ALWAYS MOVING FORWARD

2014
Financial Results
(US GAAP)

Member of the Board of Directors
Vice-President for Strategic Development

Leonid Fedun

London, March 2015

LUKOIL

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.

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Main Events

Liquid hydrocarbon production growth +6.3%

80% of Filanovsky field development completed
14 fields discovered – the best result for the last 10 years

Launch of the project in Iraq

West Qurna-2 first commercial oil production

Launch of Imilor project in Western Siberia

Production started on one of the largest undeveloped fields of Western Siberia

In the beginning of 2015 S&P confirmed LUKOIL investment level rating BBB-

Russia sovereign rating was downgraded below investment level to BB+

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Completion of Investment Cycle: Launch of $10 bln Assets in 2015-2016

Over $5 bln of refining assets to be launched, of which the largest:

2015*

• Perm – delayed coking	**$0.6 bln**
• Nizhny Novgorod – catalytic cracking	**$0.9 bln**
• Volgograd – atmospheric-vacuum distiller	**$0.4 bln**
• Burgas – residue hydrocracking	**$1.5 bln**

2016

• Volgograd – VGO hydrocracking	**$1.6 bln**
Total refineries	**$5.0 bln**

Annual weighted average effect on EBITDA ≈$2 bln

2016**

Launch of Filanovsky Field	**$4.6 bln**

* Accumulated investments for 2012-2015
** Accumulated investments for 2010-2015

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2014 Financial Highlights

	$ mln
Net income	4,746
Adjusted net income	7,087
EBITDA	15,982
Adjusted EBITDA	18,426
Free cash flow	925
Net debt	10,525

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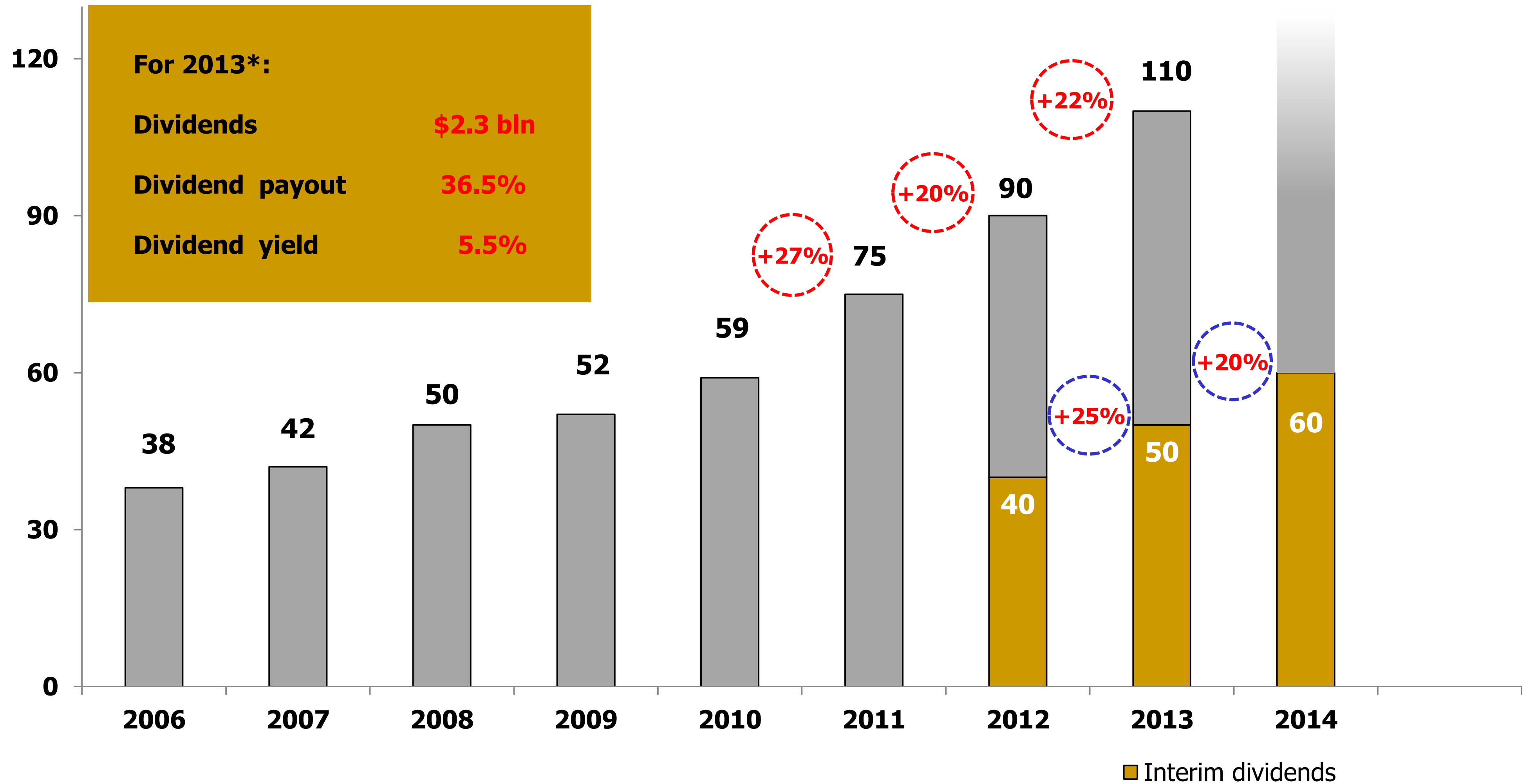
Providing Competitive Dividend Payout

Dividend per share, rub.



* Dividends accrued for 2013

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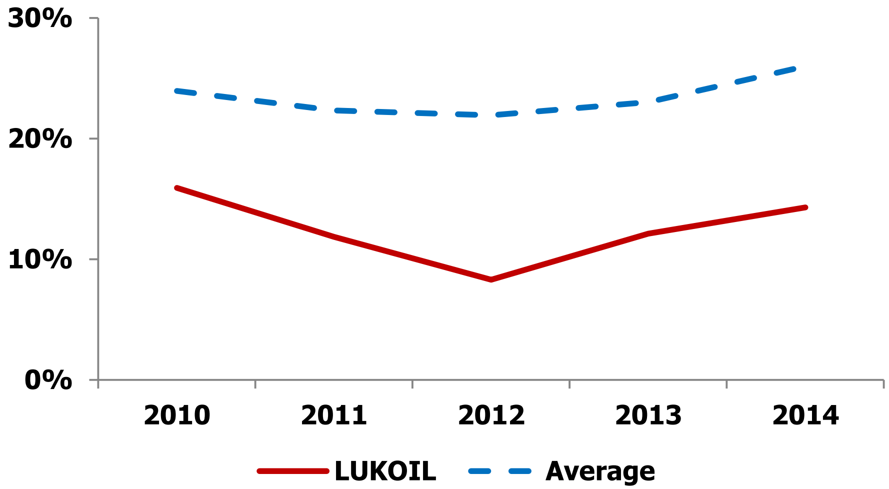
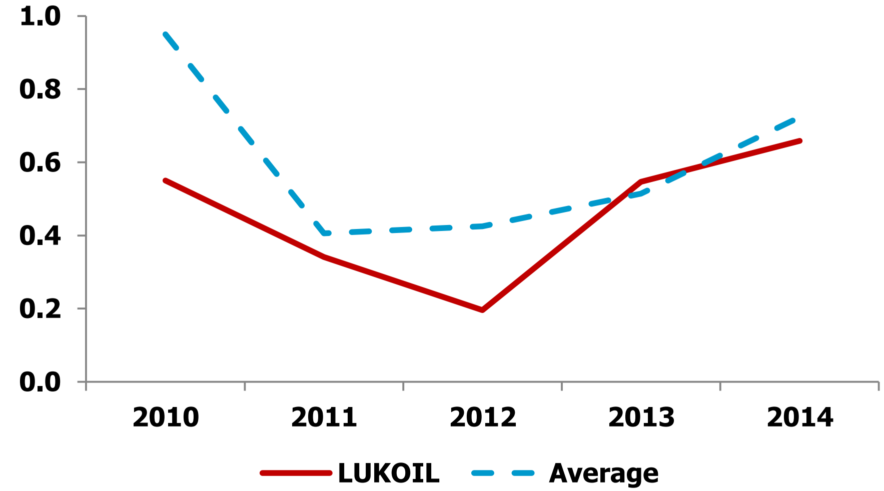
Robust Financial Position

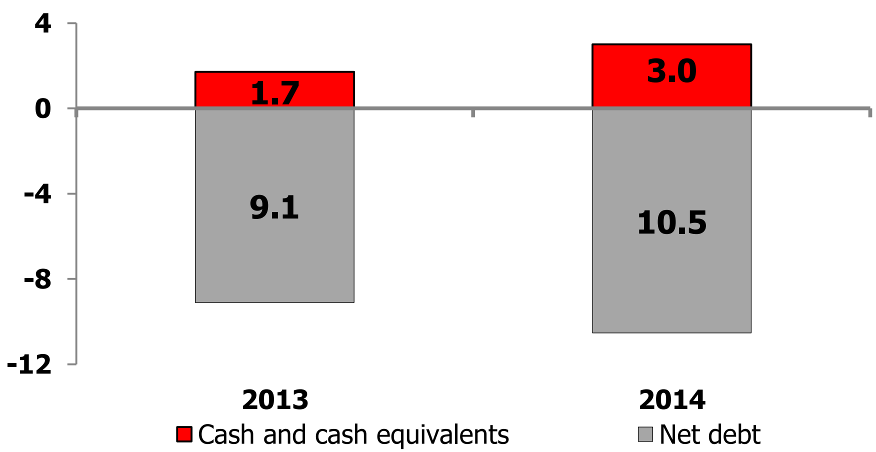
Debt-to-capital



Net debt to EBITDA



Total debt and net debt, $ bln



- **S&P confirmed LUKOIL rating at the level BBB-. It is higher than the sovereign rating of Russia**

- In 2014, under conditions of limited access to capital markets, LUKOIL successfully raised funding in amount of **$5 bln**, of which $4 bln is long-term funding

Source: Companies' financial statements. Average includes: ExxonMobil, Royal Dutch Shell, Chevron, BP, ConocoPhillips, Total, Eni.

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Effect of Sectoral Sanctions is Not Material for LUKOIL Operations

The most significant sanctions targeting Russian oil and gas sector include prohibition on supply of the following goods, services and technologies for Russian companies (among them LUKOIL):

✓ **Arctic shelf exploration and production**

LUKOIL does not have any operating projects as well as plans to develop Arctic shelf resources

✓ **Deep water exploration and production**

LUKOIL carries out exploration and development of the sea and shelf fields in the North Caspian and Baltic seas at the depths substantially smaller than prescribed by sectoral sanctions

✓ **Shale oil projects**

LUKOIL has several fields containing Bazhen reserves. After suspension of cooperation with Total, LUKOIL carries out pilot works and oil production by its own efforts with the use of advanced home-grown technologies, equipment and oilfield services provided by the Russian companies

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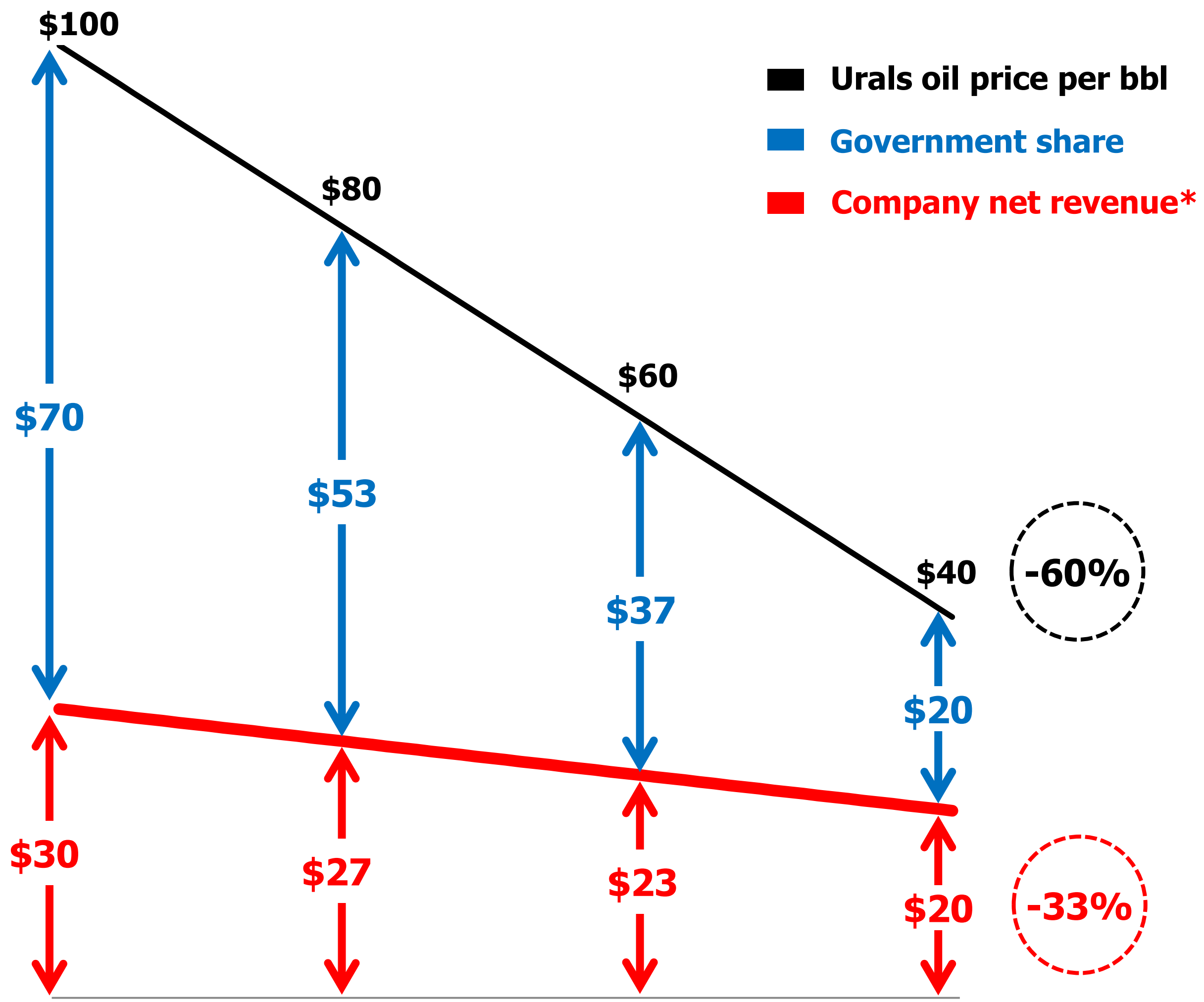
LUKOIL Net Revenue is Weakly Sensitive to Oil Price Fluctuations



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

* Calculated as oil price minus mineral extraction tax minus export duty.

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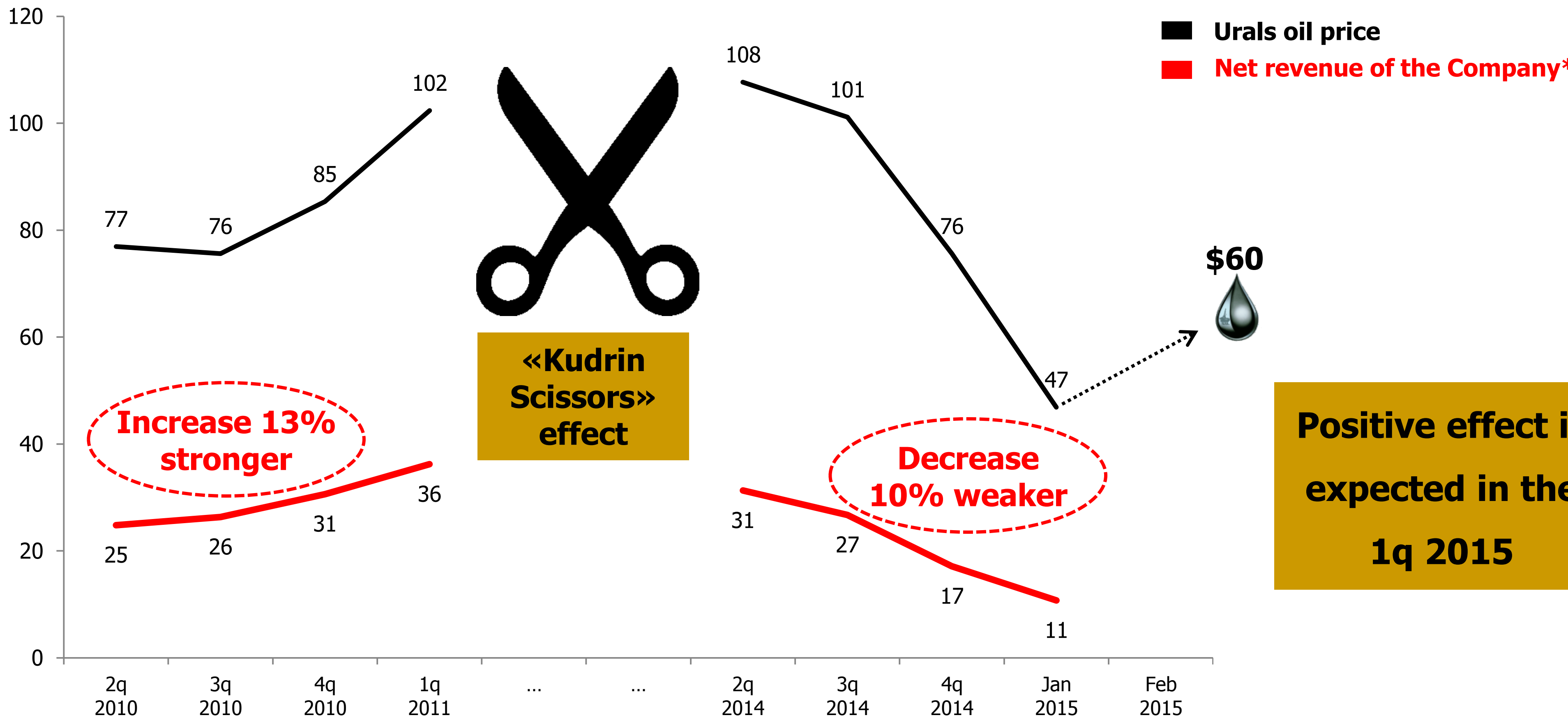
The Company Loses Revenue when Price Falls and Gain Additional Profit when Price Rises

Net revenue of the Company* and oil taxes in Russia per barrel, $



Positive effect is expected in the 1q 2015

* Calculated as oil price minus oil mineral extraction tax and oil export duty per barrel, taking into account «Kudrin Scissors» effect: oil export duty rate is linked to oil price with 1.5 month lag

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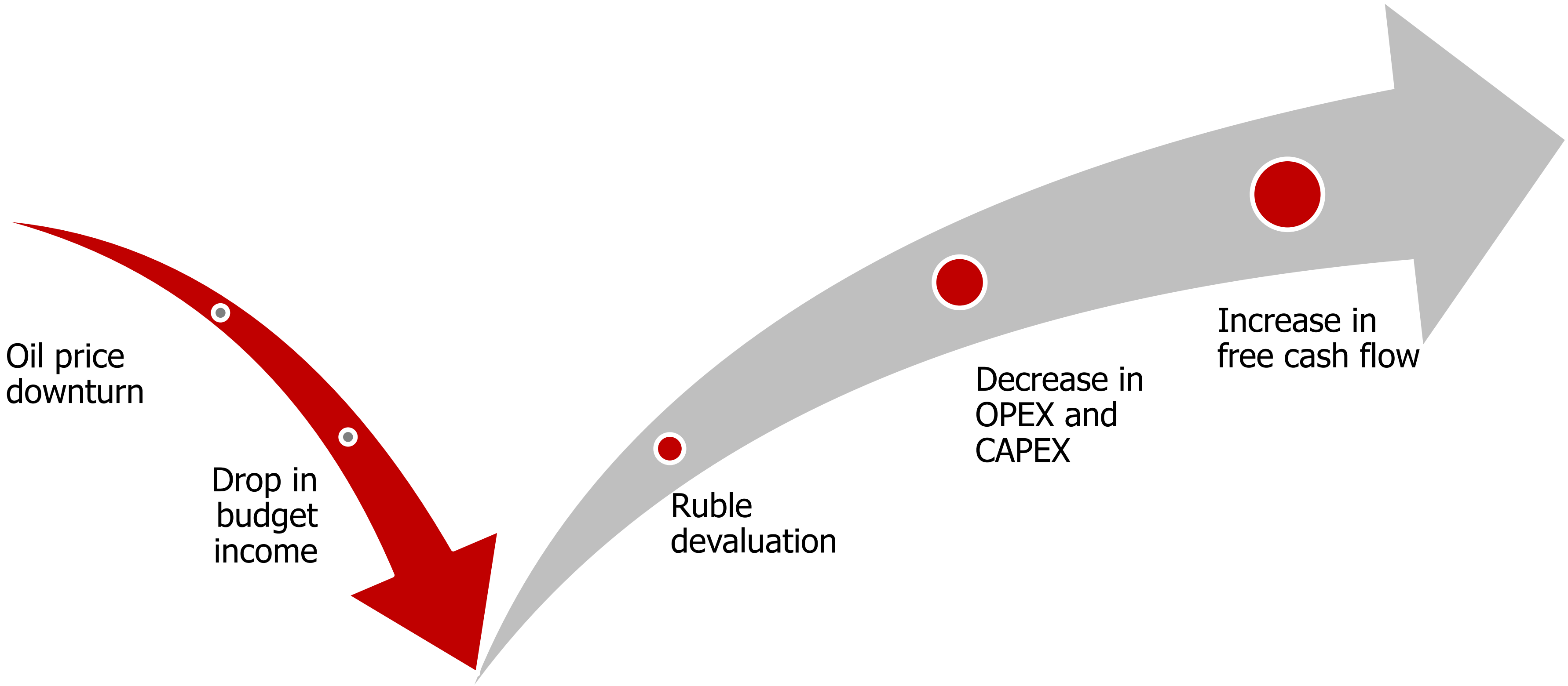
Anti-Crisis Mechanism is 'Integrated' into Russian Oil & Gas Industry



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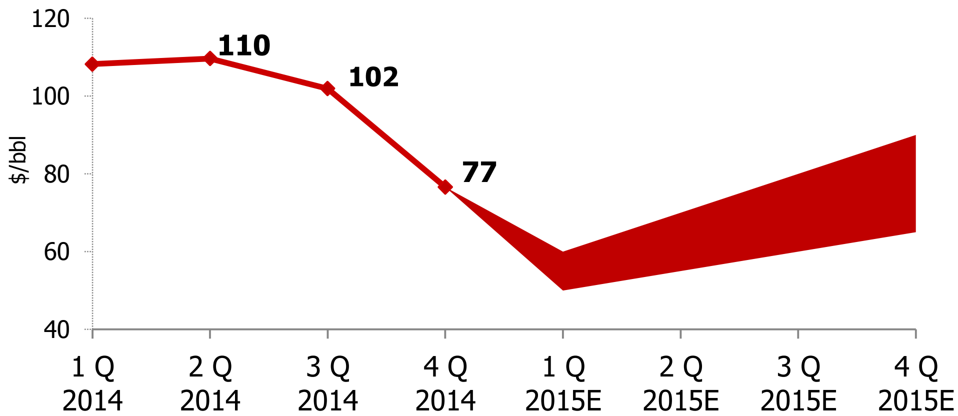
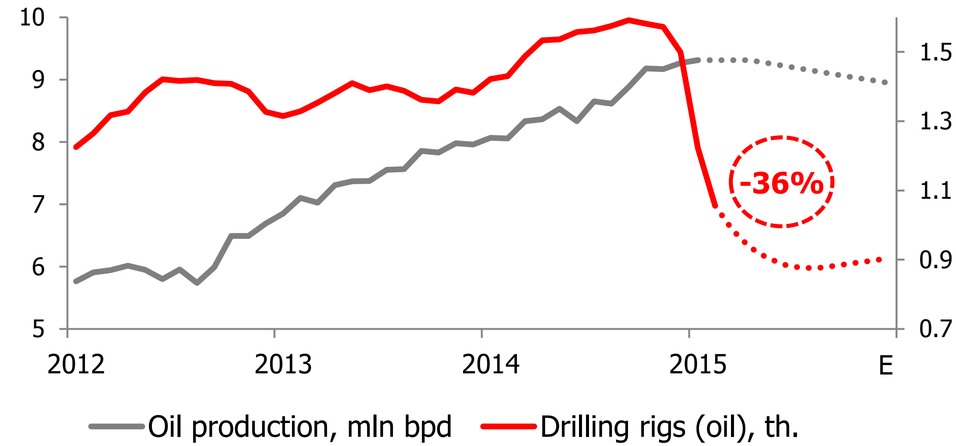
The Price War is Almost Over

Brent oil price forecast

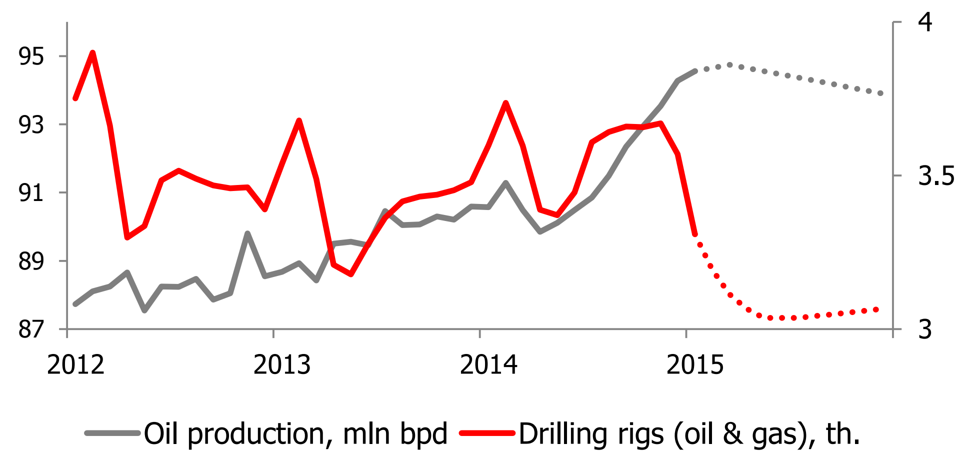


US



- World drilling rates have sharply decreased since November 2014
- Number of active drilling rigs in US decreased to a 3 years minimum
- Oil price stabilization is expected since 2H 2015

World



Source: Baker Hughes, Bloomberg, LUKOIL estimates.

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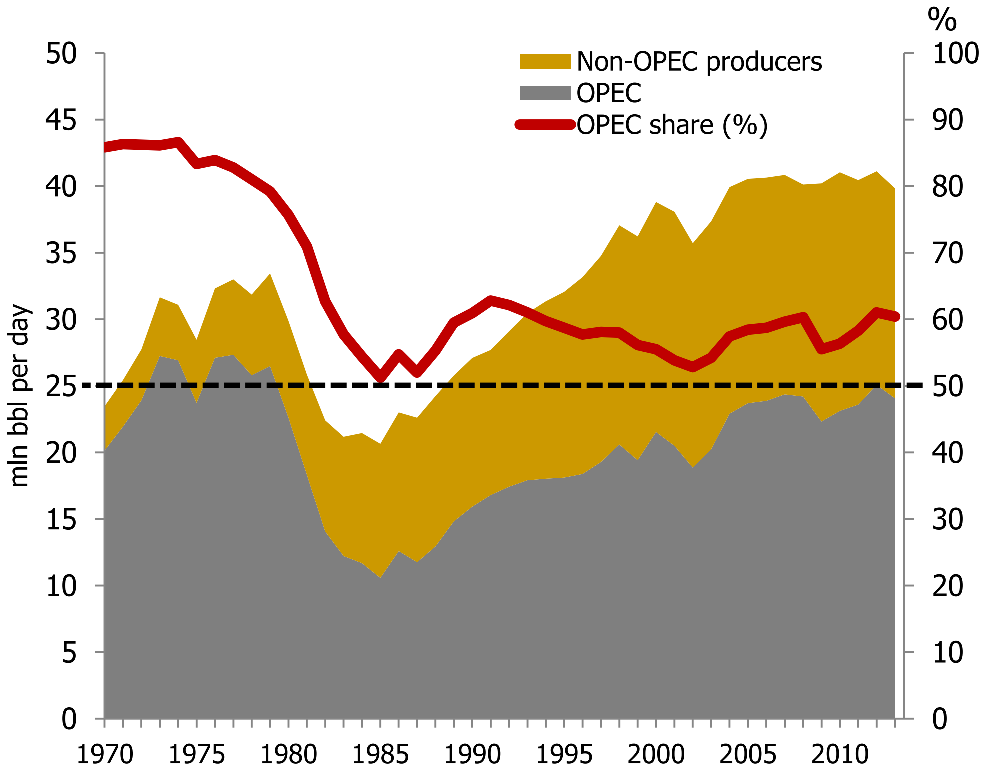
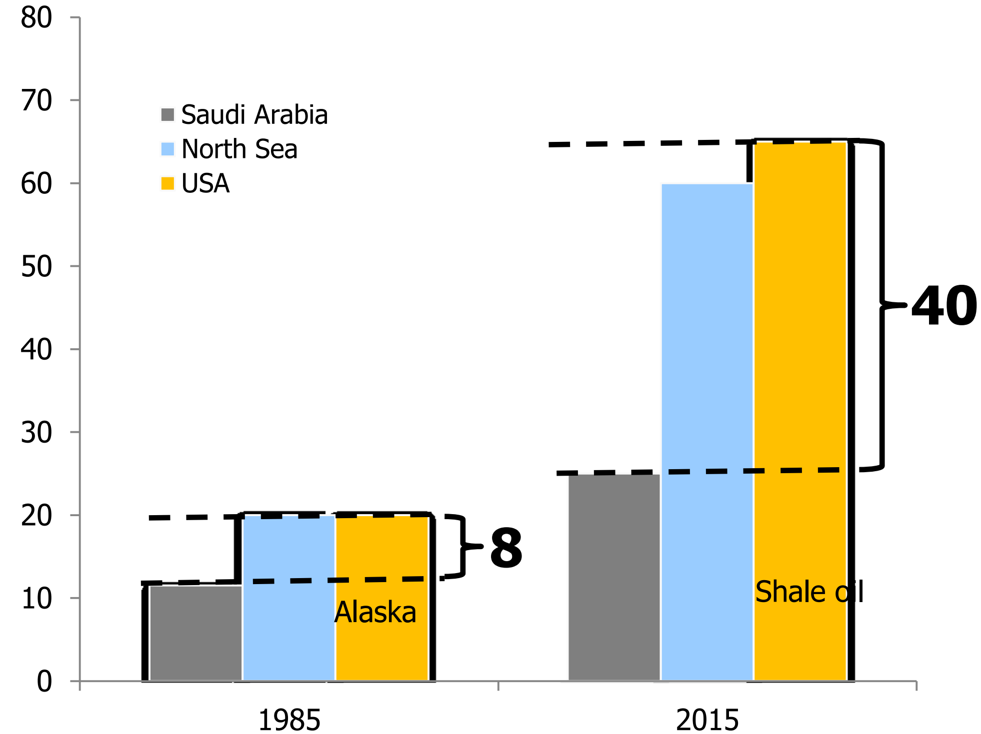
OPEC Has Already Implemented a Policy of Defending Its Market Share in the 2nd half of the 1980s

World oil trade volumes and OPEC share



Price comparison of economically viable oil production in 1985 and 2015, $2015 per bbl



- In the 2010th, the gap between high-priced and relatively low-priced cost of reserves development is significantly larger, than in the 1980s
- It implies steeper slope of the supply curve, and, as a result, sharper price fluctuations in reaction to market demand and supply rebalancing

Source: OPEC Annual Statistical Bulletin 2014, IHS Energy, Wood Mackenzie, LUKOIL estimates.

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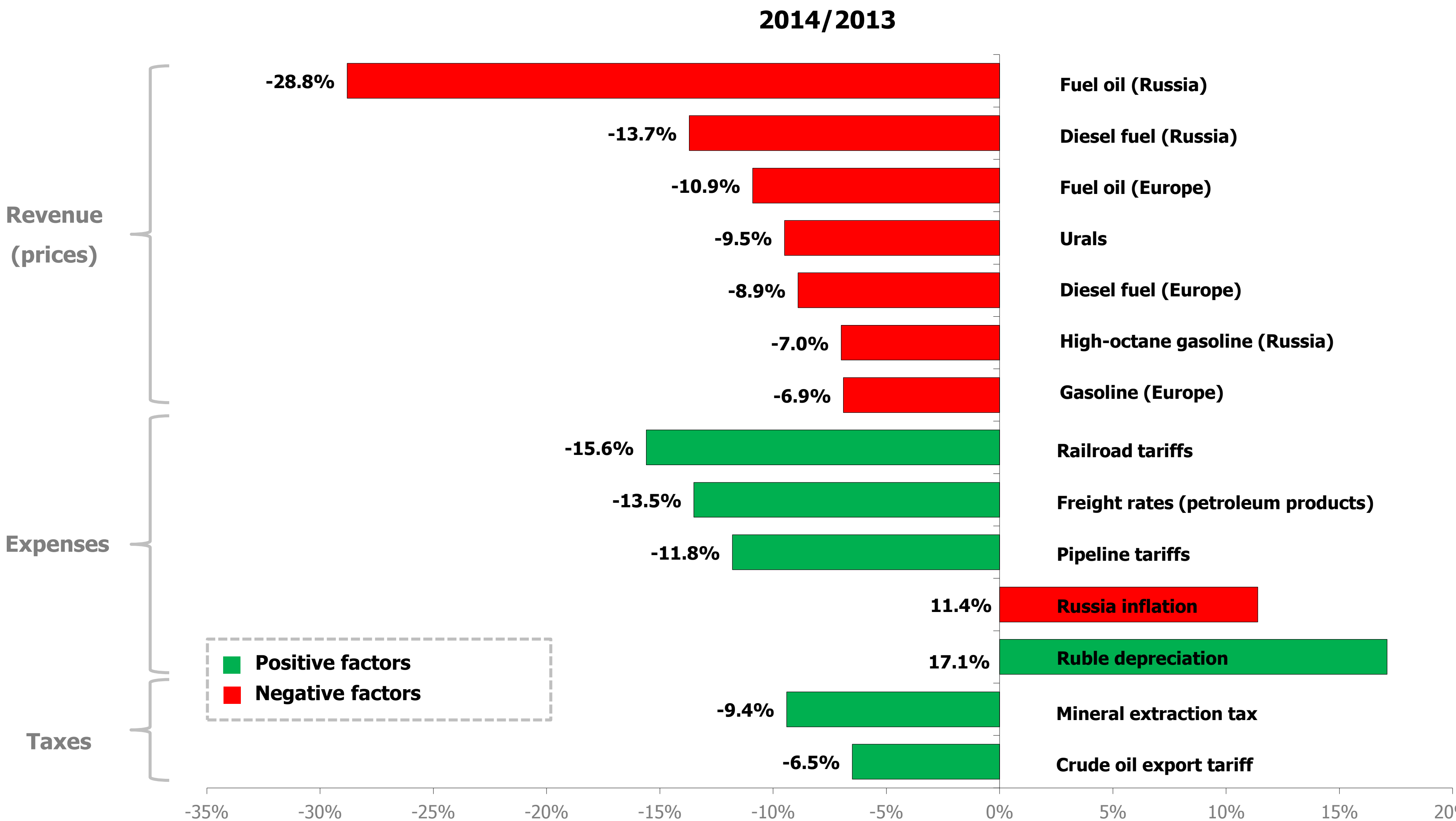
Macroeconomic and Tax Environment



Tariff calculation is presented on the basis of transportation expenses related to crude oil and refined products deliveries to various export destinations, weighted by volumes transported

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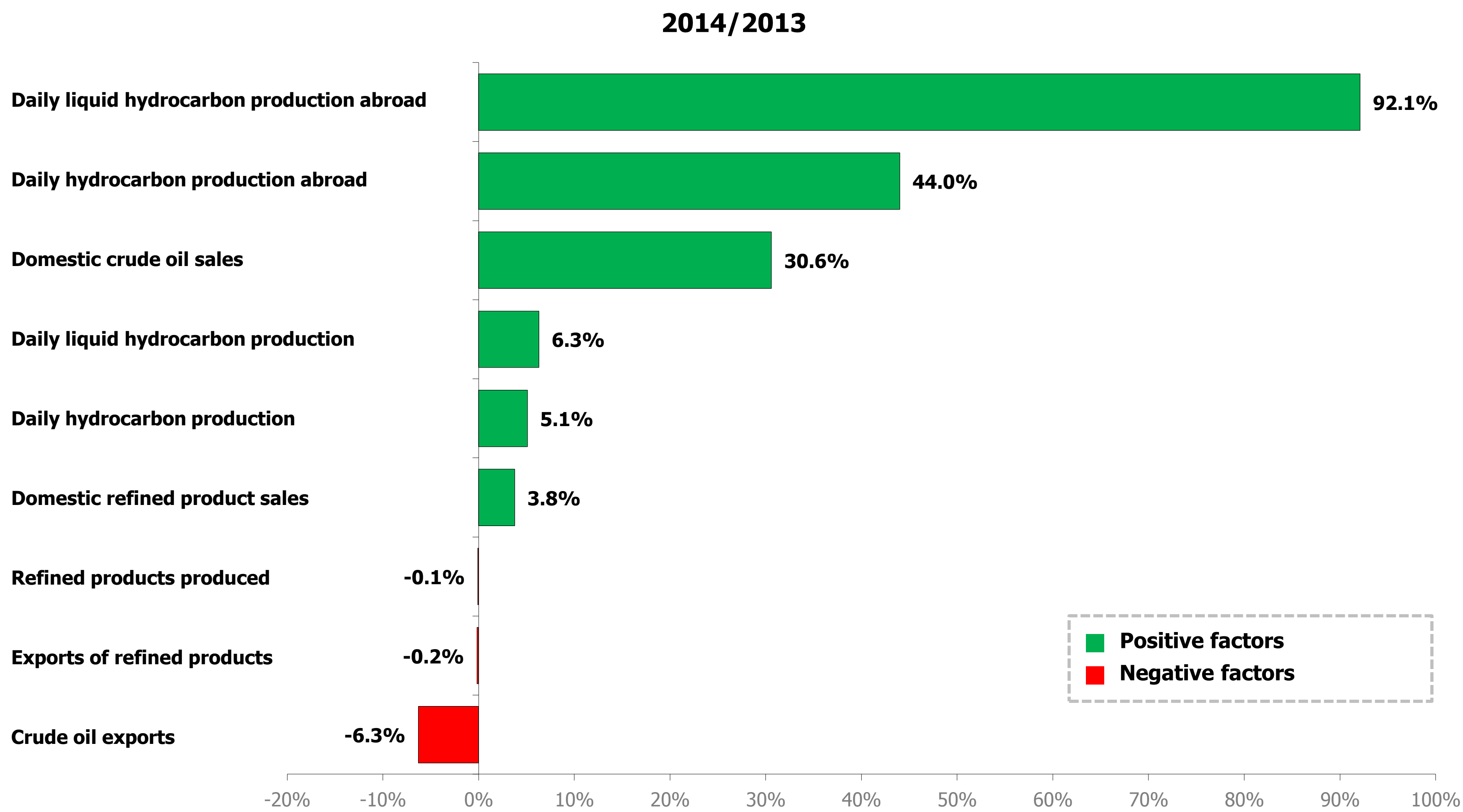
Main Operating Results



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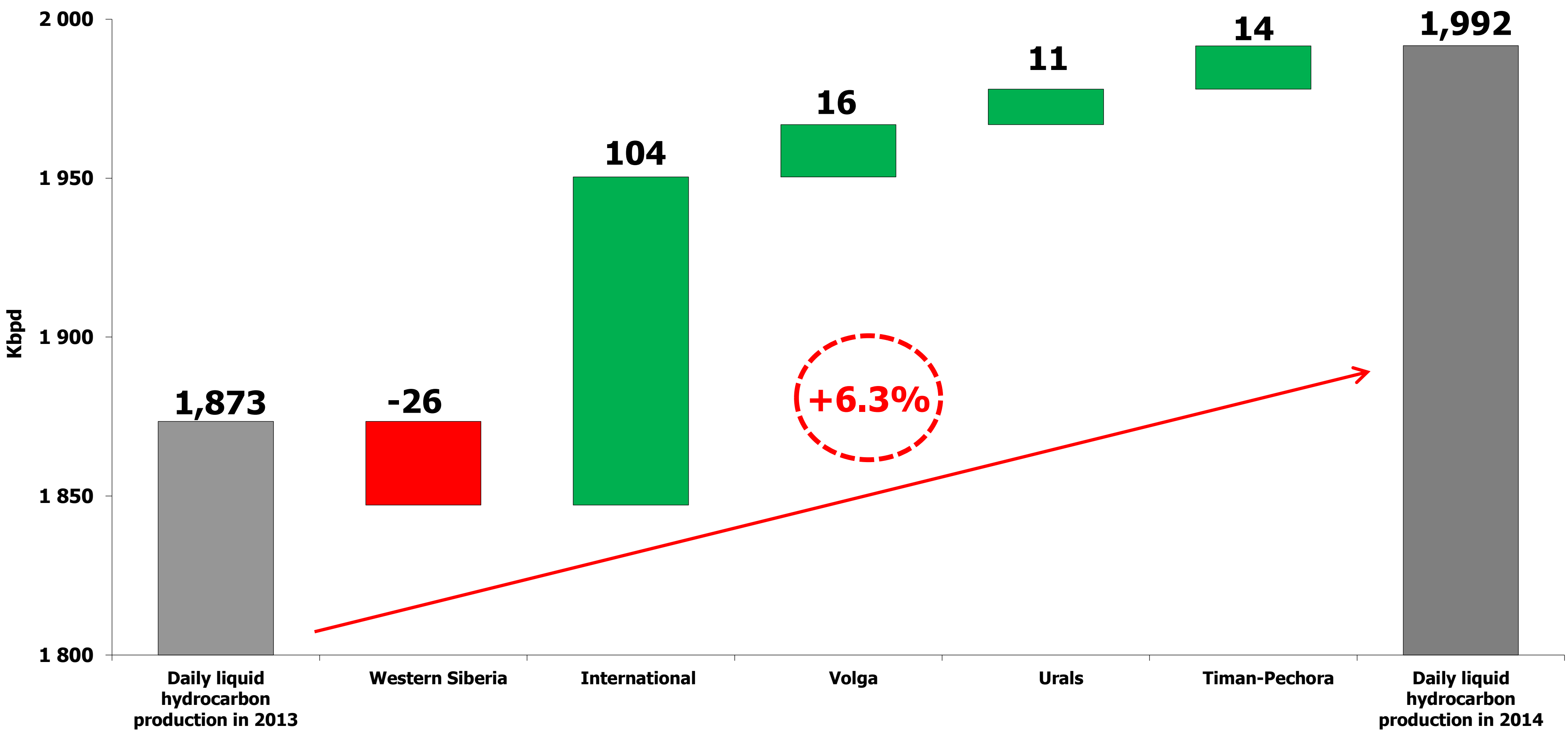
Liquid Hydrocarbon Production in 2014



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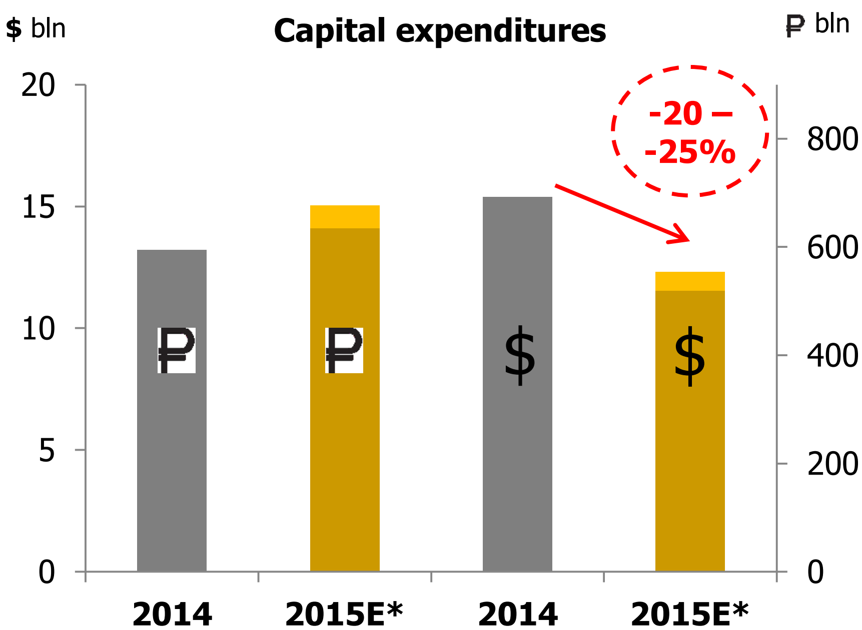
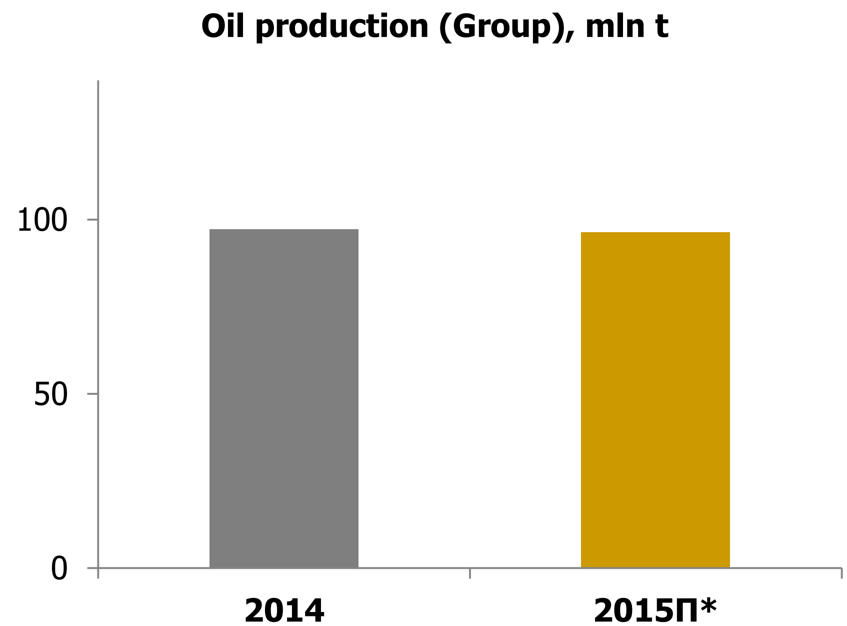
Operating plans in 2015



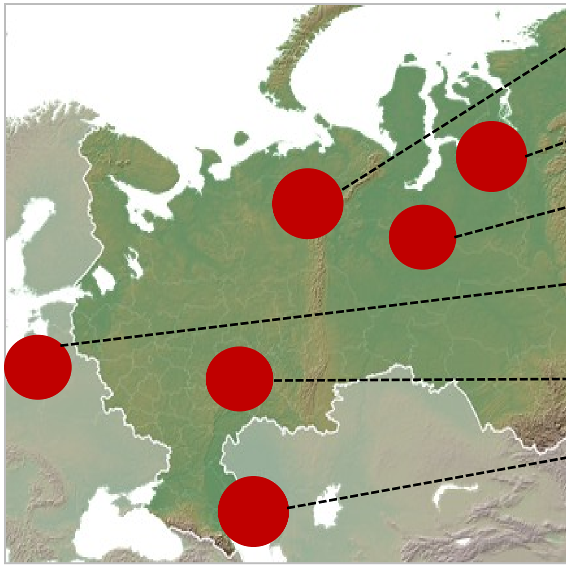


In 2015 we expect CAPEX to decrease by **20-25%** in dollar terms, oil production is expected at the level of 2014

* Under scenario: oil price $60 per bbl, 55 RUB/USD.

Exploration 2014 – the Best Year in Decade

Exploration priorities in 2015

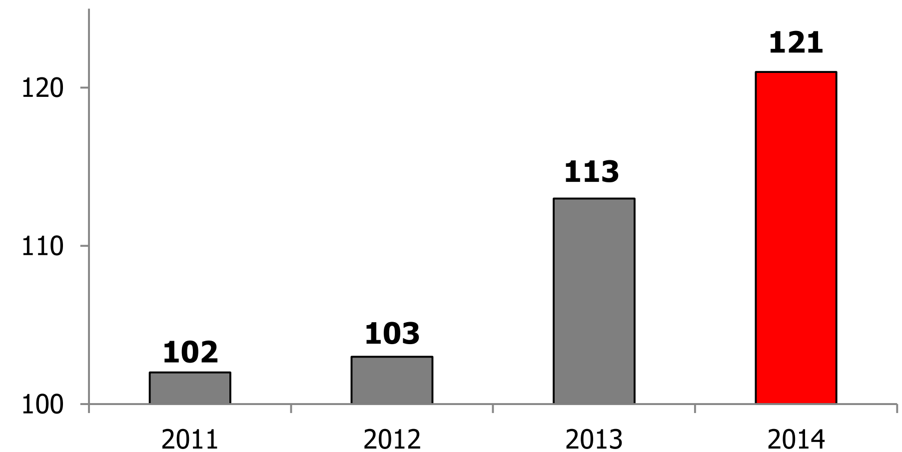


- **Denisovskaya Depression**
- **Bolshekhetskaya Depression**
- **Imilorsko-Istochny license area**
- **Baltics**
- **Samara and Ulyanovsk regions**
- **Caspian**
- **International projects**

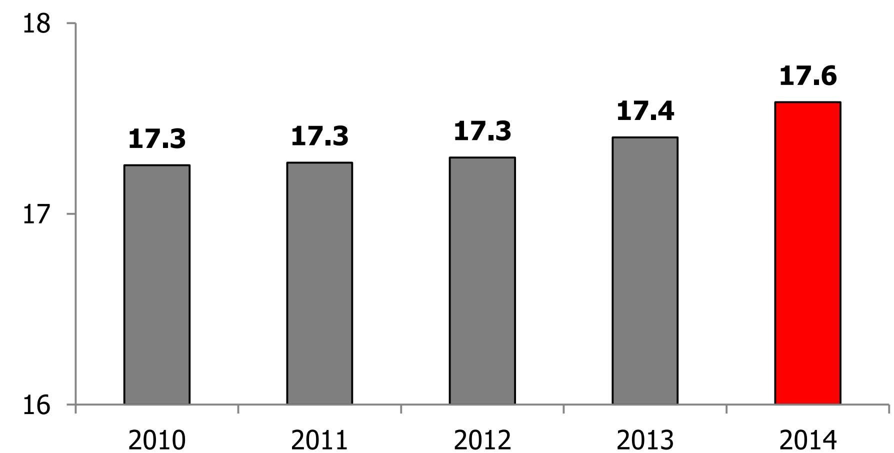
Increase in exploration drilling resulted in the **best results for the last decade** in:

- Fields discoveries (**14** fields)
- Hydrocarbon reserves extension and discoveries (**815** mln boe)

Hydrocarbon reserve replacement, %



Proved hydrocarbon reserves, bln boe



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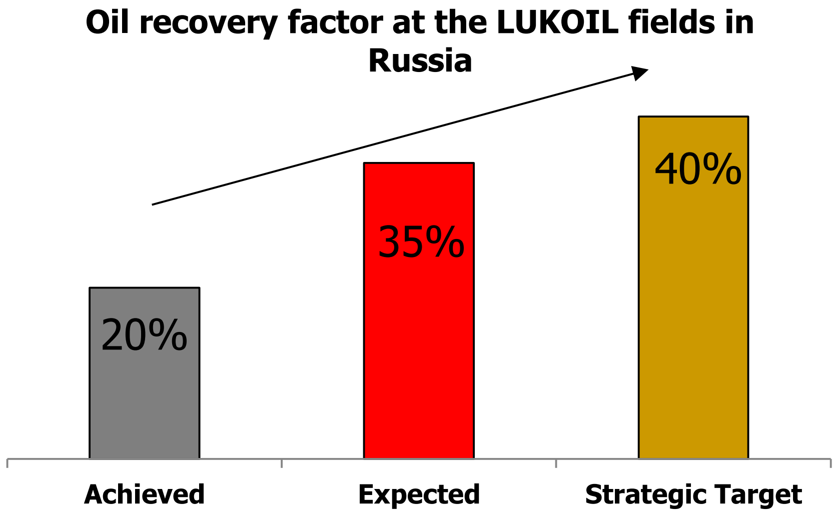
Strategic Target: Growth of Oil Recovery Factor



- Oil recovery factor achieved by LUKOIL:
  - ✓ Kaliningrad 49.2%
  - ✓ Volgograd 48.7%
- Potential increase in recoverable reserves due to oil recovery factor growth: **up to 6 billion barrels** of oil

Oil recovery factor is calculated using 2P+2C reserves and resources.

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Financial Results

$ mln	2014	y-o-y	4Q	q-o-q
Sales	**144,167**	**2%**	**31,260**	**-20%**
OPEX	10,115	0%	2,522	-7%
Taxes other than income tax, excise, export tariffs	34,256	-5%	7,330	-21%
Income from operating activities	7,126	-30%	-1,298	-
Adjusted income from operating activities	9,583	-26%	454	-85%
Income before income tax	6,772	-35%	-965	-
Net income	**4,746**	**-39%**	**-996**	**-**
Adjusted net income	**7,087**	**-31%**	**640**	**-65%**
Basic EPS, $	6.29	-39%	-1.32	-
EBITDA	**15,982**	**-4%**	**1,212**	**-77%**
Adjusted EBITDA	**18,426**	**-4%**	**2,951**	**-47%**

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Non-Cash Assets Write-offs: Ukraine

Situation in Ukraine:

- Unsatisfactory investment climate
- Sharply increasing political and macroeconomic risks in Ukraine
- Uncoordinated policy of regulating authorities

Political and economic instability in Ukraine increased in 2014.

At the end of 2014 LUKOIL recognized loss from impairment of assets in Ukraine in the amount of **$104 mln**

The assets have **immaterial effect on profit** of the Company.

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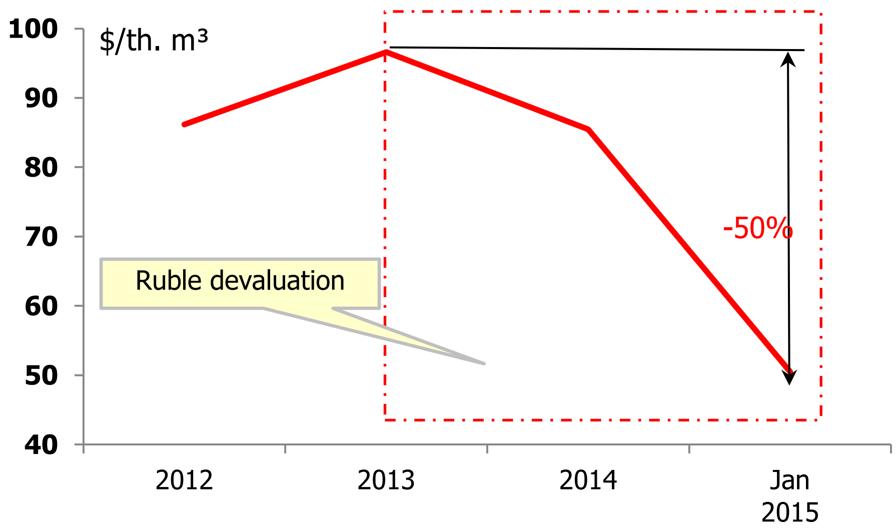
Non-Cash Assets Write-offs: Primoryeneftegas (Tsentralno-Astrakhanskoe Field in Volga Region)

Rapid ruble devaluation in 4Q 2014 lead to an internal dollar gas price decrease



Natural gas demand and supply balance in Russia

bcm	2014	2020*
Gas production in Russia	640	700
Exports to CIS and Europe	190	240
Consumption in Russia	450	500
«Power of Siberia»		38
«Altay»		30
«Yamal LNG»		22
Internal market deficit	**0**	**-130**

Loss on impairment of assets: **$761 mln**

Decrease in economically approved value due to:

- Ruble devaluation in 4Q 2014 and 50% internal dollar gas price decrease
- Excess current gas production capacity in Russia

* Source: expert opinion, companies data

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Non-Cash Assets Write-offs: Block A (Saudi Arabia)

LUKOIL entered Block A exploration and development project in Saudi Arabia in March 2004.

Block A with 29.9 th. km² area is situated in south part of Saudi Arabia in Rub' al Khali desert.

9 prospecting wells were drilled at the block. 90% of Block A area was transferred to the government due to the beginning of the discovered fields appraisal phase.

A field with hydrocarbon resources of 85 mln t of reference fuel was discovered on Tuhman structure, as well as Mushaib gas condensate field with reserves over 150 mln t of reference fuel.

Write-offs: **$214 mln**

Basis for write-offs:

Absence of contract negotiated with the national company

Negotiations in progress

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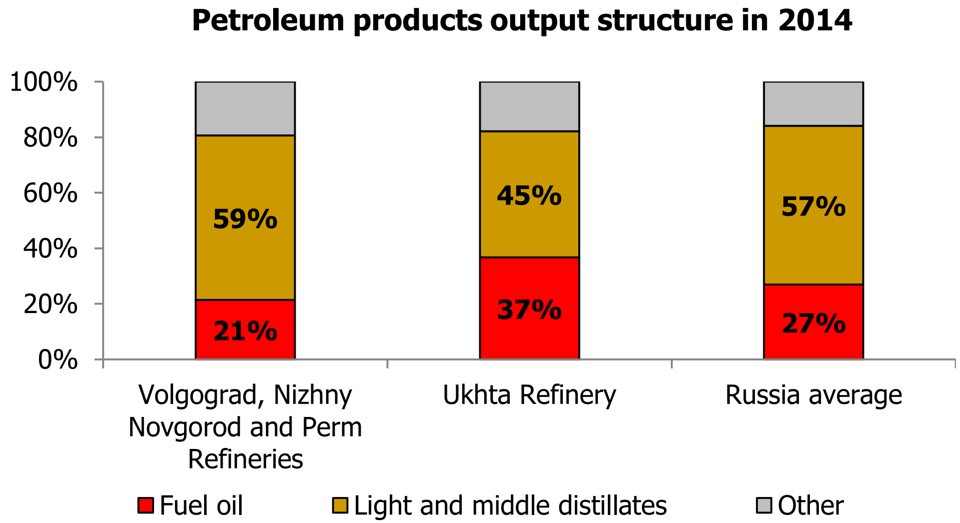
Non-Cash Assets Write-offs: Ukhta Refinery



- Write-offs: **$114 mln**
- Situated in central Komi Republic, refines oil from the region
- The smallest refining volume among LUKOIL Russian refineries (capacity 3.5 mln t per year)
- The least complex among LUKOIL Russian refineries (**Nelson index — 4.0**)
- Least adapted to fuel oil export duty rate increase, because of simplicity and limitations of local market

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Operating Expenses

$ mln	2014	y-o-y	4Q	q-o-q
Total operating expenses	**10,115**	**0%**	**2,522**	**-7%**
Hydrocarbon extraction	4,718	9%	1,160	-10%
Own refining	2,059	-5%	516	-5%
Refining at third parties and affiliated refineries*	266	-44%	81	17%
Crude oil transportation to refineries	1,036	-18%	235	-9%
Power generation and distribution	838	17%	195	-31%
Petrochemicals	182	-43%	47	96%
Other	1,016	26%	288	11%
Cost of purchased crude oil, gas and products	**71,245**	**8%**	**16,528**	**-11%**

* Including cost of processing operations at ISAB.

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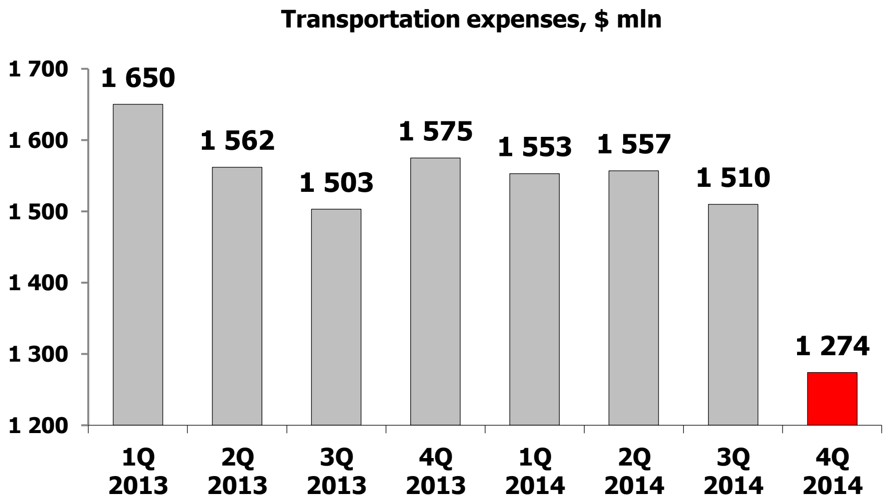
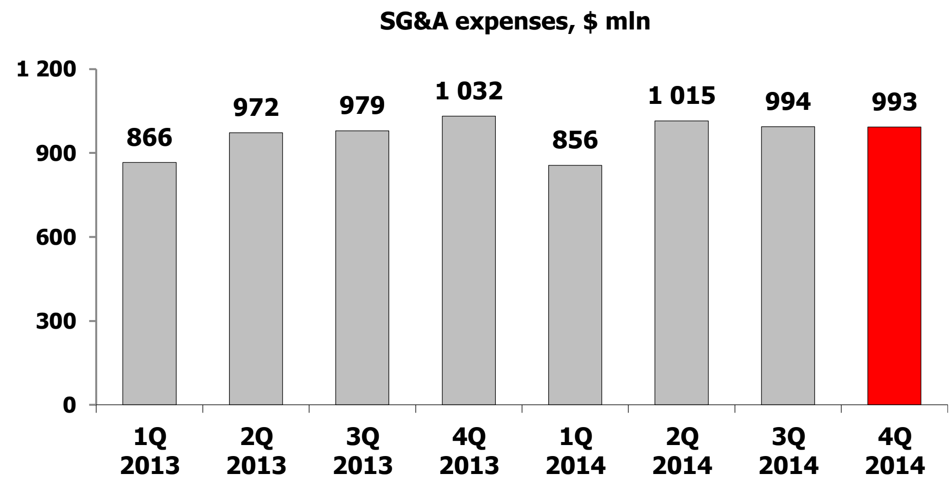
SG&A and Transportation Expenses





$ mln	2014	y-o-y	4Q	q-o-q
Transportation expenses	5,894	-6%	1,274	-16%
Selling, general and administrative expenses	3,858	0%	993	0%
Total	**9,752**	-4%	**2,267**	-9%

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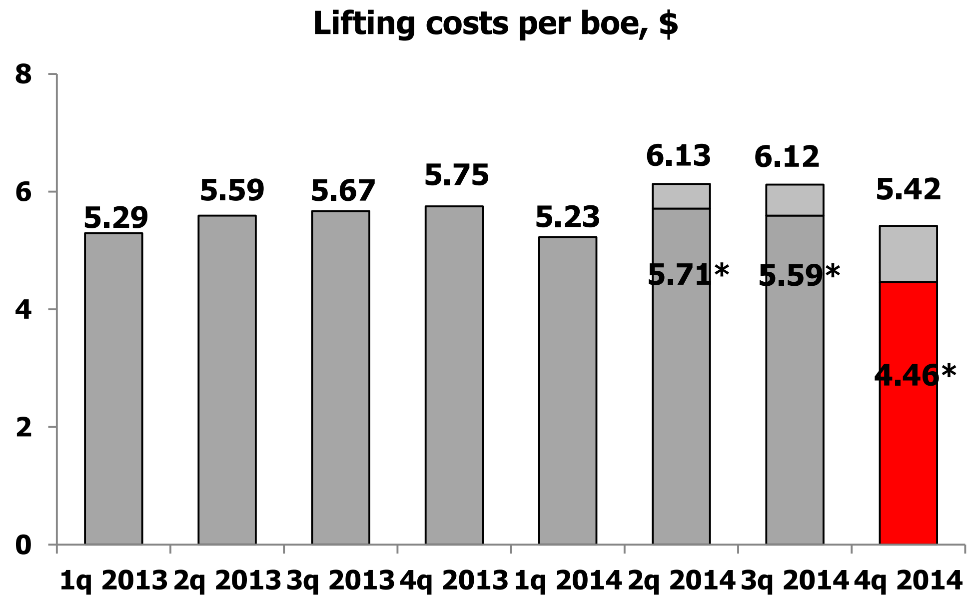
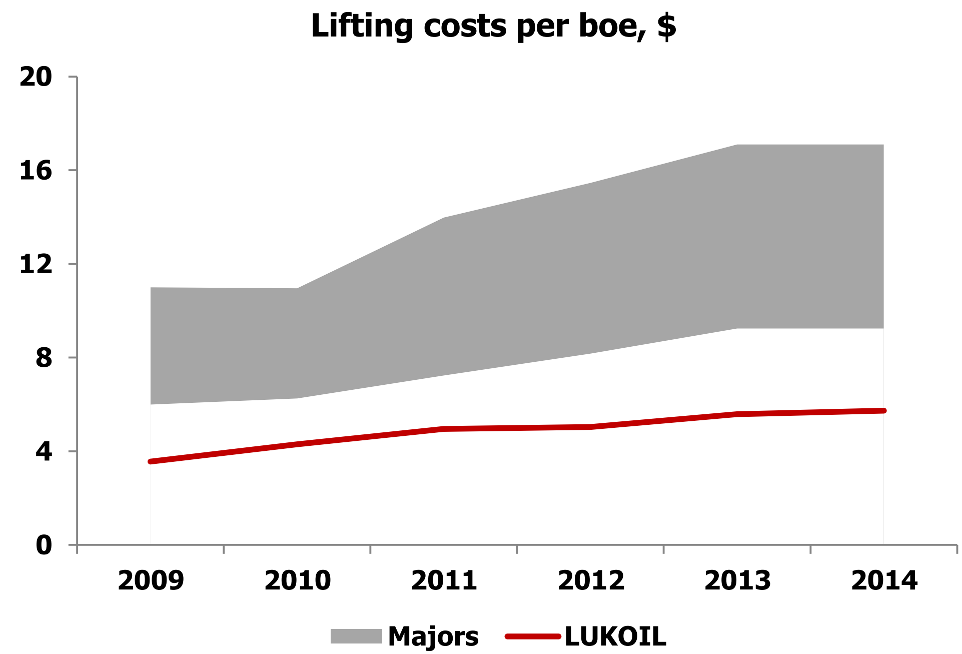
Effective Cost Control





In 2014, an increase in lifting cost per boe was mainly due to the start of West Qurna-2 project cost accounting. Conversely, ruble depreciation decreased lifting costs:

- **West Qurna-2 lifting cost constituted 24% of total lifting cost in 4q 2014**
- **Lifting cost per bbl in Russia dropped 23% on the back of 24% decrease in RUB/USD exchange rate (4q/3q 2014)**

Source: Companies' financial statements. O&G majors include: ExxonMobil, Royal Dutch Shell, Chevron, BP, ConocoPhillips, Total, Eni.

* Excluding West Qurna-2 project.

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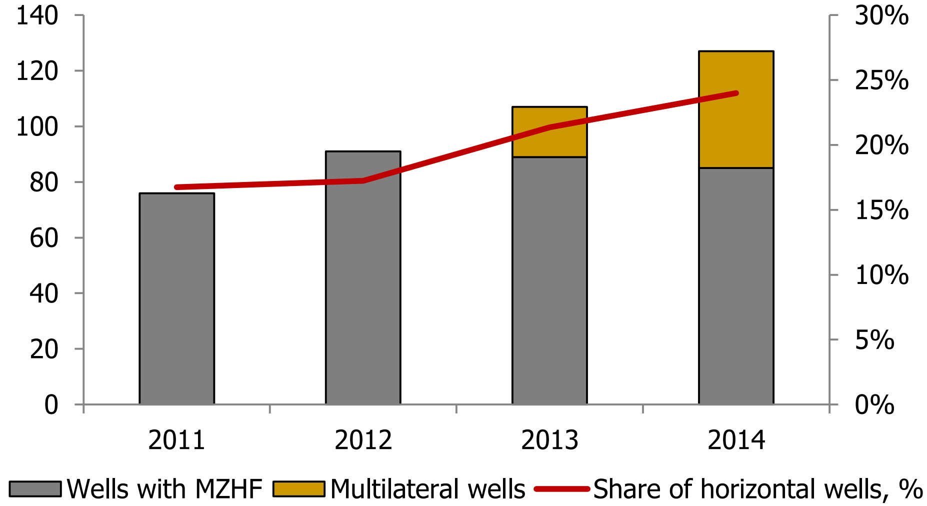
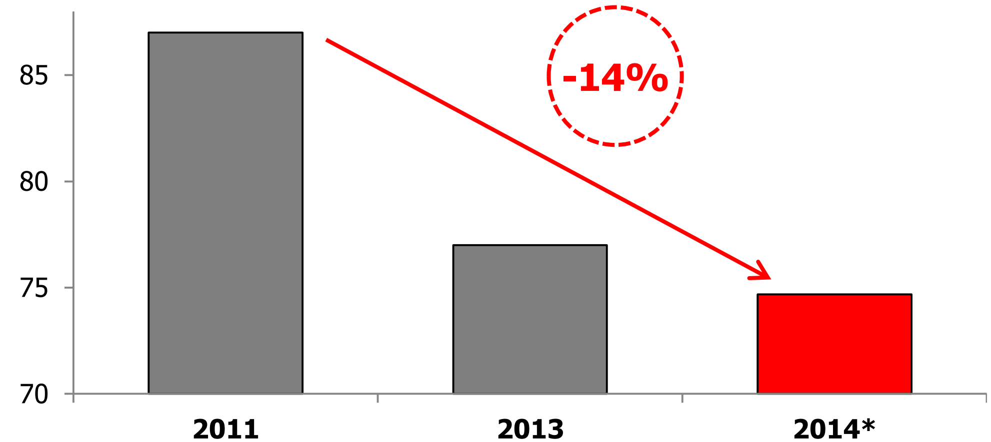
LUKOIL Increases Technology Intensive Drilling

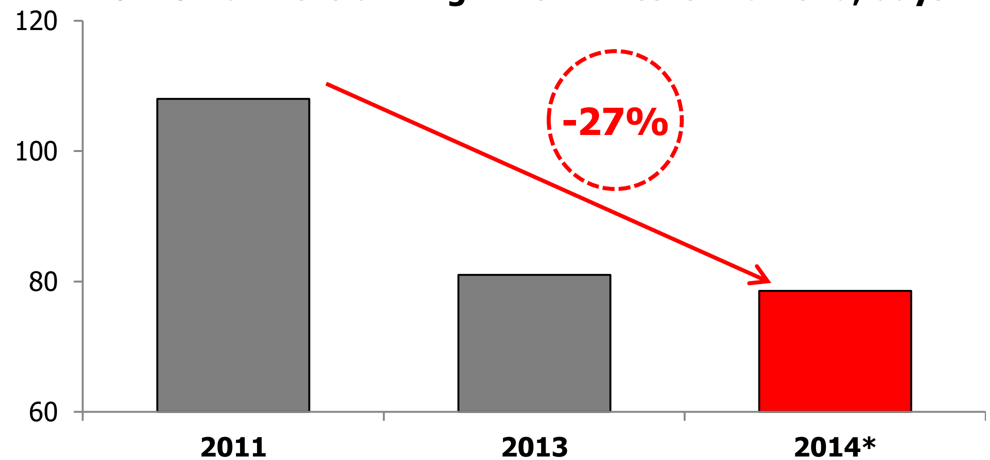
Introduction of new technologies in wells construction in Russia



Directional wells drilling time in Western Siberia, days



Horizontal wells drilling time in Western Siberia, days



Every 4-th LUKOIL well in Russia is horizontal

Multizone hydrofracturing (MZHF) with 4-5 to 8-10 fractures per well is actively used

Since 2013 **multilateral wells** have been actively used. In 2014 over 40 **multilateral wells** were launched.

* Source: Schlumberger, LUKOIL estimates

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CAPEX Structure

$ mln	2014	y-o-y	4Q	q-o-q
Total (including non-cash)	**15,391**	**0%**	**3,711**	**-6%**
Exploration and production	11,882	1%	2,712	-10%
Russia	8,151	-2%	1,617	-23%
International	3,731	7%	1,095	21%
Refining and marketing	2,791	3%	708	-5%
Russia	1,990	15%	531	-4%
International	801	-18%	177	-8%
Chemicals	253	124%	84	-6%
Russia	251	139%	83	-6%
International	2	-75%	1	0%
Power generation	340	19%	200	223%
Other	125	-76%	7	-89%

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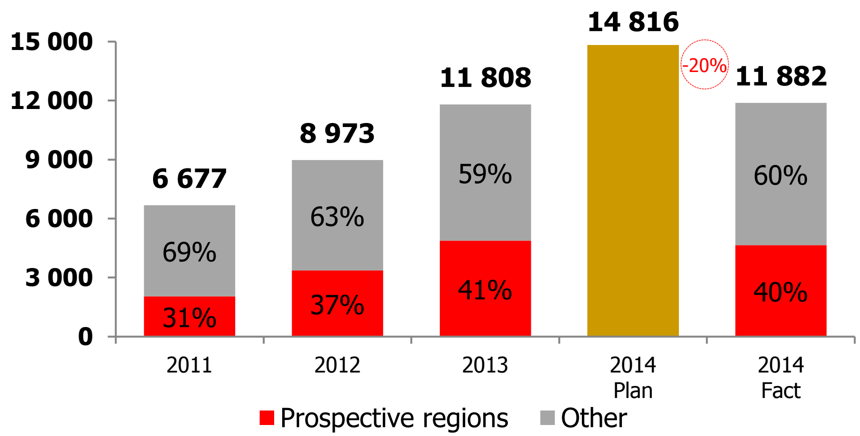
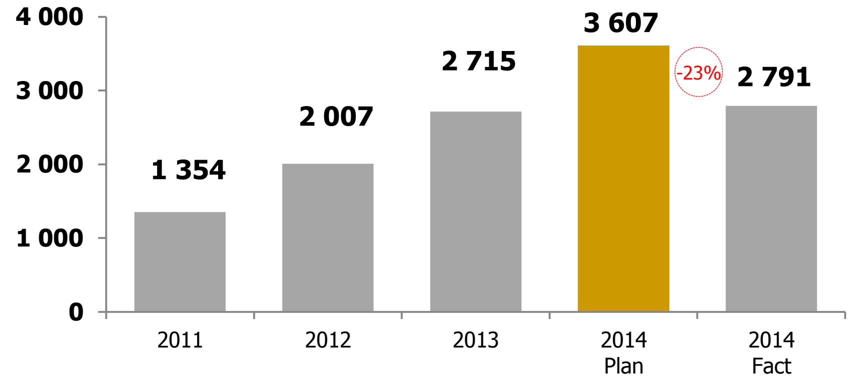
Capital Expenditures

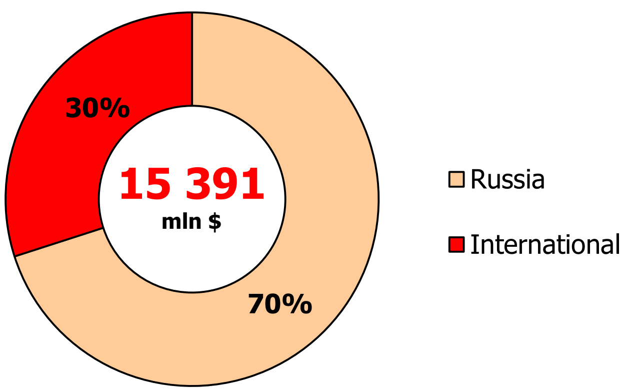
Exploration and production, mln $

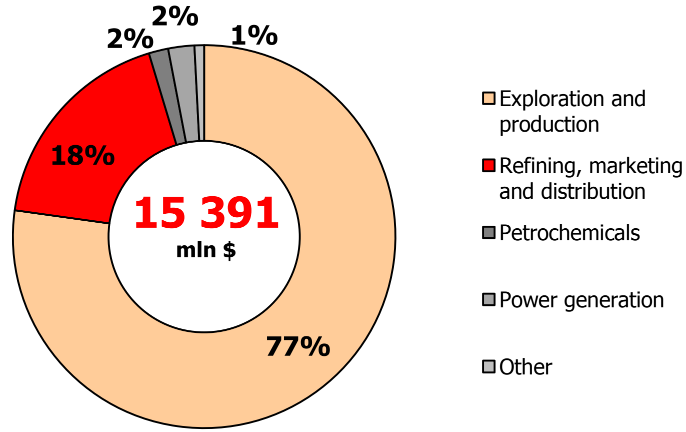


Refining, marketing and distribution, mln $



Capital expenditures structure in 2014





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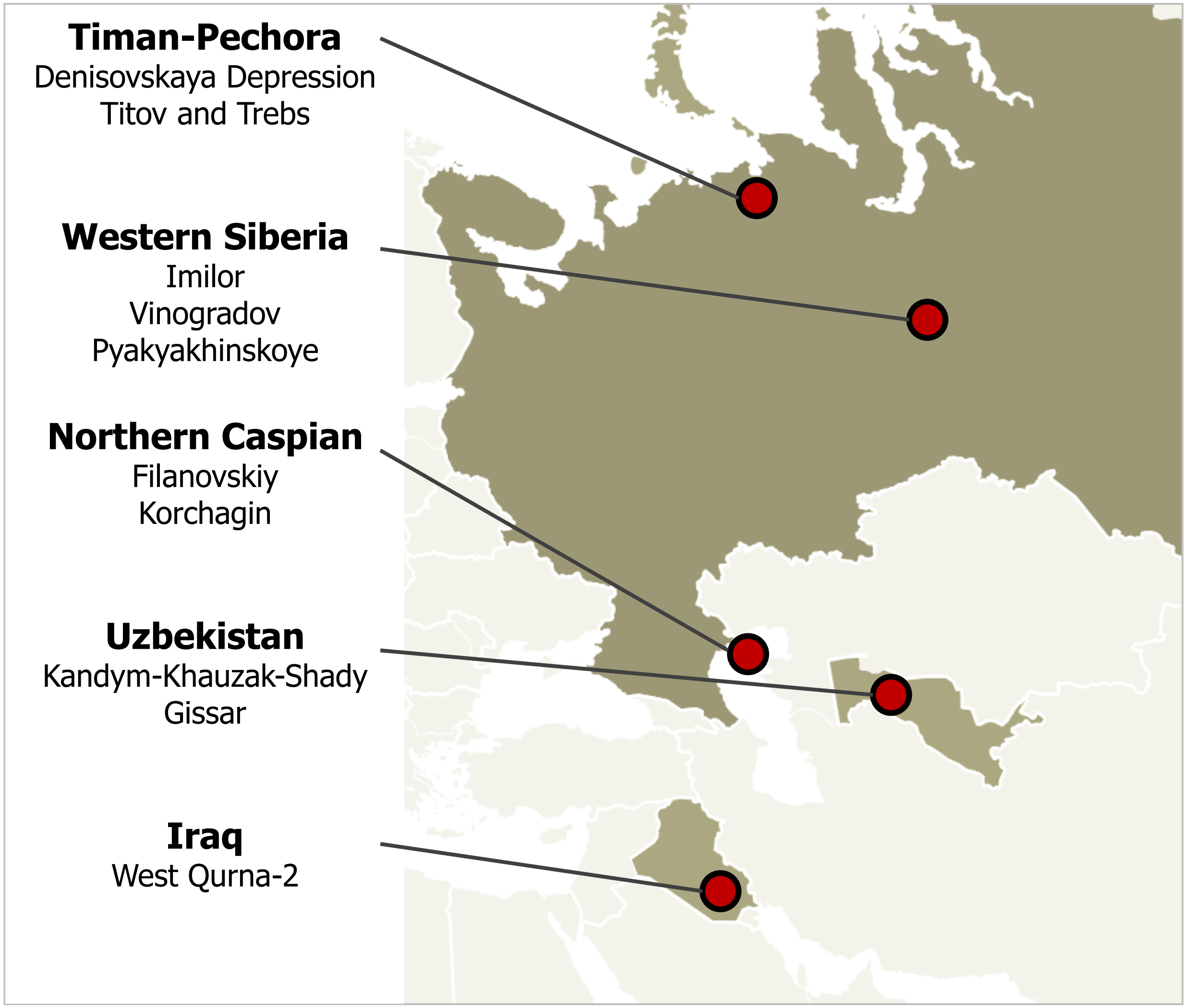
LUKOIL Production Growth Regions



Timan-Pechora oil production growth in 2014 was 4.6%

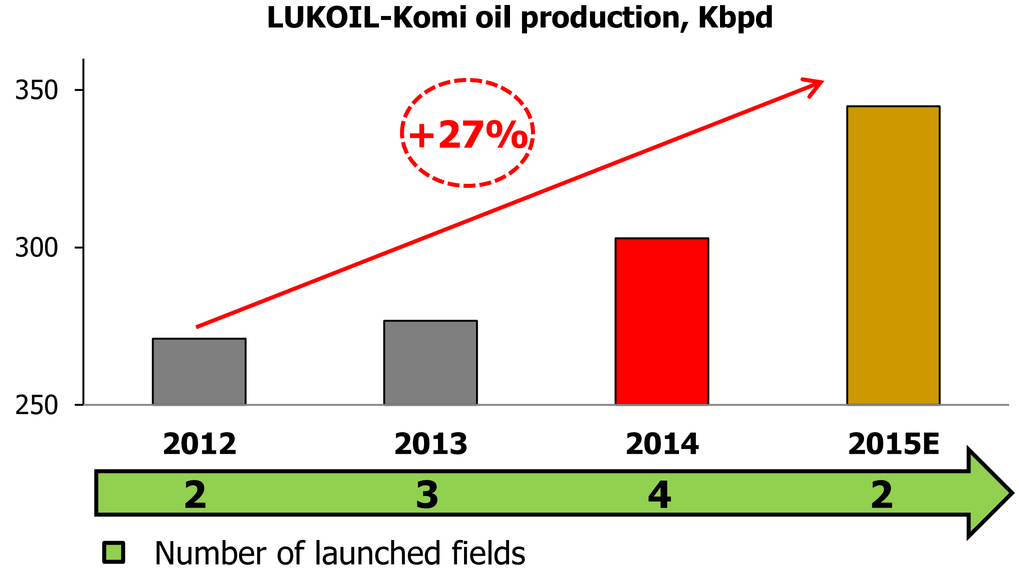
Production started from Imilor field in 2014

Sea works on the first part of Filanovsky field development have been finished

A large contract on Kandym gas processing plant construction was signed

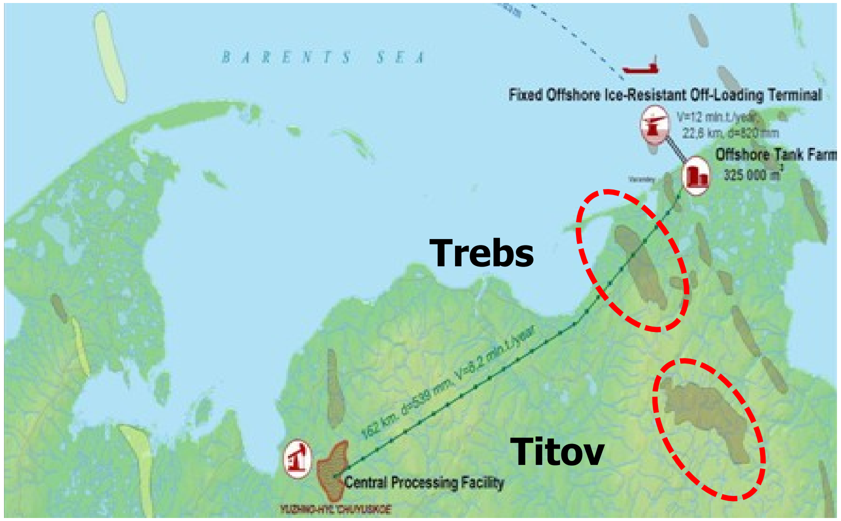
Commercial production and cost compensation phase were achieved on West Qurna-2 project

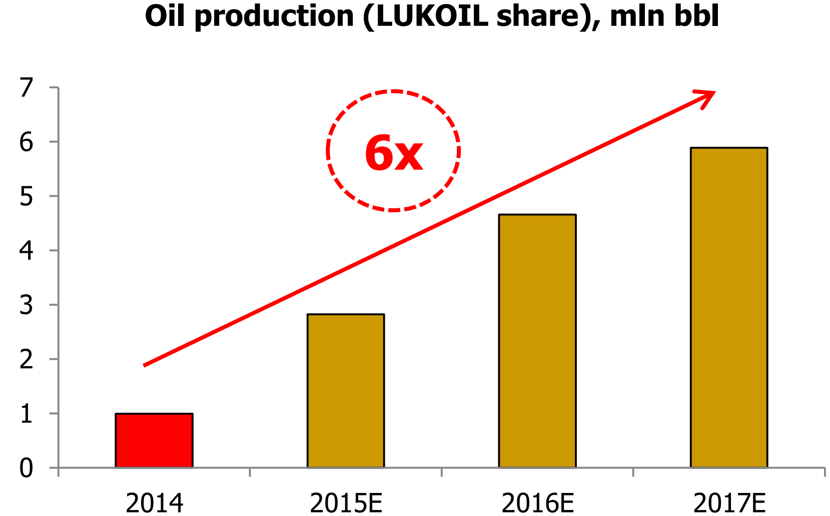
LUKOIL-Komi (Timan-Pechora)



- **4** fields were launched **in 2014**
- **25** fields to be launched **in 2015-2019,** with **27%** expected production growth
- **Yaregskoye and Usinskoye** – LUKOIL's major super and high viscosity oil fields subject to tax benefits

Trebs and Titov Development





- **In 2014 LUKOIL production share amounted to 1.0 mln bbl**
- **LUKOIL by joint efforts with Rosnedra and Bashneft defended the right for license**

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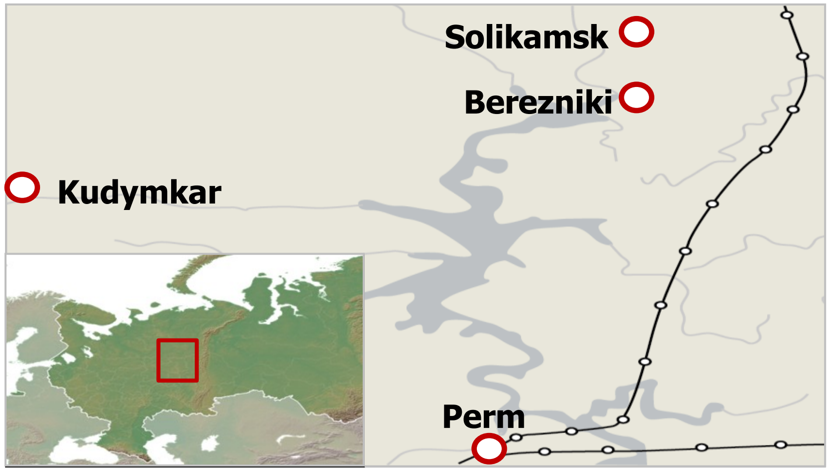
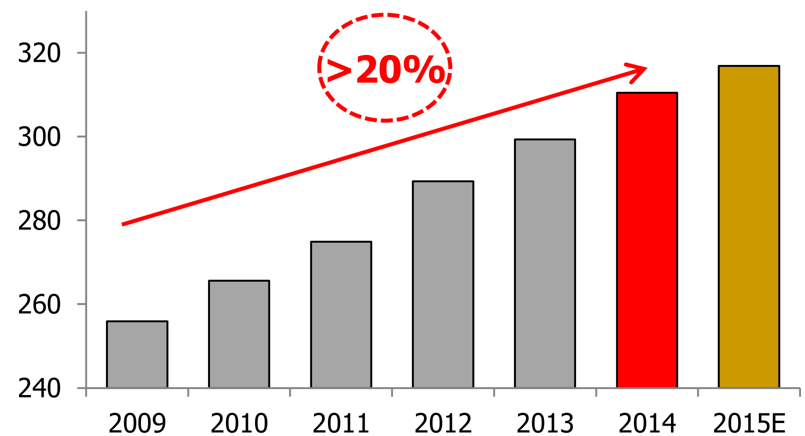
Urals



LUKOIL has been showing consistently growing production in Urals for many years

In 2014 liquid hydrocarbon production increased by 4% to 310 Kbpd

Liquid hydrocarbon production, Kbpd



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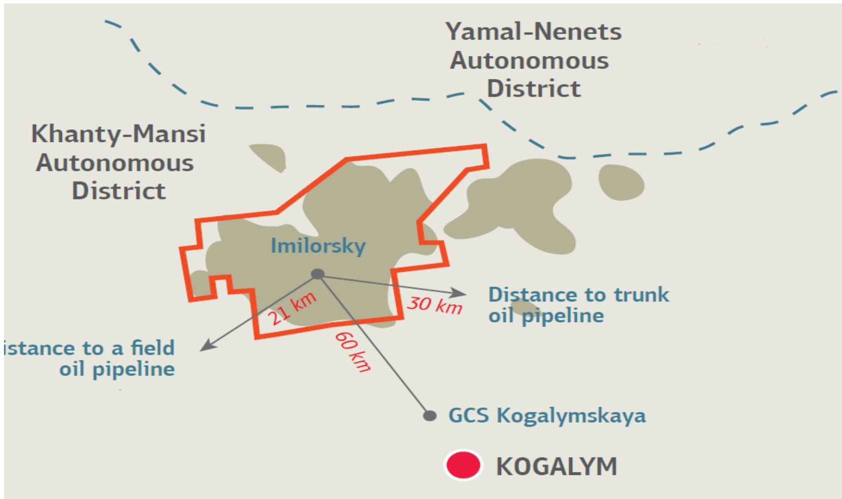
Imilor Field Development (Western Siberia)

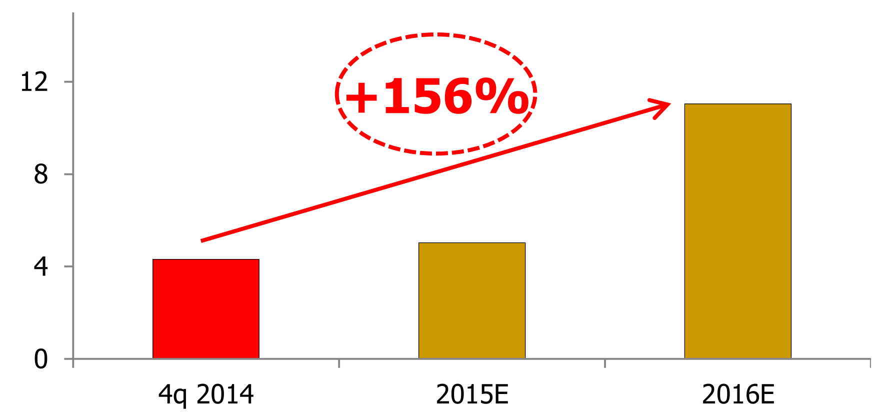


In **2014** we constructed roads, power lines, pipelines, multiple well pads, river bridge, booster compressor station and other infrastructure facilities

In **2015** we plan to launch 36 wells, to construct 3 multiple well pads, 12 km of roads, 22 km of oil pipelines, 66 km of power lines and to equip 52 wells

The Government of the Russian Federation considers a possibility of implementing an Excess-Profits Tax pilot program on the field

Oil production, Kbpd



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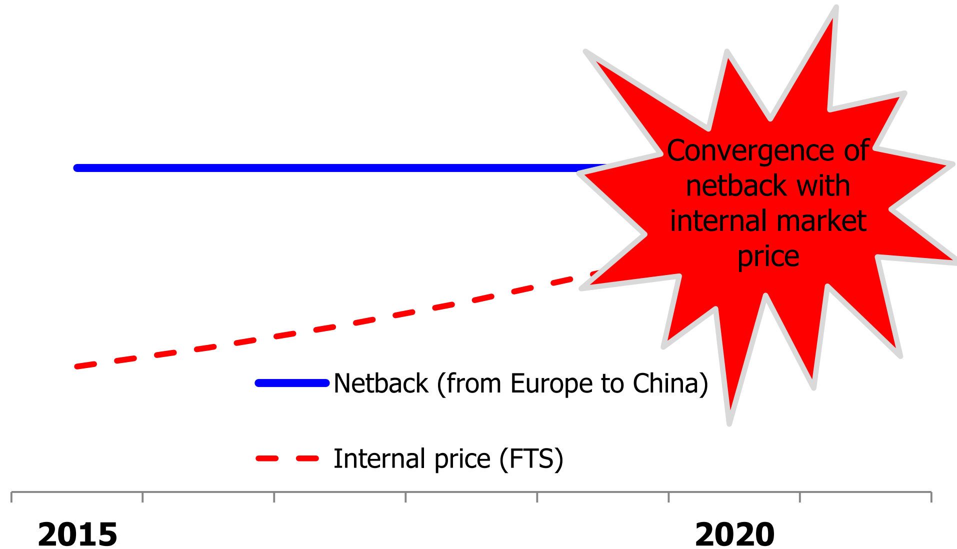
Development of International Gas Transportation Routes in Russia – Increase in Potential for Gas Monetization for All Market Participants

Gas transportation infrastructure development in Russia

Gas price netback (from Europe to China) compared to internal market price



- **On May 21, 2014 Russia and China signed a 30 years contract to deliver 38 bcm of Russian gas per year through Power of Siberia gas pipeline**
- **In November 2014 a memorandum and framework agreement on an almost twofold increase in gas deliveries to China using Altay western gas pipeline**
- **Planned increase in natural gas export capacities should provide additional outflow of Russian gas**

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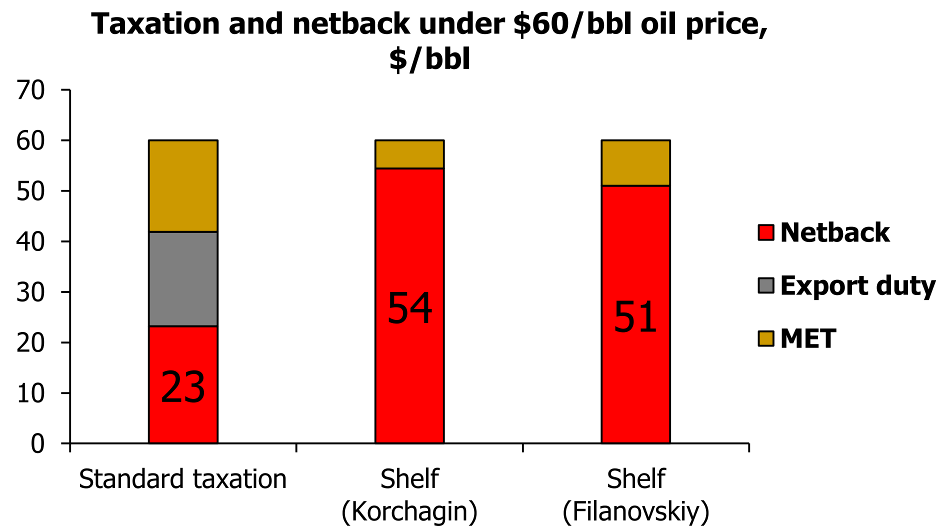
Northern Caspian: Filanovskiy Field Development



In **2014** we completed sea operations of the first stage development and finished transportation and installation of the topsides for the IRP-1, LQP-1, CPP and RB including crossovers. Construction, assembling and commissioning sea operations have begun.

2016: Start of the commercial production

We plan to complete all construction works in the sea, to start well drilling and to launch the field.

IRP – ice-resistant stationary platform, LQP – living quarters module platform, CPP – central processing platform, RB – riser block.

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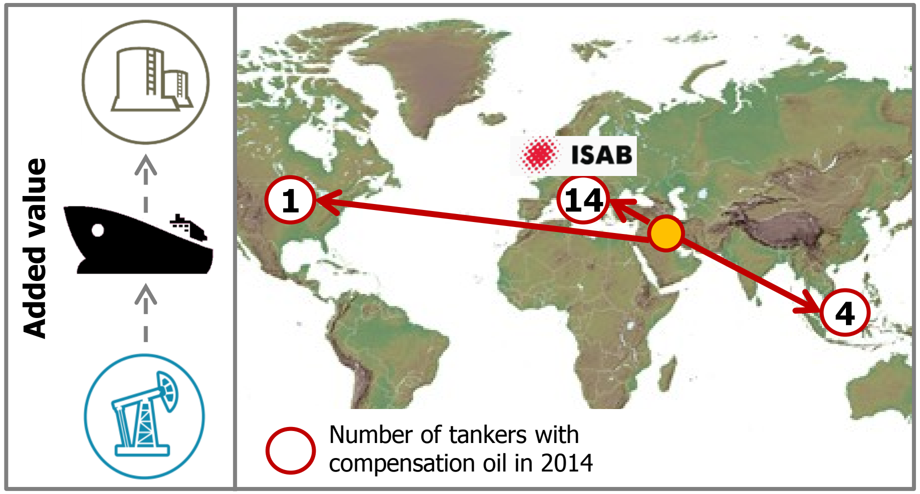
West Qurna-2 Development



Discount per bbl: **Basra light** **$4.5**
Basra heavy **$7.5**

- In **2014** we shipped **19** tankers with **31** mln bbl
- Achieved level of production - **380** Kbpd
- Project's economy is relatively protected against oil price shocks

Refining Capacities Modernization

Nizhny Novgorod

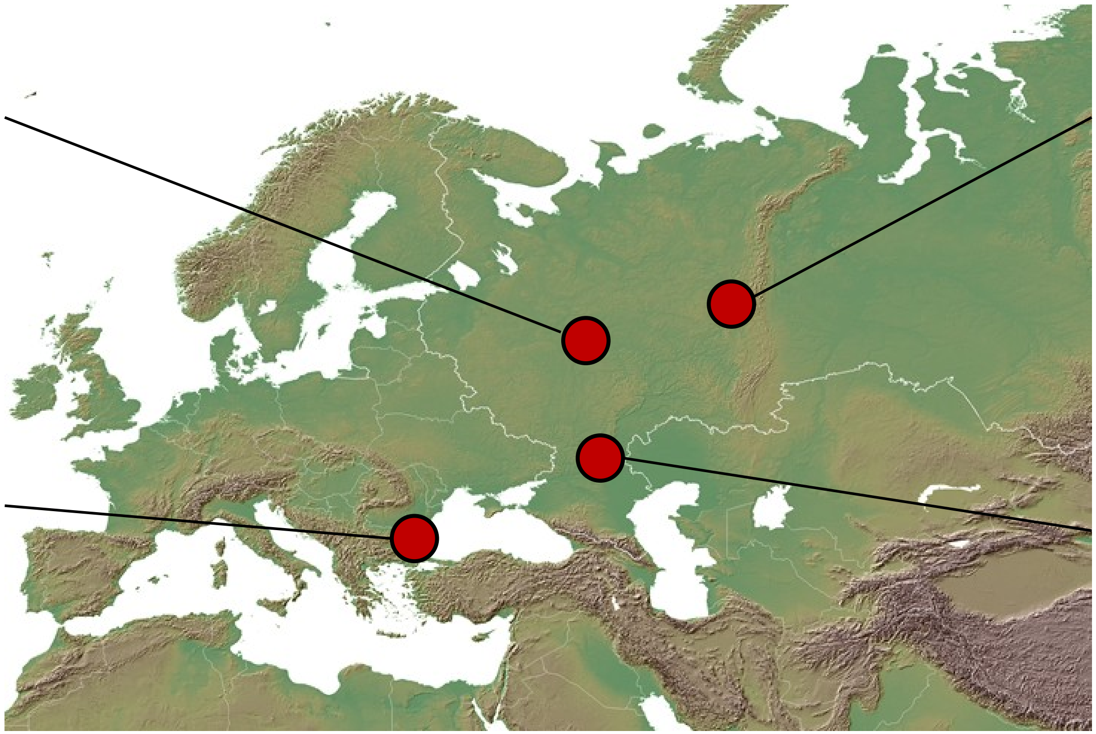
Catalytic cracking

Capacity: **2.0 mln t/year**
Launch: **2015**

Burgas

Residue hydrocracking

Capacity: **2.5 mln t/year**
Launch: **2015**



Perm

Coker

Capacity: **2.1 mln t/year**
Launch: **2015**

Volgograd

Vacuum gas oil hydrocracking

Capacity: **3.5 mln t/year**
Launch: **2016**

In 2015-2016 LUKOIL to launch secondary refining capacities of 10 mln t

Annual weighted average effect on EBITDA ≈$2 bln

ALWAYS MOVING FORWARD

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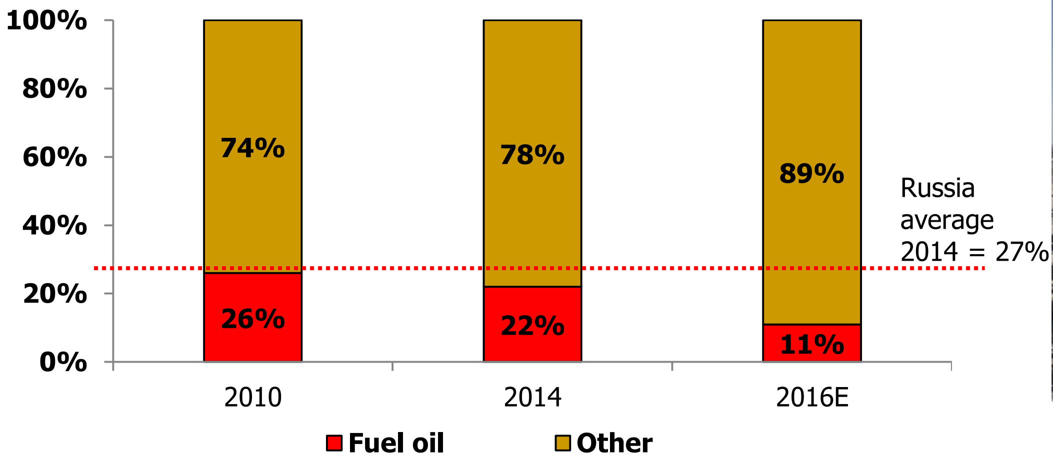
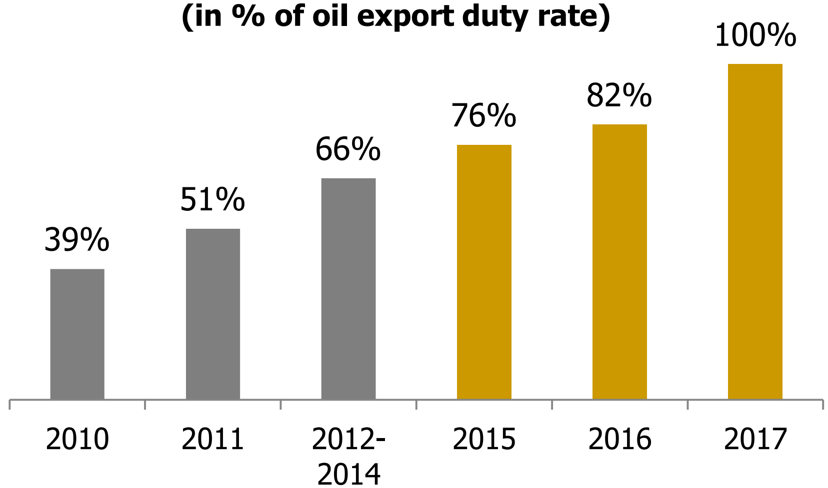
LUKOIL Refineries are Better Adapted to the Tax Manoeuvre than Russian Industry on Average

Volgograd, Perm and Nizhny Novgorod Refineries
Structure of petroleum product output



Fuel oil export duty
(in % of oil export duty rate)



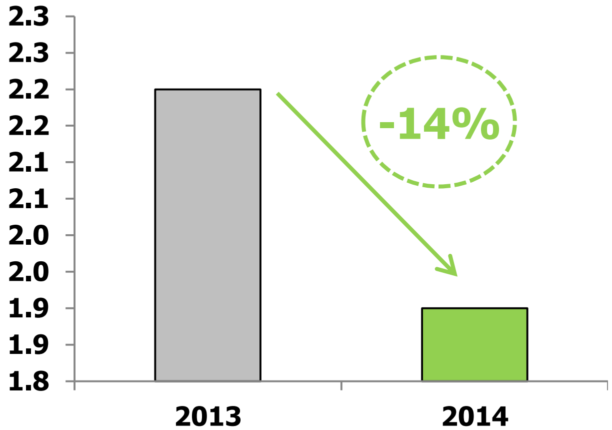
LUKOIL oil product output in Russia, mln t

	2013	2014	2016E	
Gasoline	8.6	8.7	10.8	+26%
Diesel fuel	12.5	13.1	16.6	+33%
Vacuum gas oil	4.3	4.6	3.0	-30%
Fuel oil	10.4	9.9	5.9	-43%

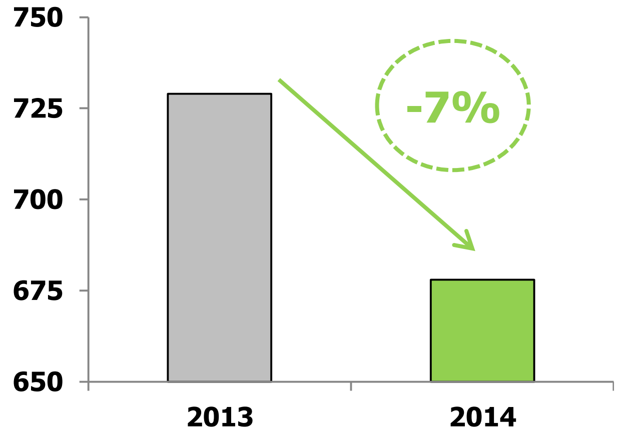
ЛУКОЙЛ

Environmental Safety is Our Priority

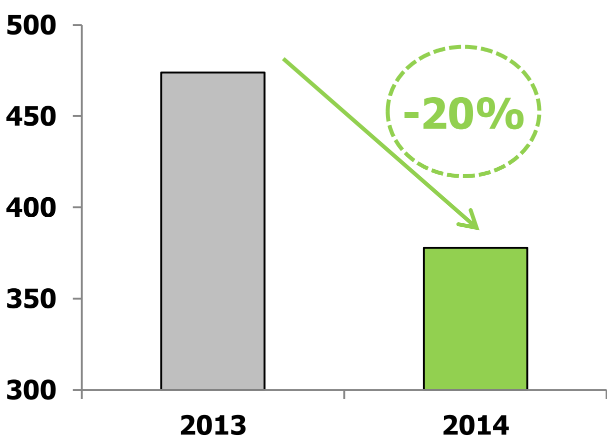
Dirty discharge, mcm



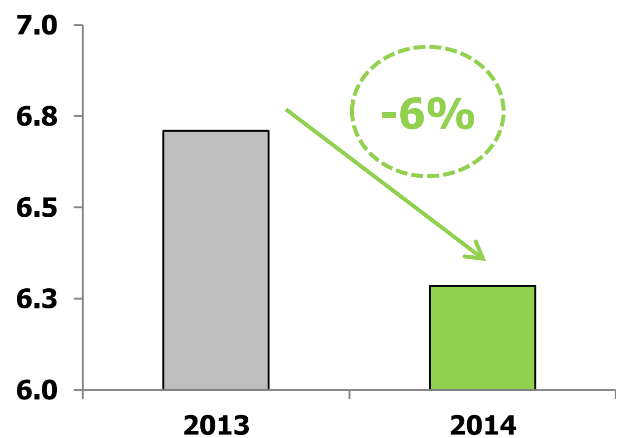
Atmospheric pollutant emission, th. t



Water consumption for own needs, mcm



Total amount of pipeline failures, th.



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Main Targets for 2015

- Maintaining sufficient free cash flow under oil price $40/bbl and 70 RUB/USD scenario

- Securing competitive dividends

- Investment programs optimization, operating costs reduction

- Securing oil production at the level of 2014 year

- Completion of 2012-2015 investment cycle