2002 financial results
(US GAAP)

June 2003

Economic environment

4Q 2002	4Q 2001		2002	2001
		Domestic Market		
11.79	14.12	Realized oil ($/bbl)	**8.28**	10.83
152.96	120.79	Realized refined products ($/tonne)	**146.14**	141.95
4.3%	4.1%	Inflation 2002 (%)	**15.1%**	18.8%
–	–	Ruble appreciation against USD (%)	**9.1%**	11.0%
–	–	Transport expenses / Revenues (%)	**9.2%**	6.8%
–	–	Taxes other than income/ Revenues (%)	**25.7%**	18.1%
		International Market		
23.91	17.67	Realized oil ($/bbl)	**21.95**	21.13
252.21	204.58	Realized refined products ($/tonne)	**236.85**	226.30

Financial results (mln USD)

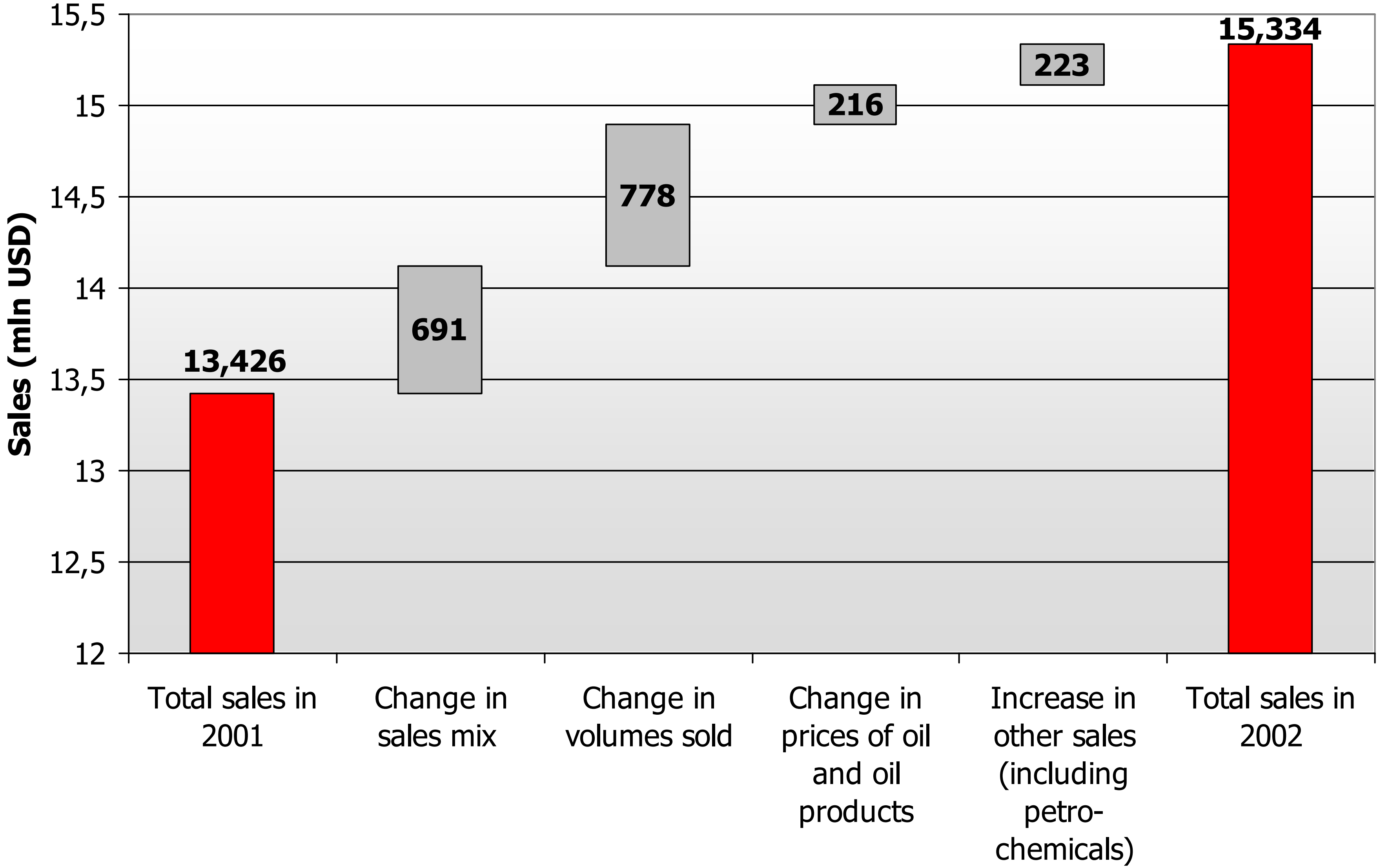
4Q 2002	4Q 2001		2002	2001
4,341	**3,064**	**Total revenue**	**15,449**	**13,562**
(632)	(640)	Operating expenses	(2,403)	(2,584)
(757)	(634)	Transportation, SG&A expenses	2,727	2,294
(536)	(247)	Taxes other than income tax	**1,972**	**1,010**
(618)	(268)	Excise and export tariff	**1,996**	**1,456**
757	408	Income from operating activities	2,662	2,948
695	258	Income before income tax	2,558	2,783
497	203	Net income	1,843	2,109
536	**203**	**Net income before special items**	**1,985**	**2,109**
0.61	0.21	Basic earnings per share	2.26	2.68
893	721	EBITDA	3,569	3,987

Sales structure

4Q 2002	4Q 2002	Sales structure	2002	2001
65.8%	60.8%	Export sales and sales on international markets to total volume of sales	66.0%	60.0%
61.8%	53.2%	Refined products to total volume of sales	57.0%	50.6%
51.4%	40.3%	Share of oil products in total export volumes and international sales	49.4%	44.8%
62.2%	51.6%	Share of oil products in total export sales and international sales	58.9%	54.3%

4Q 2002	4Q 2001	Sales in mln USD	2002	2001
1,254	1,075	Crude oil	4,805	4,943
2,668	1,575	Refined products	9,108	7,285
359	381	Other	1,421	1,198
4,300	**3,031**	**Total**	**15,334**	**13,426**

Sales reconciliation

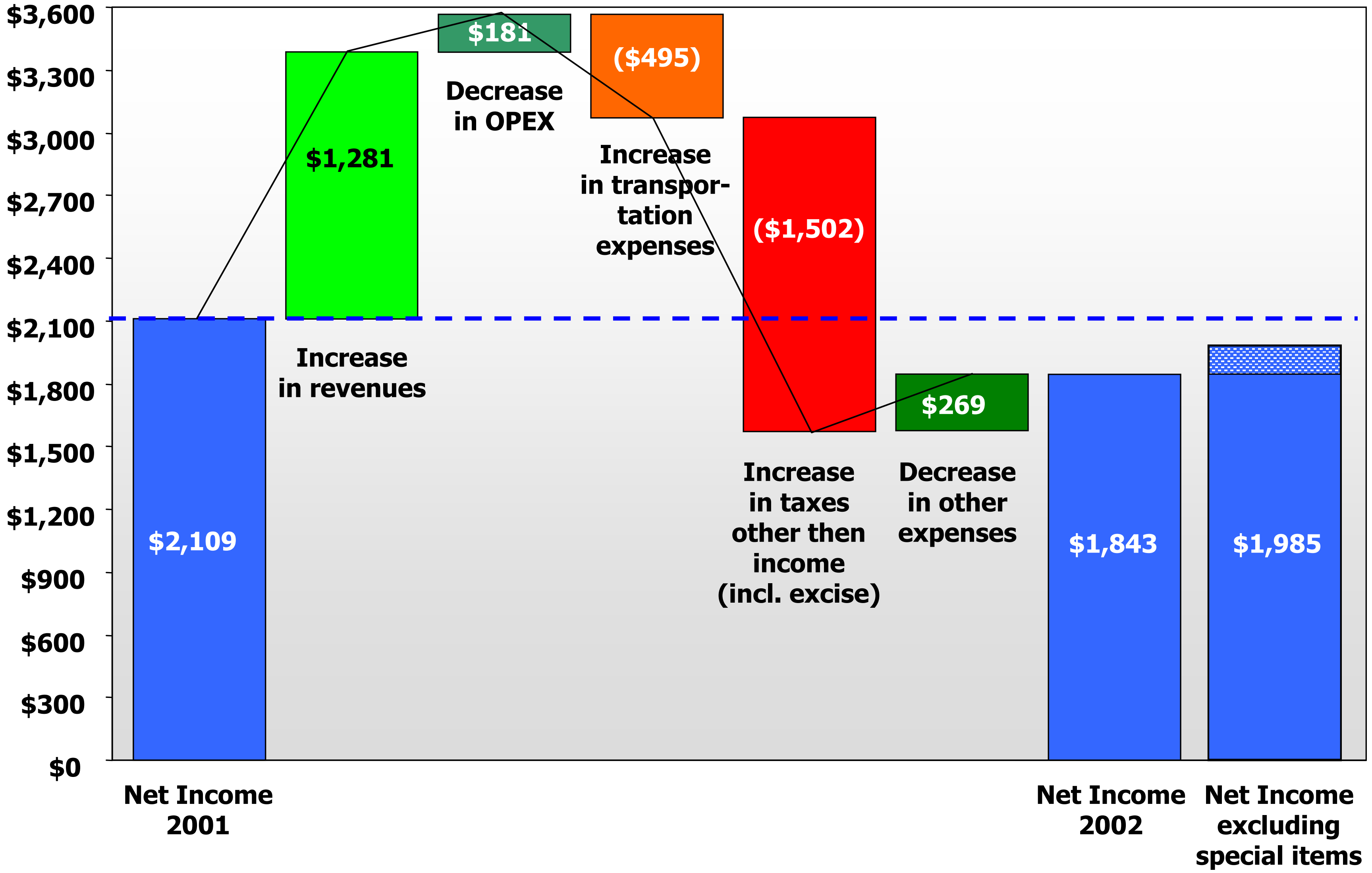


Opex, transportation and SG&A

Operating expenses (mln USD)	2002	2001
Extraction expenses	1,355	1,411
Refinery expenses	417	426
Processing cost on the affiliated refinery	131	109
Other operating	500	638
Total	**2,403**	**2,584**

Selling, general and administrative expenses (mln USD)	2002	2001
Transportation expenses	1,414	919
Other selling, general and administrative expenses	1,313	1,375
Total	**2,727**	**2,294**

2001-2002 net income reconciliation



Capex structure

Capital expenditures (mln USD)	**2002**	**2001**
Exploration and production	1,411	1,789
Russia	*1,078*	*1,543*
International	*333*	*246*
Refining / Marketing and distribution and other	793	828
Russia	*683*	*645*
International	*110*	*183*
Total (cash and non-cash)	**2,204**	**2,617**

Management report – 1st stage of restructuring program

In April 2002 LUKOIL launched a restructuring program to increase its efficiency

Restructuring program: implemented measures

Revenue enhancement

- Increase exports
- Accelerate development of new fields

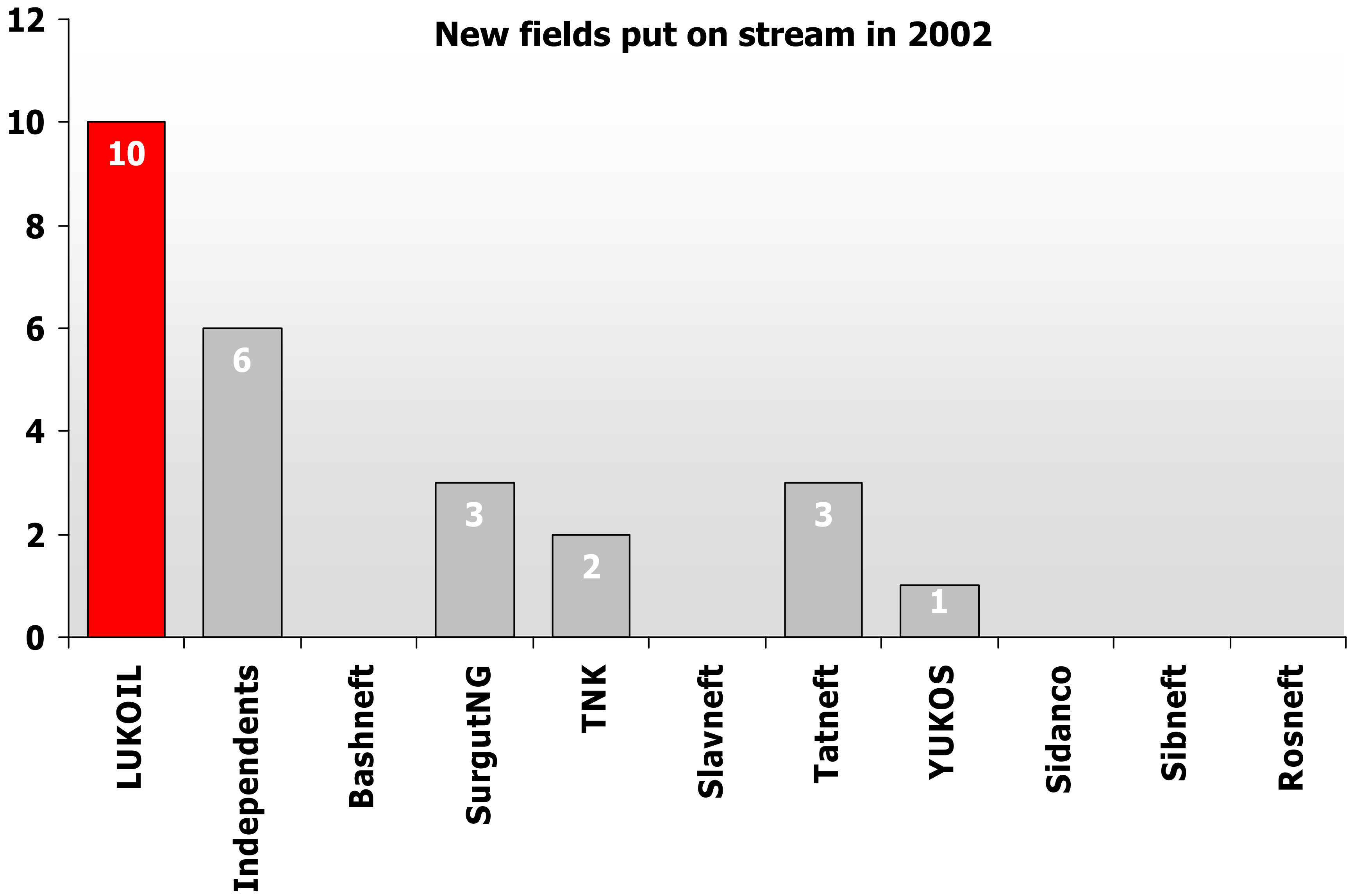
Cost reduction

- Shut down marginal wells
- Cost control

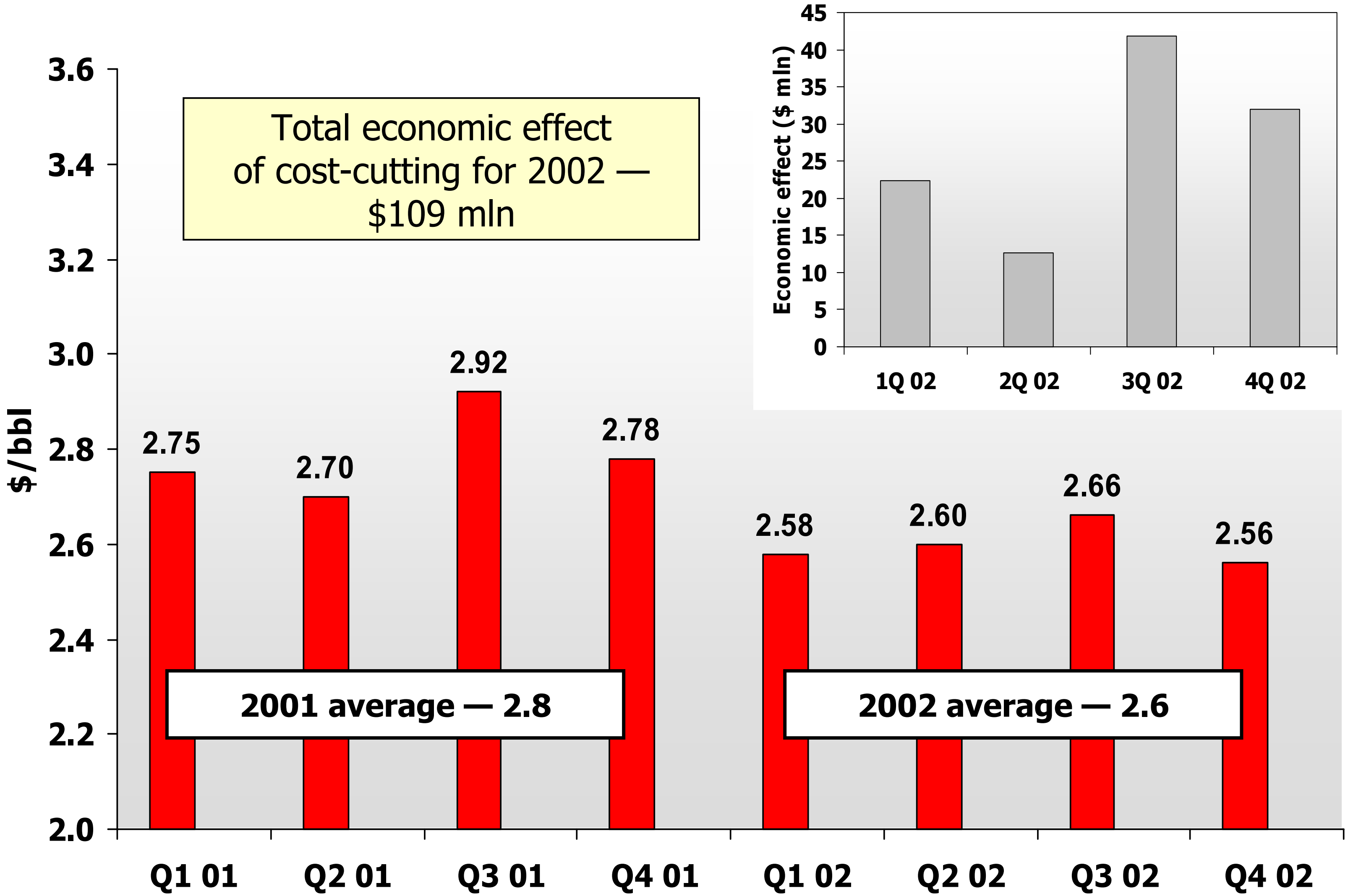
Corporate structure

- Consolidate subsidiaries
- Divest non-core assets
- Centralize treasury and risk management
- Establish investment committee

Accelerating development of new fields

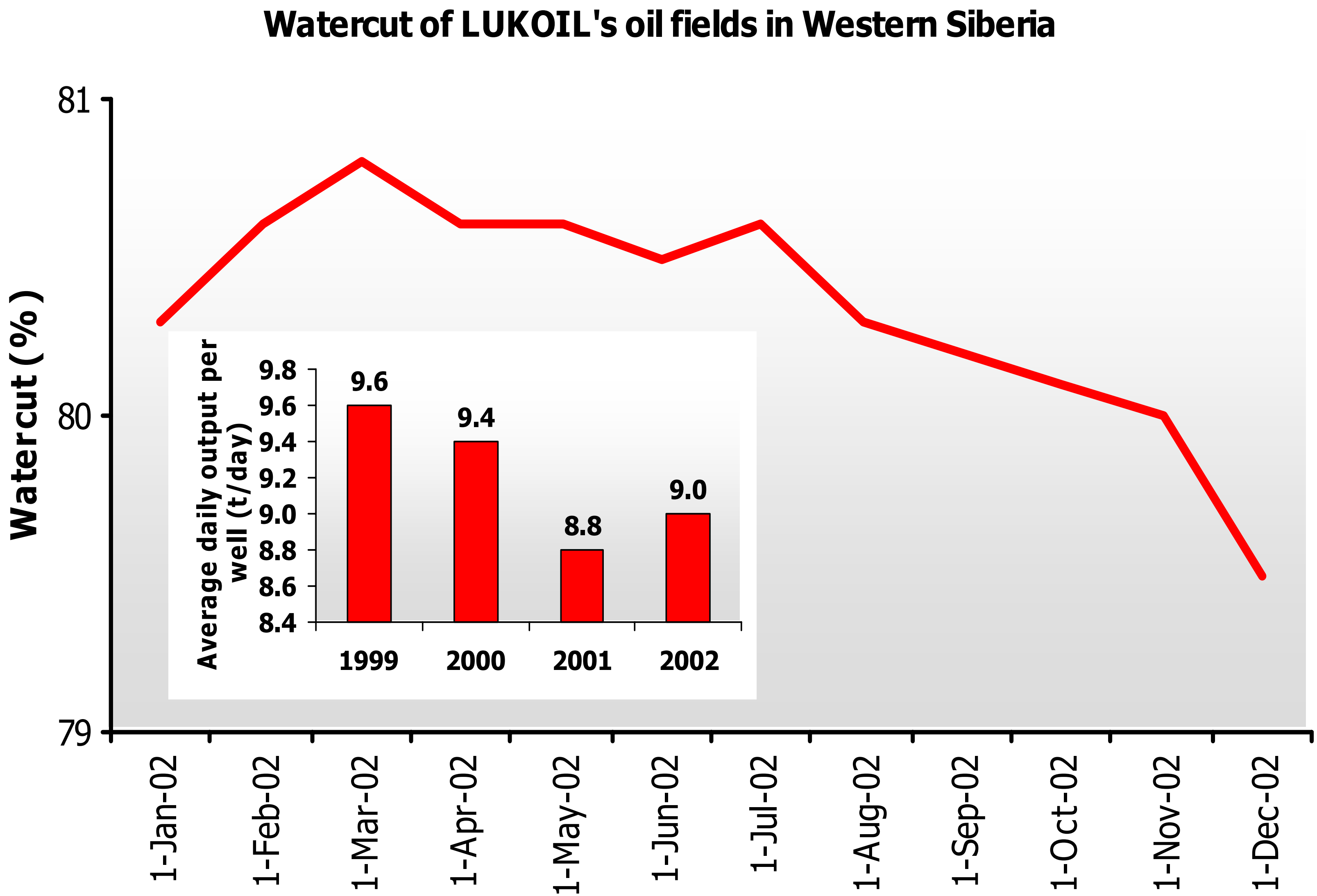


Crude production costs*



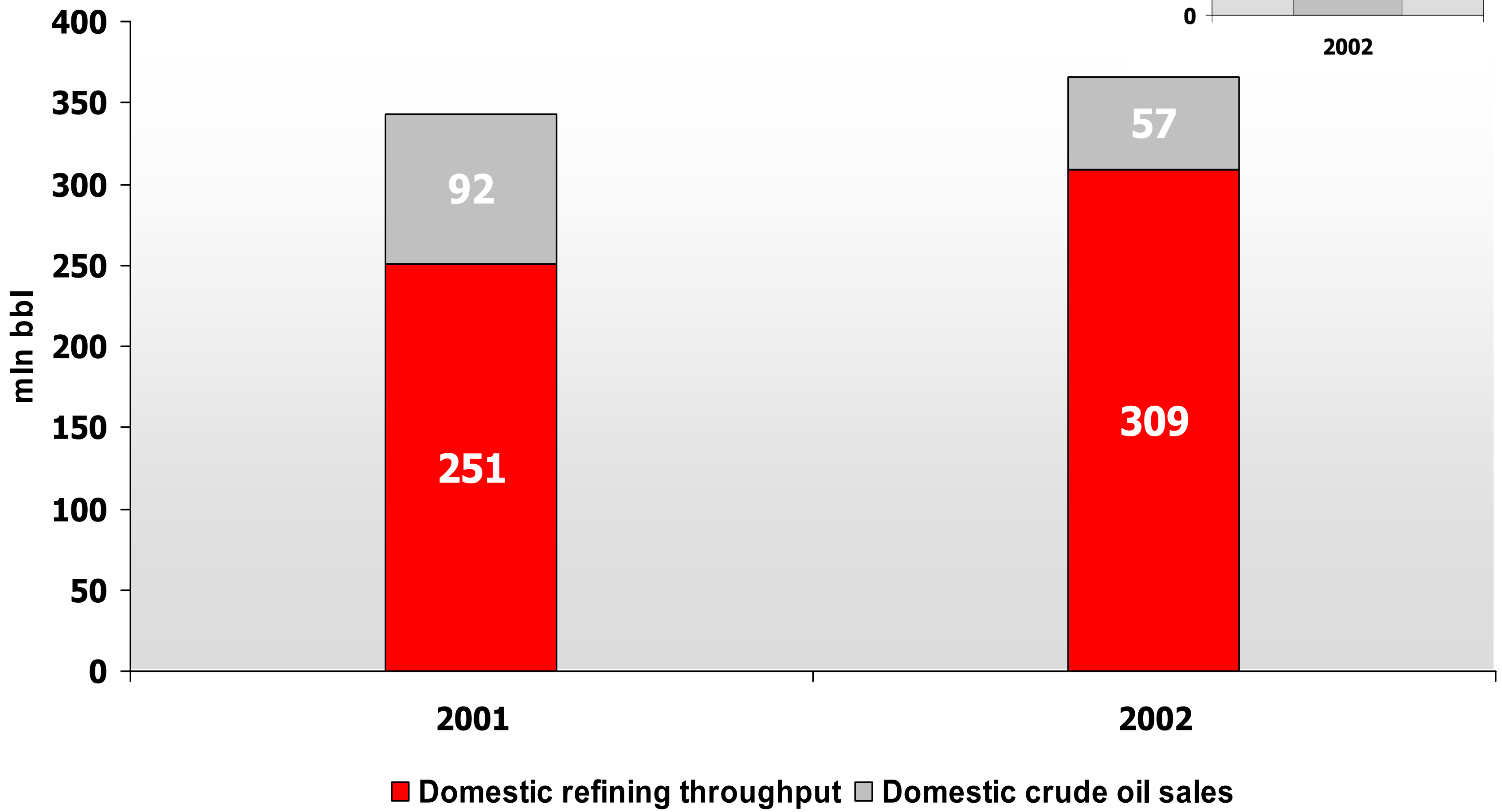
* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.

Rising efficiency of upstream operations



Shifting to high value-added products to capture extra value

Increasing refinery throughput and reducing domestic crude oil sales captured extra $240 mln of profit for 2002



Restructuring: 1st stage results – 2002 (preliminary)

- **The economic effect of marketing subsidiaries runs up to over $50 mln provided by:**
    - Group's income increase due to divesting the companies with low or negative profitability and return on investments;
    - Decrease of administrative expenditures.
- **Economic effect of shutting down marginal wells accounts to about $110 mln in 2002.**
- **Increasing refinery throughput and reducing domestic crude oil sales allowed LUKOIL to get economic effect of about $240 mln in 2002.**

- **TOTAL ECONOMIC EFFECT FROM 1st STAGE OF RESTRUCTURING PROGRAM REACHED OVER $400 mln**

LUKOIL adopts development strategy up to 2010

- **Short term strategy (2003-2005)**
  - Reaching annual 4% average output growth rate
  - Improving the techniques and process of oil extraction, well-stream gathering, transportation and treatment
  - Accelerating development of new oil reserves
- **Medium term strategy (2005-2008)**
  - Reaching annual 5% average output growth rate
  - Keeping weighted average ROCE ratio in upstream sector at 17-20%
  - Carrying out technological and equipment renovation in Company's core oil producing regions
  - Completion of preparatory stage and start commercial production of hydrocarbons in Northern sector of the Caspian Sea
- **Long term strategy (2008-2010)**
  - Increasing output: min (oil — 2.2 mln b/d, natural gas — 0.5 mln boe/d) max (oil — 2.8 mln b/d, natural gas — 0.65 mln boe/d)
  - Keeping lifting cost (in constant 2002 prices and under 2002 $/RR exchange rate): oil — $2.0-2.5/bbl, gas — $0.10/1000 cuf

Short-term strategic objectives (2003-2005)

Optimization program for LUKOIL's oil fields

Controlling oil field development

Monitoring of oil fields development using the active geological/ technological models

Broadening use of high-efficiency Western technologies

Increasing new well flow rate

Integrated program of oil field development and crude production optimization

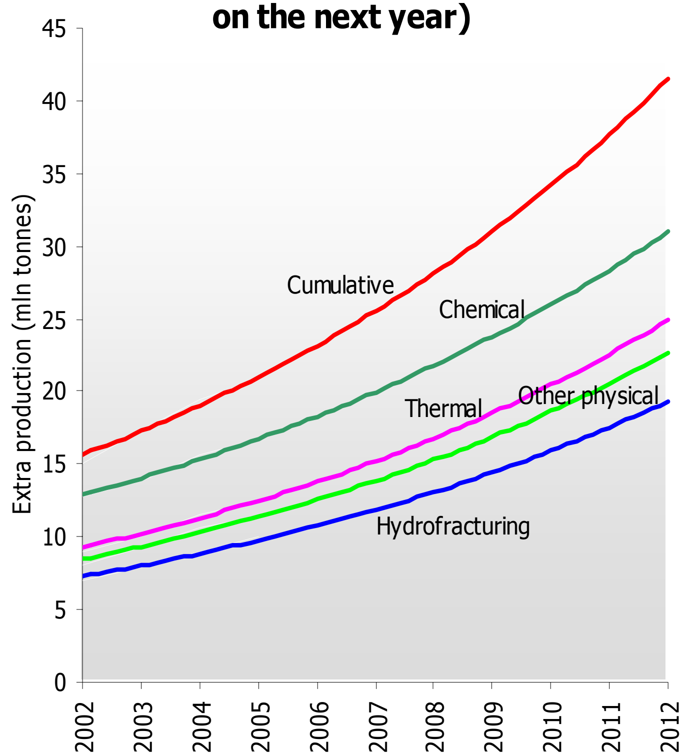
Accelerating development of the new oil reserves

Increasing "old" well flow rate

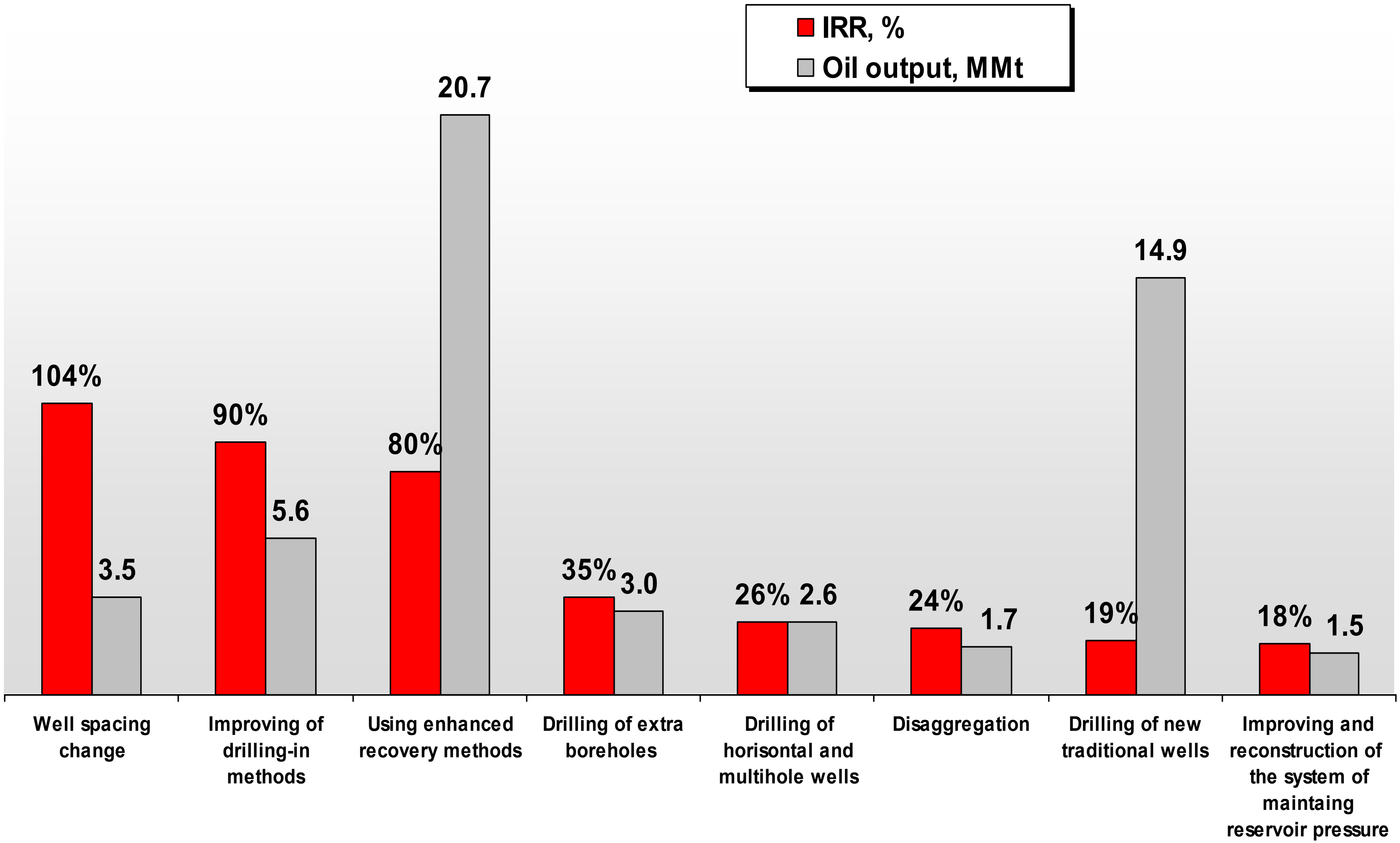
Improving the techniques and process of oil extraction, well-stream gathering, transportation and treatment

Cost cutting

Efficiency of OAO "LUKOIL" enhanced recovery methods (condidering the consequent effect on the next year)



Economic and operational indicators of the Integrated program of oil fields development and crude production optimization



Medium-term strategic objectives (2005-2008)

Carrying out technological and equipment renovation in Company's core oil producing regions

Reaching annual 5% average output growth rate

Ramping up crude oil output of OAO "Arkhangelskgeoldobycha" up to 240-300 Mbpd

Starting natural gas commercial production on the Yamal peninsula

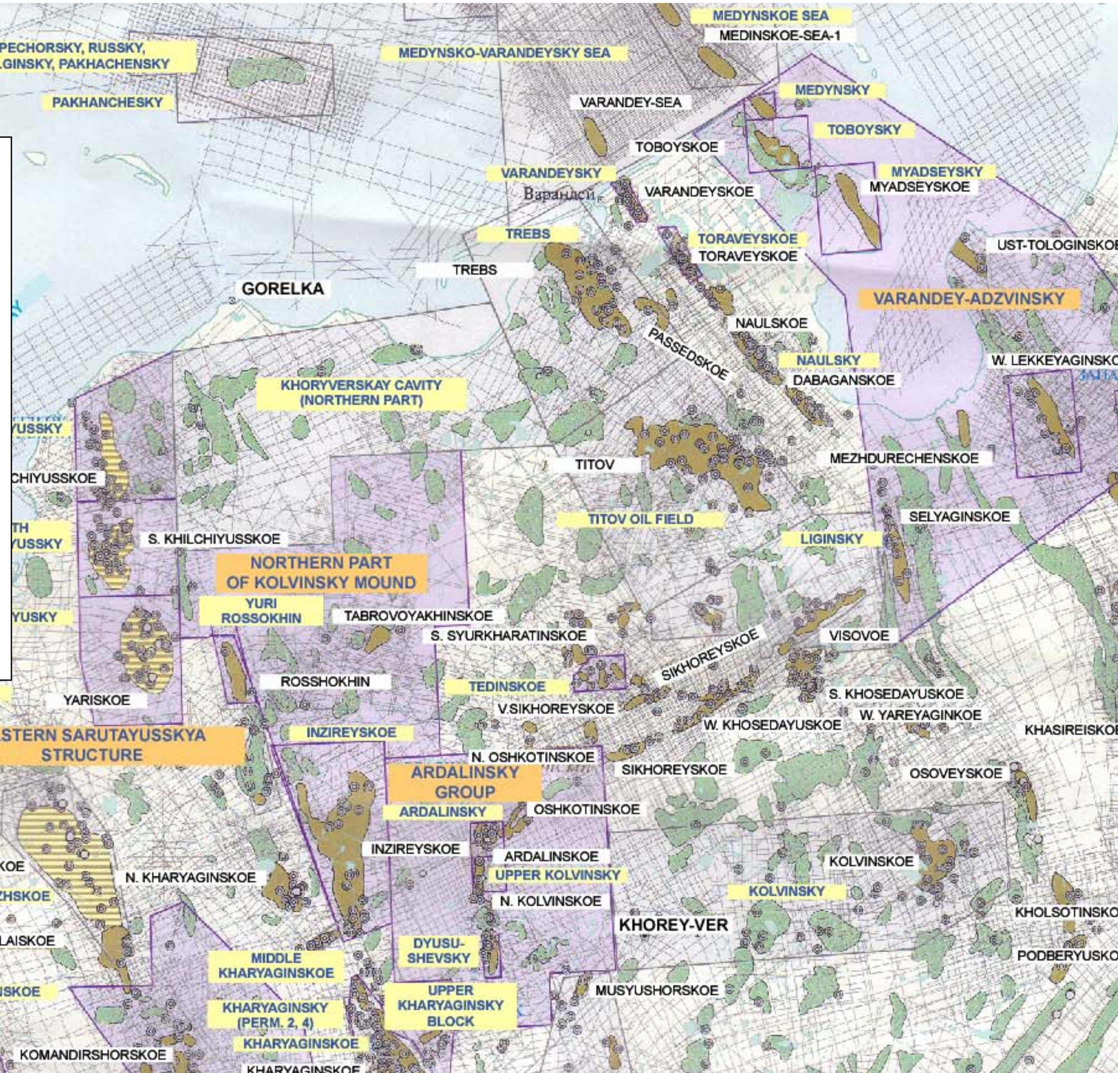
Raising natural gas output up to 20 bcm/year by 2008

Completion of preparatory stage and commencement of commercial production of hydrocarbons in Northern sector of the Caspian Sea

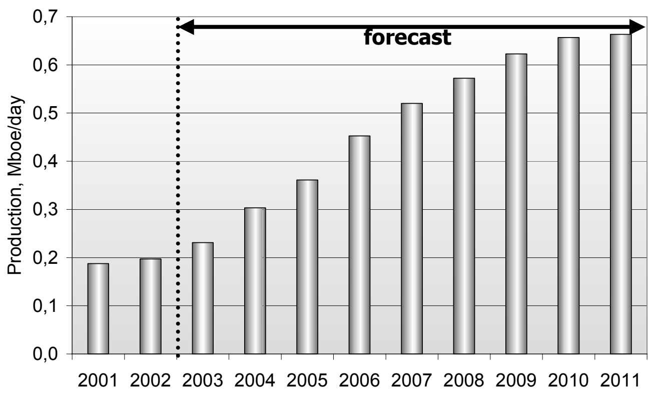
Improving utilization of associated petroleum gas up to 95%

Keeping weighted average ROCE ratio in upstream sector at 17-20% (mid-cycle return)

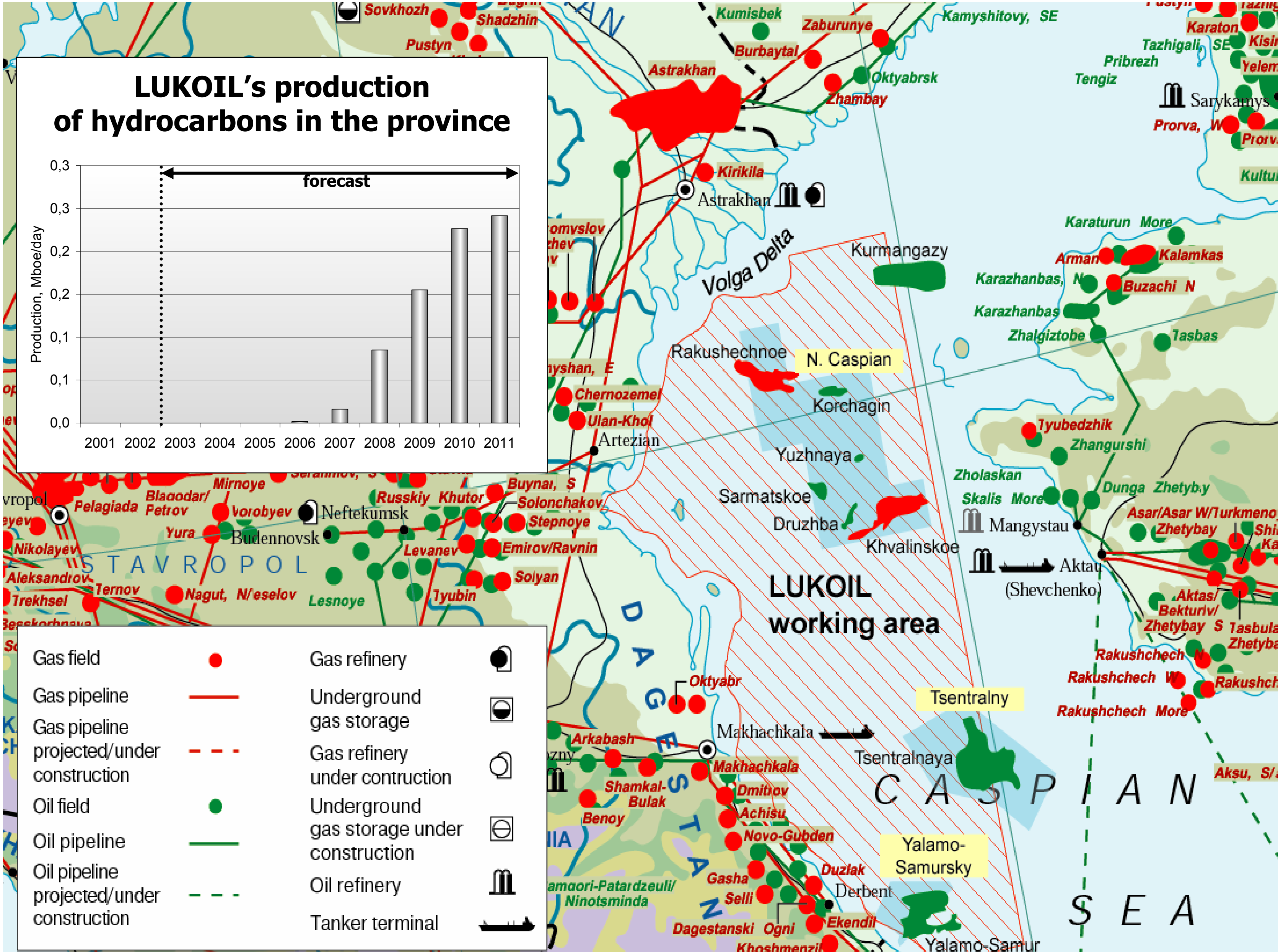
LUKOIL in Timano-Pechora



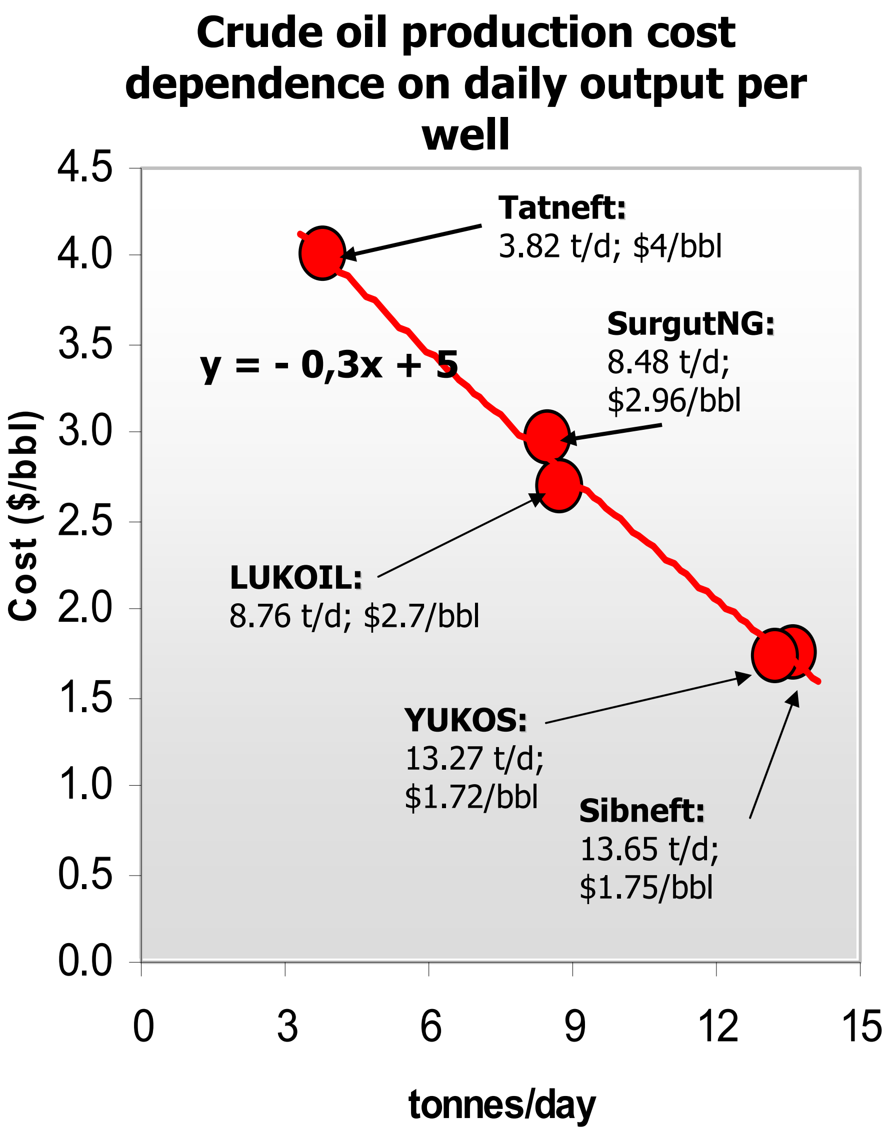
LUKOIL's production of hydrocarbons in the province

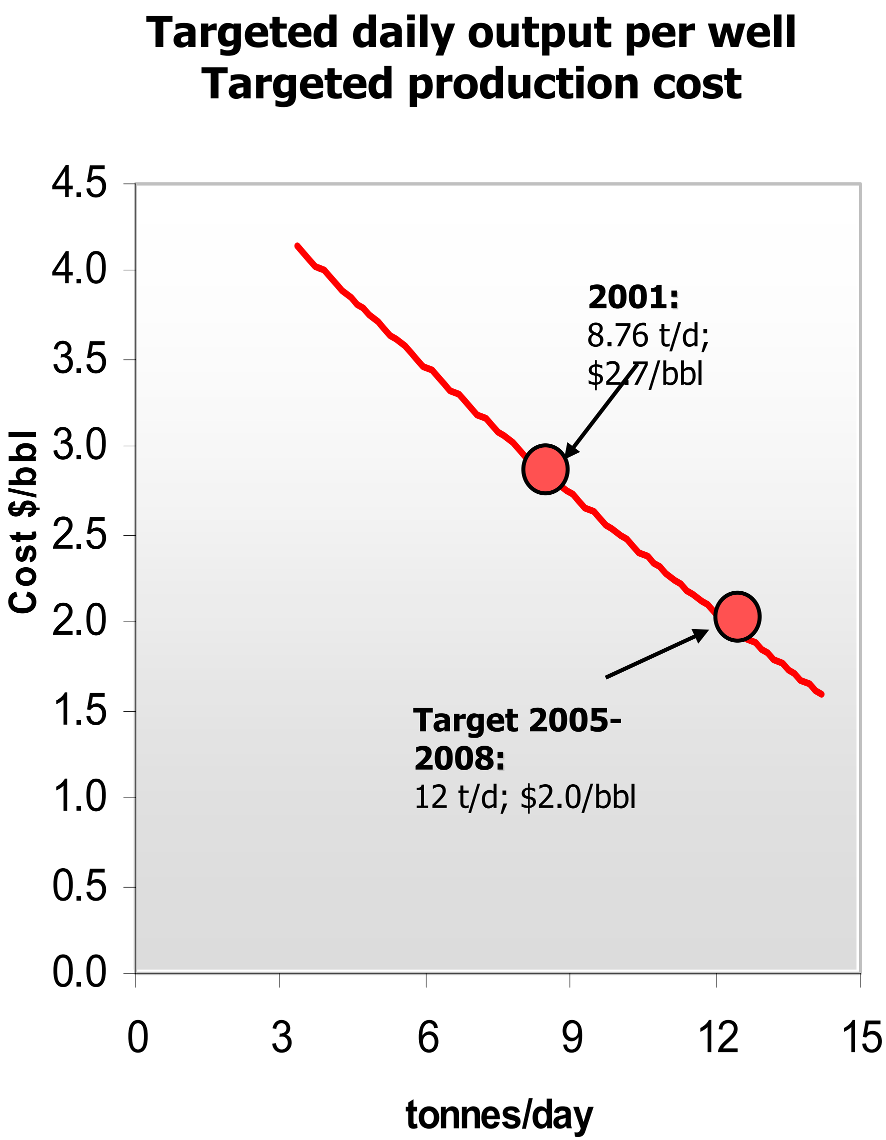


LUKOIL in North Caspian



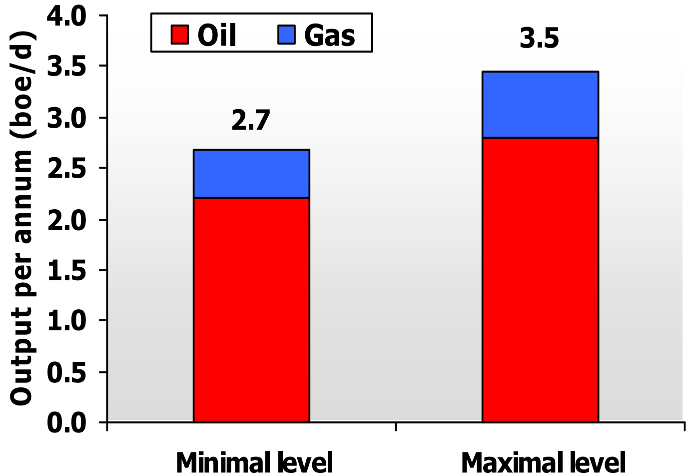
Increasing daily output per well – reducing costs





Long-term strategic objectives in upstream (up to 2010)

- Keeping minimal annual reserve replacement ratio at 80%
- Increasing proven reserves:
  - *oil — up to 18 bln bbl*
  - *natural gas — up to 1,000 bln cu m*
- Increasing share of reserves under development
  - *oil — up to 75% (65% in 2002)*
  - *natural gas — up to 60% (10% in 2002)*
- Increasing output:

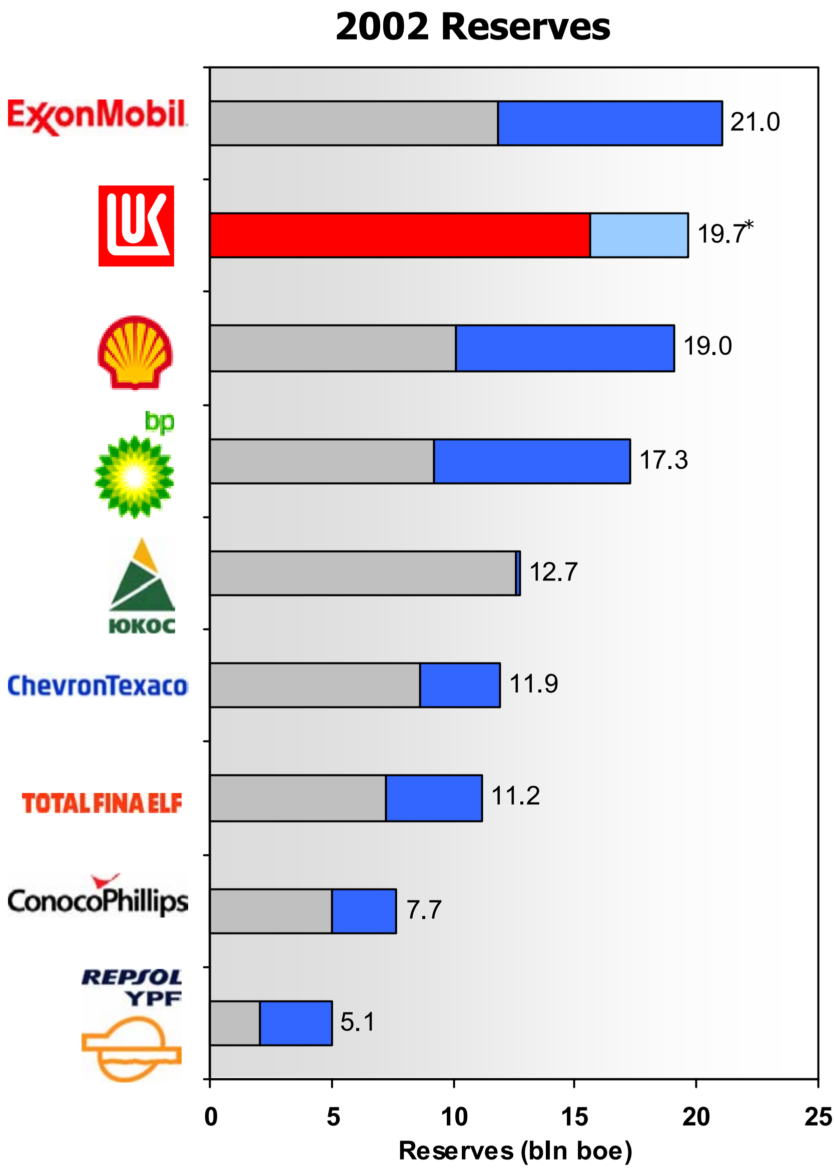


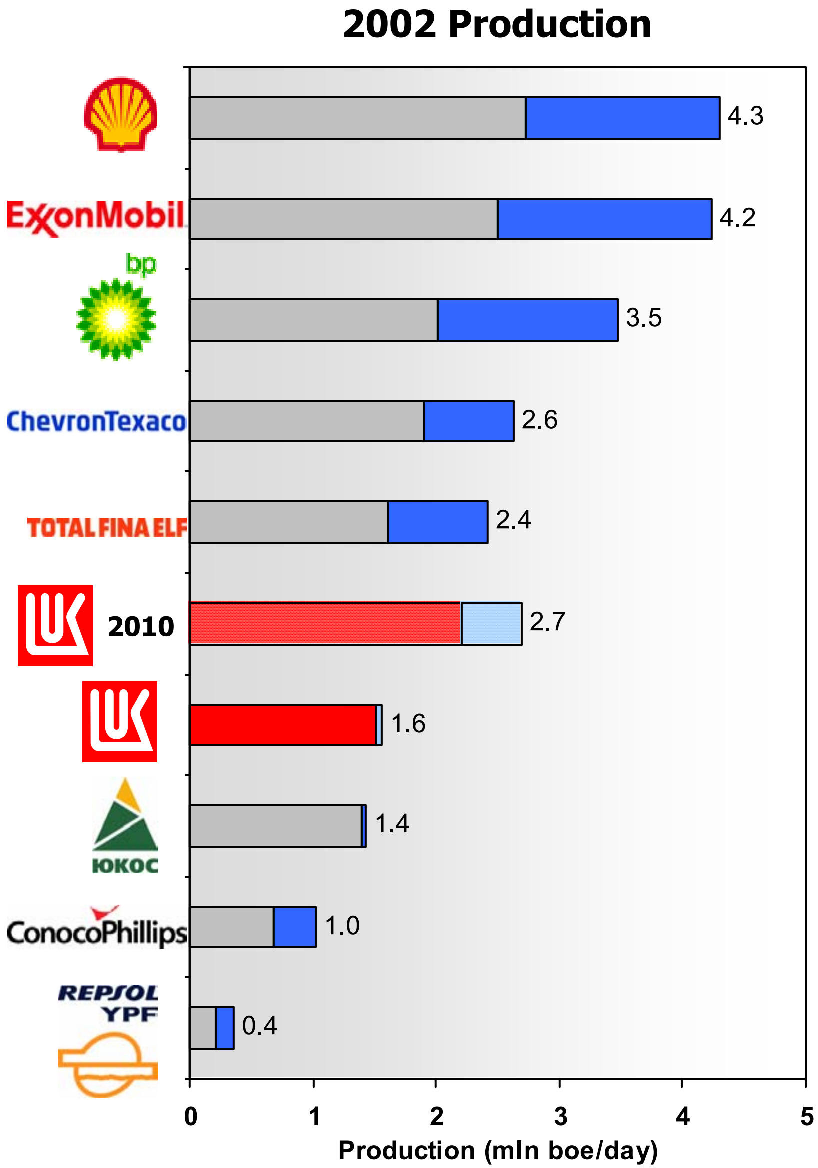
- Keeping lifting cost (in constant 2002 prices and under 2002 $/RR exchange rate):
  oil — **$2.0-2.5/bbl**
  gas — **$0.10/1,000 cuf**

Strategic objectives

- Aiming to maintain output growth rate above 5% after 2005
- Export-to-output ratio – 70%
- Reaching and keeping production cost at $2.0-2.5/bbl
- Reaching average daily output per well at 12 t/d (88 bbl/d)
- Targeting one fourth of Russia's total crude output by 2010
- Targeting over 3% of the world's total output by 2010
- To be natural gas producer #2, control 5% of Russia's total gas output

Part of the world premier league





* Taking into account acquisitions in early 2003.
Source: company's annual reports

Crude oil and natural gas liquids   Natural gas