



2003 Operational Results

LUKOIL President & CEO
V. Alekperov



2003 — All-time Best Year



- All-time best net profit — **\$3.7 bln**



- The best growth rate in sales among Russian oil companies — sales reached **\$22 bln**



- Sale of 10% stake in ACG brought **\$1.1 bln** in extra profit



- Crude oil output rose by **4%**



- Effective cost-control: lifting cost increased by just 0.4% до **\$2.6/bbl** despite 20% RUR strengthening against USD



- Expansion in hydrocarbon rich Caspian region: projects **Dostyk and Yalama**

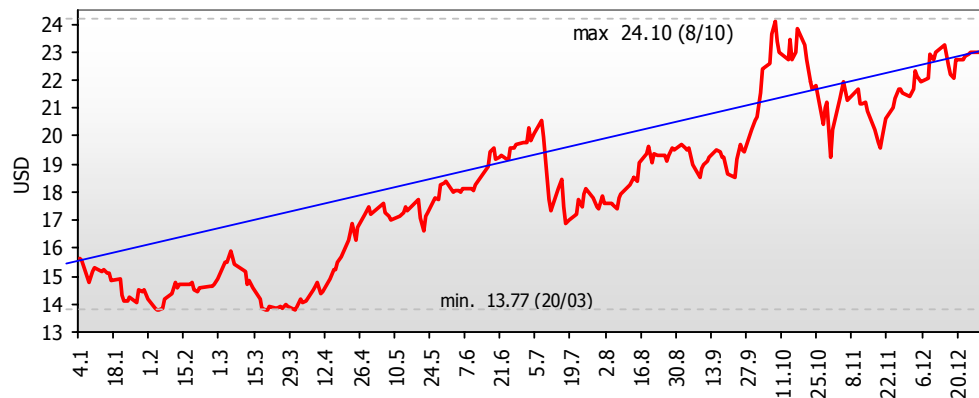


- Start of preparatory works at **Nakhodkinskoye field**

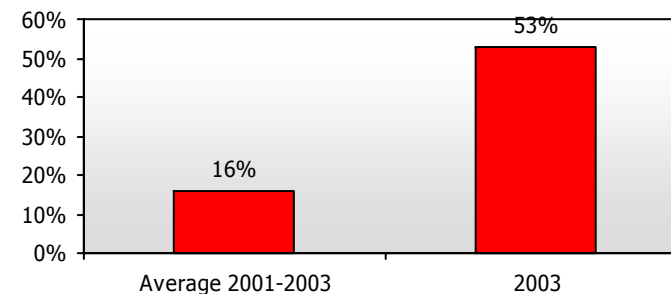


Ongoing Restructuring Program Improved Company's Investment Attractiveness

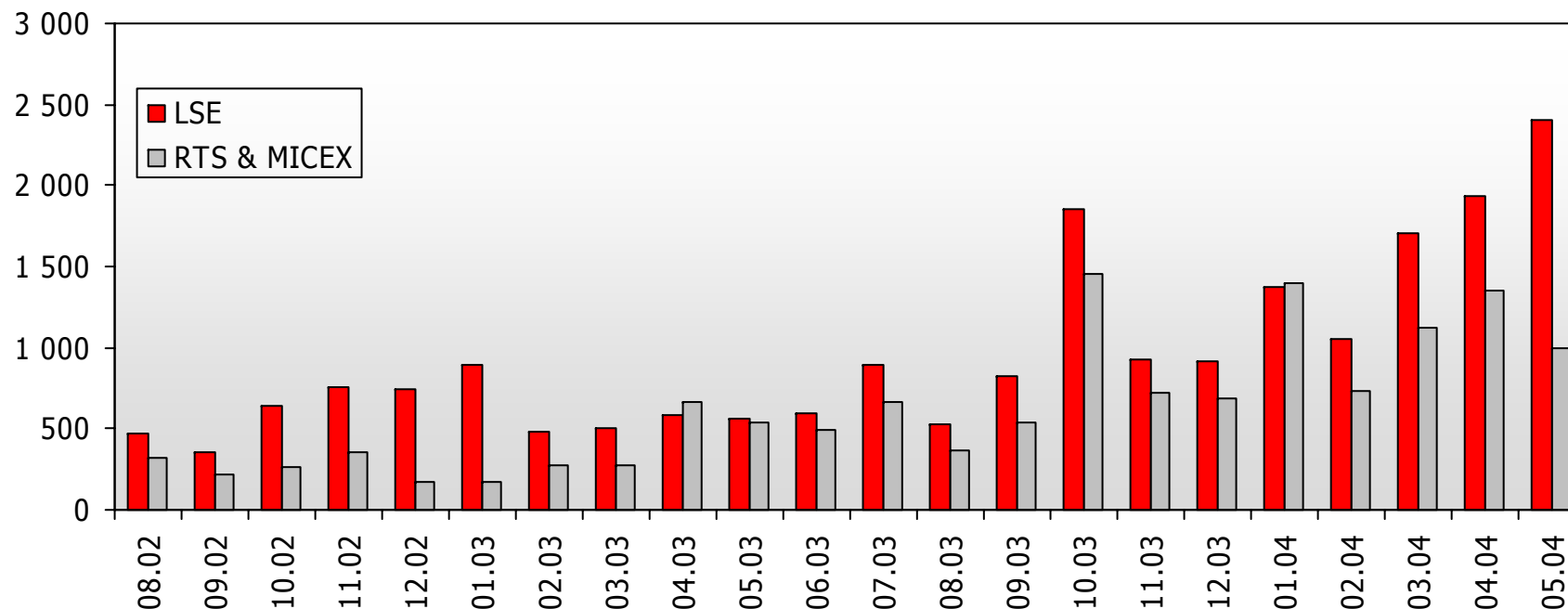
LUKOIL share prices in 2003



Total shareholders return (TSR) in 2003 and three year average



Monthly traded volumes with LUKOIL shares (\$ mln)





We Target Successful and Sustainable Growth up to 2013



- **Main objective — maintaining ROACE at the level of 13-15%**



- **Aiming to maintain output growth rate above 5% after 2005**



- **Export-to-output ratio – 70%**



- **Reaching and keeping production cost at the level of 2.5/bbl**



- **Capital expenditures by 2013 about \$25 bln**



- **Targeting one fourth of Russia's total crude output by 2013**



- **Targeting to increase production by 1.8 times up to 2.7 mbpd by 2013 (over 3% of the world's total output)**

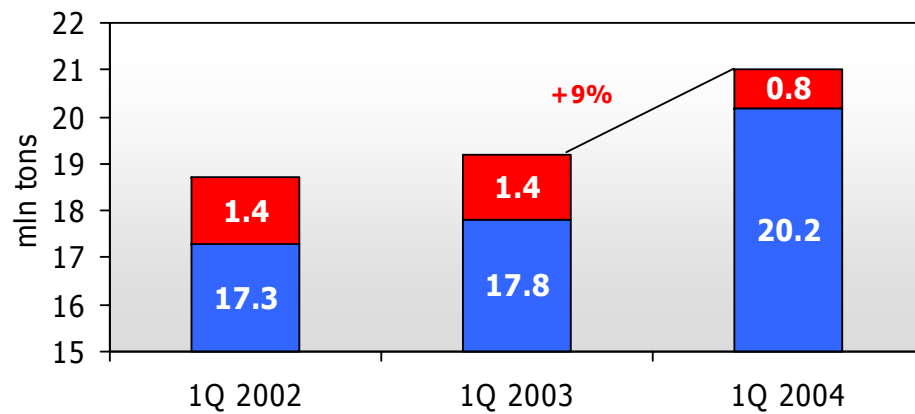
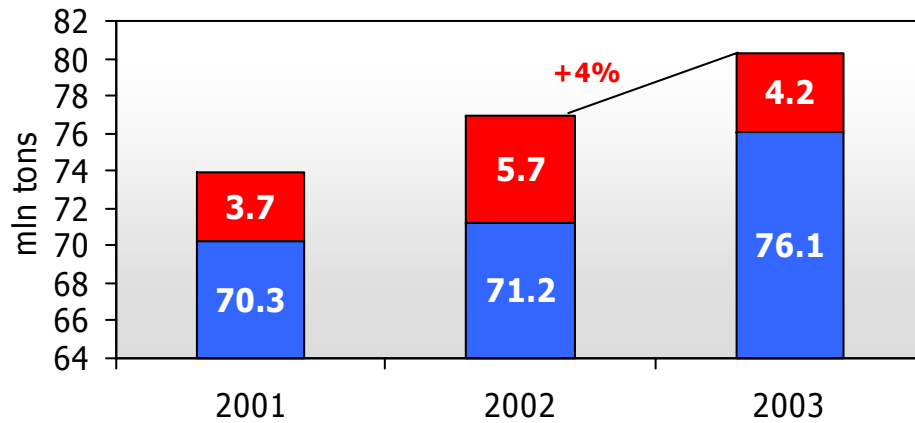


- **To be natural gas producer #2, control 5% of Russia's total gas output**



Crude Oil Production

LUKOIL Group Crude Oil Production

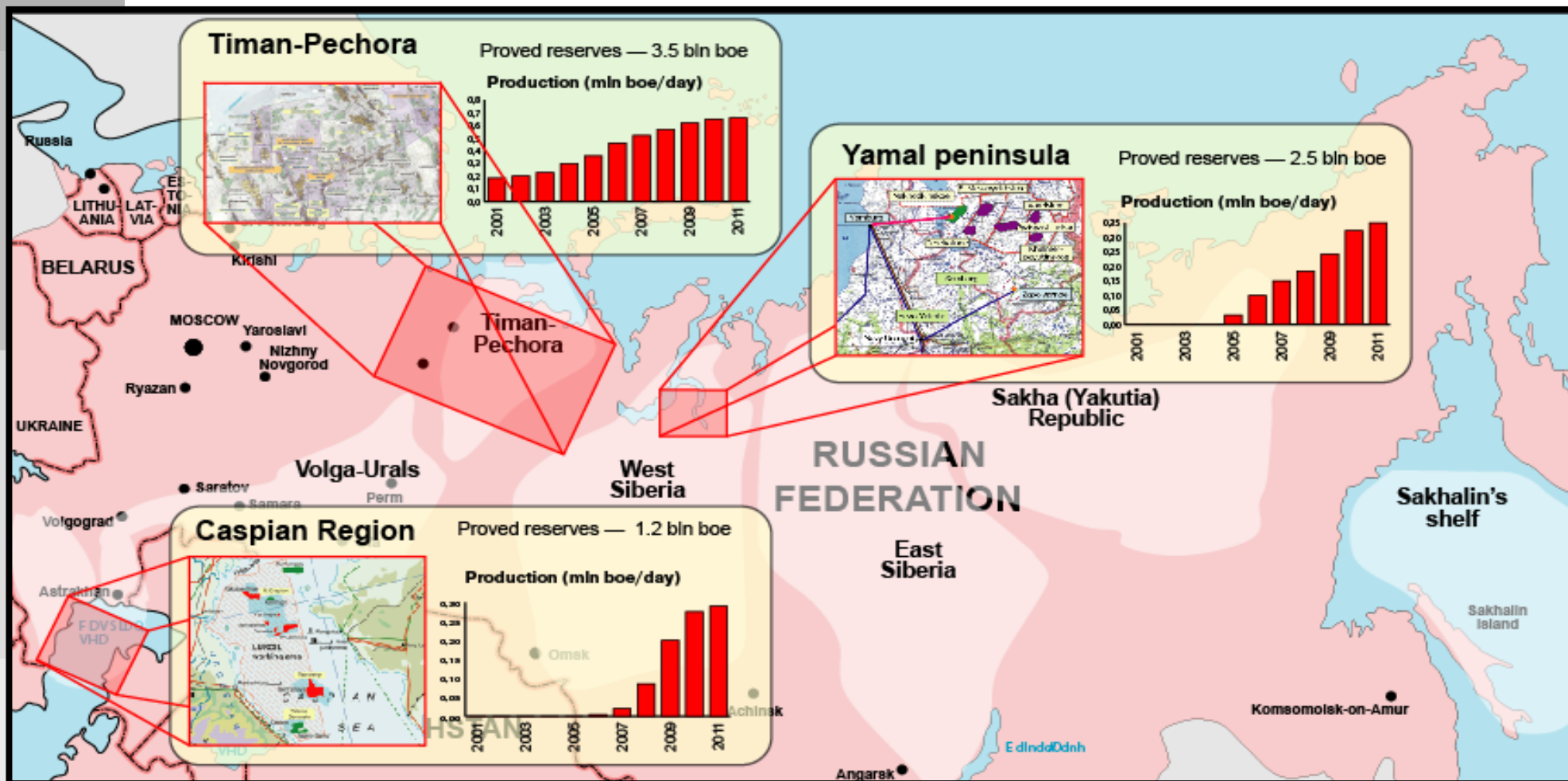


■ Share in affiliates
■ Production by subsidiaries





New Oil & Gas Regions — a Key to Long-term Growth





Yalama project (Azerbaijan)

Yalama project



- LUKOIL signed follow up agreement with the State Oil company of Azerbaijan Republic (SOCAR) with amendments to the development program for off-shore Yalama block.
- According to the new terms the licensed area is expanded from **1 287** km² to **3 037** km², while Company's share in the project increased from **60** to **80%**.
- The field is equally located in Russia's and Azerbaijan's national sectors of the Caspian Sea.
- The field is located 30 km far from shore line with water depth from 80 до 700 м.
- In 2003 LUKOIL signed agreement with Triton Engineering Co. to develop feasibility study for the first appraisal well – YLX-1.



Dostyk project (Kazakhstan)

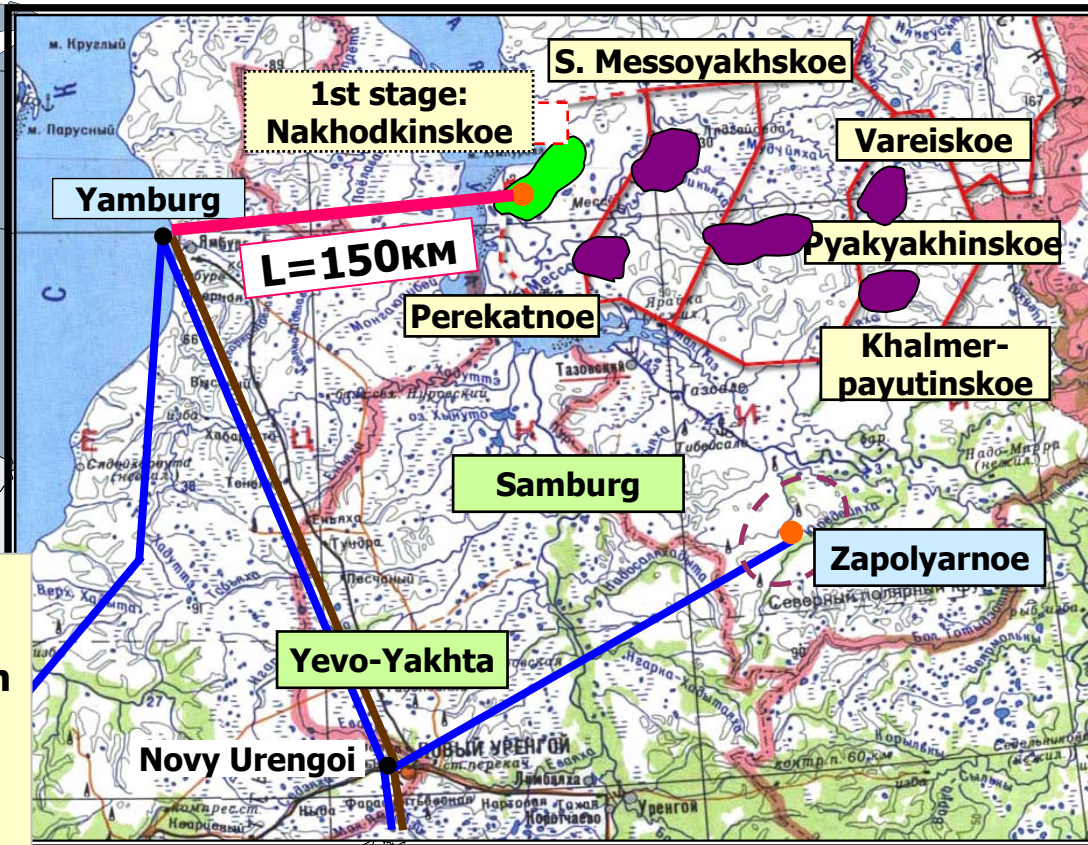


Dostyk project

- On February 10th 2003 LUKOIL signed memorandum of understanding with Kazmunaigaz on joint development of Atashsky and Tyub-Karagan blocks
- On June 25th 2003 basic Agreement on Principles of Cooperation between the two companies was signed
- Seismic acquisition and drilling is planned for 2004



LUKOIL's Natural Gas Program is in Progress



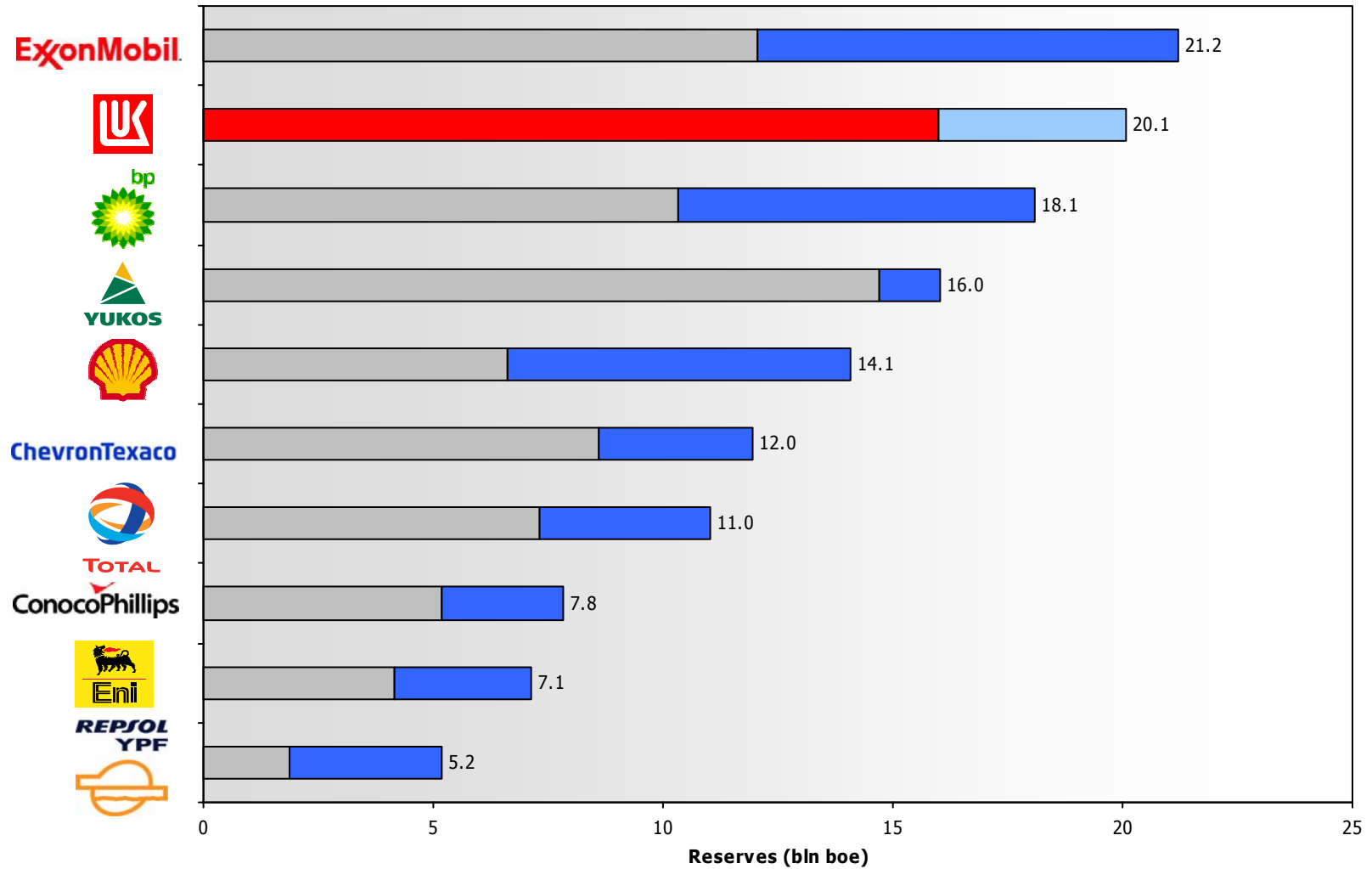
- In 2001 LUKOIL acquired Yamalneftegazdobycha, which holds licenses for significant reserves in the Bolshekhetskaya depression
- Total reserves of 1 tcm (by Russian classification, including C1-C2 categories)
- Production is expected to start in 2005
- First stage – Nakhodkinskoe field
- Close proximity to Gazprom's fields and transport infrastructure (150 km)

Pipelines		Fields	
	Existing gas	Perekatnoe	LUKOIL
	Existing condensate	Yamburg	Gazprom
	Projected	Samburg	Arctic Gas



High Quality Reserves Base — Indispensable Condition for Success

2003 Reserves



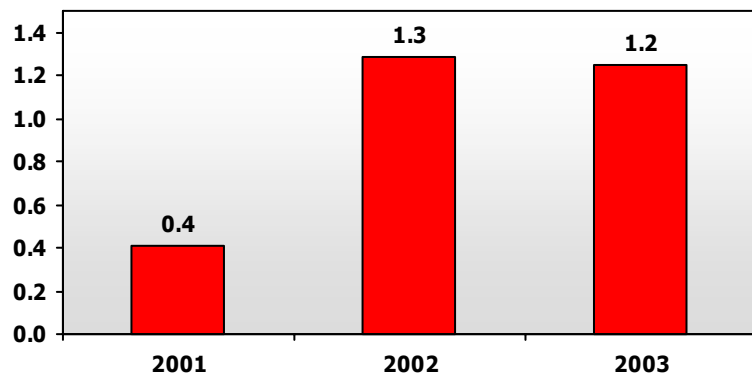
Source: annual reports.

■ Crude oil and natural gas liquids ■ Natural gas

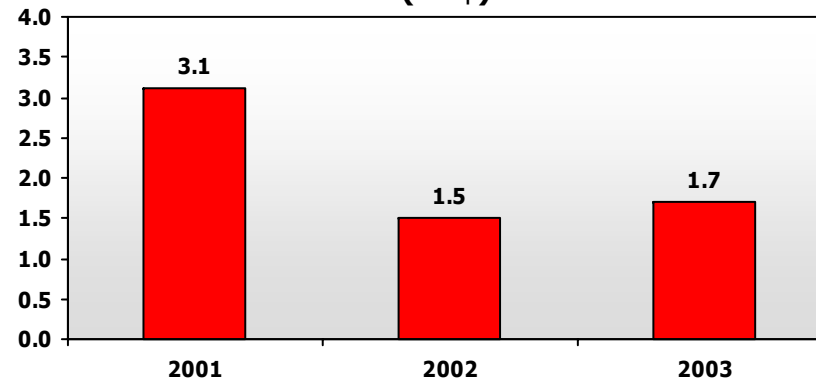


Improving Efficiency of Exploration

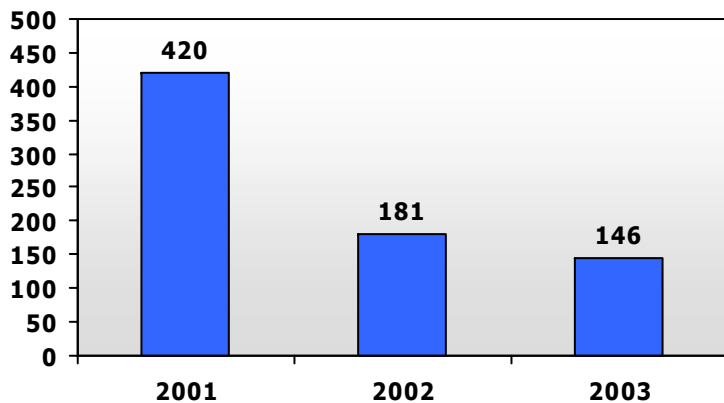
Average Efficiency of Exploration
(thousands of tons of oil equivalent per meter)



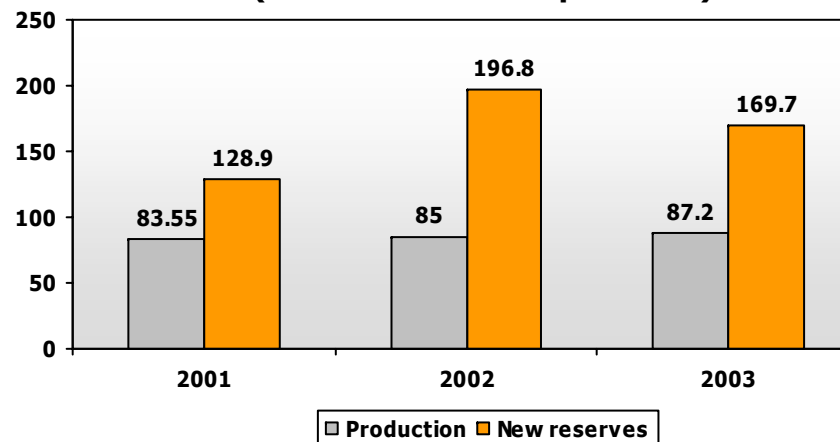
Average spending on exploration of 1 ton of fuel equivalent of hydrocarbon reserves (US\$)



Exploratory Drilling
(thousands of meters)



Hydrocarbon Replacement
(mln tons of fuel equivalent)





Export Infrastructure Expansion

Vysotsk

terminal

2.5 mn t/year

(with potential expansion — up to 11-12 mln tons pa). The terminal was put into operation in June 2004.



Vysotsk terminal allows LUKOIL to save over \$40 mln per annum on transportation costs

Astrakhan

terminal

3.0 mln tons pa

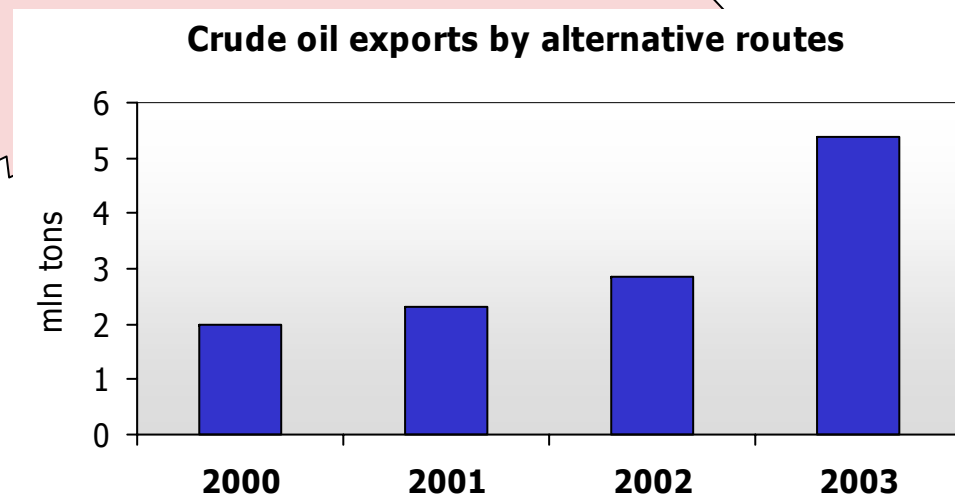
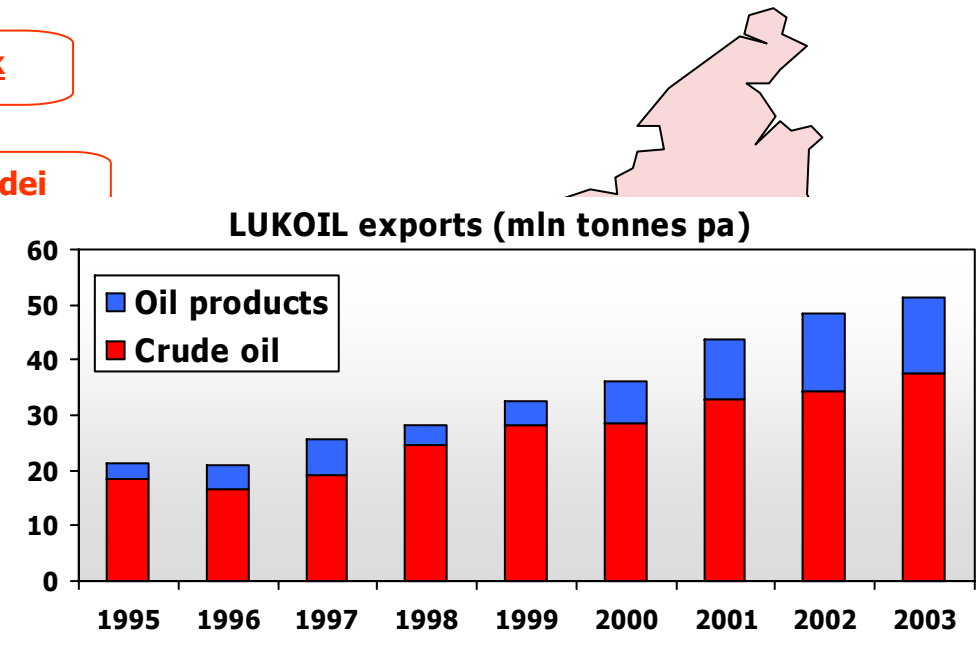
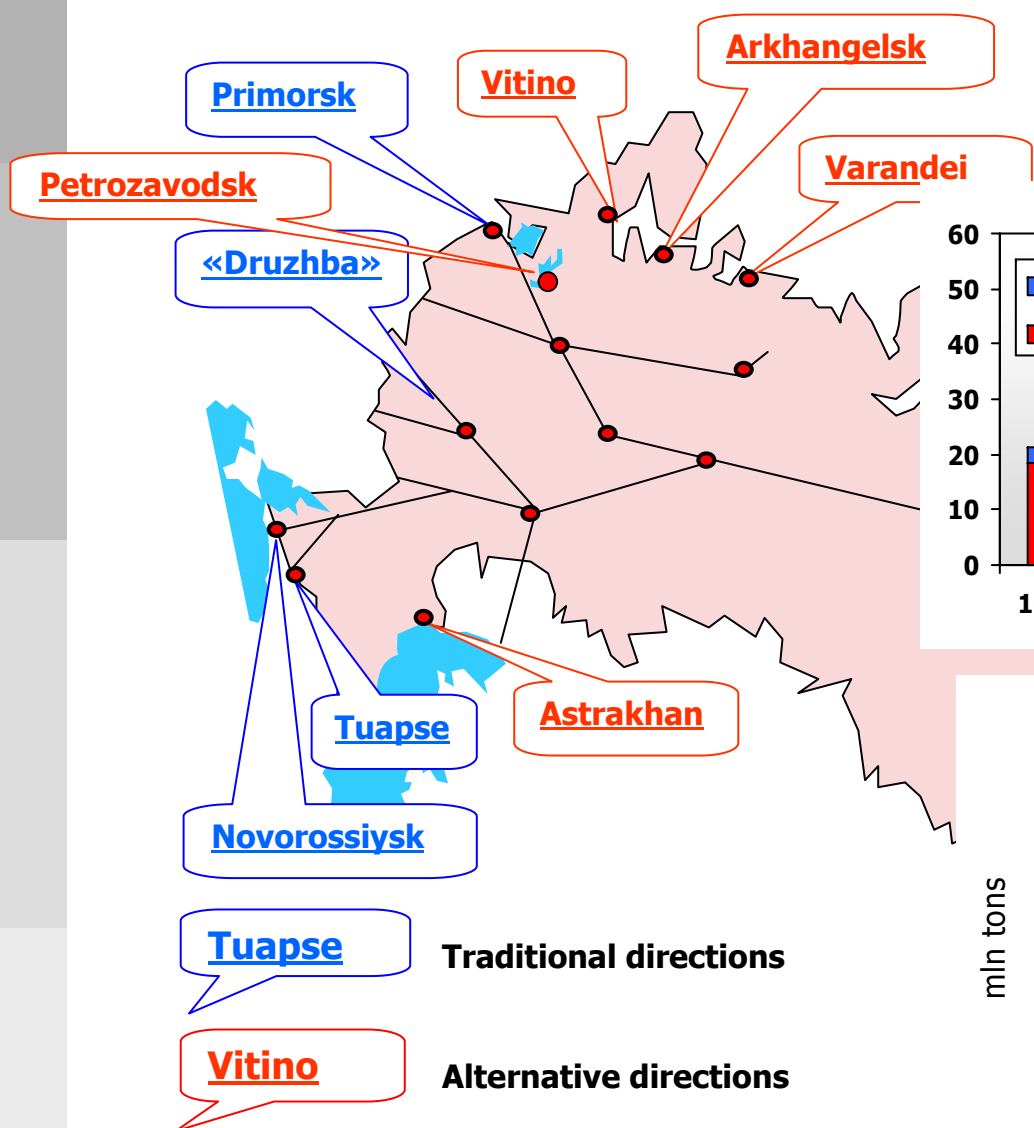
The terminal was put into operation in October 2003



Astrakhan terminal opens new markets in Asia-Pacific region for LUKOIL (crude oil swap deals with Iran) and optimizes transportation costs

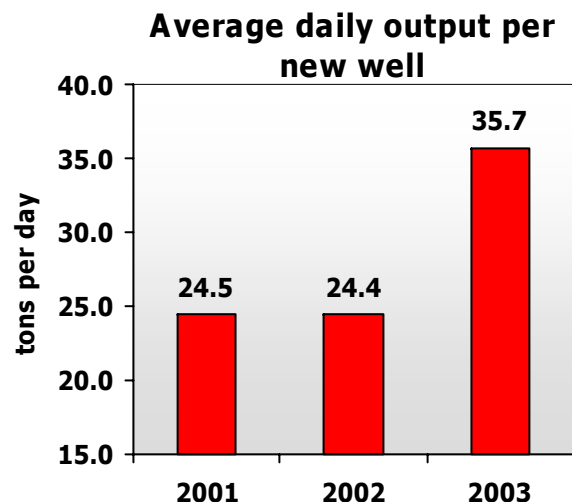
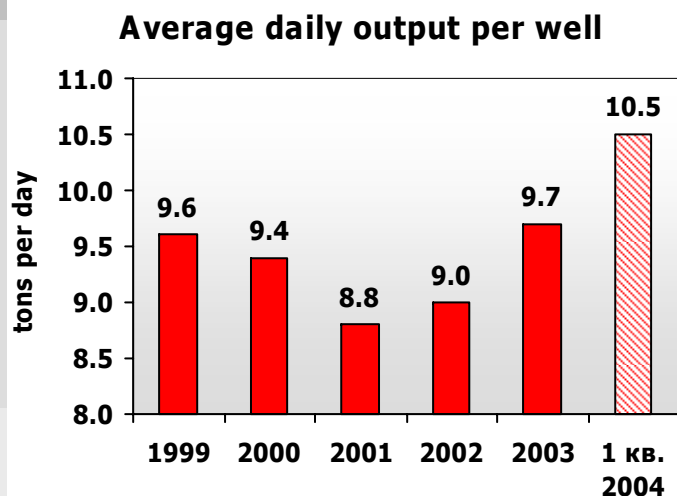
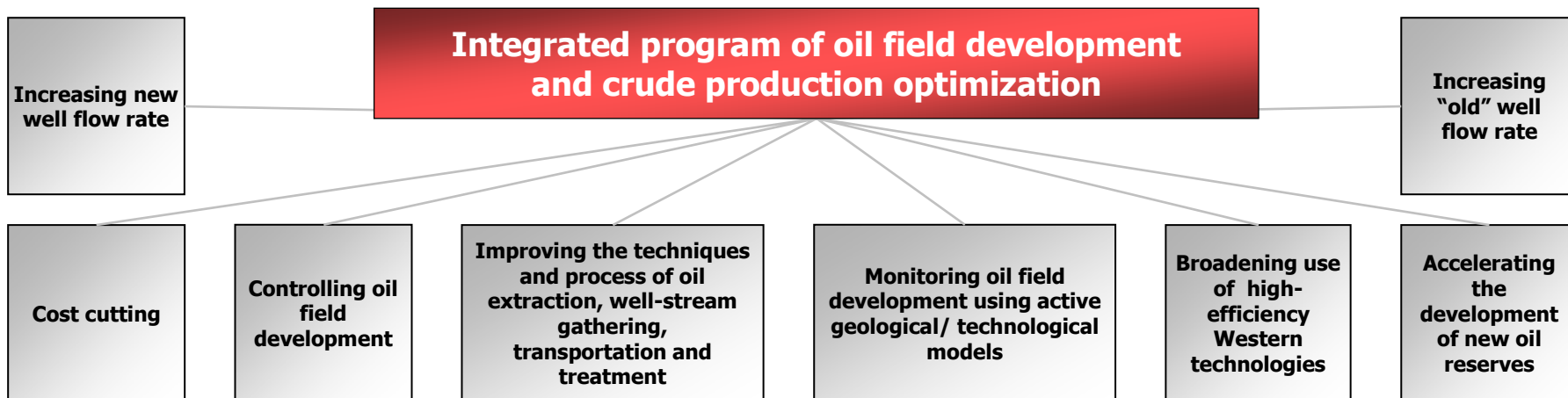


Boosting Exports





Improving Efficiency of Upstream Operations

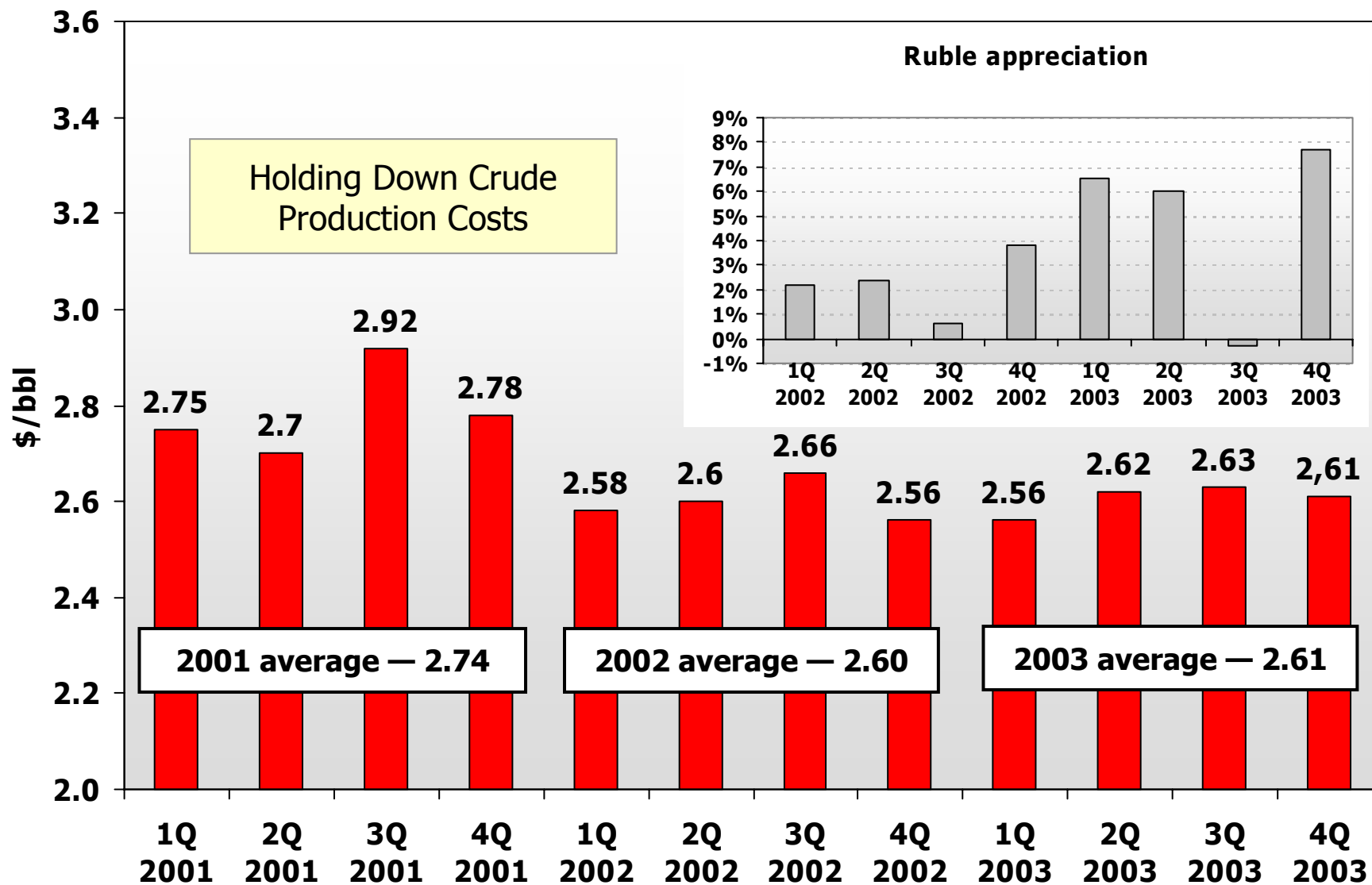


Since 2001 daily output per well has been steadily growing





Holding Down Crude Production Costs* In Spite of Ruble Appreciation



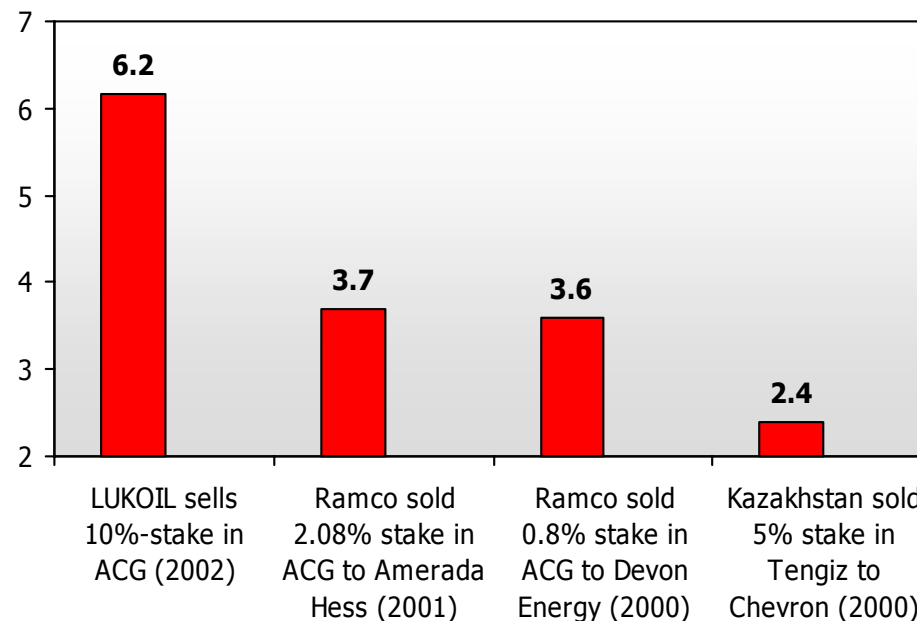
* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.



Active Management of Portfolio Assets — ACG Case



Value of the deal (PP reserves, \$/bbl)



On 20 December, 2002, LUKOIL reached agreement with the Japanese company INPEX on sale of the Group's 10% stake in ACG project

- The deal was completed on 28 April, 2003, for a sum of \$1,337 mln in cash
- Net profit from the deal in the second quarter of 2003 was \$1,130 mln



LUKOIL Restructuring Program: Progress in 2003

