



1Q 2008 Financial Results

(US GAAP)

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June 2008

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.
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1Q 2008 Highlights



- **Sales – \$24,955 million (+59% y-o-y)**
- **EBITDA – \$4,846 million (+99%)**
- **Net income – \$3,163 million (+143%)**
- **Basic EPS – \$3.83 per share (+146%)**
- **Free cash flow – \$1,296 million (+971%)**

Macroeconomic and Tax Environment



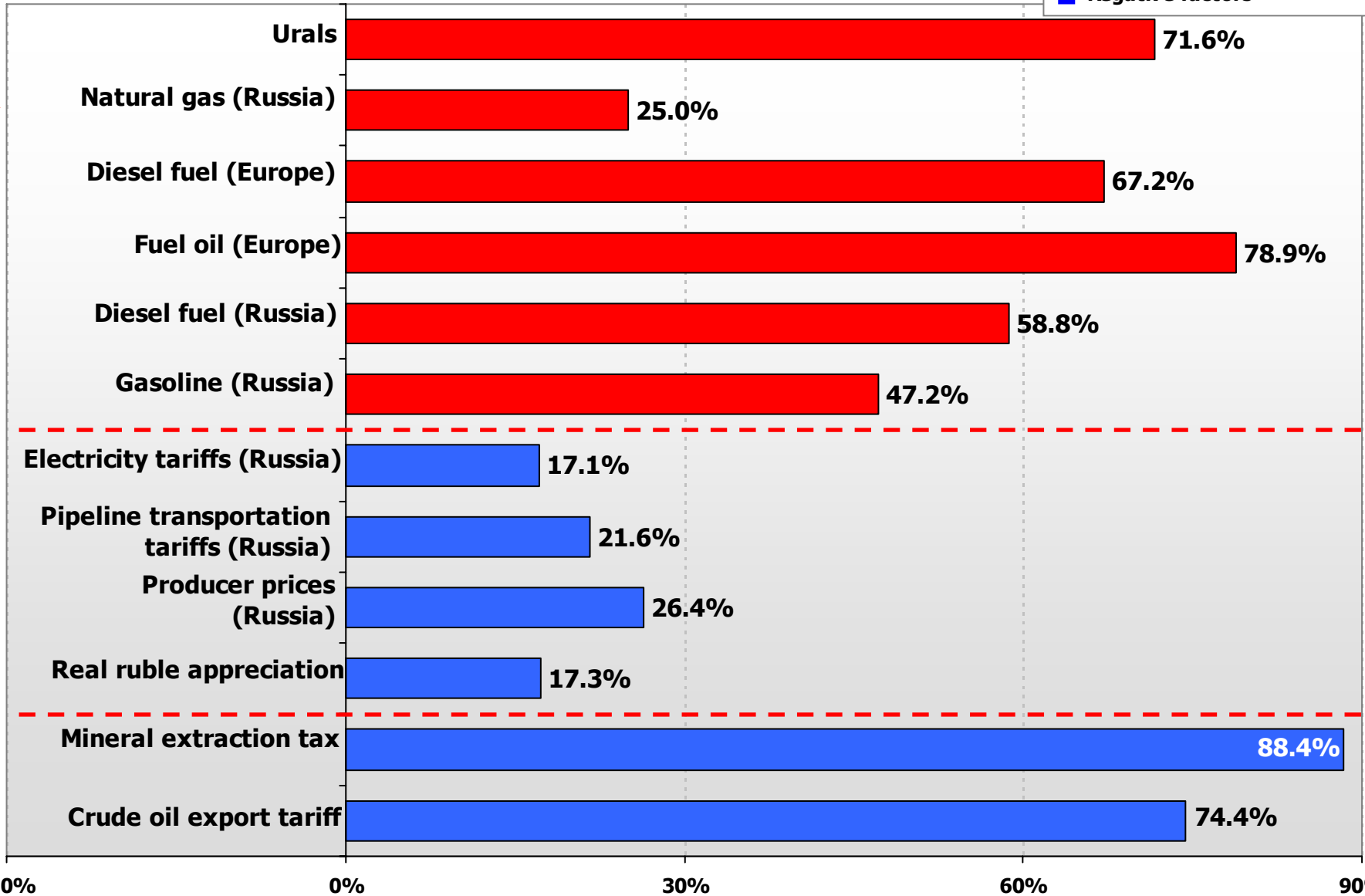
1Q 2008 to 1Q 2007

■ Positive factors
■ Negative factors

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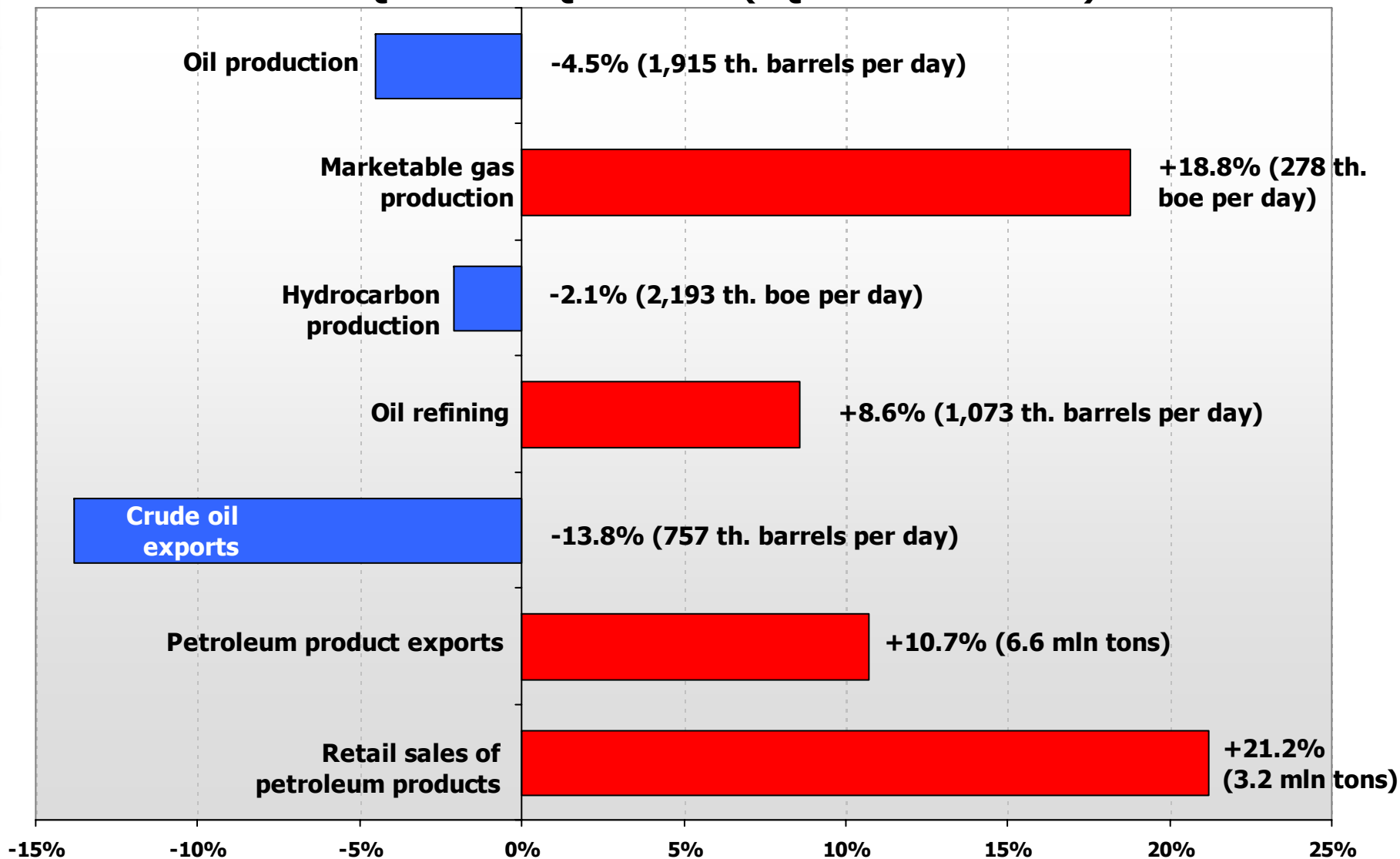
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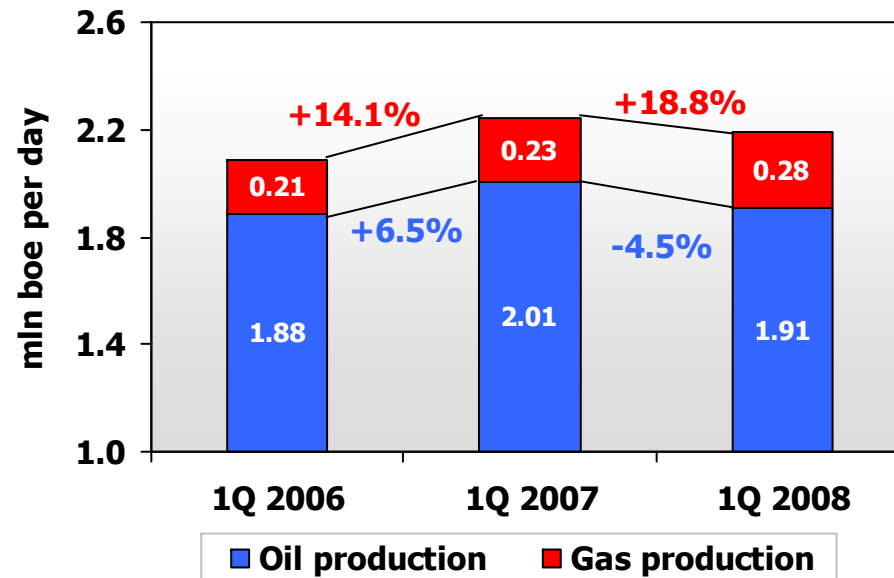
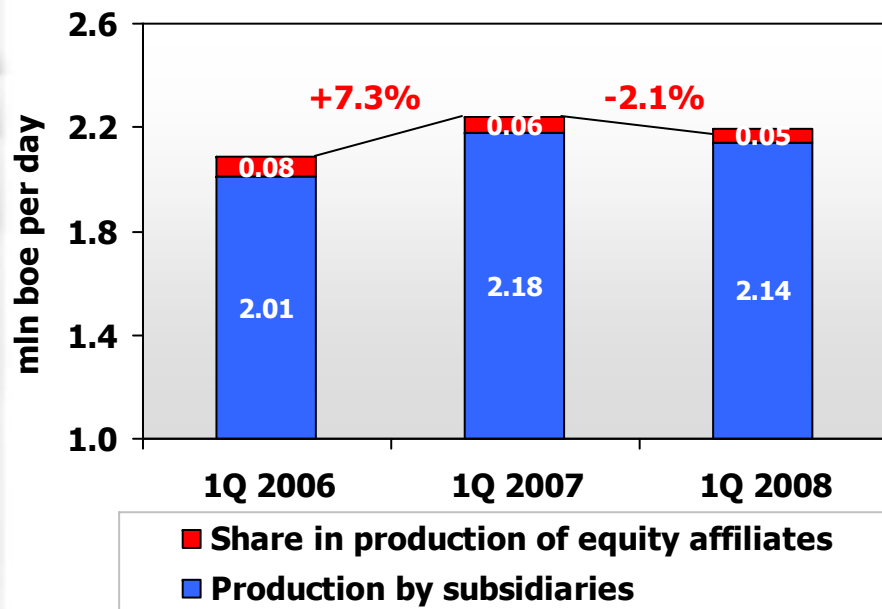
Main Operating Results



1Q 2008 to 1Q 2007 and (1Q 2008 actual level)



Marketable Hydrocarbon Production



LUKOIL Group production of marketable hydrocarbons in 1Q 2008 was 2.193 mln boe per day.

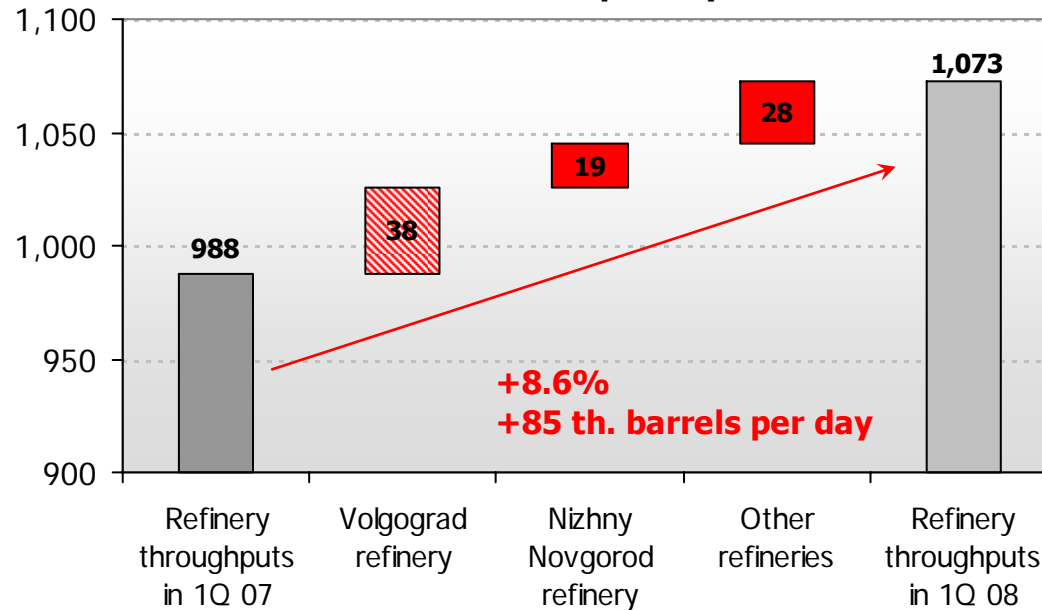
Oil production amounted to 174.2 mln barrels (23.6 mln tons).

Production of marketable gas increased by **19.8%** to 4.3 bcm.

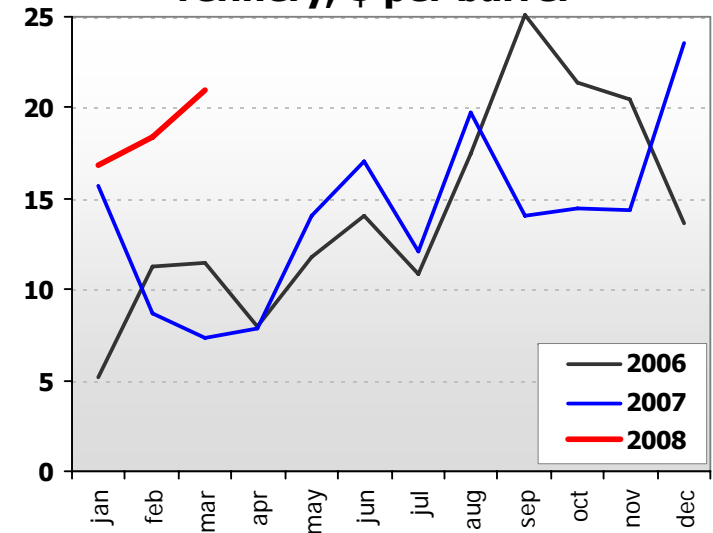
Crude Oil Refining



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



Refining margin of Russian cracking refinery, \$ per barrel



Odessa Refinery was put back in operation in April 2008 after completion of a large-scale modernization which was begun in 2005.

In course of 3 years the Company rebuilt a distillation unit (increasing its annual capacity from 2.4 to 2.8 mln tonnes) and various other facilities, a visbreaking unit was installed. The unit will lower output of fuel oil and raise output of vacuum gas oil (from 4% to 25%) as well increase refining depth (from 56% to 78%).

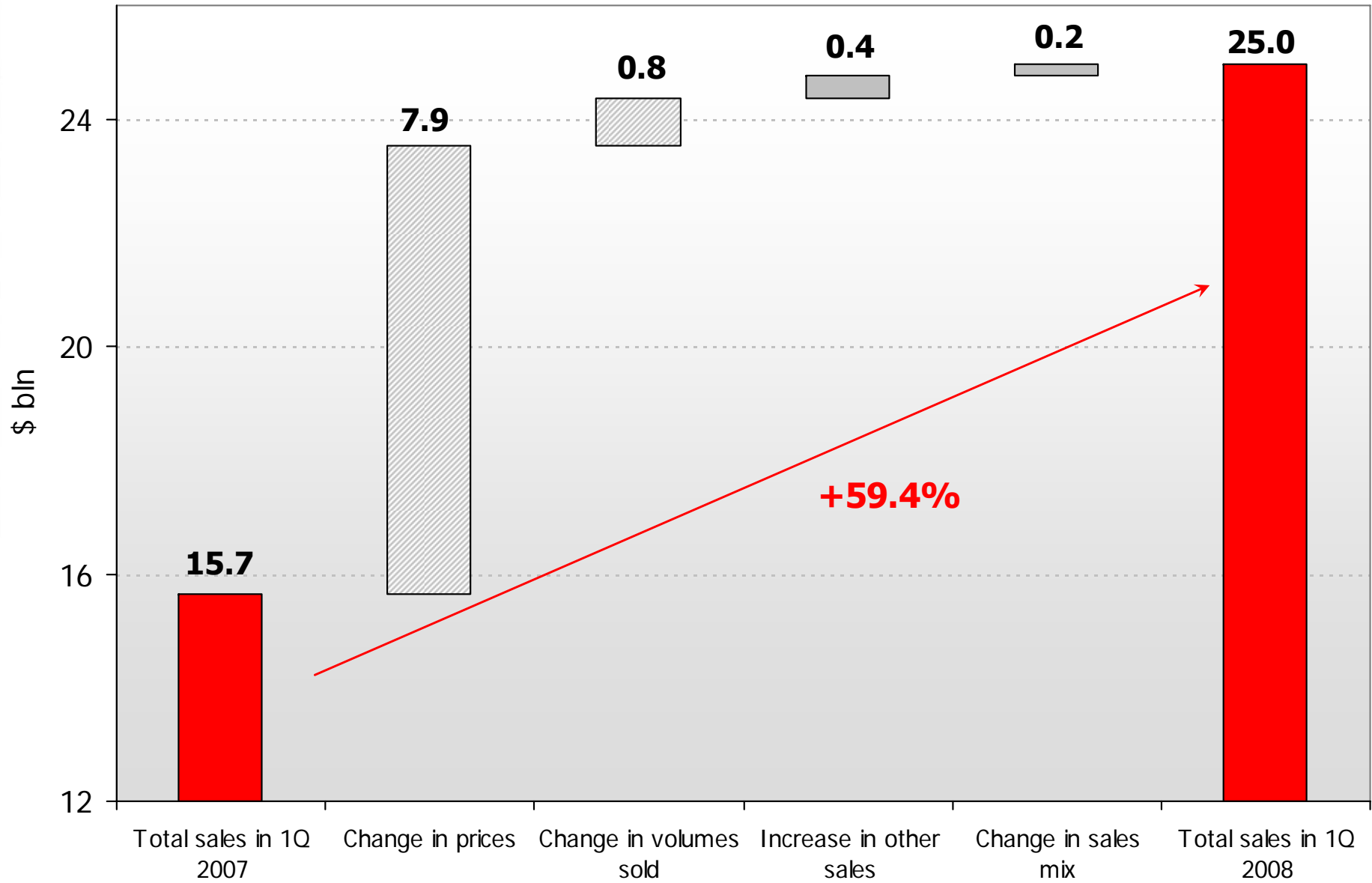
At present the Refinery can produce automotive gasoline to Euro-3 standards, diesel fuel to Euro-4 standards, jet fuel, petroleum bitumen and liquefied gas.

Financial Results

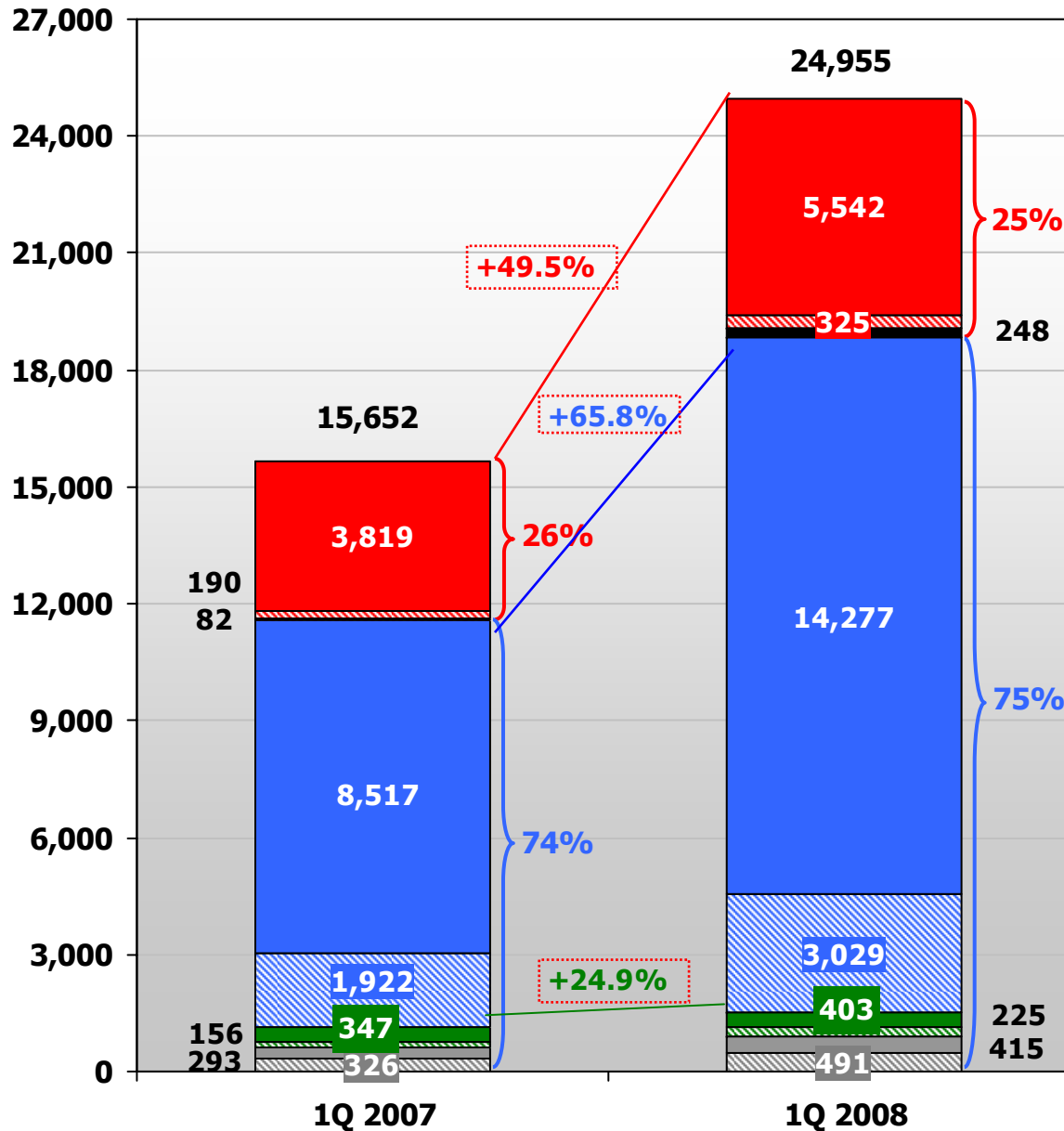


1Q 2008	4Q 2007	Δ, ^o %	\$ million	1Q 2008	1Q 2007	Δ, ^o %
25,084	24,891	+0.8	Total revenue	25,084	15,736	+59.4
(1,908)	(1,703)	+12.0	Operating expenses	(1,908)	(1,443)	+32.2
(7,714)	(7,248)	+6.4	Taxes other than income taxes (including excise and export tariffs)	(7,714)	(5,097)	+51.3
4,200	4,590	-8.5	Income from operating activities	4,200	1,876	+123.9
4,175	4,481	-6.8	Income before income taxes	4,175	1,837	+127.3
3,163	3,213	-1.6	Net income	3,163	1,299	+143.5
3.83	3.89	-1.5	Basic EPS, \$	3.83	1.56	+145.5
4,846	5,018	-3.4	EBITDA	4,846	2,432	+99.3

Sales Reconciliation



Sales Breakdown, \$ million



- International sales of crude oil (excluding near-abroad countries)
- ▨ Sales of crude oil in near-abroad countries
- ▨ Sales of crude oil in Russia

- International sales of petroleum products
- ▨ Sales of petroleum products in Russia

- International sales of petrochemicals
- ▨ Sales of petrochemicals in Russia

- Sales of gas and gas products
- ▨ Other sales

Operating Expenses



1Q 2008	4Q 2007	Δ, %	\$ million	1Q 2008	1Q 2007	Δ, %
748	708	+5.6	Hydrocarbon lifting costs	748	651	+14.9
268	249	+7.6	Own refining expenses	268	192	+39.6
69	73	-5.5	Refining expenses at third-party refineries	69	66	+4.5
33	17	+94.1	Excise included in processing fee paid to third-party refineries	33	48	-31.3
80	74	+8.1	Petrochemical expenses	80	64	+25.0
262	241	+8.7	Crude oil transportation to own refineries	262	189	+38.6
384	394	-2.5	Other operating expenses	384	217	+77.0
64	(53)	–	Change in operating expenses in crude oil and refined products inventory originated within the Group	64	16	–
1,908	1,703	+12.0	Total	1,908	1,443	+32.2
8,608	8,478	+1.5	Cost of purchased crude oil, gas and products	8,608	5,050	+70.5

OPEX Growth Drivers

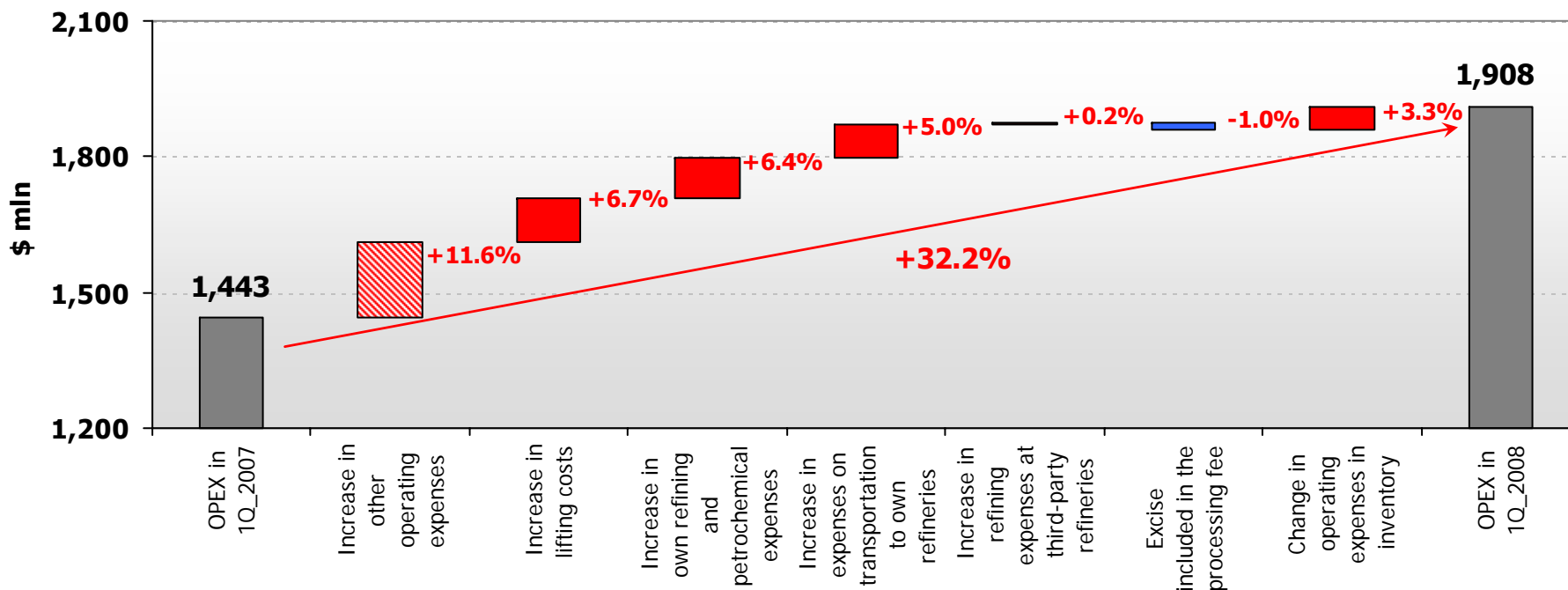
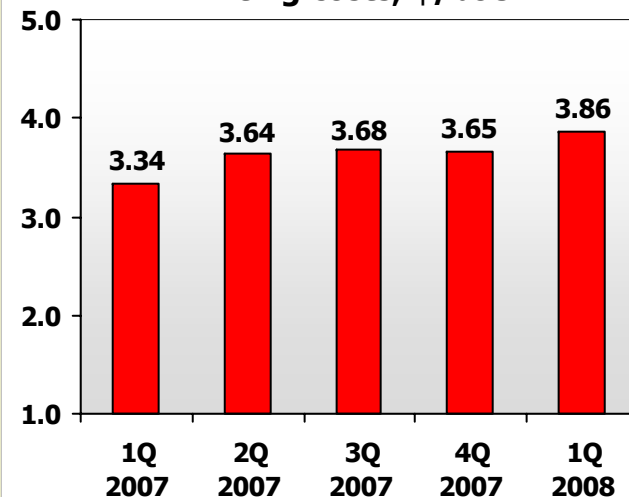


The substantial growth of operating expenses y-o-y was caused by the following factors:

- **real ruble appreciation**, which reached **17.3%** y-o-y and affected all operating expense items
- 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 increase in energy costs and other factors
- increase in transportation expenses due to increase in refinery throughputs and tariffs escalation

LUKOIL successfully controls hydrocarbon lifting costs and refinery expenses.

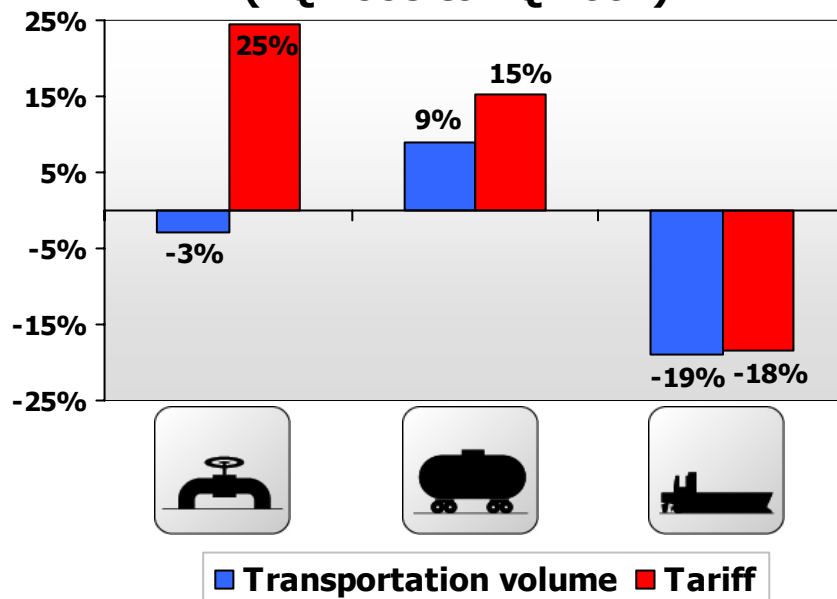
Lifting costs, \$/boe



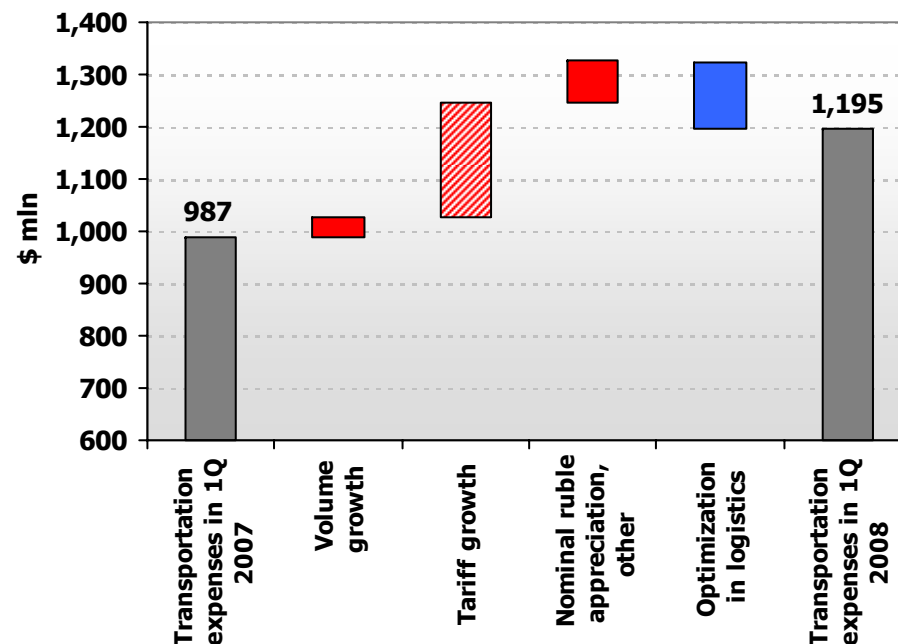
SG&A and Transportation Expenses



Transportation expenses (1Q 2008 to 1Q 2007)



Transportation expenses reconciliation

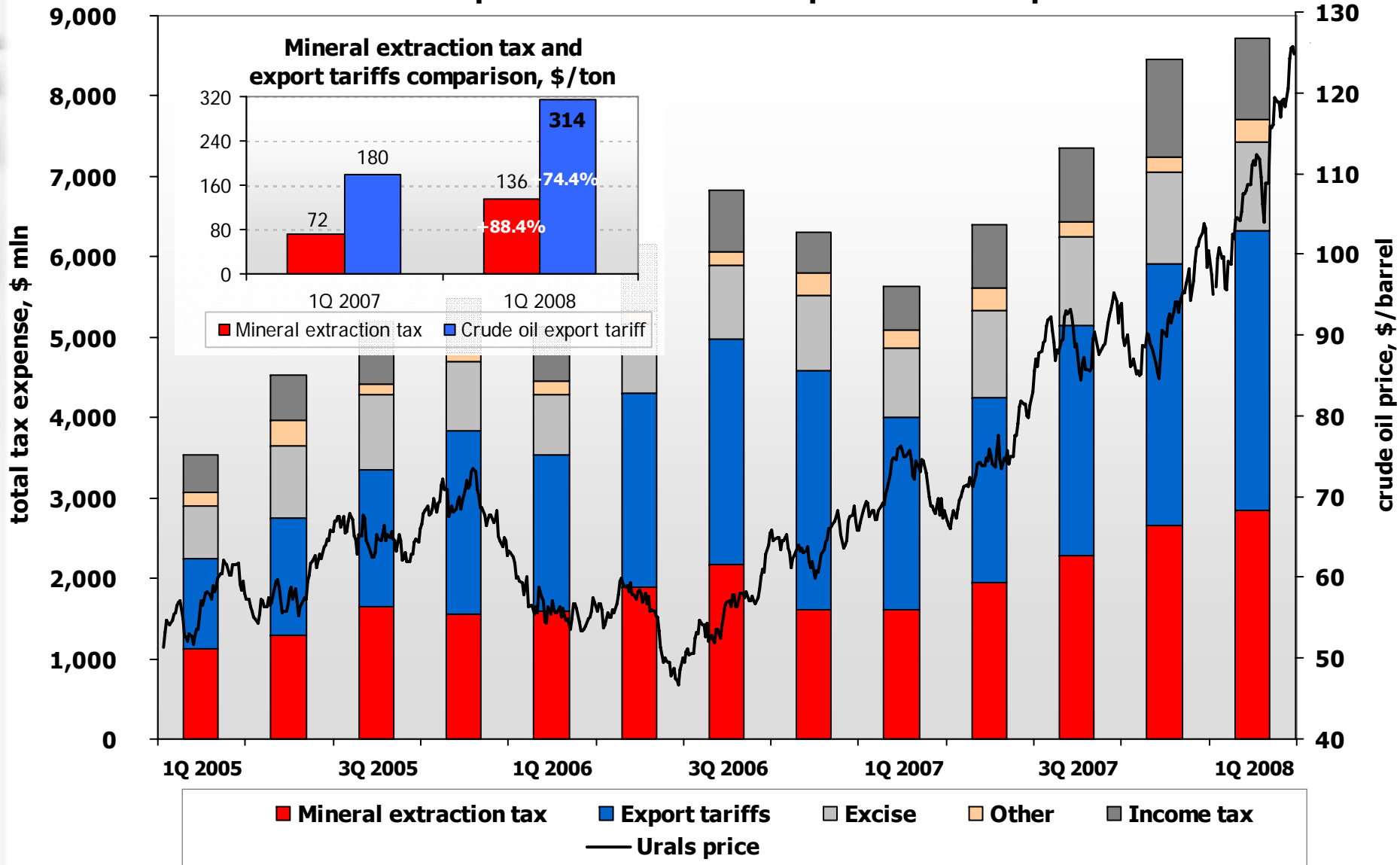


1Q 2008	4Q 2007	Δ, %	\$ million	1Q 2008	1Q 2007	Δ, %
1,195	1,206	-0.9	Transportation expenses	1,195	987	+21.1
796	948	-16.0	Other selling, general and administrative expenses	796	663	+20.1
1,991	2,154	-7.6	Total	1,991	1,650	+20.7

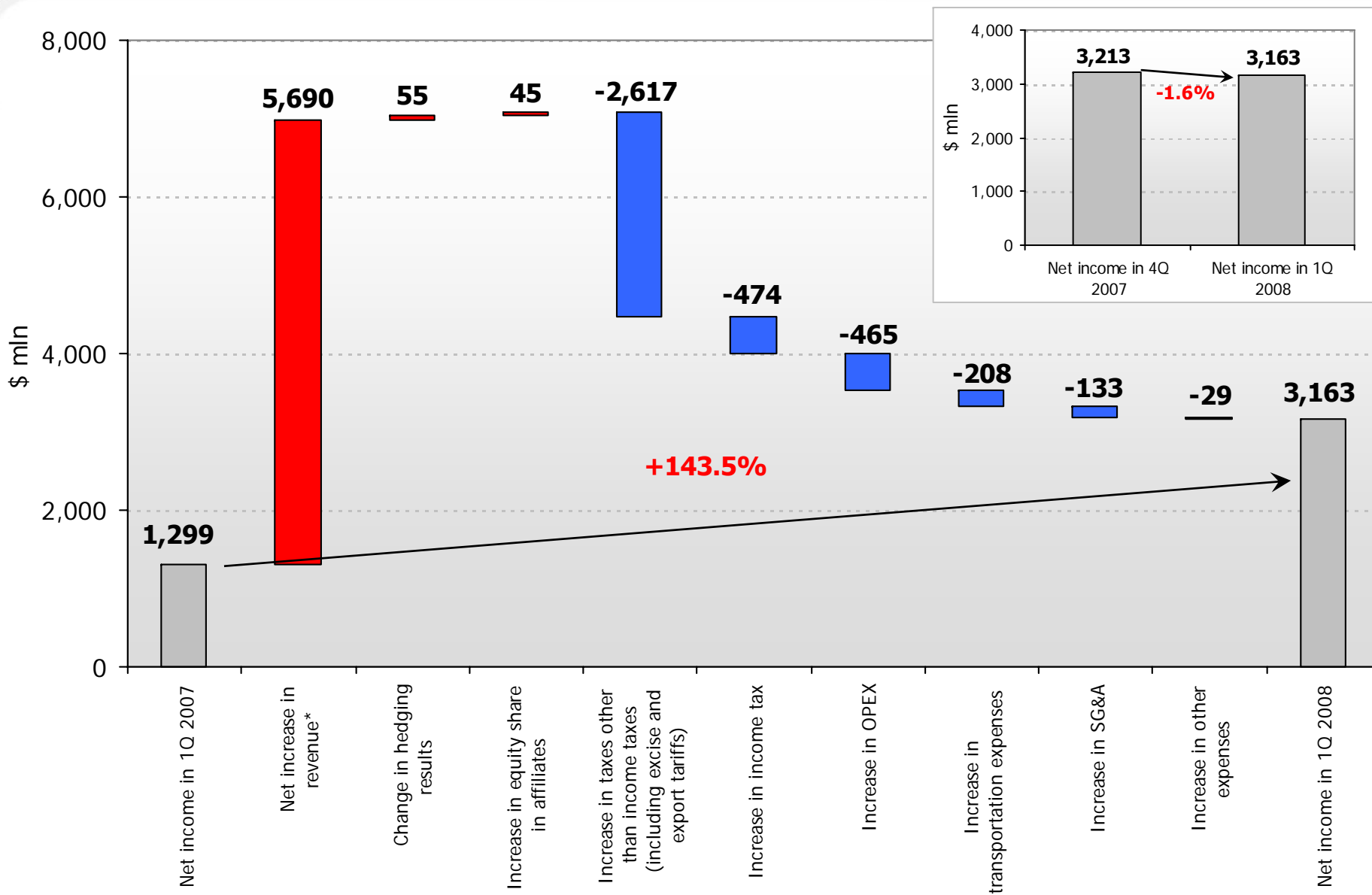
Tax Burden



Tax expenses of LUKOIL Group and crude oil price

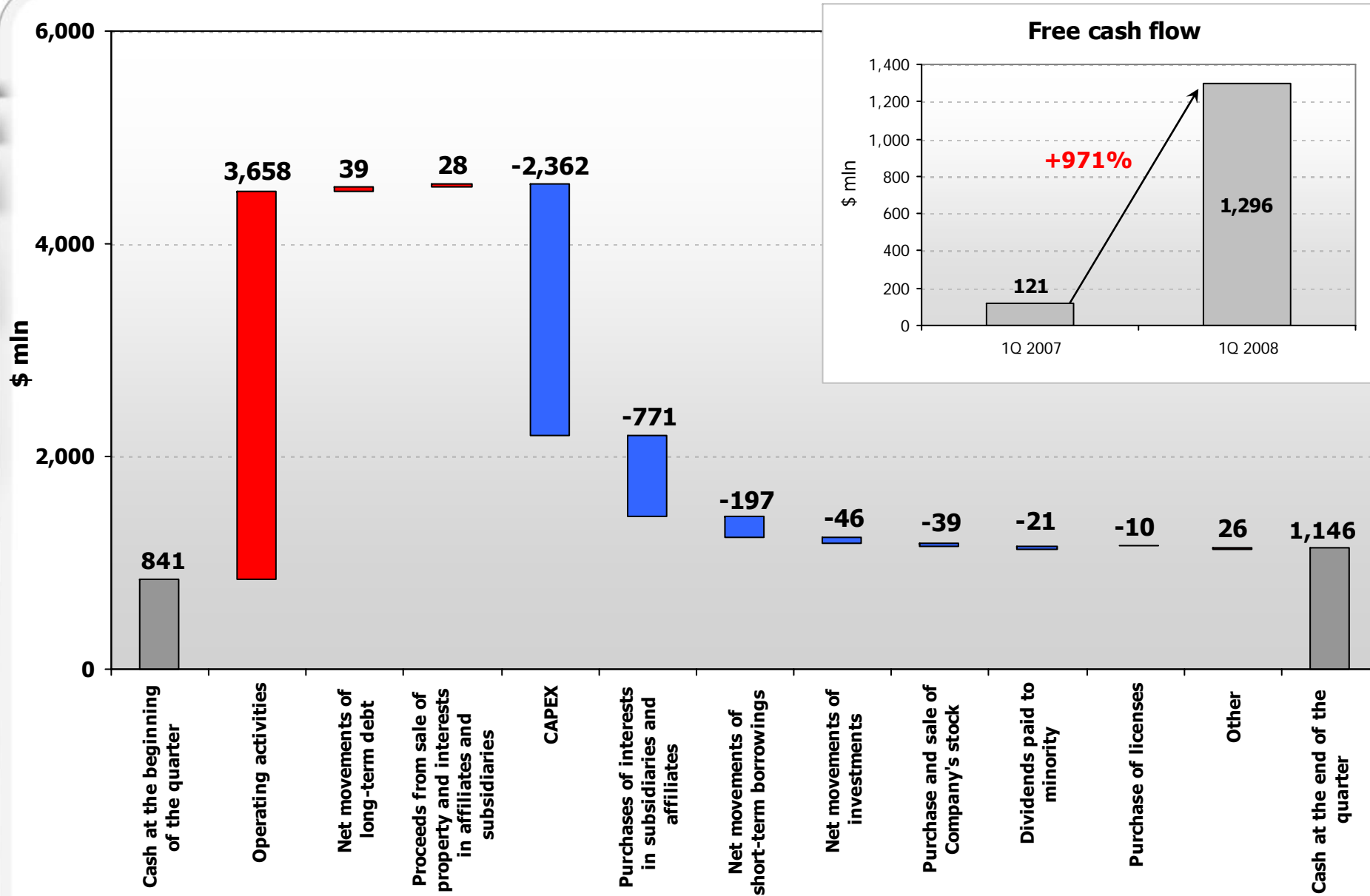


Net Income Reconciliation



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

1Q 2008 Cash Flow Reconciliation



CAPEX Breakdown



1Q 2008	4Q 2007	Δ, %	\$ million	1Q 2008	1Q 2007	Δ, %
1,981	2,004	-1.1	Exploration and production	1,981	1,716	+15.4
1,779	1,692	+5.1	Russia	1,779	1,565	+13.7
151	110	+37.3	Including ConocoPhillips spending in Naryanmarneftegaz	151	123	+22.8
202	312	-35.3	International	202	151	+33.8
356	653	-45.5	Refining and marketing	356	277	+28.5
229	434	-47.2	Russia	229	149	+53.7
127	219	-42.0	International	127	128	-0.8
27	52	-48.1	Petrochemicals	27	44	-38.6
5	13	-61.5	Russia	5	18	-72.2
22	39	-43.6	International	22	26	-15.4
48	61	-21.3	Other	48	25	+92.0
2,412	2,770	-12.9	Total (cash and non-cash)	2,412	2,062	+17.0

LUKOIL and Gazprom JV: First Major Success in Increasing Reserve Base



JV "TsentrCaspneftegaz" (LUKOIL – 50%, Gazprom – 50%) discovered a major oil and gas condensate field at the Tsentralnaya structure (the Caspian Sea) on the border between Russia and Kazakhstan.

- **The field was discovered with the first prospecting well**
- **Well tests gave a gushing flow of low-sulfur oil at a daily rate of 0.6 th. barrels and a flow of gas at a daily rate of 66.4 th. cubic meters**
- **Hydrocarbon reserves at the field are preliminary estimated at about 2 bln boe (best estimate)**
- **Project status - PSA**
- **3D seismic works are to be carried out at the field to specify the profile of the deposit**

An agreement between the two countries, reached in 2002, puts the field under Russian jurisdiction, but it will be developed on a parity basis by Russia and Kazakhstan in a PSA framework if any commercial reserves are discovered. The organizations officially authorized to participate in the project are TsentrCaspneftegaz from Russian side and KazMunaiGaz from Kazakh side.

Discovery of the field at the Tsentralnaya structure is LUKOIL 7th discovery in the Russian sector of the Caspian Sea. Proved reserves of the six previously discovered fields are estimated at over 1.4 bln boe, 3P reserves – at 4.8 bln boe



Discovery in the Azov Sea



- **Priazovneft** (LUKOIL – 42.5%, Rosneft – 42.5% and State Property Fund of Krasnodar Territory –15%) **discovered the Novoye field in the offshore Azov Sea** and sent documents to confirm the discovery to the State Reserves Committee.
- **Drilling of a prospecting-and-appraisal well was completed in 2007 – well testing gave a commercial flow of light oil.**
- 10 promising structures are discovered at the Temryuksko-Akhtarsky area.
- Program for development of Azov Sea shelf area envisages 300 km² of 3D seismic and 700 km of 2D seismic as well as drilling of 3 prospecting wells during the 5-year period.
- Oil produced at the Temryuksko-Akhtarsky area will be transported to the shore via a pipeline and then dispatched to sea export terminals for further shipping.





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

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