PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE SECOND QUARTER AND SIX MONTHS OF 2019

PJSC LUKOIL today released its condensed interim consolidated financial statements for the three and six month periods ended 30 June 2019 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

2Q 2019	1Q 2019		1H 2019	1H 2018
		(RUB bln)		
2,125.6	1,850.9	Sales	3,976.5	3,686.8
332.2	**298.1**	**EBITDA**	**630.2**	**514.7**
324.4	292.9	EBITDA ex. West Qurna-2	617.3	502.6
181.2	149.2	Profit attributable to LUKOIL shareholders	330.5	276.4
107.6	97.4	Capital expenditures	205.0	226.8
162.4	145.9	Free cash flow	308.3	183.1
189.5	**183.3**	**Free cash flow before changes in working capital**	**372.8**	**251.0**

Sales

For the first six months of 2019, our sales increased by 7.9% year-on-year to RUB 3,976.5 billion. The growth was driven by higher sales volumes of crude oil and natural gas due to higher production volumes and higher crude oil trading volumes. The increase was also supported by the ruble devaluation resulting in higher average international prices for hydrocarbons in ruble terms despite lower prices in dollar terms.

In the second quarter of 2019 our sales amounted to RUB 2,125.6 billion, 14.8% higher quarter-on-quarter. The growth was attributable to higher hydrocarbon

prices and higher oil and refined products trading volumes.

EBITDA

For the first six months of 2019 EBITDA increased by 22.5% year-on-year to RUB 630.2 billion. EBITDA growth was driven by higher crude oil production in Russia and natural gas production outside Russia, bigger share of high-margin barrels in the total crude oil production in Russia, adoption of the tax on additional income from hydrocarbon production for certain license areas, lower lifting costs per barrel, higher production of refined products and improvement in product slate at LUKOIL's refineries. The increase was also driven by the ruble devaluation, higher refining margins in Russia and better performance of retail and trading. EBITDA growth was constrained by lower international crude oil prices, lower positive crude oil export duty lag effect and weaker refining margins in Europe.

In the second quarter of 2019 EBITDA amounted to RUB 332.2 billion, increasing by 11.4% quarter-on-quarter. EBITDA dynamics was positively impacted by higher crude oil prices, bigger share of high-margin barrels in the total crude oil production in Russia, higher EBITDA of West Qurna-2 project in Iraq, higher refining margins in Russia, sale of inventories accumulated in the previous quarter, as well as the specifics of accounting for hedging operations in the international trading. EBITDA growth was constrained by ruble appreciation, lower natural gas production volumes, seasonally weak EBITDA in power business, as well as significant positive effects in the previous quarter related to inventories at LUKOIL's refineries and crude oil export duty lag.

Profit

For the first six months of 2019, profit attributable to PJSC LUKOIL shareholders was RUB 330.5 billion, up 19.6% year-on-year. Profit growth was constrained by higher DD&A charge as a result of adoption of the IFRS 16 Leases and the launch of new production facilities as well as lower non-cash foreign exchange gain.

In the second quarter of 2019 profit increased by 21.4% quarter-on-quarter to RUB 181.2 billion. Lower effective income tax rate had a positive impact on the dynamics of our profit in the second quarter of 2019.

Capital expenditures

For the first six months of 2019, our capital expenditures amounted to RUB 205.0 billion, down 9.6% year-on-year. The decrease was mainly driven by lower capital expenditures at the gas projects in Uzbekistan as well as the completion of key construction works at the Yu. Korchagin and V. Filanovsky

fields in the Caspian Sea.

In the second quarter of 2019, capital expenditures increased by 10.4% quarter-on-quarter to RUB 107.6 billion, mainly due to payment schedules to suppliers and contractors as well as construction of a delayed coker complex at Nizhny Novgorod refinery.

Free cash flow

For the first six months of 2019 our free cash flow increased by 68.4% and reached RUB 308.3 billion. The growth was due to higher operating cash flow and lower capital expenditures. In the second quarter of 2019, free cash flow totaled RUB 162.4 billion, up 11.3% quarter-on-quarter.

IFRS 16

The adoption of the IFRS 16 Leases as of January 1, 2019 led to an increase in our total debt by RUB 142.0 bln as of the end of the first six months of 2019. The positive effect on EBITDA for the first six months of 2019 totaled RUB 17.5 bln due to lower operating, transportation and SG&A expenses. The positive effect on free cash flow reached RUB 22.8 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 4.9 bln mainly due to foreign exchange gain on additional debt.

Operational highlights

2Q	1Q		1H	1H
2019	**2018**		**2019**	**2018**
2,355	**2,407**	**Hydrocarbon production, Kboepd**	**2,381**	**2,316**
2,324	**2,379**	**ex. West Qurna-2**	**2,352**	**2,287**
1,813	1,820	Liquid hydrocarbon production, Kbpd	1,817	1,792
1,782	1,792	ex. West Qurna-2	1,788	1,763
8.4	9.0	Gas production, bcm	17.4	16.1
16.0	**15.7**	**Production of refined products at own refineries, mln tonnes**	**31.8**	**30.9**

For the six months of 2019 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,352 thousand boe per day, which is 2.8%

higher year-on-year. The growth was mainly driven by the development of gas projects in Uzbekistan, as well as oil production growth in Russia due to change in the terms of the external limitations of Russian companies' production volumes.

Liquid hydrocarbons

For the six months of 2019 production of liquid hydrocarbons excluding the West Qurna-2 project totaled 1,788 thousand barrels per day, which is 1.4% higher year-on-year. In the second quarter of 2019 production of liquid hydrocarbons was 0.6% lower quarter-on-quarter, which was due to the external limitations of Russian companies' production volumes.

Active development of the priority projects was on track. In particular, for the six months of 2019 crude oil production at the V. Filanovsky field in the Northern Caspian increased by 12% year-on-year. Three production wells were commissioned at the second production platform of the field.

For the six months of 2019 crude oil production at the Yu. Korchagin field ramped up by 30% year-on-year owing to drilling program at 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 increase of high viscosity crude oil production for the six months of 2019 by 18% year-on-year.

The development of growth projects in West Siberia also continued. The aggregate crude oil and gas condensate production at the V. Vinogradov, Imilorskoye and Pyakyakhinskoye fields for the six months of 2019 increased by 15% 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% for the six months of 2019 compared to 16% for the six months of 2018.

Gas

For the six months of 2019, LUKOIL Group's gas production was 17.4 billion cubic meters, which is 8% higher year-on-year. The main driver of gas production growth was the development of projects in Uzbekistan.

As a result of the launch of the second stage of the Kandym gas processing plant in April 2018, gas production in Uzbekistan for the six months of 2019 increased to 7.0 billion cubic meters (LUKOIL's share), which is 18% higher year-on-year.

A quarter-on-quarter decrease in international gas production in the second quarter of 2019 was due to scheduled maintenance works at Kandym gas processing complex and technical limitations of gas intake from Gissar project by Shurtan gas chemical complex (JSC "Uzbekneftegas") in Uzbekistan.

Refined products

In the first half of 2019 production of refined products at LUKOIL's refineries increased by 2.8% year-on-year to 31.8 million tonnes, which was mainly due to higher utilization rates at the refineries in Nizhny Novgorod and Bulgaria. The product slate was improved at European refineries - fuel oil output shrank by 18%, while the light product yield increased by 5 p.p. to 77%.

In the second quarter of 2019 production of refined products totaled 16.0 million tonnes, 1.8% up quarter-on-quarter.

Information:
Full set of PJSC LUKOIL condensed interim consolidated financial statements prepared in accordance with IFRS for the three and six-month periods ended 30 June 2019 is available on the Company's web site: www.lukoil.com. These condensed interim consolidated financial statements have been prepared by the PJSC LUKOIL in accordance with IFRS and have not been audited by our independent auditor. If these condensed interim consolidated financial statements are audited in the future, the audit could reveal differences in our consolidated financial results and we can not assure that any such differences would not be material.
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".