

PRESS RELEASE  
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LUKOIL NET INCOME ROSE BY 27.1% IN 2007. REFINERY THROUGHPUTS INCREASED BY 6.7%.

LUKOIL publishes 2007 consolidated US GAAP financial accounts.

LUKOIL net income reached a record of \$9,511 million in 2007, which is an increase of 27.1% y-o-y. EBITDA was \$15,388 million, which is 25.1% higher y-o-y. Revenue from sales rose by 21.0%, to \$81,891 million.

The increase in net income was due to favorable market conditions, high refinery margin, increase in refinery throughputs and hydrocarbon production as well as due to effective cost control. 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 \$27.9 billion, up 14.3% y-o-y.

Operating expenses rose by \$1,520 million y-o-y. This growth was mainly caused by real appreciation of the ruble against the dollar (which was 20.0% for the 12-months period ended December 31, 2007); change in operating expenses in crude oil and refined products inventory originated within the Group; amendments to Russian excise regulating legislation (starting from January 1, 2007 the Company pays excise to third-party refineries as part of the processing fee, this excise is then included into the operating expenses); increase in hydrocarbon output and refinery throughputs. However, lifting costs per barrel of production in 4Q 2007 were 1% lower q-o-q and the same as in 2Q 2007. Lifting costs per barrel of production in 2007 amounted to \$3.58 per barrel, which is 16.1% higher y-o-y. The growth equals real appreciation of the ruble against the dollar (y-o-y).

The Group continued using financial derivatives in its international petroleum products marketing and oil trading operations in 2007. The Group recognized expenses from the use of derivative instruments of \$575 million in 2007 compared to the income of \$183 million in 2006. The result is included in "Cost of purchased crude oil, gas and products" in the consolidated statements of income.

LUKOIL transportation expenses increased by 23.8%, to \$4,457 million. Increase in transportation expenses was caused by growth of tariffs, rise in production, refinery throughputs and petroleum product exports. At the same time growth of average transportation expenses per one ton of production was lower than tariffs growth

which became possible thanks to the Company's activity in logistics optimization.

Capital expenditures including non-cash transactions were \$9,372 million, which is an increase of 36.1% y-o-y. Upstream CAPEX rose by 41.8% while downstream CAPEX increased by 23.5%. New projects (fields in the North of Timan-Pechora, fields of the Bolshekhetskaya depression, Northern Caspian fields, new units at the Company refineries) accounted for about 40% of capital expenditures. These projects will have a favourable impact on LUKOIL financial and operating performance in the mid-term.

Production of marketable hydrocarbons (including share in production by affiliates) grew by 1.5%, to 2,178 th. boe per day. Decrease in production growth rates was caused by sale of 50% share in Caspian Investments, reduction of gas purchases by Gazprom, power supply problems in Western Siberia as well as by the shift of the start-up of the Yuzhno-Khylchuyuskoye field. Crude oil output increased by 1.4% y-o-y to 713 million barrels (96.6 million tons). Production of marketable gas was 13,955 million cubic meters, which is 2.5% higher y-o-y.

Refinery throughputs at the Group refineries grew by 6.7%. Increase in refinery throughputs at the Company refineries in Russia was 7.7%. Nizhny Novgorod refinery which is carrying out complex modernization and capacity expansion, 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 increased by 6.9% y-o-y and totaled 48,819 thousand tons.

LUKOIL sold 131.9 million tons of crude oil and petroleum products in 2007, representing an increase of 4.1% y-o-y. The Company decreased oil sales and considerably increased sales of petroleum products. Retail sales of petroleum products in Russia increased by 21.5% y-o-y, to 4.85 million tons.

#### CONSOLIDATED STATEMENT OF INCOME

(Millions of US dollars, unless otherwise noted)

|   | 2007          | 2006          | 2005          |
|---|---------------|---------------|---------------|
| <b>Revenues</b>                             |               |               |               |
| Sales (including excise and export tariffs) | 81,891        | 67,684        | 55,774        |
| Equity share in income of affiliates        | 347           | 425           | 441           |
| <b>Total revenues</b>                       | <b>82,238</b> | <b>68,109</b> | <b>56,215</b> |

**Costs and other deductions**

|  |                |                |                |
|--|----------------|----------------|----------------|
| Operating expenses   | (6,172)        | (4,652)        | (3,443)        |
| Cost of purchased crude oil, gas and products              | (27,982)       | (22,642)       | (19,590)       |
| Transportation expenses                                    | (4,457)        | (3,600)        | (3,371)        |
| Selling, general and administrative expenses               | (3,207)        | (2,885)        | (2,578)        |
| Depreciation, depletion and amortization                   | (2,172)        | (1,851)        | (1,315)        |
| Taxes other than income taxes                              | (9,367)        | (8,075)        | (6,334)        |
| Excise and export tariffs                                  | (15,033)       | (13,570)       | (9,931)        |
| Exploration expense  | (307)          | (209)          | (317)          |
| (Loss) gain on disposals and impairments of assets         | (123)          | (148)          | 52             |
| <b>Income from operating activities</b>                    | <b>13,418</b>  | <b>10,477</b>  | <b>9,388</b>   |
| Interest expense   | (333)          | (302)          | (275)          |
| Interest and dividend income                               | 135            | 111            | 96             |
| Currency translation gain (loss)                           | 93             | 169            | (134)          |
| Other non-operating expense                                | (240)          | (118)          | (44)           |
| Minority interest  | (55)           | (80)           | (121)          |
| <b>Income before income taxes</b>                          | <b>13,018</b>  | <b>10,257</b>  | <b>8,91</b>    |
| Current income taxes                                       | (3,410)        | (2,906)        | (2,301)        |
| Deferred income taxes                                      | (97)           | 133            | (166)          |
| <b>Total income tax expense</b>                            | <b>(3,507)</b> | <b>(2,773)</b> | <b>(2,467)</b> |
| <b>Net income</b>  | <b>9,511</b>   | <b>7,484</b>   | <b>6,443</b>   |
| Basic earnings per share of common stock (in US dollars)   | 11,48          | 9,06           | 7,91           |
| Diluted earnings per share of common stock (in US dollars) | 11,48          | 9,04           | 7,79           |

Full 2007 consolidated US GAAP financial accounts of LUKOIL are available on

the Company's web sites: [www.lukoil.com](http://www.lukoil.com) and [www.lukoil.ru](http://www.lukoil.ru).