PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED IFRS FINANCIAL RESULTS FOR SECOND QUARTER AND FIRST HALF 2016

LUKOIL today published its interim consolidated financial statements for the three and six-month periods ended 30 June 2016, prepared in accordance with IFRS.

Financial highlights

2Q	1Q		1H	1H
2016	**2016**		**2016**	**2015**
(million rubles)				
1,338,959	1,177,674	Sales revenue	2,516,633	2,917,271
189,571	191,992	EBITDA*	381,563	417,387
182,681	170,498	EBITDA* excluding West Qurna-2	353,179	354,553
62,567	42,825	Profit attributable to LUKOIL shareholders	105,392	167,779
118,886	122,561	Capital expenditures	241,447	304,844
56,991	36,415	Free cash flow	93,406	79,879

*Profit from operating activities before depreciation, depletion and amortization.

In the second quarter 2016, our sales revenues increased by 13.7% compared to the previous quarter, EBITDA remained practically unchanged and profit grew by 1.5 times. Such dynamics was primarily driven by higher average hydrocarbon prices, which was partially offset by lower compensation from the West Qurna-2 project, ruble appreciation to US dollar and euro, as well as decrease in refining margins, which was partially due to the increase in excise rates on refined products in Russia. Profit dynamics was substantially impacted by non-cash foreign exchange effect due to high volatility of exchange rates.

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In the second quarter 2016, our free cash flow increased by 56.5% quarter-on-quarter and by 3.4 times compared to the second quarter 2015. As a result, our free cash flow for the first half 2016 increased to 93 bln RUB.

In the first half 2016, our financial results decreased year-on-year, which was mainly due to lower average hydrocarbon prices, increase in the oil extraction tax base rate, lower compensation from the West Qurna-2 project, as well as decline in refining margins. This was partially offset by positive effect of ruble depreciation to US dollar and euro. Among other positive factors were higher refinery throughput volumes, substantial improvement in the refined product slate, increase in sales via high margin channels and effective cost control.

Our EBITDA excluding West Qurna-2 increased by 7.1% quarter-on-quarter and remained practically unchanged compared to the first half 2015.

In the second quarter 2016, our capital expenditures decreased by 3.0% compared to the previous quarter, and in the first half 2016 the year-on-year decrease in capital expenditures amounted to 20.8%. The decrease was mainly driven by completion of the main refinery upgrade program in Russia, transition to production maintenance stage at the West Qurna-2 project, decrease in exploration drilling expenditures at our international offshore projects and general optimization measures. At the same time we increased investments into our strategic growth projects in Timan-Pechora and Caspian regions.

Operational highlights

2Q 2016	1Q 2016		1H 2016	1H 2015
196.9	214.2	**Hydrocarbons production, mln boe**	411.1	429.5
190.6	196.4	excluding West Qurna-2	387.0	399.3
167.0	182.6	Liquid hydrocarbons, mln barrels	349.6	370.0
160.8	164.7	excluding West Qurna-2	325.5	339.7
5.1	5.4	Gas available for sale, bcm	10.4	10.1

15.5	14.9	Production of refined products, mln t	30.3	28.8

In the first half 2016, our hydrocarbon production was 411.1 mln boe (2.3 mln boe per day), which is 4.3% lower compared to the same period of 2015. The decline was mainly due to lower volumes of compensation crude oil from the Western Qurna-2 project, disposal of our share in Caspian Investment Resources Ltd in 2015, as well as natural production decline at our brownfields in Western Siberia.

We achieved oil production growth in Timan-Pechora and the Volga region of 3.9% and 1.7%, respectively, and our marketable gas production increased by 3.3% driven by our projects in Uzbekistan and Azerbaijan and commencement of gas production at the Yu. Korchagin field in the Caspian Sea.

In the first half 2016, production of refined products at our refineries increased by 5.3% year-on-year. We achieved substantial improvement of the product slate due to launching new facilities in 2015 and the first half 2016. Refining depth at our Russian refineries increased by 8 p.p. year-on-year to almost 86%. We also undertook measures on optimizing capacity utilization at our refineries in Russia, including via cross-supplies of vacuum gasoil, which resulted in additional efficiency gains.

Full version of IFRS condensed interim consolidated financial statements of PJSC LUKOIL for the second quarter and first half 2016 is available on the Company's web sites: www.lukoil.com and www.lukoil.ru

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.