PRESS RELEASE
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LUKOIL NET INCOME REACHED 1.3 BLN IN THE FIRST QUARTER OF 2007, UP 24.7% Q-O-Q. PRODUCTION OF MARKETABLE HYDROCARBONS INCREASED BY 7.3%.

LUKOIL publishes 1Q 2007 consolidated US GAAP financial accounts.

LUKOIL net income for the first quarter of 2007 was $1,299 million, which is a decrease of 23.1% y-o-y, but an increase of 24.7% q-o-q. EBITDA was $2,432 million, which is 13.3% lower y-o-y and 14.7% higher q-o-q. Revenue from sales was $15,652 million which is 4.7% higher y-o-y.

The Company's results were affected by decrease in oil and petroleum product prices on international markets, growth of Russian export tariffs, strengthening of the ruble against the dollar in real terms and increase in transportation tariffs. However, negative impact of those factors was partly offset by expansion of Company's activities and business optimization. Despite decrease in oil and petroleum products prices, the Company's tax expenses increased by 9.8% y-o-y and totaled $5.6 billion.

The Group uses derivative instruments in its international petroleum products marketing and trading operations. The types of derivative instruments used include futures and swap contracts, used for hedging purposes, and purchase and sale contracts that qualify as derivative instruments. The Group maintains a system of controls over these activities that includes policies covering the authorization, reporting and monitoring of derivative activity. The Group recognized expenses from the use of derivative instruments of $153 million and $75 million during the three months ended March 31, 2007 and 2006, respectively. The result is included in "Cost of purchased crude oil, gas and products" in the consolidated statements of income.

Operating expenses rose by $518 million y-o-y. This growth was mainly caused by real appreciation of the ruble against the dollar (which was 14.8% for the 12-months period ended March 31, 2007), stop of reserves growth within the Group (in the first quarter of 2006 reported operating expenses were $202 million lower compared to those really incurred due to building of reserves inside the Group), amendments of the Russian excise regulating legislation (starting from January 1, 2007 the Company pays excise to third party refineries as part of the processing fee, this excise is then included into the operating expenses), increase in production and

refinery throughputs. At the same time average operating expenses per boe of upstream production decreased by 2.4% q-o-q.

Average marketable hydrocarbon lifting costs rose from $2.82 per boe in the first quarter of 2006 to $3.34 per boe in the first quarter of 2007, or by 18.4% y-o-y. This increase was due to strengthening of the ruble against the dollar in real terms, acquisition of new production assets with lifting costs exceeding the Group's average and other factors. Adjusted for strengthening of the ruble against the dollar in real terms, average lifting costs per boe rose only by 3% y-o-y. Compared to the fourth quarter of 2006 average lifting costs increased just by 0.9% which is substantially below inflation rate and real ruble strengthening.

Capital expenditures including non-cash transactions were $2,062 million, which is an increase of 77.3% y-o-y (decrease of 12.8% q-o-q). Upstream CAPEX rose by 104.5% while downstream CAPEX decreased by 2.1%. Considerable increase in upstream CAPEX resulted from implementation of new major projects in Russia and abroad and from production optimization at the ongoing projects.

Production of marketable hydrocarbons (including share in production by affiliates) grew by 7.3%, to 2,239 th. boe per day. Organic growth was 5.3%.

Crude oil output increased by 6.5% y-o-y to 180.5 million barrels (24.4 million tons). Average flow rate per well at LUKOIL fields in Russia increased from 11.15 to 11.25 tons per day. Production of marketable gas was 3,581 million cubic meters, which is 14.1% higher y-o-y.

Production of petroleum products at LUKOIL refineries increased by 1.3% y-o-y and totaled 11,424 thousand tons. Petroleum product output at Russian refineries of LUKOIL Group increased by 4.9% y-o-y. Production at foreign refineries of the Group decreased by 14.4% due to a planned upgrade of the Burgas Refinery.

LUKOIL sold 31.3 million tons of crude oil and petroleum products in the first quarter of 2007, representing an increase of 3.4% y-o-y. Sales of crude oil grew by 11.9% y-o-y due to increase in domestic sales and sales to far-abroad countries while sales to near-abroad countries decreased. Petroleum product sales were 20.4 million tons which is almost the same as in the first quarter of 2006. Retail sales of petroleum products in Russia increased by 17.6% y-o-y while wholesale product sales decreased.