PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS TO DISCUSS THE CASPIAN SEA DEVELOPMENT PROGRAM AND OVERSEAS PROJECTS PERSPECTIVES

Today in Baku (the Republic of Azerbaijan) LUKOIL Board of Directors held a meeting which considered development of the Company's oil and gas projects in the Caspian Sea and perspectives of oil refining and oil product distribution at international markets.

It was stressed at the meeting that LUKOIL dedicates its efforts to development of oil and gas fields of the Caspian Sea both in the Russian sector and overseas projects.

The Company initiated a comprehensive study of mineral resources of the Russian sector of the Caspian Sea at the end of 1995. Over the past 5 years a significant amount of work was conducted to perform a geological survey and development of the Northern part of the Caspian Sea. Prospecting infrastructure was created in Astrakhan. A jack-up rig Astra was upgraded at the Astrakhan shipyards. The total G&G and infrastructure preparation costs exceeded USD300m. The survey resulted in discovery of 10 promising oil and gas structures, 5 of which were prepared for deep-water drilling, two oil and gas fields, Khvalynskoye and Yurii Korchagin. The total estimated recoverable hydrocarbon reserves of these 5 structures are some 460 million tons of oil equivalent. Thus, LUKOIL fully meets all license commitments in accordance with the Program of Study and Development of Hydrocarbon Reserves of the Caspian Sea.

The LUKOIL environmental policy with regard to offshore projects and the Caspian offshore, in particular, is based on the zero discharge principle when all product wastes are evacuated to the shore and utilized under a special technology. The monitoring shows that over 5 years of the Company's operation in the Caspian offshore zone a content of contaminated substances in the seawater has never exceeded quality norms adopted for fisheries. LUKOIL environmental costs exceeded RUB160m.

In the near future the Company plans to launch drilling of at least four deep wells at the license block, perform a significant volume of geophysical works at the Yalama-Samur and Tsentralnaya geological structures. In addition to that, within the framework of the Caspian Oil Company LUKOIL in alliance with Gazprom and Yukos will continue a geological study of an area of the Caspian Sea (the North

Caspian contract area).

The Republic of Azerbaijan is amongst perspective regions of the Company operations in the Caspian region. LUKOIL participates in four international consortia within the Republic, namely Azeri-Chyrag-Gyuneshli (the Company has a 10% interest), Shakh-Deniz (5%), D-222 Yalama (60%), Zykh-Govsany (50%).

In 2000 the annual production within the framework of the Azeri-Chirag-Gyuneshli consortium reached 5 million tons and since the beginning of its operation in November 1997 - 12 million tons. The project is in the stage of "early" oil production.

LUKOIL acquires a unique experience in terms of production sharing cooperation in international-scale off-shore and deep water drilling projects through its involvement in international consortia in Azerbaijan. Orientation at internationally accepted forms of project and production organization and management and unlimited possibilities of applying modern technologies and technical capabilities of international oil business is a distinction of project development.

The Board of Directors has also considered perspectives of oil refining and oil product distribution at international markets.

In order to boost the efficiency of LUKOIL's overseas operations LUKOIL Europe Holdings Ltd. was created. The main purpose of LUKOIL Europe Holdings Ltd. is to ensure integrity of investment, budgeting and administrative activities of the Company's overseas subsidiaries and their openness and transparency to shareholders in accordance with international requirements and standards. Ralif Safin was appointed President of LUKOIL Europe Holdings Ltd.

Implementation of the program of development of LUKOIL overseas refineries, Romanian Petroleum LUKOIL, Bulgarian LUKOIL Neftochim Burgaz and LUKOIL Odessa Refinery, over the period of 2001-2005 will allow to maintain production of quality oil products and ensure efficient use of secondary processes through an inter-refinery cooperation. By the end of 2001 it is planned to expand a distribution chain of its own and affiliated chain by 120-150 retail outlets in Romania, Bulgaria and Ukraine. The main strategic goal in the area of LUKOIL's international operations is to receive additional profit from export operations.