PRESS RELEASE
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LUKOIL HOLDING REPORTED 1998 PRE-TAX INCOME OF RUB3.209 BLN

LUKOIL Holding (excluding subsidiaries and affiliates) summarized its 1998 financial results. Pre-tax income amounted to Rbl3.209 bln. Taxes and similar state duties totaled Rbl1.142 bln, or 35.6% of the pre-tax income. Income subject to distribution in 1999 is Rbl2.067 bln.

In 1998, LUKOIL Holding's total investment amounted to Rbl1.420 bln, including Rbl583 ml from earnings and Rbl837 ml from borrowed financing. Investment was basically channelled to the refurbishment of upstream and downstream capacities, construction of retail outlets, introduction of modern communication systems and facilities, as well as expenses related to foreign projects.

In 1998, LUKOIL stock turnover in the Russian Trading System (RTS) amounted to USD2 bln, or 23% of the total RTS turnover. According to Nikoil Registrar, changes in ownership rights for 336.3 ml common and preferred shares have been reregistered. LUKOIL shareholders comprise 85,000 Russian and foreign individuals and legal entities. 26.6% of shares (29.9% of voting rights) are owned by the Government of the Russian Federation. LUKOIL shares are traded on the MISEX, Berlin, Frankfurt, Singapore stock exchanges, US OTC market.

STATEMENT OF INCOME AND LOSSES

Rbl ml

For the year ended December 31	1997	1998
Operating revenues, net	25,784	36,041
Cost of sales	(22,201)	(29,154)
Selling expenses	(1,402)	(2,417)
Administration costs	(1,000)	(1,276)
Operating profit	1,181	3,194
Interest and dividend income, net	20	29

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Non-operating revenues and expenses	(182)	264
Non-recurring gains and losses, net	31	(278)
Income before taxation	1,050	3,209
Income tax and similar state duties	(341)	(1,142)
Undistributed profit	709	2,067

BALANCE SHEET

Rbl ml

For the year ended December 31	1997	1998
Cash, equivalents and marketable securities	764	1,898
Accounts and notes receivable	8,495	19,380
Inventories	390	319
Deferred charges	29	129
Total current assets	9,678	21,726
Property, plant and equipment, net	838	940
Intangible assets, net	98	151
Construction in progress	333	698
Financial investment	1,46	2,693
Total fixed assets	2,729	4,482
TOTAL ASSETS	12,407	26,208
Short-term borrowings	2,163	6,114
Accounts and notes payable	6,736	14,652
Deferred income	0	0
Total current liabilities	8,899	20,766
Long-term borrowings	331	206

Other long-term liabilities	0	1,973
Total long-term liabilities	331	2,179
Charter capital	19	19
Additional capital	122	77
Retained earnings and reserves	3,036	3,167
Total shareholders' equity	3,177	3,263
TOTAL LIABILITY AND EQUITY	12,407	26,208

Notes:

1.The Statement of Income and Losses and Balance Sheet of LUKOIL Holding, excluding subsidiaries and affiliates, are audited by KPMG.

2.All data is given on the accrual basis.