



1H 2005
Financial Results
(US GAAP)

September 2005



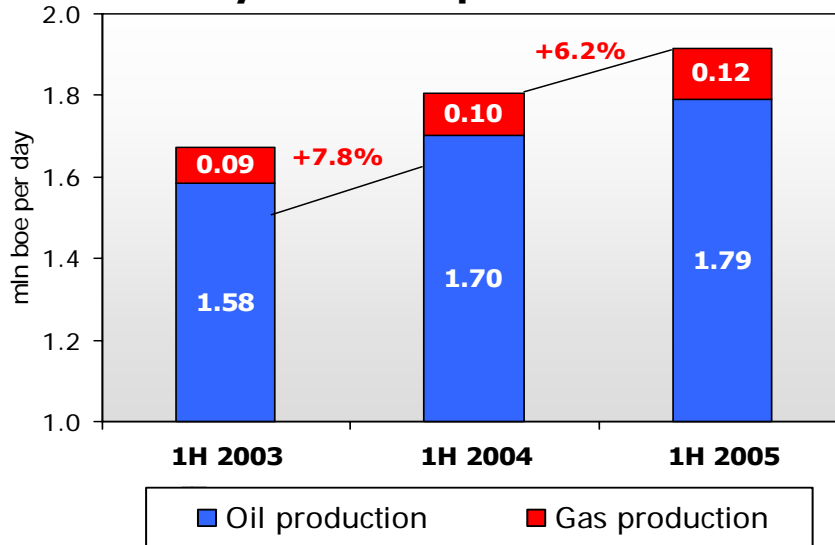
Economic Environment

1H 2005	1H 2004	Economic Environment	2Q 2005	1Q 2005
<u>Domestic market</u>				
21.91	13.37	Realized oil (\$/bbl)	25.40	12.56
291.57	194.42	Realized petroleum products (\$/ton)	330.08	256.09
7.8	6.3	Inflation (%)	2.5	5.2
4.4	7.8	Ruble appreciation against USD (%)	(0.5)	4.9
7.0	9.6	Transportation expenses / sales (%)	6.4	7.9
29.2	24.2	Taxes other than income taxes / sales (%)	29.3	29.1
<u>International market</u>				
44.09	28.62	Realized oil (\$/bbl)	46.74	41.29
477.12	332.76	Realized petroleum products (\$/ton)	507.96	439.79



Oil and Natural Gas Production

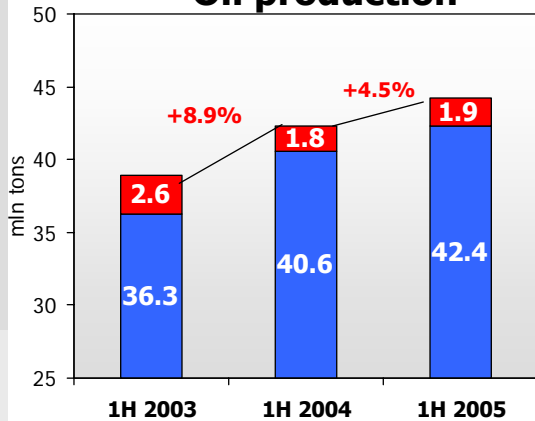
Hydrocarbon production*



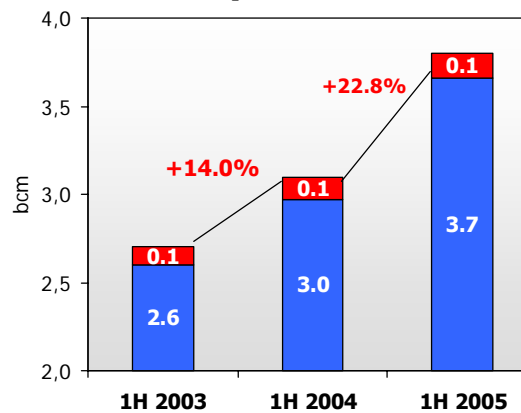
Crude oil output by LUKOIL Group (subsidiaries and LUKOIL's share in affiliates) totaled **44.2** mln tons in 1H 2005 or increased by **4.5%** y-o-y. Natural gas output increased by **22.8%** y-o-y.

Daily hydrocarbon production increased by 6.2% y-o-y and exceeded 1.9 mln boe per day.

Oil production



Gas production**



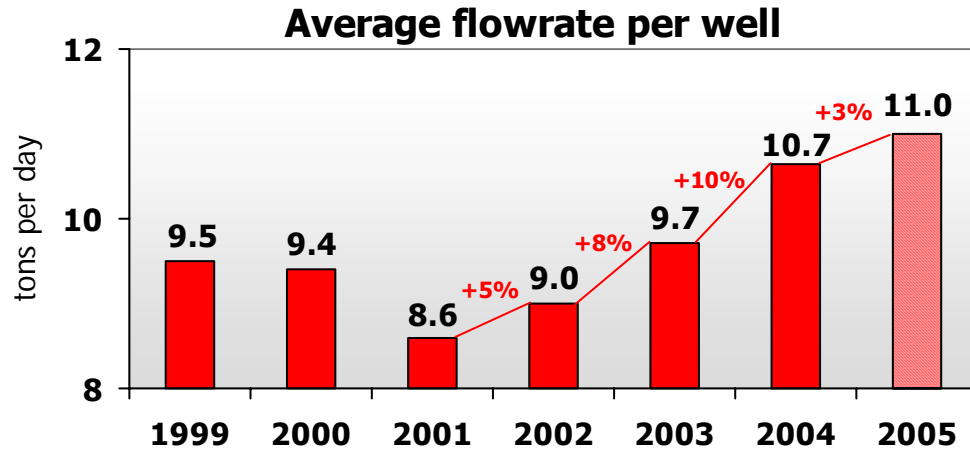
* 1 ton = 7.33 bbl

** Natural gas production includes natural gas for sales, own consumption and reinjection, as well as technological losses.

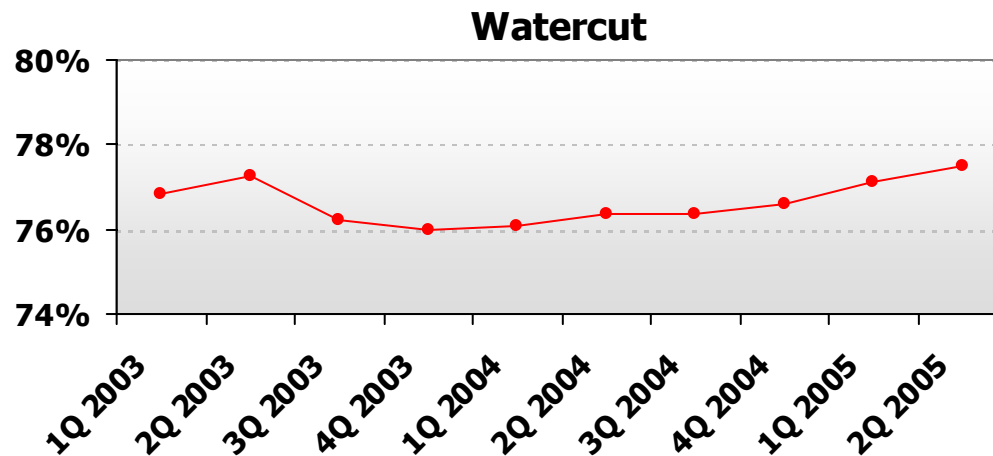
1,000 cubic meter = 5.885 b.o.e.



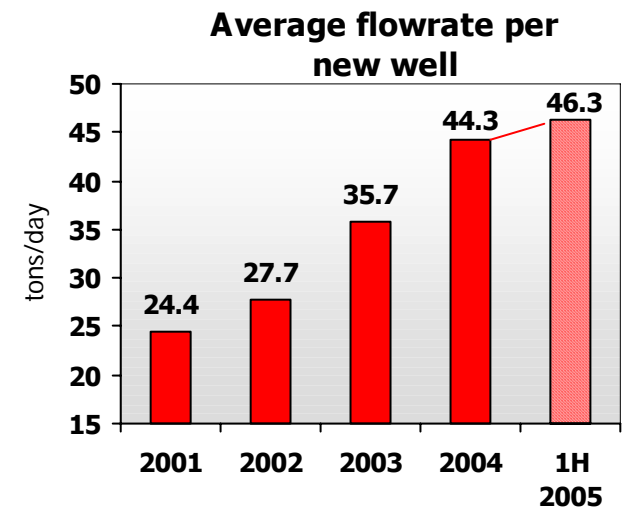
Improving Efficiency of E&P



Since 2001 average flow rate per well has been steadily growing



Watercut has been stabilized



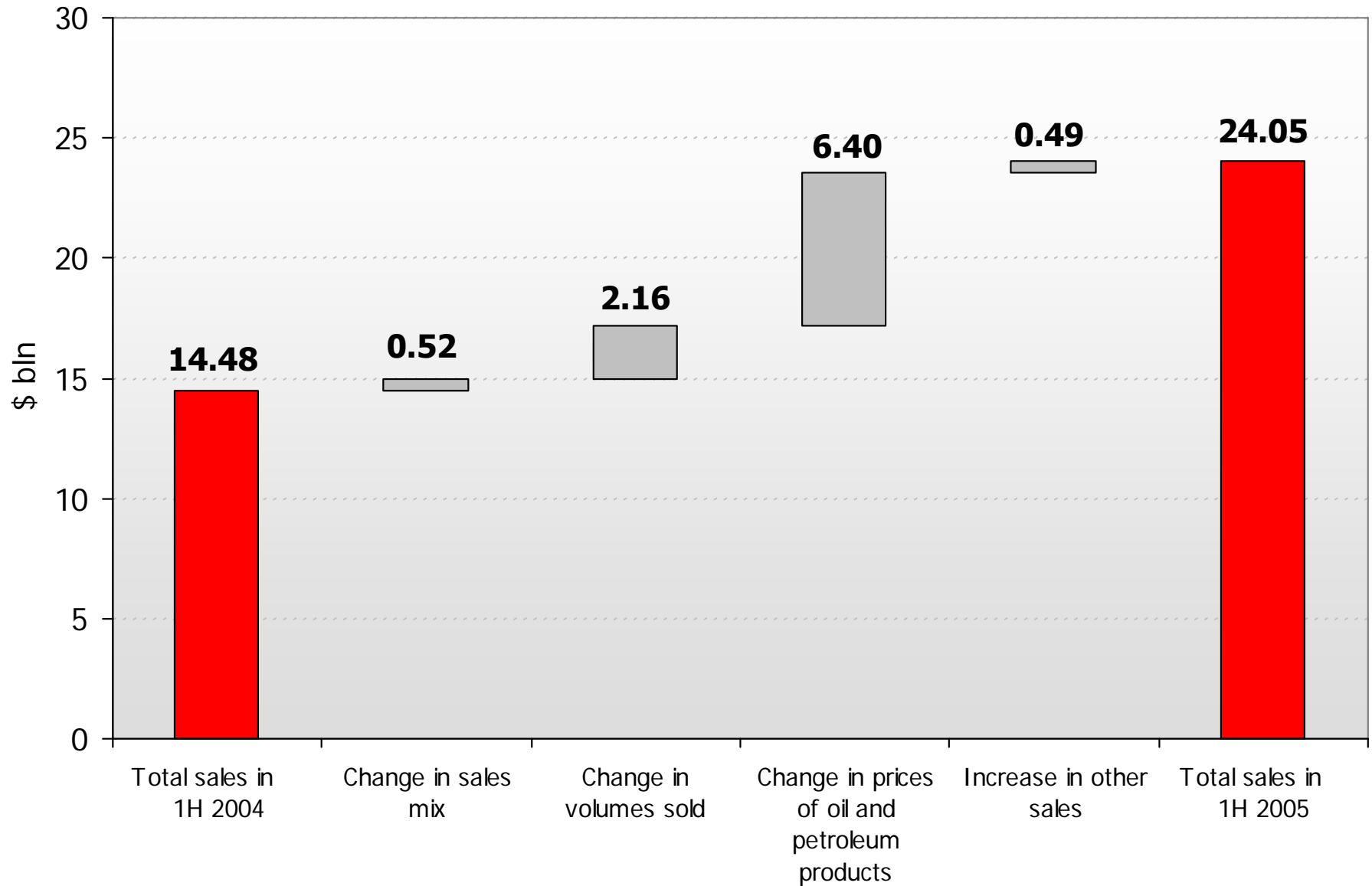


Financial Results

1H 2005	1H 2004	Financial results, mln USD	2Q 2005	1Q 2005
24,250	14,609	Total revenue	13,634	10,616
(1,499)	(1,334)	Operating expenses	(717)	(782)
(7,030)	(3,505)	Taxes other than income taxes (including excise and export tariffs)	(3,958)	(3,072)
3,840	2,465	Income from operating activities	2,144	1,696
3,617	2,407	Income before income taxes	1,979	1,638
2,590	1,696	Net income	1,410	1,180
3.18	2.07	EPS (USD)	1.73	1.45
4,298	2,965	EBITDA	2,339	1,959



Sales Reconciliation





Sales Breakdown

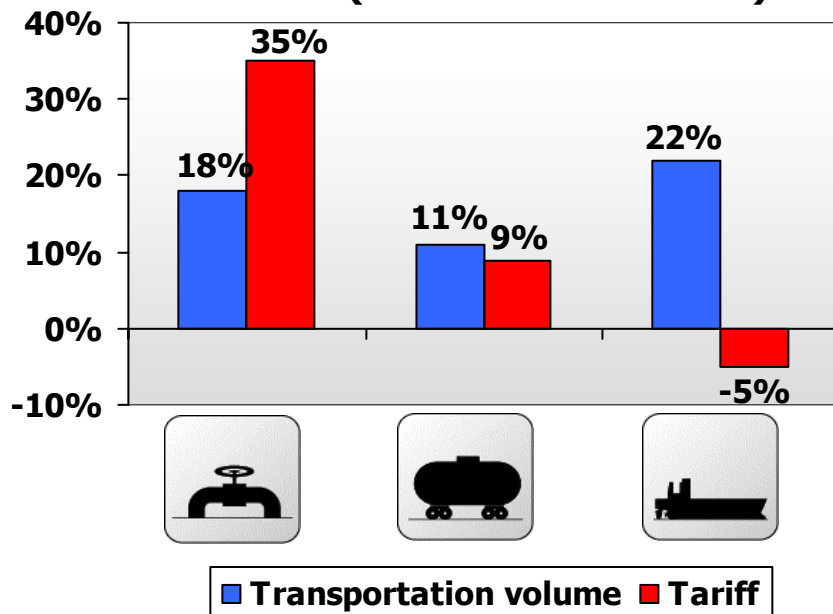
1H 2005	1H 2004	Sales breakdown	2Q 2005	1Q 2005
82.6	79.4	Export sales and sales on international markets to total volume of sales (%)	83.7	81.2
59.1	54.4	Petroleum products to total volume of sales (%)	59.6	58.5
51.2	45.0	Share of petroleum products in total export volumes and international sales (%)	52.8	49.4
58.8	54.3	Share of petroleum products in total export sales and international sales (%)	60.7	56.4

1H 2005	1H 2004	Sales, mln USD	2Q 2005	1Q 2005
7,410	4,570	International sales of crude oil (non-CIS)	3,996	3,414
191	298	Sales of crude oil within CIS	140	51
58	101	Sales of crude oil within Russia	49	9
11,782	6,323	International sales of petroleum products	6,870	4,912
2,863	1,930	Sales of petroleum products within Russia	1,554	1,309
650	451	International sales of petrochemicals	319	331
229	154	Sales of petrochemicals within Russia	116	113
866	650	Other sales	448	418
24,049	14,477	Total sales	13,492	10,557

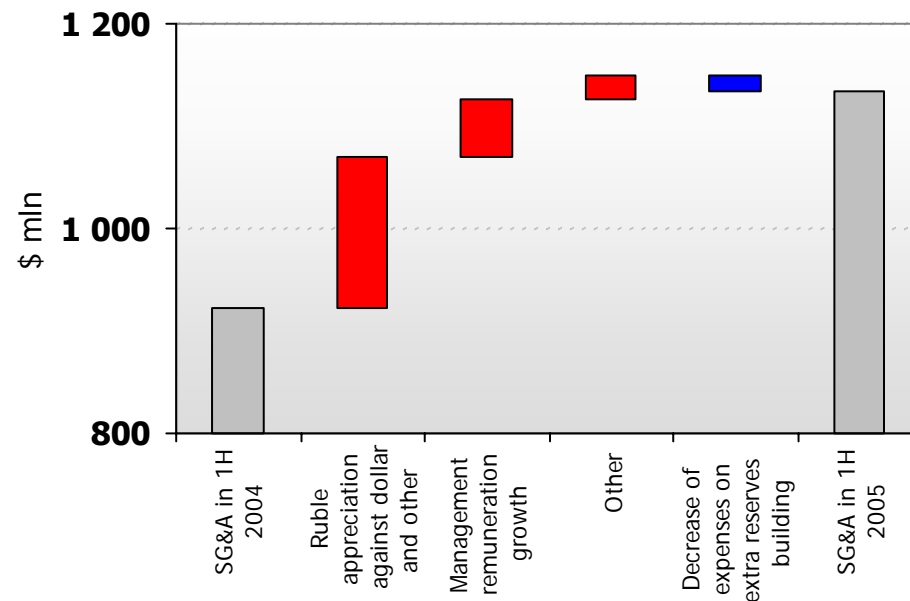


SG&A and Transportation Expenses

Transportation Expenses Change Factors (1H 2005 to 1H 2004)



SG&A reconciliation



1H 2005	1H 2004	Transportation expenses and SG&A, mln USD	2Q 2005	1Q 2005
1,694	1,383	Transportation expenses	857	837
1,134	922	Other selling, general and administrative expenses	622	512
2,828	2,305	Total	1,479	1,349



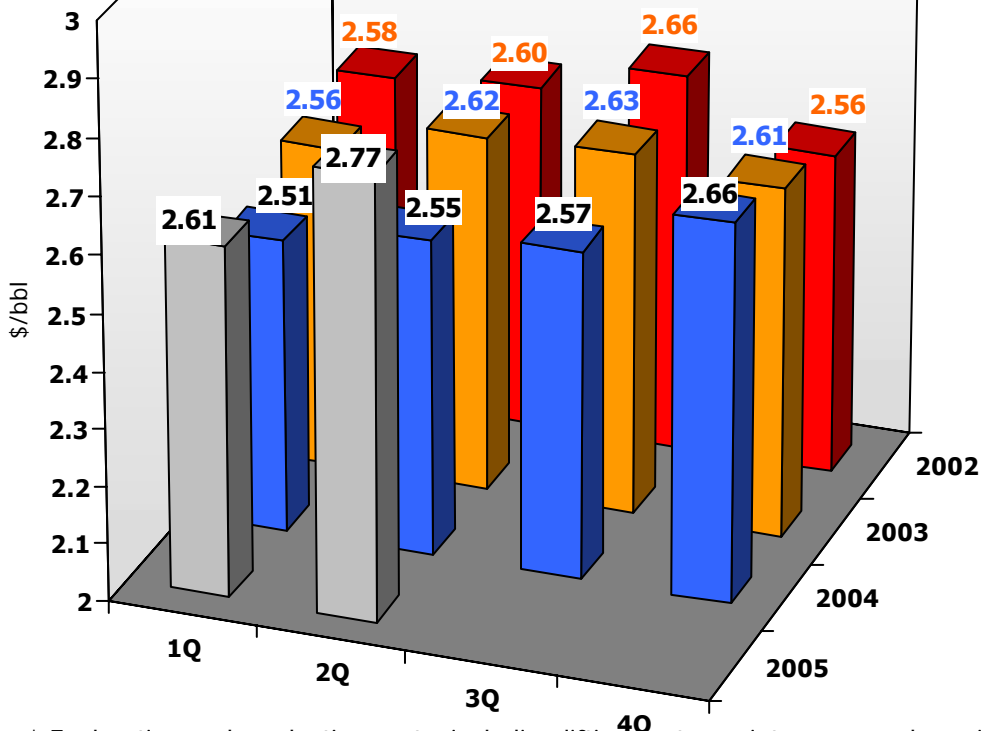
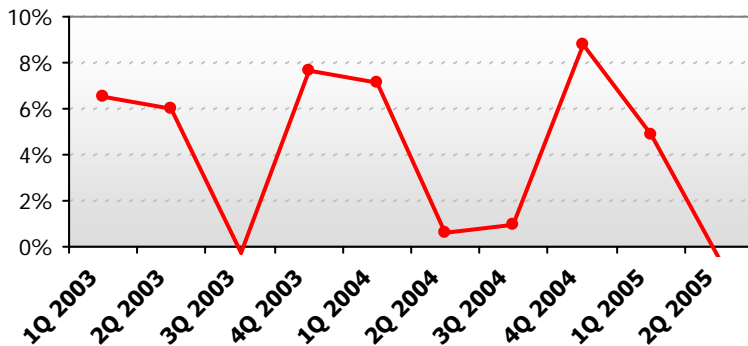
Operating Expenses

1H 2005	1H 2004	Operating expenses, mln USD	2Q 2005	1Q 2005
835	752	Extraction expenses	434	401
329	253	Refinery expenses	174	155
96	89	Petrochemical expenses	45	51
239	240	Other operating expenses	64	175
1,499	1,334	Total	717	782
8,322	4,328	Cost of purchased oil, petroleum and chemical products	4,942	3,380

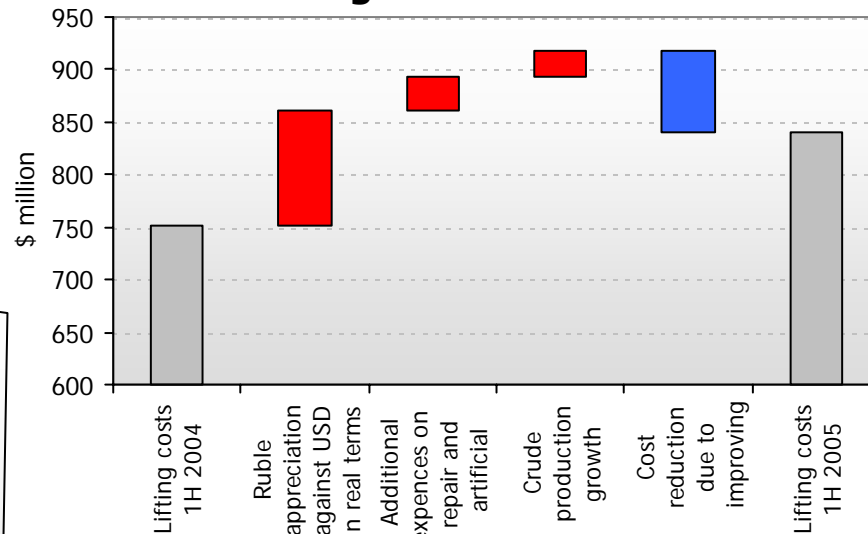


Dynamics of Crude Production Costs*

Ruble appreciation against USD in real terms



Lifting costs reconciliation



In 1H 2005 lifting costs per barrel of oil produced increased by 6.3% y-o-y.

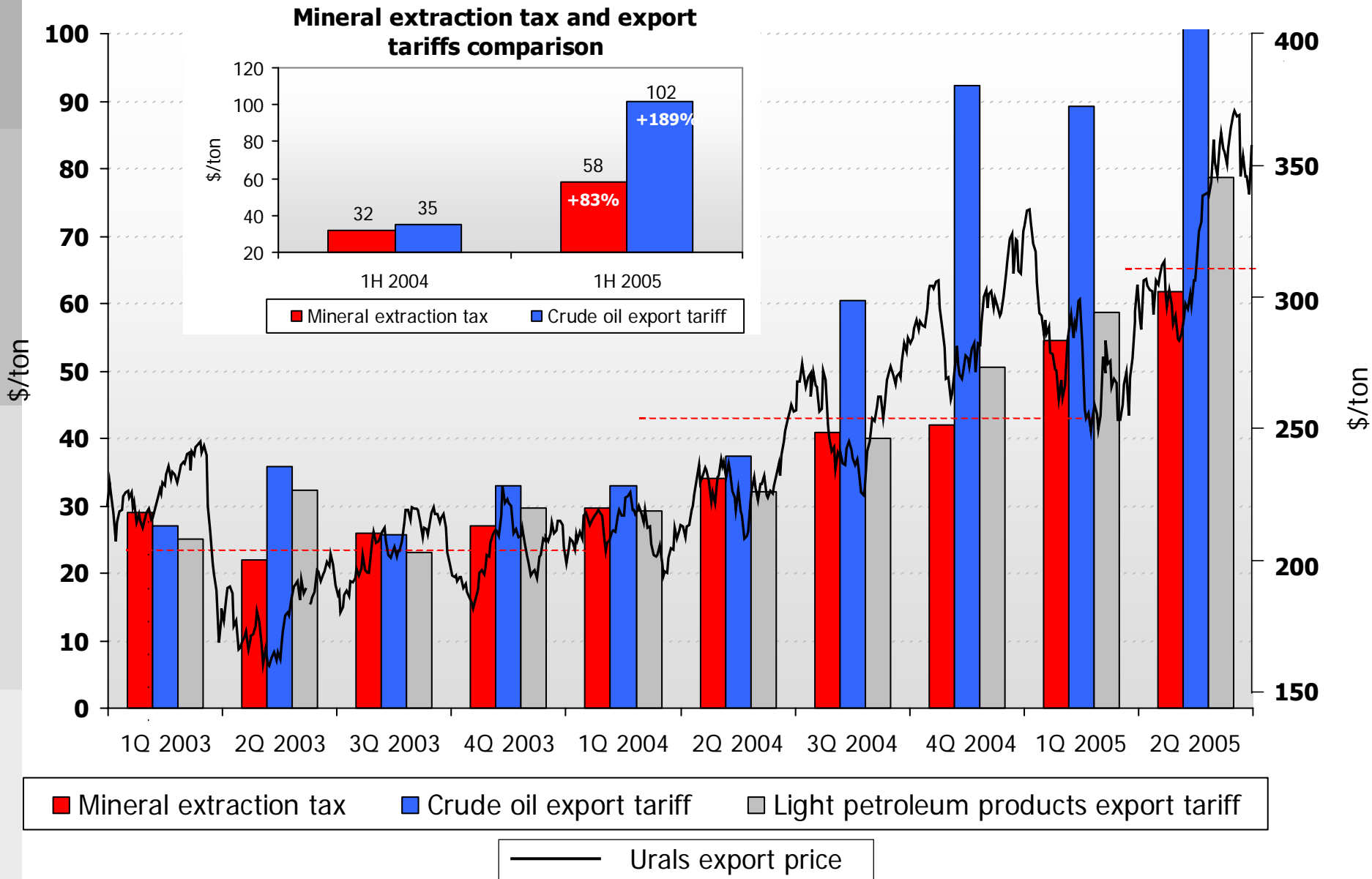
Ruble appreciation against USD in real terms was 14.7%.

Lifting costs declined by almost 8.0% in real terms.

* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.

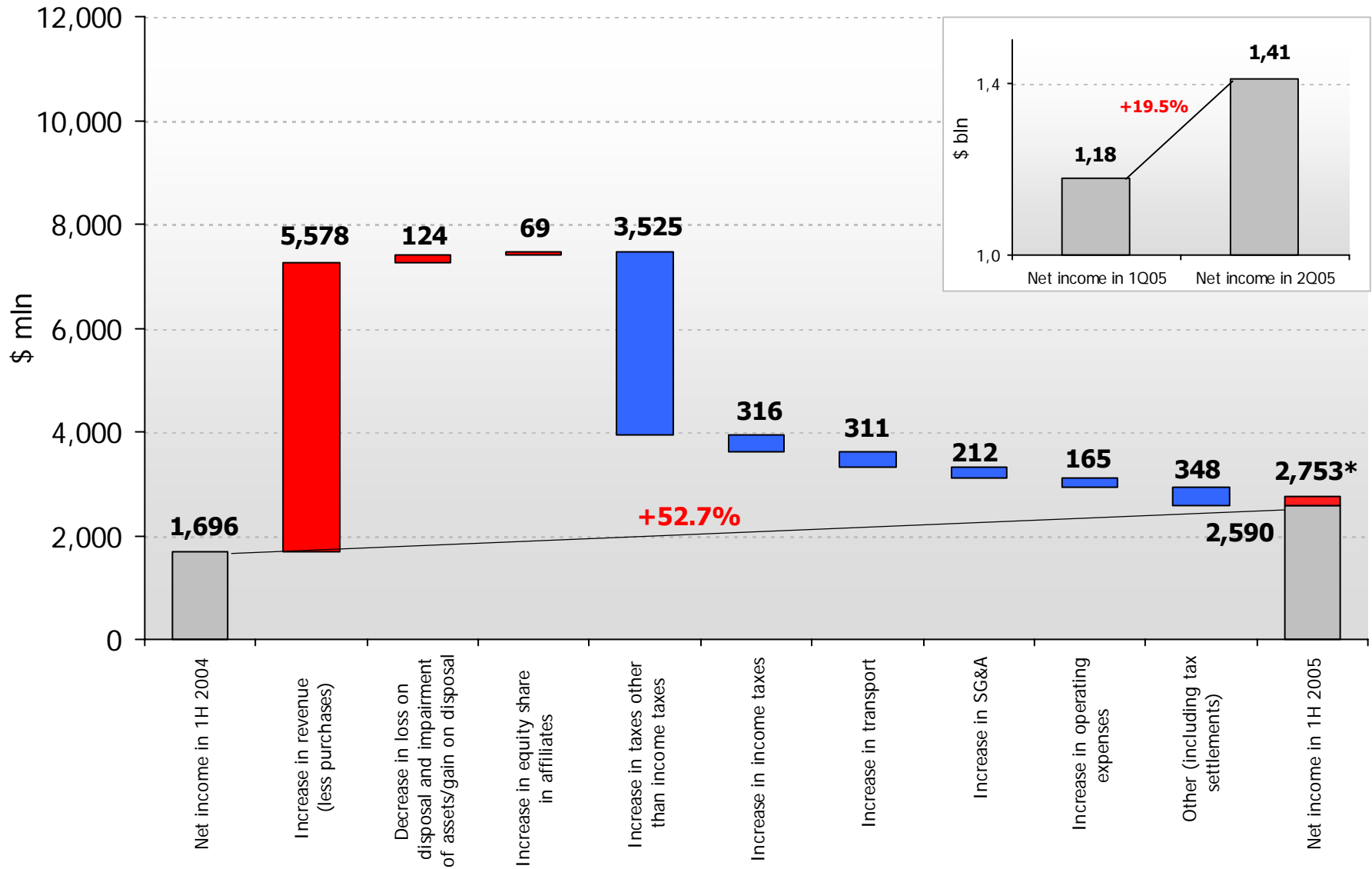


Growth of Tax Burden





Net Income Reconciliation



*Excluding tax provisions



LUKOIL Has Settled All Tax Liabilities


Решение № 52/607
об отказе в привлечении налогоплательщика к ответственности
за совершение налогового правонарушения

г. Москва «03» августа 2005 года

Заместитель руководителя Межрегиональной Инспекции ФНС России по крупнейшим налогоплательщикам № 1 советник налоговой службы Российской Федерации III ранга Шкредов В.В., рассмотрев Акт выездной налоговой проверки от 20 июля 2005 года № 52/564 за период с 01.01.2002 по 31.12.2002 (далее по тексту – Акт) Открытого акционерного общества «Нефтяная компания ЛУКОЙЛ» ИНН: 7708004767 (далее по тексту – ОАО «ЛУКОЙЛ») возражения организации по Акту от 26.07.2005 № СК-286Л (далее по тексту – Возражения).

УСТАНОВИЛ:

в результате проведения выездной налоговой проверки ОАО «ЛУКОЙЛ» за 2002 год Межрегиональной ИФНС России (далее – Инспекция) выявлено нарушение

Заместитель Руководителя Межрегиональной инспекции ФНС России по крупнейшим налогоплательщикам № 1 советник налоговой службы Российской Федерации III ранга  В.В. Шкредов

Приложения: на 3 листах.

Rejected in bringing a tax payer to responsibility for the period from 01/01/2002 to 12/31/2002


Решение № 52/608
об отказе в привлечении налогоплательщика к ответственности
за совершение налогового правонарушения

г. Москва «03» августа 2005 года

Заместитель руководителя Межрегиональной Инспекции ФНС России по крупнейшим налогоплательщикам № 1 советник налоговой службы Российской Федерации III ранга Шкредов В.В., рассмотрев Акт выездной налоговой проверки от 20 июля 2005 года № 52/565 за период с 01.01.2003 по 31.12.2003 (далее по тексту – Акт) Открытого акционерного общества «Нефтяная компания ЛУКОЙЛ» ИНН: 7708004767 (далее по тексту – ОАО «ЛУКОЙЛ») возражения организации по Акту от 26.07.2005 № СК-287Л (далее по тексту – Возражения).

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Приложения: на 2 листах.

Rejected in bringing a tax payer to responsibility for the period from 01/01/2003 to 12/31/2003

Thus LUKOIL has successfully settled tax liabilities to Russian budget for periods prior to 2004 financial year.



Capex Breakdown

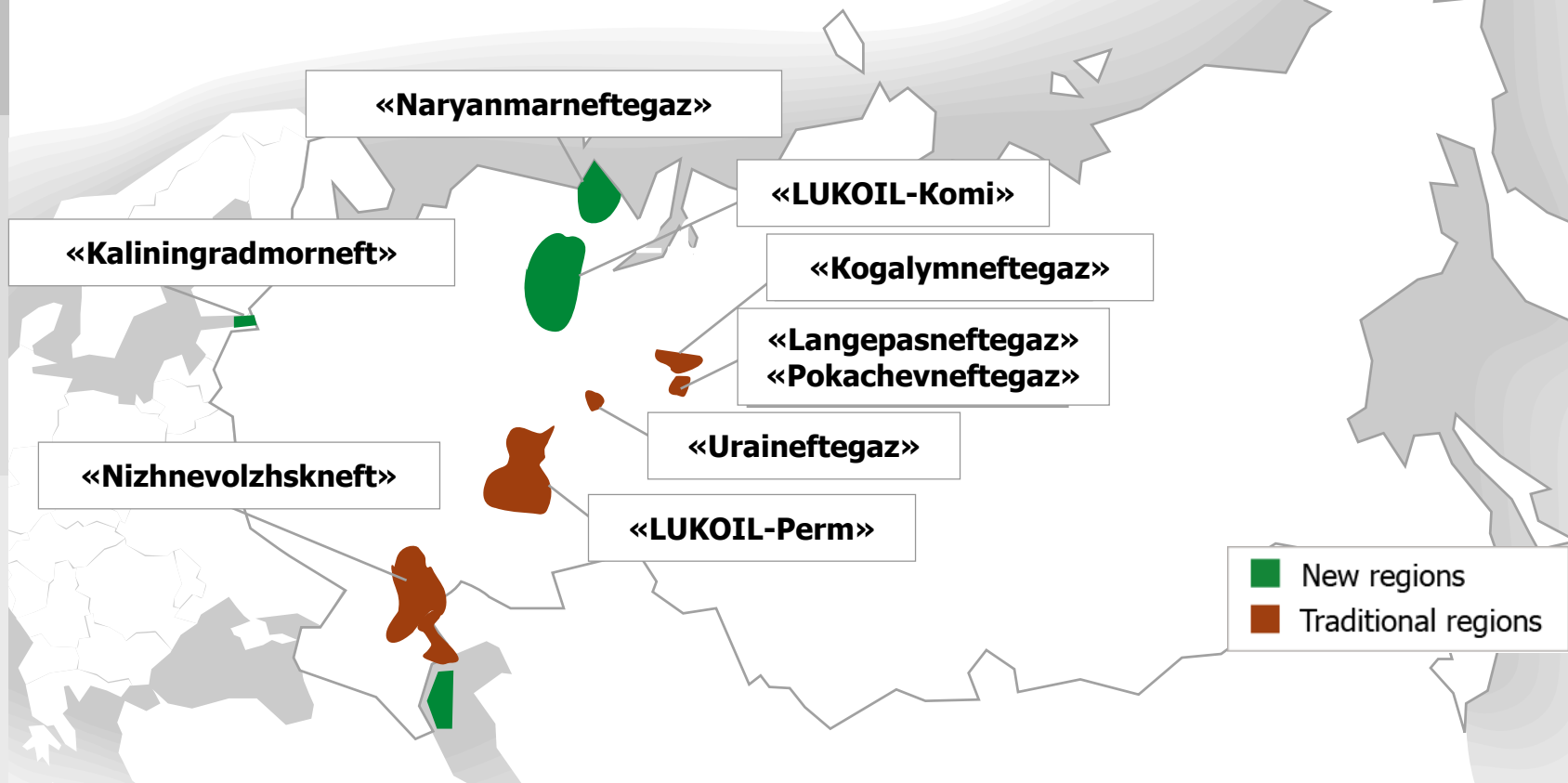
1H 2005	1H 2004	Capital expenditures, \$ mln*	2Q 2005	1Q 2005
1,386	1,021	Exploration and production	732	654
<i>1,199</i>	<i>949</i>	<i>Russia</i>	<i>628</i>	<i>571</i>
<i>187</i>	<i>72</i>	<i>International</i>	<i>104</i>	<i>83</i>
530	536	Refining, marketing and distribution	270	260
<i>319</i>	<i>345</i>	<i>Russia</i>	<i>162</i>	<i>157</i>
<i>211</i>	<i>191</i>	<i>International</i>	<i>108</i>	<i>103</i>
30	17	Petrochemistry	20	10
<i>25</i>	<i>12</i>	<i>Russia</i>	<i>20</i>	<i>5</i>
<i>5</i>	<i>5</i>	<i>International</i>	<i>-</i>	<i>5</i>
37	22	Other	23	14
1,983	1,596	Total	1,045	938

*cash and non-cash



E&P Capex

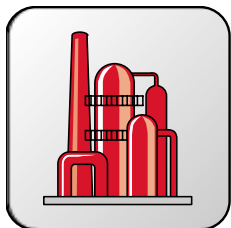
Capital expenditures, \$ mln	1H 2005	1H 2004	Growth
Traditional regions	723	534	+35.4%
New regions	597	415	+43.9%
<i>Yamal</i>	<i>163</i>	<i>205</i>	<i>-20.5%</i>
<i>Timan-Pechora (Naryanmarneftegaz)</i>	<i>293</i>	<i>183</i>	<i>+60.1%</i>
<i>Caspian (incl. international projects)</i>	<i>141</i>	<i>27</i>	<i>+422.2%</i>



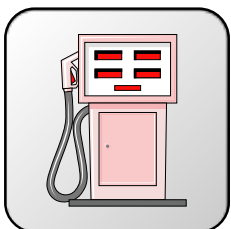


LUKOIL Reduces Its Sensitivity to Oil Price Fluctuations

LUKOIL hedges its price risks by:



- **Upgrading its refineries to increase output of products with high value added**



- **Developing and expanding its distribution network and thus increasing retail sales of petroleum products as retail sales are more profitable than wholesale**



- **Increasing natural gas sector weight in LUKOIL total production as gas price is more stable and will grow in the mid-term**



Upgrading Refineries: 2004 Progress

Odessa Refinery



**Isomerization unit —
120,000 tons per year**

**Extra revenue —
\$30 mln per year**

The start-up of the unit will allow the refinery to comply with EN-228:2000 European standards regulating aromatic hydrocarbons, benzene and sulfur content in the produced gasoline.

The share of high octane types of gasoline, which nowadays fully meet EURO-3 requirements, will exceed 96% of total gasoline production volume.

From mid-2005 the refinery was stopped for a major 3-year reconstruction and modernization

Nizhny Novgorod Refinery



**Catalytic reformer with
continuous catalyst
regeneration —
1 mln tons per year**

**Extra revenue —
\$40 mln per year**

The only catalytic reforming unit of 4th generation in Russia.

The start-up of the unit will allow:

- to produce extra 400,000 tons of high-octane gasoline per year
- raise the high-octane gasoline share in total gasoline production up to 90%
- produce most of the gasoline meeting EURO-3 requirements

Perm Refinery



**T-Star hydrocracking unit —
3.5 mln tons per year**

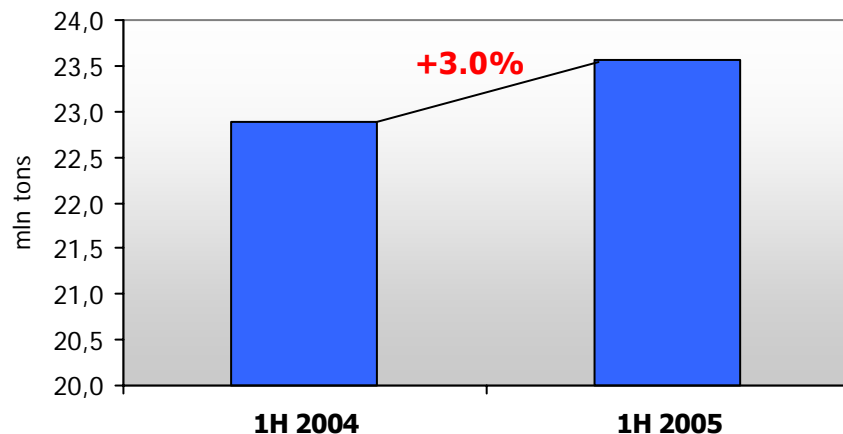
**Extra revenue —
\$130 mln per year**

- Russia's first, and the world's seventh facility of the kind.
- The unit is designed for production of ultra low-sulfur and low-aromatics diesel fuel and also naphta needed for high octane gasoline production.
- The introduction of the complex will result in extra production of 1mln tons of motor fuels meeting European standards.



LUKOIL Develops Highly Efficient Operations

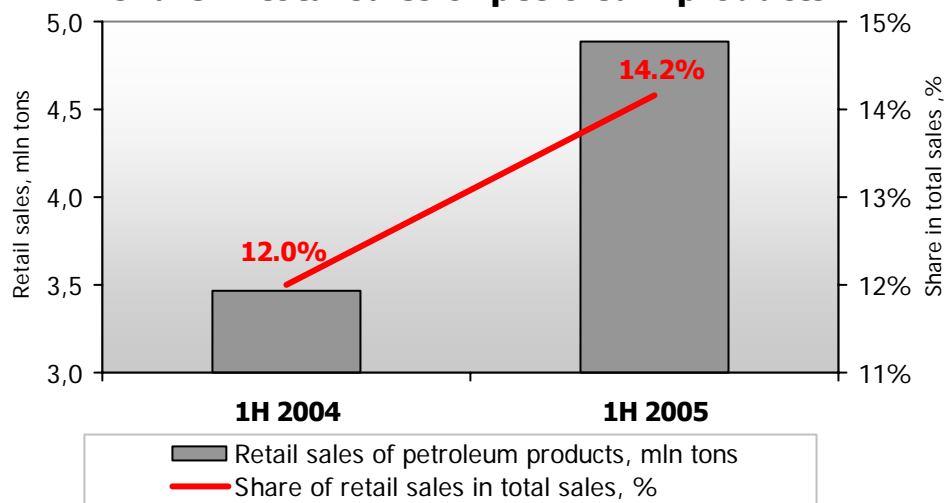
Crude oil exports



In 1H 2005 LUKOIL subsidiaries exported **23.6** mln tons of oil, which is **3.0%** more than in 1H 2004. Export-to-output ratio exceeds **53%**.

* Crude oil exports from Russia by LUKOIL subsidiaries including purchased oil.

Retail sales of petroleum products and its share in total sales of petroleum products

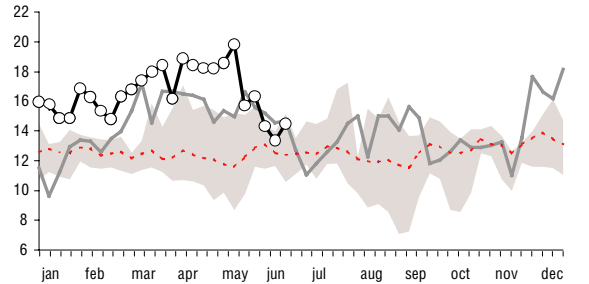


Share of petroleum products retail sales grows constantly. In 1H 2005 LUKOIL retail sales were **4.9** mln tons, which is **40.8%** more than in 1H 2004. Total sales of petroleum products increased by **19.3%**.



LUKOIL Boosts Retail Sales

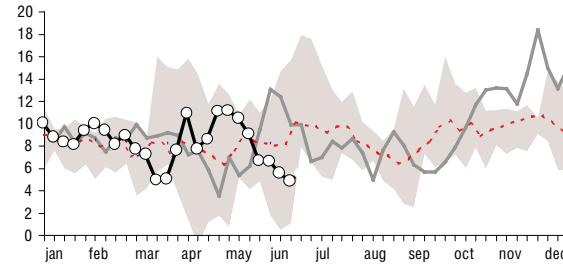
European retail margin, \$/bbl



1999-2003 2004 2005 5-year average

Source: Independent survey

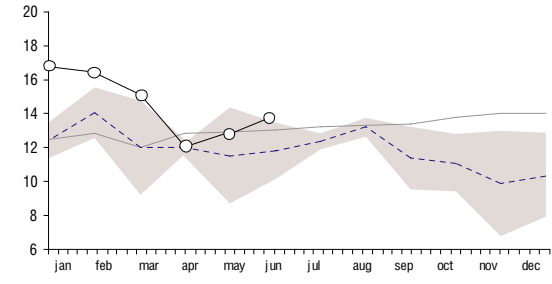
US retail margin, \$/bbl



1999-2003 2004 2005 5-year average

Source: independent survey

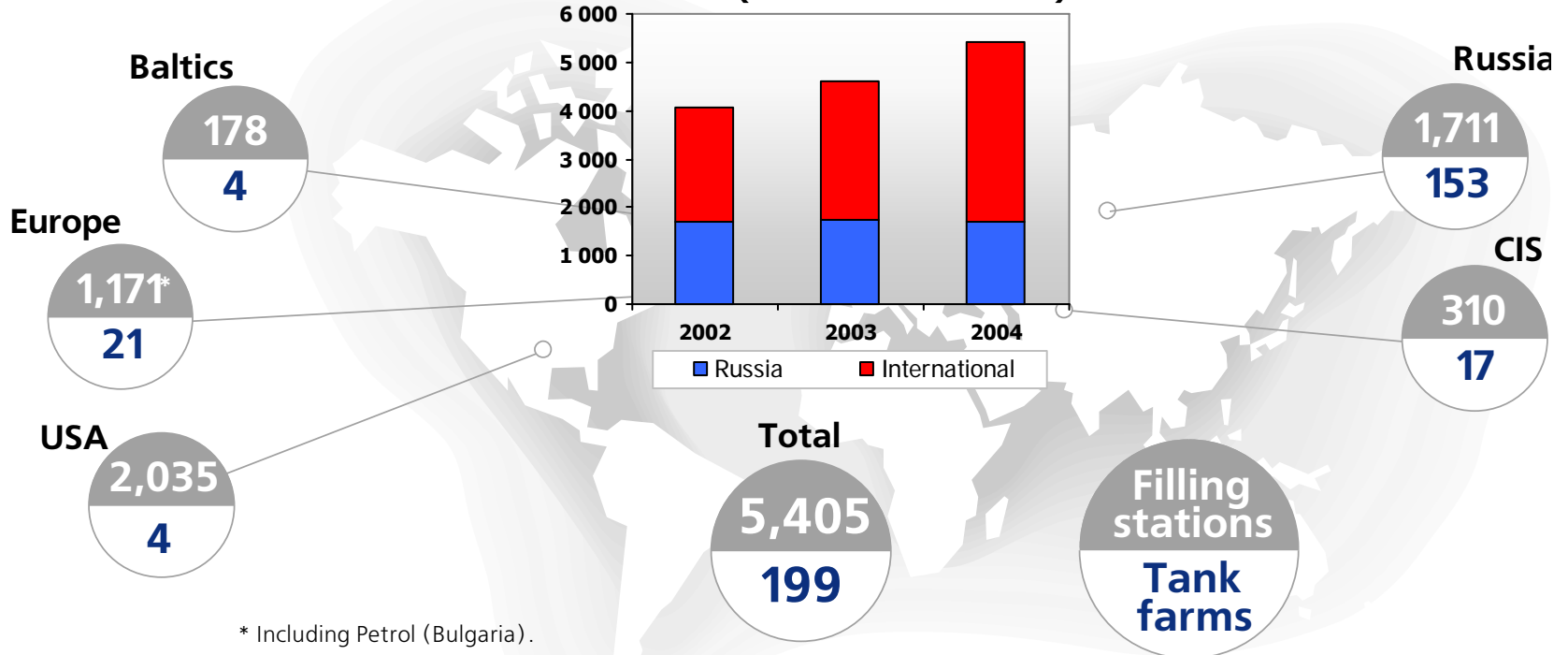
Retail margin in Russia, \$/bbl



2002-2003 2004 2005 2-year average

Source: LUKOIL

LUKOIL retail network, filling stations (owned and franchized)



* Including Petrol (Bulgaria).

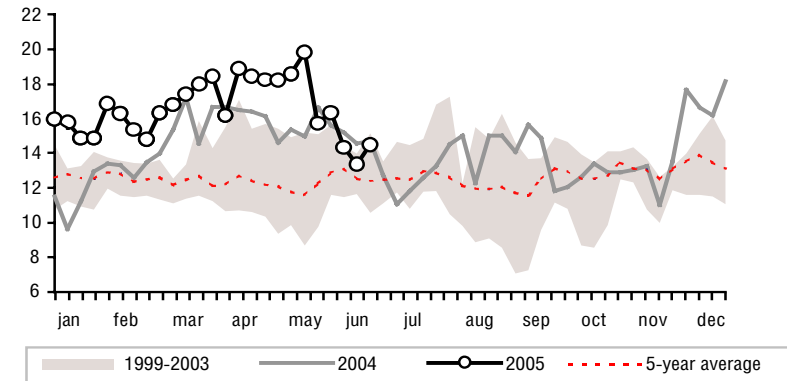


Acquisition of Finnish Companies – Teboil and Suomen Petrooli

- The network of 289 filling stations and 132 D-points. Oil storage facilities consist of 7 own and 7 leased tank farms
- Lubricants production and blending plant and a special laboratory for lubes research and development
- 13 owned and 122 leased oil tank trucks

- **Cost of purchase - 160 mln USD**
- **Sales in 2004 – 1.9 mln tons, or 1.15 bln euro**
- **Net income in 2004 – Euro 13 mln**
- **Planned investments – 120 mln USD**

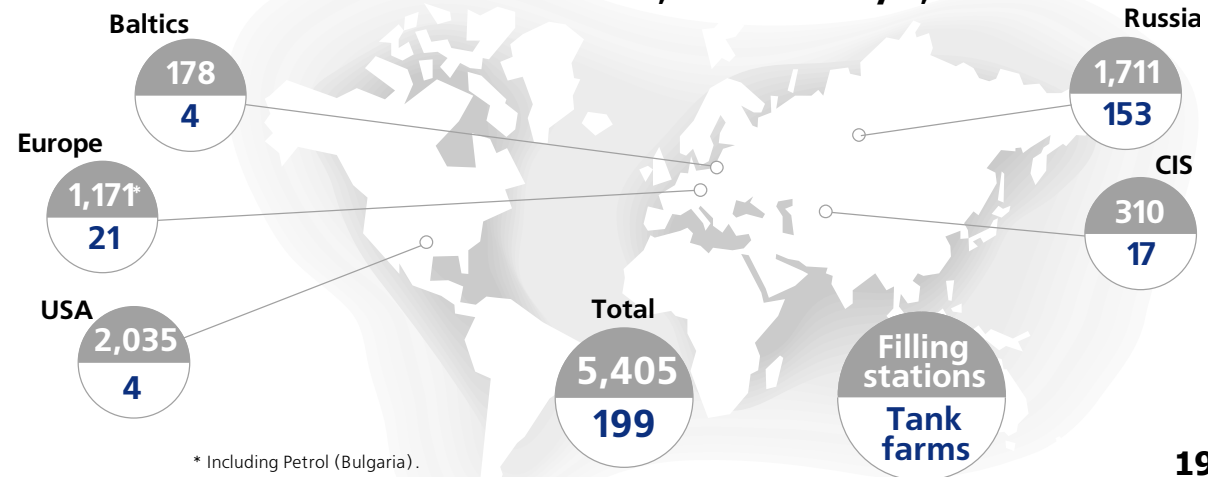
European marketing margin, \$/bbl



With Teboil LUKOIL receives additional income from supplying Finnish market with 1 mln tons per year of ecologically clean diesel (10 ppm), which is produced at LUKOIL Perm Refinery.

Half of that volume will be retail sales and the other half – wholesale.

LUKOIL retail network, as of January 1, 2005



* Including Petrol (Bulgaria).



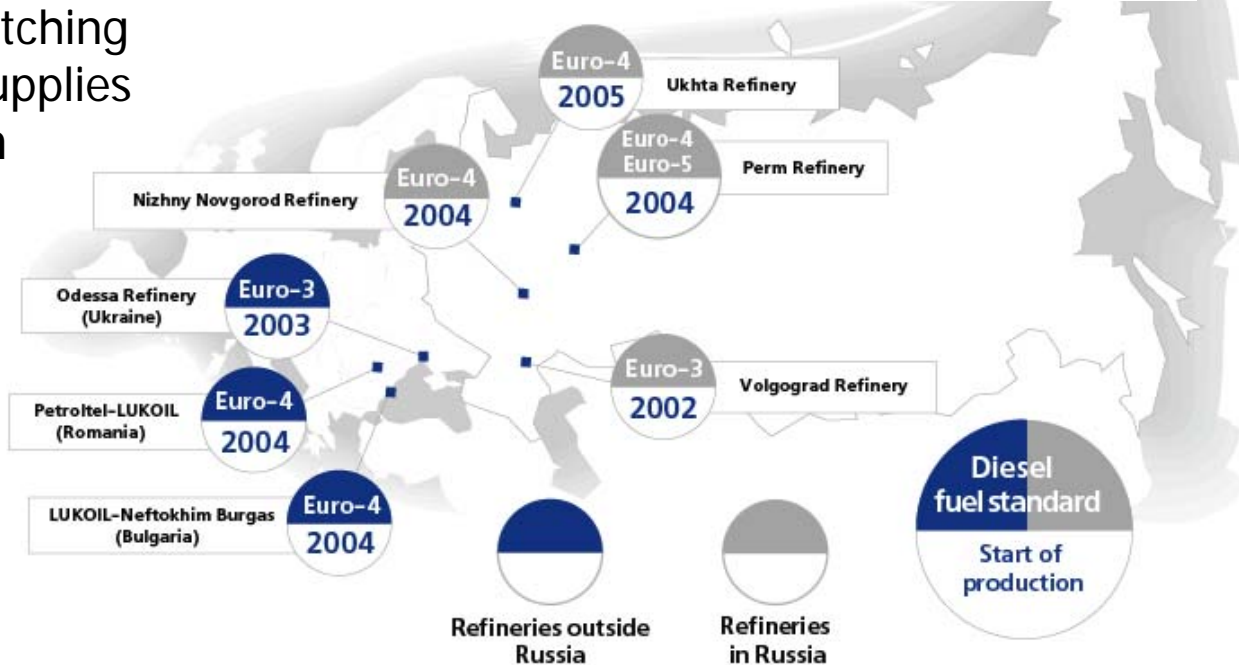
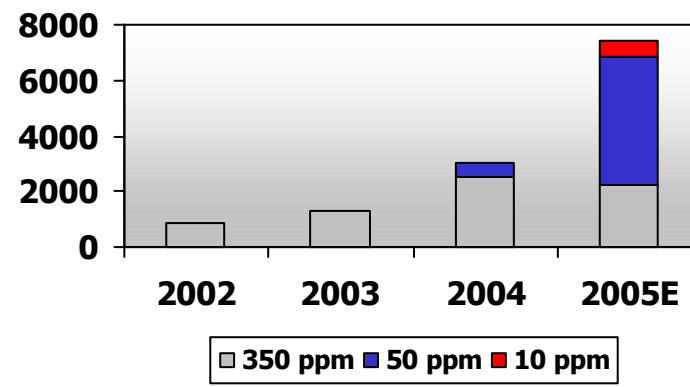
Bolshekhetskaya Depression Gas Reserves

- In **2001** LUKOIL acquired Yamalneftegazdobycha, which holds licenses for significant reserves in the Bolshekhetskaya depression
- **16.9 tcf** of total PP reserves (as of January, 1 2004)
- Commercial production started in **April 2005**
- **First** stage – Nakhodkinskoe field
- Expected **payback** period **5-10** years
- Close proximity to Gazprom's fields and transport infrastructure (150 km)
- Preliminary agreement with Gazprom to connect the field with the trunk natural gas pipeline system
- At the advanced stage of development program at Yamal peninsula the partners plan to set up a **200 kbpd LNG plant**



- All LUKOIL's refineries produce diesel meeting **Euro-3 and 4 specifications** (350 and 50 ppm)
- LUKOIL has become the **first company** started supplies of diesel meeting Euro-4 standards (S = 50 ppm) to domestic market
- Economic effect of switching to Euro-4 for export supplies amounted to **\$14 mln for 2004**

Low-sulfur diesel output by LUKOIL's refineries (mln tonnes)





Company's Strategy



- **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



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.