



LUKOIL

ALWAYS MOVING FORWARD

1Q 2015 Financial Results (US GAAP)



Member of the Board of Directors,
Vice-President for Strategic
Development

Leonid Fedun

Moscow, June 2015



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.
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- 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.

Main Events in 1Q 2015



Liquid hydrocarbon production growth + 7.8%
Russia production stabilization



Executing plans for the project West Qurna-2
The amount of compensation in 1Q15 was \$0.6 billion



154 RUB per share – recommended dividend for 2014



Launch of heavy residues processing complex in Burgas
(May 20, 2015)



Large commercial discovery in the Baltic



Agreement with Sinopec



1Q 2014 Financial Highlights



\$ mln

Net income

690

EBITDA

2,816

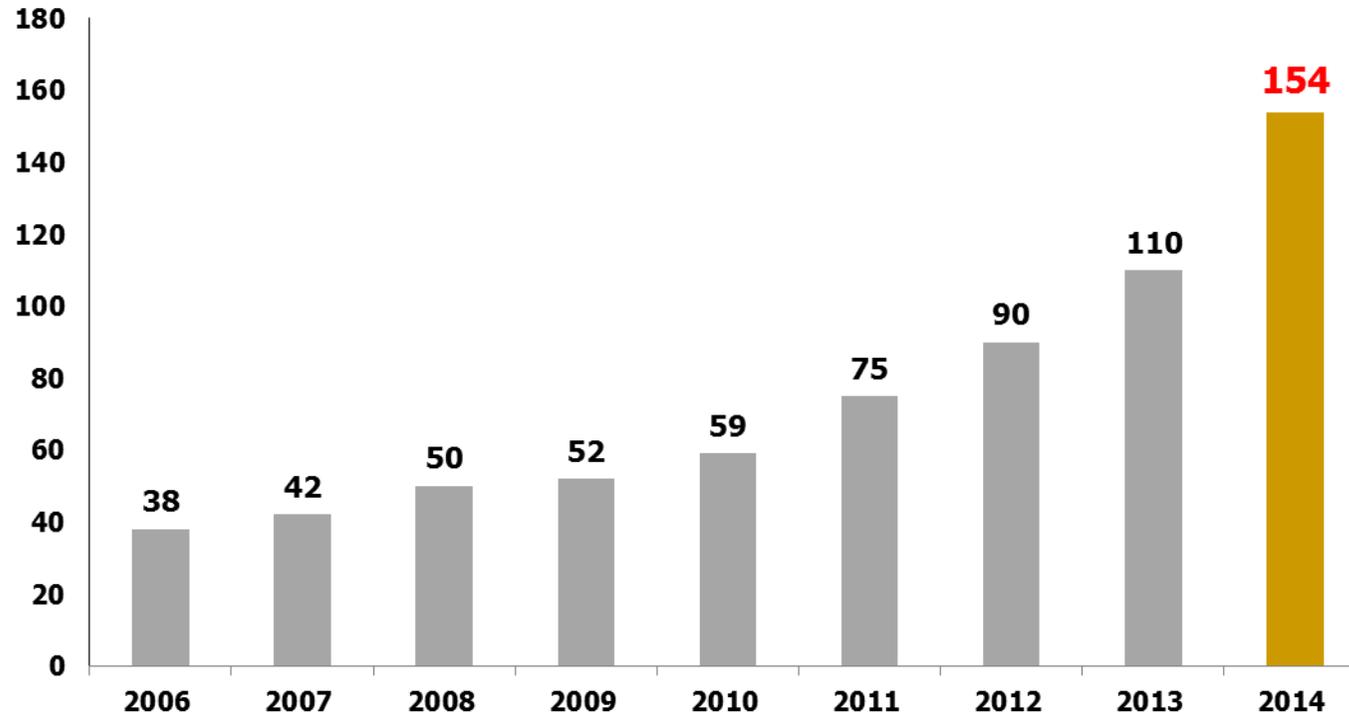
Free cash flow

728

The Planned Dividend Payment



Dividend per share (for the year), RUB



Under oil prices turbulence LUKOIL plans **to increase significantly the dividend payments in rubles for 2014** in order to keep **dividend payments in US dollars at previous year level** and to maintain the dividend yield in USD terms

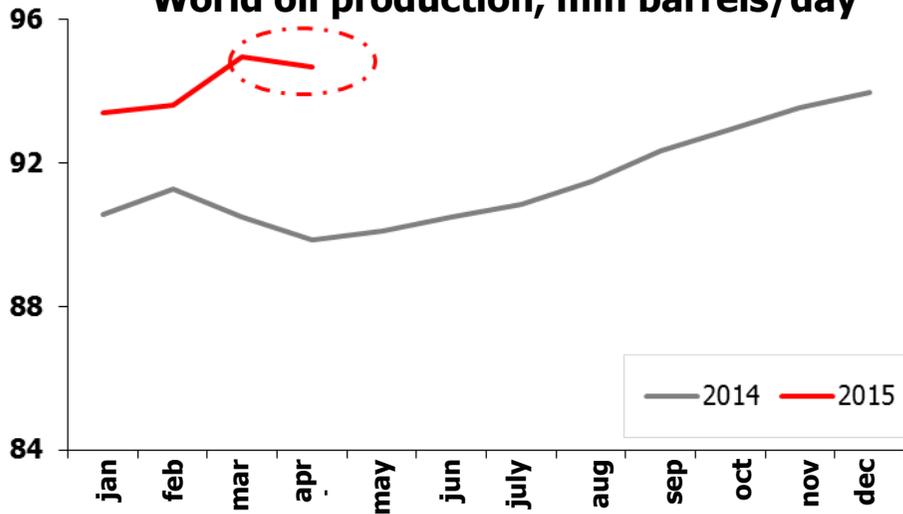


Oil Prices are Located in Positive Trend

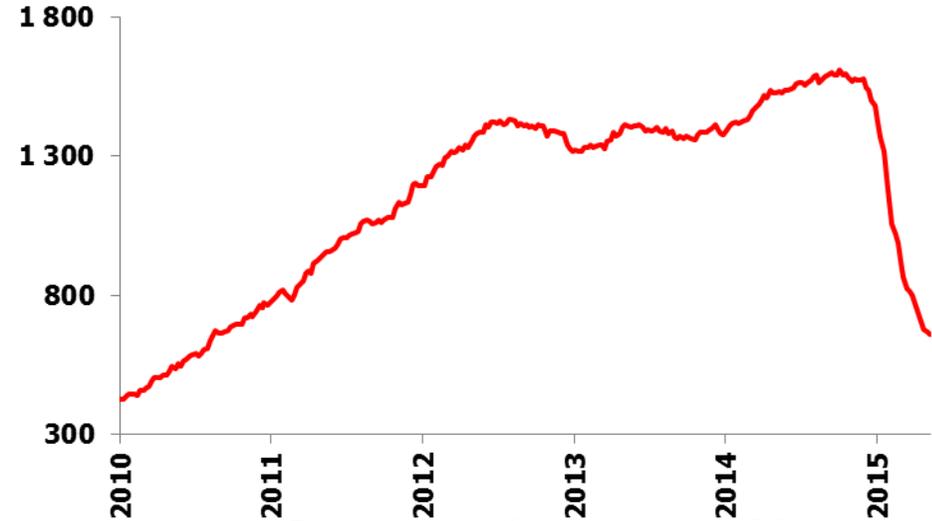


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World oil production, mln barrels/day

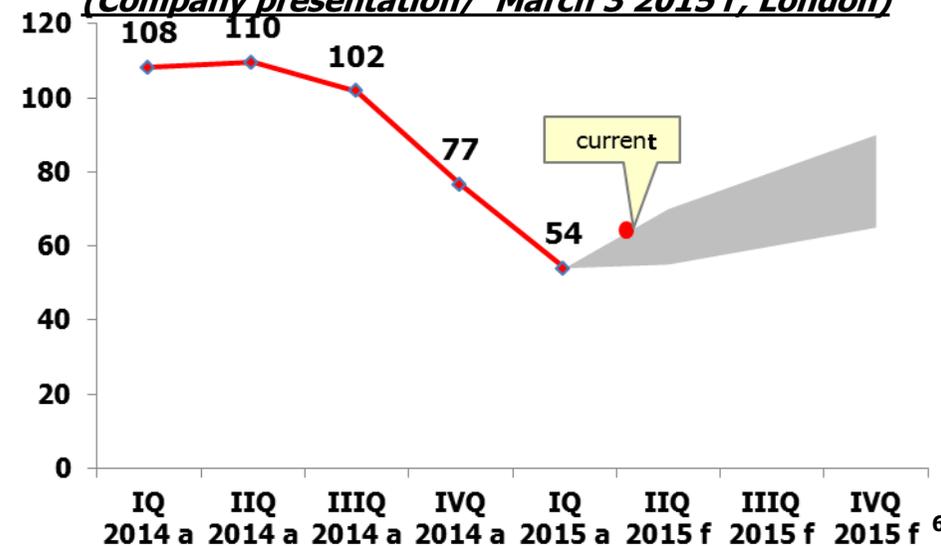


USA oil Rigs, units



Brent price forecast, \$/bbl

(Company presentation/ March 3 2015 r, London)



In the end of 1Q/beginning of 2Q15 **there was a decrease in oil production** in the world as well as in the U.S. This led to a rise in oil prices to around \$65 per barrel.

LUKOIL budget was calculated at Brent price of \$60 per barrel (the current price is about \$65 per barrel).

At the end of the year the Company expects further growths of oil prices which will **increase FCF and maintain a high level of dividends in the future**

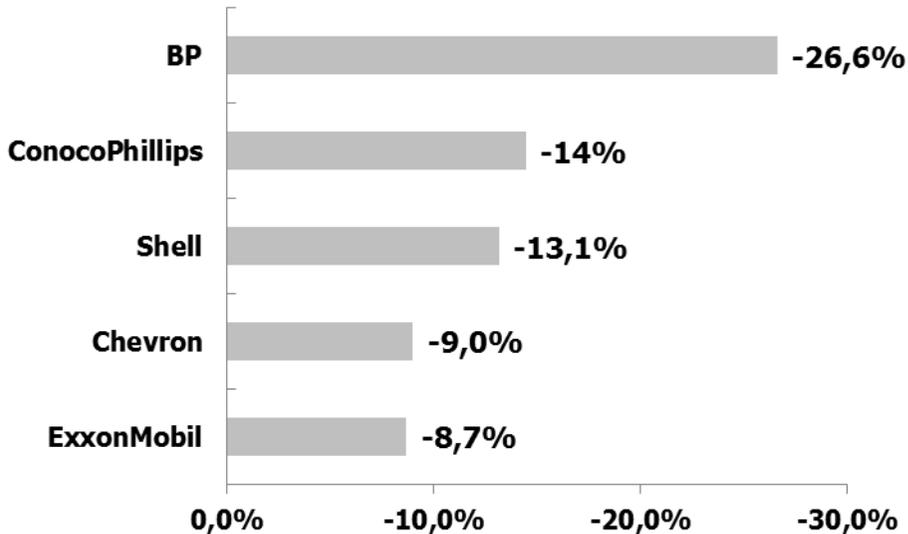
Source: Baker Hughes Bloomberg, EIG, EIA, LUKOIL estimates



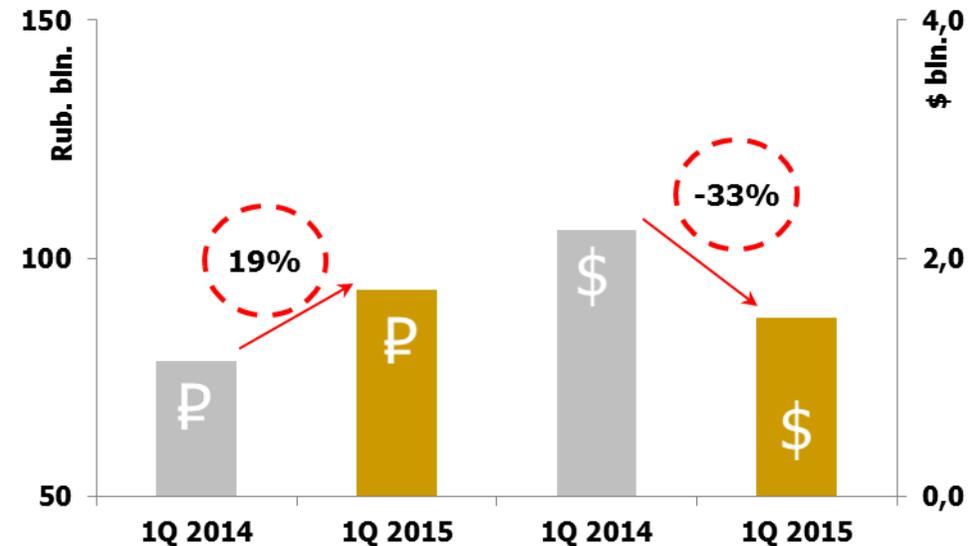
LUKOIL CAPEX Cutting in Dollars Does Not Reduce Investments in Rubles into the Russian Assets



Major oil company CAPEX cutting
(1Q15/1Q14), %*



LUKOIL Russian assets CAPEX



In 1Q15 oil and gas majors **significantly reduced CAPEX** y-o-y

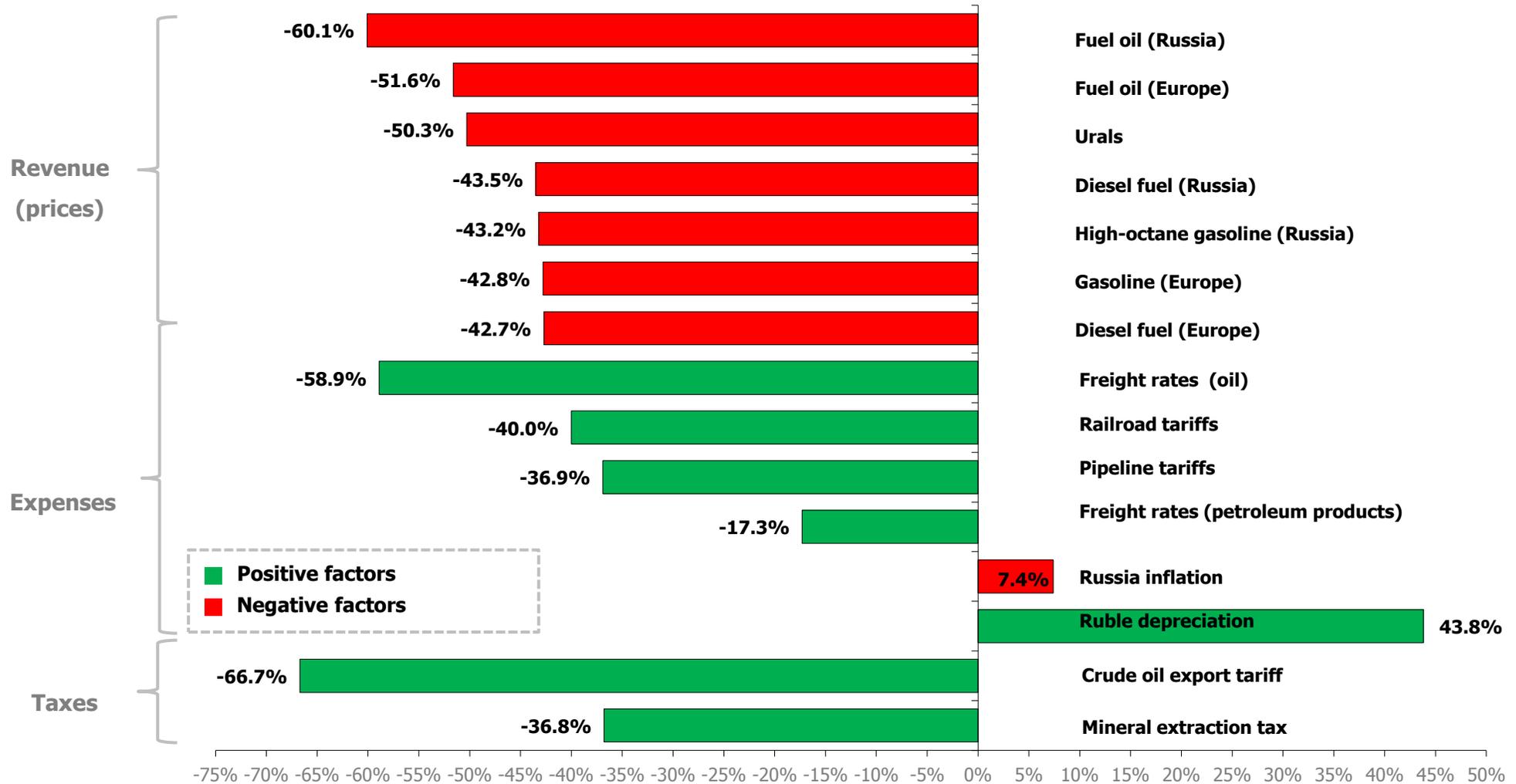
Under ruble devaluation (in 1Q15) LUKOIL cut CAPEX in dollars **by 33%** (y-o-y), while **CAPEX in rubles was increased up to 19%**.

In current macro conditions LUKOIL has a unique **opportunity to keep oil production** in 2015 at 2014 level and **increase the FCF** by reducing CAPEX in dollars

Macroeconomic and Tax Environment



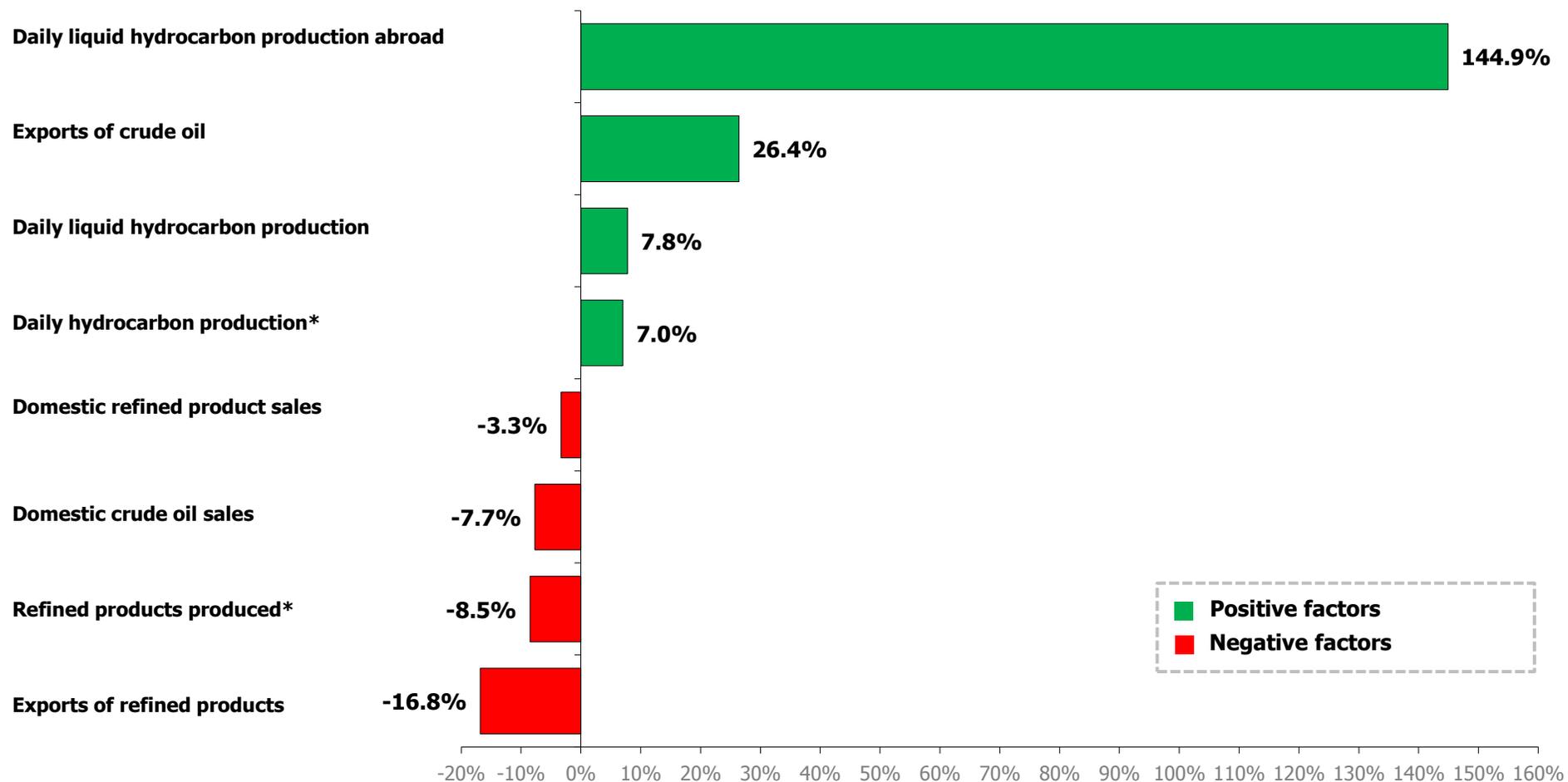
1Q 2015/1Q 2014



Main Operating Results

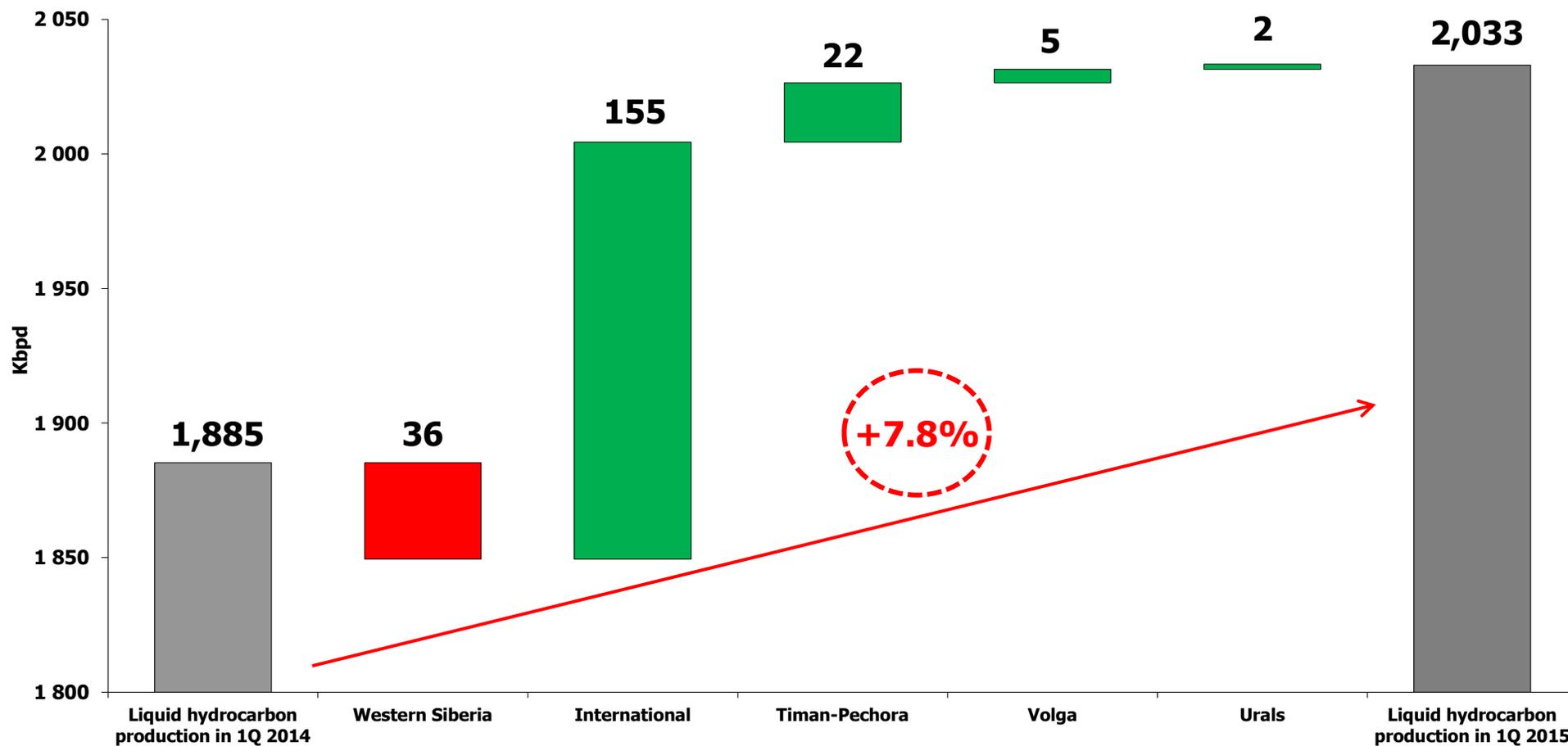


1Q 2015/1Q 2014



*Including share in affiliates.

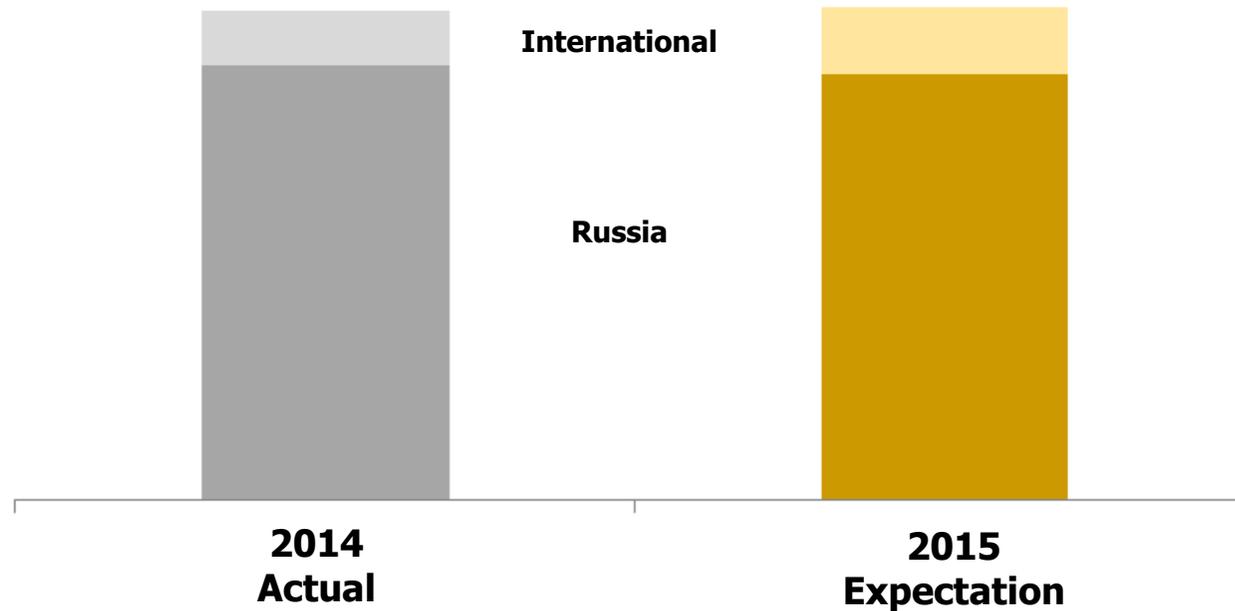
Liquid Hydrocarbon Production in 1Q 2015



LUKOIL Oil Production



Oil production, million barrels



In current macro conditions LUKOIL has a unique opportunity **to keep oil production in 2015** at 2014 level and **increase** FCF by reducing CAPEX in dollars



Agreement with Sinopec



- On April 15, 2014, a Group company entered into a contract with a Sinopec group company, to sell the Group's 50% interest in **Caspian Investment Resources Ltd.**, an exploration and production company operating in Kazakhstan.
- On June 3, 2015, a Group company made a substitute transaction with a Sinopec group company for the sale at a price of **\$1,067** million.
- The transaction's closing is subject to requisite governmental consents and approvals and is to occur by December 1, 2015.

Operating Expenses



\$ mln	1Q 2015	y-o-y
Total operating expenses	1,808	-22%
Hydrocarbon extraction	881	-13%
Own refining	332	-31%
Refining at third parties and affiliated refineries	50	-22%
Crude oil transportation to refineries	169	-38%
Power generation and distribution	158	-17%
Petrochemicals	38	-42%
Other	180	-20%
Cost of purchased crude oil, gas and products	11,238	-35%

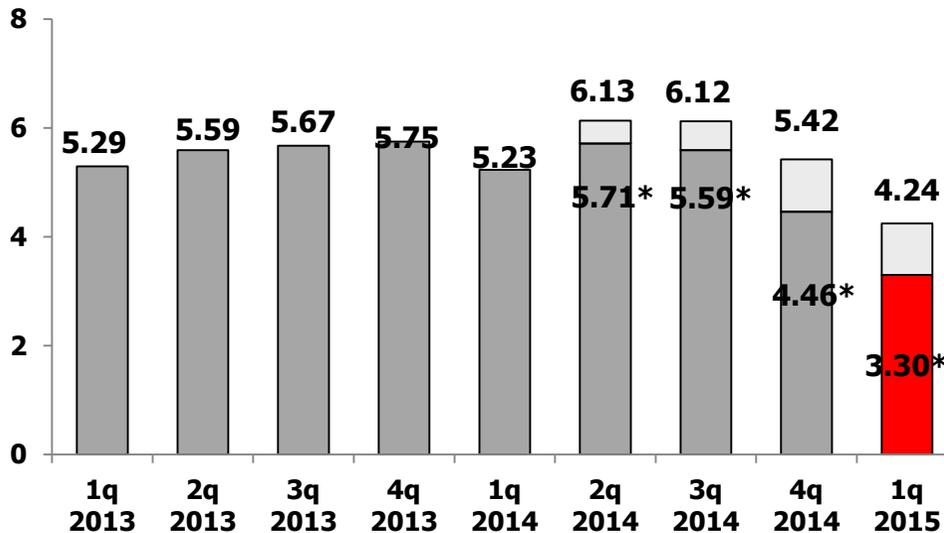


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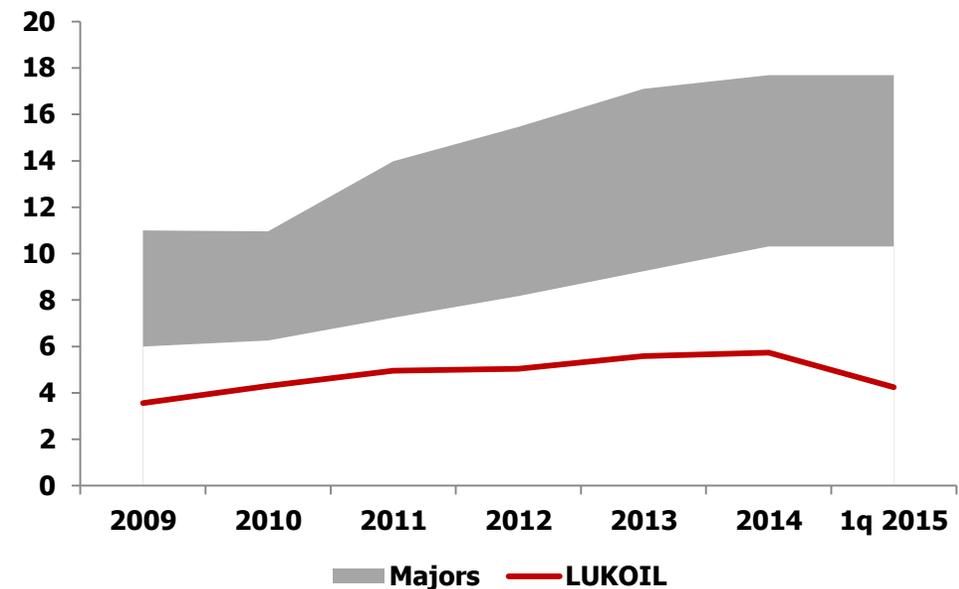
Effective Cost Control



Lifting costs per boe, \$



Lifting costs per boe, \$

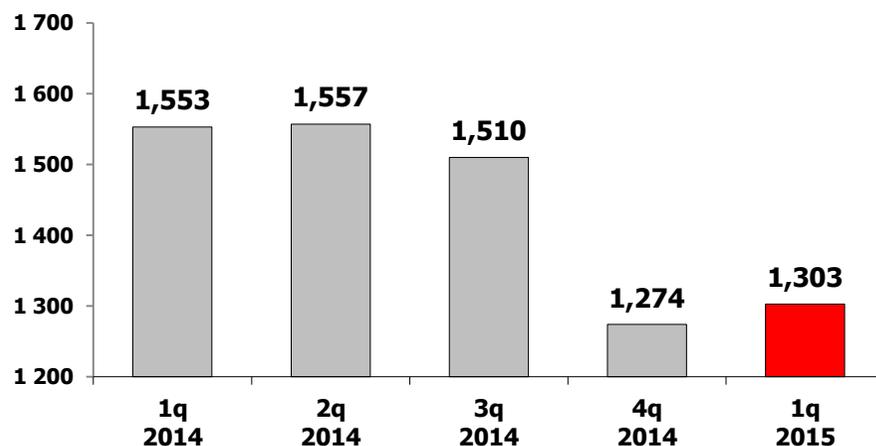


Our **average hydrocarbon extraction expenses decreased** from \$5.23 per boe to \$4.24 per boe in the first quarter of 2015, or by **18.9%**. In Russia, average hydrocarbon extraction expenses **decreased** by **39.0%** to \$3.21 per boe as a result of the ruble devaluation.

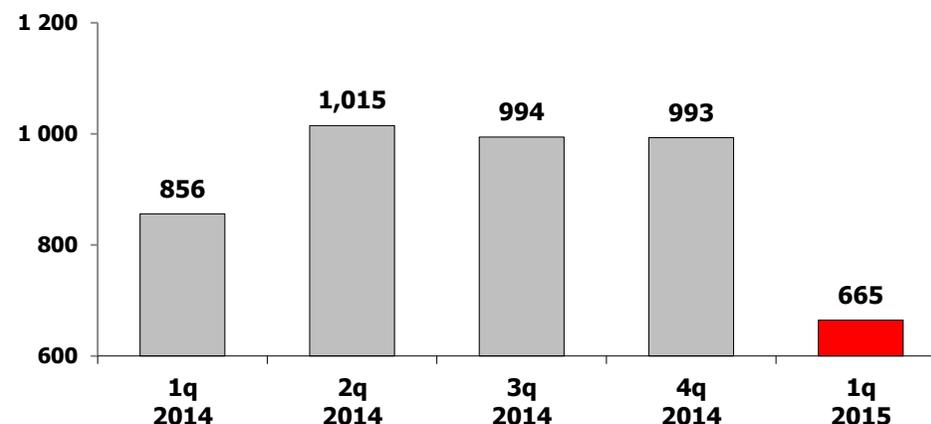
SG&A and Transportation Expenses



Transportation expenses, \$ mln



SG&A expenses, \$ mln



\$ mln

1Q 2015

y-o-y

Transportation expenses

1,303

-16%

Selling, general and administrative expenses

665

-22%

Total

1,968

-18%

CAPEX Structure



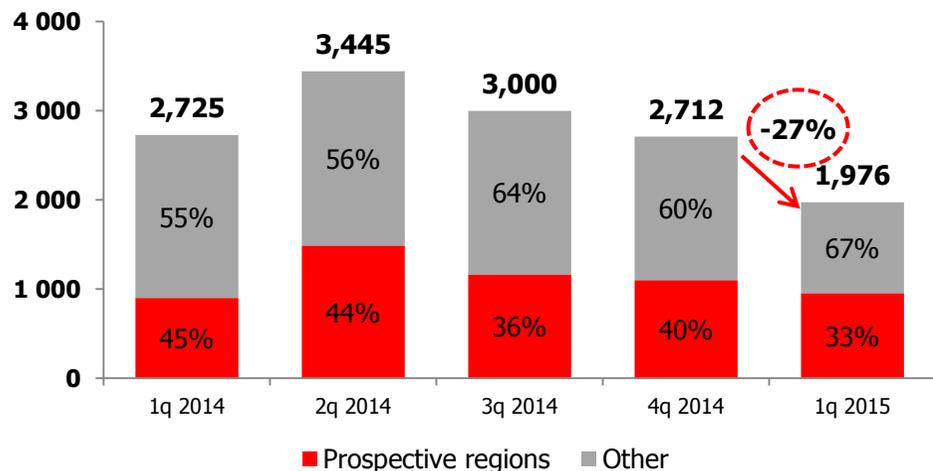
\$ mln	1Q 2015	y-o-y
Total capital expenditures	2,430	-25%
Exploration and production	1,976	-27%
Russia	1,171	-41%
International	805	7%
Refining and marketing	401	-10%
Russia	292	29%
International	109	-50%
Chemicals	29	-9%
Russia	29	-9%
International	0	0%
Power generation	8	0%
Other	16	-20%



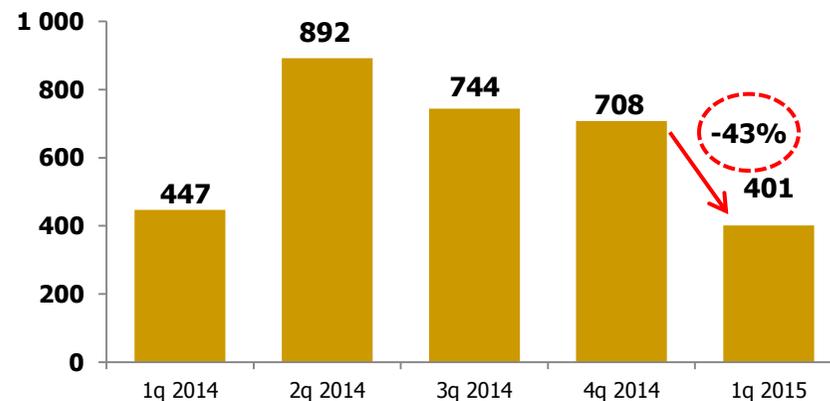
Capital Expenditures



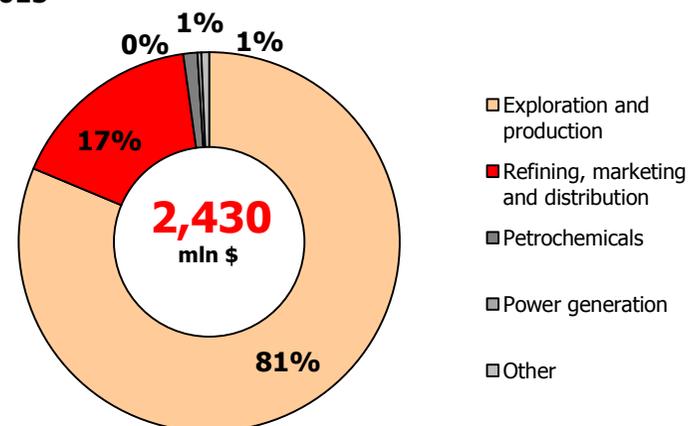
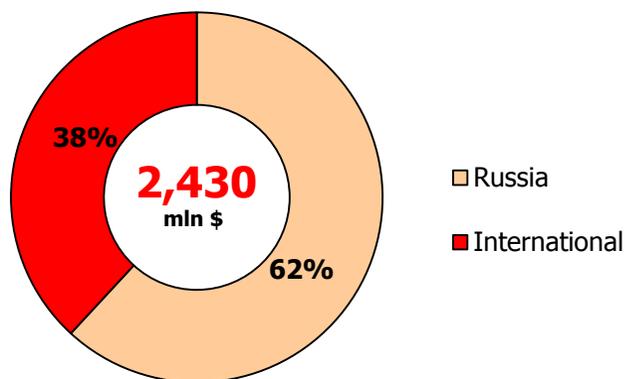
Exploration and production, mln \$



Refining, marketing and distribution, mln \$



Capital expenditures structure in 1q 2015



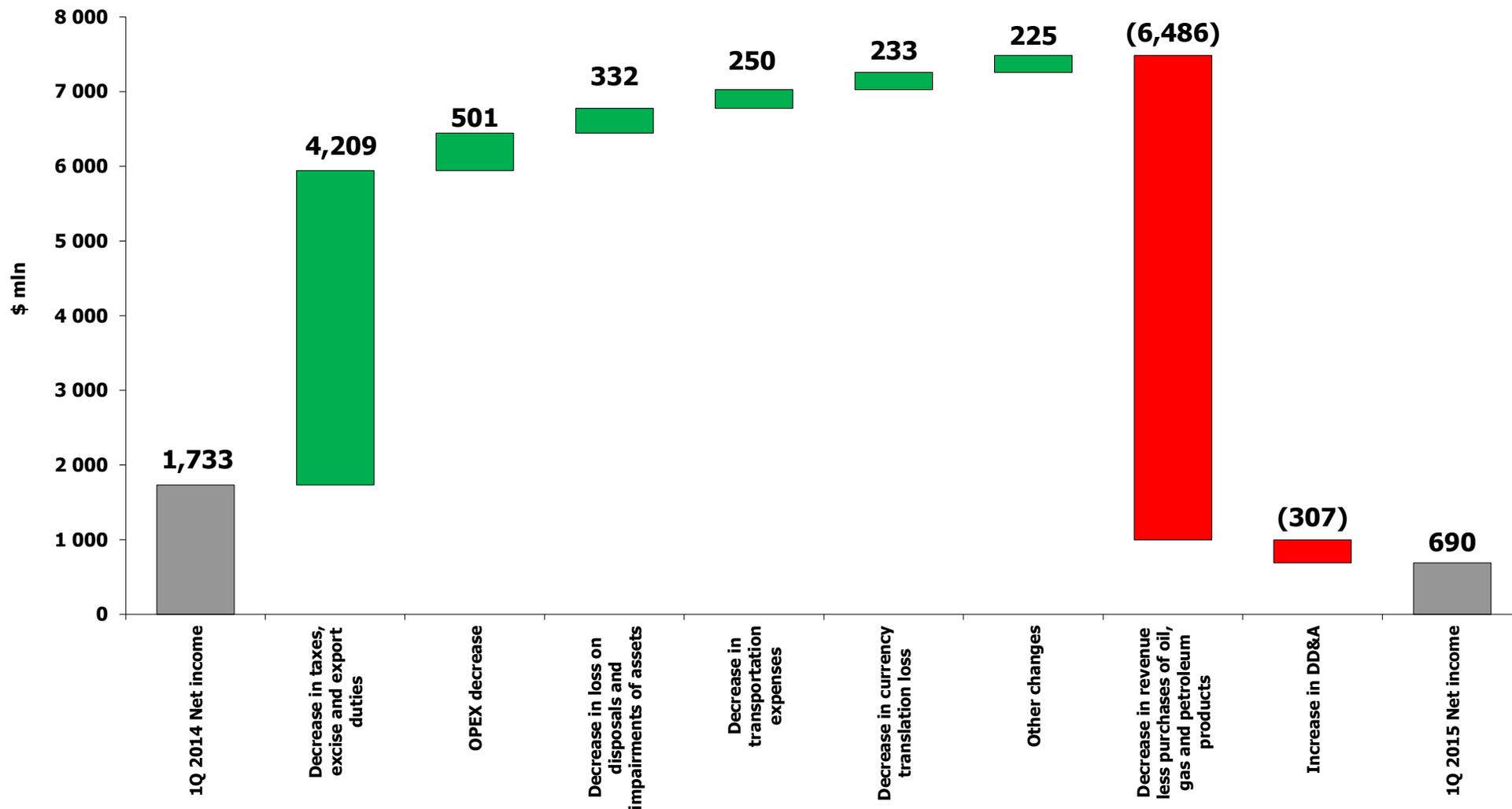


Financial Results

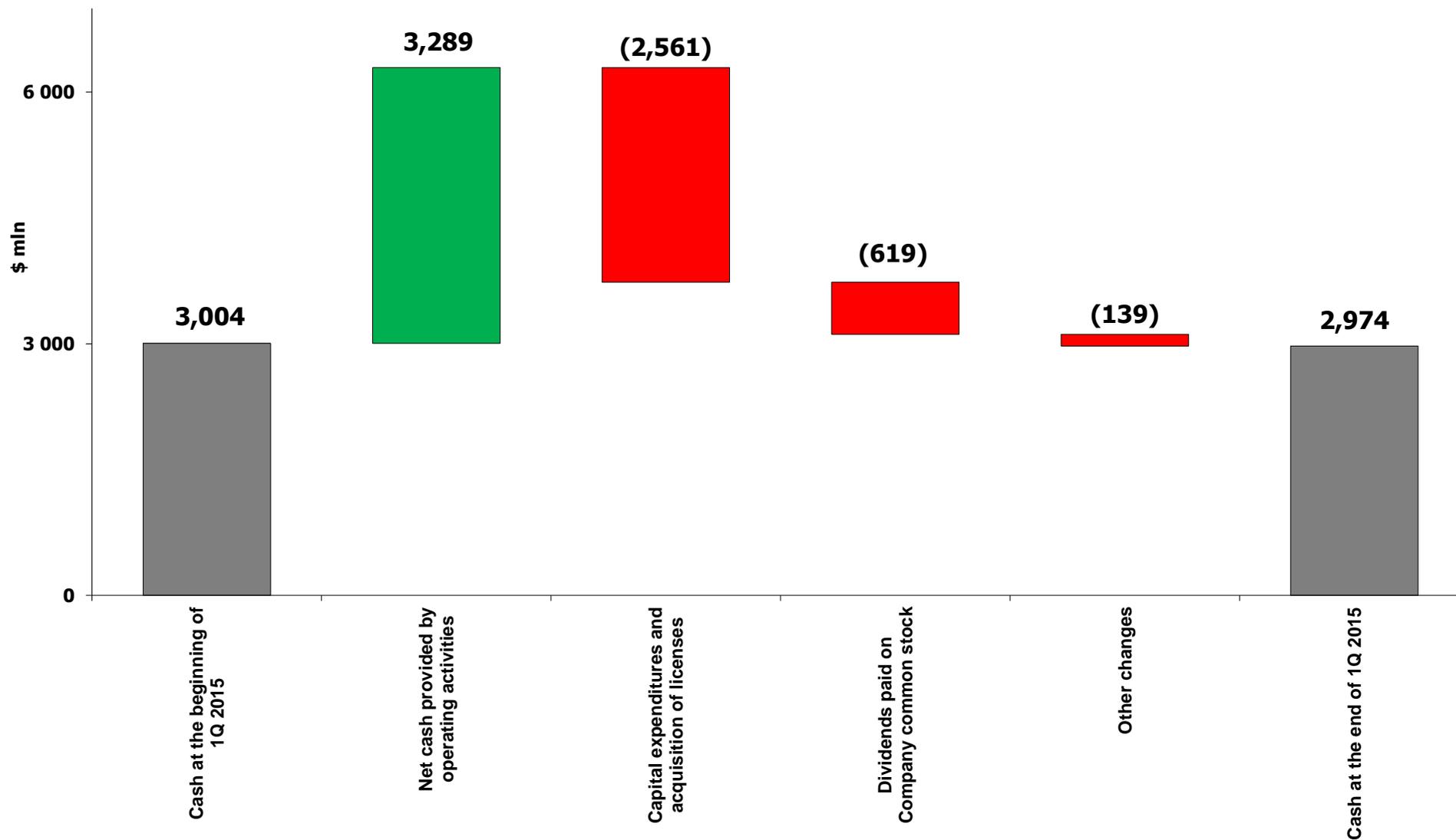


\$ mln	1Q 2015	y-o-y
Sales	23,190	-35%
OPEX	1,808	-22%
Taxes other than income tax, excise, export tariffs	5,172	-42%
Income from operating activities	1,023	-61%
Income before income tax	916	-62%
Net income	690	-60%
Basic EPS, \$	0.91	-60%
EBITDA	2,816	-30%

1Q 2015 Net Income Reconciliation



1Q 2015 Cash Flow Reconciliation



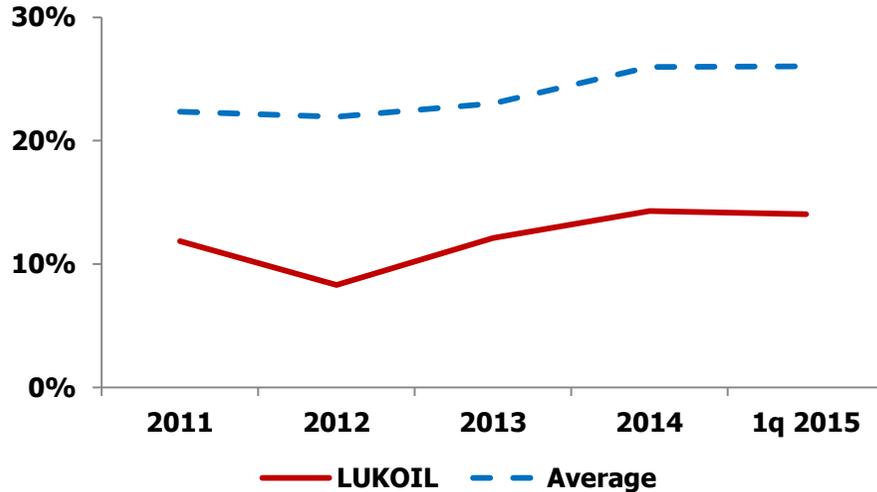


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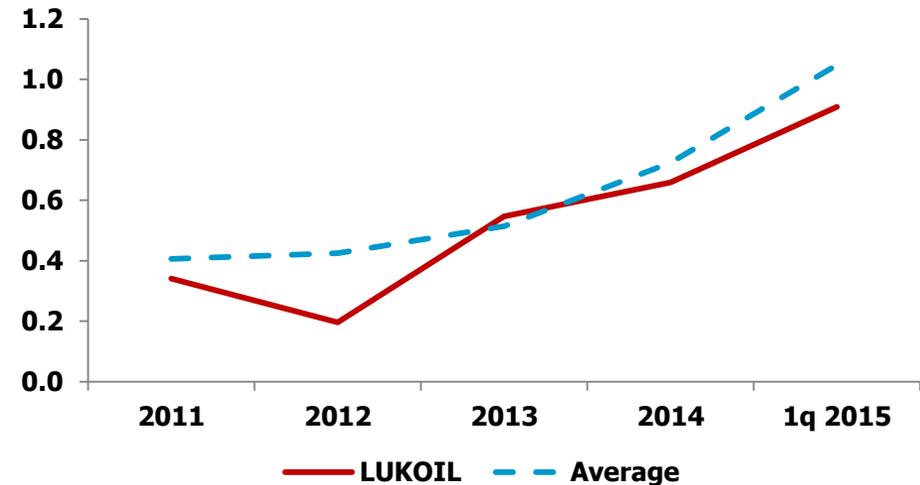
Robust Financial Position



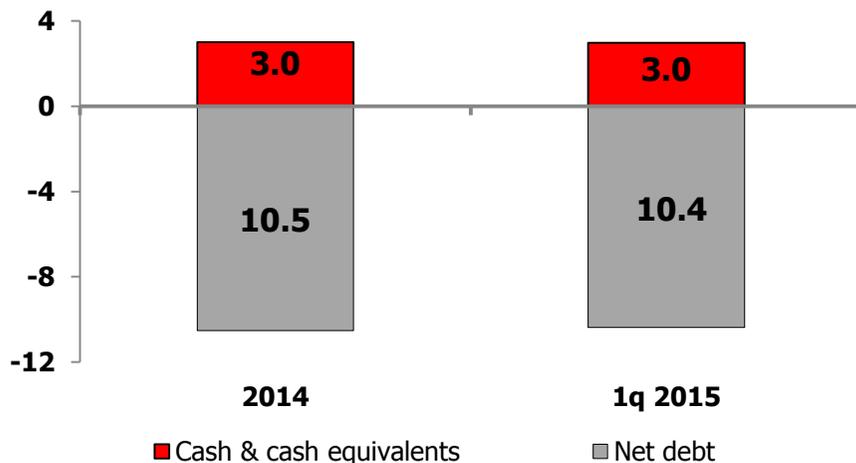
Debt-to-capital



Net debt to EBITDA



Total debt and net debt, \$ bln



- In May, 2015 Fitch confirmed LUKOIL investment grade BBB- rating

- In June, 2015 LUKOIL signed an agreement with Sberbank to open a committed revolving credit line. The **90-billion-ruble** loan facility has a maturity period till April 30, 2018.

Commercial Discoveries in the Baltic



Federal law N 121-FZ

"On the amendments to Article 12 of the Federal Law "On the amendments to individual legislative acts of the Russian Federation and invalidation of individual provisions of the legislative acts of the Russian Federation pursuant to adoption of the Federal Law "On the procedure for making foreign investments in economic companies having a strategic significance for the country's defense and security of the state".

Adopted by the State Duma
2015.04.24

Approved by the Federation
Council 2015.04.29

Signed by the President of the
Russian Federation V. Putin
2015.05.02

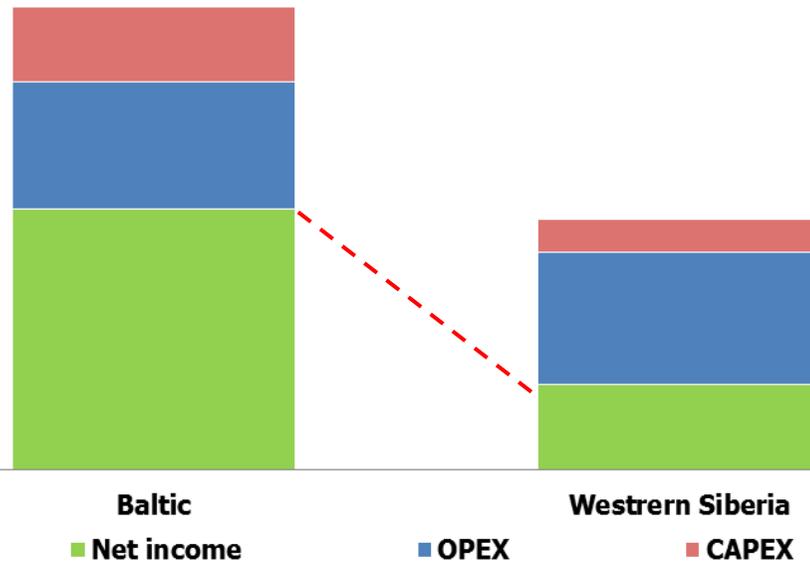


- Exploration drilling was carried out on structures **D29, D41 и D33** within the Russian sector of the Baltic Sea
- **A new oil field was discovered** at D29 structure. When prospecting and appraisal well №1 was tested **44 m³/day gushing oil flow was obtained**. On the structure D41 **a new oil field was discovered**. Testing **gave 123 m³/day gushing oil flow**. Currently, work is underway to establish a geological model of the stratum and reserves estimation
- The volume of reserves and resources on explored oil fields in the Baltic Sea **is estimated at up to 300 mln boe.**

High Prospects in Baltic

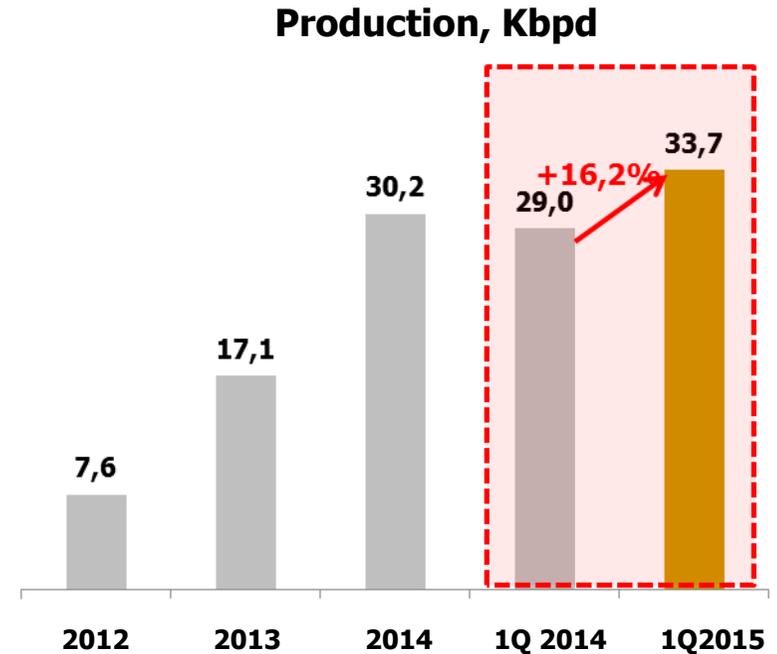


Net income structure, \$/boe



- Projected level of total production in base variant is **more than 3 times higher than current level of the Company production in region**
- Net income (per boe) in Baltic projects is **more than 3 times higher, than in the Western Siberia**

Production on the Greenfield LUKOIL Assets in Russia: Vostochno-Lambeysorskoe Field

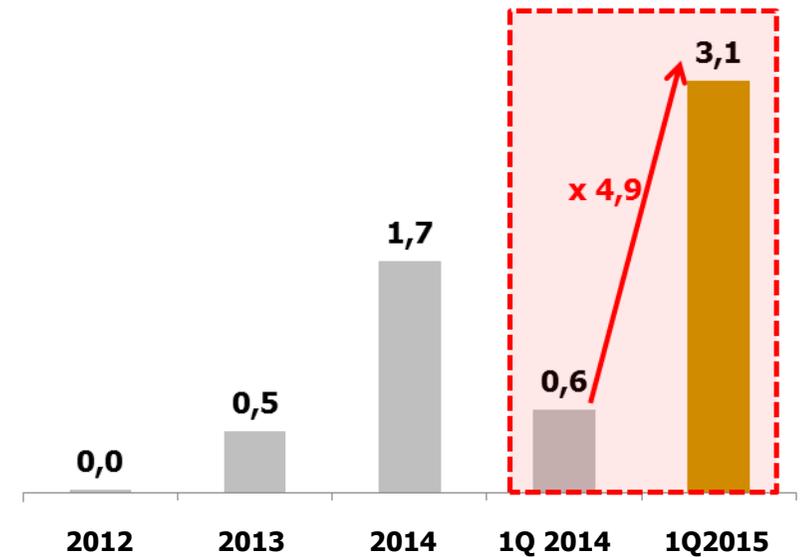


Vostochno-Lambeysorskoe LUKOIL field in Russia **demonstrates positive dynamics of production**

Production on the Greenfield LUKOIL Assets in Russia: Vinogradov Field

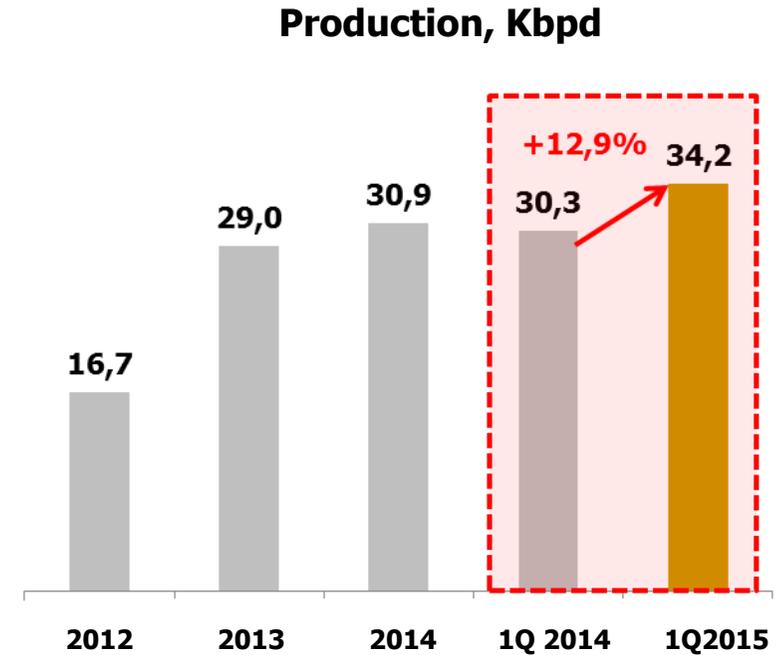
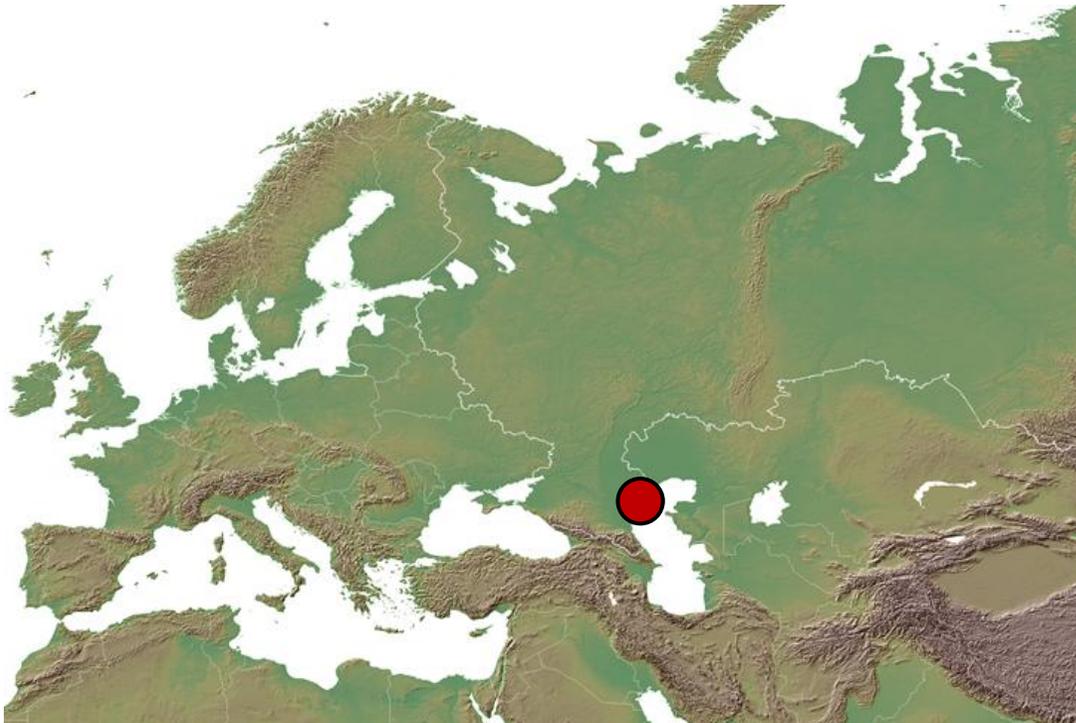


Production, Kbpd



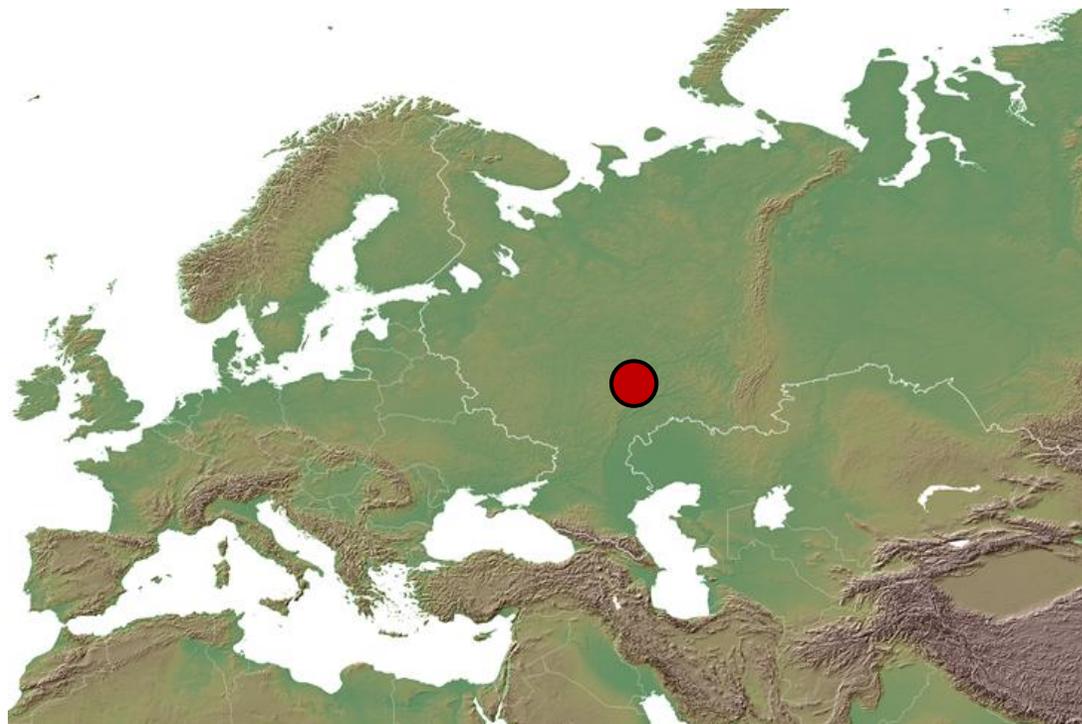
LUKOIL Vinogradov field in Russia **demonstrates positive dynamics of production**

Production on the Greenfield LUKOIL Assets in Russia: Korchagin Field

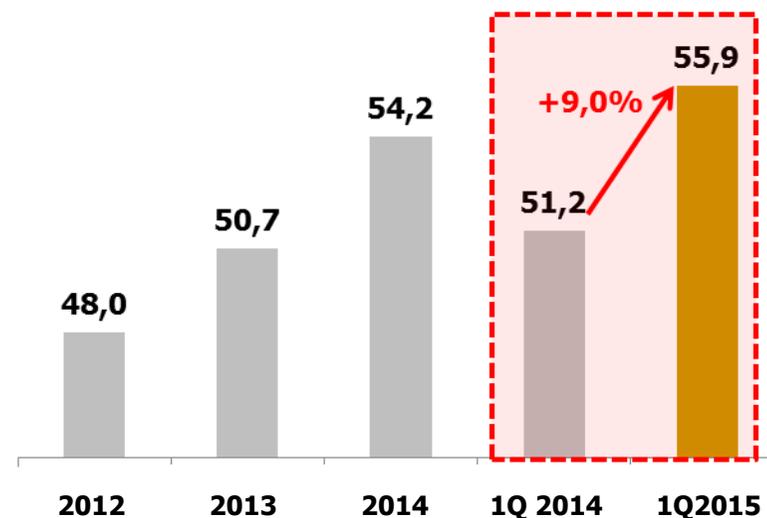


LUKOIL Korchagin field in Russia **demonstrates positive dynamics of production**

Production on Newly Acquired LUKOIL assets in Russia: Samara-Nafta



Production, Kbpd

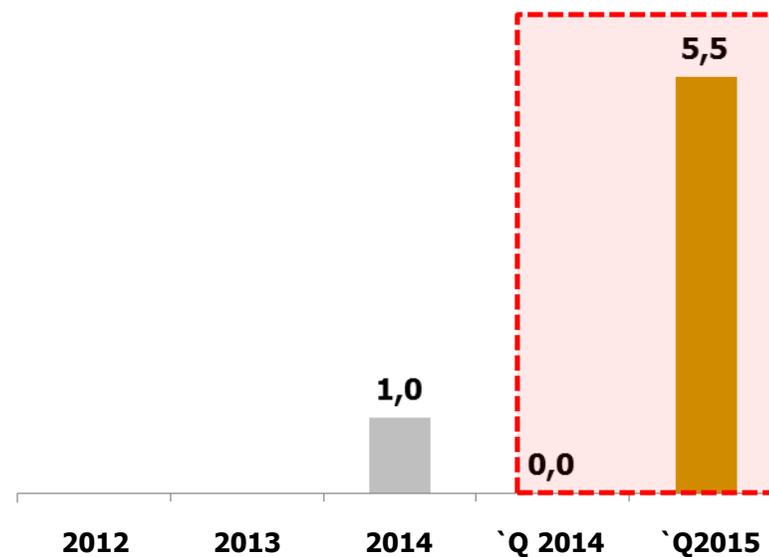


Newly acquired Russian asset Samara-Nafta **demonstrates positive dynamics of production**

Production on Newly Acquired LUKOIL Assets in Russia: Imilor Field



Production, Kbpd

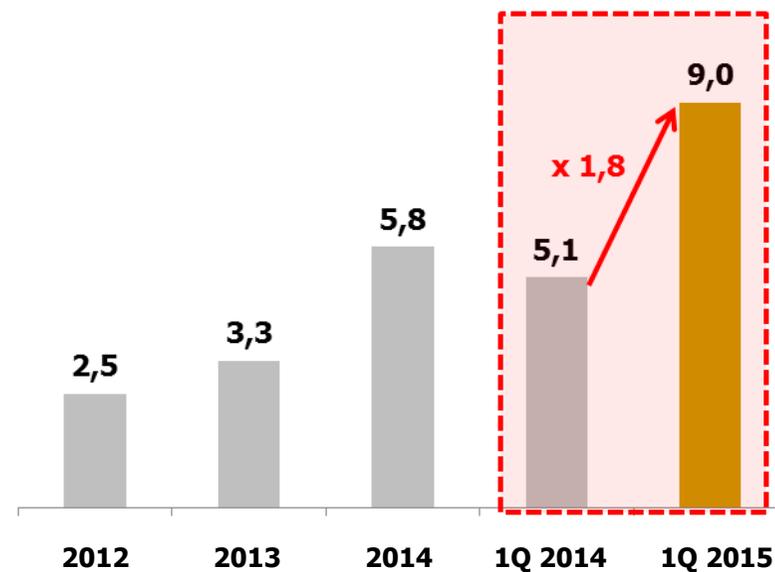


Newly acquired Russian asset Imilor Field **demonstrates positive dynamics of production**

Production on Newly Acquired LUKOIL Assets in Russia: Kama-Oil

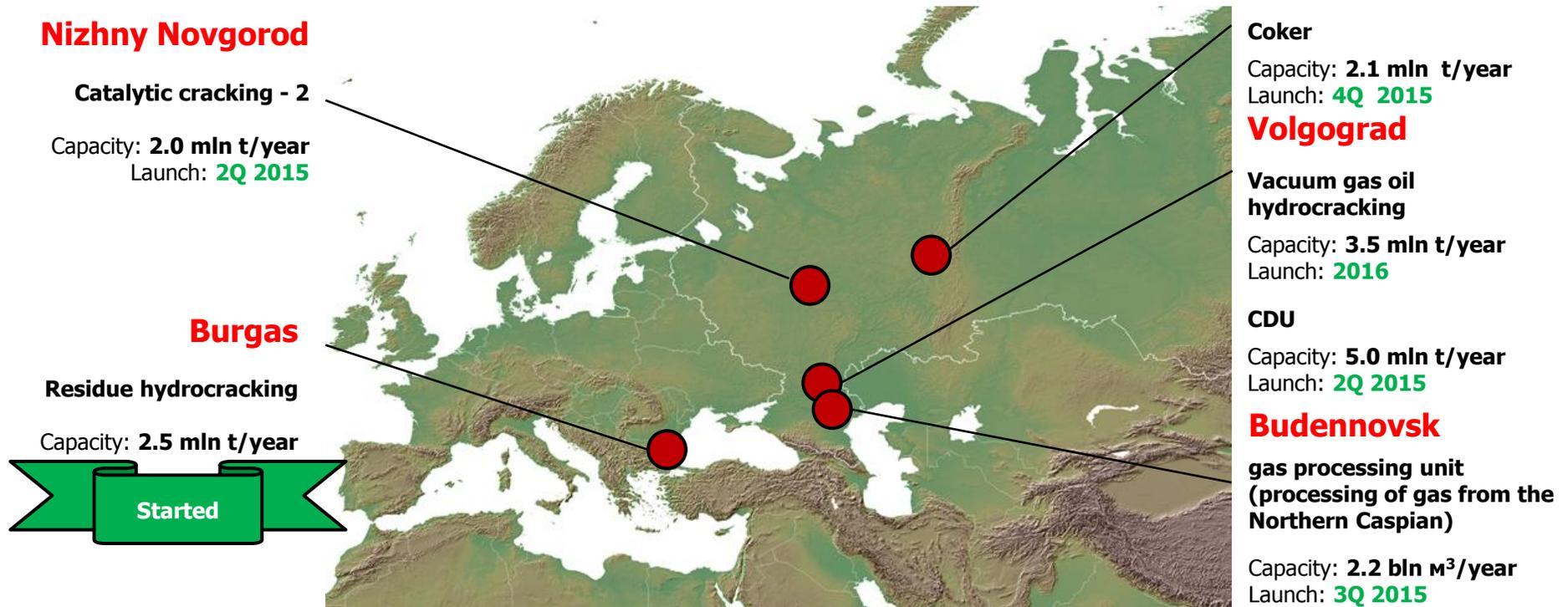


Production, Kbpd



Newly acquired Russian asset Kama-Oil **demonstrates positive dynamics of production**

In 2015 LUKOIL Will Complete Most of the Oil Refining Projects



In 2015-2016 LUKOIL will complete a large refining investment cycle, launching

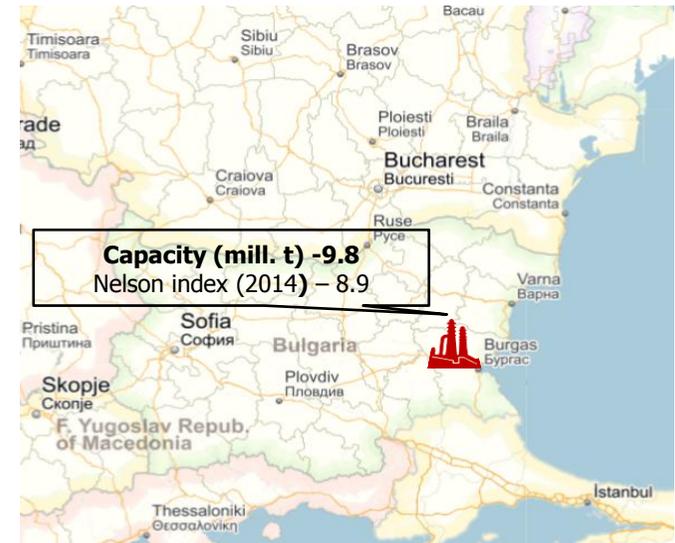
> 10 mln t of conversion process capacity

Projects' IRR >15%

Foreground Project - Residue Hydrocracking in Burgas



- The complex consists of: Residue hydrocracker with **capacity 2.5 mln t per year**, auxiliary facilities
- Effects:
 - decline in output of fuel oil
 - increased production of gasoline and diesel fuel
 - energy efficiency growth
 - positive environmental impact by reducing greenhouse gas emissions
- **Processing depth up to 90%**



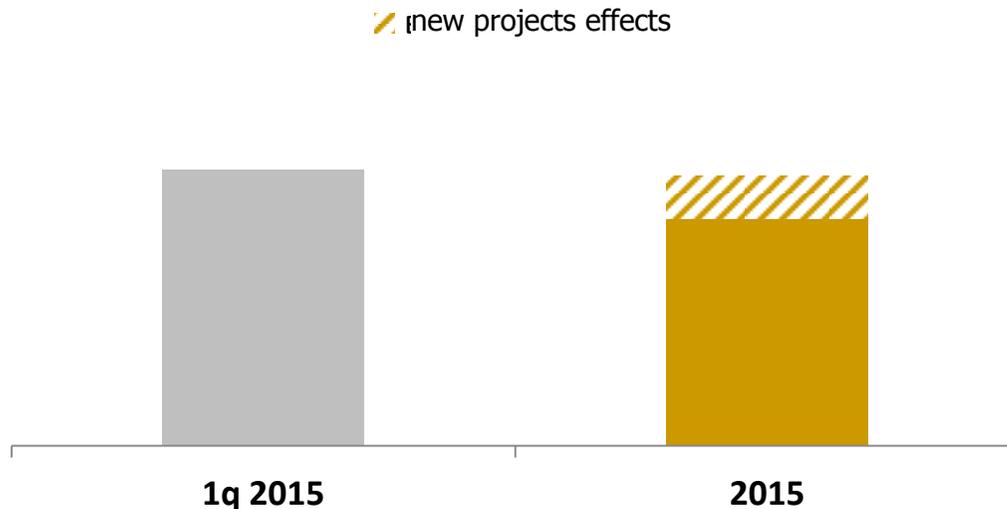
- Complex was launched on **May 20, 2015** in time and budget
- Nelson index after project launch - **13.0**
- The increase in EBITDA will be more than **\$200 mln** per year



Margin Of LUKOIL Russian Refineries in 2015 will Remain at a Competitive Level



LUKOIL Russian refineries margin, RUB per barrel



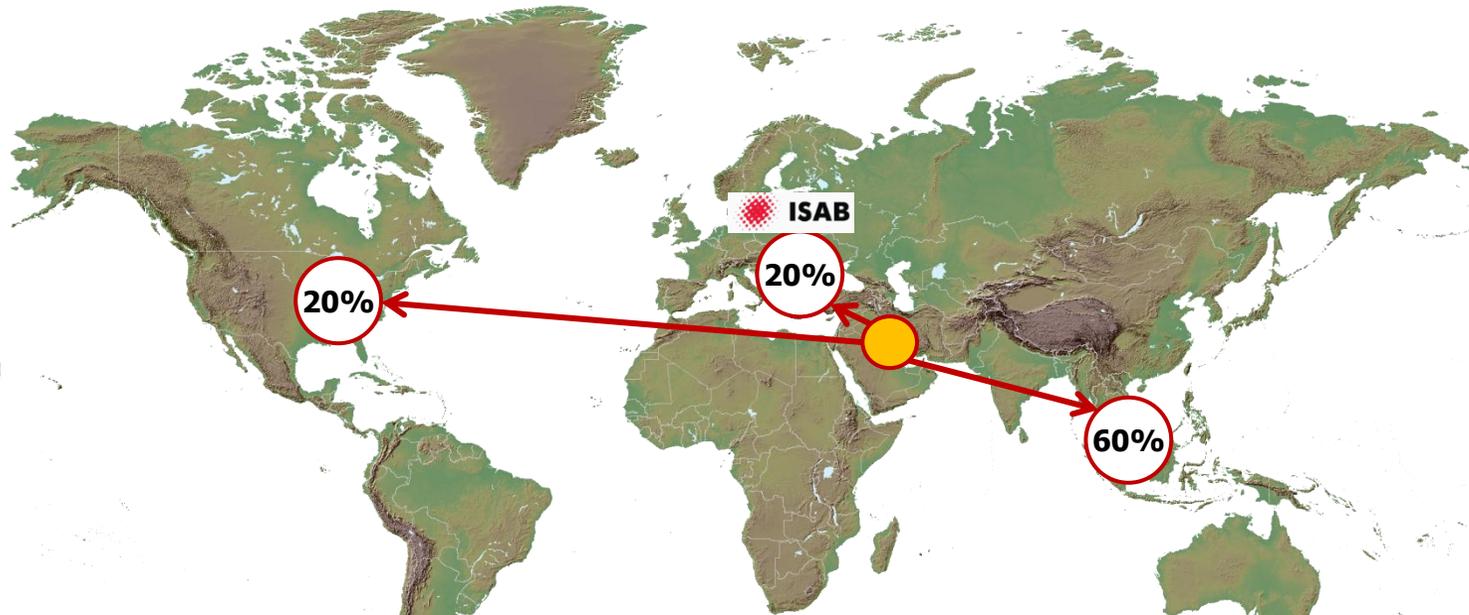
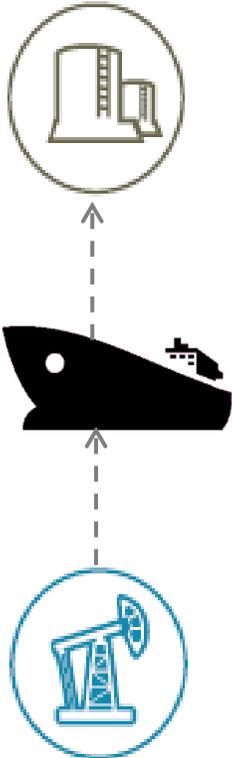
- Tax maneuver and domestic market stagnation will reduce the refinery margin in 2015
- **New conversion process launching in 2015** (Perm – Coker, Nizhny Novgorod – Catalytic cracking - 2) **will compensate for lower margins**

LUKOIL Russian refinery margin in 2015 will remain at a **competitive** and at a level that ensures its profitability performance and return on invested funds

West Qurna-2 Development



Added value



- In 1Q 2015 we shipped **11** tankers with **16.3** mln barrels of oil
- Compensation volume was **\$0.6 bln**
- Production at 1Q 2015: **300** Kbpd.
- By the end of this year the Company expects **to complete historical cost compensation** for the field development



Environmental Safety is LUKOIL Priority



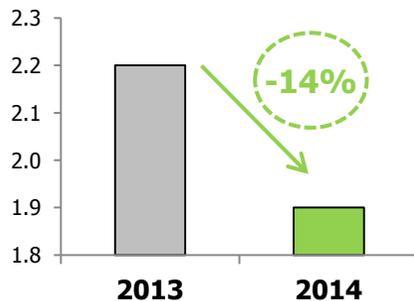
In April 2015 LUKOIL and World Wide Fund for Nature (WWF) signed a cooperation agreement



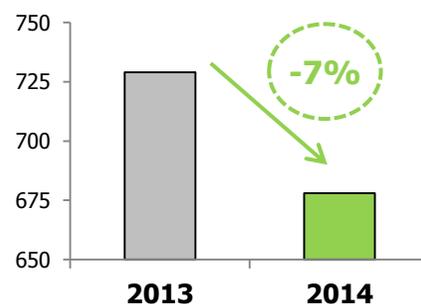
The agreement provides for bilateral consultations, working meetings, exchange of information and data regarding implementation of environmental protection projects and nature conservation in Russia



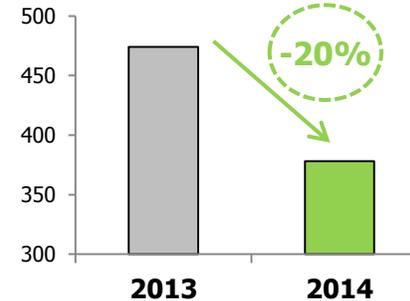
Dirty discharge, mcm



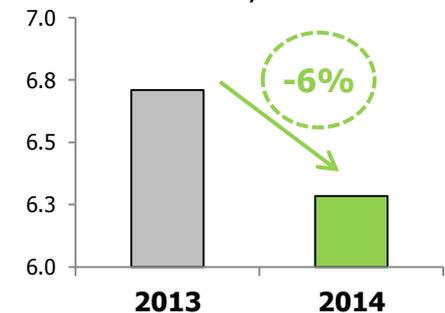
Atmospheric pollutant emission, th. t



Water consumption for own needs, mcm



Total amount of pipeline failures, th.





Conclusions



- Keeping a high level of **dividend payments**
- Optimization of **operating and capital expenditures**
- **The high efficiency** of new fields
- **Realization** of incurred cost compensation plan on **West Qurna-2 project**
- Running **efficient projects** in oil and gas refinery sector **in time and within the planned budget**
- Strong **financial position**