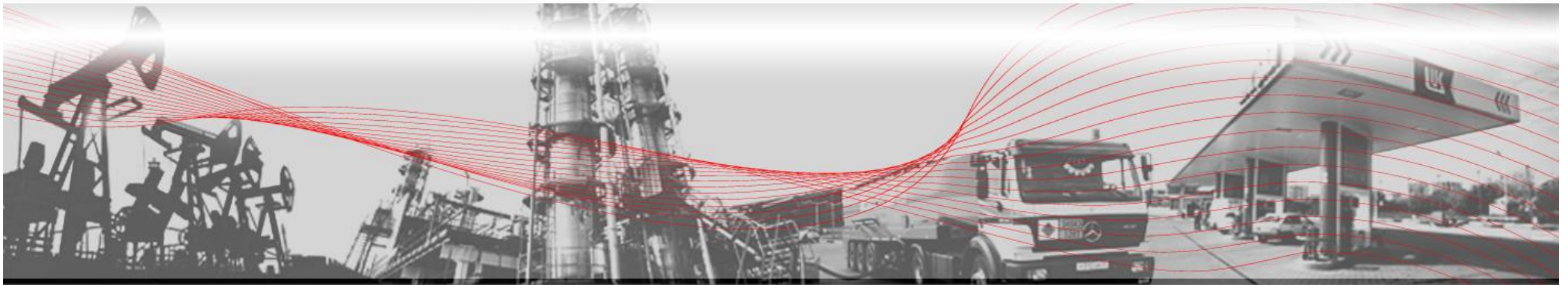




# 1H 2011 Financial Results

(US GAAP)



August 2011

# 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.

## 2Q 2011 Financial Highlights

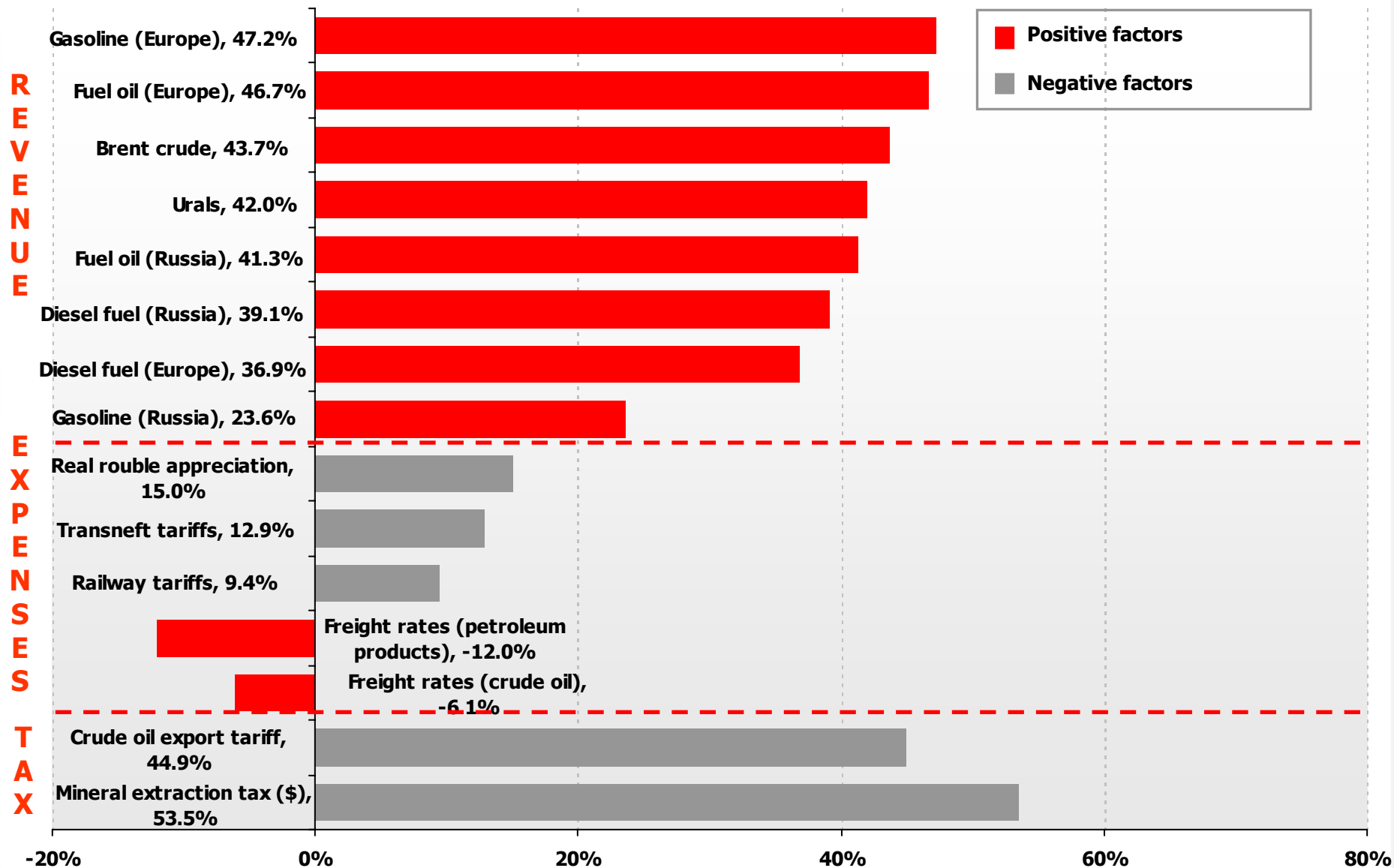


- **Net income – \$3,251 million (+66.8% to 2Q 2010)**
- **Basic earning per share – \$4.16 (+80.9% to 2Q 2010)**
- **Net Income per boe of production – \$16.7 per boe (+75.8% to 2Q 2010)**
- **EBITDA – \$5,345 million (+ 44.3% to 2Q 2010)**
- **FCF – \$2,701 million (+56.3% to 2Q 2010)**

# Macroeconomic and Tax Environment



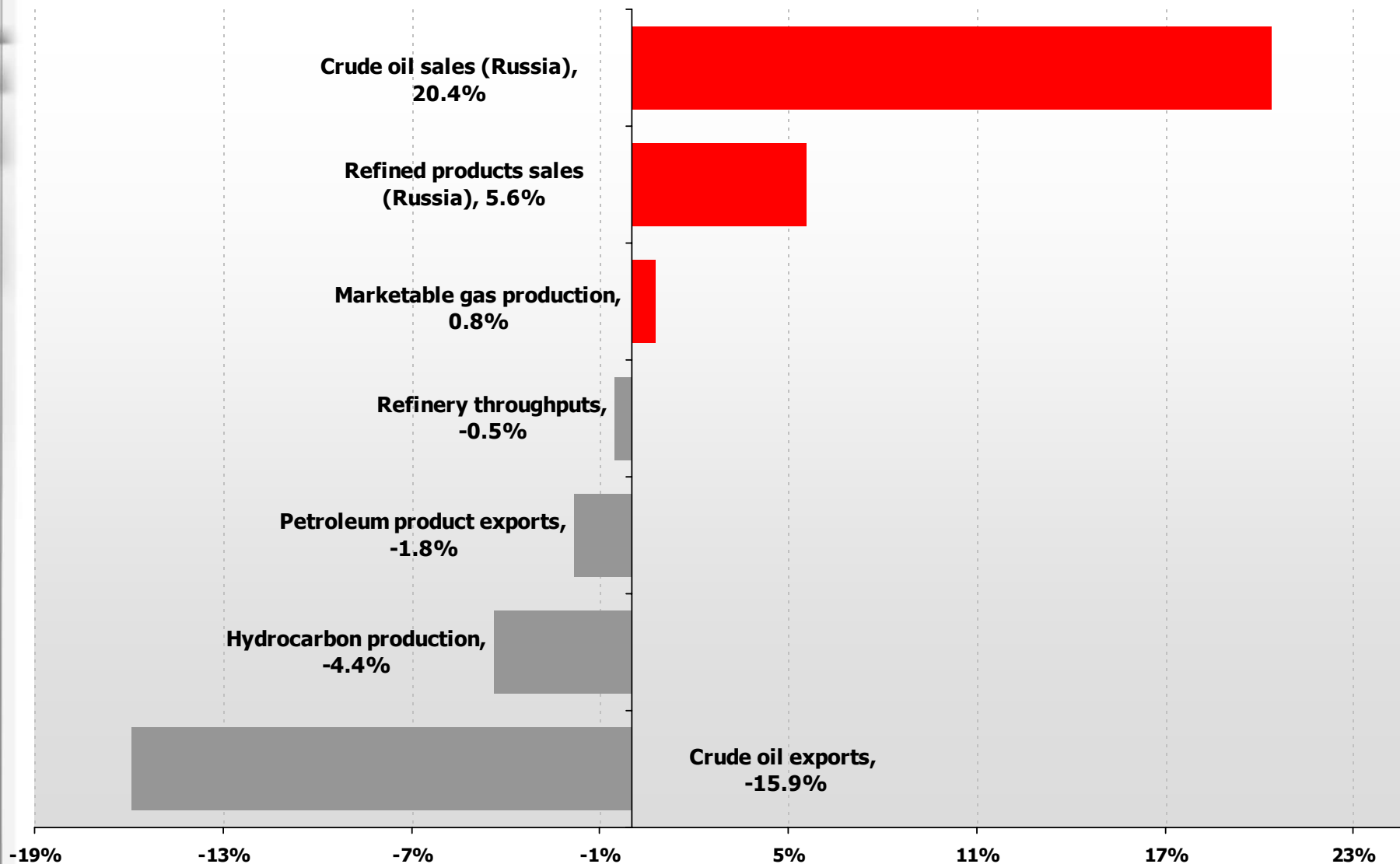
1H 2011 to 1H 2010



# Main Operating Results



1H 2011 to 1H 2010



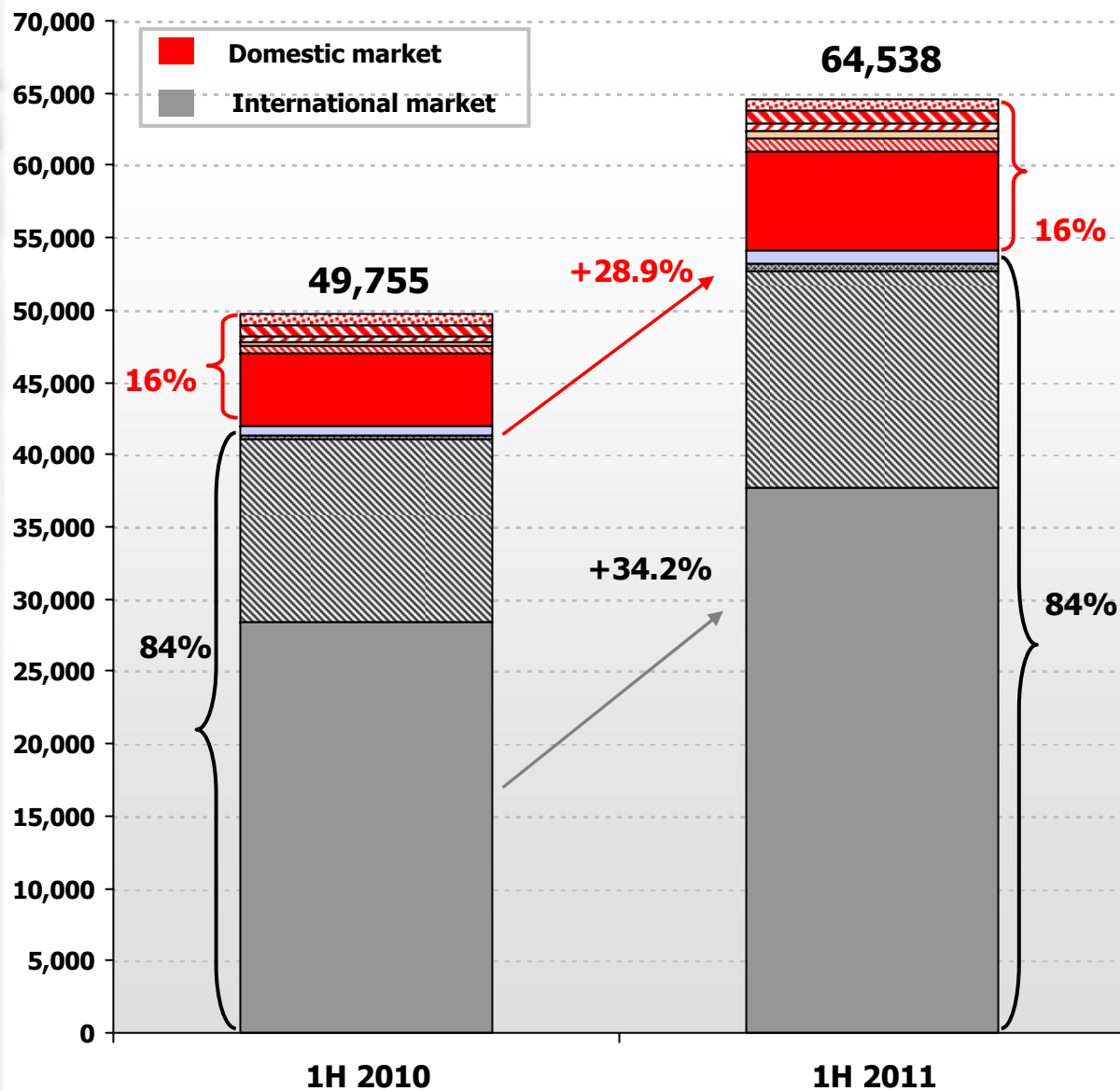
\* Including mini-refineries and the Company's share in throughputs of oil and petroleum products at the ISAB and TRN refining complexes.

# Financial Results



<b>2Q 2011</b>	<b>2Q 2010</b>	<b>Δ, %</b>	<b>\$ million</b>	<b>1H 2011</b>	<b>1H 2010</b>	<b>Δ, %</b>
<b>34,912</b>	<b>25,853</b>	<b>35.0</b>	<b>Sales</b>	<b>64,538</b>	<b>49,755</b>	<b>29.7</b>
(2,440)	(2,046)	19.3	OPEX	(4,578)	(4,034)	13.5
( 9,324)	(7,031)	32.6	Taxes other than income tax (including excise and export tariffs)	(16,760)	(13,689)	22.4
<b>3,965</b>	<b>2,707</b>	<b>46.5</b>	<b>Income from operating activities</b>	<b>7,837</b>	<b>5,358</b>	<b>46.3</b>
<b>4,027</b>	<b>2,637</b>	<b>52.7</b>	<b>Income before income tax</b>	<b>8,097</b>	<b>5,202</b>	<b>55.7</b>
<b>3,251</b>	<b>1,949</b>	<b>66.8</b>	<b>Net income</b>	<b>6,768</b>	<b>4,002</b>	<b>69.1</b>
<b>4.16</b>	<b>2.30</b>	<b>80.9</b>	<b>Basic EPS, \$</b>	<b>8.66</b>	<b>4.72</b>	<b>83.5</b>
<b>5,345</b>	<b>3,704</b>	<b>44.3</b>	<b>EBITDA</b>	<b>10,688</b>	<b>7,433</b>	<b>43.8</b>

# Sales Breakdown, \$ million



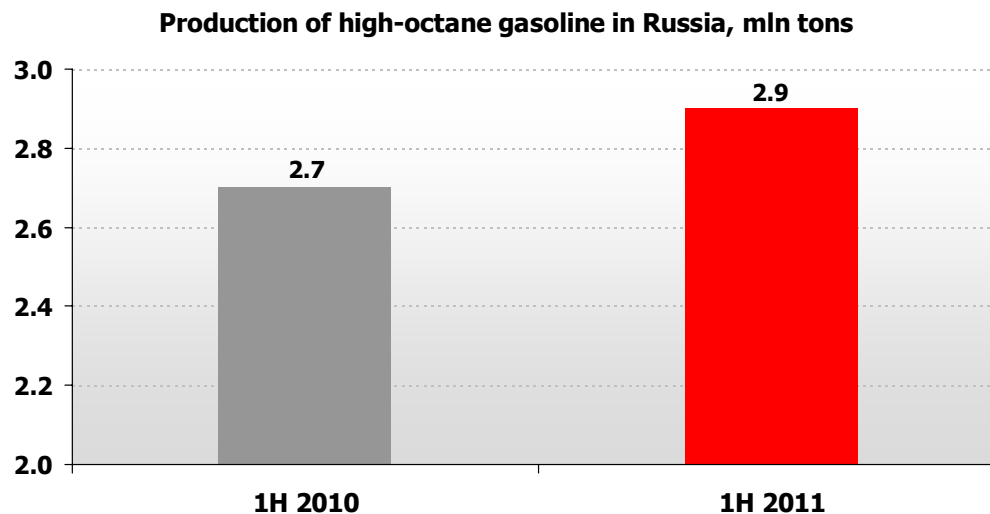
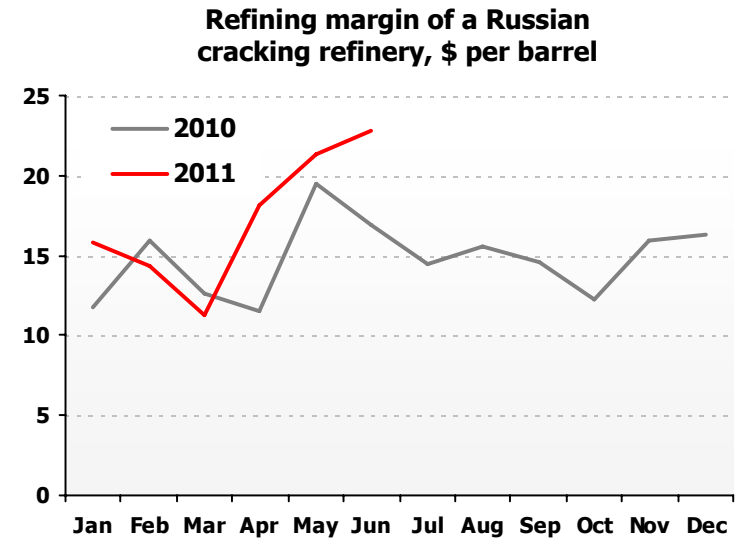
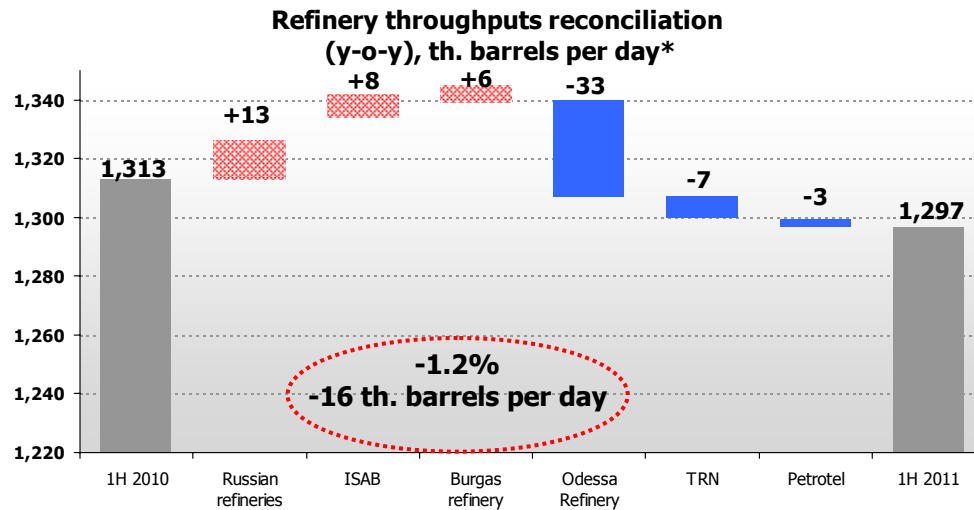
- Other sales\*
- Sales of electricity in Russia
- Sales of gas in Russia
- Sales of petrochemicals in Russia
- Sales of crude oil in Russia
- Sales of petroleum products in Russia

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- International sales of gas
- International sales of petrochemicals
- International sales of crude oil
- International sales of petroleum products

\* Including international sales.

# LUKOIL Increases Production of High-Octane Gasoline



**In 1H 2011 LUKOIL decreased refinery throughputs due to stoppage of **Odessa Refinery** because of unfavorable economic conditions in the first half of 2011**

\* Including mini-refineries and the Company's share in throughputs of oil and petroleum products at the ISAB and TRN refining complexes.



## Operating Expenses



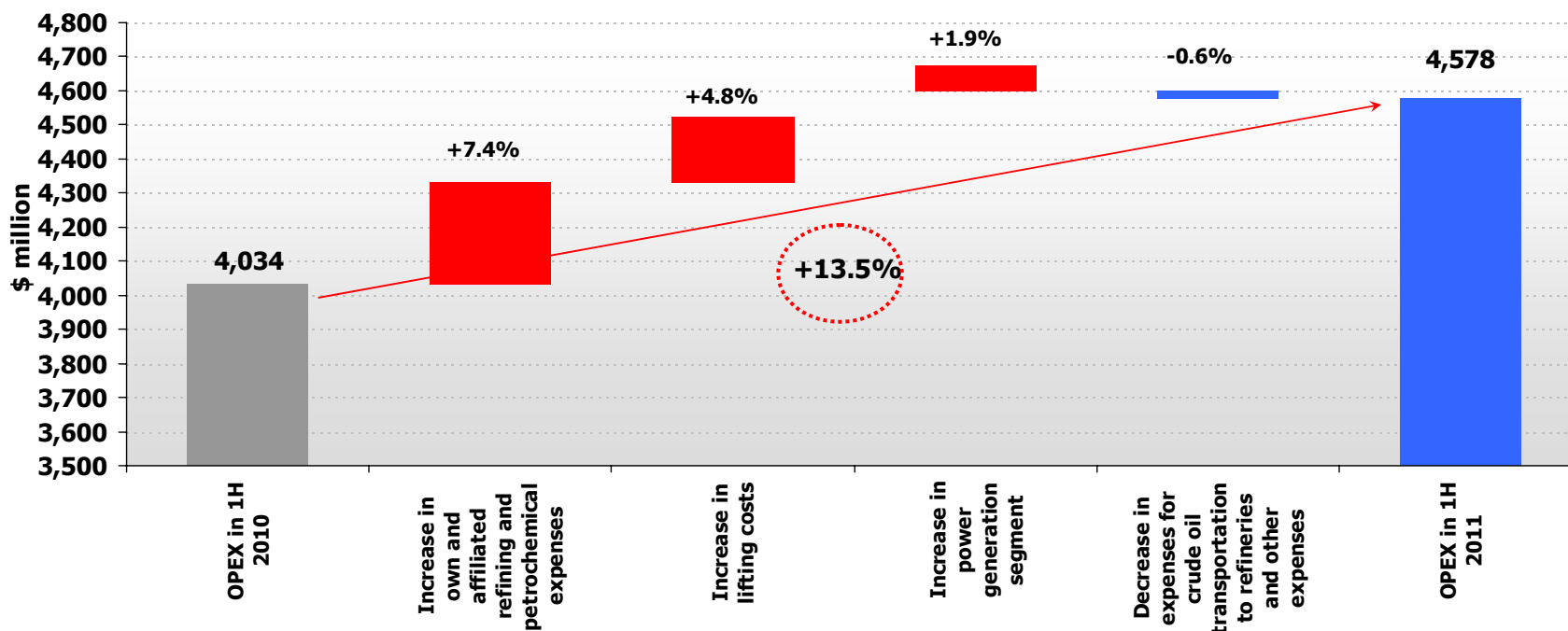
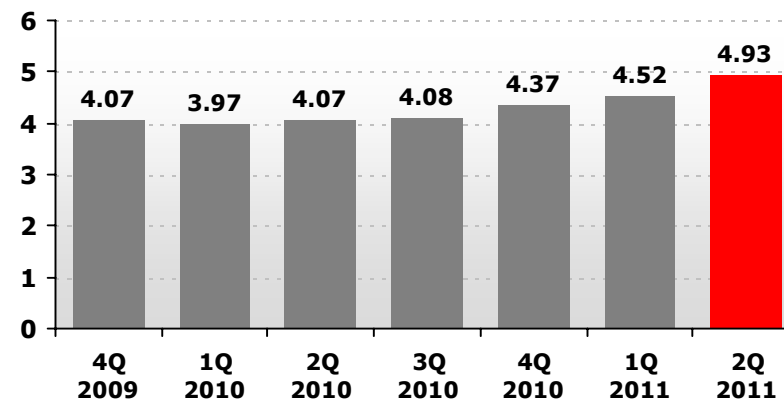
2Q 2011	2Q 2010	Δ, %	\$ million	1H 2011	1H 2010	Δ, %
924	800	15.5	Hydrocarbon lifting costs	1,777	1,584	12.2
344	259	32.8	Own refining expenses	686	532	28.9
258	172	50.0	Refining expenses at third-party refineries, ISAB and TRN	427	351	21.7
308	275	12.0	Expenses for crude oil transportation to refineries	540	541	(0.2)
181	145	24.8	Power generation and distribution expenses	369	293	25.9
80	40	100.0	Petrochemical expenses	148	80	85.0
345	355	(2.8)	Other operating expenses	631	653	(3.4)
<b>2,440</b>	<b>2,046</b>	<b>19.3</b>	<b>Total</b>	<b>4,578</b>	<b>4,034</b>	<b>13.5</b>
<b>15,162</b>	<b>10,741</b>	<b>41.2</b>	<b>Cost of purchased crude oil, gas and products</b>	<b>28,007</b>	<b>20,043</b>	<b>39.7</b>

# Operating expenses



1H 2011 operating expenses increased by **13.5%** y-o-y, meanwhile real rouble appreciation was **15.0%**

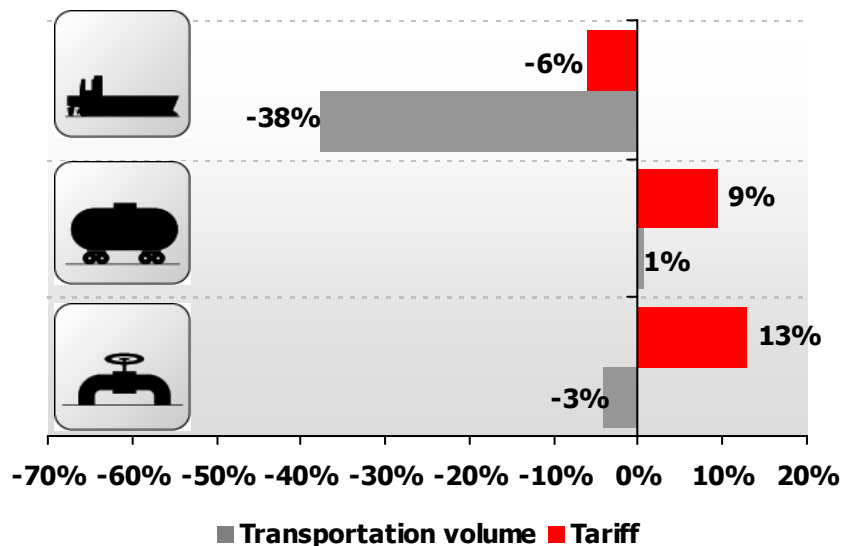
Lifting costs, \$ per boe



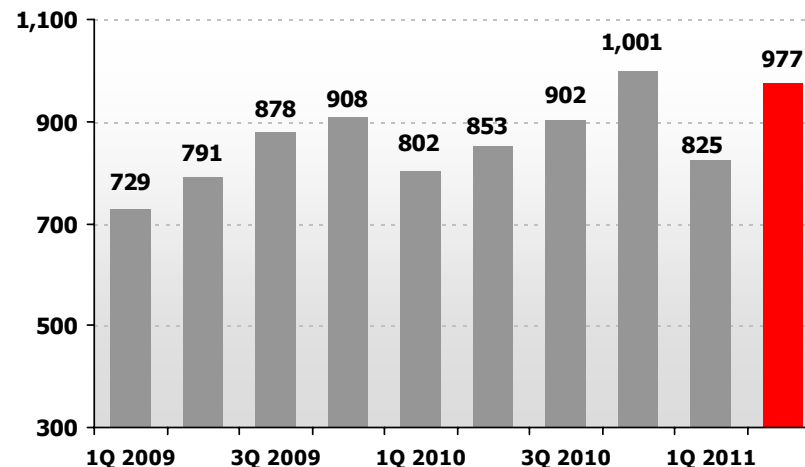
# SG&A and Transportation Expenses



Transportation expenses  
(1H 2011 to 1H 2010)

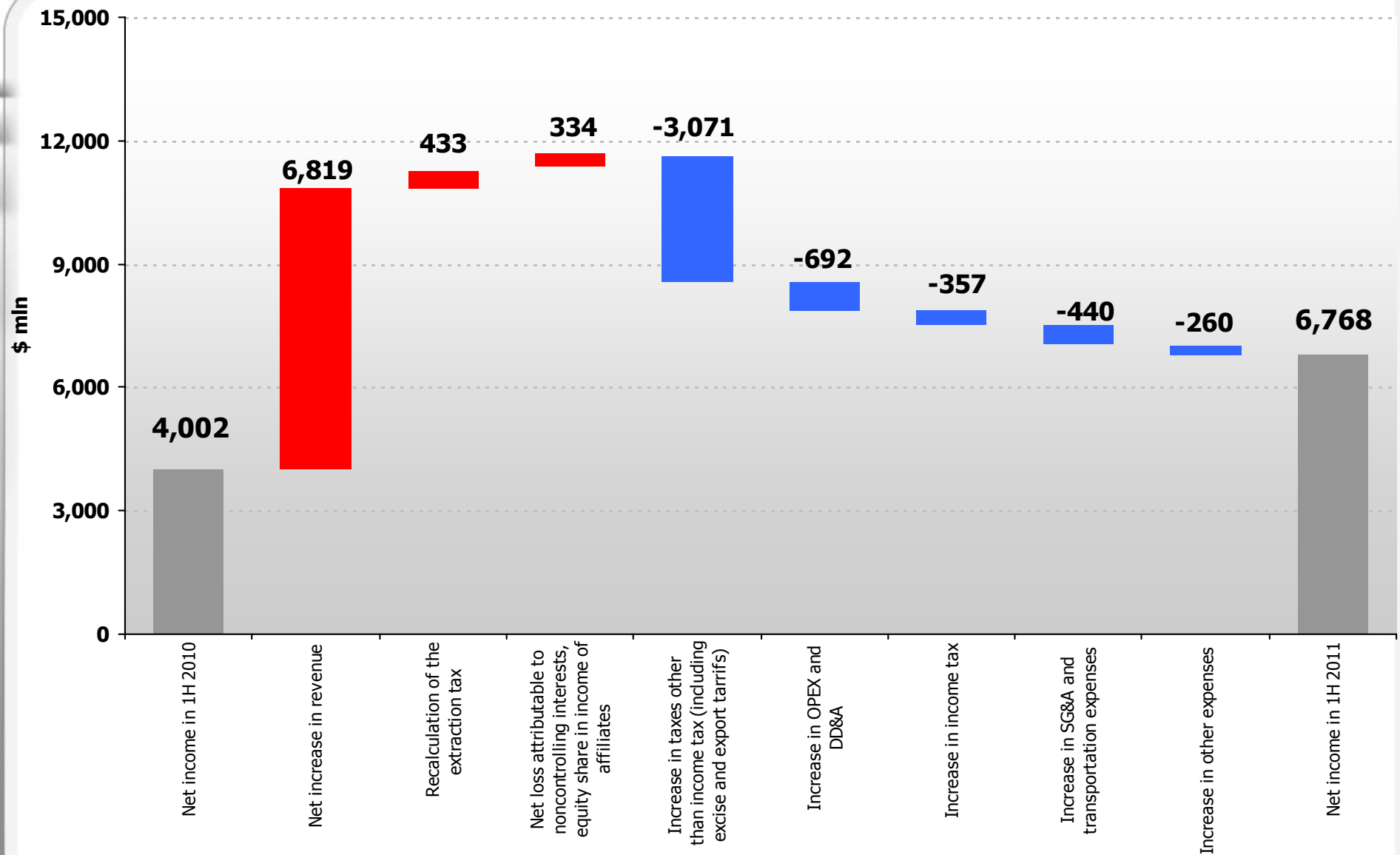


SG&A expenses, \$ million



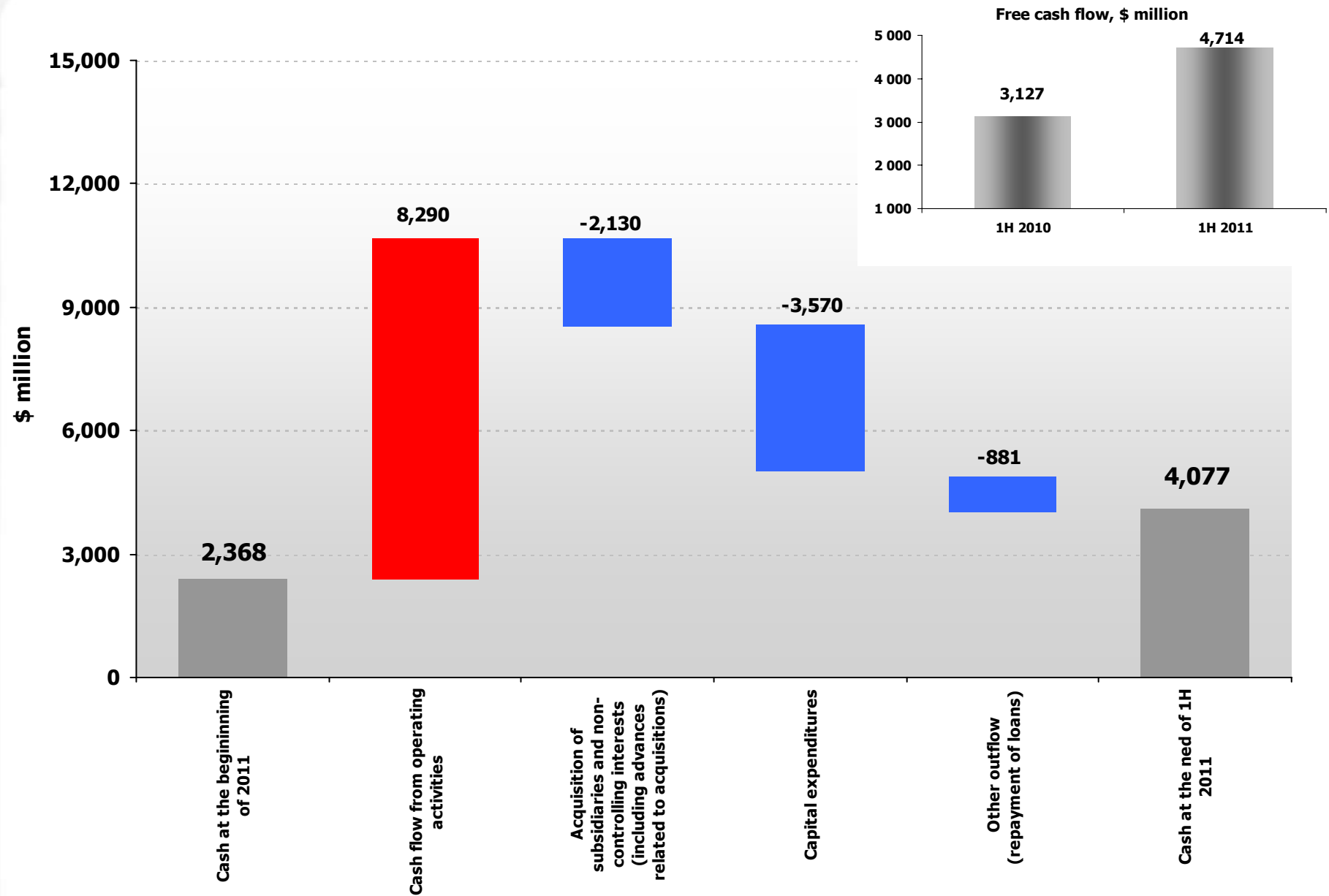
2Q 2011	2Q 2010	Δ, %	\$ million	1H 2011	1H 2010	Δ, %
1,653	1,429	15.7%	Transportation expenses	3,073	2,780	10.5%
977	853	14.5%	Selling, general and administrative expenses	1,802	1,655	8.9%
<b>2,630</b>	<b>2,282</b>	<b>15.2%</b>	<b>Total</b>	<b>4,875</b>	<b>4,435</b>	<b>9.9%</b>

# 1H 2011 Net Income Reconciliation



\* Change in revenue less purchases of oil and gas and petroleum products.

# 1H 2011 Cash Flow Reconciliation



## CAPEX Breakdown

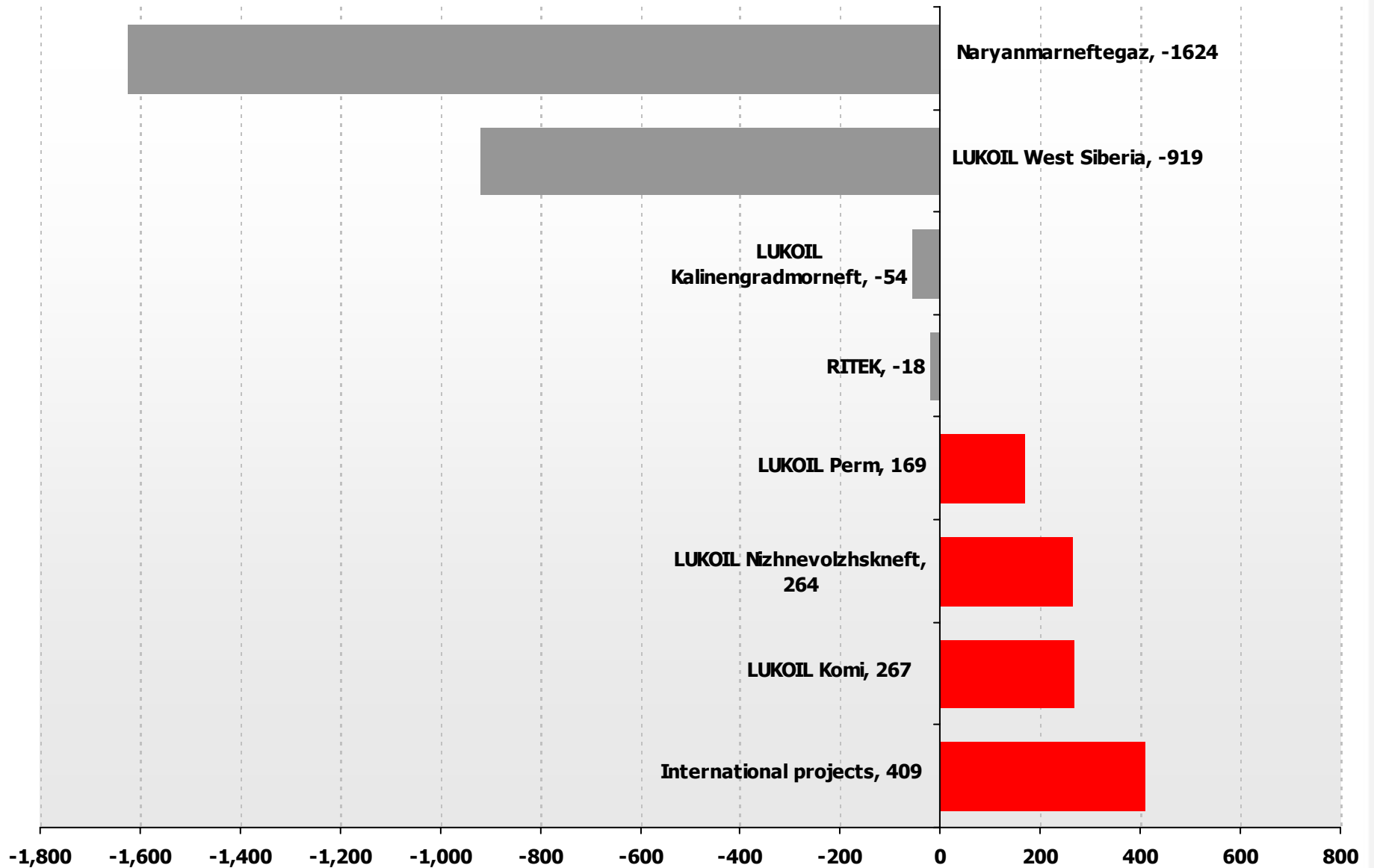


2Q 2011	2Q 2010	Δ, %	\$ million	1H 2011	1H 2010	Δ, %
<b>1,562</b>	<b>1,273</b>	<b>22.7</b>	<b>Exploration and production</b>	<b>2,979</b>	<b>2,390</b>	<b>24.6</b>
1,305	976	33.7	Russia	2,490	1,838	35.5
257	297	(13.5)	International	489	552	(11.4)
<b>271</b>	<b>304</b>	<b>(10.9)</b>	<b>Refining and marketing</b>	<b>498</b>	<b>532</b>	<b>(6.4)</b>
203	219	(7.3)	Russia	374	379	(1.3)
68	85	(20.0)	International	124	153	(19.0)
<b>14</b>	<b>20</b>	<b>(30.0)</b>	<b>Petrochemicals</b>	<b>28</b>	<b>43</b>	<b>(34.9)</b>
12	10	20.0	Russia	19	12	58.3
2	10	(80.0)	International	9	31	(71.0)
<b>28</b>	<b>111</b>	<b>(74.8)</b>	<b>Power generation</b>	<b>78</b>	<b>200</b>	<b>(61.0)</b>
<b>17</b>	<b>14</b>	<b>21.4</b>	<b>Other</b>	<b>31</b>	<b>25</b>	<b>24.0</b>
<b>1,892</b>	<b>1,722</b>	<b>9.9</b>	<b>Total (cash and non-cash)</b>	<b>3,614</b>	<b>3,190</b>	<b>13.3</b>

# Oil Production Reconciliation, th. tonnes of reference fuel



1H 2011 to 1H 2010



# LUKOIL in Sierra Leone



- In July, 2011 LUKOIL has acquired from ORANTO Petroleum a 49% stake in the Petroleum Agreement for SL-5 Offshore Block in the Republic of Sierra Leone
- SL-5 offshore block area – 4,022 km<sup>2</sup>, water depth within the block territory varies from 100 to 3,300 meters
- One exploration well (water depth – 1,200 m) is planned before 2013
- 2D and 3D seismic surveys have been conducted at the block, revealing several promising structures



## Vietnam – Potential Growth of Resource Base

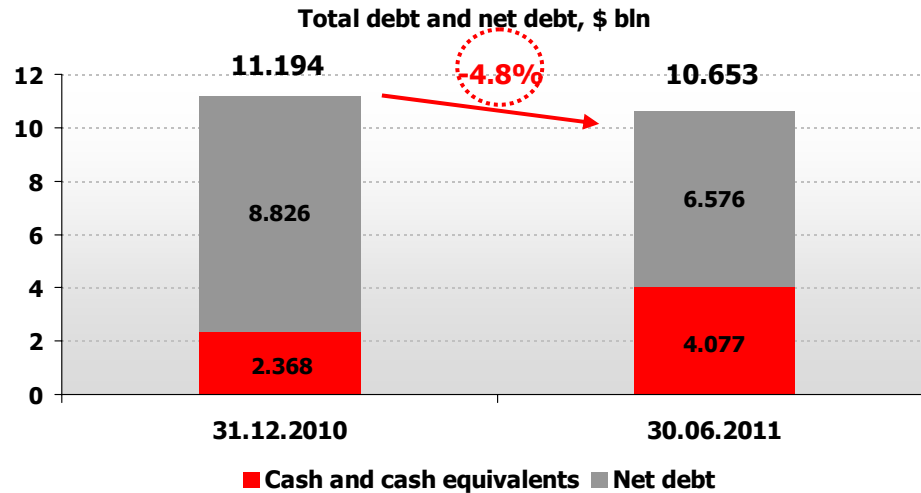


- **HT-02** block with area of 1,185 km<sup>2</sup>, is located on the shelf of the South China Sea (water depth – up to 20 meters)
- Shares in project: LUKOIL (operator) – 50%, Quad Energy – 50%
- PSA is active until 2037
- Exploration on the block has continued since 2007

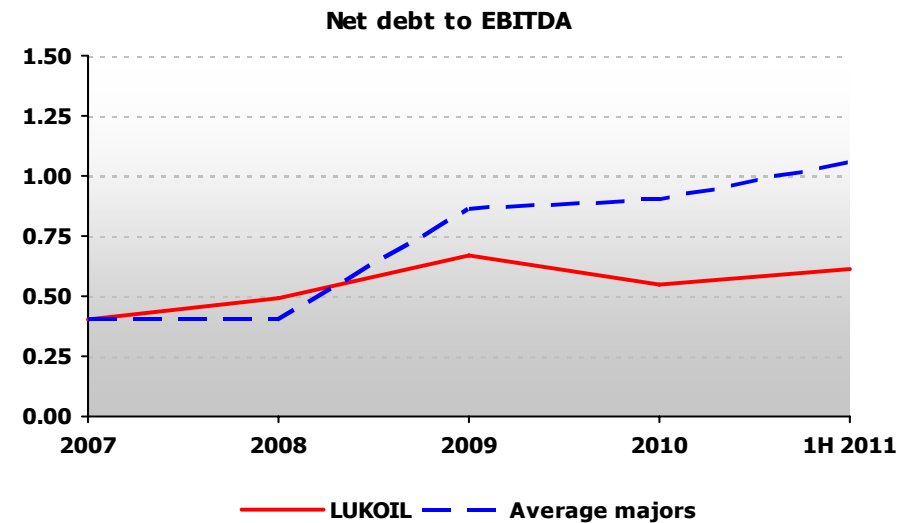
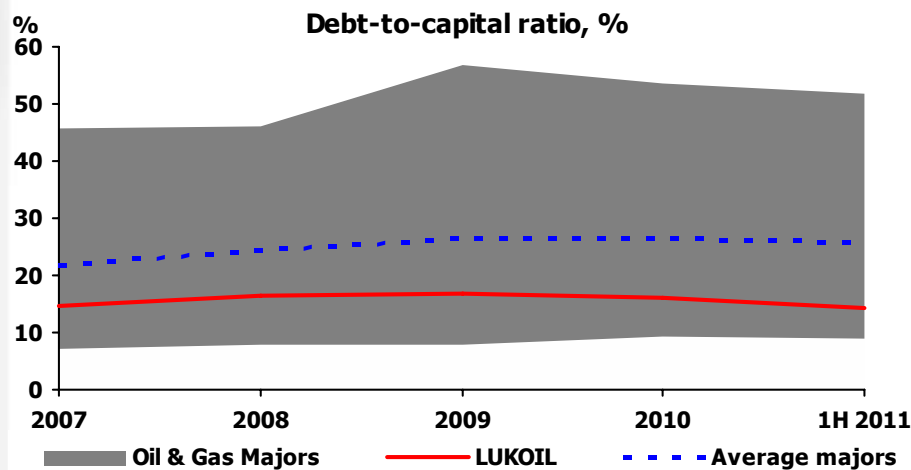
**HT-02** block is near to the gas field Tien Hai, supplying Hanoi. Use of existing infrastructure is under consideration in case of new gas field discoveries

3 exploration wells to be drilled in 2011

# Robust Financial Position



**LUKOIL's net debt decreased to \$2.2 bln in 1H 2011**



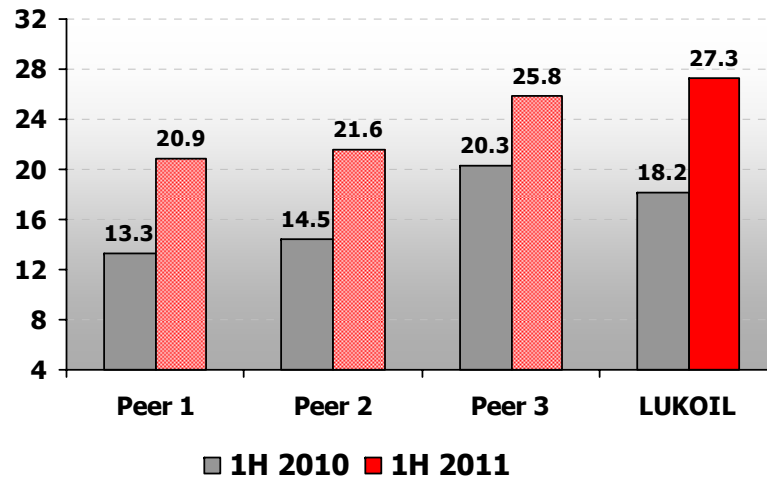
Oil & Gas Majors include ExxonMobil, Royal Dutch Shell, BP, ConocoPhillips, Total, Eni, Repsol YPF, Chevron.

Source: Companies' financial statements.

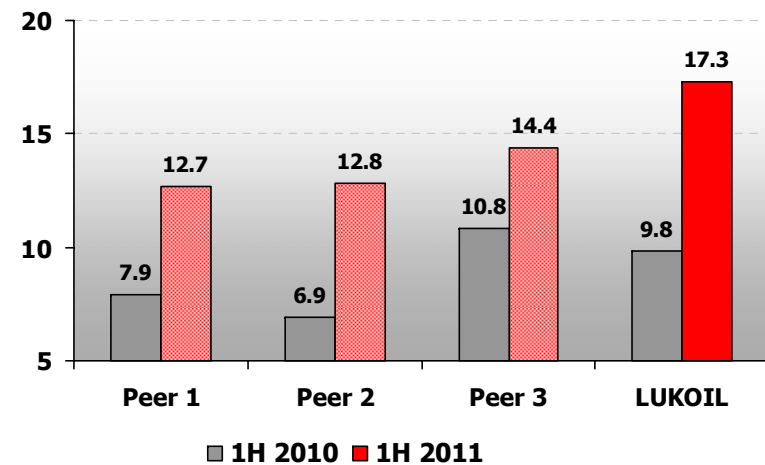
# LUKOIL Shows the Best Financial Results in the Russian Oil Industry



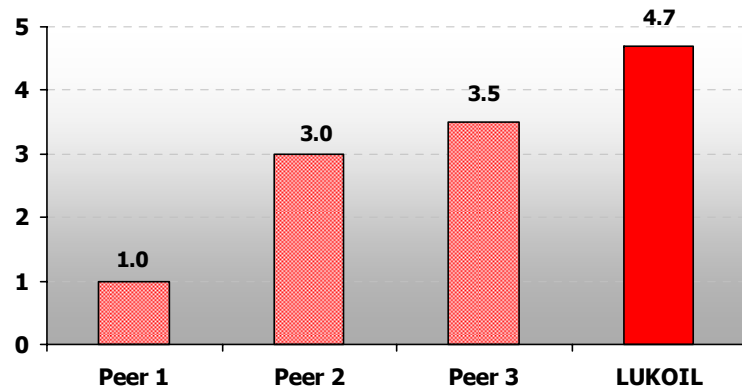
EBITDA\* per boe, \$ per boe



Net income per boe, \$ per boe



1H 2011 Free Cash Flow\*\*, bln USD

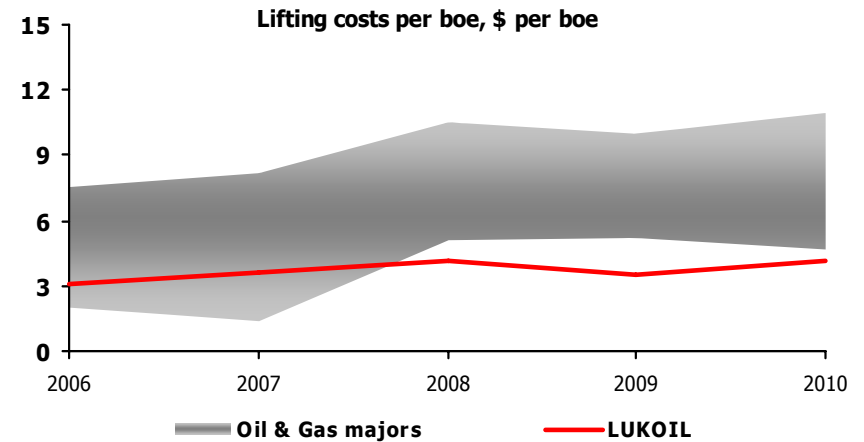
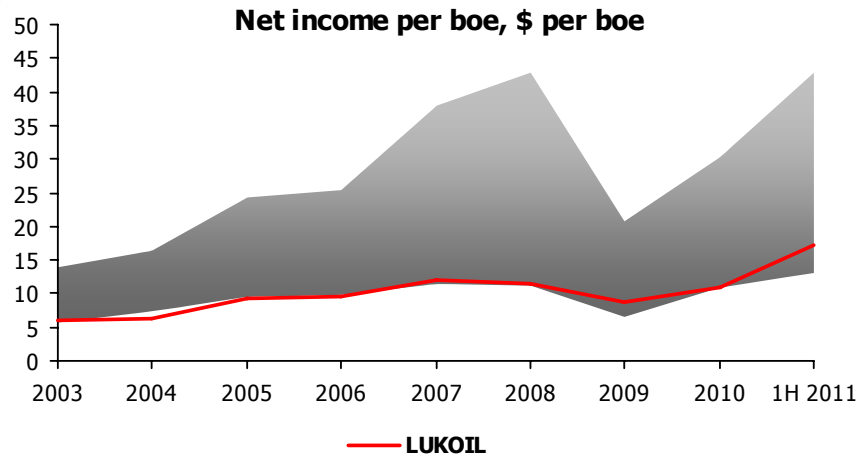


**LUKOIL is leader in financial performance in Russian oil industry**

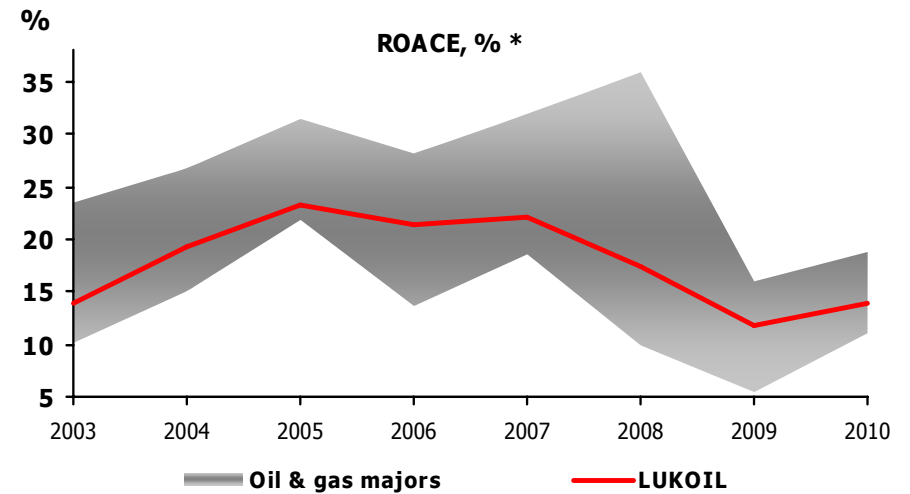
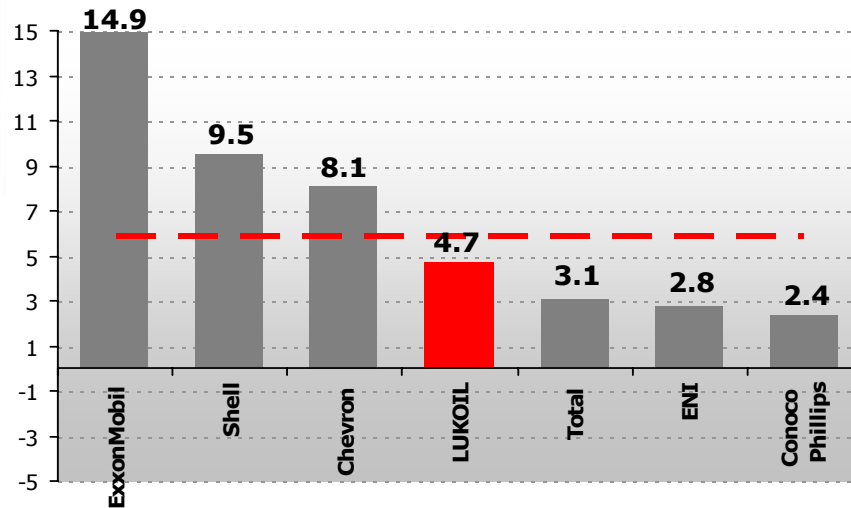
\*EBITDA is calculated as the sum of net income, DD&A, interest expense, total income tax expense minus interest and dividend income.

\*\* Free Cash Flow is calculated as operating cash flow minus capital expenditures and acquisition of licenses.

# Robust Competitive Position in the Industry



**1H 2011 Free Cash Flow, bln USD**



\* ROACE =  $\frac{\text{Net income} + \text{Interest expense} \times (1 - \text{Effective income tax rate}) + \text{Minority interest}}{\text{Average for the year (Equity} + \text{Long-term debt} + \text{Short-term debt} + \text{Minority interest})}$

Oil & Gas Majors include ExxonMobil, Royal Dutch Shell, BP, ConocoPhillips, Total, Eni, Repsol YPF, Chevron.  
Source: Companies' financial statements.

# Conclusion



## Financial and Investment Policy Highlights:

- Investment policy focuses on the development of E&P segment, increase of E&P share in total CAPEX
- Continuing modernization of Russian refineries under new tax regime
- **Increasing efficiency** of operating activities, cost control, and **OPEX optimization**
- Maintaining **conservative financial policy**, keeping access to domestic and international financial sources comfortable and open
- Maintaining **strong financial discipline**

**LUKOIL shows the best financial performance in the Russian oil industry**