



# **1Q 2003 Financial Results**

## **(US GAAP)**

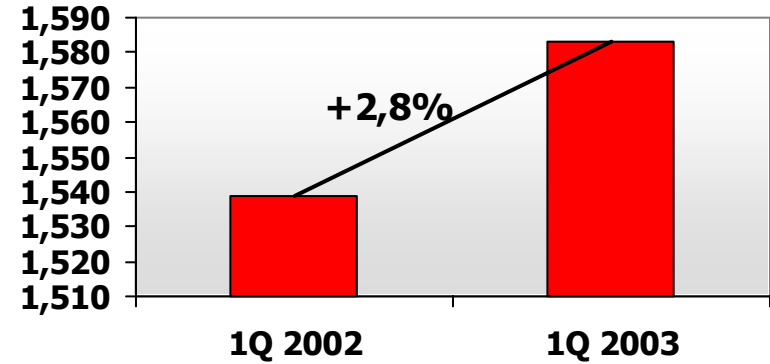
July 2003



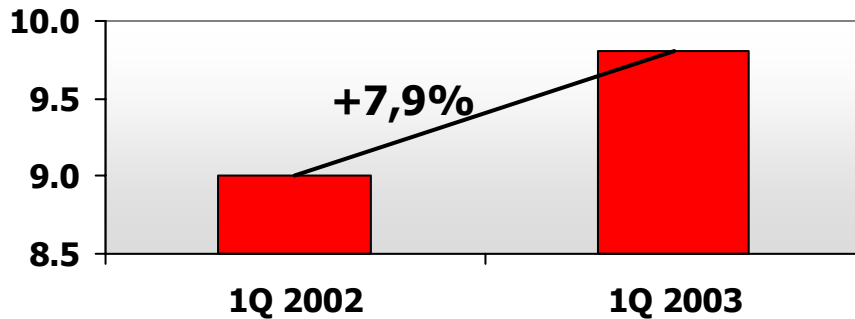
# Operational Highlights



### Crude oil production\* (Mbpd)



### Refined products output by LUKOIL's refineries (mln tonnes)



\* Production including Company's share in Equity affiliates.



# Economic Environment

<b>4Q 2002</b>	<b>2002</b>		<b>1Q 2003</b>	<b>1Q 2002</b>
<b><u>Domestic Market</u></b>				
<b>11.79</b>	8.28	Realized oil (\$/bbl)	<b>6.40</b>	4.62
<b>152.96</b>	146.14	Realized refined products (\$/tonne)	<b>143.50</b>	116.28
<b>4.26%</b>	15.1%	Inflation (%)	<b>5.2%</b>	5.5%
<b>3.8%</b>	9.2%	Ruble appreciation against USD (%)	<b>6.5%</b>	2.2%
<b>3.25</b>	2.91	Unified extraction tax (\$/barrel)	<b>4.01</b>	2.19
<b>3.59</b>	2.50	Oil export tariff (\$/barrel)	<b>3.73</b>	1.69
<b><u>International Market</u></b>				
<b>23.91</b>	21.95	Realized oil (\$/bbl)	<b>26.00</b>	18.19
<b>262.88</b>	236.85	Realized refined products (\$/tonne)	<b>311.77</b>	186.06

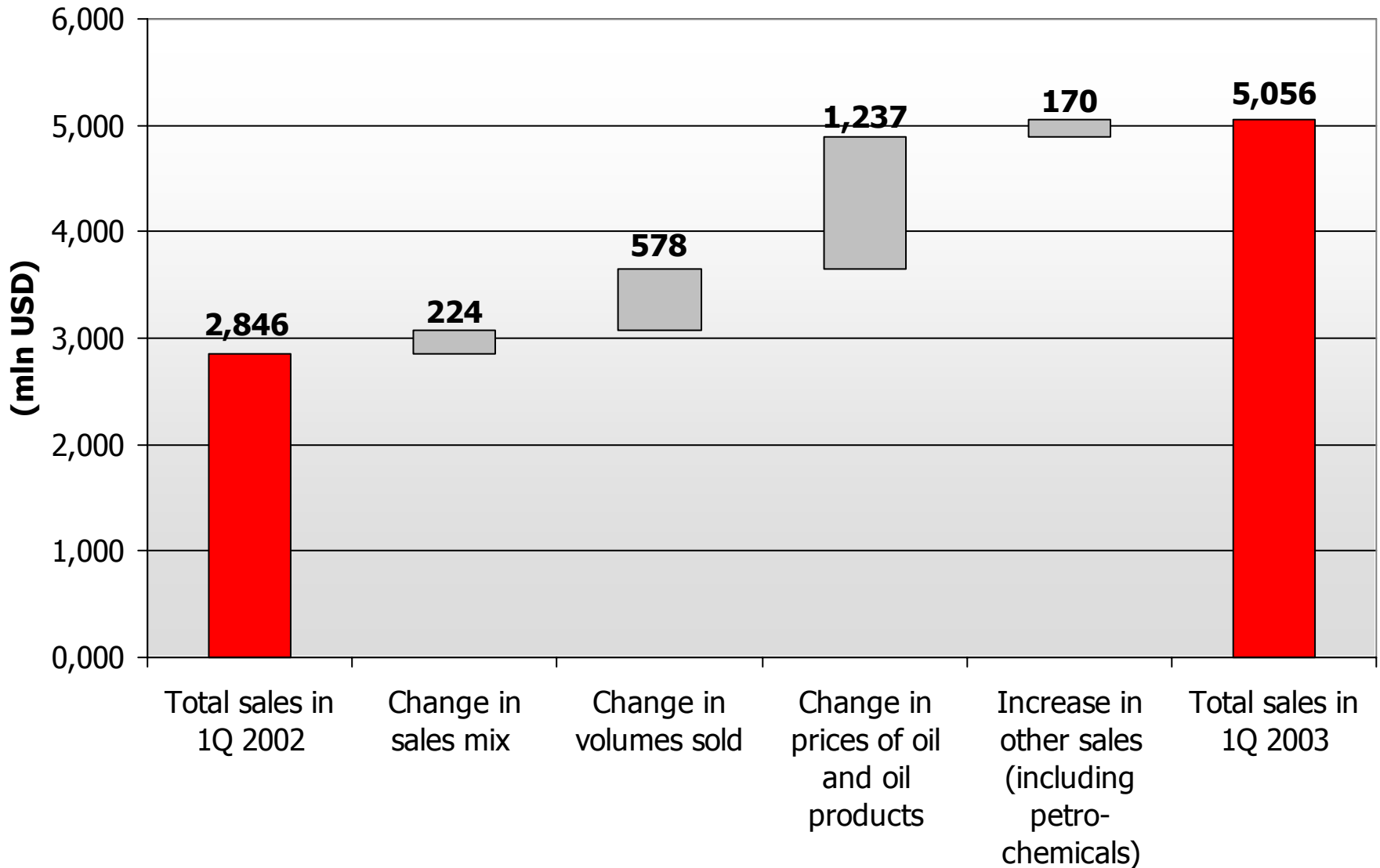


# Financial Results

<b>4Q 2002</b>	<b>2002</b>	<b>Financial results (mln USD)</b>	<b>1Q 2003</b>	<b>1Q 2002</b>
<b>4,341</b>	<b>15,449</b>	<b>Total revenue</b>	<b>5,056</b>	<b>2,867</b>
(632)	(2,403)	Operating expenses	(668)	(657)
(1,154)	(3,968)	Transportation, SG&A expenses	(1,151)	(589)
757	2,662	Income from operating activities	940	371
695	2,558	Income before income tax	956	317
<b>497</b>	<b>1,843</b>	<b>Net Income</b>	<b>820</b>	<b>243</b>
0.61	2.26	Basic earnings per share	1.00	0.30
806	3,468	EBITDA	1,231	589



# Sales Reconciliation





# Sales Breakdown

4Q 2002	2002	Sales breakdown	1Q 2003	1Q 2002
65.8%	66.0%	Export sales and sales on international markets to total volume of sales	68.8%	62.2%
61.8%	57.0%	Refined products to total volume of sales	56.4%	49.4%
51.4%	49.4%	Share of oil products in total export volumes and international sales	43.6%	42.7%
62.2%	58.9%	Share of oil products in total export sales and international sales	53.6%	48.7%

4Q 2002	2002	Sales in mln USD	1Q 2003	1Q 2002
1,254	4,805	Crude oil	1,690	1,048
2,558	9,108	Refined products	2,916	1,518
n/a	526	Petrochemicals	195	123
n/a	895	Other	255	158
<b>4,301</b>	<b>15,334</b>	<b>Total</b>	<b>5,056</b>	<b>2,847</b>



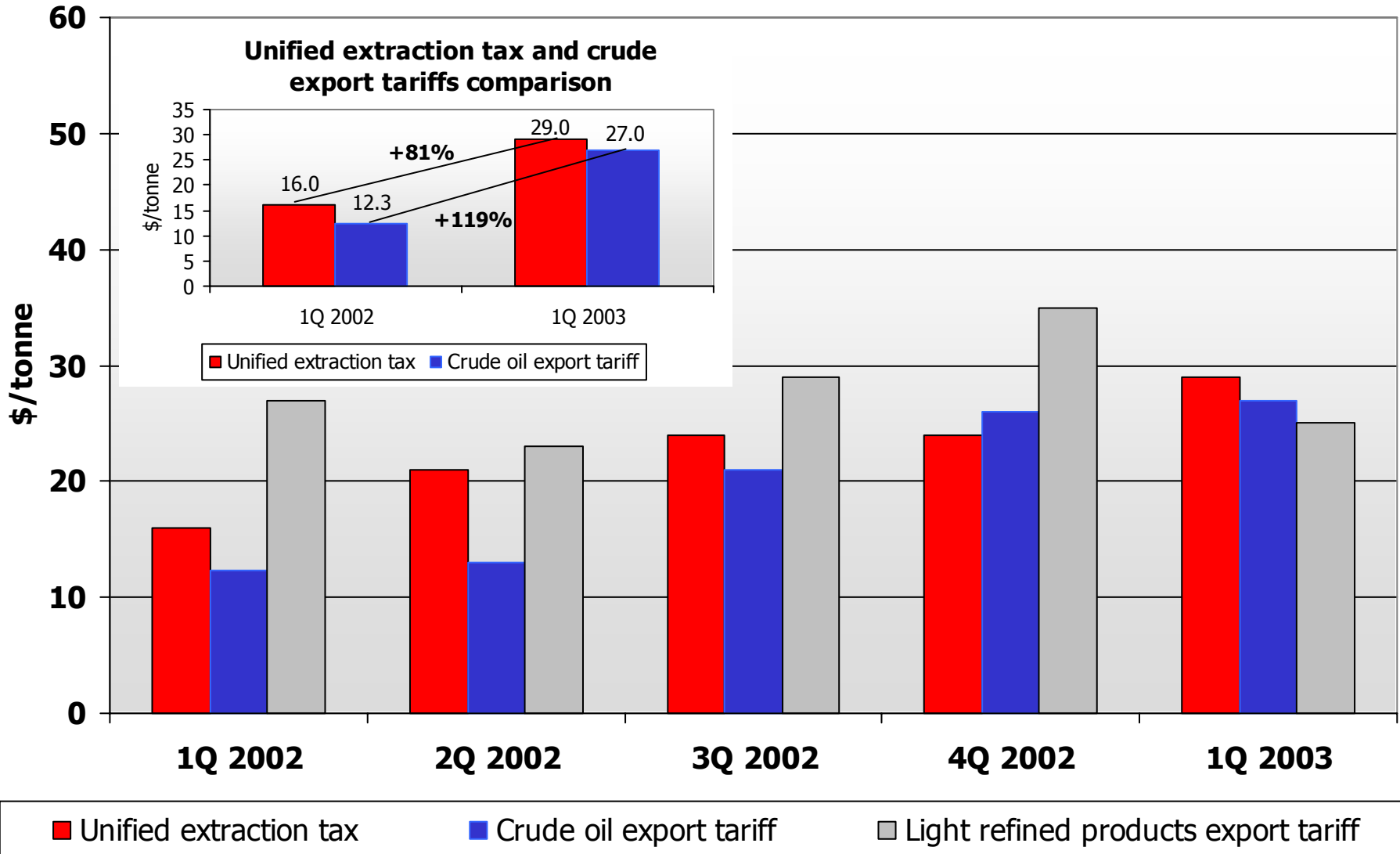
## Sales Breakdown

<b>4Q 2002</b>	<b>2002</b>	<b>Sales in thousand tonnes</b>	<b>1Q 2003</b>	<b>1Q 2002</b>
6,542	26,951	International sales of crude oil	8,599	7,098
1,237	7,724	Sales of crude oil within Russia	1,081	2,990
6,934	26,284	International sales of refined product	6,661	5,311
5,658	19,727	Sales of refined product within Russia	5,847	4,555
<b>20,371</b>	<b>80,685</b>	<b>Total sales oil and oil products</b>	<b>22,188</b>	<b>19,955</b>

<b>4Q 2002</b>	<b>2002</b>	<b>Sales in mln USD</b>	<b>1Q 2003</b>	<b>1Q 2002</b>
1,147	4,336	International sales of crude oil	1,639	947
107	469	Sales of crude oil within Russia	51	101
1,823	6,225	International sales of refined product	2,077	988
865	2,883	Sales of refined product within Russia	839	530
<b>3,942</b>	<b>13,913</b>	<b>Total sales oil and oil products</b>	<b>4,605</b>	<b>2,566</b>



# Growth of Tax Burden

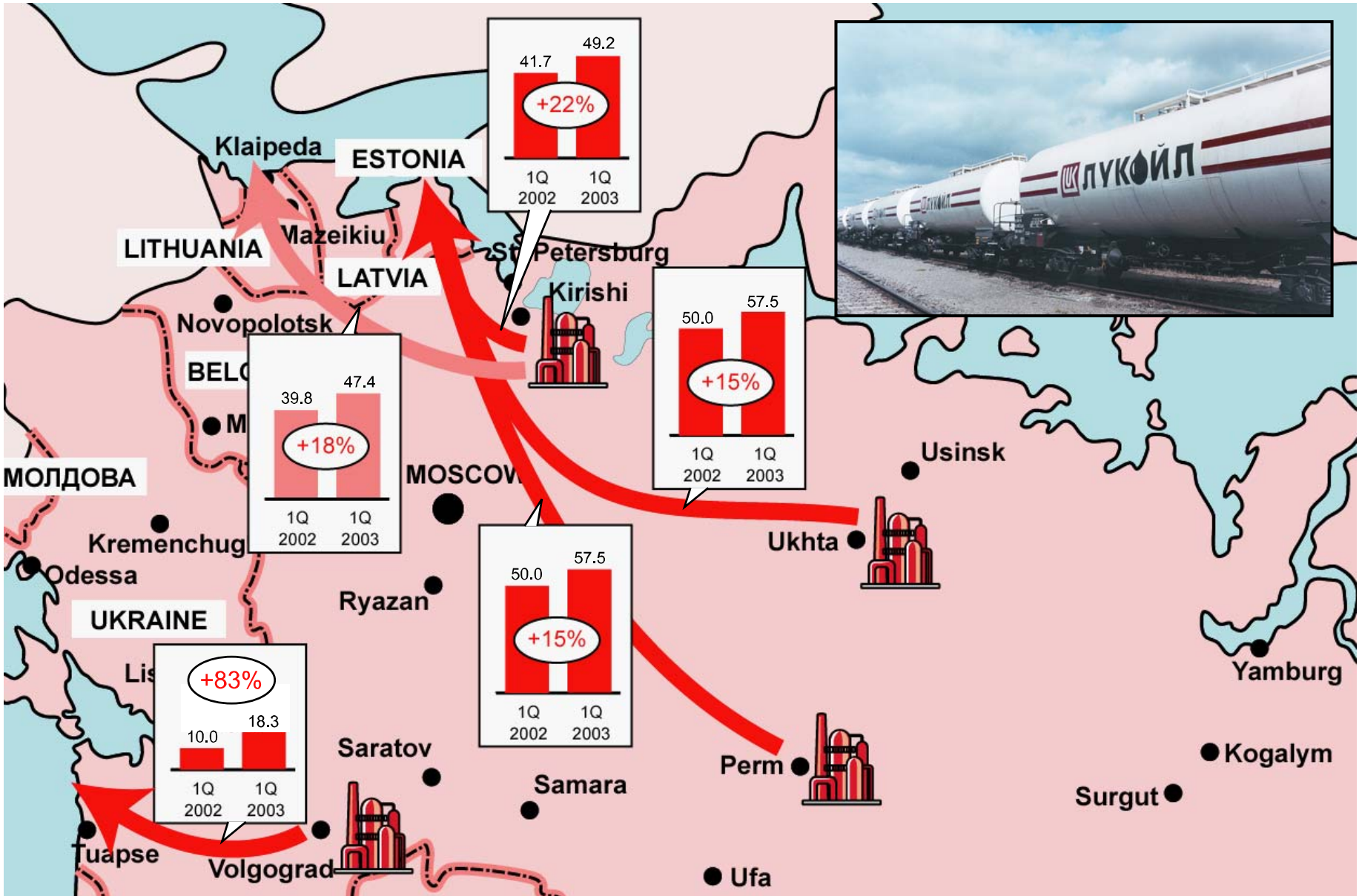


**Over last 12 month tax burden has grown significantly**



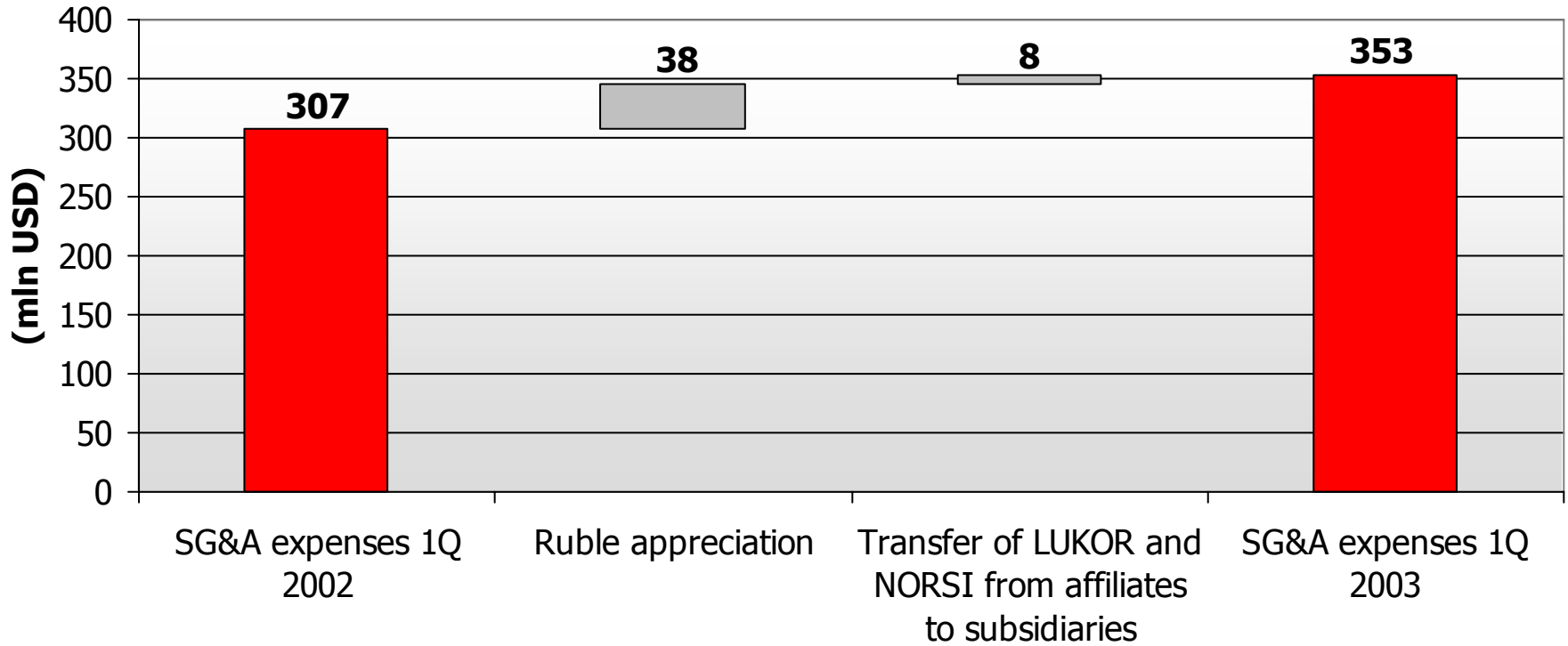


# Growth of Transportation Expenses





# SG&A Expenses



4Q 2002	2002	Selling, general and administrative expenses (mln USD)	1Q 2003	1Q 2002
414	1,414	Transportation expenses	436	268
344	1,313	Other selling, general and administrative expenses	353	307



## Operating Expenses

<b>4Q 2002</b>	<b>2002</b>	<b>Operating expenses (mln USD)</b>	<b>1Q 2003</b>	<b>1Q 2002</b>
339	1,411	Extraction expenses	337	339
113	426	Refinery expenses	116	98
–	109	Processing cost on the affiliated refinery	–	45
180	638	Other operating	215	174
<b>632</b>	<b>2,584</b>	<b>Total</b>	<b>668</b>	<b>657</b>
<b>887</b>	<b>2,693</b>	<b>Cost of purchased crude oil, petroleum and chemical products</b>	<b>1,279</b>	<b>396</b>

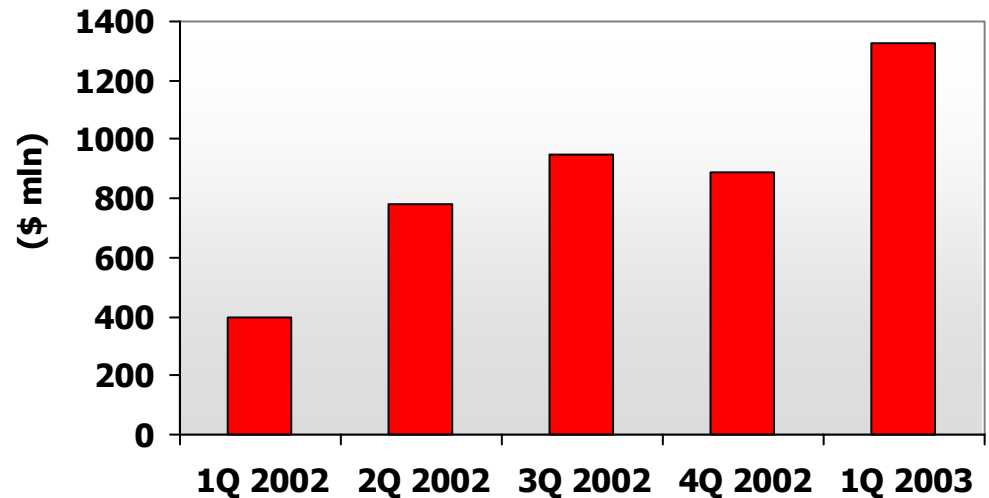


# Improving the Logistics of Supply

To improve the logistics of supply LUKOIL increased the number of buy-sell operations with third-parties. This reflected at the growth of revenues and the cost of purchased products.

This operations allow to get extra profit from buy-sell operations and optimize transportation costs.

**Cost of purchased crude oil, petroleum and chemical products**

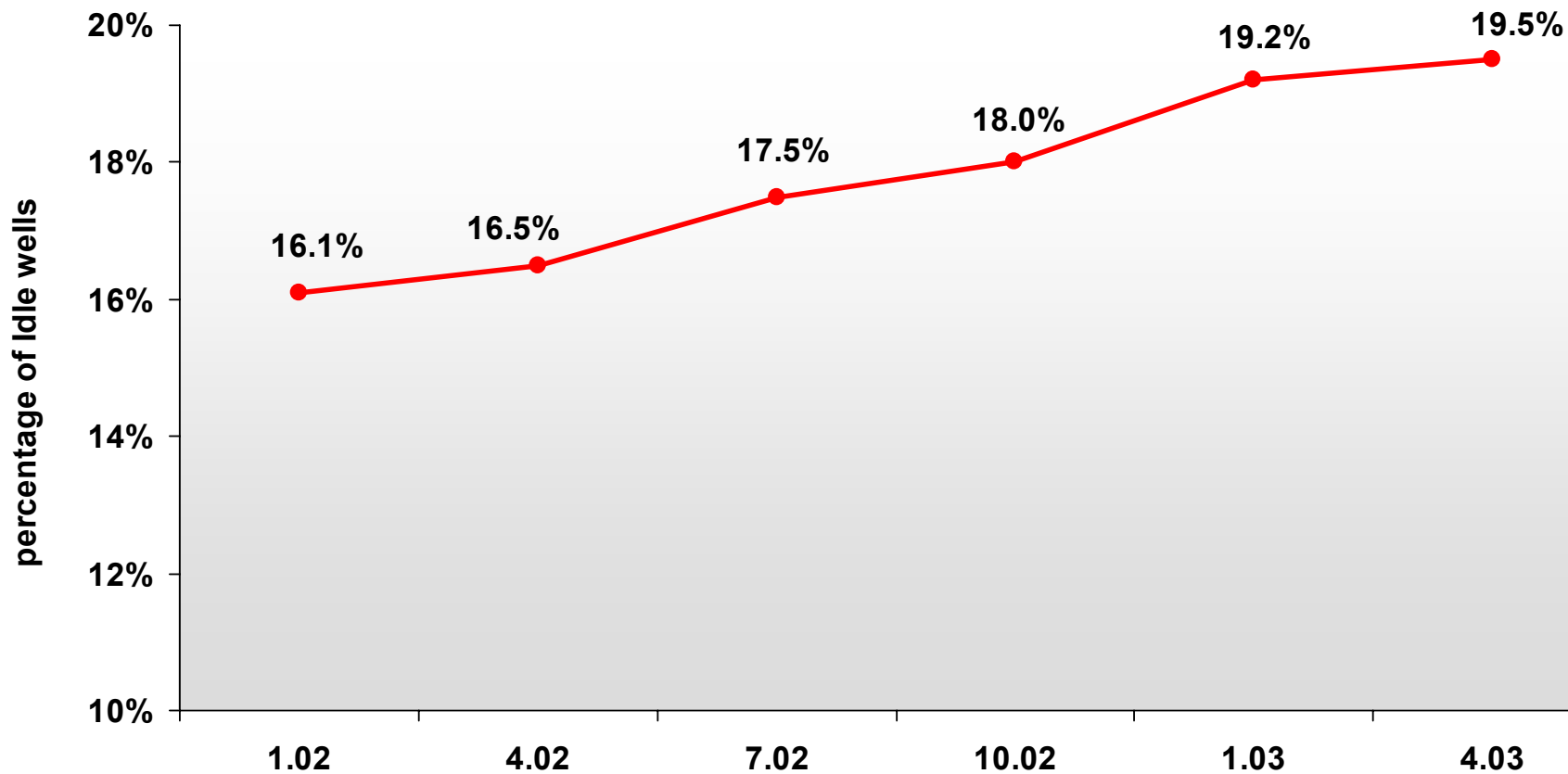


**Cost of purchased crude oil, petroleum and chemical products growth drivers:**

- 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

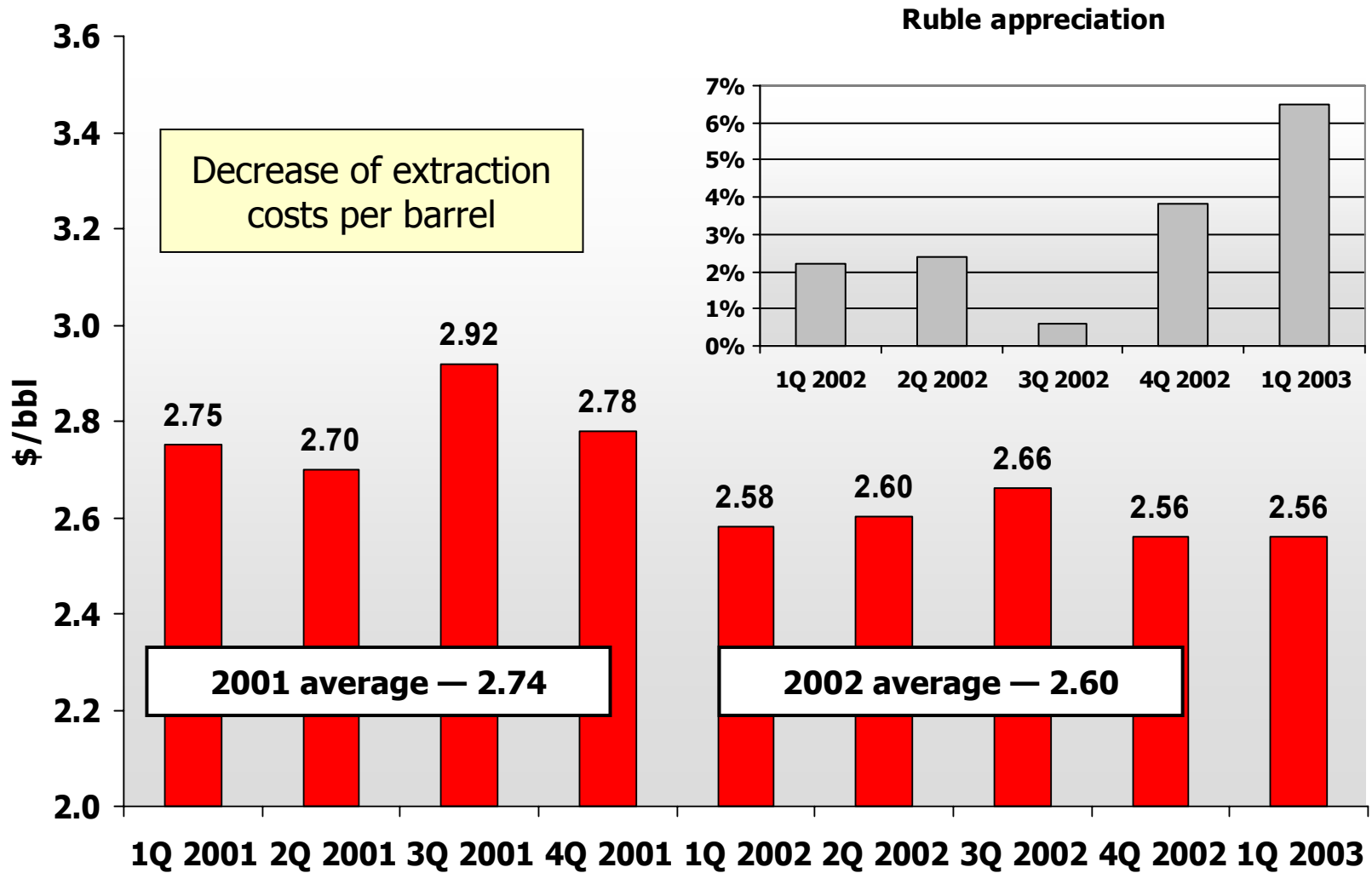


**Since January, 2002 LUKOIL shut-down 1,166 marginal wells.**

**Reducing number of such low flow rate wells forced production costs go down**



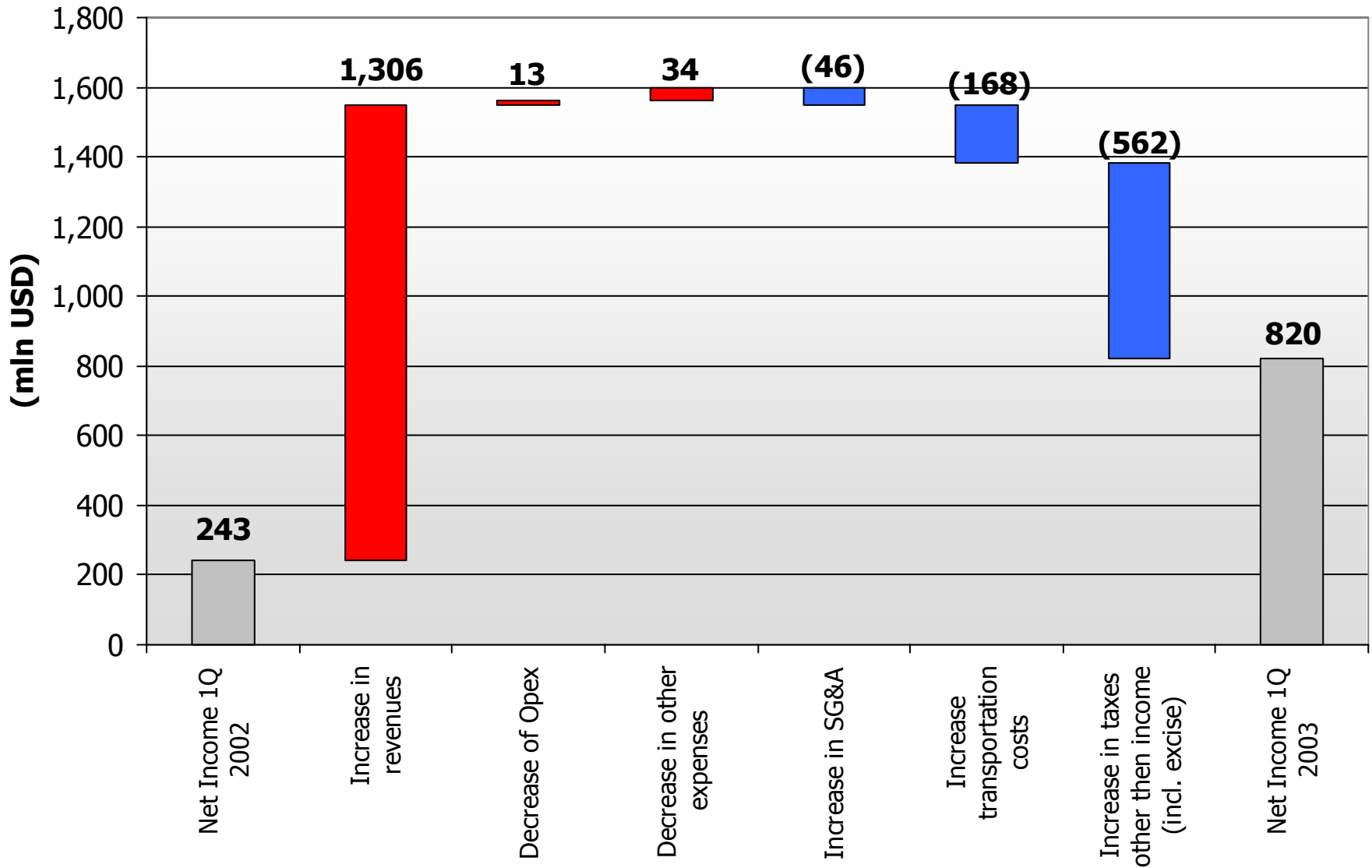
# Crude Production Costs\*



\* 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

Capital expenditures (mln USD)	1Q 2003	1Q 2002
Exploration and production	391	404
<i>Russia</i>	<i>321</i>	<i>402</i>
<i>International</i>	<i>70</i>	<i>2</i>
Refining / Marketing and distribution and other	177	134
<i>Russia</i>	<i>139</i>	<i>97</i>
<i>International</i>	<i>38</i>	<i>37</i>
<b>Total (cash and non-cash)</b>	<b>568</b>	<b>538</b>





## • 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
- investments in downstream segment