PRESS RELEASE
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LUKOIL NET INCOME INCREASED MORE THAN 3-FOLD OVER 6 MONTHS OF 2000

In the 1 half 2000 LUKOIL and its 22 subsidiaries reported a combined net income of RUB36.497bn (compared to RUB11.988bn in the same period of 1999).

Income before taxation resulted mainly from operating profit worth RUB38.192bn (RUB13.354bn in 1999). Income from participation in the equity of other companies (dividend income) amounted to RUB921m, net interest expenses reached RUB266m. Net losses from non-operating revenues and expenses amounted to RUB1.372bn and were mainly attributable to increased local taxes (RUB1.259bn). Income taxes rose to RUB6.411bn (291% y-o-y). Undistributed profit amounted to RUB30.086bn compared to RUB9.786bn in the same period of 1999.

Over the accounting period, share of cash payments in actual revenue increased and now exceed 90% of the total proceeds from crude oil and oil product sales.

Increased cash component in settlements with customers, growth of production, strong domestic and international oil prices contributed to significant rise in tax payments.

Over 6 months of 2000 LUKOIL and its subsidiaries included in the combined statements paid RUB34.344bn in taxes to federal and local budgets (export duties excluded) what is equal to 107% of the amount accrued. Deductions to non-budget state funds (road maintenance and social funds) amounted to RUB4.734bn (101% y-o-y). Tax payments increased 2-2.5-fold compared to the previous period of 1999. Over 6 months of 2000 the balance sheet structure and liquidity improved considerably what resulted in growth of cash, short-term investment, increase of equity and sources of investment.

In the 1 half of 2000 LUKOIL subsidiaries and affiliates produced 38.464 million tons of crude (a 2.4% increase) and 2.484 billion m3 of natural gas (a 5.7% increase).

In the 1 half 2000 drilling increased 68% and amounted to 837,000 m (167,000 m and 670,000 m in exploration and development drilling respectively). 259 wells were drilled and completed. 4 new fields and 5 oil deposits were discovered.

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

Refining throughput at own refineries in Russia increased 19% and amounted to 11.378 million tons. LUKOIL refineries increased production of motor gasoline (1.640 million tons), diesel fuel (3.199 million tons), lubricants (415,000 tons). Crude exports amounted to 14.448 million tons (103% y-o-y). Oil product exports by LUKOIL regional selling divisions rose to 3.125 million tons (154% y-o-y). Deliveries to domestic market amounted to 3.387 million tons (a 45% increase).

In 2000 market situation, both domestically and internationally, remains extremely favorable for the Company and contributes to considerable growth of Company earnings from core businesses. This favors a considerable increase in capital expenditures. Capital expenditures to core businesses amount to RUB9.975bn.

Combined statement of income OAO LUKOIL and 22 main subsidiaries

in million rubles

1 half	**1999**	**2000**
Operating revenues, net	61,117	166,119
Cost of sales	(42,516)	(119,357)
Selling expenses	(3,442)	(5,570)
Administrative expenses	(1,805)	(3,000)
Operating profit	13,354	38,192
Dividend income	406	921
Net interest and dividend income and expense	(55)	(266)
Net non-operating revenues and expenses	(916)	(1,372)
Net non-recurring gains and losses	(801)	(978)
Income before taxation	11,988	36,497
Income taxes	(2,202)	(6,411)
Net income	9,786	30,086