PRESS RELEASE
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LUKOIL ANNOUNCES CONSOLIDATED 2016 IFRS RESULTS

PJSC LUKOIL today released its audited consolidated financial statements for the full year of 2016 prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial Highlights

Q4 2016	Q3 2016	(RUB bln)	FY 2016	FY 2015
1,400.9	1,309.5	Sales	5,227.0	5,749.1
183.3	**165.9**	**EBITDA**	**730.7**	**816.7**
177.6	160.4	EBITDA net of West Qurna-2	691.3	679.5
46.6	54.8	Profit for the period attributable to LUKOIL shareholders	206.8	291.1
68.6	63.0	Profit for the period attributable to LUKOIL shareholders net of foreign exchange effect	296.4	202.4
149.5	120.6	Capital expenditures	511.5	607.2
54.6	**104.7**	**Free cash flow**	**255.1**	**248.3**

Sales

In the fourth quarter of 2016 our sales increased to 1,400.9 bln RUB, or by 7.0% compared to the third quarter of 2016 mainly driven by higher crude oil prices. There was an increase in the share of crude oil sales in total sales due to the production growth as well as an increase in international trading volumes.

Our sales for 2016 decreased to 5,227.0 bln RUB, or by 9.1% compared to 2015 primarily due to lower crude oil prices as well as lower sales volumes of crude oil and petroleum products, which decreased by 3.7%. Growth of international trading volumes led to the significant increase in the share of crude oil in total sales. Changes in the product slate mix at our refineries resulted in the higher share of light product yield, which positively impacted the dynamics of our sales in 2016.

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EBITDA

In the fourth quarter of 2016, our EBITDA increased to 183.3 bln RUB, or by 10.5% as compared to the third quarter of 2016 mainly due to the higher realized prices, growth of high-margin volumes in our overall production and crude oil export duty time lag effect, which were partially offset by the inventory build-up.

Our 2016 EBITDA was 730.7 bln RUB, down 10.5% year-on-year mainly because of lower volumes of compensation crude oil from West Qurna-2 due to the reimbursement of larger amount of historical costs in 2015. Net of this project our EBITDA increased by 1.7% and amounted to 691.3 bln RUB.

EBITDA was positively impacted by a growth of high-margin volumes in our overall production profile, higher refinery throughput, substantial improvement in the refined product slate and higher sales volumes via premium channels. These factors were partially offset by an increase in the mineral oil extraction tax base rate, higher transportation tariffs, a decline in refining margins and deterioration of retail margin in Russia due to the increase in excise taxes.

Profit for the year

In the fourth quarter of 2016, profit attributable to our shareholders was 46.6 bln RUB, down 15.0% quarter-on-quarter. For the full year 2016, profit decreased by 29.0% and amounted to 206.8 bln RUB.

A decrease in quarterly and annual figures was mainly due to non-cash foreign exchange effect as a result of volatility in the exchange rates. Net of this effect our profit increased by 8.9% quarter-on-quarter and by 46.4% year-on-year. Significant year-on-year increase resulted primarily from the substantial amount of impairment losses recognized in 2015.

Capital expenditures

Capital expenditures were 149.5 bln RUB in the fourth quarter of 2016, up by 23.9% quarter-on-quarter due to the seasonal increase of works in traditional regions as well as active development of gas projects in Uzbekistan.

For the full year of 2016, capital expenditures amounted to 511.5 bln RUB, down 15.8% year-on-year driven by the completion of a major upgrade program at our refineries and reduction of investments into our international projects.

Free cash flow

In the fourth quarter of 2016, our free cash flow was 54.6 bln RUB reaching 255.1 bln RUB for the full year, which is 2.7% higher compared to 2015 level. Free cash flow was positively impacted by reduction in capital expenditures and working capital release.

Operational Highlights

Q4 2016	Q3 2016		FY 2016	FY 2015
199.8	**194.9**	**Hydrocarbon production, mln boe**	**805.8**	**868.3**
195.8	188.3	excluding West Qurna-2	771.1	794.8
169.6	167.0	Liquid hydrocarbons, mln barrels	686.3	749.2
165.6	160.4	excluding West Qurna-2	651.5	675.6
5.1	4.7	Gas available for sale, bcm	20.3	20.3
16.3	**16.3**	**Production of petroleum products, mln t**	**63.1**	**61.8**

Liquid hydrocarbons

In the fourth quarter of 2016, we produced 169.6 mln barrels of liquid hydrocarbons, up by 1.6% quarter-on-quarter. Production dynamics was positively impacted by the launch of V. Filanovsky and Pyakyakhinskoe fields.

In 2016, liquid hydrocarbon production was down 8.4% to 686.3 mln barrels (1,875 Kbpd). The decrease was mainly driven by lower volumes of compensation crude oil from the West Qurna-2 project, divestment of our share in Caspian Investment Resources Ltd. in Kazakhstan in 2015, as well as natural production decline at our brownfields in West Siberia. Apart from greenfields launches, our production volumes were positively impacted by development of heave crude oil projects in Timan-Pechora, production growth in Urals region, as well as ramp-up in production drilling volumes in West Siberia.

Gas available for sale

Our marketable gas production for the fourth quarter of 2016 increased to 5.1 billion cubic meters, or by 8.3% compared to the third quarter 2016 mainly due to production growth in Uzbekistan.

Gas production for the twelve months of 2016 remained practically unchanged year-on-year at 20.3 billion cubic meters. Development of gas projects in

Kazakhstan, Azerbaijan and Uzbekistan fully offset production decline in Russia.

Oil products

In the fourth quarter of 2016, output of petroleum products was flat quarter-on-quarter and amounted to 16.3 mln tonnes. The negative output dynamics in Russia was driven by planned maintenance works at Volgograd refinery and was fully offset by higher international output.

For the full year 2016, production was up 2.1% year-on-year. The positive dynamics was mainly attributable to the increase in utilization rate at our refineries in Italy and Romania, while the output volume at our Russian refineries remained at 2015 level.

2016 saw a significant improvement in product slate due to commissioning of the new conversion facilities at our refineries. Refining depth at our refineries in Russia increased by 5 percentage points to 85%, light product yield rose by 4 percentage points to 63%. We also undertook measures on optimizing capacity utilization at our Russian refineries, including the increase in cross-supplies of dark oil products, which had a positive impact on the overall efficiency of our refining business.

Information:
The full set of audited consolidated IFRS financial statements for the year ended 31 December 2016 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.