PRESS RELEASE
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# LUKOIL NET INCOME ROSE BY 70.9% IN THE FIRST NINE MONTHS OF 2008

LUKOIL publishes consolidated US GAAP financial accounts for the first nine months of 2008.

LUKOIL net income reached $10,765 million in the first nine months of 2008, which is an increase of 70.9% y-o-y. EBITDA was $16,652 million, which is 60.6% higher y-o-y. Revenue from sales rose by 56.3%, to $89,265 million.

The increase in net income was due to favorable market conditions, high refinery margin, increase in refinery throughputs as well as due to effective cost control. Growth of the net income was held back by appreciation of the ruble against the dollar, increase in transportation tariffs and growth of the tax burden. The Company's tax expenses totaled $31.1 billion, up 60.4% y-o-y.

Lifting costs per boe of production in the third quarter of 2008 decreased to $4.29 compared to $4.31 in the second quarter of 2008. Lifting costs per boe of production in the first nine months of 2008 amounted to $4.16.

Capital expenditures including non-cash transactions in the third quarter of 2008 were $2.7 billion, which represents almost no increase from the level of the second quarter of 2008. Capital expenditures in the first nine months of 2008 amounted to $7.8 billion.

Production of marketable hydrocarbons (including share in production by affiliates) increased by 0.4% y-o-y, to 2,189 th. boe per day. Launch of commercial production at the Yuzhnaya Khylchuya field in August 2008 offset the Company's oil production decrease in traditional regions. Successful development of Uzbek project Kandym – Khauzak – Shady provided the most of the gas production growth.

Throughputs at LUKOIL own refineries totaled 41.98 mln tons, up 8.7% y-o-y, due to LUKOIL refining capacity expansion and modernization as well as a high refinery margin in Russia. Increase in refinery throughputs at the Company refineries in Russia was 5.6%, at foreign refineries – 22.0%. Volgograd and Odessa refineries (the latter was put back into operation in April 2008 after modernization) accounted for most of the growth. Thanks to an increase in capacity load and

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optimization of the operations, production of petroleum products at LUKOIL owned refineries (excluding mini-refineries) increased by 9.1% y-o-y and totaled 39.42 million tons.

Exports of oil products in the first nine months of 2008 grew by 2.5% y-o-y to 19.3 million tons thanks to growing refinery throughputs. Crude oil exports in the first nine months of 2008 decreased by 10.7% y-o-y to 28.8 million tons. LUKOIL sold 99.4 million tons of crude oil and petroleum products in the first nine months of 2008, which is 0.7% higher y-o-y. The Company decreased oil sales and considerably increased sales of petroleum products. Retail sales of petroleum products increased by 14.4% y-o-y to 10.6 million tons.

LUKOIL is developing measures aimed at increasing efficiency of its activities and securing positive cash flow amidst world financial crisis.

**CONSOLIDATED STATEMENT OF INCOME**

(Millions of US dollars, unless otherwise noted)

| | **For the three months ended September 30, 2008 (unaudited)** | **For the three months ended September 30, 2007 (unaudited)** | **For the nine months ended September 30, 2008 (unaudited)** | **For the nine months ended September 30, 2007 (unaudited)** |
|---|---|---|---|---|
| **Revenues** | | | | |
| Sales (including excise and export tariffs) | 32,375 | 21,315 | 89,265 | 57,096 |
| Equity share in income of affiliates | 180 | 100 | 462 | 251 |
| **Total revenues** | **32,555** | **21,415** | **89,727** | **57,347** |
| **Costs and other deductions** | | | | |
| Operating expenses | (2,204) | (1,555) | (5,882) | (4,469) |
| Cost of purchased crude oil, gas and products | (10,837) | (7,384) | (31,956) | (19,504) |

| | | | | |
|---|---|---|---|---|
| Transportation expenses | (1,494) | (1,116) | (4,048) | (3,251) |
| Selling, general and administrative expenses | (1,042) | (796) | (2,832) | (2,259) |
| Depreciation, depletion and amortization | (771) | (570) | (2,098) | (1,675) |
| Taxes other than income taxes | (4,372) | (2,486) | (11,124) | (6,529) |
| Excise and export tariffs | (6,566) | (3,954) | (16,342) | (10,623) |
| Exploration expenses | (188) | (51) | (273) | (176) |
| (Loss) gain on disposals and impairments of assets | (19) | 1 | (210) | (33) |
| **Income from operating activities** | **5,062** | **3,504** | **14,962** | **8,828** |
| Interest expense | (95) | (86) | (259) | (240) |
| Interest and dividend income | 39 | 29 | 113 | 82 |
| Currency translation (loss) gain | (292) | 51 | (216) | 122 |
| Other non-operating income (expense) | 3 | (56) | (115) | (137) |
| Minority interest | 26 | (48) | (77) | (118) |
| **Income before income taxes** | **4,743** | **3,394** | **14,408** | **8,537** |
| Current income taxes | (1,459) | (906) | (3,899) | (2,364) |
| Deferred income taxes | 188 | (6) | 256 | 125 |
| **Total income tax expense** | **(1,271)** | **(912)** | **(3,643)** | **(2,239)** |

| | | | | |
|---|---|---|---|---|
| **Net income** | **3,472** | **2,482** | **10,765** | **6,298** |
| Per share of common stock (US dollars): | | | | |
| Basic | 4,09 | 3,01 | 1285 | 7,6 |

Full consolidated US GAAP financial accounts of LUKOIL for the first nine months of 2008 are available on the Company's web sites: www.lukoil.com and www.lukoil.ru

These consolidated interim financial statements have been prepared by the Company in accordance with U.S. GAAP and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal discrepancies, and we cannot give any assurance that any such discrepancies would not be material.