



ALWAYS MOVING FORWARD

2015 Financial Results (IFRS)



Member of the Board of
Directors
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Development
Leonid Fedun



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Moscow, April 2016



Forward-Looking Statements



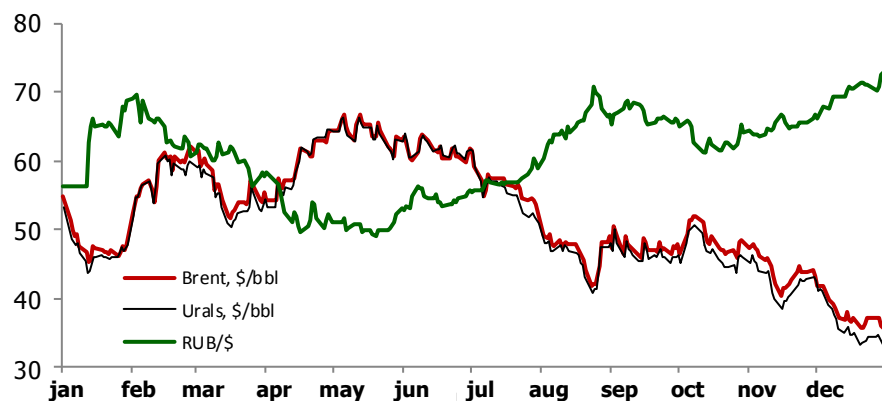
- Certain statements in this presentation are not historical facts and are "forward-looking". Examples of such forward-looking statements include, but are not limited to:
 - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other 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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Macroeconomic Environment 2015

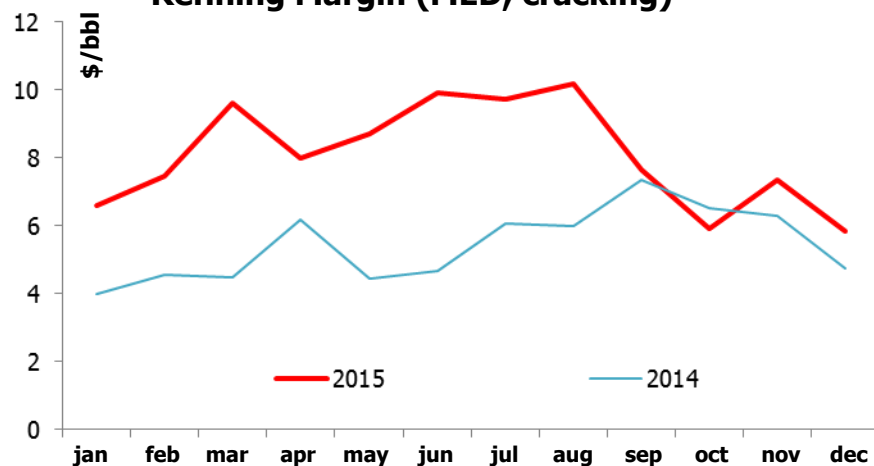


Oil Price and RUB/\$ Exchange Rate



Source: Thomson Reuters, Central Bank of Russia

Refining Margin (MED, cracking)



Source: Platts, LUKOIL estimates

Crude oil

	2015	2014	%
\$/bbl			
Brent	52.4	99.0	(47.1)
Urals (CIF Mediterranean)	51.9	98.0	(47.0)
Urals (CIF Rotterdam)	51.0	97.2	(47.6)

Oil products (Europe – FOB Rotterdam)

	2015	2014	%
\$/tonne			
Fuel oil 3.5%	256.2	527.1	(51.4)
Diesel fuel 10 ppm	499.6	855.2	(41.6)
High-octane gasoline	569.3	918.9	(38.0)

Oil products (Russia)

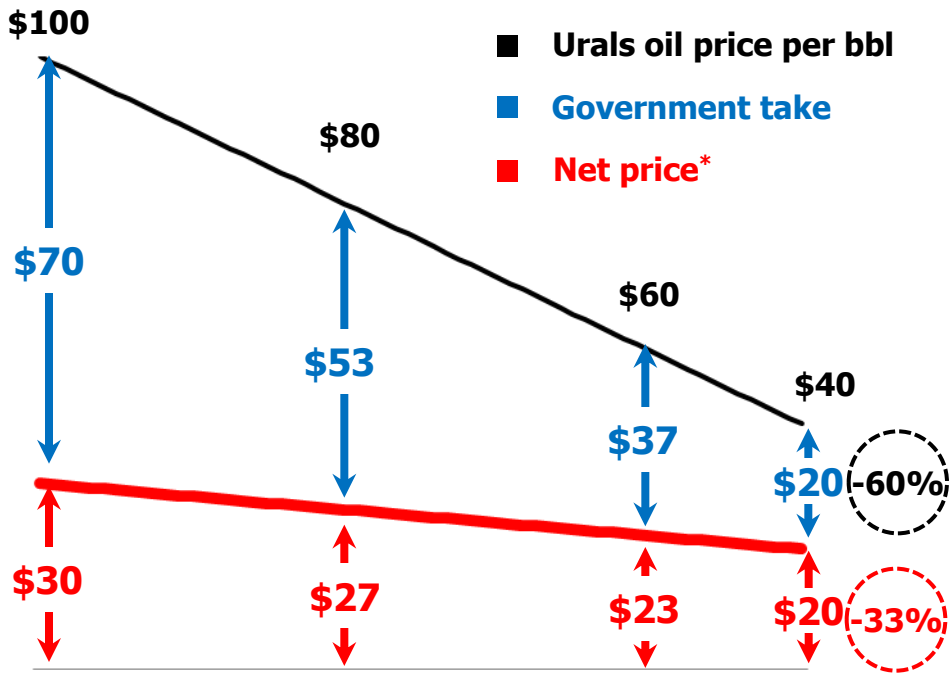
	2015	2014	%
RUB/tonne			
Fuel oil	6,604	9,342	(29.3)
Diesel fuel	29,215	28,206	3.6
High-octane gasoline (Regular)	32,120	30,993	3.6
High-octane gasoline (Premium)	33,612	32,050	4.9



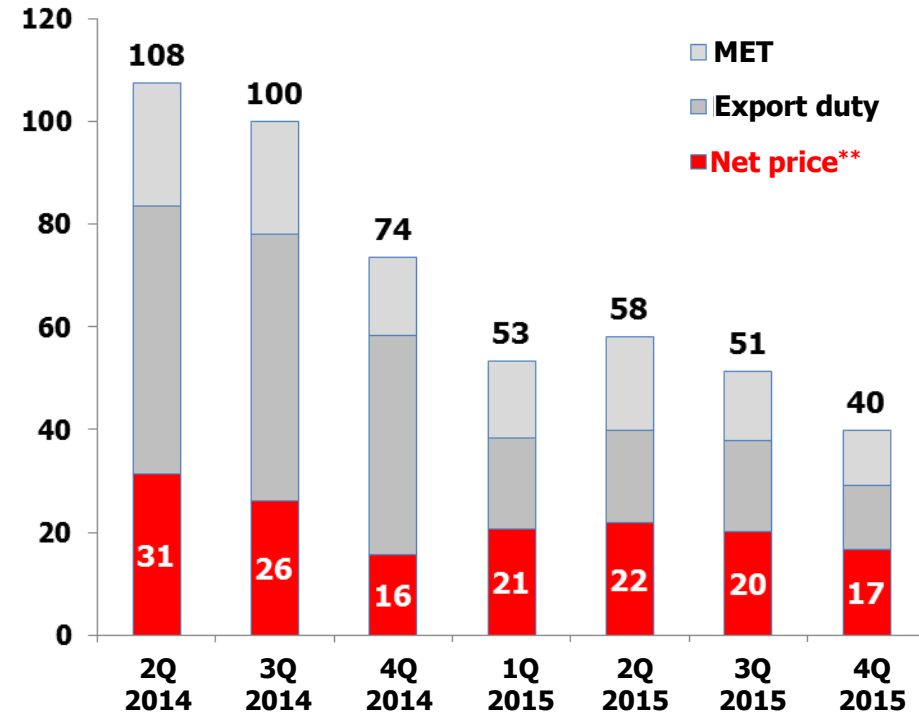
Limited Sensitivity to Oil Price Fluctuations



Theoretical net price, \$/bbl (2015)



Actual average net price, \$/bbl



When oil price **falls** from \$100 to \$40/bbl, LUKOIL net revenue per barrel **decreases** by **\$10/bbl**

* Calculated as: oil price minus MET minus export duty

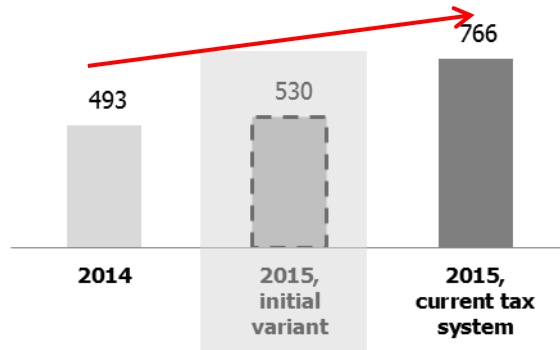
** Average realized price, net of West Qurna-2, net of export duties and MET, according to financial statements, including export duty lag, standard tax regime (without tax benefits), 1t = 7.33 bbl



Tax Environment in 2015

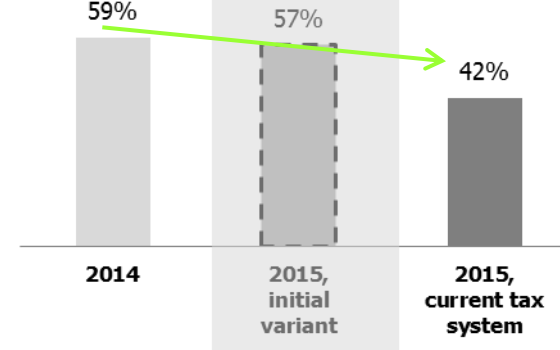


Crude oil MET base rate, RUB/tonne



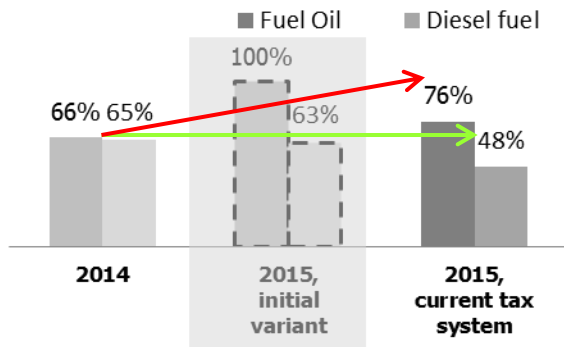
- MET was increased

Crude oil export duty rate



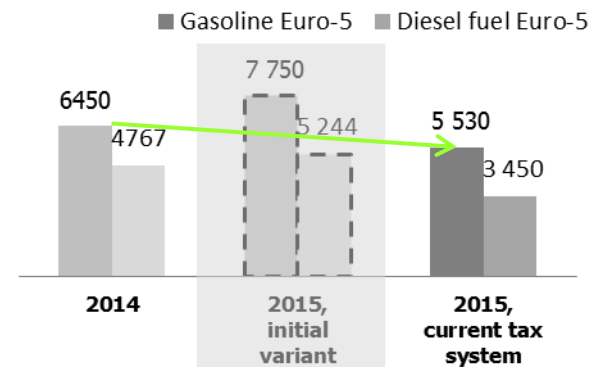
- Oil export duty was decreased

Oil products export duty rate (% crude oil export duty rate)



- Fuel oil export duties were increased (compared to 2014)
- Middle distillates export duties were decreased (compared to 2014)

Excise taxes, RUB/tonne



- Excises were decreased

January 1, 2015 – launch of the "tax maneuver" in Russia



Highlights for 2015



Oil production at record high – over **100 mln tonnes**



New exploration frontier: East Siberia (Vostochno-Taimyrsky license block)



Iraq (West Qurna-2): **\$3 bln** compensation; production exceeded **10 mln tonnes**



Completion of Investment cycle in refining



Investment projects under Capacity delivery contracts (DPM) completed



International upstream business unit restructuring and asset portfolio optimization



Transition to IFRS



Key Performance Indicators



	2015	2014	Δ
Hydrocarbon production, mln boe	868	844	2.8%
including crude oil and natural gas liquids produced, mln bbl	749	727	3.1%
including West Qurna-2, mln bbl	73.6	41.7	76%
Refined products produced, mln tonnes	60.9	64.1	-5.0%
RUB bln			
Sales	5,749	5,505	4.4%
EBITDA	769	798	-3.7%
Profit for the year	291	396	-26.4%
Adjusted profit for the year*	452	483	-6.4%
Capital expenditures**	607	611	-0.6%
Free cash flow***	248	72	244%
Net debt	602	587	2.6%

* Adjusted for reserve on impairment of assets

** Including non-cash transactions and prepayments

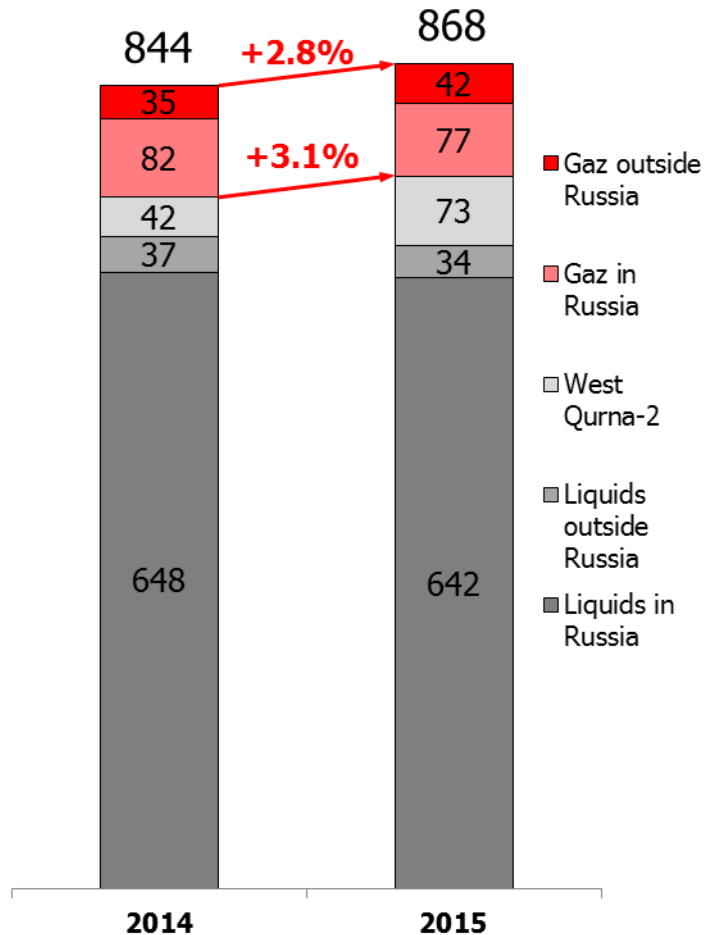
*** Net cash provided by operating activities minus capital expenditures and acquisition of licenses



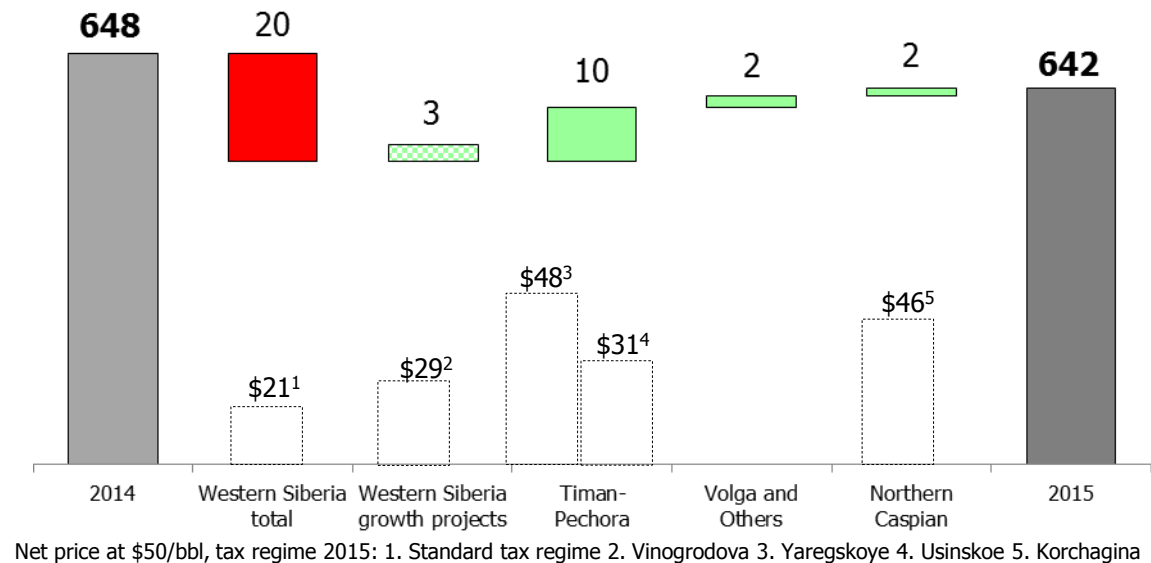
Upstream - Efficient Growth



Hydrocarbon production, mln boe



Crude oil and natural gas liquids produced in Russia, mln bbl



Production growth:

- Hydrocarbons - **2.8%**
- Crude oil and natural gas liquids - **3.1%**

Decline in Western Siberia brown fields is **compensated** with growth in other Russian regions driven by **new high-return projects**

Upstream delivered high EBITDA – **489 RUB bln (+5% y-o-y)**

International upstream restructuring

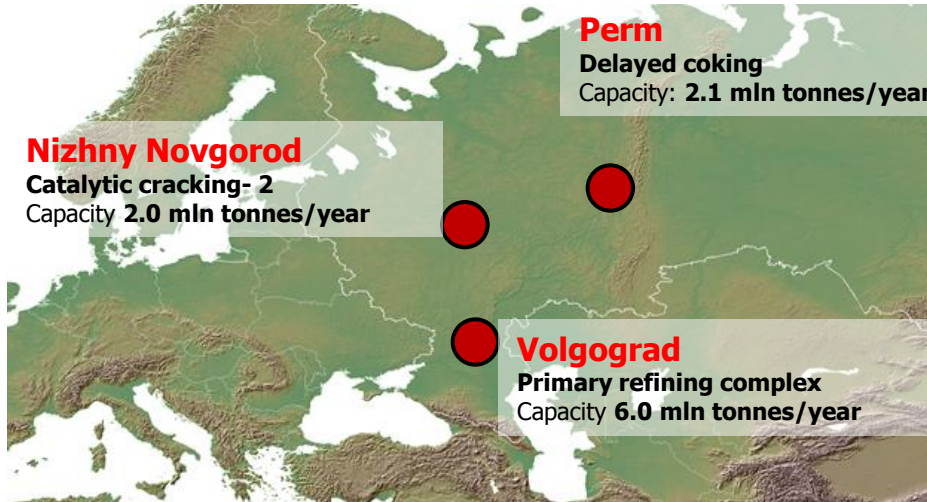
Portfolio optimization



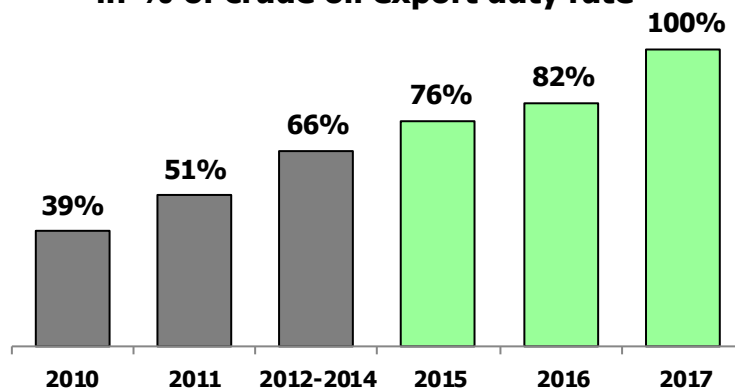
Russian Downstream – Timely Modernization



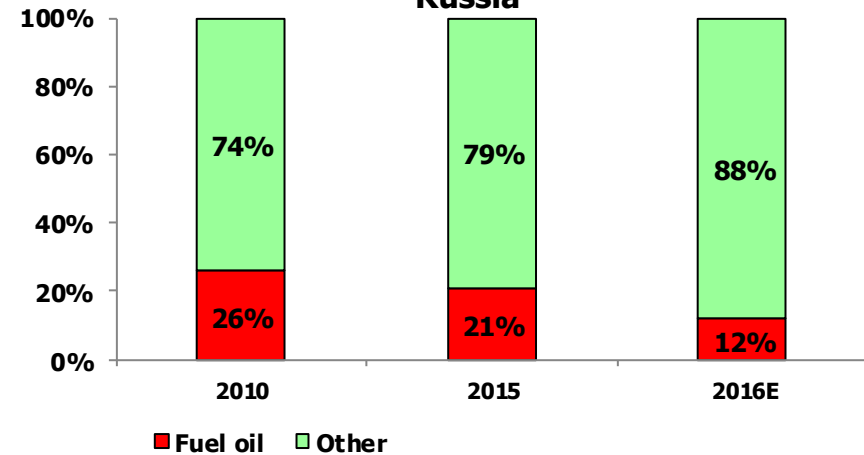
In 2015 LUKOIL Completed Large Oil Refining Projects



Fuel oil export duty in % of crude oil export duty rate



LUKOIL oil product output structure in Russia*



Oil products output in Russia

	2013	2014	2015	2016E	Δ^{**} , mln tonne	Δ , %
Gasoline	8.6	8.7	9.1	10.0	+4.1	+19%
Diesel fuel	12.5	13.1	13.3	15.2		
Vacuum gas oil	4.3	4.6	3.5	2.5	-5.9	-40%
Fuel oil	10.4	9.9	8.0	6.3		

Modernization of LUKOIL's Russian refineries will make them more profitable, and increase competitiveness compared to Russian peers under new tax system

* Volgograd, Perm and Nizhny Novgorod refineries ** 2016 vs. 2013



International Downstream – Vertical Integration Advantages



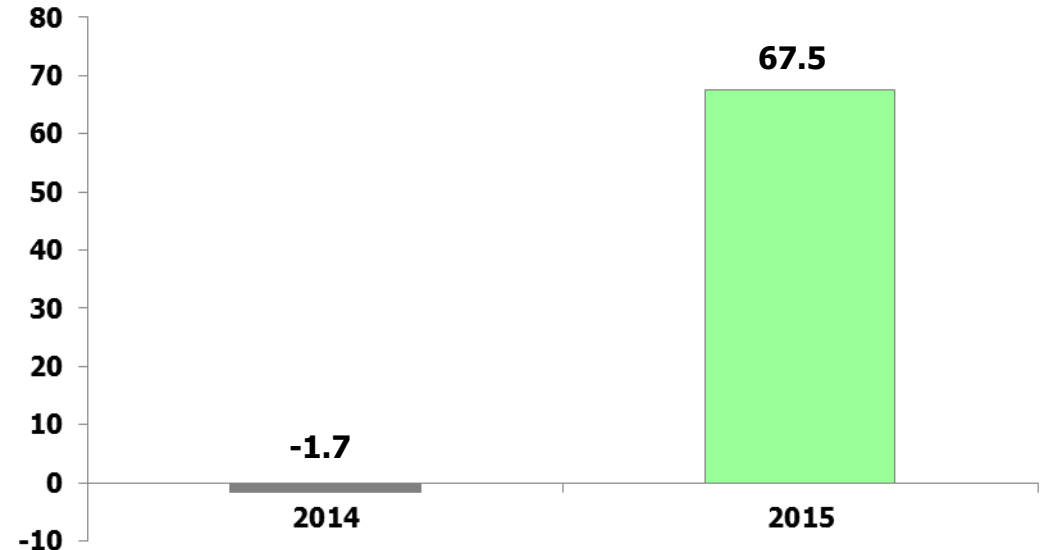
Residue Hydrocracking in Burgas was launched on May 20, 2015



Effects:

- Profit growth
- Processing depth up to 90% (decline in output of fuel oil)
- Increased production of gasoline and diesel fuel
- Energy efficiency growth
- Positive environmental impact
- Greenhouse gas emissions reduction

International Downstream EBITDA*, RUB bln



* Adjusted for reserve on impairment of assets

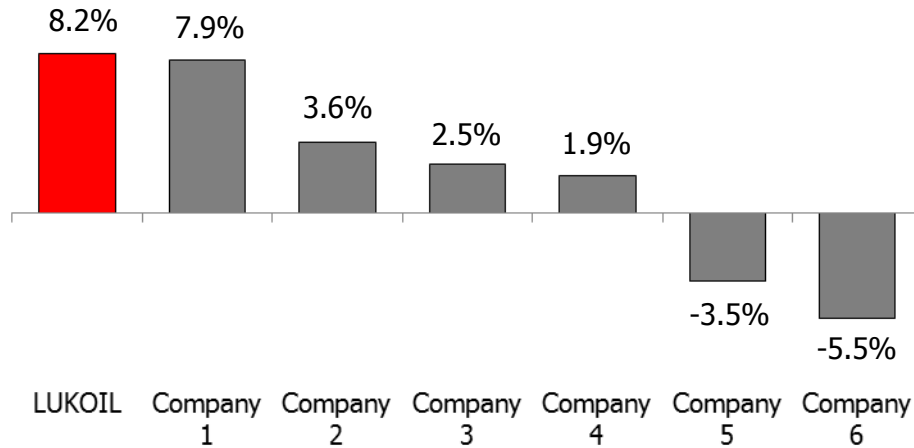
- On the back of low oil prices, refining margins in Europe reached their **highest levels** over the last 5 years
- International Downstream delivered **high EBITDA**
- LUKOIL **launched efficient project** in Burgas
- As a result of **portfolio optimization**, LUKOIL increased efficiency of European retail chain, focusing on retail assets with **highest synergy** with Company`s European refineries



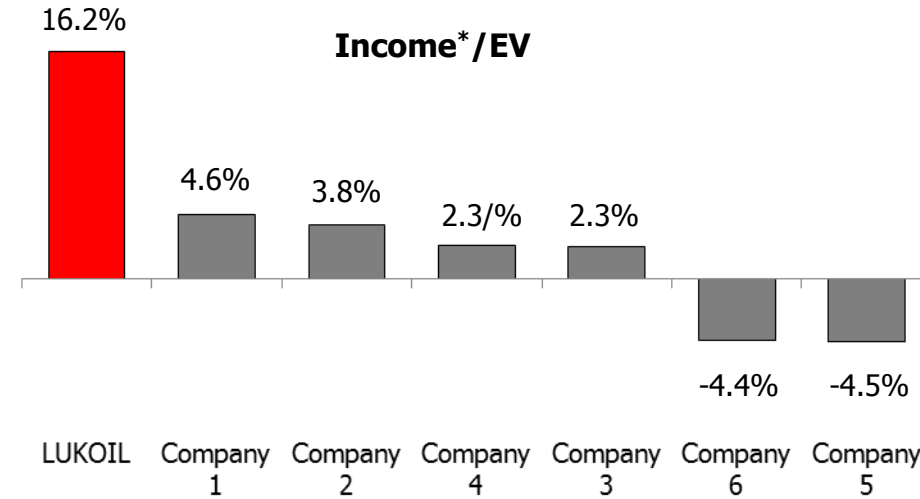
Benchmarking Against International Peers



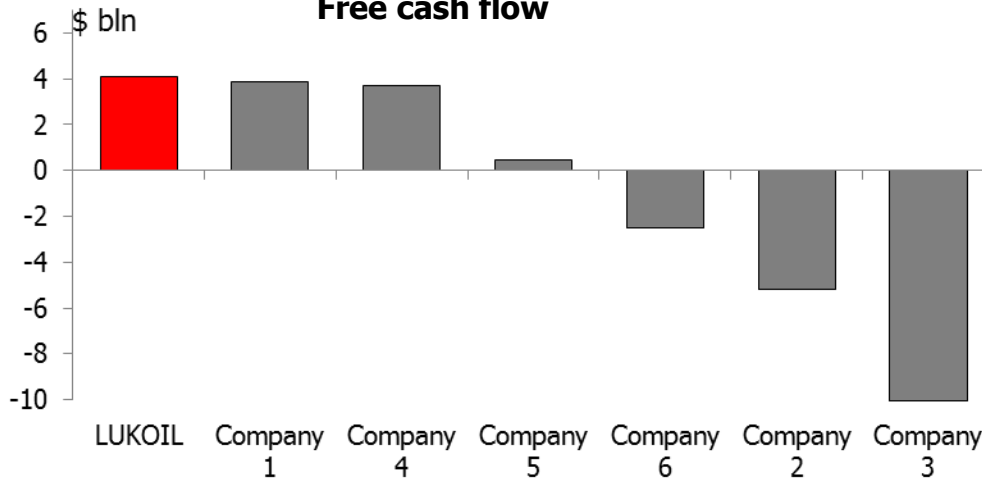
ROACE



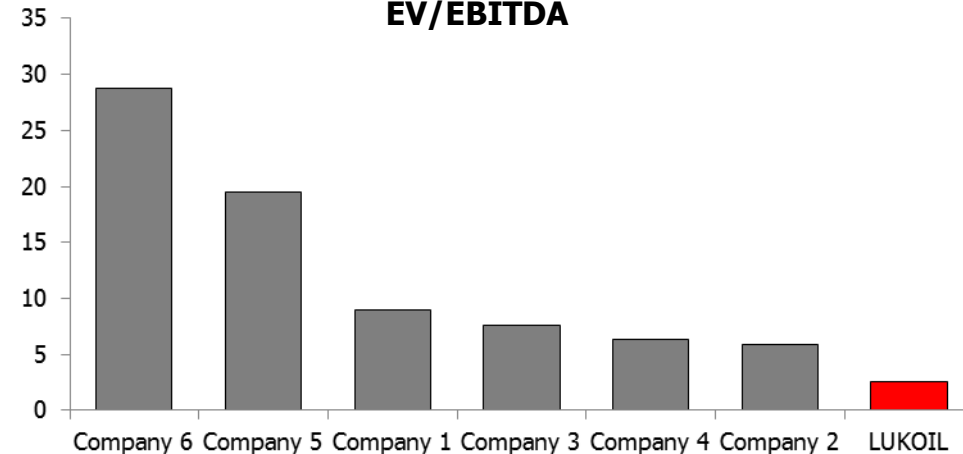
Income* / EV



Free cash flow



EV/EBITDA

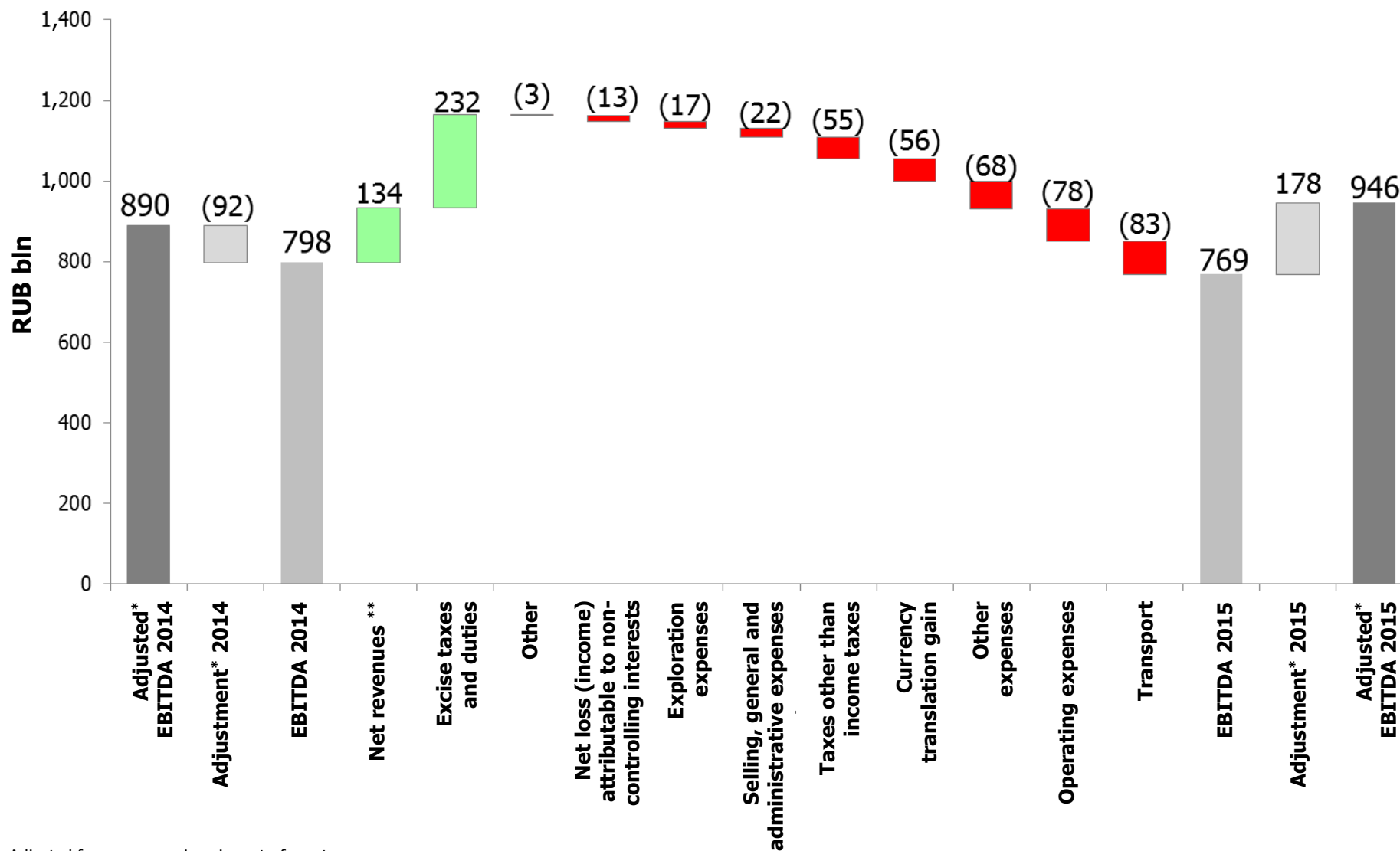


Source: International companies' financial statements

* Profit for the year + Interest expense x (1- Effective income tax rate) + comprehensive (income) loss for the year attributable to non-controlling interests



EBITDA Reconciliation

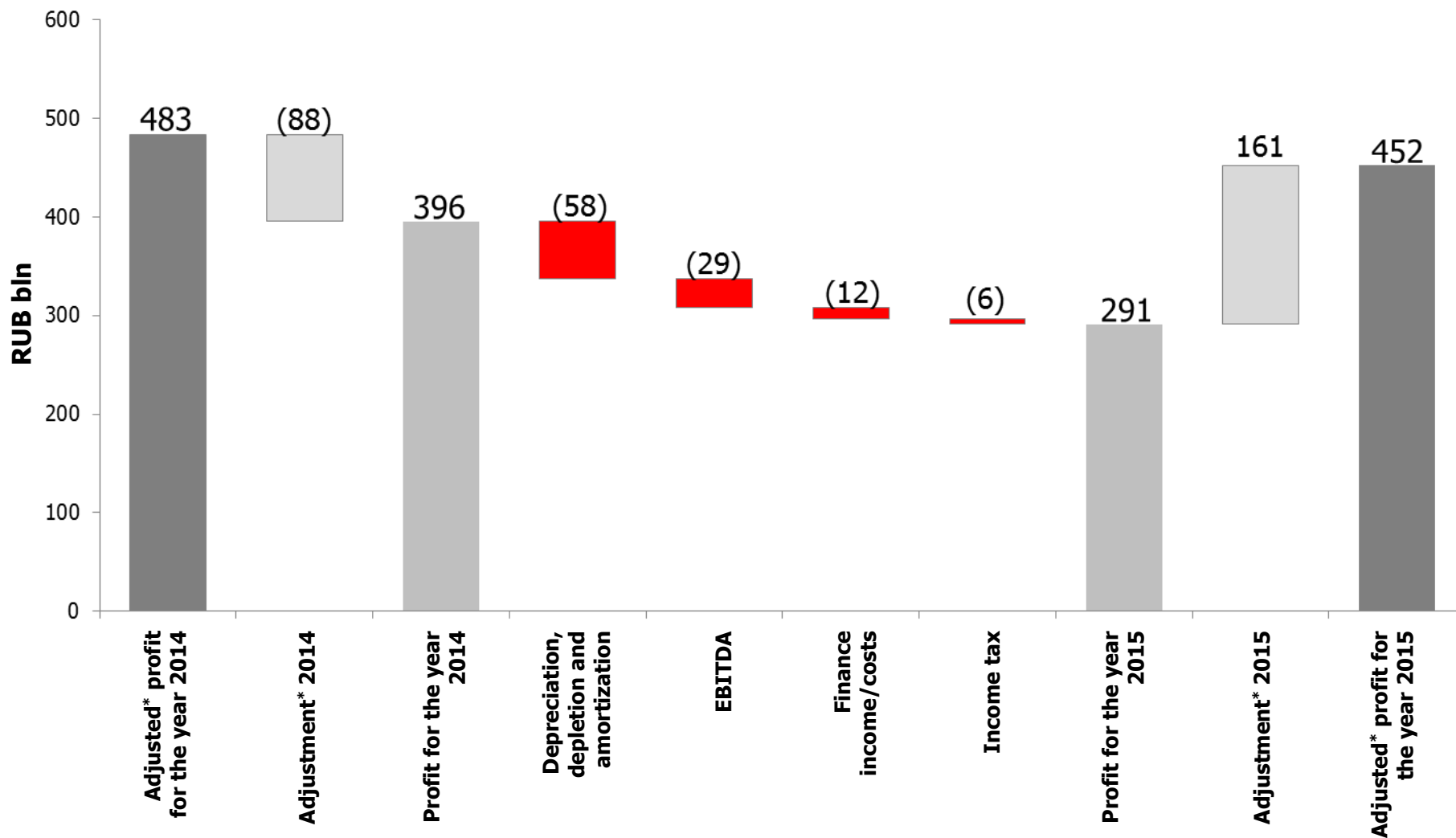


* Adjusted for reserve on impairment of assets

** Revenues minus Cost of purchased crude oil, gas and products



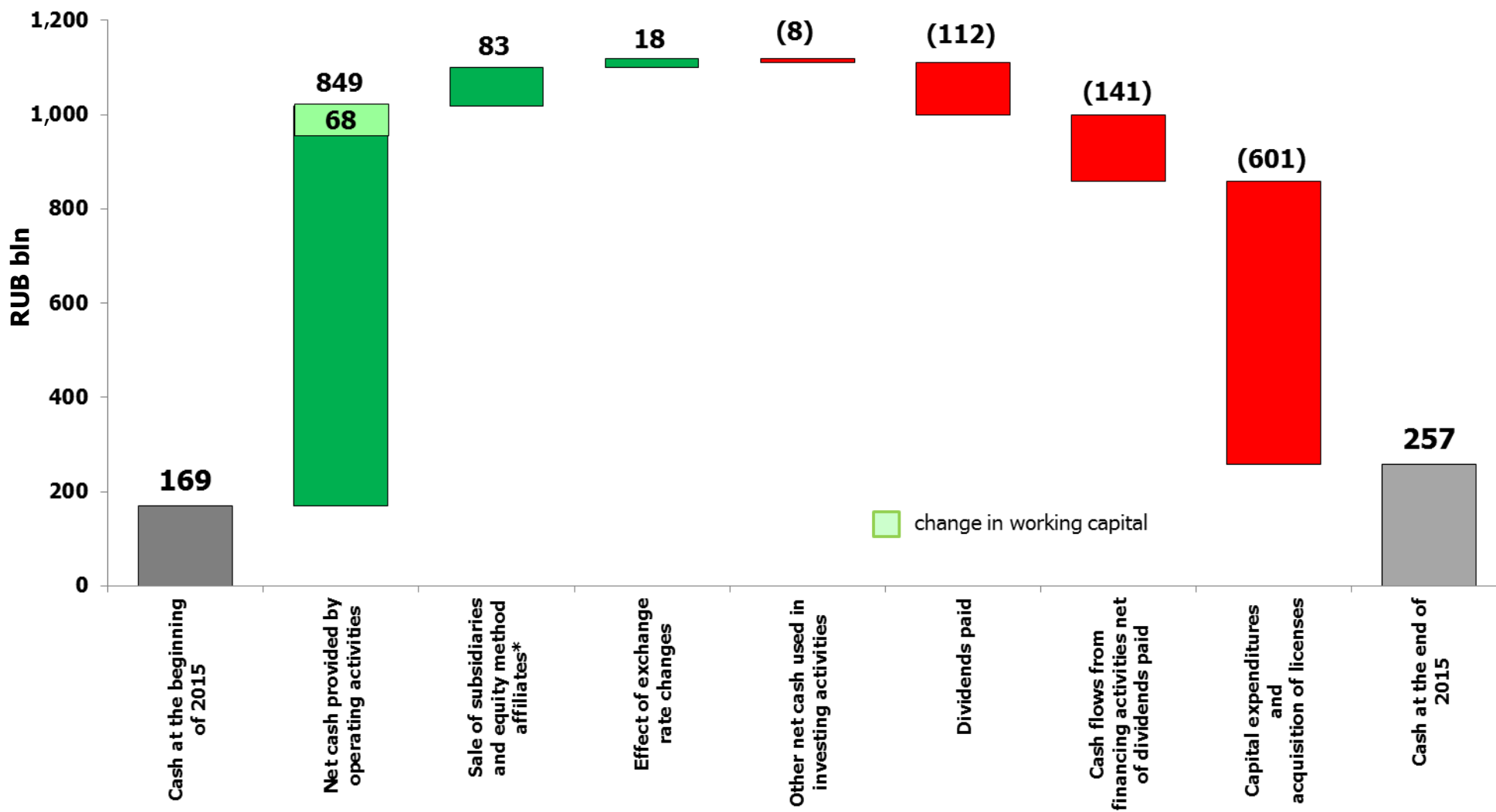
Profit for the Year Reconciliation



* Adjusted for reserve on impairment of assets



Cash Flow Reconciliation



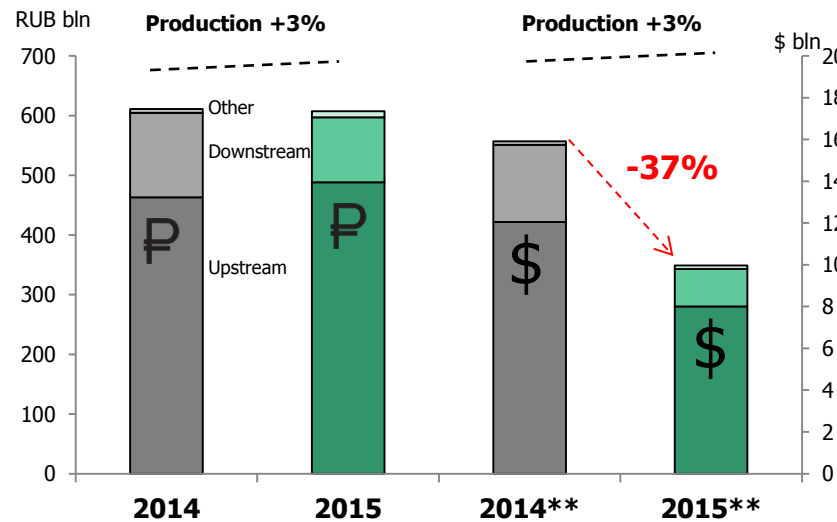
* Net of cash disposed



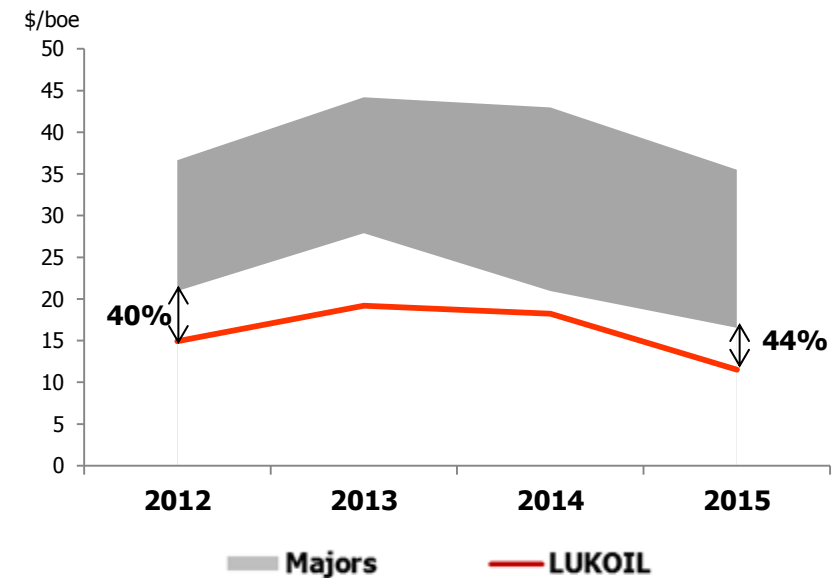
Flexible Capital Expenditure Program



CAPEX*



CAPEX benchmarking



Source: International companies' financial statements
 LUKOIL 2011-2013 – GAAP, 2014-2015 – IFRS

- LUKOIL significantly reduced CAPEX in dollar terms, while maintaining robust oil production growth
- Ruble-denominated CAPEX was flat in 2015, **CAPEX in dollar terms decreased by 37%**:
 - Upstream **-34%**
 - Downstream **-51%**

* Including non-cash transactions and prepayments

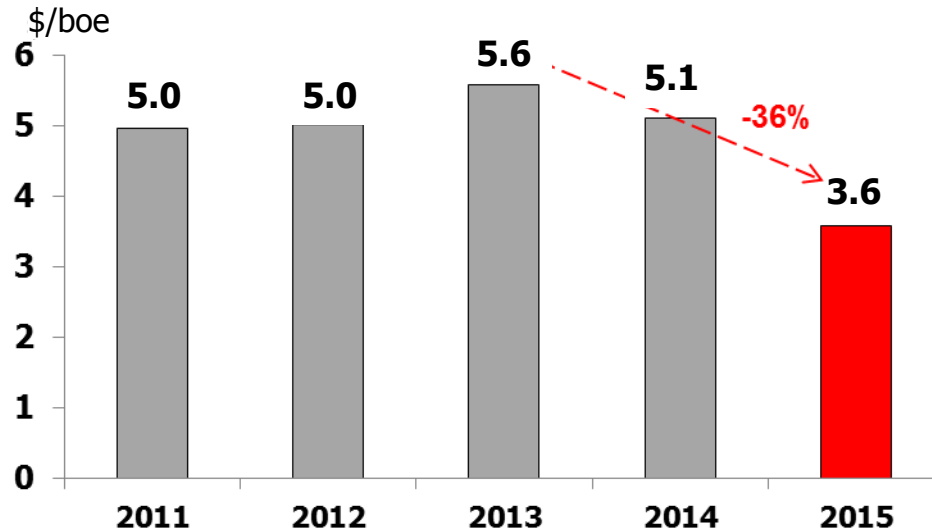
** According to the Financial Statements and RUB/\$ average exchange rate for the period



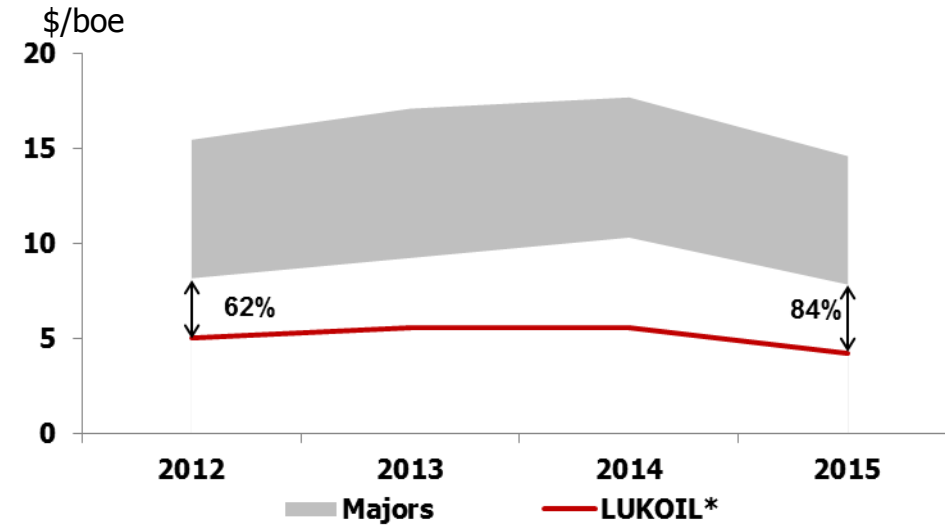
Effective Cost Control



LUKOIL lifting costs in Russia



Lifting costs benchmarking



Source: International companies' financial statements
LUKOIL 2011-2013 – GAAP, 2014-2015 – IFRS

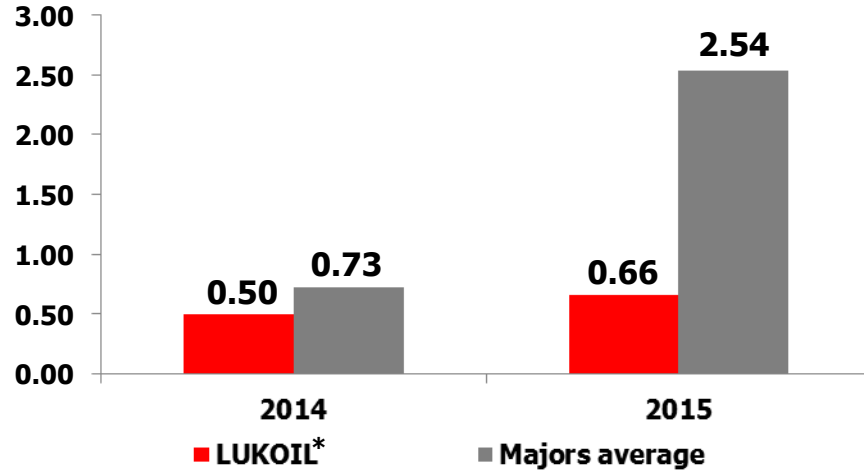
- Effective cost control and ruble devaluation decreased OPEX in dollar terms
- Lifting costs per boe decreased by 36% since 2013, further improving LUKOIL position vs. international peers



Robust Financial Position



Net debt to EBITDA

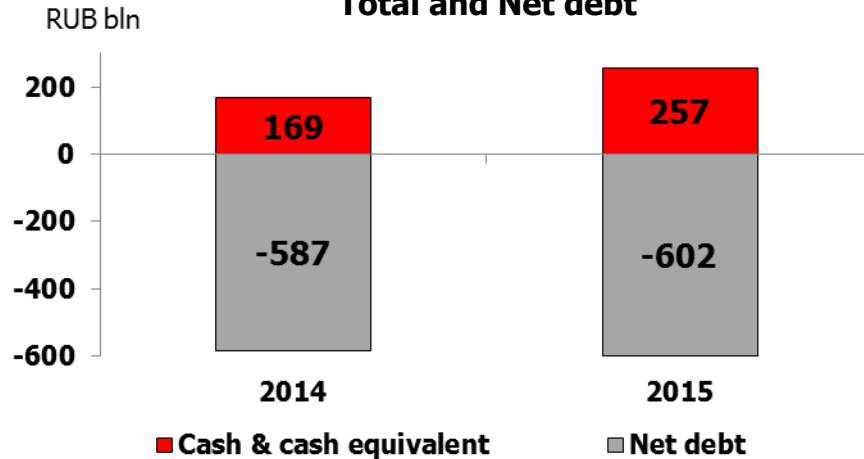


S&P credit ratings

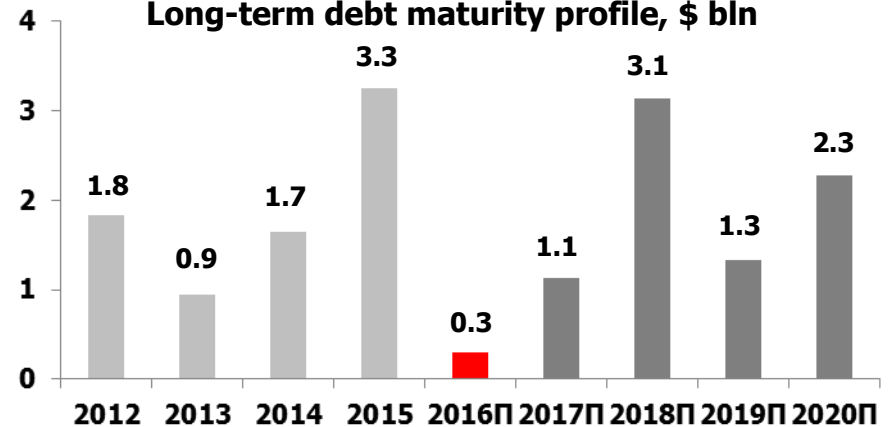
	2008	Feb 2016	
ExxonMobil	AAA	AAA	Investment rating
Chevron	AA	AA-	
Total	AA	AA-	
Shell	AA+	A+	
BP	AA	A	
Eni	AA-	A-	
LUKOIL	BBB-	BBB-	
Rosneft	BBB-	BB+	
Gazpromneft	BBB-	BB+	
Petrobras	BBB	BB	

Source: Bloomberg

Total and Net debt



Long-term debt maturity profile, \$ bln



LUKOIL effectively manages liquidity despite limited access to capital markets

Source: International companies' financial statements. LUKOIL 2012-2013 – GAAP, 2014-2015 – IFRS
 * EBITDA - average exchange rate for the period, Net Debt - exchange rate at the end of the period.



Environmental Safety is a Top Priority

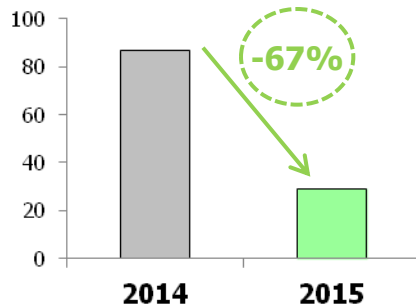


Cooperation agreement with WWF signed in April 2015

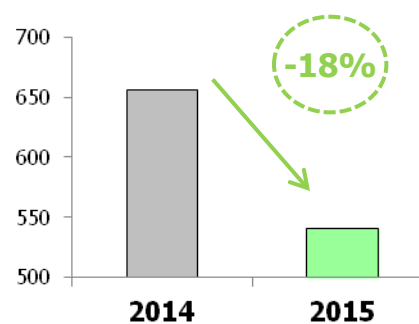


The agreement provides for bilateral consultations, working meetings, exchange of information and data regarding implementation of environmental protection projects and nature conservation in Russia

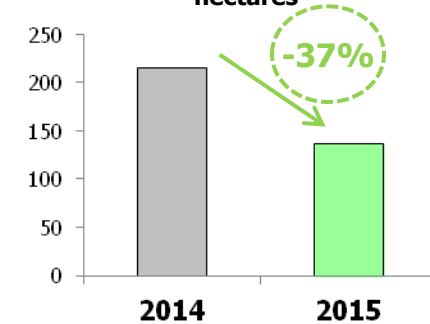
Number of accidents with environmental damage



Air emission, thousand tonnes



Area of contaminated lands, hectares





Summary



- Robust financial results despite volatile global commodity and financial markets
- Delivered positive free cash flow **RUB 248 bln**
- Production at record high:
 - Crude oil – more than **100 mln tonnes**
 - Gas – more than **20 bln m³**
- Efficient projects in oil and gas processing launched on time and on budget
- West Qurna-2 (Iraq) – **\$3 bln** compensation and over **10 mln tonnes** produced
- Portfolio optimization
- Strong financial position



ALWAYS MOVING FORWARD

Transition to IFRS

Moscow, April 2016



Transition to IFRS



Principal factors that affect our financial statements significantly with the transitions to IFRS:

1. Change of functional currency
2. Revaluation of property, plant and equipment
3. Impairment of assets
4. Deferred taxes
5. Accounting of joint arrangements and joint ventures



Reconciliation of Profit for the Year and EBITDA under US GAAP and IFRS for 2014



<i>RUB bln</i>	Profit for the Year	EBITDA
US GAAP*	182	614
<i>Adjustments:</i>		
Changes in assesment and accounting of translation differences	181	181
Difference in depreciation, depletion and amortisation	46	-
Change in asset retirement obligation	13	13
Deferred income taxes	(19)	-
Additional impairment of property, plant and equipment	(4)	(4)
Other	(3)	(6)
IFRS	396	798

* US GAAP amounts converted from US dollars using average exchange rate for 2014 – 38.42

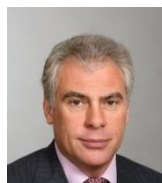


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Company Expectations for 2016



Member of the Board of
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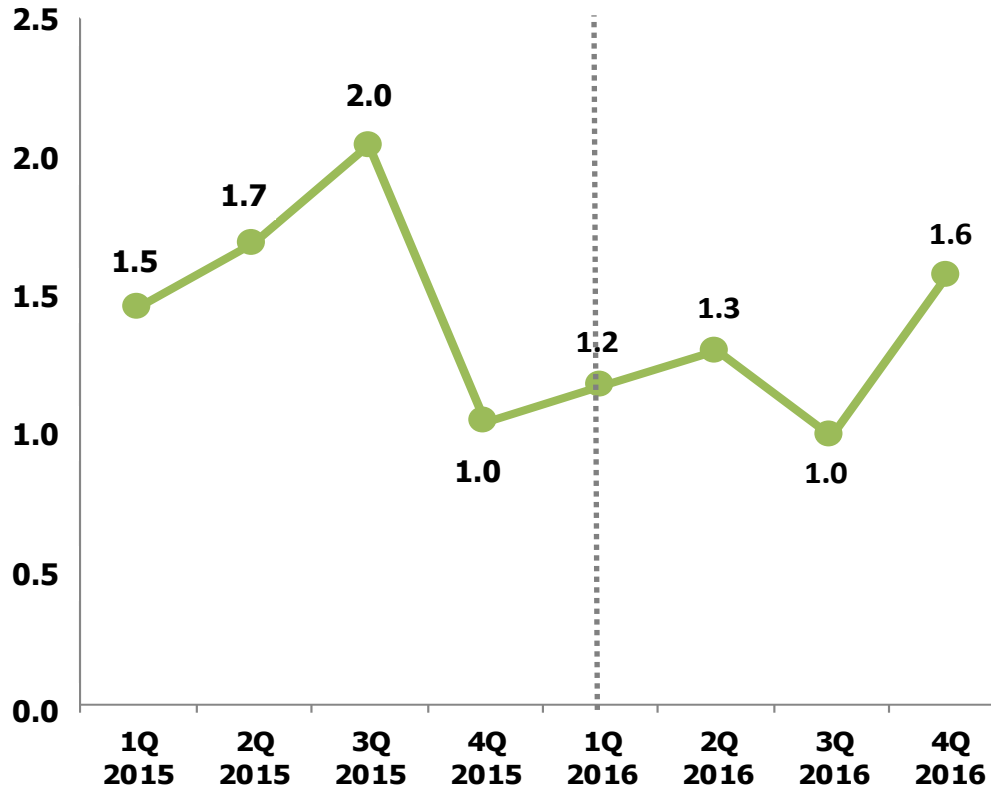
Moscow, April 2016



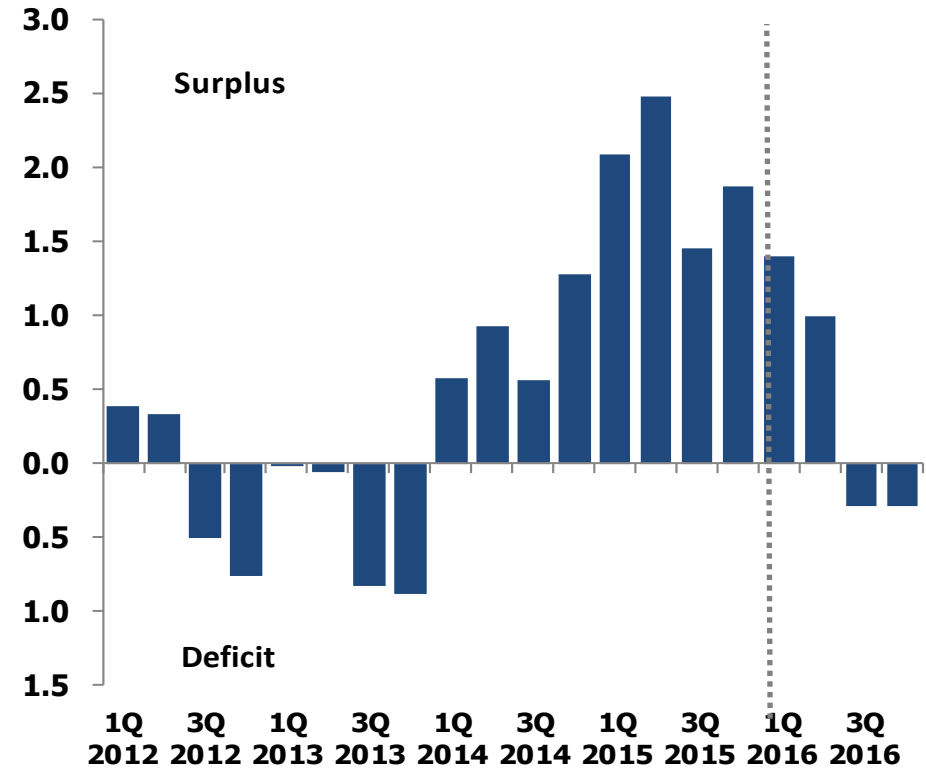
Global Oil Market Balance Will Improve in the Second Half of 2016



Consensus forecast of changes in global oil demand (y/y), mmbd



Global oil supply and demand balance, mmbd



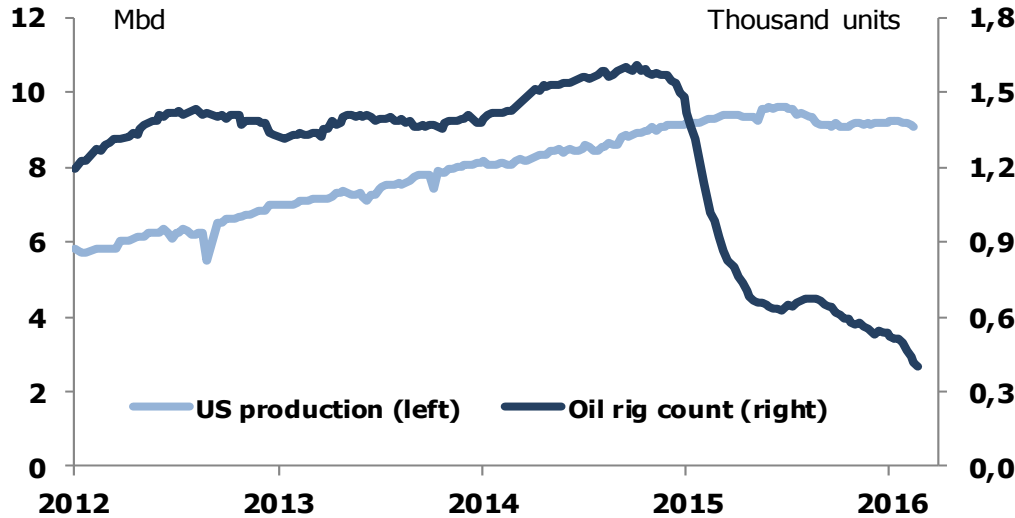
- We expect high global oil **demand growth** rate to remain in 2016
- The oil market will **no longer be in surplus** in the second half of 2016 as a result of demand increase and production decline



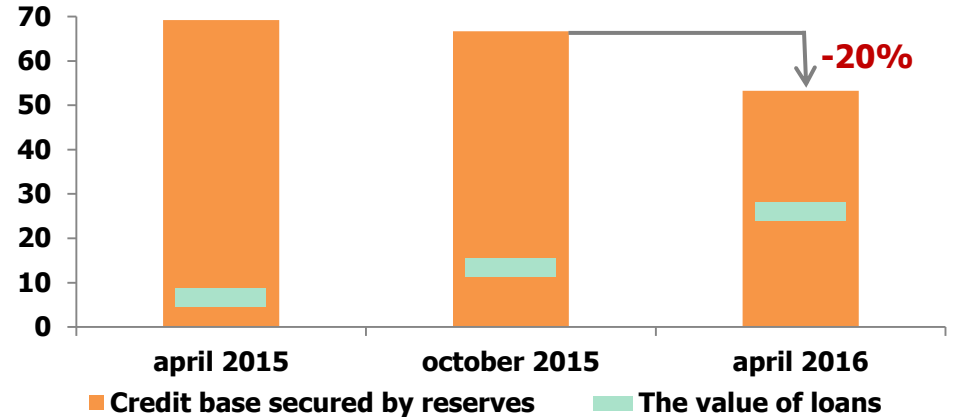
We Expect US Oil Production Decline to Continue



The number of active drilling rigs and oil production in the USA

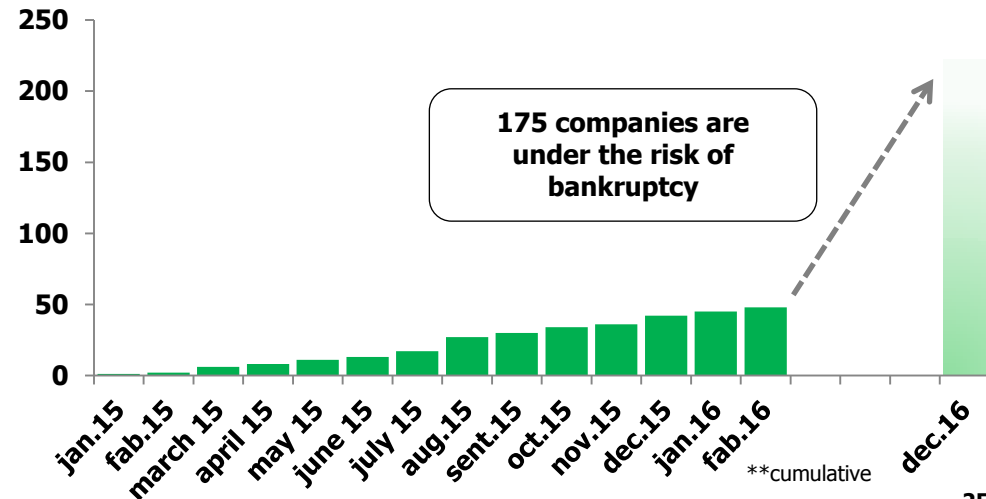


Value of the credit lines available to US E&P companies*, bln \$



* According to a sample of 37 medium-size companies with tight oil operations in the USA

The cumulative number of bankruptcy** fillings by US E&P companies



175 companies are under the risk of bankruptcy

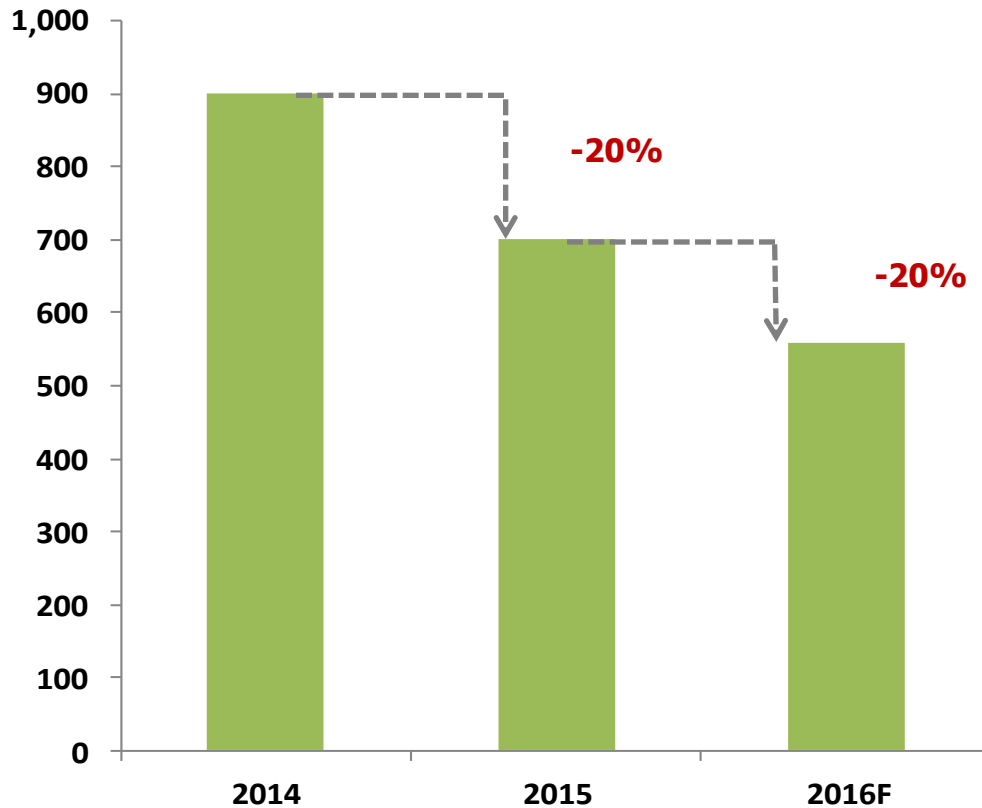
- The number of active drilling rigs in the USA **decreased** 4 times compared to the peak in 2014
- Large tight oil producers plan to **cut production** approximately by 10% in 2016
- The limited access to debt financing may cause the **wave of bankruptcy** among small and mid-size US E&P companies



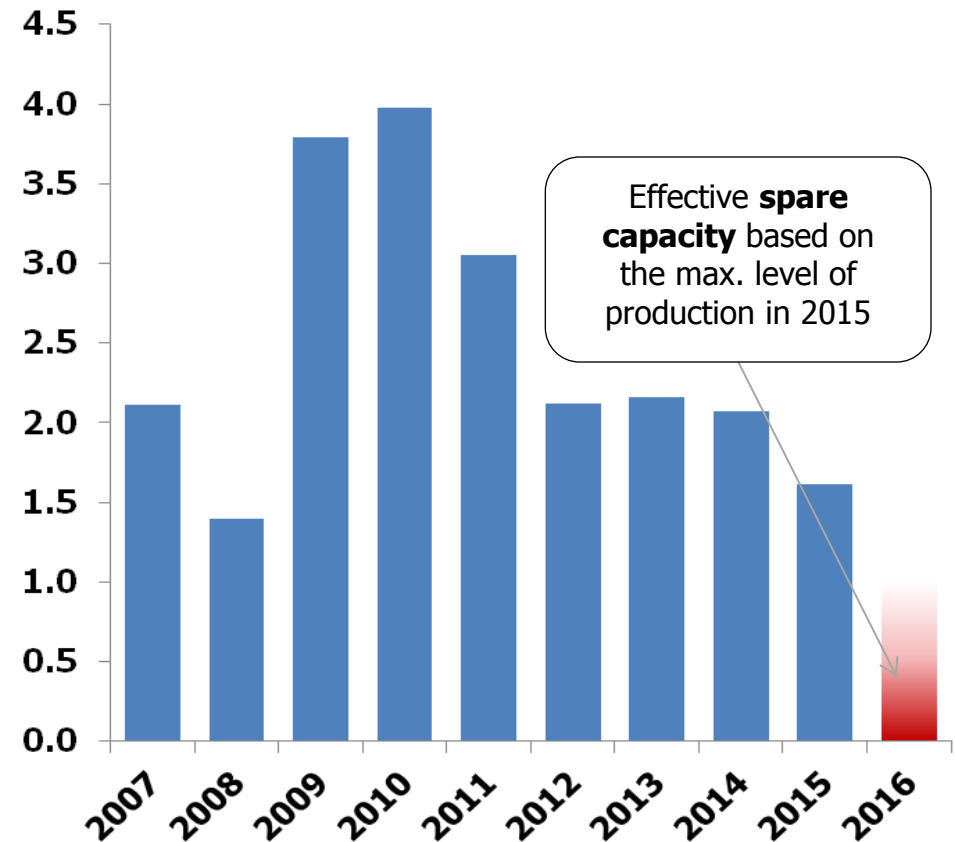
The Potential for Oil Supply Increase is Limited in the Medium Term



Global upstream investment, bln \$



OPEC spare capacity, mmbd



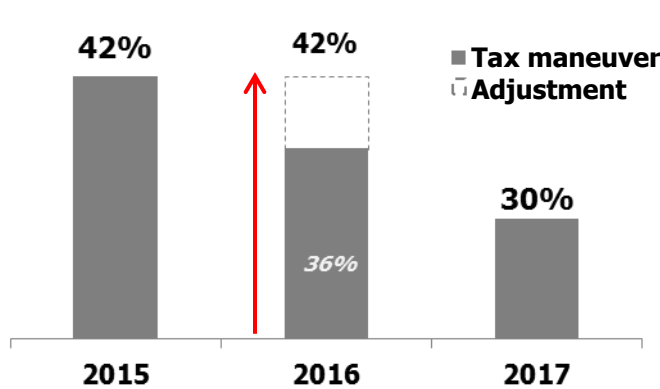
- **Investment cuts** in the oil and gas sector continue, which will inevitably affect the future supply
- **OPEC spare capacity** is at **historic minimum** that also limits possibility of production growth



Tax Environment in 2016

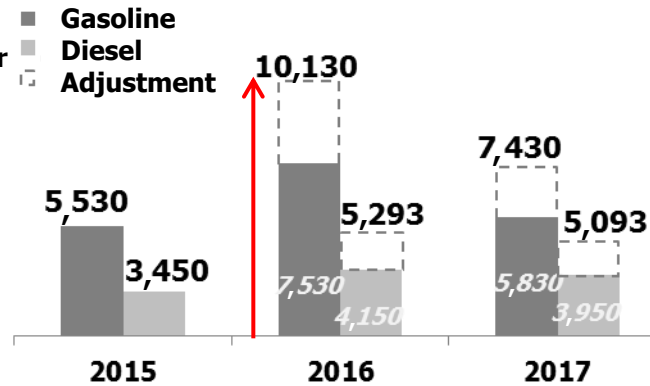


Crude oil export duty rate



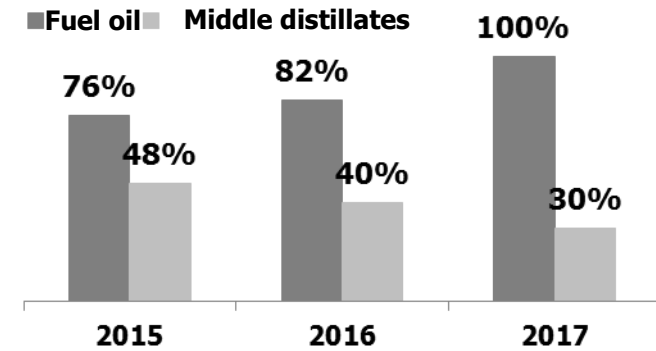
- Crude oil export duty "Freeze" at the level of 2015 (42%)

Excise taxes, RUB/tonne



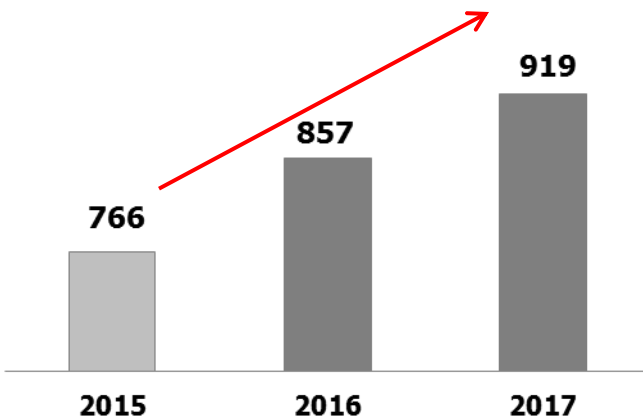
- Excise taxes on gasoline and diesel fuel raised (effective April 1, 2016)

Oil products export duty rate (% crude oil export duty rate)



- **Unchanged**

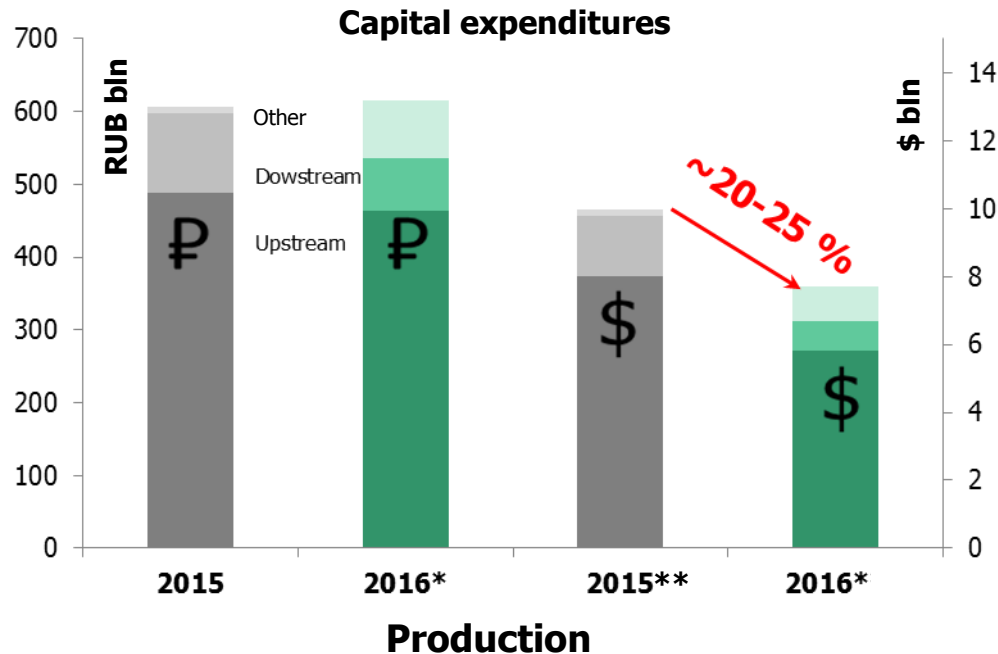
Crude oil MET base rate, RUB/tonne



- In 2016 "tax maneuver" parameters were adjusted
- As a result tax burden on oil companies **has increased**



Operational Guidance for 2016



- Ruble-denominated CAPEX for **2016** is expected to be flat y-o-y, CAPEX **in dollar terms** is expected to **decrease by 20-25%** y-o-y
- Oil production is expected to decline mainly due to the **effect** of compensation of **West Qurna-2 (Iraq) project** costs
- LUKOIL aims to **reduce** Downstream CAPEX by approximately **50%** and Upstream CAPEX by approximately **30%** in dollar terms
- \$8 CAPEX/boe plan for 2016 is **50% lower** comparing to minimum levels of international peers

Region

Current Plans

International Decrease of compensation crude oil from West Qurna-2 project

Russia Production dynamics in line with current pattern

* Brent \$30/bbl, 80 RUB/\$ scenario

** According to the Financial Statements and RUB/\$ average exchange rate for the period)



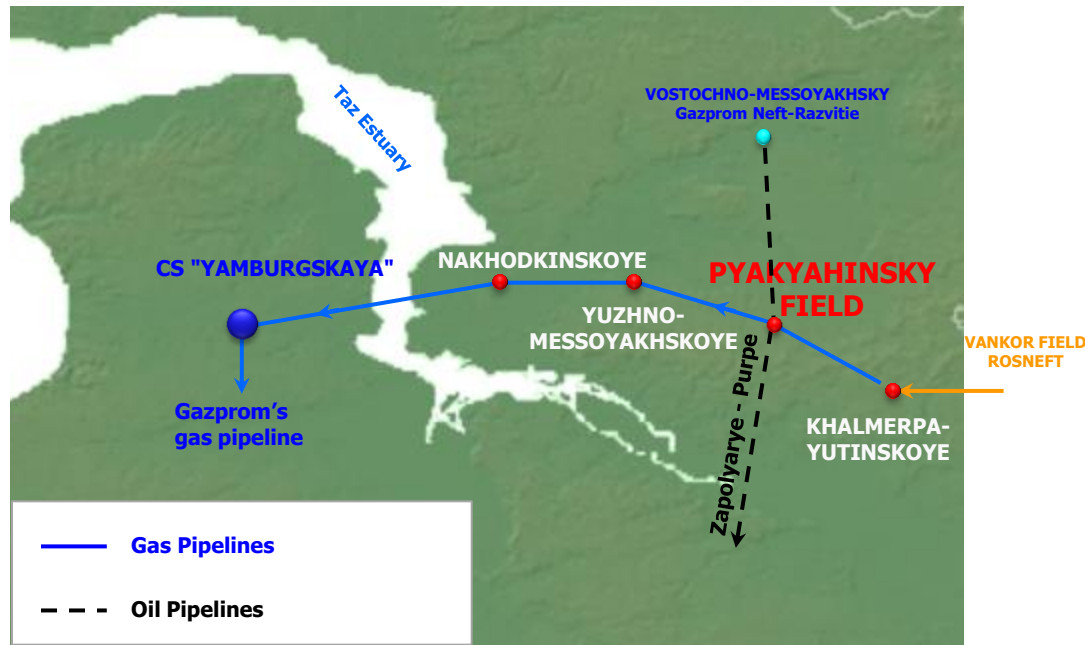
Key Projects Development in 2016



- Commissioning of **Pyakyakhinskoye** field
- Commissioning of **V. Filanovsky** field
- Progress of the **Yaregskoye** field development
- Progress of the **Denisovskaya Depression** development
- Expanding **cooperation with Bashneft** in Timan-Pechora
- Kick-off of the exploration at the **Vostochno-Taimyrsky** license block
- Launch of **hydrocracking** unit at Volgograd refinery



Pyakyakhinskoye Field – Start of Production



Start-up of the first stage – 2016

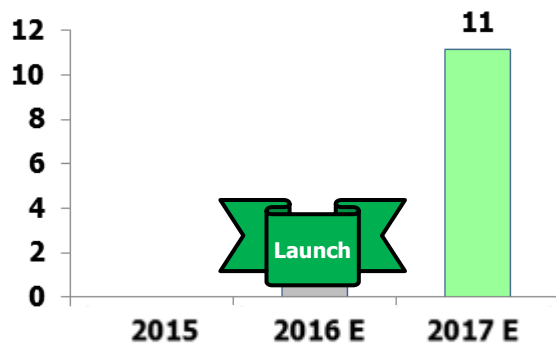
Facilities progress:

- Integrated gas treatment unit — **65%** complete
- Oil treatment unit — **85%** complete
- Transfer and acceptance point — **75%** complete

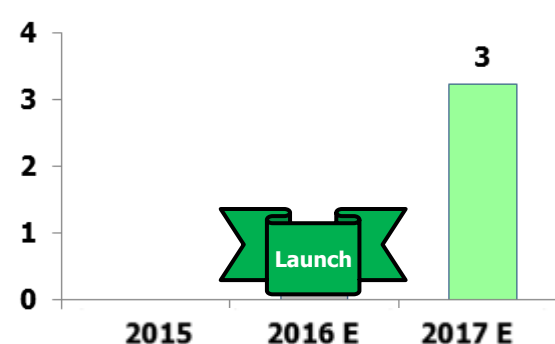
Drilling:

- 89 wells drilled (gas – 30 wells, oil – 59 wells)
- 65 wells ready for production (gas – 25 wells, oil – 40 wells)

Liquid hydrocarbon production forecast, mln bbl



Gas Production forecast, bcm



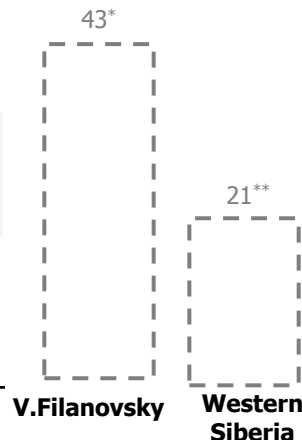


V.Filanovsky Field – Start of Production



Net-price,
\$/bbl

Item	Value
Start up	2016
Plateau	from 2017
Peak production	120 thousand bbl per day



Start-up of the first stage – 2016

2015 highlights:

- Commissioning of the PZhM-1 accommodation module platform, offshore pipeline sections, pipeline to Stavrolen processing plant, pipeline from shut-off valve unit to onshore treatment facility
- Awaiting commissioning permit for the onshore oil treatment facility
- Substructures constructed, work underway on topsides of the ice-resistant fixed platform (IRFP-2) and second living quarter module (PZhM-2)

Facilities progress:

- Ice-resistant stationary platform 1 (IRP-1) – **85%** complete
- Central processing platform (CPP) – **70%** complete
- Riser unit (RU) – **95%** complete
- Ice-resistant stationary platform 2 (IRP-2) – **61%** complete
- Living quarter module (PZhM-2) – **67%** complete

Planned for 2016:

Commissioning of the first development stage facilities (IRFP-1, CPP, RU and onshore treatment facility), marine installation operations on the second stage facilities

* Net price for V.Filanovsky field, \$50/bbl assumption, 2015 tax regime

** Net price for West Siberian fields, \$50/bbl assumption, without tax benefits, 2015 tax regime

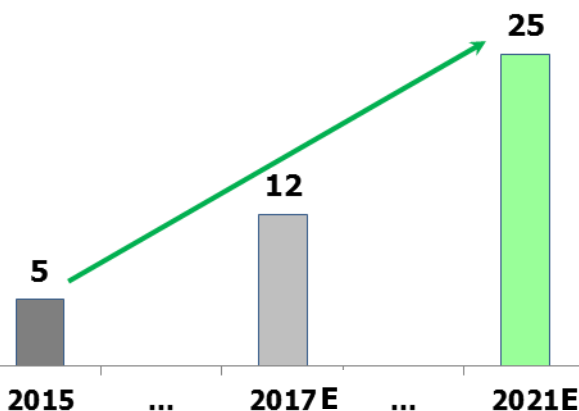


Yaregskoye Oil Field – Development

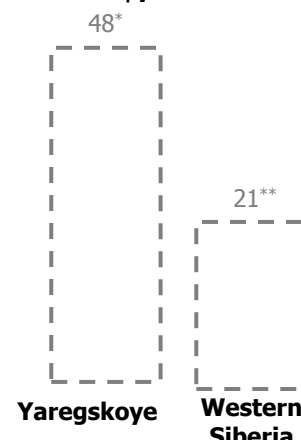


- Yaregskoye oilfield is one of the most **efficient** LUKOIL projects
- Company will maintain a **high production growth rate** on the field
- Current activities:
 - 25 production facilities under construction, including Central Processing Facility, water purification plant, steam generating plants
- Estimated production **12 mln bbl in 2017**
- Next expansion stage to be completed by 2021. As a result, production will grow to **25 mln bbl** per year in **2021**

Oil production forecast, mln bbl



Net-price, \$/bbl

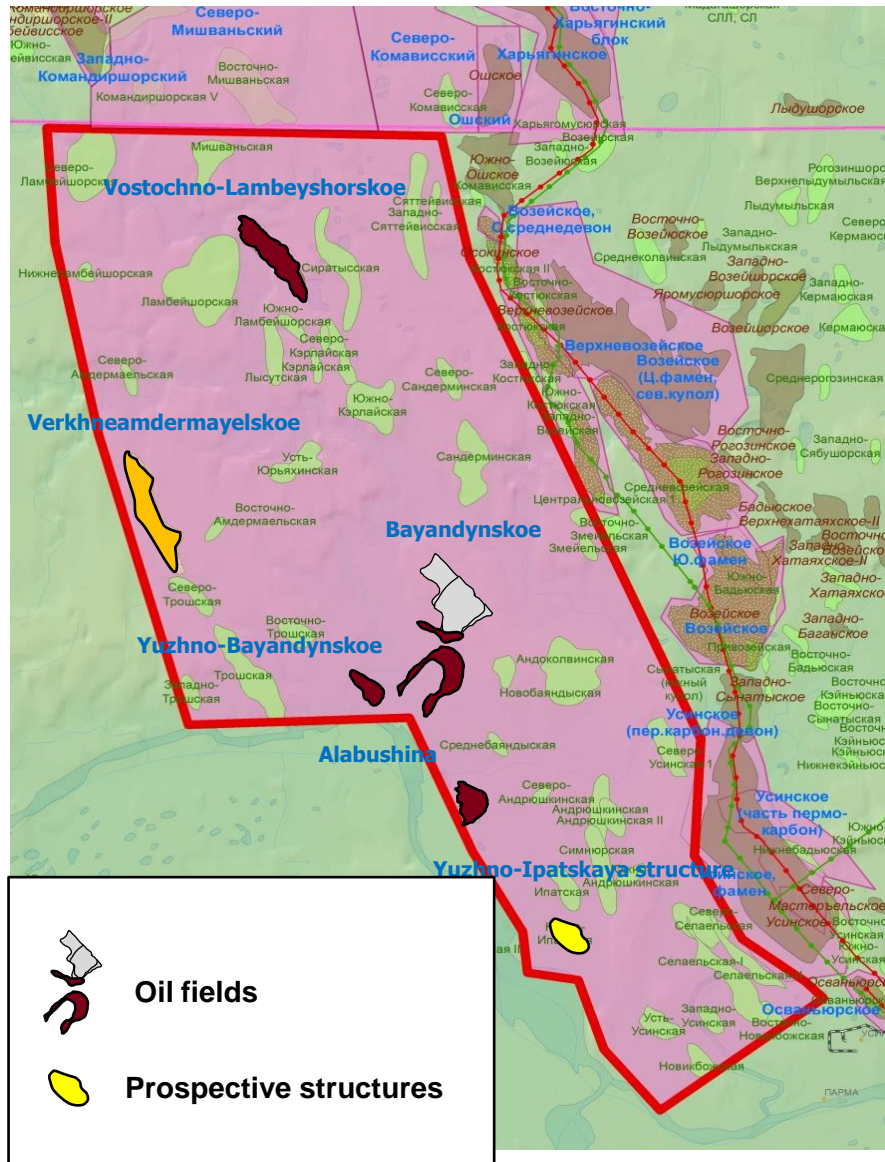


* Net price for Yaregskoye field, \$50/bbl assumption, 2015 tax regime

** Net price for West Siberian fields, \$50/bbl assumption, without tax benefits, 2015 tax regime



Denisovskaya Depression - Development



- Production potential of Denisovskaya depression was confirmed by Vostochno-Lambeyskoye (2011), Bayandynskoye (2008), Yuzhno-Bayandynskoye (2014) and Alabushina (2014) discoveries made by LUKOIL
- Cumulative **initial recoverable reserves** in C1 category within Denisovskaya Depression as of 01.01.2016 - **54.2 mln tonnes of oil equivalent*** (**52,3 mln tonnes** crude oil)
- Cumulative oil production as of 01.01.2016 – **8.7 mln tonnes**
- Reserves additions in 2015 amounted to **8.2 mln tonnes** in C1 category
- Several exploitation and exploration wells are being drilled at Denisovskaya depression at the moment
- Total **resource potential** of Denisovskaya depression is estimated at: C₃ category – **58 mln tonnes** of oil, D₁ category – more than **26 mln tonnes** of oil

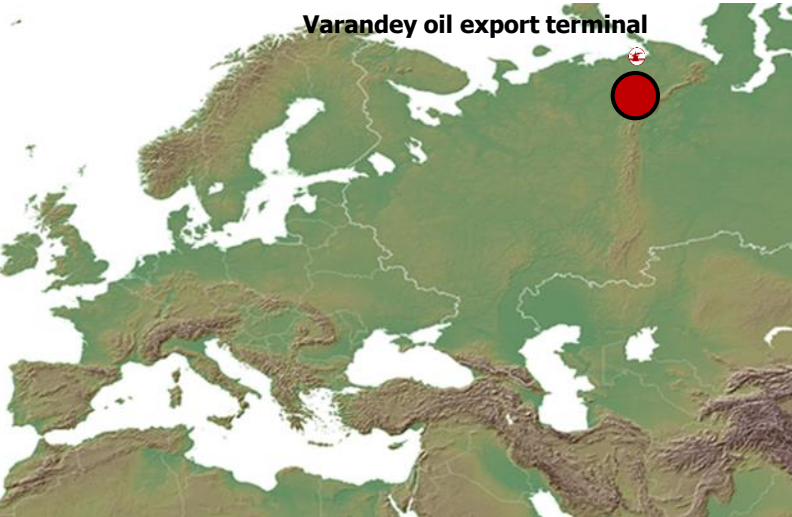
* 1 tonne of oil = 1000 cubic meters of natural gas



Cooperation with Bashneft in Timan-Pechora

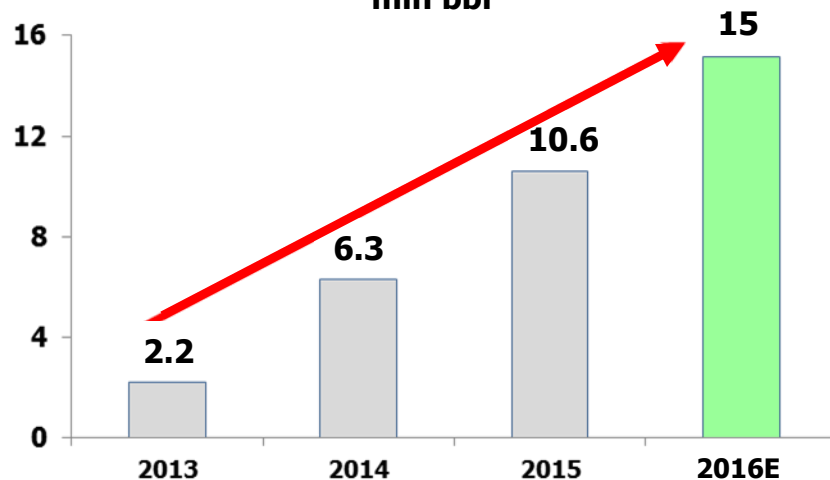


Varandey oil export terminal



- LUKOIL and Bashneft work closely in Timan-Pechora
- **Trebs and Titov field** (Joint venture OOO Bashneft-Polyus, LUKOIL – 25.1%) delivered **high production in 2015**
- The production will grow to **15 mln bbl** in 2016
- **Oil is exported** via **LUKOIL's Varandey** terminal, **high netbacks** achieved. Power facilities and other LUKOIL infrastructure in the region are also used
- To enhance cooperation VOSTOK-NAO JV has been established. The portfolio of 7 exploration license blocks in NAO was formed and active **geologic exploration** has started
- **The joint exploration program** until 2017 includes **1,100 km of 2D seismic** and **2,300 km² of 3D seismic**, total expenditures expected to be about **RUB 5 bln**

Oil production "Bashneft-Polyus" (100%), mln bbl

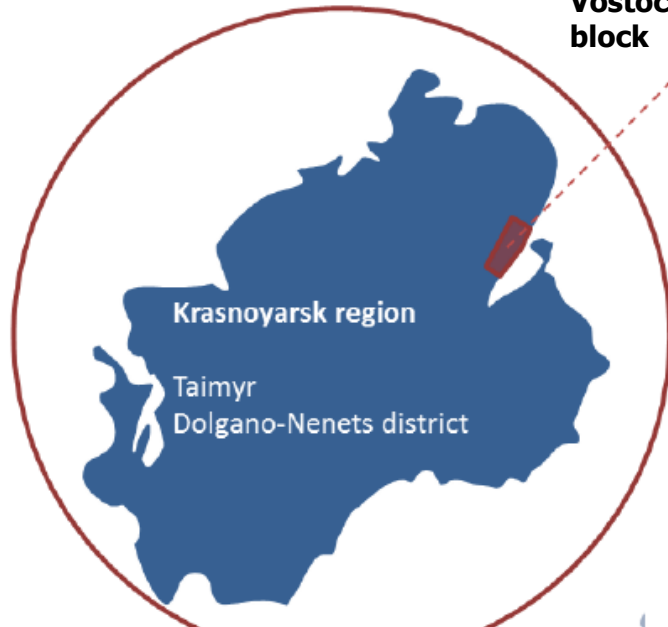




First Stage of Exploration Activities at the Vostochno-Taimyrsky License Block in the Krasnoyarsk Region Ahead of Schedule



Vostochno-Taimyrsky
block



- LUKOIL has begun the first stage of exploration activities at the Vostochno-Taimyrsky license block in the Krasnoyarsk region **ahead of schedule**. This stage includes 2D seismic of 2,421 km and **exploration well drilling**
- Company started seismic survey on the site. During 2016 season, 2D seismic survey will cover the area of 1,000 km. About 200 employees and over 130 units of equipment of two Russian contractors will be involved in seismic operations
- In-house advanced technologies as well as **best practices and technologies** provided by LUKOIL together with Russian research institutes and service companies will be used





Vacuum Gas Oil Hydrocracking (Volgograd) – Launch



Launch - 2016

Composition:

- Hydrocracking unit 3.5 mln tonnes / year
- Hydrogen production unit
- Sulphur recovery unit
- Infrastructure facilities

Main effects:

- +1.9 mln tonnes / year Diesel fuel Euro-5
- +0.4 mln tonnes / year Naphtha Gasoline
- -0.5 mln tonnes / year Fuel Oil
- -1.6 mln tonnes / year Vacuum Gas Oil
- IRR > 15%
- EBITDA ~ \$300 mln



Sustainable Development in the Interest of Shareholders



- **Market** environment is expected to **improve** in **2016**
- LUKOIL can generate **positive free cash flow** without leverage even under a **conservative scenario (30/80)** due to strict cost control
- Despite volatile oil price environment LUKOIL continues **sustainable development and creates value for shareholders**



Key Targets for 2016



- Delivery of a positive **free cash flow** under \$30/bbl oil price and 80 RUB/\$ scenario
- Maintaining competitive **dividends**
- **Investment program** optimization and **operating** costs reduction
- Launch of **priority upstream projects** (V.Filanovsky and Pyakyakhinskoye fields and others) on time
- Maintaining **strong financial position** (including keeping debt burden under control)