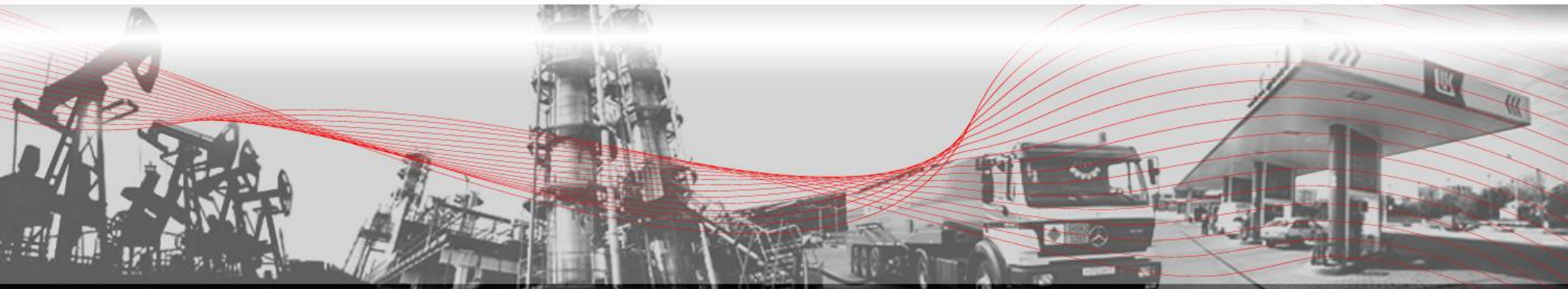




9M 2008 Financial Results

(US GAAP)

Leonid Fedun, Vice-President of LUKOIL



December 2008

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.

Executive Summary



- **Best ever 9 months financial results**
- **Significant** increase in free cash flow
- The Company **controls** production costs
- Increase in refinery throughputs **(+8.3%)**
- Increase in marketable gas production **(+28%)**
- Increase in marketable hydrocarbon production as part of international projects **(+22%)**
- Development of a program aimed at **securing positive cash flows** amid financial crisis

9M 2008 Financial Highlights



- Sales – **\$89,265 million (+56.3% y-o-y)**
 - EBITDA – **\$ 16,652 million (+60.6%)**
 - Net income – **\$10,765 million (+70.9%)**
 - Basic EPS – **\$12.85 per share (+69.1%)**
 - Net income per boe of production –
\$17.9 per boe (+69.7%)
- **Free cash flow – \$3,230 million (+474.7%)**

Macroeconomic and Tax Environment



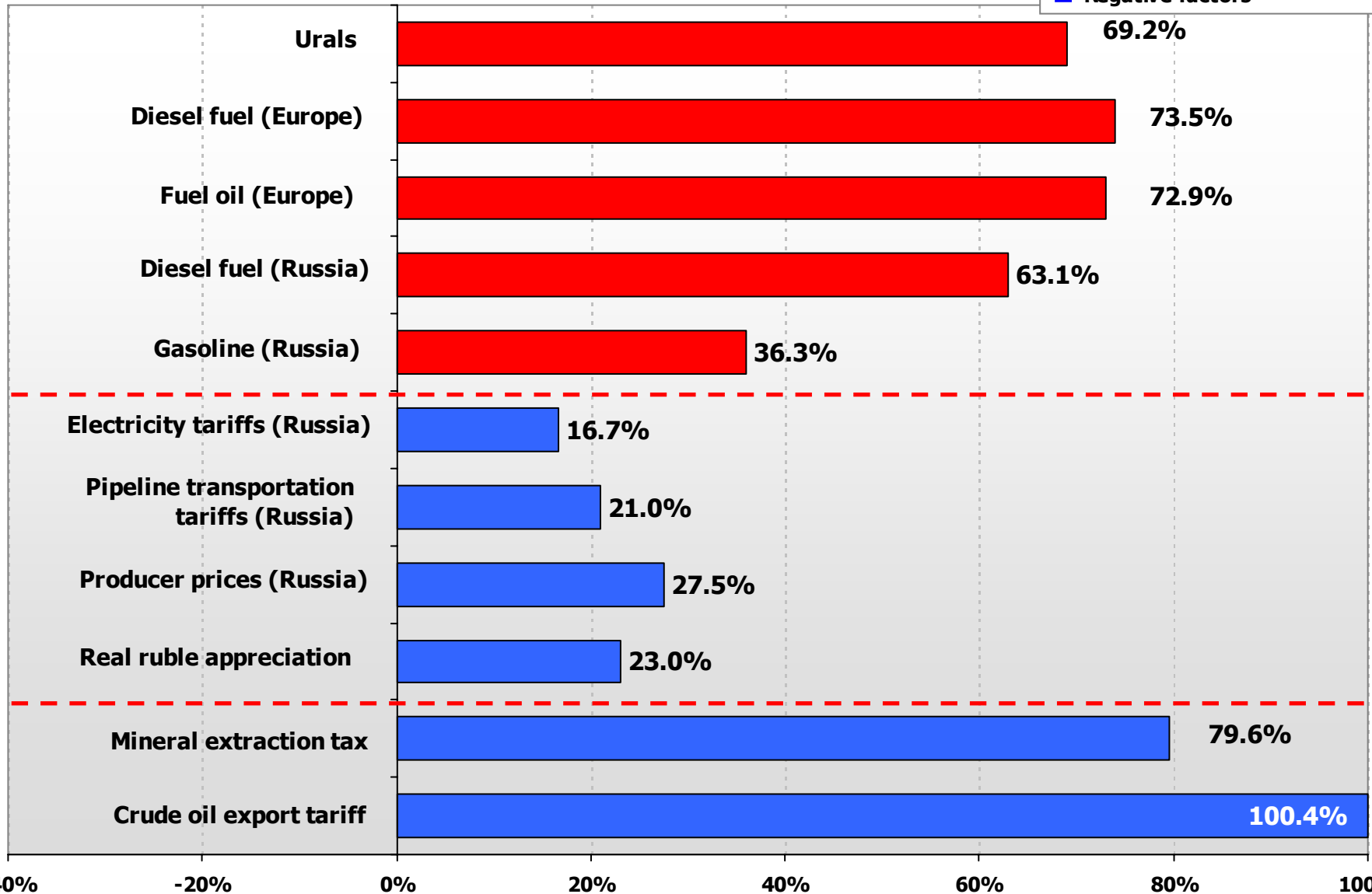
9M 2008 to 9M 2007

■ Positive factors
■ Negative factors

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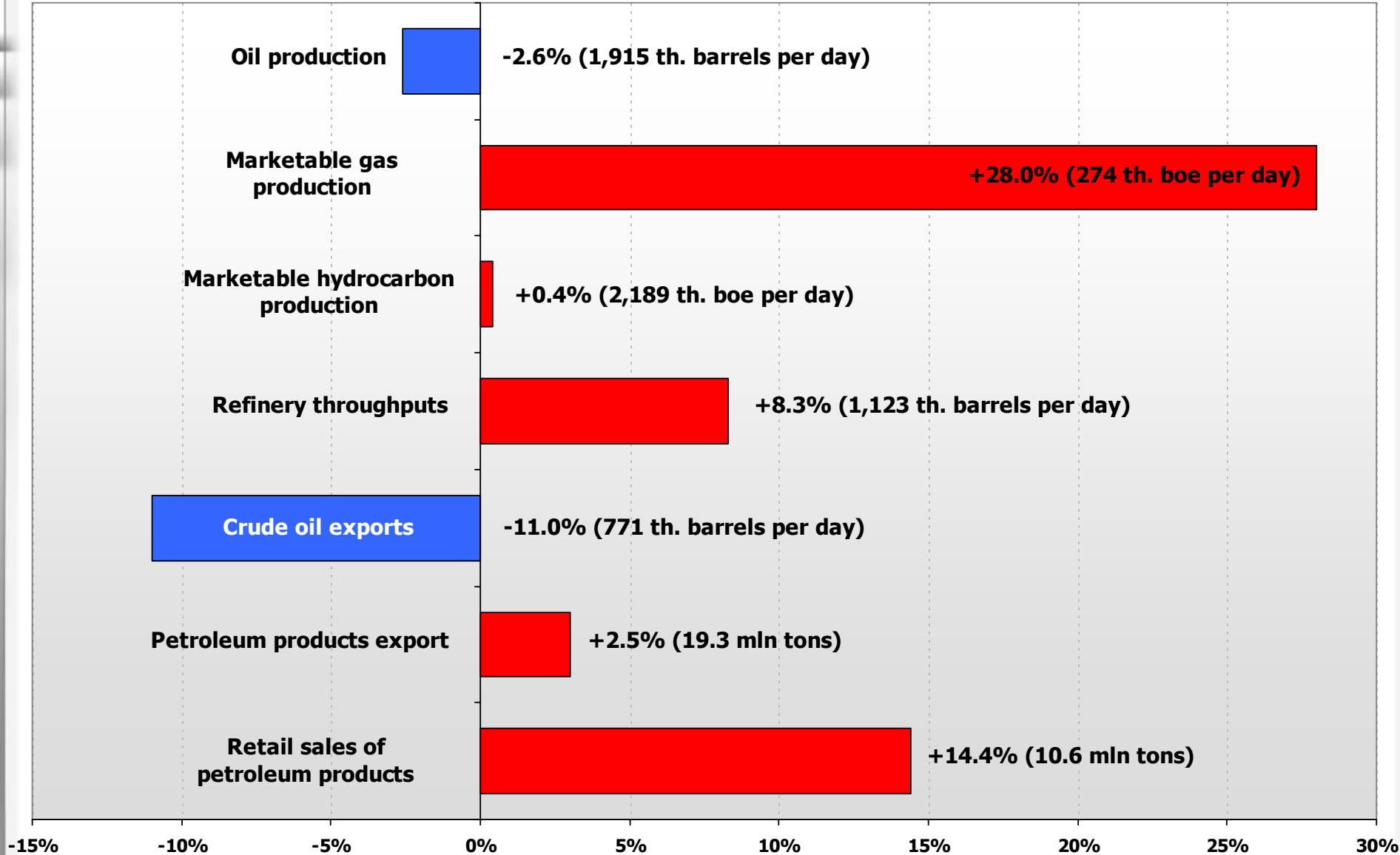
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Main Operating Results



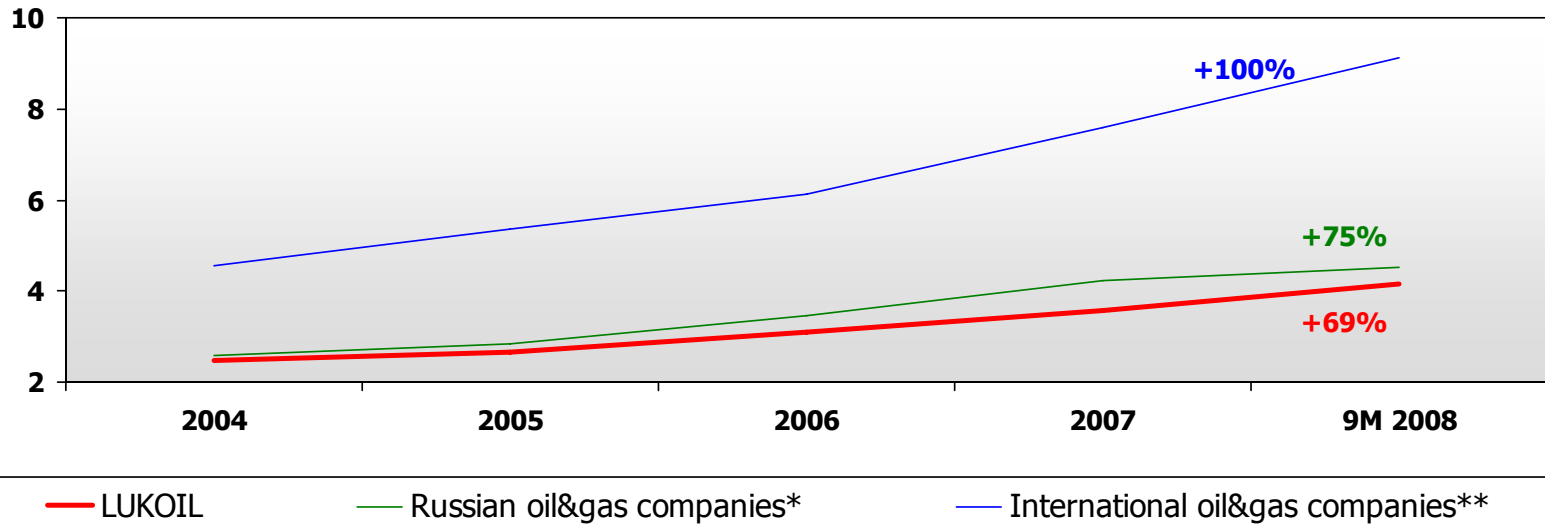
9M 2008 to 9M 2007 (9M 2008 actual level)



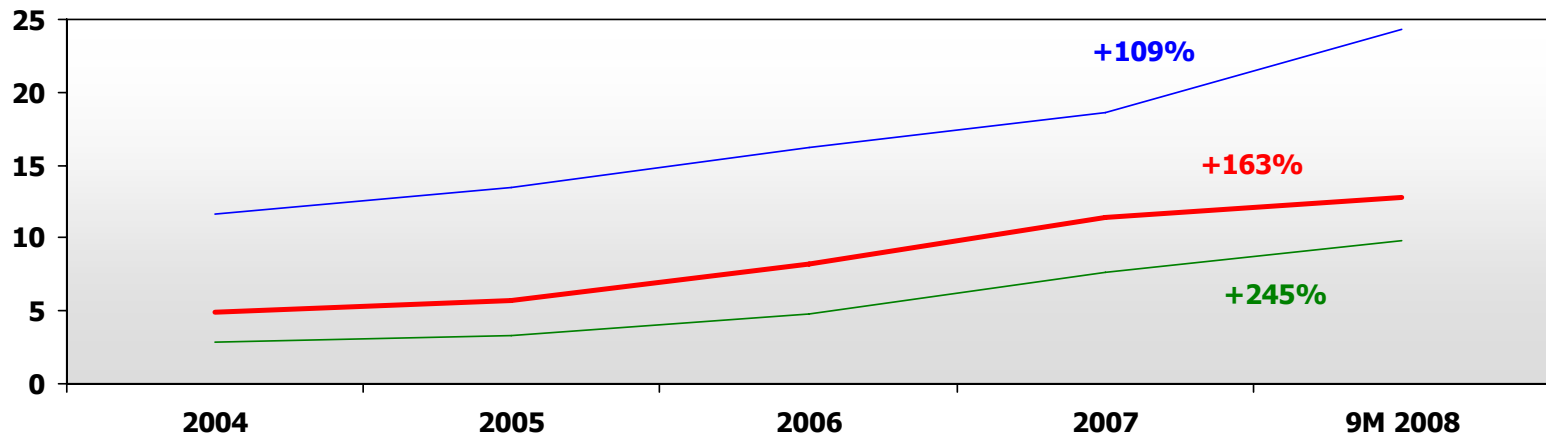
Strengthening Our Competitive Positions



Lifting costs, \$ per boe



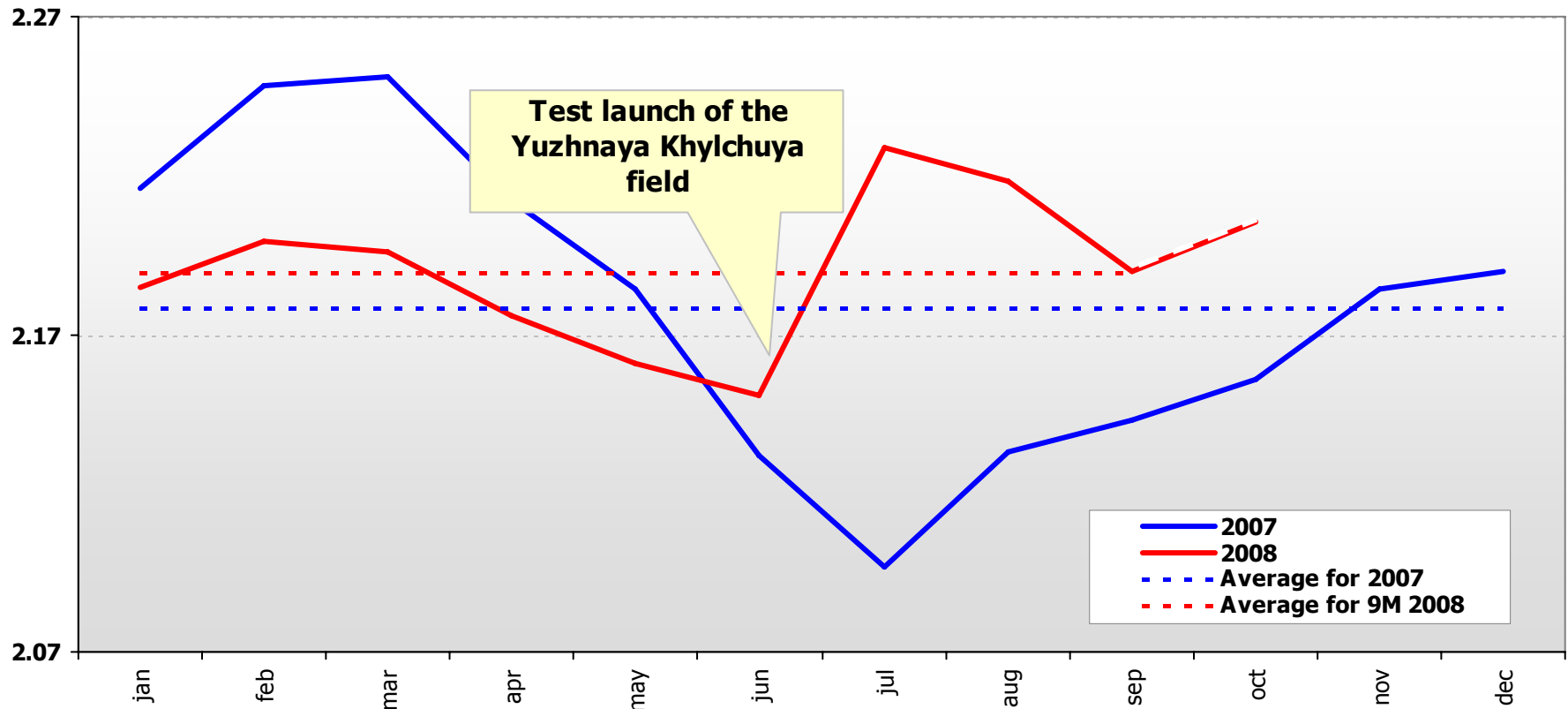
CAPEX per boe of production, \$ per boe



Securing Marketable Hydrocarbon Production Increase Thanks to New Regions



Marketable hydrocarbon production, th. boe per day



LUKOIL Group marketable hydrocarbon production in 9M 2008 was 2,189 mln boe per day (+0.4% y-o-y).

Crude oil production amounted to 524.6 mln barrels (71.2 mln tons).

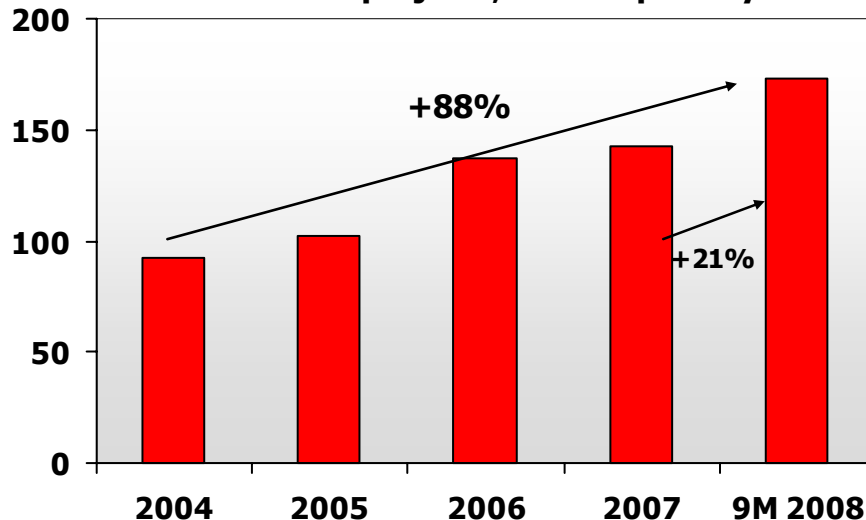
In 3Q 2008 oil production increased by 3.2% q-o-q.

Production of marketable gas increased **by 28.5%** to 12.8 bcm.

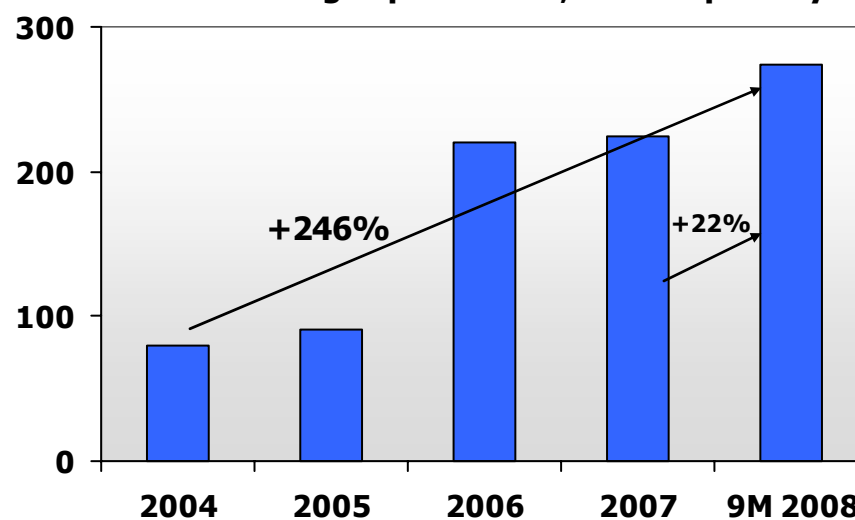
Accelerated Growth of Hydrocarbon Production in International Projects and Gas Production



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



Marketable gas production, th. boe per day



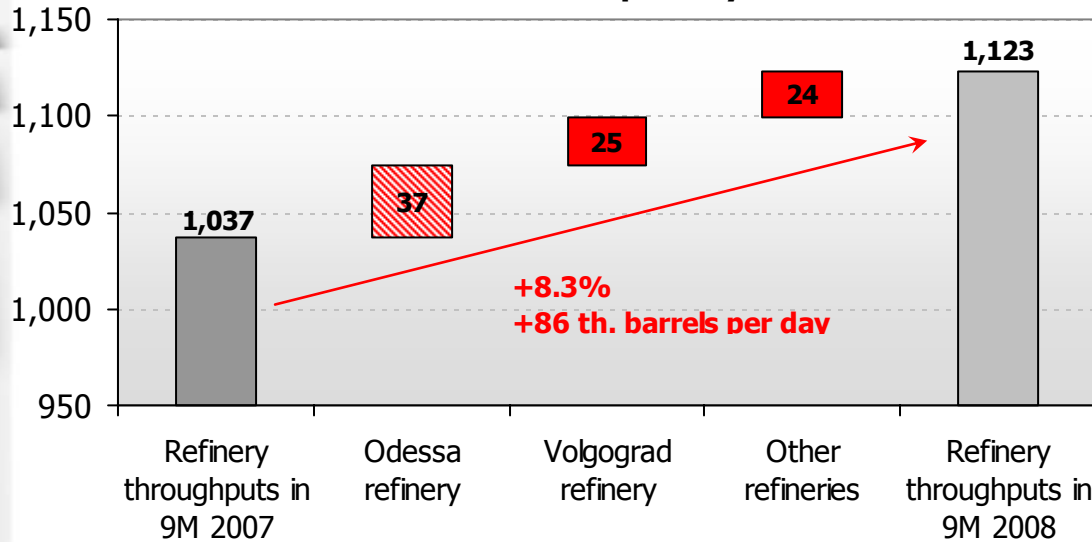
LUKOIL development strategy envisages accelerated growth of marketable hydrocarbon production as part of international projects and of marketable gas production.

Over the last 5 years marketable hydrocarbon production as part of international projects increased by 88%, marketable gas production – by 246%.

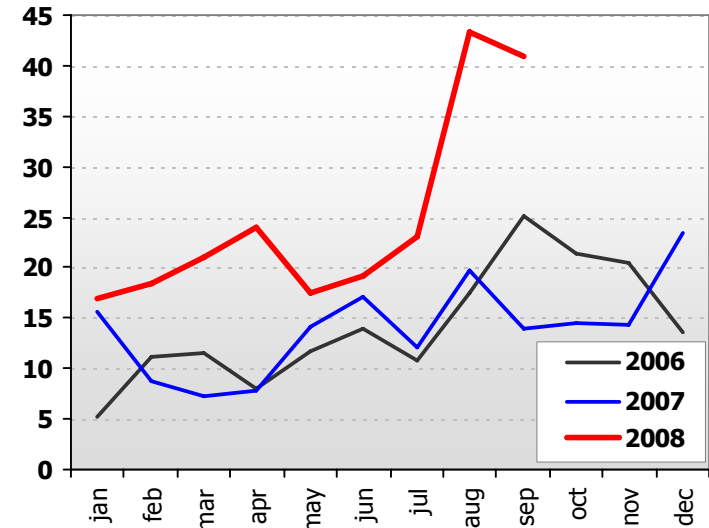
Increase in Output of Products with High Value-Added



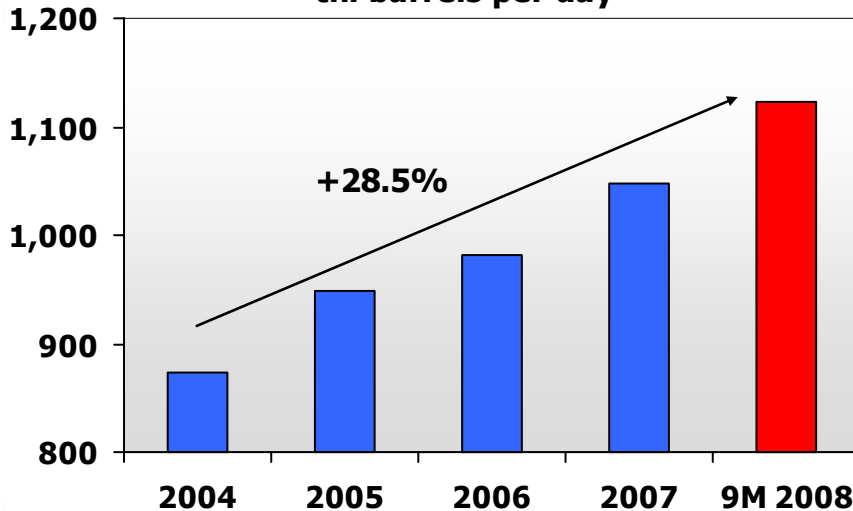
**Refinery throughputs reconciliation (y-o-y),
th. barrels per day**



**Refining margin of Russian cracking refinery,
\$ per barrel**



**Refinery throughputs at owned refineries,
th. barrels per day**



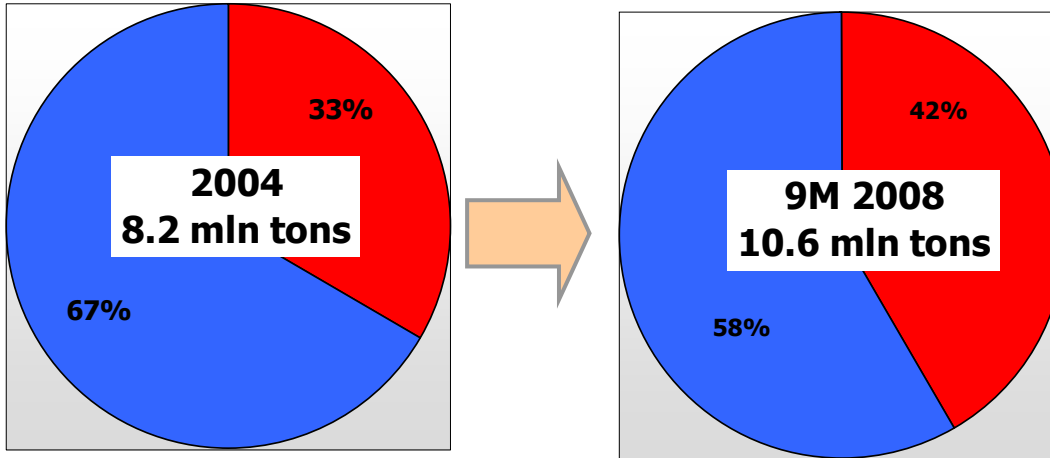
Odessa refinery was put back in operation in April 2008 after completion of a large-scale modernization which was begun in 2005.

In course of 3 years the Company rebuilt a distillation unit and various other facilities, a visbreaking unit was installed. This unit will lower output of fuel oil, increase output of vacuum gas oil (from 4 to 25%) and increase refining depth (from 56 to 78%).

Steadily Increasing Retail Sales of Petroleum Products in Russia

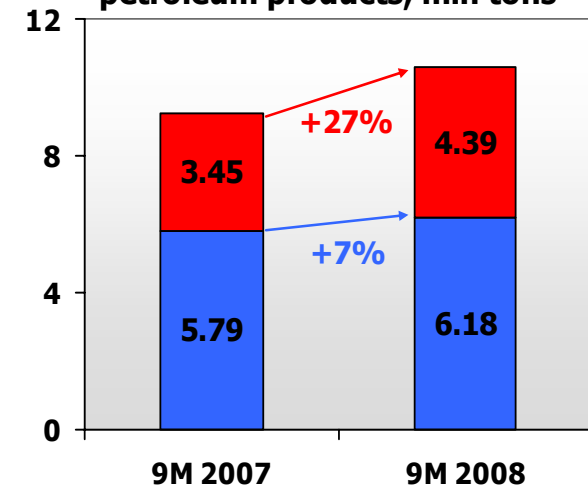


Retail sales volume of petroleum products, mln tons

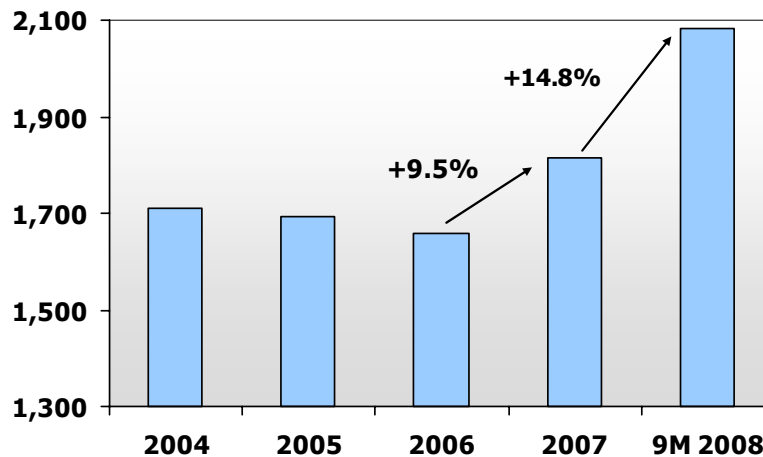


■ Domestic market ■ International market

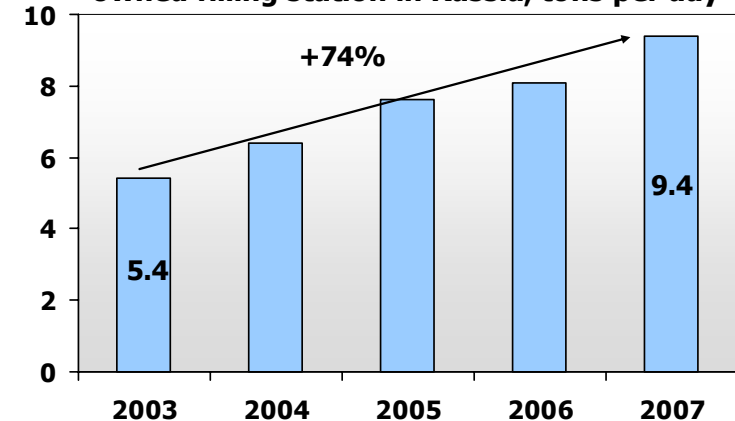
Volume of retail sales of petroleum products, mln tons



Filling stations in Russia, stations*



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



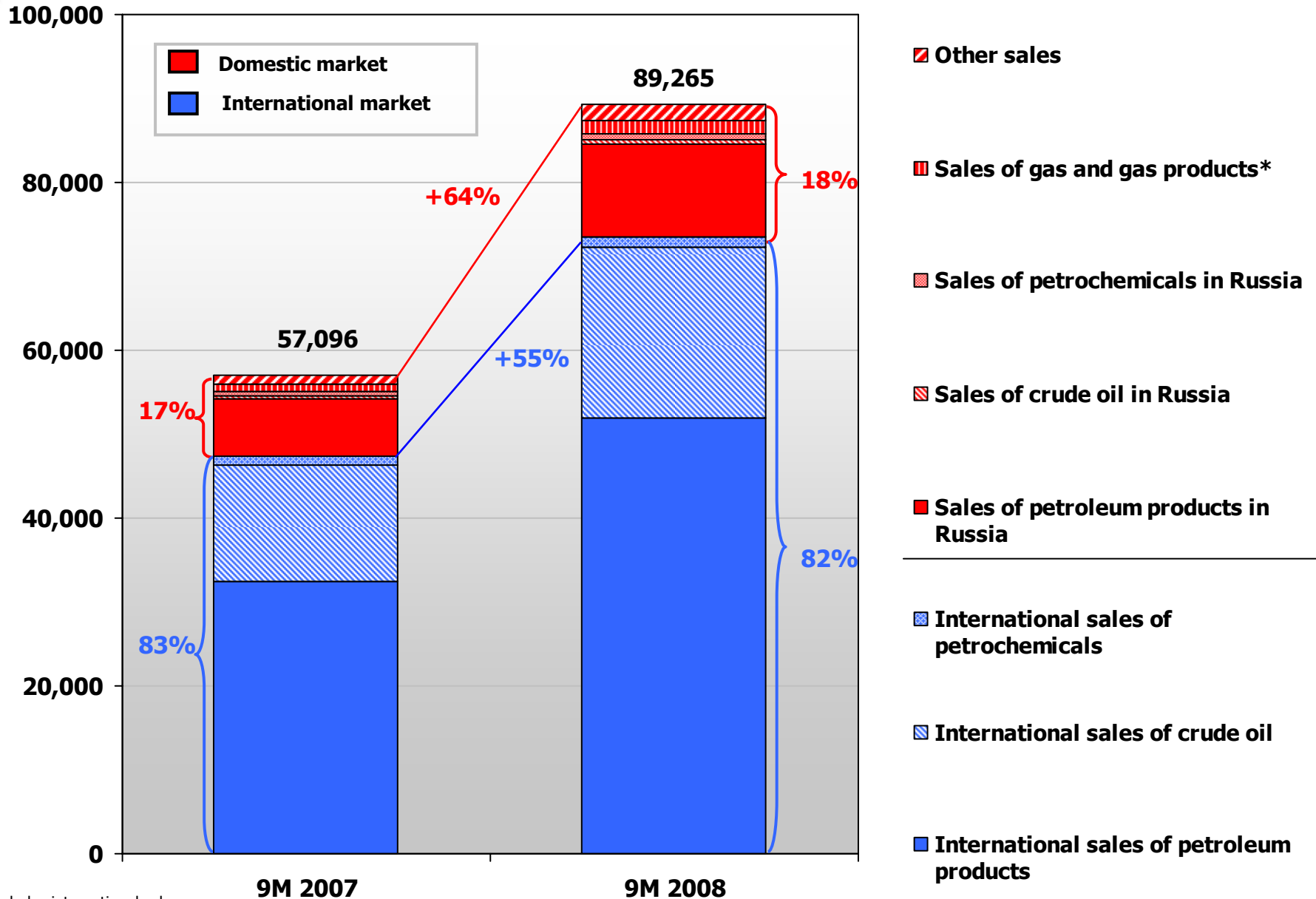
* Owned, leased and franchised. Including Rusneft filling stations (acquisition in progress).

Financial Results



3Q 2008	3Q 2007	Δ, %	\$ million	9M 2008	9M 2007	Δ, %
32,555	21,415	+52.0	Total revenue	89,727	57,347	+56.5
(2,204)	(1,555)	+41.7	Operating expenses	(5,882)	(4,469)	+31.6
(10,938)	(6,440)	+69.8	Taxes other than income tax (including excise and export duties)	(27,466)	(17,152)	+60.1
5,062	3,504	+44.5	Income from operating activities	14,962	8,828	+69.5
4,743	3,394	+39.7	Income before income tax	14,408	8,537	+68.8
3,472	2,482	+39.9	Net income	10,765	6,298	+70.9
4.09	3.01	+36.2	Basic EPS, \$	12.85	7.60	+69.1
5,570	4,021	+38.5	EBITDA	16,652	10,370	+60.6

Sales Breakdown, \$ million



* Includes international sales.

Operating Expenses



3Q 2008	3Q 2007	Δ, %	\$ million	9M 2008	9M 2007	Δ, %
850	699	+21.6	Hydrocarbon lifting costs	2,421	2,049	+18.2
294	221	+33.0	Own refining expenses	849	631	+34.5
121	48	+152.1	Refining expenses at third-party refineries	297	169	+75.7
26	45	-42.2	Excise included in processing fee paid to third-party refineries	90	141	-36.2
46	64	-28.1	Petrochemical expenses	187	198	-5.6
286	196	+45.9	Crude oil transportation to own refineries	823	607	+35.6
512	361	+41.8	Other operating expenses	1,344	877	+53.2
69	(79)	-	Change in operating expenses in crude oil and refined products inventory originated within the Group	(129)	(203)	-36.5
2,204	1,555	+41.7	Total	5,882	4,469	+31.6
10,837	7,384	+46.8	Cost of purchased crude oil, gas and products	31,956	19,504	+63.8

OPEX Growth Drivers

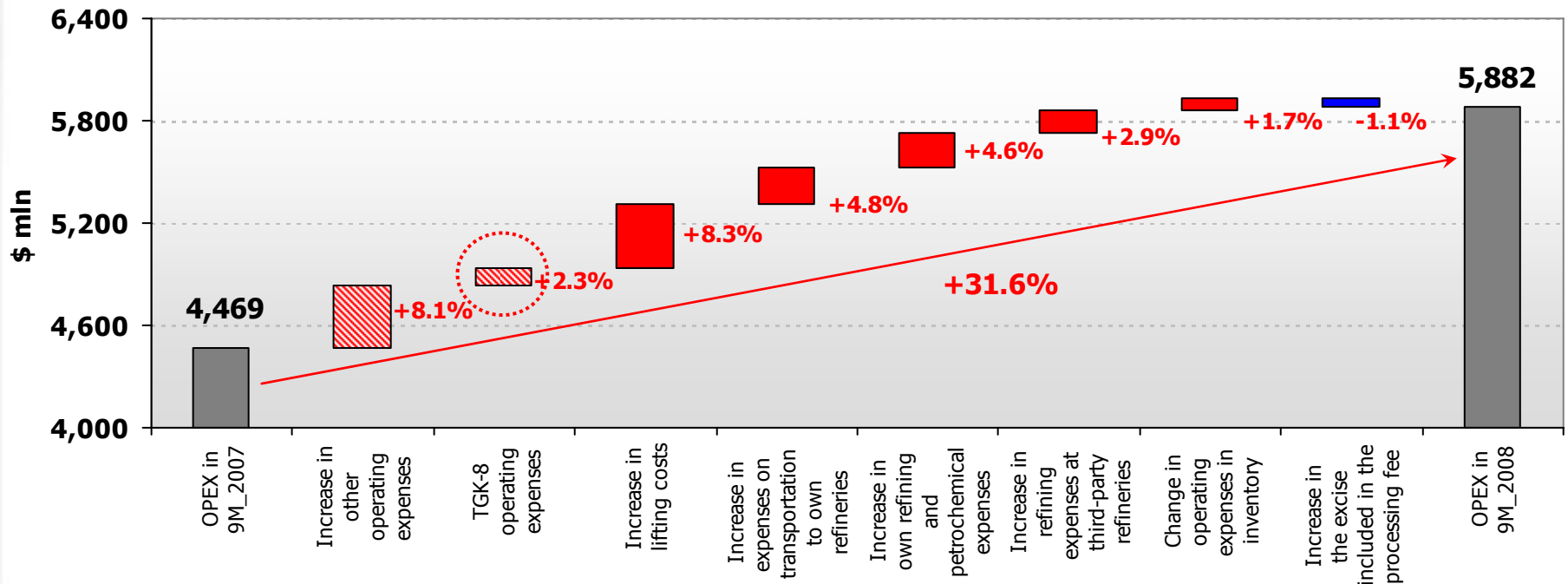
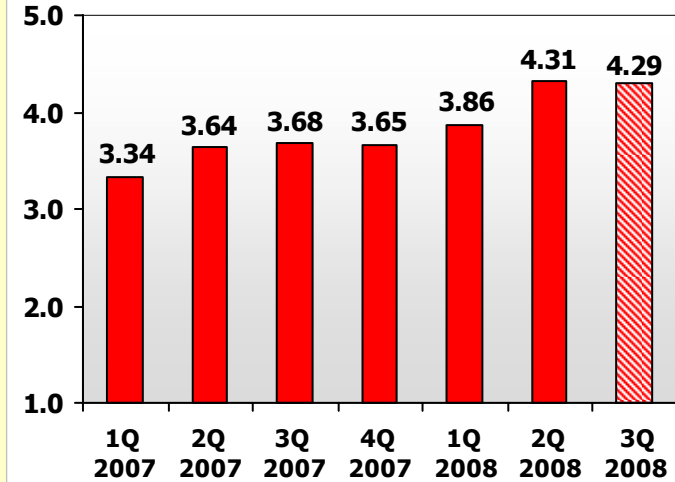


The substantial growth of operating expenses y-o-y was caused by the following factors:

- **real ruble appreciation**, which reached **23%** (9M 2008 to 9M 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 refinery expenses.

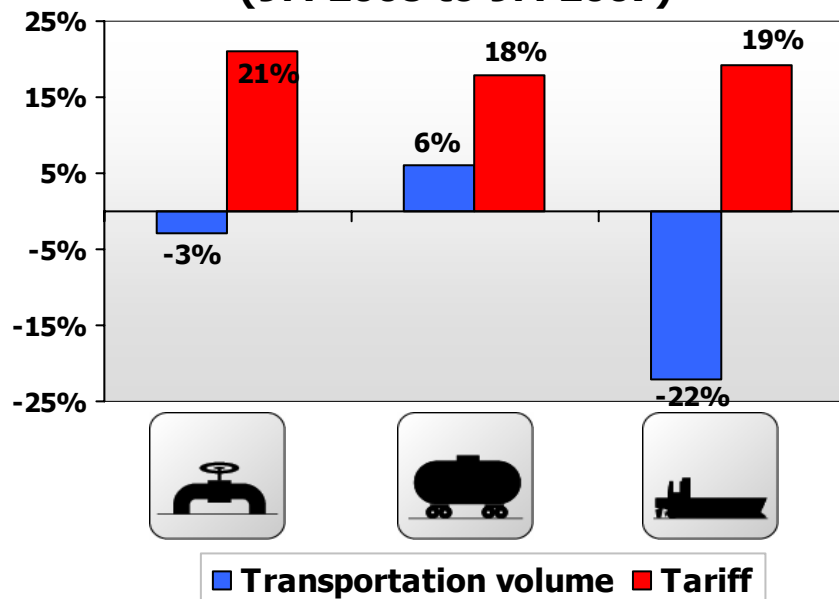
Lifting costs, \$/boe



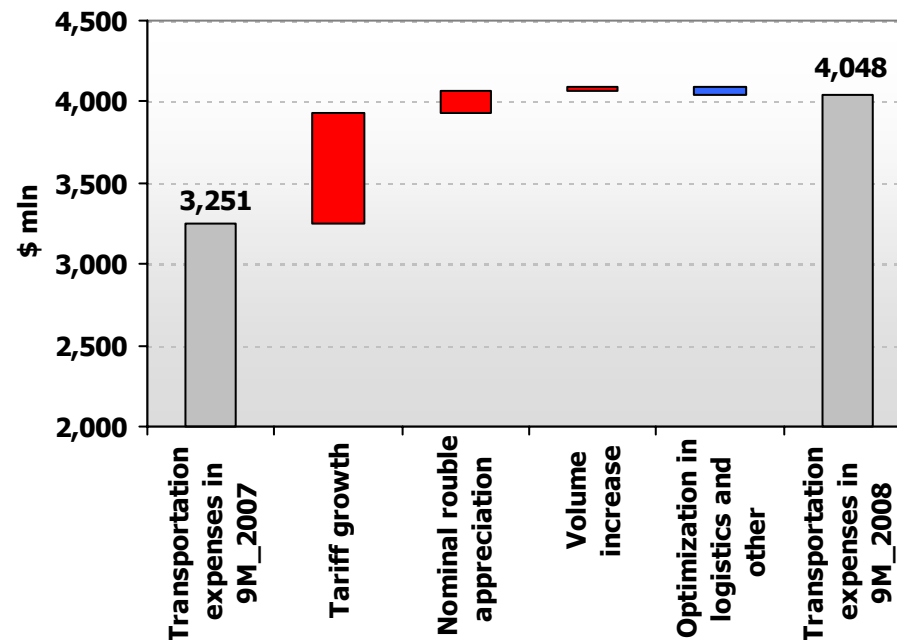
SG&A and Transportation Expenses



Transportation expenses (9M 2008 to 9M 2007)



Transportation expenses reconciliation

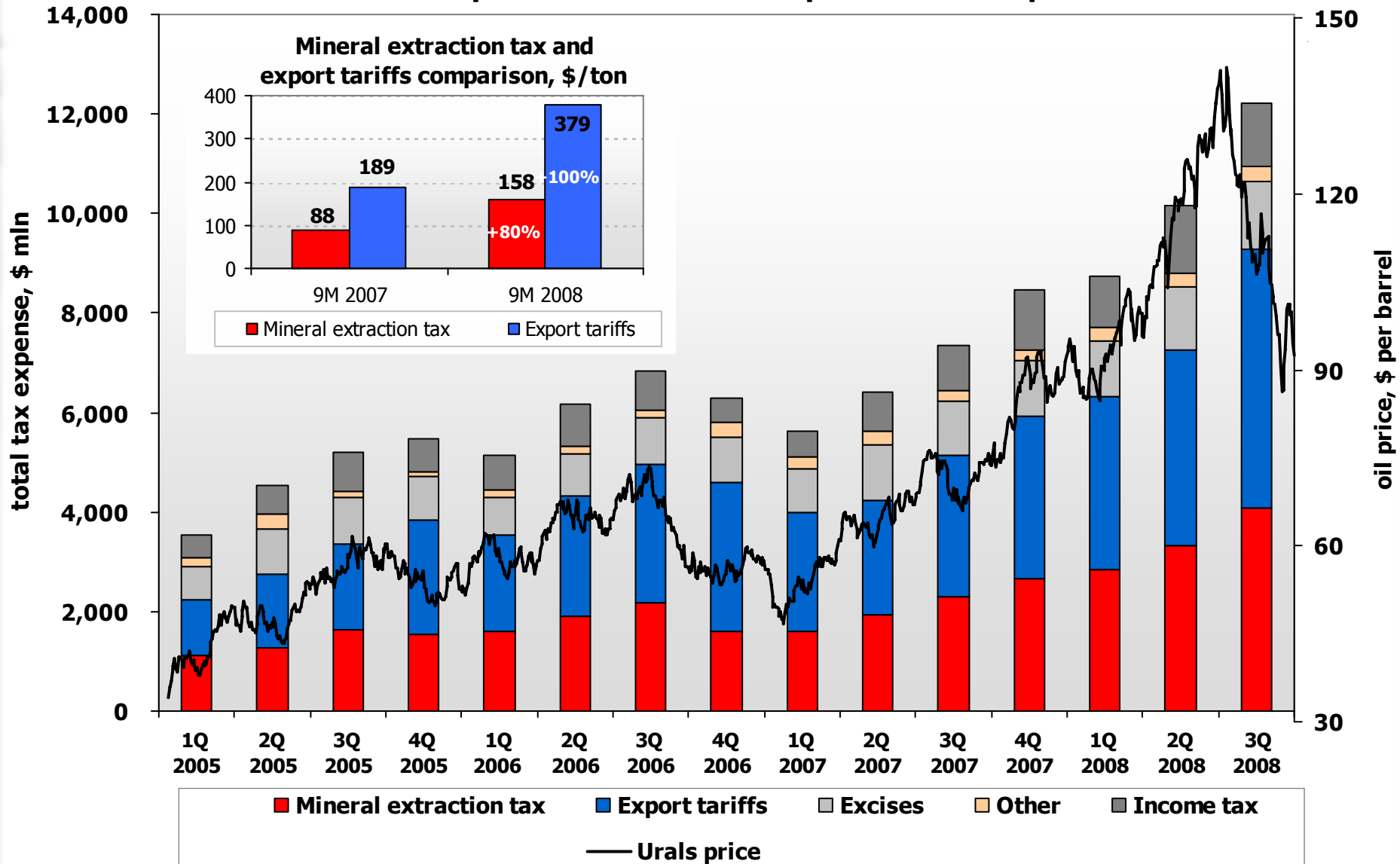


3Q 2008	3Q 2007	Δ, %	\$ million	9M 2008	9M 2007	Δ, %
1,494	1,116	33.9	Transportation expenses	4,048	3,251	24.5
1,042	796	30.9	Other selling, general and administrative expenses	2,832	2,259	25.4
2,536	1,912	32.6	Total	6,880	5,510	24.9

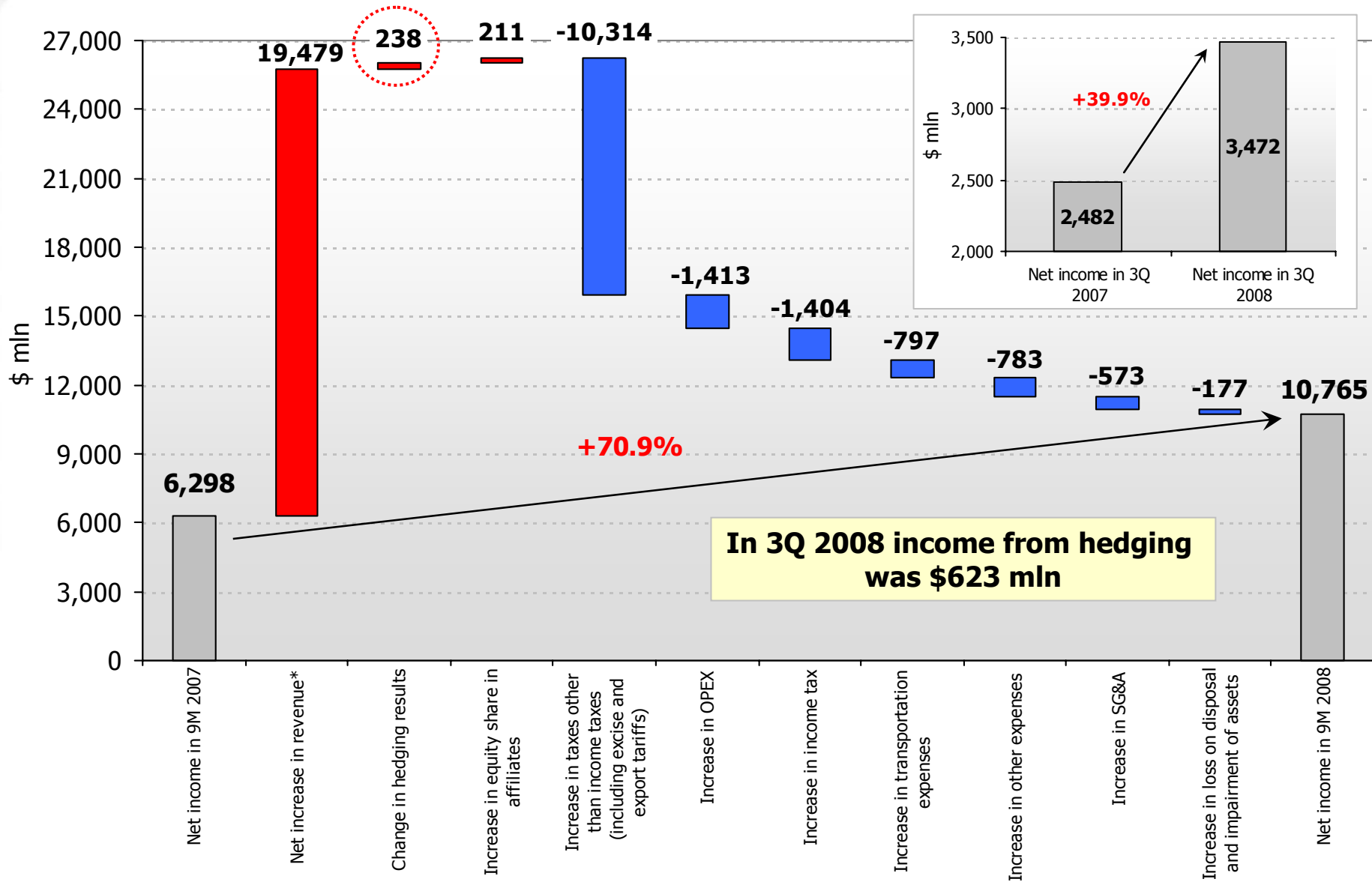
Tax Burden



Tax expenses of LUKOIL Group and crude oil price

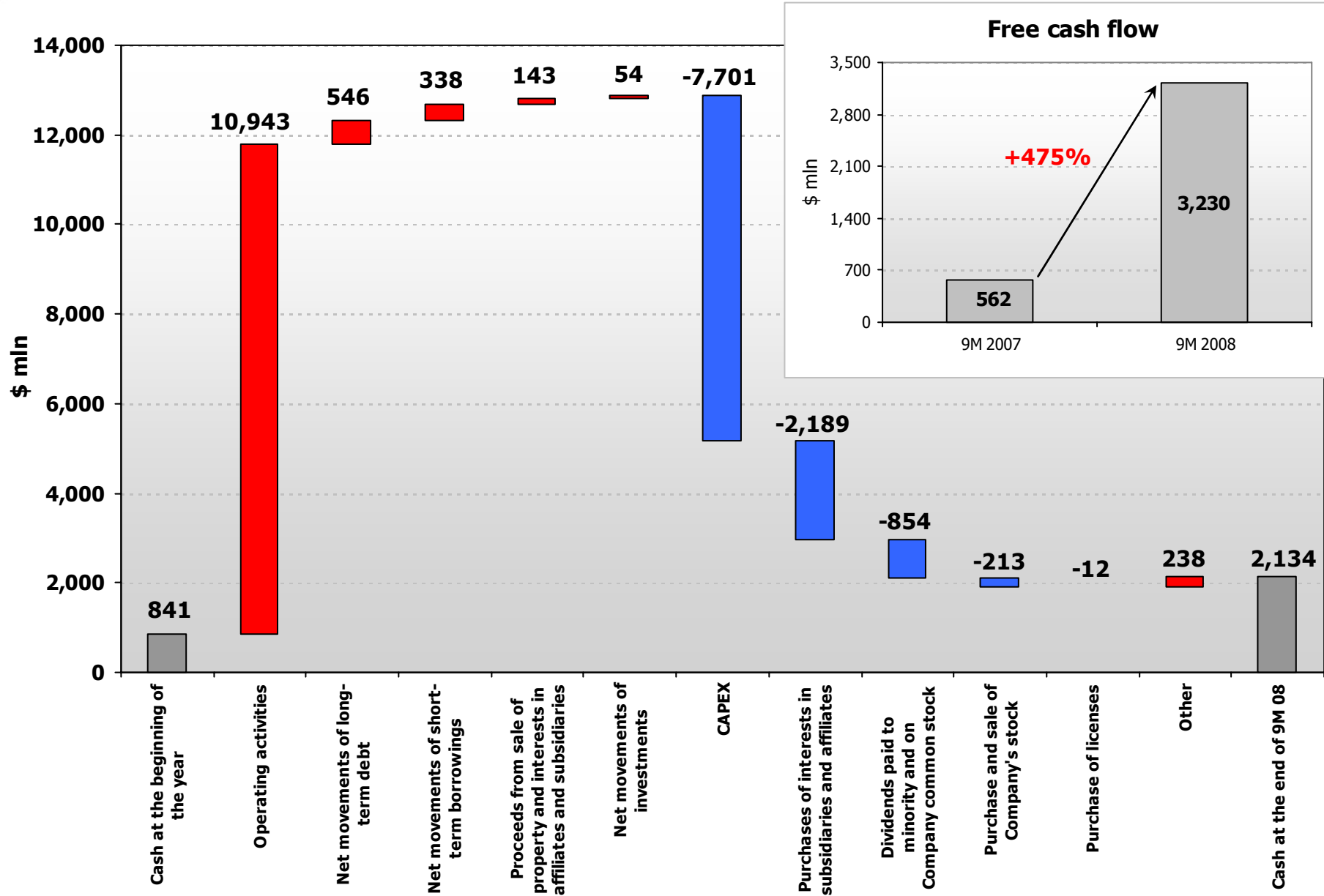


Net Income Reconciliation



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

9M 2008 Cash Flow Reconciliation



CAPEX Breakdown



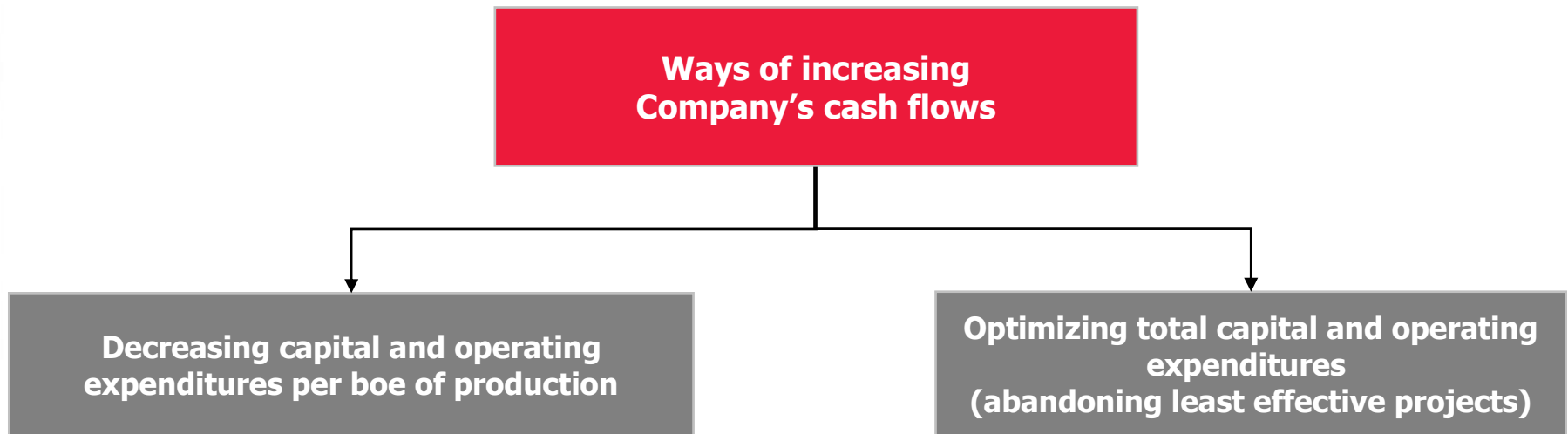
3Q 2008	3Q 2007	Δ, %	\$ million	9M 2008	9M 2007	Δ, %
2,058	1,873	+9.9	Exploration and production	6,151	5,258	+17.0
<i>1,760</i>	<i>1,659</i>	<i>+6.1</i>	<i>Russia</i>	<i>5,439</i>	<i>4,699</i>	<i>+15.7</i>
<i>139</i>	<i>138</i>	<i>+0.7</i>	<i>Including ConocoPhillips spending in Naryanmarneftegaz</i>	<i>386</i>	<i>366</i>	<i>+5.5</i>
<i>298</i>	<i>214</i>	<i>+39.3</i>	<i>International</i>	<i>712</i>	<i>559</i>	<i>+27.4</i>
550	502	+9.6	Refining and marketing	1,439	1,169	+23.1
<i>364</i>	<i>333</i>	<i>+9.3</i>	<i>Russia</i>	<i>914</i>	<i>743</i>	<i>+23.0</i>
<i>186</i>	<i>169</i>	<i>+10.1</i>	<i>International</i>	<i>525</i>	<i>426</i>	<i>+23.2</i>
48	30	+60.0	Petrochemicals	93	119	-21.8
<i>6</i>	<i>5</i>	<i>+20.0</i>	<i>Russia</i>	<i>16</i>	<i>60</i>	<i>-73.3</i>
<i>42</i>	<i>25</i>	<i>+68.0</i>	<i>International</i>	<i>77</i>	<i>59</i>	<i>+30.5</i>
39	22	+77.3	Other	87	56	+55.4
2,695	2,427	+11.0	Total (cash and non-cash)	7,770	6,602	+17.7

The Main Task for 2009: Securing Positive Cash Flows



Company focuses its attention on reducing costs and increasing cash flows in order to maintain investment attractiveness amid financial crisis and volatility of basic market indicators:

- Optimizing 2009 investment program
- Additional opportunities for cash flow optimization



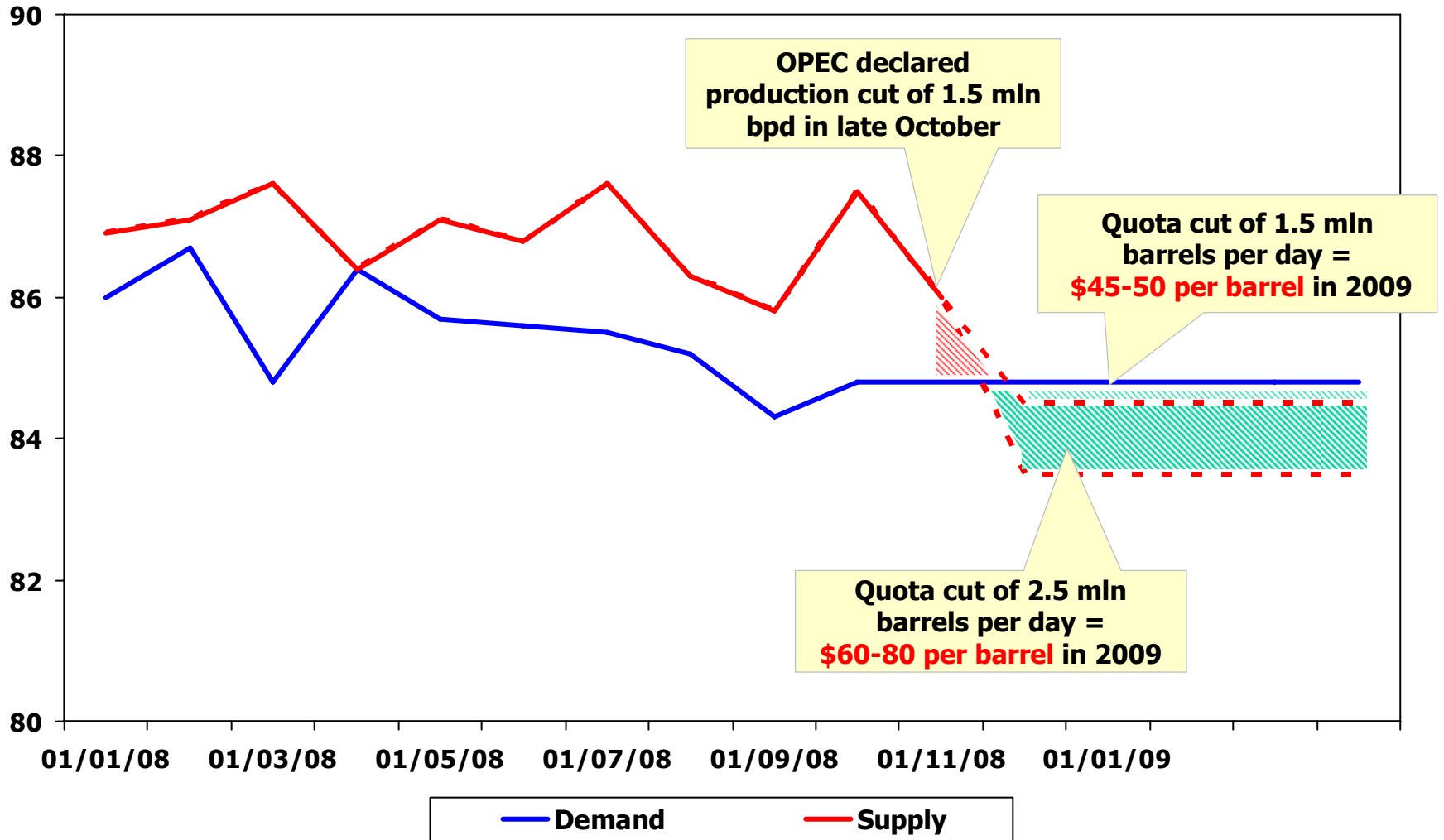
World financial crisis will trigger a decrease in cost inflation in the oil & gas sector

- Prices for a range of raw materials (cement, metal) are steadily declining in 2H 2008:
 - Price index for cement and metals in Russia in October 2008 showed a considerable decline of 20% compared to the summer of 2008.
 - Metal prices on the London Commodity Exchange showed even greater decline (up to 70%)
- **Price index for cement and metals in Russia in 2009 may decrease at least by 20% compared to 2008 if the above mentioned tendency persists in 2009.**
- **Positive effect from the rouble weakening**

OPEC Production Should Show Another Substantial Decrease in Order to Fuel Oil Price Recovery



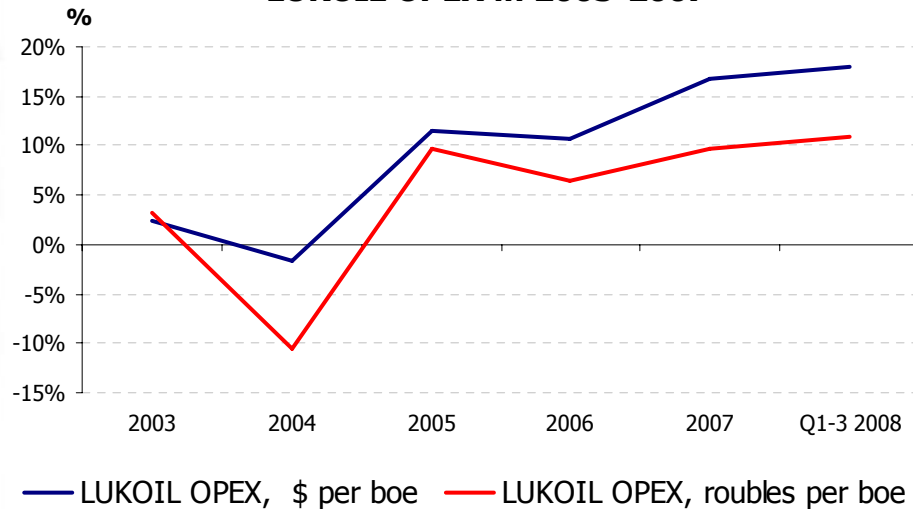
Supply and demand of crude oil in the world, mln bpd



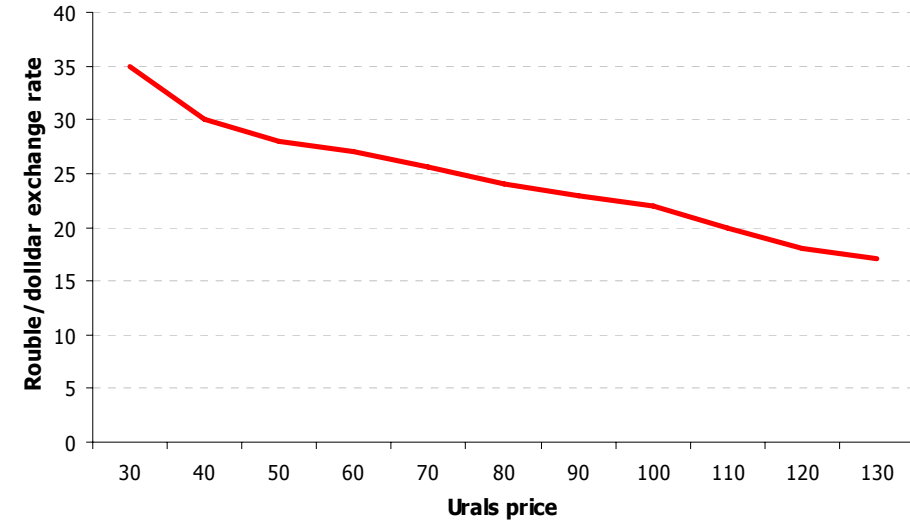
Costs Shown in Dollars Depend on the Exchange Rate



LUKOIL OPEX in 2003-2007

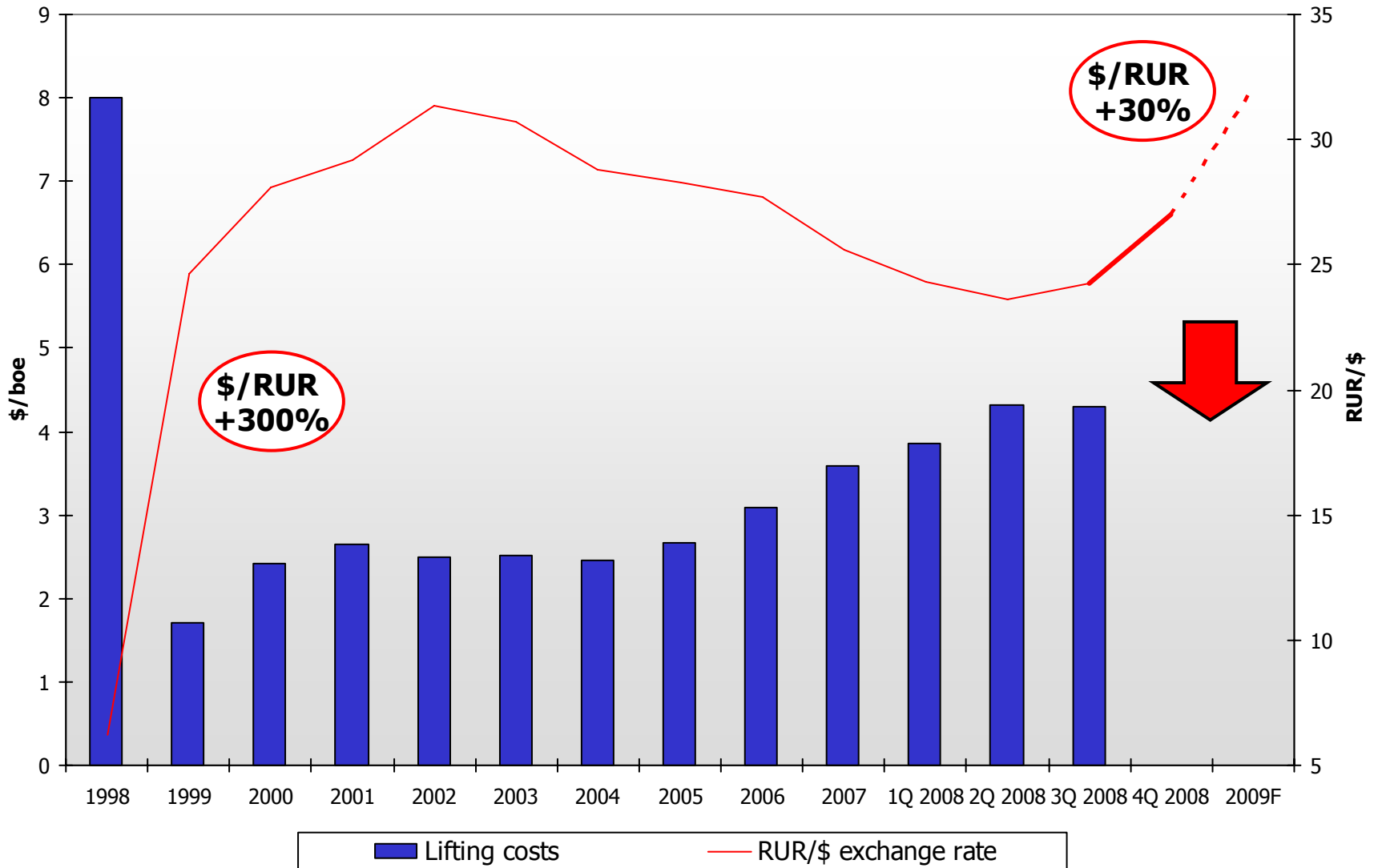


Rouble/Dollar exchange rates for various oil prices



- **90% of LUKOIL's costs in Russia are denominated in roubles**
- **Rouble cost inflation has been much lower than Dollar denominated cost inflation since 2003**
- **We believe that the correct rouble/dollar exchange rate depends heavily on what the market perceives the permanent oil price to be**

Rouble Weakening will Contribute to Lifting Costs Decrease



Tax Reduction



On July 22, 2008 Russia's President Dmitry Medvedev signed Amendments to the Tax Code effective from January 1, 2009:

- **Change in the base oil price in the mineral extraction tax formula**
- **Introduction of tax holidays in a number of regions of the Company's presence**
- **Usage of indirect method of produced oil registration (mandatory requirement to use direct method was abolished) in order to obtain tax relieves for fields with high-viscosity oil and with depletion levels higher than 80%**

The effect from the above listed tax relieves (additional income before taxation) for LUKOIL is estimated at about \$2 bln in 2009

Anti-Crisis Government Actions for Oil Industry



- **Increasing amortization rate up to 30% for new projects**
- **Change in export tariff calculation methodology (calculation period was reduced to one month from December 1)**

Introduction of additional measures considerably decreases the negative effect of "Kudrin scissors" and increases the Company's cash flow



- **Optimization of the investment program**
- **Positive result from hedging operations**
- **Positive effect from the rouble weakening against the dollar**
- **Cost optimization**
- **Considerable decrease in tax burden**

Conclusions



The Company plans to develop dynamically exceeding market expectations thanks to:

- **Tax burden decrease** increasing Company's value in 2009
- Optimizing and significantly **reducing 2009 CAPEX and OPEX** with no harm to key growth projects
- Accelerated **refinery throughputs** growth and upgrades
- Expanding of 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