PRESS RELEASE
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LUKOIL NET INCOME EXCLUDING NON-RECURRENT WRITE-OFF REACHED $11.3 BILLION IN 2011, FREE CASH FLOW AMOUNTED TO $7.2 BILLION

LUKOIL has published consolidated US GAAP financial statements for 2011.

The Company's 2011 net income rose by 15.0% and reached $10,357 million. EBITDA (earnings before interest, taxation, depreciation and amortization) rose by 15.9% and reached $18,606 million in 2011. Sales revenues were $133,650 million (+27.3% y-o-y). The positive dynamics of our financial results was mainly due to a sharp increase in hydrocarbon prices in 2011 compared with 2010.

Net income for the fourth quarter 2011 was negatively affected by $955 million losses due to the write-off of assets caused by the revaluation of the Yuzhnoye Khylchuyu field reserves.

The Company's strict financial discipline and cost control helped generate a record high free cash flow in 2011 compared with previous years. The free cash flow reached $7,240 million in 2011 compared with $6,930 million in 2010. The capital expenditures, including non-cash transactions, in 2011 were $8,492 million, which is 24.1% higher than in 2010.

Hydrocarbon production costs per boe reached $4.71 in 2011, having increased by 14.3% y-o-y, mainly due to the appreciation of the ruble against the US dollar.

Commercial hydrocarbon production by LUKOIL Group for 2011 amounted to 2,140 thousand boe per day, which is 4.4% below y-o-y.

In 2011, throughputs at the Company's own and affiliated refineries (including its share in crude-oil and petroleum-product throughput at the ISAB and TRN refining complexes) decreased by 1.9% y-o-y down to 64.92 million tons. Throughputs at the Company's refineries in Russia increased by 0.1% y-o-y, throughputs at the international refineries decreased by 6.3% y-o-y. The shutdown of the Odessa refinery as a result of unfavorable economic conditions mainly accounts for the decrease in international throughputs in 2011.

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

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

Consolidated Statements of Income

	2011	2010	2009
	(millions of US dollars)		
Revenues			
Sales (including excise and export tariffs)	133,650	104,956	81,083
Costs and other deductions			
Operating expenses	(9,055)	(8,298)	(7,340)
Cost of purchased crude oil, gas and products	(59,694)	(43,250)	(31,761)
Transportation expenses	(6,121)	(5,608)	(4,830)
Selling, general and administrative expenses	(3,822)	(3,558)	(3,306)
Depreciation, depletion and amortization	(4,473)	(4,154)	(3,937)
Taxes (other than income taxes)	(12,918)	(8,978)	(6,474)
Excise and export tariffs	(22,217)	(18,878)	(13,058)
Exploration expense	(532)	(336)	(218)
Loss on disposals and impairments of assets	(1,663)	(363)	(381)
Income from operating activities	**13,155**	**11,533**	**9,778**
Interest expense	(694)	(712)	(667)
Interest and dividend income	211	174	134
Equity share in income of affiliates	690	472	351
Currency translation loss	(301)	(122)	(520)
Other non-operating income (expense)	58	125	(13)
Income before income taxes	**13,119**	**11,470**	**9,063**
Current income taxes	(2,678)	(2,104)	(1,922)
Deferred income taxes	(615)	(247)	(72)
Total income tax expense	**(3,293)**	**(2,351)**	**(1,994)**
Net income	**9,826**	**9,119**	**7,069**
Net loss (net income) attributable to noncontrolling interests	531	(113)	(58)

Net income attributable to OAO LUKOIL	**10,357**	**9,006**	**7,011**
Earnings per share of common stock attributable to OAO LUKOIL (US dollars)			
basic	13.30	10.95	8.28
diluted	13.04	10.94	8.28

Full consolidated US GAAP financial accounts of LUKOIL for 2011 are available on the Company's web sites: www.lukoil.com and www.lukoil.ru.