



9M 2003 Financial Results

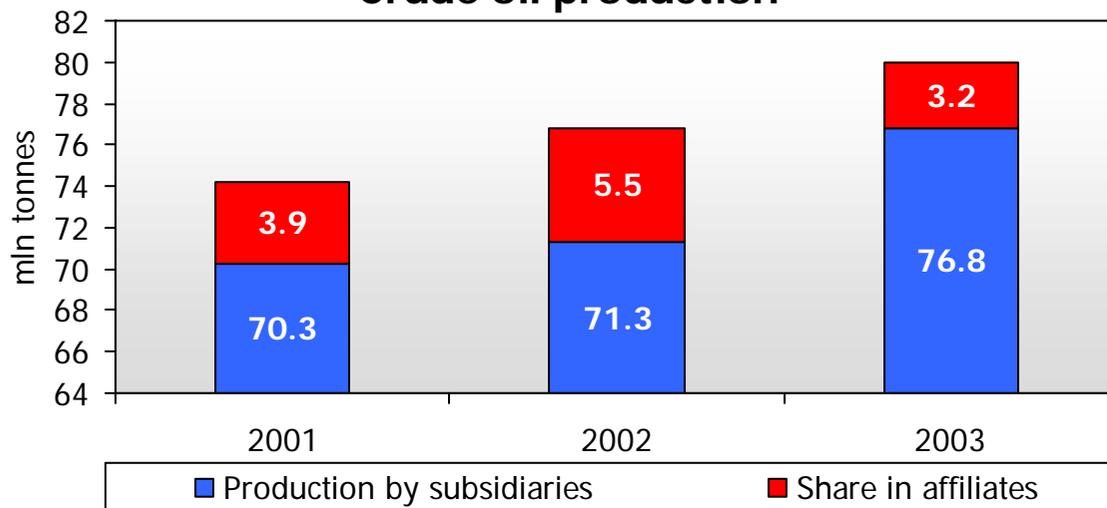
(US GAAP)

January 2004



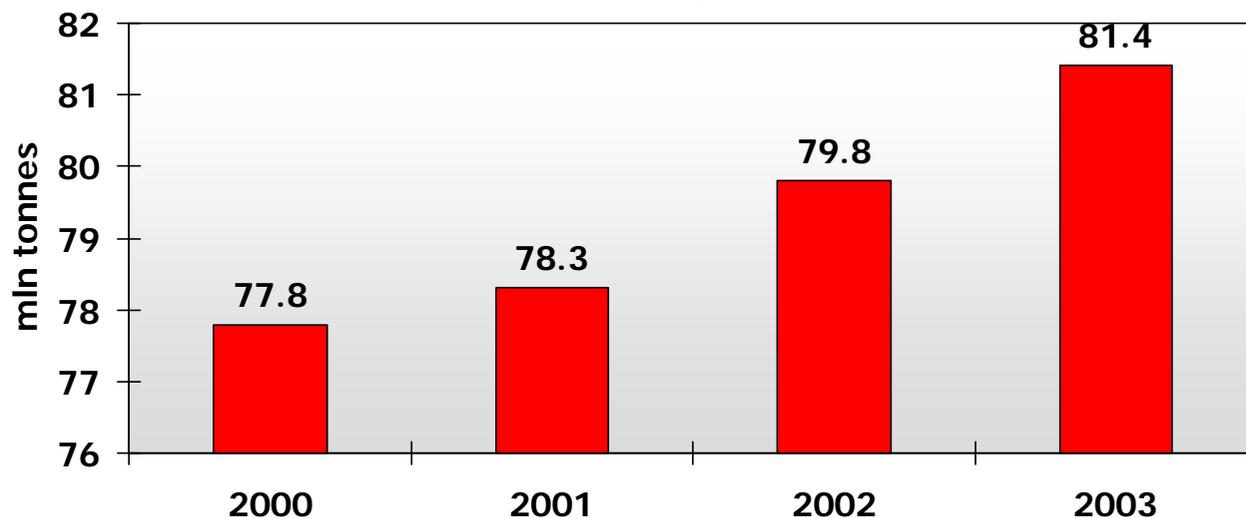
LUKOIL Group Crude Oil Production*

Crude oil production



Crude oil production of US GAAP group (production of subsidiaries and share in affiliates) has grown by 4%, production of subsidiaries – by 7% comparing to 2002

Overall crude oil production



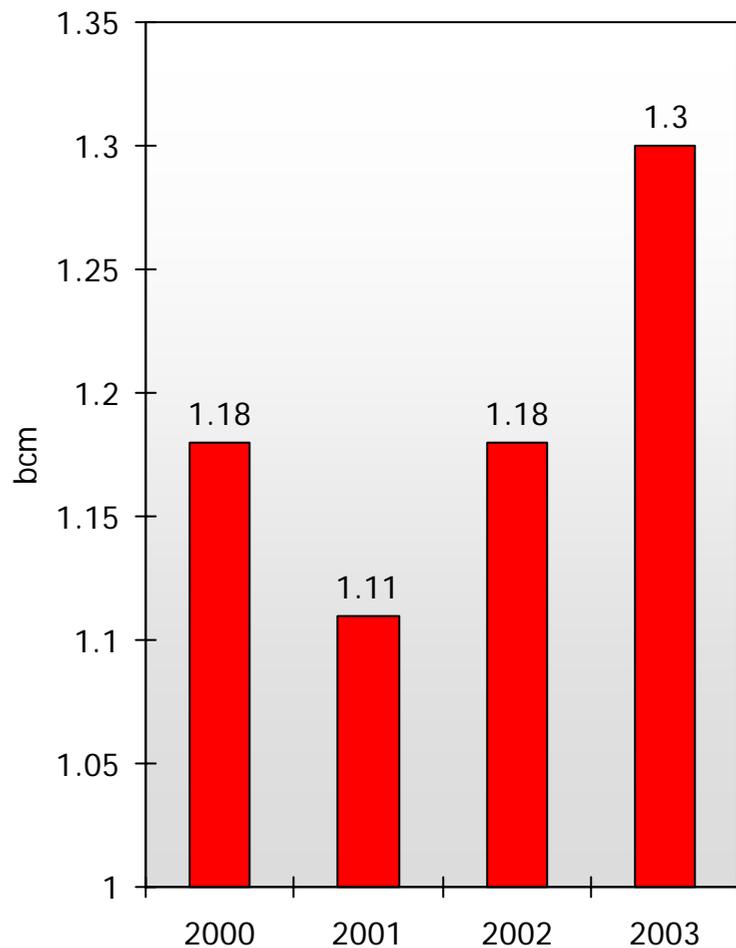
Overall crude oil production (overall production of all subsidiaries and affiliates) has grown by 2% comparing to 2002

* Preliminary operational results for 2003.

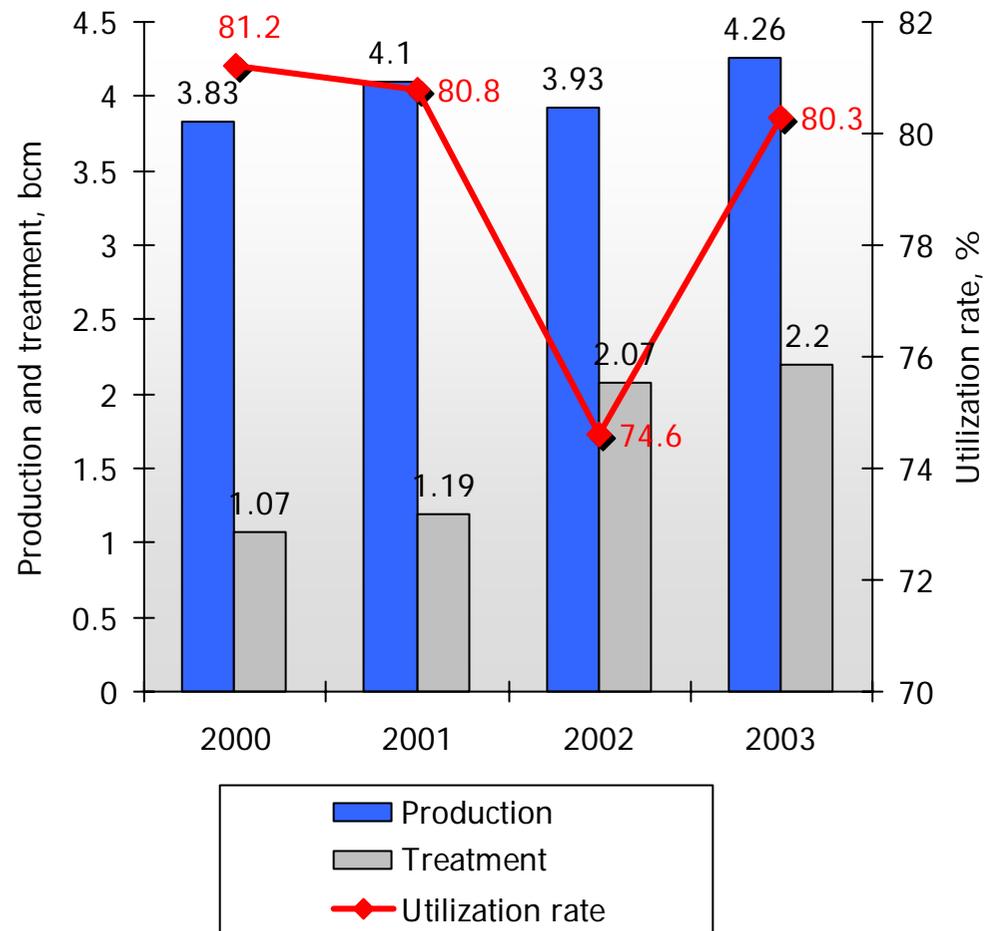


Gas Production and Utilization*

Natural gas production



Associated gas production and utilisation

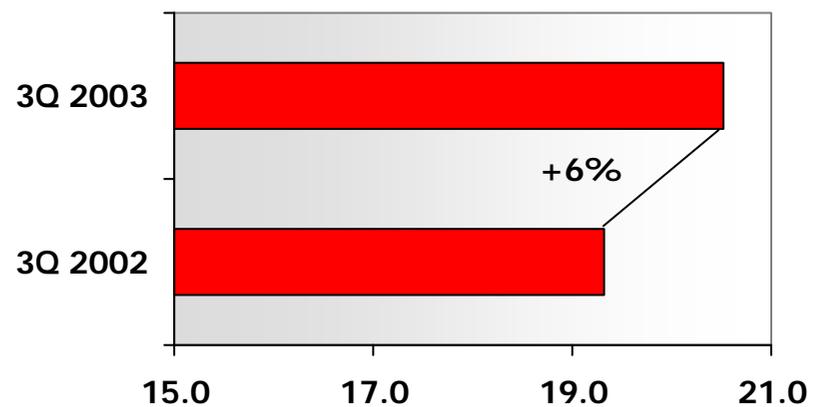
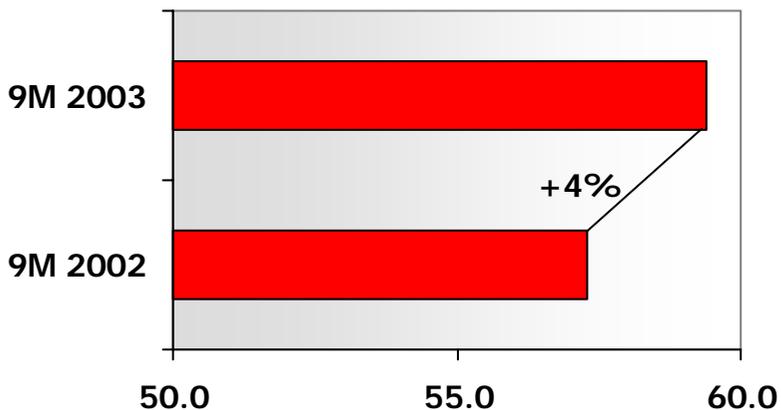


* Preliminary operational results for 2003.

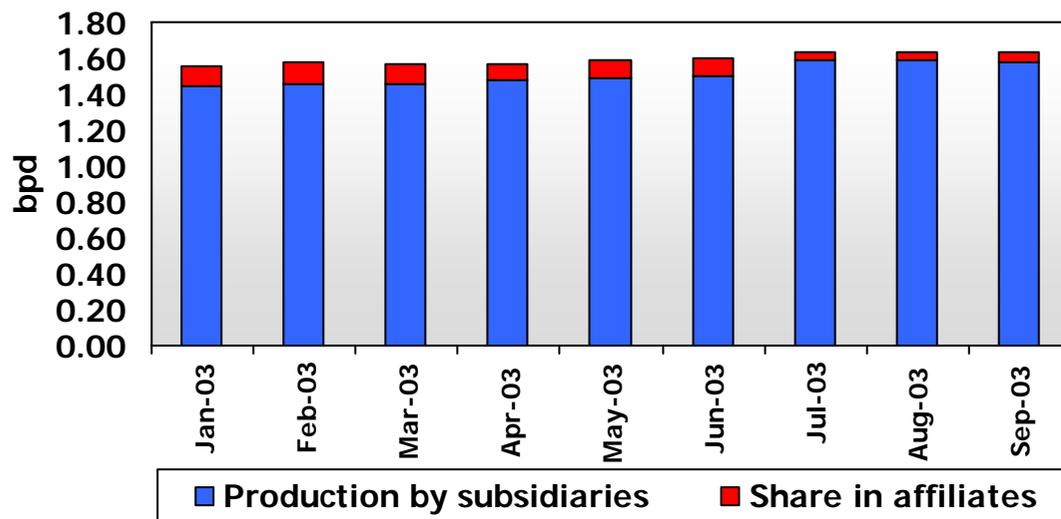


Crude Oil Production Growth

Crude oil production including Company's share in affiliates (mln tonnes)



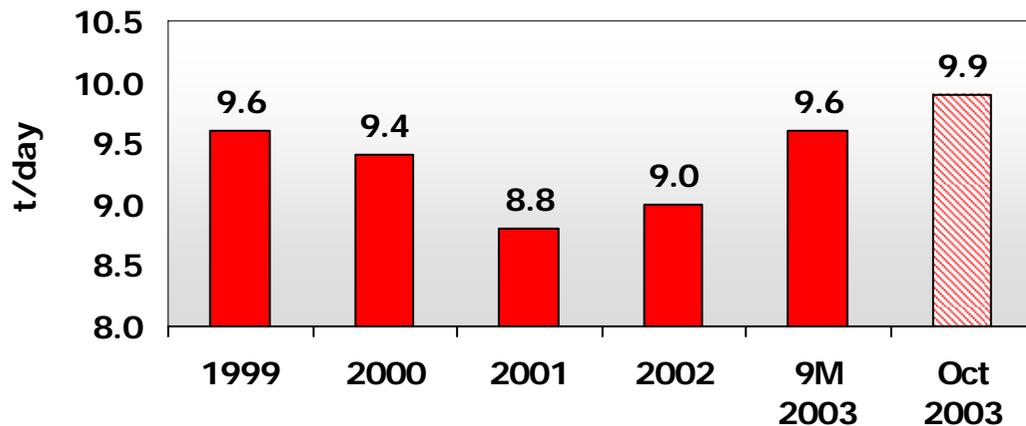
Consolidation of upstream assets and crude oil production growth in 2003





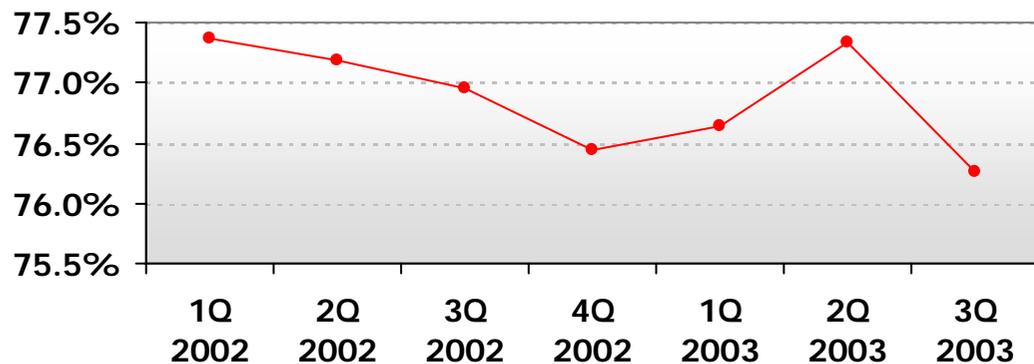
Improving Efficiency of Upstream Operations

Average daily output per well

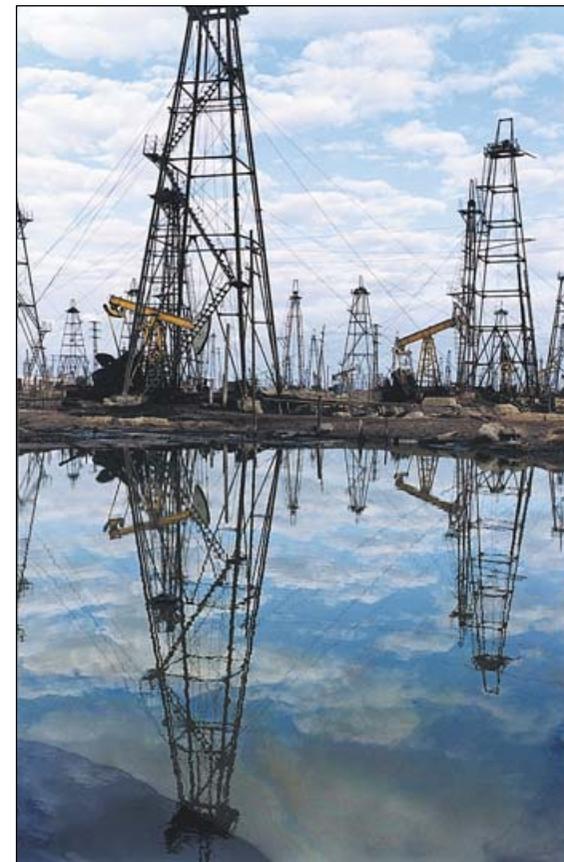


Since 2001 daily output per well has been steadily growing

Watercut



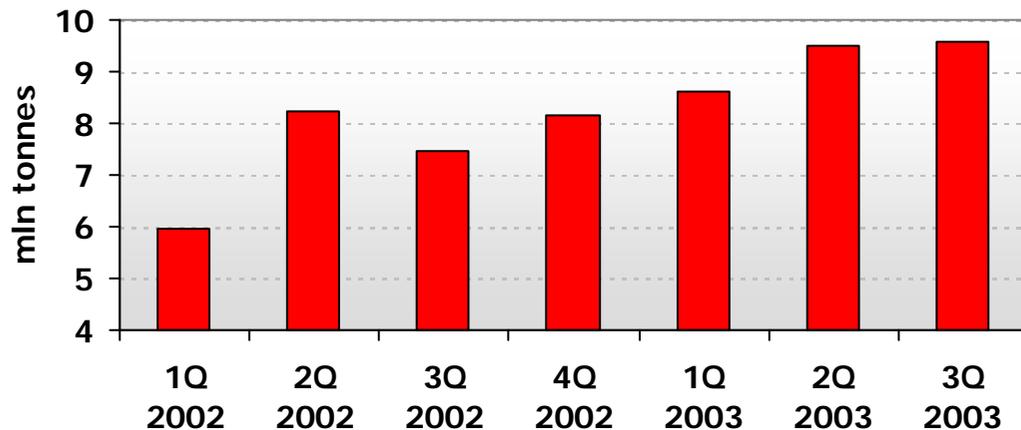
LUKOIL also reduces watercut





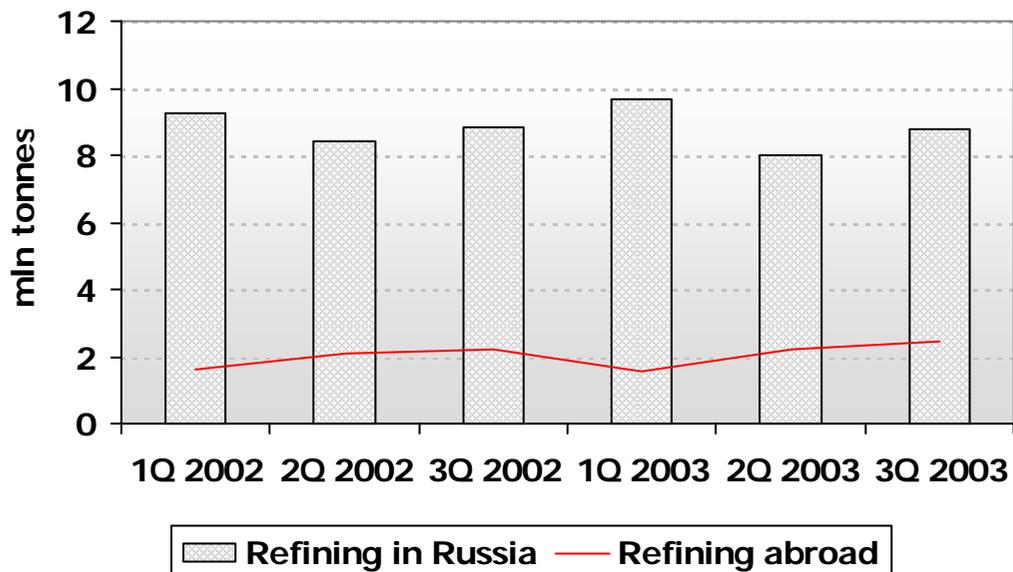
Crude Oil Distribution

Crude oil exports

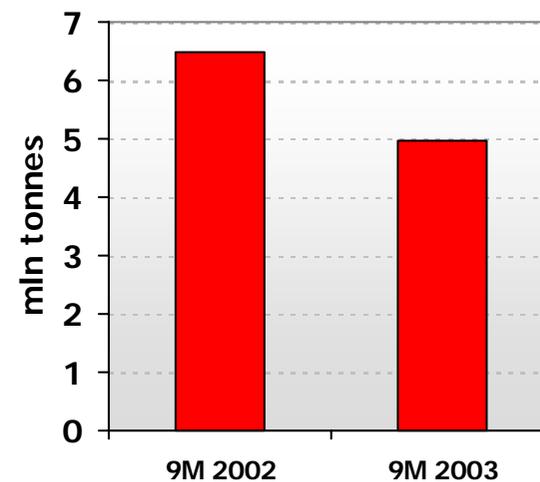


Over 9M 2003 LUKOIL decreased domestic crude oil sales by 1.5 mln tonnes. The company increased its exports and domestic refining throughput.

Crude oil refining



Domestic crude oil sales





Economic Environment

9M 2003	9M 2002		3Q 2003	2Q 2003
<u>Domestic Market</u>				
7.92	7.61	Realized oil (\$/bbl)	11.63	6.00
166.27	143.40	Realized refined products (\$/tonne)	201.92	157.13
8.59%	10.42%	Inflation (%)	0.60%	2.62%
12.59%	5.20%	Ruble appreciation against USD (%)	-0.27%	5.96%
3.52	2.79	Unified extraction tax (\$/barrel)	3.53	3.01
4.04	2.23	Oil export tariff (\$/barrel)	3.50	4.89
<u>International Market</u>				
24.37	21.32	Realized oil (\$/bbl)	26.04	21.27
275.77	227.53	Realized refined products (\$/tonne)	263.22	261.95

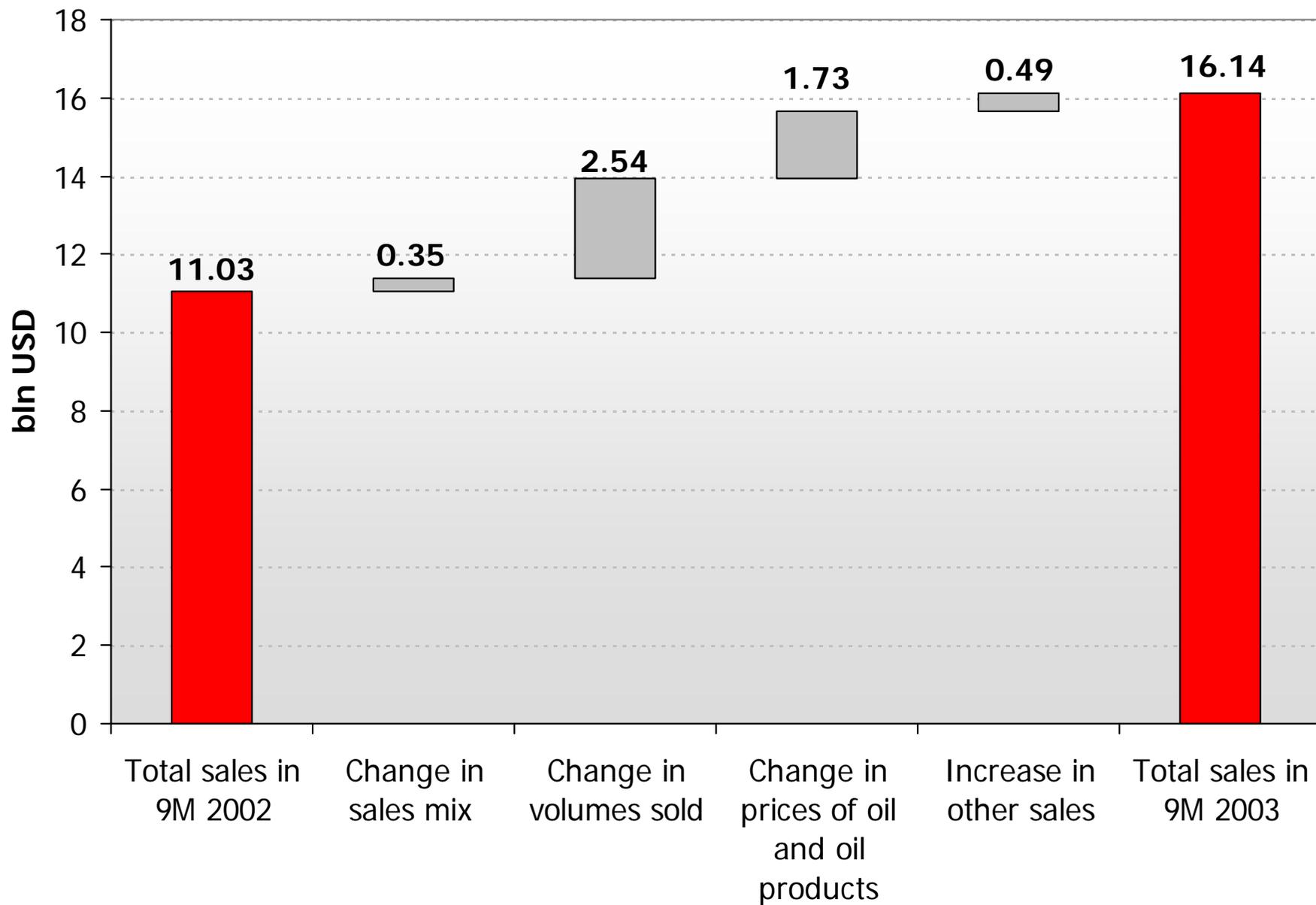


Financial Results

9M 2003	9M 2002	Financial results (mln USD)	3Q 2003	2Q 2003
16,136	11,033	Total revenue	5,994	5,086
(2,054)	(1,828)	Operating expenses	(693)	(693)
(3,881)	(2,814)	Taxes other than income taxes (including excise and export tariffs)	(1,412)	(1,318)
3,626	1,905	Income from operating activities	1,032	1,654
3,634	1,887	Income before income tax	988	1,690
3,065	1,347	Net Income	701	1,544
3.74	1.66	Basic earnings per share	0.85	1.89
4,434	2,663	EBITDA	1,256	1,947



Sales Reconciliation





Sales Breakdown

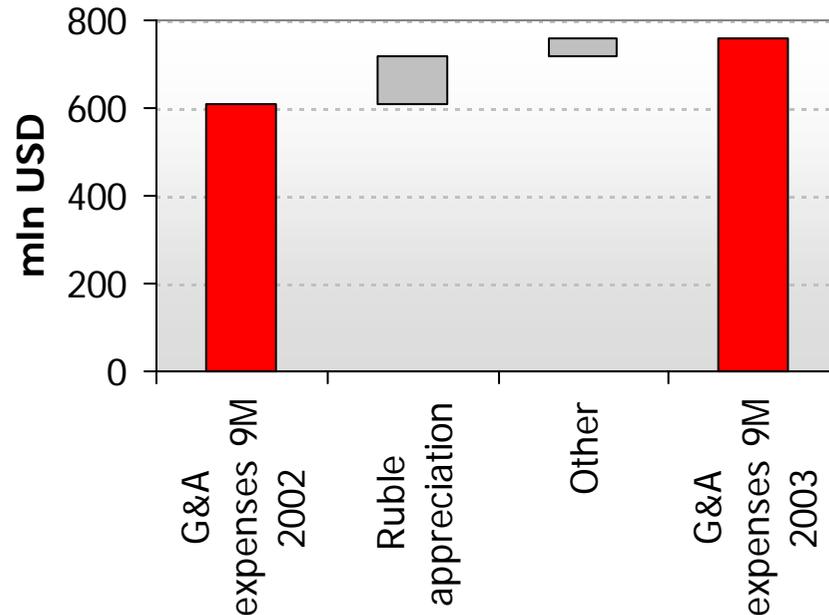
9M 2003	9M 2002	Sales breakdown	3Q 2003	2Q 2003
71.8%	65.9%	Export sales and sales on international markets to total volume of sales	74%	72.1%
55.8%	55.4%	Refined products to total volume of sales	57.5%	53.5%
47.9%	48.7%	Share of oil products in total export volumes and international sales	51.1%	48.1%
56.1%	55.8%	Share of oil products in total export sales and international sales	56.3%	58.5%

9M 2003	9M 2002	Sales in mln USD	3Q 2003	2Q 2003
4,513	3,088	International sales of crude oil (non-CIS)	1,657	1,373
336	101	Sales of crude oil within CIS	86	94
288	362	Sales of crude oil within Russia	137	100
6,870	4,403	International sales of refined products	2,512	2,281
2,581	2,017	Sales of refined products within Russia	999	743
1,548	1,062	Other sales (incl. petrochemicals)	604	495
16,136	11,033	Total sales oil and oil products	5,995	4,591



SG&A and Transportation Expenses

G&A reconciliation



Railroad:
volumes transported : +13%
tariff: +18%



Pipeline:
volumes transported: +70%
tariff: +15%



Sea transport:
volumes transported: -13%
tariff: +90%

9M 2003	9M 2002	Selling, general and administrative expenses (mln USD)	3Q 2003	2Q 2003
1,483	1,000	Transportation expenses	544	503
1,231	970	Other selling, general and administrative expenses	473	429
2,714	1,970	Total SG&A	1,017	932



Vysotsk Export Terminal will Allow LUKOIL to Decrease Export Costs

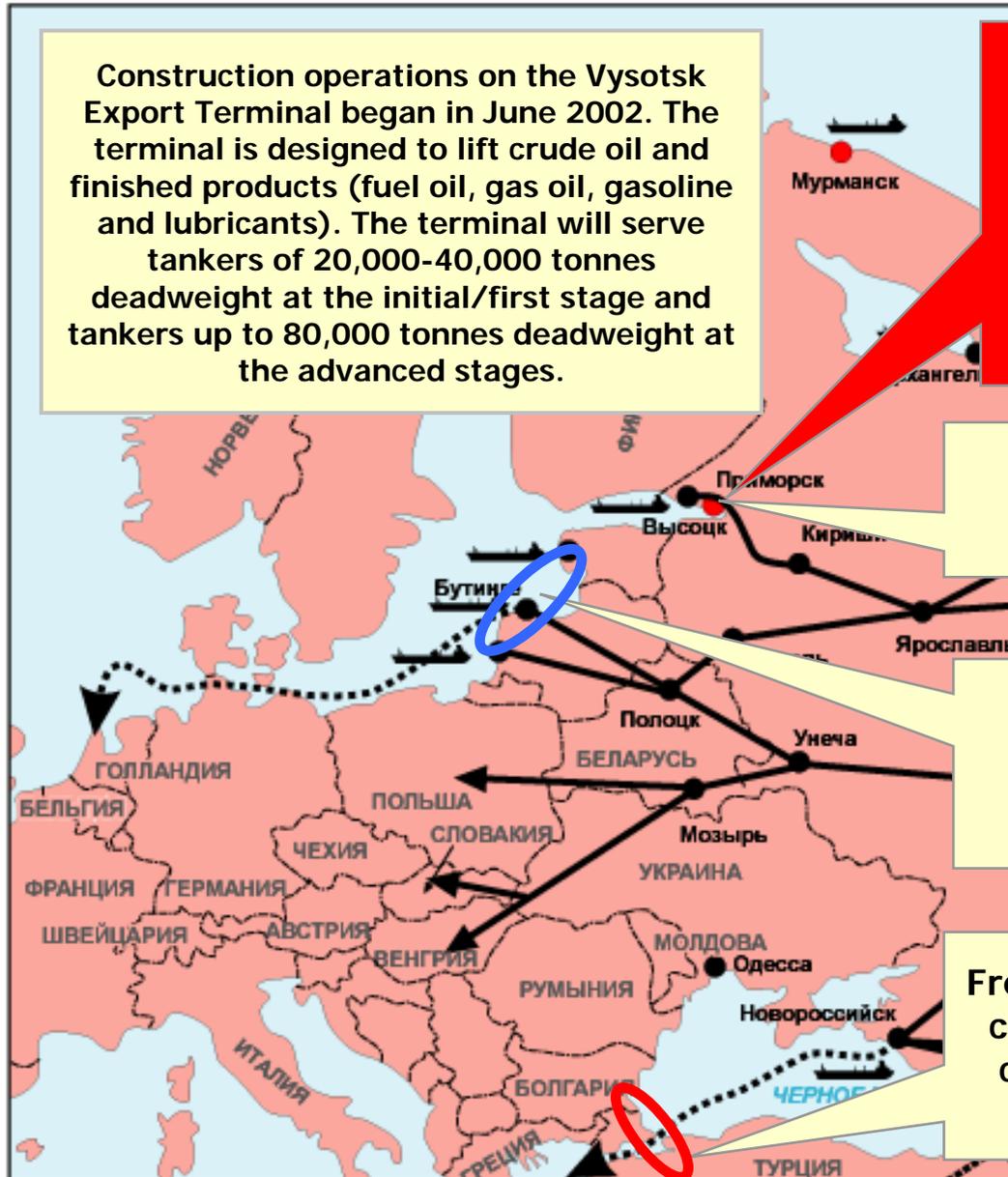
Construction operations on the Vysotsk Export Terminal began in June 2002. The terminal is designed to lift crude oil and finished products (fuel oil, gas oil, gasoline and lubricants). The terminal will serve tankers of 20,000-40,000 tonnes deadweight at the initial/first stage and tankers up to 80,000 tonnes deadweight at the advanced stages.

Vysotsk export terminal will allow Lukoil to decrease export costs significantly (up to \$40-50 mln per annum).
Vysotsk terminal to give LUKOIL better exposure to European and US markets and strengthens Compasny's export chest.

Primorsk terminal is unable to lift finished products

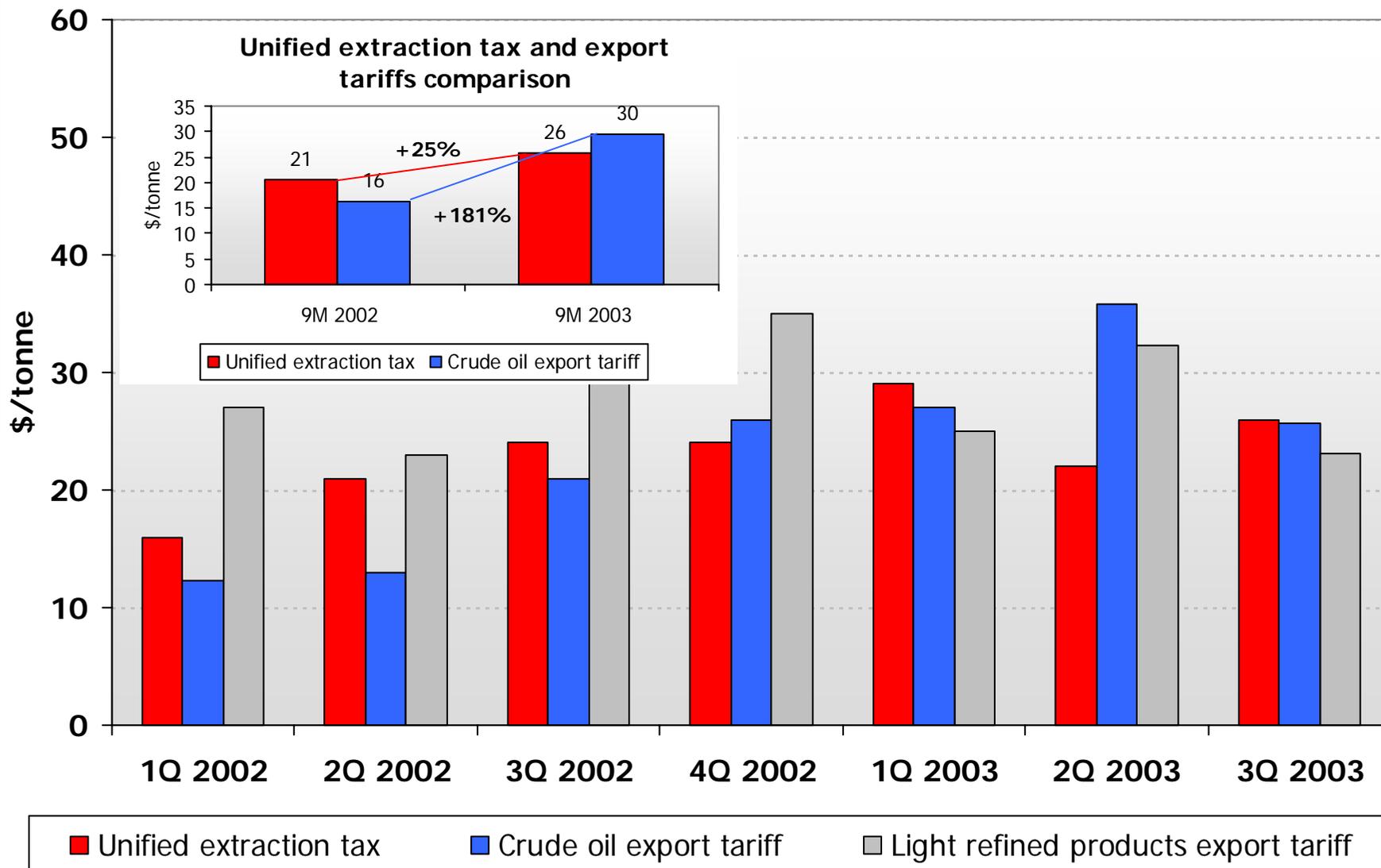
Export using Baltic terminals is connected with considerable transit costs (\$9-15/tonne) through the territory of Baltic states

Frequent tanker delays at Turkish straits causes significant losses: tanker delay costs \$40,000 per day and a common delay lasts up to 20 days





Growth of Tax Burden



Comparing to 9M 2002 tax burden has grown significantly



Operating Expenses

9M 2003	9M 2002	Operating expenses (mln USD)	3Q 2003	2Q 2003
1,076	1,016	Extraction expenses	382	356
361	305	Refinery expenses	123	122
–	131	Processing cost on the affiliated refinery	–	–
617	376	Other operating	188	215
2,054	1,828	Total	693	693
4,300	1,749	Cost of purchased crude oil, petroleum and chemical products	1,635	1,386

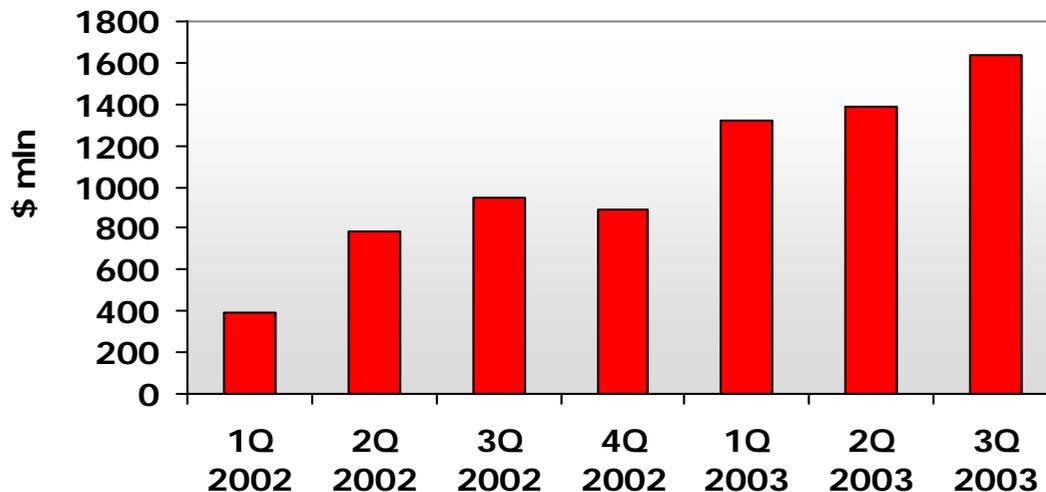


Improving the Logistics of Supply

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

This operations allow in the case of favorable price environment to get extra profit from buy-sell operations and optimize transportation costs.

Cost of purchased crude oil, petroleum and chemical products

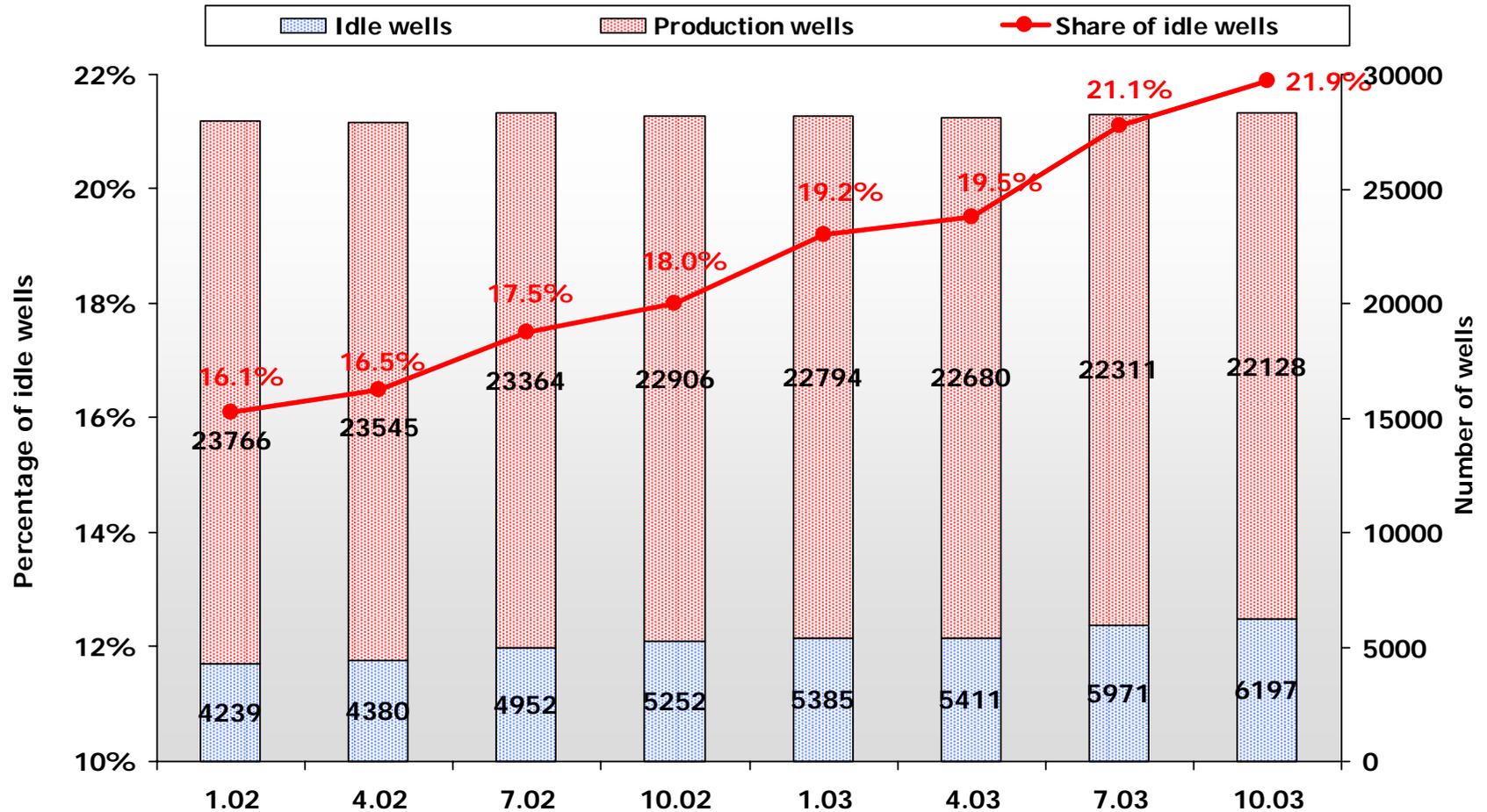


Cost of purchased crude oil, petroleum and chemical products growth drivers:

- 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



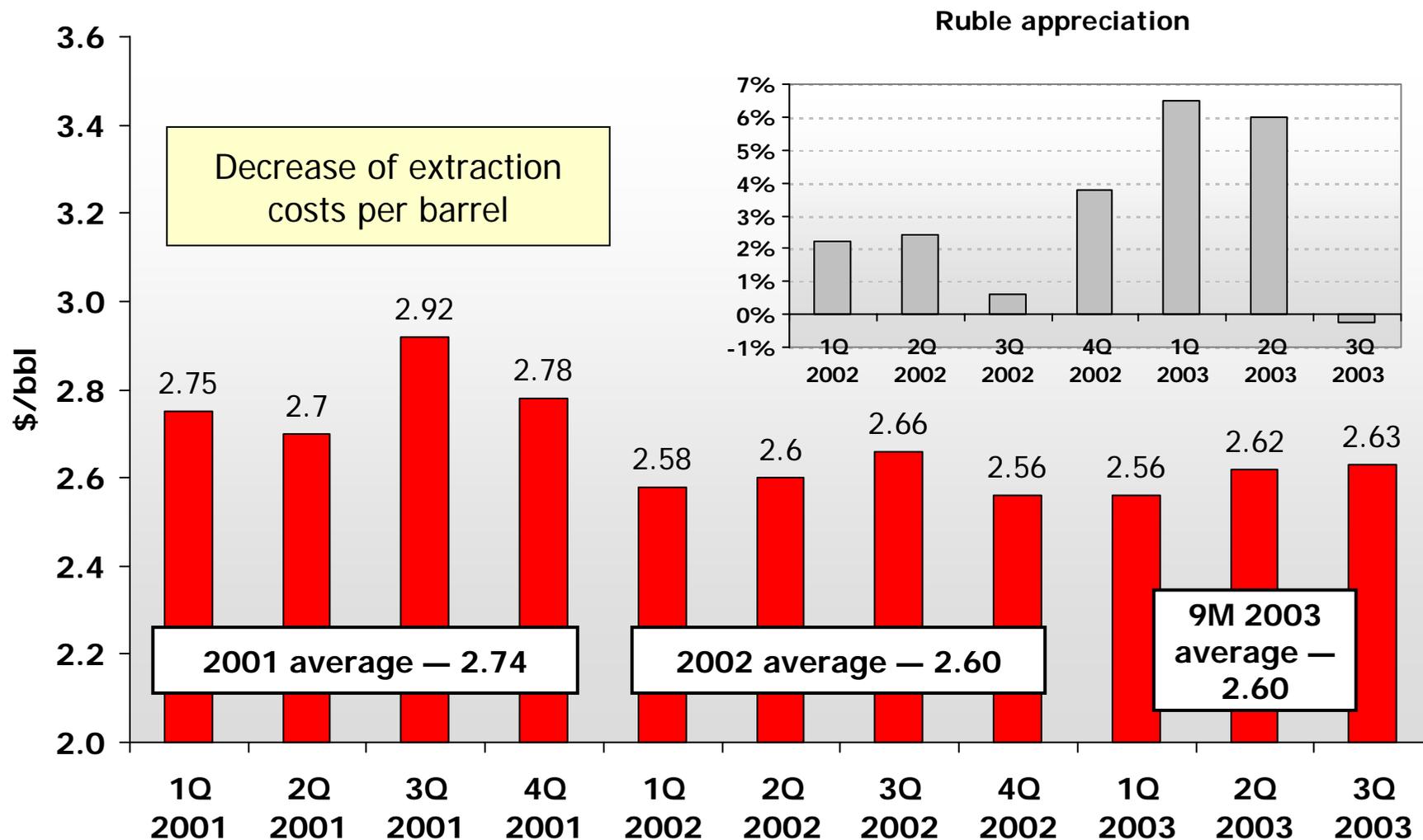
Shutting Down Marginal Wells – Cutting Costs



About 1,400 low-effective wells were shut down since January, 2003.
Reducing the number of marginal wells (low flow rate wells)
forced production costs go down



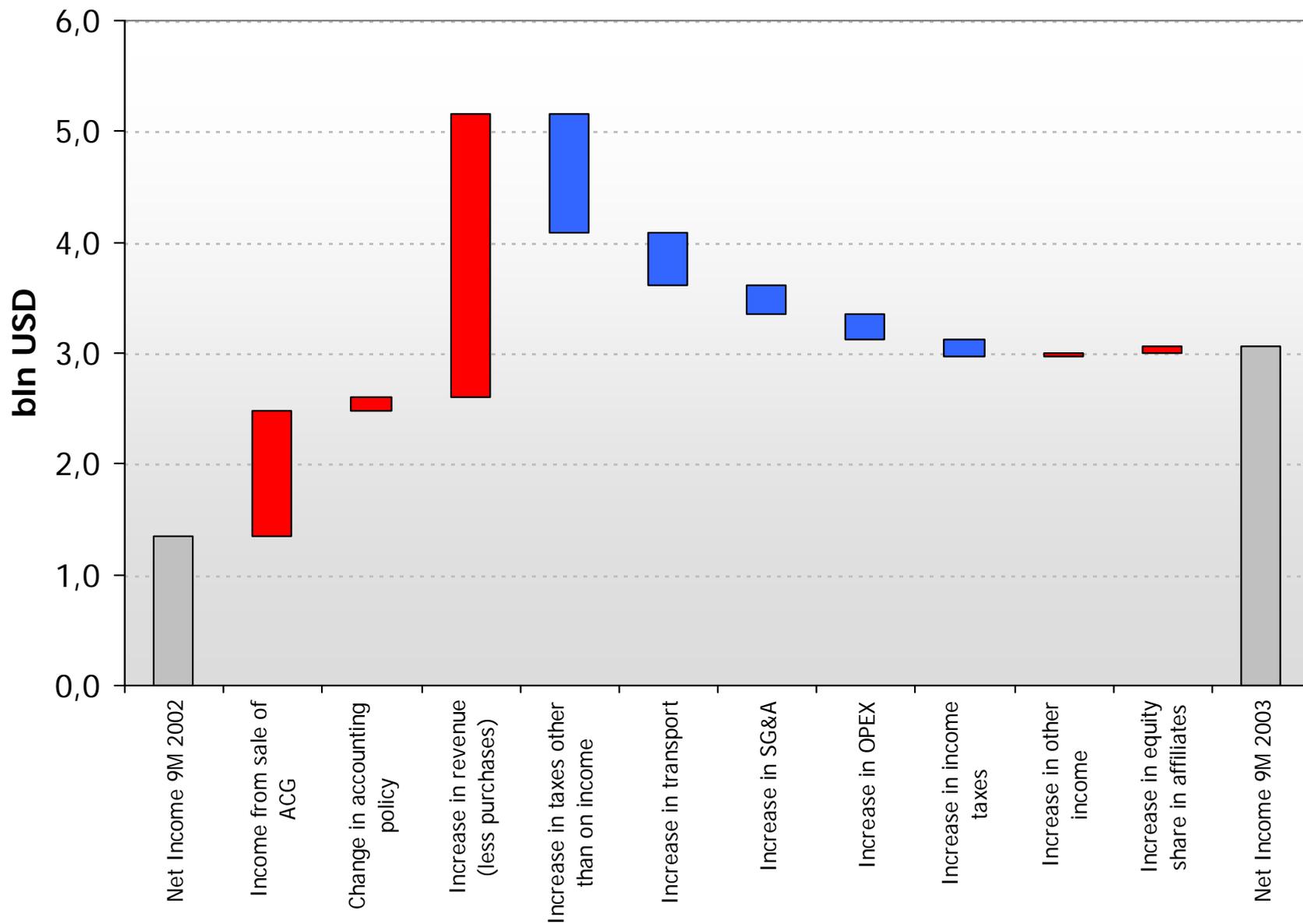
Crude Production Costs*



* 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

9M 2003	9M 2002	Capital expenditures (mln USD)	3Q 2003	2Q 2003
1,324	985	Exploration and production	773	551
<i>1,106</i>	<i>773</i>	<i>Russia</i>	<i>686</i>	<i>420</i>
<i>218</i>	<i>212</i>	<i>International</i>	<i>87</i>	<i>131</i>
855	469	Refining / Marketing and distribution and other	608	247
<i>673</i>	<i>315</i>	<i>Russia</i>	<i>476</i>	<i>197</i>
<i>182</i>	<i>154</i>	<i>International</i>	<i>132</i>	<i>50</i>
2,179	1,454	Total (cash and non-cash)	1,381	798



- **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.