



1Q 2007 Financial Results (US GAAP)

June 2007



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 – \$1,299 mln (+24.7% q-o-q)



Production of marketable hydrocarbons – 2,239 th. boe per day (+7.3 %):

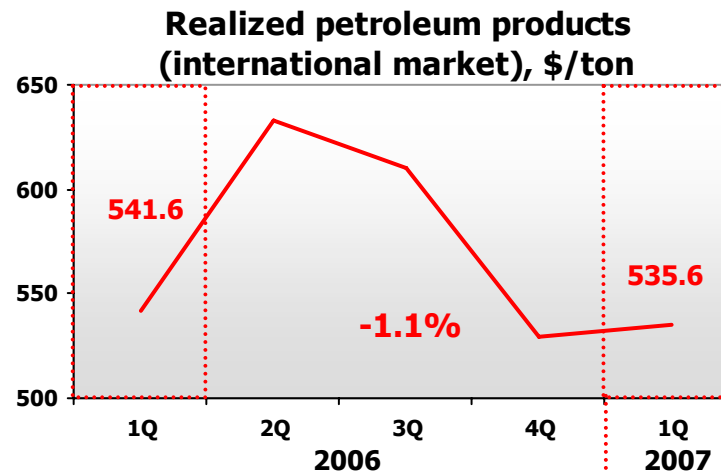
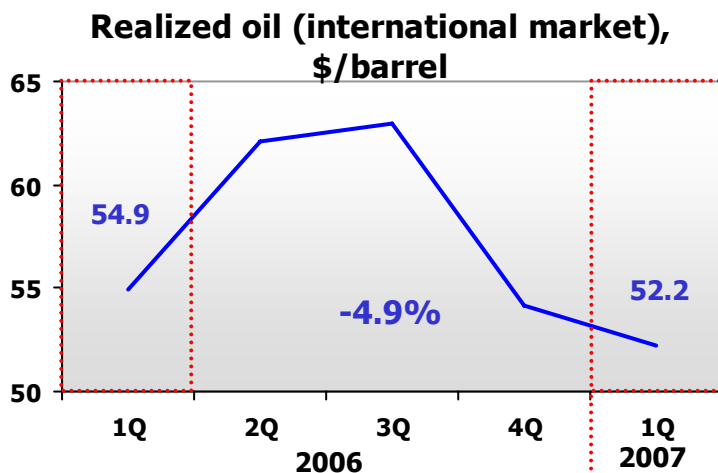
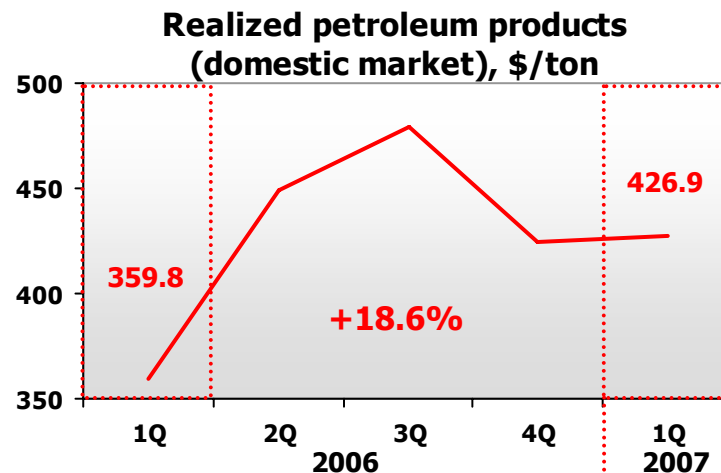
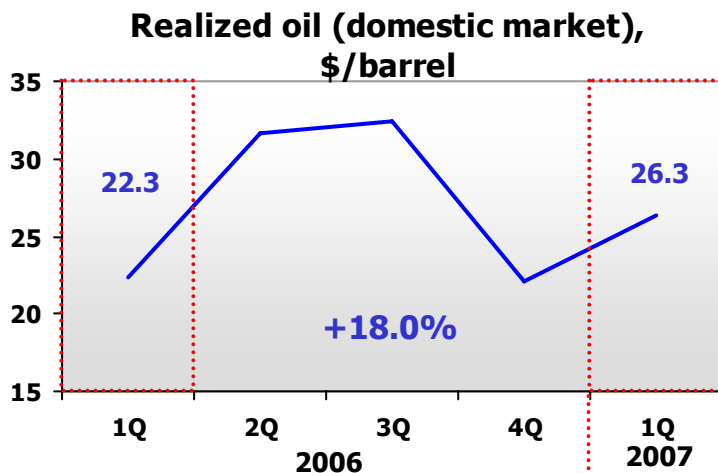
- **Oil production – 2,005 th. bpd (+6.5%)**
- **Gas production – 234 th. boe per day (+14.1%)**



Refinery throughputs – 988* th. bpd (+0.6%)



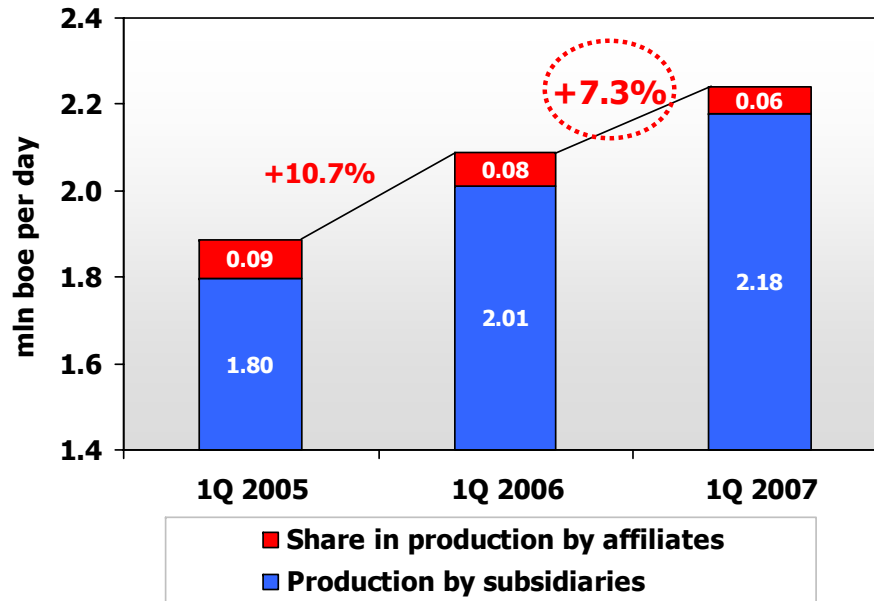
Economic Environment



1Q 2007	4Q 2006	Δ, %		1Q 2007	1Q 2006	Δ, %
3.4	1.7		Inflation, %	3.4	5.0	
4.7	3.4		Real ruble appreciation against dollar, %	4.7	8.8	
5,635	6,298	-10.5	Total taxes paid, \$ mln	5,635	5,130	+9.8



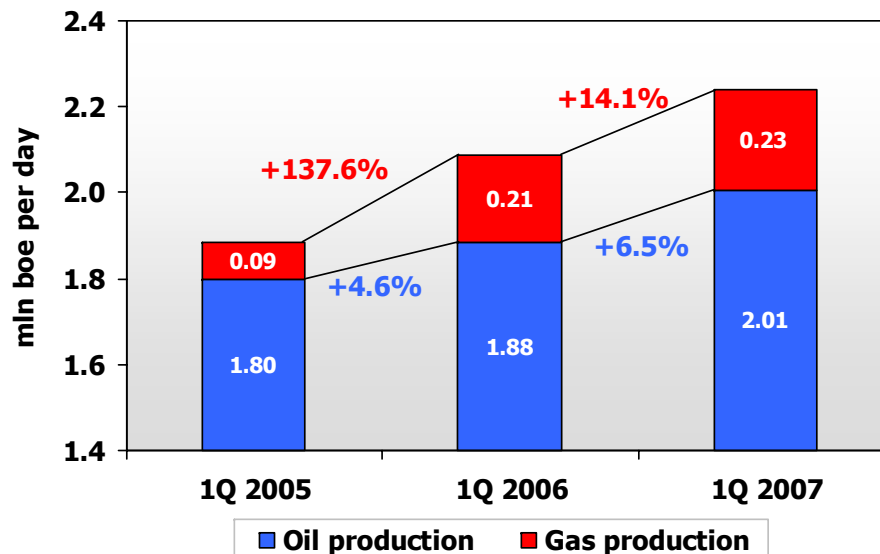
Marketable Hydrocarbon Production: Maintaining High Growth Rates



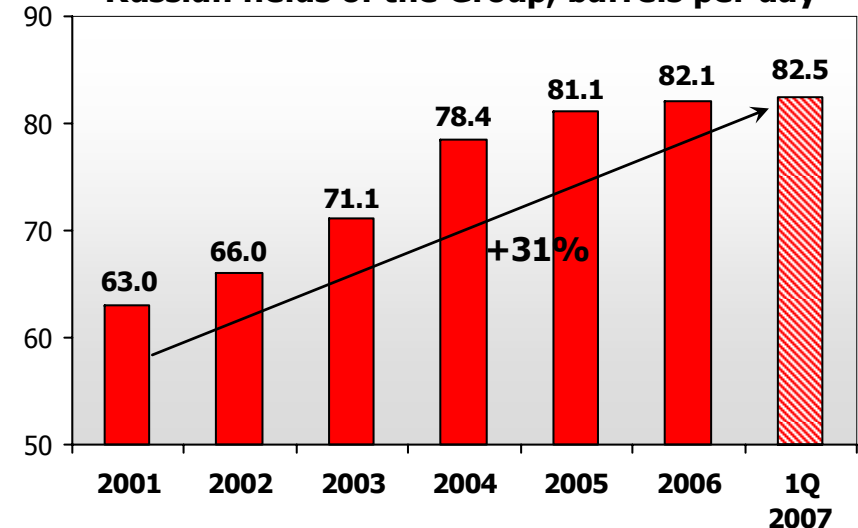
Production of marketable hydrocarbons by LUKOIL Group rose by **7.3% y-o-y**, to 2.239 mln boe per day in 1Q 2007 (organic growth was 5.3%)

Production of crude oil exceeded **2 mln barrels per day** and amounted to 180.5 mln barrels (24.4 mln tons), which is **6.5%** higher y-o-y.

Production of marketable natural and associated gas increased by **14.1%** (up to 3.6 bcm).

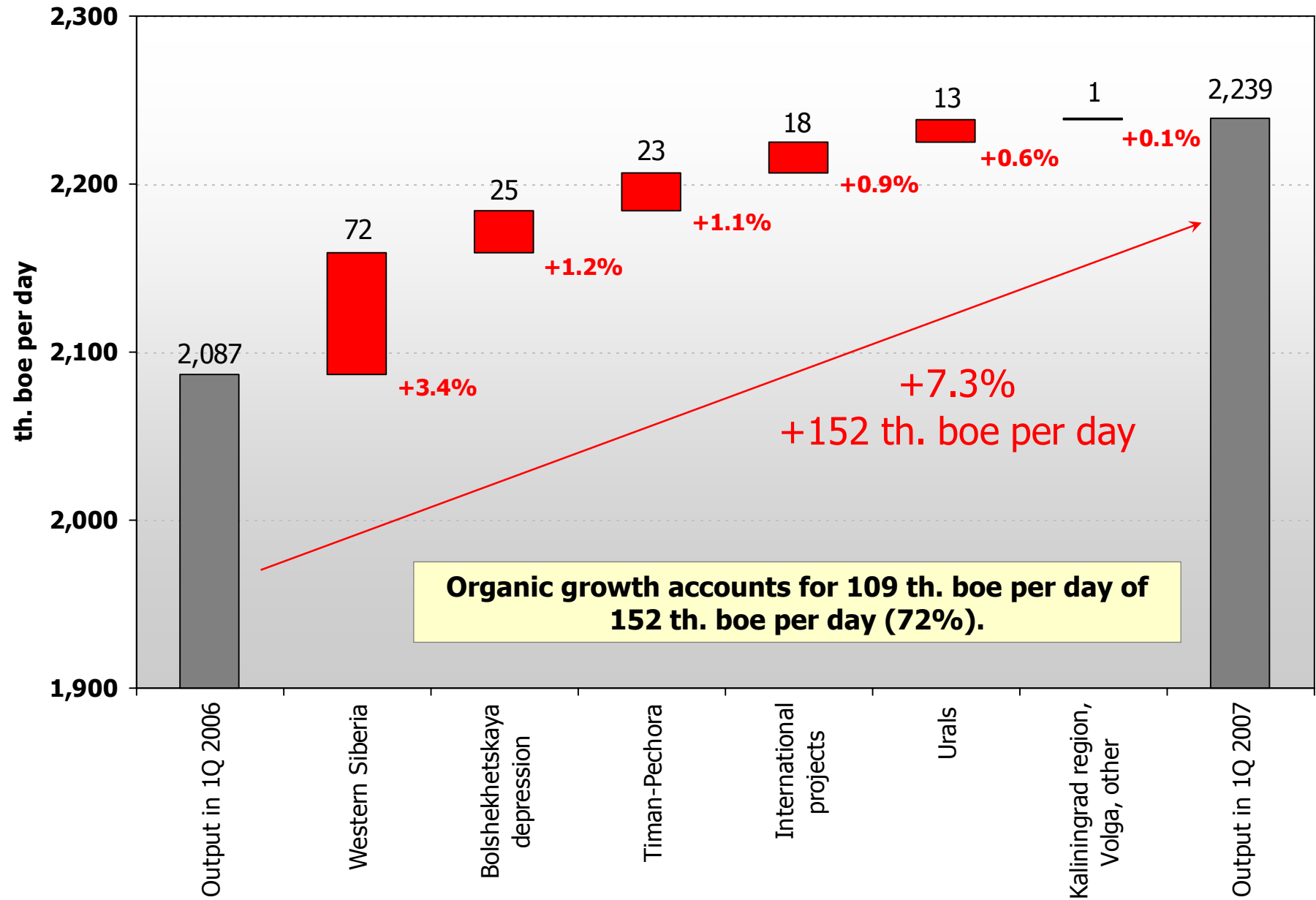


Average flow rate of oil production wells at Russian fields of the Group, barrels per day





Marketable Hydrocarbon Output Reconciliation (y-o-y)



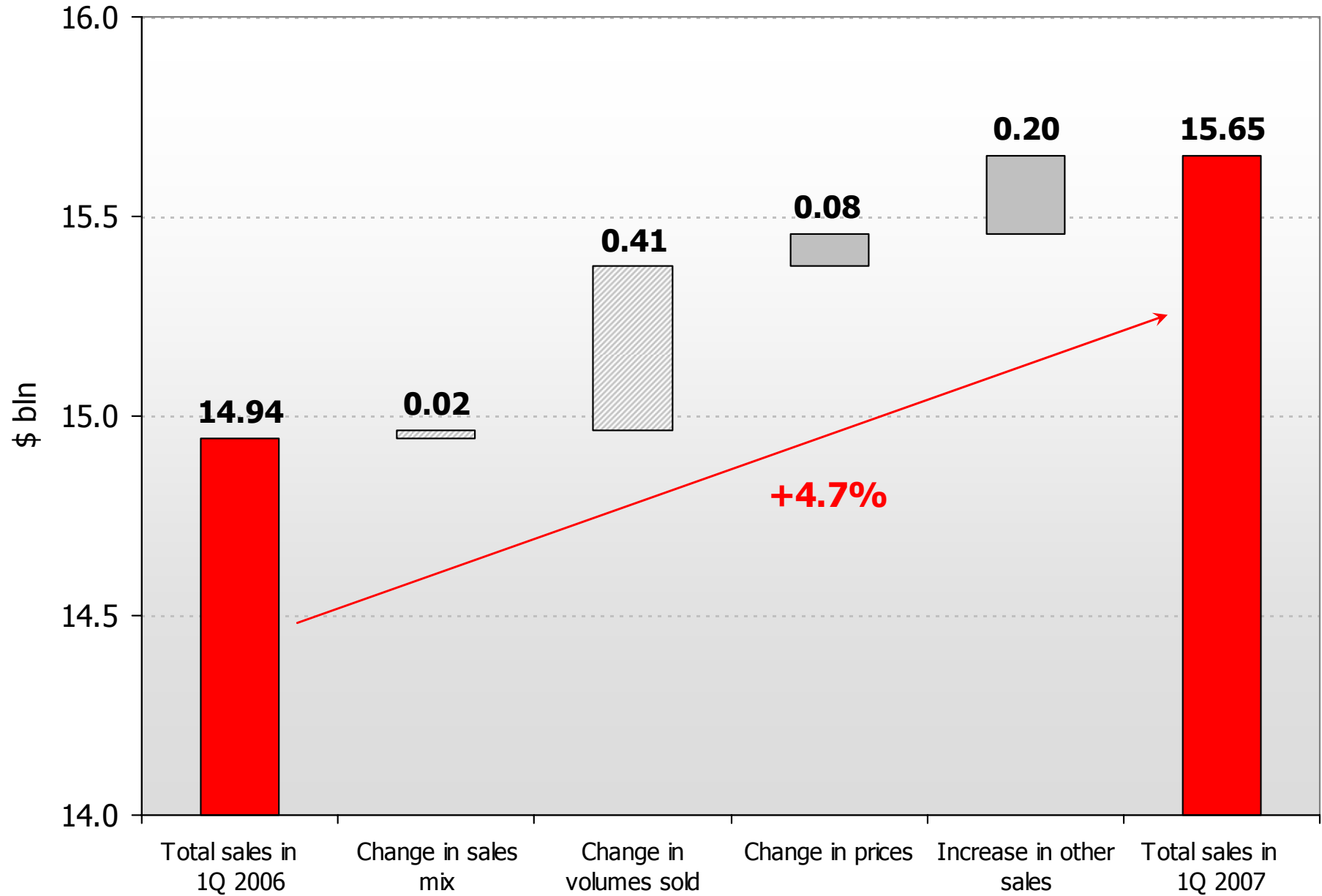


Financial Results

1Q 2007	4Q 2006	Δ ,%	\$ mln	1Q 2007	1Q 2006	Δ ,%
15,736	16,306	-3.5	Total revenue	15,736	15,041	+4.6
(1,443)	(1,314)	+9.8	Operating expenses	(1,443)	(925)	+56.0
(5,097)	(5,803)	-12.2	Taxes other than income taxes (including excise and export tariffs)	(5,097)	(4,456)	+14.4
1,876	1,614	+16.2	Income from operating activities	1,876	2,341	-19.9
1,837	1,537	+19.5	Income before income taxes	1,837	2,363	-22.3
1,299	1,042	+24.7	Net income	1,299	1,689	-23.1
1.56	1.26	+23.8	Basic EPS, \$	1.56	2.04	-23.5
2,432	2,121	+14.7	EBITDA	2,432	2,806	-13.3

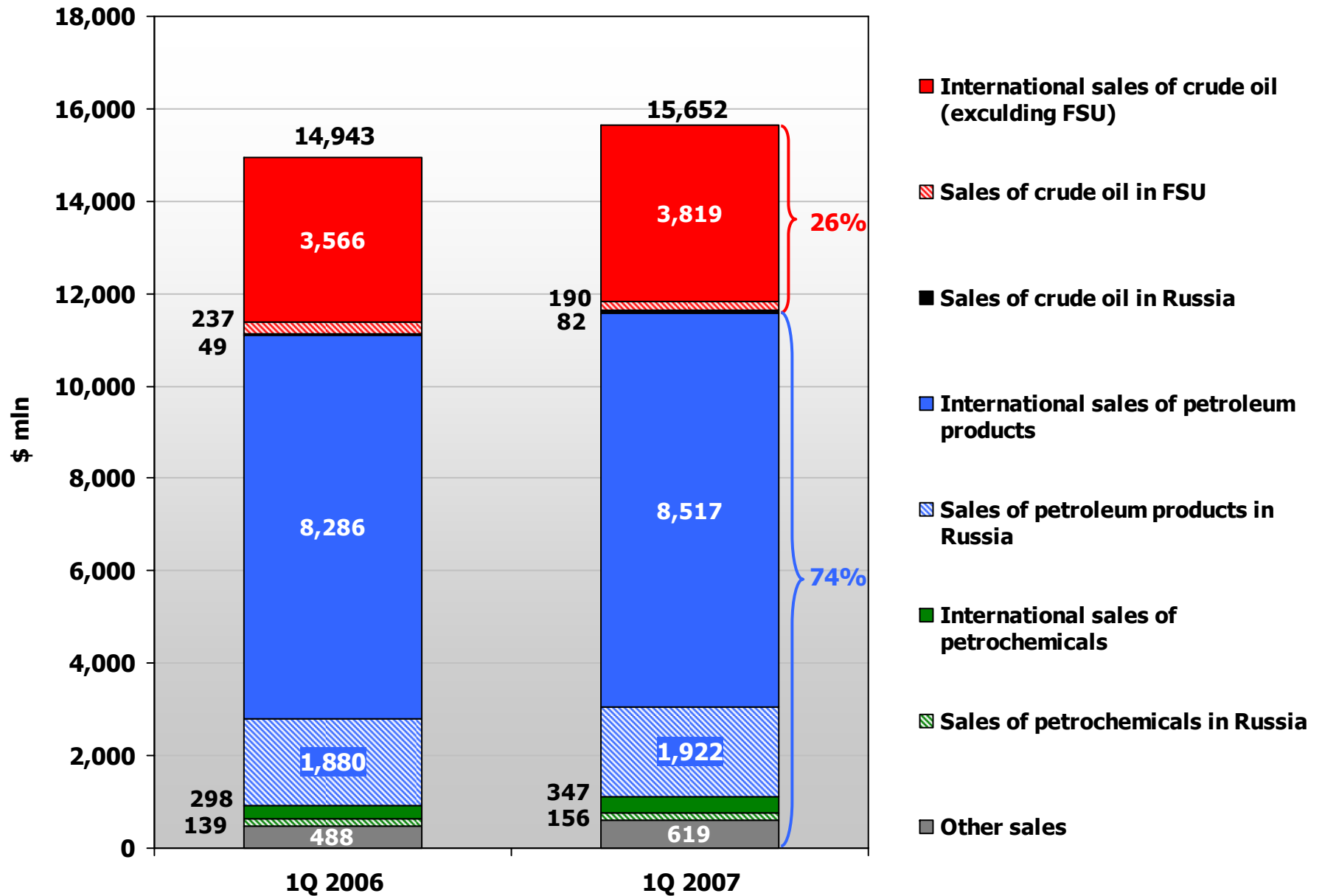


Sales Reconciliation





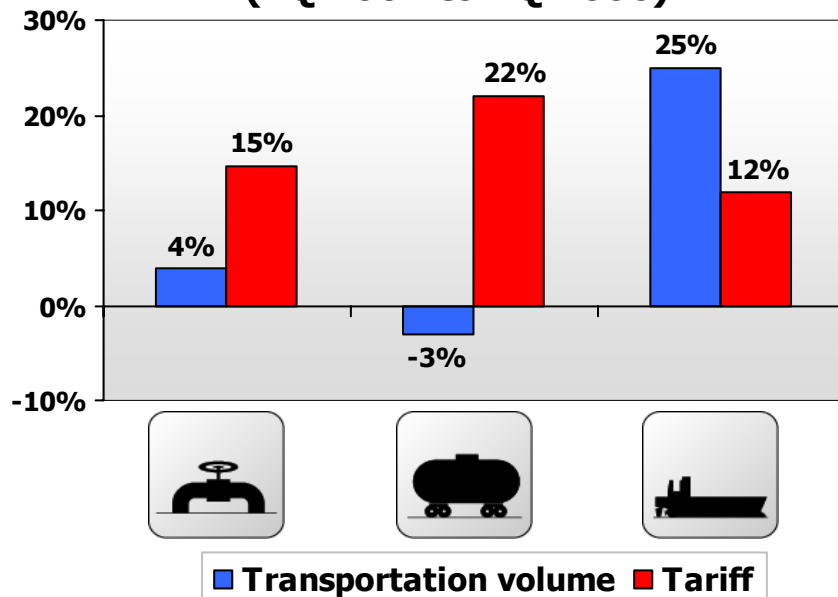
Sales Breakdown



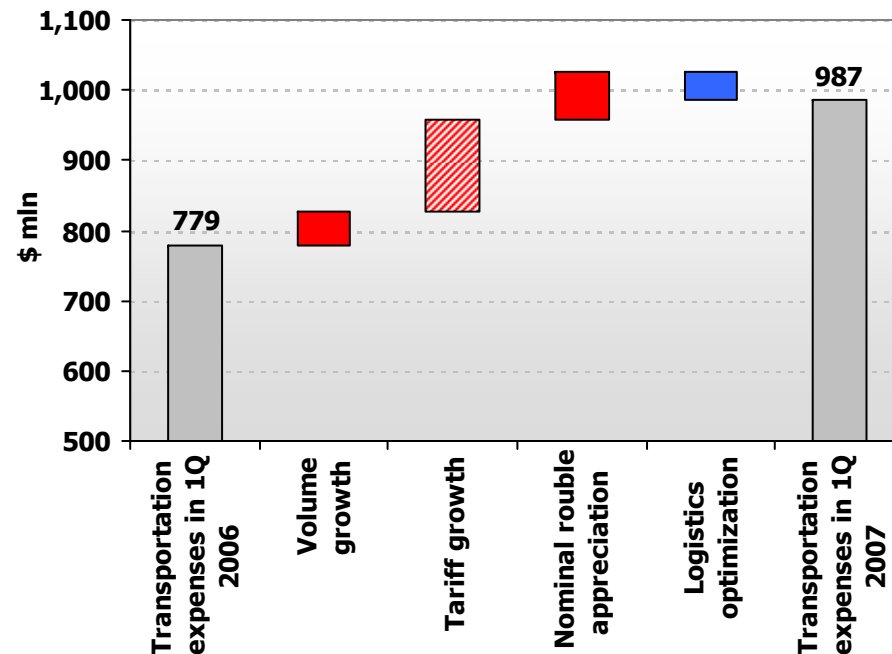


SG&A and Transportation Expenses

Transportation Expenses (1Q 2007 to 1Q 2006)



Transportation expenses reconciliation



1Q 2007	4Q 2006	Δ, %	\$ mln	1Q 2007	1Q 2006	Δ, %
987	987	-0.0	Transportation expenses	987	779	+26.7
663	745	-11.0	Other selling, general and administrative expenses	663	761	-12.9
1,650	1,732	-4.7	Total	1,650	1,540	+7.1

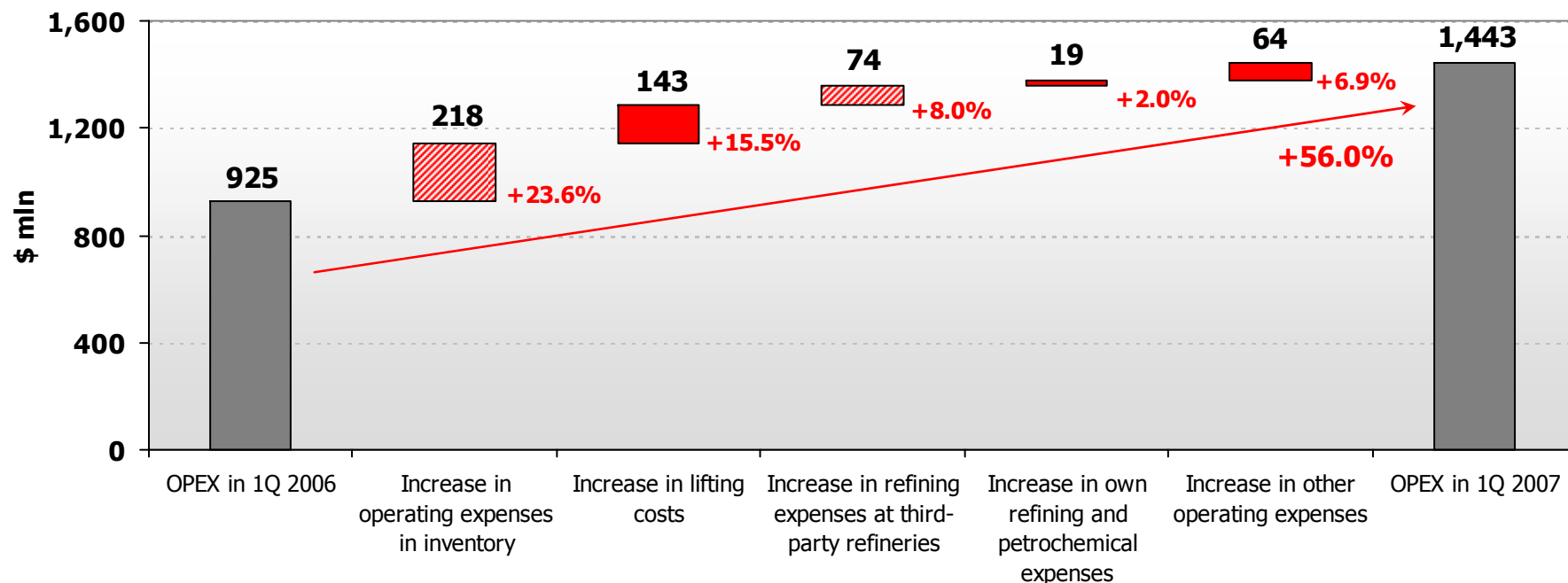


Operating Expenses

1Q 2007	4Q 2006	Δ, %	\$ mln	1Q 2007	1Q 2006	Δ, %
651	630	+3.3	Hydrocarbon lifting costs	651	508	+28.1
192	202	-5.0	Own refining expenses	192	176	+9.1
66	98	-32.7	Refining expenses at third-party refineries	66	40	+65.0
48	-	-	Excise included in processing fee paid to third-party refineries	48	-	-
64	60	+6.7	Petrochemical expenses	64	61	+4.9
189	181	+4.4	Crude oil transportation to own refineries	189	171	+10.5
217	259	-16.2	Other operating expenses	217	171	+26.9
16	(116)	-	Change in operating expenses in crude oil and refined products inventory originated within the Group	16	(202)	-
1,443	1,314	+9.8	Total	1,443	925	+56.0
5,050	5,128	-1.5	Cost of purchased crude oil, gas and products	5,050	5,344	-5.5



Operating Expenses Reconciliation

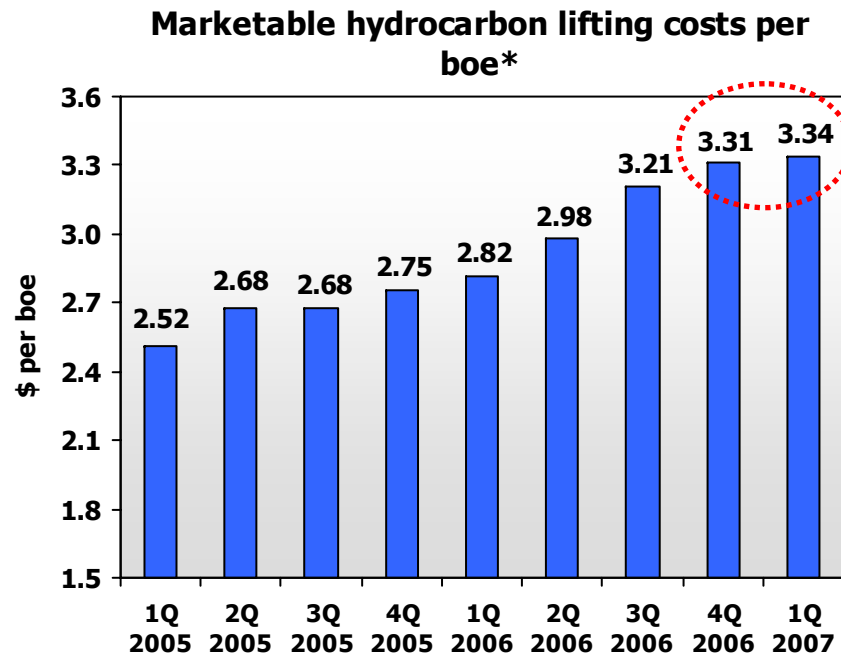
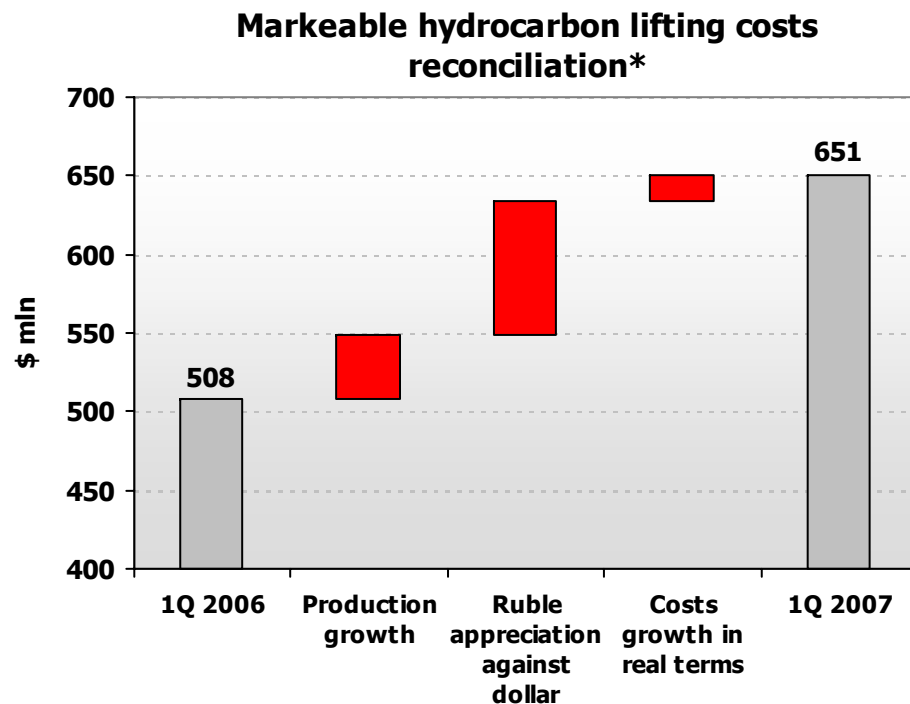


The substantial growth of operating expenses y-o-y was caused by the following factors:

- **real ruble appreciation**, which reached 15.5% y-o-y and affected all operating expense items
- **change in operating expenses in crude oil and refined products inventory originated within the Group** (sales volumes exceeded production, while in 1Q 2006 they were less than production)
- **growth of refining expenses at third-party refineries due to amendments to Russian legislation** (excise is now included in processing fee paid to third-party refineries)
- **increase in lifting costs** which was caused by production growth, new assets acquisition and other factors



Dynamics of Hydrocarbon Lifting Costs



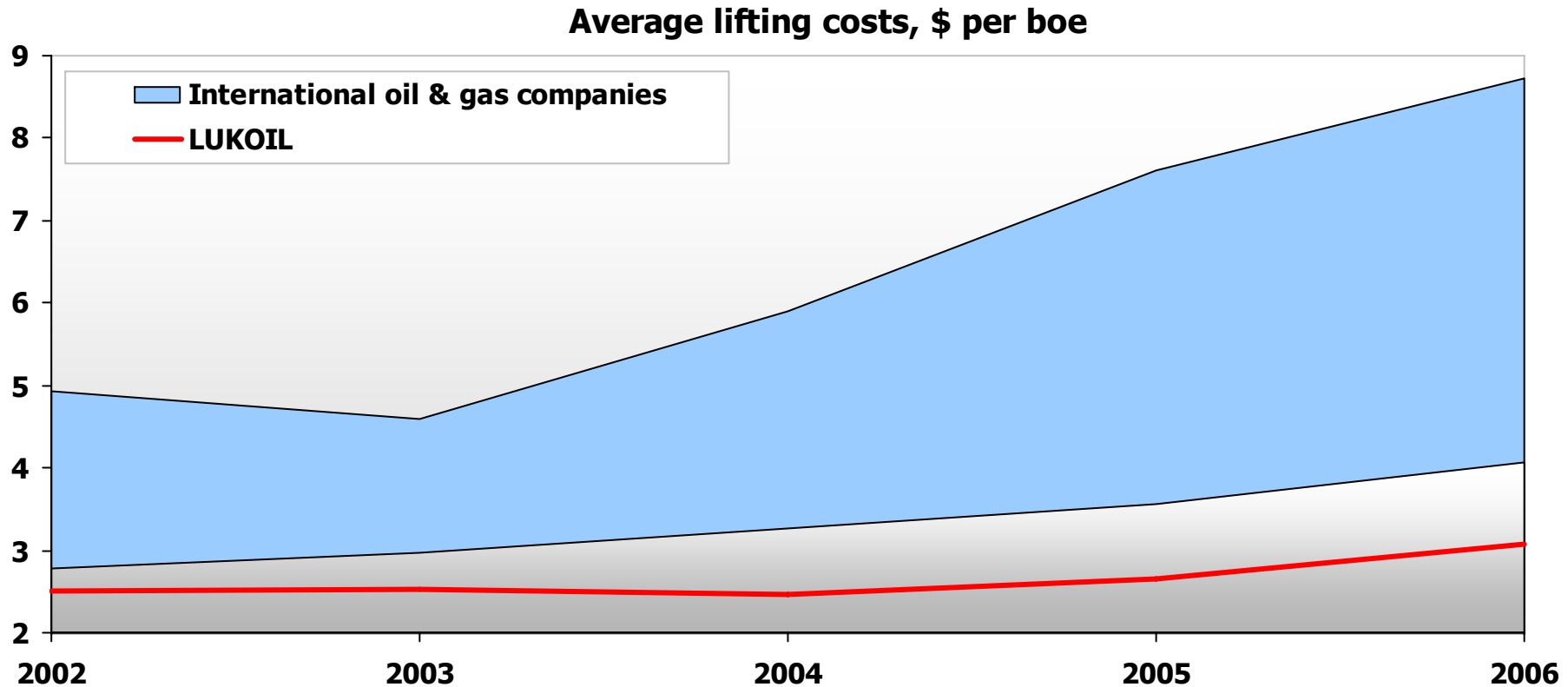
In 1Q 2007 lifting costs per boe of production increased by 18.4% y-o-y. Real ruble appreciation against dollar was 15.5% y-o-y.

Lifting costs in real terms increased approximately by 3% y-o-y.

After a rather fast growth of lifting costs per boe in 2006, partly caused by new assets acquisition (lifting costs of which are above the Group average), lifting costs per boe have stabilized. In 1Q 2007 they increased by just 0.9% q-o-q which is considerably below inflation and real ruble appreciation rates.



LUKOIL's Lifting Costs Per Barrel are Considerably Lower than Those of International Oil & Gas Majors



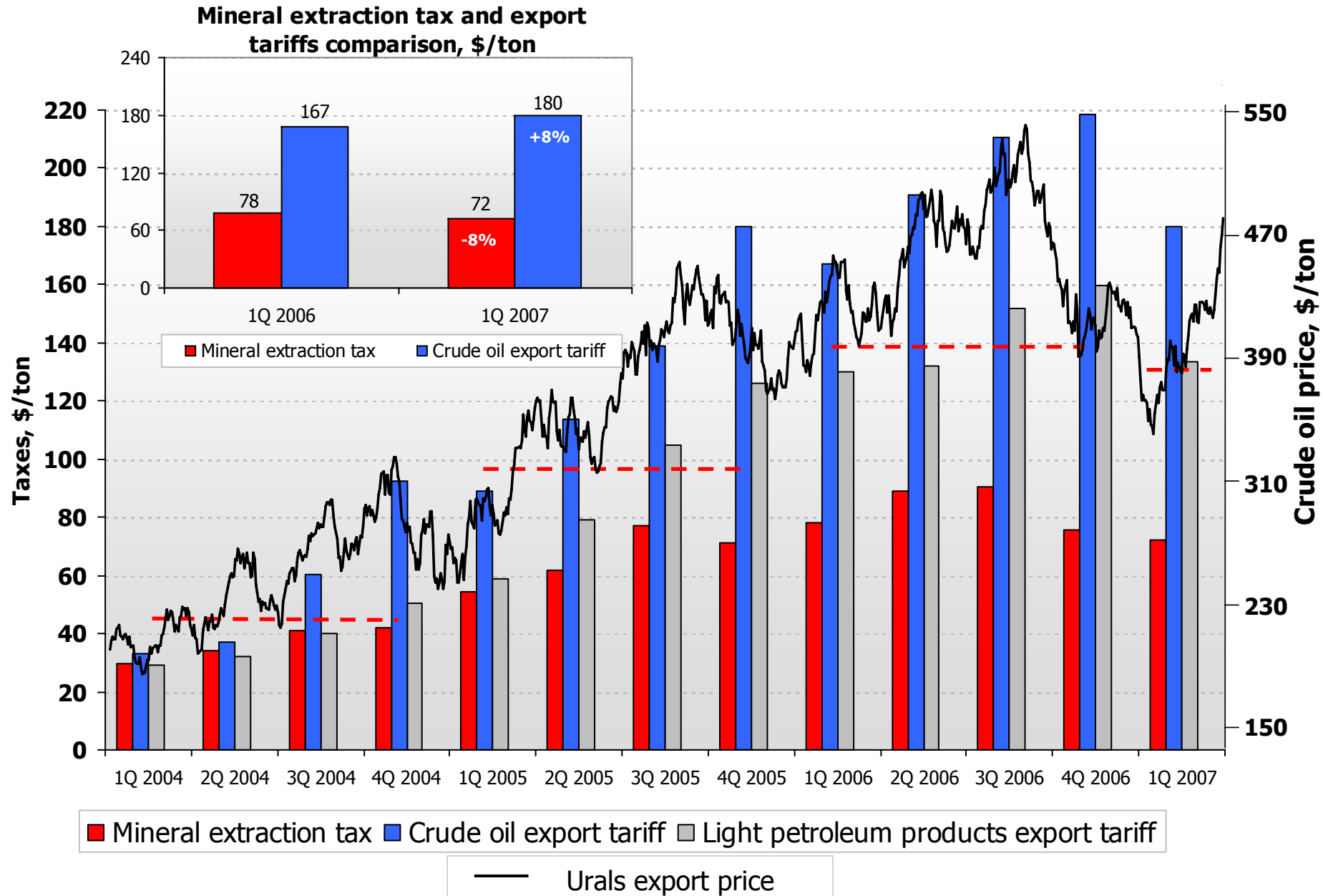
LUKOIL has successfully suppressed the growth of lifting costs for 5 years despite increase in subcontractors prices by 3 times.

High quality reserves allow LUKOIL to maintain lifting costs at a level below that of international majors.

At the same time lifting costs of international oil & gas majors are increasing due to development of deep offshore fields, fields in the regions with severe climatic conditions and heavy oil reserves, as well as due to higher prices for development services.

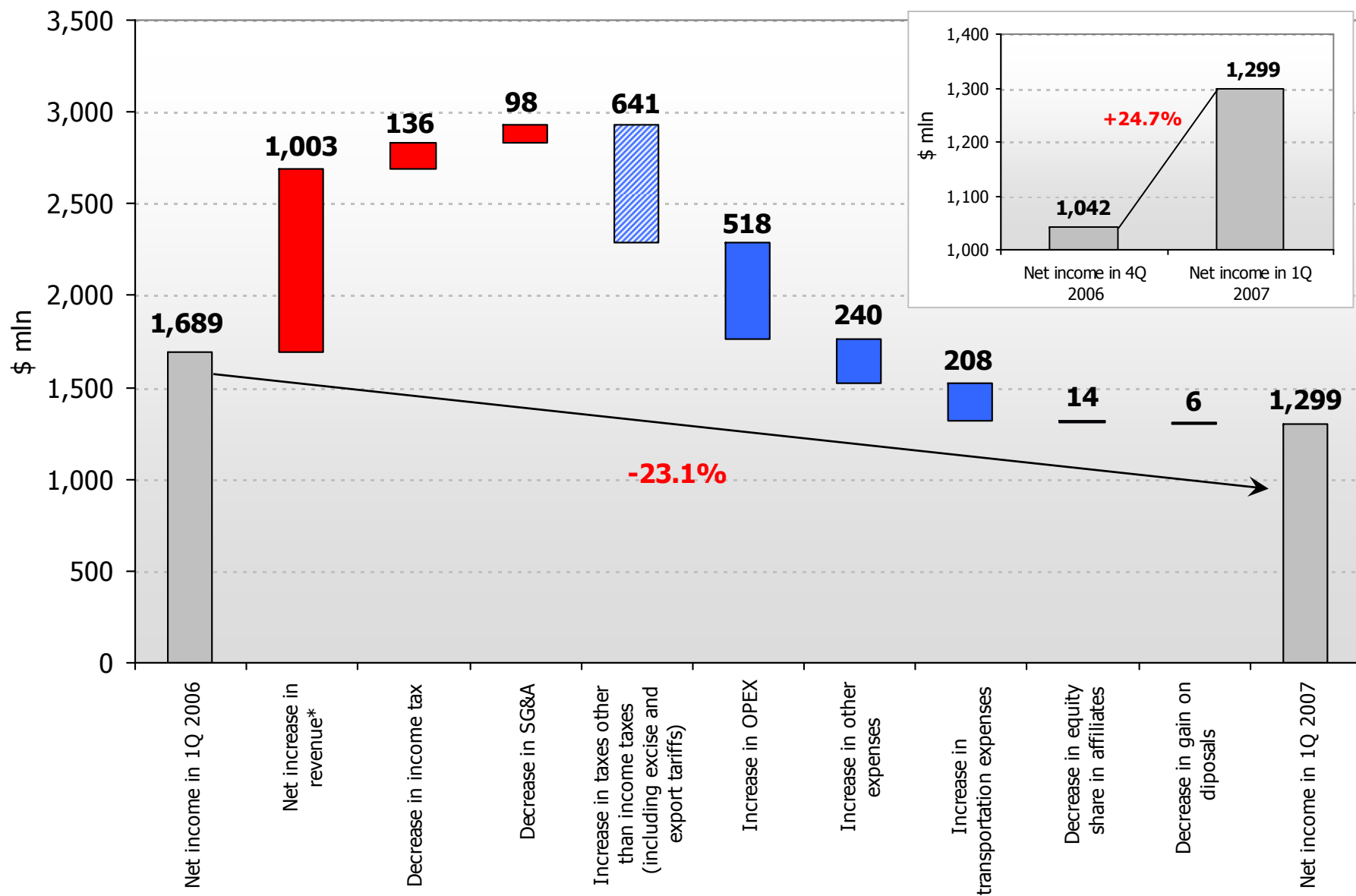


Tax Burden





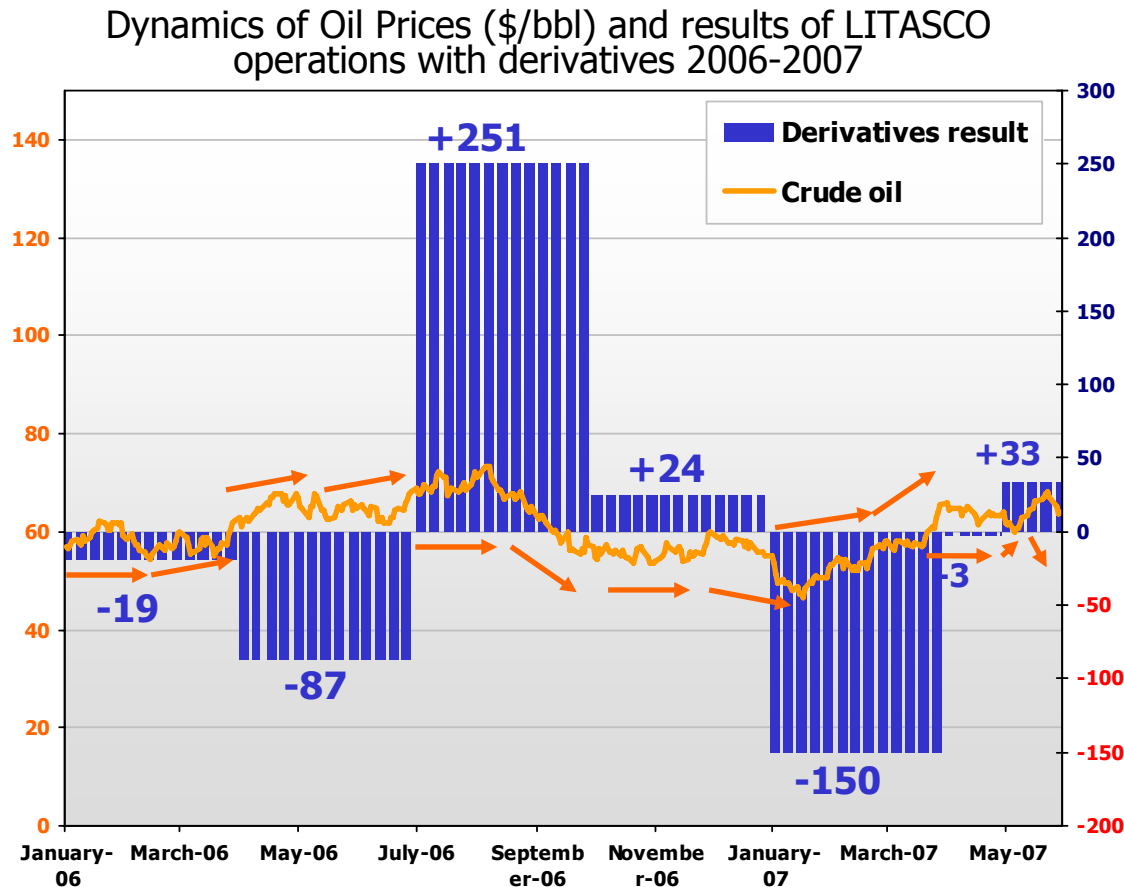
Net Income Reconciliation



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



Quarterly dynamics of LITASCO derivatives (not accounting physical contracts)



Quarterly Analysis of operations with derivatives in 2006:

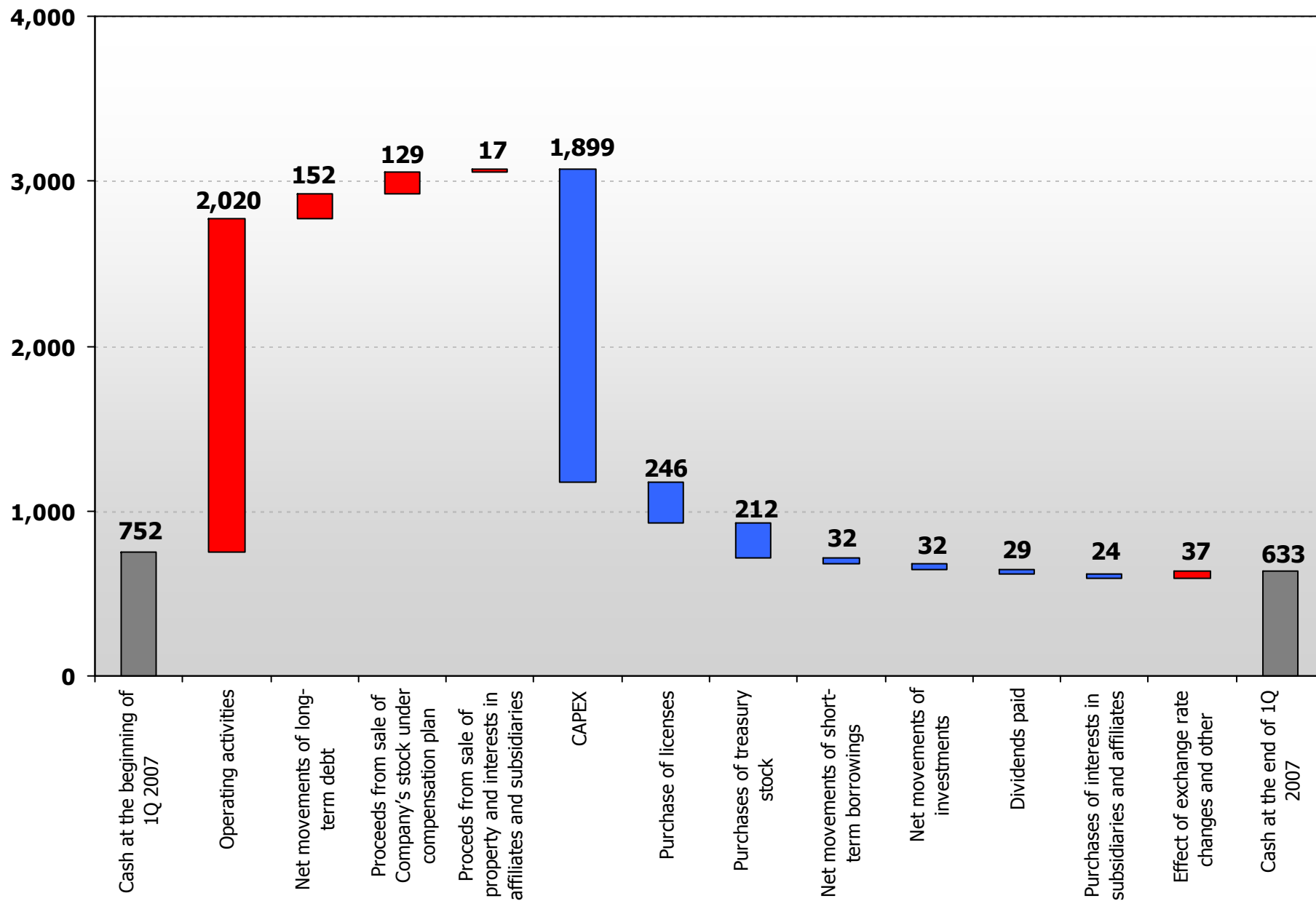
- In 1H06 financial results of operations with derivatives was negative caused by lightly increasing crude oil price trend
- In 3Q 06 sharp oil price fall from \$73/bbl down to \$55/bbl brought \$251 mn gain on derivatives
- In 4Q 06 volatile oil price trend brought \$24 mn gain on derivatives

Conclusion: Combined effect of operations with derivatives throughout 2006 amounted to \$170 mn gain. And compensated losses caused by operations with physical contracts due to oil price fall in 2H06.

- Rise in oil prices in 1Q07 caused negative results on operations with derivatives.
- Oil price volatility in April, May 2007 brought \$33 mn gain.



1Q 2007 Cash Flow Reconciliation





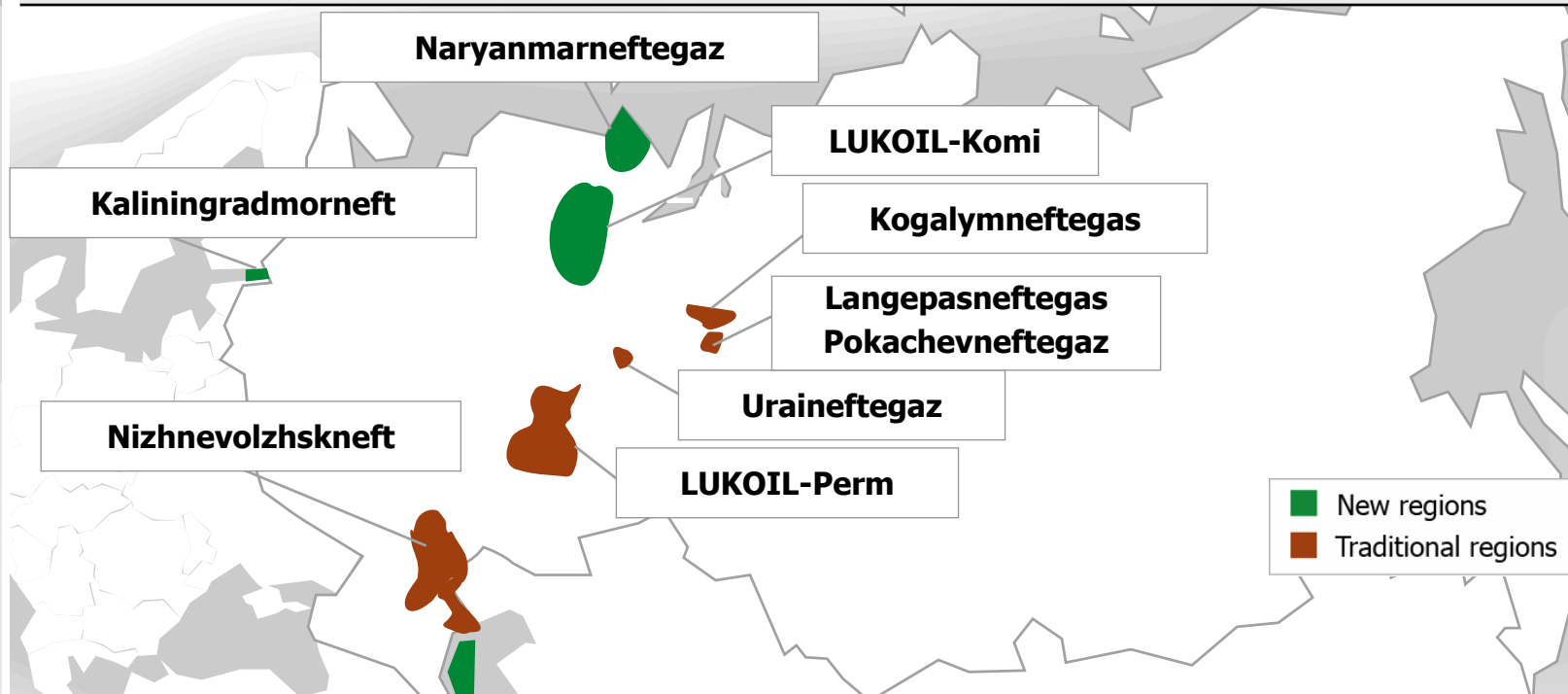
CAPEX Breakdown

1Q 2007	4Q 2006	Δ, %	\$ mln	1Q 2007	1Q 2006	Δ, %
1,716	1,738	-1.3	Exploration and production	1,716	839	+104.5
<i>1,565</i>	<i>1,447</i>	<i>+8.2</i>	<i>Russia</i>	<i>1,565</i>	<i>728</i>	<i>+115.0</i>
<i>151</i>	<i>291</i>	<i>-48.1</i>	<i>International</i>	<i>151</i>	<i>111</i>	<i>+36.0</i>
277	514	-46.1	Refining and marketing	277	283	-2.1
<i>149</i>	<i>284</i>	<i>-47.5</i>	<i>Russia</i>	<i>149</i>	<i>177</i>	<i>-15.8</i>
<i>128</i>	<i>230</i>	<i>-44.3</i>	<i>International</i>	<i>128</i>	<i>106</i>	<i>+20.8</i>
44	46	-4.3	Petrochemicals	44	26	+69.2
<i>18</i>	<i>33</i>	<i>-45.5</i>	<i>Russia</i>	<i>18</i>	<i>19</i>	<i>-5.3</i>
<i>26</i>	<i>13</i>	<i>+100.0</i>	<i>International</i>	<i>26</i>	<i>7</i>	<i>-</i>
25	66	-62.1	Other	25	15	+66.7
2,062	2,364	-12.8	Total (cash and non-cash)	2,062	1,163	+77.3



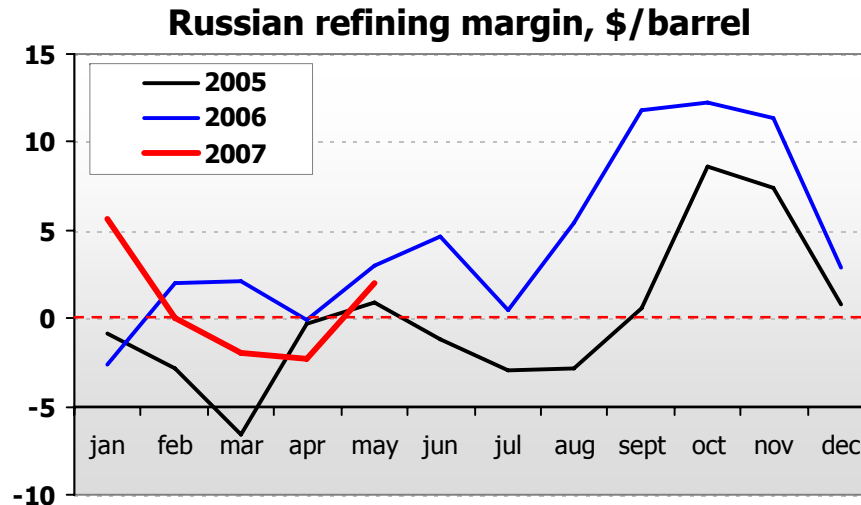
E&P Capex

1Q 2007	4Q 2006	Δ, %	\$ mln	1Q 2007	1Q 2006	Δ, %
970	885	+9.6	Traditional regions	970	436	+122.5
746	853	-12.5	New regions	746	403	+85.1
<i>8</i>	<i>32</i>	<i>-75.0</i>	<i>Yamal</i>	<i>8</i>	<i>58</i>	<i>-86.2</i>
<i>547</i>	<i>478</i>	<i>+14.4</i>	<i>North of Timan-Pechora</i>	<i>547</i>	<i>219</i>	<i>+149.8</i>
<i>52</i>	<i>73</i>	<i>-28.8</i>	<i>Caspian (including international projects)</i>	<i>52</i>	<i>45</i>	<i>+15.6</i>
<i>139</i>	<i>270</i>	<i>-48.5</i>	<i>Other international projects</i>	<i>139</i>	<i>81</i>	<i>+71.6</i>
1,716	1,738	-1.3	Total	1,716	839	+104.5

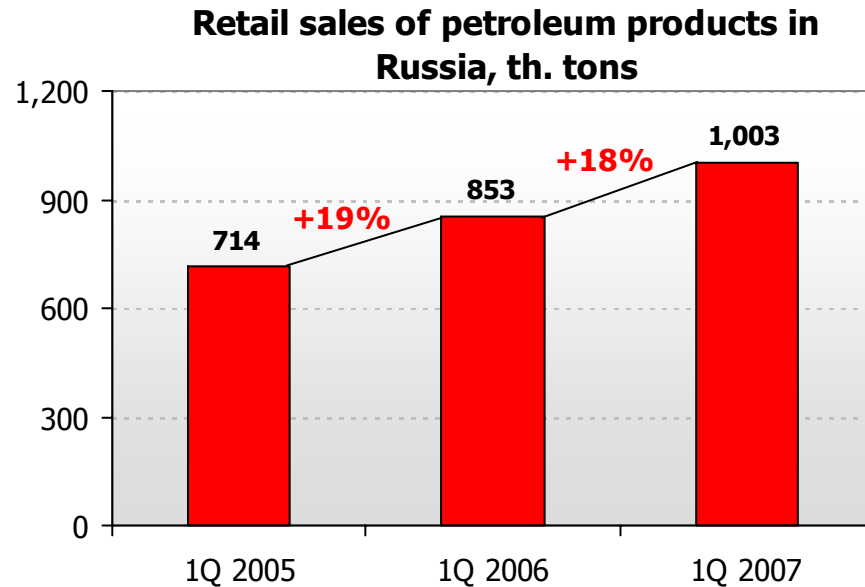
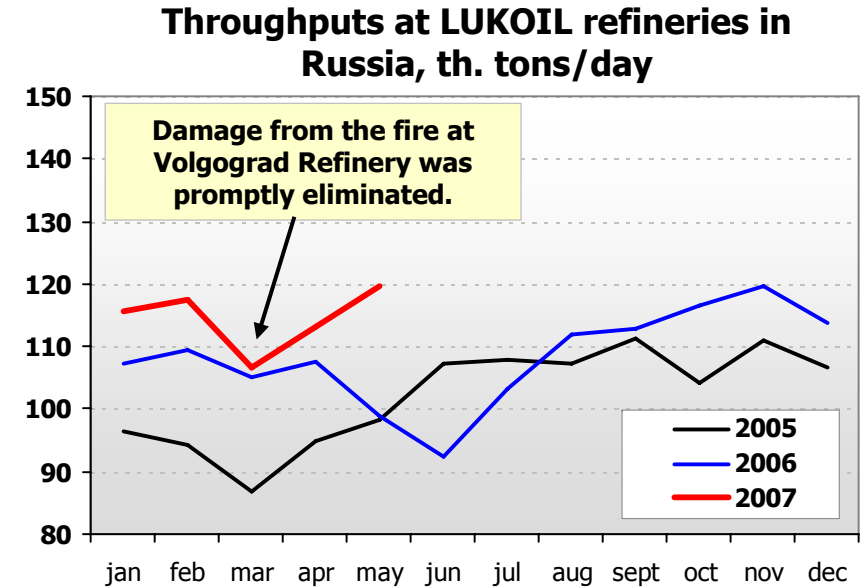




Oil Refining in Russia and Retail Sales of Petroleum Products



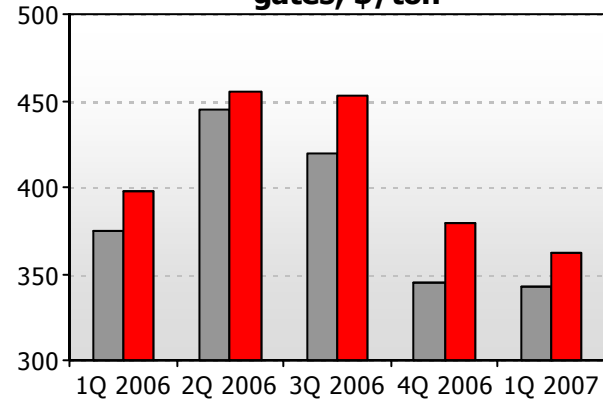
Source: LUKOIL (average refinery without catalytic cracking in European Russia).



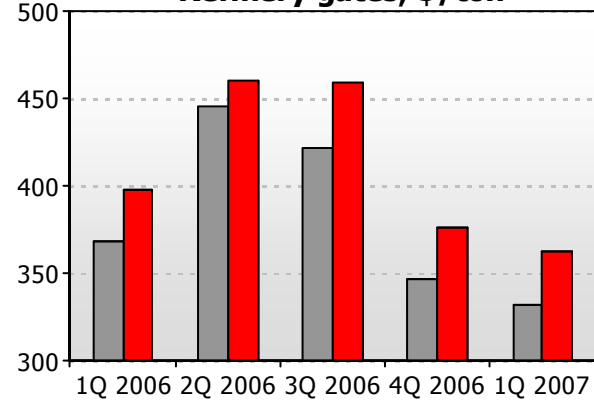


High Attractiveness of Russian Market

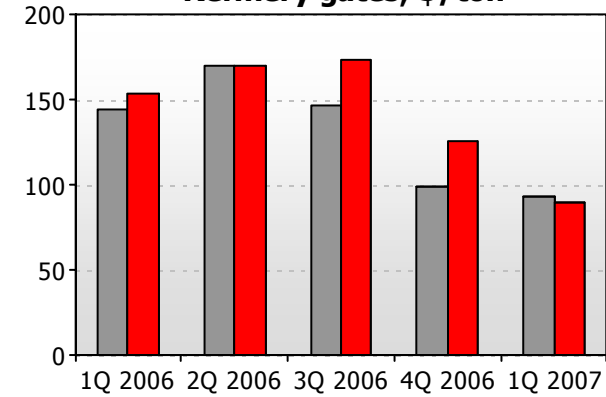
Diesel price at Volgograd Refinery gates, \$/ton



Diesel price at Nizhny Novgorod Refinery gates, \$/ton

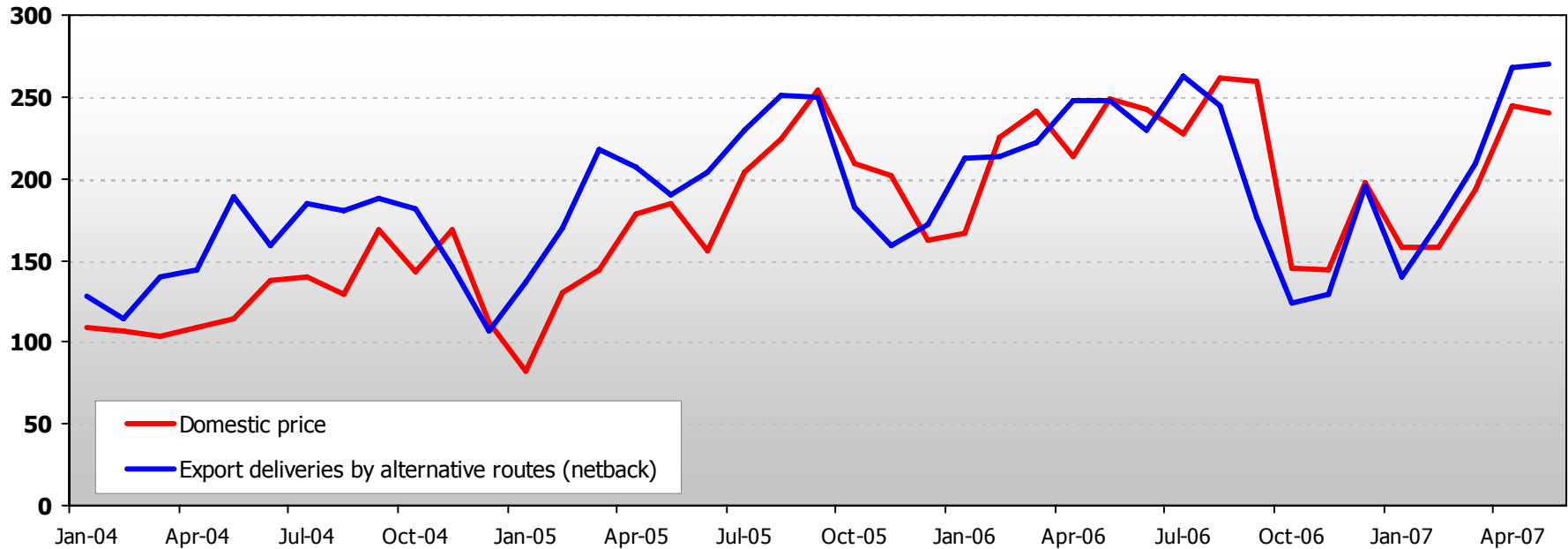


Fuel oil price at Nizhny Novgorod Refinery gates, \$/ton



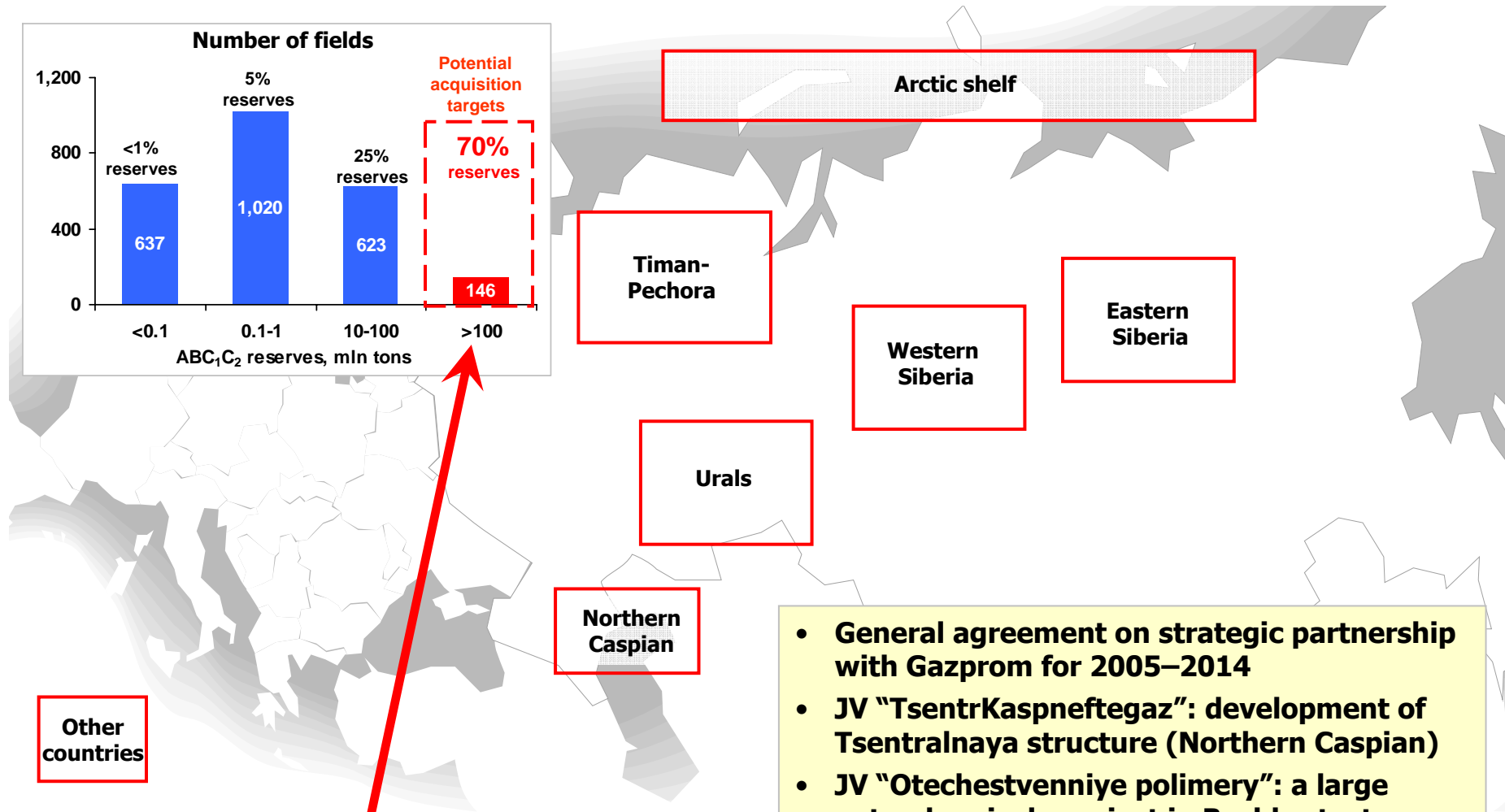
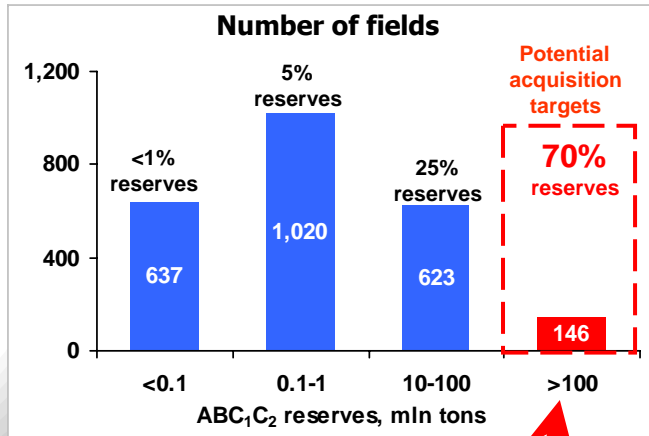
■ Exports ■ Domestic sales

Crude oil price comparison (domestic sales vs. export sales), \$/ton





Partnership with Gazprom neft – Comfortable Access to Untapped and Undistributed Reserves Base in Russia



Memorandum of understanding providing for creation of JV for exploration and hydrocarbon production. (LUKOIL share – 49%, Gazprom neft share – 51%.)

- **General agreement on strategic partnership with Gazprom for 2005–2014**
- **JV “Tsentrikasneftegaz”:** development of Tsentralnaya structure (Northern Caspian)
- **JV “Otechestvenniye polimery”:** a large petrochemicals project in Bashkortostan Republic
- **Supply agreement of LUKOIL’s gas from Nakhodkinskoye field in Bolshekhetskaya Depression (Yamal-Nenets Autonomous District)**



Debut Unsecured Eurobond Issue: Best Results Among Russian Companies

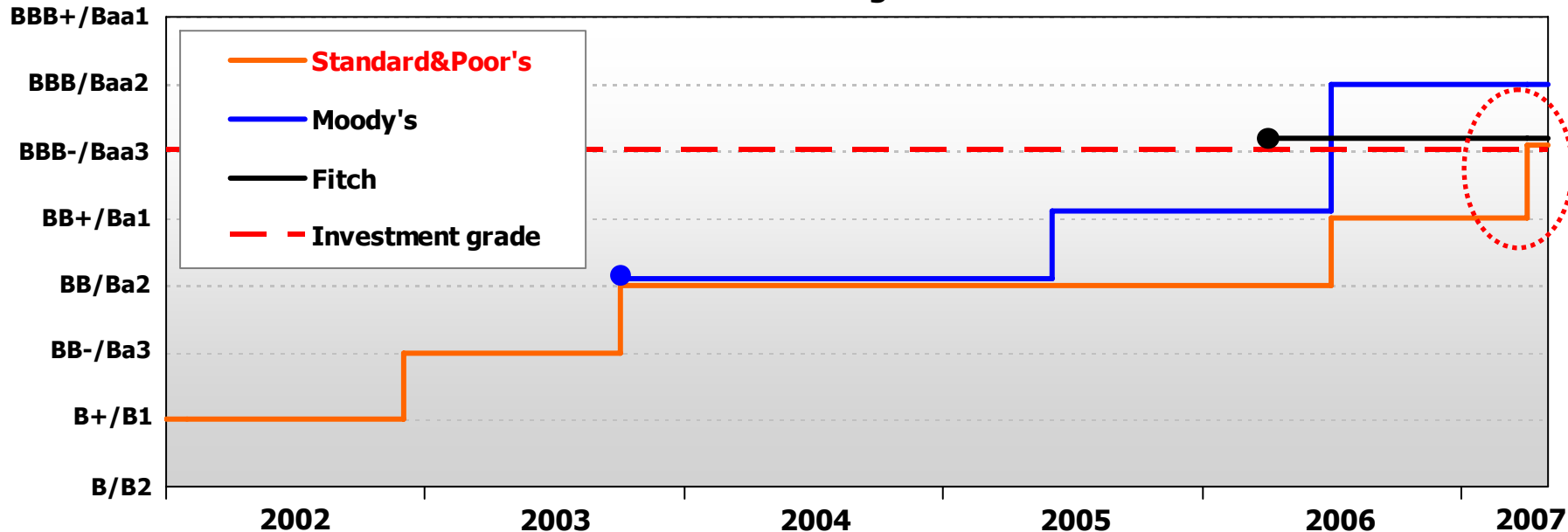
- Raising of **\$1 bln** on the international market on a long-term basis
- **Record maturity** for a **debut unsecured Eurobond issue** among Russian companies
- **Record low coupon** among Russian private companies (for securities with 10- and 15-year maturity)
- Company's 10-year bonds yield is **equal to / below Gazprom's yield curve** (confirmed by independent estimates of Bloomberg and Euroweek)
- High demand from investors: **6-times oversubscription** of the issue
- Creation of a **new broad base of loyal investors**

10-year Eurobonds	Characteristics	15-year Eurobonds
500	Amount, \$ mln	500
6.356%	Coupon	6.656%
6/7/2017	Maturity date	6/7/2022
Baa2/BBB-/BBB-	Rating	Baa2/BBB-/BBB-
London	Listing	London

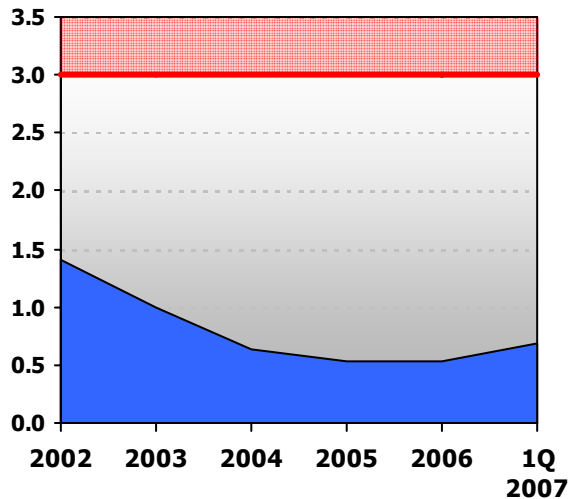


Credit Rating Raised to Investment Grade

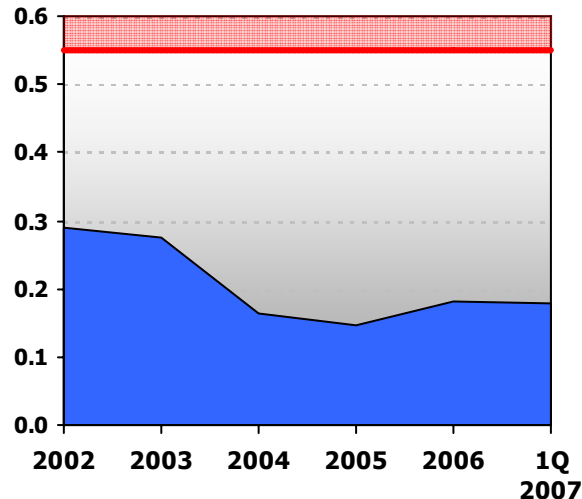
Credit rating of LUKOIL



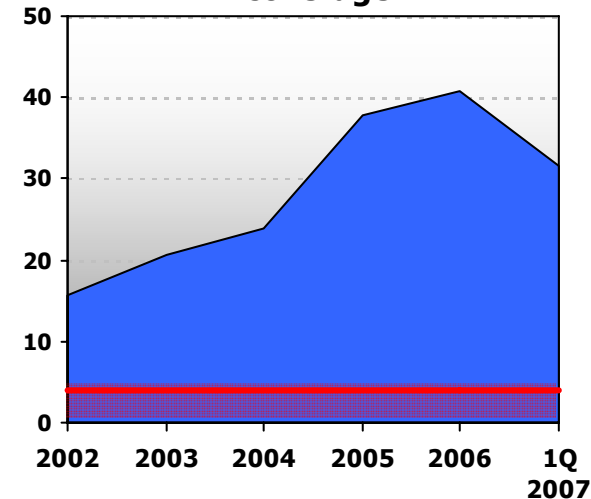
Total debt to EBITDA



Net debt to equity



EBITDA interest coverage





Company's Strategy



- **Increase revenues**

- increase oil output
- increase refinery throughputs
- increase exports of crude oil and petroleum products
- increase natural and petroleum gas output
- increase output of products with high value added



- **Decrease expenses**

- shut-in inefficient wells
- put into operation new wells with high flow rates
- work with effective and efficient service companies
- divestment of inefficient assets



- **Increase efficiency of investments**

- develop refining capacities and marketing networks in Russia
- purchase new oil and gas reserves at the lowest possible price
- divest non-core assets