

# 1Q 2017 IFRS Financial Results



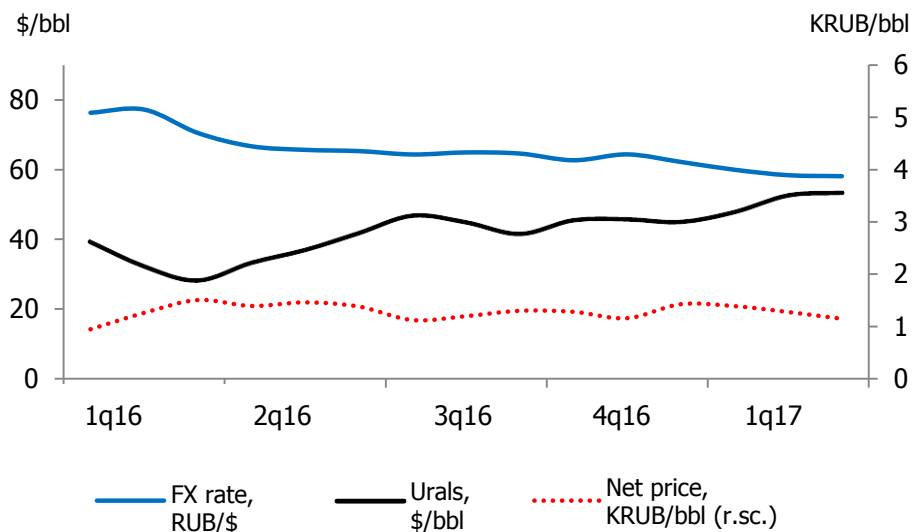
# Forward-Looking Statements

- Certain statements in this presentation are not historical facts and are “forward-looking”. Examples of such forward-looking statements include, but are not limited to:
  - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
  - statements of our plans, objectives or goals, including those related to products or services;
  - statements of future economic performance; and
  - statements of assumptions underlying such statements.
- Words such as “believes,” “anticipates,” “expects,” “estimates”, “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.
- By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.
- When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

# Macroeconomic and Tax Environment: Upstream



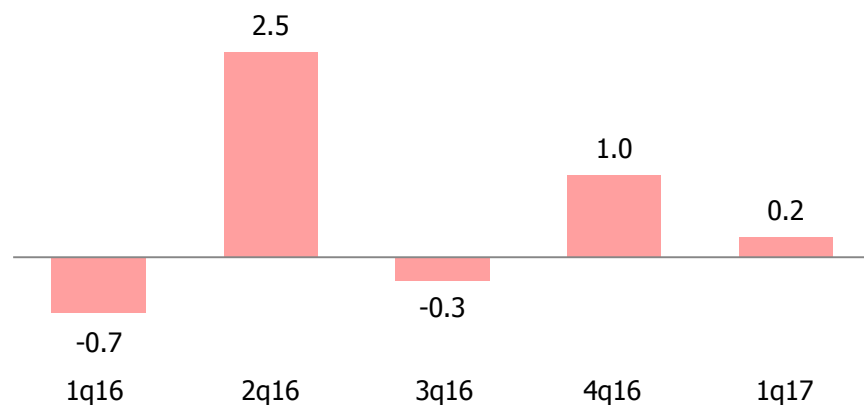
### Oil price, exchange rate and net price



### Price and exchange rate

	1q17	4q16	%	1q16	%
Brent, \$/bbl	<b>53.7</b>	49.3	8.8	33.9	58.2
Urals, \$/bbl	<b>51.9</b>	47.8	8.7	31.8	63.4
Exchange rate, RUB/\$	<b>58.8</b>	63.1	(6.8)	74.6	(21.2)
<b>Net price</b>					
\$/bbl	<b>21.6</b>	20.5	5.3	16.7	29.2
KRUB/bbl	<b>1.27</b>	1.29	(1.5)	1.24	2.7

### Oil export duty time lag effect, \$/bbl



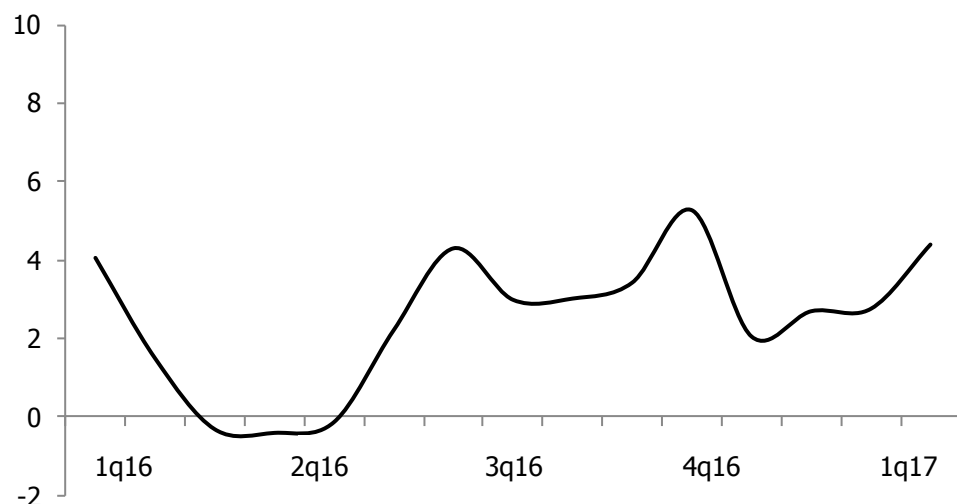
### Taxes

	1q17	4q16	%	1q16	%
<b>\$/bbl</b>					
Export duty	<b>11.8</b>	12.6	(5.7)	7.5	57.2
MET	<b>18.5</b>	14.7	25.7	7.5	145.5
<b>KRUB/t</b>					
Export duty	<b>0.7</b>	0.8	(12.1)	0.6	22.9
MET	<b>1.1</b>	0.9	17.5	0.6	95.1

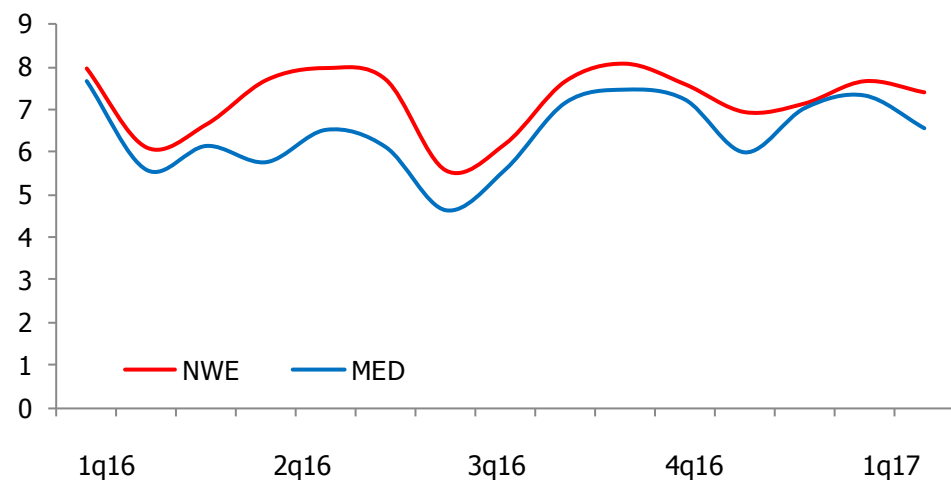
# Macroeconomic and Tax Environment: Downstream



## Benchmark refining margin in Russia, \$/bbl



## Benchmark refining margin in Europe, \$/bbl



	1q17	4q16	%	1q16	%
<b>Oil products, KRUB/t</b>					
Fuel oil	<b>9.7</b>	10.3	(6.0)	4.6	112.6
Diesel fuel	<b>31.5</b>	30.0	4.7	27.2	15.7
Premium gasoline	<b>35.2</b>	36.1	(2.4)	33.5	5.2
<b>Taxes, KRUB/t</b>					
Export duty Diesel fuel	<b>1.5</b>	2.3	(34.0)	1.6	(7.1)
Export duty Fuel oil	<b>5.1</b>	4.7	7.3	3.4	51.3
Excise taxes Gasoline Euro-5	<b>10.1</b>	10.1	-	7.5	34.5
Excise taxes Diesel fuel	<b>6.8</b>	5.3	28.5	4.2	63.9
<b>Benchmark refining margin (European part of Russia)</b>					
\$/bbl	<b>3.3</b>	3.6	(8.4)	1.7	88.3
RUB/bbl	<b>193</b>	226	(14.6)	130	48.4

	1q17	4q16	%	1q16	%
<b>Oil products (FOB Rotterdam), \$/t</b>					
Fuel oil 3.5%	<b>290</b>	265	9.6	135	114.5
Diesel fuel 0.01%	<b>479</b>	455	5.2	313	53.3
Gasoline	<b>545</b>	505	8.0	386	41.2
<b>Benchmark refining margin, \$/bbl</b>					
NWE	<b>7.4</b>	7.5	(1.8)	6.9	7.2
MED	<b>7.0</b>	6.9	1.1	6.5	7.9

# Key Operational Indicators

		1q17	4q16	%	1q16	%
Hydrocarbon production (ex. West Qurna-2)	th. boe per day	2,213	2,218	(0.2)	2,217	(0.2)
	mln boe	199	204	(2.4)	202	(1.2)
of which crude oil and NGL	mln bbl	161	166	(2.7)	165	(2.2)
crude oil and NGL in Russia	mln bbl	154	157	(2.5)	157	(2.1)
West Qurna-2	mln bbl	3	4	(31.1)	18	(84.4)
Refinery throughput at the own refineries	mln bbl	16	17	(3.1)	16	2.4
Refining depth	%	85	84	1 p.p.	85	0 p.p.
Light products yield	%	69	67	2 p.p.	64	5 p.p.



# Key Financial Indicators

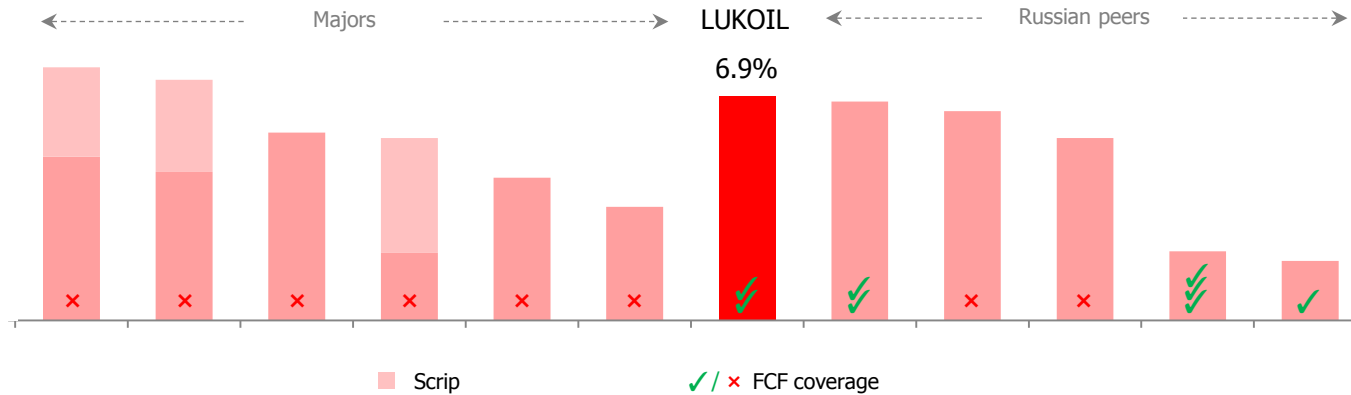


RUB bln	1q17	4q16	%	1q16	%
Revenue	1,432	1,401	2.2	1,178	21.6
<b>EBITDA</b>	<b>208</b>	<b>183</b>	<b>13.3</b>	<b>192</b>	<b>8.2</b>
<i>Exploration and production segment</i>	<i>128</i>	<i>142</i>	<i>(9.8)</i>	<i>130</i>	<i>(1.4)</i>
in Russia	112	123	(9.1)	98	14.7
outside Russia, excluding EBITDA of the West Qurna-2 project	13	13	0.6	10	22.8
West Qurna-2	3	6	(47.7)	21	(86.3)
<i>Refining, marketing and distribution segment</i>	<i>71</i>	<i>58</i>	<i>22.5</i>	<i>64</i>	<i>11.1</i>
in Russia	38	46	(18.3)	44	(13.8)
outside Russia	33	11	189.8	20	66.6
<b>EBITDA, ex West Qurna-2</b>	<b>205</b>	<b>178</b>	<b>15.2</b>	<b>170</b>	<b>20.1</b>
<b>Profit for the period</b>	<b>62</b>	<b>47</b>	<b>33.7</b>	<b>43</b>	<b>45.5</b>
ex. FX effect	97	69	41.6	79	22.7
Capital expenditures	130	140	(6.8)	126	3.5
Free cash flow	1	55	(97.5)	39	(96.4)
<b>Free cash flow before changes in working capital</b>	<b>67</b>	<b>38</b>	<b>74.8</b>	<b>57</b>	<b>16.8</b>
Net debt	466	437	6.6	589	(20.9)

# Dividend Policy Execution



## Dividend yield for 2016\*



- **LUKOIL has been increasing DPS since 1998**
- **CAGR for 18 years is 45%**
- **DPS 2016:**  
**RUB: +10% y-o-y**  
**USD: +22% y-o-y**

	LUKOIL	Russia	Majors
Proven track record	●	●	●
High dividend yield	●	●	●
Commitment to increase dividend	●	●	●
Coverage of dividends by FCF	●	●	●
No scrip	●	●	●

\*BoD recommendation

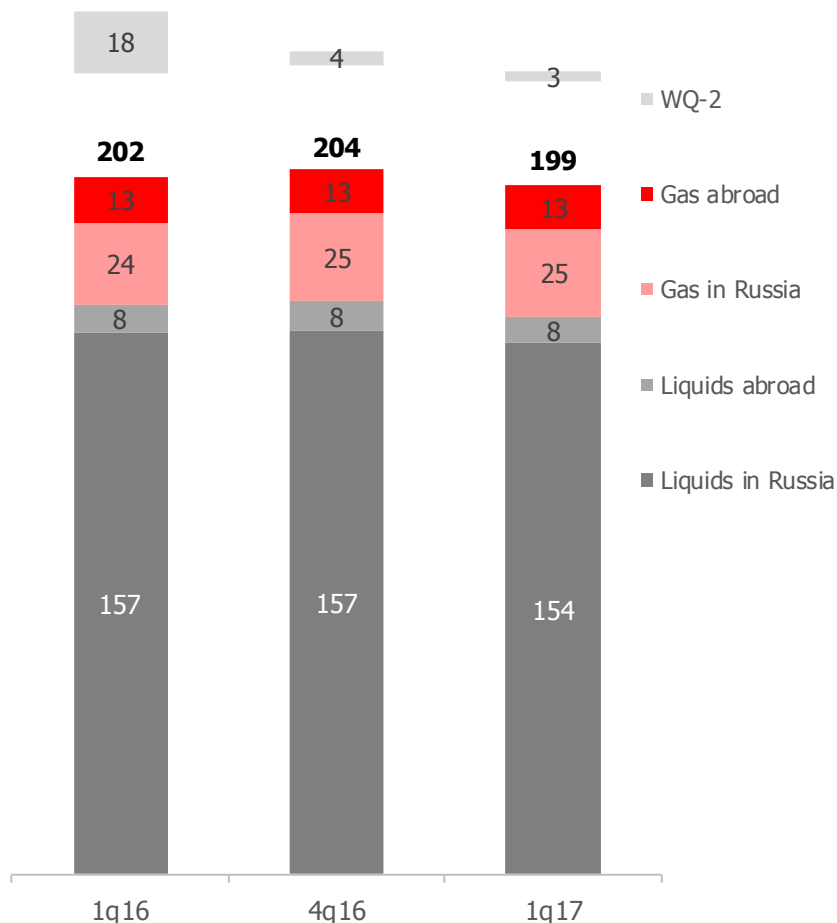






# Production Dynamics

## Hydrocarbon production, mln boe



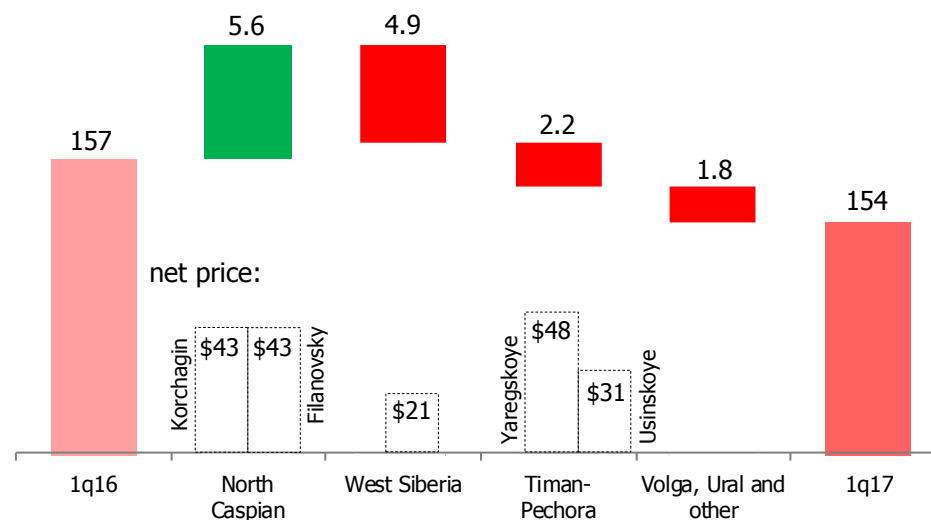
## Growth factors

- Launch of Filanovsky and Pyakyakhinskoye fields

## Decline factors

- External limitations (OPEC)
- Decrease in compensation oil from WQ-2 project
- Weather conditions in Timan-Pechora

## Liquids production in Russia (mln bbl) and net price\* (\$/bbl)



\* net price = oil price (\$50/bbl) less export duty and MET under 2017 tax environment and 60 RUB per USD.

# North Caspian: Filanovsky Field



## Key advantages

- High-margin barrels
- Substantial production growth potential
- Short transportation leg, low lifting costs, high oil quality

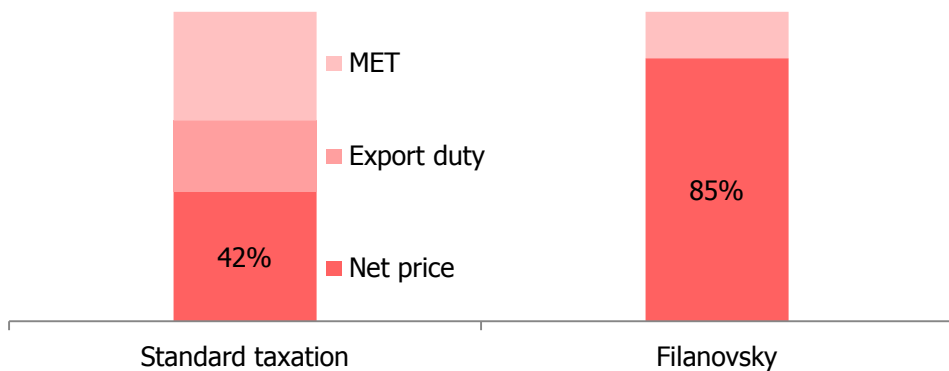
## 1Q 2017 results

- Launch of high flow rate bilateral production well

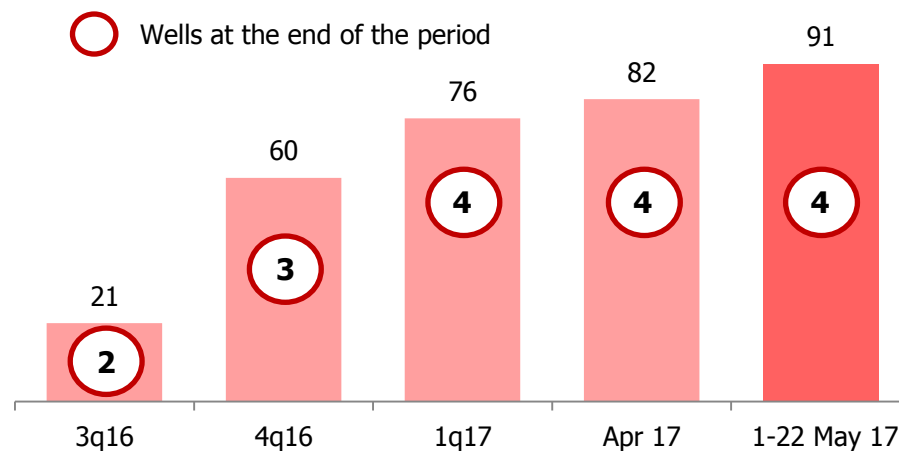
## 2017 targets

- Drilling of 3 production and 2 injection wells
- Construction works completion of the 2nd development stage

Net price, \$/bbl\*



Liquids production, Kbpd



\* 2017 tax environment under \$50/bbl and 60 RUB per USD.

# West Siberia: Pyakyakhinskoye field



## Key advantages

- High-margin barrels
- Substantial production growth potential
- High well flow rates

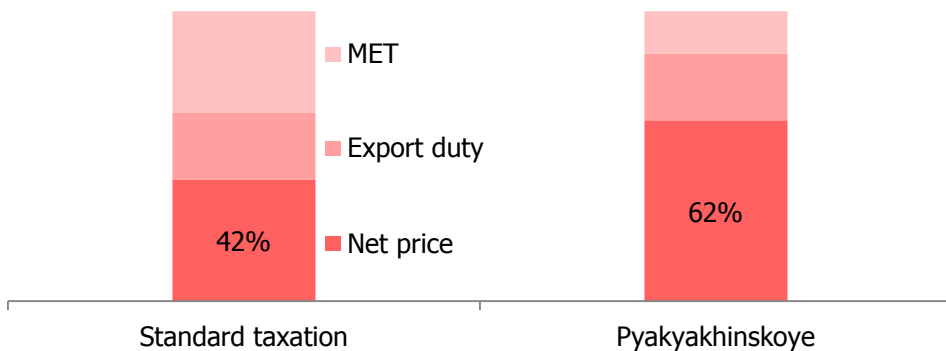
## 1Q 2017 results

- Launch of gas production
- 21 gas wells put into production
- 6 oil wells put into production

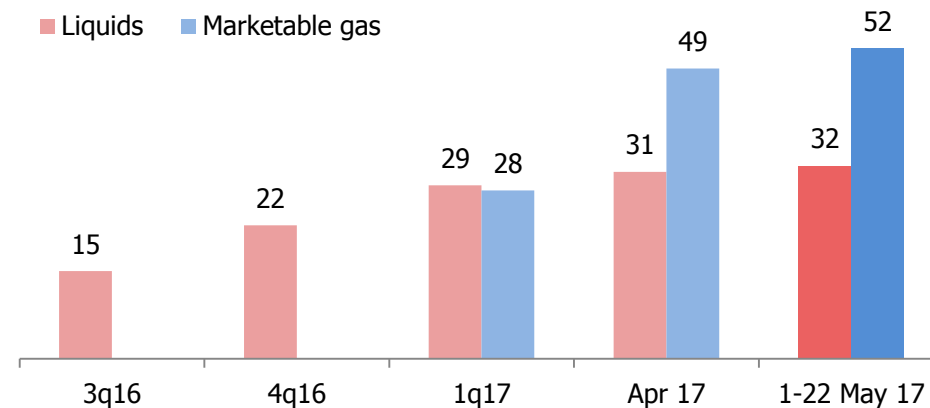
## 2017 targets

- Commissioning of 24 oil wells and 34 gas wells

Net price, \$/bbl\*



Daily production, Kboepd



\* 2017 tax environment under \$50/bbl and 60 RUB per USD.



## Key advantages

- Stable region for reinvestment
- Lowest cost per meter drilled among the Group companies
- Proven track record
- Drilling volumes growth potential supported by vast reserve base

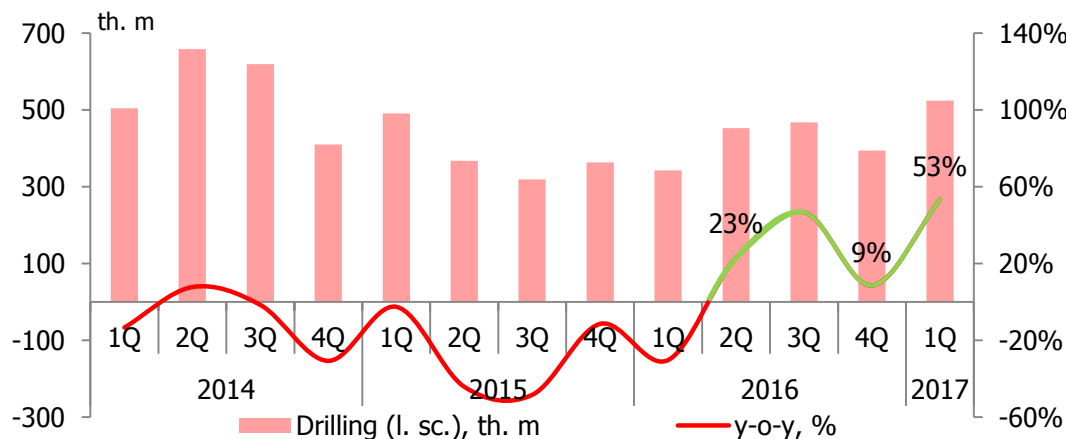
## 1Q 2017 results

- Production drilling increased by 53% y-o-y
- Maintaining high share of horizontal wells

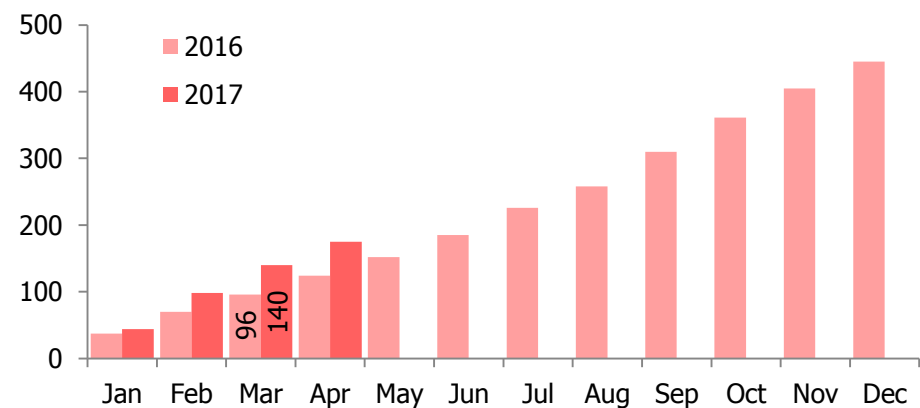
## 2017 targets

- Production drilling increase by 10-15%
- Further improvement of liquid production dynamics

**Production drilling (LUKOIL-West Siberia)**



**New production wells\* launch, YTD**



\* oil, gas, gas condensate production wells, excluding wells from exploration drilling

# Timan-Pechora: Yaregskoye field



## Key advantages

- High-margin barrels
- Substantial production growth potential

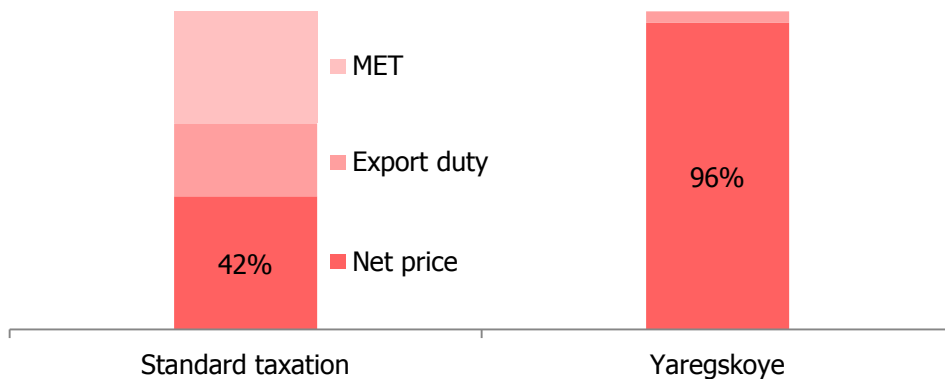
## 1Q 2017 results

- Completion of construction works at Phase 3 Lyayel steam generation unit with 100 tons per hour capacity
- 16 injection wells put into operation

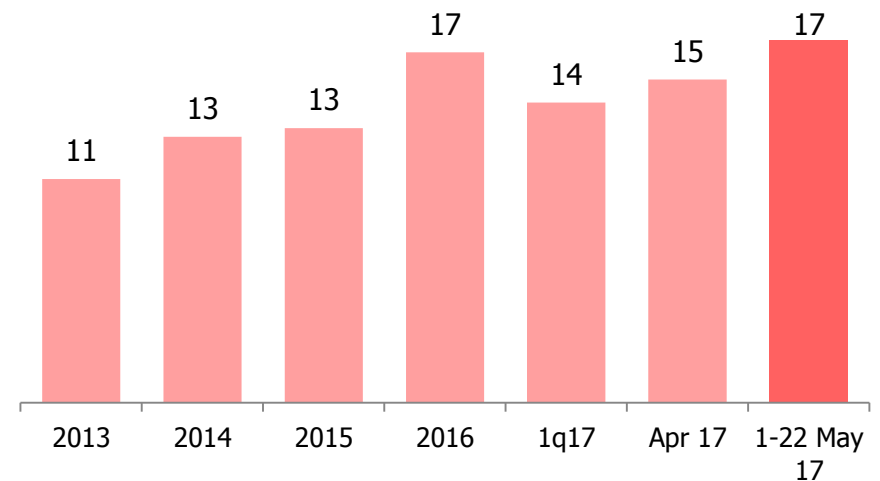
## 2017 targets

- Commissioning of Yarega 75-megawatt power plant
- Launch of 300 tons of steam generation capacity per hour

Net price, \$/bbl\*



Oil production, Kbpd



\* 2017 tax environment under \$50/bbl and 60 RUB per USD.



# Uzbekistan: Growth of Gas Production

## Kandym



## Gissar



### Key advantages

- Proven track record in the region
- Substantial production growth potential
- International prices (export to China)

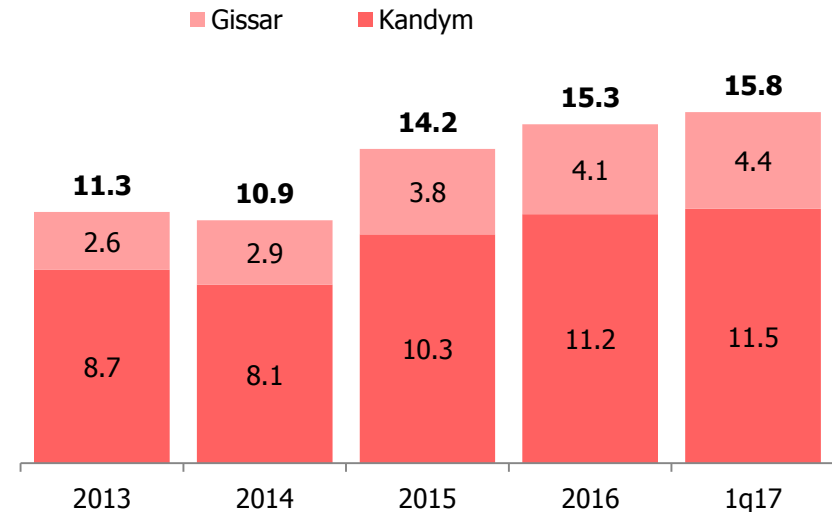
### 1Q 2017 results

- Daily production growth by 4% compared to 2016 (LUKOIL share)
- 7 production wells put into operation
- Kandym GTP construction works progress >60% (as of May-end)

### 2017 targets

- Launch of Djarkuduk complex gas treatment unit – more than two-fold daily production increase under Gissar project

### Gas production\*, mcm per day



\*LUKOIL share

# Iraq: West Qurna-2



## Key advantages

- High growth potential
- Proven track record in the region
- One of the key fields in Iraq

## 1Q 2017 results

- Start of production drilling to maintain current production levels
- Developing reservoir pressure maintenance system – one water-supply well commissioned

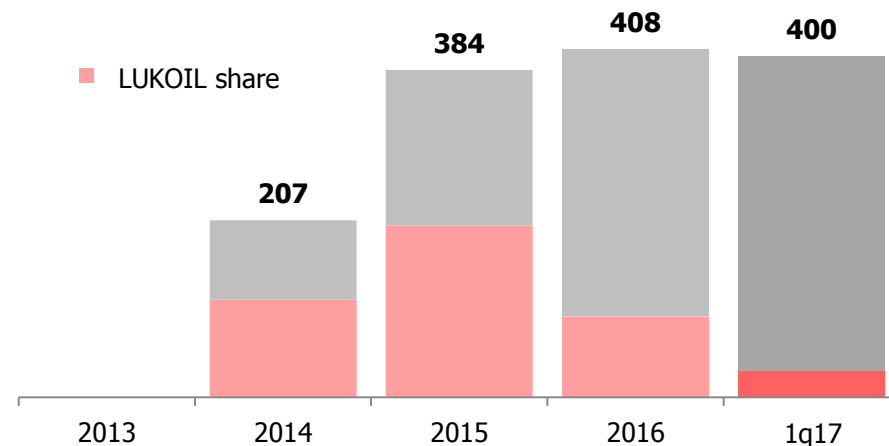
## 2017 targets

- Maintaining 400 Kbpd production level

Reimbursement of costs, \$ mln



West Qurna-2 production, Kbpd



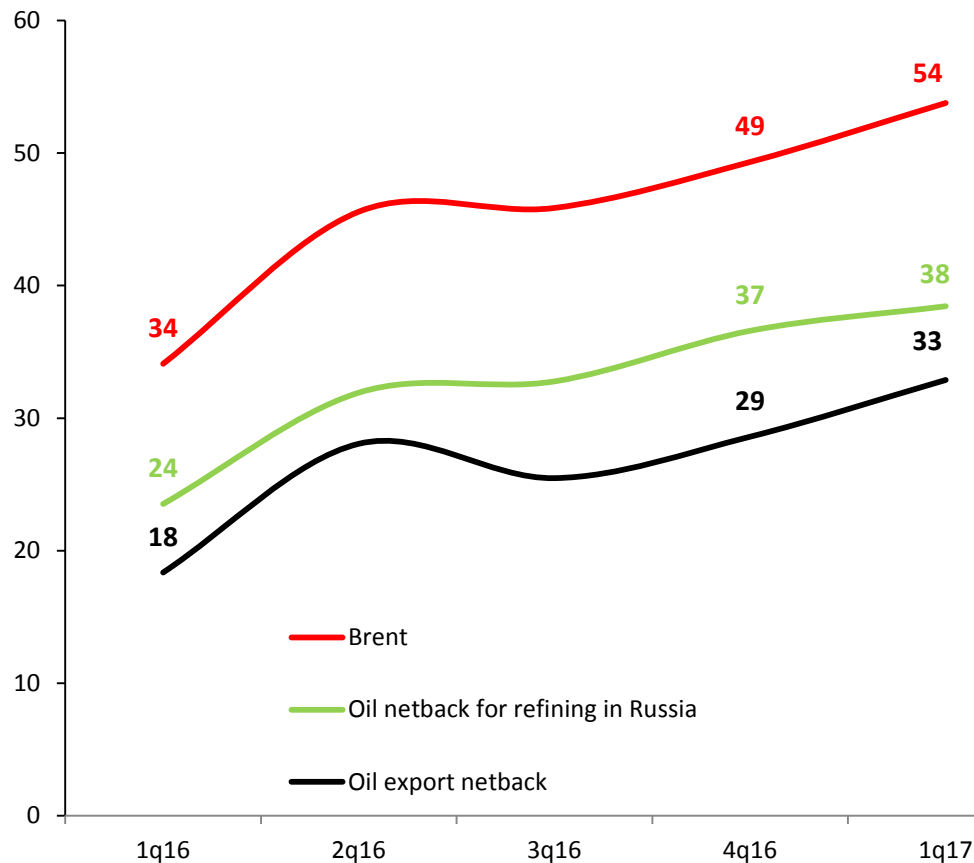




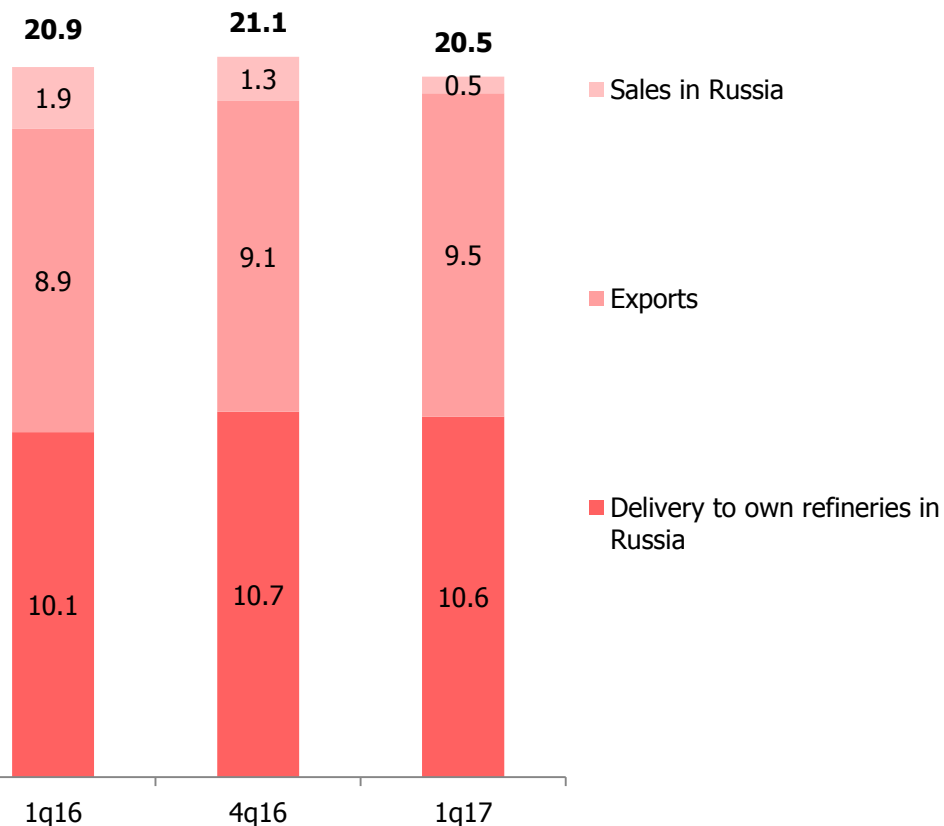
# Downstream: Efficient Oil Allocation



Oil allocation price in Russia, \$/bbl

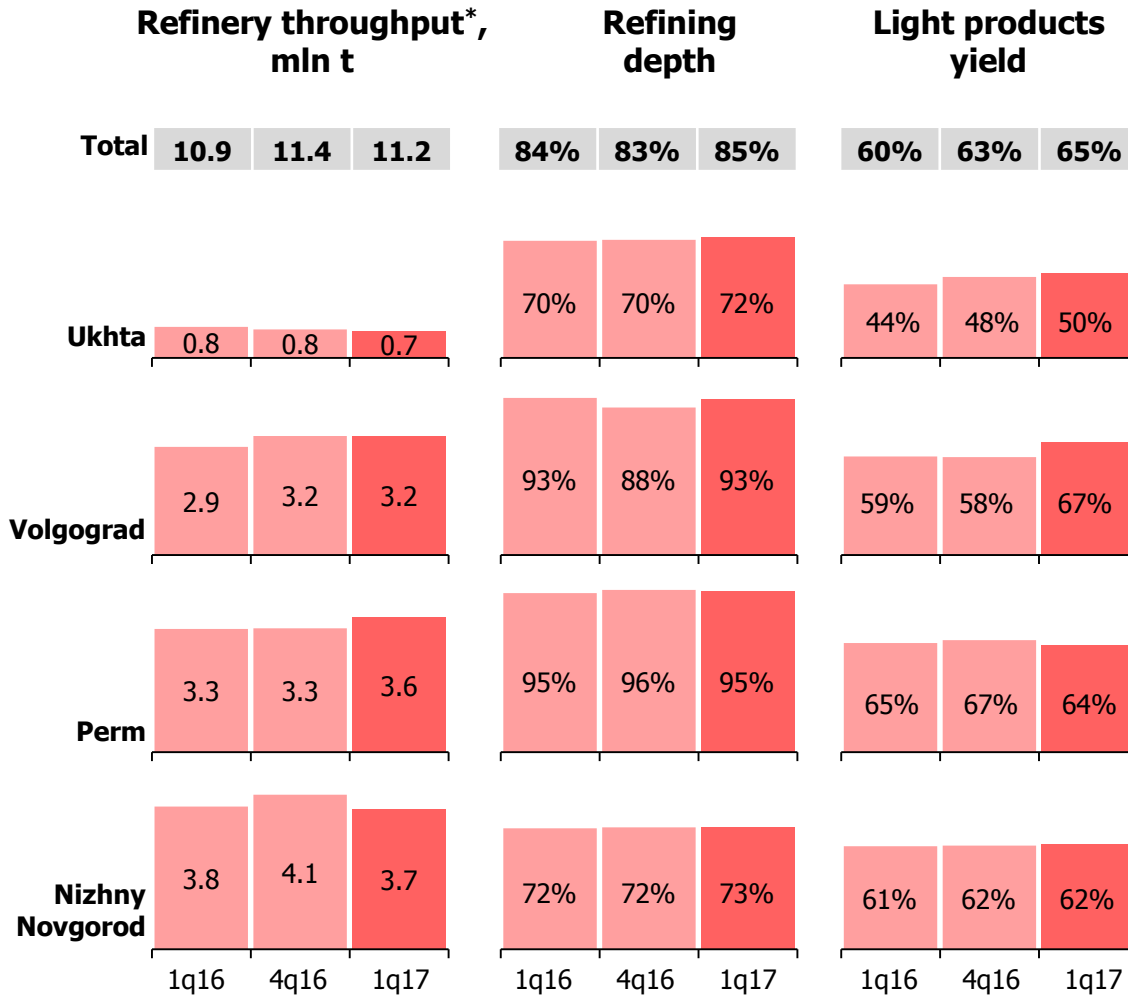


Oil allocation volumes in Russia\*, mln t



\* Including oil purchased from third parties

# Downstream: Russian Refineries KPIs



## Refinery throughput (-1.4% q-o-q)

- Maintenance at Perm and Nizhny Novgorod refineries
- Optimizing Ukhta refinery utilization rate to minimize dark product yield

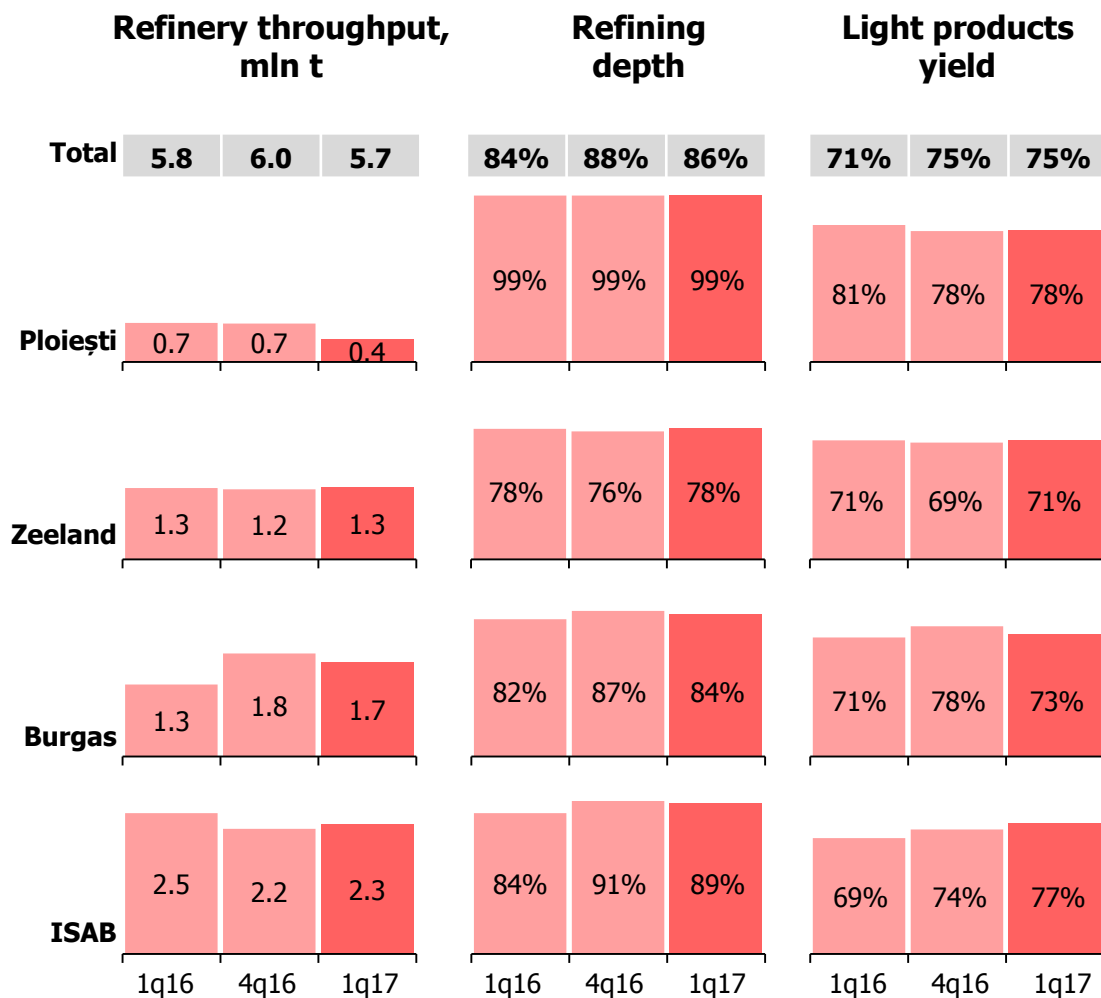
## Refining depth and light products yield (+2 p.p. q-o-q)

- Reaching design parameters of VGO hydrocracker in Volgograd
- Optimizing feedstock mix at Ukhta refinery
- Decrease at Perm refinery due to maintenance works

\*Including gas processing at Perm plant



# Downstream: European Refineries KPIs



## Refinery throughput (-5% q-o-q)

- Maintenance at Burgas and Ploiești refineries

## Refining depth (-2 p.p. q-o-q) and light products yield (flat q-o-q)

- Catcracker maintenance at Burgas refinery
- ISAB – maintenance at processing units in 4q16 and at power unit in 1q17

# Downstream: High-Priority Channels

## Filling stations: motor fuels sales volumes growth +7%



- **+23%** EKTO fuels sales volumes growth
- Non-fuel sales  
**+5%** in Russia  
**+4%** International

## Jet: into-plane jet fuel sales growth



- **+8%** into-plane sales volumes growth

## Lubricants: branded lubricants sales volumes growth



- **+12%** sales volumes of premium motor and industrial oils

## Bunkering: sales volumes growth +56%



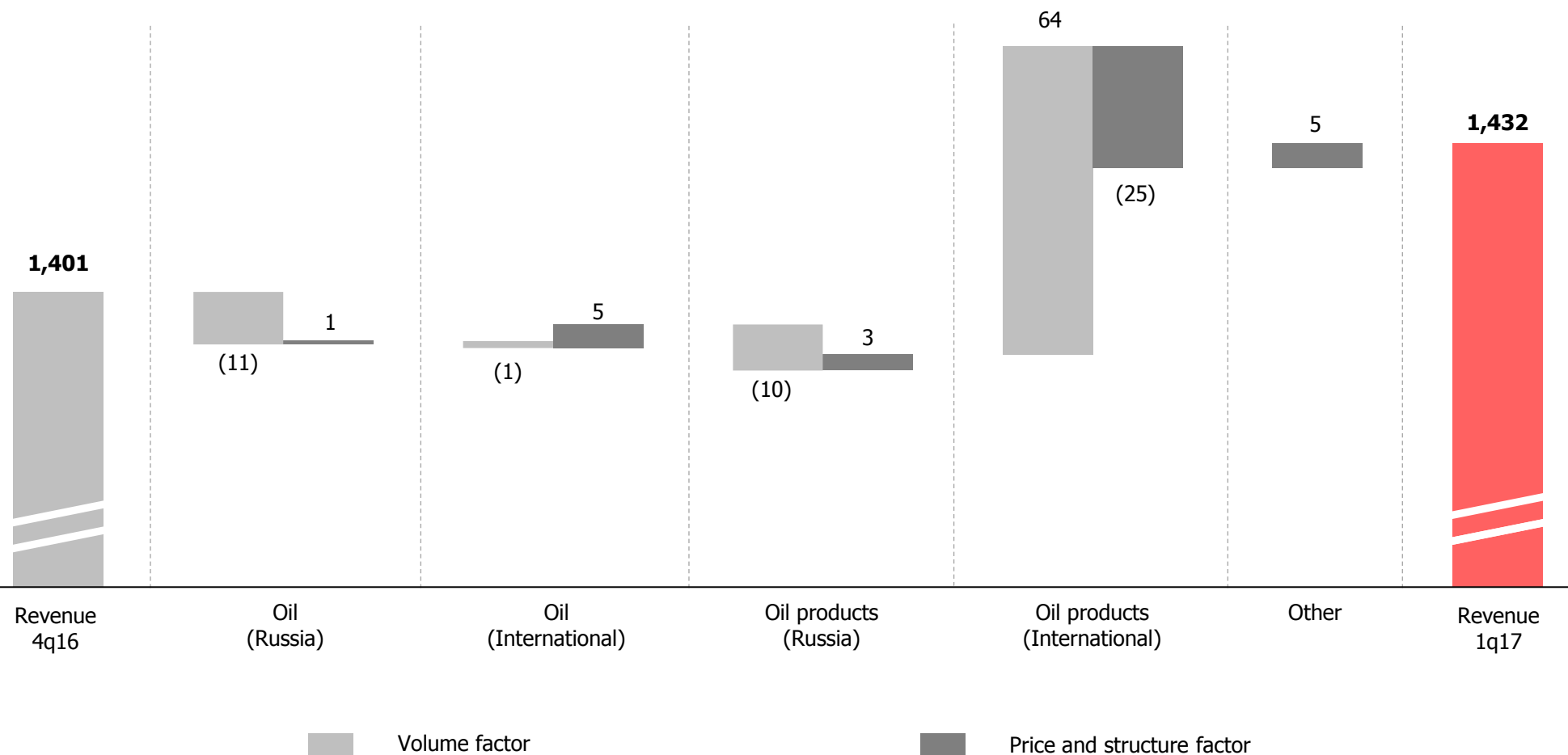
- Maintaining market share in the Baltics and Black Sea
- Sales development in the ports of Baltics

# Financial Results



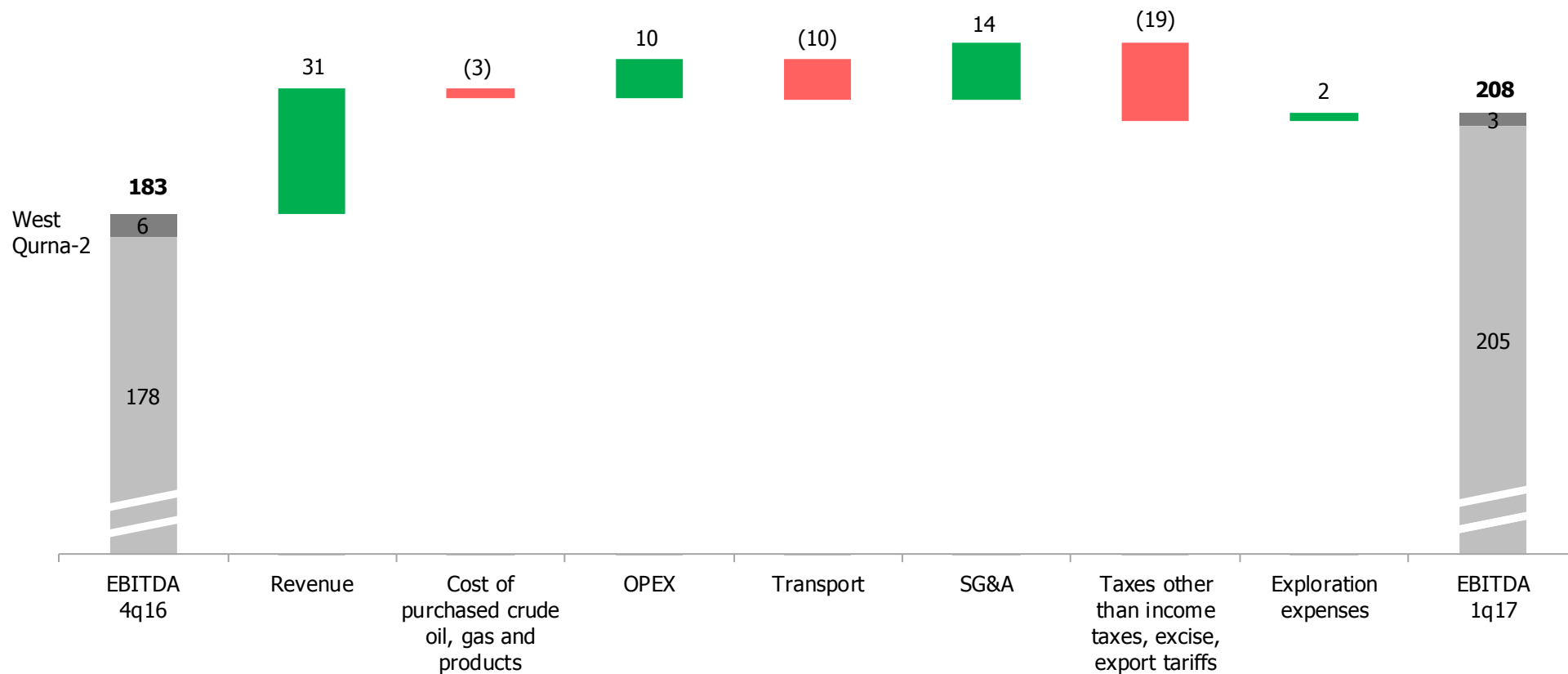
# Revenue

RUB bln



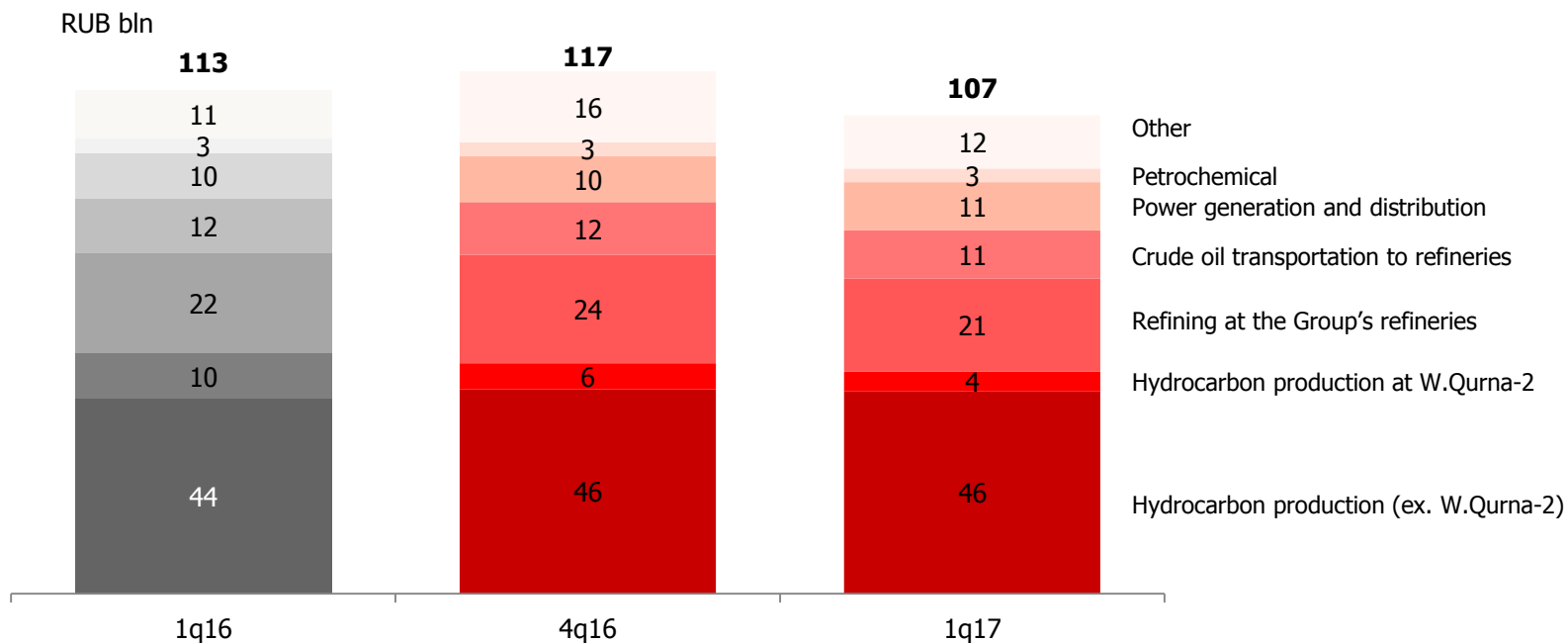
# EBITDA

RUB bln

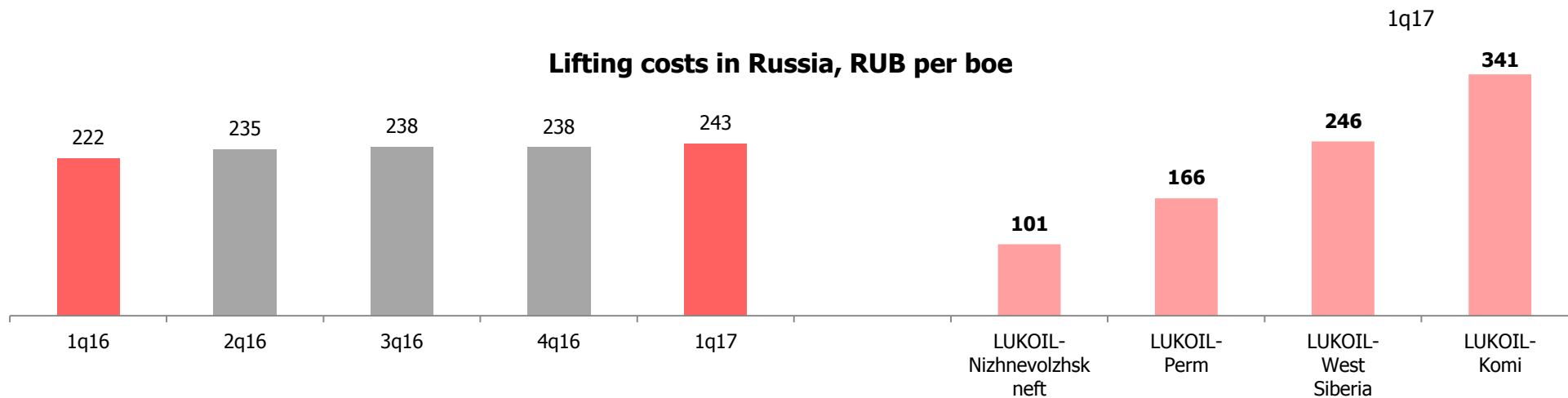




# Operating Expenses



## Lifting costs in Russia, RUB per boe



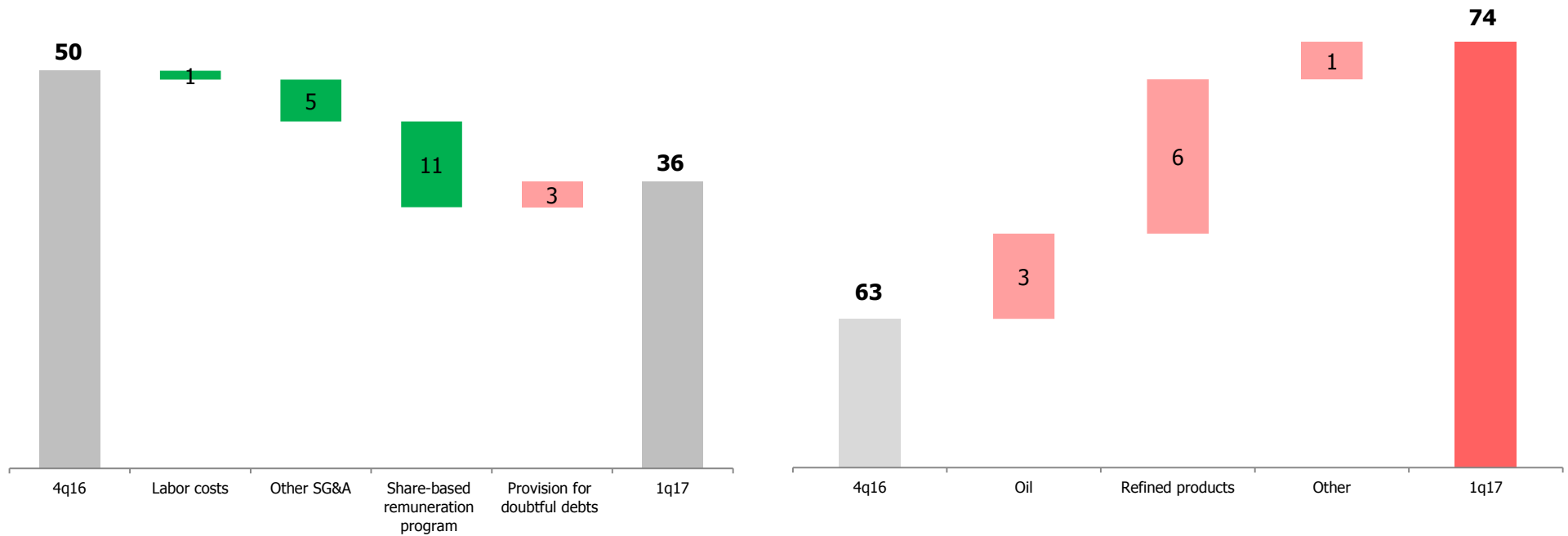
# SG&A and Transportation Expenses



## SG&A

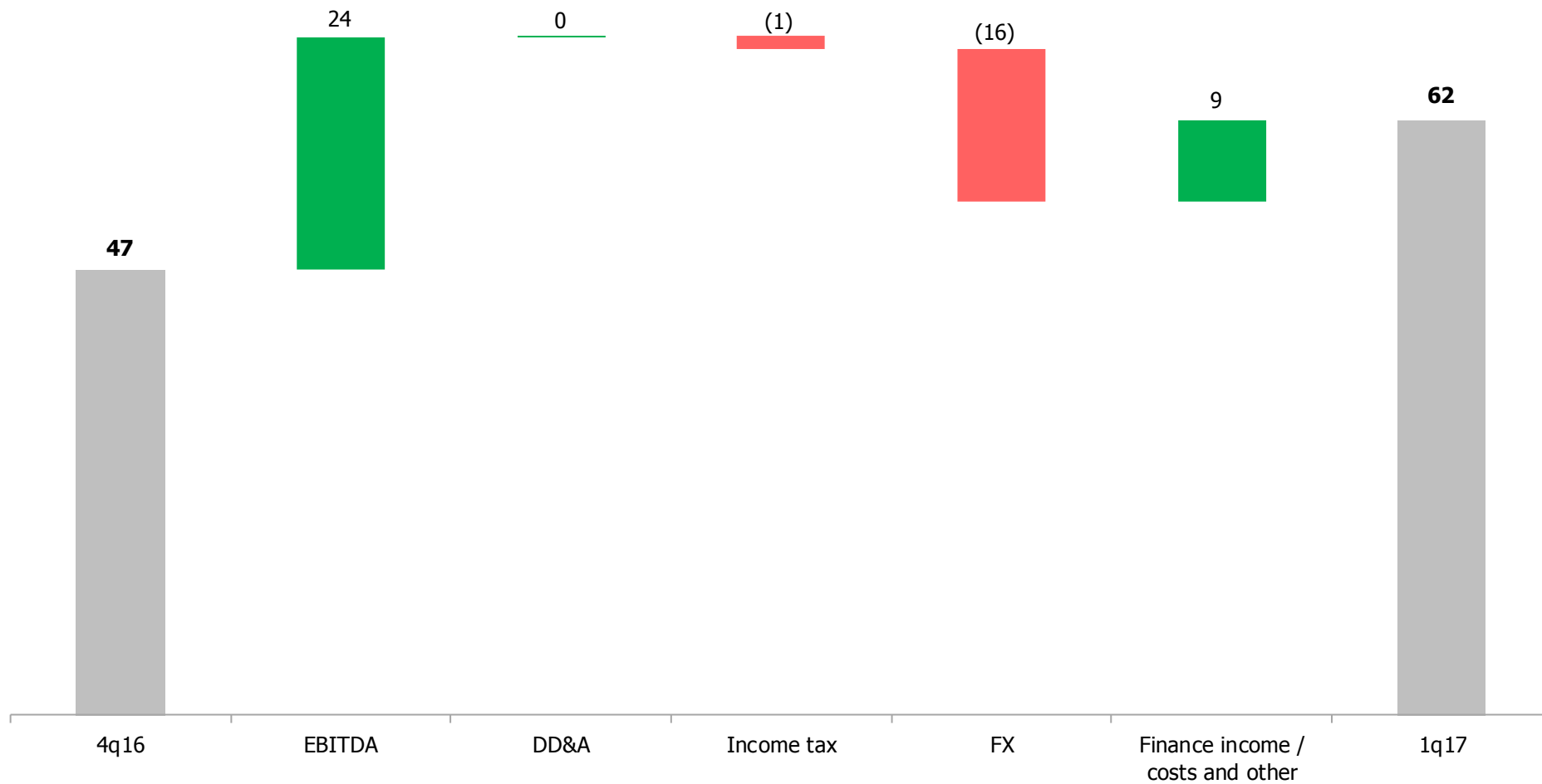
## Transportation expenses

RUB bln



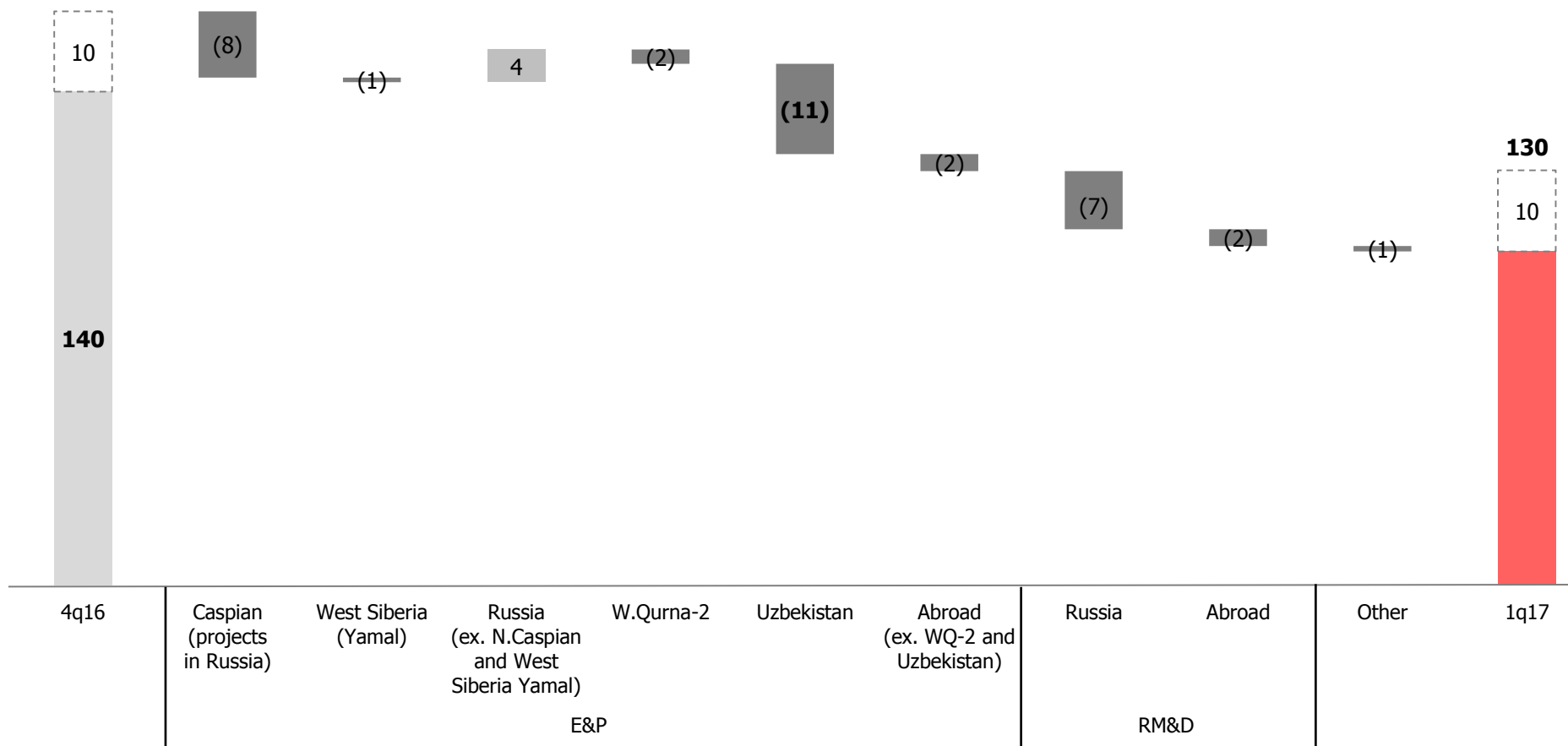
# Profit

RUB bln



# Capital Expenditures

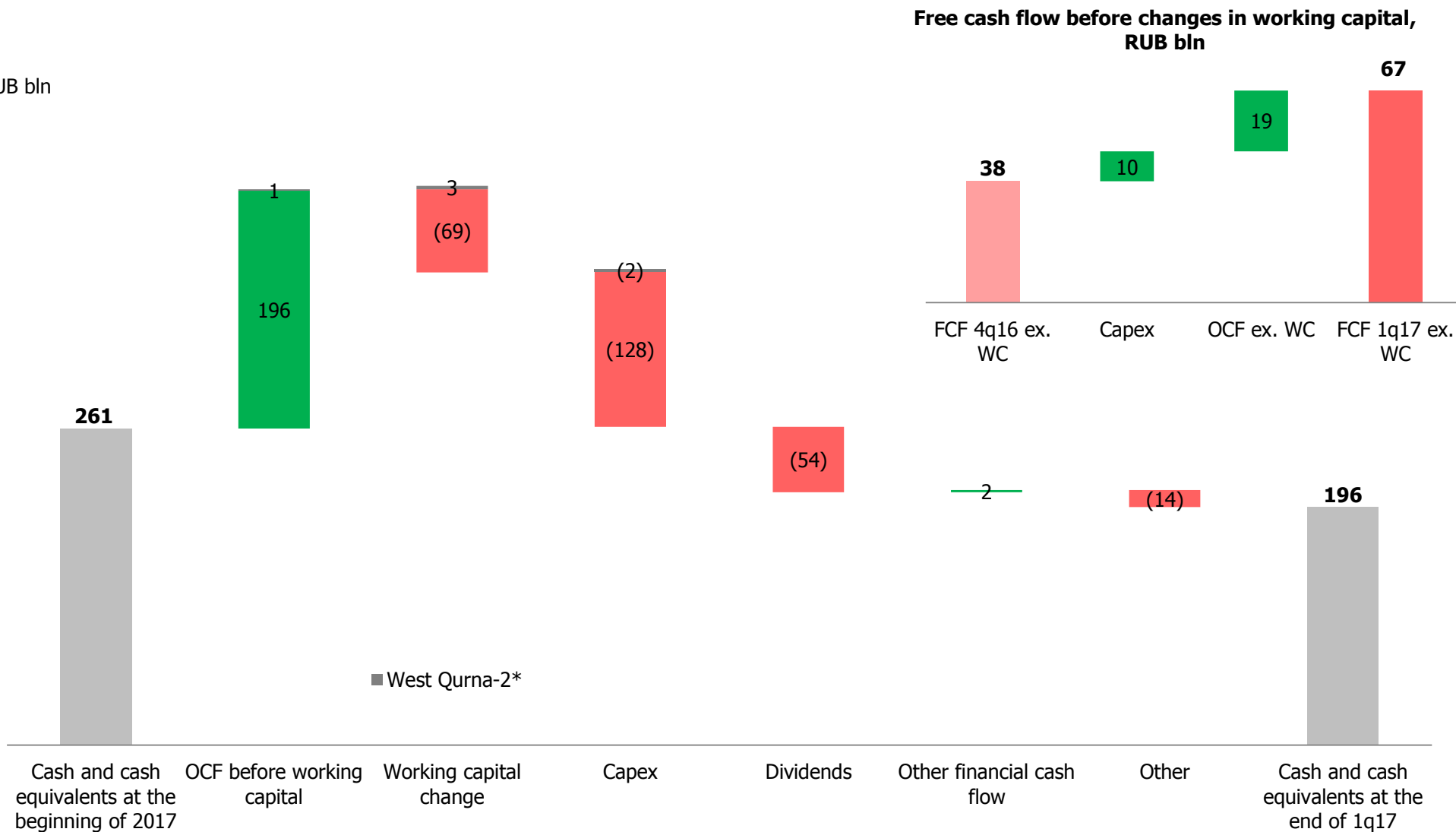
RUB bln



10 Non-cash

# Cash Flows

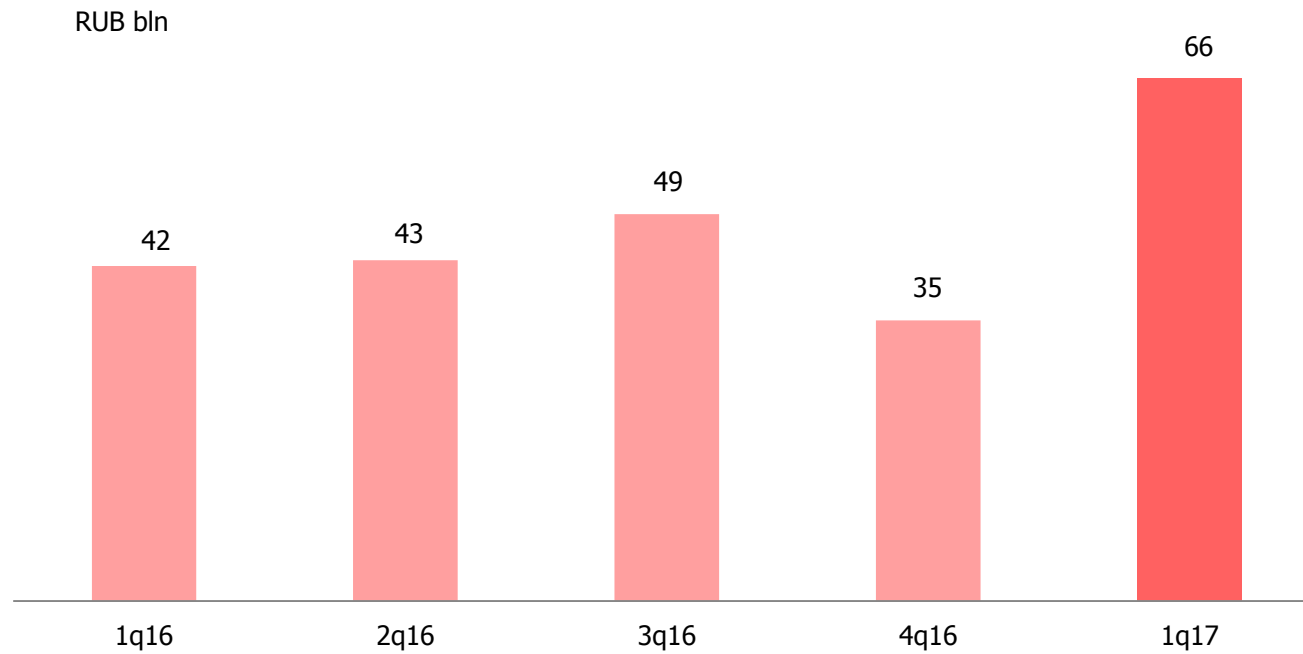
RUB bln



\* Cost of shipped oil less operating expenses and capital expenditures



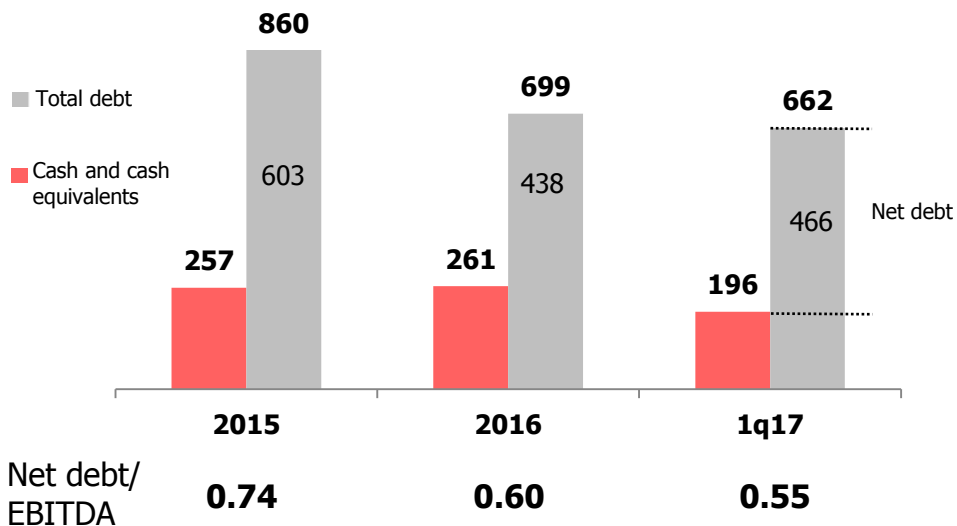
# Free Cash Flow Before Changes in Working Capital and West Qurna-2 Project



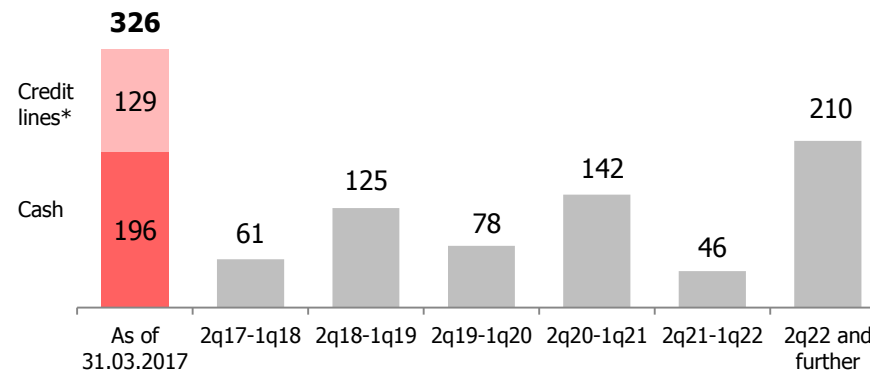
# Financial Position



### Net debt, RUB bln

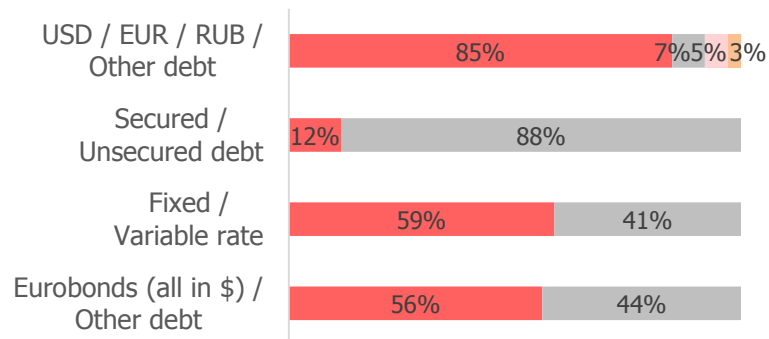


### Debt maturity profile, RUB bln



\*Stand-by revolving committed credit lines.

### Debt structure as of 31.03.2017



### Credit ratings

S&P	BBB-
Fitch	BBB-
Moody's	Ba1

## UPSTREAM

- **Growth in hydrocarbon production by ~1-2% driven by gas ramp-up**
- **Increase in the share of high-margin barrels:**  
*Filanovsky, Pyakyahinskoe, Yaregskoe, gas production in Uzbekistan and others*
- **Growth of drilling volumes in West Siberia to decelerate decline rates:**  
*10-15% growth y-o-y*
- **New opportunities:**  
*Potential FIDs on new projects in the Caspian Sea and Baltic Sea, new exploration areas*

## DOWNSTREAM

- **Increasing refinery throughput in Russia by ~4-5%**
- **Further improvement in refinery product slate:**  
*Increase in light product yield in Russia to ~70%, further optimization of product flows between the refineries*
- **New opportunities**  
*Potential FID on delayed cocker at Nizhniy Novgorod refinery*
- **Growth in priority marketing channels**

## CAPEX

- **~550-600 bln RUB depending on the RR/\$ exchange rate**  
*Upstream - 85%; Downstream - 15%*  
*Russia - 70%; International - 30%*

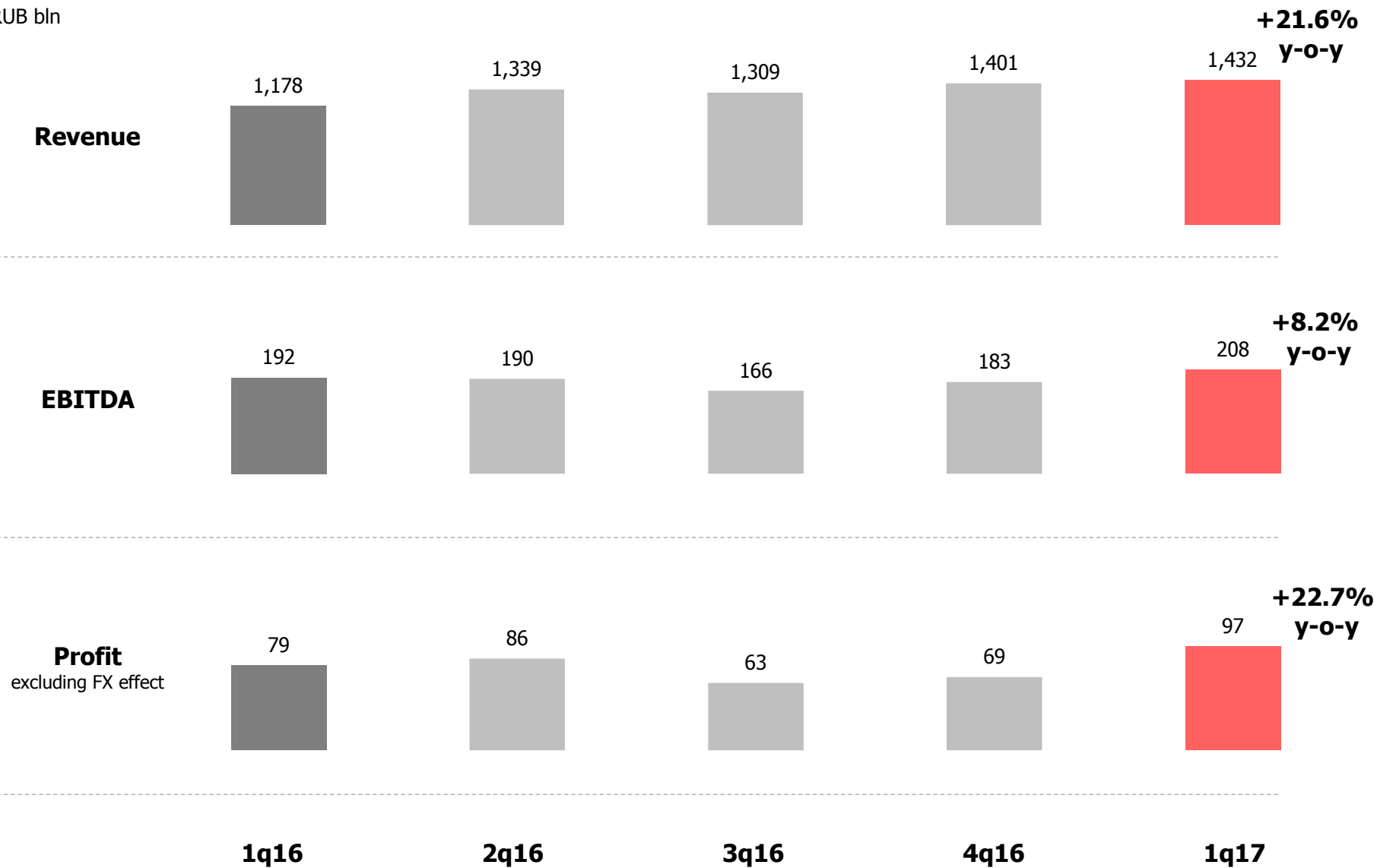
# Q&A

# APPENDIX

# Financial Results



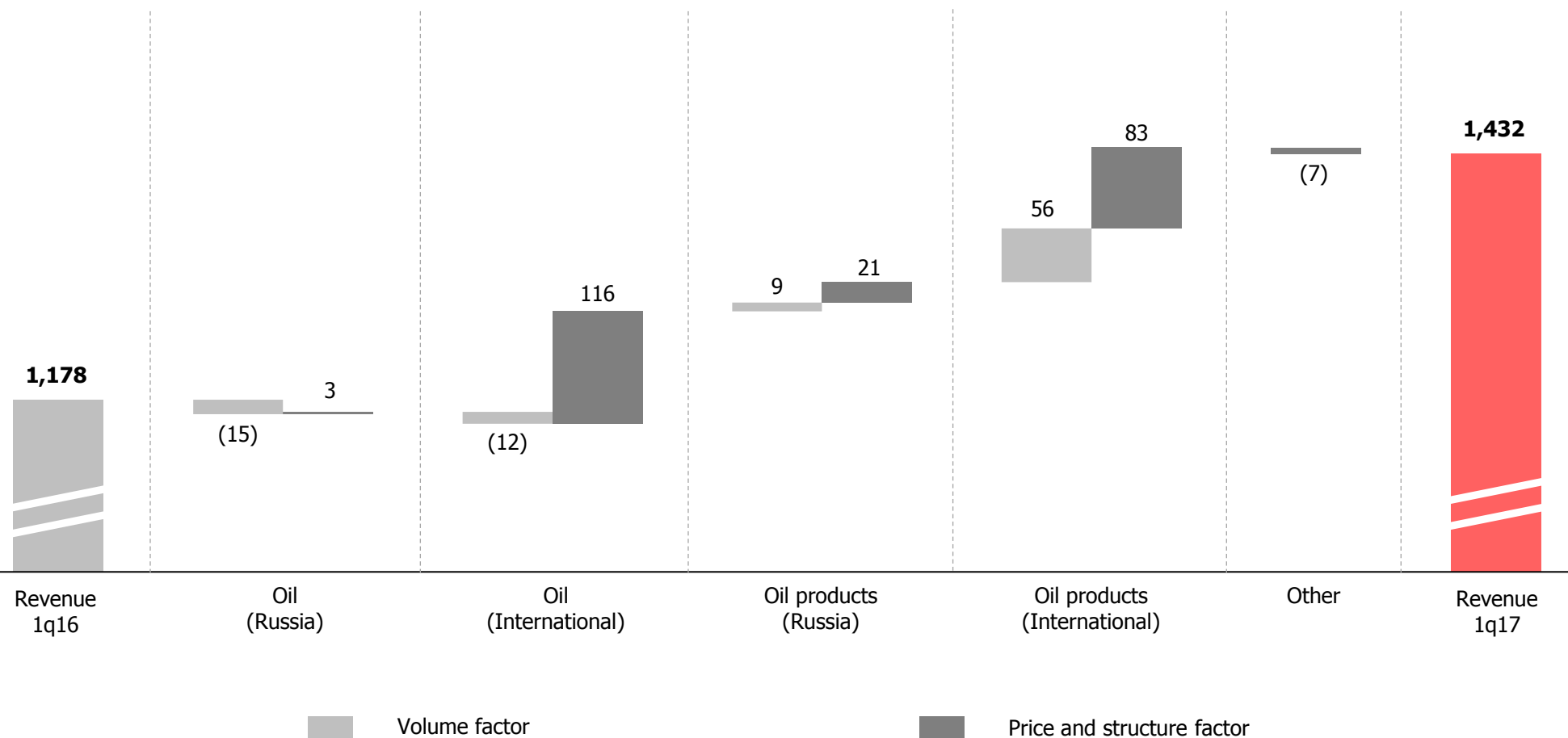
RUB bln



# Revenue



RUB bln



# EBITDA

RUB bln

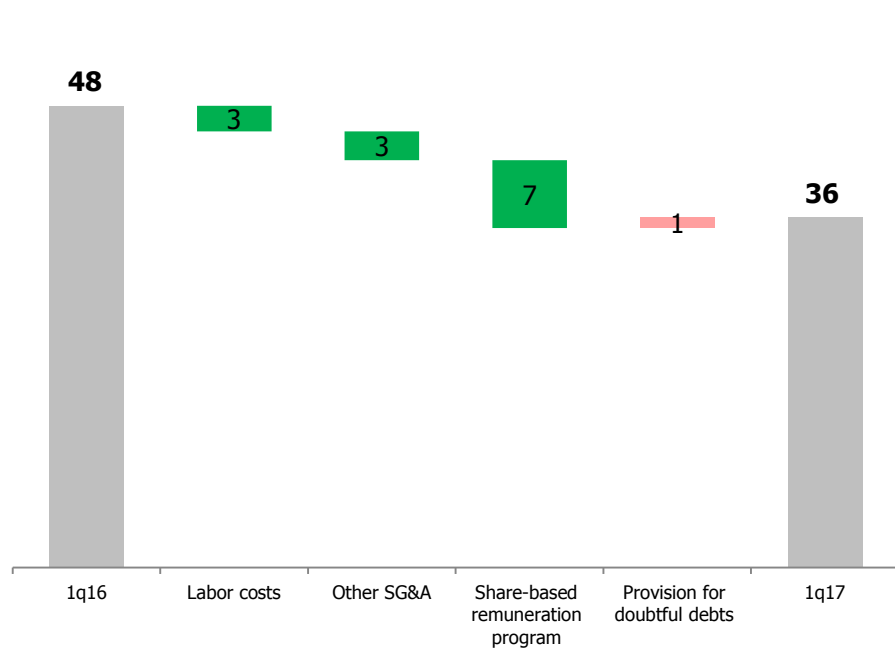




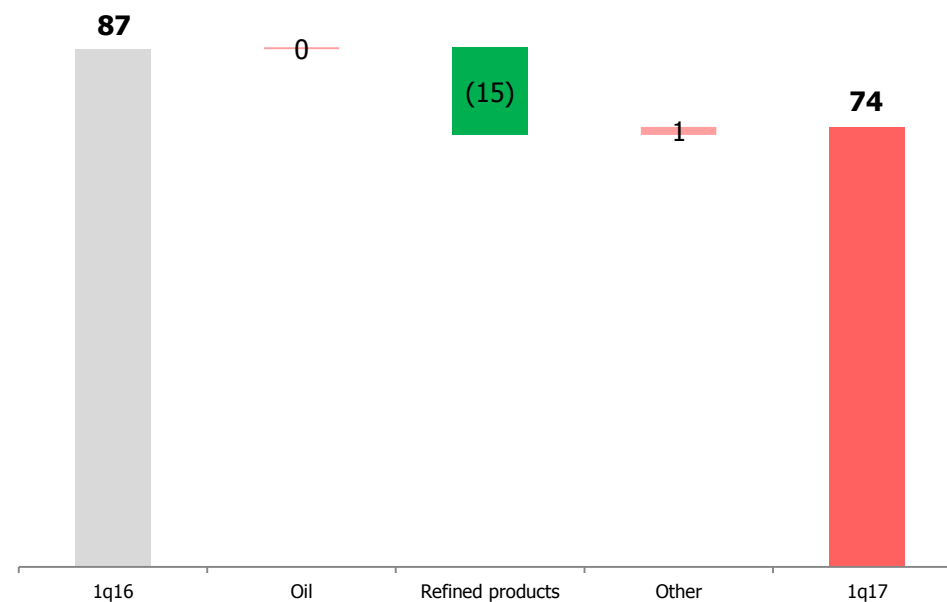
# SG&A and Transportation Expenses

## SG&A

RUB bln

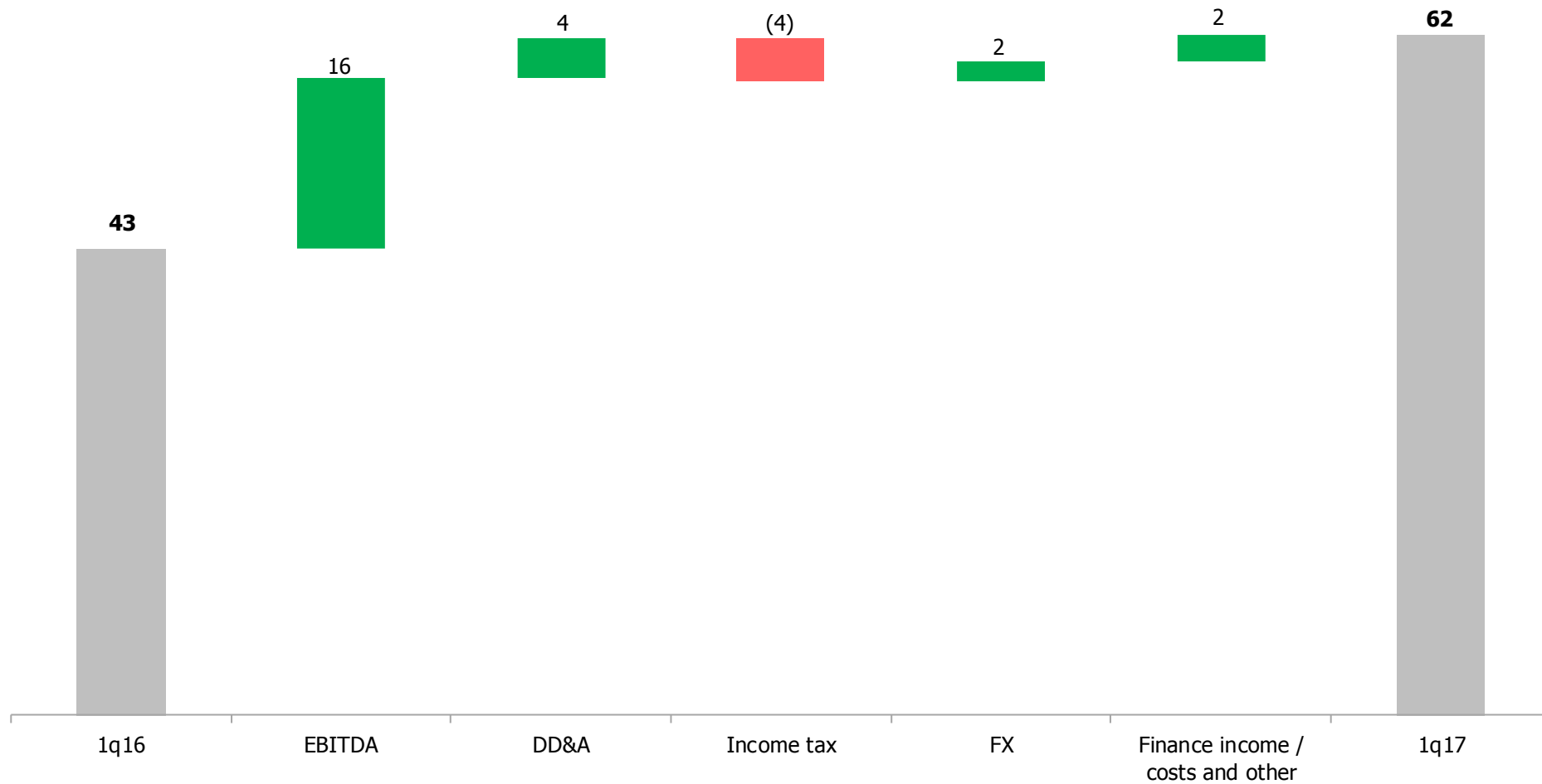


## Transportation Expenses



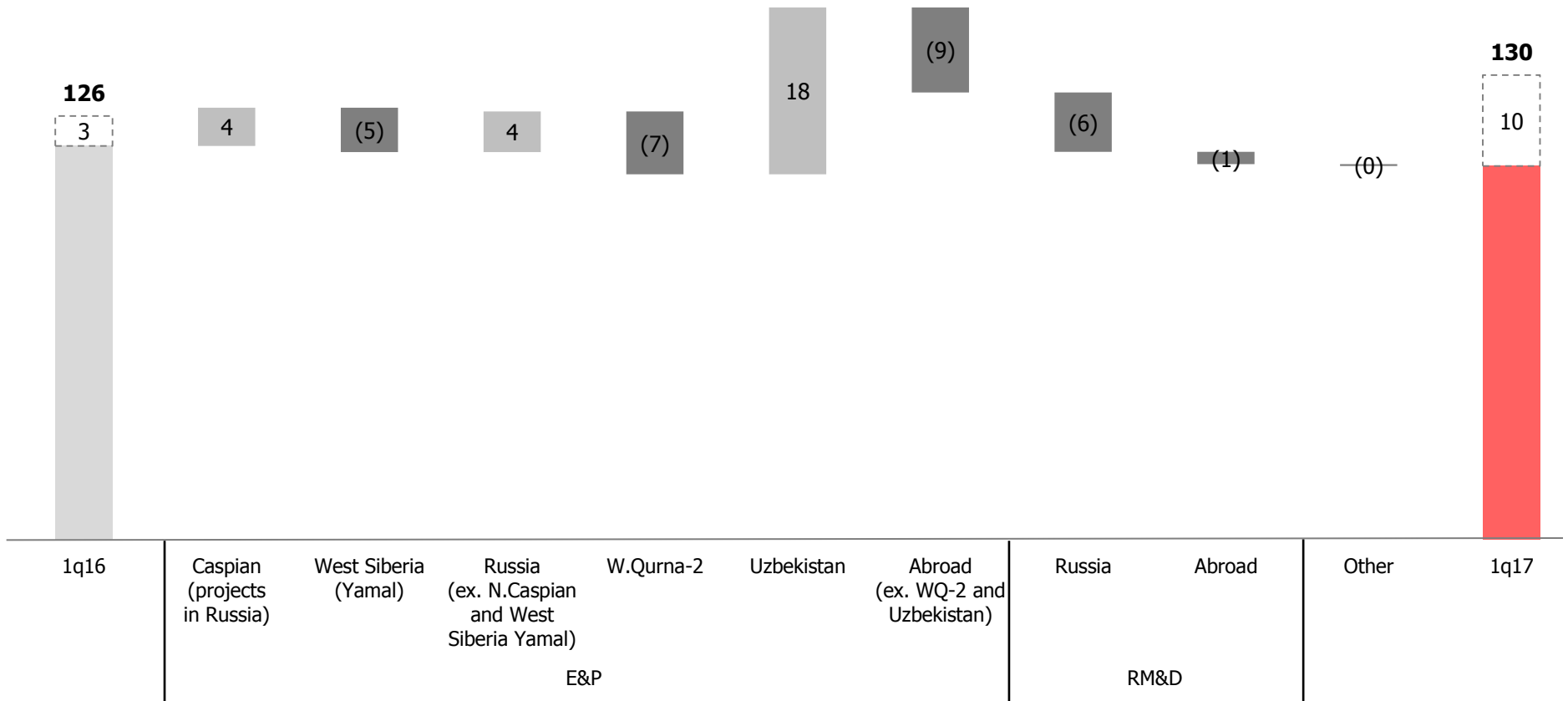
# Profit

RUB bln



# Capital Expenditures

RUB bln



   Non-cash

# Consolidated Statement of Profit or Loss

(in USD mln, at the average exchange rate for the period)



	1q17	4q16	%	1q16	%
<b>Revenue</b>					
Sales (including excise and export tariffs)	24,347	22,213	10	15,787	54
<b>Costs and other deductions</b>					
Operating expenses	(1,828)	(1,861)	(2)	(1,518)	20
Cost of purchased crude oil, gas and products	(12,629)	(11,731)	8	(7,208)	75
Transportation expenses	(1,254)	(1,007)	25	(1,162)	8
Selling, general and administrative expenses	(617)	(799)	(23)	(641)	(4)
Depreciation, depletion and amortization	(1,374)	(1,282)	7	(1,131)	21
Taxes other than income taxes	(2,614)	(1,884)	39	(1,120)	133
Excise and export tariffs	(1,861)	(1,984)	(6)	(1,541)	21
Exploration expenses	(13)	(42)	(69)	(23)	(42)
<b>Profit from operating activities</b>	<b>2,158</b>	<b>1,624</b>	<b>33</b>	<b>1,443</b>	<b>50</b>
Finance income	56	58	(3)	51	9
Finance costs	(161)	(216)	(25)	(139)	16
Equity share in income of affiliates	63	32	101	32	101
Foreign exchange loss	(740)	(435)	70	(608)	22
Other expenses	(42)	(90)	(53)	(45)	(6)
<b>Profit before income taxes</b>	<b>1,334</b>	<b>973</b>	<b>37</b>	<b>734</b>	<b>82</b>
Current income taxes	(217)	(176)	23	(140)	54
Deferred income taxes	(51)	(53)	(3)	(17)	196
<b>Total income tax expense</b>	<b>(268)</b>	<b>(229)</b>	<b>17</b>	<b>(158)</b>	<b>70</b>
<b>Profit for the period</b>	<b>1,066</b>	<b>743</b>	<b>43</b>	<b>576</b>	<b>85</b>
Profit for the period attributable to non-controlling interests	(6)	(4)	47	(2)	231
<b>Profit for the period attributable to PJSC LUKOIL shareholders</b>	<b>1,060</b>	<b>739</b>	<b>43</b>	<b>574</b>	<b>85</b>



**Always moving forward**