PRESS RELEASE
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LUKOIL NET INCOME REACHED $3.5 BILLION IN THE FIRST QUARTER OF 2011, FREE CASH FLOW AMOUNTED TO $ 2.0 BILLION

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

The Company's net income was $3,517 million in the first quarter of 2011, which is 71.3% higher y-o-y. EBITDA was $5,343 million, which is 43.3% higher y-o-y. Sales revenues were $29,626 million (+23.9% y-o-y). Positive dynamic of our financial results was mainly due to a sharp increase in hydrocarbon prices in the first quarter of 2011 compared to the respective period of 2010.

Capital expenditures including non-cash transactions in the first quarter of 2011 were $1.7 billion, which is 17.3% higher y-o-y. Free cash flow increased by 43.3% and reached $2,013 million in the first quarter of 2011.

In the first quarter of 2011, lifting costs per boe of production were $4.52, which is 13.9% higher y-o-y. The growth was mainly due to the real ruble appreciation and increased expenses for power supply.

In the first quarter of 2011, LUKOIL Group total hydrocarbon production available for sale reached 2,186 th. boe per day, which is a 4.1% decrease y-o-y. Crude oil production of LUKOIL Group in the first quarter of 2011 totalled 22.84 mln tonnes. Natural and petroleum gas output available for sale increased by 1.4%, to 4.79 bcm. Meanwhile, the production of gas on our major gas field - Nakhodkinskoe field amounted to 2.13 bcm in the first quarter of 2011 compared to 2.10 bcm for the respective period of 2010.

In the first quarter 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 1.0% y-o-y and reached 15.19 mln tonnes. Throughputs at the Company's refineries in Russia remained flat y-o-y, throughputs at the Company's international refineries decreased by 3.5% y-o-y due to the scheduled maintenance at ISAB Complex in the first quarter of 2011 and shutdown of operations at the Odessa Refinery due to unfavorable economic conditions.

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

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CONSOLIDATED STATEMENT OF INCOME

	3 months of	
	2011	**2010**
	(millions of US dollars)	
Revenues		
Sales (including excise and export tariffs)	29,626	23,902
Costs and other deductions		
Operating expenses	(2,138)	(1,988)
Cost of purchased crude oil, gas and products	(12,845)	(9,302)
Transportation expenses	(1,420)	(1,351)
Selling, general and administrative expenses	(825)	(802)
Depreciation, depletion and amortization	(1,059)	(1,030)
Taxes other than income taxes	(2,822)	(2,080)
Excise and export tariffs	(4,614)	(4,578)
Exploration expense	(28)	(117)
Loss on disposals and impairments of assets	(3)	(3)
Income from operating activities	**3,872**	**2,651**
Interest expense	(173)	(177)
Interest and dividend income	45	53
Equity share in income of affiliates	169	107
Currency translation loss	(65)	(40)
Other non-operating (expense) income	222	(29)
Income before income taxes	**4,070**	**2,565**
Current income taxes	(331)	(556)
Deferred income taxes	(308)	34
Total income tax expense	**(639)**	**(522)**
Net income	**3,431**	**2,043**

Plus: net loss attributable to non-controlling interests	86	10
Net income attributable to OAO LUKOIL	**3,517**	**2,053**
Earnings per share of common stock attributable to OAO LUKOIL(in US dollars):		
Basic	4.50	2.42
Diluted	4.49	2.42

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