PRESS RELEASE
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LUKOIL 1H 2011 NET INCOME REACHED $6.8 BILLION, FREE CASH FLOW AMOUNTED TO $ 4.7 BILLION

LUKOIL has published consolidated US GAAP financial statements for the second quarter and first half of 2011.

The Company's net income was $6,768 million in the first half of 2011, which is 69.1% higher y-o-y, including $3,251 million in the second quarter. EBITDA in the first half of 2011 was $10,688 million, which is 43.8% higher y-o-y. Sales revenues were $64,538 million (+29.7% y-o-y). Positive dynamics of our financial results was mainly due to increase in hydrocarbon prices and refining margin in the first half of 2011 compared to the respective period of 2010.

Capital expenditures including non-cash transactions in the first half of 2011 were $3.6 billion, which is 13.3% higher y-o-y. The Company's strict financial discipline helped to generate high free cash flow which reached $4,714 million in the first half of 2011 compared to $3,127 million in the first half of 2010.

In the first half of 2011, lifting costs per boe of production were $4.72, which is 17.4% higher y-o-y. The growth was mainly due to the real ruble appreciation, which was 15.0% in the first half of 2011.

In the first half of 2011, LUKOIL Group total hydrocarbon production available for sale reached 2,162 th. boe per day, which is a 4.4% decrease y-o-y.

In the first half of 2011 throughputs at the Company's refineries (including its share in crude oil and petroleum product throughput at the ISAB and TRN refining complexes) decreased by 1.2% y-o-y and reached 32.03 mln tonnes. Throughputs at the Company's refineries in Russia increased by 1.5% y-o-y, throughputs at the Company's international refineries decreased by 6.9% y-o-y due to shutdown of the Odessa Refinery because of unfavorable economic conditions in the first half of 2011.

Measures aimed at higher efficiency and cost control allowed the Company to generate strong free cash flow and increase net income.

Also, an extended meeting of the OAO LUKOIL Board of Directors was held today. The meeting considered the Company's production and financial performance and

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the investment program implementation results in the first half of 2011.

CONSOLIDATED STATEMENT OF INCOME

	1st half of 2011	2010
	(millions of US dollars)	
Revenues		
Sales (including excise and export tariffs)	64,538	49,755
Costs and other deductions		
Operating expenses	(4,578)	(4,034)
Cost of purchased crude oil, gas and products	(28,007)	(20,043)
Transportation expenses	(3,073)	(2,78)
Selling, general and administrative expenses	(1,802)	(1,655)
Depreciation, depletion and amortization	(2,208)	(2,06)
Taxes other than income taxes	(6,369)	(4,349)
Excise and export tariffs	(10,391)	(9,34)
Exploration expense	(113)	(146)
(Loss) gain on disposals and impairments of assets	(160)	10
Income from operating activities	**7,837**	**5,358**
Interest expense	(350)	(373)
Interest and dividend income	91	98
Equity share in income of affiliates	342	236
Currency translation loss	(158)	(42)
Other non-operating income (expense)	335	(75)
Income before income taxes	**8,097**	**5,202**
Current income taxes	(980)	(1,14)
Deferred income taxes	(473)	44
Total income tax expense	**(1,453)**	**(1,096)**

Net income	**6,644**	**4,106**
Net loss (net income) attributable to non-controlling interests	124	(104)
Net income attributable to OAO LUKOIL	**6,768**	**4,002**
Earnings per share of common stock attributable to OAO LUKOIL (US dollars):		
Basic	8.66	4.72
Diluted	8.48	4.72

Full consolidated US GAAP financial accounts of LUKOIL for the first half of 2011 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.

In his address to the meeting, LUKOIL President Vagit Alekperov specified the need to develop a Hydrocarbon Production Stabilization Program and to rigorously implement it.