

PRESS RELEASE
AUGUST 29, 2018

LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE SECOND
QUARTER AND SIX MONTHS OF 2018

PJSC LUKOIL today released its condensed interim consolidated financial statements for the three and six month periods ended 30 June 2018 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

| 2Q 2018 | 1Q 2018 | | 1H 2018 | 1H 2017 |
|--------------|--------------|--|--------------|--------------|
| (RUB bln) | | | | |
| 2,056.1 | 1,630.7 | Sales | 3,686.8 | 2,790.8 |
| 295.2 | 219.5 | EBITDA | 514.7 | 386.7 |
| 288.8 | 213.8 | EBITDA ex. West Qurna-2 | 502.6 | 379.9 |
| 167.3 | 109.1 | Profit attributable to LUKOIL shareholders | 276.4 | 201.0 |
| 105.7 | 121.1 | Capital expenditures | 226.8 | 254.9 |
| 137.2 | 45.9 | Free cash flow | 183.1 | 83.0 |
| 152.0 | 91.9 | Adjusted free cash flow* | 243.8 | 128.7 |

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

Sales

For the first six months of 2018, our sales increased by 32.1% year-on-year to RUB 3,686.8 billion. In the second quarter of 2018 our sales amounted to RUB 2,056.1 billion, 26.1% higher quarter-on-quarter. The growth was mainly attributable to higher hydrocarbon prices, increase in oil trading volumes, weakening of ruble against US dollar and euro, 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.

EBITDA

For the first six months of 2018 EBITDA increased by 33.1% year-on-year to RUB 514.7 billion. In the second quarter of 2018 EBITDA amounted to RUB 295.2 billion, increasing by 34.5% quarter-on-quarter. 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 sales volumes via premium marketing channels. Besides abovementioned factors EBITDA growth was driven by higher hydrocarbon prices, weaker ruble against US Dollar, positive crude oil export duty lag effect and inventory effect in the downstream. Among key constraining factors were domestic petroleum products prices lagging export netbacks.

Profit

For the first six months of 2018, profit attributable to PJSC LUKOIL shareholders was RUB 276.4 billion, up 37.5% year-on-year. In the second quarter of 2018 profit increased by 53.4% quarter-on-quarter to RUB 167.3 billion. The profit dynamics was mainly driven by non-cash foreign exchange effects, as well as gain on sale of JSC Arkhangel'skgeoldobycha in the second quarter of 2017. Excluding these factors, profit attributable to PJSC LUKOIL shareholders increased by 47.4% year-on-year and by 35.6% quarter-on-quarter. The growth was constrained by higher DD&A.

Capital expenditures

For the first six months of 2018, our capital expenditures amounted to RUB 226.8 billion, down 11.0% year-on-year. The decrease was driven by lower capital expenditures in the gas projects in Uzbekistan due to the launch of main production facilities.

In the second quarter of 2018, capital expenditures decreased by 12.6% quarter-on-quarter to RUB 105.7 billion, mainly due to the payment schedule to the suppliers and subcontractors.

Free cash flow

In the second quarter of 2018, our adjusted free cash flow increased by 65.4% quarter-on-quarter to a quarterly record of RUB 152.0 billion. As a result, for the first six months of 2018 our adjusted free cash flow almost doubled year-on-year and amounted to RUB 243.8 billion. The growth was due to higher cash flows from operating activities and lower capital expenditures.

Operational highlights

| 2Q 2018 | 1Q 2018 | | 1H 2018 | 1H 2017 |
|--------------|--------------|---|--------------|--------------|
| 2,313 | 2,320 | Hydrocarbon production, Kboepd | 2,316 | 2,251 |
| 2,289 | 2,286 | ex. West Qurna-2 | 2,287 | 2,217 |
| 210.5 | 208.8 | Hydrocarbon production, mln boe | 419.3 | 407.4 |
| 208.3 | 205.7 | ex. West Qurna-2 | 414.0 | 401.4 |
| 162.6 | 161.8 | Liquid hydrocarbons, mln barrels | 324.4 | 328.5 |
| 160.4 | 158.7 | ex. West Qurna-2 | 319.1 | 322.4 |
| 8.1 | 8.0 | Gas, bcm | 16.1 | 13.4 |
| 15.8 | 15.1 | Production of refined products at own refineries, mln tonnes | 30.9 | 30.7 |

In the first half of 2018 LUKOIL Group's hydrocarbon production excluding West Qurna-2 project was 2,287 thousand boe per day, 3.2% higher year-on-year. The increase was driven by the development of gas projects. In the second quarter of 2018 production was 2,289 thousand boe per day, which is flat quarter-on-quarter.

Liquid hydrocarbons

Liquid hydrocarbon production excluding West Qurna-2 project in the first half of 2018 was 319.1 million barrels, including 160.4 million barrels produced in the second quarter, which is flat quarter-on-quarter in average daily terms. Starting January 2017 LUKOIL Group's oil production volumes and dynamics are mainly defined by the external limitations of Russian companies' production volumes.

Active development of the priority projects continued. The third well was launched in June 2018 at the second development stage of the V. Filanovsky field, which allowed to reach sustainable daily plateau production level equivalent to 6 million tonnes of oil per year. In the first half of 2018 production at the field increased by 42.7% year-on-year, to 2.9 million tonnes.

The drilling of the first production well started at the second development stage of the Yu. Korchagin field and was completed in July 2018. The initial well flow amounted to 500 tonnes of oil per day.

Active development of the Yaregskoe field and Permian reservoir of the Usinskoe

field allowed to increase high viscosity oil production in the first half of 2018 by 35.3% year-on-year, to 2 million tonnes.

Oil and gas condensate production at the Pyakyakhinskoe field in West Siberia increased by 7.3% year-on-year, to 0.8 million tonnes.

The share of the abovementioned five projects in the LUKOIL Group's oil production excluding West Qurna-2 project amounted to 14.4% in the first half of 2018, 3.3 percentage points up year-on-year.

Gas

In the first half of 2018 LUKOIL Group's gas production was 16.1 billion cubic meters, 20.2% higher year-on-year. In the second quarter of 2018 gas production was 8.1 billion cubic meters, flat 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, production at Kandym and Gissar projects in the first half of 2018 doubled year-on-year to 6.1 billion cubic meters.

Refined products

In the first half of 2018 production of refined products at LUKOIL Group's refineries increased by 0.6% year-on-year, to 30.9 million tonnes. In the second quarter of 2018 production of refined products was 15.8 million tonnes, 4.8% higher quarter-on-quarter.

Production of refined products at European refineries increased by 14.7% quarter-on-quarter mainly due to the low base effect, which was attributable to the scheduled maintenance works at refineries in Bulgaria and Italy in the first quarter of 2018. Compared to the first half of 2017 production of refined products at European refineries decreased by 1.5%, which was also due to the scheduled maintenance works in the first quarter of 2018.

In the first half of 2018 production of refined products at Russian refineries increased by 1.7% year-on-year to 20.1 million tonnes. Fuel oil and vacuum gasoil output decreased by 20.1% and their share in product basket decreased to 12.8% as compared to 16.3% in the first half of 2017. The improvement in the operating efficiency of our refineries in Russia was also driven by the optimization of capacity utilization, including through higher cross-supplies of semi-finished products between the refineries and feedstock mix optimization.

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 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".