PRESS RELEASE
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LUKOIL ANNOUNCES FINANCIAL RESULTS UNDER IFRS FOR 2017

PJSC LUKOIL today released its audited consolidated financial statements for the full year of 2017 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial highlights

4Q 2017	3Q 2017		12M 2017	12M 2016
		(RUB bln)		
1,662.5	1,483.5	Sales	5,936.7	5,227.0
223.7	**221.1**	**EBITDA**	**831.6**	**730.7**
219.1	215.3	EBITDA ex. West Qurna-2	814.4	691.3
120.5	97.3	Profit for the period attributable to LUKOIL shareholders	418.8	206.8
122.2	**103.7**	**Adjusted profit***	**399.4**	**303.8**
137.7	118.9	Capital expenditures	511.5	497.1
73.3	90.7	Free cash flow	247.0	255.1
76.9	**80.7**	**Adjusted free cash flow****	**286.3**	**196.8**

** Profit before impairments loss, impairments reversal gain, foreign exchange effect and gain on sale of JSC Arkhangelskgeoldobycha.*

*** Free cash flow before working capital changes, West Qurna-2 project and income tax on sale of JSC Arkhangelskgeoldobycha..*

Sales

Our sales for 2017 increased by 13.6% year-on-year to RUB 5,936.7 bln. In the fourth quarter of 2017 our sales were RUB 1,662.5 bln, up 12.1% q-o-q.

The positive sales dynamics was mainly driven by the higher hydrocarbon prices

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and trading volumes in both periods. Year-on-year dynamics was negatively affected by the stronger ruble and lower volumes of compensation crude oil from the West Qurna-2 project.

EBITDA

Our EBITDA for 2017 increased to a record level of RUB 831.6 bln, growing 13.8% year-on-year. In the fourth quarter of 2017, our EBITDA also reached a record quarterly level of RUB 223.7 bln, which is 1.2% higher quarter-on-quarter.

Positive EBITDA dynamics was supported mainly by higher sales prices, larger share of high-margin volumes in our overall production, higher gas production in Russia and Uzbekistan, better refined products slate at our own refineries and higher sales volumes via premium channels. Annual EBITDA dynamics was also positively impacted by the decrease in transportation and SG&A expenses. Lower volumes of compensation crude oil from the West Qurna-2 project in Iraq had a negative impact on EBITDA dynamics. Net of this project, EBITDA increased in 2017 by 17.8% year-on-year.

Profit for the period

For the full year 2017, profit attributable to our shareholders more than doubled year-on-year and amounted to RUB 418.8 bln. In the fourth quarter of 2017, profit was RUB 120.5 bln, which is 23.8% higher quarter-on-quarter.

Profit dynamics was significantly impacted by non-cash foreign exchange differences, impairments and impairment reversal effects, as well as a gain on sale of
JSC Arkhangelskgeoldobycha in the second quarter of 2017. Excluding these items, profit attributable to PJSC LUKOIL shareholders increased by 31.5% year-on-year and 17.8% quarter-on-quarter.

Capital expenditures

For the full year of 2017, capital expenditures amounted to RUB 511.5 bln, up 2.9% year-on-year. Higher upstream investments driven by the development of priority projects in Russia and Uzbekistan were partially offset by the lower capital

expenditures in the downstream due to the completion of a major refinery upgrade program, as well as lower capital expenditures in other upstream projects abroad.

In the fourth quarter of 2017 our capital expenditures increased by 15.8% quarter-on-quarter to RUB 137.7 bln, mainly due to the seasonal work dynamics in the traditional regions as well as higher capital expenditures in the downstream due to the commencement of works related to construction of the delayed coker at Nizhny Novgorod refinery.

Free cash flow

In the fourth quarter of 2017, adjusted free cash flow (before working capital changes, West Qurna-2 project and income tax on assets sale) amounted to RUB 76.9 bln. As a result, for the full year 2017 despite an increase in the capital expenditures adjusted free cash flow increased by 45.4% year-on-year and reached a record level of RUB 286.3 bln.

Operational highlights

4Q 2017	3Q 2017		12M 2017	12M 2016
2,315	**2,259**	**Hydrocarbon production, Kboepd**	**2,269**	**2,276**
2,286	**2,219**	excluding West Qurna-2	**2,235**	**2,181**
213.0	207.8	Hydrocarbon production, mln boe	828.2	833.0
210.3	204.0	excluding West Qurna-2	815.7	798.2
164.7	165.1	Liquid hydrocarbons, mln barrels	658.3	686.3
162.0	161.4	excluding West Qurna-2	645.8	651.5
8.2	7.3	Gas, bcm	28.9	24.9
16.3	**16.5**	**Production of refined products at own refineries, mln t**	**63.5**	**62.3**

In 2017 the Group's hydrocarbon production excluding the West Qurna-2 project increased by 2.5% year-on-year and amounted to 2,235 thousand boe per day. In the fourth quarter of 2017 our production increased by 3.0% quarter-on-quarter to 2,286 thousand boe per day. The increase was driven by the development of gas projects.

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. In 2017 our liquids production excluding West Qurna-2 project was 645.8 million barrels, including 162.0 million barrels produced in the fourth quarter of 2017.

In 2017 oil production in the Caspian Sea increased to 5.5 million tonnes, which is almost 2.5 times higher year-on-year. The growth was due to the V. Filanovsky field that produced 4.6 million tonnes in 2017.

Active development of high viscosity oil projects continued in Timan-Pechora. Production at Yaregskoe field and Permian layer of Usinskoe field increased by 18.5% and 6.7% year-on-year, respectively.

Successful development of Pyakyakhinskoe field led to an increase in crude oil and gas condensate production at the field to 1.5 million tonnes in 2017.

Gas

In the fourth quarter of 2017 the LUKOIL Group's gas production increased by 12.9% quarter-on-quarter to 8.2 billion cubic meters. As a result, in 2017 production increased by 15.8% year-on-year to a record level of 28.9 billion cubic meters.

LUKOIL had achieved significant progress in Uzbekistan gas projects development. In 2017 production at Kandym and Gissar projects increased by 43.9% year-on-year to 8.1 billion cubic meters. The growth was driven by the launch of new gas treatment facilities.

Gas production growth in Russia was mainly attributable to the launch of gas facilities at Pyakyakhinskoe field in January, 2017.

Refined products

Refinery output at the LUKOIL Group's refineries in 2017 increased by 1.8% year-on-year and amounted to 63.5 million tonnes of refined products, including 16.3 million tonnes in the fourth quarter of 2017.

In 2017 throughput volumes at our refineries in Russia increased by 3.2% year-on-year primarily due to Volgograd refinery upgrade, as well as planned maintenance works at refineries in Nizhny Novgorod and Volgograd in 2016. There was a significant improvement in the product slate at our Russian refineries due to the reaching design parameters of the new conversion facilities. In particular, in 2017 production of the fuel oil and vacuum gasoil at Russian refineries decreased by 33% year-on-year, which increased light products yield by 6 p.p. to 69%. 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:
The full set of audited consolidated IFRS financial statements of PJSC "LUKOIL" for the year ended 31 December 2017 and the related notes as well as Management's Discussion and Analysis of Financial Condition and Results of Operations are available on the Company's websites: www.lukoil.com and www.lukoil.ru.