



Transforming into a Global Energy Company

June 2006

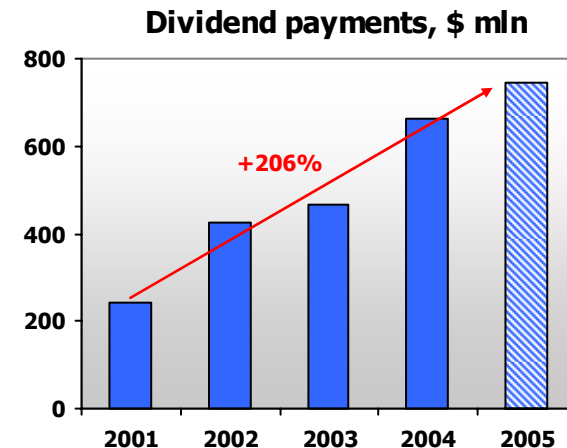
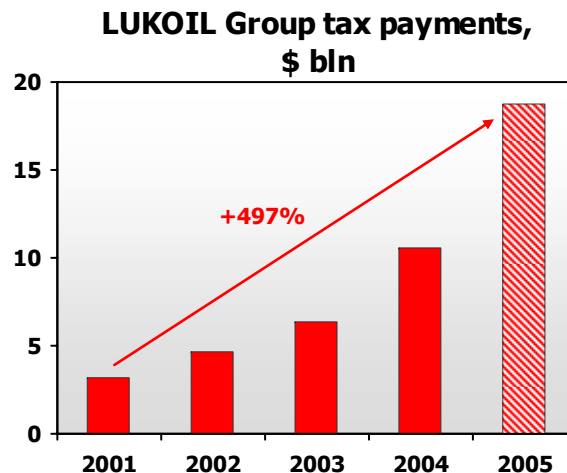
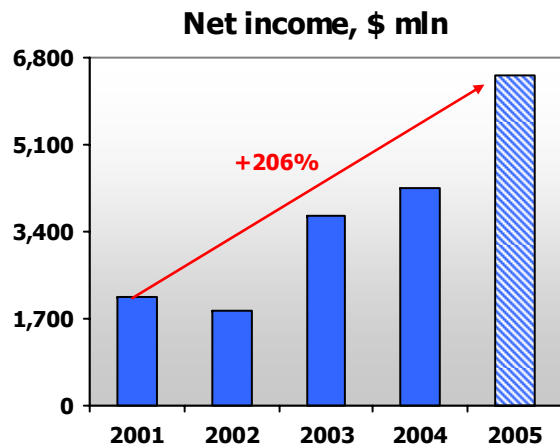


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- Certain statements in this presentation are not historical facts and are “forward-looking.” Examples of such forward-looking statements include, but are not limited to:
 - projections or expectations of revenues, income (or loss), earnings (or loss) 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.
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- 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.



2005: All-Time Best Results

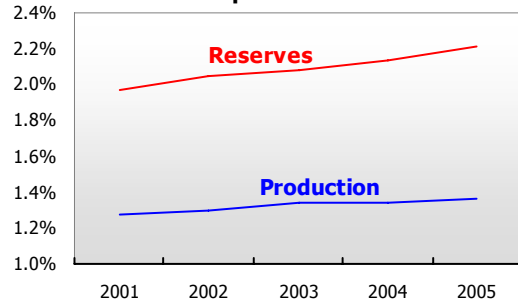


	2005	2004	Growth, %
Revenues, \$ mln	56,215	34,058	+65.1
Operating expenditures, \$ mln	3,487	2,880	+21.1
EBITDA, \$ mln	10,404	7,203	+44.4
Income before income taxes, \$ mln	8,910	6,008	+48.3
Net income, \$ mln	6,443	4,248	+51.7
ROACE, %	23.3	19.3	
Net margin, %	11.5	12.5	
Hydrocarbon production, th. boe per day	1,942	1,842	+5.4

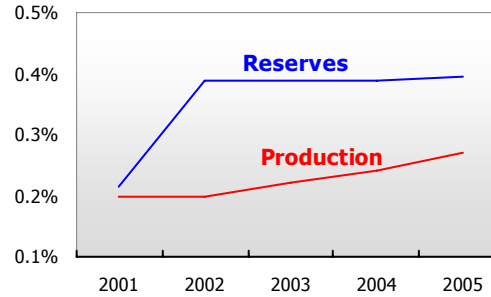


LUKOIL – International Vertically Integrated Oil & Gas Company

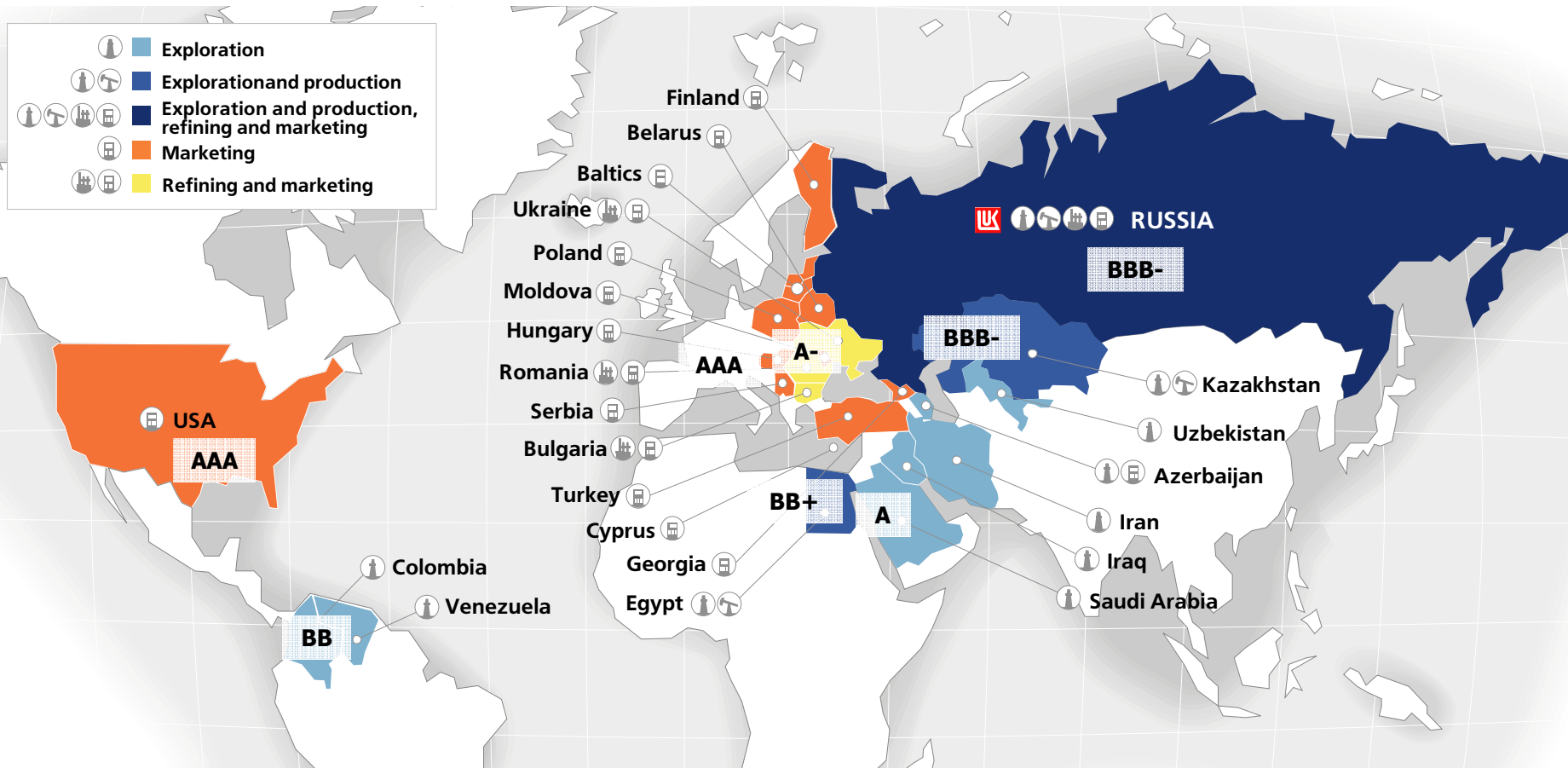
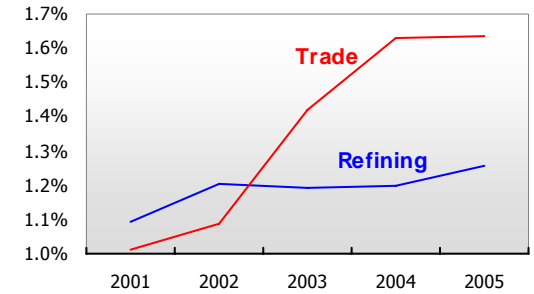
LUKOIL's share in global oil reserves & production



LUKOIL's share in global gas reserves & production

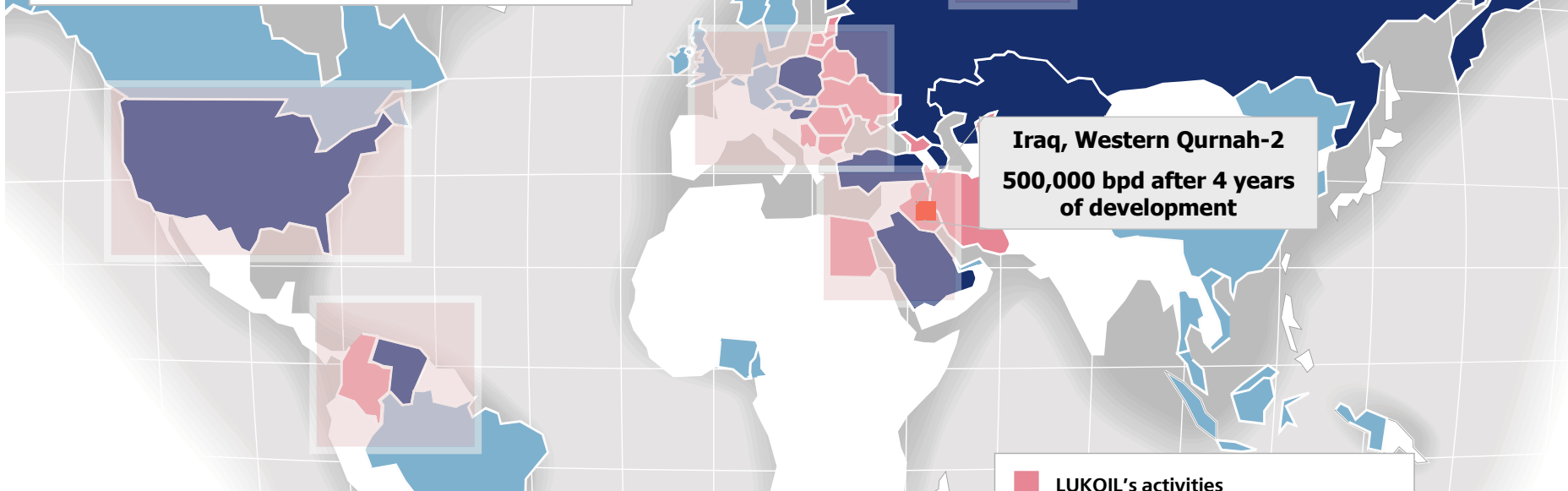
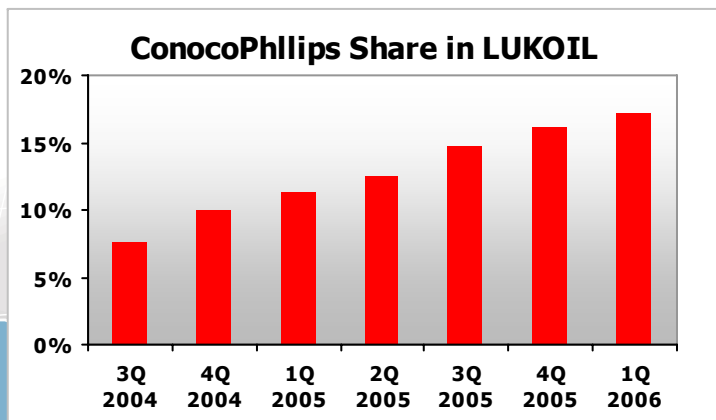


LUKOIL's share in global oil refining & trade



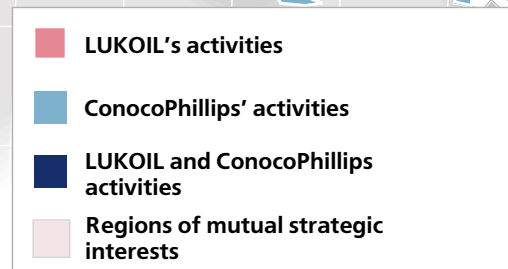


Strategic Partnership with ConocoPhillips



Strategic partnership with ConocoPhillips allows LUKOIL to:

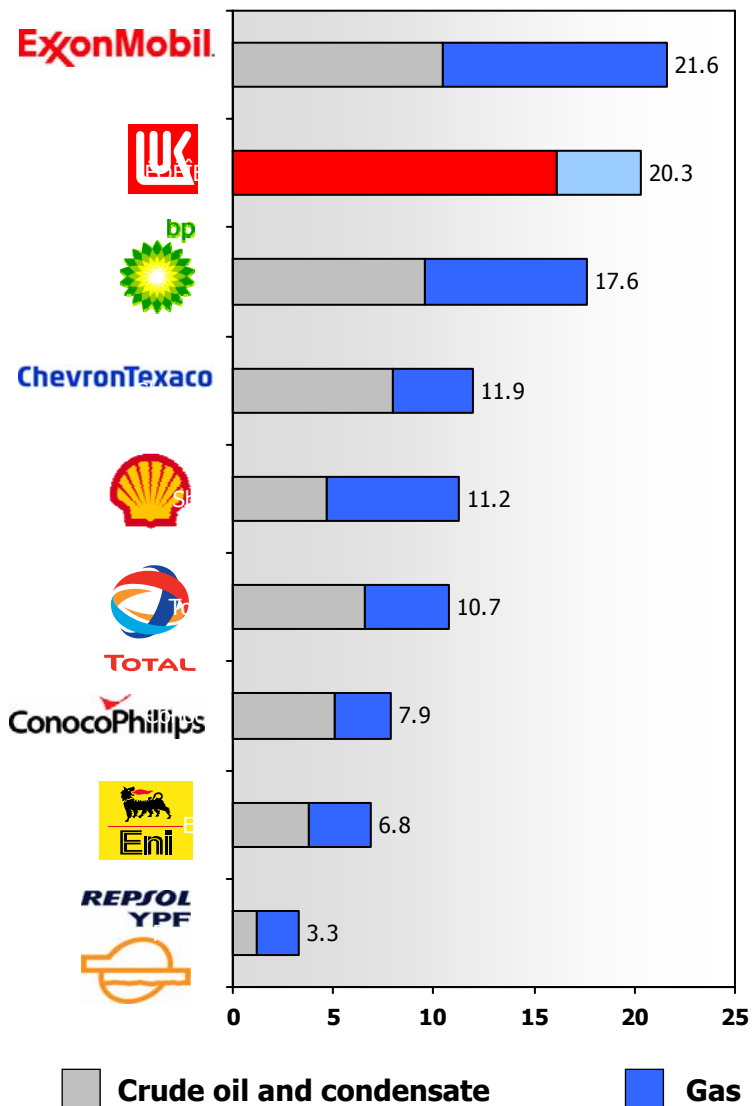
- reach world best practice standards in managerial competence and operating excellence
- accelerate development of the reserves in Timan-Pechora with creation of the joint venture



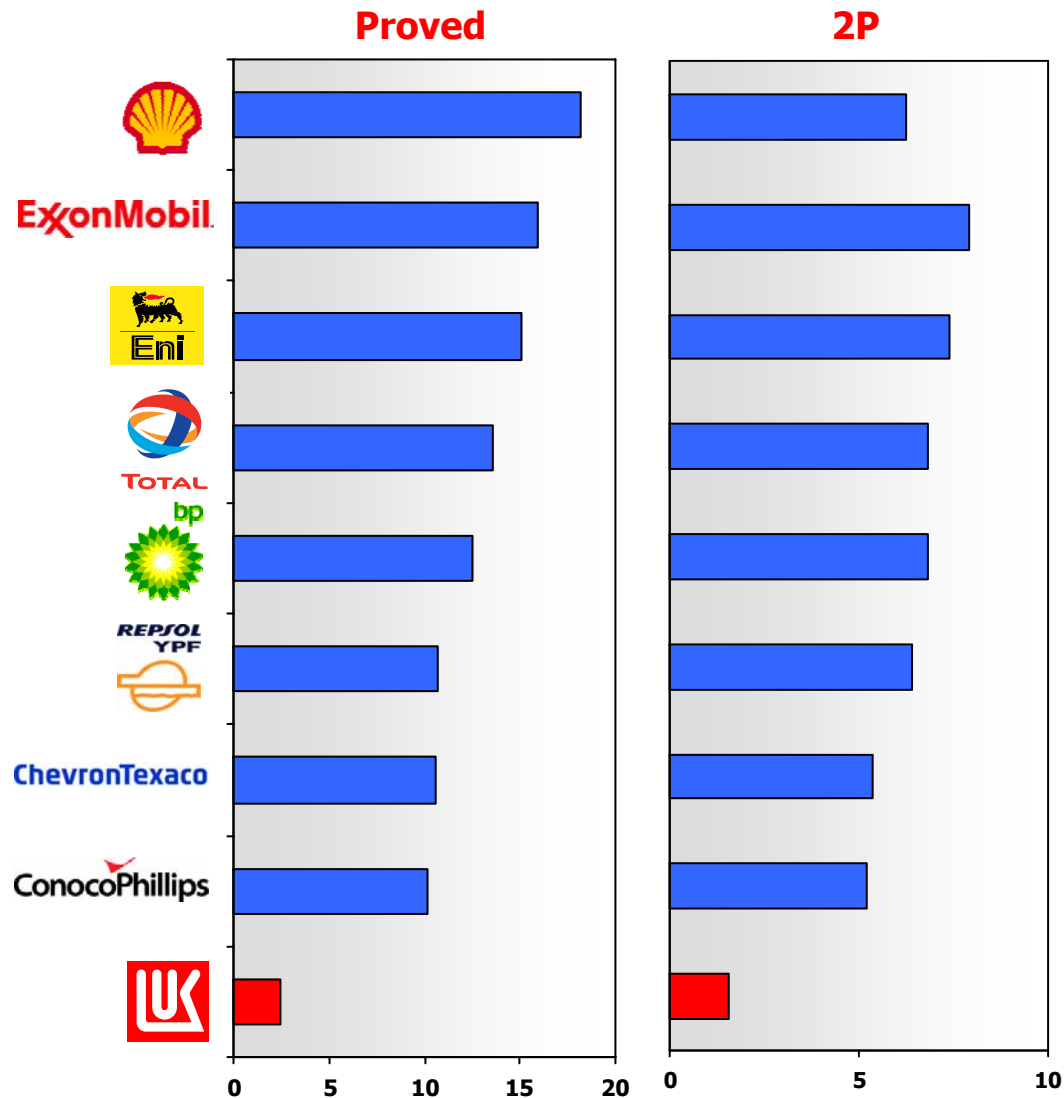


Resource Base

Proved hydrocarbon reserves, bln boe



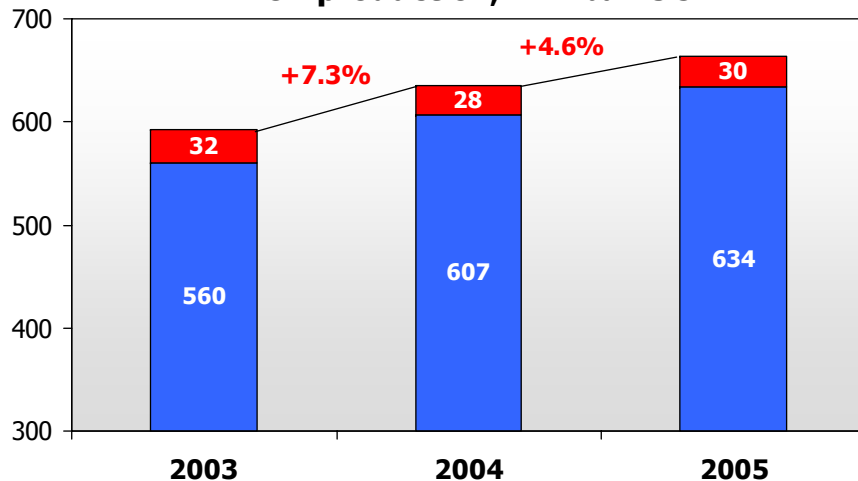
Market capitalization per barrel of reserves, \$/boe





Hydrocarbon Production: 2005 Results

Oil production, mln barrels

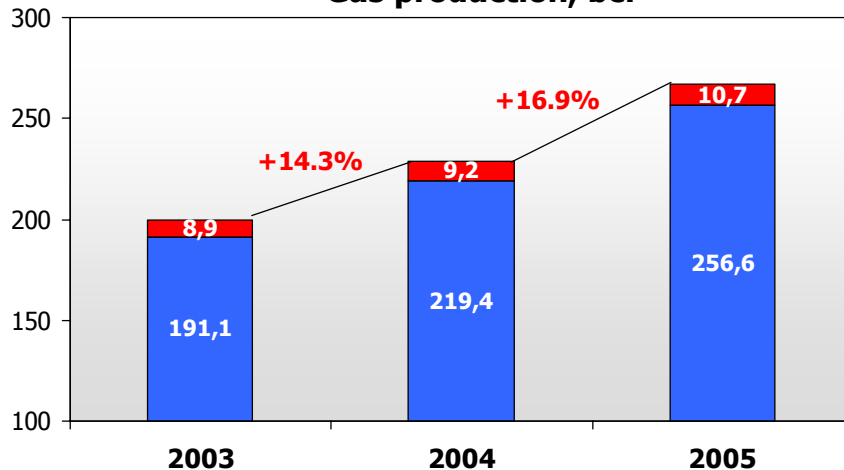


Crude oil output totaled **664 mln barrels (90.16 mln tonnes)** in 2005, which is **4.6%** more y-o-y. Gas production rose by **16.9%**.

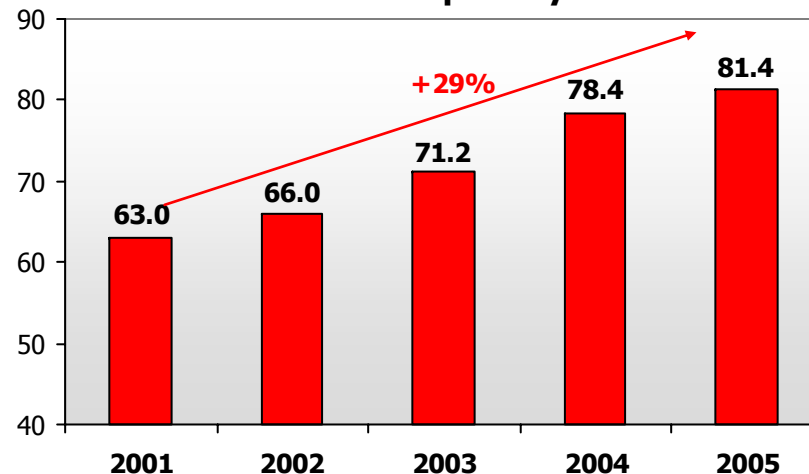
Daily hydrocarbon production increased by 5.4 % and reached 1.94 mln boe per day.

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

Gas production, bcf



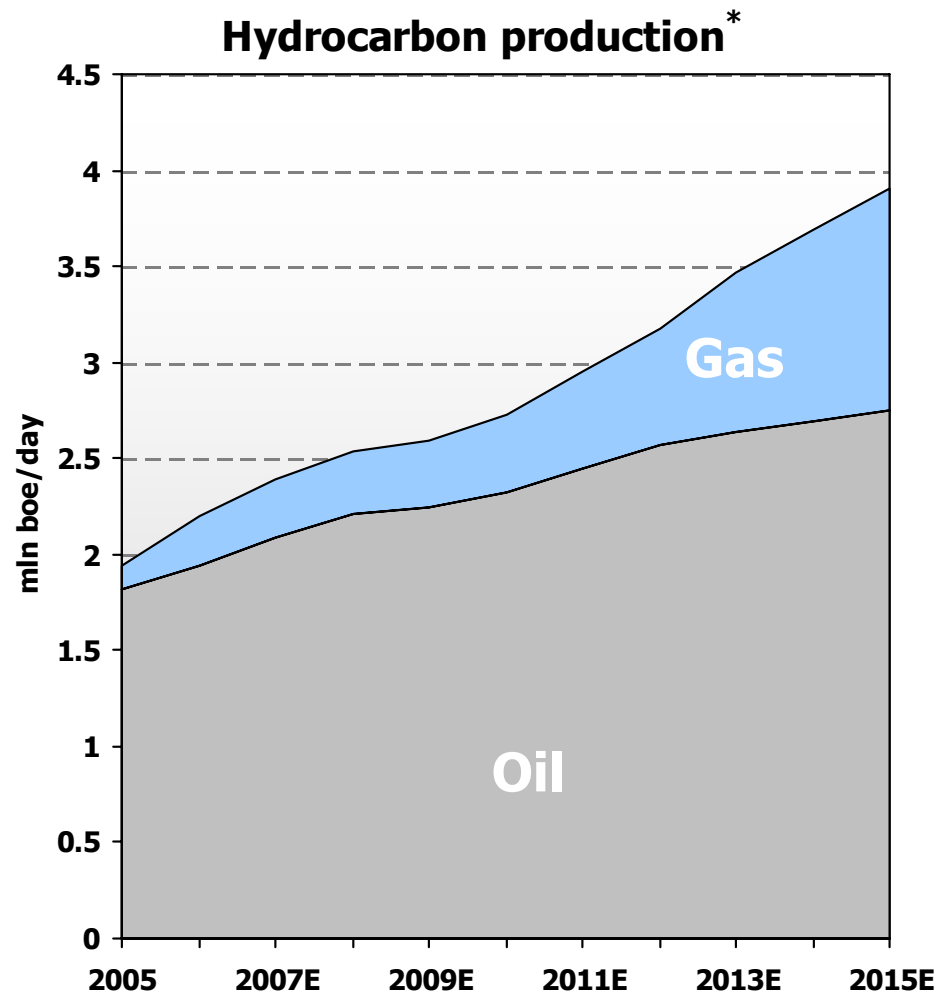
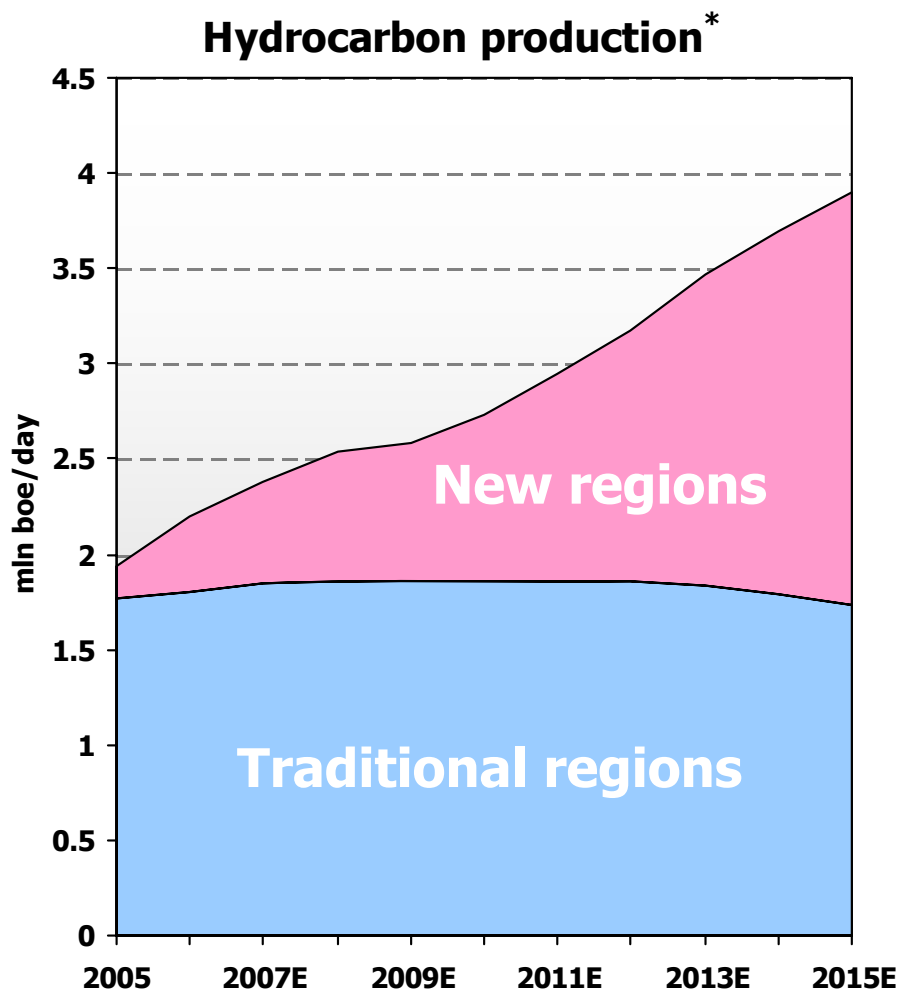
Average flow rate per well, barrels per day



■ Production by subsidiaries ■ Share in affiliates



Sustainable Growth of Hydrocarbon Production



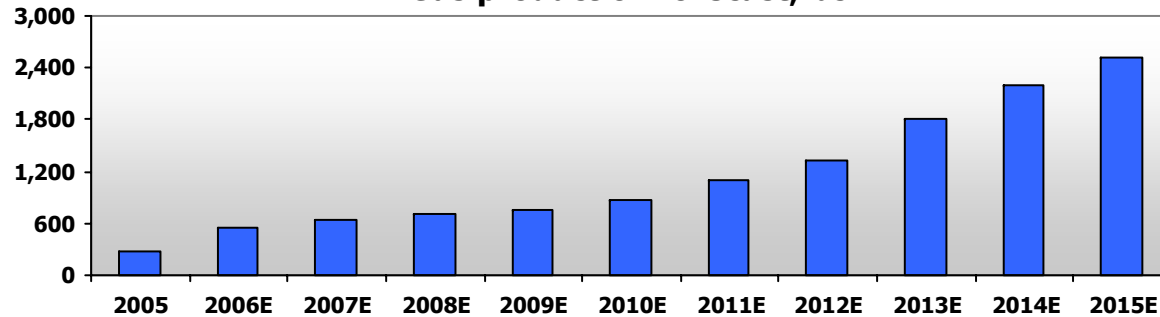
LUKOIL is the only oil & gas company in the world which aims at doubling hydrocarbon production within 10 years on existing reserve base.

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

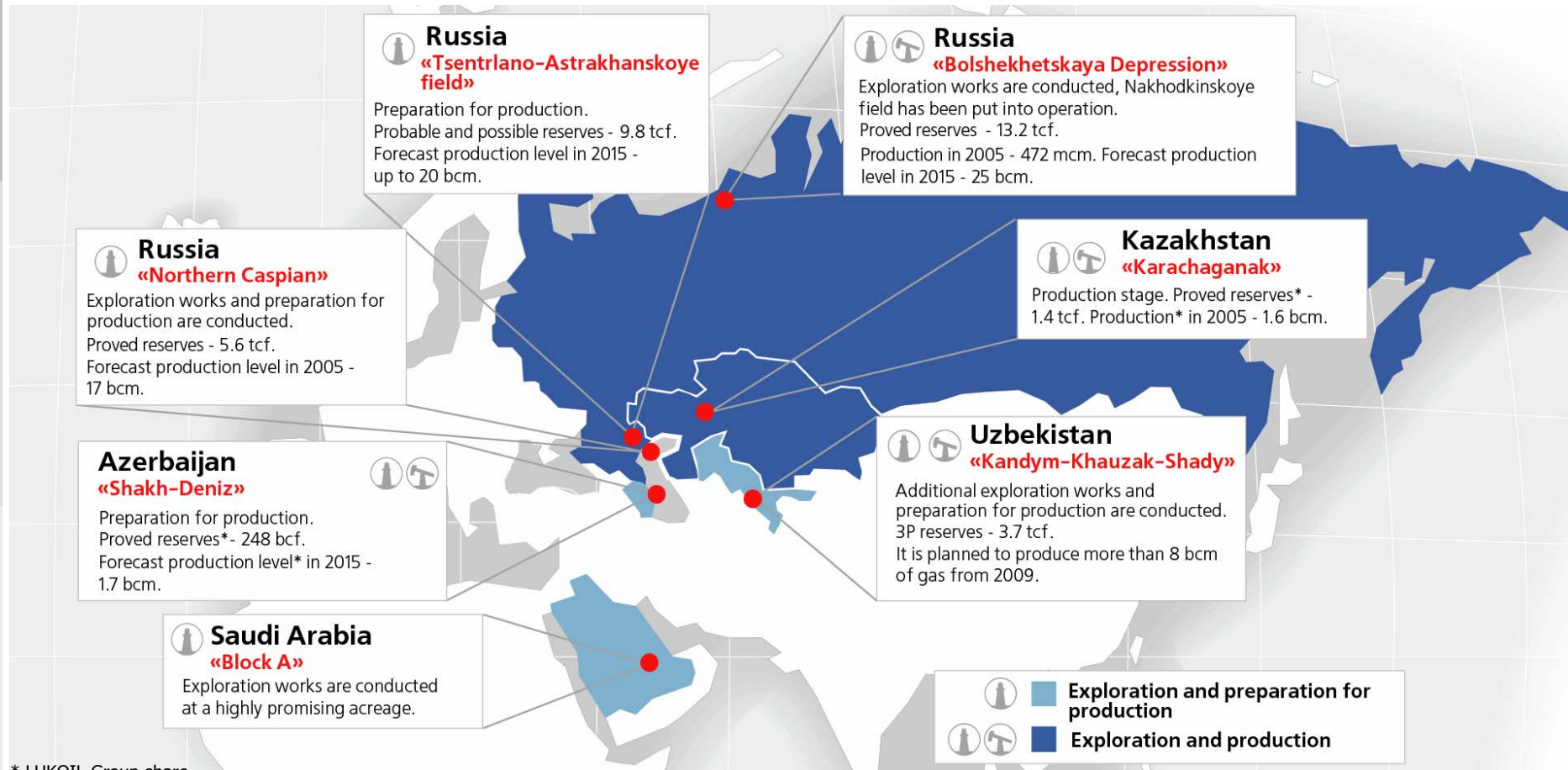


LUKOIL's Gas Strategy

Gas production forecast, bcf



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

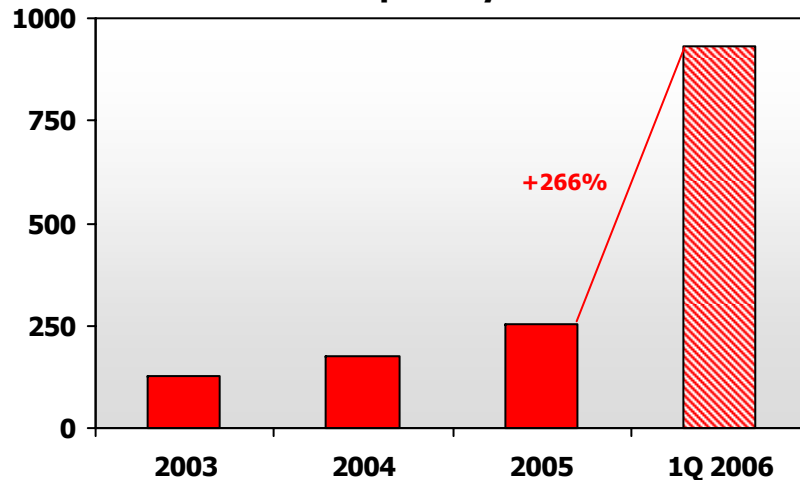


* LUKOIL Group share

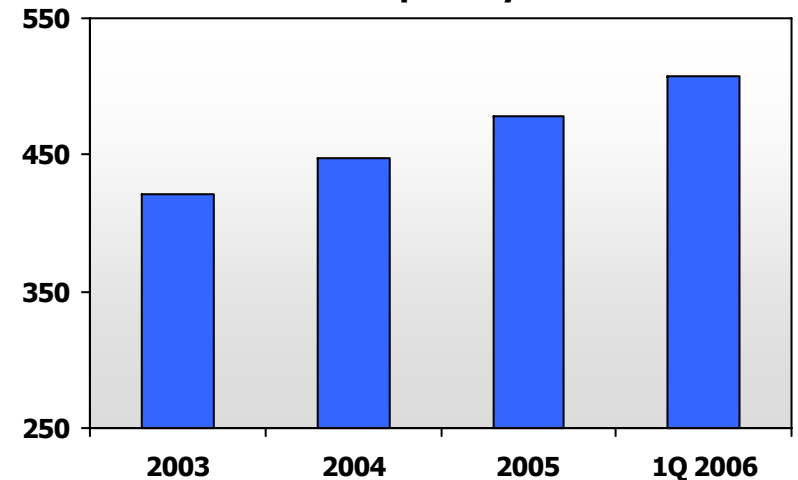


Gas Output: 2005 and 1Q 2006 Results

Daily output of natural gas, mcf per day

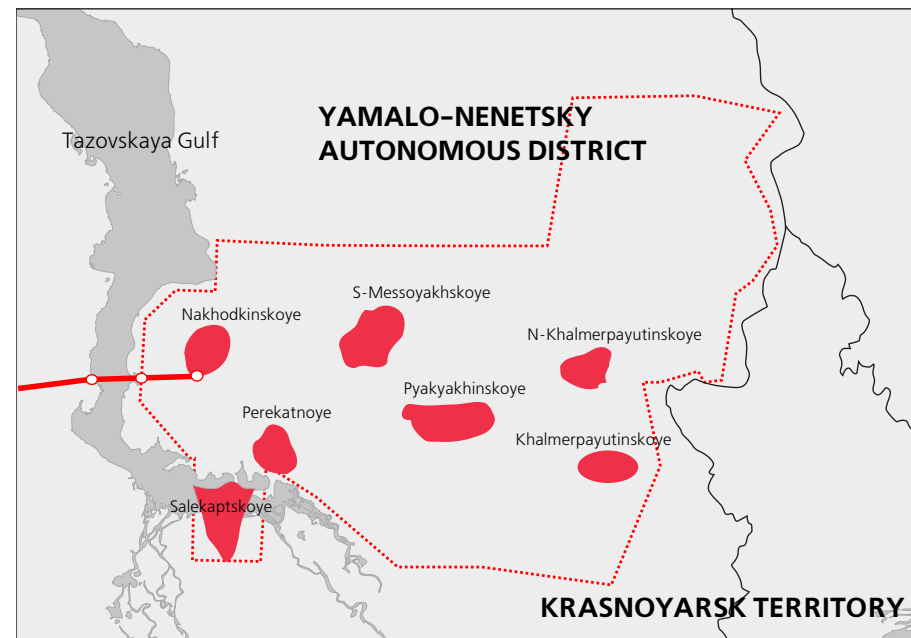


Daily output of petroleum gas, mcf per day



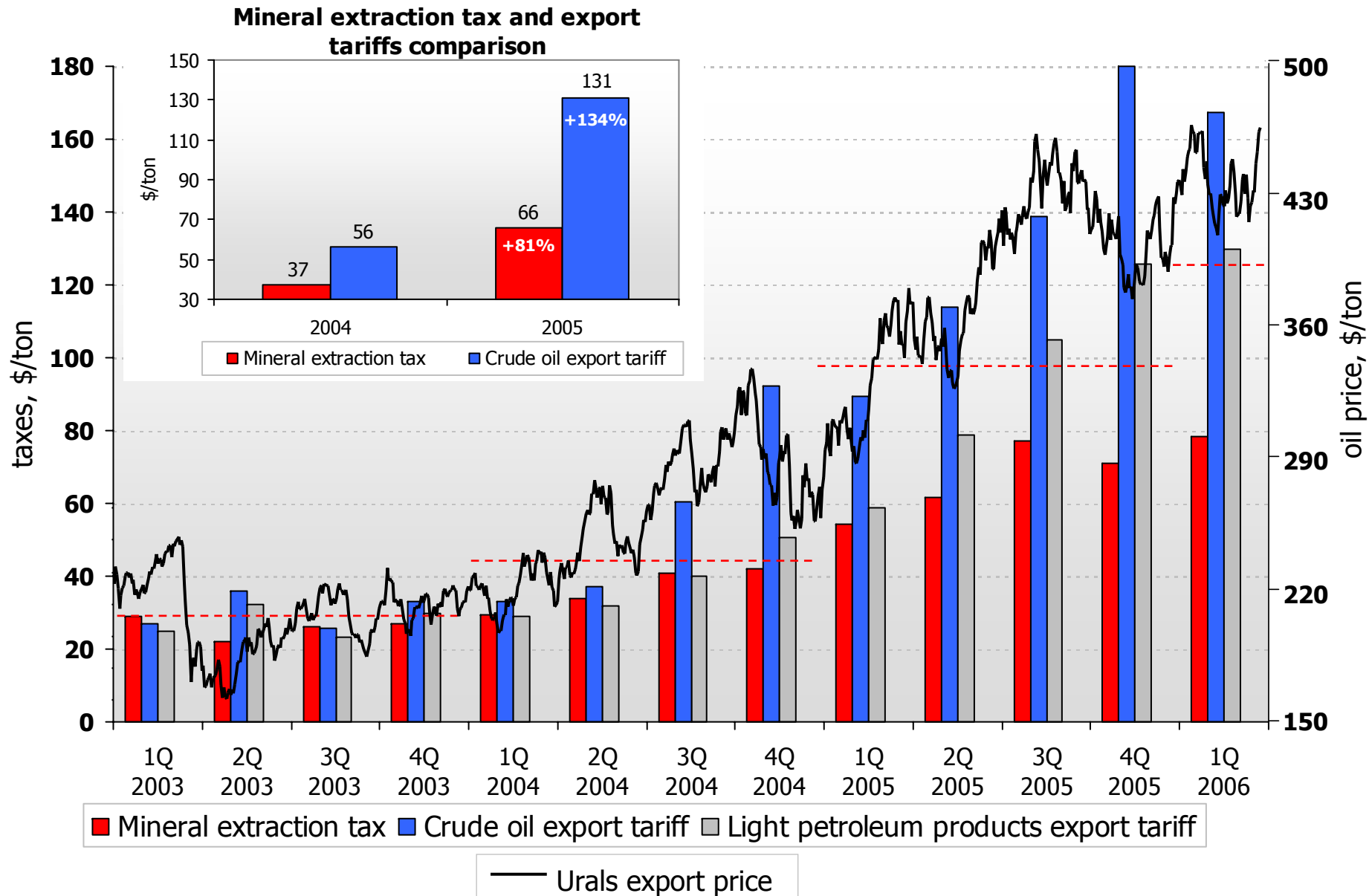
The first of the 7 gas fields of the Bolshekhetskaya Depression (Nakhodkinskoye) was put into operation in April 2005. The production at the field was 16.7 bcf of natural gas (472 mcm) in 2005. The field produced 64.4 bcf of gas (1,823 mcm) in 1Q 2006.

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





Growth of Tax Burden





Current Proposals on MET Reform (Presented to the State Duma)

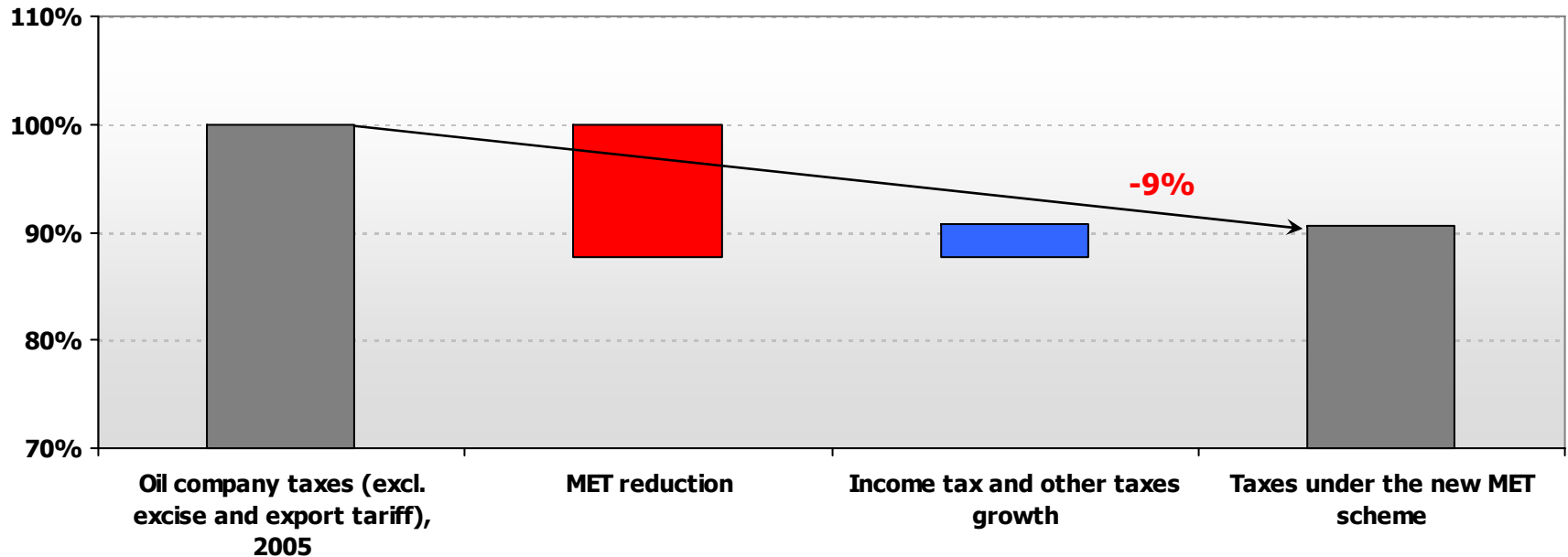
0% tax rate is used for:

- 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





Main E&P Acquisitions and Discoveries in 2005-2006

Tsentralno-Astrakhsnkoye Field

- **3P reserves** – 1.2 bln barrels of condensate and 9.8 tcf of gas
- Gas **production** may reach 20 bcm per year, condensate production – 6-8 mln tons per year
- **Cost of purchase** – \$261 mln for 51% - 1 share

Khanty-Mansiysk Oil

- **ABC1 reserves** – 1,000 mln barrels
- **Production** in 2005 – 26 th. barrels per day
- **Share in LUKOIL Group production** – 1.4%
- **Estimated production in 2015** – 76 th. barrels per day
- **Cost of purchase** – \$787 mln + adjustments

V. Filanovsky Field

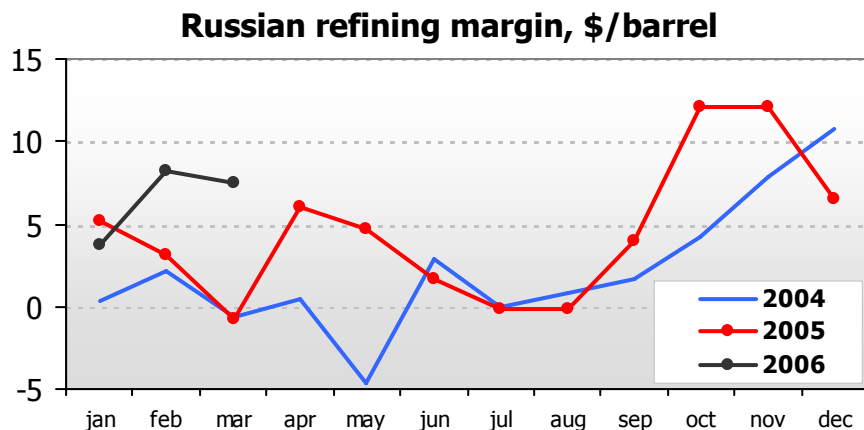
- **3P reserves** - 600 mln barrels of oil and 985 bcf of gas
- **Production** – up to 5 mln tons of oil by 2015

Nelson Resources Limited

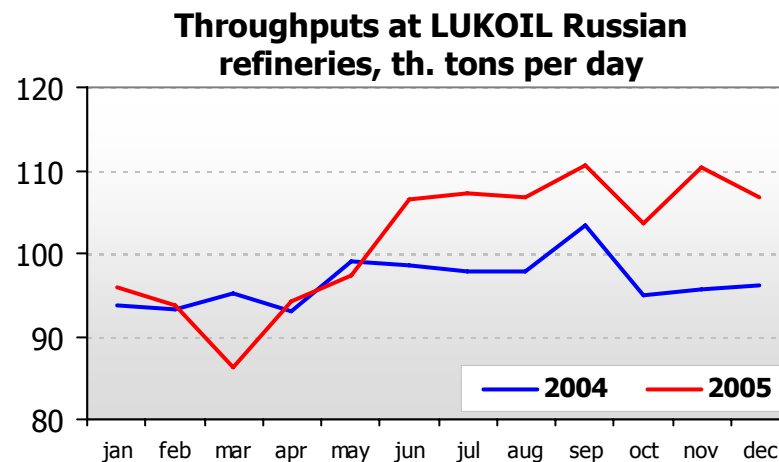
- **Proved reserves** (as of end 2005) – 172 mln barrels
- **Production** in 2005 – 32 th. barrels per day
- **Share in LUKOIL Group production** – 1.8%
- **Estimated production in 2009** – 80 th. barrels per day
- **Cost of purchase** – \$1,951 mln + net debt - \$60 mln



Refining Oil in Russia is More Profitable Than Exporting It



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



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		



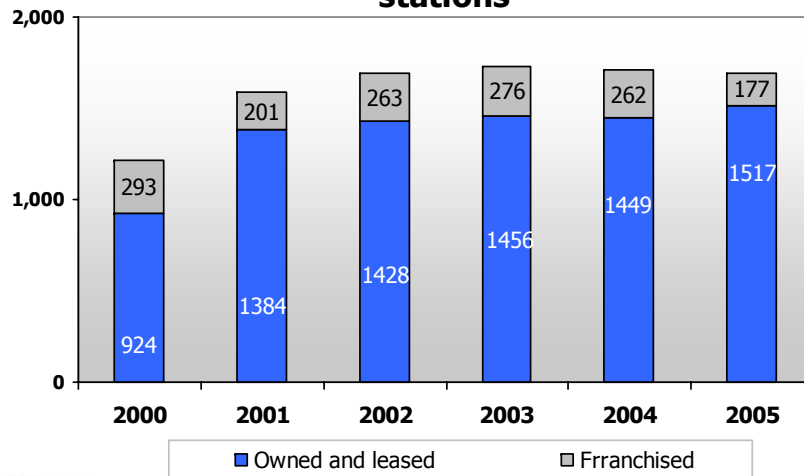
Current export tariffs make downstream operation more attractive vs. crude oil exports. LUKOIL gained around \$150 mln in 2005 due to raising throughputs at its Russia-based refineries.

*Considers domestic sales and exports.

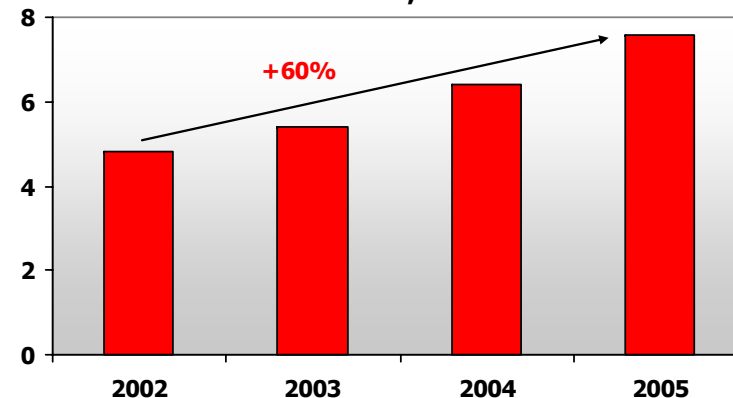


Russian Marketing: Increasing Capacities

Company's retail network in Russia, filling stations



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

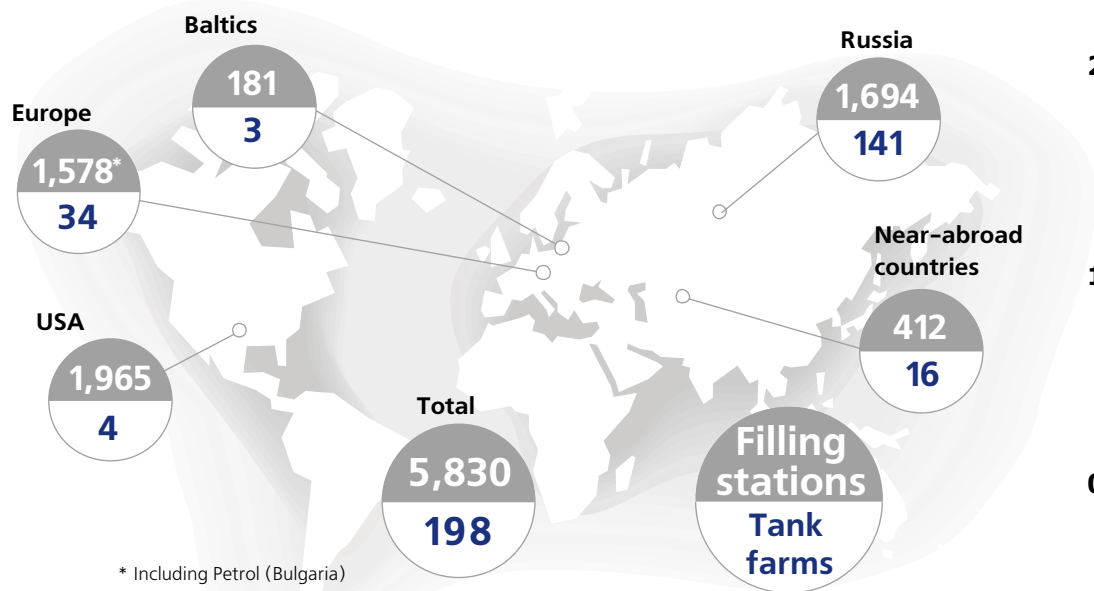


Acquisition of a 41.81% stake in Udmurtnefteproduct for \$25 mln

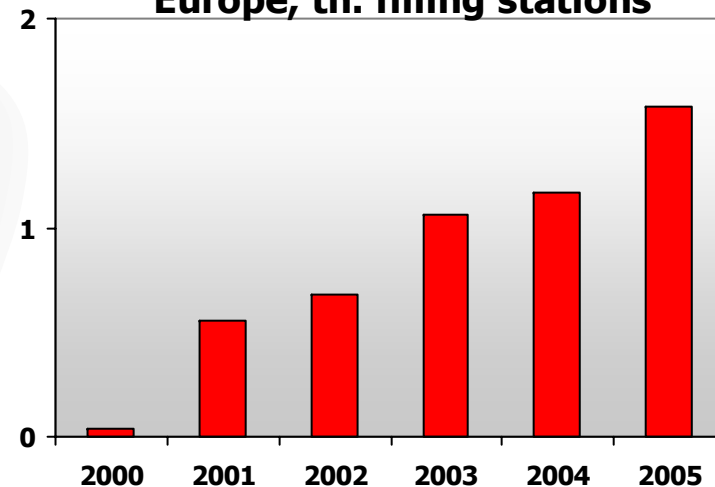
- Marketing of petroleum products from the Perm and Ufa Refineries
- More than **60%** share in petroleum product market of Udmurtiya
- More than **100** filling stations and **9** tank farms
- 2005 petroleum product sales – **433 th. tons** (**2.2%** of LUKOIL Group sales in Russia)
- Retail sales –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

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

LUKOIL retail network as of 01.01.2006



Company's retail network in Europe, th. filling stations



TEBOIL

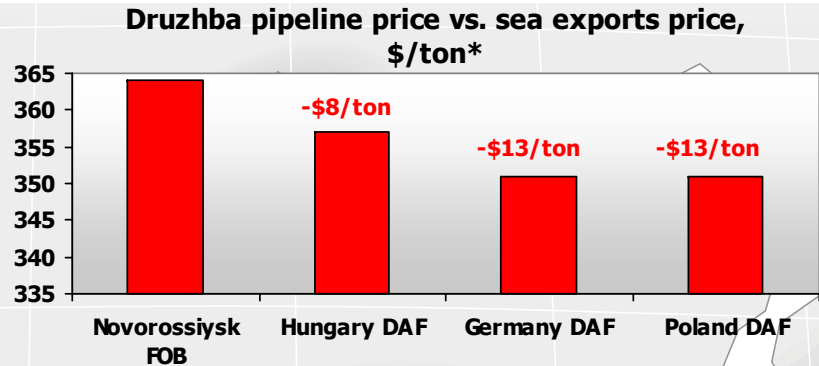
Oy Teboil Ab and Suomen Petrooli Oy acquisition for \$160 mln

- **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%

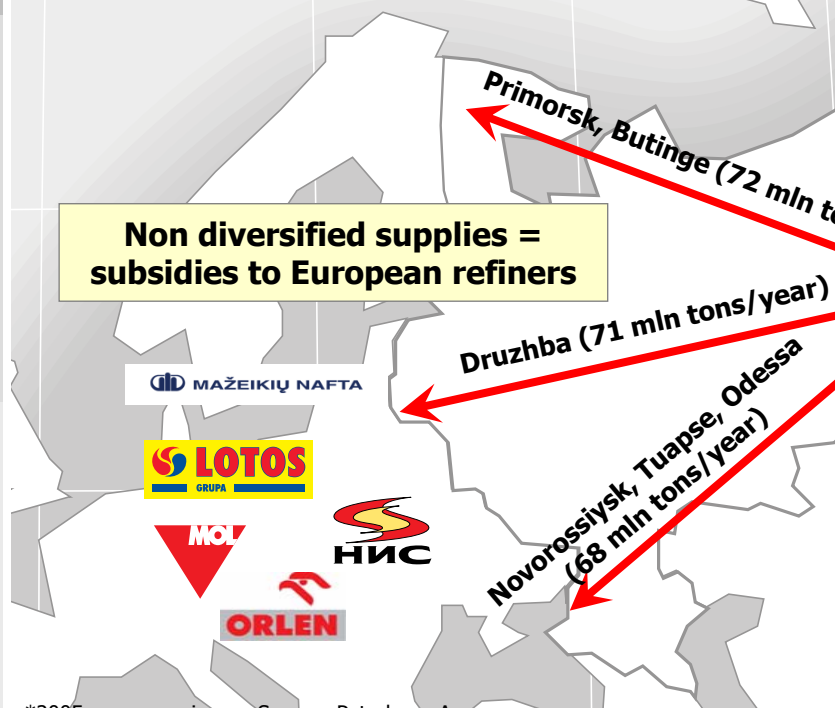


Eastern Siberia-Pacific Ocean Pipeline Will Improve Competitive Positions of Russian Suppliers

Limited export capacities and increase of the Brent-Urals spread result in losses for the Russian oil industry of about **\$7 bln per year**



ESPO construction will allow to switch some export volumes to the East. Total pipeline export capacities will exceed potential export volumes. The dependence of the exporters on the consumers will decrease, which will result in additional profits.



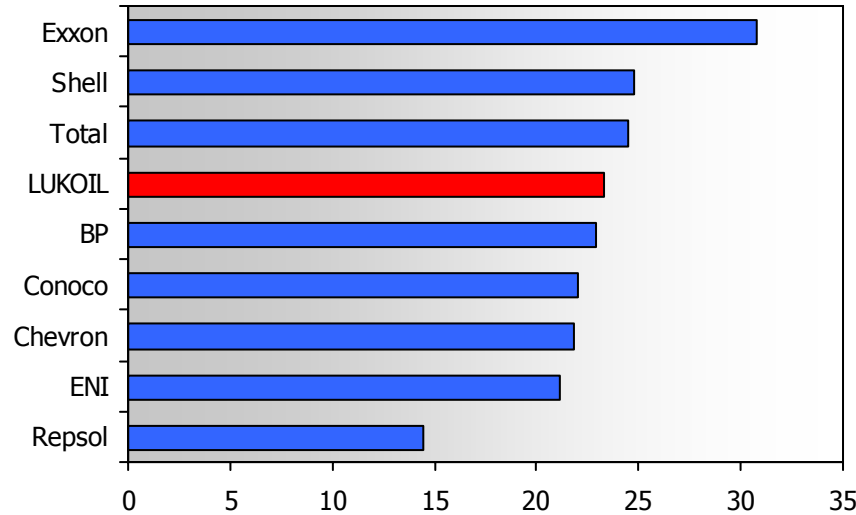
ESPO (30 mln tons by 2008 and 80 mln tons by 2014)

	Pipeline exports (main directions), mln t/year	Capacities, mln t/year
2004	180	200
2005	190	200
2009	--	240
2014	--	300

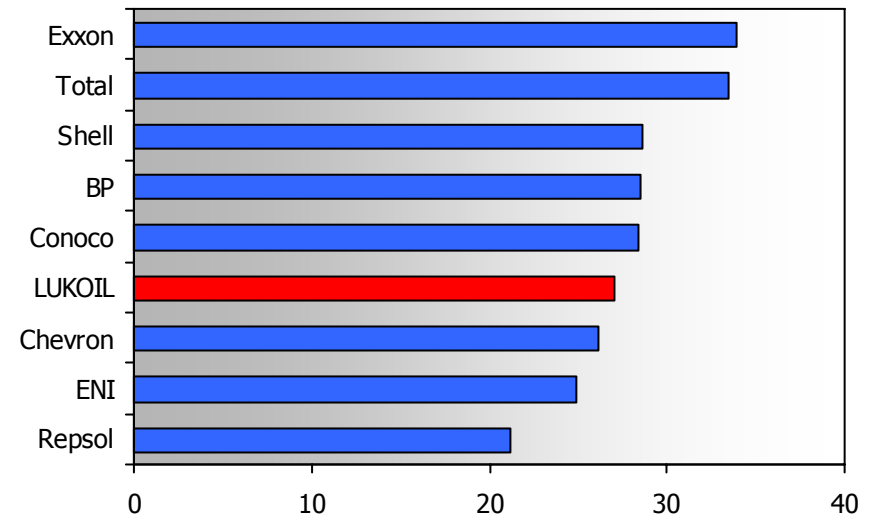


2005 Results in Comparison with Major International Oil & Gas Companies

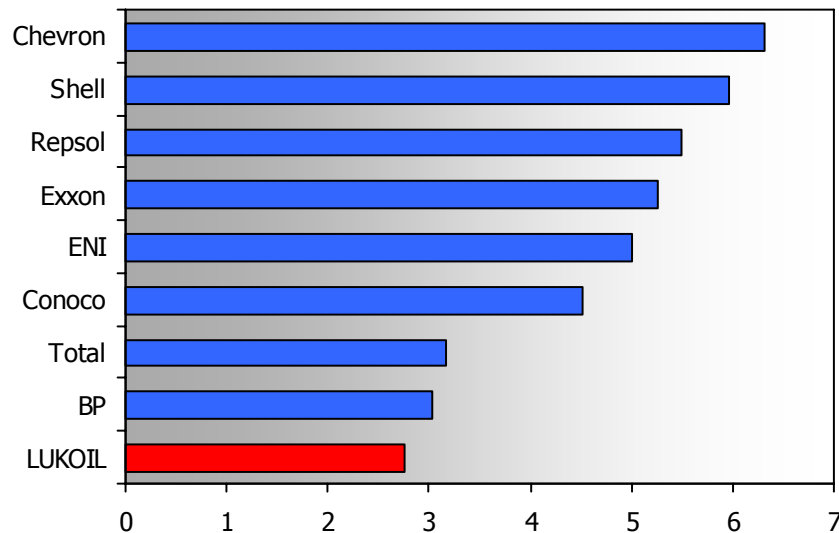
ROACE, %



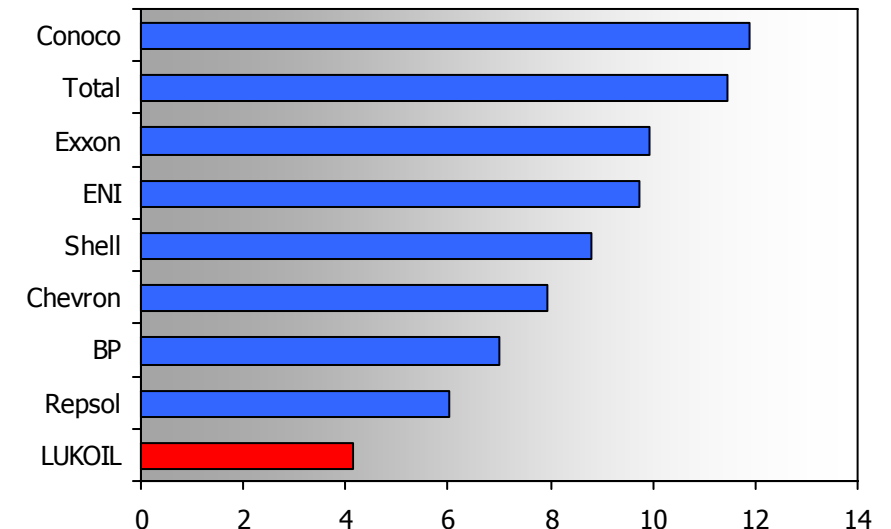
Return on equity, %



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;**



- **Dividend payout ratio may reach 40%;**



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



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



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



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



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