PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED IFRS RESULTS FOR THE SECOND QUARTER AND SIX MONTHS OF 2017

PJSC LUKOIL today released its condensed interim consolidated financial statements as of and for the three and six months ended 30 June 2017 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

2Q 2017	1Q 2017	(bln RUB)	1H 2017	1H 2016
1,359.2	1,431.6	Sales	2,790.8	2,516.6
179.1	**207.6**	**EBITDA**	**386.7**	**381.6**
175.2	204.7	EBITDA ex. West Qurna-2	379.9	353.2
138.7	62.3	Profit attributable to LUKOIL shareholders	201.0	105.4
116.4	97.1	Profit attributable to LUKOIL shareholders before foreign exchange effect	213.5	164.9
124.7	130.2	Capital expenditures	254.9	248.7
81.6	1.4	Free cash flow	83.0	95.8
43.2	**67.1**	**Free cash flow before changes in working capital**	**110.3**	**108.2**

Sales

For the first six months of 2017, our sales increased by 10.9% year-on-year to 2,790.8 bln RUB mainly due to higher sales prices, increase in international crude oil trading volumes, as well as higher refined products sales volumes in Russia and abroad. Lower volumes of compensation crude oil from West Qurna-2 project in Iraq had a negative impact on sales dynamics.

In the second quarter of 2017, our sales decreased by 5.1% quarter-on-quarter resulting primarily from lower sales prices (partially due to stronger ruble) and lower international trading volumes of refined products.

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

EBITDA

For the first six months of 2017, our EBITDA increased to 386.7 bln RUB, or by 1.3% year-on-year. In the second quarter of 2017, EBITDA was 179.1 bln RUB, down 13.8% quarter-on-quarter. EBITDA dynamics in the both periods was impacted mainly by the sales price changes. The growth of share of high-margin volumes in our overall production and improvement in the refined product slate at our own refineries had a positive impact on EBITDA, which was partially offset by the negative crude oil export duty time lag effect and ruble appreciation. EBITDA dynamics for the first six months of 2017 was also significantly impacted by lower volumes of compensation crude oil from the West Qurna-2 project in Iraq. Our EBITDA, net of this project, increased by 7.6% year-on-year.

Profit for the period

For the first six months of 2017, profit attributable to PJSC LUKOIL shareholders was 201.0 bln RUB, up 90.7% year-on-year. In the second quarter of 2017 profit increased by 122.5% quarter-on-quarter to 138.7 bln RUB. Our profit was significantly impacted by non-cash foreign exchange effect and a gain on sale of JSC Arkhangelskgeoldobycha in the second quarter of 2017. Excluding these items, profit attributable to PJSC LUKOIL shareholders for the first six months of 2017 increased by 6.8% year-on-year to 176.0 bln RUB.

Capital expenditures

For the first six months of 2017, our capital expenditures amounted to 254.9 bln RUB, up 2.5% year-on-year. This increase was driven by higher capital expenditures in the Upstream segment due to development of priority projects in Russia and Uzbekistan, which was partially offset by the capital expenditures decrease in the Downstream segment as a result of the completion of a major upgrade program at our refineries.

In the second quarter of 2017, capital expenditures decreased to 124.7 bln RUB, or by 4.3% quarter-on-quarter mainly due to lower capital expenditures in the international Upstream segment, which was partially offset by higher investments in growth upstream projects in Russia.

Free cash flow

In the second quarter of 2017, our free cash flow was 81.6 bln RUB, of which 38.5 bln RUB were attributable to working capital release.

As a result, our free cash flow before changes in working capital for the first six

months of 2017 increased by 1.9% year-on-year and amounted to 110.3 bln RUB.

Operational highlights

2Q 2017	1Q 2017		1H 2017	1H 2016
2,258	**2,244**	**Hydrocarbon production, Kboepd**	**2,251**	**2,317**
2,222	2,213	ex. West Qurna-2	2,217	2,185
205.4	202.0	Hydrocarbon production, mln boe	407.4	421.8
202.2	199.2	ex. West Qurna-2	401.4	397.7
164.5	164.0	Liquid hydrocarbons, mln barrels	328.5	349.6
161.2	161.2	ex. West Qurna-2	322.4	325.5
6.9	6.5	Gas, bcm	13.4	12.3
15.5	**15.2**	**Production of refined products at own refineries, mln t**	**30.7**	**30.3**

LUKOIL Group's daily hydrocarbon production for the first six months of 2017 excluding West Qurna-2 project increased by 1.5% year-on-year to 2,217 thousand boe per day. In the second quarter of 2017 production was 2,222 thousand boe per day, representing a 0.4% growth quarter-on-quarter. The increase in production was driven by the development of gas projects.

Liquid hydrocarbons

For the first six months of 2017, we produced 328.5 mln barrels of liquid hydrocarbons. The year-on-year decline was due to lower compensation crude oil volumes from the West Qurna-2 project in Iraq as well as the temporary external limitations of Russian companies' production volumes. In the second quarter of 2017, our liquids production remained practically unchanged quarter-on-quarter and stood at 164.5 mln barrels.

In the second quarter of 2017, planned production growth continued at V. Filanovsky and Pyakyakhinskoe fields, where crude oil production increased by 26% and 12% quarter-on-quarter, respectively.

Gas

LUKOIL Group's gas production for the second quarter of 2017 increased by 7.6% quarter-on-quarter and amounted to 6.9 bcm. As a result, for the first six months of 2017 LUKOIL produced 13.4 bcm of gas, which is 9.4% higher year-on-year.

Production dynamics was positively impacted by the launch of gas facilities at Pyakyakhinskoe field in the beginning of 2017 and the development of gas projects in Uzbekistan.

Refined products

In the second quarter of 2017, production of refined products at our own refineries increased by 1.6% quarter-on-quarter to 15.5 mln tonnes. For the first six months of 2017, we produced 30.7 mln tonnes of refined products, which is 1.3% higher year-on-year.

The quarter-on-quarter positive dynamics was mainly attributable to the increase in the utilization rate at our refinery in Romania after maintenance in the first quarter of 2017. A moderate decrease of Company's throughput volumes in Russia was driven by maintenance works at Perm refinery, while utilization rates at refineries in Nizhny Novgorod and Volgograd increased due to seasonal factors.

In the first six months of 2017, throughput volumes at our refineries in Russia increased by 5.1% year-on-year primarily due to maintenance works at refineries in Nizhny Novgorod and Volgograd in the first half of 2016. There was a significant improvement in product slate due to reaching design parameters of the new conversion facilities. In particular, light product yield at our Russian refineries increased by 8 percentage points to 71%. The improvement in production efficiency of our Russian refineries was also attributable to optimization of capacity utilization, including the cross-supplies of dark products and the change of feedstock mix.

Information:
Full set of PJSC "LUKOIL" condensed interim consolidated financial statements prepared in accordance with IFRS as of and for the three and six months ended 30 June 2017 is available on the Company's web site: www.lukoil.com. These condensed interim consolidated financial statements have been prepared by the Company in accordance with IFRS and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal discrepancies, and we cannot give any assurance that any such discrepancies 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".