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LUKOIL AND LENINGRAD REGION GOVERNMENT SIGN COOPERATION AGREEMENT

Today Vagit Alekperov, OAO LUKOIL President, and Valery Serdyukov, Leningrad region Governor, have signed a Cooperation Agreement in Saint Petersburg between the Government of the region and the Company.

Among other things, the document specifies the main trends of the parties' cooperation for further development and upgrading efficiency of the fuel and energy complex in Leningrad region, its production capacity growth, steady fuel and lubricant supply of the region's enterprises, institutions and community, improvement of environmental situation.

The parties also agreed to cooperate in development of the railroad infrastructure near Vysotsk LUKOIL-II, a distribution and transshipment unit, to provide maximum freight turnover. Moreover, the parties plan to cooperate with federal and regional regulatory and inspection authorities to construct the fourth stage of the distribution and transshipment unit Vysotsk LUKOIL-II.

The Government of the region will assist OAO LUKOIL in acquiring land plots for gas stations construction in compliance with the law.

Moreover, the Government proposes a number of amendments in legal acts of Leningrad region, including establishing the income tax rate to be paid in the budget of Leningrad region in the amount of 13.5% (instead of 17.5%) when oil product distribution companies make capital investments. The amount of capital investments however shall not be lower than 50% of the grand total of vested benefits for income tax. The oil product distribution companies on their part assume obligations to finance regional social and sports projects in the amount of at least 50% of the grand total of the vested benefits.

The Agreement shall come into effect the day it is signed by the Parties and remains in force until December 31, 2011. The agreement between the Government of Leningrad region and OAO LUKOIL dated December 10, 1997 ceases to exist the day the new Agreement comes into effect.

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