

Reduction in fuel consumption (based on fuel efficiency test results by the European Automobile Manufacturers Association (ACEA) in 2018, %)



In 2018 we released a new product for marine engines, developed in accordance with international environmental restrictions on sulfur content in marine fuel. NAVIGO MCL Extra 40 BN oil, combined with the iCOLube intelligent lubrication system developed by LUKOIL, ensures optimal conditions for the operation of marine engines, and facilitates reduced carbon dioxide emissions into the atmosphere.

In 2018, LUKOIL Marine Lubricants DMCC won awards in two categories of the annual Maritime Standard Awards for 2018: for creating the iCOLube intelligent lubrication system and for promoting innovations in marine navigation.

In addition to energy efficient products, we produce oils that are safer for the environment. LUKOIL LUBRICANTS

EUROPE Oy supplies biodegradable products to the European market under the brand BIO (BIOLUBE, BIOCHAIN, and BIOFLUIDE). Such oils degrade over a certain period into components that do not harm the environment (as waste from synthetic oils do).

Certification of quality management systems

The oil product supply entities of LUKOIL Group adopt an integrated approach to quality management, covering all stages of a product journey, from plant to consumer. We apply unified quality management approaches, both in Russia and abroad.

Certificates confirming the compliance of quality management systems with the international standard ISO 9001:2015

are held by nine organizations³ operating in the air bunkering sector in Russia and abroad, as well as all LLC LLK-International facilities producing oils and liquid lubricants.

In 2018, LLC LLK-International completed the certification of production sites for compliance with the new international standard IATF 16949:2016⁴ (a standard of the industry

organization International Automotive Task Force, which unites leading global car manufacturers). The standard establishes quality management system requirements for suppliers of products for the automotive industry. Global car companies take into account whether a supplier has an IATF certificate when selecting suppliers of components and consumables.

Ensuring the quality of motor fuels

We believe it our duty to maintain, at all stages, from production to consumer, the quality of motor fuels at a level that is no lower than the standards established by respective technical regulations and production standardization documents. Also, the oil product supply entities of LUKOIL Group are governed by corporate standards and methodological recommendations⁵.

Our goal is to ensure total and real-time controls when delivering and accepting oil products at the transportation systems of Transneft and Russian Railways and to organize their proper acceptance, storage, and sale at LUKOIL bulk plants and fuel stations.

The corporate automated management system, which covers all fuel stations and most bulk plants located within Russia, and is also installed at facilities

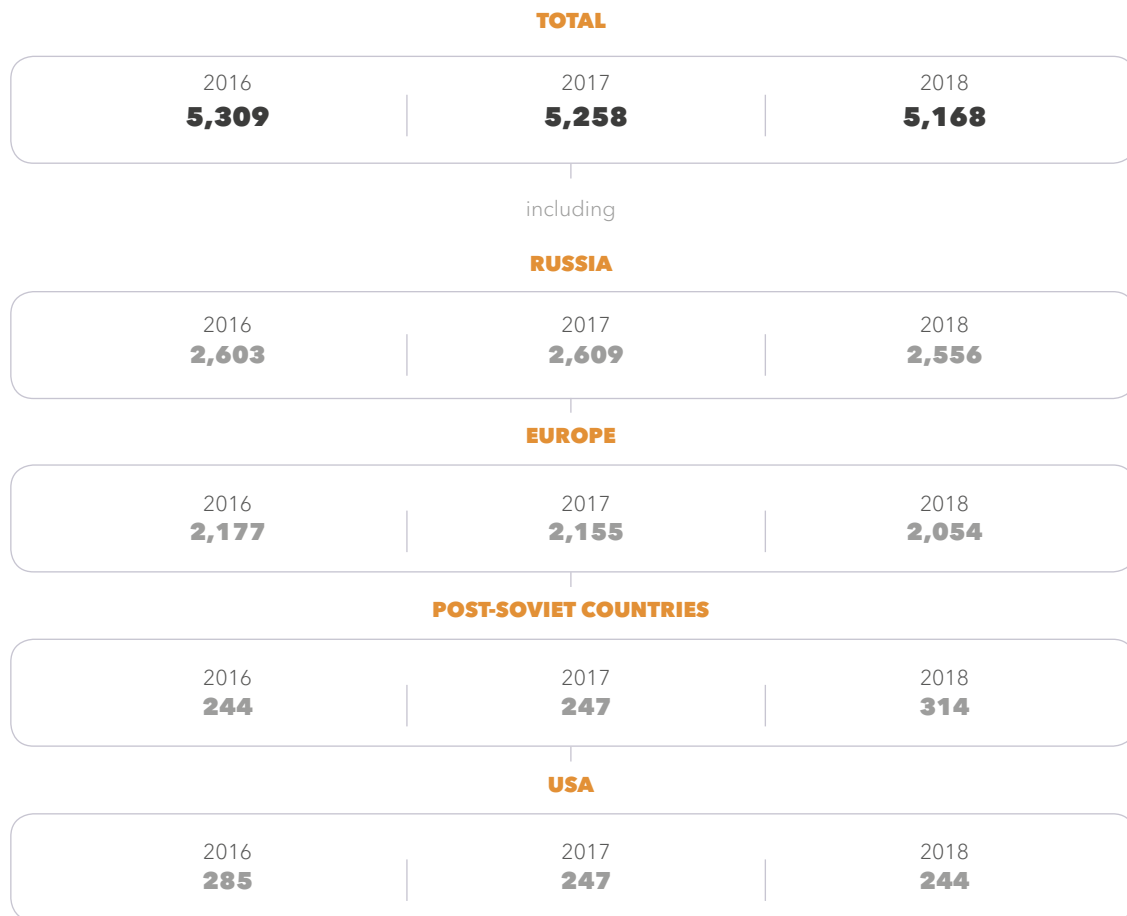
in Serbia and Romania, enables oil product movements, from refinery to end user, to be electronically tracked. The Guaranteed Oil-Product Delivery system allows us to reduce product transportation time, as well as the number of misappropriations and product losses. The electronic sealing of road tankers helps lessen potential injuries among fuel station personnel, since it eliminates dangerous work at heights.

³ The number of organizations holding certificates declined compared to 2017, as LLC LUKOIL-AERO-Nizhny Novgorod and LLC LUKOIL-AERO-Perm merged with LLC LUKOIL-AERO-Samara.

⁴ The previous industrial standard - ISO/TS 16949:2009 - ceased to be effective in 2018.

⁵ For example, STO LUKOIL 1.24.1-2016 "Motor Fuels. ECTO Automotive Gasoline," "Methodological Recommendations for Maintaining Oil Product Quality during Acceptance, Storage, and Release at LLC LUKOIL-Uralnefteprodukt".

Distribution of LUKOIL Group fuel stations among countries as of December 31 each year



Notes. The data include information about proprietary fuel stations of LUKOIL Group, both leased and franchised, as well as mothballed fuel stations that are available for lease (as of December 31, 2018). Changes to the performance dynamics in Russian companies engaged in oil product supplies chiefly relate to the reorganization of the sales network in 2018.

Fuel station network services development

In 2018, work began to implement efficient technologies and to expand the range of fuel products and services provided by LUKOIL fuel stations.

- Three multi-fuel stations were built at LLC LUKOIL-Yugnefteprodukt.
- Work began to develop the gas strategy in the oil products supply sector; five gas fuel stations were prepared for commissioning at LLC LUKOIL-Tsentrnefteprodukt.
- Six electric charging stations for electric vehicles were commissioned (at LLC LUKOIL-Yugnefteprodukt and LLC LUKOIL-Tsentrnefteprodukt).
- Plans are under way to implement automated systems to manage power consumption at fuel stations.
- New customer-oriented solutions to change the image of fuel stations were developed, including the corporate style of stations, corporate uniforms for employees, and sales models of non-fuel products.