

PRESS RELEASE
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LUKOIL DEVELOPS COOPERATION WITH PERM REGION

LUKOIL President Vagit Alekperov and Governor of the Perm region Yury Trutnev signed a cooperation agreement in Perm today.

The parties agreed to develop cooperation in the area of fuel and energy, petrochemicals, oil engineering, petroleum product distribution and promote implementation of long-term projects in oil and gas exploration and development, oil and gas refining, oil and gas product pipeline construction, oil, gas and refined products marketing.

In accordance with the agreement, the parties will join their efforts to ensure reliable supplies of fuel, lubricants and liquefied gas to the companies and community of the Perm region. The parties reached an agreement on application of the united R&D policy in the area of undersurface prospecting using both budget and Company own funds, preparation of exploration and development projects under PSA terms at certain oil fields of the Perm region. Besides, LUKOIL and the region administration agreed to actively implement social programs aimed at raising living standards of the community where the Company and its affiliates operate.

The parties agreed on efficient performance of LUKOIL affiliates in the Perm region, namely OOO LUKOIL Permneft, ZAO LUKOIL Perm OOO LUKOIL Permnefteprodukt, and decided to consider creation of a fuel and energy company in order to enhance and optimize energy supplies to consumers and LUKOIL affiliates in the region.

In accordance with the agreement, LUKOIL will ensure tax payments to the region and local budgets and maintain oil and gas production at the level which will guarantee efficient economic performance of oil producing enterprises and optimal utilization rate at oil and gas refineries of the Company. A complex of environmental measures will be carried out.

The region administration will support LUKOIL investment activities in the area of developing mineral and resource base and production capacities.

"We are confident that the agreement will promote growth of production potential and living standards in the Perm region that is connected with our Company for years by fruitful and jointly beneficial cooperation," stressed LUKOIL President

Vagit Alekperov.

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The first five-year agreement between LUKOIL and the Perm region administration was signed on November 16, 1995 and became an example of a constructive cooperation.

Over the period from 1996 to 2000 Perm-based enterprises of LUKOIL paid over RUB35bn in taxes to budgets of all levels and non-budget funds. Thus, every third ruble collected by the budget of the region comes from LUKOIL. Over the last 5 years the total amount of tax payments to the consolidated budget of the region increased 5 times.

Since 1999 OOO LUKOIL Permneft and ZAO LUKOIL Perm have paid all taxes locally, i.e. to local budgets of towns and territories of the region. As a result 5 territories became contributors to the budget of the Perm region.

11 enterprises and 23 subsidiaries and affiliates of LUKOIL operate in the Perm region. Total assets reached RUB32bn in 2000. Over 5 years from 1996 to 2000 (joint ventures excluded) oil production amounted to 40 tons, oil refining - to 54.2 million tons. 12 billion rubles were invested in the production development, or 45% of the total investment into the industry of the region. 9.4 million tons of oil products were supplied to consumers of the region.

Total volume of charity aid provided by LUKOIL enterprises amounted to over RUB50m. Most part of assistance was provided to health, culture, education, science and religious institutions. A portion of funds was directed to the Perm charity fund "Miloserdiye".