Acquisition of Khanty-Mansiysk-based Assets of Marathon Oil Co

May 2006

Investment Summary

- **Assets acreage in key region: synergy opportunities**
  - ✓ *Ability to do better than any other company in the region*
  - ✓ *LUKOIL's transport infrastructure in the region offers up to **$150 mln** savings on development of newly acquired assets (no need to construct new infrastructure)*
  - ✓ *Synergy effect combining LUKOIL and KhantyMansiysk oil Corp. upstream assets – up to **$100 mln***

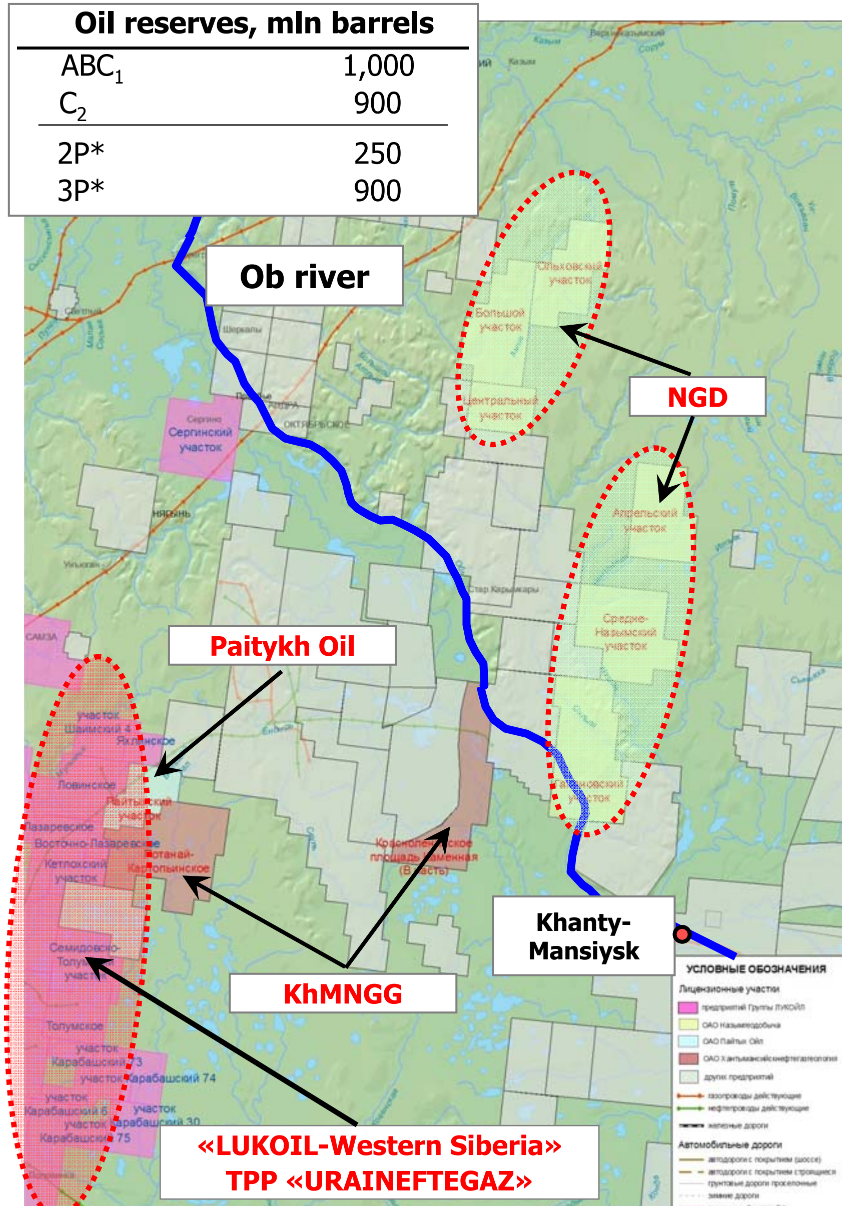
- ***Near term growth: fast growth, sustainable trend***
  - ✓ *Newly acquired assets will add up to **2%** to LUKOIL's total output growth in 2006 and near term*
  - ✓ *Newly acquired assets will grow in output by over **190%** in long term*

- ***Crude oil quality opportunity: ability to get quality premium***
  - ✓ *Newly acquired assets present high quality "sweet" grade*
  - ✓ *Ability to preserve quality of produced crude oil sending it bypassing Transneft-operated export pipeline system to international markets*

- **Competitive acquisition: enriching reserve base**
  - ✓ *Acquisition price – offers **60-70%** discount to Russia's average*
  - ✓ *New potential exploration opportunities*

Assets Allocation

Oil reserves, mln barrels	
ABC_1	1,000
C_2	900
2P*	250
3P*	900



Khanty-Mansiysk Oil Corporation (KhMOC)
- 95% - Khantymansiyskneftegazgeologia
- 100% - Paitykh Oil
- 100% - Nazymgeodobycha

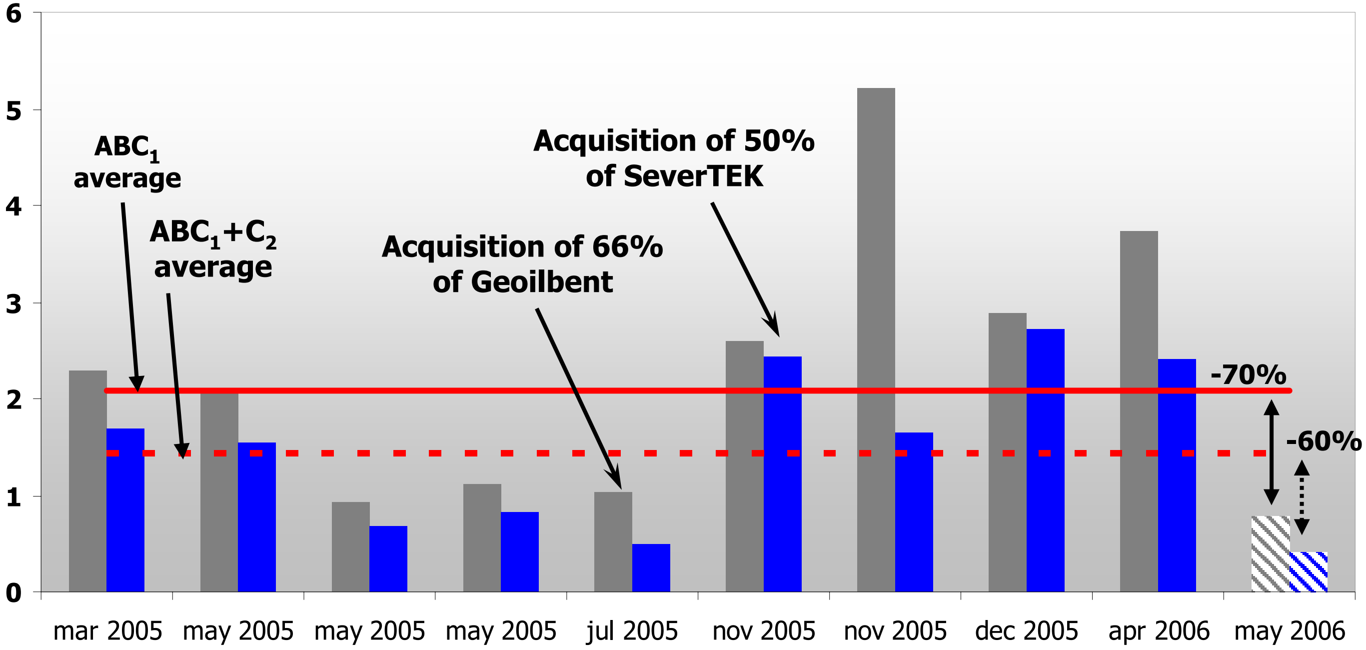
- Khantymansiyskneftegazgeologia (KhMNGG) has 2 licenses for oil production at two fields in Khanty-Mansiysk Autonomous Region: Vostochno-Kamenny and Potanai-Kartopyinskiy fields
- Paitykh Oil and Nazymgeodobycha (NGD) have licenses for 7 blocks in the Region
- The company has its own production and marketing infrastructure. The produced oil is transported by the trunk pipeline "Krasnoleninsky svod – Shaim".

	Density, API	Barrels per ton	Sulfur content, %
CPC blend	**43**	**7.8**	**0.6**
KhMOC oil	**36.8-38.6**	**-**	**0.35-0.79**
Brent	**38**	**7.6**	**0.2**
Kirkuk	**36**	**7.5**	**2.0**
Urals	**32**	**7.3**	**1.3**

* Under Marathon Oil estimates (as at the end of 2003).

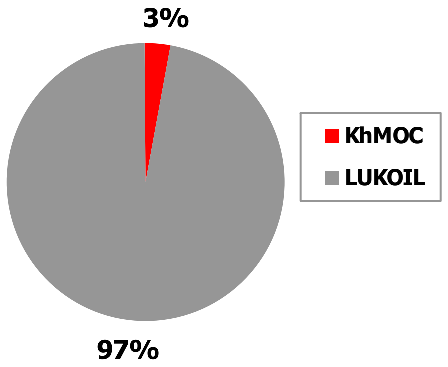
Enriching Resource Base

Price of oil reserves in Russia, \$ per barrel (ABC_1, ABC_1+C_2)



LUKOIL acquired efficient resources in key region at a reasonable price with 60-70% discount to Russia's average.

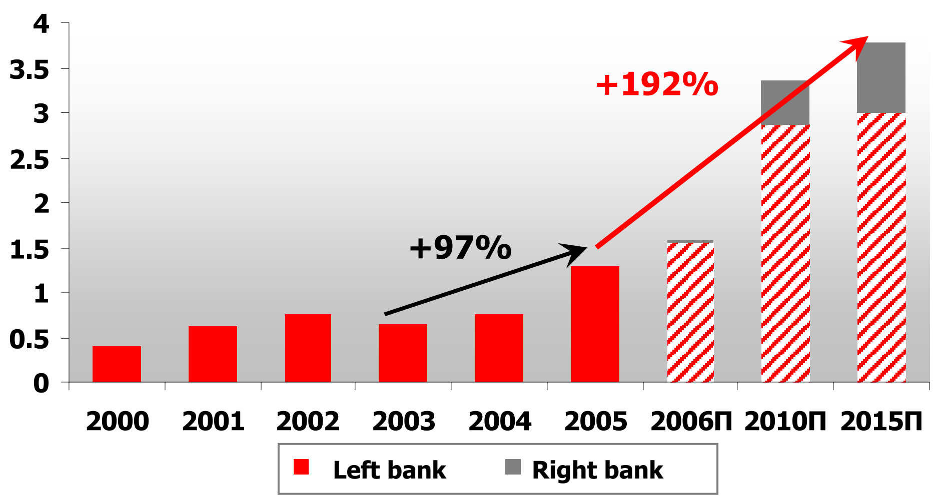
ABC_1 Oil Reserves



The resource base of KhMOC equals (under different estimates and reserves categories) up to 3% of that of LUKOIL Group.

Aggressive Output Growth

Oil output at KhMOC fields, Paitykh Oil and NGD fields, mln tonnes



Source: Ministry of energy and industry, LUKOIL estimates/

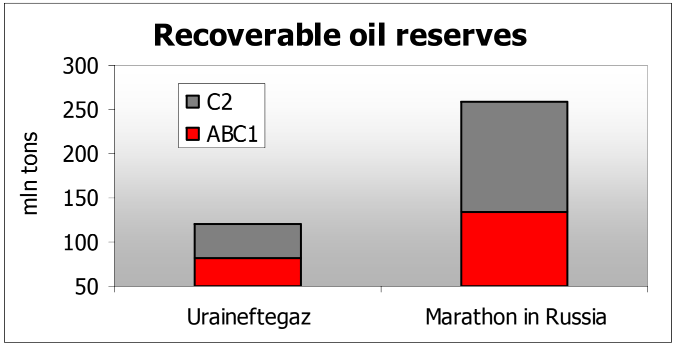
- **LUKOIL is going to increase substantially oil production at the acquired assets**
- **The peak level of production will be reached in 5-6 years, when the Ob Left bank fields will produce 3 mln tons per year and the Right bank fields – 800 th. tons**

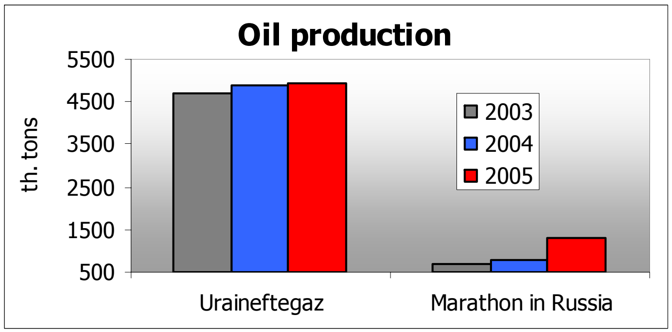
KhMOC output equals to 1.4% of LUKOIL Group output (2005 results).
LUKOIL expects over **$100 mln** synergy from the combination of the acquired assets with the existing fields of URAINEFTEGAZ (LUKOIL-Western Siberia)

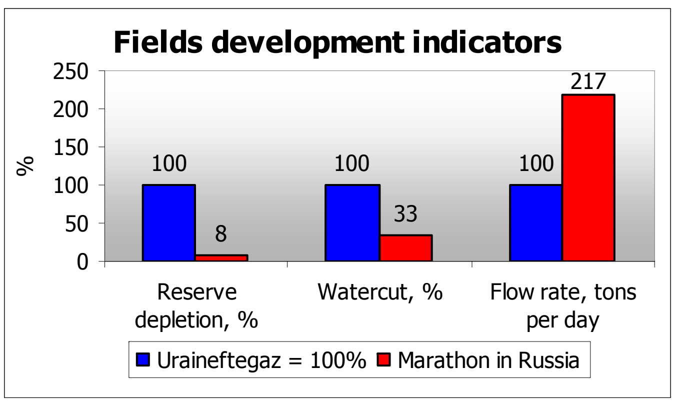
The potential of production increase – new drilling technologies and enhanced oil recovery methods:

- more accurate specification of geological structures and vertical seismic profiling
- joint exploitation of different fields
- development optimization (sidetracks drilling)
- drilling at depression

Synergy with Uraineftegaz Assets

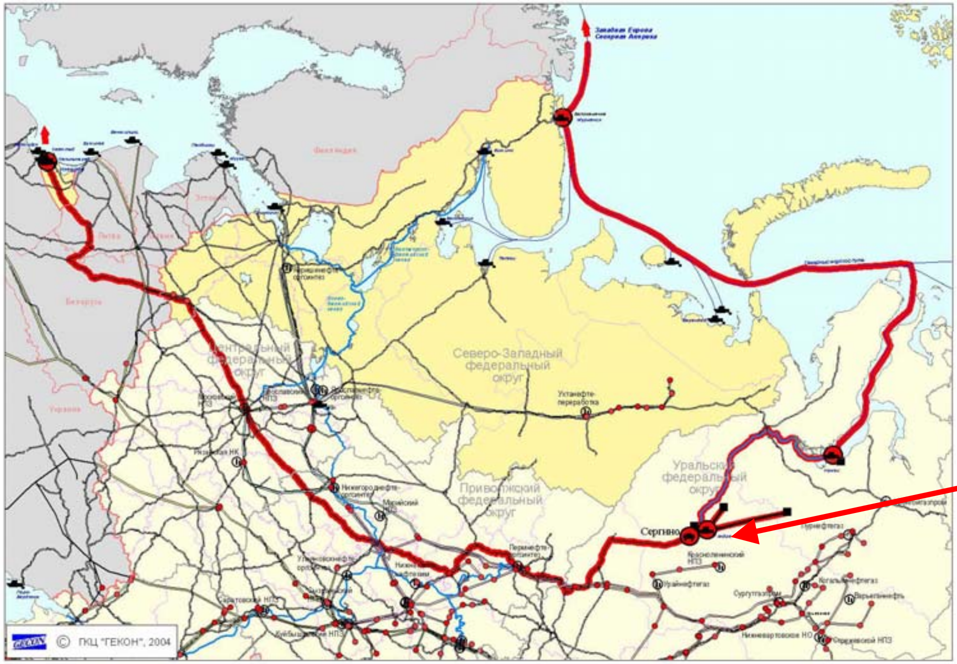


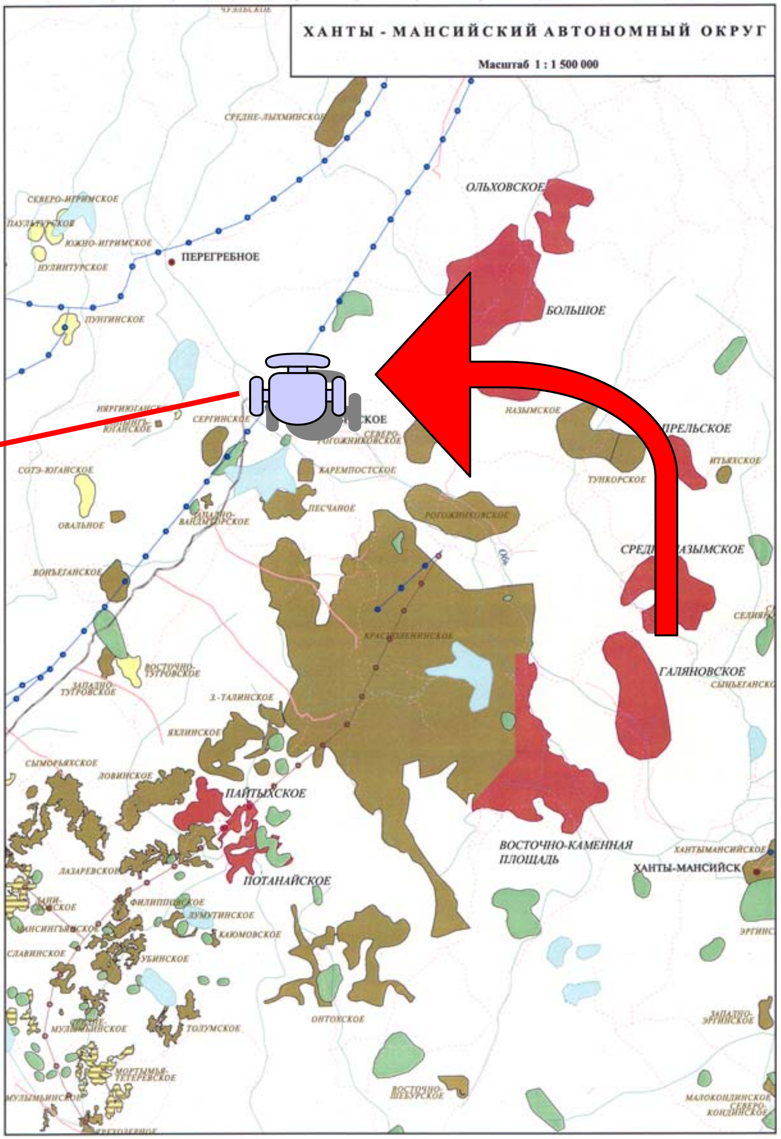




- KhMNGG fields development provides significant synergies through joint operations with the Uraineftegaz production unit (Lovinskoye, Lazarevskoye, Fillipovsloye, Ubinskoye and other fields), as well as through using the existing export infrastructure of RITEK.
- Uraineftegaz fields have been developed since the 1960s and now are characterized by high levels of exhaustion and water cut, and also low flow rates due to the late stage of development.
- Acquisition of KhMNGG assets which are at early stages of development (fast growing production) allows a considerable rise in operating and financial efficiency of hydrocarbon reserves development in the traditional regions of LUKOIL activity.

Transportation Scheme Optimization





RITEK oil transport and marketing facilities, pumping stations, oil pipeline Bobrovka-Andra (up to 2 mln tons per year), subwater pipeline passage, rail oil terminal at Sergino operate in proximity to the fields of NGD. The total cost of these facilities (in 2006 prices) is estimated at **$150 million**.

Using existing facilities for development of the Right bank fields substantially reduces the cost and accelerate production launch at the fields. Besides that the scheme of separate transportation allows to preserve the high quality of the produced oil and to get additional income on the quality differentials.

Conclusion

- Assets acreage in key region: synergy opportunities
- Near term growth: fast growth, sustainable trend
- Crude oil quality opportunity: ability to get quality premium
- Competitive acquisition: enriching reserve base

Confirming management commitment to build shareholders value.