PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS DISCUSSED THE COMPANY'S PERFORMANCE IN THE 1ST HALF 2001

The meeting of LUKOIL Board of Directors has taken place today in Moscow where the results of the Company's performance in the 1st half 2001 were summarized.

Over the first six months of 2001 LUKOIL including affiliates, joint ventures and projects on PSA terms produced 38.7 mln tons of oil, which represents a 1.6% increase over the 1st half 2000. Implementation of the up-to-date enhanced recovery technologies allowed the Company to produce an additional 7.7 mln tons of oil. LUKOIL accounted for 22.4% of the overall oil production in Russia in the first half 2001.

Gas production increased by 3.2% (as compared to the 1st half 2000) and amounted to 2.6 bn cubic meters.

As compared to the 1st half 2000, the volume of hydrocarbons added to the reserves grew by more than four times and amounted to 47.6 mln tons of conventional fuel. Six new oil fields and five deposits at existing fields were discovered.

The Company's refineries in Russia processed 10.9 mln tons of oil. The total amount of oil supplied to domestic refineries increased by 1.3%. Refining depth at the Company's refineries in Russia achieved 76.3% whereas Russian average was 70.7%. LUKOIL's share in the overall refinery throughput in Russia amounted to 12.9%.

In the 1st half 2001 the Company's refineries outside Russia (Odessa refinery, Petrotel-LUKOIL refinery in Romania and LUKOIL-Neftokhim-Bourgas in Bulgaria) processed 4.5 mln tons of oil.

Overall volume of oil product deliveries as compared to the 1st half 2000 increased by 2% and amounted to 17.4 mln tons, including 12.9 mln tons supplied to the domestic consumers.

Oil exports in the 1st half 2001 amounted to 16.24 mln tons, oil product exports amounted to 4.5 mln tons which represents an increase of 10.4% and 9.9%

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respectively (as compared to the 1st half 2000).

It was stressed at the meeting of LUKOIL Board of Directors that the Company had to retain its positions on the oil product markets under complicated market conditions - an oversupply of oil products, unprecedented high level of oil product inventories at refineries and oil terminals. Under such conditions, LUKOIL price policy was aimed at gradually decreasing domestic prices. Thus, prices for light oil products in the 1st half 2001 were decreased by 5-18%, for fuel oil - by 40-50% as compared to January 2001. Moreover, in the 1st half 2001 the profitability of export sales decreased due to a considerable increase in export duties for oil and oil products.

The Board of Directors also discussed the matter of improving the personnel management system. In this connection, a system for personnel certification based on the professional standards conforming to the highest global requirements for the employee qualification on the labour market will be implemented by the end of this year. There will also be an improvement in the process of continuous employee training.