



Transforming into a Global Energy Company

May 2006

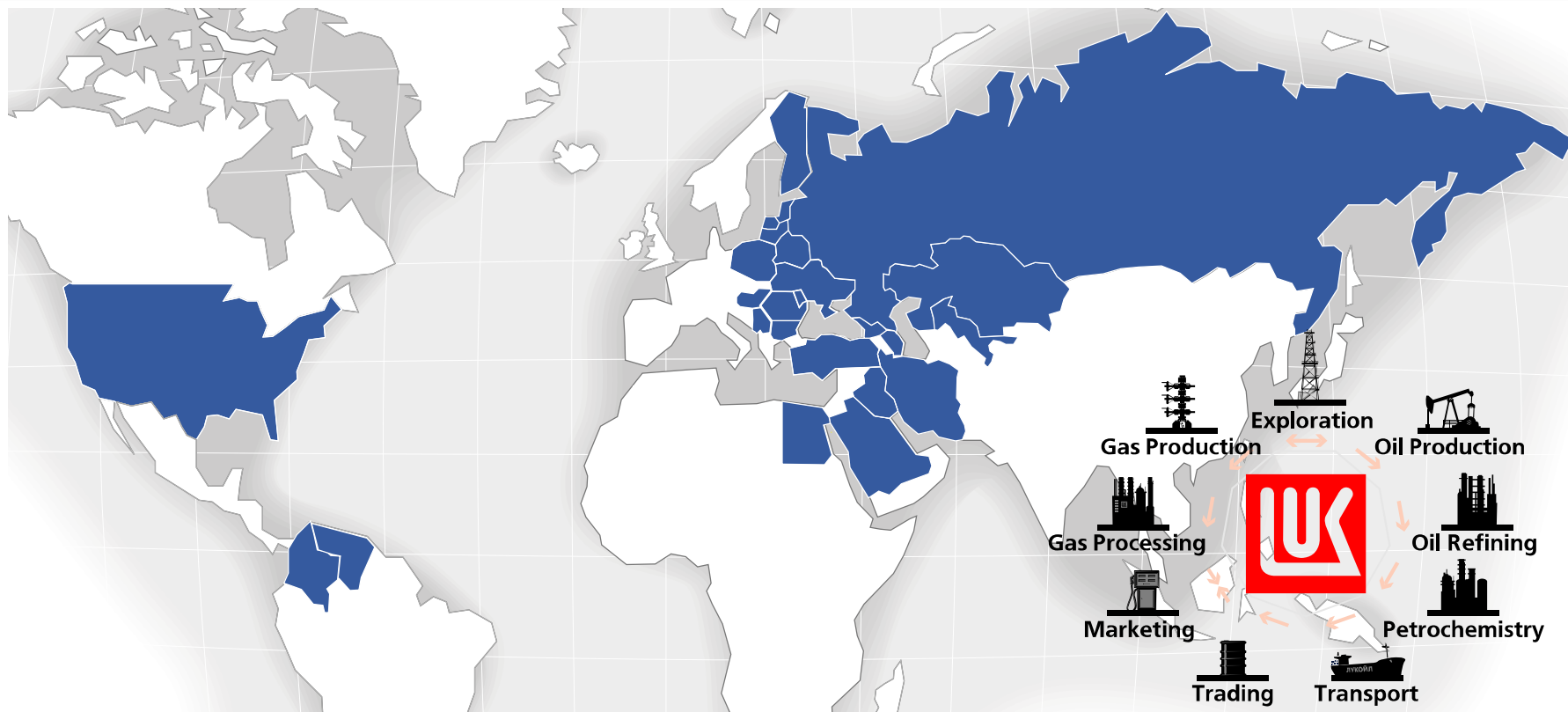


Forward-Looking Statements

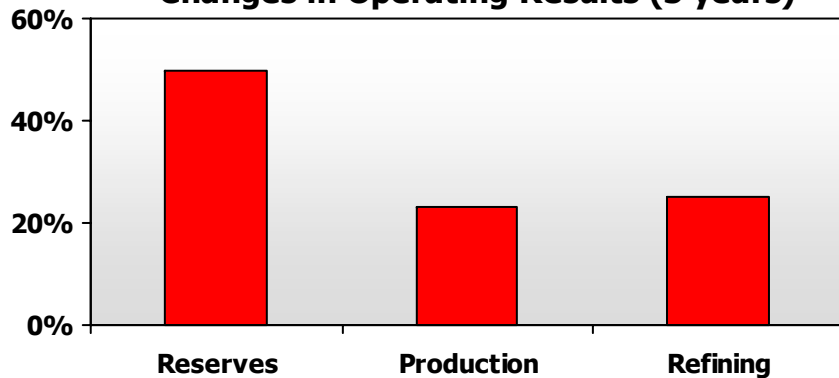
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 - statements of our plans, objectives or goals, including those related to products or services;
 - statements of future economic performance; and
 - statements of assumptions underlying such statements.
- Words such as “believes”, “anticipates”, “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.
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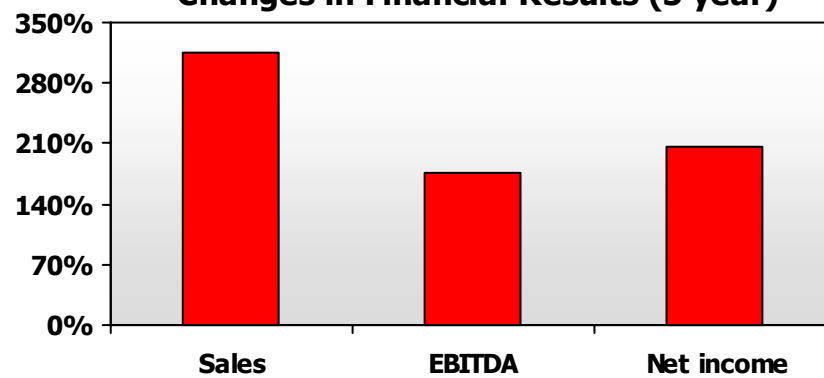
LUKOIL: History of Sustainable and High-quality Growth



Changes in Operating Results (5 years)



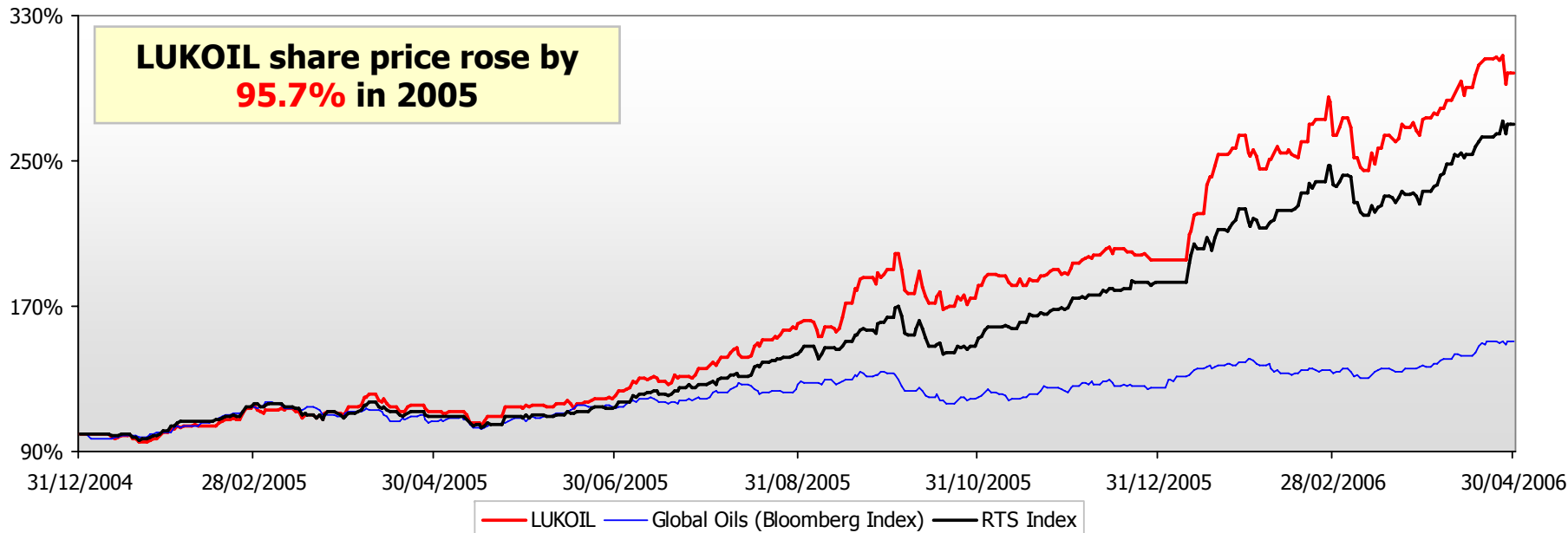
Changes in Financial Results (5 year)



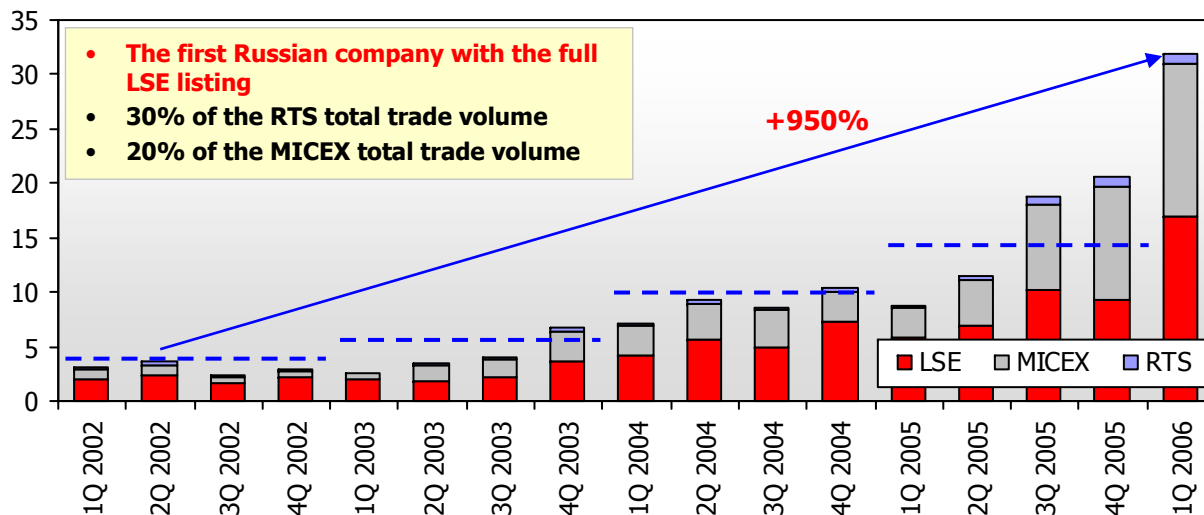


LUKOIL Shares Outperform the Market

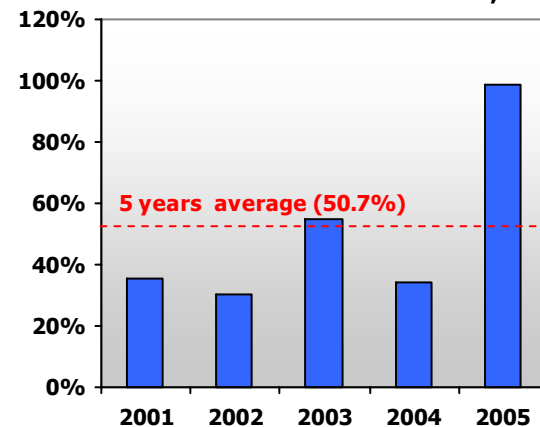
LUKOIL shares vs RTS and Global Oils Indexes



Traded volumes of LUKOIL shares, \$ bln

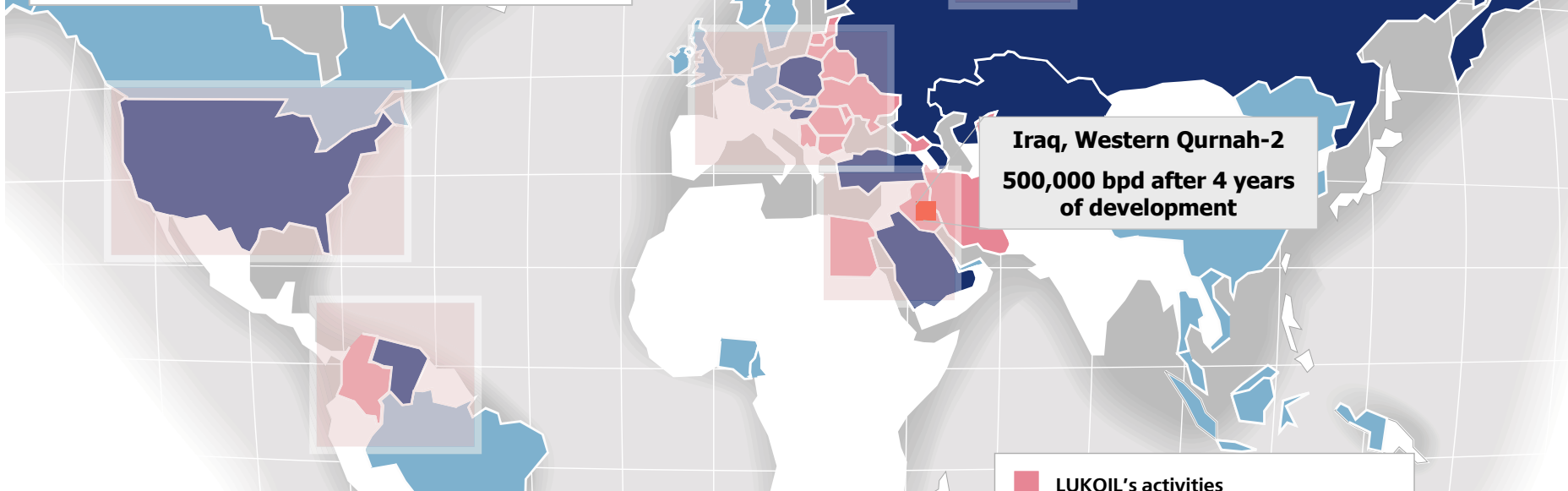
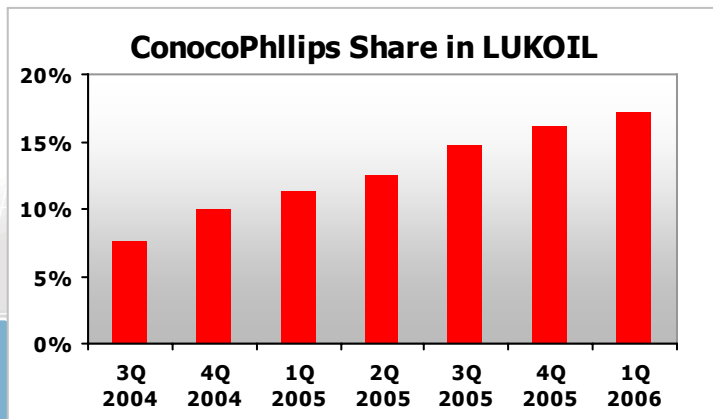


Total shareholder's return, %



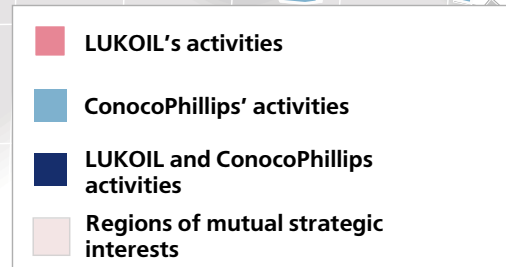


Strategic Partnership with ConocoPhillips



Strategic partnership with ConocoPhillips allows LUKOIL to:

- reach world best practice standards in managerial competence and operating excellence
- accelerate development of the reserves in Timan-Pechora with creation of the joint venture





Shares Buy-Back Program

LUKOIL decided to buy-back its shares in 2006-2008 for a sum up to \$3 bln.

Shares buy-back program aims at :

- informing the market that Company shares are undervalued in the management's opinion;
- reduction of the outstanding shares number in order to increase their price;
- creation of a highly liquid asset for possible purchases of new assets;
- securing the execution of employees and management share options and options on convertible bonds.

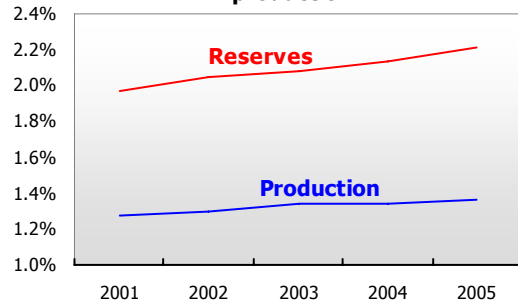
Owing to the opportunity to avoid double taxation, LUKOIL's Russian shareholders will not pay dividend tax due to the credit of the tax paid by the Company on dividends received from subsidiaries and associated companies.



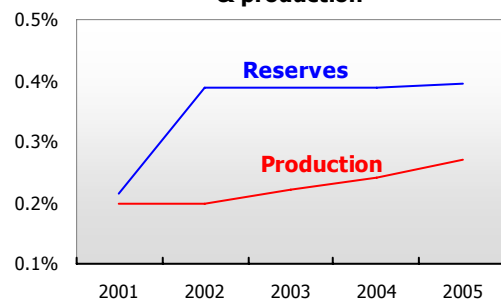


LUKOIL – Rising International Integrated Oil & Gas Company

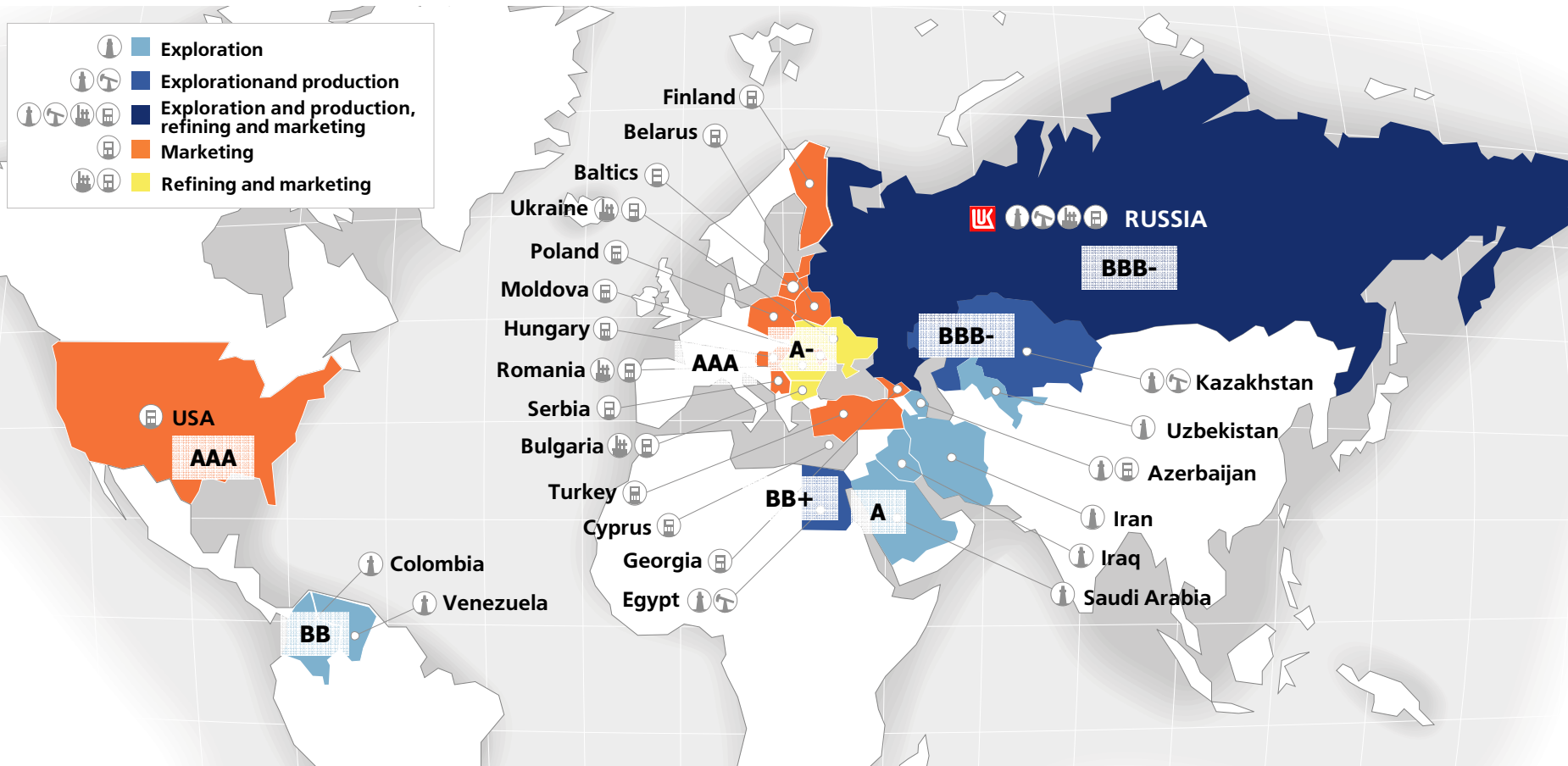
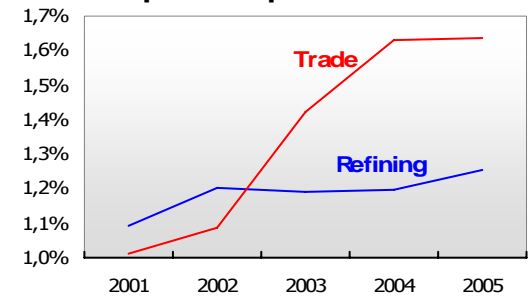
LUKOIL's share in global oil reserves & production



LUKOIL's share in global gas reserves & production



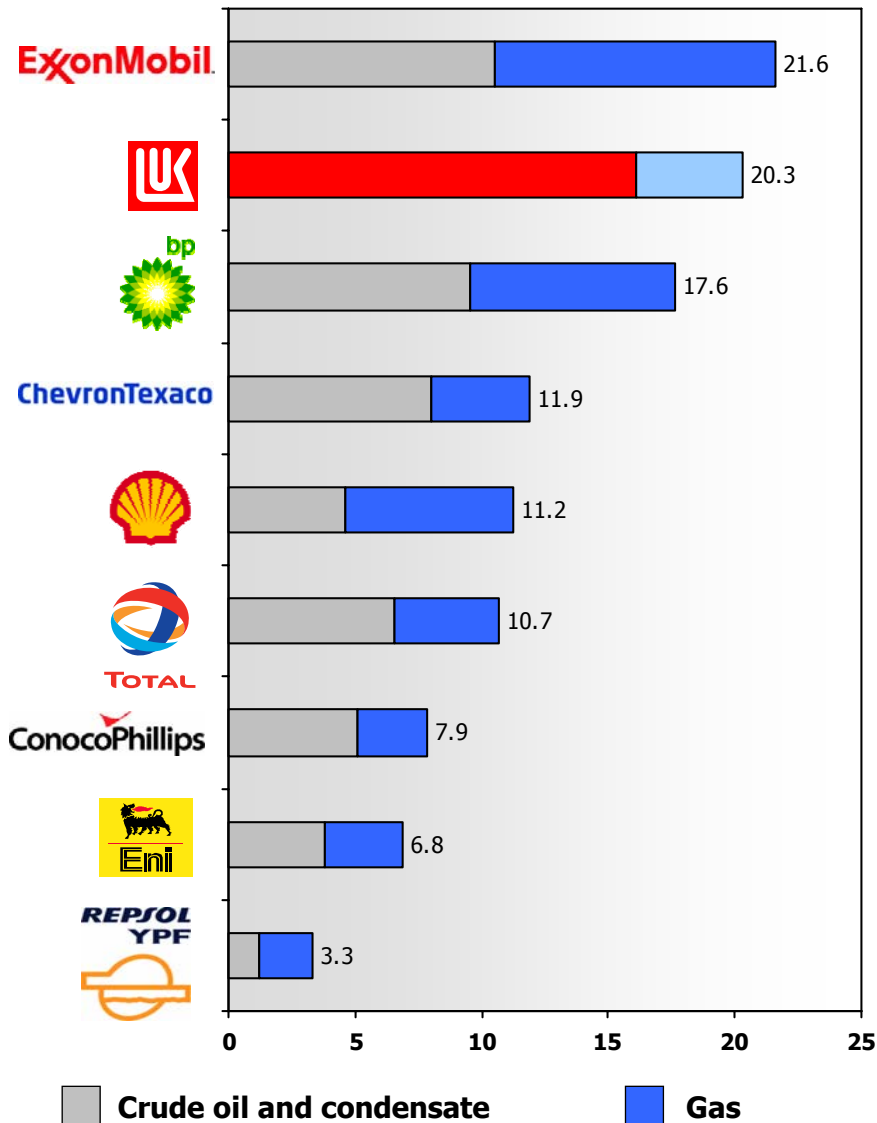
LUKOIL's share in global crude oil & petroleum products trade



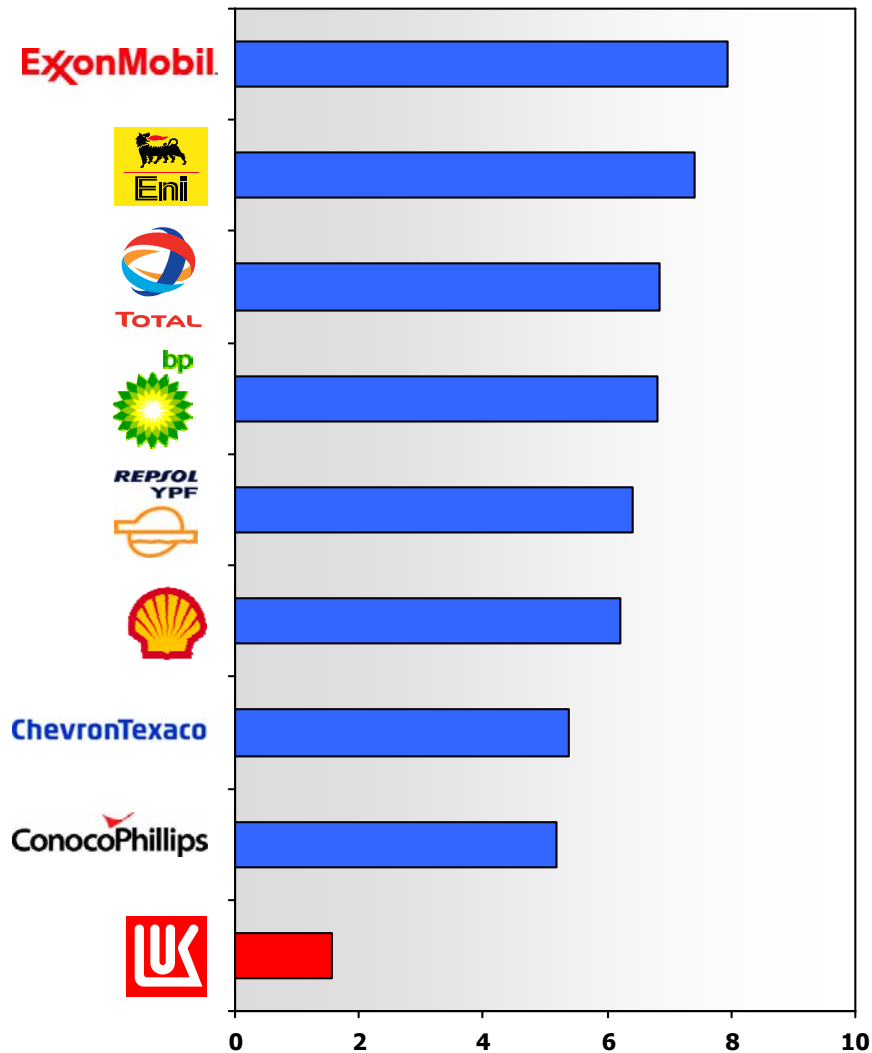


LUKOIL in Global Oil & Gas Ranking

Proved hydrocarbon reserves, bln boe



Market capitalization per barrel of 2P reserves, \$/boe

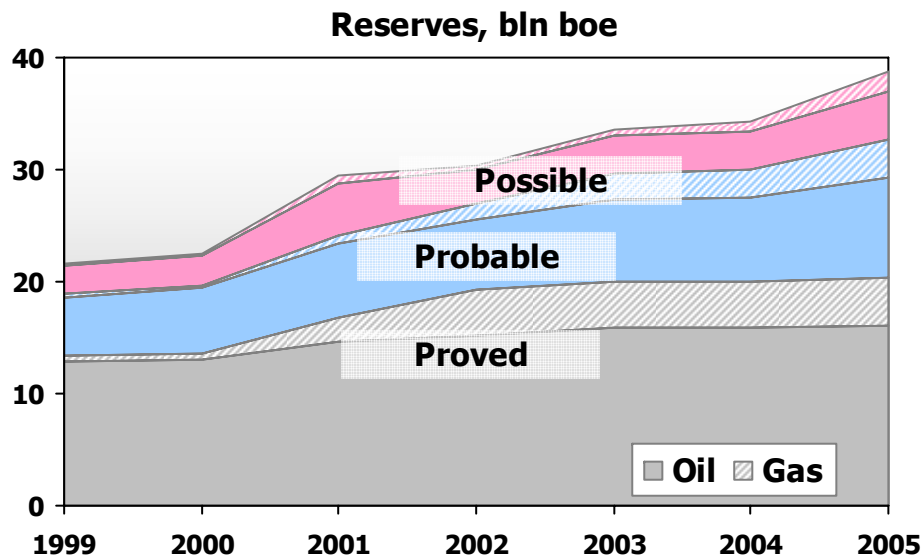


■ Crude oil and condensate ■ Gas

Source: Companies reports, Wood Mackenzie.

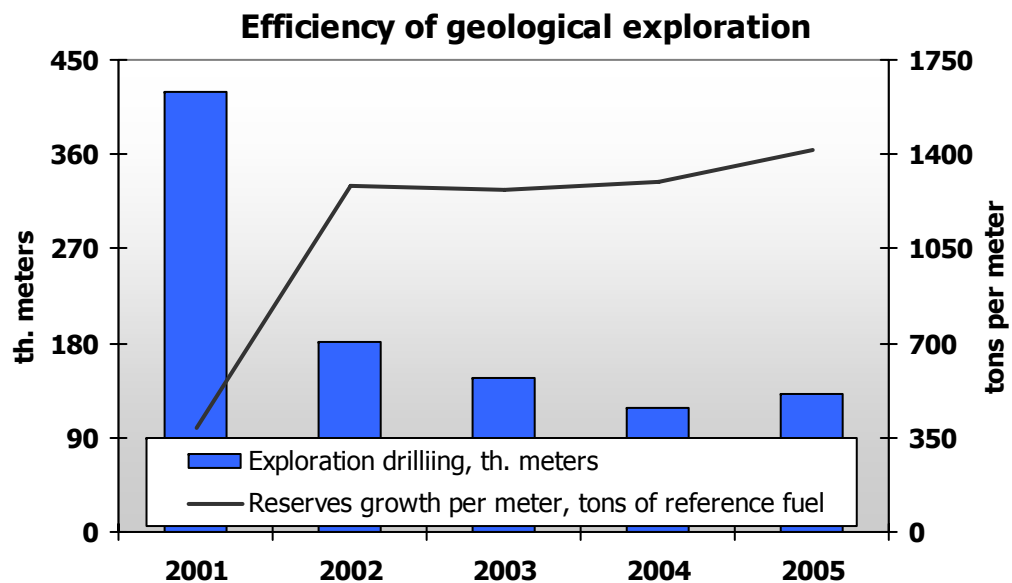
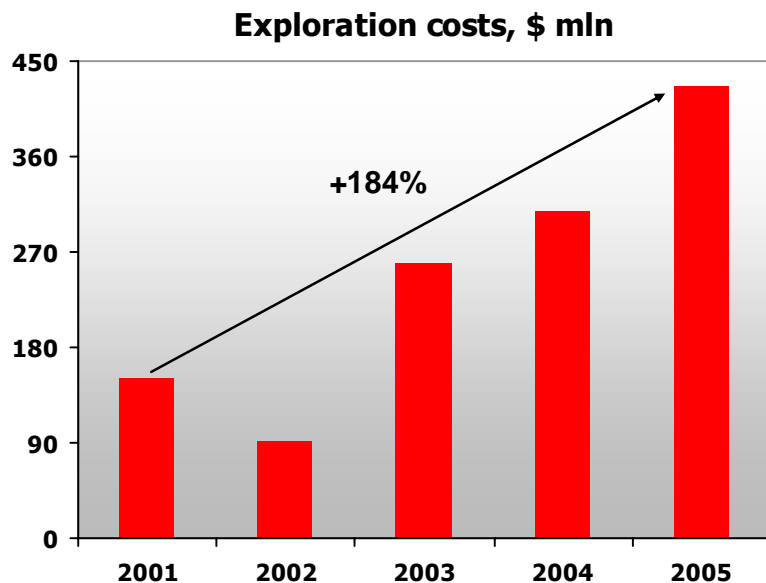


Building Strong Reserve Base



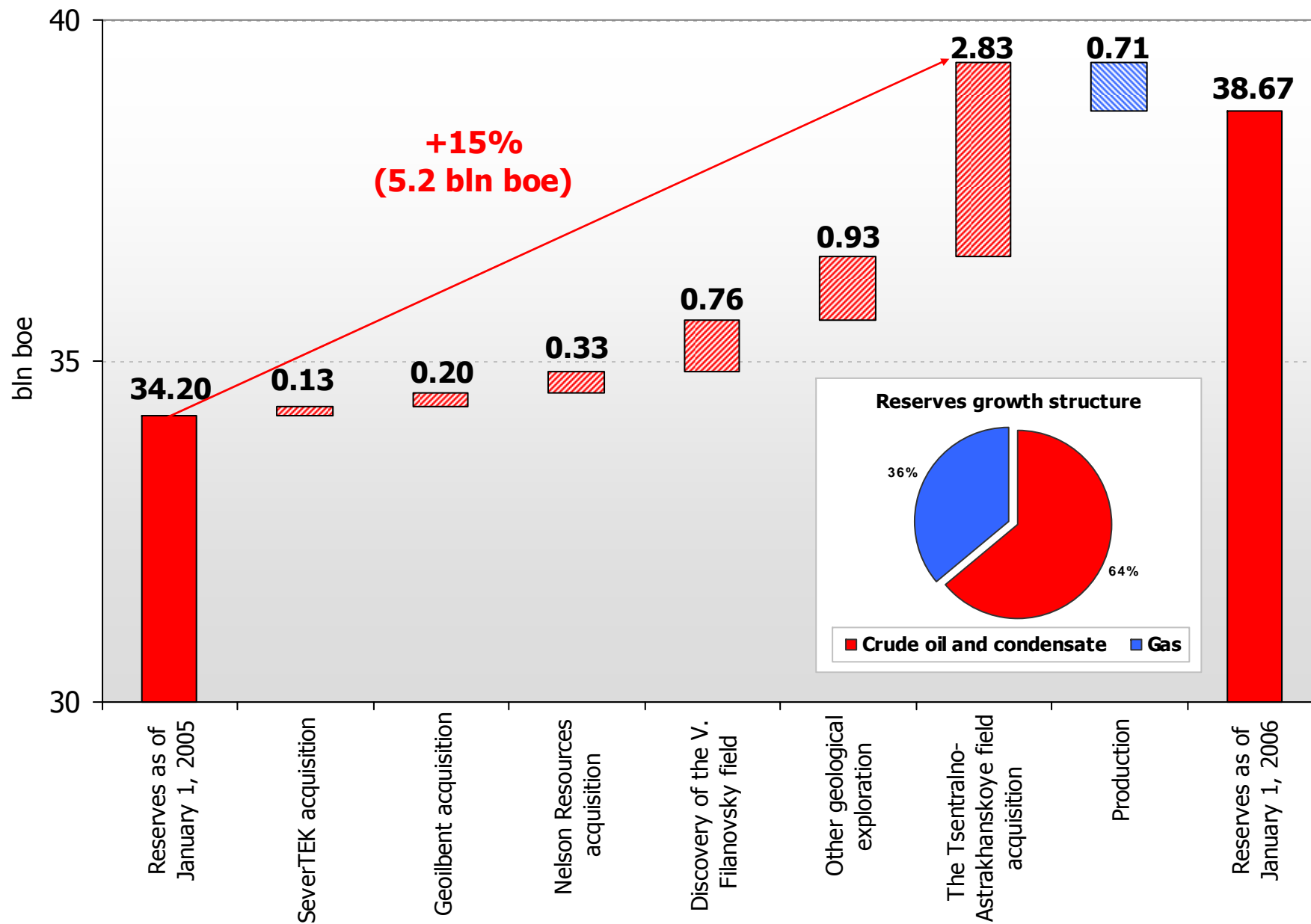
LUKOIL has built a strong and rich reserve base, enabling the company to maintain high production growth rates in the long term.

Using the latest technologies provides considerable increase in the exploration efficiency.





Record Reserve Base Extension in 2005





Main Acquisitions of 2005: Rapid Development of International Activity

Oy Teboil Ab and Suomen Petrooli Oy

(Finland)

- **Main activity:** operation of 289 filling stations and 132 diesel outlets, petroleum product wholesale, blending and sale of lubricants
- **Share in Finnish market** – more than 20%
- **Share in LUKOIL's sales** – 3.5%
- **Cost of purchase** – \$160 mln

LUKOIL investments in consolidation and acquisitions were \$2,874 mln in 2005.

Nelson Resources Limited

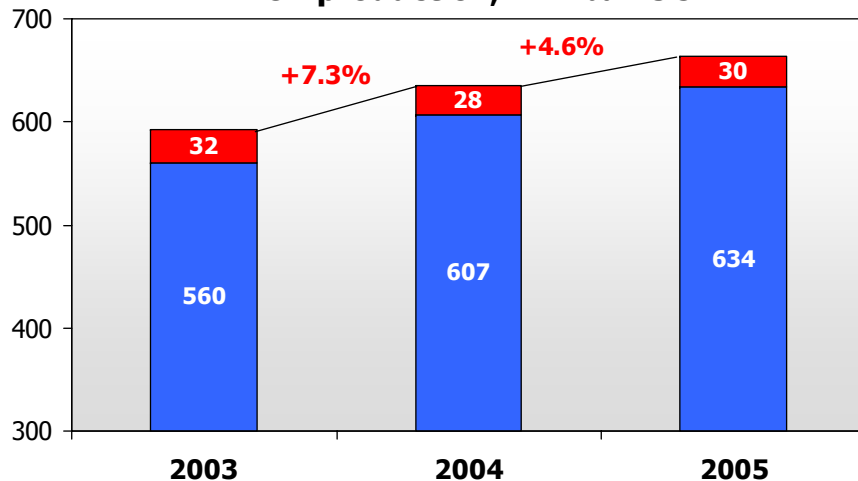
(Kazakhstan)

- **Main activity:** has a share in 3 PSAs in Kazakhstan and 2 options to acquire stakes in geological exploration blocks in Kazakh sector of the Caspian Sea
- **Proved reserves** (at the end of 2005) – 172 mln barrels
- **Production** in 2005 – 32,000 barrels per day
- **Share in LUKOIL's production** – 1.8%
- **Cost of purchase** – \$1,951 mln + net debt of \$60 mln



Hydrocarbon Production: 2005 Results

Oil production, mln barrels

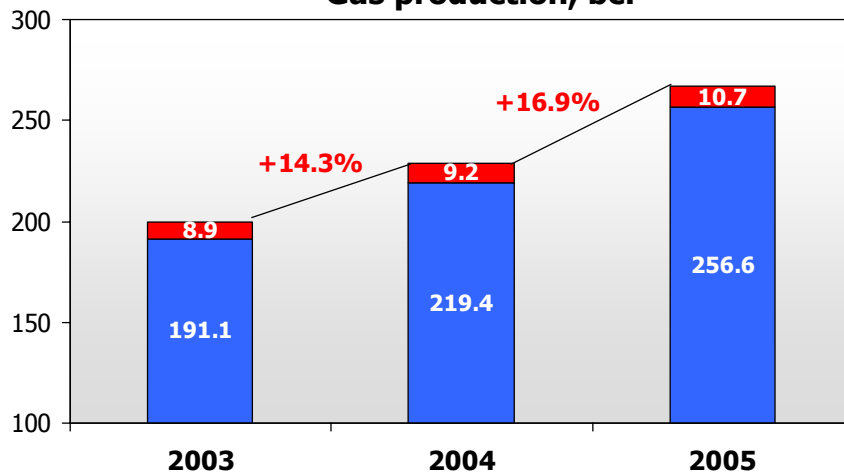


Crude oil output totaled **664 mln barrels (90.16 mln tonnes)** in 2005, which is **4.6%** more y-o-y. Gas production rose by **16.9%**.

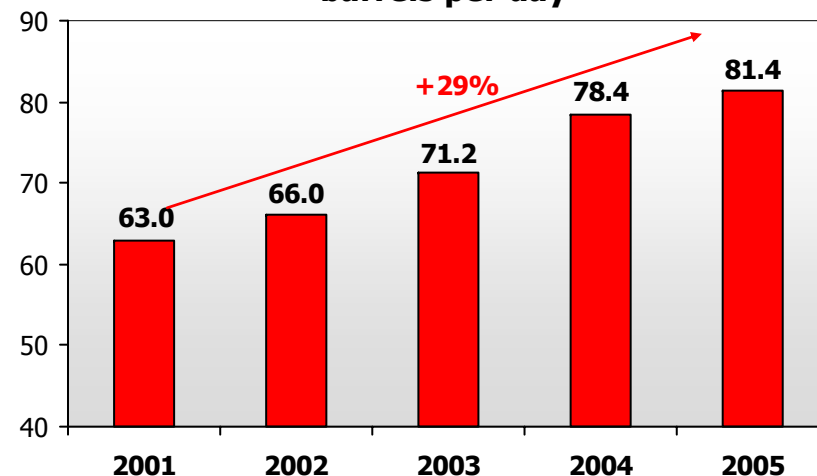
Daily hydrocarbon production grew 5.4% and reached 1.94 mln boe per day.

Since 2001 average crude oil flow rate per well has been steadily growing.

Gas production, bcf



Average crude oil flow rate per well, barrels per day



■ Production by subsidiaries ■ Share in affiliates



Economic Environment

2005	2004		4Q 2005	3Q 2005
<u>Domestic Market</u>				
24.44	15.09	Realized oil (\$/bbl)	22.52	29.39
336.75	236.52	Realized petroleum products (\$/ton)	380.76	380.18
10.9	11.7	Inflation (%)	2.1	0.7
6.9	18.5	Ruble appreciation against USD (%)	1.1	1.3
<u>International Market</u>				
48.63	32.42	Realized oil (\$/bbl)	51.01	55.66
515.57	369.75	Realized petroleum products (\$/ton)	533.99	557.00

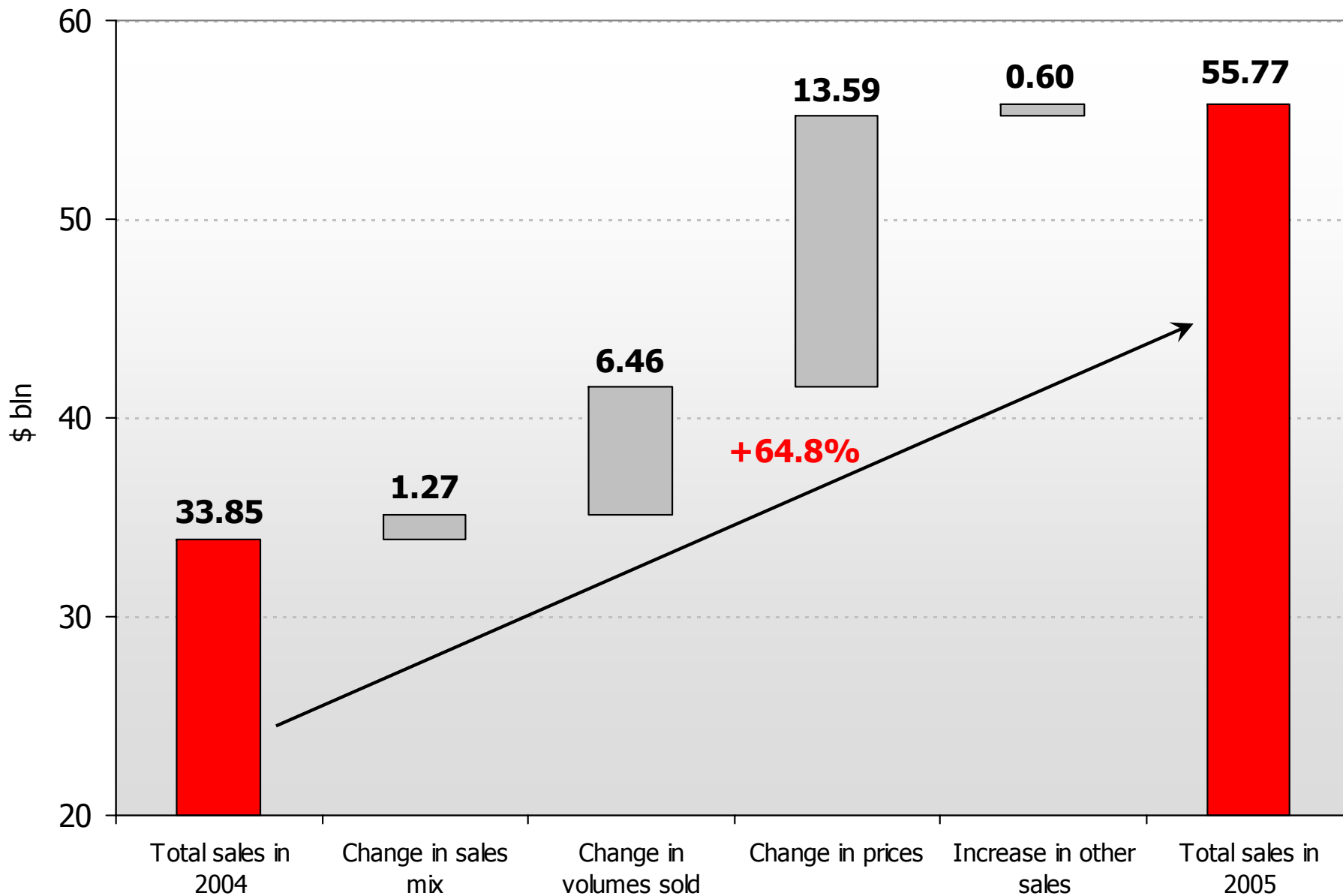


Financial Results

2005	2004	\$ mln	4Q 2005	3Q 2005
56,215	34,058	Total revenue	15,641	16,324
(3,487)	(2,880)	Operating expenses	(1,111)	(877)
(16,265)	(8,753)	Taxes other than income taxes (including excise and export tariffs)	(4,818)	(4,417)
9,388	6,034	Income from operating activities	2,456	3,092
8,910	6,008	Income before income taxes	2,306	2,987
6,443	4,248	Net income	1,642	2,211
7.91	5.20	EPS (\$)	2.01	2.72
10,404	7,203	EBITDA	2,747	3,359



Sales Reconciliation





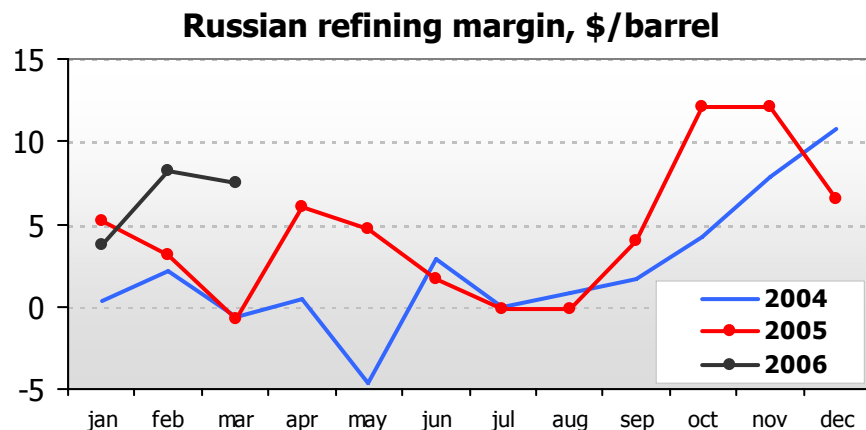
Sales Breakdown

2005	2004	Sales breakdown	4Q 2005	3Q 2005
83.2	80.4	Export sales and sales on international markets to total volume of sales (%)	84.2	83.5
62.2	56.2	Petroleum product sales to total volume of sales (%)	66.0	63.9
55.2	47.4	Share of petroleum products in total export volumes and international sales (%)	60.0	57.6
62.5	56.2	Share of petroleum products in total export sales and international sales (%)	66.7	64.0

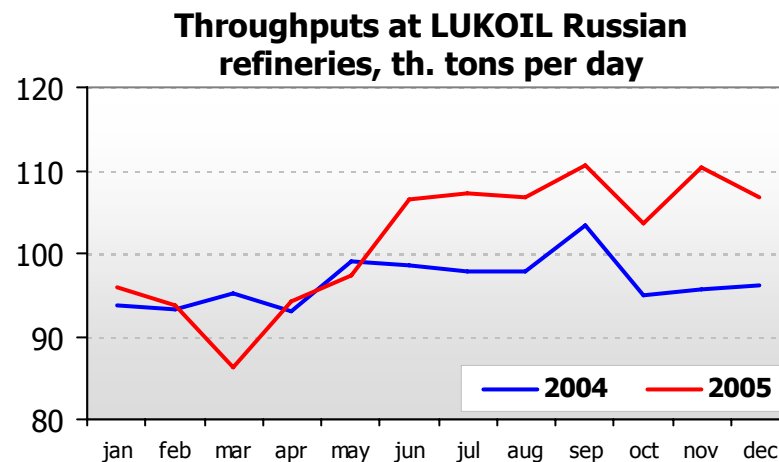
2005	2004	Sales, \$ mln	4Q 2005	3Q 2005
15,589	10,338	International sales of crude oil (far-abroad countries)	3,747	4,432
778	602	Sales of crude oil in near-abroad countries	318	269
120	181	Sales of crude oil within Russia	14	48
29,216	15,317	International sales of petroleum products	8,704	8,730
6,725	4,665	Sales of petroleum products within Russia	1,901	1,961
1,134	1,021	International sales of petrochemicals	271	213
469	332	Sales of petrochemicals within Russia	127	113
1,743	1,389	Other sales	454	423
55,774	33,845	Total sales	15,536	16,189



Oil Refining in Russia is More Profitable Than its Exports



Source: LUKOIL (average refinery without catalytic cracking in European Russia).



Average refinery, located in mid-European part of Russia (4Q 2005)

Oil exports by alternative routes from the refinery

	\$/t
Urals price (Western Europe)	394
Transportation costs from refinery gate	40
Export tariff	180
Netback Value (refinery gate)	174

Oil refining

	\$/t
Average wholesale price of petroleum product basket at refinery gate (excluding taxes)*	246
Refining costs	17
Netback Value (refinery gate)	229



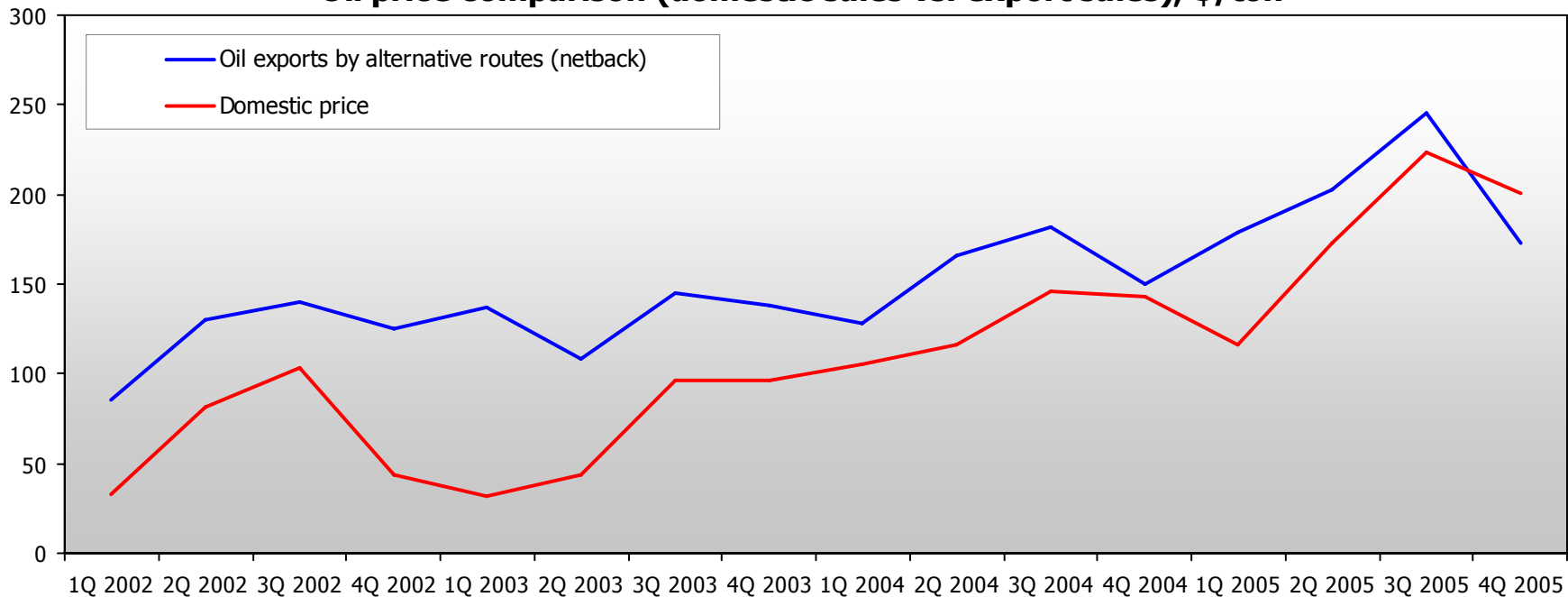
Current tax burden in Russia's upstream makes downstream operation more attractive vs. crude oil export. LUKOIL gained around \$150 mln in 2005 due to raising throughputs at its Russia-based refineries.

*Considers domestic sales and exports.

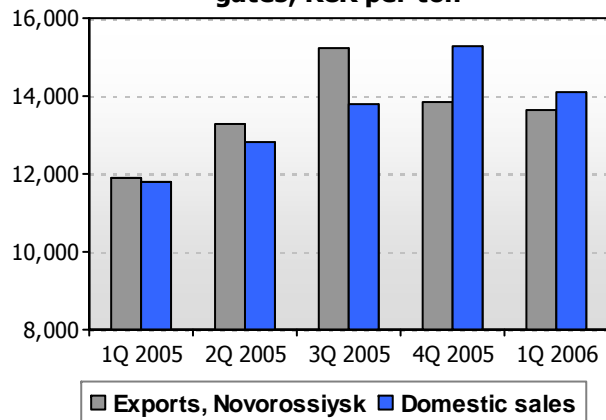


Russian Market Changes Its Shape

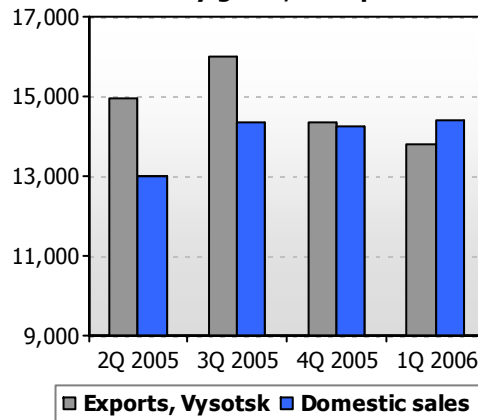
Oil price comparison (domestic sales vs. export sales), \$/ton



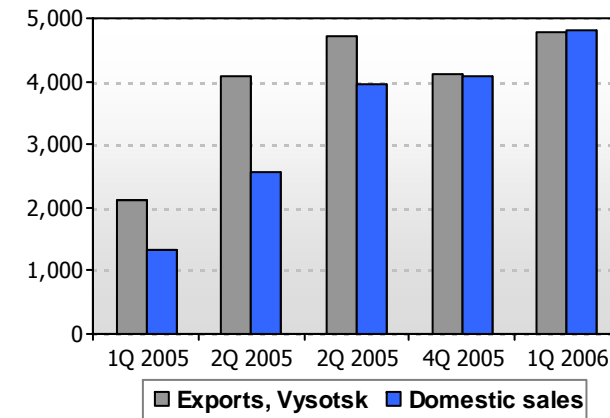
Diesel price at Volgograd refinery gates, RUR per ton



Diesel price at Nizhny Novgorod refinery gates, RUR per ton



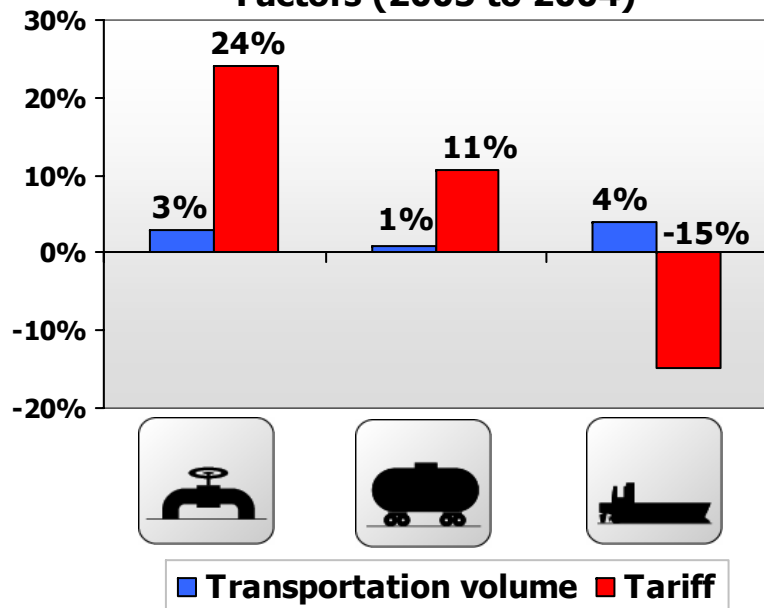
Fuel oil price at Nizhny Novgorod refinery gates, RUR per ton



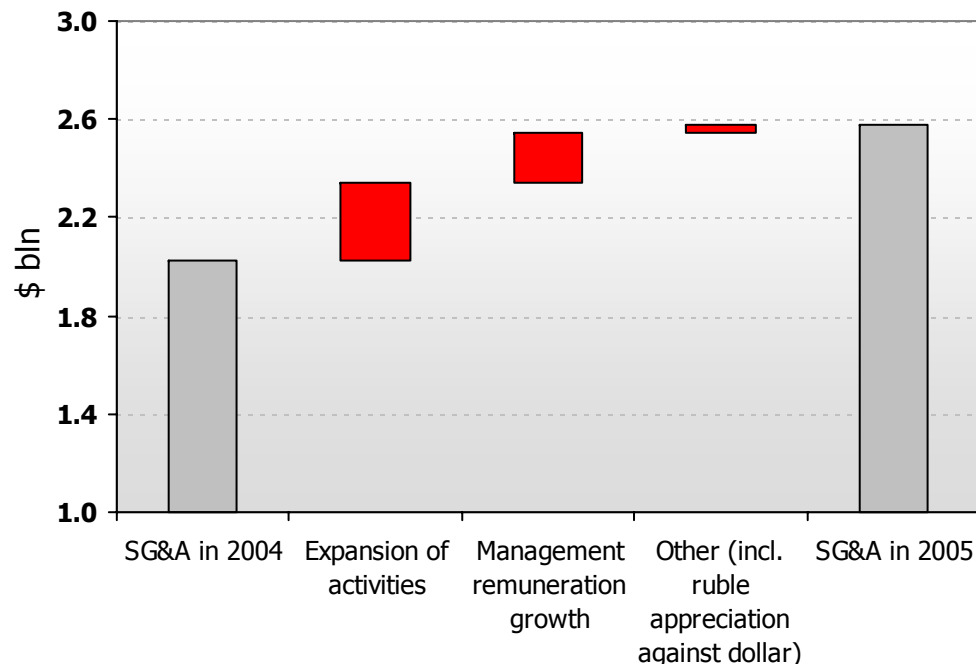


SG&A and Transportation Expenses

Transportation Expenses Change Factors (2005 to 2004)



SG&A reconciliation



2005	2004	Transportation expenses and SG&A, \$ mln	4Q 2005	3Q 2005
3,519	2,784	Transportation expenses	997	828
2,578	2,024	Other selling, general and administrative expenses	758	686
6,097	4,808	Total	1,755	1,514

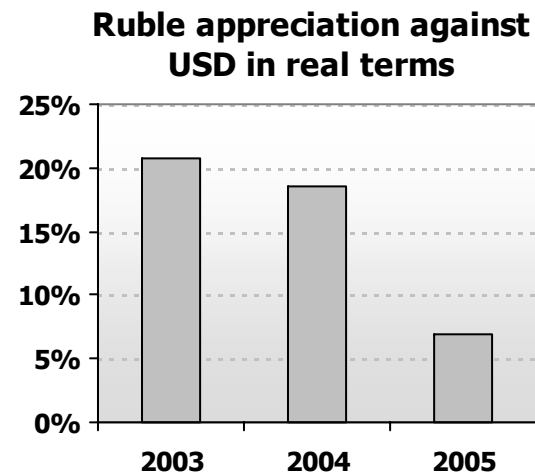
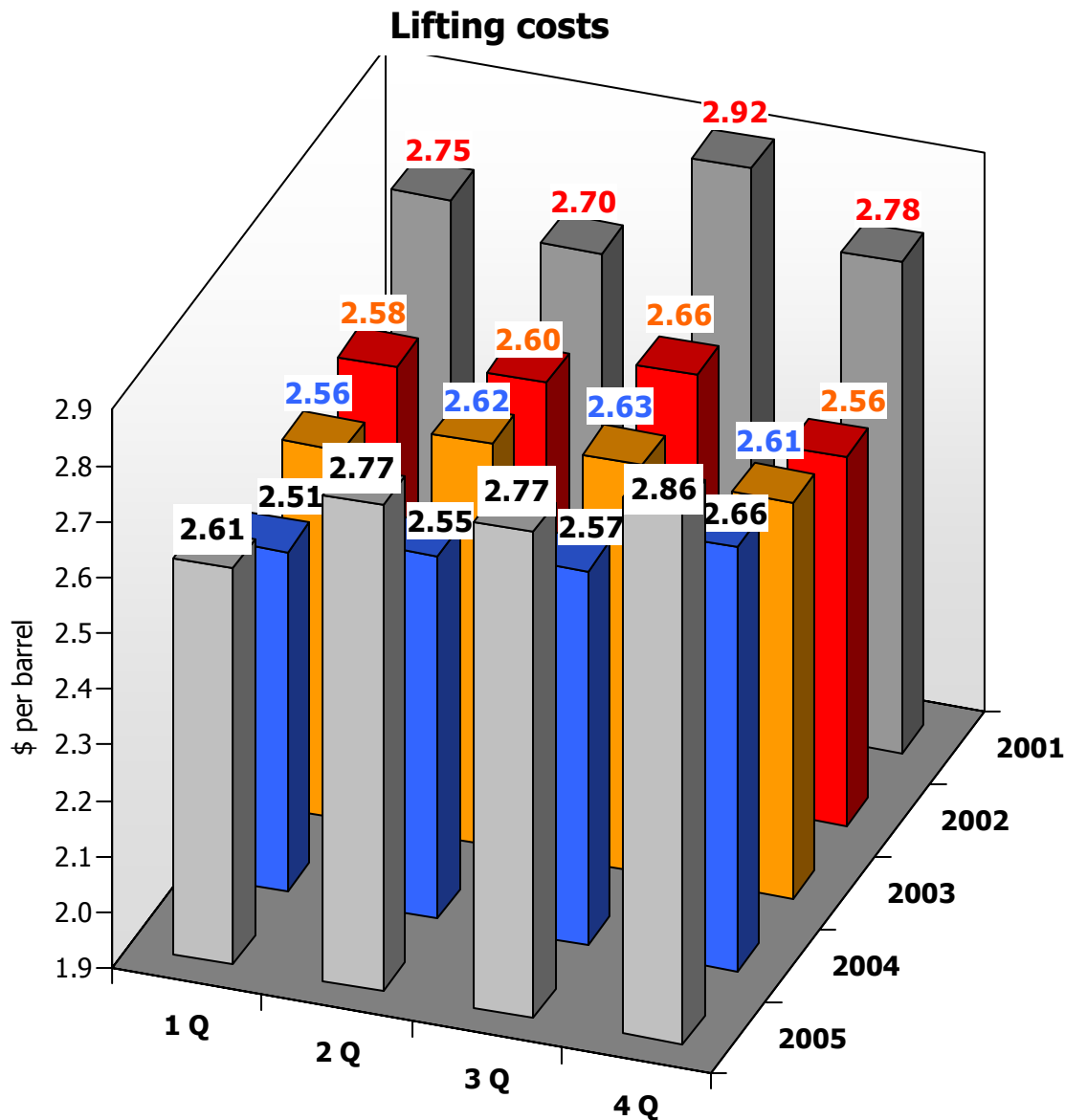


Operating Expenses

2005	2004	\$ mln	4Q 2005	3Q 2005
1,740	1,556	Lifting costs	465	440
644	532	Refinery expenses	163	166
214	207	Petrochemical expenses	36	68
889	585	Other operating expenses	447	203
3,487	2,880	Total	1,111	877
19,398	10,124	Cost of purchased oil, petroleum and chemical products	5,019	6,057



Reduction of Lifting Costs

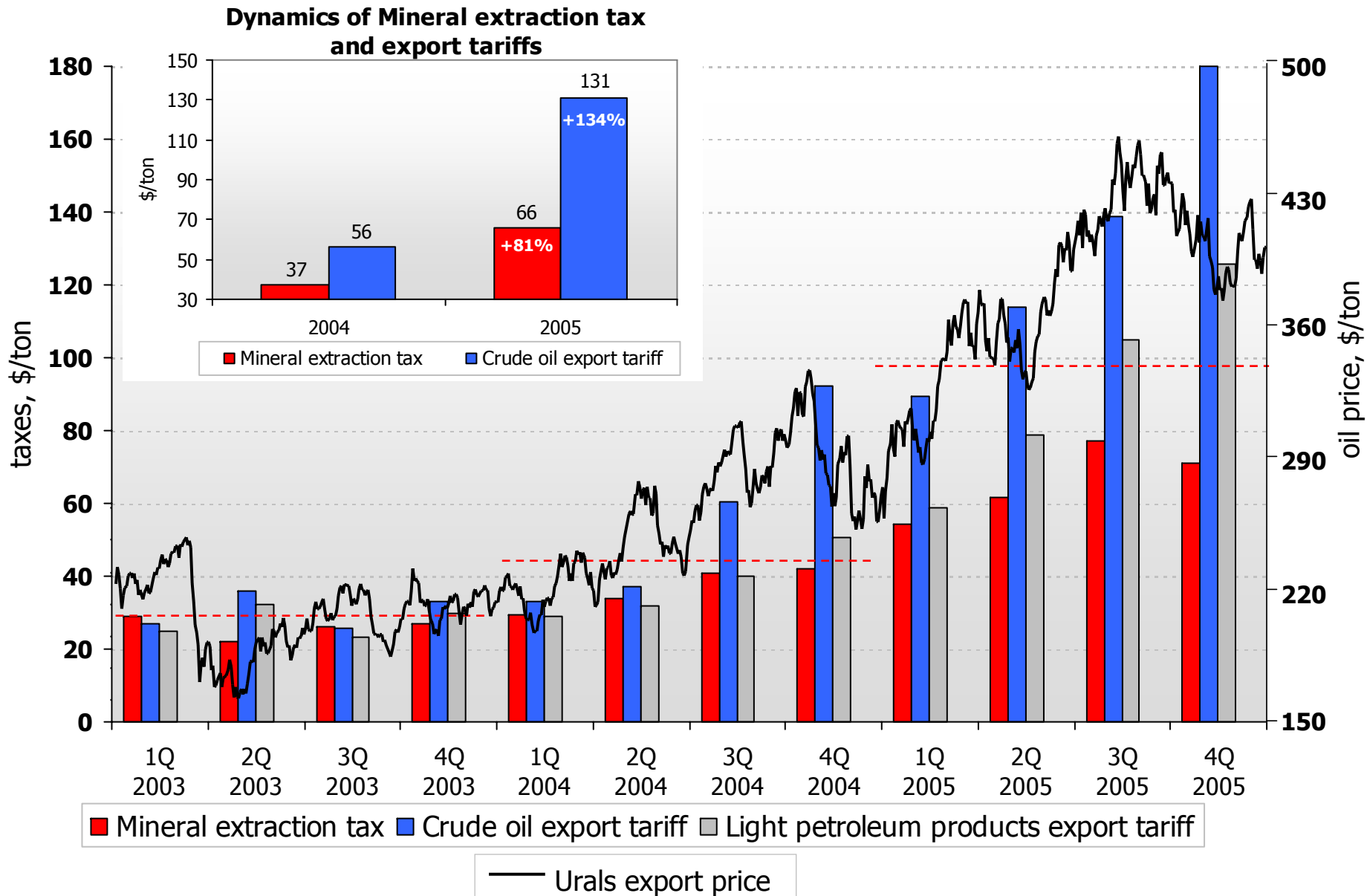


In 2005 lifting costs per barrel of oil produced increased by 6.6% to \$2.75 per barrel.

Ruble appreciation against USD in real terms reached 14% y-o-y. Lifting costs declined by 7% in real terms.



Growth of Tax Burden





Current Governmental Proposals Presented to the State Duma

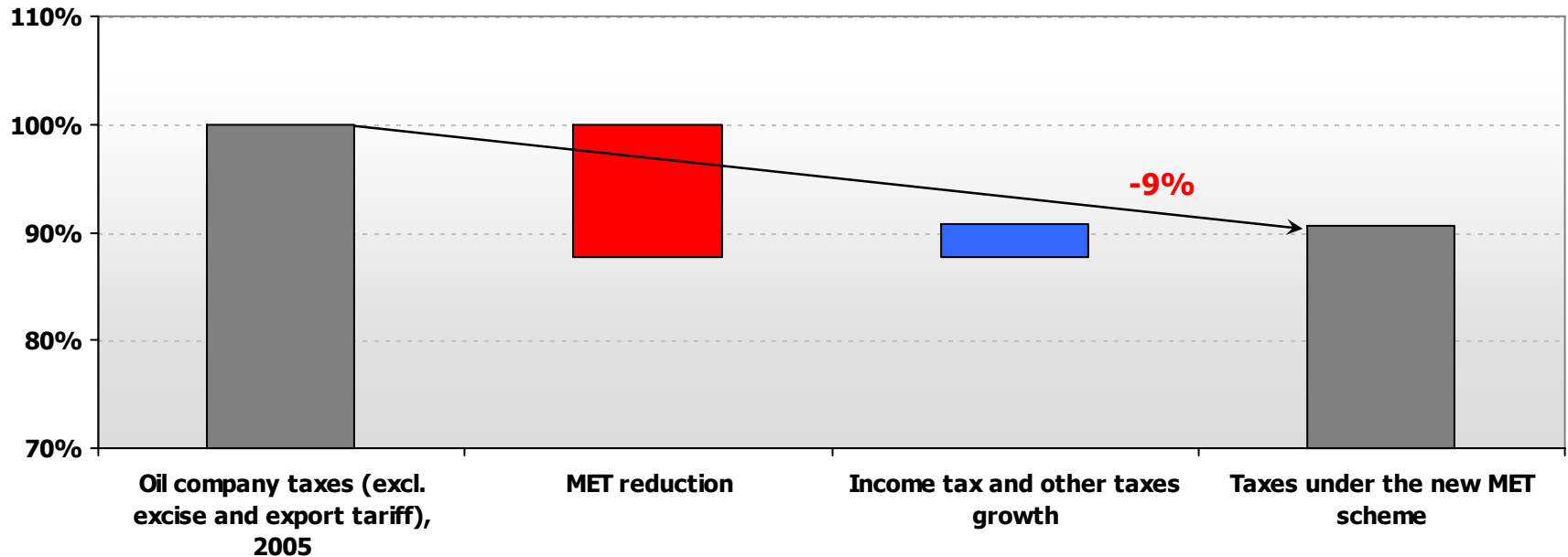
0% tax rate is used for:

- oil production in the Eastern Siberia oil & gas province and on the Russian continental shelf until the accumulated production reaches 25 mln tons or until 10-15 years development period expires.

Tax rate differentiation according to the depletion rate:

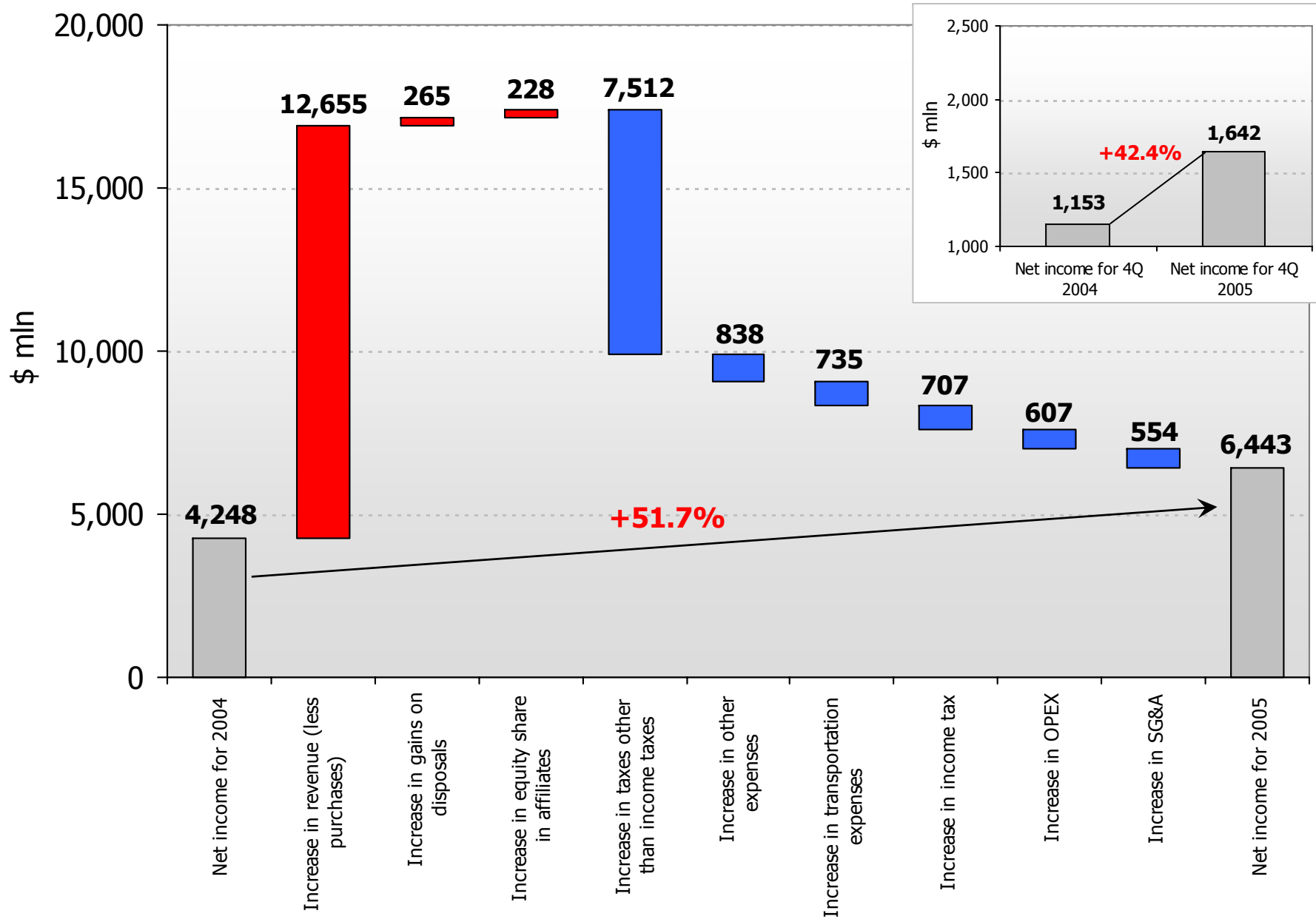
- fields with depletion rate above 0.8 are subject to implementation of depletion ratio ($= - 3,5 \times \text{depletion rate} + 3,8$)

Taxation change for an oil company after the MET scheme reform





Net Income Reconciliation





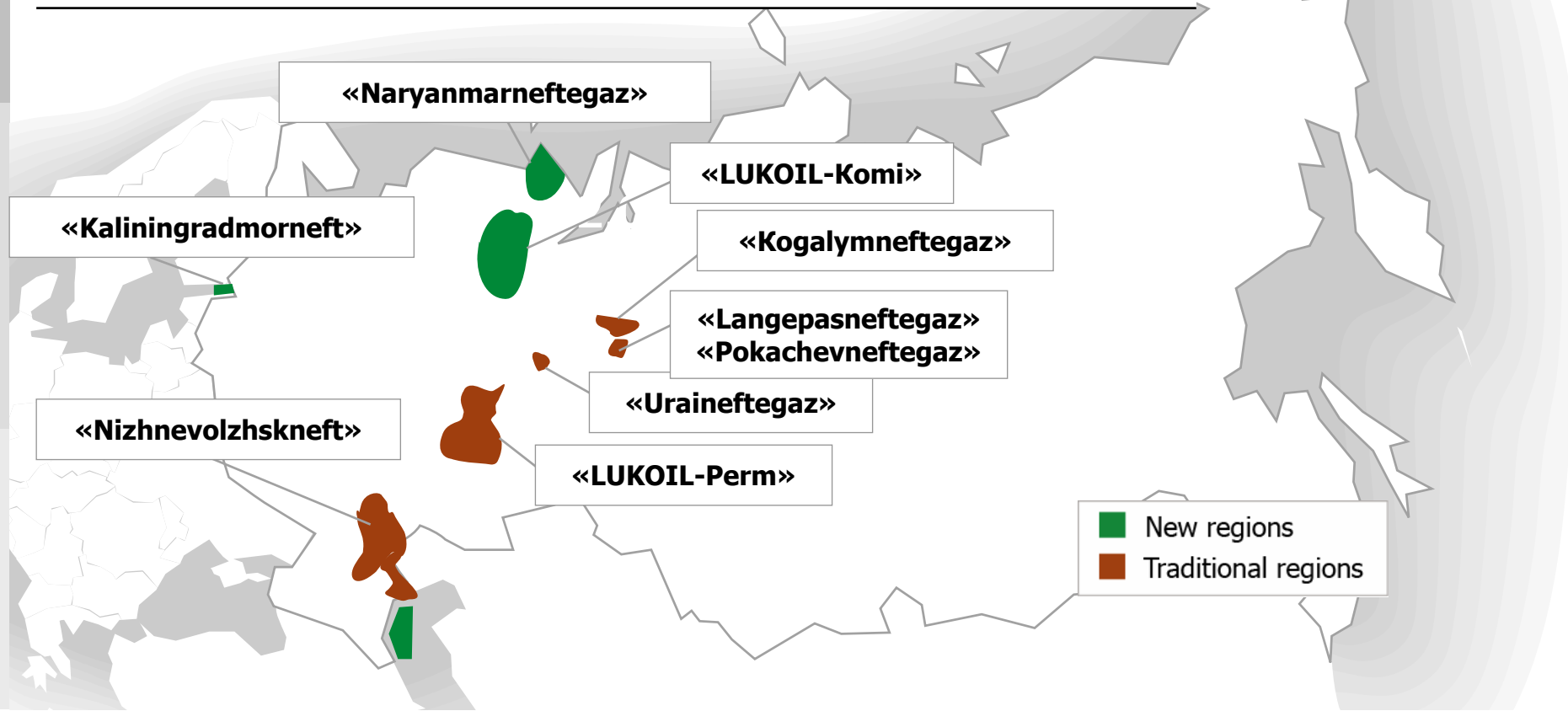
Capex Breakdown

2005	2004	\$ mln	4Q 2005	3Q 2005
2,918	2,289	Exploration and production	856	676
<i>2,487</i>	<i>2,100</i>	<i>Russia</i>	<i>702</i>	<i>586</i>
<i>431</i>	<i>189</i>	<i>International</i>	<i>154</i>	<i>90</i>
673	379	North of Timan-Pechora	205	175
216	325	Yamal	34	19
259	77	Caspian sea (including international projects)	73	45
1,129	1,070	Refining and marketing	359	240
<i>654</i>	<i>677</i>	<i>Russia</i>	<i>219</i>	<i>116</i>
<i>475</i>	<i>393</i>	<i>International</i>	<i>140</i>	<i>124</i>
77	71	Petrochemistry	28	19
<i>59</i>	<i>55</i>	<i>Russia</i>	<i>19</i>	<i>15</i>
<i>18</i>	<i>16</i>	<i>International</i>	<i>9</i>	<i>4</i>
53	17	Other	16	0
4,177	3,447	Total (cash and non-cash)	1,259	935



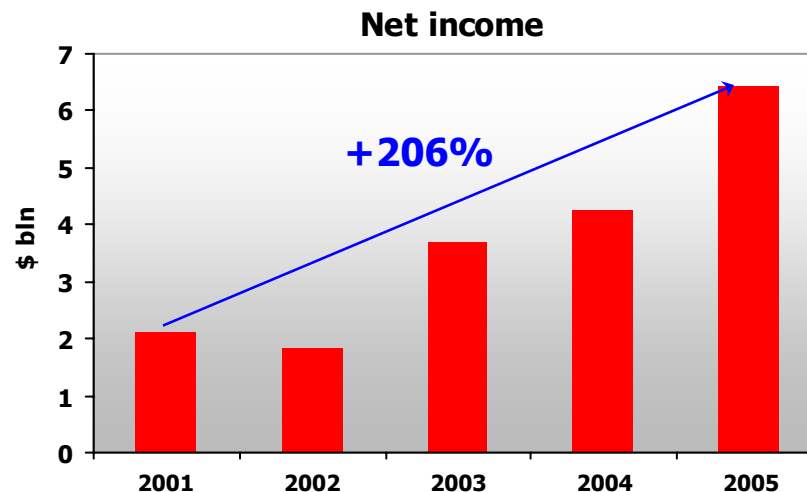
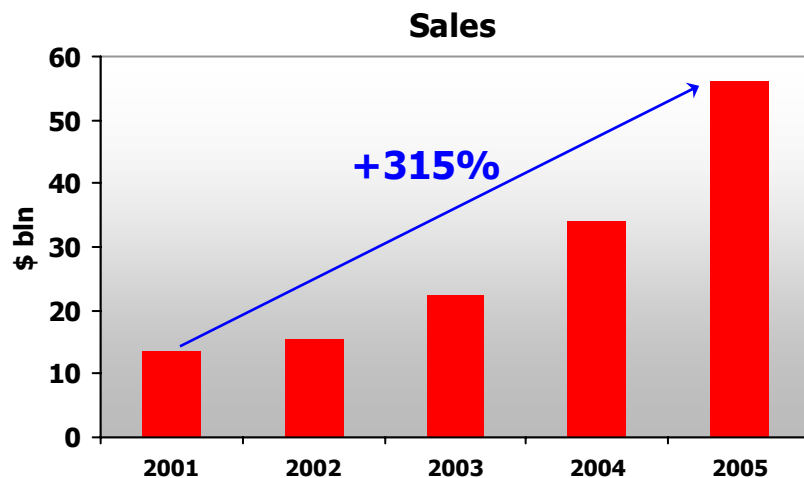
E&P Capex

Capital expenditures, \$ mln	2005	2004	Growth, %
Traditional regions	1,550	1,382	+12.2
New regions	937	718	+30.5
<i>Yamal</i>	<i>216</i>	<i>325</i>	<i>-33.5</i>
<i>North of Timan-Pechora</i>	<i>673</i>	<i>379</i>	<i>+77.6</i>
<i>Caspian sea (Russian sector)</i>	<i>48</i>	<i>14</i>	<i>+242.9</i>
Total in Russia	2,487	2,100	+18.4





Continuing Efficiency Growth

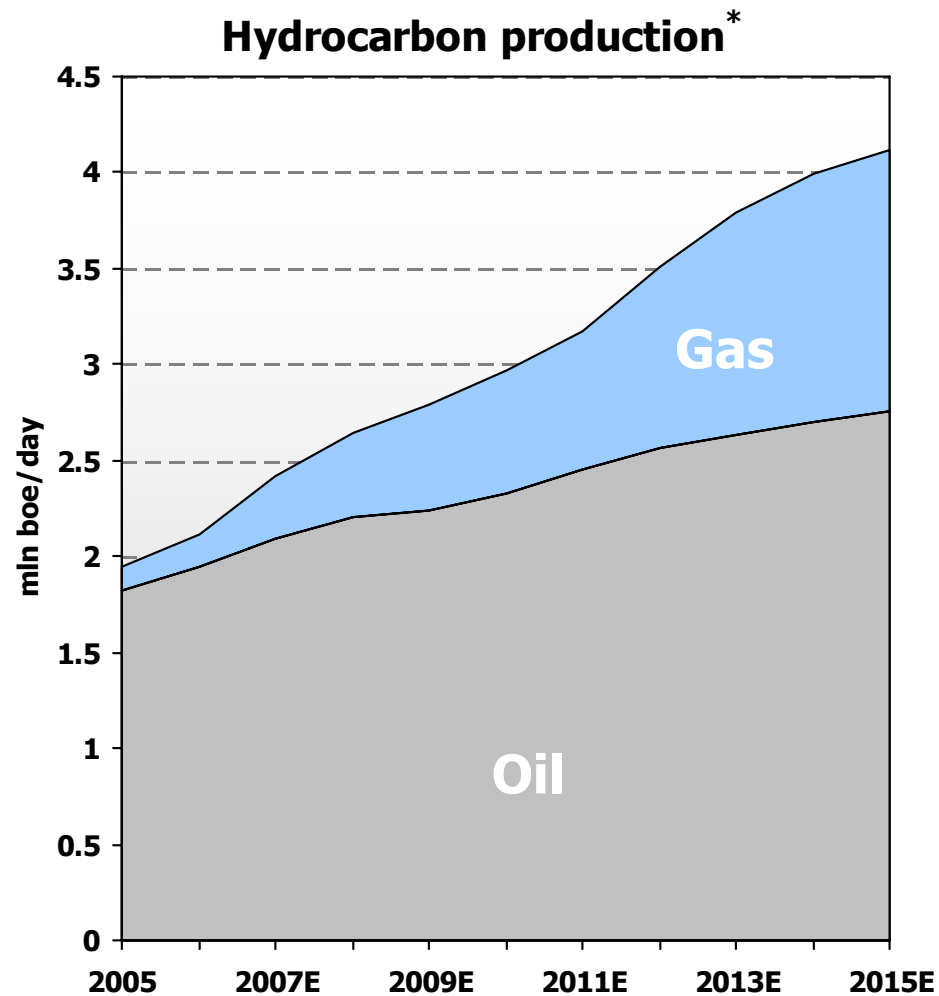
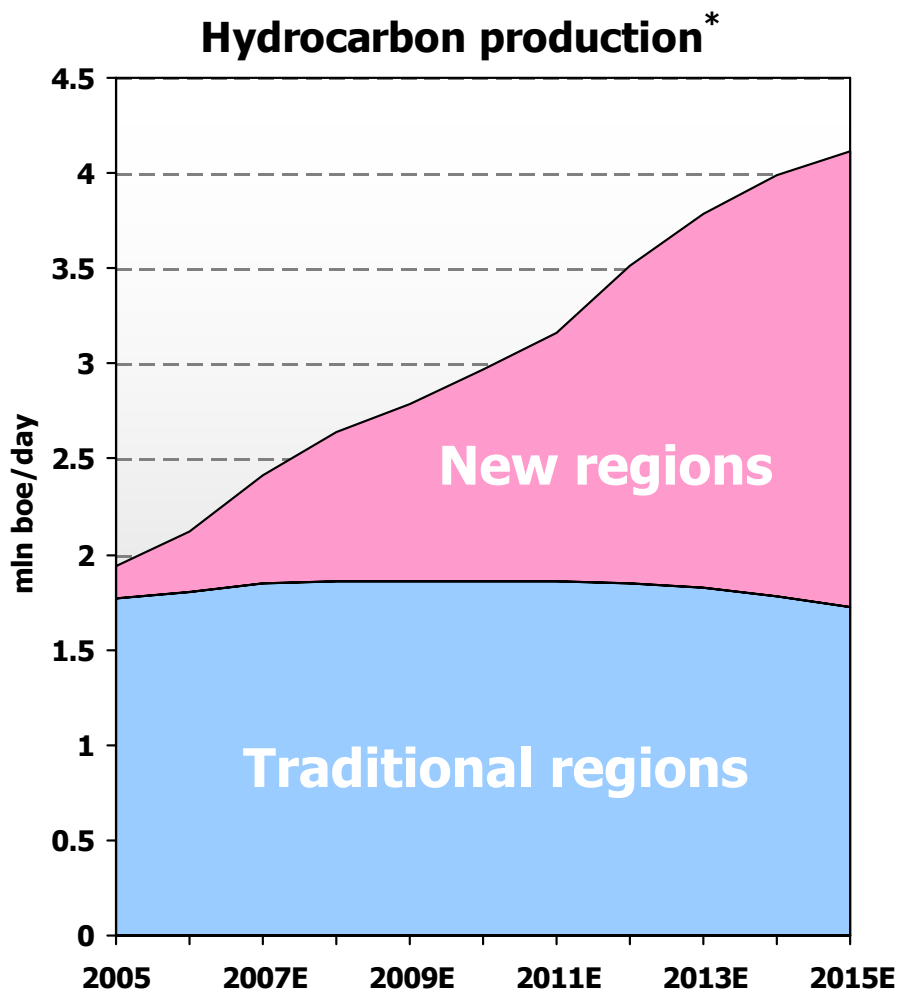


Crude oil price dynamics (Urals blend) , \$ per barrel





Sustainable Growth of Hydrocarbon Production



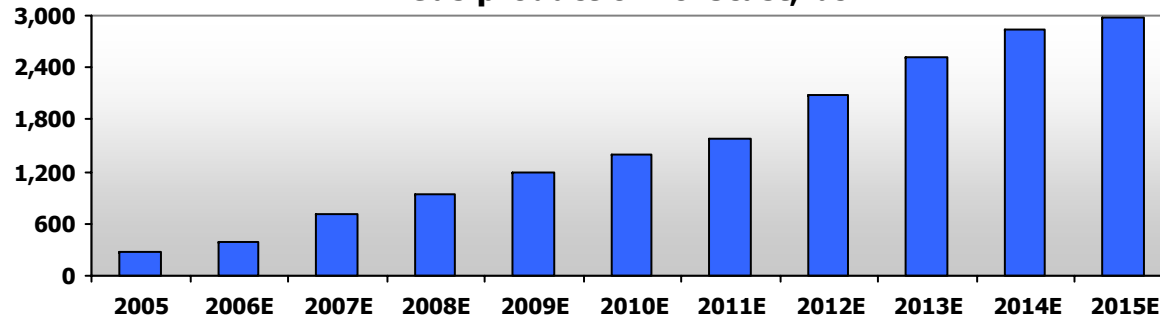
LUKOIL is the only oil & gas company in the world which aims at doubling hydrocarbon production within 10 years on existing reserve base.

* Subsidiaries and share in affiliates. Production forecast based on existing reserves without any exploration.

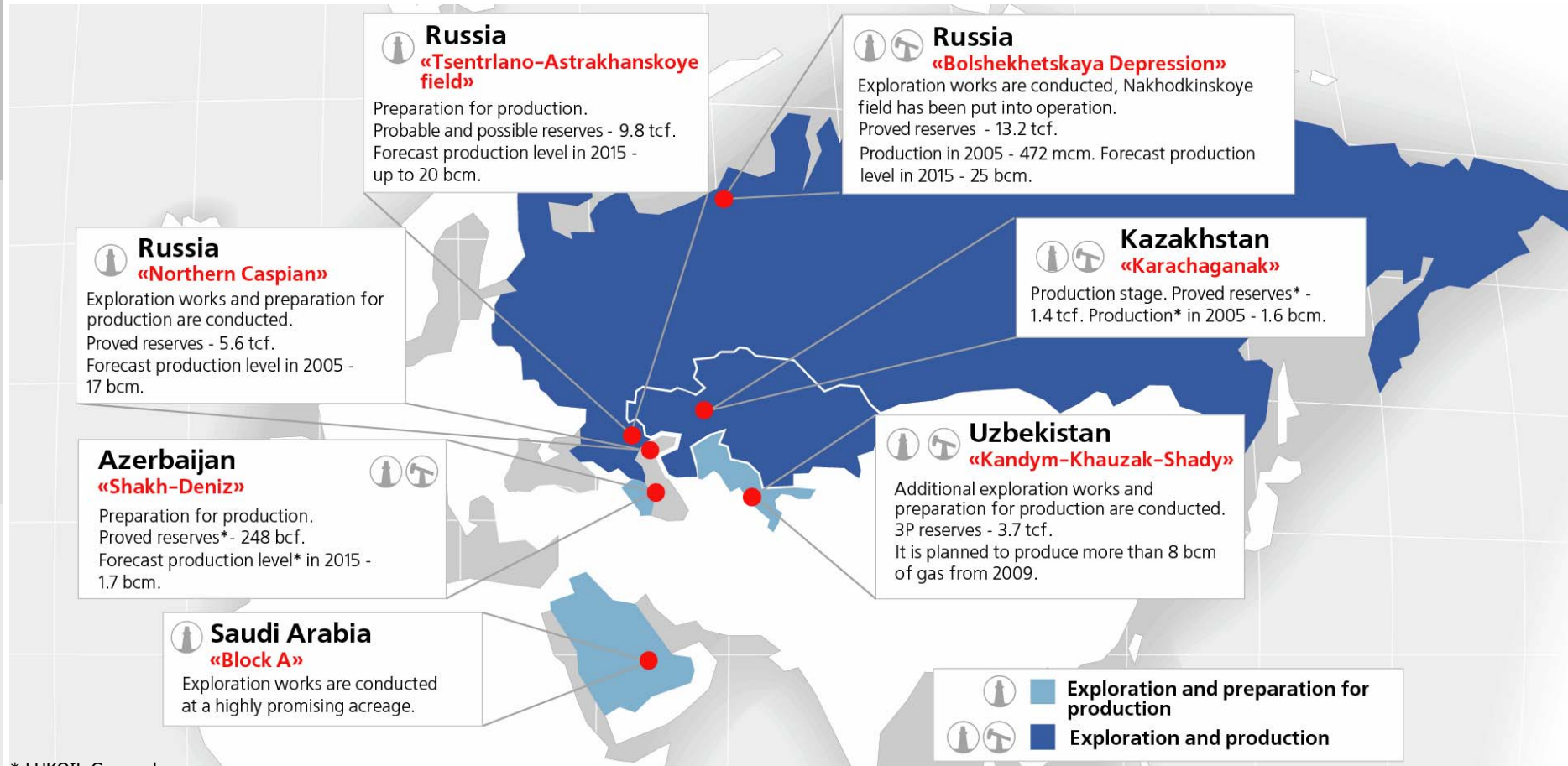


LUKOIL's Gas Strategy

Gas production forecast, bcf



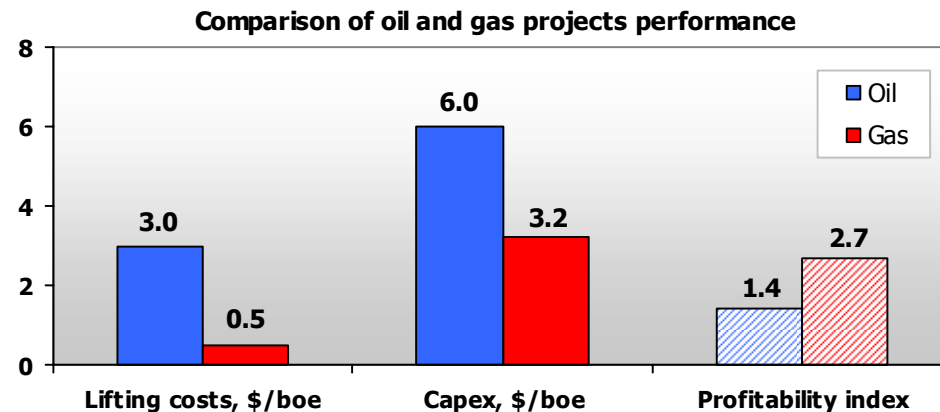
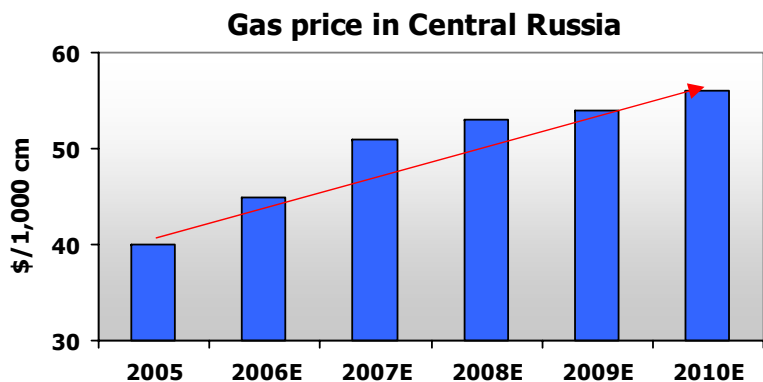
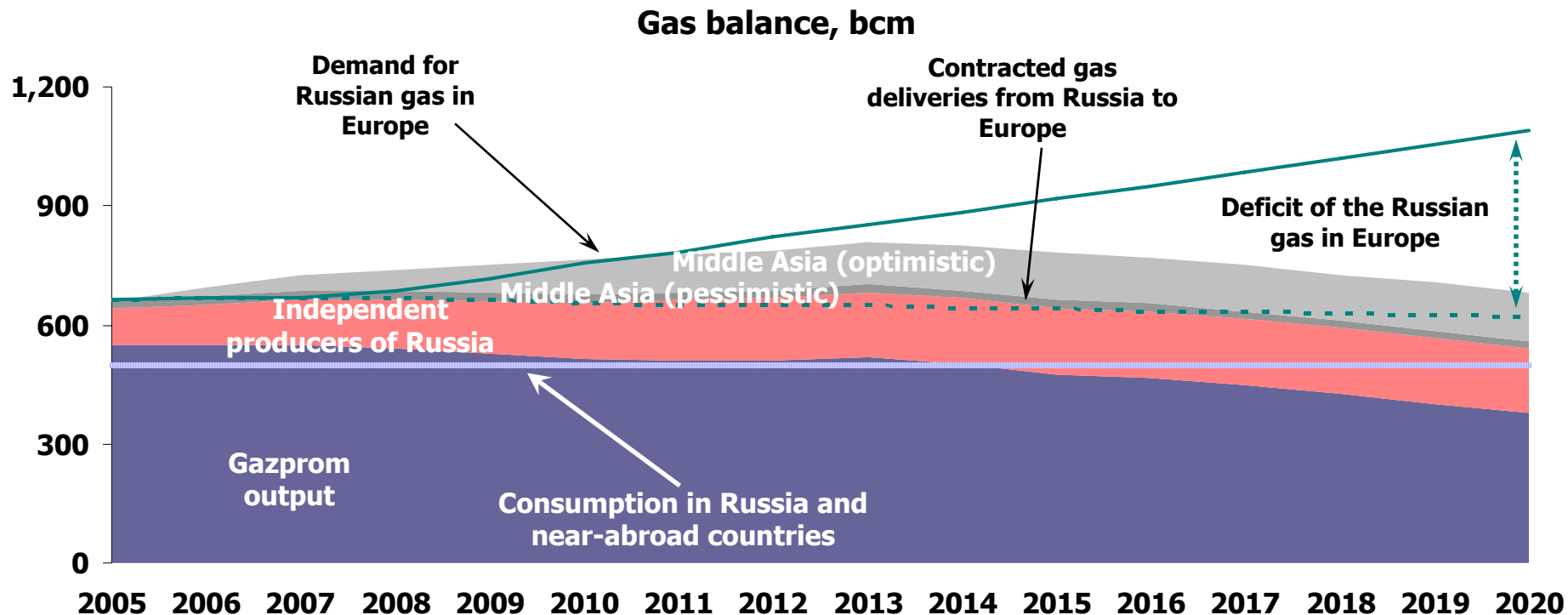
LUKOIL plans to increase gas output by 11 times to nearly 3 tcf by 2015. The main growth regions are the Bolshekhetskaya Depression and the Caspian Region.



* LUKOIL Group share



Revaluation of Gas Assets in Russia



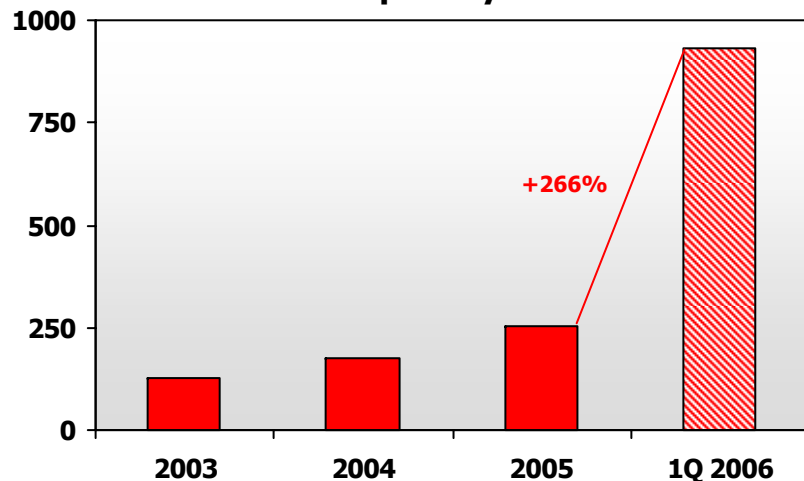
Source: FTA, LUKOIL estimates, Interregional Exchange of Oil and Gas Complex.

Source: FTA, Petroleum Argus, LUKOIL estimates; estimated development of oil fields in Nenets Autonomous District and gas fields of Bolshekhetskaya depression (2005-2014).

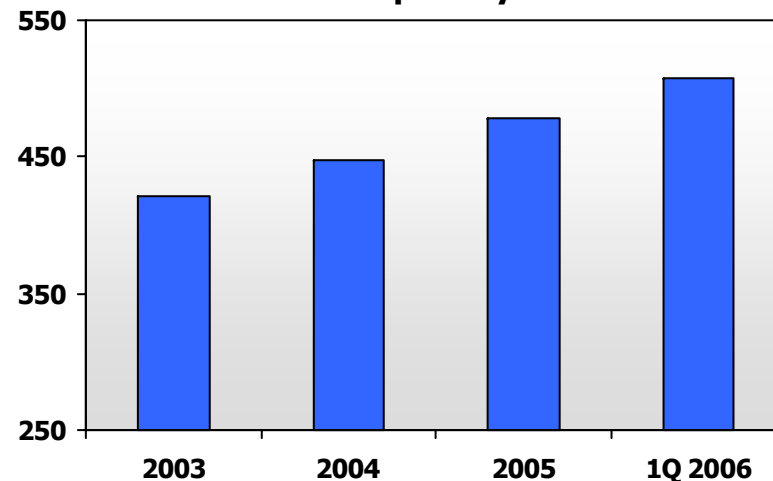


Gas Output: 2005 and 1Q 2006 Results

Daily output of natural gas, mcf per day

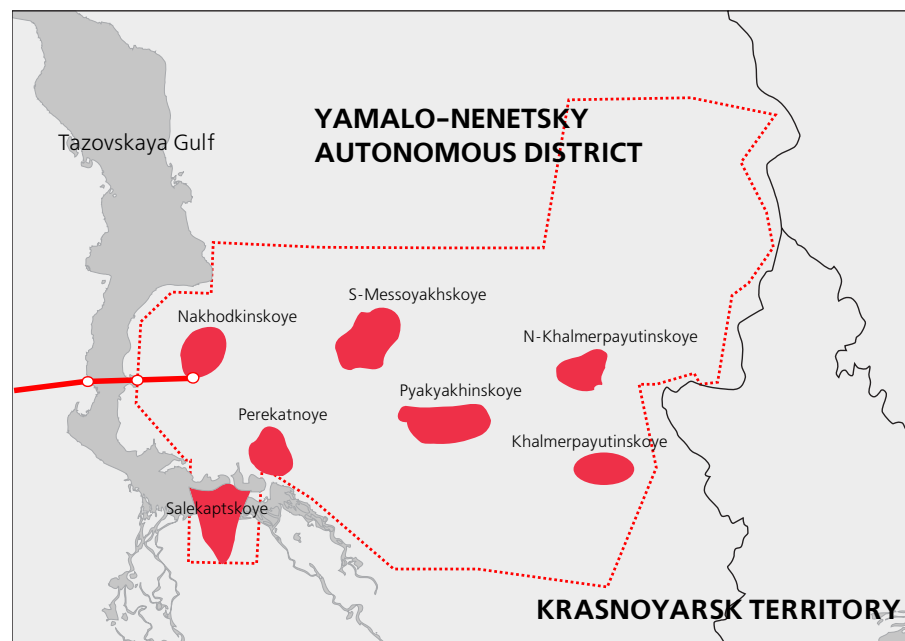


Daily output of petroleum gas, mcf per day



The first of the 7 gas fields of the Bolshekhetskaya Depression (Nakhodkinskoye) was put into operation in April 2005. The production at the field was 16.7 bcf (472 mcm) of natural gas in 2005. The field produced 64.4 bcf (1,823 mcm) of gas in 1Q 2006.

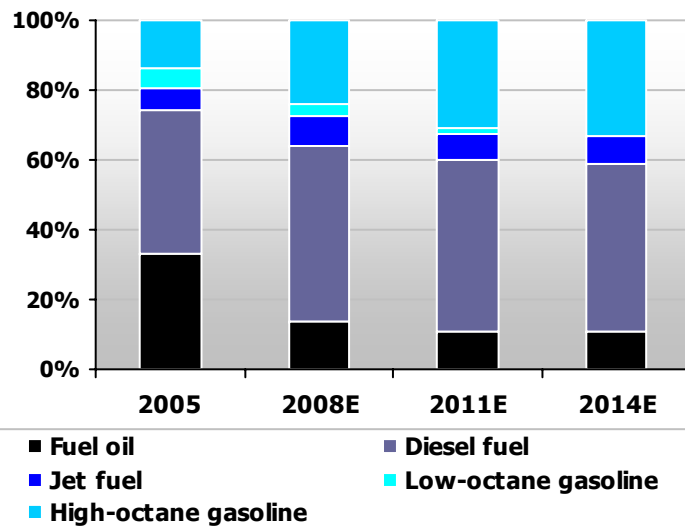
The planned level of production at the field is 350 bcf (10 bcm) of natural gas per year.





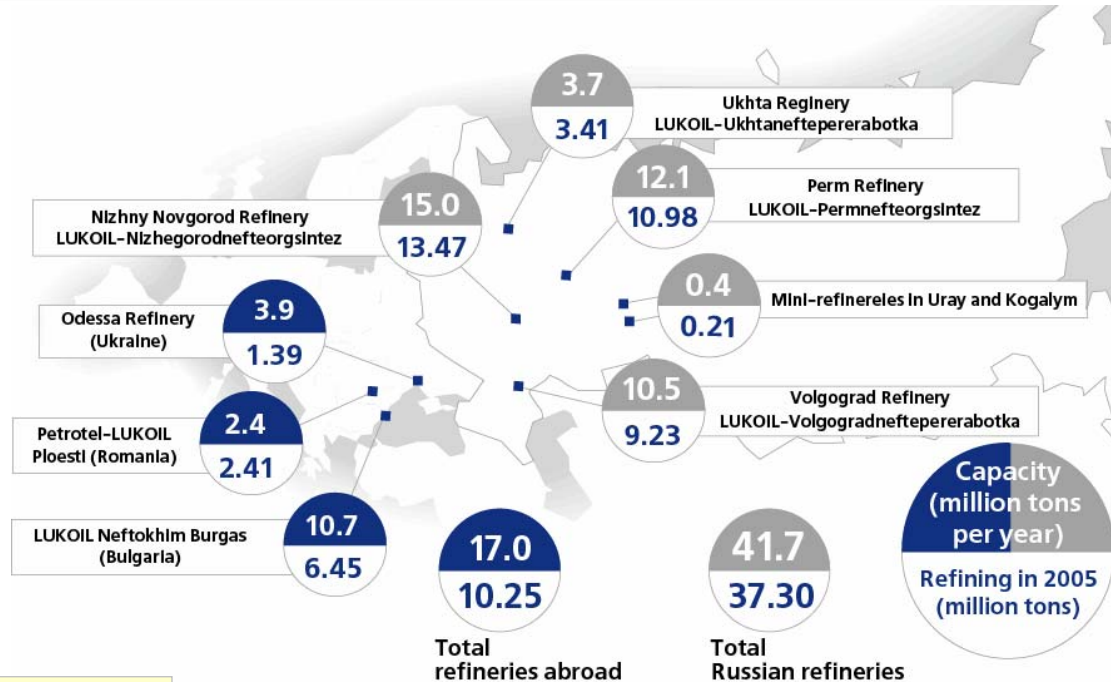
Further Refineries Upgrade

Structure of petroleum product output at LUKOIL refineries



- Reconstruction and modernization of Nizhny Novgorod refinery was started
- Reconstruction and modernization of Odessa refinery was started
- First stage of coke calcination unit was commissioned at Volgograd refinery

The economic effect from upgrade completion of Russian refineries alone will reach \$2 bln per annum by 2015.



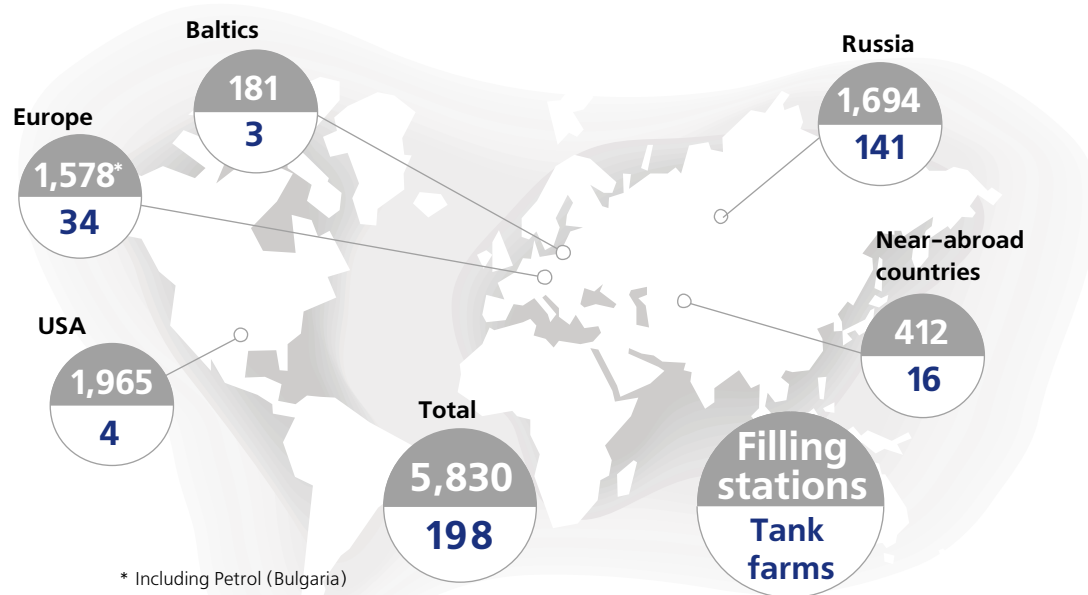
Introduction of Euro-standards at LUKOIL refineries

	2005	2007	2009	2014
Russian refineries	Euro-2	Euro-2/ Euro-3	Euro-3	Euro-4
Petrotel (Romania)	Euro-3	Euro-4	Euro-4	Euro-5
Burgas (Bulgaria)	EuroO-2	Euro-3	Euro-4	Euro-5

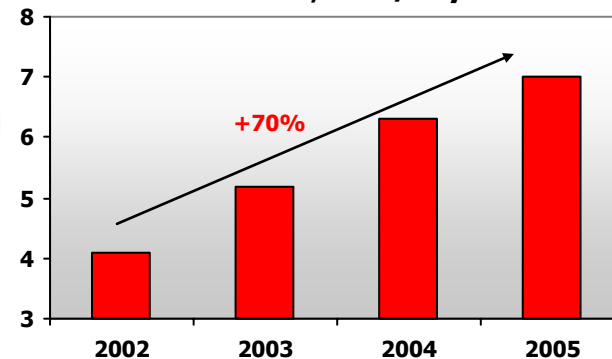


Retail Network Expansion

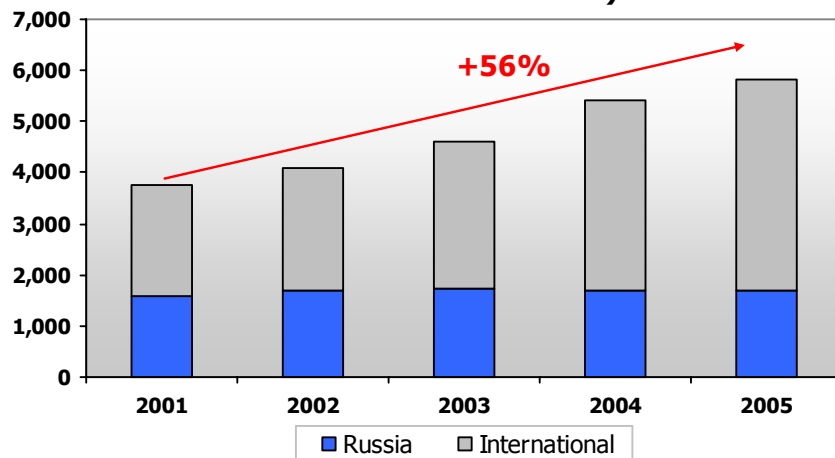
LUKOIL retail network as of 01.01.2006



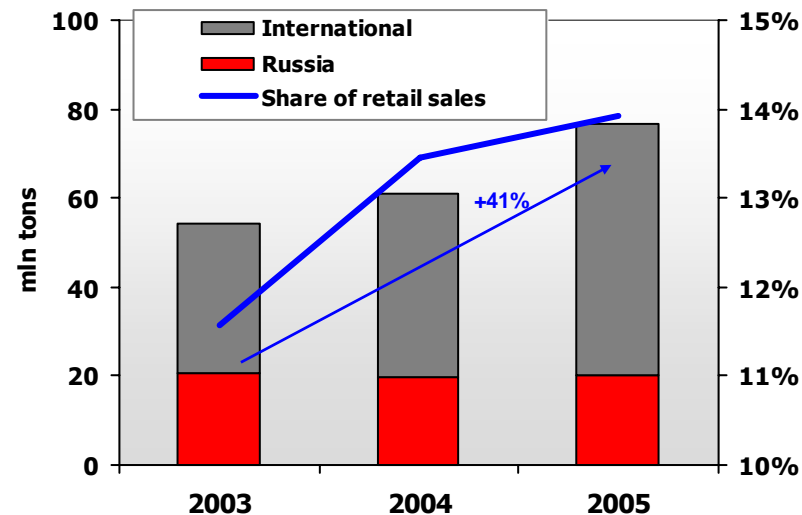
Average daily sales of petroleum products per filling station, tons/day



LUKOIL retail network, filling stations (owned, leased and franchized)



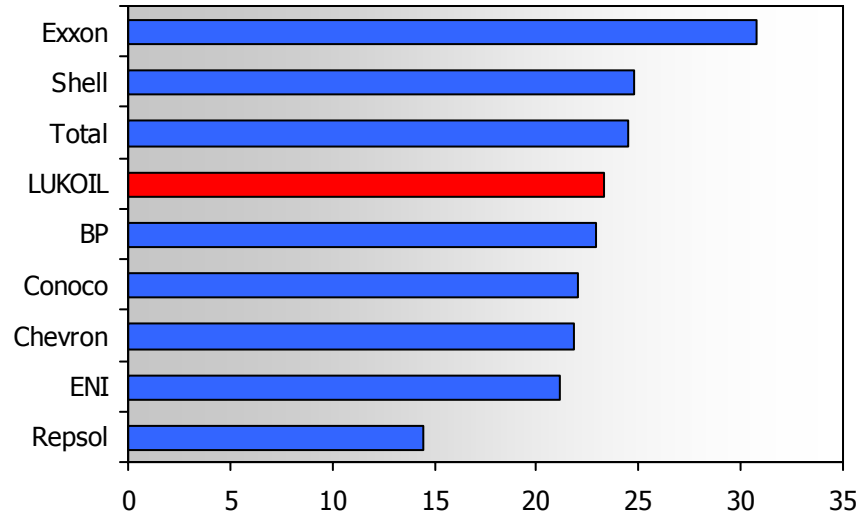
Petroleum Product Sales



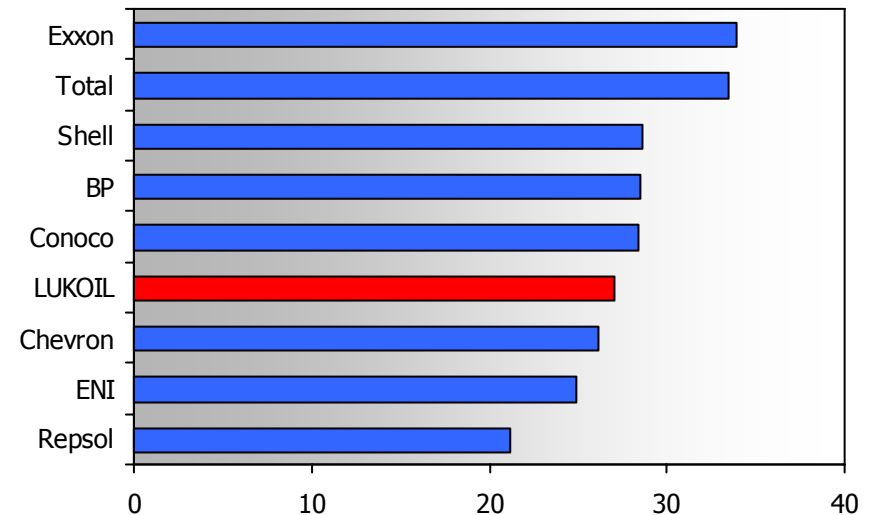


2005 Results in Comparison with Major International Oil & Gas Companies

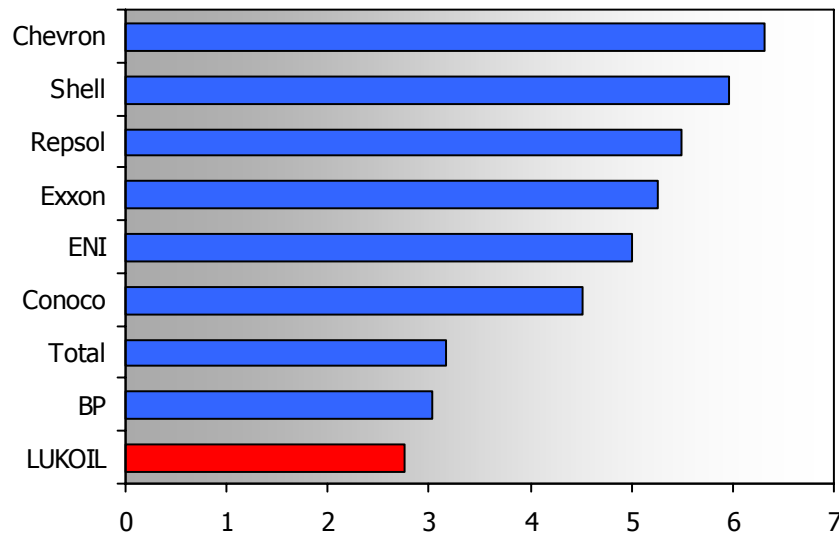
ROACE, %



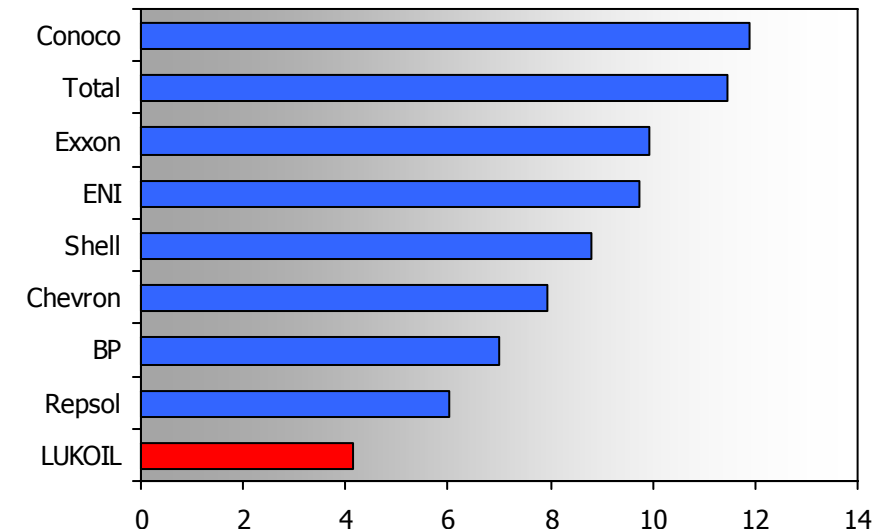
Return on equity, %



Lifting costs, \$/barrel



E&P capex to production, \$/barrel





- **Increase revenues**

- increase volume of oil extracted
- increase volume of refined products
- increase export of crude oil and refined products



- **Decrease expenses**

- shut-in inefficient (low-producing) wells
- put into operation new high-producing wells
- use effective and efficient service companies



- **Increase efficiency of investments**

- development of export infrastructure
- purchase new oil and gas reserves at the lowest possible price
- increase number of high-producing wells
- divesting of non-core assets



Strategic Objectives



- **Main objective — maintaining corporate ROACE at the level of 15-17%;**



- **Increasing basic financials by about 3 times from the current level by 2014-2015;**



- **Reaching dividend payout ratio up to 40%;**



- **Maintaining output growth rate at the level of 7%;**



- **Maintaining production cost at the level of \$3/bbl in constant prices and exchange rate;**



- **Reaching average daily output per well at the level of 88 bpd;**



- **Targeting over 2.5% of the world's total output by 2015 (over 4.0 mln boe per day);**



- **To be natural gas producer #2 in Russia and Europe, control 6-7% of Russia's total gas output.**