



1H 2003 Financial Results

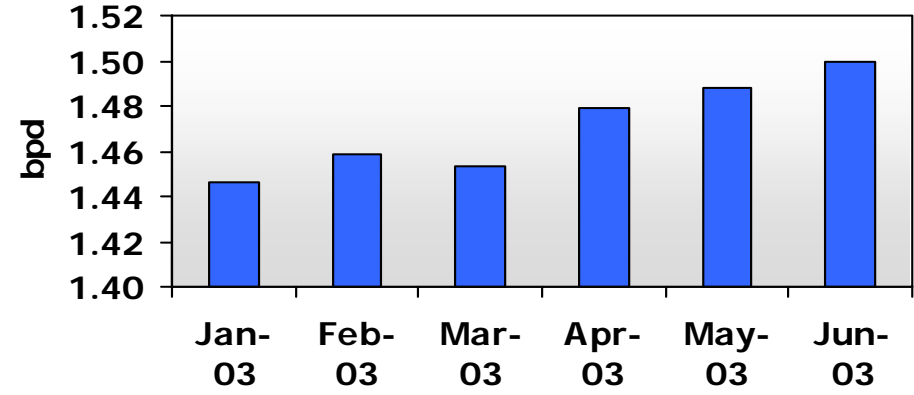
(US GAAP)

October 2003

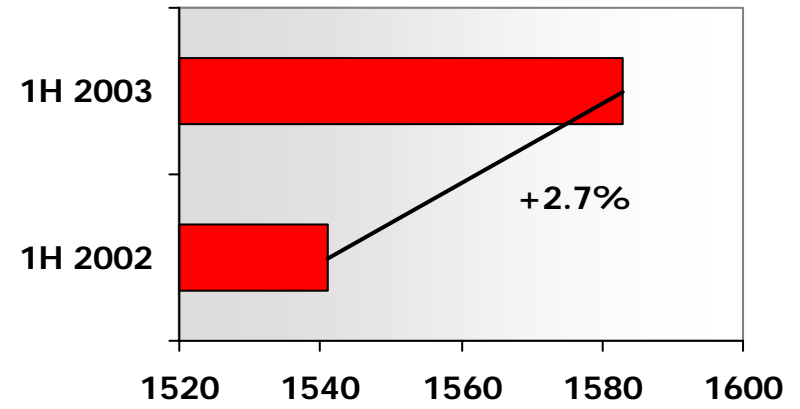


Crude Oil Production Growth

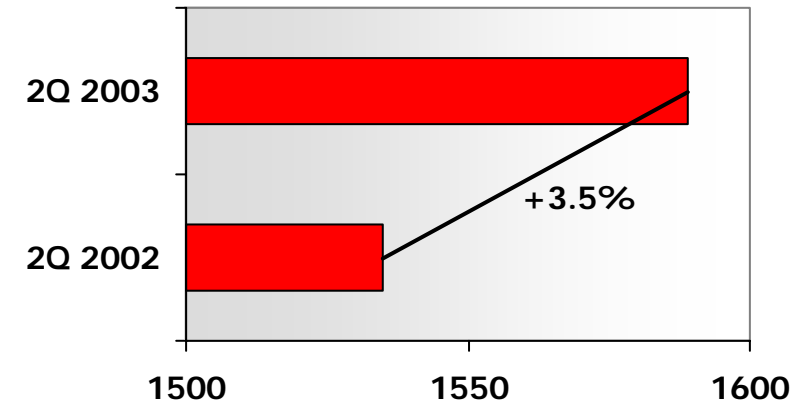
Daily crude production



Crude oil production* (mln bpd)



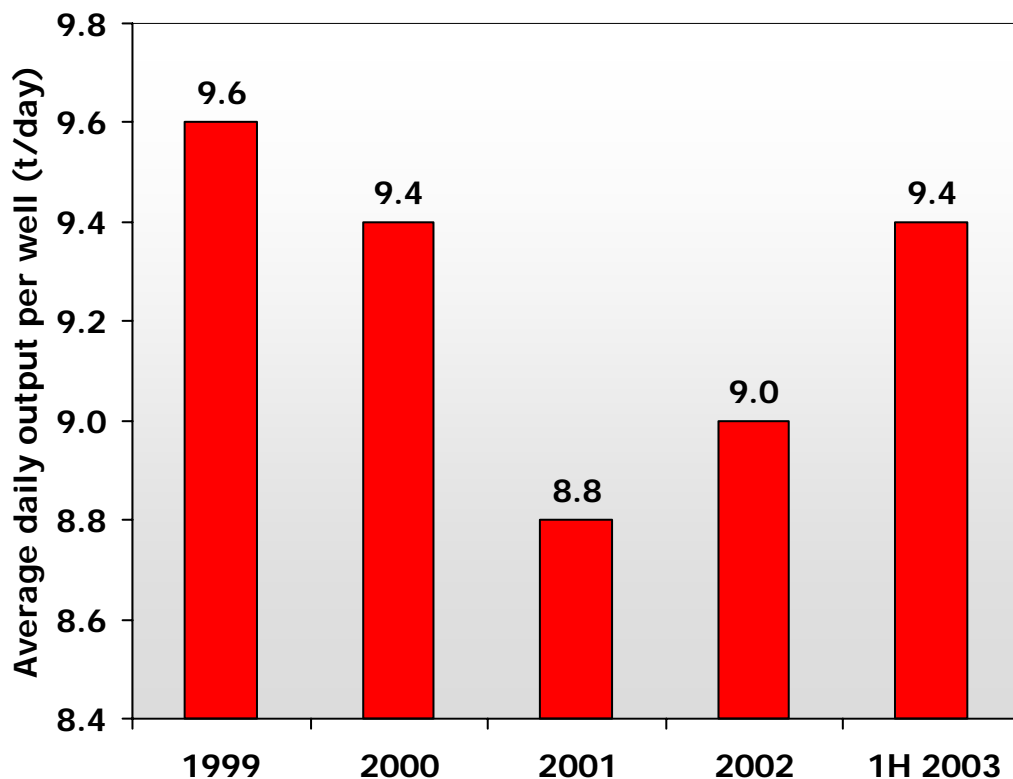
Crude oil production* (mln bpd)



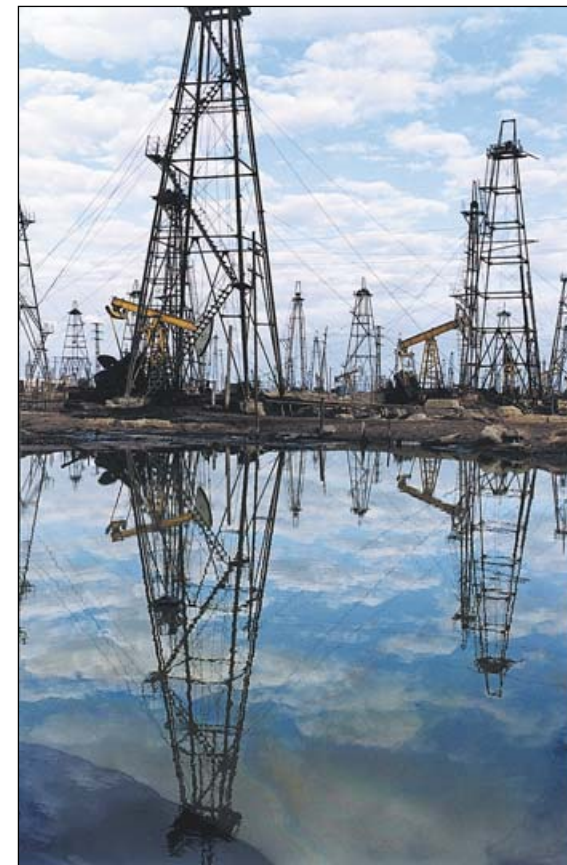
* Production including Company's share in Equity affiliates.



Rising Efficiency of Upstream Operations



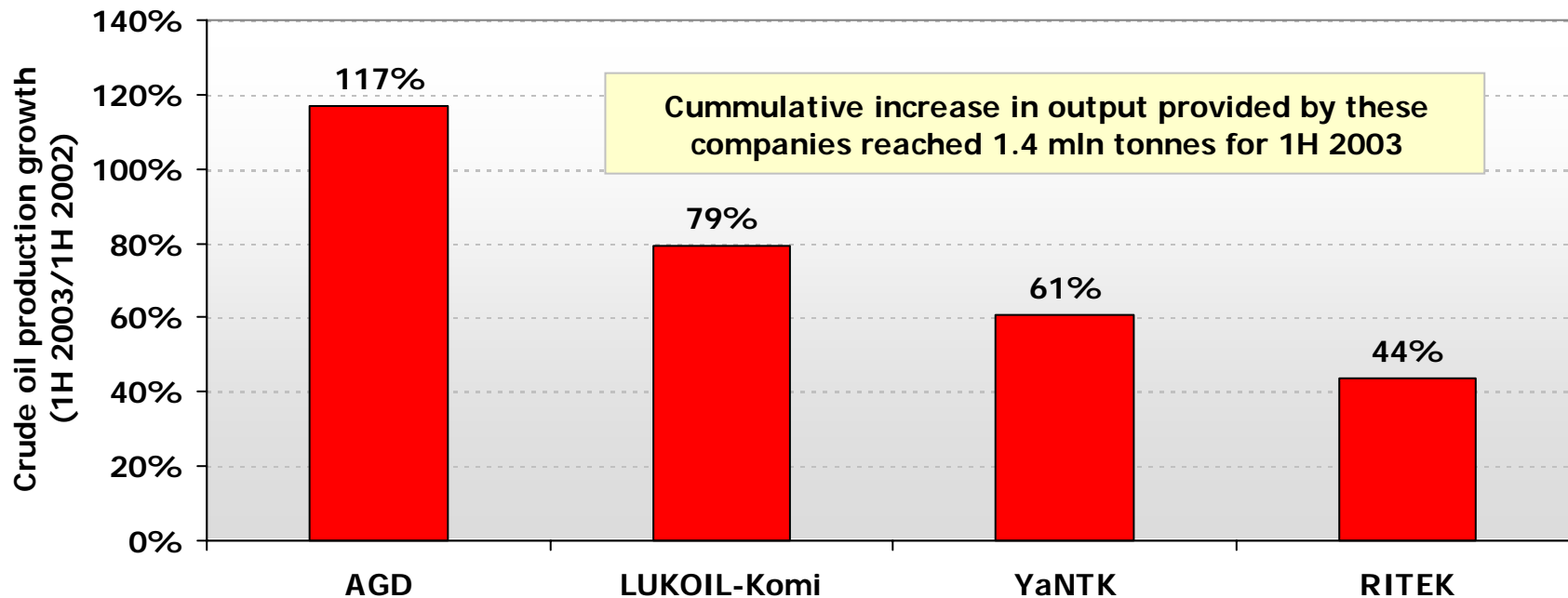
Since 2001 a steady growth of daily output per well is observed



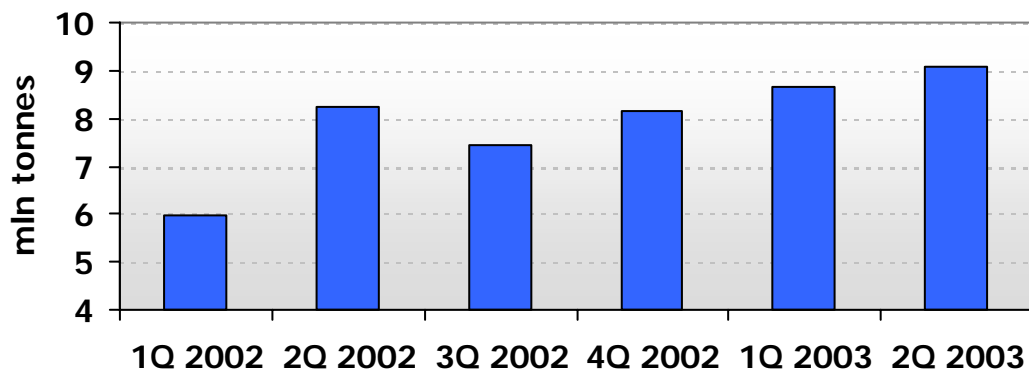


Crude Oil Production and Exports

LUKOIL's production growth stars



Crude oil exports

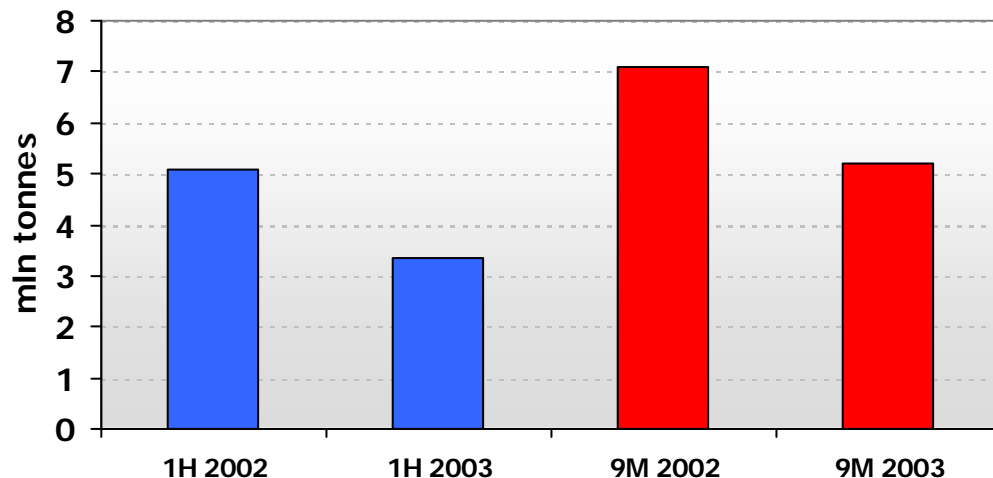


In 1Q 2003 crude oil export slowed down due to shipment interruptions. It caused the increase in domestic crude oil refining. In 2Q 2003 domestic refining fall while crude oil exports and crude oil overseas refining increased



Crude Oil Distribution

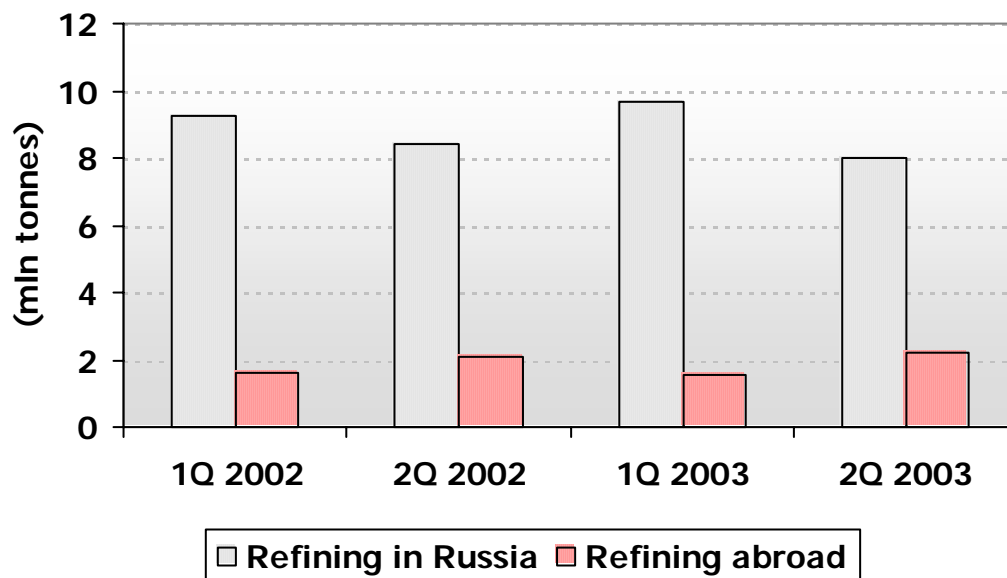
Domestic crude oil sales



In 1H 2003 LUKOIL decreased domestic crude oil sales by 1.7 mln tonnes. The decrease was caused by exports and domestic refining throughput growth.

In 3Q 2003 the declining trend in domestic crude oil sales continues

Crude oil refining





Economic Environment

1H 2003	1H 2002		2Q 2003	1Q 2003
<u>Domestic Market</u>				
6.14	6.30	Realized oil (\$/bbl)	6.00	6.40
149.58	123.96	Realized refined products (\$/tonne)	157.13	143.50
7.94%	9.11%	Inflation (%)	2.62%	5.20%
12.82%	4.57%	Ruble appreciation against USD (%)	5.96%	6.50%
3.52	2.55	Unified extraction tax (\$/barrel)	3.01	4.01
4.30	1.72	Oil export tariff (\$/barrel)	4.89	3.73
<u>International Market</u>				
23.53	19.68	Realized oil (\$/bbl)	21.27	26.00
283.56	215.72	Realized refined products (\$/tonne)	261.95	311.77

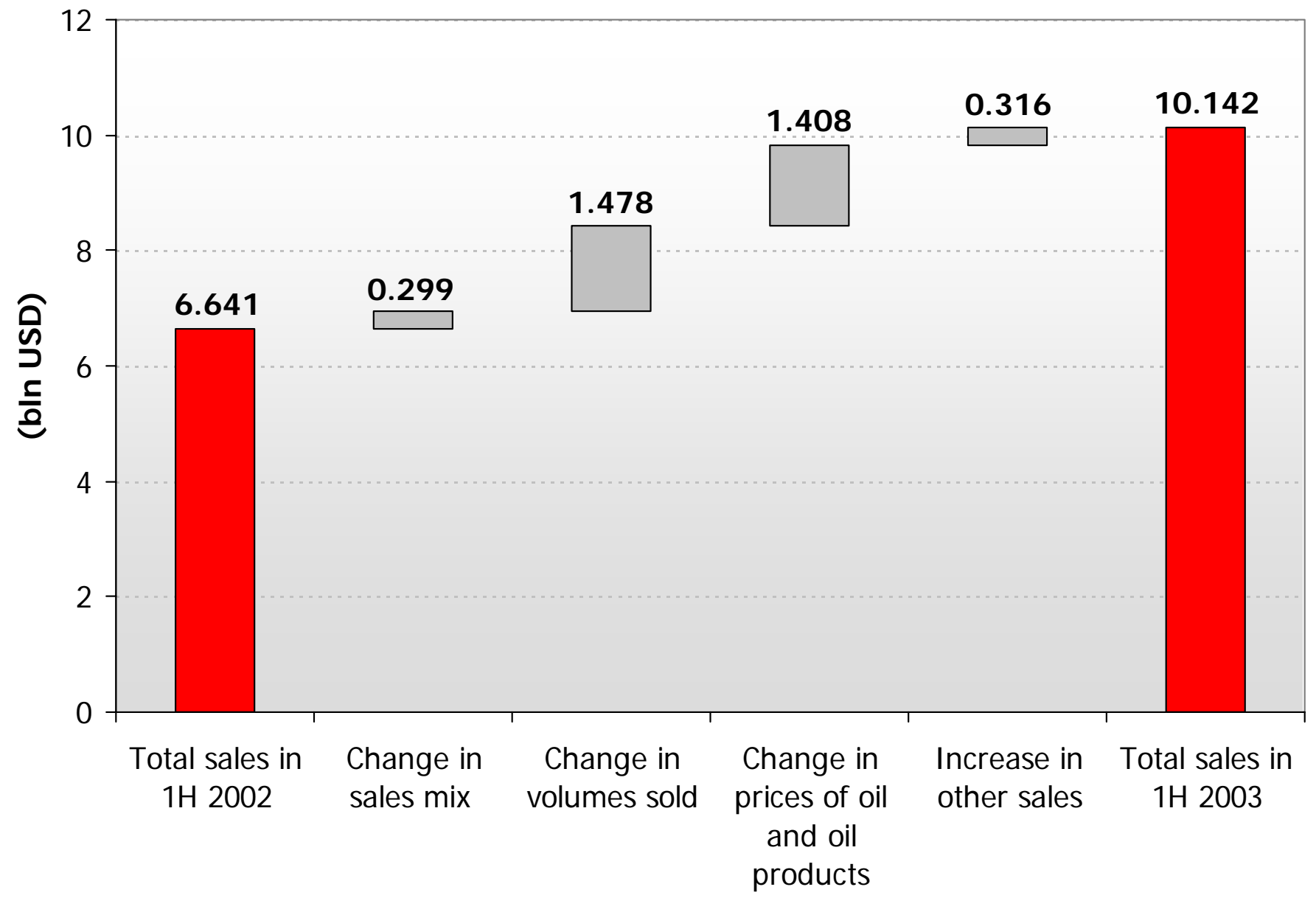


Financial Results

1H 2003	1H 2002	Financial results (mln USD)	2Q 2003	1Q 2003
10,142	6,641	Total revenue	5,086	5,098
(1,361)	(1,243)	Operating expenses	(693)	(668)
(2,469)	(1,593)	Taxes other than income taxes (including excise and export tariffs)	(1,318)	(1,151)
2,594	1,162	Income from operating activities	1,654	940
2,646	1,127	Income before income tax	1,690	956
2,364	840	Net Income	1,544	820
2.89	1.04	Basic earnings per share	1.89	1.00
3,178	1,663	EBITDA	1,947	1,231



Sales Reconciliation





Sales Breakdown

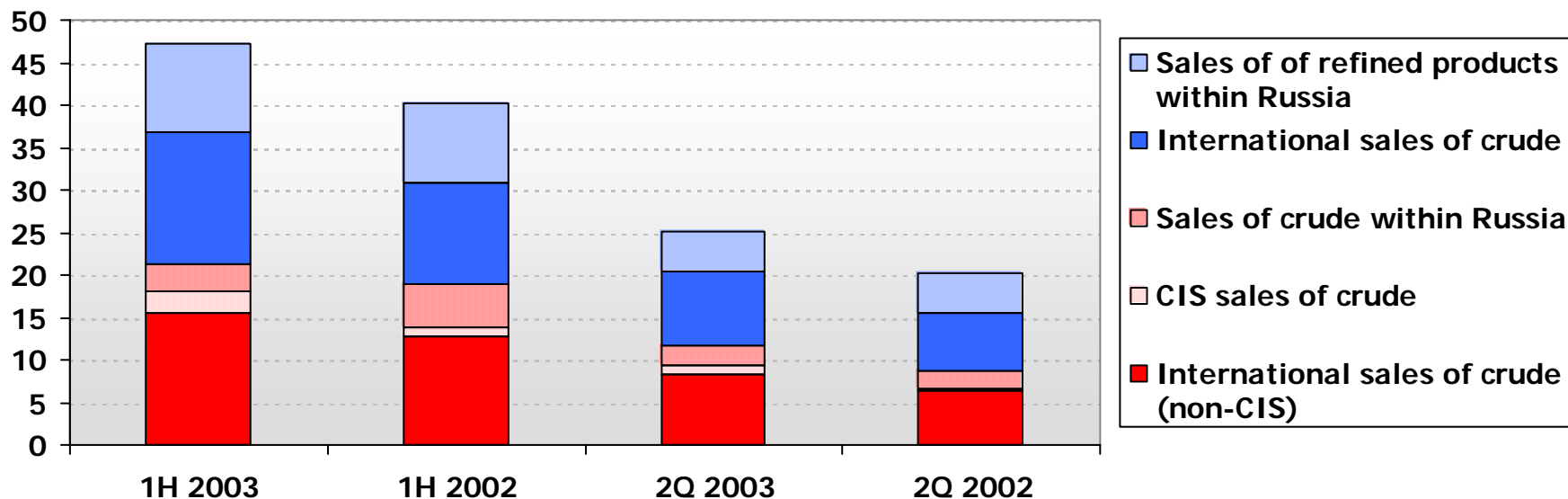
1H 2003	1H 2002	Sales breakdown	2Q 2003	1Q 2003
70.6%	64.2%	Export sales and sales on international markets to total volume of sales	72.1%	68.8%
54.8%	53.2 %	Refined products to total volume of sales	53.5%	56.4%
46.0%	46.8%	Share of oil products in total export volumes and international sales	48.1%	43.6%
56.0%	54.6%	Share of oil products in total export sales and international sales	58.5%	53.6%

1H 2003	1H 2002	Sales in mln USD	2Q 2003	1Q 2003
3,257	2,218	Crude oil	1,567	1,690
5,940	3,762	Refined products	3,024	2,916
398	246	Petrochemicals	203	195
547	415	Other	292	255
10,142	6,641	Total	5,086	5,056



Sales Breakdown

Sales breakdown (mln tonnes)

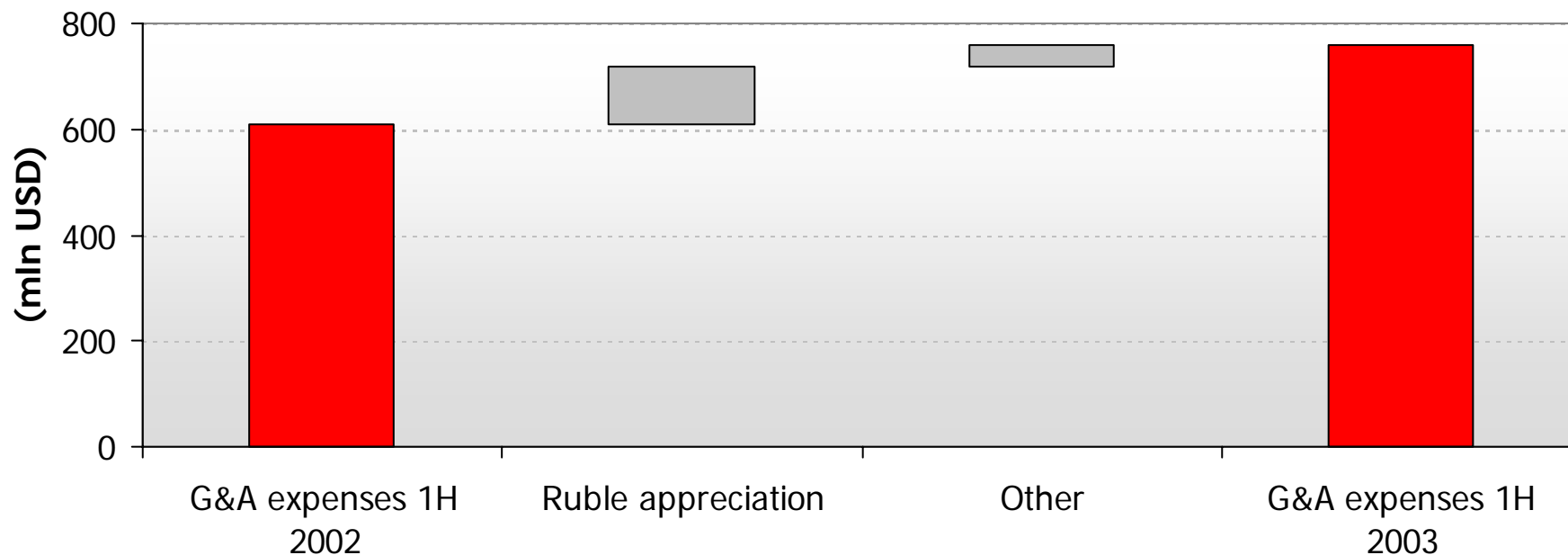


1H 2003	1H 2002	Sales in mln USD	2Q 2003	1Q 2003
2,856	1,923	International sales of crude oil (non-CIS)	1,373	1,022
250	60	Sales of crude oil within CIS	94	14
151	235	Sales of crude oil within Russia	100	134
4,358	2,606	International sales of refined products	2,281	2,077
1,582	1,156	Sales of refined products within Russia	743	839
945	661	Other sales (incl. petrochemicals)	495	380
9,197	5,980	Total sales oil and oil products	4,591	4,605



SG&A Expenses

G&A reconciliation



1H 2003	1H 2002	Selling, general and administrative expenses (mln USD)	2Q 2003	1Q 2003
939	605	Transportation expenses	503	436
758	611	Other selling, general and administrative expenses	429	329
1 697	1 216	Total SG&A	932	765



Transportation Cost Growth (YoY)

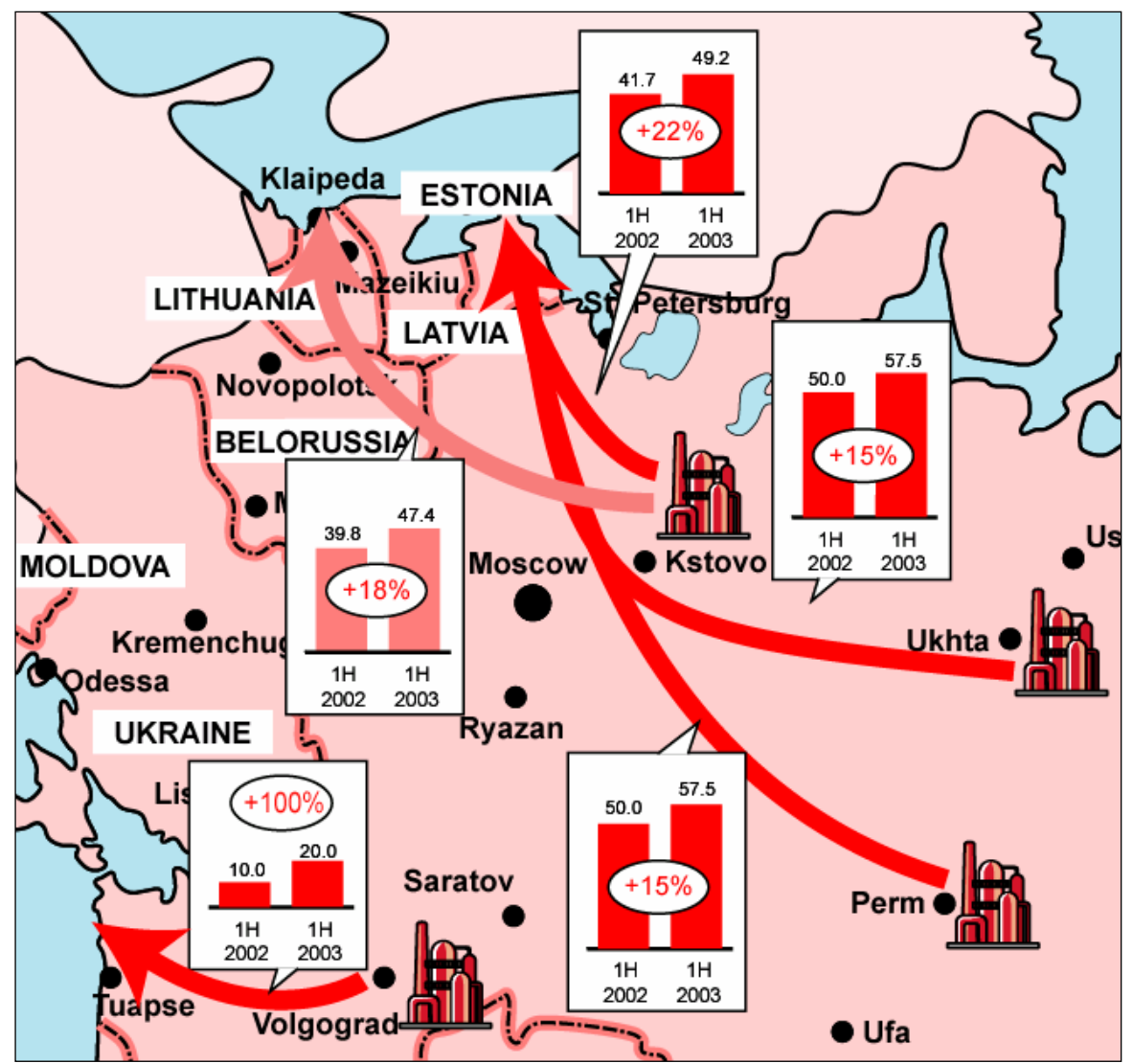
Changes in tariffs on finished products shipments by railroads (\$/tonne)



Pipeline:
volumes transported: +10%
tariff: +15%



Railroad:
volumes transported : +64%
tariff: +16%





Vysotsk — New Export Outlet

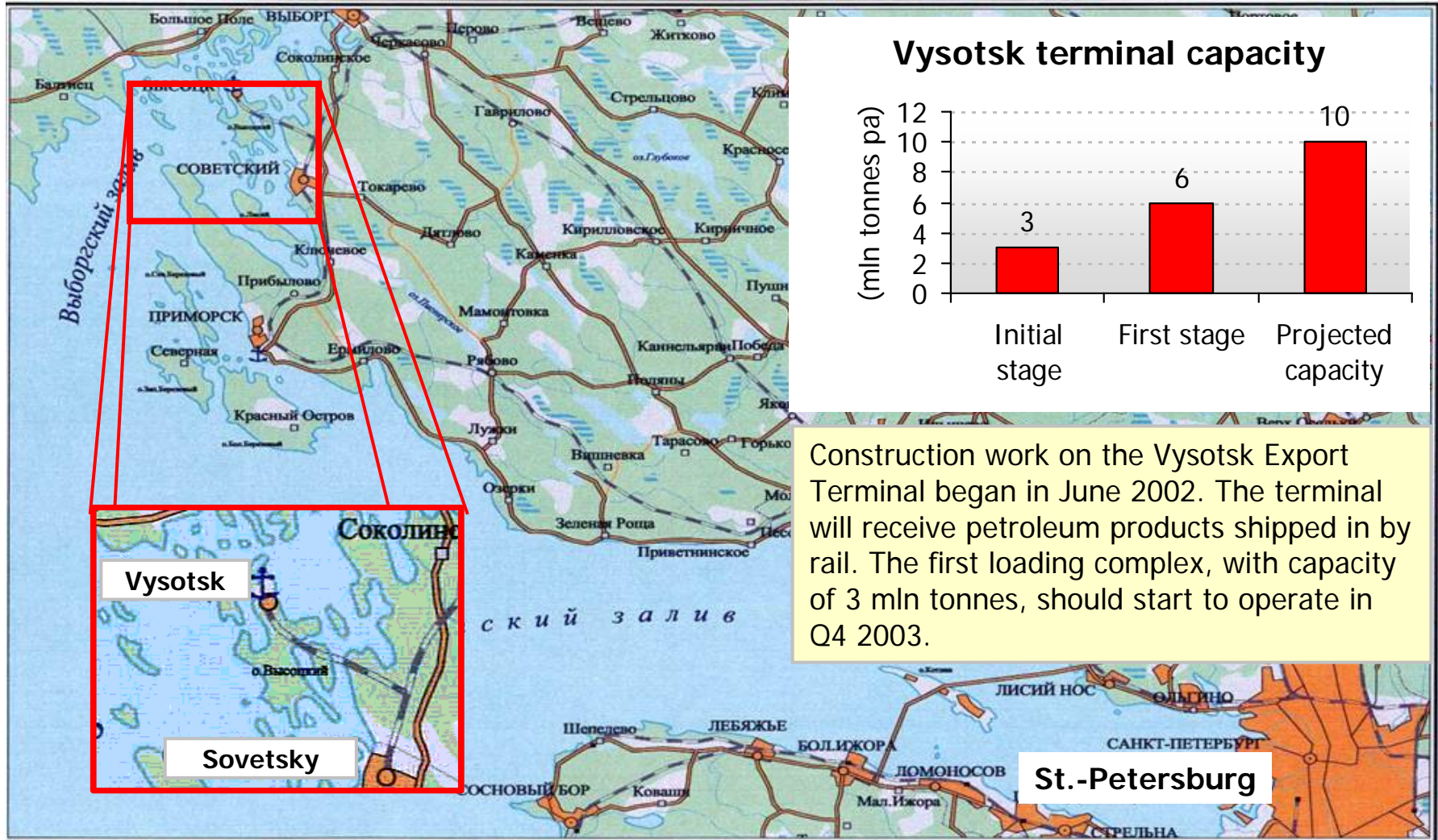
Construction work on the Vysotsk Export Terminal began in June 2002. The terminal will be able to lift crude oil and finished products (fuel oil, gas oil, gasoline and lubricants) and load tankers of 20,000-40,000 tonnes deadweight at the initial/first stage and tankers up to 80,000 tonnes deadweight when construction finished



With Vysotsk terminal on stream LUKOIL will get better exposure to European and US markets and will be able to save \$40-50 mln per annum

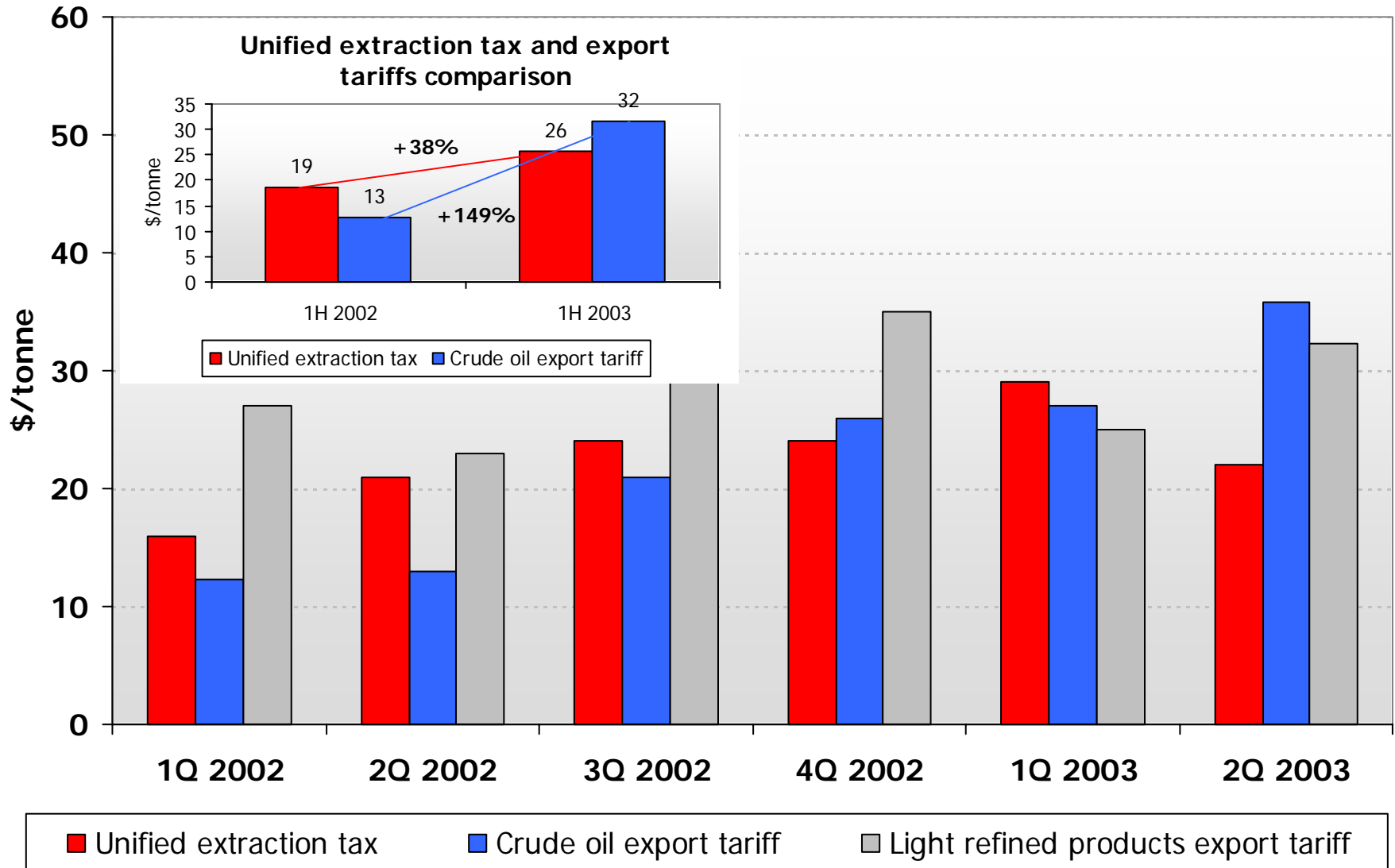


Vysotsk Terminal Expansion Program





Growth of Tax Burden



Comparing to 1H 2002 tax burden has grown significantly



Operating Expenses

1H 2003	1H 2002	Operating expenses (mln USD)	2Q 2003	1Q 2003
694	668	Extraction expenses	356	337
237	198	Refinery expenses	122	116
–	107	Processing cost on the affiliated refinery	–	–
430	270	Other operating	215	215
1,361	1,243	Total	693	668
2,665	908	Cost of purchased crude oil, petroleum and chemical products	1,386	1,279



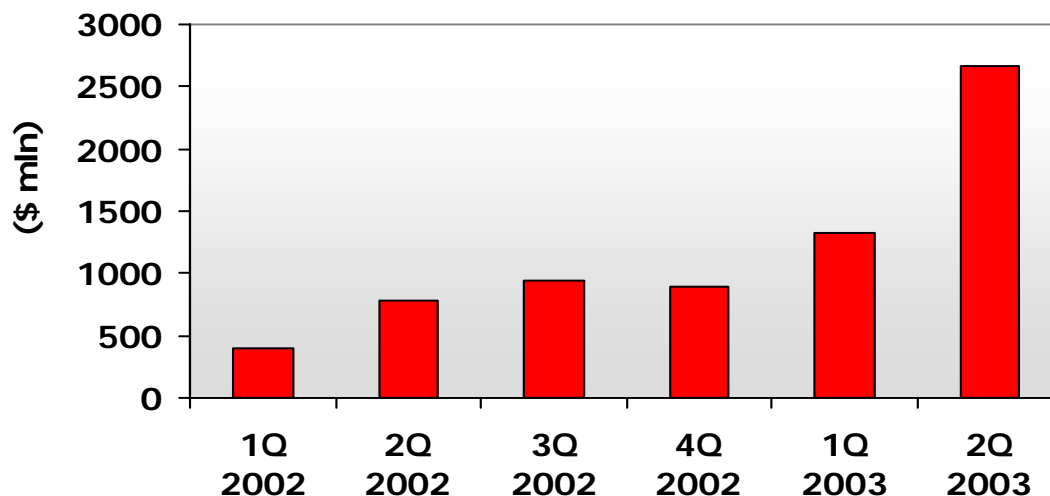
Improving the Logistics of Supply

To improve the logistics of supply LUKOIL increased the number of buy-sell operations with third-parties.

This operations allow to get extra profit from buy-sell operations and optimize transportation costs.

In 1H 2003 trading operations with third parties brought \$10 mln of net profit to the Company.

Cost of purchased crude oil, petroleum and chemical products

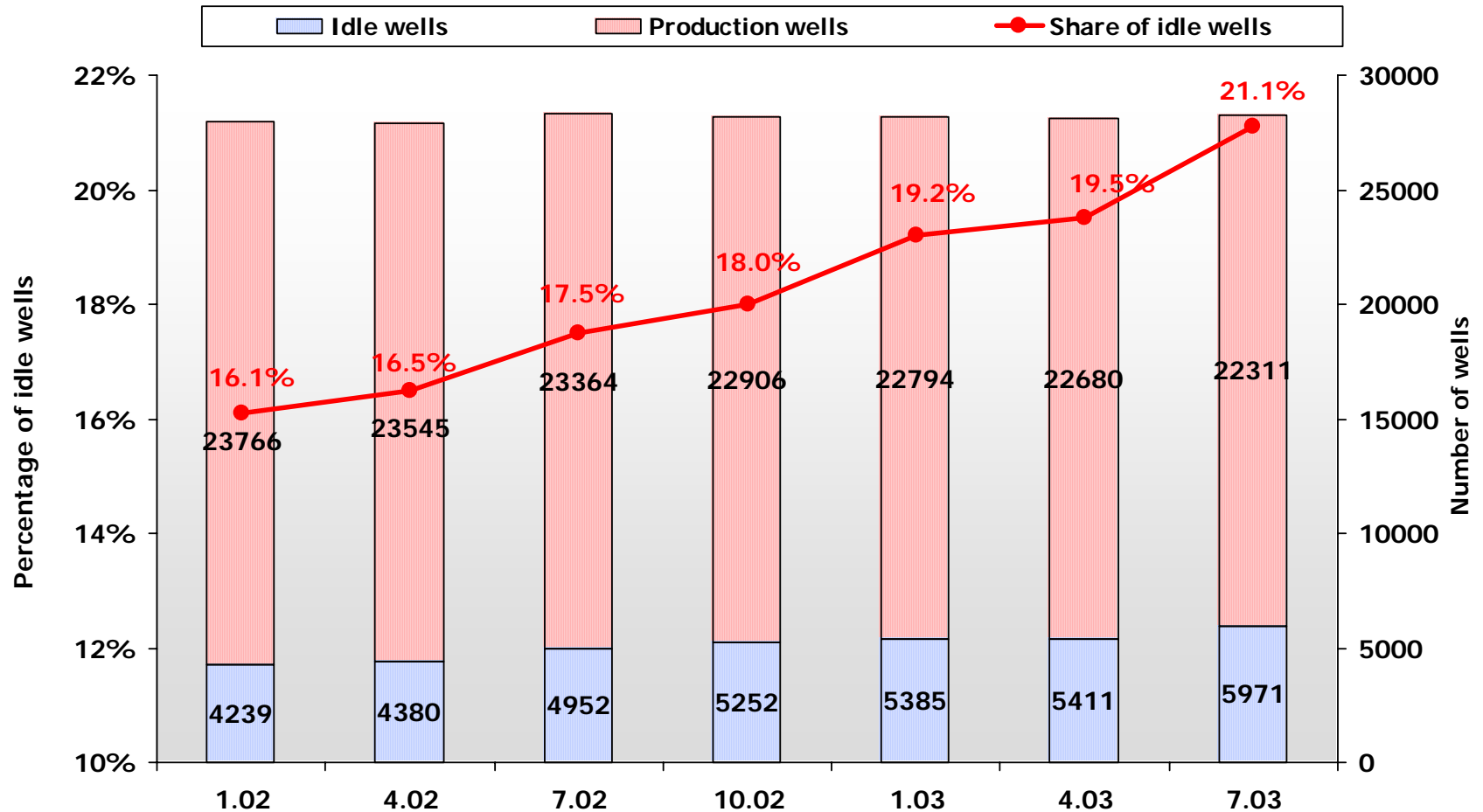


Cost of purchased crude oil, petroleum and chemical products growth drivers:

- increase of crude oil and refined products price
- growth of volumes sold, including due to increase of the number of arbitrage operations
- change in sales mix



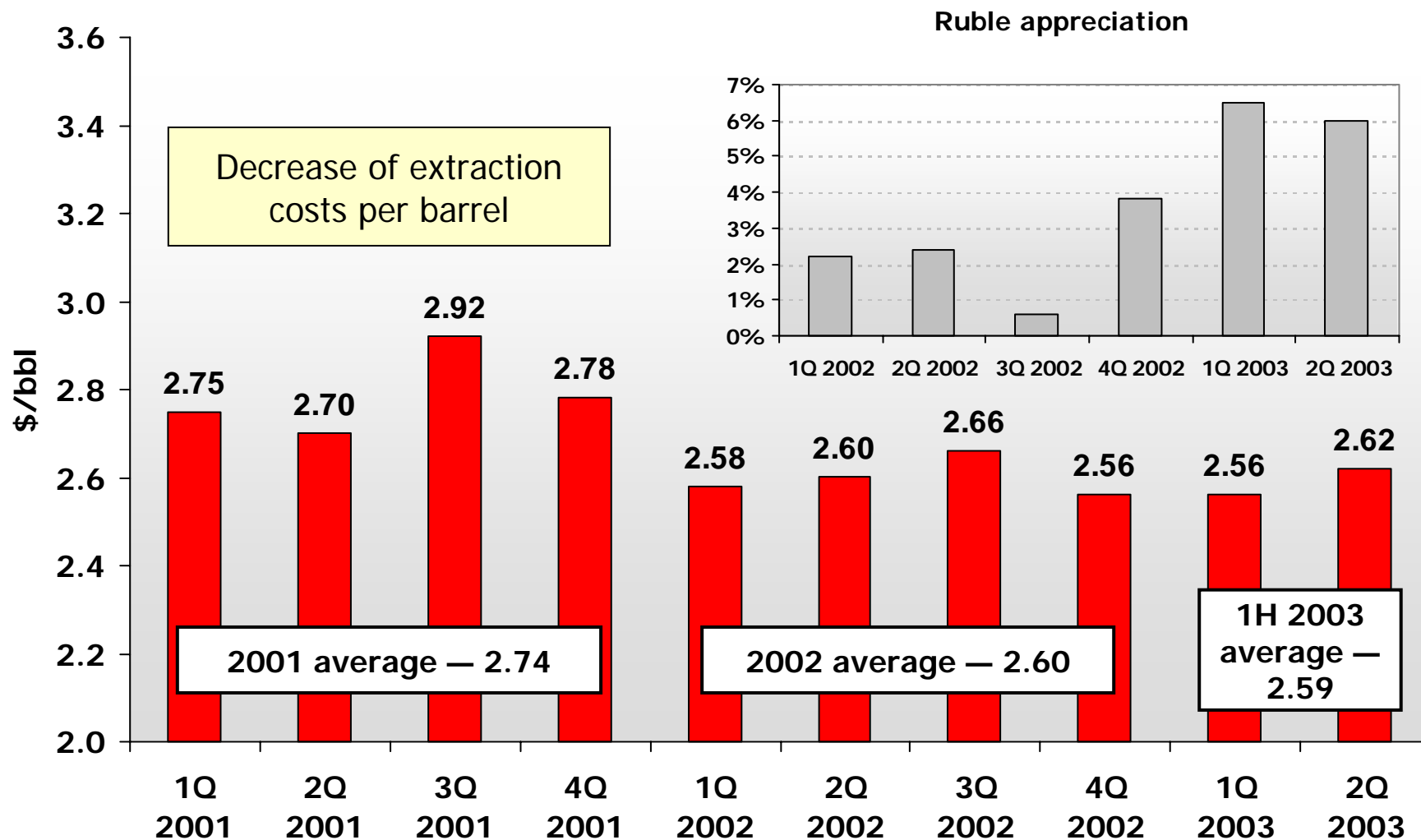
Shutting Down Marginal Wells – Cutting Costs



**1,732 low-effective wells were shut down since January, 2002.
Reducing the number of marginal wells (low flow rate wells)
forced production costs go down**



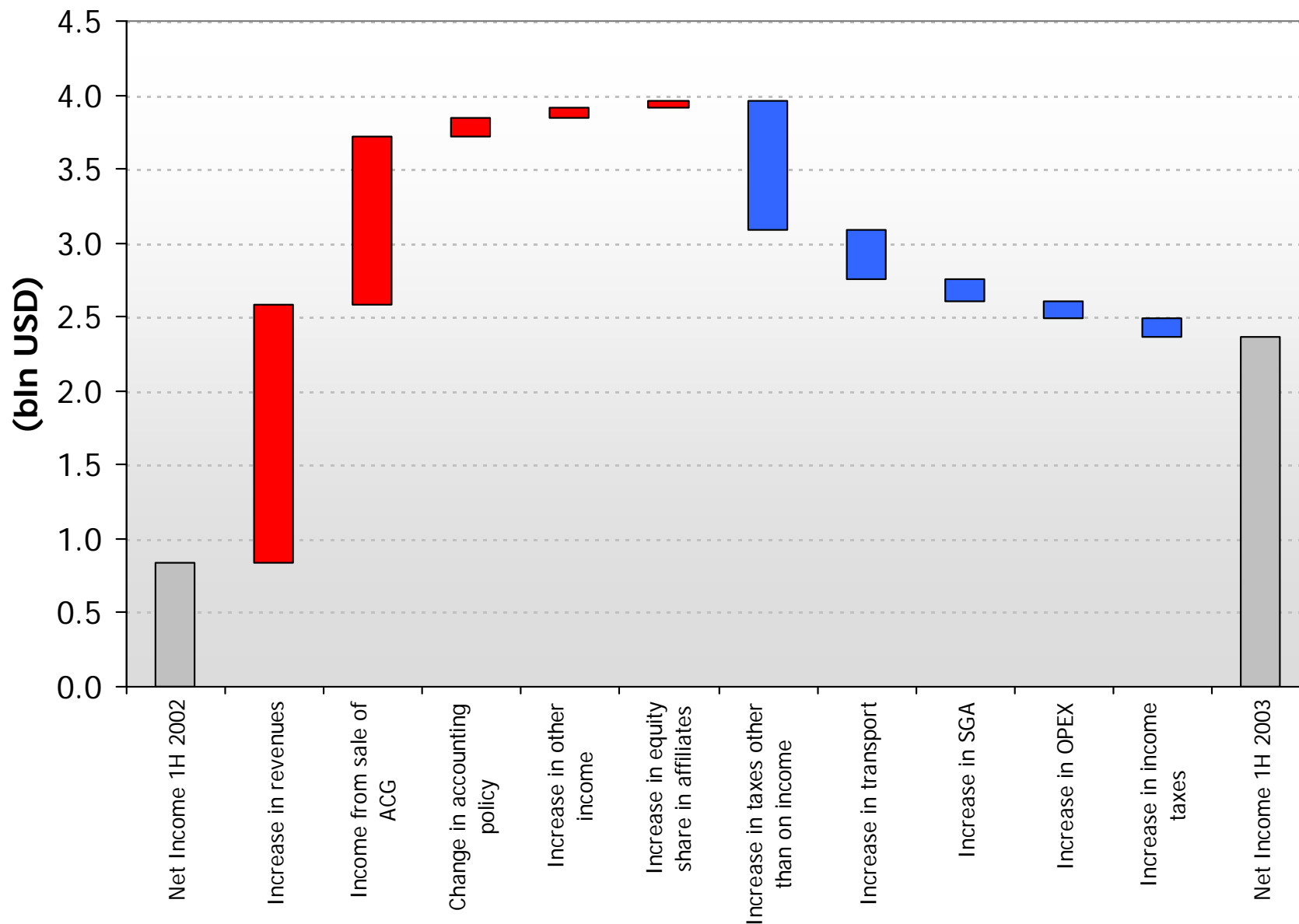
Crude Production Costs*



* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.



Net Income Reconciliation





Capex Breakdown

1H 2003	1H 2002	Capital expenditures (mln USD)	2Q 2003	1Q 2003
942	580	Exploration and production	551	391
741	498	<i>Russia, including:</i>	420	321
264	136	Timan-Pechora	173	91
50	4	Yamal	34	16
201	82	<i>International</i>	131	70
424	325	Refining / Marketing and distribution and other	247	177
336	233	<i>Russia</i>	197	139
88	92	<i>International</i>	50	38
1,366	905	Total (cash and non-cash)	798	568



- **Increase revenues**

- increase volume of oil extracted
- increase volume of refined products
- increase export of crude oil and refined products



- **Decrease expenses**

- shut-in inefficient (low-producing) wells
- put into operation new high-producing wells
- use effective and efficient service companies



- **Increase efficiency of investments**

- development of export infrastructure
- purchase new oil and gas reserves at the lowest possible price
- increase number of high-producing wells
- divesting of non-core assets