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.

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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).