PRESS RELEASE
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LUKOIL OBTAINS A LOAN FOR THE EARLY AZERI OIL

LUKOIL obtained a loan worth of USD 77.2 million to develop the first stage of the Azeri, Chirag and Gyuneshli deep-water part. The oil fields are located in the Caspian offshore adjacent to the territory of Azerbaijan.

The loan that matures in 8 years was provided by the European Bank for Reconstruction and Development and the International Financial Corporation at a favorable interest rate. Citibank, Dresdner Kleinwort Benson and Societe Generale participated as co-creditors. This loan is practically the first project financing with limited recourse for LUKOIL. The funds will be transferred as soon as the Company obtains a relevant license from the Central Bank of Russian Federation.

Other members of the consortium to develop the Azeri, Chirag and Gyuneshli offshore in which LUKOIL carries a 10% interest also loaned the total of USD 400 million. The loan is drawn to finance construction and upgrade of technical facilities and transportation of the early oil.

At present oil production which started in November 1997 amounts to 80,000 barrels (more than 10,000 tons) per day. This oil is shipped by a pipeline through the Russian territory to the Black Sea port Novorossisk.

The total size of investment to develop Azeri, Chirag and Gyuneshli oil fields is estimated at USD 10-12 billion. In the course of development 4 billion barrels (550 million tons) of crude oil will to be extracted. Daily production within 10 years will reach 800,000 barrels, or 40 million tons, a year.

Azeri projects are of the highest priority to the Company, stated LUKOIL President Vagit Alekperov. That is why we are keen on raising investment for these projects. Obtaining this credit facility can be regarded as a big success for the Company. Under conditions of a considerable slump in foreign investment, this shows that investors still preserved their confidence in LUKOIL and proves the Company's ability to raise funds for development of production projects, Alekperov said.

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