PRESS RELEASE
JULY 01, 2004

LUKOIL'S NET PROFIT INCREASED BY 19% IN THE FIRST QUARTER 2004

LUKOIL has published its consolidated financial statements for the three months of 2004 prepared in accordance with US GAAP.

Consolidated net income of LUKOIL in the first quarter of 2004 totaled $819 million (exclusively of cumulative effect of change in accounting principle) which is up $131 million compared to the same period of 2003. Earnings from sales grew $1,456 million as against the same period last year and reached $6,512 million.

The aggregate volume of crude and petroleum products sales amounted to 25.8 million tons, showing a 16.4% increment in comparison with the previous year results. Revenues from crude sales went up $635 million or by 37.6%. Sales of petroleum products increased by $638 million, thus indicating a 21.9% increase.

Sales of crude oil and refined products on the international market, including the CIS, accounted for 78.3% of total sales volume in the first quarter of 2004 compared to 68.8% in the same period of 2003.

In line with our long term strategy we increased daily oil production (including the Company's share in equity associates) by 7.8% in the period ended March 31, 2004. 20,9 million tons of oil were produced during this period.

Western Siberia still remains the main oil production area for the Company. The first quarter oil production at Western Siberian fields amounted to 67.7% of the overall LUKOIL production compared to 67.1% in 2003. The increase of production in Western Siberia by 14.2% is a result of both acquisitions by the Group of new oil producing companies in this region, and improvement and optimization of oil production methods. The increase of production in the Komi Republic by 22.3% primarily resulted from the consolidation of our oil production companies – acquisitions of additional interests in OAO Tebukneft, OAO Ukhtaneft and ZAO RKM-Oil. Commencement of oil production in new oil fields in Nenetsky Autonomous District led to an increase of oil production in this region of Russia more than 1.5 times compared to 2003.

The first quarter retail sales of petroleum products in the Russian Federation were increased by 69 thousand tons which is up 13.6% compared to the similar period of 2003. In the first quarter of 2004 LUKOIL distributed 969 thousand tons of

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petroleum products through its retail network. Structural changes in the retail network resulted in a 11.8% increase in retail sales as against the same period of the previous year.

The Company's capital expenditures in the first quarter of 2004 totaled $737 million ($550 million in the same period of 2003).

Total income tax expense increased by $51 million as compared to the first quarter of 2003. Effective income tax rate was 28.0% in the first quarter of 2004 while the maximum rate set for the Russian Federation is 24%.

Consolidated Statements of Income

(Millions of US dollars, unless otherwise noted)

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	For the three months ended March 31, 2004 (unaudited)	For the three months ended March 31, 2003 (unaudited)
Revenues		
Sales	6,512	5,056
(including excise and export tariffs)		
Equity share in income of affiliates	70	42
Total revenues	**6,582**	**5,098**
Costs and other deductions		
Operating expenses	(660)	(668)
Cost of purchased crude oil, petroleum and chemical products	(1,827)	(1,279)
Transportation expenses	(649)	(436)
Selling, general and administrative expenses	(471)	(329)
Depreciation, depletion and amortization	(248)	(229)
Taxes other than income taxes	(740)	(610)
Excise and export tariffs	(857)	(541)

Exploration expense	(30)	(26)
Loss on disposal and impairment of assets	(25)	(40)
Income from operating activities	**1,075**	**940**
Interest expense	(68)	(62)
Interest and dividend income	42	16
Currency translation gain	59	33
Other non-operating income	46	36
Minority interest	(16)	(7)
Income before income taxes	**1,138**	**956**
Current income taxes	(311)	(270)
Deferred income taxes	(8)	2
Total income tax expense	**(319)**	**(268)**
Income before cumulative effect of change in accounting principle	**819**	**688**
Cumulative effect of change in accounting principle, net of tax	-	132
Net income	**819**	**820**
Per share of common stock (US dollars)		
Income before cumulative effect of change in accounting principle		
Basic	1.00	0.84
Diluted	0.99	0.83
Net income		
Basic	1.00	1.00
Diluted	0.99	0.99

Please visit the Company's official web-sites at www.lukoil.com and www.lukoil.ru to see the full version of LUKOIL consolidated financial statements for the three months of 2004 prepared in accordance with US GAAP.