PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED IFRS RESULTS FOR THE FIRST QUARTER OF 2017

PJSC LUKOIL today released its condensed interim consolidated financial statements for the three months ended 31 March 2017 prepared in accordance with International Financial Reporting Standards (IFRS).

Financial Highlights

	1Q 2017	4Q 2016	1Q 2016
(RUB bln)			
Sales	1,431.6	1,400.9	1,177.7
EBITDA	**207.6**	**183.3**	**192.0**
EBITDA excluding West Qurna-2	204.7	177.6	170.5
Profit attributable to LUKOIL shareholders	62.3	46.6	42.8
Profit attributable to LUKOIL shareholders net of foreign exchange effect	97.1	68.6	79.1
Capital expenditures	130.2	139.7	125.8
Free cash flow before changes in working capital	**67.1**	**38.4**	**57.4**

Sales

In the first quarter of 2017 our sales increased to 1,431.6 bln RUB, or by 2.2% compared to the fourth quarter of 2016 mainly driven by higher wholesale volumes of the refined products internationally due to the increased trading volumes.

As compared to the first quarter of 2016, our sales increased by 21.6% primarily due to the higher sales prices, as well as higher sales volumes of crude oil and refined products internationally resulting from the increase in trading volumes.

EBITDA

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

In the first quarter of 2017, our EBITDA increased to 207.6 bln RUB, or by 13.3% and 8.2% as compared to the fourth quarter of 2016 and the first quarter of 2016, respectively. EBITDA was positively impacted by the growth of high-margin volumes in our overall production, improvement in the refined product slate at our own refineries, as well as decrease in SG&A expenses, which were partially offset by the ruble appreciation, introduction of the incremental fixed component to the oil MET formula, increase in excise taxes on refined products and transportation tariffs.

Year-on-year EBITDA dynamics was 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 20.1%.

Profit for the period

In the first quarter of 2017, profit attributable to PJSC LUKOIL shareholders was 62.3 bln RUB, up 33.7% and 45.5% quarter-on-quarter and year-on-year, respectively. Profit was significantly impacted by non-cash foreign exchange loss. Excluding this item, profit attributable to PJSC LUKOIL shareholders amounted to 97.1 bln RUB, a 22.7% increase year-on-year.

Capital expenditures

Capital expenditures amounted to 130.2 bln RUB for the first quarter of 2017, down 6.8% quarter-on-quarter and up 3.5% year-on-year. Capital expenditures dynamics was mainly driven by the completion of a major upgrade program at our refineries and seasonal factors.

Free cash flow

In the first quarter of 2017, free cash flow before changes in working capital amounted to 67.1 bln RUB, up by 16.8% and 74.8% year-on-year and quarter-on-quarter, respectively.

Operational Highlights

	1Q 2017	4Q 2016	1Q 2016
Hydrocarbon production, mln boe	**202.0**	**208.1**	**219.6**
excluding West Qurna-2	199.2	204.1	201.7

Liquid hydrocarbons, mln barrels	164.0	169.6	182.6
excluding West Qurna-2	161.2	165.6	164.7
Production of gas, bcm	6.5	6.5	6.3
Production of petroleum products at own refineries, mln t	**15.2**	**15.8**	**14.9**

Liquid hydrocarbons

During the first quarter of 2017, we produced 164.0 mln barrels of liquid hydrocarbons. Production change compared to the first quarter of 2016 was mainly driven by the reduction in compensation crude oil volumes from the West Qurna-2 project in Iraq.

Average daily production excluding this project was 1.1% lower compared to the first quarter of 2016, mainly due to the temporary external limitations of Russian companies' production volumes. However, production growth continued as planned at the V. Filanovsky and Pyakyakhinskoe fields that were brought into production in the second half of 2016.

Gas

Our gas production amounted to 6.5 billion cubic meters, representing an increase by 2.8% year-on-year and no change quarter-on-quarter. The dynamics was positively impacted by the launch of gas production at the Pyakyakhinskoe field at the beginning of 2017.

Petroleum products

In the first quarter of 2017, production of refined products at own refineries increased by 2.5% year-on-year mainly due to the higher utilization rates at refineries in Perm, Volgograd and Burgas. 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 5 percentage points to 65%. The improvement in production efficiency of our Russian refineries was also attributable to the optimization of feedstock mix and capacity utilization, including the cross-supplies of refined products.

Compared to the fourth quarter of 2016, production of refined products decreased by 3.4% driven by maintenance works at our refineries in Nizhny Novgorod and Ploiești.

Information:

Full set of condensed interim consolidated financial statements prepared in accordance with IFRS as of and for the three month ended 31 March 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".