

PRESS RELEASE  
DECEMBER 22, 2000

LUKOIL NET INCOME UNDER US GAAP AMOUNTED TO 1452 MILLION US  
DOLLARS

OAO LUKOIL prepared consolidated financial statements under US GAAP for the first half 2000. Interim statements included accounts of 525 subsidiaries and affiliated companies. The financial statements show a significant improvement in all areas of financial and economic performance of the Group. Net income increased to USD1.5bn (USD2 per common share). Sales increased 116% and amounted to USD6.2bn. Assets of the Group increased 45% and reached USD 14.6bn. Stockholders' equity exceeded USD8.6bn. Most operating efficiency figures indicate a significant improvement in liquidity, financial stability, and creditability of LUKOIL. Positive financial results were recorded in all core businesses and in all regions of the Company's operations. Most of the Company's overseas capital-intensive projects reached a breakeven level and contributed considerably to increased financial results.

Better financial results were attributable to improved conditions at world energy markets, increased demand and strong oil and petroleum product prices. A significant improvement of economic situation in Russia and sustainable macroeconomic growth in 1999-2000 contributed to growth of revenues from core businesses.

All businesses saw sustainable growth of operating performance. Overall oil production by all subsidiaries and affiliates of the Group increased 2% and reached 38.5 million tons. Gas production grew 6% to 2.5 billion m<sup>3</sup>. Throughput at Russian and foreign refineries of LUKOIL amounted to 14.4 million tons.

Capital expenditures and investments of the Group amounted to USD1,107 m compared to USD615 m in the first half 1999. Drilling increased 68% (837,000 m), 259 wells were brought to operation. As a result of G&G 4 new fields and 5 deposits of hydrocarbons were discovered.

Publication of the financial statements marked LUKOIL transition to international standards of financial reporting and enhanced corporate transparency and investment attractiveness.

OAO LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

**CONSOLIDATED STATEMENT OF INCOME**

| In million US dollars                              | unaudited                      |              |              |
|--|--------------------------------|--------------|--------------|
|  | <b>6 months, ended June 30</b> | <b>2000</b>  | <b>1999</b>  |
| <i>Revenues</i>                                    |                                |              |              |
| Sales  |                                | 6,176        | 2,893        |
| Equity share in income (loss) of affiliates        |                                | 70           | (3)          |
| <b>Total revenues</b>                              |                                | <b>6,246</b> | <b>2,890</b> |
| <i>Costs and other deductions</i>                  |                                |              |              |
| Operating expenses                                 |                                | (2,665)      | (1,634)      |
| Exploratory expenses                               |                                | (6)          | (19)         |
| Selling, general and administrative expenses       |                                | (805)        | (412)        |
| Depreciation, depletion and amortization           |                                | (358)        | (240)        |
| Taxes other than income taxes                      |                                | (434)        | (281)        |
| Income (loss) on disposal and impairment of assets |                                | (91)         | 21           |
| <b>Income (loss) from operating activity</b>       |                                | <b>1,887</b> | <b>325</b>   |
| Interest income                                    |                                | 61           | 10           |
| Interest expense                                   |                                | (96)         | (85)         |
| Other non-operating expense                        |                                | (68)         | (140)        |
| Minority interests                                 |                                | (49)         | (2)          |
| <b>Income before income taxes</b>                  |                                | <b>1,735</b> | <b>108</b>   |
| Income taxes                                       |                                | (283)        | (16)         |
| <b>Net income</b>                                  |                                | <b>1,452</b> | <b>92</b>    |

OA O LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

**CONSOLIDATED BALANCE SHEET**

| In million US dollars                                   | unaudited     |               |
|---|---------------|---------------|
| At June 30  | 2000          | 1999          |
| <i>Current assets</i>                                   |               |               |
| Cash and cash equivalents                               | 854           | 267           |
| Short-term investments                                  | 170           | 126           |
| Accounts and notes receivable                           | 2,124         | 1,333         |
| Inventory   | 677           | 308           |
| Deferred charges and other current assets               | 560           | 278           |
| <b><i>Total current assets</i></b>                      | <b>4,385</b>  | <b>2,312</b>  |
| <i>Non-current assets</i>                               |               |               |
| Property, plant and equipment, net                      | 8,675         | 6,859         |
| Intangible assets                                       | 290           | 76            |
| Investments and other non-current assets                | 1,284         | 855           |
| <b><i>Total non-current assets</i></b>                  | <b>10,249</b> | <b>7,790</b>  |
| <b>TOTAL ASSETS</b>                                     | <b>14,634</b> | <b>10,102</b> |
| <i>Current liabilities</i>                              |               |               |
| Short-term debt   | 1,004         | 640           |
| Accounts payable and accrued liabilities                | 2,113         | 1,761         |
| Other current liabilities                               | 222           | 339           |
| <b><i>Total current liabilities</i></b>                 | <b>3,339</b>  | <b>2,740</b>  |
| <i>Long-term liabilities</i>                            |               |               |
| Long-term debt  | 1,701         | 1,516         |
| Other long-term and accrued liabilities                 | 295           | 189           |
| <b><i>Total long-term liabilities</i></b>               | <b>1,996</b>  | <b>1,705</b>  |
| <b><i>Minority interest in subsidiary companies</i></b> | <b>642</b>    | <b>38</b>     |
| <b><i>Total liabilities</i></b>                         | <b>5,977</b>  | <b>4,483</b>  |
| <i>Stockholders' equity</i>                             |               |               |

|   |               |               |
|---|---------------|---------------|
| Stock capital                                     | 15            | 15            |
| Additional paid-in capital                        | 3,064         | 2,280         |
| Treasury stock                                    | (511)         | (511)         |
| Retained earnings                                 | 6,090         | 3,855         |
| Accumulated other comprehensive loss              | (1)           | (20)          |
| <b><i>Total stockholders' equity</i></b>          | <b>8,657</b>  | <b>5,619</b>  |
| <b>TOTAL LIABILITIES AND stockholders' EQUITY</b> | <b>14,634</b> | <b>10,102</b> |

OAO LUKOIL and its subsidiaries

Consolidated financial statement under US GAAP

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| In million US dollars   | unaudited   |             |
|---|-------------|-------------|
| <b>6 months ended June 30</b>                                 | <b>2000</b> | <b>1999</b> |
| <i>Operating activities</i>                                   |             |             |
| Net income  | 1,452       | 92          |
| Adjustment to reconcile to net cash from operating activities |             |             |
| Depreciation, depletion, amortization                         | 358         | 240         |
| Equity share in (income)/loss of affiliates                   | (70)        | 3           |
| (Income) loss on disposal and impairment of assets            | (193)       | 38          |
| Non-cash investing activities                                 | (22)        | (41)        |
| Changes in working capital, net                               | (773)       | 435         |
| Other, net  | 163         | (97)        |
| <b>Net cash flows from operating activities</b>               | <b>915</b>  | <b>670</b>  |
| <i>Investing Activities</i>                                   |             |             |
| Capital expenditures  | (575)       | (364)       |
| Purchases of investments                                      | (334)       | (184)       |
| Proceeds from sale of property, plant and equipment           | 27          | 35          |

|  |              |              |
|--|--------------|--------------|
| Proceeds from sale of investments                                | 313          | 77           |
| Acquisitions, net of cash acquired                               | 14           | 42           |
| Other investments, net   | (198)        | (67)         |
| <b>Net cash used in investing activities</b>                     | <b>(753)</b> | <b>(461)</b> |
| <i>Financing activities</i>                                      |              |              |
| Net movement of short-term borrowings                            | 328          | (292)        |
| Proceeds from issuance of long-term debt                         | 203          | 511          |
| Principal repayments of long-term debt                           | (346)        | (172)        |
| Dividends paid   | (27)         | (2)          |
| Other, net   | 62           | (42)         |
| <b>Net cash flow from financing activities</b>                   | <b>220</b>   | <b>3</b>     |
| Net effect of exchange rate changes on cash and cash equivalents | (10)         | (29)         |
| Increase in cash and cash equivalents                            | <b>372</b>   | <b>183</b>   |
| Cash and cash equivalents – beginning of the period              | 482          | 84           |
| Cash and cash equivalents – end of the period                    | 854          | 267          |