PRESS RELEASE
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LUKOIL INTENSIFIES ACTIVITIES IN SOUTHERN FEDERAL DISTRICT OF RUSSIA

Vagit Alekperov, President of OAO LUKOIL, spoke at the All-Russian Forum of Industrialists and Entrepreneurs in Krasnodar today.

Among other things, he emphasized in his speech a considerable natural, industrial and transport potential of the Southern Federal District, which is quickly becoming one of the major economic growth centers in Russia.

LUKOIL is one of the principal investors into the Southern Federal District economy. Over the past five years, the Company's investments in the development of the region's producing, processing and marketing enterprises exceeded RUR 70 billion.

In the forthcoming years the bulk of LUKOIL's investments in the region will be allocated for the development of the Caspian fields and the construction of petrochemical production facilities.

Large-scale exploration has taken place over the past ten years, which made it possible to create a groundwork for production of hydrocarbons in the Caspian and the Azov offshore. Today the Southern Federal District can ensure a full production cycle of a vertically integrated oil and gas company, ranging from crude extraction to production of motor fuel, chemicals and power generation.

Gazprom and Rosneft, state-owned giants, are LUKOIL's partners in the development of the Russian sector of the Caspian Sea. Six fields have been discovered in the North Caspian, the first of which is expected to be commissioned in 2009. The Azov Sea offshore development prospects are also quite optimistic. The very first well drilled here helped discover a hydrocarbon deposit.

Implementation of large-scale production projects will have a positive effect upon the population of the Southern Federal District. The region will have 7 thousand additional workplaces, including 4 thousand at the enterprises involved in the construction of infrastructure, i.e. platforms, pipelines and onshore facilities.

Development of the North Caspian fields will require a construction of 28 platforms; over 1,000 kilometers of pipelines will have to be laid. Oil and gas

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companies are not only prepared to keep the existing steel works running, but can also place enough orders with shipbuilding companies.

Production on the sea shelf will give a powerful impetus to the refining industry in the South of Russia. Refining capacities at the Volgograd refinery are expected to go up to 12 million tons a year. Further upgrading of the refinery is going to make it possible to significantly increase motor fuel production and minimize the output of heavy petroleum products. As early as in 2008 LUKOIL's Volgograd refinery will start producing EURO-3 compliant gasoline.

LUKOIL's enterprises in Volgograd and Budennovsk are expected to be used as the groundwork for construction of new petrochemical production facilities intended to satisfy the region's demand for commercial plastic and to export high-tech products to foreign markets. Furthermore, crude supplies from the Caspian fields will help eliminate shortages of natural gas at the power generation facilities in the Southern Federal District.

Sothern Russia is a perfect place for development of innovative energy-saving technologies. LUKOIL intends to put up here a new generation filling station, unprecedented in Russia, which will be fed by solar energy. It is going to be located in the proximity of Krasnaya Polyana.

Environmental issues have always been of primary concern to LUKOIL during implementation of its projects in the Southern Federal District. Unique environment is one of Southern Russia's major resources. It is no less important to preserve them than to ensure the development of industrial potential in the region.