



LUKOIL

ALWAYS MOVING FORWARD

1H 2012 Financial Results (US GAAP)

Moscow
August 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.

1H 2012 Financial Highlights



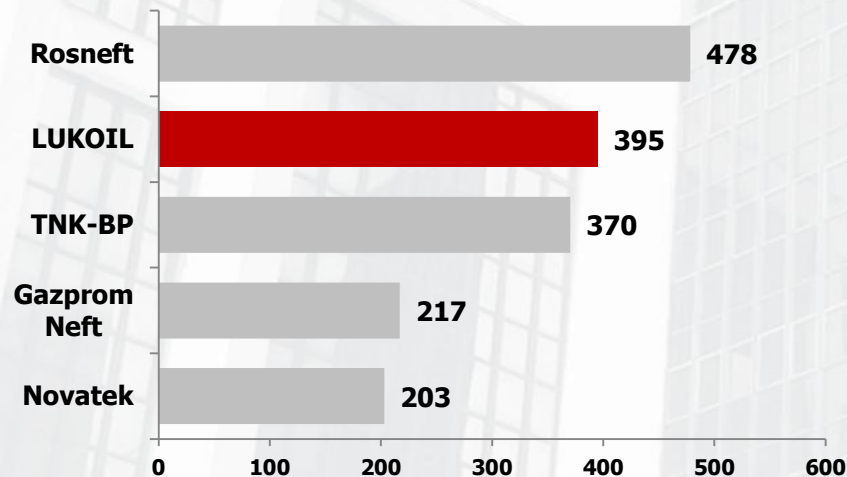
- **Net income – \$4,807 million**
- **Basic earnings per share – \$6.3**
- **EBITDA – \$8,808 million**
- **Net Debt – \$5,446 million**
- **Free cash flow – \$1,699 million**



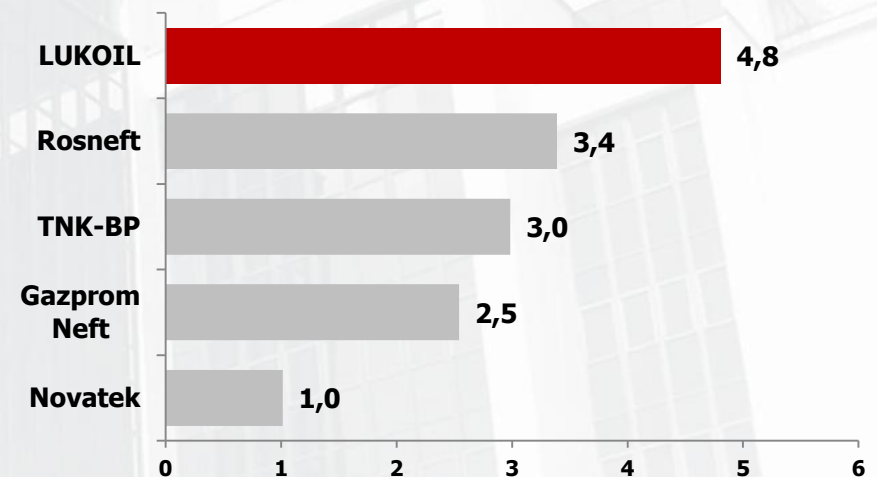
LUKOIL Presents High Financial Efficiency Among Russian Peers



1H 2012 Hydrocarbon production, mln boe



1H 2012 Net income, \$ bln



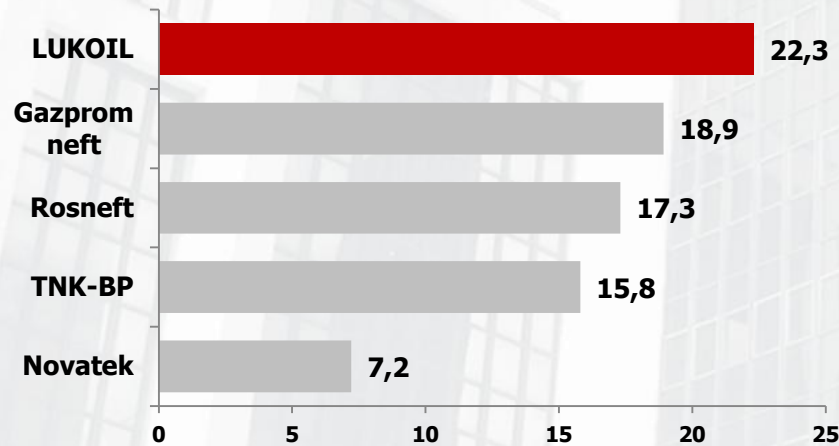
LUKOIL maintains leadership in financial performance in Russian oil and gas industry



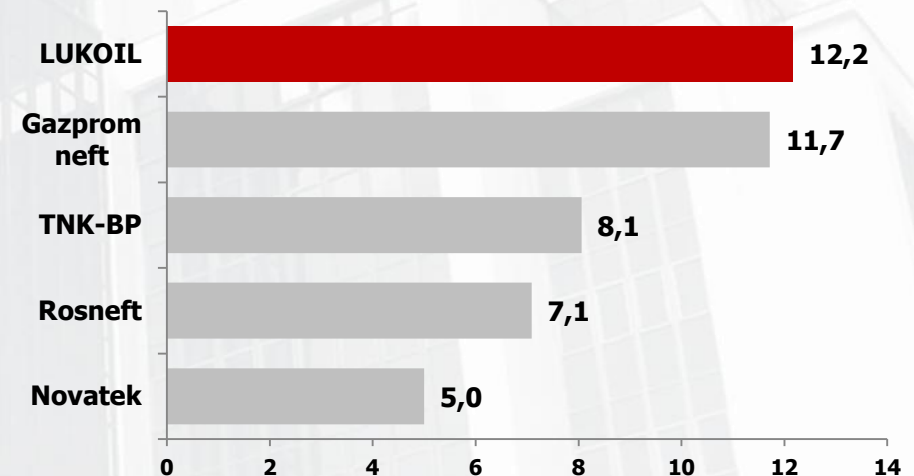
LUKOIL Presents High Financial Efficiency Among Russian Peers



1H 2012 EBITDA, \$ per boe



1H 2012 Net income, \$ per boe



LUKOIL is the leader in financial performance in Russian oil and gas industry

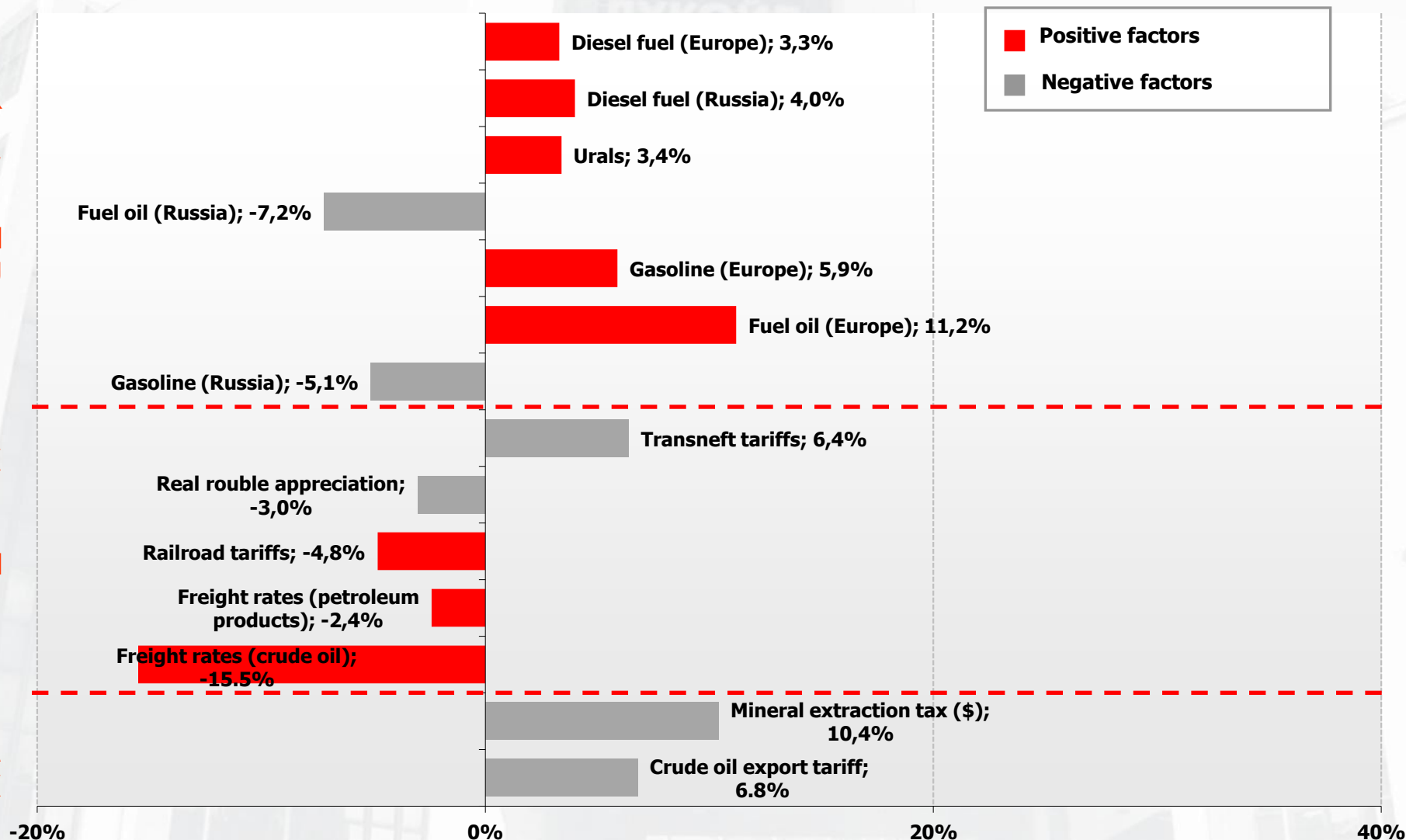
Macroeconomic and Tax Environment



1H 2012 to 1H 2011

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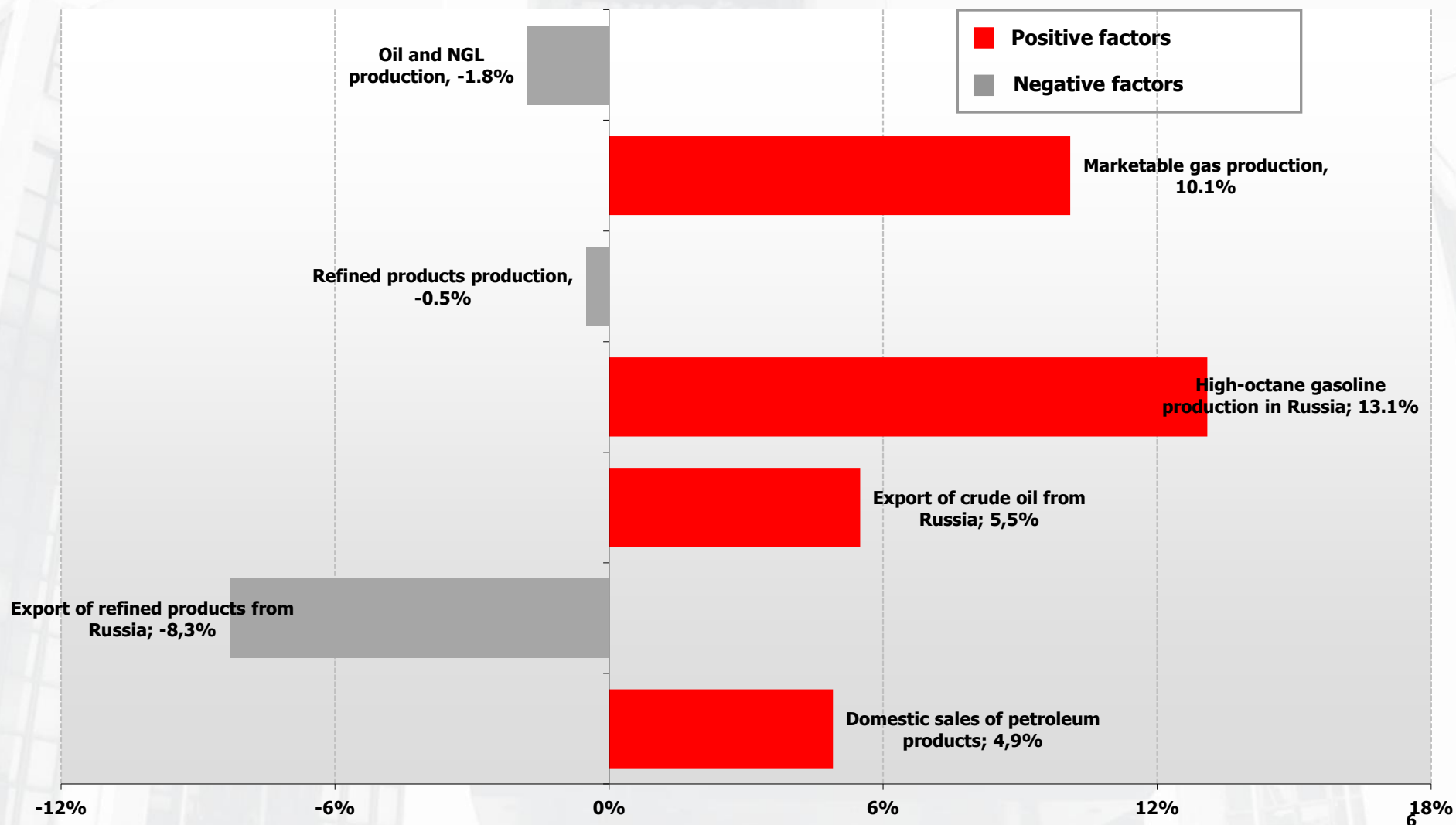
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Main Operating Results



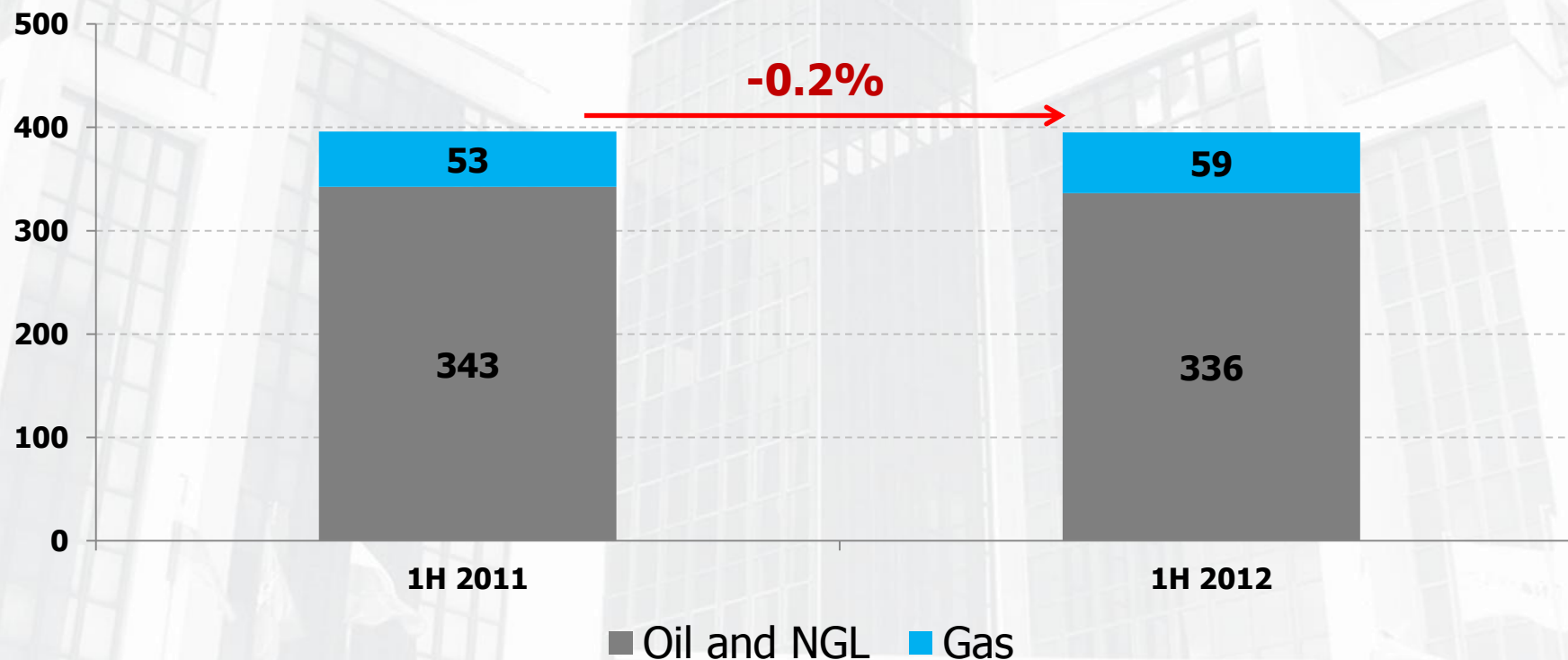
1H 2012 to 1H 2011



LUKOIL Hydrocarbon Production



LUKOIL hydrocarbon production, mln boe

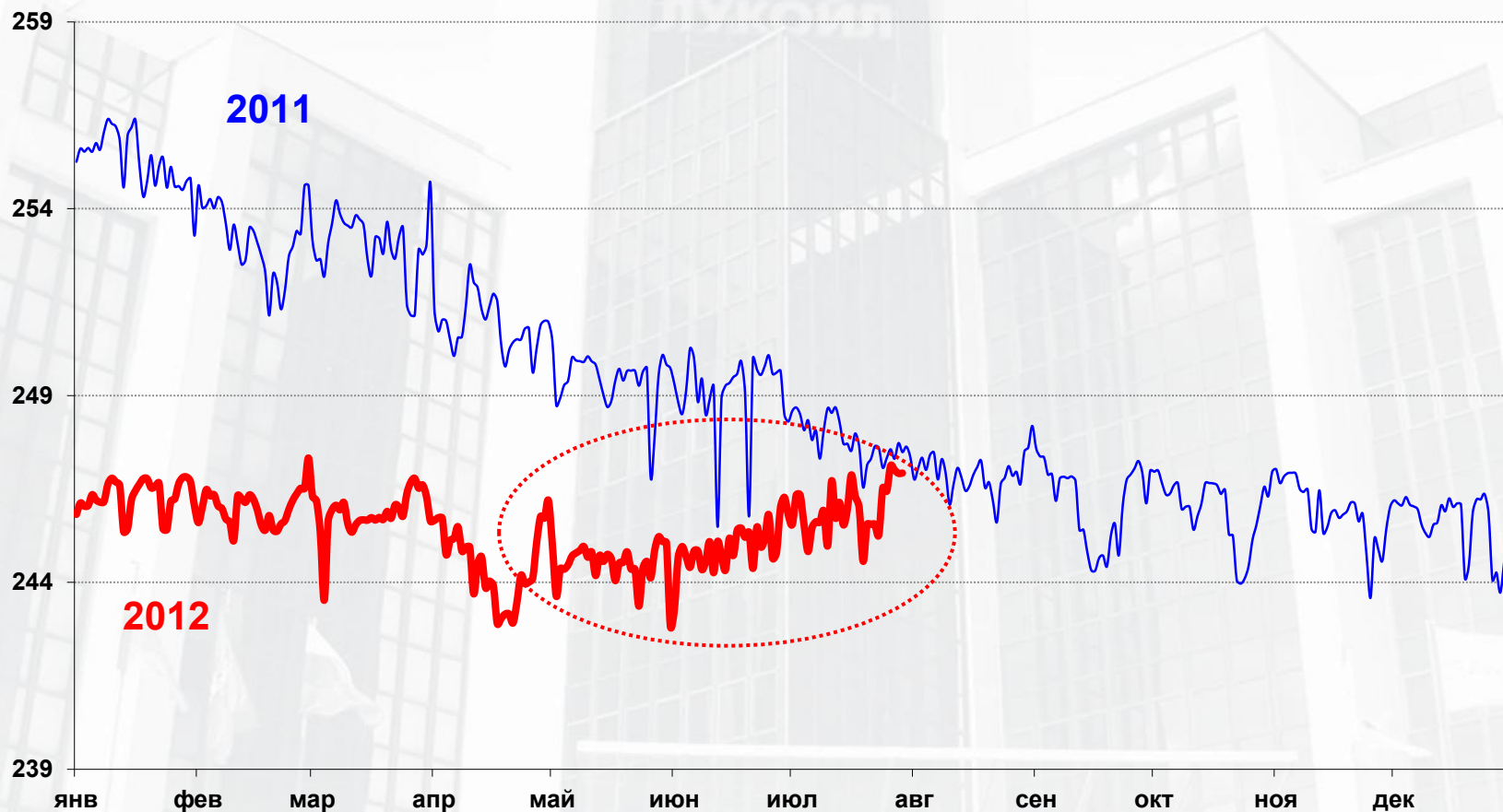


LUKOIL hydrocarbon production in 1H 2012 was almost **flat** y-o-y

LUKOIL Oil Production: Continuous Stabilization



LUKOIL daily oil production, th. tons per day



LUKOIL daily oil production shows upward trend in 2Q 2012

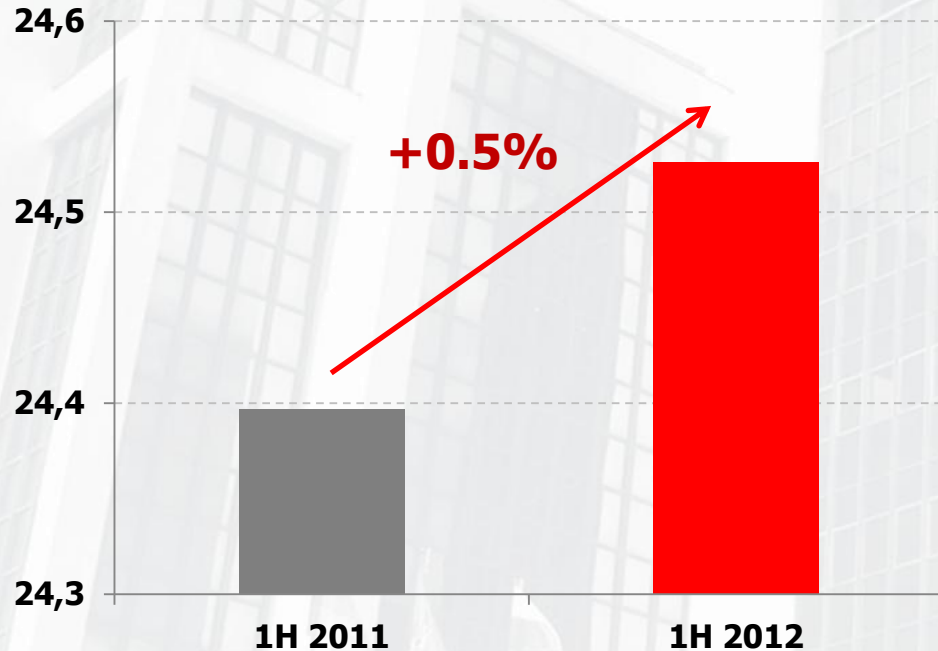


LUKOIL

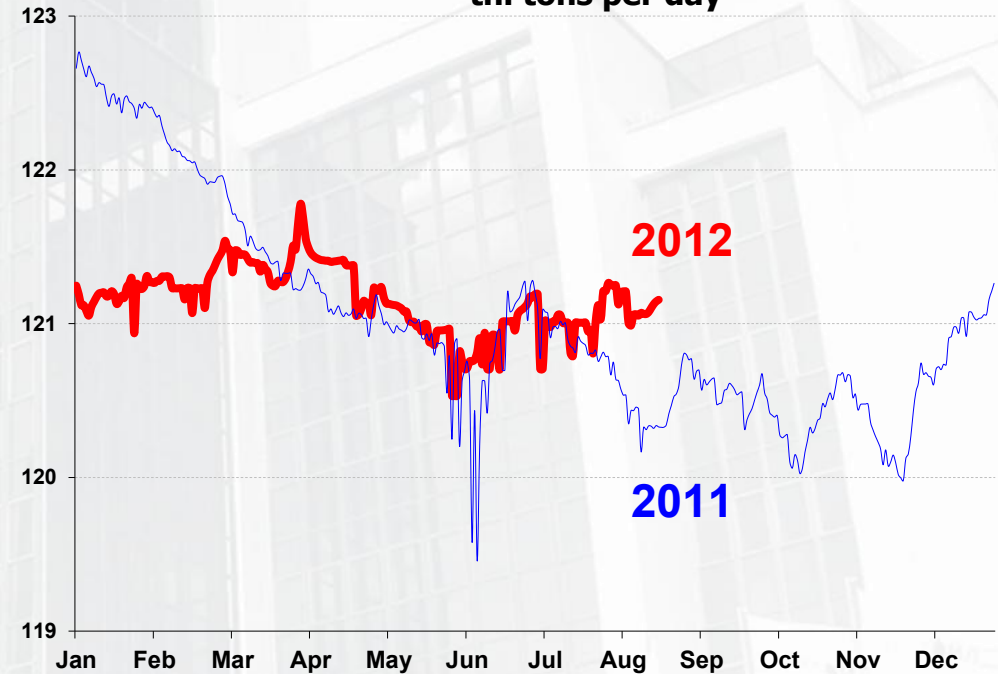
Western Siberia: From Decline to Growth



LUKOIL oil production in Western Siberia, mln tons



000 "LUKOIL-Western Siberia" oil production, th. tons per day



LUKOIL has effectively stabilized oil production in Western Siberia

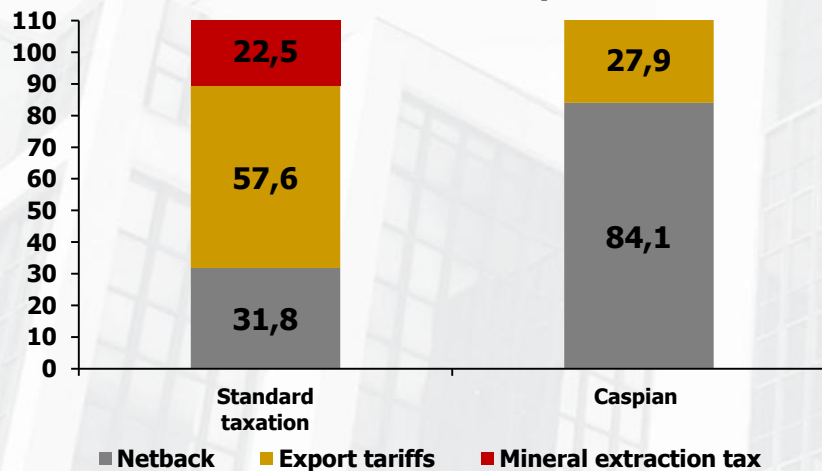


LUKOIL

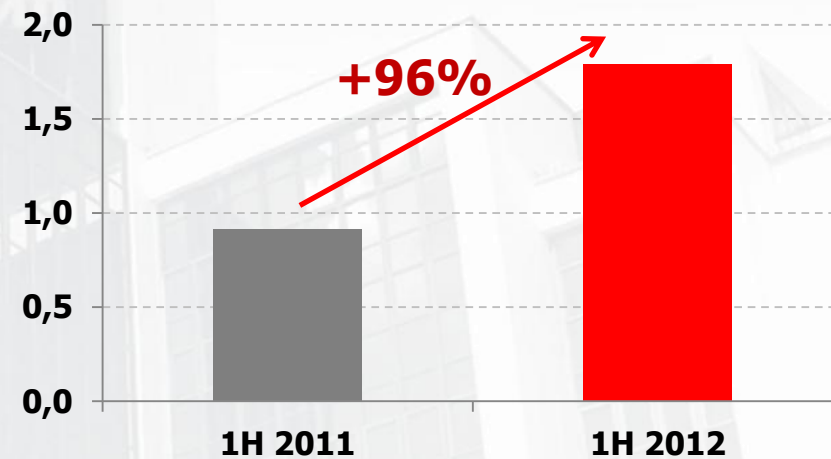
Caspian: Valuable Growth



Russian oil export netback in various tax conditions in 1H 2012, \$ per barrel



LUKOIL oil production in Caspian, mln bbl

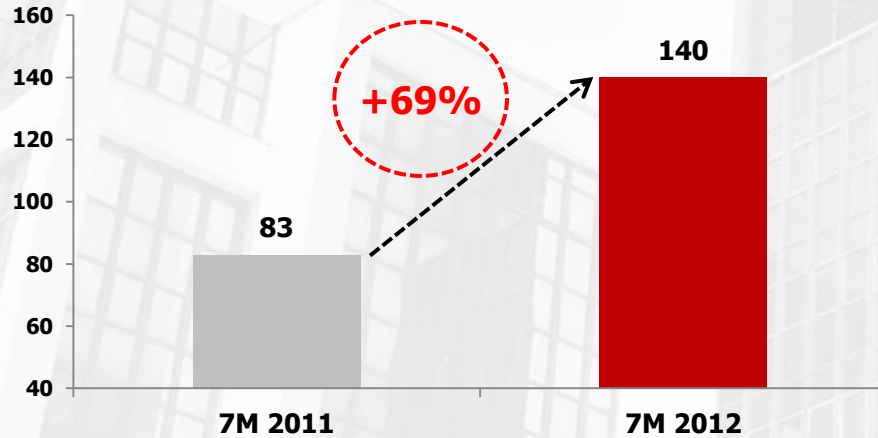


LUKOIL significantly increased production of oil in tax-favorable regions

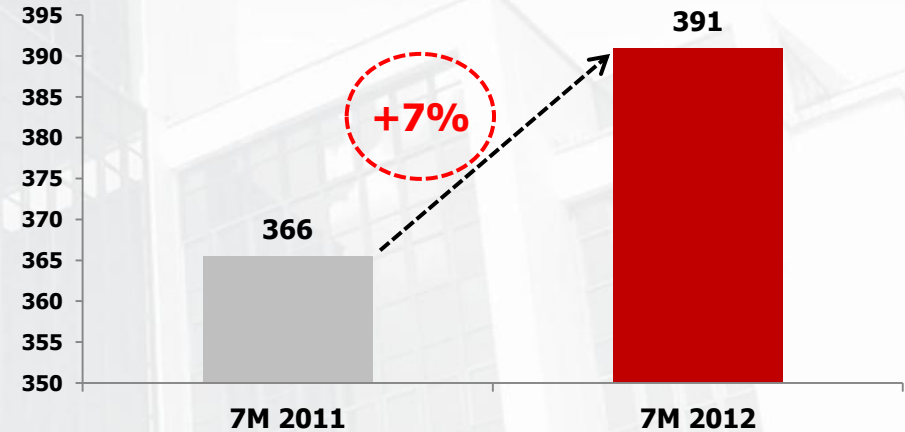
Horizontal Drilling



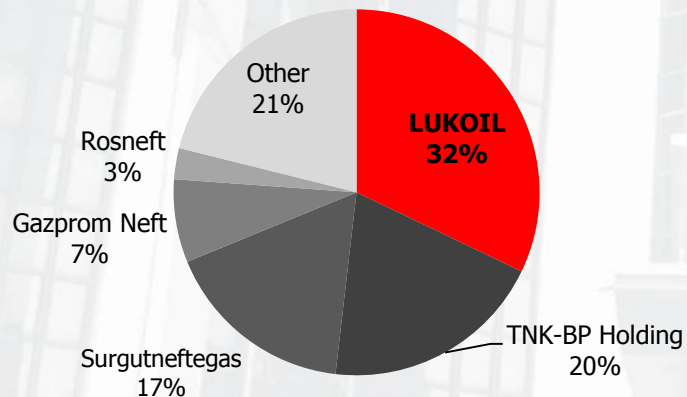
Horizontal drilling, wells



Horizontal drilling, km

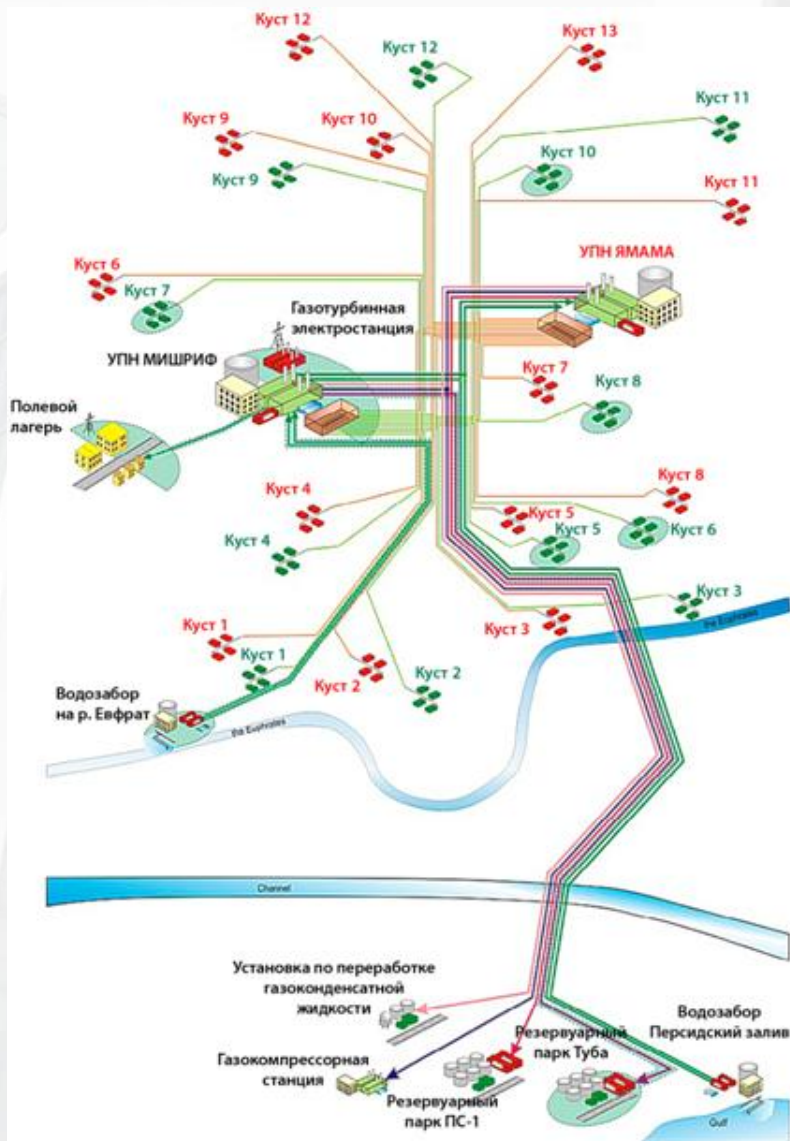


LUKOIL share in total number of horizontal wells drilled in Russia for 7M 2012*, %



For 7 months of 2012 LUKOIL increased horizontal drilling by **7% y-o-y** and the number of horizontal wells by **69% y-o-y**

West Qurna-2: Field Development on Track



- **Production drilling has started in 2Q 2012**
 - 23 directional wells will be constructed

- **Drilling operations**
 - Simultaneously at 5 well pads
 - State-of-the-art diesel electric units allow to drill wells as deep as 5,000 meters without equipment remounting

- **Central Processing Facility construction has started**

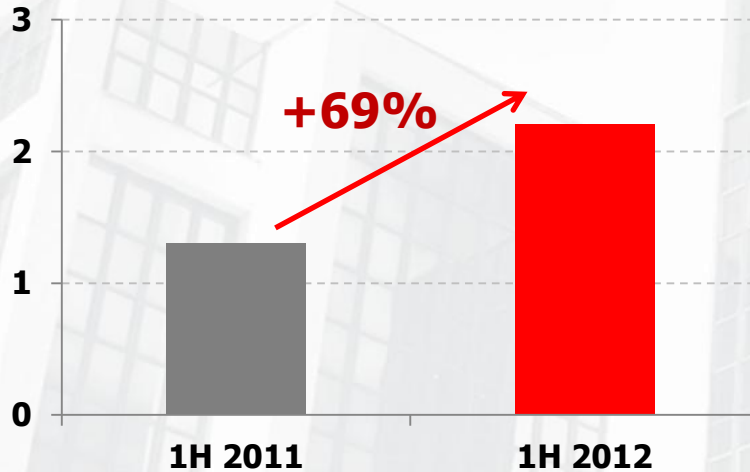


LUKOIL

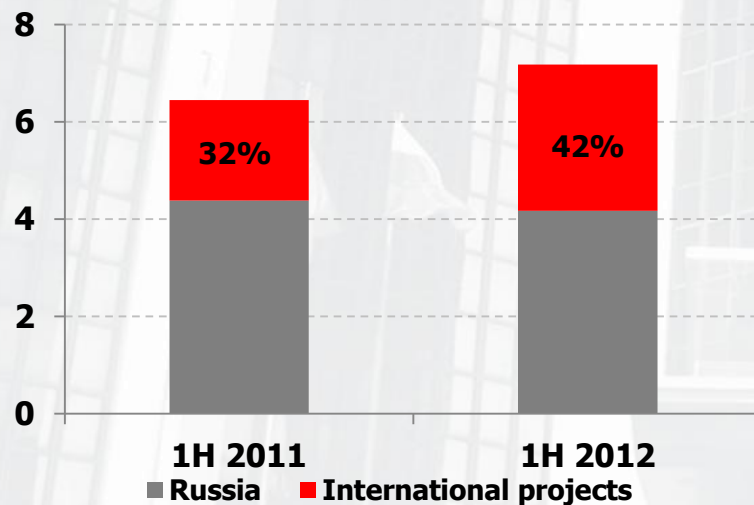
Uzbekistan: Strong Growth



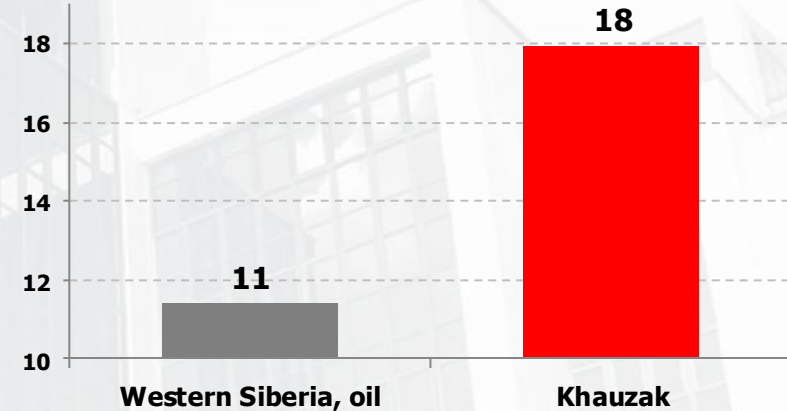
LUKOIL natural gas production in Uzbekistan, bcm



LUKOIL natural gas production, bcm



Net Income in 2011, \$ per boe



LUKOIL significantly increased production of highly marginal natural gas in Uzbekistan with the start of production on Gissar project

Financial Results



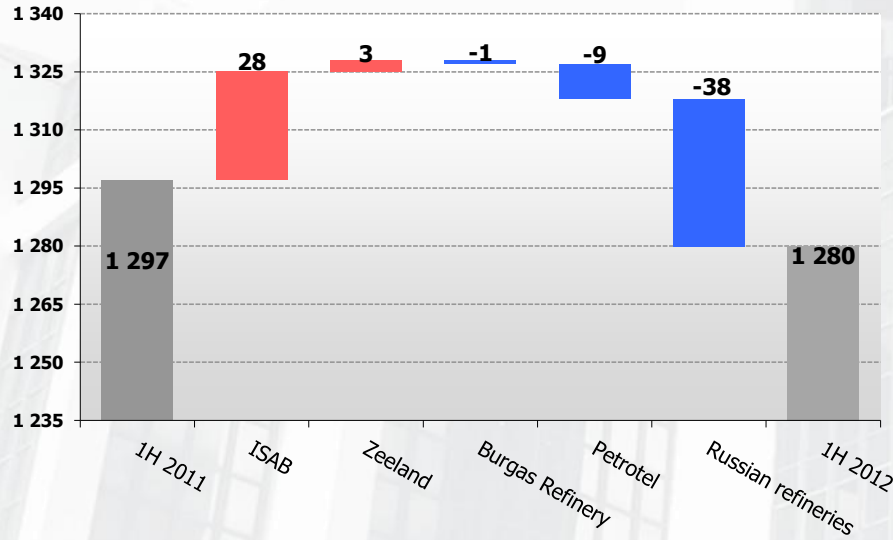
2Q 2012	2Q 2011	Δ, %	\$ million	1H 2012	1H 2011	Δ, %
32,397	34,912	-7	Sales	67,658	64,538	5
(2,327)	(2,440)	-5	OPEX	(4,542)	(4,578)	-1
(9,551)	(9,324)	2	Taxes other than income tax (including excise and export tariffs)	(18,606)	(16,760)	11
2,568	3,965	-35	Income from operating activities	6,610	7,837	-16
2,282	4,027	-43	Income before income tax	6,302	8,097	-22
1,018	3,251	-69	Net income	4,807	6,768	-29
1.34	4.16	-68	Basic EPS, \$	6.27	8.66	-28
3,462	5,345	-35	EBITDA	8,808	10,688	-18



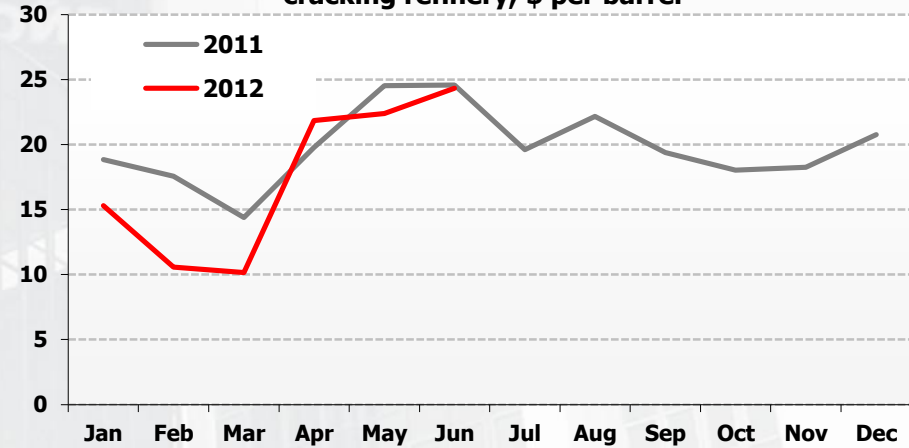
LUKOIL Increases Production of High-Octane Gasoline In Russia



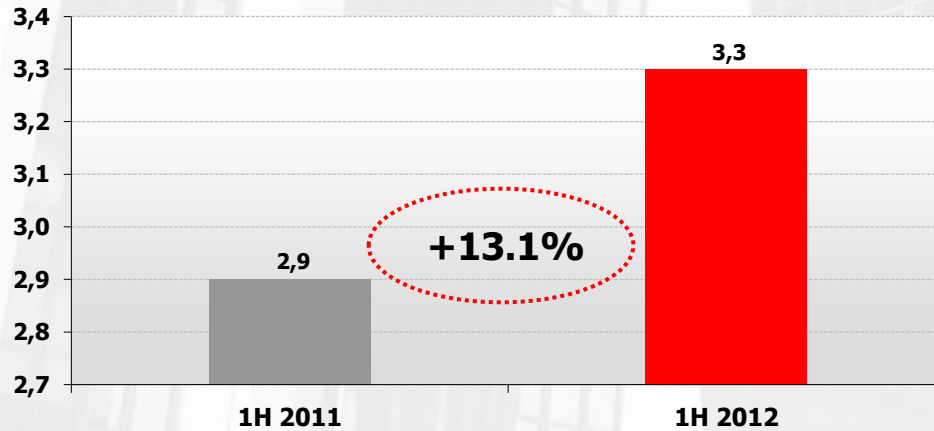
Refinery throughputs reconciliation, Kbpd



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



Production of high-octane gasoline in Russia, mln tons



Production volumes of LUKOIL international refineries increased by 6.0% due to acquisition of 11% share in ISAB

Operating Expenses



2Q 2012	2Q 2011	Δ, %	\$ million	1H 2012	1H 2011	Δ, %
944	987	-4	Hydrocarbon extraction expenses	1,850	1,887	-2
363	337	8	Own refining expenses	678	673	1
263	258	2	Refining expenses at third parties and affiliated refineries	526	427	23
302	308	-2	Expenses for crude oil transportation to refineries	589	540	9
139	181	-23	Power generation and distribution expenses	317	369	-14
84	87	-3	Petrochemical expenses	158	161	-2
232	282	-18	Other operating expenses	424	521	-19
2,327	2,440	-5	Total	4,542	4,578	-1
14,416	15,162	-5	Cost of purchased crude oil, gas and products	30,784	28,007	10

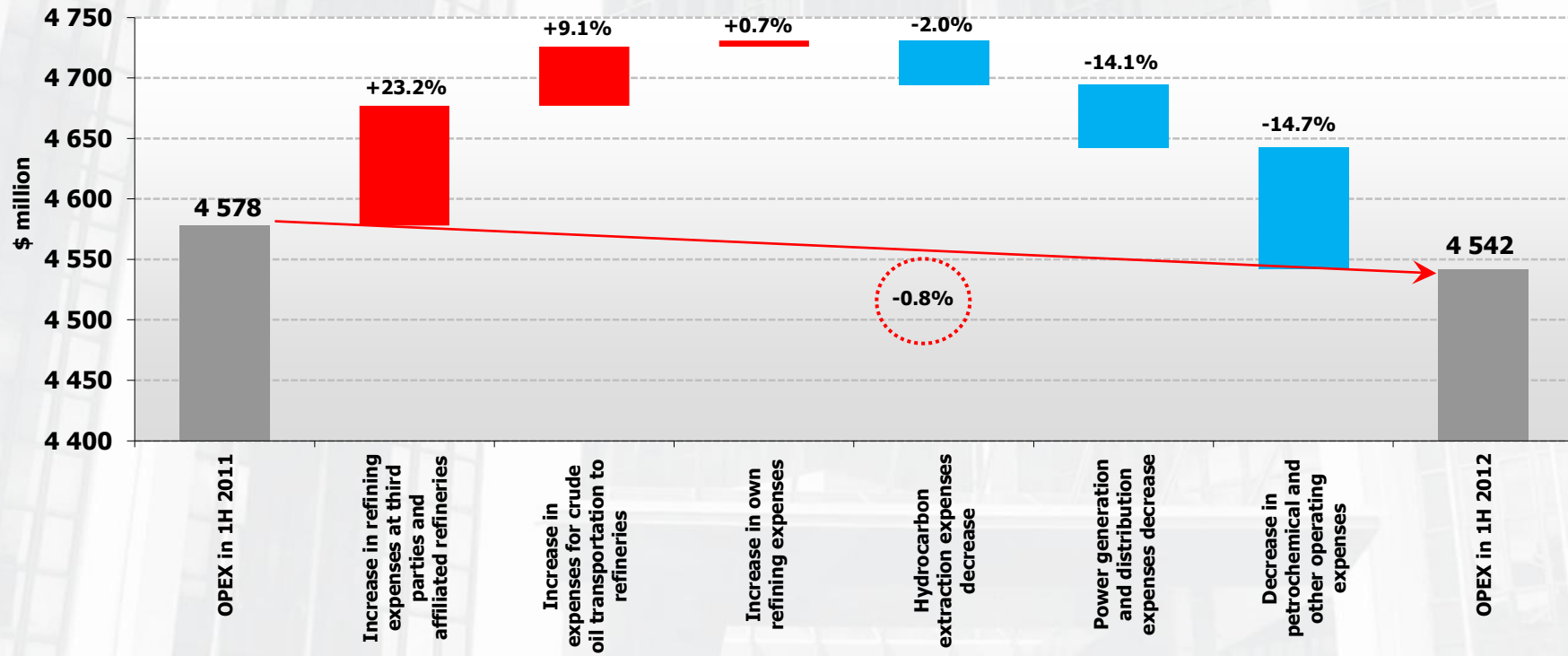
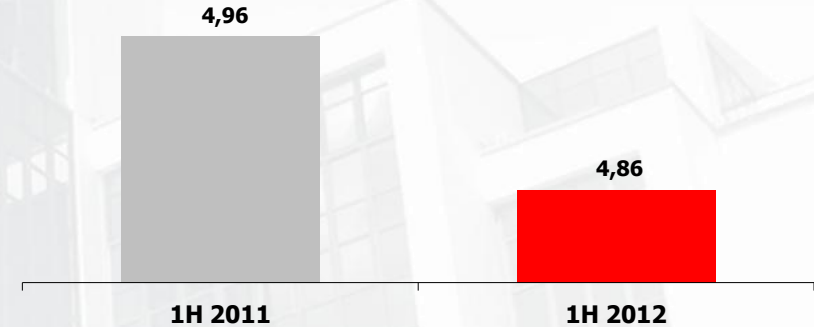
Operating Expenses



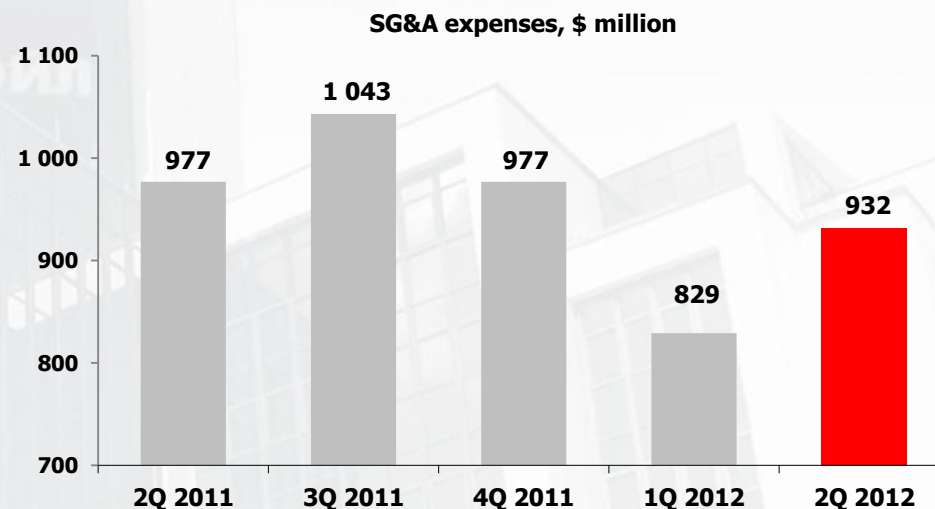
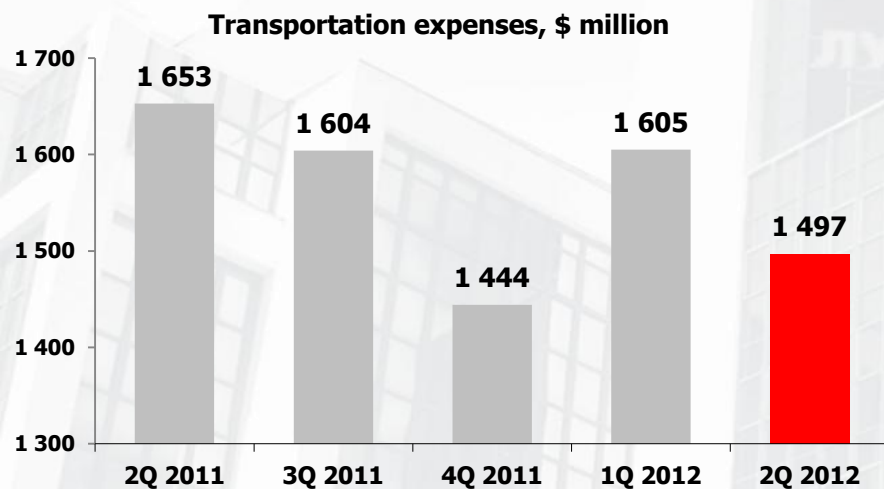
Our extraction expenses decreased by 2% Y-o-Y due to rouble depreciation.

Our average hydrocarbon extraction cost declined versus the first half of 2011 and amounted to \$4.86 per boe.

Lifting costs, \$ per boe

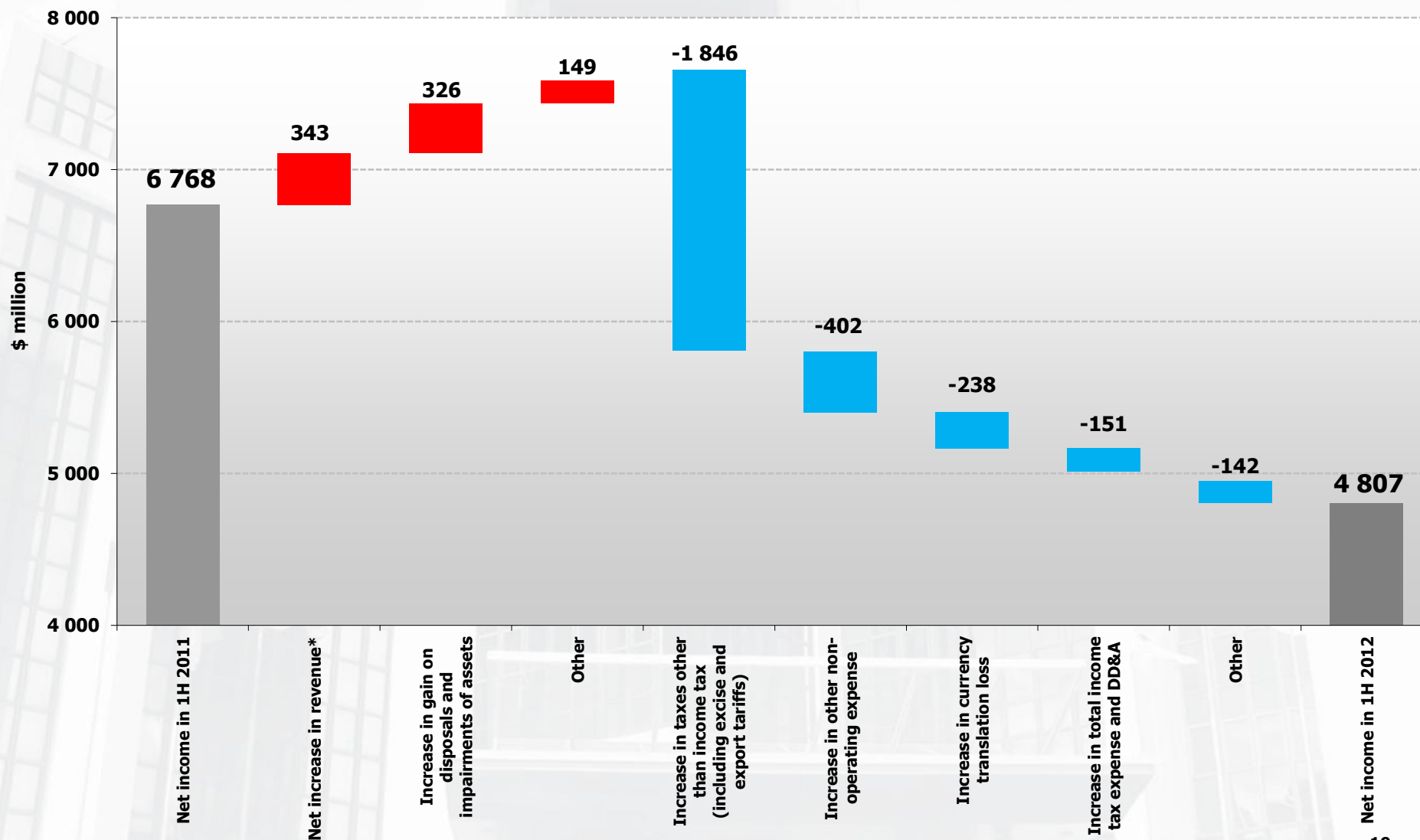


SG&A and Transportation Expenses



2Q 2012	2Q 2011	Δ, %	\$ million	1H 2012	1H 2011	Δ, %
1,497	1,653	-9	Transportation expenses	3,102	3,073	1
932	977	-5	Selling, general and administrative expenses	1,761	1,802	-2
2,429	2,630	-8	Total	4,863	4,875	0

1H 2012 Net Income Reconciliation



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

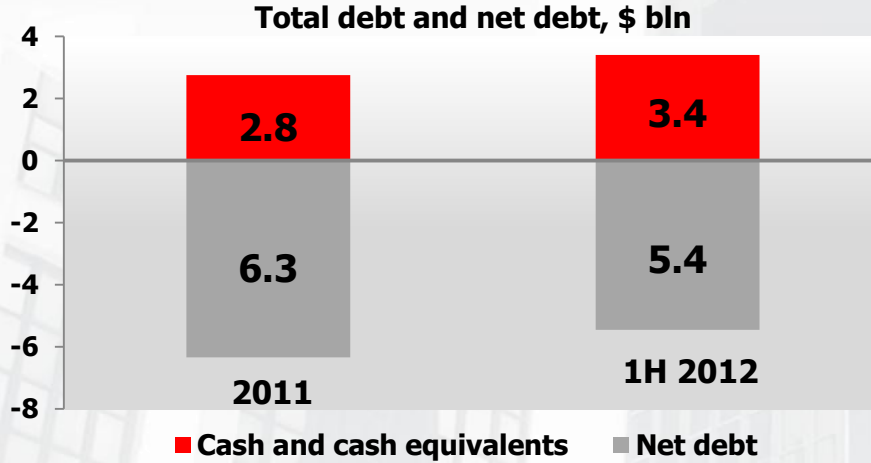
CAPEX Breakdown



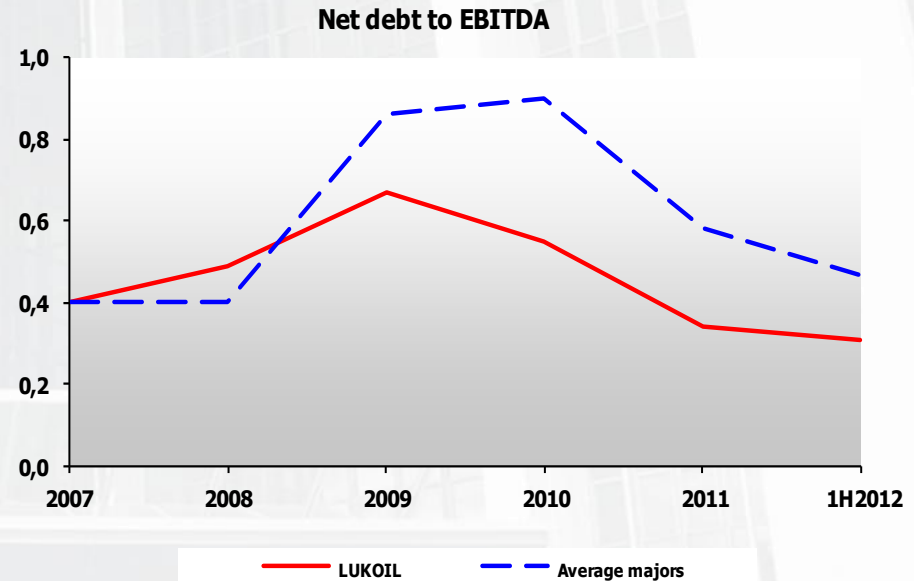
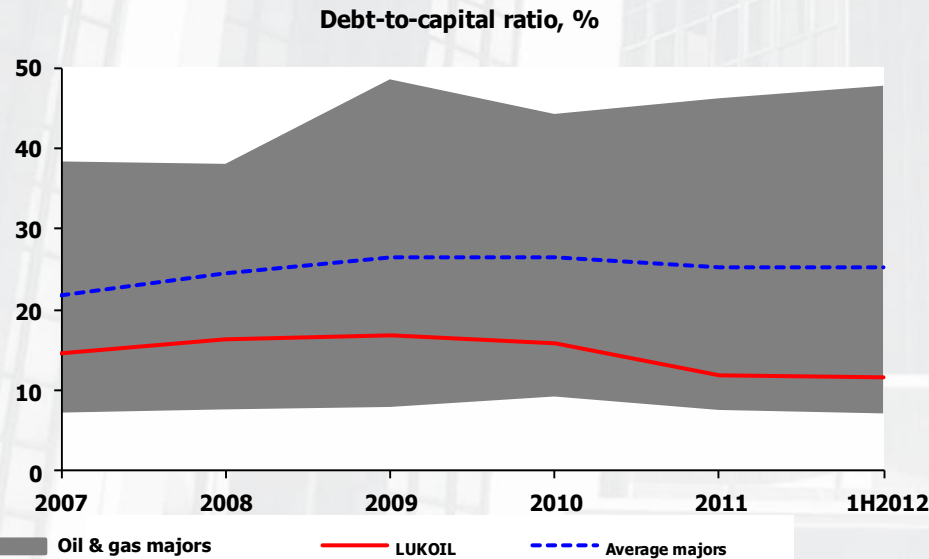
2Q 2012	2Q 2011	Δ, %	\$ million	1H 2012	1H 2011	Δ, %
2,313	1,531	51	Exploration and production	4,315	2,924	48
1,890	1,274	48	Russia	3,519	2,435	45
423	257	65	International	796	489	63
390	271	44	Refining and marketing	741	498	49
274	203	35	Russia	446	374	19
116	68	71	International	295	124	138
24	14	71	Chemicals	34	28	21
17	12	42	Russia	23	19	21
7	2	250	International	11	9	22
167	28	496	Power generation	224	78	187
57	48	19	Other	99	86	15
2,951	1,892	56	Total (cash and non-cash)	5,413	3,614	50



Robust Financial Position



**LUKOIL net debt decreased
by \$893 mln (-14.1%)
in 1H 2012**



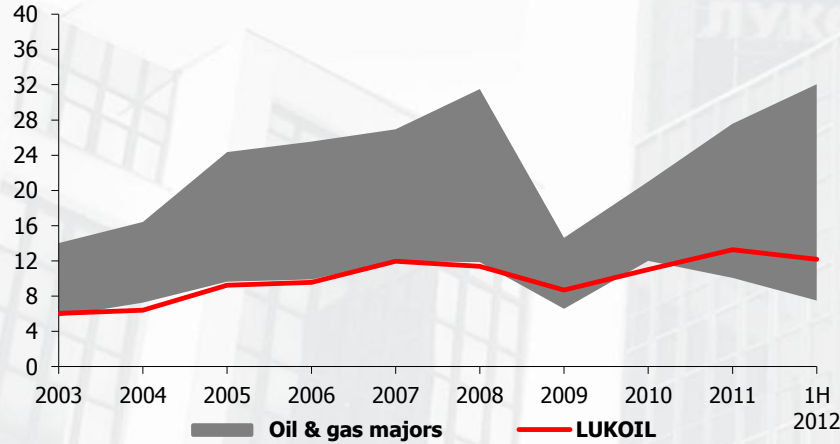
Oil & Gas Majors include: ExxonMobil, Royal Dutch Shell, BP, ConocoPhillips, Total, Eni, Repsol, Chevron.
Source: Companies' financial statements.



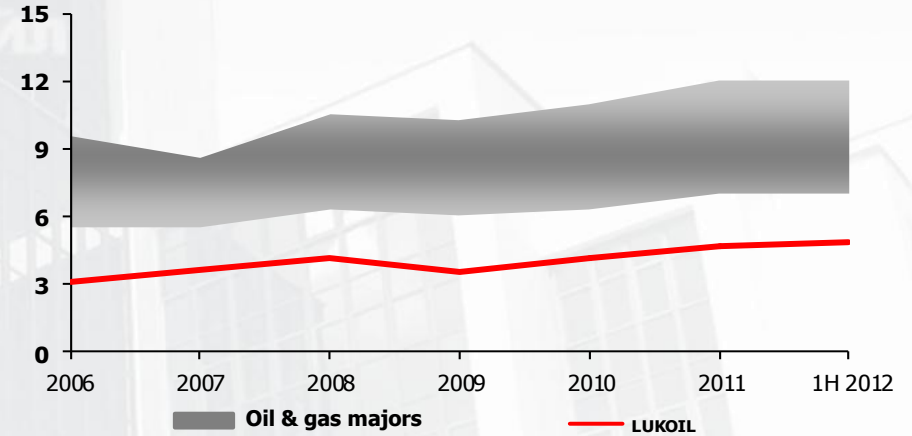
Robust Competitive Position in the Industry Globally



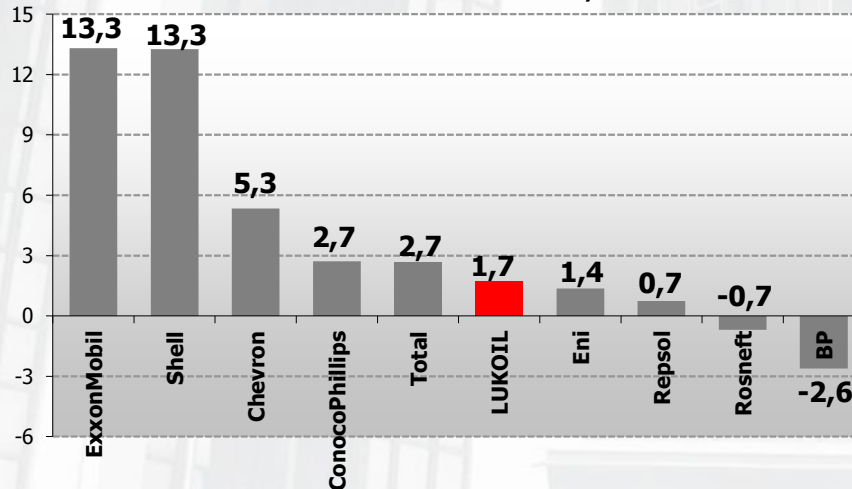
Net income per boe, \$ per boe



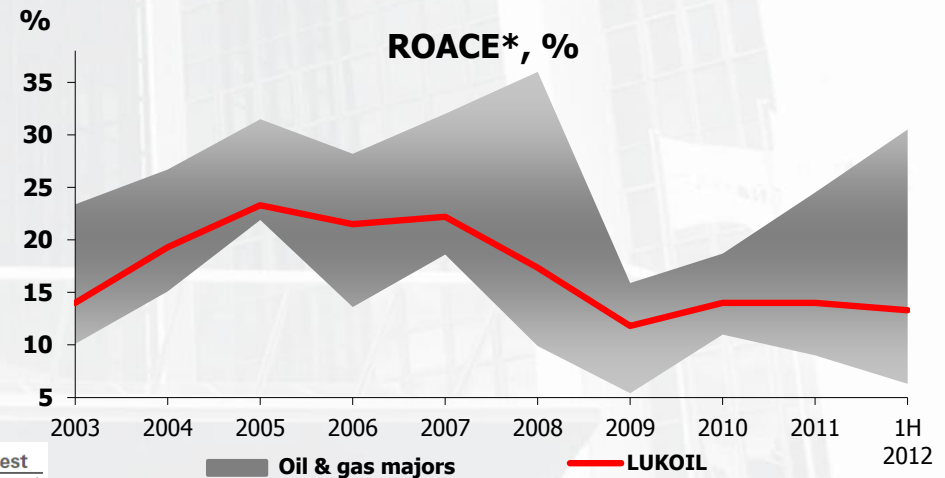
Lifting costs per boe, \$



1H 2012 Free Cash Flow, bln USD



ROACE*, %



* 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.

Source: Companies' financial statements.

Conclusion



- **Investment policy focuses on the development of E&P segment, increase of E&P share in total CAPEX**
- **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**