LUKOIL

PRESS RELEASE
JUNE 06, 2003

LUKOIL REPORTS ITS CONSOLIDATED US GAAP RESULTS FOR THE FOURTH QUARTER AND THE FULL YEAR OF 2002

Hereby OAO LUKOIL presents its 2002 consolidated results for the year ended December 31, 2002 and comparative data for preceding years as well as results for the forth quarter of 2001. All items are presented in millions of US dollars, except for earnings per share data and production figures.

	Year ended December 31,		**Three months ended December 31,**	
	2002	2001	**2002**	2001
Sales (including excise and export tariffs)	**15,334**	13,426	**4,301**	3,031
Operating expenses	**2,403**	2,584	**632**	640
Income tax expense	**739**	674	199	**55**
Net Income	**1,843**	2,109	**497**	203
Net Income excluding special items in 2002	**1,985**	2,109	**536**	203
EBITDA	**3,569**	3,987	**893**	721
Dividends declared on common stock	**395**	208	**-**	-
Basic earnings per share of common stock	**2,26**	2,68	**0,61**	0,21
Diluted earnings per share of common stock	**2,26**	2,66	**0,61**	0,21
Daily production, including Company's share in Equity affiliates (thousand barrels per day)	**1,545**	1,485	**1,555**	1,536
Refined products produced (thousand barrels per day)	**786**	688	**824**	703

Strong revenues Reached $15 billion and increased 14% compared to 2001 primarily as a result of change in sales mix and increased volumes of refined products sales. The Company continued to expand into new markets, both in Russia and internationally and increase our market share in our old traditional regions.

Press Centre PJSC "LUKOIL"
Phone: +7 (495) 627-16-77
E-mail: media@lukoil.com
http://www.lukoil.com
https://www.facebook.com/Lukoil.en
http://twitter.com/lukoilengl

Stable production growth In line with our long term strategy and 2002 plan we increased our total daily oil production by 4% (including our share in affiliates) and produced 564 million barrels. Gas production increased by 8% and will be increasing significantly in coming years.

Second largest reserves in the world We have replaced 216% of our 2002 oil production and almost doubled our proved natural gas reserves. Approximately 60% of our oil reserves replacement was attributable to our successful drilling program and certain strategic acquisitions, with the remainder relating to an improvement of operating efficiencies and higher realized prices in line with our corporate strategy. The increase in our gas reserves related primarily to discoveries and acquisitions. Our total proved hydrocarbon reserves increased 15% and reached 19.3 billion barrels of oil equivalent which makes us the second largest private oil company in the world in terms of reserves.

Restructuring Since the beginning of 2002, we have been implementing a restructuring plan designed to improve our operations and maximize shareholder value. The plan included undertaking the following measures in the near term: (i) increase exports of crude oil and refined products; (ii) accelerate the development of our most productive fields; (iii) shut-in low-producing wells; (iv) apply enhanced oil recovery technologies; (v) seek competitive bids for oilfield services; (vi) divest non-core businesses, including certain producing assets where we are not the operator, and reduce headcount; (vii) strengthen performance-related pay; and (viii) streamline our administration.

The following has been achieved to date: •Our oil and refined products international sales in 2002 increased by 15% in terms of volumes while domestic sales decreased 11%, which added $1.5 billion to our revenues;

•10 new oil fields were put on stream which allowed us to increase our production (including our share in affiliates) by 4% regardless of the program of shutting low production wells;

•1,138 low production wells were shut in and as a result of this measure we reduced our cost of oil production down to $2.60 per barrel, compared to $2.74 in 2001 saving $72 million in income before tax;

•We have completed the preparation of our drilling division for sale and are in the process of seeking suitable bids;

•We divested our interest in certain areas in which we were not the operator, most significantly our interest in the production sharing agreement ("PSA") operated by the Azerbaijan International Operating Company. The purpose of this PSA is to explore and develop the Azeri and Chirag fields and the deep water portion of the Guneshli field in the Azeri sector of the Caspian Sea. The sale was completed on April 28, 2003 for approximately $1.4 billion cash, subject to certain post-closing adjustments. As result of the transaction we expect to record a gain of approximately $1.1 billion in the second quarter of 2003.

Net income In 2002 we managed to decrease our operating and selling, general and administrative expenses. However our net income in 2002 is lower compared with 2001 due to a significant increase in taxes other than income taxes caused by changes in tax legislation and an increase in transportation tariffs made by the state transport monopoly. Net income for 2002 also includes special items relating to tax claims made by the taxing authorities in respect of income and other taxes amounting to $103 million. The Company agreed to settle these claims without prejudice. Excluding this tax charge and a pension adjustment net income for 2002 would have amounted to $1,985 million compared to $2,109 million in 2001.

Special items Our effective income tax rate in 2002 increased as a result of settlement of claims with tax authorities in respect to income tax and other taxes relief received in 2001. The Company agreed to settle these claims without prejudice and accrued a provision of $103 million in the third quarter. Substantial part of this amount was paid to the budget in December 2002. Management is not expecting any other claims from tax authorities related to tax relief received in prior periods.

Due to an improvement of the information gathering process, availability of additional data and the increased stability of the Russian economy, we have significantly revised our actuarial assumptions reducing our pension obligation. During 2002 we have recorded a pension expense of $82 million, which we expect to be reduced by approximately $39 million in future years as a result of the reduced benefit obligation.

Our audited financial statements as well as management's discussion and analysis of our 2002 results will be available on the Company's web site.

OPERATIONAL AND FINANCIAL RESULTS IN THE FORTH QUARTER OF 2002

The volume of oil extracted by our subsidiaries in the forth quarter of 2002 was 133 million barrels, while in 2001 it was 131 million barrels. Volume of refined products produced increased by 17.1% as compared to the forth quarter of 2001, and reached 75 million barrels, or 56% of total crude oil produced by our subsidiaries (64 million barrels and 49% of total crude oil production in 2001 respectively).

Revenues. Our sales for the three months ended December 31, 2002 increased by $1,270 million, or 41.9%, compared to the three months ended December 31, 2001. Our revenues from sales of crude oil increased by $179 million, or 16.5%, and our sales of refined products increased by $1,144 million, or 72.7%.

The increase in sales of refined products resulted from:

•Higher volumes of refined product sales internationally, which increased by 47.5% (2002: 6.7 million tonnes; 2001: 4.6 million tonnes);

•Higher volumes sold on the domestic market, which increased by 6.2% (2002: 5.7 million tonnes; 2001: 5.3 million tonnes);

•An increase in average realized sales prices both on domestic market and internationally.

Realized average sales prices for the forth quarter

	2002		2001	
	($/barrel)	($/tonne)	($/barrel)	($/tonne)
Average realized price international	23,91	175,28	17,67	129,51
- crude oil		252,21		204,58
- refined products				
Average realized price within Russia	11,79	86,43	14,12	103,49
- crude oil		152,96		120,79
- refined products				

Other sales decreased by $40 million, or 10.5%.

Operating expenses. Our total operating expenses for the forth quarter of 2002 decreased by $8 million, or 1.3%, as compared to the same period of 2001. Decrease in extraction expenses in the amount of $16 million and decrease in processing fees paid was partially offset by an increase in refining expenses, caused by consolidation of Nizhegorodnefteorgsintez and increased volume of refined products produced.

Our average extraction expenses decreased down to $2.56 per barrel for the forth quarter of 2002 as compared to $2.78 per barrel for forth quarter of 2001.

Transportation. Our transportation expenses for the forth quarter of 2002 increased by $173 million, or 72%, as compared to the same period of 2001. The increase in transportation expenses was principally caused by an increase of all transport tariffs, the increase in sales volumes and sales mix. In particular, in 2002 we increased volumes of crude oil and refined products exported by railroads.

Taxes other than income taxes. Our taxes other than income taxes for the forth quarter of 2002 increased by $289 million, or 117%, due to changes in tax legislation that replaced royalty, mineral replacement tax and excise on crude oil with one unified extraction tax.

Excise and export tariffs. Excise and export tariffs increased by $332 million, or 116%, mainly due to an increase in volume of crude oil and petroleum products exported and the average excise tax and sales tax on refined products in Russia and internationally.