PRESS RELEASE
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LUKOIL FREE CASH FLOW ROSE TO THE RECORD OF $3.8 BILLION IN 2008

LUKOIL publishes consolidated US GAAP financial accounts for 2008.

The Company's operating cash flow increased by 31.5% to $14,312 million in 2008, despite global economic crisis and oil price fall. At the same time LUKOIL free cash flow* increased the record of $3,775 million which is more than twice as much as in 2007. EBITDA reached $15,552 million, which is 1.1% higher y-o-y. LUKOIL net income was $9,144 million in 2008, which is a decrease of 3.9% y-o-y. However net income adjusted for exploration expenses, loss on disposals and impairments of assets and for currency translation (loss) gain rose by 13.9%, to $11,219 million in 2008.

The Company's tax expenses totaled $38.0 billion, up 36.3% y-o-y.

Lifting costs per boe of production in the forth quarter of 2008 decreased by almost 7% q-o-q, to $4.01. Lifting costs per boe of production in 2008 amounted to $4.12.

Capital expenditures including non-cash transactions in 2008 were $10.6 billion. New projects in the Caspian region, Yamal and Timan-Pechora accounted for almost 25% of the capital expenditures.

Production of marketable hydrocarbons (including share in production by affiliates) increased by 0.7% y-o-y, to 2,194 th. boe per day. Launch of commercial production at the Yuzhnaya Khylchuya field in August 2008 allowed to offset the Company's oil production decrease in traditional regions. Successful development of Uzbek project Kandym – Khauzak – Shady provided the most of the gas production growth.

Throughputs at LUKOIL refineries (including ISAB refinery complex) totaled 1,127 th. barrels per day (56.3 mln tons) in 2008, which is 7.6% higher y-o-y.Volgograd and Odessa refineries (the latter was put back into operation in April 2008 after modernization) accounted for most of the growth. Besides, LUKOIL began oil refining at ISAB refinery complex (Italy) in December 2008. Thanks to an increase in capacity utilization rate (up to the record of 95%) and optimization of the operations, production of petroleum products at LUKOIL owned refineries (excluding mini-refineries and ISAB) increased by 7.4% y-o-y and totaled 52.5 million tons.

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Exports of petroleum products in 2008 grew by 2.6% y-o-y to 25.8 million tons thanks to growing refinery throughputs. Crude oil exports in 2008 decreased by 6.8% y-o-y to 39.3 million tons.

LUKOIL sold 134.7 million tons of crude oil and petroleum products, which is 2.1% higher y-o-y. The Company decreased oil sales and considerably increased sales of petroleum products. Retail sales of petroleum products increased by 11.0% y-o-y to 14.2 million tons.

LUKOIL has developed and is implementing measures aimed at increasing efficiency of its activities and securing positive cash flow amidst world financial crisis.

* Operating cash flow minus capital expenditures and acquisition of licenses.

CONSOLIDATED STATEMENT OF INCOME

(Millions of US dollars, unless otherwise noted)

	2008	2007	2006
	(millions of US dollars)		
Revenues			
Sales (including excise and export tariffs)	107,680	81,891	67,684
Costs and other deductions			
Operating expenses	(8,126)	(6,172)	(4,652)
Cost of purchased crude oil, gas and products	(37,851)	(27,982)	(22,642)
Transportation expenses	(5,460)	(4,457)	(3,600)
Selling, general and administrative expenses	(3,860)	(3,207)	(2,885)
Depreciation, depletion and amortization	(2,958)	(2,172)	(1,851)
Taxes other than income taxes	(13,464)	(9,367)	(8,075)
Excise and export tariffs	(21,340)	(15,033)	(13,570)
Exploration expense	(487)	(307)	(209)
Loss on disposals and impairments of assets	(425)	(123)	(148)

Income from operating activities	**13,709**	**13,071**	**10,052**
Interest expense	(391)	(333)	(302)
Interest and dividend income	163	135	111
Equity share in income of affiliates	375	347	425
Currency translation (loss) gain	(1,163)	93	169
Other non-operating expense	(244)	(240)	(118)
Minority interest	(83)	(55)	(80)
Income before income taxes	**12,366**	**13,018**	**10,257**
Current income taxes	(4,167)	(3,410)	(2,906)
Deferred income taxes	945	(97)	133
Total income tax expense	**(3,222)**	**(3,507)**	**(2,773)**
Net income	**9,144**	**9,511**	**7,484**
Basic earnings per share of common stock (in US dollars)	10,88	11,48	9,06
Diluted earnings per share of common stock (in US dollars)	10,88	11,48	9,04

Full consolidated US GAAP financial accounts of LUKOIL for 2008 are available on the Company's web sites: www.lukoil.com and www.lukoil.ru.