PRESS RELEASE
AUGUST 29, 2002

LUKOIL BOARD OF DIRECTORS SUMMARIZED RESULTS OF COMPANY PERFORMANCE IN THE FIRST HALF OF 2002

Today in Moscow LUKOIL Board of Directors held a meeting to summarize the Company operating results for the first half of 2002.

In January - June 2002 oil production by LUKOIL subsidiaries and affiliates, including their share in PSA projects, amounted to 39.4 million tons, 1.5% more compared to the same period of 2001. 8 million tons were extracted due to use of modern enhanced recovery techniques. The Company's share in the total Russian oil production amounted to 21%. Two fields, namely Tadin and Toboy, were commissioned in the reporting period.

Unit costs in oil production for LUKOIL's Russian subsidiaries (excluding taxes and depreciation) decreased by 2.8% compared to the same period of 2001 and reached RUR651.5 per ton of oil produced (according to RAS methodology).

Gas production by the Company subsidiaries and affiliates reached 2.6 billion cubic meters, which is in line with last year's production.

Addition of hydrocarbon reserves went ahead of planned schedule. Over 6 months of 2002 the Company added 38.6 million tons of oil equivalent, including 20.2 million tons of oil and gas condensate and 18.4 billion cubic meters of gas. Costs for addition of reserves decreased by 10% to USD 0.53 per barrel compared to the same period of 2001.

Oil refining at LUKOIL Russian and international refineries reached 19.6 million tons, or 6.7% more compared to the same period of 2001. Refining throughput at Russian refineries increased by 15.4%. The Company's share in the total Russian refining throughput increased from 12.9% in the first half of 2001 to 18.9% in the same period of 2002. Refining depth was 72.0% while industry average was 68.9%.

LUKOIL international refineries processed 3.6 million tons of oil in the first half of 2002.

LUKOIL Russian refineries shipped 17.5 million tons of oil products, 0.2% more compared to the same period of 2001. International affiliates sold 5.6 million tons of oil products. 10.6 million tons of oil products were shipped to consumers in the

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

Russian Federation.

Sales through the Company retail network reached 2.66 million tons of oil products, including 1.53 million tons internationally and 1.13 million tons domestically.

In January-June 2002 the Company exported 14.5 million tons of oil and 6.9 million tons of oil products, 97% and 250% respectively compared to the first 6 months of 2001.

The Board of Directors stressed that in the 1Q02 the Company had to operate in complicated competitive environment due to oversupply of oil and oil products on the domestic market that resulted from a seasonal decline in oil product consumption and export supplies. Therefore it was decided to reduce operating costs and investments by 20% from the second quarter throughout the fourth quarter compared to the targeted figure.

Implementation of measures in the scope of the Restructuring Program aimed at reduction of operating costs, rationalization of capex and increase of LUKOIL subsidiaries' operating efficiency as well as improvement of market conditions on the domestic and international oil markets in the 2Q02 resulted in resumption of positive trends in the Company development in all areas of its activity.

"Positive results achieved by LUKOIL in the first half of 2002 prove the right choice of our strategy aimed at reduction of all operating and selling costs, increase of sales efficiency, faster payback of investments, streamlining of the Company structure," said LUKOIL President Vagit Alekperov at the meeting of the Board of Directors.

The Board of Directors made a decision to accelerate implementation of the LUKOIL Restructuring Program as a key way to maximize Company profitability, investment attractiveness and value.