

**YUKOS Oil Company**  
**U.S. GAAP Interim Condensed Consolidated Financial Statements**  
**September 30, 2003**

**YUKOS Oil Company**  
**Interim Condensed Consolidated Balance Sheets (UNAUDITED)**  
(expresses in millions of U.S. Dollars, except as indicated)

	Notes	September 30, 2003	December 31, 2002
<b>Assets</b>			
Cash and cash equivalents	2	1,579	982
Cash and cash equivalents deposited with equity investees	2	714	665
Marketable securities and other short-term investments	3	917	2,348
Accounts and notes receivable, net	4	2,844	2,446
Inventories	5	543	541
Current deferred income tax asset and other current assets		317	250
<b>Total current assets</b>		<b>6,914</b>	<b>7,232</b>
Equity investees and long-term investments at cost	13	3,670	446
Property, plant and equipment, net		7,329	6,116
Deferred income tax asset		123	107
Other long-term assets		478	493
<b>Total assets</b>		<b>18,514</b>	<b>14,394</b>
<b>Liabilities and Shareholders' Equity</b>			
Short-term debt and current portion of long-term debt		128	121
Trade accounts and notes payable		488	502
Other accounts payable and accrued liabilities	7	3,257	664
Taxes payable	8	572	392
Current deferred income tax liability		20	25
<b>Total current liabilities</b>		<b>4,465</b>	<b>1,704</b>
Long-term debt	9	1,499	378
Deferred income tax liability		1,523	1,121
Other long-term liabilities		543	320
<b>Total liabilities</b>		<b>8,030</b>	<b>3,523</b>
<b>Minority interest</b>			
		350	316
Ordinary shares (authorized and issued at September 30, 2003 and December 31, 2002 – 2,237 million shares; nominal value – RR 0.004 per share)		9	9
Additional paid in capital		991	934
Retained earnings		12,847	9,599
Accumulated other comprehensive income (net of income tax expense of USD 7 and of USD 6 at September 30, 2003 and December 31, 2002, respectively)		95	117
Ordinary shares held in treasury, at cost (September 30, 2003 – 302 million shares; December 31, 2002 – 81 million shares)		(3,808)	(104)
<b>Total shareholders' equity</b>		<b>10,134</b>	<b>10,555</b>
Commitments and contingent liabilities	11	-	-
<b>Total liabilities and shareholders' equity</b>		<b>18,514</b>	<b>14,394</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements

# YUKOS Oil Company

## Interim Condensed Consolidated Statements of Income (UNAUDITED)

(expressed in millions of U.S. Dollars, except as indicated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2003	2002	2003	2002
<b>Sales and other operating revenues</b> (including excise tax)	8, 12	4,476	3,378	12,199	7,949
<b>Operating costs and other deductions</b>					
Crude oil, petroleum and other products purchased		115	121	366	190
Operating expenses		566	356	1,548	1,024
Distribution expenses		605	452	1,652	1,068
Selling, general and administrative expenses		337	207	912	539
Depreciation, depletion and amortization		153	131	391	299
Taxes other than income tax	8	1,243	856	3,422	2,025
Write-offs of property and investments		4	7	51	35
Exploration expenses		10	8	57	21
<b>Total operating costs and other deductions</b>		<b>3,033</b>	<b>2,138</b>	<b>8,399</b>	<b>5,201</b>
<b>Other income (expenses)</b>					
Realized gains on marketable securities, net		86	37	155	41
Income (loss) from equity affiliates		19	(6)	42	2
Other income (loss), net		(1)	14	88	37
Interest income		67	114	220	247
Interest expense		(15)	(20)	(45)	(35)
Exchange gain (loss), net		(27)	(44)	98	(79)
<b>Total other income, net</b>		<b>129</b>	<b>95</b>	<b>558</b>	<b>213</b>
<b>Income before income tax, minority interest and cumulative effect of change in accounting principle, net of tax</b>					
		<b>1,572</b>	<b>1,335</b>	<b>4,358</b>	<b>2,961</b>
<b>Income tax</b>					
Current income tax expense	8	115	186	473	385
Deferred income tax expense		133	305	340	522
<b>Total income tax expense</b>		<b>248</b>	<b>491</b>	<b>813</b>	<b>907</b>
<b>Income before minority interest and cumulative effect of change in accounting principle, net of tax</b>					
		<b>1,324</b>	<b>844</b>	<b>3,545</b>	<b>2,054</b>
<b>Minority interest</b>		<b>-</b>	<b>6</b>	<b>(10)</b>	<b>16</b>
<b>Cumulative effect of change in accounting principle, net of tax</b>					
	1	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>
<b>Net income</b>		<b>1,324</b>	<b>850</b>	<b>3,546</b>	<b>2,070</b>
Basic and diluted earnings per share before cumulative effect of change in accounting principle (USD per share)					
		0.62	0.39	1.64	0.96
Cumulative effect of change in accounting principle, net of tax (USD per share)					
		-	-	0.01	-
<b>Basic and diluted earnings per share (USD per share)</b>					
		<b>0.62</b>	<b>0.39</b>	<b>1.65</b>	<b>0.96</b>
<b>Weighted-average shares outstanding</b> (millions of shares)					
Basic	10	2,140	2,155	2,150	2,153
Diluted		2,150	2,163	2,159	2,161

The accompanying notes are an integral part of these interim condensed consolidated financial statements

**YUKOS Oil Company**  
**Interim Condensed Consolidated Statements of Cash Flows (UNAUDITED)**  
(expresses in millions of U.S. Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
<b>Operating activities</b>				
Net income	1,324	850	3,546	2,070
Total of adjustments to reconcile net income to net cash provided by operating activities, excluding changes in working capital	201	470	407	850
Total changes in operational working capital, excluding cash and debt	301	(355)	(107)	(684)
<b>Net cash provided by operating activities</b>	<b>1,826</b>	<b>965</b>	<b>3,846</b>	<b>2,236</b>
<b>Investing activities</b>				
Net additions to property, plant and equipment	(388)	(374)	(1,243)	(949)
Net proceeds from sales (purchases) of long-term investments, including additional shares of subsidiaries and advances to investment dealers	(131)	73	(140)	(926)
Payments for Sibneft acquisition	(500)	-	(1,750)	-
Net proceeds from sales (purchases) of available-for-sale marketable securities and other short-term investments	943	(185)	1,608	(201)
Other	8	(7)	(44)	(7)
<b>Net cash used for investing activities</b>	<b>(68)</b>	<b>(493)</b>	<b>(1,569)</b>	<b>(2,083)</b>
<b>Financing activities</b>				
Net proceeds from (repayments of) short-term debt	28	34	(3)	33
Net proceeds from (repayments of) long-term debt	1,142	(2)	1,128	(17)
Net cash from (used for) treasury shares transactions	(2,080)	8	(2,088)	14
Dividends paid	(295)	(272)	(679)	(278)
Return of proceeds on share emission	-	-	-	(60)
Other	9	-	-	-
<b>Net cash used for financing activities</b>	<b>(1,196)</b>	<b>(232)</b>	<b>(1,642)</b>	<b>(308)</b>
Effect of foreign exchange on cash balances	(15)	(9)	11	(25)
<b>Net change in cash and cash equivalents</b>	<b>547</b>	<b>231</b>	<b>646</b>	<b>(180)</b>
Cash and cash equivalents at beginning of period	1,746	998	1,647	1,409
<b>Cash and cash equivalents at end of period</b>	<b>2,293</b>	<b>1,229</b>	<b>2,293</b>	<b>1,229</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements

## YUKOS Oil Company

### Interim Condensed Consolidated Statements of Changes in Shareholders' Equity and of Comprehensive Income (UNAUDITED)

(expressed in millions of U.S. Dollars, except as indicated)

	Number of ordinary shares issued (millions)	Ordinary shares	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Ordinary shares held in treasury	Total shareholders' equity
<b>Balance at December 31, 2002</b>	2,237	9	934	9,599	117	(104)	10,555
Net income	-	-	-	1,267	-	-	1,267
Other comprehensive income	-	-	-	-	41	-	41
Purchases of treasury shares	-	-	-	-	-	(17)	(17)
Sales of treasury shares	-	-	3	-	-	2	5
Stock-based compensation plans	-	-	8	-	-	-	8
<b>Balance at March 31, 2003</b>	2,237	9	945	10,866	158	(119)	11,859
Net income	-	-	-	955	-	-	955
Other comprehensive income	-	-	-	-	27	-	27
Purchases of treasury shares	-	-	-	-	-	(1)	(1)
Sales of treasury shares	-	-	5	-	-	-	5
Stock-based compensation plans	-	-	8	-	-	-	8
Dividends declared	-	-	-	(298)	-	-	(298)
<b>Balance at June 30, 2003</b>	2,237	9	958	11,523	185	(120)	12,555
Net income	-	-	-	1,324	-	-	1,324
Other comprehensive income	-	-	-	-	(90)	-	(90)
Purchases of treasury shares	-	-	-	-	-	(3,692)	(3,692)
Sales of treasury shares	-	-	23	-	-	4	27
Stock-based compensation plans	-	-	10	-	-	-	10
<b>Balance at September 30, 2003</b>	2,237	9	991	12,847	95	(3,808)	10,134

Comprehensive income for the three- and nine-month periods ended September 30, 2003 and 2002 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
<b>Net income</b>	1,324	850	3,546	2,070
<b>Other comprehensive income</b>				
Change in net unrealized gains on securities	(90)	(104)	(24)	41
Foreign currency translation adjustment	-	31	2	4
<b>Total other comprehensive income</b>	(90)	(73)	(22)	45
<b>Total comprehensive income</b>	1,234	777	3,524	2,115

The accompanying notes are an integral part of these interim condensed consolidated financial statements

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

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### Note 1: Basis of Interim Condensed Consolidated Financial Statement Preparation

These unaudited interim condensed consolidated financial statements should be read in conjunction with the YUKOS Oil Company audited consolidated financial statements as of and for the year ended December 31, 2002. The December 31, 2002 condensed consolidated balance sheet data has been derived from audited financial statements, however, since it is presented on a condensed basis it does not include all the disclosures required by accounting principles generally accepted in the United States of America for annual financial statements.

YUKOS Oil Company and its subsidiaries and associates (the “Company”) are a vertically integrated group of companies.

In the opinion of the Company’s management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature, except for the cumulative effect of changes in accounting principles, as described further below. These interim condensed consolidated financial statements contain disclosure of significant subsequent events as of the date these statements were finalized, January 26, 2004. The financial results of the periods reported herein are not necessarily indicative of future financial results.

**Currency exchange rates.** The following summarizes the end of period exchange rates of the Russian Ruble (“RR”) to the U.S. Dollar (“USD”) for the dates presented:

Russian Rubles per U.S. Dollar	2001	2002	2003
March 31,	-	31.12	31.38
June 30,	-	31.45	30.35
September 30,	-	31.64	30.61
December 31,	30.14	31.78	-

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**Accounting changes.** Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (“SFAS 143”). SFAS 143 addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

SFAS 143 differs in several significant respects from the previous accounting employed by the Company. Prior to the adoption of SFAS 143, the Company accrued site restoration costs on an undiscounted basis using the units-of-production method of accounting. As of December 31, 2002, USD 199 million had been accrued and included in accumulated depletion, depreciation and amortization.

Under SFAS 143, the Company recognizes a liability for the fair value of an asset retirement obligation (“ARO”) in the period in which it is incurred, and capitalizes the associated asset retirement cost. In periods subsequent to initial measurement, the Company recognizes period-to-period changes in the liability for an ARO resulting from (a) the passage of time and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Certain downstream long-lived assets, principally refineries, generally have indeterminate settlement dates for asset retirement since the Company currently plans to operate such assets in perpetuity. Therefore, asset retirement obligations were not recognized for these assets, but may be in the future if and when such circumstances change.

The cumulative effect of this change in accounting principle was a credit to income of USD 11 million, net of tax, which was reflected in the Company’s interim condensed consolidated statement of income for the nine months ended September 30, 2003. The effect of adoption resulted in increases in property, plant and equipment, long-term liabilities and deferred tax assets of USD 229 million, USD 222 million and USD 4 million, respectively.

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 1: Basis of Interim Condensed Consolidated Financial Statement Preparation (Continued)

**Recent accounting pronouncements.** In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 amended Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, and established standards for determining under what circumstances a variable interest entity ("VIE") should be consolidated with its primary beneficiary. FIN 46 also requires disclosures about VIEs that are not required to be consolidated but in which the reporting entity has a significant variable interest. In December 2003 the FASB revised certain implementation provisions of FIN 46. The revised interpretation ("FIN 46R") substantially retained the requirements of immediate application of FIN 46 to VIEs created after January 31, 2003. With respect to older VIEs, the consolidation requirements under FIN 46R apply not later than for the first financial year or interim period ending after December 15, 2003, if such a VIE is a special-purpose entity ("SPE"), and no later than for the first financial year or interim period ending after March 15, 2004, if such a VIE is not a SPE. Management does not expect the adoption of FIN 46R will have a significant impact on the financial position or results of operations of the Company.

**Reclassifications.** Certain comparative figures have been reclassified to conform to current period presentation.

### Note 2: Cash and Cash Equivalents

The interim condensed consolidated statements of cash flows provide information about changes in cash and cash equivalents. At September 30, 2003 and December 31, 2002, cash and cash equivalents comprised the following:

	September 30, 2003	December 31, 2002
U.S. Dollar bank deposits	2,027	1,310
Russian Ruble bank deposits (RR 7,800 million and RR 10,318 million at September 30, 2003 and December 31, 2002, respectively)	255	325
Russian Ruble certificates of deposit (RR 269 million and RR 259 million at September 30, 2003 and December 31, 2002, respectively)	9	8
Russian Ruble bank promissory notes (RR 63 million and RR 141 million at September 30, 2003 and December 31, 2002, respectively)	2	4
	2,293	1,647
Less: cash and cash equivalents at Trust Investment Bank (former Trust and Investment Bank) and Bank MENATEP Saint Petersburg	(714)	(665)
<b>Total cash and cash equivalents</b>	<b>1,579</b>	<b>982</b>

Cash and cash equivalents at the Company's former equity investees, Trust Investment Bank and Bank MENATEP Saint Petersburg ("the Banks"), include bank deposits at, promissory notes of, and certificates of deposit at the Banks. The Company's balances at the Banks comprise a substantial portion of the Banks' total deposits. In October 2003, the Company sold its equity interests in the Banks, see Note 6.

## YUKOS Oil Company

### Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

#### Note 3: Marketable Securities and Other Short-Term Investments

	September 30, 2003	December 31, 2002
Marketable securities	799	1,752
Other short-term investments	118	596
<b>Total marketable securities and other short-term investments</b>	<b>917</b>	<b>2,348</b>

Substantially all marketable securities held by the Company are classified as available-for-sale. The Company invests primarily in the Russian securities markets. Unrealized gains and losses, net of related income taxes, for available-for-sale securities are included in accumulated other comprehensive income within shareholders' equity. Realized gains and losses are included in income on a current basis. Details of the net carrying amounts, net unrealized holding gains and losses, and fair values of marketable securities at September 30, 2003 and December 31, 2002 are as follows:

	Net carrying amount	Net unrealized holding gains (losses)	Fair value
Bonds and other Russian government securities	326	60	386
Corporate debt securities	358	11	369
Equity securities	24	20	44
<b>Total marketable securities at September 30, 2003</b>	<b>708</b>	<b>91</b>	<b>799</b>
Bonds and other Russian government securities	1,029	113	1,142
Corporate debt securities	442	7	449
Equity securities	167	(6)	161
<b>Total marketable securities at December 31, 2002</b>	<b>1,638</b>	<b>114</b>	<b>1,752</b>

#### Note 4: Accounts and Notes Receivable, Net

	September 30, 2003	December 31, 2002
Prepaid and recoverable value-added and other taxes	1,259	964
Trade accounts receivable (net of allowances for doubtful accounts of USD 40 million and USD 41 million at September 30, 2003 and December 31, 2002, respectively)	970	912
Advances to suppliers (net of allowances for doubtful accounts of USD 3 million and USD 1 million at September 30, 2003 and December 31, 2002, respectively)	421	300
Promissory notes receivable	2	23
Other receivables (net of allowances for doubtful accounts of USD 7 million and USD 11 million at September 30, 2003 and December 31, 2002, respectively)	192	247
<b>Total accounts receivable, net</b>	<b>2,844</b>	<b>2,446</b>



# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 5: Inventories

	September 30, 2003	December 31, 2002
Crude oil and petroleum products	233	298
Materials and supplies	310	243
<b>Total inventories</b>	<b>543</b>	<b>541</b>

### Note 6: Recent Acquisitions and Disposals

**Sale of subsidiaries involved in the Zapadno-Malobalykskoe oilfield.** In March 2003, the Company sold a 50 percent stake in its subsidiary holding the license and an equal stake in the company holding development and service rights for the Zapadno-Malobalykskoe oilfield located in Western Siberia ("ZMB") to the Hungarian petroleum company MOL for USD 100 million, recognizing a pretax gain of USD 70 million on the disposal of the shares of the subsidiaries. As of December 31, 2002, ZMB's proved oil reserves were 40 million barrels. Following the sales, the Company is accounting for its investment in these companies using the equity method.

**Sale of assets of John Brown Hydrocarbons Limited.** In May 2003, the Company sold certain principal assets previously held by John Brown Hydrocarbons Limited for USD 30.6 million, recognizing a pretax loss of USD 2 million on the disposal, subject to certain adjustments.

**Acquisition of OOO Geoilbent.** In September 2003, the Company, through a subsidiary, acquired a 34 percent interest in OOO Geoilbent ("Geoilbent"), a holder of exploration and development licenses for a number of oil and gas fields located in Western Siberia. The purchase price for the interest was USD 75 million. The Company acquired its interest in Geoilbent to further strengthen its position as a significant producer of crude oil in the Russian Federation.

**Sale of equity interests in the Banks, subsequent to September 30, 2003.** In October 2003, the Company sold its equity interests in the Banks to IFA MENATEP, a party related to the Company's principal shareholder, Group MENATEP Limited, for USD 115 million. The carrying value of the investment in the Banks at the time of the sale was USD 107 million. As the sale was to a party under common control, the result of the transaction was credited to additional paid-in capital. The Company and its Board of Directors received and reviewed an Indicative Valuation Report provided by an independent internationally-recognized investment bank prior to the sale of the interests.

**Sale of Kopeika Trading House, subsequent to September 30, 2003.** In October 2003, the Company sold its controlling interests in the Kopeika Trading House, a domestic retail chain, for USD 60 million, recognizing a pretax gain of USD 13 million on the disposal. The operations of Kopeika were not significant to the Company's operations representing approximately 1 percent of revenue.

### Note 7: Other Accounts Payable and Accrued Liabilities

	September 30, 2003	December 31, 2002
Dividends payable	12	402
Advances from customers	66	54
Salaries and wages payable	138	64
Payable for Sibneft acquisition (Note 13)	1,250	-
Payable for treasury shares acquisition (Note 13)	1,610	-
Other	181	144
<b>Total other accounts payable and accrued liabilities</b>	<b>3,257</b>	<b>664</b>

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 8: Taxes

**Taxes other than income tax.** Taxes other than income tax included in the interim condensed consolidated statements of income for the three- and nine-month periods ended September 30, 2003 and 2002 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Export duties	399	261	1,261	558
Unified production tax	539	427	1,524	1,002
Excise tax	197	104	484	286
Road users tax	-	36	-	92
Property tax	21	17	44	47
Tax penalties and interest	58	6	59	12
Other	29	5	50	28
<b>Total taxes other than income tax</b>	<b>1,243</b>	<b>856</b>	<b>3,422</b>	<b>2,025</b>

Taxes payable at September 30, 2003 and December 31, 2002 were as follows:

	September 30, 2003	December 31, 2002
Value-added tax	145	140
Income tax	44	8
Tax penalties and interest	51	7
Excise	76	105
Road users tax	23	38
Property tax	13	8
Unified production tax	162	21
Other	58	65
<b>Total taxes payable</b>	<b>572</b>	<b>392</b>

At September 30, 2003 and December 31, 2002, USD 93 million and USD 91 million, respectively, of value-added tax payable represent deferred amounts, which are due upon settlement of the related receivable balances.

**Effective income tax rates.** Factors that have reduced our effective tax rate for the nine months ended September 30, 2003 as compared to the nine-month period ended September 30, 2002, included a reduction in the rate accrued on unremitted earnings of certain consolidated subsidiaries offset by expenses that were not deductible for Russian tax purposes.

We provide for taxes on unremitted earnings of our subsidiaries that are payable upon distribution to the parent company through our existing legal structure if the retained earnings of our subsidiaries are not considered permanently invested. We continuously assess possible methods of transferring the earnings to YUKOS Oil Company and adjust this provision accordingly. Such taxes are recognized at enacted rates corresponding to the method we intend to utilize to distribute or transfer the unremitted earnings to YUKOS Oil Company.

## YUKOS Oil Company

### Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

#### Note 8: Taxes (continued)

In the fourth quarter of 2002, management revised its estimate of the applicable tax rates associated with the expected remittance of earnings from certain subsidiaries. In conjunction with completion of a tax restructuring, the effective tax rate on the remittance from such subsidiaries has been reduced by 5 percent. Accordingly the rate applied in the three- and nine-month periods ended September 30, 2003 was approximately 5 percent lower than that applied in the same periods of 2002.

The maximum enacted statutory income tax rate in Russia during 2002, 2003 and 2004 is 24 percent. Due to recent changes in Russian tax legislation, effective January 1, 2004, the maximum regional income tax incentives were reduced from 18 percent to 4 percent.

#### Note 9: Long-Term Debt

Long-term debt was as follows:

	September 30, 2003	December 31, 2002
Ministry of Finance/ International Bank for Reconstruction and Development	32	43
Government of the Republic of Lithuania	289	289
Other Mazeikiu Nafta	150	-
Syndicated loan	1,000	-
Other long-term borrowings	72	104
Less: current portion of long-term debt	(44)	(58)
<b>Total long-term debt</b>	<b>1,499</b>	<b>378</b>

**Ministry of Finance/ International Bank for Reconstruction and Development.** At September 30, 2003, and December 31, 2002, the Company had outstanding obligations to the Ministry of Finance of the Russian Federation and to the International Bank for Reconstruction and Development arising from borrowing agreement entered into by one of its subsidiary. At September 30, 2003, the interest rate was 4.8 percent per annum.

**Government of the Republic of Lithuania.** At September 30, 2003, and December 31, 2002, one of the Company's subsidiaries Mazeikiu Nafta had a U.S. Dollar-denominated loan agreement totaling USD 289 million outstanding from the Government of the Republic of Lithuania. The debt is payable in equal semiannual installments from December 2009 to July 2013 and bears interest at 10 percent per annum until July 2003, 8 percent per annum starting from July 2003 until the end of March 2004 and 7 percent per annum afterwards.

**Other Mazeikiu Nafta.** In July 2003, the Company sold to Vilnius Bankas and Vereins-und Westbank, Vilnius branch USD 150 million of loans payable by its subsidiary Mazeikiu Nafta for USD 150 million. These loans had been acquired by the Company during its acquisition of Mazeikiu Nafta in 2002. The debt is payable in installments from August 2009 to July 2013, and bears interest at LIBOR plus 1.1 percent. The loan is guaranteed by the Lithuanian Government. The sale of these loans is reflected within net proceeds from (repayments of) long-term debt within the Interim Condensed Consolidated Statement of Cash Flows.

## YUKOS Oil Company

### Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

#### Note 9: Long-Term Debt (Continued)

**Syndicated loan.** In September 2003, the Company completed a pre-export facility term loan agreement with Citigroup, Commerzbank, Crédit Lyonnais, Deutsche Bank, HSBC, ING and Societe Generale for USD 1 billion. The loan is syndicated and is split into two tranches: a three year tranche and a five year tranche. The facility is secured by proceeds from crude oil deliveries. The interest rate on the loan is 1.5 percent over LIBOR for the three year tranche, 1.75 percent over LIBOR for the five year tranche during the first three years and 2.0 percent over LIBOR thereafter. The annual interest rate for the five year tranche will be reduced by 0.25 percent if and when the Company's long-term foreign currency credit rating reaches BBB- (rated by Standard&Poor's) or Baa3 (rated by Moody's). The terms of the loan agreement include a material adverse change clause and requirements to maintain a debt to equity ratio and comply with other financial and non-financial covenants.

**Financing received subsequent to September 30, 2003.** In September 2003, the Company entered into a pre-export facility term loan agreement with Societe Generale for USD 1.6 billion on virtually identical terms and conditions to the USD 1 billion secured facility discussed above. The loan proceeds were received by the Company in October 2003. The loan was not syndicated. Group MENATEP Limited, the principal beneficial shareholder of YUKOS Oil Company, provided financial support for the amount of the financing.

Aggregate maturities of long-term debt outstanding at September 30, 2003 were as follows:

For the year ended December 31,

2004	113
2005	389
2006	322
2007	132
Thereafter	542
<b>Total long-term debt</b>	<b>1,499</b>

#### Note 10: Earnings Per Share

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Weighted-average shares outstanding – basic earnings per share	2,140	2,155	2,150	2,153
Add: incremental shares from assumed conversions of				
Stock options	2	4	2	4
Conditional stock	8	4	7	4
<b>Weighted-average shares outstanding – diluted earnings per share</b>	<b>2,150</b>	<b>2,163</b>	<b>2,159</b>	<b>2,161</b>

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

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### Note 11: Commitments and Contingent Liabilities

**Operating environment.** While there have been improvements in the economic situation in the Russian Federation in recent years, it continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation.

The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

**Taxation.** Russian tax legislation is subject to varying interpretations and periodic changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, certain transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Consolidated tax returns are not required under existing Russian tax legislation and tax audits are performed on an individual entity basis only. Tax periods remain open to review by the tax authorities for three years.

**Charges against the Company's principal shareholders.** On October 25, 2003 Russian authorities detained Mikhail B. Khodorkovsky, Chairman of the Executive Committee of the Board of Directors, a member of the Company's management and a holder of a significant beneficial interest in the Company, on charges of fraud and tax evasion. Following his detention, Mr Khodorkovsky resigned from his position with the Company. Certain other principal beneficial shareholders of the Company have also been charged with various offenses or arrest warrants have been issued. At this time management is unable to determine whether any charges and allegations against any of its principal beneficial shareholders may result in any effect on the Company and its financial statements.

**Act of tax audit.** In December 2003, the Ministry of Taxes and Levies elected to reassess the results of the previously completed audit of YUKOS Oil Company for the fiscal year ended December 31, 2000 and issued an Act of the Tax Audit (the "Act"). The Act challenges certain transactions and asserts the YUKOS Oil Company owes additional taxes, penalties and fines amounting to USD 3.3 billion (RR 98 billion). Management, after consultations with outside advisors, believes the allegations presented in the Act conflict with various provisions of the Tax Code; that the Company has complied with the Russian tax legislation and that it owes no additional tax liability. The Company intends to vigorously defend its position. Management has submitted its objections concerning the allegations contained in the Act to the Tax Ministry. This case is in an early stage and therefore the management is unable to determine whether the resolution of this issue will have a material adverse impact on the Company's financial position, results of operations or liquidity.

**Oilfield licenses.** The Company's subsidiaries are subject to periodic reviews of their activities by governmental authorities with respect to the requirements of their oilfield licenses. When areas of noncompliance are identified the Company communicates with these authorities by delivering its objections or explanations where appropriate.

Recently certain of Company's subsidiaries have been subjected to extensive reviews of their oilfield licenses by governmental authorities. These reviews have not been completed. Accordingly, management is unable to determine the financial impact, if any, that may result from the resolution of this contingency. Under applicable subsoil legislation failure to comply with material terms of a license could result in fines, penalties or license limitation, suspension or revocation.

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 11: Commitments and Contingent Liabilities (continued)

**Environmental liabilities.** The Company and its predecessor entities have operated in the Russian Federation for many years and certain environmental problems have developed. Environmental regulations and their enforcement are continually being considered by government authorities and the Company periodically evaluates the nature of its obligations related thereto. As obligations are determined, they are provided for over the estimated remaining lives of the related oil and gas reserves, or recognized immediately, depending on their nature. The existence of environmental liabilities under proposed or any future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated. Under existing legislation, management believes, there are no liabilities that would have a material adverse effect on the financial position, operating results or liquidity of the Company, and that have not been accrued in the interim condensed consolidated financial statements.

**Legal contingencies.** The Company is the named defendant in a number of lawsuits as well as a named party in numerous other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or liquidity of the Company.

### Note 12: Segment Information

The Company's business activities are conducted predominantly through two major business segments: Exploration and Production, and Refining and Marketing. These segments were determined based on the way that management organizes and reports on the segments within the Company for making operating decisions and assessing performance.

Operating segment information for the three months ended September 30, 2003 is presented below.

	Exploration and Production	Refining and Marketing	Corporate and Other	Inter- segments revenues	Total
<b>Sales and other operating revenues</b>					
International sales – crude oil	-	2,145	-	-	2,145
International sales – oil products	-	1,228	-	-	1,228
Domestic sales – crude oil	9	1	-	-	10
Domestic sales – oil products	8	928	-	-	936
Other	49	74	34	-	157
Intersegment revenues	861	3	4	(868)	-
<b>Total sales and other operating revenues</b>	<b>927</b>	<b>4,379</b>	<b>38</b>	<b>(868)</b>	<b>4,476</b>
<b>Segment net income</b>	<b>(176)</b>	<b>1,685</b>	<b>(185)</b>	<b>-</b>	<b>1,324</b>
<b>Additions to property, plant and equipment</b>	<b>287</b>	<b>69</b>	<b>27</b>	<b>-</b>	<b>383</b>

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 12: Segment Information (continued)

Operating segment information for the three months ended September 30, 2002 is presented below.

	Exploration and Production	Refining and Marketing	Corporate and Other	Inter- segment revenues	Total
<b>Sales and other operating revenues</b>					
International sales – crude oil	-	1,898	-	-	1,898
International sales – oil products	-	544	-	-	544
Domestic sales – crude oil	-	3	-	-	3
Domestic sales – oil products	-	792	-	-	792
Other	68	37	36	-	141
Intersegment revenues	698	12	4	(714)	-
<b>Total sales and other operating revenues</b>	<b>766</b>	<b>3,286</b>	<b>40</b>	<b>(714)</b>	<b>3,378</b>
<b>Segment net income (loss)</b>	<b>(205)</b>	<b>1,230</b>	<b>(175)</b>	<b>-</b>	<b>850</b>
<b>Additions to property, plant and equipment</b>	<b>229</b>	<b>77</b>	<b>94</b>	<b>-</b>	<b>400</b>

Operating segment information for the nine months ended September 30, 2003 is presented below.

	Exploration and Production	Refining and Marketing	Corporate and Other	Inter- segments revenues	Total
<b>Sales and other operating revenues</b>					
International sales – crude oil	-	6,098	-	-	6,098
International sales – oil products	-	3,141	-	-	3,141
Domestic sales – crude oil	15	6	-	-	21
Domestic sales – oil products	13	2,364	-	-	2,377
Other	260	216	86	-	562
Intersegment revenues	2,557	25	28	(2,610)	-
<b>Total sales and other operating revenues</b>	<b>2,845</b>	<b>11,850</b>	<b>114</b>	<b>(2,610)</b>	<b>12,199</b>
<b>Segment net income (loss)</b>	<b>(249)</b>	<b>4,064</b>	<b>(269)</b>	<b>-</b>	<b>3,546</b>
<b>Additions to property, plant and equipment</b>	<b>937</b>	<b>235</b>	<b>92</b>	<b>-</b>	<b>1,264</b>

# YUKOS Oil Company

## Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

### Note 12: Segment Information (continued)

Operating segment information for the nine months ended September 30, 2002 is presented below.

	Exploration and Production	Refining and Marketing	Corporate and Other	Inter- segment revenues	Total
<b>Sales and other operating revenues</b>					
International sales – crude oil	1	4,355	-	-	4,356
International sales – oil products	-	1,327	-	-	1,327
Domestic sales – crude oil	6	60	-	-	66
Domestic sales – oil products	2	1,886	-	-	1,888
Other	207	67	38	-	312
Intersegment revenues	1,581	34	12	(1,627)	-
<hr/>					
<b>Total sales and other operating revenues</b>	<b>1,797</b>	<b>7,729</b>	<b>50</b>	<b>(1,627)</b>	<b>7,949</b>
<hr/>					
<b>Segment net income (loss)</b>	<b>(438)</b>	<b>3,003</b>	<b>(495)</b>	<b>-</b>	<b>2,070</b>
<hr/>					
<b>Additions to property, plant and equipment</b>	<b>672</b>	<b>164</b>	<b>139</b>	<b>-</b>	<b>975</b>

### Note 13: Subsequent Events

**Sibneft.** In October 2003, the Company completed its acquisition of 92 percent of the voting shares of Sibneft for approximately USD 13.8 billion, subject to certain adjustments. The total consideration included USD 3 billion cash and 702.4 million of Company ordinary shares. The acquisition was undertaken to strengthen the Company's competitive advantages by providing a larger production and reserve base and creating an enhanced platform for further growth.

In August 2003 the Company acquired 20 percent minus one share of Sibneft's outstanding shares. This investment is accounted for at cost and included in equity investees and long-term investments in the Company's Interim Condensed Consolidated Balance Sheet as of September 30, 2003. In May and August 2003, the Company made two cash payments of USD 1.25 billion and USD 500 million, respectively, related to this acquisition. A remaining USD 1.25 billion payable is recorded within other accounts payable and accrued liabilities in the Company's Interim Condensed Consolidated Balance Sheet as of September 30, 2003. The Company fully paid this remaining amount in cash in October 2003.

To complete the transaction the Company purchased 223.2 million treasury shares in September 2003 through an open tender at RR 505 per share (USD 3.69 billion). Of this amount USD 2.08 billion was paid in September 2003 with the remaining USD 1.61 billion recorded within other accounts payable and accrued liabilities in the Company's Interim Condensed Consolidated Balance Sheet as of September 30, 2003. The Company fully paid this remaining amount in cash in October 2003.

In October 2003 the Company exchanged 238.9 million treasury shares (including shares repurchased through the open tender discussed above) and issued 463.5 million new shares to the selling shareholders of Sibneft for 72 percent plus one share of Sibneft's outstanding shares. The 702.4 million shares provided to the selling shareholders of Sibneft is 26.01 percent of the Company's issued ordinary shares.

In November 2003 the Company's principal shareholder group was approached by the former principal shareholder group of Sibneft with a request to conduct negotiations on a possible repurchase of 92 percent of Sibneft's shares from the Company. At the request of the Company's principal shareholder group the Company's management has conducted preliminary negotiations with representatives of the former Sibneft principal shareholder group and currently is continuing these negotiations to determine whether an acceptable agreement can be reached.



## YUKOS Oil Company

### Notes to Interim Condensed Consolidated Financial Statements (UNAUDITED)

(expressed in U.S. Dollars, (tabular amounts in millions))

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#### Note 13: Subsequent Events (continued)

A Sibneft Extraordinary General Shareholders Meeting held on December 16, 2003 was attended by representatives of the former principal shareholders of Sibneft. These representatives were entitled by a power of attorney to vote the Company's shares and they were irrevocably instructed by the Company to vote at the meeting to comply with provisions of the agreements signed before the completion of the Sibneft acquisition. However, the voting ballot was inexplicably not accounted for at the Sibneft meeting. Accordingly, because of the absence of a quorum, proposed amendments to Sibneft's corporate charter were not approved. The Company did not participate in another Sibneft Extraordinary General Shareholders' Meeting scheduled to elect a new Board of Directors on December 30, 2003 on the grounds that nominations for Sibneft's new Board of Directors proposed by the Company were not included in the voting materials distributed by Sibneft. As a result, the Extraordinary General Shareholders' Meeting of Sibneft did not proceed on December 30, 2003 due to the absence of a quorum.

Until and unless an acceptable agreement on a possible repurchase transaction is reached and approved by the Company's Board of Directors and shareholders, the Company will continue to adhere to the terms and conditions of existing agreements and exercise its rights as the owner of 92 percent of Sibneft. In particular, the Company has demanded that a Sibneft Extraordinary Shareholders' Meeting be called to consider election of a new Board of Directors and acceptance of the amendments to Sibneft's corporate charter. Sibneft has called a Sibneft Extraordinary General Shareholders' Meeting for March 28, 2004.

The acquisition of Sibneft will be accounted for using the purchase method of accounting. No goodwill is expected to be recognized in the purchase price allocation. The Company currently intends that the results of operations of Sibneft will be included in the Company's consolidated financial statements starting October 2003.

**Interim dividend.** In November 2003, the Company's Extraordinary Shareholders Meeting approved an interim dividend of RR 26.78 per share (USD 0.90 per share at November 28, 2003 exchange rate) to be paid to all shareholders of record as of September 25, 2003.