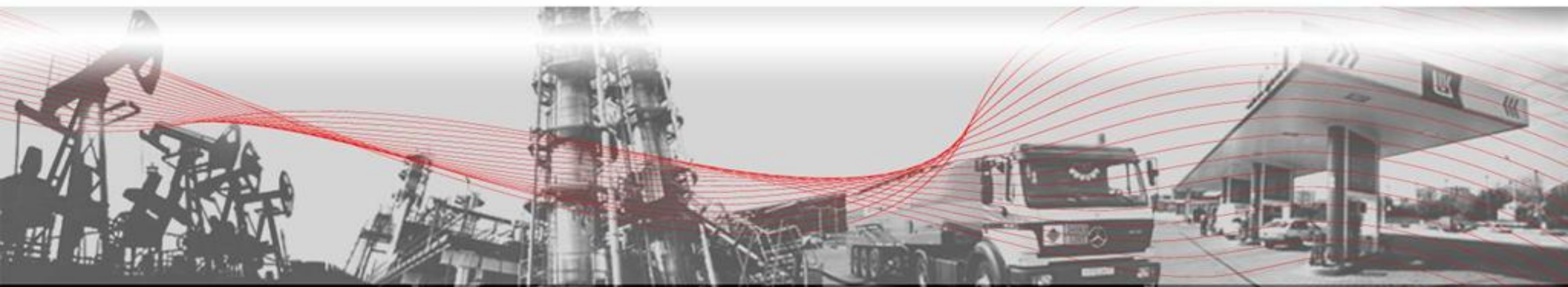




2011 Financial Results

(US GAAP)



March 2012

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.

2011 Financial Highlights



- **Record high Free Cash Flow – \$7,240 million (+4,5% y-o-y)**
- **Record high Net Income – \$10,357 million (+15.0% y-o-y)**
- **Record high Earnings per Share – \$13.3 (+21.4% y-o-y)**
- **Recurring EBITDA – \$19,489 million (+21.4% y-o-y)**
- **Net Debt – \$6,339 million (-28,2% y-o-y)**

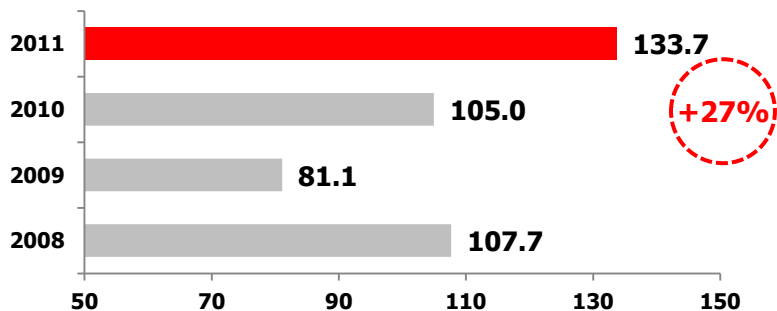
The 2008 World Financial Crisis Has Been Overcome



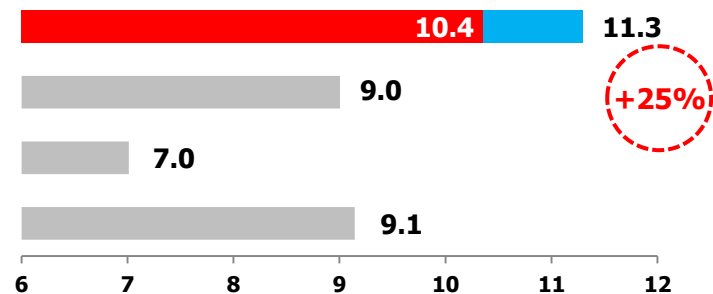
Urals
\$/bbl

109
78
61
95

Revenue, \$ billion



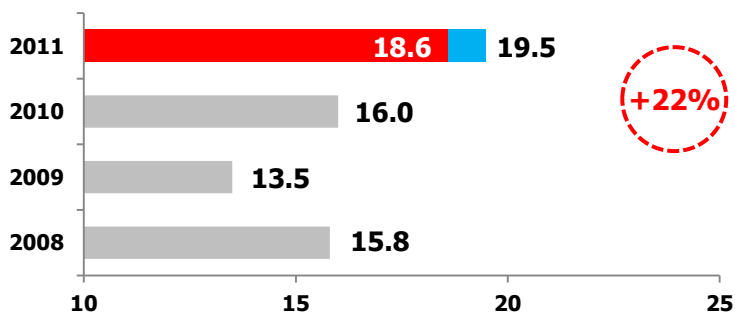
Total and adjusted net income*, \$ billion



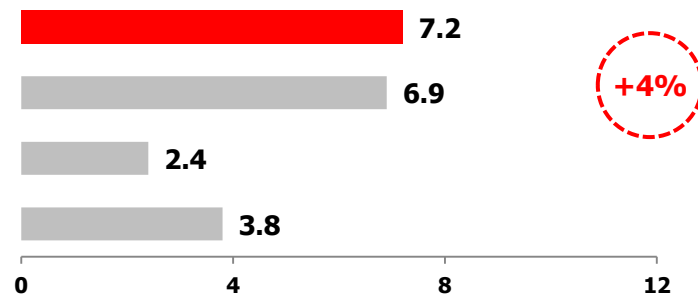
Urals
\$/bbl

109
78
61
95

Total and adjusted EBITDA*, \$ billion



Free cash flow, \$ billion



* As a result of Yuzhnoye Khylychuyu write-offs net income is adjusted by \$955 million and EBITDA is adjusted by \$883 million

2011 Highlights



- Oil production in Western Siberia has been stabilized
- Resource base has been increased
- Acquisition of 25.1% stake in the exploration and development of Titov and Trebs strategic oilfields project
- Early gas production has been launched at Gissar project in Uzbekistan
- The EURO-5 gasoline production has been launched at Nizhny Novgorod Refinery
- A delayed coking unit with 1 mln t per annum capacity was launched at Volgograd Refinery. Refining depth should go up from 79.8% to 88%
- A combined cycle gas turbine (CCGT) unit with 110 MW capacity has been commissioned in Astrakhan. A CCGT unit with 410 MW capacity has been completed and put in standby mode in Krasnodar.

Macroeconomic and Tax Environment

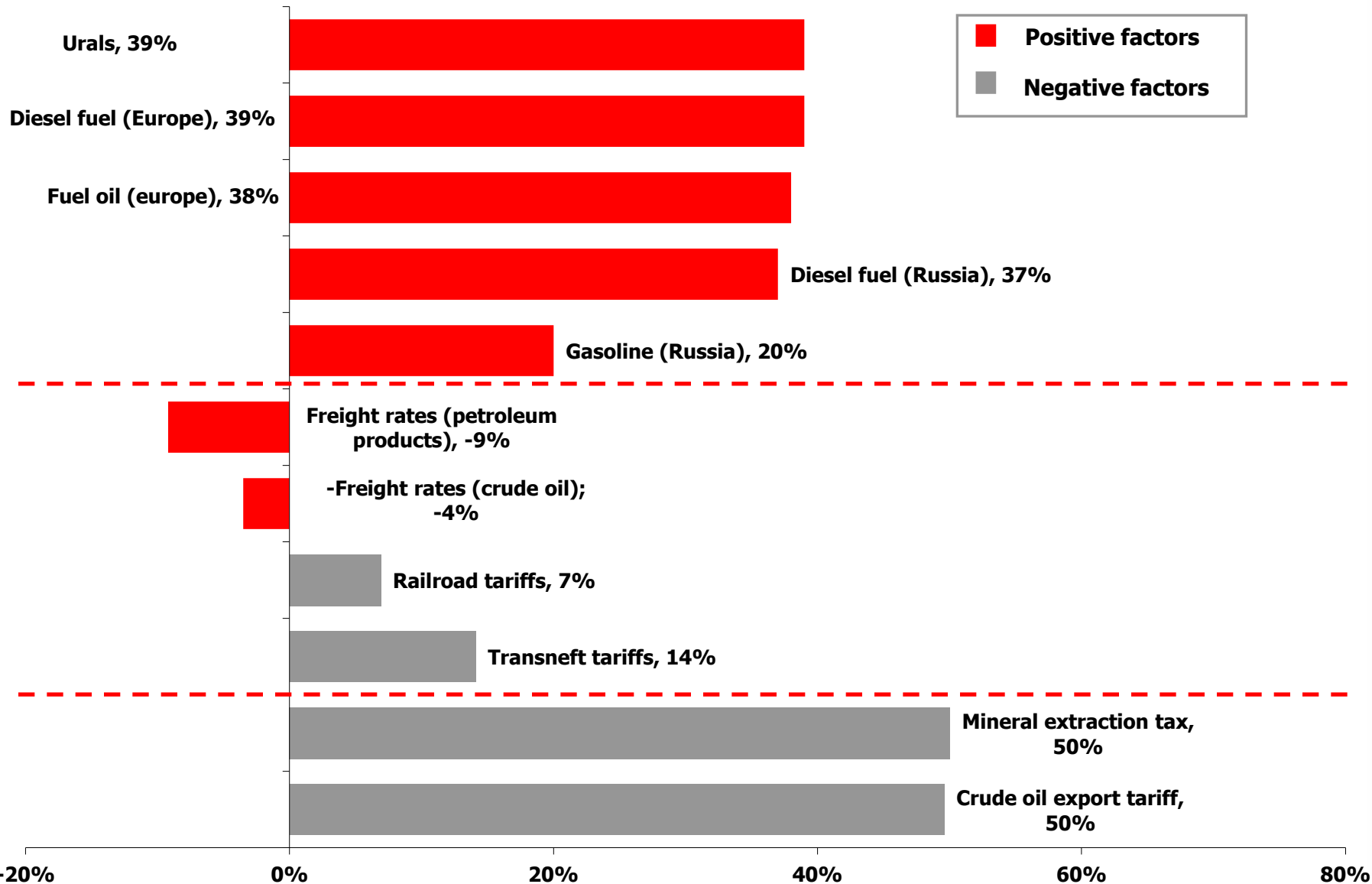


2011 to 2010

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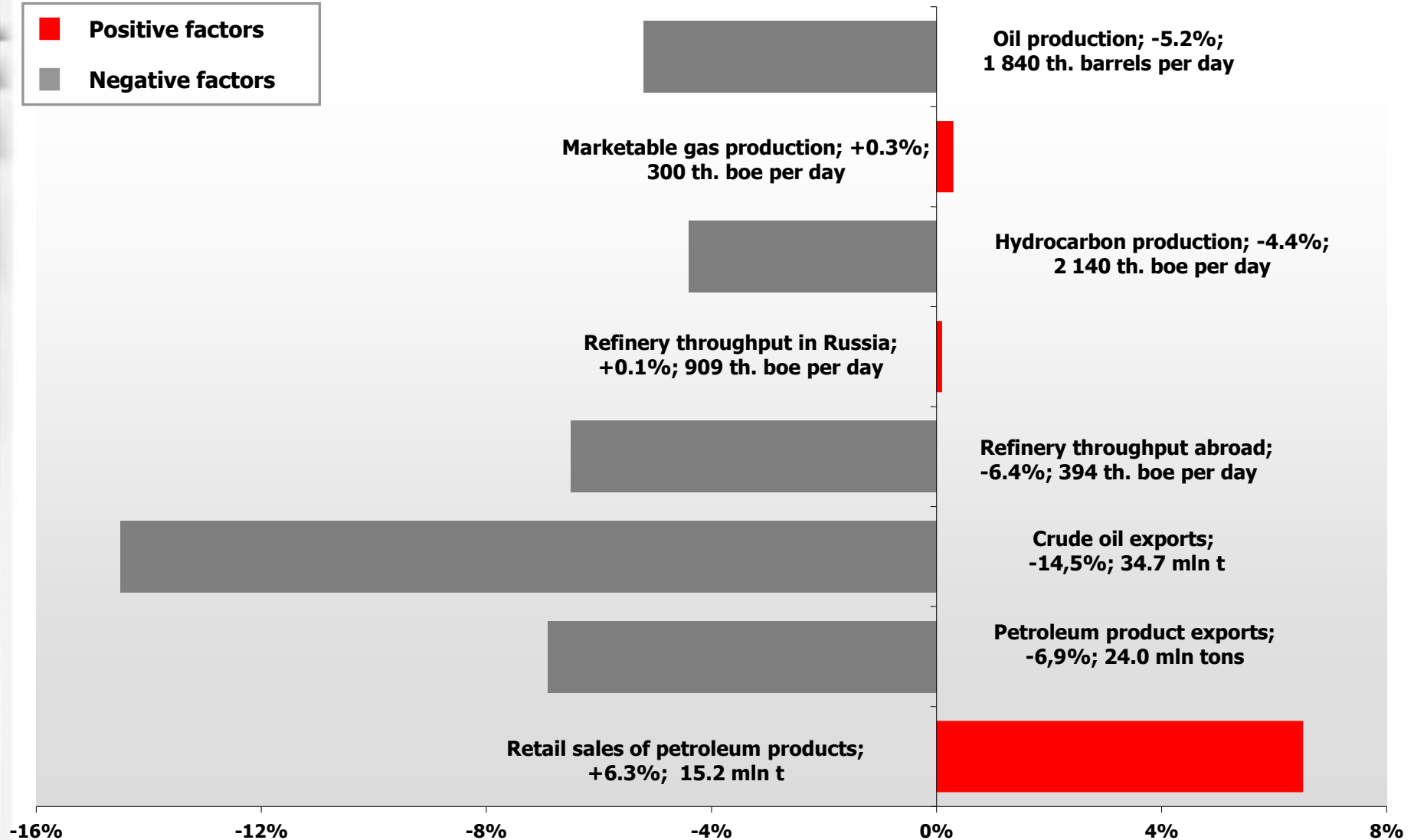


Main Operating Results

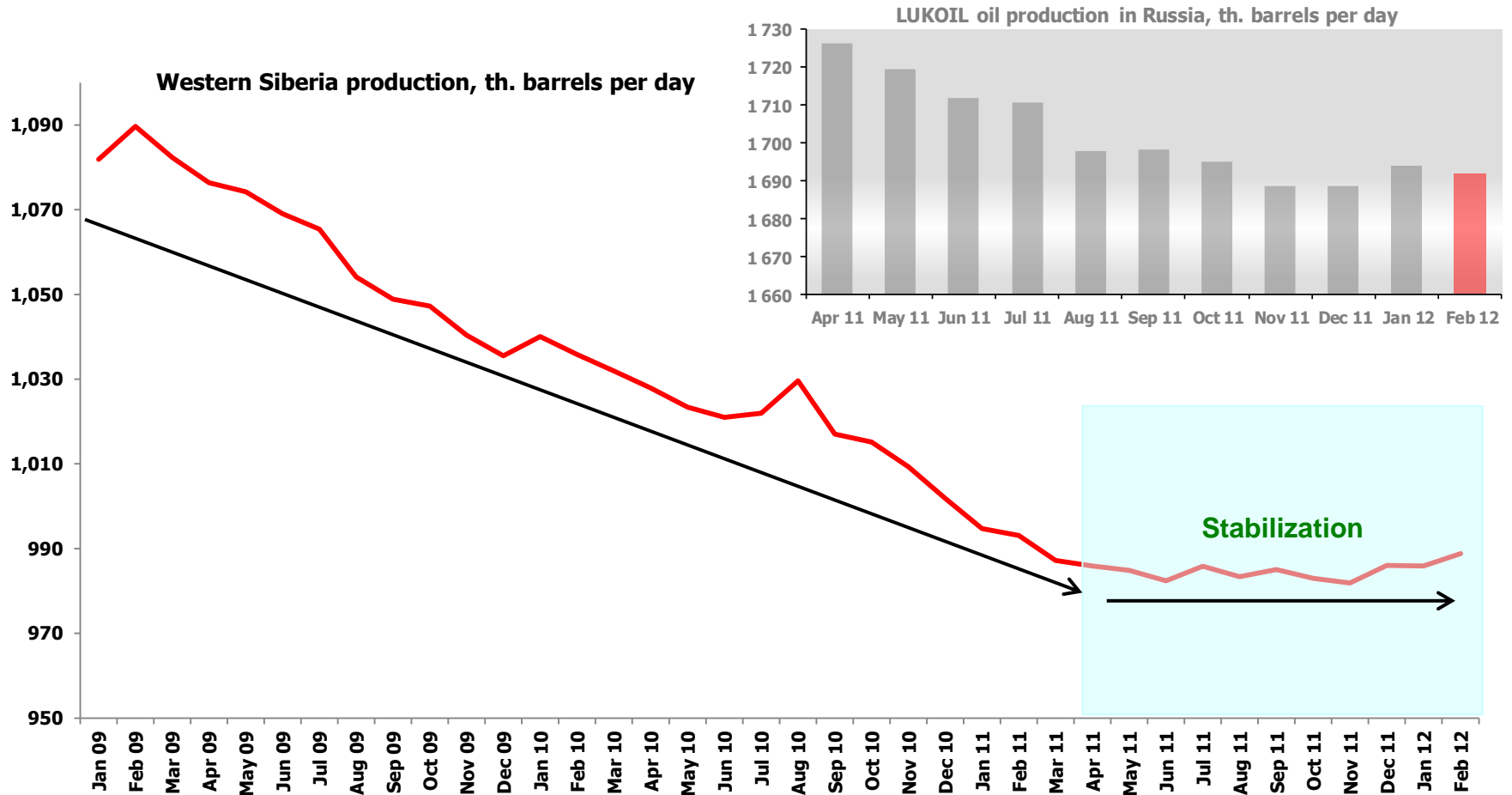


2011 to 2010

- Positive factors
- Negative factors



Stabilization of Production in Western Siberia



Since the first half of 2011, oil production in Western Siberia has been showing clear signs of **stabilization**

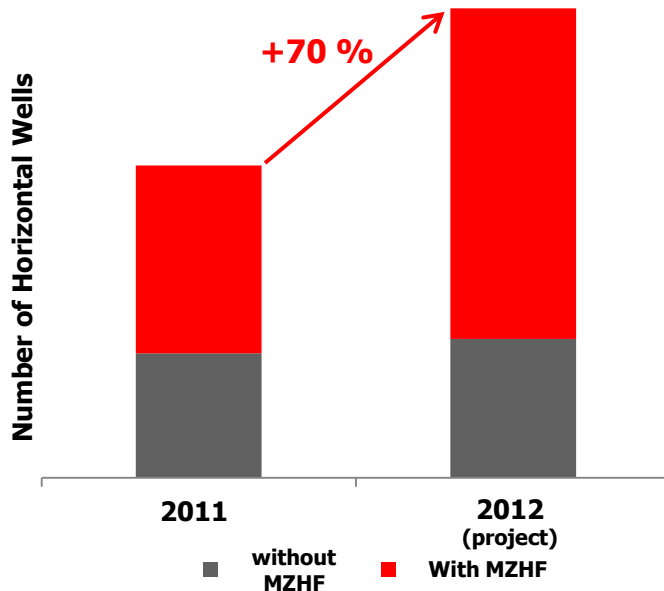
Usage of Multi-Zone Hydrofracturing (MZHF)



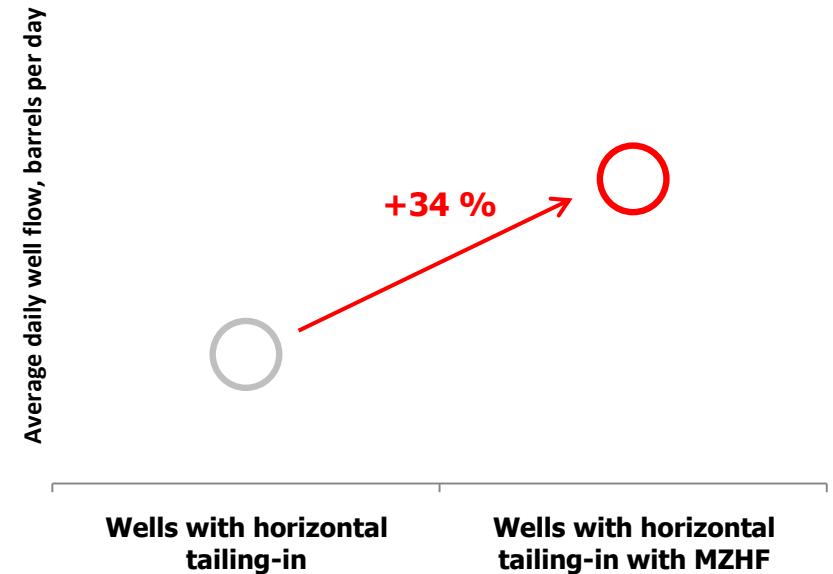
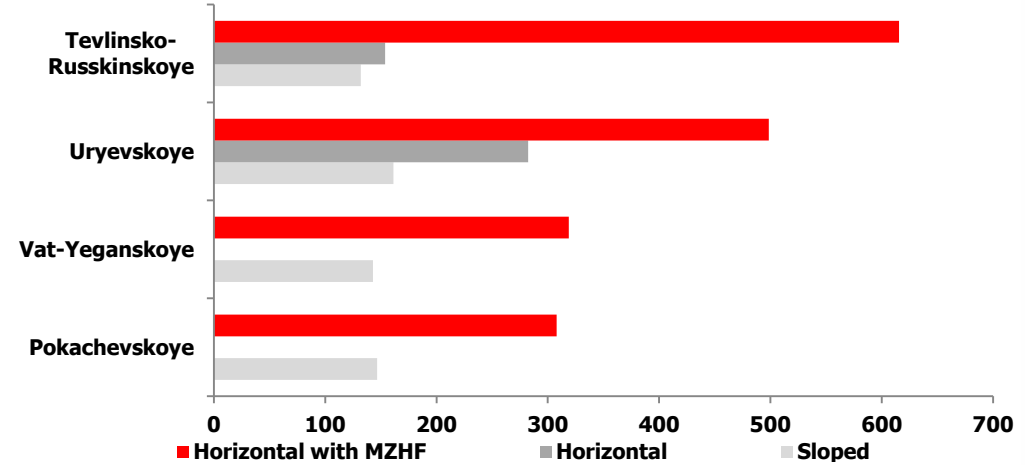
MZHF in horizontal wells:

- Drilling efficiency improvement
- Increase in reserves recovery rate

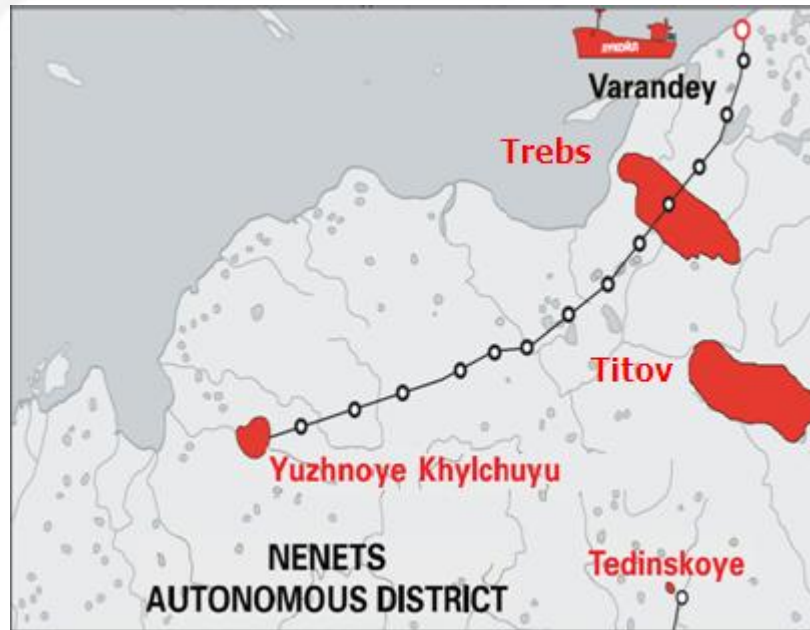
In LUKOIL-Western Siberia MZHF has been put into operation since August 2011



Initial well flow in 2011, barrels per day



Acquisition of a Stake in Trebs and Titov



– Total reserves C1+C2 of oil: **more than 1 bln barrels**

– First oil production is projected in 2013. Currently exploration works are carried out

Valuable **synergy**:

- Oil transportation through the use of the Company infrastructure
- Acquisition of petroleum gas for electricity generation and electric power distribution from the Company power plants

Company successfully replaced extracted reserves in 2011



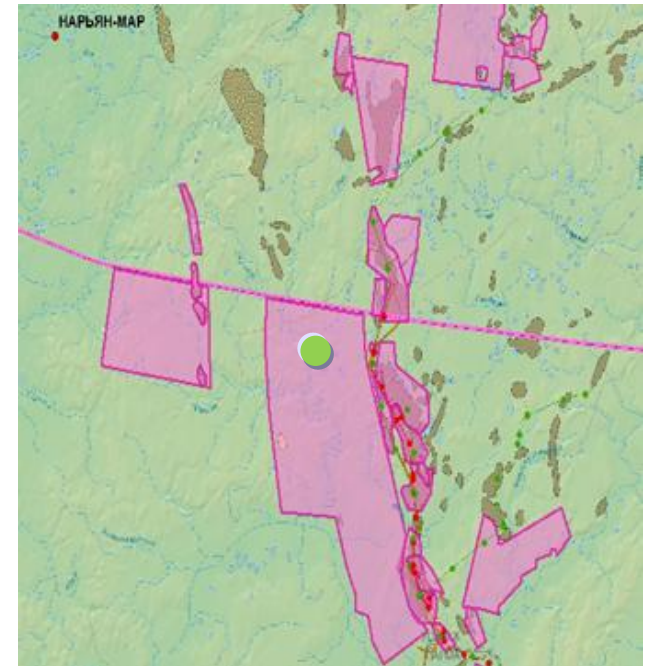
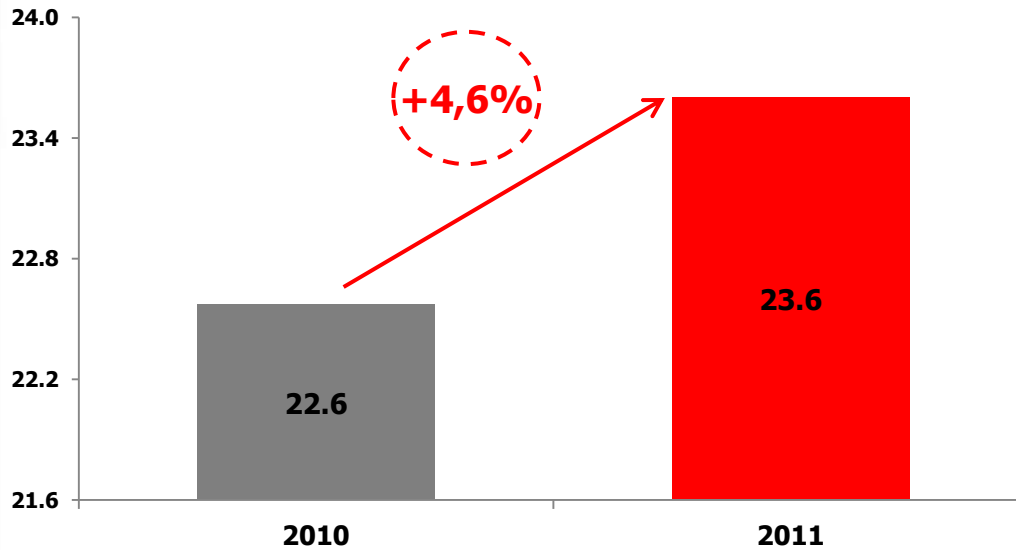
LUKOIL increased its oil 3P reserves in 2011

East-Lambeyshorskoe field:

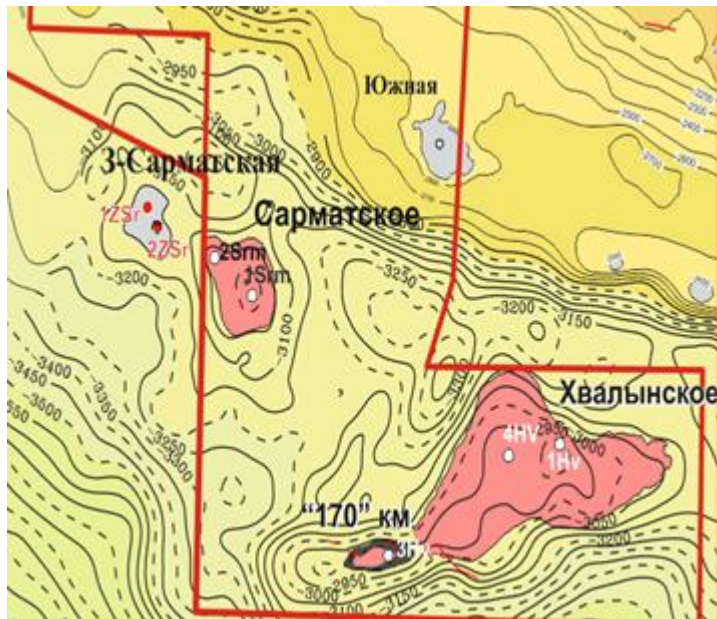
3P oil reserves were triple to

167 mln barrels

LUKOIL oil 3P reserves, bln bbl



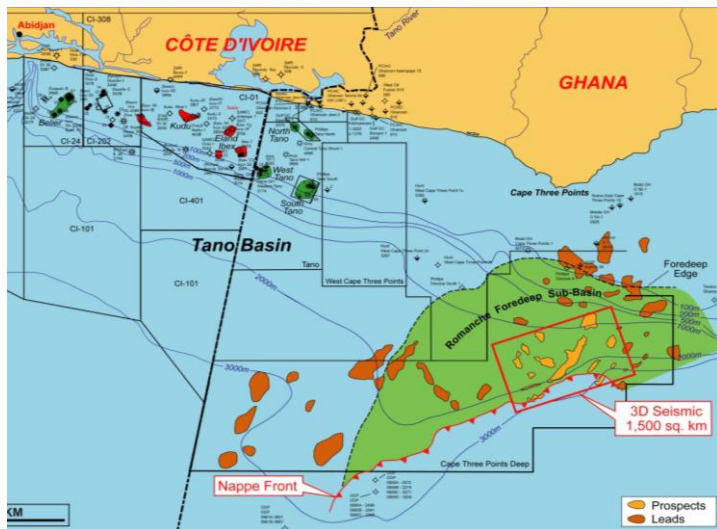
Company successfully replaced extracted reserves in 2011



Sarmatskoye field:

Gas reserves (C1+C2) increased by 46% to almost **1 billion barrels**

Gas condensate reserves increased by 44% to **107 million barrels**



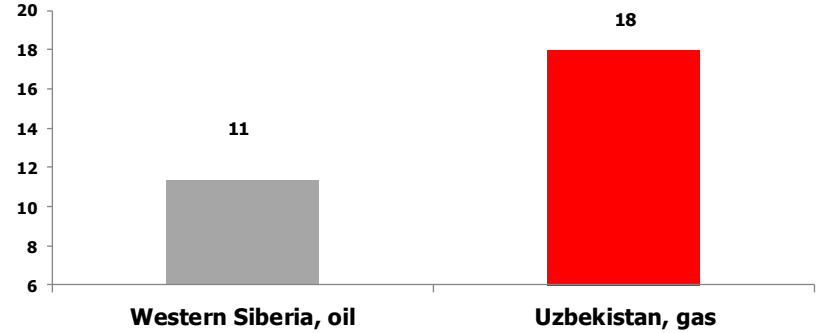
Cote d'Ivoire is a significant resource base:

In 2011 Independence-X1 well discovered a promising net pay

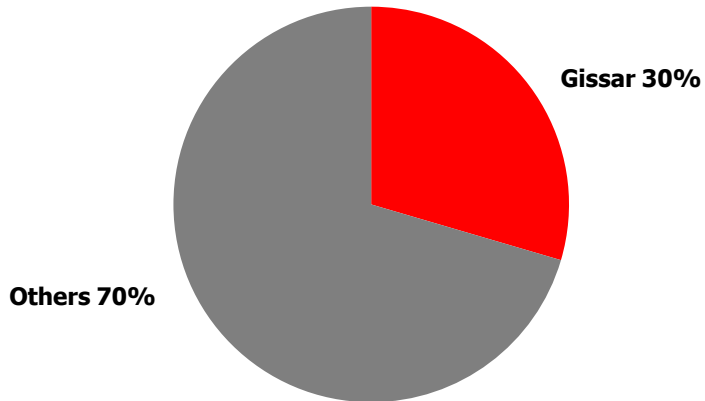
Early Gas Production Launched at Gissar



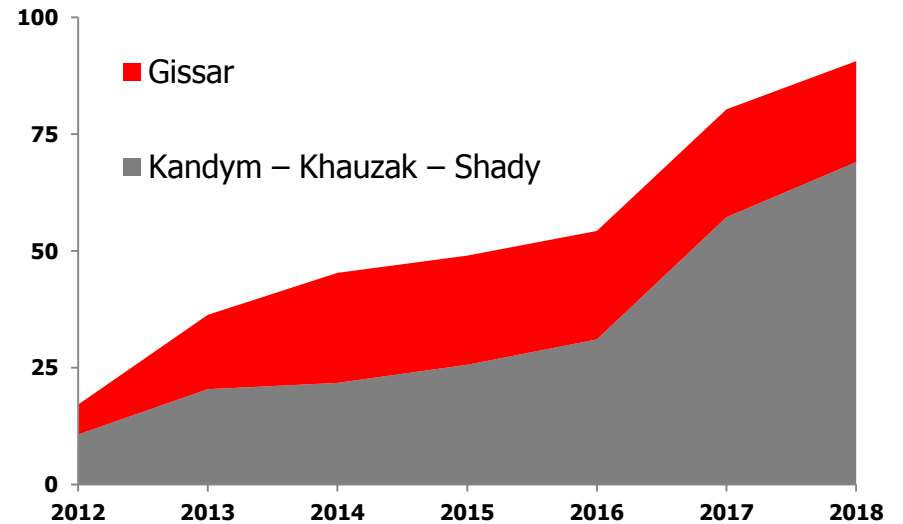
Net income in 2011, \$ per boe



LUKOIL proved gas reserves in Uzbekistan, %



Hydrocarbon production, mln boe

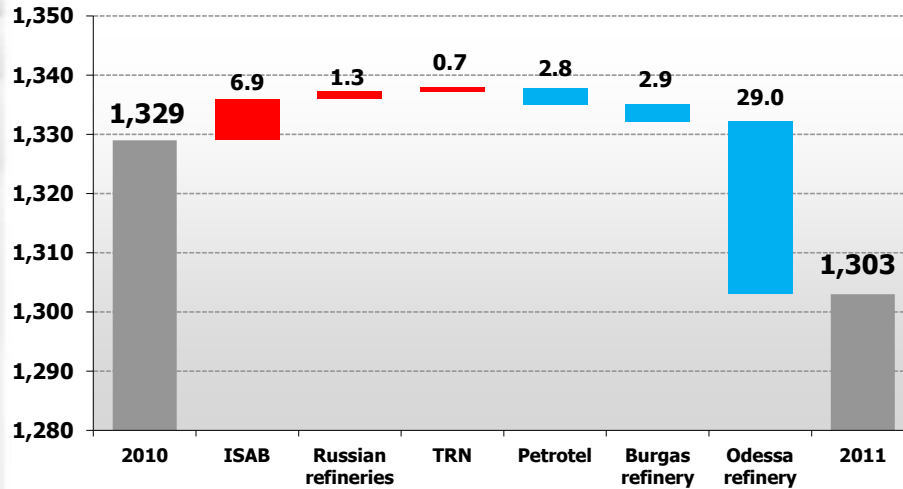


Company hydrocarbon reserves 2P in Uzbekistan: 967 mln boe

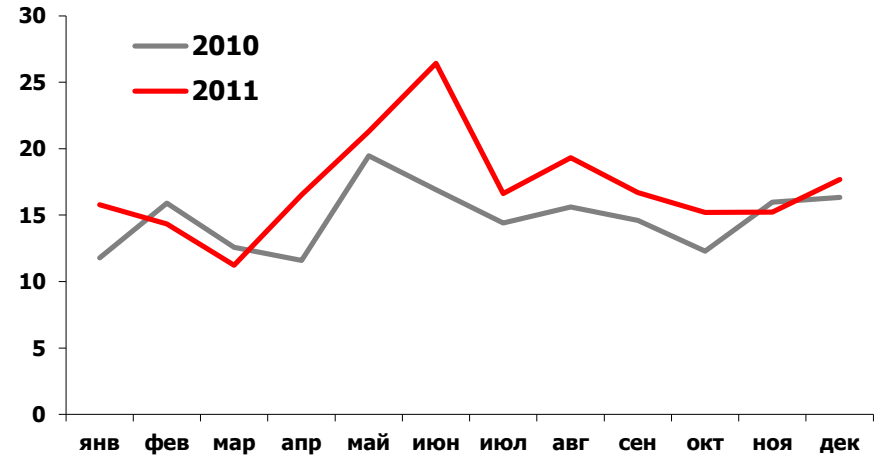
LUKOIL Increases Production of High-Octane Gasoline



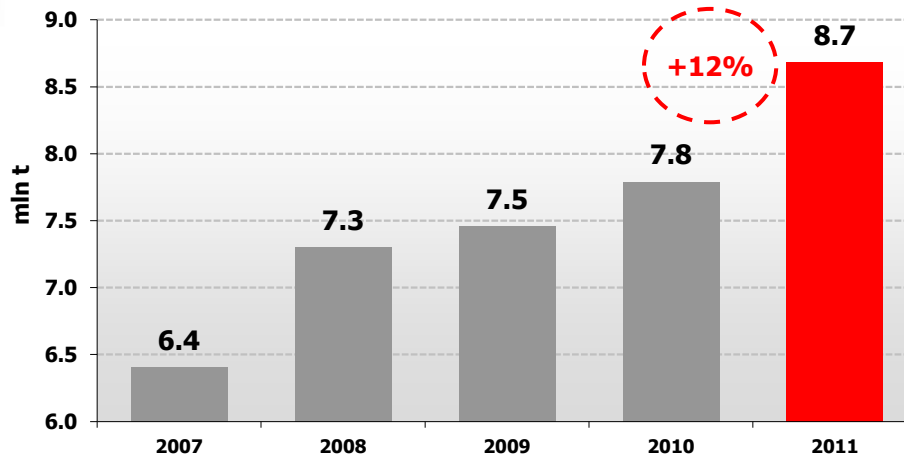
Refinery throughputs reconciliation, th. barrels per day



Refining margin of a Russian refinery with catalytic cracking, \$ per barrel



Production of high-octane gasoline



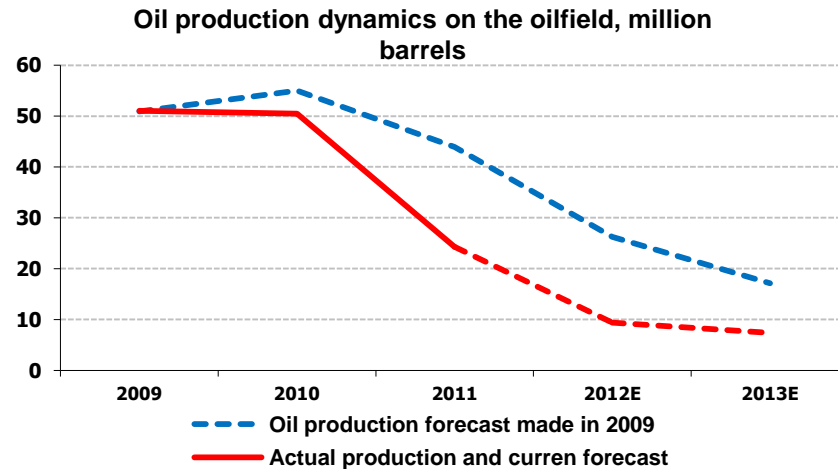
Overall throughput excluding Odessa Refinery increased in 2011 by 0,2% y-o-y

Financial Results



4Q 2011	4Q 2010	Δ, %	\$ million	2011	2010	Δ, %
34,549	28,684	+20.4	Sales	133,650	104,956	+27.3
(2,197)	(2,133)	+3.0	OPEX	(9,055)	(8,298)	+9.1
(8,805)	(7,262)	+21.2	Taxes other than income tax (including excise and export tariffs)	(35,135)	(27,856)	+26.1
1,647	3,008	-45.2	Income from operating activities	13,155	11,533	+14.1
2,300	2,186	+5.2	Recurring net income*	11,312	9,006	+25.6
1,345	2,186	-38.5	Net income	10,357	9,006	+15.0
1.74	2.80	-37.9	Basic EPS, \$	13.30	10.95	+21.4
4,173	4,064	+2.7	Recurring EBITDA*	19,489	16,049	+21.4
3,290	4,064	-19.0	EBITDA	18,606	16,049	+15.9

Yuzhnoye Khylichuyu Oilfield Write-offs



- Reserves volume was revised from 0.5 billion barrels in 2008 to 0.14 billion barrels in 2011
- Oil production has decreased notably
- The result:
 - \$1,261 million write-off in 4Q 2011
- **The main reasons behind the decrease in production are of geological nature:**
 - Advancing watercut growth
 - Decreasing wells flow
- The field development plan as well as the geological model were adjusted:
 - Decreasing initial geological reserves
 - Reducing oil recovery factor from 38% to 34%
 - Decreasing forecasted geological reserves

CAPEX Breakdown



4Q 2011	4Q 2010	Δ, %	\$ million	2011	2010	Δ, %
2,141	1,450	+47.7	Exploration and production	6,629	4,908	+35.1
1,504	1,215	+23.8	Russia	5,084	3,911	+30.0
637	235	+171.1	International	1,545	997	+55.0
502	477	+5.2	Refining and marketing	1,354	1,319	+2.7
363	328	+10.7	Russia	1,030	944	+9.1
139	149	-6.7	International	324	375	-13.6
40	17	+135.3	Petrochemicals	89	76	+17.1
22	10	+120.0	Russia	55	27	+103.7
18	7	+157.1	International	34	49	-30.6
79	122	-35.2	Power generation	196	420	-53.3
83	59	+40.7	Other	224	121	+85.1
2,845	2,125	+33.9	Total (cash and non-cash)	8,492	6,844	+24.1

Operating Expenses



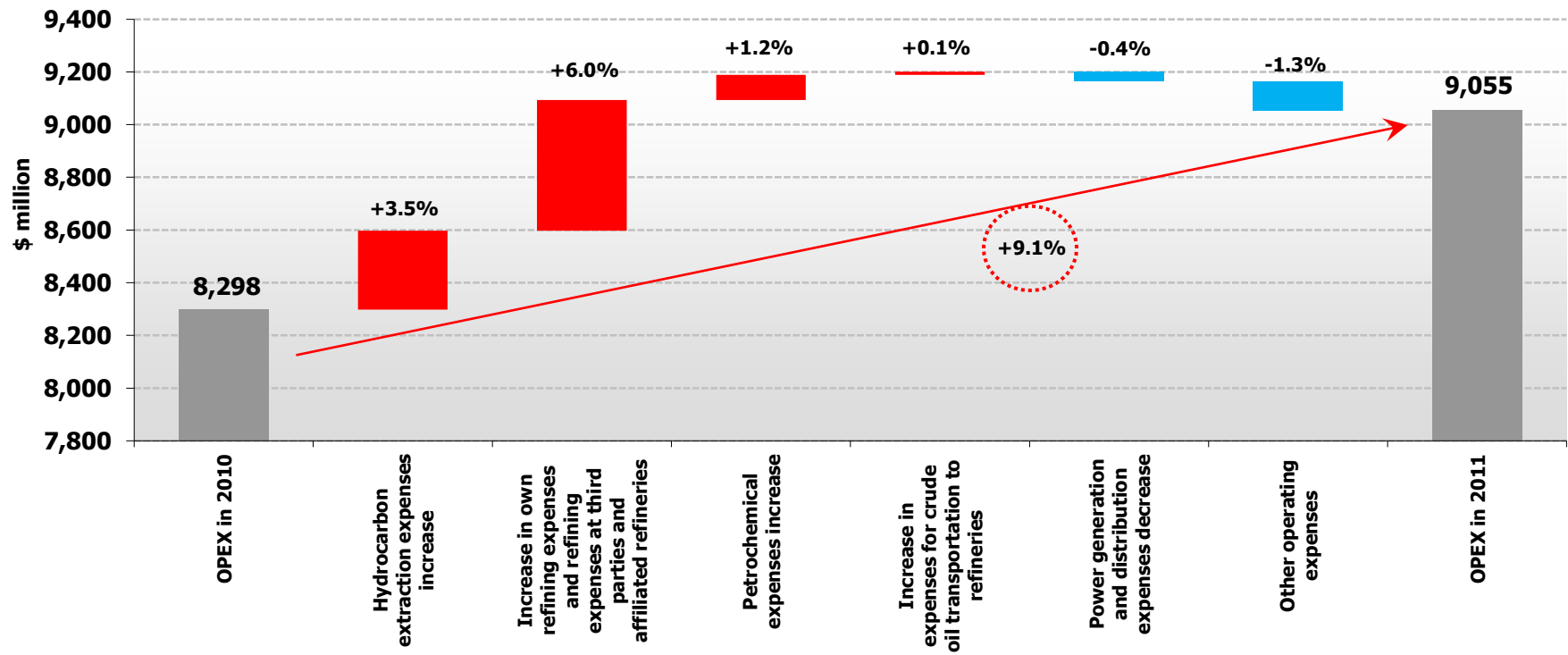
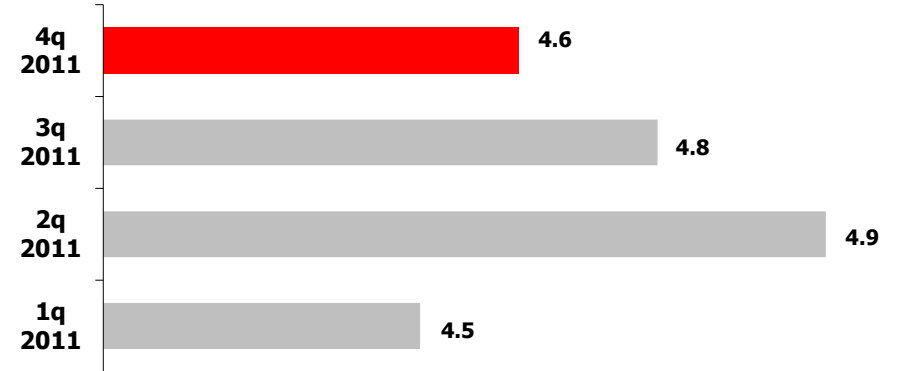
4Q 2011	4Q 2010	Δ, %	\$ million	2011	2010	Δ, %
874	853	+2.5	Hydrocarbon lifting costs	3,540	3,241	+9.2
375	320	+17.2	Own refining expenses	1,444	1,121	+28.8
242	190	+27.4	Refining expenses at third-party refineries, ISAB and TRN	897	724	+23.9
253	246	+2.8	Expenses for crude oil transportation to refineries	1,060	1,048	+1.1
140	202	-30.7	Power generation and distribution expenses	617	654	-5.7
88	83	+6.0	Petrochemical expenses	317	221	+43.4
225	239	-5.9	Other operating expenses	1,180	1,289	-8.5
2,197	2,133	+3.0	Total	9,055	8,298	+9.1
16,636	12,248	+35.8	Cost of purchased crude oil, gas and petroleum products	59,694	43,250	+38.0

Operating Expenses

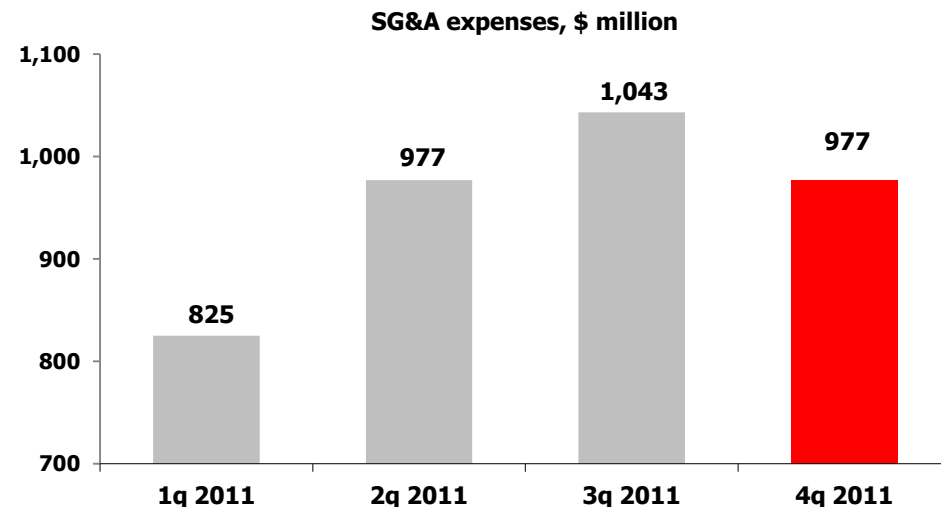
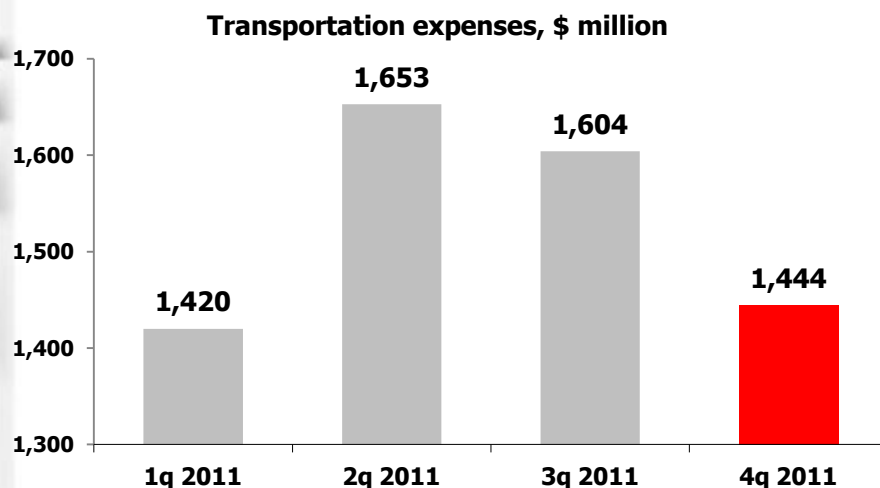


In 2011, our operating expenses increased by 9.1%, mainly as a result of ruble appreciation, increased power supply and repair costs and increase in cost of additives.

Lifting costs, \$ per boe

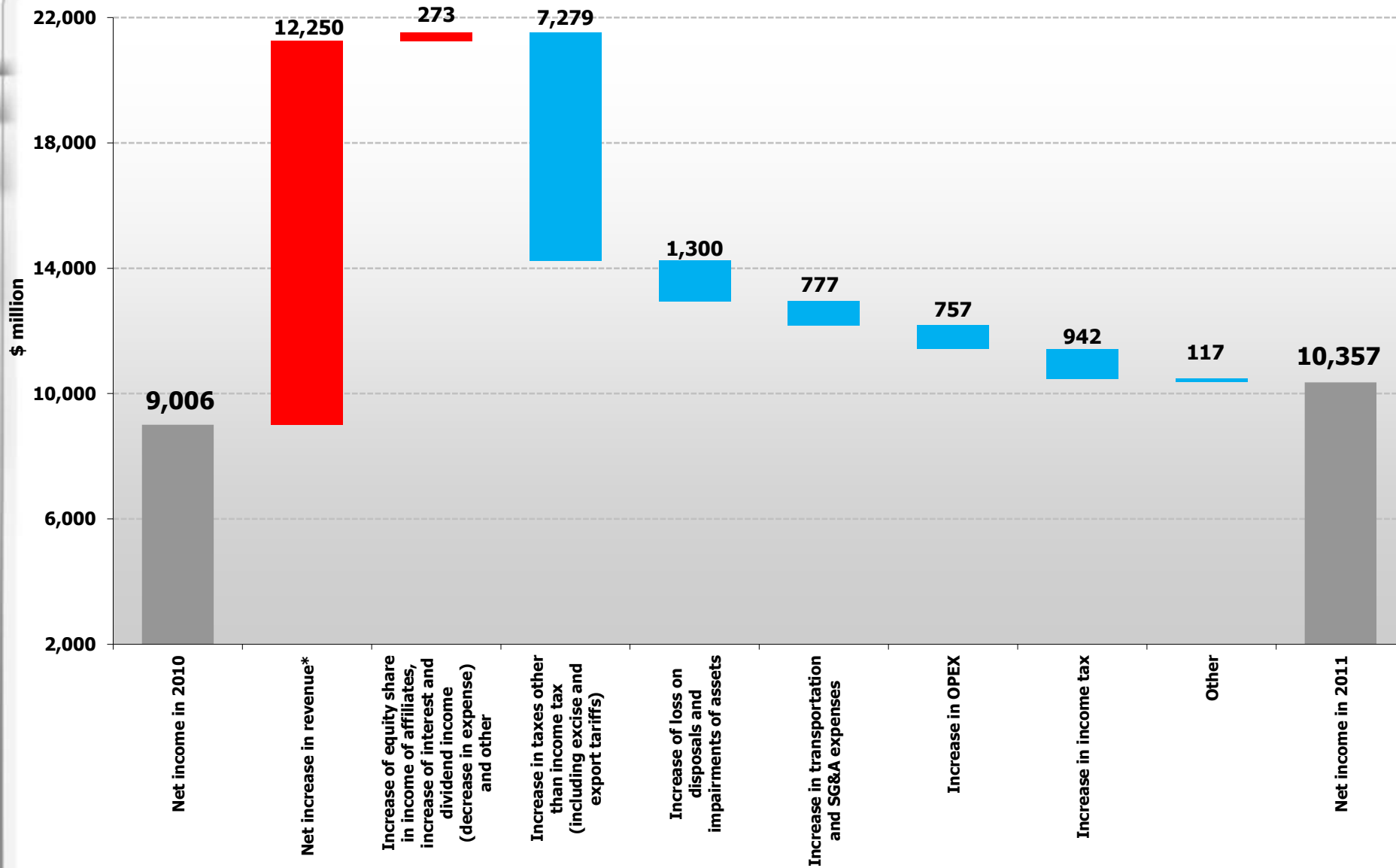


SG&A and Transportation Expenses



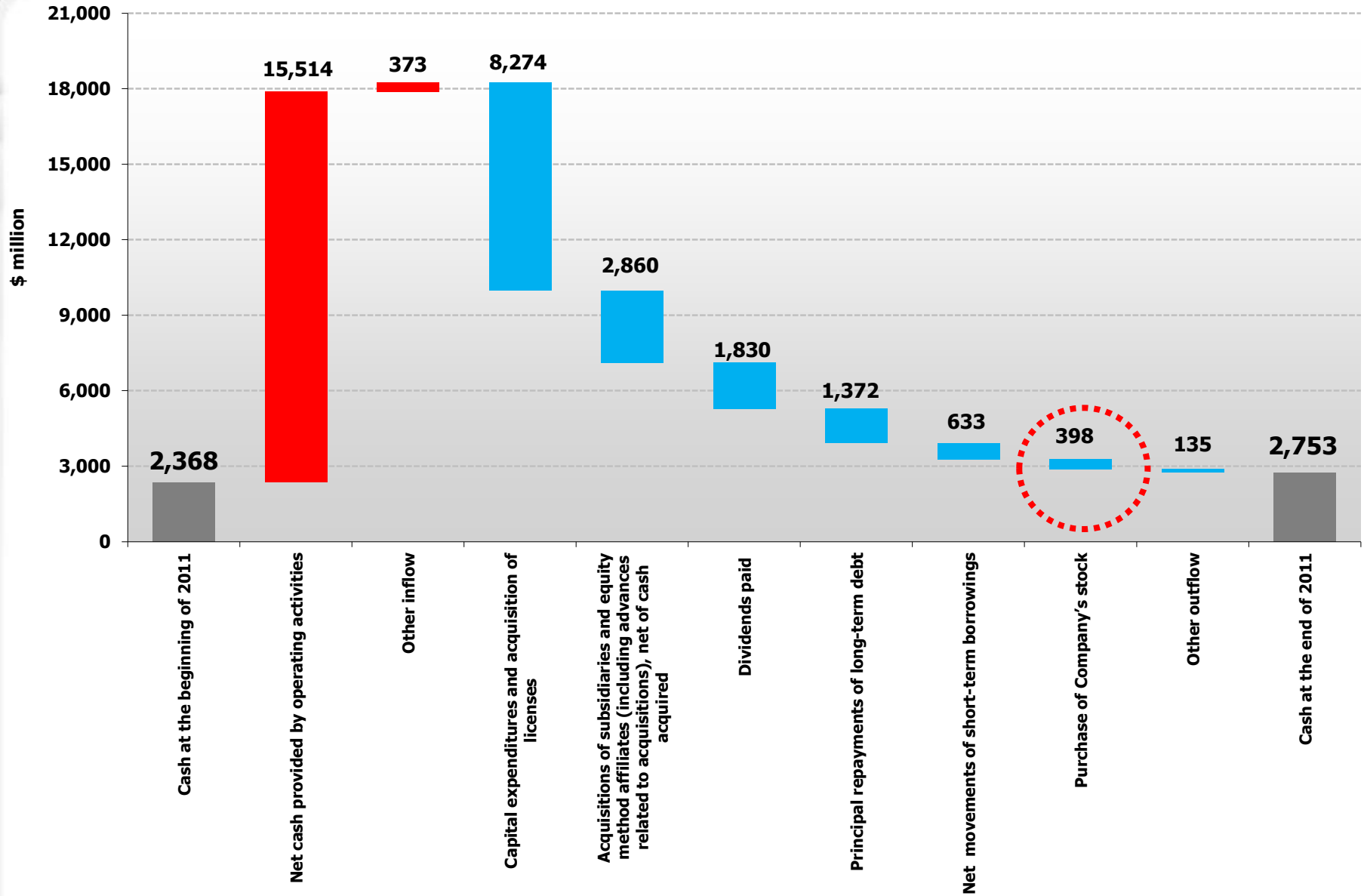
4Q 2011	4Q 2010	Δ, %	\$ million	2011	2010	Δ, %
1,444	1,439	+0.3	Transportation expenses	6,121	5,608	+9.1
977	1,001	-2.4	Selling, general and administrative expenses	3,822	3,558	+7.4
2,421	2,440	-0.8	Total	9,943	9,166	+8.5

2011 Net Income Reconciliation



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

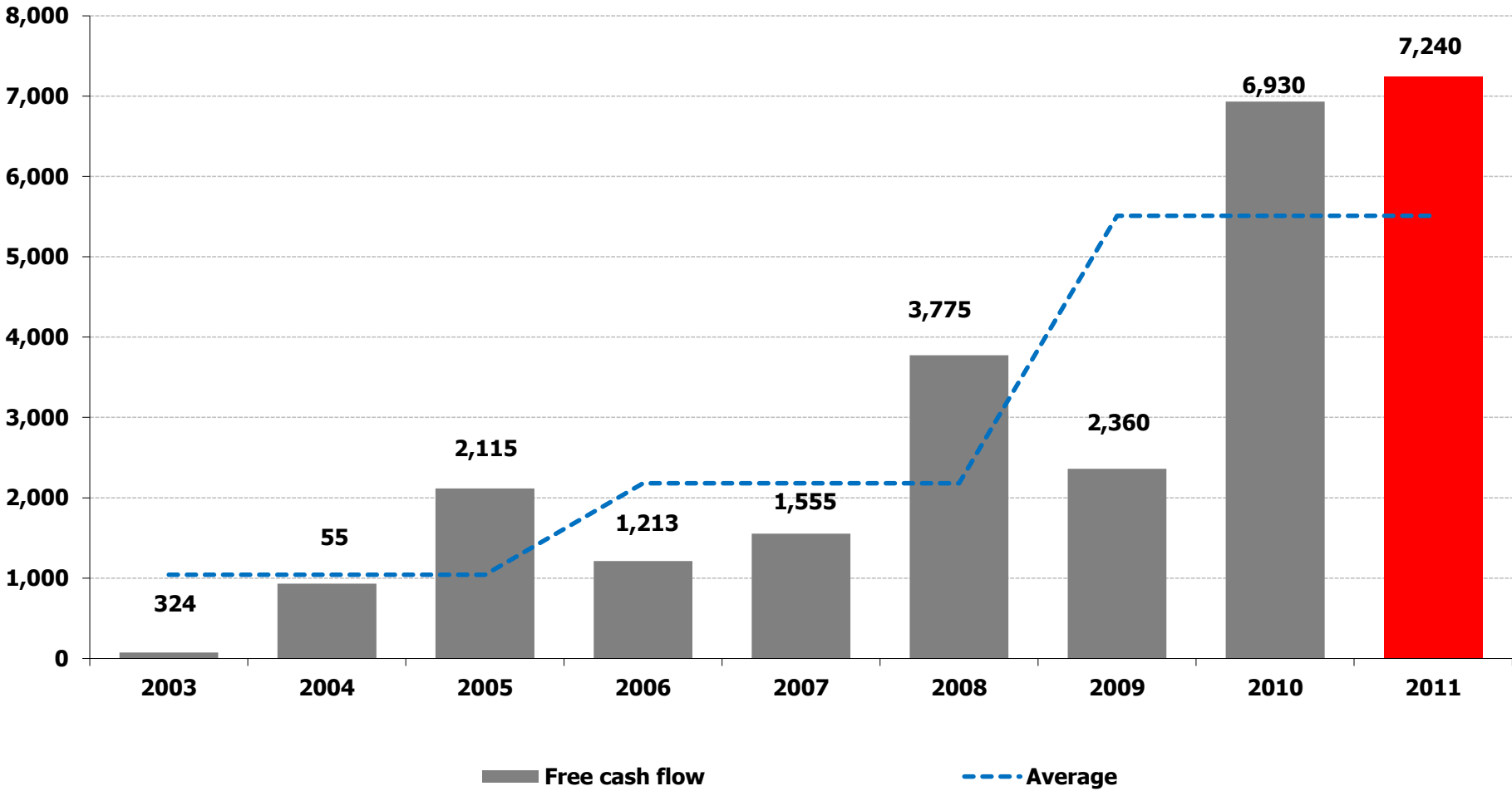
2011 Cash Flow Reconciliation



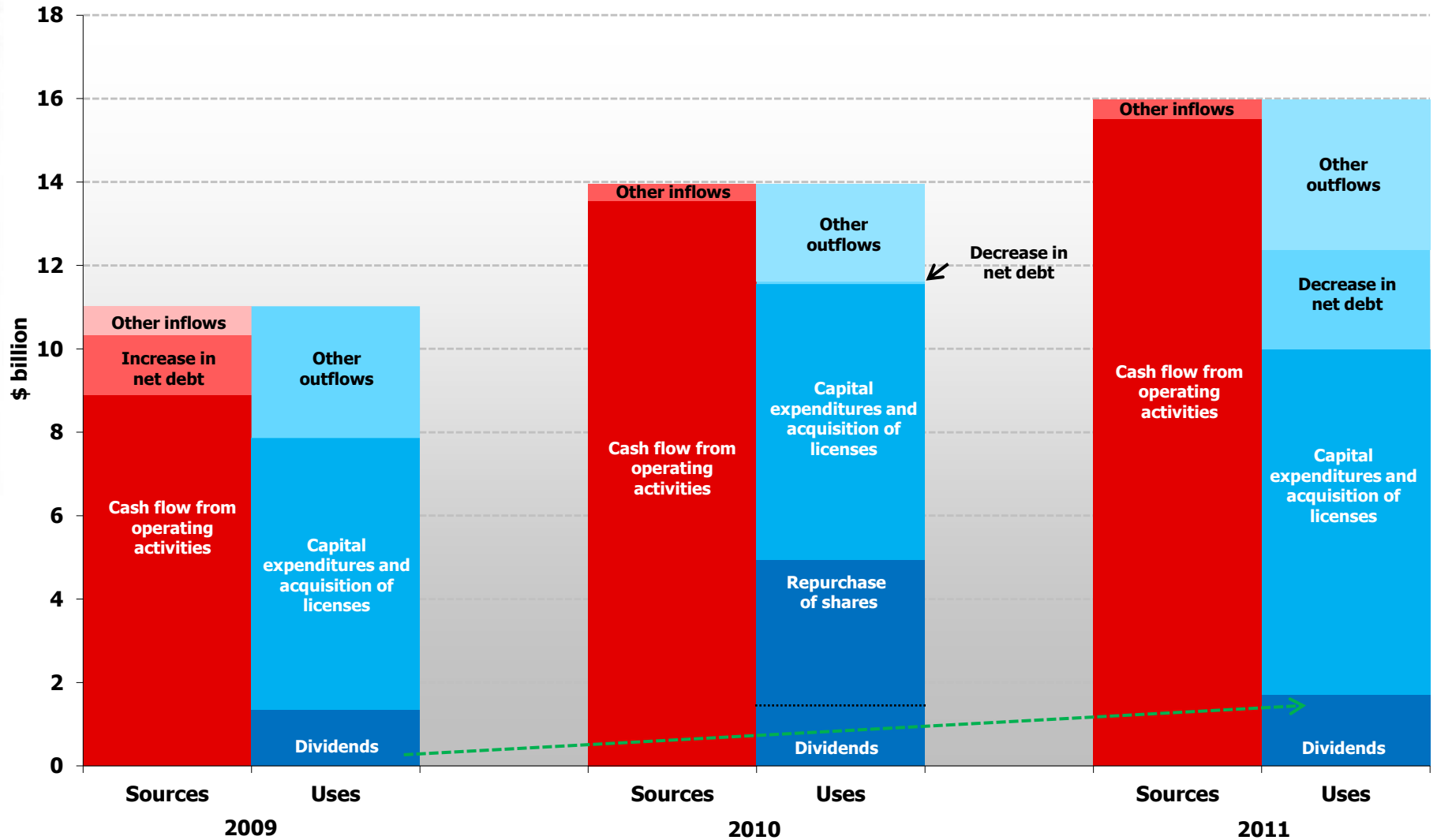
LUKOIL Continues to Increase Free Cash Flow



Free cash flow, \$ million



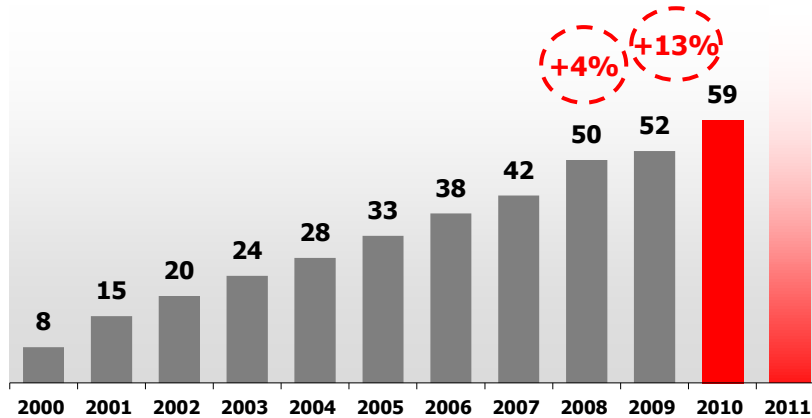
Sources and Uses of Cash



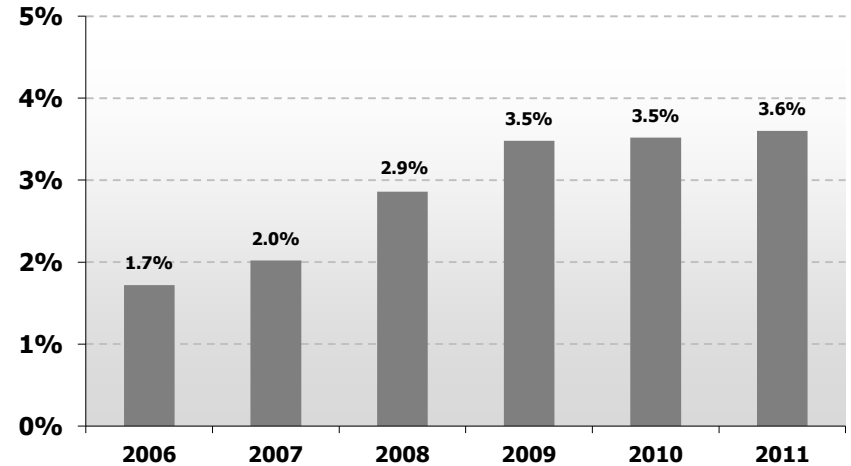
LUKOIL increases shareholder value



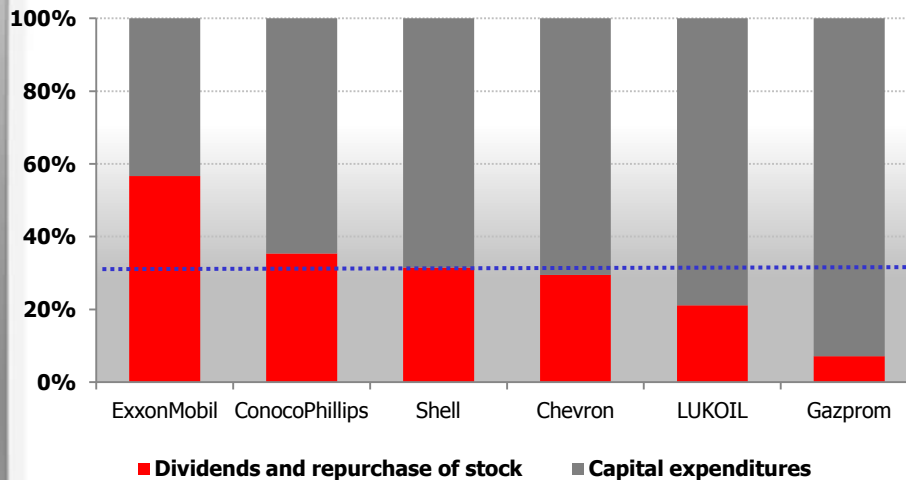
Dividend per one common share, rub.



Dividend yield, %

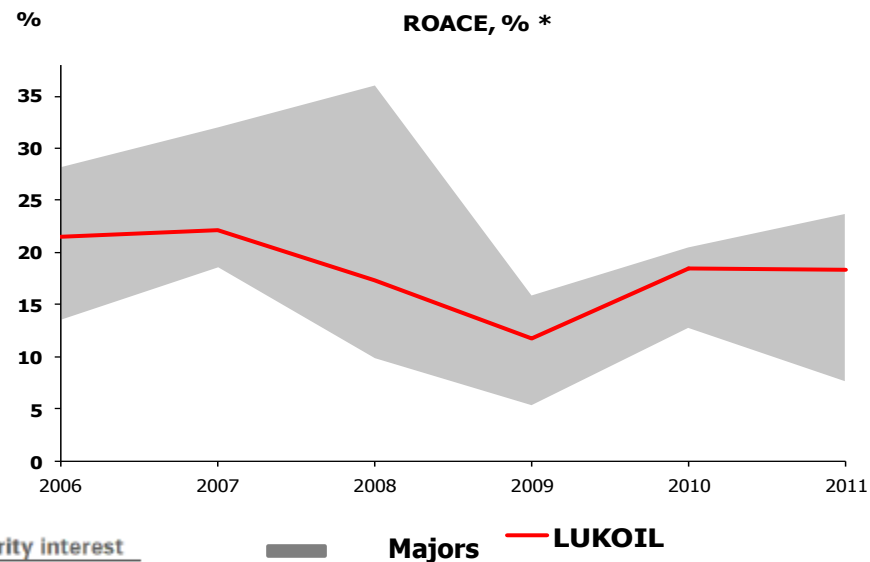
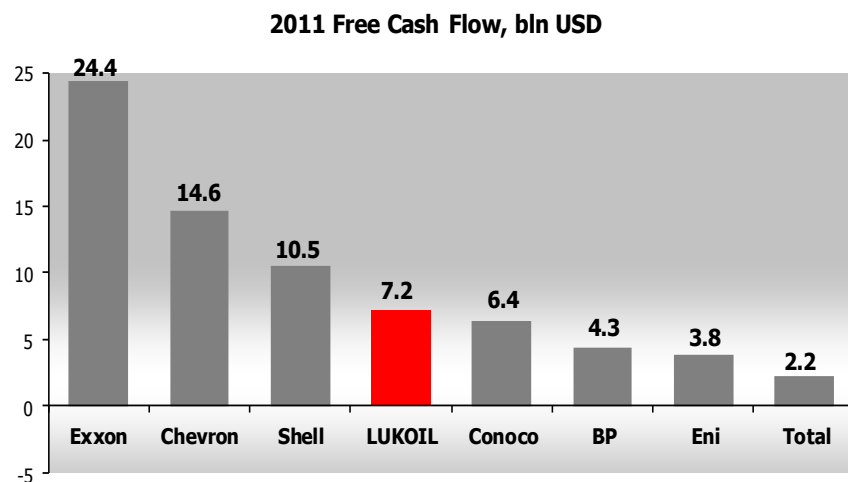
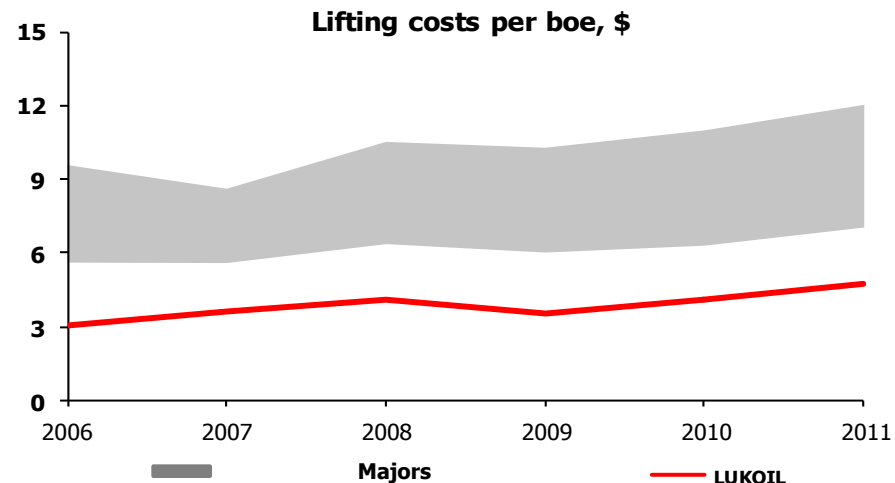
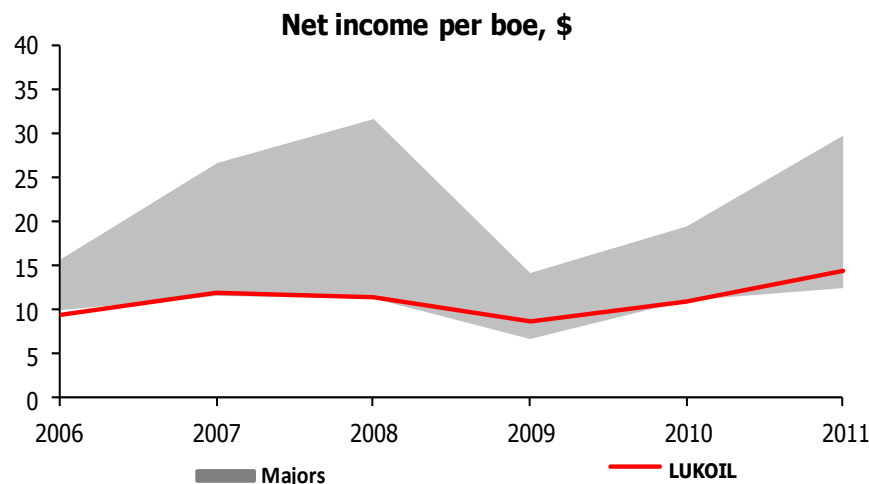


Capital expenditures, dividends paid and repurchase of stock in 2006-2010



- **LUKOIL will continue to maintain policy of increasing dividend payout**
- **Increase in purchases of shares by management**

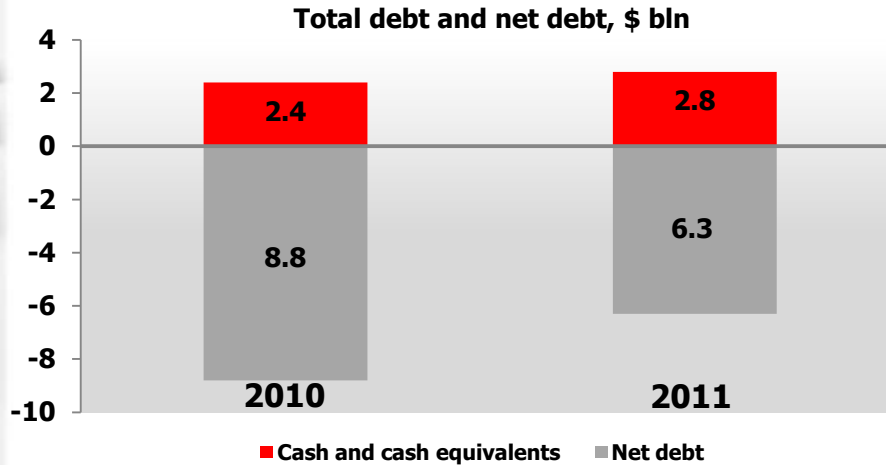
Robust Competitive Position in the Industry



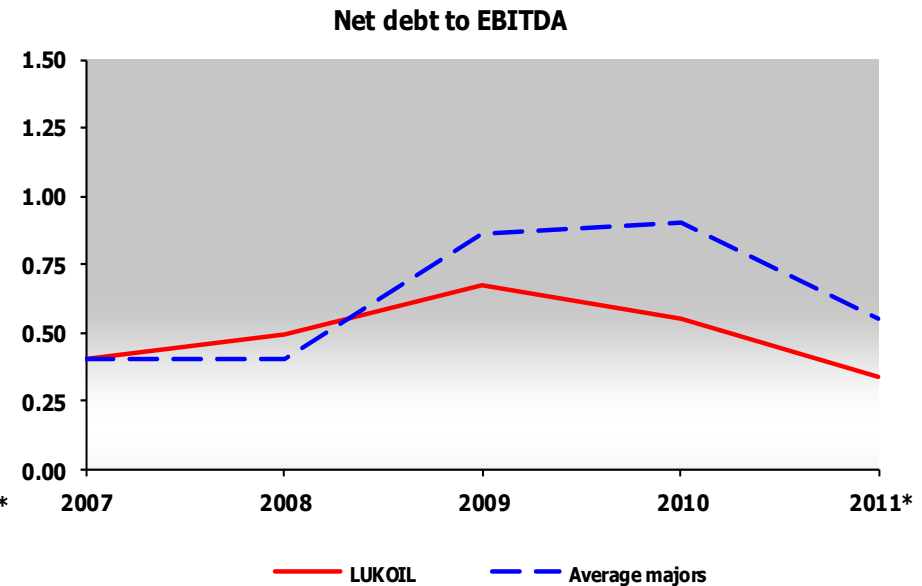
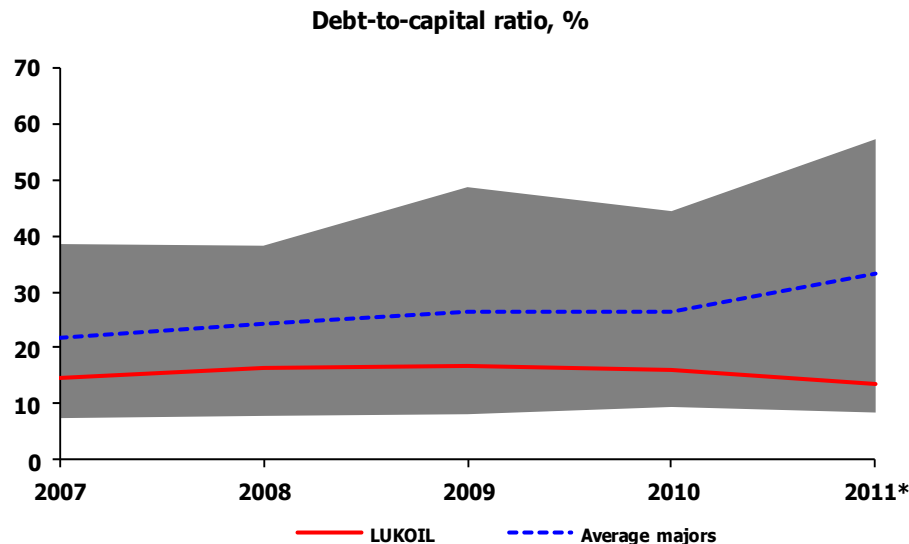
* ROACE = $\frac{\text{Net income} + \text{Interest expense} \times (1 - \text{Effective income tax rate}) + \text{Minority interest}}{\text{Average for the year (Equity} + \text{Long-term debt} + \text{Short-term debt} + \text{Minority interest})}$

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

Robust Financial Position



LUKOIL net debt decreased by \$2,5 bln in 2011



*2011: Royal Dutch Shell, BP, ConocoPhillips, Total, Eni, Chevron.

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

Source: Companies' financial statements.

March 14 – New Strategy Presentation



**President
Vagit Alekperov**



- Economic environment
- Challenges of the today
- Introduction of Strategy 2012-2021

**Vice-President
Leonid Fedun**



- Goals of Strategy 2012-2021
- Strategic landmarks
- Key indicators

**Vice-President
Azat Shamsuarov**



- Development of LUKOIL – Western Siberia in 2012-2021: stabilization of production

**Vice-President
Vladimir Mulyak**



- Development of business segment “Exploration and Production” in 2012-2021 as a main value driver of the Company

**Vice-President
Andrey Kuzyaev**



- Development of LUKOIL Overseas in 2012-2021

**Refining Director
Thomas Mueller**



- Main value creating projects of business segment “Refining and marketing” in 2012-2021

Conclusion



- Investment policy focuses on the development of E&P segment
- Continuing modernization of Russian refineries under new tax regime
- **Increasing efficiency** of operating activities, cost control, and **OPEX optimization**
- Conducting a **conservative financial policy**, maintaining a comfortable and open access to funding sources
- Maintaining **strong financial discipline**