OAO LUKOIL

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(prepared in accordance with US GAAP)

As of and for the three month period ended March 31, 2002

(unaudited)

These interim consolidated financial statements were prepared by OAO LUKOIL in accordance with US GAAP and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal differences in our consolidated financial results and we can not assure that any such differences would not be material.

Independent Accountants' Review Report

The Board of Directors of OAO LUKOIL:

We have reviewed the accompanying consolidated balance sheet of OAO LUKOIL and its subsidiaries as of March 31, 2002, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2002 and 2001. These consolidated financial statements are the responsibility of the management of OAO LUKOIL.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

KPMG Limited

July 23, 2002
Moscow, Russian Federation

OAO LUKOIL
Consolidated Balance Sheets
(Millions of US dollars, unless otherwise noted)

	As of March 31, 2002 (unaudited)	As of December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	867	1,170
Short-term investments	250	218
Accounts and notes receivable, net	2,301	2,230
Inventories	848	829
Prepaid taxes and other expenses	698	889
Other current assets	451	340
Total current assets	**5,415**	**5,676**
Investments	779	770
Property, plant and equipment	12,485	12,296
Deferred income tax assets	297	291
Goodwill and intangible assets	480	485
Other non-current assets	549	424
Total assets	**20,005**	**19,942**
Liabilities and Stockholders' equity		
Current liabilities		
Accounts payable	1,154	1,402
Short-term borrowings and current portion of long-term debt	1,657	1,480
Taxes payable	550	522
Other current liabilities	333	421
Total current liabilities	**3,694**	**3,825**
Long-term debt	1,974	1,948
Deferred income tax liabilities	404	390
Other long-term liabilities	485	463
Minority interest in subsidiary companies	843	931
Total liabilities	**7,400**	**7,557**
Stockholders' equity		
Common stock (850 million shares of par value of 0.025 Russian rubles each, authorized as of March 31, 2002 and December 31, 2001; 850 million shares (including 19 million shares held by subsidiaries) issued as of March 31, 2002 and December 31, 2001; 804 million and 805 million shares outstanding as of March 31, 2002 and December 31, 2001, respectively)	15	15
Treasury stock (common stock, at cost; 27 million and 26 million shares as of March 31, 2002 and December 31, 2001, respectively)	(424)	(403)
Additional paid-in capital	3,044	3,044
Retained earnings	9,981	9,738
Accumulated other comprehensive loss	(11)	(9)
Total stockholders' equity	**12,605**	**12,385**
Total liabilities and stockholders' equity	**20,005**	**19,942**

President of OAO LUKOIL
Alekperov V.Y.

First Vice-President of OAO LUKOIL
Kukura S.P.

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

(Millions of US dollars, unless otherwise noted)

	For the three months ended March 31, 2002 (unaudited)	For the three months ended March 31, 2001 (unaudited)
Revenues		
Sales (including excise and export tariffs)	2,847	3,335
Equity share in income of affiliates	20	31
Total revenues	**2,867**	**3,366**
Costs and other deductions		
Operating expenses	(1,053)	(1,067)
Selling, general and administrative expenses	(575)	(459)
Depreciation, depletion and amortization	(237)	(208)
Taxes other than income taxes	(377)	(275)
Excise and export tariffs	(212)	(446)
Exploration expense	(20)	(19)
Loss on disposal and impairment of assets	(22)	(1)
Income from operating activities	**371**	**891**
Interest expense	(67)	(62)
Interest and dividend income	32	53
Currency translation loss	(34)	(44)
Other non-operating income	21	84
Minority interest	(6)	(22)
Income before income taxes	**317**	**900**
Current income taxes	(108)	(240)
Deferred income tax benefit	34	20
Net income	**243**	**680**
Basic earnings per share of common stock (US dollars)	0.30	0.95
Diluted earnings per share of common stock (US dollars)	0.30	0.94

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

(Millions of US dollars)

	For the three months ended March 31, 2002 (unaudited)	For the three months ended March 31, 2001 (unaudited)
Cash flows from operating activities		
Net income	**243**	**680**
Adjustments for non-cash items		
Depreciation, depletion and amortization	237	208
Equity share in income of affiliates	(20)	(31)
Loss on disposal and impairment of assets	22	1
Deferred income taxes	(34)	(20)
Non-cash currency translation gain	(4)	(9)
Non-cash investing activities	5	(12)
Exploration expense	20	19
All other items – net	2	(35)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(65)	(52)
Short-term loans receivable of a banking subsidiary	(1)	(28)
Net movements of short-term borrowings of a banking subsidiary	(7)	31
Inventories	(21)	(95)
Accounts payable	(351)	(145)
Taxes payable	28	219
Other current assets and liabilities	154	(128)
Net cash provided by operating activities	**208**	**603**
Cash flows from investing activities		
Capital expenditures	(515)	(532)
Proceeds from sale of property, plant and equipment	4	9
Purchases of investments	(50)	(187)
Proceeds from sale of investments	11	22
Acquisition of subsidiaries, net of cash acquired	(55)	(196)
Net cash used in investing activities	**(605)**	**(884)**
Cash flows from financing activities		
Net movements of short-term borrowings	142	308
Proceeds from issuance of long-term debt	91	125
Principal payments of long-term debt	(57)	(107)
Dividends paid	(75)	(5)
Purchase of treasury stock	(114)	(53)
Proceeds from sale of treasury stock	93	36
Other – net	26	-
Net cash provided by financing activities	**106**	**304**
Effect of exchange rate changes on cash and cash equivalents	(12)	(1)
Net (decrease) increase in cash and cash equivalents	**(303)**	**22**
Cash and cash equivalents at beginning of the period	1,170	1,137
Cash and cash equivalents at end of the period	867	1,159

Supplemental disclosures of cash flow information		
Interest paid	65	53
Income tax paid	156	162

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

Note 1. Basis of Financial Statement presentation

The accompanying consolidated interim financial statements and notes thereto of OAO LUKOIL (the "Company") and its subsidiaries (the "Group") have not been audited by independent accountants, except for the balance sheet at December 31, 2001. In the opinion of the Company's management, the interim financial information includes all adjustments and disclosures necessary to present fairly the Group's financial position, results of operations and cash flows for the interim periods reported herein. These adjustments were of a normal recurring nature.

Certain notes and other information have been condensed or omitted from the interim financial statements. Therefore, these financial statements should be read in conjunction with the Group's 2001 Annual Consolidated Financial Statements.

The results for the three-month period ended March 31, 2002, are not necessarily indicative of future financial results.

Foreign currency translation

The accounting records of Group companies' operations in the Russian Federation are maintained in Russian rubles and the Company prepares its statutory financial statements and reports in that currency to its shareholders in accordance with the laws of the Russian Federation.

As the Russian economy is considered to be hyperinflationary, the US dollar is the functional currency of the Company in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "*Foreign Currency Translation*".

For the purposes of presenting financial statements prepared in conformity with US GAAP, the US dollar is considered to be the reporting currency of the Group.

Foreign currency transaction gains and losses are included in the consolidated statement of income.

For operations in the Russian Federation, hyperinflationary economies or operations where the US dollar is the functional currency, monetary assets and liabilities have been translated into US dollars at the rate prevailing at each balance sheet date. Non-monetary assets and liabilities have been translated into US dollars at historical rates. Revenues, expenses and cash flows have been translated into US dollars at rates, which approximate actual rates at the date of the transaction. Translation differences resulting from the use of these rates are included in the consolidated statement of income.

For the majority of operations outside the Russian Federation, the US dollar is the functional currency. For certain other operations outside the Russian Federation, where the US dollar is not the functional currency and the economy is not hyperinflationary, assets and liabilities are generally translated into US dollars at year-end exchange rates and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a separate component of stockholders' equity.

As of March 31, 2002 and December 31, 2001, exchange rates of 31.12 and 30.14 Russian rubles to the US dollar, respectively, have been used for translation purposes.

Note 1. Basis of Financial Statement presentation (continued)

A significant portion of the balances and transactions of Group companies are denominated in Russian rubles or in currencies of certain republics of the former Soviet Union. Accordingly, future movements in the exchange rate between the US dollar and the Russian ruble and such other currencies may significantly affect the carrying value of the monetary assets and liabilities of the Group expressed in US dollars. Such changes may also affect the Group's ability to realize non-monetary assets at the amounts stated in the consolidated financial statements.

The Russian ruble and other currencies of republics of the former Soviet Union are not convertible outside of their countries. Accordingly, the translation of amounts recorded in these currencies into US dollars should not be construed as a representation that such currency amounts have been, could be or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate.

Note 2. Accounting changes

Effective January 1, 2002, the Group adopted SFAS No. 142, "*Goodwill and Other Intangible Assets.*" Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives are no longer amortized, but are instead tested for impairment at least annually. SFAS No. 142 requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives.

Beginning January 1, 2002, effective with the adoption of SFAS No. 142, the Group discontinued the amortization of goodwill. Goodwill amortization recorded during the three months ended March 31, 2001 was $3 million.

In connection with the transitional goodwill impairment test required by SFAS No. 142, the Group is required to perform an assessment of whether there is an indication that goodwill is impaired as of the adoption date. To perform this assessment, the Group is first required to determine the fair value of its reporting units and compare such fair value to each reporting unit's carrying value by June 30, 2002. If the reporting unit's carrying value exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Group must perform the second step of the transitional impairment test. In the second step, the Group must compare the implied fair value of the reporting unit's goodwill to its carrying value, both of which are to be measured as of January 1, 2002. The second step is required to be completed as soon as possible, but no later than the end of 2002. Any transitional impairment will be recognized as the cumulative effect of a change in accounting principle in the Group's 2002 statement of income. The Group is currently completing the transitional impairment test. As of January 1, 2002, the Group had unamortized goodwill of $221 million.

Effective January 1, 2002, the Group adopted SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets."* SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of this standard had no significant impact on the Group's financial statements.

Note 3. Recently issued statements of accounting standards

In July 2001, the FASB issued SFAS No. 143, *"Accounting for Asset Retirement Obligations."* SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Subsequently, the liability will be accreted for the passage of time and the related asset will be depreciated over its estimated useful life. The Group is required to adopt SFAS No. 143 effective January 1, 2003. The Group is currently evaluating the impact of adopting SFAS No. 143.

(Millions of US dollars, unless otherwise noted)

Note 3. Recently issued statements of accounting standards (continued)

In April 2002, the FASB issued SFAS No. 145, *"Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections."* SFAS No. 145 primarily addresses income statement classification of gains and losses on extinguishments of debt and accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The Group is required to adopt SFAS No. 145 effective January 1, 2003. The Group is currently evaluating the impact of adopting SFAS No. 145.

Note 4. Income taxes

The statutory income tax rate in the Russian Federation during the period ended March 31, 2001 was 35%. Effective January 1, 2002, as a result of amendments to the Tax Code of the Russian Federation, the statutory income tax rate was changed from 35% to 24%. Also, as a result of the amendments, certain tax benefits have been eliminated, including investment tax credits.

Note 5. Cash and cash equivalents

	As of March 31, 2002	As of December 31, 2001
Cash held in Russian rubles	383	373
Cash held in other currencies	484	797
Total cash balance	**867**	**1,170**

Note 6. Non-cash transactions

The consolidated statement of cash flows excludes the effect of non-cash transactions, which are described in the following table:

	For the three months ended March 31, 2002	For the three months ended March 31, 2001
Settlement of amounts payable through exchange of goods	236	308
Net non-cash investing activities	(5)	12
Total non-cash transactions	**231**	**320**

The following table shows the effect of non-cash transactions on investing activities:

	For the three months ended March 31, 2002	For the three months ended March 31, 2001
Net cash used in investing activities	605	884
Net non-cash investing activities	(5)	12
Net cash and non-cash investing activities	**600**	**896**

Note 12 "Business combinations" sets out information about acquisitions partially completed through the exchange of common stock.

(Millions of US dollars, unless otherwise noted)

Note 7. Accounts and notes receivable

	As of March 31, 2002	As of December 31, 2001
Trade accounts and notes receivable (net of provisions of $72 million and $77 million as of March 31, 2002 and December 31, 2001, respectively)	1,309	1,383
Current VAT recoverable	547	434
Short-term loans receivable of a banking subsidiary (net of provisions of $14 million and $14 million as of March 31, 2002 and December 31, 2001, respectively)	237	236
Other current accounts receivable (net of provisions of $14 million and $21 million as of March 31, 2002 and December 31, 2001, respectively)	208	177
Total accounts and notes receivable	**2,301**	**2,230**

Note 8. Short-term borrowings and current portion of long-term debt

	As of March 31, 2002	As of December 31, 2001
Short-term borrowings	1,154	1,002
Current portion of long-term debt	503	478
Total short-term borrowings and current portion of long-term debt	**1,657**	**1,480**

The majority of short-term borrowings are loans from various third parties and are secured by export sales, property, plant and equipment and securities.

Note 9. Long-term debt

	As of March 31, 2002	As of December 31, 2001
Long-term loans and borrowings from third parties	1,511	1,453
Long-term loans and borrowings from related parties	1	1
3.5% Convertible US dollar bonds, maturing 2002	299	298
1% Convertible US dollar bonds, maturing 2003	484	476
Variable interest unsecured Russian ruble bonds, maturing 2003	96	99
Capital lease obligation	86	99
Total long-term debt	2,477	2,426
Current portion of long-term debt	(503)	(478)
Total non-current portion of long-term debt	**1,974**	**1,948**

Long-term loans and borrowings

Long-term loans and borrowings are primarily repayable in US dollars, maturing from 2002 through 2025 and are secured by export sales, property, plant and equipment and securities.

Convertible US dollar bonds

On May 6, 1997, a Group company issued 230,000 convertible bonds with a face value of $1,000 each, maturing on May 6, 2002, and convertible to fifteen global depository receipts (“GDRs”) of the Company per bond. The liability on the bonds was included in the current portion of long-term debt as of March 31, 2002. Subsequently, during the second quarter of 2002, these bonds were redeemed for cash at the stated redemption price of 130.323% of the face value and 11,185,059 shares of common stock of the Company.

Note 9. Long-term debt (continued)

On November 3, 1997, a Group company issued 350,000 high yield and premium exchangeable redeemable bonds with a face value of $1,000 each, maturing on November 3, 2003, and exchangeable for 5.625 GDRs of the Company per bond. The bonds are convertible into GDRs up to the maturity dates. The GDRs are exchangeable into four shares of common stock of the Company. Bonds not converted by the maturity date must be redeemed for cash. The redemption price at maturity will be 153.314% of the face value in respect of the bonds issued on November 3, 1997. The Company may redeem the bonds for cash prior to maturity, subject to certain restrictions and early redemption charges. The carrying amount of the bonds is being accreted to their redemption value with the accreted amount being charged to the consolidated statement of income.

Group companies held sufficient treasury stock to permit the full conversion of the bonds to GDRs.

Russian ruble bonds

On August 13, 1999, the Company issued three million variable interest rate Russian ruble bonds with a face value of 1,000 Russian rubles each, maturing on August 13, 2003. The bonds are unsecured and bear interest at 6% per annum adjusted for Russian ruble to dollar devaluation, payable semi-annually. The principal is repayable at maturity date at face value in Russian rubles.

Note 10. Comprehensive income

	For the three months ended March 31, 2002	For the three months ended March 31, 2001
Net income	243	680
Other comprehensive loss:		
Foreign currency translation adjustment	(2)	(1)
Comprehensive income	**241**	**679**

Note 11. Earnings per share

	For the three months ended March 31, 2002 (unaudited)	For the three months ended March 31, 2001 (unaudited)
Net income	243	680
Add back convertible debt interest (net of tax at effective rate)		
3.5% Convertible US dollar bonds, maturing 2002	4	4
1% Convertible US dollar bonds, maturing 2003	6	6
Total diluted net income	253	690
Weighted average number of outstanding common shares (thousands of shares)	804,880	714,427
Add back treasury shares held in respect of convertible debt (thousands of shares)	21,675	21,675
Weighted average number of outstanding common shares, after dilution (thousands of shares)	826,555	736,102

Note 12. Business combinations

In February 2002, the Group acquired an additional 13% of OAO Komineft for $40 million, increasing the Group’s ownership stake in OAO Komineft to 67%. OAO Komineft is a Russian oil and gas exploration company operating predominantly in the Komi Republic of the Russian Federation.

Note 12. Business combinations (continued)

In March 2001, the Company acquired 74% of the shares in OAO Arkhangelskgeoldobycha in exchange for 17,710,697 shares of common stock and cash consideration of $130 million. The shares of OAO Arkhangelskgeoldobycha were held by third parties, LUKOIL - GARANT, a related party, and LUKOIL Finance Limited, a Group company, which had acquired its interest in OAO Arkhangelskgeoldobycha from a third party in January 2001 for $39 million. OAO Arkhangelskgeoldobycha is a Russian oil and gas exploration company operating predominantly within the Timan-Pechora region of Northern Russia.

In March 2001, the Company exchanged 720,364 shares of common stock for the 13% and 22% minority interest shareholding of OAO LUKOIL Ukhtaneftepererabotka and OAO LUKOIL - Kominefteproduct, respectively. OAO LUKOIL Ukhtaneftepererabotka is an oil refinery and OAO LUKOIL – Kominefteproduct is a marketing and distribution company. Both companies operate primarily in the Komi Republic of the Russian Federation.

In January 2001, the Group acquired the remaining 28% of shares in Getty Petroleum Marketing Inc. for $20 million thereby increasing the Group's ownership stake in Getty Petroleum Marketing Inc. to 100%.

Note 13. Related party transactions

In the rapidly developing business environment in the Russian Federation, companies and individuals have frequently used nominees and other forms of intermediary companies in transactions. The senior management of the Company consider that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties in this environment and has disclosed all of the relationships identified which it deemed to be significant.

Sales of oil and oil products to related parties were $80 million and $30 million for the three months ended March 31, 2002 and 2001, respectively.

Other sales to related parties were $13 million and $9 million for the three months ended March 31, 2002 and 2001, respectively.

Purchases of oil and oil products from related parties were $37 million and $49 million for the three months ended March 31, 2002 and 2001, respectively.

Purchases of construction services from related parties were $58 million and $124 million for the three months ended March 31, 2002 and 2001, respectively.

Purchases of insurance services from related parties were $32 million and $29 million during the three months ended March 31, 2002 and 2001, respectively.

Other purchases from related parties were $2 million and $9 million for the three months ended March 31, 2002 and 2001, respectively.

Amounts receivable from related parties, including loans and advances, were $216 million and $209 million as of March 31, 2002 and December 31, 2001, respectively. Amounts payable to related parties were $56 million and $73 million as of March 31, 2002 and December 31, 2001, respectively.

(Millions of US dollars, unless otherwise noted)

Note 13. Related party transactions (continued)

As of March 31, 2002 and December 31, 2001 the Government of the Russian Federation owned 14% of the shares of the common stock of the Company. The Russian Federation also owns, controls, or has significant influence over the operations of many other companies and enterprises in the Russian Federation and has a significant influence on the operation of business and the economic environment. A significant part of the activity of Group companies is linked to companies belonging to or controlled by the Russian Federation. The Russian Federation is a customer and supplier of the Group through numerous affiliated and other related organizations. Management consider such trading relationships as part of the normal course of conducting business in the Russian Federation and consider that such relationships will remain for the foreseeable future. Accordingly, information on these transactions is not disclosed as related party transactions.

Note 14. Segment information

Presented below is information about the Group's operating and geographical segments for the periods ended March 31, 2002 and 2001, in accordance with SFAS No. 131, *"Disclosures about Segments of an Enterprise and Related Information"*.

The Group has three operating segments - exploration and production; refining, marketing and distribution; and other business segments. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments. The exploration and production segment explores for, develops and produces primarily crude oil. The refining, marketing and distribution segment processes crude oil into refined products and purchases, sells and transports crude oil and refined petroleum products. Activities of the other businesses operating segment include the development of businesses beyond the Group's traditional operations.

Geographical segments have been determined based on the area of operations and include three segments. They are Western Siberia, European Russia and International.

Operating segments

For the three months ended March 31, 2002

	Exploration and production	Refining, marketing and distribution	Other	Elimination	Consolidated
Sales					
Third parties	252	2,584	11	-	2,847
Inter-segment	828	61	33	(922)	-
Total sales	1,080	2,645	44	(922)	2,847
Operating expenses	452	1,497	26	(922)	1,053
Depletion, depreciation and amortization expense	159	77	1	-	237
Interest expense	23	40	12	(8)	67
Income tax expense	48	23	3	-	74
Net income	(11)	235	15	4	243
Total assets	11,961	10,467	861	(3,284)	20,005
Capital expenditures	404	133	1	-	538

(Millions of US dollars, unless otherwise noted)

Note 14. Segment information (continued)

For the three months ended March 31, 2001

	Exploration and production	Refining, marketing and distribution	Other	Elimination	Consolidated
Sales					
Third parties	399	2,908	28	-	3,335
Inter-segment	998	79	24	(1,101)	-
Total sales	1,397	2,987	52	(1,101)	3,335
Operating expenses	524	1,595	43	(1,095)	1,067
Depletion, depreciation and amortization expense	128	79	1	-	208
Interest expense	20	51	6	(15)	62
Income tax expense	81	136	3	-	220
Net income	209	436	28	7	680
Total assets	10,318	9,567	699	(1,622)	18,962
Capital expenditures	403	164	1	-	568

Geographical segments

	For the three months ended March 31, 2002	**For the three months ended March 31, 2001**
Sales of crude oil within Russia	101	221
Export of crude oil and sales of oil of foreign subsidiaries	947	873
Sales of refined product within Russia	530	672
Export of refined product and sales of refined products of foreign subsidiaries	1,054	1,239
Other sales within Russia	138	203
Other export sales and other sales of foreign subsidiaries	77	127
Total sales	**2,847**	**3,335**

For the three months ended March 31, 2002

	Western Siberia	European Russia	International	Elimination	Consolidated
Sales					
Third parties	65	822	1,960	-	2,847
Inter-segment	465	1,185	15	(1,665)	-
Total sales	530	2,007	1,975	(1,665)	2,847
Operating expenses	227	823	1,668	(1,665)	1,053
Depletion, depreciation and amortization expense	80	121	36	-	237
Interest expense	5	42	20	-	67
Income tax expense	20	53	1	-	74
Net income	(34)	250	23	4	243
Total assets	5,413	12,211	4,102	(1,721)	20,005
Capital expenditures	94	405	39	-	538

(Millions of US dollars, unless otherwise noted)

Note 14. Segment information (continued)

For the three months ended March 31, 2001

	Western Siberia	European Russia	International	Elimination	Consolidated
Sales					
Third parties	19	1,212	2,104	-	3,335
Inter-segment	646	1,293	10	(1,949)	-
Total sales	665	2,505	2,114	(1,949)	3,335
Operating expenses	260	904	1,848	(1,945)	1,067
Depletion, depreciation and amortization expense	75	98	35	-	208
Interest expense	1	44	18	(1)	62
Income tax expense	36	171	13	-	220
Net income	103	522	75	(20)	680
Total assets	4,972	11,981	3,195	(1,186)	18,962
Capital expenditures	173	357	38	-	568

Note 15. Dividends

At the annual stockholders' meeting on June 27, 2002, dividends were declared for 2001 in the amount of 15.00 Russian rubles per common share, which at the date of the meeting was equivalent to $0.48.

Note 16. Contingencies

Litigation and claims

On November 27, 2001, Archangel Diamond Corporation ("ADC"), a Canadian diamond development company, filed a lawsuit in the district court of Denver, Colorado, against OAO Arkhangelskgeoldobycha ("AGD"), a Group company, and the Company (together the "Defendants") claiming compensation for damage allegedly caused by the Defendants relating to Almazny Bereg, a joint venture between AGD and ADC. ADC claims, among other things, that the Defendants interfered with the transfer of a diamond exploration license which was subject to an agreement between ADC and AGD. The total damages claimed by ADC are $4.8 billion, including compensatory damages of $1.2 billion and punitive damages of $3.6 billion. The claim is currently in its early stages and to date there has been no discovery process, but the Company believes the claim to be without merit and plans a vigorous defense, which includes among other defenses an objection to jurisdiction. While the claim is in its early stages and no assurance can be given about the ultimate outcome, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on its financial condition.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition.

Note 16. Contingencies (continued)

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterized by numerous taxes and changing legislation, which may be applied retroactively and is sometimes unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. Such factors may create taxation risks in the Russian Federation and other countries where Group companies operate substantially more significant than those in other countries where taxation regimes have been subject to development and clarification over long periods.

The regional organizational structure of the tax authorities and the regional judicial system can mean that taxation issues successfully defended in one region may be unsuccessful in another region. The tax authorities in each region may have a different interpretation of similar taxation issues. There is however some degree of direction provided from the central authority based in Moscow on particular taxation issues.

The Group's tax planning and management strategies are based on its understanding of tax legislation existing at the time of implementation. The Group is subject to tax authority audits on an ongoing basis, as is normal in the Russian environment, and, at times, the authorities have attempted to impose significant taxes on the Group. Management believes that it has adequately met and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects could be significant.

Other matters

During July 2001, the Group temporarily shut down operations of the Petrotel SA refinery due to the economic conditions in Romania. The refinery remains closed as of the date of these interim consolidated financial statements. Management is currently assessing its plans regarding the future operations of this refinery and options in relation to the Group's Romanian operations. If management decides to sell or abandon the refinery, the Group may be exposed to losses on the carrying value of property, plant and equipment of approximately $60 million. Additionally, a decision to abandon the refinery may result in claims against the Group's future investment commitments.