PRESS RELEASE
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LUKOIL RELEASES FINANCIAL RESULTS UNDER IFRS FOR 2019

PJSC LUKOIL today released its audited consolidated financial statements for 2019 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial highlights

4Q 2019	3Q 2019		12M 2019	12M 2018
		(billion rubles)		
1,912.4	1,952.3	Sales	7,841.2	8,035.9
278.2	**327.8**	**EBITDA**	**1,236.2**	**1,114.8**
211.8	212.0	Exploration and production segment	894.0	870.3
82.2	116.4	Refining, marketing and distribution segment	371.6	282.1
119.3	190.4	Profit for the period attributable to LUKOIL shareholders	640.2	619.2
135.9	109.1	Capital expenditures	450.0	451.5
184.7	**208.9**	**Free cash flow**	**701.9**	**555.1**
139.8	196.1	Free cash flow before changes in working capital	708.7	588.7

Sales

Our sales for 2019 were RUB 7,841.2 bln, which is 2.4% lower year-on-year. Sales dynamics was negatively impacted by lower crude oil and refined products prices and a decrease in refined products trading volumes. The impact of these factors was partially offset by weaker ruble, an increase in crude oil sales volumes due to higher production and trading volumes, an increase in petrochemicals trading volumes, as well as higher international gas prices and gas production volumes.

In the fourth quarter of 2019 sales amounted to RUB 1,912.4 bln, 2.0% lower quarter-on-quarter. Lower sales were due to stronger ruble and lower refined products sales volumes driven by lower refining throughput. The impact of these

factors was partially offset by higher crude oil and refined products prices in dollar terms, as well as higher international crude oil sales volumes from accumulated inventory.

EBITDA

Despite lower sales, our EBITDA for 2019 increased by 10.9% year-on-year, to RUB 1,236.2 bln.

The growth was mainly supported by the Refining, marketing and distribution segment, despite lower benchmark refining margins both in Russia and Europe. EBITDA growth in the segment was driven by higher refinery throughput and better product slate at our refineries, as well as better results of the retail and trading businesses.

Despite lower crude oil price and introduction of an addition to the mineral extraction tax, EBITDA of the Exploration and production segment was also higher, which was mainly due to higher oil and gas production, better oil production structure in Russia, lower lifting costs, as well as transition of several license areas to the tax regime with the tax on additional income (TAI) from hydrocarbon production.

In the fourth quarter of 2019, EBITDA amounted to RUB 278.2 bln, 15.1% lower quarter-on-quarter.

The decrease was mainly driven by the Refining, marketing and distribution segment due to lower refining margin on the back of the deterioration of high-sulfur fuel oil crack spreads, the specifics of accounting for hedging operations in the international trading, and worse retail business results. The impact of these factors was partially offset by better product slate, positive inventory effect at our refineries in Europe, as well as a seasonal improvement of power generation segment results.

EBITDA of the Exploration and production segment excluding the West Qurna-2 project in Iraq increased by 2.1% quarter-on-quarter. The growth was driven by better oil production structure in Russia, an increase in gas production in Uzbekistan, as well as positive tax lag effect. The growth was constrained by stronger ruble and higher exploration expenses.

Profit for the period

In 2019, profit attributable to PJSC LUKOIL shareholders amounted to RUB 640.2 bln, 3.4% higher year-on-year. The growth was constrained by higher depreciation

and lower non-cash foreign exchange gain.

In the fourth quarter of 2019, profit attributable to shareholders amounted to RUB 119.3 bln, 37.3% down quarter-on-quarter. The decrease was mainly due to lower EBITDA.

Capital expenditures

Capital expenditures were RUB 450.0 bln, almost unchanged year-on-year.

In the fourth quarter of 2019, capital expenditures increased by 24.6% quarter-on-quarter, to RUB 135.9 billion. The growth was mainly due to payment schedule to contractors.

Free cash flow

In 2019, free cash flow was RUB 701.9 bln, which is 26.4% higher year-on-year. The increase was due to higher operating cash flow and almost flat capital expenditures.

In the fourth quarter of 2019, free cash flow amounted to RUB 184.7 bln, 11.5% lower quarter-on-quarter due to higher capital expenditures.

IFRS 16

The adoption of the IFRS 16 Leases as of January 1, 2019 led to an increase in our total debt by RUB 136.9 bln as at the end of the fourth quarter of 2019. The positive effect on EBITDA for 2019 totaled RUB 37.0 bln due to lower operating, transportation and SG&A expenses. The positive effect on the free cash flow indicator reached RUB 46.7 bln owing to an increase in operating cash flow and reduction in capital expenditures. The positive effect on profit for the period amounted to RUB 5.1 bln mainly due to foreign exchange gain on additional debt.

Operational highlights

4Q 2019	3Q 2019		12M 2019	12M 2018
2,419	**2,339**	**Hydrocarbon production, Kboepd**	**2,380**	**2,347**
2,388	**2,308**	**ex. West Qurna-2**	**2,350**	**2,319**
1,816	1,811	Liquid hydrocarbon production, Kbpd	1,815	1,806
1,785	1,780	ex. West Qurna-2	1,785	1,778
9.4	8.3	Gas production, bcm	35.0	33.5

16.1	**17.2**	**Production of refined products at own refineries, mln tonnes**	**65.1**	**63.8**

In the fourth quarter of 2019 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,388 thousand boe per day, which is 3.4% higher quarter-on-quarter. As a result, in 2019 production was 2,350 thousand boe per day which is 1.4% higher year-on-year. The increase was mainly driven by the development of gas projects in Uzbekistan.

Liquid hydrocarbons

Production of liquid hydrocarbons excluding the West Qurna-2 project totaled 1,785 thousand boe per day in 2019, which is 0.4% higher year-on-year. Production growth was mainly driven by the launch of the second phase of the Shakh Deniz project in Azerbaijan in 2018, as well as by acquisition of a share in the Marine XII project in the Republic of Congo in September 2019. Daily production of liquid hydrocarbons in the fourth quarter of 2019 grew by 0.3% quarter-on-quarter.

Active development of the priority projects was on track. Oil production at the V. Filanovsky field in 2019 increased by 5% year-on-year. The third stage of the field was launched in November 2019.

Oil production at the Yu. Korchagin field in 2019 ramped up by 21% year-on-year owing to drilling program within the field's second development stage.

The development of the Yaregskoye field and Permian reservoir of the Usinskoye field, including the launch of new steam-generating facilities, led to an increase of high viscosity oil production in 2019 by 15% year-on-year, to 4.9 million tonnes.

The development of growth projects in West Siberia also continued. The aggregate oil and gas condensate production at the V. Vinogradov, Imilorskoye and Pyakyakhinskoye fields in 2019 increased by 17% year-on-year.

The share of the abovementioned projects in the LUKOIL Group's oil production excluding the West Qurna-2 project amounted to 18% in 2019 compared to the 16% in 2018.

Gas

LUKOIL Group's gas production in 2019 was 35.0 billion cubic meters, which is 4.5% higher year-on-year. The main driver of gas production growth was the development of projects in Uzbekistan.

Production in Uzbekistan in 2019 increased by 6.5% year-on-year, to 14.1 billion cubic meters (LUKOIL's share) as a result of the launch of the second stage of the Kandym gas processing plant in 2018.

Refined products

Production of refined products at LUKOIL's refineries in 2019 was 65.1 million tonnes, up 2.0% year-on-year due to higher utilization rate at Nizhny Novgorod refinery in 2019 and maintenance works at the refinery in Bulgaria in the first quarter of 2018. The product slate improved both at Russian and European refineries - fuel oil output shrank by 10%, while the light product yield increased by 2 p.p. to 73%.

Production of refined products in the fourth quarter of 2019 totaled 16.1 million tonnes, down 6.8% quarter-on-quarter due to scheduled maintenance works at Volgograd and Nizhny Novgorod refineries and the refinery in Italy. Despite maintenance works, reduction of fuel oil yield continued and its total production decreased by 15%.

Information:
The full set of audited consolidated IFRS financial statements of PJSC "LUKOIL" for the year ended 31 December 2019 and the related notes as well as Management's Discussion and Analysis of Financial Condition and Results of Operations are available on the Company's websites: www.lukoil.com and www.lukoil.ru.
PJSC LUKOIL is one of the largest publicly traded, vertically integrated oil and gas companies in the world in terms of proved hydrocarbon reserves and production; and the second largest producer of crude oil in Russia. Established in 1991, the Company currently operates in more than 30 countries with core upstream assets located in Russia. The full production cycle includes oil and gas exploration, production and refining; production of petrochemicals and lubricants; power generation; marketing and distribution providing LUKOIL with maximum synergies from its activities. The Company's shares are listed in Russia on Moscow Exchange under the ticker "LKOH" and depositary receipts are listed on the London Stock Exchange under the ticker "LKOD".