

PRESS RELEASE  
JULY 06, 1999

## LUKOIL REPORTS ITS 1Q99 RESULTS

In 1Q99, LUKOIL improved its operating performance by increasing yoy oil production by 2% (to 16.129 million tons), gas production by 3% (to 1.071 billion cubic meters), refinery runs at its own refineries by 5% (to 4.284 million tons). The Company's refineries increased production of motor gasoline by 4 % (to 659,000 tons), diesel fuel by 24% (to 1.253 million tons), fuel oil by 2% (to 1.030 million tons), lubricants by 11% (to 154,000 tons). Export sales of crude oil to non CIS countries amounted to 5.319 million tons (101% yoy). Export sales of petroleum products more than doubled and amounted to 910,000 tons. LUKOIL's main marketing subsidiaries shipped 60% more petroleum products compared to the level of the previous year.

The financial performance of LUKOIL parent company and its subsidiaries noticeably improved. This was reflected by a significant increase in the Company's profit and sources of internal financing, improvement of liquidity and structure of the balance sheet, reduction of short-term debt. The Company's revenues rose more than 60% for the group of main subsidiaries. The growth of costs related to production and marketing (by 40% on average) was restrained by and attributable to inflation trends, partial indexing of wages, higher taxation and depreciation charges. In 1Q99, the undistributed profit of LUKOIL parent company and its 21 subsidiaries amounted to 4 billion rubles compared to 0.4 billion rubles in 1Q98. Non-deductable expenditures amounted to 1.4 billion rubles (compared to 0.6 billion rubles in 1Q98). These expenditures include a book value of 0.3 billion rubles of social and related assets transferred for free to local authorities. The transaction was recorded in the accounts though it does not entail any cash expense.

The average payments collection for shipped products was 92% (compared to 85% in 1Q98). Cash collection rate increased and exceeded 70%.

The number of personnel employed by the main production, refining and marketing subsidiaries totaled 75,000 people with average monthly wages of 4,000 rubles per employee. In 1998, the respective numbers were 85,000 employees and 3,200 rubles.

Capital expenditure in the main production, refining and marketing subsidiaries amounted to 1.0 billion rubles compared to 1.4 billion rubles in 1Q98. The Company continued to carry out investments in new regions and new businesses

(participation in the Caspian Pipeline Consortium, enlargement of the Company tanker fleet, development of oil and gas fields in Russia, Azerbaijan, Kazakhstan, expansion of refining and marketing in CIS countries, Central and Eastern Europe).

A combination of a positive macroeconomic environment in 1Q99 together with growing world and domestic oil prices creates a basis for improvement of LUKOIL's financial performance.