PRESS RELEASE
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LUKOIL NET INCOME REACHED $8.3 BILLION IN NINE MONTHS OF 2012, FREE CASH FLOW AMOUNTED TO $4.8 BILLION

LUKOIL has published consolidated US GAAP financial statements for the third quarter and nine months of 2012.

The Company's net income was $8,316 million in nine months of 2012, which is a 7.7% decrease y-o-y. In the third quarter of 2012 net income was $3,509 million, which is a 245% increase q-o-q. EBITDA was $14,249 million, which is a 7.0% decrease y-o-y. Increase of taxes other than income taxes had a significant negative impact on net income. Nevertheless, LUKOIL continues to show the best financial efficiency in the industry.

Sales revenues reached $103,152 million (+4.1% y-o-y). Net debt in nine months of 2012 decreased by $2,285 million or by 36.0% in comparison with the beginning of the year.

Capital expenditures in nine months of 2012 were $8.1 billion. Free cash flow in nine months of 2012 was $4,761 million.

In nine months of 2012, lifting costs per boe of production were $4.92, which is a 1.4% decrease y-o-y. Cost inflation was offset by ruble depreciation in nine months of 2012 and efficient cost management.

In nine months of 2012, LUKOIL Group total hydrocarbon production increased by 0.3% y-o-y and reached 593.9 million boe. Crude oil and natural gas liquids production of LUKOIL Group in nine months of 2012 totaled 507.0 million bbl. Production of gas available for sale increased by 10.9% y-o-y, to 14.77 bcm, mainly due to launch of new gas projects in Uzbekistan.

In nine months of 2012 throughputs at the Company's refineries (including its share in crude oil and petroleum product throughput at the ISAB and Zeeland refining complexes) decreased by 0.5% y-o-y and reached 1.302 million barrels per day. Output at the Company's refineries in Russia decreased by 3.2% y-o-y due to scheduled overhauls at the refineries in Russia in nine months of 2012, while output at the Company's international refineries increased by 16.3% y-o-y mainly due to an increase in shareholding in ISAB refining complex from 60% to 80% in September of 2012.

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Measures aimed at higher efficiency and cost control allow the Company to increase net income and operating efficiency in the third quarter of 2012 compared to the second quarter of 2012 and the third quarter of 2011.

CONSOLIDATED STATEMENT OF INCOME

	9 months of	
	2012	**2011**
	(millions of US dollars)	
Revenues		
Sales (including excise and export tariffs)	103,152	99,101
Costs and other deductions		
Operating expenses	(6,891)	(6,858)
Cost of purchased crude oil, gas and products	(47,127)	(43,058)
Transportation expenses	(4,625)	(4,677)
Selling, general and administrative expenses	(2,665)	(2,845)
Depreciation, depletion and amortization	(3,581)	(3,345)
Taxes other than income taxes	(10,248)	(9,811)
Excise and export tariffs	(17,258)	(16,519)
Exploration expense	(199)	(309)
(Loss) gain on disposals and impairments of assets	137	(171)
Income from operating activities	**10,695**	**11,508**
Interest expense	(430)	(532)
Interest and dividend income	194	144
Equity share in income of affiliates	408	510
Currency translation loss	(493)	(312)
Other non-operating (expense) income	(26)	287
Income before income taxes	**10,348**	**11,605**
Current income taxes	(2,205)	(2,071)
Deferred income taxes	89	(500)

Total income tax expense	**(2,116)**	**(2,571)**
Net income	**8,232**	**9,034**
Net loss (income) attributable to non-controlling interests	84	(22)
Net income attributable to OAO LUKOIL	**8,316**	**9,012**
Basic and diluted earning per share of common stock attributable to OAO LUKOIL (in US dollars)		
Basic	10.91	11.55
Diluted	10.68	11.31

Full consolidated US GAAP financial accounts of LUKOIL in nine months of 2012 are available on the Company's web sites: www.lukoil.com and www.lukoil.ru

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 discrepancies, and we cannot give any assurance that any such discrepancies would not be material.