PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2018

PJSC LUKOIL today released its condensed interim consolidated financial statements as of and for the three and nine months ended 30 September 2018, prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

3Q 2018	2Q 2018		9M 2018	9M 2017
		(RUB bln)		
2,305.9	2,056.1	Sales	5,992.7	4,274.3
321.8	**295.2**	**EBITDA**	**836.5**	**607.8**
312.7	288.8	EBITDA ex. West Qurna-2	815.3	595.3
183.8	167.3	Profit attributable to LUKOIL shareholders	460.1	298.3
111.4	105.7	Capital expenditures	338.3	373.8
159.8	**137.2**	**Free cash flow**	**342.9**	**173.7**
196.1	152.0	Adjusted free cash flow*	439.9	209.3

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

Sales

For the first nine months of 2018 sales increased by 40.2% to RUB 5,992.7 bln. The growth was mainly attributable 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 sales volumes and lower refined products trading volumes constrained the sales growth.

In the third quarter of 2018 sales amounted to RUB 2,305.9 billion, 12.2% higher quarter-on-quarter primarily due to higher hydrocarbon prices and higher oil trading volumes, as well as inventory release and weaker ruble.

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EBITDA

For the first nine months of 2018 EBITDA increased to RUB 836.5 bln, or by 37.6% year-on-year. In the third quarter of 2018, EBITDA increased by 9.0% quarter-on-quarter to RUB 321.8 bln. The year-on-year and quarter-on-quarter EBITDA 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 third quarter of 2018, lower lifting costs, as well as higher refinery throughput volumes and higher sales volumes via premium marketing channels. Besides abovementioned factors EBITDA growth was driven by higher hydrocarbon prices and weaker ruble. Among key constraining factors were domestic petroleum product prices lagging export netbacks.

Profit

For the first nine months of 2018 profit attributable to PJSC LUKOIL shareholders was RUB 460.1 billion, up 54.3% year-on-year. In the third quarter of 2018 profit increased by 9.8% quarter-on-quarter to RUB 183.8 billion. The growth was constrained by higher DD&A due to the launch of new production facilities.

Capital expenditures

For the first nine months of 2018 capital expenditures amounted to RUB 338.3 billion, down 9.5% year-on-year. The decrease was driven by lower capital expenditures on gas projects in Uzbekistan.

In the third quarter of 2018, capital expenditures increased by 5.3% quarter-on-quarter to RUB 111.4 billion, mainly due to the start of construction works of a petroleum residues conversion complex based on a delayed coker unit at Nizhny Novgorod refinery.

Free cash flow

In the third quarter of 2018 free cash flow increased by 16.5% quarter-on-quarter to RUB 159.8 billion. As a result, for the first nine months of 2018 free cash flow doubled year-on-year and amounted to RUB 342.9 billion.

The growth was due to higher cash flows from operating activities and lower capital expenditures.

Operational highlights

3Q 2018	2Q 2018		9M 2018	9M 2017

2,362	**2,313**	**Hydrocarbon production, Kboepd**	**2,332**	**2,254**
2,327	**2,289**	**ex. West Qurna-2**	**2,301**	**2,218**
1,817	1,787	Liquid hydrocarbon production, Kbpd	1,801	1,808
1,782	1,763	ex. West Qurna-2	1,770	1,772
8.5	8.1	Gas production, bcm	24.6	20.7
16.6	**15.8**	**Production of refined products at own refineries, mln tonnes**	**47.5**	**47.2**

For the first nine months of 2018 LUKOIL Group's average hydrocarbon production excluding West Qurna-2 project was 2,301 thousand boe per day, which is 3.7% higher year-on-year. The increase was mainly driven by the development of gas projects in Uzbekistan.

In the third quarter of 2018 hydrocarbon production excluding West Qurna-2 project increased by 1.7% quarter-on-quarter and averaged 2,327 thousand boe per day mainly driven by higher oil production in Russia.

Liquid hydrocarbons

For the first nine months of 2018 liquid hydrocarbon production excluding West Qurna-2 project remained almost unchanged year-on-year and amounted to 1,770 thousand barrels per day. In the third quarter of 2018 production of liquids amounted to 1,782 thousand barrels per day, up 1.1% quarter-on-quarter. Production in Russian was rapidly ramped up following the change of external production limitations from July 1, 2018.

Active development of the priority projects continued. In particular, in the third quarter of 2018 the fourth well was launched at the second development stage of the V. Filanovsky field. For the first nine months of 2018 oil production at the field increased by 40% year-on-year, to 4.4 million tonnes.

In the third quarter of 2018 oil production at the Yu. Korchagin field increased by 6% quarter-on-quarter as a result of the first production well launch at the field's second development stage in July 2018. The additional drilling at the field's first development stage also supported the production growth.

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 for the first nine months of 2018 by 29% year-on-year, to 3.1 million tonnes.

Oil and gas condensate production at the Pyakyakhinskoe field in West Siberia increased by 5% year-on-year, to 1.2 million tonnes in the first nine months of 2018.

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

Gas

For the first nine months of 2018 LUKOIL Group's gas production was 24.6 billion cubic meters, which is 19.2% higher year-on-year. In the third quarter of 2018 gas production was 8.5 billion cubic meters, 3.6% up quarter-on-quarter in average daily terms.

The main driver of gas production growth was the successful development of projects in Uzbekistan. Due to the launch of new gas treatment facilities, the Group's share in production at Kandym and Gissar projects for the first nine months of 2018 increased to 9.6 billion cubic meters which is 84% higher year-on-year. Kandym gas processing complex has reached its designed capacity of 8 billion cubic meters in September 2018.

Refined products

For the first nine months of 2018 production of refined products at LUKOIL Group's refineries increased by 0.7% year-on-year, to 47.5 million tonnes mainly due to higher utilization rates at refineries in Perm, Volgograd, Italy and Romania.

In the third quarter of 2018 production of refined products was 16.6 million tonnes, 5.0% higher quarter-on-quarter due to the scheduled maintenance works at refineries in Nizhny Novgorod and Bulgaria in the second quarter of 2018.

In the first nine months of 2018 production of refined products at the Russian refineries increased by 1.0% year-on-year to 30.5 million tonnes. Production of fuel oil and vacuum gasoil continued to decline which resulted in the decrease of their share in the product basket to 13.6%, or by 1 percentage point as compared to the first nine months of 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.

Information:
Full set of PJSC LUKOIL condensed interim consolidated financial statements

prepared in accordance with IFRS for the three and nine months ended 30 September 2018 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".