PRESS RELEASE
AUGUST 29, 2008

LUKOIL NET INCOME EXCLUDING HEDGING AND IMPAIRMENT LOSS ROSE BY 103.5% IN THE FIRST HALF OF 2008

LUKOIL publishes consolidated US GAAP financial accounts for the first half of 2008.

LUKOIL net income excluding hedging and impairment loss reached $8,168 in the first half of 2008, which is an increase of 103.5% y-o-y. Reported net income amounted to $7,293 million in the first half of 2008, which is an increase of 91.1% y-o-y. EBITDA was $11,082 million, which is 74.5% higher y-o-y. Revenue from sales rose by 59.0%, to $56,890 million.

The increase in net income was due to favorable market conditions, high refinery margin, increase in refinery throughputs as well as due to effective cost control. Exports of petroleum products reached 12.9 mln tons representing an increase of 6.3% y-o-y thanks to the increase in refinery throughputs. Crude oil exports in the corresponding period amounted to 19.20 mln tons, which is a decrease of 11.9% y-o-y. Growth of the net income was held back by appreciation of the ruble against the dollar, increase in transportation tariffs and growth of the tax burden. The Company's tax expenses totaled $18.9 billion, up 57.0% y-o-y.

Production of marketable hydrocarbons (including share in production by affiliates) decreased by 1.5% y-o-y, to 2,176 th. boe per day in the first half of 2008. However in July 2008 production of marketable hydrocarbons reached 2,228 th. boe per day representing an increase of 2.3% compared to the level of 2007. This allows to make up for the current decrease in production of marketable hydrocarbons. In June 2008 first stage production at the Yuzhnaya Khylchuya field, which is the biggest field in Nenets autonomous district, started in test regime (commercial production began in August 2008).

Refinery throughputs at the Group refineries grew by 8.0% y-o-y to 27.15 million tons in the first half of 2008. Increase in refinery throughputs at the Company refineries in Russia was 5.7%, at foreign refineries – 18.2%. Volgograd and Odessa refineries (the latter was put back into operation in April 2008 after modernization) accounted for most of the growth. Thanks to an increase in capacity load and optimization of the operations, production of petroleum products at LUKOIL owned refineries (excluding mini-refineries) increased by 8.5% y-o-y and totaled 25,459 thousand tons.

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LUKOIL sold 65.3 million tons of crude oil and petroleum products in the first half of 2008, representing no change y-o-y. The Company decreased oil sales and considerably increased sales of petroleum products. Retail sales of petroleum products increased by 17.2% y-o-y, to 6.7 million tons.

Consolidated Statements of Income

(Millions of US dollars, unless otherwise noted)

	For the three months ended March 31, 2006(unaudited)	**For the three months ended March 31, 2005(unaudited)**
Revenues		
Sales (including excise and export tariffs)	14943	10557
Equity share in income of affiliates	98	59
Total revenues	**15041**	**10616**
Costs and other deductions		
Operating expenses	(900)	(782)
Cost of purchased crude oil, petroleum and chemical products	(5,300)	(3,380)
Transportation expenses	(848)	(837)
Selling, general and administrative expenses	(761)	(512)
Depreciation, depletion and amortization	(408)	(284)
Taxes other than income taxes	(1,771)	(1,297)
Excise and export tariffs	(2,685)	(1,775)
Exploration expense	(35)	(36)
Loss on disposal and impairment of assets	8	(17)
Income from operating activities	**2341**	**1696**
Interest expense	(62)	(55)
Interest and dividend income	27	18
Currency translation (loss) gain	92	(12)

Other non-operating income	(25)	13
Minority interest	(10)	(22)
Income before income taxes	**2363**	**1638**
Current income taxes	(769)	(490)
Deferred income taxes	95	32
Total income tax expense	**(674)**	**(458)**
Net income	**1689**	**1180**
Per share of common stock (US dollars):		
Basic	2,04	1,45
Diluted	2,04	1,43

The full consolidated US GAAP financial accounts of LUKOIL for the first quarter of 2006 are available on the Company's web sites: www.lukoil.ru and www.lukoil.com.

These consolidated interim financial statements have been prepared by the Company in accordance with U.S. GAAP and have not been audited by our independent auditor. If these financial statements are audited in the future, the audit could reveal differences in our consolidated financial results and we cannot assure that any such differences would not be material.

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