Meeting Global Energy Challenges of the 21st Century

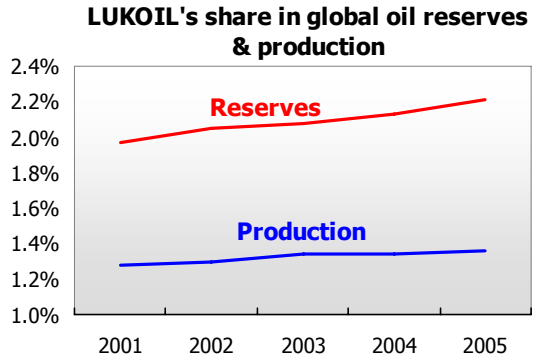
Accelerating Growth
(Strategy of LUKOIL for 2007–2016)

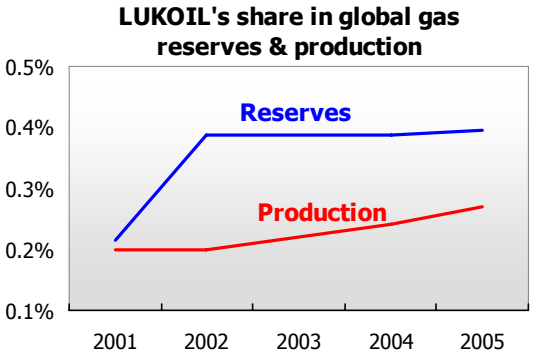
October 2006

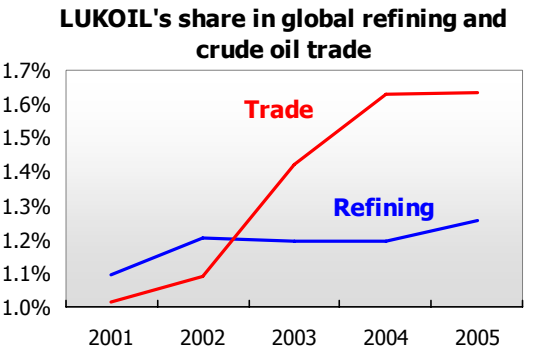
Forward-Looking Statements

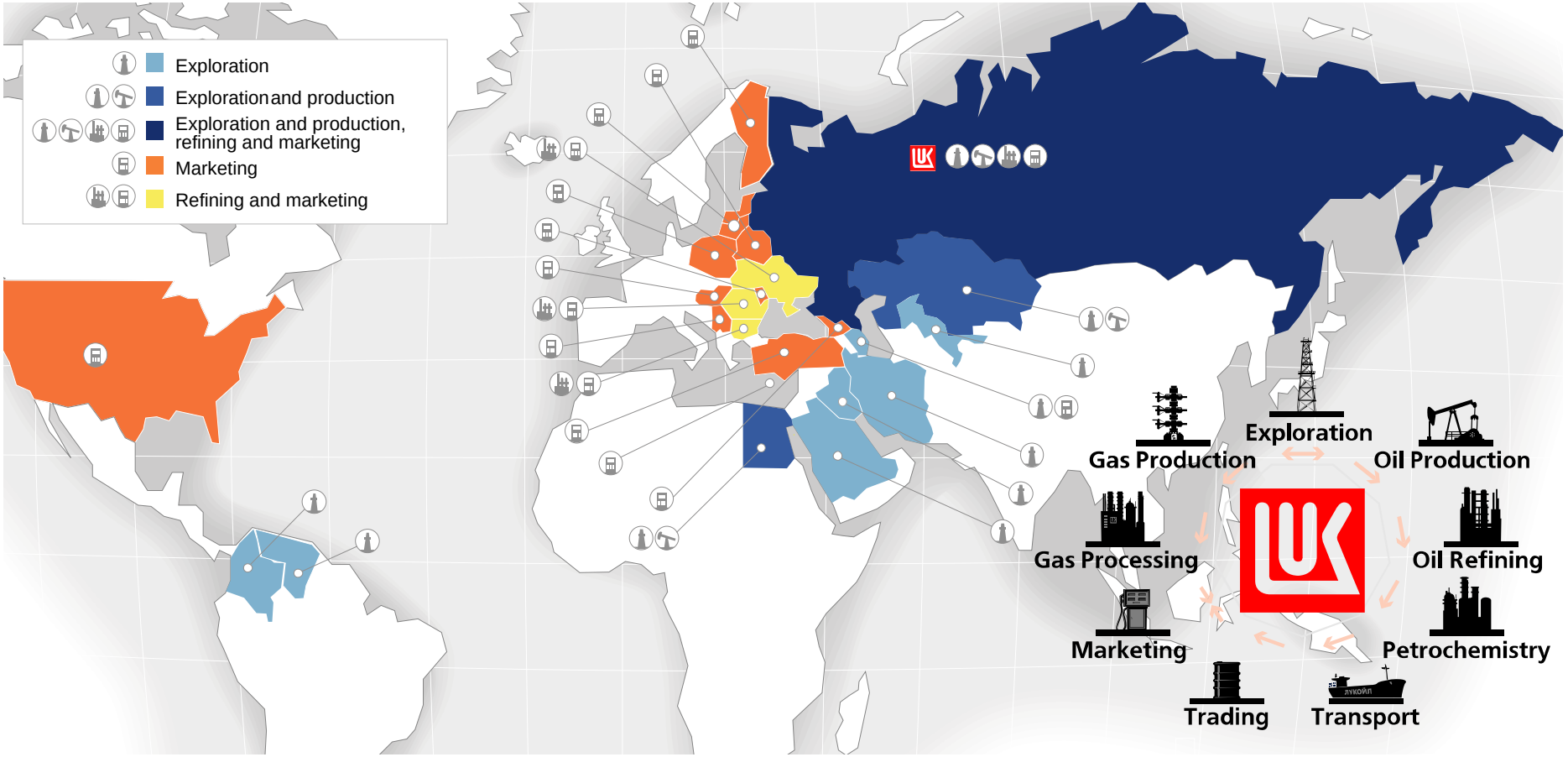
- Certain statements in this presentation are not historical facts and are "forward-looking." Examples of such forward-looking statements include, but are not limited to:
  - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other 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.

LUKOIL – Rising Global Integrated Oil & Gas Company



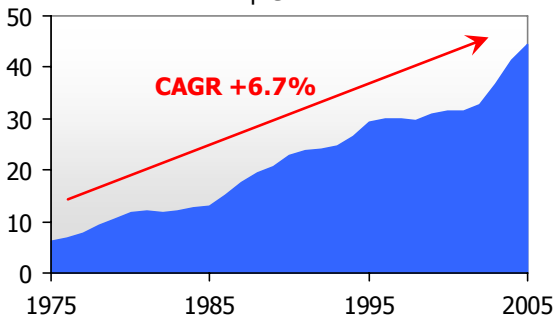




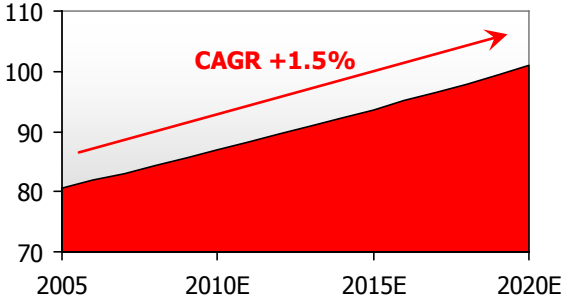


The World Needs More Energy, Available Reserves Not Comfortable to Reach and Develop

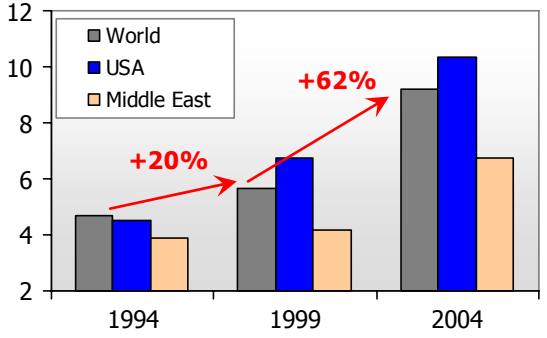
World GDP growth, $ trln



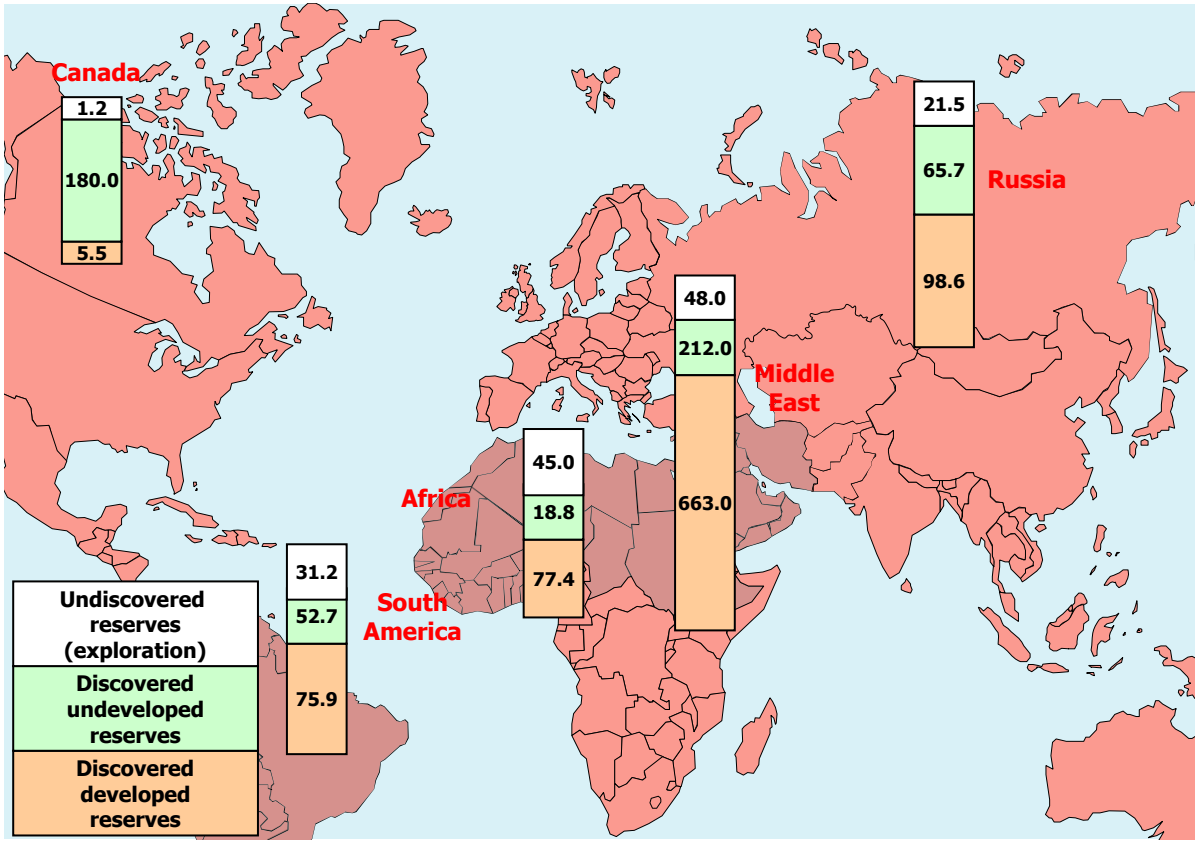
Estimated crude oil demand growth, mln barrels per day



Finding & development costs, $/boe



Available global hydrocarbon reserves, bln boe



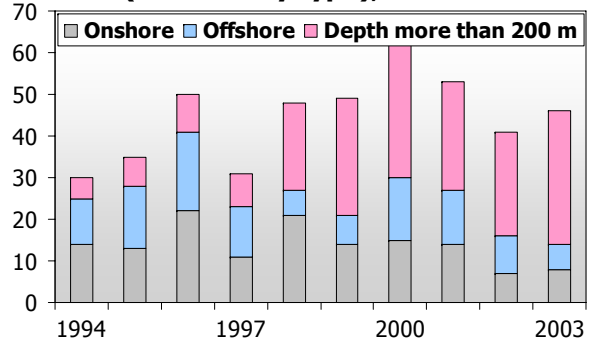
Long term average annual oil demand growth is expected to remain at the level of **1.5%** backed by the growth of world economy and population.

Available hydrocarbon reserves are **difficult to develop** (deep offshore fields, heavy and bitumen oil reserves) and/or situated in the **regions of high instability** – in the Middle East, South America and Africa.

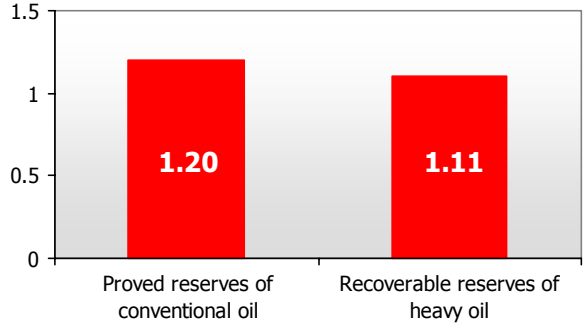
Sources: IMF, UN, Oil and Gas Journal, BP statistical review, US Department of Energy, Association of the Study for Peak oil and gas, IEA, LUKOIL's estimates.

Global Energy Consumption Growth Will Be Met by Development of Heavy and Deep Offshore Oil Reserves

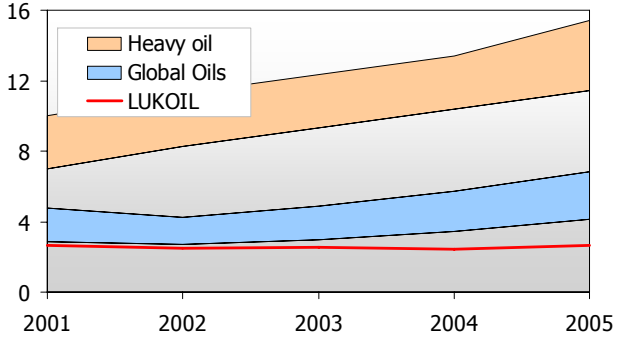
Breakdown of large discoveries (reserves by type), bln boe



Conventional oil reserves vs. heavy oil reserves, trln barrels

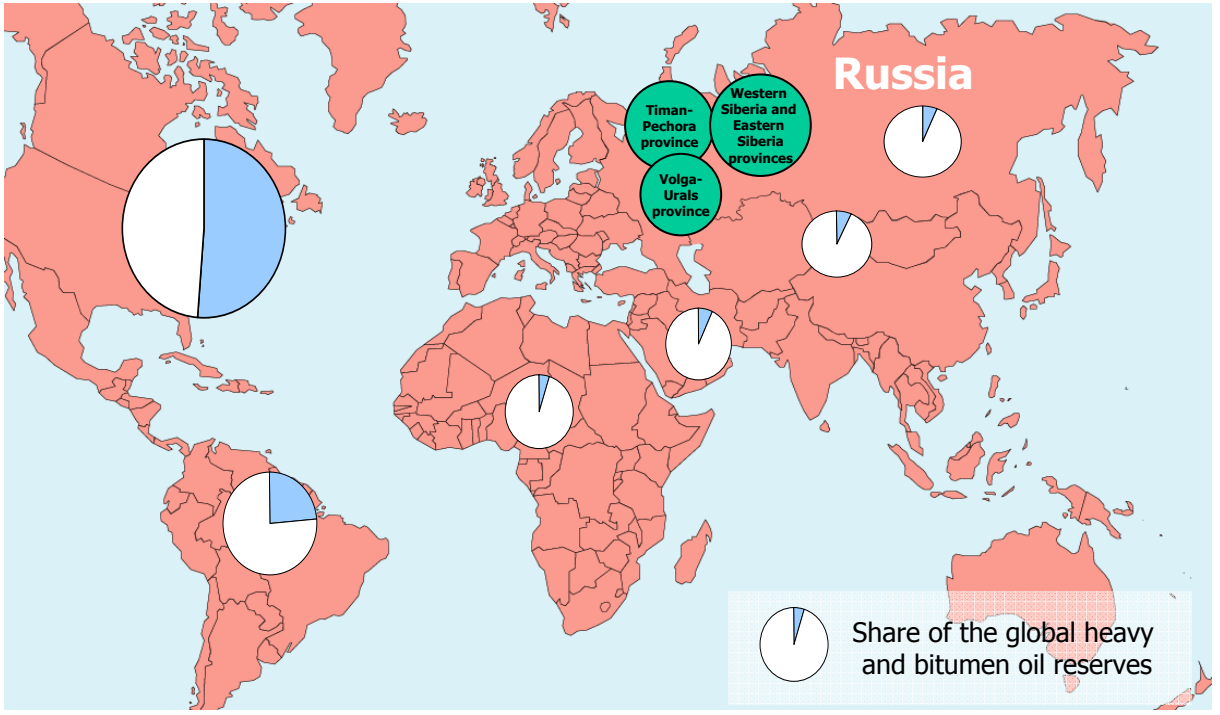


Lifting costs, $/boe



The lack of new large hydrocarbon reserves in the traditional regions of activity forces global oil & gas companies to shift to development of **deep offshore fields, fields in the regions with severe climatic conditions** and **heavy oil reserves**.

Such situation will support the tendency for an **increase in hydrocarbon development and lifting costs**.

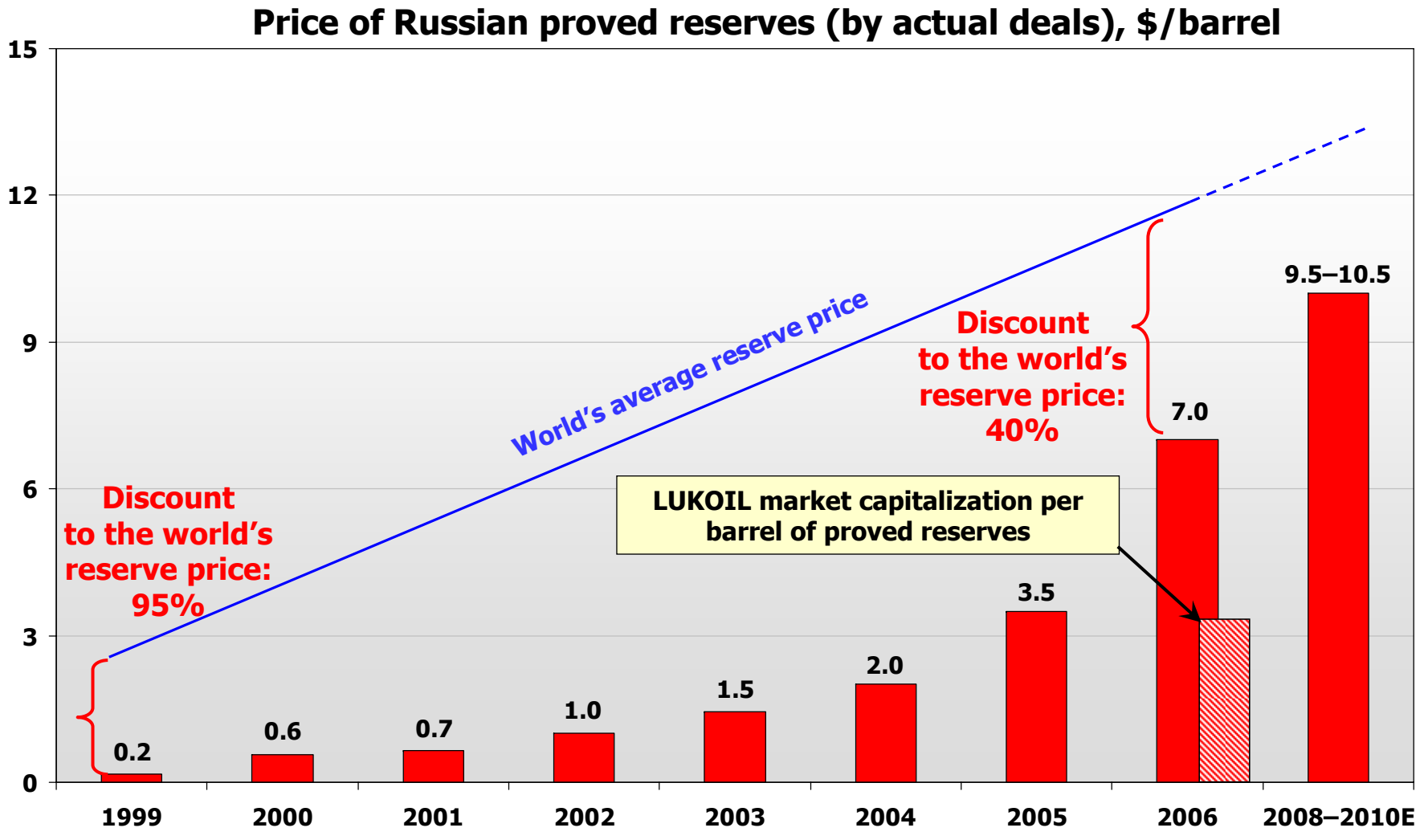


The largest reserves of heavy and bitumen oil are situated in **Canada** (Alberta, Atabaska and Vabaska provinces) and **Venezuela** (bitumen basin of Orinoco). Significant reserves are situated also in Russia, Kuwait and China.

Russia can become an important player on the international market of heavy and bitumen oil.

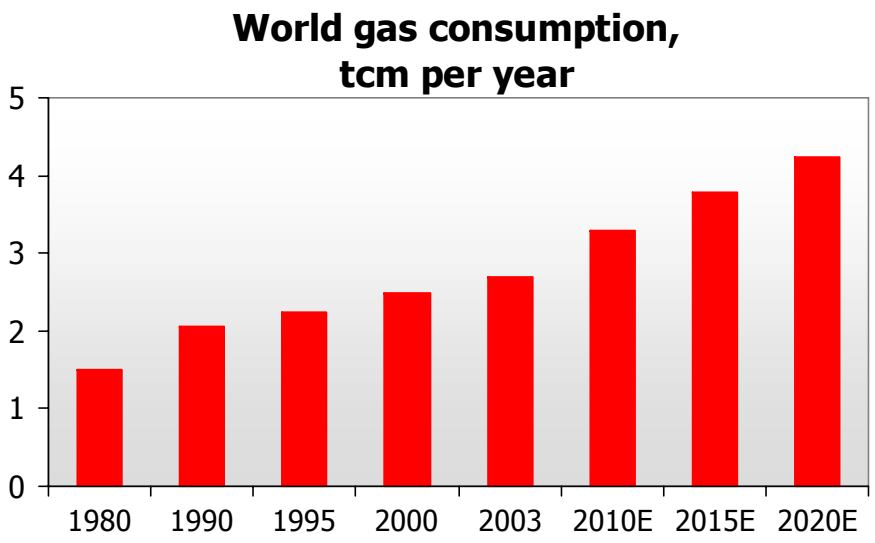
Sources: Oil and Gas Journal, BP, US DOE, Association of the Study for Peak oil and gas, IEA, LUKOIL's estimates.

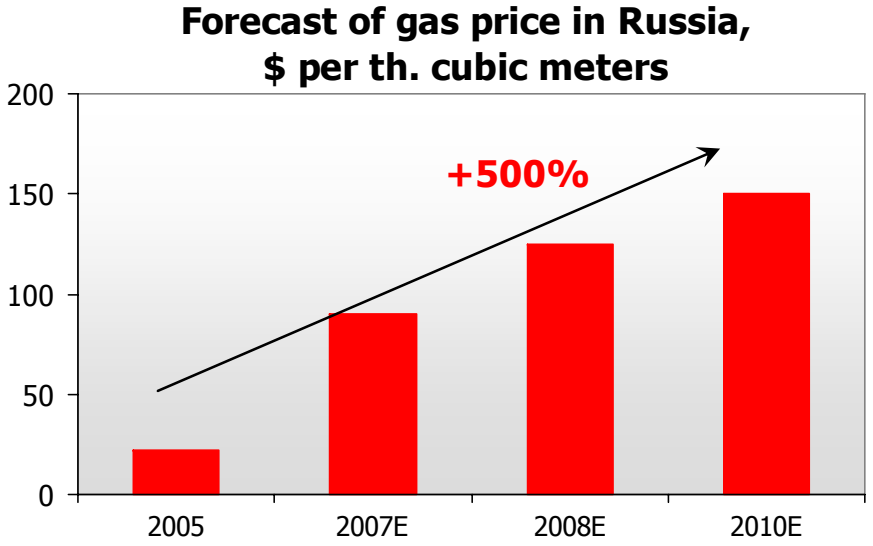
Competition Leads to Revaluation of Available Reserves



Underinvestment into mineral replacement and appearance of new invasive players from the South-Eastern Asia lead to a rise of the reserve price on the developed markets and to even more dramatic price increase on the emerging markets. In the mid-term the **discount** in price of Russian reserves against global reserve price is expected to reduce **to 20%**.

Structural Changes on the World Oil Market Raise Appeal of Gas Business





- **Growth of natural gas global consumption is the highest among energy products (its pace is almost twice as high as that of crude oil consumption)**
- **Global gas consumption growth in 2005–2020 may reach 60% with CAGR of 2.4%, while the CAGR of oil consumption will be 1.5% and that of coal consumption – about 2%.**
- **Gas share in world's energy consumption will increase from 24 to 26% in this period**
- **The most rapid growth of gas consumption is expected in emerging countries**
- **Gas processing and gas chemistry, LNG production and GTL technology are becoming more and more attractive**

Sources: Energy Outlook – DOE, LUKOIL's estimates.

Development Strategy for 2007–2016: Accelerated Growth Rates

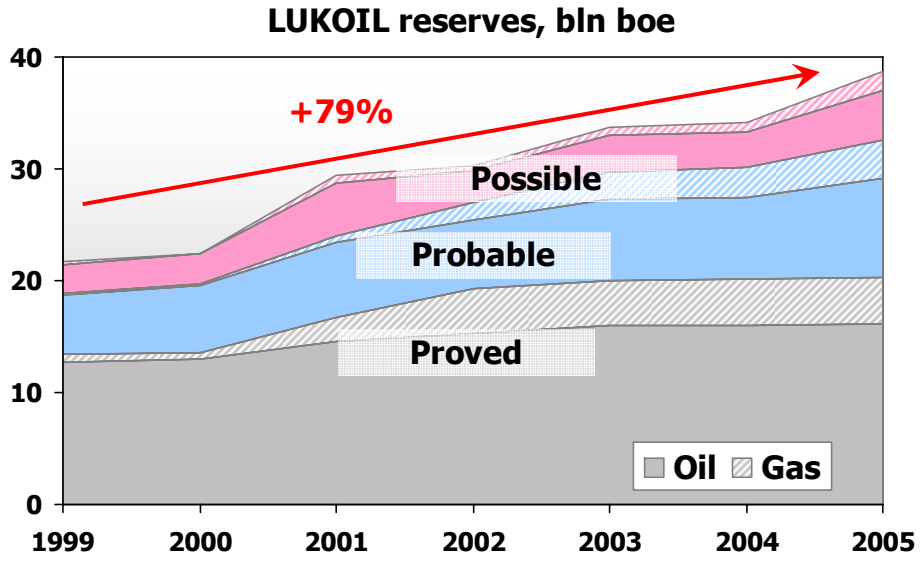
Record Track:
– Local Company (1991–1996)
– International Company (1997–2006)
– Global Company (2007–2016)

LUKOIL: 15 Years of Sustainable and High-quality Growth

	2005	1996	Change, %	1991
Proved hydrocarbon reserves, bln boe	20.3	10.5	+93	7.0
Hydrocarbon production, th. boe per day	1,820	1,085	+68	950
Refinery throughputs, mln tons	47.6	19.3	+147	18.0
Filling stations	5,830	800	+629	0
Countries of operations	30	3	-	1
Revenues, $ bln	56.2	8.6	+553	n/a
Net income, $ bln	6.4	0.8	+750	n/a
Strategic partner	ConocoPhillips (18%)	ARCO (6%)		no
Market capitalization, $ bln	63.7*	8.0	+696	no

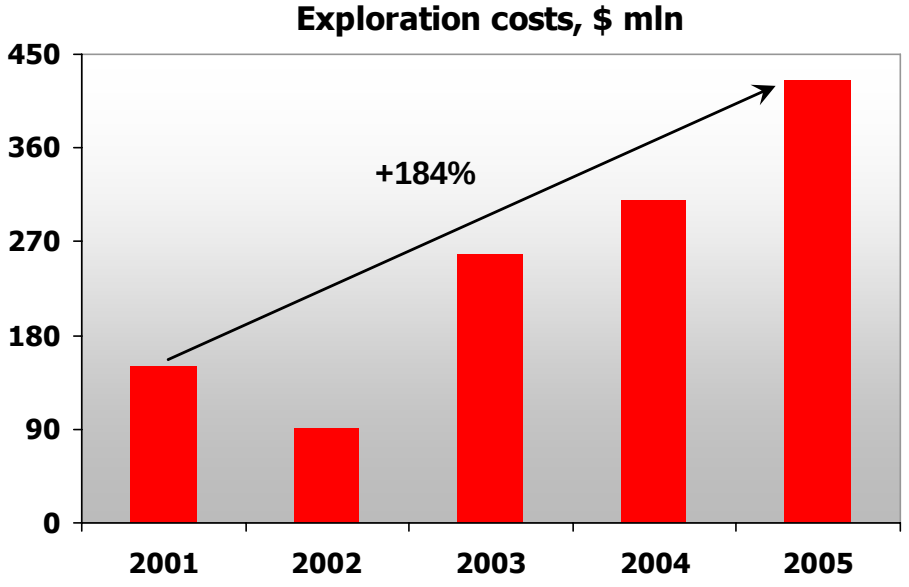
* As of the end of September 2006.

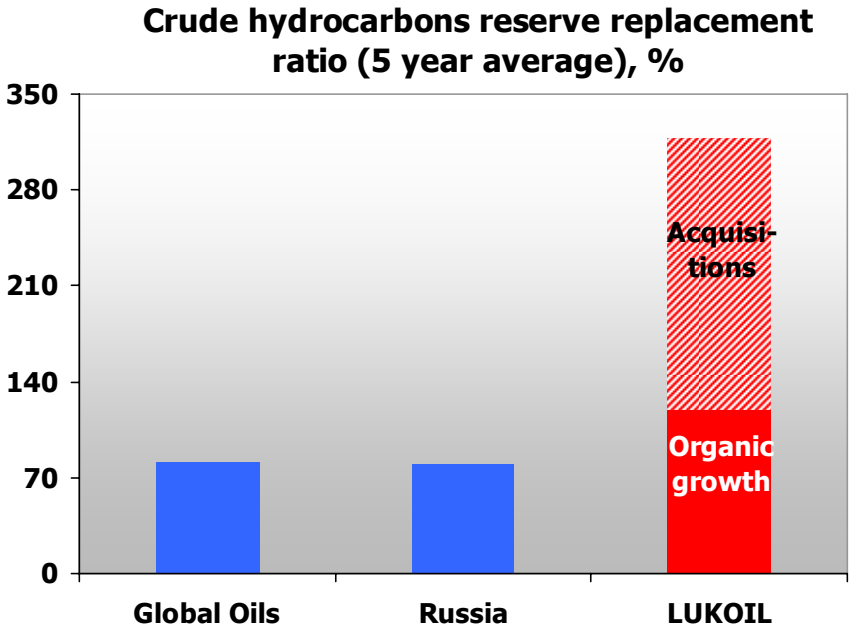
Enriching Reserve Base: Creating Ground for Future Growth



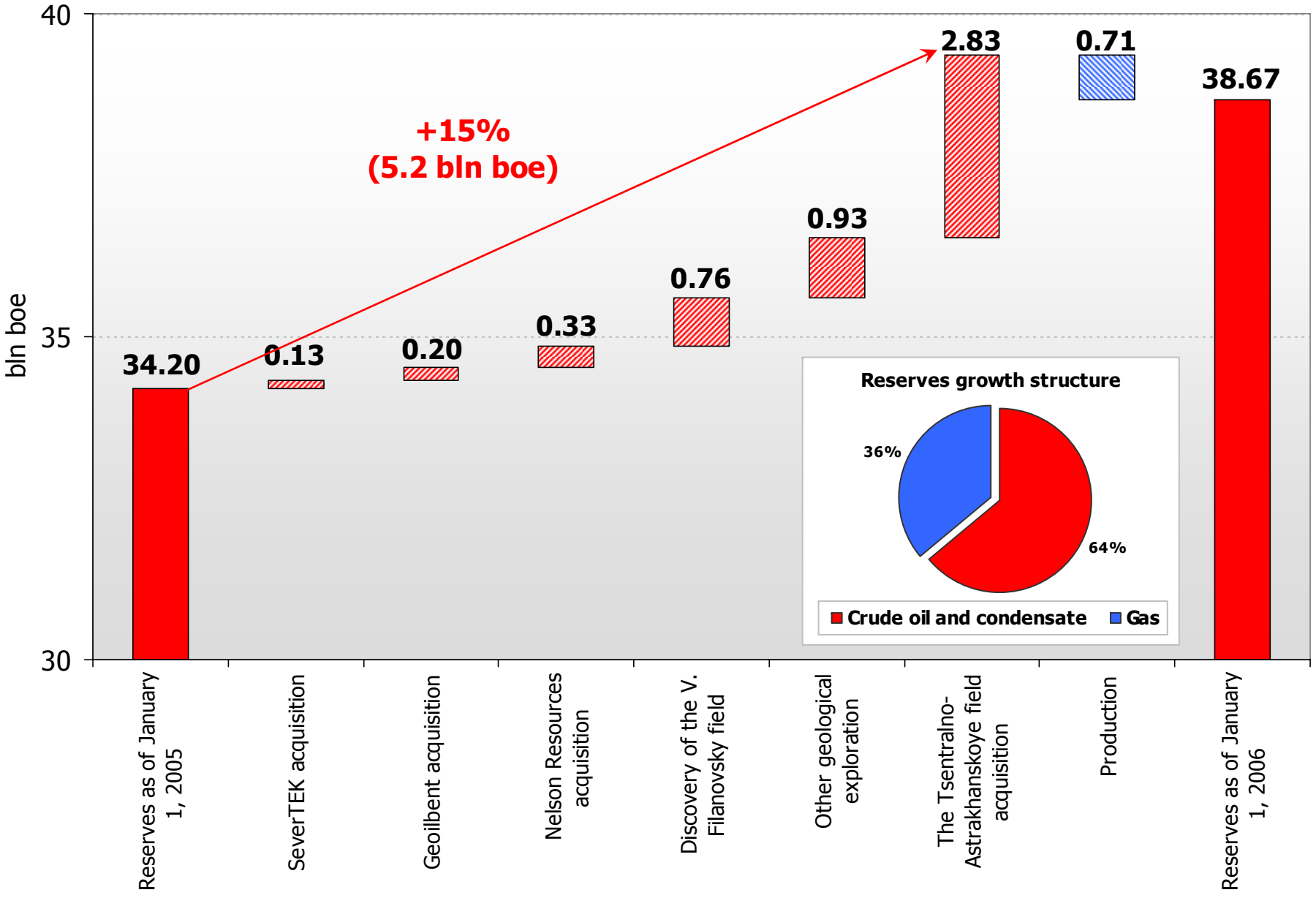
Over the last years LUKOIL has built a very rich and effective reserve base which allows to maintain very high production growth rates in the long term.

Use of the up-to-date technologies has enabled to raise considerably the exploration efficiency.





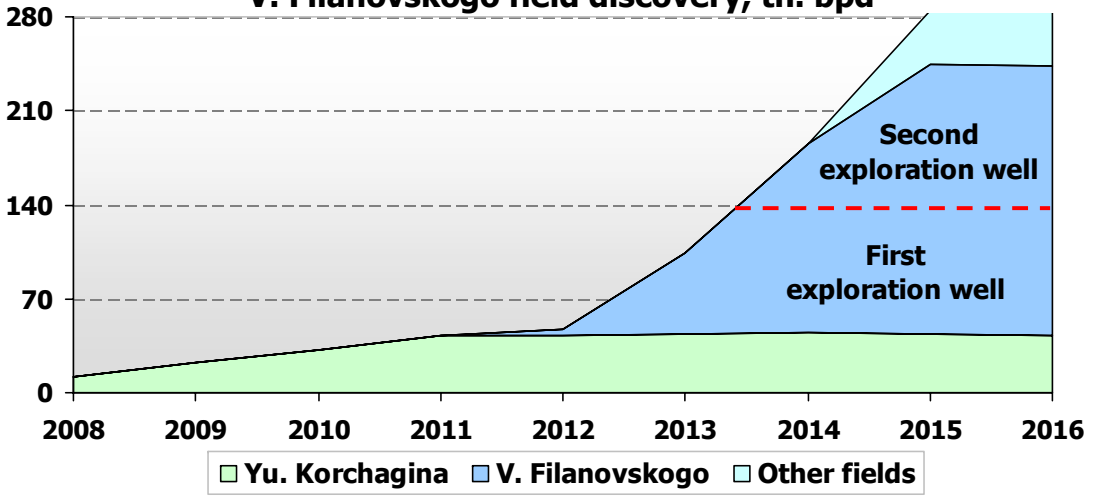
3P Reserves Growth in 2005: Record Enrichment



V. Filanovskogo Field: Largest Oil Discovery in Russia for the Last 20 years

- **As a result of exploration works carried by the Company in the Russian sector of the Caspian Sea during 1995-2005, six major fields were discovered: Khvalynskoye (2000), im. U. Korchagina (2000), 170 km (2001), Rakoushechnoye (2001), Sarmatskoye (2001) and V. Filanovskogo (2005).**
- **SUCCESS RATE of exploration drilling in the Northern Caspian was 100%**
- Oil flow rates at the **V. Filanovskogo field** are unique – **6.2 th. barrels per day.**
- **Recoverable hydrocarbon reserves** of the V. Filanovskogo field are now estimated at **1.9 bln boe**, **oil reserves – 1.6 bln barrels**.

Estimated oil production in the Northern Caspian after the V. Filanovskogo field discovery, th. bpd



LUKOIL in the Northern Caspian

Historical capital expenditures – **350 mln USD**

3P oil reserves as of January 1, 2006 – **1,167 mln barrels,** natural gas reserves – **17.1 tcf**

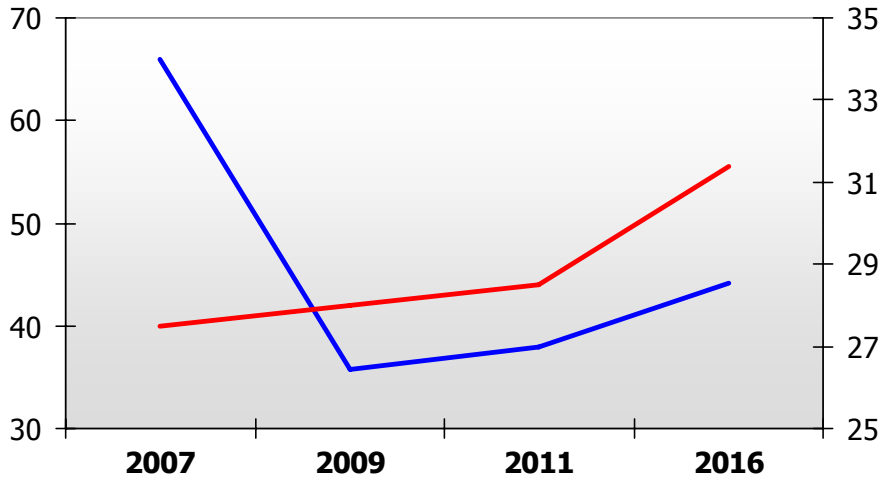
Corporate Strategy of Accelerated Growth: New Targets

Program for 2005–2014		Strategy of Accelerated Growth: 2007–2016
Company value: up to **$100 bln**	›	Company value: up to **$150–200 bln**
Average annual hydrocarbon production growth: about **4.5%**	›	Average annual hydrocarbon production growth: about **6.7%**
Targeted production volumes: up to **2.8 mln barrels per day**	›	Targeted production volumes: up to **4.0 mln barrels per day**
Refinery capacities: **58 mln tons**	›	Refinery capacities: **100 mln tons**
International company	›	**Global** company

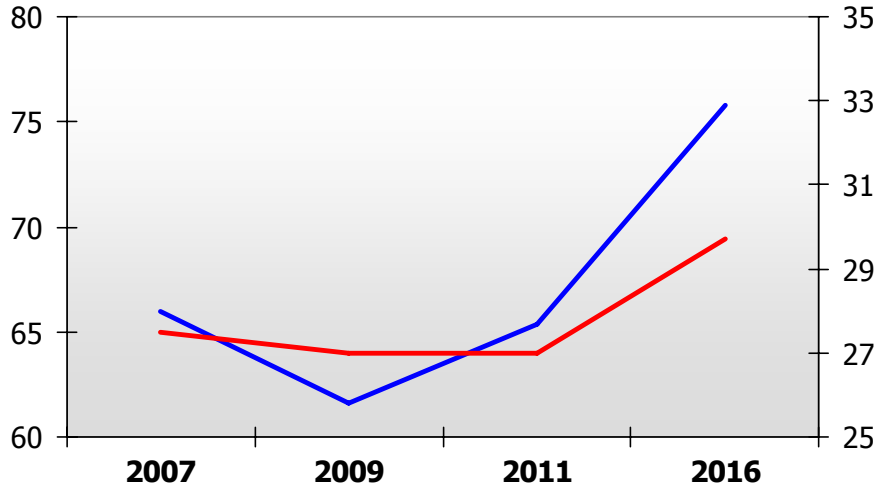
Conservative and Optimistic Scenarios

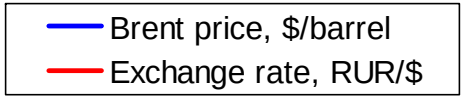
2007–2016

Conservative Scenario



Optimistic Scenario



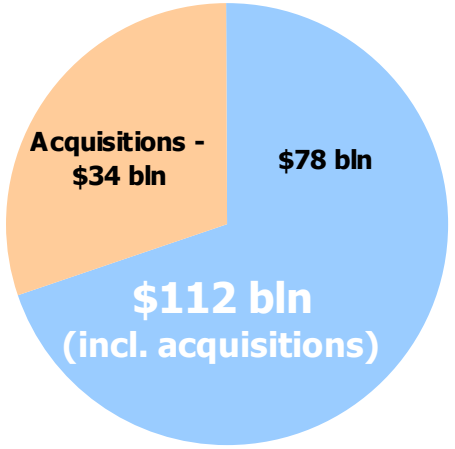


2007	2009	2011	2016		2007	2009	2011	2016
27.5	28.0	28.5	31.4	**Nominal exchange rate, RUR/$**	27.5	27.0	27.0	29.7
66.0	35.8	38.0	44.1	**Brent price, $ per barrel**	66.0	61.6	65.4	75.8

Capex and Investments Forecast 2007–2016

Conservative Scenario

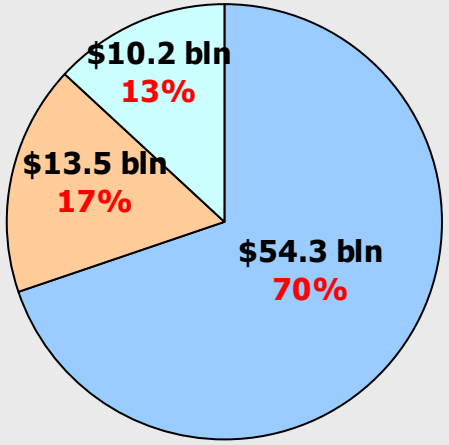
Optimistic Scenario



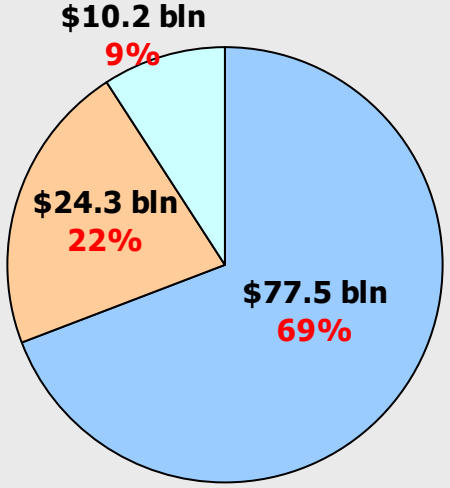
Acquisitions will account for one third of total investments (under optimistic scenario)

Balance between investments into exploration & production and refining & marketing will be 70:30

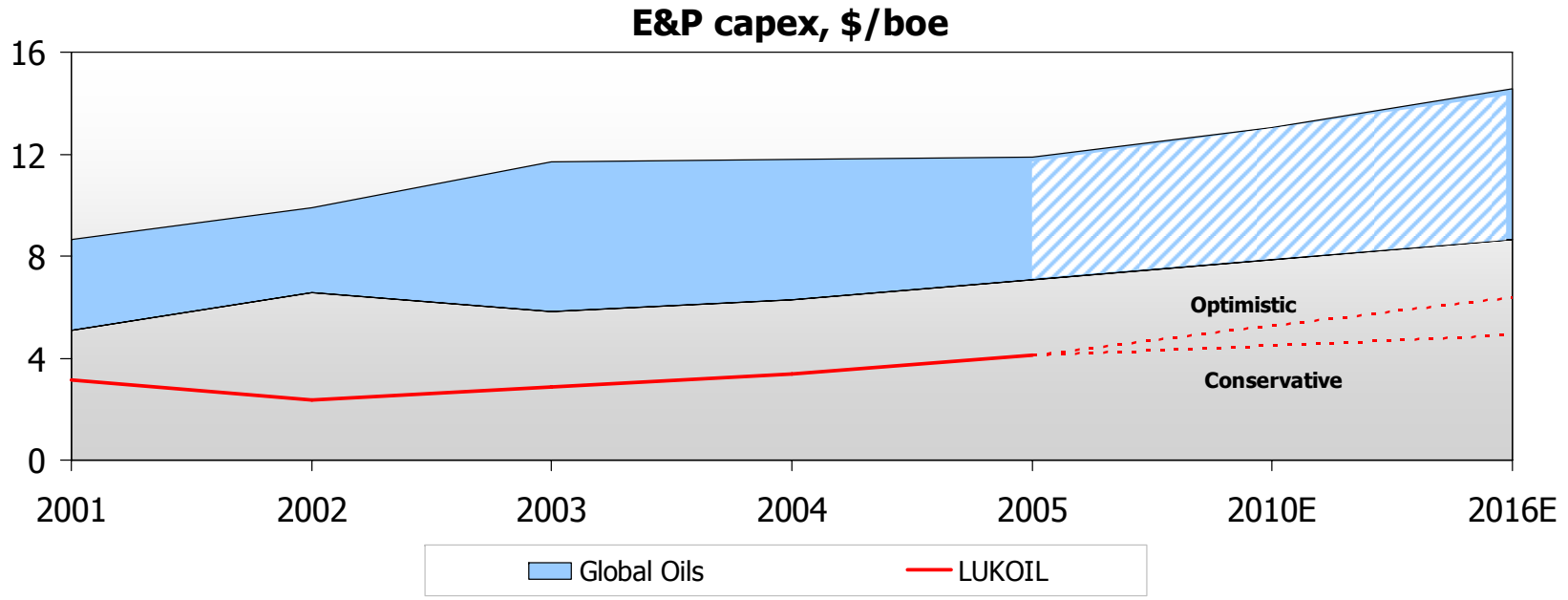
$78 bln:



$112 bln:



LUKOIL Maintains An Efficient and Highly-Competitive Level of E&P Capex

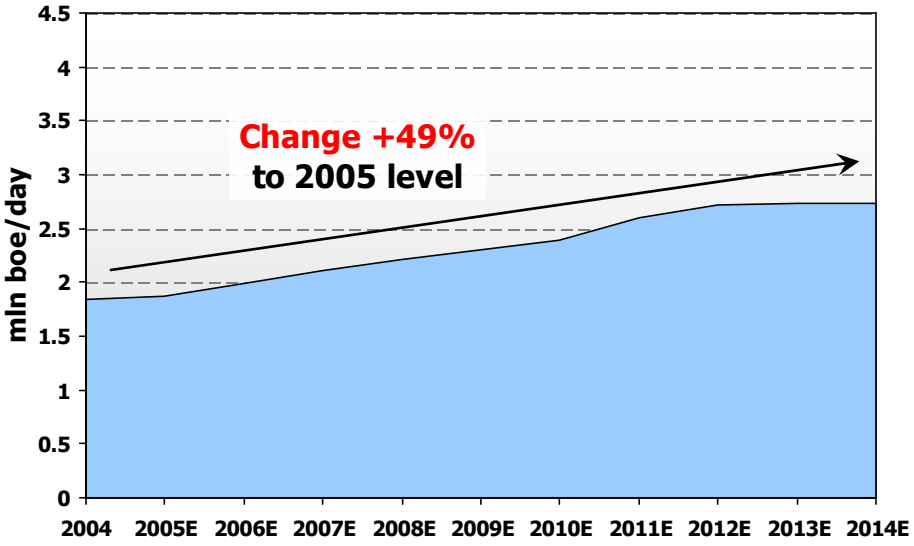


	E&P capex per boe of production	% of Global Oils average (2005)
LUKOIL: Base scenario 2007–2016	4.9	54%
LUKOIL: Optimistic scenario 2007–2016	6.4	70%
Global Oils (2005)	9.1	

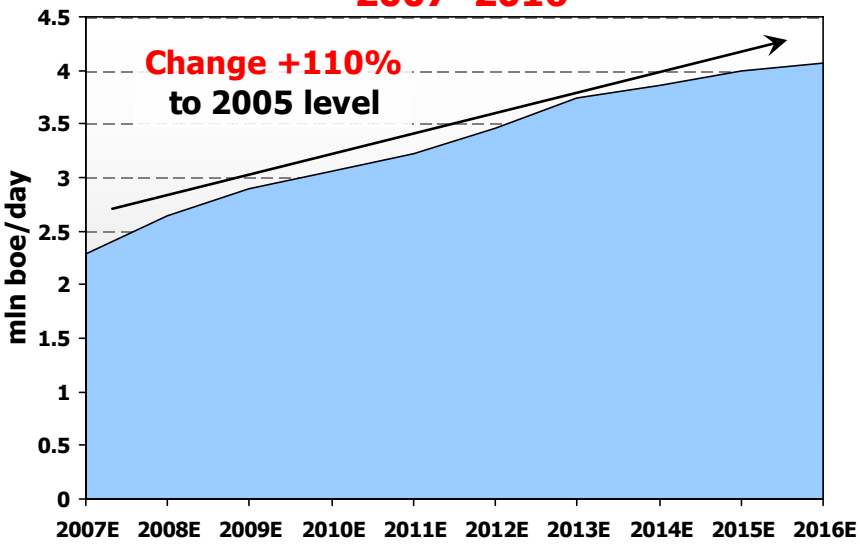
Source: annual reports.

Hydrocarbon Production Forecast

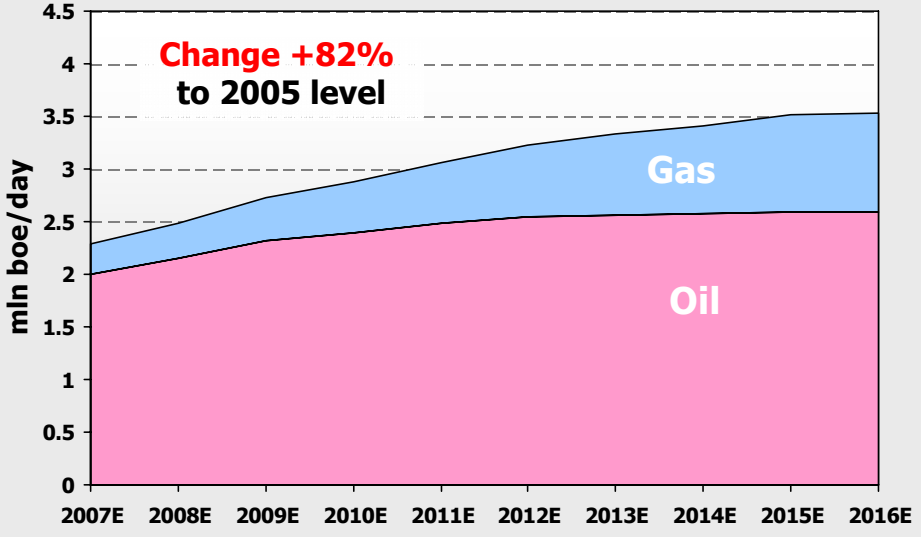
2005–2014 Program



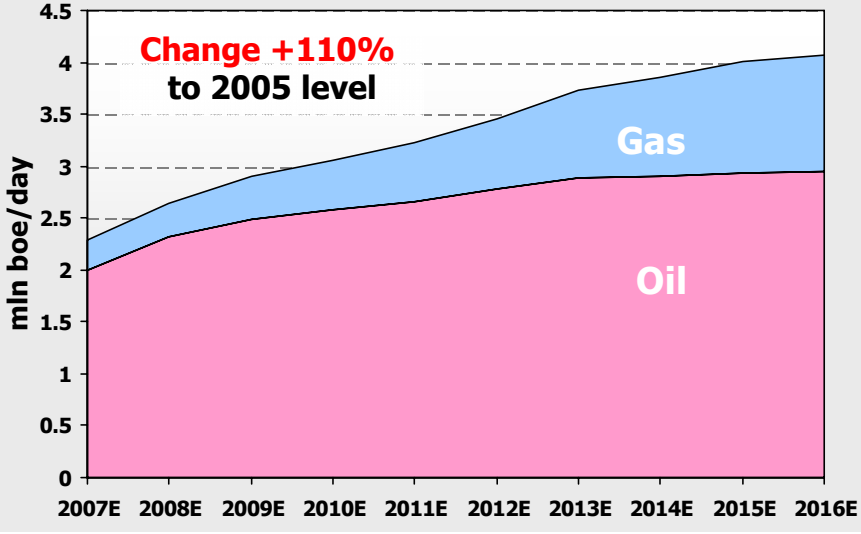
Strategy of accelerated growth: 2007–2016



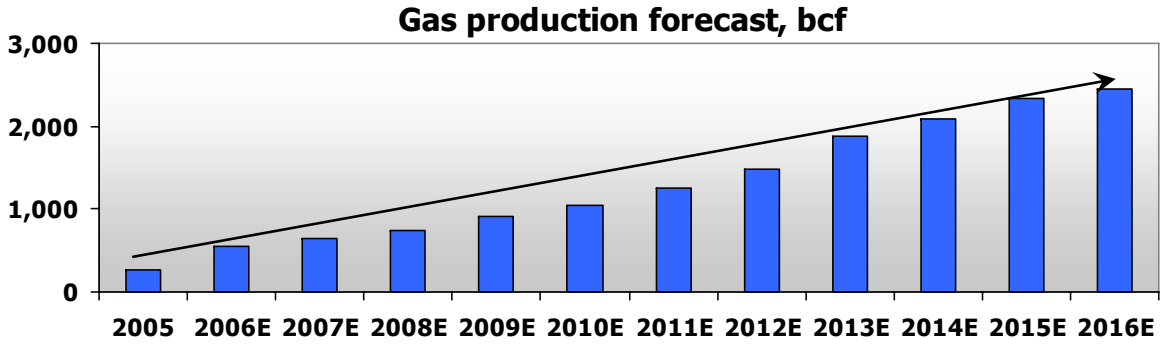
Conservative scenario: 2007–2016



Optimistic scenario: 2007–2016



Gas Strategy



LUKOIL plans to increase gas output by 10 times to 2.5 tcf by 2015. The main growth regions are the Bolshekhetskaya Depression and the Caspian Region.

Russia
«Tsentrlano-Astrakhanskoye field»
Preparation for production.
Probable and possible reserves - 9.8 tcf.
Forecast production level in 2016 - up to 20 bcm.

Russia
«Bolshekhetskaya Depression»
Exploration works are conducted, Nakhodkinskoye field has been put into operation.
Proved reserves - 13.2 tcf.
Production in 2005 - 472 mcm. Forecast production level in 2016 - 25 bcm.

Russia
«Northern Caspian»
Exploration works and preparation for production are conducted.
Proved reserves - 5.6 tcf.
Forecast production level in 2016 - 17 bcm.

Kazakhstan
«Karachaganak»
Production stage. Proved reserves* - 1.4 tcf. Production* in 2005 - 1.6 bcm.

Azerbaijan
«Shakh-Deniz»
Preparation for production.
Proved reserves*- 248 bcf.
Forecast production level* in 2016 - 1.7 bcm.

Uzbekistan
«Kandym-Khauzak-Shady»
Additional exploration works and preparation for production are conducted.
3P reserves - 3.7 tcf.
Forecast production level in 2016 - 9,3 bcm.

Saudi Arabia
«Block A»
Exploration works are conducted at a highly promising acreage.

Exploration and preparation for production
Exploration and production

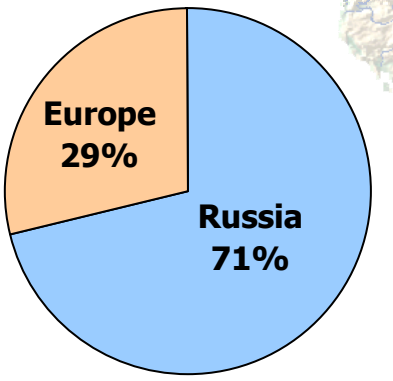
* LUKOIL Group share

Increasing Throughputs, Refinery Complexity and Geographic Diversification

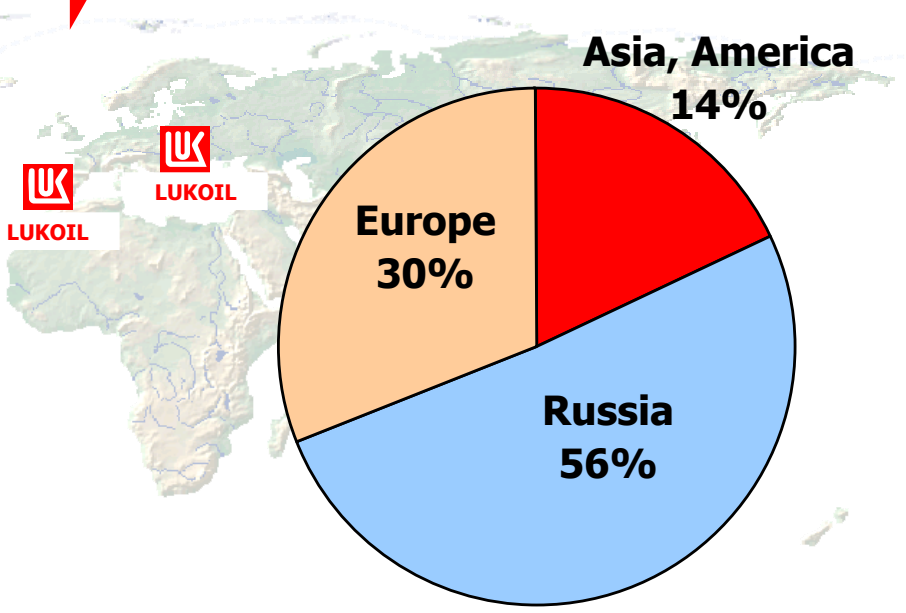
LUKOIL refining capacities diversification in 2005

LUKOIL targeted refining capacities diversification in 2016

58 mln tons



100 mln tons

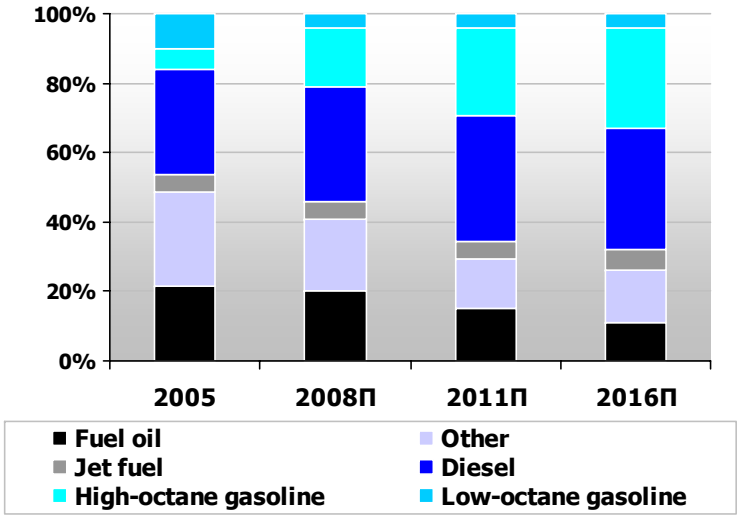


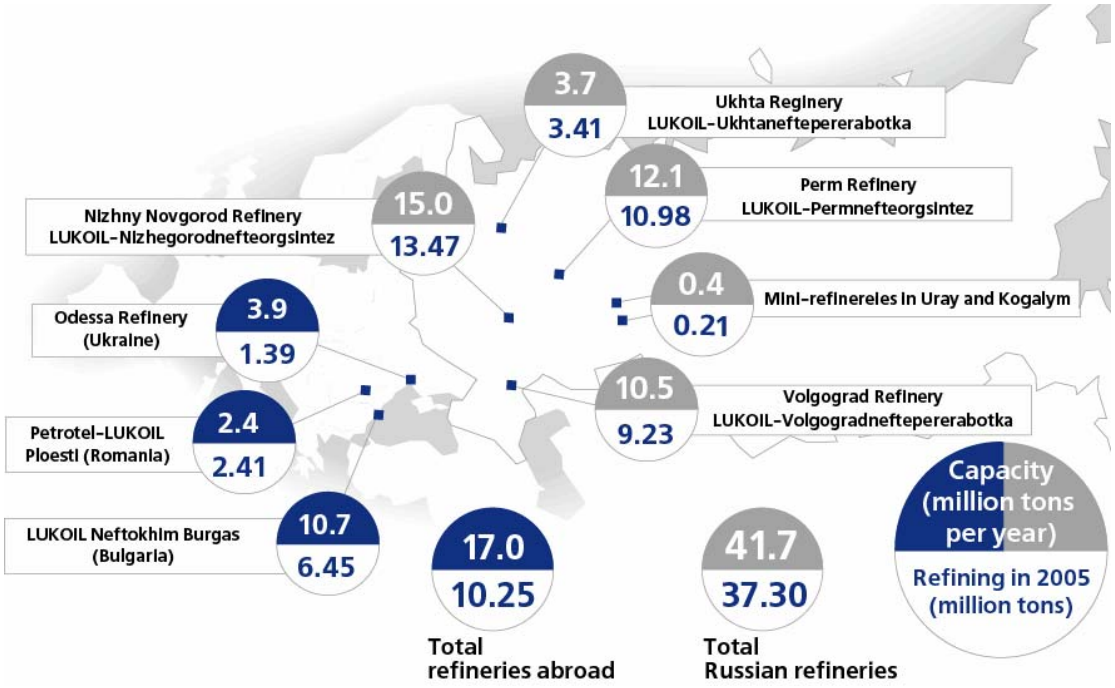
Refinery capacities growth:

- **in Russia: +15–20 mln tons (construction/acquisitions)**
- **in Europe: +13–16 mln tons**
- **in Asia and America: +10–20 mln tons**

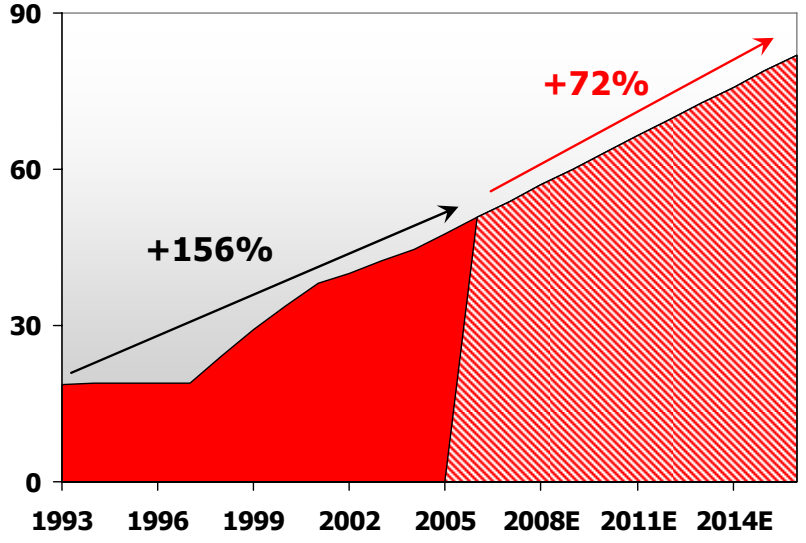
Refining Development: Capacities Growth and Quality Upgrade

Structure of petroleum product output at LUKOIL refineries





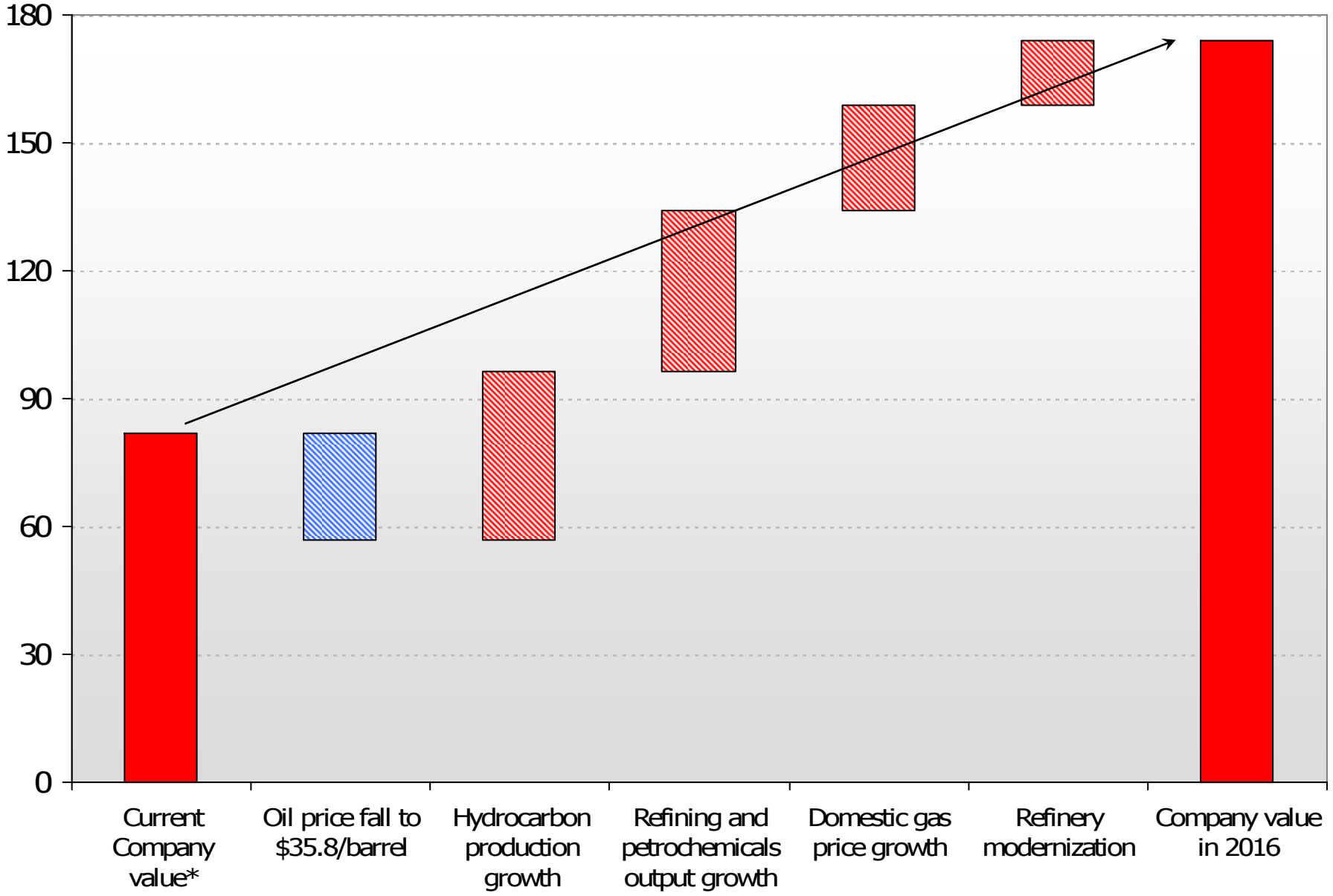
LUKOIL refinery throughputs, mln tons



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)	Euro-2	Euro-3	Euro-4	Euro-5

Reconciliation of Company Value Growth

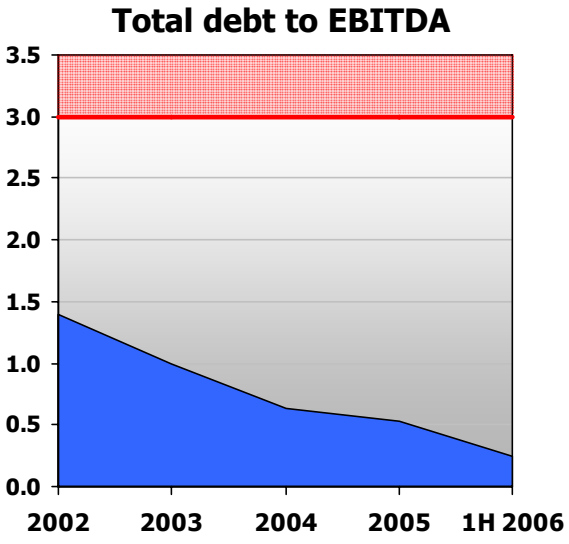


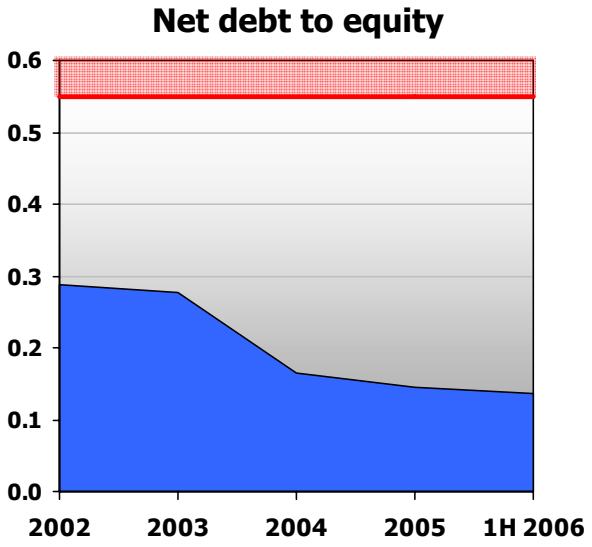
* Leading investment banks estimation.

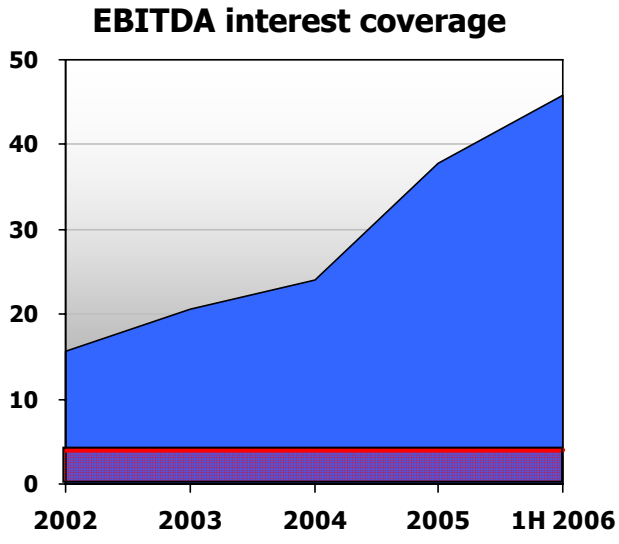
Financial Policy

- 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

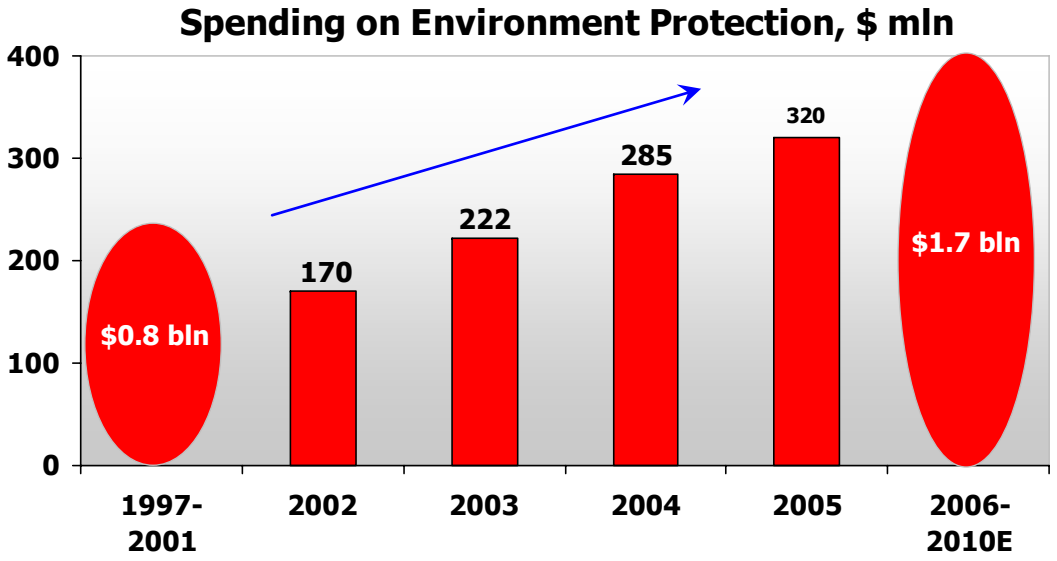
LUKOIL financial covenants:







LUKOIL is Russian Leader in Ecology and Industrial Safety



LUKOIL is insured for ecological risks to a level of $15 bln.

In 2002 LUKOIL began a program of certification of its subsidiaries to international standards of quality management **(ISO 9000)**, protection of the environment (**ISO 14000**), and industrial and labor safety (**OHSAS 18000**). Nearly all LUKOIL subsidiaries has been certified by the end of 2005. The program should be completed by 2007.

Ecological Issue is the Most Important for LUKOIL's Offshore Projects

Unprecedented ecological security measures during development of the Kravtsovskoye field. All production operations on the platform are in accordance with a **"zero-discharge" principle**, i.e. all industrial and other waste is taken ashore for processing.

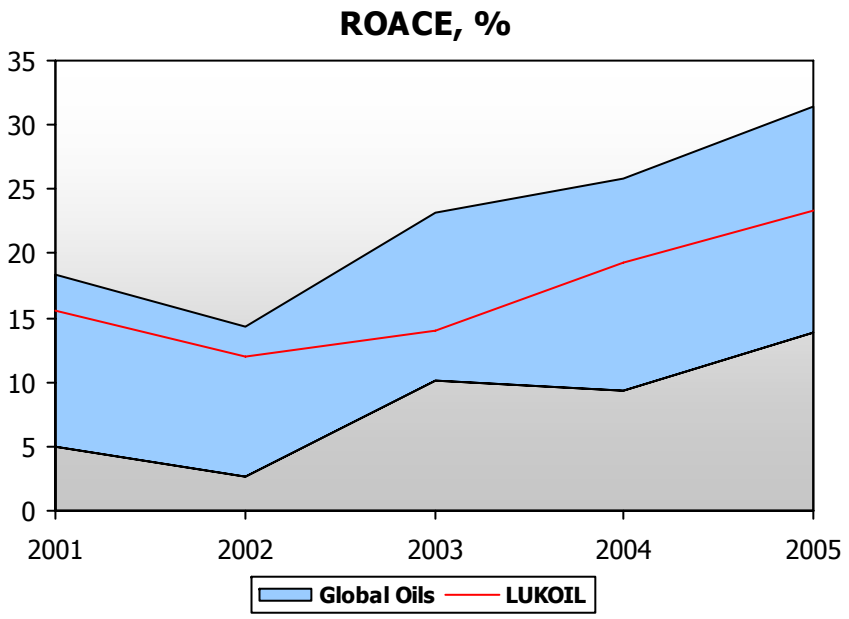
LUKOIL is guided in development of Caspian fields by the 2003 Tehran Convention "On Protection of the Natural Environment in the Caspian Sea". All operations of the Astra drilling platform, which carries up-to-date equipment, are in accordance with a **"zero-discharge" principle.**

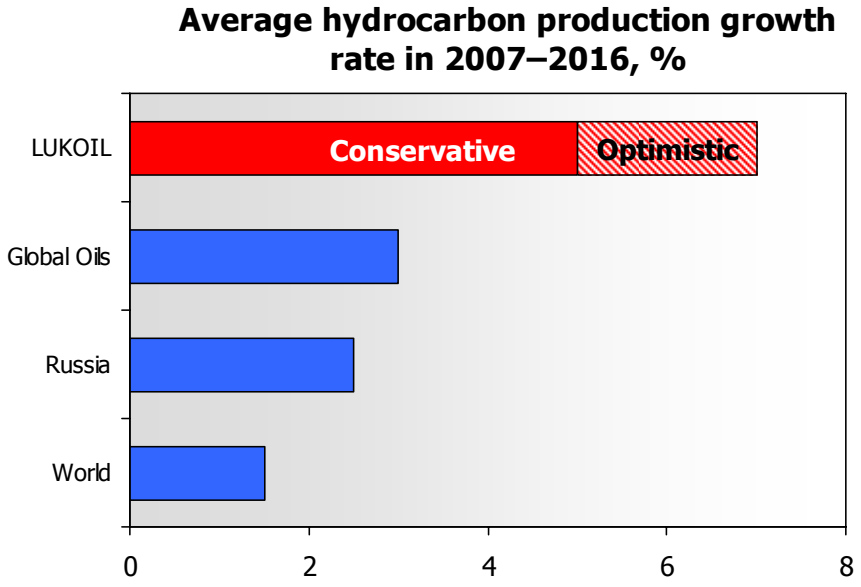
Cleaning up the Ecological Catastrophe in the Komi Republic: Project of the Century

- In 2005 LUKOIL has eradicated consequences of the 1994 blow-out on the "Vozey-Main Facilities" pipeline, which was internationally reported and earned a place in the Guinness Book of Records (LUKOIL bought KomiTEK, the owner of the affected pipeline, in 1999).
- In 2000–2005 LUKOIL spent over $155 mln on the environmental projects in the Republic of Komi .
- The region of Usinsk in the Komi Republic is no longer an ecological disaster area, thanks to LUKOIL's efforts since beginning operations in Komi five years ago.

In October 2004, the State Duma Committee on Ecology reviewed issues of ecological reclamation work in oil-polluted areas of Komi. Members of the Committee gave a high rating to the Company's complex solution for ecological reclamation of northern territories and cooperation between LUKOIL and the Komi Government. The Committee's conclusion was transmitted to the Russian Government, which has ordered Federal Government agencies to apply the Komi experience of anti-pollution efforts in other instances.

Strategic Objectives





- **Main objective — maintaining corporate ROACE at the level of at least 15–17%;**
- **Stable growth of basic financials, which are under control of the management;**
- **Maintaining hydrocarbon output growth rate at the level of 5.6–6.7% depending on the level of oil prices.**