PRESS RELEASE
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LUKOIL REPORTS 1Q 2018 IFRS RESULTS

PJSC "LUKOIL" today released its condensed interim consolidated financial statements for the three-month period ended 31 March 2018 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial Highlights

1Q 2018	4Q 2017		1Q 2018	1Q 2017
		(RUB bln)		
1,630.7	1,662.5	Sales	1,630.7	1,431.6
219.5	**223.7**	**EBITDA**	**219.5**	**207.6**
213.8	219.1	EBITDA excluding West Qurna-2	213.8	204.7
109.1	120.5	Profit attributable to LUKOIL shareholders	109.1	62.3
121.1	137.7	Capital expenditures	121.1	130.2
45.9	73.3	Free cash flow	45.9	1.4
91.9	**76.9**	**Adjusted free cash flow***	**91.9**	**69.3**

** Free cash flow before working capital changes and the West Qurna-2 project.*

Sales

In the first quarter of 2018 our sales were RUB 1,630.7 bln, 13.9% higher year-on-year mainly due to higher hydrocarbon prices. Lower refined products trading volumes, inventory build-up and stronger ruble negatively impacted sales dynamics.

Our sales decreased by 1.9% quarter-on-quarter mainly due to the lower oil trading volumes, crude oil inventory build-up and stronger ruble. These factors were partially offset by higher hydrocarbon prices.

EBITDA

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In the first quarter of 2018 our EBITDA was RUB 219.5 bln. The year-on-year and quarter-on-quarter EBITDA dynamics was supported by the increased share of high-margin barrels in total production, better refined product slate at our refineries and higher sales volumes via premium marketing channels.

EBITDA increased by 5.7% as compared to the first quarter of 2017. Besides abovementioned factors EBITDA growth was also driven by higher oil prices partially offset by stronger ruble.

Quarter-on-quarter EBITDA decreased by 1.9% mainly due to lower positive crude oil export duty lag effect, stronger ruble as well as lower refining margins in Russia and Europe. Lower operating and SG&A expenses positively contributed to EBITDA dynamics.

Profit

Profit attributable to PJSC "LUKOIL" shareholders was RUB 109.1 bln, up 75.0% year-on-year. Profit growth was mainly driven by significant negative non-cash foreign exchange effect in the first quarter of 2017. Excluding this factor, profit attributable to PJSC "LUKOIL" shareholders increased by 13.5%.

Quarter-on-quarter profit declined by 9.5% mainly due to higher DD&A.

Capital expenditures

In the first quarter of 2018 capital expenditures were RUB 121.1 bln, decreasing 12.1% quarter-on-quarter and 7.0% year-on-year mainly due to lower investments in the international upstream.

Free cash flow

In the first quarter of 2018 adjusted free cash flow (before changes in working capital and the West Qurna-2 project) was record RUB 91.9 bln, up 19.4% quarter-on-quarter and 32.5% year-on-year. The growth was attributable to higher operating cash flow (before changes in working capital) and lower capital expenditures.

Operational highlights

1Q 2018	4Q 2017		1Q 2018	1Q 2017
2,320	**2,315**	**Hydrocarbon production, Kboepd**	**2,320**	**2,244**
2,286	**2,286**	**ex. West Qurna-2**	**2,286**	**2,213**
208.8	213.0	Hydrocarbon production, mln boe	208.8	202.0

205.7	210.3	ex. West Qurna-2	205.7	199.2
161.8	164.7	Liquid hydrocarbons, mln barrels	161.8	164.0
158.7	162.0	ex. West Qurna-2	158.7	161.2
8.0	8.2	Gas, bcm	8.0	6.5
15.1	**16.3**	**Production of refined products at own refineries, mln tonnes**	**15.1**	**15.2**

In the first quarter of 2018 the Group's average daily hydrocarbon production excluding the West Qurna-2 project amounted to 2,286 thousand boe per day, which is 3.3% higher year-on-year and flat quarter-on-quarter. The year-on-year growth was driven by the development of gas projects.

Liquid hydrocarbons

Starting January 2017 LUKOIL Group's daily oil production volumes and dynamics are mainly defined by the external limitations of Russian companies' production volumes. In the first quarter of 2018 liquids production excluding the West Qurna-2 project was 158.7 million barrels, which in average daily terms corresponds to the previous quarter volumes.

Active development of the priority projects continued. In particular, oil production at the V. Filanovsky field was 1.4 million tonnes in the first quarter of 2018, which is 1.5 times more than in the first quarter of 2017. Two wells were successfully completed within the second stage of the field development. Further drilling will allow to reach the sustainable production plateau of 6 million tonnes of oil per year. We also progressed with works at the Yu. Korchagin field's second development stage that allowed to commence drilling of the first well in May 2018. Development of the Yaregskoe field and Permian reservoir of the Usinskoe field in Timan-Pechora allowed to increase high viscosity oil production by 45% year-on-year. Oil and gas condensate production at the Pyakyakhinskoe field in West Siberia increased by 12% year-on-year.

The share of the abovementioned projects in the LUKOIL Group's oil production excluding the West Qurna-2 project was 14% in the first quarter of 2018, which is 4 percentage points higher year-on-year.

Gas

In the first quarter of 2018 LUKOIL Group's gas production was 8.0 billion cubic meters, which is 24% higher year-on-year and flat quarter-on-quarter in average daily terms.

The main driver for gas production growth was the successful development of projects in Uzbekistan. In the first quarter of 2018 gas production at Kandym and Gissar projects doubled year-on-year to 2.9 billion cubic meters due to the launch of new gas treatment facilities.

Refined products

Refinery output at our refineries was 15.1 million tonnes. In Russia the refinery output grew by 1.6% year-on-year to 10.1 million tonnes due to higher utilization rates at the refinery in Volgograd. Lower refinery output quarter-on-quarter was mainly due to maintenance works.

Light product yield at refineries in Russia increased by 6 percentage points year-on-year to 71%. Fuel oil and vacuum gasoil output decreased by 32% and their share in product basket decreased to 13% as compared to 20% in the first quarter of 2017. The improvement in the operating efficiency of our refineries in Russia was also driven by the optimization of capacity utilization, including higher cross-supplies of semi-finished products between the refineries and the change in the feedstock mix.

Lower refined product output in Europe both quarter-on-quarter and year-on-year was due to maintenance works at refineries in Bulgaria and Italy.

Information:
Full set of PJSC "LUKOIL" condensed interim consolidated financial statements prepared in accordance with IFRS for the three months ended 31 March 2018 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. 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".