PRESS RELEASE
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LUKOIL NET INCOME UNDER US GAAP AMOUNTED TO 1452 MILLION US DOLLARS

OAO LUKOIL prepared consolidated financial statements under US GAAP for the first half 2000. Interim statements included accounts of 525 subsidiaries and affiliated companies. The financial statements show a significant improvement in all areas of financial and economic performance of the Group. Net income increased to USD1.5bn (USD2 per common share). Sales increased 116% and amounted to USD6.2bn. Assets of the Group increased 45% and reached USD 14.6bn. Stockholders' equity exceeded USD8.6bn. Most operating efficiency figures indicate a significant improvement in liquidity, financial stability, and creditability of LUKOIL. Positive financial results were recorded in all core businesses and in all regions of the Company's operations. Most of the Company's overseas capital-intensive projects reached a breakeven level and contributed considerably to increased financial results.

Better financial results were attributable to improved conditions at world energy markets, increased demand and strong oil and petroleum product prices. A significant improvement of economic situation in Russia and sustainable macroeconomic growth in 1999-2000 contributed to growth of revenues from core businesses.

All businesses saw sustainable growth of operating performance. Overall oil production by all subsidiaries and affiliates of the Group increased 2% and reached 38.5 million tons. Gas production grew 6% to 2.5 billion m3. Throughput at Russian and foreign refineries of LUKOIL amounted to 14.4 million tons.

Capital expenditures and investments of the Group amounted to USD1,107 m compared to USD615 m in the first half 1999. Drilling increased 68% (837,000 m), 259 wells were brought to operation. As a result of G&G 4 new fields and 5 deposits of hydrocarbons were discovered.

Publication of the financial statements marked LUKOIL transition to international standards of financial reporting and enhanced corporate transparency and investment attractiveness.

OAO LUKOIL and its subsidiaries

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Consolidated financial statement under US GAAP

CONSOLIDATED STATEMENT OF INCOME

In million US dollars unaudited

6 months, ended June 30	2000	1999
Revenues		
Sales	6,176	2,893
Equity share in income (loss) of affiliates	70	(3)
Total revenues	**6,246**	**2,890**
Costs and other deductions		
Operating expenses	(2,665)	(1,634)
Exploratory expenses	(6)	(19)
Selling, general and administrative expenses	(805)	(412)
Depreciation, depletion and amortization	(358)	(240)
Taxes other than income taxes	(434)	(281)
Income (loss) on disposal and impairment of assets	(91)	21
Income (loss) from operating activity	**1,887**	**325**
Interest income	61	10
Interest expense	(96)	(85)
Other non-operating expense	(68)	(140)
Minority interests	(49)	(2)
Income before income taxes	**1,735**	**108**
Income taxes	(283)	(16)
Net income	**1,452**	**92**

OAO LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

CONSOLIDATED BALANCE SHEET

In million US dollars unaudited

At June 30	2000	1999
Current assets		
Cash and cash equivalents	854	267
Short-term investments	170	126
Accounts and notes receivable	2,124	1,333
Inventory	677	308
Deferred charges and other current assets	560	278
Total current assets	***4,385***	***2,312***
Non-current assets		
Property, plant and equipment, net	8,675	6,859
Intangible assets	290	76
Investments and other non-current assets	1,284	855
Total non-current assets	***10,249***	***7,790***
TOTAL ASSETS	**14,634**	**10,102**
Current liabilities		
Short-term debt	1,004	640
Accounts payable and accrued liabilities	2,113	1,761
Other current liabilities	222	339
Total current liabilities	***3,339***	***2,740***
Long-term liabilities		
Long-term debt	1,701	1,516
Other long-term and accrued liabilities	295	189
Total long-term liabilities	***1,996***	***1,705***
Minority interest in subsidiary companies	***642***	***38***
Total liabilities	***5,977***	***4,483***
Stockholders' equity		

Stock capital	15	15
Additional paid-in capital	3,064	2,280
Treasury stock	(511)	(511)
Retained earnings	6,090	3,855
Accumulated other comprehensive loss	(1)	(20)
Total stockholders' equity	***8,657***	***5,619***
TOTAL LIABILITIES AND stockholders' EQUITY	**14,634**	**10,102**

OAO LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

CONSOLIDATED STATEMENT OF CASH FLOWS

In million US dollars unaudited

6 months ended June 30	**2000**	**1999**
Operating activities		
Net income	1,452	92
Adjustment to reconcile to net cash from operating activities		
Depreciation, depletion, amortization	358	240
Equity share in (income)/loss of affiliates	(70)	3
(Income) loss on disposal and impairment of assets	(193)	38
Non-cash investing activities	(22)	(41)
Changes in working capital, net	(773)	435
Other, net	163	(97)
Net cash flows from operating activities	**915**	**670**
Investing Activities		
Capital expenditures	(575)	(364)
Purchases of investments	(334)	(184)
Proceeds from sale of property, plant and equipment	27	35

Proceeds from sale of investments	313	77
Acquisitions, net of cash acquired	14	42
Other investments, net	(198)	(67)
Net cash used in investing activities	**(753)**	**(461)**
Financing activities		
Net movement of short-term borrowings	328	(292)
Proceeds from issuance of long-term debt	203	511
Principal repayments of long-term debt	(346)	(172)
Dividends paid	(27)	(2)
Other, net	62	(42)
Net cash flow from financing activities	**220**	**3**
Net effect of exchange rate changes on cash and cash equivalents	(10)	(29)
Increase in cash and cash equivalents	**372**	**183**
Cash and cash equivalents – beginning of the period	482	84
Cash and cash equivalents – end of the period	854	267