PRESS RELEASE
DECEMBER 09, 1999

LUKOIL ANNOUNCES NINE MONTHS 1999 RESULTS

LUKOIL and its 22 subsidiaries reported 9 months 1999 income before taxation of RUB19,981m (versus RUB1,951m for 9 months of 1998).

Income before taxation was principally generated by profit from sales of products and services to the tune of RUB23,017m (versus RUB3,646m for 9 months of 1998). Dividend income from participation in other companies' equity amounted to RUB476m, interest expense to RUB48m. Loss from other non-operating activities totaled RUB1,581m and was attributable to forex losses, increased regional and local taxes, currency sale costs, tangible assets writing off. Non-recurring net loss totaled RUB1,883m and was caused by bad receivables writing off, including debt between subsidiaries, fines and penalties. Income taxes rose 4 times to RUB3,958m. Undistributed profit amounted to RUB16,023m (versus RUB1,119m for 9 months of 1998).

Over 9 months of 1999 LUKOIL's subsidiaries and affiliates produced 48.7 million tons of oil (3% up y-o-y) and 2.9 billion cubic meters of natural gas (8% up y-o-y). Refinery runs at own refineries in Russia increased by 5% and amounted to 13.4 million tons. LUKOIL's refineries increased motor gasoline production by 9% (2.1 million tons), diesel fuel – by 10% (3.9 million tons), lubricants – by 15% (562,000 tons).

Export sales of oil reached 17.7 million tons (95% y-o-y), including 16.8 million tons to non-CIS countries. Export sales of refined products rose by 3 million tons (107% y-o-y). Domestic sales of refined products by LUKOIL's main marketing subsidiaries totaled 3.8 million tons (2-fold increase y-o-y).

Over the period cash collection rate in actual revenues rose significantly and exceeded 75% of the total revenues from oil and refined products sales. This enabled the Company to pay practically all federal taxes in cash. Over 9 months of 1999 tax and non-budget deductions totaled RUB27.8bn.

Over 9 months of 1999 the balance sheet structure and liquidity significantly improved. This was reflected by growth of cash balances and short-term financial investments, considerable reduction of short-term borrowings, increase in shareholders' equity and internally generated cash. Meantime, long-term debt increased due to a 4-year USD150m Sberbank loan obtained for financing

exploration activities in the North Caspian area and Timan Pechora province, a RUB3bn placement of bonds with Russian and foreign investors, a few borrowings for LUKOIL refineries' upgrade, booking of KomiTEK restructured debt to the combined balance sheet.

In general in 1999 oil companies saw a significant improvement in domestic and international oil prices as well as in domestic macroeconomic environment. Recovery in international and domestic oil prices, increased demand for energy, reduced cash deficit in settlements with customers combined with the national currency devaluation contributed to a substantial improvement of the Company's earnings generated from core activities.

Introduction of export duties for oil and refined products and a sales tax from retail operations, increase of a motor gasoline excise tax, restriction of export sales and increase of domestic sales had a negative impact on earnings. 1999 saw a rise of prices on consumed recourses (raw materials, energy, materials, services), increase of transportation tariffs for all means and areas of supplies, wages indexing, revaluation of tangible assets and relevant increase in depreciation, higher debt servicing costs.

In 1999 LUKOIL made a few major assets acquisitions. LUKOIL accomplished the largest merger ever done in the history of Russia by a private company with KomiTEK, bought controlling stakes in the Odessa refinery (Ukraine), Neftochim refinery (Bulgaria) as well as the Nitron (Saratovnefteorgsintez) petrochemical company in the Saratov region of Russia.

LUKOIL's improved financial and operating results were reflected in its stock appreciation, strengthened liquidity and investment attractiveness. Successful accomplishment of the Company's plans create a stable basis for its consistent and efficient development