PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED IFRS RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2016

PJSC LUKOIL today released its condensed interim consolidated financial statements as of and for the three and nine months ended 30 September 2016 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

3Q 2016	2Q 2016	(million rubles)	9M 2016	9M 2015
1,309,488	1,338,959	Sales	3,826,121	4,381,324
165,890	**189,571**	**EBITDA***	**547,453**	**630,418**
160,436	182,681	EBITDA* excluding West Qurna-2	513,615	523,058
54,803	62,567	Profit attributable to LUKOIL shareholders	160,195	356,172
120,615	118,886	Capital expenditures including non-cash items	362,062	447,506
104,525	**56,991**	**Free cash flow**	**197,931**	**171,196**

*- profit from operating activities before depreciation, depletion and amortization.

In the third quarter of 2016, our sales decreased by 2.2% compared to the second quarter of 2016 resulting primarily from lower international trading volumes.

EBITDA decreased by 12.5% quarter-on-quarter mainly because of negative crude

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oil export duty time lag effect, which was partially offset by higher refining margins in Russia. Profit attributable to shareholders was 54.8 bln RUB, down 12.4% from the second quarter of 2016.

Free cash flow increased by 83.4% compared to the second quarter of 2016 to 104.5 bln RUB. As a result, free cash flow for the nine months of 2016 amounted to 197.9 bln RUB.

In the third quarter of 2016, our capital expenditures were almost flat compared to the previous quarter. As a result, capital expenditures for the nine months of 2016 amounted to 362.1 bln RUB, which is 19.1% lower compared to the corresponding period of 2015. This decrease was mainly a result of completed major upgrade program at our Russian refineries, moving to the maintenance oil production stage at West Qurna-2 project in Iraq, decrease in exploration drilling at our international offshore projects and overall cost optimization program. Investments into our growth projects in Timan-Pechora and the Caspian Sea were increased.

Our nine months 2016 financial results were impacted by lower average international hydrocarbon prices, an increase in mineral oil extraction tax base rate, a decrease in compensation amount from West Qurna-2 project, a decline in refining margins as well as an increase in transportation tariffs. These factors were partially offset by positive effect of ruble depreciation to US dollar and Euro on our sales and EBITDA. Among other positive factors were higher refinery throughput volumes, substantial improvement in the refined product slate, an increase in sales via high margin channels and effective cost control.

Our EBITDA for the nine months of 2016 excluding West Qurna-2 project remained practically unchanged compared to the nine months of 2015.

Significant decrease in profit attributable to shareholders for the nine months of 2016 was mainly due to the negative non-cash impact from ruble appreciation during the nine months of 2016 compared to the positive impact from ruble depreciation during the nine months of 2015.

Operational highlights

3Q 2016	2Q 2016		9M 2016	9M 2015
194.9	196.9	**Hydrocarbons production, mln boe**	606.0	647.7

188.3	190.7	excluding West Qurna-2	575.3	595.8
167.0	167.0	Liquid hydrocarbons, mln barrels	516.7	560.1
160.4	160.8	excluding West Qurna-2	485.9	508.2
4.7	5.1	Gas available for sale, bcm	15.2	14.9
16.2	15.5	Production of refined products at own refineries, mln t	46.6	45.3

In the nine months of 2016, our hydrocarbon production was 606.0 mln boe (2.2 mln boe per day), which is 6.4% lower compared to the same period of 2015. The decline was mainly due to lower volumes of compensation crude oil from the West Qurna-2 project, disposal of our share in Caspian Investment Resources Ltd in 2015, as well as natural production decline at our brownfields in West Siberia.

We achieved oil production growth in Timan-Pechora and the Urals region of 3.7% and 1.5%, respectively, and our marketable gas production increased by 2.0% mainly driven by our projects in Uzbekistan, Kazakhstan and Azerbaijan and commencement of marketable gas production at the Yu. Korchagin field in the Caspian Sea. Oil production dynamics in Russia was positively influenced by start of pilot production on offshore V. Filanovsky and onshore Pyakyakhinskoe fields during the third quarter of 2016.

In the first nine months of 2016, production of refined products at our refineries increased by 2.8% compared to the corresponding period of 2015. We achieved substantial improvement of our product slate due to the launch of new facilities in 2015 and 2016. Refining depth at our Russian refineries in the third quarter of 2016 increased by 3.3 percentage points to 85.1% compared to the third quarter of 2015. We also undertook measures on optimizing capacity utilization at our refineries in Russia, which resulted in additional efficiency gains.

Справка:
Full set of condensed interim consolidated financial statements prepared in accordance with IFRS as of and for the three and nine-month period ended 30 September 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.