PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS SUMS UP PRELIMINARY RESULTS OF 1998 AND OUTLINES TARGETS FOR 1999

The Board of Directors of JSC LUKOIL has been held in Moscow today. The Board summed up preliminary results of the Company's performance in 1998 and outlined targets for ensuring stable business development in 1999.

In 1998 LUKOIL's performance reflected an unprecedented drop in crude oil prices, domestic financial and banking crisis and high taxation.

A negative impact of the above factors did not allow the Company to meet all the targets set for 1998. Cash constraints provoked reduction in drilling and exploration activities, building and wells repair.

Nevertheless, the Board of Directors noted that in an adverse financial environment the Company carried out cost-savings and business rationalization measures. This allowed, to a considerable extent, to compensate for the negative impact of the external factors and ensure the fulfillment of the 1998 targets and budget figures. Profit before taxation of JSC LUKOIL (main subsidiaries included) is expected to reach 4.4 billion rubles against 4.2 billion envisaged by the budget'98.

Compared to 1997 oil production in 1998 rose by 1.9 million tons to 64.2 million tons. LUKOIL's share in the total oil production in Russia is 21.1%. Oil extraction through use of enhanced oil recovery techniques accounted for 8.2 million tons. Total production costs were 13.2% lower than planned for 1998. Production cost per ton of crude oil was 12.7% lower compared to 1997.

In 1998 the companies of LUKOIL group produced 3.7 billion of cubic meters of gas, up 12.6% yoy. The utilization rate of associated gas reached 80.6%, up 4% compared to 1997.

25.6 million tons of oil were exported, up 33% yoy. 33.8% million tons were supplied to Russian refineries.

Refining of crude oil at the Company's two refineries, including processing at NORSI Oil amounted to 19.1 million tons. The depth of refining increased from 76.2% in 1997 to 79%. This figure considerably exceeds the Russian oil sector average of 65.4%. Production of motor gasoline increased by 86,600 tons, high

quality diesel fuel by 285,600 tons, lubricants and its bases by 5,000 tons. The assortment of petroleum products of higher ecological and operational quality is being renewed and the Company's refining capacities are being upgraded. The upgrade of the catalyst cracking unit at the Perm refinery has been completed. This will allow to raise petroleum products output from 400,000 to 700,000 tons a year. In 1998 3.5 million tons of petroleum products were exported.

LUKOIL Board outlined target figures for the Company's stable development in 1999. The Company will follow up the implementation of a comprehensive program of cost cutting, consolidation of revenues and as a result - stabilization of operating and financial performance. The company will maintain stable production due to more efficient development of oil fields, including through a wider use of enhanced oil recovery techniques. The Company plans to carry out a number of measures aimed at improving organizational structure and technical re-equipment of drilling and service teams, increasing the quality of oil sites construction and formation exposing, implementing cost-savings measures in drilling.

LUKOIL President Vagit Alekperov addressed the Board and said that thanks to efforts of all employees the main tasks and budget figures set for 1998 were fulfilled. Mr. Alekperov expressed his confidence that in adverse conditions of 1999 LUKOIL will in general preserve oil production and oil refining levels, considerably improve cost-efficiency and ensure further steady development of the Company.мероприятия по совершенствованию организационной структуры и техническому перевооружению буровых и вспомогательных подразделений, повышению качества строительства скважин, вскрытия продуктивных пластов и снижению затрат на буровые работы.

Выступая на Совете директоров, Президент ОАО "ЛУКОЙЛ" Вагит Алекперов сказал, что благодаря усилиям всех сотрудников Компании в 1998 году основные задания плана и бюджета были выполнены. Вагит Алекперов выразил уверенность в том, что в трудных условиях 1999 года ОАО "ЛУКОЙЛ" в целом сохранит достигнутые объемы добычи и переработки нефти, значительно сократит издержки и обеспечит на этой основе дальнейшее поступательное развитие Компании.