



1Q 2006 Financial Results (US GAAP)

June 2006



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.



Highlights



Net income – \$1,689 mln (+43.1%)



Production – 2,122 th. boe per day (+10.5%):

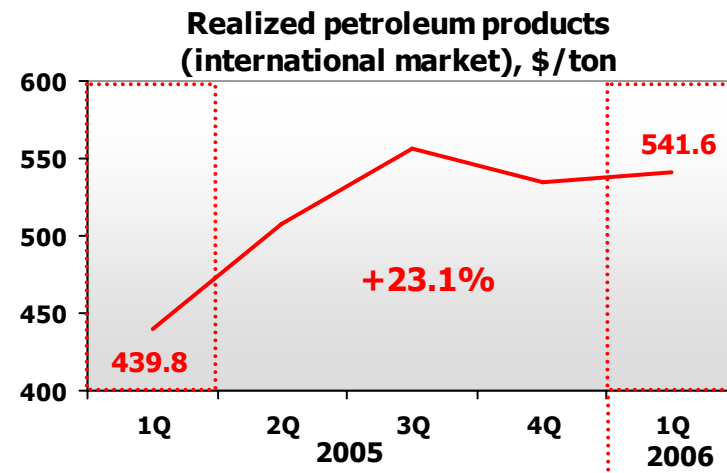
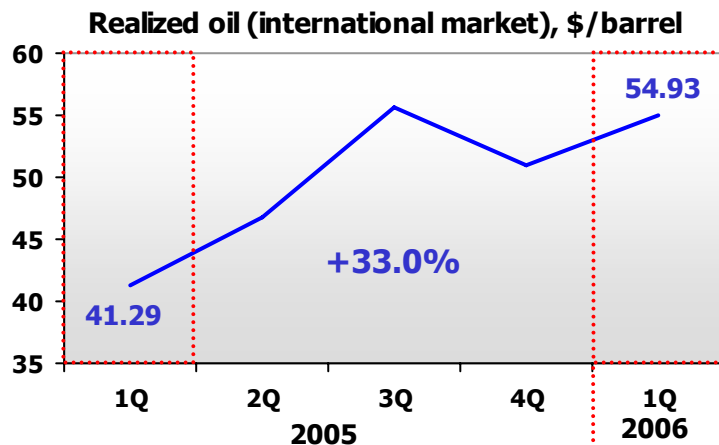
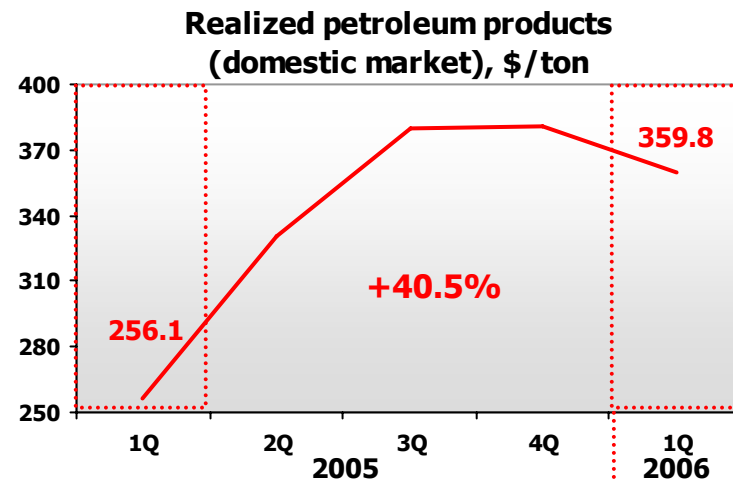
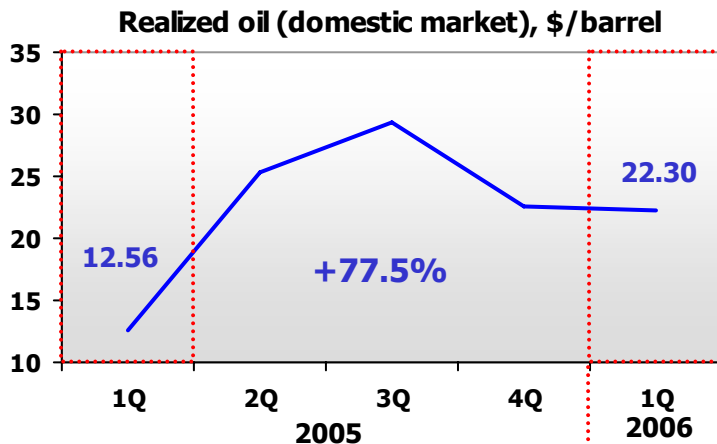
- **Oil production – 1,882 th. bpd (+4.6%)**
- **Gas production – 240 th. boe per day (+97.8%)**



Oil refining – 978 th. bpd (+13.6%)



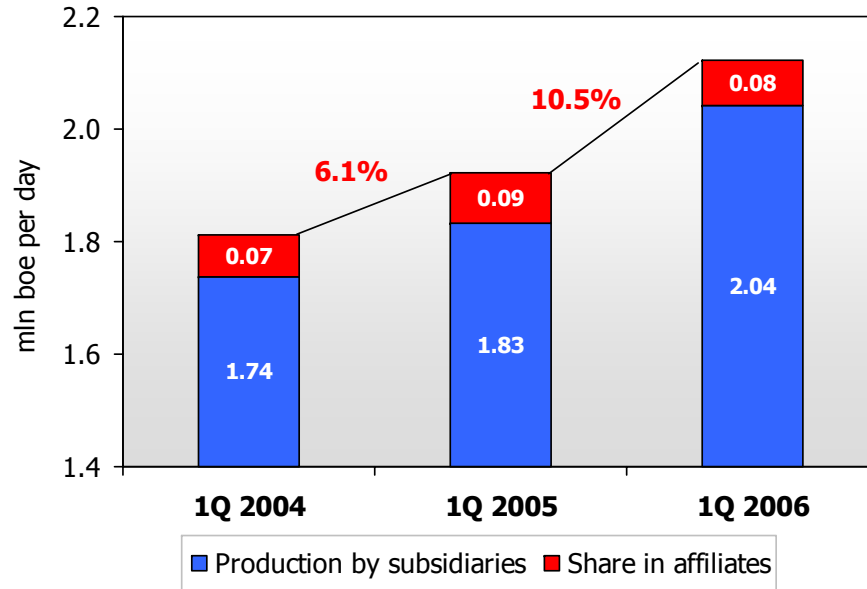
Economic Environment



	1Q 2006	1Q 2005
Inflation (%)	5.0	5.2
Ruble appreciation against dollar (%)	8.8	4.9



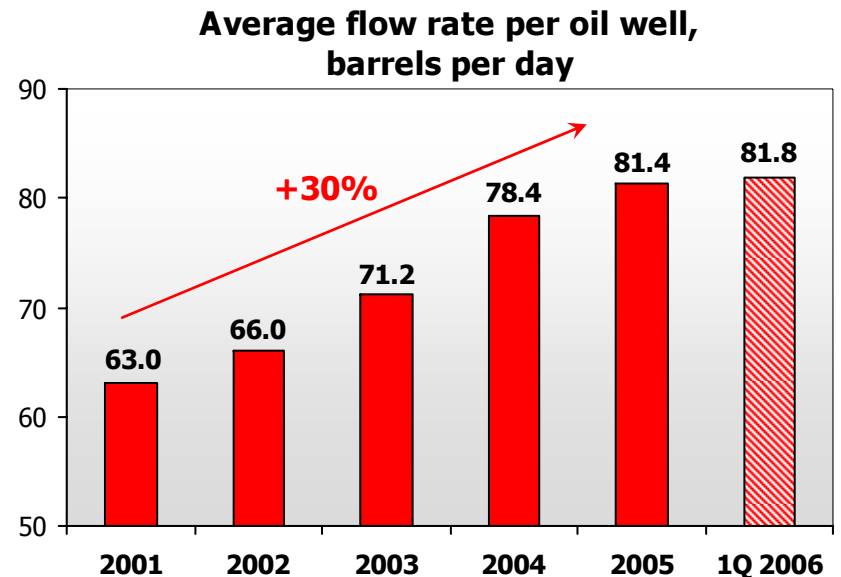
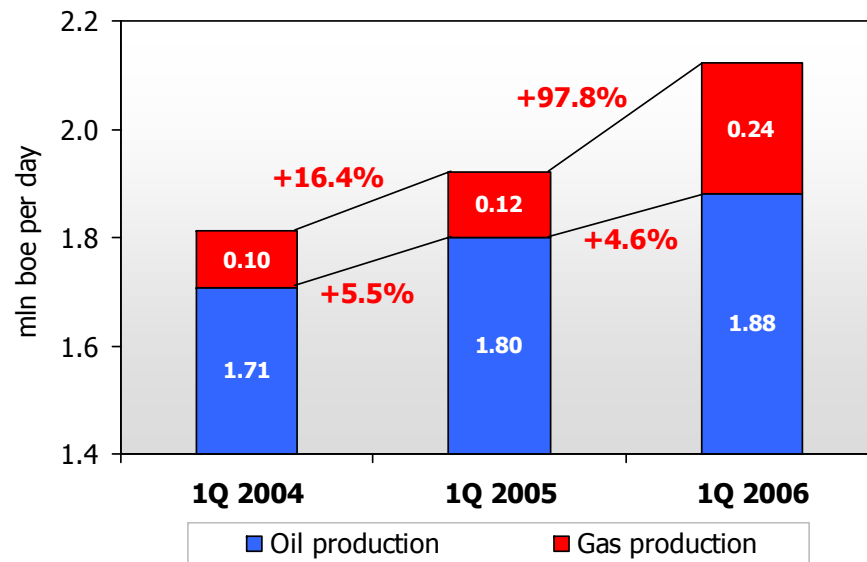
Hydrocarbon Production



Crude oil output (production by subsidiaries and share in affiliates) totaled **169.4 mln barrels (22.98 mln tonnes)** in 1Q 2006, which is **4.6%** more y-o-y. Gas production rose by **97.8%**.

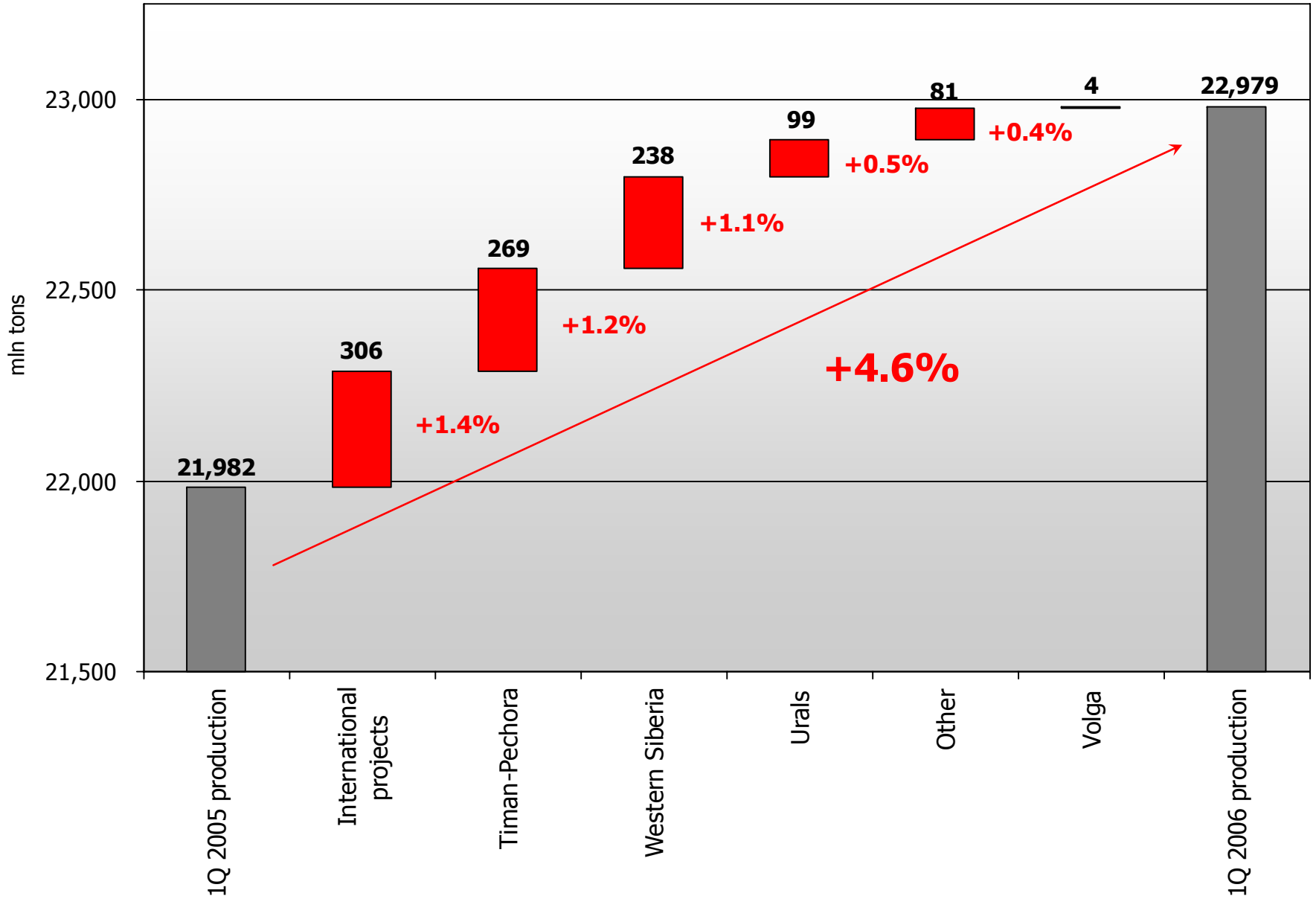
Daily hydrocarbon production increased by 10.5 % and reached 2.12 mln boe per day.

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



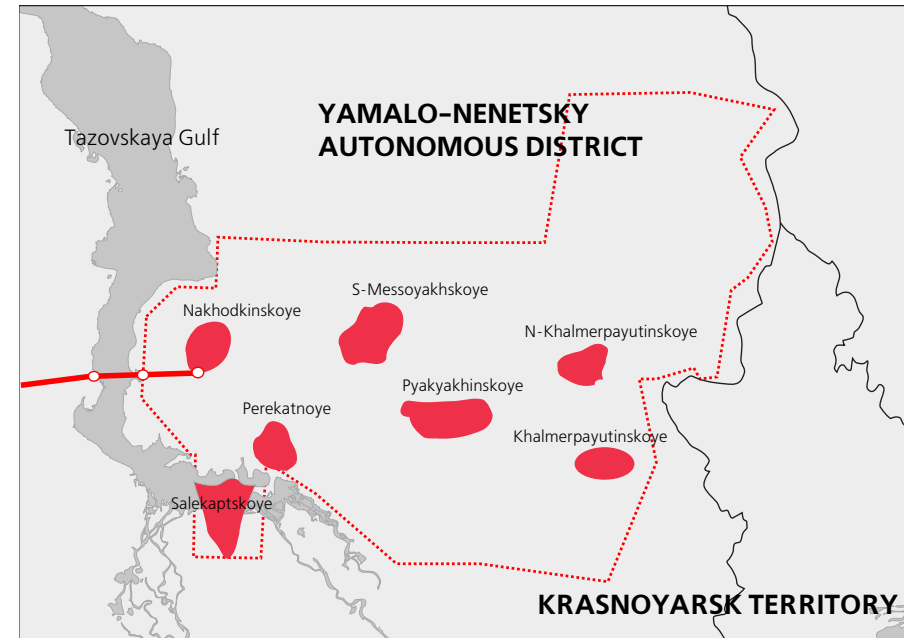
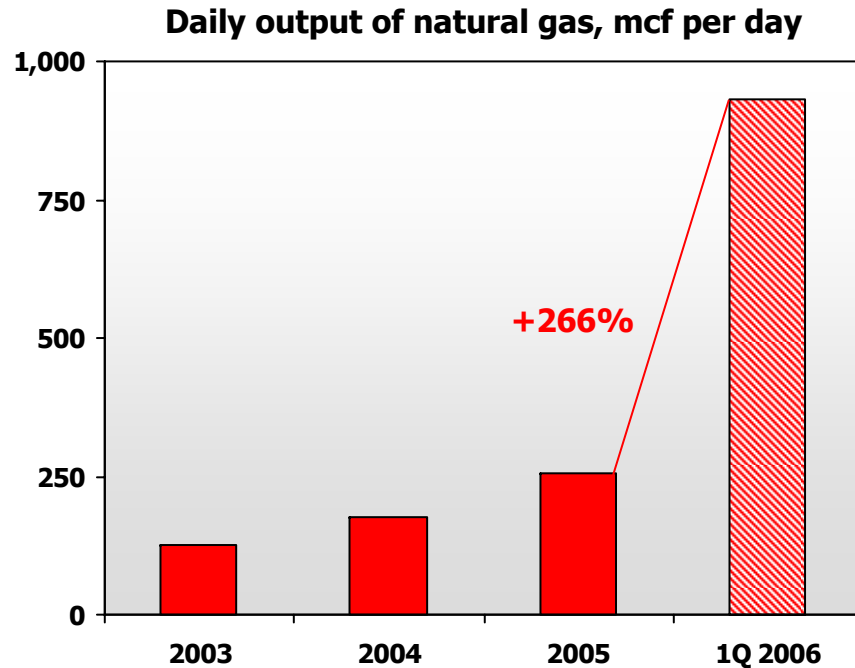


Breakdown of Oil Production Growth: 1Q 2006 vs. 1Q 2005





Natural Gas Production



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 of natural gas (472 mcm) in 2005. The field produced 64.4 bcf of gas (1,823 mcm) in 1Q 2006.

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

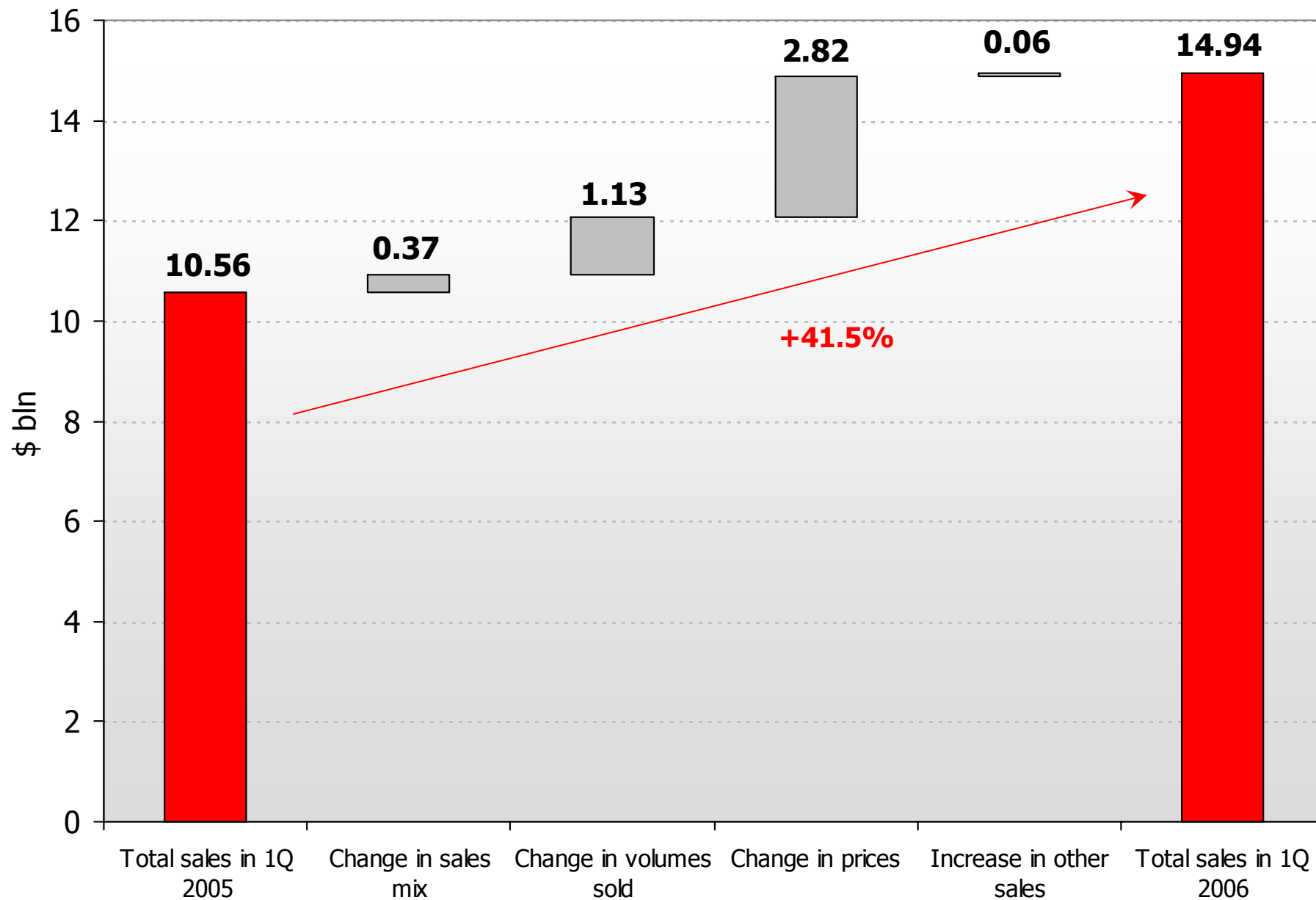


Financial Results

	\$ mln	1Q 2006	1Q 2005	Change, %
Total revenue		15,041	10,616	+41.7
Operating expenses		(900)	(782)	+15.1
Taxes other than income taxes (including excise and export tariffs)		(4,456)	(3,072)	+45.1
Income from operating activities		2,341	1,696	+38.0
Income before income taxes		2,363	1,638	+44.3
Net income		1,689	1,180	+43.1
<i>Net income excluding share-based compensation program liabilities growth</i>		<i>1,892</i>	<i>1,213</i>	<i>+56.0</i>
EPS (\$)		2.04	1.45	+40.7
EBITDA		2,806	1,959	+43.2
<i>EBITDA excluding share-based compensation program liabilities growth</i>		<i>3,009</i>	<i>1,992</i>	<i>+51.1</i>

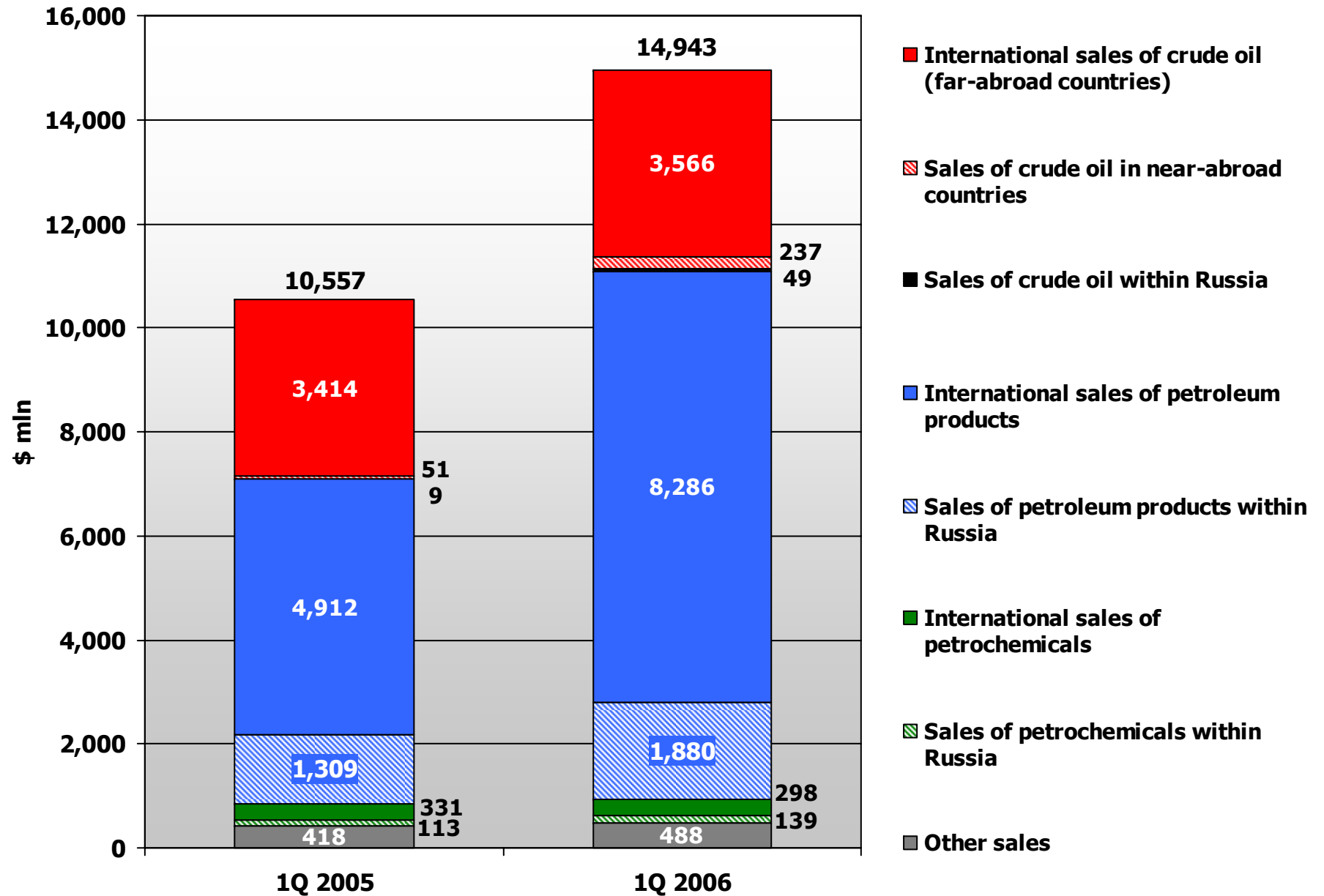


Sales Reconciliation





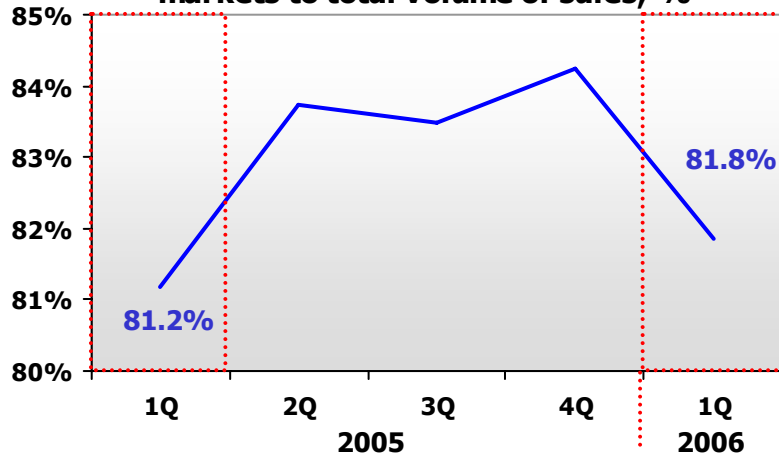
Sales Breakdown



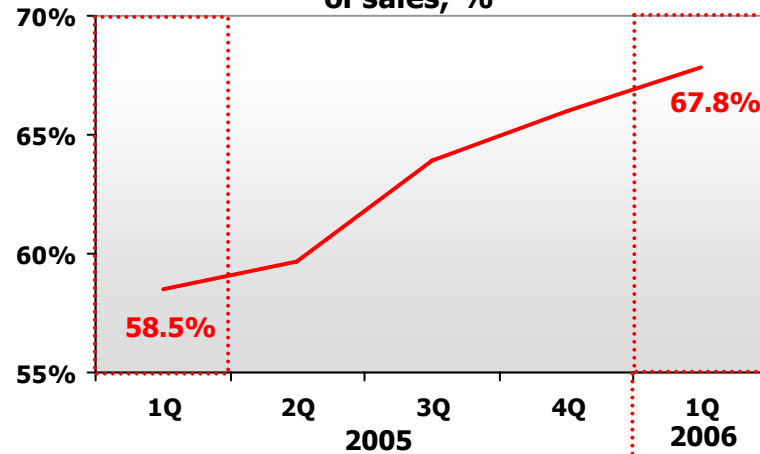


Sales Breakdown (continued)

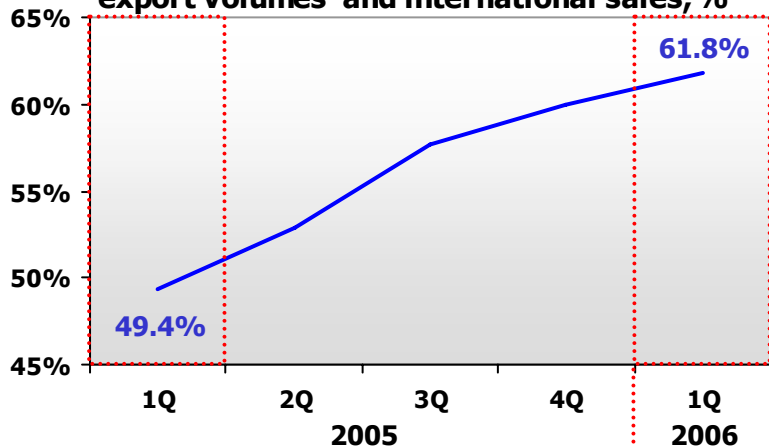
Export sales and sales on international markets to total volume of sales, %



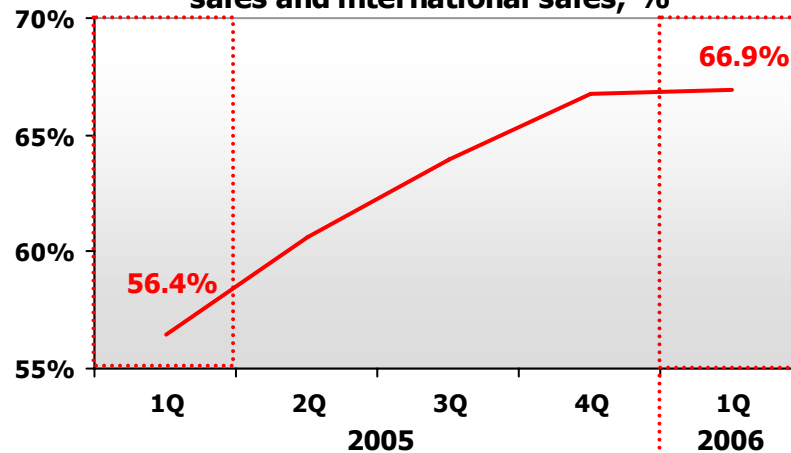
Petroleum product sales to total volume of sales, %



Share of petroleum products in total export volumes and international sales, %



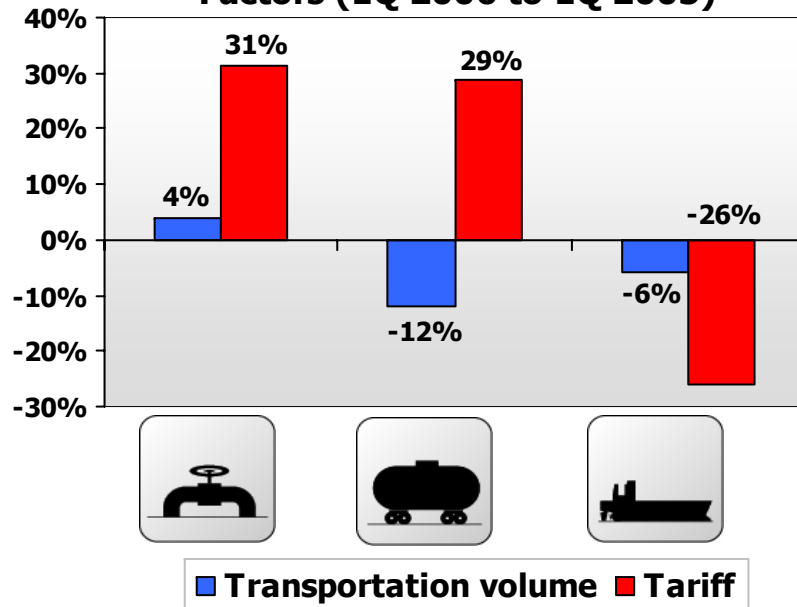
Share of petroleum products in total export sales and international sales, %



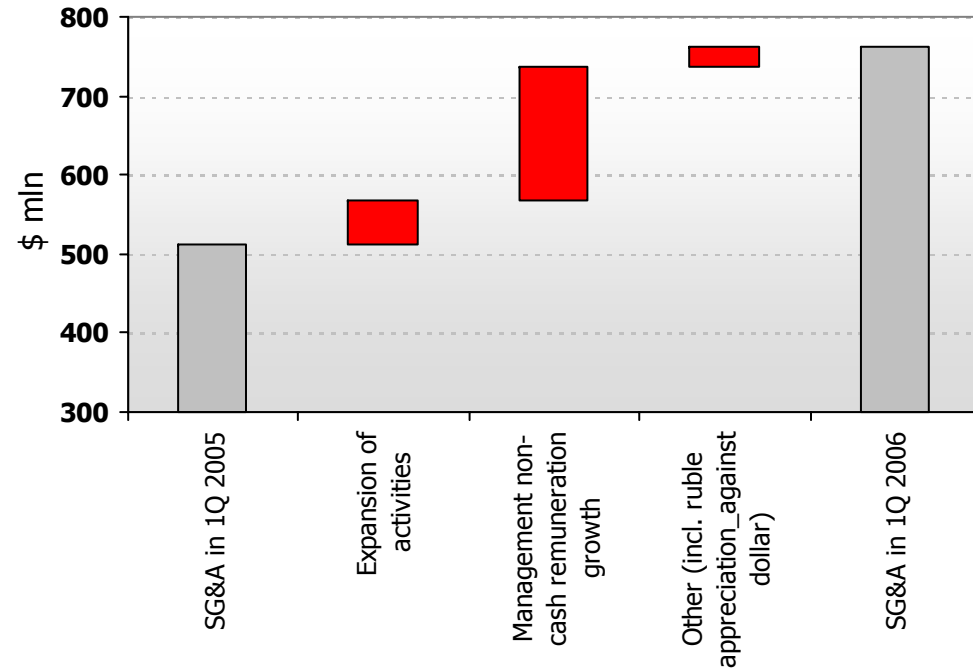


SG&A and Transportation Expenses

Transportation Expenses Change Factors (1Q 2006 to 1Q 2005)



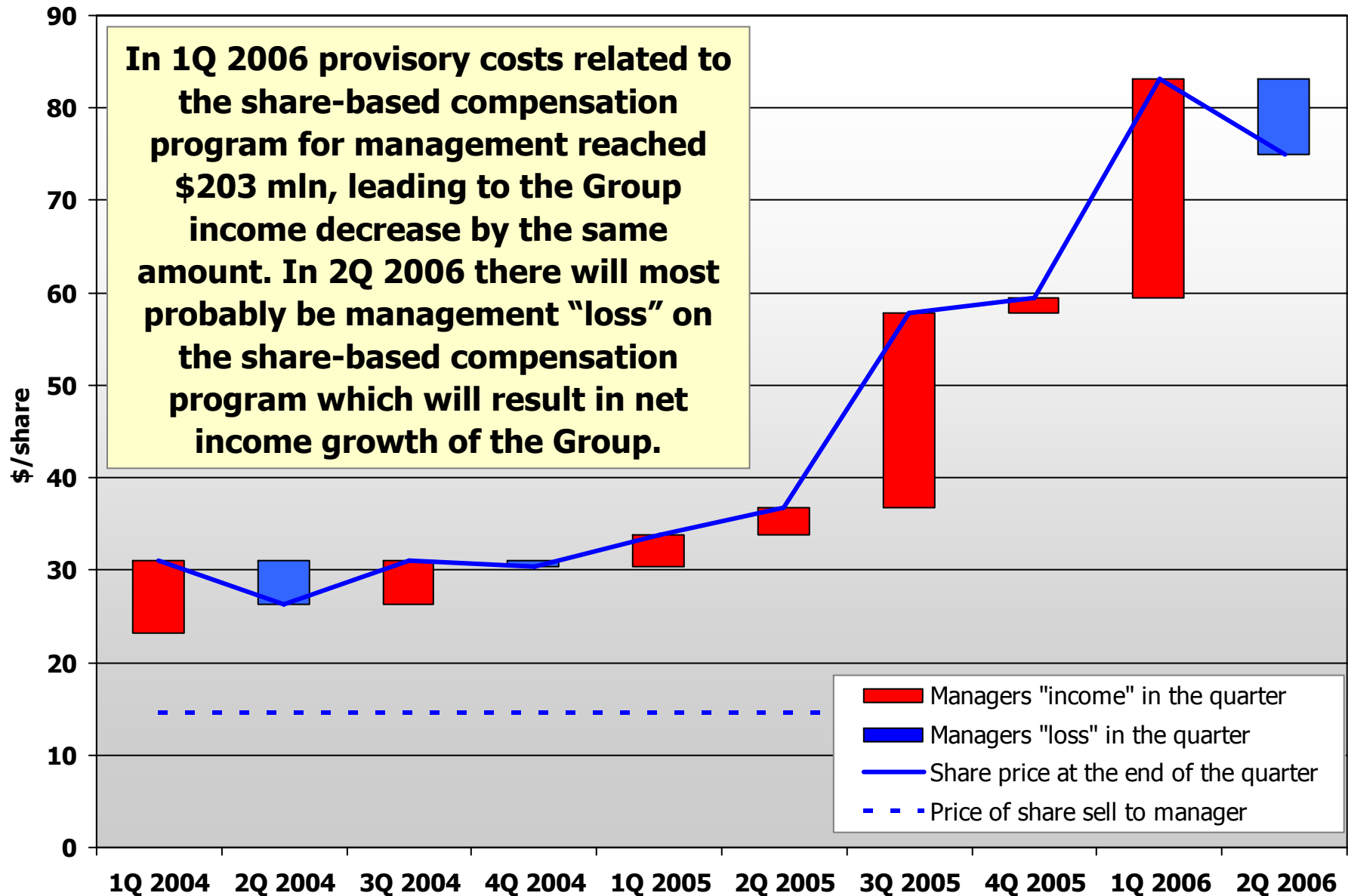
SG&A reconciliation



\$ mln	1Q 2006	1Q 2005	<i>Change, %</i>
Transportation expenses	848	837	<i>+1.3</i>
Other selling, general and administrative expenses	761	512	<i>+48.6</i>
Total	1,609	1,349	<i>+19.3</i>



LUKOIL Share-Based Compensation Program





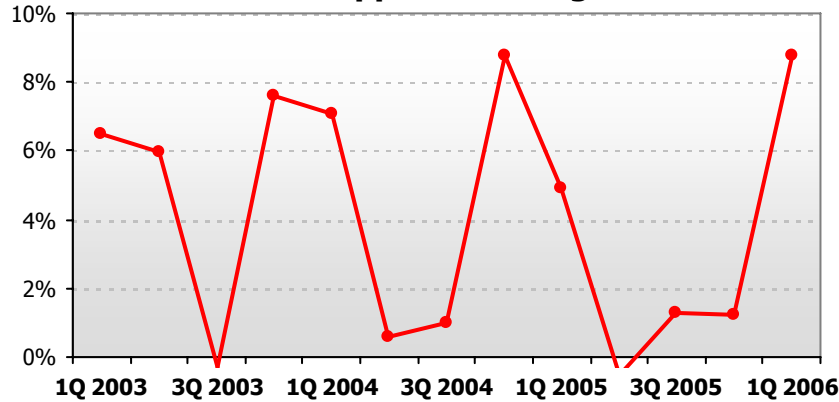
Operating Expenses

\$ mln	1Q 2006	1Q 2005	Growth, %
Oil lifting costs	501	401	+24.9
Refinery expenses	176	149	+18.1
Petrochemical expenses	61	57	+7.0
Other operating expenses	364	327	+11.3
Change in operating expenses in crude oil and refined products inventory originated within the Group	(202)	(152)	
Total	900	782	+15.1
Cost of purchased oil, petroleum and chemical products	5,300	3,380	+56.8

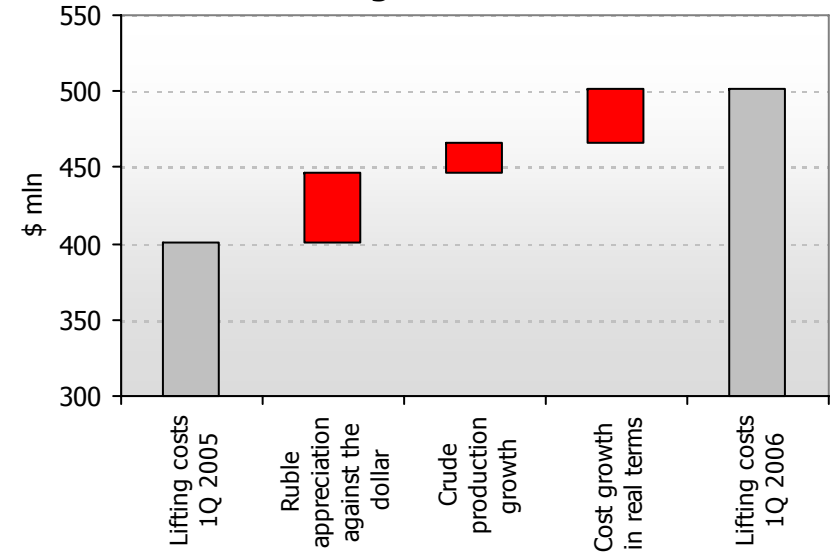


Dynamics of Lifting Costs

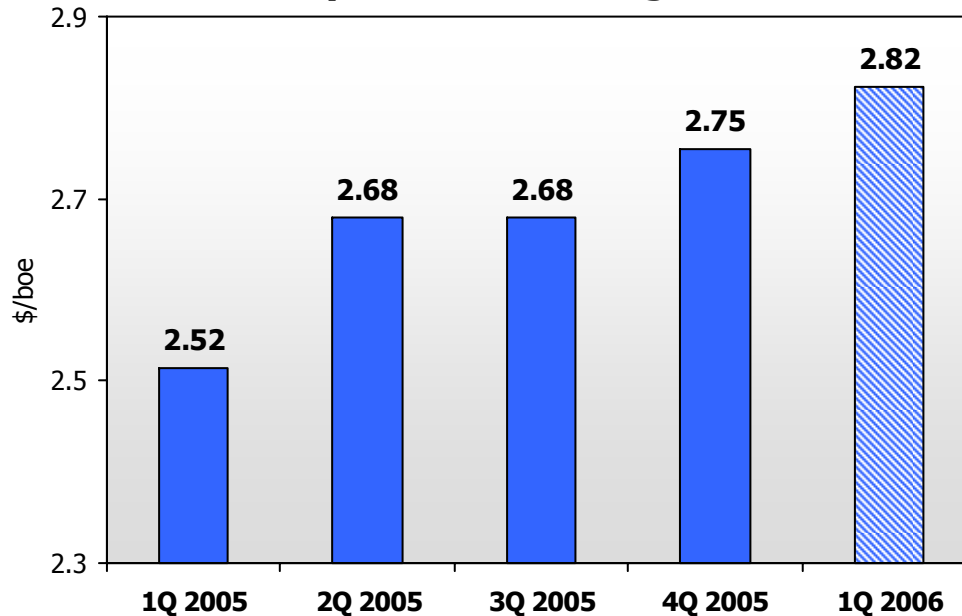
Real ruble appreciation against dollar



Oil lifting costs reconciliation



Hydrocarbon lifting costs*



In 1Q 2006 lifting costs per barrel of production increased by nearly 12% y-o-y.

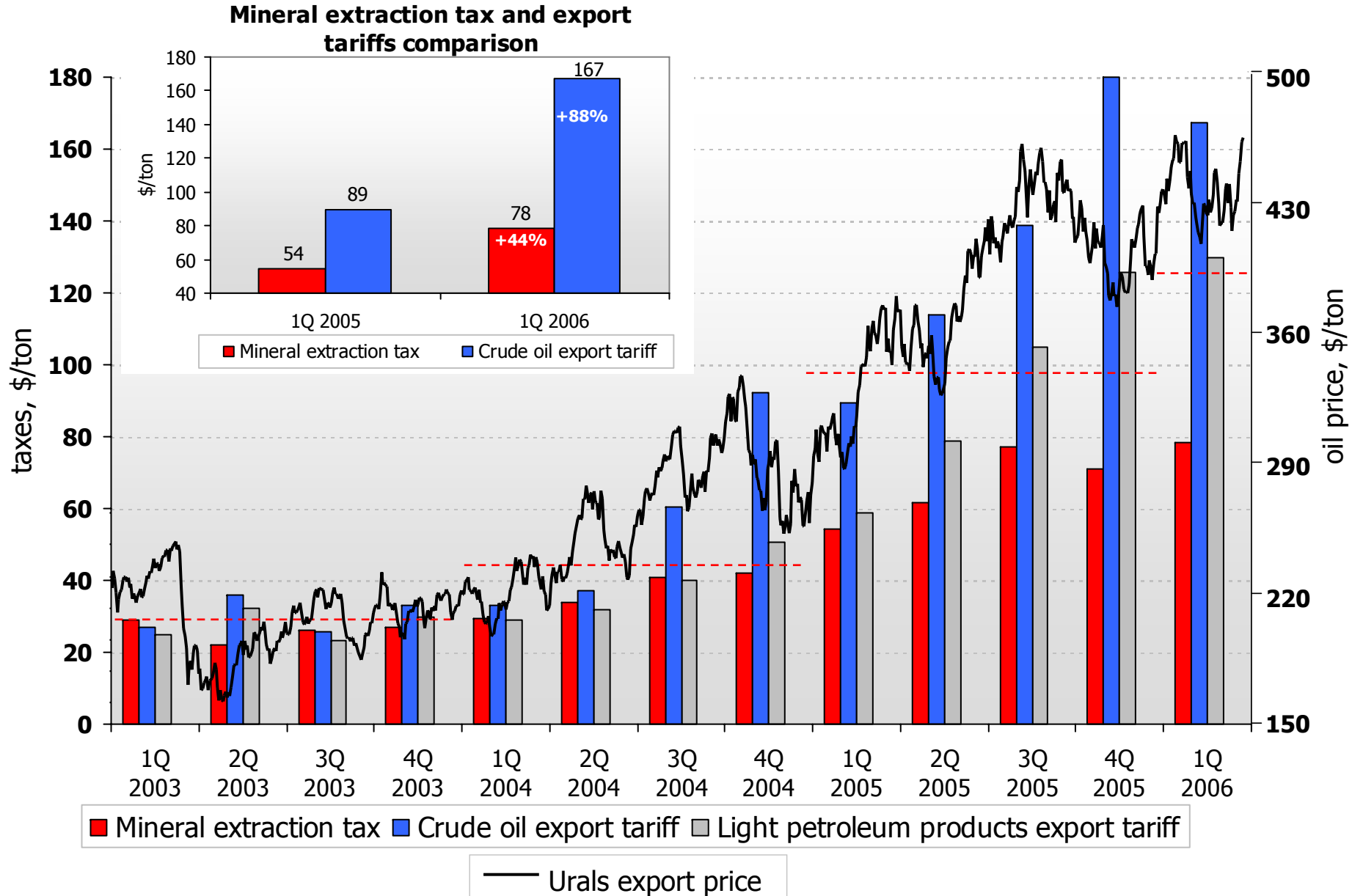
Ruble appreciation against USD in real terms reached 11% y-o-y.

Lifting costs in real terms were almost at the same level as in the 1Q 2005.

* Crude oil, condensate, saleable natural and associated gas.

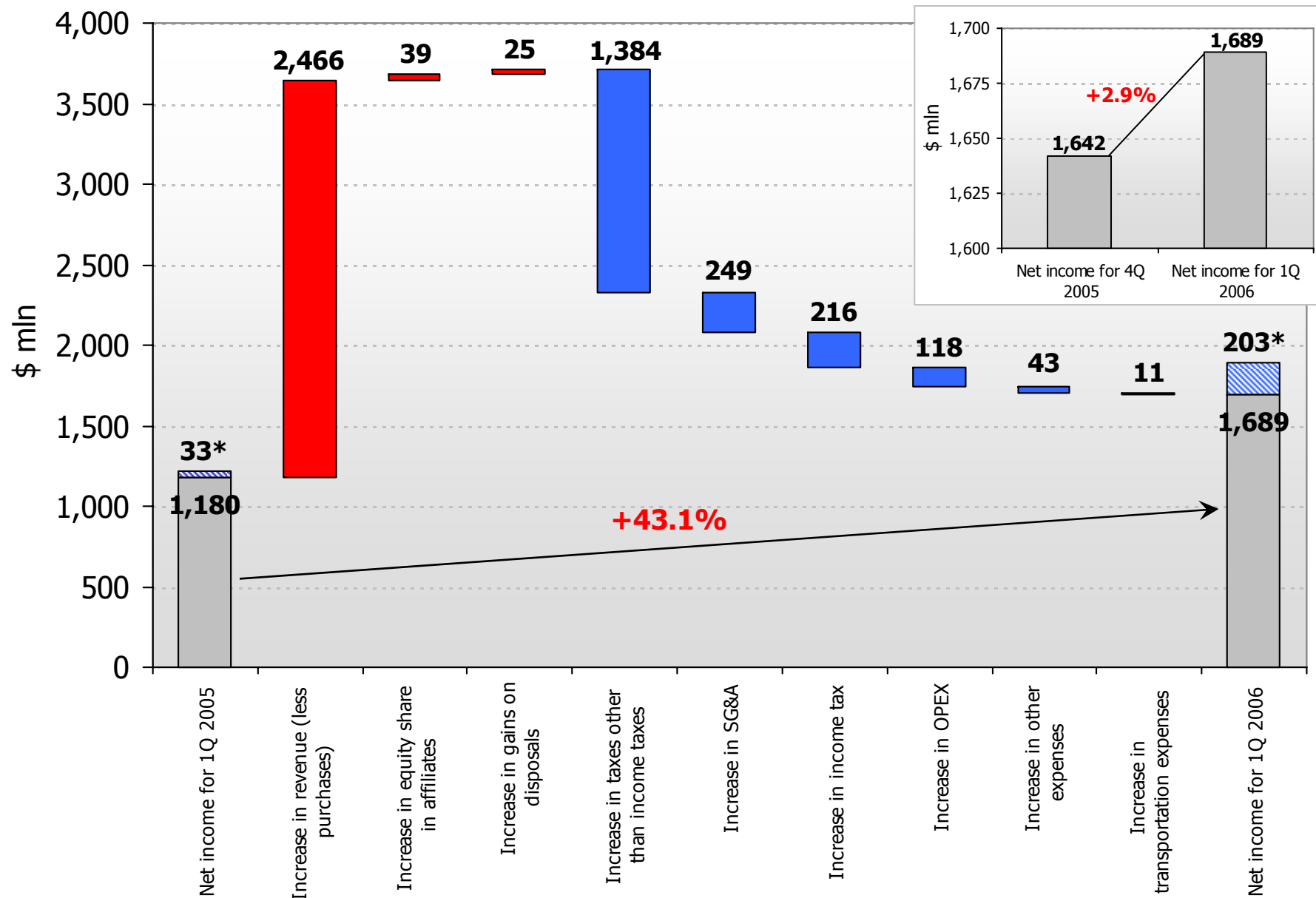


Growth of Tax Burden





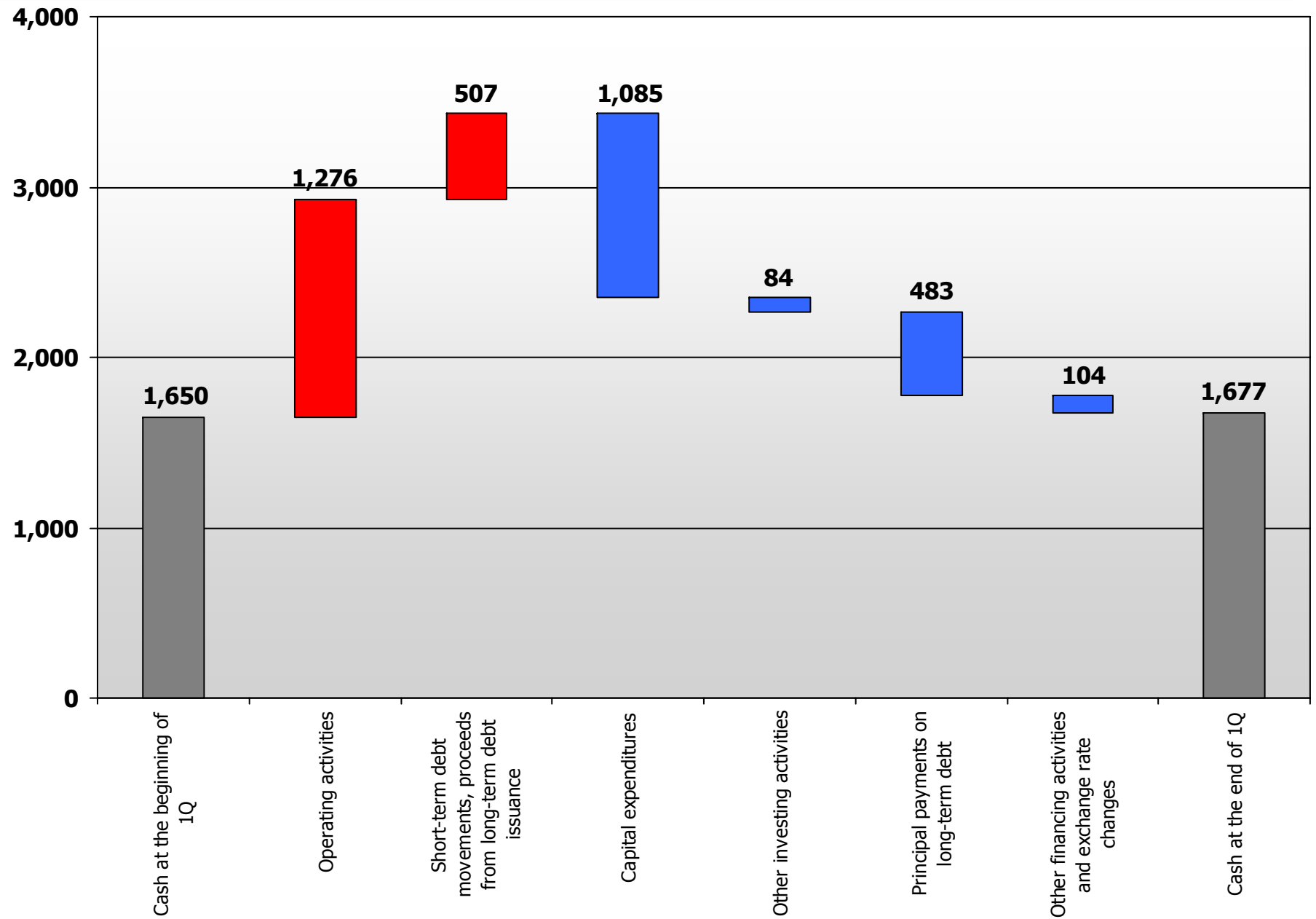
Net Income Reconciliation



* Provisory non-cash costs related to the share-based compensation program for management.



1Q 2006 Cash Flow Reconciliation





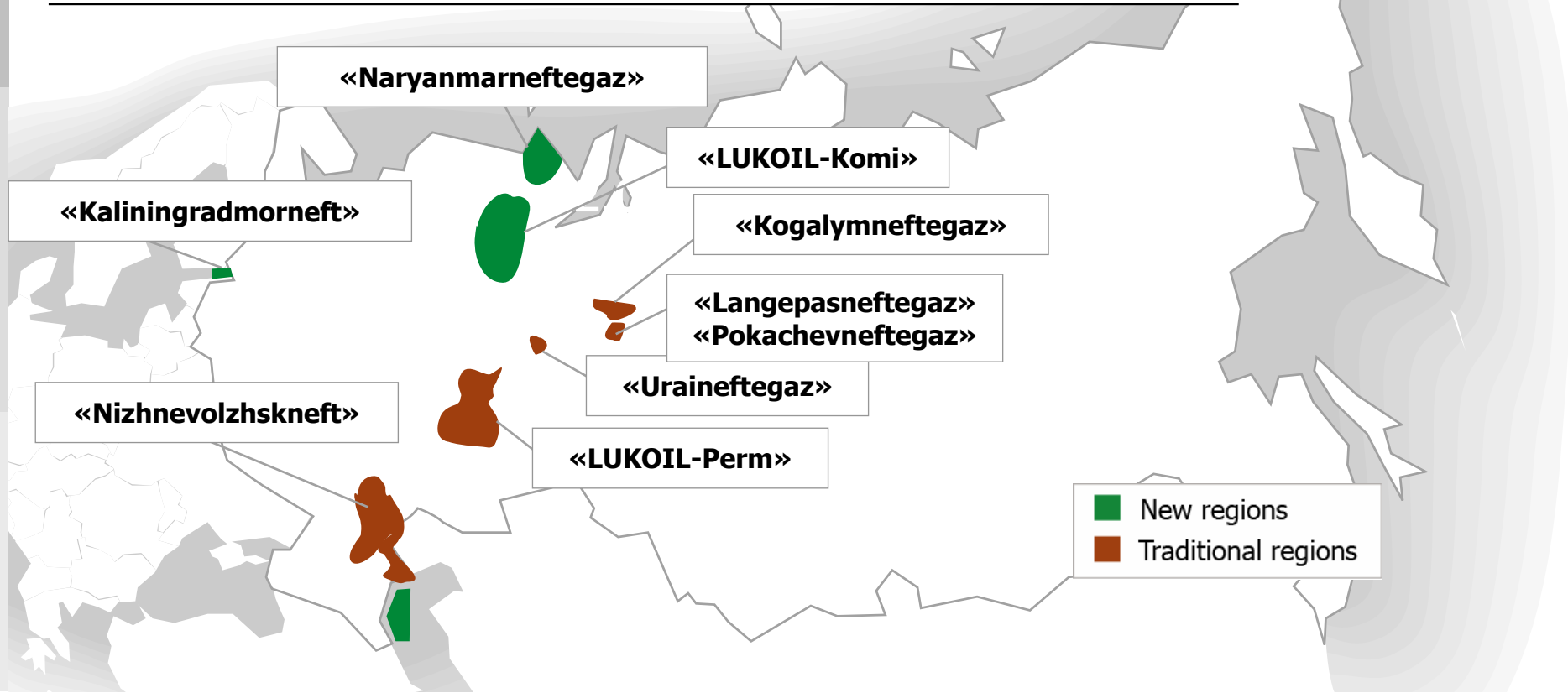
Capex Breakdown

\$ mln	1Q 2006	1Q 2005	Change, %
Exploration and production	839	654	+28.3
<i>Russia</i>	<i>728</i>	<i>571</i>	<i>+27.5</i>
<i>International</i>	<i>111</i>	<i>83</i>	<i>+33.7</i>
North of Timan-Pechora	219	141	+55.3
Yamal	58	86	-32.6
Caspian sea (including international projects)	45	61	-26.2
Refining and marketing	283	260	+8.8
<i>Russia</i>	<i>177</i>	<i>157</i>	<i>+12.7</i>
<i>International</i>	<i>106</i>	<i>103</i>	<i>+2.9</i>
Petrochemistry	26	10	+160.0
<i>Russia</i>	<i>19</i>	<i>5</i>	<i>+280.0</i>
<i>International</i>	<i>7</i>	<i>5</i>	<i>+40.0</i>
Other	15	14	+7.1
Total (cash and non-cash)	1,163	938	+24.0



E&P Capex

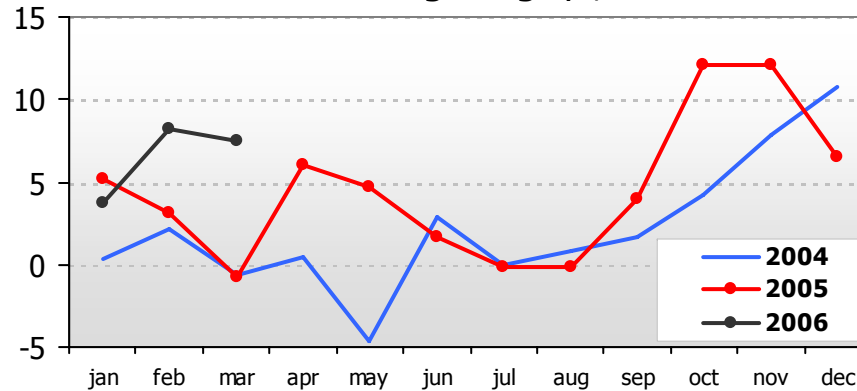
\$ mln	1Q 2006	1Q 2005	Change, %
Traditional regions	436	337	+29.4
New regions	292	234	+24.8
<i>Yamal</i>	<i>58</i>	<i>86</i>	<i>-32.6</i>
<i>North of Timan-Pechora</i>	<i>219</i>	<i>141</i>	<i>+55.3</i>
<i>Caspian sea (Russian sector)</i>	<i>15</i>	<i>7</i>	<i>+114.3</i>
Total in Russia	728	571	+27.5





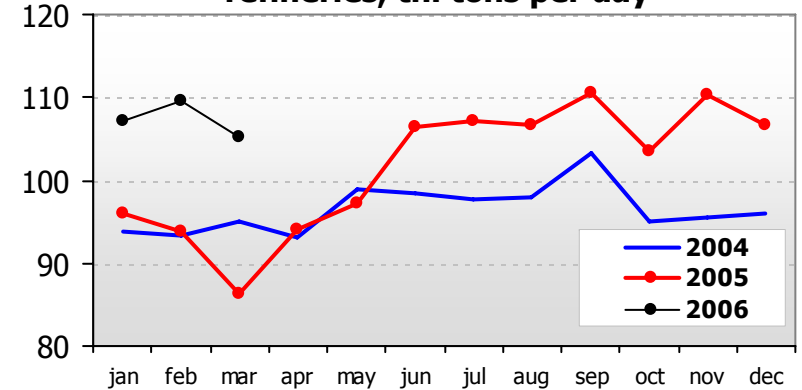
Refining Oil in Russia is More Profitable Than Exporting It

Russian refining margin, \$/barrel



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

Throughputs at LUKOIL Russian refineries, th. tons per day



Average refinery in European Russia (1Q 2006)

Oil exports by alternative routes from the refinery	\$/t	Oil refining	\$/t
Urals price (Western Europe)	427	Average wholesale price of petroleum product basket at refinery gate (excluding taxes)*	263
Transportation costs from refinery gate	42	Refining costs	17
Export tariff	171	Netback Value (refinery gate)	246
Netback Value (refinery gate)	214		



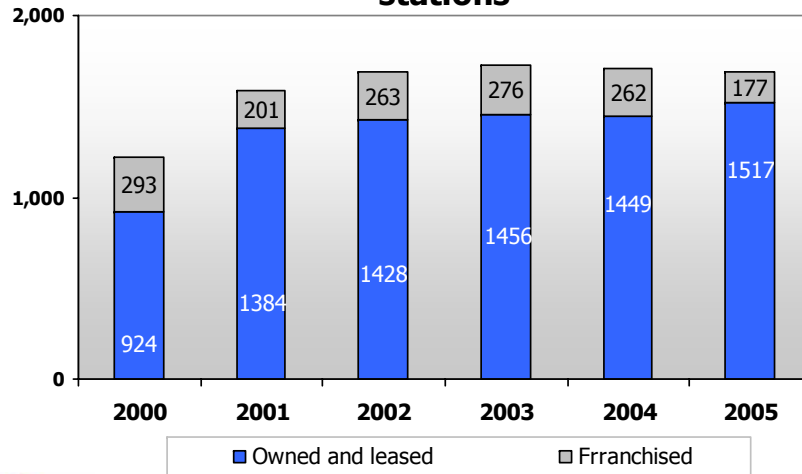
Current export tariffs make refining more attractive vs. crude oil exports. LUKOIL gained around \$150 mln in 2005 due to raising throughputs at its Russia-based refineries.

*Considers domestic sales and exports.

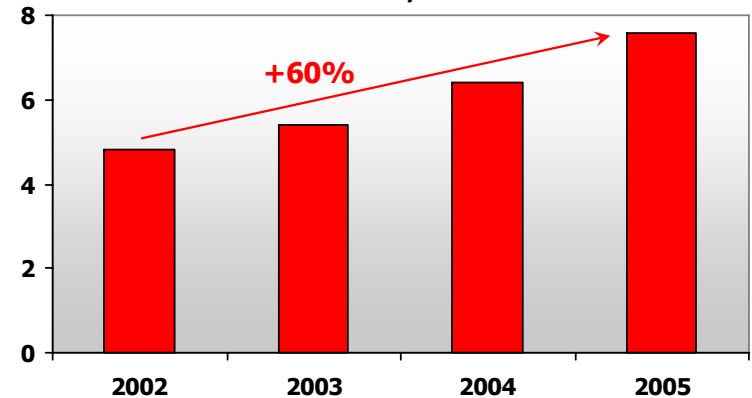


Russian Marketing: Increasing Capacities

Company's retail network in Russia, filling stations



Average daily sales of petroleum products per 1 filling station in Russia, tons



Acquisition of a 41.81% stake in Udmurtnefteproduct for \$25 mln

- Marketing of petroleum products from the Perm and Ufa Refineries
- More than **60%** share in petroleum product market of Udmurtiya
- More than **100** filling stations and **9** tank farms
- 2005 petroleum product sales – **433 th. tons** (**2.2%** of LUKOIL Group sales in Russia)
- Retail sales – **152 th. tons** (**4.3%** of LUKOIL Group retail sales in Russia)

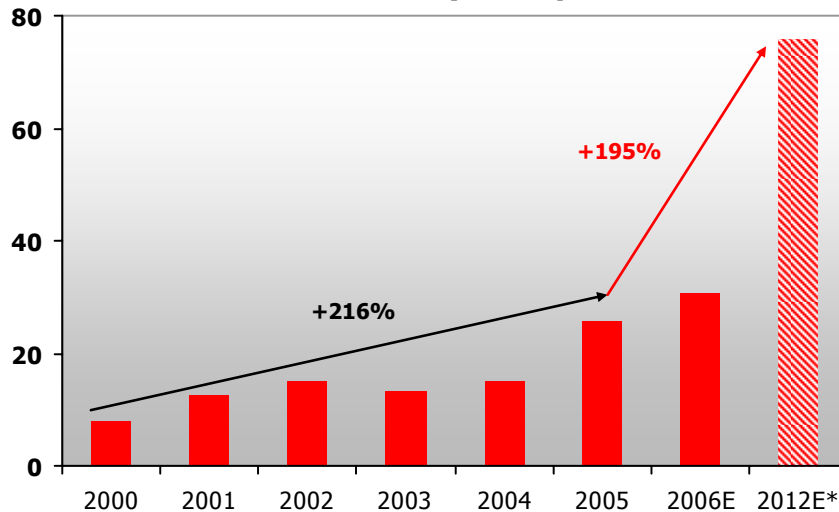
LUKOIL is going to increase its stake in Udmurtnefteproduct up to 95%.



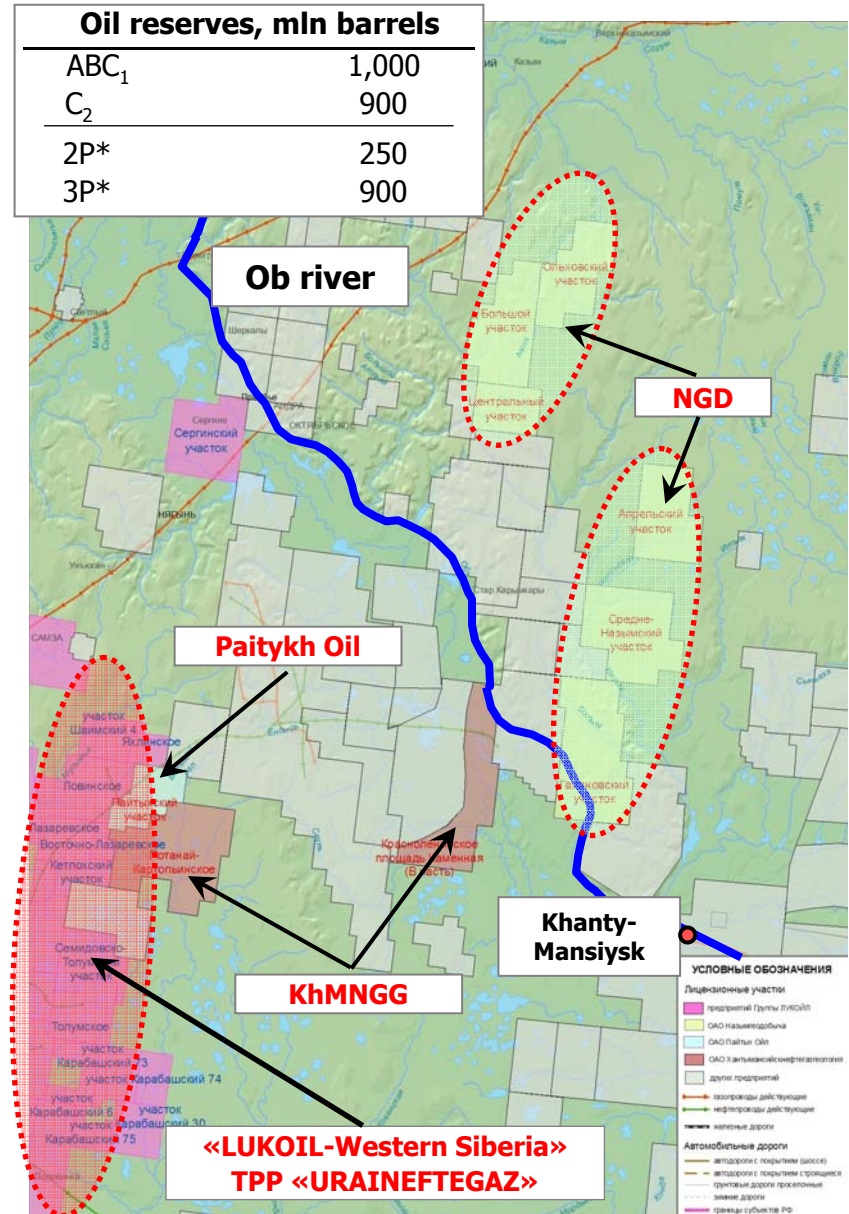
Khanty-Mansiysk Oil Corporation

- Licenses for development of nine fields in Khanty-Mansiysk Autonomous Region (including major Vostochno-Kamennoe field)
- ABC₁ reserves – 1 bln barrels
- Oil output in 2005 – 26,000 bpd
- Forecast output in 2015 – 76,000 bpd
- Cost of purchase - \$787 mln plus current assets adjustment, etc.

Khanty-Mansiysk Oil output (Vostochno-Kamennoe and Potanay-Kartopinskoe fields), th. bpd



* Output from all fields of Khanty-Mansiysk Oil.



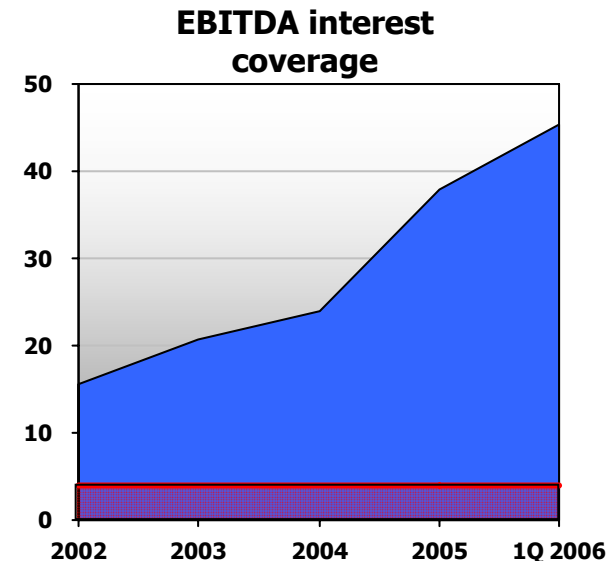
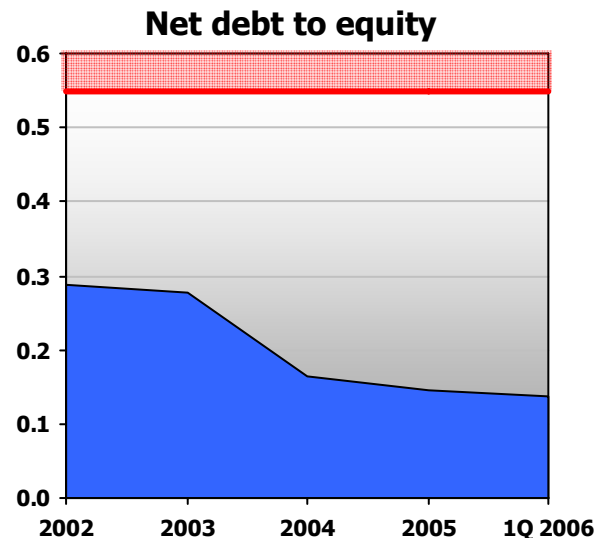
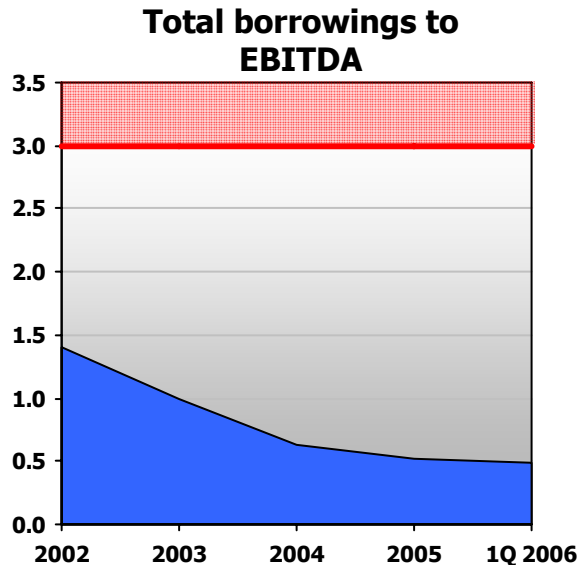
* Under Marathon Oil estimates (as at the end of 2003).



Financial Policy

- Debt to capital < **30%**
- Secured debt to total debt < **20%** of total
- Debt under guarantee of the holding company to total debt > **80%** of total
- Short-term debt to total debt **between 20% - 35%** of total
- Debt with fixed interest **between 25% - 35%** of total

LUKOIL financial covenants:





- **Increase revenues**

- increase volume of oil extracted
- increase volume of refined products
- increase export of crude oil and refined products
- increase volume of gas production
- increase output of products with high value added



- **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