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Review of Interim Financial Information

To the Shareholders of JSC "KPMG"

10 Presnenskaya N

We have reviewed the consolidated interim financial information of JSC "KPMG" and its subsidiaries (the "Entity") for the period from January 1, 2010 to June 30, 2010, as presented in the consolidated interim financial statements of the Entity.

The consolidated interim financial information is presented in Russian and English.

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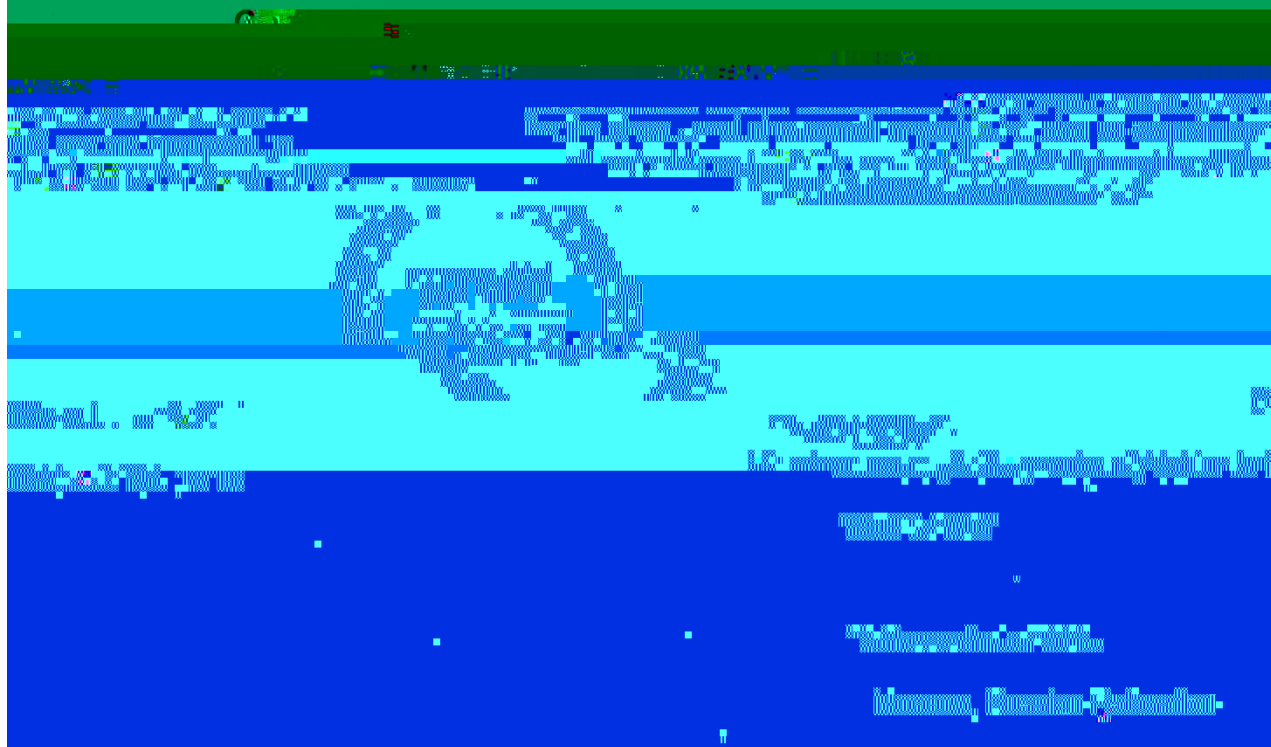
The consolidated interim financial information is presented in Russian and English.



PJSC LUKOIL

Auditors' Report on Review of Consolidated Interim Financial Statements

Page 2



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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PJSC LUKOIL**Consolidated Statement of Profit or Loss and Other Comprehensive Income****(Millions of Russian rubles, unless otherwise noted)**

		For the three months ended 30 September 2016 (unaudited)	For the three months ended 30 September 2015 (unaudited)	For the nine months ended 30 September 2016 (unaudited)	For the nine months ended 30 September 2015 (unaudited)
	Note				
Revenues					
Sales (including excise and export tariffs)	28	1,309,488	1,464,053	3,826,121	4,381,324
Costs and other deductions					
Operating expenses		(112,133)	(116,833)	(339,086)	(328,342)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PJSC LUKOIL

Consolidated Statement of Changes in Equity (unaudited)

(Millions of Russian rubles)

Note 1. Organization and environment

The exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

Note 2. Basis of preparation (continued)

The presentation currency of the consolidated financial statements of the Group is the RUB. All financial information presented in the RUB has been rounded to the nearest million, except when otherwise indicated.

The results and financial position of Group companies whose functional currency is different from the presentation currency of the Group are translated into presentation currency using the following procedures. Assets and liabilities are translated at period-end exchange rates, income and expenses are translated at rates which approximate actual rates at the date of the transaction. Resulting exchange differences are recognised in other comprehensive income.

Note 3. Summary of significant accounting policies

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the consolidated financial statements for 2015.

Note 4. Use of estimates and judgments

Preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- Estimation of oil and gas reserves;
- Estimation of useful lives of property, plant and equipment;
- Impairment of non-current assets;
- Assessment of asset retirement obligations;
- Assessment and recognition of provisions and contingent liabilities;
- Assessment of deferred income tax assets and liabilities;
- Determination of whether a joint arrangement is a joint venture or a joint operation.

Note 5. Income taxes

Operations in the Russian Federation are subject to a Federal income tax rate of 2.0% and a regional income tax rate that varies from 13.5% to 18.0% at the discretion of the individual regional administration. The companies at the tax rates applicable to the jurisdictions in which they operate.

primarily due to domestic and foreign tax rate differences and the incurrence of costs that are either not tax deductible or are not tax creditable. The Company's effective income tax rate is calculated as the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Company and its Russian subsidiaries file income tax returns in Russia. A number of Group companies (including PJSC LUKOIL) are members of a consolidated tax group (CTG). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

Note 6. Cash and cash equivalents

	30 September 2016	31 December 2015
Cash held in RUB	39,665	98,253
Cash held in US dollars	253,251	141,863
Cash held in other currencies	52,259	17,147
Total cash and cash equivalents	345,175	257,263

Note 7. Accounts receivable, net

30 September

PJSC LUKOIL

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

(Millions of Russian rubles, unless otherwise noted)

Note 14. Accounts payable

	30 September 2016	31 December 2015
Trade accounts payable	357,211	339,091
Other accounts payable	47,163	55,248
Total accounts payable	404,374	394,339

Note 15. Short-term borrowings and current portion of long-term debt

	30 September 2016	31 December 2015
Short-term borrowings from third parties	47,004	33,611
Short-		

Note 17. Other taxes payable

30

Note 24. Operating lease

At 30 September 2016 and 31 December 2015, Group companies had commitments primarily related to the lease of vessels and petroleum distribution outlets. Commitments for minimum rentals under these leases are payable as follows.

	30 September 2016	31 December 2015
Less than a year	32,757	35,858
1-5 years	55,451	46,589
More than 5 years	92,724	80,924
Total	180,932	163,371

Note 25. Commitments and contingencies***Capital commitments***

At 30 September 2016, capital commitments of the Group relating to construction and acquisition of property, plant and equipment are evaluated as 469,681 million RUB.

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during the three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors may create substantially more significant taxation risks in the Russian Federation and other emerging markets where Group companies operate, than those in other countries where taxation regimes have been subject to development and clarification over long periods.

The tax authorities in each region may have a different interpretation of similar taxation issues which may

Note 25. Commitments and contingencies (continued)

On 6 January 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the federal Court case, the Company has filed a Motion to Dismiss. On 18 December 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and th

Note 25. Commitments and contingencies (continued)

The Commission for Protection of Competition in Bulgaria issued ruling alleging violations of applicable antimonopoly laws by Lukoil Bulgaria EOOD, a Group company, and a number of other legal entities not affiliated with the Group, in connection with concerted actions and anti-competitive agreements to fix petrol and diesel fuel retail market prices in Bulgaria. The maximum amount of fines for this violation is evaluated at \$150 million (9.5 billion RUB). Lukoil Bulgaria EOOD

Note 26. Related party transactions (continued)

Related party transactions were as follows.

	For the three months ended 30 September 2016	For the three months ended 30 September 2015	For the nine months ended 30 September 2016	For the nine months ended 30 September 2015
Sales of oil and oil products	5,182	6,673	15,016	22,708
Other sales	510	329	1,356	1,070
Purchases of oil and oil products	17,852	15,905	53,294	49,418
Other purchases	637	2,105	3,322	5,540
Loans given	1,279	5,812	13,808	7,681
Loans received	1,553	2,401	3,791	13,734

Note 27. Compensation plan

In December 2012, the Company introduced a compensation plan available to certain members of management for the period from 2013 to 2017. The plan was approved by the Board of Directors of PJSC LUKOIL on December 11, 2012.

Note 29. Fair value (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 30 September 2016 and 31 December 2015.

30 September 2016	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	9,851	-	9,851	-	9,851
Available for sale securities	3,768	-		3,768	3,768
Financial liabilities:					
Commodity derivative contracts	8,914	-	8,914	-	8,914
Long-term debt	787,374	374,631	-	446,146	820,777
31 December 2015	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	41,648	-	41,648	-	41,648
Available for sale securities	4,045	-	-	4,045	4,045
Financial liabilities:					
Commodity derivative contracts	10,827	-	10,827	-	10,827
Long-term debt	820,493	400,140	-	392,952	793,092