

## PRESS RELEASE DECEMBER 22, 2000

# LUKOIL NET INCOME UNDER US GAAP AMOUNTED TO 1452 MILLION US DOLLARS

OAO LUKOIL prepared consolidated financial statements under US GAAP for the first half 2000. Interim statements included accounts of 525 subsidiaries and affiliated companies. The financial statements show a significant improvement in all areas of financial and economic performance of the Group. Net income increased to USD1.5bn (USD2 per common share). Sales increased 116% and amounted to USD6.2bn. Assets of the Group increased 45% and reached USD 14.6bn. Stockholders' equity exceeded USD8.6bn. Most operating efficiency figures indicate a significant improvement in liquidity, financial stability, and creditability of LUKOIL. Positive financial results were recorded in all core businesses and in all regions of the Company's operations. Most of the Company's overseas capital-intensive projects reached a breakeven level and contributed considerably to increased financial results.

Better financial results were attributable to improved conditions at world energy markets, increased demand and strong oil and petroleum product prices. A significant improvement of economic situation in Russia and sustainable macroeconomic growth in 1999-2000 contributed to growth of revenues from core businesses.

All businesses saw sustainable growth of operating performance. Overall oil production by all subsidiaries and affiliates of the Group increased 2% and reached 38.5 million tons. Gas production grew 6% to 2.5 billion m3. Throughput at Russian and foreign refineries of LUKOIL amounted to 14.4 million tons.

Capital expenditures and investments of the Group amounted to USD1,107 m compared to USD615 m in the first half 1999. Drilling increased 68% (837,000 m), 259 wells were brought to operation. As a result of G&G 4 new fields and 5 deposits of hydrocarbons were discovered.

Publication of the financial statements marked LUKOIL transition to international standards of financial reporting and enhanced corporate transparency and investment attractiveness.

OAO LUKOIL and its subsidiaries

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## Consolidated financial statement under US GAAP

#### CONSOLIDATED STATEMENT OF INCOME

In million US dollars unaudited

6 months, ended June 30	2000	1999
Revenues		
Sales	6,176	2,893
Equity share in income (loss) of affiliates	70	(3)
Total revenues	6,246	2,890
Costs and other deductions		
Operating expenses	(2,665)	(1,634)
Exploratory expenses	(6)	(19)
Selling, general and administrative expenses	(805)	(412)
Depreciation, depletion and amortization	(358)	(240)
Taxes other than income taxes	(434)	(281)
Income (loss) on disposal and impairment of assets	(91)	21
Income (loss) from operating activity	1,887	325
Interest income	61	10
Interest expense	(96)	(85)
Other non-operating expense	(68)	(140)
Minority interests	(49)	(2)
Income before income taxes	1,735	108
Income taxes	(283)	(16)
Net income	1,452	92

OAO LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

CONSOLIDATED BALANCE SHEET

In million US dollars unaudited

At June 30	2000	1999
Current assets		
Cash and cash equivalents	854	267
Short-term investments	170	126
Accounts and notes receivable	2,124	1,333
Inventory	677	308
Deferred charges and other current assets	560	278
Total current assets	4,385	2,312
Non-current assets		
Property, plant and equipment, net	8,675	6,859
Intangible assets	290	76
Investments and other non-current assets	1,284	855
Total non-current assets	10,249	7,790
TOTAL ASSETS	14,634	10,102
Current liabilities		
Short-term debt	1,004	640
Accounts payable and accrued liabilities	2,113	1,761
Other current liabilities	222	339
Total current liabilities	3,339	2,740
Long-term liabilities		
Long-term debt	1,701	1,516
Other long-term and accrued liabilities	295	189
Total long-term liabilities	1,996	1,705
Minority interest in subsidiary companies	642	38
Total liabilities	5,977	4,483

TOTAL LIABILITIES AND stockholders' EQUITY 1	4,634	10,102
Total stockholders' equity	8,657	5,619
Accumulated other comprehensive loss	(1)	(20)
Retained earnings	6,090	3,855
Treasury stock	(511)	(511)
Additional paid-in capital	3,064	2,280
Stock capital	15	15

# OAO LUKOIL and its subsidiaries

In million US dollars

# Consolidated financial statement under US GAAP

### CONSOLIDATED STATEMENT OF CASH FLOWS

6 months ended June 30	2000	1999
Operating activities		
Net income	1,452	92
Adjustment to reconcile to net cash from operating activities		
Depreciation, depletion, amortization	358	240
Equity share in (income)/loss of affiliates	(70)	3
(Income) loss on disposal and impairment of assets	(193)	38
Non-cash investing activities	(22)	(41)
Changes in working capital, net	(773)	435
Other, net	163	(97)
Net cash flows from operating activities	915	670
Investing Activities		
Capital expenditures	(575)	(364)
Purchases of investments	(334)	(184)
Proceeds from sale of property, plant and equipment	27	35

unaudited

313	77
14	42
(198)	(67)
(753)	(461)
328	(292)
203	511
(346)	(172)
(27)	(2)
62	(42)
220	3
(10)	(29)
372	183
482	84
854	267
	14 (198) (753)  328 203 (346) (27) 62 220 (10) 372 482