LUKOIL

PRESS RELEASE
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LUKOIL ANNOUNCES IFRS FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2019

PJSC LUKOIL today released its condensed interim consolidated financial statements as of and for the three and nine months ended 30 September 2019, prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

3Q 2019	2Q 2019		9M 2019	9M 2018
		(RUB bln)		
1,952.3	2,125.6	Sales	5,928.8	5,992.7
327.8	**332.2**	**EBITDA**	**958.0**	**836.5**
212.0	235.1	Exploration and production	682.2	680.2
116.4	93.2	Refining, marketing and distribution	289.5	200.7
190.4	181.2	Profit attributable to LUKOIL shareholders	520.9	460.1
109.1	107.6	Capital expenditures	314.0	338.3
208.9	**162.4**	**Free cash flow**	**517.1**	**342.9**
196.1	189.5	Free cash flow before changes in working capital	568.9	450.7

Sales

For the first nine months of 2019, our sales amounted to RUB 5,928.8 bln, which is 1.1% lower year-on-year. Sales were negatively affected by lower oil prices in dollar terms and a decrease in refined products trading volumes. These factors were almost completely offset by ruble depreciation, higher oil production and trading volumes, as well as an increase in gas prices and gas production volumes outside Russia.

In the third quarter of 2019, our sales were RUB 1,952.3 bln, 8.1% down quarter-on-quarter, due to lower oil prices and a decrease in trading volumes. These factors were partially offset by a seasonal increase in refined products sales volumes in

Russia.

EBITDA

Despite lower sales, EBITDA for the first nine months of 2019 grew by 14.5% year-on-year to RUB 958.0 bln. EBITDA growth was primarily driven by stronger results in Refining, marketing and distribution segment due to higher refining margins in Russia, an increase in refinery throughput volumes and better product mix at the Group's refineries, as well as robust results in retail and trading. Negative impact of lower oil prices in Exploration and production segment was fully offset by ruble depreciation, an increase in crude oil production in Russia and gas production outside Russia, improved oil production structure in Russia, adoption of the tax on additional income from hydrocarbon production for certain license areas, as well as lower hydrocarbon extraction expenses per barrel of production.

In the third quarter of 2019, EBITDA decreased by 1.3% quarter-on-quarter and amounted to RUB 327.8 bln. EBITDA of the Refining, marketing and distribution segment grew by 25% and almost entirely offset lower EBITDA of the Exploration and production segment. Stronger results of the Refining, marketing and distribution segment were due to significant increase in throughput volumes at the Group's refineries amid higher refining margins in Russia and Europe, as well as better product mix. Lower EBITDA of the Exploration and production segment was due to a decrease in oil prices amid practically flat RUB/USD exchange rate, as well as due to negative tax lag effect. These factors were partially offset by higher oil and gas production volumes outside Russia.

Profit for the period

For the first nine months of 2019, profit attributable to our shareholders amounted to RUB 520.9 bln, 13.2% up year-on-year. The growth was constrained by lower non-cash foreign exchange gain.

In the third quarter of 2019, profit grew by 5.0% quarter-on-quarter and amounted to RUB 190.4 bln. Lower effective income tax rate had a positive impact on the dynamics of our profit for the quarter.

Capital expenditures

For the first nine months of 2019, our capital expenditures amounted to RUB 314.0 billion, 7.2% down year-on-year. The decrease was mainly driven by lower capital expenditures at the gas projects in Uzbekistan, as well as the completion of main construction works at the Yu. Korchagin and V. Filanovsky fields in the Caspian Sea.

In the third quarter of 2019, capital expenditures increased by 1.4% quarter-on-quarter to RUB 109.1 billion, mainly due to development of the Caspian Sea projects and selective projects at the Russian refineries.

Free cash flow

For the first nine months of 2019 our free cash flow increased by 50.8% year-on-year and reached RUB 517.1 billion. The growth was due to higher operating cash flow and lower capital expenditures. In the third quarter of 2019, free cash flow totaled RUB 208.9 bln, 28.6% up 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 134.9 bln as of the end of the third quarter of 2019. The positive effect on EBITDA for the first nine months of 2019 totaled RUB 26.5 bln due to lower operating, transportation and SG&A expenses. The positive effect on the free cash flow indicator reached RUB 35.0 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 3.4 bln mainly due to foreign exchange gain on additional debt.

Operational highlights

3Q 2019	2Q 2019		9M 2019	9M 2018
2,339	**2,355**	**Hydrocarbon production, Kboepd**	**2,367**	**2,332**
2,308	**2,324**	**ex. West Qurna-2**	**2,337**	**2,301**
1,811	1,813	Liquid hydrocarbon production, Kbpd	1,815	1,801
1,780	1,782	ex. West Qurna-2	1,785	1,770
8.3	8.4	Gas production, bcm	25.6	24.6
17.2	**16.0**	**Production of refined products at own refineries, mln tonnes**	**49.0**	**47.5**

For the first nine months of 2019 LUKOIL Group's average hydrocarbon production excluding the West Qurna-2 project was 2,337 thousand boe per day, which is 1.6% 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 first nine months of 2019, production of liquid hydrocarbons excluding the West Qurna-2 project totaled 1,785 thousand barrels per day, which is 0.9% higher year-on-year. In the third quarter of 2019 production of liquid hydrocarbons was 0.1% lower quarter-on-quarter.

Active development of the priority projects was on track. For the first nine months of 2019 oil production at the V. Filanovsky field increased by 7% year-on-year. In October 2019, production started at the third development stage of the field.

For the first nine months of 2019 oil production at the Yu. Korchagin field ramped up by 22% year-on-year due to drilling program within 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 an increase in high viscosity oil production for the first nine months of 2019 by 18% year-on-year, to 3.7 million tonnes.

The development of growth projects in West Siberia also continued. The aggregate oil and gas condensate production at the V. Vinogradov, Imilorskoye and Pyakyakhinskoye fields for the first nine months of 2019 increased by 17% 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 first nine months of 2019 compared to 16% for the nine months of 2018.

Gas

For the first nine months of 2019, LUKOIL Group's gas production was 25.6 billion cubic meters, which is 4.0% 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 first nine months of 2019 increased to 10.3 billion cubic meters (LUKOIL's share) which is 9% higher year-on-year.

Refined products

For the first nine months of 2019, production of refined products at LUKOIL's refineries increased by 3.2% year-on-year to 49.0 million tonnes, which was due to

higher utilization rates at refineries in Nizhny Novgorod and Bulgaria. A decrease in fuel oil production at European refineries by 21% and an increase in the light products yield by 5 p.p. to 77% was due to scheduled maintenance works at the refinery in Bulgaria in the first quarter of 2018, as well optimization of the feedstock mix and units operation.

In the third quarter of 2019 production of refined products totaled 17.2 million tonnes, or 7.6% up quarter-on-quarter. The growth was due to scheduled maintenance works at Perm refinery in Russia and at the refinery in the Netherlands in the second quarter of 2019, as well as due to higher utilization rates of the refinery in Italy.

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 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 cannot 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".