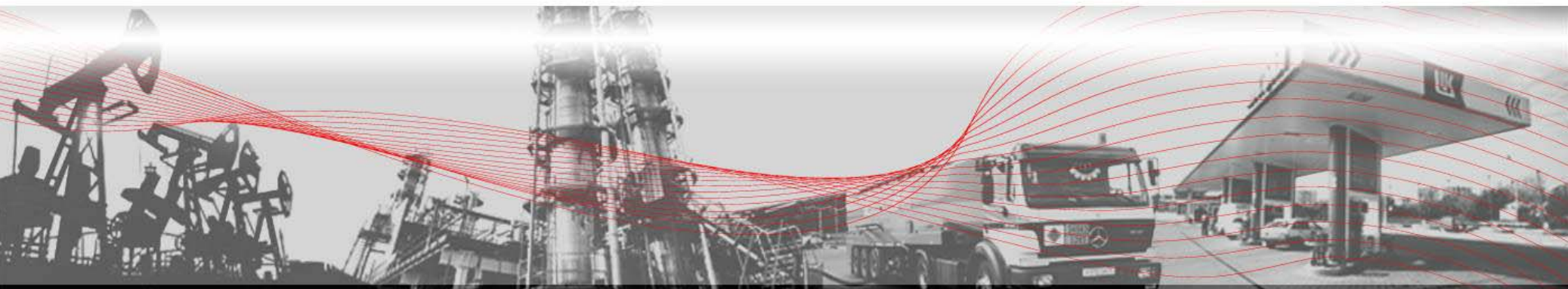




2008 Financial Results

(US GAAP)

Leonid Fedun, Vice-President of LUKOIL



April 2009

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.

2008: Executive Summary



- **Record increase in free cash flow**
- **Lowest level of debt, best financial health among domestic peers**
- **Company controls production costs**
- **Execution of program to secure positive cash flows amid crisis**
- **Refinery throughputs growth (+7.6%)**
- **Marketable natural gas output growth (+21.3%)**
- **International hydrocarbon output growth (+24.5%)**

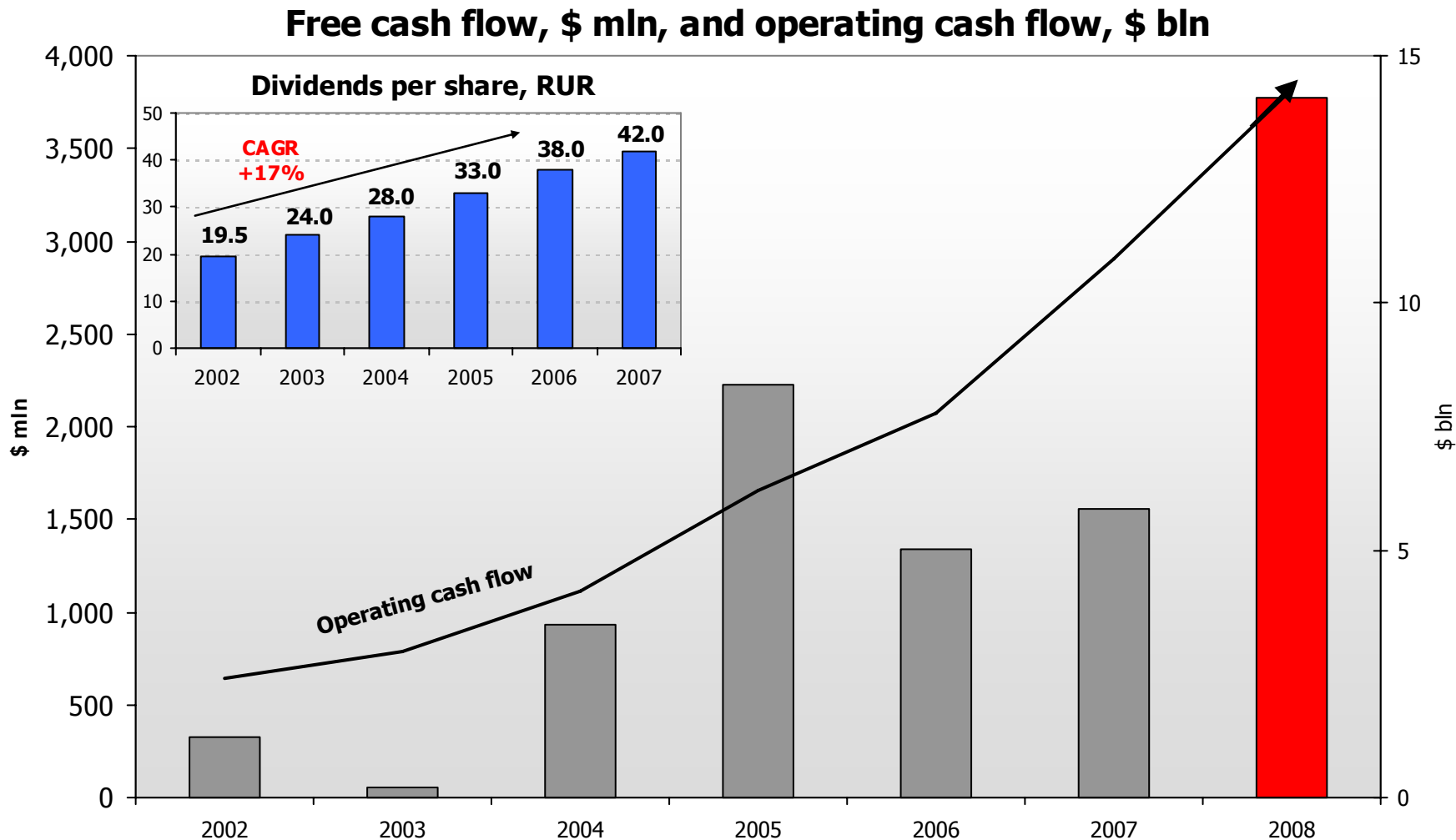
2008 Financial Highlights



- **Sales – \$107,680 million (+31.5% y-o-y)**
- **EBITDA – \$15,552 million (+1.1%)**
- **Net income – \$9,144 million (-3.9%)**
- **Basic EPS – \$10.88 per share**
- **Net income per boe of production –
\$11.4 per boe**

- **Free cash flow – \$3,775 million (+142.8%)**

Significant Cash Flows Ensure Adequate Dividends



Company managed to secure **record operating and free cash flows** despite negative international market environment and considerable investment into business development.

This allows LUKOIL to strictly adhere to its dividend policy and stably **raise dividend payments to shareholders.**

Macroeconomic and Tax Environment



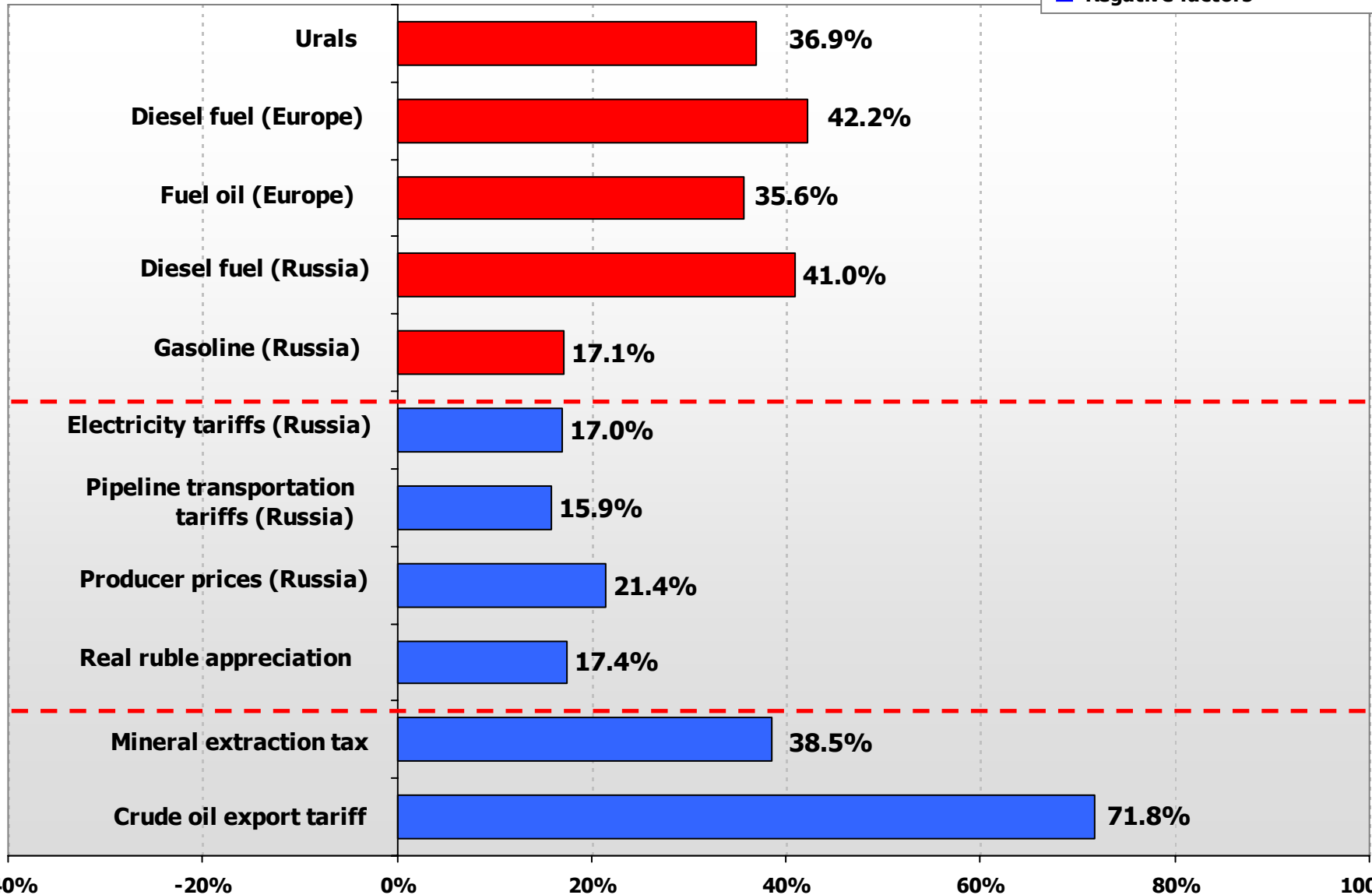
2008 to 2007

■ Positive factors
■ Negative factors

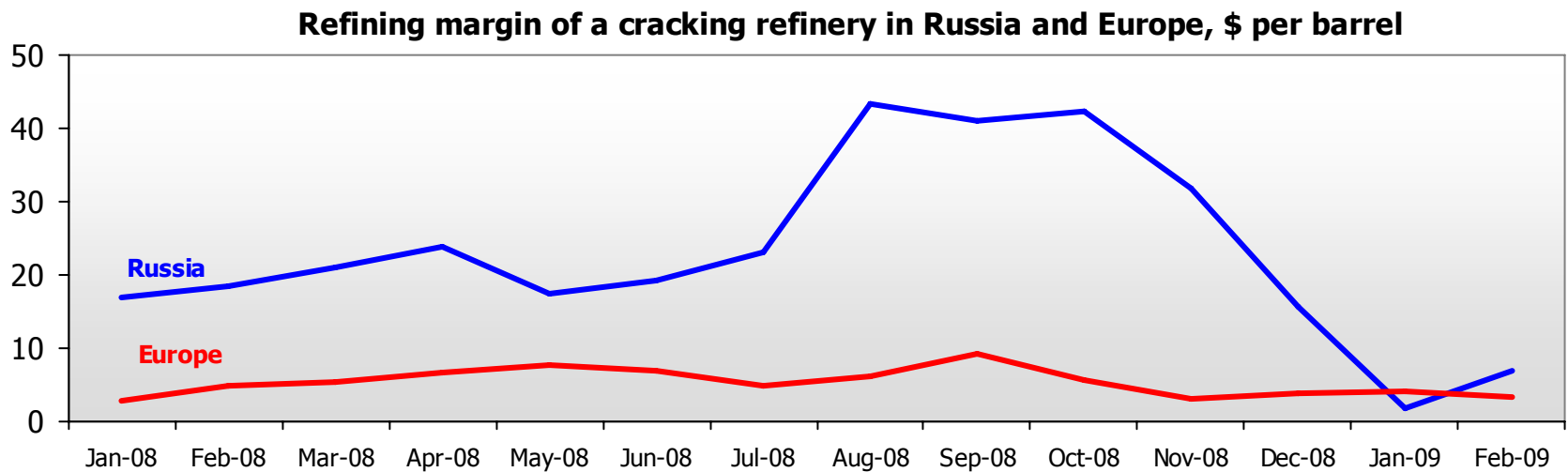
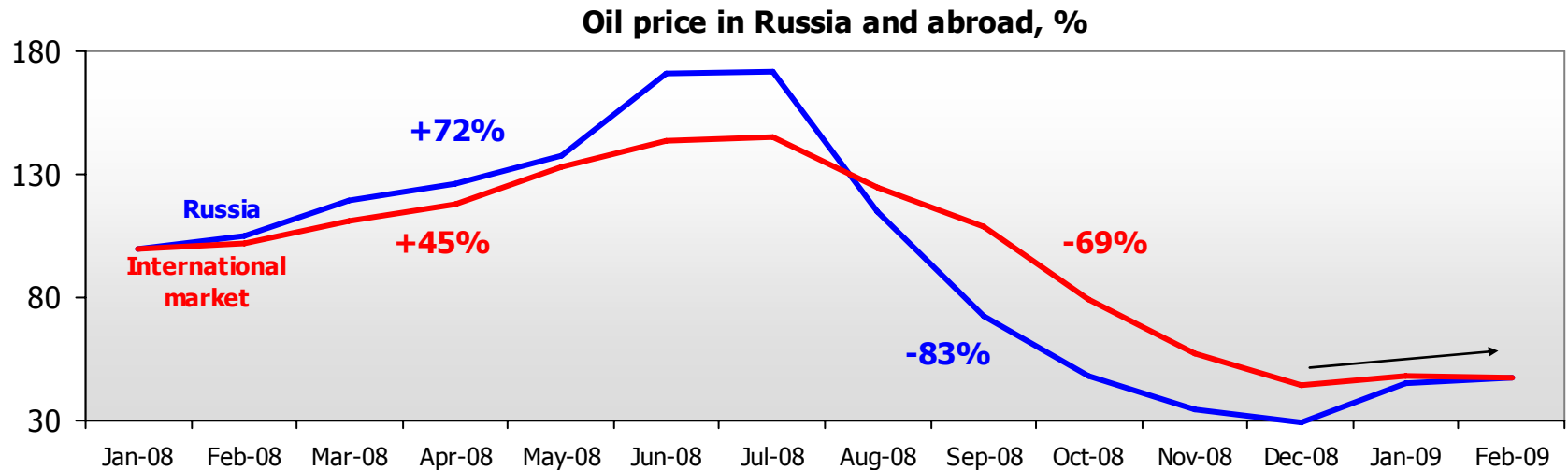
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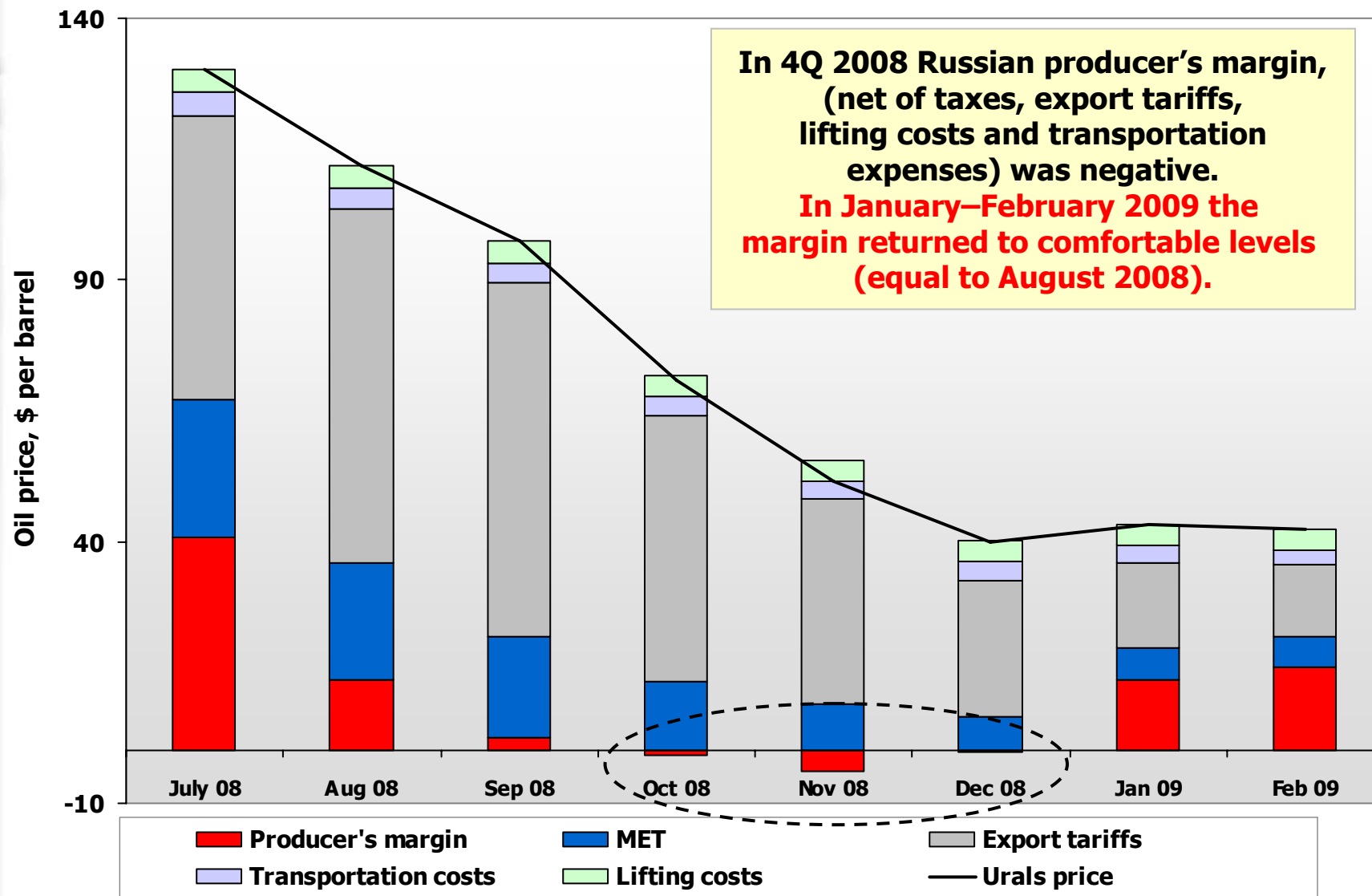


Hydrocarbon Markets in 4Q 2008: Perfect Storm



The world financial crisis sent global oil markets into the "perfect storm" state

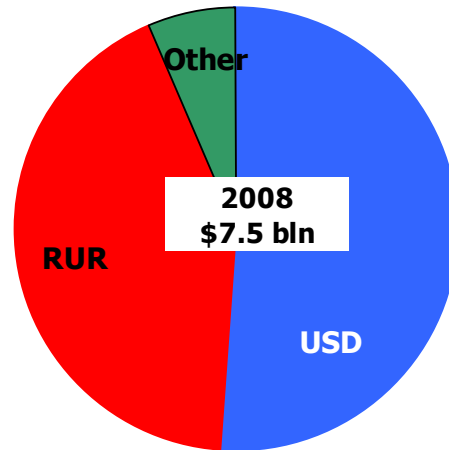
1Q 2009: Hydrocarbon Markets Stabilized, Margins Back at Comfortable Levels



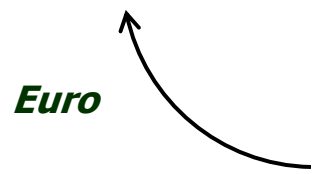
LUKOIL Benefits from the Current Situation on the Foreign Exchange Market



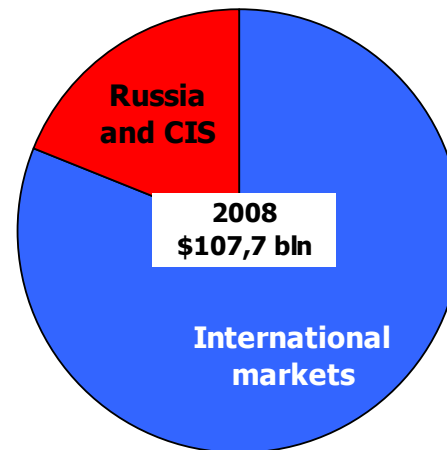
LUKOIL long-term debt (including current portion)



Capital expenditures



Sales



LUKOIL:

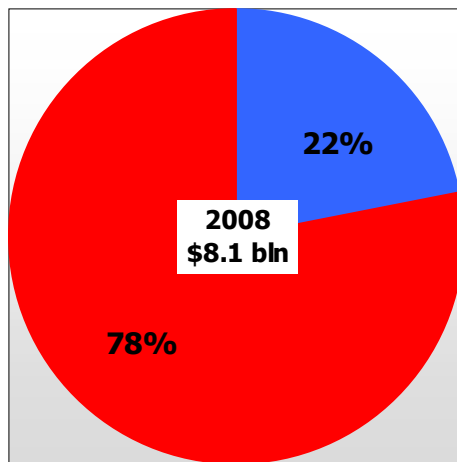
- borrows in USD
- invests in RUR
- sells for EUR/USD

As a result of the euro strengthening against the dollar and rouble, the Company receives additional benefits.

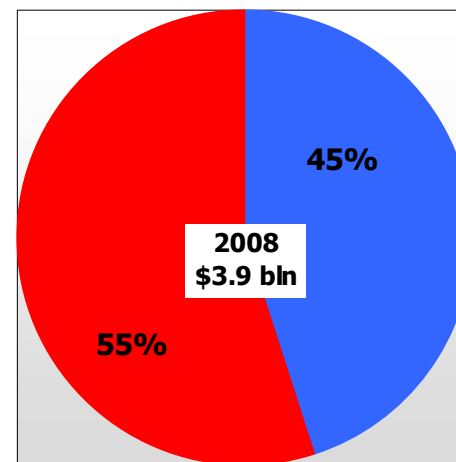
LUKOIL Benefits from Rouble Devaluation



OPEX



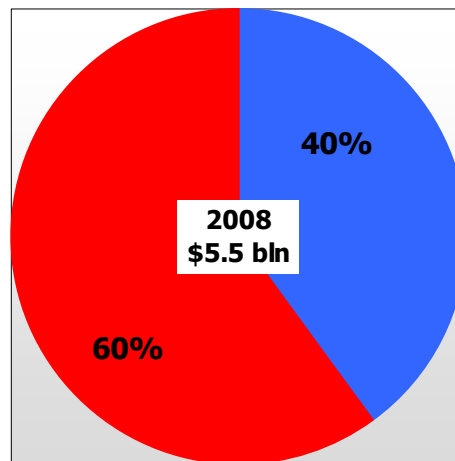
SG&A



 Russia

 International

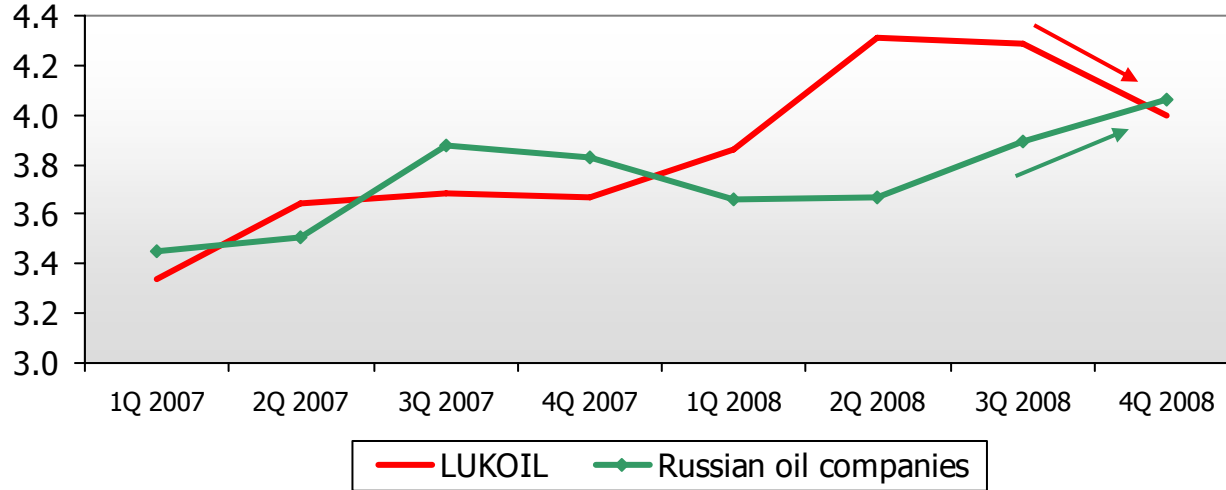
Transportation expenses



Rouble Depreciation Contributes to Cost Reduction

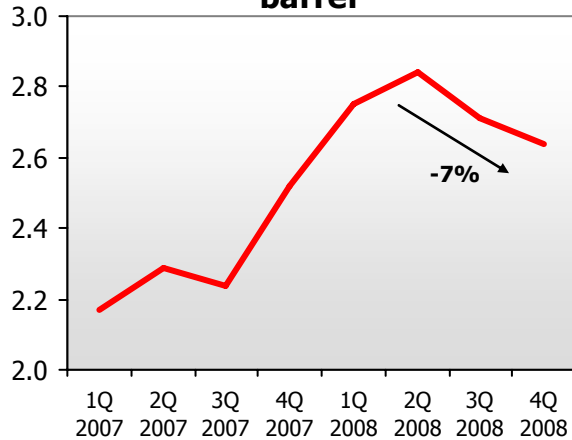


Lifting costs, \$ per boe

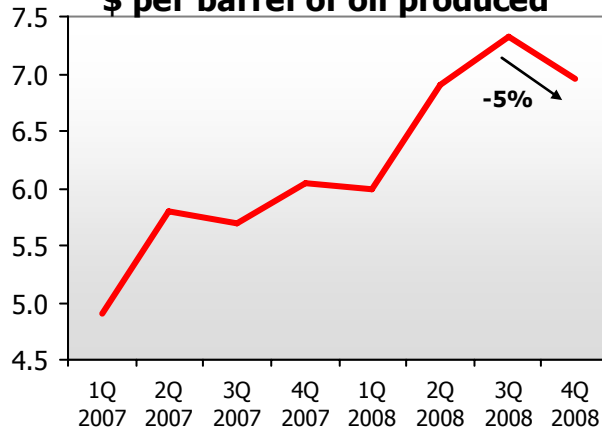


Out of all Russian oil companies, LUKOIL benefits the most from the rouble depreciation.

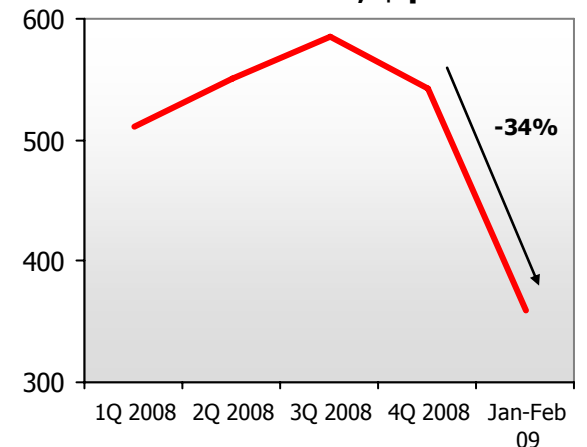
Refining expenses, \$ per barrel



Transportation expenses, \$ per barrel of oil produced



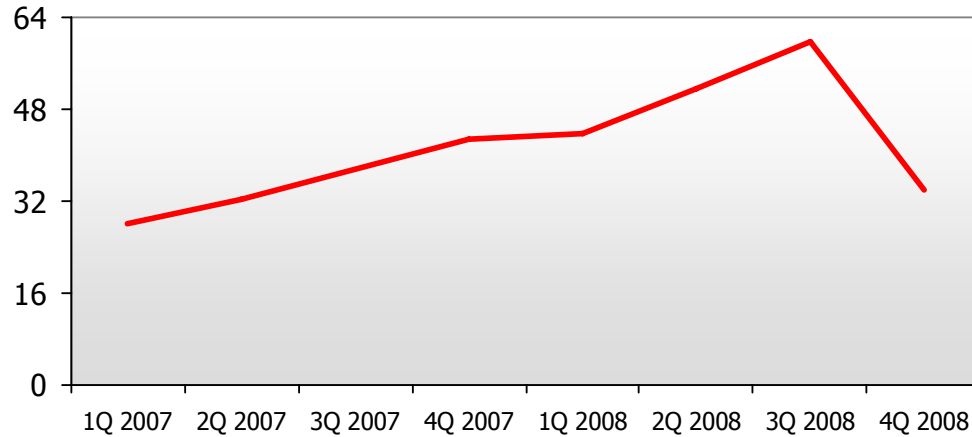
Cost of production drilling in Western Siberia, \$ per meter



Tax Burden is Decreasing



Taxes paid* per barrel of production, \$ per barrel



Taxes per barrel of production (including excise and export tariffs, income and other taxes) decreased in 4Q 2008 and the reduction continues in 2009 as a result of tax incentives of the Government and falling oil prices.

MET:

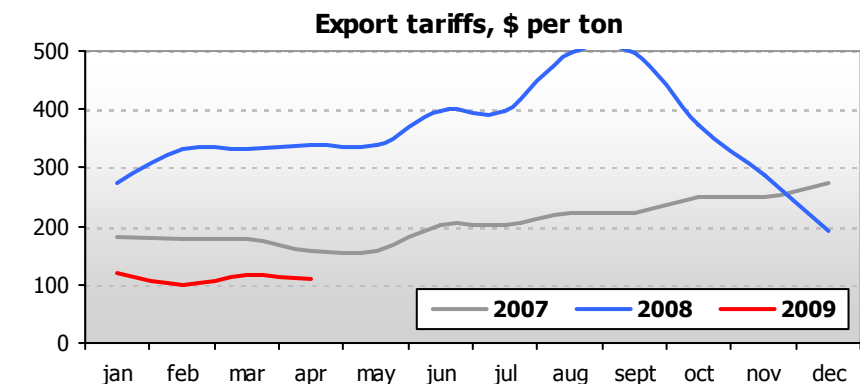
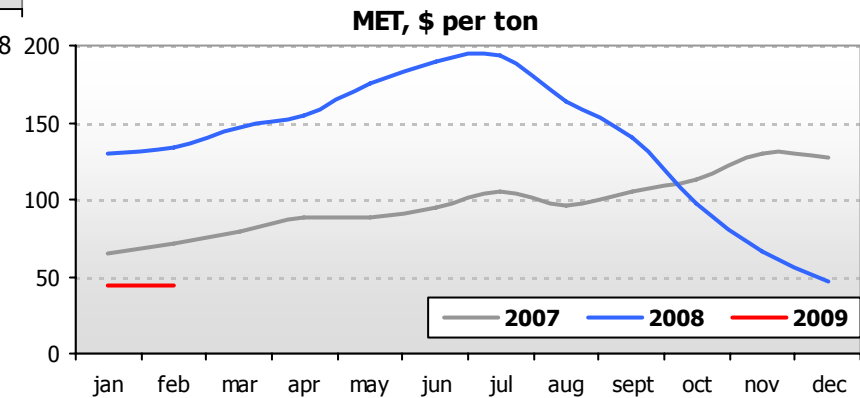
- Change in base oil price from \$9 to \$15 per barrel
- Introduction of tax holidays for a number of Russian regions

Export tariffs:

- Time lag in calculation is reduced

Income tax:

- Income tax rate is reduced from 24% to 20% from January 1, 2009

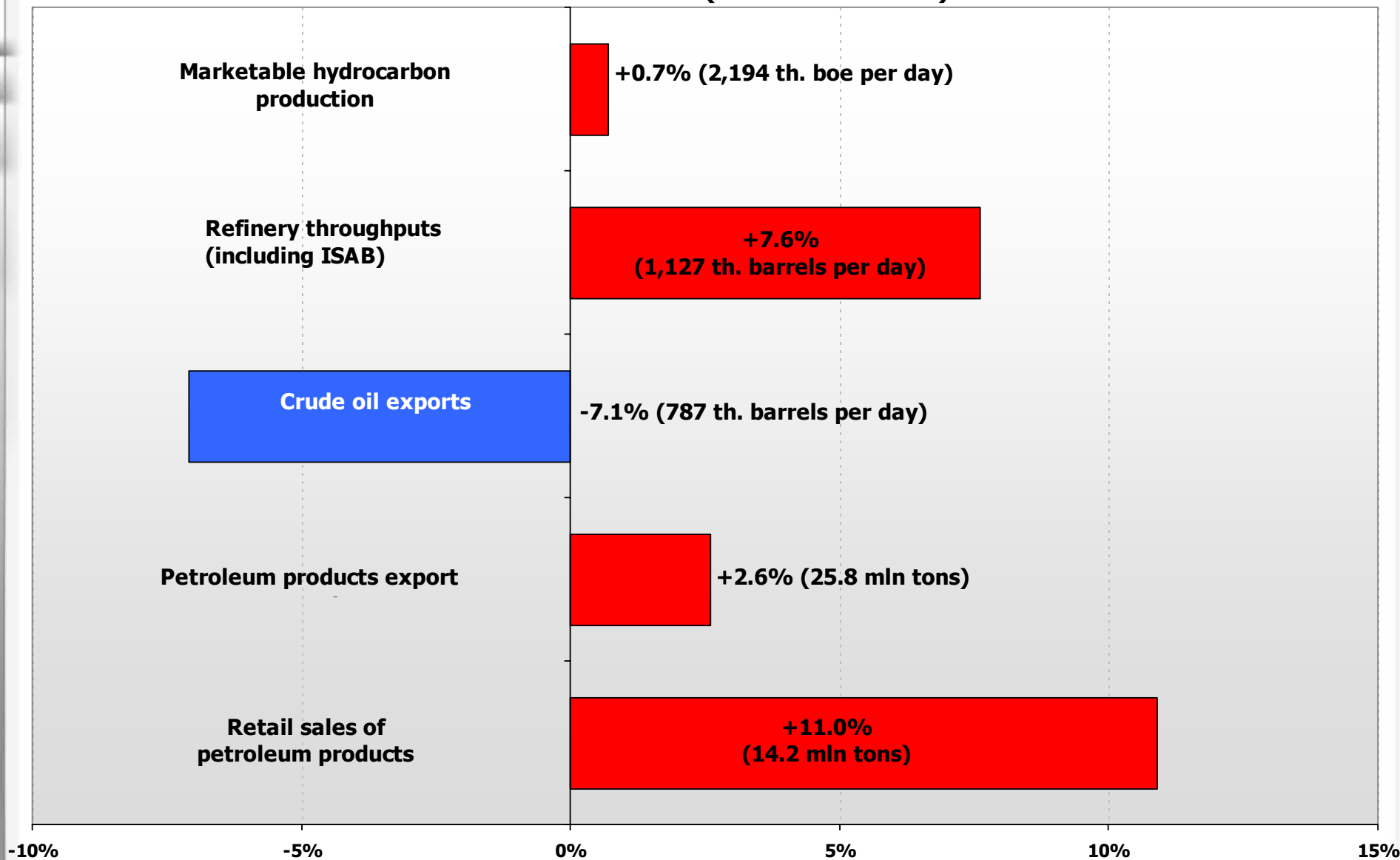


* Excise and export tariffs, income and other taxes.

Main Operating Results



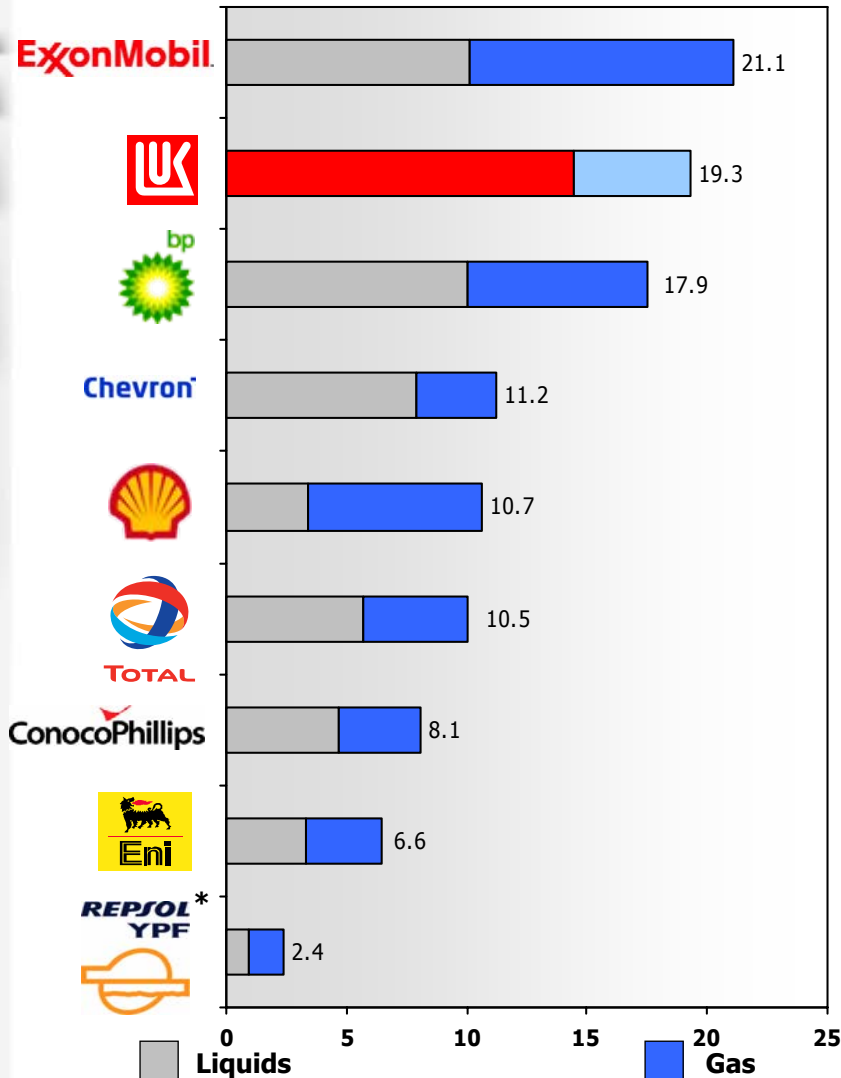
2008 to 2007 (2008 actual level)



LUKOIL Remains One of the Global Leaders in Hydrocarbon Reserves



Proved reserves of hydrocarbons, bln boe



* Repsol reserves are as of the end of 2007.

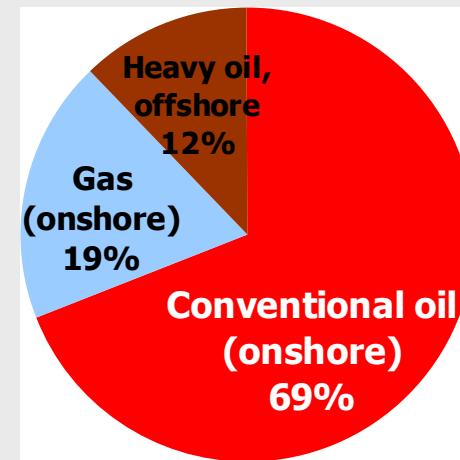
Source: companies' reports.

Audit of hydrocarbon reserves in 2008 was conducted in the environment of sharp decrease in oil prices. As a result a portion of proved reserves was transferred to other categories. However this will have no influence on the current plans of the Company.

Nevertheless LUKOIL remains a leader in hydrocarbon reserves among major international oil companies.

3P hydrocarbon reserves – 36.4 bln boe

Proved hydrocarbon reserves structure

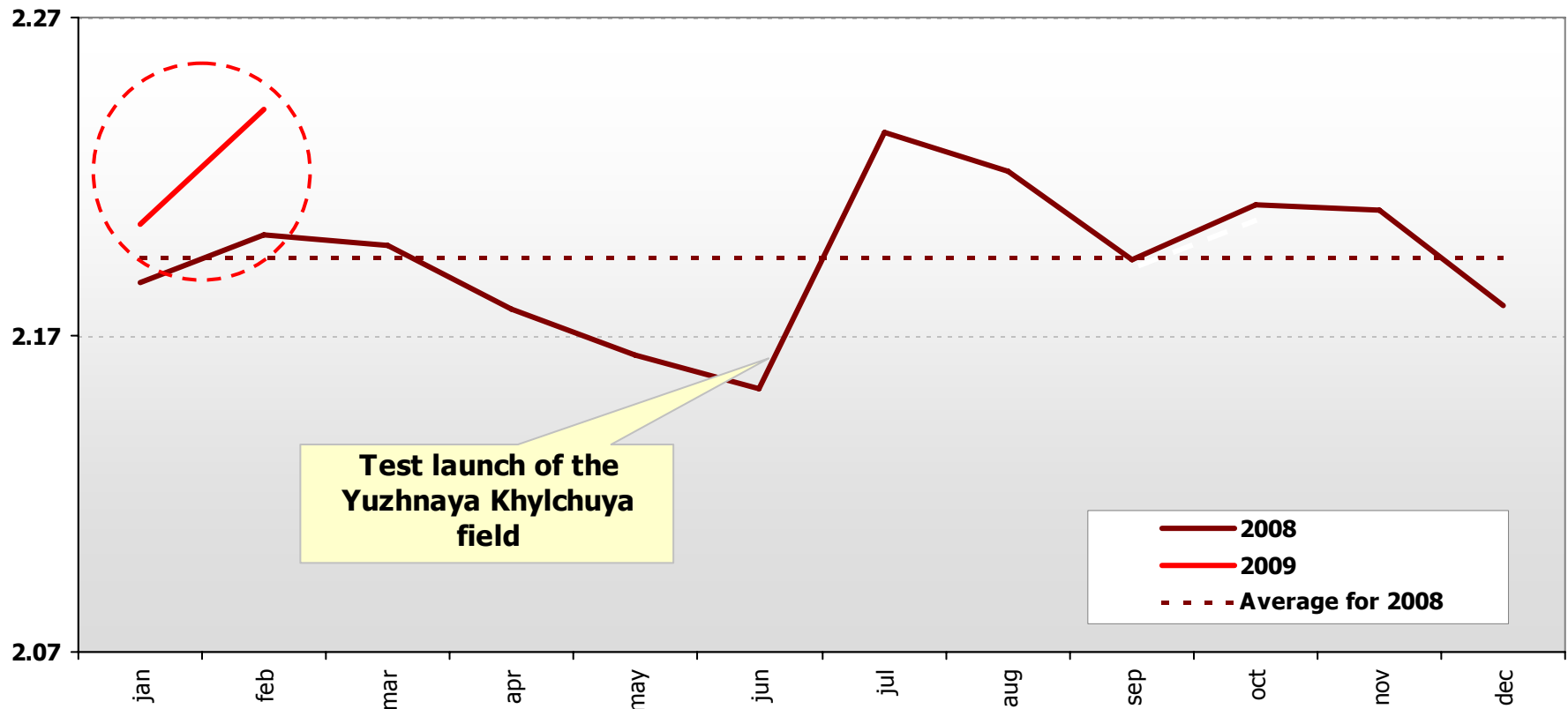


Unlike the majority of peer companies **almost 90% of LUKOIL reserves are conventional**, which allows to control development costs and quickly launch new fields.

New Regions Secure Marketable Hydrocarbon Production Growth



Marketable hydrocarbon production, th. boe per day



Test launch of the Yuzhnaya Khylichuya field

LUKOIL Group marketable hydrocarbon production in 2008 was 2,194 mln boe per day (+0.7% y-o-y).

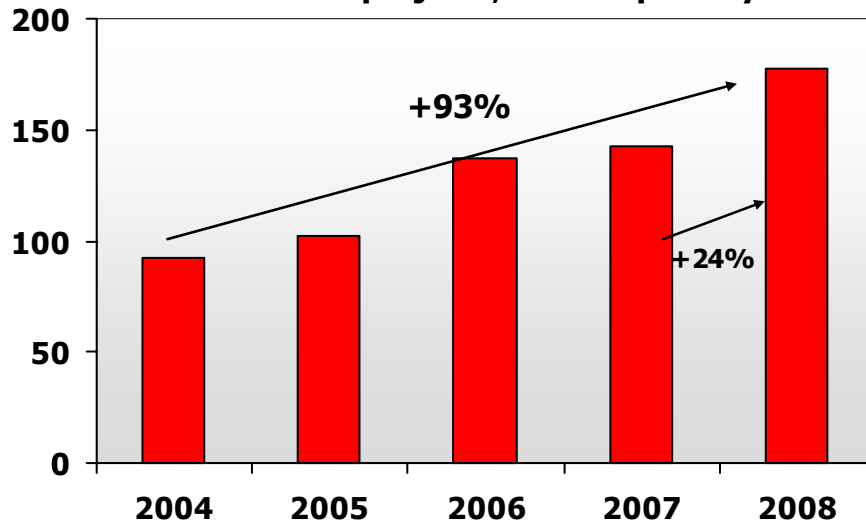
Crude oil production amounted to 703 mln barrels (95.2 mln tons).
Production of marketable gas increased **by 22%** to 17.0 bcm.

Increase in LUKOIL Group marketable hydrocarbon production continues in 2009.

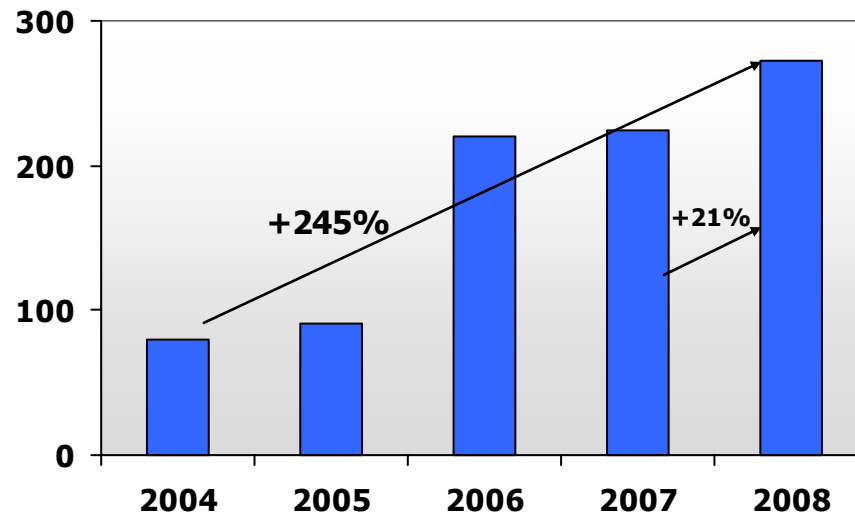
Accelerated Growth of Hydrocarbon Production in International Projects and Gas Production



Marketable hydrocarbon production as part of international projects, th. boe per day



Marketable gas production, th. boe per day



LUKOIL development strategy envisages accelerated growth of marketable hydrocarbon production as part of international projects and of marketable gas production.

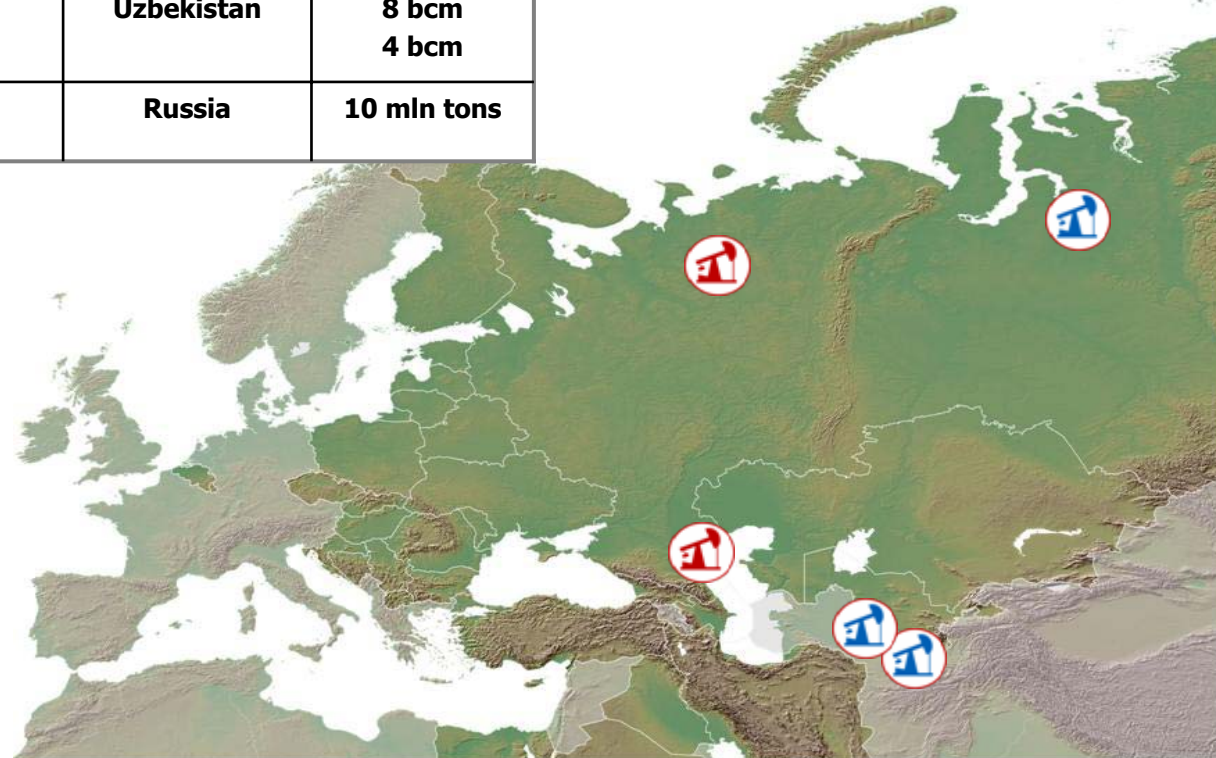
Over the last 5 years marketable hydrocarbon production as part of international projects increased by 93%, marketable gas production – by 245%.

E&P Key Growth Projects



Year of launch	Field	Country	Peak production
2007	Khauzak	Uzbekistan	3 bcm
2008	Yuzhnaya Khylychuya	Russia	7.5 mln tons
2009	Korchagin field	Russia	2.3 mln tons
2011	Kandym S-W Gissar	Uzbekistan	8 bcm 4 bcm
2013	Filanovsky field	Russia	10 mln tons

Priority projects which will secure hydrocarbon production growth in 2008–2011:

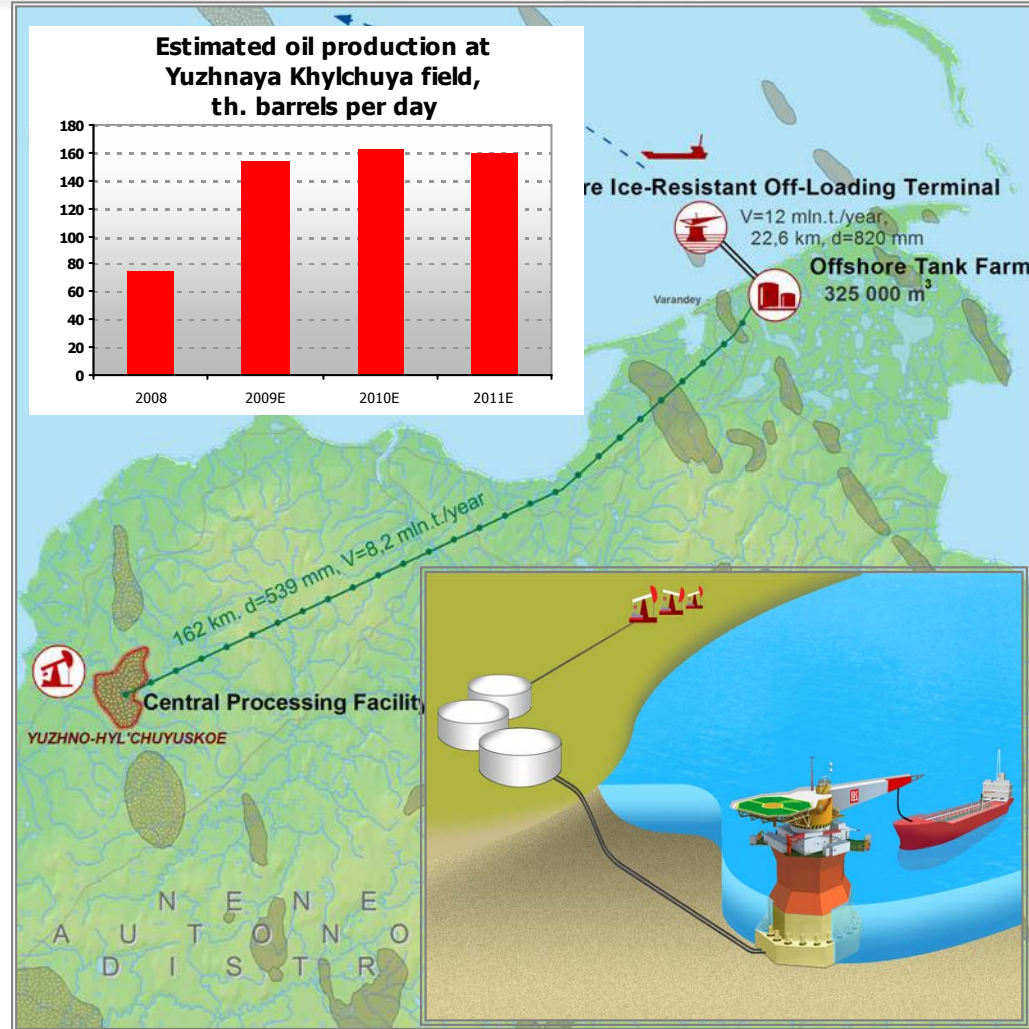
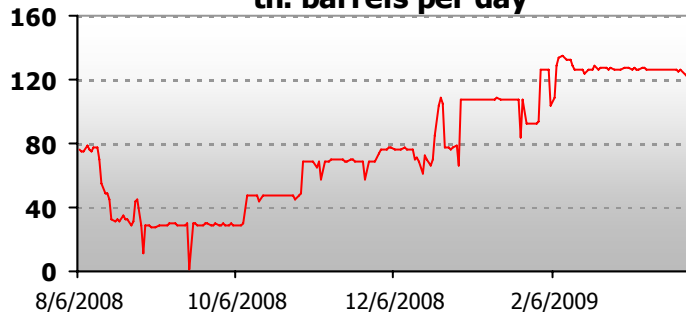


Launch of Y-K Field: LUKOIL's Major Success in 2008



- Yuzhnaya Khylochuya field – the Company **major field** in the North of Timan-Pechora. LUKOIL share – 70%, ConocoPhillips share – 30%
- Proved oil reserves (as of 01.01.2009) – **more than 500 mln barrels**
- Oil **quality** is superior to that of Russian export blend Urals – the oil will be sold at the international market **with premium to Urals**
- Planned production level – **7.5 mln tons of crude oil per year (more than 150 th. barrels per day)**

Oil production at Y-K field,
th. barrels per day

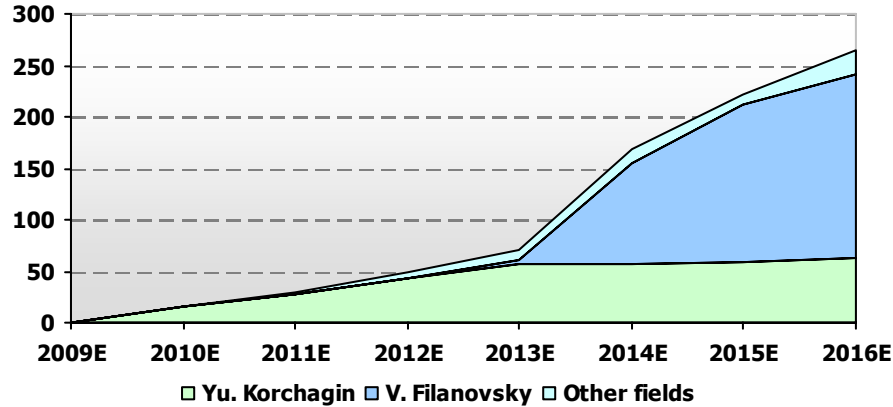


- Transportation via **Varandey terminal** which allows year-round oil shipment to Western Europe and the USA from the fields in the Northern Timan-Pechora. The capacity of the terminal is 12 mln tons per year

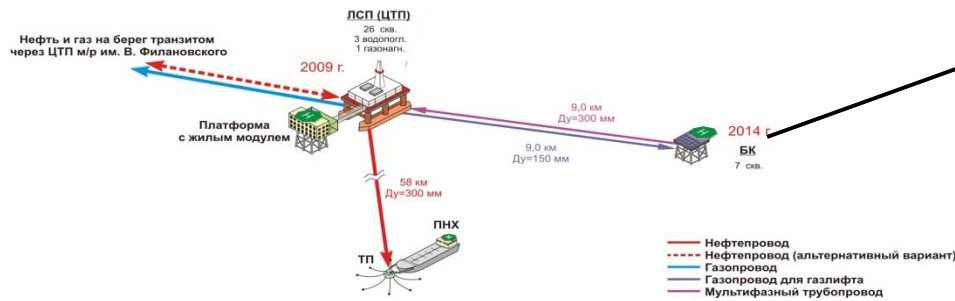
Development of the Northern Caspian Fields: Key Event of 2009–2010



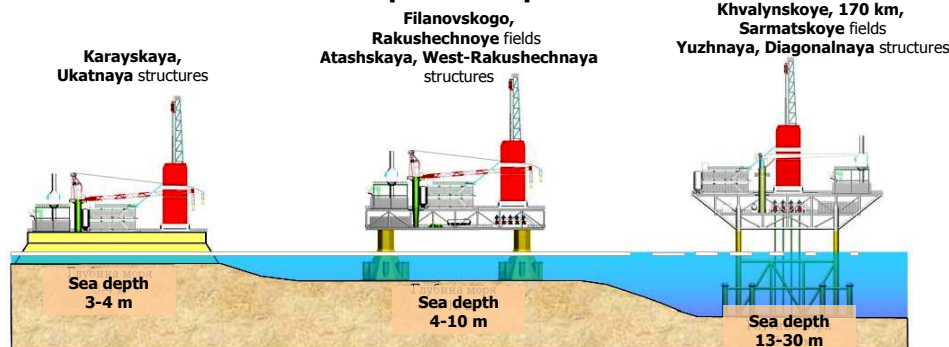
Estimated oil production in the Northern Caspian, th. barrels per day



Yuri Korchagin field infrastructure (2009)



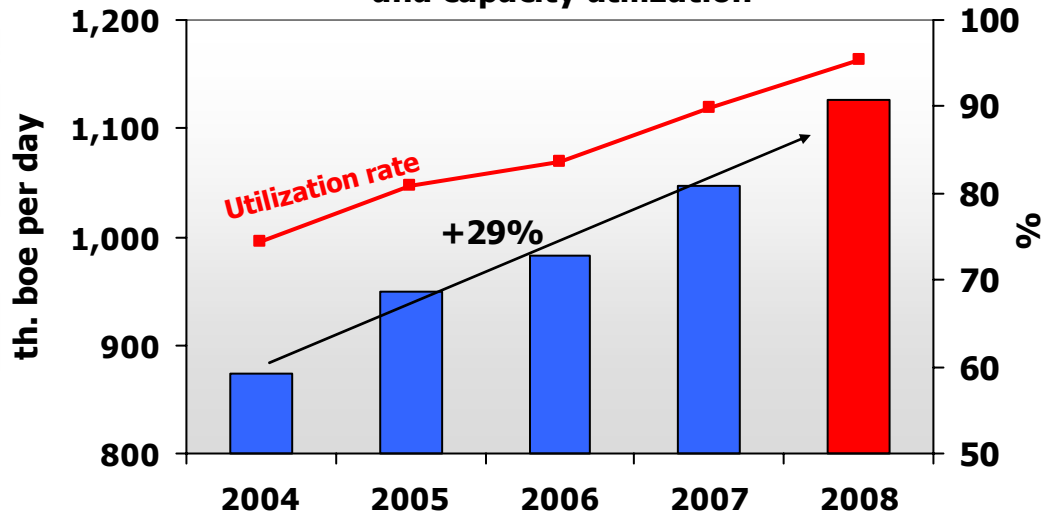
Water depth at Caspian fields



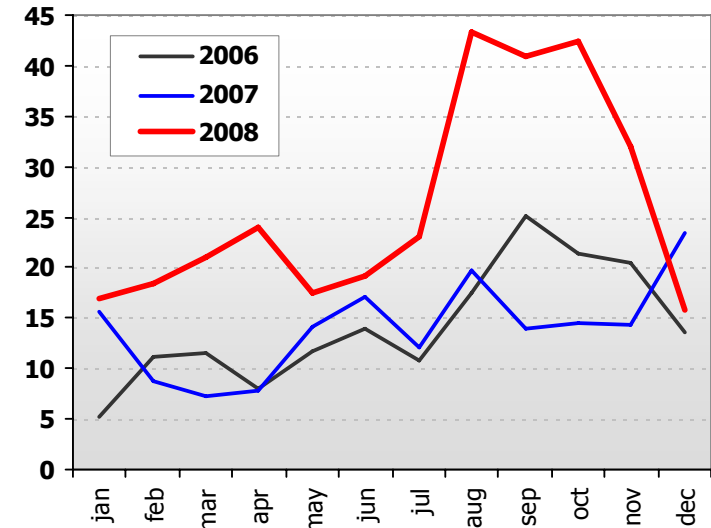
LUKOIL Refinery Throughput Growth



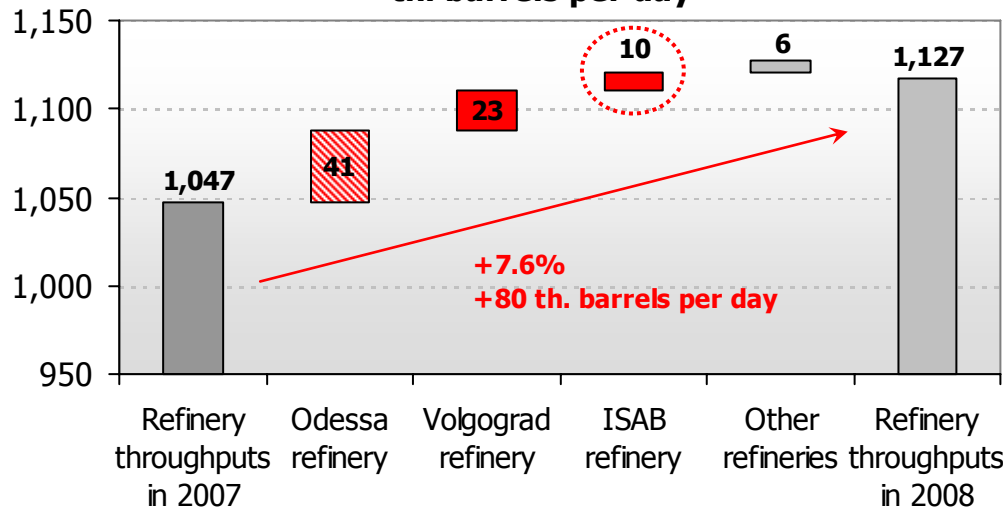
Refinery throughputs at Group refineries and capacity utilization



Refining margin of Russian cracking refinery, \$ per barrel



Refinery throughputs reconciliation (y-o-y), th. barrels per day



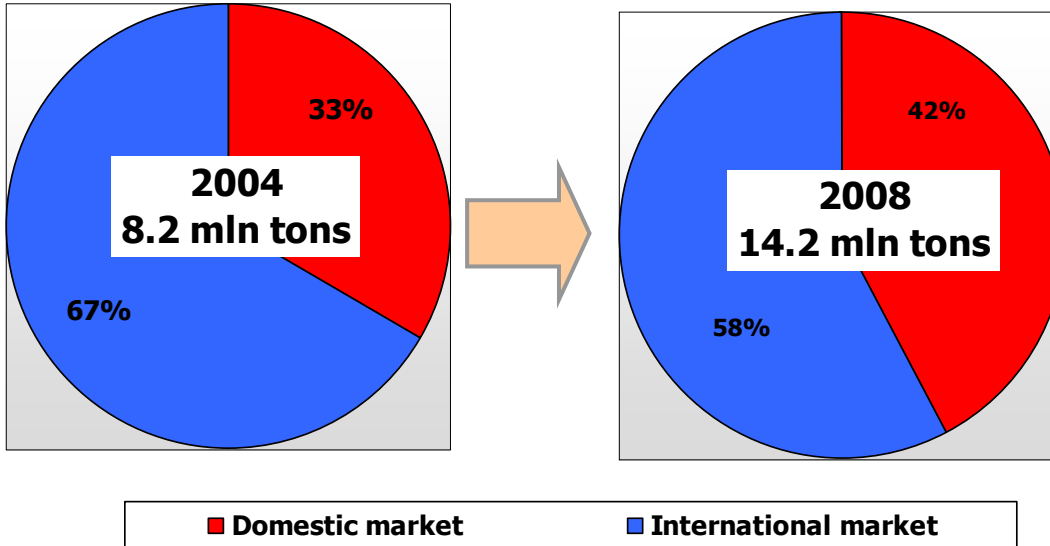
In June 2008 LUKOIL and ERG S.p.A. signed an agreement establishing a JV to operate **ISAB refining complex**, one of the largest high-tech complexes in the Mediterranean (capacity – 16 mln tones per year, Nelson index – 9.3)

Odessa refinery was put back in operation in April 2008 after completion of a large-scale modernization which was begun in 2005

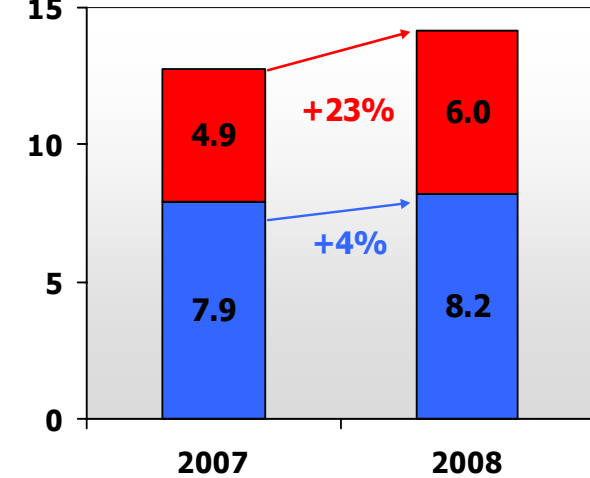
Steadily Increasing Retail Sales of Petroleum Products



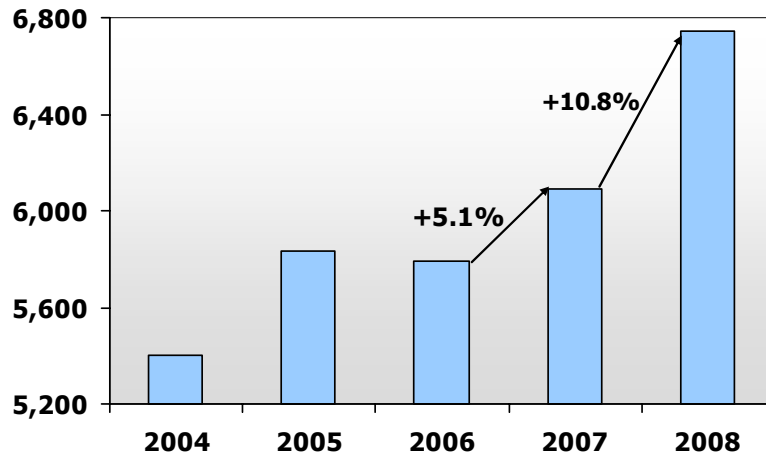
Retail sales volume of petroleum products, mln tons



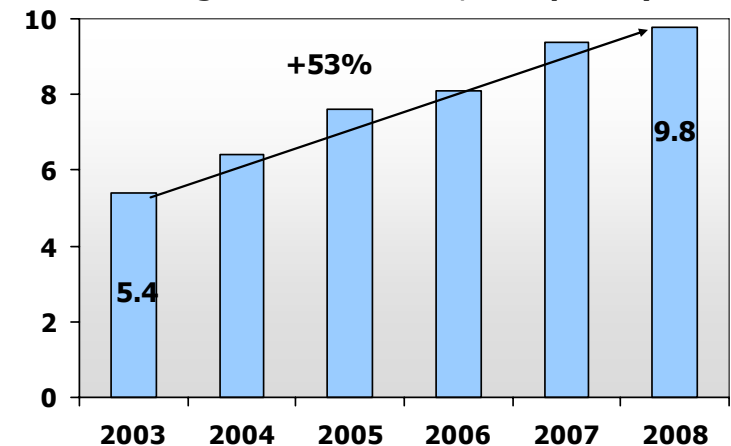
Volume of retail sales of petroleum products, mln tons



Group filling stations, stations*



Daily sales of petroleum products per owned filling station in Russia, tons per day



* Owned, leased and franchised.

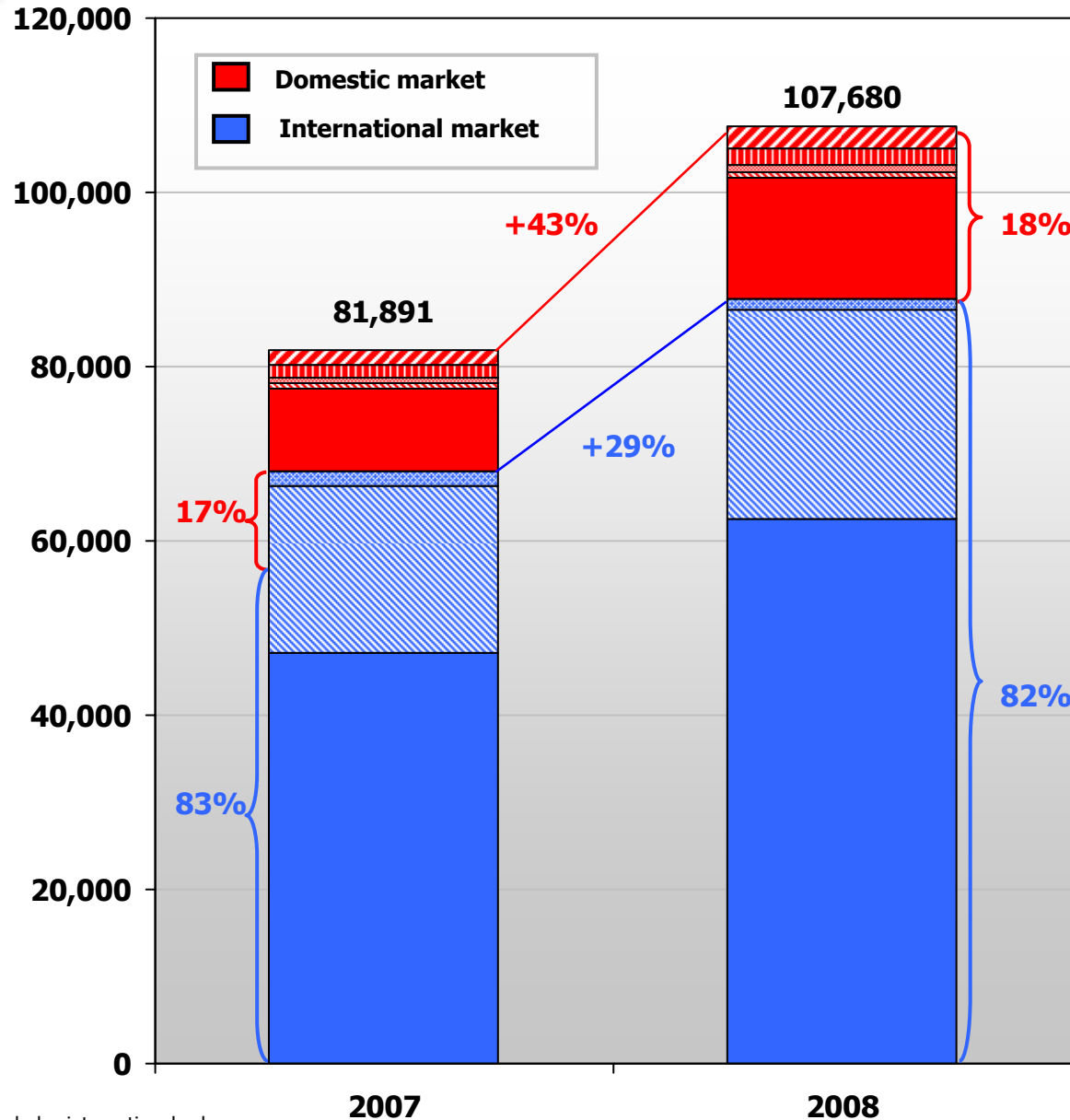
Financial Results



4Q 2008	4Q 2007	Δ, %	\$ million	2008	2007	Δ, %
18,415	24,795	-25.7	Sales	107,680	81,891	+31.5
(2,244)	(1,703)	+31.8	Operating expenses	(8,126)	(6,172)	+31.7
(7,338)	(7,248)	+1.2	Taxes other than income tax (including excise and export duties)	(34,804)	(24,400)	+42.6
(1,253)	4,243	–	Income from operating activities	13,709	13,071	+4.9
(2,042)	4,481	–	Income before income tax	12,366	13,018	-5.0
(1,621)	3,213	–	Net income	9,144	9,511	-3.9
(245)	3,463	–	Adjusted net income*	11,219	9,848	+13.9
(1.91)	3.89	–	Basic EPS, \$	10.88	11.48	-5.2
(1,100)	5,018	–	EBITDA	15,552	15,388	+1.1

* Net income is adjusted for exploration expenses, (loss) gain on disposals and impairments of assets and currency translation gain (loss).

Sales Breakdown, \$ million



- Other sales
- Sales of gas and gas products*
- Sales of petrochemicals in Russia
- Sales of crude oil in Russia
- Sales of petroleum products in Russia
- International sales of petrochemicals
- International sales of crude oil
- International sales of petroleum products

* Includes international sales.

Operating Expenses



4Q 2008	4Q 2007	Δ, %	\$ million	2008	2007	Δ, %
787	708	+11.2	Hydrocarbon lifting costs	3,208	2,757	+16.4
266	249	+6.8	Own refining expenses	1,115	880	+26.7
142	73	+94.5	Refining expenses at third-party refineries	439	242	+81.4
26	17	+52.9	Excise included in processing fee paid to third-party refineries	116	158	-26.6
48	74	-35.1	Petrochemical expenses	235	272	-13.6
249	241	+3.3	Crude oil transportation to own refineries	1,072	848	+26.4
347	394	-11.9	Other operating expenses	1,691	1,271	+33.0
379	(53)	–	Change in operating expenses in crude oil and refined products inventory originated within the Group	250	(256)	–
2,244	1,703	+31.8	Total	8,126	6,172	+31.7
5,895	8,478	-30.5	Cost of purchased crude oil, gas and products	37,851	27,982	+35.3

OPEX Growth Drivers

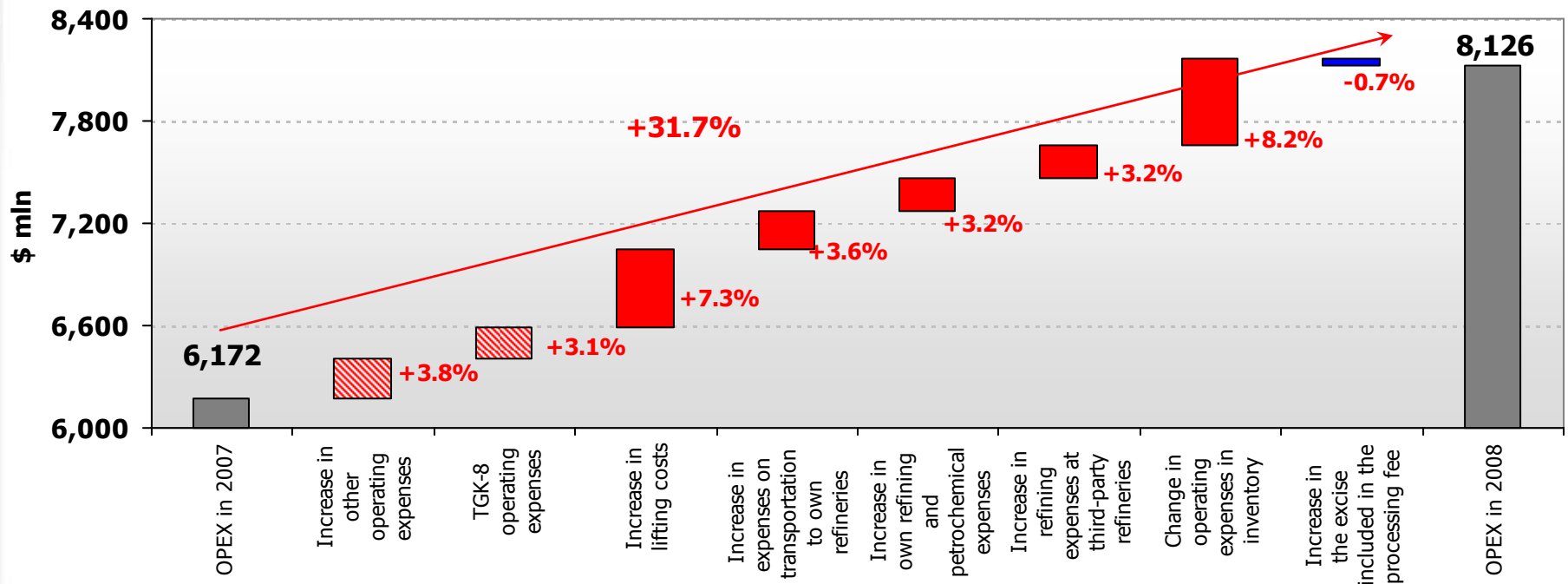
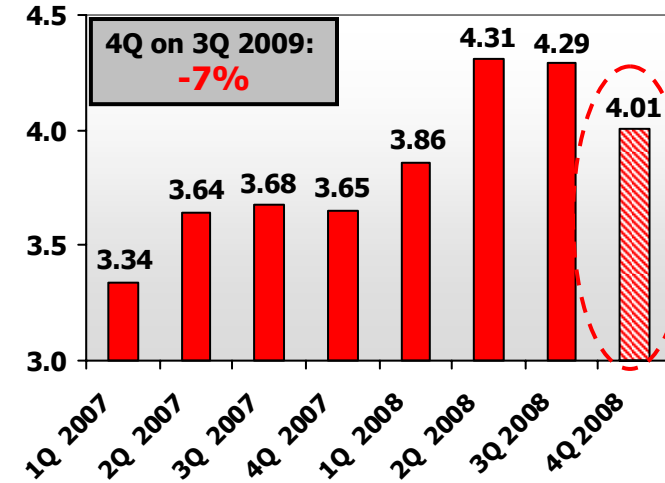


The substantial growth of operating expenses y-o-y was caused by the following factors:

- **real ruble appreciation**, which reached **17.4%** (2008 to 2007) and affected all operating expense items
- increase in other OPEX which comes from changes in LUKOIL structure (**acquisition of TGK-8**), rise in transportation volumes and other services rendered by LUKOIL abroad
- increase in lifting costs which was caused by increase in energy costs and other factors
- increase in transportation expenses due to increase in refinery throughputs and tariffs escalation

LUKOIL successfully controls hydrocarbon lifting costs and refining expenses.

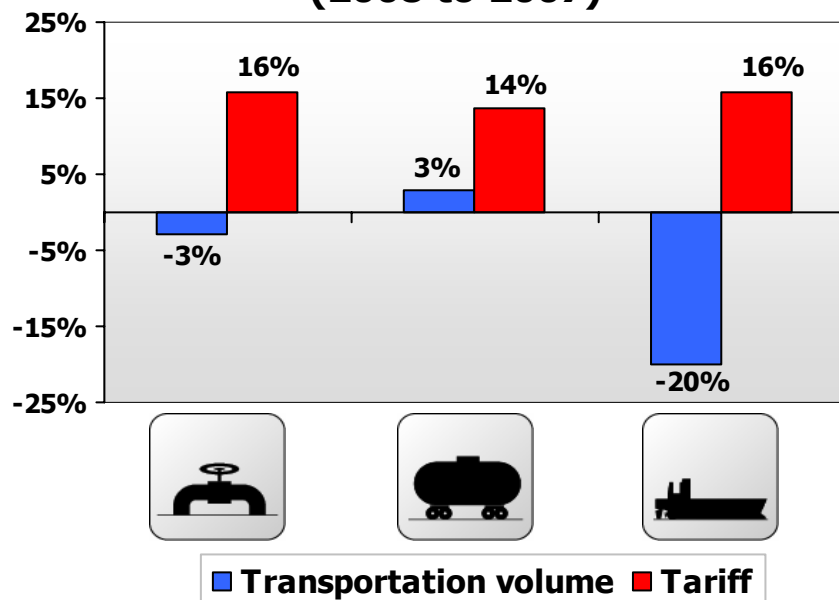
Lifting costs, \$/boe



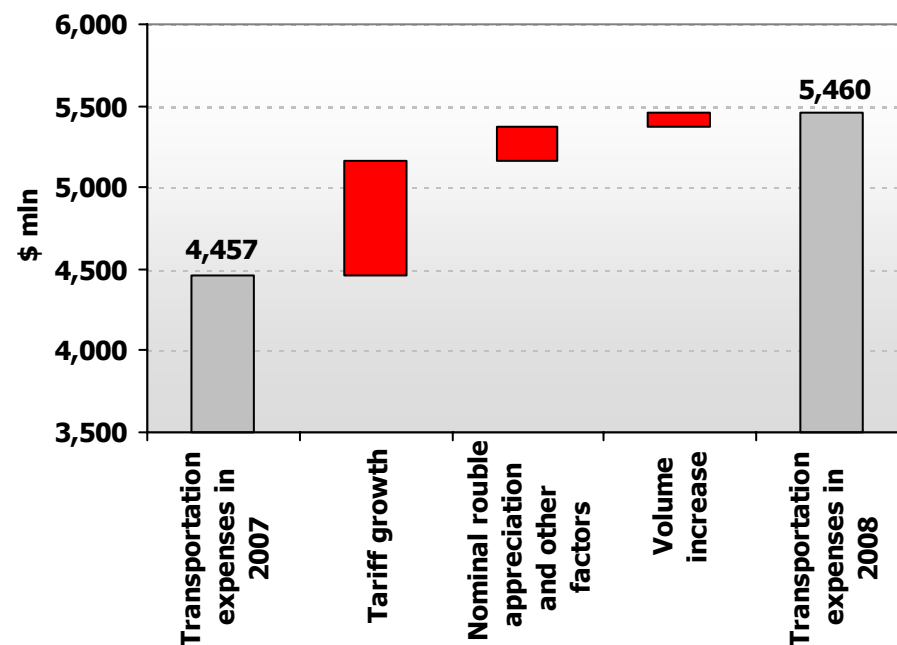
SG&A and Transportation Expenses



Transportation expenses (2008 to 2007)

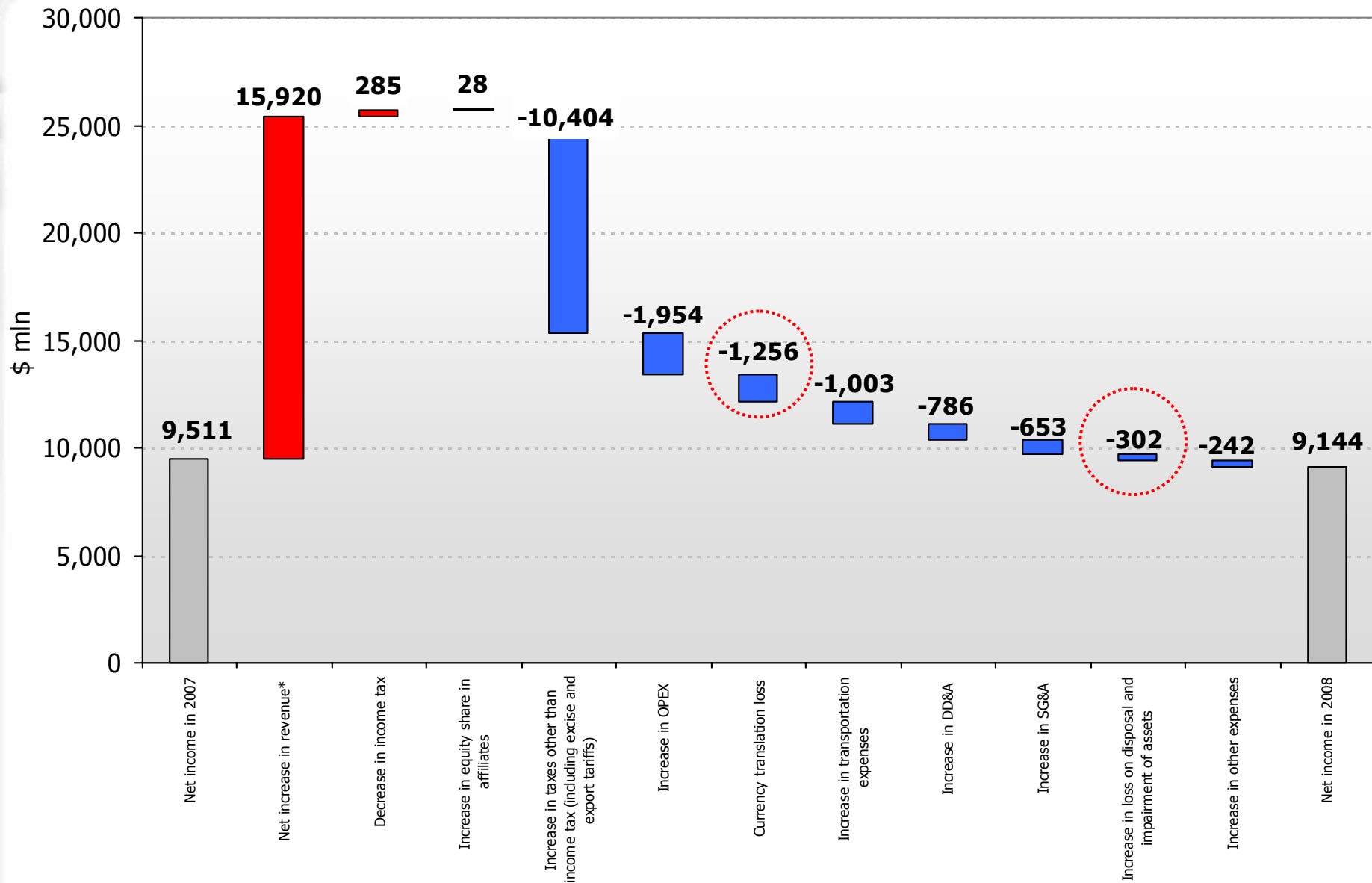


Transportation expenses reconciliation



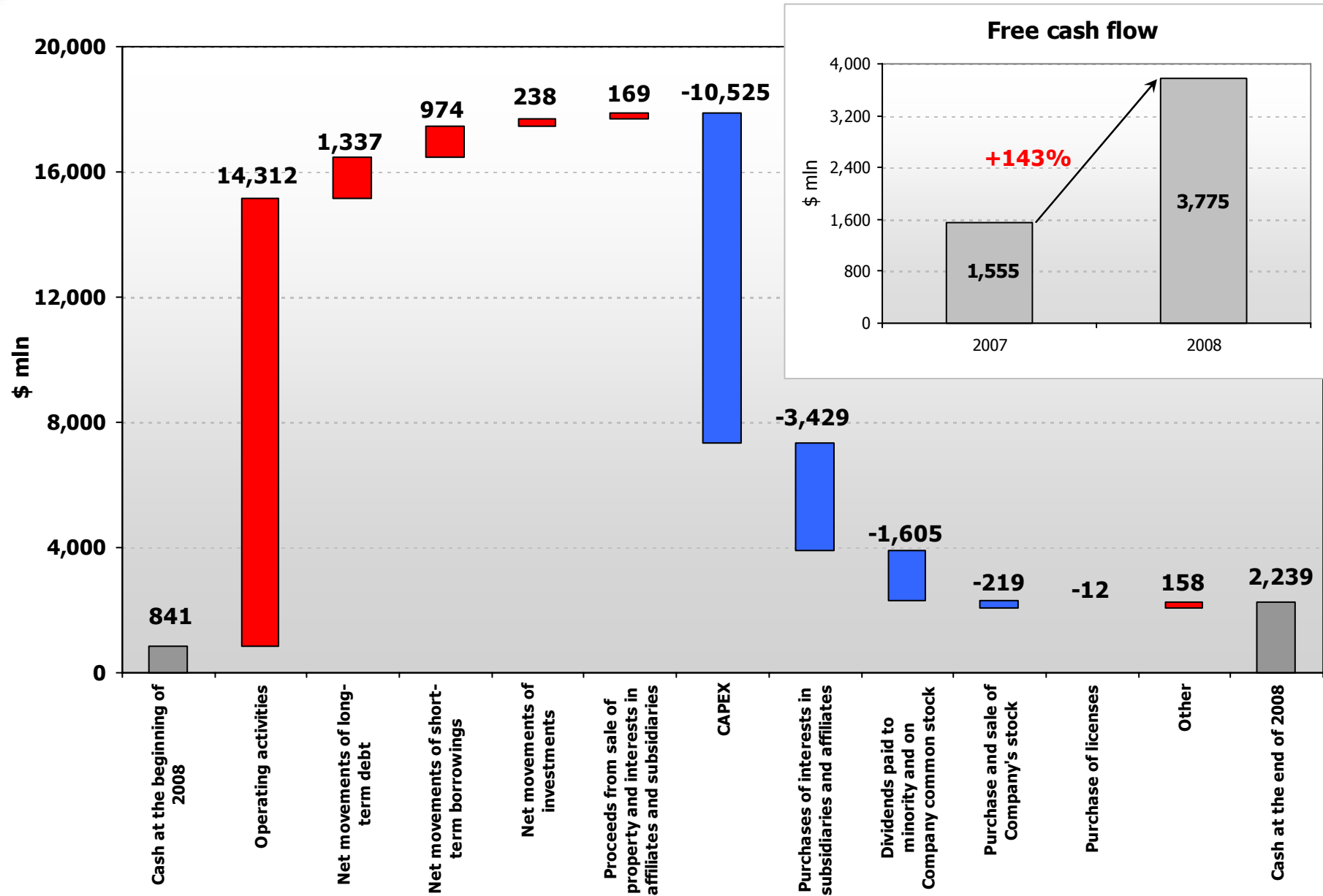
4Q 2008	4Q 2007	Δ, %	\$ million	2008	2007	Δ, %
1,412	1,206	+17.1	Transportation expenses	5,460	4,457	+22.5
1,028	948	+8.4	Other selling, general and administrative expenses	3,860	3,207	+20.4
2,440	2,154	+13.3	Total	9,320	7,664	+21.6

Net Income Reconciliation



* Increase in revenue less purchases of oil and petroleum products.

2008 Cash Flow Reconciliation

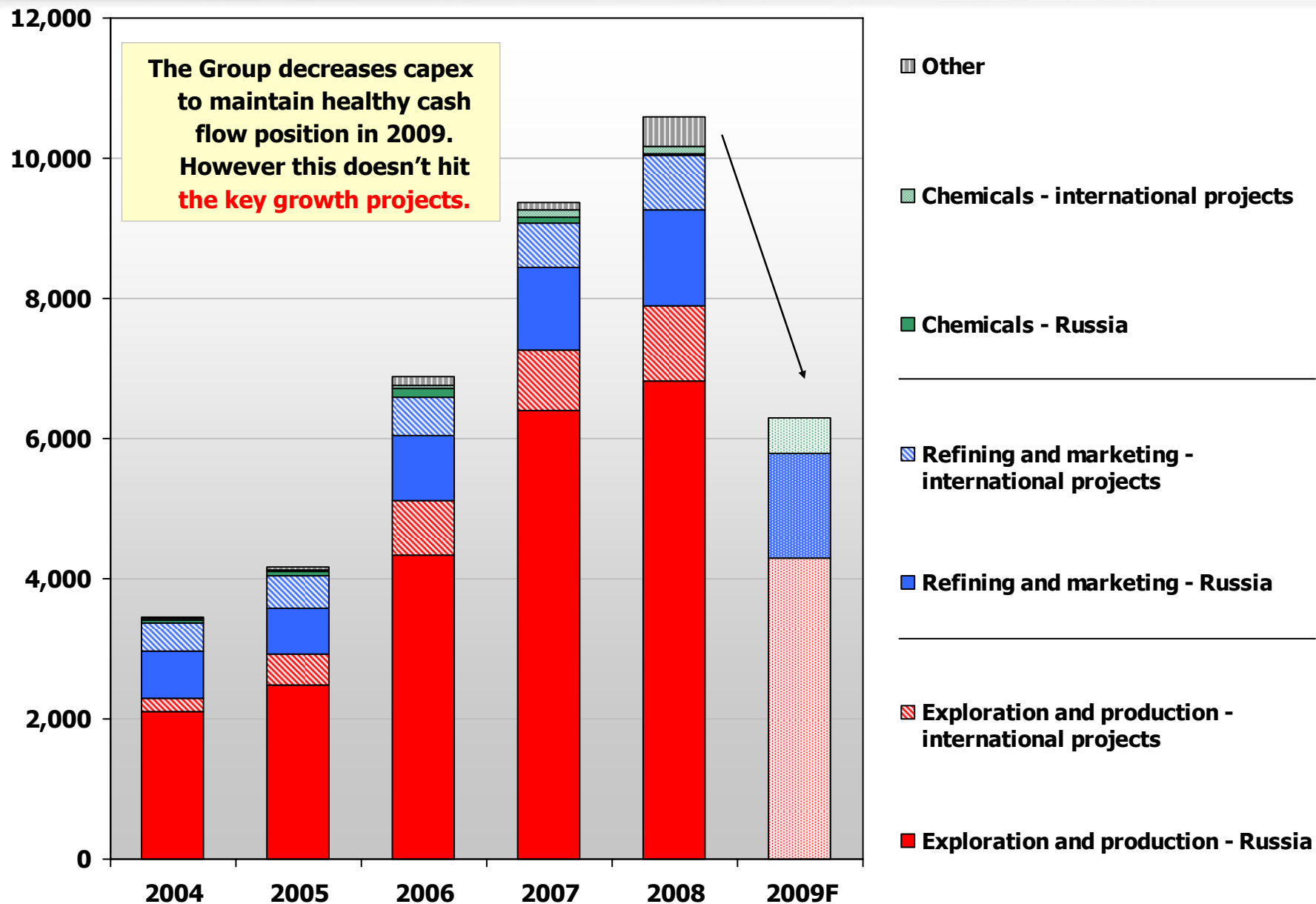


CAPEX Breakdown



4Q 2008	4Q 2007	Δ, %	\$ million	2008	2007	Δ, %
1,738	2,004	-13.3	Exploration and production	7,889	7,262	+8.6
1,374	1,692	-18.8	<i>Russia</i>	6,813	6,391	+6.6
364	312	+16.7	<i>International</i>	1,076	871	+23.5
711	653	+8.9	Refining and marketing	2,150	1,822	+18.0
463	434	+6.7	<i>Russia</i>	1,377	1,177	+17.0
248	219	+13.2	<i>International</i>	773	645	+19.8
28	52	-46.2	Petrochemicals	121	171	-29.2
7	13	-46.2	<i>Russia</i>	23	73	-68.5
21	39	-46.2	<i>International</i>	98	98	0.0
342	61	+460.7	Other	429	117	+266.7
2,819	2,770	+1.8	Total (cash and non-cash)	10,589	9,372	+13.0

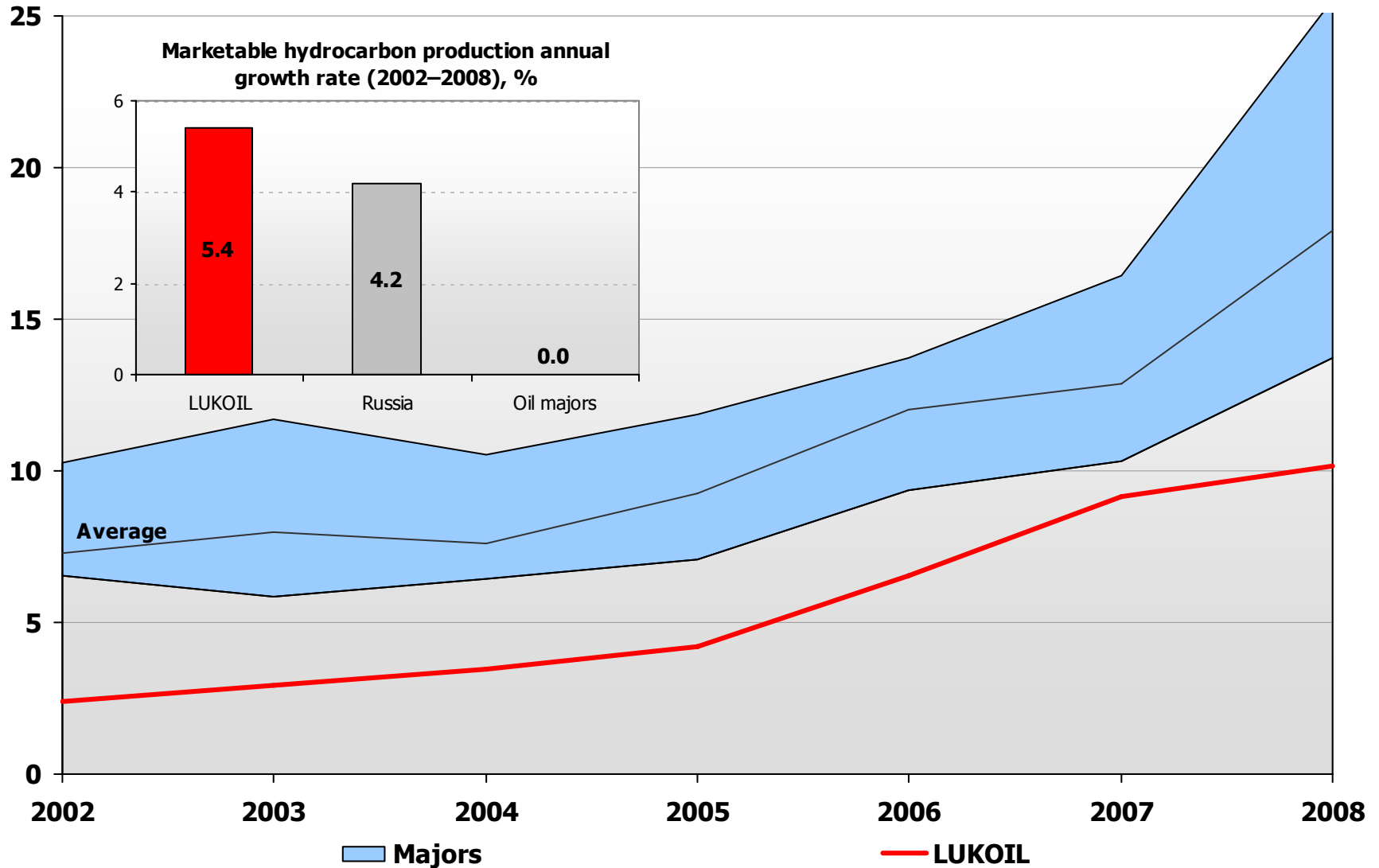
CAPEX Breakdown, \$ million



LUKOIL CAPEX Adequately Translates into Competitive Hydrocarbon Production Growth



E&P CAPEX per barrel of production, \$ per boe





- **Optimization of the investment program**
- **Positive effect from the rouble devaluation**
- **Cost optimization**
- **Considerable decrease in tax burden**

Conclusions



The Company plans to develop dynamically thanks to:

- Start of significant domestic **tax** burden **decrease** in 2009
- Optimizing and significantly **reducing 2009 CAPEX and OPEX**
- Accelerated **refinery throughputs** growth and upgrades
- Expanding **gas production** and processing
- Accelerated development of **international E&P** and **R&M** segments
- Development of a program aimed at **securing positive cash flows** amid financial crisis
- Maintaining **conservative** financial policy, keeping **access** to domestic and international financial sources **comfortable and open**