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LUKOIL AND HELLENIC PETROLEUM S.A. OF GREECE OUTLINE COOPERATION

Vagit Alekperov, President of LUKOIL, and Eleftherios Tzellas, President of Hellenic Petroleum S.A., national oil company of Greece, have signed a Declaration of the Main Goals and Principles of Cooperation.

The main goal of this cooperation is to create a joint vertically integrated oil company to pool the parties' interests in the area of exploration, production, refining and marketing of oil and petroleum products.

According to the Greek party, combination of LUKOIL's experience, opportunities and assets in oil production in Russia with experience, opportunities and assets of Hellenic Petroleum S.A. in Greece will improve operating efficiency of both companies.

The parties have also agreed to commence joint foreign trade operations, to coordinate their policy in South-Eastern Europe and the Black Sea region. According to Vagit Alekperov, LUKOIL views the Balkan countries as a promising market for its products and the company plans to expand its presence in the region.

Group Hellenic Petroleum S.A. is a national vertically integrated company that was established in 1998 on basis of state oil companies of Greece. The group owns 50% of refining capacities of Greece through control of refineries in Thessaloniki and Aspropyrgos with the total refining capacity of 9.3 million tons per annum. The two refineries produce 56% of the total amount of petroleum products produced in Greece. The company controls a 23% share of the Greek market. Hellenic Petroleum S.A. operates 1,100 gas filling stations. The company holds exclusive rights for hydrocarbon prospecting at the area of 54,000 square km. The company revenues amount to 743 billion drachmas, net profit in 1997 reached 9.1 billion drachmas (1USD = 291.6 drachmas). In the first half of 1998, net profit totaled 9.8 billion drachmas. The 5 year investment program of Hellenic Petroleum S.A. envisages capital expenditures of 200 billion drachmas. The company plans to build 530 gas filling stations. 30 billion drachmas are to be invested in development of environment-friendly fuels.

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