



9M 2004
Financial Results
(US GAAP)

January 2005

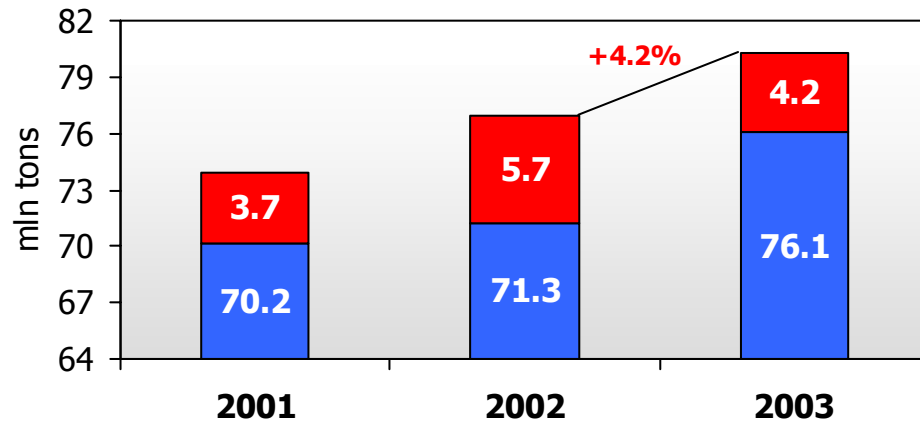
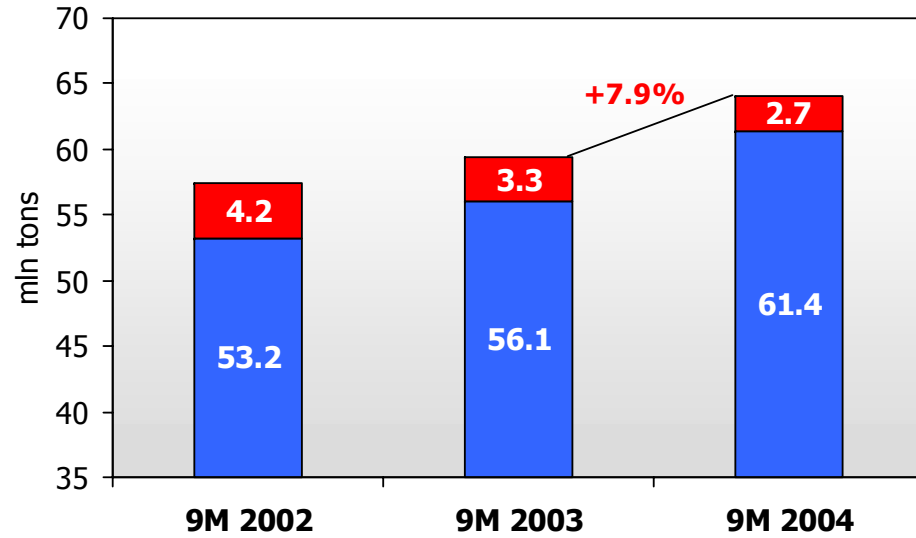


Economic Environment

9M 2004	9M 2003	Economic Environment	3Q 2004	2Q 2004
<u>Domestic Market</u>				
14.64	7.92	Realized oil (\$/bbl)	19.50	14.67
223.16	166.27	Realized petroleum products (\$/ton)	284.63	213.60
8.1	8.6	Inflation (%)	1.7	2.5
8.9	12.7	Ruble appreciation against USD (%)	1.0	0.6
8.6	9.2	Transportation expenses / sales (%)	7.2	9.2
24.5	24.1	Taxes other than income taxes / sales (%)	24.9	24.0
<u>International Market</u>				
31.33	24.37	Realized oil (\$/bbl)	36.52	30.44
352.88	275.77	Realized petroleum products (\$/ton)	385.92	352.74



Crude oil output



■ Share in affiliates' output
■ Subsidiaries' output

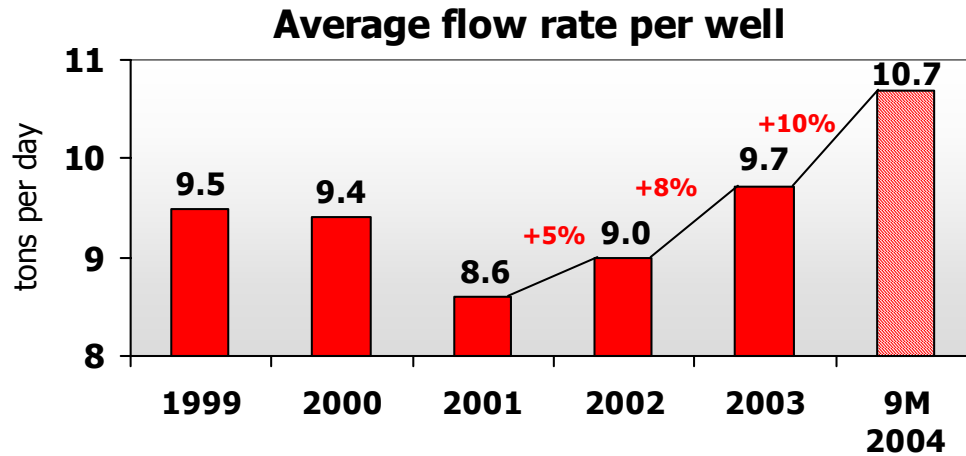


In 2004 LUKOIL posted output growth rates **double better** 2003 results

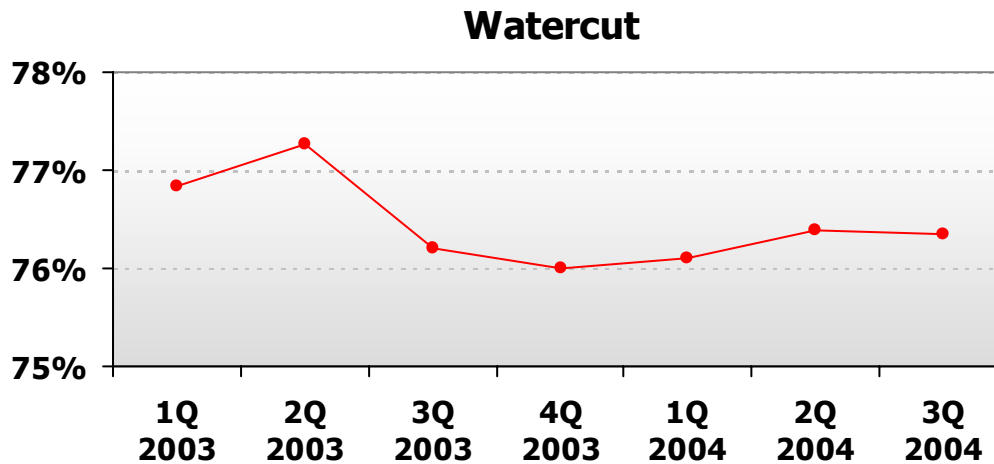
In 9M 2004 crude oil output of LUKOIL Group (subsidiaries and LUKOIL's share in affiliates) increased by **7.9 % y-o-y**, subsidiaries' output — by **9.5%**



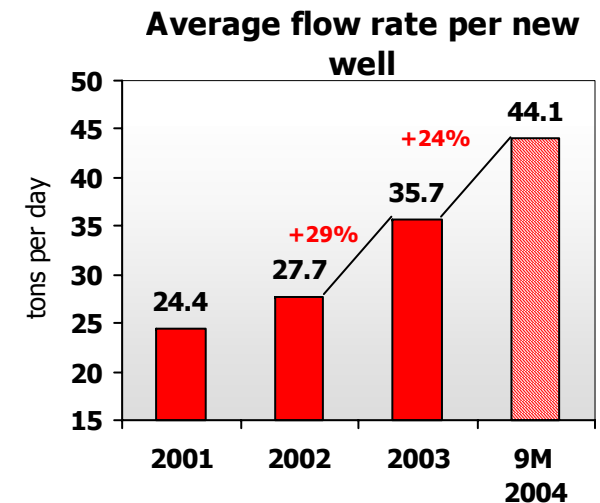
Improving efficiency of E&P



Since 2001 average flow rate per well has been steadily growing



Watercut has been stabilized



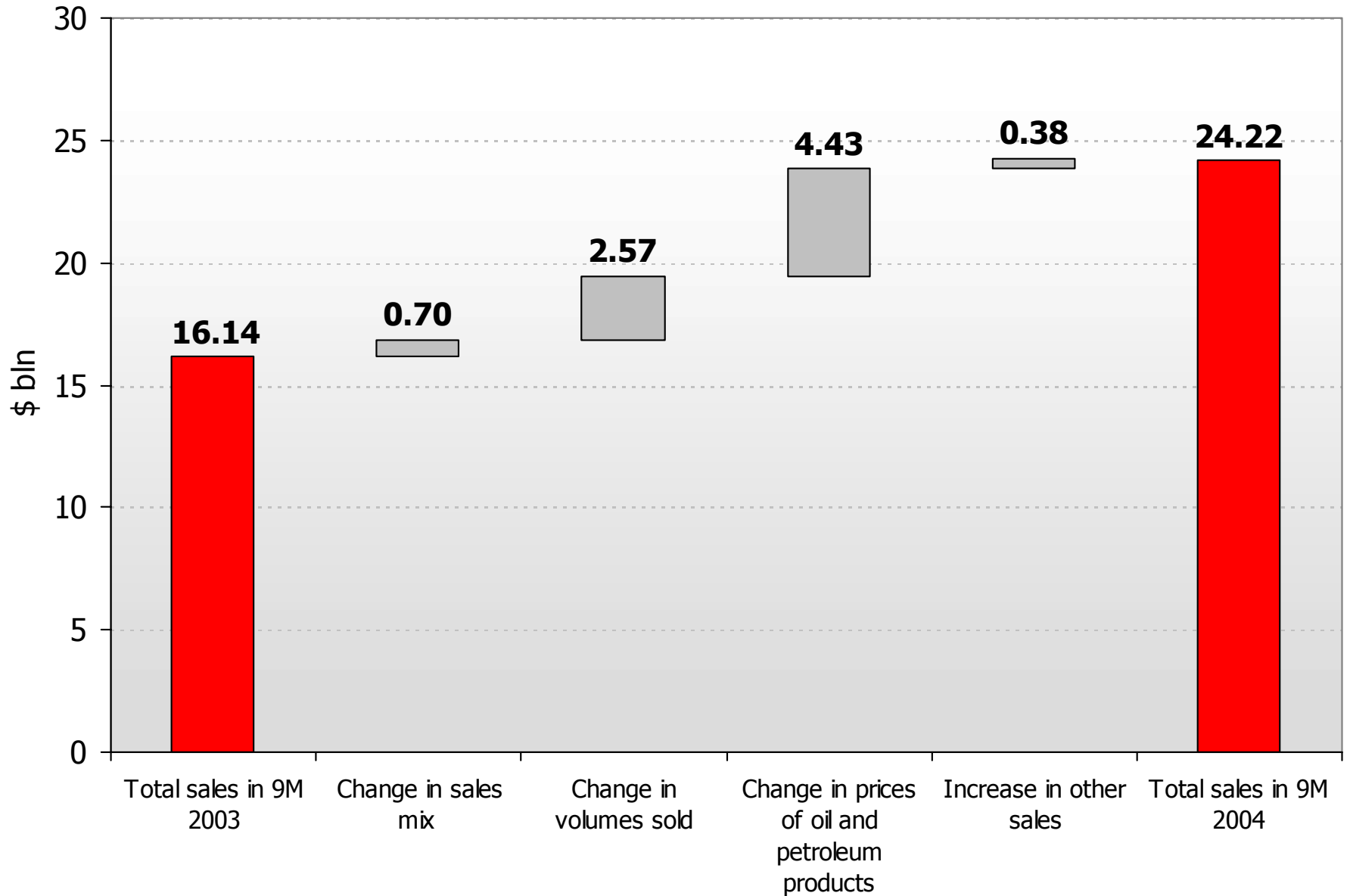


Financial Results

9M 2004	9M 2003	Financial results, mln USD	3Q 2004	2Q 2004
24,431	16,274	Total revenue	9,822	8,027
(2,101)	(2,054)	Operating expenses	(767)	(674)
(5,927)	(3,881)	Taxes other than income taxes (including excise and export tariffs)	(2,422)	(1,908)
4,444	3,626	Income from operating activities	1,979	1,390
4,339	3,634	Income before income taxes	1,932	1,269
3,095	3,065	Net Income	1,399	877
3,095	1,803	Net Income before cumulative effect of change in accounting principle and excluding gain from sale of interest in ACG	1,399	877
3.79	3.74	EPS (USD)	1.71	1.07
5,220	4,434	EBITDA	2,255	1,553



Sales Reconciliation





Sales Breakdown

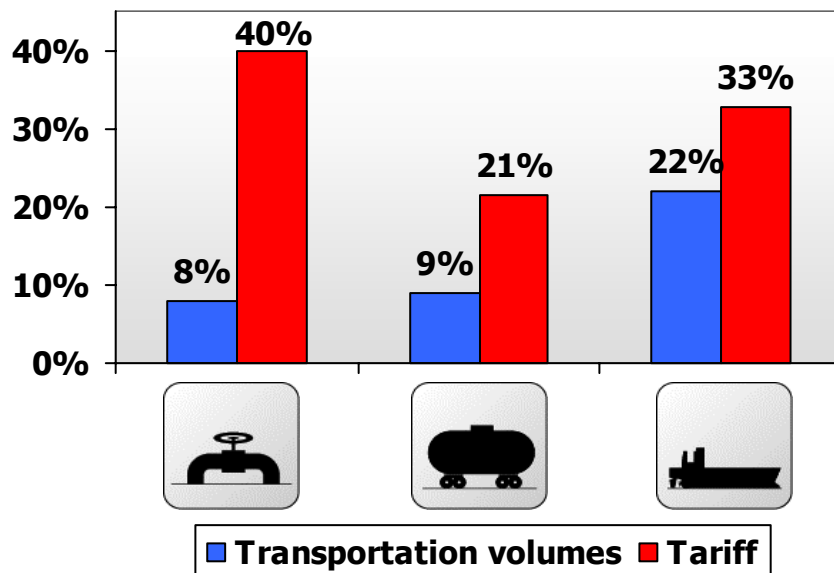
9M 2004	9M 2003	Sales breakdown	3Q 2004	2Q 2004
80.6	71.8	Export sales and sales on international markets to total volume of sales (%)	82.8	80.4
55.2	55.7	Petroleum products to total volume of sales (%)	56.7	56.0
46.4	47.9	Share of petroleum products in total export volumes and international sales (%)	48.8	46.8
55.1	56.1	Share of petroleum products in total export sales and international sales (%)	56.1	56.0

9M 2004	9M 2003	Sales in mln USD	3Q 2004	2Q 2004
7,643	4,513	International sales of crude oil (non-CIS)	3,073	2,481
475	336	Sales of crude oil within CIS	177	130
139	288	Sales of crude oil within Russia	38	33
10,787	6,870	International sales of petroleum products	4,464	3,625
3,252	2,581	Sales of petroleum products within Russia	1,322	1,074
688	522	International sales of petrochemicals	237	232
240	143	Sales of petrochemicals within Russia	86	82
993	883	Other sales	343	308
24,217	16,136	Total sales	9,740	7,965

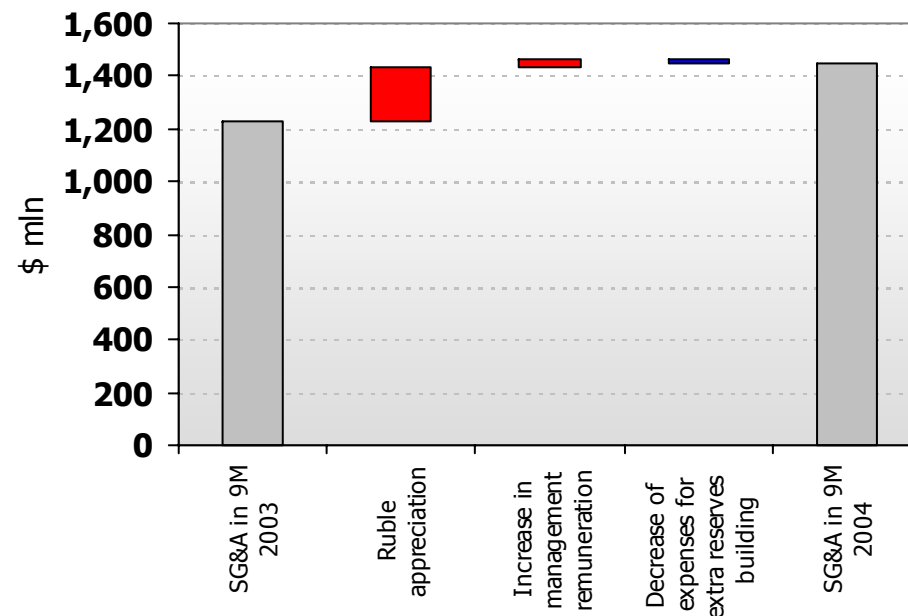


SG&A and Transportation Expenses

Transportation Expenses Change Factors (9M 2004 to 9M 2003)



SG&A reconciliation



9M 2004	9M 2003	Transportation expenses and SG&A, mln USD	3Q 2004	2Q 2004
2,080	1,483	Transportation expenses	697	734
1,445	1,231	Other selling, general and administrative expenses	523	451
3,525	2,714	Total	1,220	1,185

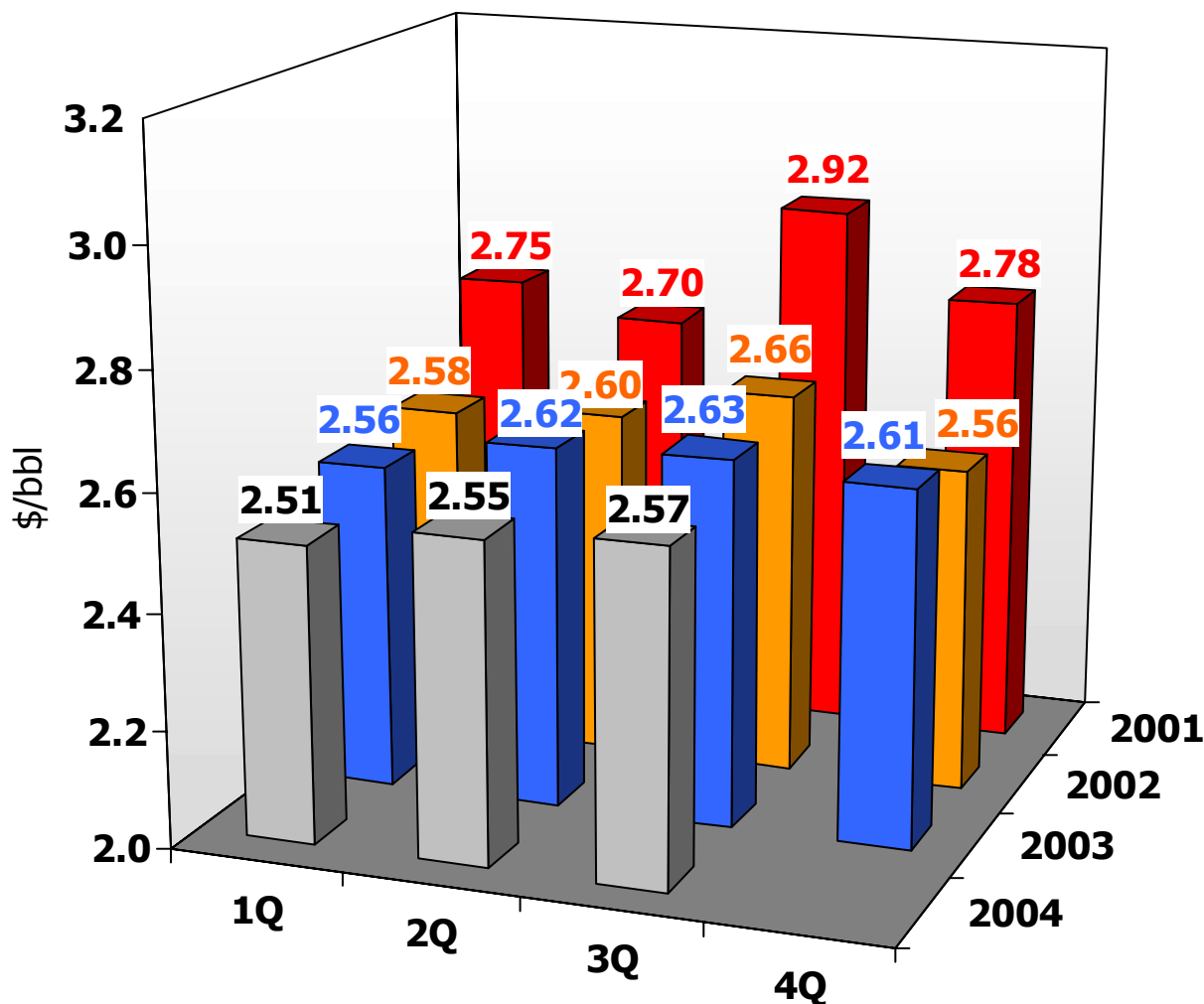


Operating Expenses

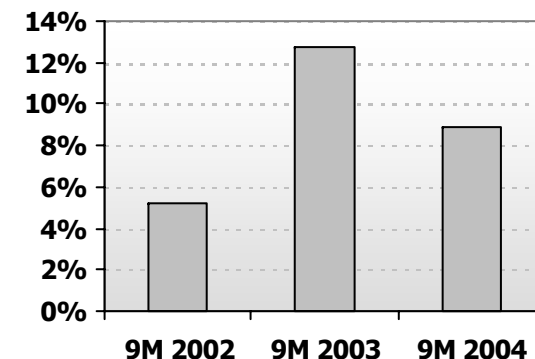
9M 2004	9M 2003	Operating expenses, mln USD	3Q 2004	2Q 2004
1,145	1,076	Extraction expenses	393	381
386	361	Refinery expenses	133	123
132	108	Petrochemical expenses	43	44
438	509	Other operating expenses	198	126
2,101	2,054	Total	767	674
7,335	4,300	Cost of purchased crude oil, petroleum and chemical products	3,007	2,501



Reducing Crude Production Costs*, Mitigating Negative Macroeconomic Effect



Ruble appreciation



In 9M 2004 LUKOIL successfully reduced crude production costs by 2.4% (in USD)

Ruble strengthened vs. US dollar by 8.9% y-o-y

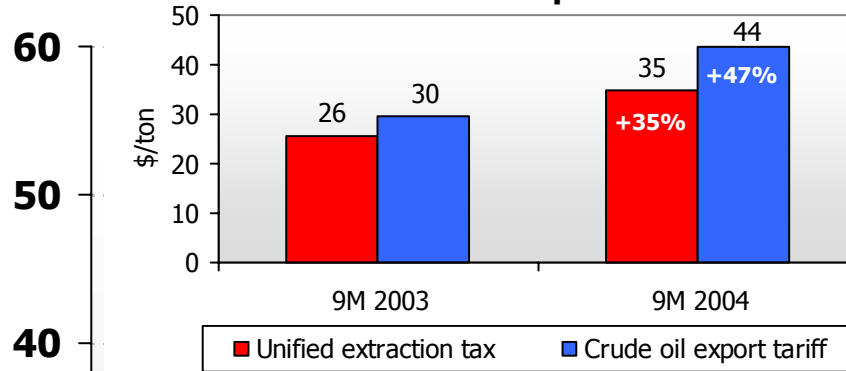
Cost reduction in real terms reached 11% y-o-y

* 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.

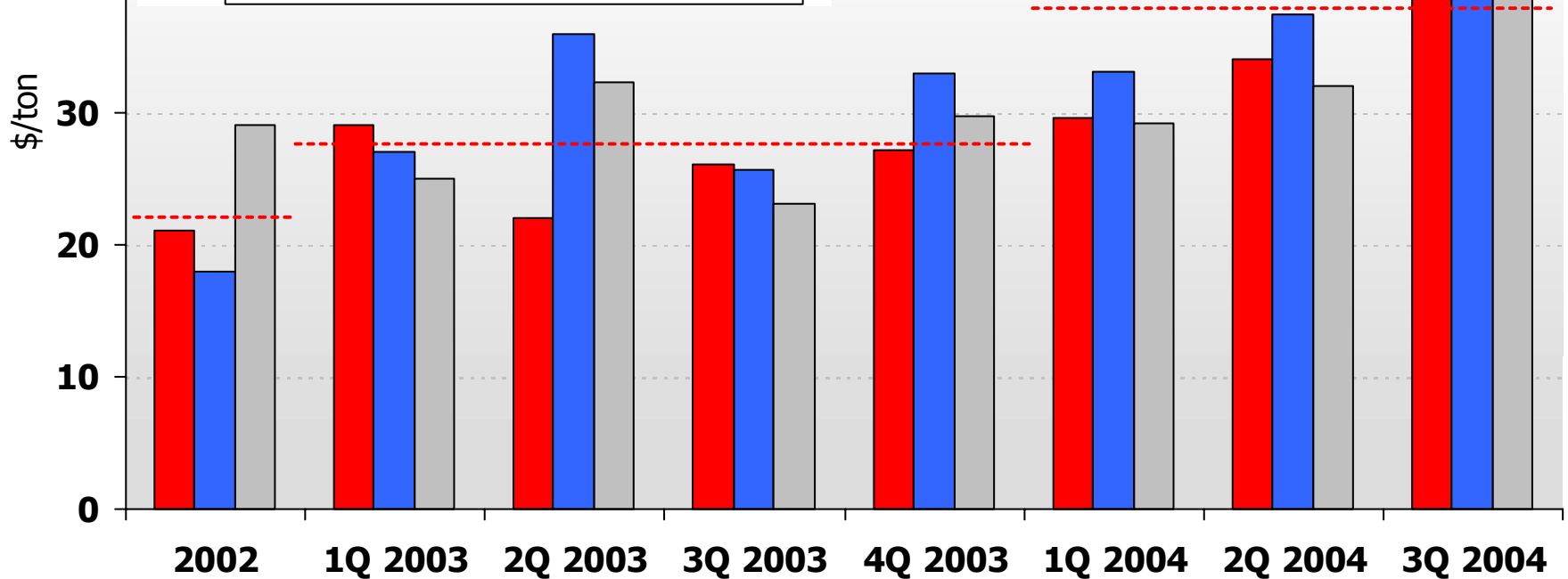


Growth of Tax Burden

Unified extraction tax and export tariffs comparison



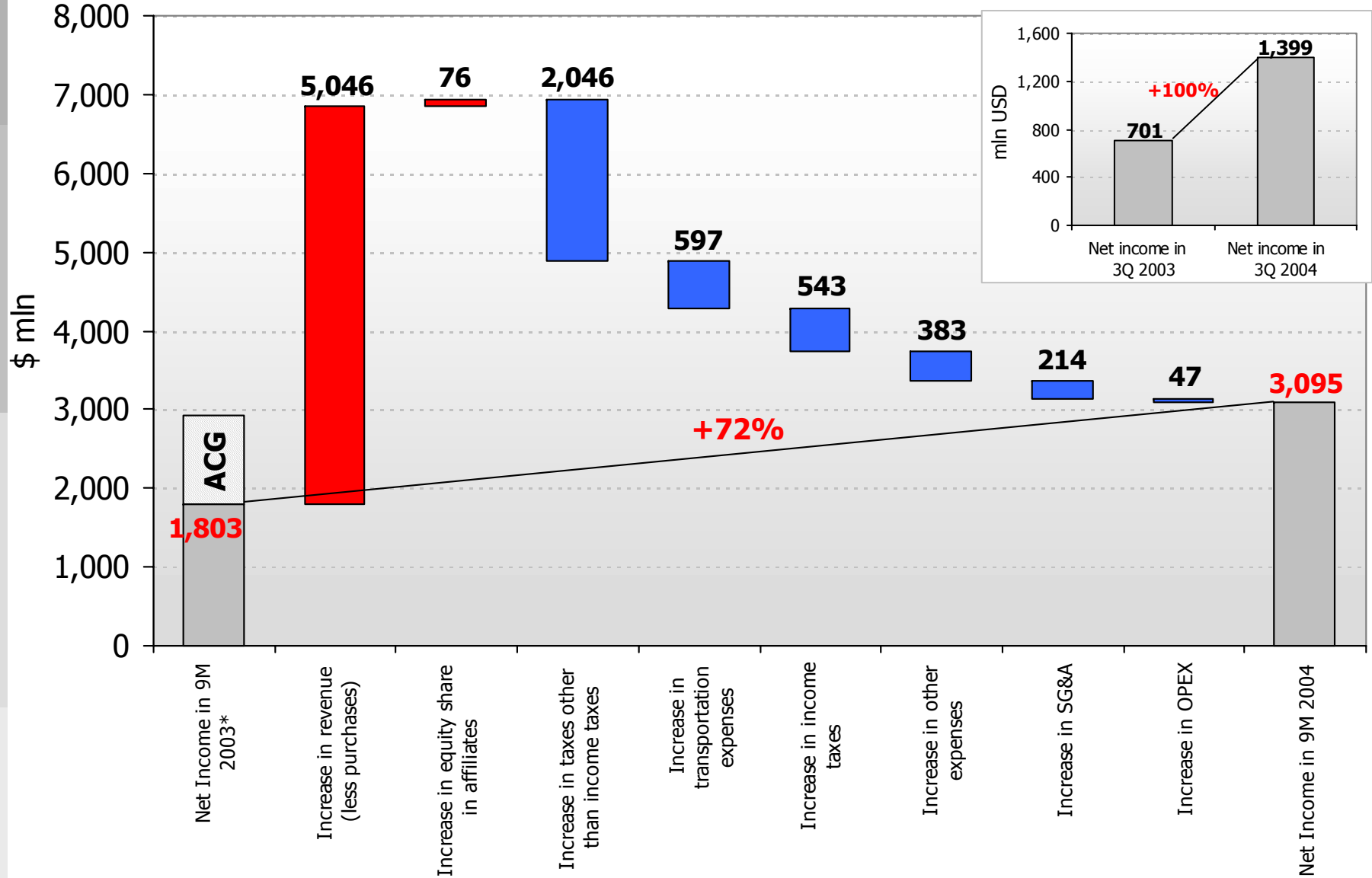
Since 2002 tax burden has been growing steadily



■ Unified extraction tax ■ Crude oil export tariff ■ Light petroleum products export tariff



Net Income Reconciliation



* Net Income excluding gain from sale of interest in ACG and before cumulative effect of change in accounting principle.



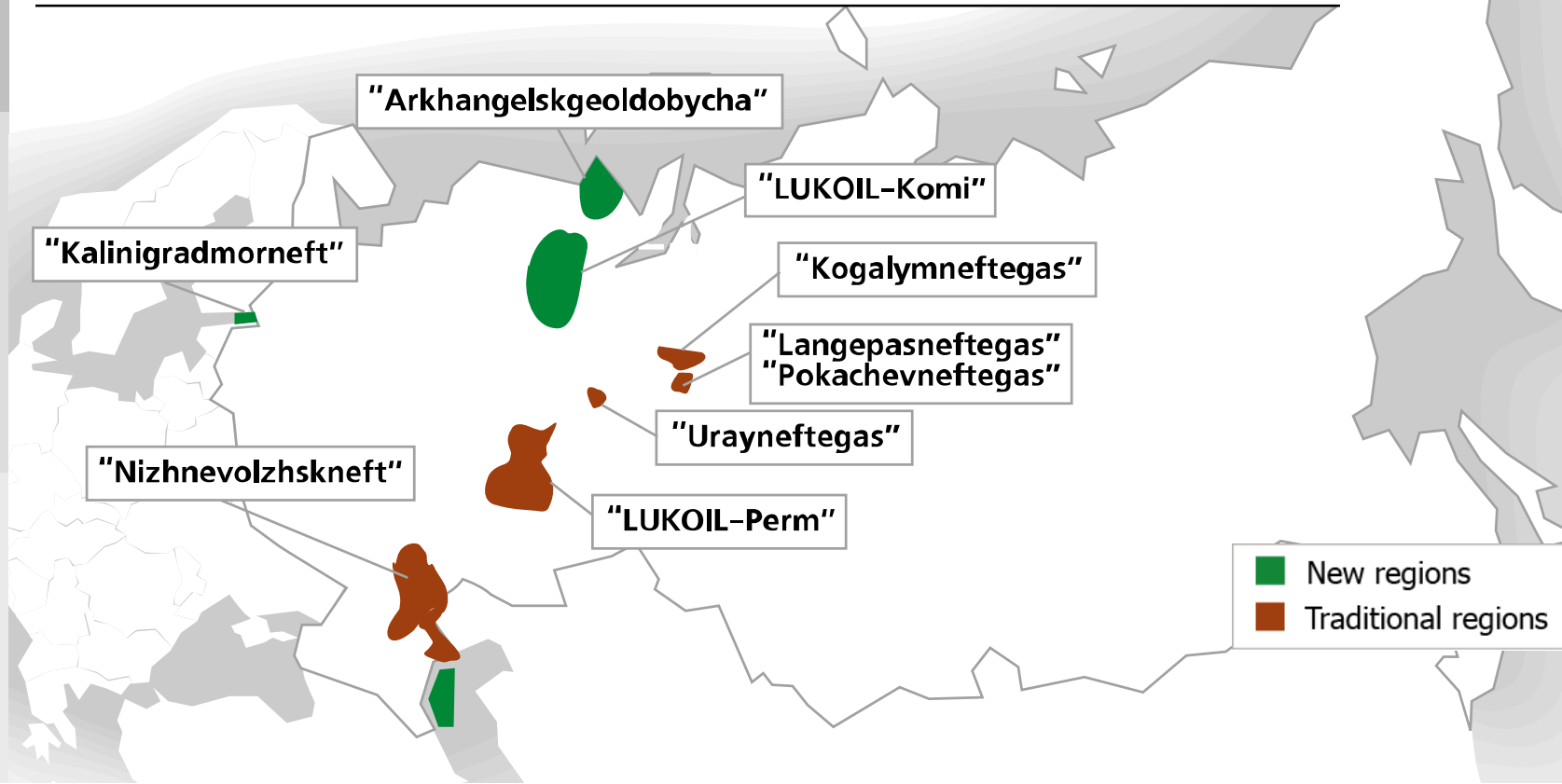
Capex Breakdown

9M 2004	9M 2003	Capital expenditures (mln USD)	3Q 2004	2Q 2004
1,461	1,324	Exploration and production	440	513
<i>1,374</i>	<i>1,106</i>	<i>Russia:</i>	<i>425</i>	<i>482</i>
400	331	Timan-Pechora (AGD)	217	99
286	96	Yamal	81	107
29	101	Caspian	2	9
<i>87</i>	<i>218</i>	<i>International</i>	<i>15</i>	<i>31</i>
840	855	Refining, Marketing and distribution and other	265	322
<i>581</i>	<i>673</i>	<i>Russia</i>	<i>212</i>	<i>207</i>
<i>259</i>	<i>182</i>	<i>International</i>	<i>53</i>	<i>115</i>
2,301	2,179	Total (cash and non-cash)	705	835



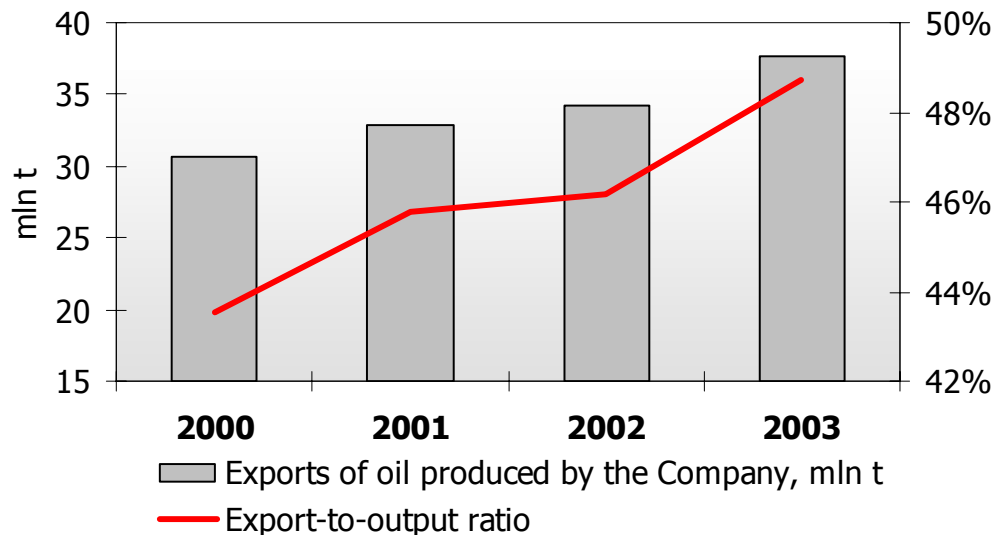
E&P Capex

Capital expenditures, mln USD	9M 2004	9M 2003	Growth (%)
Traditional regions	659	578	+14.0
New regions	715	528	+35.4
<i>Yamal</i>	<i>286</i>	<i>96</i>	<i>+197.9</i>
<i>Timan-Pechora (AGD)</i>	<i>400</i>	<i>331</i>	<i>+20.8</i>
<i>Caspian</i>	<i>29</i>	<i>101</i>	<i>-71.3</i>
Russia total	1,374	1,106	+24.2

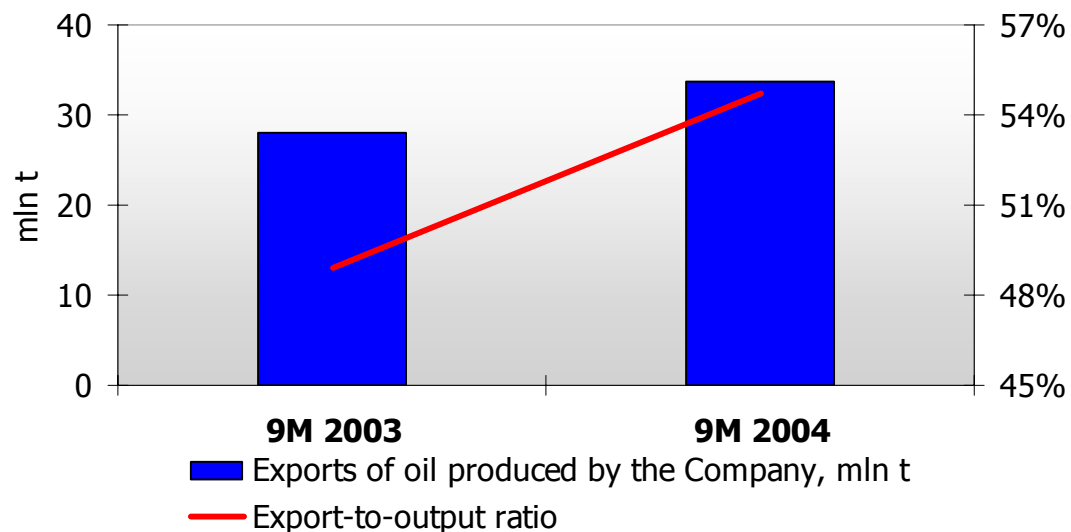




LUKOIL Boosts Oil Exports



LUKOIL oil exports outpace oil production: domestic oil production of LUKOIL Group gained 10% from 2000 to 2003 while the volume of exports rose by 23.2%



In 9 months of 2004 LUKOIL exported 33.7 mln t of oil produced in Russia*, which is 20.2% more than in the same period of 2003

LUKOIL export-to-output ratio was 54.7% in 9 months of 2004, exceeding considerably the ratio for the same period of 2003 (48.9%)

* Excluding exports of purchased oil.

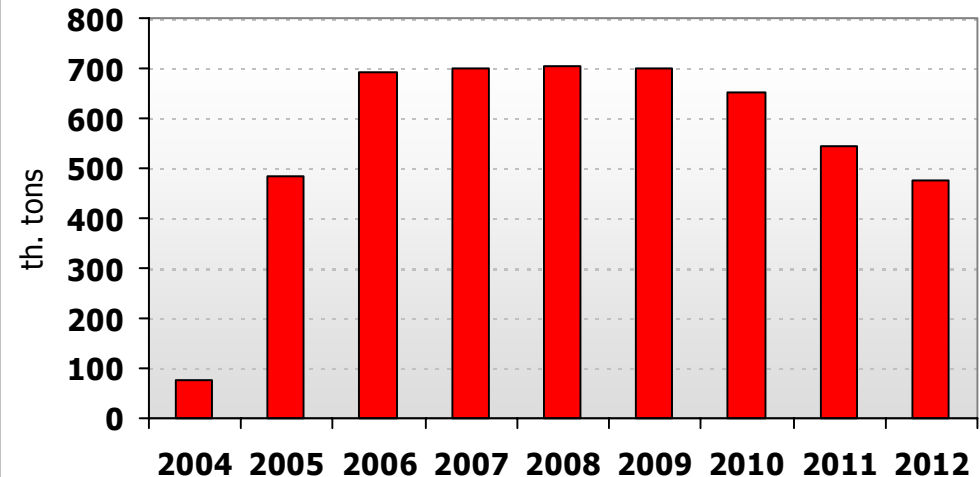


Kravtsovskoye Field (D-6): start of commercial production



- Recoverable oil reserves — 9.1 mln tons
- Infrastructure investments – 250 mln USD
- Environmental costs – 5.6 mln USD
- Start of production – June, 2004
- Life span — 20-25 years
- Distance from the shore — 23 km,
sea depth – 25-35 m
- Oil reservoir depth – 2,160 m

Production forecast



Field development is effected from an offshore ice-resistant stationary platform with "zero discharge" technology

100% of produced oil is exported via Izhevsky oil terminal

Oil production from three wells totaled 19.7 th tons in November with average flow rate per well of 220 tons per day, which exceeds Company average figure for new wells by 5 times



LUKOIL and ConocoPhillips Strategic Partnership

- **Strategic factors favor consolidation of efforts in global oil industry**
- **LUKOIL and ConocoPhillips — two major global oil companies — combine their efforts to respond to the new challenges**
 - Accelerated development of Russian oil and gas reserves
 - Technological and managerial experience exchange


ConocoPhillips

 **LUKOIL**
OIL COMPANY

Operations	• Over 40 countries	• Around 30 countries
Market Cap*	• \$60.3 bln	• \$25.0 bln
Revenues (9M 2004)	• \$96.8 bln	• \$24.4 bln
Net Income (9M 2004)	• \$5.7 bln	• \$3.1 bln
Net Margin (9M 2004)	• 5.9%	• 12.7%
Current P/E Ratio*	• 9.2	• 6.8
Reserves (2003)	• 7.8 bln boe	• 20.1 bln boe
Oil production (9M 2004)	• 0.98 mln bpd	• 1.73 mln bpd
Refining	• Largest in the U.S.	• Largest Russian/East European refiner

* As of 30/12/2004

Note: ConocoPhillips reserves are on an SEC basis; LUKOIL reserves are on an SPE basis.



Advantages of Joint Operations in Timan-Pechora

ConocoPhillips

- **Management expertise**
- **Advanced technologies**

+

LUKOIL
OIL COMPANY

- **Knowledge of the region**
- **Low cost development of the fields in the region**

=

OPERATIONAL EXCELLENCE

The start of joint operations of ConocoPhillips and LUKOIL in Timan-Pechora will give an impulse to the development of the province

- At the initial stage ConocoPhillips will invest over \$400 mln to Timan-Pechora JV through LUKOIL with 30% of capex requirement thereafter
- ConocoPhillips will help LUKOIL to expand the Varandey terminal for export of the oil produced in the province





EGM

24 January 2005



Strategic Alliance with ConocoPhillips - Corporate Governance Aspect



- **ConocoPhillips becomes strategic equity investor**
 - Purchased 7.6% of LUKOIL shares through government privatization process
 - Permitted to acquire up to 20% of LUKOIL shares
 - Holding period at least 4 years
 - Comprehensive shareholder agreement details governance
- **Main corporate governance principles**
 - Representation on LUKOIL Board (up to 2 members)
 - Membership of Board Committees
 - Charter amendments requiring unanimous Board approval of certain key decisions
- **Board of Directors of LUKOIL approved the key terms of a strategic partnership with ConocoPhillips on September 29, 2004**
- **EGM called by shareholders to elect new Board of Directors and approve Charter amendments**



Election of the new Board of Directors



Structure of Current Board of Directors

Chairman

Elected at the AGM
June 24, 2004



Valery Grayfer
Chairman of the Board of Directors of OAO "Lukoil",
General Director of OAO "RITEK"

Executive directors



Vagit Alekperov
President of OAO "LUKOIL"



Ravil Maganov
First Vice-President of OAO "LUKOIL"

Chairmen of BoD committees



Oleg Kutafin
Rector (President) of the Moscow State Academy of Law. Chairman of the Audit Committee of OAO "LUKOIL"



Mark Mobius
Managing Director of Templeton Asset Management Ltd.
Chairman of the Committee on Personnel and Remuneration of OAO "LUKOIL"



Richard H. Matzke
Former Vice-Chairman of the Board of Directors of Chevron Corporation (2000-2002). Chairman of the Strategy and Investment Committee of OAO "LUKOIL"

Non-executive directors



Nikolai Tsvetkov
Chairman of OAO "AKB AVTOBANK-NIKOIL"



Alexander Braverman
President of the Non-Profit Organisation "Russian Marketing Association"



Sergei Mikhailov
General Director of OOO "Management-Consulting"



Igor Sherkunov
Chairman of the Board of Directors of Capital Investment Group



Mikhail Bereznoi
General Director of the Non-State Pension Fund Lukoil-GARANT



Candidates to the New Board of Directors



Valery Grayfer

General Director of OAO
"RITEK"



Vagit Alekperov

President of OAO "LUKOIL"



Ravil Maganov

First Vice-President of OAO "LUKOIL"



Nikolai Tsvetkov

Chairman of "OAO AKB
AVTOBANK-NIKOIL"



Igor Sherkunov

Chairman of the Board of Directors
of Capital Investment Group



Mikhail Bereznoi

General Director of the Non-State
Pension Fund Lukoil-GARANT



Oleg Kutafin

Rector (President) of the
Moscow State Academy of Law.



Richard H. Matzke

Former Vice-Chairman of the
Board of Directors of Chevron
Corporation, ChevronTexaco
Corporation (2000-2002)



Sergei Mikhailov

General Director of OOO
"Management-Consulting"



Alexander Shokhin

Chairman of the Supervisory
Board of Renaissance Capital



Kevin O. Meyers

President of Russia/Caspian
Region, ConocoPhillips



Tatiana Yesaulkova

General Director of OOO
"Specialized Depository
Company GARANT"



Information on Members and Candidates

		Current members of the BoD	Memebers of BoD committees			Candidates to the New BoD	Directors		
			Audit	Strategy and Investment	Personnel and Remuneration		Executive	Non-executive	Independent Russian Standards
1	Vagit Alekperov	✓	✓	✓	✓	✓	✓		
2	Mikhail Bereznoi	✓	✓			✓		✓	
3	Alexander Braverman	✓						✓	✓
4	Valery Grayfer	✓				✓		✓	
5	Oleg Kutafin	✓	✓			✓		✓	✓
6	Ravil Maganov	✓		✓		✓	✓		
7	Richard H. Matzke	✓		✓		✓		✓	✓
8	Kevin O. Meyers					✓			✓
9	Sergei Mikhailov	✓	✓		✓	✓		✓	✓
10	Mark Mobius	✓			✓			✓	✓
11	Igor Sherkunov	✓		✓		✓		✓	
12	Alexander Shokhin					✓			✓
13	Nikolai Tsvetkov	✓			✓	✓		✓	
14	Tatiana Yesaulkova					✓			✓



Approval of Amendments and Addenda to LUKOIL's Charter



Enhancement of Shareholder Governance Rights

Charter amendments add to requirements of the Russian Federal Law “On Joint-Stock Companies” regarding approval of “major transactions”:

- **by General Shareholders Meeting**

under the Law approval is necessary for any transaction worth over 50% of unconsolidated balance sheet value; the amendments also make shareholder approval necessary for a series of related transactions over that value.

- **by Board of Directors**

amendments are intended to enhance the BoD role and give any director right to block certain major decisions.





Unanimous Board Approval of Key Decisions

- **Equity issuance**
Increasing the Company's Charter capital by more than 10 percent or issuance of securities convertible into more than 10 percent of shares (12-month period)
- **Reorganization**
Proposal to dissolve or liquidate the Company
- **Extraordinary Dividends**
Recommendation to pay dividends exceeding consolidated net profit of LUKOIL Group
- **Recommendation to change the Charter**
Any amendments to list of matters requiring unanimous Board approval
- **Major Transactions**

Increasing protection of the minority rights by substantially enhancing Board authorities



Approving Major Transactions

Unanimous Board Approval required

- Transactions from 25% to 50% of balance sheet value
- Transactions in excess of 7.5% of consolidated total assets of LUKOIL Group not related to core activity
- Involving significant subsidiaries in excess of 7.5% of consolidated total assets of LUKOIL

Deadlock resolution

In case of deadlock on approving transactions in excess of 10% of balance sheet value , the BoD may submit it for decision by the General Shareholders Meeting



Substantial extension of the requirements of the Russian Federal Law "On Joint-Stock Companies"

Steps are being taken to ensure that all major decisions by significant subsidiaries are approved by the LUKOIL Board



Significant Subsidiary Criteria

- has assets exceeding 10% of consolidated Group assets, or
- has income exceeding 10% of consolidated Group income, or
- receives LUKOIL investments exceeding 10% of consolidated Group assets

Major decisions

- Liquidation and Reorganization (except where participation remains over 90%)
- Transaction with value exceeding 7.5% of consolidated Group assets

Action plan

- Charters and internal documents to be amended correspondingly
- Appropriate control to be put in place by LUKOIL



Voting Information for ADR Holders

Meeting details

Extraordinary General Meeting of Company Shareholders, to be held on January 24, 2005, at Company headquarters (Moscow, Russia)

Record date

December 9, 2004

Cut-off date for ADR voting

12:00 p.m. on January 18, 2005

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- **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



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.