the first time in 2020, completed the induction training program and familiarized himself with the key documents and information on the Company.

To develop a better understanding of the climate change agenda and its impact on the operations of oil and gas companies, at its meeting on January 13, 2020 the Board of Directors reviewed a report on the comparative analysis of decarbonization strategies of oil and

gas companies, prepared by the Center for Strategic Development of PJSC LUKOIL.

Independent Director Toby Gati, the author of initiatives aimed at improving the Company's sustainable development disclosures, took part in several training events arranged by PJSC LUKOIL's Working Group on Sustainability.

To ensure effective provision of information to Directors, PJSC LUKOIL uses up-to-date information and technical resources, including dedicated software in the Russian and English languages.

¹ One Board member has a double degree

LIABILITY INSURANCE OF BOARD MEMBERS

Pursuant to the contract (policy) with IPJSC Ingosstrakh on insuring the liability of directors, officers and companies for 2020–2021, PJSC LUKOIL insures the liability of:

- The sole executive body, members of governance bodies, employees of PJSC LUKOIL and/or its subsidiaries and/or other organizations with an interest of PJSC LUKOIL and/or its subsidiaries whose candidates were

elected sole executive body and/or members of the governance bodies of such organizations (Coverage A)

- PJSC LUKOIL, PJSC LUKOIL subsidiaries, other organizations with PJSC LUKOIL participation and/or its subsidiaries whose candidates were elected as sole executive body and/or members of the governance bodies of such organizations (Coverage B)

- PJSC LUKOIL and its subsidiaries against claims relating to securities (Coverage C)

The insured amount (liability limit) makes up at least USD 50 million in aggregate for Coverages A, B and C, including defence costs. The total insurance premium is up to USD 1 million.

BOARD COMMITTEES

LUKOIL's three Board Committees improve the effectiveness of resolutions passed by the Board of Directors and are engaged in the preliminary detailed review of the most essential matters while preparing relevant recommendations for the Board of Directors:

- Strategy, Investment, Sustainability and Climate Adaptation Committee (SISCAC) (until October 15, 2020 – Strategy, Investment and Sustainability Committee)
- Audit Committee (AC)
- HR and Compensation Committee (HRCC)

Committee activities are governed by applicable regulations.



LUKOIL's Board Committee regulations are available on the Company's website.



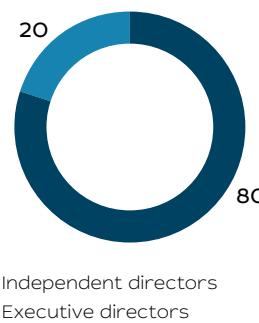
The Committees are fully accountable to the Board of Directors. Committee members are elected from among the Board members and in line with both best practice and the requirements of the Listing Rules of the Moscow Exchange. The committees include a significant number of independent directors. This approach fosters objective and well-balanced recommendations. All Committee members have an adequate combination of strong expertise and extensive experience, including hands-on experience.

The Audit Committee and the HR and Compensation Committee are comprised exclusively of independent directors. Independent directors also make up half of the Strategy, Investment, Sustainability and Climate Adaptation Committee, where two members out of a total four are independent, including the Chairman of the Committee. The Board believes that the Strategy, Investment, Sustainability and Climate Adaptation Committee also requires independent directors, as they can contribute to the decision-making process when setting strategic goals, identifying PJSC LUKOIL's business priorities, ensuring sustainable development, or making other important decisions that may affect shareholder interests.

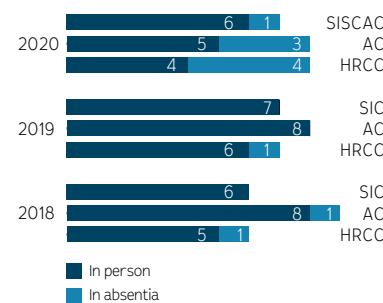
Both LUKOIL employees and third parties may attend Committee meetings upon invitation from a Committee Chairman. However, they may not vote on agenda items.

Secretarial duties of the Board of Directors' Committees are performed by the Corporate Secretary.

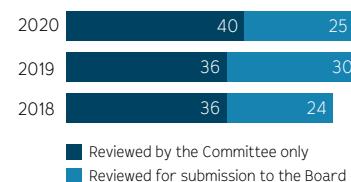
Committee membership as at December 31, 2020, %



Committee meetings



Matters discussed



More than half of all matters discussed by the Board of Directors were previewed by the Board Committees, ensuring informed discussions on the most essential matters brought up for the Board's approval.

In the reporting year, despite the COVID-19 pandemic, all committees worked as planned. The number of meetings held in absentia increased while 65 percent of all meetings were held in person.

STRATEGY, INVESTMENT, SUSTAINABILITY AND CLIMATE ADAPTATION COMMITTEE



One of LUKOIL's strategic objectives is contributing to achieve the UN Sustainable Development Goals, including actions to combat climate change. We recognize the increasing impact of the global climate change agenda on the oil and gas industry and the recent intensification of Russian regulatory efforts in this area. Therefore, the climate change matters were at the center of attention for the Committee in the reporting year. Particular consideration was given to the opportunities in renewable power generation and the review of the Roadmap for Development of the Climate Adaptation Strategy.

Since the Committee's functions were expanded as a result of developing the Company's carbon management system, the Committee was renamed

as the Strategy, Investment, Sustainability and Climate Adaptation Committee. Leonid Fedun, a Committee member and Vice President for Strategic Development, was appointed as the Director responsible for the Company's activity related to climate change. Based on his many years of expertise in strategy and a strong involvement in climate change initiatives at public organizations, he will make a valuable contribution to our common efforts.

As a participating company of the United Nations Global Compact, LUKOIL annually reports on its progress towards achieving the UN Sustainable Development Goals in its Sustainability Report. Given the high importance of information transparency in sustainability issues, the Committee

reviewed disclosures made in the Sustainability Report three times in 2020.

The Committee also considered the matters related to health and safety, as well as the activity of the Working Group on Sustainability.

We also addressed development of the Company's core business, giving due consideration to matters related to the prospects for developing hard-to-recover reserves, expanding the resource base, and developing gas-to-chemicals and petrochemicals. “

Sergey Shatalov,
Chairman of the Strategy,
Investment, Sustainability and
Climate Adaptation Committee

Committee tasks	Key topics covered in 2020 ¹
<ul style="list-style-type: none"> • Preparing recommendations to the Board of Directors on: <ul style="list-style-type: none"> - Defining the strategic objectives of the Company's business, including sustainability, climate change, climate adaptation, and IT Strategy, and implementing them into the Company's Strategic Development Program - The Company's business priorities - The Dividend policy, dividend per share, and dividend payment procedure - The distribution of the Company's profit (losses) for the reporting year - Assessment of the Company's long-term performance • Involvement in monitoring progress against the Company's Strategic Development Program <ul style="list-style-type: none"> - Analysis of risks associated with climate change and climate adaptation 	<ul style="list-style-type: none"> • Renaming the Strategy, Investment and Sustainability Committee of the Board of Directors to the Strategy, Investment, Sustainability and Climate Adaptation Committee of the Board of Directors • Outlining a roadmap for developing LUKOIL Group's Climate Adaptation Strategy • Working on renewables development program • Working on hard-to-recover reserves and prospects for their development • Supervising activities of the Working Group on Sustainability

Committee membership

Independent Directors	Sergey Shatalov (Committee Chairman) , Toby Gati
Executive Directors	Nikolay Nikolaev, Leonid Fedun

¹ The list of key decisions made by Board of Directors based on the Committee's recommendations is provided in the Board of Directors section

AUDIT COMMITTEE

“In the reporting year, the Committee focused on enhancing the internal audit system and improving the effectiveness of the risk management systems and internal control.

Following changes in the internal audit system framework as a result of LUKOIL Group's transition to a service model aimed at enhancing the governance system and its structure, the Committee reviewed related activities in the Internal Audit Service.

Given the increasing role of sustainability issues and recommendations of the Corporate Governance Code, in 2020 the

Committee's functions were expanded by adding to the list set forth in the Regulations on the Audit Committee the development and improvement of the corporate governance system and practices.

In this regard, the Committee reviewed the Anti-Corruption Policy of PJSC LUKOIL. This important document summarizes corporate practices aimed at preventing corruption. The Policy's approval by the Board of Directors based on the Committee's recommendation has been an important milestone in developing the Company's corporate culture, enhancing responsible business

practices, and achieving better compliance with the recommendations of the Corporate Governance Code.

In the reporting year, in line with its objectives, the Committee also reviewed matters related to accounting, preparation of consolidated financial statements, and holding an independent external audit. **“**

Victor Blazheev,
Chairman of the Audit Committee

Committee tasks	Key topics covered in 2020 ¹
<ul style="list-style-type: none"> • Reviewing the Company's accounting (financial) statements for completeness, accuracy and reliability • Making recommendations on the Company's proposed auditor and the auditor's remuneration • Reviewing the auditor's opinion and determining the auditor's independence, objectivity and absence of a conflict of interest • Assessing effectiveness of the internal audit and considering proposals for improvement • Reviewing the Company's internal audit activity plans and budget • Assessing the effectiveness of the Company's risk management and internal control procedures and reviewing the reliability and performance of both the risk management and internal control system • Improving the Company's corporate governance system and practices • Making recommendations for the Board's possible preliminary approval of the Company's Annual Report 	<ul style="list-style-type: none"> • Discussion of material accounting issues, including the Company's accounting policy, and material matters that arose during the independent external audit • Review of consolidated financial statements of PJSC LUKOIL prepared under IFRS • Information on material litigations and claims related to the operations of LUKOIL or other LUKOIL Group entities • Review of the most material amendments to accounting reports following the audit results • Recommendation to the Board of Directors to approve the Anti-Corruption Policy of PJSC LUKOIL • Internal Audit Service of PJSC LUKOIL

Committee membership

Independent Directors

Victor Blazheev (Committee Chairman),
Pavel Teplukhin, Sergey Shatalov

¹ The list of key decisions made by the Board of Directors based on the Committee's recommendations is provided in the Board of Directors section

HR AND COMPENSATION COMMITTEE

“ In 2020 the HR and Compensation Committee carried out its regulatory remit and continued to focus on human capital management as part of our activities to advance responsible and sustainable business using relevant global best practice.

The Committee reviewed the Human Capital Management Policy of PJSC LUKOIL which contains the key provisions of employees' motivation and remuneration management system. Given the legislative changes concerning nomination of candidates to the Board of Directors at the discretion of the Board of Directors, the Regulations on the HR and Compensation Committee were amended in the reporting year to provide for preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors itself.

The Committee analyzed the professional qualifications and independence of the candidates to the

Board of Directors in the process of their nomination, and conducted their interim assessment during the year as per the recommendations set out in the Corporate Governance Code of the Russian Federation.

Given the continuing and sustained rise in importance of the climate change agenda, for the purpose of strengthening its competencies in this area it was recommended that the Board of Directors include in the list of candidates to the Board of Directors, in addition to the ten existing members, Mr. Boris Porfirev, a member of the Russian Academy of Sciences and a renowned expert in economics and risk management of natural hazards and industrial disasters, as well as the economics of climate change.

Within its remit, the Committee also reviewed matters related to the remuneration of members of the Board of Directors, executive bodies and the Corporate Secretary, as well as the key provisions of contracts concluded

with the President and members of the Management Committee. The Committee carried out a preliminary performance assessment of the Management Committee members in the corporate year of 2019–2020 against the criteria set out in the Regulations on Management Remuneration and Incentive System of PJSC LUKOIL. The Committee also reviewed the candidates to the Management Committee.

As part of continuous improvement of the corporate governance system taking into account the Corporate Governance Code recommendations, in the reporting year the Committee recommended that the Board of Directors hold an external assessment of its performance in 2021. **“**

Roger Munnings,
Chairman of the HR and Compensation Committee

Committee tasks

- Assessing the performance of the Board of Directors, its members and Committees; identifying priority areas to strengthen Board composition, preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors
- Communicating with shareholders to prepare recommendations for voting in the election of the candidates to the Board of Directors
- Planning the appointments of the Management Committee members and the President, provides recommendations to the Board of Directors on nominees to the positions on the Management Committee, the President of the Company and the Corporate Secretary
- Development and regular reviews of the Company's policy on remunerating members of the Board of Directors and the Management Committee, and the President
- Making recommendations to the Board of Directors on determining the remuneration of the Corporate Secretary
- Pre-assessing the performance of the Management Committee members and the President throughout the year in line with the Company's remuneration policy

Key topics covered in 2020¹

- Preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors
- Recommendations to the Company shareholders on voting in the election of the Company's Board of Directors, assessment of professional qualifications and independence of all nominees to the Company's Board of Directors
- External assessment (efficiency) of the Board's performance
- Recommendation to the Board of Directors to approve the Human Capital Management Policy of PJSC LUKOIL

Committee membership

Independent Directors

Roger Munnings (Committee Chairman),
Victor Blazhev, Wolfgang Schüssel

¹ The list of key decisions made by the Board of Directors based on the Committee's recommendations is provided in the Board of Directors section

CORPORATE SECRETARY

“ 2020 was a challenging year due to pandemic-related restrictions on in-person meetings and international travel. Video conferencing tools implemented earlier and specialized software allowed us to adapt the preparations and procedures for the Board and committee meetings to the new circumstances. Previously approved plans were fulfilled, and members of the Board of Directors were able to participate remotely to discuss current issues regardless

of their geographic location (three members of the Board are foreign nationals).

The year presented a stress-test for our corporate procedures, performance and internal cooperation. Working together, I am proud that we have passed this test with our heads held high.

In the reporting year, we focused on sustainability and climate adaptation,

worked closely with the Board of Directors and its committees, helped coordinate the preparation of LUKOIL Group's non-financial reporting, and represented the Company's position and interests at professional forums. **“**

Natalia Podolskaya

Corporate Secretary
of PJSC LUKOIL



Natalia Podolskaya

Corporate Secretary

Born in 1960.

Graduated from the Maurice Thorez Moscow State Pedagogical Institute of Foreign Languages in 1983

and from the Diplomatic Academy under the RF Ministry of Foreign Affairs (majoring in International Economics) in 2003.

Passed a Corporate Secretary Advanced Training Program at the Higher School of Economics Corporate Governance Center in 2007.

Candidate of Philological Sciences (PhD) from Moscow State Linguistic University since 1998.

- 1983–1998: engaged in translation/interpreting, lecturing and research.
- 1998–2002: manager at CJSC KPMG.
- 2002–2016: chief specialist at the Administrative Office of the Board of Directors of OJSC LUKOIL, chief specialist at PJSC LUKOIL.
- Since 2016: Corporate Secretary of PJSC LUKOIL.
- Currently: Member of the Public Professional Association – National Union of Corporate Secretaries and head of the Association's Working Group on Sustainability and ESG

The Corporate Secretary functionally reports to the Board of Directors, is appointed by the Company's President based on a resolution of the Board of Directors, and acts in line with PJSC LUKOIL's Charter and Regulations on the Corporate Secretary. An office of the Corporate Secretary has been set up to assist in this work.

The Corporate Secretary's duties are to provide support to the Board of Directors and its committees, including preliminary consideration of matters to be discussed, organizing expert assessment of draft resolutions, ensuring compliance with meeting procedures, and assisting directors in obtaining necessary information. The Corporate Secretary monitors compliance with the Company's internal documents and immediately notifies

the Board of Directors of any violations detected. The Corporate Secretary also supervises compliance with the procedure for preventing conflicts of interest at the Board level set forth in the Regulations on the Board of Directors of PJSC LUKOIL.

Natalia Podolskaya has been the Corporate Secretary of PJSC LUKOIL since 2016.

As a member of the Company's Working Group on Sustainability, the Corporate Secretary was actively involved in coordinating its activities in 2020, preparing materials for the meetings, planning the group's activities for the year, initiating steps to improve sustainability in cooperation with experts and consultants,

and organizing trainings for the group members and employees of PJSC LUKOIL and its subsidiaries.

EXPERT ASSESSMENT

Natalia Podolskaya,
Corporate Secretary of
PJSC LUKOIL, won the
Corporate Governance
Director / Corporate
Secretary – 2020 category
of the “Director of the
Year” XV National Award,
which was organized by the
Association of Professional
Directors and the Russian
Union of Industrialists and
Entrepreneurs in partnership
with PwC, PJSC Sberbank and
PJSC Moscow Exchange.



The Regulations on the Corporate Secretary are available on the Company's website.



PRESIDENT AND MANAGEMENT COMMITTEE

The Company's executive bodies, the President and the Management Committee, play a key role in ensuring the timely and efficient performance

of its operating and strategic tasks. According to the Company's Charter, the scope of authority of its executive bodies covers all day-to-day

operations, except for matters reserved to the Company's General Shareholders Meeting or Board of Directors.

PRESIDENT

The President, the Company's sole executive body, is appointed by the General Shareholders Meeting for a term of five years and serves as the Chairman of the Management Committee.

Vagit Alekperov has been the President of PJSC LUKOIL since 1993, with his current term expiring on June 24, 2021. In 2021, the Board of Directors resolved to include Vagit Alekperov in the list of candidates for PJSC LUKOIL's

presidency, which will be voted on at the Annual General Shareholders Meeting in 2021.

The key provisions of the contract with the President are subject to preview by the HR and Compensation Committee of the Board of Directors and final approval by the Board of Directors.

The President's scope of authority covers all matters of managing the Company's day-to-day operations, except for matters reserved to the Company's General Shareholders

Meeting or Board of Directors. This includes representing the Company's interests, entering into transactions on behalf of the Company, signing financial documents, approving staff and signing employment contracts, approving the Company's organization, approving internal documents regulating its day-to-day operations, save for internal documents to be approved by the Management Committee, organizing the activities of the Management Committee, and performing other functions established by the Company's Charter.

MANAGEMENT COMMITTEE

The Management Committee is a collective executive body in charge of PJSC LUKOIL's day-to-day operations, as well as the development and implementation of the overall development strategy of the Company's subsidiaries. The President of PJSC LUKOIL is the Chairman of the Management Committee.

The Management Committee is guided by applicable laws, the Charter of PJSC LUKOIL and the Regulations on the Management Committee of PJSC LUKOIL.

The authority of the Management Committee covers developing and implementing the Company's current business policy, developing and approving the Company's activity plans, budget, and investment program, as well as monitoring their performance, making decisions on establishment by the Company of other legal entities, a number of powers related to development and implementation of the overall development strategy of the Company's subsidiaries, and other powers set out by the Company's Charter.

Following on the President's proposals, the Management Committee is formed by the Board of Directors on an annual basis.

In July 2020, the number of members on the Management Committee was approved as 14, which is the same as at the end of 2019. Meetings of the Management Committee are convened as necessary. All meetings are held in the form of joint attendance. Attendance at Management Committee meetings remained traditionally high and in 2020 was 91.7 percent.

In 2020, the Management Committee held 32 meetings and discussed 111 matters. Among others, the following key matters were discussed:

- Approval of key budget indicators for LUKOIL Group
- Taking resolutions on the operations of LUKOIL subsidiaries
- Optimizing the production capabilities and the corporate structure of LUKOIL Group
- HR decisions on executives of LUKOIL Group entities
- Approval of business process management principles

- Discussion of matters related to industrial safety, occupational health and social policy
- Approval of the Company's local regulations underlying the Company's core businesses

Management Committee meetings



Matters discussed



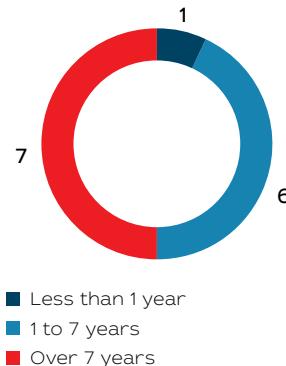
Management Committee membership as at December 31, 2020

	Length of service on the Management Committee, full years	Share in charter capital of PJSC LUKOIL, %
Vagit Alekperov	27	3.12 (28.33 ¹)
Vyacheslav Verkhov	1	0.004
Vadim Vorobyev	10	0.03
Denis Dolgov	2	0.05
Pavel Zhdanov	Elected to the Management Committee on July 7, 2020	0.03
Ilya Mandrik	3	0.02
Ivan Maslyayev	27	0.04
Alexander Matytsyn	23	0.39
Anatoly Moskalenko	17	0.02
Oleg Pashaev	4	0.01
Denis Rogachev	5	0.01
Gennady Fedotov	10	0.02
Evgeny Khavkin	17	0.01
Azat Shamsuarov	7	0.01

The Company is not aware of any loans (credits) received by members of the Management Committee from an entity within LUKOIL Group

¹ As of December 31, 2020, Mr. Alekperov directly owned 3.117% of PJSC LUKOIL shares, and was a beneficiary (including through family trusts and mutual funds) of 25.210% of the shares in PJSC LUKOIL

Length of service on the Management Committee as at December 31, 2020, full years



- Less than 1 year
- 1 to 7 years
- Over 7 years

CHANGES IN THE MEMBERSHIP OF THE MANAGEMENT COMMITTEE

Changes in the membership of the Management Committee of PJSC LUKOIL during 2020 were as follows:

The new composition of the Management Committee approved by the Board of Directors on July 14, 2020 (Resolution of the Board of Directors dated July 14, 2020, Minutes No. 12) does not include Ravid Maganov, who was appointed Chairman of the Board of Directors on June 23, 2020, but includes Pavel Zhdanov, Vice President for Finance.

Changes in the positions held by members of the Management Committee of PJSC LUKOIL during 2020 were as follows:

- As from March 2020, Ravid Maganov left the position of First Executive Vice President; as from June 2020, Vadim Vorobyev was appointed First Executive Vice President (previously, First Vice President).
- As from March 2020, Denis Rogachev was appointed Senior Vice President for Overseas Oil and Gas Production (previously, Vice President for Procurement).

In August 2020, he was appointed Senior Vice President for Overseas Oil and Gas Exploration and Production.

- As from March 2020, Azat Shamsuarov was appointed Senior Vice President for Oil and Gas Production in Russia (previously, Senior Vice President for Oil and Gas Production). In June 2020, he was appointed First Vice President.

BEST TOP MANAGERS

PJSC LUKOIL's President Vagit Alekperov and a number of other executives were included in the Top-1,000 Russian Managers list compiled by Kommersant Publishing House and the Russian Association of Managers.

PJSC LUKOIL's President Vagit Alekperov was included in the country's business leaders list.

First Vice President Alexander Matytsyn was named one of Top-100 financial directors in Russia.

Vice President – Chief of Staff of PJSC LUKOIL Evgeny Khavkin was included in the list of the Top-50 corporate governance directors.

BIOGRAPHIES OF MEMBERS OF THE MANAGEMENT COMMITTEE



Vagit Alekperov

President
Chairman of the Management Committee
Executive Director



Vyacheslav Verkhov

Member of the Management Committee
Chief Accountant



Vadim Vorobyev

Member of the Management Committee
First Executive Vice President

Member of the Management Committee since 1993.

For more details, see the Biographical details of members of the Board of Directors section

Born in 1972.
Graduated from Lomonosov Moscow State University in 1994. Awarded a Medal of the Order "For Merit to the Fatherland", 2nd class.
2000–2004: chief specialist, Deputy Head, Head of Transformation at the International and Consolidated Financial Statements Division; Head of Accounting and Tax Reporting Automation Methodology at the Accounting Department of OJSC LUKOIL.
2004–2012: Deputy Chief Accountant of OJSC LUKOIL.
2012–2018: Head of the Accounting Methodology Department of PJSC LUKOIL.
Since 2018: Chief Accountant of PJSC LUKOIL

Member of the Management Committee since July 2019

Born in 1961.
Graduated from N.I. Lobachevsky Gorky State University in 1983 and N.I. Lobachevsky Nizhny Novgorod State University in 1998. Candidate of Economics (PhD). Honored Oil Specialist. Awarded three medals, including a Medal of the Order "For Merit to the Fatherland", 1st and 2nd class, and the Order of Friendship. Distinguished employee of the Company.
1981–1992: served at local youth and party bodies.
1992–1998: management positions at Nizhny Novgorod insurance and banking institutions.
1998–2002: Vice President, President of JSC Oil Company NORSI-OIL.
2002–2005: General Director of LLC LUKOIL Volga-nefteprodukt.
2005–2009: Vice President, Head of the Main Division of Petroleum Product Sales Coordination in Russia of OJSC LUKOIL.
2009–2012: Vice President, Head of the Main Division of Petroleum Product Sales Coordination of OJSC LUKOIL.
2012–2016: Vice President for Petroleum Product Sales Coordination of PJSC LUKOIL.
2016–2017: Vice President for Oil Refining, Gas Processing and Petrochemicals of PJSC LUKOIL.
2017–2018: Senior Vice President for Sales and Supplies of PJSC LUKOIL.
2018–2020: First Vice President of PJSC LUKOIL.
Since 2020: First Executive Vice President

Member of the Management Committee since 2010

**Denis Dolgov**

Member of the Management Committee
Vice President for Power Generation

Pavel Zhdanov

Member of the Management Committee
Vice President for Finance

Ilya Mandrik

Member of the Management Committee
Vice President for Exploration and Development

Born in 1974.

Graduated from Tyumen State Oil and Gas University in 1996 and 2004. Candidate of Technical Sciences (PhD). Honored Power Generation Specialist. Awarded two medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class, and the Order of Friendship. Distinguished employee of the Company.

1995: started to work at entities in West Siberia.

2002–2006: Deputy General Director for Production, First Deputy General Director – Chief Engineer of TPU Langepasneftegaz of LLC LUKOIL-West Siberia.

2006–2009: General Director of TPU Langepasneftegaz of LLC LUKOIL-West Siberia.

2009–2011: First Deputy Head of the Main Division of Power Generation of OJSC LUKOIL.

2011–2012: Head of the Main Division of Power Generation of OJSC LUKOIL.
 From 2012 until March 2021: Vice President for Power Generation of PJSC LUKOIL.

Member of the Management Committee from 2018 until March 2021¹

Born in 1973.

Graduated from Lomonosov Moscow State University in 1995 and from INSEAD Business School in 2020.

1994–2002: leading expert and chief expert at Deloitte and Morgan Stanley.
 2002–2018: Head of Project Financing, Mergers and Acquisitions, Head of Property Complex Efficiency, Head of Acquisitions and Sale of Assets, Head of Capital Markets, Acquisition and Sale of Assets at PJSC LUKOIL.

2018–2019: Vice President for Corporate Development and Investor Relations of PJSC LUKOIL.

Since 2020: Vice President for Finance of PJSC LUKOIL.

Member of the Management Committee since 2020

Born in 1960.

Graduated from Ivano-Frankovsk Oil and Gas Institute in 1982 and Tyumen Industrial Institute in 1994. Candidate of Geology and Mineralogy (PhD). Doctor of Technical Sciences. Honored Fuel and Energy Industry Specialist, Honored Oil Specialist. Awarded an order and four medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class. Russian Government Prize winner. Distinguished employee of the Company.

1982–1997: worked at oil fields in West Siberia.

1998–2007: Head of the Exploration Division, Deputy Head of the Main Exploration Division of OJSC LUKOIL.

2007–2012: Vice President, Head of the Main Exploration Division of OJSC LUKOIL.

2012–2017: Vice President for Exploration. Since 2017: Vice President for Exploration and Development of PJSC LUKOIL.

Member of the Management Committee since 2017

¹ Denis Dolgov's membership in the committee was terminated by the resolution of the Board of Directors dated March 5, 2021 (Resolution No. 3).

**Ivan Maslyaev**

Member of the Management Committee
Vice President – General Counsel

**Alexander Matytsyn**

Member of the Management Committee
First Vice President (Economics and Finance)

**Anatoly Moskalenko**

Member of the Management Committee
Vice President for Human Resources Management and Social Policy

Born in 1958.

Graduated from Lomonosov Moscow State University in 1980. Candidate of Law (PhD). Distinguished Lawyer of the Russian Federation. Honored Fuel and Energy Industry Specialist, Honored Oil Specialist. Awarded four medals and the Order of Honor. Distinguished employee of the Company.

1992–1993: Head of the Legal Department of the Oil Concern Langepasuraikogalymneft.

1994–1999: Head of the Legal Division of OJSC LUKOIL.

2000–2012: Head of the Main Division of Legal Support of OJSC LUKOIL.

Since 2012: Vice President – General Counsel of PJSC LUKOIL.

Member of the Management Committee since 1993

Born in 1961.

Graduated from Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Distinguished Economist of the Russian Federation. Awarded two medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class, and two orders, including the Order of Honor. Distinguished employee of the Company.

1994–1997: General Director of KPMG, international auditors.

1997–2012: Vice President, Head of the Main Division of Treasury and Corporate Finance of OJSC LUKOIL.

2012–2013: Vice President for Finance of OJSC LUKOIL.

2013–2017: Senior Vice President for Finance of PJSC LUKOIL.

Since 2017: First Vice President of PJSC LUKOIL.

Member of the Management Committee since 1997

Born in 1959.

Graduated from Supreme Soviet of the RSFSR Moscow Higher Combined Arms Academy in 1980, Military Diplomatic Academy in 1987, Frunze Military Academy in 1991, and the Russian Presidential Academy of Public Administration in 2005. Candidate of Economics (PhD). Awarded five orders, twenty medals and a Certificate of Honor from the President of the Russian Federation. Russian Government Prize winner. Distinguished employee of the Company.

1976–2001: service in the Armed Forces of Russia.

2001–2003: Head of HR, Head of the HR Management Department of OJSC LUKOIL.

2003–2012: Head of the Main Division of Human Resources of OJSC LUKOIL.

2012–2016: Vice President for Human Resources Management and Corporate Structure Development of PJSC LUKOIL.

2016–2017: Vice President for Human Resources Management and Security of PJSC LUKOIL.

2017–2019: Vice President for Human Resources Management and Corporate Structure Development of PJSC LUKOIL.

Since 2019: Vice President for Human Resources Management and Social Policy of PJSC LUKOIL.

Member of the Management Committee since 2003

**Oleg Pashaev**

Member of the Management Committee

Senior Vice President for Sales and Supplies

Denis Rogachev

Member of the Management Committee

Senior Vice President for Overseas Oil and Gas Exploration and Production

Gennady Fedotov

Member of the Management Committee

Vice President for Economics and Planning

Born in 1967.

Graduated from M.V. Frunze Higher Naval College in 1989. Awarded the Order of Honor and three medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class. Distinguished employee of the Company.

1984–1993: service in the Armed Forces of Russia.

1993–1997: worked for JSC Northern Shipping Company.

1998–2002: General Director of LLC Quorum-SK.

2002–2004: General Director of LLC LUKOIL Severnefteprodukt.

2004: First Deputy General Director for Aircraft Refueling of LLC LUKOIL Tsentrnefteprodukt.

2004–2016: General Director of LLC LUKOIL AERO.

2016: Vice President for Petroleum Product Sales Coordination of PJSC LUKOIL.

2016–2018: Vice President for Oil Product Sales of PJSC LUKOIL.

Since 2018: Senior Vice President for Sales and Supplies of PJSC LUKOIL.

Member of the Management Committee since 2016

Born in 1977.

Graduated from I.M. Gubkin Russian State Oil and Gas University in 2000. Honored Oil Specialist. Awarded a Medal of the Order "For Merit to the Fatherland", 2nd class.

2000–2003: employed by the Main Division of Geology and Exploration of OJSC LUKOIL and LLC LUKOIL-West Siberia.

2003–2009: employed by Schlumberger Logelco and Baker Hughes B.V.

2009–2012: Deputy Chief of Staff, First Deputy Head of the Administrative Office of the Board of Directors of OJSC LUKOIL, First Deputy Head of the Administrative Office of the Board of Directors of OJSC LUKOIL – Executive Assistant to the President of OJSC LUKOIL.

2012–2013: General Director of LLC Trading House LUKOIL.

2013–2020: Vice President for Procurement of PJSC LUKOIL.

Since March 2020: Senior Vice President for Overseas Oil and Gas Production at PJSC LUKOIL.

Since August 2020: Senior Vice President for Overseas Oil and Gas Exploration and Production at PJSC LUKOIL.

Member of the Management Committee since 2015

Born in 1970.

Graduated from the Moscow Institute of Physics and Technology in 1993. Honored Oil Specialist. Awarded the Order of Friendship and two medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class.

1994–2002: employed by Halliburton and Shell.

2002–2007: Head of the Division of Planning and Investments, Deputy Head, Head of the Main Division of Corporate Budget and Economic Planning and Investments of OJSC LUKOIL.

2007–2012: Vice President, Head of the Main Division of Economics and Planning of OJSC LUKOIL.

Since 2012: Vice President for Economics and Planning of PJSC LUKOIL.

Member of the Management Committee since 2010

**Evgeny Khavkin**

Member of the Management Committee

Vice President –
Chief of Staff of PJSC LUKOIL

Azat Shamsuarov

Member of the Management Committee

First Vice President

Born in 1964.

Graduated from the Moscow Institute of Economics, Management and Law in 2003. Candidate of Economics (PhD). Graduated from Moscow State Law Academy in 2014. Honored Oil Specialist. Awarded three medals, including a Medal of the Order "For Merit to the Fatherland", 2nd class, and the Letter of Acknowledgement from the President of the Russian Federation. Distinguished employee of the Company. 1988: started to work at entities in West Siberia.

1997–2003: Deputy Head, First Deputy Head of the Administrative Office of the Board of Directors of OJSC LUKOIL.

2003–2012: Secretary of the Board of Directors, Head of the Administrative Office of the Board of Directors of OJSC LUKOIL.

Since 2012: Vice President – Chief of Staff of PJSC LUKOIL.

Member of the Management Committee since 2003

Born in 1963.

Graduated from Ufa Oil Institute in 1986. Candidate of Technical Sciences (PhD). Honored Fuel and Energy Industry Specialist. Honored Oil Specialist. Awarded a Medal of the Order "For Merit to the Fatherland", 2nd class. Russian Government Prize winner. Distinguished employee of the Company.

1997–2000: Chief Engineer of Oil and Gas Production Board (OGPB) of Pokachevneft, Deputy General Director for Production of TPU Langepasneftegaz – Head of OGPB Pokachevneft, General Director of TPU Uraineftegaz.

2000–2001: President of Orenburg Oil Joint Stock Company (ONAKO).

2001–2008: Vice President, Senior Vice President of LUKOIL Overseas Holding Ltd.

2008–2012: Vice President of OJSC LUKOIL, General Director of LLC LUKOIL-West Siberia.

2012–2013: Vice President for Oil and Gas Production of OJSC LUKOIL.

2013–2020: Senior Vice President for Oil and Gas Production of PJSC LUKOIL.

March 2020 – June 2020: Senior Vice President for Oil and Gas Production in Russia at PJSC LUKOIL.

Since June 2020: First Vice President of PJSC LUKOIL.

Member of the Management Committee since 2013

REMUNERATION SYSTEM FOR MEMBERS OF THE COMPANY'S GOVERNANCE BODIES

When shaping the remuneration system and determining the particular remuneration for members of PJSC

LUKOIL's governance bodies, the actual amounts payable are expected to be sufficient to engage, motivate to work

efficiently, and retain persons having skills and qualifications required by the Company.

REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS

The guidelines on remuneration and compensation of members of the Board of Directors, including their structure and terms of payment, are formalized in the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL (hereinafter, the "Remuneration Policy").

The Remuneration Policy has been developed based on principles and recommendations of the Corporate Governance Code and reflects the practices of remuneration and compensation accrual currently in place at the Company.

The Company believes that its preferred form of monetary remuneration payable to members of the Board of Directors is fixed annual remuneration not linked to any operational, financial or other performance of the Company. Furthermore, the Company pays additional remuneration for the higher responsibility levels and additional time spent on Directors' involvement in

Committee activities, discharging the functions of the Chairman of the Board of Directors and Committee Chairmen.

Directors' remuneration does not include short- and long-term incentive payments or additional benefits, including any insurance (except for the liability insurance of members of the Board of Directors), pension and other social benefits.

The Company does not provide for any extra payments or compensations in the event of early termination of Directors' tenure.

Remunerations are determined by the General Shareholders Meeting and reflect proposals of the Board of Directors, which are based on recommendations of the HR and Compensation Committee.

The Company also compensates the costs incurred by members of the Board of Directors to perform their duties, including costs of traveling, using teleconference services, engaging advisors and experts to obtain their opinions on matters pertaining to the activities of the Board of Directors, with the total not exceeding the budget allocated by the Company.

Members of the Board of Directors who are concurrently employed by the Company also receive other payments from the Company (salary, bonuses, additional social benefits) and, if they are members of the Management Committee, remuneration for performing the duties of Management Committee members. As at the end of the reporting year, three Board members were executives of the Company (Vagit Alekperov, President, who is also Chairman of the Company's Management Committee, Leonid Fedun, Vice President for Strategic Development, and Nikolay Nikolaev, Vice President). Until March 31, 2020, Ravil Maganov, Board member, held the position of First Executive Vice President; he was also a member of the Management Committee until July 14, 2020.

Remuneration structure for members of the Board of Directors

Type	Amount established by the resolution of the Annual General Shareholders Meeting held on June 23, 2020 for 2020–2021 corporate year, RUB thousand
Remuneration to the member of the Board of Directors	7,250
Remuneration to the Board Chairman	5,600
Remuneration to the member of a Board Committee	1,150
Remuneration to the Chairman of a Board Committee	1,150
Remuneration for each in-person attendance at Board or Committee meeting requiring a transcontinental flight	400
Remuneration for each attendance at a conference or other event attended by written proxy of the Chairman of the Board of Directors	200

 For more details, see the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL available on the Company's website.



Payments to the Board of Directors, RUB thousand

	2018	2019	2020
Total payments to the Board of Directors	816,787	208,784	190,495
Remuneration of members of the Board of Directors	100,375	103,075	100,675
Compensation of costs	34,119	26,478	3,331
Payments to Directors who are employed by the Company, but are not members of the Management Committee	682,293	79,231	86,489
including:salary	35,968	33,925	31,768
bonus	607,372	30,372	35,709
other types of remuneration	38,953	14,934	19,012

For Vagit Alekperov, President of PJSC LUKOIL, who concurrently sits on the Management Committee, this table includes only remuneration related to performing his duties of a Director; whereas remuneration for performing the duties of a Management Committee member and other payments made by the Company are included in the Payments to the Management Committee table.

For Ravil Maganov, Chairman of the Board of Directors, who was First Executive Vice President until March 31, 2020 and was a member of the Management Committee until July 14, 2020, this table includes only remuneration related to performing his duties of a Director as well as part of the bonus and other payments he received as an executive employee of the Company after he left the Management Committee. The remaining remuneration for performing the duties of Management Committee member and other payments made by the Company are included in the Payments to the Management Committee table.

Considerable reduction in payments to members of the Board of Directors who are employed by the Company but do not sit on the Management Committee in 2019–2020 compared to 2018 was due to the payment in 2018 of final bonuses under the Regulations on Long-Term Incentives for Employees of PJSC LUKOIL and its Subsidiaries in 2013–2017.

TOP MANAGEMENT REMUNERATION SYSTEM¹

The Top Management Remuneration System was developed to ensure the delivery of business targets, promote strategic business activities, and support a uniform, systemic and consistent approach to financial incentives for key executives. The balance of interests of the Company's management and shareholders is key to the Top Management Remuneration System in place at the Company.

The Top Management Remuneration System is included in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System.

Top management remuneration system comprises fixed and variable components.

The **fixed component** consists of a salary determined taking into account the complexity of tasks and duties to perform, the scope of work under the direct influence of a key executive, and the extent of such influence. The fixed component also includes additional payments for discharging the duties of other temporarily absent key executives. The salaries are in line with the market, which ensures the retention of key executives.

The **variable component** consists of annual bonuses and may also include one-off and target bonus payments and other payments.

Annual bonuses are paid as end-of-year bonuses and are intended to incentivize top managers to meet year-on-year targets. The motivational value of such payments is particularly high given the highly volatile external environment. To determine annual bonuses, the performance against the pre-set Key Performance Indicators is analyzed and approved. There are two types of KPIs: Company-wide (team performance) and individual (key executive's performance within the business line the top manager is responsible for).

Performance indicators used for annual bonus payments to key executives

Indicator group	Indicators	Group weight, %
Company-wide	<ul style="list-style-type: none"> • LUKOIL Group's profit for the year • LUKOIL Group's free cash flow • Hydrocarbon production volume • Ensuring HSE compliance across LUKOIL Group entities 	From 50 to 100
Individual	Personalized for each executive in accordance with targets and objectives of his or her business line	Under 50

The Key Performance Indicators from the Set of KPIs approved by the Management Committee of PJSC LUKOIL are used as Company-wide indicators.



For more details, see the Key Performance Indicators and the Performance Assessment System on page **30, 118**

¹ Top manager (executive employee) – President, First Executive Vice President, First Vice Presidents, Senior Vice Presidents, Vice Presidents of the Company, Chief Accountant, and executives responsible for certain business lines.

The balance of the Company-wide and individual components is determined for the functional activity for which the key executive is responsible. Annual bonuses paid to the President of PJSC LUKOIL are based on Company-wide indicators. The weighting of the Company-wide and individual component and annual salary-based bonus targets are set out in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System. To

incentivize management, the Company sets priority KPIs that have stronger impact on bonuses than others. The Company-wide priority KPIs are LUKOIL Group's profit and free cash flow.

Individual KPIs used for certain key executives also include the free cash flow of relevant business segments.

Our management remuneration system also uses long-term incentives to drive better performance in the

medium and long term. The incentives are set out in the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022 and are intended to build an interest in the Company's long-term performance, enhance its investment case, and create shareholder value. The Program involves about 40 million PJSC LUKOIL shares.

MANAGEMENT COMMITTEE REMUNERATION SYSTEM

Each of the Management Committee members received remuneration for performing the duties of a Management Committee member in the reporting year, equal to the monthly official salary in their main position. The remuneration is provided

for by contracts made with the Management Committee members and is paid against achievement of Company-wide KPIs over the reporting period. On top of that, the Management Committee members received:

- Base salary for performing their main position
- Annual bonuses for their year-round performance and other bonuses
- Additional social benefits.

Management Committee members also participate in the Long-Term Incentive Program for Key Employees of LUKOIL Group. In 2020, they acquired a total of 385 thousand shares under the Program.

Payments to the Management Committee*, RUB thousand

	2018	2019	2020
Total payments to the members of the Management Committee	5,502,415	1,684,611	1,544,080
Remuneration of Management Committee members	54,744	56,534	62,854
Salary	440,644	474,853	578,590
Bonuses (annual and other bonuses)	4,618,592	538,092	503,598
Other payments	388,434	615,132	399,038

Including among other things payments to the President of PJSC LUKOIL.

Considerable reduction in bonuses in 2019–2020 compared to 2018 was due to the payment in 2018 of final bonuses under the Regulations on Long-Term Incentives for Employees of PJSC LUKOIL and its Subsidiaries in 2013–2017.

SEVERANCE PAY FOR TOP MANAGEMENT

In the event of early termination of the employment contract, a key executive officer is entitled to a severance pay in the amount of the sum of his basic salary for 12 months.

The contract of PJSC LUKOIL's President has the term of five years and may be terminated early subject

to giving not less than one month's preliminary notice of termination. In the event of early termination of the employment contract, the President is entitled to a severance pay equal to the sum of his basic salary for 24 months.

PERFORMANCE ASSESSMENT SYSTEM

The Company has in place a corporate performance assessment system based on Key Performance Indicators (KPIs) reflecting the Group's factors of success and measuring achievement of the strategic goals.

LUKOIL Group's Set of KPIs has around 60 unique indicators applied across business segments, business sectors and budgetary units depending on the nature of their operation. The total number of KPIs for LUKOIL Group is around 400. The Set of KPIs contains

their list and calculation methodology and is approved by the Management Committee of PJSC LUKOIL and reviewed once every two years. KPIs are adjusted and updated as necessary (but at least once every two years), taking into account LUKOIL's revised strategic goals and plans, changes in its asset portfolio, and the external environment.



The procedure for using KPIs in individual corporate processes is governed by relevant local regulations:

- LUKOIL Group's Growth Strategy Development Regulations
- LUKOIL Group's Corporate Planning Regulations
- LUKOIL Group's Corporate Management Reporting Regulations

KPIs IN PLANNING

KPIs align goals and objectives on different planning horizons: long-term – 10 years; mid-term – 1–3 years; and short-term – less than a year. Furthermore, as the planning horizon becomes shorter, the set of applicable KPIs expands.

In budget planning, KPIs are used as target guides both at the stage of target development for top-down planning and at the stage of final formalization of targets and objectives

as benchmark indicators against which subsequent performance assessment is carried out.

PERFORMANCE MANAGEMENT THROUGH KPIs

KPIs are crucial for managing both the overall performance of LUKOIL Group and the individual performance of its assets. Performance assessment is carried out on a regular basis and includes:

- Monitoring current results of operations on a monthly (and in some cases, weekly) basis
- Summing up the results of operations quarterly and annually

Certain indicators – first of all, financial ones – are subject to factor analysis which identifies controllable and uncontrollable factors. It helps give an objective assessment of how executives impact LUKOIL Group entities' performance.

KPIs IN THE MOTIVATION SYSTEM

Key performance indicators included in the Set of KPIs are used in the motivation system by linking remuneration to the actual performance of target indicators.

A limited well-balanced range of indicators from the Set of KPIs is selected directly from the assessed employee's area of responsibility to be used in the motivation system.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

LUKOIL's risk management and internal control system (RMICS) is an integral part of its corporate governance.

The RMICS is organized and operates to provide reasonable assurance of achieving the following targets and objectives in the context of uncertainties and negative factors:

- The Company's strategic and business goals

- Asset integrity
- Compliance of all types of reports with established requirements
- Compliance with the applicable laws and the regulations of LUKOIL Group entities

The RMICS is organized and operates in accordance with the following key principles

- | | |
|--|--|
| <ul style="list-style-type: none">• Integration with the Group's corporate governance system and business processes• Focus on risk• Ongoing operation continuity• Full coverage of the Group's business• Adaptivity through self-improvement and development• Uniform methodology | <ul style="list-style-type: none">• Employee responsibility for risk management and internal control performance• Sufficiency of actions to achieve goals• Economic feasibility• Division of authority, duties and responsibilities• Process formalization• Informational content |
|--|--|

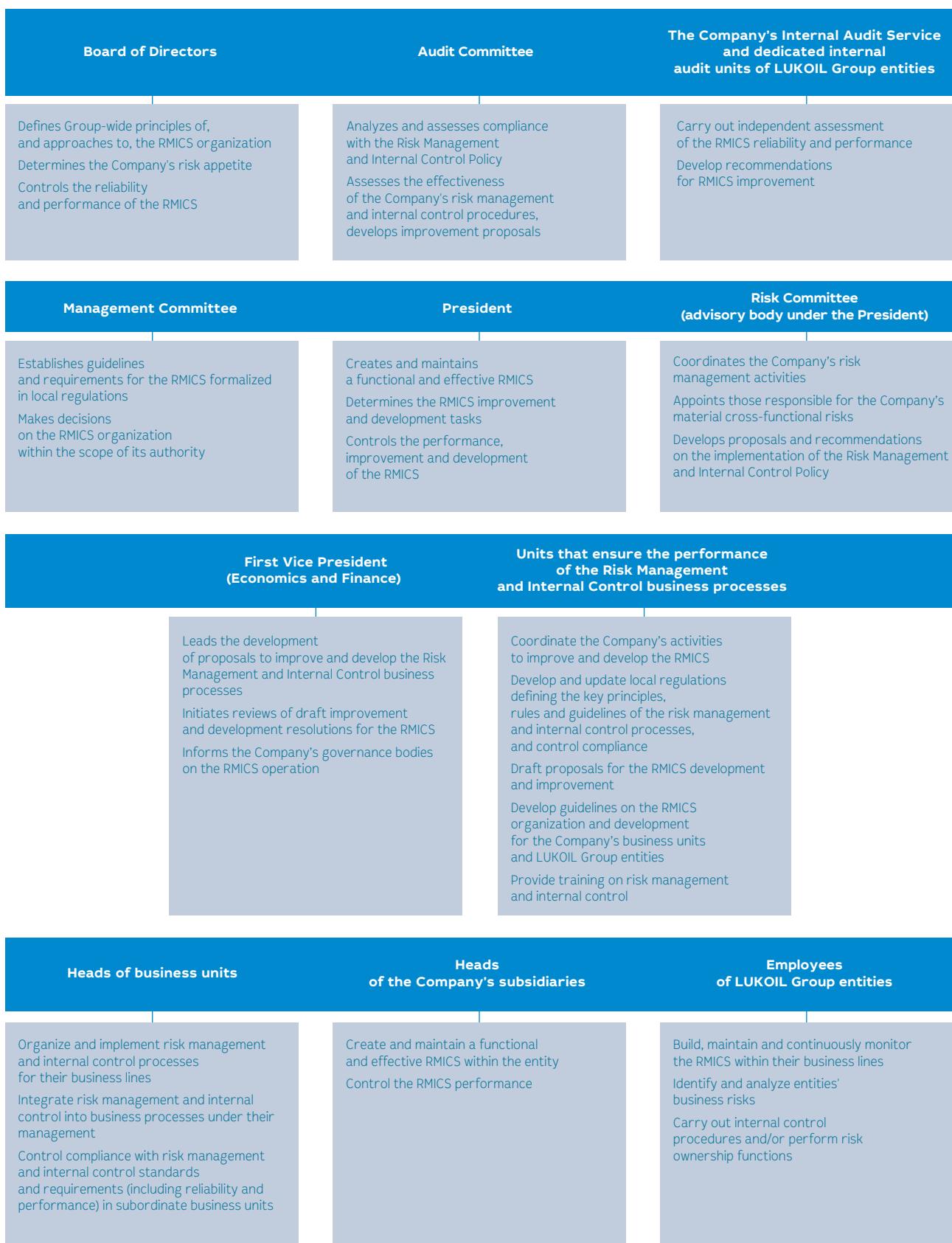
Risk management and internal control processes are interrelated ongoing processes followed by governance bodies and employees while performing their functions.



For more details, see the Risk Management and Internal Control Policy of PJSC LUKOIL on the Company's website.



Key participants of LUKOIL Group's RMICS



RISK MANAGEMENT

PJSC LUKOIL continuously improves its risk management system, enabling us to promptly respond to changes (both external and internal), maintain performance, and improve our efficiency in an environment of high risks and uncertainty.

In 2020, efforts were made to:

- Identify and assess new risks, establish a single risk database and use this information to support key decision-making
- Review and prepare materials on major and priority projects and develop recommendations and proposals to improve profitability and mitigate risks
- Update and develop the Company's local regulations on risk management

Risk management development and improvement focus on:

- Improving internal regulations and guidelines with due consideration to changes in Russian laws and trends in global best practices
- Integrating risk management processes across key areas: growth strategy development,

investment planning, budgeting, and risk management at the level of operational and financial activities

- Improving risk information quality through harmonization, standardization and making recommendations on standard risk description
- Optimizing information sharing

The Board of Directors and the Management Committee place a special focus on risk management to provide reasonable assurance of achieving objectives despite uncertainties and negative impacts. PJSC LUKOIL continuously identifies, describes, assesses, and monitors risks and develops measures to mitigate their adverse effect on our business. At the same time, our risk management forms an essential part of our business and corporate governance system and involves employees across all management levels.

We regularly assess the aggregate risks of LUKOIL Group entities, with the risk profile included in annual reports reviewed by the Board of Directors. We identified categories of most material risks impacting the business operations of LUKOIL Group entities, which are

consistently assessed in terms of quantity; we determined acceptable levels for each material risk; and we developed measures to mitigate or prevent their adverse effect. LUKOIL closely monitors the progress and effectiveness of its risk mitigation measures.

Taking into account the probabilistic and external nature of LUKOIL's risks, we cannot fully guarantee that risk management measures will reduce adverse effects to an acceptable level. That said, we take all possible measures to monitor and prevent such events, and should they occur, will strive to mitigate their implications as quickly as possible in order to minimize damage to the Company.

In order to address the matters of improving the risk management system and effectiveness of the risk management processes, the Company has established the Risk Committee. This is a collective risk management body under the Company's President.



For more details on risk descriptions, see Appendix 2: Risks.

INTERNAL CONTROL

In 2020, we developed measures to enhance the internal control system at LUKOIL Group in accordance with the standards and requirements of the Regulations on Internal Control at PJSC LUKOIL. The following measures are aimed at further optimizing the use of available assets and minimizing avoidable losses through improvements in the efficiency of internal controls:

- Introduction of unified standards of, and requirements for, organization of an internal control system (ICS) into the operations of LUKOIL Group
- Prompt elimination of ICS gaps identified during monitoring activities
- Updating the internal control structure to reflect actual business processes
- Compliance with requirements of the Federal Tax Service (FTS) of Russia to ICS setup at LUKOIL Group entities that have switched or are preparing to switch to the tax monitoring regime

In 2020, the Company approved the Model Organizational Structure of Unit to Facilitate Organization and Functioning of the Internal Control

System at LUKOIL Group Russian entities and the Key Functions of Unit. As part of the review of regular internal control reporting in 2020, the Company monitored compliance with the standards and requirements for ICS organization and functioning at LUKOIL Group entities. Information on the current status of the ICS was submitted to the Audit Committee of the Company's Board of Directors and subsequently to the Company's Board of Directors.

The Company's Internal Audit Service confirmed the effective ICS operation across LUKOIL Group entities.

In line with approved plans for developing and improving internal control, we continued to align ICS components at Group entities with the standards and requirements of the Regulations on Internal Control at PJSC LUKOIL. The information on identified violations and deficiencies at certain management units, including measures to respond to the respective violations and deficiencies, was reviewed to assess the effectiveness and sufficiency of such measures and the possibility

to roll them out across similar management units in LUKOIL Group for the purposes of prevention.

To make ICS enhancement activities more effective, the Company has updated the Corporate Distance Learning System with a special training course for employees of LUKOIL Group entities responsible for internal controls. The Company also plans to develop a number of specialist training courses in 2021.

To improve LUKOIL Group's corporate governance system through digitalization of the Internal Control business process and providing all ICS-related units with quality updates and effective communications in internal control, the Company focused on developing and testing IT solutions.

On May 18, 2020, the Board of Directors reviewed the issue of functioning and improvement of the Company's risk management and internal control system, and approved the results and proposals to further develop the Risk Management and Internal Control System.

SWITCHING TO THE TAX MONITORING REGIME

To be able to switch to the tax monitoring regime the taxpayer must have in place an effective ICS complying with the Requirements of the FTS of Russia for organizing and functioning of all ICS components.

In 2017–2020, the Company successfully prepared and completed the transition to tax monitoring for PJSC LUKOIL and 13 key LUKOIL Group entities, while also continuing to prepare to switch 14 other entities of the Group.

INTERNAL CONTROLS IN PREPARING FINANCIAL STATEMENTS

The Company pays close attention to ensuring reliability of financial information. To this end, LUKOIL applies the following key procedures and methods:

- **Distribution of roles and responsibilities.** LUKOIL Group has clear distribution of responsibilities at each stage of preparing its financial statements (both at the standalone subsidiary and consolidated levels). Russian entities prepare their RAS statements independently or through the Company's accounting center; IFRS statements of Russian entities are prepared by the Accounting Service of PJSC LUKOIL. IFRS statements of the Company's foreign subsidiaries are prepared either independently or at the Company's European accounting center. Local financial statements are the responsibility of entities' top managers and chief accountants or heads of accounting centers. The Company's President and Chief Accountant are responsible for preparing its consolidated financial statements.
- **Internal audits.** In performing audits in accordance with the approved annual activity plan, the Internal Audit Service assesses the effectiveness of internal control over the reliability of accounting (financial) statements and management reporting of LUKOIL Group entities.
- On-site audits
- Providing accounting advisory services to Group entities, solving complex accounting issues
- Organizing auditing and reconciliation procedures for numbers in financial statements, controlling the accuracy and reliability of Group entities' statements
- Follow-up audit of the financial and operating figures on a regular basis
- **The Group's unified accounting policy.** The Company has in place the unified IFRS accounting policy approved by the President of PJSC LUKOIL which is reviewed at least once a year. It is binding on all LUKOIL Group entities that prepare their IFRS statements.
- The Company's President approves, on an annual basis, the corporate RAS accounting policy and requirements to the accounting policies of the Company's Russian subsidiaries.
- Centralized development of RAS and IFRS accounting policies ensures application of unified principles of accounting and reporting for similar transactions and the comparability of results of LUKOIL Group entities.
- **Centralized decision-making.** The Group makes centralized decisions on the following accounting and reporting matters:
 - Organizing the activities of subsidiary accounting services (independently or through a dedicated subsidiary)
 - Selecting the auditor (for the Company's material subsidiaries)
 - Dates of preparation of Group entities' accounting (financial) statements, end dates of their audit
 - RAS and IFRS accounting policies
 - Appointment of subsidiaries' chief accountants
 - Accounting process automation
- **Business unit interaction.** Consolidated IFRS financial statements are prepared in close collaboration between the Accounting Service of PJSC LUKOIL and various business units both within the Company and Group entities. During the process stakeholders regularly exchange and additionally verify relevant information.
- **Employee training.** All employees of the Company's Accounting Service engaged in the preparation of IFRS consolidated financial statements have a degree in accounting or finance and regularly enhance their qualifications. Many of them are certified accountants (according to Russian and international standards) and are members of professional accountants' associations in Russia, the UK and the USA. Some employees have academic degrees in accounting and finance. In 2020, even as in-person events were restricted due to the COVID-19 pandemic, our employees continued to improve their qualifications through online training events.

The procedures ensuring additional control over the accuracy of Group subsidiaries' financial statements include:

COUNTERPARTY DUE DILIGENCE SYSTEM

Since 2020, the Company has been implementing a management information system (MIS) – the Counterparty Due Diligence System.

The System is designed to ensure due diligence, check reliability, and mitigate risks when selecting and interacting with counterparties of LUKOIL Group entities.

The project covers 18 Russian entities of LUKOIL Group (including PJSC LUKOIL) that enter into procurement contracts for goods, works, and services and other contracts with counterparties (legal entities and sole proprietors) for providing proprietary items to the Group entities for consideration.

Reliability checks are conducted in a single database by way of the counterparty placing documents and information in the Personal Account on PJSC LUKOIL's website, with the Company also collecting information from internal corporate databases and external sources and compiling a counterparty profile with an individual reliability index calculated. This individual reliability index is determined based on the risk indicators identified in the counterparty check, with the weights assigned to each indicator factored in.

To further develop the System in 2021, the Company is planning to:

- Roll out the project at all Russian entities of LUKOIL Group purchasing goods, works, and services from counterparties (legal entities and sole proprietors)
- Expand the MIS capabilities to cover counterparty checks for HSE compliance

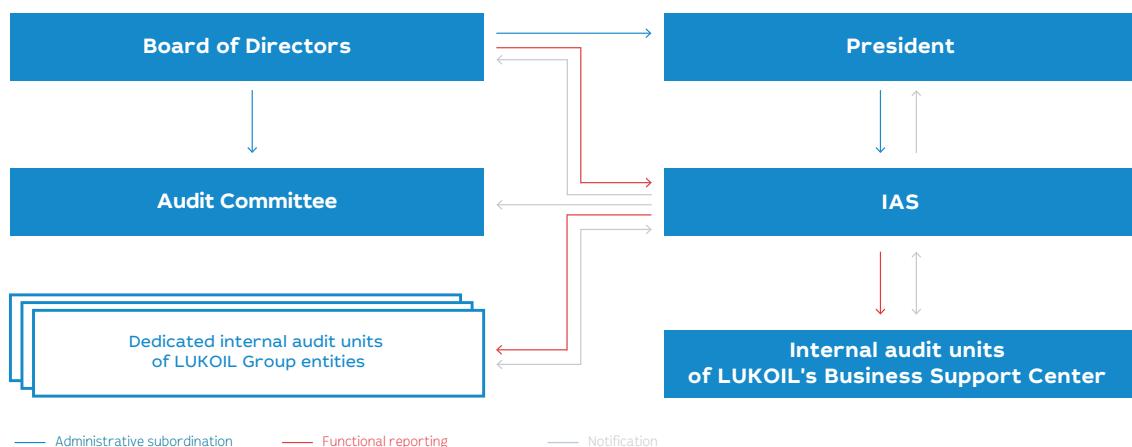
INTERNAL AUDIT

The purpose of LUKOIL Group's internal audit system is to assist by way of audits and consulting engagements in achieving strategic

goals and objectives through applying a holistic consistent approach to assessment

and improvement of the risk management and internal control systems and corporate governance.

Corporate internal audit system



Within LUKOIL Group, internal audit is performed by:

- The Internal Audit Service of PJSC LUKOIL (IAS) headed by Vice President – Head of the Internal Audit Service (hereinafter; also the "Head of IAS")
- Dedicated internal audit units of LUKOIL Group entities ("DIAUs").

In 2020, there were changes in the internal audit framework. To streamline and improve corporate governance, LUKOIL Group switched to a services-based operating model whereby certain IAS and DIAU functions related to the audit of subsidiaries were transferred to the Business Support Center (LLC LUKOIL-BSC, a wholly-owned subsidiary of the Company).

The IAS is responsible for internal audits and audit consulting at PJSC LUKOIL, and internal audit planning, methodological support, and development across LUKOIL Group. The Head of IAS directly manages IAS activities; DIAUs, and internal audit units of the Company's Business Support Center functionally report to the Head of IAS. The Head of IAS reports to the Board of Directors of PJSC LUKOIL (functional reporting) and the Company's President (administrative subordination).

2020 RESULTS

AUDITS AND AUDIT CONSULTING

Audits and consultations by the IAS and DIAUs



Audits and consultations by the IAS and DIAUs were fewer because of reallocation of functions among audit units and changes in the internal audit framework and approaches, including a larger scope and more audited areas. These changes did not affect the audit quality or productivity, but in fact enhanced internal audit efficiency.

POST-AUDIT AND POST-CONSULTATION MONITORING

Internal audit units monitor progress against plans to prevent or eliminate violations and irregularities identified in the course of audits and consulting engagements at LUKOIL

Group entities. In 2020, the IAS and DIAUs monitored 3,468 actions/initiatives prescribed by 280 documents.

AUDIT AUTOMATION

The IAS has been automating internal audit since 2019. In 2020, an internal audit information system was integrated with the Company's accounting systems. Accounting, tax, and financial audit procedures were automated, and those for petroleum product sales were also subject to the process.

INDEPENDENT ASSESSMENT OF INTERNAL AUDIT

In 2019, an independent external assessment of the internal audit at PJSC LUKOIL identified areas for improvement. The IAS addressed them in the reporting year by drafting relevant amendments to LUKOIL's internal audit regulations, approving a number of audit methodologies and procedures, and auditing business processes across the Company.

In 2020, we continued to implement the Program to Improve the Quality of Internal Audit at PJSC LUKOIL for 2017–2021.

EXTERNAL AUDIT

LUKOIL selects its auditor based on proposals made by the Audit Committee of the Board of Directors and approves the auditor at the General Shareholders Meeting on an annual basis, in line with Russian laws.

The auditor's independence is determined by Federal Law No. 307-FZ On Auditing, the Rules for the Independence of Auditors and Audit Organizations, the Code of Professional Conduct for Auditors, and the International Code of Ethics for

Professional Accountants (including International Independence Standards) by the International Ethics Standards Board for Accountants.

In June 2020, the Annual General Shareholders Meeting approved JSC KPMG as the auditor of PJSC LUKOIL. To maintain independence and comply with audit standards, the Company's auditor regularly, at least once in seven years, changes its key audit partner and did so in 2020.

The fee payable to JSC KPMG for auditing the Company's IFRS consolidated financial statements for 2020 was RUB 246,778 thousand (excluding VAT), for auditing the Company's RAS accounting (financial) statements for 2020 was RUB 10,286 thousand (excluding VAT).

The share of remuneration unrelated to audits in the total fee payable to the auditor is less than 30 percent.

INSIDER INFORMATION CONTROL

As an issuer whose securities are traded on regulated markets, both in Russia and in the UK, PJSC LUKOIL pays special attention to measures aimed at preventing the misuse of insider information.

The Company's relevant activities are regulated by:

- Federal Law No. 224 FZ On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation dated July 27, 2010
- EU Market Abuse Regulation No. 596/2014 adopted by the European Parliament and the EU Council on April 16, 2014

In 2020, the Board of Directors approved a new version of the Insider Information Regulations of PJSC LUKOIL, outlining requirements of international insider information laws as applicable to the Company.

Pursuant to the EU Market Abuse Regulation, a special procedure applies to transactions with Company securities performed by Board of Directors and Management Committee members, as well as persons closely associated with them¹. The members are promptly informed about requirements regarding the procedure and timing for notifying regulatory authorities and the Company about securities transactions applicable to them and to persons closely associated with them, as well as about the

prohibition on performing transactions with Company securities during closed periods.

We have been consistently implementing internal controls for insider information. In 2020, the Internal Control Rules of PJSC LUKOIL were approved to prevent, identify and counter the misuse of insider information and/or market manipulation, and an officer in charge was appointed.



For more details on transactions with PJSC LUKOIL shares by members of the Company's governance bodies in 2020, see Appendix 4: Transactions with PJSC LUKOIL Ordinary Shares by Members of the Board of Directors and Management Committee of PJSC LUKOIL.

¹ This procedure is documented in the next version of the Insider Information Regulations of PJSC LUKOIL, which was approved by the Company's Board of Directors on March 5, 2021 (Minutes No. 3).

INFORMATION SECURITY

Information security is an integral part of LUKOIL Group's Functional Development Program for IT. The Company focuses its information security role on protecting the Company information, ensuring the accuracy, completeness and reliability of external data, and safeguarding the data provided by government authorities, personal data owners, and customer and partner data.

Information security services are rendered to LUKOIL Group entities by an internal IT service provider, LLC LUKOIL-Technologii (a wholly-owned subsidiary of LUKOIL), certified for compliance with ISO/IEC 27001.

Information security relies on:

- Instructions and guidelines for administrators and operators of information security tools
 - Instructions and guidelines for users to ensure information security when using computers and office equipment
 - Technical regulations and regulations on providing information security services, and service level agreements
- Company employees have a personal responsibility for taking appropriate security measures and are educated about information security on a regular basis.
- All new hires undergo basic information security training as part of the orientation process. Follow-on training is arranged when courses are updated.
- In 2020, a meeting of the IT Coordination Council, chaired by the President of the Company, discussed cybersecurity issues and reviewed statistics on the increasing threats. The Coordination Council includes Management Committee members and other Company executives and meets at least once a year.
- In 2020, the COVID-19 pandemic resulted in a mass transition to working from home, significantly increasing the need for organizing remote access to workplaces. We promptly implemented a number of projects to scale up and deploy a universal remote connection system providing both convenient access to data and the required security level.
- In March–April 2020, the Management Committee three times reviewed reports on the current status of IT support for working from home.
- Thanks to our systematic approach to early detection of, and prompt response to emerging information security threats, there have not been any information security incidents resulting in material financial or reputational losses for the Company.

In 2020, LUKOIL won a ComNews Award for the Best Solution for Remote Work of Geographically Separated Specialists. The awards celebrated the top digital projects and solutions for the stay-at-home work and distancing regimes imposed during the COVID-19 pandemic.

SUBSIDIARY MANAGEMENT SYSTEM

Being the corporate center of LUKOIL Group, PJSC LUKOIL coordinates the operations of Group subsidiaries.

The corporate governance model of subsidiaries reflects their legal status and jurisdiction and may include the general shareholders (members) meeting, the board of directors (supervisory board) and the sole executive body. The Company's governance bodies at all levels are involved in managing its subsidiaries when it comes to matters that are reserved to them.

STRATEGIC SUBSIDIARY MANAGEMENT

The Board of Directors determines the priorities in the Group's overall development.

In accordance with the Charter, the scope of authority of the Company's Management Committee covers the development and implementation of the general strategy for the Company's subsidiaries, in particular:

- Organizing the implementation of a uniform operational, technical, financial, pricing, marketing, social, and HR policy
- Preliminary approval of decisions of the Company's subsidiaries regarding stakes in other entities, as well as decisions on obtaining and terminating subsoil licenses under certain conditions
- Coordinating the operations of the Company's subsidiaries

In 2020, the Management Committee passed 10 resolutions on the operations of the Company's subsidiaries and 21 – on employment matters related to heads of the Company's subsidiaries.

The President (or his/her authorized representative) represents the Company at general shareholders (members) meetings of subsidiaries and other entities in which the Company holds an interest and votes on their agenda items.

Decisions made by the Management Committee in respect of subsidiaries are subsequently implemented in the decisions of the governance bodies of the subsidiaries in which the President or his/her authorized representative acts as LUKOIL representative.

In 2020, the Management Committee continued to approve local regulations governing business process communications between the Company and its subsidiaries.

APPROVAL OF SUBSIDIARIES' MATERIAL TRANSACTIONS¹

For the purpose of enhancing control over material transactions made by its subsidiaries, the Company employs the Procedure for Approving Material Transactions Performed by Subsidiaries of OJSC LUKOIL (the "Procedure"). Such transactions are made by subsidiaries only after their consideration and approval by the Management Committee in accordance with the Procedure. The Procedure does not apply to intra-group transactions.

At the same time, material transactions made as part of investment projects affirmed by the Management Committee of PJSC LUKOIL are approved according to the procedure established by the Company's local regulations governing the Group's investment activities.

IMPROVEMENT OF THE GROUP'S STRUCTURE

The Company consistently works to improve the structure of LUKOIL Group in order to ensure optimal conditions for achieving strategic goals. LUKOIL Group has a Restructuring Commission that previews proposed acquisitions of stakes in other entities before sending them on to the Management

Committee and the Commission also reports to the Management Committee on restructuring progress within the Group. The Management Committee reviewed the progress of LUKOIL Group restructuring at a meeting held on June 22, 2020 (Minutes No. 16). The LUKOIL Group Restructuring

Commission held 13 meetings in 2020, reviewing and submitting to the Management Committee 25 resolutions on LUKOIL Group entities holding stakes in other entities.

 For the Group's structure and a list of its key entities, see the Key Entities Within the Group section on page 134

¹ Material transactions of subsidiaries include transactions of the Company's subsidiaries (excluding transactions to which PJSC LUKOIL and/or its subsidiary was the counterparty), where they acquire, or (may) dispose of, directly or indirectly, fixed assets and/or intangible assets with a (book) value exceeding USD 20 million, or 10% of the book value of the subsidiary's assets (if the said value is below USD 20 million); provide loans, credit facilities, guarantees, sureties, and special-purpose financing for amounts exceeding USD 20 million; or receive loans and credit facilities for over USD 20 million, except for short-term (less than one year) loans and credit facilities obtained in the ordinary course of business on an arm's length basis.

SHARE CAPITAL

As at December 31, 2020, PJSC LUKOIL had a charter capital of 692,865,762 ordinary shares with a nominal value of RUB 0.025 each.

PJSC LUKOIL share capital structure as at December 31, 2020, %



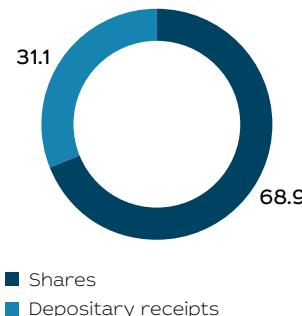
The list of key shareholders of PJSC LUKOIL whose names are on the shareholder register is updated monthly and is available on the Company's website.



For more details on the share capital and the list of key shareholders of PJSC LUKOIL, see the Company's website.



Shares and depositary receipts of PJSC LUKOIL as at December 31, 2020, %



LUKOIL ranks among the Top 3 Russian companies with the highest free float value.

Except for those listed in the Board of Directors' composition and the Management Committee membership sections, the Company management is not aware of any shareholdings of more than 5 percent.

¹ Percentage of PJSC LUKOIL shares which the members of the Board of Directors or Management Committee, including President Vagit Alekperov and Vice President Leonid Fedun, own directly and/or indirectly, and/or are beneficiaries of. For more details, see the Board of Directors' composition and the Management Committee membership sections.

² Including 5.4% held by CYPROMAN SERVICES LIMITED which operates the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2018–2022.

CANCELATION OF SHARES

In February 2020, based on a resolution of the Extraordinary General Shareholders Meeting of PJSC LUKOIL to reduce the charter capital by way of purchasing a portion of issued shares to decrease their total number, the Company bought back and subsequently canceled 22.1 million ordinary shares. Almost all canceled shares were bought from LUKOIL

SECURITIES LIMITED (21.8 million shares). The Company shareholders were given equal and fair opportunities to sell their shares on the same terms. As a result, the total number of issued ordinary shares in PJSC LUKOIL was decreased to 692.9 million shares.

Since 2017, the Company has canceled a total of 158 million of its shares and reduced the number

of quasi-treasury shares to zero. The share of stock held by LUKOIL Group entities and management went down from 51 percent in 2017 to 39 percent in 2020, while the holdings of other shareholders increased from 49 percent to 61 percent.

Ordinary shares and depositary receipts tickers of PJSC LUKOIL

Ticker	Exchange	Type	Listing
LKOH	Moscow Exchange	Ordinary shares	1st level
PJSC LUKOIL ordinary shares are admitted to, and mainly traded on, the Moscow Exchange, included in the Level One quotation list, and are one of the most liquid instruments in the Russian equity market.			
LKOD	London Stock Exchange	Depositary receipts	Standard
The depositary receipts of the Company are traded on the London Stock Exchange. One depositary receipt issued for PJSC LUKOIL shares equals one ordinary share issued by PJSC LUKOIL. Company depositary receipts are one of the most liquid depositary receipts among Eastern European issuers			
LUK	Frankfurt Stock Exchange	Depositary receipts	
LUKOY	US OTC market	Depositary receipts	
PJSC LUKOIL depositary receipts are also traded on the Munich and Stuttgart Stock Exchanges			

Major institutional investors in shares and depositary receipts as at December 31, 2020, %

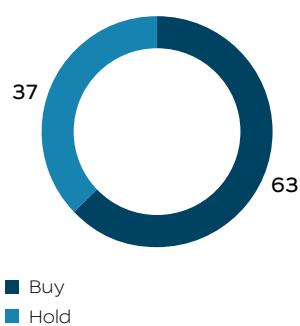
Name	Share in free float
Vanguard Group Inc	4.7
BlackRock Inc	3.6
FMR LLC	3.0
Harding Loevner LP	2.4
Schroders PLC	2.0
Invesco Ltd.	1.5
JPMorgan Chase & Co.	1.3
LSV Asset Management	0.9
Government Pension Investment Fund Japan	0.8
UBS AG	0.7

Source: Bloomberg

Indices which include PJSC LUKOIL shares, %

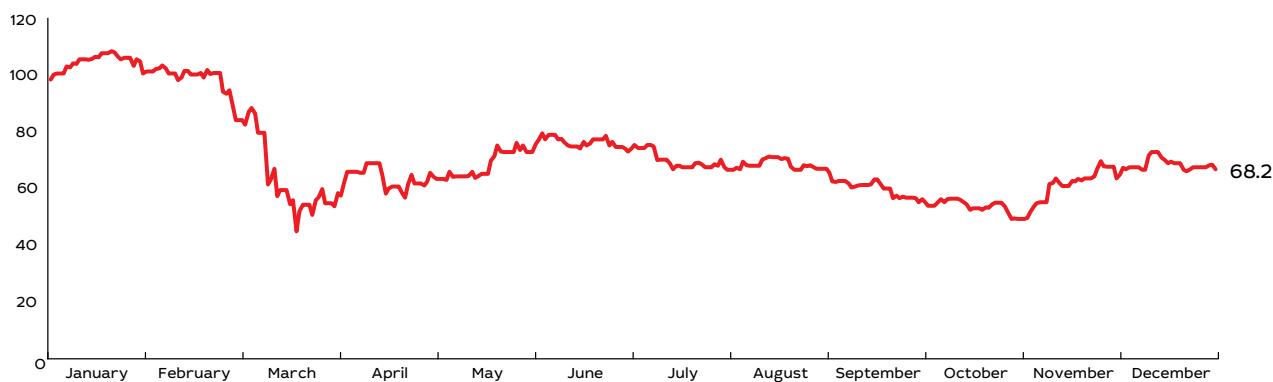
Index	The Company's shares and DRs weight in the index as at December 31, 2020
MSCI Russia	12.5
MOEX Russia	10.6
MSCI Emerging Markets Eastern Europe	9.4
MSCI Emerging Markets EMEA	3.0
FTSE IOB	2.2

Recommendations of analysts of investment banks and financial companies for LUKOIL shares, as at December 31, 2020, %



Including: Bank of America, Citigroup, Credit Suisse, Goldman Sachs, HSBC, JP Morgan, Morgan Stanley, Raiffeisen Bank, Renaissance Capital, UBS, WOOD & Company, ATON, BCS, VTB Capital, SOVA Capital, Sberbank CIB.

PJSC LUKOIL depositary receipts price on the London Stock Exchange in 2020, USD per depositary receipt



Dynamics of PJSC LUKOIL depositary receipts price on the London Stock Exchange



Stock price performance. Due to the COVID-19 recession, most stock markets were down in 2020. The oil and gas sector was hit particularly hard because of the record crash in demand for hydrocarbons in light of the global mobility restrictions. By the end of 2020, PJSC LUKOIL shares were down on the Moscow Exchange by 16 percent to RUB 5,168 per share. PJSC LUKOIL depositary receipts on the London Stock Exchange went

down by 31 percent to USD 68.2 per DR. Ruble depreciation had a positive effect on ruble-denominated share price. As at the end of 2020, most analysts of investment banks and financial companies had a “buy” recommendation for LUKOIL shares.

Bonds. Despite the pressures of 2020, the Company successfully issued 10-year Eurobonds. The offering amounted to USD 1.5 billion with a

coupon of 3.875% per annum. The notes were assigned a rating of BBB+ by Fitch and BBB by Standard & Poor's. In November 2020, the Company redeemed its 10-year Eurobond issue of USD 1 billion.

All three leading international rating agencies have assigned investment grade ratings to LUKOIL. The Company's credit ratings remained unchanged in 2020.

Outstanding Eurobonds as at December 31, 2020

Placement / maturity date	Years to maturity	Coupon, % per annum	Coupon payment frequency	Issue size, USD million	ISIN: Regulation S/Rule 144A
May 6, 2020 / May 6, 2030 ¹	10	3.875	semiannual	1,500	X52159874002/US54988LAB27
November 2, 2016 / November 2, 2026 ²	10	4.750	semiannual	1,000	X51514045886/US549876AL44
April 24, 2013 / April 24, 2023 ²	10	4.563	semiannual	1,500	X50919504562/US549876AH32
June 7, 2007 / June 7, 2022 ²	15	6.656	semiannual	500	X50304274599/US549876AA88

¹ The Eurobonds were issued by LUKOIL Securities B.V., a wholly-owned subsidiary of PJSC LUKOIL registered in the Netherlands.

² The Eurobonds were issued by LUKOIL International Finance B.V., a wholly-owned subsidiary of PJSC LUKOIL registered in the Netherlands

DIVIDENDS

LUKOIL's Dividend Policy is based on balancing the interests of the Company and its shareholders.

The Dividend Policy stipulates the following key principles:

- The total amount of dividends on the Company's issued shares, excluding the shares held by LUKOIL Group entities, should equal at least 100% of the Company's adjusted free cash flow
- The adjusted free cash flow is calculated on the basis of the consolidated financial statements of PJSC LUKOIL prepared in accordance with IFRS and is determined as net cash from operating activities less capital

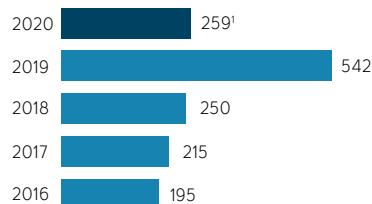
expenditures, interest paid, repayment of lease obligations and expenses on purchasing the Company's stock

- Dividend per ordinary share is rounded to the nearest Russian ruble
- Dividends are paid twice a year (subject to approval by the General Shareholders Meeting) with the amount of interim dividends calculated based on the consolidated financial statements for the six-month period

Based on the 2020 performance, the Board of Directors recommended the Annual General Shareholders Meeting to approve the 2020 dividends of

RUB 213 per ordinary share (excluding interim dividend in the amount of RUB 46 per ordinary share for the nine months of 2020). Including the amount of interim dividends, the total recommended dividends for 2020 equal RUB 259¹ per ordinary share.

Dividend per share, RUB



The report on dividends accrued and paid

Period	2018				2019				2020	
	9M 2018	FY2018	Total	9M 2019	FY2019	Total	9M 2020	FY2020	Total	
Dividend per share, RUB	95	155	250	192	350	542	46	213 ¹	259 ²	
Accrued dividend, RUB million	71 250	116 250	187 500	137 280	242 503	379 783	31 872			
The issuer's governance body deciding on dividend payment	Extraordinary General Shareholders Meeting	Annual General Shareholders Meeting		Extraordinary General Shareholders Meeting	Annual General Shareholders Meeting		Extraordinary General Shareholders Meeting			
Date of the General Shareholders Meeting deciding on the dividend payment, Minutes No.	December 3, 2018; Minutes No. 3 dated December 5, 2018	June 20, 2019; Minutes No. 1 dated June 25, 2019		December 3, 2019; Minutes No. 2 dated December 5, 2019	June 23, 2020; Minutes No. 1 dated June 23, 2020		December 3, 2020; Minutes No. 2 dated December 4, 2020			
Declared dividend payment period	up to January 11, 2019 / up to February 1, 2019 ³	up to July 19, 2019 / up to August 9, 2019 ³		up to January 10, 2020 / up to January 31, 2020 ³	up to July 22, 2020 / up to August 12, 2020 ³		up to December 31, 2020 / up to January 29, 2021 ³			
Ratio of unpaid to accrued dividends, % ⁴	0.060167	0.105070	0.083808	0.059874	0.061161	0.060695	0.058229			

Total accrued dividends are calculated through multiplication of the total number of PJSC LUKOIL shares by the amount of dividends per share



For more details, see the Share Capital, Price and Dividends section of the Analyst Databook



¹ Recommended by Board of Directors final dividend for 2020

² Total dividend for 2020 including interim dividend of RUB 46 per ordinary share and recommended by Board of Directors final dividend of RUB 213 per ordinary share

³ For nominee shareholders and trustees (professional security traders as per the applicable Russian law) whose names are on PJSC LUKOIL's shareholder register / other shareholders whose names are on PJSC LUKOIL's shareholder register.

⁴ Dividends have not been paid to the shareholders who did not submit dividend transfer details pursuant to Article 42 of the Federal Law on Joint-Stock Companies No. 208-FZ dated 26 December 1995.

INFORMATION OPENNESS AND TRANSPARENCY

As an issuer of securities traded on regulated markets, PJSC LUKOIL makes regular mandatory disclosures, providing equal access to all stakeholders in accordance with Russian laws and the requirements of the Moscow Exchange and the London Stock Exchange. The Company effects regular and timely publications of press releases and disclosures of material facts on major developments within the Group.

The Company strives to continuously increase its informational openness and transparency through publishing a wide range of information products beyond applicable statutory requirements. For example, in addition to the mandatory annual publication of its Annual Report, the Company publishes the Analyst Databook containing detailed digital data on its operating and financial performance. On a quarterly basis, in addition to statutory financial statements

prepared under Russian and international standards, the Company publishes financial presentations and aggregated financial and operating performance results in Excel format.

The Company places particular focus on sustainability amid growing attention of stakeholders and development of international practices. For more than 15 years now, the Company has been publishing its Sustainability Report in line with GRI standards, with details on its social activities, governance, impact on the society and environment.

To enhance its openness, the Company presents its financial statements during quarterly conference calls, conducts other presentations, organizes site visits, senior management speeches at conferences, face-to-face meetings, and communications with stakeholders. The Company regularly responds to inquiries made by stakeholders,

including the media, shareholders and institutional investors, environmental organizations, etc.

The shift to remote communication caused by the COVID-19 pandemic in 2020 resulted in more frequent communication with stakeholders. The Company took part in 16 investment conferences, held over 250 meetings with investors, prepared and sent more than a thousand replies to requests from shareholders.

In the reporting year, we paid special attention to sustainability disclosures due to growing interest among the investment community and other stakeholders. In particular, the Company made additional disclosures on the key sustainable development aspects, including those related to climate change.



For more details, see the Sustainability section on page 62

2021 financial calendar

Financial results announcement		
FY 2020		March 10
Q1 2021		May
Q2 2021		August
Q3 2021		November
Dividends for 2020		
Recommendation by the Board of Directors		April 21
Dividend record date		July 5
Interim dividends for the nine months of 2021		
Recommendation by the Board of Directors		October
Dividend record date		December
General Shareholders Meeting		
Annual General Shareholders Meeting		June 24
Extraordinary General Shareholders Meeting		December
Annual publications		
Annual Report		May
Analyst Databook		May
Sustainability Report		June

KEY ENTITIES IN WHICH THE COMPANY AND/OR OTHER GROUP ENTITIES HOLD AN INTEREST

EXPLORATION AND PRODUCTION

REFINING, MARKETING AND DISTRIBUTION

RUSSIA

West Siberia

LLC LUKOIL-West Siberia
LLC RITEK (TPU RITEKBelyoarskneft)
LLC LUKOIL-AIK
LLC TURSUNT

Timan-Pechora

LLC LUKOIL-Komi
LLC Bashneft-Polyus (25.1%)

Urals

LLC LUKOIL-PERM
LLC UralOil
LLC PermTOTneft (50%)

Volga

LLC LUKOIL-Nizhnevolzhskneft
LLC RITEK (TPU Volgogradneftegaz,
TPU RITEK-Samara-Nafta)
LLC JV Wolgodeminoil (50%)

Other

LLC LUKOIL-Kaliningradmorneft
LLC RITEK (TPU TatRITEKnft)
LLC OC PriaZovneft (49%)

KAZAKHSTAN

LUKOIL Overseas Karachaganak B.V.
LUKARCO B.V.
LLP LUKOIL Kazakhstan Upstream

UZBEKISTAN

LUKOIL Overseas Uzbekistan Ltd.
LLC LUKOIL Uzbekistan Operating
Company
SOYZNEFTEGAZ VOSTOK LIMITED

IRAQ

LUKOIL Overseas Iraq Exploration B.V.
LUKOIL MID-EAST LIMITED

EGYPT

LUKOIL OVERSEAS EGYPT LIMITED

AZERBAIJAN

LUKOIL Overseas Shah Deniz Ltd.

NORWAY

LUKOIL Overseas North Shelf AS

NIGERIA

LUKOIL Overseas Nigeria Limited
LUKOIL UPSTREAM PRODUCTION
NIGERIA LTD

ROMANIA

LUKOIL Overseas Atash B.V.

GHANA

LUKOIL OVERSEAS GHANA TANO
LIMITED

CAMEROON

LUKOIL Overseas Etinde Cameroon
Sarl

MEXICO

LUKOIL UPSTREAM MEXICO, S. de R.L.
de C.V.

REPUBLIC OF THE CONGO

LUKOIL UPSTREAM CONGO
ANONYMOUS COMPANY UNIPERSONEL

SAUDI ARABIA

LUKOIL Overseas Riyadh Ltd.

UAE

LUKOIL Upstream Abu Dhabi GmbH

OIL REFINING AND GAS PROCESSING

RUSSIA

LLC LUKOIL-Volgogradneftepererabotka
LLC LUKOIL-Nizhegorodnafteorgsintez
LLC LUKOIL-Permnefteorgsintez
LLC LUKOIL-UNP
LLC LUKOIL-KGPZ

ITALY

ISAB S.r.l.

BULGARIA

LUKOIL Neftochim Burgas AD (99.85%)

NETHERLANDS

Zeeland Refinery N.V. (45%)

ROMANIA

PETROTEL-LUKOIL S.A. (99.77%)

PETROCHEMICALS

RUSSIA

LLC Saratovorgsintez
LLC Stavrolen

BUNKERING

RUSSIA

LLC LUKOIL MarinBunker

BULGARIA

LUKOIL-Bulgaria Bunker EOOD

AIRCRAFT REFUELING

RUSSIA

LLC LUKOIL-AERO
LLC LUKOIL-Varandey-AVIA

BULGARIA

LUKOIL Aviation Bulgaria EOOD

LUBRICANTS

RUSSIA

LLC LLK-International
LLC INTESMO (75%)

TURKEY

LUKOIL Lubricants Middle East Madeni
Yag Sanayi ve Ticaret Limited Sirketi

AUSTRIA

LUKOIL Lubricants Europe GmbH

ROMANIA

LUKOIL LUBRICANTS EAST EUROPE
S.R.L.

BELARUS

JLLC LLK-NAFTAN

POWER GENERATION

RUSSIA

LLC LUKOIL-Astrakhanenergo
LLC LUKOIL-Volgogradenergo
LLC LUKOIL-Kubanenergo
LLC LUKOIL-Rostovenergo
LLC LUKOIL-Stavropolenergo
LLC LUKOIL-Ecoenergo
LLC Volgodonskaya Teplovaya Generatsia
LLC Kamyshin CHPP
LLC KTE
LLC Astrakhan Heat Supply Networks
LLC Volgodonsk Heat Supply Networks
LLC Volzhsky Heat Supply Networks
LLC Rostov Heat Supply Networks
LLC LUKOIL-ENERGOSETI
LLC Teplovaya Generatsia G.
Volzhskogo
LLC LUKOIL-TsUR
LLC LUKOIL-ENERGOSERVIS
LLC LUKOIL-Energoengineering

ROMANIA

LAND POWER S.A.

BULGARIA

BULGARIA OOD

TRANSPORTATION

RUSSIA

LLC LUKOIL-Trans
LLC Varandey Terminal
LLC LUKOIL-KNT
LLC RPK-Vysotsk LUKOIL-II
JSC LUKOIL-Chernomorye

LATVIA

Sabiedriba ar ierobeziotu atbildibū VARS

DISTRIBUTION

RUSSIA

LLC LUKOIL-Severo-Zapadnefteprodukt
LLC LUKOIL-Uralnefteprodukt
LLC LUKOIL-Tsentrnefteprodukt
LLC LUKOIL-Yugnefteprodukt
LLC LICARD
LLC LUKOIL-Reservnefteprodukt
LLC LUKOIL-Reservnefteprodukt-Trading

AZERBAIJAN

CJSC LUKOIL-Azerbaijan

BELARUS

FLLC LUKOIL-Belarus

BELGIUM, LUXEMBOURG

LUKOIL Belgium N.V.

BULGARIA

LUKOIL BULGARIA EOOD

GEORGIA

LLC LUKOIL-GEORGIA

ITALY

LUKOIL Italia S.r.l.

MACEDONIA

LUKOIL MAKEDONIJA DOOEL Skopje

MOLDOVA

LUKOIL-Moldova S.R.L.

NETHERLANDS

LUKOIL Netherlands B.V.

ROMANIA

LUKOIL ROMANIA S.R.L.

SERBIA

LUKOIL SRBIJA AD Beograd (99.85%)

USA

LUKOIL NORTH AMERICA LLC

TURKEY

LUKOIL Eurasia Petrol Anonim Sirketi

FINLAND

Oy Teboil Ab

CROATIA

LUKOIL Croatia Ltd.

MONTENEGRO

LUKOIL MONTENEGRO DOO, Podgorica

TRADING

BULGARIA

ENERGICO TRADING

SWITZERLAND

LITASCO SA

SHORT NAMES OF THE GROUP ENTITIES USED IN THE REPORT

Stavrolen	LLC Stavrolen	Varandey terminal	LLC Varandey Terminal
Burgas Refinery (Bulgarian Refinery)	LUKOIL Neftohim Burgas AD	ISAB Refinery	ISAB S.r.l.
Nizhny Novgorod Refinery	LLC LUKOIL-Nizhegorodn nefteorgsintez	Zeeland Refinery	Zeeland Refinery N.V.
Perm Refinery	LLC LUKOIL-Permnefteorgsintez as regards lubricant production – TPU LLC LLK-International in Perm	Usinsky GPP	Usinsky GPP of LLC LUKOIL-Komi
Ploiești Refinery (Romanian Refinery)	PETROTEL-LUKOIL S.A.	Korobkovsky GPP	LLC LUKOIL-KGPZ
Volgograd Refinery	LLC LUKOIL-Volgogradneftepererabotka as regards lubricant production – TPU LLC LLK-International in Volgograd	LUKOIL- Nizhegorodniinefteproyekt	LLC LUKOIL- Nizhegorodniinefteproyekt
Ukhta Refinery	LLC LUKOIL-UNP	VolgogradNIPInorneft	VolgogradNIPInorneft branch of LLC LUKOIL-Engineering
Saratovorgsintez	LLC Saratovorgsintez	KogalymNIPIneft	KogalymNIPIneft branch of LLC LUKOIL-Engineering
Terminal in Vysotsk	LLC RPK-Vysotsk LUKOIL-II	PermNIPIneft	PermNIPIneft branch of LLC LUKOIL-Engineering
Lokosovsky GPP	Lokosovsky GPP of LLC LUKOIL- West Siberia	LITASCO	LITASCO SA



The full list of the entities is available on the
Company's website



TERMS, ACRONYMS AND ABBREVIATIONS

References to "PJSC LUKOIL", "LUKOIL Group", "the Group," "LUKOIL", "the Company", "we", and "our" throughout this document are all equivalent for the purposes of this Report and refer to LUKOIL Group, PJSC LUKOIL and/or its subsidiaries, depending upon the context in which the terms are used.

AC – Audit Committee
AI – Russian gasoline grades indicating the research octane number (RON)
APG – associated petroleum gas
BoD – Board of Directors
boe – barrel of oil equivalent
CCGT – combined-cycle gas turbine
CDP – Carbon Disclosure Project
CDU TEK – Central Dispatching Department of the Fuel and Energy Complex of Russia
CHPP – combined heat and power plant
CIS – Commonwealth of Independent States
CPC – Caspian Pipeline Consortium
DIAU – dedicated internal audit unit
DR – depository receipt
EBITDA – earnings before interest, taxation, depreciation and amortization

EOR – enhanced oil recovery
ERM – enterprise risk management
ESPO – East Siberia – Pacific Ocean pipeline
FER – fuel and energy resources
GPP – gas processing plant
GPC – gas processing complex
GR – government relations
HPP – hydroelectric power plant
HRCC – HR and Compensation Committee
HSE – health, safety and environment
IAS – Internal Audit Service
IFRS – International Financial Reporting Standards
ILO – International Labor Organization
IR – investor relations
IRFP – ice-resistant fixed platform
JSC – joint stock company
JV – joint venture
KPI – key performance indicator
LLC – limited liability company
MET – mineral extraction tax
MZHF – multi-zone hydraulic fracturing
NGL – natural gas liquids
OGPB – Oil and Gas Production Board
OJSC – open joint stock company
OPEC – Organization of Petroleum Exporting Countries
PJSC – public joint stock company
PR – public relations
PSA – production sharing agreement
RAS – Russian Accounting Standards
RITEK – Russian Innovation Fuel and Energy Company
RMICS – risk management and internal control system
RPM – reservoir pressure maintenance
RSPP – Russian Union of Industrialists and Entrepreneurs
RTS – Russian Trading System (Index)
RUB – Russian ruble
R&D – research and development
SAGD – steam-assisted gravity drainage
SEC – Securities and Exchange Commission
SISCAC – Strategy, Investment, Sustainability and Climate Adaptation Committee
TAI – tax on additional income
toe – tonne of oil equivalent
TPU – Territory Production Unit
UN – United Nations
USD (\$) – US dollar

About the Report

PJSC LUKOIL Annual Report (hereinafter, the "Report") presents key information on LUKOIL Group's overall performance in 2020 by business line, as well as corporate governance and corporate responsibility. The Report complies with the requirements of regulations in the financial markets, recommendations of the Corporate Governance Code, Disclosure and Transparency Rules of the UK Financial Conduct Authority, and is based on the Group's consolidated financial statements under IFRS.

Forward-looking statements

Some of the statements made in this Report are not statements of fact, but rather represent forward-looking statements. These statements include, specifically:

- Plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, other financial indicators and ratios
- The plans, goals and objectives of PJSC LUKOIL, including those related to products and services
- Future economic indicators
- The prerequisites on which the statements are based

Words such as "believes", "expects", "assumes", "plans", "intends", "anticipates" and others are used in those cases when we are talking about forward-looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive

Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements

Feedback

You are welcome to send any comments and/or suggestions as regards the Group's reports to our IR email ir@lukoil.com. Feedback from the shareholders and other stakeholders helps us improve information transparency and enhance the reporting quality.

Conversion factors

Percentage changes in operating results for 2020 presented in million tonnes are based on respective figures in thousand tonnes.

Oil reserves and production include oil, gas condensate and natural gas liquids.

The average RUB/USD exchange rate for 2020 (RUB 72.1 per USD) is used for converting figures in rubles into US dollars, unless otherwise indicated.

1 barrel of oil equivalent = 6 thousand cubic feet of gas.

Other information

The segment split used in the Report is in line with the information in the Group's IFRS consolidated financial statements.

Russian oil & gas companies include Rosneft, Gazprom, Gazprom neft, NOVATEK.

International oil & gas companies include BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Royal Dutch Shell, Total.

Production metrics for joint projects in Russia, as well as for international projects, are included in total production of LUKOIL Group in proportion to the Company's share.

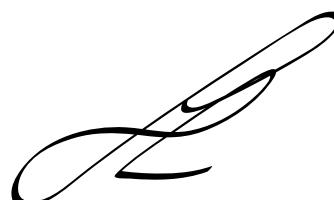
In calculations of shareholdings, percentages, and total amounts, the Annual Report may contain discrepancies as a result of rounding.

THE COMPANY'S OTHER REPORTS

- Analyst Databook (operating and financial statistics, Excel version), LUKOIL Group Sustainability Report (information on the Company's environmental efforts, industrial safety and social responsibility)



Reports are available on the Company's website



Vagit Alekperov

President, Chairman
of the Management Committee
of PJSC LUKOIL

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 (Russian),
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
Shareholder's personal account:



Investor Relations

Tel.: +7 495 627 1696
Email: ir@lukoil.com

Press Service

Tel.: +7 495 627 1677
Email: media@lukoil.com

Filling Stations Hotline

Tel.: +7 800 100 0911
Email: hotline@lukoil.com

Business Ethics Commission

Tel.: +7 495 627 8259
Email: 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

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,
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

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.