



2006 Financial Results

(US GAAP)

April 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.

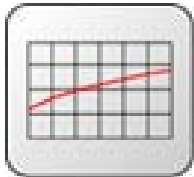


2006 Highlights



Net income – \$7,484 mln (+16.2%)

Basic EPS – \$9.06 (+14.5%)



ROACE – 21.5%



Market capitalization – \$74.8 bln (+48.1%)



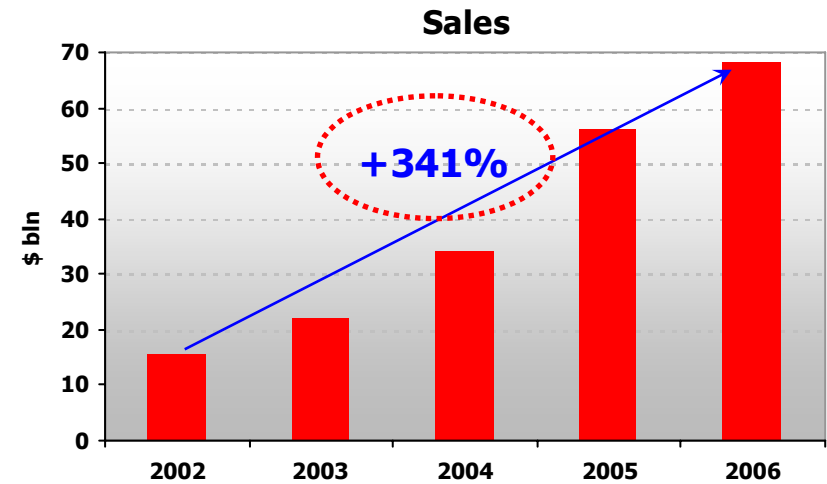
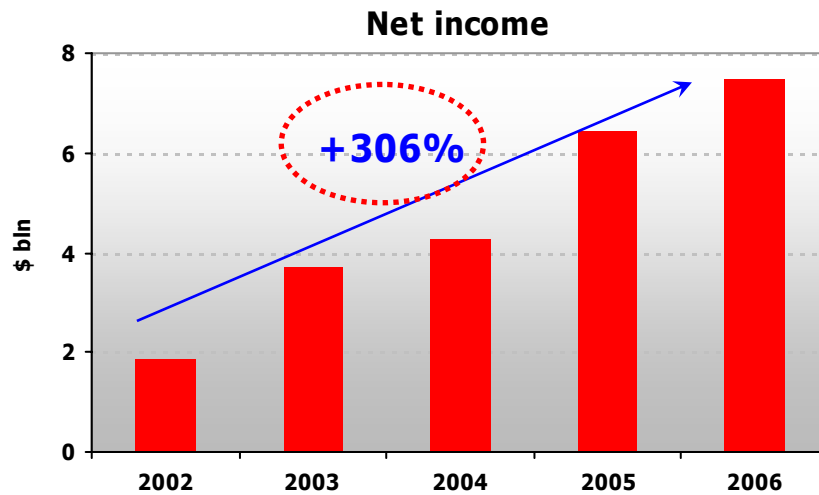
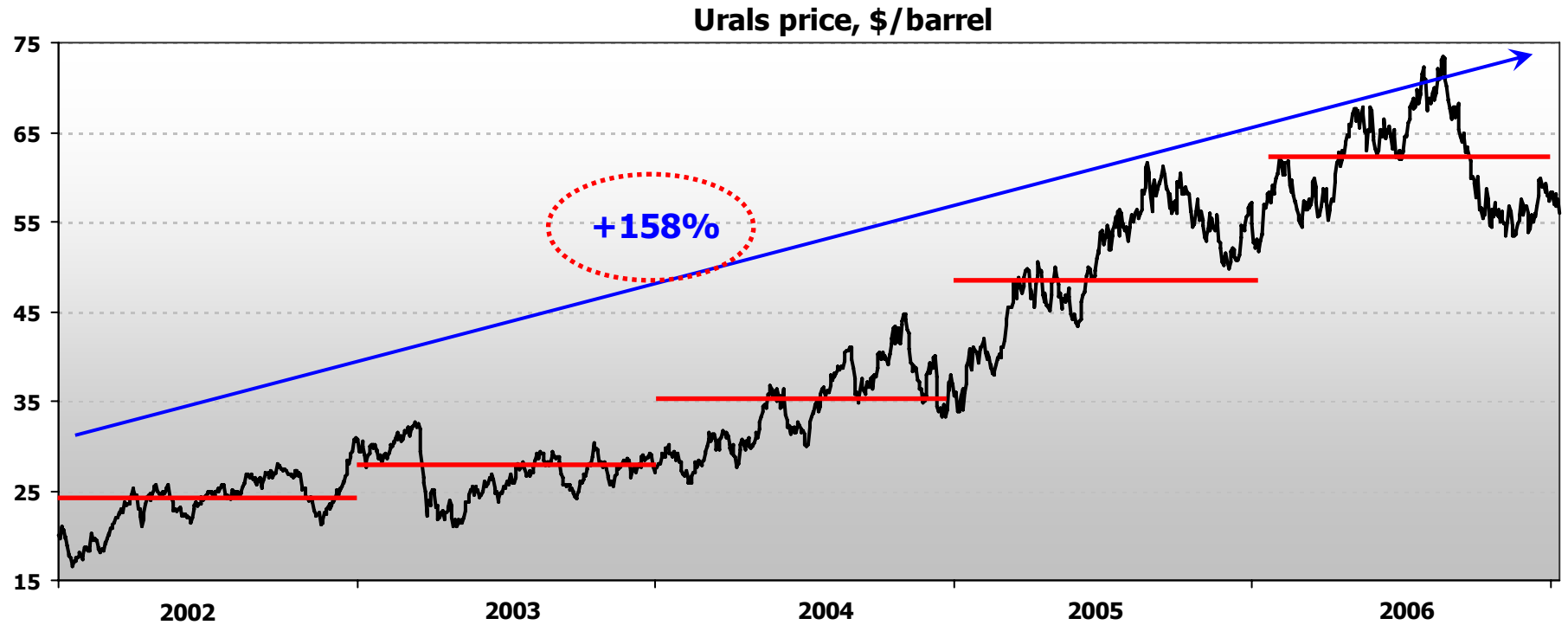
**Production of marketable hydrocarbons –
2,145 th. boe per day (+12.2%)**



Refinery throughputs – 982* th. bpd (+3.4%)



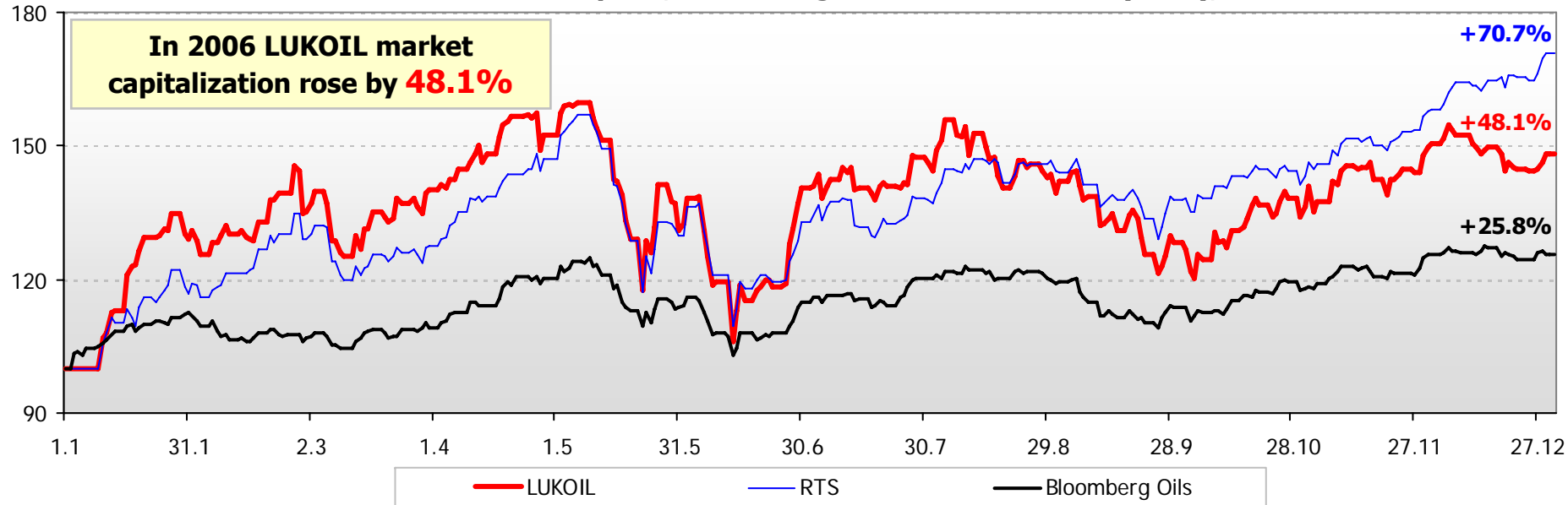
Steady Efficiency Growth



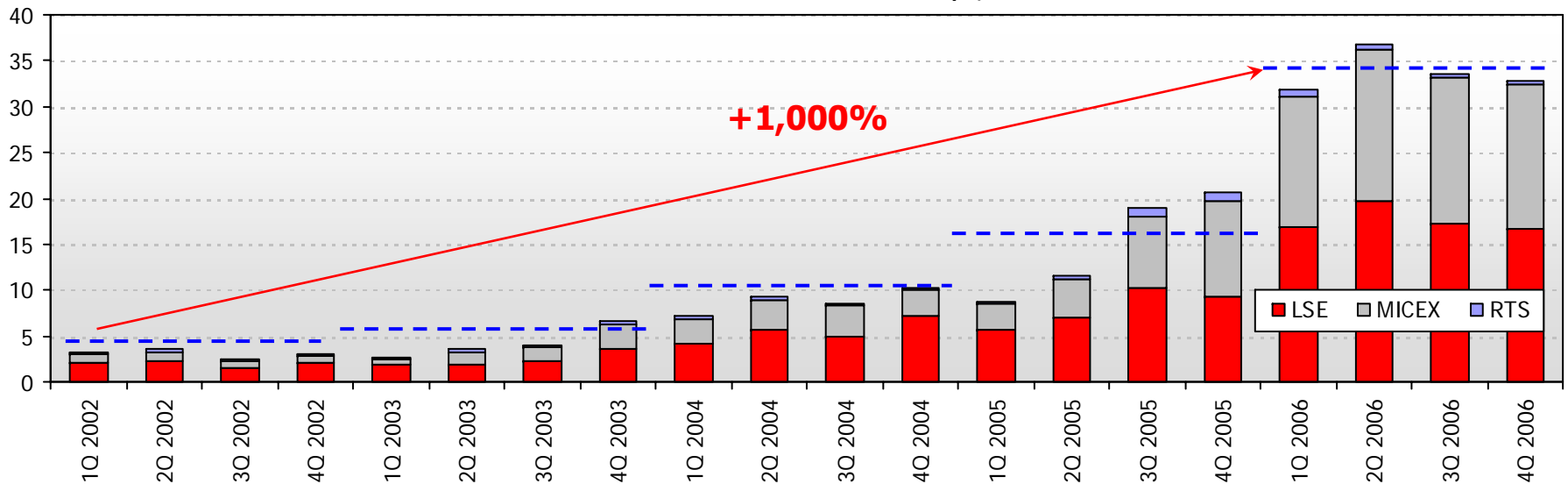


Market Capitalization and Liquidity Growth

LUKOIL share price, Bloomberg Oil and RTS Indices (2006), %



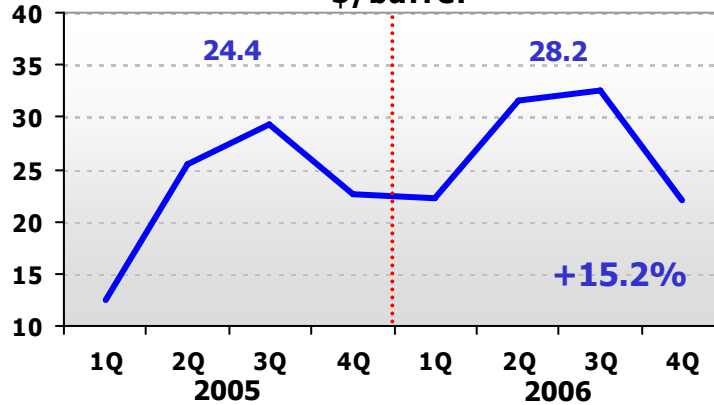
Trade volumes of LUKOIL shares, \$ bln



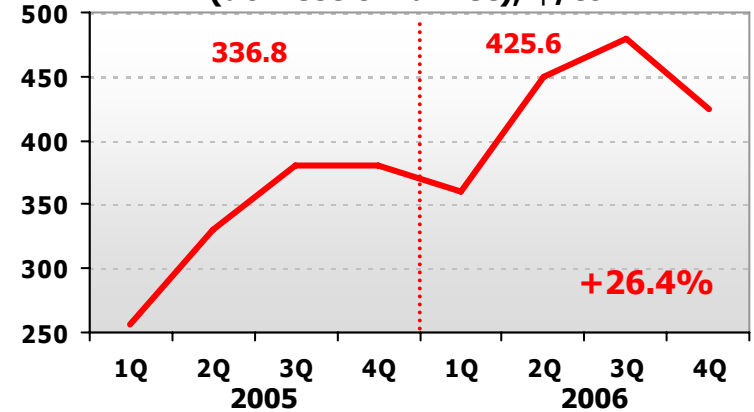


Economic Environment

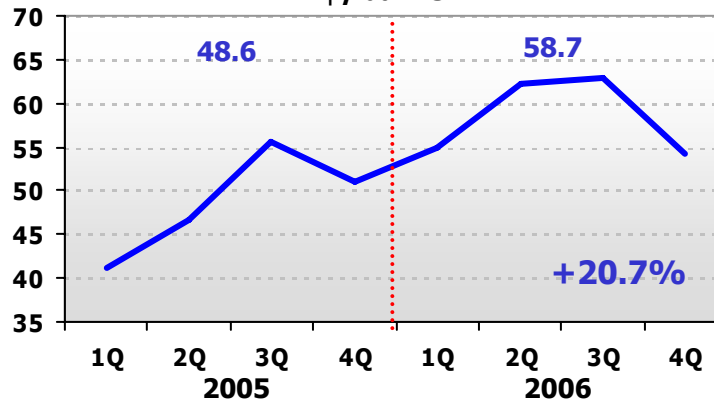
Realized oil (domestic market),
\$/barrel



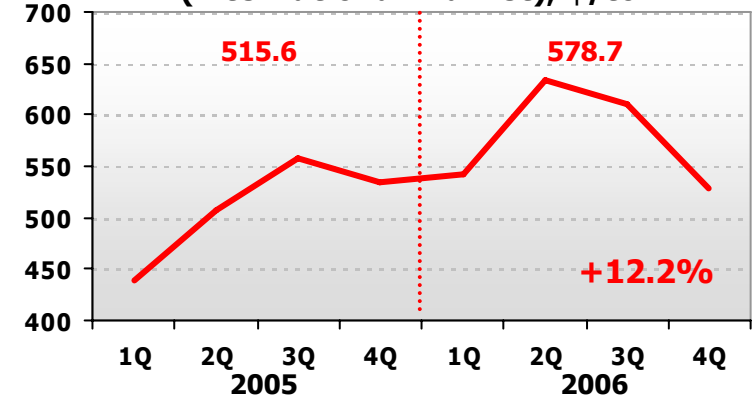
Realized petroleum products
(domestic market), \$/ton



Realized oil (international market),
\$/barrel



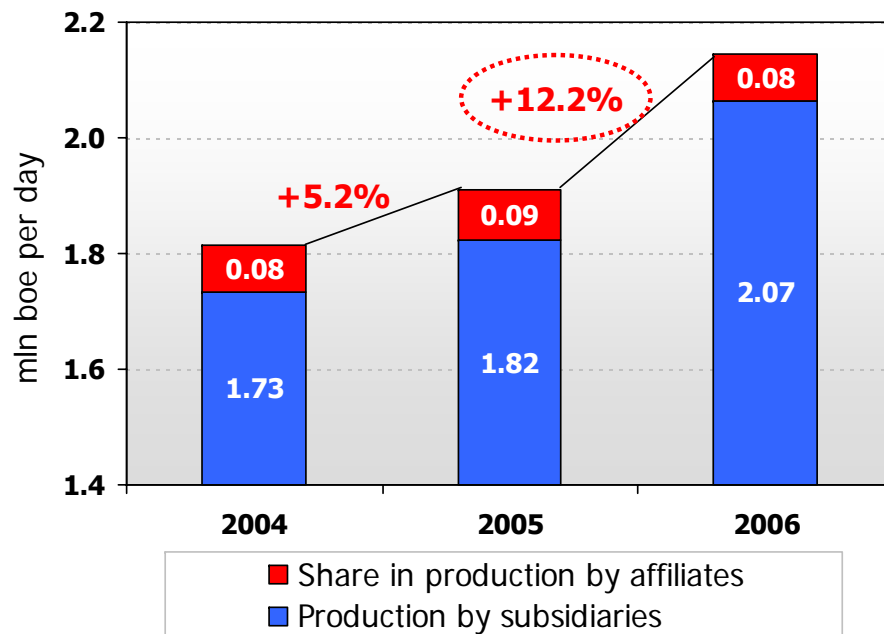
Realized petroleum products
(international market), \$/ton



2006	2005		4Q 2006	3Q 2006
9.1	10.9	Inflation, %	1.7	1.0
19.3	6.9	Real rouble appreciation against dollar, %	3.4	2.1



Marketable Hydrocarbon Production: Record Growth



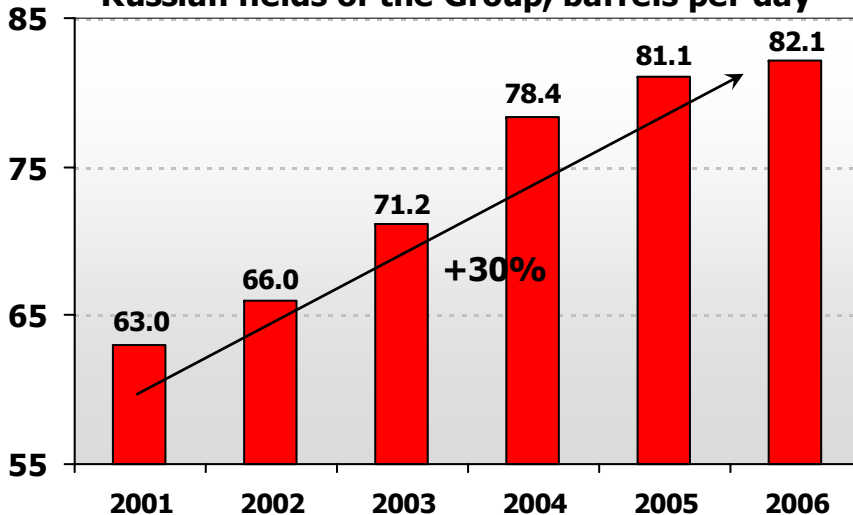
Production of marketable hydrocarbons rose by 12.2% y-o-y, to 2.145 mln boe per day in 2006

LUKOIL production of crude oil was 703.1 mln barrels (95.2 mln tons), which is 5.8% higher y-o-y.

Production of marketable natural and associated gas increased by 141.6% (up to 13.6 bcm).

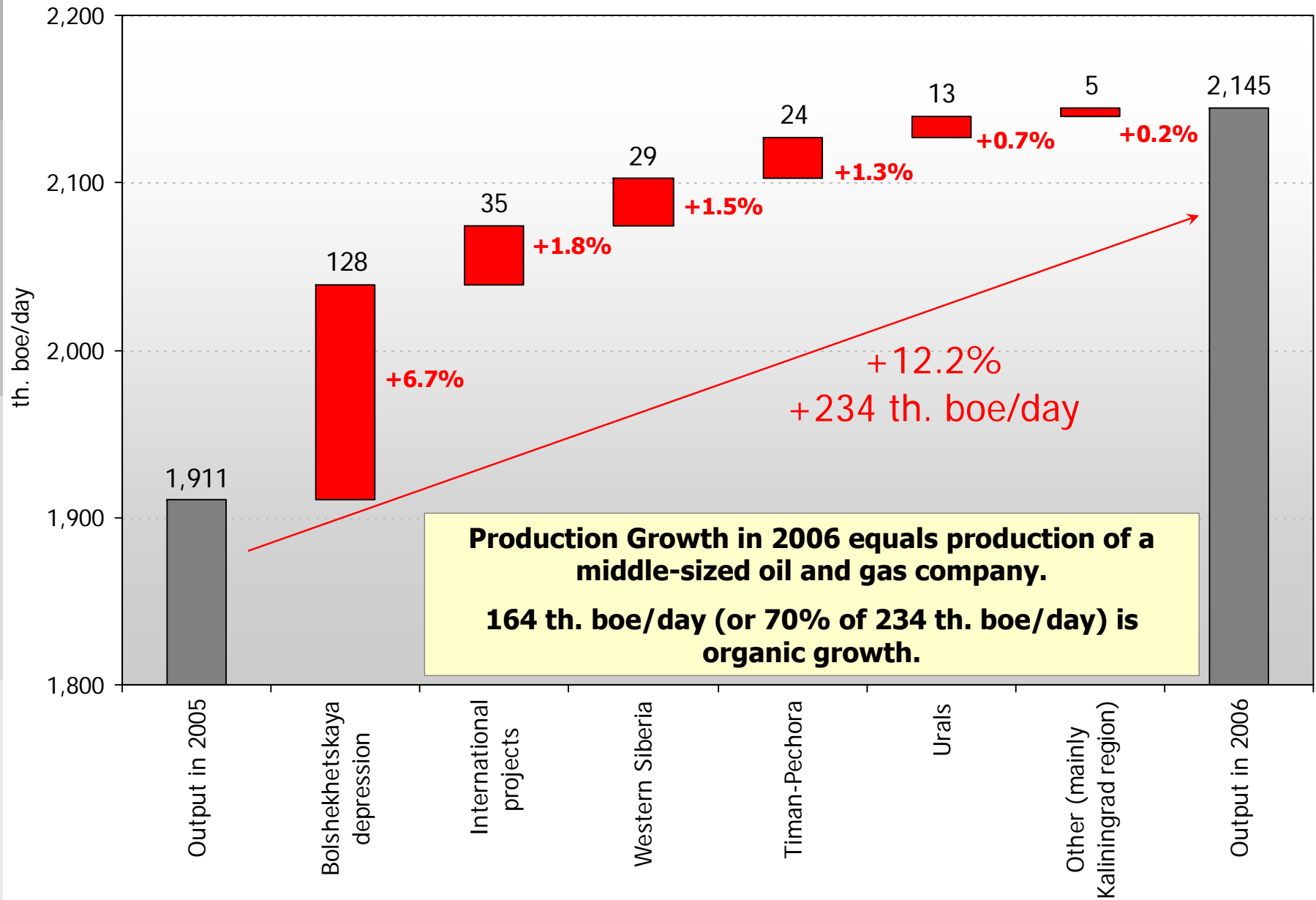
Since 2001 average flow rate per oil well has been steadily growing owing to the use of up-to-date enhanced oil recovery technologies, withdrawal of marginal wells and production launch of new fields.

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





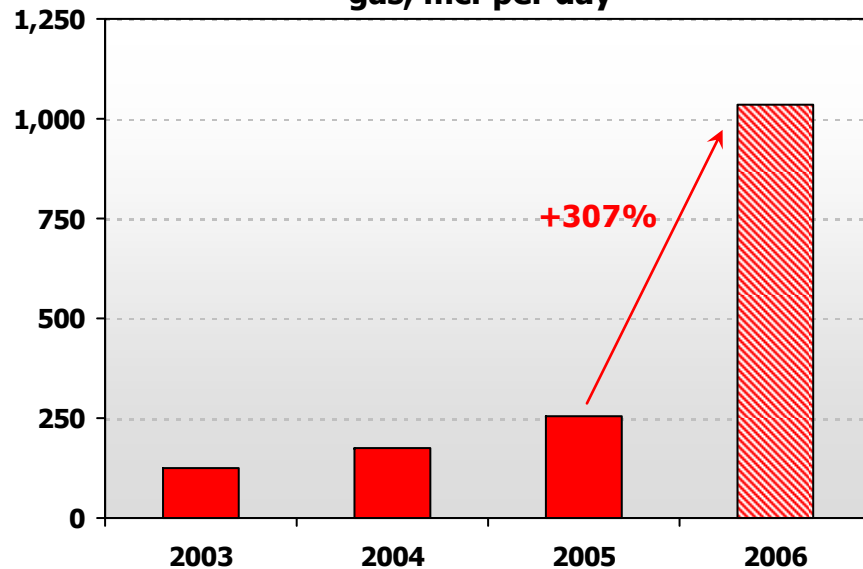
Marketable Hydrocarbon Output Reconciliation



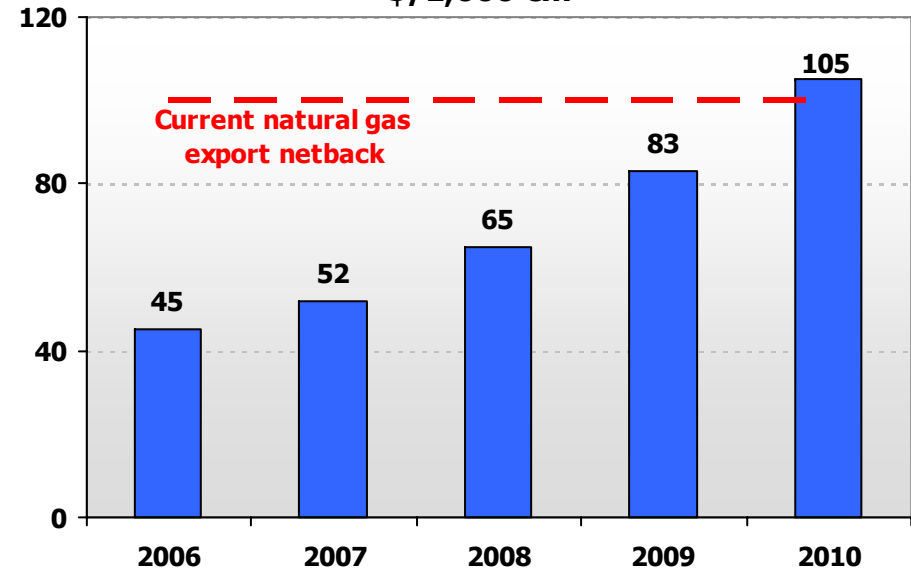


Natural Gas Production

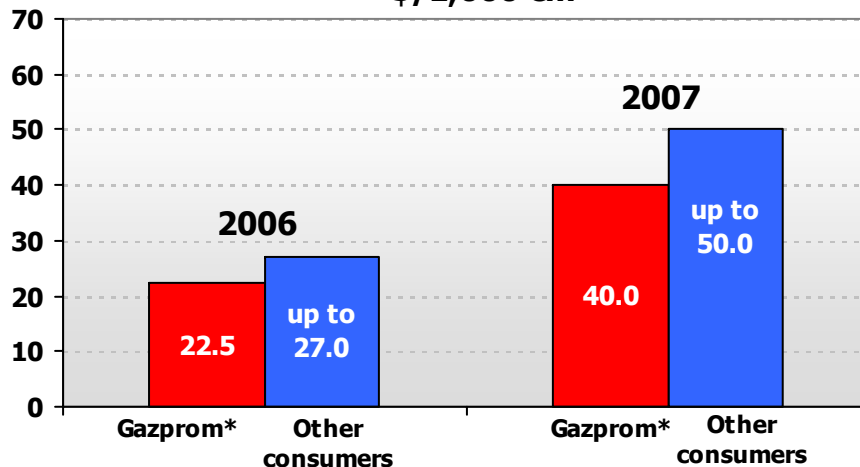
Average daily output of natural gas, mcf per day



Domestic gas prices liberalization program, \$/1,000 cm



Gas selling price from Nakhodkinskoe field, \$/1,000 cm



In the end of 2006 LUKOIL took part in experimental trade in natural gas on the trading floor of **Mezhregiongaz**: price of the gas exceeded selling price to Gazprom and other counterparts.

In 2007 LUKOIL plans to sell **600 mcm** of natural gas at the trading floor.

* In accordance with the agreement.

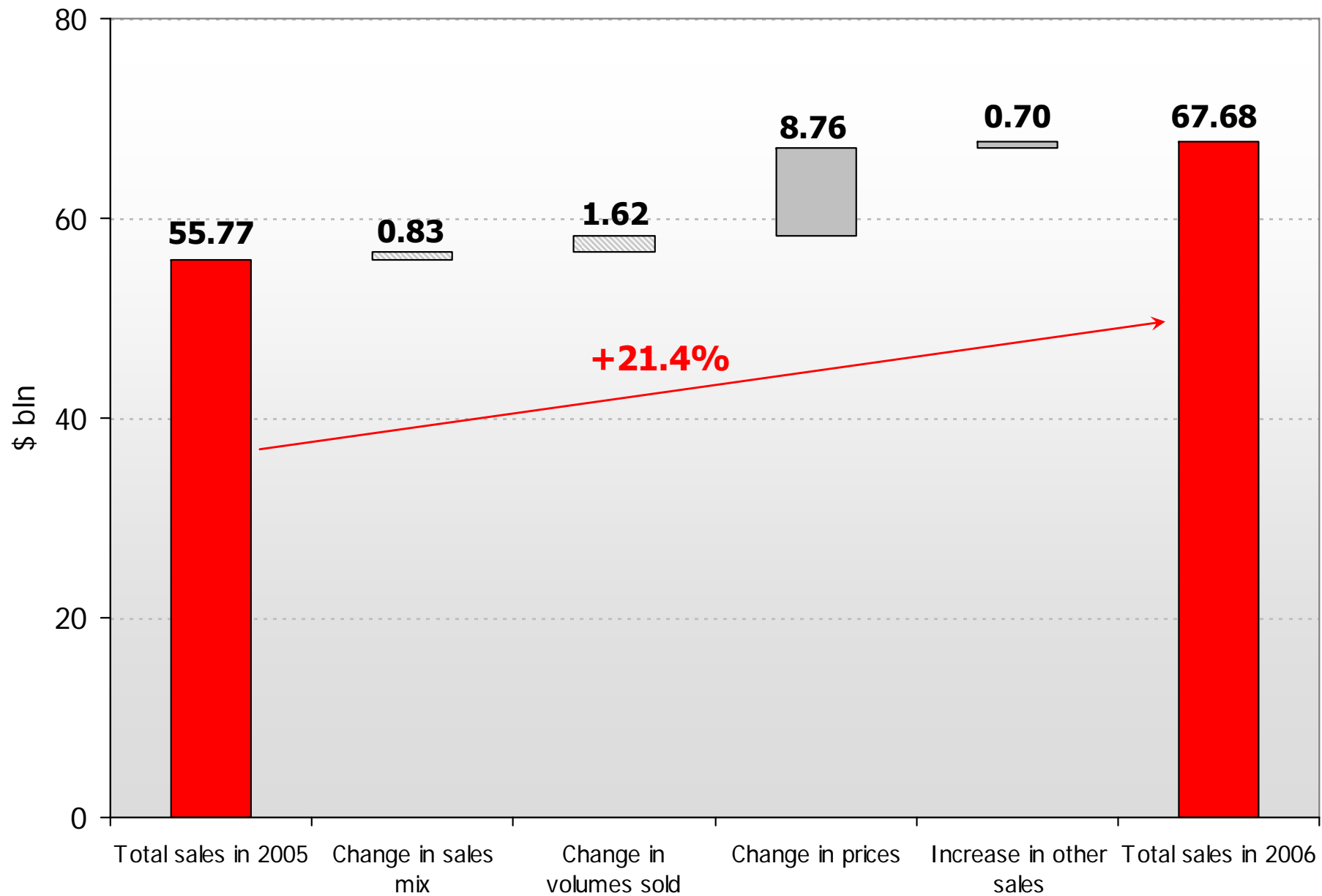


Financial Results

2006	2005	\$ mln	4Q 2006	3Q 2006
68,109	56,215	Total revenue	16,306	18,383
(4,657)	(3,487)	Operating expenses	(1,338)	(1,115)
(21,645)	(16,265)	Taxes other than income taxes	(5,803)	(6,055)
10,477	9,388	Income from operating activities	1,614	3,347
10,257	8,910	Income before income taxes	1,537	3,202
7,484	6,443	Net income	1,042	2,432
9.06	7.91	Basic EPS, \$	1.26	2.95
12,299	10,404	EBITDA	2,121	3,714

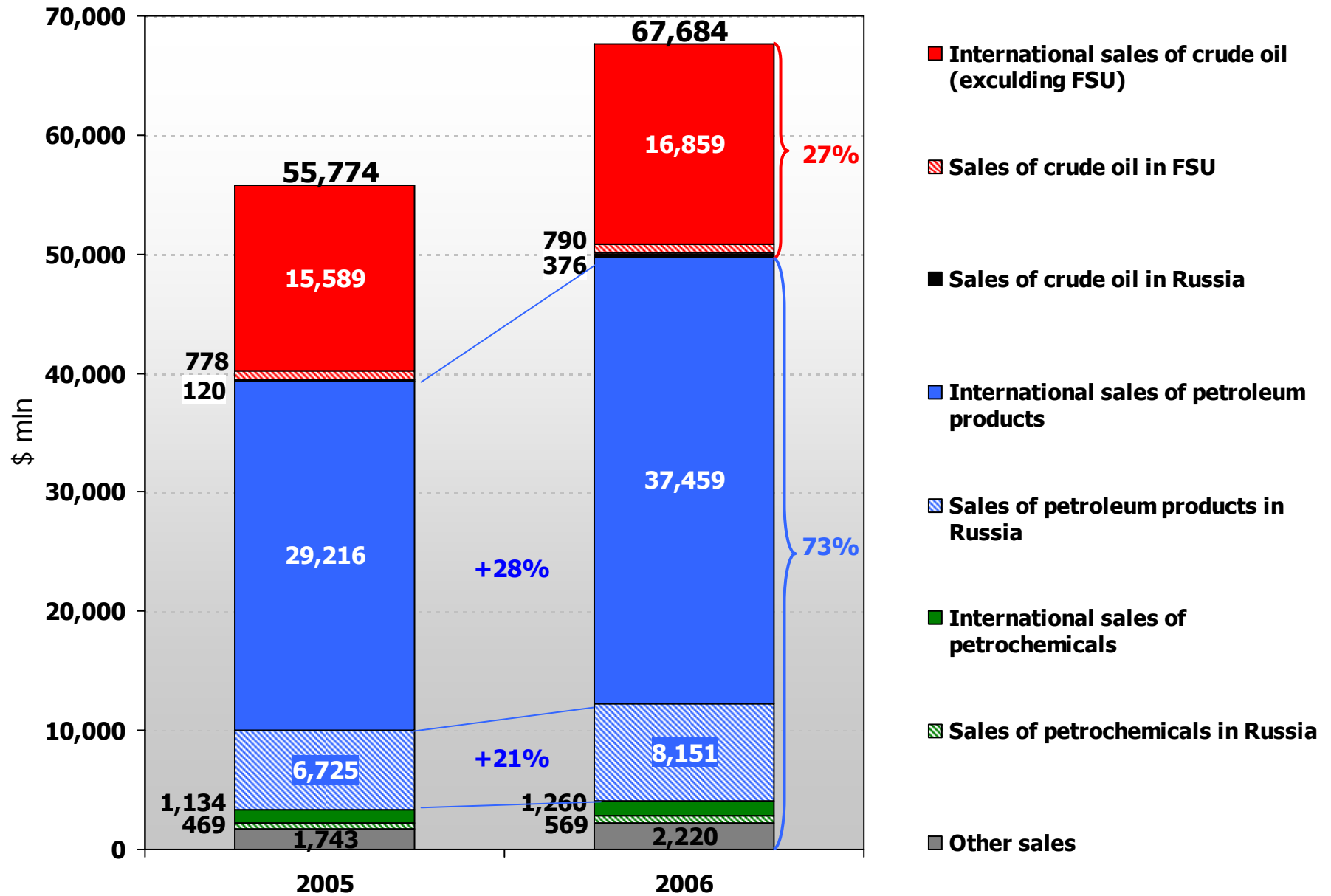


Sales Reconciliation





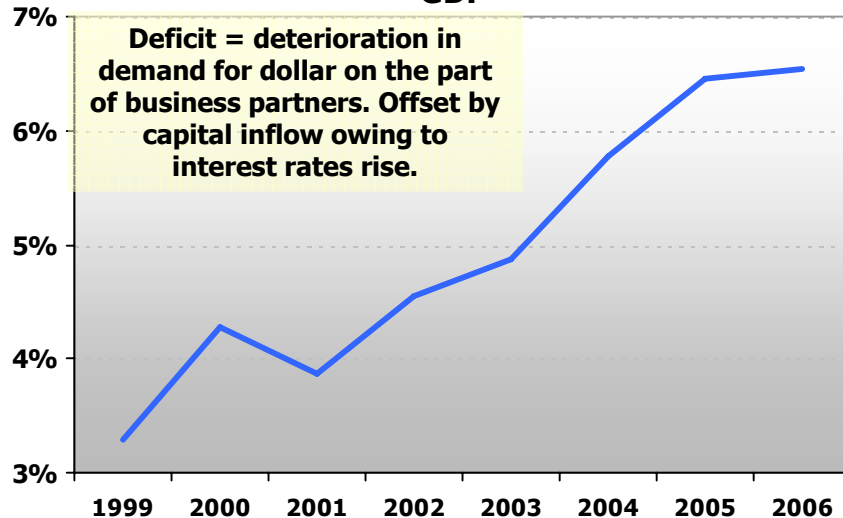
Sales Breakdown



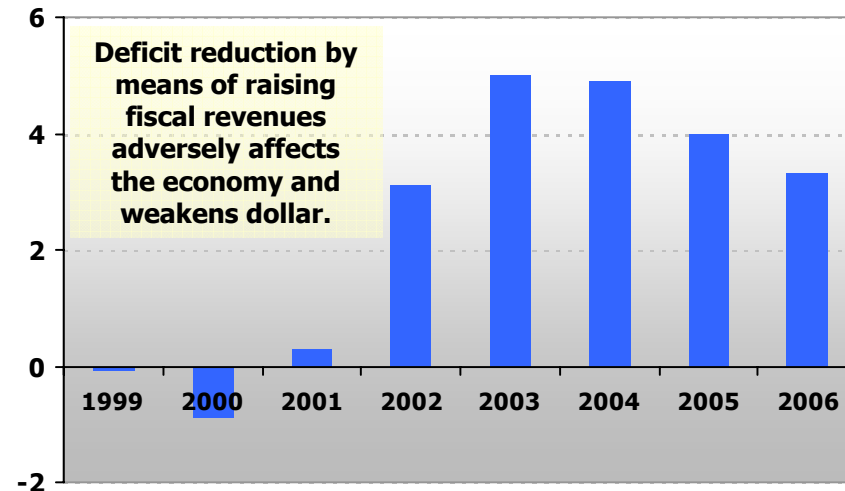


Weak Dollar – Steady Trend

US current account deficit as percentage of GDP



US budget deficit as percentage of GDP



Euro to dollar exchange rate



The USA pursue weak dollar policy aiming at balancing foreign-trade operations (weak dollar encourages export-oriented industries and keeps down imports).

However, it makes a negative impact on companies with operations on domestic market increasing tax burden and cost of capital. All this will contribute to further dollar weakening.

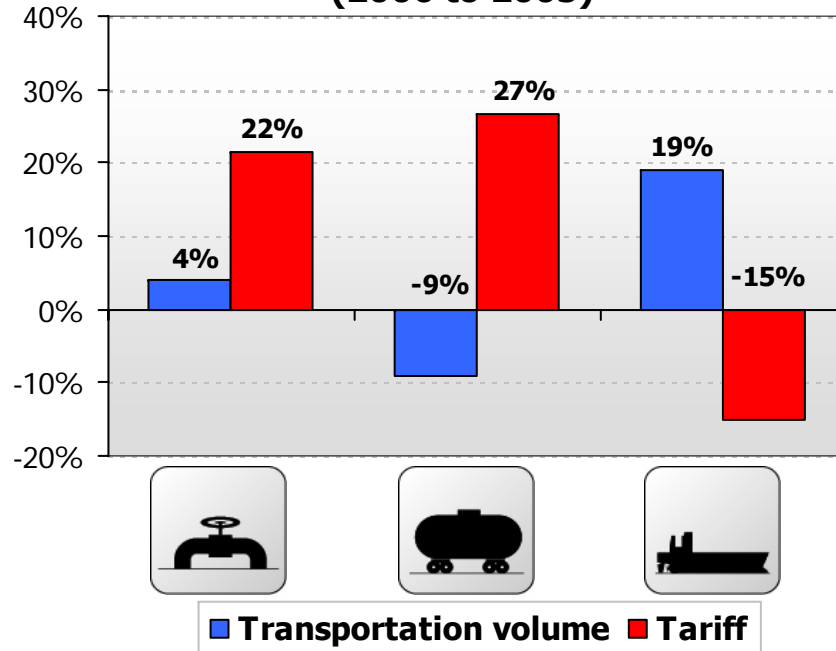
Decrease in dollar share as international reserve currency weakens it as well.

If the dollar continues weakening, it will make sense to switch to ruble financial statements.

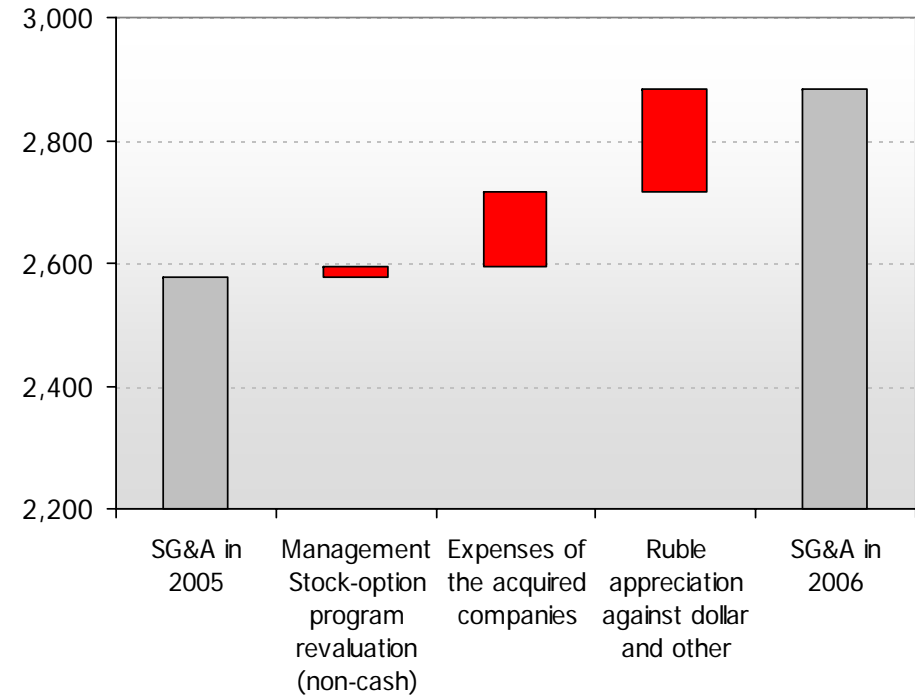


SG&A and Transportation Expenses

**Transportation Expenses
(2006 to 2005)**



SG&A reconciliation, \$ mln



2006	2005	\$ mln	4Q 2006	3Q 2006
3,863	3,519	Transportation expenses	1,052	1,044
2,885	2,578	Other selling, general and administrative expenses	745	642
6,748	6,097	Total	1,797	1,686



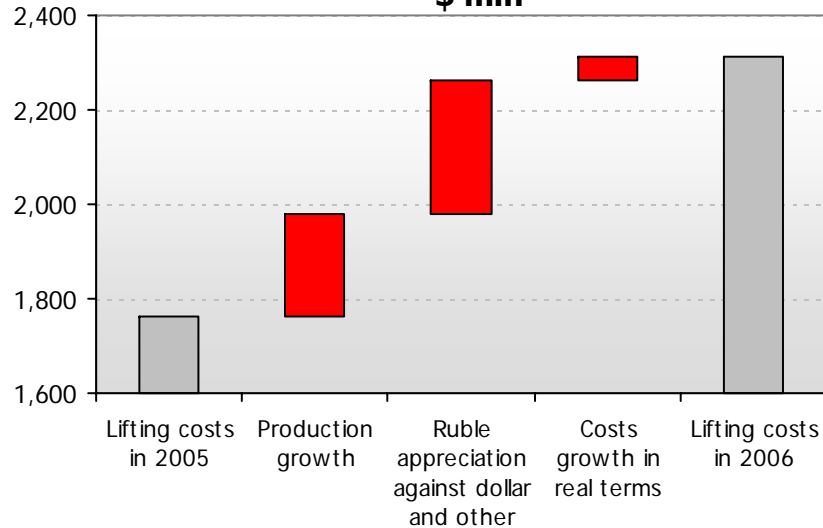
Operating Expenses

2006	2005	\$ mln	4Q 2006	3Q 2006
2,312	1,764	Hydrocarbon lifting costs	630	616
730	644	Refinery expenses	202	185
247	214	Petrochemical expenses	60	58
1,782	1,275	Other operating expenses	562	441
(414)	(410)	Change in operating expenses in crude oil and refined products inventory originated within the Group	(116)	(185)
4,657	3,487	Total	1,338	1,115
22,374	19,398	Cost of purchased oil, petroleum and chemical products	5,039	5,629

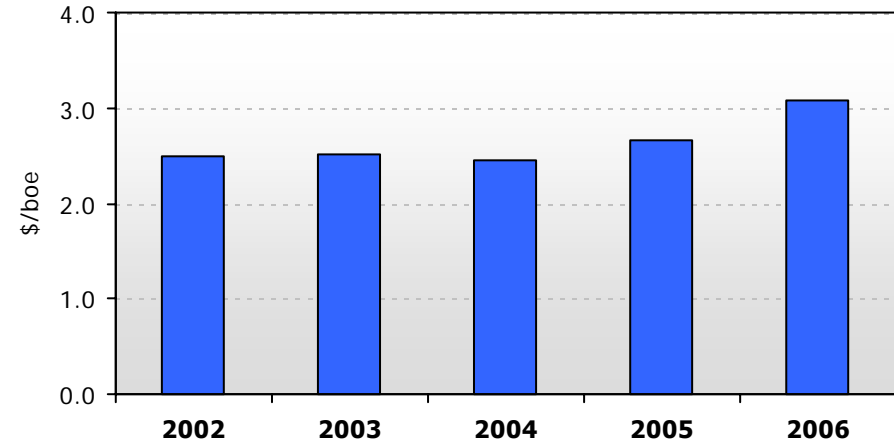


Dynamics of Hydrocarbon Lifting Costs

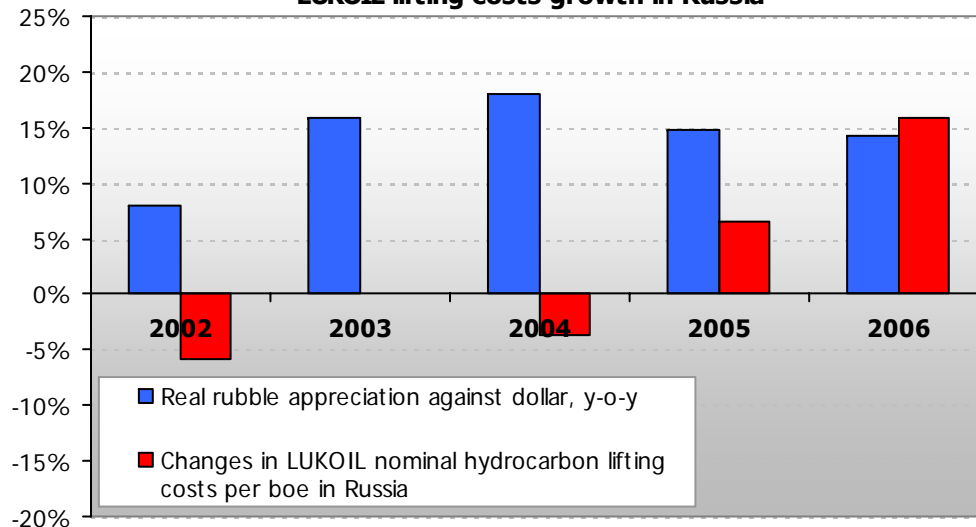
Hydrocarbon lifting costs reconciliation*, \$ mln



Hydrocarbon lifting costs per boe



Comparison of real ruble appreciation against dollar and LUKOIL lifting costs growth in Russia



In 2006 lifting costs per boe of production increased by 15.8% y-o-y

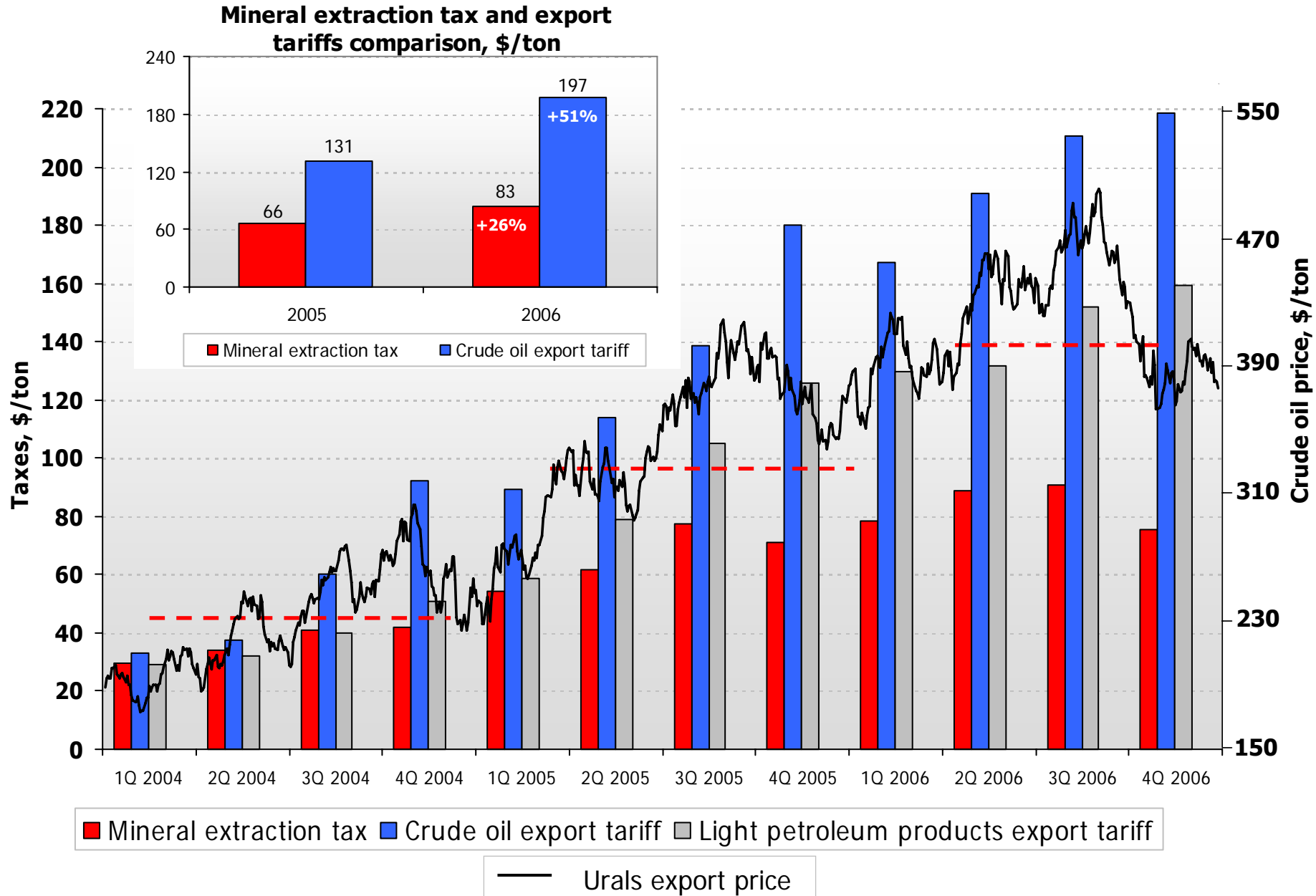
Real ruble appreciation against dollar was more than 14% y-o-y.
 2006 lifting costs in real terms were almost at the same level as in 2005.

For 5 years LUKOIL has been successfully keeping down lifting costs due to the increase in efficiency.

* Crude oil, liquids, marketable natural and associated gas.

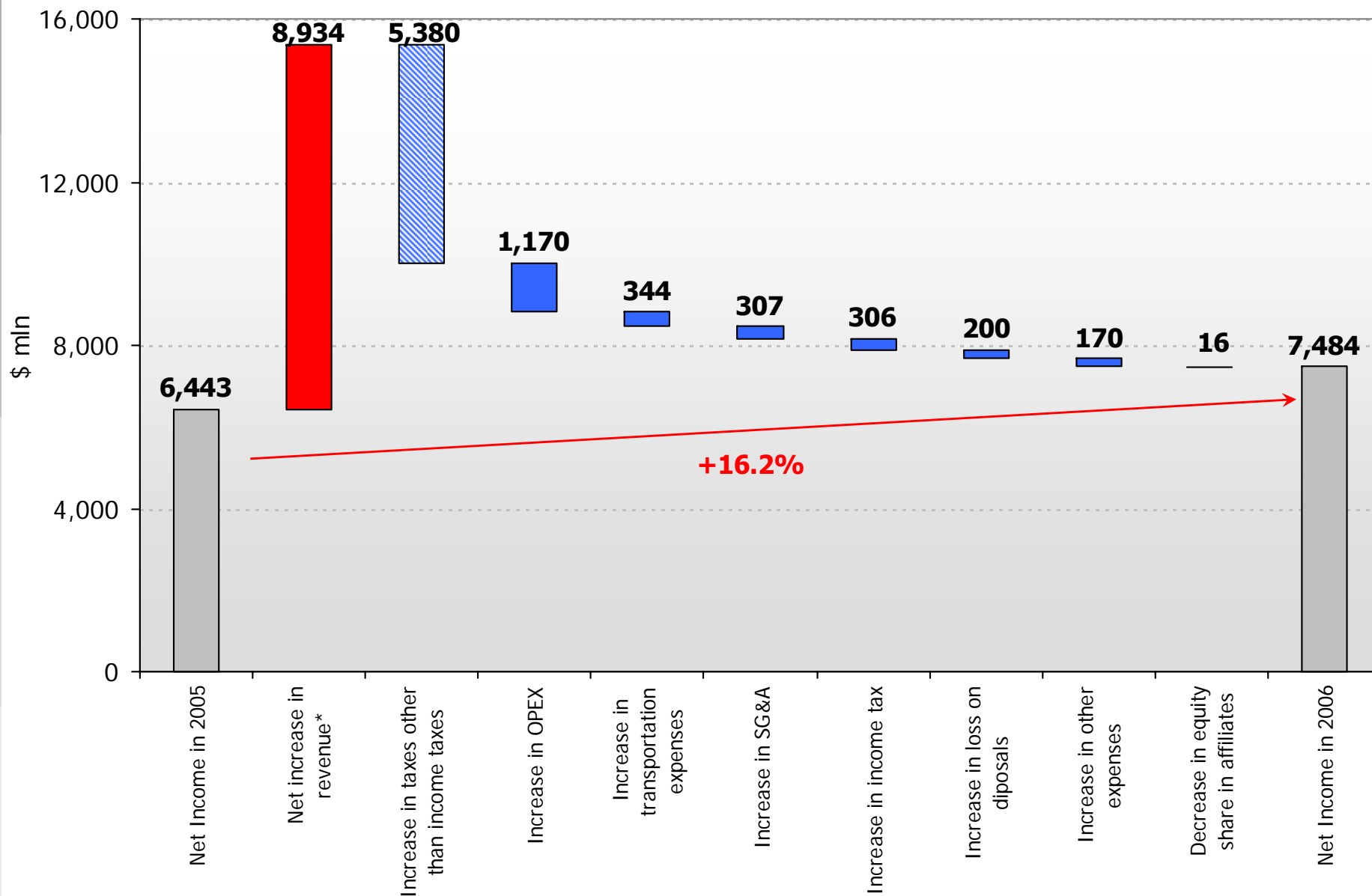


Growth of Tax Burden





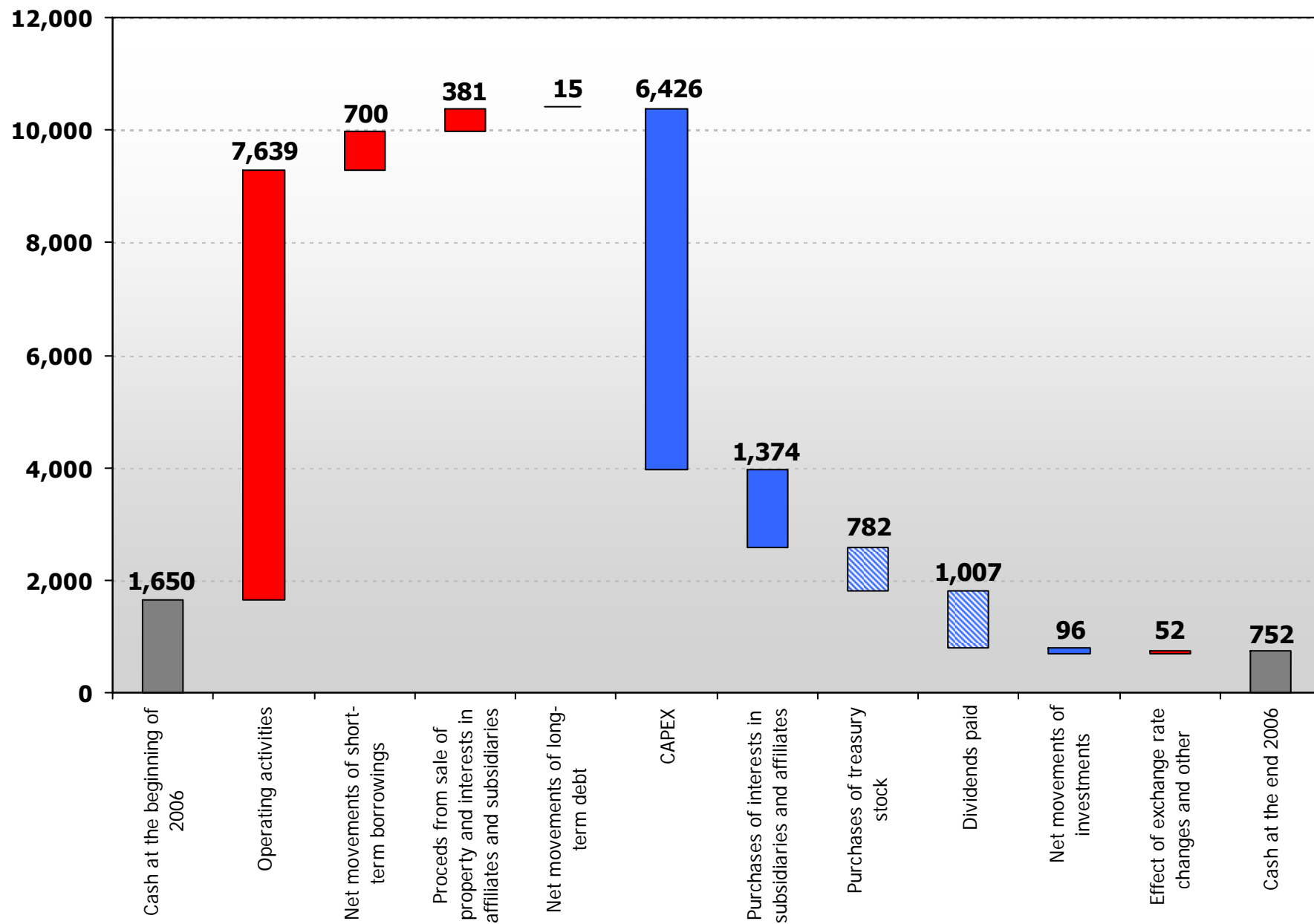
Net Income Reconciliation



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



Cash Flow Reconciliation





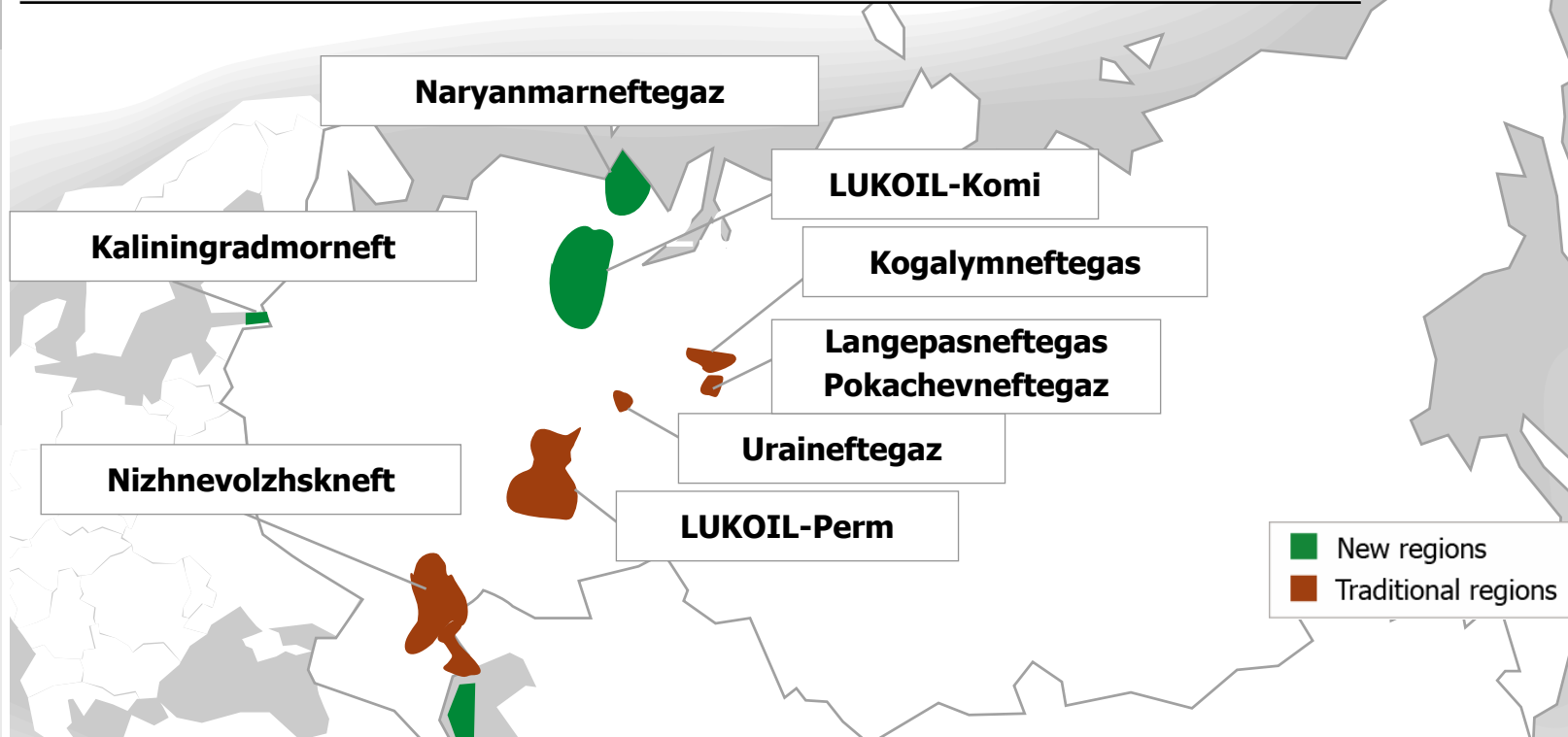
CAPEX Breakdown

2006	2005	\$ mln	4Q 2006	3Q 2006
5,120	2,918	Exploration and production	1,738	1,462
<i>4,334</i>	<i>2,487</i>	<i>Russia</i>	<i>1,447</i>	<i>1,196</i>
<i>786</i>	<i>431</i>	<i>International</i>	<i>291</i>	<i>266</i>
1,475	1,129	Refining and marketing	514	342
<i>916</i>	<i>654</i>	<i>Russia</i>	<i>284</i>	<i>240</i>
<i>559</i>	<i>475</i>	<i>International</i>	<i>230</i>	<i>102</i>
172	77	Petrochemicals	46	51
<i>121</i>	<i>59</i>	<i>Russia</i>	<i>33</i>	<i>33</i>
<i>51</i>	<i>18</i>	<i>International</i>	<i>13</i>	<i>18</i>
119	53	Other	66	20
6,886	4,177	Total (cash and non-cash)	2,364	1,875



E&P Capex

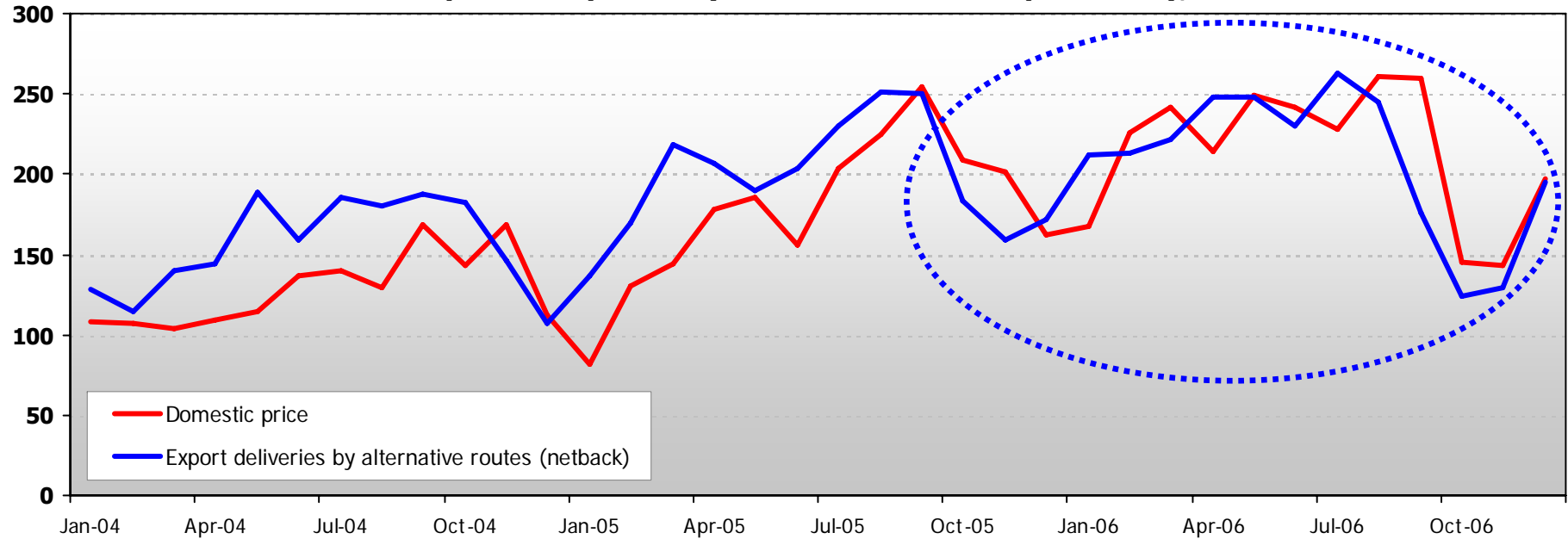
\$ mln	2006	2005	Growth, %
Traditional regions	2,568	1,550	+65.7%
New regions	2,552	1,368	+86.5%
<i>Yamal</i>	<i>135</i>	<i>216</i>	<i>-37.5%</i>
<i>North of Timan-Pechira</i>	<i>1,526</i>	<i>673</i>	<i>+126.7%</i>
<i>Caspian (including international projects)</i>	<i>212</i>	<i>259</i>	<i>-18.1%</i>
<i>Other international projects</i>	<i>679</i>	<i>220</i>	<i>+208.6%</i>
Total	5,120	2,918	+75.5%



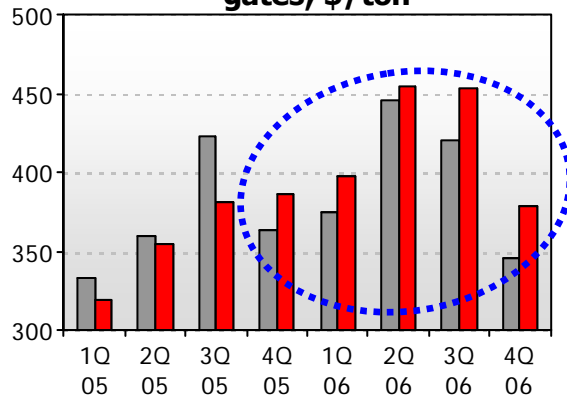


Russian Market Becomes More Attractive

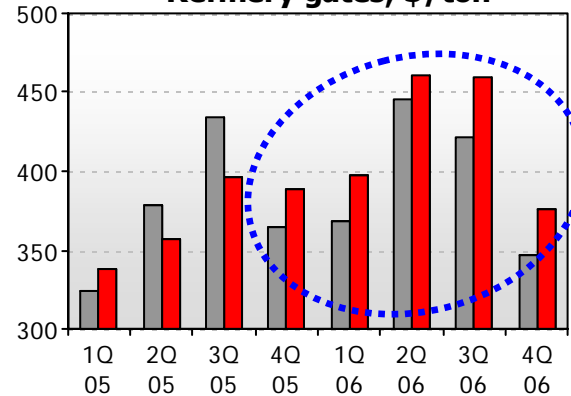
Crude oil price comparison (domestic sales vs. export sales), \$/ton



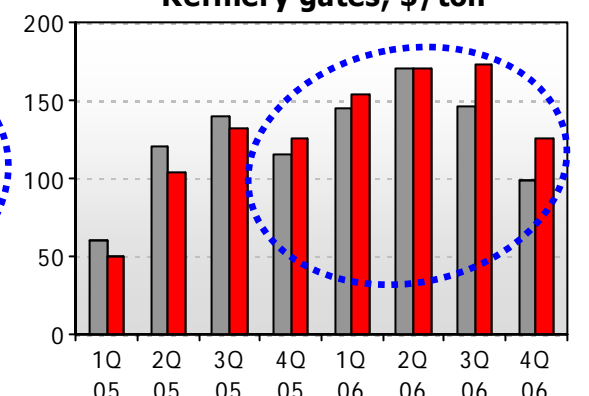
Diesel price at Volgograd Refinery gates, \$/ton



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



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

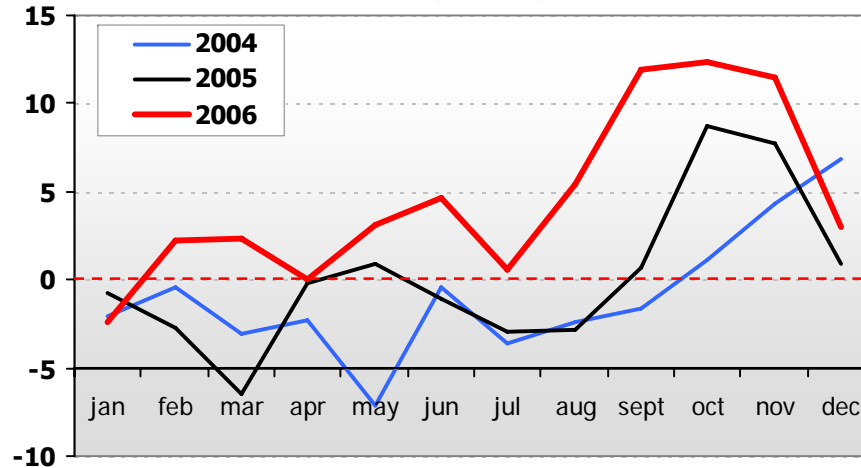


■ Exports ■ Domestic sales



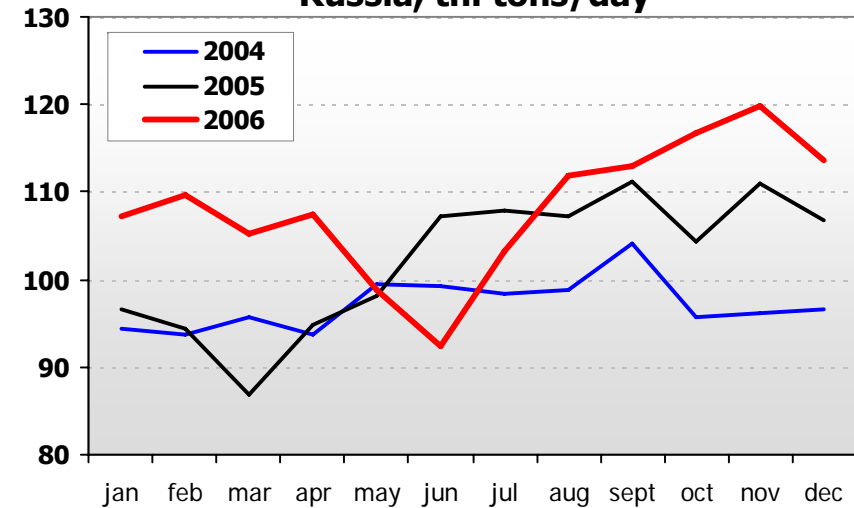
Oil Refining in Russia and Retail Sales of Petroleum Products

Russian refining margin, \$/barrel

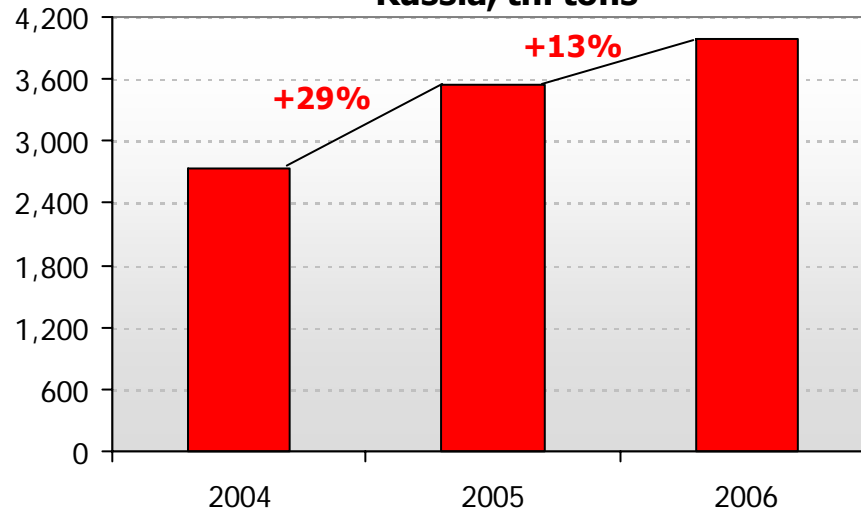


Source: LUKOIL (average refinery without catalytic cracking in European Russia).

Throughputs at LUKOIL refineries in Russia, th. tons/day



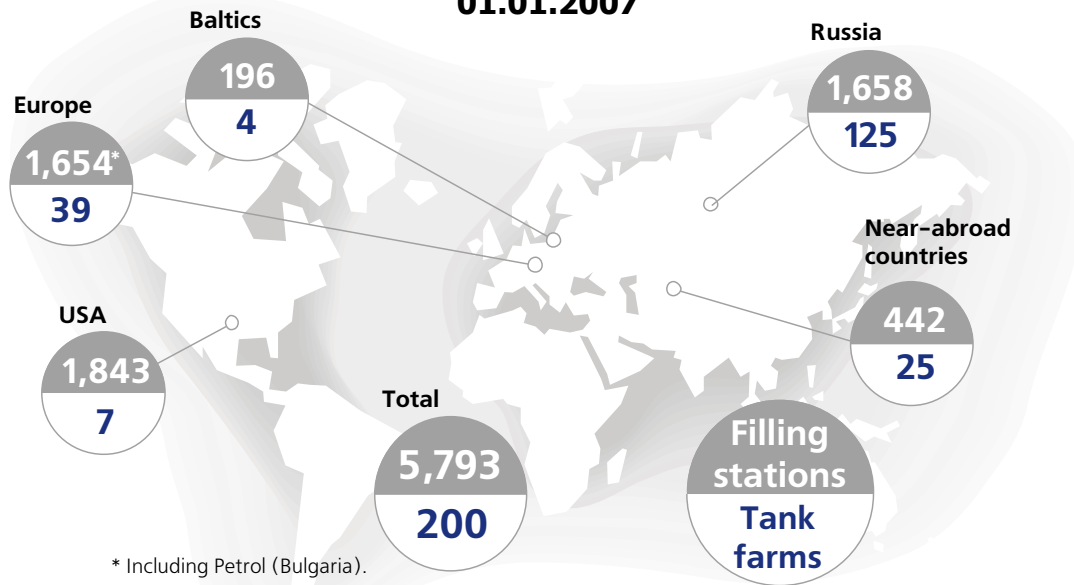
Retail sales of petroleum products in Russia, th. tons



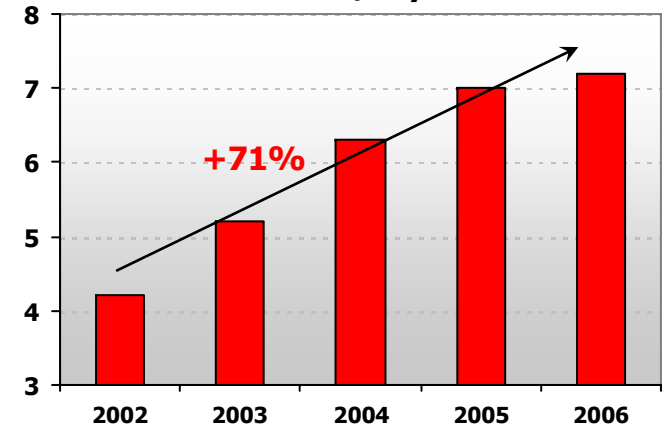


Retail Network Expansion

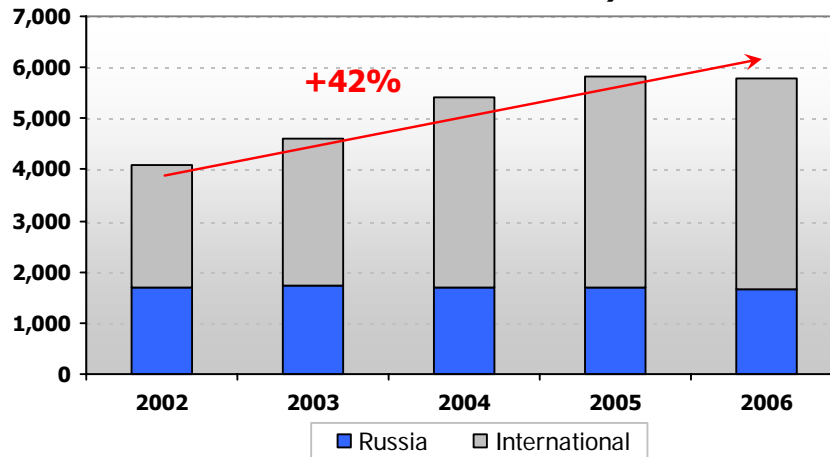
LUKOIL retail network as of 01.01.2007



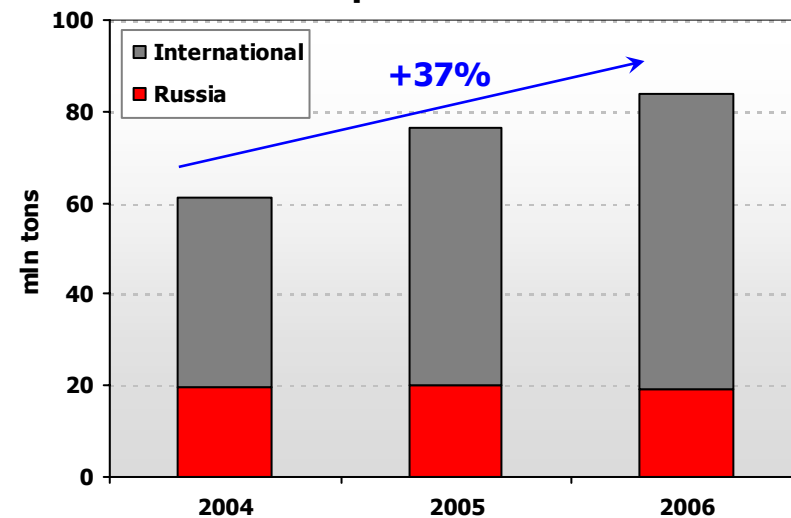
Average daily sales of petroleum products per filling station, tons/day



LUKOIL retail network, filling stations (owned, leased and franchised)



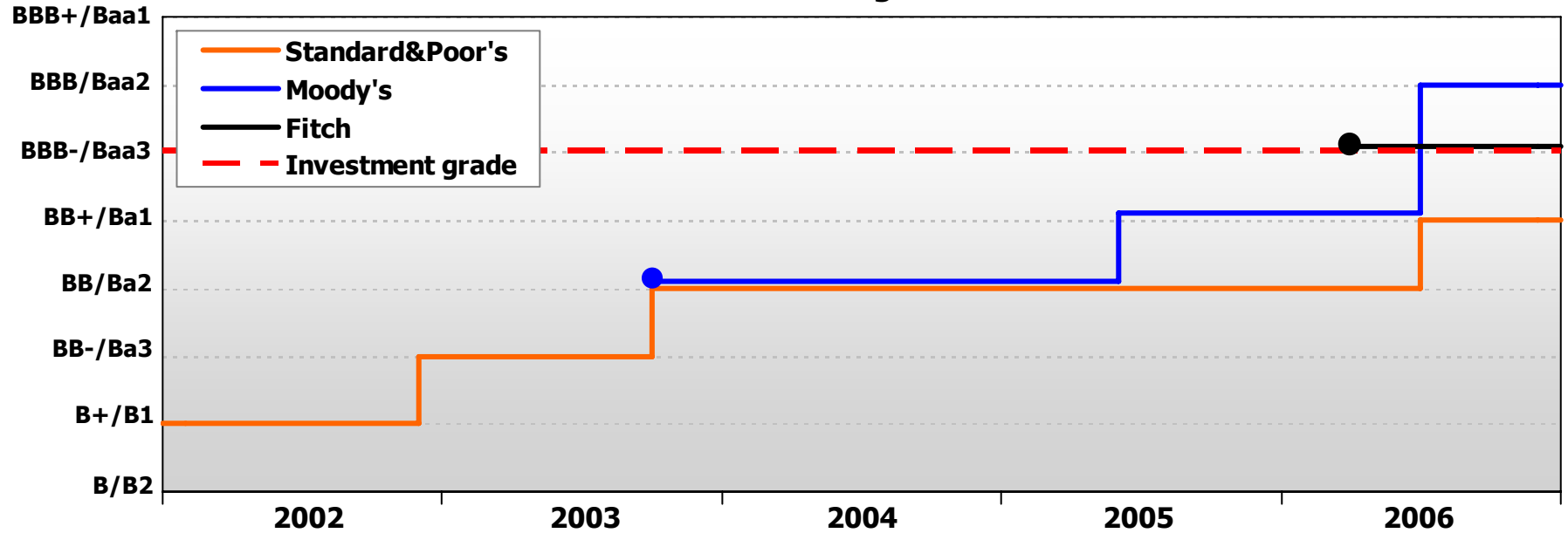
Petroleum product retail sales



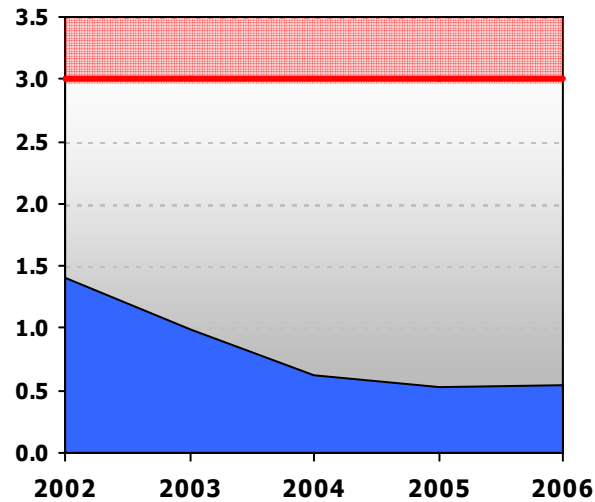


Credit Rating and Financial Covenants : Strict Financial Discipline

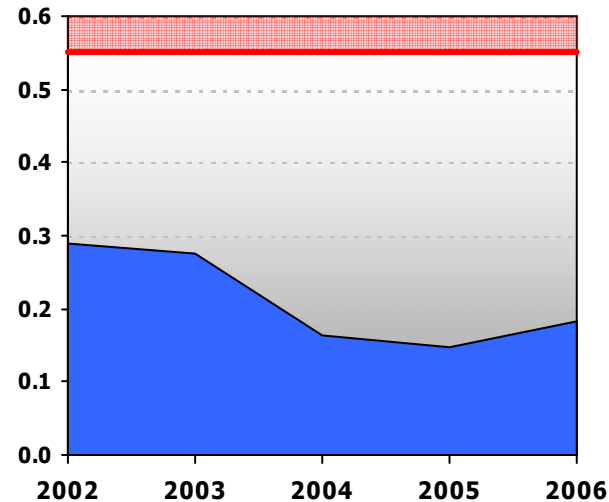
Credit rating of LUKOIL



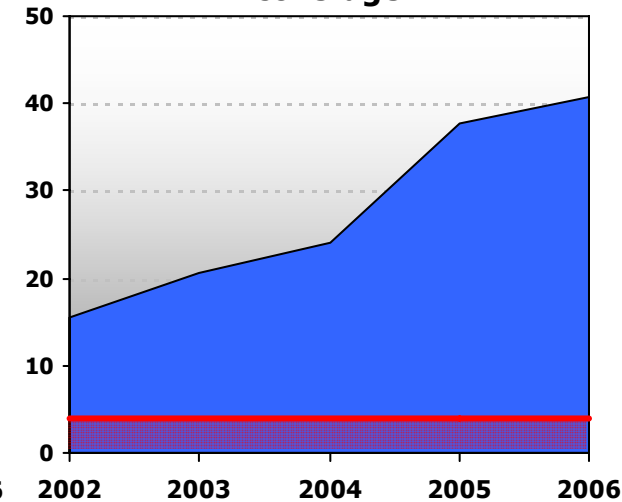
Total debt to EBITDA



Net debt to equity



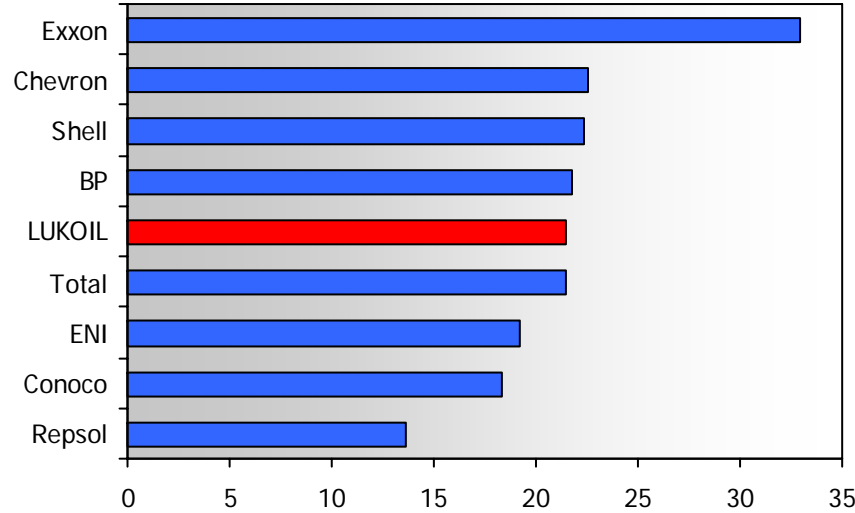
EBITDA interest coverage



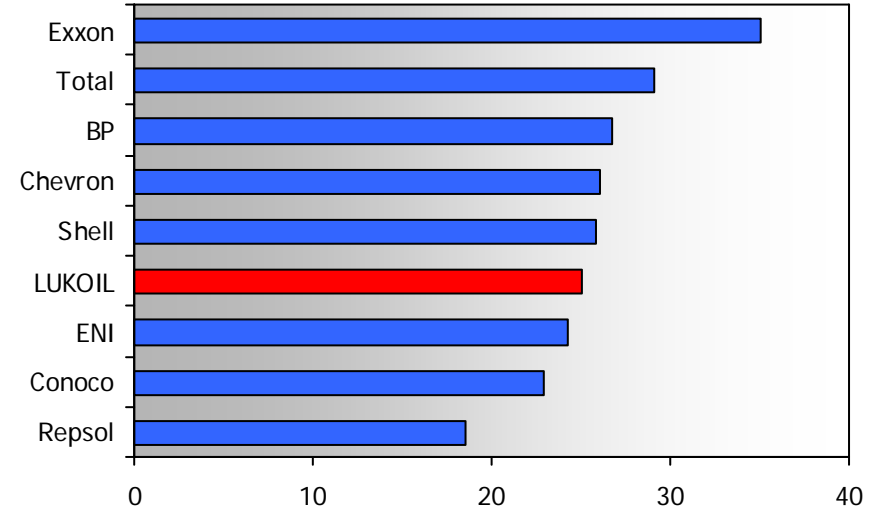


2006 Results in Comparison with International Majors

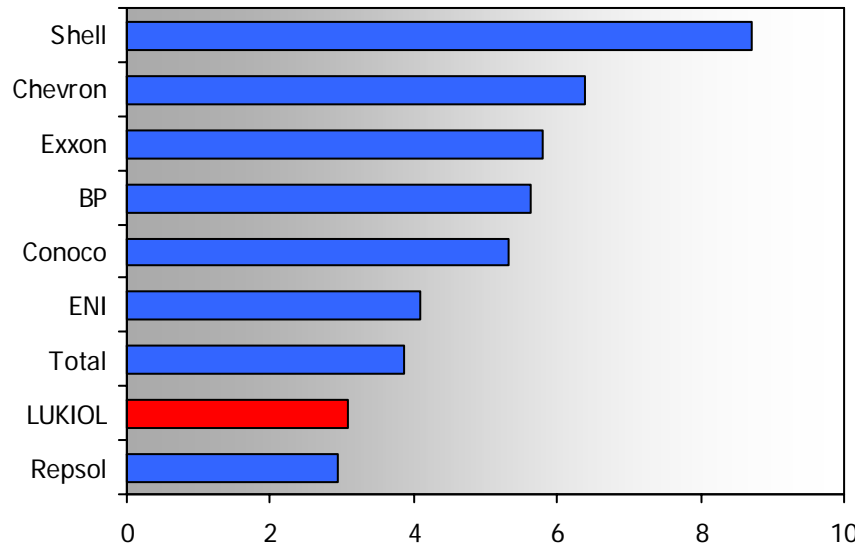
ROACE, %



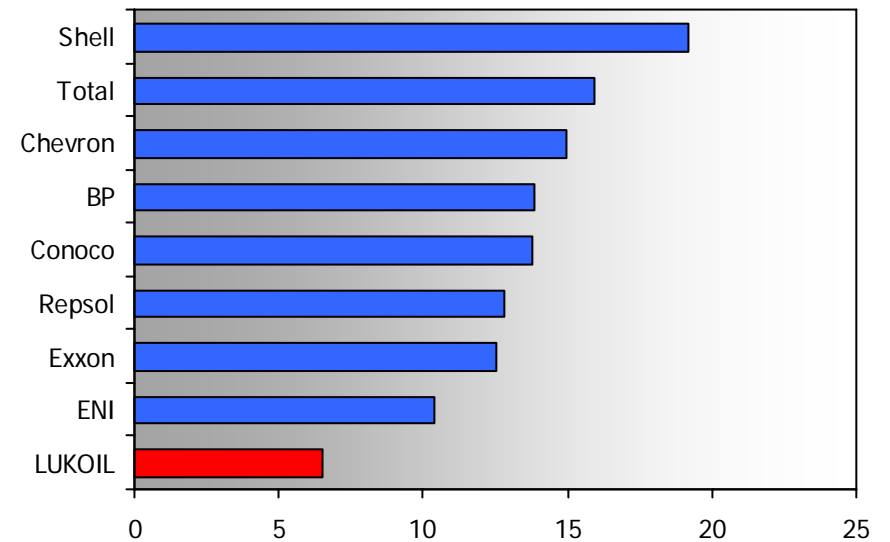
Return on equity, %



Lifting costs, \$/boe



E&P Capex, \$/boe of hydrocarbon output





- **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



- **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