# 9M 2006 Financial Results (US GAAP)

January 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

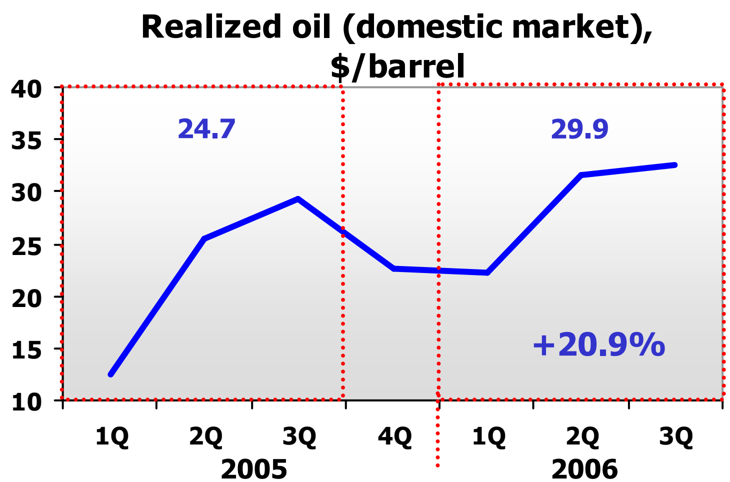
**Net income – $6,442 mln (+34.2%)**

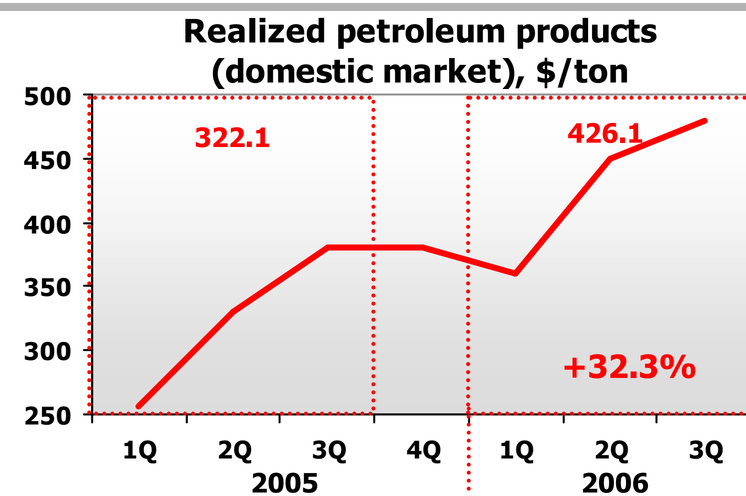
**Basic EPS – $7.79 (+32.0%)**

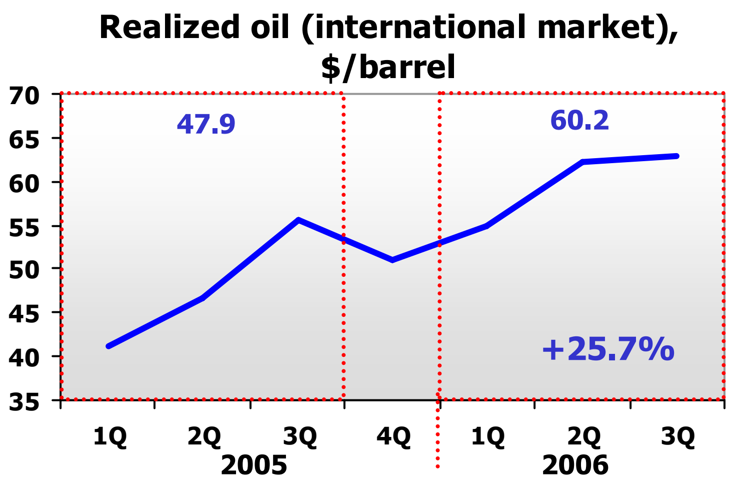
**Production of marketable hydrocarbons – 2,138 th. boe per day (+13.1%)**

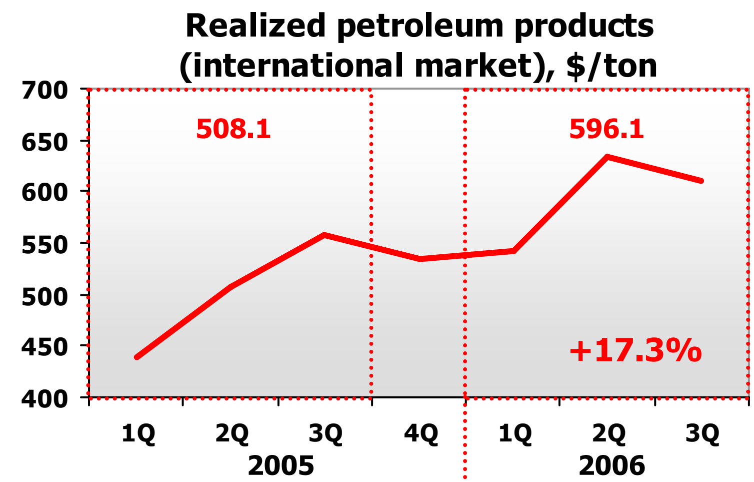
**Refinery throughputs – 960 th. bpd (+2.5 %)**

# Economic Environment



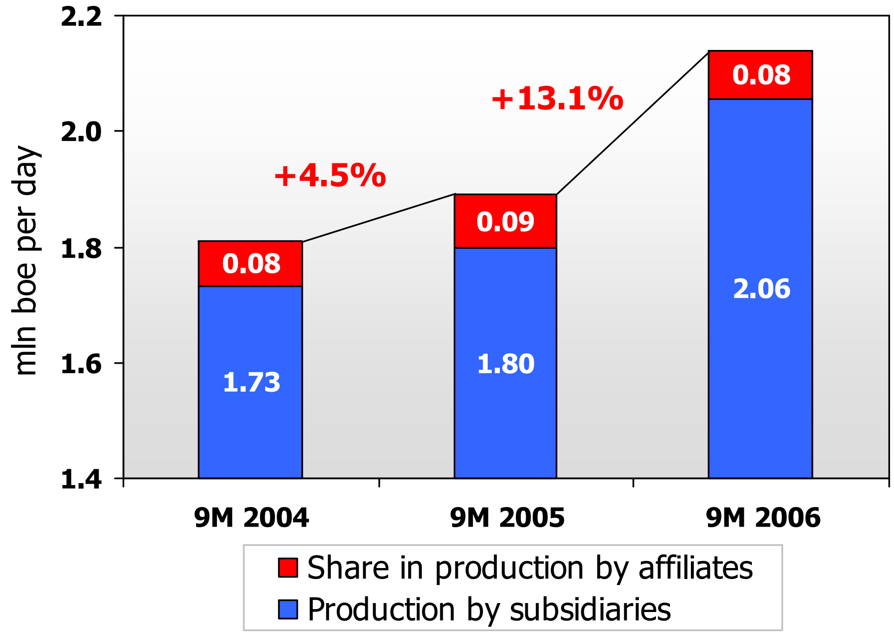



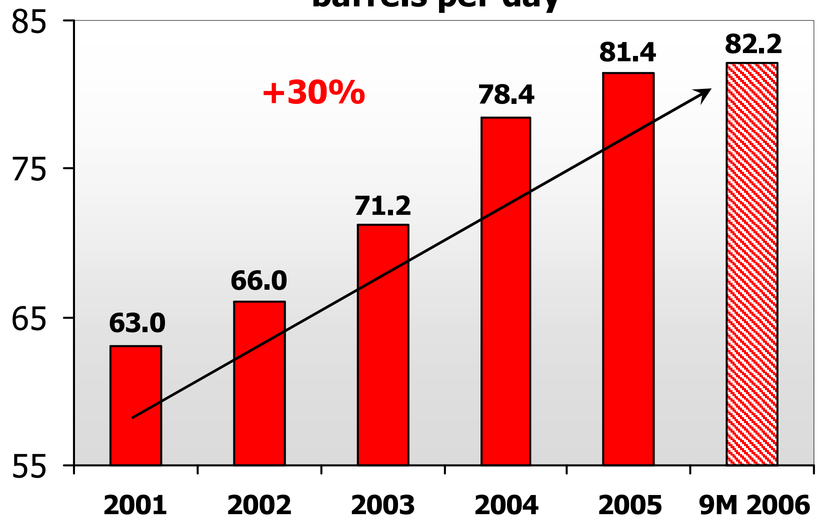




| 9M 2006 | 9M 2005 | | 3Q 2006 | 2Q 2006 |
|---|---|---|---|---|
| 7.3 | 8.6 | Inflation, % | 1.0 | 1.2 |
| 15.3 | 5.7 | Real ruble appreciation against dollar, % | 2.1 | 3.8 |

# Production of Marketable Hydrocarbons




**Production of marketable hydrocarbons rose 13.1% y-o-y to 2.14 mln boe per day in 9M 2006**

**Production of crude oil** (production by subsidiaries and share in production by affiliates) was **524.9 mln barrels (71.13 mln tons),** which is **6.6%** higher y-o-y.

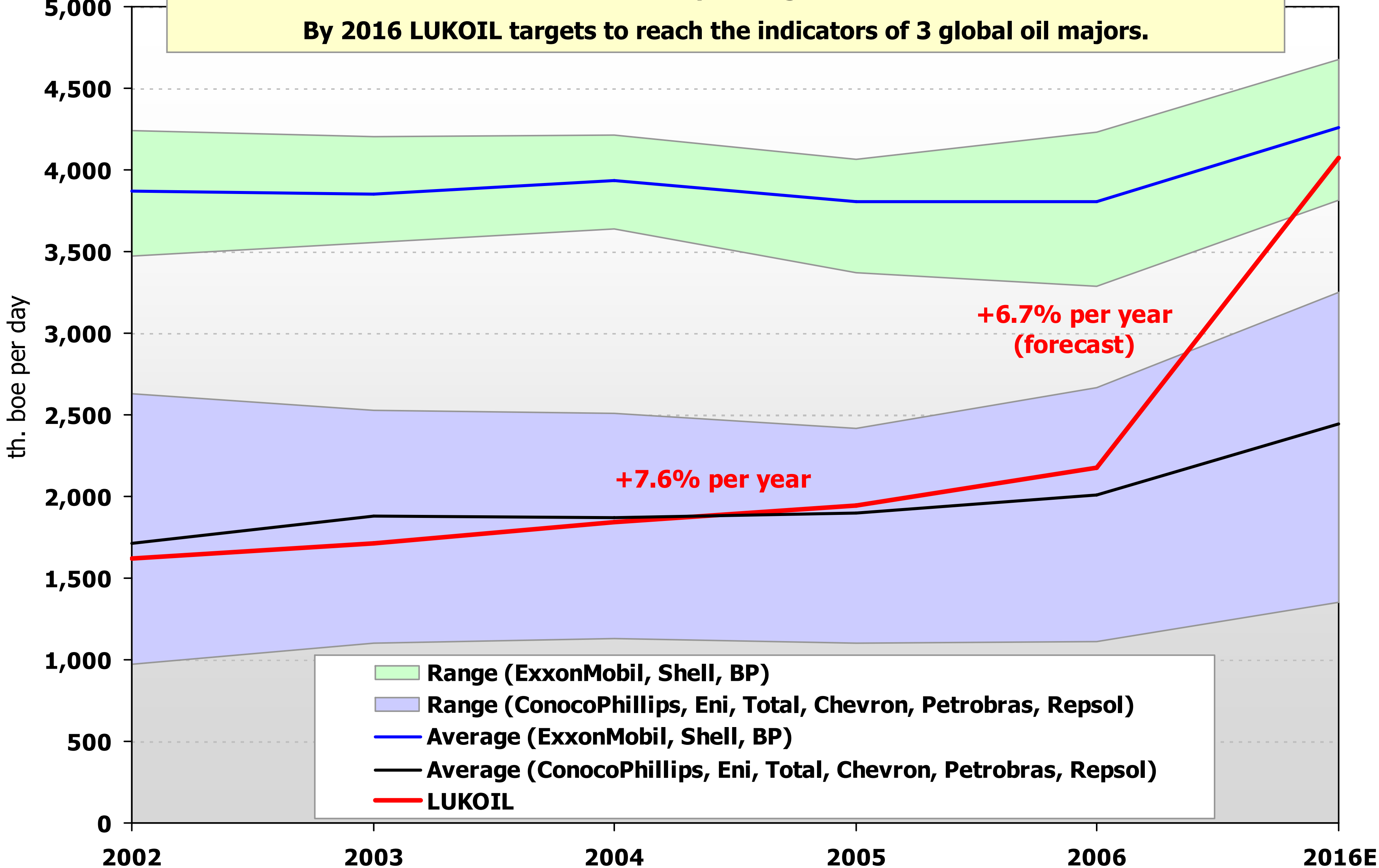
**Production of marketable natural and petroleum gas** rose by **149.2%**.

**Since 2001 average flow rate of oil production wells has been steadily growing.**

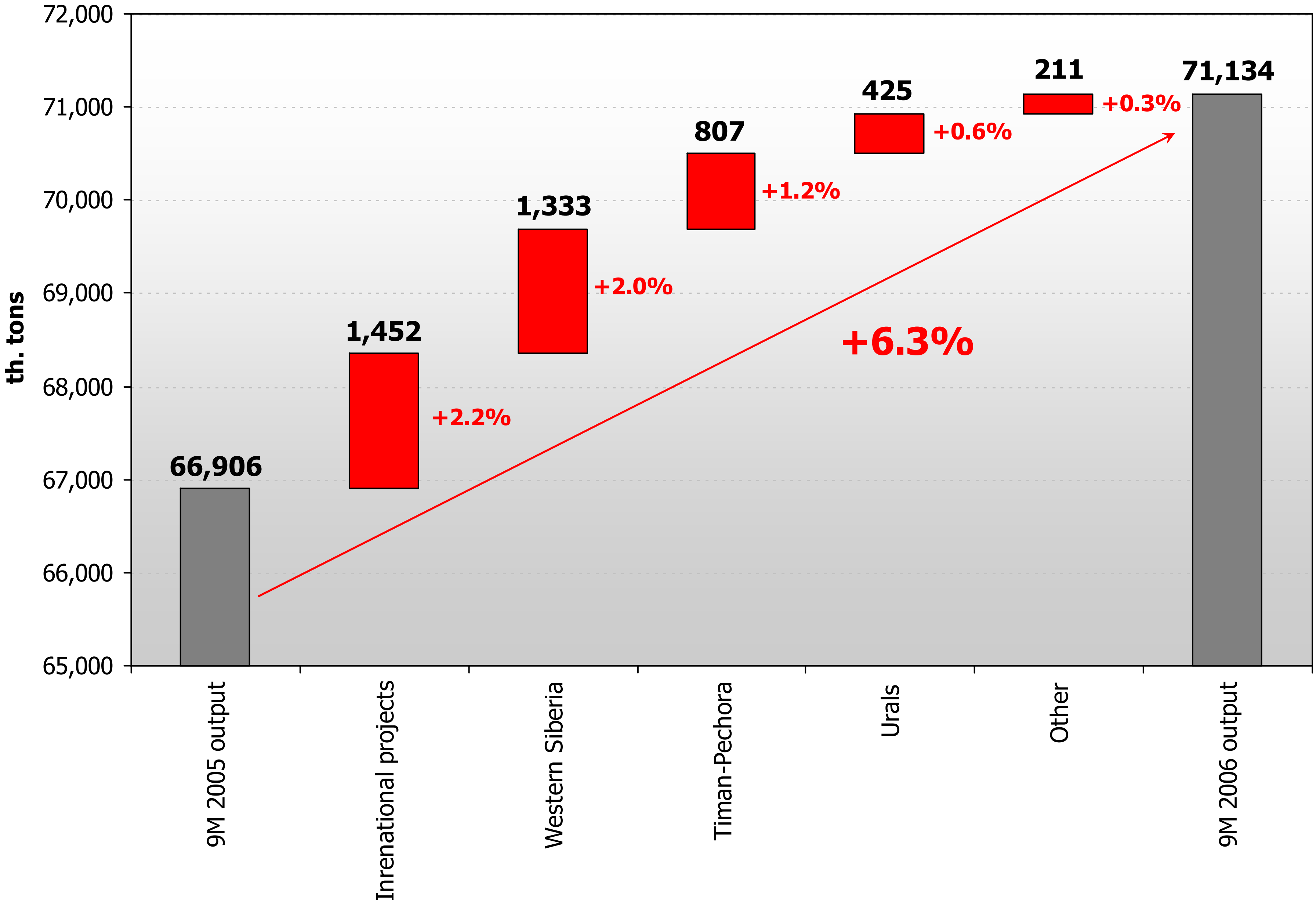
# Hydrocarbon Production (contd.)

**In 2006 LUKOIL reached target group of mid international oil companies by main financial and operating indicators.**

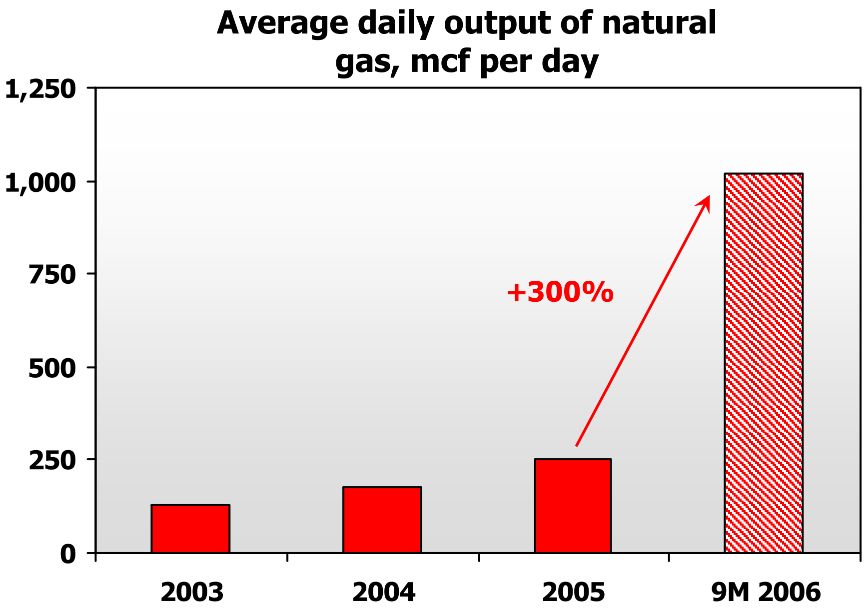
**By 2016 LUKOIL targets to reach the indicators of 3 global oil majors.**



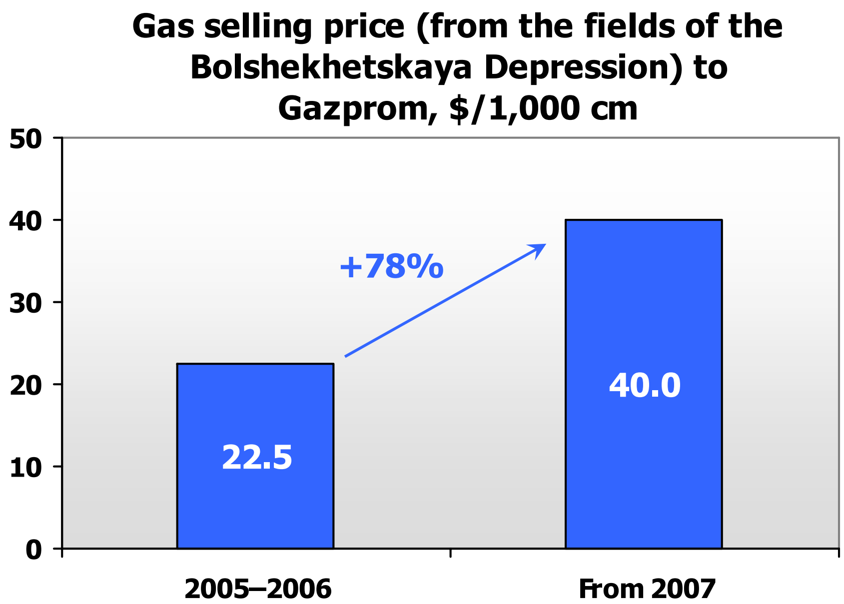
# Crude Oil Output Reconciliation



# Natural Gas Production




The first of the 7 gas fields of the Bolshekhetskaya Depression (Nakhodkinskoye) was put into operation in April 2005. The production at the field was 16.7 bcf of natural gas (472 mcm) in 2005. The field produced 222.6 bcf of gas (6,305 mcm) in 9M 2006.



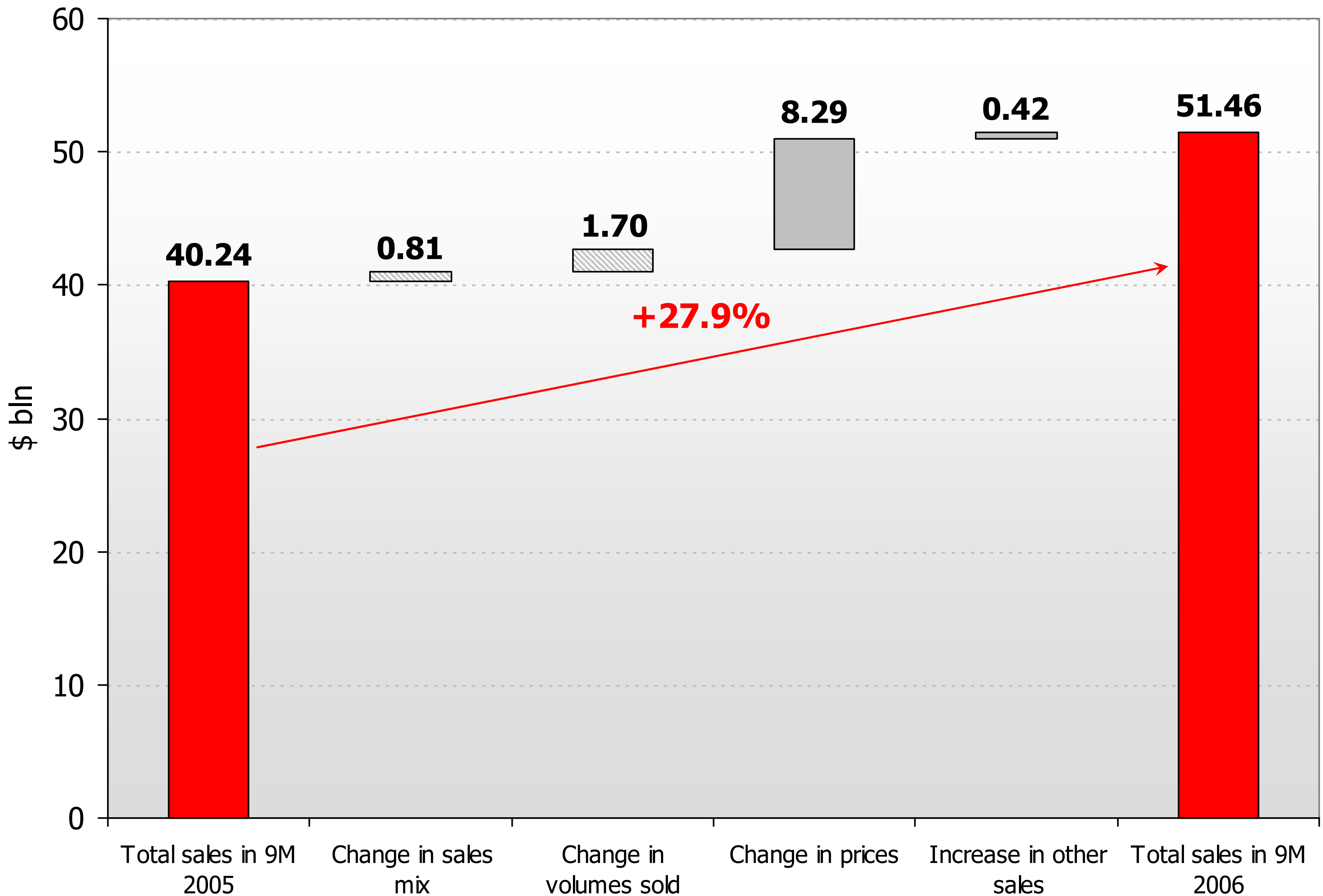

The natural gas selling price to Gazprom rose by almost 80% to $40/1,000 cm starting from January 1, 2007.

LUKOIL plans to sell 1 bcm of natural gas in 2007 on the trading floor of Mezhregiongaz (closing price of the first trading session exceeded the state-regulated tariff for industrial consumers by 30%).

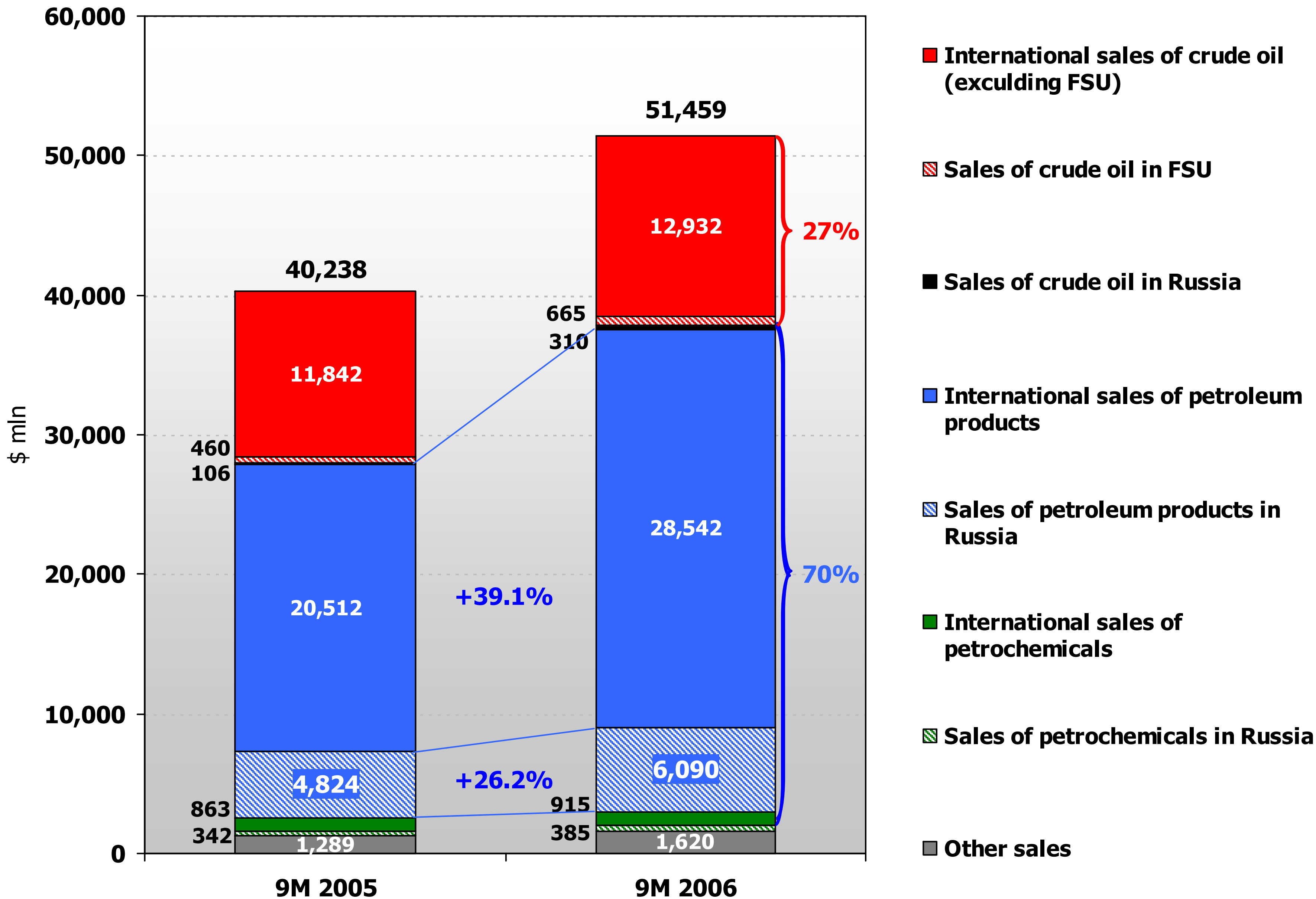
# Financial Results

| 9M 2006 | 9M 2005 | $ mln | 3Q 2006 | 2Q 2006 |
|---|---|---|---|---|
| **51,803** | **40,574** | **Total revenue** | **18,383** | **18,379** |
| 3,319 | 2,376 | Operating expenses | 1,115 | 1,304 |
| 15,842 | 11,447 | Taxes other than income taxes (including excise and export tariffs) | 6,055 | 5,331 |
| 8,863 | 6,932 | Income from operating activities | 3,347 | 3,175 |
| 8,720 | 6,604 | Income before income taxes | 3,202 | 3,155 |
| **6,442** | **4,801** | **Net income** | **2,432** | **2,321** |
| 7.79 | 5.90 | Basic EPS, $ | 2.95 | 2.80 |
| **10,178** | **7,657** | **EBITDA** | **3,714** | **3,658** |

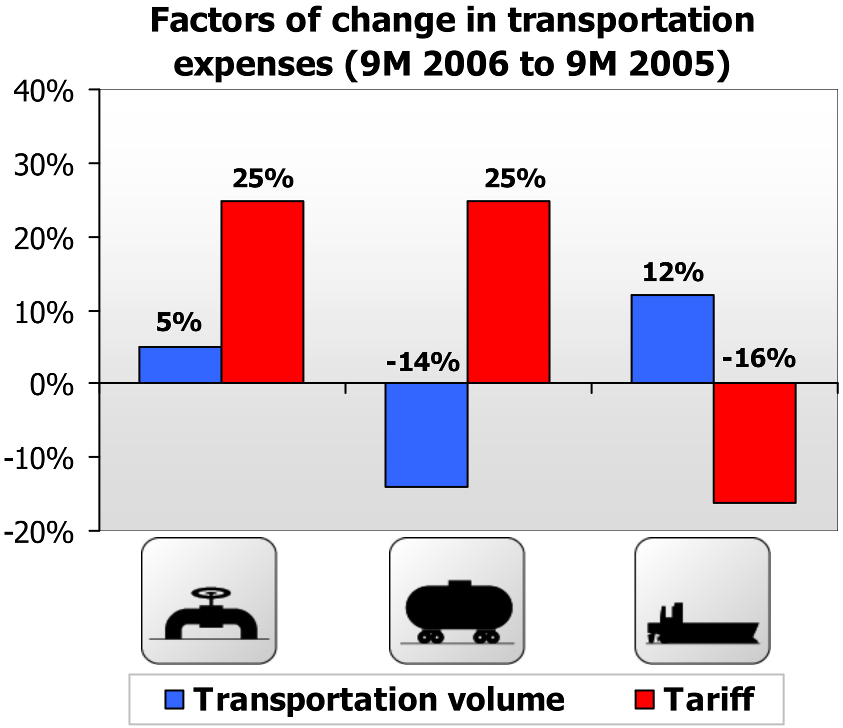
# Sales Reconciliation

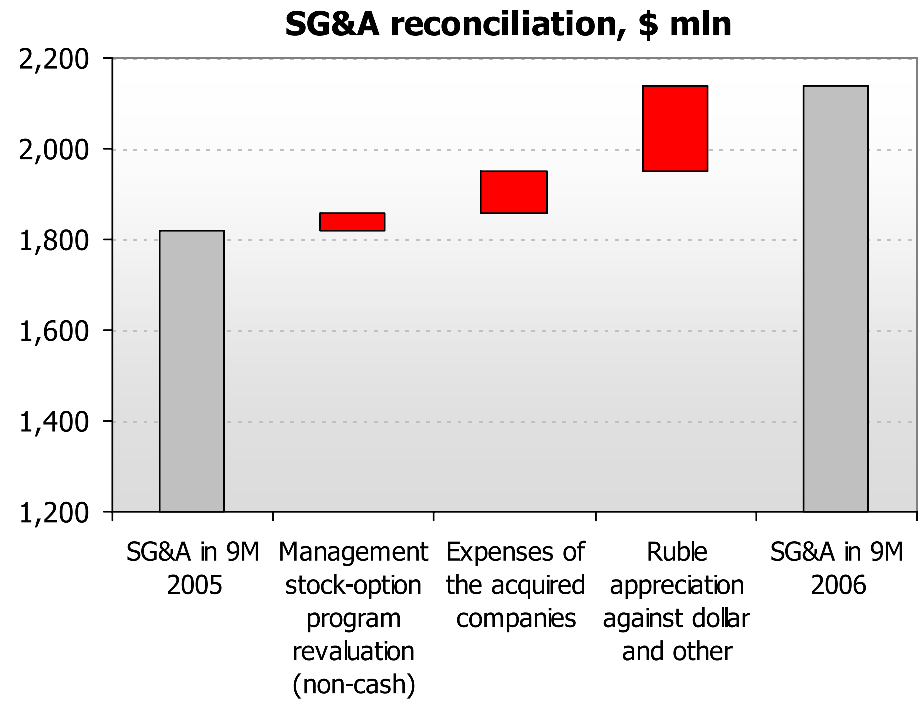


# Sales Breakdown



# SG&A and Transportation Expenses



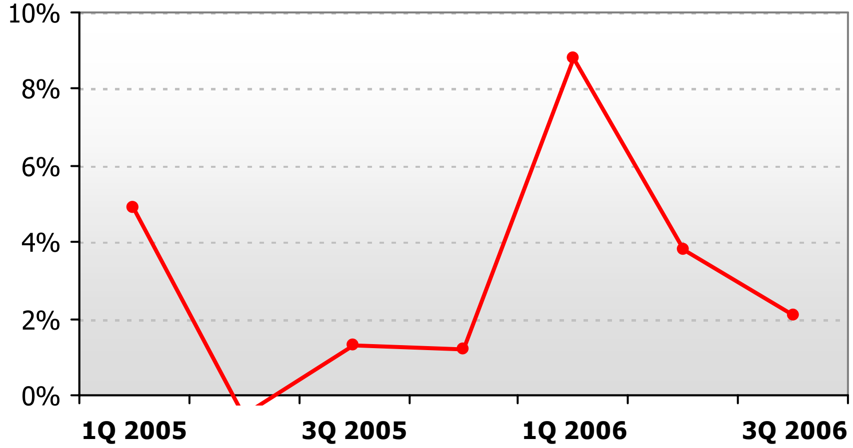

| 9M 2006 | 9M 2005 | $ mln | 3Q 2006 | 2Q 2006 |
|---|---|---|---|---|
| 2,811 | 2,522 | Transportation expenses | 1,044 | 919 |
| 2,140 | 1,820 | Other selling, general and administrative expenses | 642 | 737 |
| **4,951** | **4,342** | **Total** | **1,686** | **1,656** |

# Operating Expenses

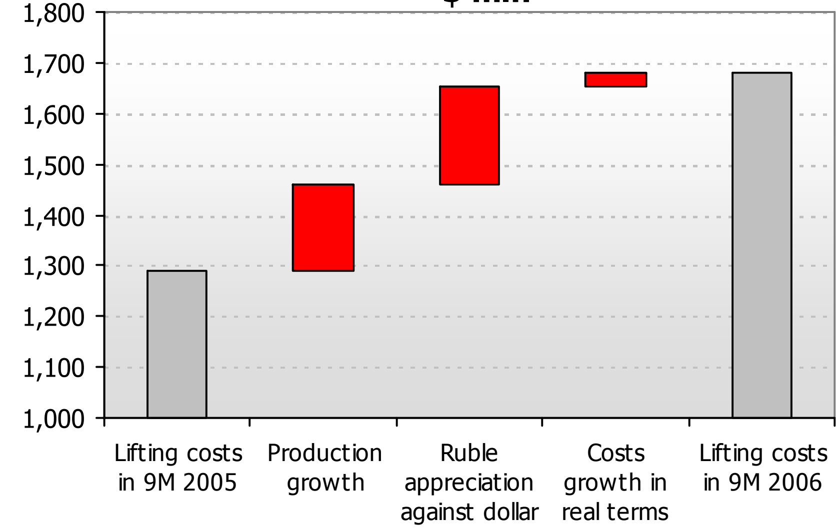
| 9M 2006 | 9M 2005 | $ mln | 3Q 2006 | 2Q 2006 |
|---|---|---|---|---|
| 1,682 | 1,291 | Hydrocarbon lifting costs | 616 | 558 |
| 528 | 481 | Refining expenses | 185 | 167 |
| 187 | 178 | Petrochemical expenses | 58 | 68 |
| 1,220 | 983 | Other operating expenses | 441 | 422 |
| **(298)** | **(557)** | Change in operating expenses in crude oil and refined products inventory originated within the Group | **(185)** | **89** |
| **3,319** | **2,376** | **Total** | **1,115** | **1,304** |
| **17,335** | **14,379** | **Cost of purchased oil, petroleum and chemical products** | **5,629** | **6,406** |

# Dynamics of Hydrocarbon Lifting Costs

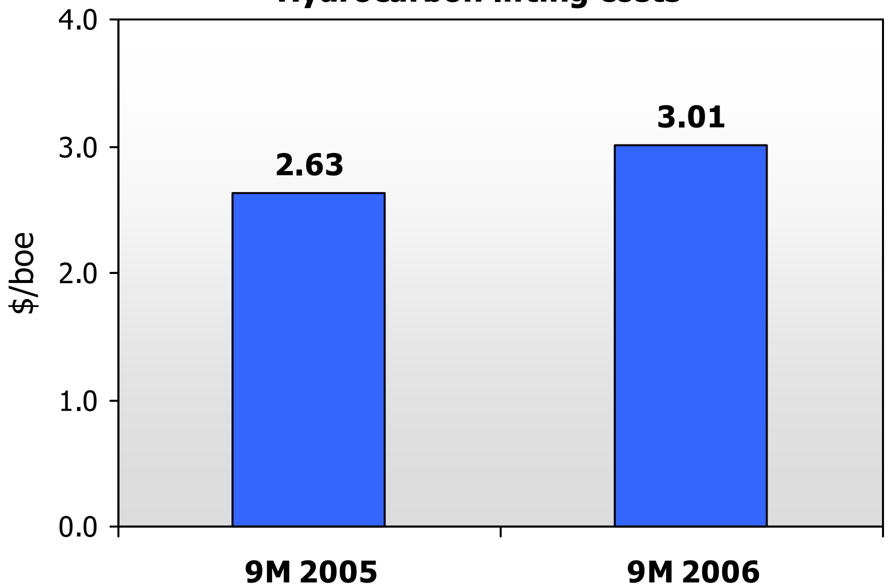
Real ruble appreciation against dollar




Hydrocarbon lifting costs reconciliation, $ mln




Hydrocarbon lifting costs*



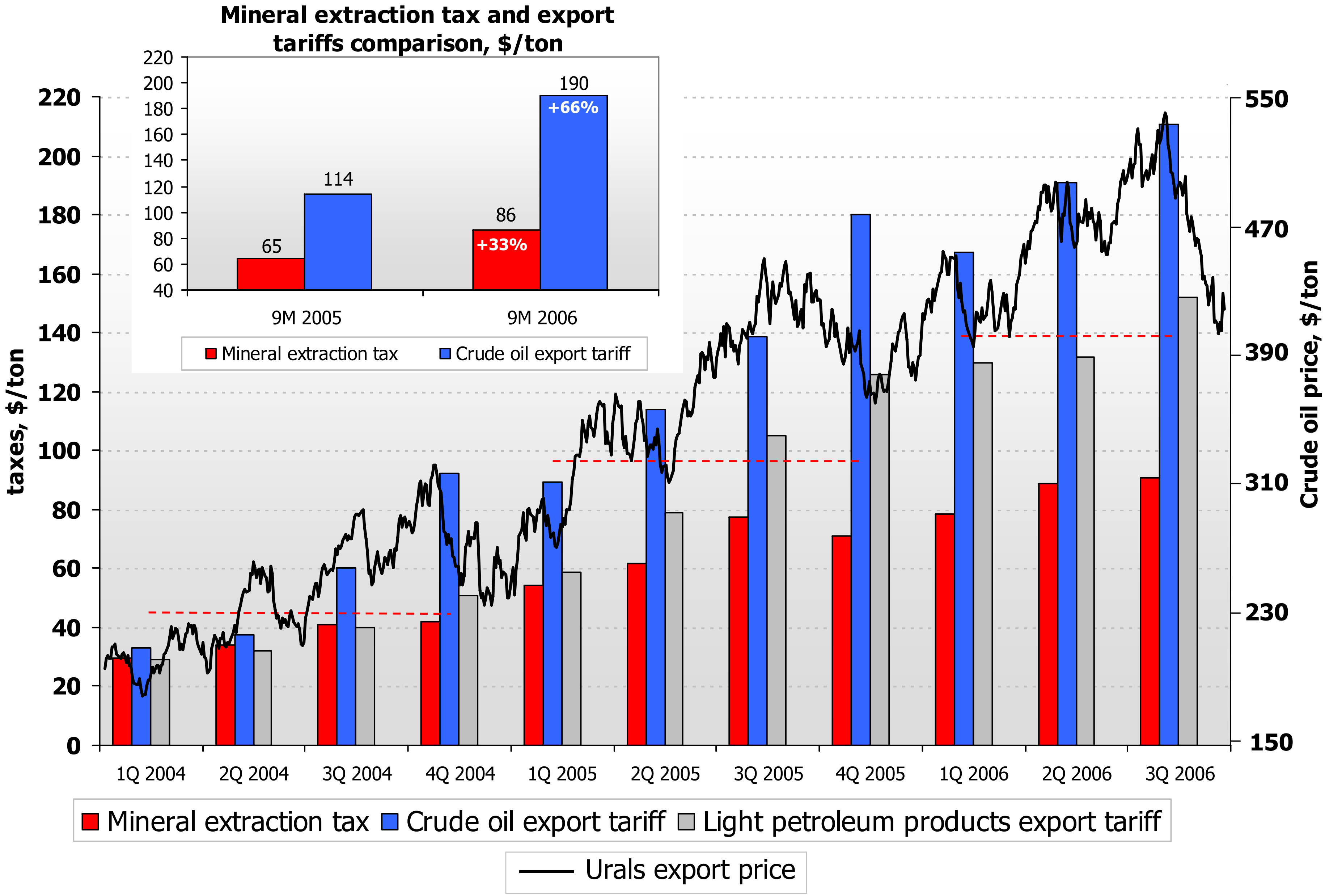

**In 9M 2006 lifting costs per boe of production increased by 14.4% y-o-y.**

**Real ruble appreciation against dollar (9M 2006 to 9M 2005) exceeded 13%.**

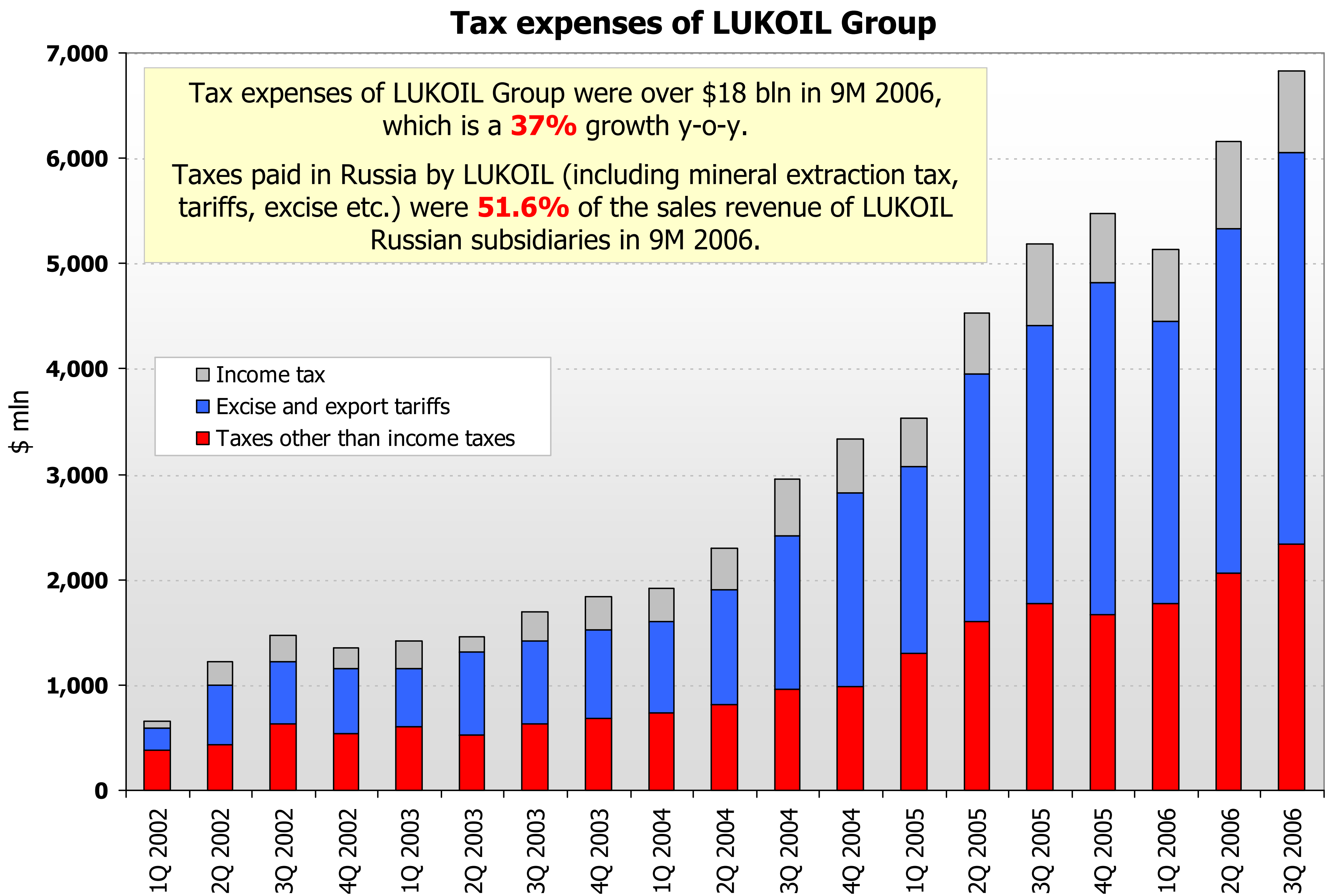
**9M 2006 lifting costs in real terms were almost at the same level as in the 9M 2005.**

* Crude oil, condensate, marketable natural and petroleum gas.

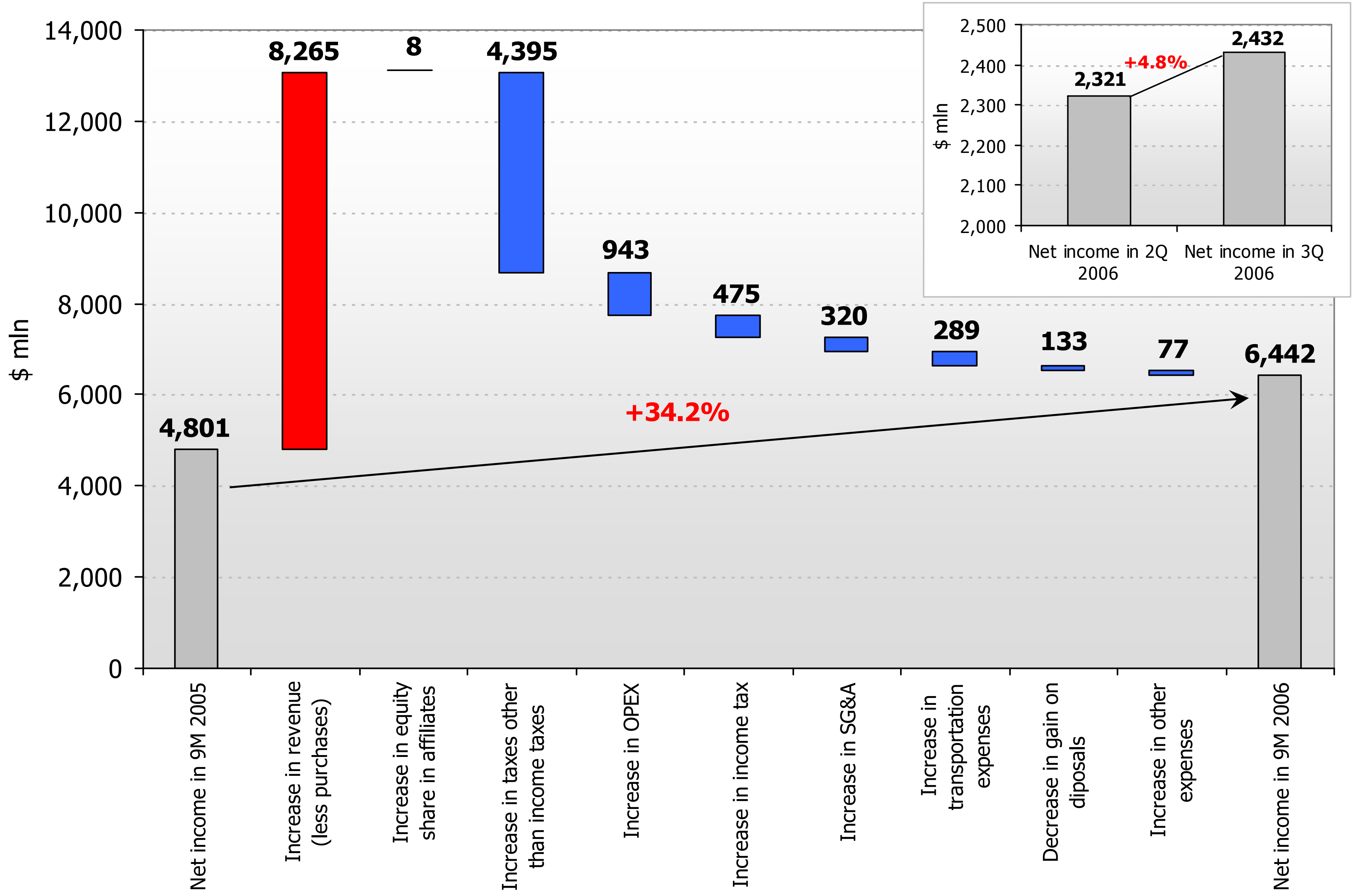
# Growth of Tax Burden



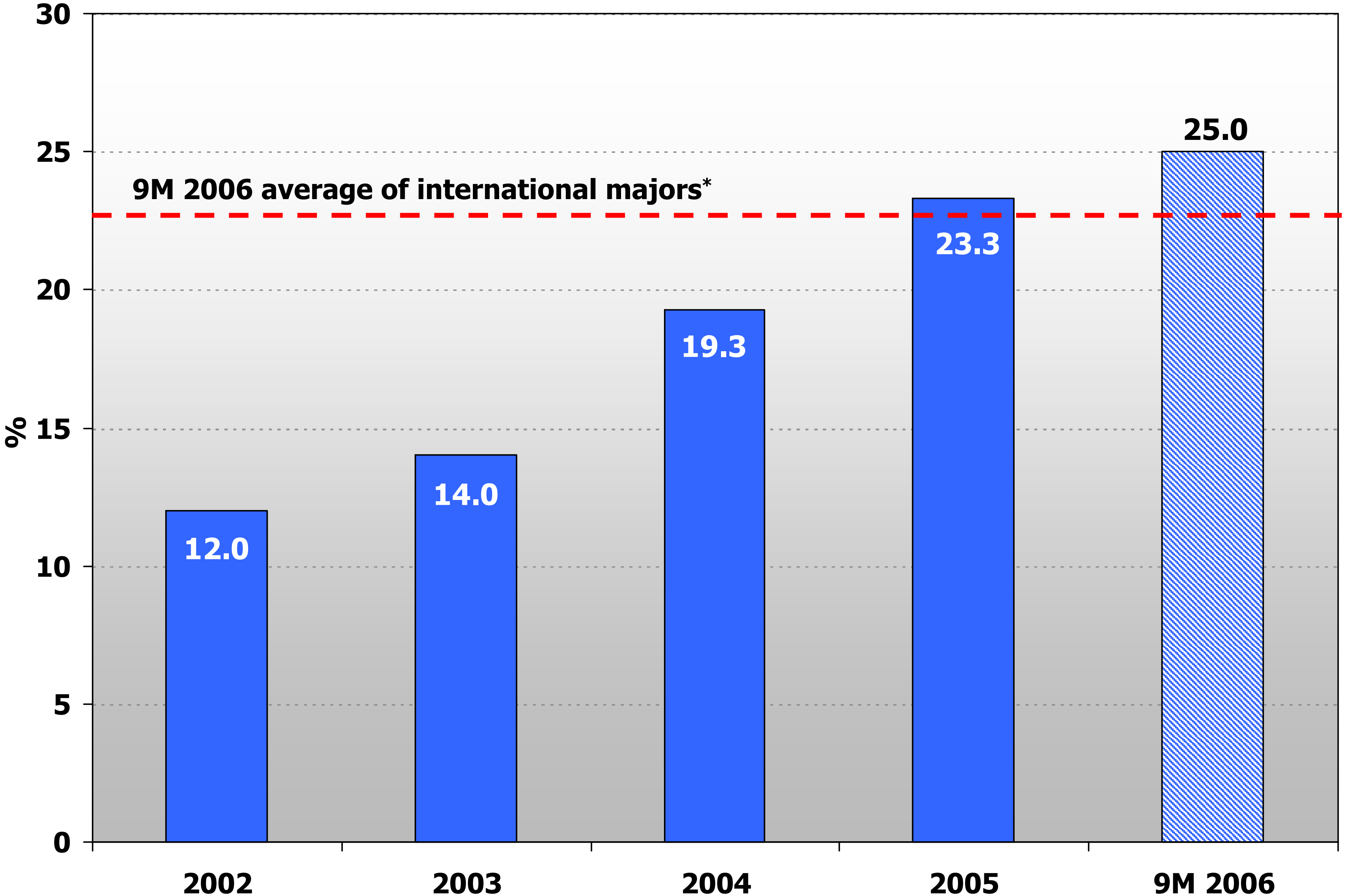
# Growth of Tax Burden (contd.)



# Net Income Reconciliation

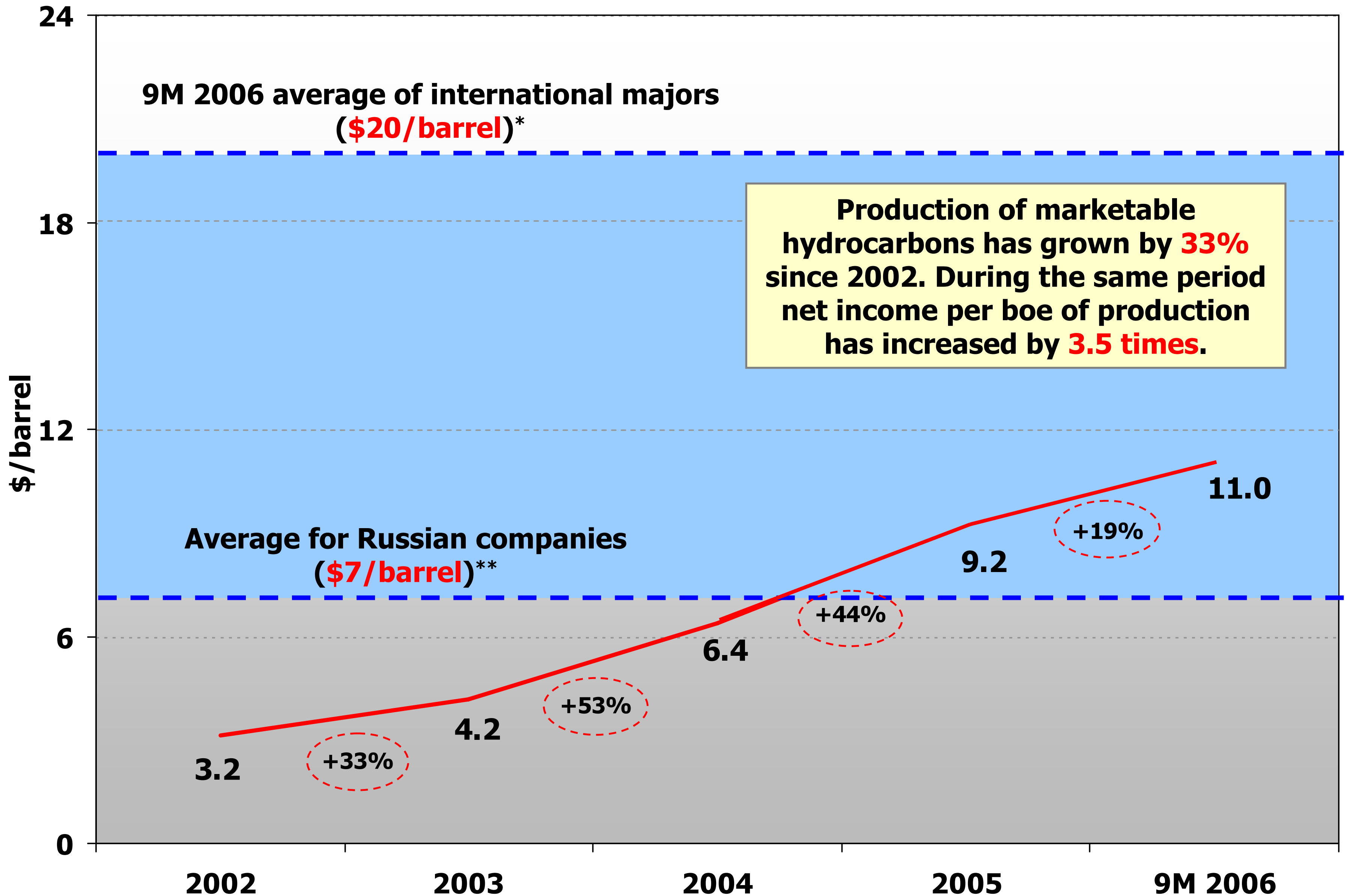


# ROACE



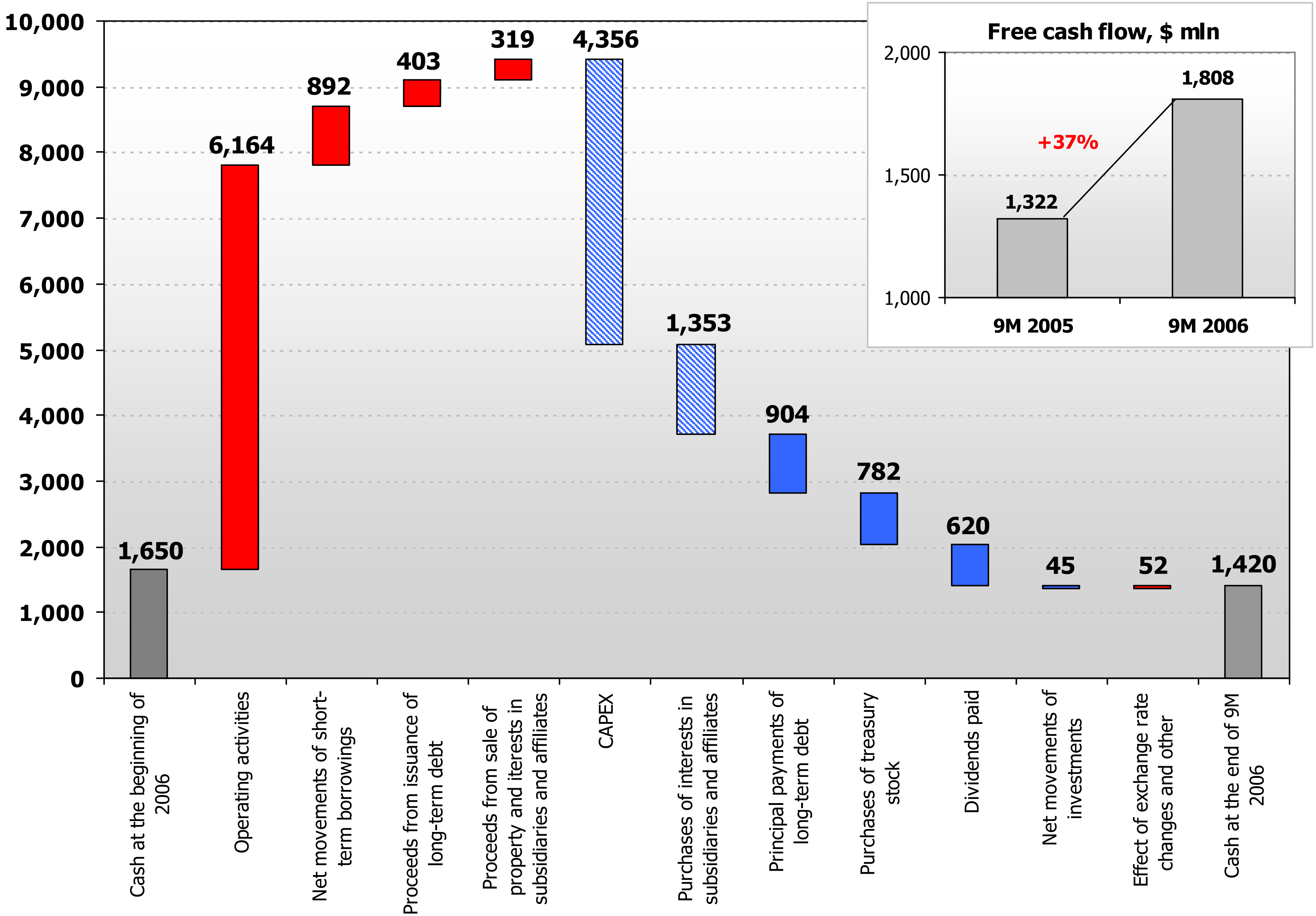

* ExxonMobil, BP, Shell, Chevron, ENI, Total, ConocoPhillips, Repsol.

# Net Income per Barrel of Production




* ExxonMobil, BP, Shell, Chevron, ENI, Total, ConocoPhillips, Repsol. ** Rosneft, Surgutneftegaz, TNK-BP (latest available reports in accordance with international standards).

# Cash Flow Reconciliation

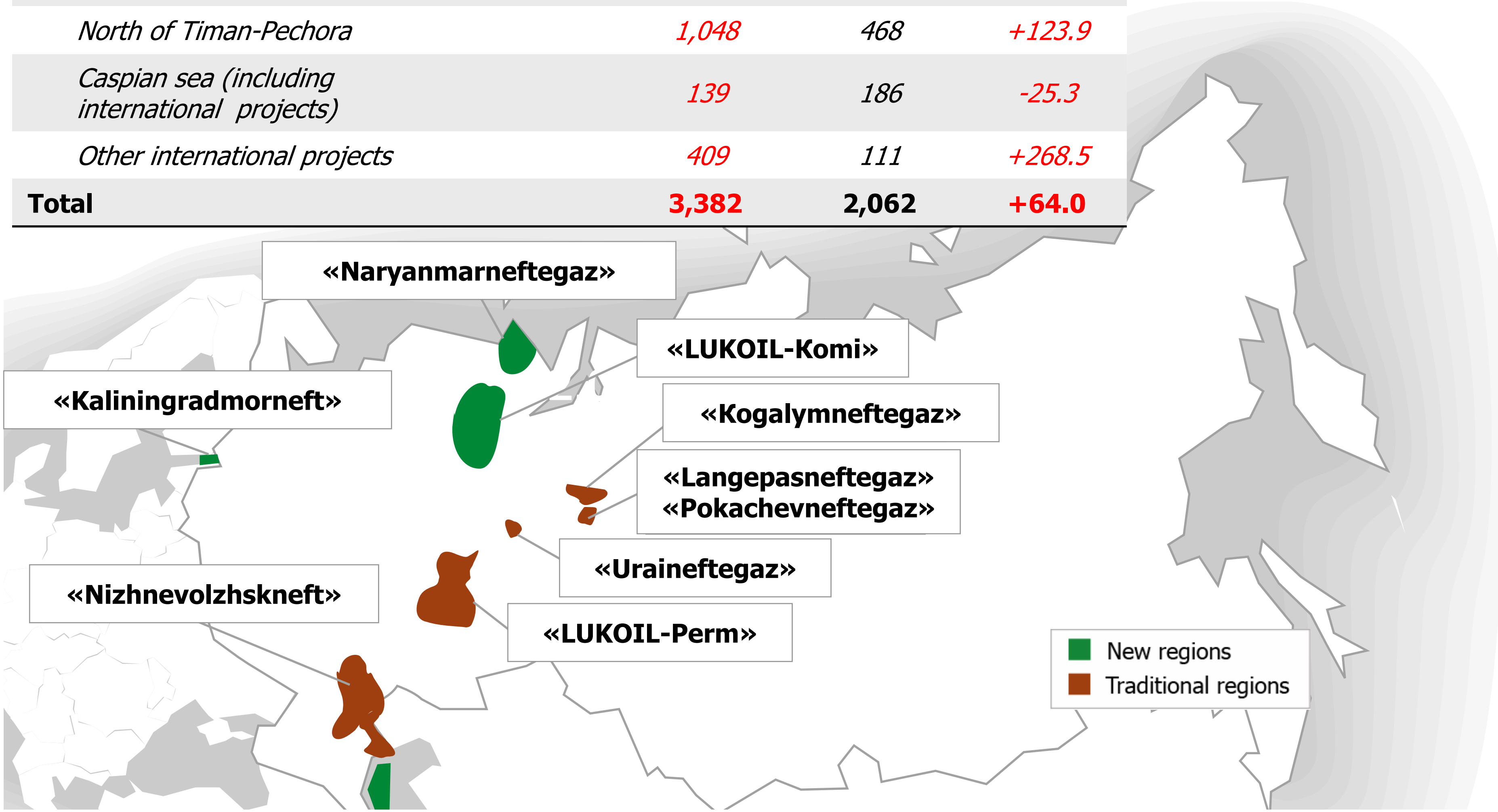


# CAPEX Breakdown

| 9M 2006 | 9M 2005 | $ mln | 3Q 2006 | 2Q 2006 |
|---|---|---|---|---|
| **3,382** | **2,062** | **Exploration and production** | **1,462** | **1,081** |
| *2,887* | *1,785* | *Russia* | *1,196* | *963* |
| *495* | *277* | *International* | *266* | *118* |
| **961** | **770** | **Refining and marketing** | **342** | **336** |
| *632* | *435* | *Russia* | *240* | *215* |
| *329* | *335* | *International* | *102* | *121* |
| **126** | **49** | **Petrochemicals** | **51** | **49** |
| *88* | *40* | *Russia* | *33* | *36* |
| *38* | *9* | *International* | *18* | *13* |
| **53** | **37** | **Other** | **20** | **18** |
| **4,522** | **2,918** | **Total (cash and non-cash)** | **1,875** | **1,484** |

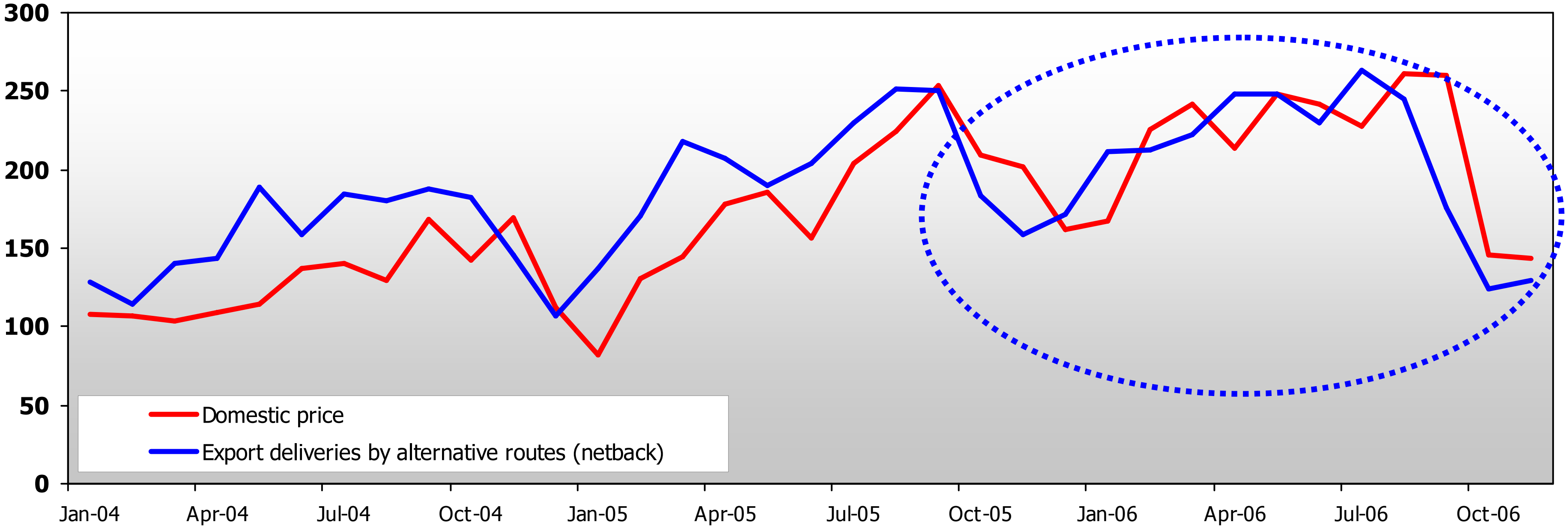
# Upstream CAPEX

| $ mln | 9M 2006 | 9M 2005 | Growth, % |
|---|---|---|---|
| **Traditional regions** | **1,683** | **1,115** | **+50.9** |
| **New regions** | **1,699** | **947** | **+79.4** |
| *Yamal* | *103* | *182* | *-43.4* |
| *North of Timan-Pechora* | *1,048* | *468* | *+123.9* |
| *Caspian sea (including international projects)* | *139* | *186* | *-25.3* |
| *Other international projects* | *409* | *111* | *+268.5* |
| **Total** | **3,382** | **2,062** | **+64.0** |

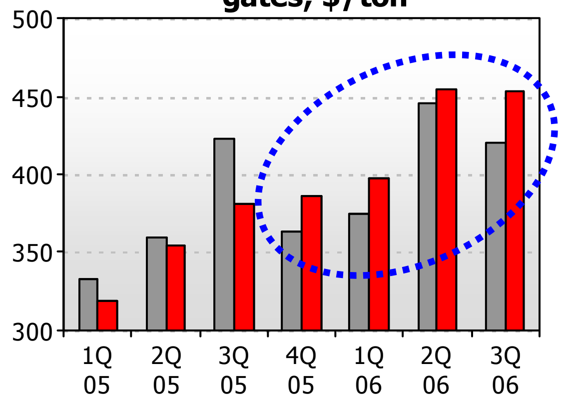


# Russian Market Becomes More Attractive

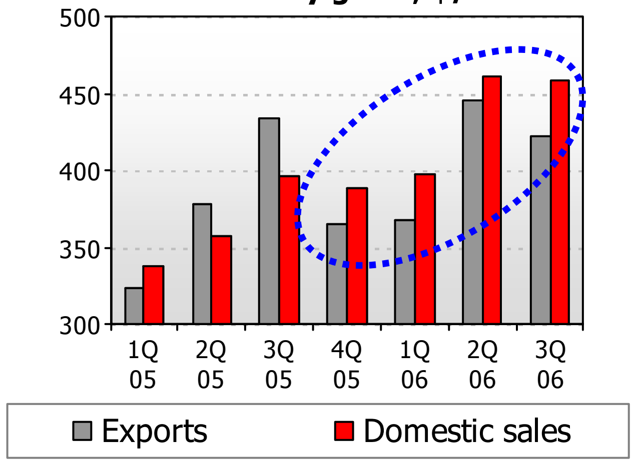
**Crude oil price comparison (domestic sales vs. export sales), $/ton**



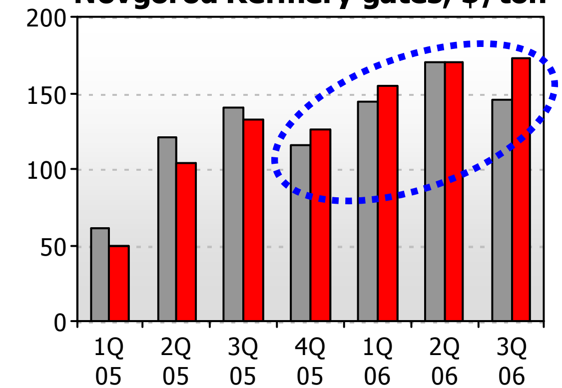

**Diesel price at Volgograd Refinery gates, $/ton**



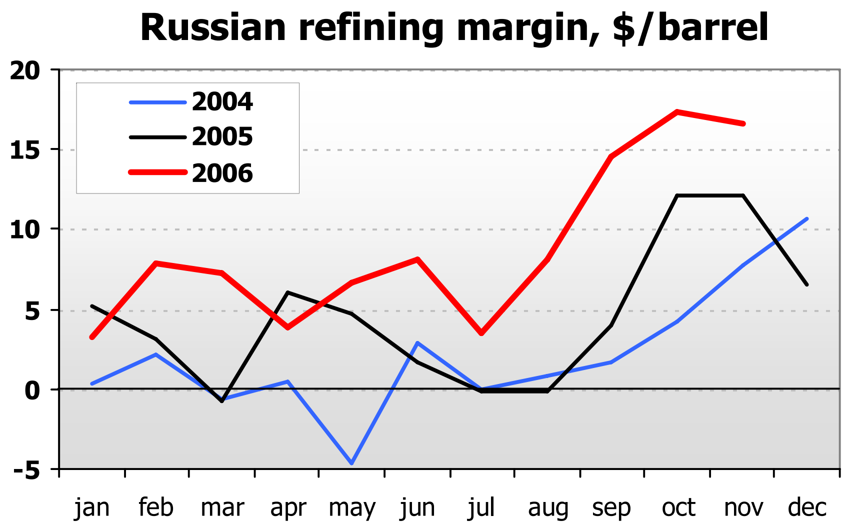

**Diesel price at Nizhny Novgorod Refinery gates, $/ton**



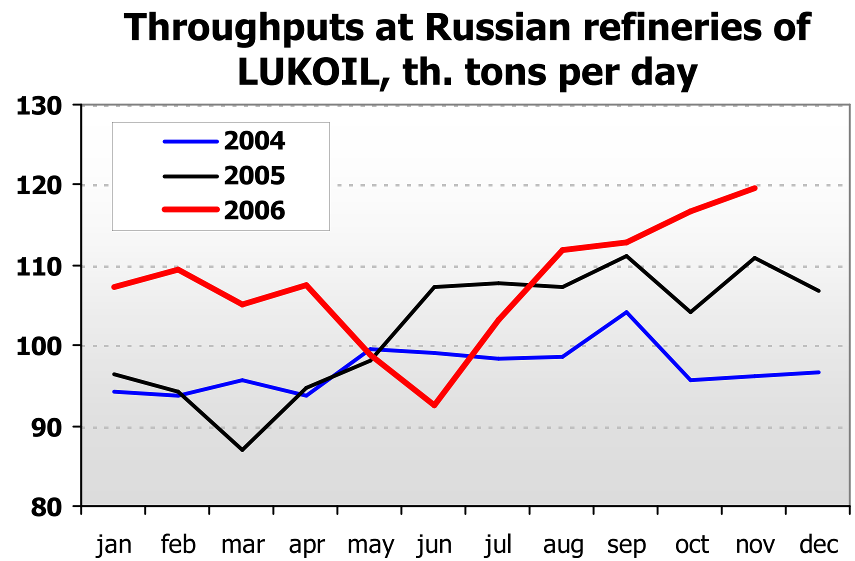

**Fuel oil price at Nizhny Novgorod Refinery gates, $/ton**

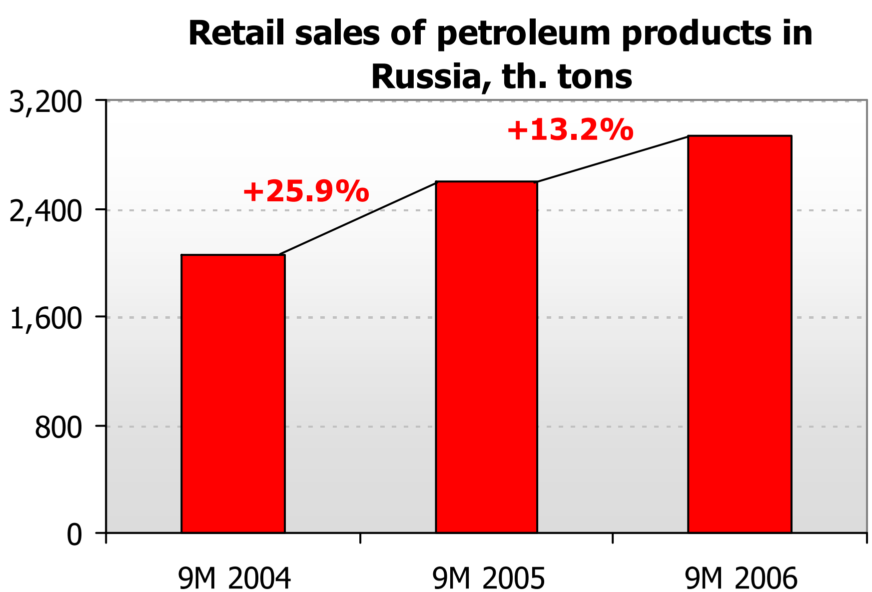


# Crude Refining in Russia and Retail Marketing




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

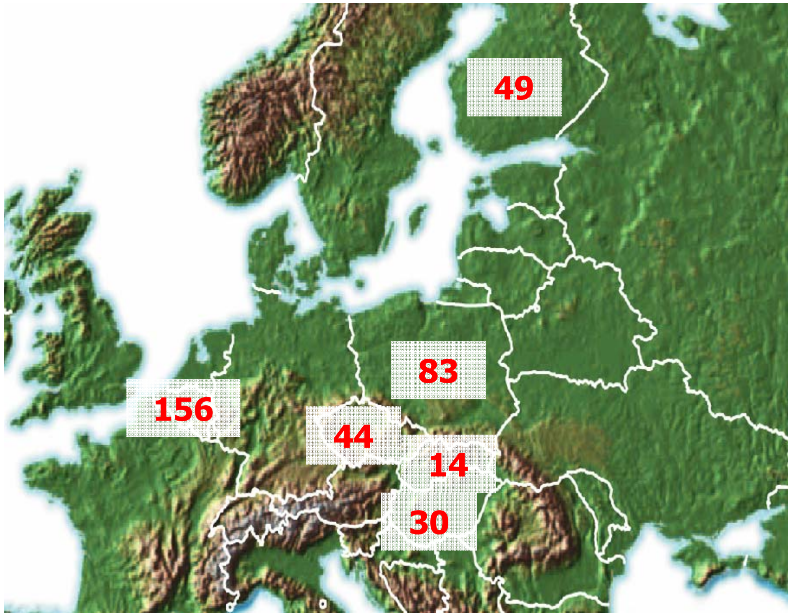




# Acquisition of Retail Network from ConocoPhillips

**Geography of the assets, filling stations**



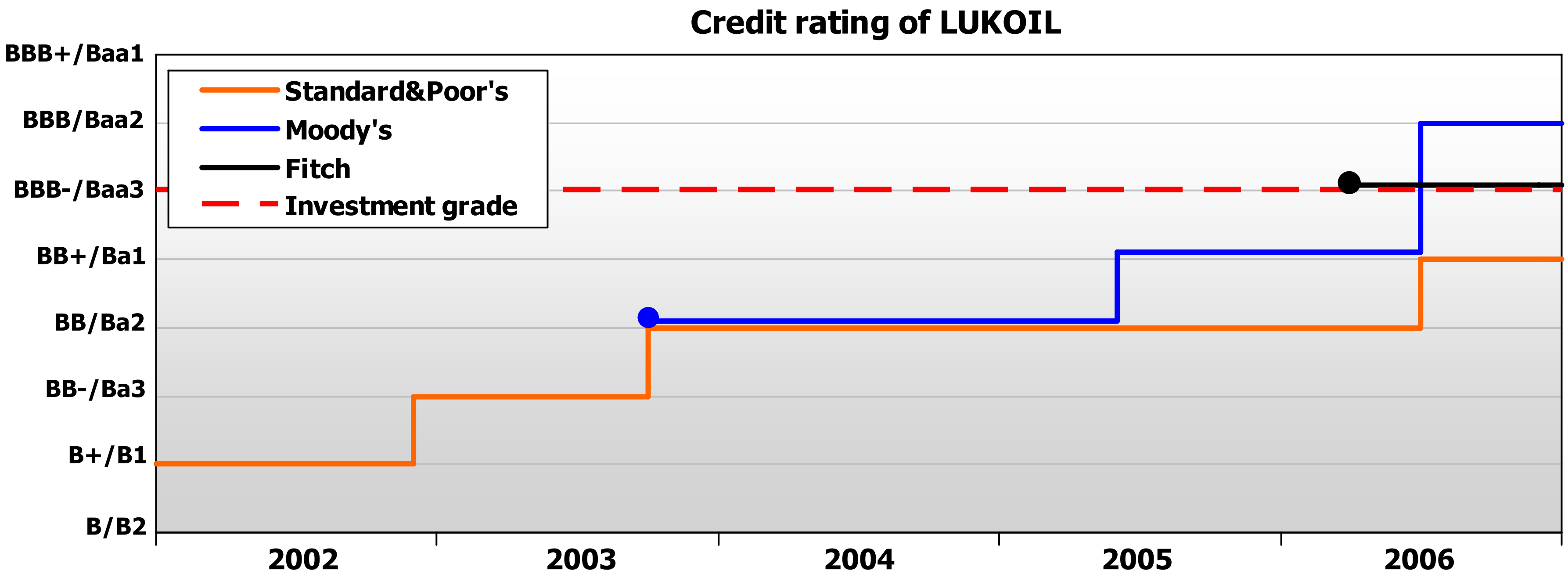

Acquisition of retail network from ConocoPhillips allows LUKOIL to enter new markets (Belgium, Chech Republic and Slovakia) as well as increase its share on the existing markets (Poland, Hungary and Finland).

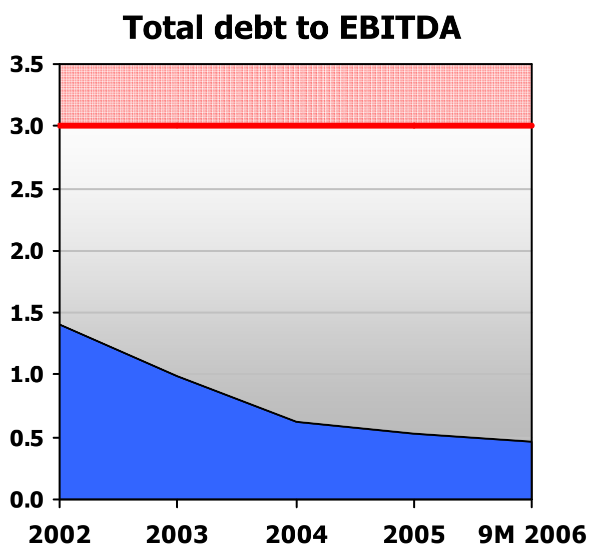
Retail sales volume of LUKOIL Group will increase by **1.4 mln tons per year** (**+19%** to the estimated volume of international retail sales in 2006).

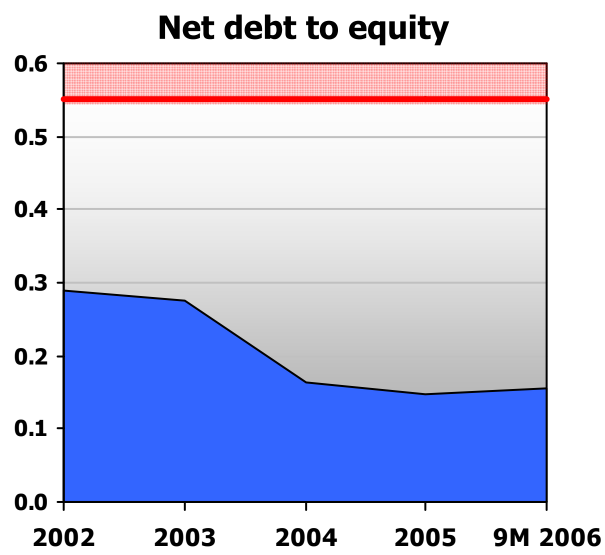
The acquired retail network is highly efficient: average fuel sales per filling station of the network is **9.9 tons per day** (**+40%** to LUKOIL average of **7.0 tons per day**).

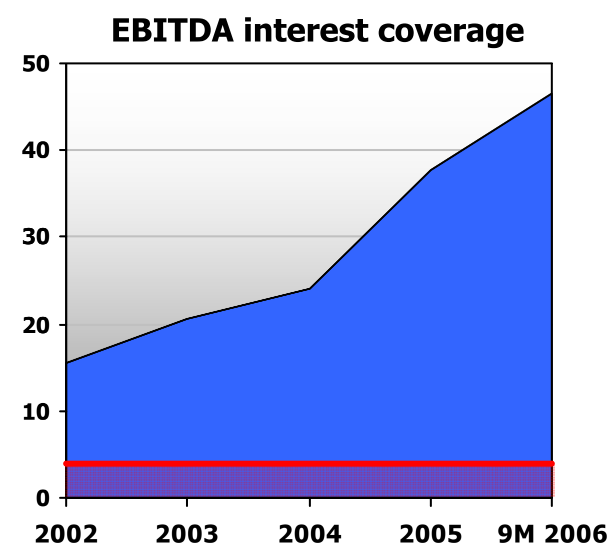
| | Number of filling stations/ Share on the retail market | Volume of retail sales (2006 г.), th. tons | Average fuel sales per filling station, tons per day | Share of LUKOIL Group on the retail market after acquisition |
|---|---|---|---|---|
| **Belgium** | 156 / 8.3% | 487 | 8.6 | **8.3%** |
| **Czech Republic** | 44 / 4.0% | 152 | 9.5 | **4.0%** |
| **Slovakia** | 14 / 3.5% | 59 | 11.5 | **3.5%** |
| **Poland** | 83 / 5.0% | 396 | 13.1 | **6%** |
| **Hungary** | 30 / 4.3% | 118 | 10.7 | **6%** |
| **Finland** | 49 / 5.5% | 141 | 7.9 | **29%** |
| **Total** | **376** | **1,353** | **9.9** | |

# Credit Rating and Financial Covenants



# Company’s Strategy

- **Increase revenues**
  - increase oil output
  - increase refinery throughputs
  - increase export 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
  - increase number of wells with high flow rates
  - divest non-core assets