

PRESS RELEASE
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LUKOIL IS EXPANDING ITS BUSINESS IN URALSKY FEDERAL DISTRICT

The meeting on problems of a fuel and energy complex of the Uralsky federal district and LUKOIL's activities in the region in particular was held today in Ekaterinburg. The representative of the President of Russian Federation in Uralsky federal district Peter Latyshev, other government officials and LUKOIL's president Vagit Alekperov took part in that meeting. Participants sighted acute problems of the fuel and energy complex of the federal district (crisis in Primorie region, in particular) which stipulated the necessity to coordinate actions of the state and oil and energy companies. The participants discussed the possibility of strategic fuel and power reserves creation in each federal district as an effective method of regional fuel crises prevention. Officials mentioned that oil companies working in the given federal district could supply heating oil and other petroleum products in order to assist the creation and maintenance of such reserves.

The meeting declared a creation of a uniform legal and economic environment, balance of interests of business and government and protection of property rights to be major driving force for a regional fuel and energy business development.

Participants of the meeting emphasized that LUKOIL's activity in Uralsky federal district is an important component of economic and social development of the region.

To support and increase oil production in the region LUKOIL plans to invest heavily now and in future. The total amount of annual investment in the region is expected to reach 20-25 billion roubles (USD 678-847 mln.).

In order to increase gas production LUKOIL plans to develop new gas fields, construct and install gas processing facilities and to modernize gas collection systems.

In the of oil refining sector the Company plans to continue reconstruction and modernization of oil refinery in Perm - "LUKOIL-Permnefteorgsintez". By 2004 its depth of refining would improve from 78-79% to 90-92% which is comparable with the European average. Range and quality of refined products will also be improved. The total amount of investment in reconstruction planned for 2005 will reach 15-20 billion roubles (USD 508-678 mln.).

LUKOIL will continue to develop its marketing activity in the Uralky district. Modernization of its gas stations network will be carried according to the Company's standards. New gas stations will also be constructed. The new payment system is to be applied at all LUKOIL's gas stations in the region. The development of franchise business will be continued. The total investment in the sector will exceed 3 billion roubles (USD 100 mln.) in the next five years. "The Uralsky federal district with its natural, scientific and human resources, has a potential for a large-scale social and economic transformation", - the President of JSC "LUKOIL" Vagit Alekperov said.