PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS DISCUSSES WAYS TO INCREASE THE COMPANY'S MARKET CAPITALISATION

The LUKOIL Board of Directors met in Burgas (Bulgaria) today to discuss the Company's international downstream activities and new projects aimed at increasing the market value of Company shares.

Mr. Dmitry Tarasov, LUKOIL's First Vice President for downstream, noted that the Company's international activities in the downstream sector are focused on reducing risks due to price fluctuations in the domestic crude and petroleum products market. To this end, a greater share of profits should come from sales of petroleum products at higher prices in international markets.

LUKOIL's policy of aggressive integration in CIS and other international markets has enabled increase of crude export for sale and for refining at the Company's own facilities located abroad. The policy has also enabled increase of petroleum product sales abroad including sales via the Company's own retail network.

Sales of crude and petroleum products on international markets are expected to be 64 million tons in 2003, which will be 25% more than in 2002. Investments in international downstream projects will be 2.9 times higher than last year's figure and will total USD 348 million. Acquisition of new international distribution assets has been achieved with modest initial investments and will bring additional profit.

Financial results of international downstream activities are expected to improve in 2003. EBITDA from international downstream is expected to be around USD 250 million, or USD 50 million more than in 2002.

The Company is committed to further optimizing its international downstream management structure in accordance with the best international corporate standards. Efforts will be focused on improving the efficiency of Company assets in Bulgaria, Serbia and Romania. LUKOIL will also increase export capacity by developing new transport routes for crude and petroleum products, including the Vysotsk facility. Company Management will continue to develop alternative export methods using railway trestles at refineries in Nizhny Novgorod, Volgograd, Perm and Ukhta, as well as developing exports by sea.

The Board of Directors approved efforts by the LUKOIL Management Board to

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improve the Company's investment rating. The Board also welcomed positive results from implementation of Stage 1 of the LUKOIL Restructuring Program, namely: enhanced export volumes via the most profitable routes, reduced operating expenses thanks to closure of inefficient wells and increase of the average well production rate, optimization of the field development program, and improvement of management structure.

The Board of Directors ordered continuation of the field development optimization program. This program will offer a consolidated model of field development projects to help identify poorly producing fields. Such fields will then be subject to efficiency improvements, disposal or plugging.

The Company plans to complete sale of LUKOIL-Bureniye (LUKOIL-Drilling) in order to create a competitive environment in the servicing companies sector. The Company also plans to further restructure and divest its non-core businesses in transport, construction and financial services.

LUKOIL will also optimize upgrading of its refineries to better match forecast developments in demand for petroleum products.

Finally, the Board Meeting emphasized the importance of increasing return on investment to levels significantly above the cost of capital. Forecast rates of investment return for each sector will be key criteria in preparing the LUKOIL Strategic Development Program and Comprehensive Investment Plan for 2004-2013.

The Board of Directors ordered the Strategic Development Program and Comprehensive Investment Plan for 2004-2013 to be submitted for approval by the Board in November 2003.

Lidiya Shuleva, Bulgarian Deputy Prime Minister and Minister of the Economy, and Vladimir Titov, Russian Federation Ambassador to Bulgaria, also attended the meeting.

Yesterday, ceremonies dedicated to the 40th anniversary of Neftokhim refinery, which control stock of shares was acquired by LUKOIL in 1999, took place in Sofia. Georgi Purvanov, the President of Bulgaria, took part in the ceremonies.