PRESS RELEASE
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LUKOIL LAUNCHES CONSTRUCTION OF OIL PRODUCT TERMINAL IN VYSOTSK

Today the first stone was laid in the foundation of an oil product terminal on the island of Vysotsky (Leningrad region). The ceremony was attended by Vagit Alekperov, LUKOIL President, Victor Cherkessov, Representative of the President of the Russian Federation in North West Federal District, Valery Serdiukov, Governor of Leningrad Region, representatives of local authorities, journalists from central and local media.

The terminal with design throughput capacity of 10.75 million tons is expected to be commissioned in September 2003. Its construction will allow the company to significantly increase oil product supplies to Western Europe and USA. By 2005, in accordance with the LUKOIL Restructuring Program, oil product exports share of the total production volume will increase from 40% to 50%.

The overall capex for terminal construction will reach around USD150m with payback period of no longer than 4 years. The project's investment attractiveness considerably increased after August 2001 when new railroad export tariffs, together with domestic tariffs, were introduced to transport oil products to sea ports.

At the initial stage, oil products will be transported by rail and in river/sea class tankers to the terminal. In the future, additional transportation means will be used. LUKOIL products will be taken out of Vysotsk in tankers with deadweight of up to 80,000 tons.

To implement this project, LUKOIL acquired 100% of shares of ZAO Baltkhimexport that owned the rights for construction of a chemical terminal on the Vysotsky Island. After considering the project documentation, it was decided to drastically change it to increase throughput capacity of the designed terminal and turn it into transshipping of oil products and possibly petrochemicals in future.

As LUKOIL President Vagit Alekperov said, "Utilization of a new Russia's oil product terminal will enable the company to save from USD5 to USD7 on each ton of shipped products and streamline these funds into development of refining and distribution capacities within Russia."

In 2001 oil product exports by Russian companies of the LUKOIL Group amounted

to 10.87 million tons, including 3.3 million tons through Russian ports, 5.3 million tons through Baltic ports, 0.9 million tons through Ukrainian ports, and 1.3 million tons through other directions.