PRESS RELEASE
FEBRUARY 01, 2005

LUKOIL DEVELOPS ITS OPERATIONS IN THE SOUTHERN FEDERAL DISTRICT OF RUSSIA

A presentation of LUKOIL's activities in the Southern Federal District of the Russian Federation was held today at the Rostov-on-Don rep. office of Dmitry Kozak, the RF President's authorized representative in the District.

LUKOIL's operations in this District involve exploration and production, oil refining and gas processing, petrochemical production, petroleum products distribution and scientific research. Below are LUKOIL subsidiaries which operate in the District:

OOO LUKOIL-Nizhnevolzhskneft

OOO LUKOIL-Volgogradneftepererabotka

OOO LUKOIL-Nizhnevolzhsknefteproduct

OOO LUKOIL-Yugnefteproduct

OOO Stavrolen

OOO LUKOIL-VolgogradNIPImorneft

OAO LUKOIL-Rostovneftekhimproyekt

LUKOIL is actively developing oil and gas deposits in the south of Russia. Creation of a new oil-producing province in the Caspian sea is seen as a priority in this respect. Special attention is given to scientific, engineering and ecological research. A significant share of both reserves and resources of the Caspian fields and prospective structures will be gas deposits. This, in turn, offers great opportunities for Stavrolen, a polymer production petrochemical plant, and opens wide perspectives for a conceived Caspian gas/chemical complex.

The development of the Caspian oil and gas reserves will allow to create additional jobs, enhance the role of the District's enterprises and strengthen Russia's economic influence in the Caspian Region.

LUKOIL-Volgogradneftepererabotka is the District's largest lubricant producer. The

refinery processed nine million tons of oil in 2004. The depth of refining at the plant is 83% while the industry's average figure is 71%. It is expected that the plant will refine up to 9.2 million tons in 2005. Further increase in refining volumes is restricted by the capacity of Transneft pipeline.

A Complex Upgrade Program till 2014 is being implemented at the refinery. The Program targets increased volumes and refining depth, better ecological safety and product quality matching international standards. The completion of Stage 1 of the Program resulted in the production of "environment-friendly" petroleum products, reduction of hazardous emissions and introduction of waste-free technologies.

Stage 2 of the Program envisages a significant improvement of petroleum products quality and a considerable production cost cutting.

LUKOIL operates 300 retail outlets, 39 tank farms, 2 gas-filling stations and 1 transshipment complex in the Southern Federal District. A non-cash settlement system, named "LUKOIL-INTER-CARD", has been introduced at the filling stations. The Company also does bunkering and provides vessels in the Volga-Don basin (Astrakhan, Volgograd, Rostov-on-Don and Azov ports) with fuel and lubricants. Besides, LUKOIL companies transship oil and oil products. Astrakhansky Transshipment complex with an annual capacity of one million tons of oil and one million tons of light petroleum products was put into operation in October 2003.

In the next 5 years LUKOIL plans to spend over four billion rubles on environmental protection in the Southern Federal District under its Ecological Safety Program for 2004-2008.

In 2004, the overall taxes paid by LUKOIL's major companies operating in the District amounted to about 10 billion rubles.

The Company's entities also contributed a lot to the implementation of socially-important projects. In 2004, the Company allocated over 100 million rubles to support charitable and sponsorship programs in the District.

.