PRESS RELEASE
MARCH 04, 2019

LUKOIL RELEASES FINANCIAL RESULTS UNDER IFRS FOR 2018

PJSC LUKOIL today released its audited consolidated financial statements for 2018 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial highlights

4Q 2018	3Q 2018		12M 2018	12M 2017
		(billion rubles)		
2,043.2	2,305.9	Sales	8,035.9	5,936.7
278.3	**321.8**	**EBITDA**	**1,114.8**	**831.6**
274.1	312.7	EBITDA ex. West Qurna-2	1,089.4	814.4
159.0	183.8	Profit for the period attributable to LUKOIL shareholders	619.2	418.8
113.3	111.4	Capital expenditures	451.5	511.5
212.2	**159.8**	**Free cash flow**	**555.1**	**247.0**
136.6	196.1	Adjusted free cash flow*	566.6	286.3

** Free cash flow before changes in working capital, West Qurna-2 project and income tax on sale of JSC Arkhangelskgeoldobycha.*

Sales

Our sales for 2018 increased by 35.4% year-on-year to RUB 8,035.9 bln. The growth was mainly due to higher hydrocarbon prices, weaker ruble, increase in oil trading volumes, as well as higher gas sales volumes. Lower international wholesale sales volumes of refined products as a result of higher domestic retail sales volumes and lower refined products trading volumes constrained the sales growth.

In the fourth quarter of 2018 sales amounted to RUB 2,043.2 bln, 11.4% lower quarter-on-quarter primarily due to lower prices for crude oil and refined products, as well as lower oil trading volumes and lower sales volumes of refined products

outside Russia. The decline was partly offset by weaker ruble.

EBITDA

EBITDA for 2018 increased to RUB 1,114.8 bln, which is 34.1% higher year-on-year. The growth was supported by the increased share of high-margin barrels in the total crude oil production, higher gas production in Uzbekistan, higher oil production in Russia in the second half of 2018, lower lifting costs per barrel, as well as higher sales volumes via premium marketing channels. Besides abovementioned factors EBITDA growth was driven by higher hydrocarbon prices and weaker ruble.

In the fourth quarter of 2018, EBITDA amounted to RUB 278.3 bln, 13.5% lower quarter-on-quarter mainly due to lower crude oil prices, export duty lag effect, as well as negative inventory effect at our refineries.

Profit for the period

In 2018, profit attributable to shareholders amounted to RUB 619.2 bln, 47.8% higher year-on-year. The growth was constrained by higher DD&A due to the launch of new production facilities.

In the fourth quarter of 2018, profit attributable to shareholders amounted to RUB 159.0 bln, 13.5% down quarter-on-quarter. The decrease was due to lower EBITDA.

Capital expenditures

In 2018, capital expenditures amounted to RUB 451.5 bln, 11.7% down year-on-year. The decrease was mainly driven by lower investments in gas projects in Uzbekistan due to completion of main construction works. The decrease was partly offset by higher investments in refining segment due to the start of construction works at the delayed coker complex at Nizhny Novgorod refinery.

In the fourth quarter of 2018, capital expenditures increased by 1.7% quarter-on-quarter to RUB 113.3 billion.

Free cash flow

In 2018, free cash flow more than doubled year-on-year and amounted to RUB 555.1 bln. The increase was due to higher operating cash flow before changes in working capital as well as lower capital expenditures.

In the fourth quarter of 2018, free cash flow amounted to RUB 212.2 bln, 32.8%

higher quarter-on-quarter due to decrease in working capital as a result of lower prices for crude oil and lower trading volumes.

Operational highlights

4Q 2018	3Q 2018		12M 2018	12M 2017
2,391	**2,362**	**Hydrocarbon production, Kboepd**	**2,347**	**2,269**
2,371	**2,327**	**ex. West Qurna-2**	**2,319**	**2,235**
1,821	1,817	Liquid hydrocarbon production, Kbpd	1,806	1,804
1,801	1,782	ex. West Qurna-2	1,778	1,770
8.9	8.5	Gas production, bcm	33.5	28.9
16.3	**16.6**	**Production of refined products at own refineries, mln tonnes**	**63.8**	**63.5**

In 2018 LUKOIL Group's average hydrocarbon production excluding West Qurna-2 project was 2,319 thousand boe per day, which is 3.8% higher year-on-year.

In the fourth quarter of 2018 production excluding West Qurna-2 project increased by 1.9% quarter-on-quarter and averaged 2,371 thousand boe per day.

The increase was mainly driven by the development of gas projects in Uzbekistan.

Liquid hydrocarbons

In 2018, our liquids production excluding West Qurna-2 project increased by 0.5% year-on-year and averaged 1,778 thousand barrels per day. In the fourth quarter of 2018, liquids production averaged 1,801 thousand barrels per day, up 1.1% quarter-on-quarter. The growth was primarily due to higher production volumes at our high-margin fields in the Caspian Sea and Timan Pechora.

In 2018 active development of the priority projects continued. The second production platform was launched at the V. Filanovsky field in the Caspian Sea with four production wells drilled from the platform by the end of the year. In 2018, oil production at the field increased by 32% year-on-year, to 6.1 million tonnes.

The second production platform was commissioned and the drilling program was launched at the Yu. Korchagin field resulting in a 23% increase in average daily crude oil production in the fourth quarter of 2018 compared to the first quarter of 2018.

The development of the Yaregskoe field and Permian reservoir of the Usinskoe field, including the launch of new steam-generating capacities, allowed to increase high viscosity oil production in 2018 by 25% year-on-year, to 4.3 million tonnes.

Oil and gas condensate production at the Pyakyakhinskoe field in West Siberia increased in 2018 by 4% year-on-year, to 1.6 million tonnes.

The share of the abovementioned five projects in the LUKOIL Group's oil production excluding the West Qurna-2 project amounted to 15% in 2018, 3 percentage points up year-on-year.

Gas

In 2018, LUKOIL Group's gas production was 33.5 billion cubic meters, which is 16.2% higher year-on-year. In the fourth quarter of 2018 gas production was 8.9 billion cubic meters, 4.6% up quarter-on-quarter.

The main driver of gas production growth was the development of projects in Uzbekistan. As a result of the launch of new gas treatment facilities, the Group's share in production at Kandym and Gissar projects in 2018 increased to 13.4 billion cubic meters, which is 66.7% higher year-on-year.

Refined products

Refinery output at the LUKOIL Group's refineries in 2018 increased by 0.4% year-on-year and amounted to 63.8 million tonnes of refined products. The increase was due to higher utilization rates at refineries in Perm, Volgograd, Italy and Romania.

In the fourth quarter of 2018, we produced 16.3 million tonnes of refined products, 1.8% down quarter-on-quarter due to scheduled maintenance works at refineries in Nizhny Novgorod and Italy.

In 2018 output volumes at our refineries in Russia increased by 0.6% year-on-year and amounted to 41.0 million tonnes. Production of fuel oil continued to decline which resulted in the decrease of its share in the product basket to 11.7%, or by 1.3 percentage point as compared to 2017. The improvement in the efficiency of refineries in Russia was also driven by the optimization of capacity utilization, including the cross-supplies of semi-finished products between the refineries and change in the feedstock mix, as well as cost optimization measures.

Refinery output at the Group's refineries in Europe was almost flat year-on-year and amounted to 22.8 million tonnes. Higher production at refineries in Romania and Italy was offset by lower volumes produced at Burgas refinery due to the scheduled

maintenance works. Refining depth at the Group's refineries in Europe increased by 1.1 percentage point year-on-year and reached 88.0% due to lower production of fuel oil which decreased by 9% year-on-year.

Information:
The full set of audited consolidated IFRS financial statements of PJSC "LUKOIL" for the year ended 31 December 2018 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".