PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED IFRS RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2017

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

Financial highlights

3Q 2017	2Q 2017	(bln RUB)	9M 2017	9M 2016
1,483.5	1,359.2	Sales	4,274.3	3,826.1
221.1	**179.0**	**EBITDA**	**607.8**	**547.5**
215.4	175.2	EBITDA ex. West Qurna-2	595.3	513.6
97.3	138.6	Profit attributable to LUKOIL shareholders	298.3	160.2
104.9	116.4	Profit attributable to LUKOIL shareholders before foreign exchange effect	318.4	227.8
118.9	124.6	Capital expenditures	373.8	357.4
90.7	81.7	Free cash flow	173.7	200.5
83.8	**43.2**	**Free cash flow before changes in working capital**	**194.1**	**166.5**

Sales

For the first nine months of 2017 our sales increased by 11.7% year-on-year to 4,274.3 bln RUB. The growth was mainly driven by higher hydrocarbon prices as well as the increase in crude oil trading volumes, partially offset by stronger ruble and lower volumes of compensation crude oil from the West Qurna-2 project in Iraq.

In the third quarter of 2017 our sales were 1,483.5 bln RUB, up 9.1% quarter-on-quarter primarily due to the higher hydrocarbon prices, as well as higher retail and wholesale sales volumes of own refined products in Russia and abroad, partially offset by lower trading volumes of refined products.

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EBITDA

For the first nine months of 2017 EBITDA increased to 607.8 bln RUB, or by 11.0% year-on-year. In the third quarter of 2017, EBITDA increased by 23.5% quarter-on-quarter to 221.1 bln RUB.

In both periods EBITDA dynamics was supported mainly by higher sales prices, growth of high-margin volumes in our overall production, higher gas production in Russia and Uzbekistan, improvement in the refined product slate at our own refineries, higher sales volumes via premium channels and the decrease in the transportation and SG&A expenses. EBITDA dynamics for the first nine months of 2017 was negatively impacted by lower volumes of compensation crude oil from the West Qurna-2 project in Iraq. Net of this project, EBITDA increased by 15.9% year-on-year.

Profit for the period

For the first nine months of 2017 profit attributable to PJSC LUKOIL shareholders was 298.3 bln RUB, up 86.2% year-on-year. In the third quarter of 2017 profit decreased by 29.8% quarter-on-quarter to 97.3 bln RUB.

Our profit was significantly affected 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 in the third quarter increased by 32.8% quarter-on-quarter and for the first nine months of 2017 increased by 23.3% year-on-year.

Capital expenditures

For the first nine months of 2017 our capital expenditures amounted to 373.8 bln RUB, up 4.6% year-on-year driven by higher upstream investments due to the development of priority projects in Russia and Uzbekistan, partially offset by lower capital expenditures in the downstream as a result of the completion of a major upgrade program at our refineries.

In the third quarter of 2017 our capital expenditures decreased to 118.9 bln RUB, or by 4.6% quarter-on-quarter mainly due to the seasonal decrease in West Siberia and Timan-Pechora as well as lower investments in Uzbekistan driven by the commissioning of the main production facilities at Gissar project in the third quarter of 2017.

Free cash flow

In the third quarter of 2017 our free cash flow was 90.7 bln RUB, of which 6.8 bln RUB were attributable to the working capital release.

As a result, and despite the increase in the capital expenditures, free cash flow before changes in the working capital for the first nine months of 2017 increased by 16.6% year-on-year and amounted to 194.1 bln RUB.

Operational highlights

3Q 2017	2Q 2017		9M 2017	9M 2016
2,259	**2,258**	**Hydrocarbon production, Kboepd**	**2,254**	**2,280**
2,219	**2,222**	ex. West Qurna-2	**2,218**	**2,168**
207.8	205.4	Hydrocarbon production, mln boe	615.2	624.9
204.0	202.2	ex. West Qurna-2	605.4	594.1
165.1	164.5	Liquid hydrocarbons, mln barrels	493.6	516.7
161.4	161.2	ex. West Qurna-2	483.8	485.9
7.3	7.0	Gas, bcm	20.7	18.4
16.5	**15.5**	**Production of refined products at own refineries, mln t**	**47.2**	**46.6**

For the first nine months of 2017 the Group's hydrocarbon production excluding the West Qurna-2 project increased by 2.3% year-on-year and amounted to 2,218 thousand boe per day. The increase was driven by the development of gas projects. In the third quarter of 2017 our production was 2,219 thousand boe per day, almost unchanged quarter-on-quarter.

Liquid hydrocarbons

Starting January 2017 the Group's oil production volume and dynamics are mainly defined by the external limitations of Russian companies' production volumes. For the first nine months of 2017 excluding West Qurna-2 project our liquids production was 483.8 million barrels, including 161.4 million barrels produced in the third quarter of 2017.

In the third quarter of 2017 production growth continued as planned at V. Filanovsky and Pyakyakhinskoe fields and amounted to 4.5% and 2.4% quarter-on-quarter respectively. The active development of heavy crude oil projects in Timan-Pechora continued. As such, production at Yaregskoe field increased by 30% as compared to the second quarter of 2017.

Gas

The LUKOIL Group's gas production increased by 4.4% quarter-on-quarter in the third quarter of 2017 to 7.3 billion cubic meters. As a result, for the first nine months of 2017 production increased by 12.4% year-on-year to 20.7 billion cubic meters. Gas production was positively impacted by the launch of gas facilities at Pyakyakhinskoe field in January 2017 and production ramp-up in Uzbekistan as a result of the main production facilities commissioning at Gissar project, where production volumes more than doubled quarter-on-quarter.

Refined products

In the third quarter of 2017 production of the refined products at our own refineries increased by 6.3% quarter-on-quarter to 16.5 mln tonnes. For the first nine months of 2017 we produced 47.2 mln tonnes of refined products, up 1.3% year-on-year.

The quarter-on-quarter positive dynamics was mainly attributable to the completion of the maintenance works at our refineries in Perm, Romania and Italy and favorable market conditions in Europe.

In the first nine months of 2017, throughput volumes at our refineries in Russia increased by 3.0% year-on-year primarily due to the maintenance works at refineries in Nizhny Novgorod and Volgograd in the first half of 2016. There was a significant improvement in the product slate of our Russian refineries due to the reaching design parameters of the new conversion facilities. In particular, for the first nine months of 2017 production of the fuel oil and vacuum gasoil decreased by 32% year-on-year. In the third quarter of 2017 the light product yield increased by 10 percentage points year-on-year and exceeded 71%. The improvement in the production efficiency of our Russian refineries was also attributable to the 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 nine months ended 30 September 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. 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".