



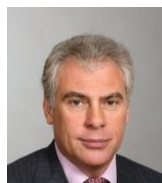
LUKOIL

ALWAYS MOVING FORWARD

3Q 2015 Financial Results (US GAAP)



Member of the Board of
Directors, Vice-President for
Strategic Development
Leonid Fedun



Senior Vice-President, Finance
Alexander Matytsyn

Moscow, 30 November 2015



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.



Main Events in 9M 2015



Liquid hydrocarbon production growth **+ 3,9%**



Executing plans for the project West Qurna-2
The amount of compensation in 9M2015 was **\$2,3 bln**



Discovery of a deep-water offshore gas field in Romania
Successful drilling of the well on Rakushechnoe field (Northern Caspian)



October – **the signing of the Protocol** between Russia and Kazakhstan for the joint development of the «Tsentralnaya» structure in Caspian sea



October – **the launch** of CCC-2 at the LUKOIL-Nizhegorodnefteorgsintez refinery
November – **the launch** of a new residue refining facility at Perm refinery



On October 27, 2015 the Board of Directors of the Company recommended that the EGM adopt a decision on dividend payment based on the results of the 9M 2015 financial year in the amount of **65 rubles per ordinary share**



9M 2015 Free cash flow - **\$2,0 bln**



9M 2015 Financial Highlights



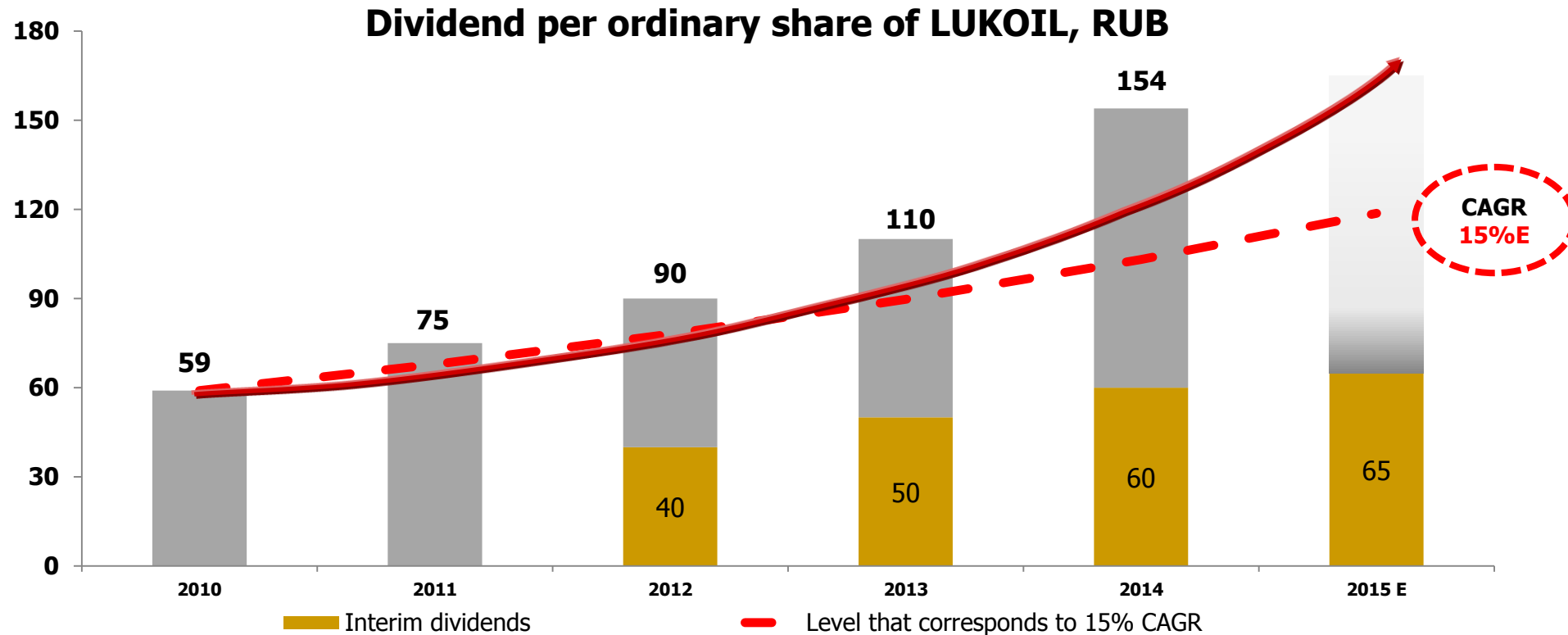
\$ mln

Net income	2 318
Adjusted* net income	2 769
EBITDA	10 025
Adjusted* EBITDA	10 476
Net debt	9 011
Free cash flow	2 040
Sale of subsidiaries and equity method affiliates**	1 260
Free cash flow and Sale of subsidiaries and equity method affiliates	3 300

* Adjusted for loss on disposal of assets and dry hole write-offs

** Net of cash disposed

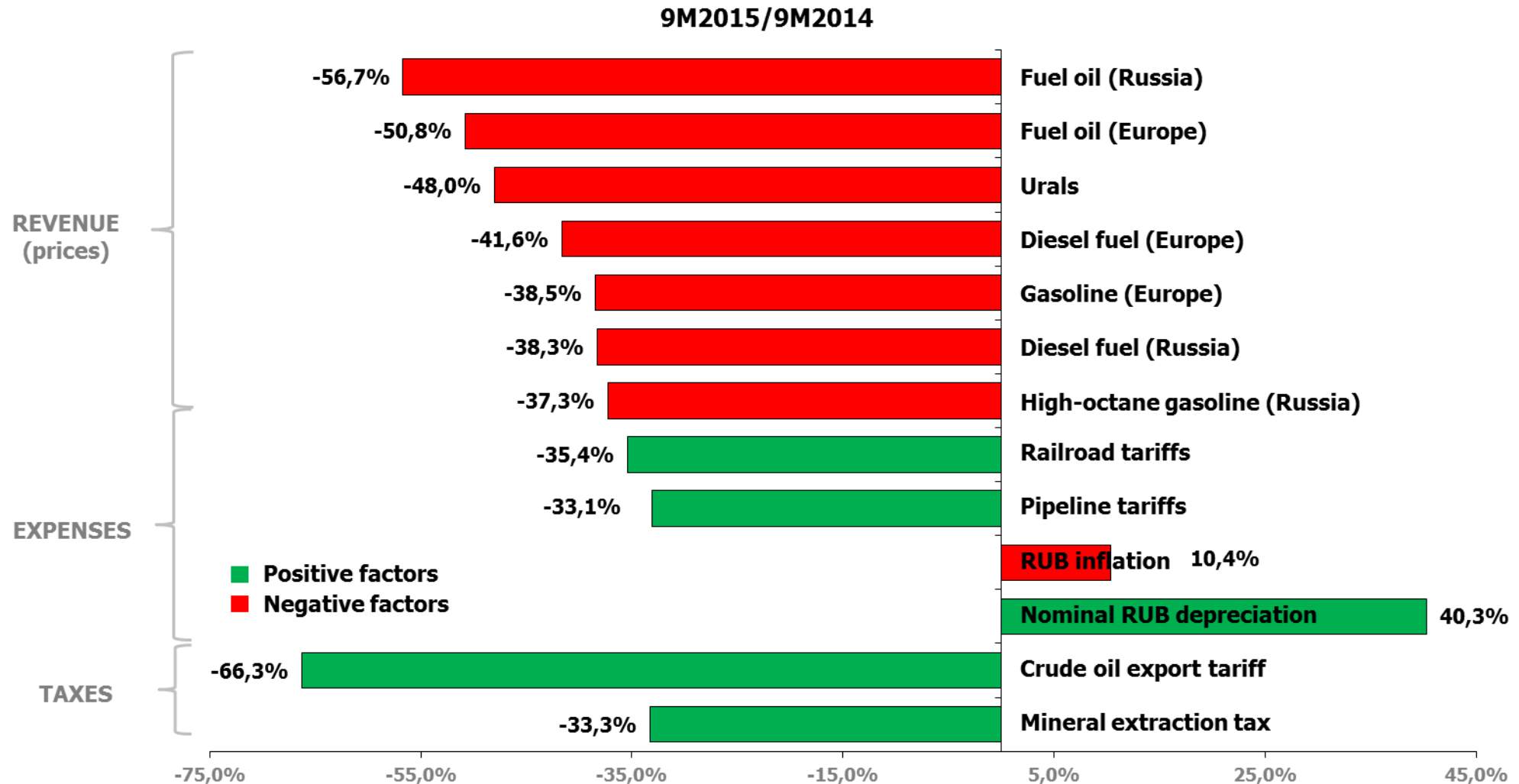
Dividend Growth Rates



- On October 27, 2015 the Board of Directors of the Company recommended that the PJSC LUKOIL Extraordinary General Shareholders Meeting adopt a decision on **dividend payment** based on the **results of the 9M 2015** financial year in the amount of **65 rubles per ordinary share**
- Despite an oil price drop of almost 50%* **LUKOIL plans increasing dividends for 9M 2015** and the Company aims to increase dividends in the future

* Average Brent quote for 9M 2015 -48% from average quote for 9M 2014

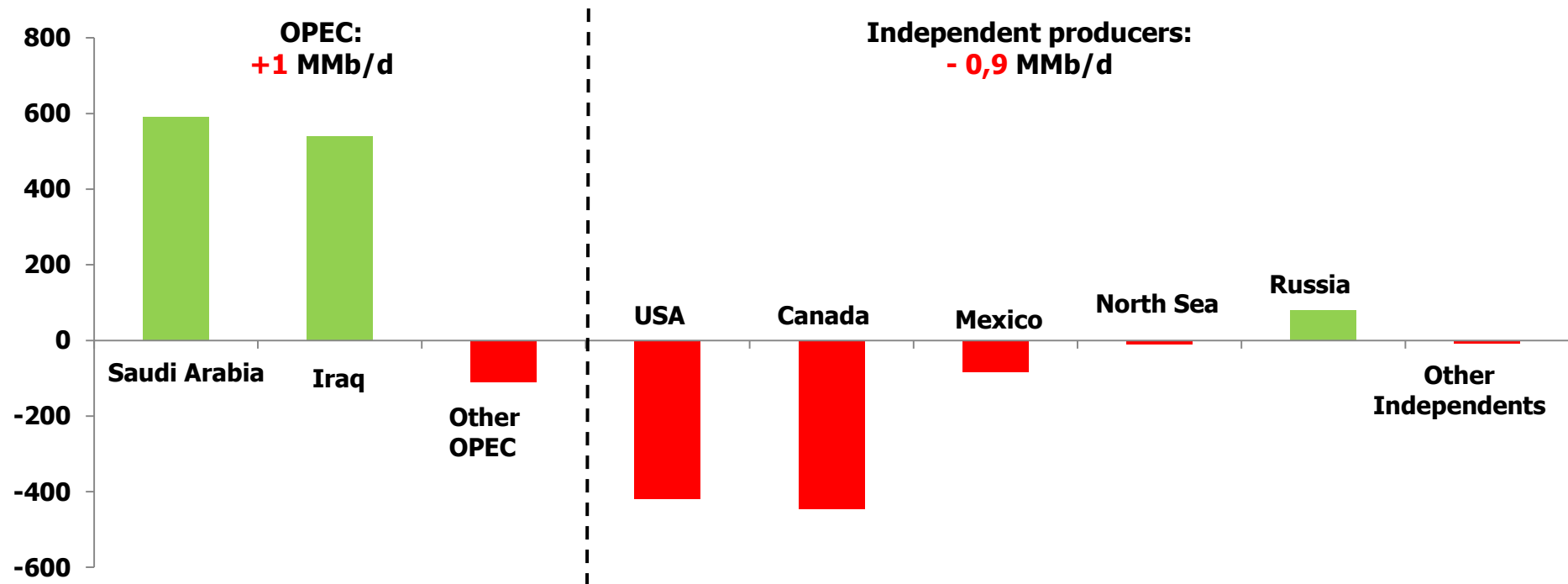
Macroeconomic and Tax Environment



Rivalry Between OPEC and Independent Producers Continues



Changes in oil production since the beginning of 2015, Mb/d

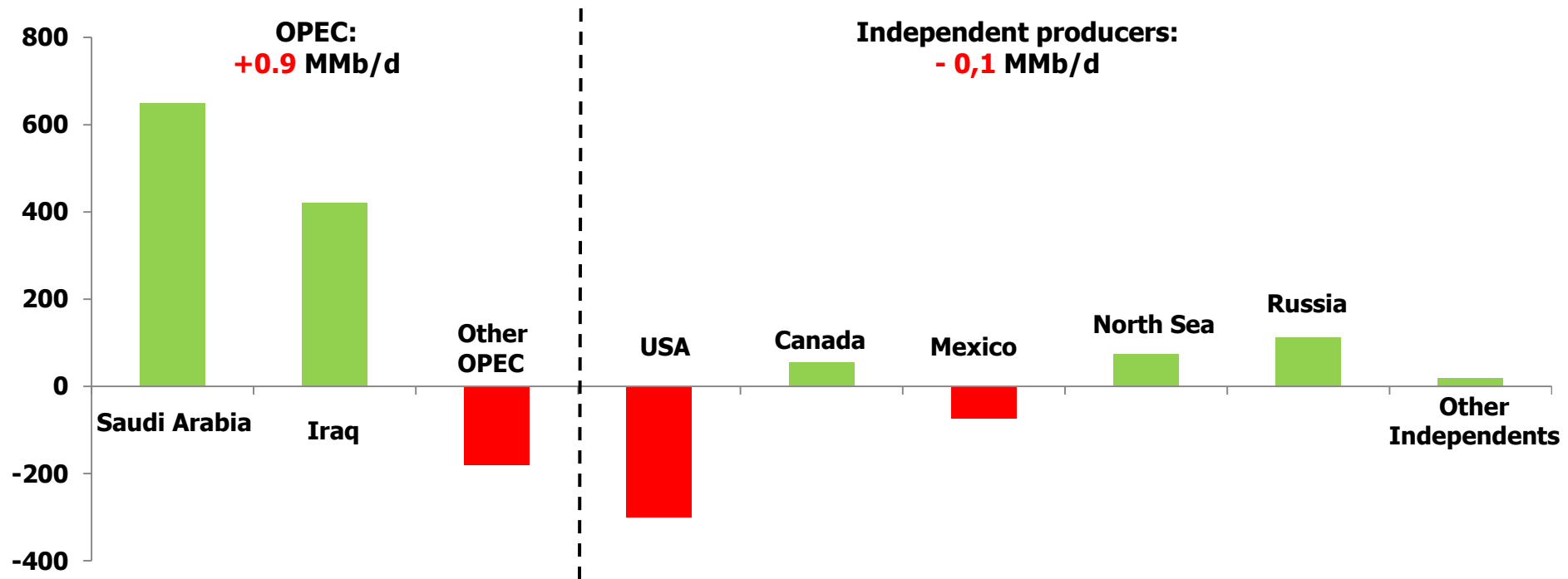


- **The strengthening** in global competition **keeps oil prices at low levels**
- However, the **surplus** is gradually **decreasing: oil production** in the **U.S.** has been **declining** since may 2015

Rivalry Between OPEC and Independent Producers Continues



Changes in oil production since the beginning of 2015, Mb/d



- **The strengthening** in global competition **keeps oil prices at low levels**
- **U.S.** oil production is gradually **declining**, however, oil production in other regions **remains strong**

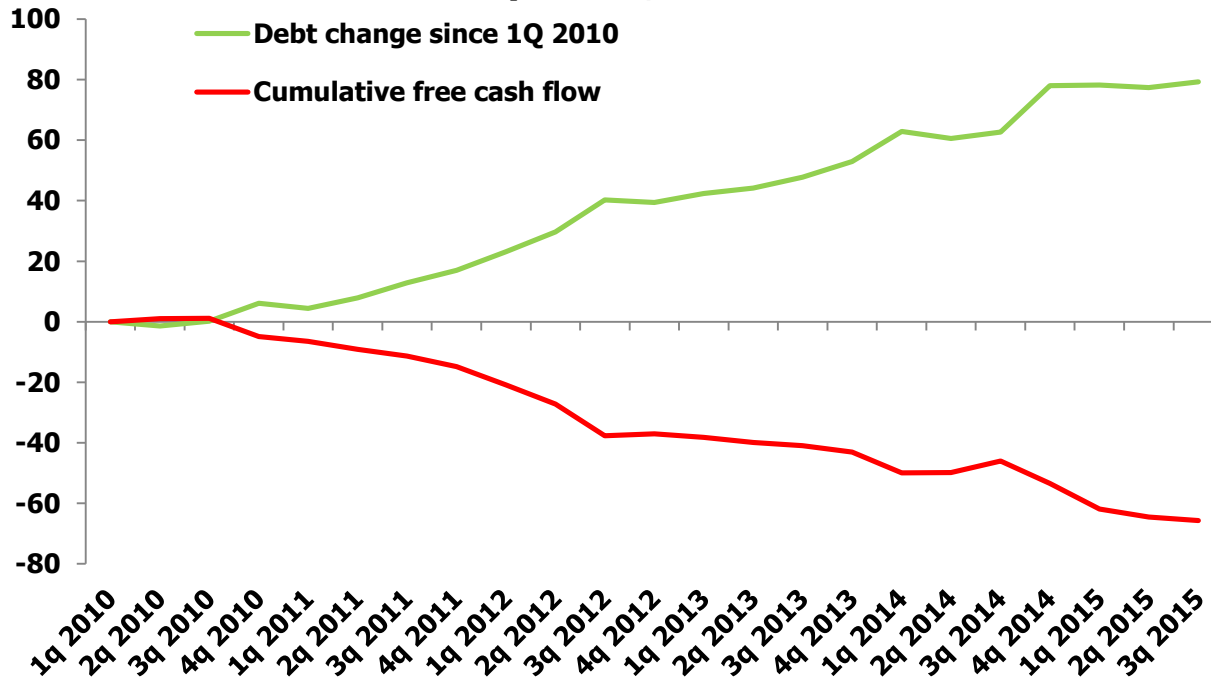


LUKOIL

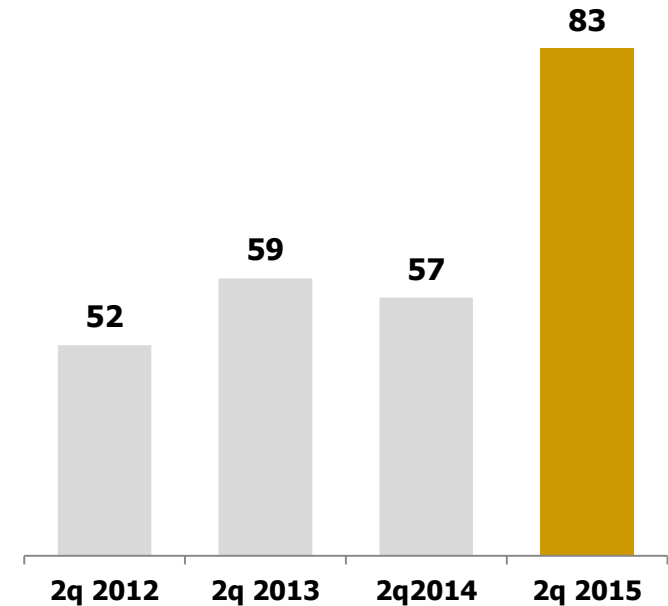
U.S. E&P Companies Suffer from Heavy Financial Distress



Changes in debt and free cash flow for a sample of U.S. E&P companies*, bln USD



U.S. onshore oil producers' debt service as a share of operating cash flow**, %

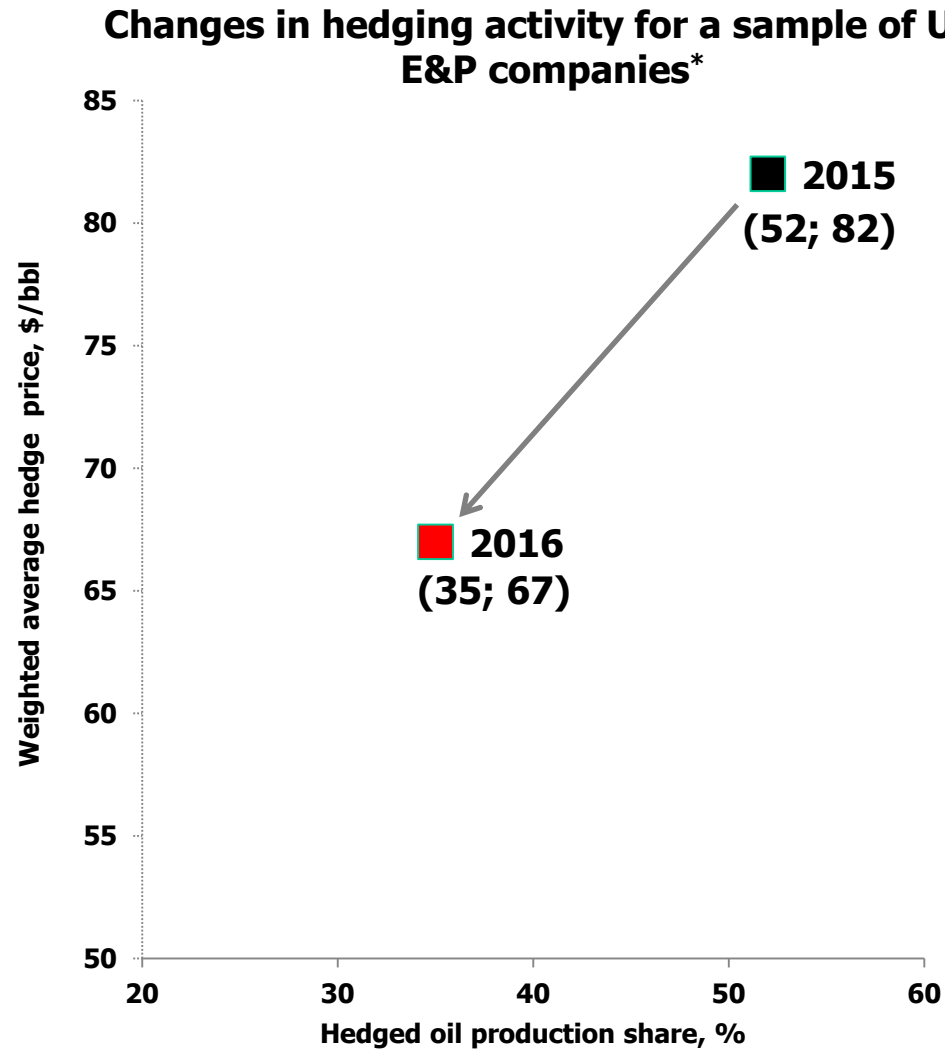


- US tight oil **companies' debt burden** has **increased** more than **2,5 times** since 2010
- U.S. E&P companies are spending on average **more than 80%** of their operating cash flow **on debt repayments**
- In the **rising interest rates** environment small and medium-size E&P companies will **struggle to service their debts**. That will lead to further investments cuts and oil production decline

*The sample contains 37 U.S. mid-cap E&P companies with tight oil operations **EIA data, based on Evaluate Energy

Source: companies' quarterly reports, EIA

Positive Effects from Hedging will Decrease in 2016



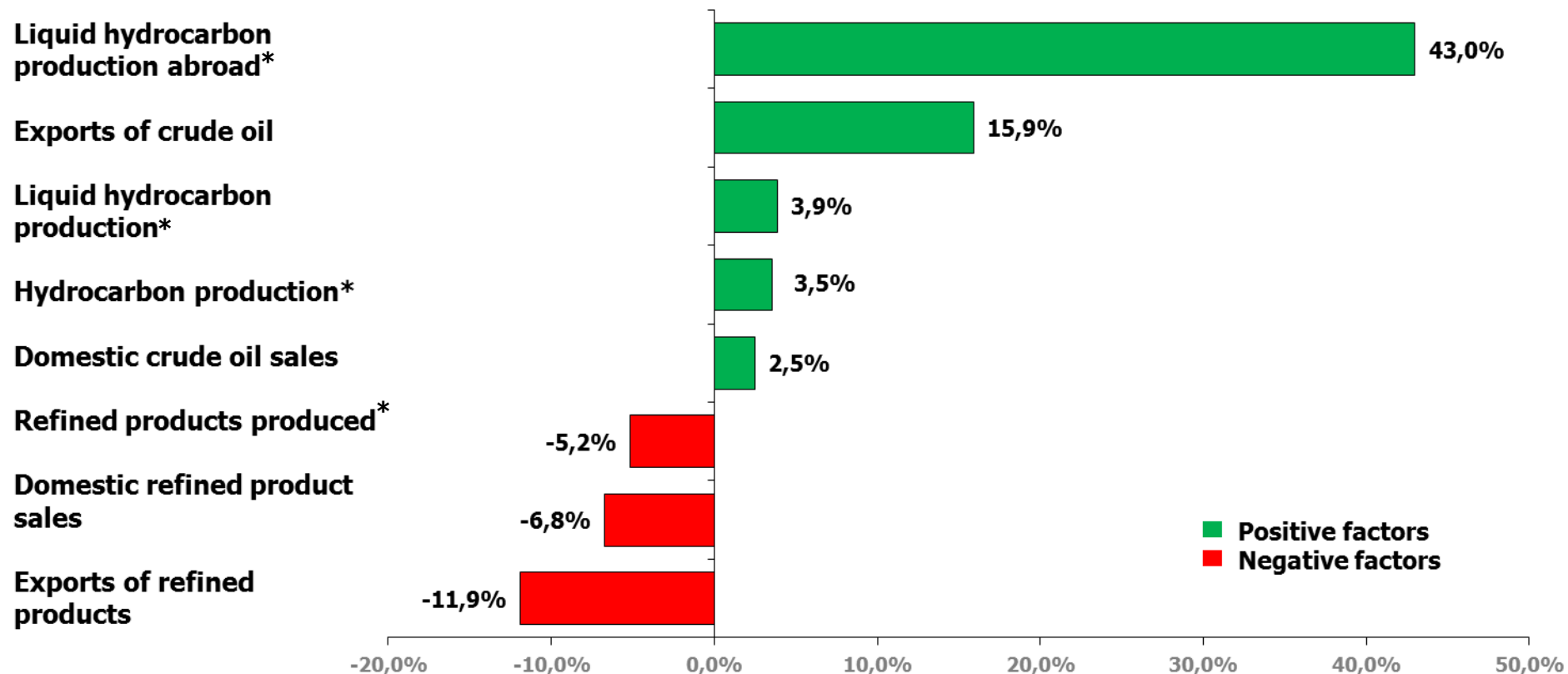
*The sample contains 37 U.S. mid-cap E&P companies with tight oil operations

Source: companies' quarterly reports, LUKOIL assessments

Main Operating Results

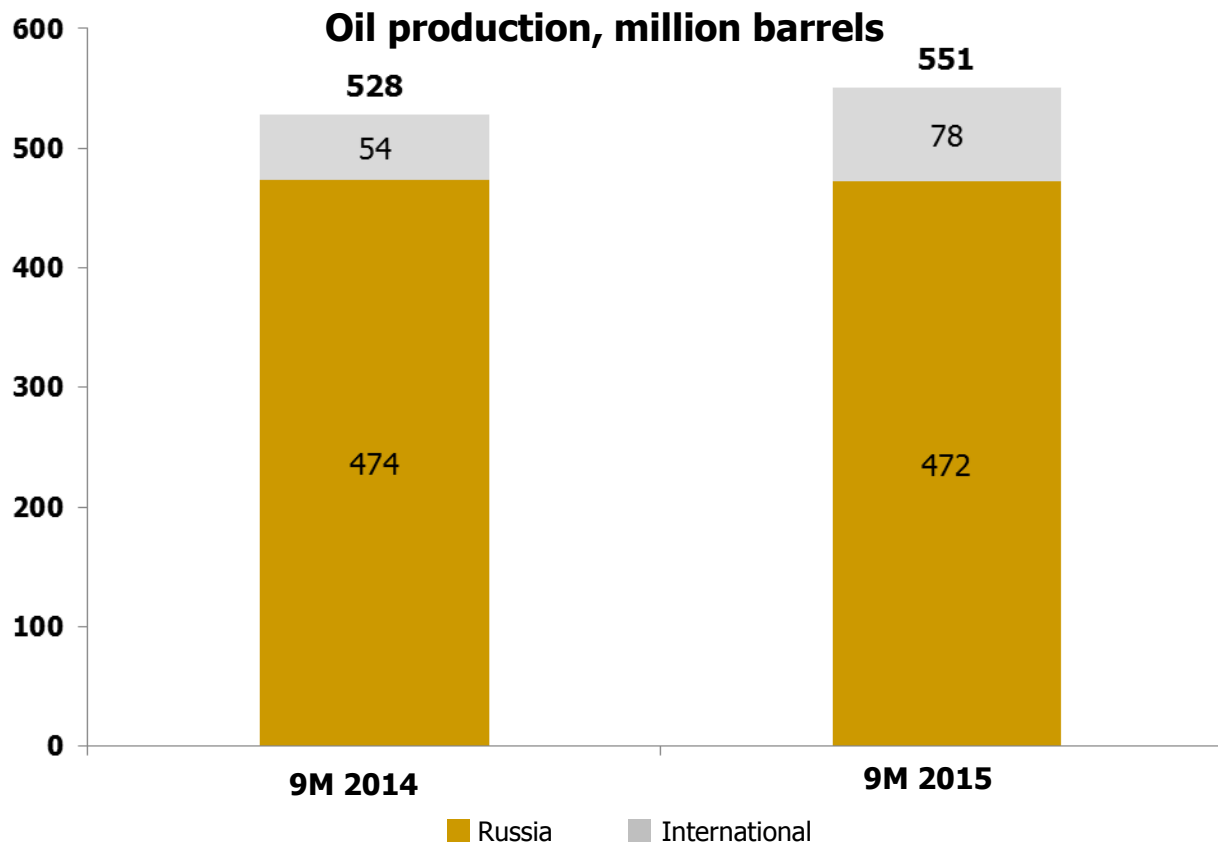


9M2015/9M2014



* Including our share in equity affiliates

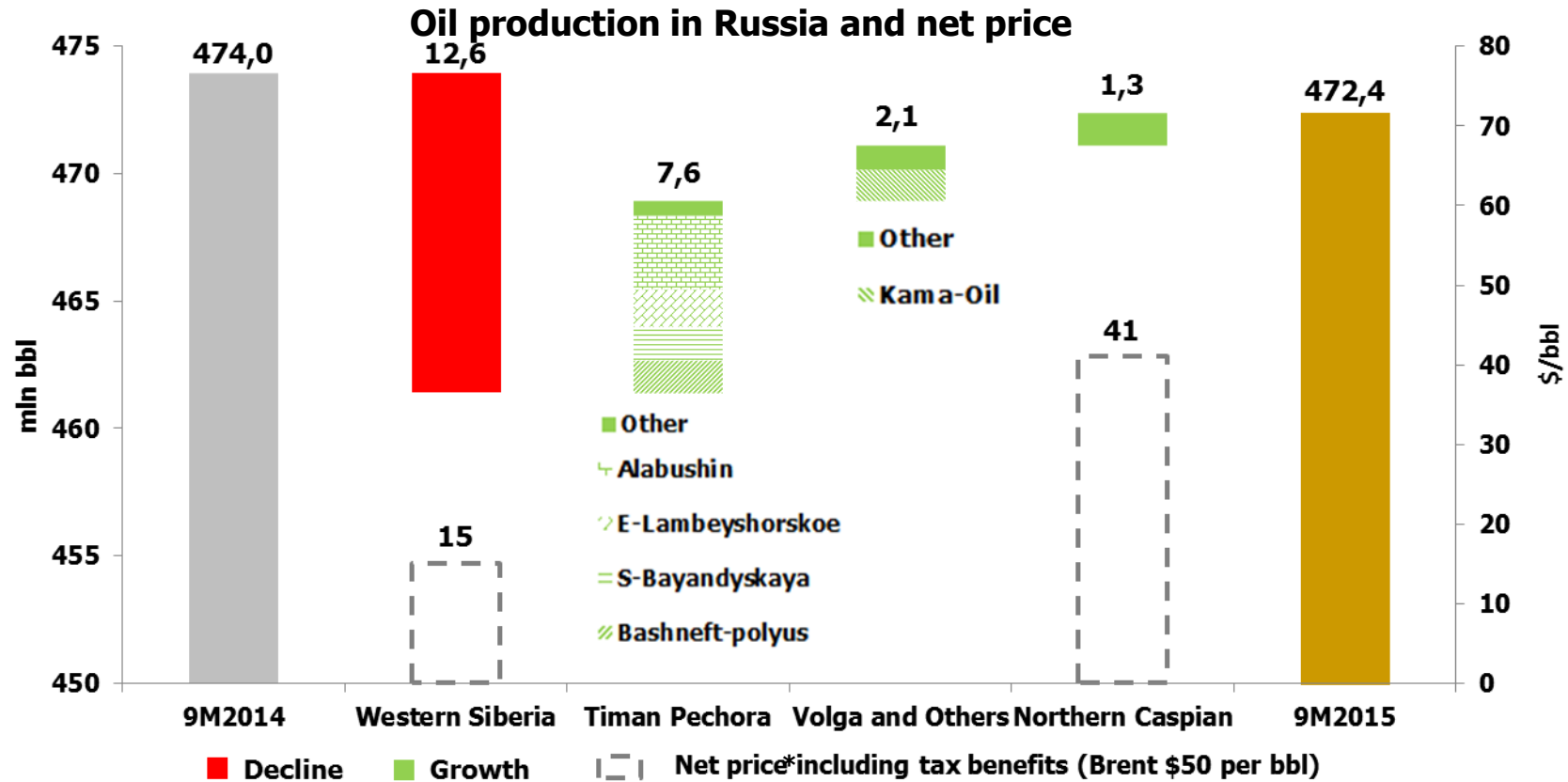
Sustainable Production Growth



LUKOIL group production for 9M 2015 increased by 3.9*%:

- Increase in international production volumes **+43%**

Oil Production in Russia

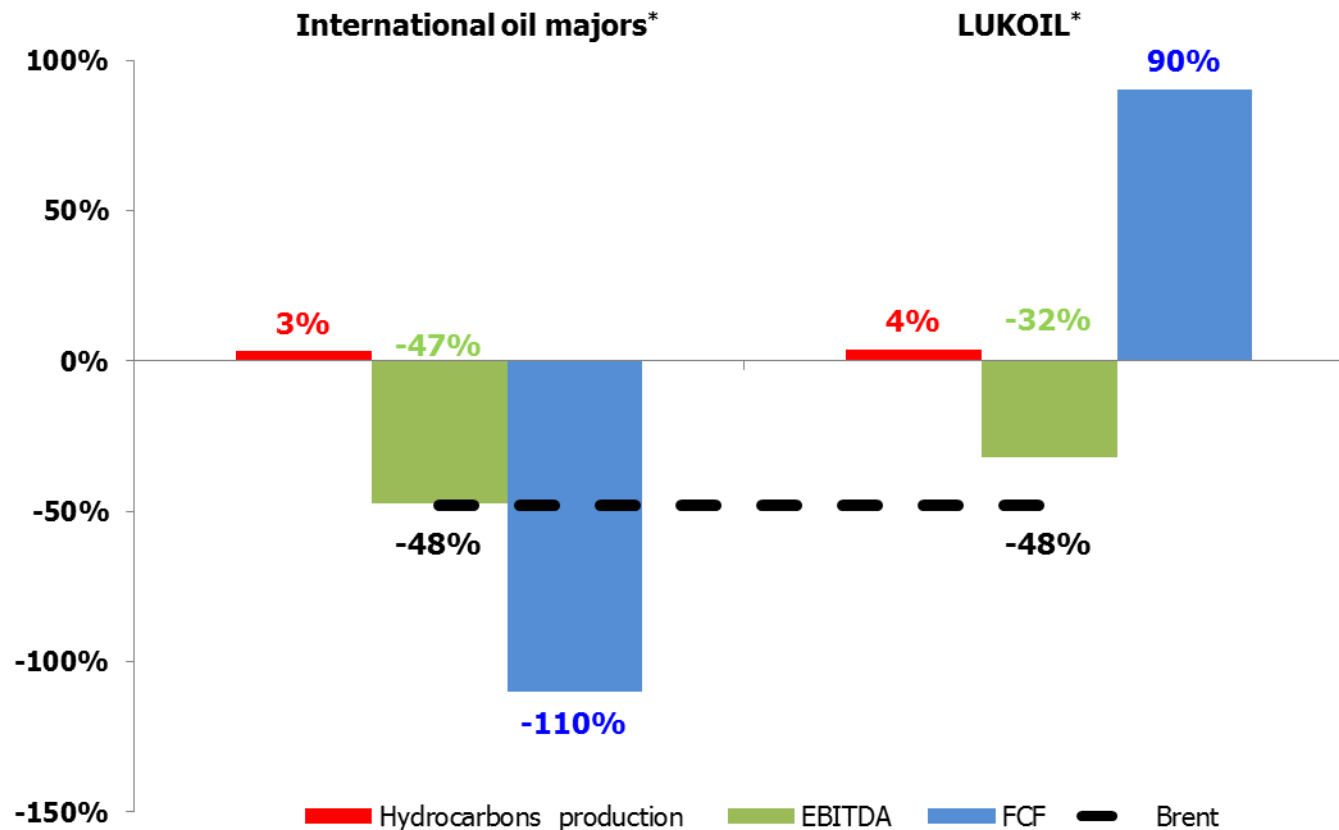


- Natural oil **production decline** in Western Siberia is **compensated** by introduction of **new capacities and prospective fields in traditional** (Urals, Timan Pechora) **and new regions of Russia** (Northern Caspian)
- Western Siberia production decline is also **offset** by volumes from **high-return projects** due to effective **logistics** and **tax benefits**

Oil Price Dynamics and Financial Indicators - LUKOIL Compared with the International Majors



Dynamics of financial indicators, % (9M 2015/9M 2014)



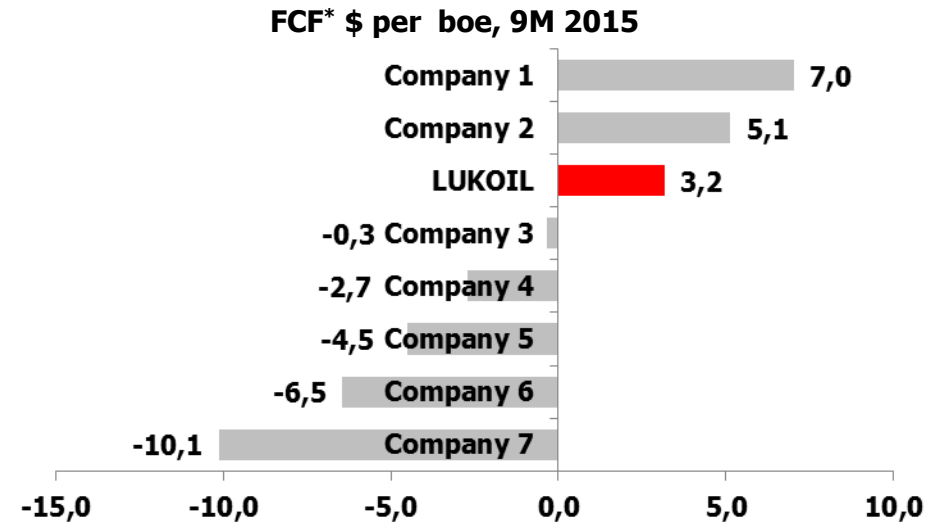
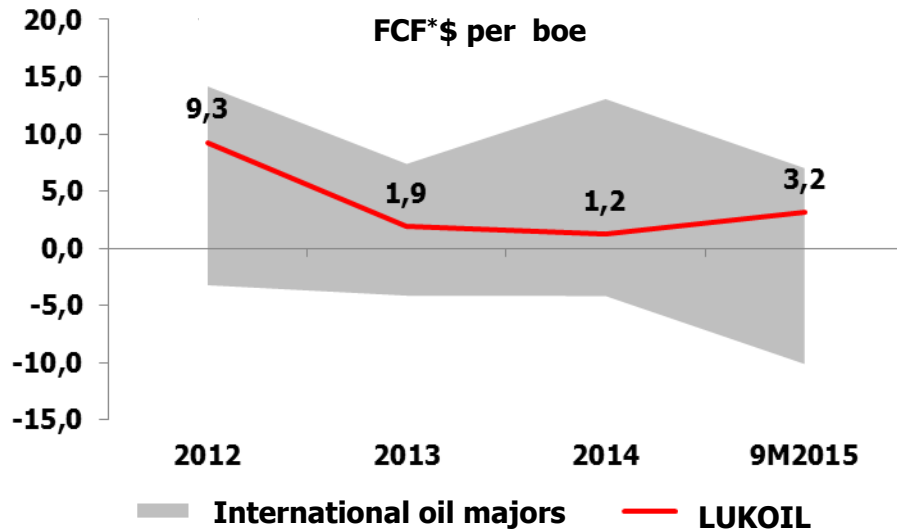
LUKOIL's **financial results dynamics** are **stronger** than those of the majors in the face of lower oil prices, due to **efficient management, tax system, and ruble devaluation**



High Free Cash Flow per Barrel



Free Cash Flow – LUKOIL vs the majors



FCF per boe produced for LUKOIL is **at the top** of the range of international energy companies



Operating Expenses



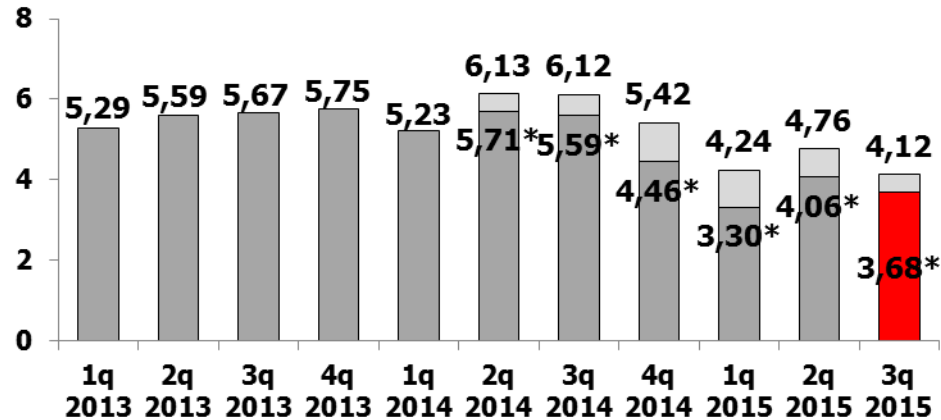
3q 2015	q-o-q*	\$ mln		9M 2015	y-o-y
1 887	-9%		Total operating expenses	5 758	-24%
883	-12%		Hydrocarbon extraction expenses	2 767	-22%
364	-5%		Own refining expenses	1 081	-30%
56	17%		Refining expenses at third parties and affiliated refineries	154	-17%
181	0%		Expenses for crude oil transportation to refineries	531	-34%
139	-21%		Power generation and distribution expenses	473	-26%
49	7%		Petrochemicals expenses	133	-1%
215	-4%		Other operating expenses	619	-15%
11 385	-23%		Cost of purchased crude oil, gas and products	37 487	-31%

* 3Q 2015 vs. 2Q 2015.

Effective Cost Control

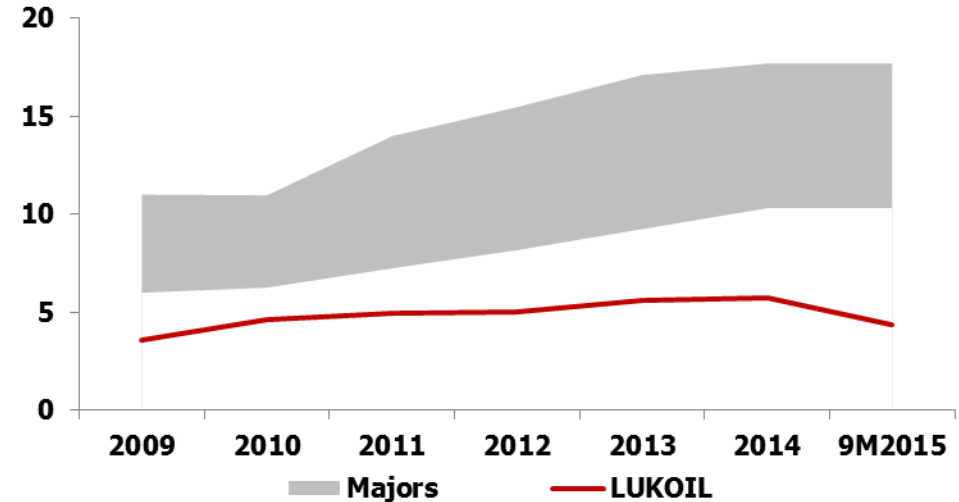


Lifting costs per boe, \$



*Excluding West Qurna-2 project.

Lifting costs per boe, \$

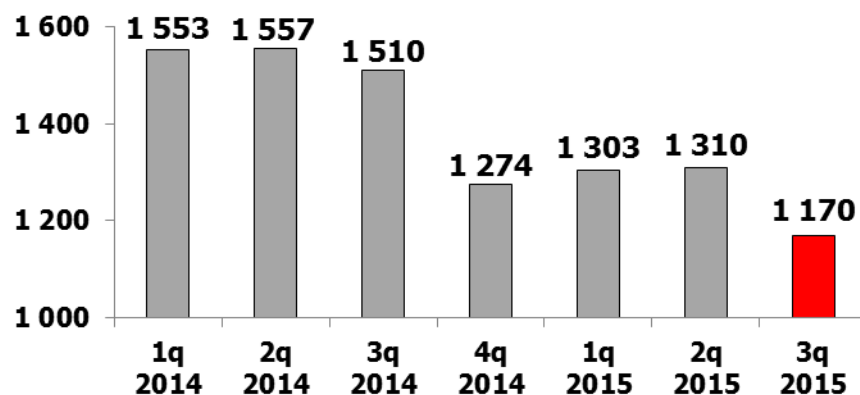


Ruble depreciation significantly **reduced lifting costs** in Russia: in 9M 2015 lifting costs decreased by **35%** along with 40.3% drop in RUB/USD exchange rate

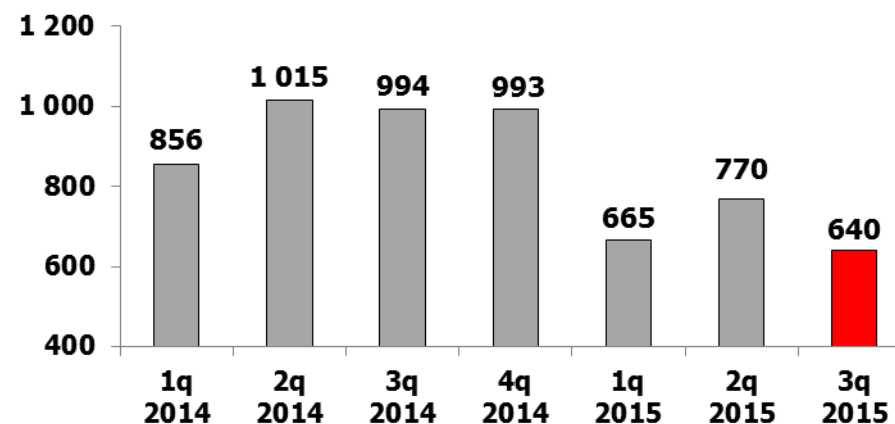
SG&A and Transportation Expenses



Transportation expenses, \$ mln



SG&A expenses, \$ mln


3q 2015

q-o-q* \$ mln

9M 2015

y-o-y

1 170	-11%	Transportation expenses	3 783	-18%
640	-17%	Selling, general and administrative expenses	2 075	-28%
1 810	-13%	Total	5 858	-22%

* 3Q 2015 vs. 2Q 2015.



CAPEX* Structure



3q 2015	q-o-q**	\$ mln	9M 2015	y-o-y
2 140	-26%	Total capital expenditures	7 460	-36%
1 789	-23%	Exploration and production	6 095	-34%
949	-30%	Russia	3 472	-47%
840	-14%	International	2 623	0%
297	-37%	Refining and marketing	1 172	-44%
231	-36%	Russia	882	-40%
66	-43%	International	290	-54%
16	-41%	Chemicals	72	-57%
15	-44%	Russia	71	-58%
1	-	International	1	0%
20	-51%	Power generation	69	-51%
18	0%	Other	52	-56%

*including non-cash transactions and prepayments

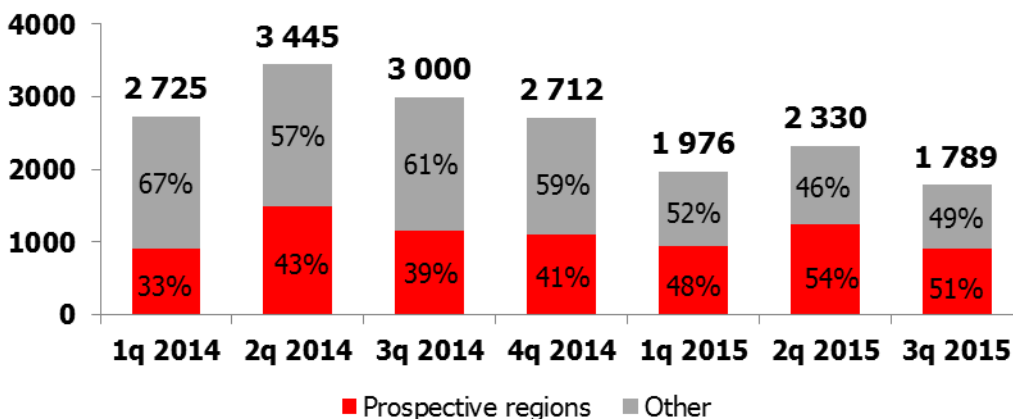
** 3Q 2015 vs. 2Q 2015.



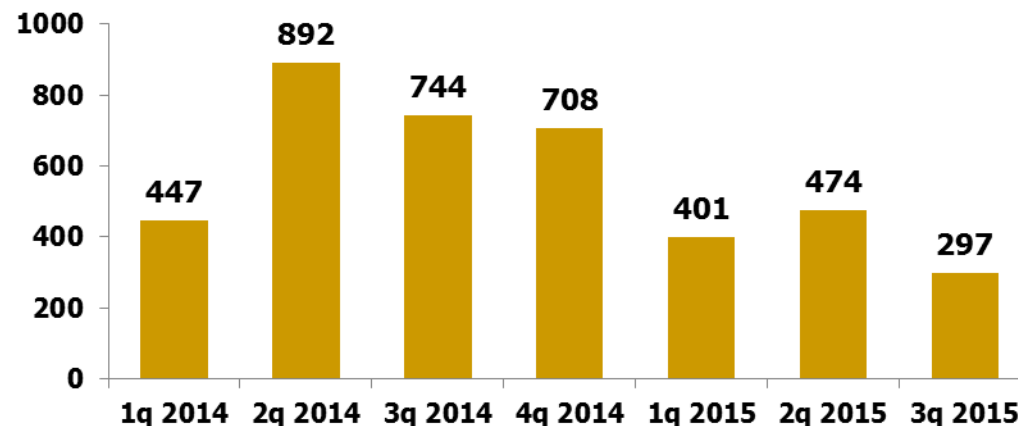
Capital Expenditures*



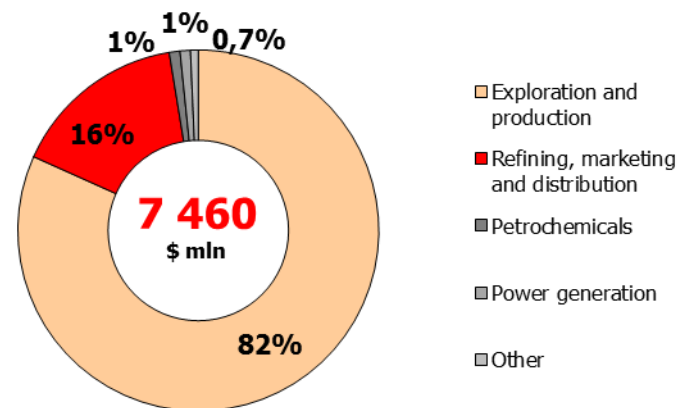
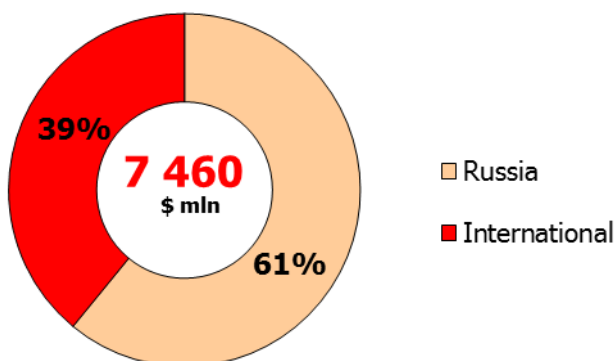
Exploration and production, \$ mln



Refining, marketing and distribution, \$ mln



Capital expenditures structure in 9M 2015



*including non-cash transactions and prepayments



Financial Results



3q 2015	q-o-q *	\$ mln	9M 2015	y-o-y
23 418	-17%	Sales	74 712	-34%
1 887	-9%	OPEX	5 758	-24%
4 600	-8%	Taxes other than income tax, excise, export tariffs	14 745	-45%
1 272	-20%	Income from operating activities	3 893	-54%
1 239	-3%	Income before income tax	3 438	-56%
177	-48%	Exploration expenses and loss on disposals and impairments of assets	679	-31%
623	-38%	Net income	2 318	-60%
750	-40%	Adjusted** net income	2 769	-57%
0,84	-37%	Basic EPS, \$	3,08	-60%
3 646	2%	EBITDA	10 025	-32%
3 773	-1%	Adjusted** EBITDA	10 476	-32%

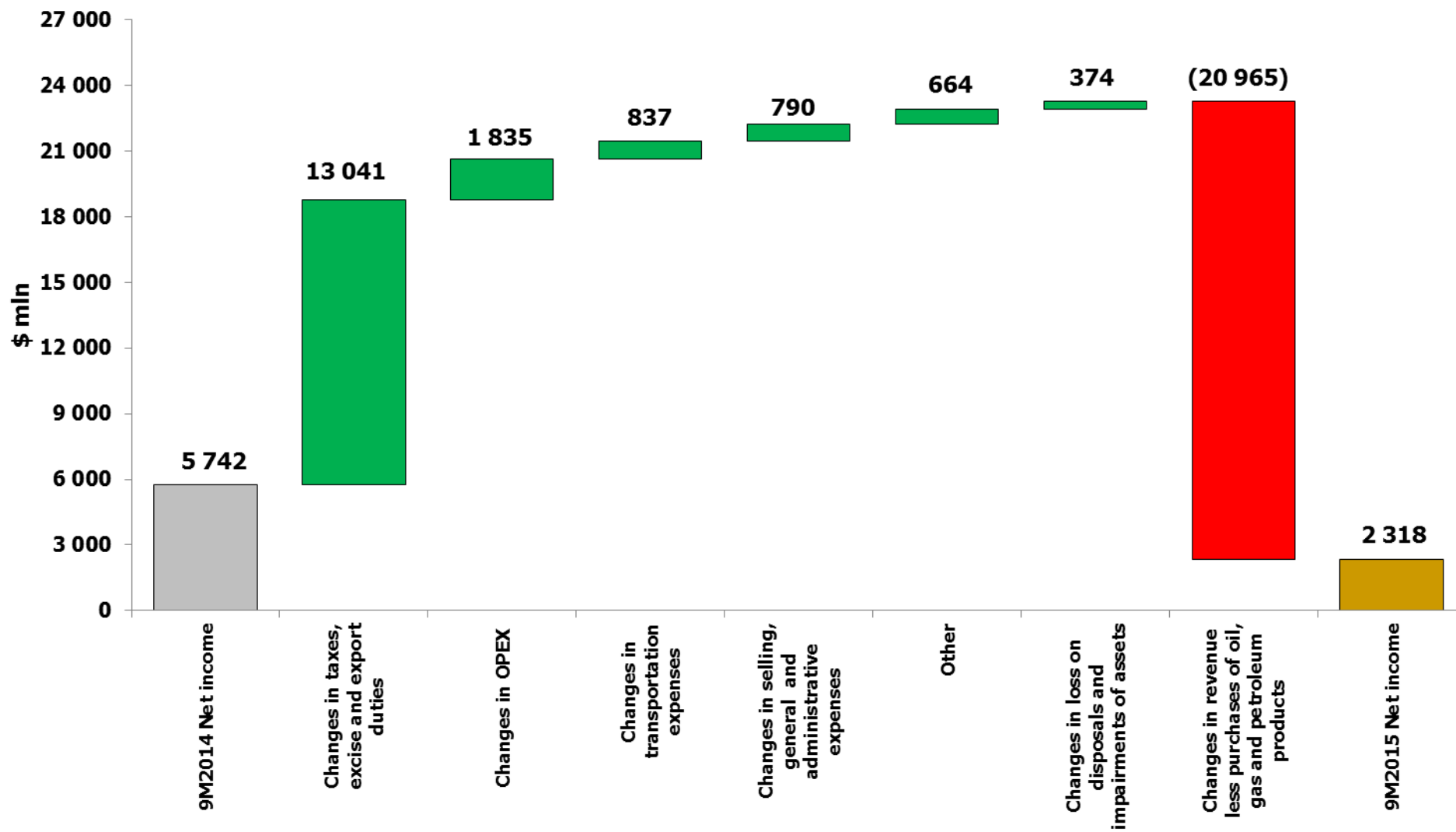
* 3Q 2015 vs. 2Q 2015.

** Adjusted for loss on disposal of assets and dry hole write-offs



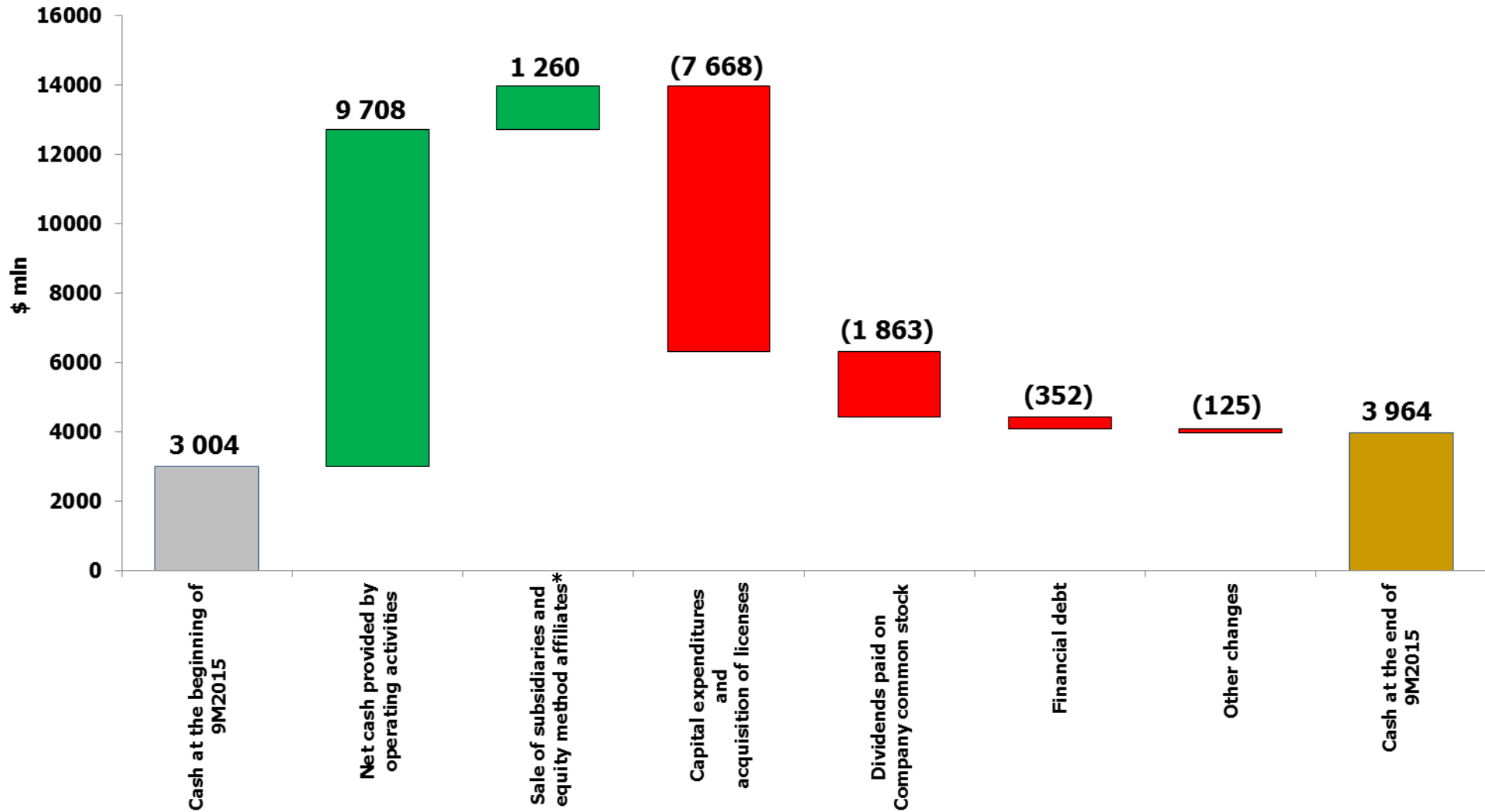
LUKOIL

9M 2015 Net Income Reconciliation




LUKOIL

9M 2015 Cash Flow Reconciliation



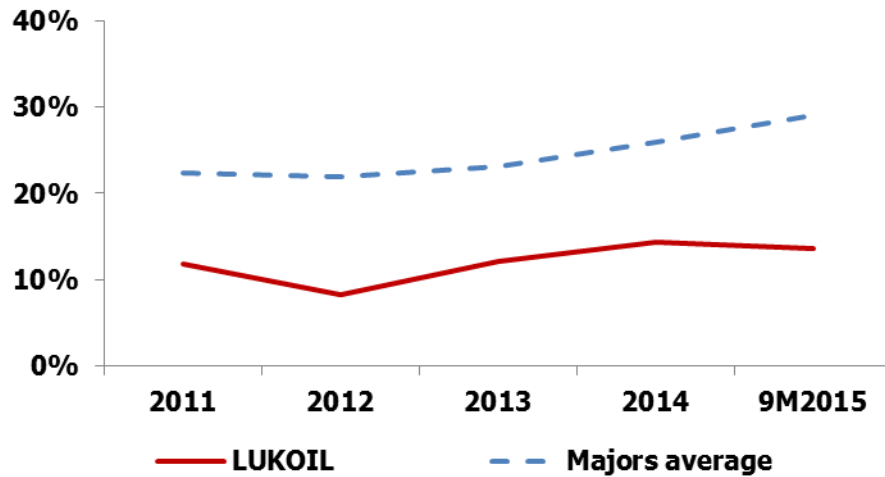
*Net of cash disposed



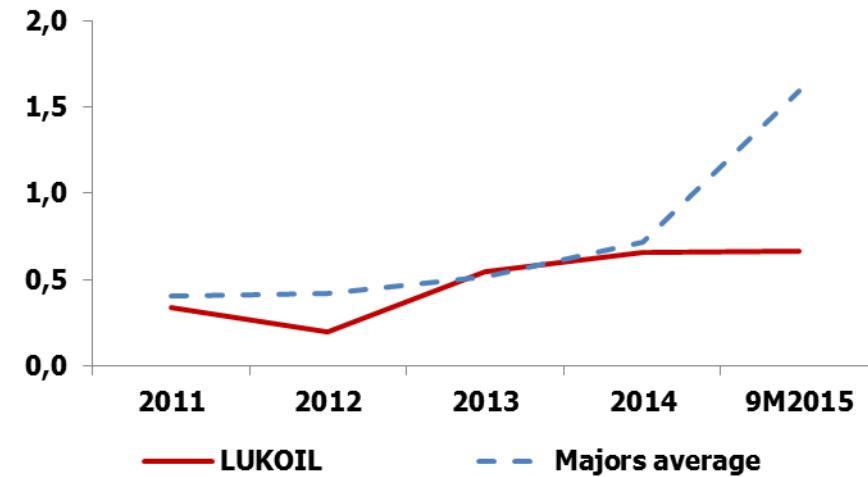
Robust Financial Position



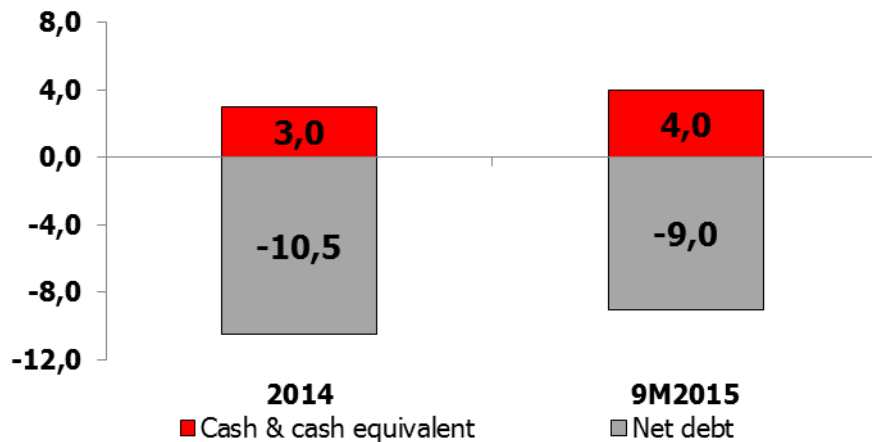
Debt-to-capital



Net debt to EBITDA

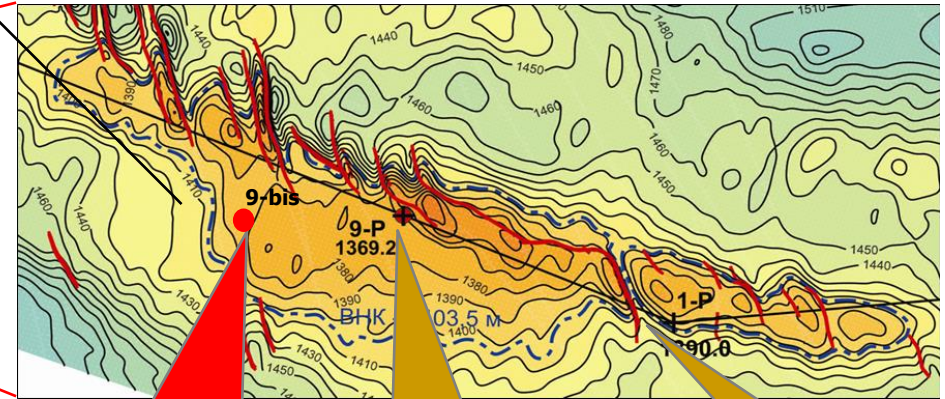


Total debt and net debt, \$ bln



LUKOIL effectively **manages liquidity** under limited access to capital markets

Detail Field Appraisal Success: Rakushechnoe Field (Northern Caspian)



"9 bis" Rakushechnaya
Transfer of all oil reserves in
the commercial category, 2015

Well Rakushechnoe-9
Oil discovery, 2014

Well
Rakushechnoe-1
Gas discovery,
2001

- The Rakushetchnoe-9-bis well spudded in 2015 aiming detail appraisal of the Rakushetchnoye field.
- The Rakushetchnoe-9-bis's **test results confirmed assumed models** of the **aptian** and **neocomian** reservoirs.
- Initial recoverable **reserves** of the **Rakushetchnoye field** (C1+C2 categories) as a result of detail field appraisal are: **298.8** mln bbl of oil, **49** bcm of gas and **9.6** mln bbl of condensate.
- LUKOIL continues to show exploration success - reserves replacement is in pair with best international practices that secures the future production of the Company.

«Tsentralnaya» Structure (Northern Caspian)



- **Presidents of Russia and Kazakhstan Vladimir Putin and Nursultan Nazarbaev signed a protocol with changes to the agreement on delimitation of the floor of the northern part of the Caspian Sea.**
- *“This will allow the companies of two countries to begin development of the “Tsentralnoye”, said Vladimir Putin in his speech after signing the agreement**
- In 2013 LUKOIL, Gazprom jointly with the Kazakh company “Kazmunaigas” created a joint venture for the development of the field.
- The “Tsentralnaya” structure is located in the Caspian Sea, 180 km east of Mahachkala. In May 2008 on the structure a large oil and gas condensate field was discovered with **recoverable reserves** (C1+C2) of hydrocarbons about **1 bln boe**



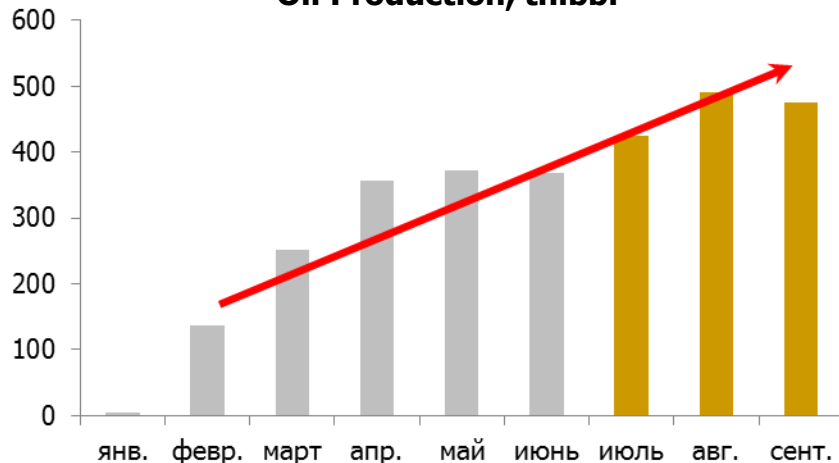
* Source: «Vedomosti»



Successful Exploration – Alabushina Field (LUKOIL-Komi)

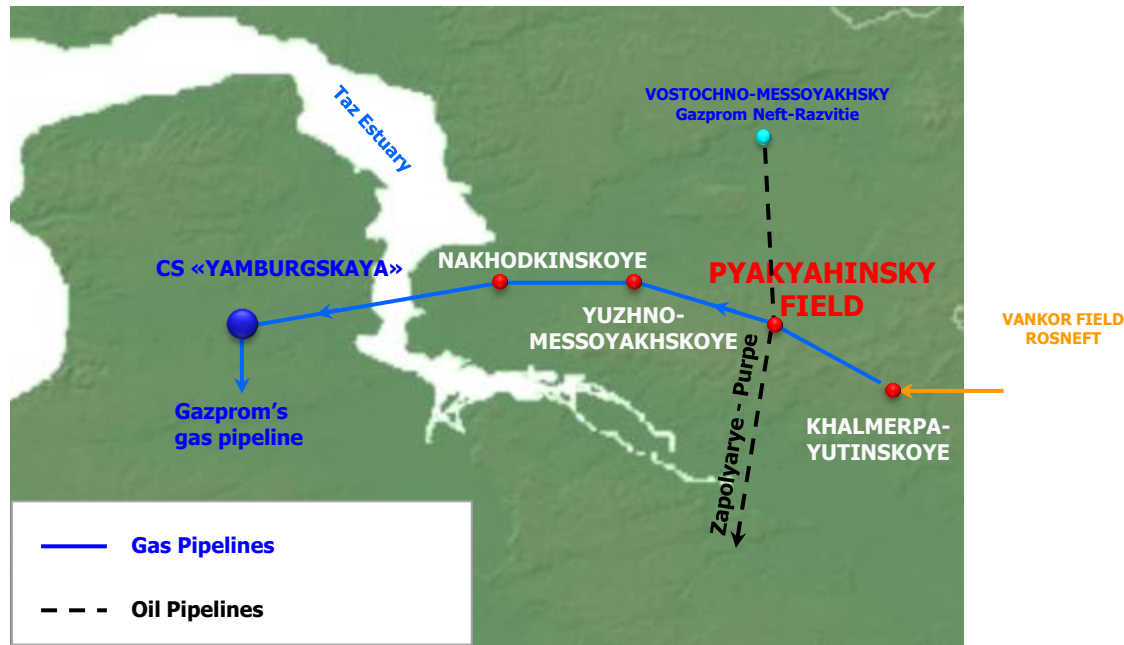


Oil Production, th.bbl



- In May 2014 within the Denisovsky license area **prospective drilling on Severo-Ipatskaya structure confirmed the oil saturation of the reservoir** with high productive qualities. A decision was made to **name** the field after the famous geologist **Andrei Alabushin**.
- Oil reserves of the field were approved by the government authorities on January 13, 2015. Currently initial recoverable reserves of the field are **42 mln bbl**.
- Within the approved pilot project framework, so far **2** exploratory and **5** production wells were drilled **with average flow rate above 1700 barrels per day**.
- 9M 2015 **production is 3 mln bbl**. Further production growth is planned in 2016.

Pyakyahinsky Field



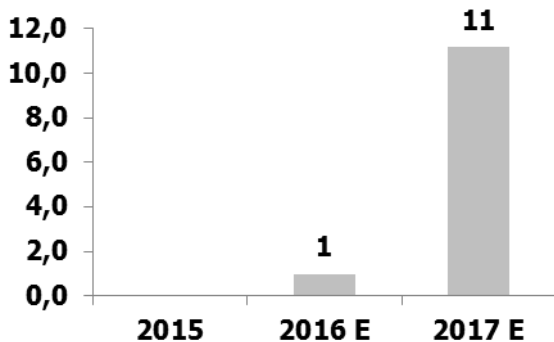
Degree of completion of the facilities:

- Purification facilities — **90%** completed
- Integrated gas treatment unit — **77%** completed
- Oil treatment unit — **80%** completed
- Transfer and acceptance point — **70%** completed

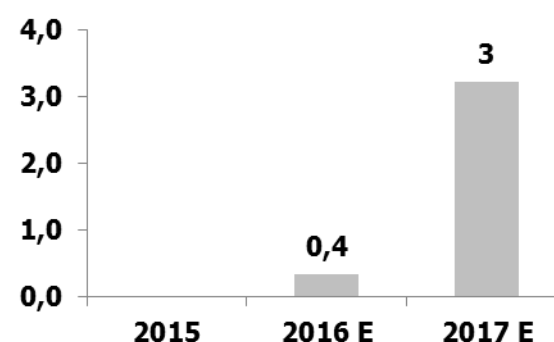
Drilling:

- 69 wells were drilled (gas – 30 wells, oil – 39 wells)
- 48 wells are ready for launch (gas – 25 wells, oil – 23 wells)

Liquid hydrocarbons production forecast, mln bbl



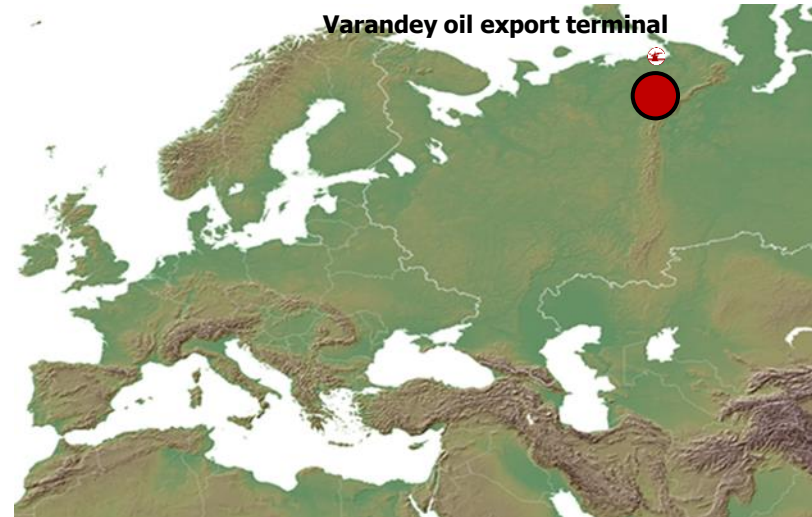
Gas Production forecast, bcm



Cooperation with Bashneft in Timan-Pechora Oil Province

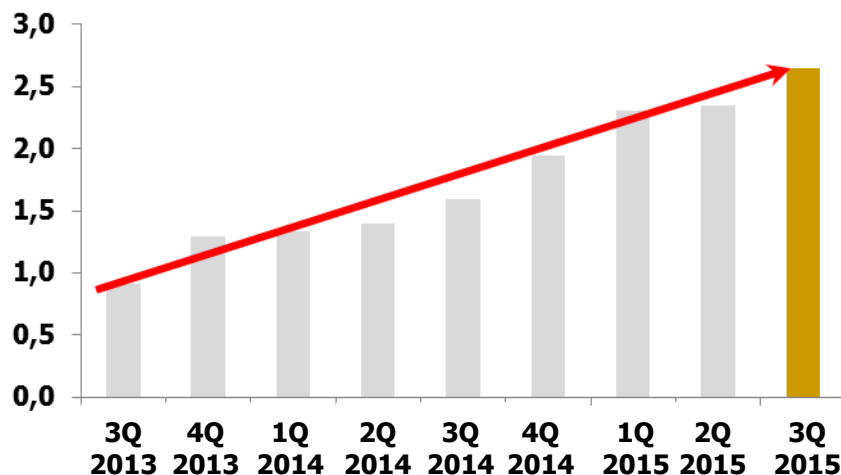


Varandey oil export terminal



- Trebs and Titov field (Joint venture OOO Bashneft-Polyus, LUKOIL – 25,1%) demonstrated **record high production in 3Q2015 (29 000 bbl/day)**
- LUKOIL and Bashneft work closely in Timan-pechora oil province
- **Oil is exported** via LUKOIL's Varandey oil export terminal. The power facilities and other LUKOIL infrastructure in the region are also used.
- To further develop cooperation, **the portfolio of exploration license blocks was formed** (7 license blocks in Nenets Autonomous okrug) and **active geologic exploration has started** (the joint venture VOSTOK-NAO).
- **The joint program** of geologic exploration of the sites till 2017 provides for **1,100 linear kilometers of 2D seismic** and **2,300 square kilometers of 3D seismic**, as well as **drilling of 14 wells**, thus requiring about **RUR 5 billion's worth of investments**.

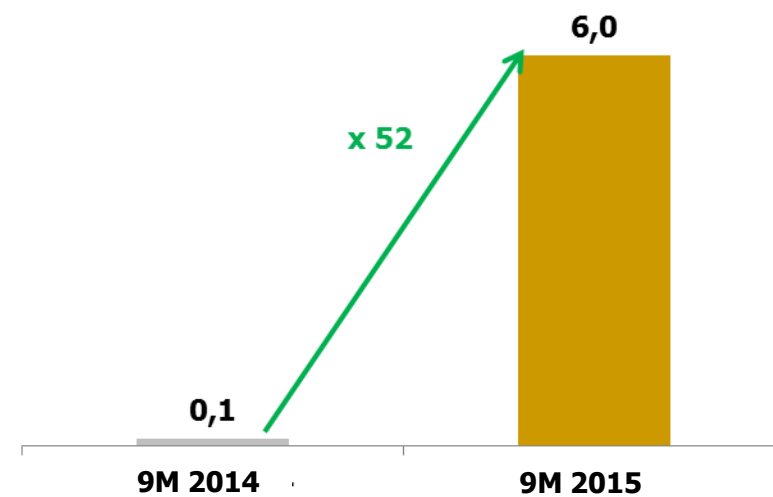
Oil production "Bashneft-Polyus" (100%), mln bbl



Imilor Field



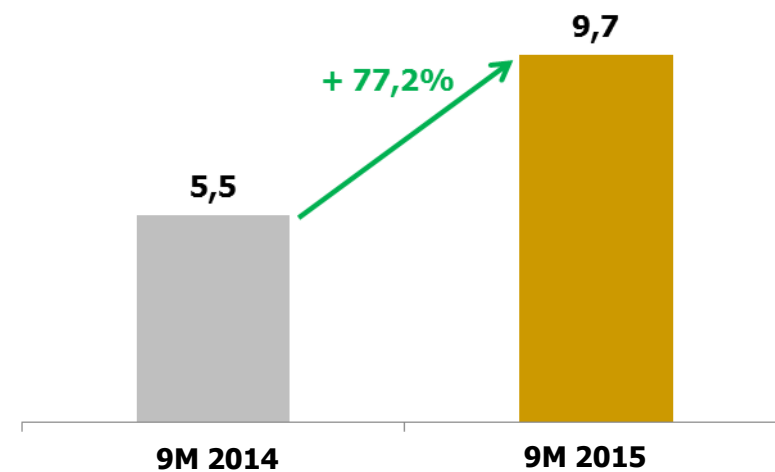
Production, Kbpd



Newly acquired Russian asset Imilor Field **demonstrates positive dynamics of production**



Production, Kbpd

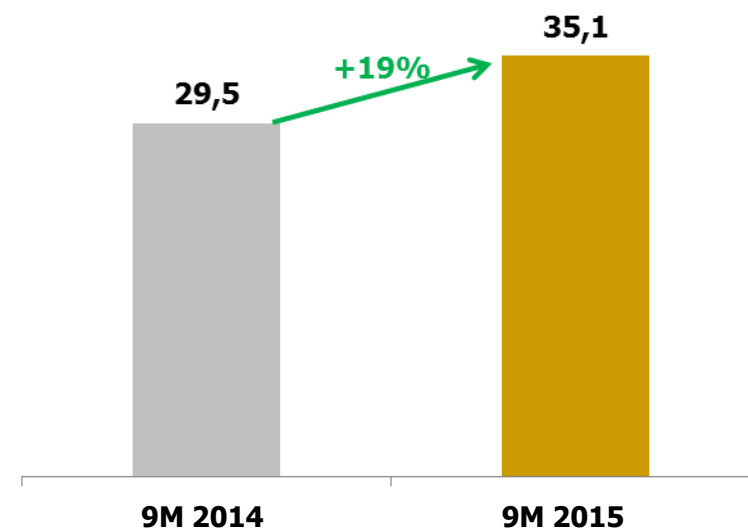


Newly acquired Russian asset Kama-Oil **demonstrates positive dynamics of production**

Vostochno-Lambeysorskoe Field

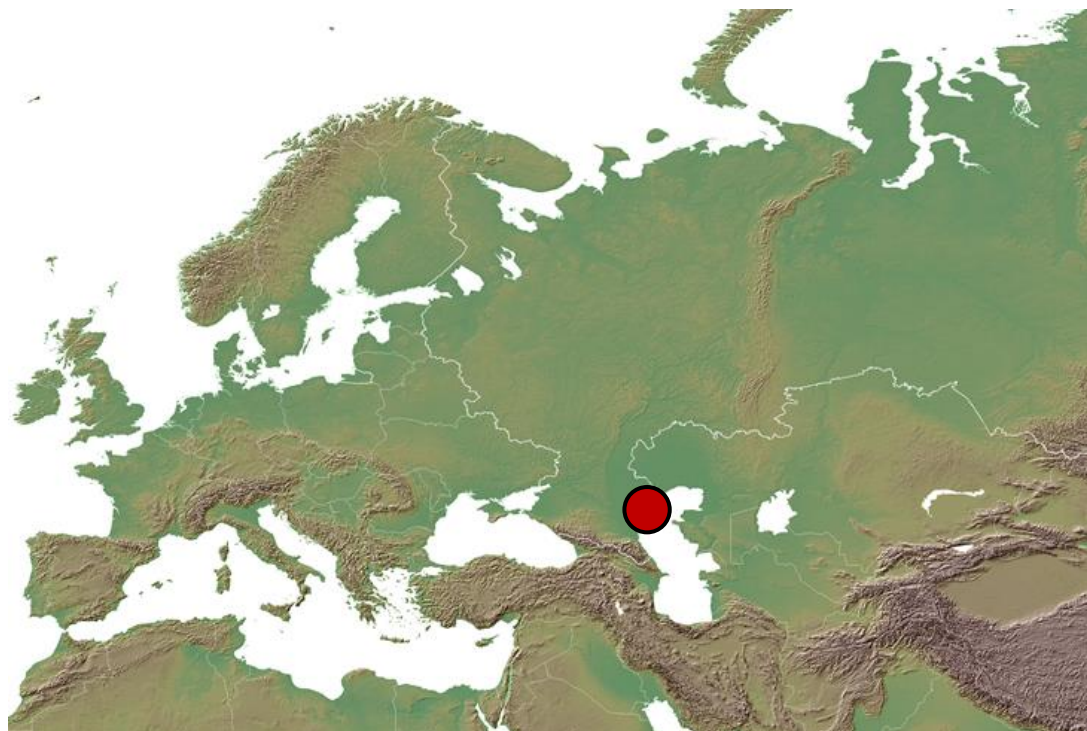


Production, Kbpd

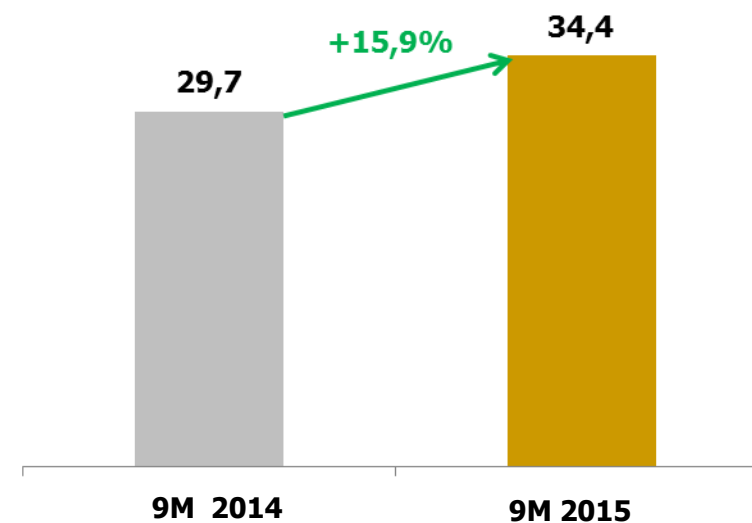


Vostochno-Lambeysorskoe LUKOIL field in Russia **demonstrates positive dynamics of production**

Korchagin Field



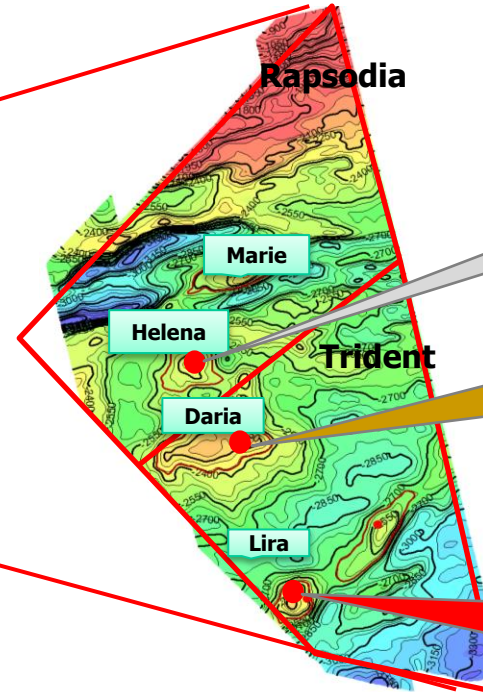
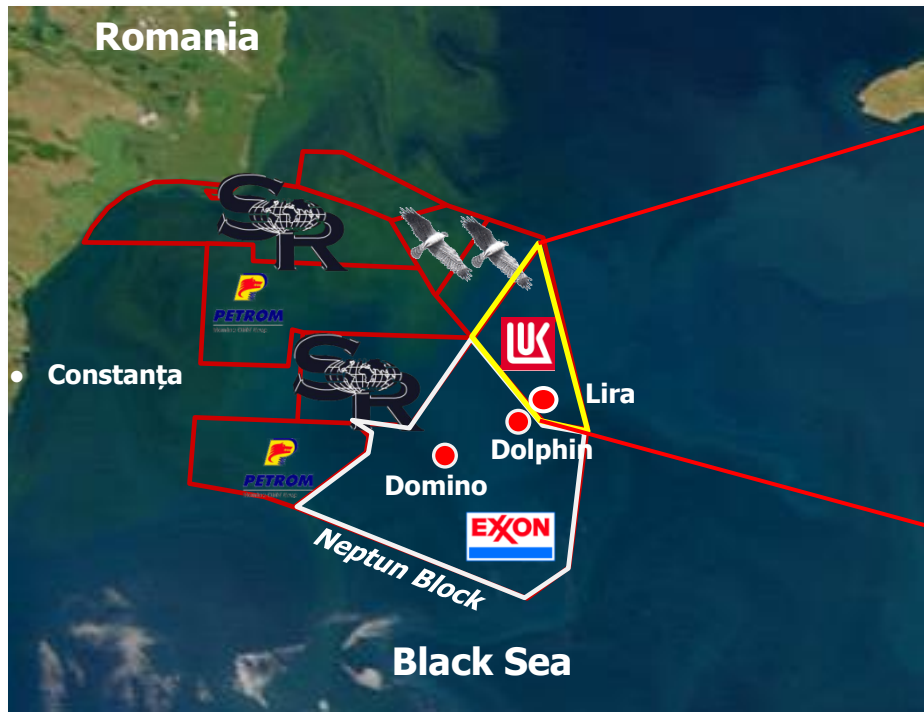
Production, Kbpd



LUKOIL Korchagin field in Russia **demonstrates positive dynamics of production**



Gas Discovery Offshore Romania



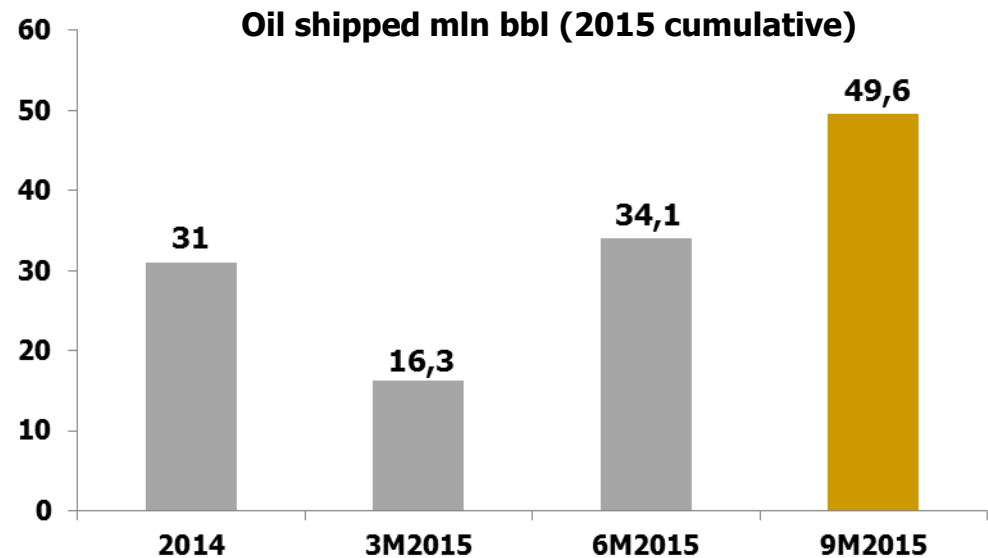
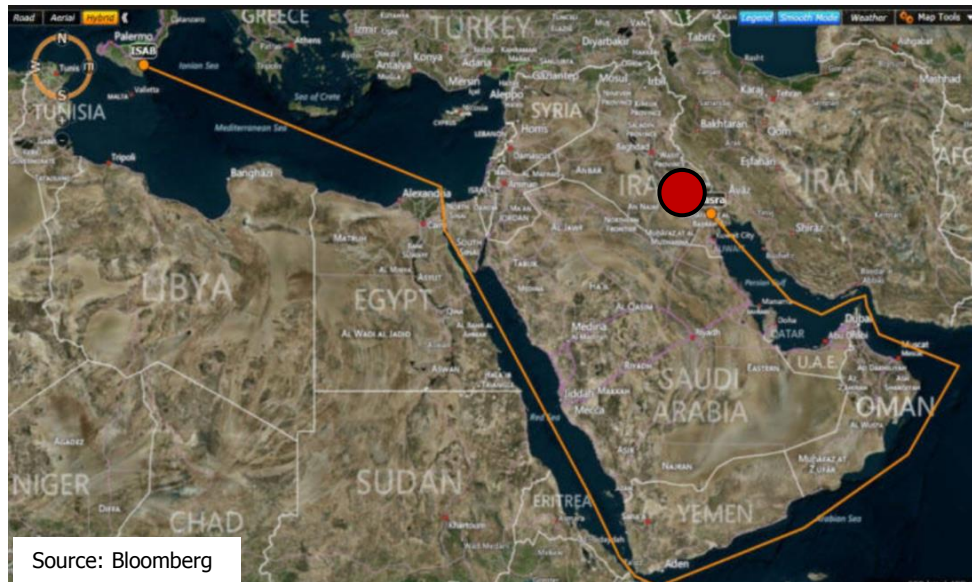
The Helena-1X well was drilled in 2014-2015 – dry hole with traces of gas

The Daria-1X well was drilled in May-August 2015 r. – some gas shows

The Lira-1X well was drilled in August – September 2015 – dry gas discovery

- LUKOIL Overseas Atash BV (100% subsidiary of PJSC LUKOIL) operates exploration activities at the block under the Concession Agreement with the Government of Romania. LUKOIL's share* is 72%.
- The area of the block is 1,006 km². The Lira-1X well is drilled 170 km off the coast, the sea depth is about 700 meters.
- Estimated gas reserves are more than 1 TCF (more than 30 billion cubic meters).
- The discovery is in the same geological trend and reservoir interval as the Dolphin discovery made by ExxonMobil in the neighboring Neptun block.
- The success of the Lira-1X well reduced further exploration risks on a series of prospects with significant resource potential, located both close to the Lira structure and in other parts of the block.

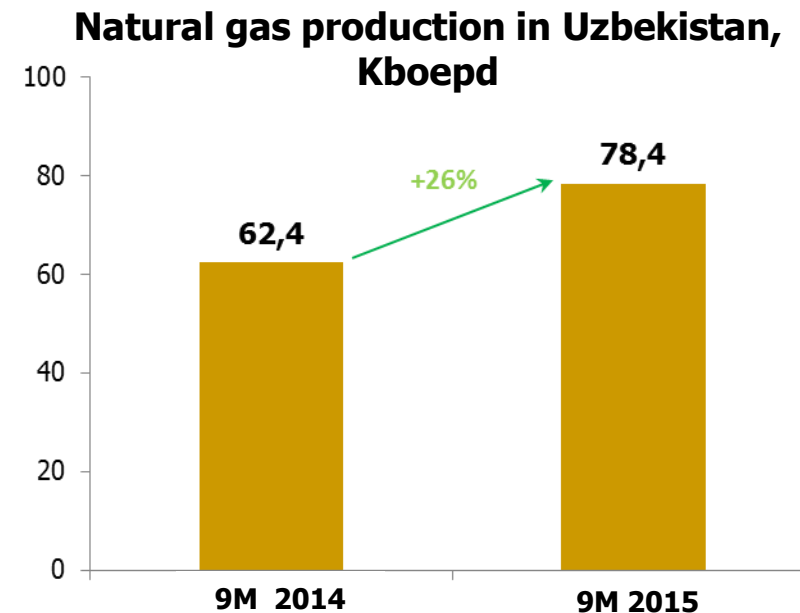
West Qurna-2 Development



- **In 9M 2015** we shipped **31** tankers with **49,6 mln bbl** of compensation oil (*Europe, including ISAB – 39%*)
- "LUKOIL's focus on secure market access also maximizes returns by removing intermediaries" (by supplying oil to Europe including ISAB refinery) (source: Bloomberg)
- Cost recovery in 9M 2015 was **\$2,3 bln**
- **Production in June 2015** reached **400 Kbpd**
- By the end of the current year LUKOIL **expects to reach the point of full compensation for historical* development costs**
- LUKOIL will strive to further **develop** the project **with self financing**, without recourse to the Group's cash from other businesses



The **increase** in Uzbek gas production was achieved as a result of the **3 month ahead-of-schedule** commissioning of the "**Kandym early gas**" project (North Shady block and Kuvachi – Alat field), as well as due to the **increase in productivity** of **Gissar project** gas wells.





In 2015 LUKOIL Will Complete Large Oil and Gas Refining Projects



Nizhny Novgorod

Catalytic cracking - 2

Capacity: 2.0 mln t/year

LAUNCH!

Budennovsk

gas processing unit
(processing of gas from the
Northern Caspian)

Capacity: 2.2 bln m³/year

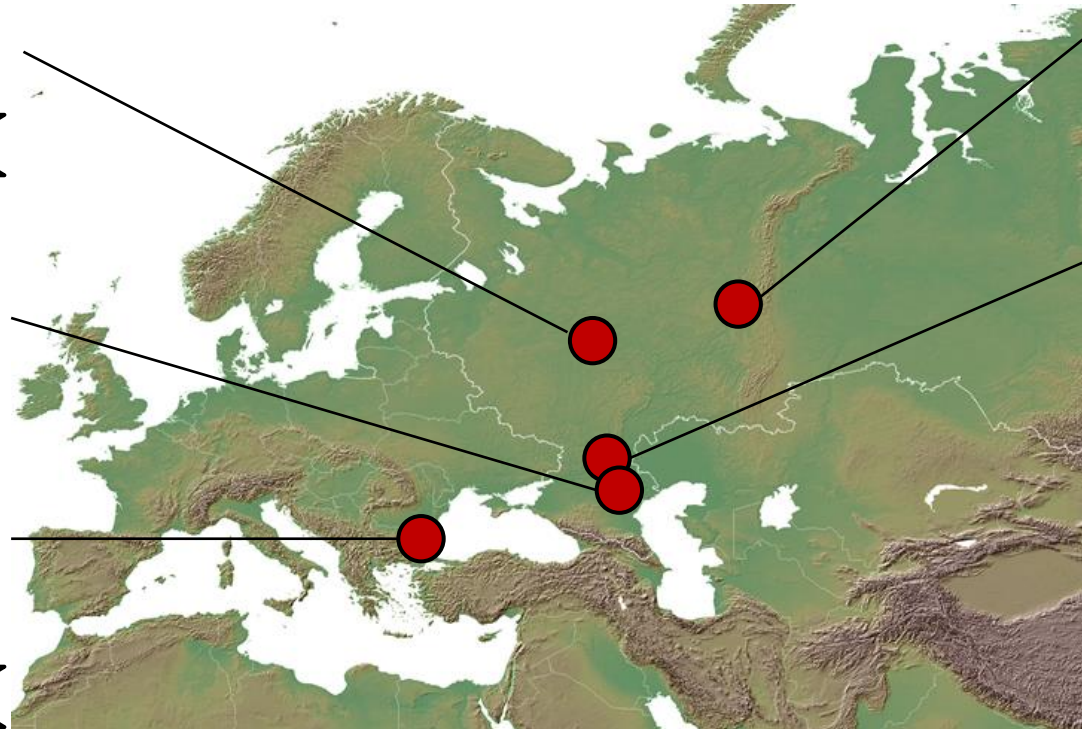
Pre-started

Burgas

Residue hydrocracking

Capacity: 2.5 mln t/year

LAUNCH!



Perm

Coker

Capacity: 2.1 mln t/year

LAUNCH!

2-nd line of LTCR unit

Capacity: 0.7 mln t/year (NGL)
0.9 bcm/year (APG)

LAUNCH!

Volgograd

Vacuum gas oil
hydrocracking

Capacity: 3.5 mln t/year
Launch: 2016

CDU

Capacity: 6.0 mln t/year

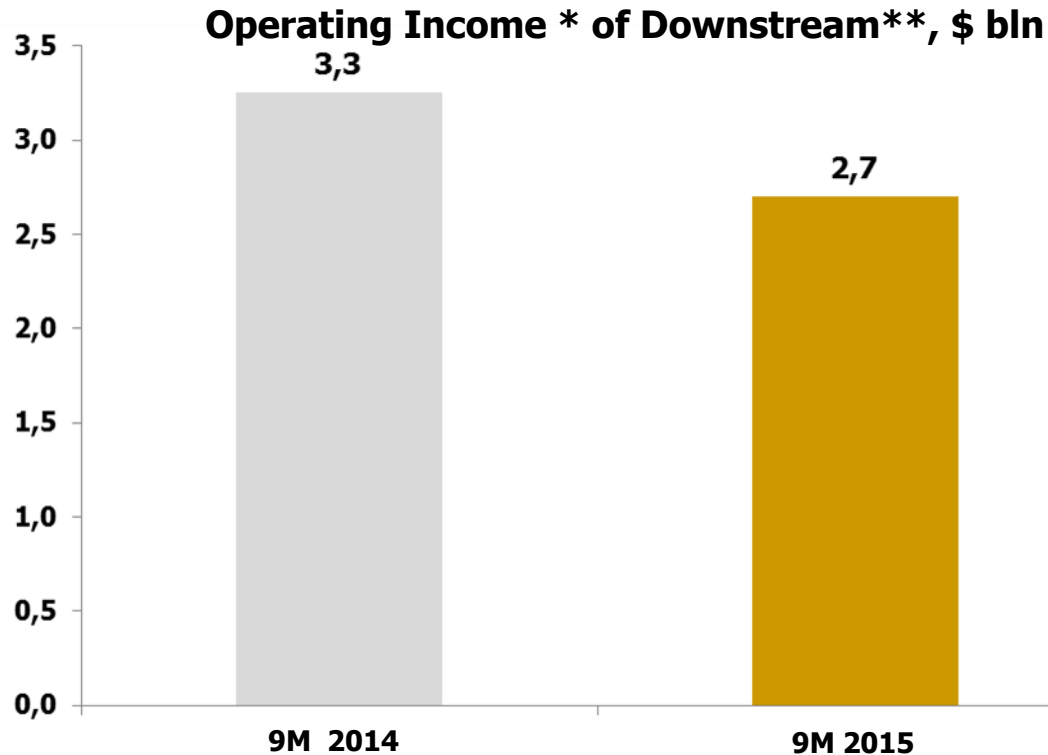
LAUNCH!

Launched facilities were built on time and on budget

The projects all have (IRR`s > 15%)



Downstream Segment Demonstrates Stable Operating Income in 2015



- Despite a **decrease** in oil prices **of almost 50%** in 9M 2015, the Downstream business segment demonstrated **stable operating income**
- Launch of new facilities at Russian refineries will increase the income of the segment
- Effect from export duty freezing for 2016 will have a positive impact on LUKOIL Refineries in Russia, increase of EBITDA is estimated at around 250 mln USD.

* Operating Income is calculated as net income plus income tax, interest expense and depreciation

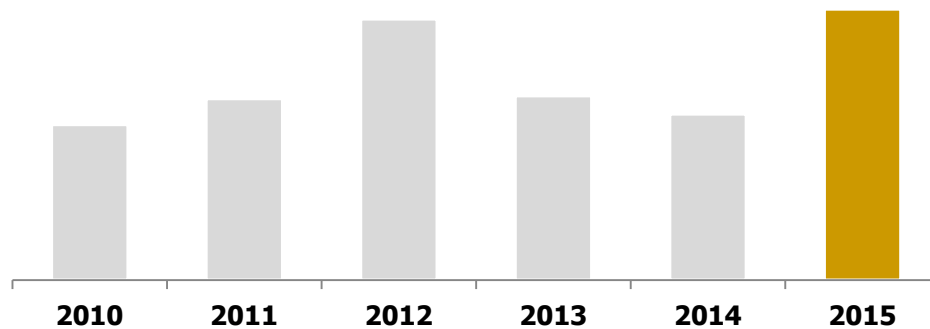
** Calculated using US GAAP report data, "Refining, marketing and distribution" and "Petrochemicals" segments



International Downstream* Contributed Significantly to LUKOIL EBITDA in 2015



Average refining margin for 9M 2015 (MED), \$ per bbl



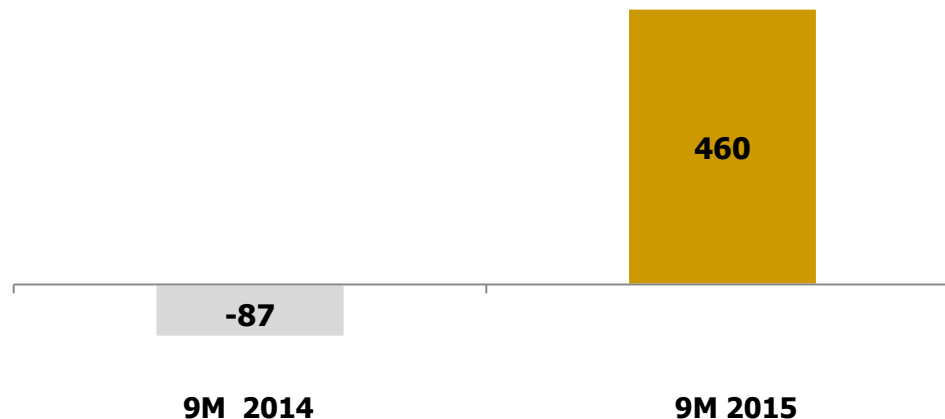
Operational highlights (9M 2015)

Volume of refined products produced, mln t 16,5

Retail sales**, mln t 7,3

Daily average sales per station, t per day 6,4

EBITDA 9M 2015, \$ mln

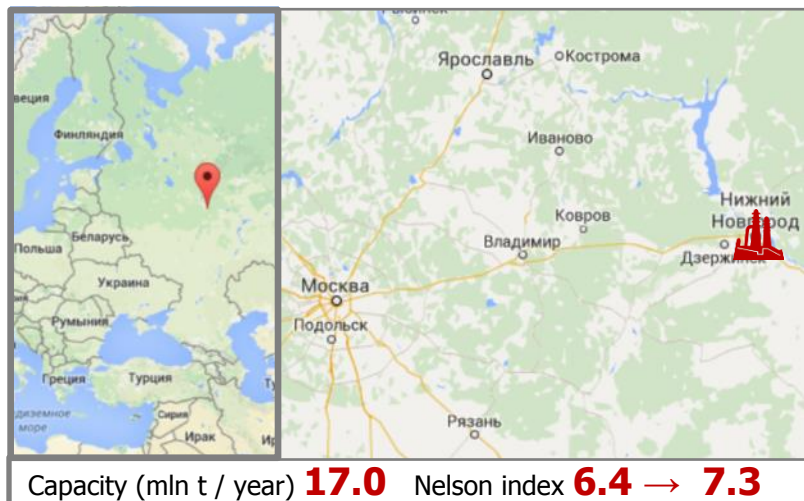


On the back of low oil prices, **refining margin** in Europe reached their **highest levels** of the last 5 years

*International Refineries and Retail(not including Ukraine, Czech Republic, Hungary, Slovakia)

** Volumes of small wholesales are included in retail sales

Nizhny Novgorod Refinery



Catalytic cracking-2 was launched in October 2015

• CapEx	\$ 1 bln
Capacity	mln t / year
• Catalytic cracking unit	2.0
• Alkylation unit	0.33
• Gasoline hydrotreating unit	1.1
Effect	mln t / year
• Motor gasoline	+1.1
• Diesel fuel	+0.24
• Vacuum gasoil	-2.0
• EBITDA	Over \$ 150 mln



Perm Refinery



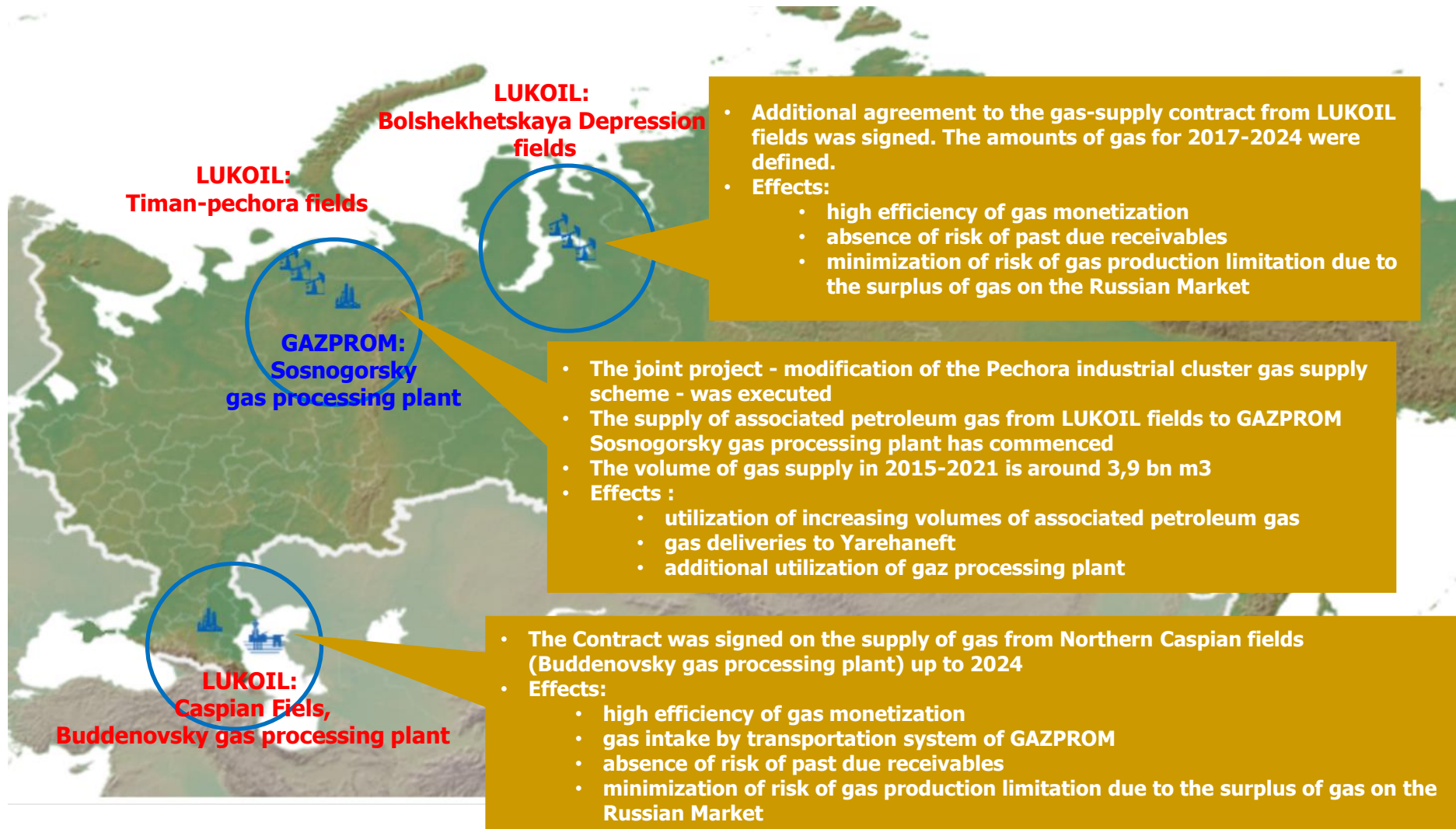
Residue refining facility was launched in November 2015



• CapEx	\$ 1.1 bln
Capacity	mln t / year
• Delayed coking unit	2.1
• Middle distillates hydrotreating unit	1.5
• Hydrogen production unit	0.03
Effect	mln t / year
• Diesel fuel Euro-5	+1.1
• Gasoline	+0.2
• Fuel oil	-2.0
• EBITDA	Over \$ 300 mln



Development of Cooperation with Gazprom



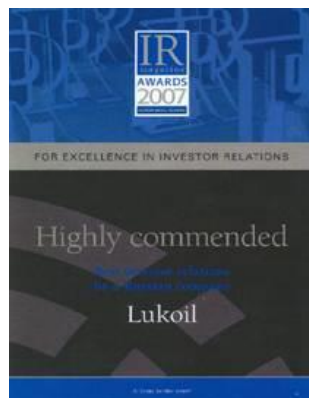
LUKOIL Achievements in Corporate Governance



LUKOIL is the leader in corporate governance



In 2015 LUKOIL received the prize from World Finance magazine for best corporate governance in Russia





Environmental Safety is a LUKOIL Priority

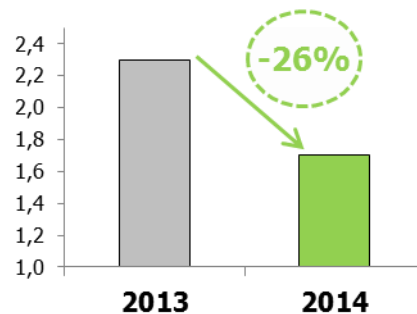


In April 2015 LUKOIL and World Wide Fund for Nature (WWF) signed a cooperation agreement

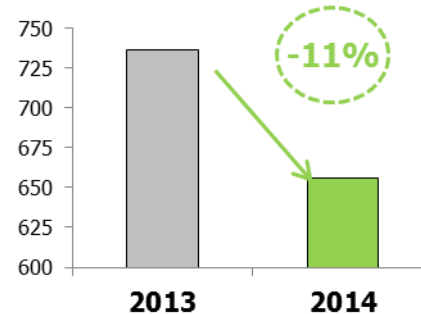


The agreement provides for bilateral consultations, working meetings, exchange of information and data regarding implementation of environmental protection projects and nature conservation in Russia

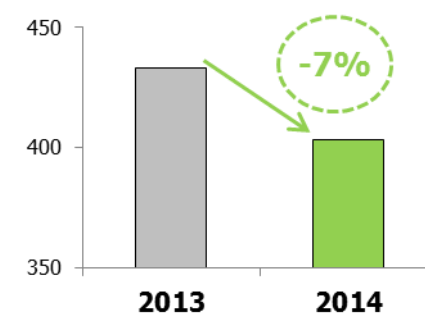
Dirty discharge, mcm



Atmospheric emission, th. t



Water consumption for own needs, mcm





Conclusions



- Keeping a high level of **dividend payments**
- **Growth** of Group production, **stabilization** of production in Russia
- **Realization** of incurred cost compensation plan on **West Qurna-2 project**
- Running **efficient projects** in oil and gas refinery sector **on time and on budget**
- Strong **financial position**