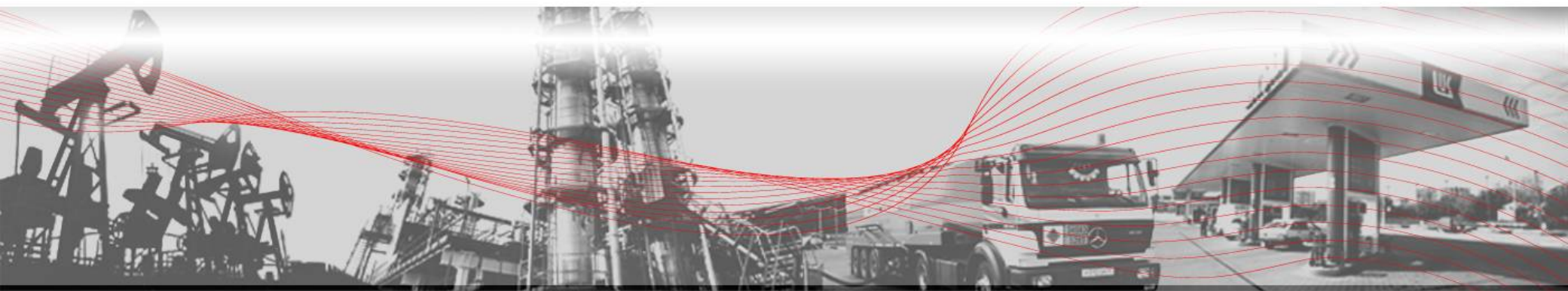




# **1Q 2010 Financial Results**

**(US GAAP)**

**Leonid Fedun, Vice-President of LUKOIL**



**June 2010**

# 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.

# 1Q 2010 Financial Highlights

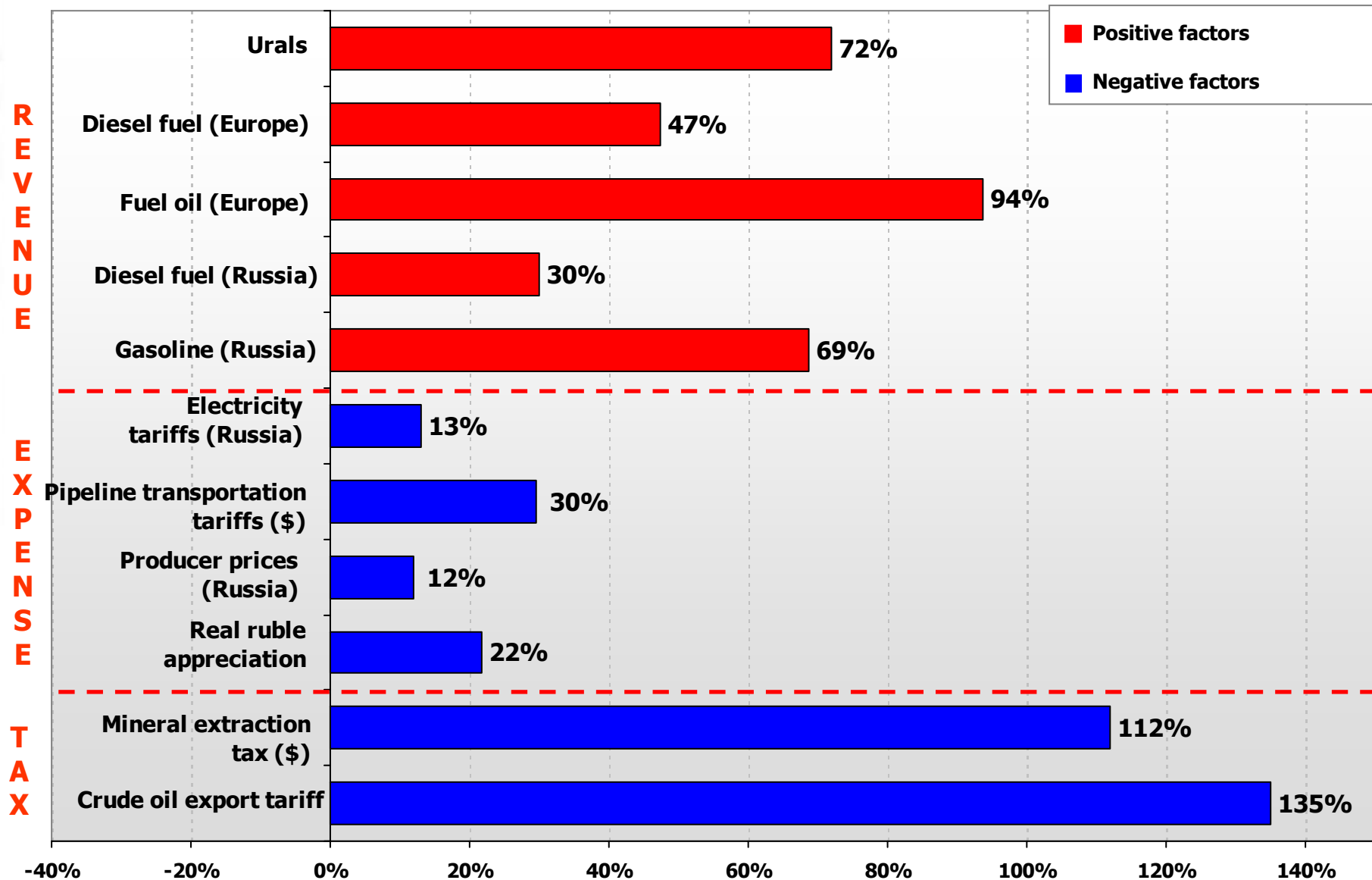


- **Urals price – \$75.4 per barrel (+72.5% y-o-y)**
- **EBITDA – \$3,729 mln (+54.5%)**
- **Net income – \$2,053 mln (+126.9%)**
- **Hydrocarbon production – 2,280 th. boe per day (+2.5%)**
- **Net income per barrel of hydrocarbon production – \$10.0 per boe (+121.4%)**
- **Free cash flow – \$1,399 mln (\$229 mln in 1Q 2009)**

# Macroeconomic and Tax Environment



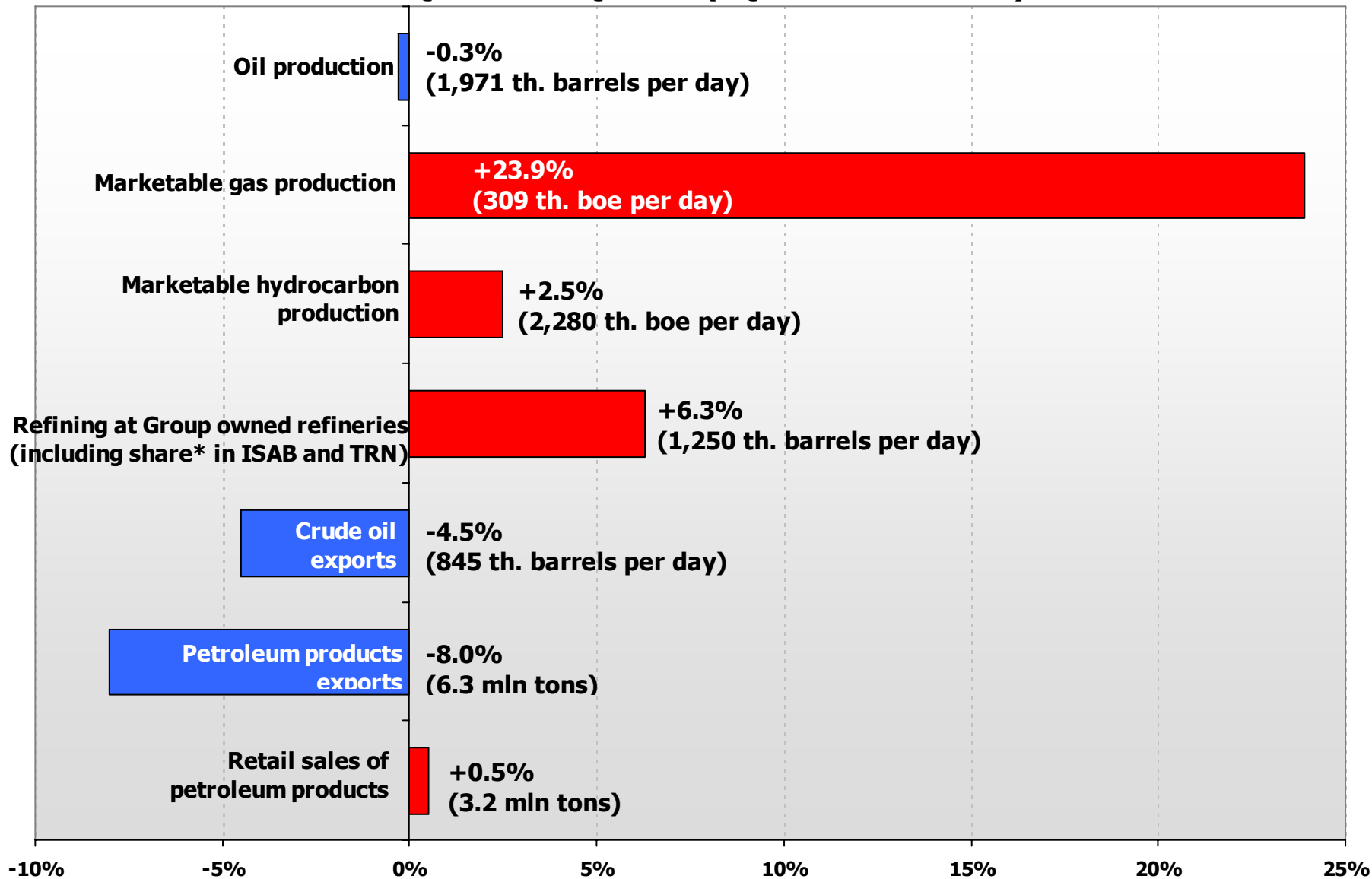
1Q 2010 to 1Q 2009



# Main Operating Results



1Q 2010 to 1Q 2009 (1Q 2010 actual level)



\* Share in oil and petroleum products throughputs.

# Financial Results



1Q 2010	4Q 2009	Δ, %	\$ mln	1Q 2010	1Q 2009	Δ, %
<b>23,902</b>	<b>24,281</b>	<b>-1.6</b>	<b>Sales</b>	<b>23,902</b>	<b>14,745</b>	<b>+62.1</b>
(1,770)	(2,109)	-16.1	Operating expenses	(1,770)	(1,232)	+43.7
(6,658)	(5,787)	+15.1	Taxes other than income tax (including excise and export duties)	(6,658)	(3,717)	+79.1
2,651	2,377	+11.5	Income (loss) from operating activities	2,651	1,532	+73.0
2,565	2,090	+22.7	Income (loss) before income tax	2,565	1,502	+70.8
<b>2,053</b>	<b>1,726</b>	<b>+18.9</b>	<b>Net income (loss)</b>	<b>2,053</b>	<b>905</b>	<b>+126.9</b>
2.42	2.04	+18.6	Basic EPS, \$	2.42	1.07	+126.9
<b>3,729</b>	<b>3,238</b>	<b>+15.2</b>	<b>EBITDA</b>	<b>3,729</b>	<b>2,414</b>	<b>+54.5</b>

# Operating Expenses



1Q 2010	4Q 2009	Δ, %	\$ mln	1Q 2010	1Q 2009	Δ, %
784	798	-1.8	Hydrocarbon lifting costs	784	602	+30.2
263	253	+4.0	Own refining expenses	263	202	+30.2
179	220	-18.6	Refining expenses at third-party refineries, ISAB and TRN	179	159	+12.6
266	246	+8.1	Crude oil transportation to own refineries	266	209	+27.3
148	132	+12.1	Power generation and distribution expenses	148	97	+52.6
40	37	+8.1	Petrochemical expenses	40	29	+37.9
308	374	-17.6	Other operating expenses	308	279	+10.4
(218)	49	-	Change in operating expenses in crude oil and refined products inventory originated within the Group	(218)	(345)	-
<b>1,770</b>	<b>2,109</b>	<b>-16.1</b>	<b>Total</b>	<b>1,770</b>	<b>1,232</b>	<b>+43.7</b>
<b>9,520</b>	<b>10,502</b>	<b>-9.4</b>	<b>Cost of purchased crude oil, gas and products</b>	<b>9,520</b>	<b>5,362</b>	<b>+77.5</b>

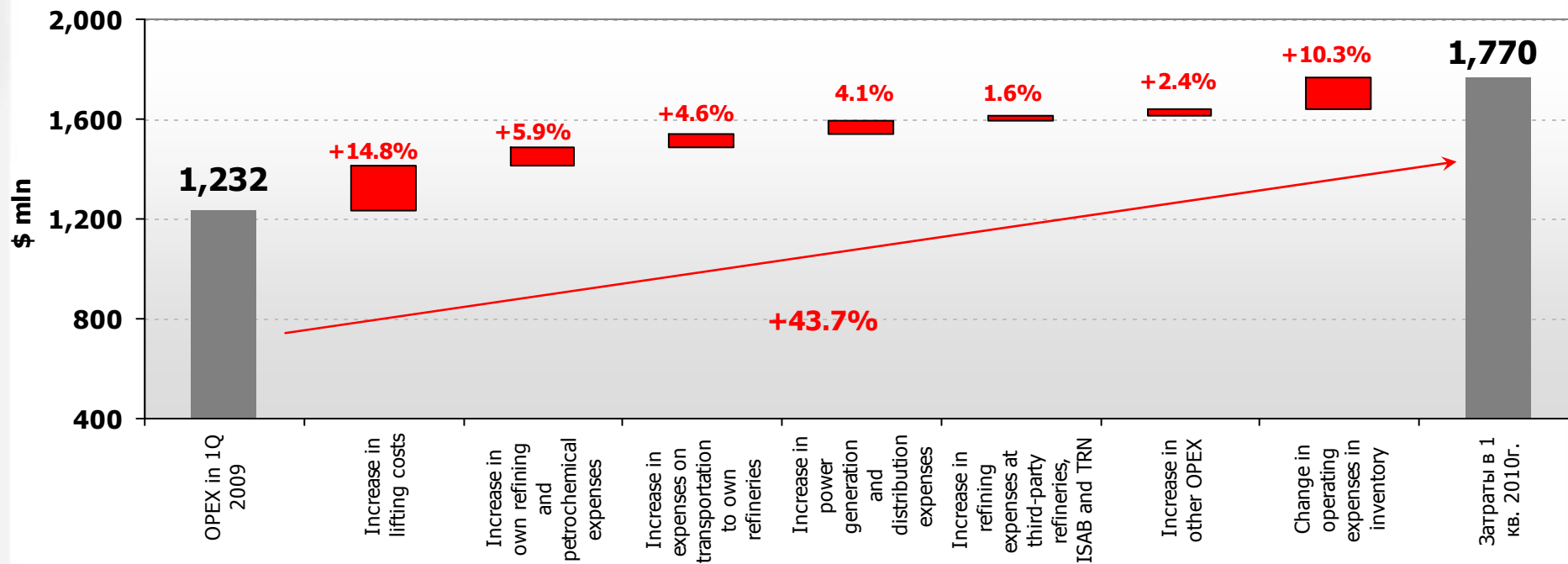
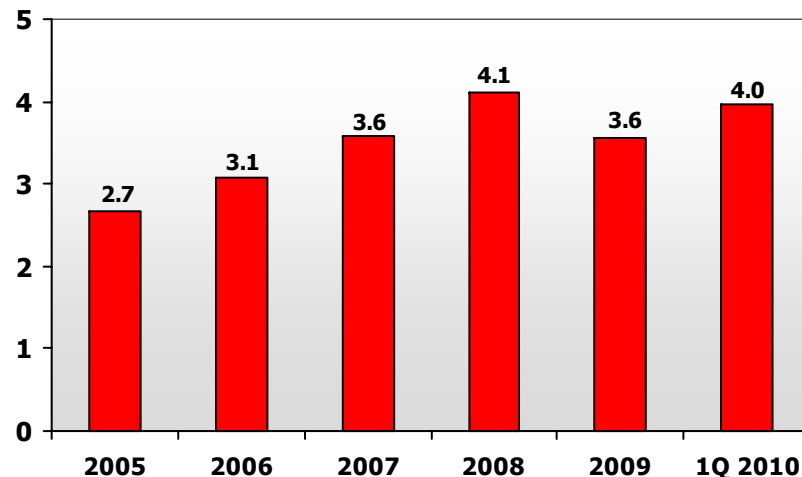
# LUKOIL Controls Operating Expenses



**Hydrocarbon lifting costs in 1Q 2010 increased by 28% y-o-y to \$3.97 per boe**

**The increase is due mainly to the real ruble appreciation which reached 22%.**

Lifting costs, \$/boe

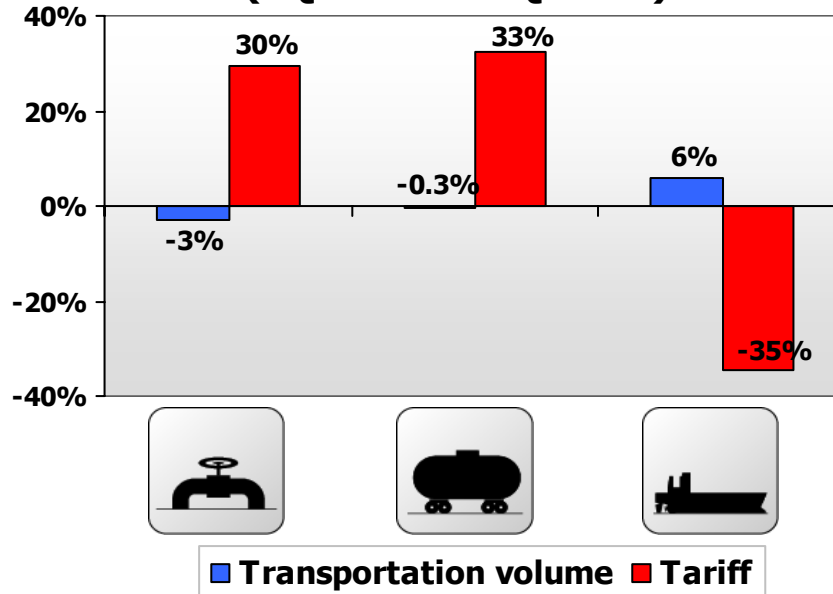




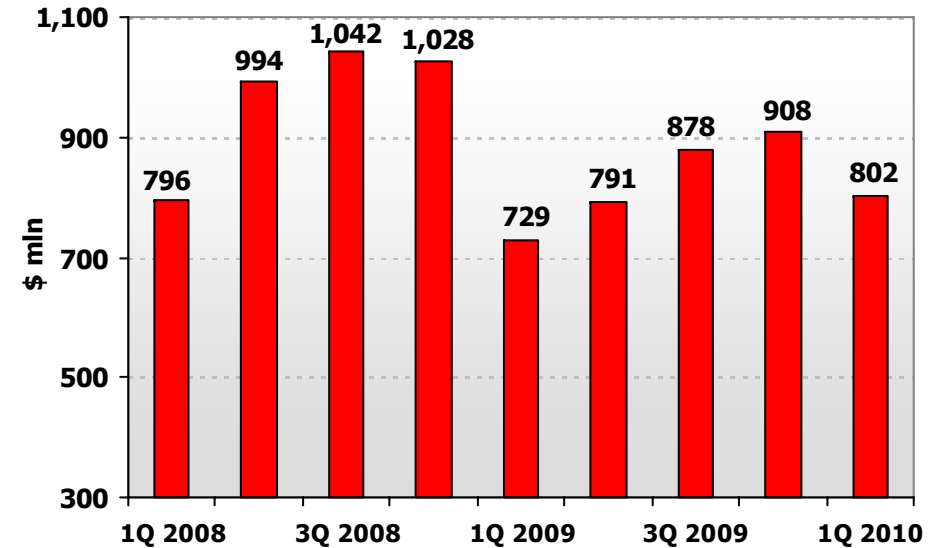
# SG&A and Transportation Expenses



### Transportation expenses (1Q 2010 to 1Q 2009)

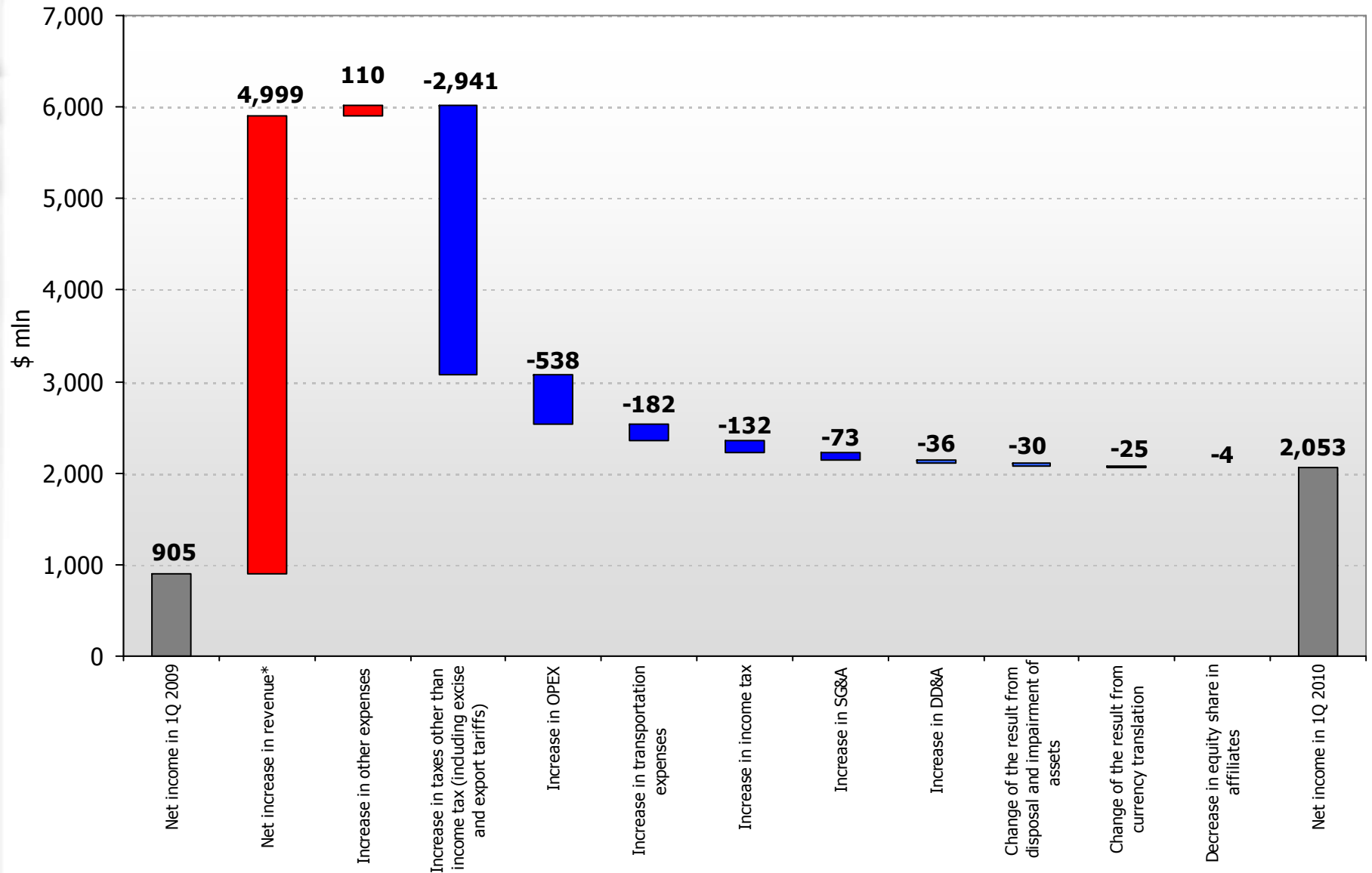


### SG&A expenses



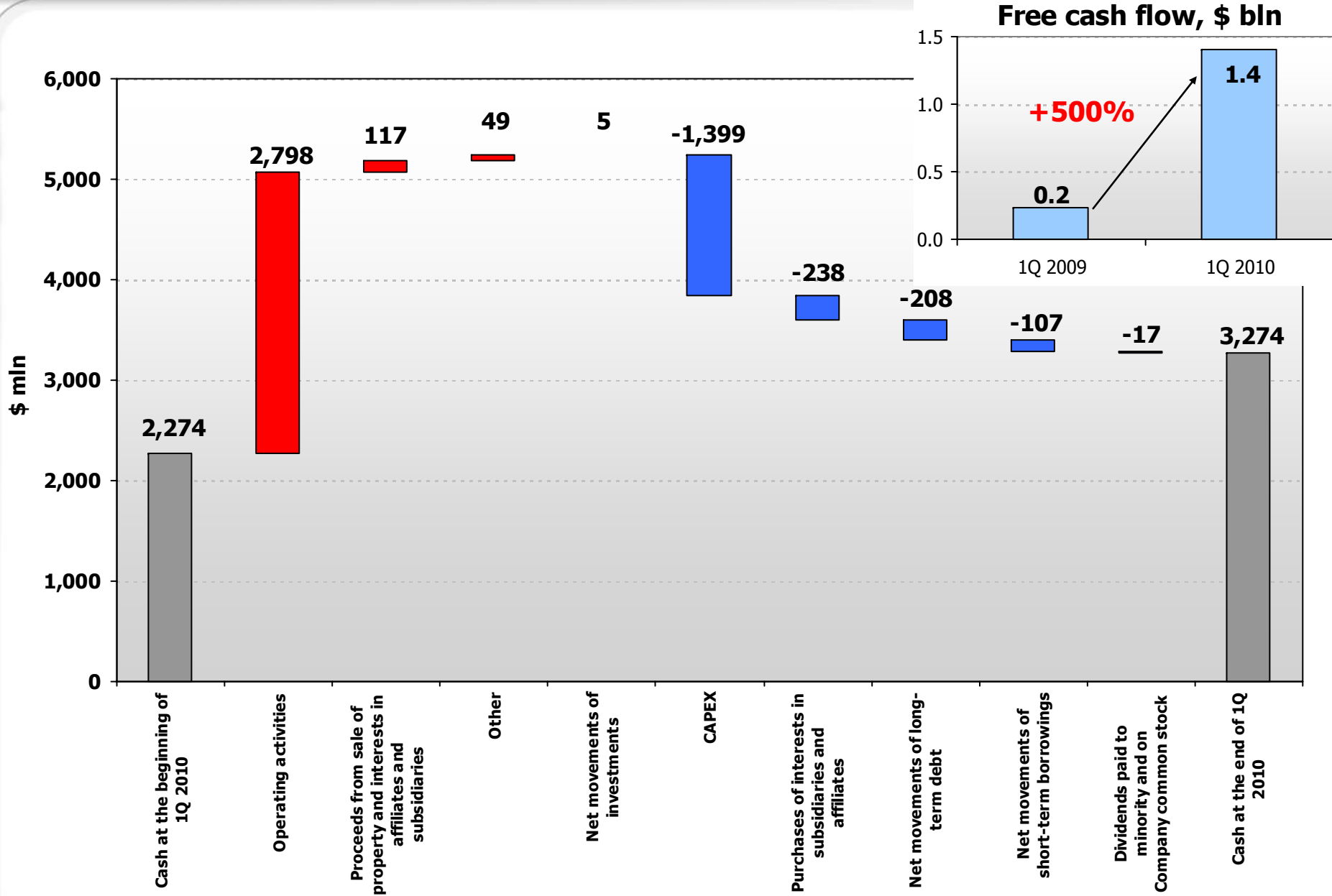
1Q 2010	4Q 2009	Δ, %	\$ mln	1Q 2010	1Q 2009	Δ, %
1,351	1,236	+9.3	Transportation expenses	1,351	1,169	+15.6
802	908	-11.7	Other selling, general and administrative expenses	802	729	+10.0
<b>2,153</b>	<b>2,144</b>	<b>+0.4</b>	<b>Total</b>	<b>2,153</b>	<b>1,898</b>	<b>+13.4</b>

# Net Income Reconciliation



\* Change in revenue less cost of purchased crude oil, gas and products.

# 1Q 2010 Cash Flow Reconciliation



# CAPEX Breakdown

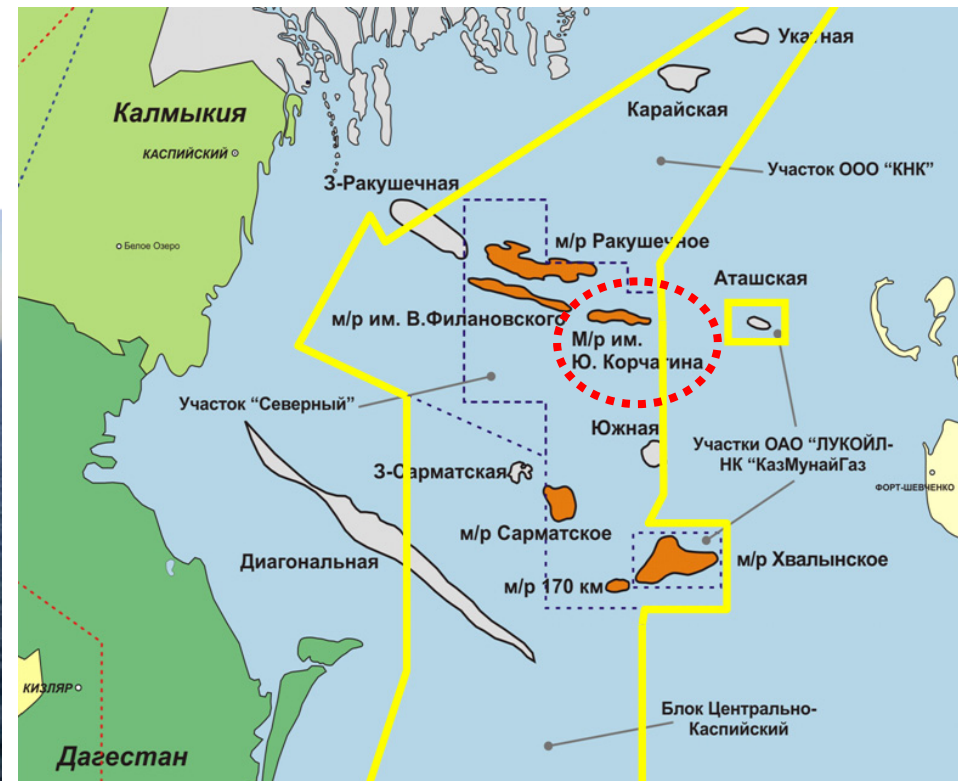


1Q 2010	4Q 2009	Δ, %	\$ mln	1Q 2010	1Q 2009	Δ, %
<b>1,117</b>	<b>1,219</b>	<b>-8.4</b>	<b>Exploration and production</b>	<b>1,117</b>	<b>1,118</b>	<b>-0.1</b>
862	977	-11.8	<i>Russia</i>	862	960	-10.2
255	242	+5.4	<i>International</i>	255	158	+61.4
<b>228</b>	<b>414</b>	<b>-44.9</b>	<b>Refining and marketing</b>	<b>228</b>	<b>303</b>	<b>-24.8</b>
160	251	-36.3	<i>Russia</i>	160	154	+3.9
68	163	-58.3	<i>International</i>	68	149	-54.4
<b>23</b>	<b>24</b>	<b>-4.2</b>	<b>Petrochemicals</b>	<b>23</b>	<b>29</b>	<b>-20.7</b>
2	4	-50.0	<i>Russia</i>	2	3	-33.3
21	20	+5.0	<i>International</i>	21	26	-19.2
<b>89</b>	<b>105</b>	<b>-15.2</b>	<b>Power generation and distribution</b>	<b>89</b>	–	–
<b>11</b>	<b>89</b>	<b>-87.6</b>	<b>Other</b>	<b>11</b>	<b>16</b>	<b>-31.3</b>
<b>1,468</b>	<b>1,851</b>	<b>-20.7</b>	<b>Total (cash and non-cash)</b>	<b>1,468</b>	<b>1,466</b>	<b>+0.1</b>

# First Oil in the Caspian Region



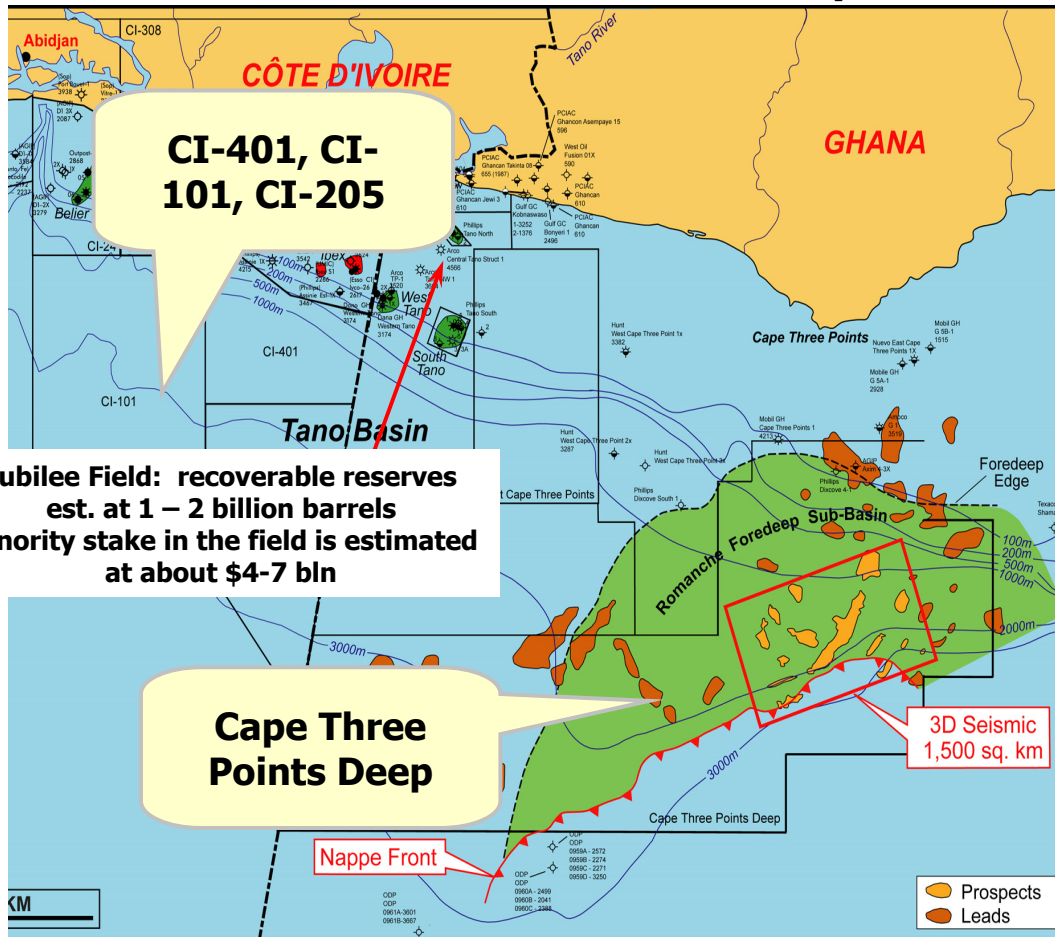
- First oil at the Yu. Korchagin field was produced in **April 2010**
- **3P field reserves** are estimated **270 mln boe**
- **Peak oil and gas liquids production – 2.5 mln tons per year, gas – 1 bcm per year**
- **Sea depth in the field area is 10–13 m**



# LUKOIL in West Africa

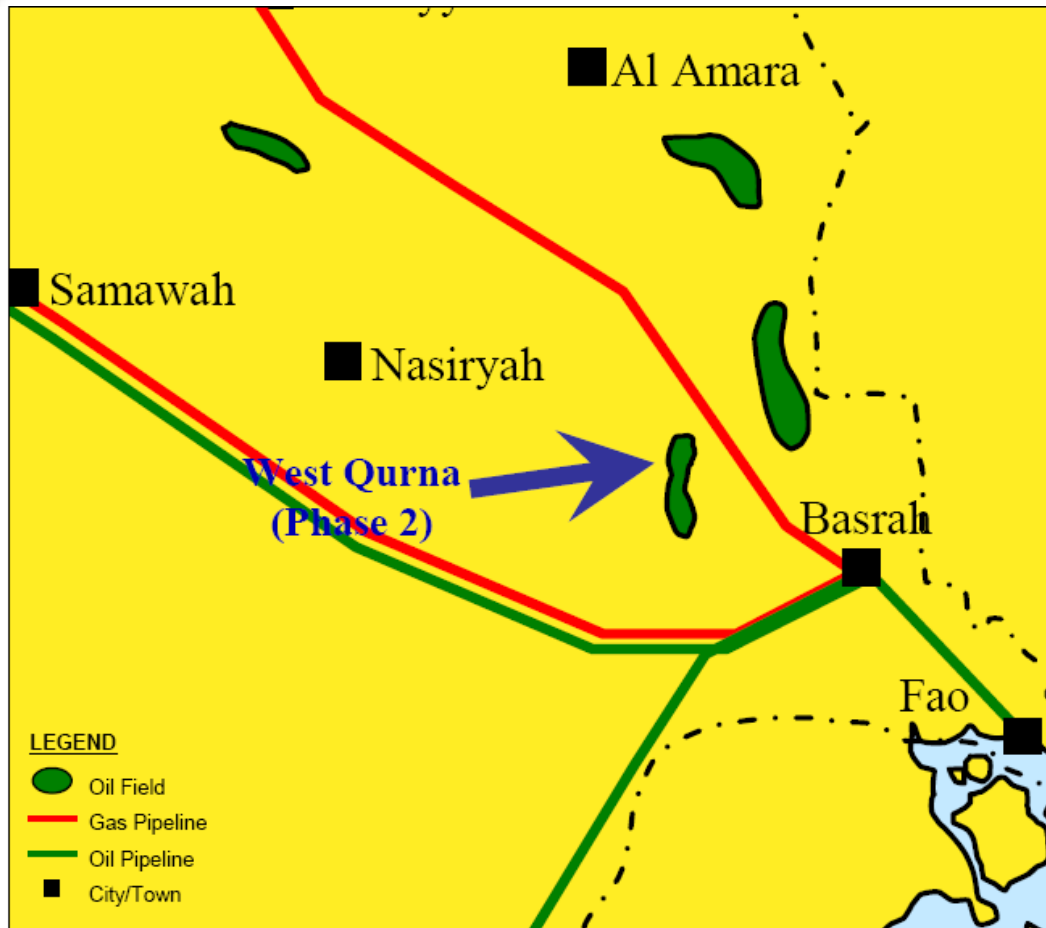


Consortium of LUKOIL Group (56.66%), Vanco (28.34%) and GNPC (15%) **discovered substantial hydrocarbon reserves** at the Dzata structure, part of the Cape Three Points Deep Water block on Ghana's shelf in February 2010.





# LUKOIL in Iraq



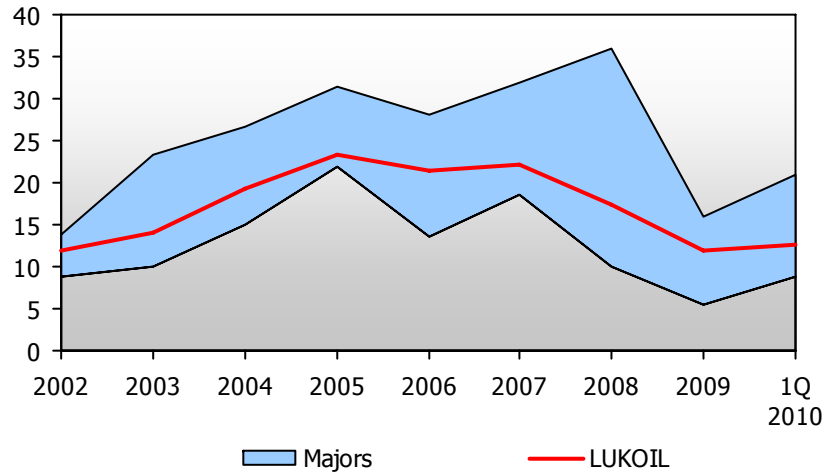
- In January 2010 agreement was signed for development of West Qurna-2
- The agreement will last 20 years with the possibility of a five-year extension
- The parties to the agreement are: LUKOIL – 56.25%, Statoil – 18.75%, Iraqi Government – 25%
- Remuneration fee - \$1.15 per barrel of oil at the production level of 1.8 million barrels per day
- West Qurna-2 field is one of the largest non-developed fields in the world

- Main productive formations – Mishrif, Yamama, Hasib, Maudud, Zubair.
- More than 90% of reserves are concentrated in Mishrif and Yamama formations.
- The field was discovered in 1972.
- Recoverable reserves are nearly 13 bln barrels

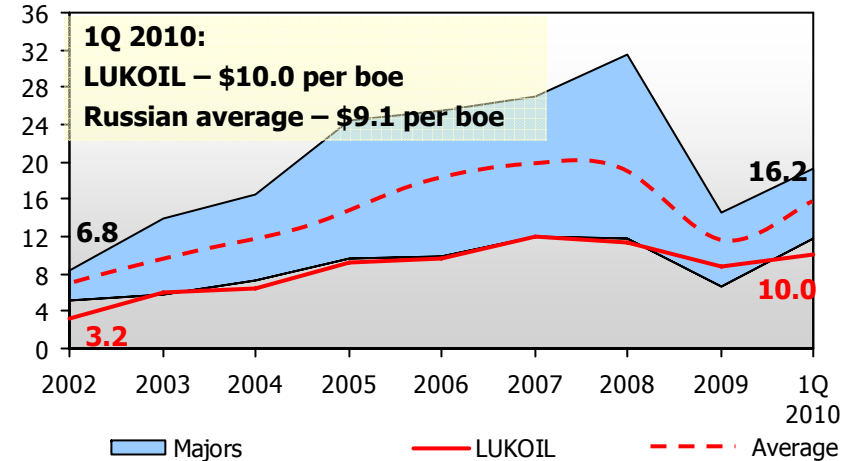
# Strong Competitive Position in the Industry



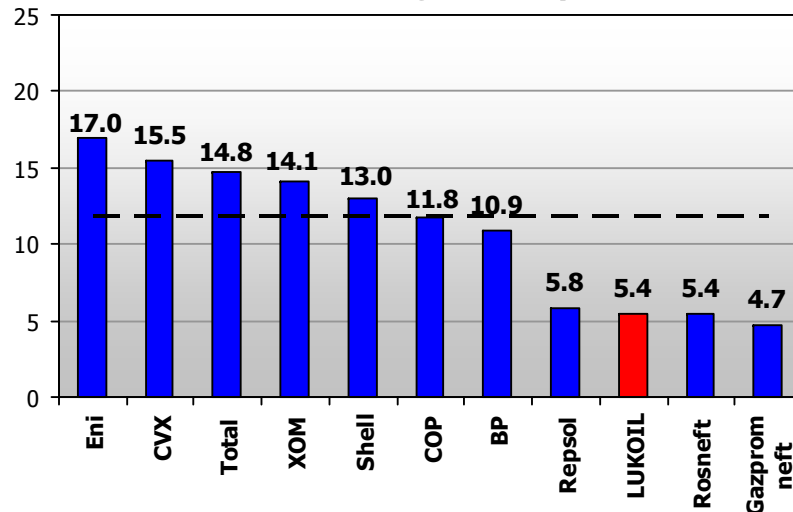
ROACE, %



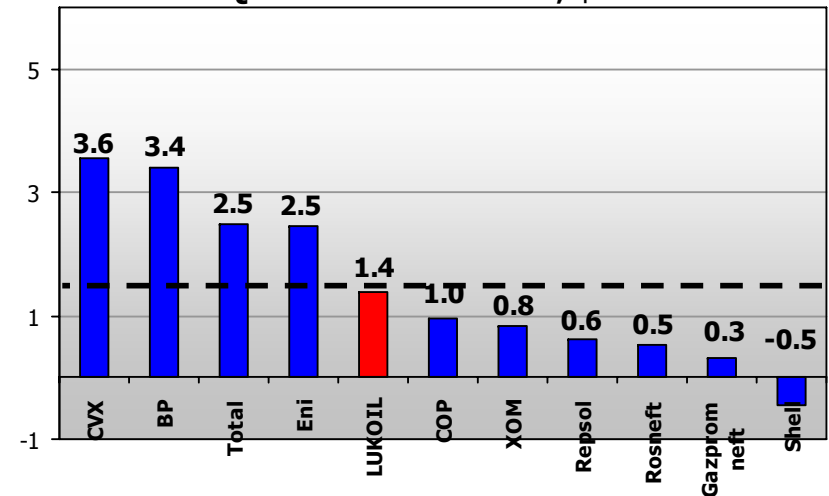
Net income per boe of production, \$ per boe



E&P CAPEX in 1Q 2010, \$ per boe



1Q 2010 free cash flow, \$ bln



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

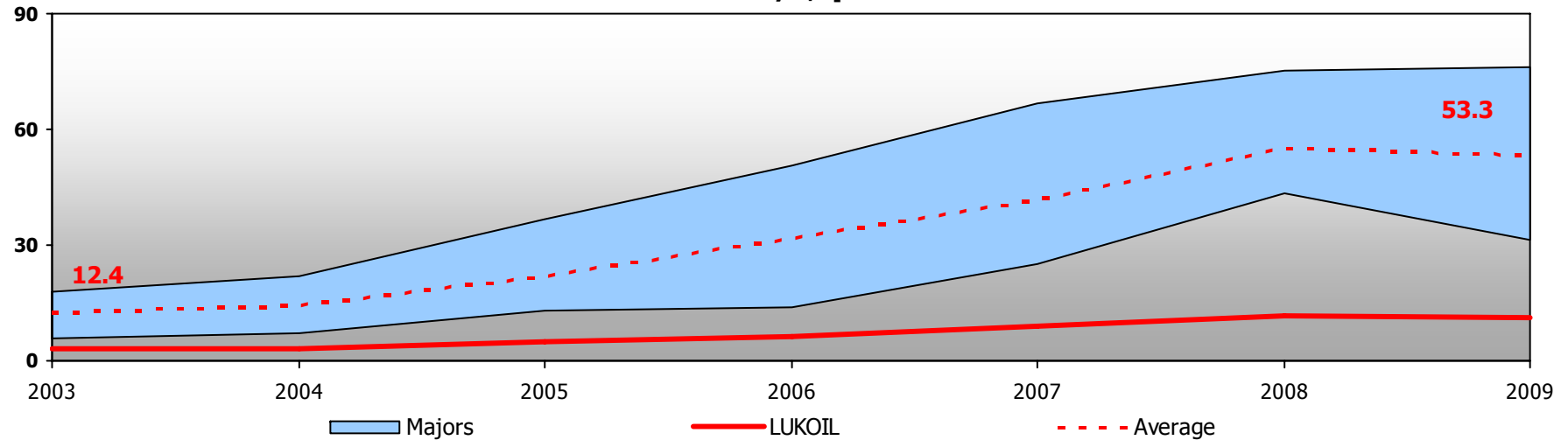
Source: Companies' financial statements.



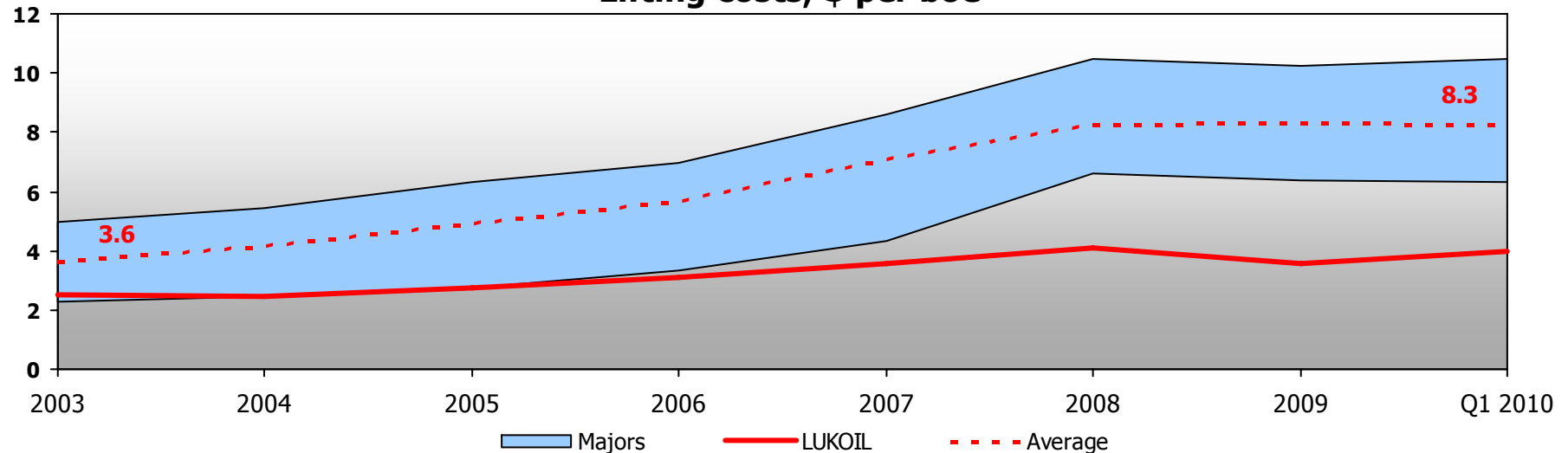
# Strong Competitive Position in the Industry



### F&D costs\*, \$ per boe



### Lifting costs, \$ per boe



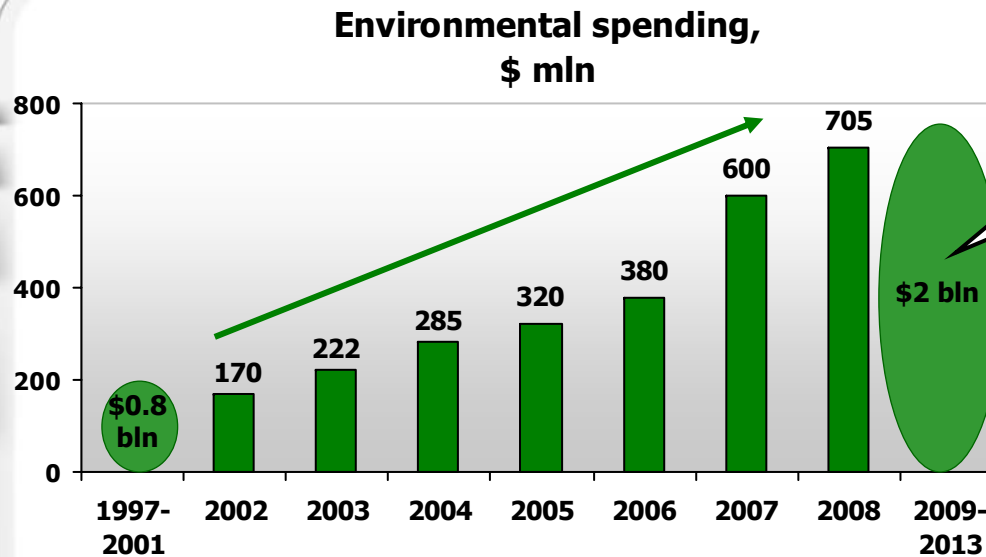
\*3-year average,  
 Oil & Gas majors include ExxonMobil, Royal Dutch Shell, BP, ConocoPhillips, Chevron (except for 2008 and 2009 costs). Russian oils include Rosneft, TNK-BP, Gazprom neft.  
 Source: Companies' financial statements.

# LUKOIL Achievements in Investor Relations



1. LUKOIL was named **the best Russian company in investor relations** by sell-side analysts as a result of the survey carried out by **Institutional Investor** magazine.
2. In the **XIIth Annual Contest of Annual Reports** held by the **RTS Exchange**, LUKOIL was voted to be **#1 in 3 nominations**:
  - The best information disclosure in the annual report among companies with market capitalization in excess of 100 bln RUB
  - The best presentation of a company's investment potential in the annual report
  - The best annual report in the Central Federal District*125 companies took part in the contest.*
3. In the **XIIth Annual Federal Contest of Annual Reports and Websites** held by the "Stock Market" magazine and **MICEX**, LUKOIL was voted to be **#1 in 2 nominations**:
  - The best information disclosure for investors on the company web-site
  - The best information disclosure in the English version of the annual report*105 companies took part in the contest.*

# LUKOIL is a Leader in Environment Protection and Industrial Safety in Russia



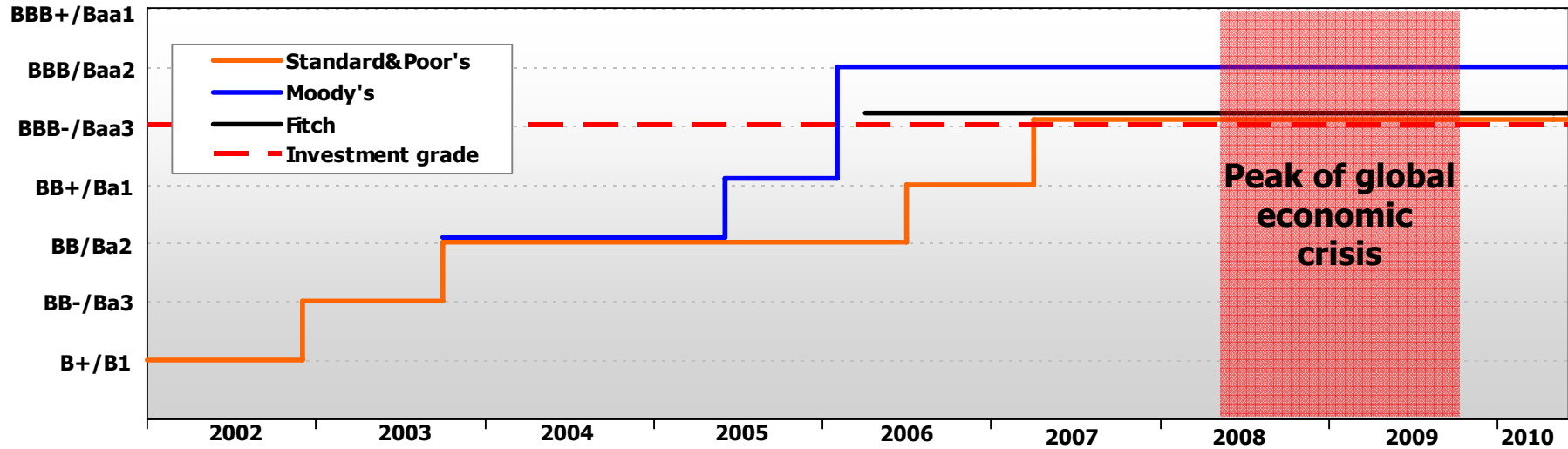
500 measures



## Company's achievements in 2009

Reduction in volume of atmospheric emissions	-8%
Reduction of polluted water discharge	-22%
Reduction of volumes of accumulated waste	-4%

# Steadily High Credit Ratings Reflect Efficient Company Governance



- S&P, Moody's and Fitch have **affirmed LUKOIL's ratings at before crisis level**
- Rating agencies outline the following **LUKOIL's strengths**: geographical business diversification; low debt level and low secured debt level; Company's flexibility in respect of its investment program; strategic value for Russia
- LUKOIL is **committed to maintaining ratings at investment grade level**. Important decisions are made taking into account ratings considerations
- LUKOIL's management holds **annual meetings** with rating agencies (usually after disclosure of annual results) and maintains **day-to-day communication**

	Moody's	S&P	Fitch
Exxon Mobil	Aaa =	AAA =	AAA =
BP	Aa1 ↓	AA ↓	AA+ =
Shell	Aa1 =	AA =	AA+ ↓
Total	Aa1 =	AA ↓	AA =
Chevron	Aa1 =	AA =	AA =
ConocoPhillips	A1 =	A =	A =
<b>Russia</b>	<b>Baa1 =</b>	<b>BBB =</b>	<b>BBB =</b>
Transneft	Baa1 =	BBB =	-
Gazprom	Baa1 =	BBB ↓	BBB =
<b>LUKOIL</b>	<b>Baa2 =</b>	<b>BBB- =</b>	<b>BBB- =</b>
TNK-BP	Baa2 =	BBB- =	BBB- =
Rosneft	Baa1 =	BBB- =	BBB- =
Gazprom Neft	Baa3 =	BBB- ↓	-

# Conclusion



- To maintain the proper **balance between the growth rate** of the Company business and high financial **efficiency**
- **Highly profitable E&P projects development**
- **Good financial position, high cash flows**
- **Increase in shareholders' returns**