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Lukoil Profits Drop Nearly 30% in 2024 Amid Asset Losses, Higher Taxes

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Lukoil-West Siberia headquarters in Kagalym. **Vyacheslav Prokofyev / TASS**

Russia's second-largest oil producer, Lukoil, reported a 26.5% drop in net profit for 2024, citing asset impairment losses and increased deferred taxes.

Lukoil posted a net profit of 848.5 billion rubles ($10.1 billion) last year, down from 1.1 trillion rubles ($13.7 billion) in 2023. Revenue, however, rose nearly 9% to 8.6 trillion rubles ($102.1 billion) from 7.9 trillion rubles ($93.9 billion) the previous year.

"The group recognized an impairment loss of 93.3 billion rubles in fixed assets... 50.4 billion rubles related to exploration and production assets and 31.1 billion rubles in processing, trade and sales assets abroad," Lukoil said Monday.

Analysts at Moscow-based financial services firm Finam described the results as "decent" given the challenging conditions Lukoil faced, including low refining margins, OPEC+ production quotas, refinery downtime due to "external factors" and the need to reassess deferred taxes ahead of Russia's corporate tax hike to 25% in 2025.

“External factors” likely refers to Ukrainian drone strikes on oil refineries and depots, which in several cases have forced facilities to shut down for repair work.

Analysts also noted that increased costs led to a 16.5% year-on-year drop in operating profit to 1.19 trillion rubles. One-off expenses, such as year-end asset write-offs and the tax reassessment, were the main factors behind Lukoil’s profit decline, they said.

Lukoil shares fell by nearly 1% for three consecutive days on the Moscow Stock Exchange (MOEX) after the earnings report was published.

On Tuesday, Lukoil’s board recommended a dividend payout of 541 rubles per share based on 2024 results, with June 3 proposed as the cut-off date for determining eligible shareholders.

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