PRESS RELEASE
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THE LUKOIL BOARD OF DIRECTORS HAS APPROVED A RENEWED STRATEGIC CONCEPT OF THE COMPANY`S DEVELOPMENT FOR THE YEARS 2005-2010

The LUKOIL Board of Directors held a meeting today to consider the way the strategic concept of the Company`s development for the years 2005-2010 is implemented. The Board of Directors introduced amendments and additions into the Concept.

The Board of Directors acknowledged that the Strategic Company`s Concept, set up in April 1997, could not be properly sustained due to extremely unfavorable conditions - the result of the international oil prices slump, as well as, financial and economic crisis in Russia.

However, the Company improved its performance in 1997-1998. Oil production was up 3% (62,3 mln tons in 1997 compared with 64,2 mln tons in 1998). The production level outside Russia was 47% higher than the planned (628 000 tons in 1997 compared with 1,2 mln tons in 1998). Export volumes of crude increased by 29% (19,2 mln tons in 1997 compared to 25,6 mln tons in 1998). This is a clear evidence of an increased Company`s potential. LUKOIL is responsible for 21% of total oil production in Russia.

Crude oil export along with oil products distribution domestically are most profitable among LUKOIL`s business activities.

Taking into consideration the latest changes in the economic situation the Board of Directors has taken a number of important decisions aimed at the Company`s competitiveness maintenance.

The Company is expected to focus on nine major investment projects, the initial phases of which are being fulfilled. An urgent preparation, as well as, implementation of the active marketing program including distribution network reorganization domestically and abroad is also a part of the Concept. Along with it a decision was taken to focus efforts on investment policy improvement to enable high-profitability projects funding and quicker returns of the invested capital.

The Board of Directors decided to held the LUKOIL annual Shareholder`s Meeting on June 10, 1999 in the city of Kogalym, where the headquarters of "LUKOIL-West

Siberia" - the largest LUKOIL`s subsidiary is situated. The list of the shareholders authorized to attend the Meeting will be closed by April 14, 1999. The Board of Directors intends to submit a proposal to the Shareholder`s Meeting consideration to distribute 1998 profit for the investment purposes and loans pay back. Shareholder's Meeting will be recommended to approve the amount of dividends equal to 2,67 rubles for a preferred share and 0,25 rubles for a common share.

The Board of Directors approved of the decision to increase the Company`s share in the charter capital of the Commercial Bank "Petrocommercebank" up to 73,36%.

In his speech at the Board of Directors, President of LUKOIL Vagit Alekperov, outlined that the renewed Strategic Concept implementation based on considerable cost cutting will allow to expand investment opportunities of the Company, increase sales and profit.