



ОАО ЛУКОЙЛ

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended March 31, 2001
(unaudited)

OAO LUKOIL
Interim Consolidated Balance Sheet
(Millions of US dollars, unless otherwise noted)

	As of March 31, 2001 (unaudited)	As of December 31, 2000
Assets		
Current assets		
Cash and cash equivalents	1,153	1,137
Short term investments	345	229
Accounts and notes receivable (less provisions of \$ 126 million and \$ 125 million as of March 31, 2001 and December 31, 2000, respectively)	2,920	2,972
Inventories	801	719
Prepaid taxes and other expenses	906	675
Other current assets	548	362
Total current assets	6,673	6,094
Investments	512	423
Property, plant and equipment	10,154	9,906
Deferred income tax assets	141	201
Goodwill and intangible assets	275	278
Other non-current assets	340	207
Total assets	18,095	17,109
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	2,069	2,221
Short-term borrowings and current portion of long-term debt	1,107	829
Taxes payable	584	404
Other current liabilities	288	238
Total current liabilities	4,048	3,692
Long-term debt	1,526	1,483
Deferred income tax liabilities	252	284
Other long-term liabilities	171	147
Minority interest in subsidiary companies	974	984
Total liabilities	6,971	6,590
Stockholders' equity		
Common stock		
(757 million shares of par value of 0.025 rubles each, authorized as of March 31, 2001 and December 31, 2000; 738 million shares issued as of March 31, 2001 and December 31, 2000; 713 million and 715 million shares outstanding as of March 31, 2001 and December 31, 2000, respectively)	14	14
Preferred stock		
(77 million shares of par value of 0.025 rubles each, authorized and issued as of March 31, 2001 and December 31, 2000; 77 million shares outstanding as of March 31, 2001 and December 31, 2000)	1	1
Treasury stock at cost		
(common and preferred stock, at cost; 25 million and 23 million shares as of March 31, 2001 and December 31, 2000, respectively)	(396)	(376)
Additional paid-in capital	2,897	2,895
Retained earnings	8,618	7,994
Accumulated other comprehensive loss	(10)	(9)
Total stockholders' equity	11,124	10,519
Total liabilities and stockholders' equity	18,095	17,109

President of OAO LUKOIL
Alekperov V. Y.

First Vice-President of OAO LUKOIL
Kukura S.P.

OA O LUKOIL
Interim Consolidated Statement of Income
(Millions of US dollars, unless otherwise noted)

	For the three months ended March 31, 2001 (unaudited)
Revenues	
Sales (including excise and export tariffs)	3,532
Equity share in income of affiliates	31
Total revenues	3,563
Costs and other deductions	
Operating expenses	(1,068)
Selling, general and administrative	(631)
Depreciation, depletion and amortization	(217)
Taxes other than income taxes	(255)
Excise and export tariffs	(506)
Exploratory expenses	(19)
Income from operating activity	867
Interest expense	(33)
Interest and dividend income	53
Currency translation loss	(45)
Other non-operating income	22
Minority interests	(22)
Income before income taxes	842
Current income taxes	(183)
Deferred income taxes	31
Total income taxes	(152)
Net income	690
Basic earnings per share of common stock (US dollars)	0.87
Diluted earnings per share of common stock (US dollars)	0.86

OA O LUKOIL
Interim Consolidated Statement of Stockholders' Equity
(Millions of US dollars)

	Stockholders equity (unaudited)	Comprehensive income (unaudited)
Common stock		
Outstanding at March 31, 2001 and December 31, 2000	14	
Preferred stock		
Outstanding at March 31, 2001 and December 31, 2000	1	
Treasury stock		
Balance at January 1, 2001	(376)	
Treasury stock purchased	(53)	
Treasury stock sold	33	
Balance at March 31, 2001	(396)	
Additional paid-in capital		
Balance at January 1, 2001	2,895	
Treasury stock transaction	2	
Balance at March 31, 2001	2,897	
Retained earnings		
Balance at January 1, 2001	7,994	
Net income	690	690
Dividends on preferred stock	(66)	
Dividends on common stock	-	
Balance at March 31, 2001	8,618	
Accumulated other comprehensive loss		
Balance at January 1, 2001	(9)	
Foreign currency translation adjustment	(1)	(1)
Balance at March 31, 2001	(10)	
Total comprehensive income for the period		689
Total stockholders' equity as of March 31, 2001	11,124	

	Share activity (millions of shares) (unaudited)
Common stock	
Balance March 31, 2001 and December 31, 2000	738
Preferred stock	
Balance at March 31, 2001 and December 31, 2000	77
Treasury stock	
Balance at January 1, 2001	(23)
Purchase of treasury stock	(5)
Sales of treasury stock	3
Balance at March 31, 2001	(25)

OA O LUKOIL
Consolidated Statements of Stockholders' Equity
(Millions of US dollars)

	For the three months ended March 31, 2001 (unaudited)
Cash flows from operating activities	
Net income	690
Adjustments for non-cash items	
Depreciation, depletion and amortization	217
Equity share in income of affiliates	(31)
Deferred income taxes	(31)
Non-cash currency translation gain	(12)
Non-cash investing activities	(8)
Exploratory expenses	19
All other items – net	4
Changes in operating assets and liabilities:	
Accounts and notes receivable	55
Inventories	(82)
Accounts payable	(138)
Taxes payable	178
Other current assets and liabilities	(464)
Net cash provided by operating activities	397
Cash flows from investing activities	
Capital expenditures	(520)
Proceeds from sale of property, plant and equipment	9
Purchases of investments	(159)
Proceeds from sale of investments	9
Acquisition of OOO PermNeftegaspererabotka and minority interest in Getty Petroleum Inc., net of cash acquired	(26)
Net cash used in investing activities	(687)
Cash flows from financing activities:	
Net movements of short-term borrowings	339
Proceeds from issuance of long-term debt	77
Principal payments of long-term debt	(122)
Dividends paid	(5)
Purchase of treasury stock	(53)
Proceeds from sale of treasury stock	35
Other – net	36
Net cash provided by financing activities	307
Effect of exchange rate changes on cash and cash equivalents	(1)
Net increase in cash and cash equivalents	16
Cash and cash equivalents at beginning of the period	1,137
Cash and cash equivalents at end of the period	1,153
Supplemental disclosures of cash flow information	
Interest paid	53
Income tax paid	162

Note 1 Basis of Financial Statement presentation

The accompanying consolidated interim financial statements of OA O LUKOIL (hereinafter the “Company”) and its subsidiaries (the “Group”) for the period ended March 31, 2001 have not been audited by independent accountants, except for the balance sheet at December 31, 2000. In the opinion of the Company’s management, the interim data include all adjustments and disclosures necessary to present fairly the Group’s results of operations, financial position and cash flow for the interim period. These adjustments were of a normal recurring nature. All accounting policies described in Group’s 2000 Annual Consolidated Financial Statements have been consistently applied in preparing the unaudited financial statements for the three-month period ended March 31, 2001, except for the adoption of SFAS No. 133, as discussed in Note 2.

The Company did not prepare interim financial statements in accordance with generally accepted accounting principles of the United States of America for the three-month period ended March 31, 2000, therefore, the accompanying consolidated interim financial statements of the Group do not include comparative information for the statements of income and cash flows.

Certain notes and other information have been condensed or omitted from the interim financial statements. Therefore, these financial statements should be read in conjunction with the Group’s 2000 Annual Consolidated Financial Statements.

The results for the three-month period ended March 31, 2001, are not necessarily indicative of future financial results.

Foreign currency translation

The Company reports to the Russian authorities in rubles and the accounting records of operations in the Russian Federation are maintained in that currency. The Russian ruble is not a convertible currency outside the Russian Federation and, accordingly, any conversion of Russian ruble amounts to US dollars should not be construed as a representation that Russian ruble amounts have been, could be, or will in the future, be converted into US dollars at the exchange rate shown, or at any other exchange rate.

For the purposes of presenting financial statements prepared under US GAAP, the US dollar is considered to be the reporting currency of the Company. In accordance with Statement of Financial Accounting Standards No. 52, Foreign Currency Translation, as Russia is considered to be a hyperinflationary economy, the functional currency of the Company, for US GAAP purposes, is also the US dollar. As a result, for operations in the Russian Federation or other economies considered to be hyperinflationary, monetary assets and liabilities have been translated at the rate prevailing at each balance sheet date. Non-monetary assets and liabilities have been translated at historical rates. Revenues, expenses and cash flows have been translated at rates, which approximate actual rates at the date of transaction. Translation differences resulting from the use of these rates have been accounted for in the consolidated statement of income.

The assets and liabilities of the Company’s foreign operations are generally translated into US Dollars at current exchange rates and revenues and expenses are translated at average exchange rates for the period presented. Resulting translation adjustments are reflected as a separate component of stockholders’ equity. Foreign currency transaction gains and losses are included in the consolidated statement of income.

Note 1 Basis of Financial Statement presentation (continued)

A significant portion of the Company's balances and transactions are denominated in rubles and currencies of developing or emerging markets. As a result, future movements in the exchange rate between the Russian ruble and other currencies and the US dollar will affect the carrying value of the Company's monetary assets and liabilities. Such changes may also affect the Company's ability to realize non-monetary assets.

As of March 31, 2001 and as of December 31, 2000, the exchange rate for \$1 US dollar was 28.74 and 28.16 Russian rubles, respectively.

Note 2 Adoption of SFAS No. 133 and SFAS No. 138

On January 1, 2001, the Group adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". These standards establish new accounting and disclosure requirements for most derivative instruments and hedge transactions involving derivatives. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. The cumulative effects of adoption of these standards on net income and other comprehensive income were not material to net income for the three months ended March 31, 2001 and stockholders' equity at January 1, 2001.

Note 3 Income taxes

Income tax rate in Russian Federation has been changed from 30% to 35% since January 1, 2001.

Note 4 Information relating to the Statement of Cash Flows

Cash and cash equivalents

	As of March 31, 2001	As of December 31, 2000
Cash held in Russian rubles	369	142
Cash held in other currencies	784	995
Total cash balance	1,153	1,137

Short term-borrowings

The majority of short-term borrowings received during the period were USD loans from various third parties.

Investments

Investments acquired during the period include short-term bank deposits totaling \$145 million.

Note 5 Business combination

In January 2001, the Group acquired 28% of shares in Getty Petroleum Marketing Inc. for \$20 million thereby increasing the Group's ownership stake in Getty Petroleum Marketing Inc. to 100%.

Note 6 Earnings per share

	For the three months ended March 31, 2001
Net income	690
Dividends on preferred shares	(66)
Net income related to common shares	624
Add back convertible debt interest (net of tax at effective rate)	
3.5% Convertible US dollar bonds, maturing 2002	4
1% Convertible US dollar bonds, maturing 2003	6
Total diluted net income	634
Weighted average number of outstanding common shares (thousands of shares)	714,427
Add back treasury shares held in respect of convertible debt (thousands of shares)	21,675
Weighted average number of outstanding common shares, after dilution (thousands of shares)	736,102

Note 7 Segment information

Presented below is information about the Company's operating segments for the period ended March 31, 2001, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, "*Disclosures about Segments of an Enterprise and Related Information*". The Company has determined its operating segments based on differences in the nature of their operations. Management on a regular basis assesses the performance of these operating segments. The exploration and production segments explore for, develop and produce primarily crude oil. The refining, marketing and distribution segments process crude oil into refined products and purchase, sell and transport crude oil and refined petroleum products.

The Company has the following segments: exploration and production in Western Siberia, exploration and production in European Russia, and refining, marketing and distribution.

Note 7 Segment information (continued)

Operating segments

For the three months ended March 31, 2001

	Exploration and production	Refining marketing and distribution	Other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	390	3,113	29	-	3,532
Inter-segment	1,007	107	24	(1,138)	-
Total revenues	1,397	3,220	53	(1,138)	3,532
Operating expenses	531	1,108	43	(614)	1,068
Depletion, depreciation and amortization expense	147	68	2	-	217
Interest expense	20	22	6	(15)	33
Income tax expense	82	67	3	-	152
Net income	295	387	8	-	690
Total assets	9,776	9,527	684	(1,892)	18,095
Capital expenditure	380	126	3	-	509

Geographical segments

	For the three months ended March 31, 2001
Sales of crude oil within Russia	281
Export of crude oil and sales of oil of foreign subsidiaries	905
Sales of refined product within Russia	527
Export of refined product and sales of refined products of foreign subsidiaries	1,309
Other sales within Russia	383
Other export sales and other sales of foreign subsidiaries	127
Total sales	3,532

Crude oil and oil product sales volume information is presented in the table below:

	For the three months ended March 31, 2001 (thousands of tonnes)
Sales of crude oil within Russia	4,138
Export of crude oil and sales of oil of foreign subsidiaries	5,608
Sales of refined product within Russia	3,155
Export of refined product and sales of refined products of foreign subsidiaries	4,347
Total sales volume	17,248

Note 7 Segment information (continued)

For the three months ended March 31, 2001

	Western Siberia	European Russia	International	Elimination	Consolidated
Sales and other operating revenues					
Third parties	91	1,269	2,172	-	3,532
Inter-segment	578	1,444	10	(2,032)	-
Total revenues	669	2,713	2,182	(2,032)	3,532
Operating expenses	278	444	1,853	(1,507)	1,068
Depletion, depreciation and amortization expense	82	100	35	-	217
Interest expense	1	15	18	(1)	33
Income tax expense	34	105	13	-	152
Net income	87	523	80	-	690
Total assets	4,870	11,272	3,840	(1,887)	18,095
Capital expenditure	134	340	37	(2)	509

Note 8 Subsequent events

Shares of common stock

The Company has acquired 74% of the shares in OAO Arkhangelskgeoldobycha in exchange for 17,710,697 shares of common stock and cash consideration of \$130 million. The Company has exchanged 720,724 shares of common stock for 13% and 22% of the minority interest shareholding of OAO LUKOIL Ukhtaneftepererabotka and OAO LUKOIL - Kominefteproduct, respectively.

The shares of OAO Arkhangelskgeoldobycha were held by LUKOIL - GARANT, a related party, and LUKOIL Finance Limited, a Group company. The exchange was finalized on April 27, 2001. These shares were part of a registration of 18,600,000 shares of common stock with the Russian Federal Securities Commission on December 7, 2000. The remaining 168,579 shares will be sold to the public.

At the shareholders' meeting of June 28, 2001, it was decided to issue an additional 94,000,000 ordinary registered shares of par value of 0.025 rubles each, 77,211,864 ordinary shares intended for the exchange of Company's preferred shares in a ratio of one to one, other 16,788,136 ordinary shares intended to be sold at a stock market.

Business combinations

In July 2001, the Company announced its intention to acquire 100% of the share capital of Bitech Petroleum Corporation ("Bitech") through its subsidiary, LUKOIL Overseas Holding Limited for \$80 million. Bitech is a Canadian oil exploration company with operations predominantly within the Komi Republic in the Russian Federation.

Note 8 Subsequent events (continued)

In August 2001, LUKOIL Overseas Holding Limited, the Group's subsidiary, and the Cyprian company Aminex Production Company Limited have entered into the agreement, under which LUKOIL Overseas Holding Limited acquires 55% of the share capital of OOO AmKomi for \$39 million, thereby increasing the Group's ownership stake in OOO AmKomi to 60%. OOO AmKomi is an oil exploration company with operations predominantly within the Komi Republic of the Russian Federation.

In August 2001, the Company announced its intention to acquire 50% of the share capital of OOO Permtex through its subsidiary, LUKOIL Overseas Holding Limited for \$50 million, thereby to increase the Group's ownership stake in OOO Permtex to 100%. OOO Permtex is a Russian oil exploration company with operations predominantly within the European part of the Russian Federation.