PRESS RELEASE
MAY 29, 2019

LUKOIL REPORTS 1Q 2019 IFRS RESULTS

PJSC "LUKOIL" today released its condensed interim consolidated financial statements for the three-month period ended 31 March 2019 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial Highlights

1Q 2019	4Q 2018		1Q 2019	1Q 2018
		(RUB bln)		
1,850.9	2,043.2	Sales	1,850.9	1,630.7
298.1	**278.3**	**EBITDA**	**298.1**	**219.5**
292.9	274.1	EBITDA excluding West Qurna-2	292.9	213.8
149.2	159.0	Profit attributable to LUKOIL shareholders	149.2	109.1
97.4	113.3	Capital expenditures	97.4	121.1
145.9	212.2	Free cash flow	145.9	45.9
183.3	**138.1**	**Free cash flow before changes in working capital**	**183.3**	**93.8**

Sales

In the first quarter of 2019 our sales amounted to RUB 1,850.9 bln, which is 13.5% higher year-on-year mainly due to weaker ruble and higher volumes of oil and gas sales outside Russia driven by higher production volumes along with increase in crude oil trading volumes. The sales dynamics has been restrained by lower hydrocarbon prices in US dollar terms along with lower volumes of refined products wholesale sales outside Russia mostly owing to reduction in trading volumes.

Compared to the fourth quarter of 2018, our sales decreased by 9.4% mainly due to lower hydrocarbon prices and reduction in crude oil and refined products trading volumes.

EBITDA

Despite lower sales, our EBITDA in the first quarter of 2019 amounted to RUB 298.1 bln, up 35.8% year-on-year and 7.1% quarter-on-quarter.

Compared to both periods EBITDA dynamics benefited from higher gas production volumes outside Russia, bigger share of high-margin barrels in the total crude oil production in Russia, lower lifting costs per barrel, positive crude oil export duty lag effect, adoption of the tax on additional income from hydrocarbon production for certain license areas, positive inventory effect in the refining segment as well as increase in retail margins. The year-on-year EBITDA growth was also supported by weaker ruble and higher refinery throughput volumes.

EBITDA growth was constrained by lower international hydrocarbon prices, external limitations on oil production in Russia as well as lower refining margins in Russia and Europe.

Profit for the period

Profit attributable to shareholders totaled RUB 149.2 bln, up 36.8% year-on-year. The growth was restrained with higher DD&A due to the launch of new production facilities.

Despite higher EBITDA, the profit declined quarter-on-quarter by 6.2% mainly due to higher DD&A following its reduction in the fourth quarter of 2018 driven by one-off upward revision of the proved developed reserves.

Capital expenditures

In the first quarter of 2019 capital expenditures were RUB 97.4 bln, which is 14.0% lower quarter-on-quarter and 19.5% lower year-on-year mainly due to the payment schedule to suppliers and contractors, as well as external limitations on oil production in Russia.

Free cash flow

In the first quarter of 2019 our free cash flow before changes in working capital amounted to RUB 183.3 bln, up 95.5% year-on-year and 32.8% quarter-on-quarter. The growth was attributable to higher operating cash flow before changes in working capital and lower capital expenditures.

Higher working capital in the first quarter of 2019 was due to refined products inventory build-up within international trading business as well as increase in crude oil inventories at our refineries outside Russia.

IFRS 16

The adoption of the IFRS 16*Leases* as of January 1, 2019 led to an increase in our total debt by RUB 149.6 bln. The positive effect on EBITDA totaled RUB 8.7 bln due to lower operating, transportation and SG&A expenses. The positive effect on free cash flow reached RUB 11.6 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 4.2 bln due to foreign exchange gain on additional debt.

Operational highlights

1Q 2019	4Q 2018		1Q 2019	1Q 2018
2,407	**2,391**	**Hydrocarbon production, Kboepd**	**2,407**	**2,320**
2,379	**2,371**	**ex. West Qurna-2**	**2,379**	**2,286**
1,820	1,821	Liquid hydrocarbon production, Kbpd	1,820	1,797
1,792	1,801	ex. West Qurna-2	1,792	1,763
9.0	8.9	Gas production, bcm	9.0	8.0
15.7	**16.3**	**Production of refined products at own refineries, mln tons**	**15.7**	**15.1**

In the first quarter of 2019 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project reached 2,379 thousand boe per day, which is 4.1% higher year-on-year and 0.3% higher quarter-on-quarter. The increase was mainly driven by the development of international gas projects.

Liquid hydrocarbons

Liquid hydrocarbon production excluding the West Qurna-2 project in the first quarter of 2019 totaled 1,792 thousand barrels per day which is 1.6% higher year-on-year and 0.5% lower quarter-on-quarter. LUKOIL Group's oil production volumes and dynamics are mainly defined by the external limitations of the production volumes in Russia.

The active development of the priority projects continued.

In particular, in the first quarter of 2019 oil production at the V. Filanovsky field increased by 18% year-on-year. The seventh well was commissioned at the second production platform of the field.

In the first quarter of 2019 oil production at the Yu. Korchagin field increased by

27% year-on-year as a result of 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 capacities, allowed increasing high viscous oil production in the first quarter of 2019 by 16% year-on-year, to 1.2 million tonnes.

The development of growth projects in West Siberia also continued. Overall oil and gas condensate production at the V. Vinogradov, Imilorskoye and Pyakyakhinskoye fields increased in the first quarter of 2019 by 14% 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 the first quarter of 2019 compared to the 15% in the first quarter of 2018.

Gas

In the first quarter of 2019, LUKOIL Group's gas production amounted to 9.0 billion cubic meters, which is 12% 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 at Kandym gas processing plant, production in Uzbekistan in the first quarter of 2019 increased to 3.8 billion cubic meters (LUKOIL's share) which is 33% higher year-on-year. The production growth was also supported by the launch of the second stage of Shah Deniz project in Azerbaijan in 2018.

Refined products

In the first quarter of 2019, LUKOIL Group produced 15.7 million tons of refined products at own refineries, which is 4.3% higher year-on-year mainly driven by higher utilization rates at refineries in Nizhny Novgorod, Perm as well as in Bulgaria and Italy.

Compared to the fourth quarter of 2018 the production of refined products decreased by 3.4% mainly owing to reduction in refining volumes at the European refineries because of feedstock supply interruptions from Novorossiysk Sea Port on the back of bad weather conditions.

Russian refineries increased production of refined products by 3.3% year-on-year to 10.4 million tons. We continued to reduce production of fuel oil, bringing its yield to 10.6% which is 1.3 p. p. lower year-on-year.

European refineries produced 5.3 million tons of refined products, up 6.4% year-on-year. Fuel oil production decreased by 37.0%.

Information:
Full set of PJSC "LUKOIL" condensed interim consolidated financial statements prepared in accordance with IFRS for the three months ended 31 March 2019 is available on the Company's web site: www.lukoil.com. These condensed interim consolidated financial statements have been prepared by the Company in accordance with IFRS and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal discrepancies, and we cannot give any assurance that any such discrepancies 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".