PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS DISCUSS COMPANY PERFORMANCE IN 1999 AND OUTLINED TARGETS FOR 2000

The Board of Directors of LUKOIL OAO convened in Moscow on January 13 and discussed operating, financial and business performance in 1999 and outlined targets for the Company's performance in 2000.

It was mentioned at the meeting that in 1999 LUKOIL and its subsidiaries took advantage of a favorable environment on the international and domestic markets and met all operating, financial and business targets.

Oil production by LUKOIL's subsidiaries and affiliates (excluding the annual output of the group of companies of KomiTEK OAO) amounted to 65.3 million tons and exceeded 70 million tons (including KomiTEK). The Company's share in the total oil production of Russia totaled 24%.

All the technical measures aimed at stabilization and expansion of oil production under the 1999 plan are complete. 1,220 procedures were conducted to optimize well operation. 13.6 million tons were extracted due to various procedures aimed at intensification of well operation, return of idle wells in operation and application of modern oil recovery techniques. New wells produced 1.13 million tons of oil. Application of new techniques allowed to increase new wells average output to 34.9 tons per day (versus 25.6 tons per day in 1999).

Drilling by oil producing subsidiaries and affiliates of LUKOIL exceeded 1 million meters.

In 1999 LUKOIL's subsidiaries and affiliates extracted 4.5 billion cubic meters of gas. Associated gas utilization rate amounted to 81% (2% higher than in 1998).

Refining throughput at the Company's refineries within Russia (including the Ukhta refinery) amounted to 20.2 million tons. LUKOIL's share in the total refining volume in Russia was 12%. Refining depth reached 79% and is significantly higher than the Russia's average of 68%.

The Company increased output of basic refined products. Motor gasoline output increased by 11%, jet fuel by 9%, diesel fuel by 14%, lubricants and bases by 18%.

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Under the strategic development plan, in 1999 the Company acquired interests in the Neftochim petrochemical plant in Bulgaria and the Odessa refinery in the Ukraine. This allowed to significantly increase LUKOIL's refining throughput, refined products output and refined products marketing on the domestic and international market.

In 1999 the Company continued to expand the petrochemical sector. Processing of pyrolysis feed stock by Stavrolen OOO (formerly Stavropolpolimer OAO) rose 4.3 times and exceeded 700, 000 tons while the range of petrochemicals produced by the plant expanded. After a standstill in November 1999, main production capacities of Saratovnefteorgsintez OOO, another petrochemical plant acquired by LUKOIL in 1999, were launched. Total amount of refined product sales to Russian consumers equaled 17.7 million tons.

In 1999 gross operating revenues of LUKOIL's 22 subsidiaries and affiliates is expected to reach some RUB200bn. Income before taxation (including main subsidiaries of KomiTEK OAO) is likely to exceed RUB33bn.

Under the agreement with the Ministry for Taxes and Dues of the Russian Federation, LUKOIL paid all taxes to the federal budget and repaid its subsidiaries' liabilities overdue practically in full. All obligations to the Federal Road Maintenance Fund and Pension Fund are complete. According to preliminary estimates, the Company's subsidiaries and affiliates paid some RUB60bn in taxes and dues last year thus becoming one of the biggest taxpayers of the Russian Federation.

The Board of Directors outlined main targets for the Company's performance in 2000. The main objective is to increase oil production and as a result to improve operating and financial results.

To maintain steady oil production of 75-76 million tons the Company plans to drill some 1.7 million meters, to bring over 500 wells in operation and to continue well servicing.

It is planned to add 54 million tons of oil reserves under the exploration plan. Drilling and tests of first exploratory wells in the Northern Caspian shelf will be completed.

Refining throughput at the Company's refineries within Russia may reach 23.3 million tons. The 3 Company's refineries in Eastern Europe will refine up to 14 million tons of exported oil. Output of main refined products will increase, the range of these products will expand and the quality will improve.

Capital expenditure for core activities is likely to reach RUB37.7bn in 2000 (2.3 times more versus 1999). Investment will be mainly routed to secure the development of new oil fields in the West Siberia, exploratory activities in the Northern Caspian shelf, construction of field facilities in the Timan Pechora oil and gas province, refineries upgrade.

The Board of Directors approved Resolution on a unified system of non-government pensions in LUKOIL and its subsidiaries. This document guarantees the right to the Company's employees to obtain non-government pension.

As a result of disposal of over 75% LUKOIL shares by the state and in accordance with the Federal Law on Shareholder Companies, the Board of Directors elected Valery I. Graifer as Chairman of the Board of Directors and relieved Vagit Yu. Alekperov, President of LUKOIL, of this position. Valery I. Graifer was born on the 20th of November, 1929. In 1952 he graduated from the Gubkin Oil Institute in Moscow. He held different positions in the oil sector of the country. In 1989-1990 he was Deputy Minister for Oil and Gas Industry of the USSR. Since 1992 he has been Director General of the Russian Innovation Fuel and Energy Company.

LUKOIL's Board of Directors and the Council of the International Labor Union Organizations of LUKOIL which comprise over 100,000 members addressed LUKOIL shareholders and its employees, all people employed in oil and gas industry, Russia's citizens and proposed to support candidate Vladimir Putin at Presidential elections.