PRESS RELEASE
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LUKOIL NET INCOME ROSE BY 55% IN THE FIRST HALF OF 2006. PRODUCTION OF MARKETABLE HYDROCARBONS INCREASED BY 12.1%

LUKOIL today publishes consolidated US GAAP financial accounts for the first half of 2006.

LUKOIL net income for the first half of 2006 was $4,010 million, which is an increase of 54.8% y-o-y. EBITDA was $6,464 million, which is 50.4% higher y-o-y. Revenue from sales rose by 38.1% to $33,210 million.

The increase in net income was due to favourable market conditions, increase of hydrocarbon production and refinery throughputs, cost control, and refining margins growth. Growth of net income was held back by strengthening of the ruble against the dollar and growth of the tax burden. The Company's tax expenses totaled $11.3 billion, up 40.2% y-o-y.

Operating expenses rose by $705 million y-o-y. Main contributors to this growth were: real appreciation of the ruble against the dollar, which was 15.7% for the 12-months period ended June 30, 2006 (the effect of the appreciation exceeded $100 million); considerable change in operating expenses relating to crude oil and petroleum product inventory originated within the Group ($358 million); and increase in hydrocarbon production costs primarily due to the production volumes growth ($225 million). (In accordance with Company accounting policy, operating expenses associated with production of marketable products are accounted at the time of sale. Therefore increase of product inventory entails proportional reduction of operating expenses, and vice-versa.)

Average hydrocarbon lifting costs rose from $2.60 to $2.90 per boe, or by 11.5% y-o-y. Taking account of strengthening of the ruble against the dollar in real terms, average lifting costs remained at the same level as in the first half of 2005.

Capital expenditures including non-cash transactions were $2,647 million, which is an increase of 33.5% y-o-y.

Production of marketable hydrocarbons grew by 12.1% to 2,118 th. boe per day.

Crude oil output (including share in production by affiliates) increased by 5.7% y-o-y to 344.4 million barrels (46.7 million tons). Average flow rate per well at

LUKOIL fields in Russia increased to 11.23 tons per day or by 2.1%

y-o-y.

Production of marketable gas (including share in production by affiliates) was 6,627 million cubic meters, which is 141.6% higher y-o-y.

Production of petroleum products at LUKOIL refineries increased by 3.7% y-o-y and totaled 21,789 thousand tons. Russian refineries of LUKOIL Group increased petroleum product output by 8.0% y-o-y. Production at foreign refineries of the Group decreased by 11.8% due to closure of the Odessa Refinery for upgrading.

LUKOIL sold 62.3 million tons of crude oil and petroleum products in the first half of 2006, representing an increase of 6.7% y-o-y. Retail sales of petroleum products increased by 8.3% while revenues from retail sales grew by $1,177 million (34.2%).

CONSOLIDATED STATEMENT OF INCOME

(Millions of US dollars, unless otherwise noted)

	1st half of		**Change, %**
	2006	**2005**	
Revenues			
Sales (including excise and export tariffs)	33,210	24,049	38.1
Equity share in income of affiliates	210	201	4.5
Total revenues	**33,420**	**24,250**	**37.8**
Costs and other deductions			
Operating expenses	(2,204)	(1,499)	47.0
Cost of purchased crude oil, petroleum and chemical products	(11,706)	(8,322)	40.7
Transportation expenses	(1,767)	(1,694)	4.3
Selling, general and administrative expenses	(1,498)	(1,134)	32.1
Depreciation, depletion and amortization	(857)	(601)	42.6
Taxes other than income taxes	(3,833)	(2,894)	32.4
Excise and export tariffs	(5,954)	(4,136)	44.0
Exploration expense	(63)	(183)	(65.6)

(Loss) gain on disposals and impairments of assets	(22)	53	–
Income from operating activities	**5,516**	**3,840**	**43.6**
Interest expense	(141)	(117)	20.5
Interest and dividend income	52	37	40.5
Currency translation gain (loss)	148	(85)	–
Other non-operating expense	(39)	(6)	–
Minority interest	(18)	(52)	(65.4)
Income before income taxes	**5,518**	**3,617**	**52.6**
Current income taxes	(1,584)	(1,088)	45.6
Deferred income taxes	76	61	24.6
Total income tax expense	**(1,508)**	**(1,027)**	**46.8**
Net income	**4,010**	**2,590**	**54.8**
Per share of common stock (in US dollars):			
Net income			
Basic	4.85	3.18	52.5
Diluted	4.83	3.14	53.8

Full consolidated US GAAP financial accounts of LUKOIL for the second quarter and first half of 2006 are available on the Company's web sites: www.lukoil.ru and www.lukoil.com.

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.