PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS APPROVES COMPANY STRATEGIC DEVELOPMENT PROGRAM FOR 2004-2013

The Board of Directors of OAO LUKOIL ("LUKOIL" or "the Company") convened today in Geneva to approve the Strategic Development Program of the Group for the period 2004-2013. The program calls for a 2-2.5-fold increase of key financial indicators and 1.8-fold increase of hydrocarbon production with capital expenditures exceeding USD 25 bln.

LUKOIL's strategy is aimed at significant increase of ROACE through careful selection of investment projects and through cash flow growth based on:

- Intensification of production at existing fields in the short term and accelerated commissioning of new projects in Timan Pechora, the Caspian and internationally;

- Gas program implementation;

- Maximum efficiency in marketing of crude oil and petroleum products (cost reductions through improved logistics, and increase of exports and sales through the Company's filling station network in the refining & marketing segment).

Management strategy of LUKOIL Group in 2004-2013 will focus on greater incentives for top managers of business segments to improve performance results, and development of an investment plan on a project-by-project basis. Priorities in the period 2004-2006 will be divestment of non-core assets, transfer to a tendering system for purchases of commodities, materials, capital equipment and services, reduction of the cost of borrowed capital, and creation of a reserve fund for indemnification against sharp falls of oil prices and for repurchase of the Company's stock when market conditions are favorable.

Key objectives for the exploration & production segment in 2004–2013 are as follows: to achieve minimum daily output of 2.8 million barrels; to enhance field development efficiency by application of tried-and-tested, state-of-the-art oil recovery technologies; to reduce operating costs to USD 2.5/bbl and per unit capex to USD 2.2/bbl in accordance with official macroeconomic forecast figures and indices; to withdraw non-profitable and marginal properties; to sell stakes in successful exploration projects after discovery of commercial hydrocarbon reserves, including projects in the overseas upstream projects sector; to acquire

operating assets in the overseas upstream projects sector during their production growth stage, including via swaps for Russian oil assets; to expand and intensify oil and gas production in new regions; to expand and diversify gas production.

In 2004-2006 the refining and marketing segment will focus on logistics as a basis for reduction of transportation costs. There will be an increase of export supplies via Russian ports and an increase in deliveries to filling stations. Reduction of administrative and selling costs in the international trade sector is also planned.

The focus in 2007-2013 will be on optimization of Russian refinery capacity utilization, moderate investment in oil refining subsidiaries and more intensive investment in petrochemical subsidiaries. There will be an expansion of retail and an increase in the amount of oil exported via independently owned transport. Existing refining capacities will be enlarged and new refining capacities will be acquired.

The Board of Directors also approved key indicators of the Company's financial plan, budget and investment program for 2004, assuming Brent prices at USD22/bbl.

LUKOIL plans to add reserves of 120 million tons of oil equivalent in 2004. The recoverable reserves replacement ratio is expected to be 140%.

The target for oil production in 2004 by subsidiaries and affiliates (including PSA interests) is 84.9 million tons. Gas production is targeted at 5.8 bcm.

Company refineries should refine 46 million tons of oil in 2004, and the Company's retail network (including franchising in Russia) should sell 5.9 million tons of petroleum products.

Capital expenditures in 2004 are planned at USD 2.5 bln, of which 70% will be spent on E&P projects.

The Board of Directors also reviewed implementation of the complex program for optimization of field development and production ("the Program") in 2003-2005.

The aims of the Program are to improve efficiency of field work at all development stages and to increase oil production. These aims should be achieved through coordination of the development process, accelerated oil field development, optimized fluid production and water injection, and application of the most efficient and economical technologies.

As stated in Company documents, Program implementation in 2003 enabled

increase of average daily output by LUKOIL upstream subsidiaries to 224,000 tons from 213,000 tons in the same period of the previous year. There has also been a steady increase of average daily output at wells accompanied by stabilization of the water cut and reduction of the working well stock through closure of marginal wells. The biggest growth of daily output was achieved at OOO Naryanmarneftegaz and OOO LUKOIL-Komi.

LUKOIL is focused on expansion and strengthening of its reserve base, and is the only Russian oil company which invests significant resources in exploration in new regions of Russia. Mainly thanks to the Company's efforts a new oil and gas region has been discovered in the Caspian, consisting of 5 large and highly productive fields with recoverable reserves of 766 million tons of oil equivalent. In the Timan Pechora oil and gas province LUKOIL has rapidly discovered new recoverable reserves, justifying launch of commercial production in that region. LUKOIL is significantly increasing investments in exploration in the Nenets Autonomous District. This has enabled increase of C1 and C2 reserves to 371.4 tons and 223.4 million tons respectively.

According to preliminary estimates, incremental production in 2003 from use of enhanced recovery technologies will be 18.3 million tons. Hydrodynamic methods will be widely applied in coming years in addition to physical and chemical technologies for enhanced recovery.

Based on 2003 results the Company plans to close 1900 highly watered wells, of which 1500 have already been shut down.

The Board of Directors decided to continue implementation of the complex program for optimization of field development and production in order to increase exploration efficiency, and reduce lifting and production costs in accordance with the target figures.