

PRESS RELEASE
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LUKOIL INCREASES NET PROFIT BY 1.5 TIMES IN 1H 2004 WHILE TAXES
INCREASE BY MORE THAN \$1.3 BLN

LUKOIL today publishes consolidated US GAAP financial accounts for three and six months of 2004.

LUKOIL net profit was \$1,696 mln in the first half of 2004, which is \$594 mln higher than in the same period of 2003 (excluding cumulative effect of change in accounting policy and effect of sale of the Company's stake in the Azeri-Chirag-Gyuneshli project). At the same time, taxes paid to the budget of Russia increased by more than \$1.3 bln.

Operating expenses fell by \$27 mln (by 2%) in the first half of 2004 compared with a year earlier.

Despite strengthening of the ruble in real terms, average oil production expenses fell from \$2.59 to \$2.53 per barrel (by 2.3%), which was made possible by increase in average flow rate per oil well from 9.42 to 10.52 tonnes per day (by 11.7%), as well as by restructuring of oil production assets in Perm region.

Total capital expenditures by LUKOIL in the first half of 2004 were \$1,596 mln, which is 16.8% higher than in the same period of 2003.

LUKOIL increased average daily production (including LUKOIL's share in affiliates) by 8.7%, and total production in the 1 half of 2004 amounted to 313.3 mln bbls (42.3 mln tonnes). Total organic growth of LUKOIL output was 5%.

Total volume of crude oil and petroleum products sold was 53.2 mln tonnes, which is 12.4% more than in the same period of 2003.

The Company exported 22.9 mln tonnes of oil in the first half of 2004, which is 56.2% of LUKOIL's oil production in Russia (48.4% in the 1 half of 2003).

Retail sales of petroleum products inside Russia increased by 15.5% in the first half of 2004 compared with the first half of 2003.

Petrochemical sales increased by \$207 mln (by 52%) compared with the same period of 2003.

LUKOIL

CONSOLIDATED STATEMENTS OF
INCOME

(Millions of US dollars, unless
otherwise noted)

| | 3 months to 30 June, 2004* | 3 months to 30 June, 2003* | 6 months to 30 June, 2004* | 6 months to 30 June 2003* |
|--|----------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Revenue | | | | |
| Revenue from sales (including excises and export tariffs) | 7 965 | 5086 | 14 477 | 10 142 |
| Equity share in income of affiliates | 62 | 49 | 132 | 91 |
| Total revenues | 8027 | 5135 | 14609 | 10233 |
| Costs and other deductions | | | | |
| Operating expenses | (674) | (693) | (1334) | (1361) |
| Cost of purchased crude oil, petroleum and chemical products | (2 501) | (1 386) | (4 328) | (2 665) |
| Transportation expenses | (734) | (503) | (1383) | (939) |
| Selling, general and administrative expenses | (451) | (429) | (922) | (758) |
| Depreciation, depletion and amortization | (266) | (226) | (514) | (455) |
| Taxes other than income taxes | (818) | (530) | (1558) | (1140) |
| Excise and export tariffs | (1090) | (788) | (1947) | (1329) |
| Exploration expense | (57) | (28) | (87) | (54) |
| Profit from sale of stake in Azeri- Chirag, Gyuneshli project | - | 1 130 | - | 1 130 |
| Loss on disposal and impairment of assets | (46) | (28) | (71) | (68) |
| Income from operating activities | 1390 | 1654 | 2465 | 2594 |
| Interest expense | (75) | (78) | (143) | (140) |
| Interest and dividend income | 57 | 47 | 99 | 63 |
| Currency translation gain (loss) | (40) | 51 | 19 | 84 |

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Other non-operating income | (42) | 28 | 4 | 64 |
| Minority interest | (21) | (12) | (37) | (19) |
| Income before income taxes | 1269 | 1690 | 2407 | 2646 |
| Current income taxes | (401) | (130) | (712) | (400) |
| Deferred income taxes | 9 | (16) | 1 | (14) |
| Total income tax expense | (392) | (146) | (711) | (414) |
| Income before cumulative effect of change in accounting principle | 877 | 1 544 | 1 696 | 2 232 |
| Cumulative effect of change in accounting principle, net of tax | - | - | - | 132 |
| Net income | 877 | 1544 | 1696 | 2364 |
| Per share of common stock (US dollars): | | | | |
| Income before cumulative effect of change in accounting principle | | | | |
| Basic | 1,07 | 1,89 | 2,07 | 2,73 |
| Diluted | 1,06 | 1,85 | 2,05 | 2,68 |
| Net Income | | | | |
| Basic | 1,07 | 1,89 | 2,07 | 2,89 |
| Diluted | 1,06 | 1,85 | 2,05 | 2,84 |

* Unaudited

LUKOIL consolidated financial accounts under US GAAP for three and six months of 2004 are published in full on the Company's web sites (www.lukoil.ru and www.lukoil.com).