

Refining, marketing, and distribution

We aim to use the natural resources we extract with maximum efficiency. After completing a wide-ranging modernization program at Russian and foreign refineries¹, the refining depth of oil reached 86.7% and 86.9%, respectively, at these refineries. Over the past three years light product yield has risen by almost 10 percentage points, while the annual increase in the level of primary oil refining at Russian and European own refineries and contracted refineries was 10% (2017 versus 2016). In 2017 a decision was taken to build a delayed coker complex at the Nizhny Novgorod Refinery, similar to the unit operating at the Perm Refinery, which will make it possible to increase the light products yield by more than 10 percentage points.

Our priority in this area of activity is to boost operating efficiency and to ensure that the structure of our output matches the needs of consumers and market demand.

In 2017 we achieved the highest level of marine fuel sales for five years, including environmentally friendly marine fuel² sales. As part of our strategy in this area, we are preparing to produce marine fuel with an



Main brands: the ECTO line of gasoline and diesel (including the new ECTO 100 brand, with an octane number of more than 100) and the GENESIS line of oil.

even lower sulfur content (down to 0.5%), in order to ensure timely compliance with the requirements of the International Maritime Organization (IMO), pursuant to which such fuel must be in use from 2020.

At the end of 2017 our marketing network for motor fuels comprised 5,258 filling stations³, 50% of which were located in Russia.

In 2017 we continued to develop our advanced electronic fuel quality control system, which allows us to track the movement of petroleum products from refineries to end users.

In 2017 we opened an online store to sell lubricants and presented our products in the virtual shop windows of the largest international and Russian digital outlets. This expands the availability of our products for consumers in any country in the world.

Power generation and renewable energy

Our power-generating and distribution assets provide heat and electricity to both external consumers (commercial power generation) and for own needs (supply power generation). Our power stations operate on natural gas (of these the largest producer of electricity is LUKOIL-Kubanenergo), while the largest suppliers of heat are LUKOIL-Volgogradenergo and LUKOIL-Rostovenergo.

In 2017 a solar power station was built in Volgograd that provides an annual output of over 10 million kWh of electricity. The station will help reduce greenhouse gas emissions.

We strive to use all contemporary methods of energy generation, including renewable energy. We have solar and wind energy facilities (in Bulgaria and Romania) and hydroelectric power facilities (in Russia).

More complete information on the LUKOIL Group's production and financial performance can be found in

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[LUKOIL 2017 Annual Report](#)
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[The 2017 Data Book](#)
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[and other materials](#)





¹ At our own refineries, including Zeeland.

² Fuel that meets MARPOL requirements (the International Convention for the Prevention of Pollution from Ships, 1973, as amended 1978, MARPOL 73/78) regarding the content of pollutants in air emissions of combustion products in sulfur emission control areas (SECA) – the North Sea and Baltic Sea, and part of the US coast – as well as waterways of the European Union.

³ Company-owned, leased, and franchised, including mothballed stations.