PRESS RELEASE
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LUKOIL INCREASES NET PROFIT BY 1.5 TIMES IN 1H 2004 WHILE TAXES INCREASE BY MORE THAN $1.3 BLN

LUKOIL today publishes consolidated US GAAP financial accounts for three and six months of 2004.

LUKOIL net profit was $1,696 mln in the first half of 2004, which is $594 mln higher than in the same period of 2003 (excluding cumulative effect of change in accounting policy and effect of sale of the Company's stake in the Azeri-Chirag-Gyuneshli project). At the same time, taxes paid to the budget of Russia increased by more than $1.3 bln.

Operating expenses fell by $27 mln (by 2%) in the first half of 2004 compared with a year earlier.

Despite strengthening of the ruble in real terms, average oil production expenses fell from $2.59 to $2.53 per barrel (by 2.3%), which was made possible by increase in average flow rate per oil well from 9.42 to 10.52 tonnes per day (by 11.7%), as well as by restructuring of oil production assets in Perm region.

Total capital expenditures by LUKOIL in the first half of 2004 were $1,596 mln, which is 16.8% higher than in the same period of 2003.

LUKOIL increased average daily production (including LUKOIL's share in affiliates) by 8.7%, and total production in the 1 half of 2004 amounted to 313.3 mln bbls (42.3 mln tonnes). Total organic growth of LUKOIL output was 5%.

Total volume of crude oil and petroleum products sold was 53.2 mln tonnes, which is 12.4% more than in the same period of 2003.

The Company exported 22.9 mln tonnes of oil in the first half of 2004, which is 56.2% of LUKOIL's oil production in Russia (48.4% in the 1 half of 2003).

Retail sales of petroleum products inside Russia increased by 15.5% in the first half of 2004 compared with the first half of 2003.

Petrochemical sales increased by $207 mln (by 52%) compared with the same period of 2003.

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LUKOIL

CONSOLIDATED STATEMENTS OF INCOME

(Millions of US dollars, unless otherwise noted)

	3 months to 30 June, 2004*	3 months to 30 June, 2003*	6 months to 30 June, 2004*	6 months to 30 June 2003*
Revenue				
Revenue from sales (including excises and export tariffs)	7 965	5086	14 477	10 142
Equity share in income of affiliates	62	49	132	91
Total revenues	**8027**	**5135**	**14609**	**10233**
Costs and other deductions				
Operating expenses	(674)	(693)	(1334)	(1361)
Cost of purchased crude oil, petroleum and chemical products	(2 501)	(1 386)	(4 328)	(2 665)
Transportation expenses	(734)	(503)	(1383)	(939)
Selling, general and administrative expenses	(451)	(429)	(922)	(758)
Depreciation, depletion and amortization	(266)	(226)	(514)	(455)
Taxes other than income taxes	(818)	(530)	(1558)	(1140)
Excise and export tariffs	(1090)	(788)	(1947)	(1329)
Exploration expense	(57)	(28)	(87)	(54)
Profit from sale of stake in Azeri-Chirag, Gyuneshli project	-	1 130	-	1 130
Loss on disposal and impairment of assets	(46)	(28)	(71)	(68)
Income from operating activities	**1390**	**1654**	**2465**	**2594**
Interest expense	(75)	(78)	(143)	(140)
Interest and dividend income	57	47	99	63
Currency translation gain (loss)	(40)	51	19	84

Other non-operating income	(42)	28	4	64
Minority interest	(21)	(12)	(37)	(19)
Income before income taxes	**1269**	**1690**	**2407**	**2646**
Current income taxes	(401)	(130)	(712)	(400)
Deferred income taxes	9	(16)	1	(14)
Total income tax expense	**(392)**	**(146)**	**(711)**	**(414)**
Income before cumulative effect of change in accounting principle	**877**	1 544	**1 696**	2 232
Cumulative effect of change in accounting principle, net of tax	-	-	-	132
Net income	**877**	**1544**	**1696**	**2364**
Per share of common stock (US dollars):				
Income before cumulative effect of change in accounting principle				
Basic	1,07	1,89	2,07	2,73
Diluted	1,06	1,85	2,05	2,68
Net Income				
Basic	1,07	1,89	2,07	2,89
Diluted	1,06	1,85	2,05	2,84

* Unaudited

LUKOIL consolidated financial accounts under US GAAP for three and six months of 2004 are published in full on the Company's web sites (www.lukoil.ru and www.lukoil.com).