



LUKOIL

ALWAYS MOVING FORWARD

3Q 2013
Financial Results
(US GAAP)

New York, November 2013



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.



3Q 2013 Financial Highlights

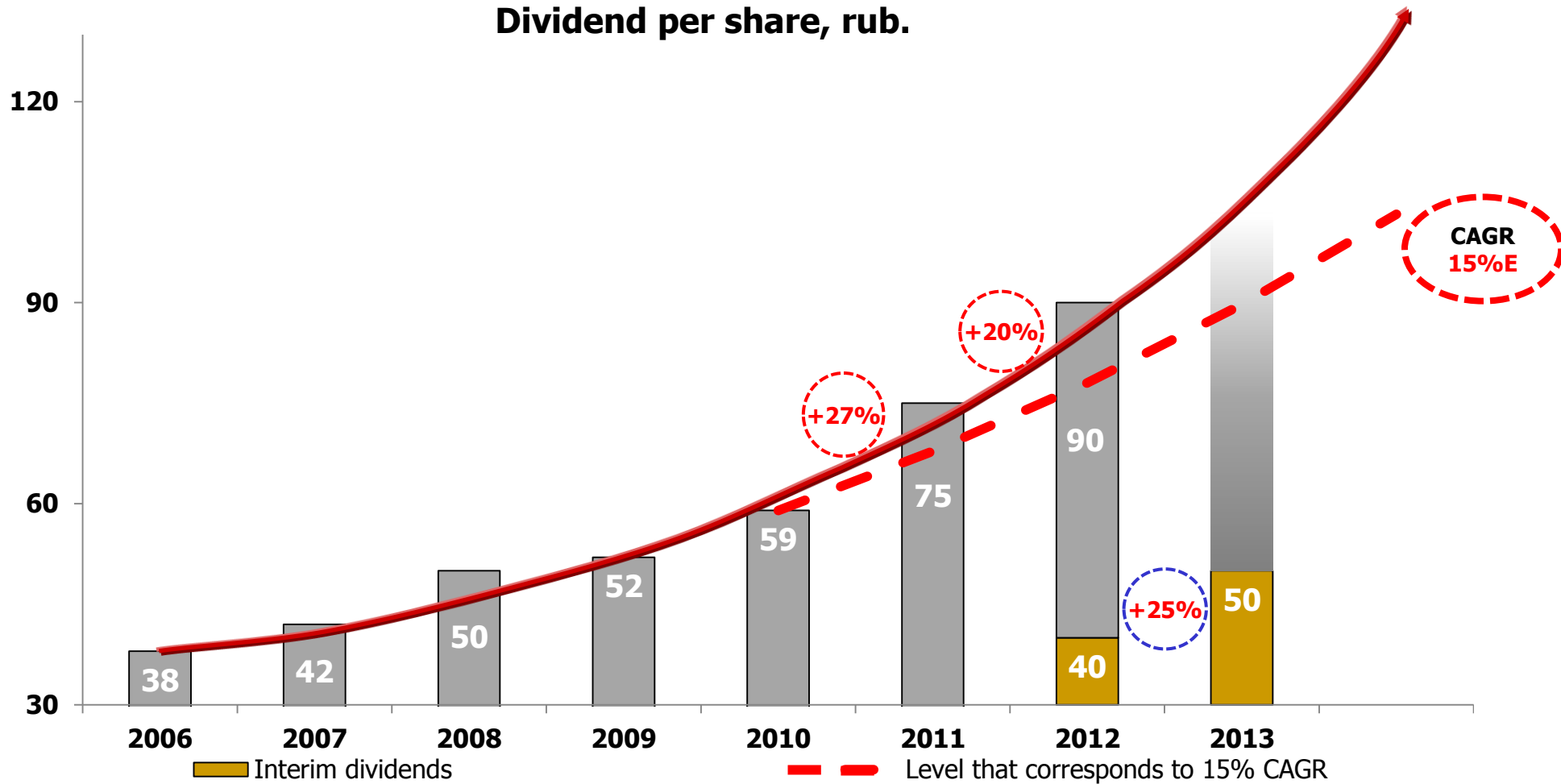


	Q-o-Q
• Net income – \$3,105 million	+48%
• Basic earnings per share – \$4.11	+48%
• Net income per boe of production – \$15.5	+47%
• EBITDA – \$5,472 million	+26%
• FCF – \$1,578 million	+440%

Increasing Dividend Growth Rate



Dividend per share, rub.



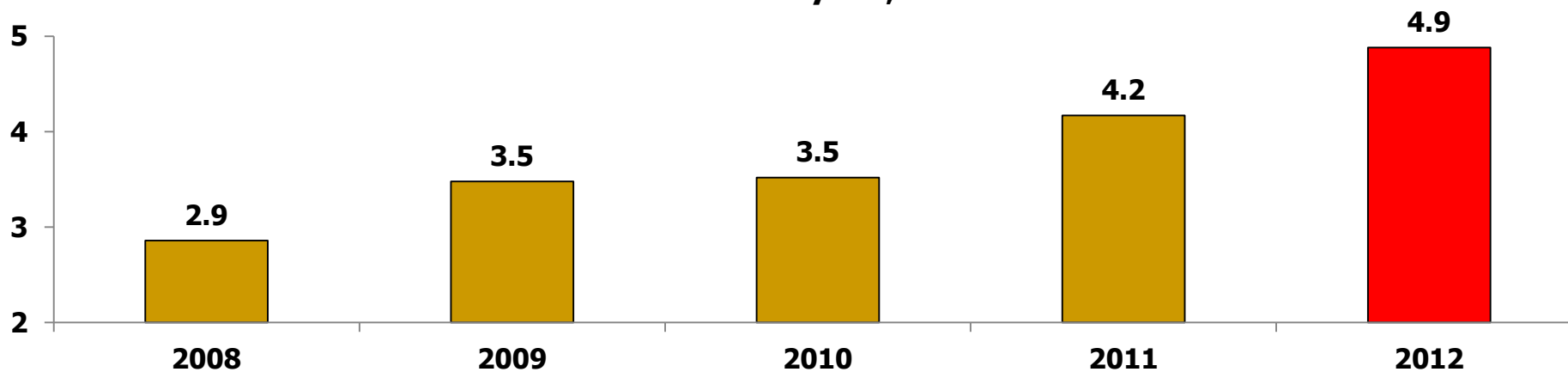
In October we paid the second interim dividends – 50 RUB per share

LUKOIL is to increase dividend payout ratio to **30%** in the mid-term

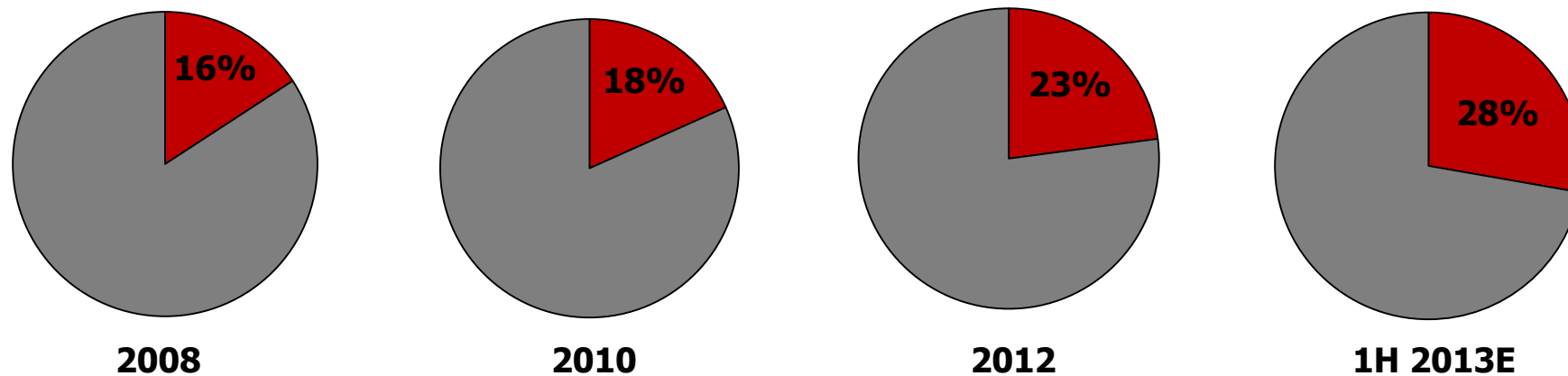
LUKOIL Shares Get More Attractive Due to Dividends



Dividend yield, %



Dividend payout, %

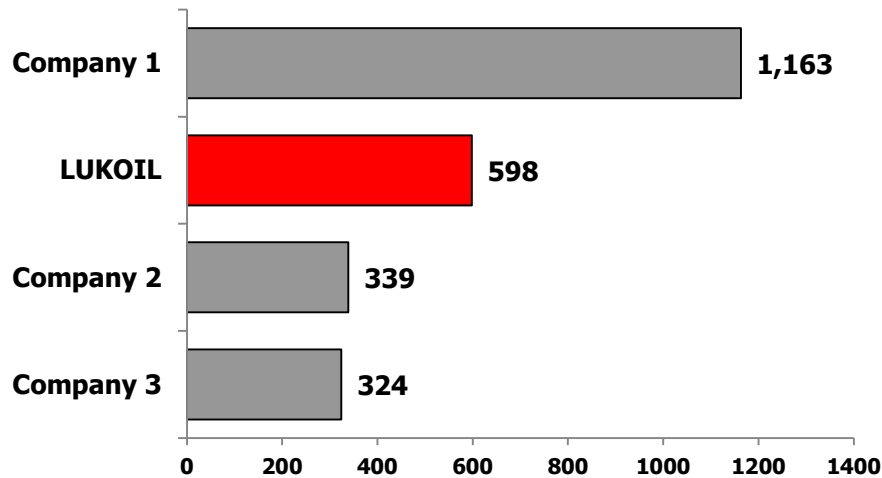




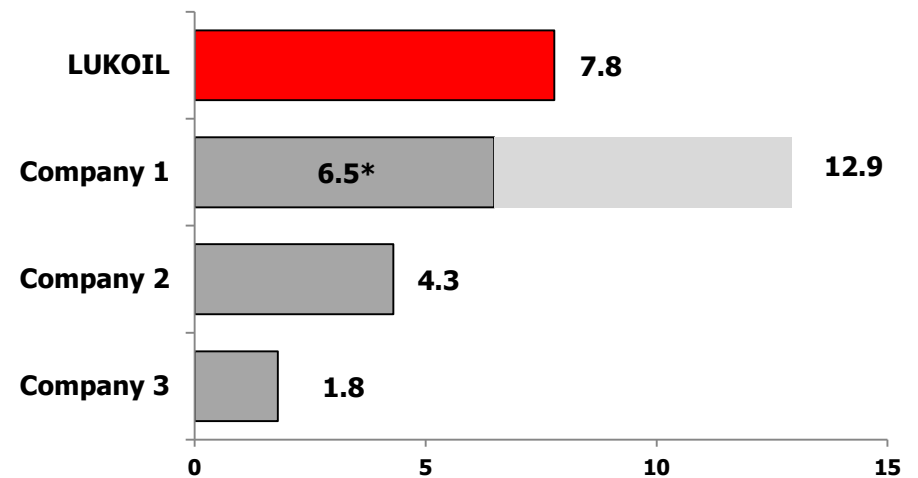
LUKOIL Presents High Financial Efficiency Among Russian Peers



9M 2013 hydrocarbon production, mln boe



9M 2013 net income, \$ bln



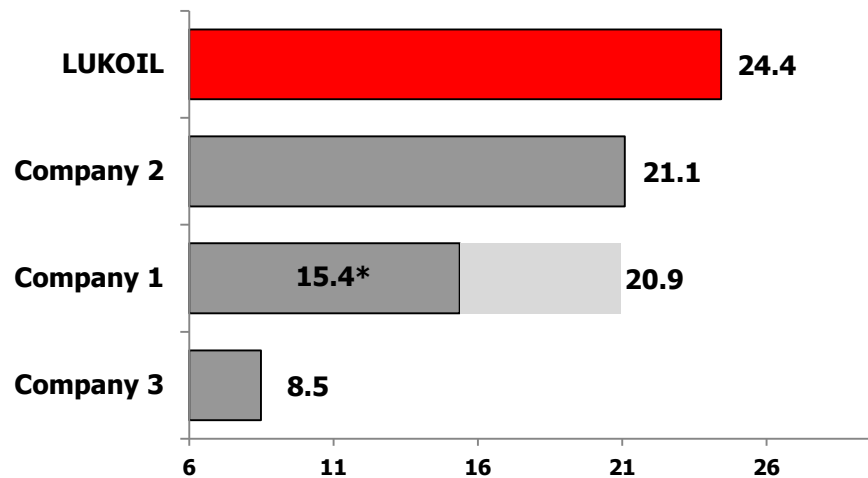
LUKOIL maintains leadership in financial performance in Russian oil and gas industry



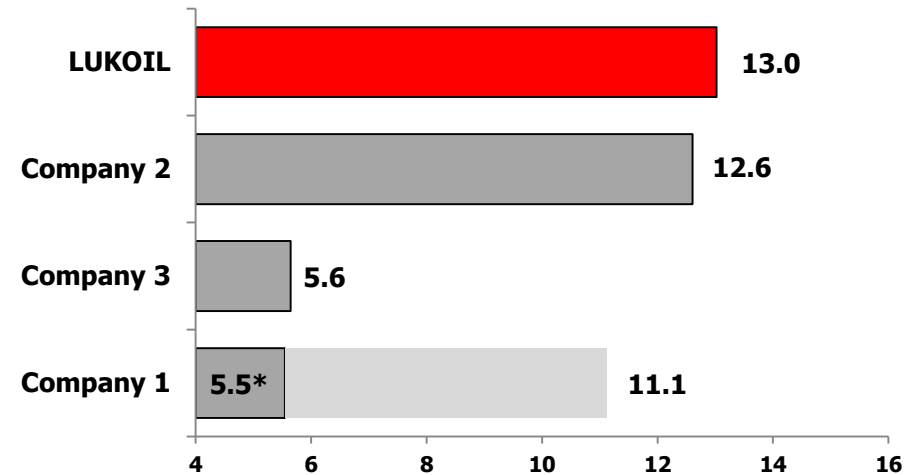
LUKOIL Presents High Financial Efficiency Among Russian Peers



9M 2013 EBITDA, \$ per boe



9M 2013 Net income, \$ per boe



LUKOIL maintains leadership in financial performance in Russian oil and gas industry

Macroeconomic and Tax Environment

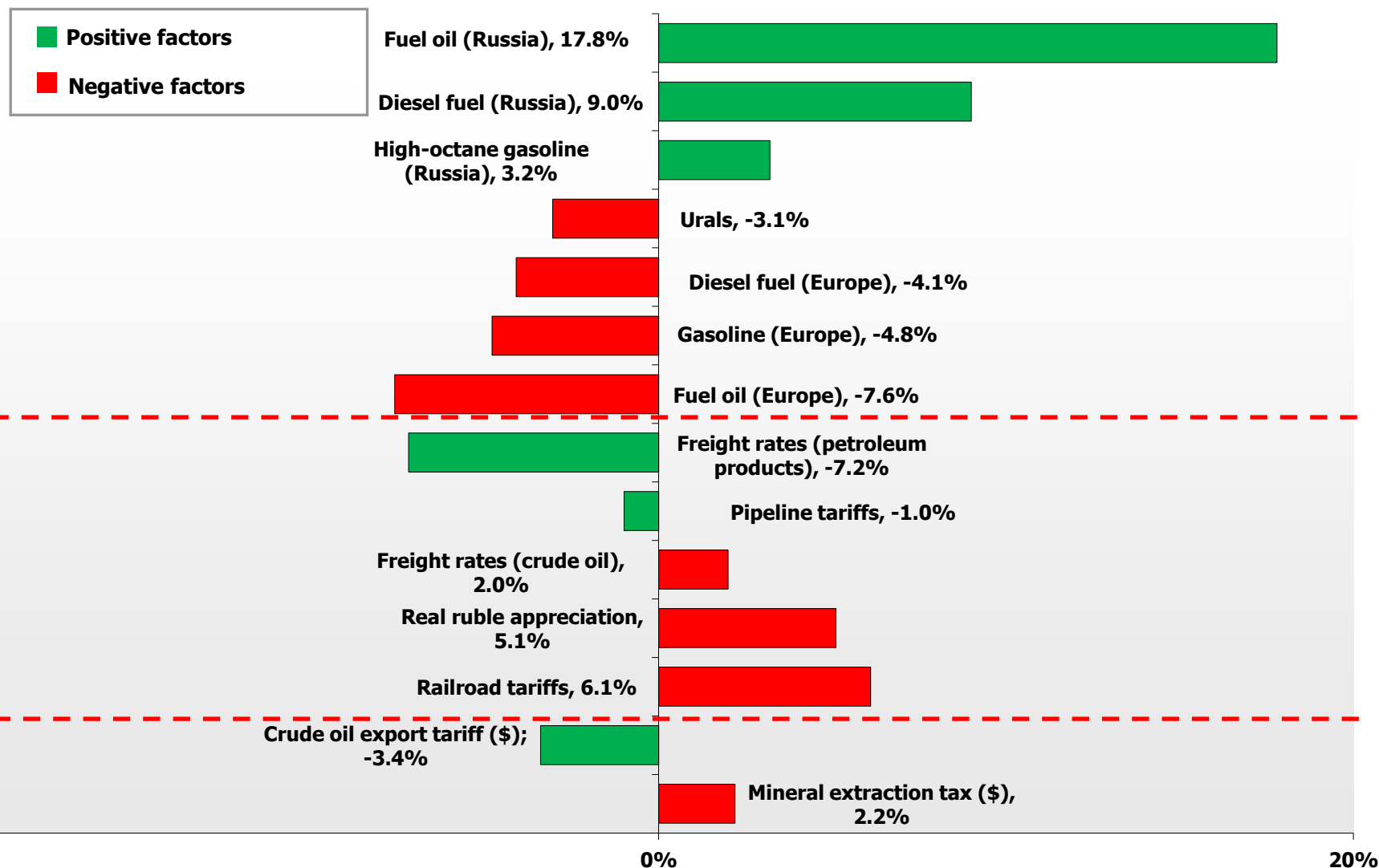


9M 2013 to 9M 2012

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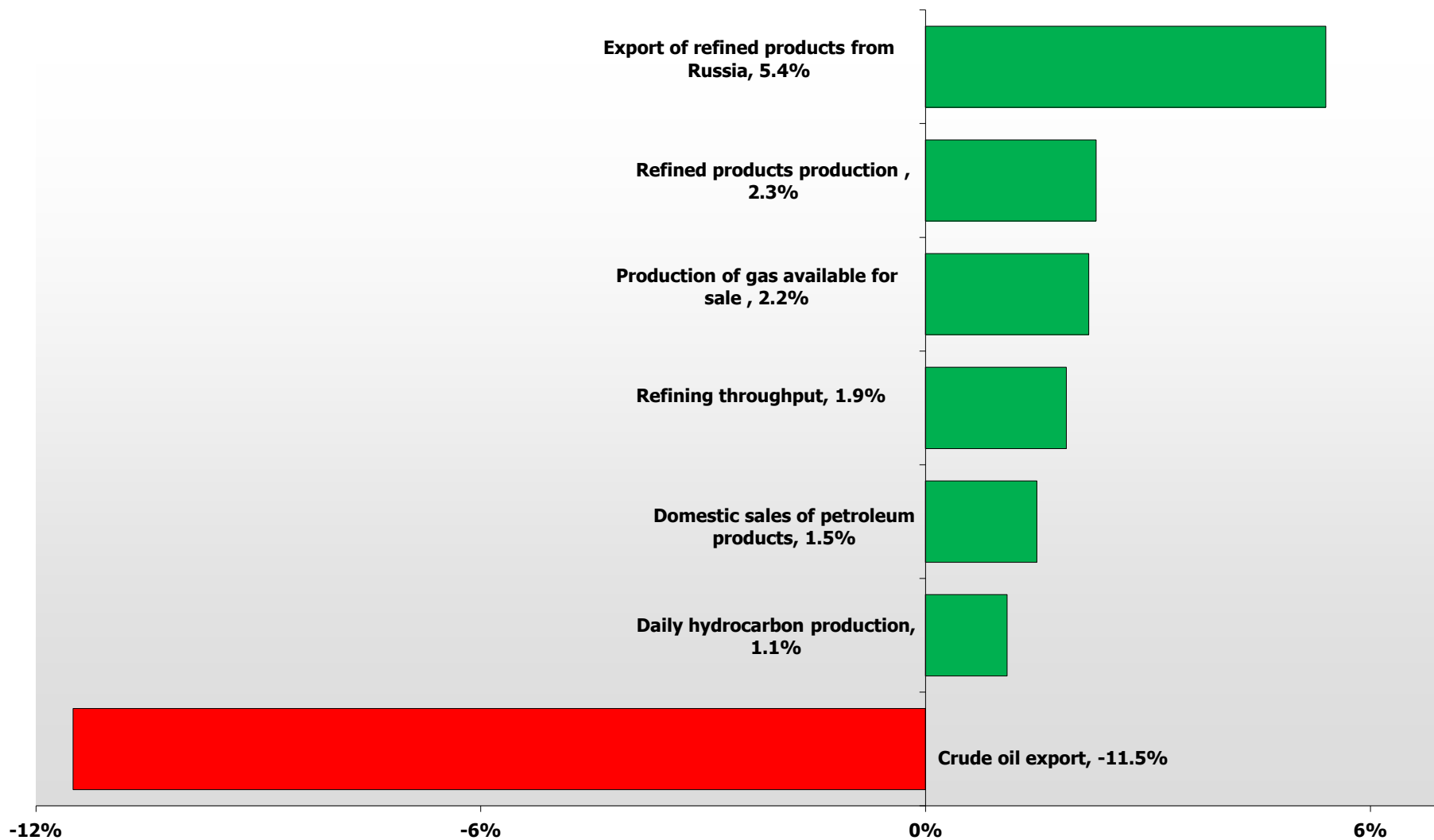
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Main Operating Results



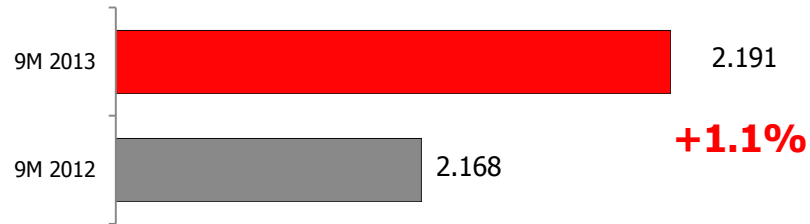
9M 2013 to 9M 2012, %



Main Operating Results

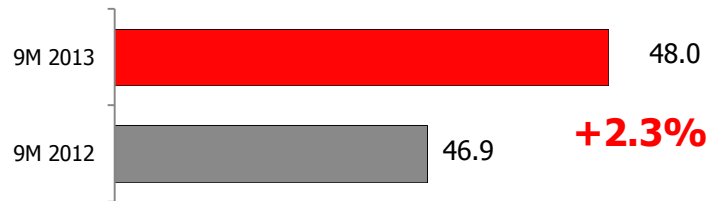


Hydrocarbon production, mln boe per day



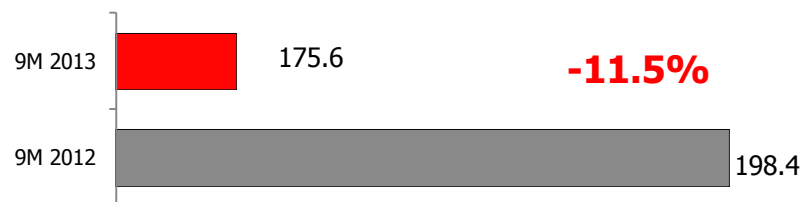
The increase in hydrocarbon production was due to acquisitions of new upstream properties, development in the Caspian Sea, increase in production wells and successful employment of EOR methods in Komi and Urals regions

Refined products production, mln t



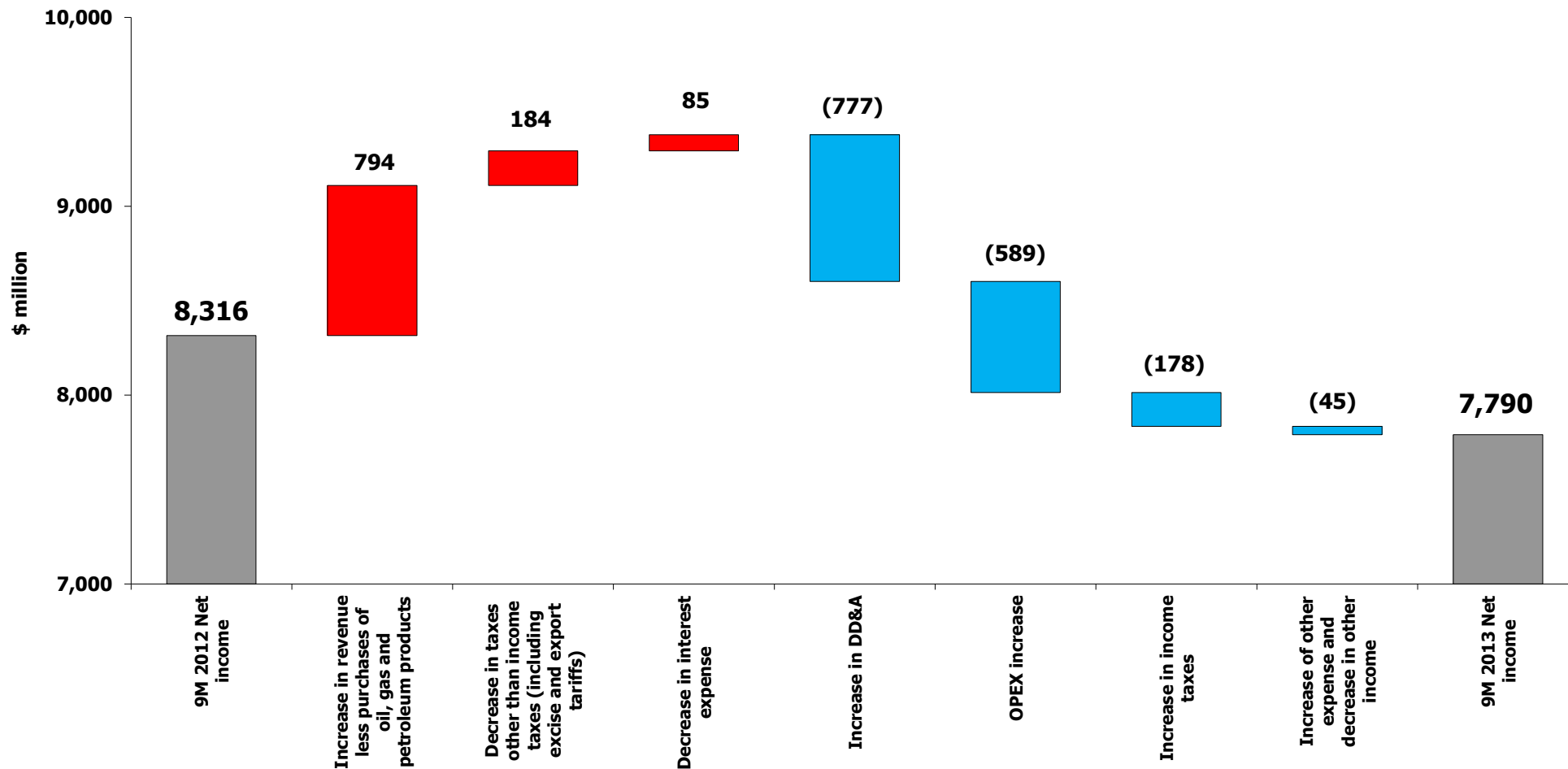
The increase in refined products production was due to increase in production volumes at Nizhny Novgorod refinery after major repair works in 2012

Crude oil export, mln t



The decrease of crude oil export was a result of higher sales in Russia following the increase in domestic demand and increase of throughput at our domestic refineries

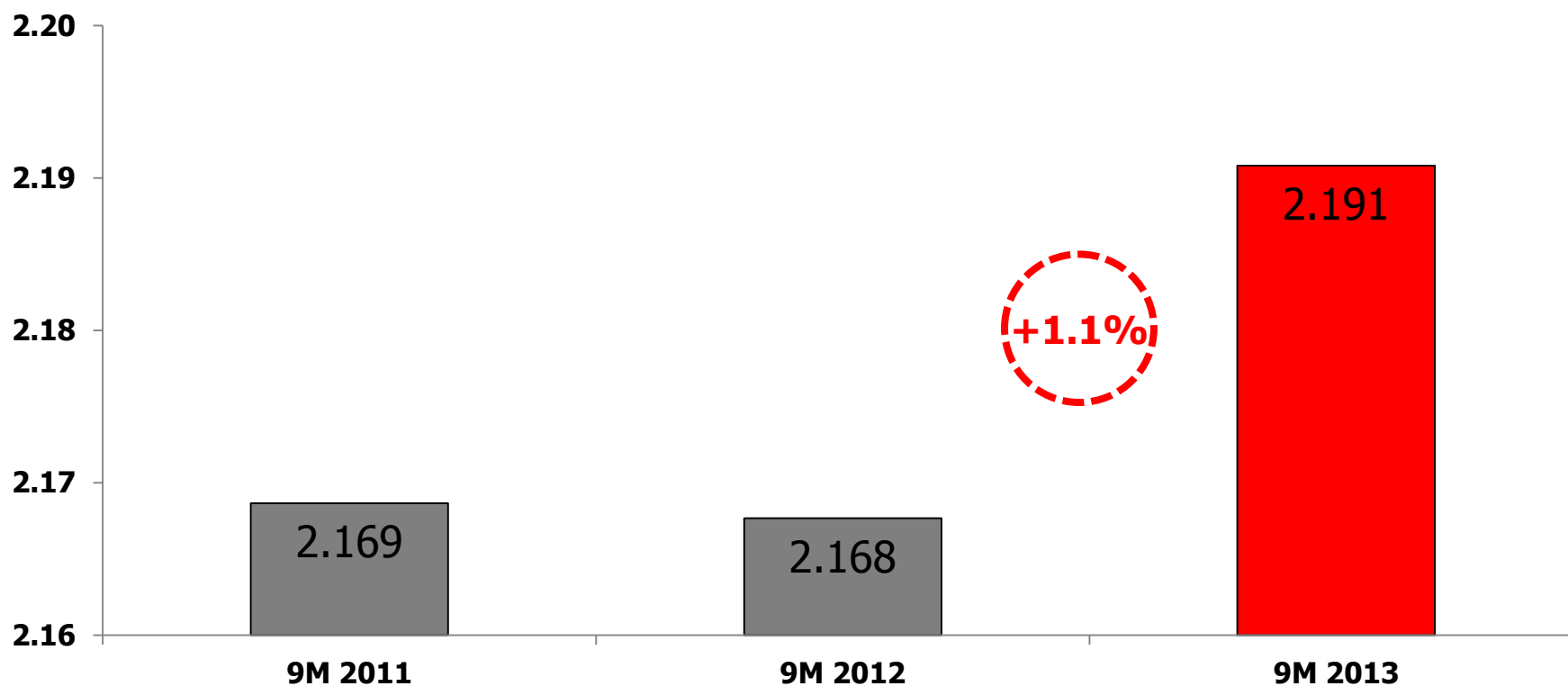
9M 2013 Net Income Reconciliation



Hydrocarbon Production



Hydrocarbon production, mln boe per day

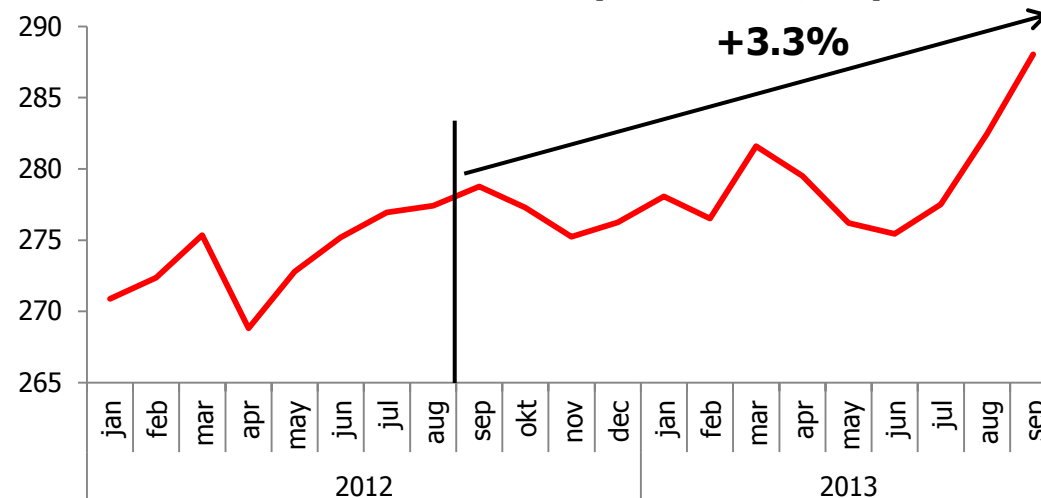




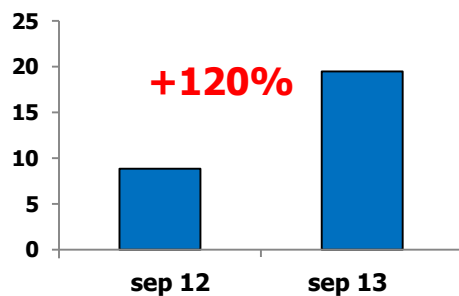
LUKOIL-KOMI (Timan-Pechora)



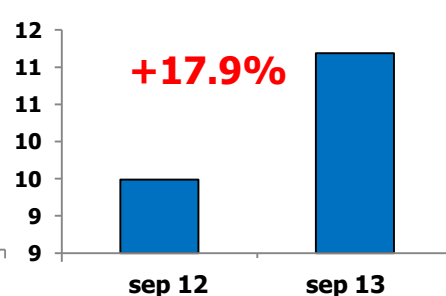
LUKOIL-Komi oil production, Kbpd



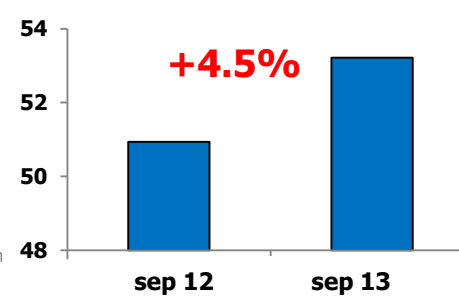
East-Lambeyshorskoye field oil production, Kbpd



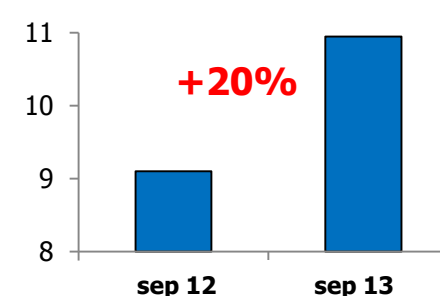
Oshskoye field oil production, Kbpd



Usinskoye field oil production, Kbpd



Yaregskoye field oil production, Kbpd



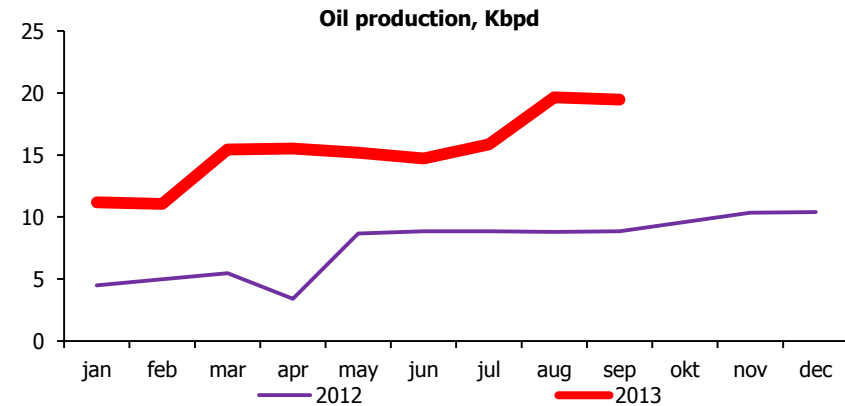
Promising fields in Timan-Pechora



East-Lambeysorskoye field

81 mln boe – proved reserves

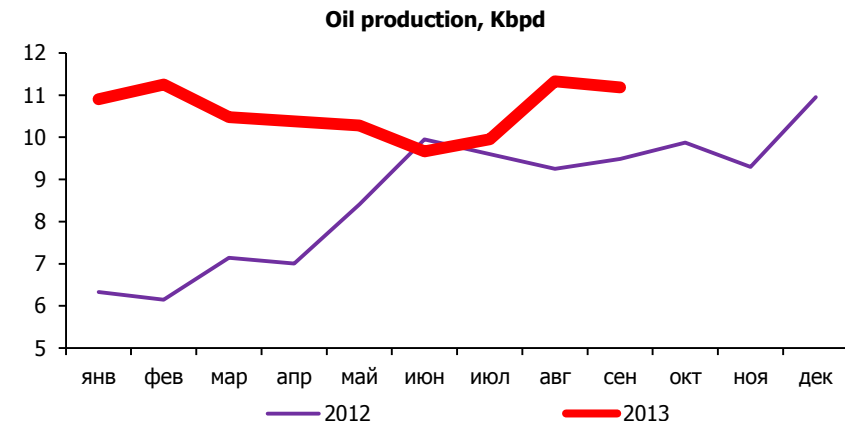
2012 – production started



Oshskoye field

62 mln boe – proved reserves

2008 – production started

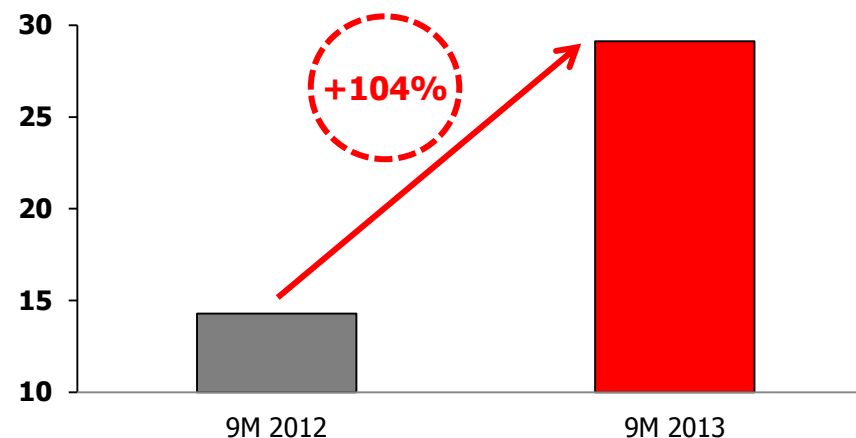


Production growth in Timan-Pechora will provide Haryaga-Y.Hylchuyu pipeline throughput growth resulting in additional \$350-400 mln of operating cash flow

Northern Caspian: Korchagin field



Korchagin field oil production, Kbpd



- In 9M 2013 production wells 105, 117 and 122 were launched and contributed to **doubling of production**
- Drilling and launching of extra long horizontal wells is in progress. Well 122 with flow rate 4 Kbpd was launched in 3Q 2013. By the end of 2013 wells 109 and 115 are planned to be launched and well 106 is planned to be drilled.

Northern Caspian: Filanovsky field



- LUKOIL selected contractors to construct ice-resistant stationary platform No. 2 (IRP-2) and living quarters module platform No. 2 (LQP-2) for second construction stage of Filanovsky field. The platforms to be commissioned in the autumn of 2016.
- LUKOIL selected contractors to construct onshore facilities for the Northern Caspian fields. Onshore oil-intake facilities from the Northern Caspian fields will be ready for production by the end of 2015.



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Tax Initiatives



Implemented since January

2013

Approvals expected

Korchagin field

A lowered CED is kept in force for 2Q-3Q 2013

Hard-to-recover reserves

A lowered MET for low permeability collectors (Khadum, Bazhen, Abalask, Domanik, Tyumen)

Possibility to establish a special CED for Tyumen

Offshore fields

A fiscal system designed for offshore projects of the 2nd category of complexity for the new Caspian projects

Hard-to-reach areas

A lowered CED

Excise taxes

Retaining in 2014-2015 the differential between EURO-5 and EURO-3 motor fuels \geq RUB 4,000

Gas MET formula

Taking into account export opportunities and field complexity

In discussion with government authorities

Tax holiday extension for MET in Nenets region

Export duty rates for petroleum products:

- Lower gasoline export duties to the level of other petroleum products (66% of CED)
- Differentiation between export duties for fuel oil and other "heavy finished" oil products (coke, bitumen, etc.)
- Not increasing export duties for fuel oil since 2015

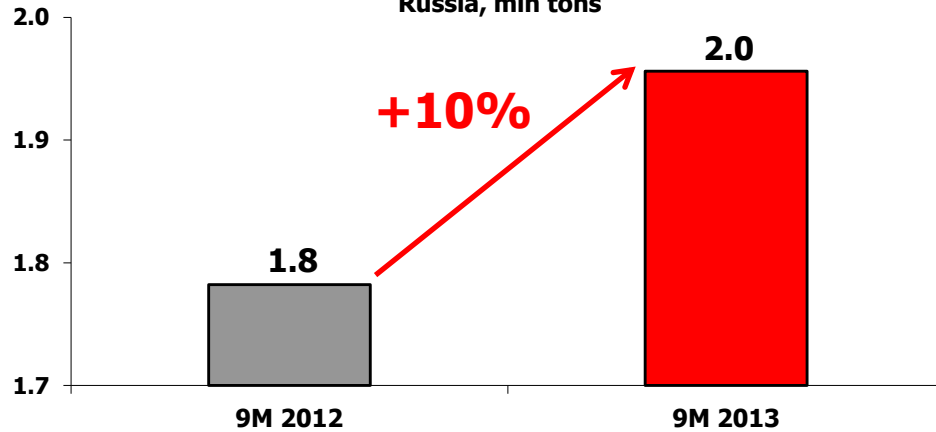
Practical approval of the financial result tax (FRT)



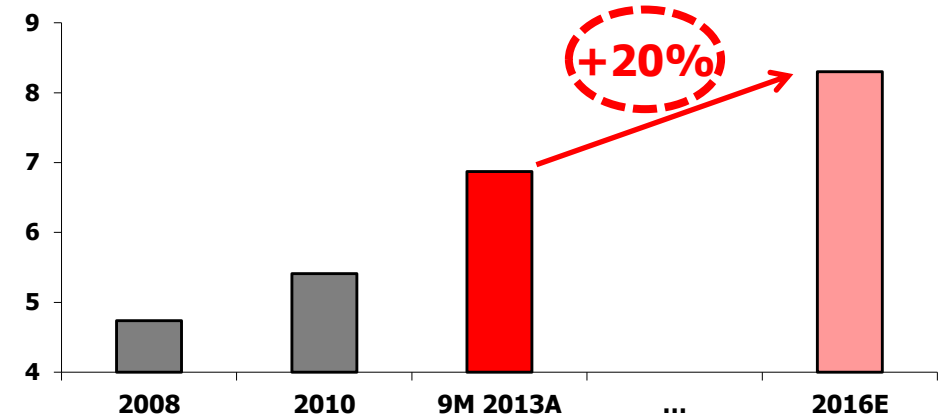
LUKOIL Increases Production of High-Octane Gasoline In Russia



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



Production of high-octane gasoline in Russia, mln tons



Refinery throughputs at the Group and affiliated refineries increased by 1.9%, including growth of 2.8% at Russian refineries

Financial Results



3Q 2013	2Q 2013	Δ, %	\$ million	9M 2013	9M 2012	Δ, %
36,737	35,053	5	Sales	105,560	103,152	2
2,514	2,516	0	OPEX	7,480	6,891	9
9,255	9,183	1	Taxes other than income tax (including excise and export tariffs)	27,322	27,506	(1)
3,657	2,856	28	Income from operating activities	9,891	10,695	(8)
3,853	2,843	36	Income before income tax	10,070	10,348	(3)
3,105	2,104	48	Net income	7,790	8,316	(6)
4.11	2.79	48	Basic EPS, \$	10.32	10.91	(5)
5,472	4,359	26	EBITDA	14,606	14,249	3

Operating Expenses



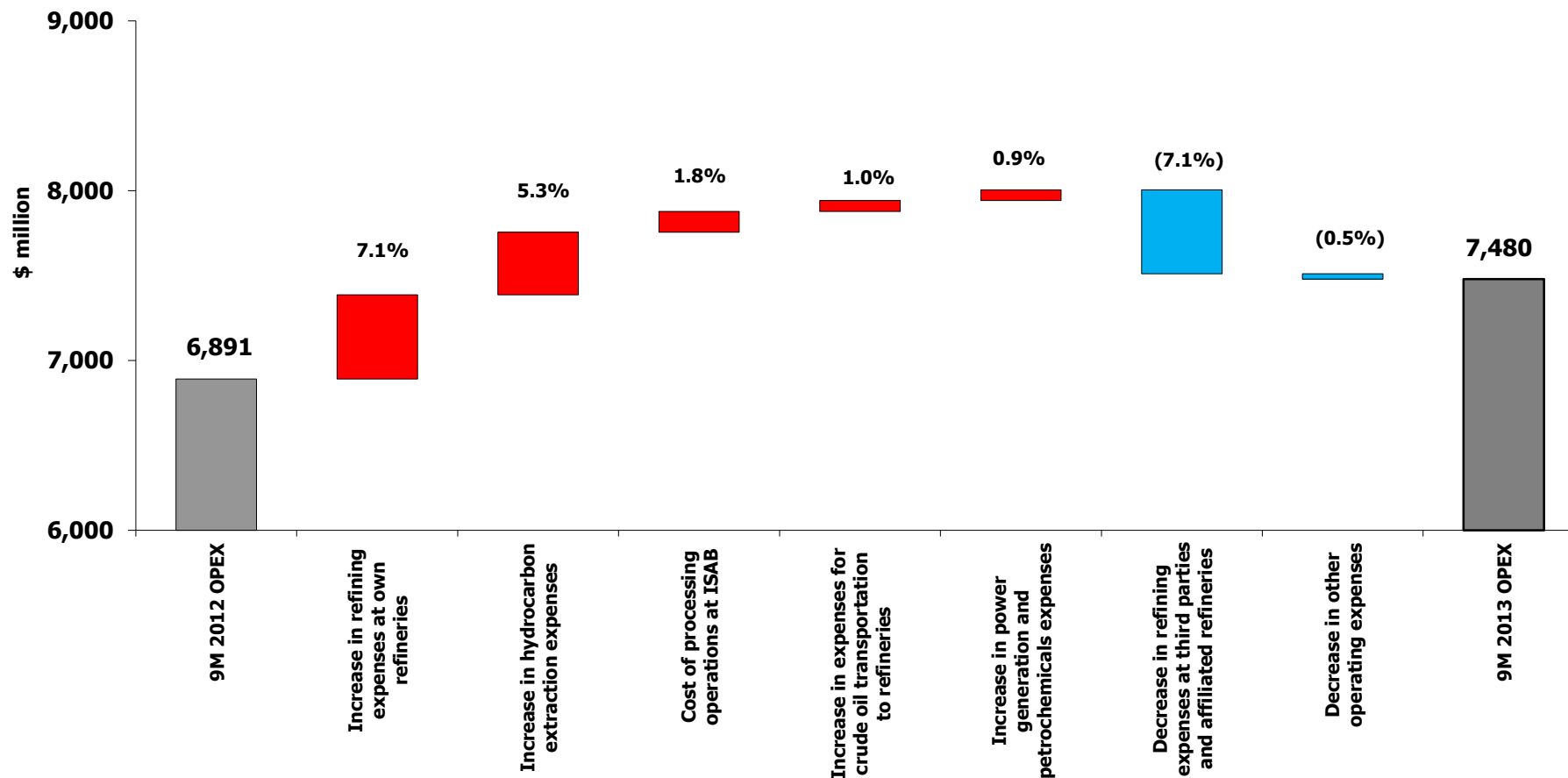
3Q 2013	2Q 2013	Δ, %	\$ million	9M 2013	9M 2012	Δ, %
1,103	1,078	2	Hydrocarbon extraction expenses	3,190	2,821	13
540	555	(3)	Own refining expenses	1,603	1,108	45
113	130	(13)	Refining expenses at third parties and affiliated refineries*	364	736	(51)
307	335	(8)	Expenses for crude oil transportation to refineries	980	914	7
160	172	(7)	Power generation and distribution expenses	524	463	13
79	73	8	Petrochemical expenses	231	230	0
212	173	23	Other operating expenses	588	619	(5)
2,514	2,516	0	Total	7,480	6,891	9
17,176	16,462	4	Cost of purchased crude oil, gas and products	48,741	47,127	3

* Including cost of processing operations at ISAB



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Operating Expenses

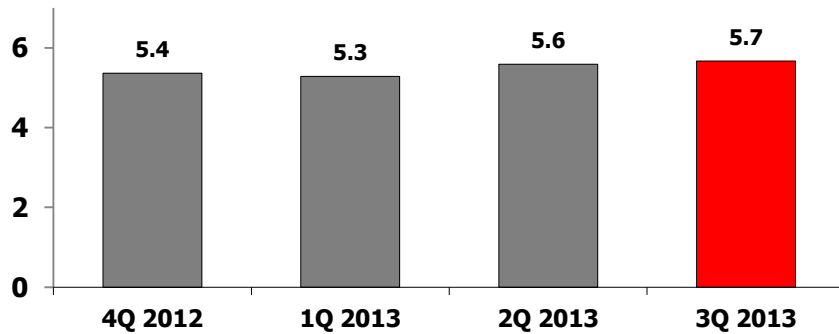


LUKOIL is at a highly **competitive position** based on lifting cost, which was **\$5.5 per boe** for 9M 2013

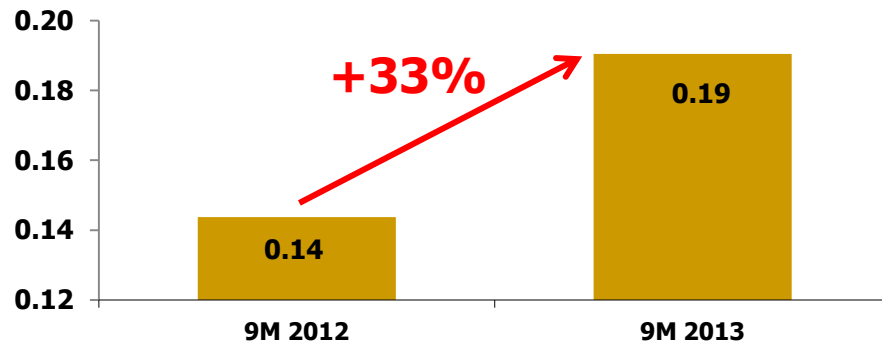
Lifting Costs



Lifting cost per boe, \$



Russian average power tariff for industrial consumers, \$/kWh

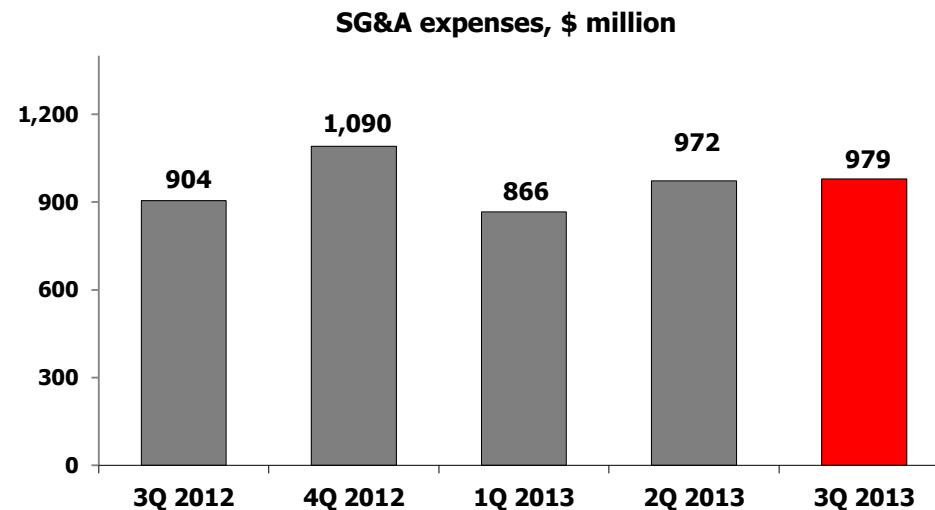
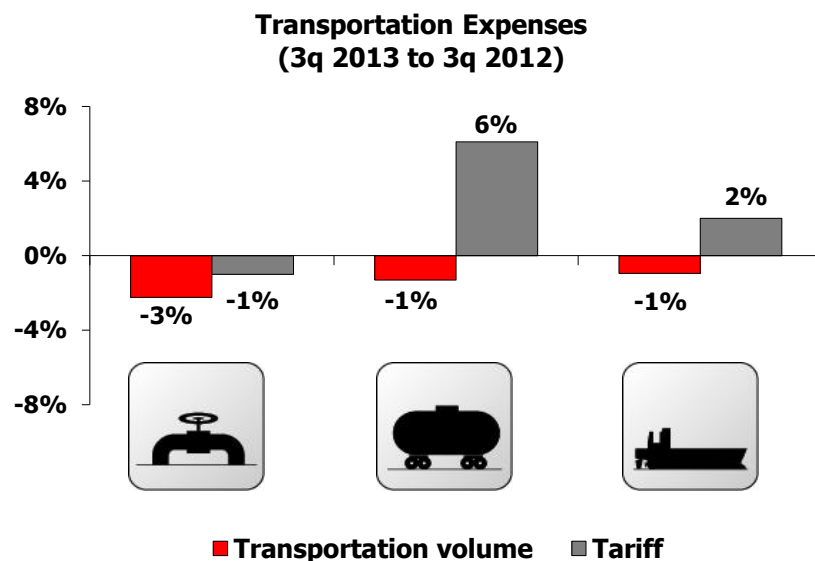


Source: Federal Service for Tariffs of Russia

Power consumption constitute significant share of lifting cost

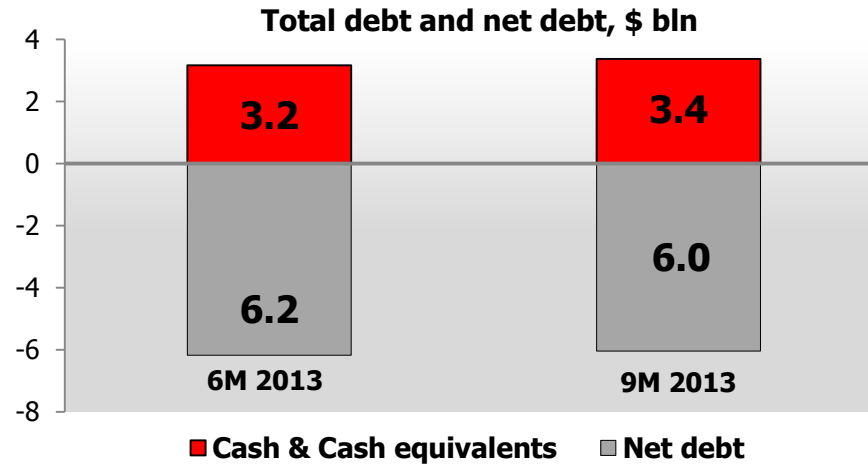
LUKOIL shows high efficiency in cost management: while power tariffs increased by 33% y-o-y, lifting cost in 9M 2013 was \$5.5 per boe (+12% y-o-y)

SG&A and Transportation Expenses



3Q 2013	2Q 2013	Δ, %	\$ million	9M 2013	9M 2012	Δ, %
1,503	1,562	(4)	Transportation expenses	4,715	4,625	2
979	972	1	Selling, general and administrative expenses	2,817	2,665	6
2,482	2,534	(2)	Total	7,532	7,290	3

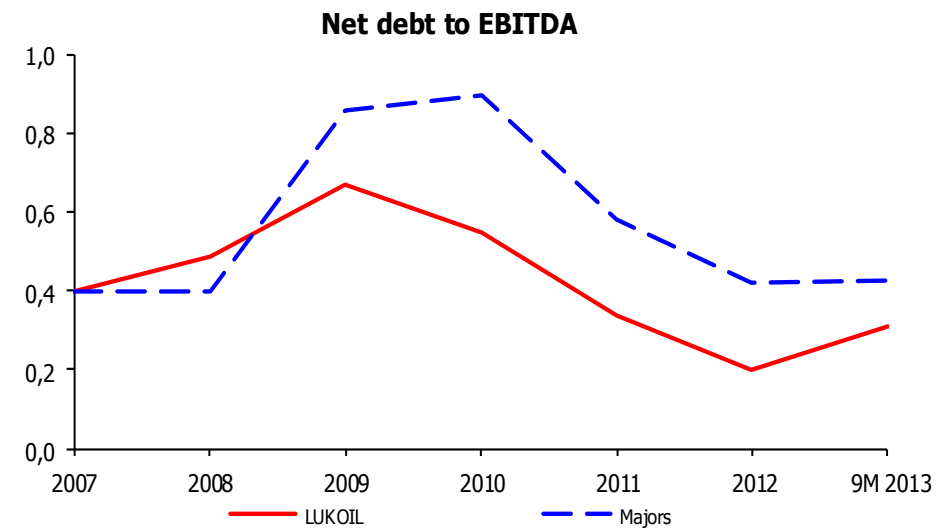
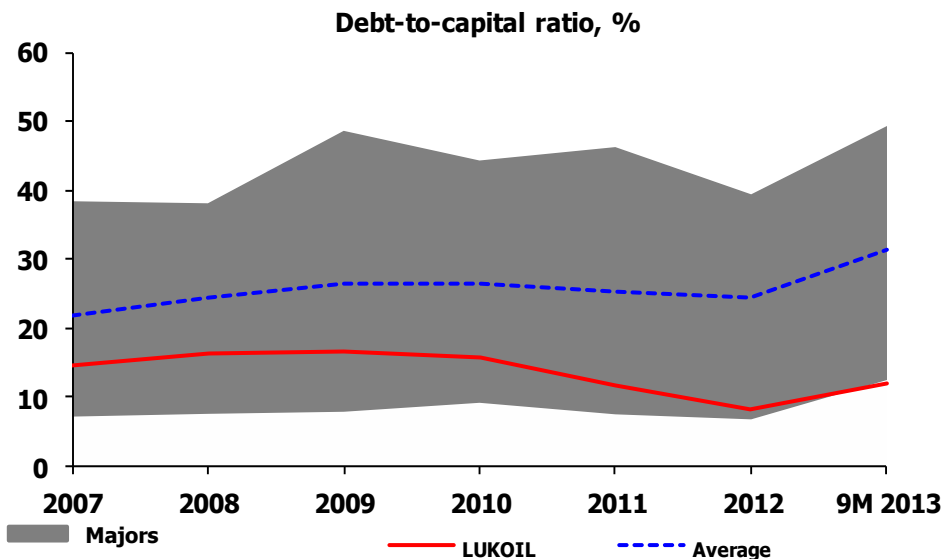
Robust Financial Position



LUKOIL net debt remains low

In 2Q 2013 LUKOIL successfully issued \$3 bln of eurobonds

LUKOIL net debt decreased by \$141 mln (-2%) for 3q 2013



CAPEX



3Q 2013	2Q 2013	Δ, %	\$ million	9M 2013	9M 2012	Δ, %
2,788	2,918	(4)	Exploration and production	8,243	6,367	29
1,947	2,045	(5)	Russia	5,866	5,128	14
841	873	(4)	International	2,377	1,239	92
766	489	57	Refining and marketing	1,885	1,219	55
487	323	51	Russia	1,281	829	55
279	166	68	International	604	390	55
19	32	(41)	Chemicals	54	63	(14)
18	31	(42)	Russia	52	47	11
1	1	0	International	2	16	(88)
86	52	65	Power generation	201	312	(36)
96	136	(29)	Other	345	179	93
3,755	3,627	3	Total (cash and non-cash)	10,728	8,140	32

Environmental Safety is Our Priority

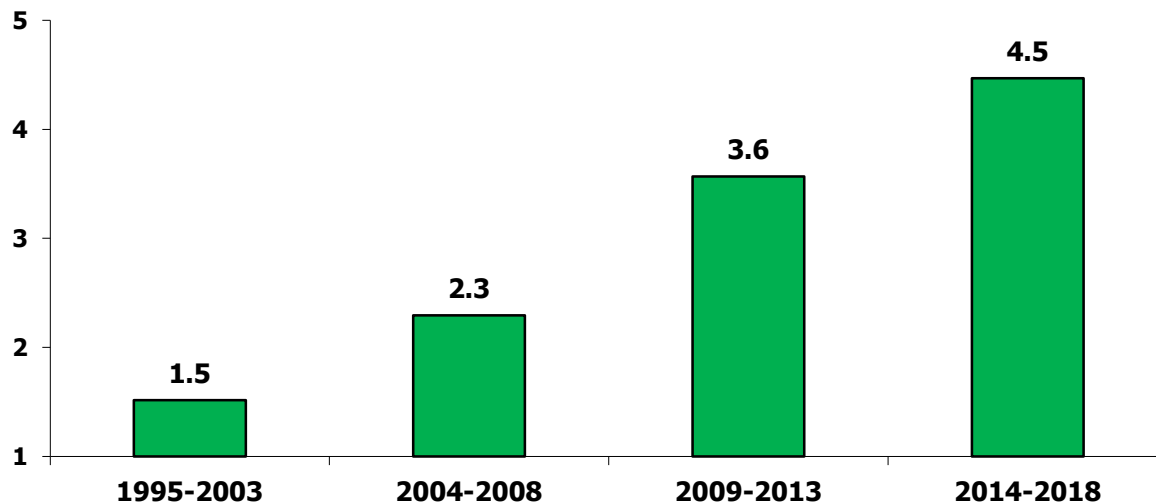


LUKOIL presented a draft «2014-2018 Environmental Safety Program»

Main goals:

- Utilization of newly generated waste in a ratio of at least 1:1
- 95-percent utilization of associated petroleum gas by 2015
- Increased production of Euro-5-compliant eco-friendly fuel
- Introduction of automated systems of industrial environmental monitoring
- Compliance with national and international environmental requirements

Environmental spending, bln USD



Environmental Safety is Our Priority



2014-2018 Environmental Safety Program:

Air	<ul style="list-style-type: none"> Reduction of air emissions 	by 100 th. t
Water	<ul style="list-style-type: none"> Additional produced water conditioning 	7 mcm
	<ul style="list-style-type: none"> Reduction of water usage 	by 8 mcm
Land	<ul style="list-style-type: none"> Waste disposal 	900 th. t
	<ul style="list-style-type: none"> Including those accumulated before privatization 	580 th. t
	<ul style="list-style-type: none"> Remediation of disturbed and contaminated lands 	115 km ²
	<ul style="list-style-type: none"> Liquidation of waste pits 	1 th.
Pipelines	<ul style="list-style-type: none"> Maintenance overhaul and replacement 	4 th. km
	<ul style="list-style-type: none"> Diagnostics 	31 th. km
	<ul style="list-style-type: none"> Inhibitory protection 	20 th. km





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**