



Transforming into a Global Energy Company

Bonds Issue (Series 03 and 04)

December 2006



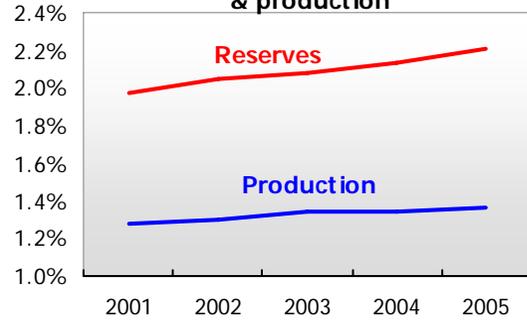
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- Certain statements in this presentation are not historical facts and are “forward-looking.” Examples of such forward-looking statements include, but are not limited to:
 - projections or expectations of revenues, income (or loss), earnings (or loss) 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.
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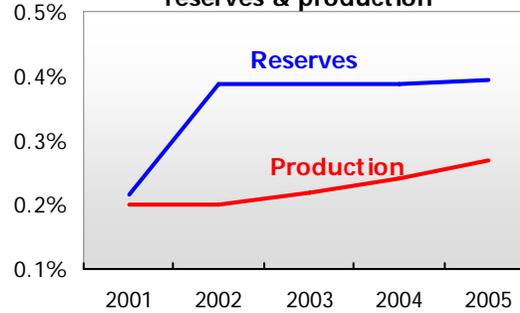


LUKOIL – Rising Global Integrated Oil & Gas Company

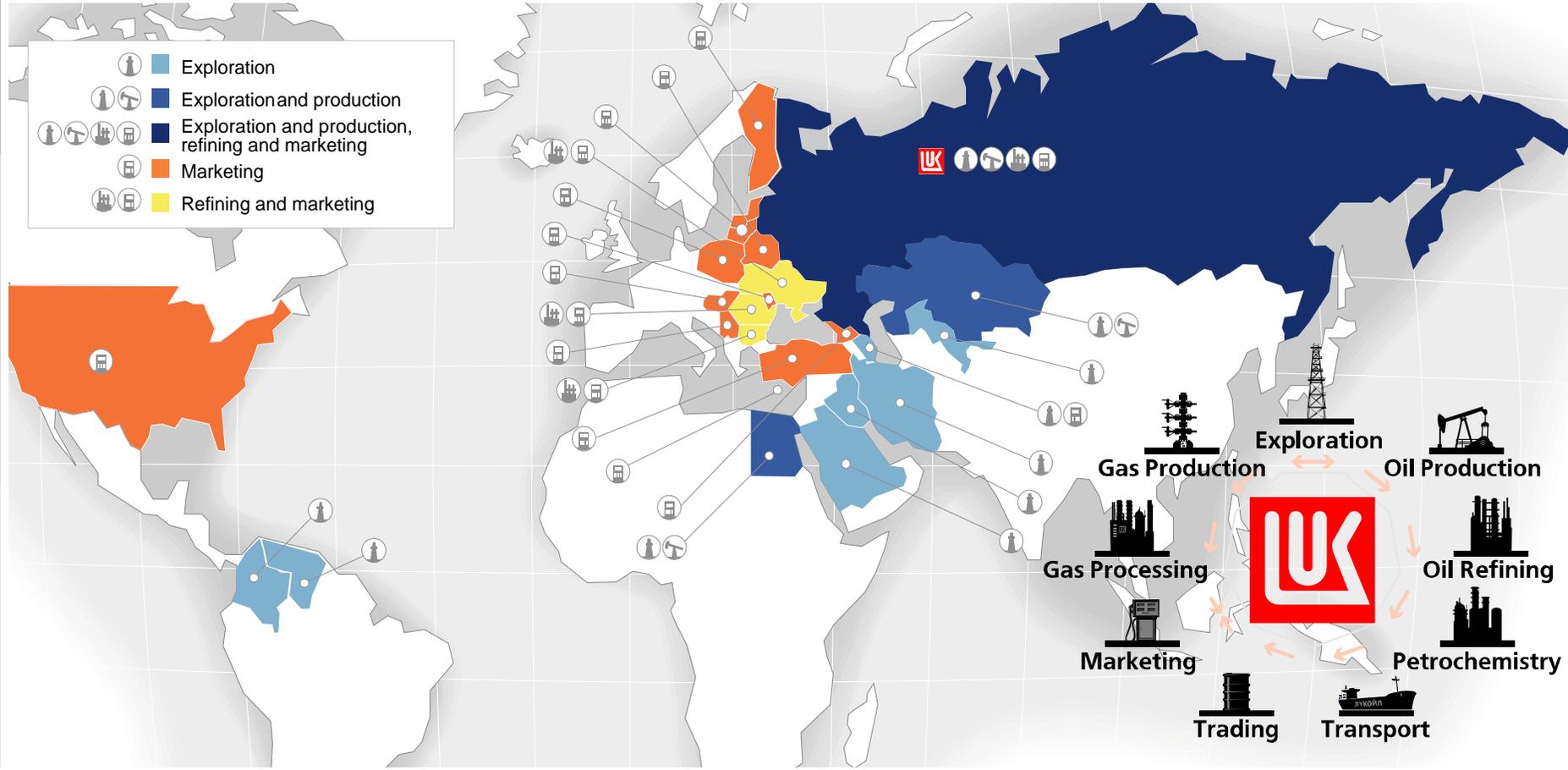
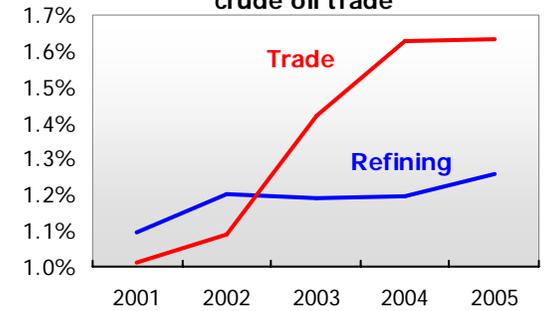
LUKOIL's share in global oil reserves & production



LUKOIL's share in global gas reserves & production

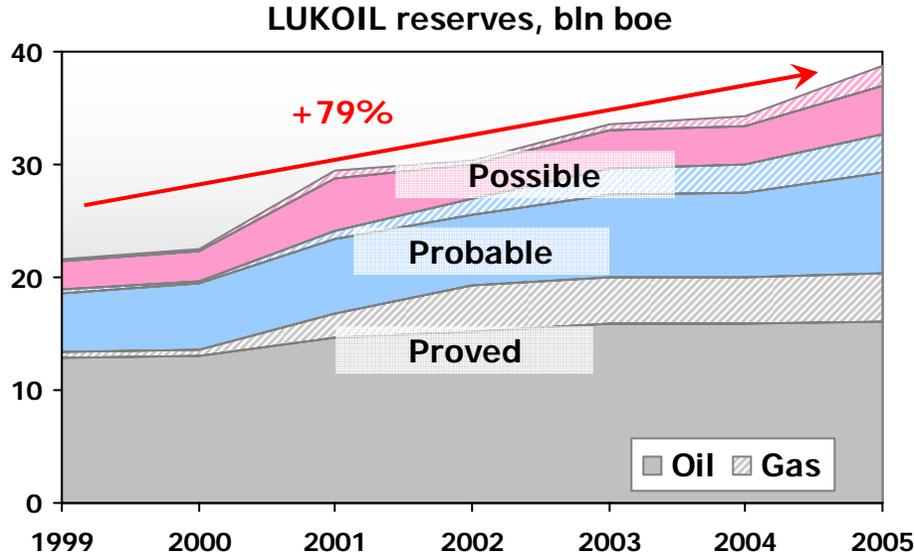


LUKOIL's share in global refining and crude oil trade



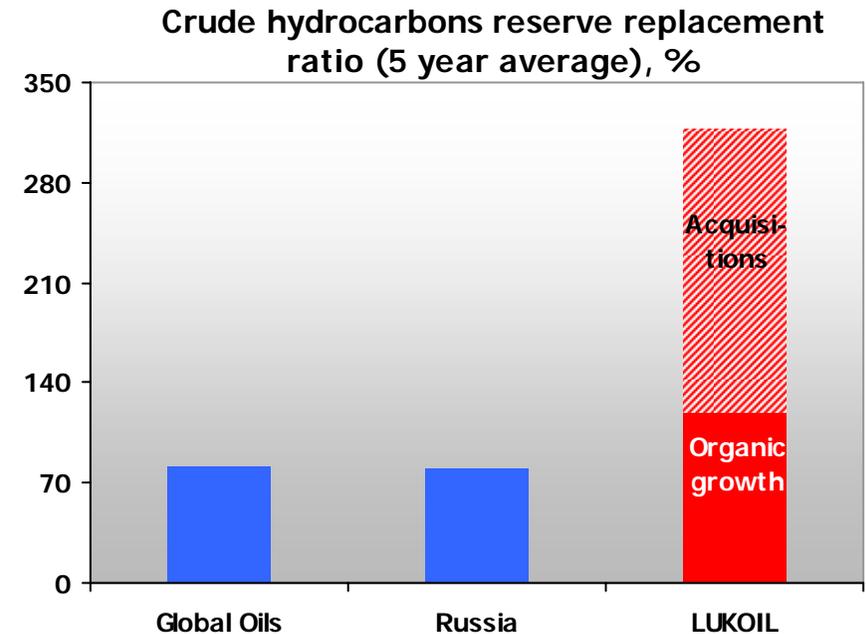
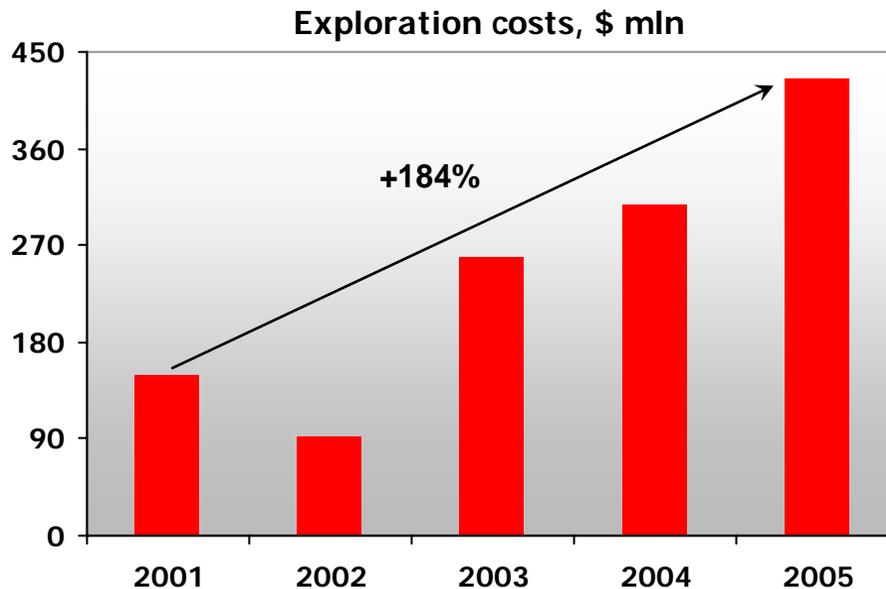


Enriching Reserve Base: Creating Ground for Future Growth



Over the last years LUKOIL has built a very rich and effective reserve base which allows to maintain very high production growth rates in the long term.

Use of the up-to-date technologies has enabled to raise considerably the exploration efficiency.





Corporate Strategy of Accelerated Growth: New Targets

Program for 2005–2014

Company value:
up to **\$100 bln**

Average annual hydrocarbon
production growth: about **4.5%**

Targeted production volumes: up
to **2.8 mln barrels per day**

Refinery capacities:
58 mln tons

International company

Strategy of Accelerated Growth: 2007–2016

Company value:
up to **\$150–200 bln**

Average annual hydrocarbon
production growth: about **6.7%**

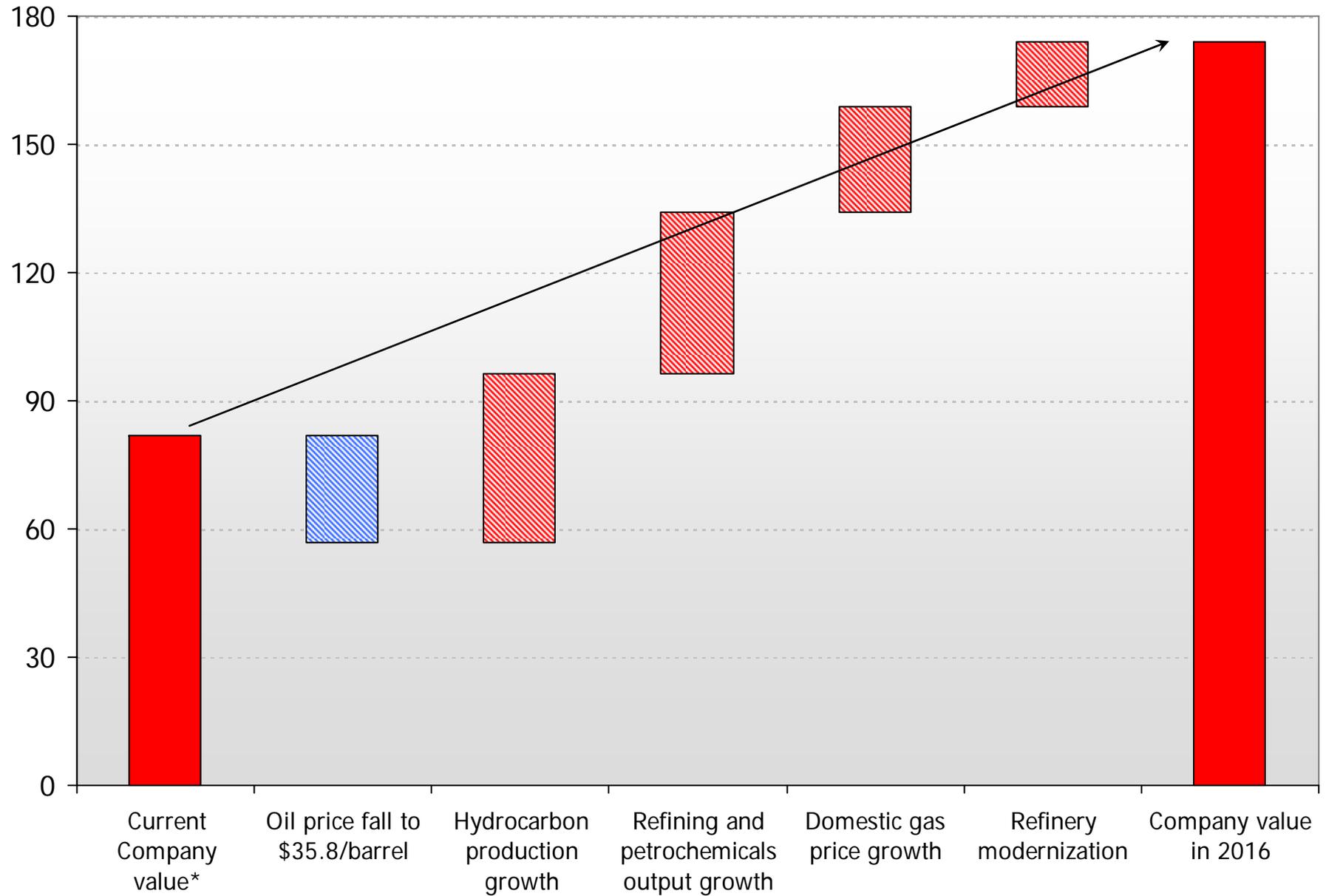
Targeted production volumes:
up to **4.0 mln barrels per day**

Refinery capacities:
100 mln tons

Global company



Reconciliation of Company Value Growth

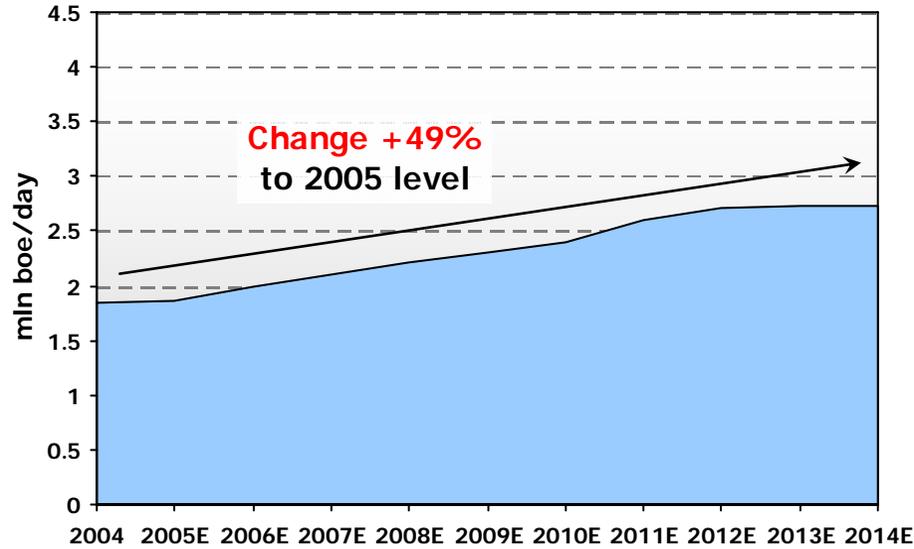


* Leading investment banks estimation.

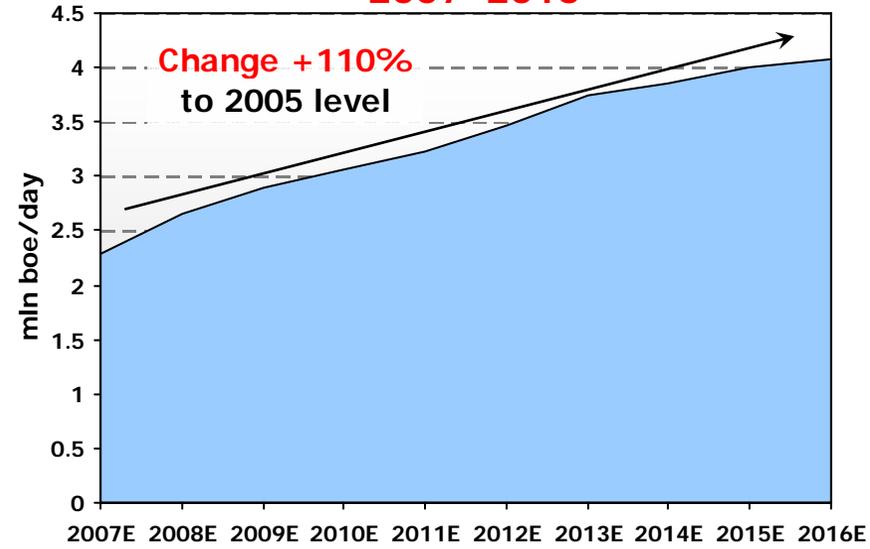


Hydrocarbon Production Forecast

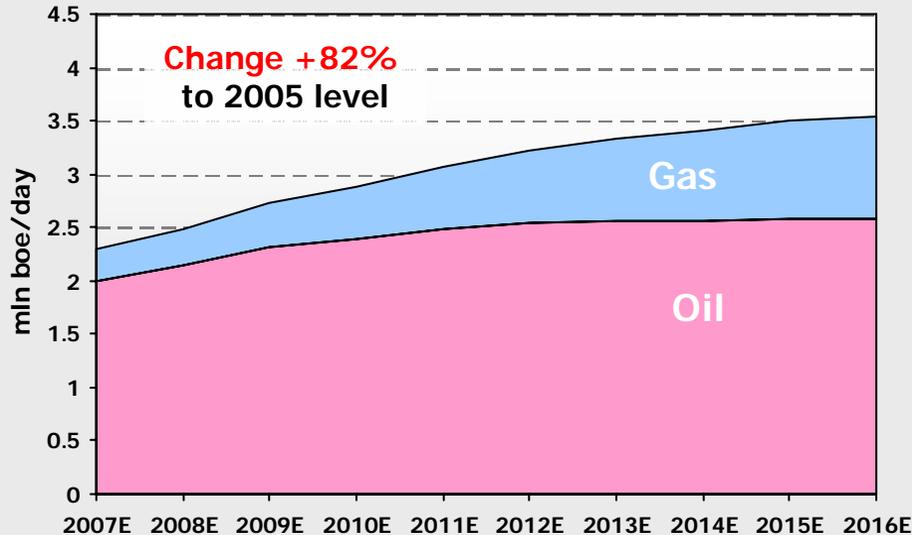
2005–2014 Program



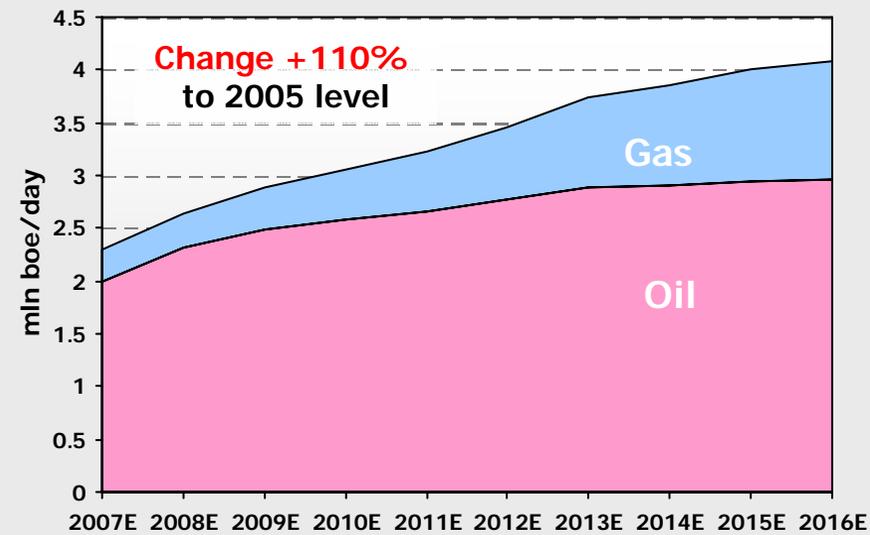
Strategy of accelerated growth: 2007–2016



Conservative scenario: 2007–2016

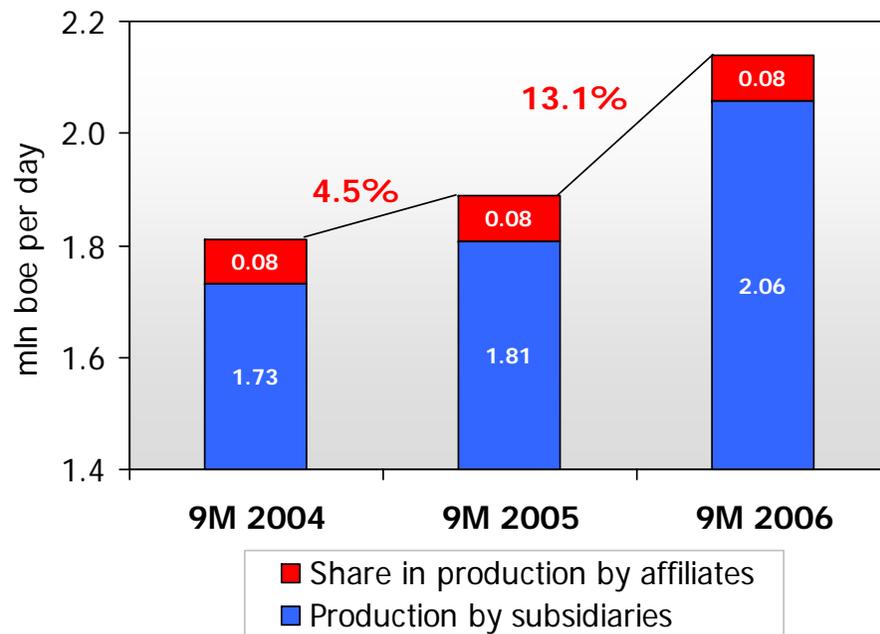


Optimistic scenario: 2007–2016



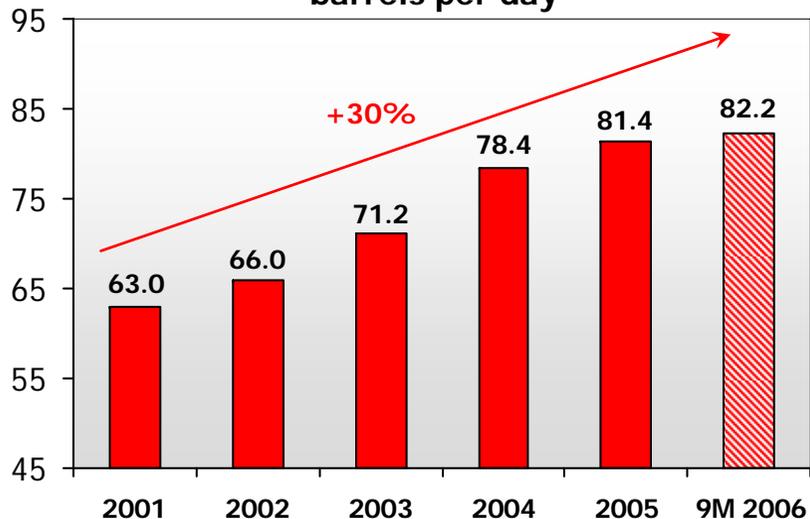


Production of Marketable Hydrocarbons



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

Average flow rate of oil production wells, barrels per day



Production of crude oil in 9M 2006 (production by subsidiaries and share in production by affiliates) was 524.9 mln barrels (71.13 mln tons), which an increase of 6.6% y-o-y.

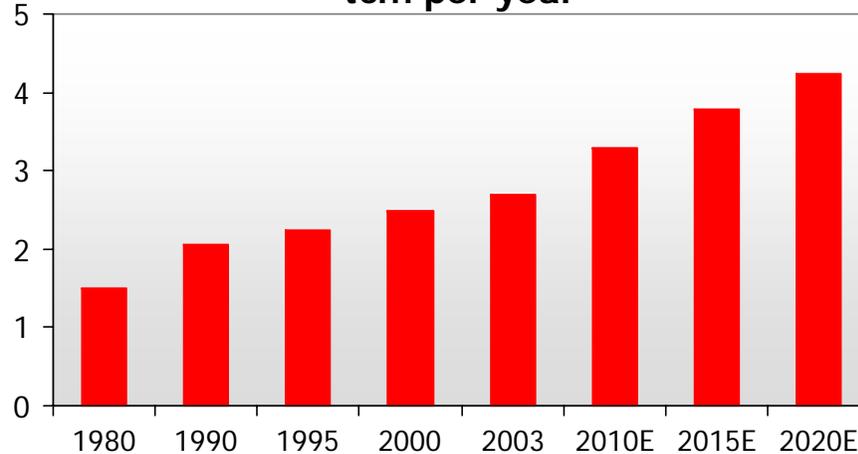
Production of marketable natural and petroleum gas rose by 149.2%.

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

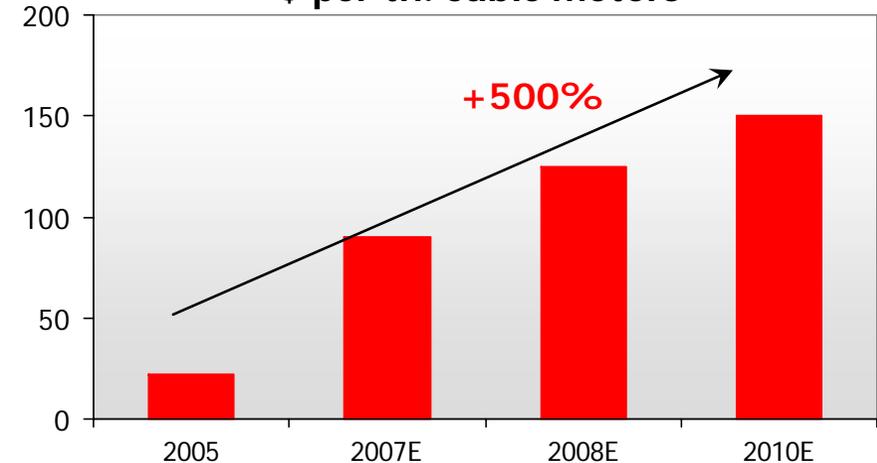


Structural Changes on the World Oil Market Raise Appeal of Gas Business

World gas consumption, tcm per year



Forecast of gas price in Russia, \$ per th. cubic meters

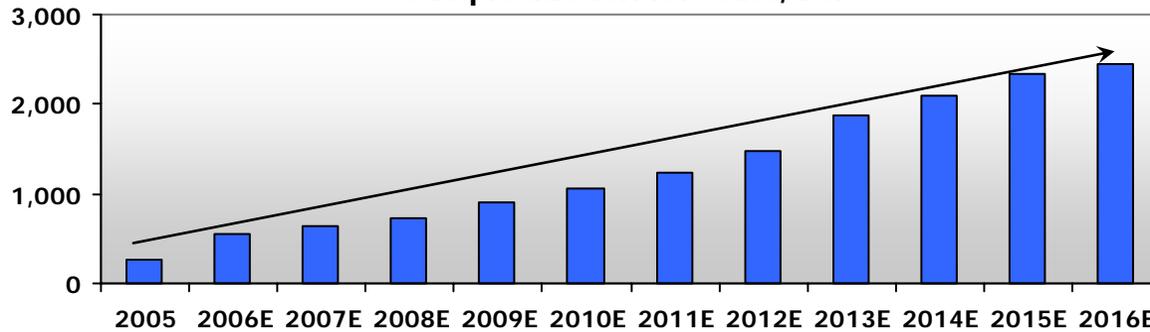


- Growth of natural gas global consumption is the highest among energy products (its pace is almost twice as high as that of crude oil consumption)
- Global gas consumption growth in 2005–2020 may reach 60% with CAGR of 2.4%, while the CAGR of oil consumption will be 1.5% and that of coal consumption – about 2%.
- Gas share in world's energy consumption will increase from 24 to 26% in this period
- The most rapid growth of gas consumption is expected in emerging countries
- Gas processing and gas chemistry, LNG production and GTL technology are becoming more and more attractive

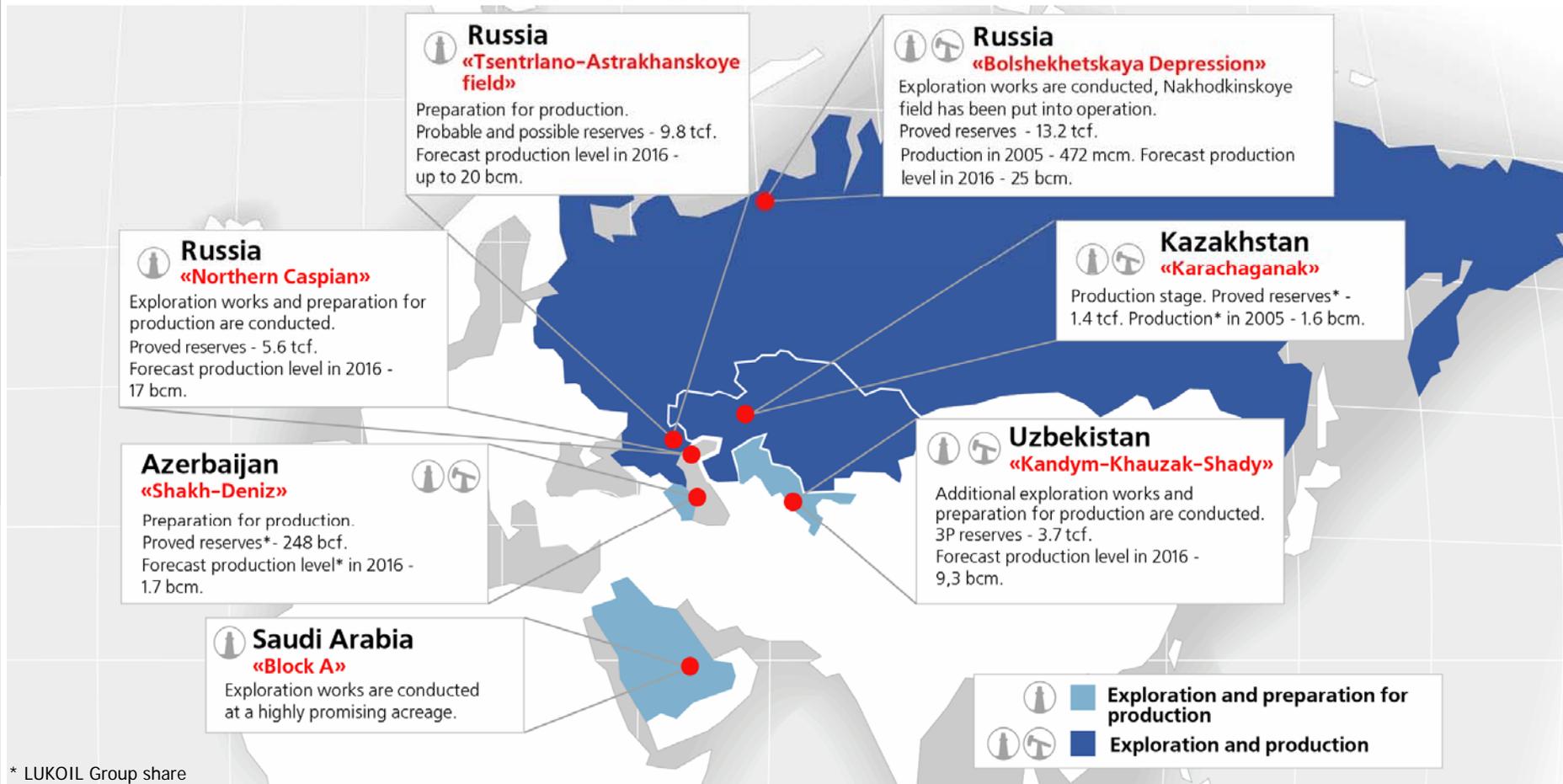


Gas Strategy

Gas production forecast, bcf



LUKOIL plans to increase gas output by 10 times to 2.5 tcf by 2016. The main growth regions are the Bolshekhetskaya Depression and the Caspian Region.



* LUKOIL Group share

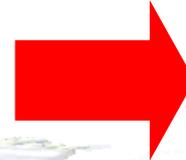
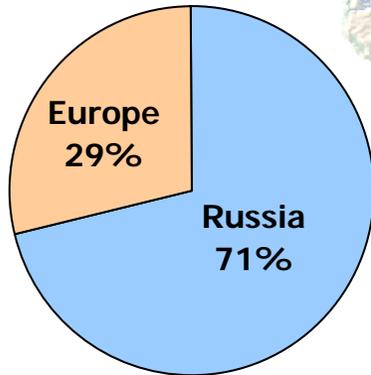


Increasing Throughputs, Refinery Complexity and Geographic Diversification

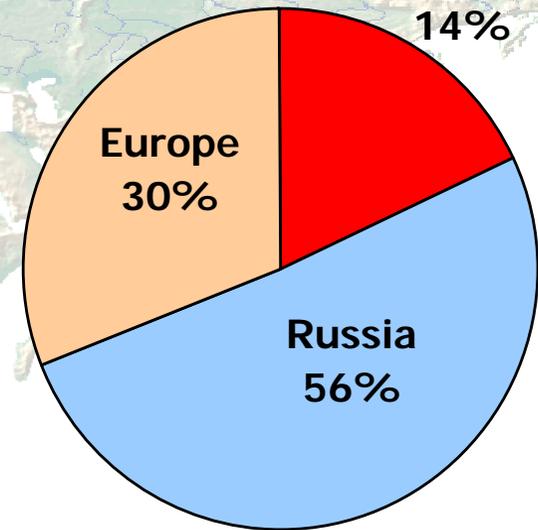
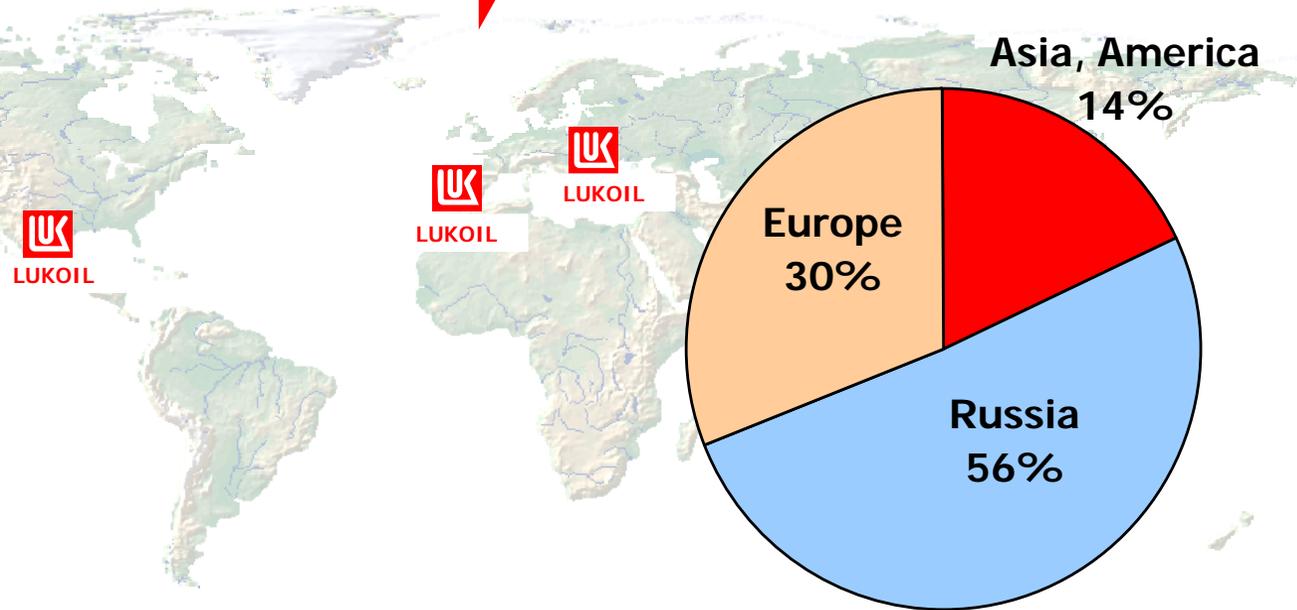
LUKOIL refining capacities diversification in 2005

LUKOIL targeted refining capacities diversification in 2016

58 mln tons



100 mln tons



Refinery capacities growth:

- in Russia: +15–20 mln tons (construction/acquisitions)
- in Europe: +13–16 mln tons
- in Asia and America: +10–20 mln tons



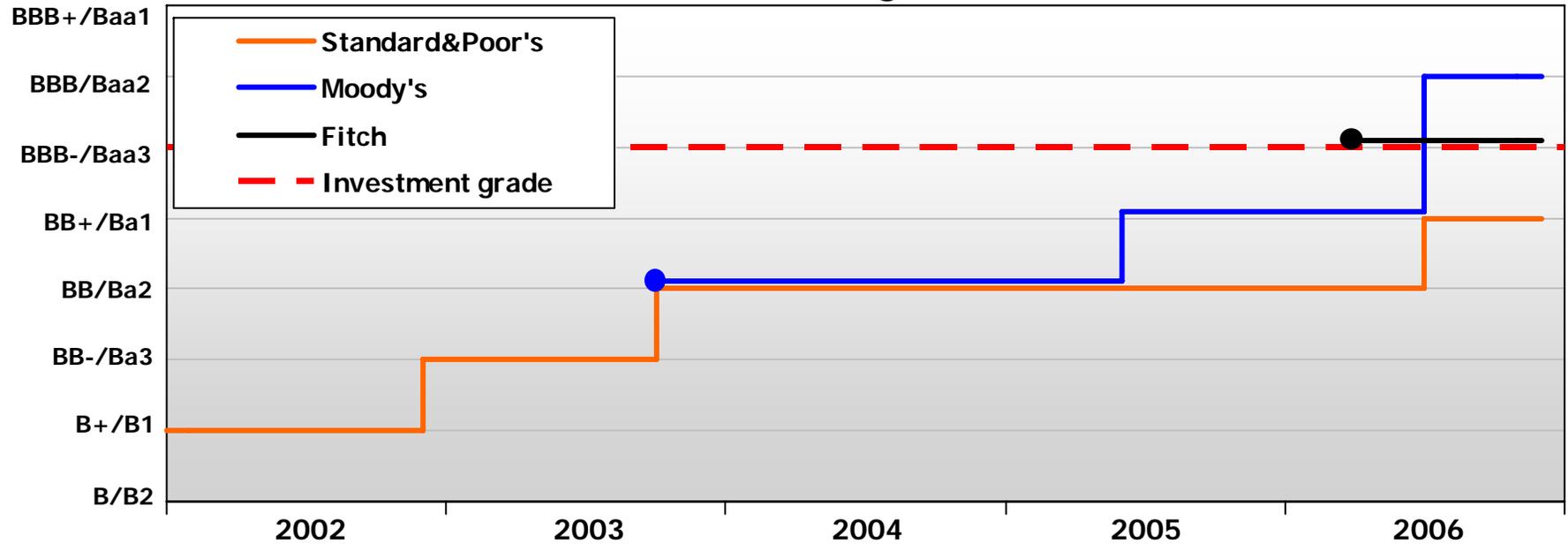
Strong Financial Results

1H 2006	1H 2005	\$ mln	2Q 2006	1Q 2006
33,420	24,250	Total revenue	18,379	15,041
(2,204)	(1,499)	Operating expenses	(1,304)	(900)
(9,787)	(7,030)	Taxes other than income taxes (including excise and export tariffs)	(5,331)	(4,456)
5,516	3,840	Income from operating activities	3,175	2,341
5,518	3,617	Income before income taxes	3,155	2,363
4,010	2,590	Net income	2,321	1,689
4.85	3.18	Basic EPS, \$	2.80	2.04
6,464	4,298	EBITDA	3,658	2,806

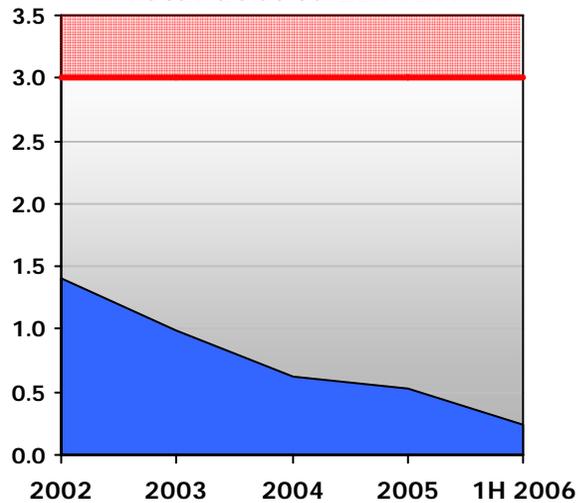


Credit Rating and Financial Covenants

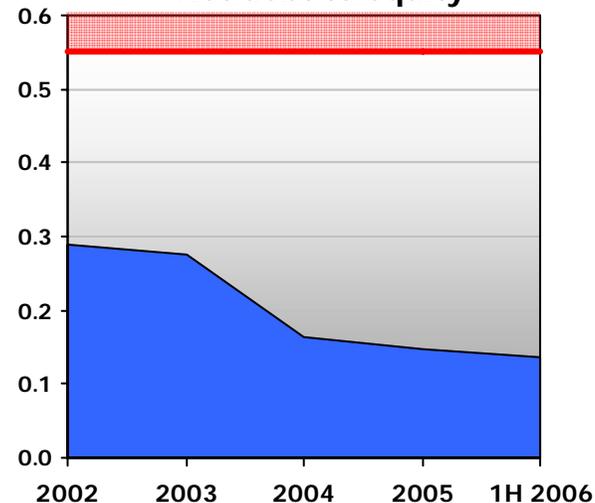
Credit rating of LUKOIL



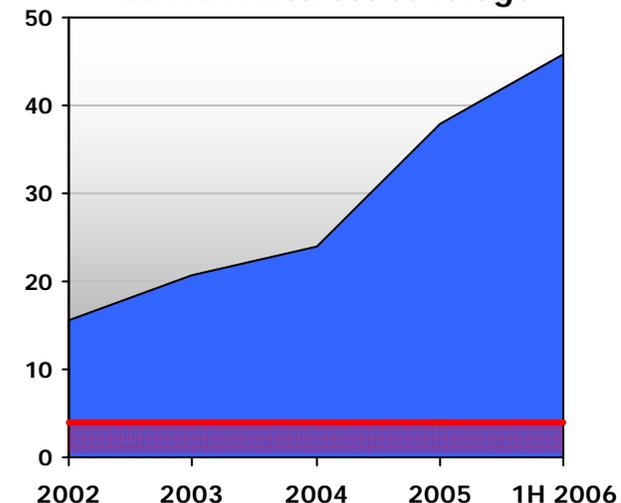
Total debt to EBITDA



Net debt to equity

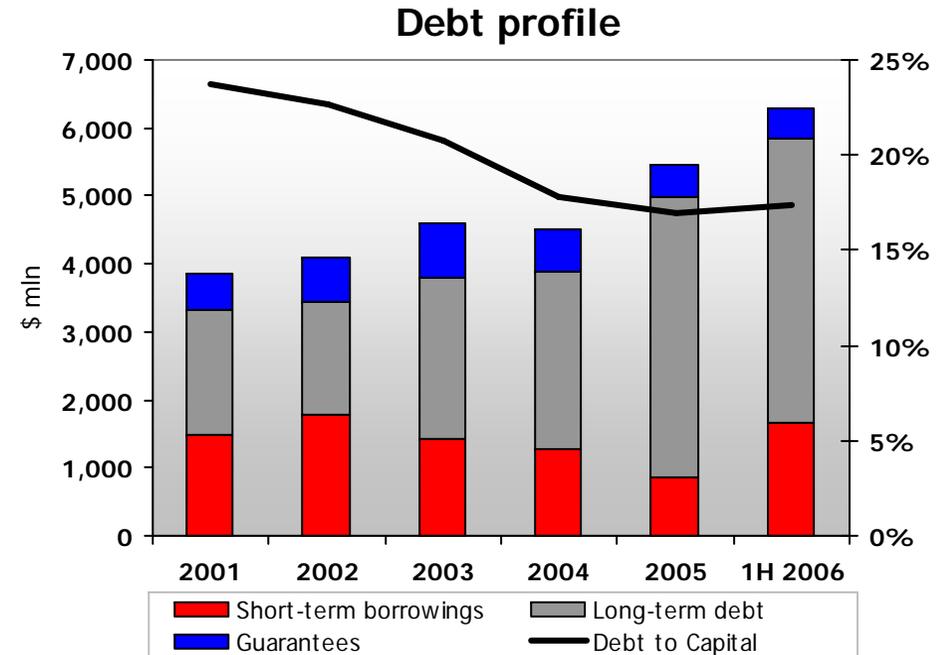
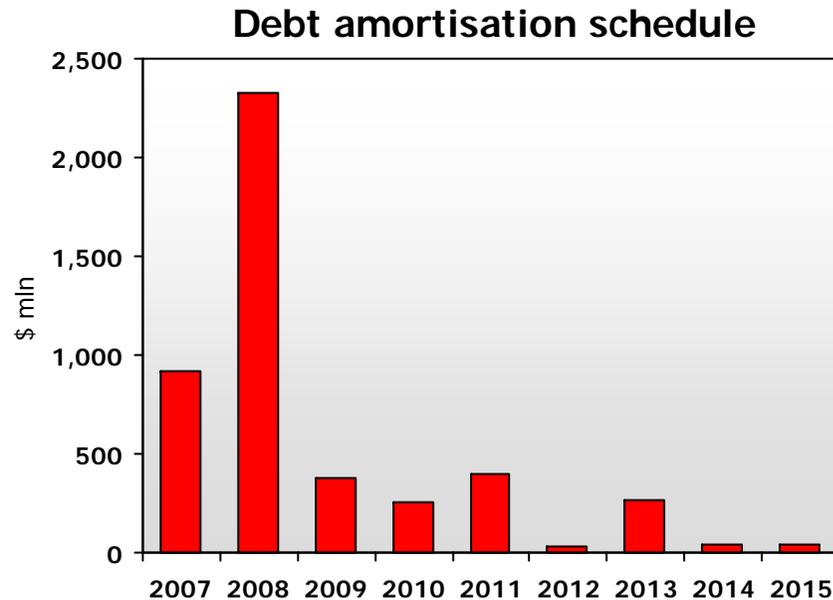


EBITDA interest coverage





Debt Profile of LUKOIL Group



- Debt amortization profile assumes issuance of 5 and 7 years bonds for 8 and 6 bn each.
- Placement of domestic bonds enhances the debt metrics addressing five most relevant parameters:
 - Refinancing of short-term debt by long-term instrument
 - Shifting from bank markets to capital markets
 - Improving the currency mix of the debt portfolio
 - Increase the level of fixed rate debt
 - Increase the portion of debt centralized on OAO LUKOIL level



Debt Management Objectives

1. To maintain competitive pricing
 2. To control refinancing risks
 3. To match debt tenor with payback period of investment projects
 4. To constrain the level of secured debt
 5. To centralize debt on holding level
 6. To maintain optimal level of liquidity
 7. To comply with financial covenants
 8. To maintain optimal mix between:
 - a) currencies of debt portfolio
 - b) bank debt and capital market debt
 - c) fixed rate debt and floating rate debt
- } **Structural subordination**



LUKOIL Bonds Issue (Series 03 and 04)



Key Terms of the Issue

	Series 03	Series 04
Issuer	JSC «LUKOIL»	
Surety	LLC «Trade-Finance»	
Amount, mln. RUB	8 000	6 000
Tenor	5 years	7 years
Coupon	182 days. Will be defined at auction. Subsequent coupons will be equal to the initial coupon	
Placement Agent	ABN AMRO Bank ZAO	
Arrangers	ABN AMRO Bank ZAO, Dresdner Bank, IG «Renaissance Capital»	
Payment Agent	NDC	
Exchange	MICEX	
Date of Placement	14 December 2006	
Purpose	Refinancing	



Participants

Arrangers



Ренессанс
Капитал

Co-Arrangers

IG Capital Sberbank Bank Soyuz Credit Swiss

Nomos Bank Rosbank Citibank Khanty-Mansysk Bank HSBC

Co-Underwriters

Investsberbank

Commerzbank (Eurazia) Raiffeisen



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