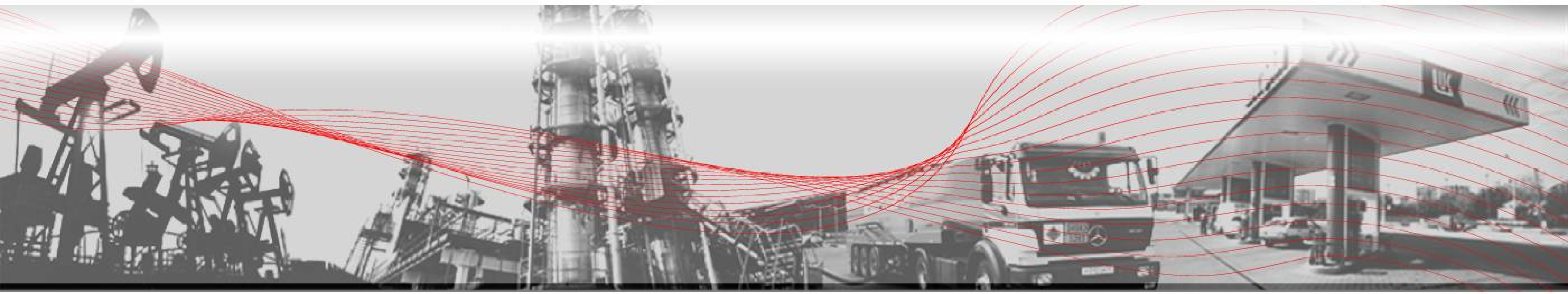
2007 Financial Results
(US GAAP)

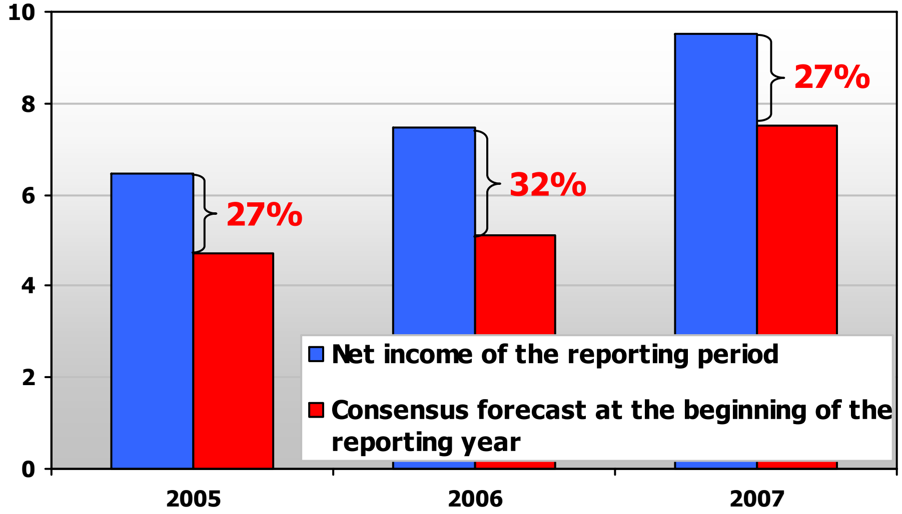
Leonid Fedun, Vice-President of LUKOIL



April 2008

LUKOIL is Substantially Undervalued

LUKOIL net income vs consensus forecast, $ bln

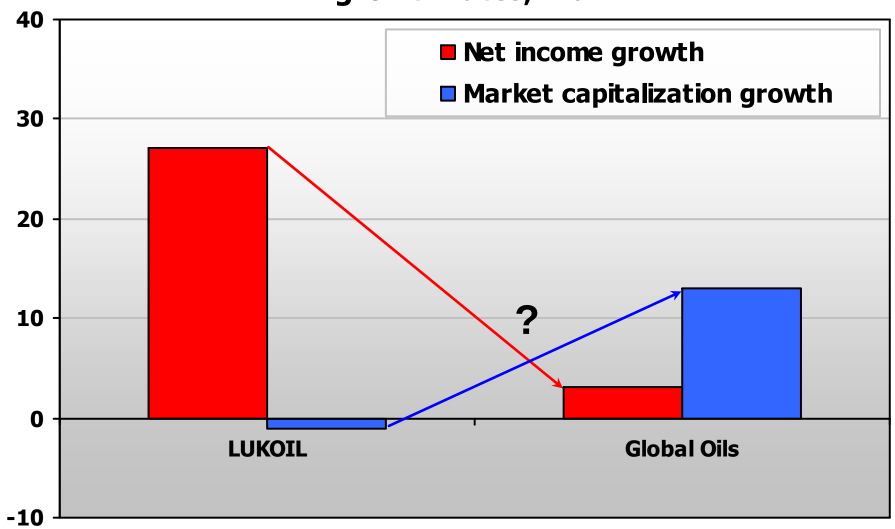


Actual LUKOIL income during the last 3 years was on average 29% higher than consensus forecast made in the beginning of the reporting year.

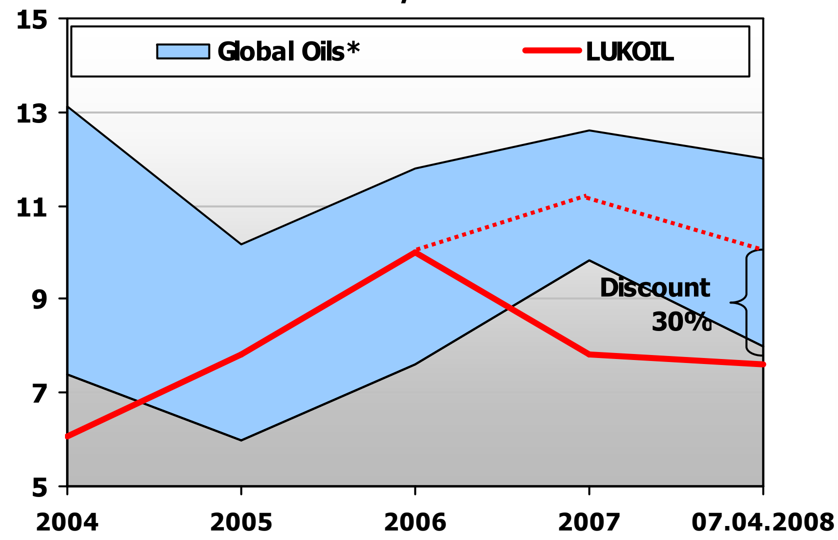
LUKOIL's net income grows at a considerably higher rate than that of competitors. At the same time Company's market capitalization decreased while that of Global Oils increased in 2007.

This led to a considerable undervaluation of LUKOIL at P/E multiple and to an even greater one at P/E to Growth multiple.

Net income and market capitalization growth rates, %

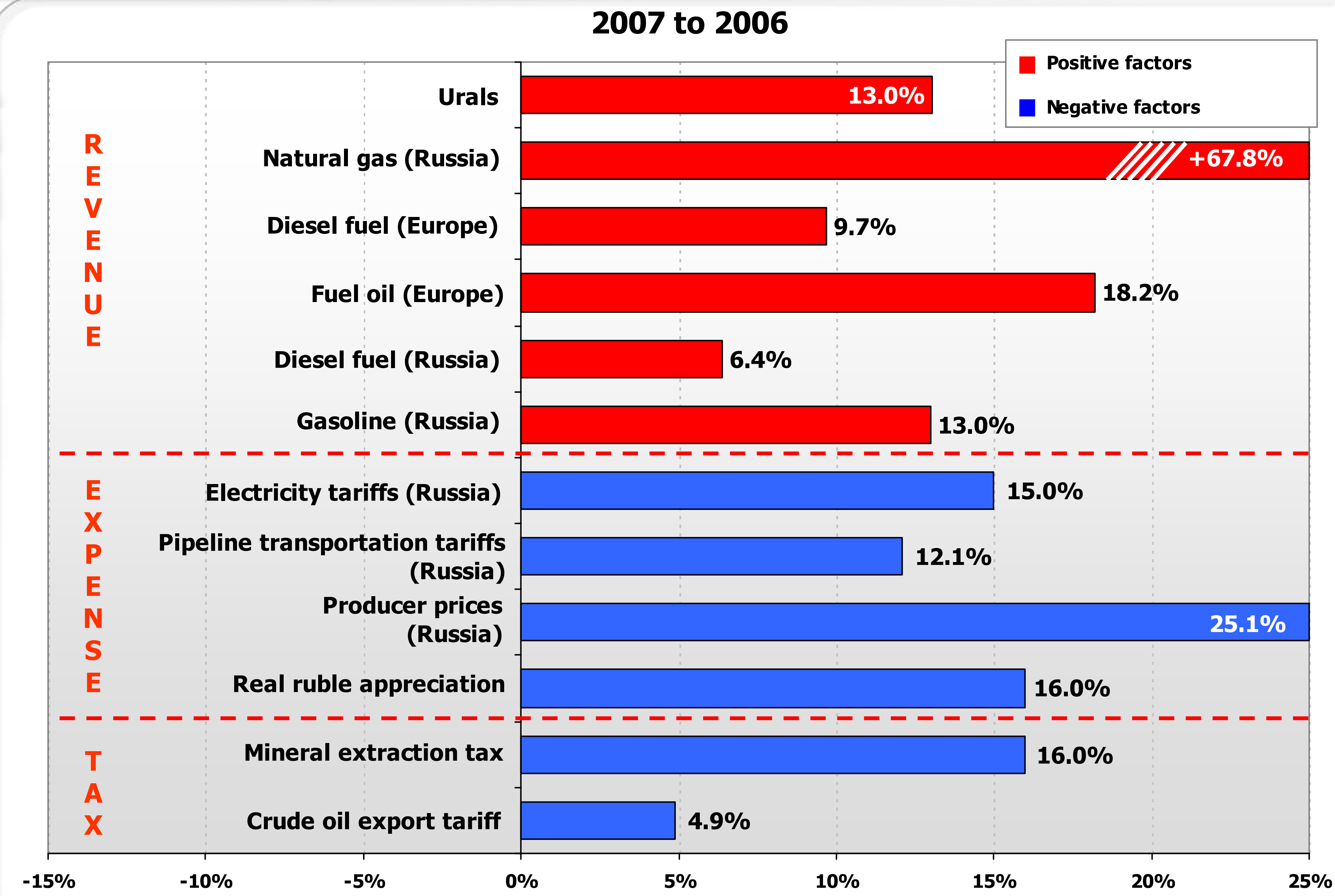


P/E



*ExxonMobil, BP, Shell, ConocoPhillips, Total, Chevron, ENI, Repsol.

Macroeconomic and Tax Environment



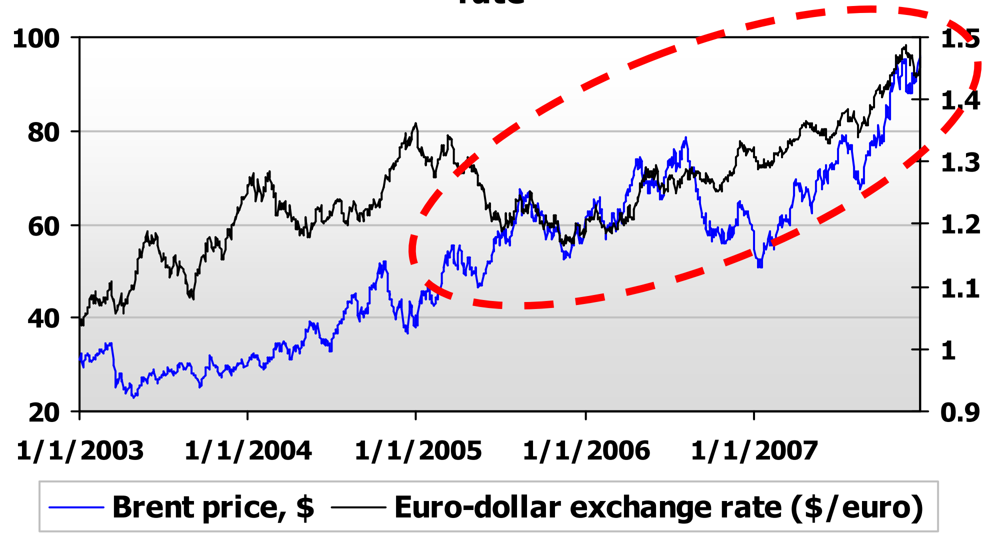
Oil Price Follows Euro

There has been high correlation between oil price in dollars and euro-dollar exchange rate since 2005. The reason for this is the US macroeconomic situation as well as gradual shift of producing countries from dollar to euro in pricing and building currency reserves.

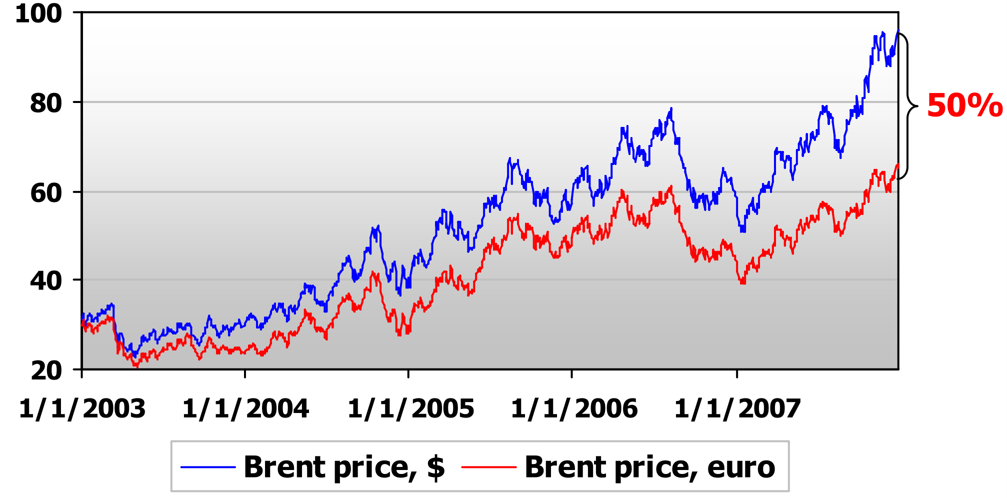
Correlation between oil price in dollars and euro-dollar exchange rate in 2007 reached 95%. This means that market pricing was actually done in euros.

Current situation is favorable for the Company as it allows to eliminate partly the dollar devaluation effect. Moreover ruble is tied up to currency basket which causes euro appreciation to ruble: it amounted to 9.1% y-o-y in 2007.

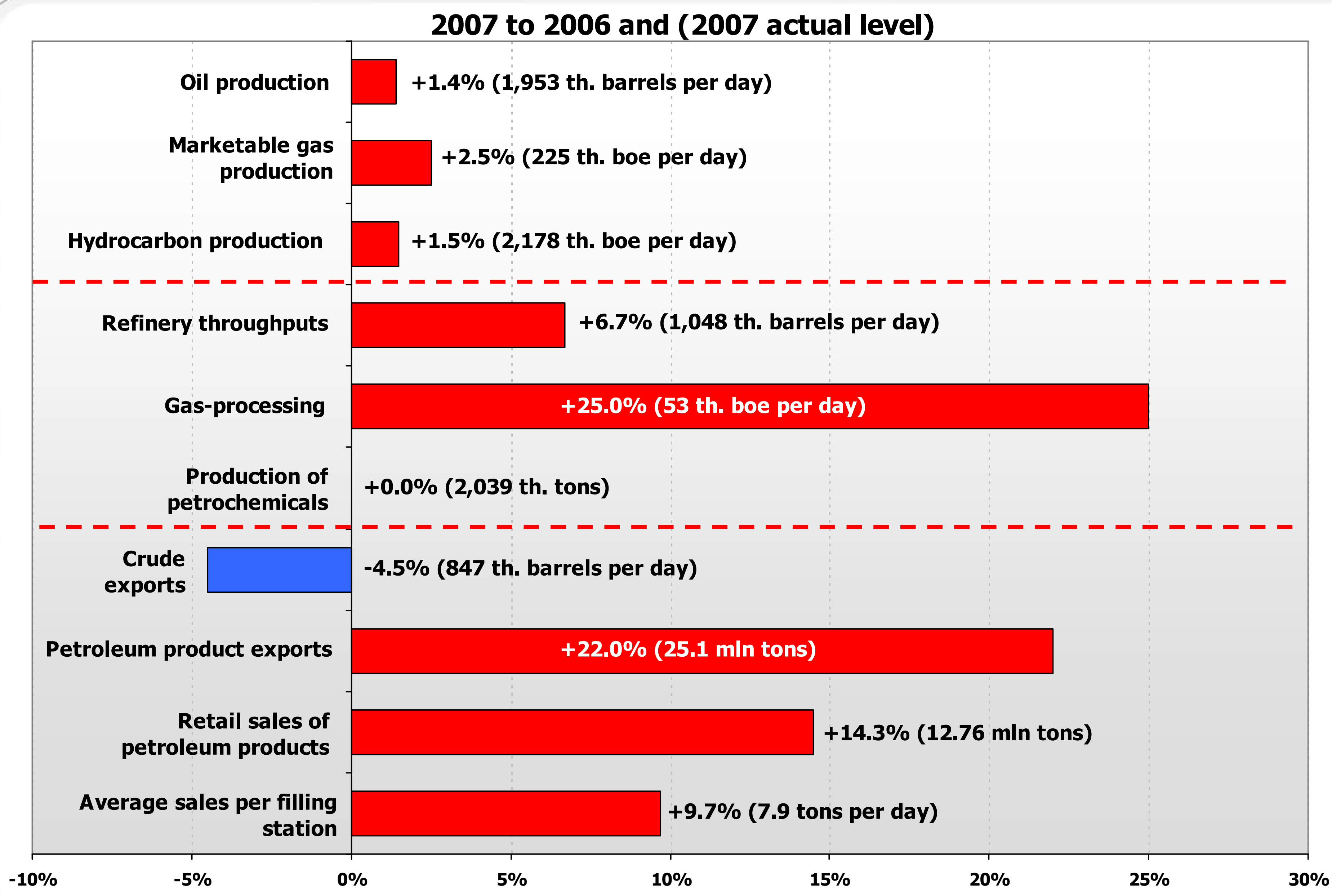
Brent price in dollars and euro-dollar exchange rate



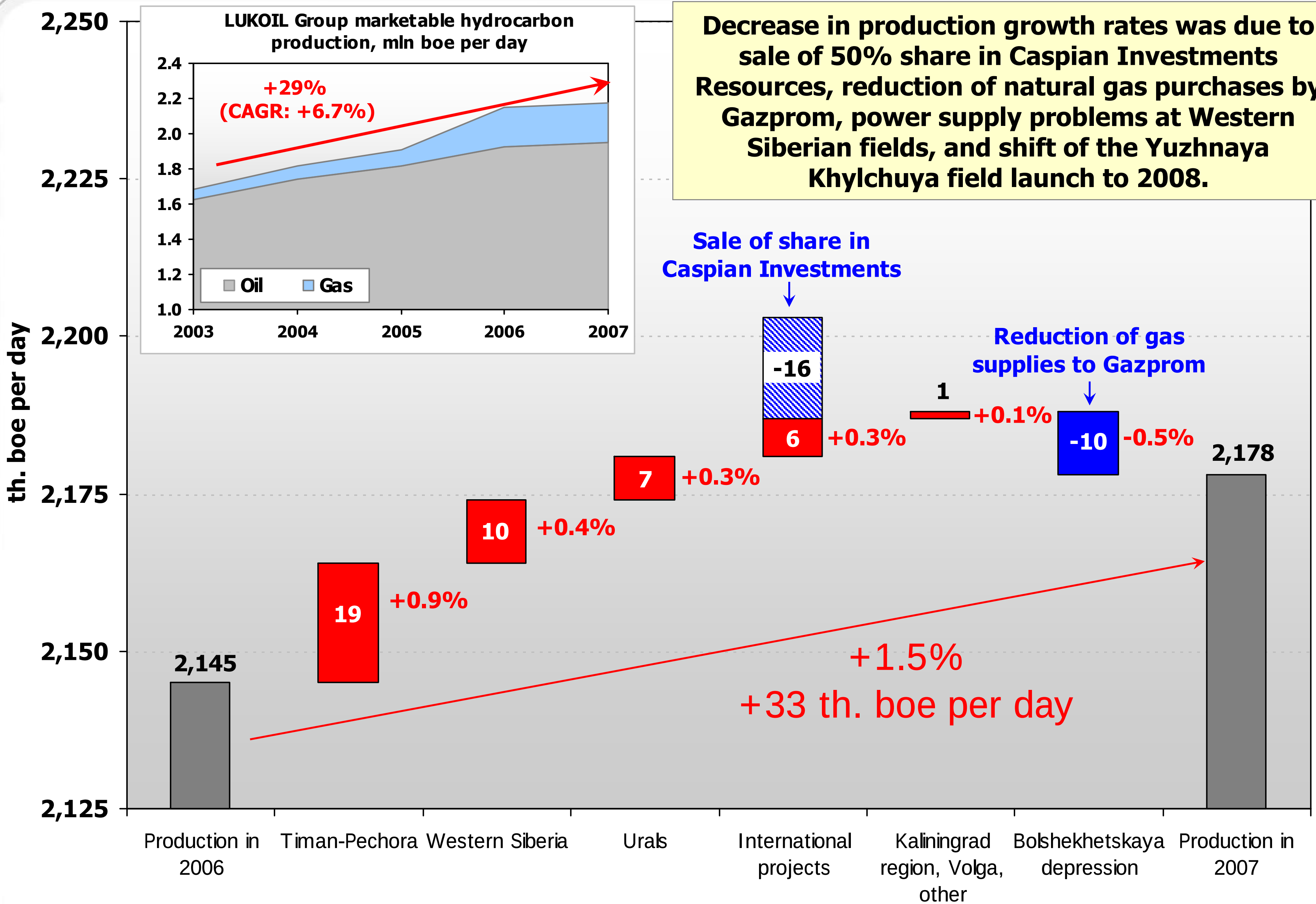
Brent price in dollars and euros



Main Operating Results



Marketable Hydrocarbon Output Reconciliation (y-o-y)



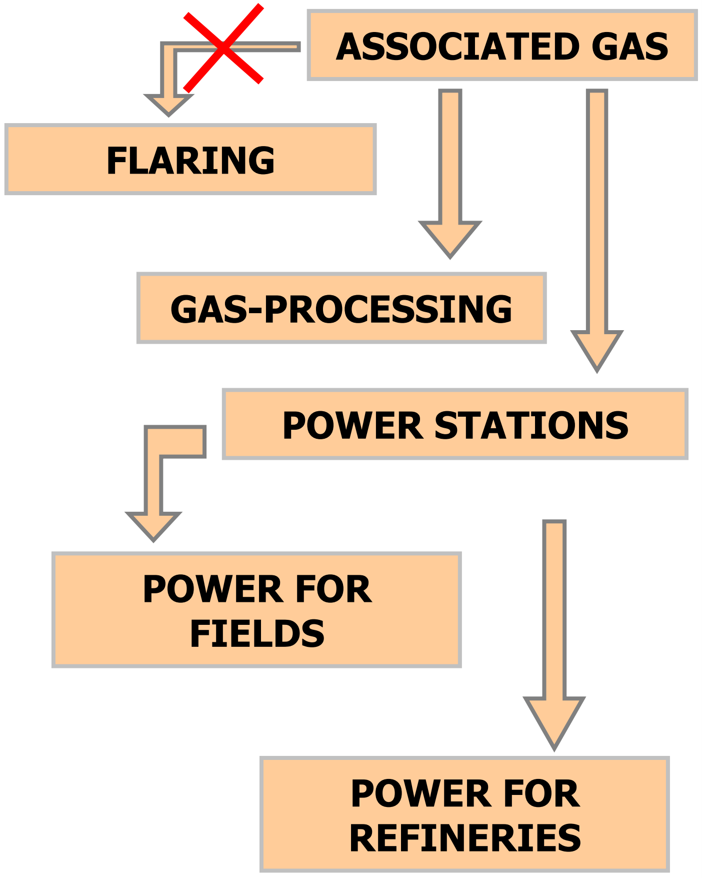
Decrease in production growth rates was due to sale of 50% share in Caspian Investments Resources, reduction of natural gas purchases by Gazprom, power supply problems at Western Siberian fields, and shift of the Yuzhnaya Khylchuya field launch to 2008.

Building On-site Power Generation – a Way to Control Costs and Supply Sufficient Energy for Assets

- LUKOIL built in late 2007 a gas-turbine power station with capacity of 72 megawatts in Western Siberia to supply energy to the largest oil field in the region, Vat-Yeganskoye. The station will use associated gas as feed stock. The new power station is the largest own generation asset of LUKOIL Group.

- Development of on-site power generation will let the Company provide electrical energy for energy-deficient regions (Western Siberia), hedge against energy prices growth, increase associated gas utilization rate.

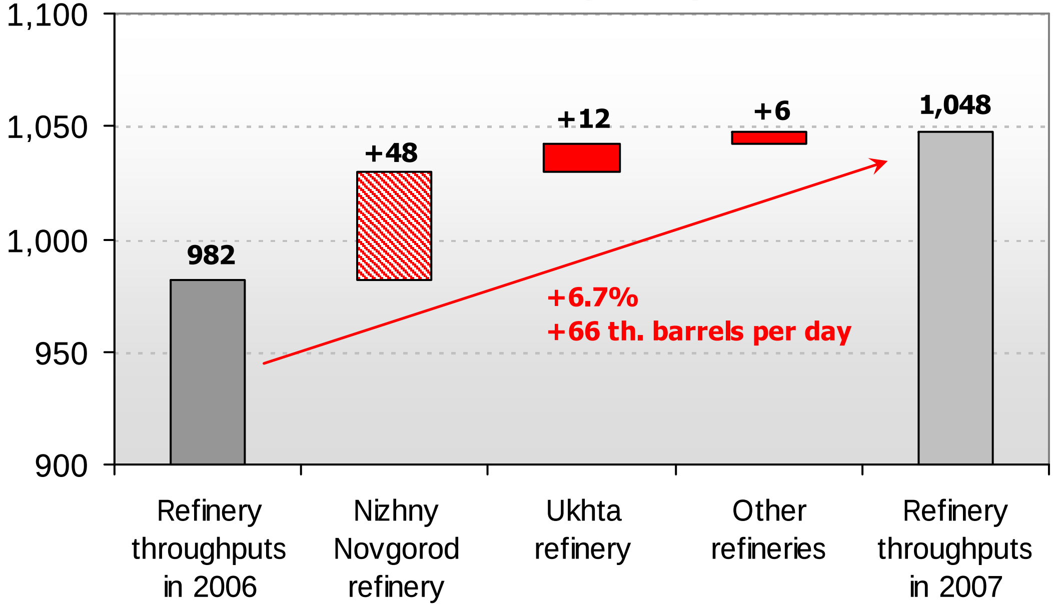
- LUKOIL's subsidiaries operate over 350 power generation units of different types. Their total capacity reaches about 300 megawatts (including the constructed gas-turbine power station).



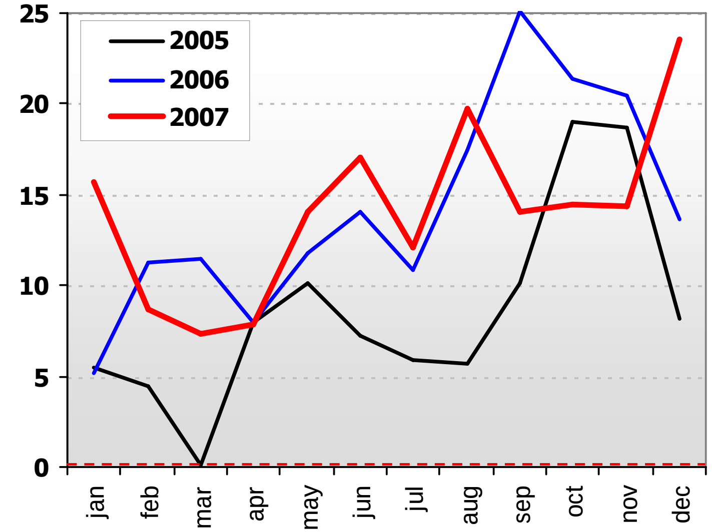
Development of on-site power generation capacities will allow to raise utilization rate of associated gas and save about $100 mln per year

Crude Oil Refining

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



Refining margin of Russian cracking refinery, $ per barrel



In 2007 the following units were put into operation:

- 3 new isomerization units with total capacity of 840 th. tons per year (at Perm, Volgograd and Burgas refineries) – increasing production of high-octane gasoline to European standards
- 1 visbreaking unit with capacity of 800 th. tons per year at Ukhta refinery – increasing depth of refining, reducing fuel oil production

In 2007 LUKOIL carried out:

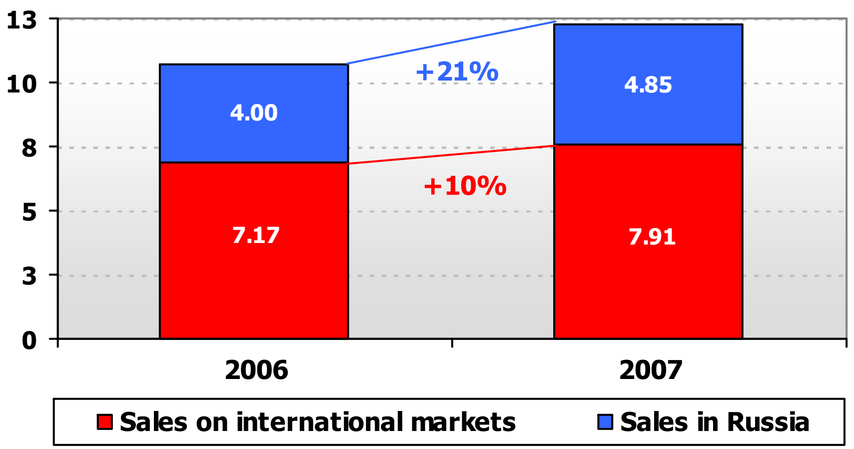
- Construction of visbreaking units at Odessa and Nizhny Novgorod refineries with total capacity of 3.1 mln tons per year
- Construction of hydrotreating unit at Burgas refinery, capacity – 1.7 mln tons per year
- Extension of catalytic cracking unit capacity at Burgas refinery to 2 mln tons per year

Marketing Expansion in 2007 – beginning of 2008

Filling stations acquisitions in 2007 – beginning of 2008

Asset	Filling stations	Farm facilities	Retail sales, mln tons per year	Region
ConocoPhillips assets	376	1	1.4	Belgium, Luxembourg, Czech Republic, Slovakia, Poland, Hungary, Finland
Rostovneft	55	6	0.1	Russia: Rostov region
Russneft assets (currently in progress)	217	8	1.0	Russia: Moscow and the region, Pskov, Novgorod, Tver, Smolensk, Kaluga and Tula regions
Other	87	7	0.2	Croatia, Russia: Stavropol region, Khanty-Mansiysk autonomous district, Moscow, Rostov, Ryazan, Volgograd regions
Total	**735**	**22**	**2.7**	

Retail sales of petroleum products, mln tons

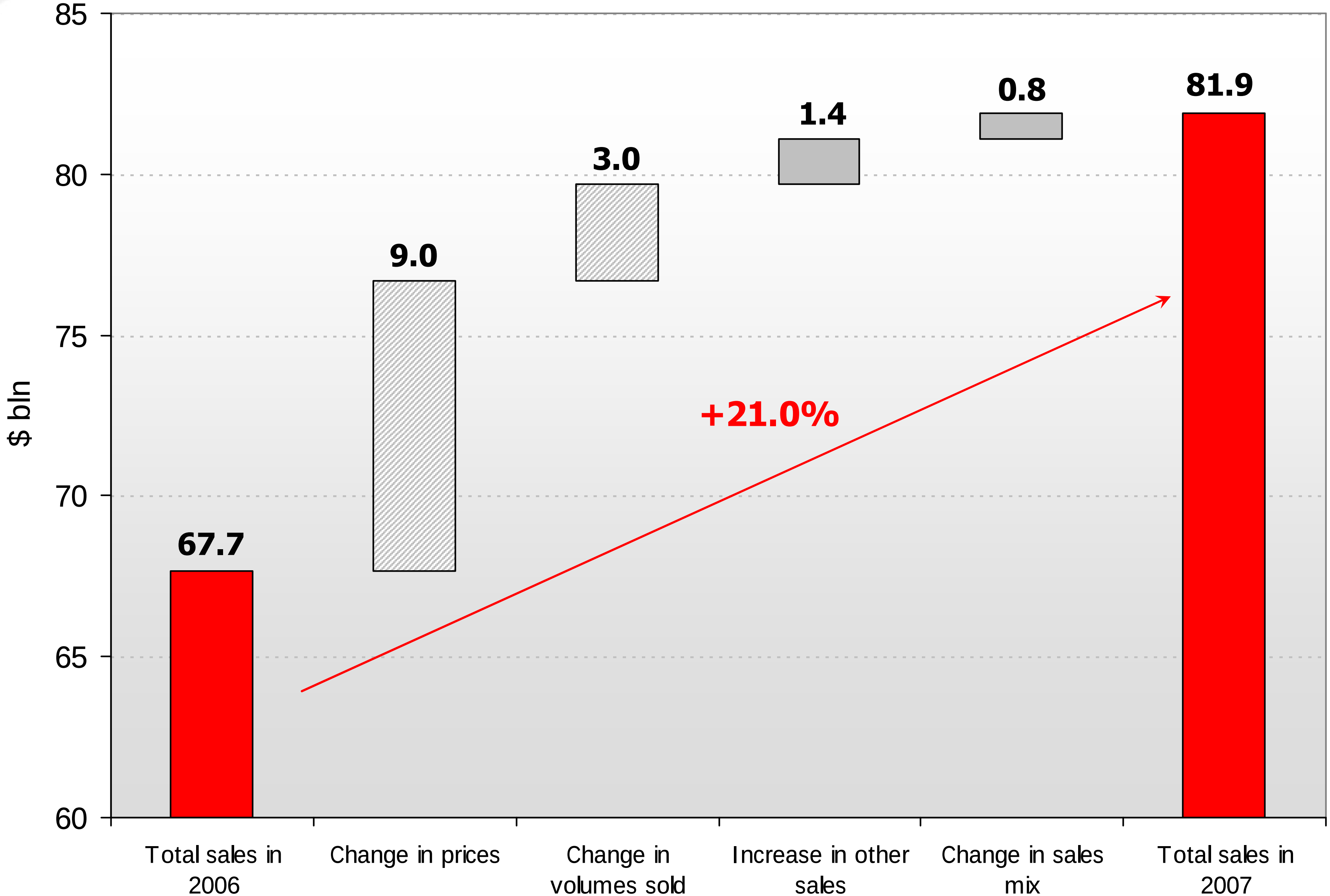


As a result of acquisitions in 2007–beginning of 2008 LUKOIL plans to increase its retail network by 13%. Retail sales volumes of the filling stations are expected to amount to 24% of Group total retail sales in 2006. The acquired filling stations are more efficient than the Group average.

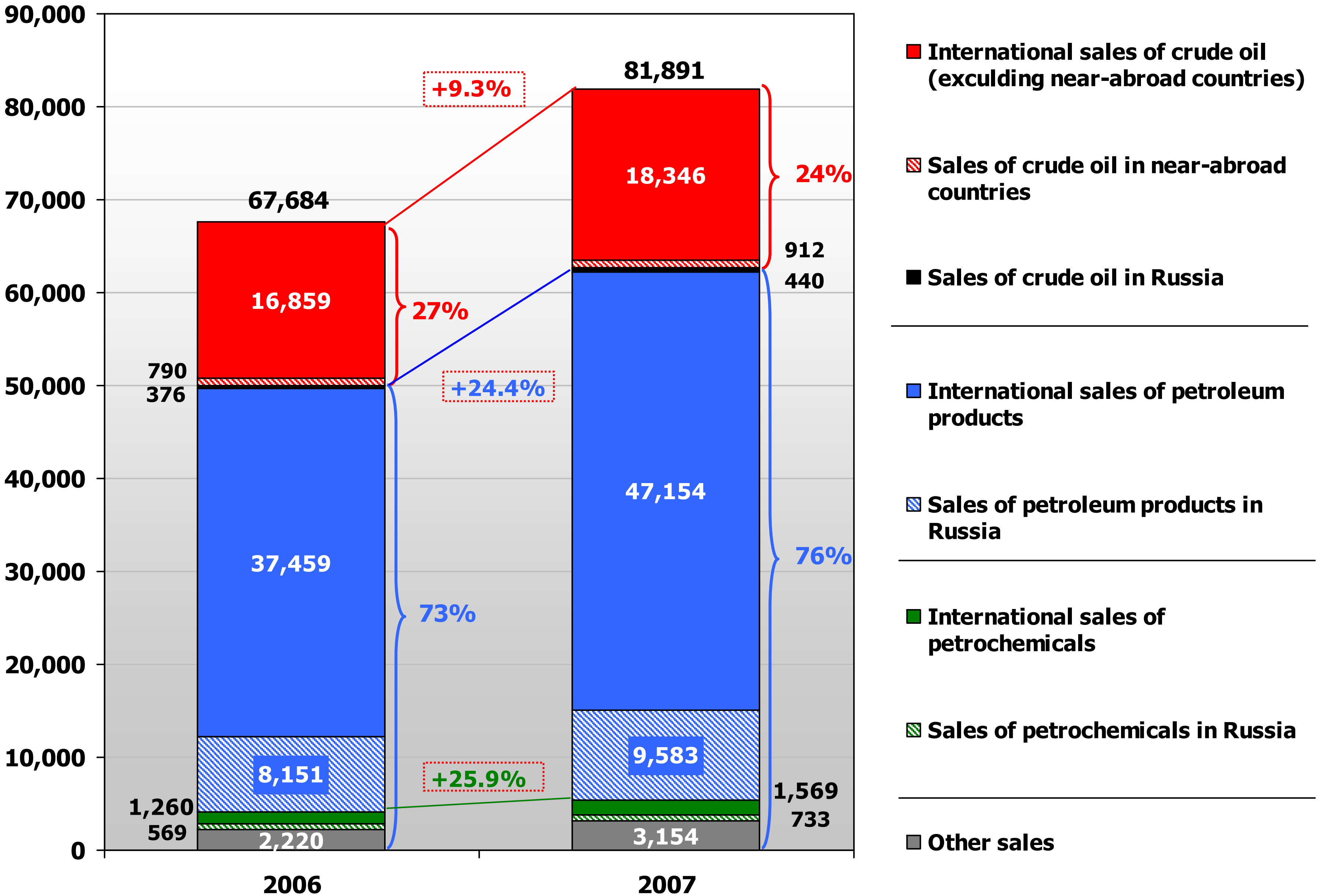
Financial Results

2007	2006	Δ ,%	$ mln	4Q 2007	3Q 2007	Δ ,%
82,238	**68,109**	**+20.7**	**Total revenue**	**24,891**	**21,415**	**+16.2**
(6,172)	(4,652)	+32.7	Operating expenses	(1,703)	(1,555)	+9.5
(24,400)	(21,645)	+12.7	Taxes other than income taxes (including excise and export tariffs)	(7,248)	(6,440)	+12.5
13,418	10,477	+28.1	Income from operating activities	4,590	3,504	+31.0
13,018	10,257	+26.9	Income before income taxes	4,481	3,394	+32.0
9,511	**7,484**	**+27.1**	**Net income**	**3,213**	**2,482**	**+29.5**
11.48	9.06	+26.7	Basic EPS, $	3.89	3.01	+29.2
15,388	**12,299**	**+25.1**	**EBITDA**	**5,018**	**4,021**	**+24.8**

Sales Reconciliation



Sales Breakdown, $ mln



Operating Expenses

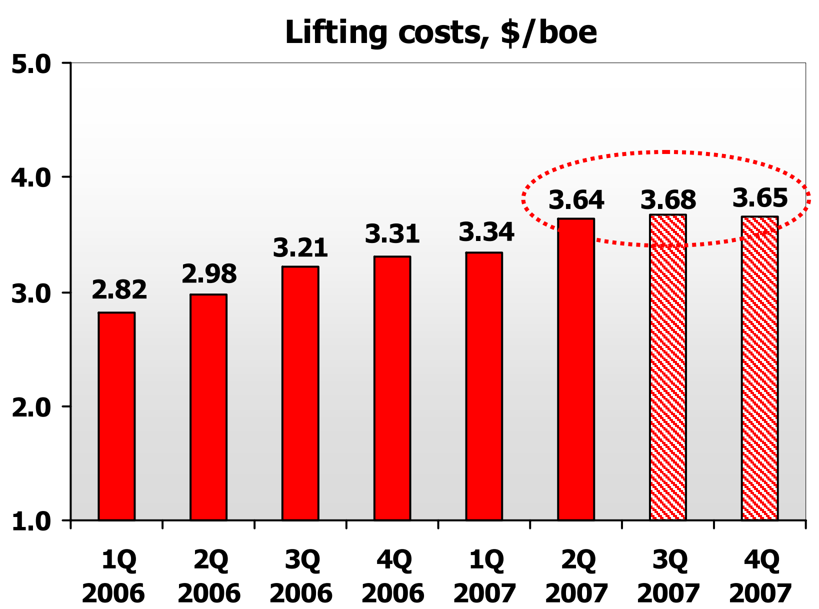
2007	2006	Δ, %	$ mln	4Q 2007	3Q 2007	Δ, %
2,757	2,312	+19.2	Hydrocarbon lifting costs	708	699	+1.3
880	730	+20.5	Own refining expenses	249	221	+12.7
242	230	+5.2	Refining expenses at third-party refineries	73	48	+52.1
158	–	–	Excise included in processing fee paid to third-party refineries	17	45	-62.2
272	247	+10.1	Petrochemical expenses	74	64	+15.6
848	686	+23.6	Crude oil transportation to own refineries	241	196	+23.0
1,271	861	+47.6	Other operating expenses	394	361	+9.1
(256)	(414)	-38.2	Change in operating expenses in crude oil and refined products inventory originated within the Group	(53)	(79)	-32.9
6,172	**4,652**	**+32.7**	**Total**	**1,703**	**1,555**	**+9.5**
27,982	**22,642**	**+23.6**	**Cost of purchased crude oil, gas and products**	**8,478**	**7,384**	**+14.8**

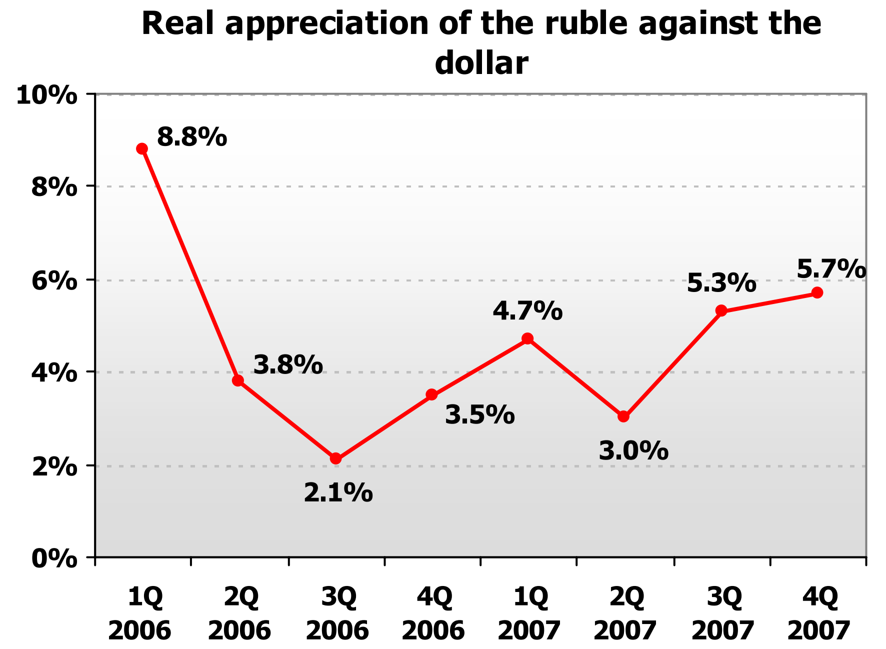
OPEX Growth Drivers

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

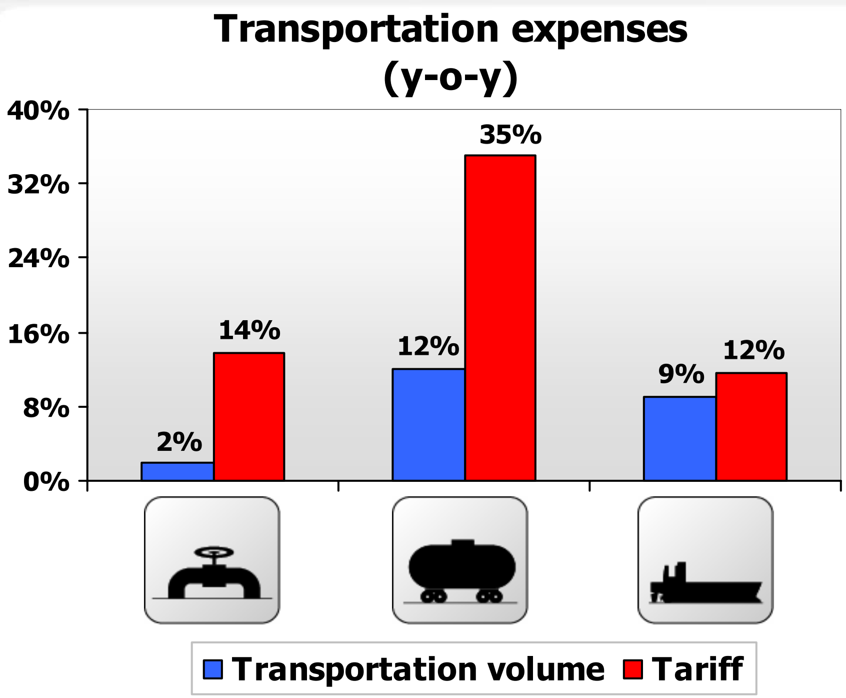
- **real ruble appreciation,** which reached 16.0% y-o-y and affected all operating expense items
- **increase in refining expenses at third-party refineries due to amendments to Russian legislation** (excise for petroleum products is now included in processing fee paid to third-party refineries)
- growth of other OPEX which comes from rise in transportation volumes and other services rendered by LUKOIL abroad
- increase in lifting costs which was caused by production growth, new assets acquisition and other factors
- increase in transportation expenses due to increase in refinery throughputs and tariffs escalation

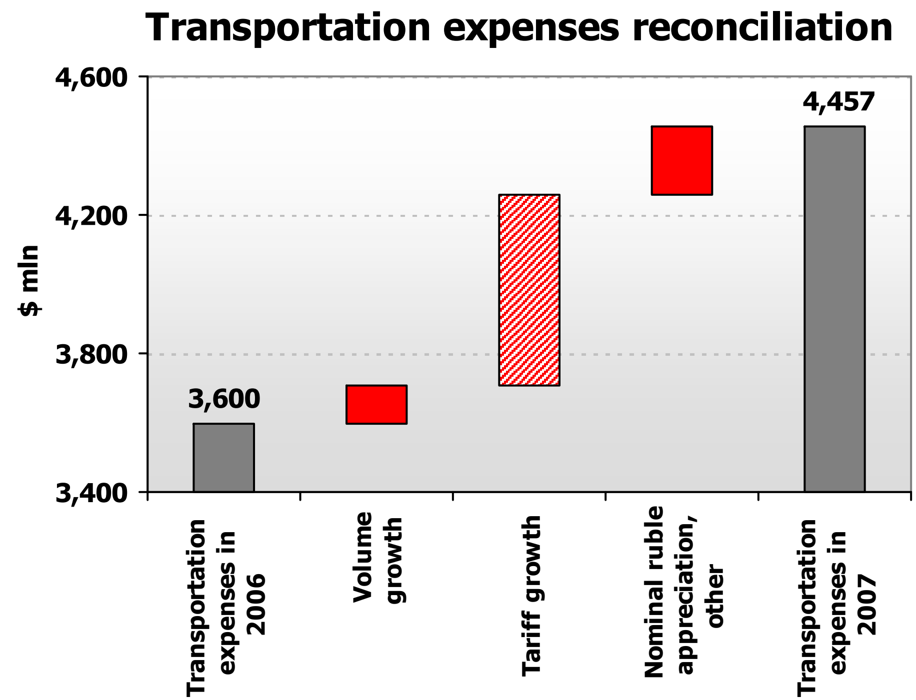
LUKOIL successfully controls hydrocarbon lifting costs.





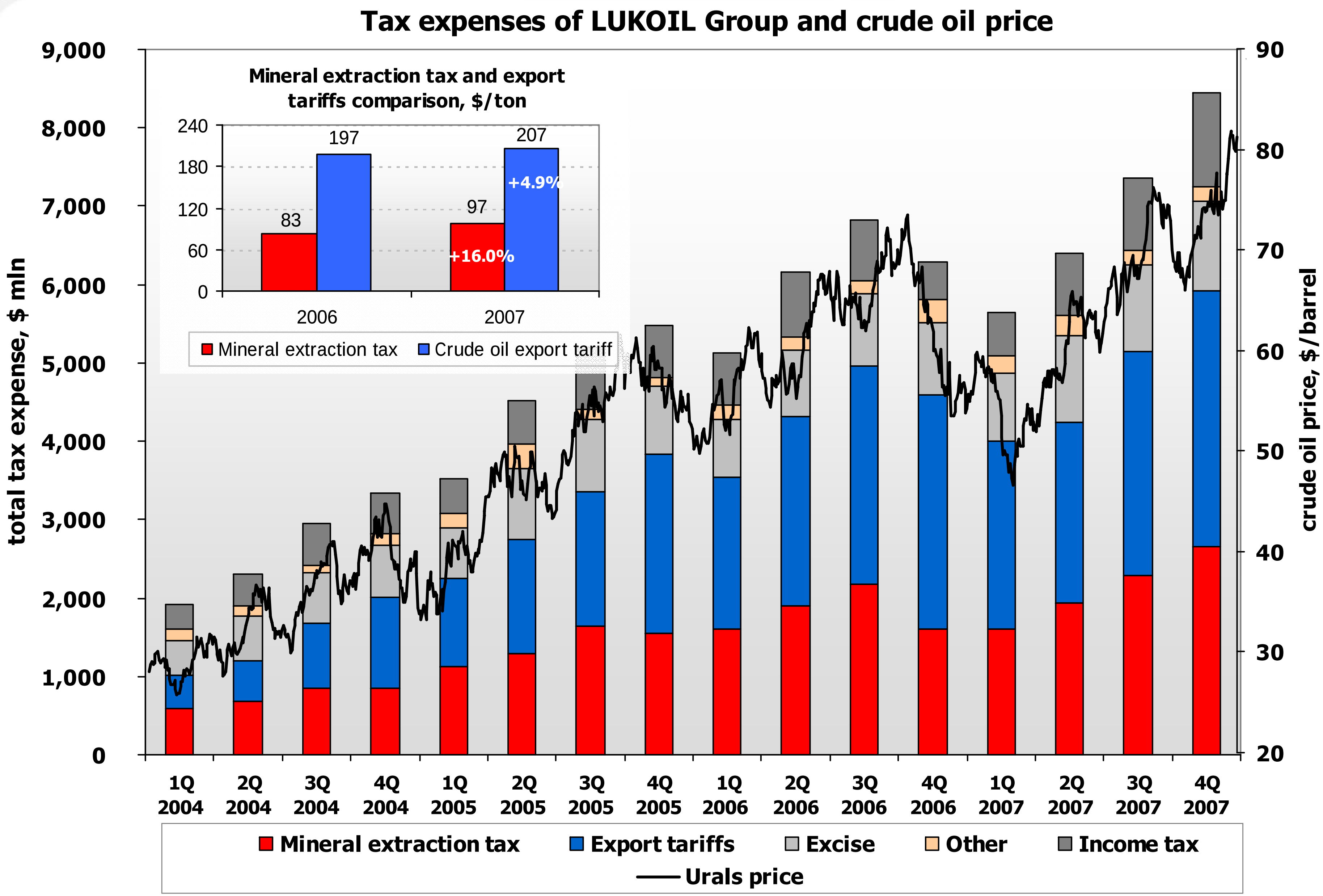
SG&A and Transportation Expenses





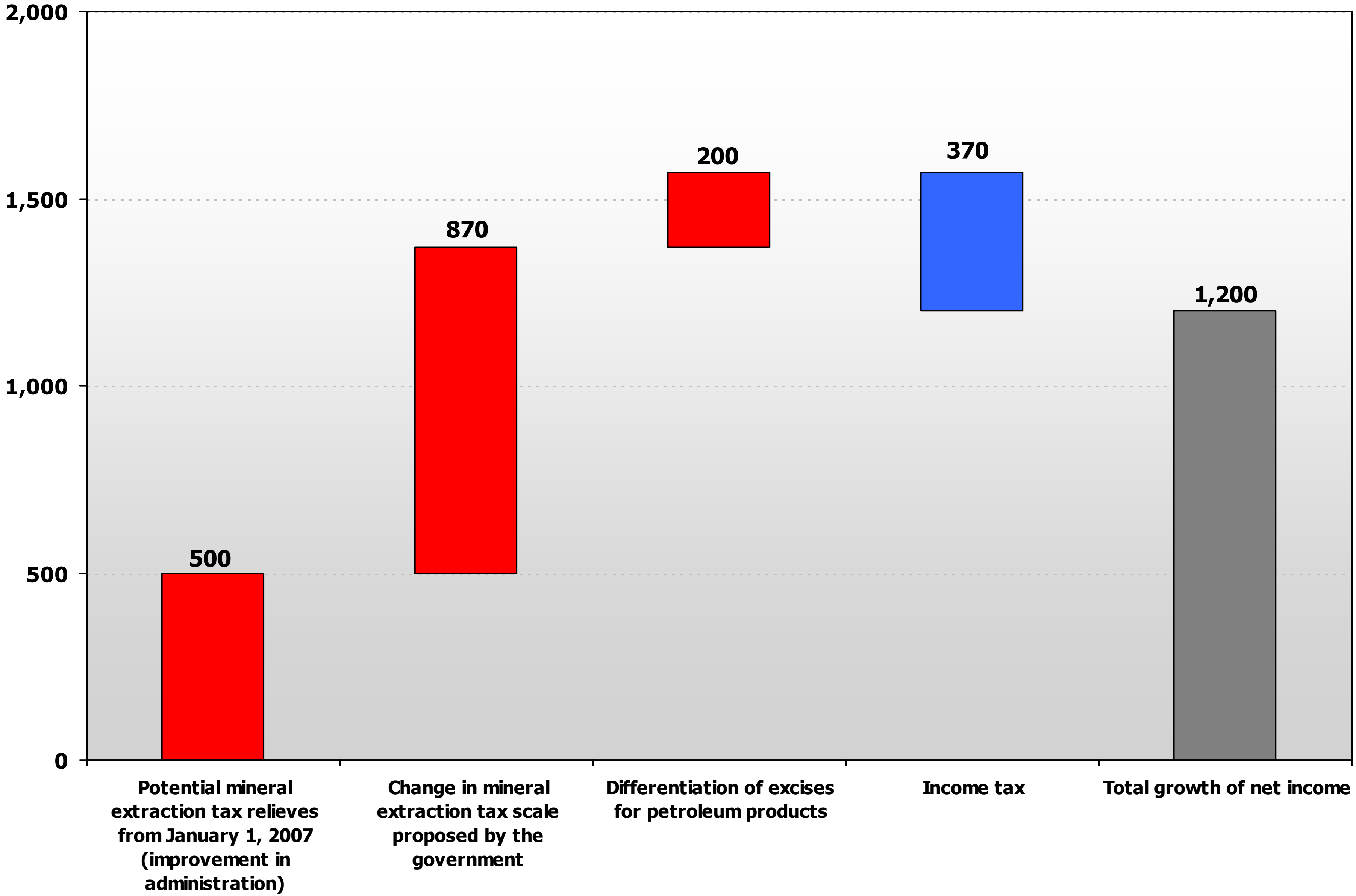
2007	2006	Δ, %	$ mln	4Q 2007	3Q 2007	Δ, %
4,457	3,600	+23.8	Transportation expenses	1,206	1,116	+8.1
3,207	2,885	+11.2	Other selling, general and administrative expenses	948	796	+19.1
7,664	**6,485**	**+18.2**	**Total**	**2,154**	**1,912**	**+12.7**

Tax Burden

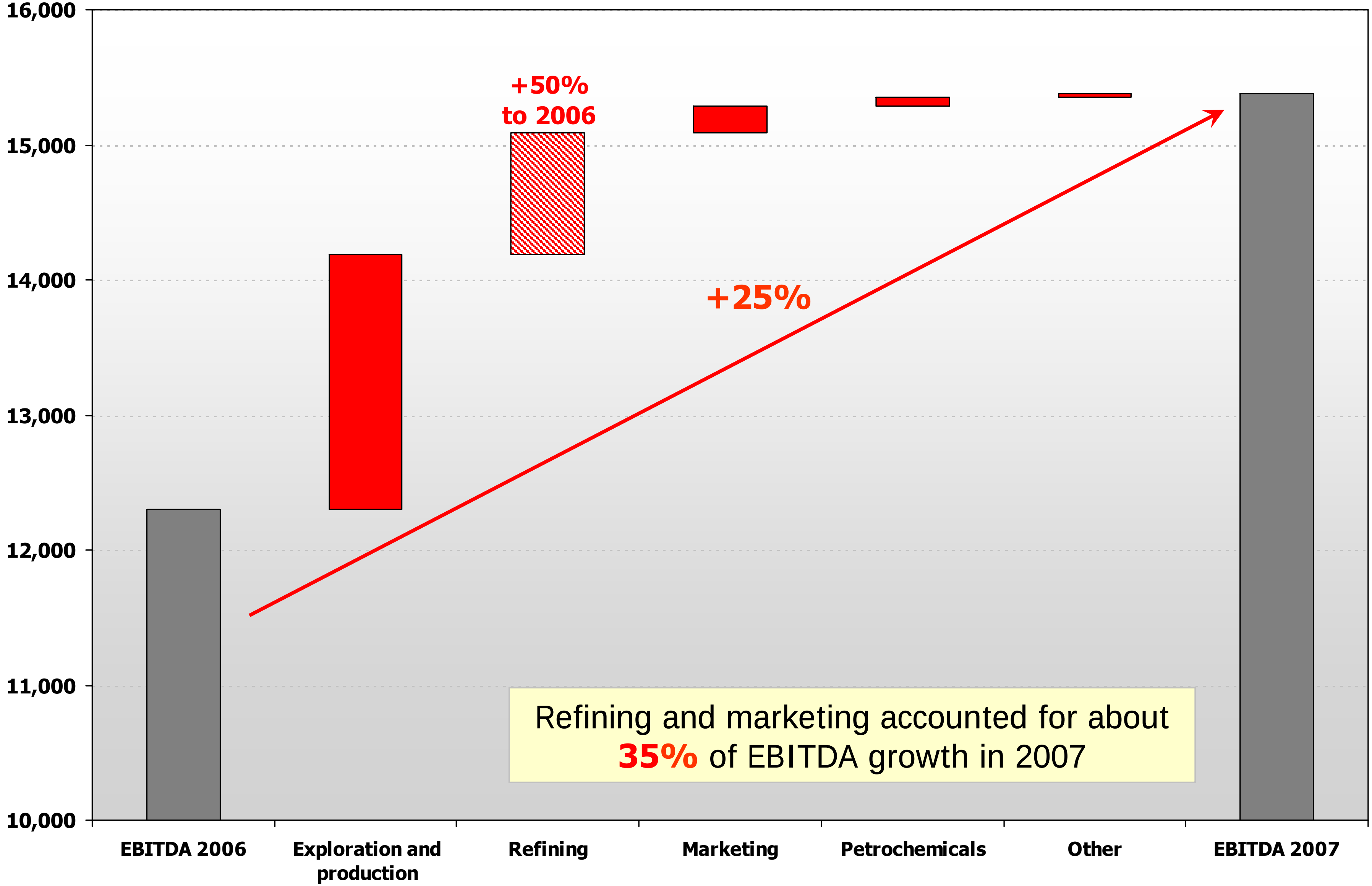


Tax expenses of LUKOIL Group and crude oil price
total tax expense, $ mln
crude oil price, $/barrel
0
1,000
2,000
3,000
4,000
5,000
6,000
7,000
8,000
9,000
20
30
40
50
60
70
80
90
1Q 2004
2Q 2004
3Q 2004
4Q 2004
1Q 2005
2Q 2005
3Q 2005
4Q 2005
1Q 2006
2Q 2006
3Q 2006
4Q 2006
1Q 2007
2Q 2007
3Q 2007
4Q 2007
Mineral extraction tax
Export tariffs
Excise
Other
Income tax
Urals price
Mineral extraction tax and export tariffs comparison, $/ton
240
180
120
60
0
83
197
97
207
+4.9%
+16.0%
2006
2007
Mineral extraction tax
Crude oil export tariff

Expected Effect from Tax Amendments (in 2007 prices)

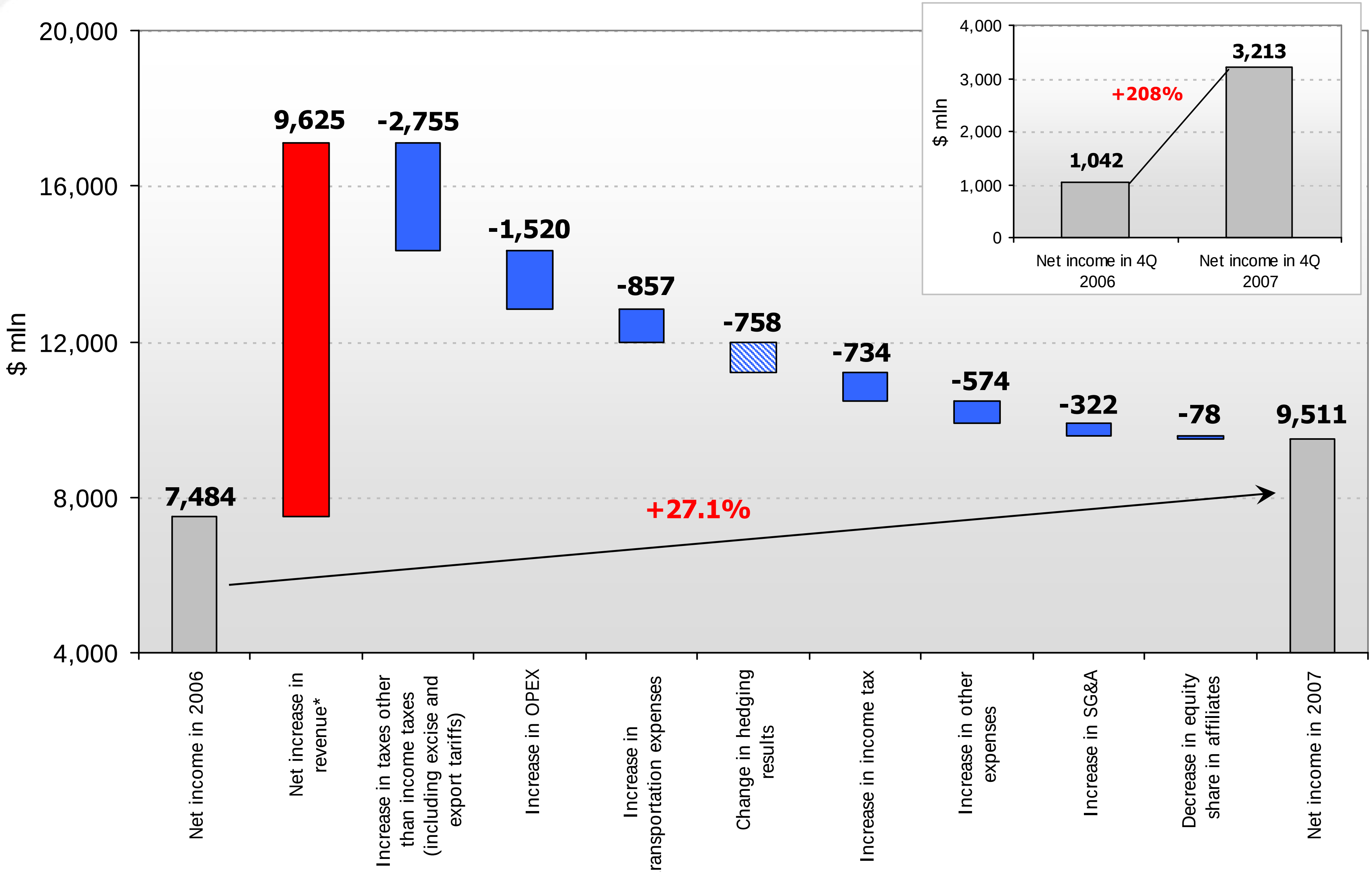


EBITDA Reconciliation by Segments*



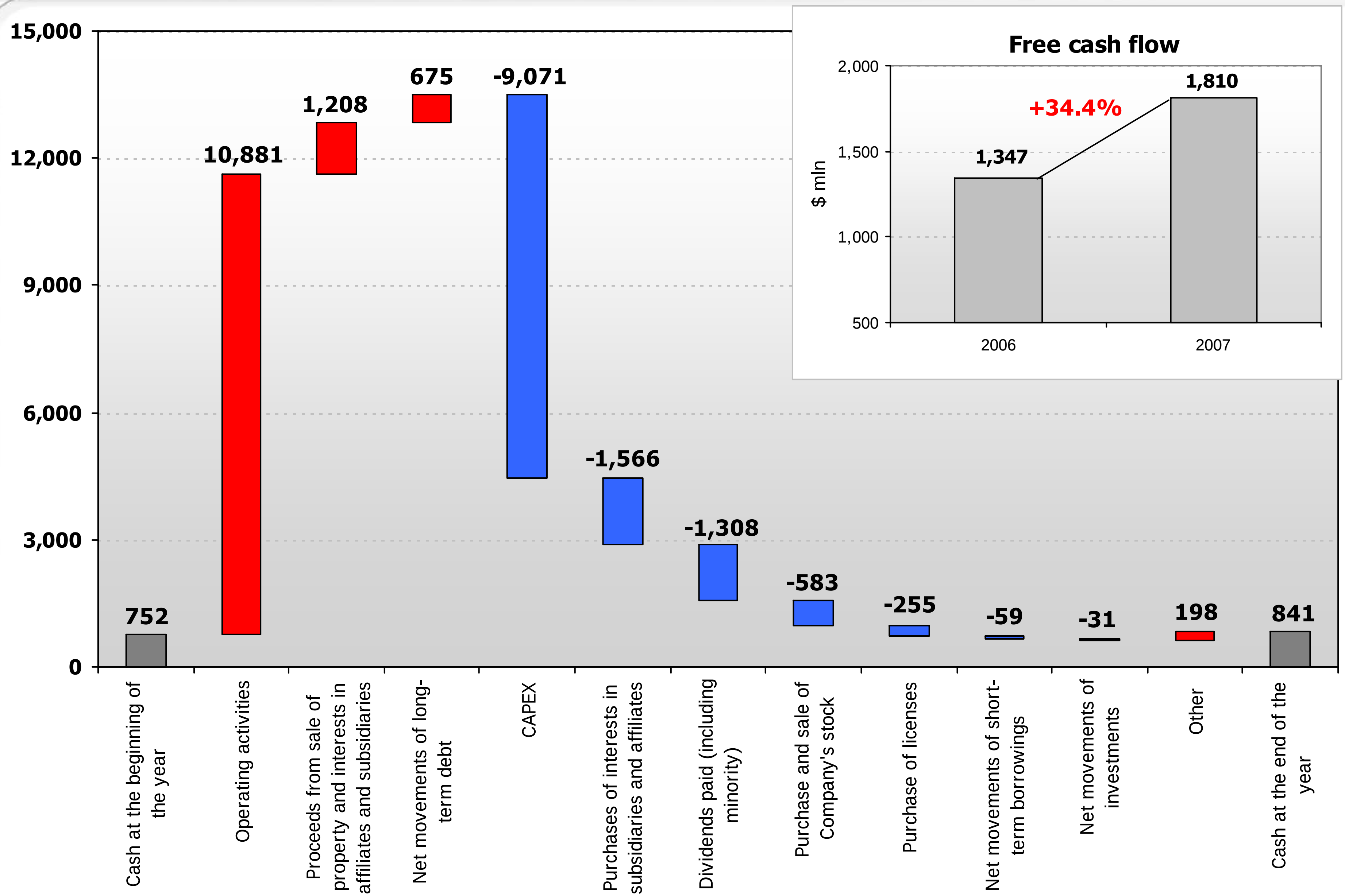
* Based on management accounting data.

Net Income Reconciliation



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

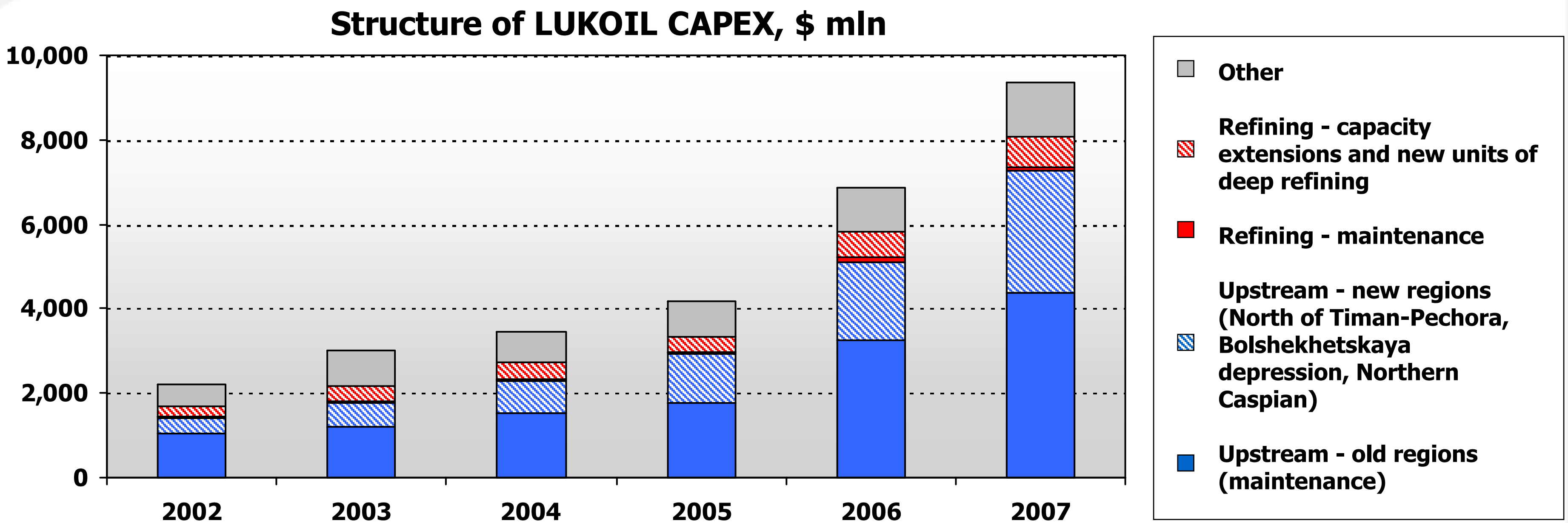
2007 Cash Flow Reconciliation, $ mln

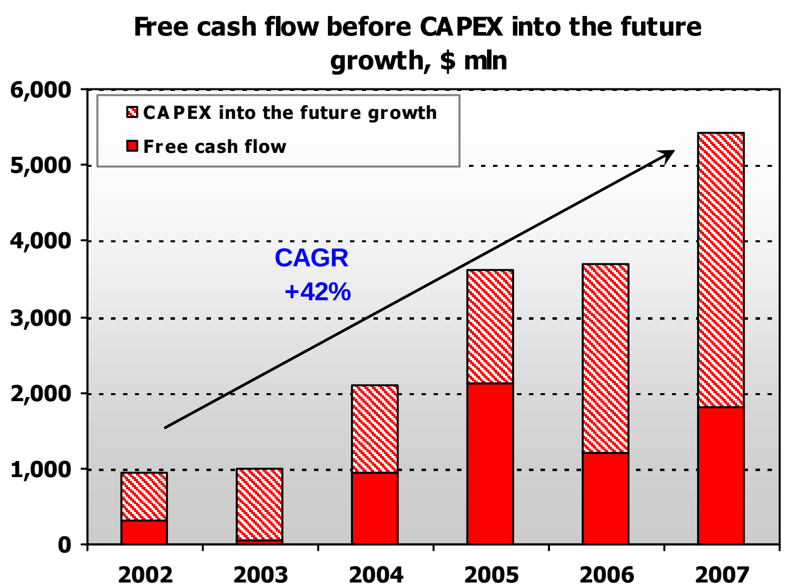


CAPEX Breakdown

2007	2006	Δ, %	$ mln	4Q 2007	3Q 2007	Δ, %
7,262	**5,120**	**+41.8**	**Exploration and production**	**2,004**	**1,873**	**+7.0**
6,391	*4,334*	*+47.5*	*Russia*	*1,692*	*1,659*	*+2.0*
476	*285*	*+67.0*	*Including ConocoPhillips spending in Naryanmarneftegaz*	*110*	*138*	*-20.3*
871	*786*	*+10.8*	*International*	*312*	*214*	*+45.8*
1,822	**1,475**	**+23.5**	**Refining and marketing**	**653**	**502**	**+30.1**
1,177	*916*	*+28.5*	*Russia*	*434*	*333*	*+30.3*
645	*559*	*+15.4*	*International*	*219*	*169*	*+29.6*
171	**172**	**-0.6**	**Petrochemicals**	**52**	**30**	**+73.3**
73	*121*	*-39.7*	*Russia*	*13*	*5*	*+160.0*
98	*51*	*+92.2*	*International*	*39*	*25*	*+56.0*
117	**119**	**-1.7**	**Other**	**61**	**22**	**+177.3**
9,372	**6,886**	**+36.1**	**Total (cash and non-cash)**	**2,770**	**2,427**	**+14.1**

LUKOIL – Company with Rapidly Growing Cash Flows, Creating and Using Market Opportunities



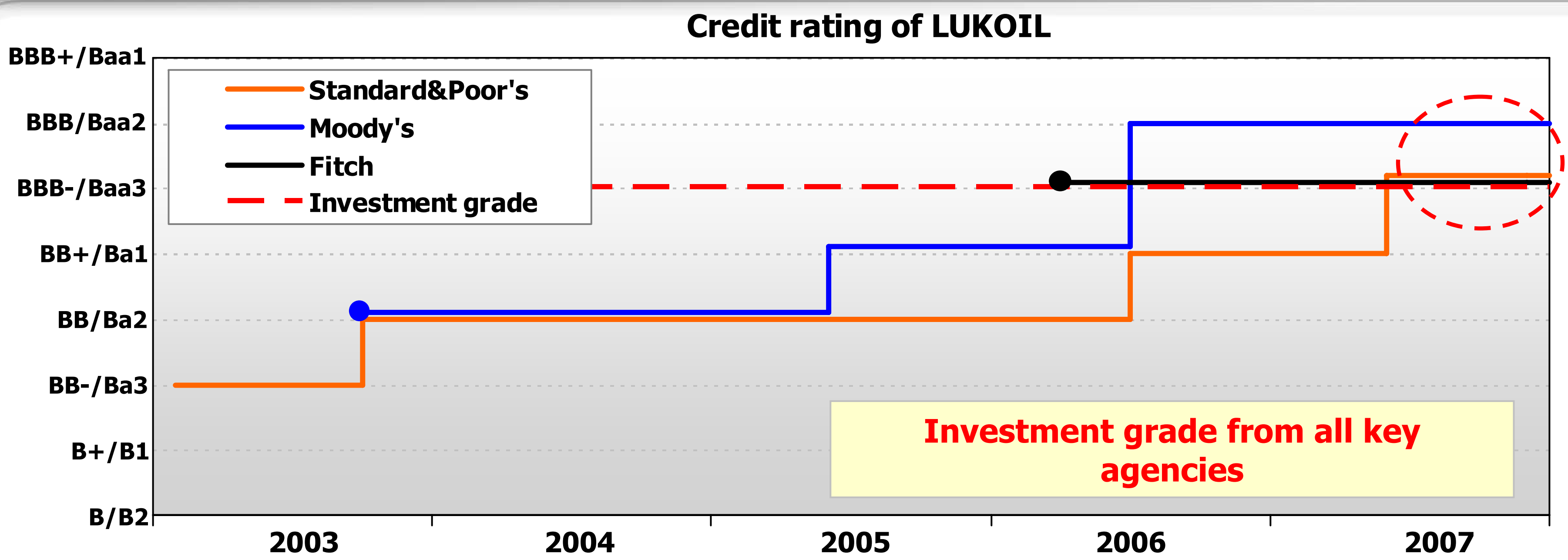


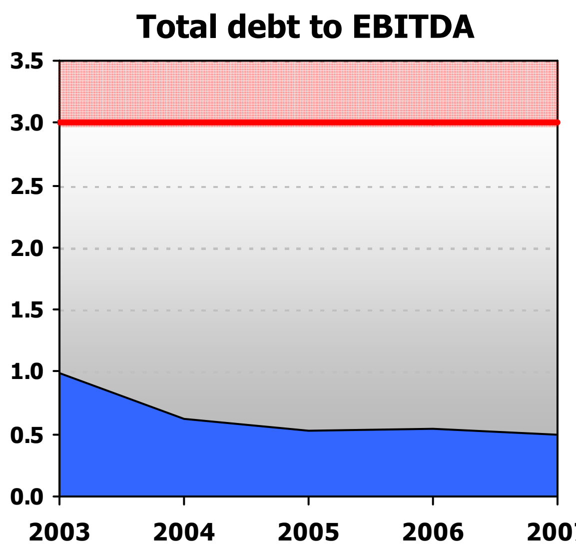
CAPEX into the future growth account for about 40% of total Company's CAPEX.

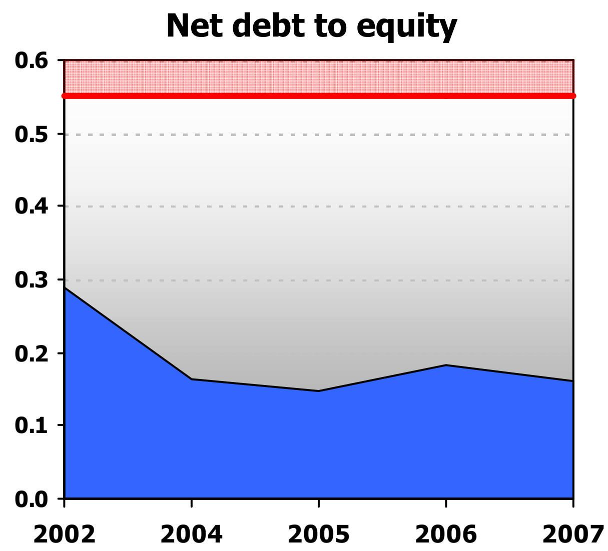
These expenditures do not give immediate effect due to a considerable duration of investment cycle in oil industry.

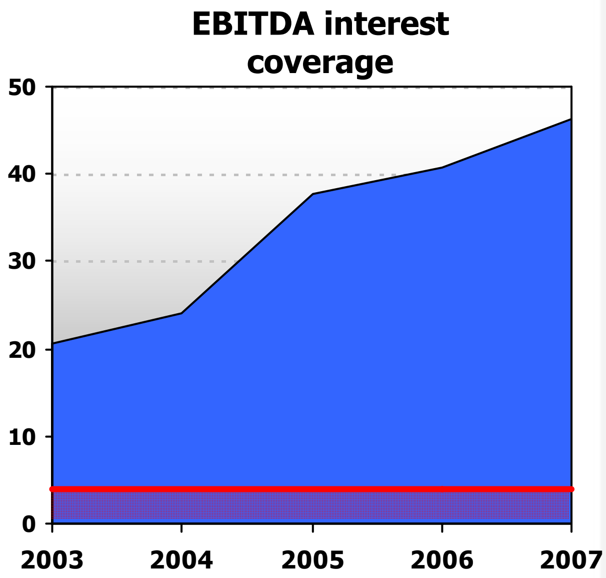
An alternative to CAPEX is returning the funds to shareholders. However LUKOIL unlike most competitors has an access to new project contributing to a substantial growth of Company shareholder value.

Credit Rating and Financial Covenants: Strict Financial Discipline









Conclusions

LUKOIL is going to develop dynamically exceeding market expectations thanks to:

- Tax burden decrease
- Accelerated refinery throughputs growth
- Gas processing expanding
- New discoveries and implementation of efficient projects in E&P business segment