



LUKOIL

ALWAYS MOVING FORWARD

2Q 2014 Financial Results (US GAAP)



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Moscow, August 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.
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2Q 2014 Financial Highlights



Y-o-Y

- **Net income – 2,389 million** **+14%**
- **Basic earnings per share – \$3.16** **+14%**
- **EBITDA – \$5,437 million** **+25%**
- **Hydrocarbon production – 2.313 million boe per day** **+5.5%**

Free cash flow was \$168 million despite significant capex growth



2Q 2014 Main Events



Liquid hydrocarbon production growth **+7.2%**

Including West Qurna-2 project



Start of cost compensation in Iraq

The first tanker with LUKOIL's compensation oil departed from Iraq in August



Construction of sea platforms in the Caspian

The first sea platform was constructed for Filanovsky field

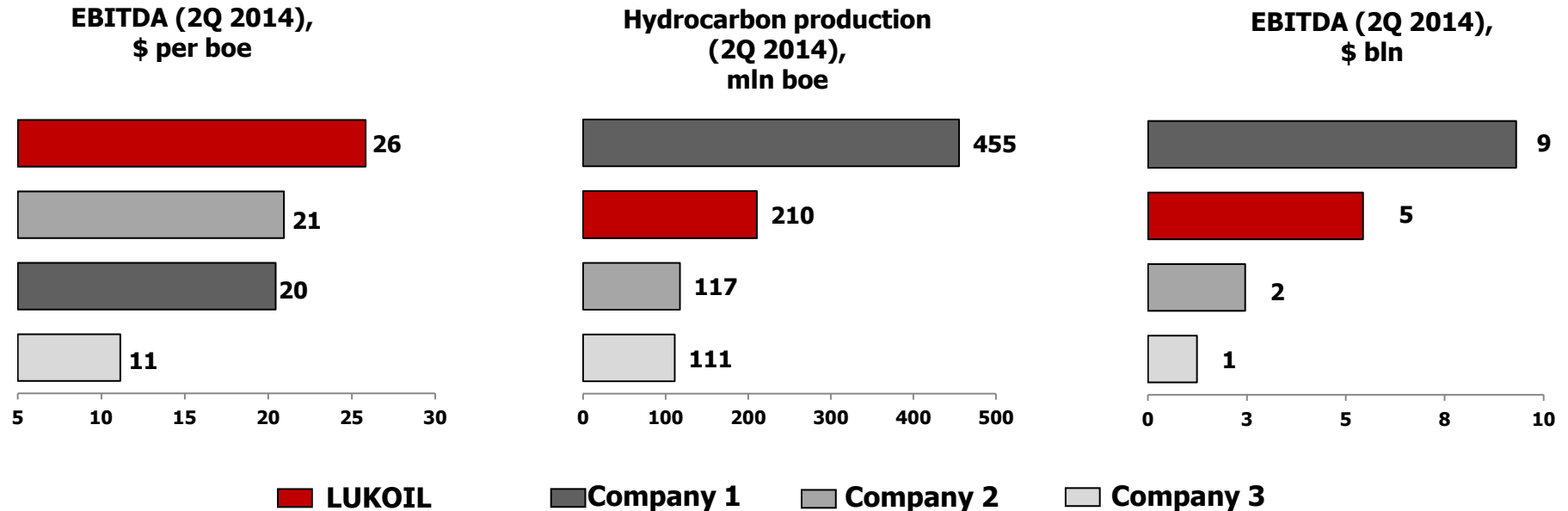


Start of diamonds production

LUKOIL started development of the world largest new kimberlite pipe at Grib deposit. LUKOIL share in the world diamonds production may reach 4%.



LUKOIL Presents High Financial Efficiency

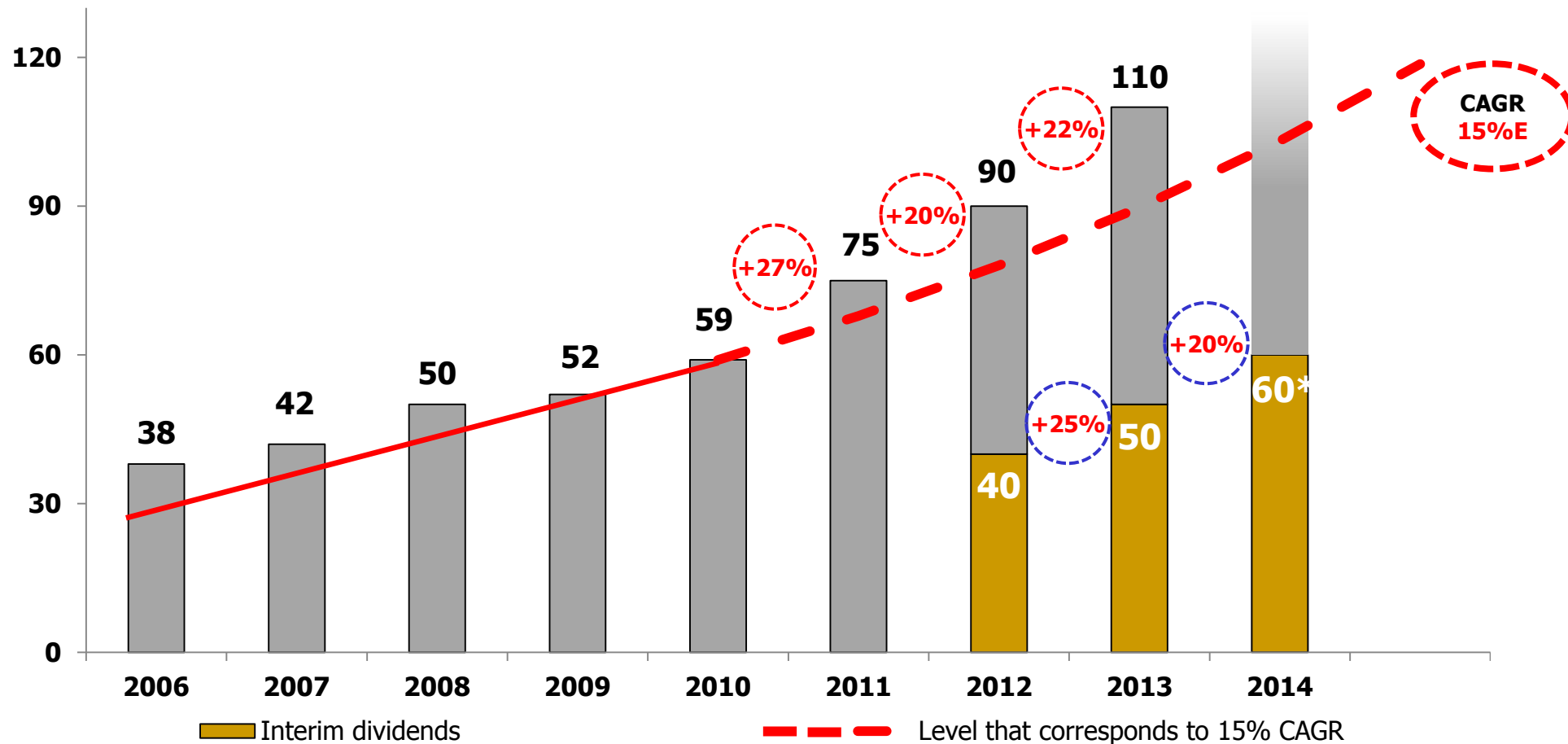


LUKOIL maintains financial efficiency leadership in Russian oil and gas industry

Increasing Dividend Growth Rate



Dividend per share, rub.

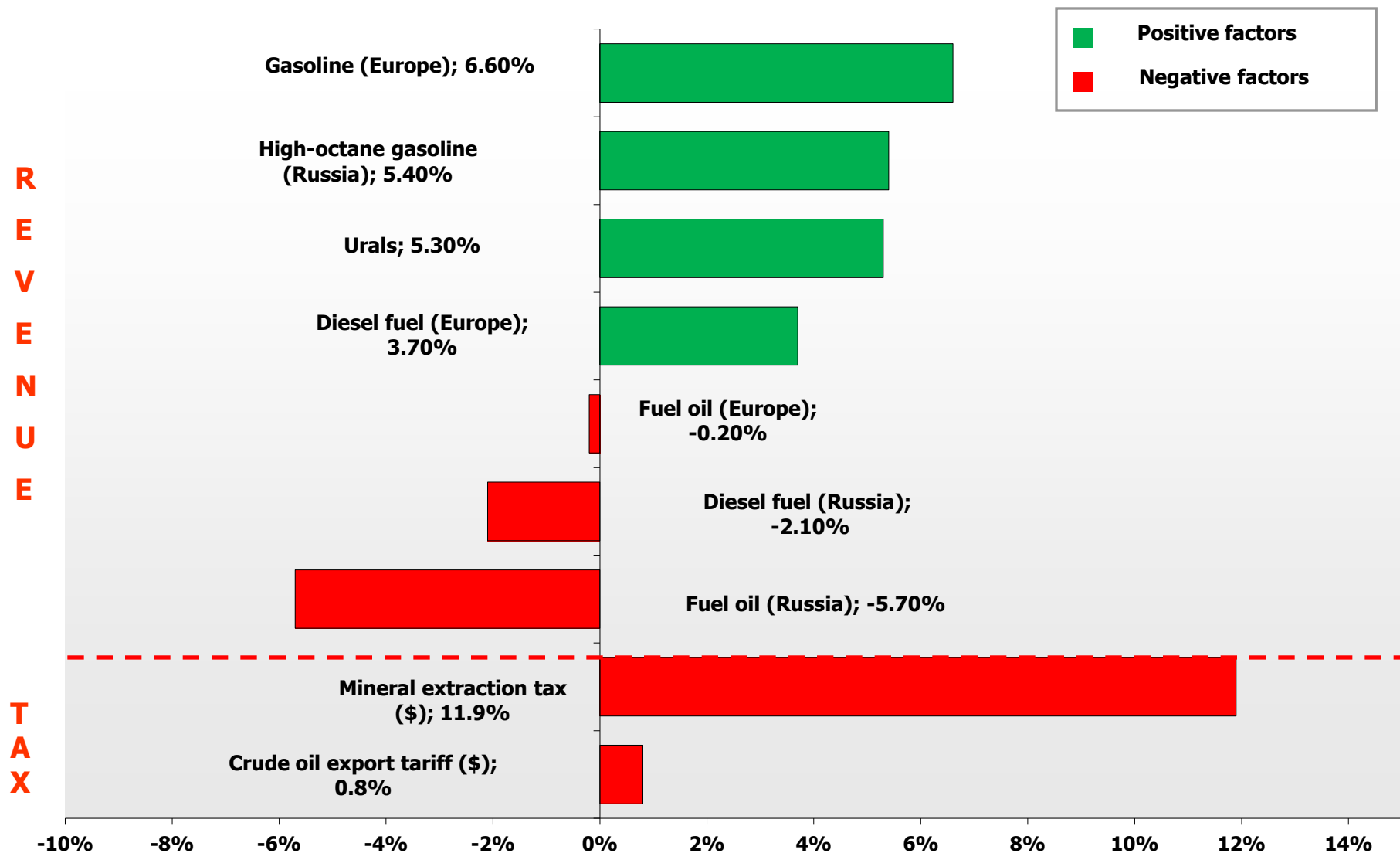


LUKOIL finished payment of dividends for the second half of 2013 in the amount of RUB 60 per share

Macroeconomic and Tax Environment

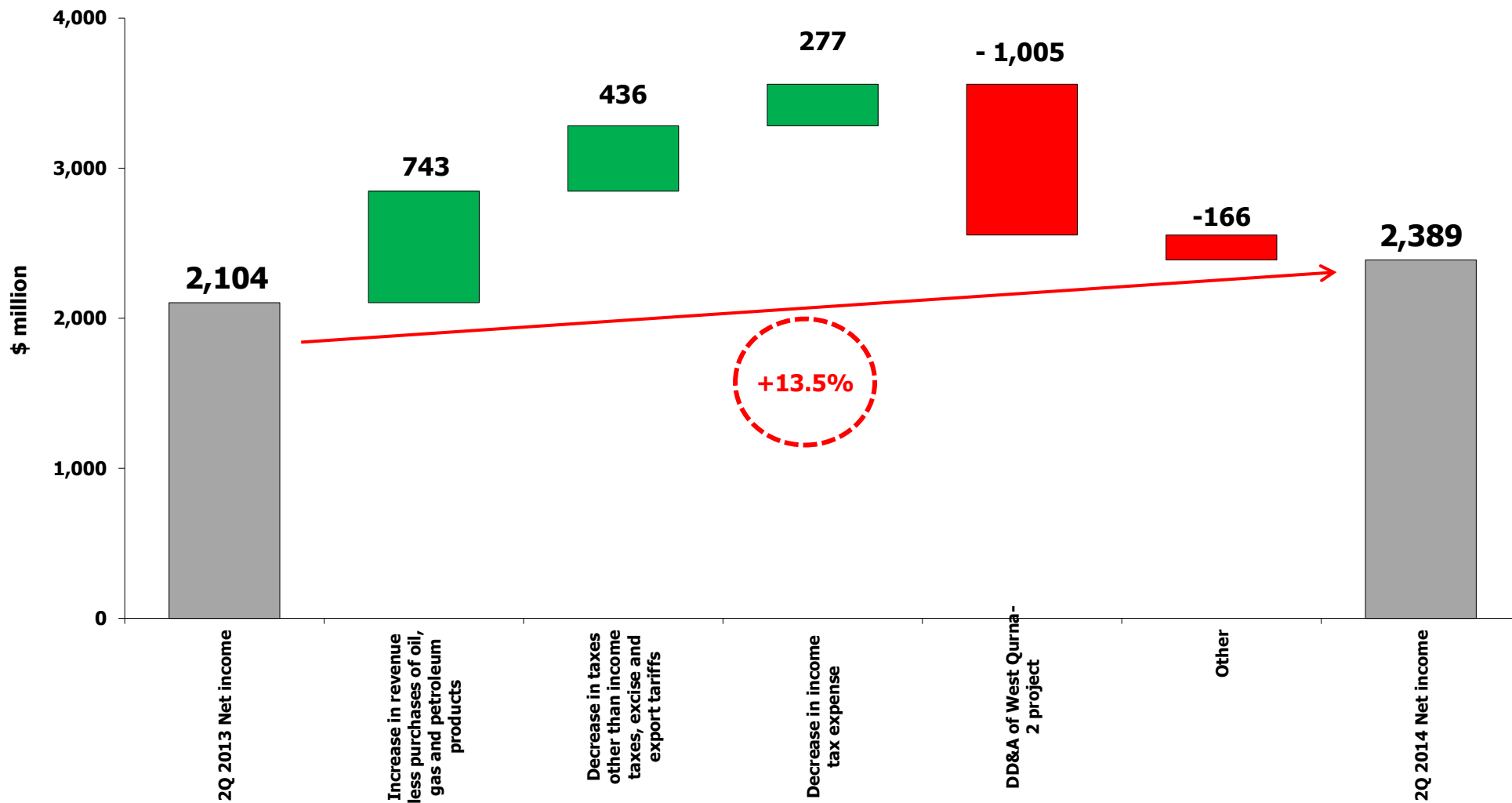


2Q 2014 to 2Q 2013





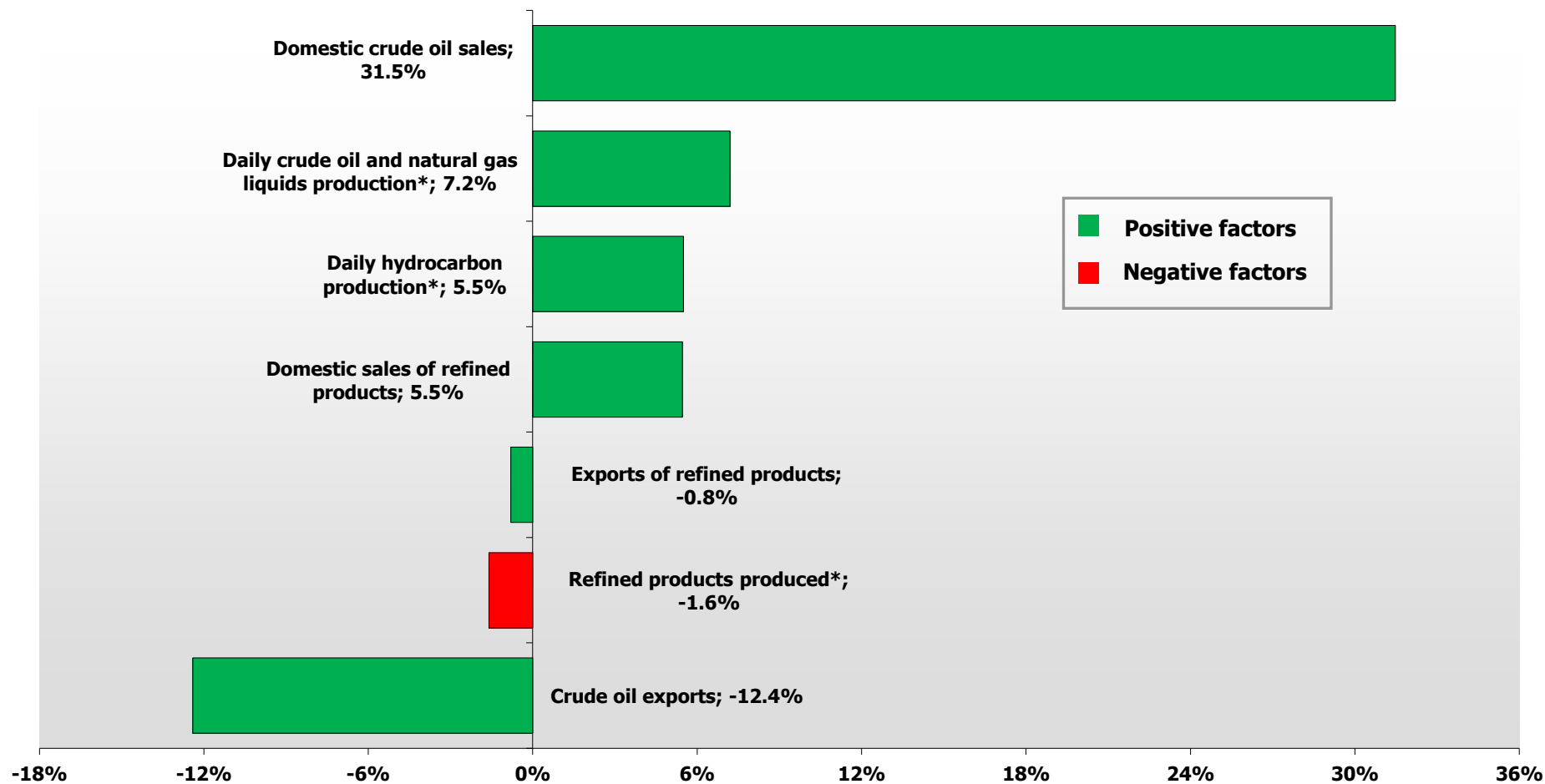
2Q 2014 Net Income Reconciliation



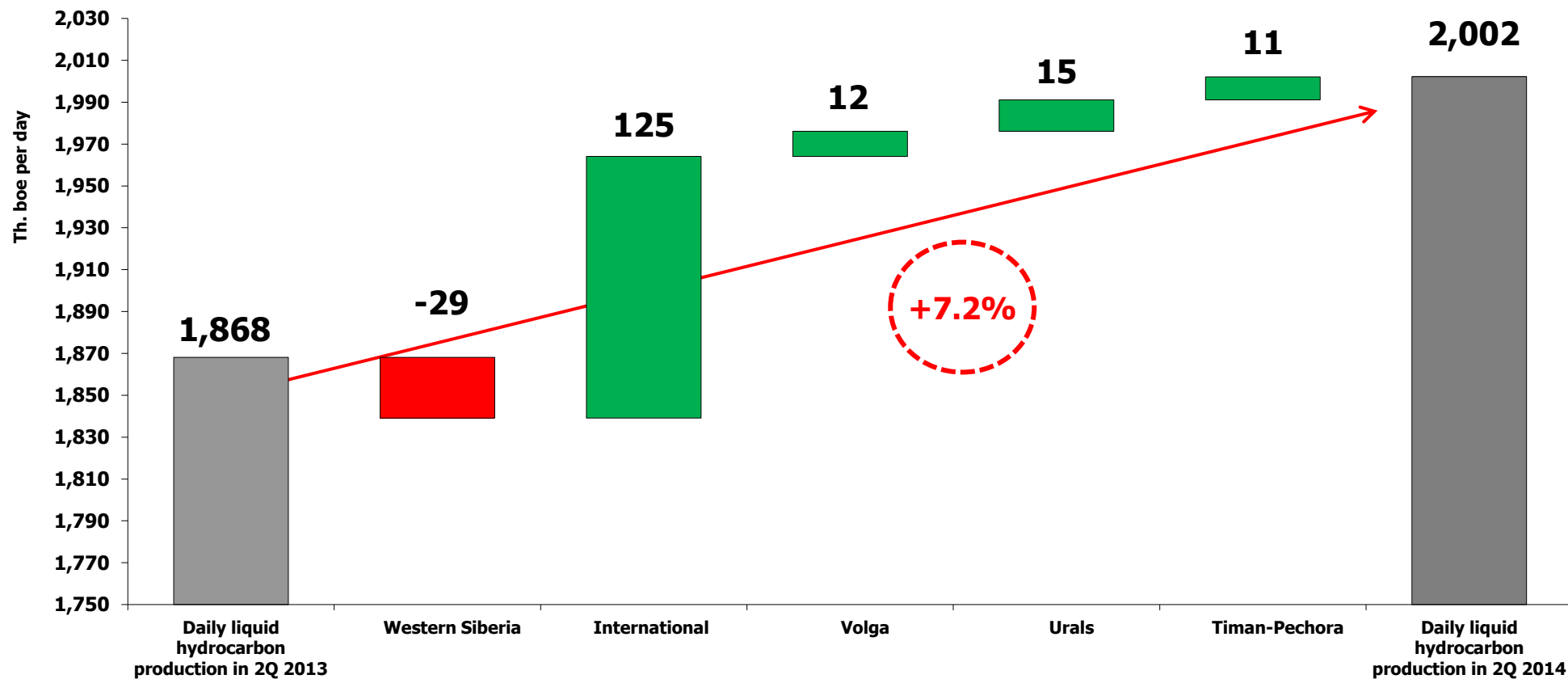
Main Operating Results



2Q 2014 to 2Q 2013



Daily Liquid Hydrocarbon Production





Financial Results



2Q 2014	1Q 2014	Δ, %	\$ million	6M 2014	6M 2013	Δ, %
38,205	35,681	7	Sales	73,886	68,823	7
2,558	2,309	11	OPEX	4,867	4,966	-2
8,747	8,933	-2	Taxes other than income tax, excise and export tariffs	17,680	18,067	-2
2,909	2,655	10	Income from operating activities	5,564	6,234	-11
2,871	2,404	19	Income before income tax	5,275	6,217	-15
2,389	1,733	38	Net income	4,122	4,685	-12
3.16	2.30	37	Basic EPS, \$	5.46	6.21	-12
5,437	3,995	36	EBITDA	9,432	9,134	3



Operating Expenses



2Q 2014	1Q 2014	Δ, %	\$ million	6M 2014	6M 2013	Δ, %
1,259	1,011	25	Hydrocarbon extraction	2,270	2,087	9
161	0	-	<i>including West Qurna-2 project</i>	161	0	-
518	480	8	Own refining	998	1,063	-6
52	64	-19	Refining at third parties and affiliated refineries*	116	251	-54
270	273	-1	Crude oil transportation to refineries	543	673	-19
171	190	-10	Power generation and distribution	361	364	-1
45	66	-32	Petrochemicals	111	152	-27
243	225	8	Other	468	376	24
2,558	2,309	11	Total operating expenses	4,867	4,966	-2
18,871	17,243	9	Cost of purchased crude oil, gas and products	36,114	31,565	14

* Including cost of processing operations at ISAB

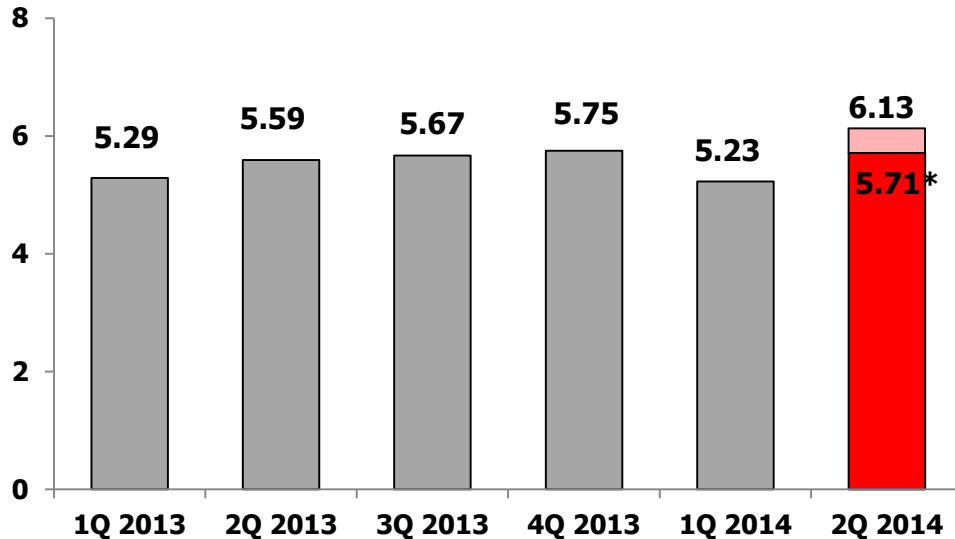


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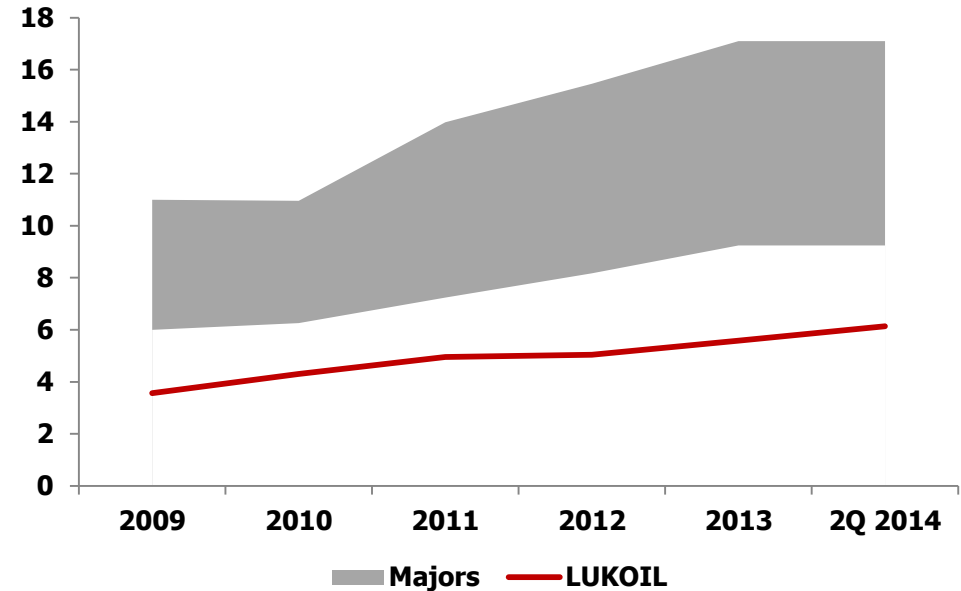
High Efficiency In Cost Management



Lifting costs per boe, \$



Lifting costs per boe, \$



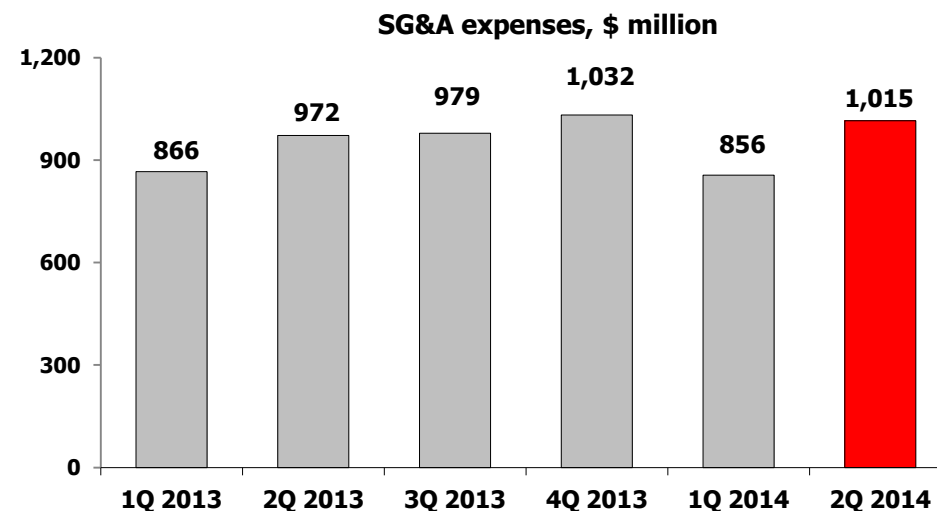
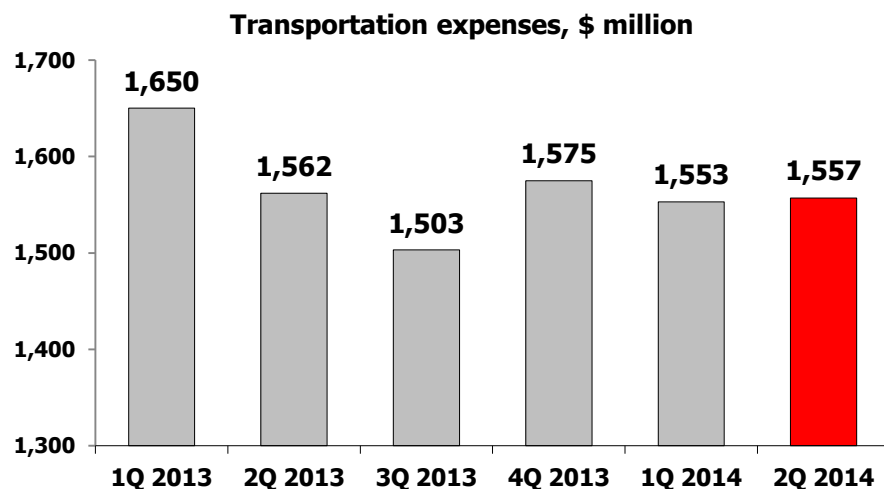
An increase in lifting cost per boe was mainly due to the start of West Qurna-2 project cost accounting. The project lifting cost constituted 13% of total lifting cost in 2Q 2014.

Source: Companies' financial statements.

O&G majors include: ExxonMobil, Royal Dutch Shell, Chevron, BP, ConocoPhillips, Total, Eni.

*Excluding West Qurna-2 project.

SG&A and Transportation Expenses



2Q 2014	1Q 2014	Δ, %	\$ million	6M 2014	6M 2013	Δ, %
1,557	1,553	0	Transportation expenses	3,110	3,212	-3
1,015	856	19	Selling, general and administrative expenses	1,871	1,838	2
2,572	2,409	7	Total	4,981	5,050	-1

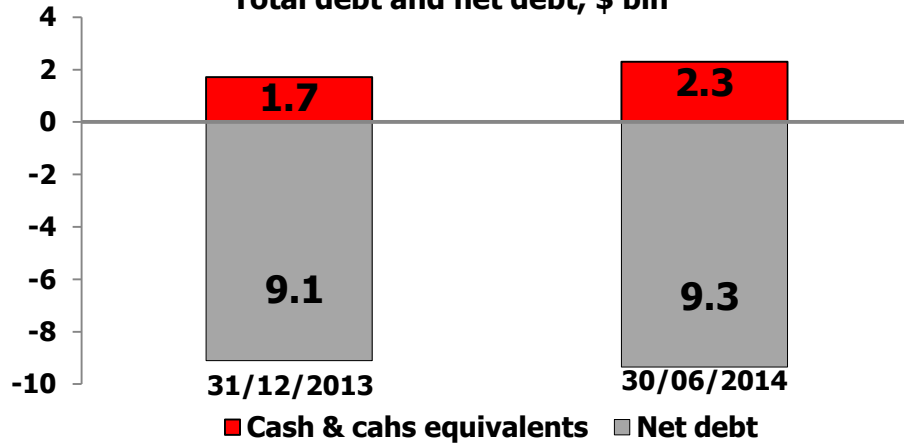


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Robust Financial Position



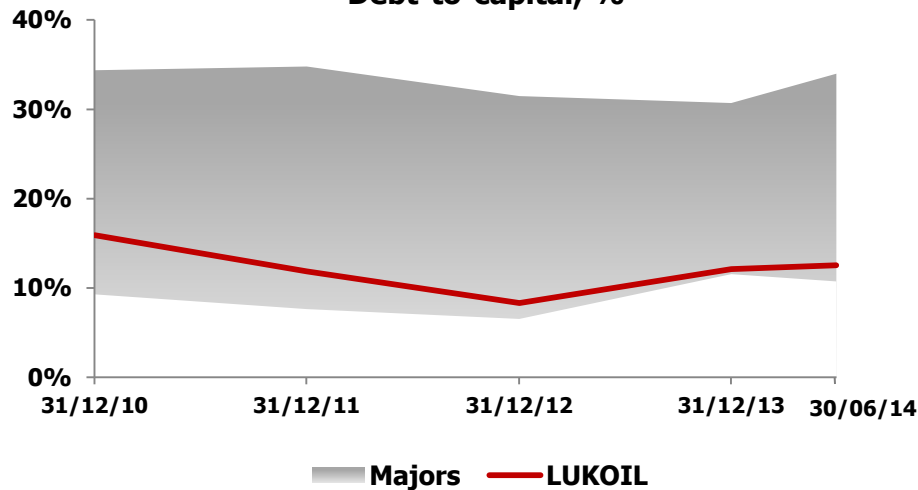
Total debt and net debt, \$ bln



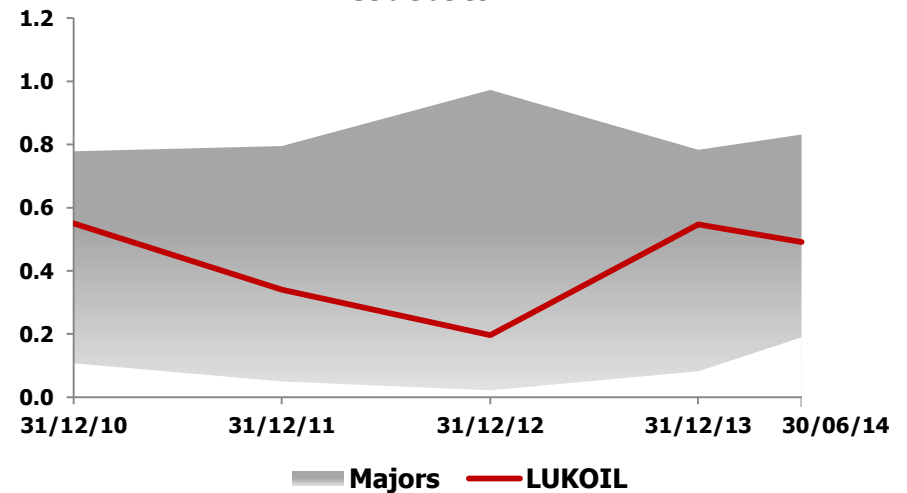
LUKOIL net debt remains low

Debt-to-capital amounted to **13%** at the end of 1H 2014

Debt-to-capital, %



Net debt to EBITDA



Source: Companies' financial statements. O&G majors include: ExxonMobil, Royal Dutch Shell, Chevron, BP, ConocoPhillips, Total, Eni.

CAPEX Structure



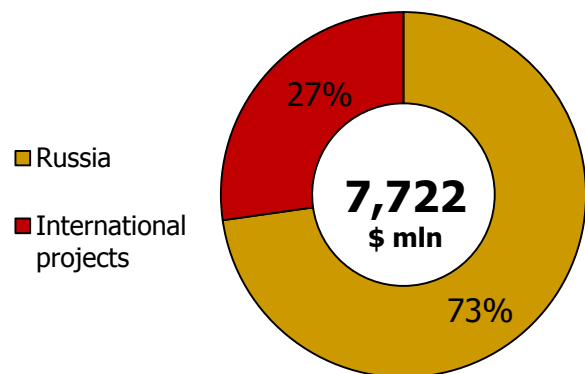
2Q 2014	1Q 2014	Δ, %	\$ million	6M 2014	6M 2013	Δ, %
3,445	2,725	26	Exploration and production	6,170	5,455	13
2,467	1,973	25	Russia	4,440	3,919	13
978	752	30	International	1,730	1,536	13
892	447	100	Refining and marketing	1,339	1,119	20
681	227	200	Russia	908	794	14
211	220	-4	International	431	325	33
48	32	50	Chemicals	80	35	129
48	32	50	Russia	80	34	135
0	0	-	International	0	1	-100
70	8	775	Power generation	78	115	-32
35	20	75	Other	55	249	-78
4,490	3,232	39	Total (including non-cash)	7,722	6,973	11



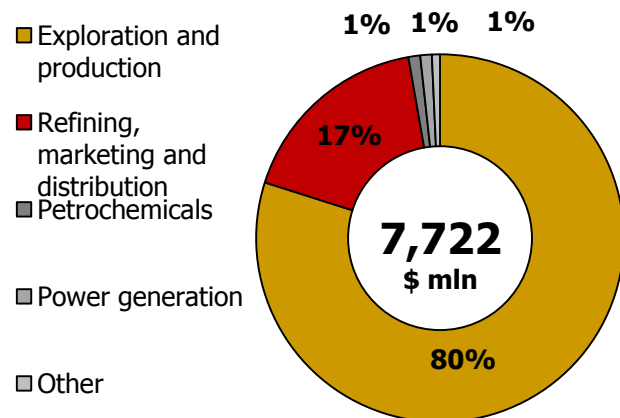
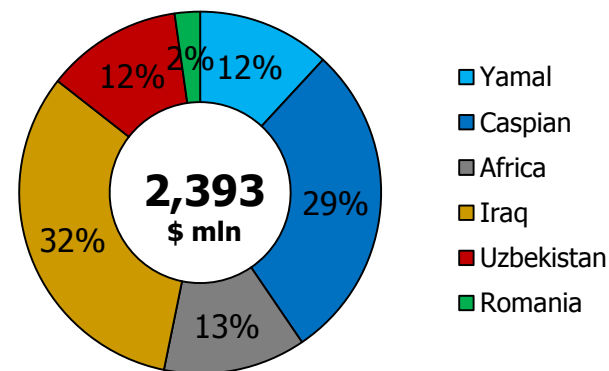
Capital Expenditures



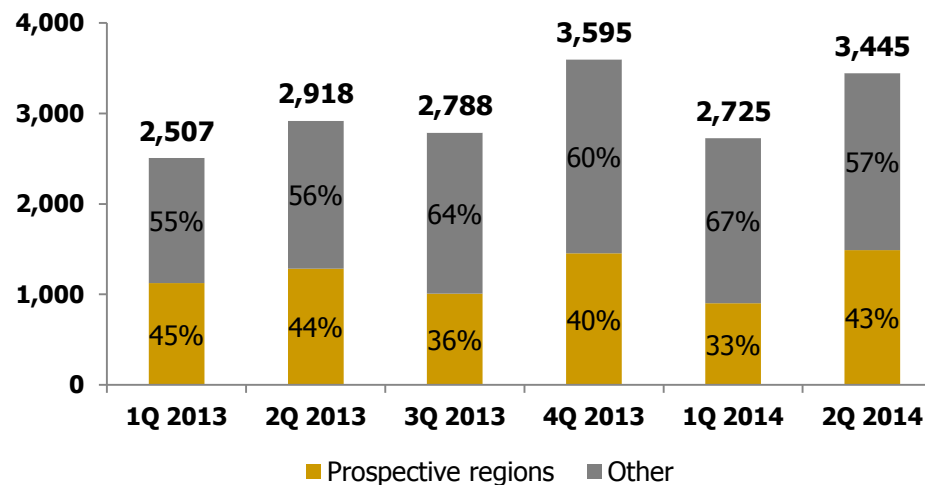
Capital expenditures in 1H 2014



Prospective regions in Exploration and production segment (1H 2014):



Exploration and production capital expenditures, \$ mln



International Projects: West Qurna-2 (Iraq)



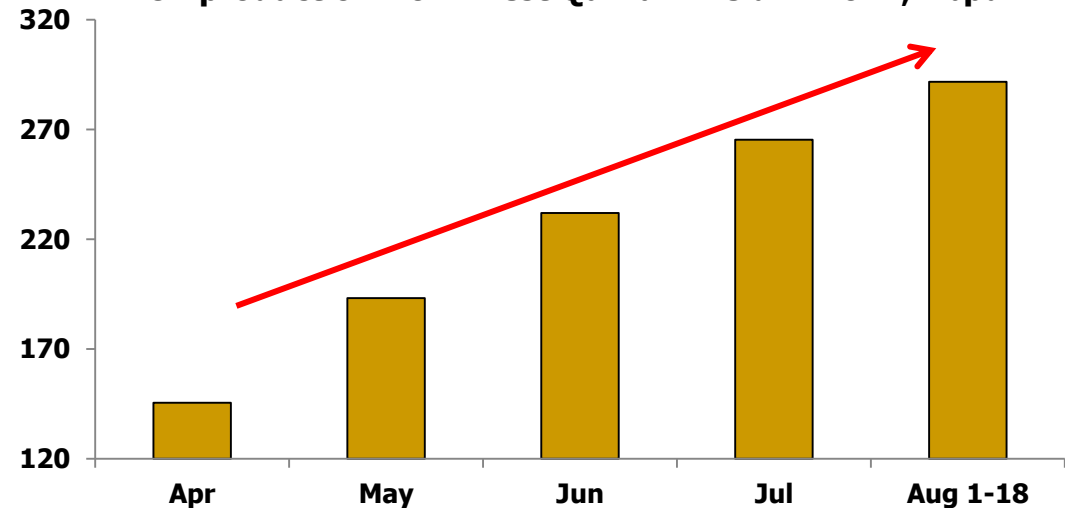
Vertical integration



- Production reached **330 Kbpd**
- Tanker Sea Triumph departed from Iraq with **1 mln barrels** of the first compensation oil
- The oil to be transported for refining to the Company's ISAB refinery



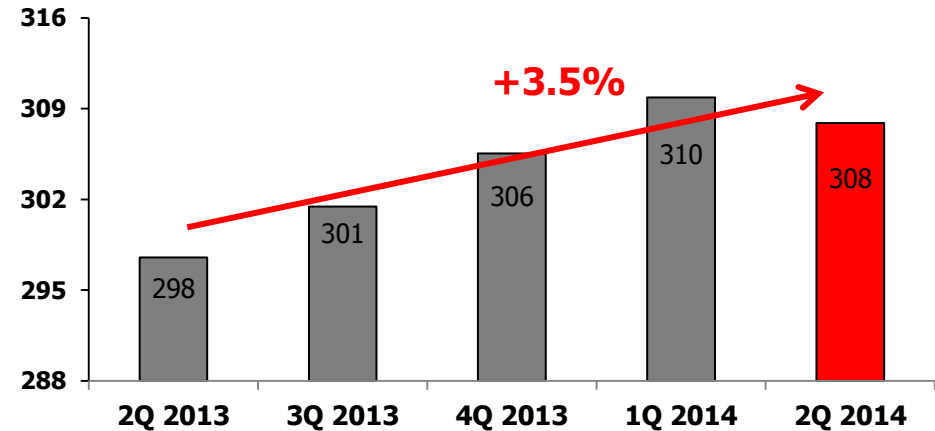
Oil production from West Qurna-2 field in 2014, Kbpd



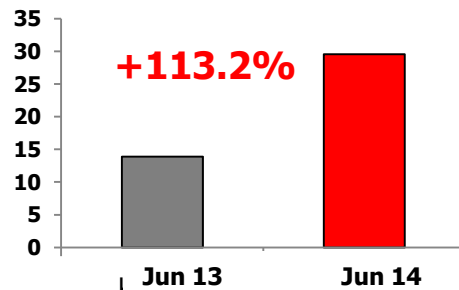


- New oil wells put into operation in 1H 2014 increased for **28%**
- Production drilling increased for **74%**

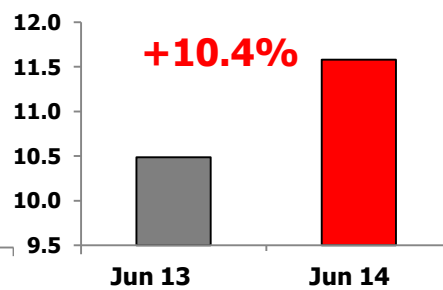
Timan-Pechora oil production, Kbpd



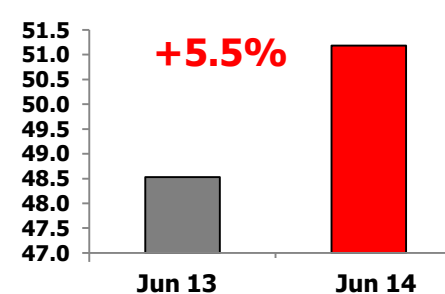
East-Lambeyshorskoye field oil production, Kbpd



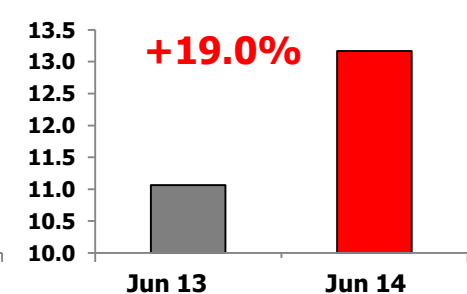
Oshskoye field oil production, Kbpd



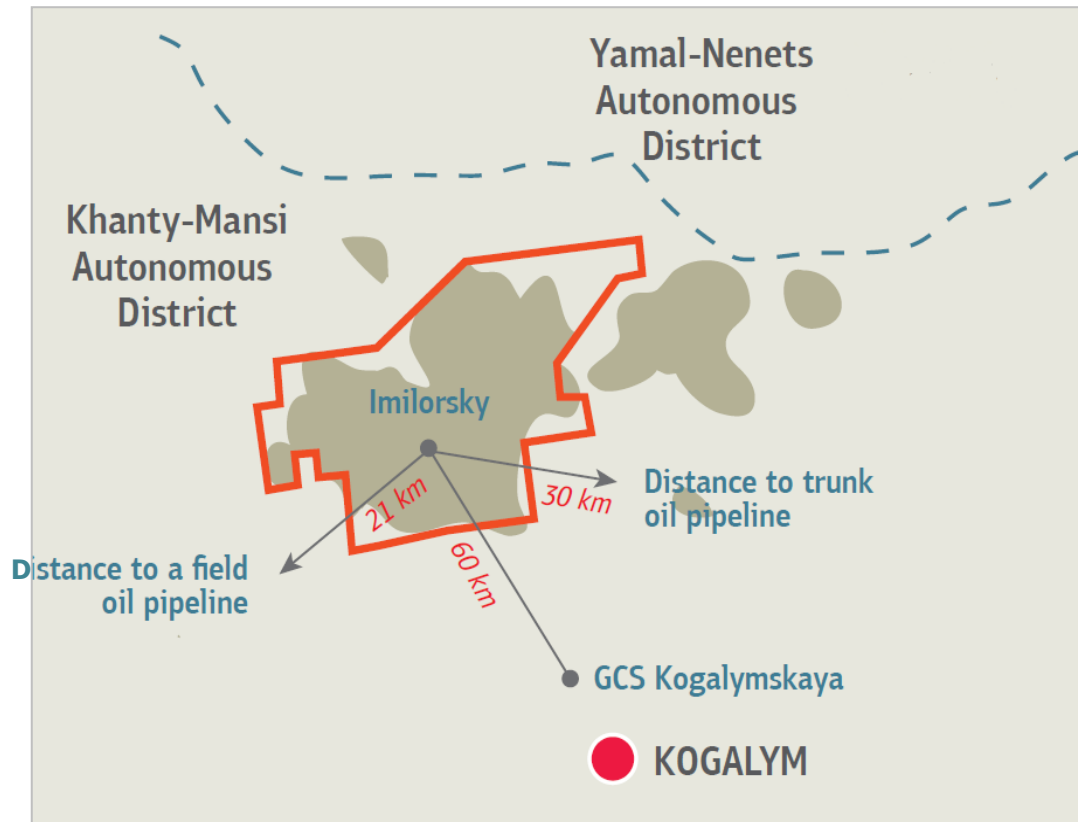
Usinskoye field oil production, Kbpd



Yaregskoye field oil production, Kbpd



Imilorskoe Field (Western Siberia)



Production drilling started in February, 2014.

LUKOIL is **8 month** ahead of schedule

Current activities

- 3D seismic data is collected for an area exceeding 1.5 th. sq. km.
- 23 km of oil pipelines, 42 km of roads have been constructed
- 4 well pads have been equipped
- Compressor station start-up operations are in progress

Taxation

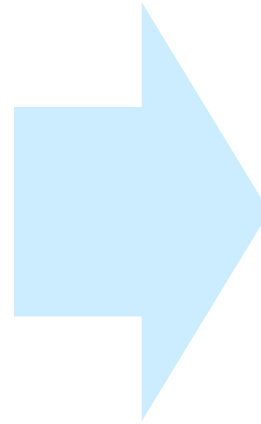
- LUKOIL suggested the Russian Government to implement Excess-Profits Tax pilot program at Imilorskoe field

Northern Caspian: Filanovsky field



Works in 2Q 2014:

- Transportation and installation at the sea of the first of the platforms upper structures – CPP*.
- Construction of upper structures of the remaining three platforms entered the final stage



Plans for 2014:

- Finishing construction of IRP-1, LQP-1, RB*, offshore oil pipeline and onshore gas pipeline
- Starting construction of IRP-2, LQP-2* and onshore oil pipeline

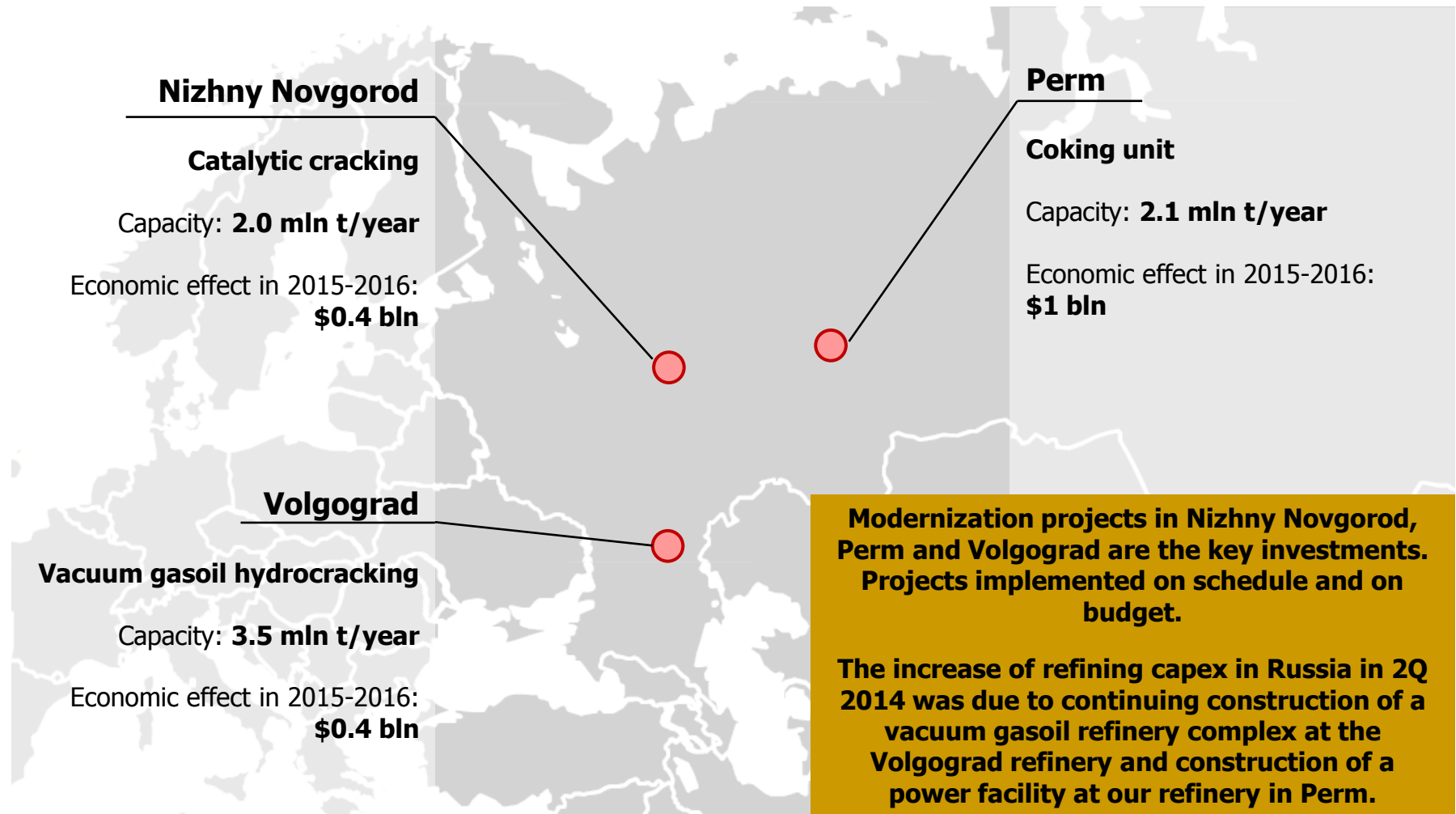


Plans for 2014-2015:

- 2014 - launch of gas booster station Khauzak 15 MW capacity
- Completion of 25 wells, launch of gas treatment units Kuvachy Alat and Northern Shady, pipelines and other infrastructure construction
- 2015 – start of gas production at Northern Shady

CNPC and Uzbekneftgas signed an agreement to build the fourth string of the Uzbekistan part of the Central Asia – China gas pipeline increasing its capacity to 85 bcm per annum

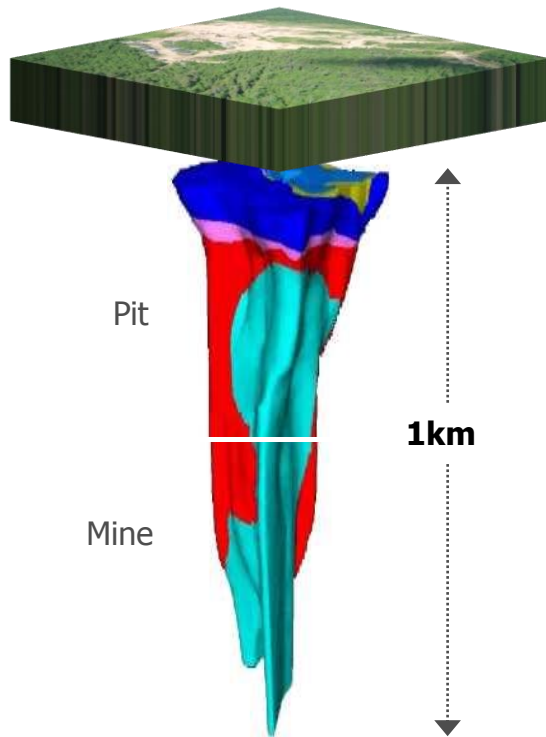
Refining Facilities Modernization



LUKOIL Begins Recovery Of Diamonds at The V.Grib Deposit



- The recovery peak is expected to reach **4.5** million carats per year
- Spot market auction to take place online, on September 23rd



Location

130 km to the North-East of Arkhangelsk

Reserves *

98.5 mln car.

The mining and concentration complex

- a washing facility - 4.5 mln tons of ore per year
- 26-MW energy package, a rotation camp for 700 people
- a lab complex, a bank of core samples and other infrastructure



The V.Grib Deposit is the Biggest New Pipe Under Development



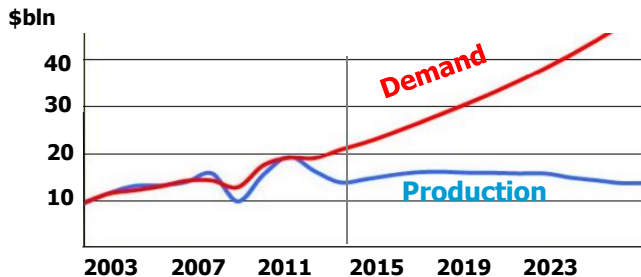
Major Players in 2013 / mln car.

De Beers (\$7 bln)	47	} ~ 88% Market
Alosa	37	
Rio Tinto	16	
Endiama	8	

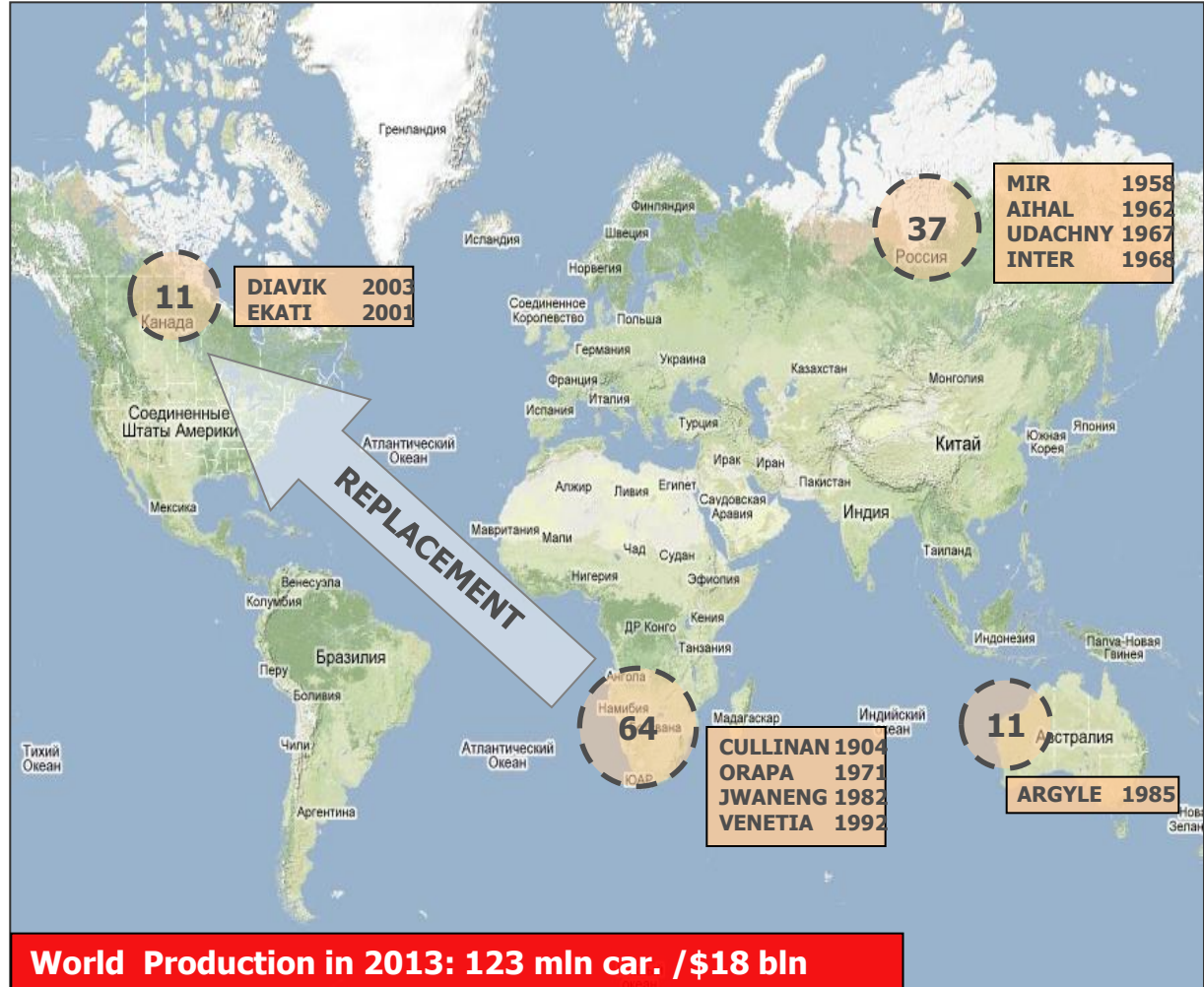
New pipes under development

Grib (LUKOIL)	4 mln car./ 2014 /RUSSIA
Gaicho kue (De beers)	3 mln car./ 2013 /Canada
Renard (Stornoway)	1 mln car./ 2013 /Canada
Star (Shore gold)	2 mln car./ 2013 /Canada
Ak6 (De beers)	1 mln car./ 2013/Canada

Diamond market /forecast



Main Existing Kimberlite Provinces, mln car.



World Production in 2013: 123 mln car. /\$18 bln

Environmental Safety is Our Priority



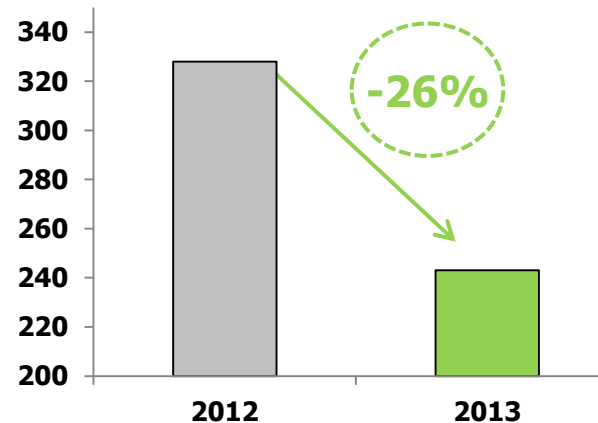
LUKOIL has received a highest international award, “Environmental Tree”, for **cutting the negative impact of its fuel-and-energy facilities on the environment**



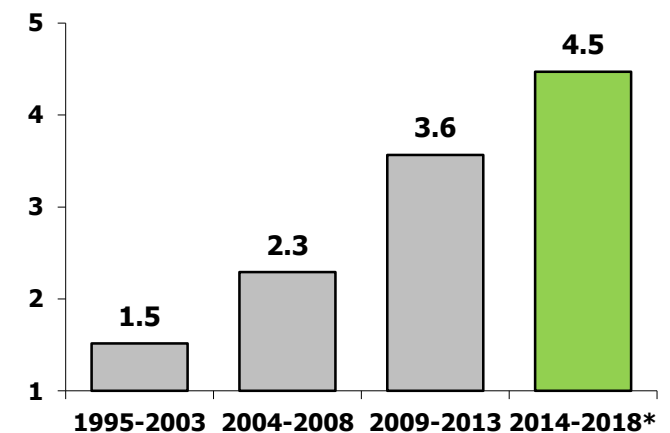
Waste water discharge, million cubic meters



Area of contaminated lands, ha



Environmental spending, \$ bln





Conclusion



- 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**