

# Lukoil gas production continued growth in 2018.

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In 2018 average daily hydrocarbon production increased by 4% yoy to 2.3mn boepd. The main growth trigger is still the gas projects in Uzbekistan.

Oil production in 2018 amounted to 85.6mn tons, which almost coincides with the level of 2017 (85.59mn tons). There is a slight increase in oil production in Russia (+ 0.2%) and in subsidiary projects (+ 0.5%), offset by lower production abroad (-4%).

Oil production levels are stable due to the ongoing development of projects. In particular, 15% of production comes from projects at the Filanovskoye deposit, where in 4Q2018 the fifth well was put into operation, and production increased by 32% yoy; in the Yaregskoye field high-viscosity oil production increased by 25% yoy and in the Pyakyakhinskoye field oil and gas condensate production increased by 4% yoy.

Gas production for 2018 showed an increase of 16% yoy to 33.5bn cub. m. Due to the launch of new gas treatment facilities, Kandym and Gissar projects in Uzbekistan continue to be the main catalyst for gas production growth - growth in these projects amounted to 67% yoy.

Refining volumes of crude oil stagnate, not showing for 2018 changes - 67.3mn tons.

Financial results for 2018 Lukoil will be available March 6th.

## **Our view**

At the end of 2018, we are seeing a stronger increase in gas production compared to our expectations. We note a fairly strong return on projects in Uzbekistan that have surpassed our estimate. In anticipation of financial results, we see the need to revise our recommendation in the light of changing conditions and prices in the oil market. Considering also the achievement of the stock price of our target level, we put our recommendation under review.

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