PRESS RELEASE
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# OAO LUKOIL BOARD OF DIRECTORS APPROVES 2003 ANNUAL REPORT

In compliance with the Federal Law of the Russian Federation on Joint Stock Companies and the Company Charter, OAO LUKOIL ("LUKOIL" or "the Company") Board of Directors gave its tentative approval to the 2003 Annual Report at its session in Bucharest (Romania) today. The report was recommended for approval by the Annual General Sharehlders Meeting ("AGSM") to be held on June 24, 2004.

The 2003 increment in the Company's hydrocarbon reserves amounted to 169.7 million tons of oil equivalent, which allowed to replace production and significantly increase hydrocarbon reserves. As a result of geological prospecting, 13 oil fields, one gas/condensate and one oil/gas field were discovered in 2003. Also, 14 new oil deposits at the previously discovered fields were detected. The major increment came from Nenets Autonomous District, the Caspian Sea and Western Siberia. The largest increment in gas and condensate reserves was obtained in the Caspian Sea. As of 1 January, 2004 the remaining recoverable hydrocarbon reserves of ABC1 category total 2.47 billion tons of oil, 0.77 billion tons of gas condensate and 1.03 billion cubic meters of natural gas.

In 2003, the LUKOIL Group produced 81.5 million tons of oil at 311 fields, as against 79.8 million tons in 2002. Out of this amount, 78.6 million tons were extracted within Russia. In 2003, 14 new fields came on stream.

As a result of the implementation of the Crude Production Optimization Program for 2003-2005, the average daily output reached 224 thousand tons, as against 213 thousand tons in 2002. At the same time a sustainable growth of the average daily well rate from 9 tons/day in 2002 to 10.1 tons/day was observed. The most significant growth of production rate was recorded in OOO Nariyanmarneftegaz and OOO LUKOIL-Komi.

In 2003, the Company produced 5.7 billion cubic meters of gas (11% up on the year 2002), including 1.3 billion cubic meters of natural gas.

Crude exports increased by 10% hitting 37.7 million tons.

In 2003, the Company refined 43.5 million tons of oil, including 42.3 million tons processed at its own refineries; 34.3 million tons were refined in Russia, whereas 8

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million tons were processed abroad. The average capacity utilization rate at the refineries amounted to 83.2%. The 2003 throughput of the Company's gas processing facilities totaled 2.1 billion cubic meters of associated gas. The Company's petrochemical plants produced 1.76 million tons of products (compared to 1.63 in 2002). LUKOIL exports its petrochemical products to more than 50 countries.

In 2003, 13.5 million tons of petroleum products and products of gas processing were exported (compared to 14.2 million tons in 2002).

The Company's distribution network comprises 201 tank farms with a total storage capacity of 3 million cubic meters and 4,599 filling stations. LUKOIL's retail network in Russia includes 1,456 own and leased filling stations, as well as 276 sites operated under franchising programs. In 2003, 2.4 million tons of petroleum products were sold through the retail network in Russia, 1.24 million tons were sold in Europe and the CIS and 2.44 million tons in the USA.

In 2003, LUKOIL supplied 18.6 million tons of petroleum products to the Russian market, which is 9% up against 2002. Out of this amount, 6.9 million tons were supplied to large wholesale consumers and government-owned entities.

Last year marked the completion of the "Program of Ecological Security of LUKOIL Group Organizations in the Period 2000-2003", which resulted in a significantly lower impact on the environment compared to the average indices in the Russian oil and gas sector.

In 2003, the Company adopted the "Program of Ecological Security of LUKOIL Group Organizations in the Period 2004-2008" which stipulates almost 400 arrangements and activities with a budget of 34.5 billion rubles. This Program is aimed at improving the waste management system. Under the Program, the Company will dispose of the accrued wastes and significantly reduce newly accumulated wastes by 2008.

In 2003, the Company remained focused on the economic efficiency of its projects. LUKOIL reviewed its objectives and gave priority to better financial performance, higher profit and shareholder value. This resulted in a 50% increase in the Company's capitalization and a 60% increase in the Company shares and ADR trade volumes. LUKOIL's efforts to strengthen its financial standing and improve corporate governance resulted in a Ba2 credit rating for LUKOIL by Moody's.

LUKOIL performance indicates that the goals set before the Company within the Restructuring Program for 2001-2003 have been fundamentally achieved. The main part of the Restructuring Program, which envisaged the reduction of LUKOIL

Group companies by means of merger, spin-off or liquidation, was fulfilled.

Also, the Board of Directors took into consideration reports on the activities of the LUKOIL Board of Directors committees which were established by the Board in 2003. The Committees are headed by independent Directors and meet on a regular basis.

The Strategy and Investment Committee, in particular, worked out a number of recommendations to LUKOIL Strategic Development Program till 2013 in order to establish an even stronger interconnection between the completion of the goals set and the growth of the Company's capitalization. The Committee recommended that the Board adopt this Program (The Program was adopted at the Board of Directors session on 21 November, 2003). The Strategy and Investment Committee prepared recommendations with regard to the Company's profit/loss distribution procedure basing on the year's financial results. Recommendations regarding the amount of dividends and the dividend payment procedure were also suggested. The Committee acknowledged the necessity to continue to improve corporate governance.

The HR and Compensation Committee reviewed the system of work motivation for the Company's employees and the size of remuneration for the members of the Board and the Auditing Commission. Also, the Committee determined a procedure for keeping the register of participants of the Employee Restricted Share Plan.

The Audit Committee reviewed procedures for the preparation of the LUKOIL Group consolidated statements. The Committee confirmed that the prepared consolidated statements fully comply with the US GAAP. The Committee confirmed the independent status of ZAO KPMG which is the Company's external auditor. Also, the Committee recommended that the AGSM approve KPMG as the Company's auditor at the Board's proposal.