



LUKOIL

ALWAYS MOVING FORWARD

2013 Financial Results (US GAAP)

Moscow, February 2014



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, including our ability to execute our restructuring and cost reduction program.
- 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.

2013 Main Events



Oil production growth **+1.3%**

Finishing 1st stage of Filanovsky field infrastructure construction
 Final stage of West Qurna-2 field infrastructure
 9 fields and 49 strata discovered – **best result for the last 5 years**



Refineries modernization

Coking unit in Perm (2.1 mln t/year)
 VGO hydrocracking in Volgograd (3.5 mln t/year)
 Catalytic cracking in Nizhny Novgorod (2.0 mln t/year)



Expansion to Asia Pacific market

Oil export via ESPO pipeline started. It allows to sell LUKOIL's light oil as ESPO brand oil – with higher quality mark-up than for Urals oil

FitchRatings

High Ratings

Fitch upgraded LUKOIL rating from «BBB-» to «BBB» with stable outlook



2013 Financial Highlights



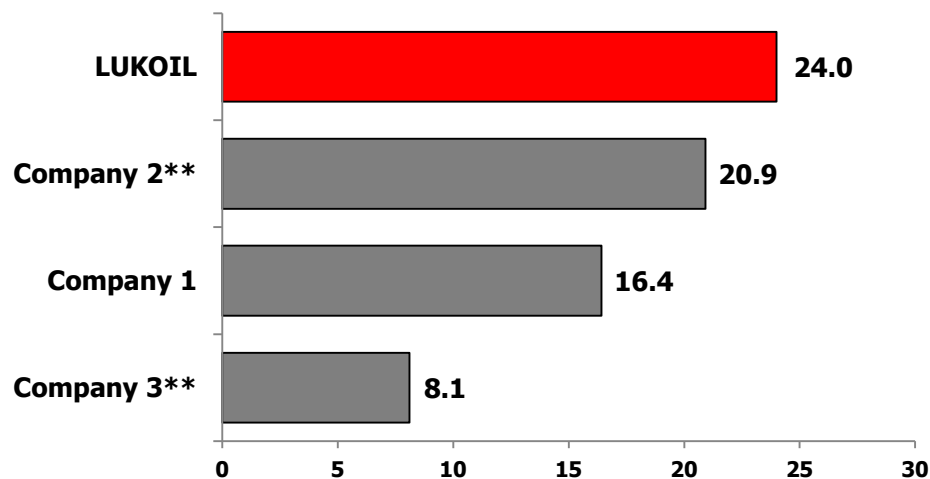
	Excluding one-off non-cash effects	Including one-off non-cash effects
• Net income, \$ mln	10,281	7,832
• Earning per share, \$	13.6	10.4
• EBITDA, \$ mln	19,255	16,668
• Free cash flow, \$ mln	643	643
• Debt / Capital	12%	12%



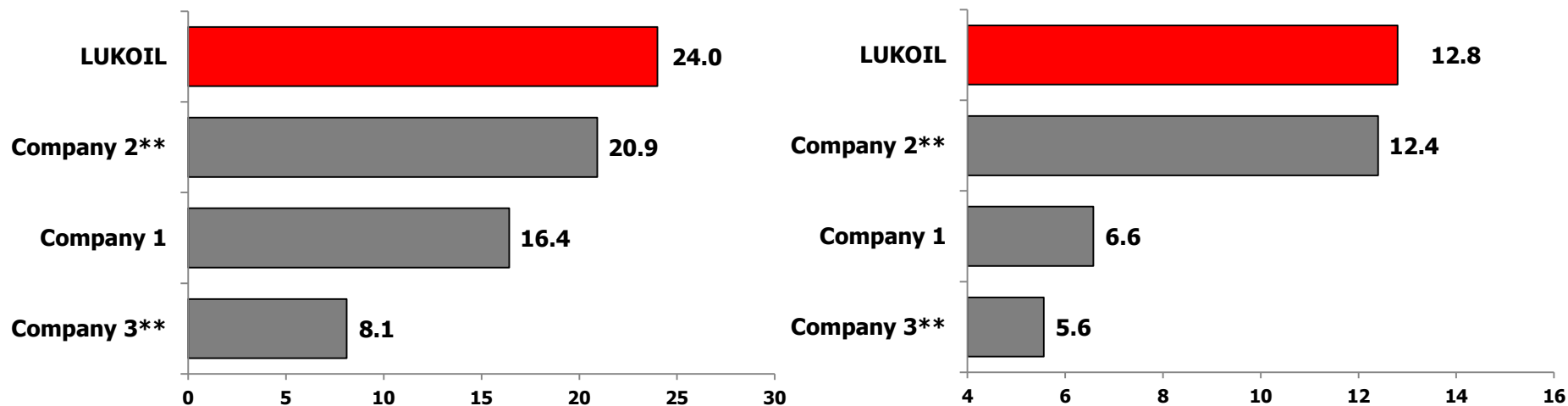
LUKOIL Presents High Financial Efficiency



2013 EBITDA per boe of production, \$*



2013 net income per boe of production, \$ *



* Calculated excluding one-off non-cash effect

** Expectations based on 9M 2013 results



Differences in the requirements between IFRS and US GAAP

- **Currency**

- Functional currency

- Reporting currency

- **Property, plant and equipment**

- Initial estimate

- Subsequent accounting

- Assets impairment

- **Disclosure of information**

- More detailed disclosure of information

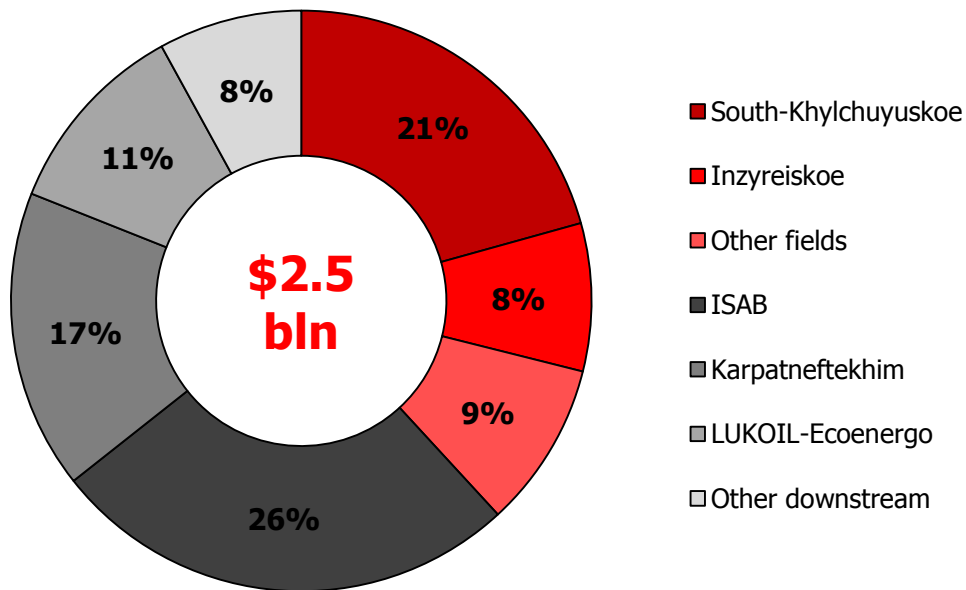
- Company risks and system of risk management

- **Other aspects**

Non-Cash Assets Write-offs



Loss on impairment of assets in 2013



Write-offs have occurred mainly as a result of:

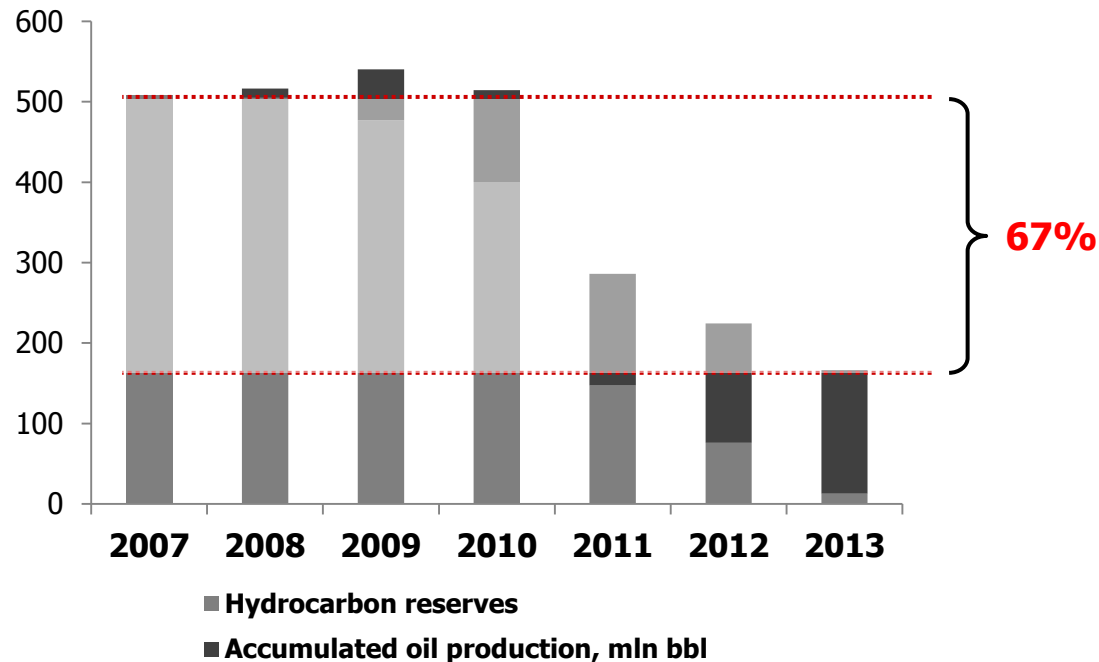
- **E&P** – realization of geological risks and reserves write offs.
- **R&M** – low refining margin in Europe and low profitability due to the political situation in Ukraine



Non-Cash Assets Write-offs: South-Khylchuyuskoe field – \$510 mln



South-Khylchuyuskoe field hydrocarbon production and 3P reserves, mln boe



Region: Timan-Pechora

Oil production in 2013: 14 th. bbl per day

As of the end of 2013 the Company **produced 30%** and **wrote-off 67%** of 3P hydrocarbon reserves booked in 2007 at the field

In 2013 reserves decreased to **13 mln boe** resulting in **non-cash loss of \$510 mln** on impairment of assets

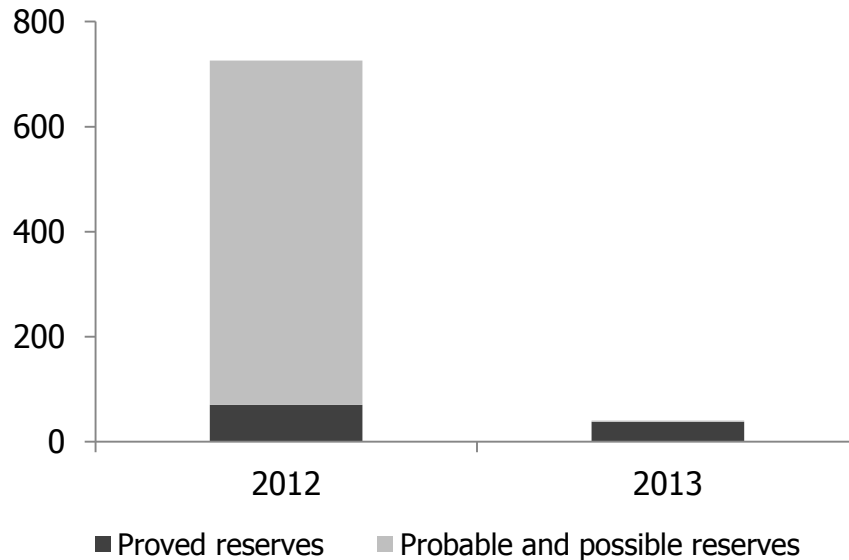
Economic effect will be about \$1 billion due to the potential use of the South-Khylchuyuskoe field infrastructure (oil pipeline, energy center, oil treatment unit, etc.) at the other fields (East-Lambeyshorskoe, Kharyaginskoe, Khylchuyuskoe, Yareiyuskoe, Im. Yuriya Rossikhina, East-Sarutayuskoe, Titov, Trebs).



Non-Cash Assets Write-offs: Inzyreiskoe field – \$203 mln



Inzyreiskoe field 3P hydrocarbon reserves,
mln boe



Region: Timan-Pechora

Oil production in 2013: 7 Kbpd

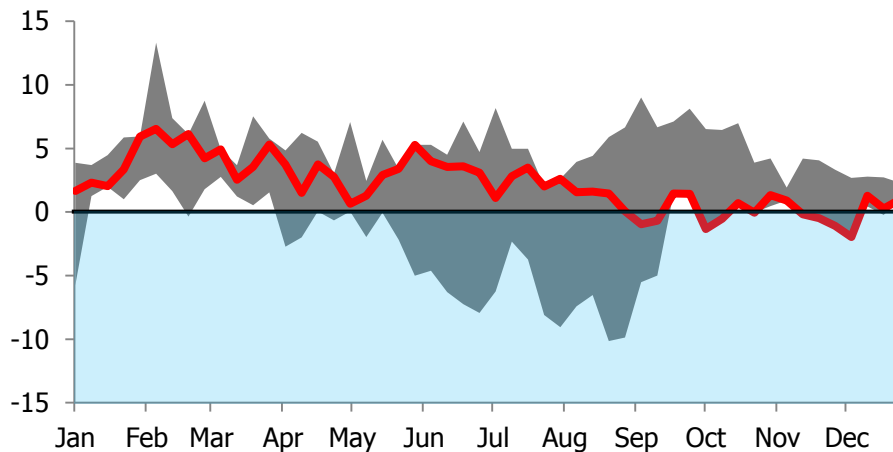
In 2013 3P reserves decreased by 686 mln boe resulting in **non-cash loss of \$203 mln** on impairment of assets

Reserves decreased due to the fact that drilling of the **new wells didn't confirm the presence of solid reservoir** on the previously promising areas. The reservoir appeared broken into separate small oil bearing patches unprofitable for development.

Non-Cash Assets Write-offs: ISAB – \$646 mln



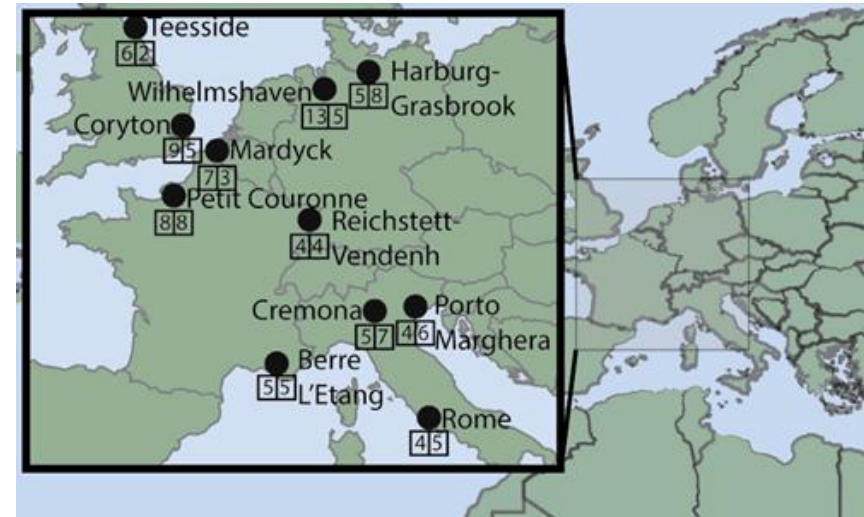
Average refining margin of a cracking refinery at Mediterranean Europe markets, \$ per bbl



Source: Bloomberg

■ 2009-2012 — 2013

≈1.8 Mbpd capacities were closed since 2009



Refining margins reduction in Europe caused by:

- Excess of capacities and products supply
- Competition with new large refineries from Asia and Middle East leads to negative profitability of European refineries
- Governments and labor unions are trying to save workplaces and stands against closing unprofitable refineries. This leads to artificial maintaining of excess capacities and products supply



Non-Cash Assets Write-offs: Karpatneftekhim – \$411 mln



Situation in Ukraine:

- Change of government. Political instability
- Unsatisfactory investment climate
- Uncoordinated policy of tax and regulatory authorities
- Pressure on raw materials importers: high raw materials import duties
- Preferences to importers of finished products: low finished products import duties

Results:

Negotiations with Ukrainian government on tariffs reduction was halted

Shrinking of Ukrainian industrial polymers market

Prospects:

Forming of new government should restart negotiations on:

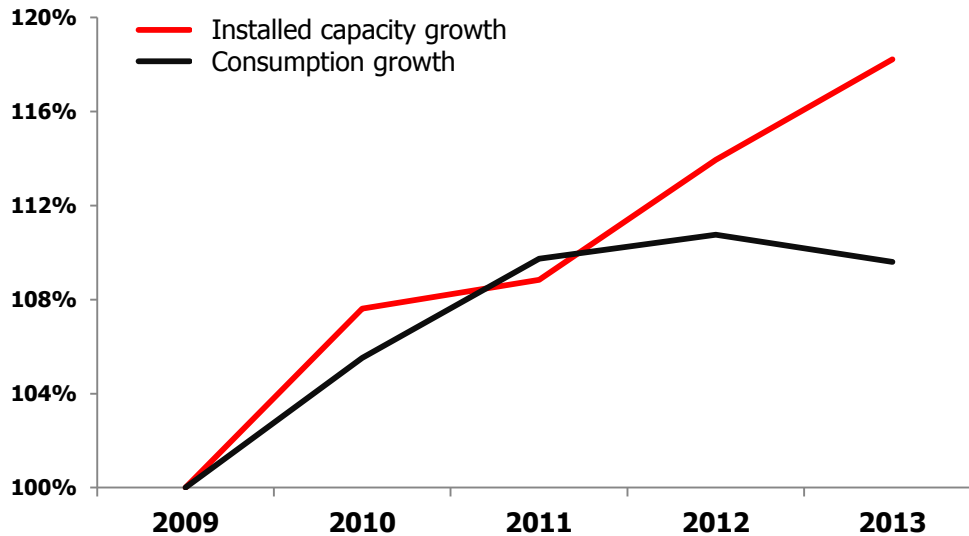
- Reduction of railroad and heat tariffs
- Reduction of gas price



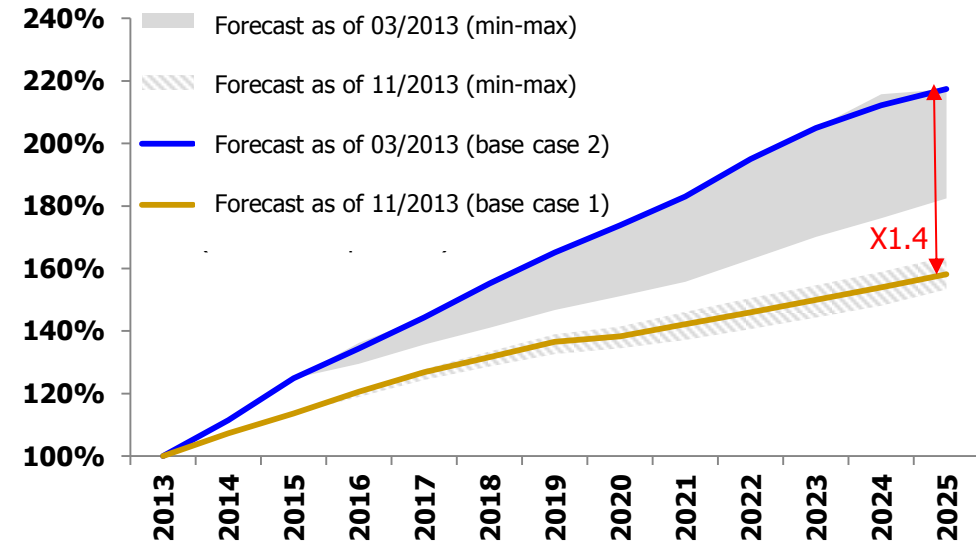
Non-Cash Assets Write-offs: LUKOIL-Ecoenergo – \$270 mln



Power consumption and installed capacity growth on Russian South (2009=100%)*



Accumulated forecasted power tariff growth for all consumers (2013=100%)**



- Installed power capacity increased on Russian South; **consumption growth decreased**
- Russian government **reduced power tariffs forecast**

* Source: SO UES http://so-ups.ru/index.php?id=tech_disc

** Source: forecast of Russian Ministry of Economic Development www.economy.gov.ru

Non-Cash Expenses Write-offs: West Africa – \$277 mln



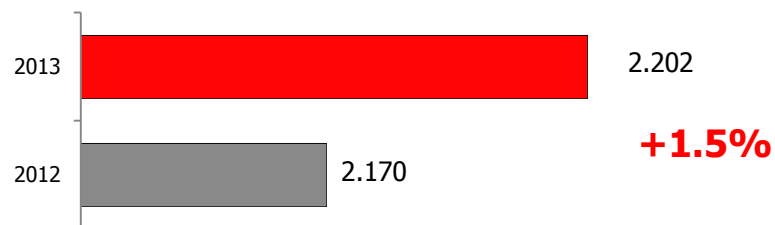
In 2013 expenses write-offs in West Africa amounted to:

- \$92 mln in Ghana
- \$89 mln in Cote d'Ivoire
- \$96 mln in Sierra Leone

Main Operating Results

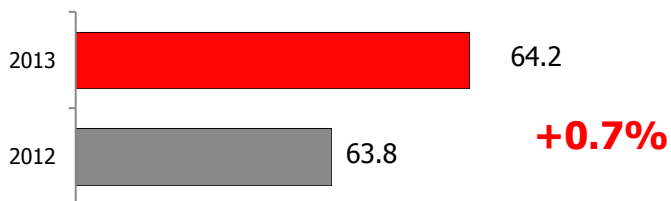


Hydrocarbon production, mln boe per day



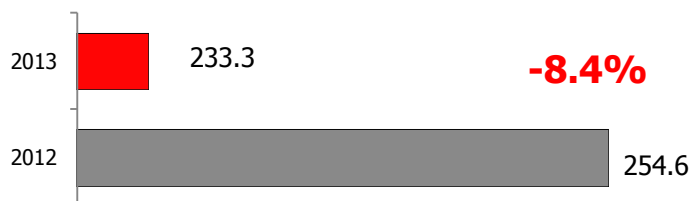
- Acquisition of upstream assets
- Fields development in the Caspian Sea
- Launching new wells and employment of EOR methods in Komi and Urals regions

Refined products production, mln t



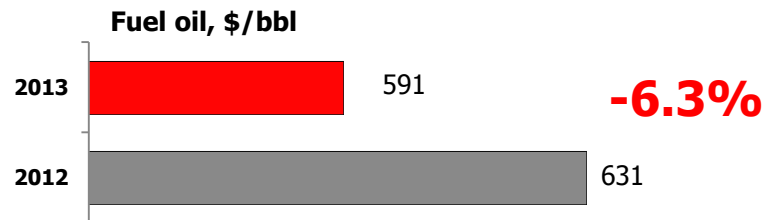
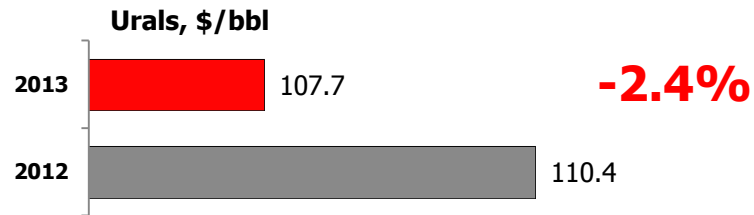
- Increase of refining at Nizhny Novgorod refinery after completion of reconstruction in 2012

Crude oil export, mln bbl

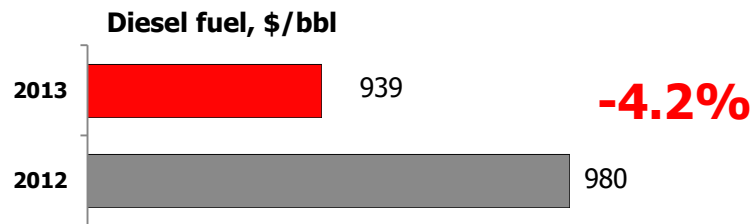


- Domestic demand increase
- Increase of refining at domestic refineries

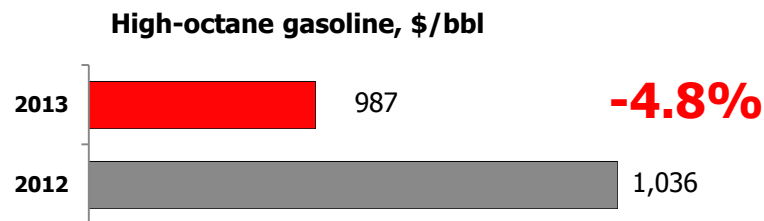
Macroeconomic environment



FOB Rotterdam



FOB Rotterdam



FOB Rotterdam

Major pricing factors

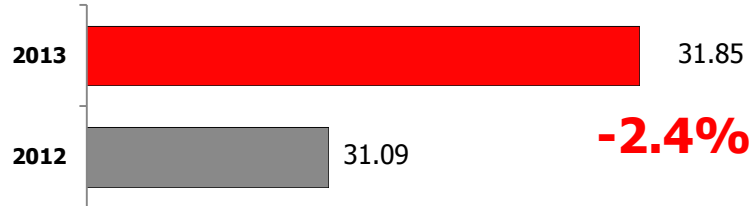
- **Middle East political uncertainty**
- **OPEC balancing policy**
- **Exploration cost escalation.** High production costs of shale oil and deepwater shelf production (60-90 \$/bbl).
- **Demand growth** in Asian countries

- **«Cheap money» cycle termination.** Anticipation for USA QE tapering.
- **Supply growth:** Launching new projects in Iraq and Saudi Arabia, development of shale hydrocarbons, biofuels and GTL, shelf field production, independent producers production growth.

Macroeconomic and tax environment

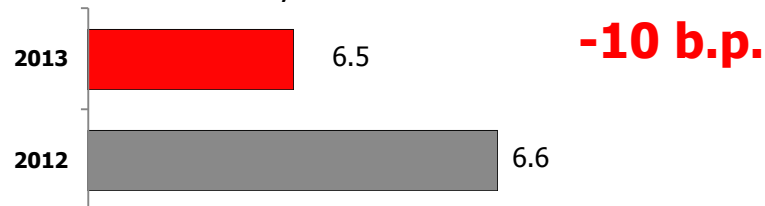


Average exchange rate RUB per 1 USD



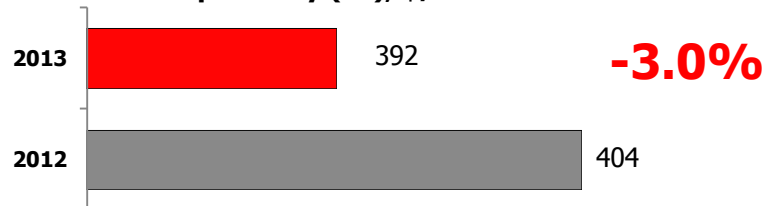
- RUB average exchange rate dropped by 2.4% to USD, as well as to other currencies of developed countries in 2013, which is a **positive factor** for our expenses, more than 80% of which are denominated in rubles

Inflation, %



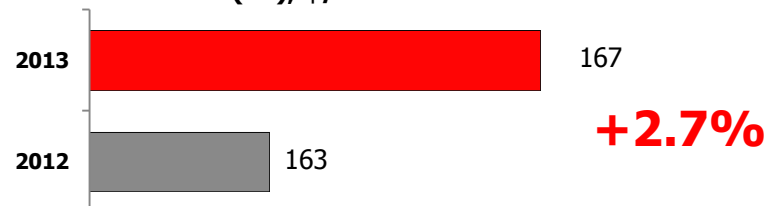
- Inflation rate slightly slowed down

Export duty (oil), \$/t



- Average export duties were slightly reduced following annual oil price drop

MET (oil), \$/t

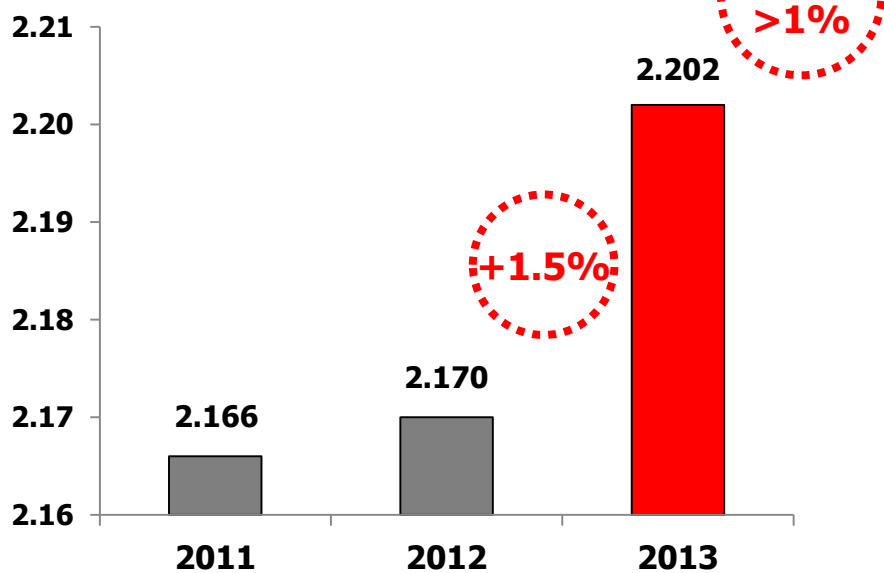


- Average MET for oil increased by 2.7% in 2013

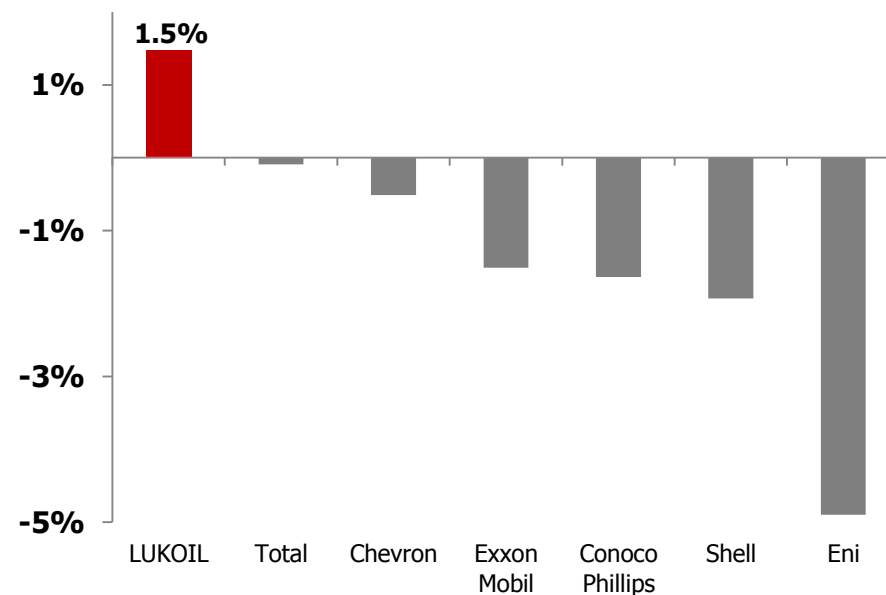
Hydrocarbon production



LUKOIL hydrocarbon production, mln boe per day



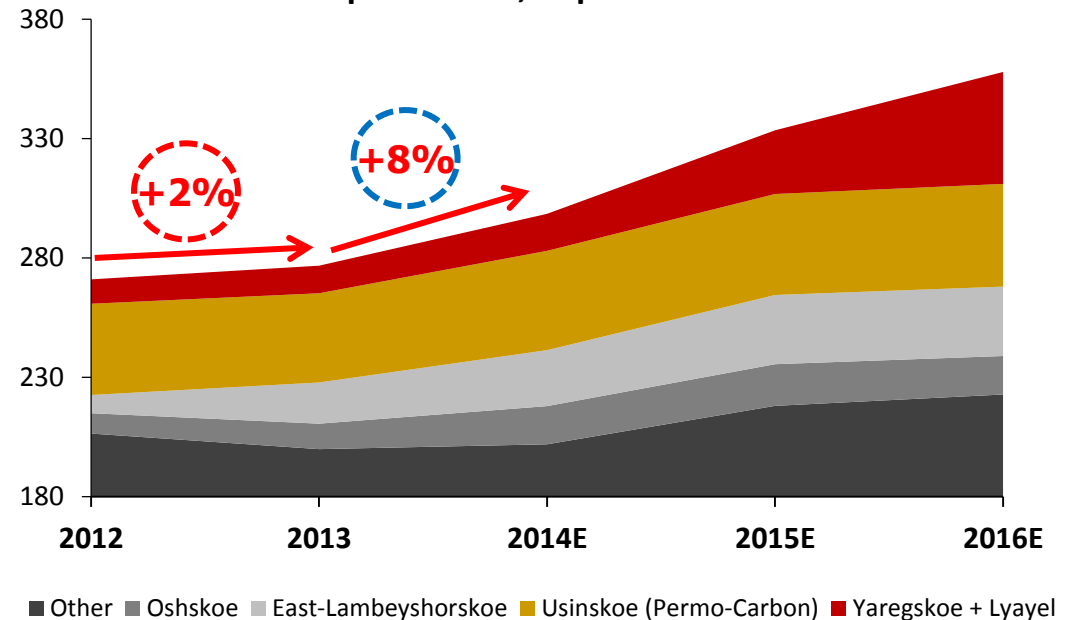
Hydrocarbon production growth rate 2013/2012, %



LUKOIL-Komi (Timan-Pechora)

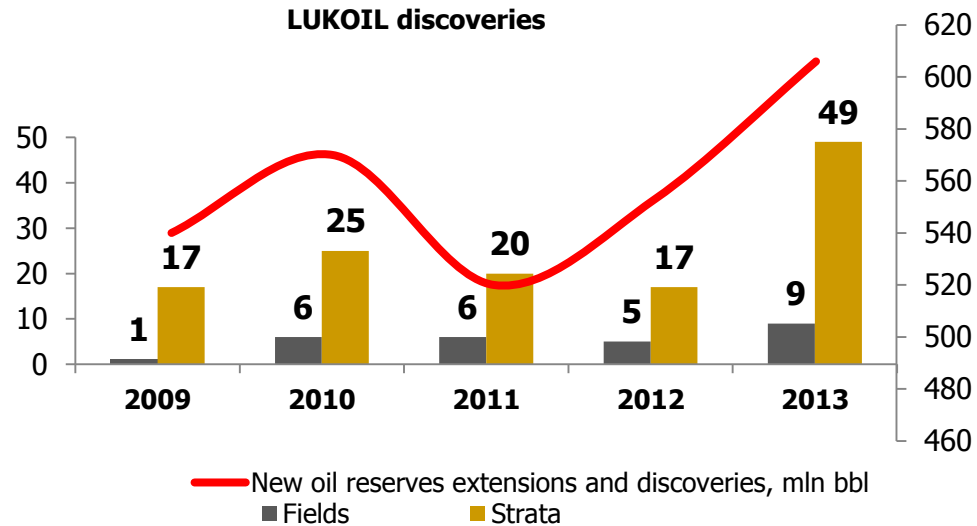


Oil production, Kbpd



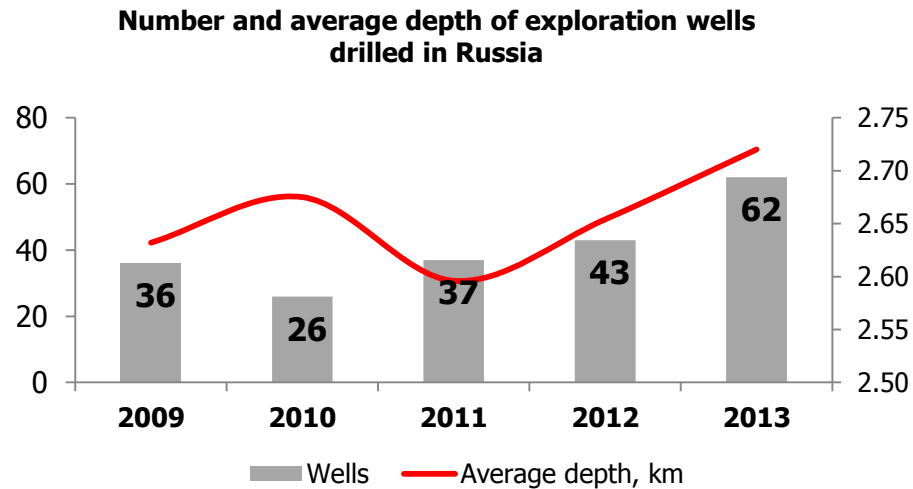
- **3P hydrocarbon SEC reserves 3.2 bln bbl** (93% of LUKOIL in Timan-Pechora)
- **Yaregskoe and Usinskoe** – LUKOIL’s major high viscosity oil fields subject to tax benefits
- **Oshskoe and East-Lambeyshorskoe** – two largest 2014E contributors of LUKOIL oil production growth in Russia

Exploration 2013



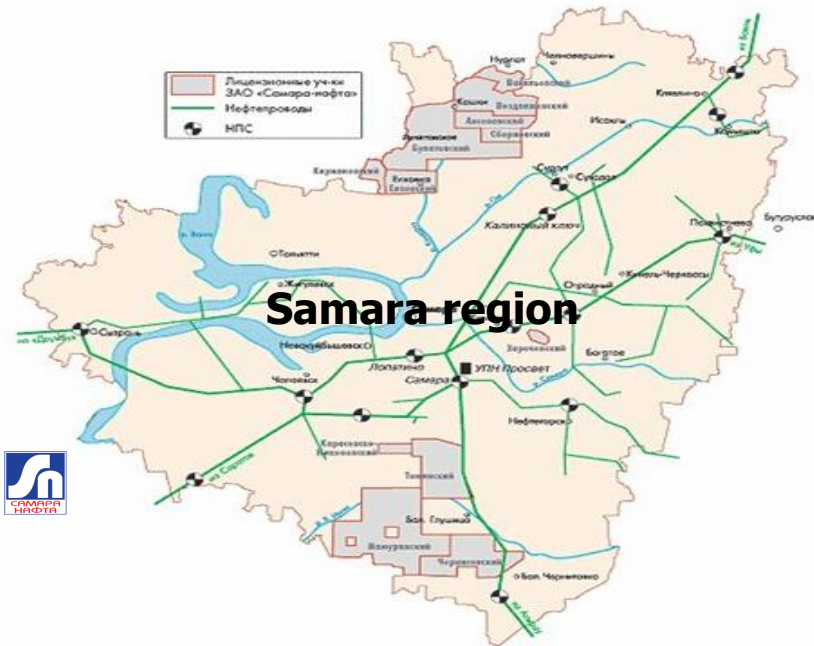
- Due to increasing wells drilling LUKOIL achieved the **best** results in discoveries for the last **5 years**

- Oil reserves extensions and discoveries was **606** mln bbl

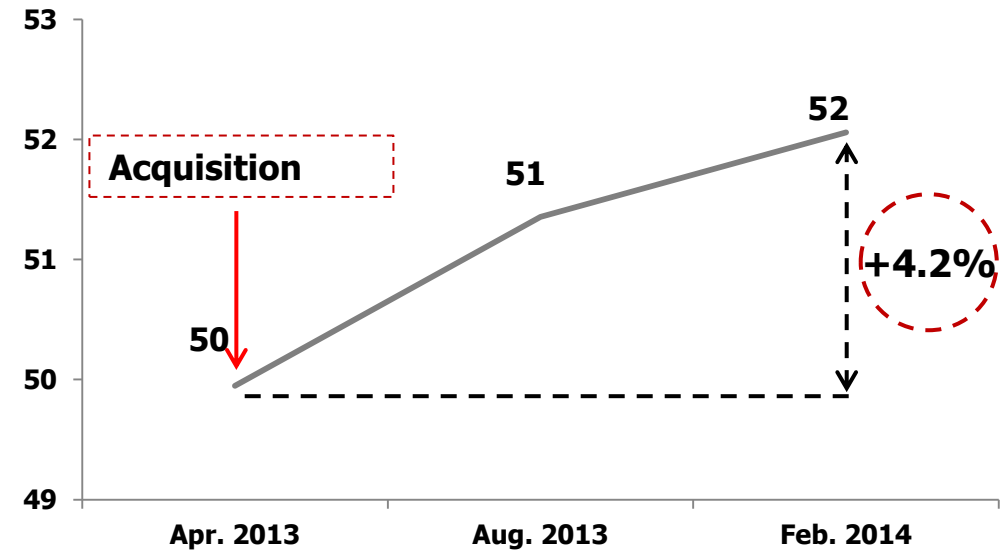




Acquisition of Samara-Nafta



Samara-Nafta oil production, Kbpd



Exploration and development licenses:

For more than **60** fields within **23** license blocks

At the moment of acquisition:

Reserves C1+C2: **600 mln bbl**
 Acquisition cost: \$2.1 bln (\$3.4 per bbl)

Results of 2013:

5 field and 4 strata have been discovered

Samara-Nafta: discoveries in 2013 after the acquisition



5 oil fields

	Oil reserves, mln bbl
Novokoshkarskoe	0.4
South-Akhmatovskoe	1.6
Svetloozerskoe*	7.8
Kulikovskoe*	22.2
Razdolnoe*	2.0

34 mln bbl of
recoverable 3P reserves

4 Oil strata

**February of 2014:
South-Krymskoe
1 well
3.4 mln bbl 3P**

	Oil reserves, mln bbl
Dubrovskoe	3.2
Vozdvizhenskoe	1.6
Zagriadskoe	4.3
Smorodinovskoe**	0.3

9.5 mln bbl of
recoverable 3P reserves

* - Expected reserves; booking at the Federal Reserves Commission in 2014

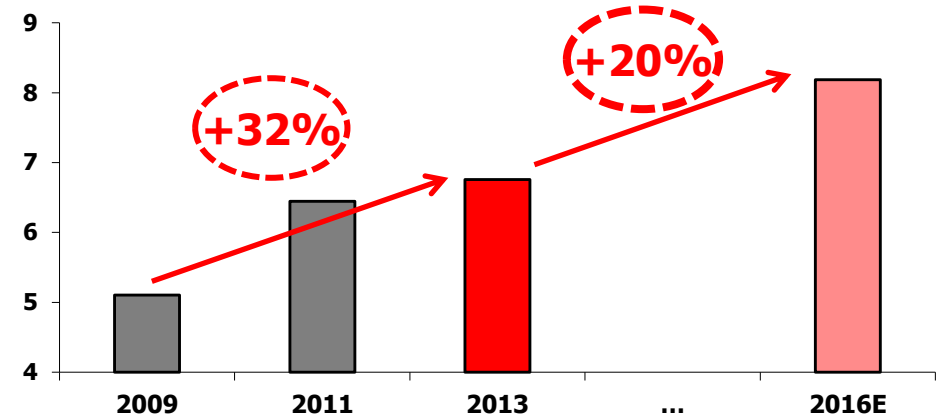
** - Reserves due to production drilling



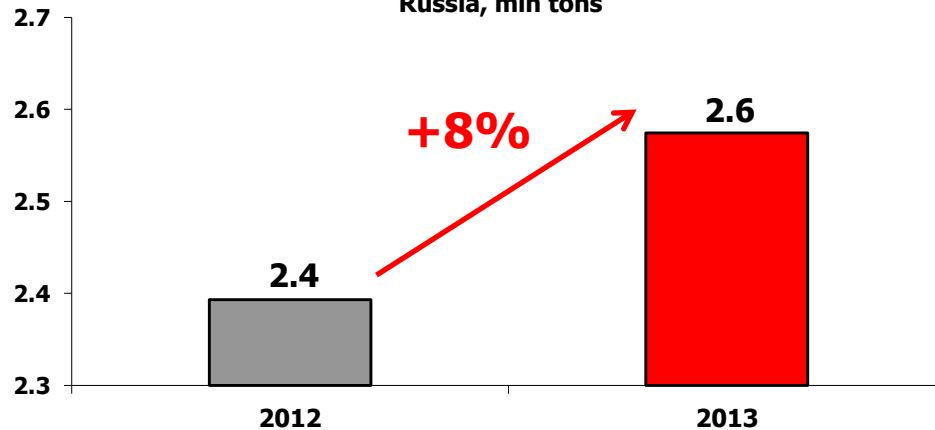
LUKOIL Increases Production of High-Octane Gasoline In Russia



Production of high-octane gasoline in Russia, mln tons



Production of premium and higher quality gasoline in Russia, mln tons



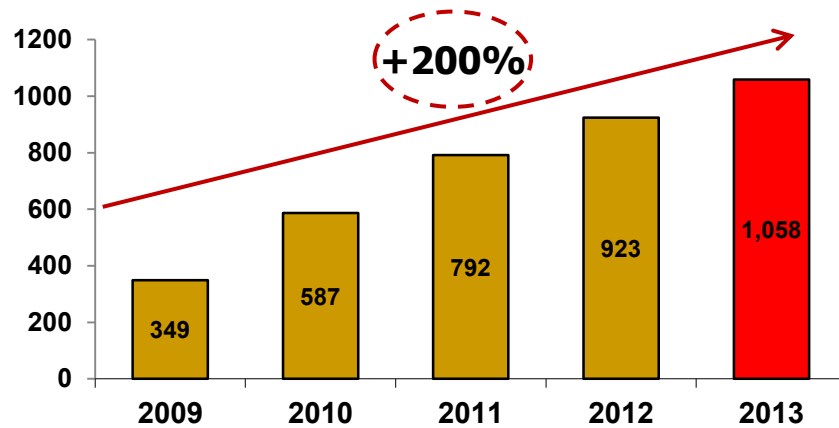
- LUKOIL has **doubled** ECTO premium fuel sales since 2009

- LUKOIL Euro-5 gasoline and diesel savings due to **excise tax differentiation** in Russia in 2013 amounted up to **\$1.5 bln** including \$300 mln from ECTO fuel

LUKOIL Aircraft Refueling Business in Russia



Into-plane fueling volume in Russia, th. t



LUKOIL increases geographic coverage of aircraft refueling services and fuel sales volumes on a regular basis

EBITDA of LUKOIL aircraft refueling business in Russia in 2013 was about \$130 mln





Financial Results



2013	2012	Δ, %	\$ million	Excluding one-off non-cash effects 2013	Including one-off non-cash effects 2013
141,452	139,171	2	Sales	141,452	141,452
(10,086)	(9,359)	8	OPEX	(10,086)	(10,086)
(36,137)	(36,502)	(1)	Taxes other than income tax (including excise and export tariffs)	(36,137)	(36,137)
10,247	14,070	(27)	Income from operating activities	13,025	10,247
10,458	13,723	(24)	Income before income tax	13,236	10,458
7,832	11,004	(29)	Net income	10,281	7,832
10.38	14.47	(28)	Basic EPS, \$	13.63	10.38
16,668	18,915	(12)	EBITDA	19,255	16,668



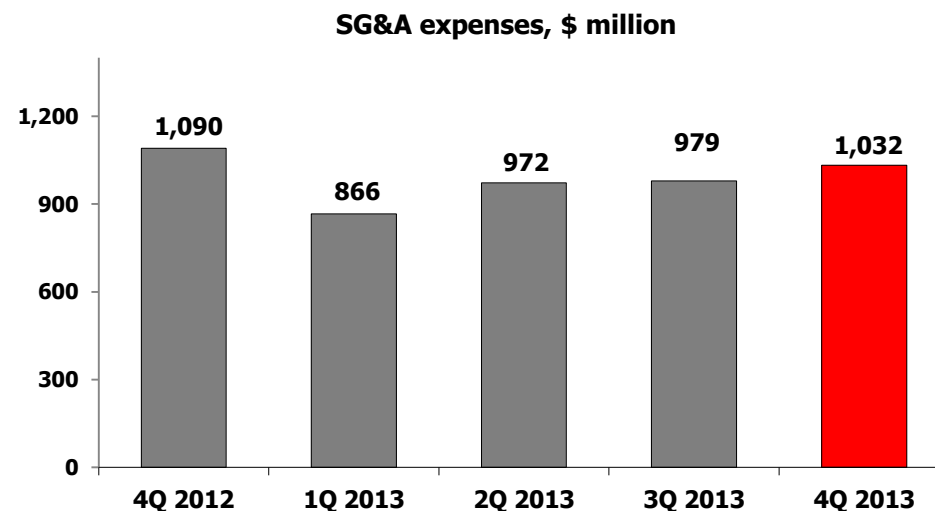
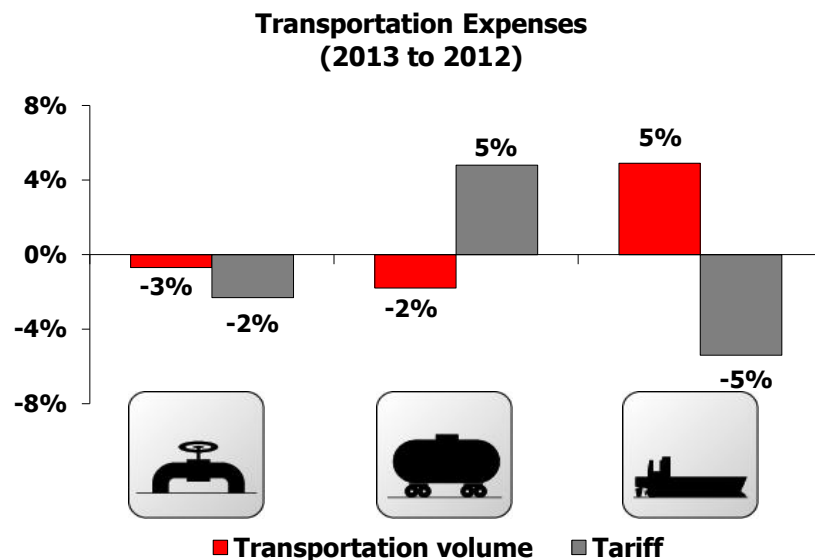
Operating Expenses



4Q 2013	3Q 2013	Δ, %	\$ million	2013	2012	Δ, %
1,145	1,103	4	Hydrocarbon extraction expenses	4,335	3,861	12
567	540	5	Own refining expenses	2,170	1,669	30
107	113	(5)	Refining expenses at third parties and affiliated refineries*	471	862	(45)
285	307	(7)	Expenses for crude oil transportation to refineries	1,265	1,241	2
193	160	21	Power generation and distribution expenses	717	619	16
89	79	13	Petrochemical expenses	320	303	6
220	212	4	Other operating expenses	808	804	0
2,606	2,514	4	Total	10,086	9,359	8
17,183	17,176	0	Cost of purchased crude oil, gas and products	65,924	64,148	3

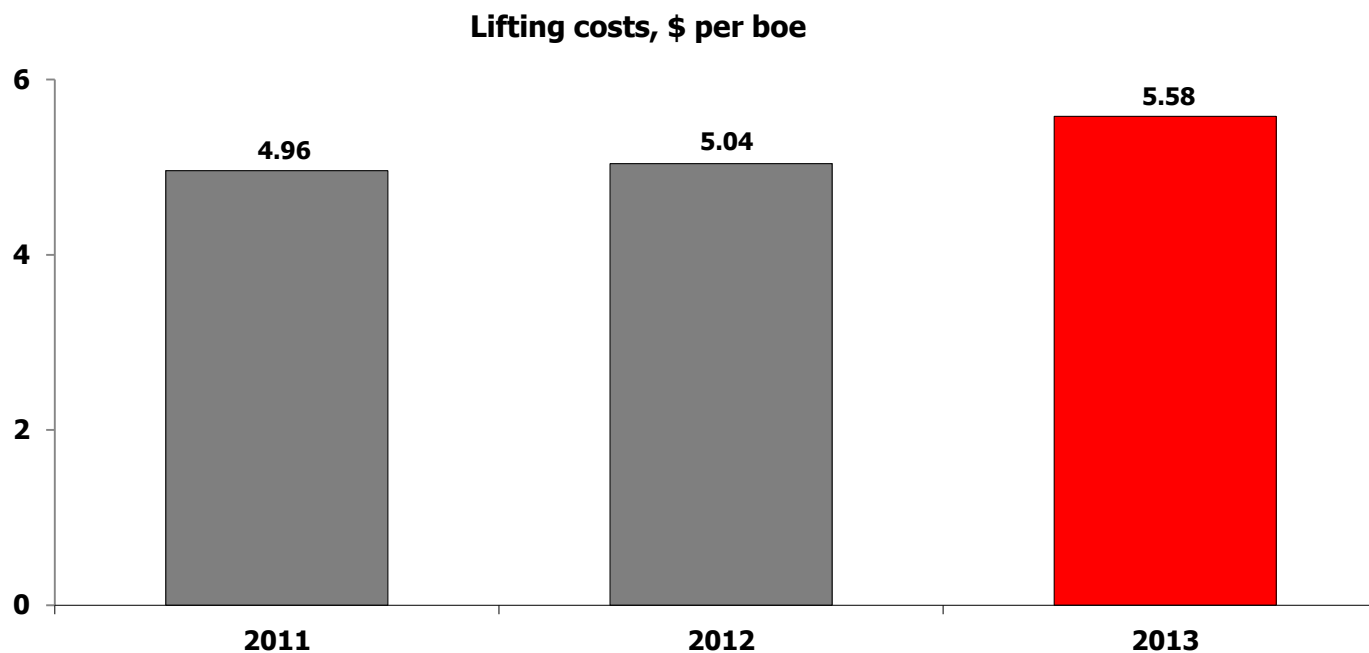
* Including cost of processing operations at ISAB

SG&A and Transportation Expenses



4Q 2013	3Q 2013	Δ, %	\$ million	2013	2012	Δ, %
1,575	1,503	4.8	Transportation expenses	6,290	6,171	1.9
1,032	979	5.4	Selling, general and administrative expenses	3,849	3,755	2.5
2,607	2,482	5.0	Total	10,139	9,926	2.1

Effective Cost-control



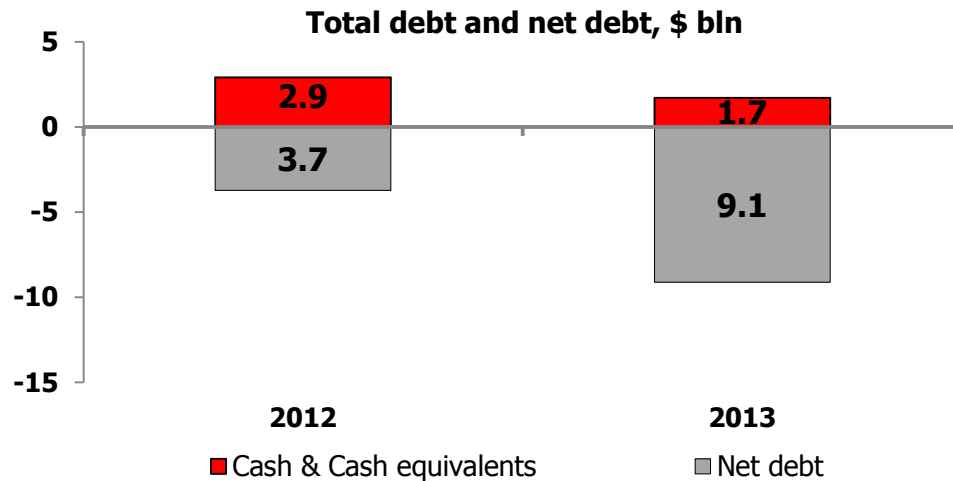
In 2013, our hydrocarbon lifting costs increased by 10.7% to \$5.58 per boe, mainly **as a result of regulated power tariffs increase** in Russia.

Annual average **power tariff** in Russia for retail industrial consumers **increased by 36%** y-o-y



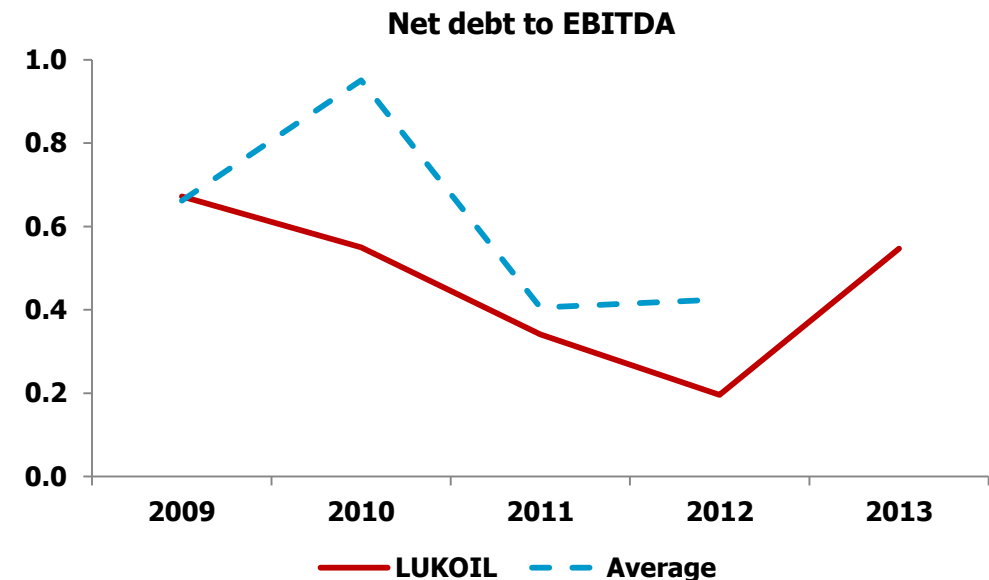
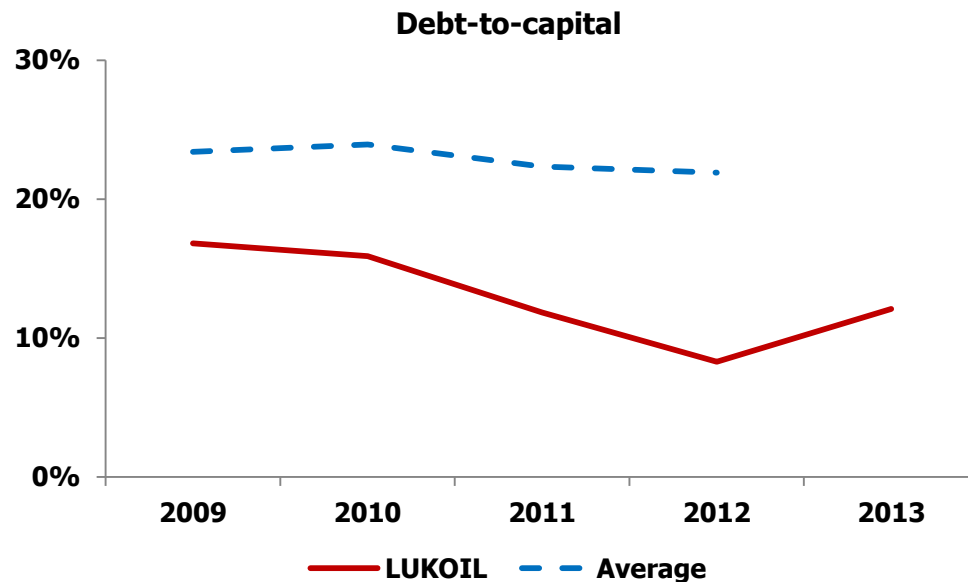
LUKOIL

Robust Financial Position

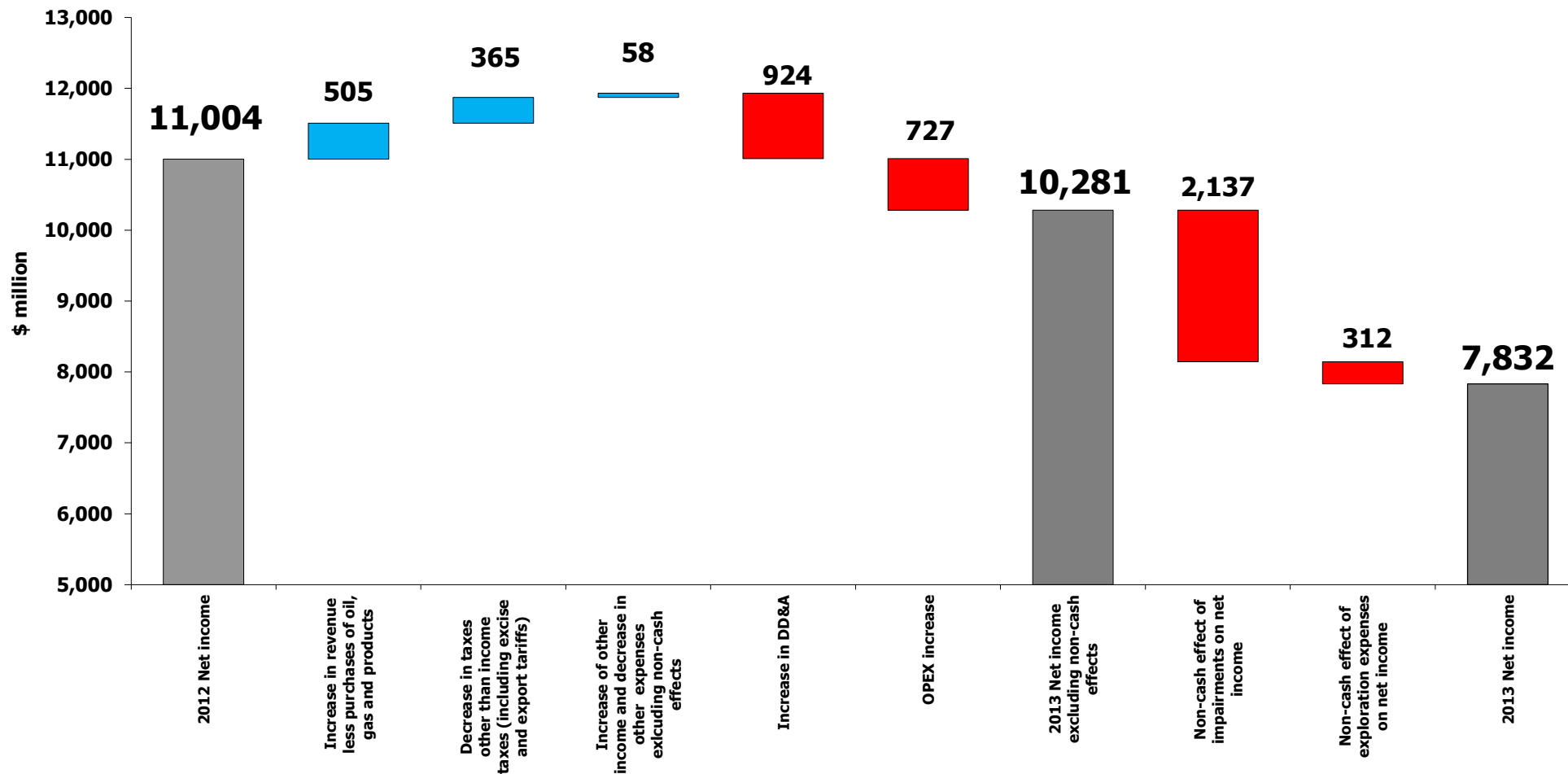


- In 2013 LUKOIL successfully raised **\$4.5 bln** by issuing eurobonds (5-year \$1.5 bln **3.4%** notes and 10-year \$1.5 bln **4.6%** notes) and took a \$1.5 bln loan (12-month **LIBOR + 2.5%**)

- LUKOIL increases the **share of cheap debt capital**. At the end of 2013 debt-to-capital amounted to **12%**.

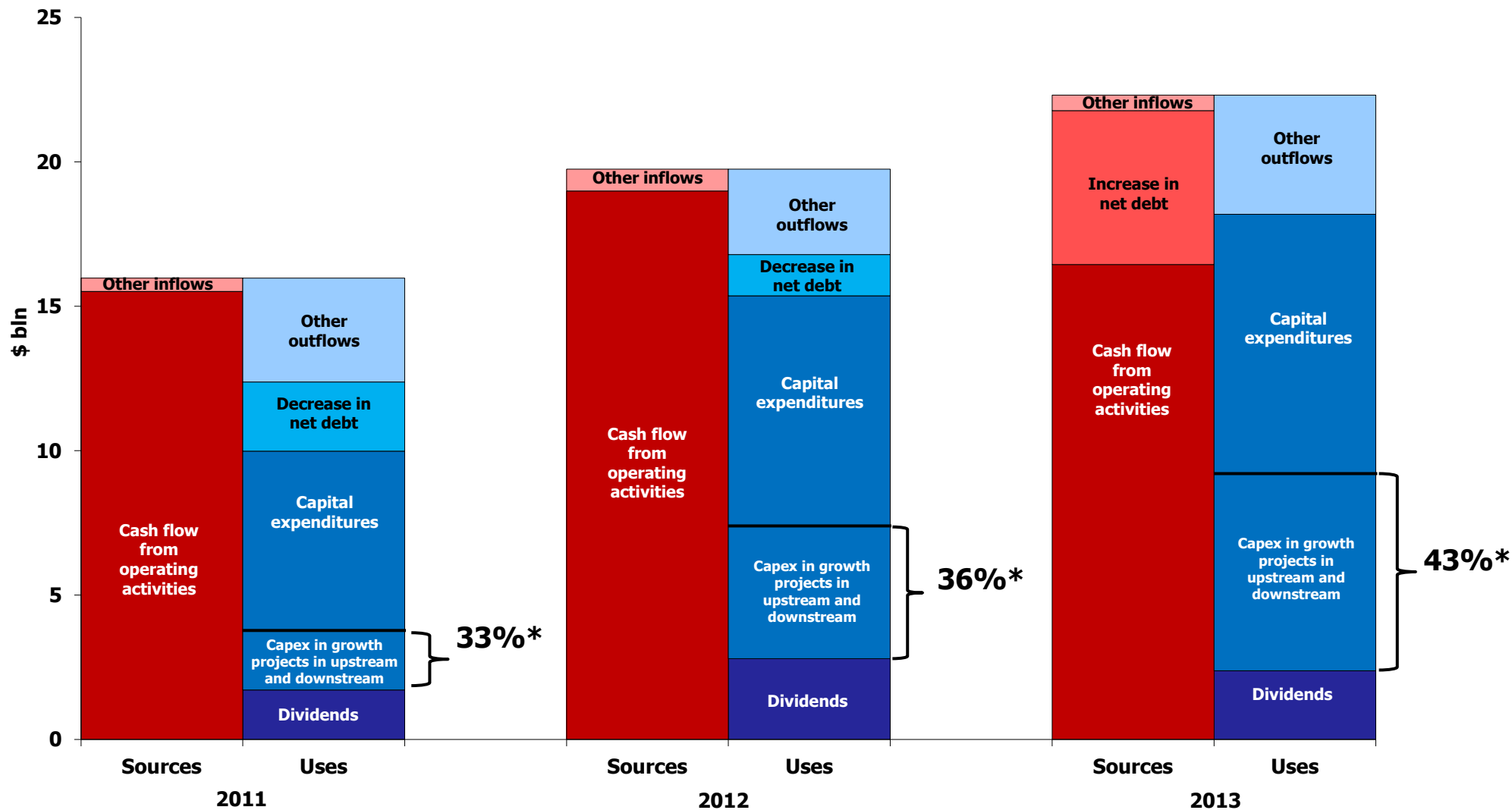


2013 Net Income Reconciliation





Sources and Uses of Cash



* Share of investments in Company development



CAPEX



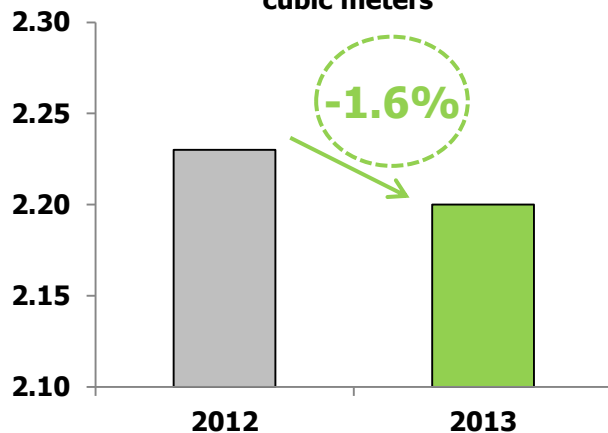
4Q 2013	3Q 2013	Δ, %	\$ million	2013	2012	Δ, %
3,565	2,788	28	Exploration and production	11,808	8,973	32
2,459	1,947	26	Russia	8,325	7,085	18
1,106	841	32	International	3,483	1,888	84
830	766	8	Refining and marketing	2,715	2,007	35
455	487	(7)	Russia	1,736	1,439	21
375	279	34	International	979	568	72
59	19	211	Chemicals	113	90	26
53	18	194	Russia	105	62	69
6	1	500	International	8	28	(71)
84	86	(2)	Power generation	285	503	(43)
168	96	75	Other	513	277	85
4,706	3,755	25	Total (cash and non-cash)	15,434	11,850	30



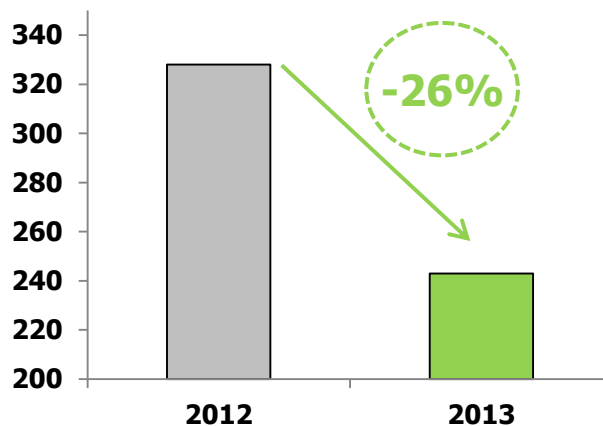
Environmental Safety is Our Priority



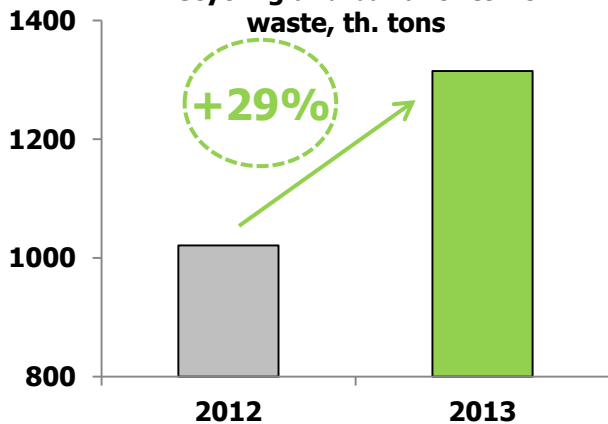
Waste water discharge, million cubic meters



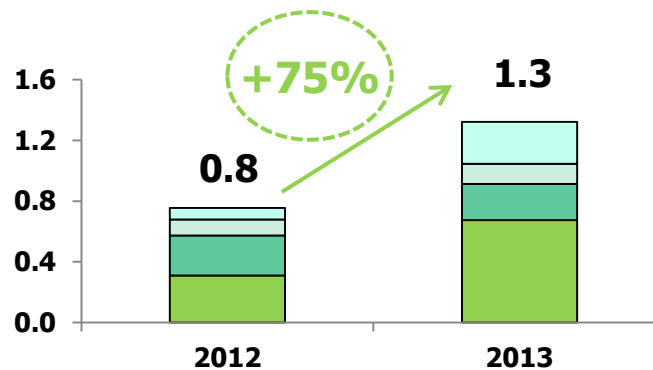
Area of contaminated lands, ha



Recycling and burial of toxic waste, th. tons



Environmental spending, \$ bln



- Current expenditures on environmental protection
- Investments in environmental protection
- Diagnosis, prevention and repair of equipment
- APG utilization





- **The Company moves from the stabilization phase to the growth phase, focusing on the long-term **sustainable growth** of production**
- **LUKOIL receives **access to the strategic reserves** of Russia and expanded significantly its resource base through exploration**
- **Company operations are aimed at:**
 - Value creation and accelerating growth of **dividends**
 - Increasing **efficiency** of operating activities
 - Cost control, and **OPEX optimization**
 - Maintaining **conservative financial policy**
 - Maintaining **strong financial discipline**
- **Dividends will continue to grow. Our goal is to **increase shareholder value****