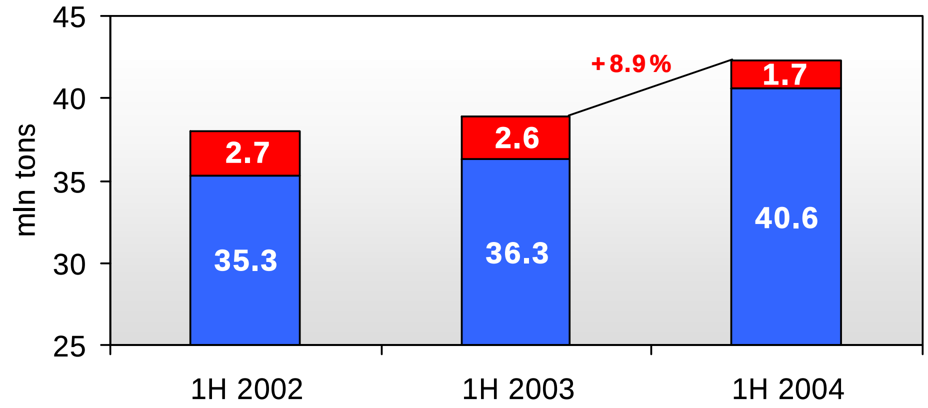
1H 2004
Financial Results
(US GAAP)

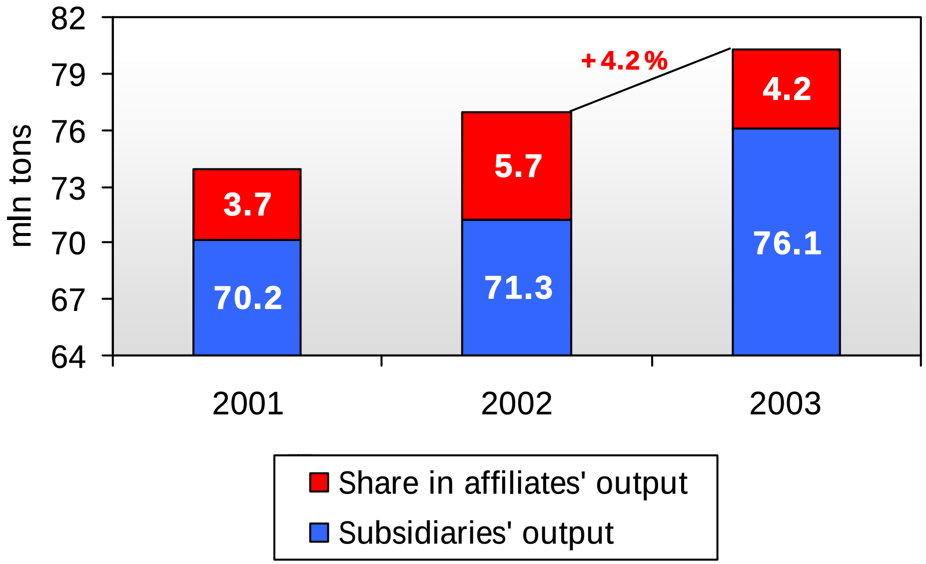
September 2004

Economic Environment

1H 2004	1H 2003	Economic Environment	2Q 2004	1Q 2004
		Domestic Market		
13.37	6.14	Realized oil ($/bbl)	14.67	12.81
194.42	149.58	Realized petroleum products ($/ton)	213.60	174.72
6.3	7.9	Inflation (%)	2.5	3.6
7.8	13.0	Ruble appreciation against USD (%)	0.6	7.1
9.6	9.3	Transportation expenses / sales (%)	9.2	10.0
24.2	24.3	Taxes other than income taxes / sales (%)	24.0	24.5
		International Market		
28.62	23.53	Realized oil ($/bbl)	30.44	26.77
332.76	283.56	Realized petroleum products ($/ton)	352.74	309.23

Crude oil output

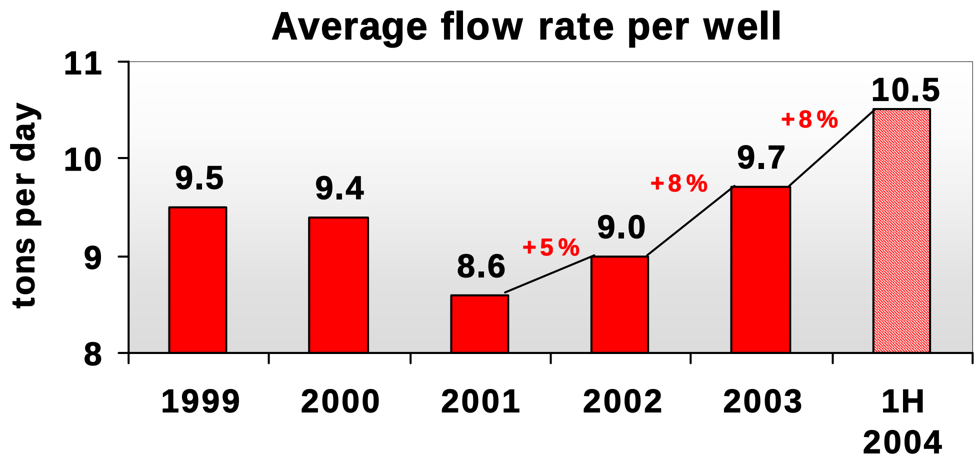




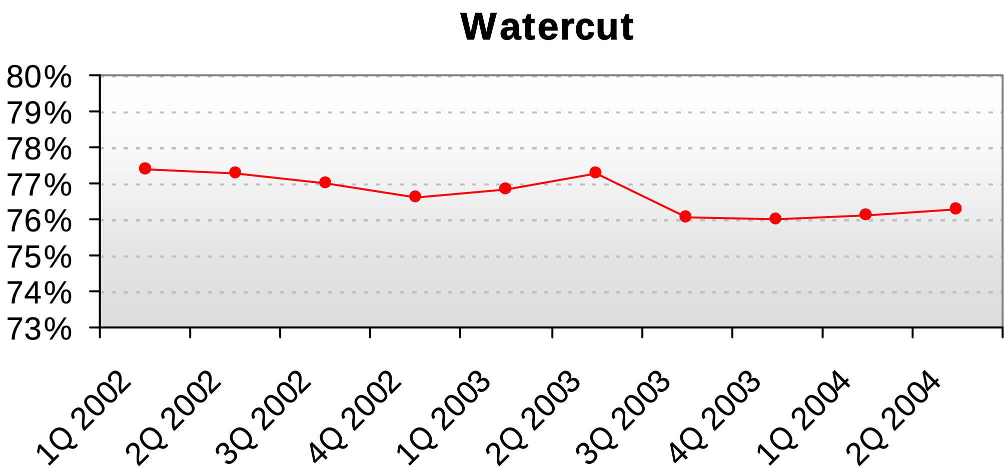
In 2004 LUKOIL posted output growth rates **double** 2003 results

In 1H 2004 crude oil output of LUKOIL Group (subsidiaries and LUKOIL's share in affiliates) increased by **8.9 % y-o-y**, subsidiaries' output — by **11.7%**

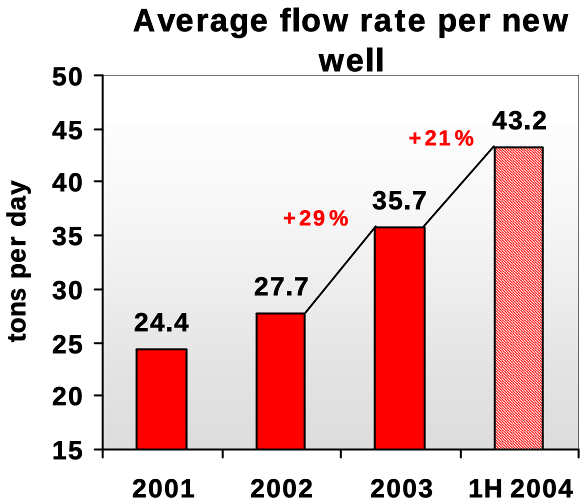
Improving efficiency of E&P



Since 2001 average flow rate per well has been steadily growing



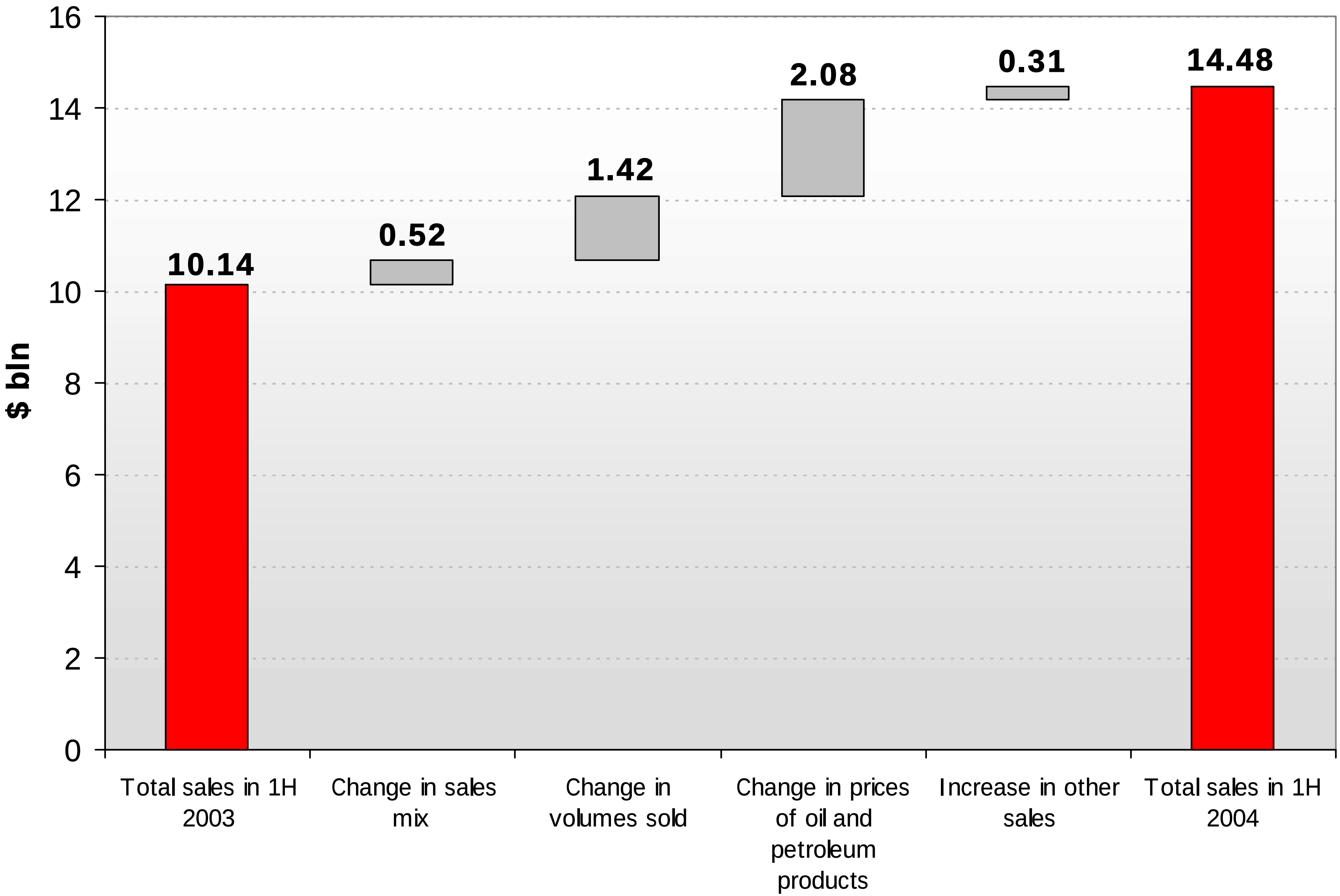
Watercut has been also shifting down



Financial Results

1H 2004	1H 2003	Financial results, mln USD	2Q 2004	1Q 2004
14,609	**10,233**	**Total revenue**	**8,027**	**6,582**
(1,334)	(1,361)	Operating expenses	(674)	(660)
(3,505)	(2,469)	Taxes other than income taxes (including excise and export tariffs)	(1,908)	(1,597)
2,465	2,594	Income from operating activities	1,390	1,075
2,407	2,646	Income before income taxes	1,269	1,138
1,696	**2,364**	**Net Income**	**877**	**819**
1,696	2,232	*Net Income before cumulative effect of change in accounting principle*	877	819
2.07	2.89	EPS (USD)	1.07	1.00
2,965	**3,178**	**EBITDA**	**1,553**	**1,412**

Sales Reconciliation



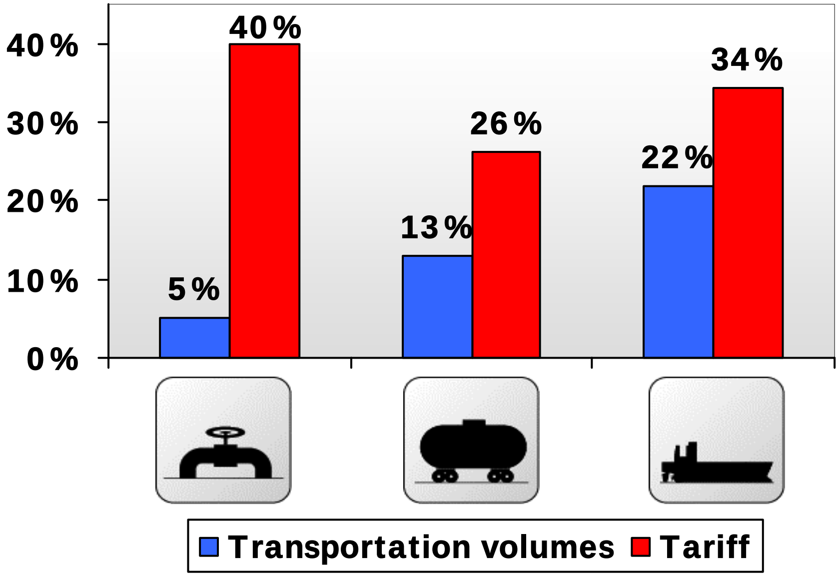
Sales Breakdown

1H 2004	1H 2003	Sales breakdown	2Q 2004	1Q 2004
79.4	70.6	Export sales and sales on international markets to total volume of sales (%)	80.4	78.3
54.4	54.8	Petroleum products to total volume of sales (%)	56.0	52.7
45.0	46.0	Share of petroleum products in total export volumes and international sales (%)	46.8	43.1
54.3	56.0	Share of petroleum products in total export sales and international sales (%)	56.0	52.1

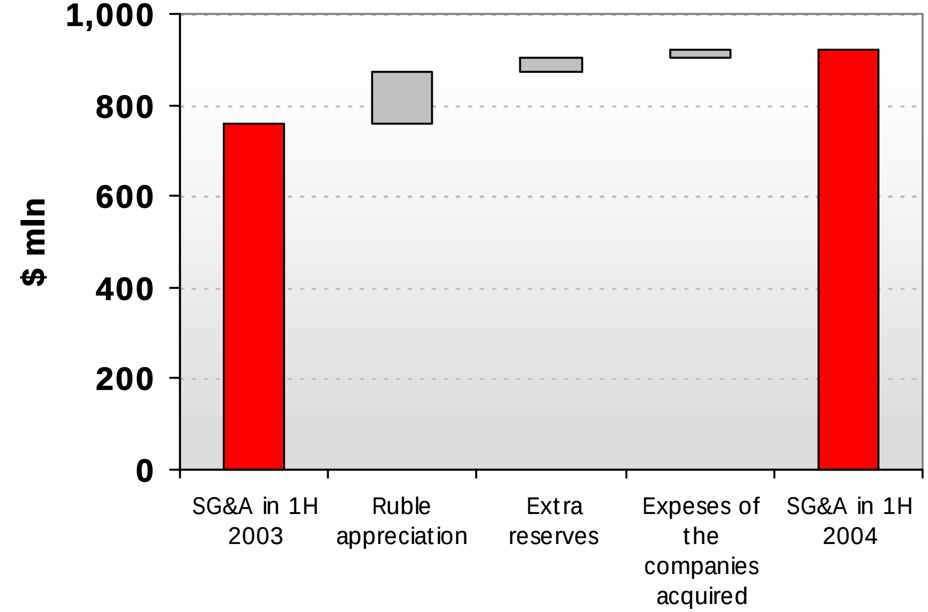
1H 2004	1H 2003	Sales in mln USD	2Q 2004	1Q 2004
4,570	2,856	International sales of crude oil (non-CIS)	2,481	2,089
298	250	Sales of crude oil within CIS	130	168
101	151	Sales of crude oil within Russia	33	68
6,323	4,358	International sales of petroleum products	3,625	2,698
1,930	1,582	Sales of petroleum products within Russia	1,074	856
451	314	International sales of petrochemicals	232	219
154	84	Sales of petrochemicals within Russia	82	72
650	547	Other sales	308	342
14,477	**10,142**	**Total sales**	**7,965**	**6,512**

SG&A and Transport Expenses

Transportation Expenses Change Factors



SG&A reconcilation

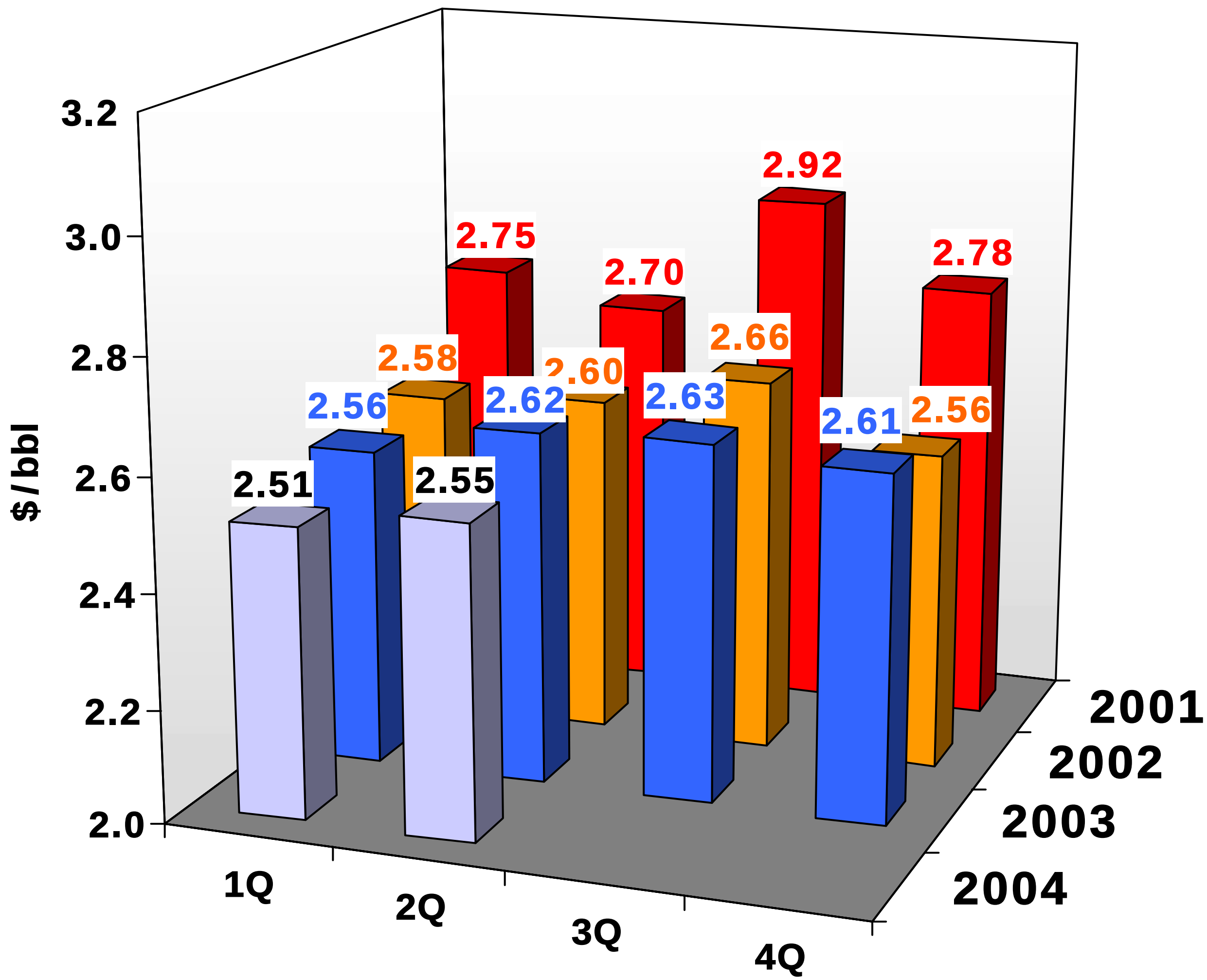


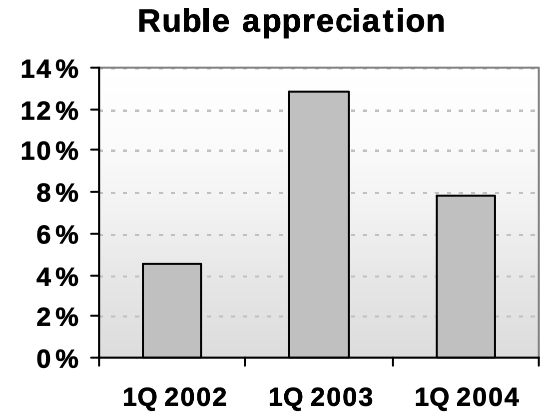
1H 2004	1H 2003	Selling, general and administrative expenses, mln USD	2Q 2004	1Q 2004
1,383	939	Transportation expenses	734	649
922	758	Other selling, general and administrative expenses	451	471
2,305	**1,697**	**Total SG&A**	**1,185**	**1,120**

Operating Expenses

1H 2004	1H 2003	Operating expenses, mln USD	2Q 2004	1Q 2004
752	694	Extraction expenses	381	371
253	237	Refinery expenses	123	130
89	68	Petrochemical expenses	44	45
240	362	Other operating expenses	126	114
1,334	**1,361**	**Total**	**674**	**660**
4,328	**2,665**	**Cost of purchased crude oil, petroleum and chemical products**	**2,501**	**1,827**

Reducing Crude Production Costs*, Mitigating Negative Macroeconomic Effect





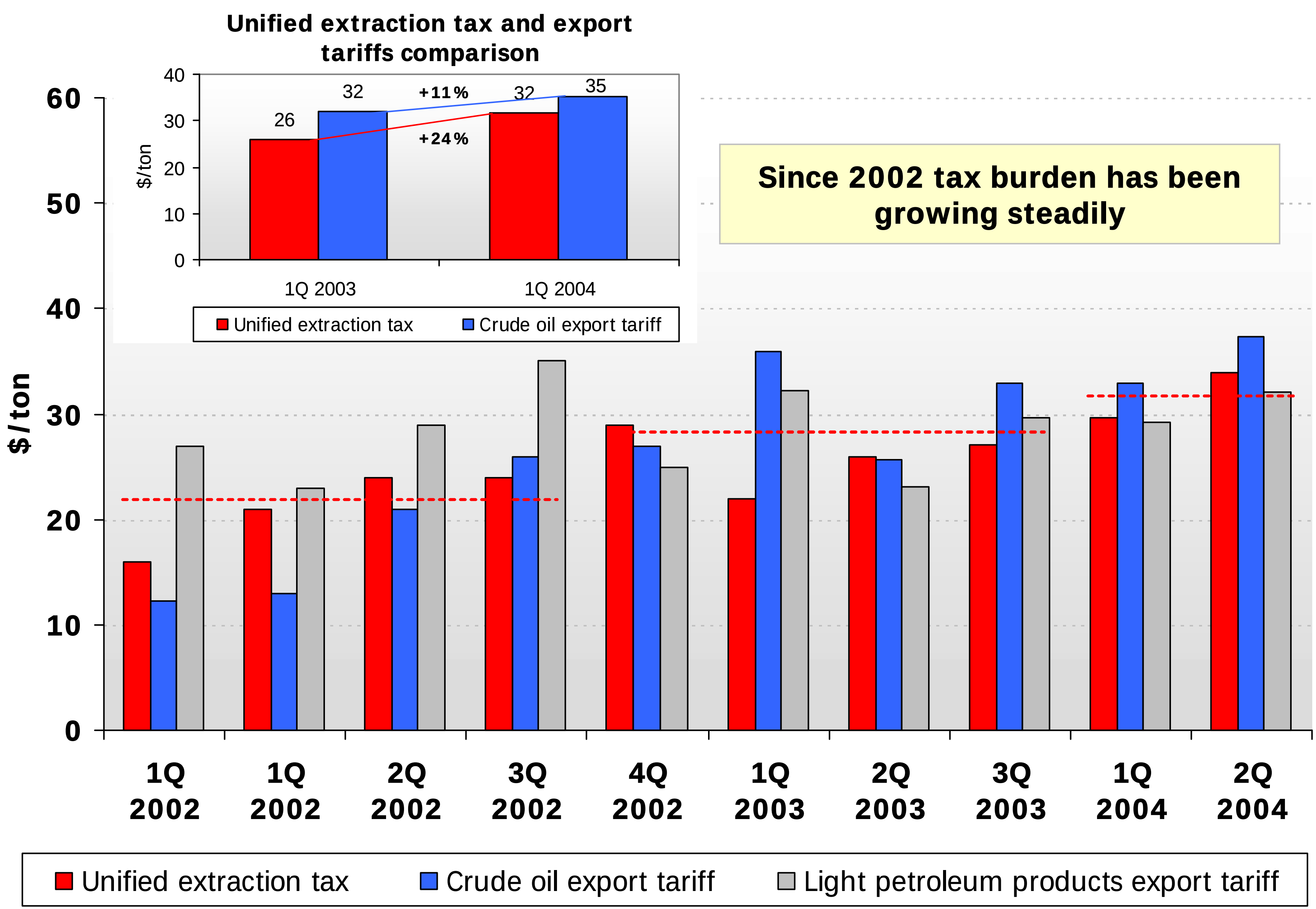
In 1H 2004 LUKOIL successfully reduced crude production costs by 2.3% (in USD)

Rouble strengthened vs. US dollar by 7.8% y-o-y

Cost reduction in real terms reached 10% y-o-y

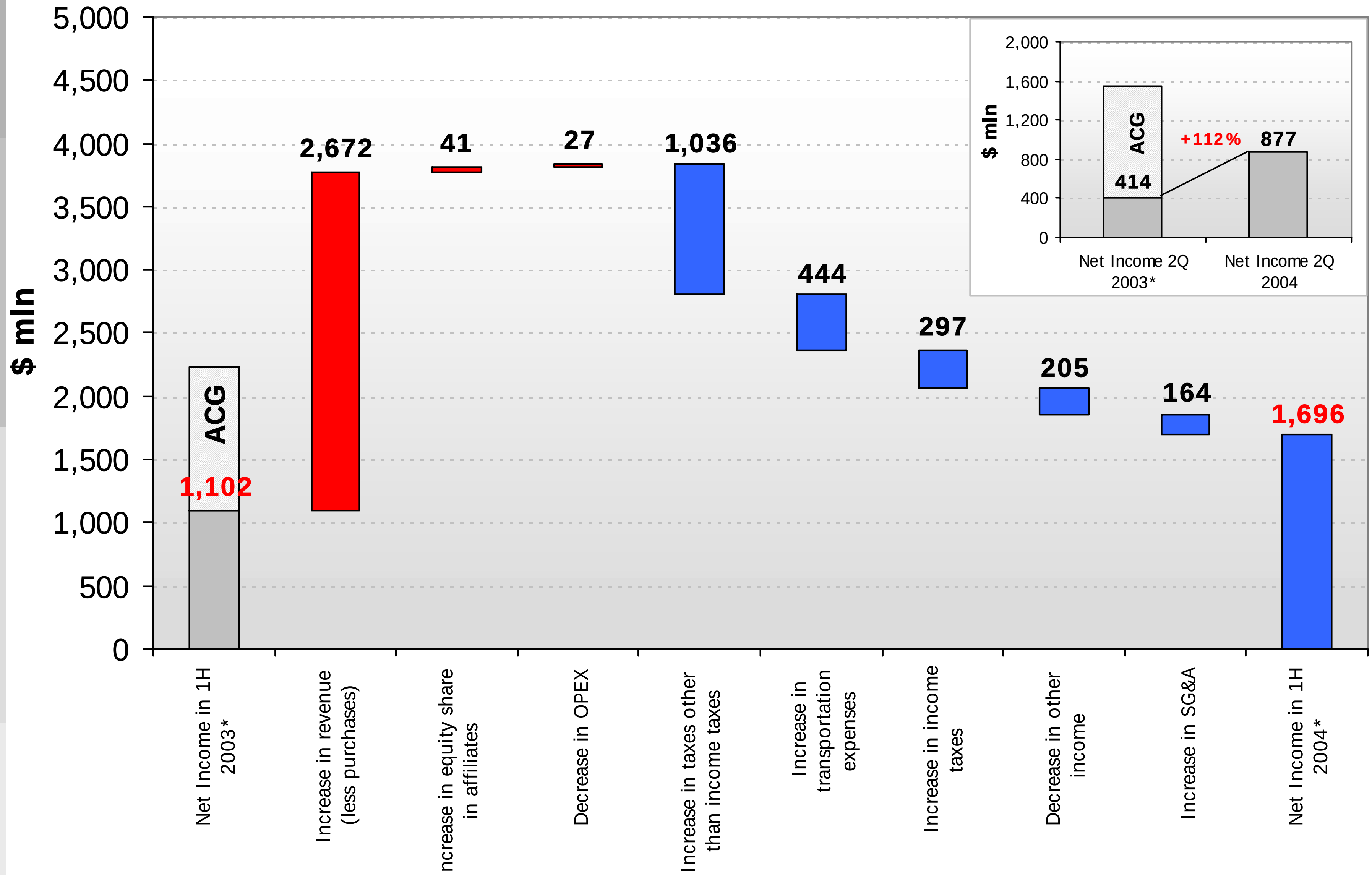
* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.

Growth of Tax Burden



Since 2002 tax burden has been growing steadily

Net Income Reconciliation



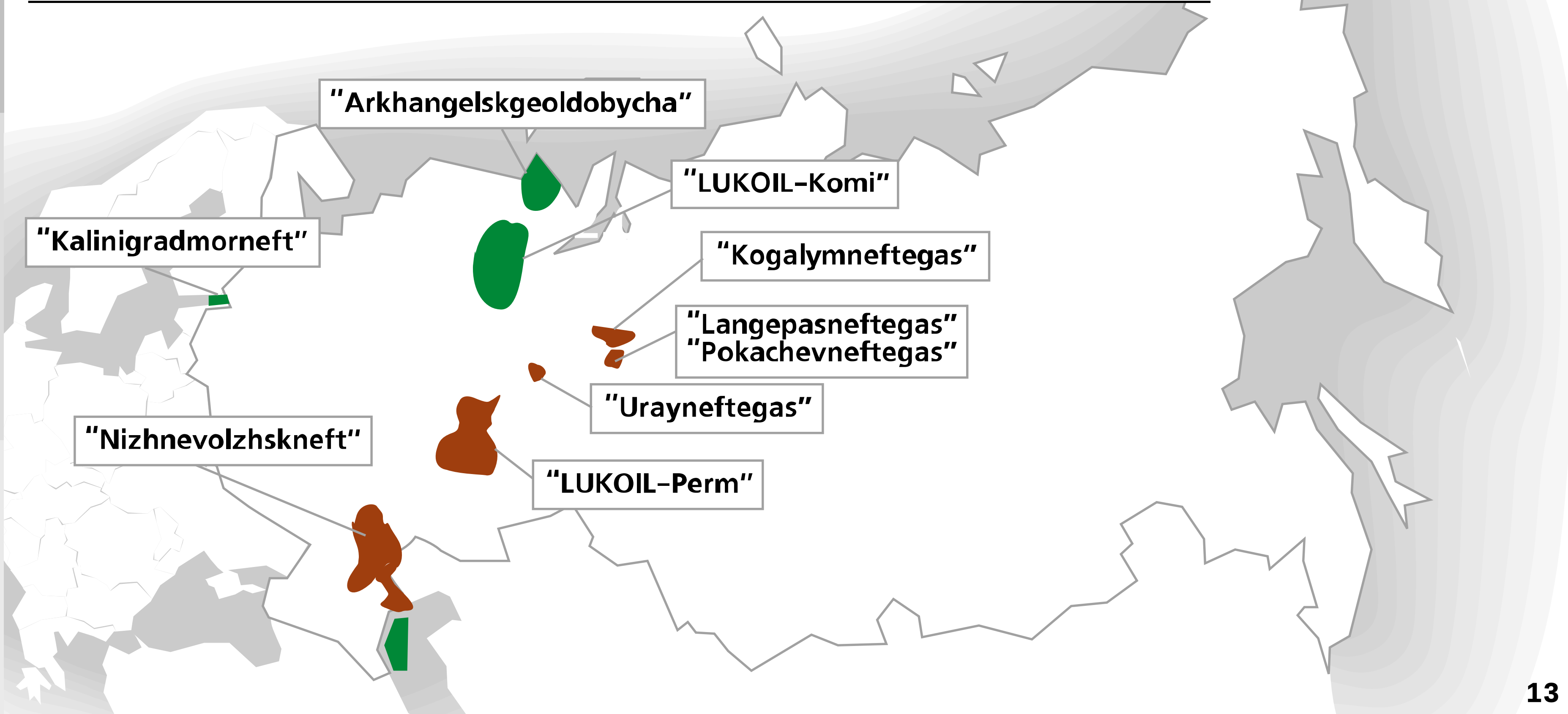
* Net Income excluding gain from sale of interest in ACG and before cumulative effect of change in accounting principle.

Capex Breakdown

1H 2004	1H 2003	Capital expenditures (mln USD)	2Q 2004	1Q 2004
1,021	**942**	**Exploration and production**	**513**	**508**
949	*741*	*Russia:*	*482*	*467*
183	148	Timan-Pechora (AGD)	99	84
205	19	Yamal	107	98
27	83	Caspian	9	18
72	*201*	*International*	*31*	*41*
575	**424**	**Refining, Marketing and distribution and other**	**322**	**253**
369	*336*	*Russia*	*207*	*162*
206	*88*	*International*	*115*	*91*
1,596	**1,366**	**Total (cash and non-cash)**	**835**	**761**

E&P Capex

Capital expenditures, mln USD	1H 2004	1H 2003	Growth
Traditional regions	**534**	**491**	**+9%**
New regions	**415**	**250**	**+66%**
Yamal	*205*	*19*	*+979%*
Timan-Pechora (AGD)	*183*	*148*	*+24%*
Caspian	*27*	*83*	*-67%*
Russia total	**949**	**741**	**+28%**



Vysotsk Export Terminal

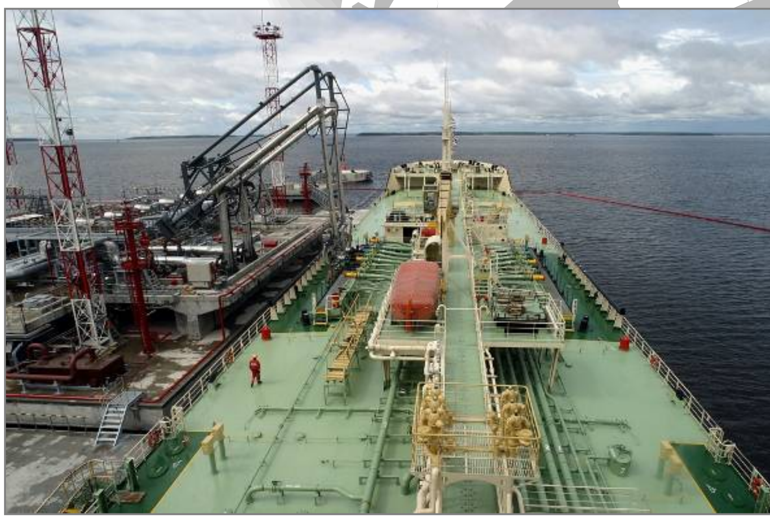
Vysotsk terminal allows LUKOIL to save over $40 mln per annum on transportation costs and gives LUKOIL better exposure to European and US markets

Vysotsk
terminal

4.7 mln t/year
(with potential expansion up to 12 mln t/year).

The terminal was put into operation in June 2004.

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



Sale of Non-core Assets in 2004

Bank Petrocommerce

LUKOIL agreed to sell it's stake (80%) to the companies of the Finacial Group "IFD Kapital" for over **$200 mln**

Bank Petrocommerce was established in 1992. As of January 1, 2004, the assets of the Bank were RUR 44.9 bln., equity - RUR 7.4 bln, and client funds - RUR 23.5 bln. Net profit for 2003 was RUR 1.4 bln. The Bank's regional network includes 19 branches and 4 subsidiaries and affiliated banks.

LUKOIL-Neftegazstroy

LUKOIL agreed to sell it's stake (38%) to the managers of LUKOIL-Neftegazstroy for **$66 mln**

"LUKOIL-Neftegazstroy" specializes in construction and installation works for oil and gas industry, industrial and civil infrastructure development, highway engineering and business coordination as a general contractor. Presently, the Company includes an affiliate located in Yuzhno-Sakhalinsk, 16 representative offices and over 50 subsidiaries and affiliates. In 2003 LUKOIL-Neftegazstroy sales equaled RUR 21.6 mln while net profit totaled RUR 774 mln

LUKOIL-Bureniye

LUKOIL agreed to sell it's stake (100%) to Eurasia Drilling Company Ltd for **$130 mln** including obligations of more than $60 mln to repay LUKOIL-Bureniye's debt

The LUKOIL-Bureniye group was set up in 1995 on the basis of production entities of LUKOIL's upstream subsidiaries responsible for oil-well construction. In 1999-2003, the Company's share in the domestic drilling market ranged from 12% to 17.5%. In 2003, the meterage drilled by the group amounted to 1,242 thousand meters while its revenues totaled 11,260 million rubles. The Company employs 14,500 people.

Upgrading Refining Sector — Another Way to Get More Profit

Economic efficiency of crude oil exports and refining

Petroleum products domestic sales — refinery with average Russian complexity	$ / ton
Average retail price	**197.90**
Production costs	19.50
Mineral resources production tax	31.81
Transportation costs	35.00
Refining costs	12.50
Excise	38.10
Storage costs	2.35
Marketing expenses	5.00
Netback Value	**53.64**

Petroleum products domestic sales — refinery with average European complexity	$ / ton
Average retail price	**231.10**
Production costs	19.50
Mineral resources production tax	31.81
Transportation costs	35.00
Refining costs	16.50
Excise	43.00
Storage costs	2.35
Marketing expenses	5.00
Netback Value	**77.94**

Crude oil exports	$ / ton
Export price (Western Europe)	**225.00**
Production costs	19.50
Mineral resources production tax	31.81
Transportation costs, by railway (Baltic states, Finland)	66.00
Export tariff	37.31
Netback Value	**70.38**

Increase of crude oil refining efficiency by using new technology and raising output of light oil products is able to improve the profitability of refining sector at all

Upgrading Refineries: 2004 Progress

Odessa Refinery

Isomerization unit — 120,000 tons per year

Extra revenue – $30 mln per year

The start-up of the unit will allow the refinery to comply with EN-228:2000 European standards regulating aromatic hydrocarbons, benzene and sulfur content in the produced gasoline.

The share of high octane types of gasoline, which nowadays fully meet EURO-3 requirements, will exceed 96% of total gasoline production volume.

Nizhny Novgorod Refinery

Catalytic reformer with continuous catalyst regeneration — 1 mln tons per year

Extra revenue – $40 mln per year

The only catalytic reforming unit of 4th generation in Russia.

The start-up of the unit will allow:

- to produce extra 400,000 tons of high-octane gasoline per year
- raise the high-octane gasoline share in total gasoline production up to 90%
- produce most of the gasoline meeting EURO-3 requirements

Perm Refinery

T-Star hydrocracking unit — 3.5 mln tons per year

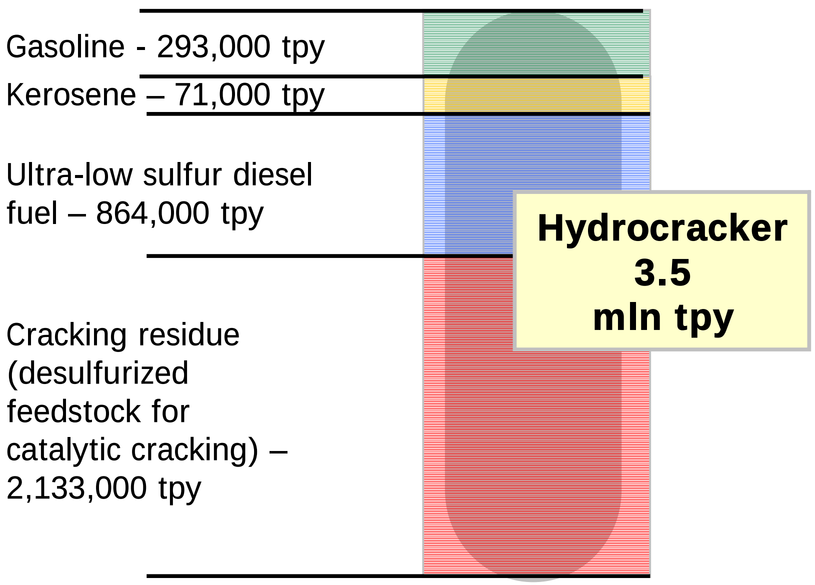
Extra revenue – $130 mln per year

- Russia's first, and the world's seventh facility of the kind.
- The unit is designed for production of ultra low-sulfur and low-aromatics diesel fuel and also naphta needed for high octane gasoline production.
- The introduction of the complex will result in extra production of 1mln tons of motor fuels meeting European standards.

Complex For Deep Refining Of Crude Oil at Perm Refinery

- **In September, 2003 LUKOIL put into operation the Complex for deep refining of crude oil at Perm Refinery.**
- The complex includes three main units:
  - ➢ T-star hydrocracker
  - ➢ hydrogen production unit
  - ➢ sulfur production unit

Hydrocracker product yield



The new facilities will significantly improve the ecology in the vicinity of the refinery:

- Sulfur dioxide emissions will reduce by 1,200 tons/year
- The use of low-sulfur fuels in Perm region will reduce annual sulfur dioxide emissions from motor transport by 950 tons, whereas the corresponding figure for the whole of Russia will be 2,700 tons
- Smaller content of benzene in motor fuels will drastically reduce the emissions of aromatic compound

Kandym-Khausak-Shady PSA (Uzbekistan)

- In July, 2004 the PSA for production of **natural gas** in the Bukharo-Khivinsky Region in the south-west of Uzbekistan has been signed.
- The investment consortium includes LUKOIL and Uzbekneftegaz, with LUKOIL having a 90% and Uzbekneftegaz a 10% share.
- The PSA is for 35 years.
- Estimated capital expenditures - $1 bln.
- The first commercial production of natural gas is expected to begin in 2007.
- Recoverable reserves of natural gas within the contract area amount to 283 bcm. The largest of the fields, Kandym, contains over 150 bcm of gas.
- Annual gas production is expected to peak at around 9 bcm, while cumulative production of natural gas under the project may reach 207 bcm.

- The project provides for the construction of a modern gas-chemical complex with 6 bcm capacity, the first phase of which is scheduled for commissioning in 2010.
- It is planned to drill 240 production wells, lay 1,500 km of pipelines.
- Gas will be distributed through OAO Gazprom trunk pipelines.

Company's Strategy

- **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.