

Opinion of the Audit Commission
based on a review of the financial and business activity of OAO "LUKOIL"
in 2005

Moscow

16 May 2006

In accordance with the legislation of the Russian Federation, the Charter of OAO "LUKOIL" (hereinafter the "Company"), the Regulations on the Audit Commission, and on the basis of the audit opinion of the audit firm ZAO KPMG, the Audit Commission performed a review of the Company's financial and business activity in 2005.

No requests for extraordinary reviews and audits were received during the year by the Audit Commission from shareholders and the Board of Directors.

In accordance with the working plan the Audit Commission performed reviews of:

1. The compliance of the accounting processes for business operations with the Company's accounting policy and the regulatory legal acts of the Russian Federation;
2. The reliability of data contained in the forms of the annual financial statements and the explanatory notes;
3. Timeliness of preparation and provision of financial statements to interested users;
4. Timeliness of settlements on the payment of dividends and bond interest.

During the review it was established that:

The Company's accounts are kept in accordance with Federal Law No. 129-FZ *On Accounting*, the Accounting Regulations (PBUs) and other regulatory acts governing accounting, and also on the basis of Order No. 316 of 31 December 2004 *On the Accounting Policy of OAO "LUKOIL" for 2005*;

A stocktake of assets and obligations was performed before the preparation of the annual financial statements on the basis of Order No. 246 of 30 September 2005.

The data contained in the forms of the financial statements and explanatory notes corresponds to the data presented in the accounting registers. The Company's financial statements include data on assets, liabilities, income, and expenses provided by trustees. The explanatory notes contain information subject to disclosure in accordance with the requirements of accounting regulations.

The financial statements were prepared by the deadlines set by the Company's document-flow regulations and were provided on time to interested users.

Annual dividends for 2004 were paid by the Company through a payment agent during the established period from July to December 2005 to individuals and legal entities registered in the Company's shareholder register as at 12 May 2005.

The Company's balance sheet as at 31 December 2005 lists debt to shareholders on the payment of dividends for the Company's operations in 2001–2004 in the amount of 246,947,000 roubles. This debt is explained by the return of funds to the account of the payment agent due to shareholders' failure to provide the register-holder with information on changes to their data (addresses, names, banking details, mailing addresses, etc.).

Coupon yield was paid on bonds in 2005 by the Company's payment agent, in full and by the established deadlines of 24 May 2005 and 22 November 2005.

The Audit Commission did not disclose any instances of violations of the accounting and reporting procedure established by the legislative acts of the Russian Federation and the Company's accounting policy that would be capable of materially affecting the reliability of the financial statements of OAO "LUKOIL".

The Company's 2005 operations are characterised by the following indicators:

Revenues from sales of goods, work and services in 2005 increased by 67.8% year on year (the increase occurred due to increase in both the volume of sales and the average cost of products sold).

The **prime cost** of goods, products, work and services sold increased by 116.9% due to the increase in prices on purchased products and services.

As a result of the fact that during the reporting period the rate of growth in prime cost was higher than the growth in sales revenues, profits on sales dropped by 15.1% in 2005 compared to the previous year, while the sales margin dropped from 28.2% to 14.3%, by 13.9%.

Net profits of the reporting year dropped by 11.701 billion roubles (15%) to 66.327 billion roubles, while overall profitability was 10.8%, which is lower than the previous year's figures by 10.6%.

Net assets rose by 42.511 billion roubles against the 2004 figure, and as at 31 December 2005 were equal to 236.893 billion roubles.

The current ratio was 1.7 and the quick ratio was 1.5, which demonstrates that the Company is capable of settling its debts.

The financial independence ratio was unchanged from the previous year at 0.7.

On the basis of its review, the Audit Commission confirms that the financial statements of OAO "LUKOIL" are formed and prepared in accordance with the accounting procedure and regulatory acts of the Russian Federation, and that these financial statements present truthfully the property and financial position of the Company.

The Audit Commission recommends that the Annual General Shareholders Meeting approve the report on the financial and business activity of OAO "LUKOIL" for 2005.

Chairman of the Audit Commission

V.N. Nikitenko

Members of the Audit Commission

T.S. Sklyarova

P.G. Kondratiev