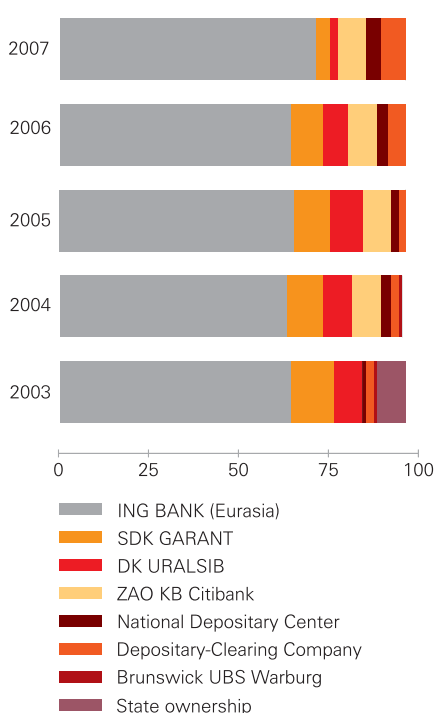


COMPANY SHARES

Main shareholders of LUKOIL, %



LUKOIL share capital

	Change, y-o-y	Common shares
December 31, 2001		850,563,255
	No changes	
December 31, 2002		850,563,255
	No changes	
December 31, 2003		850,563,255
	No changes	
December 31, 2004		850,563,255
	No changes	
December 31, 2005		850,563,255
	No changes	
December 31, 2006		850,563,255
	No changes	
December 31, 2007		850,563,255

Main common shareholders (end of year), shares

Shareholder's name	2003	2004	2005	2006	2007
ING BANK (Eurasia)* (ADRs and GDRs)	541,249,388	535,975,699	552,427,066	548,189,159	600,052,544
ZAO KB Citibank*	1,644,462	66,322,006	68,313,541	67,149,334	67,431,596
Depository-Clearing Company*	16,463,743	17,982,613	19,159,472	39,104,964	60,124,748
SDK GARANT*	99,268,415	87,986,591	83,105,166	74,002,498	35,375,790
National Depository Center*	12,410,284	22,056,584	14,736,859	29,692,658	32,607,234
DK URALSIB*	66,162,144	69,560,926	74,802,000	60,529,689	20,667,261
Brunswick UBS Warburg*	9,158,298	4,843,084	–	–	–
State ownership	64,638,729	–	–	–	–

* Nominee.

LUKOIL common share price on the RTS, USD

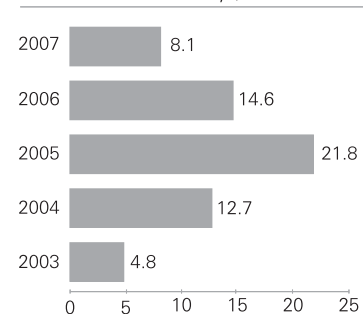
	2002			2003			2004		
	min	max	end	min	max	end	min	max	end
1Q	12.10	15.55	14.57	13.77	15.86	13.80	23.85	31.05	31.05
2Q	14.14	18.23	16.25	13.90	19.75	19.75	24.55	33.15	26.30
3Q	14.10	17.12	15.40	16.70	20.60	20.60	25.72	31.70	31.00
4Q	15.21	16.85	15.42	19.25	24.10	23.25	26.25	33.00	30.35

	2005			2006			2007		
	min	max	end	min	max	end	min	max	end
1Q	28.90	34.95	33.85	59.40	86.45	83.20	76.00	86.50	86.40
2Q	31.65	36.85	36.78	63.00	94.80	83.60	72.80	86.00	76.70
3Q	37.50	57.75	57.75	72.15	92.60	76.20	71.90	85.90	83.30
4Q	51.05	61.60	59.40	71.50	91.80	87.95	82.00	95.00	87.00

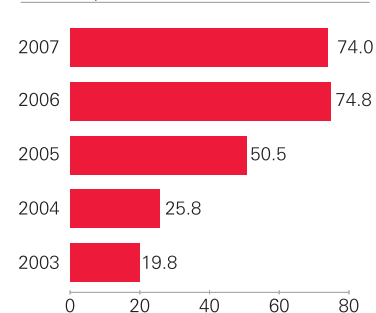
LUKOIL common share price on the RTS, USD



Share of LUKOIL stocks in total MICEX volumes, %



LUKOIL market capitalization (end of year), bln USD



LUKOIL market capitalization (end of year)

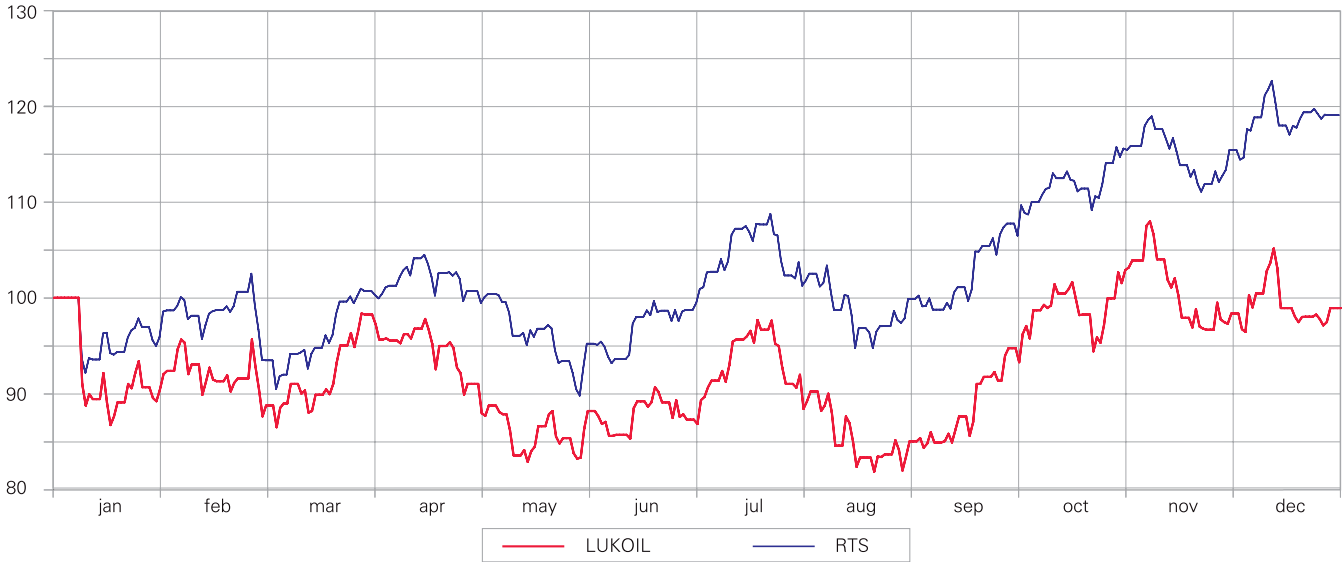
	2003	2004	2005	2006	2007
Common share price on the RTS, USD	23.25	30.35	59.40	87.95	87.00
Number of common shares, mln shares	850.6	850.6	850.6	850.6	850.6
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999

LUKOIL share performance and the RTS Index (based on daily changes)

	2003	2004	2005	2006	2007	2003–2007
LUKOIL standard deviation, %	2.13	2.23	1.69	2.62	1.84	2.13
RTS standard deviation, %	1.90	1.88	1.27	2.01	1.38	1.72
Correlation	0.813	0.878	0.891	0.908	0.880	0.872
Beta coefficient	0.913	1.042	1.188	1.182	1.169	1.080

LUKOIL share price and the RTS Index, %

2007



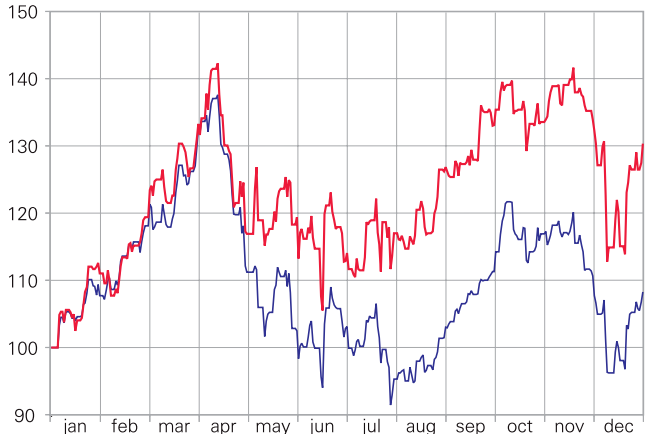
2006



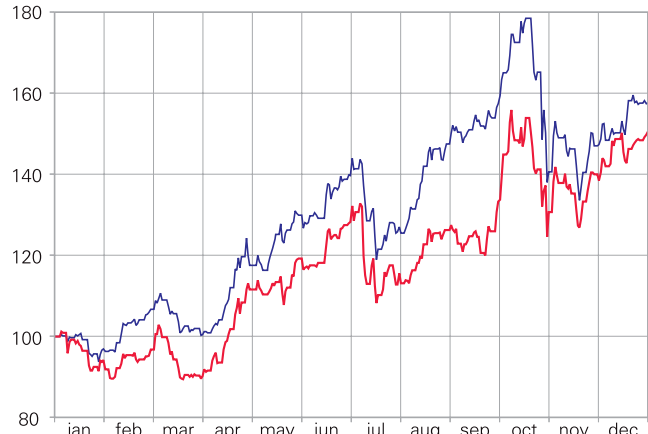
2005



2004



2003

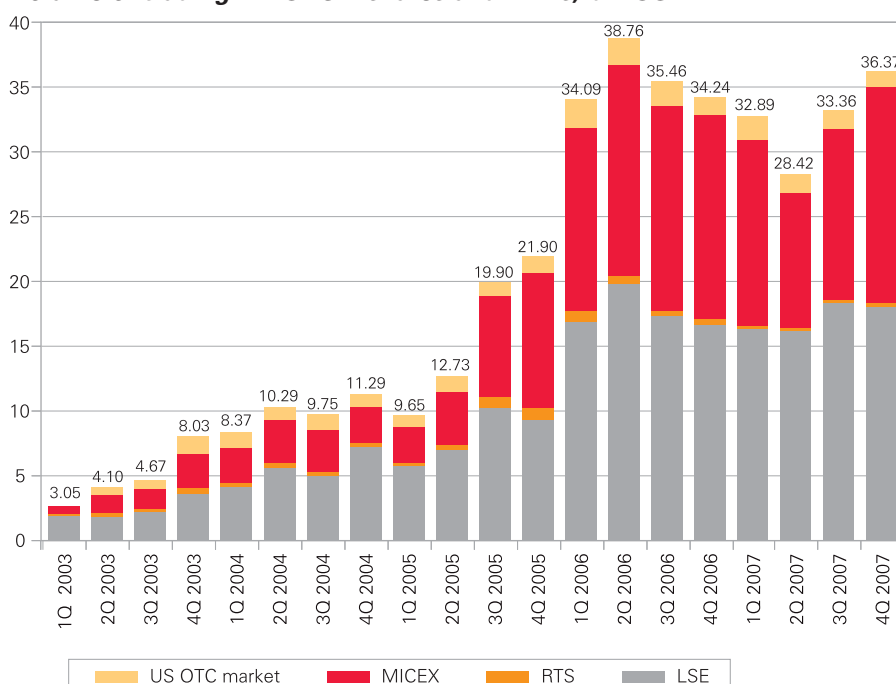


Tickers of LUKOIL common shares

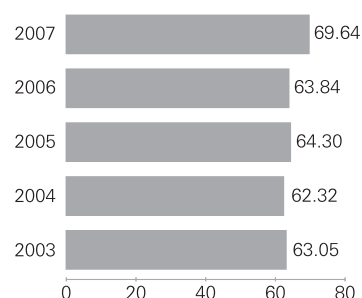
Ticker	Market
LKOH	RTS (Russian Trading System)
LKOH	MICEX (Moscow Interbank Currency Exchange)
LKOD	LSE (London Stock Exchange)*
LUK	FSE (Frankfurt Stock Exchange)*
LUKOY	US OTC (US over-the-counter market)*

* ADRs on LUKOIL shares.

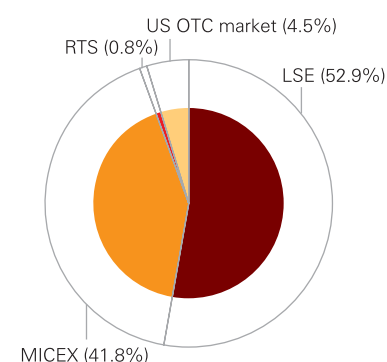
Volume of trading in LUKOIL shares and ADRs, bln USD



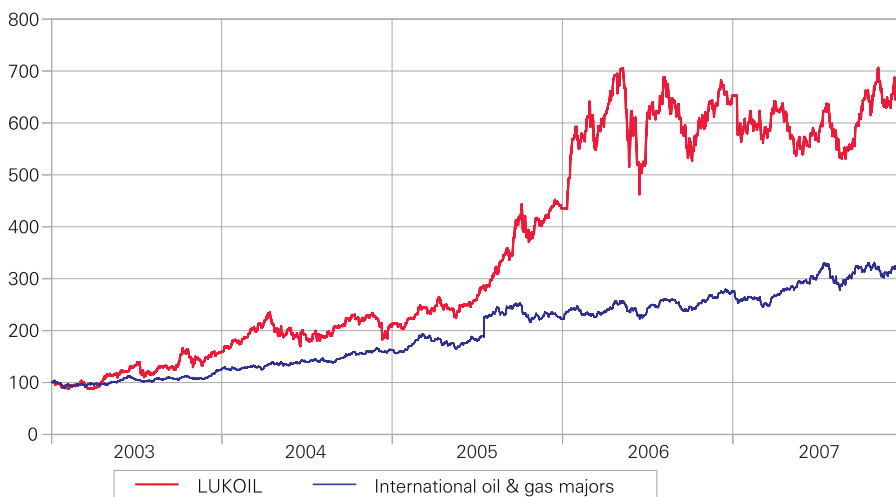
Share of common shares converted into ADRs and GDRs, %



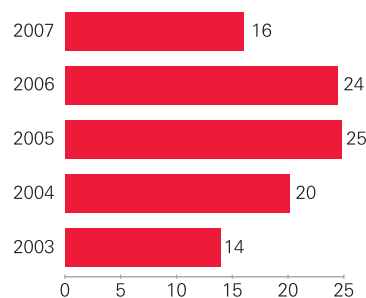
Distribution of trading in LUKOIL shares and depository receipts (2007)



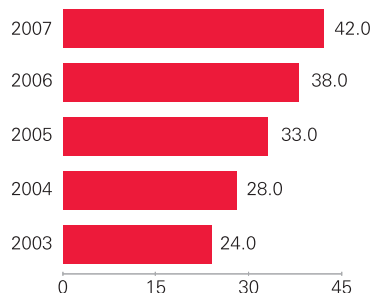
LUKOIL share performance compared with international oil & gas majors (2003–2007), %



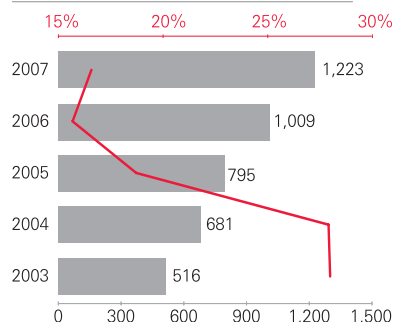
Share of LUKOIL ADRs in LSE trading of foreign stocks (IOB system), %



Dividend per common share, RUR



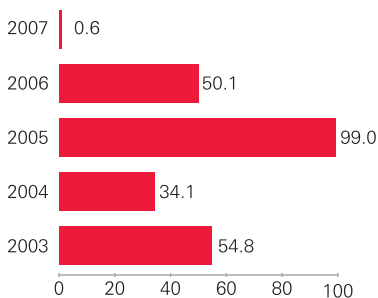
Dividends accrued on common stock, mln USD and as % of net income in the respective period, %


LUKOIL dividend policy

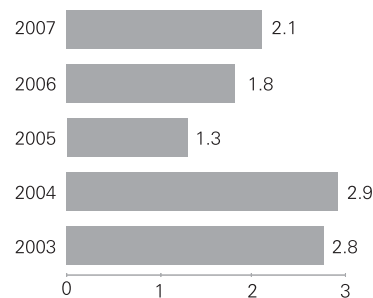
	2003	2004	2005	2006	2007
Dividend per common share, RUR	24.0	28.0	33.0	38.0	42.0
Dividends accrued for the previous year, mln USD	516	681	795	1,009	1,223
Dividend payments, mln USD	461	612	800	1,015	1,230
Dividend yield, %*	2.8	2.9	1.3	1.8	2.1

* As of date of announcement of dividends recommended by the BoD.

Total shareholders' return, %



Dividend yield, %



MACROECONOMIC AND TAX ENVIRONMENT

Crude oil and petroleum product prices

	2003	2004	2005	2006	2007
USD per barrel					
Brent crude	28.71	38.27	54.31	65.16	72.39
Urals crude (CIF Mediterranean)	27.03	34.50	50.67	61.37	69.38
Urals crude (CIF Rotterdam)	26.96	34.13	50.12	61.23	69.16
USD per ton					
Fuel oil 3.5% (FOB Rotterdam)	148.37	151.81	229.92	286.91	339.00
Diesel fuel (FOB Rotterdam)	253.53	349.37	505.01	577.92	634.09
High-octane gasoline (FOB Rotterdam)	296.13	400.33	534.11	619.29	695.97

Macroeconomic environment

	2003	2004	2005	2006	2007
Rouble inflation (CPI), %	12.0	11.7	10.9	9.1	11.9
Nominal appreciation of the rouble against US dollar, %	7.3	5.8	(3.7)	8.5	6.8
Real appreciation of the rouble against US dollar, %	20.8	18.5	6.9	19.3	20.0
Average exchange rate for the period, RUR/USD	30.69	28.82	28.29	27.19	25.58
Exchange rate at the end of the period, RUR/USD	29.45	27.75	28.78	26.33	24.55

Average rates of main taxes levied on oil companies in the Russian Federation

		2003	2004	2005	2006	2007
Corporate income tax	%	24	24	24	24	24
Corporate property tax	%	2.0	2.2	2.2	2.2	2.2
Value added tax	%	20	18	18	18	18
Unified social tax	%	35.6	35.6	26.0	26.0	26.0
Mineral extraction tax (MET) (oil)	RUR/ton	801.4	1,052.8	1,876.3	2,265.7	2,472.7
MET (natural gas) before 2004	%	16.5	–	–	–	–
MET (natural gas) from 2004	RUR/th. cubic meters	–	107	135	147	147
Oil export tariff	USD/ton	30.4	55.8	130.6	197.0	206.7
Natural gas export tariff	%	5	30	30	30	30
<i>Petroleum product export tariffs</i>						
Light distillates, medium distillates and gas oil	USD/ton	27.36	37.93	92.26	143.40	151.59
Liquid fuel	USD/ton	27.36	36.64	52.73	77.27	81.64
<i>Petroleum product excises</i>						
High-octane gasoline	RUR/ton	3,000	3,360	3,629	3,629	3,629
Low-octane gasoline	RUR/ton	2,190	2,460	2,657	2,657	2,657
Diesel fuel	RUR/ton	890	1,000	1,080	1,080	1,080
Motor oils	RUR/ton	2,440	2,732	2,951	2,951	2,951

Income tax payment by LUKOIL, mln USD

	2003	2004	2005	2006	2007
<i>Current income tax</i>	939	1,614	2,301	2,906	3,410
Russia	883	1,511	2,194	2,419	2,940
Abroad	56	103	107	487	470
<i>Deferred income tax</i>	68	146	166	(133)	97
Russia	49	76	61	(40)	135
Abroad	19	70	105	(93)	(38)
Total income tax expense	1,007	1,760	2,467	2,773	3,507

Payment of taxes other than income taxes, mln USD

	2003	2004	2005	2006	2007
Mineral extraction tax	1,966	2,971	5,590	7,281	8,482
Social taxes and contributions	257	330	324	356	442
Property tax	139	111	233	247	313
Other taxes and contributions	94	93	187	191	130
Total taxes other than income tax	2,456	3,505	6,334	8,075	9,367

Excises and export tariffs, mln USD

	2003	2004	2005	2006	2007
<i>In Russia</i>	1,841	3,460	7,244	10,724	11,548
Excise tax and sales taxes on refined products	449	547	654	610	734
Export tariffs	1,392	2,913	6,590	10,114	10,814
<i>International</i>	1,113	1,788	2,687	2,846	3,485
Excise tax and sales taxes on refined products	1,106	1,774	2,679	2,835	3,468
Export tariffs	7	14	8	11	17
Total	2,954	5,248	9,931	13,570	15,033
Excise tax and sales taxes on refined products	1,555	2,321	3,333	3,445	4,202
Export tariffs	1,399	2,927	6,598	10,125	10,831

Tax burden of LUKOIL Group

	2003	2004	2005	2006	2007
Share of total taxes in sales after cost of purchased crude oil and petroleum products, %	39.6	44.3	51.8	54.2	51.8
Share of total taxes and contributions in income before their payment, %	72.5*	71.2	74.4	76.5	74.6

* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements, mln USD

	2003	2004	2005	2006	2007
REVENUES					
Sales (including excise and export tariffs)	22,118	33,845	55,774	67,684	81,891
Equity share in income of affiliates	181	213	441	425	347
Total revenues	22,299	34,058	56,215	68,109	82,238
COSTS AND OTHER DEDUCTIONS					
Operating expenses	(2,546)	(2,880)	(3,443)	(4,652)	(6,172)
Cost of purchased crude oil, gas and products	(5,909)	(10,124)	(19,590)	(22,642)	(27,982)
Transportation expenses	(2,052)	(2,784)	(3,371)	(3,600)	(4,457)
Selling, general and administrative expenses	(1,800)	(2,024)	(2,578)	(2,885)	(3,207)
Depreciation, depletion and amortization	(920)	(1,075)	(1,315)	(1,851)	(2,172)
Taxes other than income taxes	(2,456)	(3,505)	(6,334)	(8,075)	(9,367)
Excise and export tariffs	(2,954)	(5,248)	(9,931)	(13,570)	(15,033)
Exploration expenses	(136)	(171)	(317)	(209)	(307)
Gain from sale of interest in Azeri – Chirag – Guneshli	1,130	–	–	–	–
(Loss) gain on disposals and impairments of assets	(69)	(213)	52	(148)	(123)
Income from operating activities	4,587	6,034	9,388	10,477	13,418
Interest expense	(273)	(300)	(275)	(302)	(333)
Interest and dividend income	139	180	96	111	135
Currency translation gain (loss)	148	135	(134)	169	93
Other non-operating (expense) income	11	21	(44)	(118)	(240)
Minority interest	(36)	(62)	(121)	(80)	(55)
Income before income taxes	4,576	6,008	8,910	10,257	13,018
Current income taxes	(939)	(1,614)	(2,301)	(2,906)	(3,410)
Deferred income taxes	(68)	(146)	(166)	133	(97)
Total income tax expense	(1,007)	(1,760)	(2,467)	(2,773)	(3,507)
Cumulative effect of change in accounting principle, net of tax	132	–	–	–	–
Net income	3,701	4,248	6,443	7,484	9,511
Net income per common share (USD)					
Basic	4.52	5.20	7.91	9.06	11.48
Diluted	4.45	5.13	7.79	9.04	11.48

Consolidated balance sheet (as of December 31), mln USD

	2002	2003	2004	2005	2006	2007
ASSETS						
Current assets						
Cash and cash equivalents	1,252	1,435	1,257	1,650	752	841
Short-term investments	278	251	149	111	44	48
Accounts and notes receivable, net	2,511	3,790	3,867	5,533	5,158	7,467
Inventories	1,063	1,243	1,759	2,619	3,444	4,609
Prepaid taxes and other expenses	736	897	1,242	2,107	3,693	4,109
Other current assets	356	255	300	287	406	625
Assets held for sale	279	52	–	190	75	204
Total current assets	6,475	7,923	8,574	12,497	13,572	17,903
Investments	934	594	779	1,110	1,442	1,086
Property, plant and equipment	13,499	16,859	19,329	25,464	31,316	37,930
Deferred income tax assets	206	117	138	181	362	490
Goodwill and other intangible assets	399	523	610	680	791	934
Other non-current assets	488	558	331	413	754	1,289
Total assets	22,001	26,574	29,761	40,345	48,237	59,632
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	1,293	1,564	1,787	2,167	2,759	4,554
Short-term borrowings and current portion of long-term debt	1,772	1,412	1,265	853	1,377	2,214
Customer deposits and other borrowings of banking subsidiaries	755	1,007	3	–	–	–
Taxes payable	640	943	1,238	2,087	1,663	2,042
Other current liabilities	337	345	252	729	1,132	918
Total current liabilities	4,797	5,271	4,545	5,836	6,931	9,728
Long-term debt	1,666	2,392	2,609	4,137	4,807	4,829
Deferred income tax liabilities	261	497	698	1,830	2,116	2,079
Asset retirement obligations	–	210	307	387	608	811
Other long-term liabilities	397	249	338	332	352	395
Minority interest in subsidiary companies	880	483	453	1,019	523	577
Total liabilities	8,001	9,102	8,950	13,541	15,337	18,419
Stockholders' equity						
Common stock	15	15	15	15	15	15
Treasury stock, at cost	(428)	(435)	(706)	(527)	(1,098)	(1,591)
Additional paid-in capital	3,229	3,522	3,564	3,730	3,943	4,499
Retained earnings	11,186	14,371	17,938	23,586	30,061	38,349
Accumulated other comprehensive loss	(2)	(1)	–	–	(21)	(59)
Total stockholders' equity	14,000	17,472	20,811	26,804	32,900	41,213
Total liabilities and stockholders' equity	22,001	26,574	29,761	40,345	48,237	59,632

Consolidated statements of cash flows, mln USD

	2003	2004	2005	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	3,701	4,248	6,443	7,484	9,511
Adjustments for non-cash items:					
Cumulative effect of change in accounting principle	(132)	–	–	–	–
Depreciation, depletion and amortization	920	1,075	1,315	1,851	2,172
Equity share in income of affiliates, net of dividends received	(122)	(169)	(397)	(106)	209
Gain from sale of interest in Azeri – Chirag – Guneshli	(1,130)	–	–	–	–
Dry hole write-offs	48	42	170	91	143
Loss (gain) on disposals and impairments of assets	69	213	(52)	148	123
Deferred income taxes	68	146	166	(133)	97
Non-cash currency translation loss (gain)	17	(4)	(26)	86	193
Non-cash investing activities	(64)	(123)	(133)	(123)	(36)
All other items – net	32	97	258	89	297
Changes in operating assets and liabilities:					
Accounts and notes receivable	(1,020)	(795)	(1,337)	388	(2,297)
Inventories	(153)	(571)	(735)	(816)	(1,148)
Accounts payable	186	306	245	592	1,599
Taxes payable	284	310	705	(430)	386
Other current assets and liabilities	232	(595)	(418)	(1,355)	(368)
Net cash provided by operating activities	2,936	4,180	6,204	7,766	10,881
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of licenses	–	–	(3)	(7)	(255)
Capital expenditures	(2,881)	(3,248)	(3,979)	(6,419)	(9,071)
Proceeds from sale of property, plant and equipment	62	99	51	310	72
Purchases of investments	(459)	(540)	(242)	(312)	(206)
Proceeds from sale of investments	374	242	234	216	175
Proceeds from sale of interest in Azeri – Chirag – Guneshli	1,337	–	–	–	–
Sale of interests in subsidiaries and affiliated companies	–	183	588	71	1,136
Acquisitions of subsidiaries and minority shareholding interest (including advances related to these acquisitions), net of cash acquired	(1,225)	(477)	(2,874)	(1,374)	(1,566)
Net cash used in investing activities	(2,792)	(3,741)	(6,225)	(7,515)	(9,715)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net movements of short-term borrowings	220	(170)	(638)	700	(59)
Proceeds from issuance of long-term debt	1,445	1,191	2,474	1,092	2,307
Principal repayments of long-term debt	(1,124)	(778)	(704)	(1,077)	(1,632)
Dividends paid	(467)	(661)	(853)	(1,134)	(1,308)
Dividends paid on company common stock	(461)	(612)	(800)	(1,015)	(1,230)
Dividends paid to minority	(6)	(49)	(53)	(119)	(78)
Financing from related party and third party minority shareholders	–	–	101	–	177
Purchase of treasury stock	(368)	(502)	–	(782)	(712)
Proceeds from sale of treasury stock	290	273	46	–	129
Other – net	–	(3)	6	15	–
Net cash (used in) provided by financing activities	(4)	(650)	432	(1,186)	(1,098)
Effect of exchange rate changes on cash and cash equivalents	43	33	(18)	37	21
Net (decrease) increase in cash and cash equivalents	183	(178)	393	(898)	89
Cash and cash equivalents at beginning of year	1,252	1,435	1,257	1,650	752
Cash and cash equivalents at end of year	1,435	1,257	1,650	752	841

Consolidated statements of stockholders' equity and comprehensive income, mIn USD

	2003	2004	2005	2006	2007
Common stock					
Balance as of January 1	15	15	15	15	15
Balance as of December 31	15	15	15	15	15
Treasury stock					
Balance as of January 1	(428)	(435)	(706)	(527)	(1,098)
Stock purchased	(368)	(502)	–	(782)	(712)
Stock disposed	361	231	179	211	219
Balance as of December 31	(435)	(706)	(527)	(1,098)	(1,591)
Additional paid-in capital					
Balance as of January 1	3,229	3,522	3,564	3,730	3,943
Premium on non-outstanding shares issued	38	–	47	22	–
Effect of stock compensation plan	–	–	–	–	103
Proceeds from sale of treasury stock in excess of carrying amount	255	42	119	191	453
Balance as of December 31	3,522	3,564	3,730	3,943	4,499
Retained earnings					
Balance as of January 1	11,186	14,371	17,938	23,586	30,061
Net income (comprehensive income)	3,701	4,248	6,443	7,484	9,511
Net income (stockholders' equity)	3,701	4,248	6,443	7,484	9,511
Dividends on common stock	(516)	(681)	(795)	(1,009)	(1,223)
Balance as of December 31	14,371	17,938	23,586	30,061	38,349
Accumulated other comprehensive loss, net of tax					
Balance at January 1	(2)	(1)	–	–	(21)
Foreign currency translation adjustment (comprehensive income)	1	1	–	–	–
Foreign currency translation adjustment (stockholders' equity)	1	1	–	–	–
Pension benefits:					
Prior service cost (comprehensive income)	–	–	–	–	(16)
Prior service cost (stockholders' equity)	–	–	–	–	(16)
Actuarial loss (comprehensive income)	–	–	–	–	(22)
Actuarial loss (stockholders' equity)	–	–	–	–	(22)
Effect of initial adoption of SFAS No. 158	–	–	–	(21)	–
Balance as of December 31	(1)	–	–	(21)	(59)
Total comprehensive income for the year	3,702	4,249	6,443	7,484	9,473
Total stockholders' equity as of December 31	17,472	20,811	26,804	32,900	41,213

Share activity, mln shares

	2003	2004	2005	2006	2007
Common stock, issued					
Balance as of January 1	850	850.563	850.563	850.563	850.563
Balance as of December 31	850	850.563	850.563	850.563	850.563
Treasury stock					
Balance as of January 1	(27)	(26.336)	(33.884)	(21.667)	(23.632)
Purchase of treasury stock	(19)	(17.846)	–	(9.017)	(8.756)
Disposal of treasury stock	20	10.298	12.217	7.052	9.067
Balance as of December 31	(26)	(33.884)	(21.667)	(23.632)	(23.321)

Capital expenditures*, mln USD

	2003	2004	2005	2006	2007
Capital expenditures					
Exploration and production	1,784	2,289	2,918	5,120	7,262
Russia	1,537	2,100	2,487	4,334	6,391
International	247	189	431	786	871
Refining, marketing and distribution	1,175	1,070	1,129	1,475	1,822
Russia	911	677	654	916	1,177
International	264	393	475	559	645
Chemicals	39	71	77	172	171
Russia	28	55	59	121	73
International	11	16	18	51	98
Other	20	17	53	119	117
Total capital expenditures	3,018	3,447	4,177	6,886	9,372

Acquisitions of companies and Group investments**

Exploration and production	989	166	2,737	1,560	434
Russia	989	23	778	1,469	77
International	–	143	1,959	91	357
Refining, marketing and distribution	280	306	256	122	1,196
Russia	23	1	27	122	685
International	257	305	229	–	511
Chemicals	–	–	–	–	–
Other	–	5	–	32	38
<i>Less cash acquired</i>	<i>(44)</i>	<i>–</i>	<i>(119)</i>	<i>(26)</i>	<i>(102)</i>
Total acquisitions of companies and Group investments	1,225	477	2,874	1,688	1,566

* Including non-cash transactions.

** Including prepayments related to acquisitions of subsidiaries and buyout of minorities.

FINANCIAL RATIOS

Specific financial ratios

	2003*	2004	2005	2006	2007
Sales per boe of production**, USD per barrel	36.0	50.9	80.0	86.4	103.0
Income from operating activities per boe of production**, USD per barrel	5.6	9.1	13.5	13.4	16.9
EBITDA per boe of production**, USD per barrel	7.3	10.8	14.9	15.7	19.4
Net income per boe of production**, USD per barrel	4.2	6.4	9.2	9.6	12.0
Capital expenditures in exploration and production per boe of production**, USD per barrel	2.9	3.4	4.2	6.5	9.1
Capitalization per boe of reserves, USD per barrel	1.0	1.3	2.5	3.7	3.6
Capitalization per boe of production**, USD per barrel	32.2	38.8	72.5	95.5	93.1

* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

** Of marketable hydrocarbons.

Profitability and efficiency ratios

Income margin

$$\text{Income margin} = \frac{\text{Income}}{\text{Sales}}$$

	2003*	2004	2005	2006	2007
Sales, mln USD	22,118	33,845	55,774	67,684	81,891
Income from operating activities, mln USD	3,457	6,034	9,388	10,477	13,418
Income before taxes, mln USD	3,446	6,008	8,910	10,257	13,018
Net income, mln USD	2,571	4,248	6,443	7,484	9,511
Operating margin, %	15.6	17.8	16.8	15.5	16.4
Pretax margin, %	15.6	17.8	16.0	15.2	15.9
Net margin, %	11.6	12.6	11.6	11.1	11.6

EBIT and EBITDA

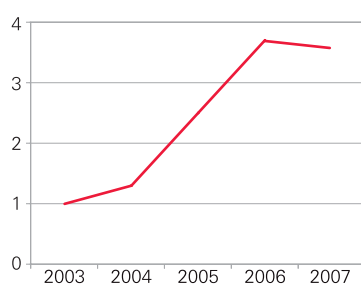
$$\text{EBIT} = \text{Income before income tax} + \text{Interest expense} - \text{Interest and dividend income}$$

$$\text{EBITDA} = \text{EBIT} + \text{Depreciation, depletion and amortization}$$

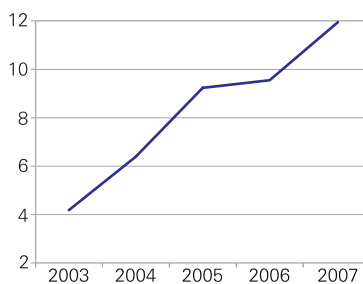
	2003*	2004	2005	2006	2007
Income before taxes, mln USD	3,446	6,008	8,910	10,257	13,018
Interest expense, mln USD	273	300	275	302	333
Interest and dividend income, mln USD	139	180	96	111	135
EBIT, mln USD	3,580	6,128	9,089	10,448	13,216
Depreciation, depletion and amortization, mln USD	920	1,075	1,315	1,851	2,172
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
EBIT margin, %	16.2	18.1	16.3	15.4	16.1
EBITDA margin, %	20.3	21.3	18.7	18.2	18.8

* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

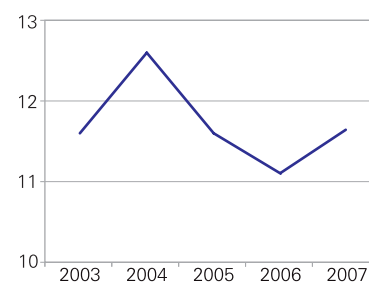
Market capitalization to proved hydrocarbon reserves, USD per boe



Net income to production, USD per boe



Net margin, %



Return on equity

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Average equity for the year}}$$

	2002	2003*	2004	2005	2006	2007
Equity, mln USD	14,000	17,472	20,811	26,804	32,900	41,213
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
Return on equity, %		16.3	22.2	27.1	25.1	25.7

Return on assets

$$\text{Return on assets} = \frac{\text{Net income}}{\text{Average assets for the year}}$$

	2002	2003*	2004	2005	2006	2007
Assets, mln USD	22,001	26,574	29,761	40,345	48,237	59,632
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
Return on assets, %		10.6	15.1	18.4	16.9	17.6

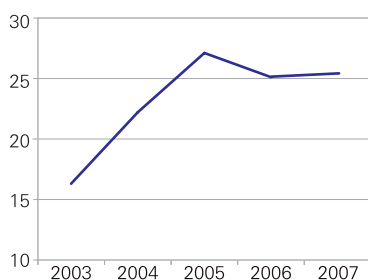
Return on non-current assets

$$\text{Return on non-current assets} = \frac{\text{Net income}}{\text{Average non-current assets for the year}}$$

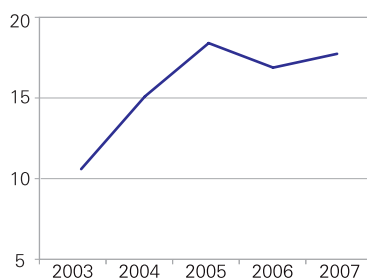
	2002	2003*	2004	2005	2006	2007
Non-current assets, mln USD	15,526	18,651	21,187	27,848	34,665	41,729
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
Return on non-current assets, %		15.0	21.3	26.3	23.9	24.9

* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

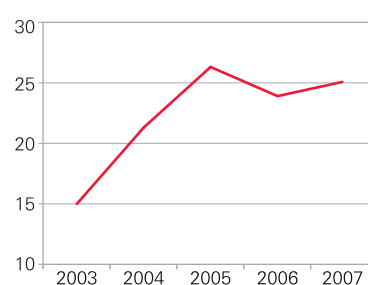
Return on equity, %



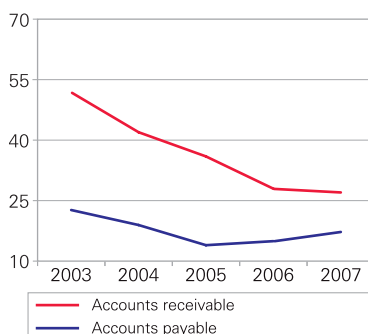
Return on assets, %



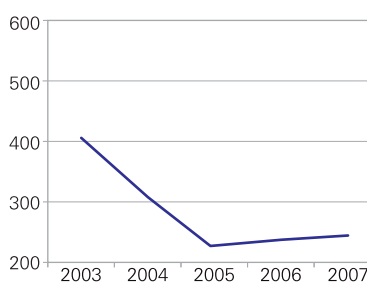
Return on non-current assets, %



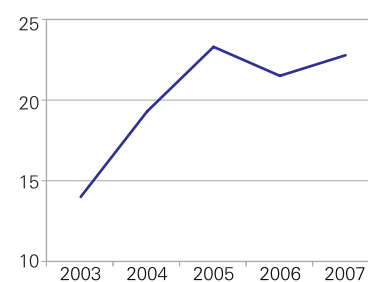
Turnover of accounts receivable and accounts payable, days



Assets turnover, days



ROACE, %



ROACE

$$\text{ROACE} = \frac{\text{Net income} + \text{Interest expense} \times (1 - \text{Effective income tax rate}) + \text{Minority interest}}{\text{Average for the year (Equity} + \text{Long-term debt} + \text{Short-term debt} + \text{Minority interest})}$$

	2002	2003*	2004	2005	2006	2007
Equity, mln USD	14,000	17,472	20,811	26,804	32,900	41,213
Long-term debt, mln USD	1,666	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,772	1,412	1,265	853	1,377	2,214
Minority interest in subsidiary companies, mln USD	880	483	453	1,019	523	577
Net income, mln USD		2,571	4,248	6,443	7,484	9,511
Interest expense, mln USD		273	300	275	302	333
Minority interest, mln USD		36	62	121	80	55
Effective income tax rate**, %		28.9	29.0	27.3	26.8	26.8
ROACE, %		14.0	19.3	23.3	21.5	22.2

* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

** Income taxes to income before income taxes before deduction of minority interest

Assets turnover (as of December 31)

$$\text{Asset turnover} = \frac{\text{Assets} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Assets, mln USD	22,001	26,574	29,761	40,345	48,237	59,632
Asset turnover, days		401	305	229	239	240

Accounts payable turnover (as of December 31)

$$\text{Accounts payable turnover} = \frac{\text{Accounts payable} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Accounts payable, mln USD	1,293	1,564	1,787	2,167	2,759	4,554
Accounts payable turnover, days		24	18	13	13	16

Accounts receivable turnover (as of December 31)

$$\text{Accounts receivable turnover} = \frac{\text{Accounts receivable} \times 365 \text{ days}}{\text{Sales}}$$

	2002	2003	2004	2005	2006	2007
Sales, mln USD		22,118	33,845	55,774	67,684	81,891
Accounts receivable, mln USD	2,511	3,790	3,867	5,533	5,158	7,467
Accounts receivable turnover, days		52	41	31	29	28

Gearing ratios

Total debt to total capital (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
Total capital, mln USD	22,283	24,688	31,794	39,084	48,256
Total debt to total capital, %	21.6	15.7	15.7	15.8	14.6

Total debt to equity (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
Total debt to equity, %	27.5	18.6	18.6	18.8	17.1

Total debt to EBITDA (as of December 31)

	2003	2004	2005	2006	2007
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
Total debt to EBITDA, %	106.9	53.8	48.0	50.3	45.8
Financial guarantees, mln USD	781	642	473	418	361
Adjusted total debt, mln USD	5,592	4,519	5,463	6,602	7,404
Adjusted total debt to EBITDA, %	124.3	62.7	52.5	53.7	48.1

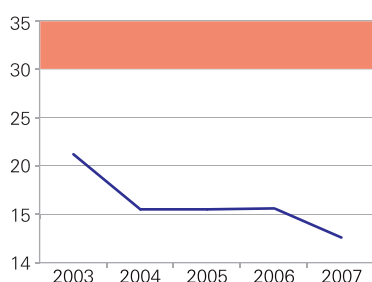
Short-term debt to total debt (as of December 31)

	2003	2004	2005	2006	2007
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Short-term debt to total debt, %	29.3	32.6	17.1	22.3	31.4

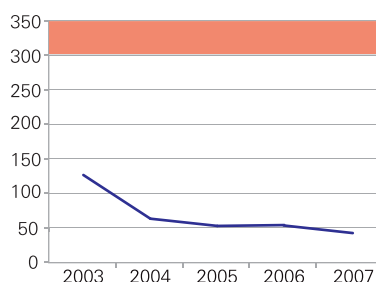
Secured debt to total debt (as of December 31)

	2003	2004	2005	2006	2007
Secured debt, mln USD	2,175	2,171	1,672	715	378
Total debt, mln USD	4,811	3,877	4,990	6,184	7,043
Secured debt to total debt, %	45.2	56.0	33.5	11.6	5.4

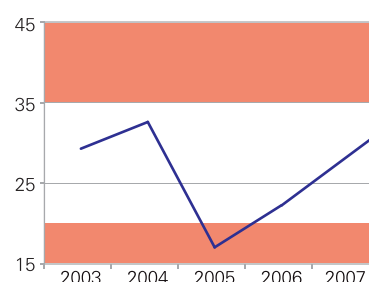
Total debt to total capital, %



Adjusted total debt to EBITDA, %



Short-term debt to total debt, %



Financial guarantees to adjusted total debt (as of December 31)

	2003	2004	2005	2006	2007
Financial guarantees, mln USD	781	642	473	418	361
Adjusted total debt, mln USD	5,592	4,519	5,463	6,602	7,404
Financial guarantees to adjusted total debt, %	14.0	14.2	8.7	6.3	4.9

Fixed debt to total debt* (as of December 31)

	2003	2004	2005	2006	2007
Fixed debt, mln USD	761	1,074	907	2,214	3,947
Total debt*, mln USD	3,804	3,874	4,990	6,184	7,043
Fixed debt to total debt, %	20.0	27.7	18.2	35.8	56.0

* Excluding liabilities of banking subsidiaries.

Net debt (as of December 31)

Net debt = Long-term debt + Customer deposits of banking subsidiaries + Short-term debt – Cash

	2003	2004	2005	2006	2007
Long-term debt, mln USD	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Customer deposits and other borrowings of banking subsidiaries, mln USD	1,007	3	0	0	0
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
Net debt, mln USD	3,376	2,620	3,340	5,432	6,202
Cash of banking subsidiaries in roubles and other currencies, mln USD	667	176	102	130	47
Financial guarantees, mln USD	781	642	473	418	361
Adjusted net debt, mln USD	4,824	3,438	3,915	5,980	6,610

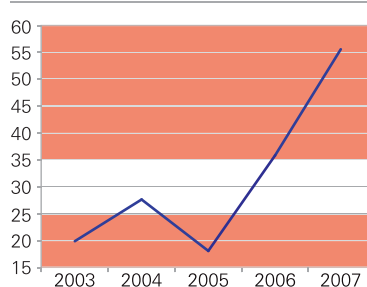
Net debt to equity (as of December 31)

	2003	2004	2005	2006	2007
Net debt, mln USD	3,376	2,620	3,340	5,432	6,202
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
Net debt to equity, %	19.3	12.6	12.5	16.5	15.0
Adjusted net debt, mln USD	4,824	3,438	3,915	5,980	6,610
Adjusted net debt to equity, %	27.6	16.5	14.6	18.2	16.0

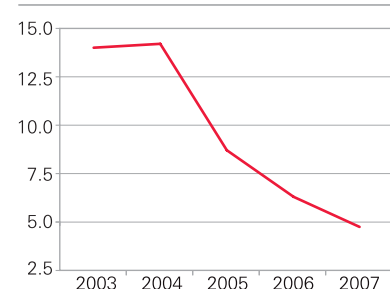
Secured debt to total debt, %



Fixed debt to total debt*, %



Financial guarantees to adjusted total debt, %



* Excluding liabilities of banking subsidiaries.

Net debt to cash flow from operating activities (as of December 31)

	2003	2004	2005	2006	2007
Net debt, mln USD	3,376	2,620	3,340	5,432	6,202
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
Net debt to cash flow from operating activities, %	115.0	62.7	53.8	71.1	57.0
Adjusted net debt, mln USD	4,824	3,438	3,915	5,980	6,610
Adjusted net debt to cash flow from operating activities, %	164.3	82.2	63.1	78.3	60.7

EBITDA interest coverage

	2003*	2004	2005	2006	2007
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
Interest expense, mln USD	273	300	275	302	333
EBITDA interest coverage	16.5	24.0	37.8	40.7	46.2

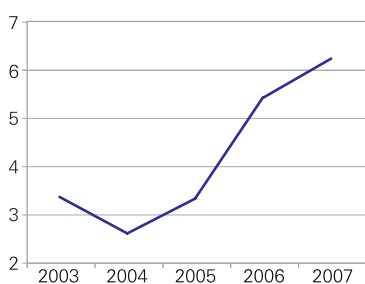
Free cash flow

	2003	2004	2005	2006	2007
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
Capital expenditures**, mln USD	2,881	3,248	3,982	6,426	9,326
Free cash flow, mln USD	55	932	2,222	1,340	1,555

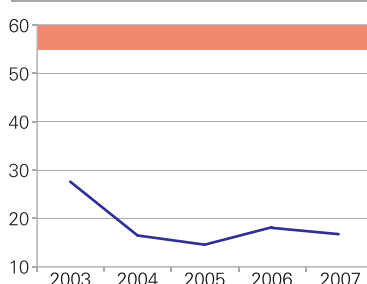
* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

** Including acquisition of licenses.

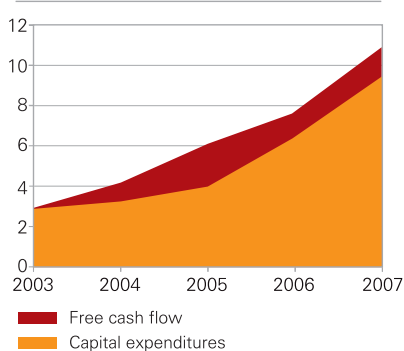
Net debt, bln USD



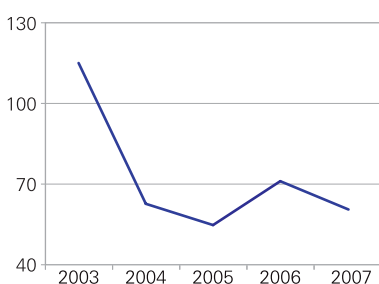
Adjusted net debt to equity, %



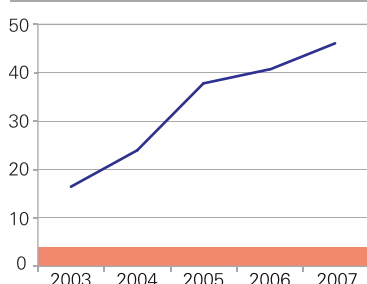
Structure of cash flow from operating activities, bln USD



Net debt to cash flow from operating activities, %



EBITDA interest coverage



Liquidity ratios

Cash ratio (as of December 31)

$$\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
Cash ratio	0.27	0.28	0.28	0.11	0.09

Quick ratio (as of December 31)

$$\text{Quick ratio} = \frac{\text{Cash} + \text{Short-term investments} + \text{Accounts and notes receivable}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
Short-term investments, mln USD	251	149	111	44	48
Accounts receivable, mln USD	3,790	3,867	5,533	5,158	7,467
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
Quick ratio	1.04	1.16	1.25	0.86	0.86

Current ratio (as of December 31)

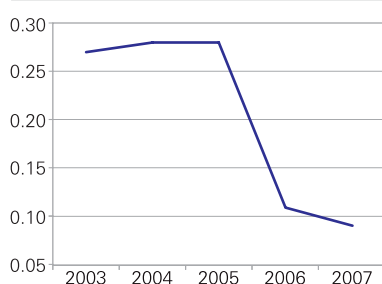
$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

	2003	2004	2005	2006	2007
Current assets, mln USD	7,923	8,574	12,497	13,572	17,903
Current liabilities, mln USD	5,271	4,545	5,836	6,931	9,728
Current ratio	1.50	1.89	2.14	1.96	1.84

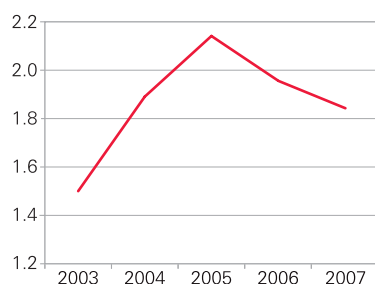
Assets to equity (as of December 31)

	2003	2004	2005	2006	2007
Assets, mln USD	26,574	29,761	40,345	48,237	59,632
Equity, mln USD	17,472	20,811	26,804	32,900	41,213
Assets to equity	1.52	1.43	1.51	1.47	1.45

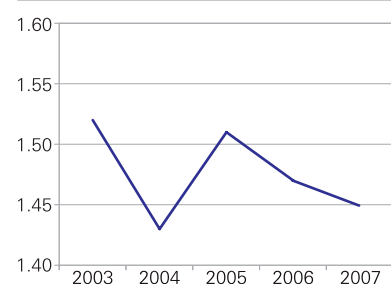
Cash ratio



Current ratio



Assets to equity



Market valuation of the Company

Enterprise value (EV) (as of December 31)

$$EV = \text{Market capitalization} + \text{Long-term debt} + \text{Short-term debt} - \text{Cash}$$

	2003	2004	2005	2006	2007
Market capitalization, mln USD	19,776	25,815	50,523	74,807	73,999
Long-term debt, mln USD	2,392	2,609	4,137	4,807	4,829
Short-term debt, mln USD	1,412	1,265	853	1,377	2,214
Cash and cash equivalents, mln USD	1,435	1,257	1,650	752	841
EV, mln USD	22,145	28,432	53,863	80,239	80,201

EV/EBITDA (as of December 31)

	2003*	2004	2005	2006	2007
EV, mln USD	22,145	28,432	53,863	80,239	80,201
EBITDA, mln USD	4,500	7,203	10,404	12,299	15,388
EV/EBITDA	4.92	3.95	5.18	6.52	5.21

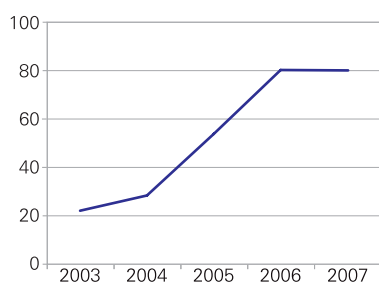
* Excluding gain from sale of interest in Azeri – Chirag – Guneshli.

EV/DACF (as of December 31)

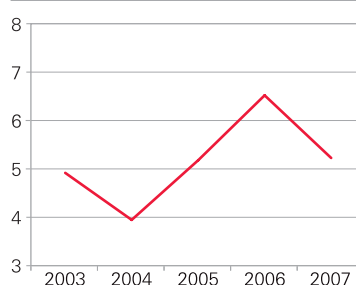
$$EV/DACF = \frac{EV}{\text{Cash flow from operating activities} + \text{Interest expense adjusted for income tax}}$$

	2003	2004	2005	2006	2007
EV, mln USD	22,145	28,432	53,863	80,239	80,201
Cash flow from operating activities, mln USD	2,936	4,180	6,204	7,766	10,881
Interest expense, mln USD	273	300	275	302	333
Interest expense adjusted by effective income tax rate, mln USD	194	213	200	221	244
DACF, mln USD	3,130	4,393	6,404	7,987	11,125
EV/DACF	7.1	6.5	8.4	10.0	7.2

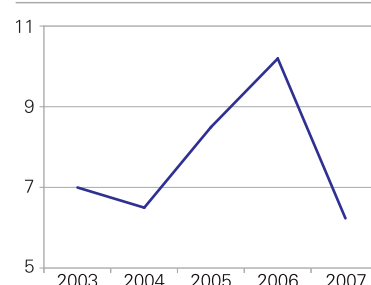
EV, bln USD



EV/EBITDA



EV/DACF



Price to earnings (P/E) (as of December 31)

	2003	2004	2005	2006	2007
Share price, USD	23.25	30.35	59.40	87.95	87.00
Basic earnings per share, USD	4.52	5.20	7.91	9.06	11.48
P/E	5.14	5.84	7.51	9.71	7.58

Price to sales (P/S) (as of December 31)

	2003	2004	2005	2006	2007
Market capitalization, mIn USD	19,776	25,815	50,523	74,807	73,999
Sales, mIn USD	22,118	33,845	55,774	67,684	81,891
Price to sales	0.89	0.76	0.91	1.11	0.90

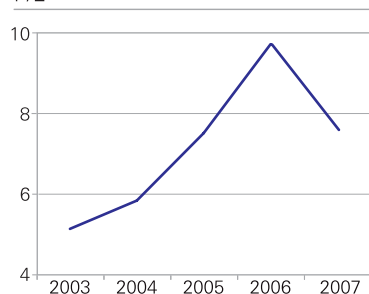
Price to assets (as of December 31)

	2003	2004	2005	2006	2007
Market capitalization, mIn USD	19,776	25,815	50,523	74,807	73,999
Assets, mIn USD	26,574	29,761	40,345	48,237	59,632
Price to assets	0.74	0.87	1.25	1.55	1.24

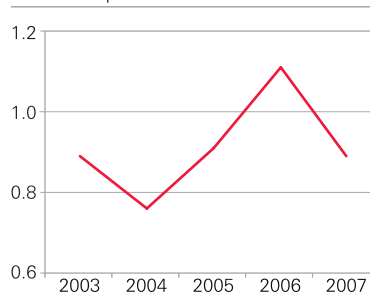
Price to book (P/B) (as of December 31)

	2003	2004	2005	2006	2007
Market capitalization, mIn USD	19,776	25,815	50,523	74,807	73,999
Equity, mIn USD	17,472	20,811	26,804	32,900	41,213
Price to book	1.13	1.24	1.88	2.27	1.80

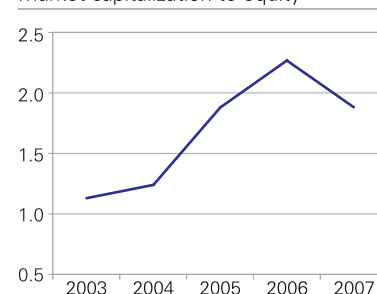
P/E



Market capitalization to sales



Market capitalization to equity



GLOSSARY

Exploration and production

2D seismic survey – study of strata formation using a system of sensors and explosive devices to obtain a two-dimensional strata model. In 2D exploration, sensors are placed along certain lines (sections) and the study is carried out along the depth of the section.

3D seismic survey – study of strata formation using a system of sensors and explosive devices to obtain a three-dimensional strata model. In 3D exploration, the sensors are placed over the surface of the relevant area. This is one of the most accurate geophysical techniques, but requires major IT resources and other equipment and expenses. Therefore oil & gas companies usually carry out 2D seismic in order to ascertain which zones are most deserving of 3D studies.

Vertical seismic profiling (VSP) – a seismic exploration method, which details structure of the space around the well, defines the nature of geological sections, which are penetrated, and provides a speed model of the environment and level of oil saturation in strata. VSP is carried out by creation of waves on the surface, which are captured in the well by seismic receptors placed at various depths, and by subsequent study of the results.

Geo-electrics (electromagnetic exploration) – a technique of finding mineral deposits by studying the earth's electromagnetic fields.

Flow rate of a well – quantity of hydrocarbons obtained from a well in a given period of time (usually one day).

Watercut – quantity of water in mixture extracted from an oil well (usually expressed as a percentage).

Associated petroleum gas – mixture of various gaseous hydrocarbons, dissolved in crude oil, which separate out in the production and refining processes (mainly consist of propane and butane). Associated petroleum gas can be used as a fuel and for production of various chemicals.

Natural gas – mixture of gaseous hydrocarbons, whose main component is methane. Natural gas is located in strata in a gaseous state, either as gas deposits or as a gas cap at oil & gas fields.

Refining

Refinery throughput – volumes of oil despatched to drying and desalination facilities.

Depth of refining – ratio of crude oil volumes processed at primary refining facilities, excluding saleable heating oil, liquid fuel used in production, and losses in drying and desalination, to total crude oil volumes processed at primary refining facilities.

Light products yield – ratio of the total volume of gasoline, diesel fuel and their fractions (useable as motor oil components), jet fuel, illuminants and technical kerosene, low-viscosity ship fuel and heating oil (fractions, which vaporize between 28 and 360 degrees Celsius) to the total volume of oil processed at a refinery in a given period.

Naphta – straight-run gasoline, unstable gas naphta, secondary-process gasoline and hydrocarbon inputs for production of ethylene.

Fuel oil – fuel oil, ship fuel oil, oil residues and raw material for technical carbons.

Lubricants – oils, base oils, packaged oils, etc.

LPG – propane-butane used as vehicle fuel, technical propane, technical butane, technical propane-butane, isobutane.

Compressed gas – gas at pressures required for transportation along trunk pipelines.