LUKOIL:
EFFICIENT GROWTH

Company Restructuring Program

22 April 2002

Increasing Shareholder Value is the Objective of Company Performance

Comparative financial ratios					
As of April 5, 2002	Share price	Market cap	P/E		
Company	$	$ m	2002E	2003E	2004E
Russian oil companies					
LUKOIL	14,27	12 141	5,2x	6,3x	6,1x
Yukos	8,24	18 438	6,7x	8,3x	8,4x
Surgutneftegas	0,36	12 708	5,8x	7,4x	6,8x
Sibneft	1,60	7 567	7,4x	9,8x	7,4x
Tatneft	0,64	1 395	2,3x	4,0x	3,3x
Gazprom, Russian shares	0,74	17 627	5,9x	4,7x	4,5x
Gazprom, ADRs	14,19	33 593	11,2x	8,9x	8,5x
Average for Russia			**6,4x**	**7,0x**	**6,4x**
LUKOIL discount			**-19%**	**-11%**	**-5%**
Emerging markets oil companies (Russia excluded)					
Petrobras	26,41	28 684	NA	NA	NA
Petrochina	21,03	36 976	5,5x	6,4x	11,4x
CNOOC	24,40	10 021	10,0x	11,6x	NA
Average for emerging markets			7,8x	9,0x	0,0x
LUKOIL discount			**-33%**	**-30%**	
Oil majors					
ExxonMobil	42,63	290 268	23,4x	20,9x	18,9x
Royal Dutch	52,92	111 206	19,2x	17,0x	15,9x
Shell Transport & Trading	43,17	70 141	18,1x	16,5x	15,2x
BP AMOCO	51,84	193 813	21,3x	18,6x	16,3x
Average for developed markets			**20,5x**	**18,3x**	**16,6x**
LUKOIL discount			**-75%**	**-66%**	**-63%**

Source: Morgan Stanley

- Company stock trades at a significant discount to other emerging market
- Discount to international majors is over 70% based on P/E ratio.
- LUKOIL management is very attentive to those aspects of Company performance which bother investors.
- Strong sides of the company previously were not properly communicated to the market and not fully reflected by it.
- LUKOIL develops and implements measures to raise efficiency of operations

LUKOIL management presents some of the Company’s strategic measures to raise efficiency. Management is committed to keep investors informed about further steps in this direction

LUKOIL Restructuring Objectives: Increasing Profitability and Shareholder Value

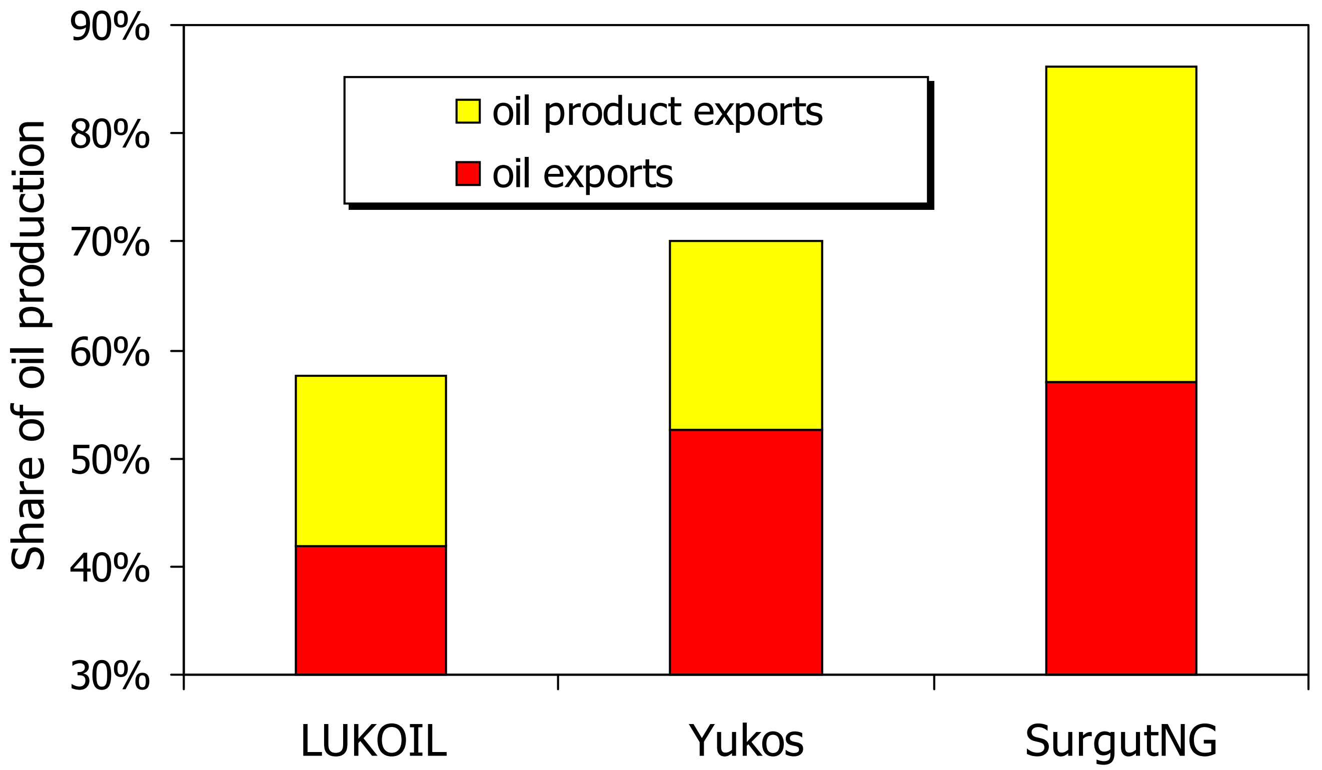
- **Short-Term (2002-2003) Restructuring Program:**
  immediate measures to raise current profitability:
  - ✓Increase of oil product exports
  - ✓Acceleration of new prolific fields development
  - ✓Reduction of the number of low-margin wells
  - ✓Wider application of enhanced oil recovery technologies. Improvement of quality of the whole range of oil field services
  - ✓Cost reduction and control
  - ✓Personnel reduction
  - ✓Increase return on investment. Investing into projects with higher returns
  - ✓Focus on core oil and gas business. Divestment of non-core and and non-competitive assets
  - ✓Opening of service companies to competitive environment
  - ✓Consolidation of subsidiaries
  - ✓Holding company restructuring. Transition to treasury budget system
- **10-year Restructuring Program:**
  enhancement of international competitiveness
  - ✓Structural shifts in oil production
  - ✓Creation of a strong gas sector
  - ✓Modernization, construction and acquisition of refineries and marketing networks
  - ✓Systematic rationalization and integration of businesses domestically and internationally

Company Restructuring Program

- **Short-Term Restructuring Program**
  - Revenue growth
  - Cost reduction and efficiency increase
  - Corporate restructuring
- **10-year Restructuring Program**
  - Cost and personnel cutting
  - Upstream capex efficiency
  - Development of international downstream

Oil and Oil Product Marketing Structure

Significantly higher (vs. competitors) focus on domestic sales in 2001 had negative impact on financial results

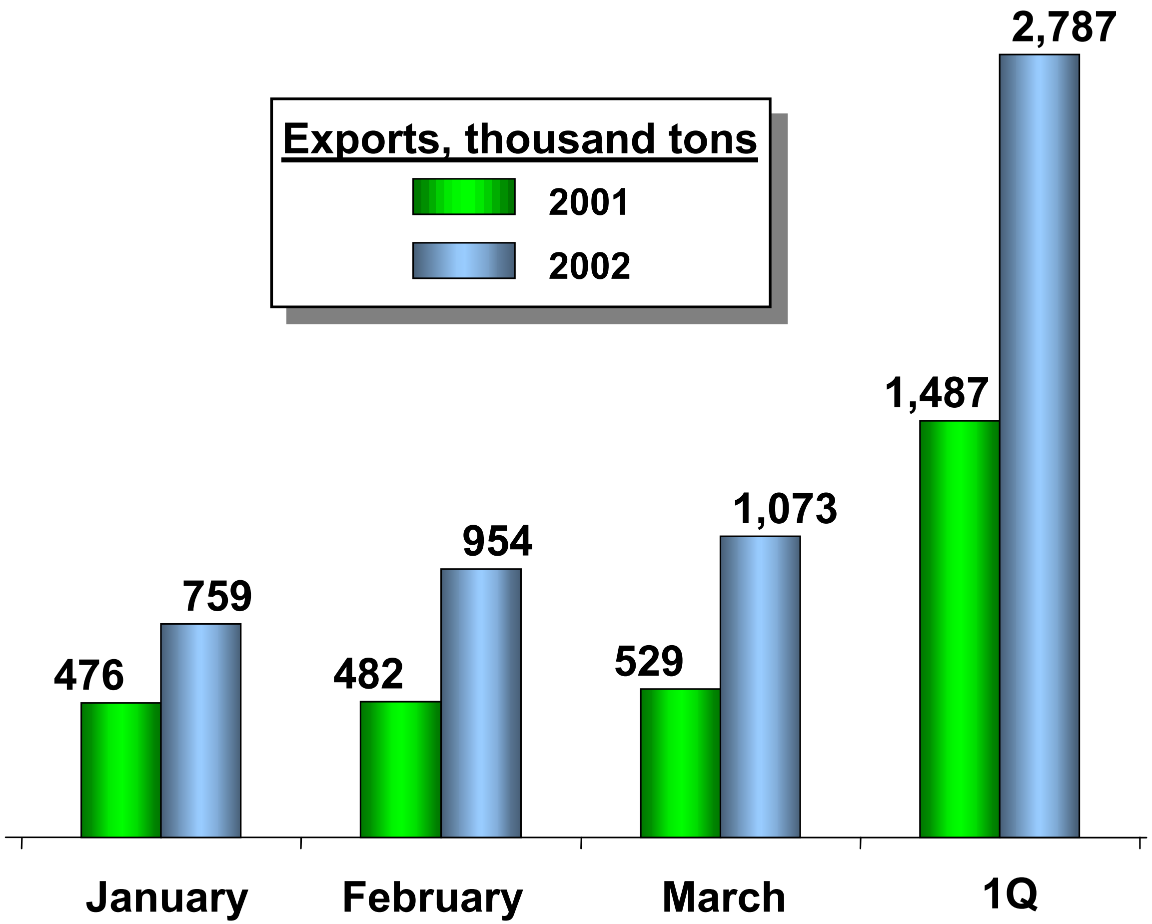


Sources: LUKOIL company data
Yukos – Company data (9 months 2001 financials)
SurgutNG –RusEnergy

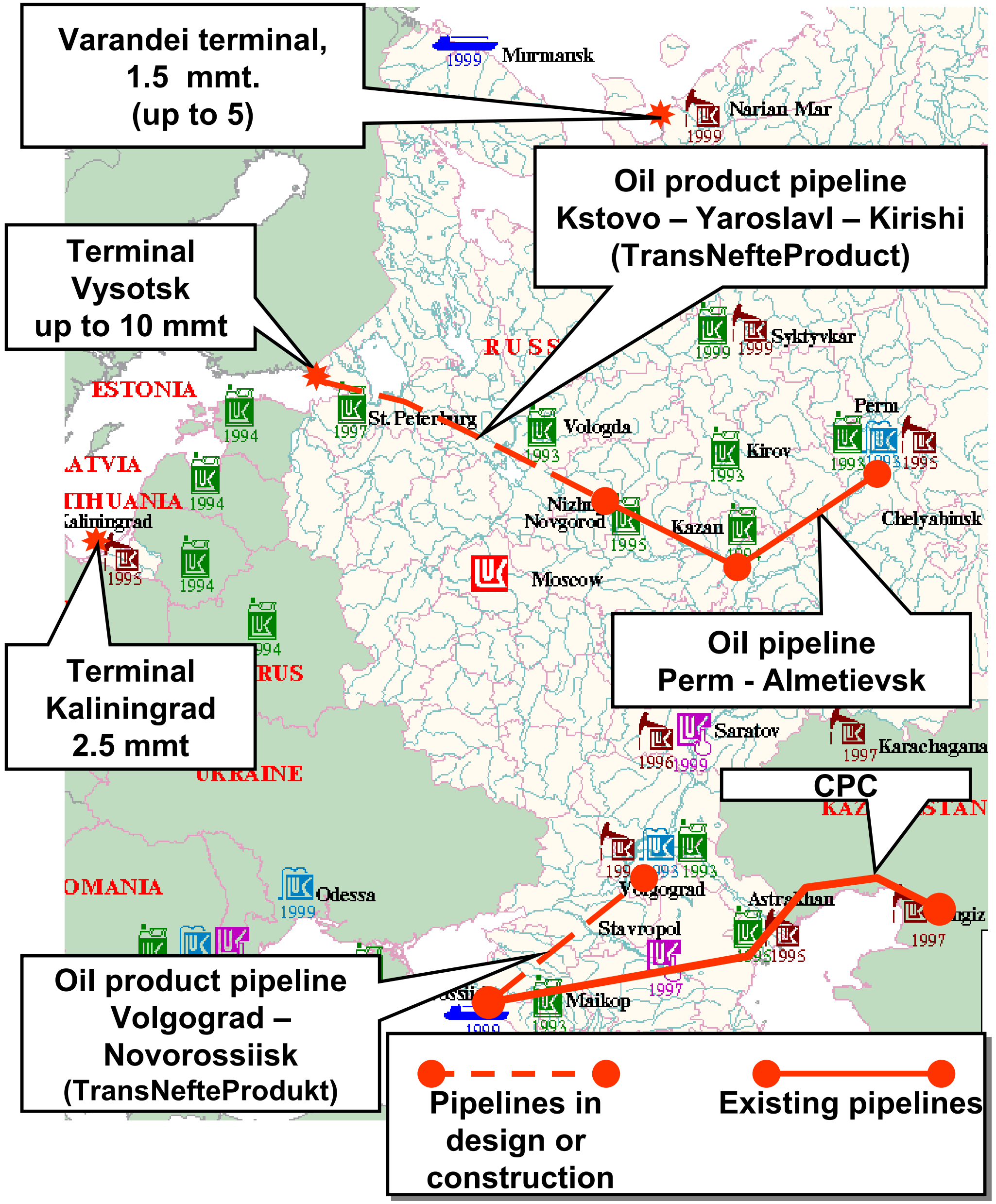
Growth of Oil Product Exports

- Factors of oil product exports growth:
  - Growth of throughput at LUKOIL upgraded refineries
  - Domestic demand limits
- LUKOIL has a significant potential for exports growth
  - In 2001 LUKOIL exported 31% of oil products, or 25% less than Russian average

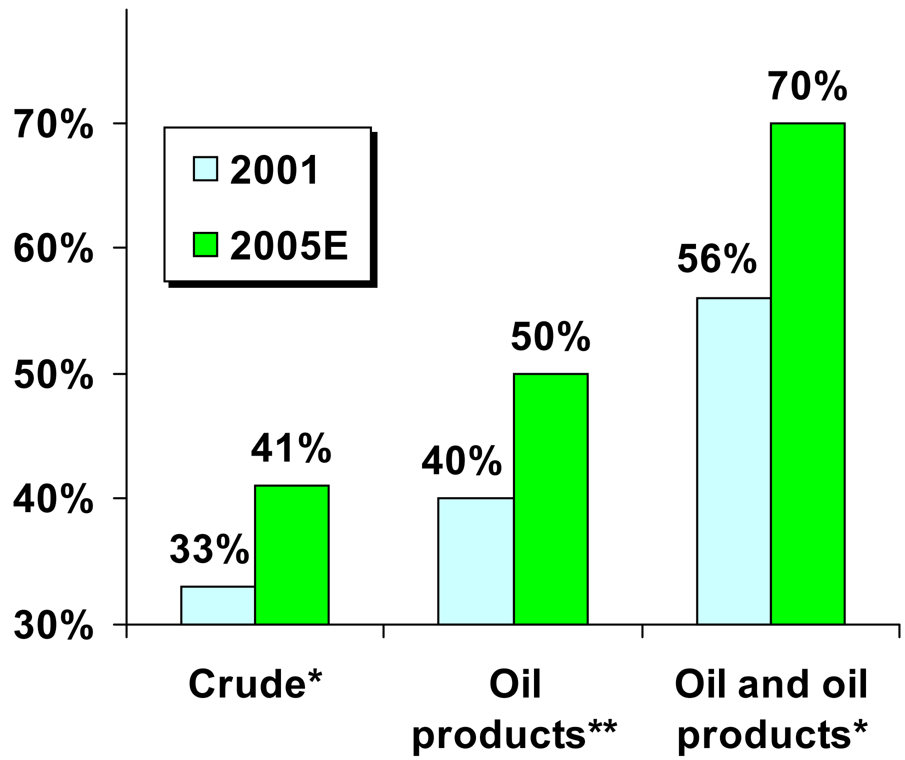
Growth of exports from LUKOIL's Russian refineries in the 1Q2002



Enhancement of Exports Potential



Growth of LUKOIL exports share



* % of oil production

** % of oil product output

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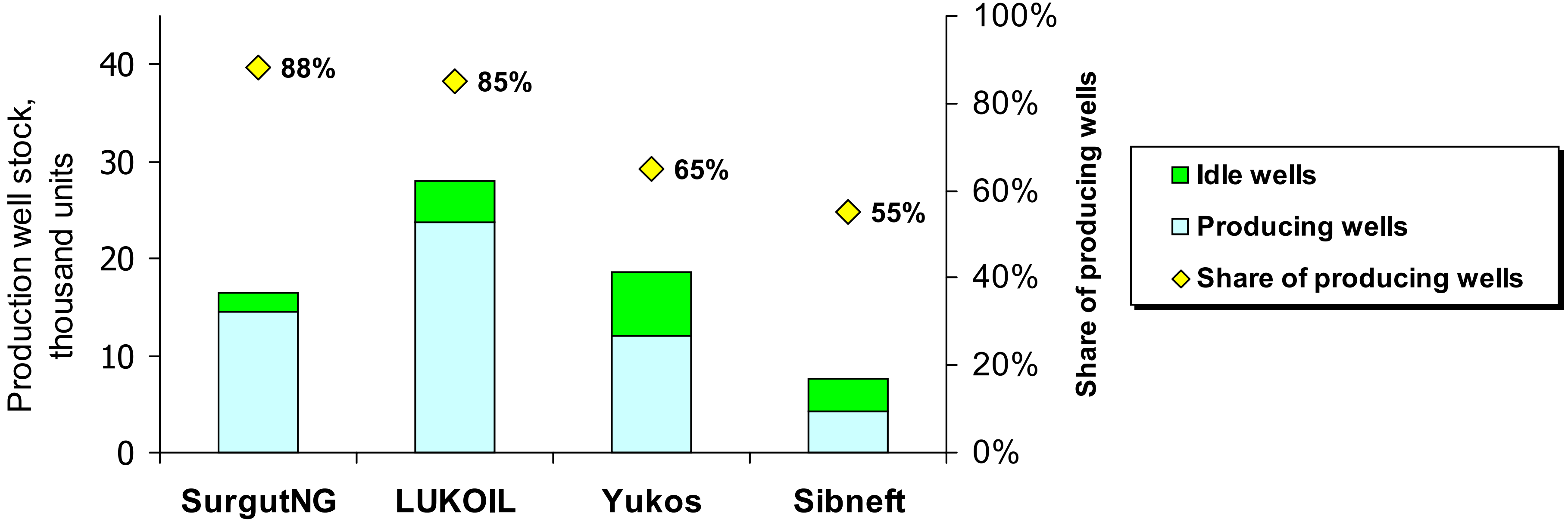
Cost Reduction and Cost Control in Production

- Reduction of number and share of wells with low flow rate and depleted fields
- Acceleration of development of new fields
- Increased use of enhanced recovery techniques
- Optimization of service companies
  - Reduction of drilling, transportation and construction costs
  - Divestment of non-core businesses
- Optimization of production and management practices
  - Headcount reduction
  - Better cost control and inventory management

Well Stock Optimization

- In the environment of strong oil prices and differentiated oil production excise rates the Company maximized oil production, including operation of a large number of low-margin oil wells.
- In 2002, LUKOIL had one of the lowest shares of idle wells in Russia (15%), with up to 20% of oil is produced at oil fields with depletion level of 80%.

Russian oil companies well stock in 2002

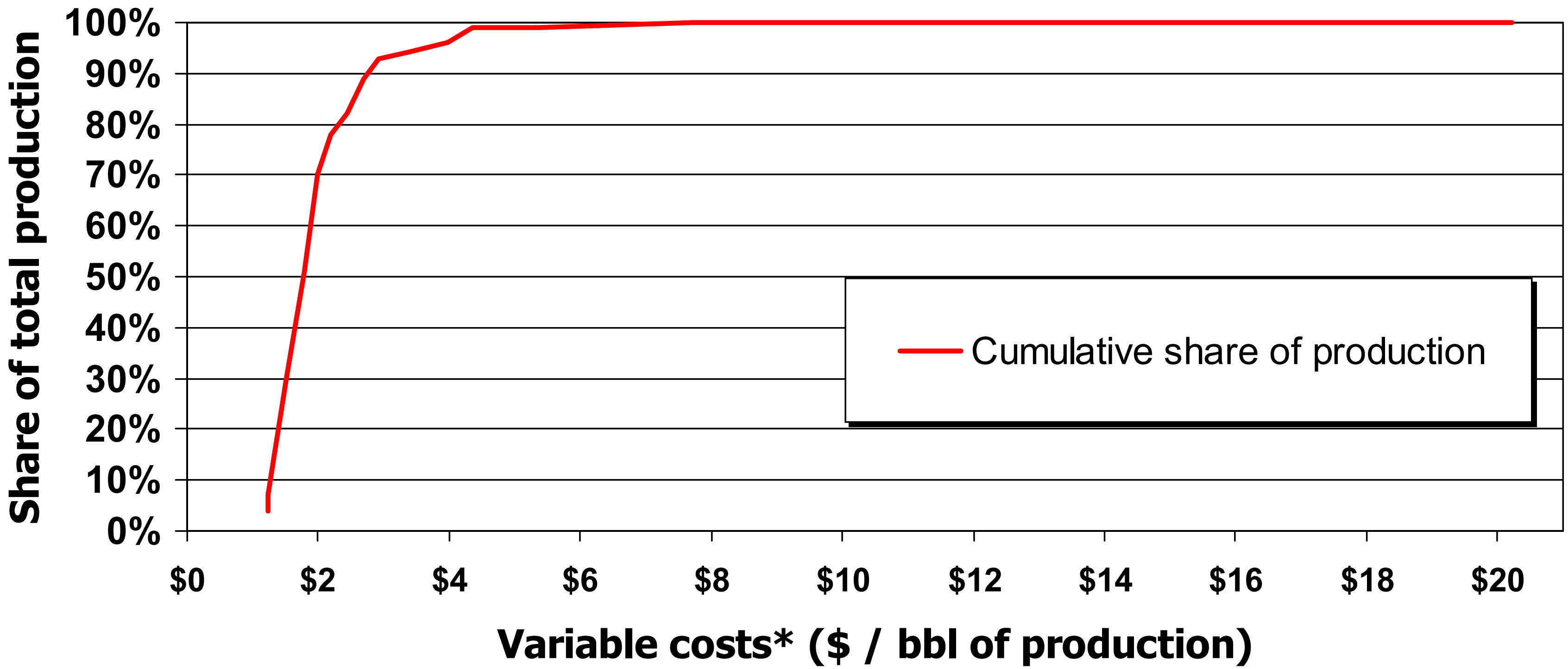


Optimization of Well Operations

- Up to 5000 wells with low flow rate (24% of producing well stock) are considered for alternative use, temporary conservation or shut-in. LUKOIL considers possible ways to increase their flow rate and whether continuation of their operation is needed to ensure that technological pattern of field development is maintained.
- Economic benefit of taking the majority of such wells out of operation (depending on oil price level) could amount to $ 50-70 mm of annual net profit increase
- If oil prices rise or special tax regime for wells with low flow rate is introduced, most of the idle wells can be put into operation again.
- The Company will continue monitoring the profitability of its well stock to ensure that loss-making wells are taken out of the operation depending on the market conditions.
- Currently LUKOIL considers a program for transferring wells with low flow rate and depleted fields to socially important enterprises with their subsequent sale to keep jobs.

Distribution of Well Stock by Profitability

- **Vast majority of LUKOIL's production (more than 80%) comes from highly-profitable wells with average costs* of $2/bbl**
- **Only 0.5% of production comes from unprofitable wells with variable costs of over $10/bbl, 3% of company production comes from high cost wells ($5 - $10 / bbl)**

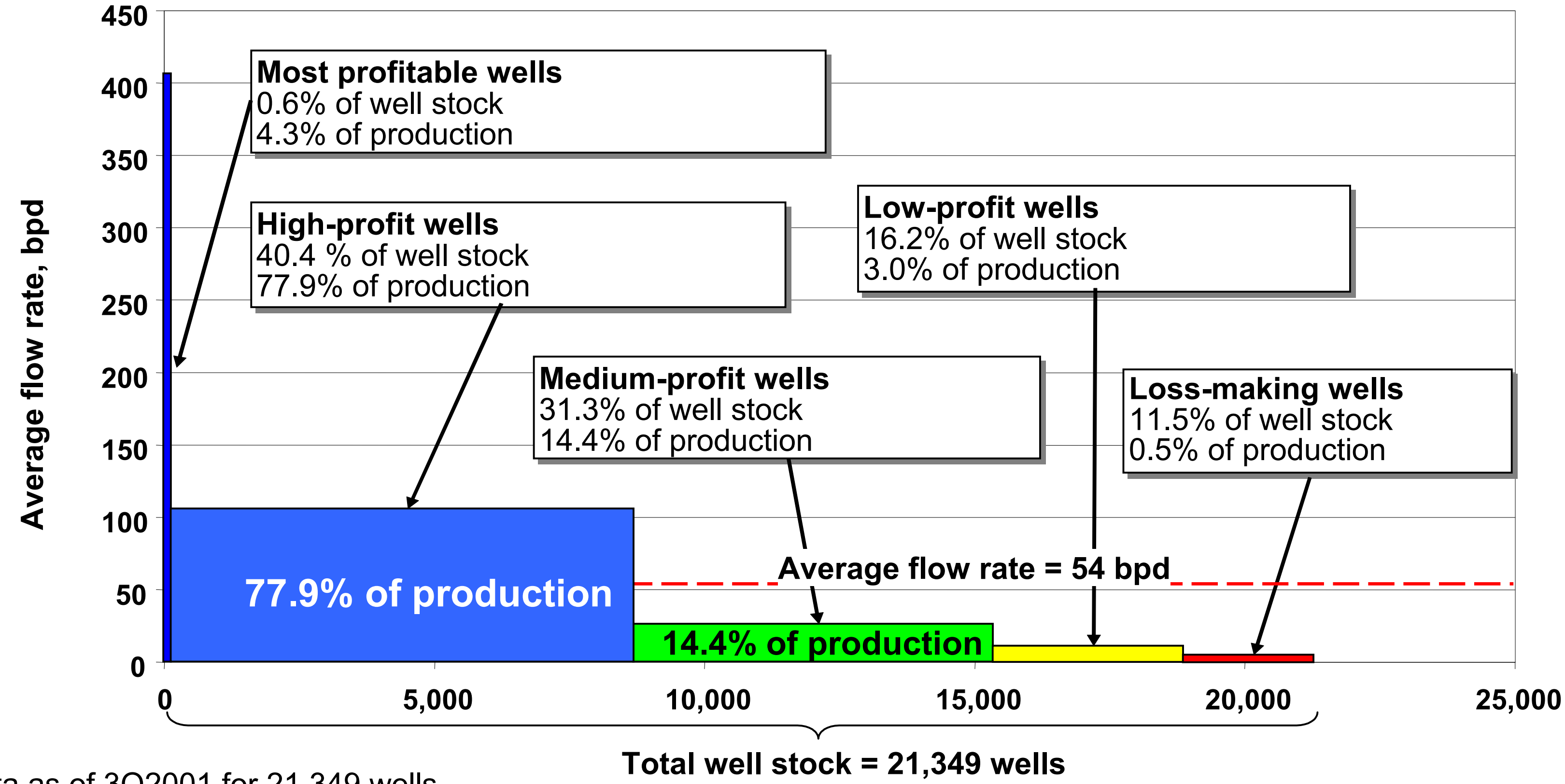


Data as of 3Q2001 for 21,349 wells

* variable costs = cost reduction after well shut down, including operating costs and taxes

Distribution of Well Stock by Profitability and Productivity

- **The Company is actively monitoring efficiency of its well stock**
- **LUKOIL possesses high quality extractable reserves – some 80% of the Company production comes from 8,500 highly productive wells**
- **The Company considers a possibility of divesting of up to 5,000 unprofitable and low-profitable wells, production share of which does not surpass 2-3% in the total production volume**



Data as of 3Q2001 for 21,349 wells

* variable costs = cost reduction after well shut down, including operating costs and taxes

Transition to new technologies in well drilling and facilitation

Moving a subsidiary drilling company off the balance sheet and simultaneous signing of long-term contracts with global engineering companies will enable to accomplish the following objectives by 2003-2004:

- Significantly decrease costs and increase quality of well drilling and construction, apply new technologies of oil recovery.
- Reduce operating costs in oil production by 15% company-wide
- Develop strategic partnerships with oilfield service companies in order to embrace the whole range of services associated with finding, development and oil production:
  - Upgrade of drilling facilities and well workover equipment
  - Drilling and associated services
  - Logistics optimization
  - Design and construction of horizontal and directional wells, optimization of oil recovery
  - Informational monitoring of oil production management. Providing higher quality production information to management
  - Geophysical, geological and design software
  - Other engineering services
- Reduce Company personnel by 15% and reduce per unit cost of services by 20% while considerably increasing service quality. Introduce new services in the sector of oil production
- New strategic partnership may be promising in finding, development and production of hydrocarbons at major fields in Northern Caspian

Efficiency of service companies in LUKOIL Group

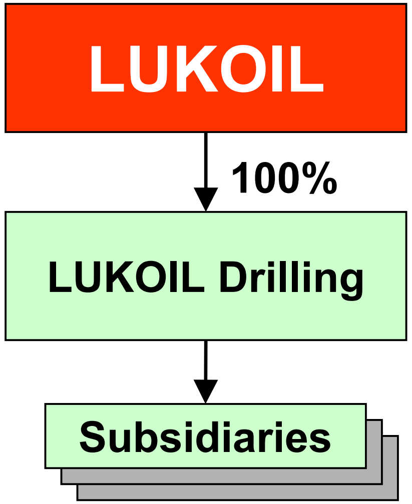
- Service companies have lower efficiency than average for LUKOIL Group;
- Gradual divestment of service companies will increase the efficiency of LUKOIL Group

$ m*	Net revenue	Net income	Total assets	Net margin, %	Return on assets, %
Drilling	400	25	200	6.3	12.5
Transportation	90	(2)	500	(2.2)	(0.4)
Supplies and sales	470	12	150	2.6	8.0
Construction	200	25	100	12.5	25
Finance		15	750		2
Other	40	2	21	5	9.5
Service, aggregate				**6.4**	**4.5**
LUKOIL				**18.2**	**12.9**

* 2001 estimates (9 months 2001 results after annualization)

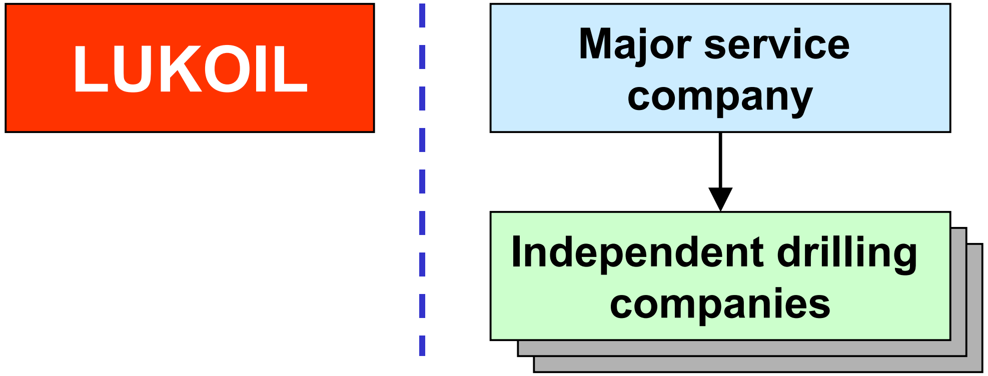
Reorganization of LUKOIL Drilling

Current situation



- High cost of services
- High administrative costs

After reorganization



- High-quality and technologically-advanced services
- Creation of competitive environment
- Cost reduction
- Divestment of non-core asset

Comparative Analysis of LUKOIL Drilling

Comparison of LUKOIL Drilling and a western peer company

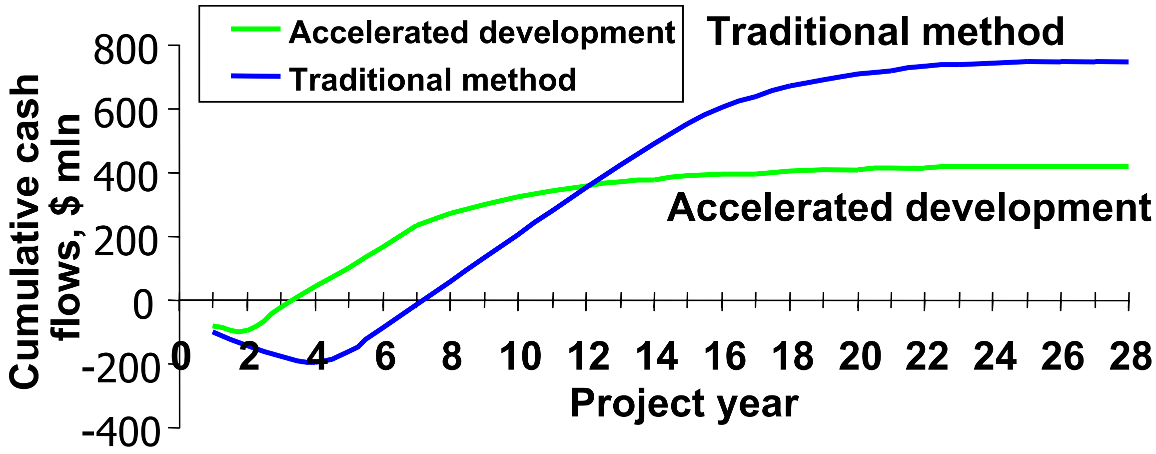
$ m	LUKOIL Drilling*	Parker Drilling**
Revenues	**400**	**488**
Net Profit	**25**	**11**
Assets	200	1,105
Net Debt	46.5	521
Sales profitability %	6.3%	2.2%
Personnel	18,573	3,654
Number of rigs	**91**	**79**
Capitalization		$388 m

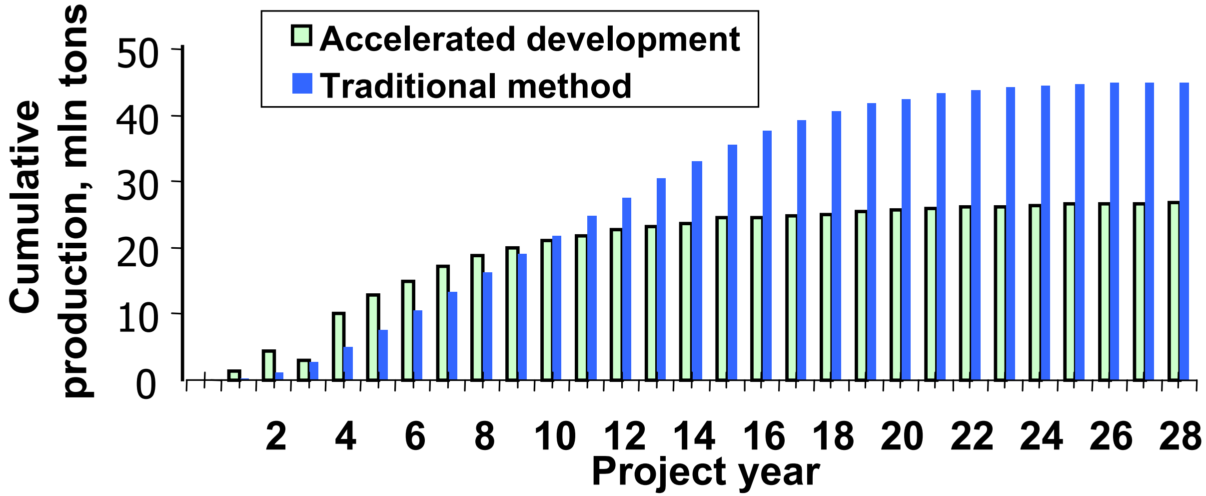
* Based on 9m 2001 US GAAP accounts (annualized)
** Based on Parker Drilling US GAAP report for 12 months 2001

Increase of Upstream Efficiency

- Optimization of the existing well stock utilization
- Accelerated development of new fields
- Increasing efficiency of LUKOIL’s service operations through partnerships with leading international service companies
- Concentration of exploratory activities in promising areas
- Development of opportunities to sell a stake in LUKOIL Drilling to a strategic investor
- Pilot project accomplished in cooperation with Schlumberger to increase production at Verkhne-Vozei field in the republic of Komi aimed at testing modeling methods for accelerated field development
- Expansion of cooperation with Schlumberger and/or other international contractors based on this pilot project experience

Alternative approaches to field development





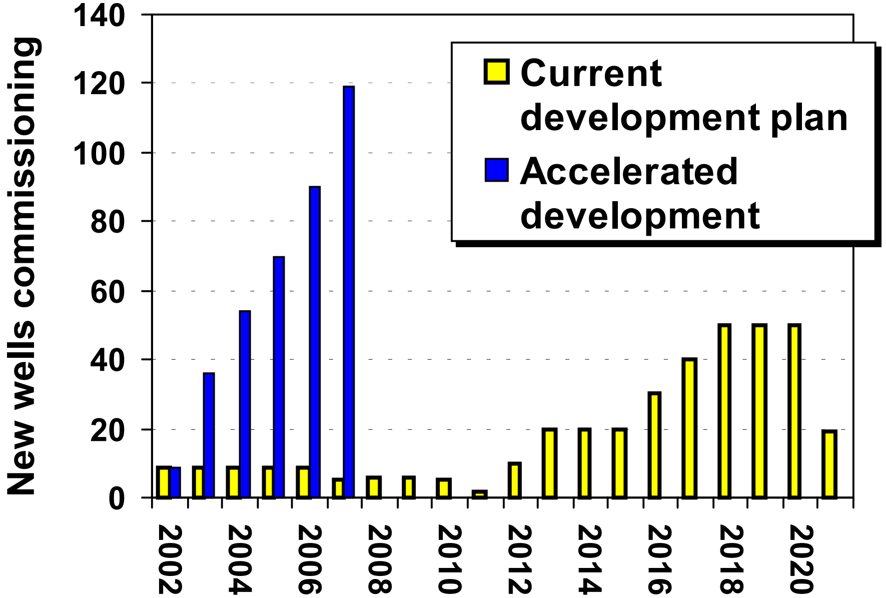
KEY FIGURES:

Method:	**Accele-rated**	**Tradi-tional**
Cumulative production, mln t	**26,7**	**45,0**
Cumulative cash flow, $ mln (undiscounted)	**420**	**750**

Примечание: Прогнозы добычи и денежных потоков для одного из месторождений ЛУКОЙЛа в Поволжье

Accelerated Field Development

Comparing development forecasts for one of Timan-Pechora fields



	Current development plan	**Accelerated development**
Reserves, mmbbl	161.6	**161.6**
Capex, mmbbl	357.8	**357.8**
Peak production, mmbbl	13.9	**20.0**
Peak production year	2020	**2008**
IRR, %	23.7%	**38.3%**

- **With optimal approach, accelerated development improves economics**
- **LUKOIL actively considers opportunities of accelerated development of new fields**

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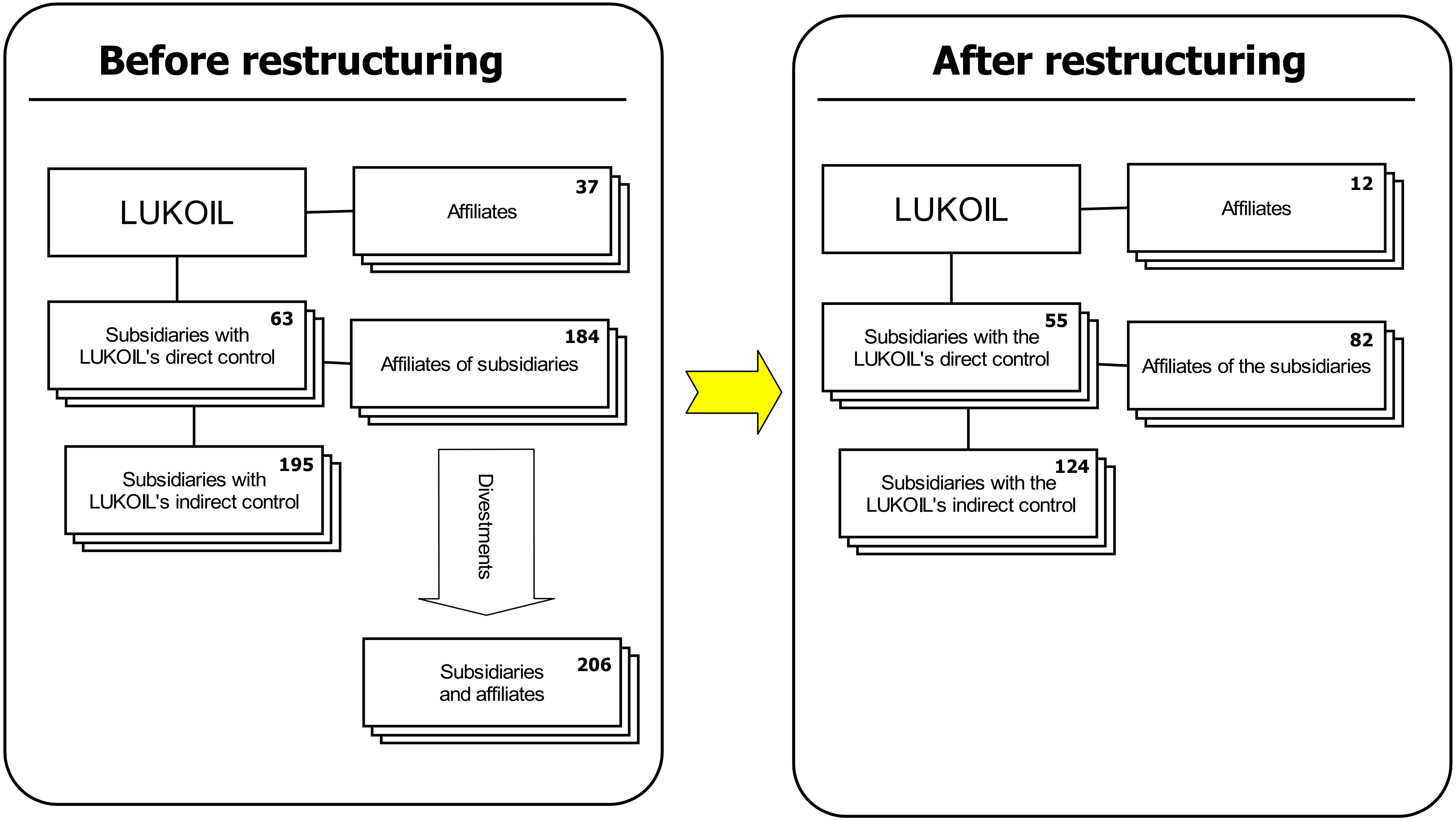
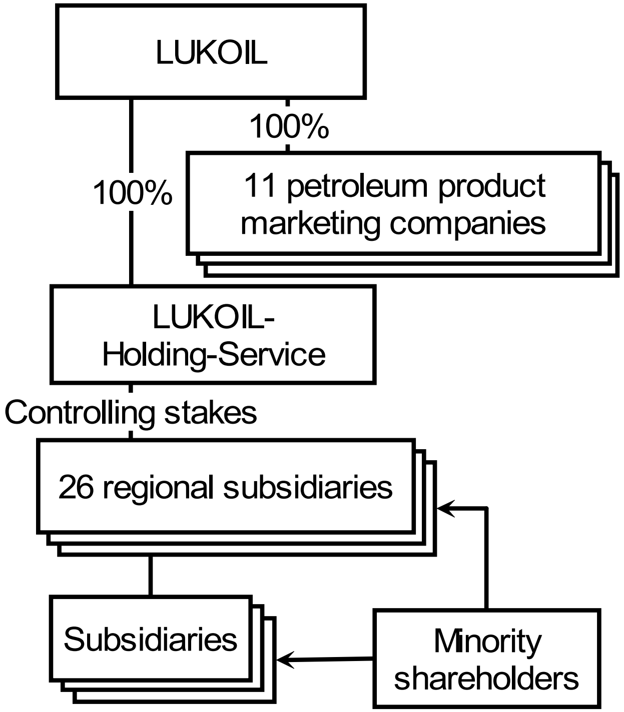
LUKOIL Group Restructuring

Estimated results of the 2001-2002 stage



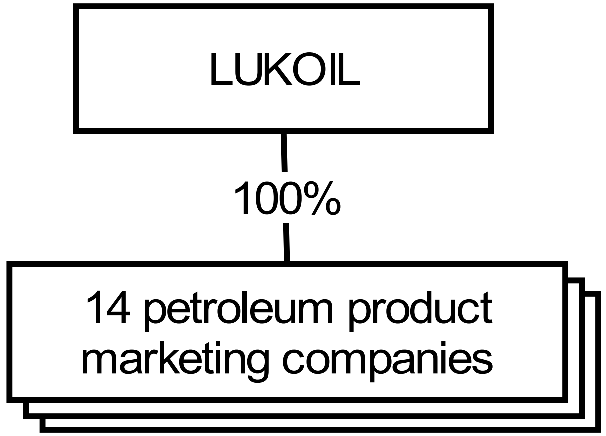
Restructuring of petroleum product marketing sector

Initial structure – 68 entities



- Large number of entities
- Intracompany competition
- Poor manageability
- Low efficiency

Target structure – 14 entities



- Transparent structure
- Full control over the subsidiaries engaged in petroleum product marketing
- Increased efficiency

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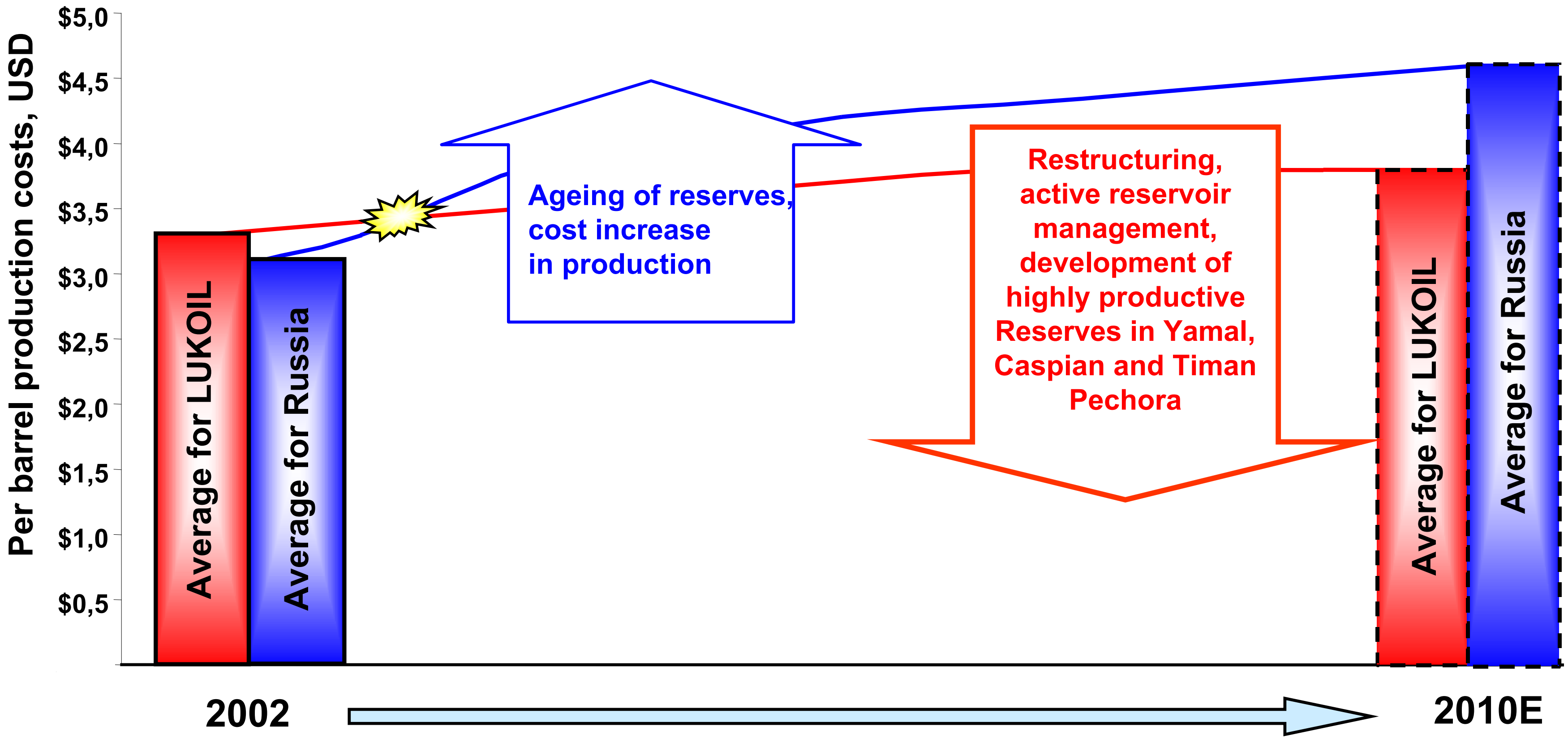
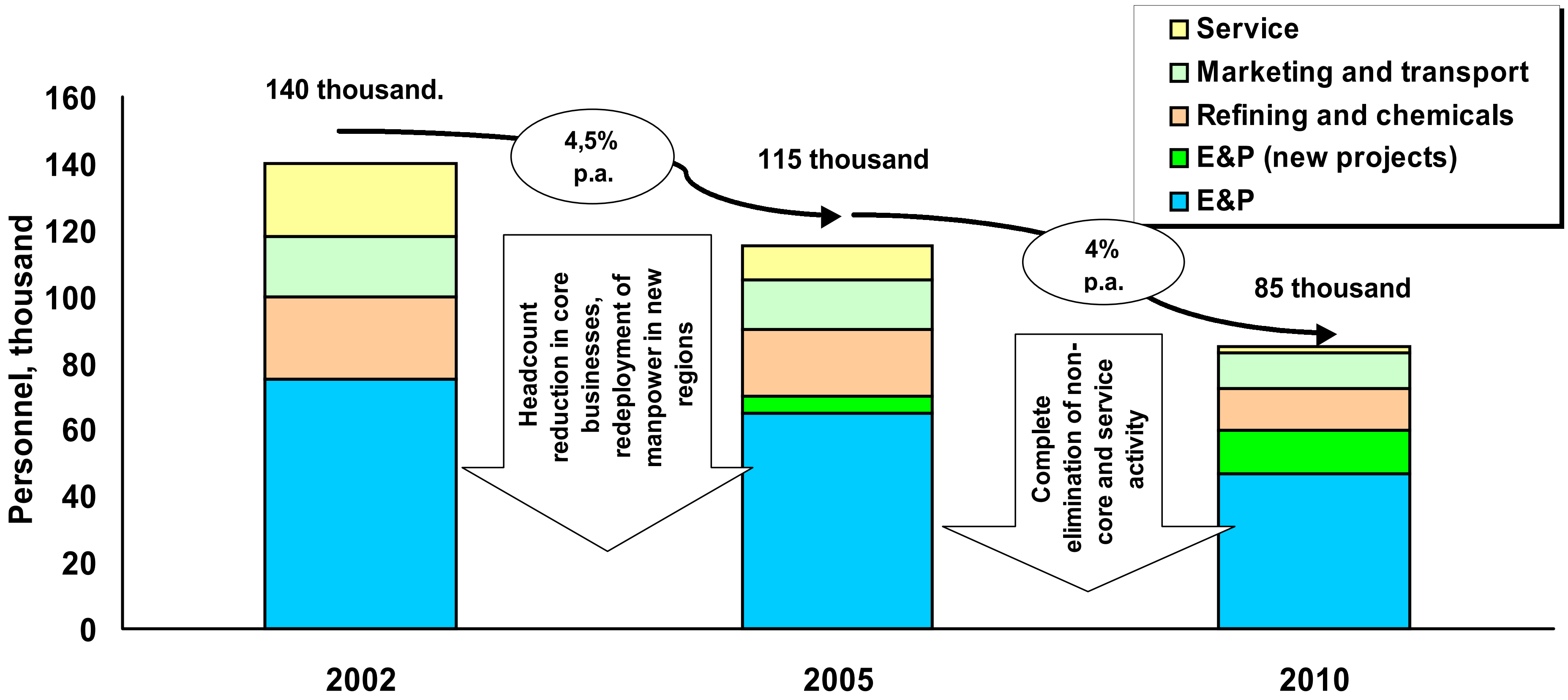
Reaching Competitive Cost Level Control



- LUKOIL is the only oil company in Russia with prepared resource base in new provinces
- With depletion of Western Siberia reserves average Russian production costs will grow
- Companies with prepared resource base will have a competitive advantage in terms of production costs

Reduction and optimization of personnel



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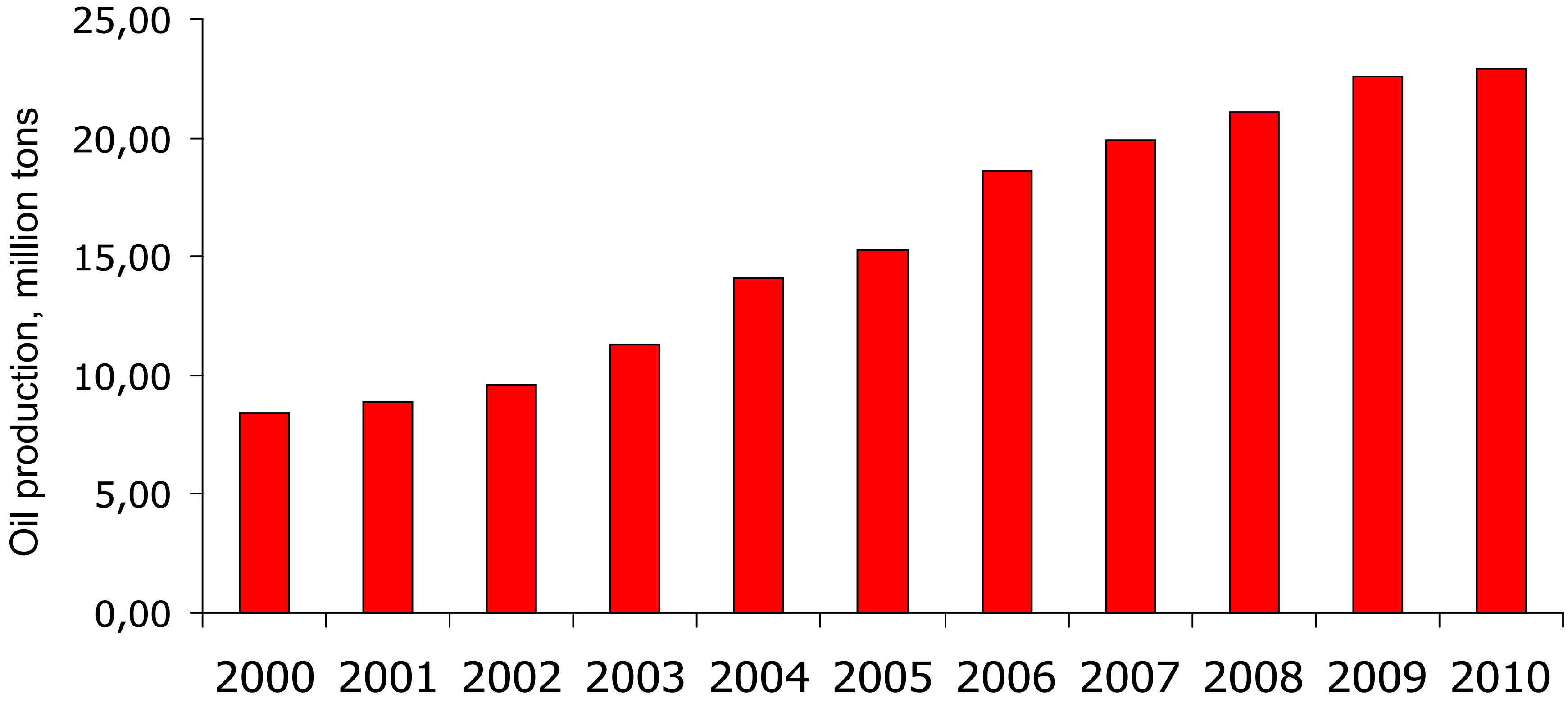
Capital Expenditures in new projects

LUKOIL's Capex in New E&P and Pipeline Projects

USD MM	1999	2000	2001
E&P in Russia - New regions*	50.0	236.9	445.8
Caspian E&P Projects**	184.3	229.1	244.9
Other International E&P	3.2	0.8	3.5
CPC	72.8	166.1	120.2
TOTAL	**310.3**	**632.9**	**814.4**

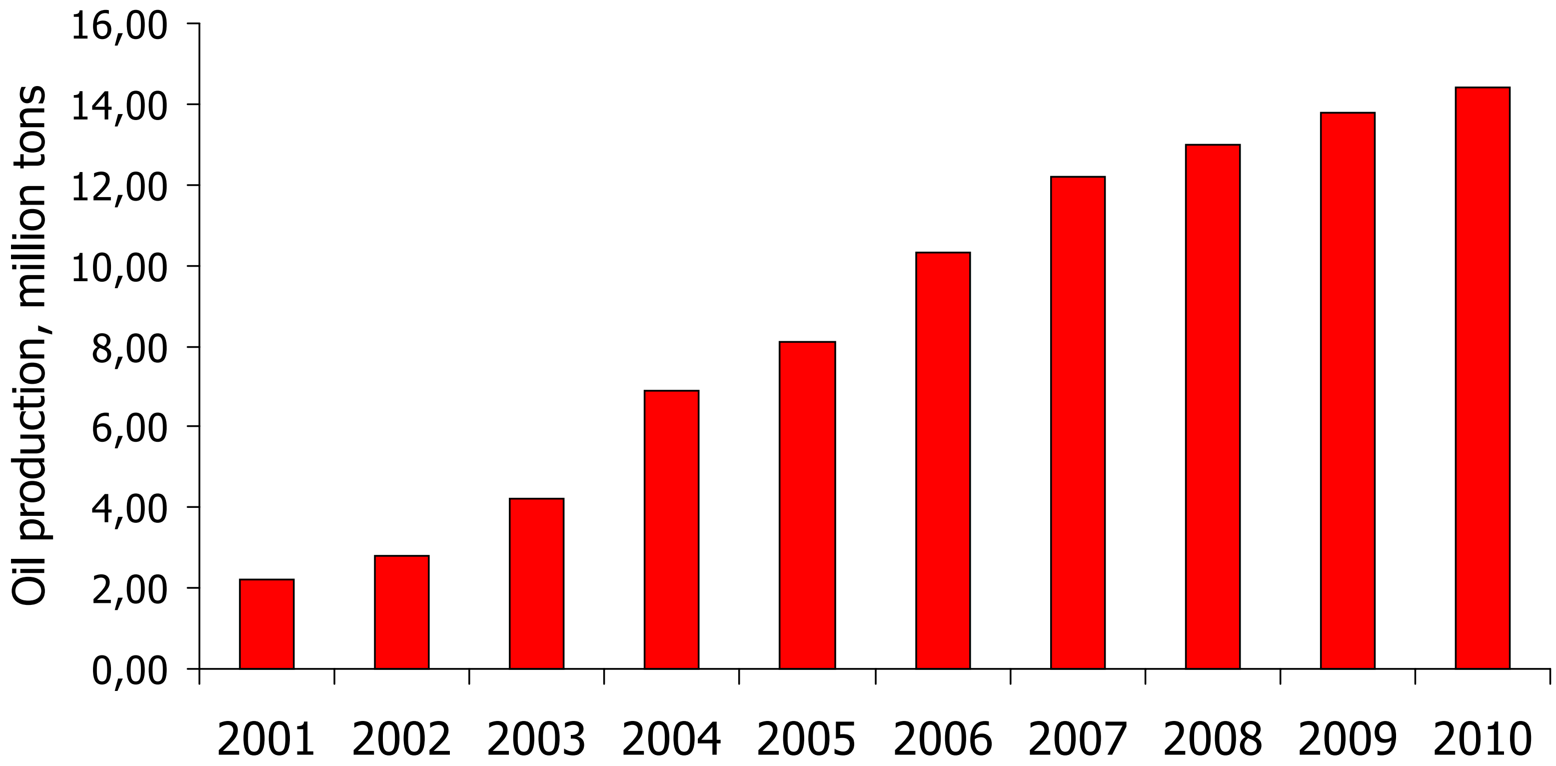
* Includes Timan-Pechora and Northern Caspian regions
** Includes AIOC, Karachaganak, Kumkol, Tengiz and other Caspian projects

Long-Term Production Growth in Timan-Pechora



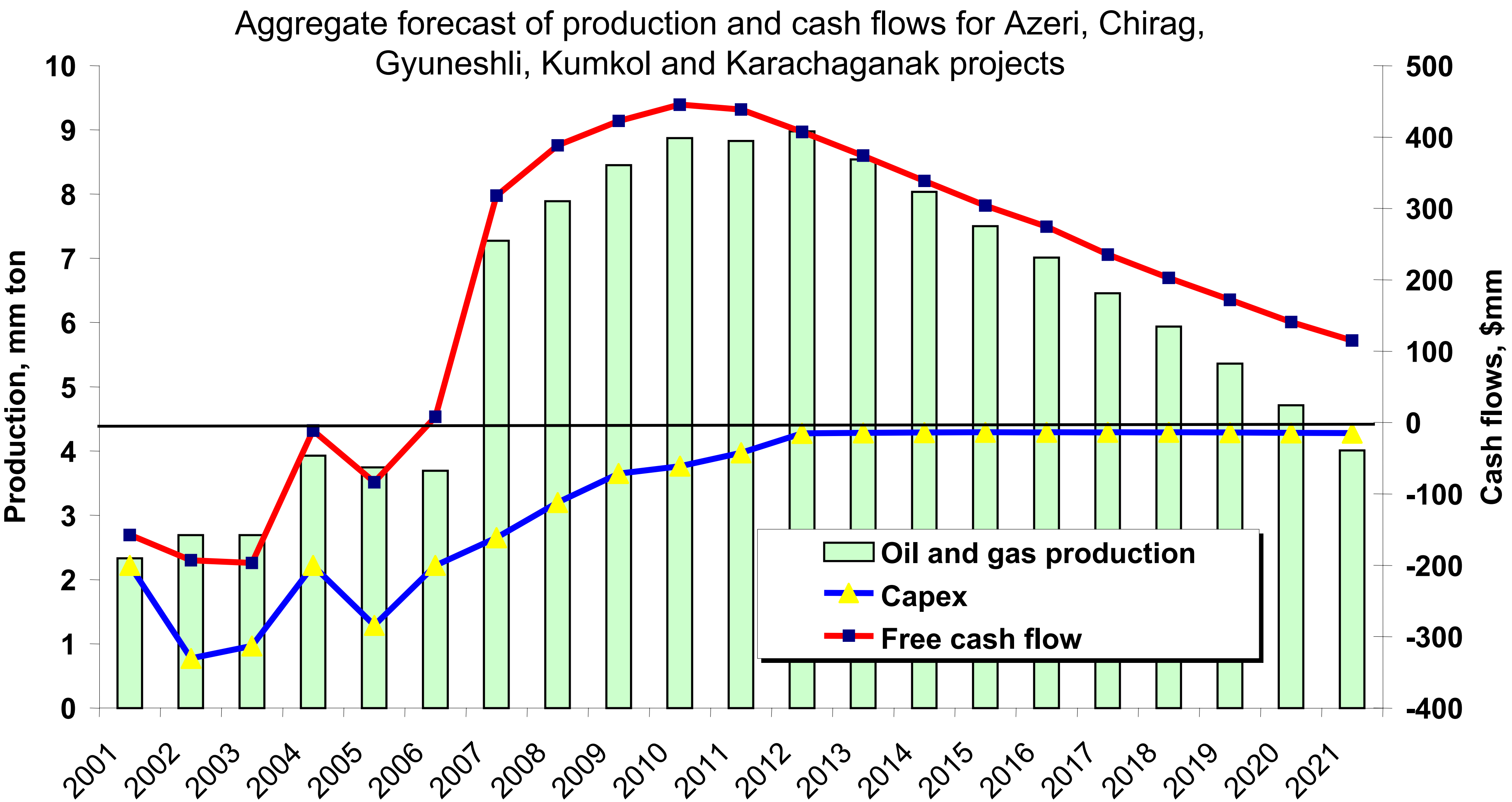
Existing fields in Timan-Pechora: AGD, KomiTEK, Northern Territories (100%)
2000-2001: actual data
2002 – 2010: LUKOIL estimates

Long-Term Growth in International Projects



Existing international projects, excluding Iraq
2001: actual data
2002 – 2010: LUKOIL estimates

International projects: forecast of production growth



Source: LUKOIL estimates

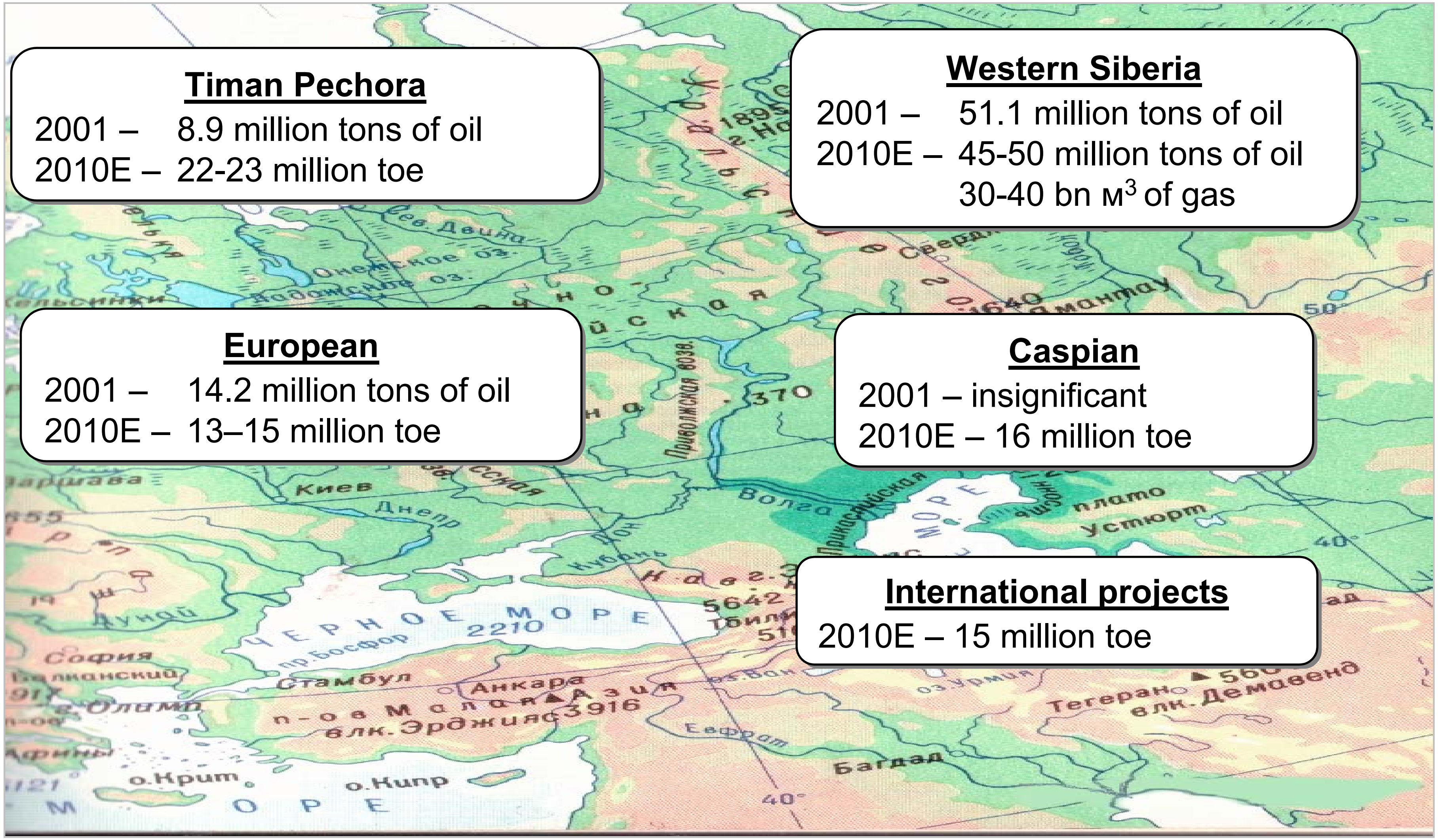
North Caspian – opening of a new province

Large reserve base is found and production and transport infrastructure is created in the area previously believed to be of low commercial attractiveness

- Over 3.3 bn boe of extractable reserves with potential for significant increase.
- Significantly larger potential for the whole license area.
- LUKOIL has undertaken significant amount of seismic work, on the basis of which 6 wells have been drilled. All – successful.
- The Company has created its own production infrastructure. It has its own Astra jack-up rig, fleet of support vessels and has created on-shore infrastructure.
- Participation in CPC gives LUKOIL access to transportation of the crude out of the area.

LUKOIL is the Russian oil leading major with unique E&P and transport assets in the Caspian

Long-term production growth by regions



Timan Pechora

2001 – 8.9 million tons of oil
2010E – 22-23 million toe

Western Siberia

2001 – 51.1 million tons of oil
2010E – 45-50 million tons of oil
30-40 bn $м^3$ of gas

European

2001 – 14.2 million tons of oil
2010E – 13–15 million toe

Caspian

2001 – insignificant
2010E – 16 million toe

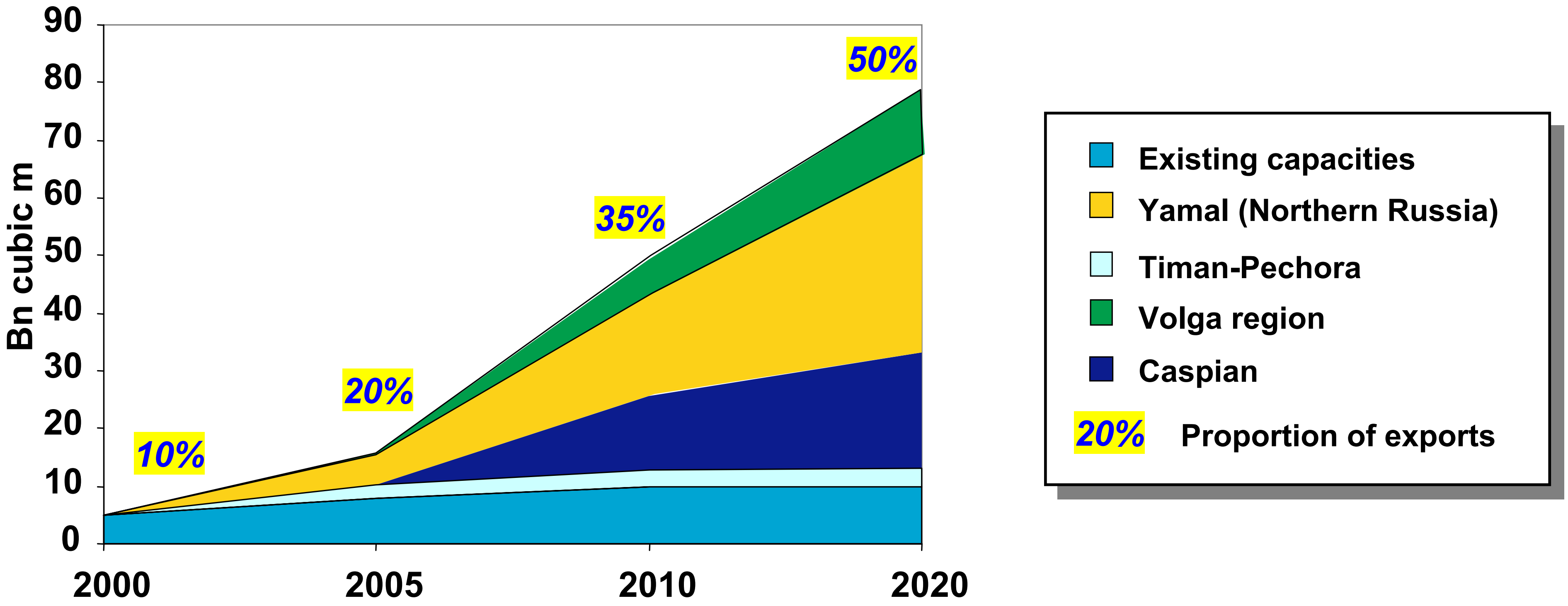
International projects

2010E – 15 million toe

Considerable increase in gas production

- LUKOIL expects significant growth in gas production at its fields
- Revenue growth through development of projects in CIS and bigger pipeline exports volumes
- Opportunity to find additional sources of gas

Gas production and exports from LUKOIL fields



Acquisition of high-value assets

LUKOIL strategy is aimed at the increase in reserves by profitable acquisitions and exploration

	2001 reserve additions bn boe	NPV* bn $
Proved	3.61	**$4.35**
Possible	1.57	$1.75
Probable	3.25	$1.44
Total	**8.43**	**$7.54**

Total upstream capex and exploration expenses in 2001 amounted to **$1.6 bn**

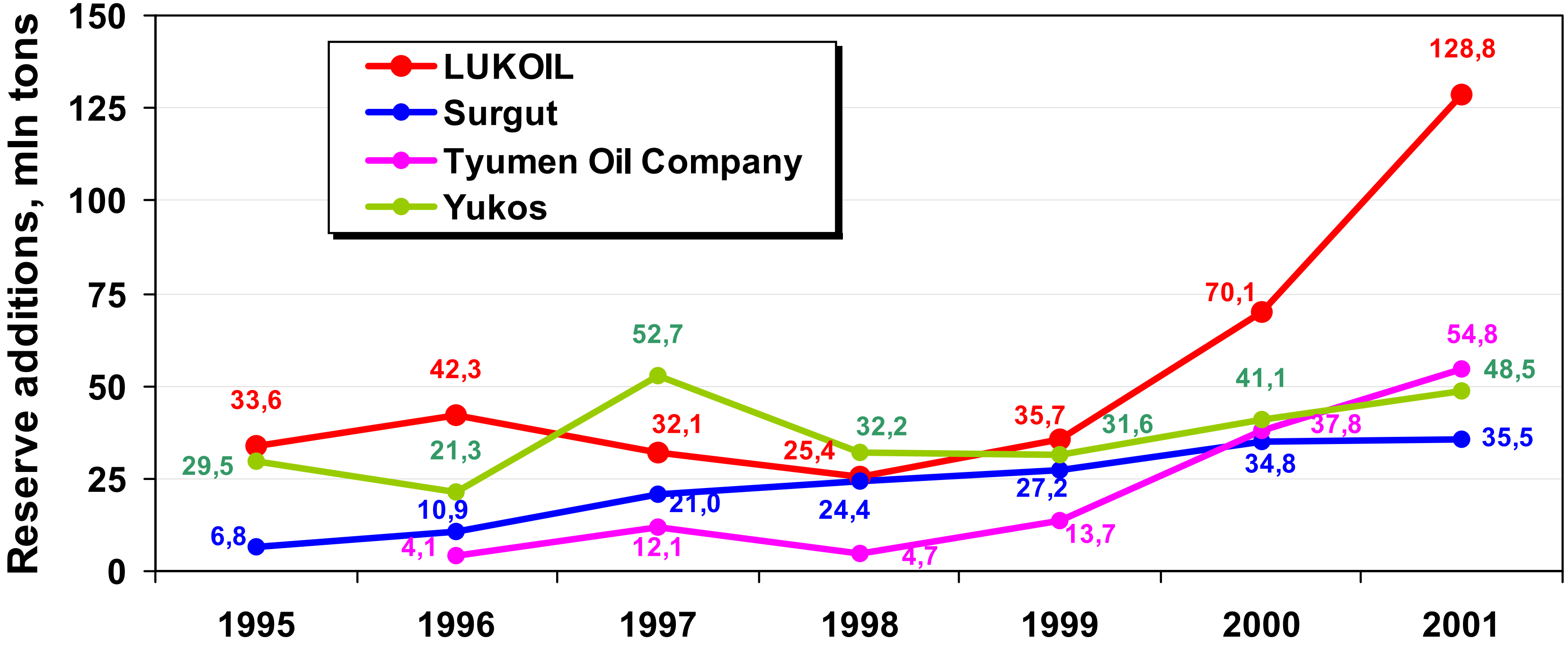
Reserve additions include:

- Gross increase in reserves from discoveries on the Caspian (1 field),
- Acquisitions of gas reserves on Tazovski Peninsula
- Reserves of recently acquired AGD
- Additional volumes from Komi Republic as a result of exploration, more efficient production, acquisition of minority stakes

* NPV calculated by U.S. SEC method

Leadership in hydrocarbon reserves additions

Hydrocarbon reserves additions by leading Russian oil companies



- LUKOIL has the largest hydrocarbon reserves
- Value of reserves will continue to grow as Russian economy develops
- LUKOIL will seek opportunities to accelerate monetisation of its reserves

Value of new E&P projects

Projects	LUKOIL Investments $ mm	Cumulative cash flows (2) $ mm	Comparable transactions value, $ mm	Minimum DCF value $ mm	Comparable transaction
INTERNATIONAL PROJECTS (1)					
Azeri	**309**	**254**	**731**		Devon / Ramco 02/2001
Karachaganak	**498**	**140**	**1,301**		Expert estimate
Kumkol	**154**	**198**	**310**		Market value of Hurricane Hydrocarbons
PROJECTS IN RUSSIA					
YamalNGD (Proved reserves)	**100**		**2,946**		Yukos / Arctic Gas (3)
Total	**1,061**	**592**	**5,288**	**2,259**	

Notes:

Comparable transactions as per UBS Warburg data
(1) Estimates for LUKOIL share in the projects
(2) From the start of the project till 2001
(3) Ratio for proved reserves of Arctic Gas

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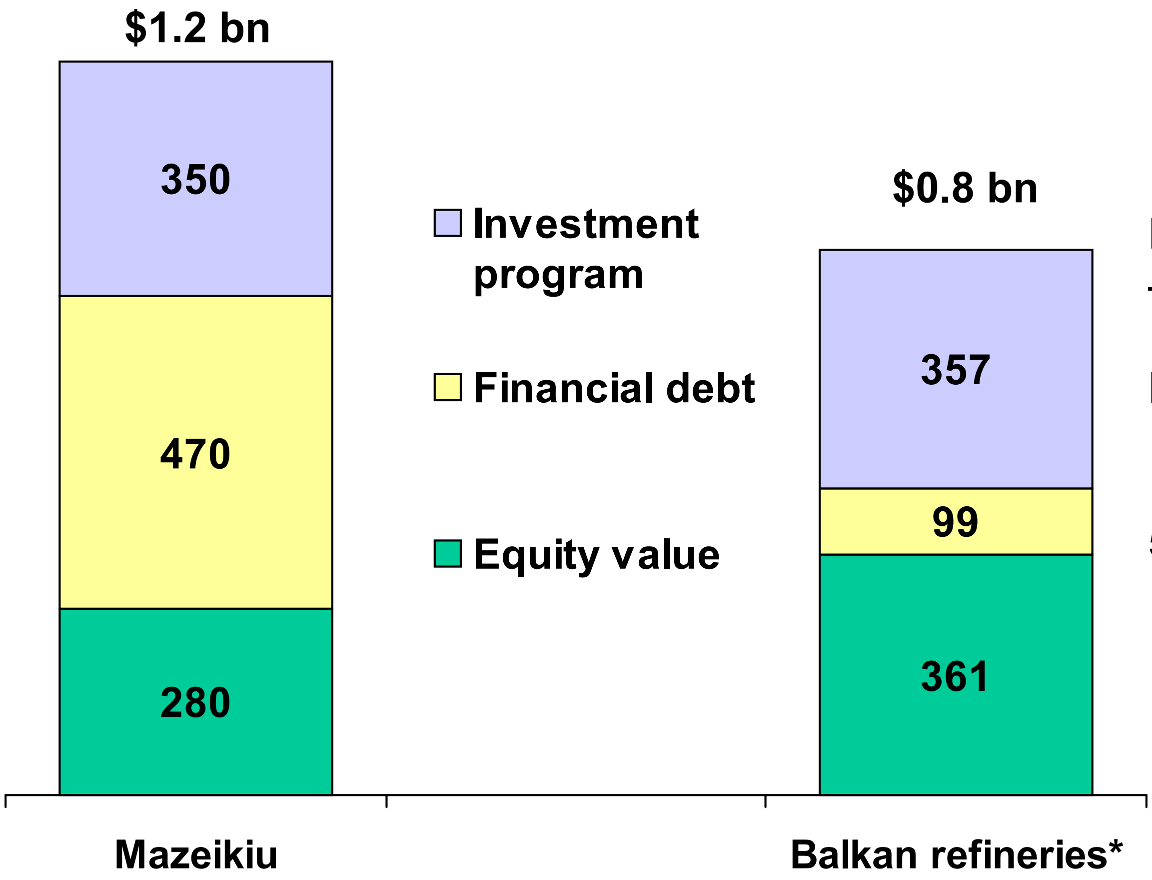
Refinery acquisition strategy

Comparative investment value of Mazeikiu Nafta and LUKOIL refineries on the Balkans*

Refining capacity – *15.0 mln tons*

Nelson complexity – *6.6*

0 Service stations



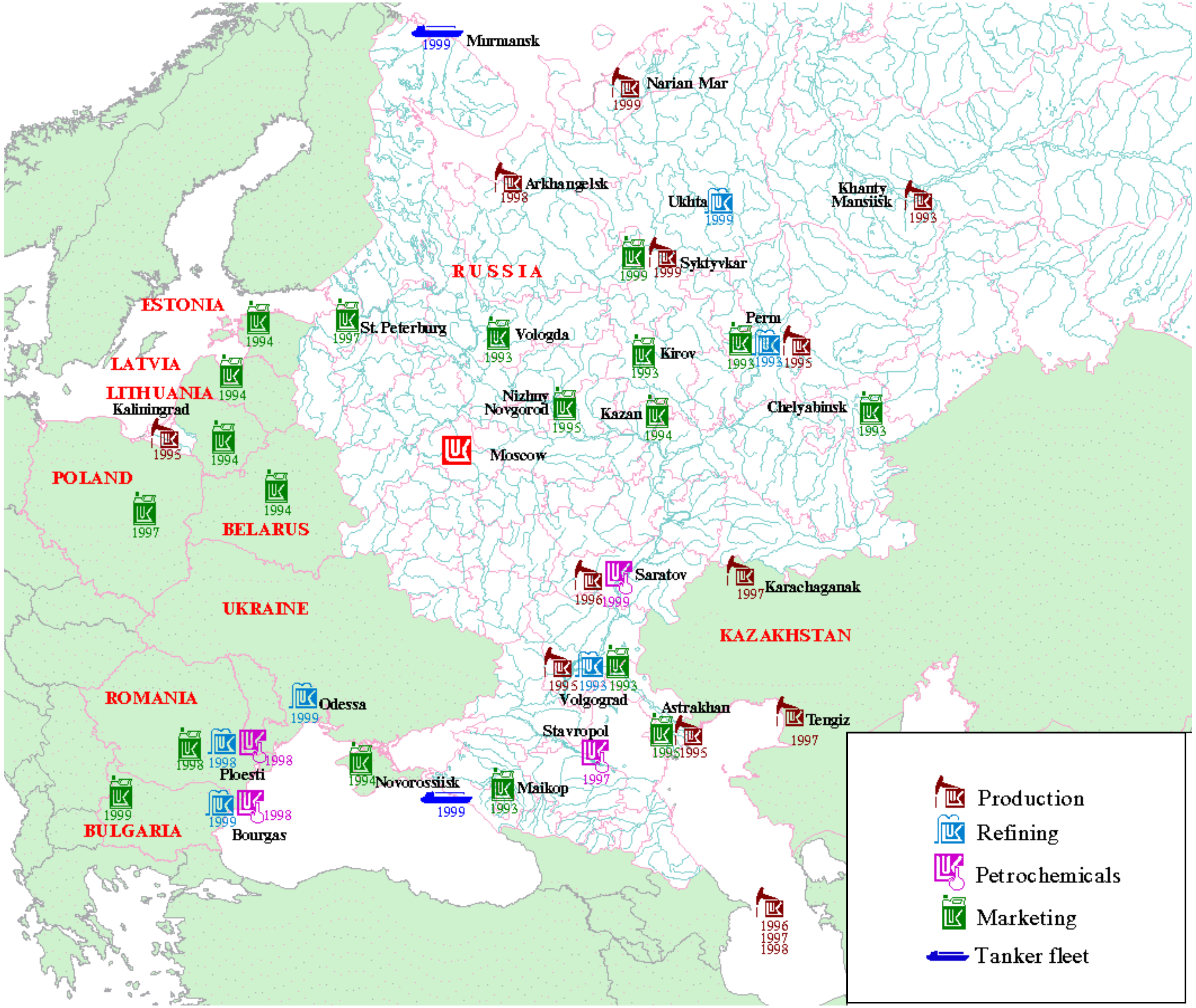
Refining capacity – *15.2 mln tons*

Nelson complexity – *7.8*

500 service stations

* Petrotel (Romania) and Neftochim (Bulgaria) refineries + stations in these two countries

Map of LUKOIL Operations



LUKOIL-International profitability

Assets in Eastern Europe and Getty Petroleum

Refineries

Service stations

Wholesale trading

Earnings before income tax and extraordinary expenses

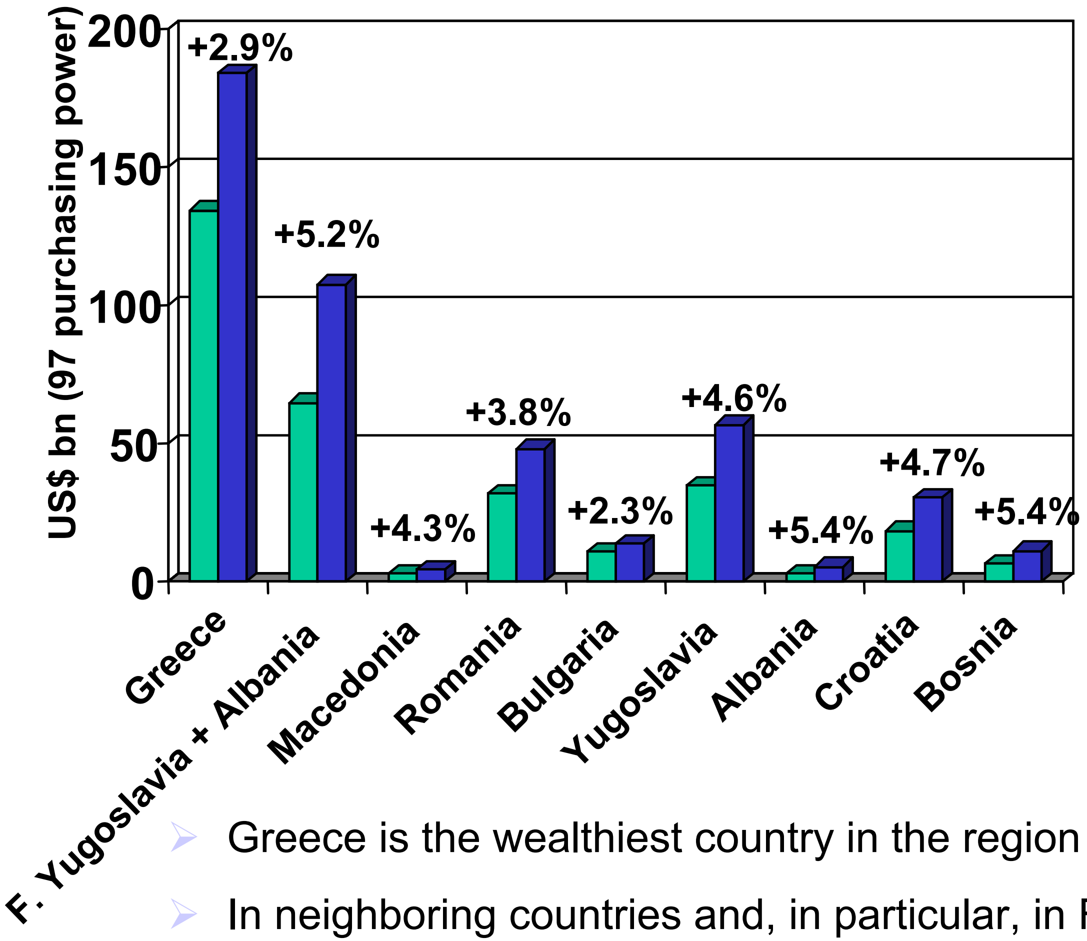
2000	2001E
$ 90.5 mln	$ 48.4 mln

Participation in Hellenic Petroleum Privatization

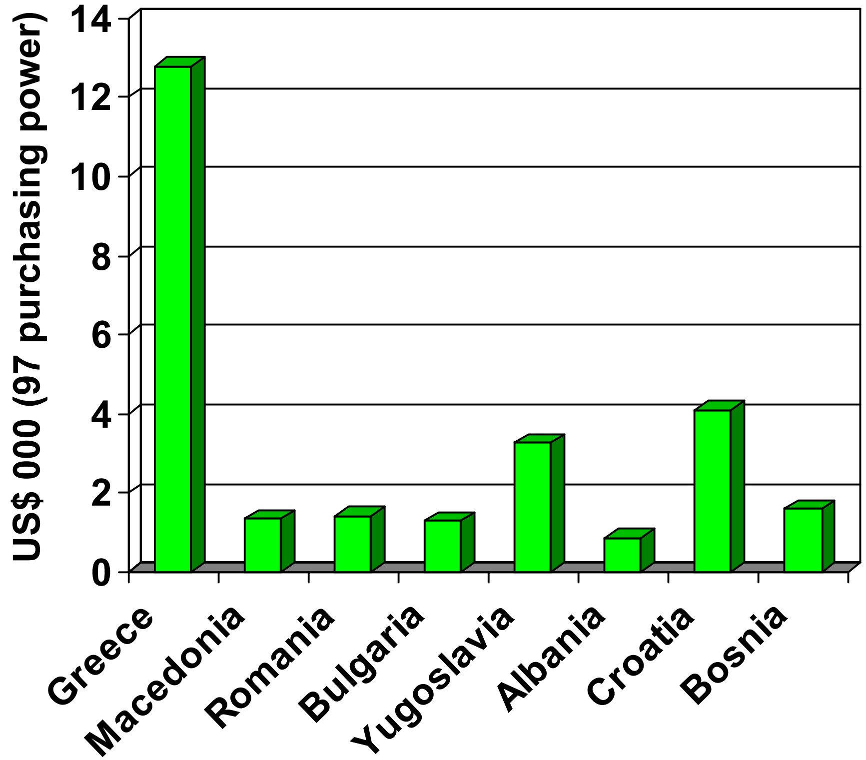
- LUKOIL participates in the privatization of Hellenic Petroleum, Greek national oil company.
- Hellenic Petroleum assets include
  - Two refineries in Greece, petrochemical plants
  - Refineries in Macedonia and marketing capacities
  - Network of 1,500 service stations, oil terminals in Greece
  - Service station networks in Albania and Georgia
- Recently LUKOIL submitted a joint bid with Latsis Group for a 23,17% stake of Hellenic Petroleum and awaits decision of Greek government

Economic forecast for Southern Europe

GDP and long-term growth



GDP per capita*



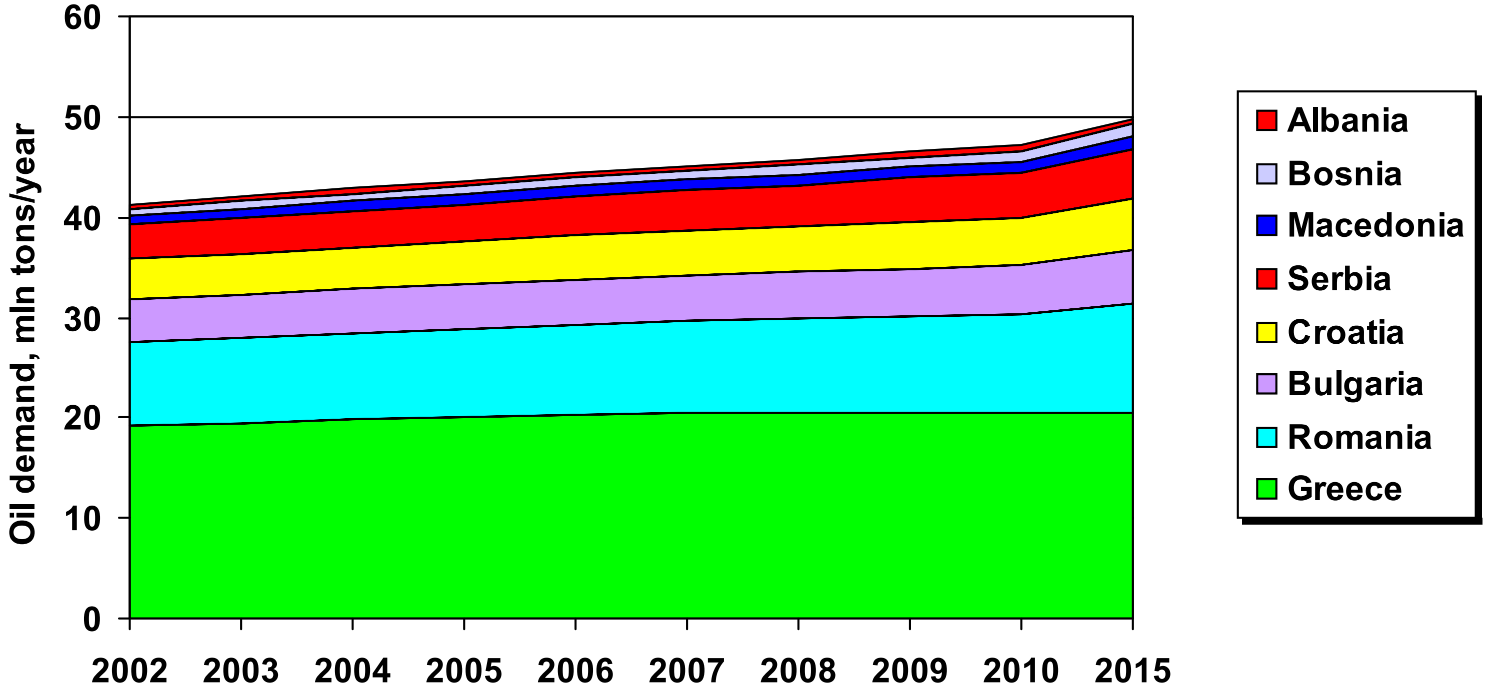
- Greece is the wealthiest country in the region by GDP per capita
- In neighboring countries and, in particular, in Former Yugoslavia, the highest GDP growth rate is expected with a corresponding increase in oil product consumption

* 1999 data

Strategy for Hellenic Petroleum

Hellenic Petroleum deal would give LUKOIL access to Greek market and considerably strengthen LUKOIL positions in the Balkans

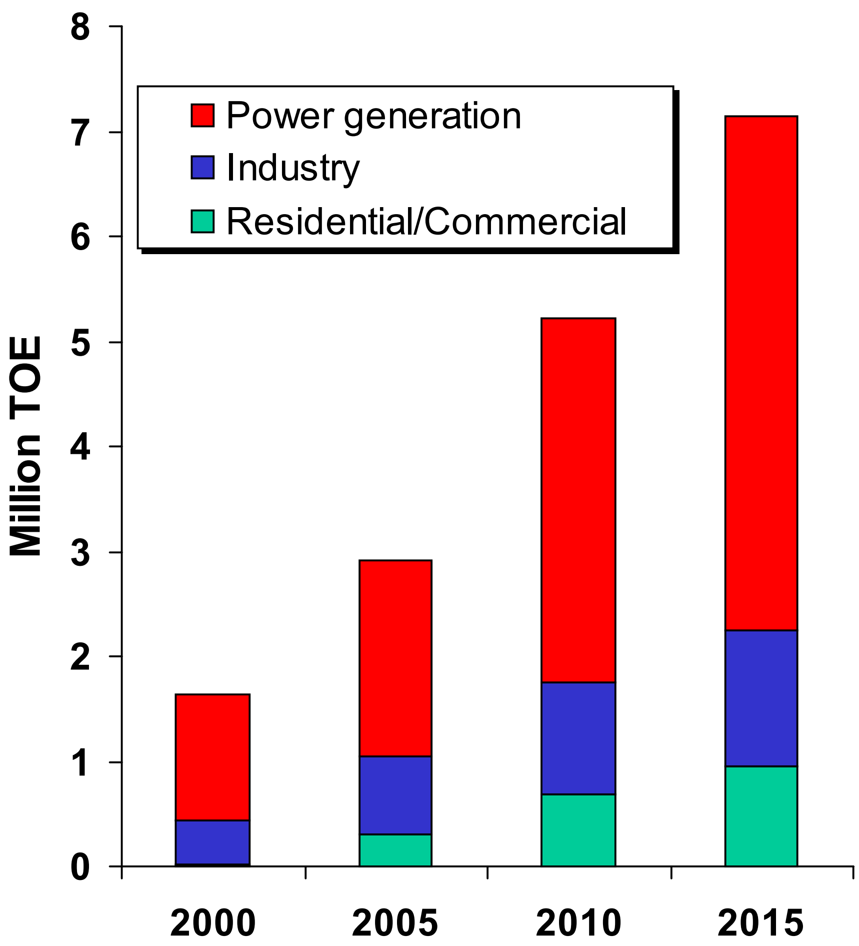
- High growth rate in oil consumption is expected in the Balkans – more than 33% till 2015, mainly, in the countries of former Yugoslavia. Many of them are expected to see about 50% growth.
- Consumption in Greece will grow more modestly – about 6-7% by 2015



If LUKOIL acquires a stake in Hellenic Petroleum, it will not only gain access to Greek market, but will also strengthen its position in more dynamic markets of the Balkans

Greek Natural Gas Market Prospects

Hellenic Petroleum, via its strategic stake in DEPA, is one of the best ways to participate in the dynamic gas market of Greece



- Gas demand is expected to grow in all sectors
- In the residential and commercial sectors gas will replace heating gasoil and LPG
- In the industrial sector gas will replace fuel oil, gasoil and LPG
- In the power generation sector gas will be the fuel of choice for capacity expansion
- Gas penetration will be limited to the most populated areas of the mainland
- Demand will hit the capacity limit of the existing transport system between 2010 and 2015

LUKOIL: restructuring program

INCREASE OF COMPANY VALUE

PROFIT GROWTH

Increasing export sales

Reducing operating costs

Accelerating development of new fields

Improving return on investment